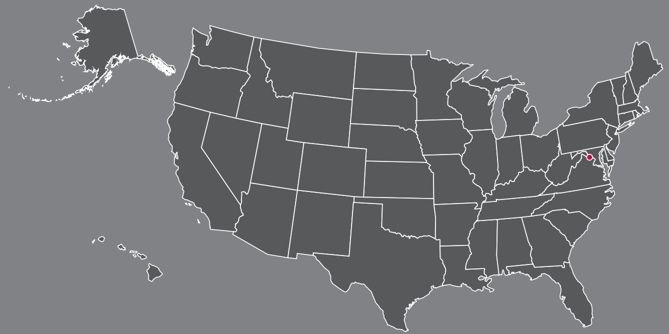
HUD PD&R **Housing Market Profiles**

District of Columbia

Quick Facts About the District of Columbia

- **Current sales market conditions: tight.**
- **Current apartment market conditions: slightly soft.**
- **Robert F. Kennedy Memorial Stadium (RFK), built in 1961 and longtime home of the Washington Redskins professional football team, hosted its final event in October 2017. D.C. United, a professional soccer team and the final tenant at RFK, will host matches in 2018 at Audi Field, a $300 million stadium under construction in Southwest Washington, D.C.**



By Ben Houck | As of October 1, 2017

Overview

The District of Columbia (occasionally abbreviated as D.C. in this report) is the capital of the United States and is part of the greater Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area. The population in the District of Columbia is among the most educated in the nation. Nearly 57 percent of the population ages 25 years and older has a bachelor's degree or higher (2016 American Community Survey [ACS] 1-year data), more than any of the 10 most populous cities in the United States and nearly double the national rate of 31 percent. These highly educated residents most frequently work in federal government, technical consulting services, or public policy. Nearly 400 public policy research think tanks are in the District of Columbia (University of Pennsylvania, Think Tanks and Civil Societies Program).

- As of October 1, 2017, the population of the District of Columbia is estimated at 693,200. Since 2013, the population has increased by an average of 10,350, or 1.6 percent, annually (Census Bureau population estimates as of July 1). Net in-migration averaged 5,925 people during the period, accounting for 57 percent of the growth.

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- Population growth was stronger from 2008 to 2013, with an average annual increase of 13,800 people, or 2.3 percent. Net in-migration averaged 9,700 people annually during this period and was 70 percent of population growth. Growth was stronger, in part, because the effect of the Great Recession was milder and briefer in the District of Columbia relative to other states.
- The population of the District of Columbia is often characterized as transient. Approximately 20 percent of the population ages 1 year and older in 2016 moved from a different house in the previous year, higher than the national rate of 15 percent and greater than rates for each of the 10 most populous cities in the United States (2016 ACS 1-year data). About one-half of the population of movers relocated within the District of Columbia, and the remainder moved from a different state or from abroad.

Economic Conditions

The economy of the District of Columbia has expanded each quarter since the first quarter of 2010. The pace of growth varied, however, from relatively stronger growth in 2011, 2013, and 2015 to periods of slower growth in intervening years. The varied pace of growth depended mostly on the levels of increase in the education and health services and the professional and business services sectors, which combined account for 38 percent of total nonfarm payrolls in the District of Columbia. All of the net job growth in D.C. from the third quarters of 2010 through 2017 was in the private sector.

During the 3 months ending September 2017—

- Nonfarm payrolls in the District of Columbia averaged 792,800, an increase of 11,800 jobs, or 1.5 percent, from the average a year earlier. Growth accelerated from a gain of 10,000 jobs, or 1.3 percent, during the previous year, primarily because of stronger growth in the leisure and hospitality and the education and health services sectors.
- The leisure and hospitality sector added the most jobs, with a gain of 5,800 jobs, or 7.7 percent. More than one-half of the growth in the sector was in the full-service restaurants industry, which increased by 3,200 jobs, or 11.4 percent. The $300 million National Museum of African American History and Culture opened in late September 2016 and drew 2.83 million visitors through the end of September 2017 (Smithsonian), contributing to growth in the leisure and hospitality sector.

