

***The 15th Annual GMU
Economic Conference***

***The Washington Region Housing
Market in 2007***

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Where Is the Market?

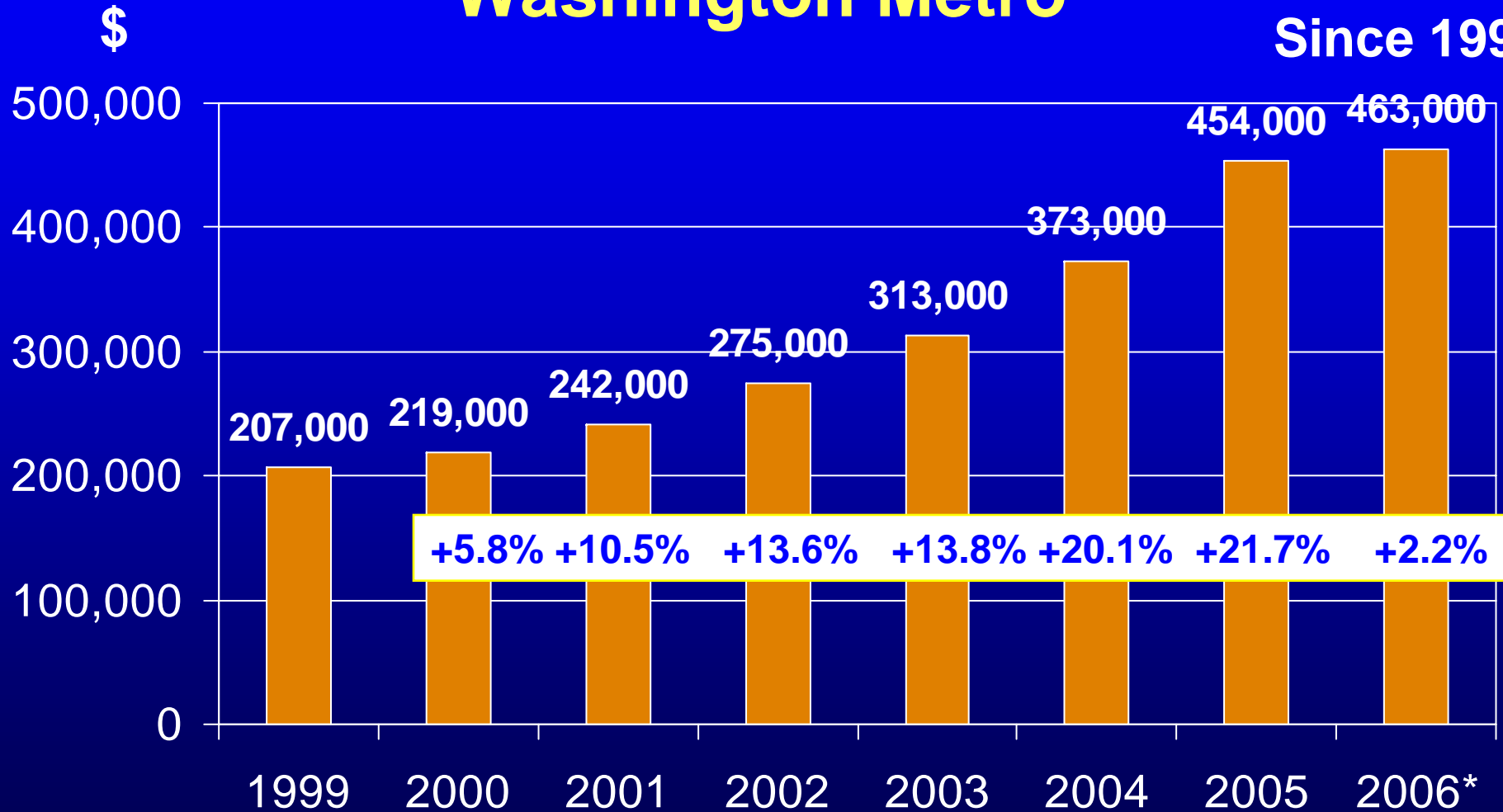
- **Record inventory levels in 2006**
- **Month-over-the-year price changes turned negative in July**
- **Inventory returning to normal levels at end of year**
- **Price changes likely to remain in negative territory through the winter**

What Is the Outlook?

- **Increased demand in spring from normal seasonal cycle and spurred by lower prices**
- **Prices flat to + 5% by the summer of 2007**
- **Region's job growth is still out-pacing the supply of housing**
- **A housing affordability crisis continues**

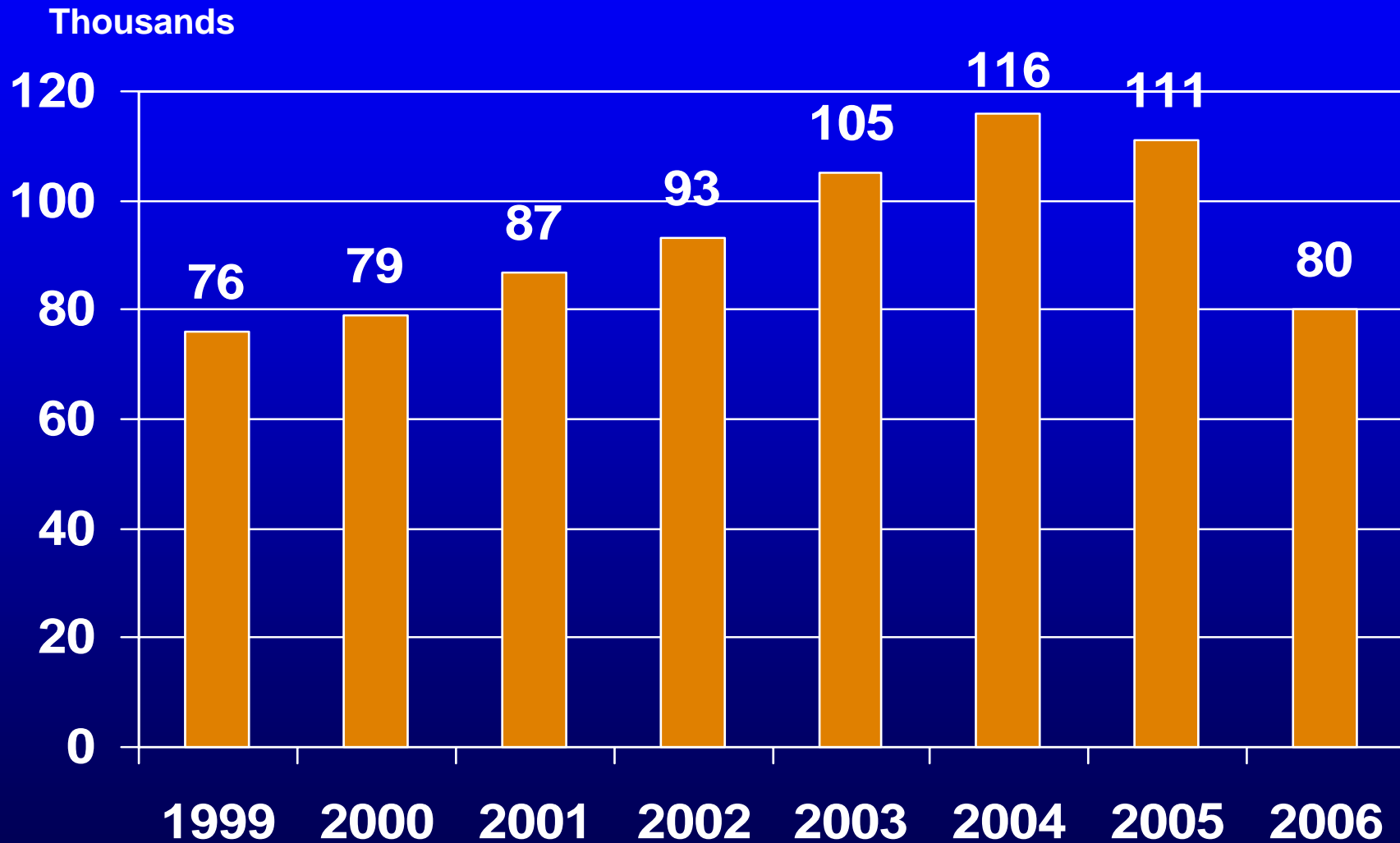
Average Sales Price All Housing Types Washington Metro

