

## SPRING HOUSING MARKET FORECAST

The spring housing market is usually greeted with eagerness and optimism by home sellers and buyers, Realtors and mortgage professionals. This year; though, it is being met with, well...hope. While there are still plenty of negatives, a sour economy and widespread job losses are at the top of the list, there are some distinct positives that myself and other industry experts seeing the storm clouds clearing.

To start with, first-time buyers have every reason to step up in 2009 thanks to a more attractive federal tax credit. The economic stimulus bill BOOSTED the first-time buyer credit to \$8,000 and removed the unpopular payback requirement. Of course, we would like to have seen a broader and bigger credit. The homebuilders had pushed a visionary proposal for a \$22,500 tax credit available to all homebuyers. No deal. Still, the improved first-timers credit should lend added support to what has been one of the bright spots in the market.

A plan announced by the White House to stem foreclosures, should help stabilize the housing market if it succeeds in substantially reducing inventories and sales of distressed properties. In some communities, (outside the District) foreclosures compose the majority of the homes on the market. Places like Prince William County, Loudon County and Prince Georges County are seeing record foreclosures. Most homeowners in these neighborhoods who have been paying their mortgages are unable to sell if they wanted to without having to bring cash to the settlement table, therefore they haven't sold. Once foreclosures are swept from those areas, prices should stop falling, as inventories will drop. Right now with the glut of bank owned properties there is just too much "low balling" to create an atmosphere of fair market price.

Historically low mortgage rates, at or below 5%, even if they aren't available to all comers, are a cornerstone for the foundation of an improved housing market. Those who don't qualify for the very best rates will usually find better rates than they would have 6 to 12 months ago. Will the lower mortgage rates in 2009 help to lift the housing market this spring? There have been several positive market developments recently, lower rates among them, but whether these positives finally have enough power to jump start buyers is the question of the season...indications seem to suggest an overwhelming YES. The issues of qualifications aside, the sweet perfume of low rates in the air did manage to lure extra homebuyers into the market in January, normally the off-est of off-months for home sales. This could be a good omen for spring sales. While low rates started attracting buyers, those rates *really* got mortgage lenders' phones ringing for refinances.

With Fannie Mae and Freddie Mac playing an even more essential role in the mortgage market these days, the Treasury recently upped its backing for both. That move was intended to assure purchasers the Fannie and Freddie securities are still safe to buy, enabling the two mortgage giants to keep loan funds flowing. The combination of low mortgage rates and falling home prices has sent affordability measures soaring. The National Association of Realtors' Housing Affordability index recently stood at the highest reading on record. The NAR index, started in 1970, rose to 158.7 in January. The index tracks the relationship among home prices, mortgage rates and household incomes.

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New home starts have continued to sag, falling to 50 year low record low levels in January. GOOD!! We can't expect to work down the inventory of existing homes if homebuilders keep adding to the overall supply of houses, so to me that is another positive for the market, if not for the builders.

Falling prices are starting to bring in buyers. It is a real estate truism that location is the key to the attractiveness of a home. This is true on a regional, state, metropolitan area or community level. Some markets that have seen big price declines and foreclosures have seen increases in sales volume. Home sales posted the largest monthly gain since 2002 in January, as calmer conditions and political change started to bring buyers out of their "bomb shelters" following a tumultuous October and November in the financial markets. What was really promising is that a greater number of sales contracts were signed in January 2009 than January 2008. We need to start seeing regular year-over-year improvements that would be a huge boom to both the economy and real estate.

In the first quarter, houses, condos and co-ops in D.C. sold at the fastest rate since 2006. Montgomery, Prince William, Calvert and Prince Georges Counties saw similar bounces up. Locally, Burleith and Glover Park registered improving sales figures as well. The reason? Prices have fallen to levels that buyers are finding irresistible. In addition, regions that may not have seen overall rebound yet, have seen individual neighborhoods stabilizing and sales picking up. Please give me a call to learn the current market conditions where you have an interest.

**Ultimately, the unleashing of pent-up demand (a number of housing experts are certain it exists) amid the lure of attractive prices and low mortgage rates are the elixir that will cure our housing ills.**

## 2008 Real Estate Market Report for Glover Park and Burleith

According to the Washington DC Real Estate Market Report Statistics in December 2008, the market is not that much different compared to this same time last year in December 2007. For 2008 areas such as Zip code 20001 (369 house sales in Old City, Logan ), Zip code 20002 (487 house sales in Capitol Hill), Zip code 20003 (309 house sales in Old city, Capitol Hill), Zip code 20007 (362 house sales in Georgetown), Zip code 20008 (268 house sales in Woodley Park, Cleveland Park, Van Ness), Zip code 20009 (500 house sales in Adams Morgan/Mount Pleasant) and Zip code 20010(207 house sales in Columbia Heights), 20016 (352 house sales in AU Park/Spring Valley).

Of the 362 sold properties in Zip Code 20008:

- 40 Condos/Coops in Glover Park average **SOLD** price of \$299,176
- 7 Townhouses in Glover Park average **SOLD** price of \$788,429
- 29 Single Family Homes in Glover Park average **SOLD** price of \$739,159
- 13 Single Family Homes in Buleith average **SOLD** price of \$869,038
- 4 Townhouses in Burleith average **SOLD** price of \$1,066,333

The average sales price for Burleith homes was \$849,615. This represents an increase of 11.3% compared to the prior year 2007. The average sales price for Glover Park was \$512,128 an increase of 10.7% compared to the prior year 2007.

Average price for homes in Glover Park/Burleith was \$ 541,462, for Jan/Feb 2009, which represents a decline of 5.9%, compared to Jan/Feb 2008. Average price per square foot for homes in Burleith/Glover Park was \$595. This means buyers looking for strong value for their dollar can really get do well, but also fewer days on the market for sellers and reinforces the fact that these two areas represent a tremendous investment value, especially when "quality of life" is factored in.

93 properties sold in Burleith/Glover Park compared to 101 this same time last year a 0.24% drop which is almost the same exact numbers.

The average days of houses for sale in the area or days on the market in 2008 was 47 days compared to 39 days in 2007.

There are currently 2,291 resale and new homes in Washington on MLS, including 204 open houses, as well as 410 homes in the pre-foreclosure, auction, or bank-owned stages of the foreclosure process. Popular neighborhoods such as Burleith and Glover Park, with average listing prices of \$ 378,871 and \$322,770 respectively, remain higher then other parts of the City.

2008 was, without a doubt, the single most challenging year in real estate in Washington, DC in at least 30 years. And the nation-wide problems in real estate helped to precipitate the takeover of Fannie Mae and Freddie Mac, the bailout of numerous banking, insurance and financial institutions and the loss of 33% of the value of the Dow Jones stocks.

In Washington, DC, the number sales in 2008 was 40% less than the peak year of 2005. There were just 5,457 sales in 2008, down from the 9,175 just three years ago. So where is the market headed from here?

Nonetheless, there are also reasons to think that things will improve in 2009. Mortgage interest rates are as low as they have been in 40 years, and there is pent-up demand to purchase homes - the current level of purchases is well below our historic norms. DC offers the best access to mass transit at a time when people are more concerned about gas prices and the environment. DC was also picked by Forbes Magazine as the TOP City to live in a recent article.

But the most important reason is jobs. George Mason University's Center for Regional Analysis projects net job growth of 23,700 in 2009 in the region, about a quarter of which will be in Washington. We expect a market that will be slower than normal through the first quarter of the year, with a steady overall recovery beginning by the third quarter.

