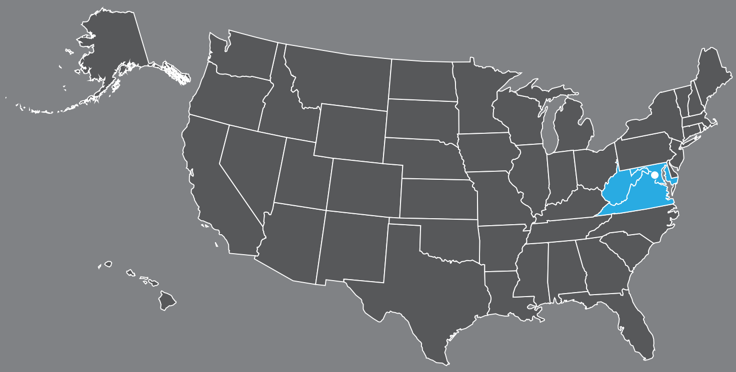
HUD PD&R Housing Market Profiles

Washington-Arlington-Alexandria, District of Columbia-Virginia-Maryland-West Virginia

Quick Facts About Washington-Arlington-Alexandria

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: tight**
- **Approximately 18 percent of the nationwide federal civilian workforce, excluding U.S. Postal Service employees, work in the Washington metropolitan area (U.S. Office of Personnel Management).**



By Joseph Shinn | As of March 1, 2020

Overview

The Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA) (hereafter, Washington metropolitan area) is made up of the District of Columbia in addition to 15 counties and six independent cities in Maryland, Virginia, and West Virginia. The professional and business services and the government sectors, which are the largest in the area with 23 and 21 percent of nonfarm payrolls, respectively, added the most jobs during the past year. Additionally, for the first time in more than 20 years, nonfarm payrolls were up or relatively unchanged in all sectors in the metropolitan area.

- As of March 1, 2020, the population of the metropolitan area was 6.29 million, representing an average increase of 33,300 people, or 0.5 percent, annually since 2017 (U.S. Census Bureau population estimates as of July 1). By comparison, from 2013 to 2017, the population increased by an average of 62,200 people, or 1.0 percent, annually.
- The slowdown of population growth in recent years was due to net out-migration, which has averaged 6,350 people annually since 2017. By comparison, from 2013

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to 2017, there was net in-migration each year, which averaged 19,200 people annually.

- The recent net out-migration was partially attributed to residents moving out of the metropolitan area because of housing becoming relatively less affordable. The National Association of Homebuilders/Wells Fargo Housing Opportunity Index for the metropolitan area, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 70.1 during the fourth quarter of 2019, down from 79.6 during the fourth quarter of 2012.
- In the District of Columbia, the population is estimated at 707,800, representing an average increase of 6,925 people, or 1.0 percent, annually since 2015. By comparison, from 2010 to 2015, the population increased by an average of 14,050 people, or 2.2 percent, annually.

Economy

Economic conditions in the Washington metropolitan area improved during the past 10 years, including accelerated growth during the past 4 years. Since 2015, nonfarm payrolls in the metropolitan area have annually increased by an average of 44,500 jobs, or 1.4 percent. By comparison, from 2010 through 2014, nonfarm payrolls increased by an average of 31,000 jobs, or 1.0 percent annually.

During the 3 months ending February 2020—

- Nonfarm payrolls averaged nearly 3.37 million, representing an increase of 56,200 jobs, or 1.7 percent, compared with the 3 months ending February 2019. By comparison, during the 3 months ending February 2019, nonfarm payrolls were up by 39,400 jobs, or 1.2 percent, compared with the same period a year earlier.
- Gains were largest in the professional and business services and the government sectors, which increased by 21,600 and 9,700 jobs, or 2.8 and 1.4 percent, respectively. In the professional and business services sector, Appian Corporation moved their headquarters to a new, larger facility within Fairfax County, Virginia, in mid-2019; the company is expected to add a total of 600 new jobs as a result of the expansion, many of which are estimated to have been added during 2019.
- The wholesale and retail trade sector, which was relatively unchanged during the past year, was the only nonfarm payroll sector that did not increase during the past year. By comparison, payrolls in the sector declined by an average of 5,600 jobs, or 0.8 percent, annually during the previous 2 years.
- The unemployment rate averaged 2.9 percent, down from 3.4 percent during the same period a year earlier and from the 6.7-percent rate during the 3 months ending February 2010.

