

COMPREHENSIVE HOUSING MARKET ANALYSIS

District of Columbia

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of July 1, 2022



PD&R

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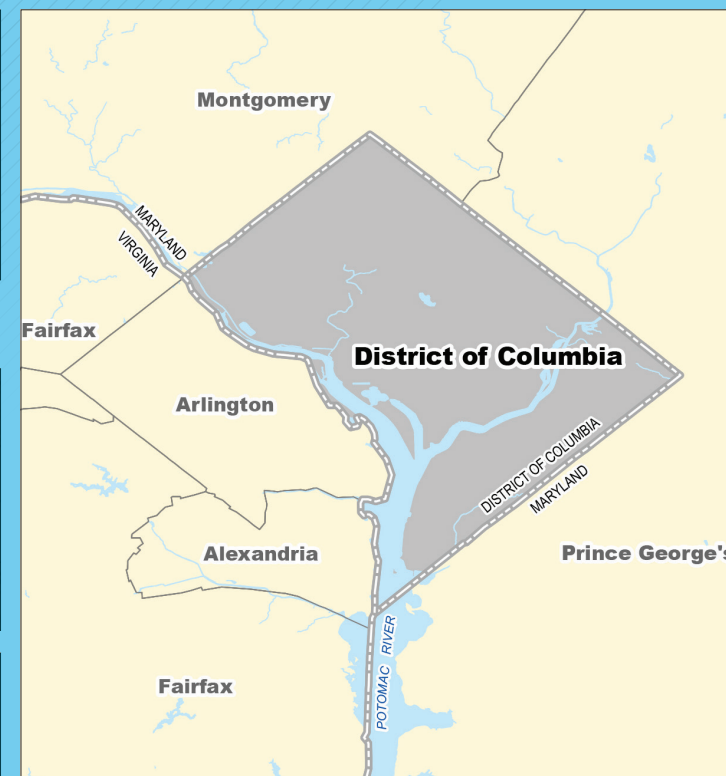
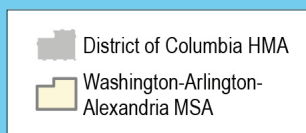
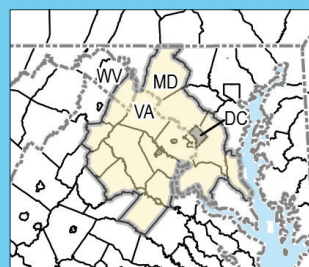
Executive Summary

Housing Market Area Description

The District of Columbia Housing Market Area (HMA) is defined as the capital city of the United States and is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA). Located along the I-95 corridor and the Potomac River, the HMA is bordered by the states of Maryland and Virginia.

The current population of the HMA is estimated at 696,400.

Workers from all 18 federal cabinet-level agencies in the United States work in the District of Columbia HMA, and approximately 9 percent of the 2.15 million nationwide federal civilian employees, excluding the U.S. Postal Service, work in the HMA (U.S. Office of Personnel Management).



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Improving: During the 12 months ending June 2022, nonfarm payrolls averaged 759,000, reflecting an increase of 28,600 jobs, or 3.9 percent, compared with a 6.4-percent decline during the same period a year earlier.

Nonfarm payrolls in the District of Columbia HMA increased during the past year as the economy continued to recover from severe job losses that occurred from March through May 2020 from the COVID-19 pandemic. As of June 2022, approximately 57 percent of the jobs lost from March through May 2020 had been recovered (monthly data, not seasonally adjusted). During the past year, nonfarm payrolls were up in 7 of 11 sectors, led by the leisure and hospitality sector, which increased by 21,300 jobs, or 53.8 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.9 percent annually.

Sales Market



Slightly Tight, but Easing: In June 2022, the HMA had 2.3 months of available for-sale housing inventory, up from 1.9 months in June 2021 (Bright MLS, Inc.).

The current sales vacancy rate in the HMA is estimated at 2.1 percent, down from the 3.4-percent rate in 2010. During the 12 months ending June 2022, new and existing home sales declined 9 percent, compared with a 31-percent increase during the same period a year earlier (Bright MLS, Inc.). During the past year, the average sales price of new and existing homes was up 7 percent, to \$846,000, an all-time high. During the next 3 years, demand is estimated for 2,075 new homes; the 950 homes under construction will satisfy a portion of that demand.

Rental Market



Slightly Soft: The overall rental vacancy rate is estimated at 9.3 percent, up from 8.0 percent in 2010.

Conditions are also slightly soft in the apartment market, compared with balanced conditions in 2010. During the second quarter of 2022, the apartment vacancy rate was 8.6 percent, down from 11.6 percent during the second quarter of 2021 but higher than the 7.1-percent rate during the second quarter of 2018, which was the lowest second quarter rate since 2011 (CoStar Group). During the forecast period, demand is estimated for 5,825 new rental units. The 9,000 units currently under construction will more than satisfy this demand.

