

Comstock Homebuilding Companies, Inc. Reports Second Quarter Earnings for Three Months Ended June 30, 2006

RESTON, VA, Aug 07, 2006 (MARKET WIRE via COMTEX News Network) -- Comstock Homebuilding Companies, Inc. (NASDAQ: CHCI) ("Comstock" or the "Company") today announced financial results for three months ended June 30, 2006. The Company reported a net loss of \$7.1 million or (\$0.47) per share basic and diluted on total revenue of \$50.7 million as compared to net income of \$3.1 million or \$0.26 per share basic and diluted for the three months ended June 30, 2005. The Company also announced that it had elected to record a non-cash charge to assets of \$12.9 million as a result of impairments to its real estate inventory and the write-off of option deposits and related feasibility costs for land purchase option contracts where the Company has elected not to exercise its purchase option. The Company reported a net loss for the six months ended June 30, 2006 of \$5.9 million or (\$0.41) per share basic and diluted as compared to net income of \$6.9 million or \$0.58 per share for the six months ended June 30, 2005.

The Company will conduct a conference call for interested investors on Tuesday, August 8, 2006, at 8:45 AM Eastern Standard Time. During the call the Company will discuss the financial results detailed in this release. The dial-in number for the conference call is 888-858-4723 and the access code is 7689463; the call may also be accessed on the Internet at www.comstockhomebuilding.com in the Investor Relations section.

Highlights of Financial Results -- Three months ended June 30, 2006:

- The Company reported a net loss of \$7.1 million or (\$0.47) on weighted average shares outstanding of 15.0 million as compared to net income of \$3.1 million or \$0.26 per share basic and diluted on 12.0 million weighted average shares outstanding for the three months ended June 30, 2005;
- On a proforma basis, before impairments and write-offs, the Company reported net income after tax of \$0.8 million or \$0.05 per share or \$0.06 per share as adjusted for the weighted average share count for the three months ended June 30, 2005;
- Total revenue was \$50.7 million with \$50.4 million of revenue from homebuilding, as compared to total revenue of \$39.9 million for the three months ended June 30, 2005 with \$39.6 million of revenue derived from homebuilding;
- The Company delivered 165 new homes at an average per unit revenue of approximately \$305,000 as compared to 123 new homes at an average per unit revenue of \$322,000 for the three months ended June 30, 2005;
- Gross profit from homebuilding, was \$9.1 million on a proforma basis before impairments and write-offs representing a 18.0% gross margin as compared to \$9.9 million representing a 25.1% gross margin from homebuilding for the three months ended June 30, 2005;
- New order revenue was \$56.0 million on 199 new orders for an average new order revenue of \$281,000 as compared to \$59.1 million of new order revenue on 160 new orders for an average of \$370,000 per new order for the three months ended June 30, 2005;
- Backlog at June 30, 2006 was \$218.4 million on 575 units as compared to \$268.6 million on 666 units at June 30, 2005;
- As a result of softening market conditions and project repositioning in the Company's markets, the Company elected to record a \$9.5 million non-cash charge to assets for impairments to its real estate inventory and a \$3.5 million write-off of option deposits and related feasibility costs for land purchase option contracts where the Company has elected not to exercise its purchase option;
- On May 1, 2006 the Company closed on the acquisition of Capitol Homes, Inc. in Raleigh, North Carolina. The acquisition added approximately 1,350 lots to the Company's inventory of controlled land and approximately \$7.4 million of backlog on 39 homes which are included as new orders for the three months ended June 30, 2006.

Highlights of Financial Results -- Six months ended June 30, 2006:

- The Company reported a net loss of \$5.9 million or (\$0.41) on weighted average shares outstanding of 14.5 million as compared to net income of \$6.9 million or \$0.58 per share diluted on weighted average shares outstanding of 11.9 million for the six months ended June 30, 2005;
- On a proforma basis, before impairments and write-offs, the Company reported net income after tax of \$2.0 million or \$0.14 per share or \$0.17 per share as adjusted for the weighted average share count for the six months ended June 30, 2005;
- Total revenue was \$87.3 million with \$86.7 million of revenue from homebuilding, as compared to total revenue of \$68.6 million for the six months ended June 30, 2005 with \$68.1 million of revenue derived from homebuilding;
- The Company delivered 277 new homes at an average per unit revenue of approximately \$313,000 as compared to 201 new homes at an average per unit revenue of \$339,000 for the six months ended June 30, 2005;
- Gross profit from homebuilding was \$18.3 million on a proforma basis before impairments and write-offs representing a 21.1% gross margin as compared to \$20.8 million representing a 30.6% gross margin from homebuilding for the six months ended June 30, 2005;
- New order revenue was \$115.2 million on 379 new orders for an average new order revenue of \$304,000 as compared to \$162.4 million of new order revenue on 406 new orders for an average of \$400,000 per new order for the six months ended June 30, 2005.

