

**Cardinal Bank
&
George Mason University**



20th Annual Economic Conference

Friday, January 13, 2012

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Cardinal Bank/George Mason University
20th Annual Economic Conference

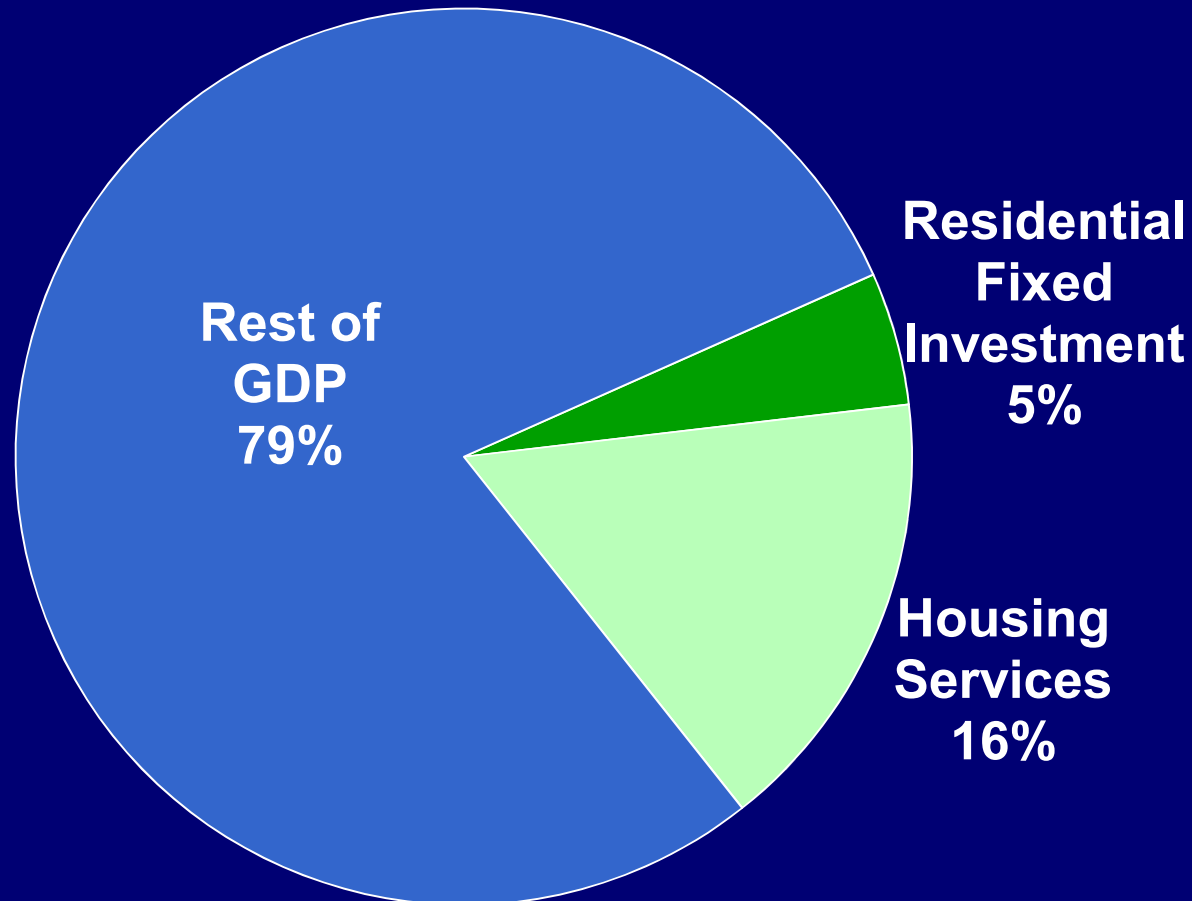
***What Will Drive the Washington DC
Region's Housing Market?***