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3-Year Housing Demand Forecast			
District of Columbia HMA	Sales Units		Rental Units
	Total Demand	2,075	5,825
	Under Construction	950	9,000

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, 2022. The forecast period is July 1, 2022, to July 1, 2025.
Source: Estimates by the analyst



Economic Conditions

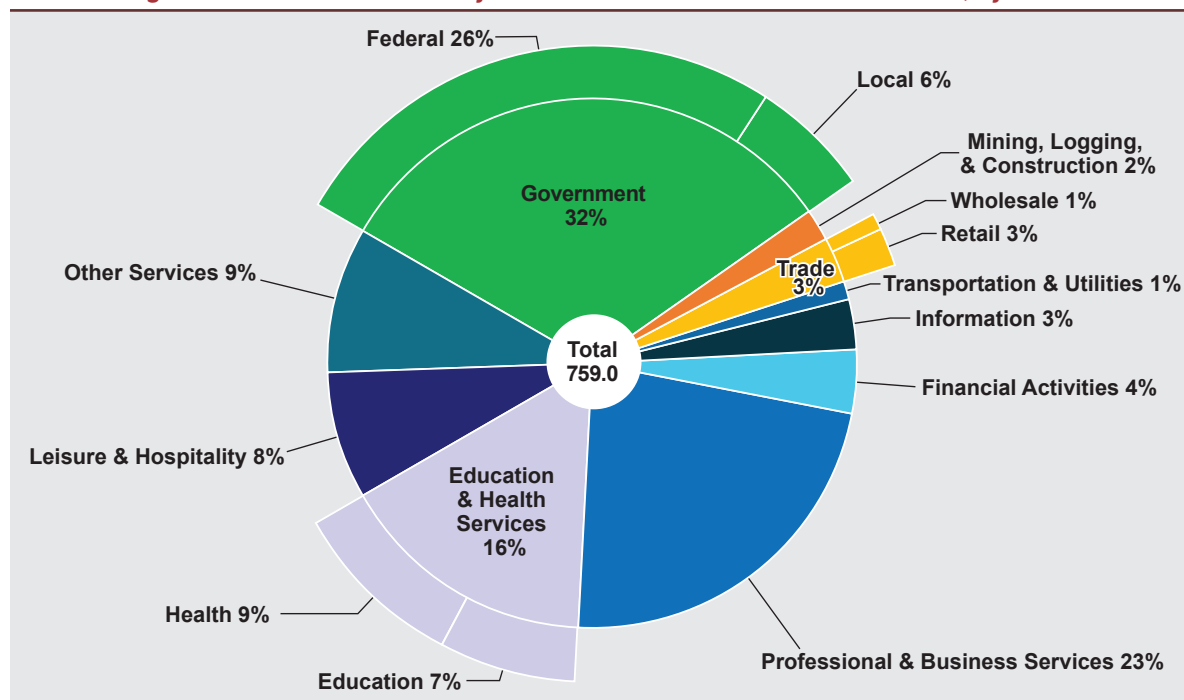
Largest Sector: Government

Nonfarm payrolls in the District of Columbia HMA increased during the past year, with gains in 7 of 11 sectors.

Primary Local Economic Factors

The federal government subsector is the primary foundation of the economy of the District of Columbia HMA, making up approximately 26 percent of all nonfarm payrolls (Figure 1). The subsector also includes the eight largest employers in the HMA, including the U.S. Department of Justice and the U.S. Department of Homeland Security, the first and second largest employers in the HMA, with 16,600 and 16,150 employees, respectively (Table 1). Nonfarm payrolls in the federal government subsector generally increased from 2001 through 2011, up 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, down by an average of 2,100 jobs, or 1.0 percent, annually. The decrease during this period was largely due to reduced hiring that resulted 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

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



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through June 2022. The manufacturing sector represents only 0.1% of nonfarm payrolls and does not appear in the figure.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the District of Columbia HMA

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
U.S. Department of State	Government	9,225
U.S. Department of Veterans Affairs	Government	8,025
U.S. Department of the Treasury	Government	7,450
U.S. Department of Transportation	Government	7,400
U.S. Department of Agriculture	Government	7,225
Georgetown University	Education & Health Services	6,550
The George Washington University	Education & Health Services	6,250

Notes: Excludes local school districts. Counts for all federal agencies exclude military personnel.

Sources: District of Columbia Department of Employment Services, National Center for Education Statistics, and U.S. Office of Personnel Management

from fiscal years 2005 through 2011 (U.S. Office of Personnel Management). During 2020 and 2021, nonfarm payrolls in the federal government subsector rose by an average of 1,800 jobs, or 0.9 percent, annually, although this increase was partially attributed to a significant number of temporary workers being hired to conduct the 2020 Decennial Census.

Before the COVID-19 pandemic, rising tourism contributed to economic growth in the HMA. From 2010 through 2019, the number of tourists and tourism spending both increased an average of 4 percent annually, to 24.6 million visitors and \$8.15 billion, respectively (Destination DC). Because of the increased tourism before the pandemic-related job losses during 2020, nonfarm payrolls in the HMA increased at the fastest pace in the leisure and hospitality sector. From 2010 through 2019, nonfarm payrolls in the sector rose an average of 3.5 percent, or by 2,400 jobs, annually, compared with an average annual 2.1-percent increase from 2001 through 2009.

