



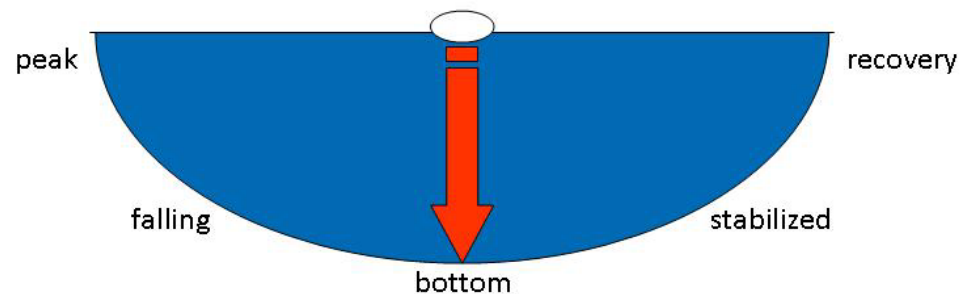
**FultonResearch**  
*Real Estate Advisors*

## ***RESIDENTIAL MARKET TRENDS***

**A review of key factors affecting the  
WASHINGTON – BALTIMORE REAL ESTATE MARKETS**

**May 2009**

### **Housing Market Meter**



**FULTON RESEARCH, INC.**  
11350 Random Hills Road  
Suite 330  
Fairfax, VA 22030  
703.385.3115 Phone  
703.383.1215 Fax  
[www.fultonresearch.com](http://www.fultonresearch.com)

**Table of Contents**

A Note from Dan Fulton.....	3
Resale Market Performance .....	4
Washington Metro Area - NoVA, WDC, Suburban MD.....	5
Sales Volume - Washington Metro Area.....	6
Baltimore Metro Area.....	7
County Month Supply of Inventory Analysis – NOVA, WDC, Suburban MD .....	8
County Month Supply of Inventory Analysis – Baltimore Area and Suburbs .....	9
Price Pressure Indicator .....	10
Employment.....	12
Consumer Confidence.....	13
Permit Activity.....	14
Interest Rates.....	15
Outlook .....	16
Applying FR Market Intelligence.....	17
FR Products and Services .....	18

## A Note from Dan Fulton

As I write the May 2009 edition of **RESIDENTIAL MARKET TRENDS**, I see encouraging signs that the housing market is progressing along the bottom. In the Washington metro area, prices are stabilizing, sales are steady and listing inventory is declining in the closer-in and some of the outer markets. Unfortunately, the Baltimore metro area housing market is performing worse than it did in 2008 and the area is suffering from significant job losses. I'm watching for a year-over-year improvement of sales and inventory levels which will be our signal that Baltimore's housing market is improving.

NAIOP, the Commercial Real Estate Development Association, recently held its 27th Annual Bus Tour of Northern Virginia Office Properties. Developers and brokers of commercial real estate were given a guided tour of the most active office markets in the closer-in markets of Northern Virginia. Residential developers should take note of the employment growth centers in Northern Virginia. They include: (1) the coming Metro-accessible Tyson's Corner which will see a significant increase in density as it becomes a transit-oriented submarket; (2) the re-developed Merrifield submarket as a transit-oriented Town Center, which includes an improved interchange to the Capital Beltway; and (3) the growth of Springfield as a Department of Defense-oriented employment center, with the catalyst being the movement of approximately 12,000 military and civilian personnel to Fort Belvoir by 2011. Redevelopment of Springfield Mall won approval and is planned for millions of square feet of new office, retail, hotel, and 2,200 new residential units. We were told that ING Real Estate's MetroPark office complex in Springfield was one of its lender's best performing projects on the east coast.

With construction occurring on the Beltway in Northern Virginia, *Transportation Improvements* are the **Story of the Month**. After decades of planning, the regional highway infrastructure has received much-needed improvements to the Springfield Interchange and Woodrow Wilson Bridge that doubled in size. While those projects are mostly complete, construction is underway for the Metrorail through Tyson's Corner and new High Occupancy Toll Lanes (HOT Lanes) along the Beltway extending from Springfield nearly to the American Legion Bridge. The \$1.9 billion HOT-Lane project will add four lanes to the Capital Beltway and will develop or refurbish 50 interchanges and overpasses along the way. Additionally, new off-ramps and access points will improve the accessibility to Tysons Corner and Merrifield.

Regionally, the employment situation is worsening. There are 160,000 fewer people employed in March 2009 than one year prior. As a lagging indicator of economic conditions, the employment number is expected to get worse before it gets better next year. However, for those opportunistic home buyers who are able and willing to purchase, the appeal of tax credits, low interest rates, and low home prices are too good to pass up. Also supporting the notion that the economy is at the bottom of this cycle, national consumer confidence statistics for "expectations of economic conditions six-months hence" have increased substantially, which is a positive indicator for the housing industry.

Please call to discuss this report or Fulton Research advisory services. We have a staff of highly trained advisors that want you to succeed. You can reach me at 703.385.3116.

All the Best!!

A handwritten signature in blue ink that reads 'Dan Fulton'.

**Definitions**

**Months supply of Inventory (MSI):** Listings/monthly sales  
**# Listings:** Active listings at month's end  
**# Monthly Sales:** Closings for the month

## Resale Market Performance

- Listings, sales and months-supply of inventory

Changes in **Month's Supply of Inventory (MSI)** were mixed in April. NVAR, Prince George's and Howard Counties declined 9-12 percent on strong sales. Charles, Anne Arundel and Harford County saw MSI rise on slow sales and an increase in listings. Baltimore area inventory is still higher than April 2008.

The number of **active listings** increased 2 to 5 percent in all counties, except for Charles and Prince George's. Compared to April 2009, listing inventory is down 23 to 52 percent in the Virginia markets, while the number of active listings is down 2 to 12 percent in the Baltimore markets.

**Sales numbers** increased from March to April in all but four of the markets surveyed. Howard County registered the greatest increase, with 16 percent more sales, followed by Prince George's and NVAR with a 12 percent increase in sales from March. Charles, Harford and Prince William County all had fewer sales in April than in March.

