

10 Reasons the Local Homes Market Likely to Remain Vigorous

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Top Ten Reasons To Be Optimistic About Northern Virginia's Housing Market:

We don't have David Letterman's comedy writers and, for us, real estate is serious business. But we like Dave's countdown format, so here are the top ten reasons to be optimistic about Northern Virginia's housing market:

10. The softening of the market. Believe it or not, that's a good thing. There is no doubt that the market is slower and softer in every respect when compared to the last several years. The 20- to 25-percent appreciation rates were not sustainable. And the longer they continued, the harder the fall would be. (More on this topic below.)

Markets seek balance,

and that is precisely what this market is doing. The pendulum has swung in favor of buyers, and that is good for the long-term health of the region's housing market.

9. The media. OK, this may seem a bit tongue-in-cheek, but area homeowners should rejoice every time the national media and even local media predict doom and gloom for area housing – because they have so often been wrong. The relentless drumbeat of negativity seems almost totally disconnected from reality. Our current favorite: Forbes predicts that the median price of a home in metro D.C. will increase only 3 percent over the next ten years.

Not 3 percent annually, mind you. A total of 3 percent. In the best regional economy in the country.

8. History. The compounded average annual increase in the average

Continued on Page 7

Over the Long Haul, Our Real Estate Market Will Hold Up Well

Continued from Page 6

sales price of a home in the metro D.C. area over the last 30 years is 7 percent. (Forbes, are you paying attention?) Seven percent is normal; 7 percent is sustainable. We won't see that in 2006, but an individual's housing decision should be a long-term decision. Feel good about owning a home here – unless you have to sell right now.

7. Income. Three of the 10 wealthiest counties as measured by median household income in the United States are in Northern Virginia: Loudoun (No. 1), Fairfax (No. 2), and Prince William (No. 7). The entire D.C. region ranks second only to San Jose, Calif., in median income, and we have the lowest regional poverty rate in the country – 7 percent. That means we have a stable, broad-based economy.

6. Virginia. Virginia is one of a handful of states with a AAA bond rating and continues to attract businesses – and jobs – from all over the world. The state not only has a huge number of well-paying white collar jobs, but with Hampton Roads among the busiest seaports in the United States, the state also has a

huge industrial base. The future for the Commonwealth looks very good.

5. Northern Virginia. We are the economic engine of Virginia. The pace of commercial development is accelerating; we have the lowest office vacancy rates in the country. Our local "downtown" – Tysons Corner – has more office space and more jobs than the downtowns of most major metropolitan areas.

The emerging town center developments throughout the region will create more jobs closer to major transportation arteries.

Rail to Dulles will help fuel and sustain the region's growth. (More on transportation issues later.)

4. Interest Rates. Mortgage interest rates are already low and have been trending slightly lower over the last couple of months. Yes, they were a full point lower in the spring of 2005, and the rise in rates contributed to the slowing of the market. A brief historical note: McEneaney Associates was founded in 1980 when mortgage interest rates topped 17 percent, and people still bought and sold homes. Today's rates look pretty darn good.

3. Federal spending. Although

the pace of growth in federal spending in the region has slowed compared to the first half of the decade, Northern Virginia still receives more than 50 cents of every federal dollar spent in the region, and federal jobs and federal spending provide a very strong foundation for our broad-based economy.

2. Demographics. We still have net migration to the area, and we are forming households at a pace that exceeds the number of new housing units being built.

And, while in the transitioning market we are seeing an increase in rentals and a decrease in sales activity, people still have to have a place to live.

1. Jobs. The region has the lowest unemployment rate in the country – 3.5 percent – and Northern Virginia's is lowest in the region – right around 2 percent.

We continue to create jobs at a significant pace. Here's just one example: 22,000 new jobs will be coming to Fort Belvoir over the next five years, the equivalent of a new Pentagon coming to the I-95 corridor. And these jobs, by and large, will be well-paying, highly technical jobs.

This is our passionately held conviction: there is no better place in the United States to own a home than in

this metropolitan area, and Northern Virginia is the best place in the region.