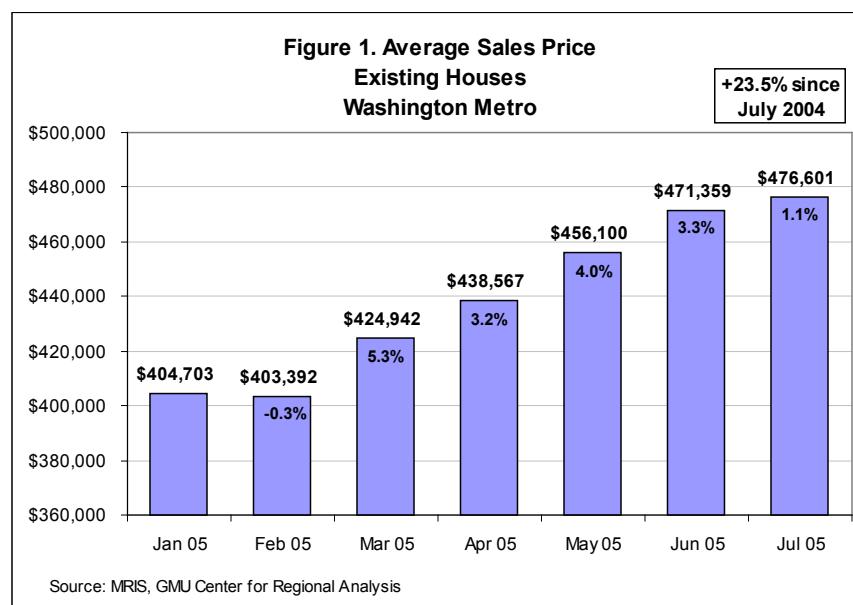


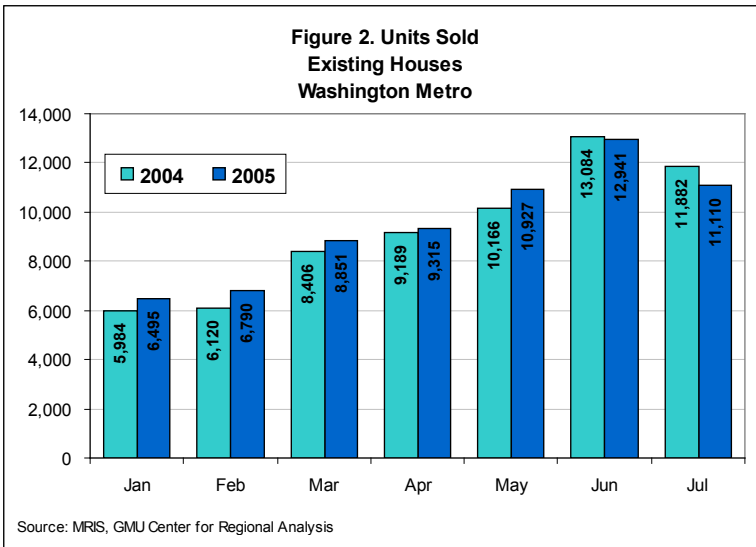
## Housing Market Continues to be Strong in the First Half of 2005

*Housing prices in the Washington metropolitan area have increased dramatically over the past several years and recent data on sales of existing homes indicate that strong growth continues in the first 7 months of 2005. Historically low interest rates and the region's robust job growth continue to fuel demand for housing and create upward pressure on housing prices. Home prices increased by 23.5% between July 2004 and July 2005. The Washington region ranked 4th in terms of increases in housing prices between 2004 and 2005. Many national experts have predicted home price increases to moderate, but data through the first half of the year show few signs of it in the Washington region.*

### January to July 2005 Trends

Home prices in the Washington metropolitan area continued to experience healthy growth in the first seven months of 2005. Between January and July 2005, the average sales price of existing homes in the region rose from \$404,703 to \$476,601, an increase of 17.8% (Figure 1). The annual increases over the past five years have been in the double digits and the most recent data indicate a continuation of that strong growth. The average sales price in July 2005 reflects a 23.5% increase over the July 2004 average.