### Resale Market Sales, Listings, and Inventory

MARKET AREA	Washington Metro							Baltimore Metro				
	NVAR*	LOUDOUN	PRINCE WILLIAM	MONT-GOMERY	CHARLES	PRINCE GEORGES	WASH D.C.	BALT. AREA**	BALTIMORE CO.	HOWARD	HARFORD	ANNE ARUNDEL
<b>Months Inventory</b>												
Apr-08	7.35	8.45	9.36	9.30	14.15	20.21	9.83	10.37	8.33	8.51	10.64	10.86
Mar-09	5.83	6.55	3.95	8.22	13.53	18.38	9.03	11.86	10.45	9.51	12.16	11.51
Apr-09	5.33	6.54	3.95	7.81	14.34	16.13	9.00	11.48	10.21	8.60	14.08	11.97
<b>Month change</b>	<b>-9%</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>6%</b>	<b>-12%</b>	<b>0%</b>	<b>-3%</b>	<b>-2%</b>	<b>-10%</b>	<b>16%</b>	<b>4%</b>
<b>Y-over-Y Change</b>	<b>-27%</b>	<b>-23%</b>	<b>-58%</b>	<b>-16%</b>	<b>1%</b>	<b>-20%</b>	<b>-8%</b>	<b>11%</b>	<b>23%</b>	<b>1%</b>	<b>32%</b>	<b>10%</b>
<b>Listings Per Month</b>												
Apr-08	10,699	3,574	6,905	6,584	2,198	7,497	3,619	20,137	4,555	1,999	2,086	4,563
Mar-09	8,069	2,324	3,499	5,338	1,813	6,985	3,602	18,321	4,379	1,683	1,812	4,052
Apr-09	8,234	2,421	3,341	5,528	1,786	6,840	3,755	18,728	4,453	1,762	1,929	4,202
<b>Month change</b>	<b>2%</b>	<b>4%</b>	<b>-5%</b>	<b>4%</b>	<b>-1%</b>	<b>-2%</b>	<b>4%</b>	<b>2%</b>	<b>2%</b>	<b>5%</b>	<b>6%</b>	<b>4%</b>
<b>Y-over-Y Change</b>	<b>-23%</b>	<b>-32%</b>	<b>-52%</b>	<b>-16%</b>	<b>-19%</b>	<b>-9%</b>	<b>4%</b>	<b>-7%</b>	<b>-2%</b>	<b>-12%</b>	<b>-8%</b>	<b>-8%</b>
<b>Sales Per Month</b>												
Apr-08	1,455	423	738	708	114	371	368	1,942	547	235	196	420
Mar-09	1,384	355	885	649	92	380	399	1,545	419	177	149	352
Apr-09	1,544	370	845	708	86	424	417	1,632	436	205	137	351
<b>Month change</b>	<b>12%</b>	<b>4%</b>	<b>-5%</b>	<b>9%</b>	<b>-7%</b>	<b>12%</b>	<b>5%</b>	<b>6%</b>	<b>4%</b>	<b>16%</b>	<b>-8%</b>	<b>0%</b>
<b>Y-over-Y Change</b>	<b>6%</b>	<b>-13%</b>	<b>14%</b>	<b>0%</b>	<b>-25%</b>	<b>14%</b>	<b>13%</b>	<b>-16%</b>	<b>-20%</b>	<b>-13%</b>	<b>-30%</b>	<b>-16%</b>

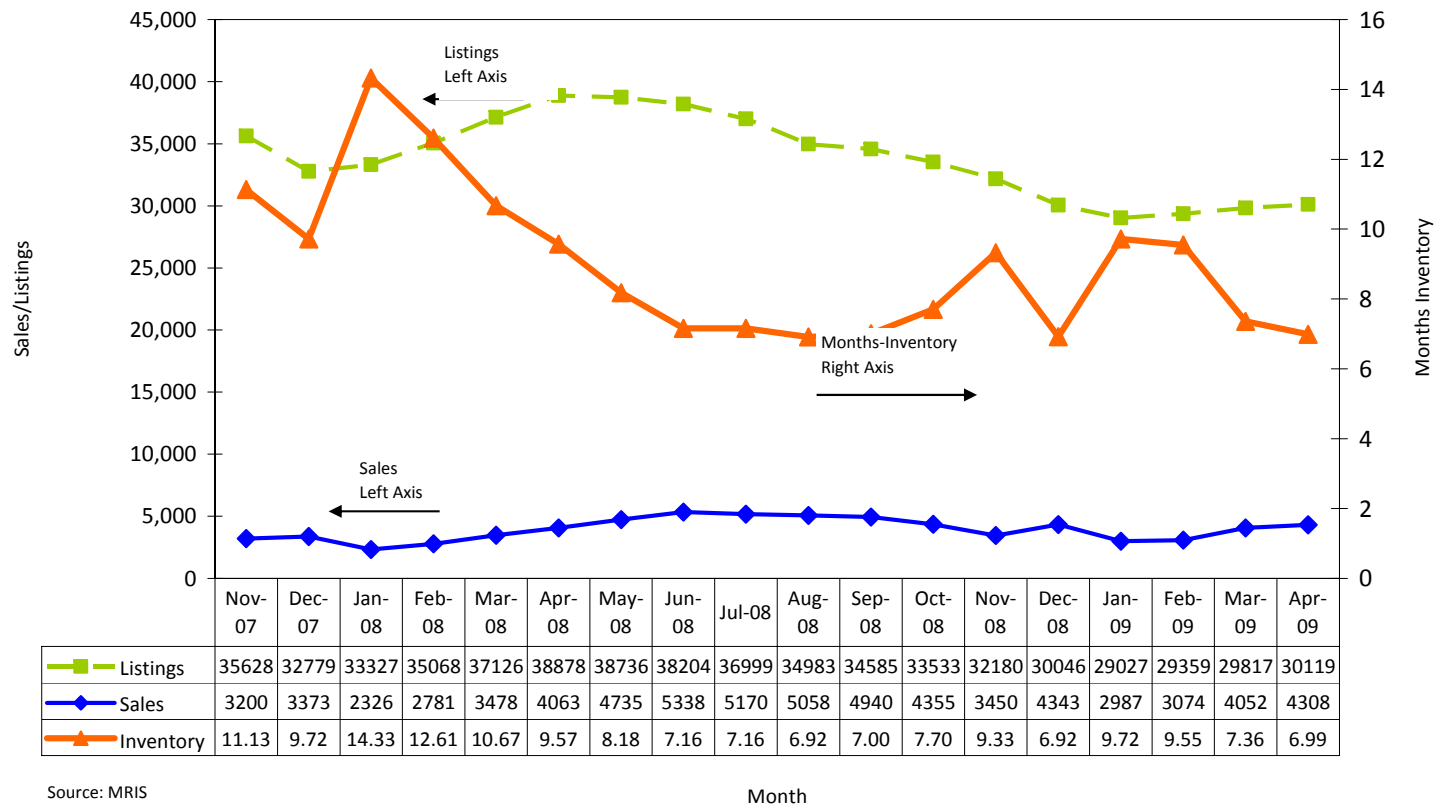
\* NVAR encompasses Fairfax County, Fairfax City, Arlington County, Alexandria City, & Falls Church City, VA.

