

Foreclosures in the Washington DC Region

Evaluating the Scope of the Crisis

Prepared for the Metropolitan Washington Council of Governments

by

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EXECUTIVE SUMMARY

The United States is in the midst of the largest foreclosure crisis in recent times. The Washington DC region, which had been relatively unscathed by major foreclosure problems until late 2007, now has one of the fastest growing foreclosure rates in the nation.

The impacts of foreclosure activity are widespread. Local counties and cities experience a loss in property tax revenue and an increase in costs associated with foreclosures. Neighborhoods suffer as foreclosed properties often attract vandalism, crime and unhealthy conditions. Homeowners watch as their home values fall and those who need to sell often have to discount their properties substantially. Potential homebuyers are stymied by tight credit which often makes getting a home loan difficult.

The foreclosure problem in the Washington DC area—and in many metropolitan areas across the country—has been driven by subprime mortgages and speculative activity, both of which broadened the homebuyer base and led to home price escalation. In 2001 through 2005, there was double digit price appreciation in the Washington DC metropolitan area. The housing market began cooling in 2006 and prices started falling just at the same time that foreclosures started to pick up. In April 2008, home prices have fallen 11 percent compared with April 2007. Prices have fallen off most dramatically in the suburbs where, not coincidentally, the rate of foreclosure has been the highest.

Between March 1, 2007 and February 29, 2008 there were 15,613 homes that went into foreclosure in the Washington DC metropolitan area. The Outer Suburbs have been hit hardest, particularly Prince William County. In the Inner Suburbs, Prince George's County has also experienced substantial numbers of foreclosures. In the Core, including the District of Columbia, Arlington County and the city of Alexandria, there has been a more modest number of foreclosures to date.

Foreclosure activity currently is concentrated in several "hot spots" across the COG region, primarily in Prince William County. However, several other neighborhoods across the region are "impending hot spots," with foreclosure rates on the rise. Still other neighborhoods have low levels of foreclosure activity, but are experiencing housing market conditions that suggest they could be "potential hot spots" in the next few months.

The City of Manassas, Dale City and Gainesville/Bristow have had significant numbers of foreclosure over the past 12 months and are examples of regional foreclosure "hot spots." The Accokeek area in Prince George's County is another foreclosure "hot spot." Unlike the Prince William County neighborhoods, though, Accokeek is still experiencing a rise in the number of new foreclosures.

There are several neighborhoods across the COG region where foreclosure activity was moderate in 2007 but is rising dramatically in the first months of 2008. These so-called impending "hot spots" are concentrated in Fairfax County, including the neighborhoods of

Herndon, Centreville and the Route 1 corridor. The Germantown area in Montgomery County is another impending “hot spot.”

Finally, some neighborhoods that have had very few foreclosures may be poised to become a hot spot as a result of their very slow local housing markets. These “potential hot spots” provide examples of the last major wave of foreclosures the region is likely to see. The “potential hot spots” include Olney in Montgomery County, Falls Church and Vienna in Fairfax County and the Adams Morgan neighborhood of the District of Columbia. In addition to these specific neighborhoods, many neighborhoods in the Outer Suburbs continue to be at risk for foreclosure increases. High gas prices will continue to increase demand for closer-in housing and will inhibit the draw down of housing inventory in the outer jurisdictions.

The Washington DC region ultimately will emerge from this foreclosure crisis, in large part due to its resilient economy. The regional economy is fundamentally strong. Job growth is more moderate than it has been in recent years, but the region continues to add high-wage jobs in the professional and business services sector. The duration of the foreclosure problem in the region will depend on how quickly the housing market normalizes and the efficacy of government and non-profit foreclosure prevention programs.

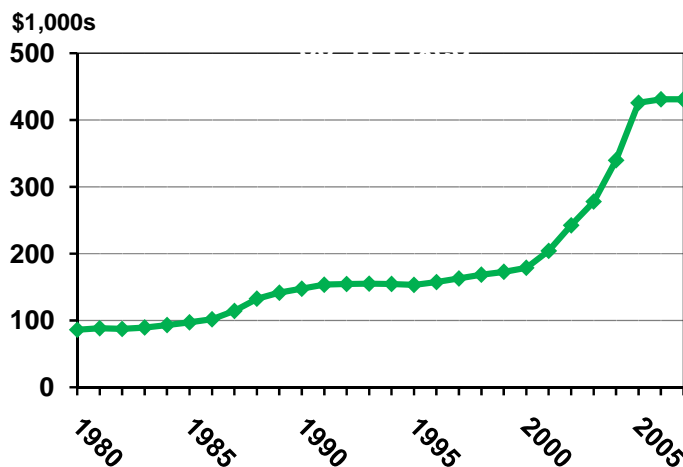
Part I

Washington DC Area Housing Market Overview

The housing markets nationally and in the Washington DC region have undergone profound changes in the last several years. House prices, sales transactions and home ownership rates increased more in the five years from 2000 to 2005 than in any period in the past three decades. Since 2005, however, the housing market has had large declines in transactions, declines in prices, and mortgage foreclosure rates not seen in the past half century. How did this come about and what is the situation in 2008?

Looking at the Washington DC metropolitan area housing market for the past 27 years (the period for which data are available), the median housing price increased from \$86,000 in 1980 to \$430,800 in 2007.¹ This represents an annual average increase of 6.4 percent per year for the 27 years. However, there were significant differences during that period, as seen in Figure 1.

Figure 1
House Median Sales Price
Washington Metro Area, 1980-2007



Source: NAR, GMU Center for Regional Analysis

¹ In this report, data are presented for the Washington DC metropolitan area as well as the region in the Metropolitan Washington Council of Governments (COG) region. The COG region includes the District of Columbia; Frederick, Montgomery and Prince George's counties in Maryland; and Arlington, Fairfax, Loudoun and Prince William counties and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park in Virginia. The metropolitan area is comprised of the COG region, plus Spotsylvania, Stafford, and Warren counties and Fredericksburg city in Virginia, and Calvert and Charles counties in Maryland, as well as Jefferson County, WV.

Prior to 2001, there were only three years when prices increased by 10 percent or more—1980, 1987 and 1988. From 1991 to 1996, the median price in the Washington DC region house was essentially flat. From 1996 through 2000 prices increased approximately 3 percent each year, and then in 2001 through 2005 there were double-digit increases each year, increasing more than 20 percent in both 2004 and 2005, and increasing a total of 130 percent over that period. Since 2005, home prices are relatively flat in average, although there are wide variations in price increases and declines by different locations in the region.

The Economic Context for the Housing Market

Since 2000, the housing market in most of the country has experienced changes similar to the Washington DC region, just not as extreme. There have been several factors at the national level that have contributed to the housing market trends from 2000 through 2007:

- A national economy that rebounded from the 2001 recession quite dramatically to GDP growth levels of over four percent in some quarters of 2003 and 2004, and an average annual GDP growth of more than three percent from 2003 to 2006.
- Mortgage rates lower than any period since the 1950s and 1960s, and increased availability of credit.
- Expansion of mortgage products that broadened the buyer base to include many more first-time buyers. These mortgage products not only made home ownership attainable for many more households, but also increased the ability for refinancing to take out cash for other expenditures and allowed for greater speculation without much investment.
- Subprime mortgages were widely available that required no money down and little if any documentation of ability to pay, Many of these loans had low introductory interest and monthly payments that reset at much higher levels after 24 or 36 months, which enticed many to refinance, to speculate, or to buy a home for the first time.
- The economy began to cool in 2006, and in late summer 2007 an already slowing housing market was hit with the international credit crisis that was created with the packaging of subprime mortgage products in the U.S.

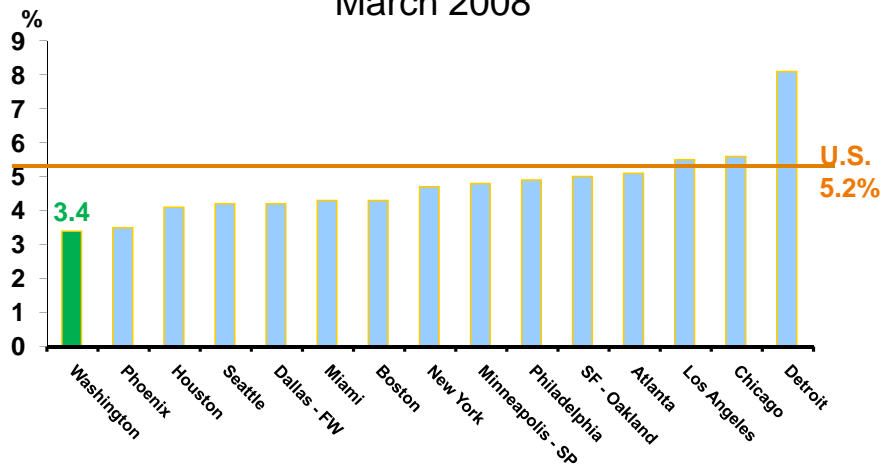
The Washington DC area housing market has not declined as much as many others, nor is its foreclosure rate as high as in some other markets. Nationally the markets in most distress are in California, Arizona, Florida, and parts of the Midwest. California,

Arizona and Florida markets were extremely overheated with a lot of speculative activity and use of subprime mortgages. The Midwest markets in distress had some speculative and subprime activity and also had declining economic conditions.

The Washington DC area economy has outperformed the U.S. and most other metropolitan economies since 2000. Of the 15 largest metropolitan areas, Washington was the only one that had job growth through the 2001 recession. From 1997 to 2007, Greater Washington added 721,000 net new jobs—a growth in absolute terms exceeded only by New York that has an economy more than twice as large as Washington’s.

As another measure of its resilience, there have only been two months in the past seven years that Washington has not led the top 15 metro areas in having the lowest unemployment rate. Following the recession in 2001, Washington’s unemployment rate peaked at 3.9 percent.

Figure 2
15 Largest Job Markets
Ranked by Unemployment Rate
March 2008



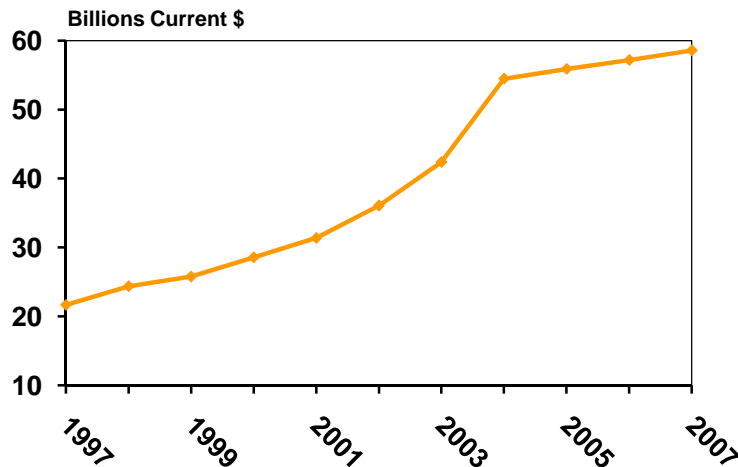
Source: BLS, GMU Center for Regional Analysis

Data not seasonally adjusted

The underlying strength of Greater Washington’s economic resilience over the past 20 years has been the Federal government procurement of services and goods from area businesses, mostly in the form of services, especially technology-intensive services. Procurement from Washington area companies in 2007 was \$62.0 billion, up from \$30.5 billion in 2000, which is an average rate of growth of 9.8 percent per year. The large increase in Federal procurement occurred in fiscal years 2002 through 2004 in Federal

expenditures to establish the Department of Homeland Security and other efforts to fight terrorism and the Iraq war. Procurement growth has now moderated significantly and this trend is expected to continue for the next few years. For 2005 through 2007, the annual increase in Federal procurement has averaged only 2.4 percent per year.

Figure 3
Federal Procurement in the Washington Region,
1997 - 2007



Job growth in the region has also moderated, currently growing at an average annual rate of 29,000 in 2007 as compared to an average of 60,000 per year for 2003 through 2006. For the twelve months from April 2007 to April 2008, the region added 28,000 jobs.

GMU's Center for Regional Analysis short-term job forecasts are for growth of about 24,000 jobs in 2008, increasing moderately to 35,000 in 2009 and then growth close to long-term normal levels by 2010.

The region's economic backdrop to the housing market is fundamentally sound. Analysis of job changes by sector show that the most significant job declines are occurring in the construction and financial sectors—sectors closely tied to the housing market. The rest of the economy is performing fairly well, so the overall outlook depends to some degree on how long it will take to work through the effects of the declines in the housing market and the foreclosure problems.

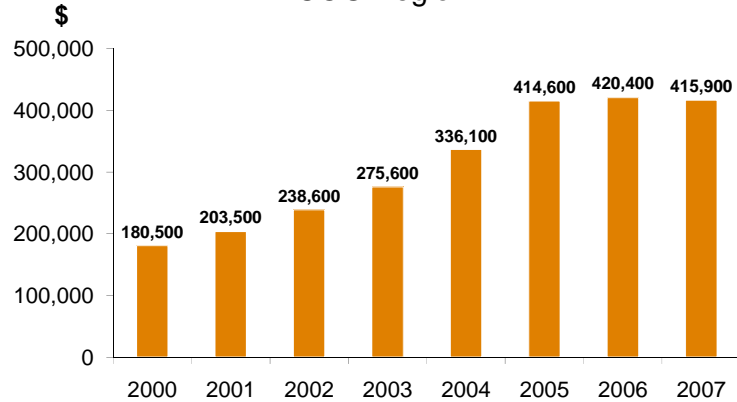
Measures of the Washington Area Housing Market

The median price of existing houses rose dramatically between 2000 and 2005, and the median price in 2007 is practically the same as in 2005.² The overall median price in the COG region increased from \$180,500 in 2000 to \$414,600 in 2005, more than doubling with an increase of 130 percent. The median price edged up to \$420,400 in 2006 and in 2007 dropped back to \$415,900.

Sales of existing housing units peaked in 2004 with 78,900 transactions in the COG region, and sales have dropped dramatically with total transactions in 2007 of 43,800—a decline of 44 percent in three years.

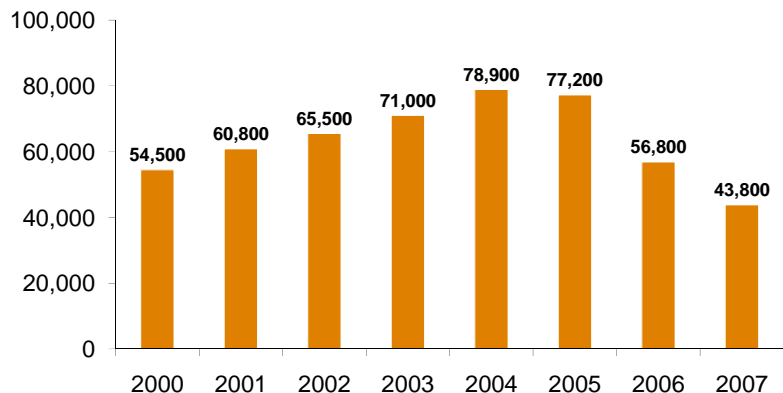
Both the number of transactions and price changes from 2003 through 2005 reflected an over-heated housing market and adjustments were necessary as prices were rising much faster than incomes. The peak of the market as measured by prices occurred in the spring/summer of 2005. In the first half of 2006 the moderating pace of housing increases dropped back to single digits, and then in the summer of 2006 turned negative. Prices in the first nine months of 2007 hovered around being flat to small increases, and then in the fall started declining. The change in the trend resulted from the onset of the global credit crunch in the mortgage funds. The impact was clearly felt

Figure 4
Median Sales Price, All Housing Types
COG Region



Source: MRIS, GMU Center for Regional Analysis

Figure 5
Total Housing Sales, All Housing Types
COG Region

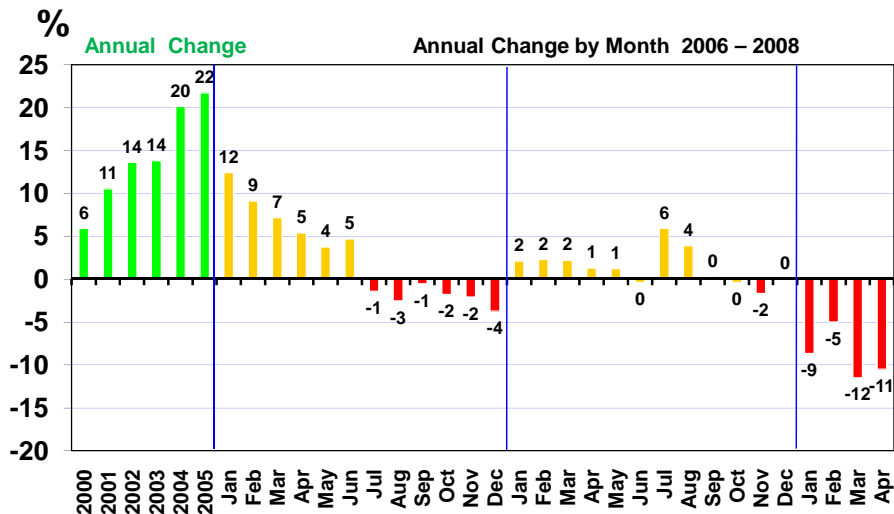


Source: MRIS, GMU Center for Regional Analysis

² The median is the middle value—that is, it is the price where half of all home prices are greater and half are less. The average is the arithmetic mean. Both the median and the average (mean) can be used to talk about the “typical” home price.

in the Washington DC area housing market. In the first four months of 2008 home prices declined significantly—the average sales price in April 2008 was down 11 percent from April of 2007.

