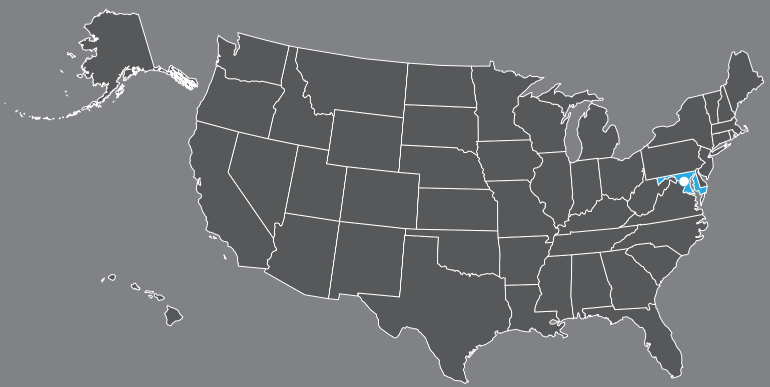
HUD PD&R Housing Market Profiles

District of Columbia

Quick Facts About the District of Columbia

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: slightly soft**
- **Workers from all 18 federal cabinet-level agencies in the United States and approximately 9 percent of the 2.15 million nationwide federal civilian employees, excluding the U.S. Postal Service, work in the District of Columbia (U.S. Office of Personnel Management).**



By Joseph Shinn | As of November 1, 2022

Overview

The District of Columbia (D.C.) is the capital city of the United States and is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (hereafter, Washington metropolitan area). Nonfarm payrolls in D.C. have increased during the past 2 years because the economy continues to recover from severe job losses from March through May 2020 that resulted from the COVID-19 global pandemic. As of October 2022, approximately two-thirds of the 87,600 jobs lost from March through May 2020 have been recovered, whereas nonfarm payrolls nationwide have surpassed prepandemic levels (monthly data, not seasonally adjusted). During the 3 months ending October 2022, nonfarm payrolls in D.C. were up or relatively unchanged in 8 of the 11 sectors, led by the leisure and hospitality sector, which increased by 10,700 jobs, or 18.3 percent.

- As of November 1, 2022, the population of the District of Columbia is estimated at 697,900, representing an average increase of 3,250, or 0.5 percent, annually since 2020 (Census Bureau decennial census count) and reflecting significant fluctuations during the pandemic.

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By comparison, from 2010 to 2020, the population was up by an average of 8,775, or 1.4 percent, annually.

- From April 2020 to July 2021, strong net out-migration by an average of 17,950 people occurred annually, causing the population to decline significantly by an average of 15,600, or 2.3 percent, annually (Census Bureau decennial census counts and population estimates). The net out-migration, however, was largely attributed to college and university students leaving D.C. during the year because most of the schools held a majority of their classes virtually and closed their dormitories in response to the COVID-19 pandemic.
- During the 2021–22 school year, however, students returned to D.C. when the dormitories reopened and schools were again offering in-person classes. This influx of students is the primary factor that has caused strong net in-migration, with an average of 18,100 people annually since July 2021, leading the population to increase by an average of 20,900, or 3.1 percent, annually.

Economic Conditions

During the 3 months ending October 2022, nonfarm payrolls in the District of Columbia increased on a year-over-year basis for the second consecutive year, and the economy continues to recover from severe job losses in early 2020 that resulted from the COVID-19 global pandemic. However, as of the 3 months ending October 2022, the level of nonfarm payrolls in D.C. is still 29,500 jobs, or 3.7 percent, below the level during the 3 months ending October 2019, before the pandemic. By comparison, nonfarm payrolls nationwide were 1.1 percent higher during the 3 months ending October 2022 compared with the same period in 2019. The relatively sluggish economic recovery in the District of Columbia is partially attributed to tourism remaining low. During the 12 months ending October 2022, the average occupancy rate at hotels in the District of Columbia was 59.6 percent, which is still 16.8 percentage points below the average rate during the same period in 2019 (CoStar Group).