## Washington Metro Area - NoVA, WDC, Suburban MD

The Metro Washington existing home market strengthened, with inventory levels dropping below 7 percent in April.

- Sales numbers increase 6 percent from March to reach 4,308 units.
- The number of active listings on the market stayed stable, only increasing 1 percent from March to April. This inventory level is 23 percent lower than April 2008.
- MSI levels dropped to 6.99 months, more than 27 percent lower than April 2008.

Metro WDC Existing Home Market Performance  
Listing Inventory, Sales, and Month Supply of Inventory (MSI)  
(ARL, ALEX, FCH, FFX, LOU, PWC, MON, PGC) - 18 Month Analysis

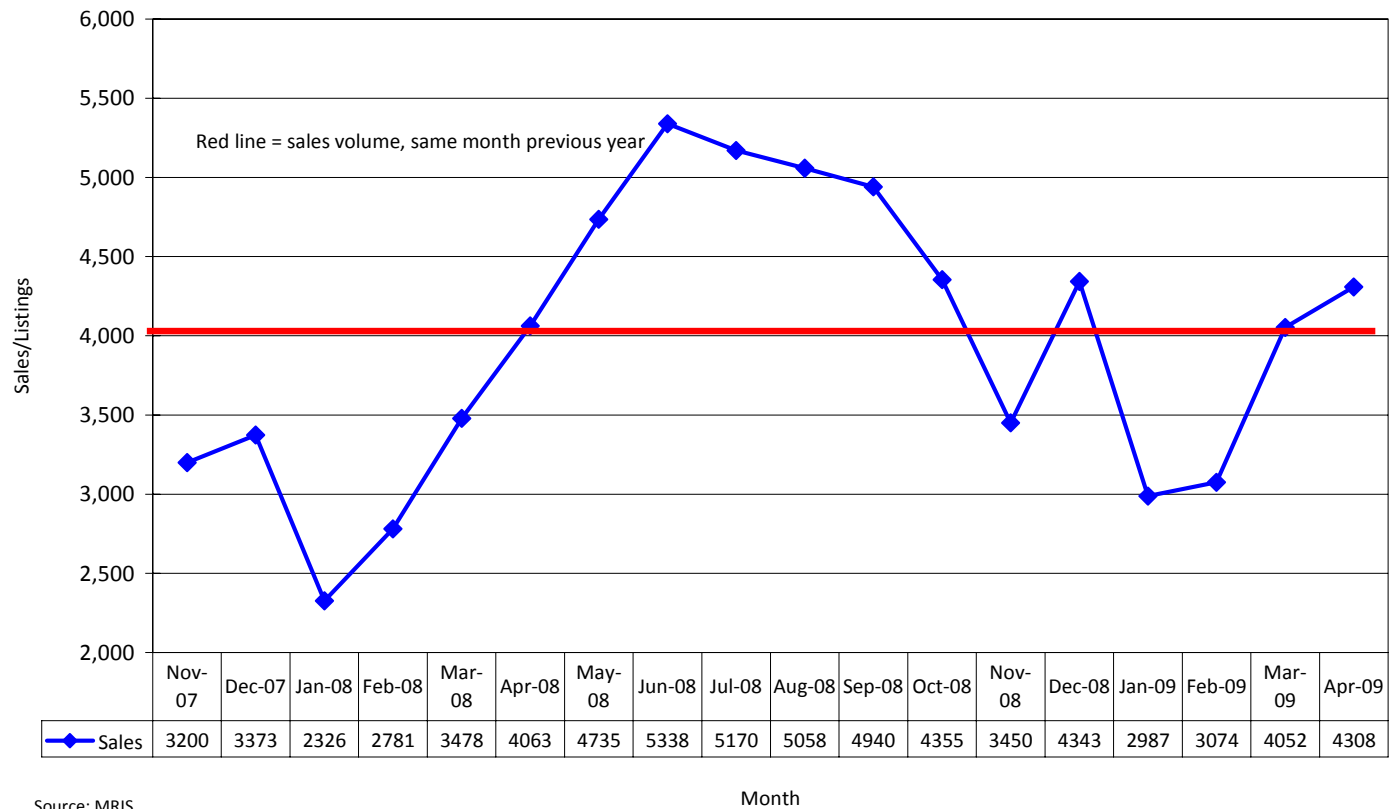


### Sales Volume - Washington Metro Area

The number of sales per month in the Washington market is trending up from an 18-month low of 2,326 sales in January 2008 and another January trough of 2,987 units in 2009.

- Sales activity continues to beat the previous years' level.

