

### IT LOOKS LIKE SELLERS HAVE FINALLY DECIDED TO SELL

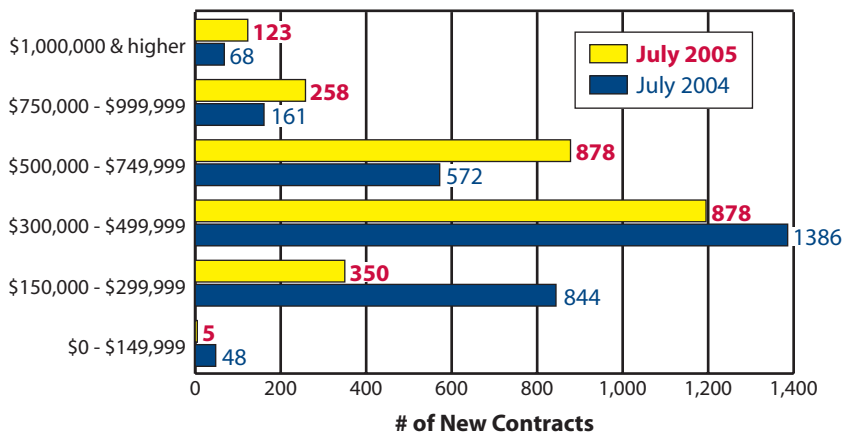
One of the hallmarks of the protracted sellers' market over the last six years has been the historically low inventory of available homes. That is beginning to change.

At the end of July 2005, there were **45% more homes** fully available on the market than there were at the end of July 2004. The total number of available homes was 4,173. That follows a 27% increase at the end of June. That simply means that buyers will have more homes from which to choose as more area homeowners have decided to put their homes up for sale. In addition, as the reader will see below, there were fewer homes that went under contract in July 2005 compared to July 2004, and there has been a decline in year-to-date ratified contracts as well. In July 2004, 15% of all homes going under contract had a price reduction from the original list price before finding a buyer; in July 2005, 20% of homes had reduced prices.

As we noted last month, these are some clear signs that the market is beginning to soften a bit - but only a bit. Remember that throughout most of the 1990s, the typical inventory of available homes in Northern Virginia was in excess of 10,000, so the jump in inventory doesn't mean the scales have tilted totally in favor of buyers. As we note below, prices continue to climb - just not as fast as we have seen over the last couple of years. And while the overall supply of homes is undoubtedly higher than it was this time last year, it is still well below a two month supply. A three to four month supply is usually the benchmark for a "balanced" market - and we're still a long way from that.

#### NEW CONTRACT ACTIVITY

July 2004 vs. July 2005 by Price Range

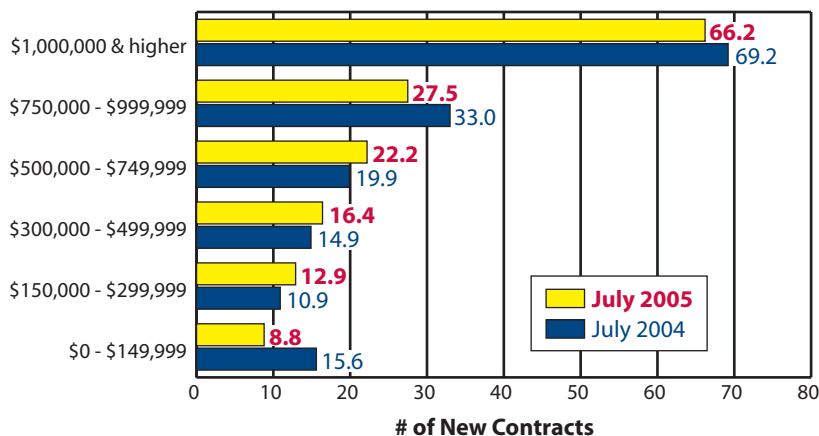


#### NEW CONTRACT ACTIVITY

- In July 2005, the number of homes receiving ratified contracts **dropped by 8.2%** compared to July 2004.
- As noted above, the number of contracts has declined in five of the seven months so far this year, resulting in a year-to-date drop in the number of contracts of 5.1%.
- All of the declines have occurred in homes priced under \$500,000. There was a huge increase in the number of homes selling for more than \$1,000,000.