+ 124%
Since 1999



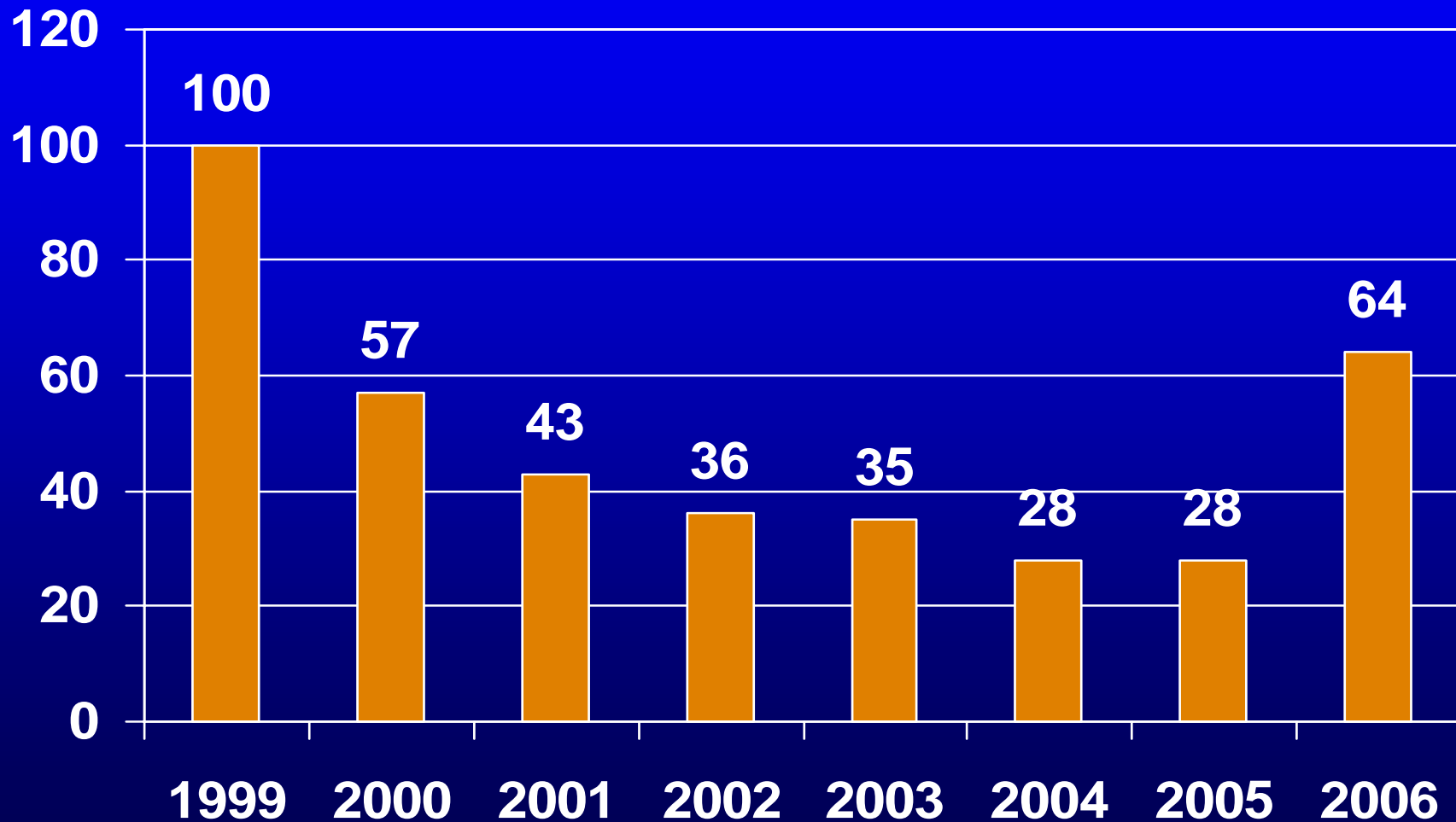
Source: MRIS, GMU Center for Regional Analysis

