What Are the Current Condition and Prospects of the Northern Virginia Real Estate Markets?

Presented by
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Current RE Conditions in Northern Virginia

• We will consider both the residential and commercial real estate markets in Northern Virginia.
• For our purposes Northern Virginia is defined as the following counties:
  – Alexandria City
  – Arlington
  – Fairfax
  – Loudoun
  – Prince William
• One conclusion is that current conditions suggest that these RE markets are improving.
• But forecasts suggest that the future may not be as bright as current conditions suggest.
Current RE Conditions in DC MSA

House Prices Have Recovered, but Remain At 2004 Levels

Home Price Index (LoanPerformance) Forecasting Model v1.0

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Current RE Conditions in DC MSA

Sales of Existing Homes Is Still Not Meaningfully Recovering

Existing Home Sales
Current RE Conditions in DC MSA

Employment Growth Has Remained Sluggish

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Current RE Conditions in Northern Virginia

Northern Virginia Has Shown Some Recovery In House Sales and Prices

Alexandria, Arlington County, Fairfax County, Fairfax City and Falls Church
**Current RE Conditions in Greater Northern Virginia**

A similar picture for the Greater Northern Virginia Region.

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>December 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Sales Price</strong></td>
<td>(+3.12%) $407,690</td>
<td>$395,368</td>
</tr>
<tr>
<td><strong>Year To Date</strong></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td><strong>YTD Homes Sold</strong></td>
<td>(-10.50%) 31,023</td>
<td>34,661</td>
</tr>
<tr>
<td><strong>YTD Sales Volume</strong></td>
<td>$12,489,270,750</td>
<td>$12,468,712,630</td>
</tr>
<tr>
<td><strong>YTD Average Sales Price</strong></td>
<td>(+11.91%) $402,581</td>
<td>$359,733</td>
</tr>
</tbody>
</table>

*EDITOR’S NOTE: Figures are based on data extracted from the Metropolitan Regional Information System, Inc (MRIS). Figures include data collected from Fairfax County, City of Fairfax, Arlington County, Alexandria, Town of Falls Church, as well as Prince William, Loudoun, Fauquier, Culpeper, Madison, Orange, and Rappahannock counties. Ground Rent units are included in Condos & Co-ops. The information is deemed reliable but not guaranteed. Data maintained by MRIS and does not reflect all real estate activity in the market. Median sales price data unavailable for Greater Northern Virginia region.*
Current RE Conditions in Northern Virginia: Loudoun County

Loudoun County Was Hard Hit, But Is Showing Some Recovery

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Values</th>
<th>YoY</th>
<th>MoM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sold Dollar Volume</td>
<td>$146,847,732</td>
<td>-9.69%</td>
<td>+4.72%</td>
</tr>
<tr>
<td>Closed Sales</td>
<td>374</td>
<td>-9.44%</td>
<td>+8.09%</td>
</tr>
<tr>
<td>Median Sold Price</td>
<td>$352,250</td>
<td>-0.77%</td>
<td>-4.27%</td>
</tr>
<tr>
<td>Avg Sold Price</td>
<td>$392,641</td>
<td>-0.28%</td>
<td>-3.12%</td>
</tr>
<tr>
<td>Avg Days on Market</td>
<td>68 days</td>
<td>+17.24%</td>
<td>+7.94%</td>
</tr>
<tr>
<td>Avg Sold to Avg List Ratio</td>
<td>94.74%</td>
<td>-0.46%</td>
<td>-0.04%</td>
</tr>
</tbody>
</table>

A Double Dip?
### Prince William County Was Harder Hit, But Is Showing Modest Recovery

