

Washington DC Condo Unit at Waterford House Unit 711 Information Item

PROJECT UPDATE

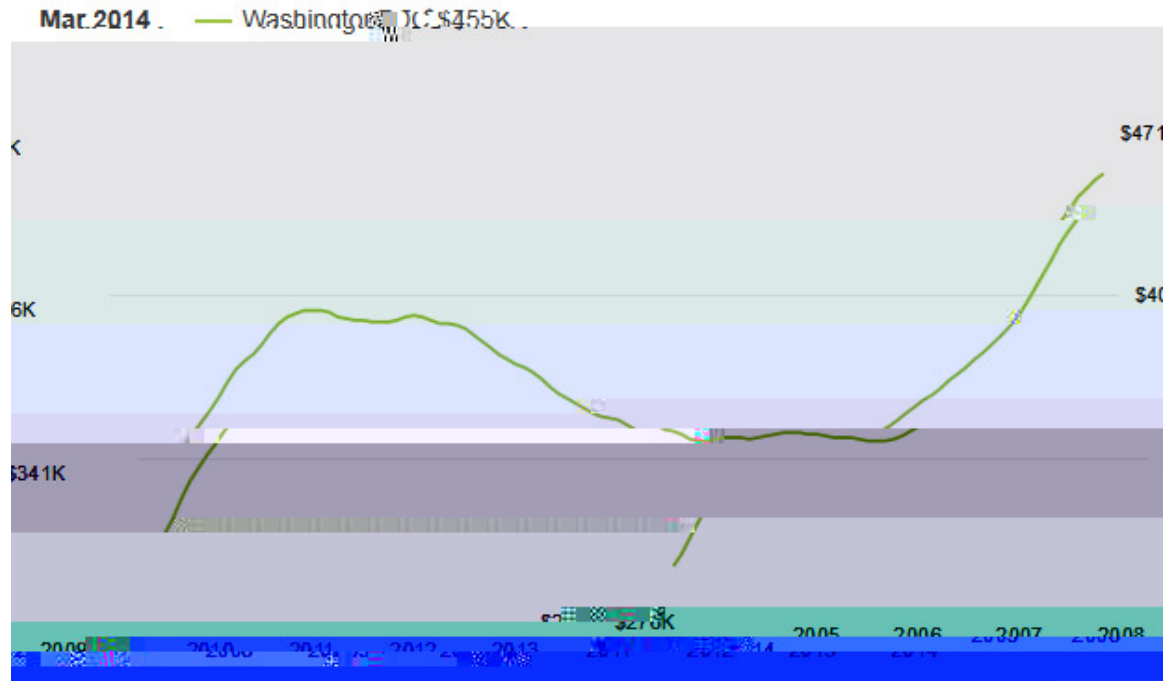
During April, Facilities and Land Management (FLM) reviewed the current data concerning the general residential For Sale market for the Washington, DC metro area. Using the data noted below and the stated goal of maximizing the University's Return on Investment for this real estate asset, we continue to recommend that the University rent the condo unit until the market shows signs of price stabilization. Price stabilization happens when "price appreciation / reduction" rates drop to the historical local / national average of approximately 3% per year.

Last year at this time, we recommended that the University hold the property until at least 2015 in order to take advantage of the price appreciation "up" cycle predicted. Below are selected excerpts from last year's report that continue to be relevant:

... "A 30 year historical analysis of Washington DC residential real estate appreciation rates shows that the 6 to 9 year period following a multi-year phase of near zero or negative appreciation results in annual appreciation rates in the double-digits. Indeed, following the real estate recession of the early 1980's, the DC market saw 6 years of appreciation that averaged 10.92% per year. Likewise, following the lackluster 0.22% annual appreciation average seen from 1990 – 1997, Washington real estate experienced a 9 year cycle of annual appreciation rates that averaged 14.21% that ended in 2006.

Recent real estate reports (Greater Capital Area Association of Realtors, Forecast Charts.com) indicate that Washington real es

Below is a 10 year graph of Washington, DC Median Home Sale Prices from the Zillow report:



Other Zillow metrics also indicate that the Washington, DC real estate market is very healthy. Zillow rates this market a 9.8 on a scale of 0 to 10, with 10 being the “healthiest” market achievable. Other positive indicators for the market include a drop from 90 days to 70 days for the “Average Days Listed prior to Sale” over a one year period ending in March 2014. Another important factor that affects pricing is the number of foreclosures per 10,000 homes. Zillow reports that the Washington, DC metro has 0.4 homes per 10,000 in foreclosure as compared to the national average of 4.9 homes per 10,000.

Similarly, the Case / Shiller – Home Price Index reported a 9.2% price appreciation from January 2013 to January 2014. These indexes as well as other anecdotal information validate the University’s hold strategy, if maximizing the asset’s return on investment is still the overriding factor. If liquidity of University assets is now a consideration, then selling the Waterford House unit should be reevaluated. It should be noted that the “Summer” buying season (May – August) would be the optimal time to list the property with a condo broker.

Currently the condo is leased for a 1 year term with an option to renew. The annual rental income is \$21,000.00 creating a net revenue of \$7,000-\$9,000 after expenses (taxes, condo fees and any required maintenance).