Lisa A. Sturtevant, PhD
Center for Regional Analysis
George Mason University

January 13, 2012

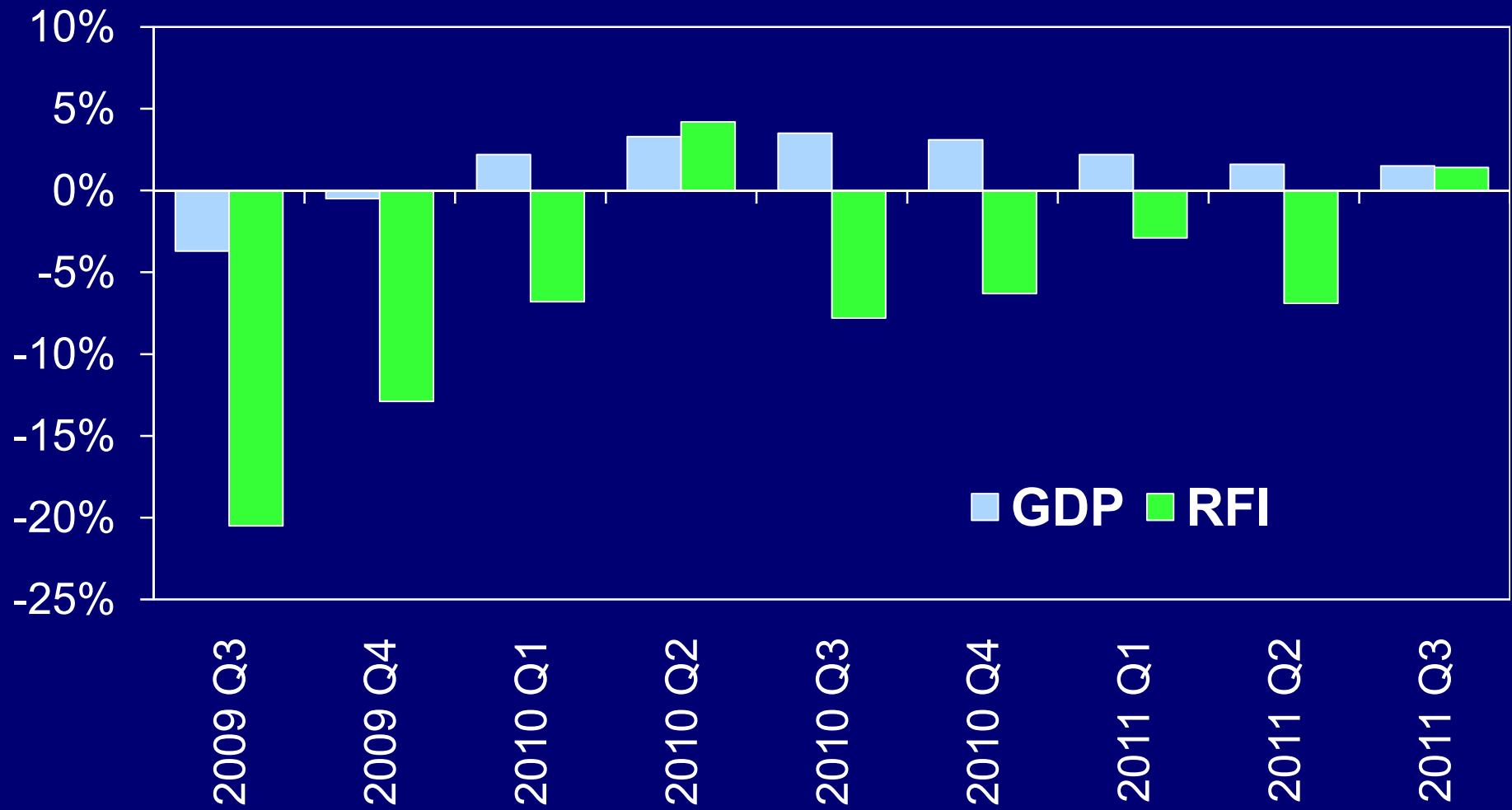
U.S. Economy & Housing Market

The Contribution of Housing to Gross Domestic Product (GDP) Average since 1947

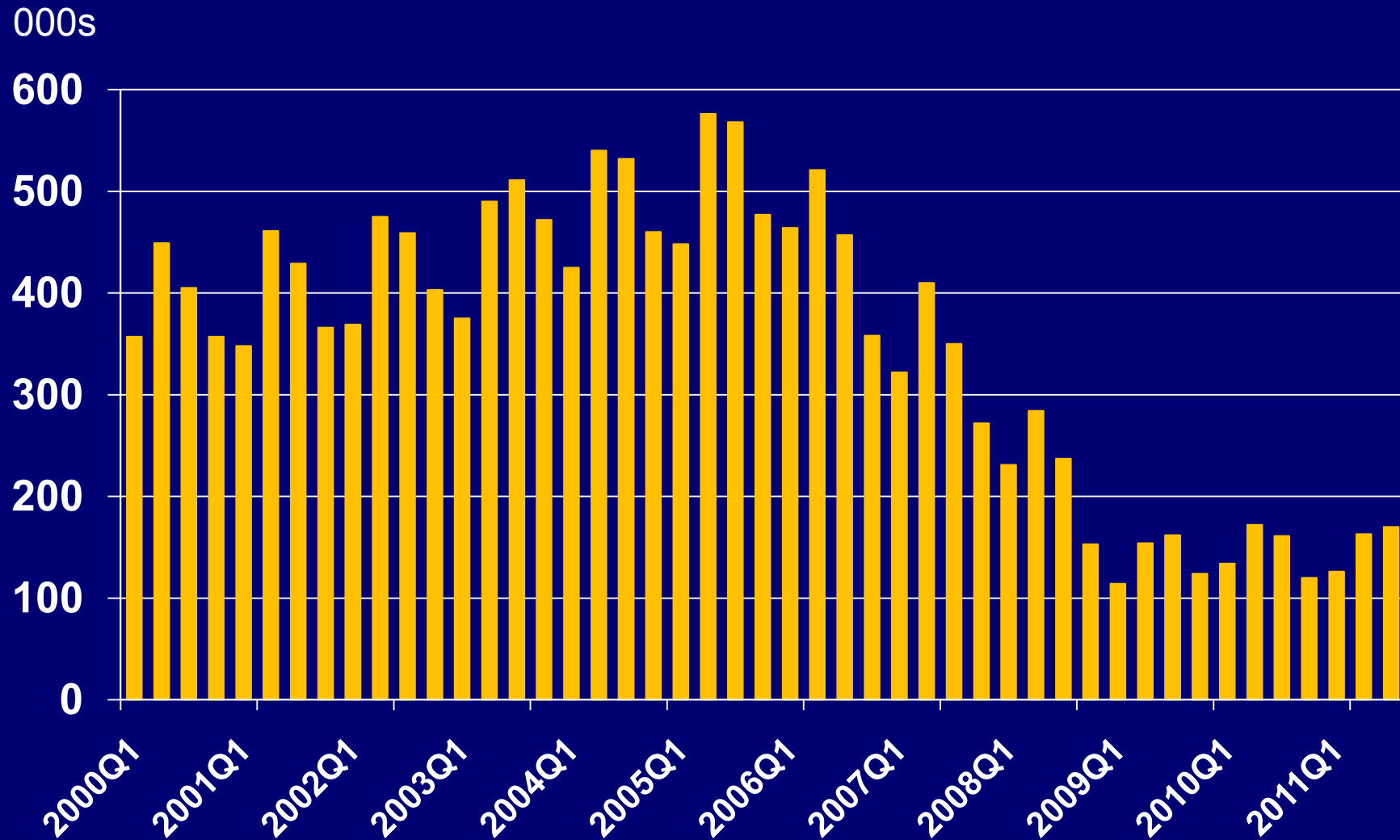


Real GDP and Residential Fixed Investment

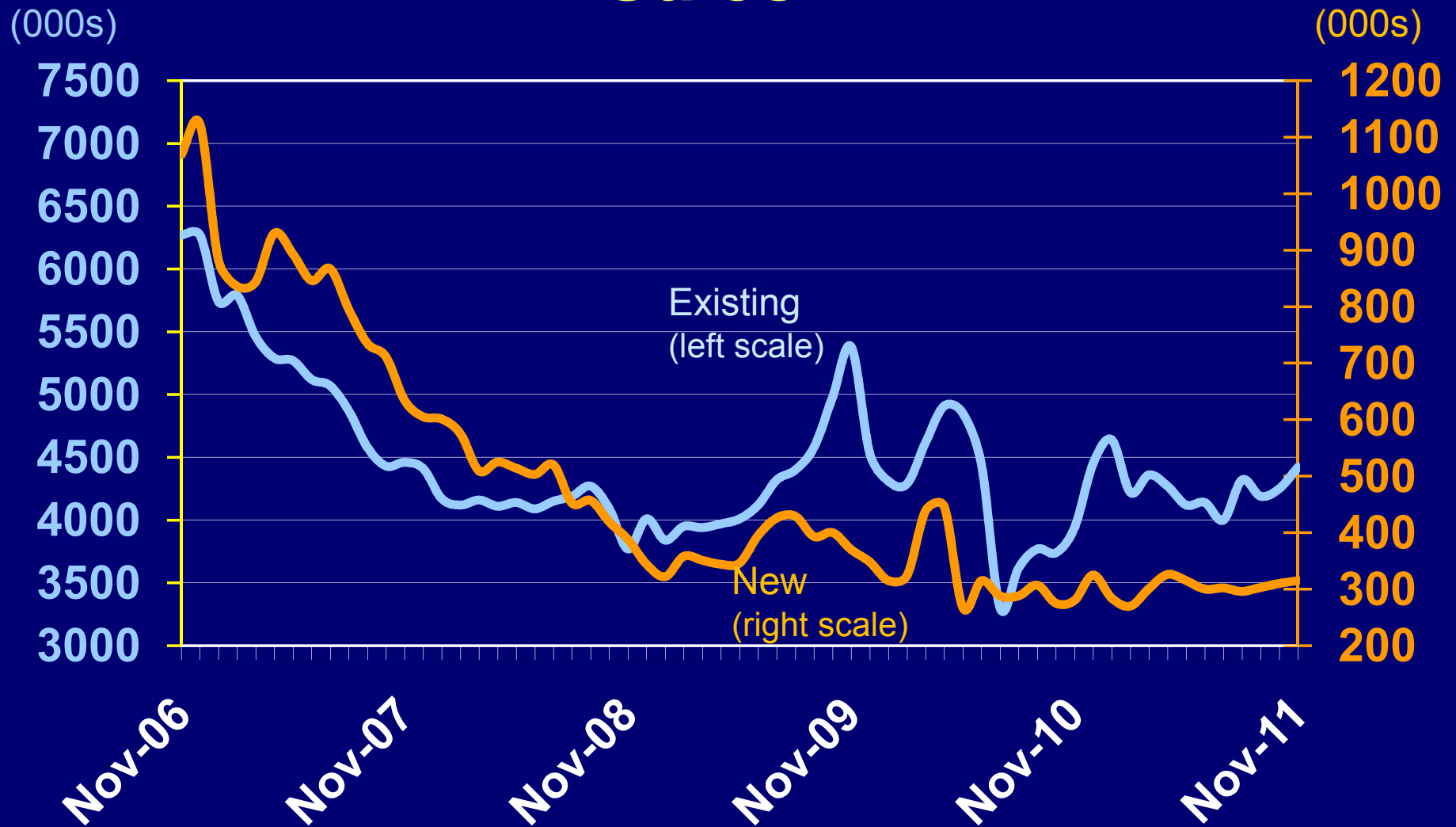
Percent Change from Quarter One Year Ago



