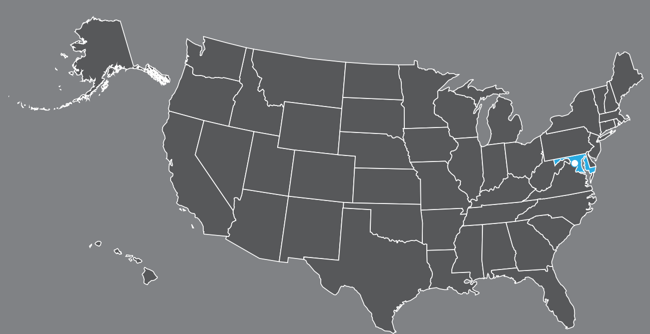
HUD PD&R **Housing Market Profiles**

Washington-Arlington-Alexandria, D.C.-Virginia-Maryland-West Virginia

Quick Facts About Washington-Arlington-Alexandria

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: balanced**
- **The Washington area is the sixth most populous metropolitan area in the United States (U.S. Census Bureau) and is the fifth largest metropolitan-area economy in the nation, with a gross domestic product of nearly $530 billion in 2017 (U.S. Bureau of Economic Analysis).**



By Ben Houck | As of March 1, 2019

Overview

The Washington-Arlington-Alexandria metropolitan area (hereafter, Washington metropolitan area) is coterminous with the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area and encompasses the District of Columbia (D.C.), 15 counties, and six independent cities in Maryland, Virginia, and West Virginia. The Washington metropolitan area is home to corporate headquarters for Capital One, Marriott International, Inc., and General Dynamics. Approximately 18 percent of the federal civilian workforce in the United States, excluding U.S. Postal Service employees, work in the Washington metropolitan area (U.S. Office of Personnel Management).

- As of March 1, 2019, the population of the Washington metropolitan area is estimated at 6.29 million, reflecting an average annual increase of 59,200, or 1.0 percent, since 2013 (U.S. Census Bureau population estimates as of July 1). Net in-migration averaged 14,050 people annually during the period, accounting for 24 percent of the population growth.
- From 2008 to 2013, population growth was more rapid because economic conditions in the Washington metropolitan area were stronger relative to the nation and most other metropolitan areas. Population growth averaged 101,200

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people, or 1.8 percent, annually, and net in-migration averaged 52,450 people annually, or 52 percent of the growth.

- A contributing factor to the recent slowdown in net in-migration is the high cost of living in the Washington metropolitan area. In 2016, the Washington metropolitan area had the ninth highest regional price level among the 382 metropolitan areas in the United States (U.S. Bureau of Economic Analysis).
- The largest increases in population within the Washington metropolitan area from 2013 to 2018 were in Loudoun County, Virginia, and the District of Columbia, where the populations increased by 56,850 and 52,000, respectively, in total (U.S. Census Bureau).

Economic Conditions

Economic conditions in the Washington area have been strengthening since 2010, although growth has been slower than the nation in most periods since 2012. Economic conditions in the Washington metropolitan area recovered more quickly than those in the nation following the national recession. Nonfarm payrolls in the Washington metropolitan area returned to the prerecession high by the end of 2011, whereas the national level remained below the prerecession peak until mid-2014. Payrolls increased in most sectors during the past year.

During the 3 months ending February 2019—

- Nonfarm payrolls in the Washington metropolitan area averaged nearly 3.30 million jobs, an increase of 27,900 jobs, or 0.9 percent, from a year earlier. Growth was down from a 1.1-percent gain during the 3 months ending February 2018 and was one-half the concurrent increase of 1.8 percent nationally.
- The professional and business services sector, the largest sector in the Washington metropolitan area, led job growth with