Job gains in the leisure and hospitality sector were also aided by the openings of three major sports facilities since 2008. The first of these facilities was

Nationals Park, home to the Washington Nationals Major League Baseball team. Construction of the stadium began in 2006 and was completed in March 2008. More recently, Audi Field, which is a soccer-specific stadium, was completed in mid-2018. The stadium is home to D.C. United of Major League Soccer, in addition to hosting most games for the Washington Spirit of the National Women's Soccer League. The 4,200-seat Entertainment & Sports Arena was also completed in 2018. In addition to hosting a multitude of entertainment events, the arena is home to the Washington Mystics of the Women's National Basketball Association and is the practice facility for the Washington Wizards of the National Basketball Association.

Higher education also contributes to the local economy, although enrollment has been relatively unchanged in recent years. The HMA contains 14 public and private colleges and universities, with approximately 83,000 students and 23,150 employees as of 2019 (National Center for Education Statistics). From 2011 through 2019, total enrollment at these schools was relatively unchanged, compared with an average annual 2-percent increase from 2000 through 2010.



Economic Periods of Significance

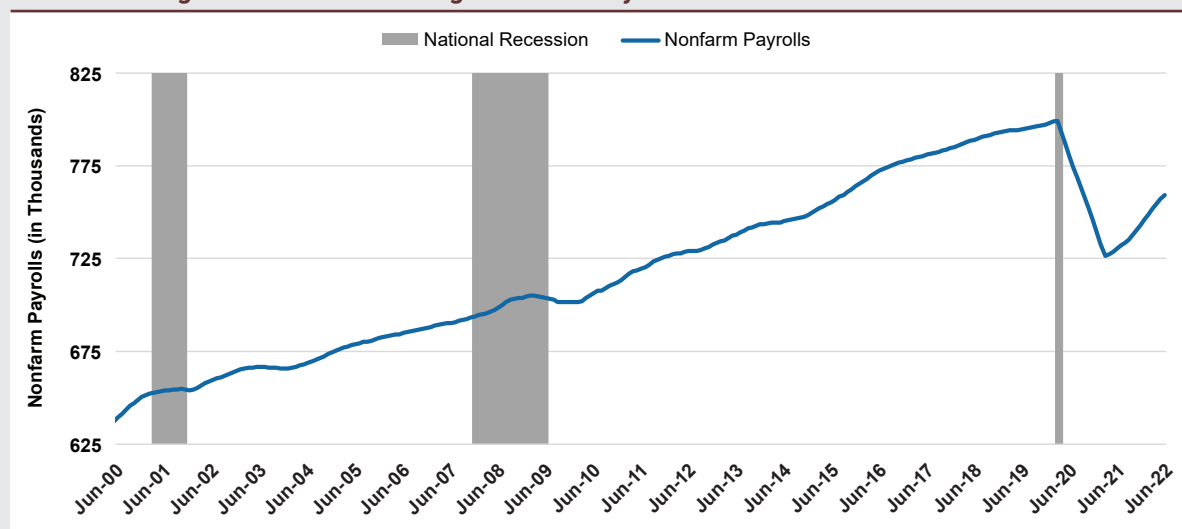
A Period of Steady Economic Growth: 2001 Through 2007

Nonfarm payrolls in the District of Columbia HMA increased each year from 2001 through 2007, in contrast to the nation overall, where payrolls were down or relatively unchanged in 3 of the 7 years. During the 7-year period, nonfarm payrolls in the HMA increased by an average of 6,200 jobs, or 0.9 percent, annually. The largest gains were in the professional and business services, the education and health services, and the leisure and hospitality sectors, which were up by averages of 2,700, 1,600, and 1,100 jobs, or 1.9, 1.7, and 2.1 percent, respectively, a year. Additional gains were in the federal government subsector, which rose by an average of 1,000 jobs, or 0.6 percent, annually. The increase in the subsector was largely due to the creation of the U.S. Department of Homeland Security, which was formed through the Homeland Security Act of 2002. The new cabinet-level agency officially began operations in 2003 and employed approximately 13,600 workers in the HMA in 2007. Figure 2 shows the 12-month average nonfarm payrolls in the HMA since 2000.

Continued Growth: 2008 Through 2011

Nonfarm payrolls in the HMA continued to increase from 2008 through 2011; the impact of the Great Recession was less severe in the HMA than in the nation overall, largely due to

Figure 2. 12-Month Average Nonfarm Payrolls in the District of Columbia HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

continued gains in the federal government subsector. During the 4-year period, nonfarm payrolls in the HMA annually increased by an average of 8,100 jobs, or 1.1 percent, compared with an average annual 1.1-percent decline nationwide. Within the HMA, gains were largest in the federal government subsector and the education and health services sector, which annually increased by averages of 5,300 and 3,600 jobs, or 2.7 and 3.4 percent, respectively. Partially offsetting these gains were losses in the information and the professional and business services sectors, which annually declined by averages of 900 and 600 jobs, or 4.4 and 0.4 percent, respectively.