During the 3 months ending October 2022—

- Nonfarm payrolls in the District of Columbia averaged 768,300, representing an increase of 14,700 jobs, or 2 percent, compared with the 3 months ending October 2021, when nonfarm payrolls increased by 22,300 jobs, or 3.1 percent.
- Nearly 73 percent of the net gains were in the leisure and hospitality sector, which increased by 10,700 jobs, or 18.3 percent. Despite this increase, nonfarm payrolls in the sector are still down by 13,200 jobs, or 16.0 percent, compared with the 3 months ending October 2019, which is largely attributed to tourism remaining low.
- Additional gains in the professional and business services and the education and health services sectors increased by 6,800 and 3,400 jobs, or 4.0 and 2.8 percent, respectively. Partially offsetting those gains were losses

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Nonfarm payrolls in the District of Columbia increased in most sectors during the 3 months ending October 2022.

	3 Months Ending		Year-Over-Year Change	
	October 2021 (Thousands)	October 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	753.6	768.3	14.7	2.0
Goods-Producing Sectors	16.2	16.3	0.1	0.6
Mining, Logging, & Construction	15.1	15.2	0.1	0.7
Manufacturing	1.1	1.1	0.0	0.0
Service-Providing Sectors	737.4	752.0	14.6	2.0
Wholesale & Retail Trade	25.2	26.4	1.2	4.8
Transportation & Utilities	4.3	4.5	0.2	4.7
Information	19.8	19.4	-0.4	-2.0
Financial Activities	28.3	26.8	-1.5	-5.3
Professional & Business Services	169.1	175.9	6.8	4.0
Education & Health Services	120.2	123.6	3.4	2.8
Leisure & Hospitality	58.4	69.1	10.7	18.3
Other Services	71.1	74.0	2.9	4.1
Government	240.9	232.2	-8.7	-3.6
Unemployment Rate	6.7%	4.8%		

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

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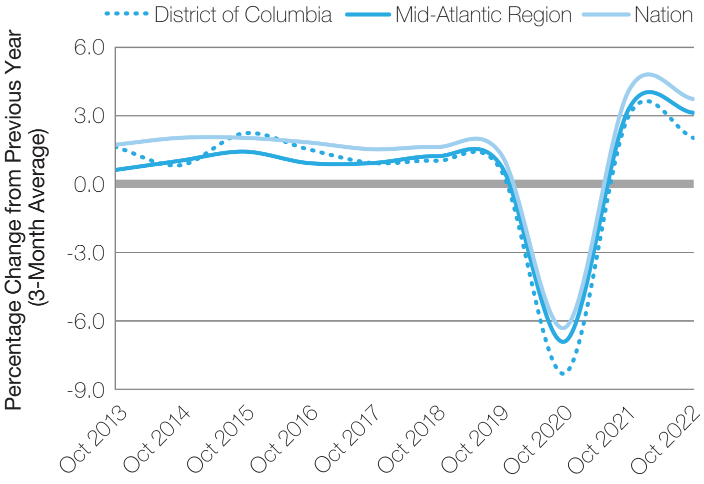
in the government, financial activities, and information sectors, which declined by 8,700, 1,500, and 400 jobs, or 3.6, 5.3, and 2.0 percent, respectively.

- The unemployment rate in the District of Columbia averaged 4.8 percent, down from 6.7 percent during the same period a year earlier. The current rate in the city is higher than the rates in the Washington metropolitan area and nation of 3.3 and 3.5 percent, respectively.

The federal government subsector is the foundation of the District of Columbia economy, representing approximately one-fourth of all nonfarm payrolls. The subsector also includes the 3 largest employers in D.C.—including the U.S. Department of Justice and the U.S. Department of Homeland Security, the first and second largest employers in D.C., with 16,600 and 16,150 employees, respectively. Nonfarm payrolls in the federal government subsector generally increased from 2001 through 2011 by an average of 2,600 jobs, or 1.3 percent, annually. Nonfarm payrolls in the subsector declined in 6 of 8 years from 2012 through 2019, however, by an average of 2,100 jobs, or 1.0 percent, annually. The decrease during this period occurred largely because of reduced hiring stemming from the passage of the Budget Control Act of 2011, which imposed limits on discretionary spending through fiscal year 2021. From fiscal year 2012 through 2019, the federal government hired an average of approximately 12,450 new employees per year, down 29 percent compared with an average of 17,450 new employees hired annually from fiscal years 2005 through 2011 (U.S. Office of Personnel Management). During 2020 and 2021, nonfarm payrolls in the subsector rose by an average of 1,800 jobs, or 0.9 percent, annually, partly because a significant number of temporary workers were hired to conduct the 2020 Decennial Census. However, because the employment of these temporary workers came to an end, nonfarm payrolls in the federal government subsector declined significantly during the past year. During the 3 months ending October 2022, nonfarm payrolls in the subsector declined by 8,100 jobs, or 4.0 percent, compared with the same period a year earlier.