Total Units Sold Washington Metro Area



Days on Market Washington Metro Area

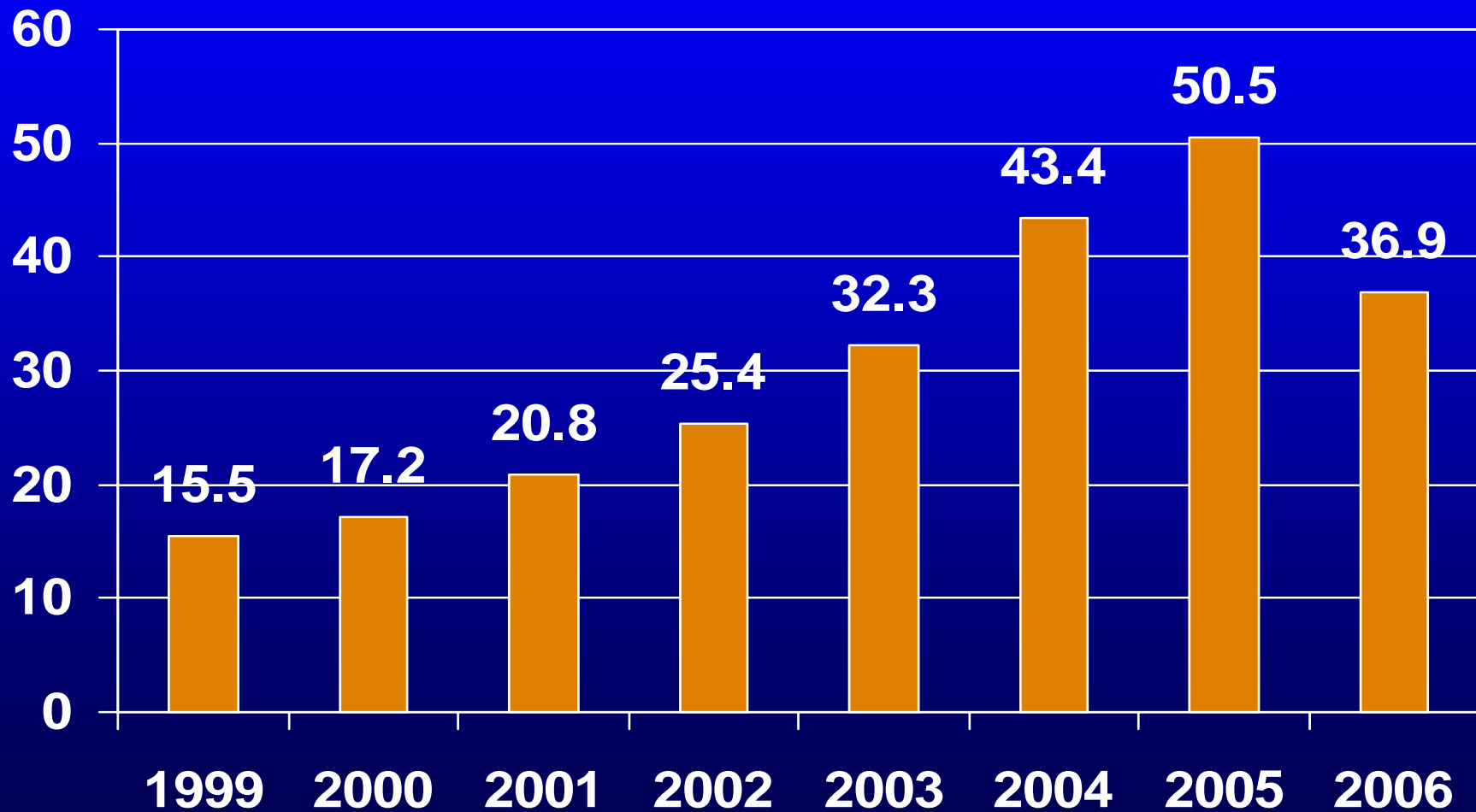
Days



Source: MRIS, GMU Center for Regional Analysis

Total Sales Volume Washington Metro Area

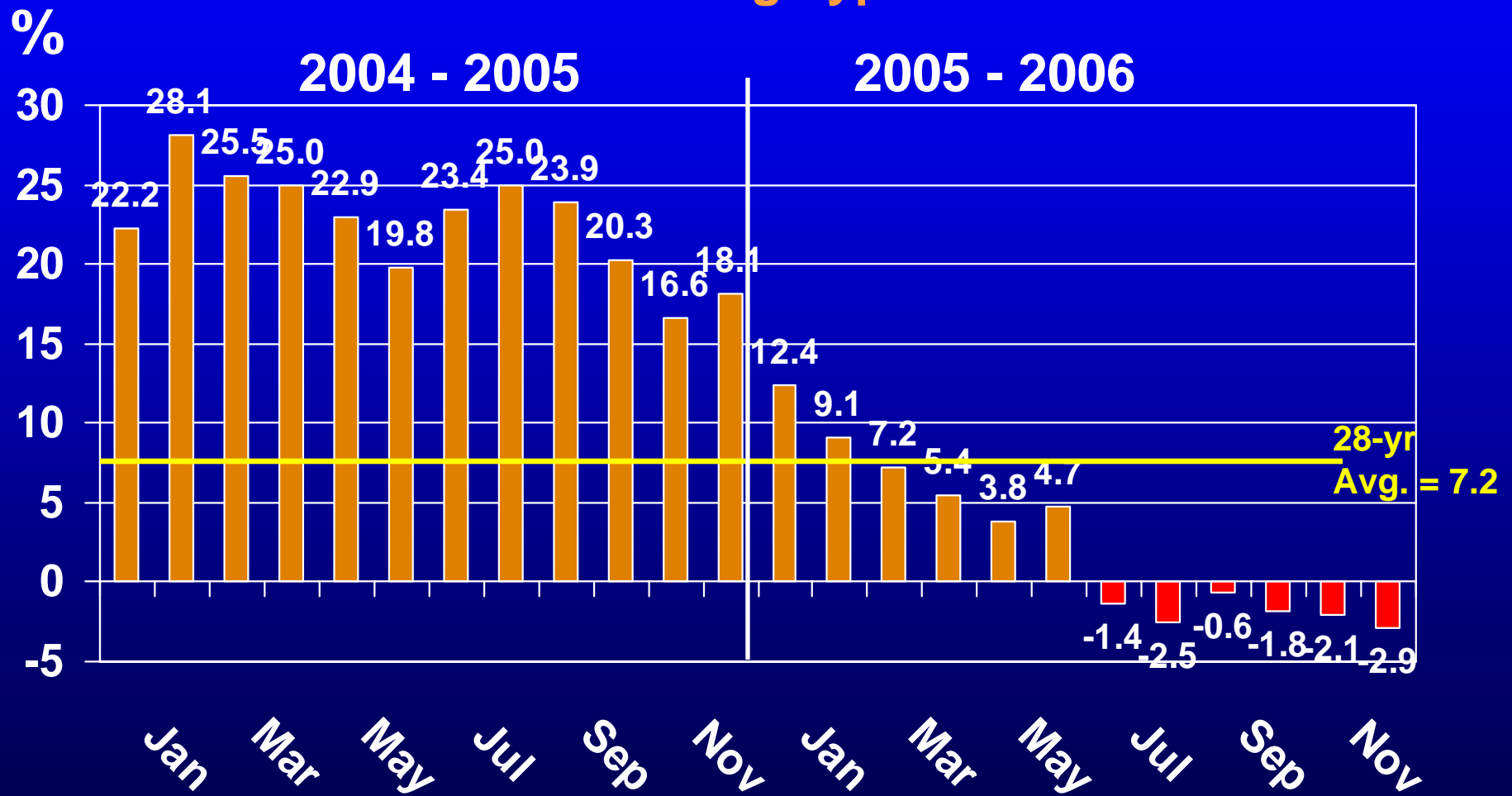
\$ Billions



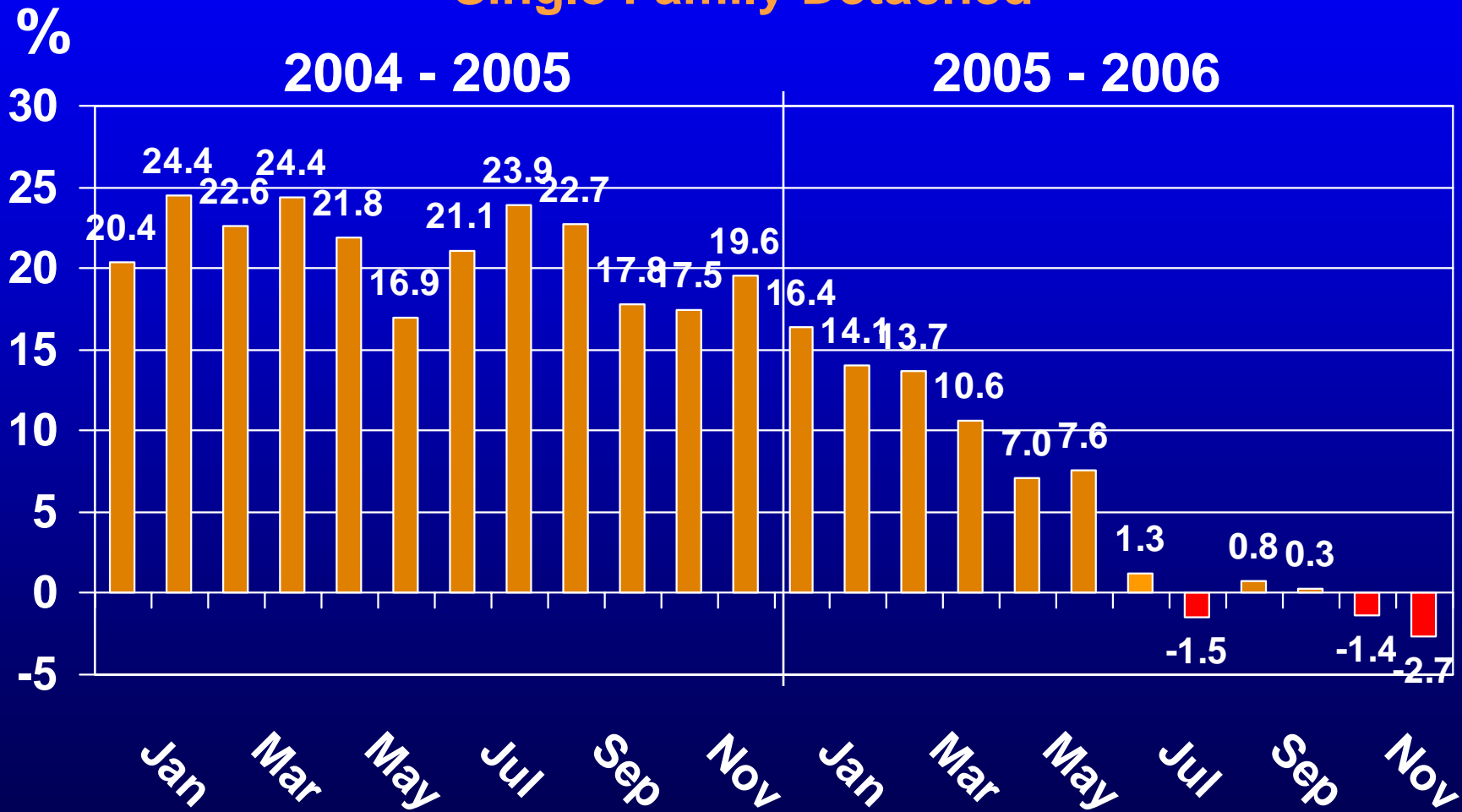
Source: MRIS, GMU Center for Regional Analysis

Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006

Washington MSA All Housing Types



Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006 Washington MSA Single Family Detached

