What Will Drive the Washington DC Region’s Housing Market?

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U.S. Economy & Housing Market
The Contribution of Housing to Gross Domestic Product (GDP)
Average since 1947

- Residential Fixed Investment: 5%
- Housing Services: 16%
- Rest of GDP: 79%

Source: Joint Center for Housing Studies of Harvard University, unrevised national income and product accounts data
Real GDP and Residential Fixed Investment
Percent Change from Quarter One Year Ago

Source: US Bureau of Economic Analysis
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

Source: U.S. Bureau of Labor Statistics
Washington DC Metro
Building Permits
3-Month Moving Average

Source: U.S. Census Bureau, Center for Regional Analysis
Sales
Washington DC Metro Area
Existing Homes

Source: MRIS/RBI Intel, GMU Center for Regional Analysis
Median Sales Price
Washington DC Metro Area
Existing Homes

$000s

Source: MRIS/RBIntel, GMU Center for Regional Analysis
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)

Source: Delta Associates
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.

1.33m new households per year

2008-2010 avg.
509k new households per year

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%)

Source: American Community Survey, 3-year estimates
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

Source: MRIS/RBIntel, GMU Center for Regional Analysis
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)
Cardinal Bank
&
George Mason University

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