



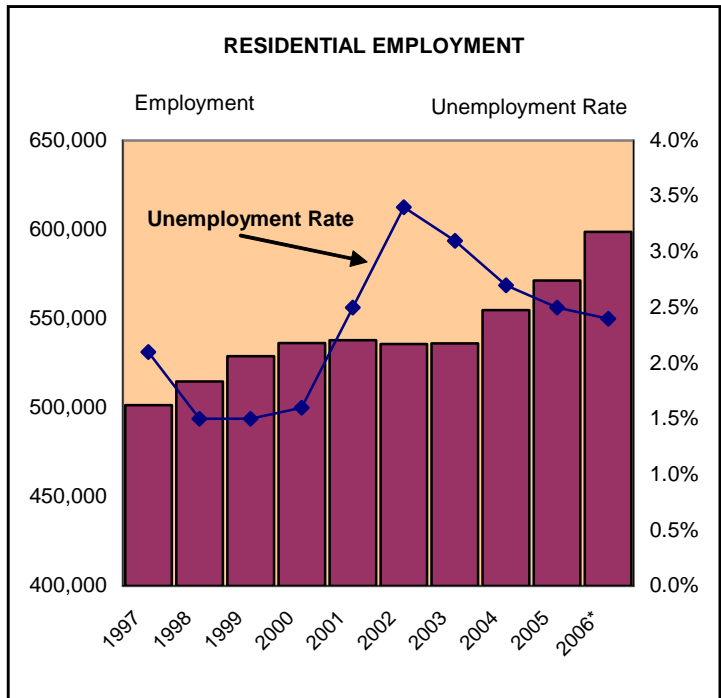
# ECONOMIC INDICATORS®

FAIRFAX COUNTY  
DEPARTMENT OF MANAGEMENT AND BUDGET

SEPTEMBER 2006

## IN THIS ISSUE:

- The unemployment rate in Fairfax County for July 2006 was 2.4 percent. Since July 2005, the number of employed County residents has increased 16,222. (See page 1)
- Sales Tax receipts in Fairfax County for the first two months of FY 2007 were \$26.4 million, an estimated increase of 2.0 percent over the same period of FY 2006. (See page 2)
- The Consumer Confidence Index rebounded in September 2006, increasing 4.3 percentage points over the prior month. (See page 2)
- The number of existing single family homes sold decreased over 30 percent in the first eight months of 2006 while the median value of these homes grew a modest 2.4 percent. (See pages 3 and 4)
- Through August 2006, the number of new single family homes and townhouses sold in the County fell 69.4 percent and 58.3 percent, respectively. (See page 4)
- The Office of Federal Housing Enterprise Oversight (OFHEO) reported that U.S. home prices rose 1.17 percent in the second quarter of 2006 compared to the first quarter, the lowest rate of appreciation since the fourth quarter of 1999. (See page 5)
- A study by Global Insights and National City Corporation found that 69 percent of U.S. metro areas experienced a decline in the rate of appreciation over the past year; but many metro areas are still overvalued. (See page 5)



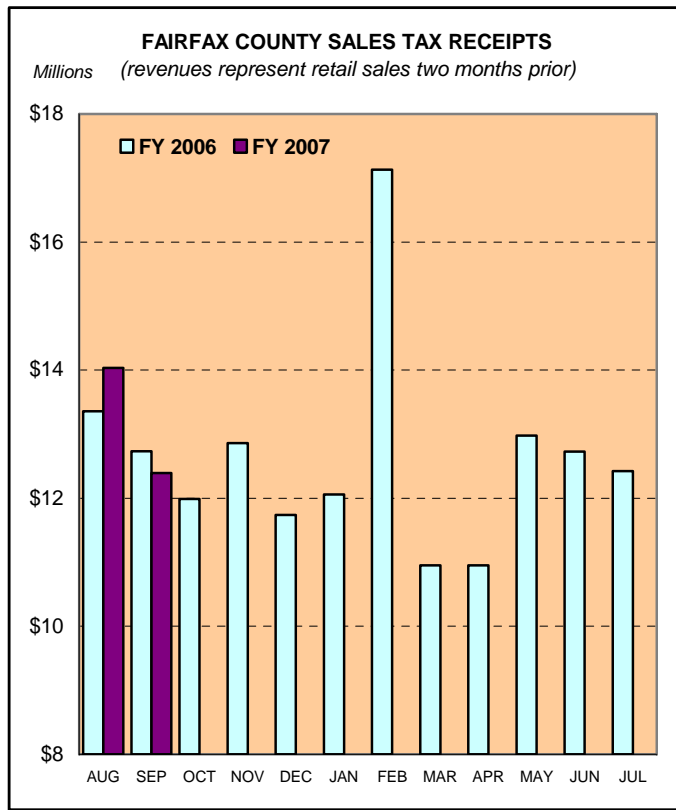
Source: Virginia Employment Commission. Compiled by the Fairfax County Department of Management and Budget.

