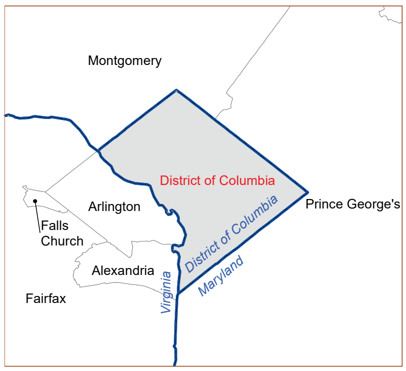
C O M P R E H E N S I V E   H O U S I N G   M A R K E T   A N A L Y S I S

District of Columbia

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2018



Housing Market Area

The District of Columbia (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, the Washington metropolitan area). Located northeast of the Potomac River between Maryland and Virginia, the District of Columbia is the 20th most populous city in the nation. Encompassing only 68 square miles, it is geographically the smallest of the 35 cities in the United States with a population of at least 500,000. This analysis was completed prior to the announcement by Amazon, Inc. on November 13 to site a new headquarters campus in Arlington County, Virginia. With the potential to add 25,000 new, fulltime jobs over a 10- to 15-year period, the investment will likely impact housing demand in D.C. during the 3-year forecast period.

Summary

Economy

The economy of D.C. has been expanding since 2010. During the 12 months ending June 2018, total nonfarm payrolls increased by 6,300, or 0.8 percent, with increases in every private sector. The rate of job growth slowed relative to increases in recent years, however, in part because of a loss of 3,300 jobs, or 1.7 percent, in the federal government subsector. During the 3-year forecast period, job growth is expected to improve modestly to an average annual increase of 7,900 jobs, or 1.0 percent.

Sales Market

The sales housing market in D.C. is tight. The sales vacancy rate is currently estimated at 1.4 percent, down from 3.4 percent in 2010. The supply of existing homes on the market was 2.0 months as of June 2018 and has been less than 3 months every month during the past 6 years (Bright MLS, Inc.). During the next 3 years, demand is estimated for 3,650 new sales housing units (Table 1). The 1,325 single-family homes, townhomes, and condominiums under construction will satisfy some of the demand.

Rental Market

The rental housing market in D.C. is balanced. The overall rental vacancy rate is currently estimated at 7.5 percent, down from 8.0 percent in 2010. Despite high levels of apartment construction activity since 2011, the apartment market is also balanced, with a vacancy rate of 4.7 percent during the second quarter of 2018, down from 5.3 percent a year ago (Delta Associates). During the next 3 years, demand is estimated for 9,675 new market-rate rental units (Table 1). The 11,050 apartment units under construction and an additional 820 units expected to be completed during the forecast period will satisfy all the demand. No additional units need to be completed during the forecast period.

Table 1. Housing Demand in the District of Columbia HMA During the Forecast Period

	District of Columbia HMA	
	Sales Units	Rental Units
Total demand	3,650	9,675
Under construction	1,325	11,050

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2018. The forecast period is July 1, 2018, to July 1, 2021.

Source: Estimates by analyst

Market Details

Economic Conditions

The District of Columbia is a major economic center in the greater Washington metropolitan area. Total nonfarm payrolls in the District of Columbia have been increasing since 2010. Although job growth slowed during the most recent 12 months, the current period of expansion, now at approximately 8 years, is approaching the length of the previous decade-long period of growth in the HMA from 1999 through 2008.

During the 12 months ending June 2018, total nonfarm payrolls in the District of Columbia increased by 6,300 jobs, or 0.8 percent, to 793,200 (Table 2). By comparison, payrolls increased by 9,000 jobs, or 1.2 percent, during the previous 12 months and an average of 11,600 jobs, or 1.6 percent, from 2010 through 2016. Despite the slowdown in growth, an increase of 2,100 jobs, or 2.8 percent, in the leisure and hospitality sector led an increase in payrolls in all 10 private sectors during the 12 months ending June 2018. The restaurants and other eating places industry accounted for two-thirds of the growth in the sector with an increase of 1,400 jobs, or 3.3 percent. The $2.5 billion first phase of The Wharf opened in October 2017 on the Potomac River in Southwest D.C. with approximately 30 restaurants, contributing to the growth in the industry. The growing population in the HMA, as well as the millions of tourists that visit the District of Columbia annually, also supported recent job growth in the leisure and hospitality sector. In 2017, 30 million visits were made to the many museums and galleries that comprise the Smithsonian, down slightly from 30.2 million visits during 2016 (The Smithsonian Institution). In addition, the privately-operated Museum of the Bible opened in November 2017, adding approximately 70 jobs to the leisure and hospitality sector.

Table 2. 12-Month Average Nonfarm Payroll Jobs in the District of Columbia HMA by Sector

	12 Months Ending		Absolute Change	Percent Change
	June 2017	June 2018		
Total nonfarm payroll jobs	786,900	793,200	6,300	0.8
Goods-producing sectors	16,300	17,000	700	4.3
Mining, logging, and construction	15,100	15,700	600	4.0
Manufacturing	1,200	1,300	100	8.3
Service-providing sectors	770,600	776,200	5,600	0.7
Wholesale and retail trade	28,000	28,600	600	2.1
Transportation and utilities	5,100	5,300	200	3.9
Information	17,400	18,400	1,000	5.7
Financial activities	30,100	30,500	400	1.3
Professional and business services	165,700	167,000	1,300	0.8
Education and health services	134,000	134,900	900	0.7
Leisure and hospitality	75,200	77,300	2,100	2.8
Other services	73,800	75,200	1,400	1.9
Government	241,300	239,000	– 2,300	– 1.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2017 and June 2018