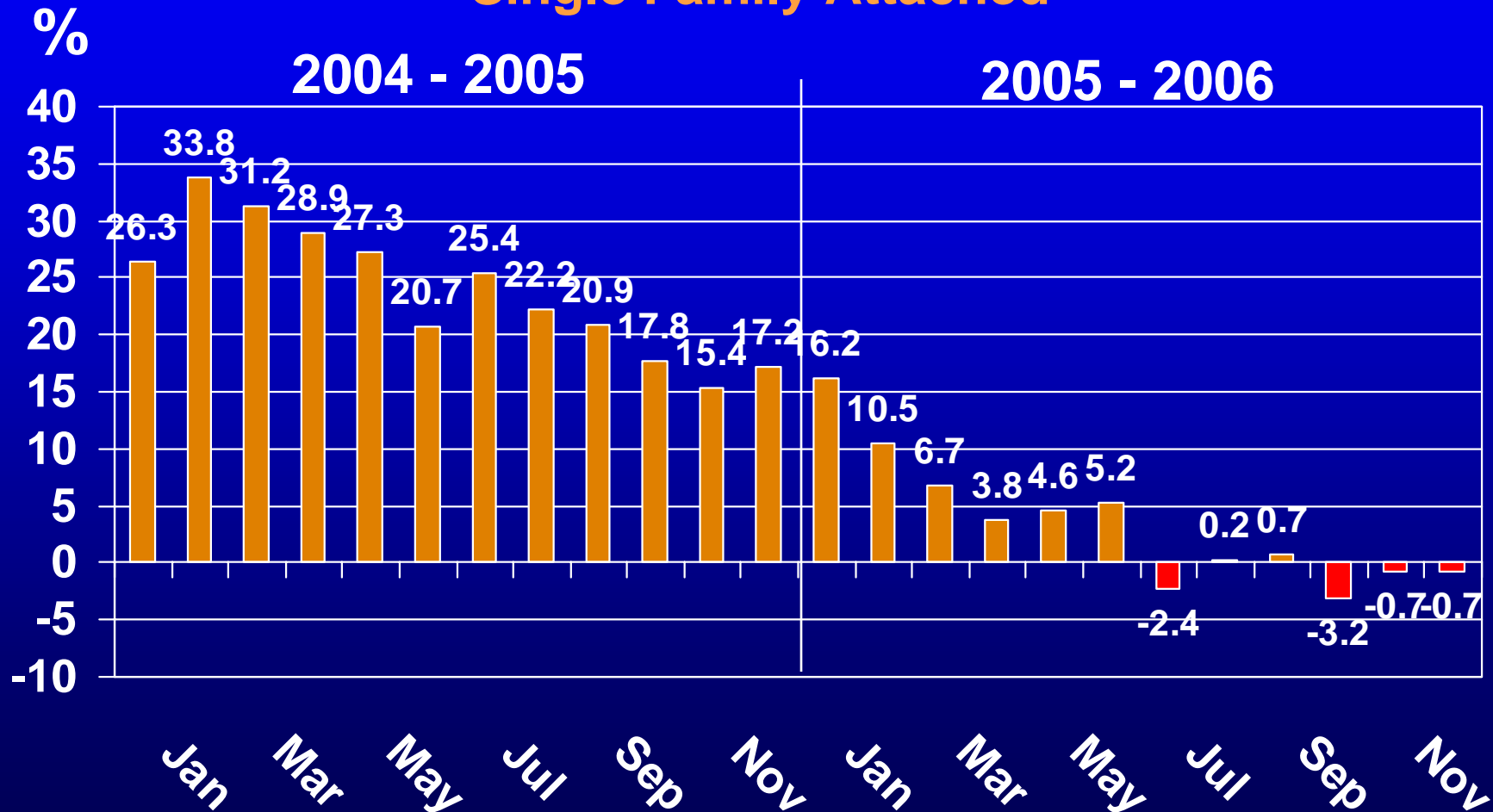


Source: MRIS, GMU Center for Regional Analysis

Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006

Washington MSA

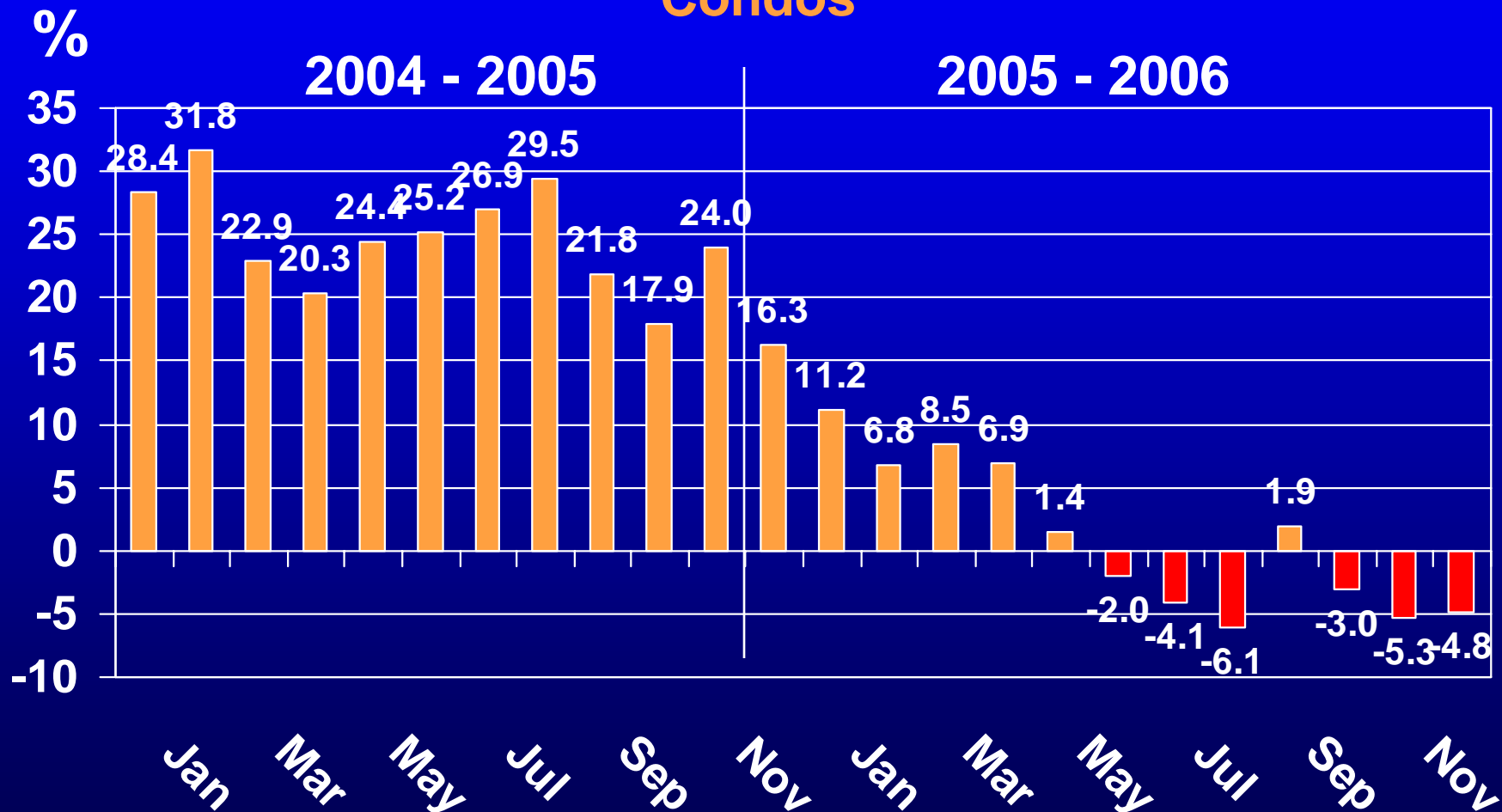
Single Family Attached



Source: MRIS, GMU Center for Regional Analysis

Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 – 2006 Washington MSA

Condos



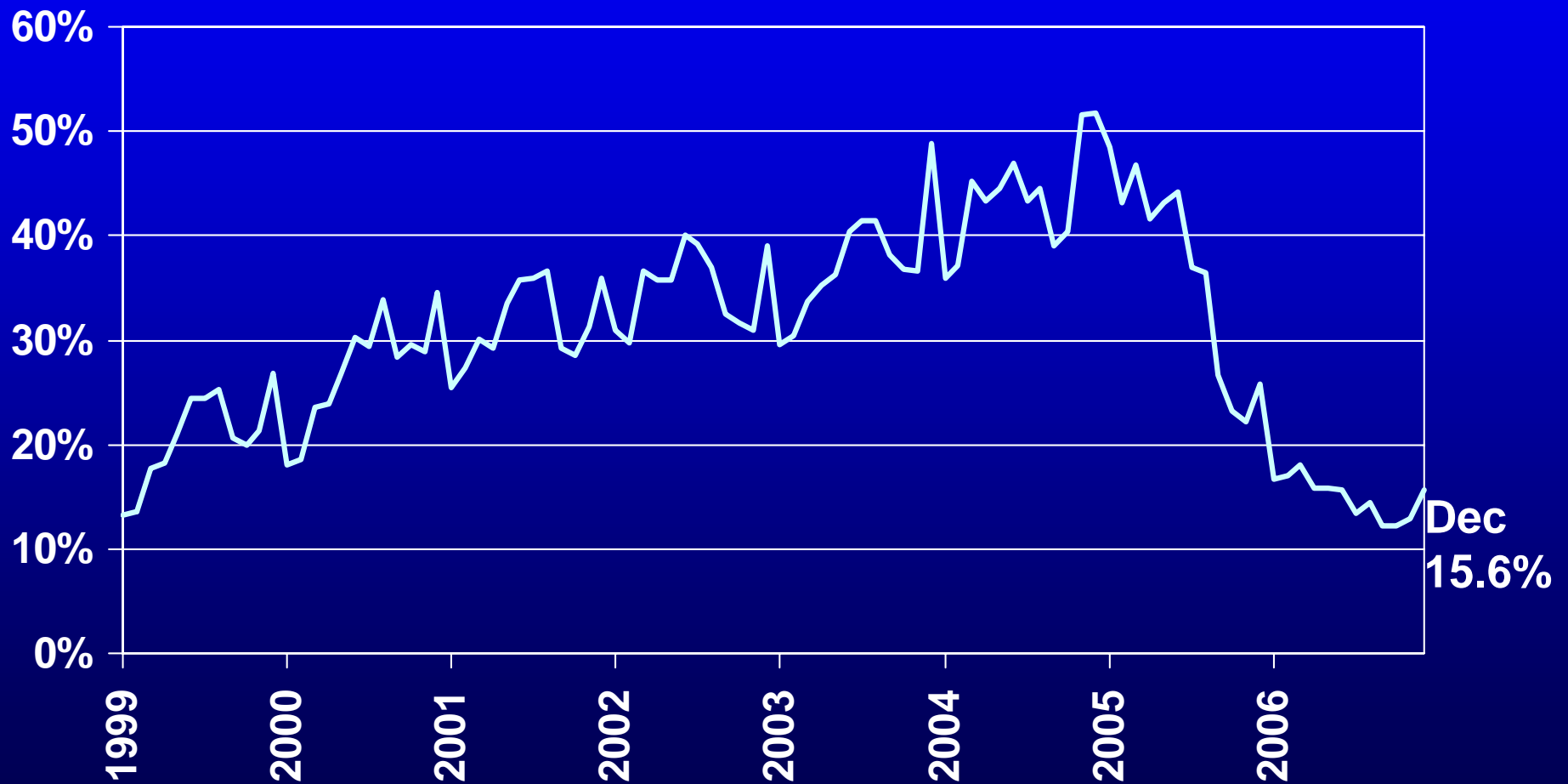
Source: MRIS, GMU Center for Regional Analysis

Percent Change in Inventories of Existing Homes Month-Over-the-Year-Change 2000 – 2006, MSA



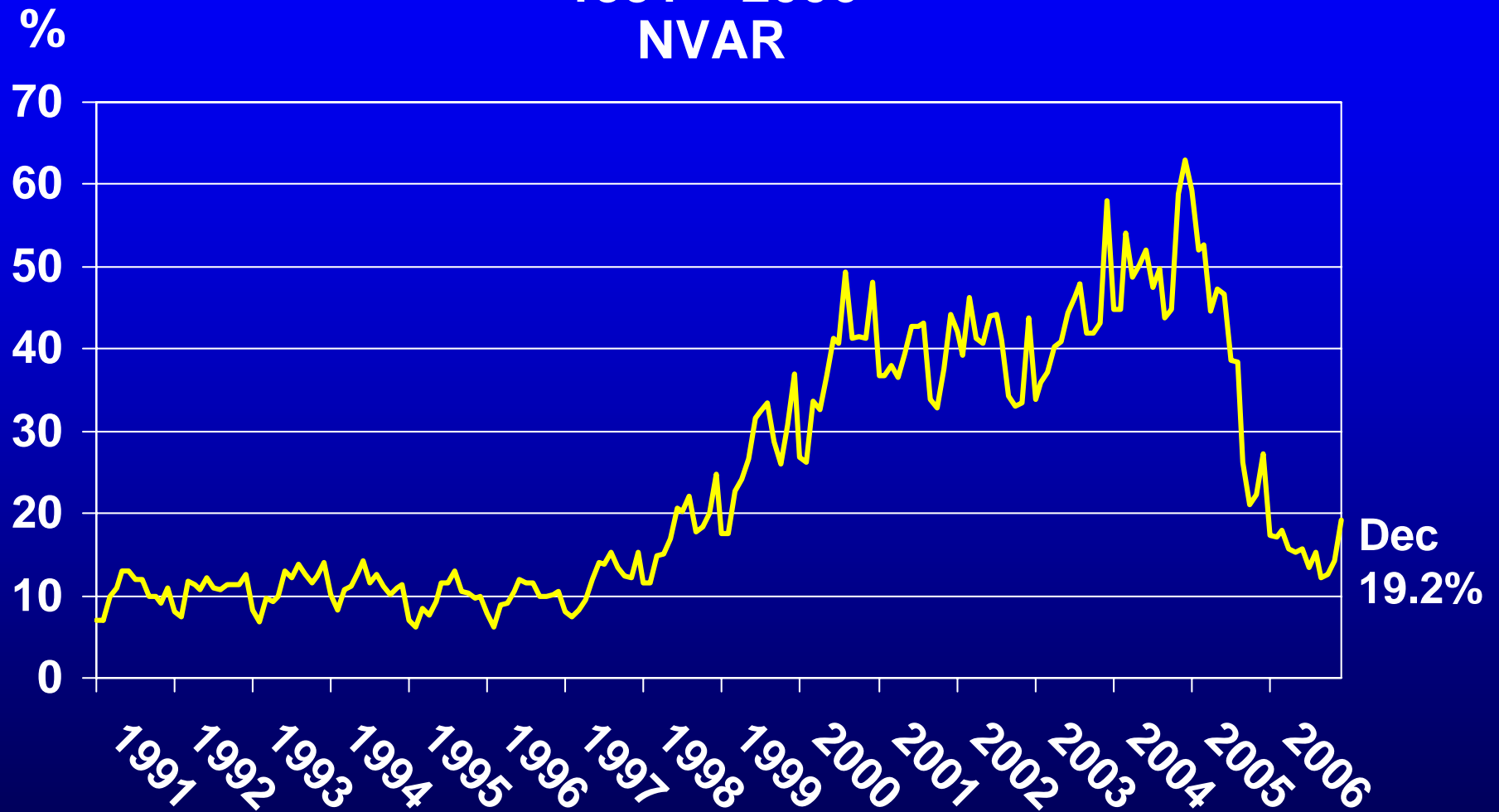
Source: MRIS, GMU Center for Regional Analysis