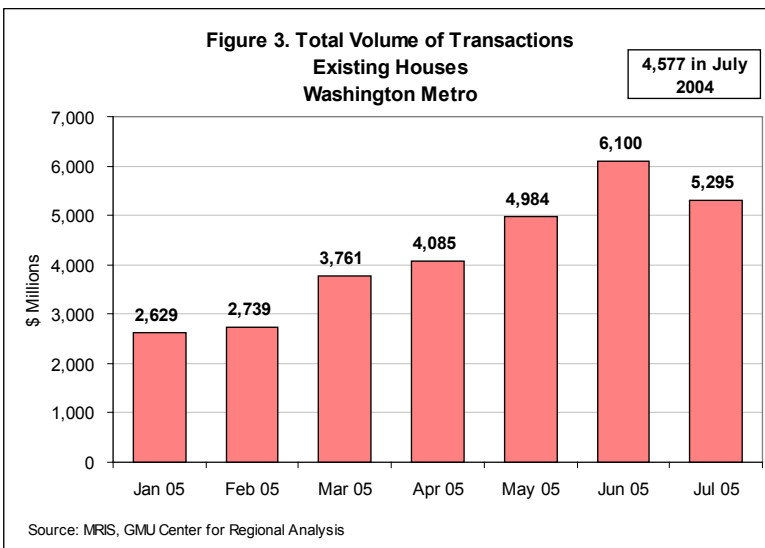




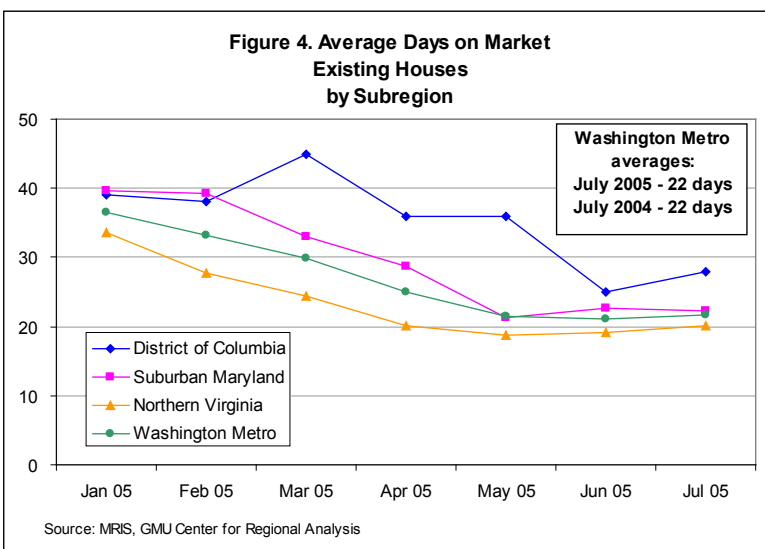
The July 2005 average sales price was highest in the District of Columbia at \$542,684. The average sales price in Northern Virginia surpassed the \$500,000 mark in June and the July 2005 average price was \$503,995. Suburban Maryland experienced the fastest growth in average sales price over the July 2004-July 2005 period and had a July 2005 average sales price of \$427,845 (Table 1).

Home prices climbed by 17.8% between January and July 2005, compared with 16.7% during the period one year earlier (Table 2).

Growth in housing prices in the Washington region has outpaced most other metropolitan areas. Among the 20 largest metro areas in the nation, Washington ranked 4th in terms of price increase between 2nd quarter 2004 and 2nd quarter 2005 and 2nd in terms of the 3-year increase between 2002 and 2005 (Table 3). Price increases in some of the other hot markets are likely being driven to some extent by speculative buying. The Washington region's price growth is being driven by demand generated from continued strong job growth.



