

The Alexandria housing market continues its boom

The roof continued to rise on the Alexandria housing market this past year, but has it met the ceiling? For the past decade, the city has seen substantial increases in home values, adding to the increases in property taxes. Forecasters, however, are seeing signs that the market may be slowing down and predict that it may finally stabilize in 2006. But there are no indications that the ceiling will fall anytime soon.

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According to a report from the Office of Federal Housing Enterprise Oversight (OFHEO), prices in the D.C. Metro area posted the fourth-biggest year over year gains, up 20.53 percent. Housing prices in this area remain among the highest in the nation. While the OFHEO does not list specific prices, data shows D.C. prices have more than doubled in the past five years and have risen 471.22 percent since 1980.

In Northern Virginia, where the average assessed value of a home has almost doubled since 2000, Assessor Cynthia A. Smith-Page says that officials are expecting values to grow sharply in 2006. Alexandria homeowners will see increases of about 18 percent which will be slightly less than 2005, but still significant. That would raise the average value of a single-family Alexandria home from \$441,823 to \$521,351. At the current tax rate of 91.5 cents per \$100 of assessed value, the property tax bill for such a home would rise from \$4,042.68 to \$4,770.36.

Jennifer Walker, a local realtor with McEneaney Associates, noted that, “The market is adjusting itself. This is not to say that homes aren’t still selling at or above the asking price. It is just becoming more the exception than the rule.”

Walker said that buyers have become more patient, keeping homes on the market longer while sellers are still holding hard and fast to their list prices. “I see 30-plus days on the market becoming more of the norm. In real life, 30 days isn’t a long time. But to sellers who have heard and read all the stories of home sales in the last three years, it seems a lifetime. A home can be on the market for 30 days with nothing going on. Then you get two contracts and the house sells for over the asking price. Unpredictable - is all I can say.”

Because of buyer patience, the Alexandria market saw a shift from a seller’s market to a buyer’s market around mid-year. Gordon Wood, another local realtor with McEneaney Associates found it unusual. “Through June, the incredible seller’s market of the past few years continued. Sellers did not need to be too concerned with the list price of their houses as long as they were not too high. Sometime in the middle of 2005, the market began to change. Whether it was a shift in consumer sentiment, a rise in interest rates, the increased supply of homes - the fact is, the market changed. Consequently, the second half of 2005 saw a rather quick shift from a seller’s market to a buyer’s market.”



David Hawkins, Managing Broker of the Alexandria office of McEneaney Associates, added, "While we have seen a reduction in buyer demand and an increase in the supply of houses for sale during the latter half of 2005, this is really a shift to a more balanced market, and not an indication of a bursting bubble. Over the past six years we have seen explosive appreciation in the price of housing. However, much of this is attributable to the relatively flat period of 1990-1998, when appreciation did not keep pace with income and employment growth. We have more than caught up now, and some neighborhoods are experiencing reductions in sale prices as a result. This is to be expected when inventory rises rapidly during a period of less demand. After a period of settling in the marketplace, prices will be on the rise again"

Several Alexandria neighborhoods thrived in 2005 and going into 2006, continue to be hot markets for home buyers. Among them are Del Ray, Rosemont, Beverley Hills and Cameron Station. Additionally, with the expansion of Cameron Station, the West End of Alexandria continues to rise in popularity.

In Del Ray, the property values have more than tripled since 1995 when the average sales price was \$202,693. According to Walker, the average sales price this year was \$662,151, with prices continuing to climb. Homes in Del Ray averaged 17 days on the market. "As of mid-October, the highest sales price in Del Ray was \$1,121,320. Currently, there is a house being built on West Del Ray Avenue that will have five bedrooms and three full baths. The asking price is \$1,395,000."

Housing prices have also changed dramatically in Rosemont over the last 10 years. Judy Miller, a local realtor with Prudential Carruthers, noted that the 2005 average selling price of a detached home was \$752,267 with 15 days on the market. Ten years ago, Rosemont homes averaged 56 days on the market with an average selling price of \$275,000.

In Beverley Hills, 2005 home prices have averaged \$823,422 to date with 12 days on the market. According to Betty Mallon, a local realtor with McEneaney Associates, the average sales price 10 years ago was \$281,365 with homes sitting on the market for 57 days.

Donna Cramer, also with McEneaney Associates, said that housing prices on the West End have taken a big jump in the last 10 years. The development of Cameron Station in the late 1990's added to the overall increase in home values. Additionally, high rise condos in the West End are selling in the low \$200,000's as compared to \$60,000 in 1995. Townhouses along Duke Street are now selling in the mid to upper \$400,000's versus the high \$100,000's 10 years ago.

Detached houses in Seminary Ridge and Marlboro Estates that sold from \$300,000 to the mid to high \$400,000's in 1995 are now selling in the \$800,000 price range and above. And houses in Seminary Valley that sold a decade ago for \$190,000 are now selling in the \$400,000-\$500,000 range.