Monthly Sold Units as a Percent of Active Listings 1999 – 2006, MSA



Source: MRIS, GMU Center for Regional Analysis

Monthly Sold Units as a Percentage of Active Listings: 1991 – 2006 NVAR



Source: MRIS, NVAR

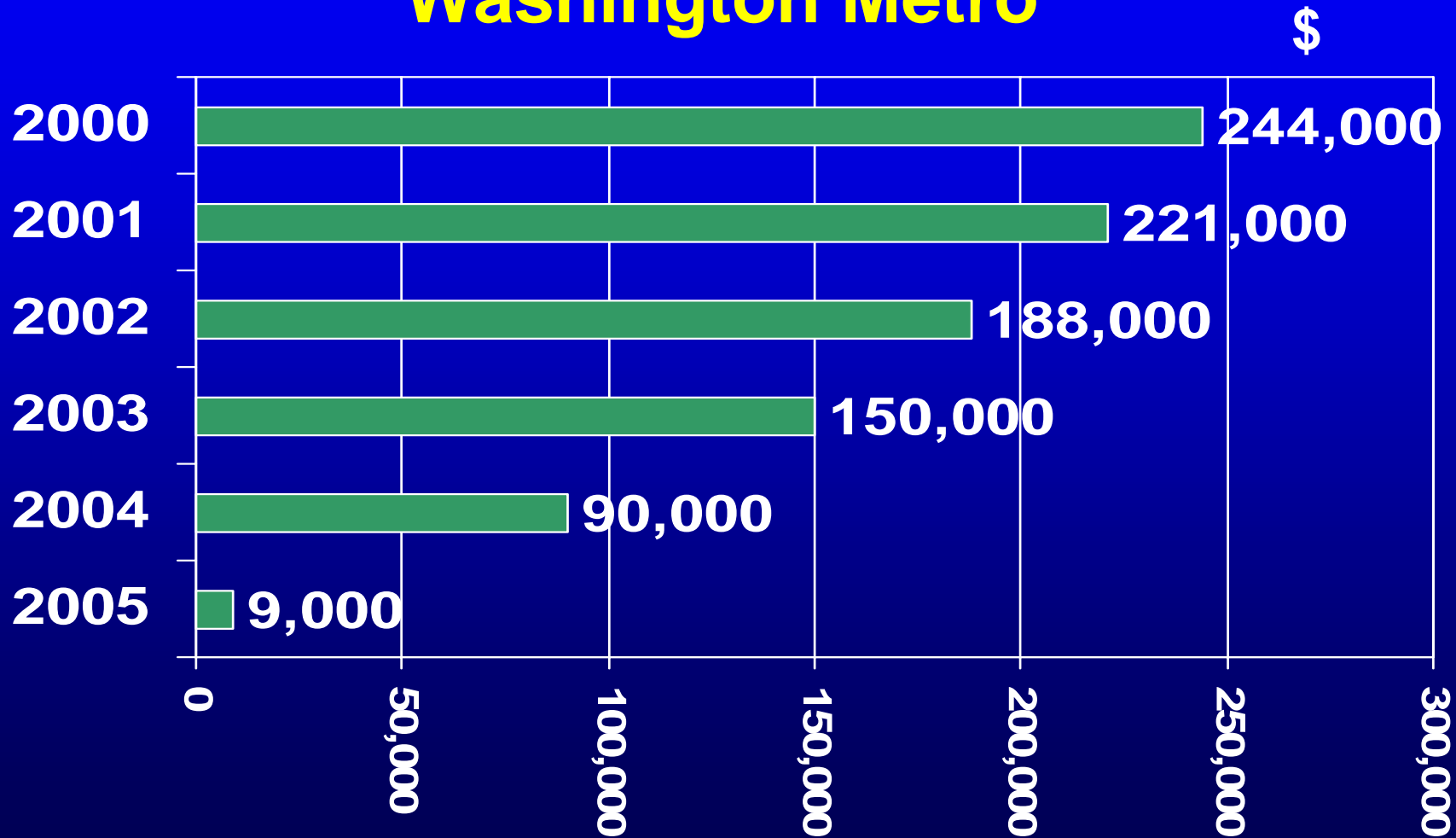
(NVAR: Arlington, Alexandria, Fairfax)

Percent Change in Inventories of Existing Homes Month-Over-the-Year-Change 1992 – 2006, NVAR



Source: NVAR, MRIS, GMU Center for Regional Analysis

Increase in Equity By Year of Purchasing the Average-Priced House Washington Metro