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Nonfarm payrolls were up in all sectors in the Washington metropolitan area, except the wholesale and retail trade sector, which was relatively unchanged.

	3 Months Ending		Year-Over-Year Change	
	February 2019 (Thousands)	February 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	3,309.2	3,365.4	56.2	1.7
Goods-Producing Sectors	216.7	220.9	4.2	1.9
Mining, Logging, & Construction	160.6	162.7	2.1	1.3
Manufacturing	56.0	58.2	2.2	3.9
Service-Providing Sectors	3,092.5	3,144.6	52.1	1.7
Wholesale & Retail Trade	336.7	336.7	0.0	0.0
Transportation & Utilities	73.7	75.7	2.0	2.7
Information	75.4	77.5	2.1	2.8
Financial Activities	158.9	162.8	3.9	2.5
Professional & Business Services	762.7	784.3	21.6	2.8
Education & Health Services	448.3	450.9	2.6	0.6
Leisure & Hospitality	324.0	330.4	6.4	2.0
Other Services	208.2	212.1	3.9	1.9
Government	704.5	714.2	9.7	1.4
Unemployment Rate	3.4%	2.9%		

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

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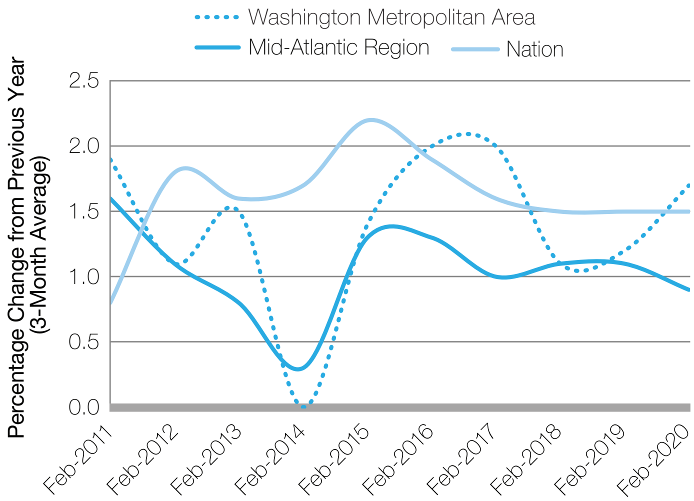
The unemployment rate has declined in each of the past 10 years, and the current rate is the lowest unemployment rate in the metropolitan area in nearly 20 years.

Nonfarm payroll growth in the Washington metropolitan area exceeded nationwide payroll growth during the past year.



Source: U.S. Bureau of Labor Statistics

Fifteen of the Fortune 500 companies were headquartered in the Washington metropolitan area as of 2019, led by Fannie Mae and Freddie Mac, the 22nd and 40th largest companies in the United States, respectively. As a result, the professional and business services is the largest sector in the metropolitan area, accounting for more than 23 percent of all nonfarm payrolls. Since 2010, nonfarm payrolls in the sector increased by an average of 10,500 jobs, or 1.4 percent, annually, which was the most jobs added in any sector during this period. In 2018, Amazon.com, Inc. announced plans to build a second headquarters, named Amazon HQ2, in Arlington, Virginia, resulting in approximately 25,000 new jobs during the next 15 years. The first phase of Amazon HQ2 is expected to be completed in 2023, and the company has hired more than 600 employees during the past year that are currently working out of leased office spaces.

Largest Employers in the Washington Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
MedStar Health	Education & Health Services	17,400
Marriott International, Inc.	Leisure & Hospitality	16,750
Inova Health System	Education & Health Services	16,000

Note: Excludes local school districts, federal agencies, and military installations.
Source: Moody's Analytics

