

Washington, DC Housing Report

August 2009

The Market Overall

Washington-area real estate sales typically slow in August as residents flee the heat and seek cooler climates, but the momentum of the rebounding market continued to build during the month. Pending sales of single-family homes, condominiums and cooperatives were up 33% from last year and posted the best August numbers in four years.

The inventory of homes and units fell for the fourth consecutive month to the lowest point since December of 2007. The end of August saw 4.1 months of available inventory, less than half of the most recently reported national average of 9.4 months. A shrinking inventory through the summer months leaves the market in great shape as it starts to build again in the fall.

Single-family home prices fell through the first eight months of the year and are showing signs of leveling off, while condo/co-op prices had small gains through the first half of the year and are now showing the first signs of heading down. With the large number of unsold condo projects on the market it is not surprising to see home prices show the first signs of recovery.

There are a number of issues that could affect the real estate market positively in the coming months— more available financing in the upper end of the market, the extension of the \$8,000 Homebuyer Tax Credit, etc. – but even without these items the foundation has been established for a productive fall market.

Single Family

August was a strong month for single family sales. Although the number of new contracts fell 10% from those in July, a common seasonal pattern, sales this August were up 45% from this time a year ago. They were also higher than the Augusts of 2007 by 39% and 2006 by 10%.

For the most part the highest August sales levels, and the biggest gains over a year ago, were for homes priced below \$800,000. However, sales of homes priced from \$1 million to \$1.25 million and those over \$1.5 million were up over 40%, their best performance yet this year.

The strongest sales gains through the first eight months of 2009 have again been for home priced under \$800,000 with the biggest increases coming from the 36% of Washington homes priced below \$300,000.

The inventory of homes for sale is now the lowest since November of 2007 and is down 15% from a year ago. At the August sales rate there is currently a 4.1 months supply of homes on the market. While this is up slightly from the end of July, it is still well below the figures for the Metropolitan Washington Area.

The average sales price for the year is down 15% from 2008. It is just about even, however, with the figures at mid year which is a sign that price declines may be beginning to leveling off. But price trends trail sales trends by many months so we probably won't see real price stability until much later this year at the earliest.

Condominiums and Cooperatives

Pending sales of condominiums and cooperatives were up 20% over August of last year and had the third highest total in August since 1990, behind only 2005 and 2006. Compared to 2008, sales were up substantially in most price categories. Contracts on units priced between \$300,000 and \$500,000, making up 48% of the market, were up 33%.

For the year-to-date, pending sales of condos and co-ops are ahead of last year by 3%. While most price categories are down slightly from 2008 at this point, a few do show some large gains. Units priced under \$150,000 were up 64%, units priced between \$900,000 and \$1,250,000 were up by 50%, and units over \$1.5 million were up 62%.

The inventory of available units fell 8% from the end of July to the lowest point since December of 2007. There was also the lowest end-of-August inventory since 2008, which will cushion the impact of the increase in inventory we will inevitably see in September after Labor Day.

There is currently a 4.1 month supply of condominiums/cooperatives, which is less than half of the 9.8 months seen at the first of the year. At this point last year there was 5.5 months of inventory and that number increased steadily through the fall of 2008, but all signs point to the opposite of that occurring this year.

After showing a gain over last year for the past seven months, the average price of a condo/co-op in the District is now even with 2008, with the median condo/co-op price now down 1%. As the market continues to improve it is still likely prices will fall further before they stabilize and then move upward.

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Data from the Greater Capital Area Association of REALTORS