"We realize the second quarter results we are reporting today are a disappointment," said Christopher Clemente, Chairman and Chief Executive Officer. "Nonetheless, the accelerating deterioration of market conditions during the second quarter made it necessary to evaluate the assets comprising our work in process to ensure that we can provide accurate information to the market. While it is impossible to predict the duration of current market conditions, it is our belief that continued job growth and population growth in our core markets continues to create pent up demand for the affordable products that Comstock offers. As in previous cycles the question is not if demand will improve but when demand will improve. We are committed to taking the steps necessary to manage our business prudently in light of current market conditions while positioning Comstock to benefit when market conditions stabilize."

About Comstock Homebuilding Companies, Inc.

Established in 1985, Comstock Homebuilding Companies is a diversified real estate development firm with a focus on moderately priced for-sale residential products. Comstock builds and markets single-family homes, townhouses, mid-rise condominiums, high-rise condominiums, mixed-use urban communities and active adult communities. The company currently markets its products under the Comstock Homes brand in the Washington, D.C. and Raleigh, North Carolina markets, under the Capitol Homes brand in Raleigh, North Carolina and under the Parker Chandler Homes brand in Atlanta, Georgia and parts of the Carolinas. Comstock develops mixed-use, urban communities and active-adult communities under the Comstock Communities brand. Comstock Homebuilding Companies Inc. trades on Nasdaq under the symbol CHCI. For more information please visit <http://www.comstockhomebuilding.com>.

Cautionary Statement Regarding Forward-Looking Statements

This release contains "forward-looking" statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may," "will," "expects," "projects," "anticipates," "estimates," "believes," "intends," "plans," "should," "seeks," and similar expressions, including statements related to Comstock's expected future financial results and anticipated growth in the Washington, D.C. housing market, are forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual future results to differ materially from those projected or contemplated in the forward-looking statements. These risks and uncertainties include, but are not limited to, economic, market and competitive conditions affecting Comstock and its operations and products, risks and uncertainties relating to the market for real estate generally and in the areas where Comstock has projects, the availability and price of land suitable for development, materials prices, labor costs, interest rates, Comstock's ability to service its significant debt obligations, fluctuations in operating results, anticipated growth strategies, continuing relationships with affiliates, environmental factors, government regulations, the impact of adverse weather conditions or natural disasters and acts of war or terrorism. Additional information concerning these and other important risks and uncertainties can be found under the heading "Risk Factors" in the prospectus from Comstock's initial public offering, as filed with the Securities and Exchange Commission on December 15, 2004. Comstock specifically disclaims any obligation to update or revise any forward-looking statements,

whether as a result of new information, future developments or otherwise.

Preliminary Financial Results from Operations
Comstock Homebuilding Companies Inc
Income Statements

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenues				
Sale of real estate--Homes	\$ 50,351	\$ 39,599	\$ 86,716	\$ 68,064
Other revenue	346	312	576	576
Total revenue	50,697	39,911	87,292	68,640
Expenses				
Cost of sales of real estate	41,295	29,658	68,456	47,249
Cost of sales of other	21	9	30	20
Impairments and write-offs	12,914	0	12,914	0
Selling, general and administrative	8,429	5,608	16,076	10,660
Operating income	(11,962)	4,636	(10,184)	10,711
Other (income) expense, net	(355)	(154)	(587)	(190)
Income before minority interest and equity in earnings of real estate partnerships	(11,607)	4,790	(9,597)	10,901
Minority interest	12	7	5	8
Income before equity in earnings of real estate partnerships	(11,619)	4,783	(9,602)	10,893
Equity in earnings of real estate partnerships	(26)	4	(53)	34
Total pre tax income	(11,645)	4,787	(9,655)	10,927
Income Taxes	(4,522)	1,721	(3,771)	4,052
Net Income (Loss)	\$ (7,123)	\$ 3,066	\$ (5,884)	\$ 6,875
Basic earnings per share	(0.47)	0.26	(0.41)	0.59
Basic weighted average shares outstanding	15,034	11,831	14,511	11,727
Diluted earnings per share	(0.47)	0.26	(0.41)	0.58
Diluted weighted average shares outstanding	15,034	11,993	14,511	11,882

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