

## Washington D.C. Region's Housing Experiences an Exceptional Year All indicators point to the strongest market in fifteen years.

**March 17, 2022:** The year 2021 saw the Washington DC housing market continue its surge forward. But how long price gains can outpace household incomes is anyone's guess. Here's the latest numbers, courtesy of Bright MLS:

- **Although house prices showed significant gains through most of 2021, the pace of those gains decelerated as the year came to a close.** In the first half of 2021, the house price index for the District of Columbia was up nearly 12% from where it was a year ago, while the house price index for the D.C suburbs was up nearly 17% during the same period. However, by the end of the year, annual YoY gains had dropped to 5.7% and 13.1%, respectively.
- **Raw house prices also showed similar trends.** Over the course of 2021, the rate of appreciation of the median house price fell from 14.6% to 7.6% in the District of Columbia, and from 10.6% to 1.9% in the suburbs.
- **But house price changes across the region remain strong in some areas.** From highest to lowest, the average YoY change in house price levels by county/submarket in 2021 was: Northeast DC (+4.0%), Southeast DC (+4.1%), Southwest DC (+5.4%), Alexandria (+5.7%), Northwest DC (+6.8%), Arlington (+8.1%), Fairfax City (+10.2%), Frederick (+11.2%), Falls Church (+11.3%), Prince George's (+11.4%), Fairfax (+11.7%), Montgomery (+13.3%), and Loudon (+14.6%).
- **Northwest DC is the priciest submarket<sup>1</sup> in the Washington D.C. region.** The median house price in Northwest DC currently stands at \$1,100,000. It is the only submarket with median price exceeding one million dollars.
- **Suburban home sales activity remains strong, but appears to have leveled off in the city.** Quarterly sales volume remained around 16,000 transactions in the suburbs, well above its historic average of approximately 9,800 transactions. In the District, however, sales volume has hovered around 1,400 transactions per quarter for the past five years.
- **Inventory continues to break through to new lows.** The number of homes available for sale in the District currently stands at 1,290 dwellings, while in the suburbs it is at 2,345. At the current pace of sales, this inventory would be exhausted within 1.44 months and 0.42 months, respectively. Normally, a 5-7 month's supply is considered normal, and indicative of a balanced market. With inventories so low while demand remains high, the Washington DC region remains a deep "seller's market", favoring strong price appreciation.
- **Zillow's house price forecast for the Washington DC region was substantially upgraded this quarter.** The well-known national housing analytics firm is currently predicting that the general

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<sup>1</sup> I am defining "submarkets" as either "counties" (if in the suburbs) or one of the four quadrants of the District of Columbia (if in the city). However, there are certainly neighborhoods in both the suburbs and the District that are pricier.

level of house prices in the DC region will increase by 14.3% over the next 12 months<sup>2</sup>. This is an upgrade from its previous forecast of 8.6% six months ago.

The recent confluence of low interest rates, exceptionally low inventories and the increased importance on housing caused by remote working made 2021 an exceptionally robust year for housing in the DC region. While very low inventories will continue to support aggressive price appreciation, the combination of increased unaffordability and rising interest rates will likely start to counteract this later in 2022.

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*If you would like Dr. Gillen to address your organization, business or community group with a presentation on recent trends in the local economy and real estate market, he would be happy to do so...and it's absolutely free! Just contact him at the email address above.*

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<sup>2</sup> Source: <https://www.zillow.com/>