U.S. New Housing Starts

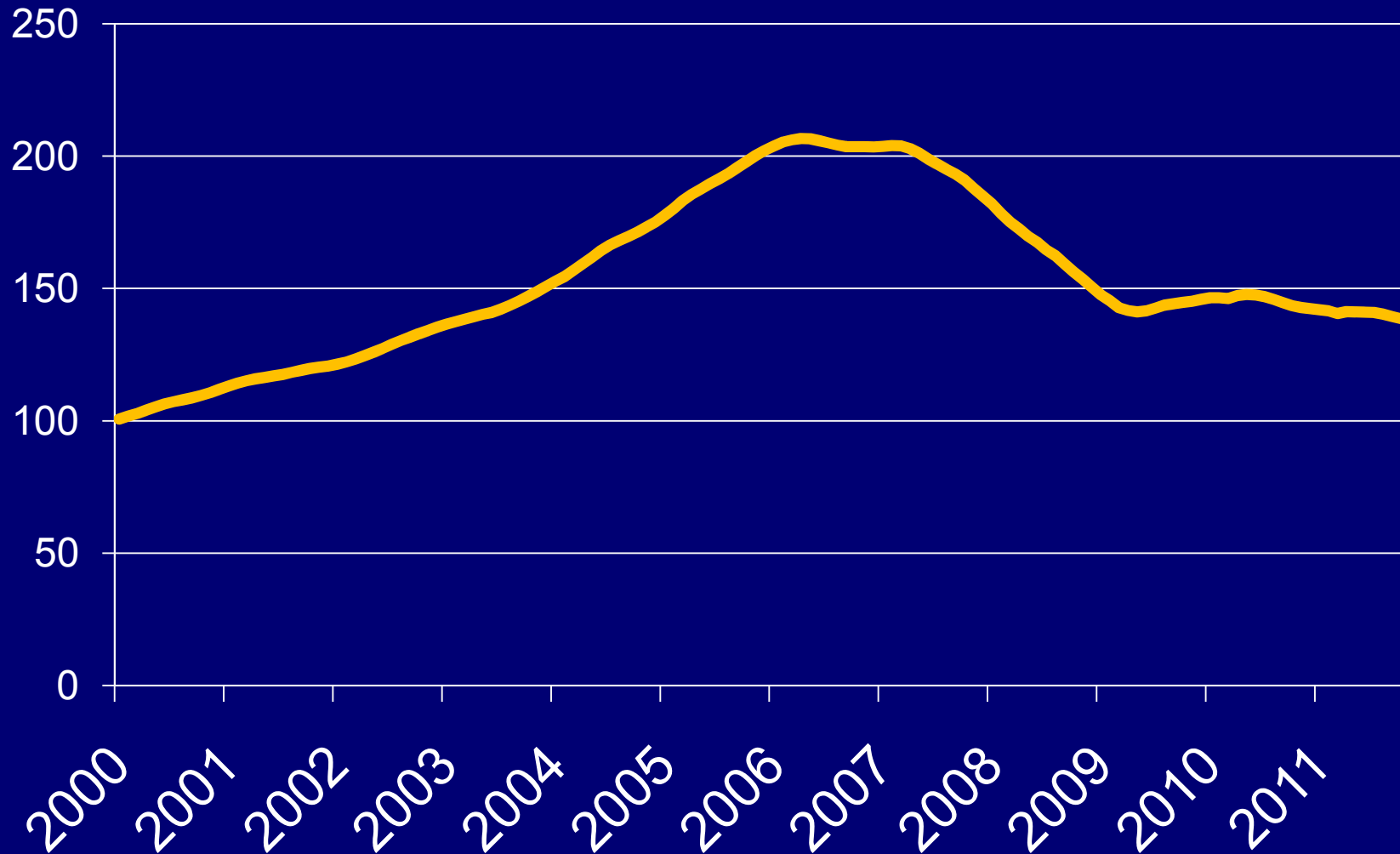


U.S. New & Existing Home Sales



Source: NAHB (New) and NAR (Existing Sales Re-benchmark 12/11)