Metro WDC Sales Volume  
(ARL, ALEX, FCH, FFX, LOU, PWC, MON, PGC) - 18 Month Analysis



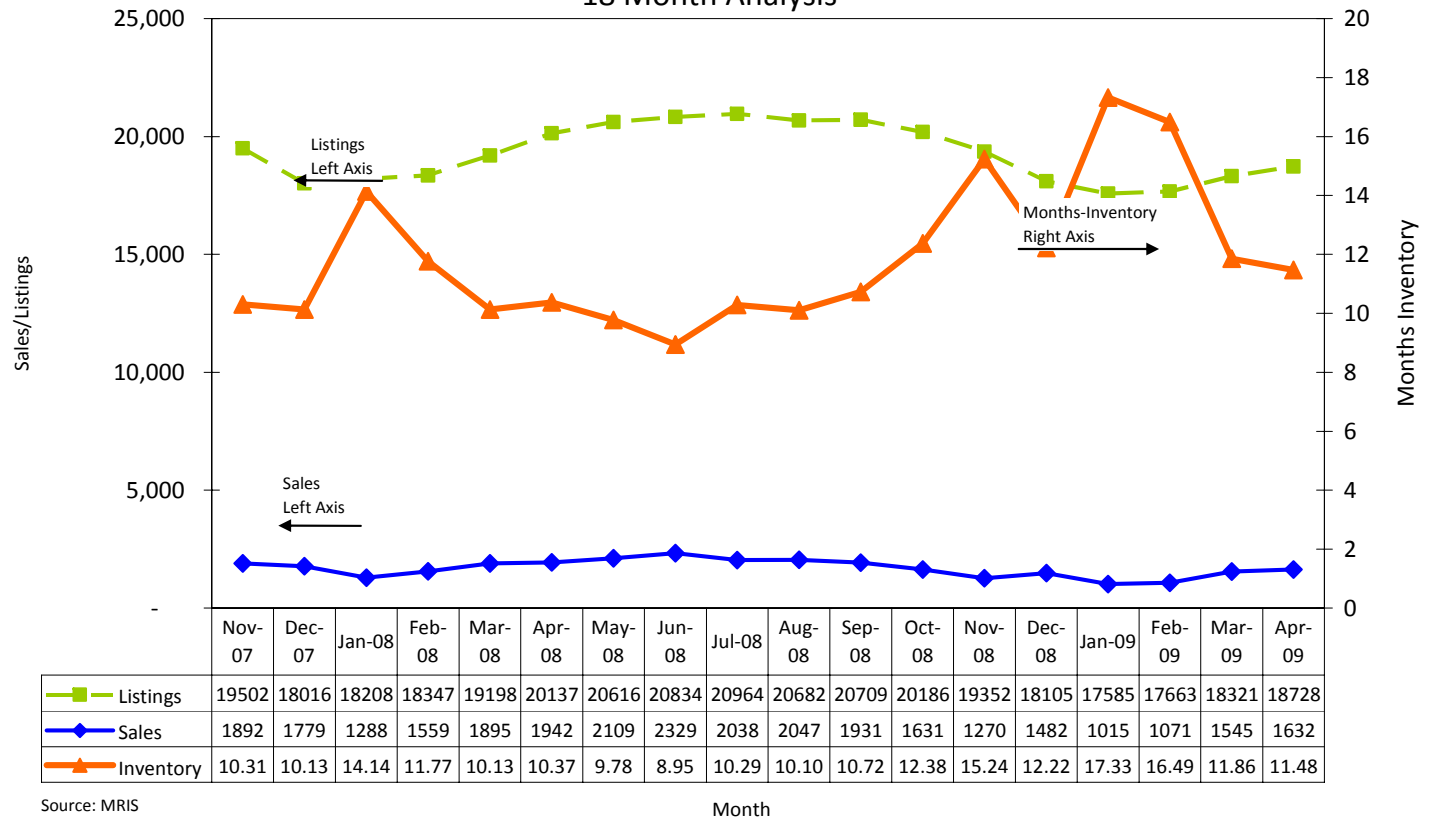
Source: MRIS

## Baltimore Metro Area

The Baltimore market's MSI levels decreased by 3 percent in April after a strong improvement in March. MSI is still nearly 11 percent higher than April 2008.

- The number of active listings increased 2 percent from March to April and is 7 percent lower than April 2008.
- Sales volume in April increased 6 percent over March, but is 15 percent below the April 2008 figure.

Baltimore Area (BALT) Existing Home Market Performance  
Listing Inventory, Sales, and Month Supply of Inventory (MSI)  
18 Month Analysis