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The three largest private sectors in the District of Columbia contributed to most of the net growth during the 3 months ending September 2017.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	781.0	792.8	11.8	1.5
Goods-producing sectors	15.9	16.2	0.3	1.9
Mining, logging, and construction	14.7	15.0	0.3	2.0
Manufacturing	1.2	1.2	0.0	0.0
Service-providing sectors	765.1	776.6	11.5	1.5
Wholesale and retail trade	27.7	27.3	– 0.4	– 1.4
Transportation and utilities	5.0	5.3	0.3	6.0
Information	17.0	16.8	– 0.2	– 1.2
Financial activities	30.4	29.8	– 0.6	– 2.0
Professional and business services	165.9	168.9	3.0	1.8
Education and health services	129.3	133.8	4.5	3.5
Leisure and hospitality	75.4	81.2	5.8	7.7
Other services	72.8	72.4	– 0.4	– 0.5
Government	241.5	241.2	– 0.3	– 0.1
	(percent)	(percent)		
Unemployment rate	6.3	6.8		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

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- The education and health services sector increased by 4,500 jobs, or 3.5 percent. Sibley Memorial Hospital completed the construction of a new 200-room inpatient facility in Northwest D.C. in late September 2016, contributing to the growth in the sector.
- The professional and business services sector, the largest private sector in the District of Columbia, increased by 3,000 jobs, or 1.8 percent. Yelp Inc. opened a sales office in August 2017 in downtown D.C., with plans to add 500 jobs to the professional and business services sector during the next 5 years.

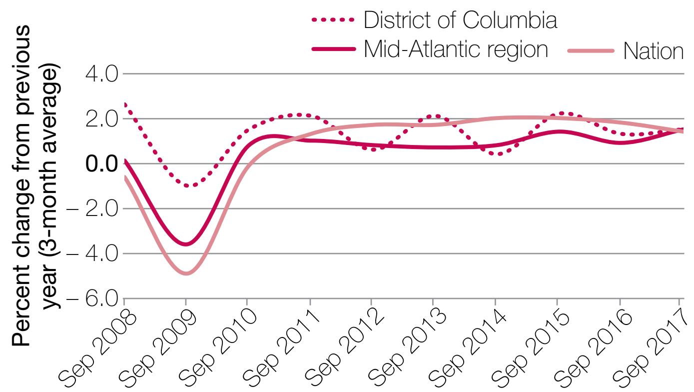
The federal government subsector is naturally a significant part of the local economy and accounts for 25 percent of total nonfarm payrolls in the District of Columbia. The federal government subsector in D.C. reached a recent peak at 214,100 jobs during the third quarter of 2011. Following the passage of the Budget Control Act of 2011 in August 2011, which imposed limits on discretionary spending through fiscal year 2021, the federal government subsector in D.C. declined by an average of 5,500 jobs, or 2.6 percent, annually through the third quarter of 2014. The federal government subsector averaged 197,800 jobs during the third quarter of 2017, a decline of 900 jobs, or 0.5 percent, from a year earlier. A freeze on the hiring of federal civilian employees issued in January 2017 contributed to the decline. The number of federal civilian employees in the District of Columbia declined at 11 of the 15 cabinet-level agencies from the end of September 2016 to the end of September 2017 (Office of Personnel Management). The largest decline was at the Department of State, which was down approximately 7 percent. Employment increased only marginally at 3 of the 4 remaining agencies but was up significantly at the Department of Homeland Security, with an increase of approximately 5 percent.

Largest employers in the District of Columbia

Name of Employer	Nonfarm Payroll Sector	Number of Employees
George Washington University	Education and health services	6,575
Georgetown University	Education and health services	6,100
Children's National Medical Center	Education and health services	5,825

Note: Excludes local school districts and federal government agencies.
Sources: District of Columbia Department of Employment Services; Georgetown University Office of Assessment and Decision Support; The George Washington University Office of Institutional Research & Planning; Children's National Medical Center.

The growth in nonfarm payrolls in the District of Columbia was similar to the regional and national rates during the 3 months ending September 2017.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the District of Columbia currently is tight, with an estimated vacancy rate of 1.9 percent, down from 3.4 percent in April 2010 when the market was balanced. The supply of existing homes (including single-family homes, townhomes, and condominiums) on the market as of September 2017 was 2.2 months, down from 4.6 months in April 2010 (Bright MLS, Inc.). The level of existing home sales generally followed the pattern of economic growth in the District of Columbia during the past 5 years. The increases in existing home sales were relatively limited during the 12-month periods ending September 2012 and 2014 when economic growth slowed, and increases were generally larger during periods of stronger economic growth. Sales of new homes increased during the past 2 years but are currently less than one-half of the number sold during the 12 months ending September 2008 because of a decline in new condominium sales.