A Period of Relatively Weak Job Gains: 2012 Through 2019

The economy of the HMA continued to expand from 2012 through 2019, but job growth was slower than in the nation overall due to declines in the federal government subsector, largely the result of the Budget Control Act of 2011. During this period, nonfarm payrolls in the HMA rose by an average of 8,900 jobs, or 1.2 percent, annually. By comparison, nonfarm payrolls nationwide were up an average of 1.7 percent annually. Approximately 81 percent of the net gains in the HMA were in the professional and business services, the leisure and hospitality, and the education and health services sectors, which annually

increased by averages of 2,600, 2,400, and 2,200 jobs, or 1.6, 3.4, and 1.8 percent, respectively. In the federal government subsector, nonfarm payrolls declined by an average of 2,100 jobs, or 1.0 percent, annually. Within the subsector, total employment was down at 17 of 18 cabinet-level agencies, led by the U.S. Department of Justice and the U.S. Department of Homeland Security, where total employment annually decreased by averages of 950 and 270 employees, respectively.

Job Losses During the COVID-19 Pandemic: 2020

The interventions taken in mid-March 2020 to slow the spread of COVID-19, including social distancing and the discouragement of nonessential travel, caused nonfarm payrolls in the HMA to decline by 87,600 jobs, or 10.9 percent (not seasonally adjusted), from March through May 2020 and remain below the 2019 all-time peak. During 2020, the average level of nonfarm payrolls was down by 51,500 jobs, or 6.5 percent, compared with 2019. The most

affected sectors were those heavily reliant on tourism and those dependent on in-person interactions.

During 2020, more than two-thirds of the jobs lost in the HMA were in the leisure and hospitality sector, which decreased by 34,500 jobs, or 42.2 percent. Approximately 89 percent of the decline in the sector was in the accommodation and food services industry, which was down by 30,800 jobs, or 42.9 percent. Losses in the industry were largely attributed to a significant decline in tourism to the area because of international and domestic travel restrictions put in place to slow the spread of COVID-19. The average occupancy rate at hotels during 2020 in the District of Columbia was 29.8 percent, down from 76.4 percent in 2019 (CoStar Group). Additional losses during 2020 were in the education and health services and the professional and business services sectors, which declined by 6,000 and 4,100 jobs, or 4.6 and 2.4 percent, respectively.

Current Conditions—Nonfarm Payrolls

Nonfarm payrolls in the HMA increased during the past year as the restrictions put in place to slow the spread of COVID-19 were phased out. The economic recovery in the HMA, however, has been sluggish relative to the rest of the nation, which is partially attributed to tourism to the area remaining low. During the 12 months ending June 2022, nonfarm payrolls in the HMA were up by 28,600 jobs, or 3.9 percent (Table 2). As of June 2022, the level of payrolls in the HMA was approximately 37,600 jobs, or 4.7 percent, below the February 2020 level, before the impact of the COVID-19 global pandemic (not seasonally adjusted). By comparison, the level of nonfarm payrolls nationwide is now higher than the February 2020 level. During the past year, the sectors that added the most jobs were generally the ones that had lost the most jobs a year earlier.

Approximately 74 percent of the net jobs added during the past year were in the leisure and hospitality sector, which increased by 21,300 jobs, or 53.8 percent.

Nonfarm payrolls in the food services and drinking places industry rose by 15,300 jobs, or 53.4 percent, accounting for nearly 72 percent of the total jobs added in the leisure and hospitality sector. Gains in the industry were partially attributed to local capacity limits on indoor dining being mostly eliminated by mid-2021. Despite the recent gains, the current level of nonfarm payrolls in the leisure and hospitality sector is 20,800 jobs, or 25.4 percent, below the level during 2019, which is partially attributed to the continued low tourism to the HMA. During the 12 months ending June 2022, the average occupancy rate at hotels in the District of Columbia was 51.4 percent, which is still 25.0 percentage points lower than the average rate during 2019 (CoStar Group).

Additional gains during the 12 months ending June 2022 were in the professional and business services and the wholesale and retail trade sectors, which rose by 7,400 and 1,100 jobs, respectively, or 4.5 percent each. In the professional and business services sector, approximately 64 percent of the net gains were in the administrative support and waste management and



remediation services industry, which increased by 4,700 jobs, or 11.5 percent. Gains in the wholesale and retail trade sector were partially attributed to the openings of new businesses in the sector, filling retail space left by businesses that closed during and immediately following the early stages of the COVID-19 pandemic. During the second quarter of 2022, the vacancy rate of retail space in the District of Columbia HMA was 5.7 percent, down from 6.6 percent during the second quarter of 2021 but still up from the 5.2-percent rate during the second quarter of 2019 (CoStar Group).