Cameron Station, located on the West End, continued to grow this past year with the addition of The Residences of Cameron Station. The mid-rise building will offer luxurious one, two and three bedroom condominium designs, each complete with two covered parking spaces. These units will be priced from the low \$400's. When it is completed, the entire Cameron Station development will feature over 2,500 housing units in single-family homes, townhouses and condominiums, while 3,100 square feet will be used for retail, office and recreational use.

The city also saw two high-end homes go up on Russell Road. The first one was built and sold with a list price of \$2.65 million. "The buyers were thrilled with the quality of the work. The construction is top of the line," said Gordon Wood, the selling agent for the first home and the listing agent for the second home, which is on the market for \$4.5 million.

Another new development was Potomac Greens, located just off Slaters Lane. This neighborhood features 227 luxury townhouses with garages and modern amenities built with an Old Town charm. The neighborhood will include an extensive park system, a swimming pool, a clubhouse, a fitness center and community-based retail shopping.

2005 proved to be a significant year for condo conversions in Alexandria. Several older properties are being renovated and turned into condominium units.

One of the development projects that is currently underway is on the southeast side of Washington Street in the 700, 800 and 900 blocks. The Bearings - being developed by Miles Properties, Inc. - will feature 158 condominiums. This former apartment complex, built in the 1940's, is being converted into studio, one-bedroom and two-bedroom units - some with lofts. Sales of the condominiums, being handled by the Bryan Group, began in July, 2005, with prices starting in the mid \$200,000's.

Another new development project that saw plans being finalized was the renovation of the historic Old Club building located at 555 South Washington Street at the Gibbon Street intersection. This property will be converted into four multi-level condominium units. Additionally, six new townhouses will be constructed on an adjacent piece of property that is situated on Gibbon Street. Construction for this project is anticipated to begin sometime in 2006.

Ann Duff, a local realtor with McEneaney Associates, served as the selling agent for the buyer. "There are some wonderful plans for this property. The multi-level condominiums are going to be stunning and amazingly detailed. And the parking will be phenomenal. There is a lot that will be converted into four detached two-car garages," she said. No purchase prices have been set as of yet.

With all the new development and rising home prices in Alexandria, many wonder what will happen to the city's affordable housing options.

KSI Services, Inc., the Washington area's largest owner and manager of affordable rental properties, has done its part to ensure that there are options available.

"There have been many misconceptions about what affordable housing is. I consistently hear that there is no affordable housing available. But we strive to offer quality apartments with good amenities at an affordable price. We are always working with our residents to make sure that their rental payments are in line with the amount of income they earn," explained Karen Kossow, Assistant Vice President of Sales and Marketing.

The KSI portfolio includes two Alexandria properties that provide much needed affordable housing. These affordable apartments, brand-named "The Fields," were developed utilizing federal tax credits and tax-exempt bond financing. The Fields of Old Town and The Fields of Landmark offer quality living with many amenities, including easy access to restaurants, shopping and public transportation.

So, what will the New Year bring for the city's housing market? According to local realtors, buyers should see more opportunities for negotiation in a market that will be stabilizing. Though the market has slowed from a year ago, many expect 2006 to be a good real estate year – for both buyers and sellers.

“I don't see home prices going down. But we're not going to see the 26 percent increase a year we've seen for the last 3 years,” said Jennifer Walker. “It is still a very good time to be a seller. And it is also a great time to be a buyer. Buyers might actually get to look at a home twice before they write a contract. And on top of that wouldn't a home inspection be nice?”

Gordon Wood added, “The early 2006 real estate market here in Alexandria looks to be a continuation of the second half of 2005. But, remember the direction of the market can change quickly. The U.S. economy has been fueled by real estate for a number of years. My guess is the Federal Reserve will keep long term rates reasonably low to keep the economy chugging along at a healthy pace. Whether you are a purchaser or seller, you need the right person to represent you in the transaction.”

Donna Cramer noted that from a historical perspective, interest rates are still fairly low and job growth is still strong in the D.C. area. “When I came into real estate in 1979, interest rates were in double digits, and people still bought houses. The appreciation rates will be slower in 2006, but I think values will continue to rise - just not at the levels we've seen over the last three years. Sellers will have to be more realistic, because with more inventory buyers are going to be more thoughtful in their decision making. Buyers will be looking for the best in their price range, and not feeling so rushed to just buy whatever comes on the market. This will be much more the market of four to six years ago, rather than the market we've seen over the last three to four years.”

“As builders move further and further out in order to find land to build new housing developments, the demand for close-in neighborhoods will continue to increase,” said David Hawkins. “Population growth is a major factor in the health of our housing market. Because of new job opportunities and a continuous influx of new residents to Virginia and the greater metro D.C. area, builders are delivering less than two thirds of the new housing units required for the region. And, each year those units are further and further out. Demand for housing inside the beltway will continue to rise. The Alexandria market will continue to draw buyers at a rate that exceeds the available inventory.” The recent market shift is being felt by everyone, both buyers and sellers. “It is a shift to a more balanced market that will support house appreciation in the 6 to 10 percent range. That may not be what we are used to, but it is a market that we can become very comfortable with and happy to have long term. One that benefits buyers and sellers alike,” added Hawkins.