#### Current RE Conditions in Northern Virginia: Prince William County

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Values</th>
<th>YoY</th>
<th>MoM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sold Dollar Volume</td>
<td>$121,197,747</td>
<td>-8.59%</td>
<td>+0.5%</td>
</tr>
<tr>
<td>Closed Sales</td>
<td>449</td>
<td>-11.96%</td>
<td>+5.15%</td>
</tr>
<tr>
<td>Median Sold Price</td>
<td>$235,750</td>
<td>+0.32%</td>
<td>-5.7%</td>
</tr>
<tr>
<td>Avg Sold Price</td>
<td>$269,928</td>
<td>+3.82%</td>
<td>-4.43%</td>
</tr>
<tr>
<td>Avg. Days on Market</td>
<td>50 days</td>
<td>+42.86%</td>
<td>-1.96%</td>
</tr>
<tr>
<td>Avg Sold to Avg List Ratio</td>
<td>96%</td>
<td>-0.3%</td>
<td>+1.44%</td>
</tr>
</tbody>
</table>

A Double Dip?
Summary of Current RE Conditions in Northern Virginia

Although the local housing market was one of the best performers in the nation during 2010, sales volume was still down from 2009 in most jurisdictions. Prices recorded gains in much of the area, especially Prince William County, which was hit early—and severely—by foreclosures. Maryland counties, especially Prince George’s, felt the downturn later and are slower to recover. (Washington Post, 2011)
Forecast: RE Conditions in Northern Virginia: Arlington County

House Prices Forecast to Increase by 7%, But Are At 2004 Levels

Home Price Index (LoanPerformance) Forecasting Model v1.0

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House Prices Forecast to Double Dip by -2.5% From Current 2004 Levels

Forecast: RE Conditions in Northern Virginia: Fairfax County

Employment and DPI growth are slowing.
House Prices Forecast to Rise by 3.0% From Current 2004 Levels

Home Price Index (LoanPerformance) Forecasting Model v1.0

Employment and DPI growth are slowing.
House Prices Forecast to Rise by 6.0 % From Current 2003 Levels

Employment and DPI growth are slowing and Existing House Sales are down.
Northern Virginia residential real estate markets are recovering from the depressed state after the real estate collapse. However, prices remain at 2004 levels.

The recovery is slow and varies from county to county.

1. Fairfax County appears to have recovered best and Prince William County, the hardest hit, has only shown modest recovery.

2. Loudoun County is recovering better than Prince William from a deep recession.

Forecasts of housing prices for each county also show different behavior.

1. Fairfax and Loudoun counties may be experiencing a double dip by late 2011 as prices rise until then.

2. Arlington and Prince William counties may escape a double dip.

In all counties, existing home sales, employment and disposable personal income are slowing leaving each vulnerable to a slowing demand for housing. This can only put downward pressure on prices.

The hidden factor is the rate of foreclosures that have been large in Prince William and Loudoun and been held down by lenders’ foreclosure problems.
The office market in Fairfax County is beginning to show some recovery. Vacancy rates have fallen slightly in 2010 and Relet Space available has declined slightly. However, these are very modest improvements with new construction at a virtual standstill. This may turn out to be similar to the late 1980s and early 1990s when it took 6 years for vacancy rates to fall below 10%.

Source: Fairfax County Development Authority, November 2010. www.FairfaxCountyEDA.org
Current Commercial RE Conditions in Northern Virginia

New Office building construction is depressed. It now is down in the range not seen since 1992 and could continue to be very slow through 2012. Compared to the 6-7 year drought experienced from 1992 to 1998, the decline in new construction could continue through 2015.

Source: Fairfax County Development Authority, November 2010. www.FairfaxCountyEDA.org
1. There is no significant evidence that the commercial real estate market is turning around with any vigor.

2. Like the residential market, the underlying driving forces for recovery are weak, even with the Federal Government presence. The stimulus from this source has already taken place. What is likely to occur is a slowdown in Federal spending given the huge, unprecedented and unsustainable deficit that now exists.

3. From history, without a major stimulus it may take 5 to 7 years from the peak to see a meaningful recovery. That would be between 2013 to 2015.
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The End

Thank you and Questions

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