Condominiums typically account for 45 percent of existing home sales in the District of Columbia and 80 percent of new home sales (Metrostudy, A Hanley Wood Company). Sales of new condominiums declined from 1,725 during the 12 months ending September 2008, or 89 percent of total new home sales, to 630, or 71 percent of new home sales during the past year. Currently, approximately 1,200 condominiums are under construction in the District of Columbia. Strengthening economic conditions contributed to a decline in mortgage delinquency during the past 5 years. As of August 2017, 2.7 percent of home loans in the District of Columbia were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.2 percent a year earlier but higher than the national rate of 2.2 percent (CoreLogic, Inc.).

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During the 12 months ending September 2017—

- Existing home sales totaled 7,975, up 1 percent from the number sold during the previous 12-month period (Metrostudy, A Hanley Wood Company).
- Existing home sales prices averaged $651,200, a 4-percent increase from the average during the previous 12 months. Average existing home sales prices by quadrant ranged from $375,100 in Southwest D.C. to $776,200 in Northwest D.C.
- New home sales totaled 880, up 2 percent from the number sold during the previous 12 months.
- New home sales prices averaged $603,000, a 5-percent increase from the average during the previous 12 months. Sales prices averaged $715,800 for new single-family homes, $664,000 for townhomes, and $574,000 for condominiums.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, in the District of Columbia is constrained by a limited supply of available land and is typically 5 to 10 percent of the volume of multifamily construction activity. However, the number of single-family homes permitted during the past year is among the highest totals for any 12-month period since 2007, when 580 single-family homes were permitted.

- During the 12 months ending September 2017, 360 single-family homes were permitted in the District of Columbia, up from 280 homes permitted during the previous 12 months (preliminary data).
- Homebuilding activity increased an average of 22 percent annually from 2010 through 2013 and then declined an average of 12 percent annually during 2014 and 2015. Single-family construction activity rose 32 percent in 2016 to 340 homes permitted.

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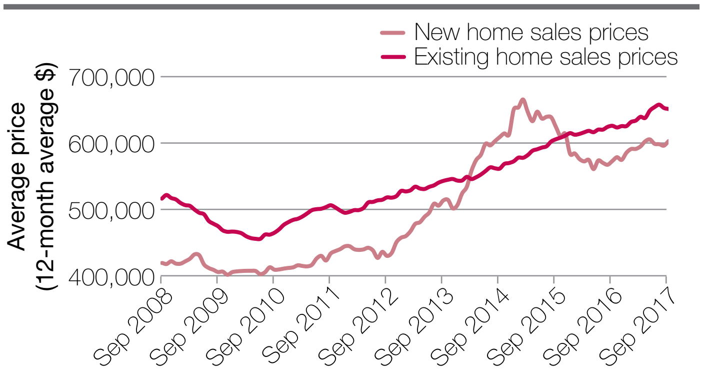
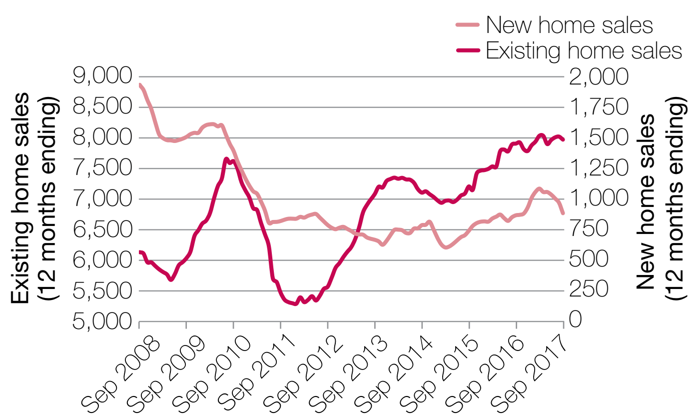
Sales prices for existing homes in the District of Columbia increased an average of 5 percent annually during the past 7 years, and new home sales prices rose 6 percent annually.



