

Capitol Hill Residential Market

The first quarter is in the books and no real surprises. As things slowed last summer under the weight of “spiraling mortgage rates.” We reached the dizzying heights of 6.5% - 7% for 30 year mortgage rates. I assured my colleagues that come Q1 of 2023, there would be 3 types of buyers in the market. First, those who retreated from the market to wait for the return of the days of 3% - 4% rates .. best of luck! Second, those who were in the market last August and smelled opportunity coming and they would figure out the mortgage piece. Third, new buyers who would enter the market without the baggage of longing for what used to be.

This week, I had the opportunity to meet with several sellers who had bought their homes on the Hill in 1992 – 1994. Now there was a buyers market for those bold enough to seize it. Many of our friends were fleeing to the burbs with their young families. Many with professional moves could not sell and were forced to rent their homes here on the Hill. Our local government was a mess and showing no hope. Crime was hitting all time highs. And if you bought in 1989, you probably could not get out whole until 2000-2002. I can't tell you how many settlements I attended in those days when the seller was bringing more money to the settlement table than their buyers!

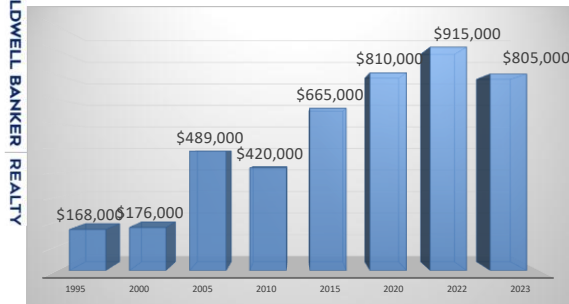
A home is a long term investment. It's a place to live and to build wealth over time. Timing has nothing to do with your long term objectives. It's more about dumb luck in the short term. Those who were buying in the early 90's were using double digit 30 year mortgage rates or less expensive adjustables. They would have killed for a 6.5% 30 year fixed rate mortgage. With all of these factors, they were clearly taking risks at the time. In hindsight they were making one of the most significant financial decisions in their lives. No one who bought during that time and still owns the property will be bringing money to the settlement table(unless they treated their home like a piggy bank) and not see doubling, tripling or quadrupling of their original purchase price. Not the cash they put down but the gross value of the property!

So where are we now. It looks more to me like 2007-2008. Financial markets and various institutional lenders were in the tank and some residential marketplaces were devastated. Not here in DC and not here on Capitol Hill. Our market slowed a little. Prices vacillated somewhat. Basically, we took a break from the sizzling market we had experienced for the preceding 6- 7 years. Once things settled down a little, we were off and running for another decade plus that included a pandemic.

Inventories today remain tight and that is holding our property values at a stable level. Some homes may be selling for a little less than a year ago..but not many. More are on par with levels of a year ago and some higher. Stunning to see the strength in the market between \$750,000 and \$1,500,000. The drop in median price in the following chart is more a reflection of the strength in the lower priced part of the market than any decrease in value anywhere.

Washington DC Median Sold Price

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A few tips to keep in mind:

1. If you are thinking of selling in the next year or so, and your rental unit becomes vacant, **DO NOT RERENT THE UNIT.**
2. If your spouse were to die, please do yourself a favor and have a legitimate professional appraisal done to establish the property value at the time of death. There could be significant tax implications when you sell. Consult with your accountant.
3. If you are approached by a friend or a neighbor or just some nice young man who knocked on your door and they want to buy your house without a realtor. You think you know your home value and the price sounds fair. Please don't do this unless you consult with a known local realtor or pay for that professional appraisal. What you might pay in real estate commission or appraisal fees might be a pittance compared to underselling your home for many tens of thousands of dollars. Get your property in our local multiple listing service and let the market speak!

Give me a call and let's just talk about the market and how we can make it work for you!



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