Market Watch
Washington DC
McEnearney Associates Realtors®
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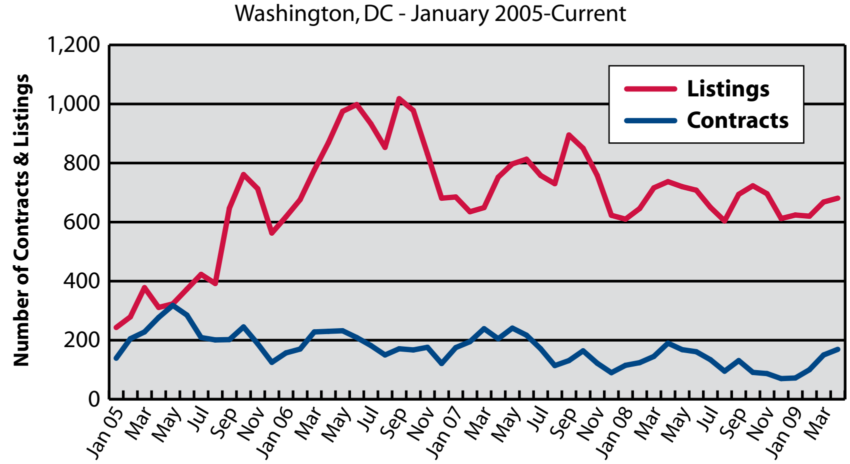
IT'S TWO, TWO, TWO MARKETS IN ONE!

With a tip of the hat to the old commercial for Certs (It's a breath mint…no, it's a candy mint!), there really are at least two very different markets in Washington, DC, and DC's markets vary widely from those in the inner and outer suburbs. Cert-ainly (sorry about that), a home's location and condition still matter enormously, yet we have never seen markets that differ so dramatically depending on price range. So, when someone refers to "the market," dig a little deeper.

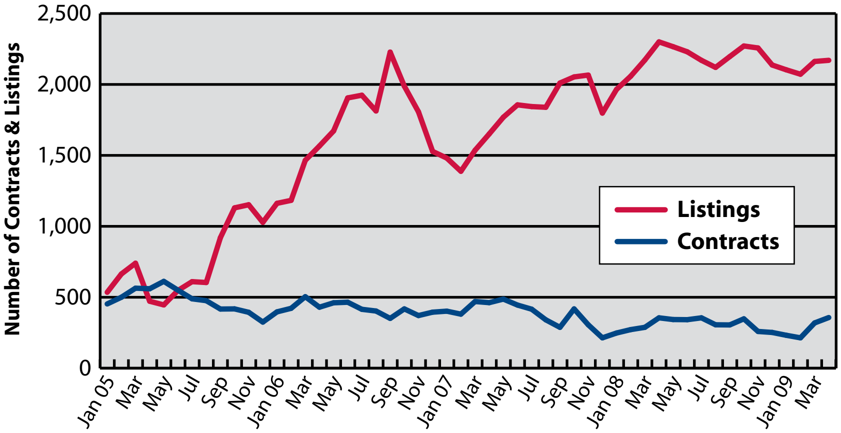
The chart below compares the active inventory (the red line) to the number of ratified contracts (the blue line) each month since January 2005 for **homes priced between $500,000 and $999,999**. It is clear that, in the first half of 2005, homes in this price range were getting snapped up just as soon as they came on the market. Home prices soared as a consequence. But, as we have all seen, there were limits to how long prices could continue to rise at a pace that greatly exceeded the growth in real income, and in mid-2005 things started to change – and change rapidly. Supply jumped from one month of inventory in May 2005 to more than 4 months just one year later in May 2006. And, with the huge increase in inventory, came a steep drop in contract activity, and the result was downward pressure on prices. Overall supply in this price range peaked in January of this year at almost 9 months. However, and as the charts on page two demonstrate, DC's market is unique among area jurisdictions because everywhere else in the region the market for homes priced **under $500,000** is the strongest. Everywhere else, the slowly-emerging market recovery is starting with entry-level homes, yet in DC, the mid-level price range is the most balanced. Current supply is hovering right around 4 months, while there is a 6-month supply of homes priced less than $500,000 and a 9-month supply of homes priced at more than $1,000,000.

There are also major differences among the three property types in the District. Through the first four months of the year, contract activity for condos and co-ops is **off 7.9%** compared to the same time in 2008 – and there more condo/co-op sales than attached homes or detached homes. The overall market is going to remain sluggish in DC until the condo market rebounds. By contrast, contract activity for attached homes is **up 15.6%** year-to-date, while contract activity for detached homes in essentially unchanged from last year.