Source: U.S. Bureau of Labor Statistics

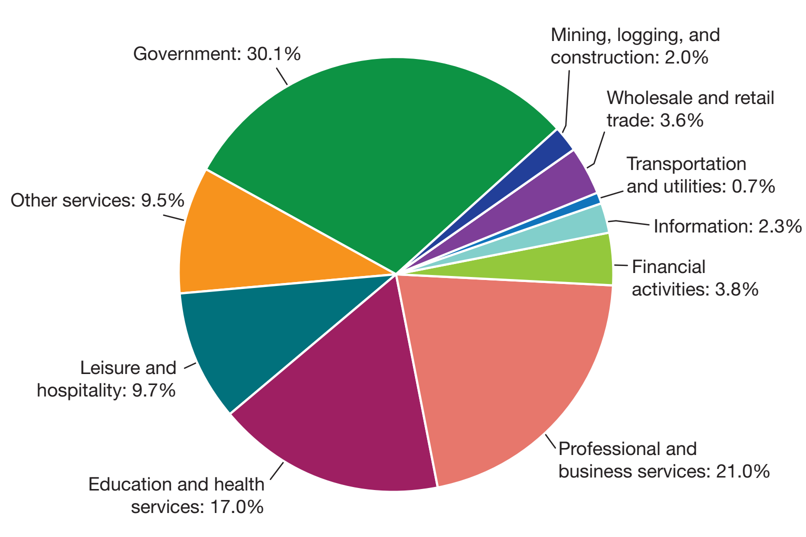
The other services and the information sectors were two of the leading growth sectors in D.C. during the past 12 months. Payroll jobs in the other services and the information sectors increased by 1,400 and 1,000 jobs, or 1.9 and 5.7 percent, respectively, during the 12 months ending June 2018. In late 2017, the American Psychiatric Association relocated its headquarters from Arlington County, Virginia, to the District of Columbia, adding approximately 220 jobs in the other services sector. Yelp, Inc. opened a new office in early 2018 and plans to add a total of 500 jobs in the information sector from 2018 through 2020. The number of jobs in each of these sectors are more highly concentrated in D.C. than the nation, especially in the other services sector. At 9.5

percent of total nonfarm payrolls in the District of Columbia, jobs in the other services sector are more than double the national share of 3.9 percent, in part because of a high concentration of nonprofit organizations. Nonprofit establishments are 3 percent of all private-sector establishments nationwide but are 11 percent of private establishments in D.C.; nearly one-half of nonprofit establishments in D.C are in the other services sector (U.S. Bureau of Labor Statistics [BLS]). Major employers in this sector in the HMA are professional or membership organizations like AARP® and grantmaking foundations like Pew Charitable Trusts.

As the capital of the United States, the government sector is a significant part of the local economy and represents 30.1 percent of total nonfarm payrolls (Figure 1). The federal government subsector accounts for nearly 83 percent of government sector payrolls and nearly 25 percent of total nonfarm payrolls. The government sector declined by 2,300 jobs, or 1.0 percent, during the most recent 12 months, including a loss of 3,300 jobs, or 1.7 percent, in the federal government subsector. After reaching a post-2000 peak of 212,200 jobs in 2011, the federal government subsector declined by an average of 5,100 jobs, or 2.4 percent, annually, through 2014. The passage of the Budget Control Act of 2011, which imposed limits on discretionary spending through fiscal year 2021, largely caused the decline. Payrolls increased in the subsector during 2015 and 2016 by an average of 1,800 jobs, or 0.9 percent, but have since declined, in part, because of a decline in employment in the executive branch. The number of federal civilian employees in the District of Columbia declined at all 15 cabinet-level agencies of the executive branch from the first quarter of 2017 through the first quarter of 2018 (Office of Personnel Management).

The professional and business services sector is the largest private sector in the HMA, in part, because of many firms that provide contracted services and research for the federal government. Nearly 400 public policy research think tanks are in the District of Columbia, including Brookings Institution, Heritage Foundation, and The Urban Institute (University of Pennsylvania, Think Tanks and Civil Societies Program). The professional and business services sector increased by 1,300 jobs, or 0.8 percent, during the 12 months ending June 2018. The gain, however, was lower than average annual growth rates of 1.6 percent during both the 2001-through-2008 and the 2010-through-2016 periods. In part, the relatively softer office markets in suburban portions of the Washington metropolitan area contributed to

Figure 1. Current Nonfarm Payroll Jobs in the District of Columbia HMA, by Sector



Notes: Based on 12-month averages through June 2018. The manufacturing sector represents only 0.2% of nonfarm payrolls and does not appear in the figure.

Source: U.S. Bureau of Labor Statistics

slower growth in the sector by attracting D.C.-based employers to relocate outside the HMA. As of the second quarter of 2018, the office vacancy rates in the Newmark Knight Frank-defined Northern Virginia and Suburban Maryland market areas were 19.0 and 15.5 percent, respectively, above the 12.9-percent vacancy rate in the District of Columbia (Newmark Knight Frank). In late 2017, the American Institutes for Research, one of the largest office tenants in the Georgetown area of the HMA, announced plans to relocate approximately one-half of its workforce, or 300 jobs, to recently-built office space in Arlington County, Virginia.

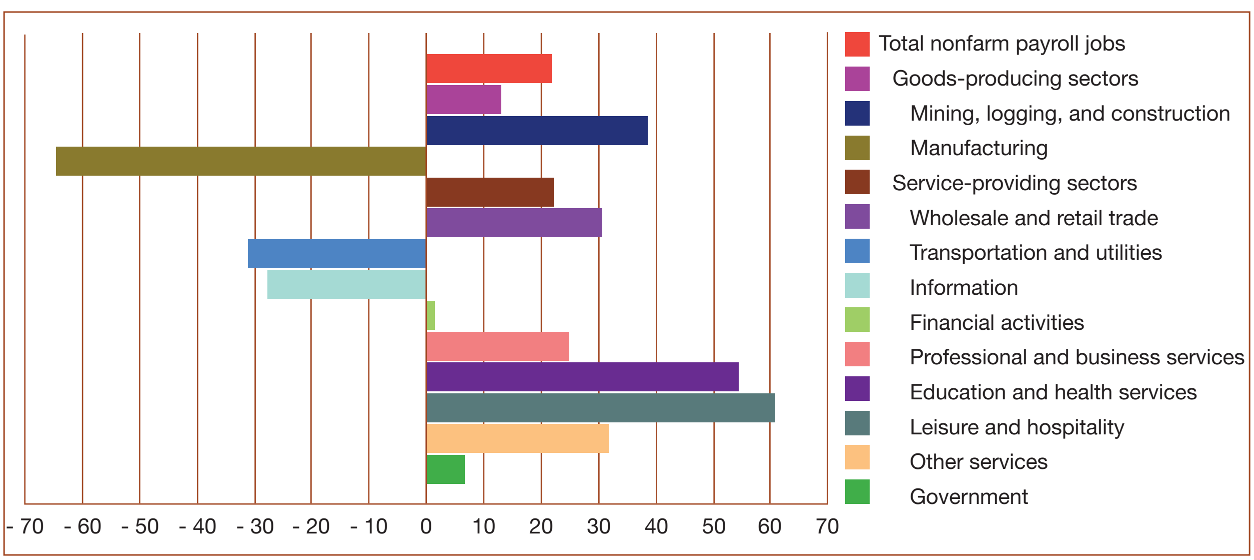
The education and health services sector is also a significant part of the economy of the District of Columbia, which is home to several private universities and major hospitals (Table 3). The sector increased by 900 jobs, or 0.7 percent, during the 12 months ending June 2018. Like the professional and business services sector, growth in the sector during the past year was below the rates of prior periods. The education and health services sector increased an average of 1.9 percent annually from 2001 through 2008 and an average of 3.5 percent annually from 2010 through 2016. Contributing to the slowdown in growth during the 12 months ending June 2018 was a loss of 300 jobs, or 0.9 percent, in the hospitals industry. Providence Health System laid off approximately 270 employees in October 2017 in advance of a planned overhaul of its services. Despite the recent slowdown, the education and health services sector has been among the leading growth sectors in the HMA since 2000 (Figure 2).

