

Comstock Homebuilding Companies Disputes Purported Notice of Default Related to a Loudoun County, Virginia Project

RESTON, VA, Oct 24, 2006 (MARKET WIRE via COMTEX News Network) -- Comstock Homebuilding Companies, Inc. (NASDAQ: CHCI) ("CHCI") and Comstock Bellemeade, L.C., a wholly owned subsidiary of CHCI (collectively "Comstock" or the "Company"), today announced that on October 18th, 2006, they received a letter from Bank of America, NA (the "Lender") purporting to be a Notice of Default (the "Notice") under a Deed of Trust Note and Loan Agreement dated September 18, 2005 (the "Note") regarding the Company's Commons at Bellemeade project in Leesburg, Virginia (the "Project"). The purported Notice results from a claim by the Lender that the Company failed to make a \$2.7 million cash curtailment which the Lender asserted was due on September 30, 2006. The Company promptly informed the Lender that it disputed the validity of the Notice and of its intent to compel arbitration to resolve the dispute. Pursuant to ongoing discussions with the Lender, the Company asserts that the payment was not currently due and payable as demanded by the Lender based on the fact that the Note had not been fully funded by the Lender pursuant to its terms and conditions.

Specifically, the dispute results from a provision in the Note that stipulates what the maximum outstanding commitments of the Lenders would be to the Project on certain established dates. The Note outlines approximately \$12.5 million of cash curtailments required by September 30, 2006 to reduce the outstanding commitment of the Note to \$33,775,000 predicated on the Company having drawn the approximately \$46 million of total funding available for acquisition and improvements at the Project. To date, the Company has only drawn approximately \$43 million for acquisition and improvements and has made corresponding principal reductions in excess of \$10 million, thus bringing the outstanding balance at September 30, 2006 below the maximum outstanding commitment. As such, the Company believes that the Lenders' Notice is invalid.

"Comstock has consistently met and satisfied every legitimate banking obligation we have had and we have always worked closely with our lenders to ensure the security of their loans," said Christopher Clemente, Chairman and CEO. "We are disappointed in the direction that Bank of America has chosen to take our long standing relationship but we are confident that we will prevail in the resolution of this matter."

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., Raleigh, North Carolina, 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.

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