Figure 6
Average Sales Price Percent Change
Washington MSA, All Housing Types

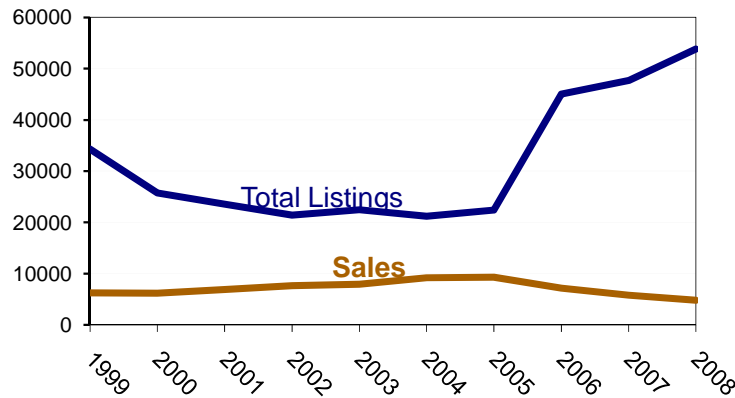


Source: MRIS, GMU Center for Regional Analysis

The changes in prices were quite different across the region. Outer counties had more significant price and transaction declines, while jurisdictions closer to the region’s center had more moderate declines or increases. Prices in Northern Virginia had the largest declines overall and prices in suburban Maryland had more moderate declines.

The big change in measures of the housing market since it peaked in 2005 has been the very large increase in inventory. As prices started to fall and as the credit markets tightened, many more units were put on the market and the number of buyers shrunk. Shown in Figure 7 below are total listings (or inventory) and sales for April of each year between 1999 and 2008.

Figure 7
Sales and Total Active Listings
Washington MSA, April Each Year



Source: MRIS, GMU Center for Regional Analysis

Price changes by jurisdictional grouping of Core, Inner Suburbs and Outer Suburbs show the range of changes in the housing market prices as seen in the Figure 8 below. The average price of existing homes in the District of Columbia, Arlington and Alexandria as a group actually went up from April of 2007 to April of 2008 while prices in the inner suburbs (Fairfax, Montgomery, and Prince George's) fell 3.2 percent. The biggest changes were in the outer jurisdictions (Loudoun, Prince William, Frederick) where the average price over the 12-month period dropped \$110,900 and 25.6 percent. (Detailed price data for individual jurisdictions are available in the appendix).

One change that has happened in the market in the spring of 2008 is the upward trend in the number of sales in some outer jurisdictions, particularly in Prince William County. Prince William has had the highest foreclosure rate in the region, and prices there are down 28 percent in the past twelve months. Sales, however, are starting to increase and are up almost 50 percent from April of 2007 to April of 2008. This trend change could point to prices having dropped enough that potential buyers are moving back into the market. If true, this could be the beginning of recovery in Prince William County.

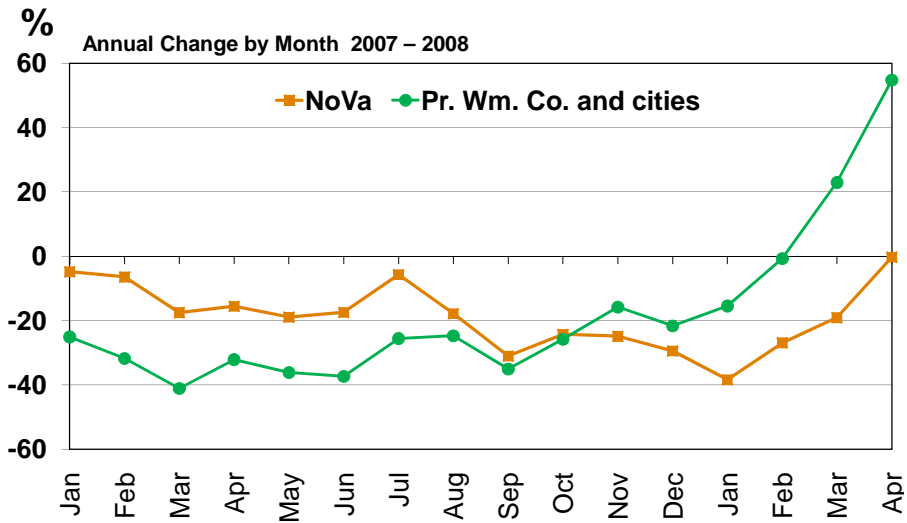
Figure 8
COG Jurisdictions, Price Changes
April 2007 – April 2008

Jurisdiction Group	4-07	4-08	Change	Percent
Core	\$540,100	\$558,200	\$18,100	3.4%
Inner Suburbs	\$480,300	\$465,000	-\$15,400	-3.2%
Outer Suburbs	\$433,500	\$322,600	-\$110,900	-25.6%
Total	\$482,500	\$435,600	-\$46,900	-9.7%

Sources: MRIS, GMU Center for Regional Analysis

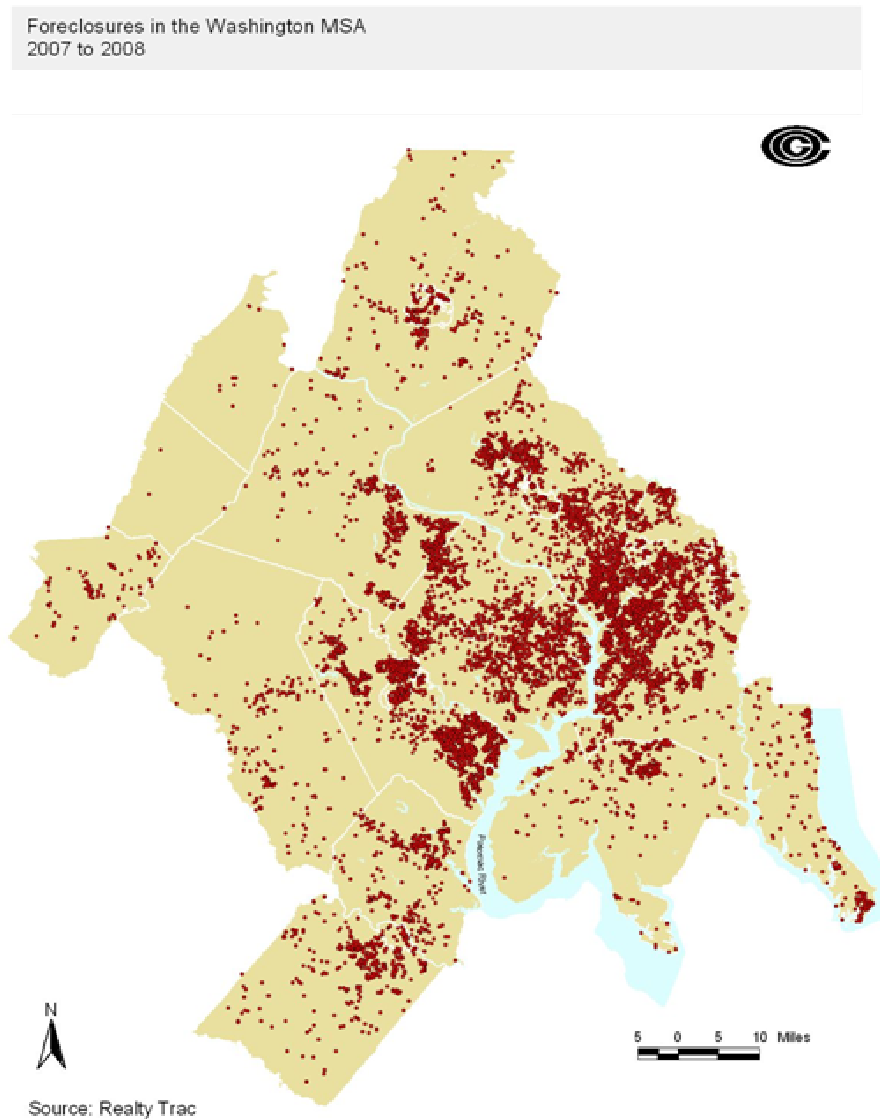
Core: District of Columbia, Arlington County, Alexandria City
 Inner Suburbs: Fairfax, Montgomery, and Prince George’s counties
 Outer Suburbs: Loudoun, Prince William and Frederick counties

Figure 9
Units Sold Percent Change, Northern Virginia
All Housing Types



PART 2

FORECLOSURE ACTIVITY IN THE WASHINGTON DC AREA



The United States is in the midst of the most severe foreclosure crisis in recent times. The Washington DC metropolitan area, which had been relatively unscathed by major foreclosure problems until late 2007, now has one of the fastest foreclosure growth rates in the nation. The extent of the foreclosure situation has wide-reaching impacts:

- The *national economy* is experiencing stagnant growth as a result of the foreclosure crisis. The “credit crunch” that followed the first wave of foreclosures has made it difficult for households and businesses to access credit, which has meant a slowdown in consumer spending and business investment.
- The budgets of *local jurisdictions* across the Washington DC region are in jeopardy because of the fall off in residential property tax revenue that has occurred as home values decline. Local counties and cities have had to raise taxes, reduce services or both.
- The well-being of many *neighborhoods* across the region is at risk as the number of foreclosures increases. Not only do foreclosures depress neighborhood property values, they also are associated with increased vandalism, crime, and unhealthful conditions.
- *Homeowners* are affected by foreclosures when they see the value of their homes dropping. If they want or need to sell, they must compete with much lower priced foreclosed properties, often right in their neighborhood.
- *Potential homebuyers* are affected, as well, because of the decrease in the availability of credit. Many households with less than exceptional credit scores are finding it very difficult to secure a home mortgage.

The level of foreclosure activity in the Washington DC area was relatively low in the 2006 and 2007 period. There has been a dramatic increase in the number of foreclosures in late 2007 and early 2008, which has elevated the level of concern. However, different neighborhoods across the region are in different phases of the foreclosure cycle. Some neighborhoods, particularly in Prince William County, currently are “hot spots” of foreclosure activity. In some of these neighborhoods, the pace of foreclosure activity has slowed and the worst appears to be in the past. Other neighborhoods, generally in the inner suburbs, are places that did not see a lot of foreclosure activity in most of 2007, but the foreclosure rates increased in late 2007 and early 2008. These neighborhoods are “impending hot spots,” or the next wave of major problem areas that have not yet seen the peak of foreclosure activity. Finally, there are neighborhoods where foreclosures are barely registering but where other conditions, such as rapidly falling home prices, may signal a problem still to come.

These neighborhoods are “potential hot spots” and represent the last wave in the foreclosure tide in the Washington DC region.

Efforts at many levels are underway to address the foreclosure problem in the Washington DC metropolitan area.³ Given the magnitude of the problem, many agencies and organizations are urgently trying to put policies and programs in place to help homeowners. In some instances, there is a lack of coordination among organizations. Programs can end up being redundant or inefficient. Furthermore, there is a deficit of information about the location and the characteristics of foreclosures across the region. More specific information can help COG, as well as local governments and non-profit organizations, better target their foreclosure prevention and amelioration programs.

This section provides a detailed analysis of foreclosure activity across the Washington DC metropolitan area, and in the COG region specifically, over the period March 1, 2007 through February 29, 2008. Selected additional foreclosure data are presented for first quarter 2008.

The foreclosure data used in this report were purchased from RealtyTrac, an online real estate company that maintains a database of pre-foreclosure, foreclosure, For Sale by Owner and other resale and new home listings. The RealtyTrac data used in this analysis consist of address-level records for the 12-month study period. The data purchased from RealtyTrac are “cleaned,” meaning that all possible efforts have been made to remove duplicate properties. In addition to the street address of the property, the RealtyTrac data include the date of foreclosure; however there is limited information about the characteristics about the property or owner. The address-level RealtyTrac data were summarized by jurisdiction as well as by Census Tract using ArcGIS.⁴

RealtyTrac collects data by going to individual county and city courthouses and recorder of deeds offices to collect information on properties that have gone into foreclosure. RealtyTrac’s coverage is not complete—that is, it currently does not collect information from all cities and counties equally as well. However, RealtyTrac’s coverage in urban areas such as the COG area tends to be quite good. More rural areas, however, are less likely to have complete coverage, though RealtyTrac is expanding its coverage quickly.

The remainder of this section is organized as follows. First, a brief overview of the foreclosure processes in the District of Columbia, Maryland and Virginia is provided. Second, foreclosure statistics are presented for the entire Washington DC metropolitan area both for the 12-month study period (March 1, 2007 through February 29, 2008), as

³ See Appendix A for a discussion of federal and state foreclosure-related legislation.

⁴ Geocoding and mapping of RealtyTrac data was done expertly by Diana Farina at COG.

well as for the first quarter of 2008. Third, a detailed description of foreclosures in the COG jurisdictions is provided. Finally, an in-depth look at three kinds of neighborhoods is highlighted: i) foreclosure “hot spots,” ii) “impending hot spots,” and iii) “potential hot spots.”

Explanation of the Foreclosure Process

Tracking foreclosures in the Washington DC metropolitan area is complicated by the fact that the region encompasses two states and the District of Columbia, each with its own regulations regarding foreclosures. For example, Maryland has a pre-foreclosure phase of its foreclosure process while the District of Columbia and Virginia do not. Figures 10a and 10b summarize the basic foreclosure procedures in Maryland, Virginia and the District of Columbia.⁵

Most foreclosures in the District of Columbia and the Commonwealth of Virginia are “extra-judicial” which means a lender can seize a property if a borrower defaults without having to go through the courts. The foreclosures start with a Notice of Sale, publication, mailing of statutory notices to required parties, and sale. In Maryland, foreclosures must start with a docket order filing in the court (two attempts at personal service must be made), the sale is conducted by a licensed auctioneer, upon expiration of the “show cause” period a court will ratify the sale.

In this analysis, only properties for which there has been a notice of sale are considered foreclosures, in order to be consistent across the three jurisdictions.

⁵ The foreclosure regulations are as of May 20, 2008. Pending legislation at the federal and state level may change the foreclosure process. See Appendix for details.