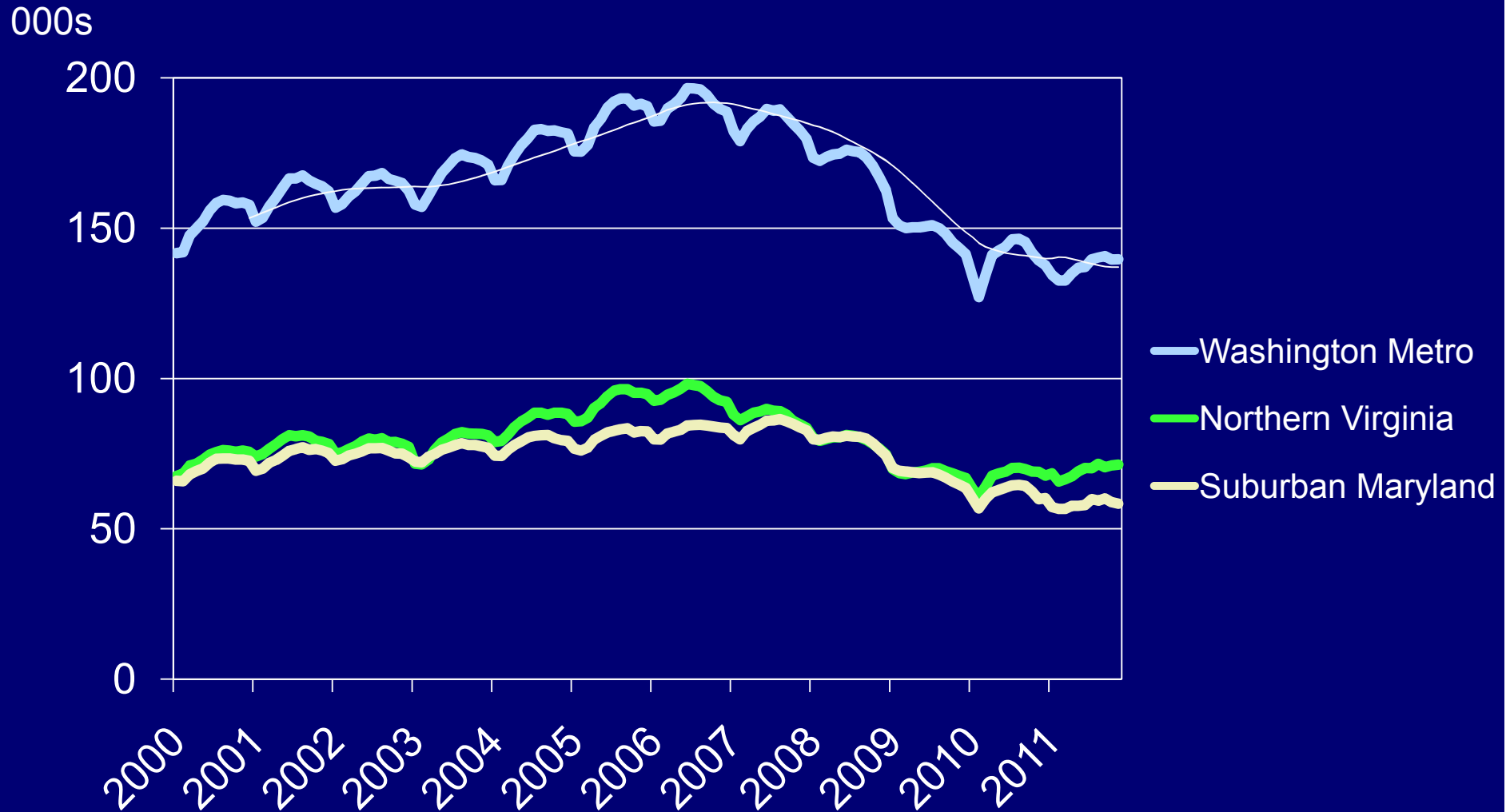
U.S. Home Prices Case-Shiller Index



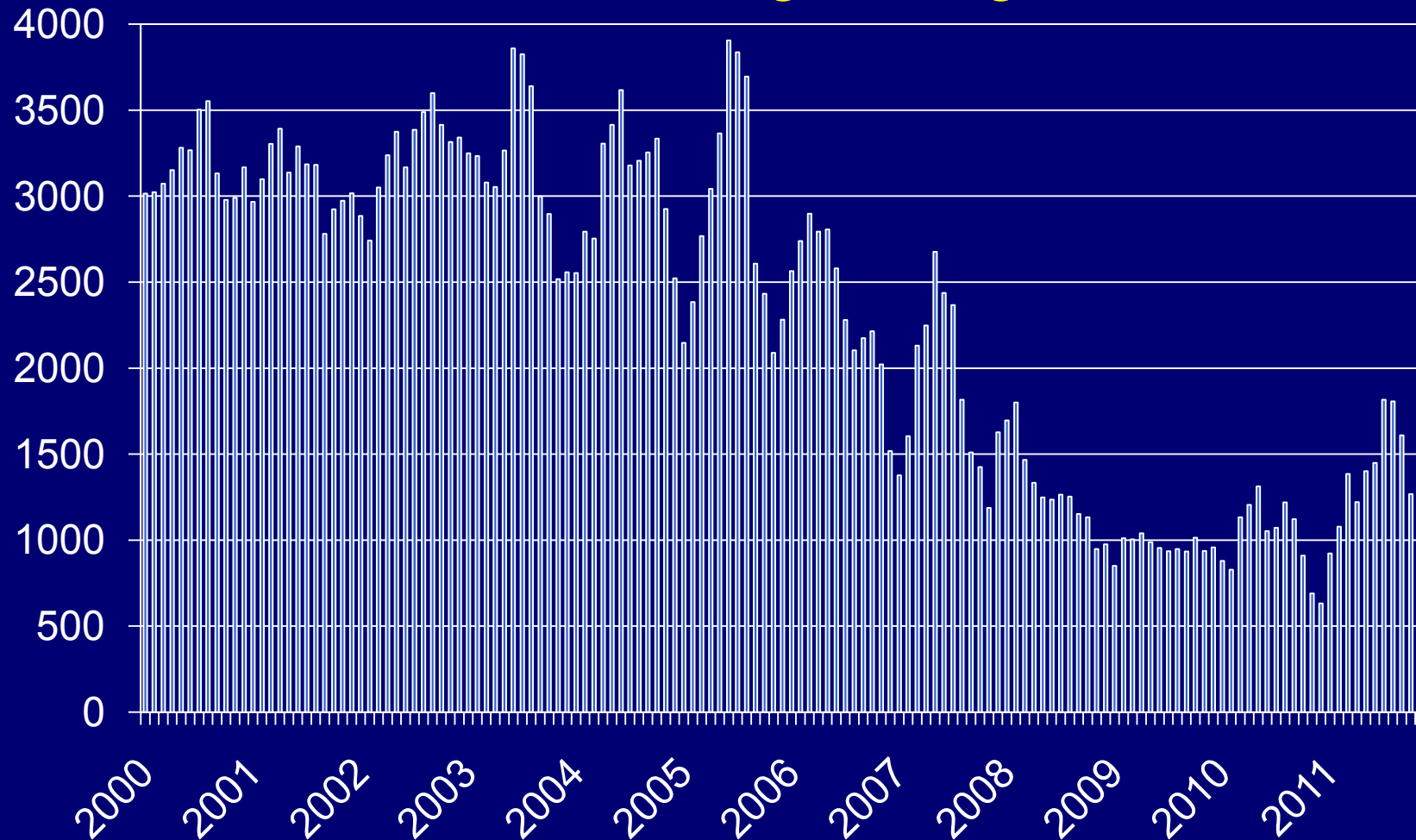
Source: S&P/Case-Shiller index

Washington Area Economy & Housing Market

Construction Employment Washington DC Metro Area



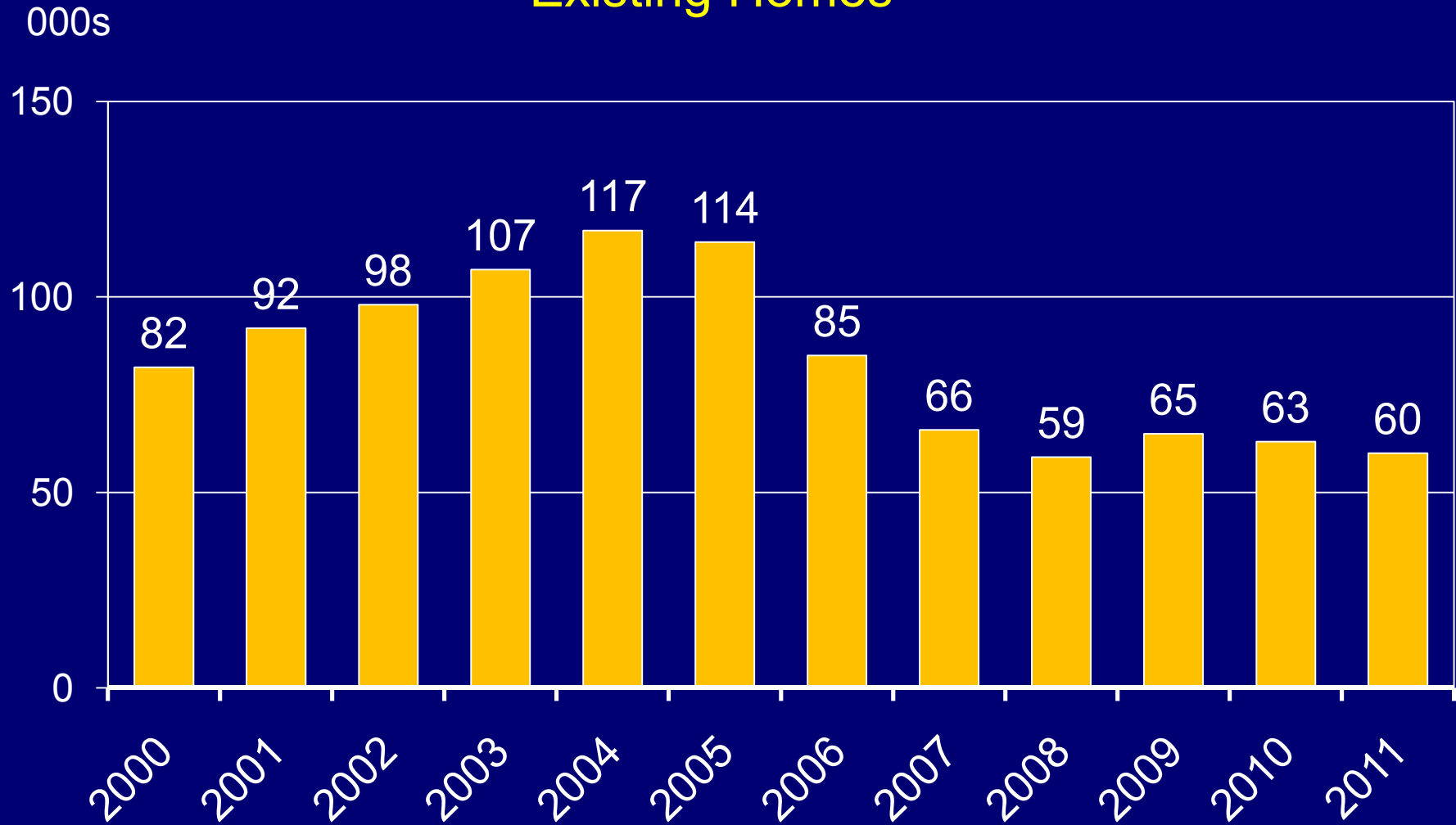
Washington DC Metro Building Permits 3-Month Moving Average