Partially offsetting these gains were losses in the government and the financial activities sectors, which declined by 1,100 and 800 jobs, or 0.5 and 2.8 percent, respectively. All net decreases in the government sector were in the federal government subsector, which declined by 1,100 jobs, or

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s)
in the District of Columbia HMA, by Sector**

	12 Months Ending June 2021	12 Months Ending June 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	730.4	759.0	28.6	3.9
Goods-Producing Sectors	16.0	16.3	0.3	1.9
Mining, Logging, & Construction	15.0	15.2	0.2	1.3
Manufacturing	1.0	1.1	0.1	10.0
Service-Providing Sectors	714.4	742.7	28.3	4.0
Wholesale & Retail Trade	24.6	25.7	1.1	4.5
Transportation & Utilities	3.9	4.3	0.4	10.3
Information	19.5	19.6	0.1	0.5
Financial Activities	28.5	27.7	-0.8	-2.8
Professional & Business Services	164.3	171.7	7.4	4.5
Education & Health Services	120.9	120.9	0.0	0.0
Leisure & Hospitality	39.6	60.9	21.3	53.8
Other Services	71.8	71.7	-0.1	-0.1
Government	241.3	240.2	-1.1	-0.5

Notes: Based on 12-month averages through June 2021 and June 2022. Numbers may not add to totals due to rounding. Data are in thousands.

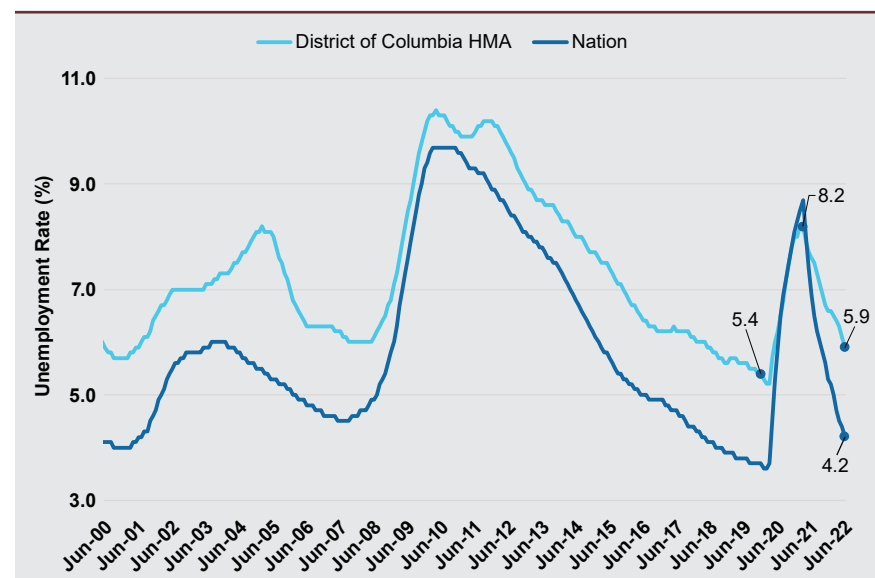
Source: U.S. Bureau of Labor Statistics

0.5 percent, partially because the employment of the workers temporarily hired to conduct the 2020 Decennial Census had ended. In the financial activities sector, nearly 63 percent of the losses were in the finance and insurance industry, down by 500 jobs, or 3.3 percent. The decrease in the industry was partially attributed to a decline in the number of home mortgage refinances in response to rising mortgage interest rates.

Current Conditions—Unemployment

Because of recent job gains, the unemployment rate declined during the past year, although the rate is still elevated relative to prepandemic rates. During the 12 months ending June 2022, the unemployment rate in the HMA averaged 5.9 percent, down from 8.2 percent during the 12 months ending March 2021, which was the highest 12-month average rate since 2013 (Figure 3). The current

**Figure 3. 12-Month Average Unemployment Rate in the
District of Columbia HMA and the Nation**



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

rate, however, is up from the 5.4-percent rate in 2019, which was the lowest annual average unemployment rate in more than 30 years. The current rate in the HMA is higher than the nationwide unemployment rate of 4.2 percent.

Commuting Patterns

A considerable number of workers commute daily both into and out of the HMA, especially within the portions of the Washington-Arlington-Alexandria MSA that are outside the HMA. During 2019, approximately 67 percent of the 488,700 people who worked in the District of Columbia HMA, or approximately 327,100 workers, resided outside the HMA, with 58 percent of all workers residing in other portions of the Washington-Arlington-Alexandria MSA (Census Bureau, On the Map). In addition, of the 245,700 working residents of the HMA during that period, approximately 34 percent worked outside the HMA, with 28 percent of all working residents holding employment in other portions of the Washington-Arlington-Alexandria MSA.

Forecast

During the 3-year forecast period, the economy of the HMA is expected to continue to recover from the significant job losses in early 2020. Nonfarm payrolls are projected to increase an average of 1.9 percent annually during the next 3 years. Job growth is expected to be relatively steady during the forecast period, but the total number of jobs in the HMA is not estimated to reach prepandemic levels for more than 3 years. Job gains are expected to be strongest in the leisure and hospitality and the wholesale and retail trade sectors as concerns over COVID-19 subside and tourism into the HMA continues to increase. Job gains are also anticipated in the federal government subsector in an attempt to fill positions that have become vacant in recent years. The Internal Revenue Service recently announced that it plans to hire 87,000 employees nationwide during the next 10 years, including approximately 10,000 workers in the next year.