Nonfarm payrolls in the District of Columbia increased during the past 2 years, although the rate of increase has slowed during the past year.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the District of Columbia

Name of Employer	Nonfarm Payroll Sector	Number of Employees
U.S. Department of Justice	Government	16,600
U.S. Department of Homeland Security	Government	16,150
U.S. Department of the Navy	Government	9,825

Notes: Excludes local school districts. Counts for all federal agencies exclude military personnel.
Source: U.S. Office of Personnel Management

Sales Market Conditions

The sales housing market in the District of Columbia is slightly tight, compared with tight conditions during the past 2 years. The sales vacancy rate is estimated at 2.1 percent, down from 3.4 percent in 2010. In October 2022, D.C. had 2.8 months of available for-sale housing inventory, up from 2.3 months in October 2021 (Bright MLS, Inc.). Sales market conditions in D.C. have eased during the past year because of a significant decrease in home sales, largely in response to a sharp increase in mortgage interest rates. In October 2022, the average interest rate of a 30-year fixed-rate mortgage was 6.9 percent, a significant increase from 3.1 percent in October 2021 and the highest rate in more than 20 years (Freddie Mac).

During the 12 months ending October 2022, approximately 9,150 new and existing homes sold, representing a decrease of 1,425 homes, or 13 percent, compared with the same period a year earlier (Bright MLS, Inc.). By comparison, home sales increased by an average of 1,050 homes, or 12 percent, annually, in corresponding periods during 2020 and 2021. The average sales price of new and existing homes increased during the past year, reaching an all-time high for the 10th consecutive year. However, in response to a significant decline in the number of homes sold, the rise in the average price has slowed compared with the previous 2 years. During the 12 months ending October 2022, the average sales price of new and

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existing homes increased to $843,900, or 5 percent, compared with the 12 months ending October 2021. In each of the previous 2 years, the average sales price increased 7 percent.

In September 2022, 1.8 percent of home loans in the District of Columbia were seriously delinquent or in real estate owned (REO) status, down from 3.4 percent in September 2021 (CoreLogic, Inc.). The rate increased from 1.3 percent in March 2020 to 5.0 percent in September 2020 because of a more than five-fold increase in the number of home loans that were 90 or more days delinquent. The increase in the rate during this period was largely attributed to households being unable to make their mortgage payments because of elevated unemployment rates. As jobs continued to be added and the unemployment rate declined, more households caught up on their payments. As a result, the number of home loans that are 90 or more days delinquent has decreased 67 percent since September 2020, and the rate of homes that are seriously delinquent or in REO status has declined in each of the past 24 months. In addition, because of the forbearance programs that helped prevent homes from going into foreclosure, the number of home loans that are either in foreclosure or in REO status generally decreased during the COVID-19 pandemic, continuing a trend that started in 2012. The current rate of home loans that are seriously delinquent or in REO status in D.C. is higher than the nationwide rate of 1.3 percent.

During the 12 months ending October 2022—

- Approximately 4,375 new and existing single-family homes and townhomes were sold in D.C., representing a decrease of 730 homes, or 14 percent, compared with the 12 months ending October 2021 (Bright MLS, Inc.). During the previous 2 years, home sales increased by an average of 330 homes, or 7 percent.
- The average sales price of new and existing single-family homes and townhomes reached an all-time high of

