



Washington, DC Housing Report

June 2008

The Market Overall

At the end of the second quarter, combined sales of single-family homes, condominiums and cooperatives were at their lowest six-month total in the last 10 years-- 28% behind the same point last year and off 40% from the high reached in 2005. Despite the drop in sales a corresponding decline in inventory has left the market in a reasonably good balance between buyers and sellers.

The inventory of available homes and units fell 4% from May with most of the decline on the condo and co-op side. With 24% fewer new listings coming on the market in June compared to last year, it seems that many sellers are sitting out the spring and summer market. While we do not expect there to be a rise in home sales in the fall, the lower inventories typical in the fall, could very well result in a better sales climate then.

At the end of June, the effective inventory of homes and units -- total inventory divided by monthly contracts -- stood at 5.2 months, compared to the most recent national level of 10.8 months as reported by the National Association of REALTORS. This is certainly a higher rate than we saw at the top of the market in 2004 and 2005, with levels hovering around one month, but it is also far removed from the market of 1991 to 1995 when there was rarely less than a 10 month of inventory and levels often approached the 20-month mark.

The most important issues that buyers, sellers and agents are facing as we enter the second half of 2008 are, of course, the problems in the credit and financial markets. Questions about the health of Fannie Mae and Freddie Mac and the viability of several national mortgage lenders will continue to cloud the market for months to come, and the answers will ultimately determine the timing of an eventual recovery.

Single Family

At mid year single family sales are clearly showing the effects of the credit crisis and slowing economy. The number of new contracts in June fell 6% from May, 16% from June of 2007 and 2006 and 39% from June of 2005.

For the year-to-date, sales are down 19% from a year ago, 28% from two years ago and 41% from June of 2005. Sales are off, in most cases by double digit amounts, in all price ranges of homes except for the 20% of the market priced under \$300,000.

While the current inventory of homes for sale is 4% lower than the high for the year reached in April, it is 20% higher than at the end of June 2007 and 61% higher than at the same time in 2005. Even with this larger inventory there is still only a 5.6 month supply

of homes for sale, which is almost half of the national average and a level mostly in balance between buyers and sellers.

Surprisingly, sales prices have not shown a decline in this slowing market. At mid year the average price of homes sold this year is 1% ahead of a year ago while the median (or mid point in the range of sales) is ahead by 3%. This stands in sharp contrast to the falling prices being seen in most parts of this region and the country. It is also one reason, as we have noted before, why the number of sales continue to decline. Even a modest reduction in sales prices would certainly encourage more sales.

Condominiums and Cooperatives

The number of new contracts on condominiums and cooperatives fell 9% from May and 30 from June of last year. There were some signs of life in the \$400,000 to \$500,000 range (22% of June sales) which was up 2% from a year ago, and also for units priced from \$600,000 to \$700,000 (6% of June sales) which were up 36%.

Through the end of June, year-to-date sales of condos and co-ops are off 35% from the same point last year and also trail the previous five year mid points. Sales are down by double digits in all price categories with units priced between \$150,000 and \$200,000 (6% of YTD sales, down 61%) and above \$800,000 (4% of YTD sales, down 49%) registering the largest losses.

The number of new listings on the market in June was 31% lower than in June of 2007 and, as a result, the inventory of units for sale fell 8% from May and is now 2% below last year. This was the second consecutive month of falling inventory when typically these reductions don't occur until July and August. As a result, the effective inventory managed to remain unchanged from May, at a healthy 5.2 months, despite the decline in sales for the month.

First the first time this year the average price of units settled in 2008 is higher (by 1%) than in 2007. This news is certainly in marked contrast to overall sales numbers, and an indicator of some strength in the market, but not entirely representative of what is happening on the streets.

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Data from the Greater Capital Area Association of REALTORS®

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