

“TODAY’S NATIONAL AVERAGE TEMPERATURE WILL BE 49°, DOWN 2° FROM YESTERDAY”

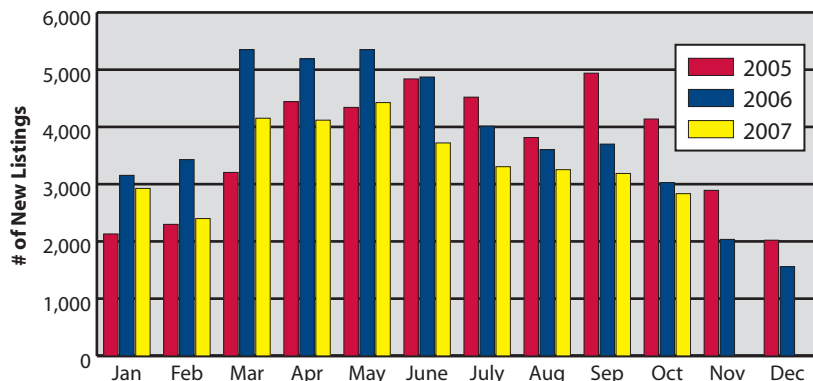
That might be interesting – and even completely accurate - information, but it doesn’t help you know whether to take your coat with you when you go out. In much the same way, the news reports about changes in the national average or median sales price of homes don’t tell you much of anything about what is going on in your city and in your neighborhood. Yet unfortunately, those indicators seem to be the ones that draw the most attention from the media.

So what should you look for to know when the “weather” of the real estate market is changing? We recently heard an update from the current Chief Economist of the National Association of REALTORS®, Dr. Lawrence Yun, and a former Chief Economist of NAR, Dr. John Tucillo. They keep their eyes on three main indicators to know when a market is stable, improving or sliding: 1. The number of new listings coming on the market; 2. The average days on the market for homes sold; and 3. The relationship between the sales price of homes compared to their original list price.

If the number of listings coming on the market is declining, it is likely to be the first sign of an improving market. If homes are selling more quickly than in previous months, that’s a sure sign of things getting better, and not surprisingly, if homes are selling closer to their list price the market is headed up as well. We’ve added two more: 1. The pace of new contract activity; and 2. The overall supply of homes relative to demand. And it won’t surprise the frequent reader of this space that some submarkets in our region are faring better than others.

NEW LISTINGS BY MONTH

Northern Virginia - 2005-Present

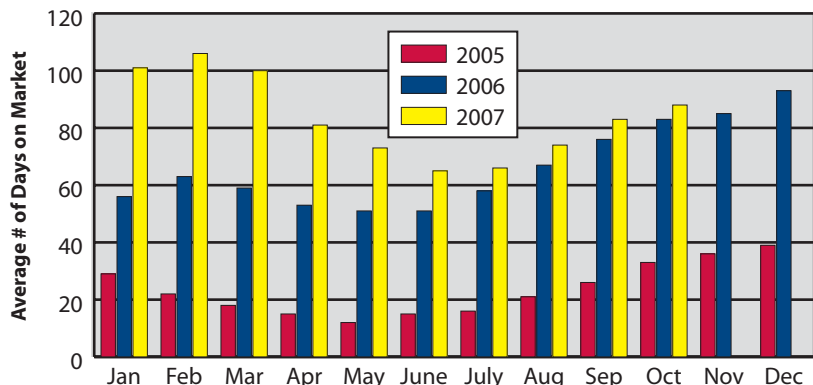


NEW LISTINGS BY MONTH

- In the immediate Northern Virginia area, every month since July 2006 has seen a drop in the number of new listings coming on the market compared to the same month of the previous year.
- As noted above, that is likely the first indicator of an improving market. In much the same fashion, the soaring number of new listings beginning in the summer of 2005 was the first harbinger of a dramatic softening in the market.