## Employment

As reported by the Virginia Employment Commission (VEC), the number of Fairfax County residents holding jobs was 598,777 in July 2006, an increase of 16,222 residents, or 2.8 percent, over July 2005. During this period, the unemployment rate in Fairfax County decreased slightly from 2.5 percent in July 2005 to 2.4 percent in July 2006.

The July 2006 unemployment rate in Virginia was 3.3 percent, declining 0.2 percentage points from the July 2005 level of 3.5 percent. On the national level, the unemployment rate in July was 4.8 percent, representing an improvement of 0.2 percentage points from the prior year.

## Retail Sales



Source: Virginia Department of Taxation. Compiled by the Fairfax County Department of Management and Budget. Note: Sales Tax distributions to localities were based on estimates from September through November 2005 (FY 2006) with an adjustment made in December; therefore, receipts for September through December in FY 2006 should not be used to determine an actual trend.

### Fairfax County Sales Tax Receipts

September 2006 Sales Tax receipts for Fairfax County, representing retail purchases made in July, were \$12.4 million, an estimated decrease of 1.2 percent from September 2005. Sales Tax receipts for the first two months of FY 2006 are \$26.4 million, an estimated increase of 2.0 percent year-to-date.

Due to computer system changes that occurred at the state level during the latter part of calendar year 2005, sales tax receipts distributed to localities were estimated for the months of September through November 2005. Once the system changes were completed, the state reconciled estimated distributions to actual Sales Tax for the period and made adjustments in December 2005 distributions. County staff have smoothed the 2005 receipts from September through December to more accurately reflect the outcome of the reconciliation.

Sales Tax receipts for other Northern Virginia localities will not be reported until December when the year-to-date comparison of Sales Tax receipts to 2005 will be reflective of the State's reconciliation.

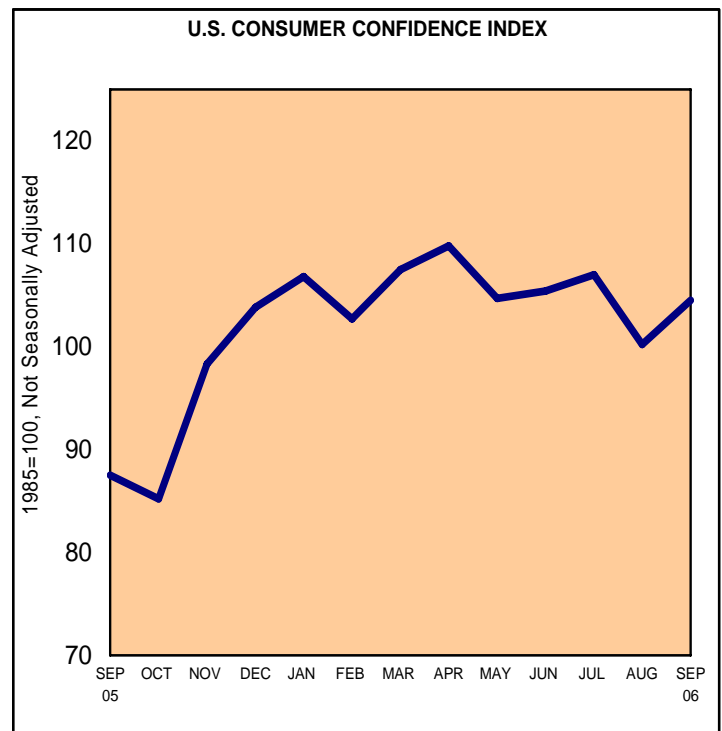
## National Retail Sales

According to the Commerce Department, seasonally adjusted preliminary July 2006 retail sales for the U.S. rose 4.8 percent during the last 12 months. Compared to the previous year, gasoline station and retail trade sales increased 19.2 percent and 4.5 percent, respectively. Conversely, automobile and other motor vehicle dealer sales have fallen 10.5 percent since July 2005.