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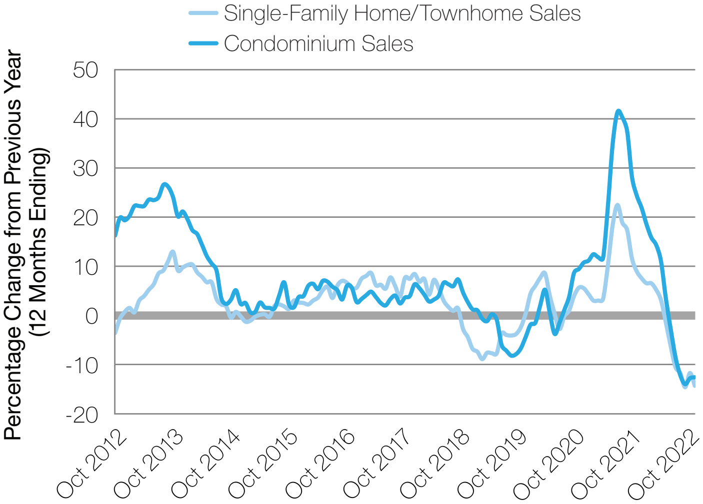
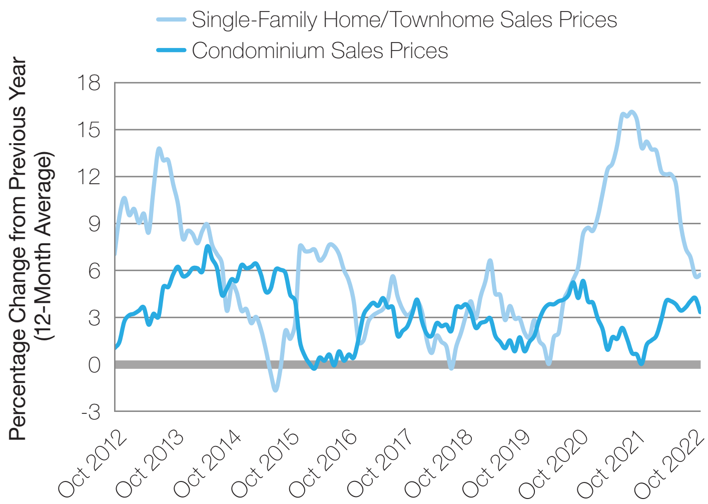
Sales of single-family homes, townhomes, and condominiums in the District of Columbia have decreased during the past year, compared with strong increases a year ago.



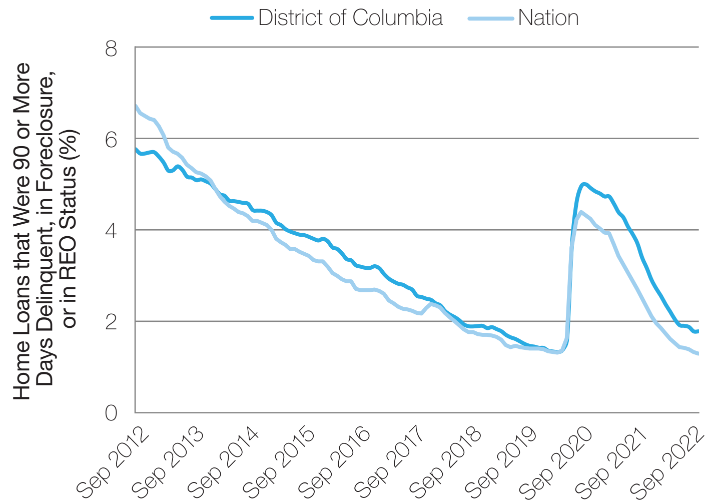
Note: Includes new and existing homes.
Source: Bright MLS, Inc.

The average sales prices of single-family homes, townhomes, and condominiums in the District of Columbia increased during the past year, albeit at a slowing rate.



Note: Includes new and existing homes.
Source: Bright MLS, Inc.

The rate of seriously delinquent mortgages and REO properties in the District of Columbia increased significantly from April 2020 through September 2020 but has steadily declined since October 2020.



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

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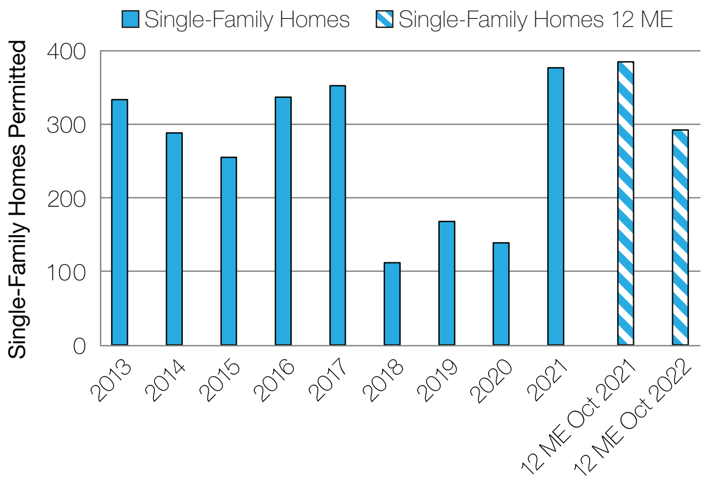
$1.13 million, or an increase of 6 percent compared with the previous 12-month period. The average sales price has increased an average of 6 percent annually during the past 13 years, and the current price is more than double the price of $536,900 in 2009, which was the lowest price since 2005.