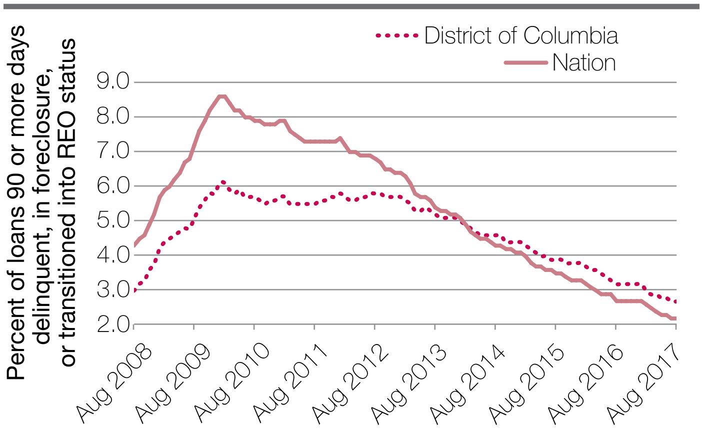
Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Sales of new and existing homes in the District of Columbia have increased during the past 2 years.



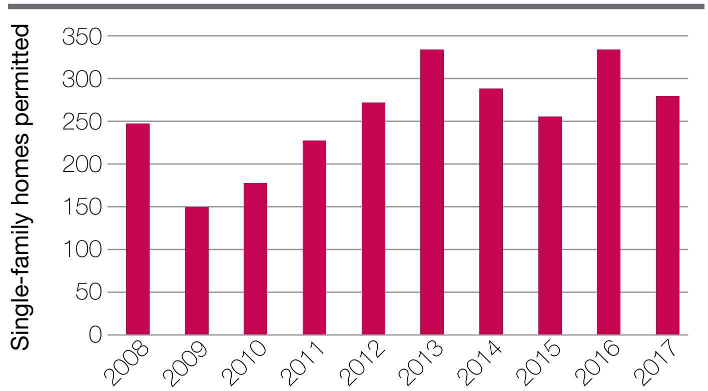
Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

The share of seriously delinquent loans and REO properties in the District of Columbia has decreased since 2013.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family home permitting in the District of Columbia declined during 2014 and 2015 but increased during 2016.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey

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- Recently completed subdivisions in the District of Columbia include MetroTowns at Parkside, with 104 townhomes that sold for an average of $402,700, and Asheford Court, with 75 single-family detached homes that sold for an average of $511,400 (Metrostudy, A Hanley Wood Company).
- Subdivisions under construction include Archer Park, with 74 townhomes in the Congress Heights neighborhood in Southeast D.C. starting at approximately $420,000, and the Townhomes at Buchanan Park, with 32 homes in the Capitol Hill neighborhood in Southeast D.C. starting at $1.27 million.

Apartment Market Conditions

Class A apartment housing market conditions in the District of Columbia are currently slightly soft. The Class A vacancy rate rose during the past year as the supply of new units exceeded demand. Despite the rise in the vacancy rate, asking rents increased more than 3 percent for the third consecutive year.

During the third quarter of 2017—

- The Class A apartment vacancy rate in the District of Columbia was 8.0 percent, up from 6.7 percent a year earlier (Reis, Inc.). The largest increase—from 6.7 to 11.6 percent— was in the Reis, Inc.-defined Capitol Hill/Southwest market area, a broad region that extends from RFK to the waterfront in Southwest D.C. and includes the Capitol Riverfront neighborhood. Significant apartment construction activity in the Capitol Hill/Southwest market area caused the rise in the vacancy rate during the past year.
- Asking rents for Class A units in the District of Columbia averaged $2,213, up more than 3 percent from a year earlier. The increase was similar to year-over-year rent growth during the third quarters of 2015 and 2016. The average rent increased 12 percent in the Capitol Hill/Southwest market area to $2,330 in response to strong absorption levels and the affordability of the market area relative to costlier apartment market areas in Northwest D.C.
- The 365-unit Eliot on 4th in the Capitol Hill/Southwest market area was completed in September 2017, with rents for one- and two-bedroom units starting at approximately $2,150 and $3,100, respectively. Since preleasing began in April 2017, an average of 27 units were leased monthly, greater than the average monthly rate of 17 units for properties currently in lease up in the greater Washington metropolitan area (Delta Associates).
- The 438-unit AVA NoMa in the NoMa neighborhood in Northeast D.C. was completed in September 2017, with rents for one- and two-bedroom units starting at $2,100 and $2,900, respectively. Nearly one-half of the units have been leased since preleasing began in April 2017, an average rate of 44 units a month. Absorption was strong at AVA NoMa, in part, because of a resort-style interior design and an array of amenities, including a heated rooftop pool and private stations for teleworking.