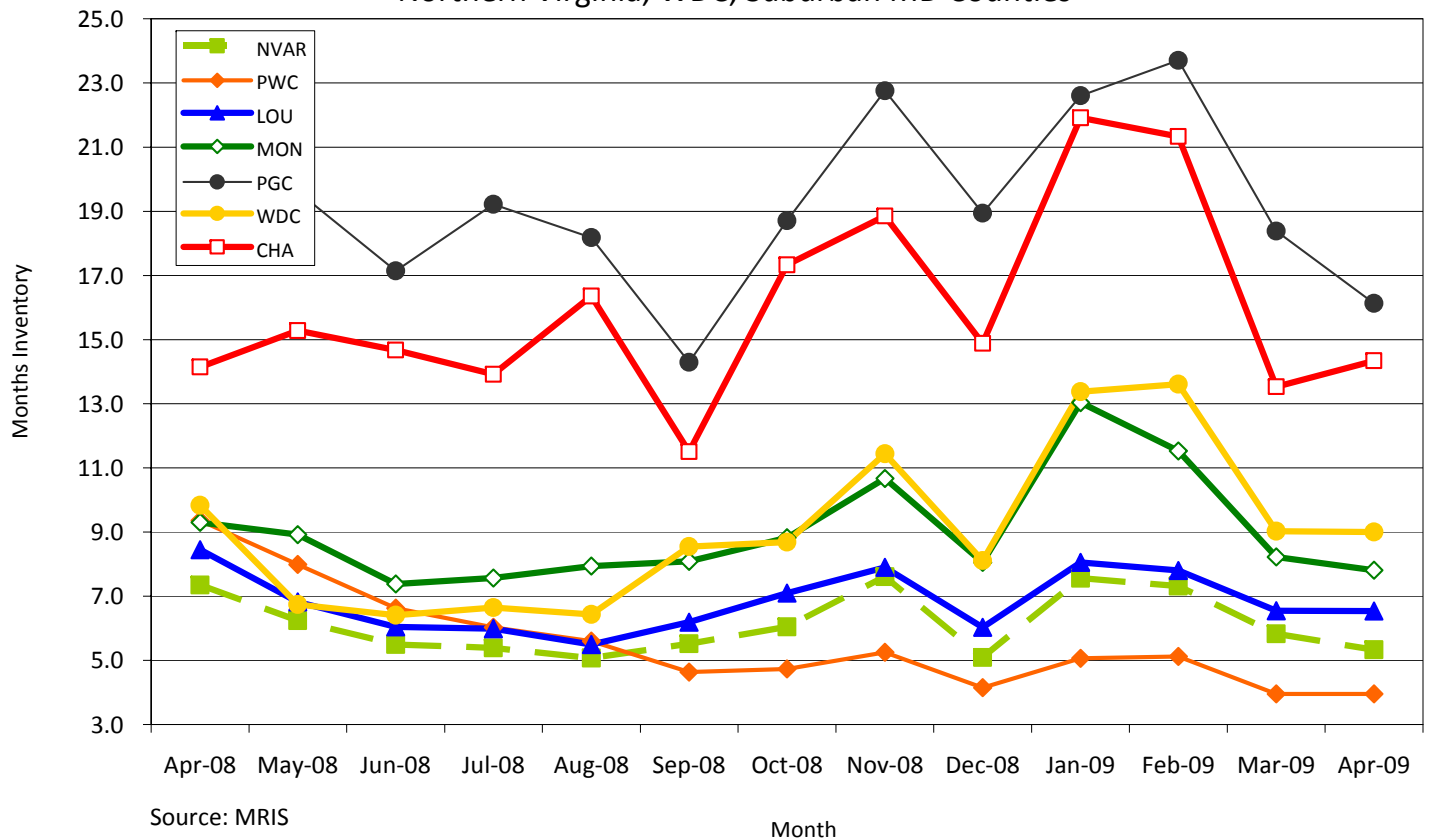


## County Month Supply of Inventory Analysis – NOVA, WDC, Suburban MD

MSI levels throughout all regional markets stayed relatively steady through April.

- All counties maintained their relative position with Charles recording the largest drop in MSI.
- Prince George’s County has the most supply while Prince William County has the least.
- The affluent suburbs of Montgomery County and NVAR – Fairfax, Arlington, Alexandria – have six to eight MSI.
- Prince William County’s MSI levels remained low and stable as the absorption of foreclosure listings continued.
- Loudoun County is tracking nearly identical to NVAR, posting less than seven months of inventory.

Comparison of Months-Supply of Inventory (MSI) Levels  
13-Month Analysis  
Northern Virginia, WDC, Suburban MD Counties

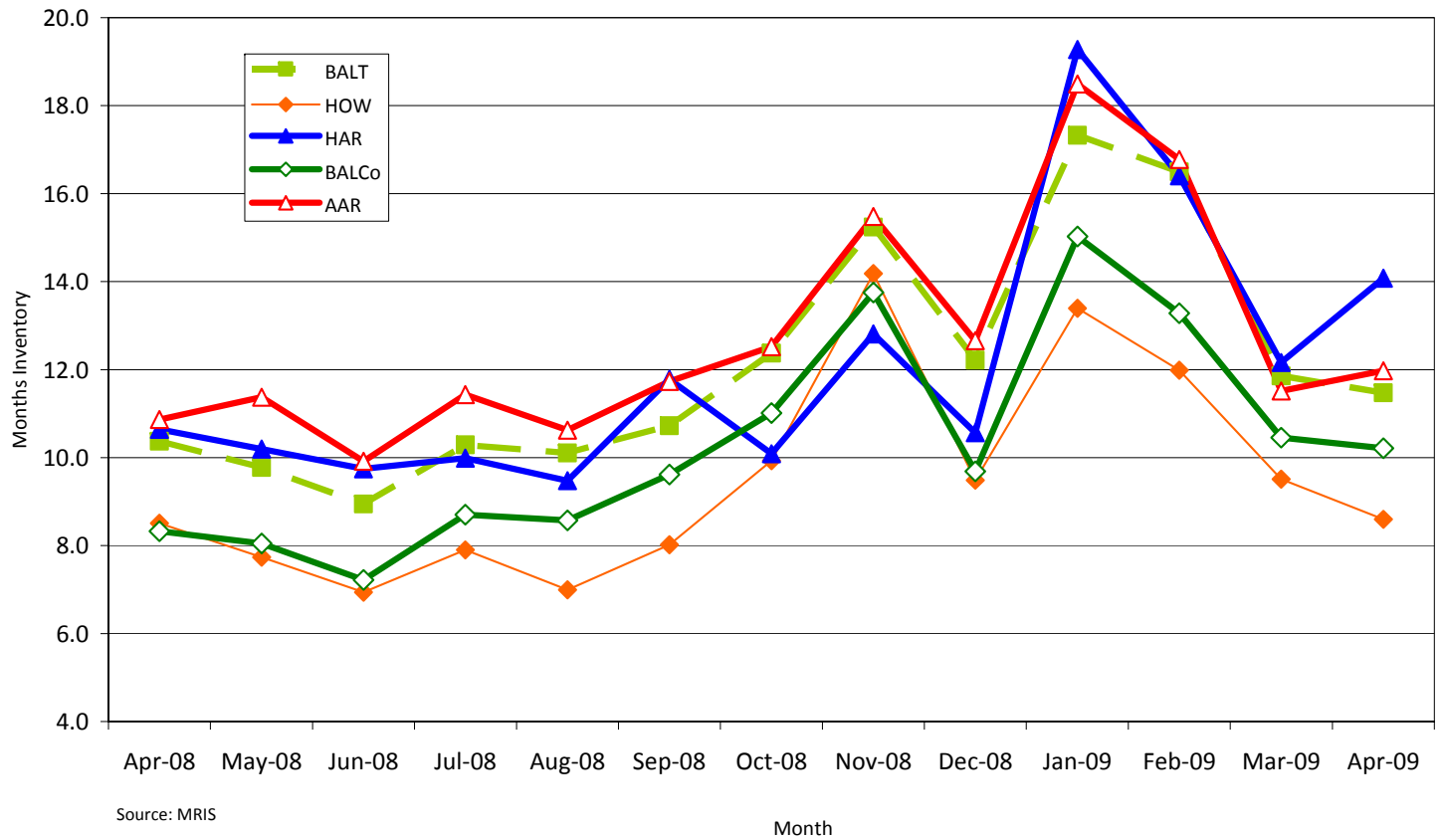


## County Month Supply of Inventory Analysis – Baltimore Area and Suburbs

Baltimore’s suburbs saw mixed signals as MSI levels mostly stayed steady, with a couple exceptions.

