The Housing Market and Outlook

John McClain, AICP, Senior Fellow, 
Center for Regional Analysis 
School of Public Policy 
George Mason University

January 15, 2010

• Where is the Housing Market Now? 
• What is the Outlook for the Market Going Forward? 

• Nationally 
• Washington Region
The National Housing Market

U.S. Housing Trends
New & Existing Home Sales

Sources: NAR, NAHB
Factors at the National Level

- Home Price Declines Have Moderated and by Some Measures Up Slightly in late 2009
- Foreclosures in 2009 up over 2008
- Household Growth/Formation Have Slowed
- US Population Increasing 3 Million Per Year = Need for 1.5 New Housing Units
- Renters with Qualifying Income to Buy Median Priced Home: 2000 = 11 Mil, 2009 = 16 Mil
- Housing Starts at Historic Lows, in 2009 = 30% of Need for “Average Year”

Factors at the National Level

- Programs to Purchase Mortgage-Backed Securities Coming to an End
- Home Buyer Tax Credit Ending in April

The Key Will be the Timing of the Unwinding – Will the Improving Economy Coupled With Demand Sustain and Grow Current Improvements in the Housing Market?
U.S. Housing Starts

Source: Global Insight

U.S. Existing Home Sales

Source: Global Insight
The Washington Housing Market

Sales
### Building Permits
**Washington MSA**

- **Source:** US Census, GMU Center for Regional Analysis
- **Annualized Jan-Oct**

### Percent Change in Inventories of Existing Homes
**Month-Over-the-Year-Change**
**2000 – 2009, MSA**

- **Source:** MRIS, GMU Center for Regional Analysis
- **Jan-May, 2006 >100 %**
- **Dec = - 23 %**
Units Sold Percent Change
By Subregion
All Housing Types

Source: MRIS, GMU Center for Regional Analysis

Sales and Total Active Listings
Washington MSA, December Each Year

Source: MRIS, GMU Center for Regional Analysis
Total Active Listings Per Sale
December Each Year

Source: MRIS, GMU Center for Regional Analysis

Prices
15 Largest Metro Areas
Ranked by Median House Price Change
Q3 2008 – Q3 2009

Source: National Association of Realtors

Washington MSA Average Sales Price
All Housing Types

Source: MRIS, GMU Center for Regional Analysis
Average Sales Price Percent Change
Suburban Maryland
All Housing Types

30%
Annual Change

2007 2008 2009

0%
Annual Change by Month

-30%

Source: MRIS, GMU Center for Regional Analysis

Average Sales Price Percent Change
Northern Virginia
All Housing Types

30%
Annual Change

2007 2008 2009

0%
Annual Change by Month

-30%

Source: MRIS, GMU Center for Regional Analysis
Average Sales Price Percent Change
Metro Area – Single Family Detached

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>11</td>
<td>14</td>
<td>11</td>
<td>5</td>
<td>5</td>
<td>14</td>
<td>11</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: MRIS, GMU Center for Regional Analysis

Average Sales Price Percent Change
Metro Area – Single Family Attached

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: MRIS, GMU Center for Regional Analysis
Average Sales Price Percent Change
Metro Area – Condos

Annual Change

Annual Change by Month

2008

2009

Source: MRIS, GMU Center for Regional Analysis

Existing Home Sales
Washington Metro Area
Sales Price < $300,000 As % of Total Sales

Source: MRIS, GMU Center for Regional Analysis
Foreclosures

Foreclosure Trends
3rd Quarter Each Year
Washington Metro Area

Source: RealtyTrac and GMU Center for Regional Analysis
Figure 1: Foreclosure Inventory Remains High in the Region, but Growth Has Slowed

Figure 2: Foreclosure Rates Highest in Eastern and Outer Suburbs
The Outlook

New Housing Contract Kick-Out Rate
Washington Metro, All Housing Types

Source: Hanley Wood
New Housing Sales, Actual and Forecast to March 2011
Metro Area

Source: GMU Center for Regional Analysis

Washington MSA
Existing House Sales – Days on Market
2000 - 2009

Source: MRIS, GMU Center for Regional Analysis
Housing Affordability Index
(Median House Value/Median HH Income)
Washington Metro

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2.73</td>
</tr>
<tr>
<td>2000</td>
<td>2.76</td>
</tr>
<tr>
<td>2001</td>
<td>2.99</td>
</tr>
<tr>
<td>2002</td>
<td>3.39</td>
</tr>
<tr>
<td>2003</td>
<td>3.80</td>
</tr>
<tr>
<td>2004</td>
<td>4.50</td>
</tr>
<tr>
<td>2005</td>
<td>5.41</td>
</tr>
<tr>
<td>2006</td>
<td>5.16</td>
</tr>
<tr>
<td>2007</td>
<td>4.84</td>
</tr>
<tr>
<td>2008</td>
<td>3.81</td>
</tr>
<tr>
<td>2009</td>
<td>3.50</td>
</tr>
</tbody>
</table>

Source: MRIS, US Census, GMU Center for Regional Analysis

THE OUTLOOK

• SUPPLY / INVENTORY
  – All indicators are in the positive direction, have worked through much of the market excesses via foreclosure sales, short sales, price declines

• PRICES
  – Market is returning to “normal” but differences in timing by location in the region – close-in areas, close to Metro, Northern Virginia already, rest of the region more in 2010

• FORECLOSURES
  – Continue to be a problem and will be with us in parts of region into 2011, although much less of a problem here than U.S.
THE OUTLOOK

• Demand from increases in population and lower household formation in the past few years
• Improved housing affordability with the decline in prices
• Large drop in new home construction
• And an improving local economy =

• Housing Market Returning to More Normal in 2010 and Mostly Normal in 2011.

www.cra-gmu.org