Figure 10a. Foreclosure Process in District of Columbia and Virginia (non-judicial/statutory jurisdictions)

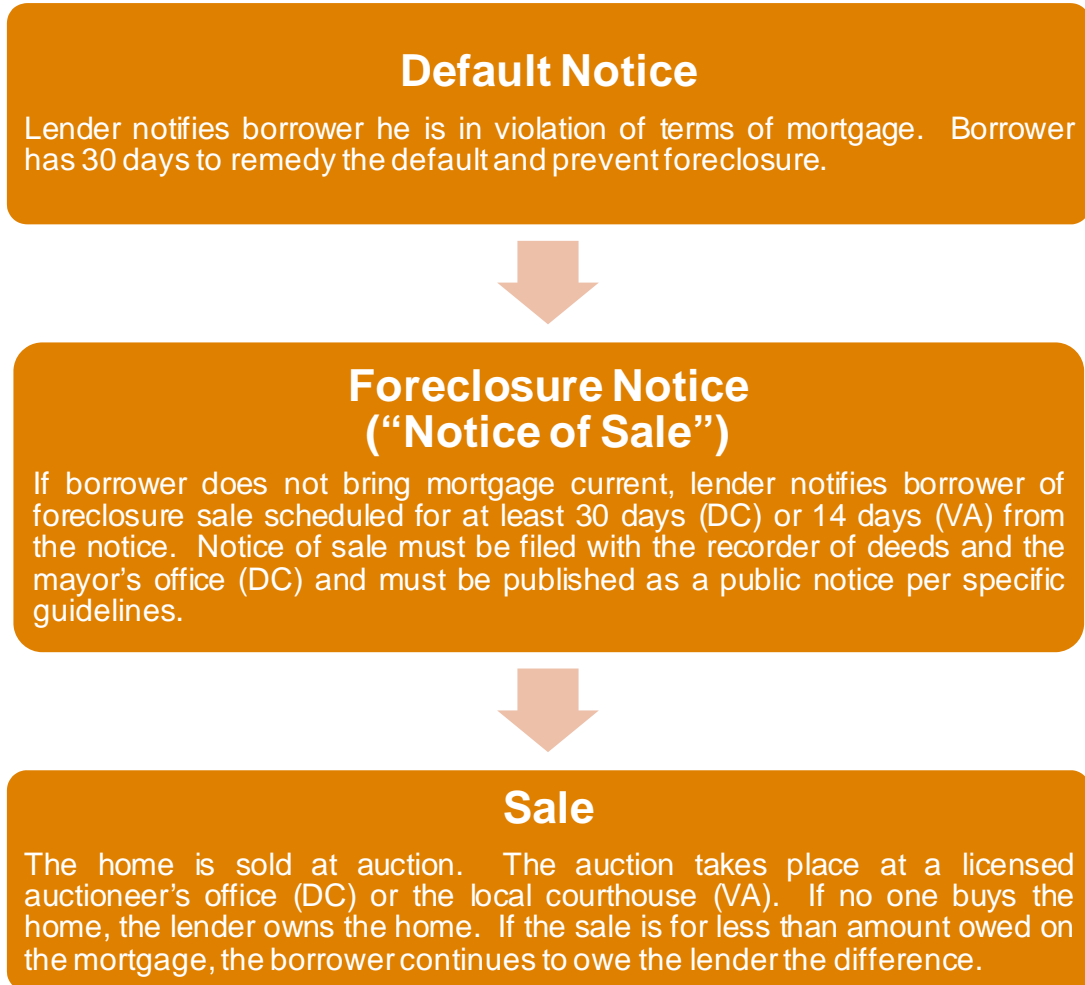
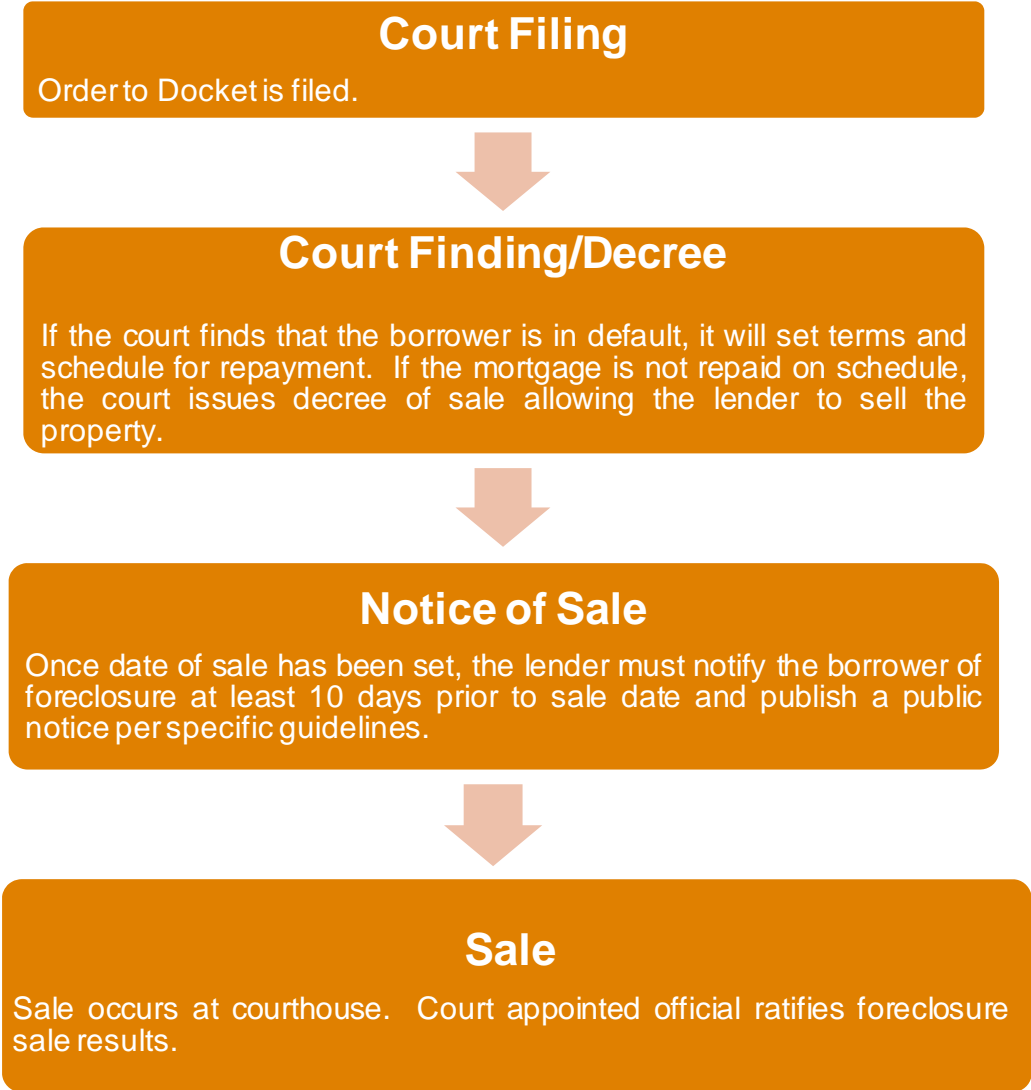


Figure 10b. Foreclosure Process in Maryland (judicial)



As a result of different foreclosure processes, there is variation in the amount of time that passes between when a borrower is in default (i.e. 30 days overdue on his mortgage) and when the home goes into foreclosure. Figure 11 below summarizes how long this process can take in each of the three jurisdictions.

Figure 11. Timeframe for Foreclosure Process in the District of Columbia, Maryland and Virginia

Jurisdiction	Time from default to default notice	Time to remedy (before foreclosure notice issued)	Minimum time between foreclosure notice and sale	Time from public notice of sale to sale	Total time from default to sale
DC	47 days	30 days	30 days	30 days	~107 days
Maryland	n/a	Set by court	150* days	45 days	~205 days
Virginia	45 days	30 days	14 days	14-28 days	~90 days

*Washington Post articles dated April 3-4, 2008 indicate that state legislature passed a bill with provisions to increase foreclosure time to 150 days effective immediately. (Previous timetable was ~15 days).

The following analysis is a summary of properties that went into foreclosure between March 1, 2007 and February 29, 2008. All of the properties analyzed for this report have either been through the entire foreclosure process (i.e. auction has occurred) or have had a notice of sale published.

Washington DC Metropolitan Area

The number of foreclosures in the Washington DC metropolitan area has risen dramatically over the past year. The region had one of the lowest foreclosure rates among the major metropolitan areas in the first quarter of 2007. However, in the first quarter of 2008, the rate of homes going into foreclosure was nearly *six times higher* than it had been in 2007. As a result, the rate of foreclosures in the Washington DC metropolitan area—measured as number of homes entering foreclosure per 10,000 owner-occupied housing units—shot past New York, Houston and Chicago in the first quarter of 2008 (Figure 12). The rate of increase in the Washington DC metropolitan area is similar to the experience in Phoenix, Los Angeles and San Francisco over the past year.

Figure 12
 Metro Comparisons
 Mortgage Foreclosure Rates
 Q1 2007 and Q1 2008

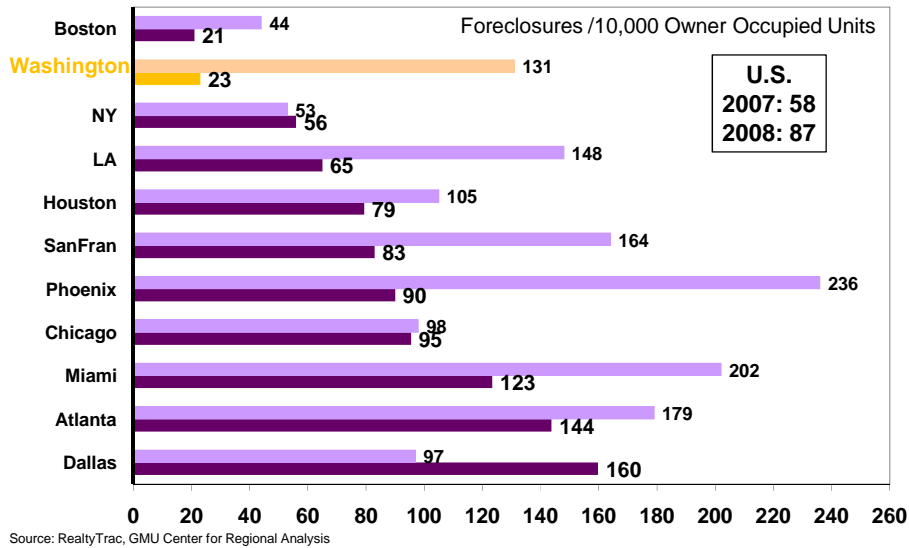
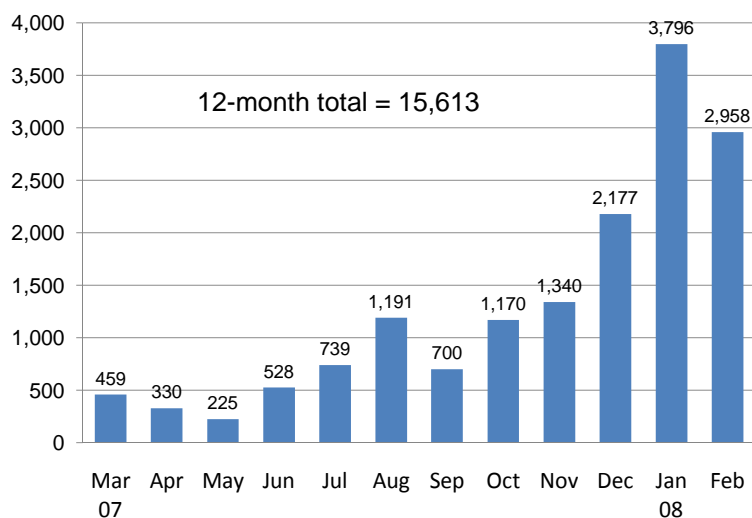


Figure 13 below shows the trend in the number of homes entering foreclosure in the Washington DC metropolitan area in each month over the 12-month study period. In March 2007, only 459 homes region-wide went into foreclosure. In May 2007, that number had dropped to 225. Subsequently, the number of new foreclosures each month rose steadily in the second half of 2007. These increases were a result of adjustable rate mortgage resets coupled with stagnant or declining homes values in many neighborhoods. The number of foreclosures across the region peaked in January 2008 when there were 3,796 new foreclosures. In February 2008, the number of new foreclosures was down to 2,958.

Figure 13
Foreclosures By Month
March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

There are certain groups of homeowners that have been affected disproportionately by the foreclosure crisis. In order to better understand the characteristics of the neighborhoods hardest hit by foreclosures, it would be ideal to have recent demographic characteristics of homeowners at the Census tract level. Unfortunately, the most recent data available at this small area are from the 2000 Census. Using these data for all tracts in the Washington DC metropolitan area, there appears to be a weak positive relationship between the percent of a Census tract population that is African American and the number of foreclosures in the tract. There is no relationship found between the percent of the population that is Hispanic (in 2000) and the number of foreclosures.

The correlation between African American population and foreclosures at the Census tract level is strongest in the District of Columbia (correlation coefficient=.5.)⁶ In Maryland, the relationship was somewhat weaker (correlation coefficient = .23) and in Virginia the relationship was weaker still (correlation coefficient = 0.14.)

While no relationship was found region-wide between the percent of a tract's population that is Hispanic and foreclosure activity, there was a notable relationship when Prince William County was analyzed separately. There was a moderate positive relationship between Hispanic population and foreclosures in Prince William County (correlation

⁶ A correlation coefficient is a measure of the association between two factors (in this case, race/ethnicity and foreclosures.) A higher correlation coefficient value indicates a stronger relationship.

coefficient = 0.34 compared with -0.02 for the region as a whole.) There was also a moderate relationship between African American population and foreclosures in Prince William County (correlation coefficient = 0.46).

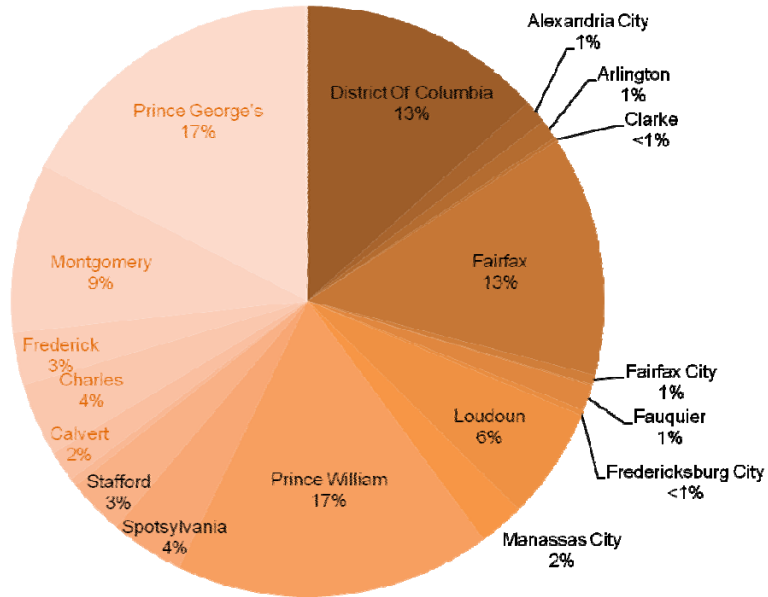
Because there have been dramatic demographic shifts over the past seven years in some neighborhoods in the Washington DC metropolitan area, these results should be interpreted cautiously. Some Census tracts that were predominantly white in 2000 now have substantial Hispanic populations. Thus, the failure to identify a relationship between foreclosure activity and the Hispanic population may be a result of the age of the data rather than a true lack of a relationship.

Counties and Cities in the Region

Between March 1, 2007 and February 29, 2008 15,613 homes went into foreclosure in the Washington DC metropolitan area. As Figure 14a shows, more than one third of all foreclosures were in Prince George's County, Maryland or Prince William County, Virginia. Thirteen percent of foreclosures occurred in both the District of Columbia and Fairfax County. Arlington County and the City of Alexandria had among the lowest number of homes that went into foreclosure over the 12-month period.

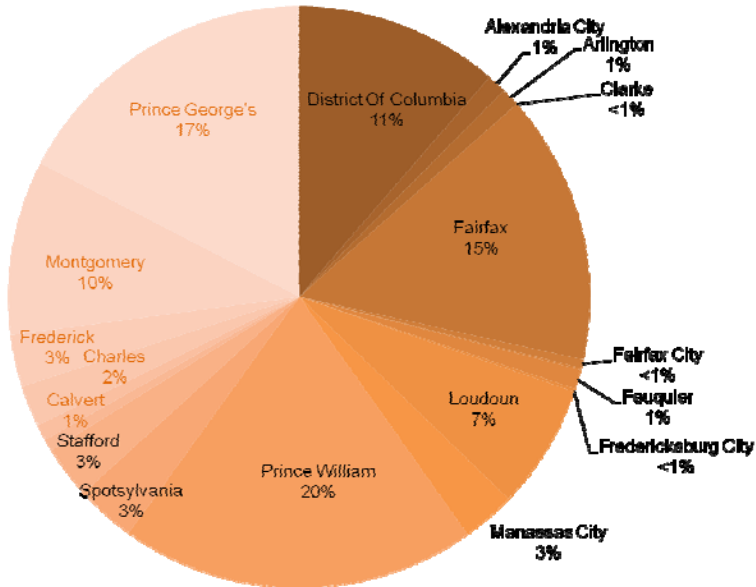
For more recent foreclosures, those that were filed in February 2008, the geographic breakdown was very similar, though Prince William County garnered a larger share of the new February 2008 foreclosures (20 percent) and both Fairfax and Montgomery counties increased their shares slightly. The portion of February 2008 foreclosures that were in the District of Columbia was down slightly from 13 percent for the 12-month period to 11 percent for February 2008 (Figure 14b.)