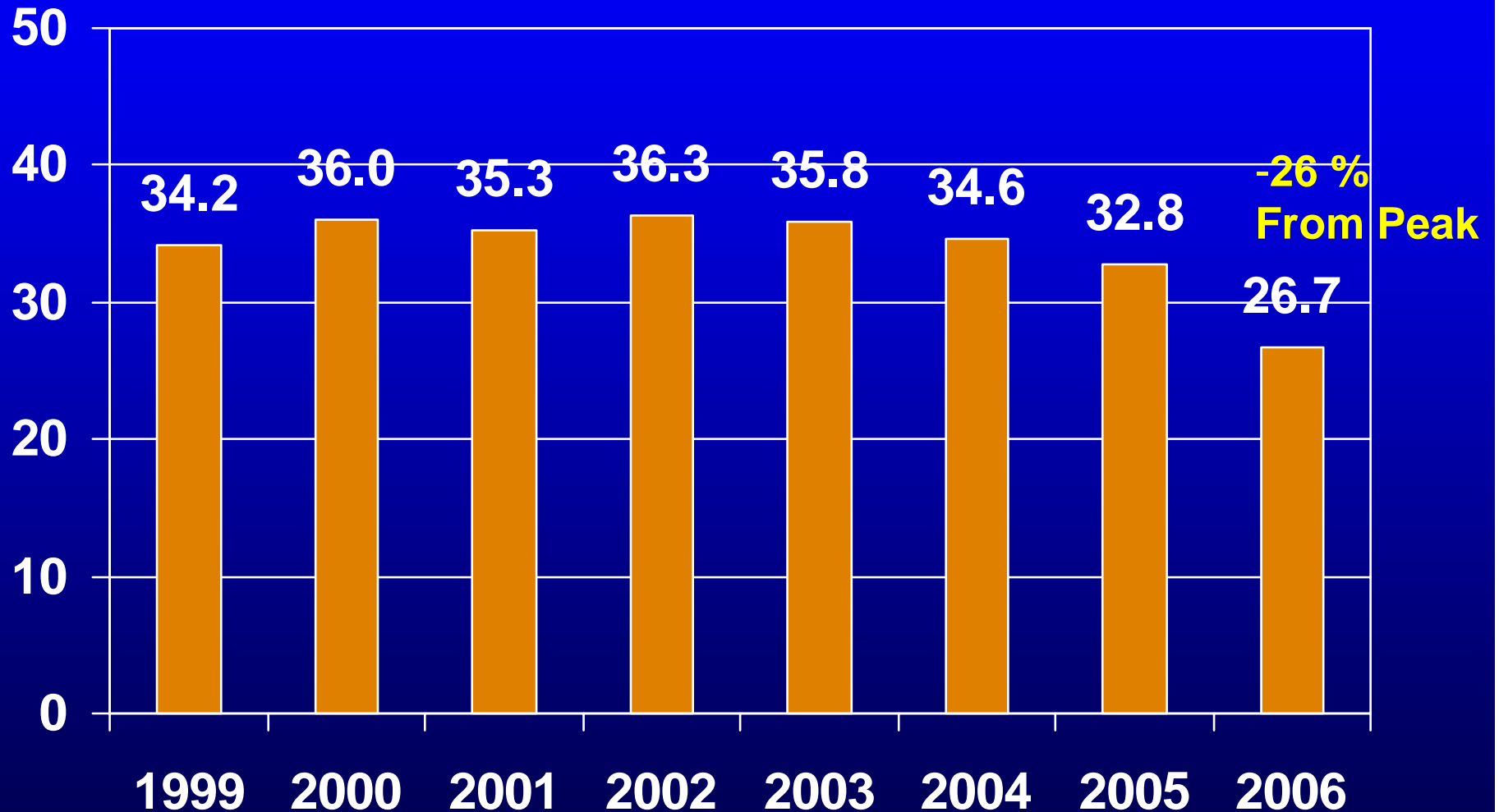


Impacts from the Increased Prices of Housing in the Washington Region

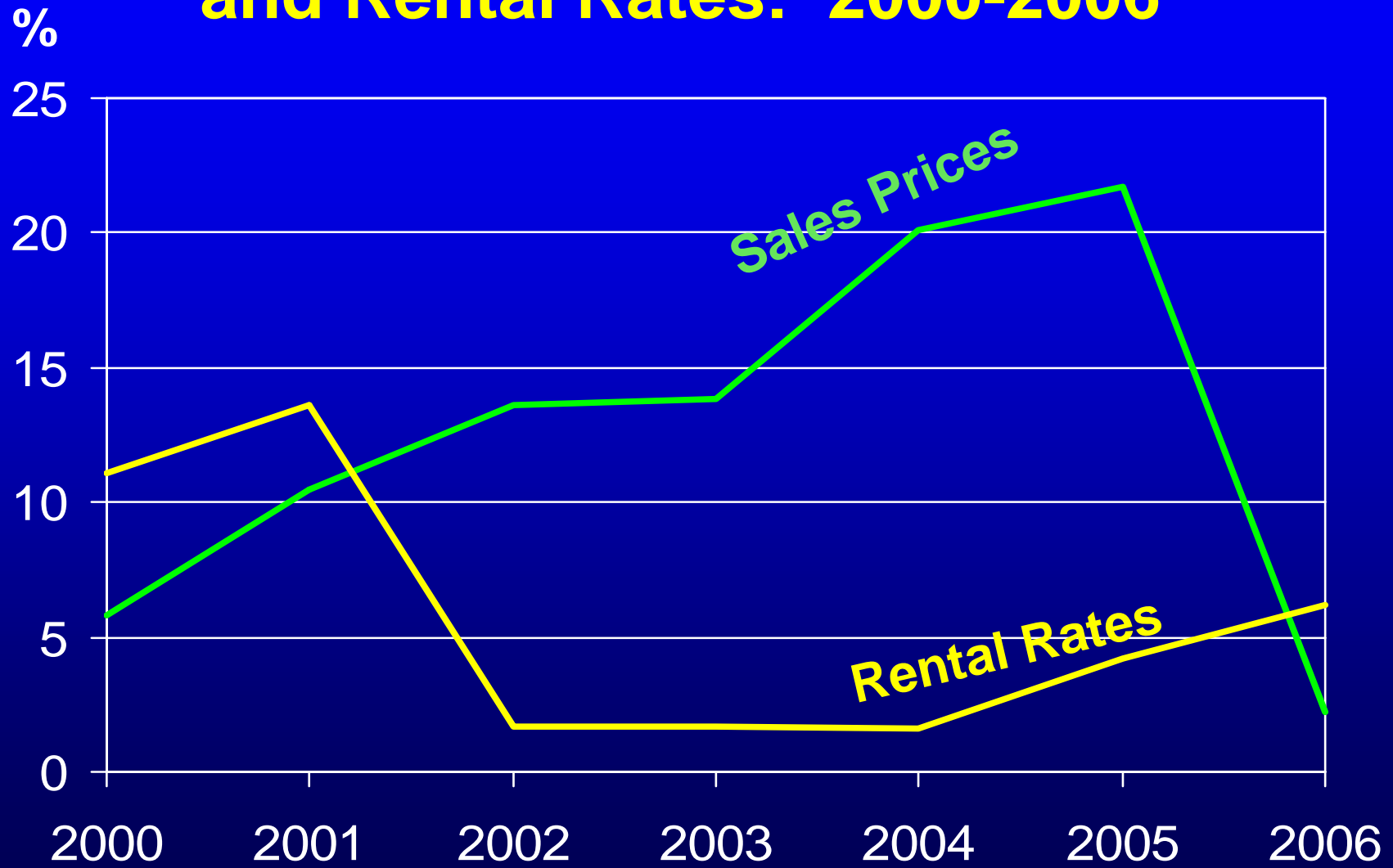
- Supply being cut back – slowdown in homebuilding and new condo projects
- Rental rates now rising
- Buyers in the last 4 years vulnerable due to non-traditional mortgages?
- Housing affordability was a problem – now a crisis