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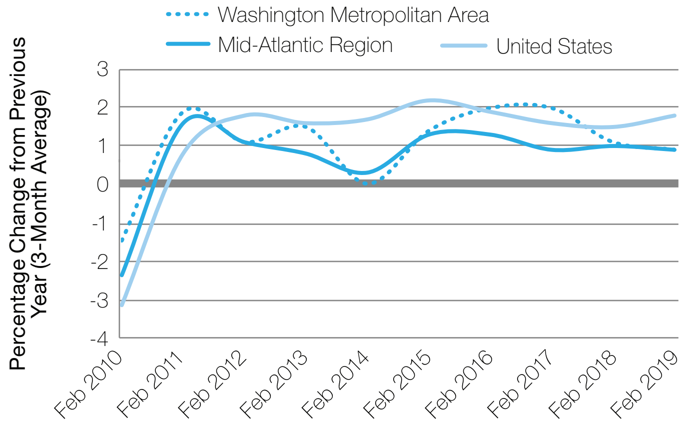
Job growth in the Washington metropolitan area slowed during the past year while national growth accelerated.



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

Most sectors in the Washington metropolitan area added jobs during the 3 months ending February 2019 relative to a year ago.

	3 Months Ending		Year-Over-Year Change	
	February 2018 (Thousands)	February 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	3,268.8	3,296.7	27.9	0.9
Goods-Producing Sectors	211.5	212.4	0.9	0.4
Mining, Logging, & Construction	156.8	158.0	1.2	0.8
Manufacturing	54.7	54.4	-0.3	-0.5
Service-Providing Sectors	3,057.2	3,084.3	27.1	0.9
Wholesale & Retail Trade	341.7	334.2	-7.5	-2.2
Transportation & Utilities	68.6	71.6	3.0	4.4
Information	74.3	74.0	-0.3	-0.4
Financial Activities	157.8	154.4	-3.4	-2.2
Professional & Business Services	749.1	764.0	14.9	2.0
Education & Health Services	438.8	446.0	7.2	1.6
Leisure & Hospitality	319.3	330.6	11.3	3.5
Other Services	206.8	207.4	0.6	0.3
Government	700.8	702.2	1.4	0.2
	(Percent)	(Percent)		
Unemployment Rate	3.6	3.4		

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

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an addition of 14,900 jobs, or 2.0 percent. A new, 31-story headquarters for Capital One was completed in December 2018 in Fairfax County, Virginia, which added approximately 500 jobs in the sector.

- The leisure and hospitality sector increased by 11,300 jobs or 3.5 percent. A $48 million expansion was completed in July 2018 at MGM National Harbor Resort in Prince George's County, Maryland, which added 250 jobs in the sector.
- Job growth in the Washington metropolitan area slowed slightly compared with a year earlier, in part, because of a loss of 8,600 jobs, or 3.1 percent, in the retail trade subsector. Nationally, payrolls in the subsector were relatively unchanged compared with a year earlier.
- The unemployment rate in the Washington metropolitan area averaged 3.4 percent, down from an average of 3.6 percent a year earlier.

Amazon.com, Inc. announced in November 2018 that Arlington County, Virginia, would be the home of a new headquarters campus. At a minimum, the new campus is a $2 billion investment that is expected to create 25,000 jobs by 2034 with an average salary in excess of $150,000. In conjunction with the new campus, Virginia Tech announced plans to create a $1 billion Innovation Campus in Alexandria City, Virginia, offering education and research in computer science and related fields. George Mason University also announced a $250 million expansion of its existing campus in Arlington County and expects to more than double the number of students enrolled in computer science and related fields during the next 5 years.

Largest Employers in the Washington Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
MedStar Health	Education & Health Services	17,419
Marriott International, Inc.	Leisure & Hospitality	16,773
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 housing market in the Washington metropolitan area is slightly tight, with an estimated vacancy rate of 1.2 percent, down from 1.9 percent in April 2010. Sales of existing homes increased in most years from 2012 through 2017. During the 6-year period, total existing home sales increased an average of 7 percent annually, regular resales increased an average of 11 percent annually, and sales of real estate owned (REO) properties declined an average of 12 percent annually. Existing home sales declined 1 percent, however, during 2018, in part because of slower job growth and a rise in mortgage interest rates. The average interest rate on a 30-year fixed-rate mortgage rose approximately 0.5 percentage points, to 4.5 percent, during 2018 (Freddie Mac). The decrease in home sales was due to declines in sales of REO properties and regular resales.