Table 3. Major Private Employers in the District of Columbia HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
George Washington University	Education & health services	6,578
Georgetown University	Education & health services	6,277
MedStar Washington Hospital Center	Education & health services	5,933
Children's National Medical Center	Education & health services	5,825
MedStar Georgetown University Hospital	Education & health services	4,500
American University	Education & health services	3,338
Howard University	Education & health services	2,965
Fannie Mae	Financial activities	2,500
The George Washington University Hospital	Education & health services	2,300
Catholic University of America	Education & health services	1,796

Notes: Excludes local school districts and federal government agencies. Employee counts as of 2016.
Sources: District of Columbia Department of Employment Services, National Center for Education Statistics, and employer websites

Figure 2. Sector Growth in the District of Columbia HMA, Percentage Change, 2000 to Current

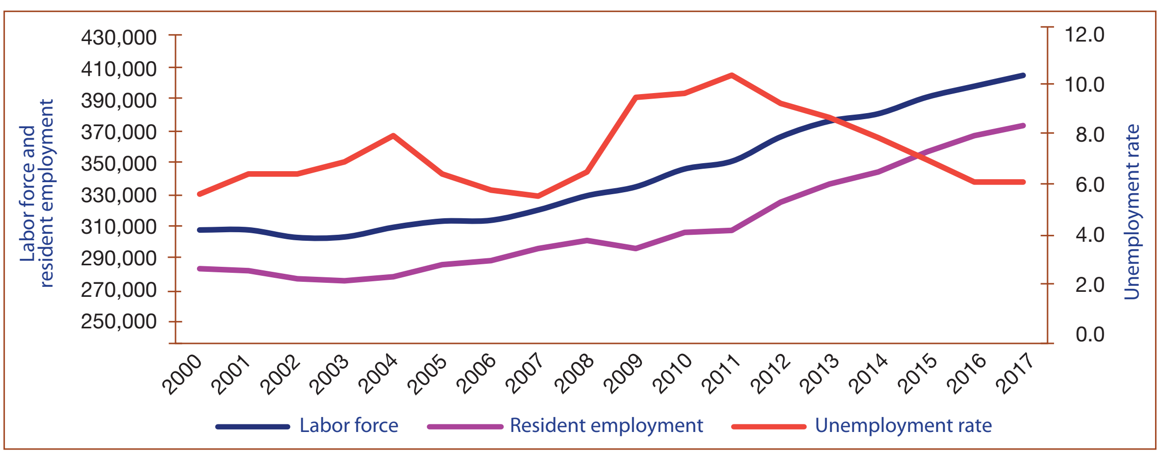


Note: Current is based on 12-month averages through June 2018.
Source: U.S. Bureau of Labor Statistics

The mining, logging, and construction sector increased by 600 jobs, or 4.0 percent, during the 12 months ending June 2018. An acceleration in multifamily construction activity since 2011 has contributed to the increase in the sector. Also supporting growth in the sector was the development of new sports facilities. A $300 million Major League Soccer stadium for D.C. United was estimated to have supported 290 jobs in the sector between the start of construction in early 2016 and its opening in June 2018. The construction of the $65 million Entertainment and Sports Arena and future home of the Washington Mystics of the Womens National Basketball Association, expected to open in September 2018, is estimated to have supported 600 jobs in the sector since breaking ground in 2017. The arena is part of a multi-phased redevelopment of St. Elizabeth's Hospital that began in 2009. An additional $110 million in infrastructure development at the St. Elizabeth's site was built throughout the past 2 years to prepare for future commercial and residential phases, further contributing to the recent growth in the mining, logging, and construction sector.

Despite a national recession, the District of Columbia added jobs in 2001 and, from 2001 through 2008, nonfarm payrolls increased by an average of 6,700 jobs, or 1.0 percent. Total nonfarm payrolls declined, however, during 2009 by 2,300, or 0.3 percent, although the impact of the Great Recession was much milder and briefer in the District of Columbia than other areas. Nationally, total nonfarm payrolls declined from 2008 through 2010, including a 4.3-percent decline during 2009. The District of Columbia was one of only three states (along with Alaska and North Dakota) where nonfarm payrolls were higher at the end of 2010 than at the end of 2007. The job growth in D.C. that began during 2010 has contributed to declining unemployment since 2012. During the 12 months ending June 2018, the unemployment rate in D.C. averaged 5.8 percent, down from averages of 6.1 percent during the previous 12 months and a peak of 10.2 percent during 2011 (Figure 3). The rate in the HMA during the 12 months ending June 2018 was higher than the 4.1-percent national average, in part, because some job growth in the HMA leads to resident employment growth in suburban

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the District of Columbia HMA, 2000 Through 2017



Source: U.S. Bureau of Labor Statistics

portions of the Washington metropolitan area rather than in the District of Columbia. As of 2015, approximately 450,000 people who lived outside the District of Columbia commuted to jobs in D.C. (Census Bureau). By comparison, approximately 91,550 people who lived in the District of Columbia in 2015 commuted to jobs outside of D.C.

