A GREAT COMBINATION

Historically low interest rates and lower homes prices have combined to make the median priced home in Washington, DC as affordable as any time since 2005.

In June 2003, the median price was $305,000, and the rate for a 30-year fixed mortgage was just 5.23%. Three years later, the median price had soared to $430,000 – and interest rates soared too, with the 30-year fixed rate at 6.72% in June 2006. That bump in home prices and mortgage rates combined to make the purchase of a home a very expensive proposition, spurring the rush to adjustable rate mortgages and even riskier subprime and interest only loans. It was inevitable that home prices had to fall – personal income growth simply could not keep pace with the accelerated rise in home prices.

At the end of June 2009, the median price of a home sold in Washington, DC had dropped a bit to $425,000 (DC's prices have held up better than any other jurisdiction in the region), and mortgage interest rates had fallen to 5.43%. That combination of slightly lower prices and much lower rates meant that the monthly principal and interest payment for a loan at the median price was $2,391, well below the peak payment required for a median priced home in June 2006. And that means homes are as affordable as they were before the boom. And for those who may be waiting for home prices to fall further, we suggest keeping a close eye on interest rates. We suspect that rates are going to head up from here, and even if home prices do drop a bit more, higher rates will make homes less affordable than they are today. This is a great time to buy and lock in long term, low fixed rates.

Principal & Interest Payment to Purchase Median Price Home

Washington, DC - June 2003-2009