The trend in the number of units sold in the first half of the year is remarkably similar to the 2004 trends (figure 2). In July 2005, over 11,000 units were sold. Overall, almost 1,600 more existing homes were sold in the first 7 months of 2005 compared with the first 7 months of 2004. The average monthly number of units sold was 9,490 in 2005 compared with 9,260 in 2004.



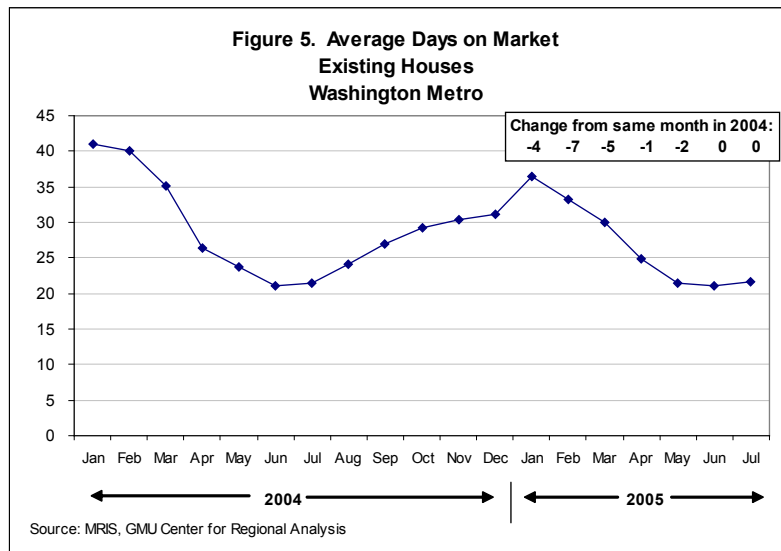
The total volume of sales transactions peaked in June 2005 at over 6.1 billion dollars (Figure 3). At the current pace of sales, it is anticipated that 2005 will experience total sales volume of over 50 billion dollars.

At the same time, the number of days on the market continue to be at historically low levels. In July 2005, the average time on the market was 22 days for the Washington metropolitan area (Figure 4). The average number of days on the market was 28, 22, and 20 for the District of Columbia, Suburban

Maryland and Northern Virginia, respectively. In some Northern Virginia jurisdictions, the average time on the market was even lower: 9 days in Falls Church City, 11 days in Fairfax City, 14 days in Manassas City, and 15 days in Arlington County.

### Are There Signs of a Cooling Off?

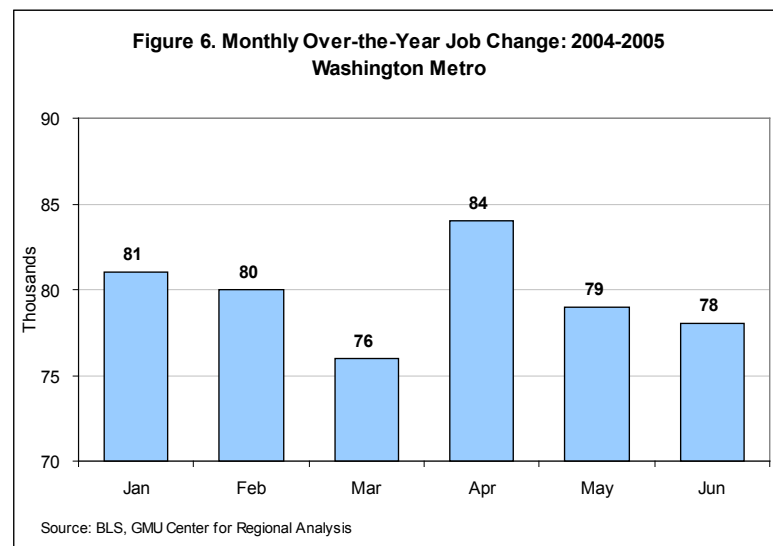
Despite concerns about an “over exuberance” in the national housing market and some regional markets, there appears to be no softening of the Washington metro housing market in the first half of 2005. Between January and July 2004, the average home price increased by 16.7%; in 2005, the increase was 17.8%. The vast majority of Washington area jurisdictions experienced faster rates of growth in home prices in the first 7 months of 2005 compared with 2004.