Sales Market Conditions

The sales market in the Washington metropolitan area is currently slightly tight, with an estimated sales vacancy rate of 1.5 percent, down from the 1.9-percent rate in 2010. In February 2020, the metropolitan area had 2.4 months of available new and existing for-sale inventory, down slightly from 2.5 months of inventory in February 2019 and from the 20-year peak of 11.1 months of inventory in February 2008 (CoreLogic, Inc.). In response to net out-migration from the metropolitan area, sales of both new and existing homes declined during the past 2 years. The average sales price of existing homes sold increased during the past 10 years, partially due to low-priced real estate owned (REO) home sales making up a smaller portion of all home sales. Additionally, during 2019, the median sales price of existing single-family homes in the metropolitan area was 12th highest in the nation, compared with the 14th highest during 2018 (National Association of Realtors®). The average sales price of new homes, however, declined during the past year after 9 consecutive years of the average price increasing or being relatively unchanged. As of February 2020, 1.2 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down slightly from 1.5 percent in February 2019 and a recent peak of 8.0 percent in February 2010 (CoreLogic, Inc.).

During the 12 months ending February 2020—

- Approximately 92,750 existing homes (including single-family homes, townhomes, and condominiums) sold in the metropolitan area, representing a decrease of 480 homes, or 1 percent, compared with the previous 12-month period (Metrostudy, A Hanley Wood Company). Since 2018, existing home sales have declined an average of 10 percent annually, compared with an average 11-percent increase from 2012 through 2017.
- The average sales price of existing homes increased 3 percent, to $468,065. Since 2010, the average sales price has increased an average of 3 percent annually, and the current average price is at an all-time peak.
- New home sales (including single-family homes, townhomes, and condominiums) totaled approximately 12,300, representing a decrease of 230 homes, or 2 percent, compared with the same period a year earlier. New home sales have declined an average of 1 percent annually during the past 2 years, compared with an average 4-percent increase in corresponding periods from 2013 through 2018.
- The average sales price of new homes declined 2 percent, to $567,500, compared with an average 3-percent annual

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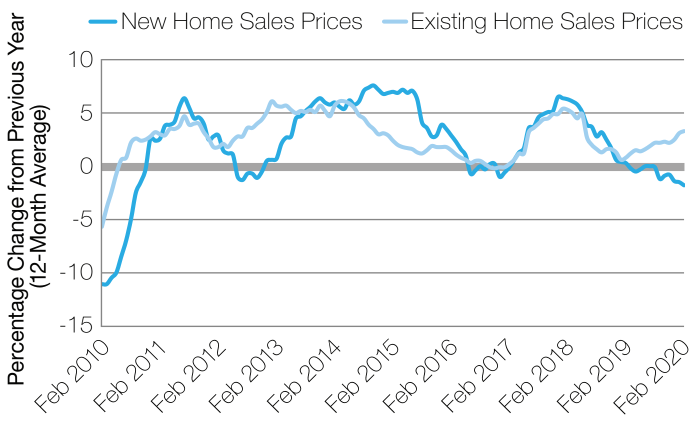
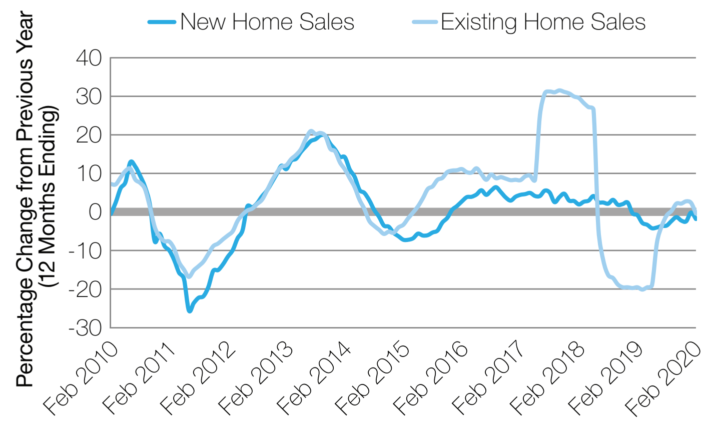
Existing sales prices in the Washington metropolitan area increased during the past year, but new sales prices declined.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Sales of both new and existing homes in the Washington metropolitan area slightly declined during the past year.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

