Washington, DC Housing Report

December/Year-End 2008

The Market Overall

Sales in December, as measured by the number of new contracts for all residential properties, fell to their lowest level of the last 11 years while sales for the year fell to their lowest level since 1998. These sales losses occurred in every price range of condominiums and cooperatives and in all single family price ranges over $300,000. The decline from 2007 was 23%, as the market continues to decline from the high point set in 2004.

None of this should be surprising with year-end consumer confidence at a 40-year low and unemployment at a 15-year high. Deepening concerns about job security and falling asset prices so far have far outweighed any optimism from falling gas prices and enthusiasm about changes a new administration may bring. The result has been that many buyers decided to sit this last year out, particularly since the market collapses in September.

Average sales prices remained relatively steady during the year with condominiums and cooperatives showing a small year-end gain and single family a small loss when compared to a year ago. This stands in sharp contrast to the 13% national decline from 2007 levels – the largest annual decline since the National Association of REALTORS started collecting these statistics in 1968. While this is relatively good news for many present Washington homeowners, the fact that prices did not fall along with the declining number of sales is certainly one reason why many buyers elected to stay on the sidelines this last year.

The year ended with an 8.33 months supply of single family homes and condo/co-op units for sale, compared to many previous years where this inventory was in the 4 to 5 month range. It also brings D.C. much closer than usual to the most recently reported national inventory average which now stands at just above 11 months.

Many economists believe that the economy will slow still further during the first half of the new year but that the Obama team's stimulus plans may lead to an upturn in the second half of 2009. If this turns out to be true then sales prices, which typically lag home and unit contracts by several months, are likely not to bottom out before early 2010. But for sellers who are willing to price attractively, there should be ample opportunity for both buyers and sellers throughout the year.

Single Family

For the year new single family contracts fell by 14% from 2007 and 26% from 2006. The 4% of the single family market priced below $300,000 staged an impressing upturn in 2008 while sales in most other price ranges declined by double digit amounts. Even home between $900,000 and $1,250,000, which had shown positive numbers during much of 2008, finished the year with single-digit losses.

The number of available homes declined by 10% in the month of December. At year's end there was a 7.57 months supply, which was up slightly from the beginning of the year, but down from the high for the year of nearly 8 months reached in November.

The average sales price in 2008 fell 3 % from 2007 while the median price, the mid-point of all sales, was down by nearly double that amount (5%). By either measure single family homes experienced their first real price decline since the mid 1990's and this trend is likely to continue well into 2009 if not early 2010.

Condominiums and Cooperatives

Contract activity on condominiums and cooperatives declined for the eighth consecutive month and December's numbers were the lowest of any month in 11 years. For the year, condo/coop sales were down 30% from 2007 and 37% from the record year of 2005. All price categories were off from 2007, by margins ranging from 20% to 50%.

The inventory of available units fell 14% in December, to the lowest point of the year, but with the dismal sales totals for the month the effective inventory rose to 9.57 months – the highest point since September of 1997. While there is still a substantial number of new condo projects on the market not in the MRIS, the good news is that the number of new projects in the pipeline continued to shrink.

After two year of falling prices, the median price of a condominium/cooperative was up 3% from 2007 while the average price was up 2%. This might suggest the bottom of the condo/co-op market was in 2007, but with the shift in the market in the second half of 2008, it would not be surprising to see prices fall further in 2009.

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