Washington, DC Housing Report
December (Year-End) 2009

The Market Overall

New sales contracts for residential properties finished the year 21% ahead of 2008 – reversing for the first time the sales decline that began in 2004 to 2005.

A year ago at this time we were looking at the lowest sales totals in 11 years, but the market began to turn around in March, with gains over the previous year in every month after that. Not only were overall numbers up, but these gains were shared in by every price range of condominium and cooperative and the great majority of single-family price categories.

The number of properties on the market at the end of 2009 was 25 % lower than the end of 2008 leaving a five month supply of residential properties for sale compared to 8.3 months a year ago. This five month inventory is approximately half that of the national average and is at a point which most housing economists feel is a market in balance between buyers and sellers.

Average and median sales prices of single family homes are still well below the final 2008 numbers while those for condominiums and cooperatives are about even. These numbers are somewhat skewed, however, by the fact that a larger than usual percentage of home sales have been for moderate to lower priced homes (bringing the average and median down) while the reverse is true for condominiums and cooperatives (thereby inflating those numbers).

It is more likely that prices for both homes and units have declined by at least several percentage points this year but that this decline is close to bottoming out. Price trends always trail those of sales by up to a year; so with sales starting to increase it is likely that prices will follow sometime by the middle of next year. But gains for both sales and prices are most likely to be in line with the moderate recovery projected for the overall economy.

Single Family

Fueled by huge increases in the low end of the market, sales of single-family homes finished the year 23% ahead of 2008 in number of settlements and 28% ahead in number of total pending sales. Falling property values opened the door for a new group of homebuyers who had been priced out of the market for several years. As a result, sales of homes priced below $200,000 were up an incredible 262% over last year. And while Washington, DC hasn't been inundated with bank-owned properties as many of the suburban counties have, 57% of 2009 sales under $200,000 were foreclosures (according to MRIS) while only 9% of the homes sold over $200,000 were listed as foreclosures.

Other price ranges, while not reaching the triple-digit increases of the under $200,000 range, still saw significant gains in 2009. Sales of homes priced from $400,000 to $600,000 were up 16% over 2008, while homes between $200,000 and $300,000 had a 32% gain. These gains were possible because of increased affordability and the availability of financing under the FHA and Fannie Mae/Freddie Mac loan limit of $729,750. Conversely, sales of homes above this limit were affected by the lack of available financing and strict down payment and credit score guidelines. Sales of homes priced above $800,000 were down 9% for the year, with sales over $1.5 million down 12%.

Washington, DC Housing Report
December (Year-End) 2009

December totals brought some good news to the upper end of the market, as pending sales of homes above $1.25 million were up 54% over 2008 and homes between $600,000 and $800,000 saw a 119% increase. Overall, pending sales in December were up 27% from last year. This was the eleventh consecutive month with a gain over 2008 totals – a streak that is likely to continue into 2010.

The inventory of available homes at the end of December was 28% below the same point a year ago and at the lowest level since March of 2007. The effective inventory was 4.3 months, up slightly from the 2009-low of 3.18 months seen in October but well below the 2008 year-end number of 7.57 months. The high point for single-family inventory was reached in October of 2008 and, except for a couple of seasonal tics upward, it has continued to fall to the point where some neighborhoods and price ranges are suffering from a lack of inventory.

The year ended with the average home price down 17% from 2008 and the median price down 18%. Some of these losses can be attributed to the shift in distribution in sales that took place in 2009. In 2008, only 6% of settlements were under $200,000. In 2009, this number rose to 18%. Looking ahead to the single-family market in 2010, low inventories and increased sales (hopefully combined with increased availability of credit) should bring a moderate increase to home prices for the first time in two years.

Condominiums and Cooperatives

Sales of condominiums and cooperatives failed see the kind of increases found on the single-family side, but the year still ended with a 9% gain over 2008. Condo/Co-op sales also had a large increase in the lower end of the market, with units priced below $150,000 up 66% from last year. However, unlike the single-family market, this gain wasn't fueled by the foreclosure market. MRIS only showed 6% of 2009 condo/co-op sales as bank-owned properties, and these were spread throughout all price ranges (not just the low end). There were also advances in the upper end of the market as sales of units between $800,000 and $1,000,000 jumped 59% over last year, while sales of units over $1.5 million were up 20%. There were also 13% increases in the $300,000 to $400,000 and the $500,000 to $600,000 ranges.

These gains in the upper end of the market were more than enough to offset the increased sales in the low end as average prices of condos/co-ops ended the year even with 2008, while the median price was down only 1%. Just as the activity in the low end of the single-family market contributed to the double-digit losses there, activity in the upper end of the condo market kept those prices higher than expected. Anecdotal evidence saw pricing holding firm for more affordable condos under $400,000 while prices were a bit softer in the upper end despite the gains seen there.

The year ended on a mixed note for condominium and cooperative sales in December. Pending sales were up 19% over a dismal December 2008, but despite a decrease in the number of available homes the year ended with 6.26 months of inventory. It is not unusual for this number to be higher at the end of the year and it was down from 9.57 months at the end of 2008; but this was the highest number since February and a significant increase over the low point of the year (3.37 months seen in October). It is likely that the effective inventory will drop again in the spring, but it is somewhat surprising to see it top the six month level given the other positive signs in the market.

The total inventory of available units ended the year at the lowest point in four years – 22% below the same point last year. This is a great indication that the new condo product introduced to the market over the last few years has finally been absorbed, and with very few new condo projects scheduled to come on the market in the next year, the signs are good for a strong 2010 in the DC condo market.

Prepared by
Peter Clute – Coldwell Banker Residential Brokerage (202-333-6100)
Fred Kendrick – TTR Sotheby's International Realty (202-333-1212)
Data from the Greater Capital Area Association of REALTORS®
January 16, 2010