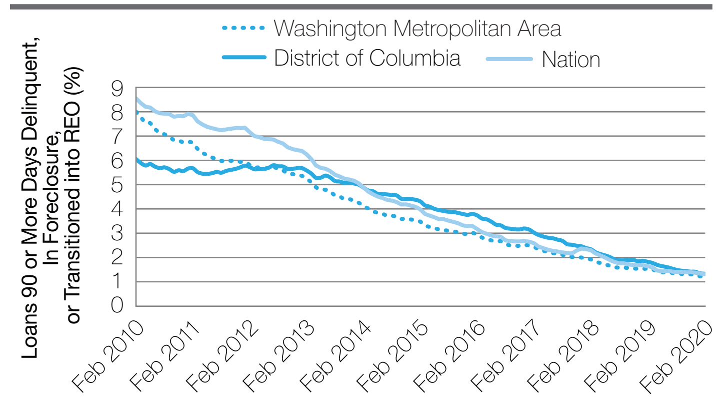
increase during the previous 9 years. The recent decline was partially attributed to a decrease in demand for new homes during the past 2 years.

In response to increases in the number of homes sold, single-family homebuilding activity, as measured by the number of single-family homes permitted, steadily increased from 2010 through 2017. Homebuilding activity, however, declined during the past 2 years, which is largely attributed to a decline in sales activity.

During the 12 months ending February 2020 (preliminary data)—

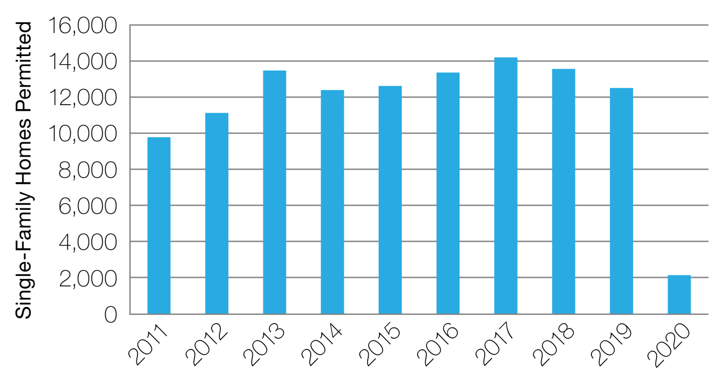
- Single-family homebuilding activity in the Washington metropolitan area totaled approximately 12,750 homes permitted, down by 210 homes, or 2 percent, compared with the previous 12-month period. Homebuilding activity declined an average of 5 percent annually during the past 2 years compared with an average 5-percent increase from 2010 through 2017.
- More than 60 percent of the decline in the metropolitan area was in the Frederick-Gaithersburg-Rockville, MD Metropolitan Division, where the number of homes permitted declined by approximately 130 homes, or 5 percent, to 2,400 homes permitted. By comparison, during the 12 months ending February 2019, homebuilding activity in the metropolitan division declined 2 percent compared with the same period a year earlier.
- In the District of Columbia, a total of 130 single-family homes were permitted, representing a decrease of 10 homes, or 7 percent, compared with a year ago. Permitting activity in the Virginia portion of the metropolitan area was up by 35 homes, or 1 percent, to 4,850 homes permitted, compared with a 20-percent decline a year ago.

Since early 2010, the rate of seriously delinquent mortgages and REO properties in the Washington metropolitan area has declined at a steady pace.



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

Single-family permitting activity in the Washington metropolitan area has been slightly elevated since 2013.



Note: Includes preliminary data from January 2019 through February 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions in the Washington metropolitan area are currently tight compared with balanced conditions in 2010. Since 2010, conditions in the metropolitan area have tightened, in part, because of higher demand for rental units in and near the District of Columbia as a result of homeownership becoming relatively more expensive.