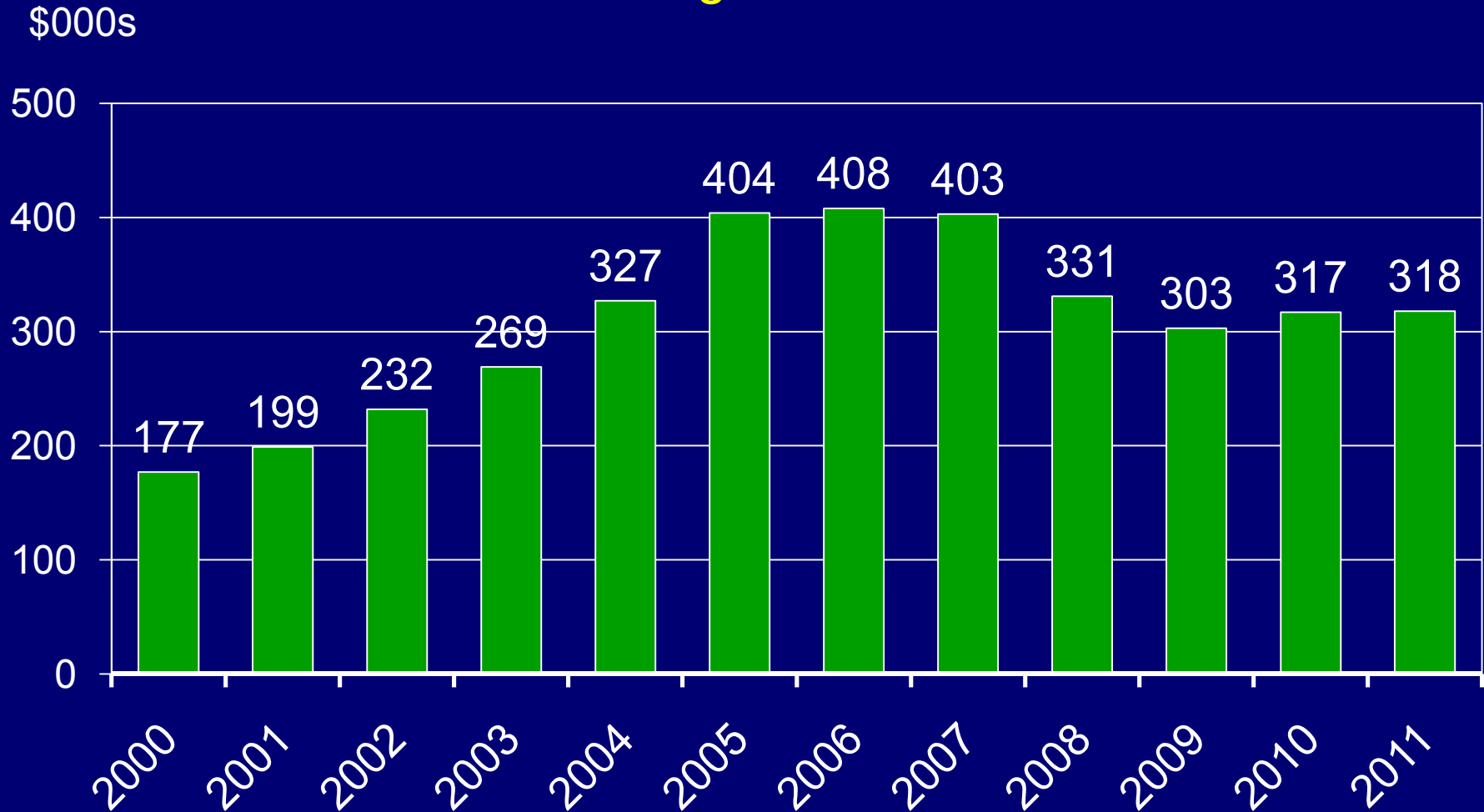
Sales

Washington DC Metro Area

Existing Homes



Median Sales Price Washington DC Metro Area Existing Homes



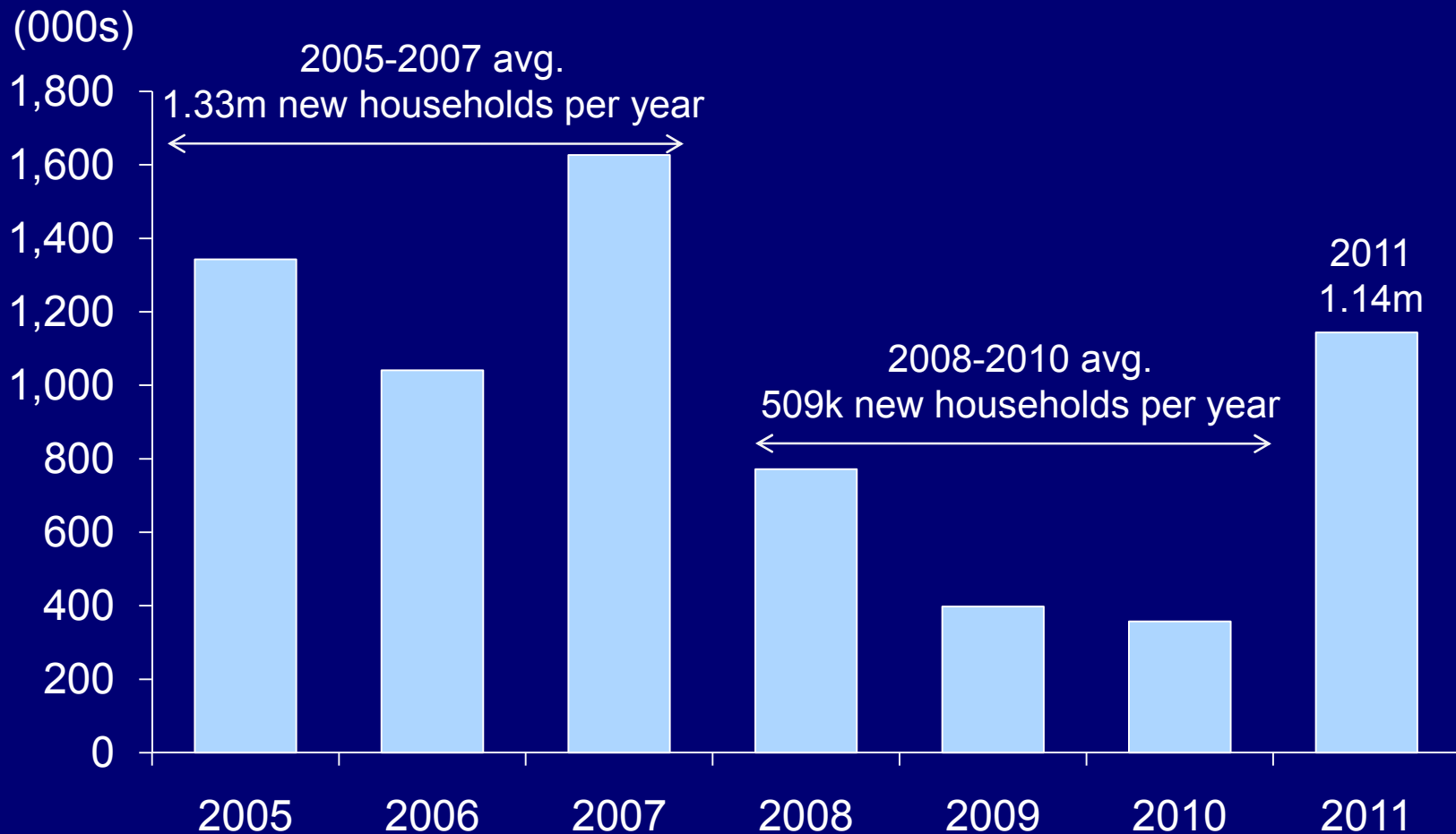
2011 Rental Market Washington DC Metro Area