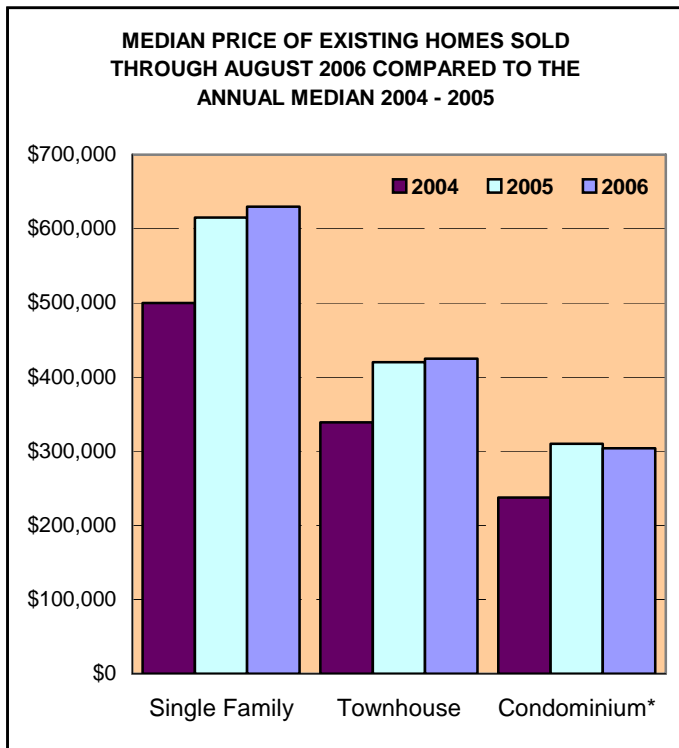
## Consumer Confidence Index

The Conference Board reports that the Consumer Confidence Index recorded a gain in September 2006 after falling sharply in August. The September Index increased to 104.5 compared to 100.2 in August. The Consumer Confidence Index is composed of two separate indices: the Present Situation Index and the Expectations Index. In September 2006, the Present Situation Index rose 3.8 points to 127.7. Similarly, the Expectations Index gained in September, improving to 89.0 or 4.6 percentage points over the previous month.

According to Lynn Franco, Director of the Conference Board's Consumer Research Center, "A more favorable assessment of current conditions coupled with a less pessimistic short-term outlook boosted consumer confidence this month. However, even though consumers' concerns have eased, there is little to suggest a significant change in economic activity as we enter the final quarter of 2006."



## Housing Market

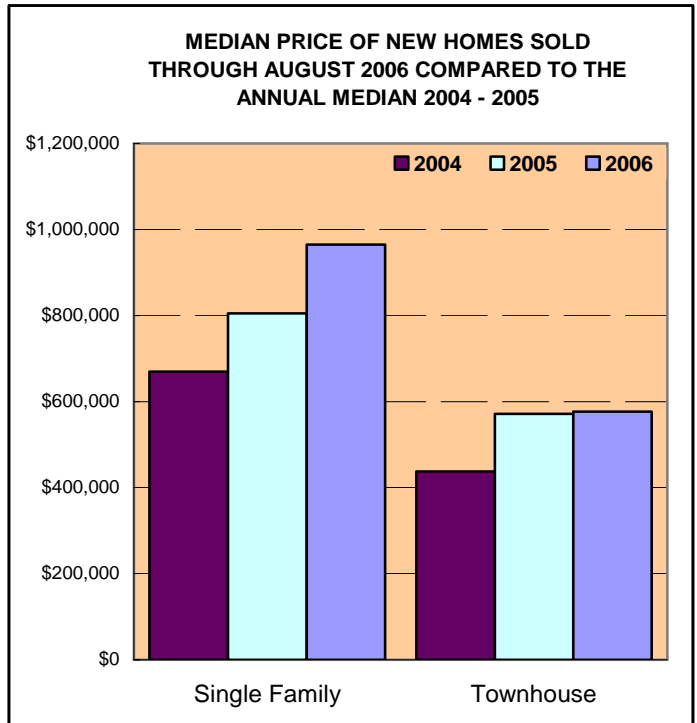


Source: Fairfax County Department of Tax Administration. Compiled by the Fairfax County Department of Management and Budget. \*Condominium data include sales of existing and new units.