#### AVERAGE NUMBER OF DAYS ON MARKET

July 2004 vs. July 2005 - New Contracts by Price Range

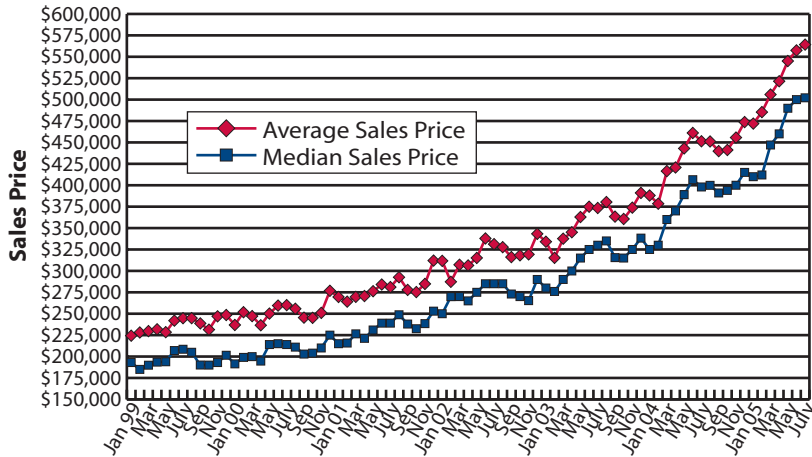


#### AVERAGE NUMBER OF DAYS ON MARKET - New Contracts

- One would think that with a decline in the number of contracts there would also be an increase in time on the market - but that's really not what happened.
- In three of the six price categories, the average time on the market actually decreased - but not by a lot. In the other three categories, there was a modest increase in the time on the market.

## AVERAGE AND MEDIAN PRICE

Northern Virginia - 1999-Current

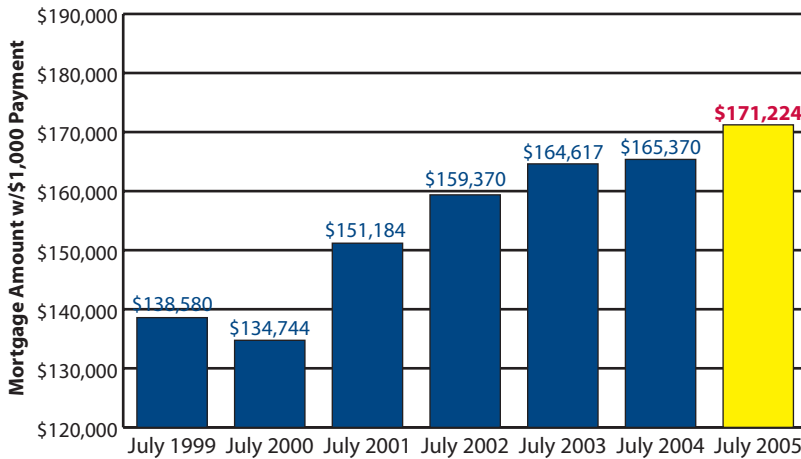


## AVERAGE AND MEDIAN PRICES

- The number of settlements year-to-date has declined 3.6% compared to the first seven months of 2004 - but the modest decrease in demand has had an equally modest impact on home prices.
- The average sales price of homes settling in July was \$564,000, up 13.3% from July 2004. By any measure, that's a big jump - it's just not the 22%-25% we have been seeing the last two years.
- However, the median price did jump 26% to \$502,100, up from \$398,000 in July 2004.

## BUYING POWER

Mortgage Amount with \$1,000 Payment

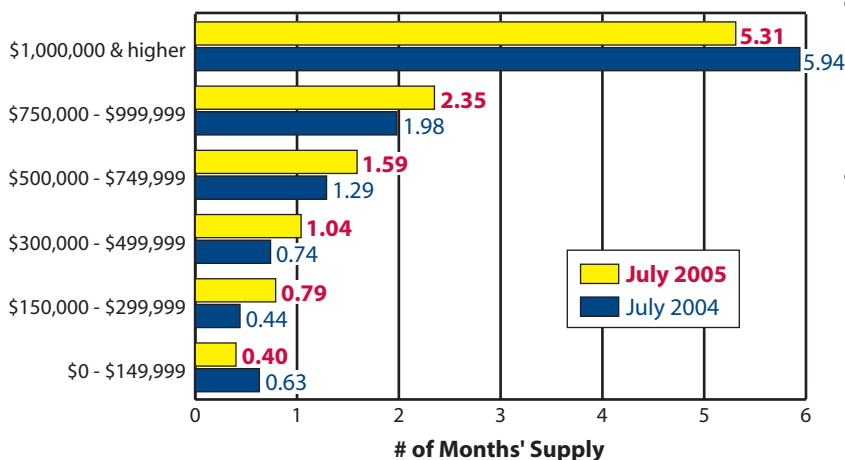


## BUYING POWER

- Continued low mortgage interest rates have certainly helped keep buyers in the game.
- The 30-year fixed rate averaged 5.77% at the end of July, and while that is slightly higher than June 2005, it is the lowest July rate in the last 40 years.
- More buyers are heading toward interest-only mortgages to help ease the impact of rising home prices.

## MONTHS' SUPPLY

July 2004 vs. July 2005 by Price Range



## MONTHS' SUPPLY

- The big jump in the number of listings noted on page one, combined with the modest drop in the number of contracts, has resulted in more overall supply in the market.
- Although the relative supply is actually lower for homes priced over \$1,000,000 and for homes priced under \$150,000, the bottom line is that there was a 1.5 months' supply of homes at the end of July 2005 compared to 0.9 months at the end of July 2004.



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