- Howard County saw MSI drop and is securing its place as the healthiest market in the Baltimore suburbs.
- Harford County saw inventory rise to the 14-months level.

Comparison of Months-Supply of Inventory (MSI) Levels  
13-Month Analysis  
Baltimore Area and Suburbs



Source: MRIS

## Price Pressure Indicator

The Price Pressure Indicator illustrates pricing direction by county. By comparing the average MEDIAN SALE PRICES for the most recent three months against the previous 12 months, we determine which way demand is heading and at what velocity. Because space allows, this chart shows counties not seen elsewhere in this report. The data used in this analysis does not reflect the actual price change by county.

### When analyzing the change in the Indicator, a number of factors are taken into consideration:

- The median price does not necessarily mean a comparison of the same home from period to period. In a slow market, first-time buyers are generally the most active since they do not have a home to sell and declining prices put them into a better position to purchase. A higher than average number of first-time purchases of lower priced homes will result in lower median home prices.
- Foreclosures are pushing sales prices down in the hardest hit markets.

### An analysis of April numbers:

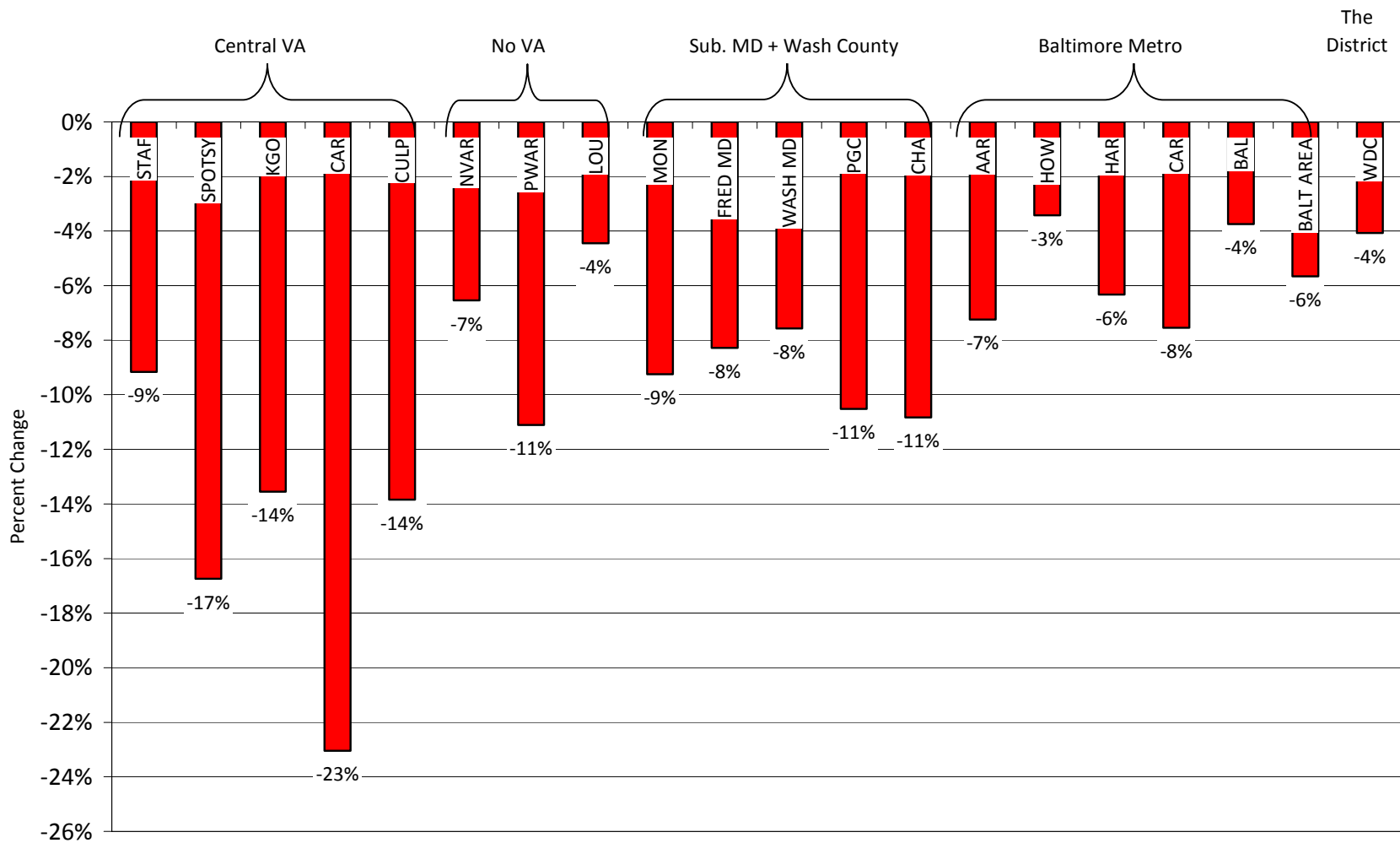
- Prices start to stabilize as the bid-ask gap starts to shrink and demand from opportunistic buyers continues. The outer markets are still feeling the pain and will continue to do so for months to come.
- Interestingly, of the Northern Virginia markets, Loudoun has the least downward price pressure, followed by NVAR territory.
- The District continues to experience downward price pressure.
- The lower priced Baltimore area markets have less downward pressure, but are still declining three to eight percent.

