
October 2006

# 2006 Third Quarter Upper Bracket Market Conditions

To make a political metaphor – the sellers in this real estate market are ready to 'stay the course' while potential purchasers think sellers will 'cut and run' and are cautiously expecting a retreat. We foresee prices flat, with buyers having more sway unless a property really shines. The pool of potential purchasers still remains strong and the local economy vibrant. Even interest rates have come down a bit to help those who actually get mortgages.

| **Washington, DC** Price range | Active listings (Sept 30, 2006) | Sold (6 months ended Sept 30, 2006) | Average Monthly sales | Months of inventory |
|---|---|---|---|---|
| $1.0M – $1.5M | 117 | 207 | 34.50 | 3.39 |
| $1.5M – $2.0M | 61 | 88 | 14.67 | 4.16 |
| $2.0M – $3.0M | 40 | 39 | 6.50 | 6.15 |
| $3.0M – $5.0M | 17 | 15 | 2.50 | 6.80 |
| $5.0M+ | 17 | 6 | 1.00 | 17.00 |

| **Montgomery Cty** Price range | Active listings (Sept 30, 2006) | Sold (6 months ended Sept 30, 2006) | Average Monthly sales | Months of inventory |
|---|---|---|---|---|
| $1.0M – $1.5M | 297 | 334 | 55.67 | 5.34 |
| $1.5M – $2.0M | 121 | 115 | 19.17 | 6.31 |
| $2.0M – $3.0M | 95 | 56 | 9.33 | 10.18 |
| $3.0M – $5.0M | 38 | 13 | 2.17 | 17.54 |
| $5.0M+ | 9 | 2 | 0.33 | 27.00 |

| **Northern Virginia** Price range | Active listings (Sept 30, 2006) | Sold (6 months ended Sept 30, 2006) | Average Monthly sales | Months of inventory |
|---|---|---|---|---|
| $1.0M – $1.5M | 673 | 482 | 80.33 | 8.38 |
| $1.5M – $2.0M | 225 | 110 | 18.33 | 12.27 |
| $2.0M – $3.0M | 151 | 64 | 10.67 | 14.16 |
| $3.0M – $5.0M | 70 | 16 | 2.67 | 26.25 |
| $5.0M+ | 28 | 4 | 0.67 | 42.00 |

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# Upper Bracket Market Conditions

Revised October 2006

- Washington, DC and Montgomery total settled homes thru the third quarter of 2006 are down more than 10% from the prior year. The drop in Northern Virginia is in excess of 20%. Homes priced $1 million and above still represent the top 5-8% of sales in each locality. Upper bracket properties, those homes that would sell at the top 1% of the market, are better pegged at $2.0 million – actually higher in the District and a slightly lower in Northern Virginia. Source: GCAAR and NVAR statistics
- Negotiating strength has shifted from sellers back to the potential purchasers as fewer homes are selling at or above the final list price. Pricing remains a challenge as sellers tend to lag behind the curve in pricing strategy. With homes priced in excess of $1 million, **71%** of sales in the last six months were for below the final list price, combined with **17%** of these homes being re-listed at least once (often with a change in price) and **29%** of these homes having at least one price drop during their current listing period.
- The number of competing homes on the market has stabilized since the second quarter. Monthly sales have remained consistent, albeit slower than we experienced in the last few years. The numerous alternative properties allow purchasers to compare the home they are in to one they saw thirty minutes ago, and even homes that they saw last week or last month that are still on the market. The enormous backlog of properties does not even reflect the many homes being quietly marketed ‘off the market’ or luxury condos and coops as part of new construction or renovation.
- District homes settle more quickly. In all of the price points of this report, homes that actually sold in the District received a contract in 45 days whereas for the homes that sold in Maryland and Virginia took closer to 55 days and 58 days.
- Interest rates and energy costs do not factor in the sale of homes at the top of the market, particularly those in excess of $3.0 million, where substantial down payments are often full payments.
- This quarter, however we shall keep an eye on the November mid-term election.