The average wage in the District of Columbia is among the highest in the nation. The average weekly wage for all sectors in the District of Columbia was $1,812 as of the fourth quarter of 2017 (BLS Quarterly Census of Employment and Wages). Among large counties, defined by BLS as having 75,000 or more jobs, the average wage in the HMA ranked as the 6th highest average in the nation and exceeded the national average weekly wage of $1,109. The average weekly wage in the professional and business services sector in the HMA was $2,419, compared with averages of $2,189 and $1,255 in the federal government subsector and the education and health services sector, respectively.

During the 3-year forecast period, job growth is expected to average 7,900 jobs, or 1.0 percent, annually, a modest increase from the 0.8-percent growth during the 12 months ending June 2018. The education and health services sector and the financial activities sector are expected to lead job growth. A new $560 million, 156-bed medical pavilion is expected to be completed by 2021 at MedStar Georgetown University Hospital, adding an undetermined number of jobs in the education and health services sector. A portion of the former campus of Walter Reed Army Medical Center is planned to be converted into a medical research hub with room for 400 scientists, pediatricians, and support staff. The facility, called Children's National Research and Innovation Campus at Walter Reed, is expected to open in 2020. In the financial activities sector, JPMorgan Chase & Co. announced plans in April 2018 to open 70 new branches in the Washington metropolitan area, including a regional headquarters in D.C., and to hire 700 employees over the next 5 years.

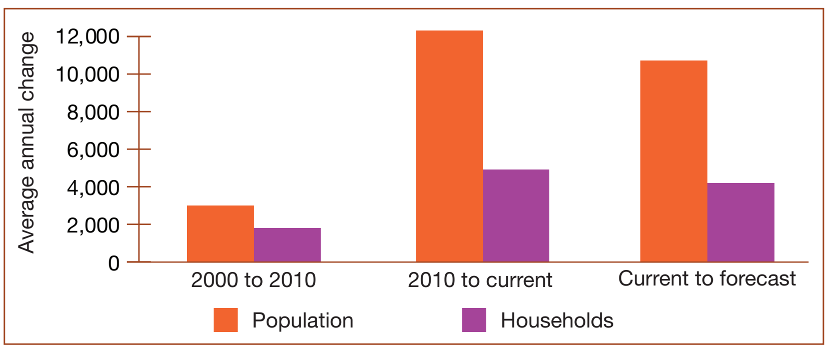
Job losses in the federal government subsector may abate slightly during the next 3 years because of the passage in February 2018 of the Bipartisan Budget Act of 2018 that raised limits on discretionary spending. However, some jobs in the federal government subsector in D.C. may be lost in the process of reforming and reorganizing executive branch agencies, which has been in planning since early 2017. In other cases, some federal jobs will be moved outside of the HMA through agency consolidations. A new headquarters for the U.S. Citizenship and Immigration Services is under construction in Prince George's County, Maryland, that will consolidate about 3,700 employees currently in six locations in the Washington metropolitan area (including five in D.C.) in one location on completion in 2020.

Several private-sector employers are expected to relocate within the HMA during the forecast period. Fannie Mae will move its headquarters from the Tenleytown area in Northwest D.C. to a location near the center of D.C. in late 2018. Utility company DC Water and the National Association of Broadcasters are expected to relocate 350 and 150 employees, respectively, to new offices in the Capitol Riverfront neighborhood. The Peace Corps and some divisions of the Department of Justice are also expected to relocate to new offices in the NoMa neighborhood. Although these moves are not expected to greatly affect overall job growth, the relocations may affect where new sales and rental housing are in demand.

Population and Households

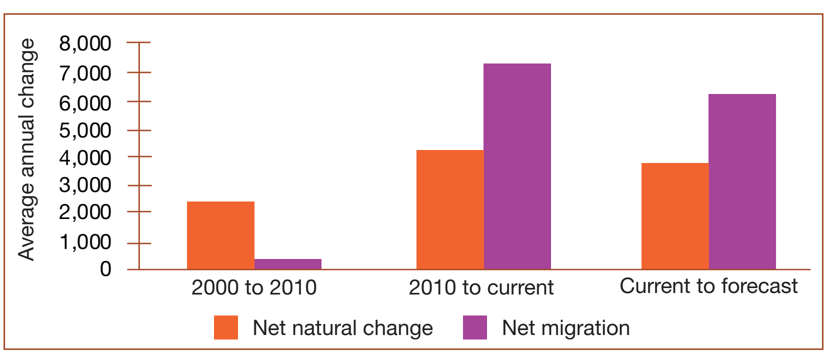
The population of the District of Columbia is estimated at 703,300 as of July 1, 2018, an average annual increase of 12,300, or 1.9 percent, since 2010 (Figure 4). High rates of population growth in the final years of the 2000s continued into the current decade, although growth has been slowing since 2013. The rate of population growth slowed from an average of 2.4 percent annually from 2010 to 2013 to average annual rates of 1.7 percent from 2013 to 2016 and 1.4 percent from 2016 through the current date. Strong job growth has contributed to relatively high levels of net in-migration since 2010 although levels have moderated in recent years in part because of stronger increases in housing costs in D.C. relative to other parts of the Washington metropolitan area. Net in-migration averaged 7,775 people annually from 2010 through the current date, accounting for 63 percent of the population growth and far exceeding the average of 375 people annually during the 2000s (Figure 5). From 2010 to 2013, net in-migration averaged 10,300 people annually, a figure which declined to an average of 6,775 people annually from 2013 to 2016 and again to an average of 5,225 people annually from 2016 through the current date. Net natural change (resident births minus resident deaths) averaged 4,525 people annually from 2010 through the current date, accounting for 37 percent of population growth.