- Sales of new and existing condominiums decreased to 4,775 units sold, or 13 percent, compared with a 24-percent increase during the same period a year earlier. During the past year, the average sales price of new and existing condominiums rose to $584,500, or 3 percent, an all-time high.
- In contrast to national trends, the average sales price of existing homes in the District of Columbia typically has been higher than that of new homes, which is largely attributed to new owner construction being more heavily concentrated in relatively low-priced condominiums. During the past year, the average sales price of existing homes was $843,100, up 4 percent from a year ago, whereas the average price of new homes was $775,800, which was also up 4 percent compared with a year ago (Redfin, a national real estate brokerage).

In response to a strong decline in the number of homes sold, single-family construction activity, as measured by the number of homes permitted, in the District of Columbia has slowed during the past year.

- During the 12 months ending October 2022, single-family home construction activity in D.C. totaled approximately 290 homes, representing a decrease of 90 homes, or 24 percent, compared with the 12 months ending October 2021 (preliminary data). By comparison, during the 12 months ending October 2021, the number of homes permitted was more than double the number permitted during the same period a year earlier.

Single-family homebuilding activity in the District of Columbia slowed during the past year.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data; past 24 months of data—preliminary data

- From 2013 through 2021, an average of approximately 260 single-family homes were permitted annually. Homebuilding activity during this period increased 18 percent, compared with the average of 220 homes permitted annually from 2008 through 2012.
- Since 2014, an average of 660 condominium units have been permitted annually, more than triple the average of 210 condominium units permitted annually from 2008 through 2013. Recent condominium construction activity includes The Kennedy on L, a 74-unit condominium community completed in late 2021; prices for these one- and two-bedroom condominium units start at $499,900 and $899,900, respectively.

Apartment Market Conditions

Apartment market conditions in the District of Columbia are slightly soft, compared with balanced conditions in 2010. In response to a strong increase in the number of newly constructed apartment units coming online, conditions in D.C. transitioned from balanced to slightly soft from 2010 through 2013 and stayed slightly soft from 2014 through 2019. Conditions further softened during 2020, partially because local college and university students left D.C. during the early stages of the COVID-19 pandemic in response to schools offering classes remotely. As schools returned to in-person learning, students returned to the area, contributing to conditions returning to slightly soft since mid-2021.

During the third quarter of 2022—

- The apartment vacancy rate in the District of Columbia was 8.2 percent, down from 9.8 percent during the third quarter of 2021 (CoStar Group). From 2010 through 2019, the third quarter vacancy rate ranged from a low of 6.6 percent in 2010 to a high of 8.2 percent in 2019 before further increasing to 12.6 percent in 2020, which was the highest third quarter rate in more than 20 years.
- Apartment vacancy rates declined in 7 of the 10 CoStar Group-defined market areas (hereafter, market areas) that make up D.C., led by an 8.6-percentage-point decrease,

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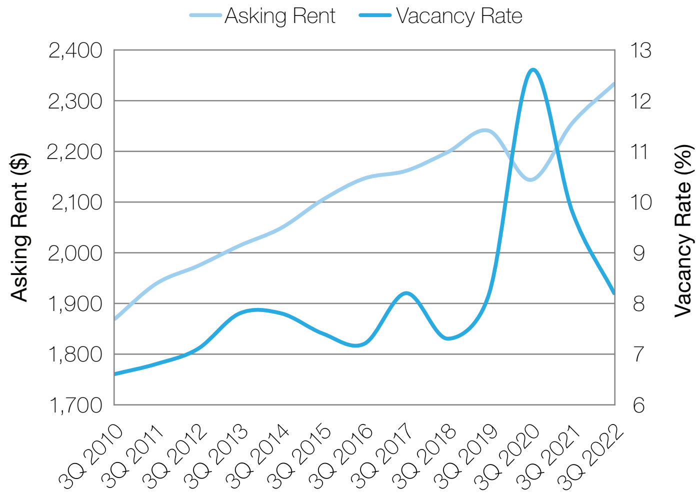
to 6.7 percent, in the Capitol Hill market area. In the Georgetown/Wisconsin Avenue market area, where the number of newly constructed apartment units coming online increased significantly, the vacancy rate rose 0.2 percentage point to 16.6 percent; the vacancy rate in this market area increased during the past year, even with students returning to in-person learning at American University and Georgetown University—both of which are in the market area.

- The average apartment rent in the District of Columbia increased 3 percent to $2,334, compared with the third quarter of 2021. In response to declining vacancy rates, the average apartment rent has increased an average of 4 percent annually during the past 2 years, compared with a 6-percent decline during 2020.
- Within the District of Columbia, average rents were up in all 10 market areas, led by the Downtown D.C. and Connecticut Avenue Northwest market areas, where rents rose 6 percent to $2,690 and $2,357, respectively. In the Georgetown/Wisconsin Avenue market area, the average rent increased 4 percent to $2,471.

In response to newly constructed apartment units being absorbed at a rapid pace, multifamily construction activity in the District of Columbia, as measured by the number of units permitted, has been strong during the past 12 years, especially since 2017.

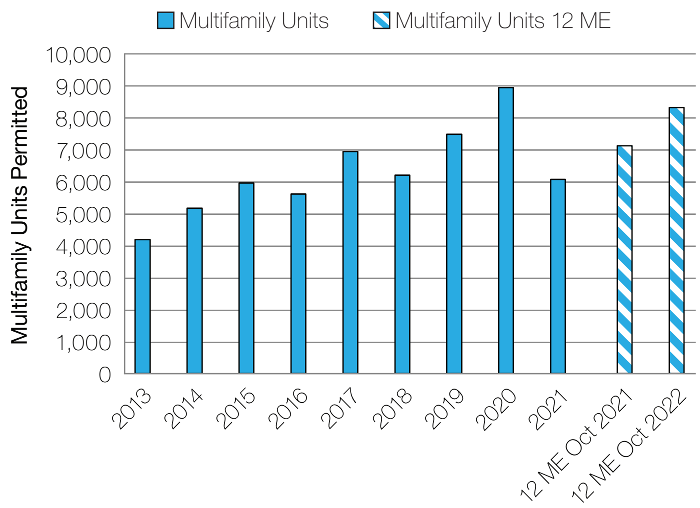
- During the 12 months ending October 2022, approximately 8,325 multifamily units were permitted, up 17 percent compared with the number of units permitted during the same period a year earlier (preliminary data, with adjustments by the analyst).
- From 2017 through 2021, an average of approximately 7,125 multifamily units were permitted annually. Multifamily permitting activity during this period was up 34 percent, compared with the average of 5,300 units permitted annually from 2011 through 2016, and is more than three times the average of 2,225 units permitted annually from 2000 through 2010.
- Since 2014, approximately 10 percent of all multifamily units permitted have been for condominiums, up significantly from 5 percent of all units permitted from 2009 through 2013 (estimates by the analyst).
- Recent construction activity includes the 690-unit City Ridge apartment community, which was completed in mid-2022, in the Georgetown/Wisconsin Avenue market area. Rents at City Ridge for studio, one-bedroom, two-bedroom, and three-bedroom units start at $2,250, $2,500, $3,450, and $8,850, respectively.

During the past year, the apartment vacancy rate in the District of Columbia declined, whereas the average rent increased.



3Q = third quarter.
Source: CoStar Group

Multifamily building activity in the District of Columbia has accelerated during the past year.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

- The Burton, a 387-unit apartment community in the H Street/NoMa market area, was completed in early 2022. Rents for the studio, one-bedroom, two-bedroom, and three-bedroom units at this community start at $2,100, $2,275, $3,450, and $4,700, respectively.

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Average Apartment Rent	Data are for market-rate and mixed market-rate/affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Include resales, short sales, and REO sales.
Fiscal Year	The federal government fiscal year runs from October 1 through September 30 of the following year.
Home Sales/Home Sales Prices	Include single-family, townhome, and condominium sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.