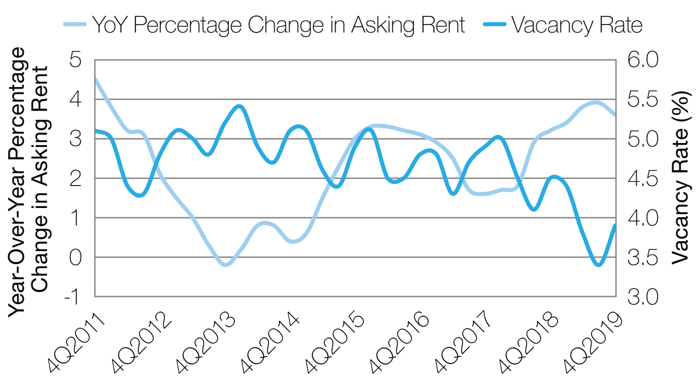
During the fourth quarter of 2019—

- The apartment vacancy rate was 3.9 percent, down from 4.5 percent a year earlier and from the 5.6-percent rate during the first quarter of 2010 (RealPage, Inc.). Vacancy rates declined or were relatively unchanged during the past year in 30 of the 36 RealPage, Inc.-defined market areas that make up the Washington metropolitan area.
- In the District of Columbia, the vacancy rate was 3.8 percent, down from the 4.2-percent rate during the fourth quarter of 2019. Vacancy rate changes in the District of Columbia ranged from a 1.4 percentage-point decline in the Northeast District of Columbia market area to a 1.1 percentage-point increase in the Navy Yard market area.
- The average asking rent in the metropolitan area increased nearly 4 percent, to $1,810, compared with a year ago, and was higher than more than 95 percent of the RealPage, Inc.-defined areas. In response to tightening apartment market conditions, the average rent has increased an average of 3 percent annually since 2015, compared with an average 1-percent increase from 2012 through 2014.
- Average rents were up in all but two of the RealPage, Inc.-defined market areas that make up the Washington metropolitan area, led by a 6-percent increase in the College Park/Greenbelt market area. In the District of Columbia, the average asking rent increased 4 percent, to $2,218.

In response to tightening apartment market conditions throughout the Washington metropolitan area, multifamily building activity, as measured by the number of units permitted, has been strong since 2014, especially in the District of Columbia.

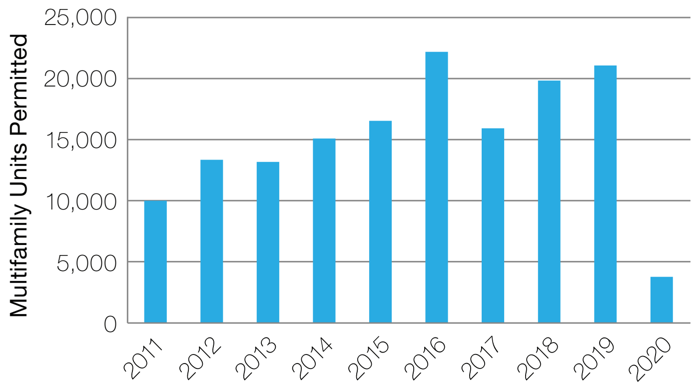
- During the 12 months ending February 2020, approximately 21,550 multifamily units were permitted, up by 750 units, or 4 percent, compared with the previous 12-month period (preliminary data with adjustments by the analyst).
- Since 2014, an average of approximately 18,600 multifamily units has been permitted annually. Since 2014, multifamily permitting activity is up 52 percent from the average of 12,200 units permitted annually from 2011 through 2013 and more than 250 percent higher than the average of 5,275 units permitted annually from 2008 through 2010.
- In the District of Columbia, an average of 7,400 multifamily units were permitted annually since 2014. By comparison, an average of 4,300 multifamily units was permitted in the District of Columbia from 2011 through 2013, and an average of 1,400 multifamily units was permitted annually from 2008 through 2010.
- Since 2011, approximately 8 percent of all multifamily units permitted were for condominiums, down significantly from 38 percent of all multifamily units permitted from 2000 through 2010 (estimates by the analyst). The recent decline in condominium construction activity in the metropolitan area is largely attributed to the household shift from owning to renting.
- Recent construction includes the 323-unit Denizen at Eisenhower Square, which is located in the city of Alexandria and was completed in late 2019; rents for studio, one-bedroom, two-bedroom, and three-bedroom units start at $1,750, $1,925, $2,500, and $3,525, respectively. In the District of Columbia, the 539-unit Novel South Capitol apartment community was completed in late 2019, and rents for these newly constructed studio, one-bedroom, two-bedroom, and three-bedroom units start at $1,975, $2,400, $2,725, and $4,875, respectively.

Since 2014, the apartment vacancy rate in the Washington metropolitan area has decreased, and the average rent has generally increased.



4Q = fourth quarter. YoY = year-over-year.
Source: RealPage, Inc.

Multifamily permitting activity in the Washington metropolitan area has been strong since 2014.



Note: Includes preliminary data from January 2019 through February 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst