

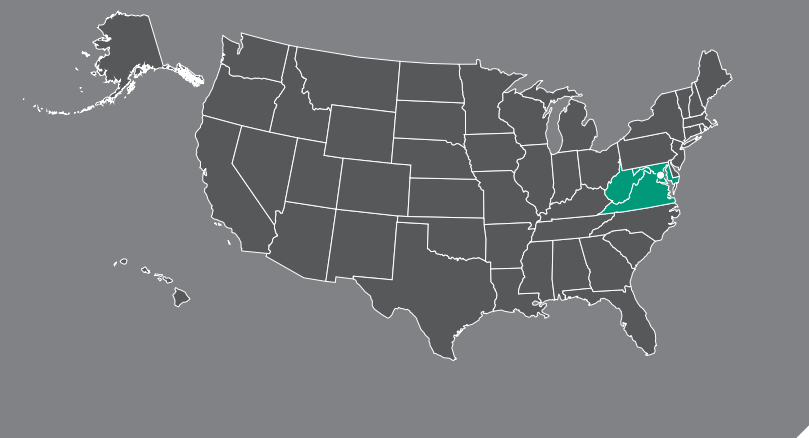
HUD PD&R Housing Market Profiles

Washington, D.C.



Quick Facts About Washington, D.C.

- Current sales market conditions: slightly tight
- Current apartment market conditions: tight
- Washington, D.C. is home to nearly 20 colleges and universities, including George Washington University and Georgetown University, which are the largest private employers in D.C. with 6,625 and 6,375 employees, respectively.



By Joseph Shinn | As of April 1, 2020

Overview

Washington, D.C. (D.C.) is the capital of the United States and is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (hereafter, Washington-Arlington-Alexandria MSA). During the past year, nonfarm payrolls increased or were relatively unchanged in 7 of 11 sectors in D.C., led by the professional and business services sector. In the government sector, which is the largest sector in D.C. with nearly 30 percent of all nonfarm payrolls, 1,800 jobs were added during the past year, representing an increase of 0.8 percent. Job growth, however, was weakened by significant declines in the education and health services and the leisure and hospitality sectors.

- As of April 1, 2020, the population of Washington, D.C. was estimated at 708,000, representing an average increase of 6,925 people, or 1.0 percent, annually since 2015 (U.S. Census Bureau population estimates as of July 1). By comparison, from 2010 through 2015, the population increased by an average of 14,050 people, or 2.2 percent, annually.
- The slowdown in population growth in recent years was due to slower net in-migration, which has averaged 2,725

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people annually since 2015. By comparison, from 2010 to 2015, net in-migration averaged 9,400 people annually.

- The lower levels of net in-migration since 2015 are largely attributed to residents moving to different parts of the Washington-Arlington-Alexandria MSA in response to

housing costs in D.C. rising faster than the rest of the metropolitan area. Since 2014, the average price of new and existing homes sold in D.C. increased an average of 4 percent annually, compared with an average 2-percent increase in the rest of the metropolitan area.

Economic Conditions

Washington, D.C. added jobs during the past 10 years, although job growth has slowed during the past 3 years. Since 2017, nonfarm payrolls in D.C. have increased by an average of 7,000 jobs, or 0.9 percent, annually. By comparison, from 2010 through 2016, nonfarm payrolls increased by an average of 10,000 jobs, or 1.4 percent, annually.

During the first quarter of 2020—

- Nonfarm payrolls averaged 798,300, representing an increase of 6,800 jobs, or 0.9 percent, compared with the first quarter of 2019. By comparison, during the first quarter of 2019, nonfarm payrolls were up by 5,100 jobs, or 0.7 percent greater than payrolls measured during the same period a year earlier.
- Gains were largest in the professional and business services and the government sectors, which increased by 4,700 and 1,800 jobs, or 2.8 and 0.8 percent, respectively. In the professional and business services sector, more than

80 percent of the gains were in the professional, scientific, and technical services industry, which increased by 3,800 jobs, or 3.2 percent.

- Nonfarm payrolls in the education and health services sector declined by 2,900 jobs, or 2.2 percent, compared with a 1.0-percent increase a year ago. More than 95 percent of the decline was in the educational services industry, which was down by 2,800 jobs, or 4.4 percent. Jobs declined in the industry during the third and fourth quarters of 2019, compared with corresponding periods a year earlier. That decline accelerated during the first quarter of 2020, partly due to colleges and universities in D.C. closing their campuses and moving all courses online for the second half of the spring semester due to the COVID-19 global pandemic.
- The unemployment rate averaged 5.4 percent, down from the 5.9-percent rate during the first quarter of 2019 and from the 10.0-percent rate during the first quarter of 2011.

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Nonfarm payrolls in Washington, D.C. increased during the first quarter of 2020 as gains in the service-providing sectors more than offset losses in the goods-producing sectors.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	791.5	798.3	6.8	0.9
Goods-Producing Sectors	16.0	15.8	-0.2	-1.3
Mining, Logging, & Construction	14.7	14.5	-0.2	-1.4
Manufacturing	1.3	1.3	0.0	0.0
Service-Providing Sectors	775.5	782.5	7.0	0.9
Wholesale & Retail Trade	27.7	29.3	1.6	5.8
Transportation & Utilities	4.9	4.7	-0.2	-4.1
Information	19.7	20.9	1.2	6.1
Financial Activities	29.6	29.6	0.0	0.0
Professional & Business Services	167.9	172.6	4.7	2.8
Education & Health Services	133.0	130.1	-2.9	-2.2
Leisure & Hospitality	79.6	78.6	-1.0	-1.3
Other Services	76.4	78.1	1.7	2.2
Government	236.8	238.6	1.8	0.8
Unemployment Rate	5.9%	5.4%		

Note: Numbers may not add to totals due to rounding.

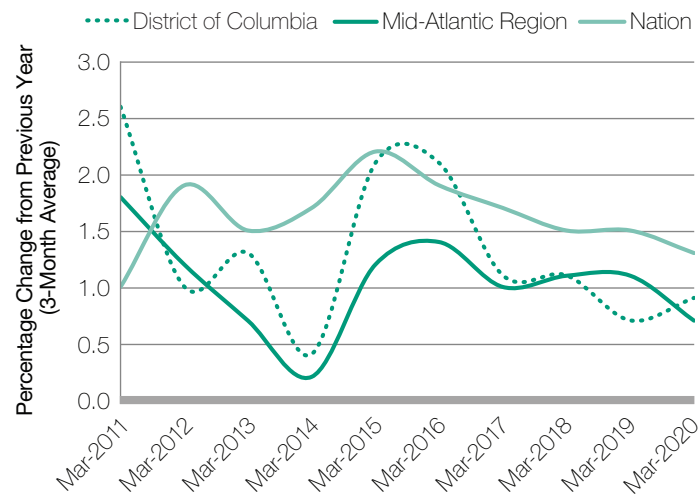
Source: U.S. Bureau of Labor Statistics



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Since 2010, jobs have been added at the fastest pace in the leisure and hospitality sector in Washington, D.C. During this

Nonfarm payroll growth in Washington, D.C. was slower than the nation during the past year.



Source: U.S. Bureau of Labor Statistics

period, nonfarm payrolls in the sector have increased an average of 3.3 percent, or by 2,300 jobs, annually. Those gains were largely attributed to increased tourism to D.C. During 2018, a total of 23.8 million people visited D.C., representing an average increase of more than 4 percent annually since 2010 (Destination D.C.). The Wharf is a mixed-use development along the Potomac River that includes restaurants, retail, and entertainment options as well as apartments, condos, and hotels. The first phase was completed in 2017, and the second and final phase is currently underway. Nearly 6,000 permanent jobs are expected when the development is completed, likely by the end of 2022.

Largest Private Employers in Washington, D.C.

Name of Employer	Nonfarm Payroll Sector	Number of Employees
George Washington University	Education & Health Services	6,625
Georgetown University	Education & Health Services	6,375
Children's National Medical Center	Education & Health Services	5,825

Note: Excludes local school districts and federal agencies.

Sources: District of Columbia Department of Employment Services; Integrated Postsecondary Education Data System; employer websites

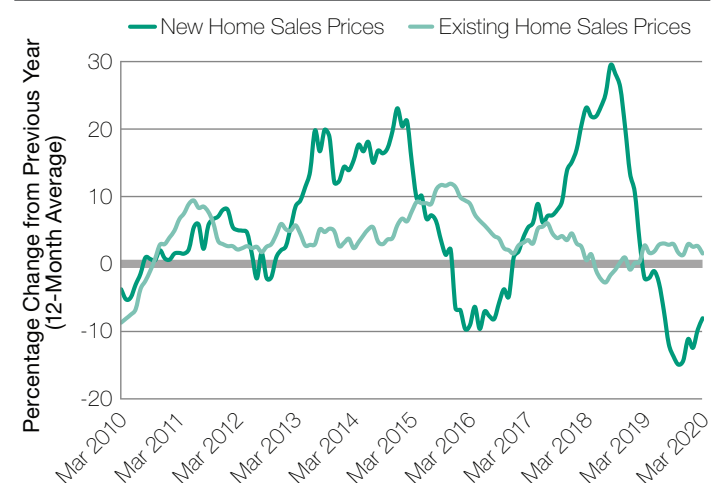
Sales Market Conditions

The sales market in Washington, D.C. is currently slightly tight, with an estimated sales vacancy rate of 2.1 percent, down from the 3.4-percent rate in 2010. In March 2020, D.C. had 1.9 months of available new and existing for-sale inventory, unchanged from a year earlier, but down from the 15-year peak of 9.7 months of inventory in February 2009 (CoreLogic, Inc.). In response to lower levels of net in-migration, sales of existing homes declined in 3 of the past 6 years, including decreases during the past 2 years. Sales of new homes increased during the past year, but sales are down 75 percent compared with the average of 2,550 homes sold during 2005 and 2006 due to declines in 8 of the previous 12 years. The average sales price of existing homes increased during the past 10 years, but the increase slowed during the past 2 years in response to declines in the number of homes sold. The average price of new homes declined during the past 2 years after increases in 5 of the previous 6 years. The recent decrease, however, was due to lower-priced new condominiums making up a larger portion of all new home sales. Since 2018, condominiums made up 60 percent of all new sales (Metrostudy, A Hanley Wood Company). By comparison, from 2013 through 2017, condominiums accounted for less than 57 percent of all new sales. As of February 2020, 1.3 percent of home loans were seriously delinquent (90 or more days delinquent or in

foreclosure) or had transitioned into real estate owned (REO) status, down from 1.8 percent in February 2019 and a recent peak of 6.1 percent in February 2010 (CoreLogic, Inc.).

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Existing home sales prices in Washington, D.C. increased during the past year, but new home sales prices declined.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company

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During the 12 months ending March 2020—

- Approximately 8,350 existing homes (including single-family homes, townhomes, and condominiums) sold in Washington, D.C., representing a decrease of 150 homes, or 2 percent, compared with the previous 12-month period (Metrostudy, A Hanley Wood Company). Existing home sales in D.C. decreased an average of 3 percent annually during the past 2 years, compared with an average 6-percent increase in corresponding periods from 2016 through 2018.
- The average sales price of existing homes increased 1 percent, to \$662,700. Since 2018, the average existing home sales price has increased an average of 1 percent annually, compared with an average 5-percent increase from 2010 through 2017.
- New home sales (including single-family homes, townhomes, and condominiums) increased by 70 homes, or 13 percent, to 650 homes sold. By comparison, the number of new homes sold decreased an average of 10 percent annually from 2006 through 2018.
- The average sales price of new homes declined 8 percent, to \$661,500, compared with the 12 months ending March 2019. The average sales price declined an average of 5 percent annually during the past 2 years compared with an average 8-percent increase in corresponding periods from 2011 through 2018.

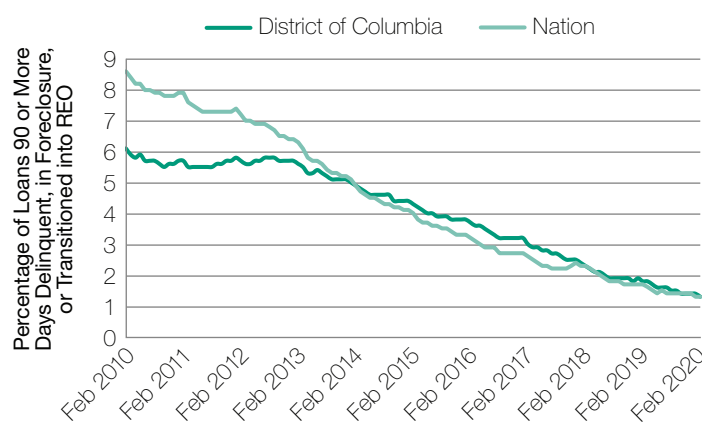
In response to a decrease in the number of homes sold, single-family homebuilding activity, as measured by the number of units permitted, has been limited during the past 2 years. Condominium construction, however, has been strong during the past 7 years, which is partially attributed to stronger demand for

these units because of the lower price relative to single-family homes and townhomes.

- During the 12 months ending March 2020, single-family homebuilding activity in Washington, D.C. totaled approximately 120 homes, down by 20 homes, or 13 percent fewer than during the 12 months ending March 2019 (preliminary data). By comparison, during the 12 months ending March 2019, single-family construction activity was down 49 percent compared with the same period a year earlier.

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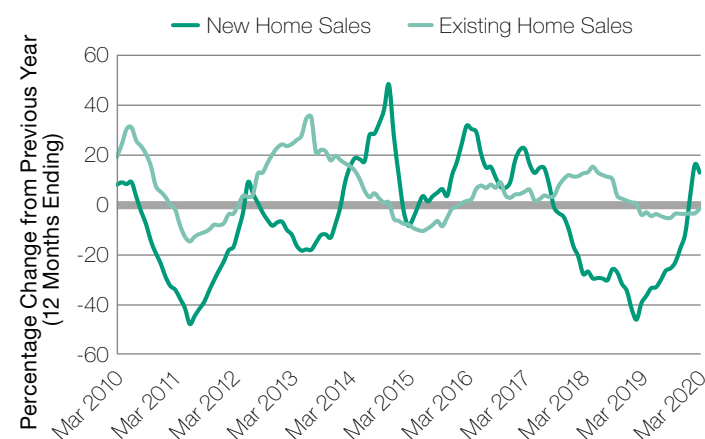
Since early 2010, the rate of seriously delinquent mortgages and REO properties in Washington, D.C. has generally declined, and is currently equal to the national rate.



REO = real estate owned.

Source: CoreLogic, Inc.

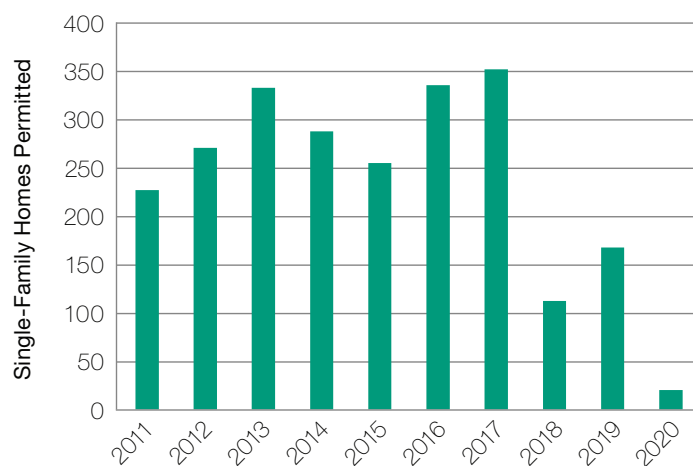
Sales of new homes in Washington, D.C. increased during the past year, but sales of existing homes decreased.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company

Single-family permitting activity in Washington, D.C. has been limited since 2018.



Note: Includes preliminary data from January 2019 through March 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

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- Since 2018, an average of 130 single-family homes was permitted annually. By comparison, from 2011 through 2017, an average of nearly 300 single-family homes was permitted annually.
- Since 2013, an average of 740 condominium units was permitted annually, compared with an average of 120 units

permitted annually from 2008 through 2012 (estimates by the analyst). Recent condominium construction activity includes The Shaw, a 69-unit community that was completed in late 2019 in Northwest D.C.; prices for these newly constructed one- and two-bedroom condominiums start at \$464,900 and \$764,900, respectively.

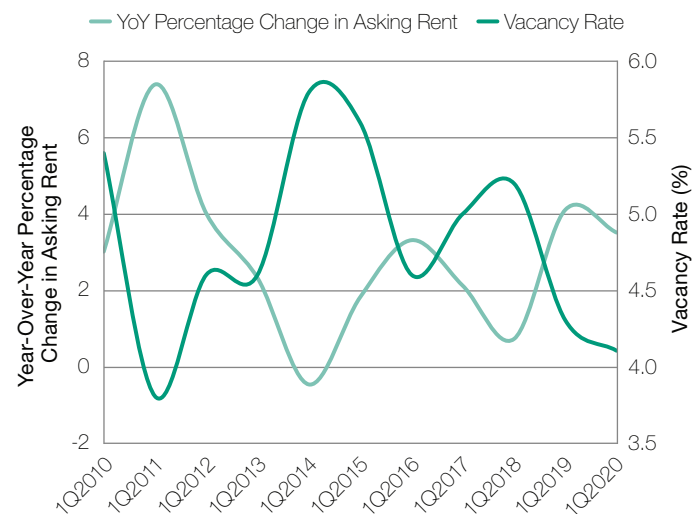
Apartment Market Conditions

Apartment market conditions in Washington, D.C. are currently tight, compared with balanced conditions in 2010. Since 2010, conditions in D.C. have tightened, partly because of higher demand for rental units as a result of homeownership becoming relatively more expensive.