- Dramatic uptick in apartment construction
 - Over 14,000 units started
- Stable and low vacancy rates
 - 3.8% (3.4% in 2010)
- Rising rents, but slower increase
 - Increase of 2.1% (8.2% increase in 2010)

What will affect the demand for housing in the region?

- Household growth
 - “Doubling up”
 - Mobility/migration
- Mortgage market
- Inventories
- Foreclosures/short sales
- Consumer confidence

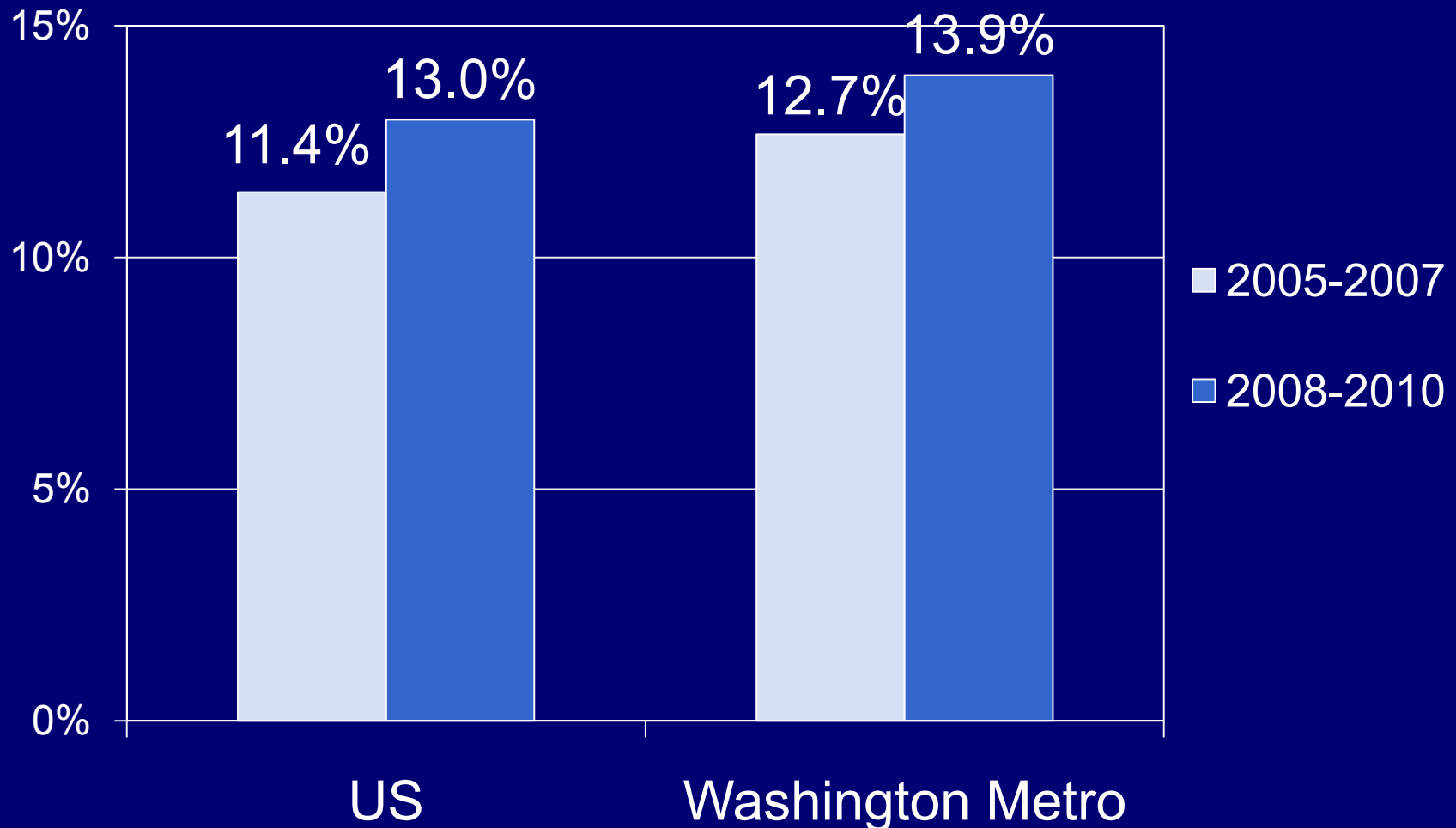
Household Formation U.S.