Figure 4. Population and Household Growth in the District of Columbia HMA, 2000 to Forecast



Notes: The current date is July 1, 2018. The forecast date is July 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the District of Columbia HMA, 2000 to Forecast

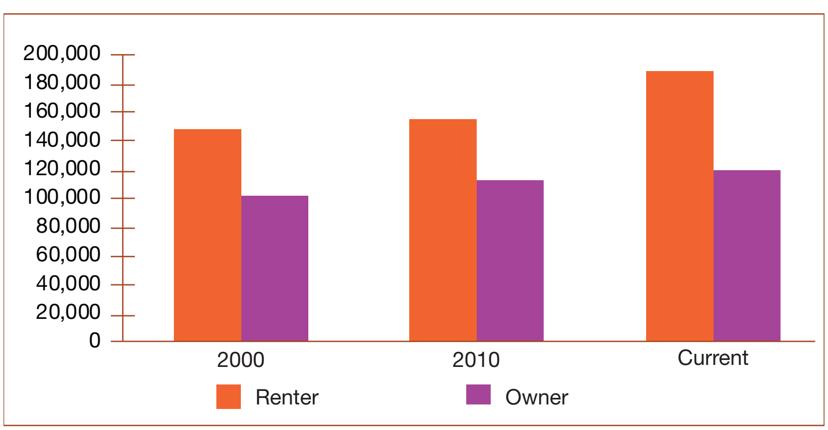


Notes: The current date is July 1, 2018 . The forecast date is July 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Like trends in the cities of Baltimore, Maryland, and Philadelphia, Pennsylvania, the population in the District of Columbia peaked in the mid-1900s. After reaching a high of 802,200 in 1950, the population of the HMA declined during the next five decades during the era of suburbanization. From 2000 to 2005, the population in the District of Columbia continued to decline, decreasing by an average of 940, or 0.2 percent, annually. Despite job growth during the period, the population declined because of net out-migration, which averaged 2,925 people annually. A surge in condominium construction activity in the mid-2000s contributed to an increase in population from 2005 to 2008; population growth during this time averaged 4,375 people, or 0.8 percent, annually, and net in-migration averaged 1,025 people annually. From 2008 to 2010, population growth strongly accelerated because of relatively stronger economic conditions in the District of Columbia than in most every other area in the nation. Population growth averaged 12,300 people, or 2.1 percent, annually, from 2008 to 2010. A major expansion of pre-kindergarten education in 2008 incentivized families to remain in D.C. and provided an additional support to the net in-migration in the late 2000s.

Of the estimated 306,900 households that currently reside in the District of Columbia, 61.3 percent, or 188,000, are renter households (Figure 6). The current homeownership rate, estimated at 38.7 percent, is down from 42.0 percent in 2010. Tightened mortgage lending standards contributed to the decline in the homeownership rate, as did a nearly fivefold increase in the rate of renter household growth since 2010 compared with the 2000s. Total households increased by an average of 4,875, or 1.7 percent, annually from 2010 through the current date (Table DP-1 at the end of this report). During this period, renter households increased by an average of 4,050, or 2.4 percent, annually, accounting for 83 percent of total household growth. By comparison, renter households increased by an average of 750, or 0.5 percent, annually from 2000 to 2010, accounting for only 41 percent of total household growth, which averaged 1,825, or 0.7 percent, a year.

Figure 6. Number of Households by Tenure in the District of Columbia, 2000 to Current



Note: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Rising college enrollment has also supported recent population growth in the District of Columbia. Major universities in D.C., listed in order of descending total enrollment as of the fall of 2017, include George Washington University (27,973), Georgetown University (19,005), and American University (13,858). After increasing by only 1,850 students during the 1990s, total undergraduate and graduate enrollment at these three universities increased by 11,150 from 2000 to 2010 (National Center for Education Statistics [NCES], fall semester enrollments as of 1990, 2000, and 2010). Enrollment increased further, by approximately 6,000 students, from the fall semesters of 2011 to 2017. Enrollments are expected to continue to increase during the forecast period.

Relatively high household income levels in the District of Columbia contribute to home values and rents that are also among the highest in the nation for large cities. The median household income in the District of Columbia was approximately $75,500 in 2016, the 4th highest figure among the 20 most populous cities in the nation and 31 percent greater than the national median household income of $57,600 (2016 American Community Survey [ACS] 1-year data). Median incomes for owner and renter households in the District of Columbia were $125,500 and $50,800, respectively, 72 and 36 percent higher than the respective national medians.

During the 3-year forecast period, population growth in the District of Columbia is expected to increase modestly from the rate of growth since 2016 to an average annual gain of 10,650 people, or 1.5 percent. Net in-migration is expected to increase to an average of 6,650 people annually during the period. The number of households is expected to increase by an average of 4,175, or 1.3 percent, annually, during the next 3 years, with renter households accounting for an estimated 80 percent of the growth.

Housing Market Trends

Sales Market

The sales housing market in the District of Columbia is currently tight. The sales vacancy rate is estimated at 1.4 percent, down from 3.4 percent in 2010. The supply of existing homes available for sale was 2.0 months as of June 2018, down slightly from 2.1 months a year earlier and 4.6 months as of April 2010 (Bright MLS, Inc.). The supply has been less than 3 months in each month since July 2012.

Sales of existing homes in the District of Columbia have been increasing since 2009 and are currently near the peak that occurred in 2005. During the 12 months ending June 2018, 8,975 existing single-family homes, townhomes, and condominiums were sold in the District of Columbia, up 5 percent from the number sold during the previous 12 months (Bright MLS, Inc.). The increase equaled the average annual gain of 5 percent from 2009 through 2016. Home sales increased by an average annual rate of 4 percent from 7,550 homes sold during 2000 to a peak level of 9,100 homes sold during 2005. Existing home sales fell sharply, by an average of 15 percent annually, from 2006 through 2008, in part, because of a tightening of mortgage lending standards.

Lending standards tightened because of a rise in seriously delinquent mortgages. In June 2006, only 0.6 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 (CoreLogic, Inc.). The rate rose sharply thereafter, reaching a peak of 6.1 percent in January 2010. The share of seriously delinquent mortgages remained above 5.0 percent through the end of 2013 but declined steadily through early 2018. As of June 2018, 2.0 percent of home loans in the District of Columbia were seriously delinquent or had transitioned into REO status, down from 2.8 percent a year earlier. The rate of mortgage delinquency for the nation was slightly lower, at 1.9 percent as of June 2018.

The average sales price for existing homes in the District of Columbia has been increasing since 2010. During the 12 months ending

June 2018, the average sales price for existing single-family homes, townhomes, and condominiums in the District of Columbia was $687,400, a 1-percent increase from the average during the previous 12 months (Bright MLS, Inc.). By comparison, the average existing-home sales price increased an average of 4 percent annually from 2010 through 2016. Sales price growth in the early 2000s, however, was much stronger, despite the loss of population. The average existing-home sales price rose an average of 16 percent annually, from $250,500 during 2000 to $534,600 during 2005. In contrast, the average price fell in the latter half of the 2000s because of the decline in home sales and an oversupply of new and existing condominiums. The average existing-home sales price declined an average of 2 percent annually from 2006 through 2009, to $485,000 during 2009.