Multifamily construction activity, as measured by the number of units permitted, has increased in the District of Columbia since 2011. The stronger economic conditions in D.C. relative to other metropolitan areas in the nation contributed to a more than threefold increase in multifamily construction activity in 2011. The level increased further in 2015 because of concentrated apartment development activity in Southwest D.C. and in the Capitol Riverfront and the NoMa neighborhoods.

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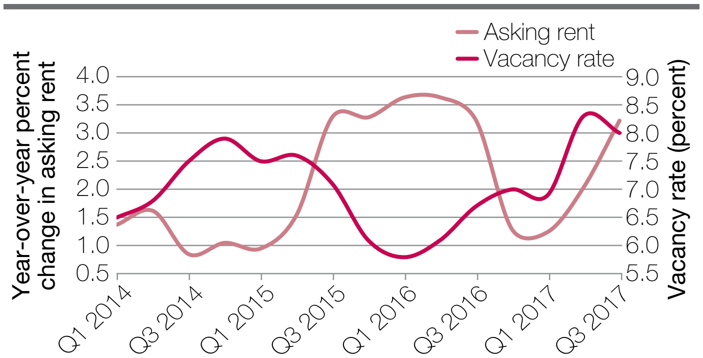
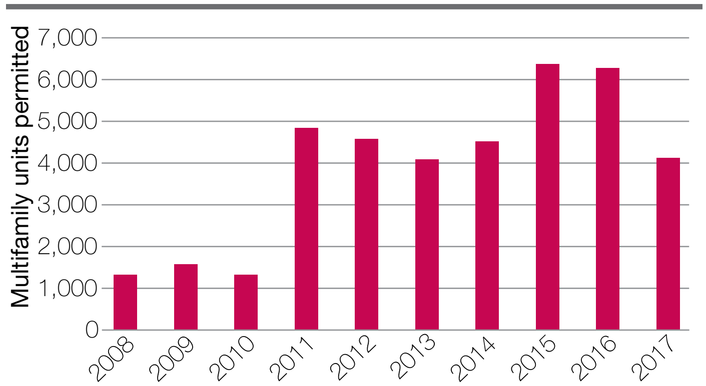
Class A rents in the District of Columbia increased more than 3 percent during the third quarter from a year ago despite an increase in the vacancy rate.



Q1 = first quarter. Q3 = third quarter.
Note: Class A units only.
Source: Reis, Inc.

Multifamily permitting in the District of Columbia increased significantly in 2011 and again in 2015.



Notes: Data for 2017 are through September. Annual totals reflect units permitted for new construction, additions to existing structures, or the alteration of nonresidential structures to residential use.
Source: District of Columbia Department of Consumer and Regulatory Affairs

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- During the 12 months ending September 2017, 6,825 multifamily units were permitted in the District of Columbia, up 14 percent from 6,000 units permitted during the previous 12 months (District of Columbia Department of Consumer and Regulatory Affairs).
- An average of 6,350 units were permitted annually during 2015 and 2016, up from an average of 4,500 units permitted annually from 2011 through 2014 and 1,425 units permitted annually from 2008 through 2010. Approximately 9 percent of units permitted from 2011 through the 12 months ending September 2017 were condominiums.
- Approximately 10,150 apartment units are currently under construction in the District of Columbia. Of this total, about 2,000 units are in the NoMa neighborhood or along the H Street corridor in Northeast D.C., and an additional 1,725 units are in the Capitol Riverfront neighborhood in Southeast D.C. All units are expected to be complete by mid-2018.
- About 1,700 apartment units are currently under way in Southwest D.C., including the 501-unit Channel and the 148-unit Incanto. Each of these buildings is part of Phase 1 of The Wharf, a $2.5 billion mixed-used community under development that is expected to open in stages starting in October 2017.
- An additional 2,225 apartment units are in final planning, with site work currently under way, including 1,200 units in the NoMa and 900 units in the Capitol Riverfront neighborhoods.