During 2018—

- Existing home sales in the Washington metropolitan area totaled 92,950, a 1-percent decline from the number sold during 2017 (Metrostudy, A Hanley Wood Company). Sales of REO properties declined 15 percent, while regular resales declined less than 1 percent.

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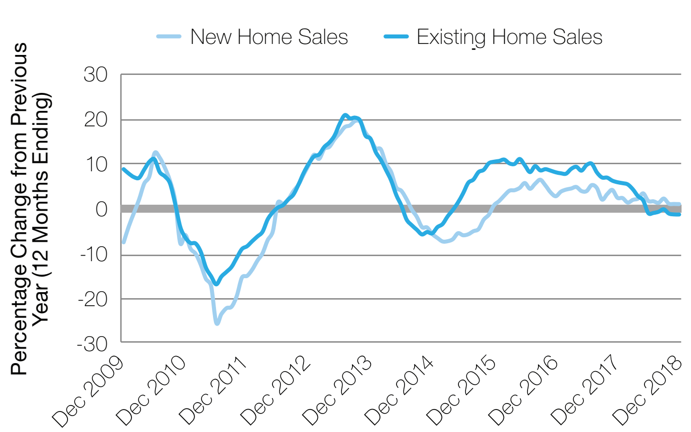
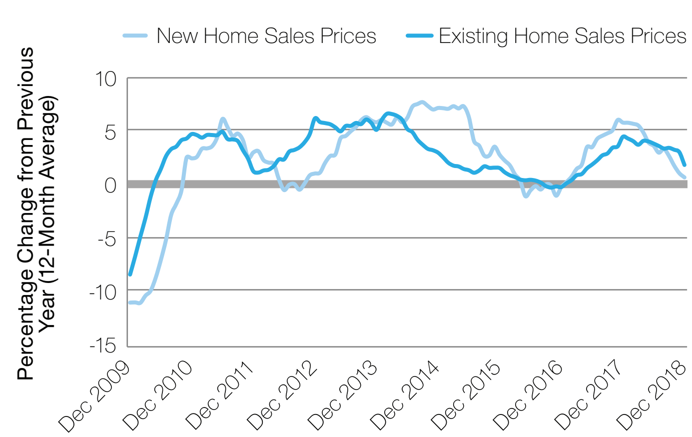
New home sales in the Washington metropolitan area have been increasing since 2015, while existing home sales have been declining since mid-2018.



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

Home sales prices in the Washington metropolitan area have mostly been increasing since the early 2010s although the pace of growth slowed in the past year.



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

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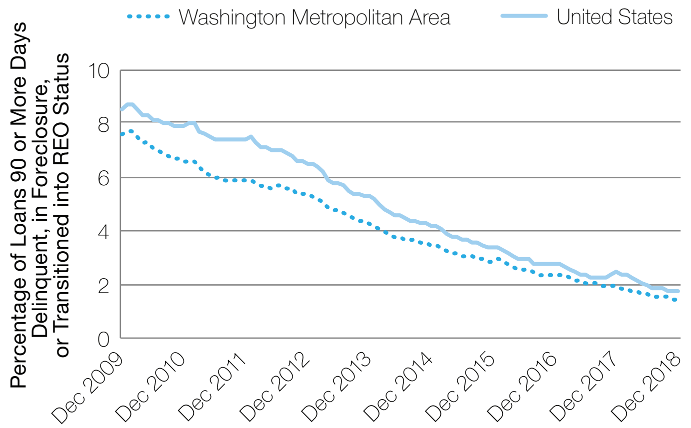
The rate of seriously delinquent mortgages and REO properties has declined in the Washington metropolitan area since early 2010.

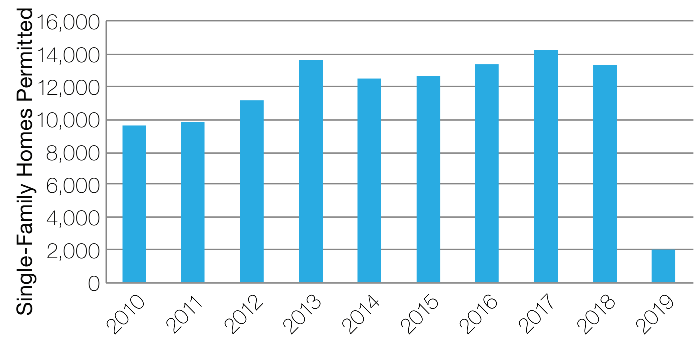


REO = real estate owned.
Source: CoreLogic, Inc.