Building Permits Washington Metro Area

Thousands

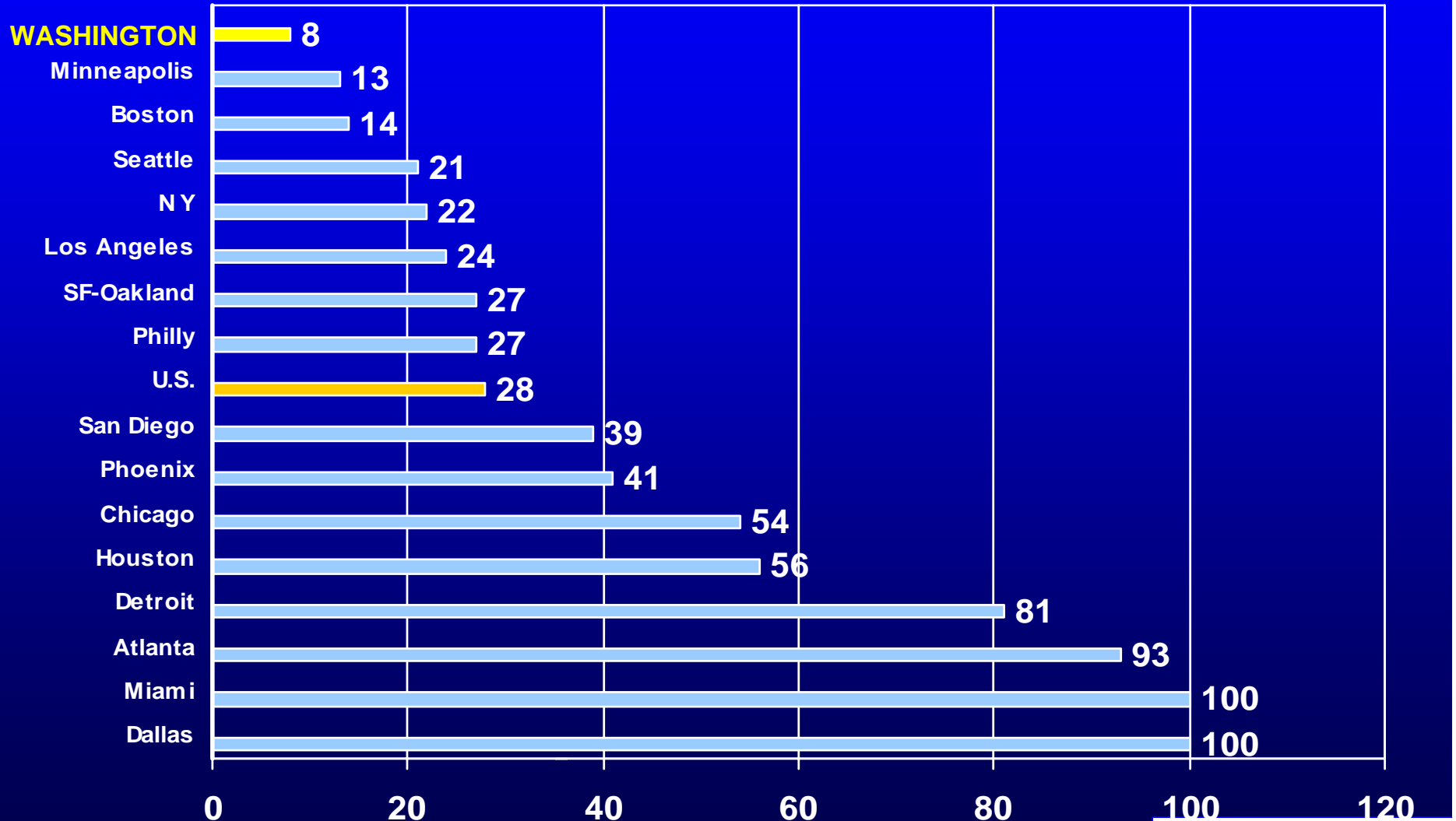


Percent Change in Sales Prices and Rental Rates: 2000-2006



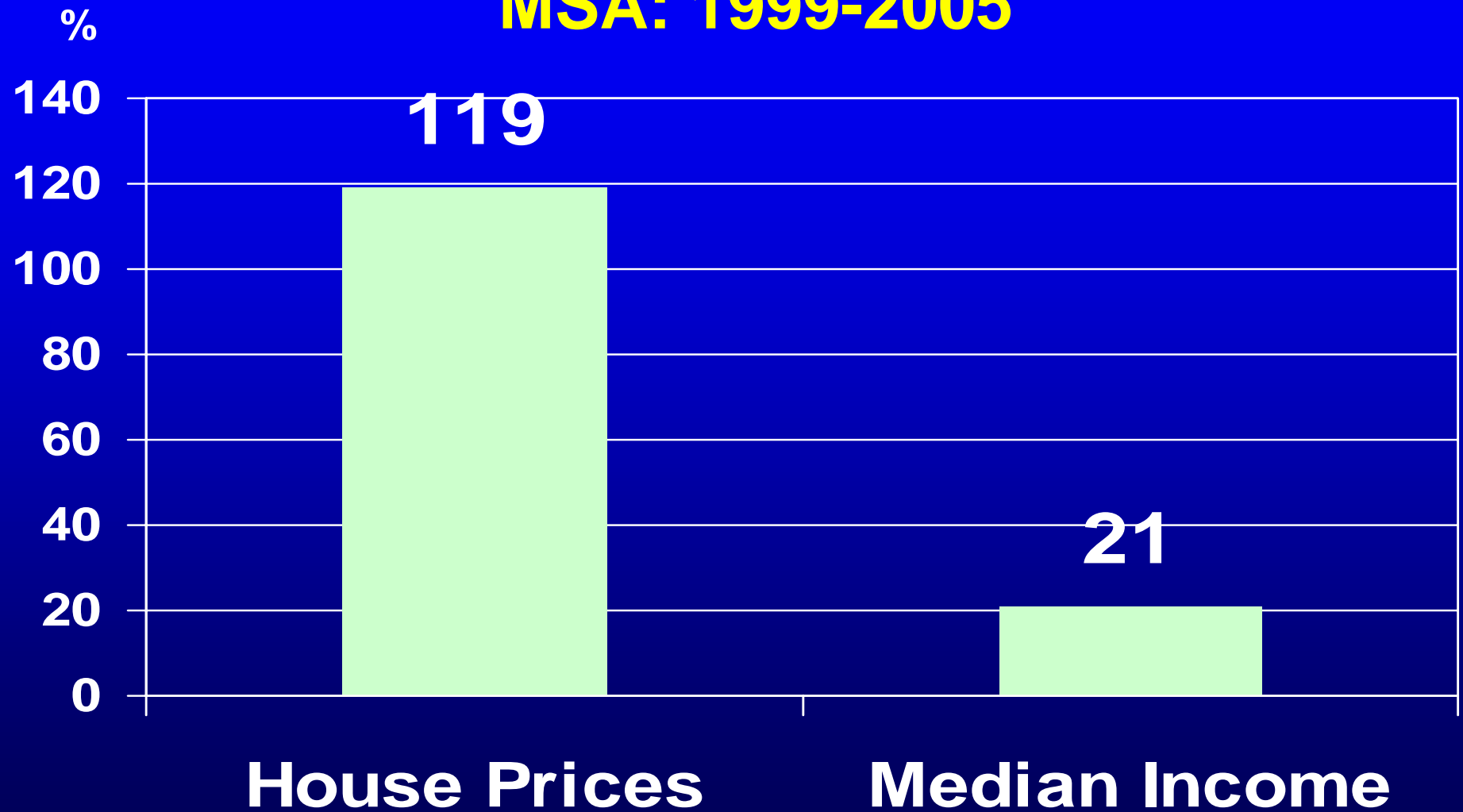
Metro Comparisons Mortgage Foreclosure Rates Q3 2006

Foreclosures /10,000HH

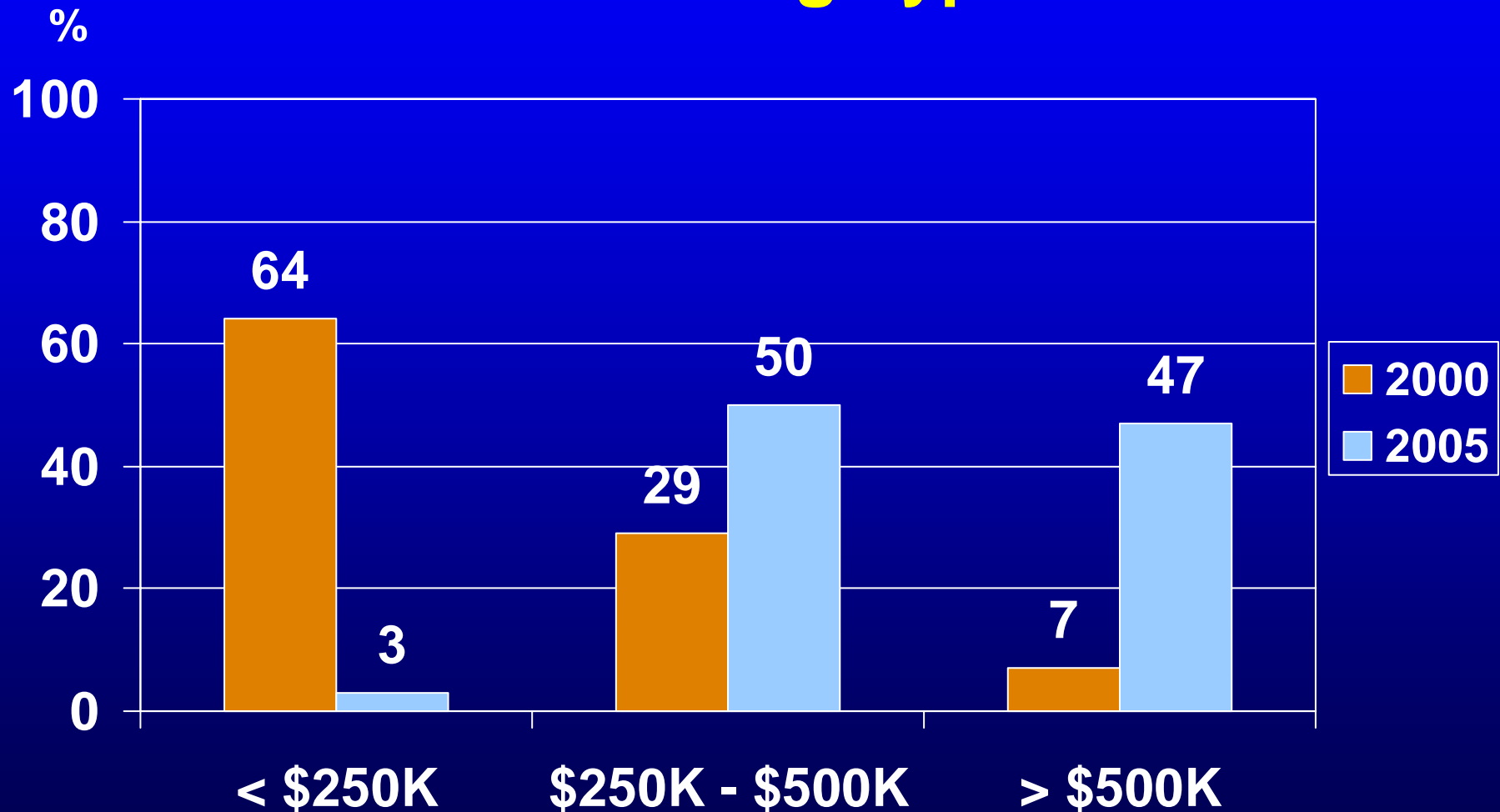


Source: RealtyTrac, GMU Center for Regional Analysis

Percent Change in House Prices and Median Household Income, Washington MSA: 1999-2005