Figure 14a
Foreclosure By Jurisdiction
Share of Regional Total
March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

Figure 14b
Foreclosure By Jurisdiction
Share of Regional Total
February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

Part of the reason why some of the outer jurisdictions have relatively high numbers of foreclosures is due to the disproportionate number of subprime loans issued in those counties. Another reason is the rapid homebuilding that occurred over the past five years. For example, in 1999, only 10.2 percent of all new building permits issued in the Washington DC metropolitan area were issued in Prince William County. In 2003, 18.3 percent of all new building permits were for new construction in Prince William. Some of this new inventory was purchased by speculators; some was purchased by first-time and other homebuyers using subprime loans. In both cases, the increase in the supply of new housing contributed to the foreclosure problem in some counties.

The character of foreclosure activity is very different across the jurisdictions. In Figure 15 below, counties and cities in the COG area are categorized based on the relative share of foreclosures in the region (level of activity) and the degree of concentration of the foreclosure activity within the county or city (level of concentration.) The share of foreclosures is important because it tells COG and local and state governments where the greatest numbers of homeowners are being affected. Concentration is important, as well because places with more concentrated foreclosure activity may be at greater risk for bigger drops in home values, abandon properties, vandalism and crime.⁷

Figure 15. Summary of Foreclosures in the COG Area

COG Jurisdictions	Level of Foreclosure Activity^a	Level of Concentration^b
District of Columbia	High (1.5)	Dispersed (16)
Arlington County	Low (0.3)	Concentrated (22)
City of Alexandria	Low (0.6)	Concentrated (24)
Fairfax County	Low (0.6)	Concentrated (22)
Loudoun County	High (1.1)	Dispersed (14)
Prince William County	High (2.5)	Dispersed (12)
City of Manassas	High (3.7)	Concentrated (42)
Montgomery County	Low (0.5)	Concentrated (21)
Prince George’s County	High (1.2)	Dispersed (15)
Frederick County	Low (0.6)	Dispersed (16)

^aIndication of the share of foreclosures in the jurisdiction relative to the region. Number in parentheses is the ratio of the share of the region’s foreclosures in the jurisdiction to the share of the region’s owner-occupied housing in the region. HIGH=ratio greater than 1.0 (i.e. a disproportionately high share of foreclosures); LOW=ratio of 1.0 or less (i.e. a disproportionately low share of foreclosures.)

^bIndication of the extent of the clustering of the foreclosure activity within the jurisdiction. Number in parentheses indicates the percentage of foreclosures in 10 percent of tracts with the most foreclosures. Over 20 percent is considered “concentrated.” CONCENTRATED=foreclosures concentrated in a few neighborhoods; DISPERSED=foreclosures more evenly distributed throughout the jurisdiction.

NOTE: Data not available for the cities of Fairfax, Falls Church and Manassas Park.

⁷ Charts showing monthly foreclosure activity by jurisdiction are available in the Appendix.

The City of Manassas is the **High Level – Concentrated Activity** jurisdiction in the region. Despite a much smaller population, the City of Manassas had more foreclosures over the 12-month study period than either Arlington County or the city of Alexandria. The City of Manassas had a far greater share of the region's foreclosures than it has owner-occupied units. (Manassas has only about 0.6 percent of all owner occupied housing units in the region, but nearly 2.5 percent of all foreclosures.) In Manassas, foreclosures rose fairly dramatically in late 2007/early 2008 and dropped off somewhat in February 2008. More than 42 percent of foreclosures in the City of Manassas between March 1, 2007 and February 29, 2008 were in Census tract 9102 while 31 percent were in Census tract 9104. (The City of Manassas has only four Census tracts.)

High Level – Dispersed Activity jurisdictions are counties and cities where there are large shares of foreclosures and foreclosure activity that is dispersed throughout the jurisdiction rather than concentrated in a few neighborhoods. The **District of Columbia, Prince William County, Loudoun County** and **Prince George's County** are all classified as High Level – Dispersed Activity jurisdictions. These are jurisdictions where no one or two neighborhoods are being disproportionately affected. Rather, the foreclosure problem is relatively more widespread.

The District of Columbia has 8.7 percent of all owner occupied units and 13.3 percent of all foreclosures over the study period. There was a huge run up in foreclosures in the District of Columbia in January 2008. The number of homes that went into foreclosure in January 2008 was 986, more than triple the number in December 2007. However, foreclosure activity was down considerably in February 2008.

In Prince William County, there was also a big run up in foreclosures at the end of 2007 and into early 2008. In February 2008, while the number of new foreclosures was down somewhat, it was still quite high at 584. While Prince William County is home to only about 6.9 percent of the region's owner occupied housing units, it had 17.2 percent of the region's foreclosures over the study period.

Unlike the District of Columbia and Prince William County, Loudoun County and Prince George's County are still experiencing a rise in foreclosures. Loudoun County is home to 5.3 percent of the region's owner occupied units and 6.1 percent of all foreclosures. In February 2008, there were 205 homes that went into foreclosure in Loudoun County, up from 128 and 130 in the two previous months.

In Prince George's County, there were 513 properties that went into foreclosure in February 2008, up from 364 in January 2008. Prince George's County has 14.7 percent of the region's owner occupied housing units but 17.2 percent of its foreclosures.

Fairfax County, Arlington County, Alexandria City and Montgomery County are classified as **Low Level – Concentrated Activity** jurisdictions. A Low Level – Concentrated Activity jurisdiction is one where there was a relatively low share of the region's foreclosures between March 1, 2007 and February 29, 2008 but these foreclosures were concentrated in a few neighborhoods. Over the 12-month study period, there were 2,058 homes in foreclosure in Fairfax County. Approximately 22 percent of these foreclosures were located in nine Census tracts which are in four parts of the county: Herndon, Centreville, Lorton, and the Route 1 corridor.

In Fairfax County, the levels of foreclosures were very low, barely registering in the first half of 2007. There was a major jump in foreclosures in the county between fall 2007 and January 2008.

Recently, the foreclosure activity in Fairfax County has gotten even more concentrated. For example, 10 percent of all foreclosures entered in February 2008 were in one Census tract (20170) and 25 percent were in three Census tracts (20170, 20120, 22003.)

In Arlington County, there were only 167 homes in foreclosure over the March 1, 2007 through February 29, 2008 period. While the number of monthly foreclosures in Arlington was down in February 2008 compared with January 2008, the numbers still remain relatively high for the county, which indicates that there may be the potential for further foreclosure activity. In Arlington County, 22 percent of all foreclosures in the period March 1, 2007 through February 29, 2008 occurred in two Census tracts in South Arlington (102800 and 103100.) Foreclosure activity has become increasingly concentrated in these two tracts (23 percent of all February 2008 foreclosures were in these two neighborhoods). Census tract 1026 (also in South Arlington) captured a larger share of February 2008 foreclosures than it had during the 12-month period which indicates that the problem is spreading to this neighborhood and there may be more activity there in months to come.

The pattern in Alexandria City was similar. Over the 12-month period there were just 205 homes in foreclosure in the city. Aside from blips in July and August 2007, foreclosure activity remained low throughout most of 2007. The number of foreclosures was up substantially in January 2008 and declined somewhat in February 2008. Twenty-four percent of foreclosures between March 1, 2007 and February 29, 2008 were in two Census tracts (200401 and 200402) in the Franconia area. Foreclosure activity is getting more dispersed in the City of Alexandria. Only 18 percent of February 2008 foreclosures were in these two neighborhoods. In fact, Census tract 2006 had seven foreclosures in February, or 22 percent of all foreclosures in that month, while over the 12-month study period, this neighborhood accounted for just 10 percent of the foreclosure activity.

Between March 1, 2007 and February 29, 2008 there were 1,447 homes that went into foreclosure in Montgomery County. The number of foreclosures has climbed steadily each month since October 2007. Unlike in some jurisdictions, there was no dip in foreclosure activity in February 2008 which makes it difficult to tell whether or not foreclosure activity is plateauing or whether it will continue to expand.

In the 12-month period studied, about 21 percent of all foreclosures in Montgomery County occurred in nine Census tracts, primarily clustered in the Germantown area. There is evidence that foreclosure activity is becoming somewhat more concentrated in the County. Those nine Census tracts accounted for 24 percent of all new foreclosures in February 2008. However, a few new neighborhoods had a notable number of foreclosures in February, including tract 700302 (Clarksburg) and 700819 (Germantown). Since these tracts are adjacent to the high concentration tracts this could be evidence of the foreclosure problem spreading to other parts of the county.

Frederick County is the one example of a **Low Level – Dispersed Activity** jurisdiction. Frederick County's foreclosure activity is relatively dispersed throughout the county. However, based on a month-by-month analysis, it appears as though the number of foreclosures in Frederick is still on the rise. In February 2008, there were 85 homes that went into foreclosure in Frederick County, up from 66 in January 2008 and 36 in December 2007. Therefore pockets of concentrated activity may develop in Frederick County over the next few months.

Neighborhoods

Within the metropolitan area, there is a handful of neighborhoods that exemplify those hardest hit by the foreclosure situation. Identifying these neighborhoods is important because they likely face more problems associated with declining home values, vandalism, and crime. These neighborhoods are called "hot spots" in this report. Also important is to identify neighborhoods where foreclosure activity currently is more moderate but where trends indicate that the number of homes in foreclosure continues to rise. These neighborhoods are called "impending hot spots." Finally, this report identifies examples of "potential hot spots"—that is, neighborhoods that might be on the verge of an uptick in foreclosure activity.⁸

Using address-level foreclosure data from RealtyTrac we analyzed the prevalence of homes that have entered into foreclosure over the period between March 2007 and March 2008 to identify those neighborhoods (defined by Census tracts) where foreclosure activity is most concentrated (i.e. "hot spots.") From this analysis, we

⁸ The named neighborhoods in this report do not correspond to any official neighborhood or town definitions. Rather, the neighborhood name was selected to best describe the location of the Census tract within the county. In addition, the neighborhoods discussed in detail in the report do not constitute a complete list of hot spot neighborhoods in the Washington DC region.

identified several concentrated neighborhoods: 1) City of Manassas, 2) Dale City area (Prince William County), 3) Gainesville/Bristow area (Prince William County), and 4) Accokeek (Prince George's County).

We also identified tracts where foreclosure levels are relatively low but where there has been a substantial increase in the number of foreclosures in recent months. These "impending hot spot" neighborhoods include: 1) Germantown (Montgomery County), 2) Centerville (Fairfax County), 3) Herndon (Fairfax County), and 4) Alexandria (Fairfax County).

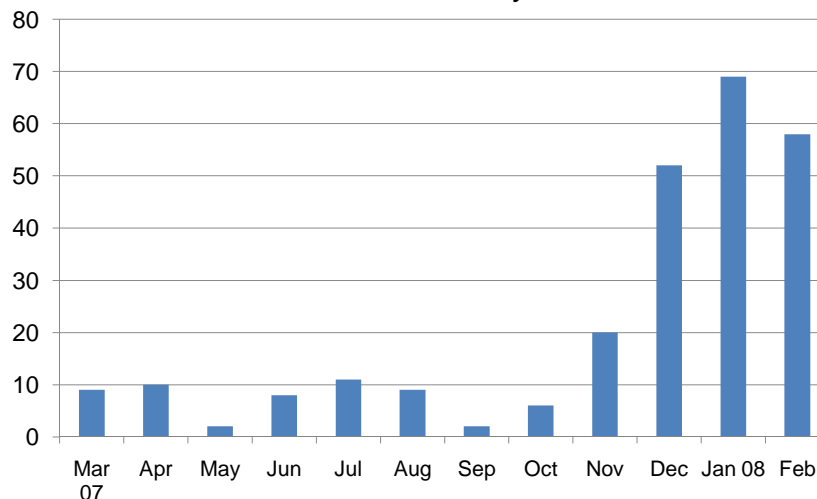
Last, we identify four neighborhoods with very low numbers of foreclosures but with declining housing markets. These "potential hot spots" include 1) Olney (Montgomery County), 2) Falls Church (Fairfax County), 3) Vienna (Fairfax County), and Adams Morgan (District of Columbia.)

Hot Spots

City of Manassas

The City of Manassas is comprised of only four Census tracts and two of those tracts (9102 and 9104) had more foreclosures than any other tracts in the entire Washington DC metropolitan area. In these two tracts in the north and south of the city, there were 256 homes that went into foreclosure between March 1, 2007 and February 29, 2008.

Figure 16
Foreclosures in the
City of Manassas Neighborhood by Month
March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

The number of recorded foreclosures in these two tracts in the City of Manassas was less than 10 per month during most of 2007. Beginning in November 2007, the number of foreclosures skyrocketed, going from 20 in November to 52 in December to 69 in January 2008 before coming back to 58 in February. Over the next few months, foreclosure activity will continue to be high in these neighborhoods.



In December and January, the average price listed for a home in foreclosure in these neighborhoods was about \$130,000. However, in February 2008, the average price of a home in foreclosure was over \$400,000. This indicates that larger, higher value properties are going into foreclosure in the City of Manassas. However, in general, the types of homes in foreclosure in the City of Manassas tend to be smaller, single-family attached homes although there are some larger townhouses and single-family detached homes in foreclosure in these neighborhoods.



Figure 17. Examples of foreclosures in the City of Manassas

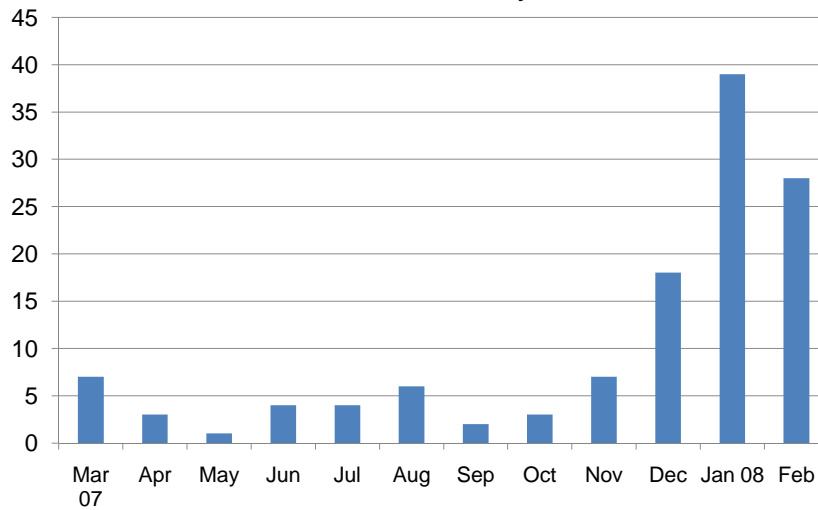
In these high foreclosure areas, home prices increased about 115 percent between 2000 and 2007. However, prices have dropped about 35 percent between the first quarter of 2007 and the first quarter of 2008. In the first quarter of 2008, the average price of a home in this area was about \$230,000, down from \$350,000 in the first quarter of 2007.

The lower prices in these Manassas city neighborhoods appear to be bringing buyers into the market. The number of units sold in this area is up nearly 30 percent in the first quarter of 2008 compared with the first quarter of 2007. More buyers will draw down the inventories of foreclosures and help stabilize the area's housing market.

Dale City area (Prince William County)

Between March 1, 2007 and February 29, 2008 there were 122 homes in foreclosure in this small Census tract (901214) in the east-central portion of Prince William County. The pattern of foreclosure activity in this neighborhood mirrored the trends in the City of Manassas where there was a substantial increase in the number of homes going into foreclosure in the last months of 2007. Like in Manassas, the number of homes going into foreclosure in February 2008 was down sharply in this Dale City neighborhood.

Figure 18
Foreclosures in the
Dale City Neighborhood by Month
March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

Many of the homes in foreclosure in this neighborhood are single-family detached homes, some priced as high as \$500,000 or even \$700,000. Thus, the foreclosure situation in the Dale City area is characterized by different types of homes and homeowners, compared with the City of Manassas.



This Dale City Census tract lies in the 22193 zip code where average home prices rose by about 140 percent between 2000 and 2007. Prices were down by about 30 percent between the first quarter of 2007 and the first quarter of 2008; however, the good news is that sales were up 33 percent over that period, indicating that buyers may be returning to the market and taking advantage of lower prices.



Figure 19. Examples of foreclosures in the Dale City area

Gainesville/Bristow (Prince William County)

Between March 1, 2007 and February 29, 2008, there were 104 homes in foreclosure in the Gainesville/Bristow area of western Prince William County (tract 901406). The number of foreclosures in this neighborhood spiked at the end of 2007. In February 2008, there appears to be a slight recovery in the number of homes newly listed as foreclosures.

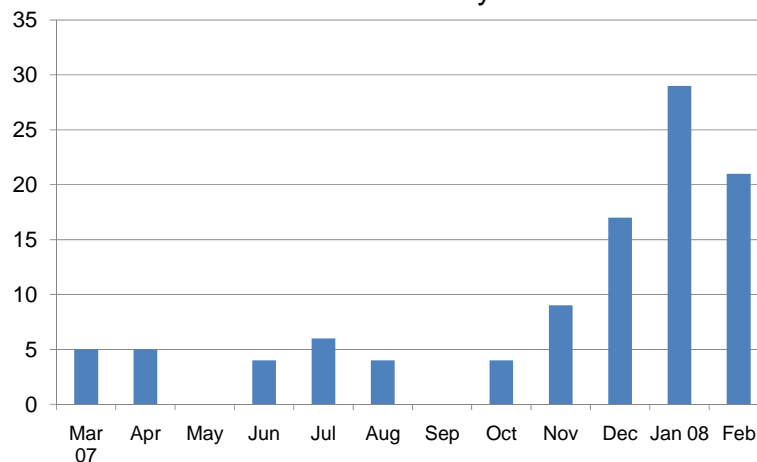
The Gainesville/Bristow area has many large single-family detached homes in its inventory of foreclosed homes and, unlike in other high foreclosure neighborhoods in Prince William County, both existing homes and new homes are being foreclosed on.



Figure 21. Examples of foreclosures in the Gainesville/Bristow area.

Over the period 2000 through 2007, prices were up between 73 and 150 percent, depending on where in this neighborhood the homes were located. Because of the number of single-family homes in this region, average home prices were somewhat higher than in other parts of the County. In some parts of this region, specifically the Nokesville area (zip code 20181), home prices were actually up nine percent in the first quarter of 2008 compared with the first quarter of 2007. While prices were down in the Gainesville and Bristow neighborhoods, they were not down as much as in other parts of the county and average prices still hovered around \$400,000. Sales were down in this neighborhood, as they were in most of the rest of the region, indicating that the foreclosures in this western neighborhood are not as big a draw as

Figure 20
Foreclosures in the Gainesville/Bristow Neighborhood
by Month
March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

the less expensive properties closer in.

Accokeek (Prince George's County)

This Accokeek area is a large tract in Prince George's County that extends from Steed Road in the north down to the Charles County line (tract 801301). There were 67 foreclosures in this Census tract over the 12-month period, the highest of any tract in Prince George's County. The number of monthly foreclosures increased somewhat in the summer of 2007 and then had another upsurge at the end of 2007 and into 2008.

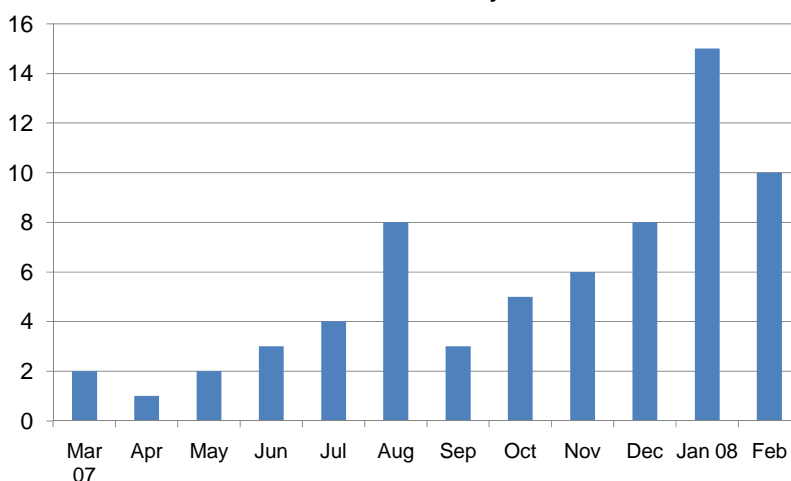
Many of the homes in foreclosure in this neighborhood are large, single-family detached homes. There were more new homes in foreclosure in this neighborhood than in other high activity neighborhoods. These homes ranged in price from about \$300,000 to over \$500,000.

Home prices in this part of Prince George's County increased by nearly 200 percent between 2000 and 2007; in 2007, the average home sold for about \$540,000. Between the first quarter of 2007 and the first quarter of 2008, home prices in this neighborhood were down about 16 percent while the number of sales was down 46 percent. This slowdown in sales activity—which is not as extreme in the other high foreclosure neighborhoods—is an indication that this Prince George's County neighborhood is not experiencing a draw down of its foreclosure inventory.



Figure 23. Examples of foreclosures in the Accokeek area.

Figure 22
Foreclosures in the
Accokeek Neighborhood by Month
March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

Other “hot spots”

Several other neighborhoods not discussed here could be considered hot spots, either because they have a high total number of foreclosures or their foreclosure totals are high relative to the rest of the jurisdiction. They include:

<u>Neighborhood</u>	<u>Census tract</u>	<u>County/City</u>	<u># of Foreclosures</u>
Woodbridge	51153900700	Prince William	103
Woodbridge	51153901213	Prince William	99
Woodbridge	51153900800	Prince William	91
Fredericksburg	51177020200	Spotsylvania	86
Leesburg	51107610501	Loudoun	67
Lusby	24009861002	Calvert	66
Centreville	51059491300	Fairfax	58
Upper Marlboro	24033800703	Prince George's	45
New York Ave.	11001004600	District of Columbia	41
Germantown	24031700809	Montgomery	35
Ashburn	51107611003	Loudoun	34
West End	51510200402	Alexandria	25
Columbia Pike	51013102800	Arlington	23
Centreville	51059491300	Fairfax	58

Impending Hot Spots

In this section, we identify those neighborhoods where foreclosure activity has been more moderate but the number of homes entering foreclosure in each month continues to rise. While some of the “hot spots” described above appear to be improving, these “hot spots” are neighborhoods that have not yet seen the worst of the foreclosure situation.

Germantown (Montgomery County)

This Germantown neighborhood (tract 700609) had no foreclosures in the first part of 2007. The number of homes entering foreclosures each month has risen fairly steadily and in February 2008 there were 15 new foreclosures. This neighborhood, therefore, has the characteristics of the first Montgomery County foreclosure “hot spot.”

Many of the foreclosures in this neighborhood are small townhouses and condominiums priced between \$150,000 and \$300,000.

The average price of a home sold in 2007 in this neighborhood is about \$350,000. Home prices increased by about 135 percent between 2000 and 2007. Between the first quarter of 2007 and first quarter of 2008, prices were down a fairly modest 5 percent. However, sales transactions were down more than 50 percent. This dramatic reduction in sales activity leads to the conclusion that the inventory of foreclosed properties in Germantown is on the rise.



Figure 25. Examples of foreclosures in Germantown.

Centreville (Fairfax County)

After months of no recorded foreclosures, this Centreville neighborhood (tract 491100) had 20 homes enter the foreclosure process in February 2008, up from 10 foreclosures in January 2008. There are several neighborhoods in Fairfax County that seem poised to be one of the next foreclosure “hot spots” and this Centreville Census tract is one example.

Centreville area foreclosures include a mix of moderate-high priced single family detached homes (\$500,000 - \$600,000) and townhouses (\$200,000 - \$400,000.) This neighborhood provides an example of how foreclosures problems have been moving from lower priced and lower income neighborhoods in



Figure 27. Examples of foreclosures in Centreville.

Fairfax County to somewhat more affluent places.

Home price appreciation between 2000 and 2007 was not as dramatic in the Centreville area as it was in some other parts of Fairfax County, though average prices did double over that seven-year period. Prices have fallen by 15 percent between the first quarter of 2007 and the first quarter of 2008 and the number of homes sold is down 42 percent. Both the declining home values and the sluggish market activity indicate that this neighborhood may experience continued growth in the number of foreclosures over the next few months.

Herndon (Fairfax County)

In December, January and February, this Herndon neighborhood (tract 480900) had 15 or more new foreclosures in each month. The substantial up tick in home foreclosures in December 2007 followed months of low levels of foreclosure activity.

The types of homes in foreclosure in this Herndon neighborhood include new condominiums, old townhouses and moderately-high priced single-family detached homes. Thus, in Herndon, homeowners from all socioeconomic classes are being affected by foreclosures.



Figure 29. Examples of foreclosures in Herndon.

Home prices in the Herndon area were up 115 percent between 2000 and 2007. Prices were down 35 percent between the first quarter of 2007 and first quarter of 2008, contributing to the surge in foreclosures as more homeowners faced difficulty refinancing. However, Herndon offers one bright spot in that sales were up slightly (3 percent) in the first quarter of 2008. Therefore, foreclosures that are in good condition will likely be off the market soon and the overall inventory of foreclosed properties may not get too high.

Alexandria (Fairfax County)

The Fairfax County Census tract 421700 is in the Route 1 corridor, in the Alexandria portion of the County. There were no foreclosures at all in this neighborhood between March and July 2007. In February 2008, 13 homes entered foreclosure, reflecting an upward trend over January and December.

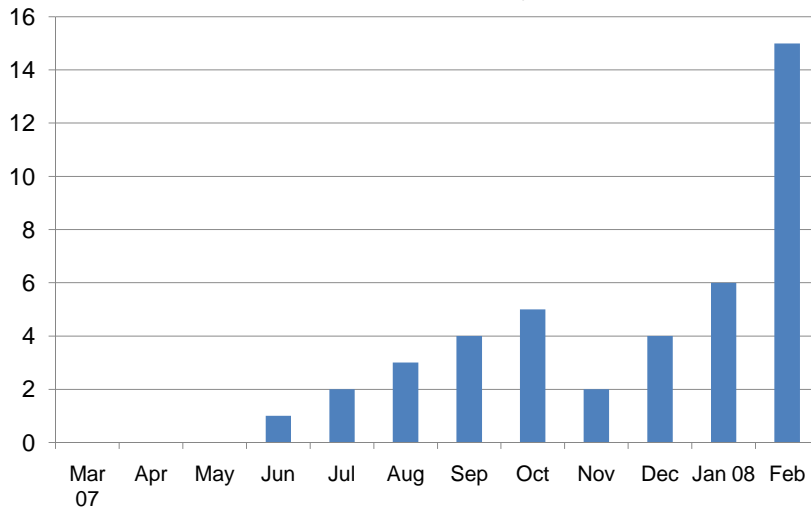
Many of the homes that recently went into foreclosure in this neighborhood are older condominiums. However, there are some single-family attached and detached homes in foreclosure in this neighborhood.

Home prices increased by about 135 percent in this neighborhood over the 2000 through 2007 period. More recently, prices are down 19 percent in the first quarter of 2008 compared with the first quarter of 2007. The number of home sales is also down by 23 percent. Thus, this neighborhood will experience a build up of foreclosed properties over the next few months.



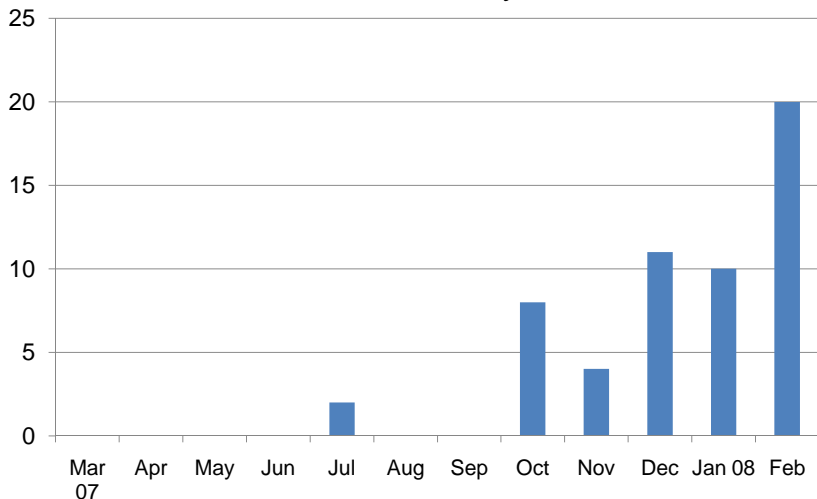
Figure 31. Examples of foreclosures in Alexandria (Fairfax Co.)

Figure 24
Foreclosures in the Germantown
Neighborhood by Month
March 2007 – February 2008



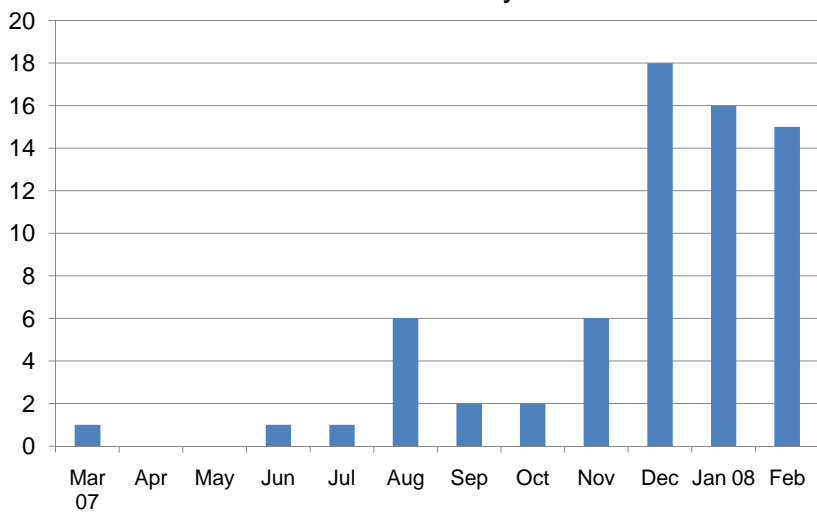
Source: RealtyTrac, GMU Center for Regional Analysis

Figure 26
 Foreclosures in the Centreville
 Neighborhood by Month
 March 2007 – February 2008



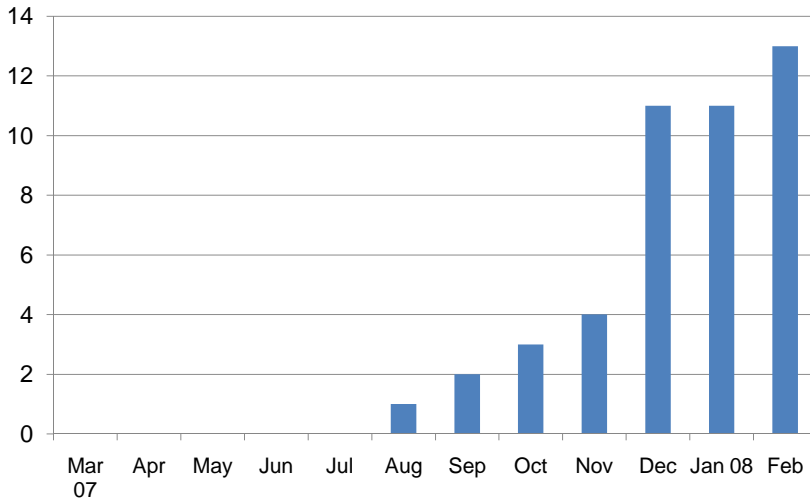
Source: RealtyTrac, GMU Center for Regional Analysis

Figure 28
 Foreclosures in the Herndon Neighborhood
 by Month
 March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

Figure 30
Foreclosures in the Alexandria
(Fairfax Co.) Neighborhood by Month
March 2007 – February 2008



Source: RealtyTrac, GMU Center for Regional Analysis

Potential Hot Spots

A potential third wave of foreclosure hot spots across the region are in neighborhoods that have had few, if any, foreclosures to date, but where the underlying housing market is creating an environment where homeowners might be more prone to entering foreclosure. In these potential hot spot neighborhoods, both average home prices and sales transactions continue to fall. Declining home prices lead to declining home values for all homes in the neighborhood. For homeowners with little equity in their homes, this trend could result in them being “upside down”—that is, owing more on their home than it is worth. This condition makes it very difficult for homeowners to re-finance a problematic home loan to avoid foreclosure. Declining sales transactions adds to the problem by failing to draw down inventory which, as a result of increased supply, puts further downward pressure on prices and home values.