The decline in the average existing-home sales price in the late 2000s was due in part to a significant rise in foreclosure and REO home sales. Foreclosure and REO home sales were 2 percent of existing homes sold during 2005 but were 38 percent of homes sold during 2010 (Metrostudy, A Hanley Wood Company). The average price for REO homes sold in D.C. is typically 50 percent less than the price for regular existing home sales. Foreclosure and REO home sales as a proportion of total existing home sales declined after 2010 and ranged from 5 to 9 percent of existing homes sold annually from 2012 through 2017. During the 12 months ending June 2018, a little more than 6 percent of existing homes sold in the District of Columbia were foreclosure and REO home sales, down from nearly 9 percent during the previous 12 months.

Home prices in the District of Columbia are currently among the highest in the nation for major cities. As of 2016, the median value of owner-occupied homes in the District of Columbia was $576,100 (2016 ACS 1-year data). This value was the 5th highest median among the 20 most populous cities in the nation, ranking behind Los Angeles, San Francisco, San Jose, and Seattle while slightly ahead of the median in New York City. In addition, sales prices in D.C. rose faster than in adjacent counties within the Washington metropolitan area since 2010, by approximately 1 percentage point. The high housing costs represent a perceived barrier to homeownership among younger cohorts in the Washington area. A 2015 survey of adults ages 20 to 37 living in the District of Columbia or in nearby suburbs found that only 19 percent of renters believed they could buy a home in the District of Columbia of the type and size they preferred and at a price they could afford (Lachman, M. Leanne, Deborah L. Brett. 2015. Millenials Inside the Beltway. Washington, DC: Urban Land Institute).

Condominiums account for nearly one-half of existing homes sold in the District of Columbia. During the 12 months ending June 2018, 4,200 existing condominiums were sold in the District of Columbia, up 4 percent from the number sold during the previous 12 months (Bright MLS, Inc.). The average sales price for existing condominiums rose 2 percent during the same period, to $526,800. The current level of condominium sales and the average sales price exceed their peak figures in the mid-2000s. During 2005, approximately 4,000 existing condominiums sold for an average of $427,000.

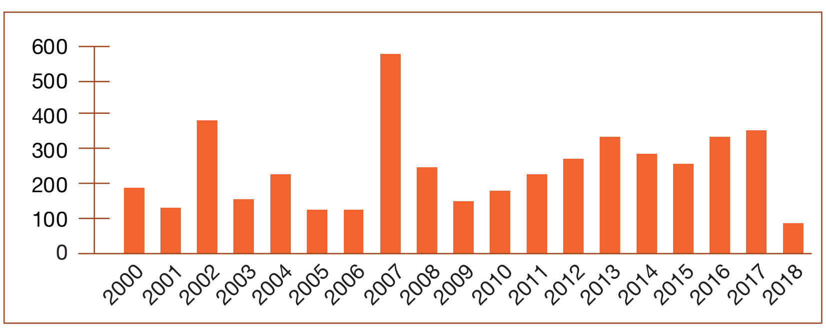
Significant condominium construction activity in the mid-2000s, and an average annual 13-percent decline in condominium sales from 2006 through 2008, caused a rapid increase in the supply of condominiums from a 2.5-months' supply at the end of 2005 to a 6.0-months' supply at the end of 2008. A slowdown in condominium construction activity in the late 2000s led to a decrease in the supply of condominiums to 1.9 months at the end of 2012. The months' supply remained below 2 months through the end of 2017 and increased slightly to 2.3 months as of June 2018.

New home sales have generally increased since bottoming out in 2013. During 2017, 1,025 new single-family homes, townhomes, and condominiums were sold in the District of Columbia, down 4 percent from the number sold during 2016 (Metrostudy, A Hanley Wood Company). Sales of new homes in D.C. averaged 2,550 units annually from 2005 through 2006, although 28 percent of new homes sold during these 2 years were nonowner-occupied home sales, an indicator of investment home purchases. New home sales declined an average of 13 percent annually during the next 7 years, to a low of 750 new homes sold during 2013, primarily because of a decline in investment home purchases, which accounted for only 3 percent of new homes sold during 2013. From 2014 through 2017, new home sales increased an average of 8 percent annually. Investment home purchases increased slightly during the same period, to 6 percent of new homes sold during 2017.

Compared with the existing-sales market, condominiums comprise a slightly greater share of new homes sales, accounting for 57 percent of new homes sold in D.C. from 2014 through 2017. The average sales price for new condominiums sold in the District of Columbia during 2017 was $668,400 (Metrostudy, A Hanley Wood Company). The average sales price for new single-family homes and townhomes sold during 2017 was $691,300. Despite the similarity in average sales prices, condominiums tend to be smaller in size. Approximately 84 percent of new condominiums sold during 2017 were one- or two-bedroom units, while approximately 93 percent of single-family homes and townhomes sold during 2017 have three or four bedrooms.

Single-family construction activity in the District of Columbia, as measured by the number of single-family homes permitted, declined during the most recent 12 months but has increased in most years since 2010. During the 12 months ending June 2018, 270 single-family homes were permitted in the District of Columbia, down 16 percent from 320 homes permitted during the previous 12 months (preliminary data). An average of 300 homes were permitted annually from 2013 through 2016, up from an average of 230 homes permitted annually from 2000 through 2012 (Figure 7). Single-family communities currently under construction in the District of Columbia include The Reserves

Figure 7. Single-Family Homes Permitted in the District of Columbia HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and analyst estimates; 2018 preliminary data and analyst estimates at Dakota Crossing, planned for a total of 118 townhomes starting at $585,000; 40 homes have been completed since construction began in mid-2017 (Metrostudy, A Hanley Wood Company).

Condominium construction activity, as measured by the number of condominium units permitted, exceeded the number of single-family homes permitted in the District of Columbia in most years from 2000 through 2017. During the 12 months ending June 2018, 500 condominium units were permitted in the District of Columbia, down from 720 units permitted during the previous 12 months (District of Columbia Department of Consumer and Regulatory Affairs). Condominium construction activity in D.C. was highest from 2003 through 2006, when an average of 1,825 units were permitted annually. Declining levels of condominium sales and average sales prices in the late 2000s contributed to a pullback in condominium construction activity to an average of 440 units annually from 2007 through 2016.