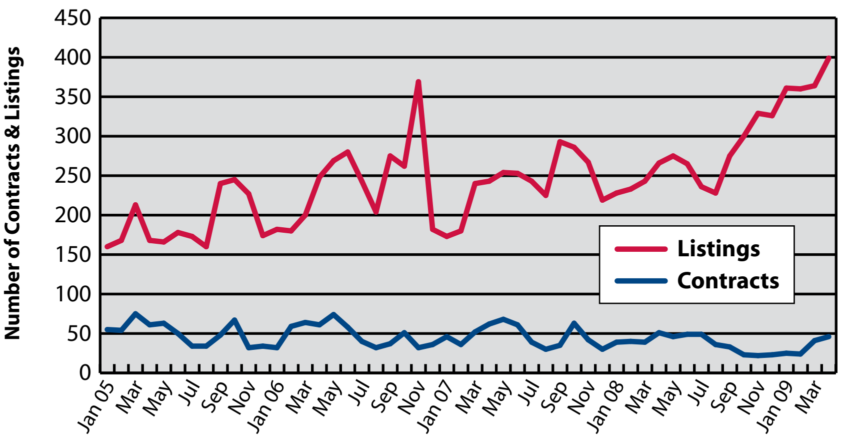
Contracts vs. Active Listing Inventory by Month
List Price $500,000-$999,999
Washington, DC - January 2005-Current



Contracts vs. Active Listing Inventory by Month
List Price Less Than $500,000
Washington, DC - January 2005-Current



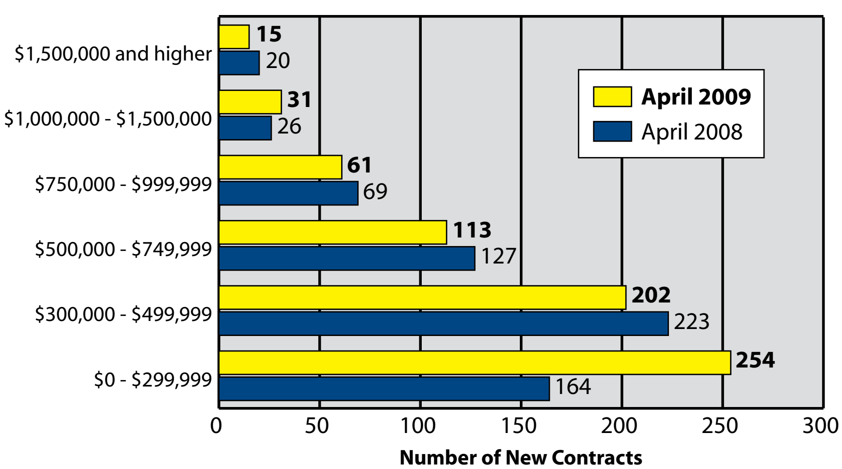
Contracts vs. Active Listing Inventory by Month
List Price $1,000,000 & Higher
Washington, DC - January 2005-Current



CONTRACTS vs. ACTIVE INVENTORY – Homes priced less than $500,000, and $1,000,000 and higher

- The chart immediately to the left tracks homes priced less than $500,000. In the first half of 2005, demand exceeded supply – but a transitioning market soon forced a very wide disparity between supply and demand. Then the gap narrowed considerably toward the end of 2006, but the gap opened up again in the late Spring of 2007 and has stayed wide since then.
- In general, the market for homes priced less than $500,000 is still a buyers' market, with a current supply of more than 6 months.
- For homes priced at more than $1,000,000, the market never saw the huge imbalance we saw in the lower prices ranges in early 2005. But those were great times for million dollar home sellers nonetheless.
- During the past nine months, the inventory of upper bracket homes on the market has soared, while contract activity is running well below the peak times in 2005 and 2006.
- There is no doubt that it is a buyers market in the upper brackets.

NEW CONTRACT ACTIVITY
Washington, DC - April 2008 vs. April 2009 by Price Range



NEW CONTRACT ACTIVITY

- The number of new contracts ratified in April 2009 was **up 7.5%** from the number of contracts ratified in April 2008. Note that the only price category with any consequential increase in activity was for homes priced less than $300,000.
- Contract activity for 2009 year-to-date is **up just 1.9%**.
- **41.3%** of all homes going under contract in April 2009 had a price reduction before going under contract.