Population and Households

Current Population: 696,400

The population of the HMA has generally expanded since 2005, although growth has slowed since 2017.

Population Trends

As of July 1, 2022, the population of the District of Columbia HMA is estimated at 696,400, representing an average annual increase of approximately 7,725, or 1.2 percent, since 2010, compared with an average annual gain of 2,975, or 0.5 percent, from 2000 to 2010 (Table 3). After reaching an all-time peak of 802,178 in 1950, the population of the District of Columbia declined in each of the next 5 decades, which is largely attributed to the nationwide trend of people choosing to move to suburban portions of metropolitan areas. During the 50-year period, the population of the HMA decreased by an average of 4,600, or 0.7 percent, annually, compared with an average annual 2.5-percent increase in the portions of the Washington-Arlington-Alexandria MSA located outside the District of Columbia. From 2000 to 2005, the population continued to decline, down by an average of 940, or 0.2 percent, annually (U.S. Census Bureau population estimates as of July 1; Figure 4). The decrease during this period was due to net out-migration, which averaged 2,925 people annually.

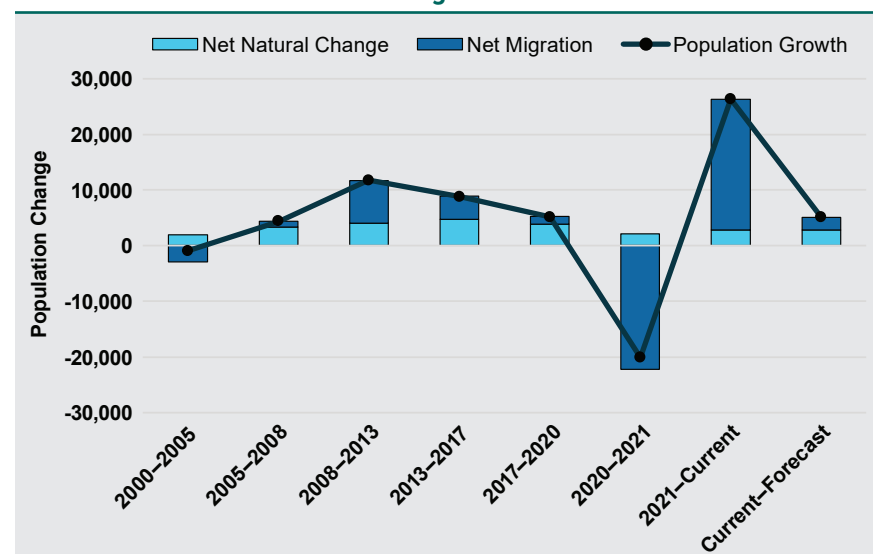
Table 3. District of Columbia HMA Population and Household Data Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	601,723	696,400	711,700
	Average Annual Change	2,975	7,725	5,125
	Percentage Change	0.5	1.2	0.7
Household Quick Facts		2010	Current	Forecast
	Households	266,707	316,600	325,400
	Average Annual Change	1,825	4,075	2,925
	Percentage Change	0.7	1.4	0.9

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (July 1, 2022) to July 1, 2025. Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

The trend of steady net out-migration has reversed since 2005, however, largely because of people wanting to live near new entertainment and dining options, including Nationals Park, the construction of which was announced in 2005. From 2005 to 2008, net in-migration averaging 1,025 people occurred each year, resulting in the population increasing by an average of 4,375, or 0.8 percent, annually. Population growth accelerated to an average of 11,750, or 1.9 percent, annually from 2008 to 2013, largely because of higher levels of net in-migration, which averaged 7,650 people annually. In addition to stronger economic conditions in the HMA relative to the rest of the nation during and immediately following the Great Recession, net in-migration was elevated during this period because of continued development throughout the city, especially in the CoStar Group-defined Southwest/Navy Yard market area (hereafter, market area), where Nationals Park is located, attracting more

Figure 4. Components of Population Change in the District of Columbia HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (July 1, 2022) to July 1, 2025. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

residents to the area. Partly in response to slower job growth in the HMA relative to the rest of the nation, net in-migration decreased to an average of 4,175 people annually from 2013 to 2017, causing population growth to slow to an average of 8,900, or 1.4 percent, annually. Population growth further slowed to an average of 5,200, or 0.8 percent, annually from 2017 to 2020, as net in-migration further decreased to an average of 1,250 people annually.

From 2020 to 2021, strong net out-migration of 22,250 people occurred, causing the population to decline significantly by 20,050, or 2.9 percent. The out-migration, however, was largely attributed to students at the colleges and universities leaving the HMA 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 the HMA as the dormitories reopened and the schools were again offering in-person classes. This influx of students is the primary factor that caused strong net in-migration of 23,500 people during the past year, leading to the population rising by 26,300, or 3.9 percent.