During the first quarter of 2020—

- The apartment vacancy rate was 4.1 percent, down slightly from 4.3 percent a year earlier and less than the 5.4-percent rate during the first quarter of 2010 (RealPage, Inc.). Since 2010, first-quarter vacancy rates have fluctuated from a high of 5.6 percent to a low of 3.8 percent as newly constructed apartment units were completed but then absorbed at a rapid pace.
- Vacancy rates were down in four of the six RealPage, Inc.-defined market areas that make up Washington, D.C., led by the 0.7 percentage-point decline in the Northwest D.C. area to 4.0 percent. In the Navy Yard/Capitol South area, the vacancy rate increased to 5.4 percent, up from 4.8 percent a year ago, a result of the number of newly constructed apartment units coming online increasing from 1,050 units during the 12 months ending March 2019 to 3,275 units during the 12 months ending March 2020 (Dodge Data & Analytics LLC).
- The average asking rent in D.C. increased 4 percent, to \$2,233, compared with the first quarter of 2019. The average rent increased an average of 4 percent annually during the past 2 years, compared with an average 1-percent increase in corresponding periods from 2013 through 2018.
- Average rents were up in all six RealPage, Inc.-defined market areas, ranging from a 1-percent increase in the North Central D.C. area to a 6-percent increase in the Navy Yard/Capitol South area. Rents in the Northwest D.C. and Southwest D.C. areas both increased 4 percent, to \$2,255 and \$1,262, respectively.

Since 2010, the apartment vacancy rate in Washington, D.C. has been below 6 percent, and the average rent has generally increased.



1Q = first quarter. YoY = year-over-year.

Source: RealPage, Inc.

In response to newly constructed apartment units being absorbed at a rapid pace, multifamily building activity, as measured by the number of units permitted, has been strong since 2014.

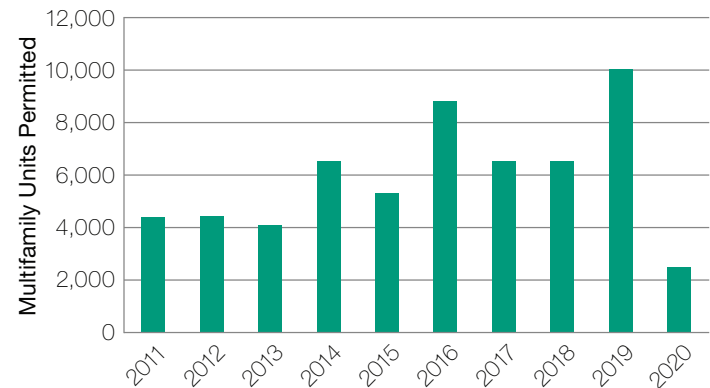
- During the 12 months ending March 2020, approximately 9,525 multifamily units were permitted, up by 310 units, or 3 percent, compared with the previous 12-month period (preliminary data with adjustments by the analyst).
- Since 2014, an average of 8,825 multifamily units has been permitted annually. Multifamily permitting activity since 2014 is up 105 percent compared with an average of 4,300 units permitted annually from 2011 through 2013, more than six times the average of 1,400 units permitted annually from 2008 through 2010.

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- Since 2013, approximately 10 percent of all multifamily units permitted were for condominiums, compared with less than 5 percent of all multifamily units permitted from 2008 through 2012.
- Recent construction activity includes Boathouse, which is a 250-unit apartment community that was completed in late 2019 and is in the Central D.C. area. Rents for these newly constructed studio, one-, and two-bedroom units start at \$2,150, \$2,725, and \$4,250, respectively.
- In the Navy Yard/Capitol South area, construction was completed in late 2019 at the 1331 apartment building, which is a 373-unit apartment community. Rents for these studio, one-, two-, and three-bedroom apartments start at \$1,950, \$2,300, \$2,675, and \$6,500, respectively.

Multifamily permitting activity in Washington, D.C. has been strong since 2014.



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