Source: Current Population Survey

Household Formation

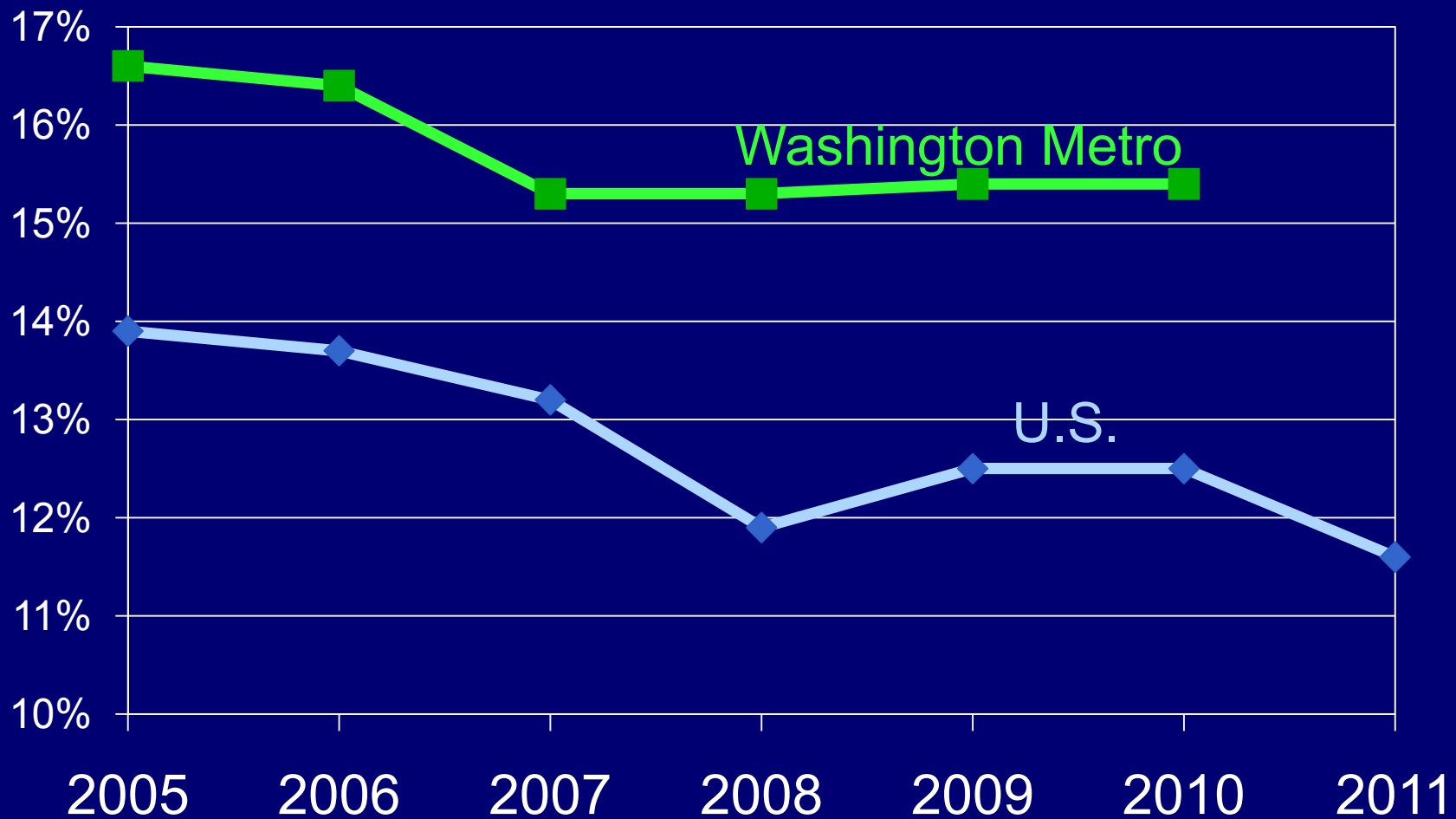
25-to-34 year olds living with parents



Source: Current Population Survey, American Community Survey 3-year estimates

Migration/Mobility

Percent of the population that changed residences



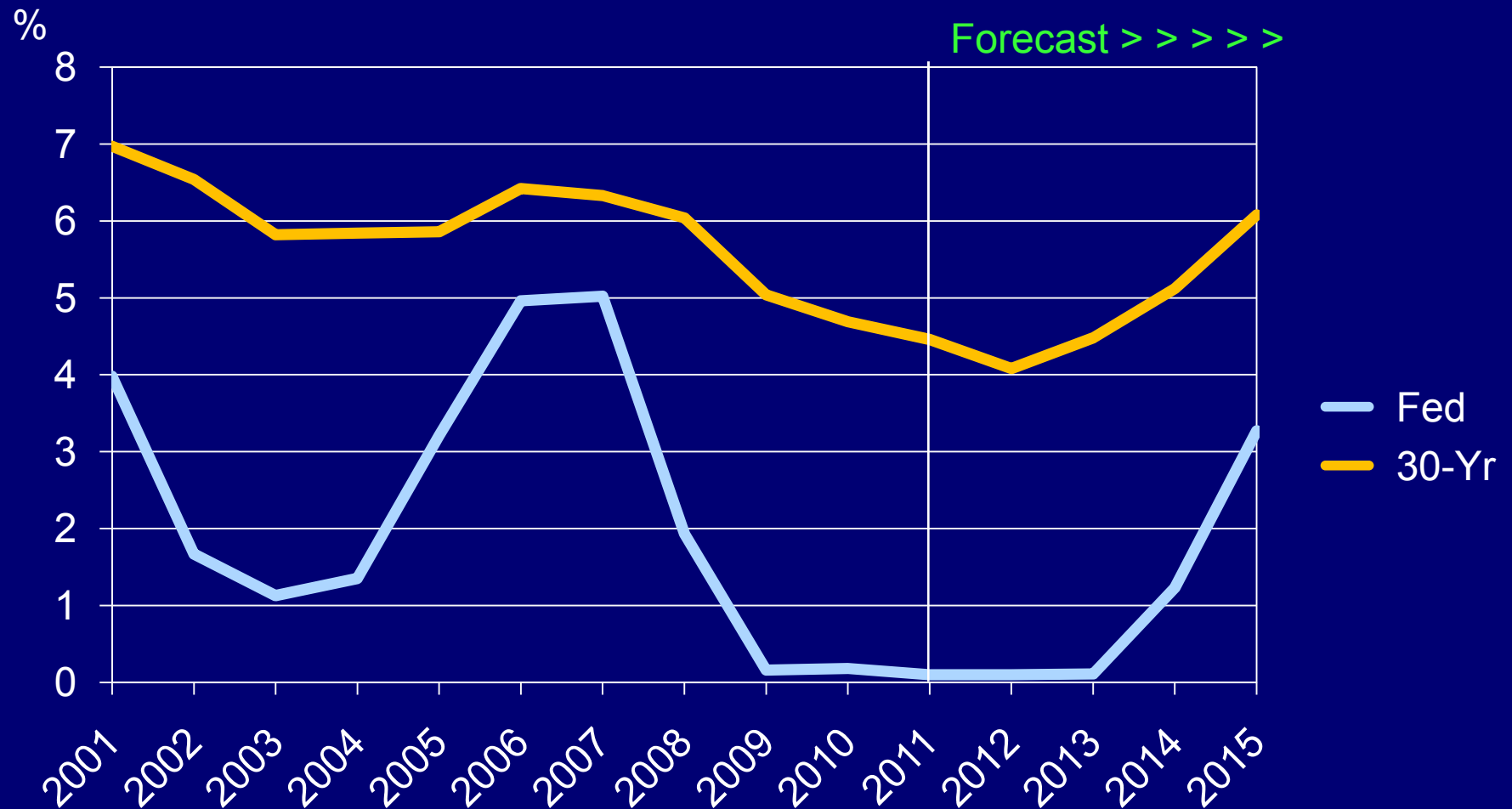
Source: Current Population Survey, American Community Survey 1-year estimates

Migration/Mobility

Compared to movers in the 2005-2007 period, people who moved in the Washington DC metro area in the 2008-2010 period were:

- More likely to be age 25-to-34 (29% vs. 25%)
- Less likely to be under age 25 (38% vs. 43%)
- Slightly more likely to be college educated (60% vs. 57%)
- A little more likely to live in the region's core (27% vs. 25%)
- Much more likely to rent (75% vs. 66%)
 - Fairfax/Montgomery (73% vs. 63%)