Approximately 1,250 condominium units are currently under construction in the District of Columbia. Some of the smaller, "boutique" condominium communities are in the more established neighborhoods of Capitol Hill, Dupont Circle, and Shaw. Penn Eleven is a 34-unit condominium building under way in Capitol Hill with completion expected in early 2019 and list prices ranging from $500,000 to $2 million. In Dupont Circle, a restoration of several existing rowhomes to 65 condominiums is expected to be completed in late 2018. List prices for the units, called 1745N, range from $500,000 to $1.7 million. The Perla is a 66-unit condominium building under construction in Shaw expected to be completed in late 2019, with prices anticipated to start in the mid-$600,000s for one-bedroom units and the low $800,000s for two-bedroom units.

The largest condominium building currently under way in the District of Columbia is the 182-unit Lexicon, in the NoMa neighborhood which is expected to be completed in mid-2019, with current prices starting in the low $400,000s and $600,000s for one- and two-bedroom units, respectively. Since sales began in April 2016, contracts have been signed for 44 units at Lexicon, equivalent to a sales pace of about 2 units a month (Delta Associates). By comparison, the sales pace per condominium project in the District of Columbia averaged approximately three units a month during the 12 months ending June 2018.

During the next 3 years, demand is expected for 3,650 new sales housing units in the District of Columbia (Table 1). Demand is expected to be relatively constant during the forecast period. The 1,325 single-family homes, townhomes, and condominiums currently under construction will meet a portion of the demand. In addition to the units under construction, major developments currently in planning expected to begin construction during the forecast period include the redevelopment of the Walter Reed Army Medical Center campus to more than 2,000 residential units (including 600 condominiums and 96 townhomes) and the redevelopment of the Fannie Mae headquarters campus to 700 residential units. The Fannie Mae redevelopment is expected to be completed in 2022, and the Walter Reed redevelopment is expected to be completed in 2030. Table 4 shows estimated demand in the District of Columbia by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the District of Columbia HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
400,000	599,999	1,275	35.0
600,000	799,999	1,100	30.0
800,000	999,999	550	15.0
1,000,000	and higher	730	20.0

Notes: Numbers may not add to totals because of rounding. The 1,325 homes currently under construction in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

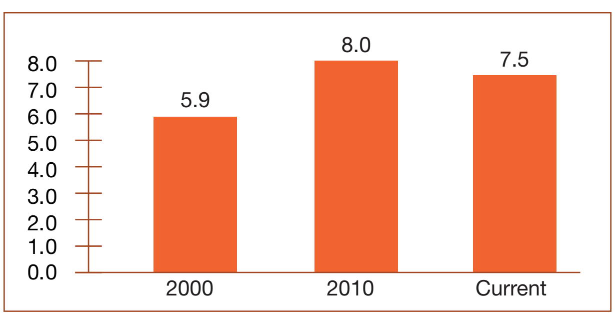
Rental Market

Rental housing market conditions in the District of Columbia are currently balanced. The overall rental vacancy rate, including renter-occupied, single-family homes and apartments, is estimated at 7.5 percent, down from 8.0 percent in 2010 (Figure 8). Despite significant apartment construction in recent years, the apartment market is also balanced. The vacancy rate for stabilized Class A, high-rise apartment units was 4.7 percent during the second quarter of 2018, down from 5.3 percent a year earlier and equal to the vacancy rate during the first quarter of 2010 (Delta Associates).

Broad private-sector job growth, combined with the tight sales market, has contributed to strong absorption of apartments during recent years. During the 12 months ending June 2018, approximately 4,050 Class A, high-rise apartment units were absorbed in the District of Columbia (Delta Associates). By comparison, Class A absorption averaged 900 units annually from 2003 through 2011 before increasing during most of the following 6 years to more than 3,600 units absorbed during 2017.

Absorption at many new properties within the HMA has exceeded the pace of absorption for properties elsewhere within the Washington metropolitan area. During the second quarter of 2018, average absorption for properties in lease up in the Washington metropolitan area averaged 15 units a month (Delta Associates). Within the District of Columbia, the 197-unit Legacy West End in the West End neighborhood was completed in early 2018 with rents for studio, one-, and two-bedroom units starting at $2,130, $2,435, and $4,199, respectively. An average of 41 units a month was absorbed at Legacy West End from the start of leasing in January 2018 through the current date. The 520-unit Modern at Art Place opened in the Fort Totten neighborhood in late 2017 with rents starting at $1,550, $1,795, and $2,345 for studio, one-, and two-bedroom units, respectively. An average of 22 units a month were absorbed at Modern at Art Place from the start of leasing in April 2017 through the current date. Agora at the Collective was completed in early

Figure 8. Rental Vacancy Rates in the District of Columbia HMA, 2000 to Current



Note: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

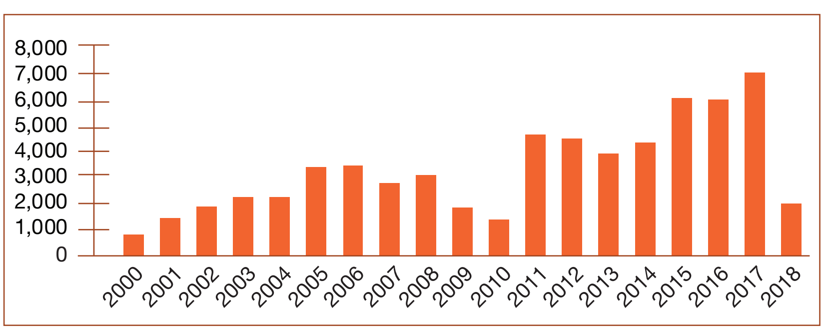
2018 in the Capitol Riverfront neighborhood, and an average of 17 units a month were leased from January 2018 through the current date.

Strong rates of absorption in the HMA have generally not required significant concessions. The average concession was less than 2 percent of asking rent as of the second quarter of 2018 (Delta Associates). At some properties, however, the current concession level represents a discount of 15 percent or more off asking rents. Although rents at Modern at Art Place are much lower than typical new construction in D.C., the relatively far distance from major employment areas has contributed to a concession of 2 months of free rent for any leases. The same concession is offered at the 162-unit Residences at Eastern Market, where only an average of 9 units a month were leased from September 2017 through the current date, in part because of relatively higher rents (Delta Associates). Asking rents for one-, two-, and three-bedroom units at Residences at Eastern Market currently start at $3,400, $5,700, and $7,000, respectively.