- The average existing home sales price was $454,400 during 2018, up 2 percent from the average during 2017. Compared with the lowest annual average during the past 10 years of $347,000 during 2009, the average sales price increased an average of 3 percent annually through 2018.
- New home sales in the Washington metropolitan area totaled 12,540, up 1 percent from the number sold during 2017. The average new home sales price also increased 1 percent during the same period, to $576,600.
- The percentage of home loans in the Washington metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 1.4 percent as of December 2018, down from 1.9 percent a year ago and below the national rate of 1.7 percent (Corelogic, Inc.).

Single-family homebuilding, as measured by the number of single-family homes permitted, increased an average of 11 percent annually from 2010 through 2013. Homebuilding activity declined 8 percent during 2014, in part because of latent impacts of a federal government shutdown and budget sequestration in 2013.

Single-family home permitting in the Washington metropolitan area increased in most years from 2011 through 2017.



Note: Includes preliminary data from January 2018 through February 2019.
Source: U.S. Census Bureau, Building Permits Survey

Thereafter, activity rose an average of 5 percent annually from 2015 through 2017, although the increase was more gradual than the expansion in the early 2010s partially because of less in-migration and a high level of multifamily construction activity.

During the 12 months ending February 2019—

- Approximately 13,000 single-family homes were permitted in the Washington metropolitan area, down 9 percent from 14,250 homes permitted during the previous 12 months (preliminary data). Homebuilding activity declined in most of the largest jurisdictions within the Washington metropolitan area.
- Homebuilding activity receded in southern parts of the Washington metropolitan area, with decreases of 21, 9, and 31 percent in Prince William, Spotsylvania, and Stafford Counties, respectively, in Virginia, and a 31-percent decline in Charles County, Maryland.
- Homebuilding activity increased 22 and 1 percent in Prince George's and Frederick Counties in Maryland, respectively, and declined 12 percent in Loudoun County, Virginia. These counties had the three highest permit totals in the Washington metropolitan area and combined to account for 44 percent of units permitted throughout the Washington metropolitan area.

Apartment Market Conditions

The apartment market in the Washington metropolitan area is currently balanced. The apartment vacancy rate fluctuated between 4 and 5 percent in most quarters from 2010 through 2018. This consistency was aided by strong population growth in the District of Columbia, where the homeownership rate, estimated at 38.7 percent as of July 2018, is significantly lower than the homeownership rate for the Washington metropolitan area, which is currently estimated at 63.8 percent. Approximately 11,650 apartment units were absorbed in the Washington metropolitan area during 2018, down 2 percent from the number absorbed during 2017 and 26 percent less than a recent peak of 15,800 units absorbed during 2014 (RealPage, Inc.). Of the 36 RealPage, Inc.-defined market areas in the Washington metropolitan area, four market areas combined to account for one-half of the 11,650 units absorbed during 2018, consisting of the Central D.C. and Navy Yard/Capital South market areas in the District of Columbia and the Reston/Herndon and Tysons Corner/Falls Church/Merrifield market areas in Fairfax County, Virginia.

