

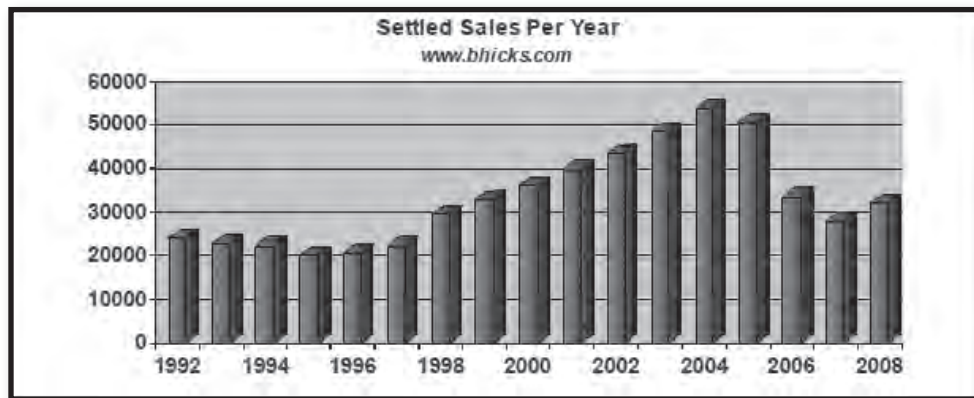
NORTHERN VIRGINIA MARKET

The Northern Virginia market displayed continued weakness during 2008 with varied results depending upon the location relative to the nation's capital. The close-in locations of Alexandria and Arlington fared much better in terms of price declines than the outer edges of the market in the counties of Prince William and Loudoun.

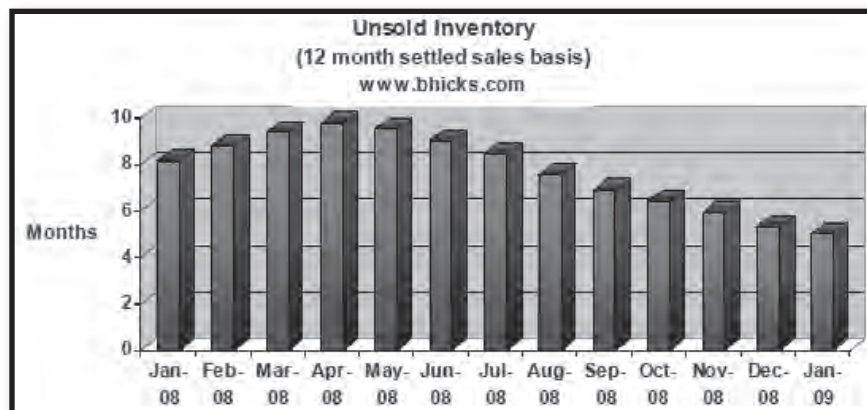
Employment is a backbone of the local market, chiefly due to the fact that the government is the one growing sector of the economy, resulting in an unemployment rate in the area that is one of the lowest in the country.

2008 did, however, see an increase in sales volume from 2007 and the year ended with less inventory than it did on year prior. Additionally, there are signs that prices are stabilizing at the lower end price ranges in Prince William and Loudoun where the increase in sales volume was most pronounced (at the cost though of steeper price declines).

As can be seen in the following chart, sales volume increased about 15% in 2008.

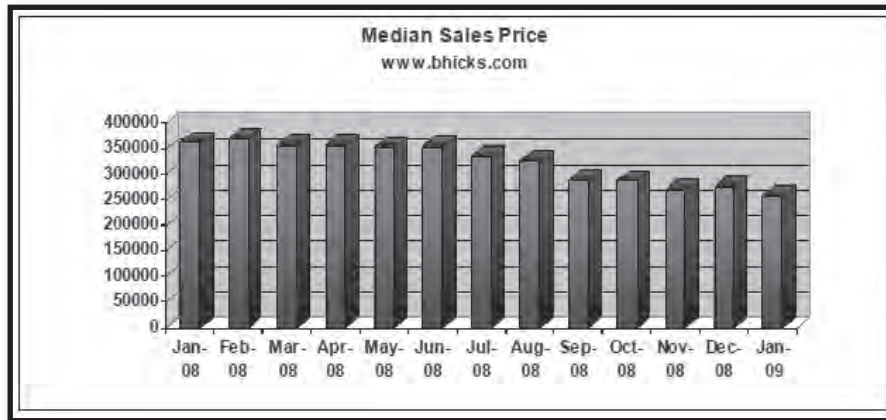


The market's inventory level at the end of the year 2008 was five months, in comparison to just in excess of eight months just one year prior, a substantial decrease of almost 38%.



NORTHERN VIRGINIA MARKET continued

The rise in sales volume and decrease in inventory though came at the cost of sale prices. 2008 ended the year with a whopping decrease of 36.5% in the median sales price.



Like all major metropolitan areas, new construction has been virtually halted in the market. Where the limited amount of new construction takes place, builders continue to offer significant incentives and concessions to new home buyers. Transferees who recently purchased new homes are having a difficult time competing with the builders (not to mention foreclosing lenders) in these areas where recent construction was most prevalent (Loudoun and Prince William).

Current trends reflect decreasing inventory in most communities in the area (it should be noted however that inventory levels have actually increased in the upper price segments of the market), sustaining a buyer's market in a vast majority of cases. Price declines are anticipated to continue in many "upper and mid-market bracket" segments while the lower end will bear watching, particularly as lenders cease the recent sporadic halts in foreclosure and eviction proceedings.



For additional or more current information on the residential market in the Northern Virginia area, visit www.rac.net and select "The RAC Report," or contact the following RAC member:

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