Net Natural Change

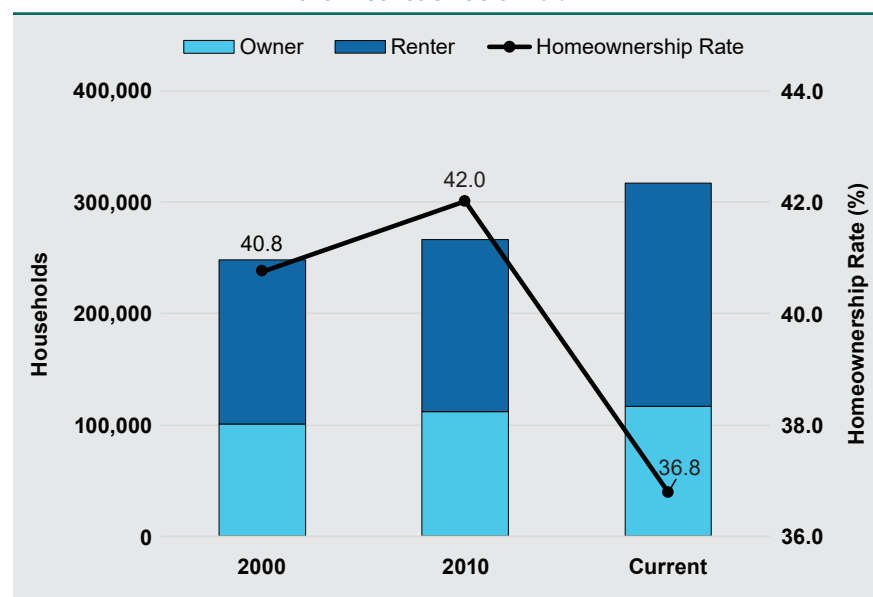
After reaching a 20-year peak of approximately 4,850 people from July 2015 to July 2016, net natural change (resident births minus resident deaths) in the HMA declined each of the next 5 years. From 2016 to 2019, net natural change in the HMA slowed by an average of 360, or 8.0 percent, annually, compared with an average annual 6.7-percent increase from 2000 to 2016. The decline from 2016 to 2019 was due to increasing resident deaths and decreasing resident births. During the 3-year period, resident deaths in the HMA rose by an average of 190, or 3.7 percent, annually, whereas resident births declined by an average of 170, or 1.8 percent, annually. From 2019 to 2021, net natural change declined by an average of 800, or 24.2 percent, annually, to approximately 2,175 people during the 2020-to-2021 period, which was the lowest total in nearly 20 years. The accelerated rate of decline during this period was largely due to COVID-19-related deaths. During the 2-year period, an average of 460 COVID-19-related deaths occurred annually in the HMA (Centers for Disease Control and Prevention). During the past year, however, as more residents received the COVID-19 vaccine, the number of

deaths attributed to COVID-19 has declined significantly, causing net natural change to increase 29 percent, to an estimated 2,800 people.

Household Trends

Household growth trends in the District of Columbia HMA have been similar to population growth trends. An estimated 316,600 households currently reside in the HMA, representing an average annual increase of 4,075 households, or 1.4 percent, since 2010. By comparison, from 2000 to 2010, the number of households was up by an average of 1,825 households, or 0.7 percent, annually. Since 2010, nearly 91 percent of all net household growth was from renter households, up significantly from approximately 41 percent of all household growth from 2000 to 2010. As a result of renters making up most of the household growth since 2010, the homeownership rate in the HMA declined from 42.0 percent in 2010 to a current estimate of 36.8 percent (Figure 5).

Figure 5. Households by Tenure and Homeownership Rate in the District of Columbia HMA



Note: The current date is July 1, 2022.

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

Student Households

Of the 14 colleges and universities in the HMA, 8 offer on-campus housing. Approximately 92 percent, or 76,300 students in the HMA, attend one of these eight colleges and universities; enrollment has been relatively unchanged since 2010. Approximately 32 percent of the students enrolled at these colleges and universities are housed in on-campus dormitories. Of the remaining students, approximately 75 percent reside in the HMA, and student households account for an estimated 6 percent of all renter households.

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 5,125, or 0.7 percent, annually, reaching 711,700 by July 1, 2025. Population growth is expected to accelerate each year as economic conditions in the HMA continue to improve. Households are also expected to increase during the forecast period, up by an average of 2,925, or 0.9 percent, annually, to 325,400 households.



Home Sales Market

Market Conditions: Slightly Tight, but Easing

New and existing home sales in the HMA declined during the past year, compared with a significant rise a year ago.

Current Conditions

The sales housing market in the District of Columbia HMA is slightly tight, compared with tight conditions during the past 2 years. The vacancy rate is estimated at 2.1 percent (Table 4), down from 3.4 percent in 2010. In June 2022, the HMA had 2.3 months of available for-sale housing inventory, up from 1.9 months of inventory in June 2021 but lower than the 6.9 months of inventory in June 2019, which was the highest June level since 2012 (Bright MLS, Inc.). Sales market conditions were generally balanced from 2000 through 2007 but transitioned to slightly tight from 2008 through 2013 in response to strong net in-migration. Conditions stayed slightly tight from 2014 through 2019 but tightened during 2020 and 2021 in response to a surge in homebuying, partly caused by low mortgage interest rates. During 2020 and 2021, the average annual interest rate for a 30-year fixed-rate mortgage was 3.1 and 3.0 percent, respectively (Freddie Mac). By comparison, from 2015 through 2019, the average annual rate exceeded 3.9 percent each year, including the 10-year peak rate of 4.5 percent during 2018.