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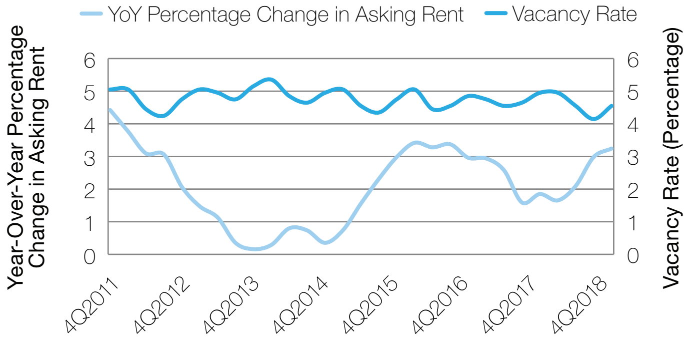
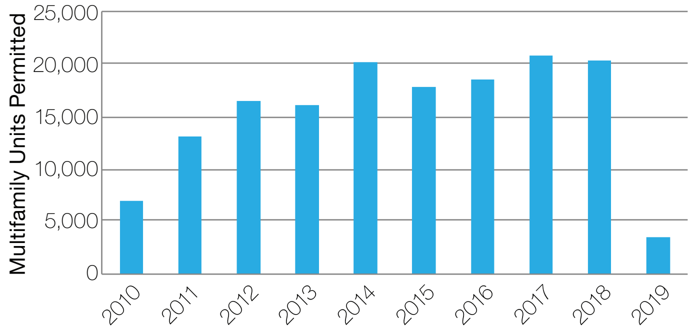
The apartment vacancy rate declined, and rent growth accelerated in the Washington metropolitan area during the past year.



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

Multifamily permitting activity in the Washington metropolitan area expanded rapidly from 2011 through 2014 and continued at a high level through 2018.



Note: Includes preliminary data from January 2018 through February 2019.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst

During the fourth quarter of 2018—

- The apartment vacancy rate in the Washington metropolitan area was 4.5 percent, down from 4.9 percent a year earlier (RealPage, Inc.). Vacancy rates ranged from 3.3 percent in the North Central D.C. market area in the District of Columbia and the Hyattsville/Riverdale market area in Prince George's County, Maryland, to 5.7 percent in the Northeast Montgomery County market area in Montgomery County, Maryland.
- The average asking rent in the Washington metropolitan area increased 3 percent, to $1,743, from the fourth quarter of 2017 through the fourth quarter of 2018. The highest asking rent of $2,452 was in the Central D.C. area, which extends north from the National Mall to the National Zoo and encompasses many high-paying employers.
- The 156-unit Flats at Neabsco Phase II was completed in late 2018 in Prince William County, Virginia, with rents for one- and two-bedroom apartments starting at approximately $1,500 and $1,850, respectively. The Oxford, an office-to-multifamily conversion with 187 units in Prince George's County, Maryland, was completed in January 2019, with rents for one- and two-bedroom apartments starting at approximately $1,725 and $2,225, respectively.

The level of multifamily construction activity, as measured by the number of multifamily units permitted, has been relatively high in the Washington metropolitan area since 2014. Construction activity in suburban areas since 2014 was partially supported by an extension of the Silver Line, a light-rail line that is part of the public transportation system serving the Washington metropolitan area. Five new transit stations opened in Fairfax County, Virginia, in mid-2014, and an additional six stations are expected to open in Fairfax and Loudoun Counties in Virginia in 2020. Meanwhile, construction activity in urban areas was supported by opportunities for infill development. Approximately 4,725 apartment units in 14 properties were permitted in the Capitol Riverfront neighborhood, part of the Navy Yard/Capitol South area, in the District of Columbia from 2014 through 2017.

- During the 12 months ending February 2019, there were 20,225 multifamily units permitted in the Washington metropolitan area, up 18 percent from the number permitted during the previous 12 months (preliminary data, with adjustments by the analyst).
- From 2014 through 2017, an average of 19,250 multifamily units was permitted annually, up from an average of 15,150 units permitted annually from 2011 through 2013 and an average of 7,250 units permitted annually from 2008 through 2010.
- Approximately 39 percent of the units permitted in the Washington metropolitan area during the 12 months ending February 2019 is in the District of Columbia. The largest multifamily project under construction in the District of Columbia is a yet-to-be-named, 818-unit property in the Navy Yard/Capitol South area, which is expected to be completed in early 2021. Rents are not yet available.
- Another 12 percent of the multifamily units permitted in the Washington metropolitan area during the 12 months ending February 2019 is in Arlington County, Virginia. The construction of a 490-unit multifamily property is underway at 750 North Glebe Road in the North Arlington market area, with completion expected in early 2020. Rents are not yet available.