Olney (Montgomery County)

The 20832 zip code of Olney, Maryland has both townhouses and single-family detached homes. In February 2008, there were only five homes in foreclosure in this neighborhood. Only five homes entered foreclosure in both October and December 2007, as well. Thus, this Montgomery County neighborhood has been relatively untouched by foreclosure activity.

However, over the past year, both prices and sales transactions have been down dramatically. While home prices were down by less than two percent county-wide between March 2007 and March 2008, prices fell by 39.5 percent in zip code 20832. At the same time, the number of homes sold in Olney was down 71.4 percent (from 35 homes sold in March 2007 to 10 homes sold in March 2008.)

The types of home currently in foreclosure in Olney include townhouses (priced in the \$200,000s) and single-family detached homes (priced in the \$400,000s.)

Falls Church (Fairfax County)

The Falls Church section of Fairfax County (zip code 22043) only had two homes in foreclosure in February 2008. There were also two homes in foreclosure in October 2007 and six foreclosures in December 2007. This inside-the-Beltway neighborhood includes mid-rise and high-rise condominium projects (including relatively recent condominium conversions), townhouses and small single-family detached homes.

Over the 12-month period March 2007 through March 2008, home prices fell 27.0 percent in zip code 22043, down to \$442,120 from \$605,581. The number of homes sold was down 44.4 percent over the same time (from 27 in March 2007 to 15 in March 2008.) While Fairfax County as a whole experienced price declines over the time frame (average prices down 11.9 percent) the slowdown was more marked in this neighborhood.

Because the Falls Church neighborhood is a closer-in neighborhood, with good access to transit, the value of the townhouses and single-family detached homes will probably remain relatively stable. The risk of foreclosure is highest among the condominium projects in the neighborhood. Nearly half of the current foreclosed properties in the 22043 zip code are condominiums.

Vienna (Fairfax County)

The Vienna neighborhood encompassed by zip code 22182 is located outside the Beltway in Fairfax County. This neighborhood has higher-priced townhomes and single-family detached homes, with current listings from \$350,000 to more than \$2,000,000. This neighborhood has seen very few foreclosures in recent months, with only one in February 2008, two in December 2007, and one in October 2007. But housing market conditions indicate a possibility for more foreclosures in 2008.

Between March 2007 and March 2008, the average price of an existing home in this Vienna neighborhood dropped 13.5 percent from \$813,714 to \$704,091. At the same time, sales were down 60.7 percent (28 sales in March 2007 and 11 sales in March 2008.)

Current foreclosures in Vienna include a large share of higher-end single-family detached homes, priced between \$500,000 and \$800,000. The fact that the new foreclosures in this neighborhood are primarily more expensive single-family detached homes is indicative of a different kind of potential foreclosure problem in this Fairfax County neighborhood.

Adams Morgan (District of Columbia)

Overall the District's housing market has fared better than most of the Washington DC region over the past year or so; however, there are a couple of neighborhoods that stand out as potential hot spots for foreclosure and one of them is the Adams Morgan neighborhood (zip code 20009.)⁹ Homes in this DC neighborhood range from \$150,000 studio condominiums to million dollar plus embassy-style houses. Over the period March 2007 through March 2008, the average price of homes in this neighborhood dropped 24.1 percent, from \$545,769 to \$414,276. Over this period, prices in the District of Columbia dropped by only 4.7 percent and condominium prices were down only 3.7 percent. In Adams Morgan, the number of homes sold dropped from 90 in March 2007 to 46 in March 2008.

In Adams Morgan, there were 12 homes in foreclosure in February 2008, up from nine in December 2007 and four in October 2007.

Homes in the District of Columbia will continue to be in demand, as potential homebuyers want to be close to jobs and transit. In the Adams Morgan neighborhood demarcated by zip code 20009, however, there may be a potential for increase in foreclosure activity among higher-end condominiums. Current foreclosures include one-bedroom condominiums ranging in price from \$400,000 to \$700,000.

In addition to these specific neighborhoods mentioned above, neighborhoods in further out jurisdictions may continue to be at risk of a rise in foreclosures as home prices fall and inventories remain high. As gas prices continue to climb, there is going to be even less demand for housing in the further out suburbs which will put even more downward pressure on home values and more stress on homeowners at risk of missing mortgage payments.

⁹ The other notable zip code where home prices and sales have dropped dramatically is the 20037 zip code. This zip code is almost entirely the Watergate condominium complex and therefore constitutes a special case. Prices were down 20.7 percent and sales were down 53.8 percent in this neighborhood where the average condominium is priced around \$450,000.

APPENDIX

**Foreclosures by County/City and Sub Area
March 1, 2007 - February 29, 2008**

County or City	Sub Area	No. of Foreclosures
District Of Columbia	Washington	2,074
Alexandria City	Alexandria	205
Arlington	Arlington	167
Clarke	Berryville	18
	Bluemont	5
	Boyce	6
	White Post	2
Fairfax	Alexandria	438
	Annandale	134
	Burke	86
	Centreville	227
	Chantilly	62
	Clifton	23
	Dunn Loring	2
	Fairfax	129
	Fairfax Station	13
	Falls Church	173
	Fort Belvoir	3
	Great Falls	15
	Herndon	220
	Lorton	101
	Mc Lean	30
	Oakton	13
	Reston	109
	Springfield	228
	Vienna	52
Fairfax City	Fairfax	80
Falls Church City	Falls Church	13
Fauquier	Bealeton	66
	Broad Run	2
	Catlett	7
	Delaplane	1
	Goldvein	2
	Marshall	10
	Midland	14
	Remington	20
	Sumerduck	6
	The Plains	3
	Warrenton	86
Fredericksburg City	Fredericksburg	48
Loudoun	Aldie	26
	Ashburn	186
	Chantilly	49
	Hamilton	4
	Leesburg	239
	Lovettsville	16
	Purcellville	33
	Round Hill	15
	Sterling	384

	Waterford	2
Manassas City	Manassas	388
Prince William	Bristow	141
	Catharpin	3
	Dumfries	215
	Gainesville	142
	Haymarket	51
	Manassas	728
	Nokesville	30
	Triangle	38
	Woodbridge	1,339
Spotsylvania	Fredericksburg	462
	Partlow	10
	Spotsylvania	154
Stafford	Fredericksburg	157
	Stafford	332
Warren	Bentonville	1
	Front Royal	54
	Linden	9
Northern Virginia Total		8,027

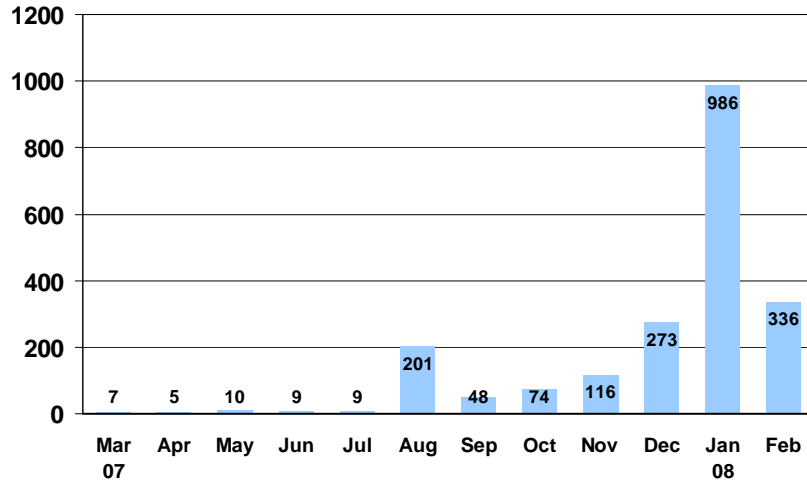
Calvert	Broomes Island	1
	Chesapeake Beach	31
	Dunkirk	10
	Huntingtown	23
	Lusby	124
	North Beach	18
	Owings	9
	Port Republic	6
	Prince Frederick	17
	Saint Leonard	21
	Solomons	1
	Sunderland	4
Charles	Bel Alton	2
	Benedict	1
	Bryans Road	32
	Bryantown	3
	Cobb Island	1
	Hughesville	11
	Indian Head	52
	Issue	1
	La Plata	55
	Marbury	3
	Nanjemoy	6
	Newburg	15
	Pomfret	7
	Port Tobacco	3
	Waldorf	384
	Welcome	2
	White Plains	48
Frederick	Adamstown	5
	Brunswick	17
	Buckeystown	1
	Emmitsburg	6
	Frederick	279
	Ijamsville	5

	Jefferson	5
	Knoxville	11
	Middletown	19
	Monrovia	2
	Mount Airy	29
	Myersville	6
	New Market	17
	Sabillasville	3
	Thurmont	16
	Walkersville	20
	Woodsboro	9
Montgomery	Ashton	1
	Bethesda	31
	Boys	10
	Brookeville	4
	Burtonsville	30
	Cabin John	1
	Chevy Chase	7
	Clarksburg	26
	Damascus	22
	Derwood	17
	Dickerson	1
	Gaithersburg	255
	Germantown	266
	Kensington	17
	Montgomery Village	118
	Olney	36
	Poolesville	8
	Potomac	26
	Rockville	138
	Sandy Spring	2
	Silver Spring	400
	Spencerville	1
	Takoma Park	30
Prince George's	Accokeek	60
	Aquasco	2
	Beltsville	75
	Bladensburg	12
	Bowie	359
	Brandywine	44
	Brentwood	18
	Capitol Heights	191
	Cheltenham	8
	Clinton	174
	College Park	34
	District Heights	125
	Fort Washington	234
	Glenn Dale	23
	Greenbelt	51
	Hyattsville	343
	Lanham	110
	Laurel	115
	Mount Rainier	7
	Oxon Hill	58
	Riverdale	41
	Suitland	80

	Temple Hills	143
	Upper Marlboro	385
Suburban Maryland		5,480
Jefferson County, WV	Charles Town	16
	Harpers Ferry	5
	Kearneysville	5
	Ranson	2
	Shepherdstown	3
	Summit Point	1
Washington DC Metro Area		15,613

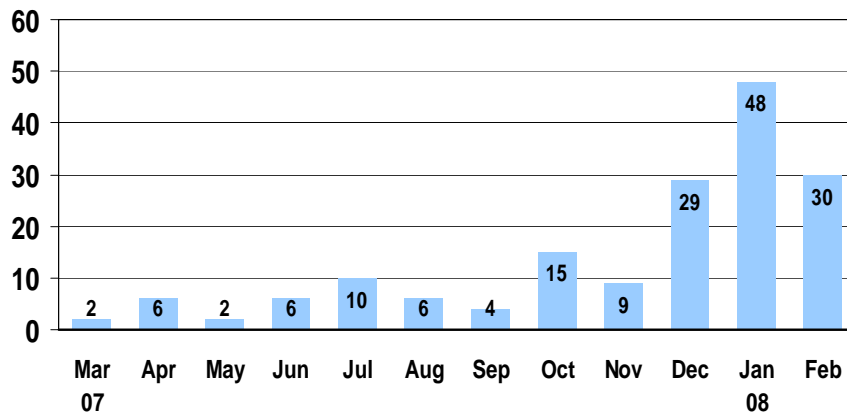
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures By Month District of Columbia March 2007 – February 2008



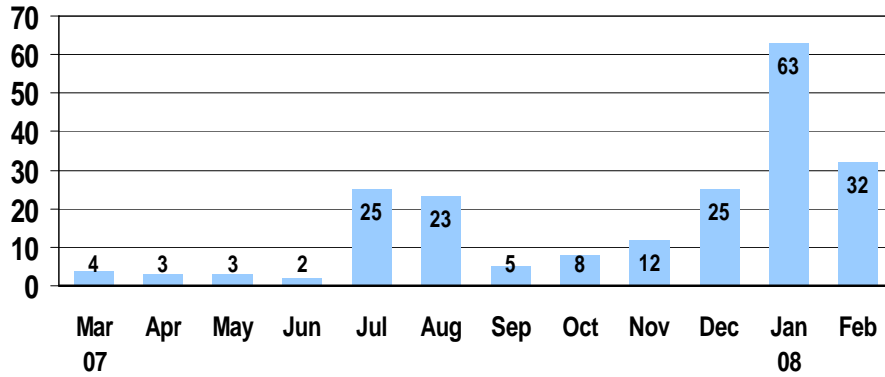
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures by Month Arlington County March 2007 – February 2008



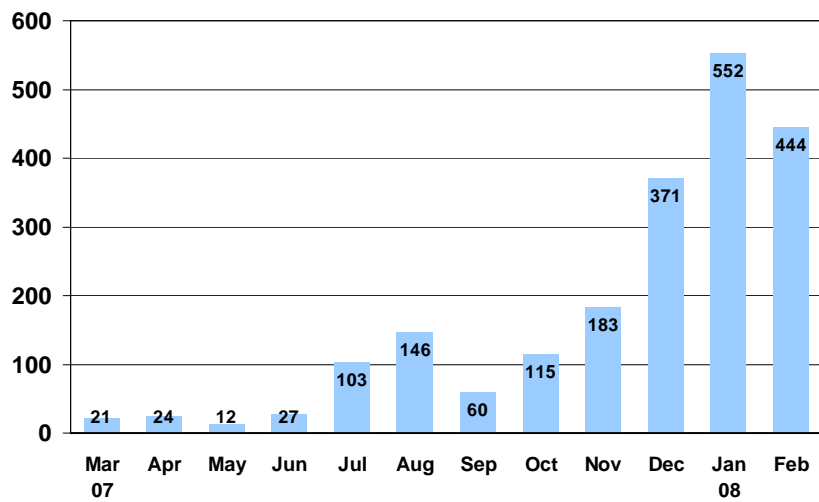
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Foreclosures By Month Alexandria City March 2007 – February 2008



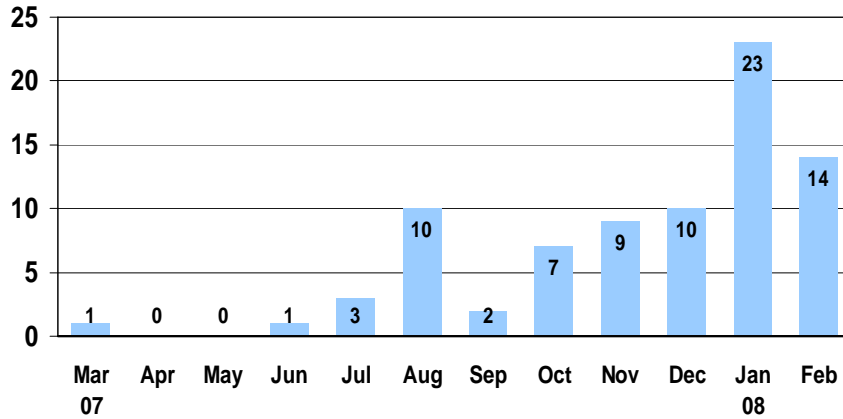
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Foreclosures By Month Fairfax County March 2007 – February 2008



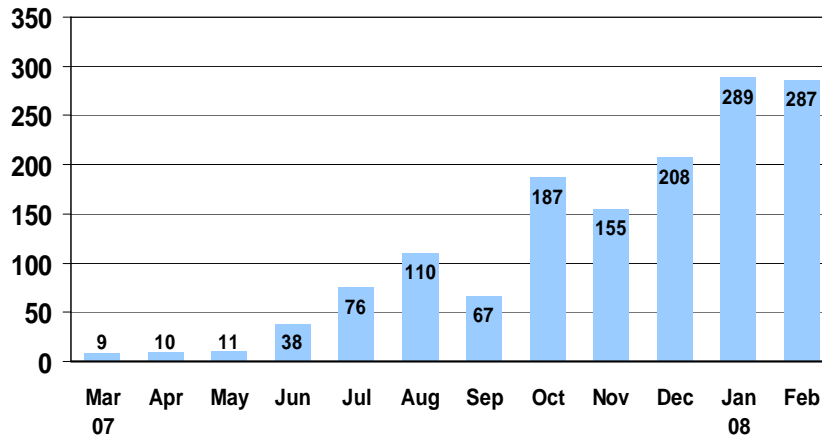
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Foreclosures By Month Fairfax City March 2007 – February 2008