### Existing Home Sales Prices

The median sales price of both existing (previously owned) single family homes and townhouses in Fairfax County experienced slight growth during the first two thirds of calendar year 2006 compared to the 2005 median price. For existing single family homes, the median sales price of homes sold through August was \$629,900, representing a modest 2.4 percent gain over the 2005 median price of \$615,000. The median sales price for existing townhouses sold through August 2006 increased 1.2 percent to \$425,000 over the 2005 median of \$420,000.

The median sales price of all condominiums, existing and new, sold during the first eight months of calendar year 2006 dropped to \$303,900 from the 2005 median of \$310,000, a loss of 2.0 percent.



Source: Fairfax County Department of Tax Administration. Compiled by the Fairfax County Department of Management and Budget.

### New Home Sales Prices

Through the first eight months of 2006, the median sales price for new single family homes grew 19.8 percent to \$965,000 over the 2005 median of \$805,250. The increase in the median price of new homes can be impacted by the mix of homes sold this year compared to last year. The impact of the change in the mix of homes sold is magnified as the number of new single family homes sold through August 2006 has fallen over 69 percent from the same period last year. In addition, the increase in the prices of new single family homes is a reflection of rising construction cost. Changes in the sales price of existing single family homes is a better gauge of the overall residential housing market.

Through August 2006, the median sales price for new townhouses registered a modest 0.8 percent increase, rising to \$576,350 from the 2005 median of \$571,600.

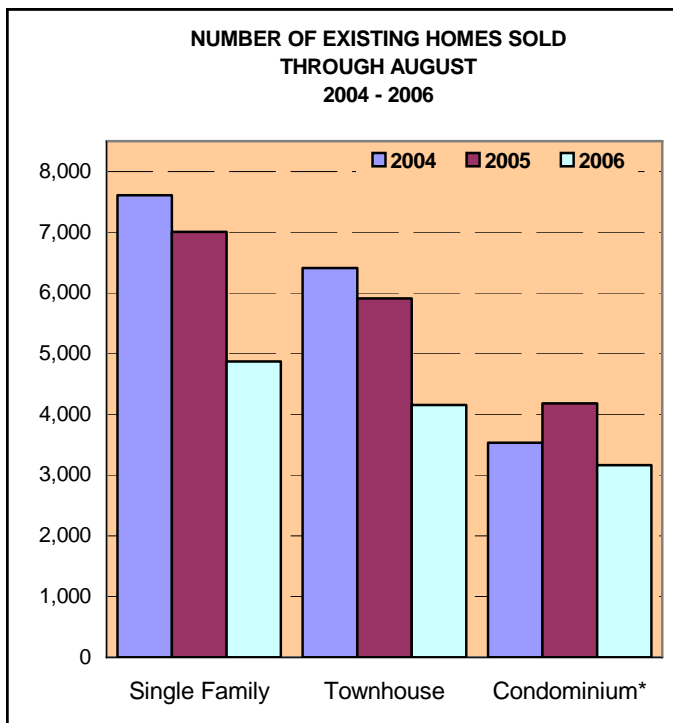
#### PERCENTAGE CHANGE IN MEDIAN PRICE OF HOMES SOLD DURING 2005 COMPARED TO SALES THROUGH AUGUST 2006

	Existing Sales	New Sales
Single Family	2.4	19.8
Townhouse	1.2	0.8
Condominium*	(2.0)	

\*Condominium data include sales of existing and new units.

A note on tax assessments and home sales: Changes in selling prices, coupled with the volume of sales, are generally considered reasonable indicators of the County's real estate market. Median selling price increases do not translate directly into assessment adjustments, since the mix of homes sold is not necessarily reflective of the County's entire housing stock. Changes in median selling prices are comparisons to the prices of homes sold during the prior year, and the type of homes sold (i.e., model, size, age, location, etc.) varies from one year to the next. The key factor in real estate assessments is not the change in the median sale price, but the relationship of assessments to selling prices within neighborhoods. To read more about Fairfax County tax assessments, please visit:

[www.co.fairfax.va.us/dta/tax\\_assessment.htm](http://www.co.fairfax.va.us/dta/tax_assessment.htm)