DAYS ON MARKET FOR SOLD PROPERTIES

Northern Virginia - 2005-Present

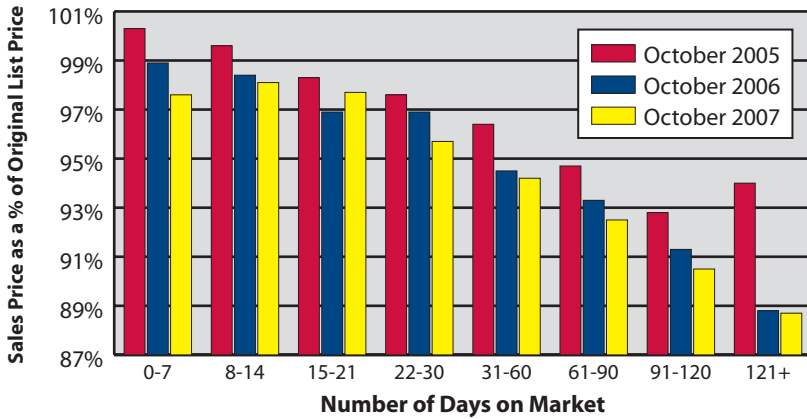


DAYS ON MARKET FOR SOLD PROPERTIES

- The average number of days a home is on the market before receiving an acceptable offer continues to be higher each month than the same month of the previous year, indicating that the market still has not recovered.
- However, the gap is narrowing considerably, and we expect that the days on market will improve by mid-spring.

RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON MARKET

Resale Properties Sold in Northern Virginia - October 2005, 2006 & 2007

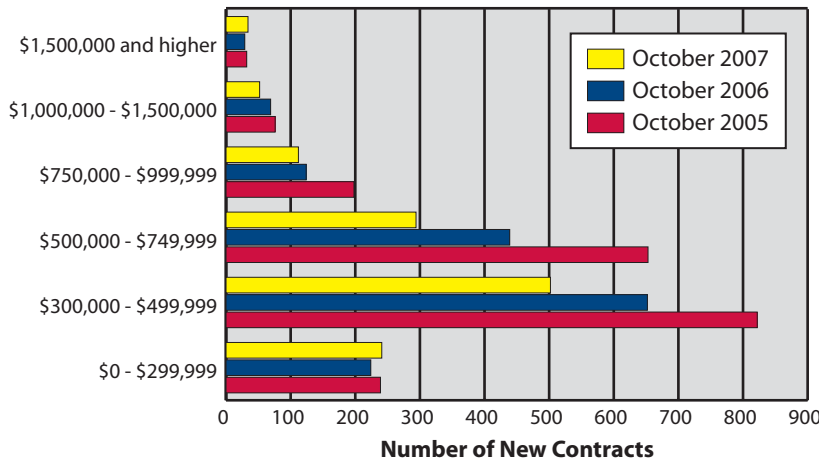


RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON MARKET

- In general, homes are still selling at a deeper discount to their original list price than they were in the same month of the previous year, another indication that the market has a ways to go before recovery.
- And as the chart indicates, in good markets and softer markets, the longer a home is on the market, the bigger hit it is likely to take.

NEW CONTRACT ACTIVITY

Northern Virginia - October 2005, 2006 & 2007 by Price Range

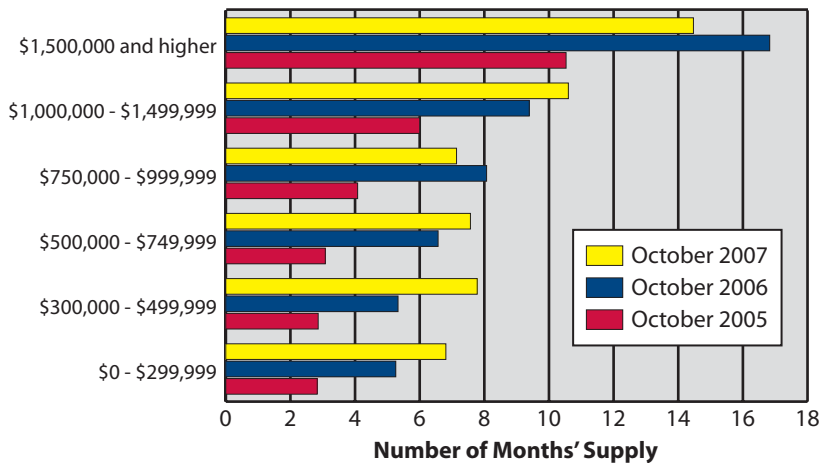


NEW CONTRACT ACTIVITY

- In general, contract activity is lower than this time last year, and it is considerably lower than it was in 2005.
- Overall contract activity year-to-date in Northern Virginia is off almost 12%, but it has actually increased in the lowest and highest price categories. In fact, the upper bracket market has held up much better than the market in general.
- While it will be long time before we see contract activity comparable to that of 2005, we do expect improvement in contracts by late spring of 2008.

MONTHS' SUPPLY

Northern Virginia - October 2005, 2006 & 2007 by Price Range



MONTHS' SUPPLY

- The "supply" is simply the number of homes on the market at the end of a given month, divided by the number of ratified contracts in that same month. By that measure, the market recovery is a bit of a mixed bag.
- The relative supply is actually less now than this time last year in two of the six price categories, and once again, the upper bracket is performing better than lower priced homes.



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