### Legend

STAF: Stafford County SPOTSY: Spotsylvania County KGO: King George County CAR: Caroline County, VA CULP: Culpeper County NVAR: Fairfax, Arlington, Alex, Falls Church	PWAR: Prince William Co, Manassas, Manassas Park LOU: Loudoun County MON: Montgomery County FRED MD: Frederick County, MD WASH MD: Washington County, MD PGC: Prince George’s County	CHA: Charles County AAR: Anne Arundel County HOW: Howard County HAR: Harford County CAR: Carroll County, MD BAL: Baltimore County, MD BALT AREA: Entire Baltimore metro area
--	---	--

### Change in Median Sales Price

3 Month Avg. vs. 12 Month Average



\* Note: NVAR area includes Fairfax, Arlington, Alexandria, and Falls Church. PWAR includes Prince William County, Manassas, and Manassas Park.

## Employment

Unemployment continues to increase across all markets with over 160,000 fewer employed residents in the Washington and Baltimore metropolitan areas than 12 months prior. That number is up from 125,000 last month and 58,000 in January.

- The unemployment rates of the three markets abated, somewhat, as residents left the labor force at a faster rate than they lost their jobs in Washington. In Baltimore, the job loss was greater than the labor force increase. This is likely a seasonal trend during the spring market. Regardless, the slight drop should in unemployment is not a good picture as long as the region continues to lose jobs. The greatest percentage year-over-year increase in the unemployment rate is found in the Baltimore metro area where the rate is nearly 95 percent higher than March 2008. The Washington Metropolitan area, including the District, still carries a relatively low rate at 5.9 percent, although it is nearly 80 percent higher than March 2008.
- Labor force participation declined in the District and the Washington metro area, while it increased slightly in the Baltimore metro area.
- The employment picture was mixed on a month-over-month perspective. All markets were within one percent of last months' employment number. From 12 months prior, the number of people employed dropped by over five percent in the District and in the Baltimore market. The Washington metropolitan area experienced a 3.1 percent drop in people employed, greater loss than the two percent drop recorded last month.

### Baltimore and Washington Area Employment By Region Month-over-Month Change & Month-over-Year Change

	WASH., DC (city)	Washington, DC MSA	Baltimore MSA
<b>Unemployment Rate</b>			
Mar-08	6.2	3.3	3.8
Feb-09	10.1	6.1	7.6
Mar-09	9.5	5.9	7.4
<b>Month change</b>	<b>-5.9%</b>	<b>-3.3%</b>	<b>-2.6%</b>
<b>Annual change</b>	<b>53.2%</b>	<b>78.8%</b>	<b>94.7%</b>
<b>Number of Residents in Labor Force</b>			
Mar-08	332,674	3,012,295	1,400,916
Feb-09	330,364	3,007,488	1,377,519
Mar-09	326,039	3,001,183	1,380,060
<b>Month change</b>	<b>-1.3%</b>	<b>-0.2%</b>	<b>0.2%</b>
<b>Annual change</b>	<b>-2.0%</b>	<b>-0.4%</b>	<b>-1.5%</b>
<b>Number of Residents Employed</b>			
Mar-08	312,032	2,914,193	1,347,390
Feb-09	297,079	2,824,487	1,273,314
Mar-09	295,105	2,823,588	1,277,989
<b>Month change</b>	<b>-0.7%</b>	<b>0.0%</b>	<b>0.4%</b>
<b>Annual change</b>	<b>-5.4%</b>	<b>-3.1%</b>	<b>-5.2%</b>

source: BLS, not seasonally adjusted

## Consumer Confidence

Source: Conference Board – national sample

The Conference Board surveys 5,000 households monthly and asks about their confidence in the overall economy; present and future. Additionally, the survey asks consumers about their propensity to purchase a home in the next six months. As of April 2009:

- Approximately 2.5 percent of households across the country plan to purchase a home in the next six months – a four percent increase from last month and the same level as April 2008.
- The new home confidence level is 0.3 percent - which less than half the level from the previous month and nearly 40 percent lower than the prior 12 month average.
- The current resale market confidence is 1.6 percent – much higher than the previous month and the previous 12 month average.

**Consumer Confidence Survey**  
 Current Month vs. Prior Periods  
*"Plan to purchase a home within the next six months"*  
 Apr 2009

Response	Current Month	vs. Prior Month		vs. One Year Prior		vs. Prior 12mo Avg		Current 12mo Avg Overall
	Apr 2009	Mar 2009		Apr 2008		Average to Apr 2008 to Mar 2009		
Yes	2.5	2.4	104%	2.5	100%	2.5	99%	2.5
New	<b>0.3</b>	0.7	43%	0.7	43%	0.5	60%	0.5
Existing	1.6	1.3	123%	1.3	123%	1.4	115%	1.4
Uncertain	0.6	0.4	150%	0.5	120%	0.6	95%	0.6

Source: The Conference Board

Fulton Research and Consulting, Inc.

## Permit Activity

County	YTD Change from Mar. 2008	Total Permits YTD
District of Columbia, DC	69%	259
Anne Arundel County, MD	19%	268
Baltimore County, MD	-73%	145
Calvert County, MD	-30%	42
Carroll County, MD	-77%	11
Cecil County, MD	-88%	44
Charles County, MD	-21%	294
Frederick County, MD	3%	152
Harford County, MD	-49%	105
Howard County, MD	-9%	176
Montgomery County, MD	-27%	175
Prince George's County, MD	10%	347
Queen Anne's County, MD	-34%	25
St. Mary's County, MD	-17%	100
Washington County, MD	-79%	22
Baltimore city, MD	-80%	71
Arlington County, VA	-47%	275
Culpeper County, VA	-54%	13
Fairfax County, VA	-68%	197
Fauquier County, VA	-6%	34
Loudoun County, VA	-27%	562
Prince William County, VA	10%	438
Spotsylvania County, VA	224%	55
Stafford County, VA	-27%	76
Alexandria city, VA	-93%	21
Berkeley County, WV	-52%	129
Jefferson County, WV	-43%	38
Regional Total	-39%	4,156
CORE BALTIMORE	-51%	776
CORE WASHINGTON	-30%	2,568