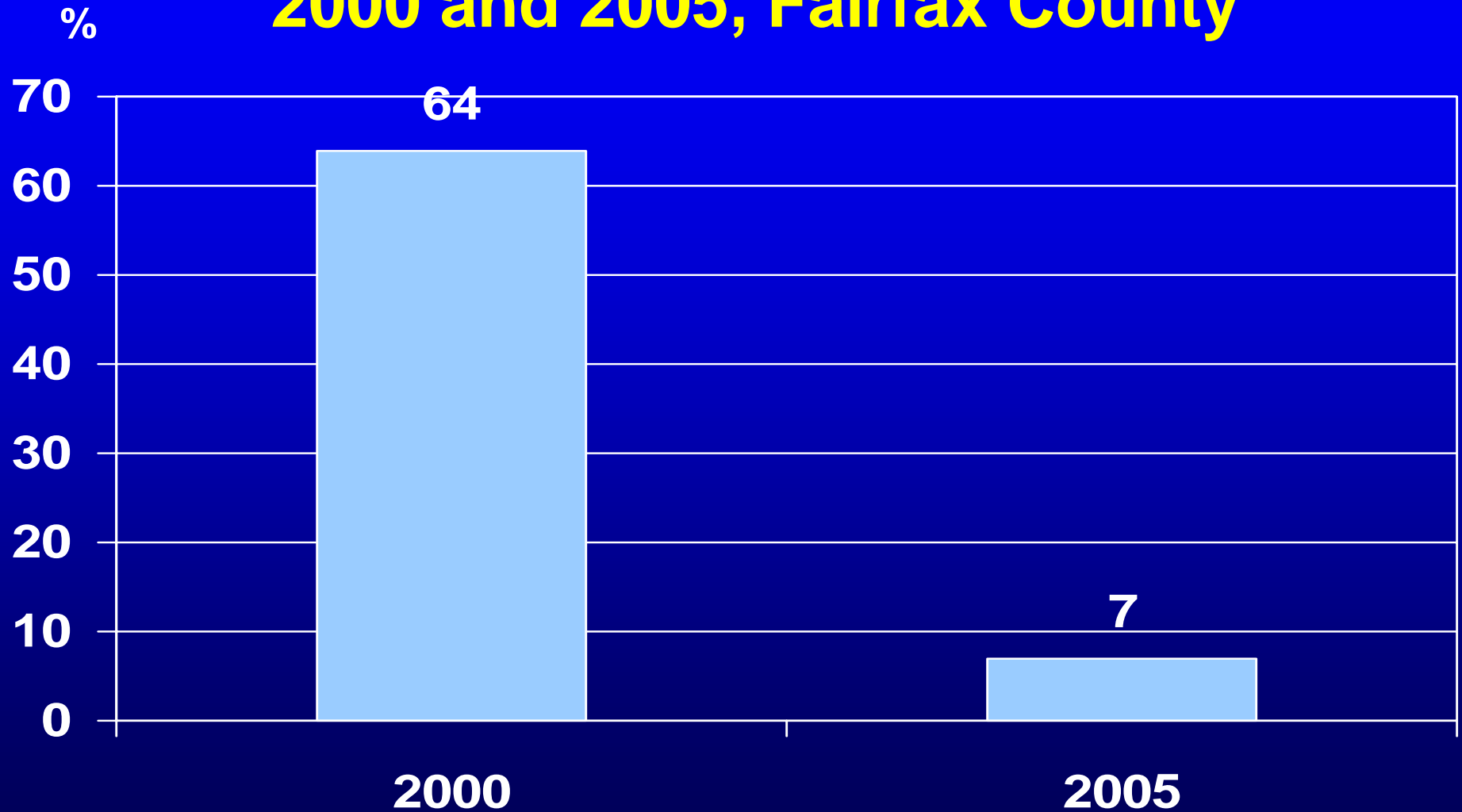


Number of Units Sold by Price Range Fairfax County: 2000-2005 All Housing Types



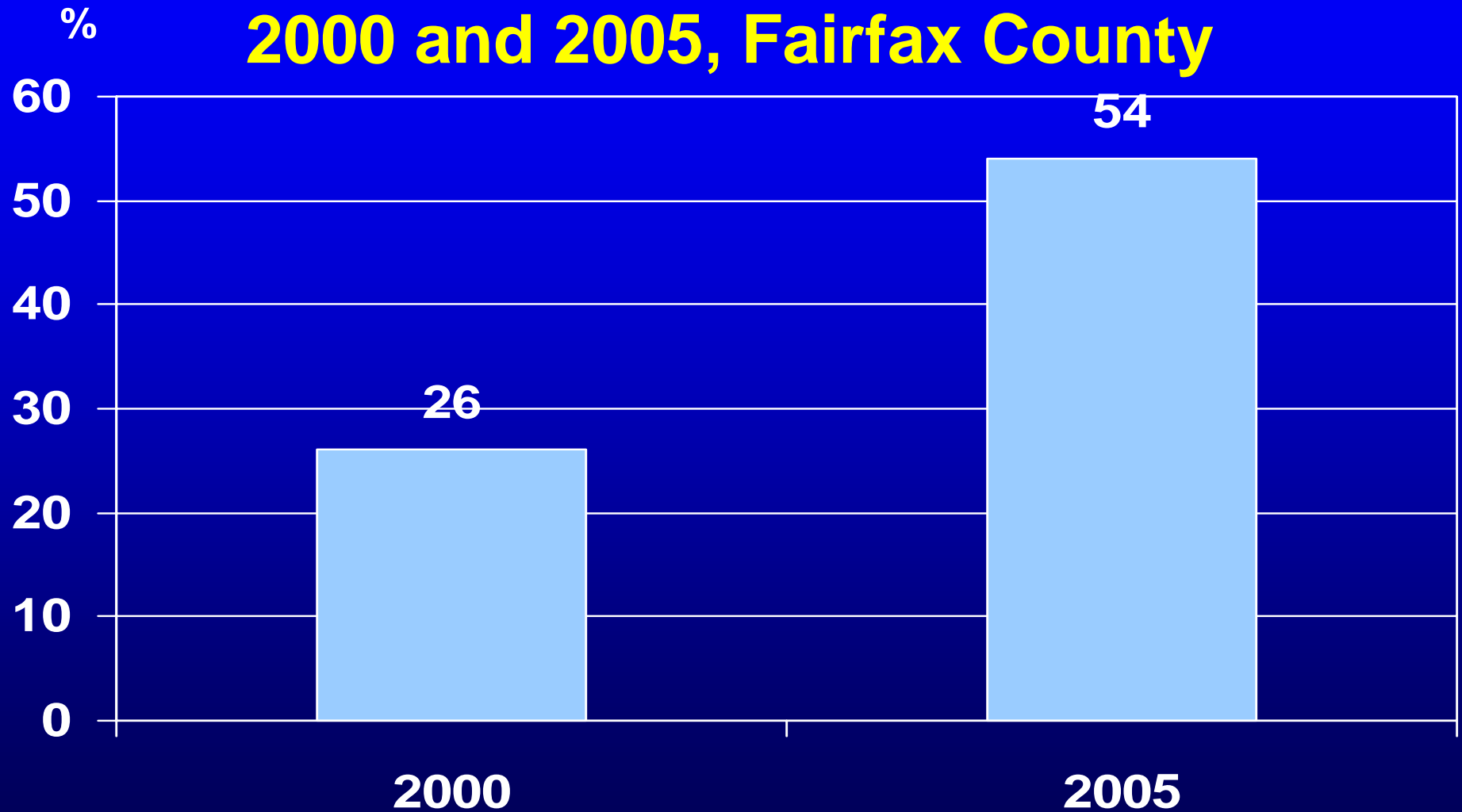
Source: MRIS, GMU Center for Regional Analysis

Proportion of Existing Housing Affordable For Median Income Households, 2000 and 2005, Fairfax County



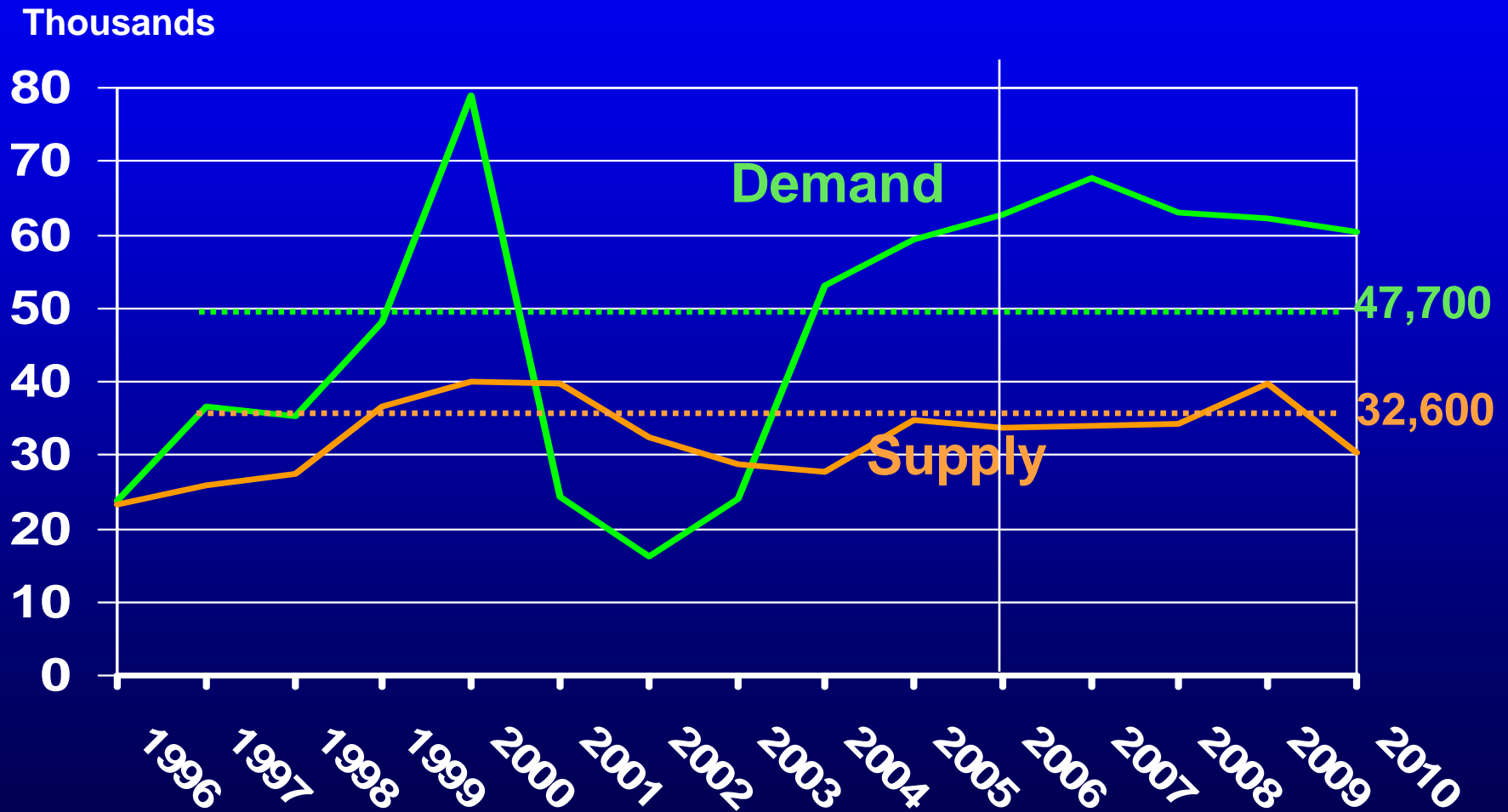
5% Down, 6.5% 30-yr mortgage

Percent of Income Required to Purchase Median-Priced Housing, Median Income Households 2000 and 2005, Fairfax County



5% Down, 6.5% 30-yr mortgage

Annual Change In Housing Demand vs. Housing Supply 1995 - 2010 Washington MSA



Major Metro Area Housing Market Slumps Since 1977

Metro Area	Housing Price Index Decline	Time Period	Annual Rate of Job Change During Decline
Los Angeles	- 22 %	90 – 93	- 120,000
Detroit	- 14 %	81 – 83	- 24,000
Boston	- 11 %	90 – 92	- 46,000
Washington	- 3 %	91 – 93	9,000

Housing Outlook for 2007

- **Market Adjustment nearing end – inventory stabilizing and prices will begin stabilizing**
- **2007 Prices will increase in the range of 0 - 5 %
- by 2008-9 returning to long-term normal of 7%**
- **Sales volume will drop back to 1998 – 1999 levels**
- **Days on Market leveling in the 90s**



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