The effective rent for Class A, high-rise apartment units in the District of Columbia was $2,605 during the second quarter of 2018, up more than 2 percent from a year earlier (Delta Associates). Rent growth exceeded 5 percent in the Delta Associates-defined Capitol Hill/Riverfront/Southwest and Northeast apartment market areas, where rents are generally more affordable compared with market areas in Northwest D.C. Like the sales housing market, the apartment market in the District of Columbia is among the most expensive in the nation. The asking rent of $2,281 for Class A apartment units in the District of Columbia as of the second quarter of 2018 was less than some market areas in California and New York but was more than most every other market area in the nation (Reis, Inc.).

Multifamily construction, as measured by the number of multifamily units permitted, has been at relatively high levels since 2011. From 2000 through 2010, an average of 2,275 multifamily units was permitted annually (Figure 9). During the period, multifamily construction activity swelled in the mid-2000s, first with a rise in condominium construction activity from 2003 through 2006 when condominiums represented 62 percent of multifamily units permitted, and then again from 2007 through 2008 as apartment construction activity accelerated in the emerging Capitol Riverfront, Mount Vernon Triangle, and NoMa neighborhoods. Commercial developments around that same time, including the Walter E. Washington Convention Center in 2003 and the NoMa-Gallaudet University metro station in 2004, supported residential development in these areas. In the Capitol Riverfront neighborhood, the relocation of the U.S. Department of Transportation headquarters,

Figure 9. Multifamily Units Permitted in the District of Columbia HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2018. Annual totals reflect units permitted for new construction, stories added to existing structures, or the alteration of nonresidential structures to residential use

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and analyst estimates; 2018 preliminary data and analyst estimates along with 5,000 employees, from Southwest D.C. in 2007, and the opening in 2008 of Nationals Park, home of the Washington Nationals of Major League Baseball, preceded a significant level of residential development in the years following.

Multifamily construction activity from 2011 through 2014 was double the rate during the 2000s, at an average of 4,550 units permitted annually. Construction activity rose further to an average of 6,725 units permitted annually from 2015 through 2017. The recent surge in multifamily construction was due to a significant increase in apartment construction activity because condominiums represented only 9 percent of the units permitted from 2011 through 2017. Continued apartment construction activity in the Capitol Riverfront, Mount Vernon Triangle, and NoMa neighborhoods contributed to the growth, accounting for 36 percent of apartment units permitted in the District of Columbia from 2011 through 2017. The construction of apartments along 14th Street near Logan Circle in Northwest D.C. and H Street in Northeast D.C. combined to account for another 8 percent of multifamily units permitted from 2011 through 2017. During the 12 months ending June 2018, 6,875 multifamily units were permitted in the District of Columbia, up 1 percent from 6,800 units permitted during the previous 12 months (preliminary data, with adjustments by the analyst).

In the fall semester of 2016, 39,200 full-time undergraduate and 24,000 full-time graduate students were enrolled at postsecondary institutions in the District of Columbia (NCES). Student households represent an estimated 8 percent of renter households in the District of Columbia. Despite growth in university enrollment since 2000, however, very few apartment properties in D.C. are marketed exclusively to students, in part because a majority of undergraduate students live on campus. At Georgetown University and George Washington University, 78 and 61 percent of undergraduate students, respectively, lived on campus in the fall semester of 2017. At American University, 69 percent of undergraduate students lived on campus in fall of 2017, up from 58 percent a year earlier because of the completion of three new residence halls with 590 beds in early 2017. In addition, a portion of students not living on campus live outside of D.C. In the fall semester of 2011, 38 percent of off-campus students at American University lived in Maryland or Virginia (American University 2011 Campus Plan).

During the next 3 years, demand is estimated for 9,675 new market-rate rental units in the District of Columbia (Table 1). Demand is expected to be relatively constant during the forecast period. Nearly 11,900 apartment units, including 11,050 apartment units under construction and an additional 820 units for which site work has already begun, are expected to be completed during the next 3 years, satisfying all of the forecast demand. No additional apartment units need to be completed during the next 3 years, and developers may wish to consider delaying development to deliver during or after the third quarter of 2021 to meet anticipated demand beyond the forecast period. Table 5 illustrates the estimated demand for new market-rate rental units in the District of Columbia during the next 3 years.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the District of Columbia HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,500 to 1,699	150	1,775 to 1,974	390	2,350 to 2,549	770	4,000 to 4,199	240
1,700 or more	1,300	1,975 to 2,174	2,325	2,550 to 2,749	1,150	4,200 or more	240
		2,175 or more	1,150	2,750 to 2,949	1,150		
				2,950 or more	770		
Total	1,450	Total	3,875	Total	3,875	Total	480

Notes: Monthly rent does not include utilities or concessions. Numbers may not add to totals because of rounding. The 11,050 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. District of Columbia HMA Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	293,086	313,508	381,200	0.7	2.6
Unemployment rate	5.6%	9.4%	5.8%		
Total nonfarm payroll jobs	650,300	712,100	793,200	0.9	1.4
Total population	572,059	601,723	703,300	0.5	1.9
Total households	248,338	266,707	306,900	0.7	1.7
Owner households	101,214	112,055	118,900	1.0	0.7
Percent owner	40.8%	42.0%	38.7%		
Renter households	147,124	154,652	188,000	0.5	2.4
Percent renter	59.2%	58.0%	61.3%		
Total housing units	274,845	296,719	330,400	0.8	1.3
Sales vacancy rate	2.9%	3.4%	1.4%		
Rental vacancy rate	5.9%	8.0%	7.5%		
Median Family Income	$78,900	$102,700	$108,600	2.7	0.8

Notes: Median Family Incomes are for 1999, 2009, and 2016. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 7/1/2018—Estimates by the analyst

Forecast period: 7/1/2018–7/1/2021—Estimates by the analyst

The metropolitan statistical area definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

Throughout this report, the District of Columbia is analyzed and discussed as either a state, county, or city, depending on what type of data is available for a particular topic.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_DistrictofColumbia_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.