WINTER 2018

MARKET WATCH

WASHINGTON, DC

McEnearney ASSOCIATES REALTORS®

More of the Same?

2017 ended with a bit of a whimper, as contract activity on our region's real estate market cooled off along with the weather. But it was an overall solid year, with Washington, DC continuing to outpace its suburban neighbors. What's ahead for 2018?

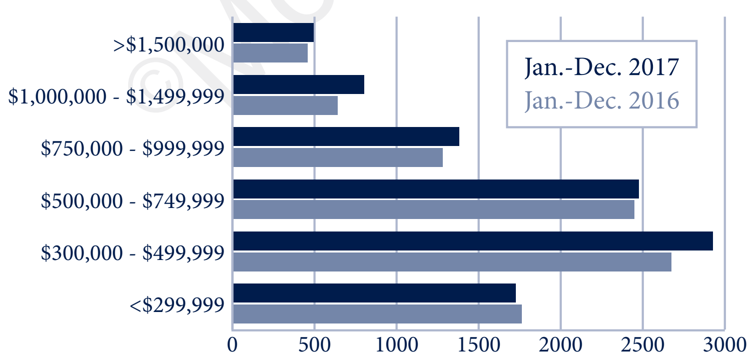
We'll put our forecast into three categories: **Steady State, the Wildcard, and the Tantalizing Possibility**.

Steady State – With inventory in short supply, especially inside the Beltway, we expect 2018 to look a lot like 2017. There will continue to be considerable upward price pressure close-in, but we do not expect the DC market to maintain the 8%-9% annual appreciation rates of the past three years. We think it will be more like 5%, and probably less in the upper brackets. The suburbs will still be strong, particularly as more frustrated buyers look outside the inner city because of prices and inventory. Even with those factors, we'd be very surprised if the appreciation rate exceeds 3% in those areas. And regarding mortgage interest rates, it is almost inevitable that they will (finally) rise as the overall economy improves, ending 2018 around 4.75%. That rate shouldn't discourage homebuyers.

The Wildcard – With the ink drying on the sweeping tax reform legislation, residential real estate will be impacted in at least three ways. First, with the cap on deductibility of state and local taxes and the diminished value of the mortgage interest deduction for expensive homes, it is likely that upper end home prices won't increase as much as they would have had reform not passed. Second, the overall tax decreases for most wage earners will put money in their pockets, particularly for millennials who may be thinking about buying their first home. This should help with student loan debt, saving for a down payment, and/or increased spending – and that's good for real estate. And third, if the economy grows as it did after the Kennedy- and Reagan-era tax cuts, that means more jobs, more income and a much healthier economic climate. Overall, we think the tax reform legislation in 2018 will be a modest, net positive for the region's real estate market.

The Tantalizing Possibility – Three communities in our region made the short list of 20 semi-finalists for Amazon's HQ2, with a promise that their final decision will come in 2018. Should one of those three areas be anointed to host 50,000 new employees, acres of office space, and the traffic that will come along with it over the next several years, the whole region wins. Amazon won't be turning dirt for their second headquarters anytime soon, but the real estate boom for some city on that list of 20 could begin later this year.

CONTRACT ACTIVITY
Washington, DC



MONTHS' SUPPLY
Washington, DC