Source: U.S. Census

The permit table has been reset to reflect the year-to-date permit activity for 2009 compared to 2008. A few changes were made, including:

### New Regions

- **“Core Baltimore”** was added and includes Baltimore City Baltimore County, Anne Arundel, Carroll, Harford and Howard counties;
- **“Core Washington”** was added and includes the District, Charles, Prince George’s, Montgomery, Arlington, Alexandria, Fairfax, Prince William and Loudoun counties;
- **“Regional summary”** was added and includes all markets in this analysis, including Core Baltimore, Core Washington and the exurban markets, some of which may not be listed in the table;

### Color codes

- Those markets shaded in **green** had more permits issued in 2009 year to date, than last year.
- Those with **orange** shading have a decline in permit activity that is 50 to 100 percent lower than the previous year.
- **Non-shaded** markets also have declined up to 49 percent from 2008.

### Summary

- Core Baltimore shows a 51 percent decline in activity. Single family activity is down 38 percent and multifamily activity is down 63 percent.
- Core Washington permit activity decreased 30 percent which reflected a 14 percent decrease in single family activity and a 40 percent decrease in multi-family permits.
- Regionally, the number of permits issued is 39 percent lower than the number issued year to date in 2008.

## Interest Rates

### Conforming Loan Rates – Fixed Rate Mortgages (FRM)

Week of...	30-Year		Monthly (4 week) Change
	FRM rate	Points	Basis Points
2/19/2009	5.04	0.7	-8
2/26/2009	5.07	0.7	-3
3/5/2009	5.15	0.7	-10
3/12/2009	5.03	0.7	-13
3/19/2009	4.98	0.7	-6
3/26/2009	4.85	0.7	-22
4/2/2009	4.78	0.7	-37
4/9/2009	4.87	0.7	-16
4/16/2009	4.82	0.6	-16
4/23/2009	4.80	0.7	-5
4/30/2009	4.78	0.7	0
5/7/2009	4.84	0.7	-3
Rate pressure	LEVEL		

Source: Freddie Mac, [national sample](#)

- Interest rates for conforming STAY THE SAME, at a very aggressive sub-5.0% rate.

### Graph of Jumbo Loan Rates



Source: bankrate.com, [Virginia sample](#)

- Interest rates for jumbo loans have INCREASED recently, but still remain attractive, hovering below 6 percent since March.

## Outlook

We are experiencing improvements in the affluent counties which are affected by the vibrant economy of Washington. Those areas, including Howard, Montgomery, NVAR (Fairfax/Arlington/Alex), Loudoun and Prince William have between 3.5 and 8 MSI. Less affluent counties in the Washington metro area and most counties in the Baltimore metro area been severely affected by the recession will take longer to recover. Those markets have 8 to 15 MSI in the core counties and up to 22 months inventory in the exurban markets.

This strong spring sales performance experience may be the beginning to a normal seasonal housing cycle, with a strong sales pace in the spring and fall months, and a weaker performance in the summer and winter months. It is too soon to tell, however, as the market has not been normal since 2002; but it would be nice to enjoy some predictability in the market.

## Applying FR Market Intelligence

Knowledge is power. *Applied knowledge* gives you a competitive edge.

FR Market Intelligence™ is critical intelligence. It is systematic data gathering of the latest information to provide you with analyses and recommendations to help you make smart, informed decisions. FR provides you with key market statistics that show trends in job growth, housing market inventories, consumer confidence, and interest rates for your local market areas in Virginia, The District, and Maryland. These statistics are the important indicators of supply and demand.

Let us apply our market knowledge to your corporate strategy and give you that competitive edge.

### ***Now is the time to plan for expansion***

- Corporate Development Solutions helps you build that strategic business plan.
- Strategic Market Entry Studies ensure you are accurately positioned from the start. Offer the right product targeted to the right segment at the right price and you'll be successful.

### ***Is that underperforming community dragging you down?***

- Community Repositioning Studies – Have FR evaluate your underperforming communities and we will recommend the best path to profitability.

***Achieving maximum margins is more important than ever!*** Ensure that you are not leaving money on the table by accurately – and efficiently - tracking your competitors' moves.

- Managed CMA Program – take your local competitive intelligence to a new level. Educate your sales team, marketing team, and your executive team without the hassle of managing spreadsheets.

Call or email Dan Fulton today to discuss – (703) 385-3116 / [dfulton@fultonresearch.com](mailto:dfulton@fultonresearch.com)

## FR Products and Services

*Empowering you to make smart decisions* <sup>SM</sup>

FR offers a variety of solutions to its clients, including:

- **FR Market Studies** position your community for success. Market feasibility studies vary in scope from age-targeted to hi-rise, urban to rural, and from master planned communities to finished lot acquisitions. FR Market studies provide in-depth analyses of market depth, targeted buyer profiles, economic factors, housing market environment, and competitive intelligence to build a complete picture of your community's selling environment. Our recommendations are intended to attain maximum revenues while maintaining a strong sales pace.
- **FR Market Repositioning Studies:** FR analyzes your community's traffic patterns, marketing campaign, product offering, and competitive position along with other critical market factors. We then recommend the proper positioning of the community to achieve maximum revenues and a strong sales volume.
- **FR Corporate Development Program:** Whether you are expanding to a new market area or targeting a new consumer segment, FR provides the guidance you need to make the right decisions.
- **FR Competitive Market Analysis Program™ (CMA program):** a proprietary, user friendly system of aggregating competitive data, providing an accurate and current view of the competitive landscape, and enabling each community to achieve maximum price and sales pace.
- **Primary Research:** FR works with you to gain insight directly from your customers and prospects using online surveys, mail surveys or focus groups.
- **Customer Satisfaction Improvement Program:** Customer satisfaction scores are a window into the operational health of your company. Good customer satisfaction scores often mean that you're running an efficient company, have solid product designs, and are enjoying the benefits of a strong referral network. FR monitors and evaluates your customer satisfaction scores, evaluates the cause of the underperforming areas, and provides a solution to those problems.