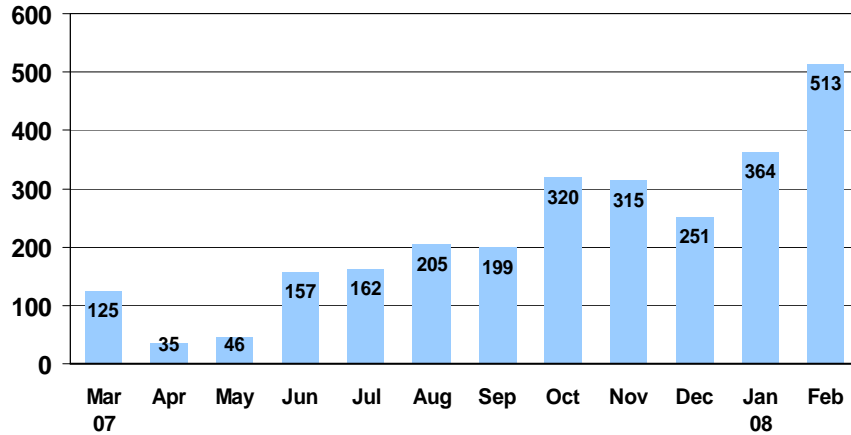
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures By Month Montgomery County March 2007 – February 2008



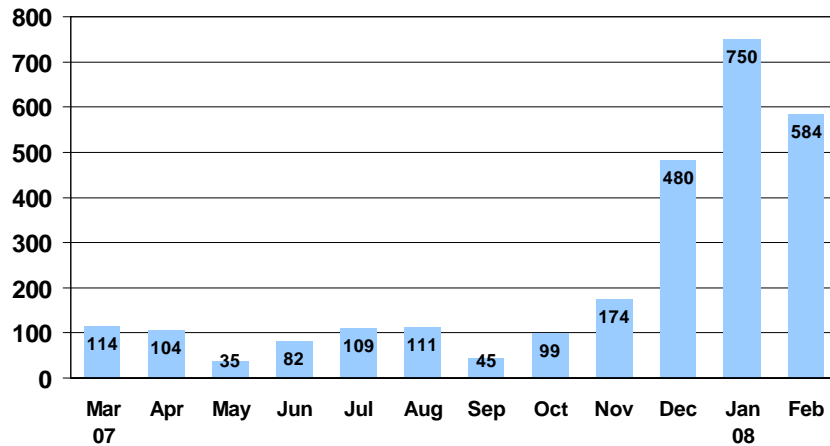
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures By Month Prince George's County March 2007 – February 2008



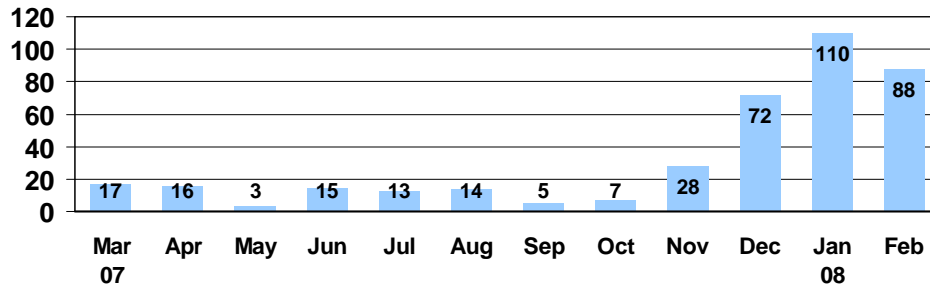
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures By Month Prince William County March 2007 – February 2008



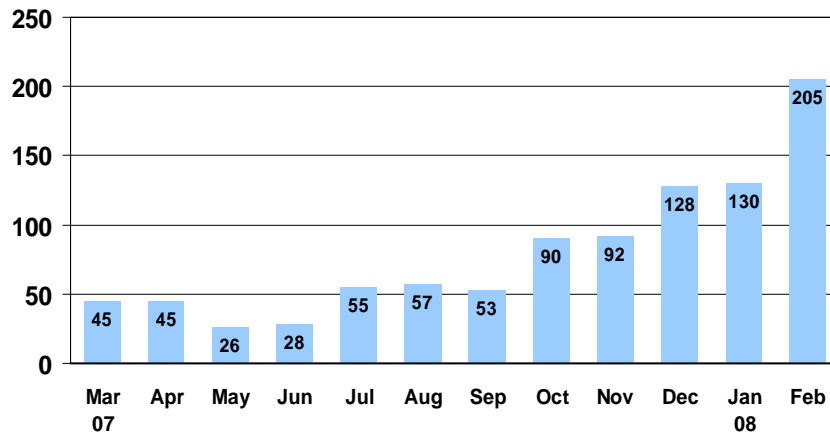
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures By Month Manassas City March 2007 – February 2008



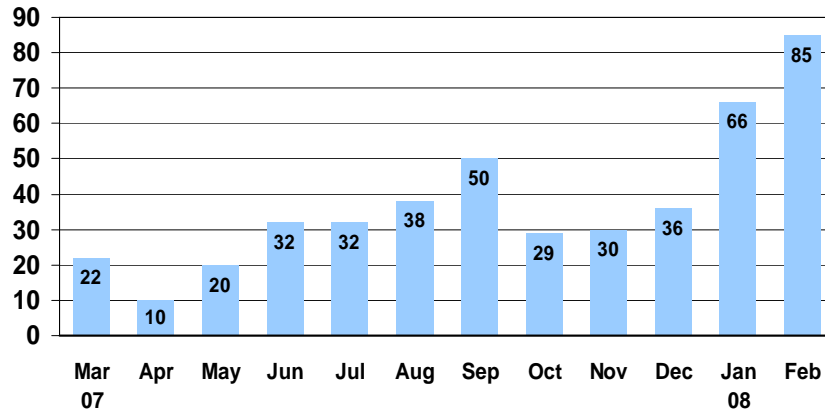
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures By Month Loudoun County March 2007 – February 2008



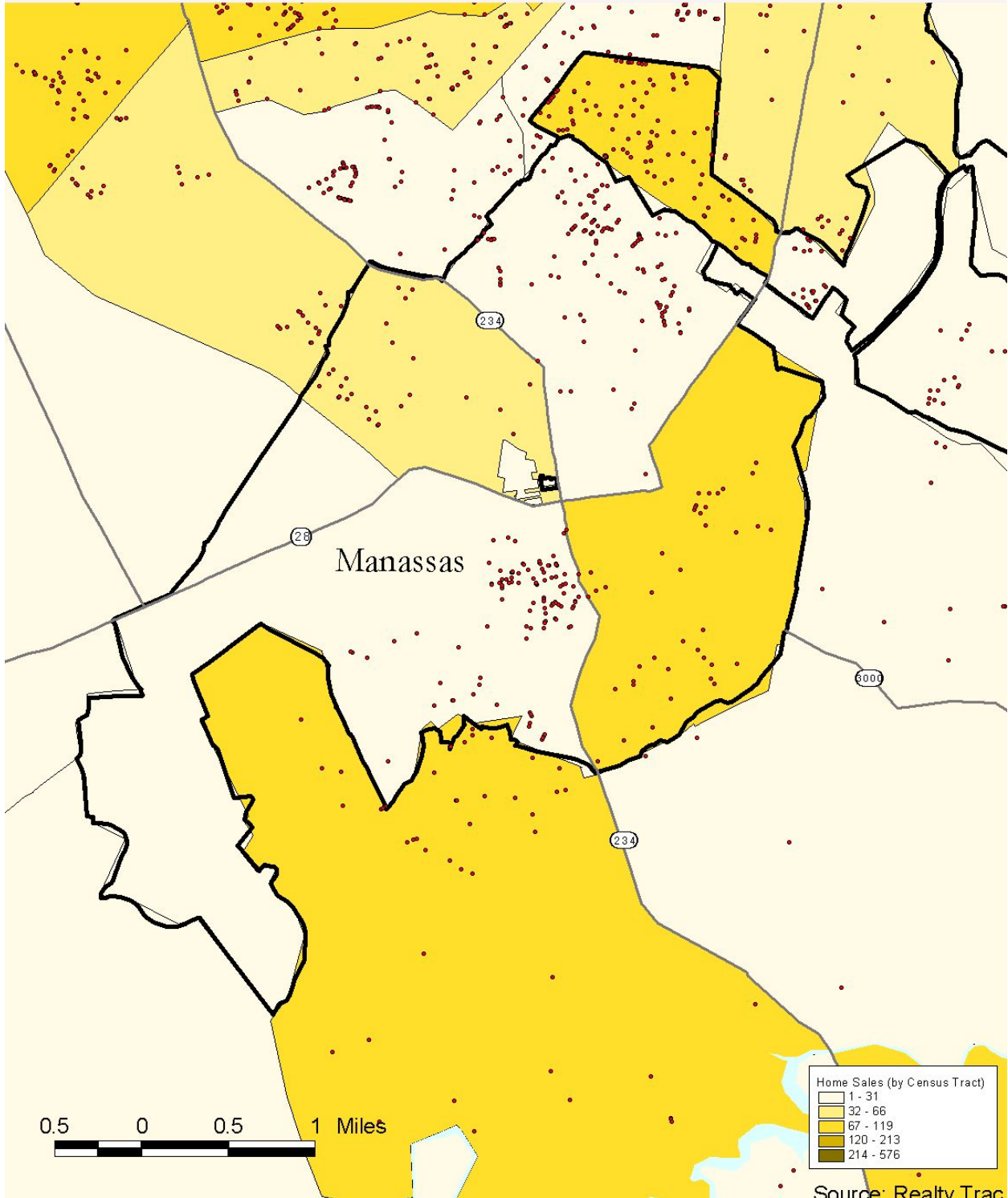
Source: RealtyTrac, GMU Center for Regional Analysis

Foreclosures By Month Frederick County March 2007 – February 2008

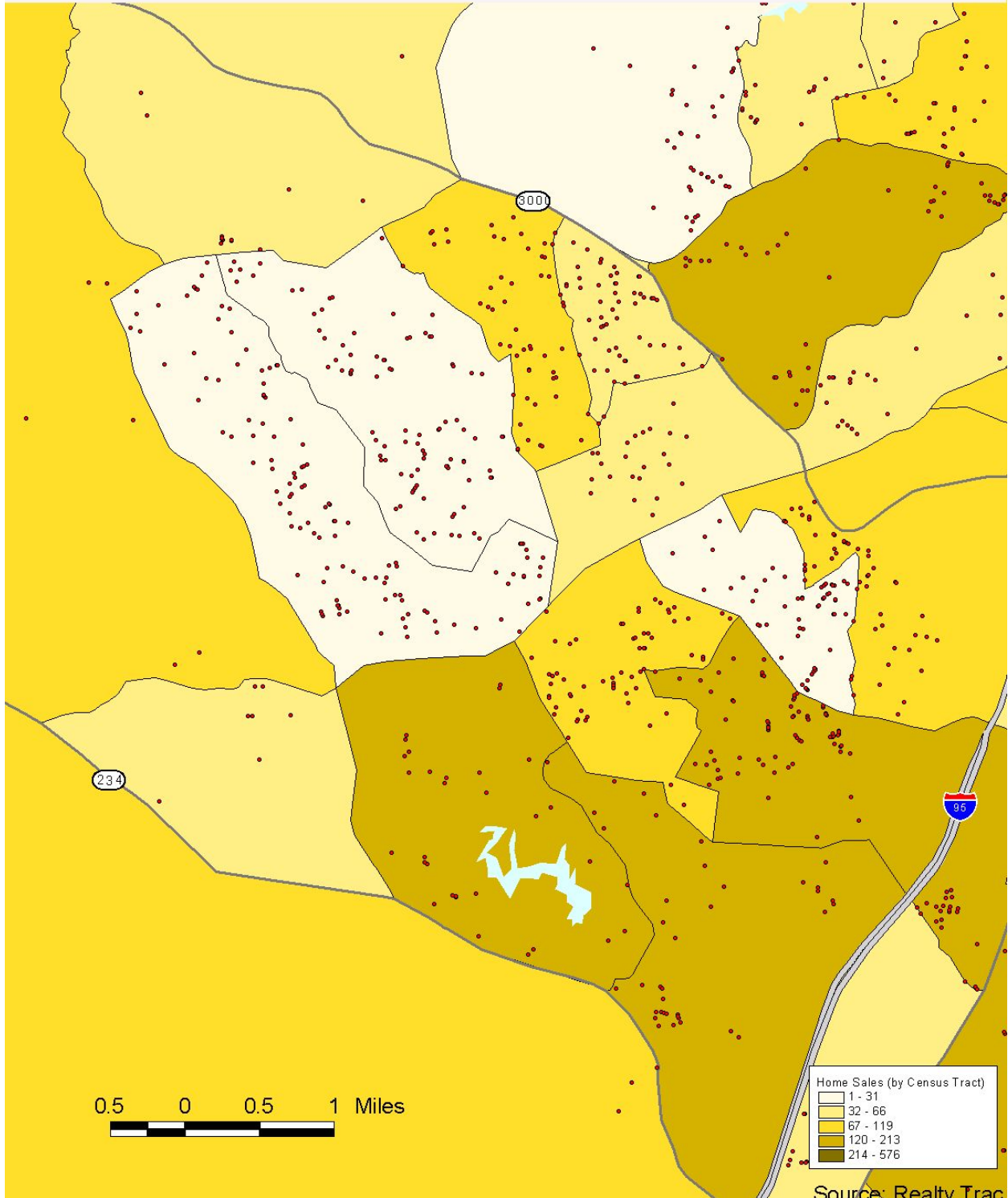


Source: RealtyTrac, GMU Center for Regional Analysis

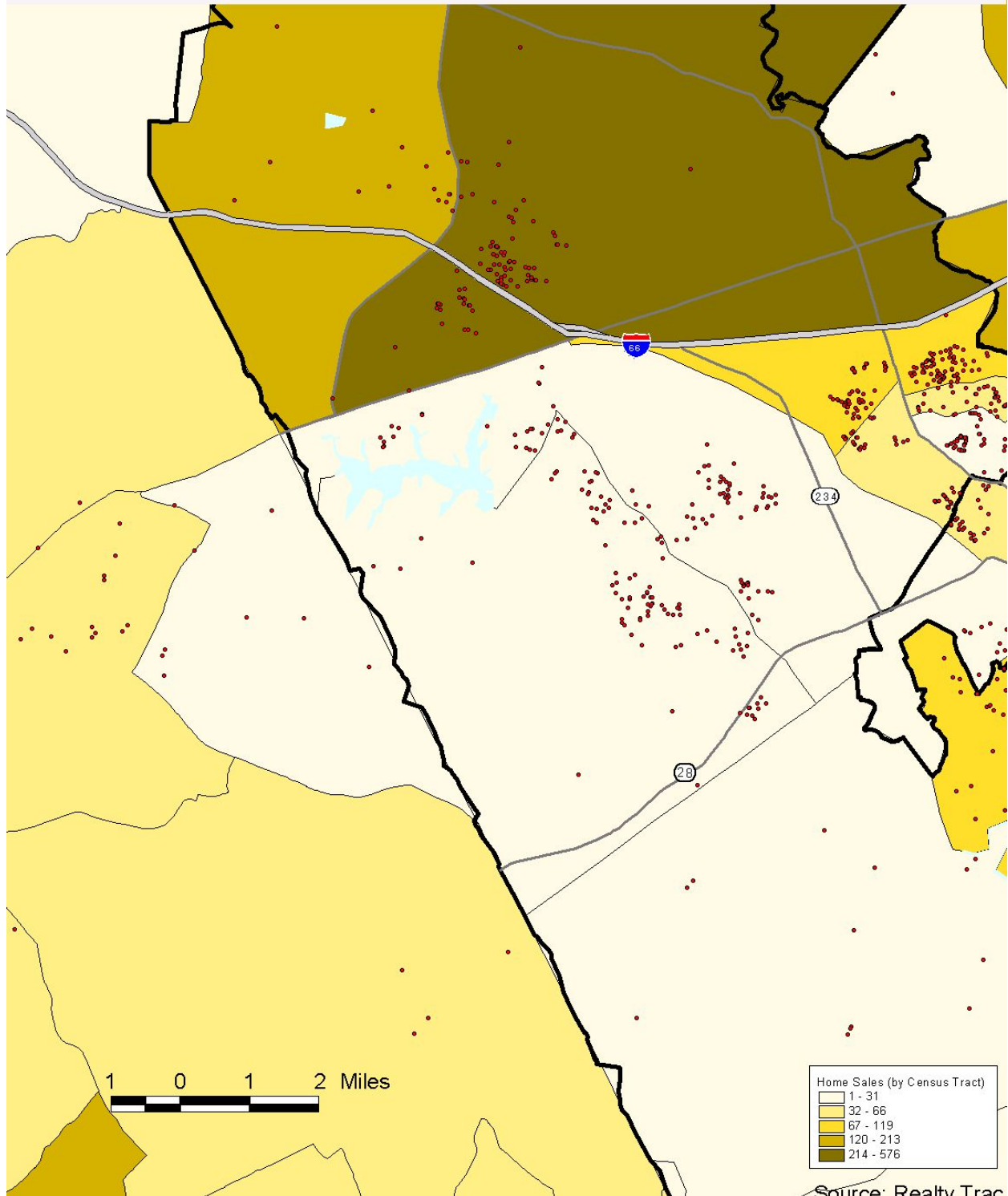
City of Manassas
Foreclosures from March 2007 to March 2008