Interest Rates 2001 - 2015

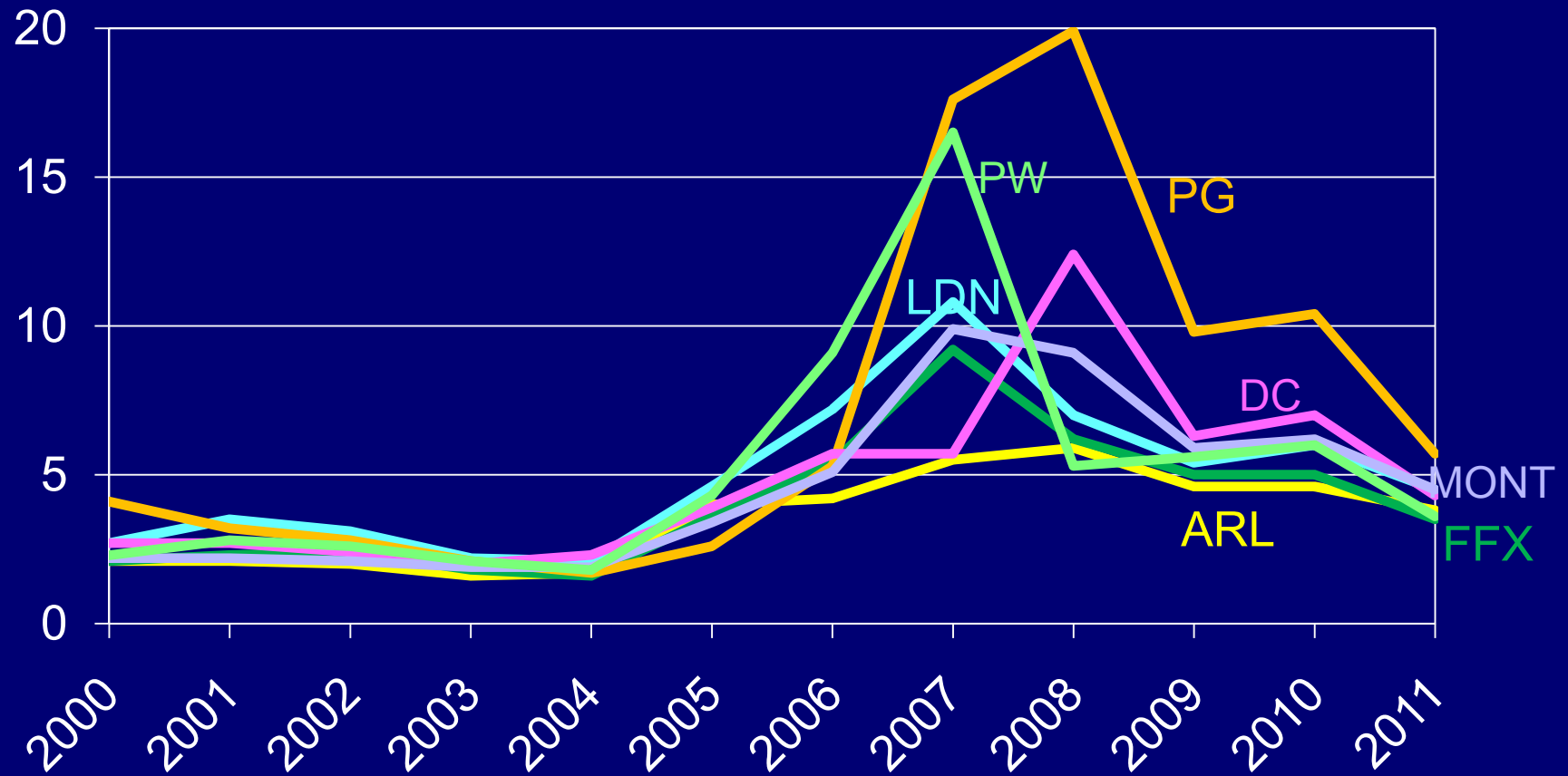


Source: Federal Reserve and IHS Global Insight

Mortgage Market

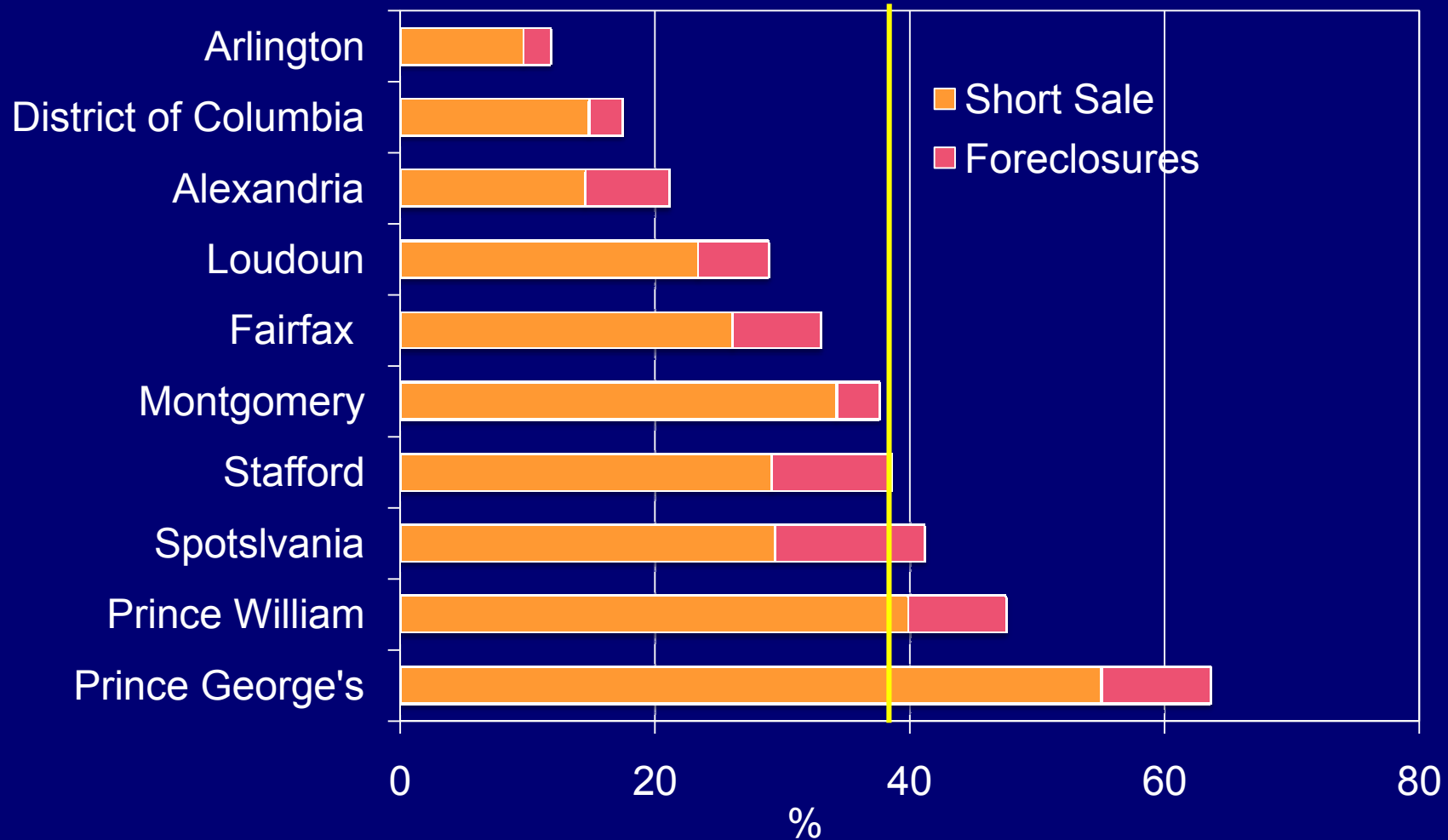
- Historically low mortgage interest rates unlikely to rise in 2012
- Generally stricter lending requirements—credit scores, down payments
- Almost all home loans guaranteed by the GSEs
- Reversal of lowering of conventional loan limits in high cost areas

Total Active Listings Per Sale December Each Year



Foreclosures/Short Sales

Percent of current inventory



Source: MRIS, GMU Center for Regional Analysis.

Foreclosures/Short Sales

Percent of 2011 Sales



Source: MRIS, GMU Center for Regional Analysis.

Consumer Confidence



Source: Conference Board, GMU Center for Regional Analysis

Outlook

2012

- Positive indicators → increasing confidence
- Continued strength in the MF rental market
- Rising rents → more buying
- Increased sales activity & prices up modestly

Outlook (cont.)

2013-2014

- National housing market will improve
- Slower job growth locally → moderate price growth
- Demand for MF rental housing will persist
- Demand for single-family housing (esp. TH) will grow

2015 and beyond

- Demand for single-family homes on the rise (smaller units, closer to job centers)

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