Furthermore, the number of higher priced homes sold continued to increase. In July 2004, about one-fifth of all homes sold had prices of \$500,000 or more; in July 2005, the figure was over one-third. These figures represent an incredible increase from 1999 when only 4.1% of all homes in the region were sold for \$500,000 or more.

Data on days on the market also indicate the continuation of the strong Washington metro housing market. The average days on the market is cyclical, as shown in Figure 5, but for the first 7 months of 2005, the average days on the market has been less than or equal to the average days on the market for the same months in 2004.

Two of the major driving forces of the housing market are interest rates and jobs. While the Federal Reserve recently raised interest rates—and is likely to do so again at its next session—the increases have not yet been reflected in mortgage rates. The average monthly mortgage rates in 2005 are among the lowest in history and remain on par with the 2004 rates. In July 2005, the average rate for a 30-year fixed rate mortgage was 5.8%, compared with 6.2% in July 2004 (Source: HSH Associates).



The Washington metropolitan area’s strong housing market is directly related to the strength of its economy. The Washington economy has consistently outperformed all other metropolitan areas in the U.S. over the past 5 years. Between January and June 2005, the Washington region gained about 53,000 jobs. No other metropolitan area saw this kind of growth in the first part of 2005. In each month of 2005, the Washington metro area had about 80,000 more jobs than the same month last year (Figure 6).

**Table 1. Average Housing Sales Price: July 2004 vs. July 2005  
Existing Homes**

<b>Area</b>	<b>July 2004</b>	<b>July 2005</b>	<b>Change</b>	<b>% Change</b>
<b>District of Columbia</b>	<b>\$460,600</b>	<b>\$542,684</b>	<b>\$82,084</b>	<b>17.8%</b>
Calvert	\$313,200	\$390,200	\$77,000	24.6%
Charles	\$277,800	\$348,400	\$70,600	25.4%
Frederick	\$289,400	\$347,700	\$58,300	20.1%
Montgomery	\$447,700	\$552,100	\$104,400	23.3%
Prince George's	\$245,900	\$316,000	\$70,100	28.5%
<b>Suburban Maryland</b>	<b>\$343,300</b>	<b>\$427,845</b>	<b>\$84,545</b>	<b>24.6%</b>
Arlington	\$480,000	\$580,000	\$100,000	20.8%
Clarke	\$338,500	\$398,100	\$59,600	17.6%
Fairfax	\$455,500	\$562,600	\$107,100	23.5%
Fauquier	\$417,200	\$487,500	\$70,300	16.9%
Loudoun	\$440,900	\$550,100	\$109,200	24.8%
Prince William	\$329,300	\$436,900	\$107,600	32.7%
Spotsylvania	\$273,400	\$347,900	\$74,500	27.2%
Stafford	\$308,800	\$389,900	\$81,100	26.3%
Warren	\$215,900	\$271,600	\$55,700	25.8%
Alexandria City	\$413,200	\$516,700	\$103,500	25.0%
Fairfax City	\$411,000	\$476,300	\$65,300	15.9%
Falls Church City	\$513,900	\$693,700	\$179,800	35.0%
Fredericksburg City	\$244,900	\$369,400	\$124,500	50.8%
Manassas City	\$285,800	\$369,000	\$83,200	29.1%
Manassas Park City	\$299,300	\$410,211	\$110,911	37.1%
<b>Northern Virginia</b>	<b>\$406,100</b>	<b>\$503,995</b>	<b>\$97,895</b>	<b>24.1%</b>
Jefferson Co WV	\$264,700	\$292,700	\$28,000	10.6%
<b>Washington MSA</b>	<b>\$385,900</b>	<b>\$476,601</b>	<b>\$90,701</b>	<b>23.5%</b>