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# FLASH BACK – 4th Quarter 2005
# Upper Bracket Market Conditions

Cool winter weather, rising interest rates, and real estate market uncertainty have begun to curb demand as home prices climb!

| **Washington, DC** Price range | Active listings (Dec 31, 2005) | Sold (6 months ended Dec 31, 2005) | Average Monthly sales | Months of inventory |
|---|---|---|---|---|
| $1.0M – $1.5M | 61 | 187 | 31.17 | 1.96 |
| $1.5M – $2.0M | 36 | 70 | 11.67 | 3.08 |
| $2.0M – $3.0M | 17 | 43 | 7.17 | 2.37 |
| $3.0M – $5.0M | 15 | 25 | 4.17 | 3.60 |
| $5.0M+ | 15 | 5 | 0.83 | 18.07 |

| **Montgomery Cty** Price range | Active listings (Dec 31, 2005) | Sold (6 months ended Dec 31, 2005) | Average Monthly sales | Months of inventory |
|---|---|---|---|---|
| $1.0M – $1.5M | 140 | 386 | 64.33 | 2.18 |
| $1.5M – $2.0M | 58 | 107 | 17.83 | 3.25 |
| $2.0M – $3.0M | 60 | 45 | 7.50 | 8.00 |
| $3.0M – $5.0M | 25 | 12 | 2.00 | 12.50 |
| $5.0M+ | 5 | 2 | 0.33 | 15.15 |

| **Northern Virginia** Price range | Active listings (Dec 31, 2005) | Sold (6 months ended Dec 31, 2005) | Average Monthly sales | Months of inventory |
|---|---|---|---|---|
| $1.0M – $1.5M | 297 | 633 | 105.50 | 2.82 |
| $1.5M – $2.0M | 104 | 144 | 24.00 | 4.33 |
| $2.0M – $3.0M | 77 | 63 | 10.50 | 7.33 |
| $3.0M – $5.0M | 48 | 19 | 3.17 | 15.14 |
| $5.0M+ | 20 | 3 | 0.50 | 40.00 |

Included for reference – note how between year end and 2006 1st half that active listings have climbed sharply while numbers sold were mostly down or flat.


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# FLASH BACK – 2nd Quarter 2006
# Upper Bracket Market Conditions

**Demand for homes at the top of the market has cooled – likely due to the economic uncertainty of rising oil prices and interest rates, rather than said costs themselves. Combined this with more homes available for sale – the backlog is really significant and denotes a sharp change in market power to the purchasers.**

| **Washington, DC**<br>Price range | Active listings<br>(June 30, 2006) | Sold<br>(6 months ended<br>June 30, 2006) | Average<br>Monthly<br>sales | Months of<br>inventory |
|---|---:|---:|---:|---:|
| $1.0M – $1.5M | 115 | 171 | 28.50 | 4.04 |
| $1.5M – $2.0M | 67 | 71 | 11.83 | 5.66 |
| $2.0M – $3.0M | 40 | 36 | 6.00 | 6.67 |
| $3.0M – $5.0M | 29 | 15 | 2.50 | 11.60 |
| $5.0M+ | 16 | 5 | 0.83 | 19.20 |

| **Montgomery Cty**<br>Price range | Active listings<br>(June 30, 2006) | Sold<br>(6 months ended<br>June 30, 2006) | Average<br>Monthly<br>sales | Months of<br>inventory |
|---|---:|---:|---:|---:|
| $1.0M – $1.5M | 301 | 259 | 43.17 | 6.97 |
| $1.5M – $2.0M | 127 | 96 | 16.00 | 7.94 |
| $2.0M – $3.0M | 119 | 55 | 9.17 | 12.98 |
| $3.0M – $5.0M | 39 | 12 | 2.00 | 19.50 |
| $5.0M+ | 7 | 2 | 0.33 | 21.00 |

| **Northern Virginia**<br>Price range | Active listings<br>(June 30, 2006) | Sold<br>(6 months ended<br>June 30, 2006) | Average<br>Monthly<br>sales | Months of<br>inventory |
|---|---:|---:|---:|---:|
| $1.0M – $1.5M | 670 | 415 | 69.17 | 9.69 |
| $1.5M – $2.0M | 246 | 91 | 15.17 | 16.22 |
| $2.0M – $3.0M | 134 | 55 | 9.17 | 14.62 |
| $3.0M – $5.0M | 66 | 12 | 2.00 | 33.00 |
| $5.0M+ | 30 | 4 | 0.67 | 45.00 |

Included for reference – note how the number of active listings remained consistent between 2nd and 3rd quarter. Solds have made some gains, but absorption of current inventory is slow and we foresee new listings keeping up with sales.