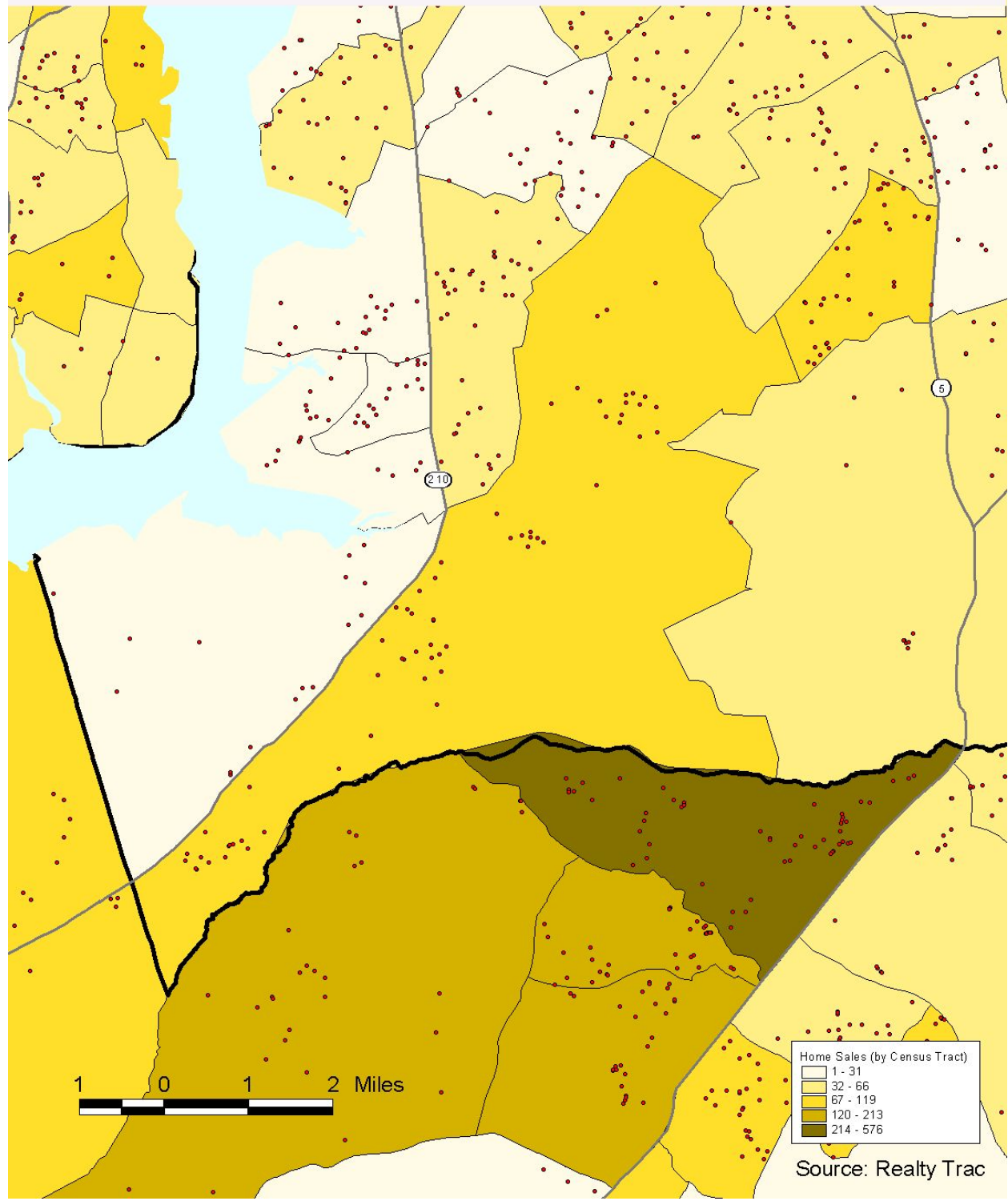
Dale City Area, Prince William County
Foreclosures from March 2007 to March 2008



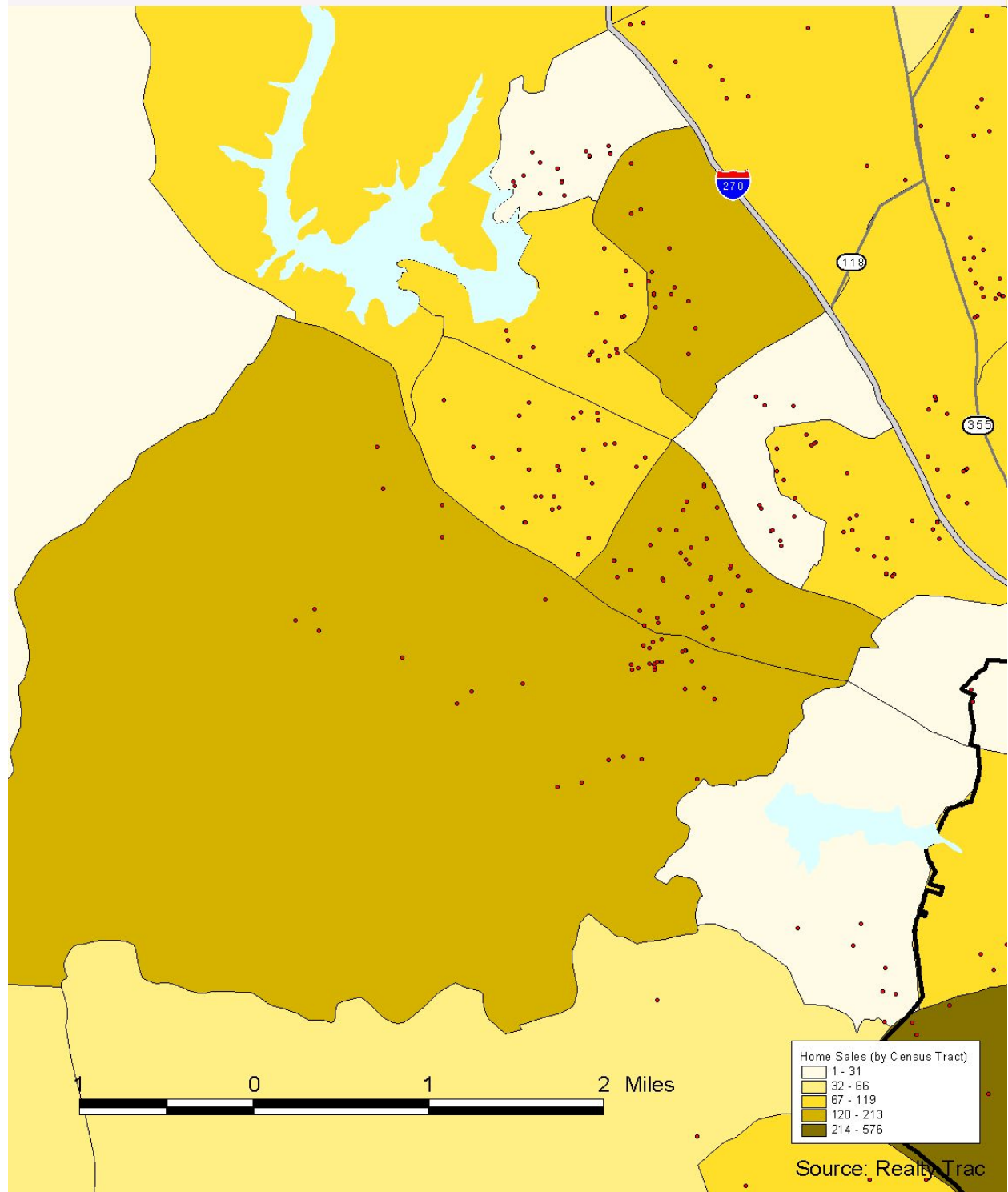
Gainesville Area, Prince William County
Foreclosures from March 2007 to March 2008



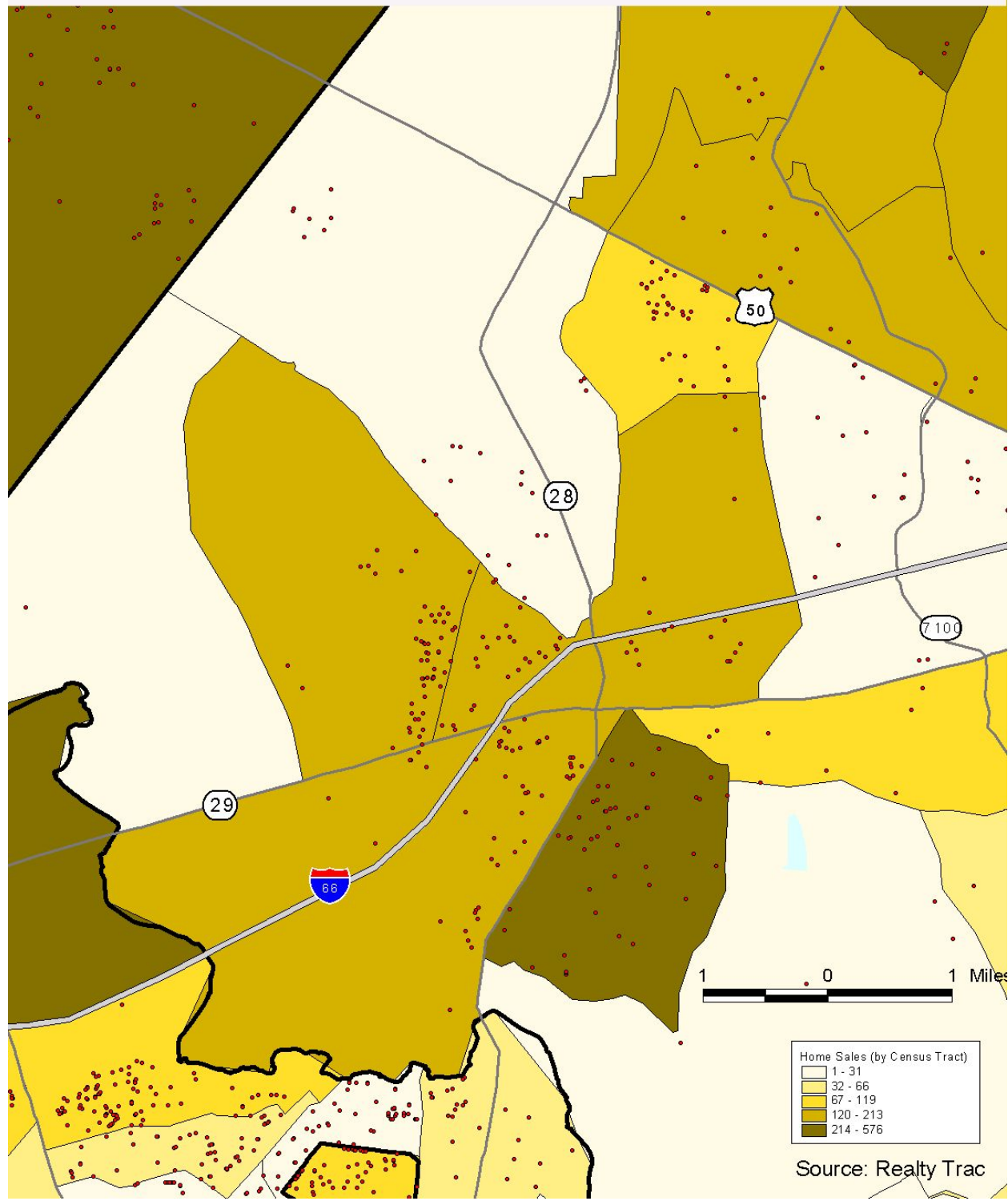
Accokeek, Prince George's County
Foreclosures from March 2007 to March 2008



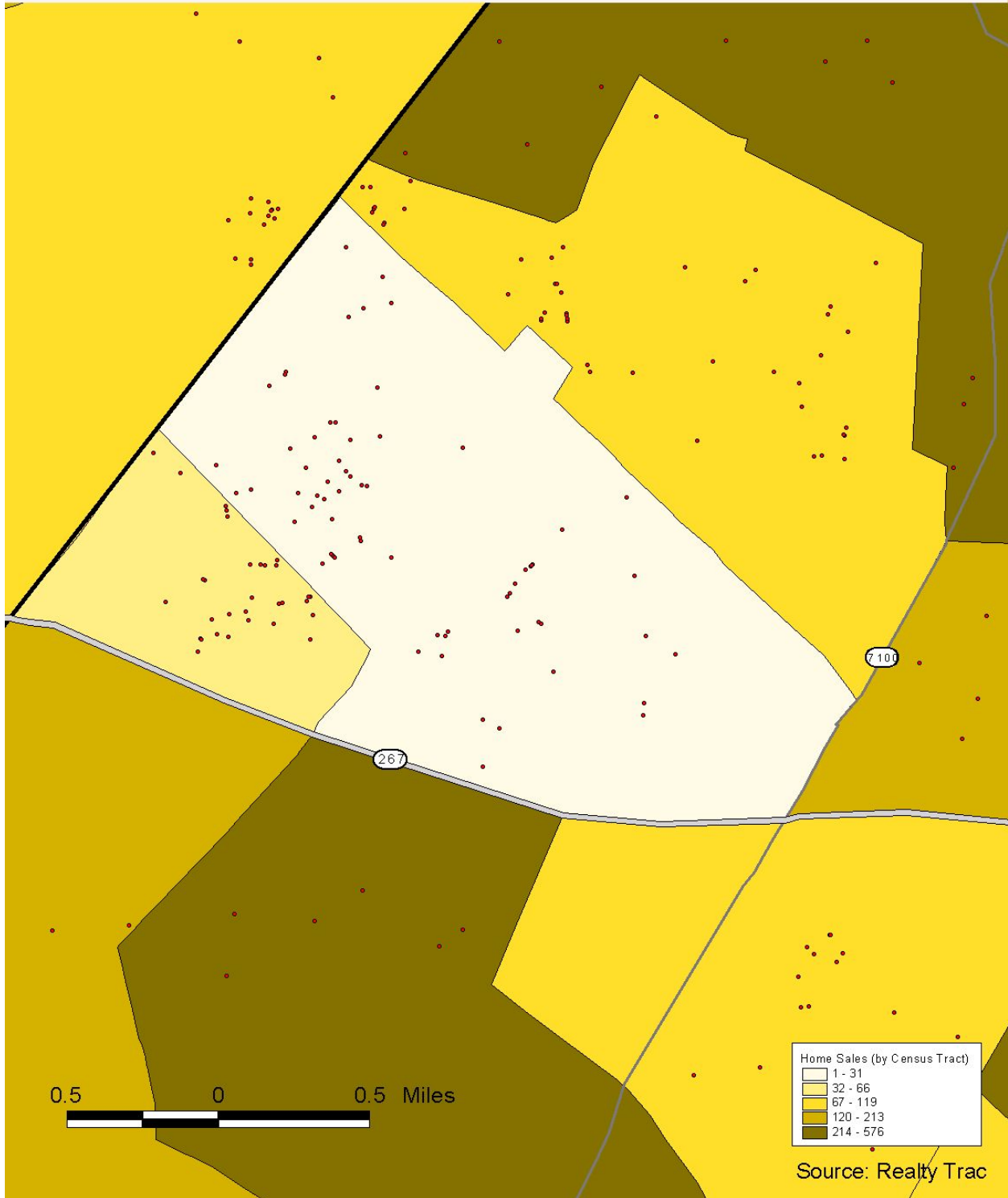
Germantown, Montgomery County Foreclosures from March 2007 to March 2008



Centreville, Fairfax County
Foreclosures from March 2007 to March 2008



Herndon, Fairfax County
Foreclosures from March 2007 to March 2008



Alexandria, Fairfax County
Foreclosures from March 2007 to March 2008

