Culture & Society

Young residents struggle to keep city condos

By Bryce Baschuk Published: Dec. 1, 2009 at 11:39 AM

WASHINGTON, Dec. 1 (UPI) -- In August 2008 Andrea James was confident that buying a condominium in the historic Washington suburb of Alexandria, Va., would be a step in the right direction.

She had a steady job at the Washington Children's Museum; her credit score was strong, and she thought that buying a place near the city would be her first step into adulthood.

More than a year later, everything has changed for the worse.

James, 26, is out of work, out of options and fighting to save her home.

"I liked to think of myself as the poster child of the great mortgage," said James. "But (I lost my job) and now I have to decide how I'm going to move forward."

With area unemployment levels nearing 12 percent, new homeowners with prime mortgages are increasingly finding themselves out of work and behind on payments. And young professionals, who had some of the biggest appetites for expensive urban condominiums during the boom, are finding themselves at the mercy of lenders.

"We're starting to see a lot of these cases coming down the line," said Marian Siegel, executive director at Housing Counseling Services, a U.S. Housing and Urban Development Department-certified counseling group.

"I predict that in the next year or so we'll start seeing some strategic defaults amongst young people that purchased into a high condo market."

The percentage of prime loan delinquencies in the District of Columbia has tripled in the past two years, according to the Urban Institute, a nonprofit metropolitan research organization in Washington. In addition, prime loans make up one-third of the District's foreclosures and that ratio has been rising rapidly since 2008.

"The overwhelming majority of our clients at this stage are income loss clients," said Siegel. "And how long will loss of income be a factor? For that I don't have a crystal ball."

Even for condo owners who have been fortunate enough to hold onto their jobs, some say the city has become too expensive to raise a family.

When they were in their 20s, Nicole and Steve Grocki bought a 1,000-square-foot condominium in the Columbia Heights section of the District in 2004.

"We loved living in a condo in the city, we loved being close to things, close to shops and the Metro. We just totally loved it," said Nicole Grocki. "Without kids we would still live there."

Three years later, the Grockis had their first child, Eva, and have a boy due in March. Now Nicole Grocki says their priorities have changed. This year, she and her husband sold their condo and moved to Kensington, Md. Nicole said she feels the streets in her new neighborhood are safer and the public school system is better.

"We wanted to live in the city long term but things like school and safety became issues once we had kids," said Grocki. "It became more impressed upon us as (Eva) started walking around the neighborhood and we'd have to tell her 'No, no don't pick up that cigarette butt.'"

Washington housing counselors say that the migration from urban condos to the suburbs is becoming more and more of a trend.

"A lot of these (young professionals) bought one-bedroom den lofts to live the urban lifestyle when they were lawyers at 27, 28, 29," said Siegel. "Now they're all having children. Their decision to buy a loft as their first step home is not really conducive to raising children."

The Grockis may have been fortunate to sell when they could but many of today's condo sellers are facing tough competition in an over-saturated market.

As of June 2009, the regional market had nearly 36,000 homes for sale, said a recent Urban Institute report. But if homes that are currently delinquent go into foreclosure, the region could see an additional 44,000 houses dumped onto the market.

At the same time, prices in the city have not yet fallen low enough to entice first-time homeowners.

"Prices are still above what the average person makes, so there are fewer entry-level buyers out there," said Seigel. "That means that those people trying to sell their properties in order to get out from under the mortgages they can't afford are unlikely to do so."

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