

WASHINGTON, DC HOUSING REPORT

SEPTEMBER 2009

The Market Overall

Led by a surge in single-family sales, new contracts for all residential properties jumped 14% from August and a very impressive 38% from last September. In fact, sales this month were higher than in any other September going back to 2004 and, quite surprisingly based on past seasonal trends, higher than any other month this year except June.

Nine months into 2009, combined sales are 13% ahead of those at this point in 2008 and the gap between the top of the market in 2004 and now has narrowed to 28% as compared to over 40% at the beginning of this year.

There was a slight (2.4%) increase in the number of properties on the market at the end of this September from the same point last year; but with the increase in sales, the effective inventory of homes and units on the market today is down to 3.7 months (higher for condos and co-ops than for single family) as compared to 4.9 months in September of 2008 and 9.2 months in January of 2009.

The average sales price of single family homes, condominiums and cooperatives declined slightly from mid year but the decline was small enough (in the 2.5% range) to suggest that we may be approaching the bottom. With sales apparently on the upswing we can anticipate seeing prices stabilize by late this year or early 2010 but price increases are likely to be modest, at best, after that.

Single Family

There was a sudden sharp upturn in the number of new single family contracts this month. They jumped 26% from August and 40% from last September. They were stronger than any other month this year and all the way back to June of 2005. Favorable interest rates and concerns that the first-time buyer subsidy may not be renewed certainly contributed to this, but the strength of this upturn certainly indicates at least some improvement in consumer confidence about our local housing market.

For the year-to-date, new contracts were up 21% from a year ago with these gains largely coming (over 80%) from homes priced under \$800,000. Home sales are lagging above \$800,000 and particularly those over \$1,250,000.

Rather surprisingly, fewer new listings came on the market this September than a year ago and with stronger sales the inventory is down nearly 19% from this time in 2008. This has left only a 3.4 months supply of homes currently for sales which is lower than it has been for years.

Average sales prices are presently off 16% from the end of last year but they are down only 1% from mid year. Median prices are down a similar amount from 2008 but they were actually up a fraction from the end of the second quarter in June. All of this strongly suggests that the fall in single family prices is nearing an end but it will take months, probably into next year, before we begin to see even small gains.

Condominiums and Cooperatives

New contracts on condominiums and cooperatives rose 35% over September of 2008, but no large gains were registered from August with contract levels remaining unchanged from last month. The largest increases over last year were in the \$200,000 to \$300,000 range (up 48%) and the \$500,000 to \$800,000 range (up 52%).

Though nine months of 2009, contract activity on condos and co-ops is up 5% from the same point last year. Most price categories show slight losses or gains from 2008, but the \$900,000 to \$1,250,000 range (only 2% of 2009 contracts) is up 68%. The most activity for the year has been in the \$300,000 to \$400,000 range (28% of the market) and that range is ahead of 2008 by 12%.

The inventory of available units rose only 2% from the end of August, a much smaller increase than was expected, leaving the end-of-September number 13% lower than the same point last year. With the sales numbers remaining flat from August to September, the effective inventory actually went up slightly to 4.17 months, but this is certainly a more desirable level than the 9.76 months of inventory seen in January and the 6.42 months of September a year ago.

The average price of a condo/co-op in the District is even with 2008 prices at this point, while the median price is down 1%. This is a testament to the consistent number of sales in the upper half of the condo market, even as the inventory over \$1.5 million continues to accumulate (the effective inventory there is now 12.5 months).

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