**Table 2. Average Housing Sales Price: January-July 2004 vs. January-July 2005  
Existing Homes**

Area	January - July 2004		January - July 2005	
	Change	% Change	Change	% Change
<b>District of Columbia</b>	<b>\$44,580</b>	<b>10.7%</b>	<b>\$62,884</b>	<b>13.1%</b>
Calvert	\$27,642	9.7%	\$44,900	13.0%
Charles	\$63,821	29.8%	\$55,200	18.8%
Frederick	\$53,130	22.5%	\$35,300	11.3%
Montgomery	\$51,002	12.9%	\$93,700	20.4%
Prince George's	\$38,559	18.6%	\$51,900	19.7%
<b>Suburban Maryland</b>	<b>\$51,549</b>	<b>17.7%</b>	<b>\$74,764</b>	<b>21.2%</b>
Arlington	\$71,038	17.4%	\$63,600	12.3%
Clarke	-\$12,858	-3.7%	\$11,300	2.9%
Fairfax	\$63,251	16.1%	\$86,600	18.2%
Fauquier	\$83,485	25.0%	-\$26,400	-5.1%
Loudoun	\$41,327	10.3%	\$80,900	17.2%
Prince William	\$45,608	16.1%	\$71,900	19.7%
Spotsylvania	\$42,604	18.5%	\$69,600	25.0%
Stafford	\$62,283	25.3%	\$54,700	16.3%
Warren	\$18,249	9.2%	\$20,600	8.2%
Alexandria City	\$69,354	20.2%	\$84,700	19.6%
Fairfax City	\$80,898	24.5%	\$51,200	12.0%
Falls Church City	\$78,108	15.8%	\$232,300	50.3%
Fredericksburg City	\$48,762	24.9%	\$115,100	45.3%
Manassas City	\$46,635	19.5%	\$67,800	22.5%
Manassas Park City	\$62,137	26.2%	\$100,711	32.5%
<b>Northern Virginia</b>	<b>\$59,400</b>	<b>17.1%</b>	<b>\$73,422</b>	<b>17.1%</b>
Jefferson Co WV	\$48,418	22.4%	\$26,200	9.8%
<b>Washington MSA</b>	<b>\$55,219</b>	<b>16.7%</b>	<b>\$71,898</b>	<b>17.8%</b>

Source: MRIS, GMU Center for Regional Analysis

**Table 3. Changes in Sale Prices of Existing Homes (\$000s)  
20 Largest Metropolitan Areas**

Rank	Metro Area	2002	2004 Q2	2005 Q2	% Change	
					3-Year	1-Year
1	Phoenix	143.8	165.6	243.4	69.3%	47.0%
2	Miami	192.7	282.1	371.6	92.8%	31.7%
3	Minneapolis	185.0	218.0	277.7	50.1%	27.4%
4	Washington	242.3	340.1	429.2	77.1%	26.2%
5	Tampa	133.5	158.2	195.0	46.1%	23.3%
6	Seattle	229.4	258.8	310.3	35.3%	19.9%
7	New York	296.0	382.8	452.7	52.9%	18.3%
8	Baltimore	154.8	225.2	264.7	71.0%	17.5%
9	San Francisco-Oakland	517.1	647.3	726.9	40.6%	12.3%
10	Philadelphia	146.9	188.0	211.0	43.6%	12.2%
11	Los Angeles	290.0	438.4	474.8	63.7%	8.3%
12	San Diego	364.2	559.7	605.6	66.3%	8.2%
13	Chicago	205.1	244.1	263.6	28.5%	8.0%
14	St. Louis	118.7	131.5	141.9	19.5%	7.9%
15	Boston	335.4	392.7	418.5	24.8%	6.6%
16	Atlanta	146.5	156.8	166.5	13.7%	6.2%
17	Dallas	135.2	141.0	149.1	10.3%	5.7%
18	Denver	228.1	241.8	248.4	8.9%	2.7%
19	Houston	132.8	139.2	142.5	7.3%	2.4%
20	Detroit	N/A	168.6	169.2	N/A	0.4%

Source: National Association of Realtors  
N/A = Not Available