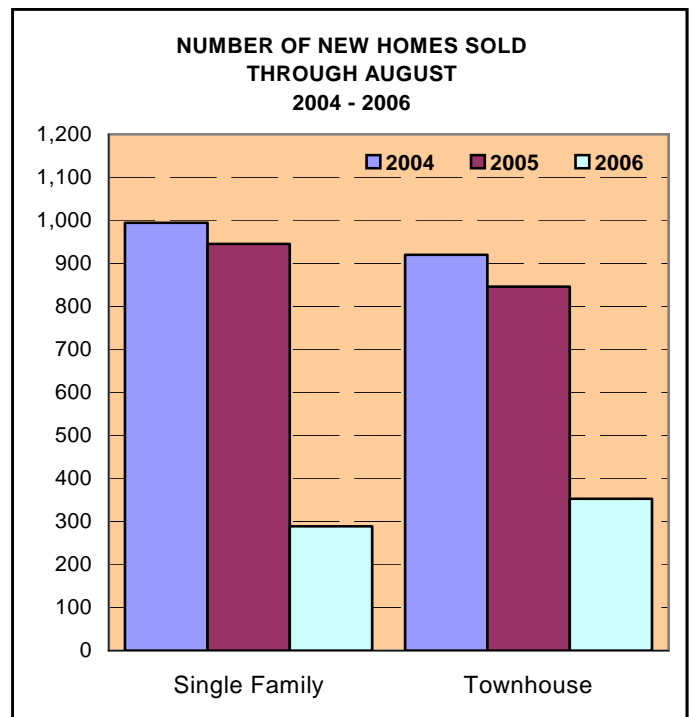


Source: Fairfax County Department of Tax Administration. Compiled by the Fairfax County Department of Management and Budget. \*Condominium data include the sales volume of existing and new units.

## Existing Home Sales Volume

Both the number of existing single family and townhouses sold through the August 2006 experienced steep losses compared to the first two thirds of 2005. Sales of existing single family homes fell to 4,873 from 7,003, representing a drop of 30.4 percent from the first eight months of 2005. The sales volume of existing townhouses through August 2006 posted a sizable loss as well, falling 29.7 percent to 4,157 from 5,911.

The number of all (existing and new) condominium sales reported through the first eight months 2006 decreased 24.4 percent to 3,164 from the 4,183 sales occurring over the same period of 2005.



Source: Fairfax County Department of Tax Administration. Compiled by the Fairfax County Department of Management and Budget.

## New Home Sales Volume

Through the first eight months of 2006, the number of new single family homes sold in the County fell 69.4 percent to 289 from the 945 sold during the same period of 2005. The sales volume of new townhouses also registered significant losses, decreasing 58.3 percent during this same period from 846 to 353 units. For data regarding all condominium sales volume, refer to the "Existing Home Sales Volume" section.

## House Price Index

According to the Office of Federal Housing Enterprise Oversight's (OFHEO) House Price Index, the average U.S. single family home sales price increased just 1.17 percent in the second quarter of 2006 compared to the first quarter. This is the lowest rate of appreciation since the fourth quarter of 1999. Since the deceleration is evident in almost every region of the country, OFHEO's director, James Lockhart said that there is "...a strong indication that the housing market is cooling in a very significant way."

In the Washington Metropolitan Area, house prices increased 1.8 percent from the first quarter to the second quarter of 2006.

The OFHEO's House Price Index is published quarterly and tracks average house price changes in repeat sales and refinancings of the same single-family properties.

## Housing Valuation

In September 2006, Global Insight and National City Corporation released *House Prices in America*, a quarterly update of housing values. This analysis showed that 69 percent of the metro areas in the country experienced a decline in the rate of appreciation over the past year. Areas demonstrating the most rapid slowing were California, Florida and the northeast corridor from Washington, D.C. to southern Maine.

In addition, Global Insight and National City Corporation estimate the extent to which home prices in each metro area are over- or under- valued by estimating "statistically normal" house values using house prices, interest rates, as well as such factors as household income and population densities. Based on this analysis, 79 out of 219 metro areas were determined to be extremely overvalued (greater than 34 percent) as of the second quarter of 2006. The Washington Metro area is estimated to be 39.9 percent overvalued, up somewhat from the 39.2 percent estimated in the first quarter of 2006.

The report indicated that markets that were identified as extremely overvalued were experiencing the fastest decline in appreciation. This and a leveling off of the rates of overvaluation in many metro areas led the analysts to conclude that the country's housing market is becoming more balanced. However, they indicated that "there remains such a large degree of overvaluation, . . . this process is only just beginning."

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**The Fairfax County Economic Indicators is on the Web and can be accessed at:**

**<http://www.fairfaxcounty.gov/comm/economic/economic.htm>**