

Demographic and Economic Factors Affecting the Upcoming Home Sales Market in the Washington Region

July 10, 2018

The housing market is responsive to both economic and demographic factors. Since the Recession, economic factors have played the largest role in the Washington region. In upcoming years, however, demographic trends will put new pressures on the housing market.

As Baby Boomers (54 to 72 year olds) move into their next phase of life, many home owners in this generation may wish to sell and either downsize or move. Because this generation owns about 40 percent of all homes owned in the Washington region, even a modest change in preferences could have an out-sized effect on the housing market. The increased inventory that would result from even a modest “Baby Boomer sell-off,” combined with rising interest rates and high levels of student debt among potential buyers, has the potential to moderate sales prices.

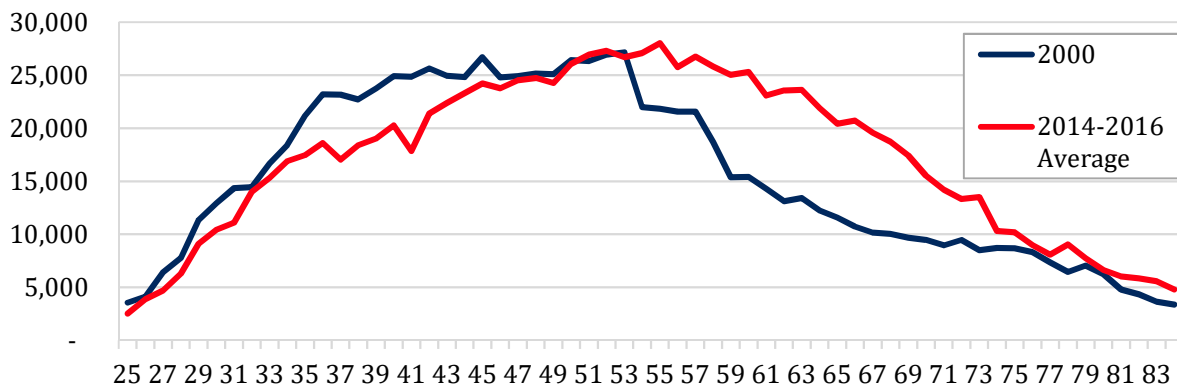
As a result, the near-term housing market has the potential to be more dynamic than in past years. Some longtime owners who wish to sell may have difficulty attaining the price gains they witnessed in their neighborhoods during recent years, when inventory was limited. In neighborhoods with a large number of longtime owners, the turn-over may happen relatively quickly, compounding the potential effect on sales prices.

Potential buyers are likely to continue to be patient and highly selective. Homes that fit their criteria, driven both by location and the features of the property, will sell quickly and potentially gain in pricing. Altogether, the sales patterns and pricing in upcoming years will be highly spot- and unit-specific. Neighborhoods with a large share of longtime owners will have the most volatility in the upcoming years.

A new report from The Stephen S. Fuller Institute sponsored by EYA examines these demographic and economic factors in detail. For more detail, go to

http://sfullerstitute.gmu.edu/research/reports/upcoming_housing_market/

Home Owners by Age of Householder, Near-In Washington Region



Source: U.S. Census Bureau; The Stephen S. Fuller Institute at the Schar School, GMU