Table 4. Home Sales Quick Facts in the District of Columbia HMA

Home Sales Quick Facts	District of Columbia HMA		Nation
	Vacancy Rate	2.1%	NA
	Months of Inventory	2.3	1.8
	Total Home Sales	9,925	9,973,000
	1-Year Change	-9%	-7%
	New Home Sales Price	\$764,300	\$496,900
	1-Year Change	-1%	22%
	Existing Home Sales Price	\$847,500	\$416,000
	1-Year Change	7%	13%
	Mortgage Delinquency Rate	1.9%	1.4%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2022; and months of inventory and mortgage delinquency data are as of June 2022. The current date is July 1, 2022.

Sources: Vacancy rate—estimates by the analyst; HMA months of inventory and home sales—Bright MLS, Inc.; HMA home sales prices—Redfin, a national real estate brokerage; national months of inventory—CoreLogic, Inc.; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

The interest rate increased significantly during the first half of 2022, reaching 5.5 percent in June 2022, the highest monthly rate since late 2008. As a result, homebuying activity has slowed, causing sales market conditions to move toward balanced.

Seriously Delinquent Mortgages and REO Properties

In June 2022, 1.9 percent of home loans in the District of Columbia HMA were seriously delinquent or in real estate owned (REO) status, down from 4.1 percent in June 2021 (CoreLogic, Inc.). The rate increased from 1.3 percent in March 2020 to 5.0 percent in September 2020 due to 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 declined 63 percent since September 2020, and the rate of homes that are seriously delinquent or in REO status has declined in each of the past 21 months. In addition, because of the forbearance programs that helped keep homes from going into foreclosure, the number of home loans that are either in foreclosure or in REO status has 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 the HMA is higher than the nationwide rate of 1.4 percent.

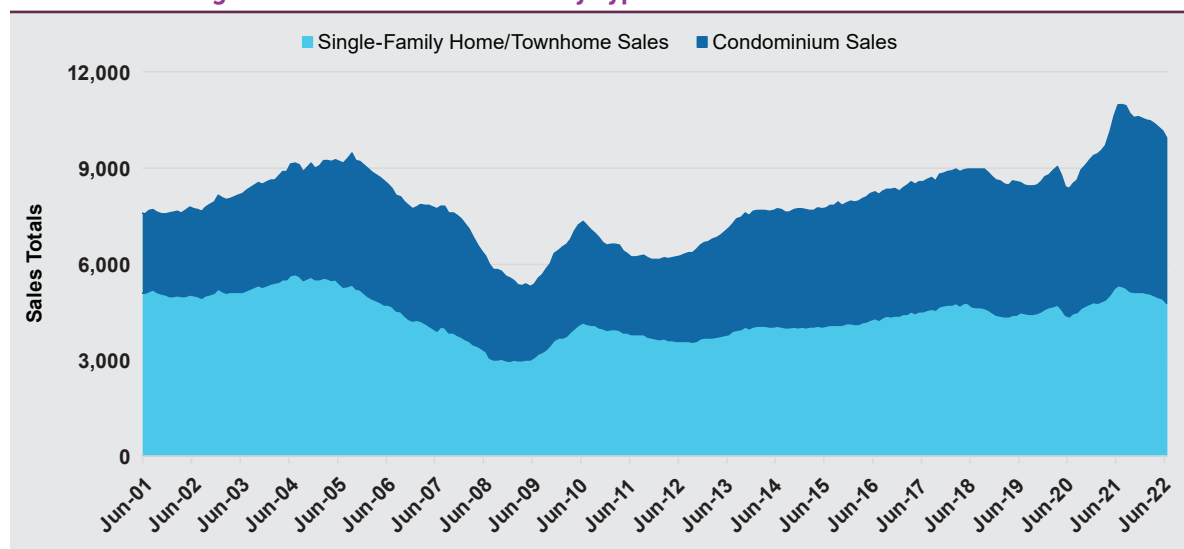
Single-Family Home and Townhome Sales

Sales of new and existing single-family homes and townhomes have slowed during the past year, but sales are still elevated relative to the level before the pandemic. During the 12 months ending June 2022, 4,775 new and existing single-family homes and townhomes were sold, representing a decrease of 560 homes, or 11 percent, compared with the previous 12-month period (Bright MLS, Inc.). By comparison, during 2020 and 2021, home sales rose an average of 5 percent annually, which was more than double the average annual 2-percent increase from 2014 through 2019. Despite the recent decline, the current sales level is still up 4 percent from the average of 4,575 homes sold annually from 2017 through 2019 and is 62 percent higher than the 20-year low of 2,950 homes sold during 2008. Figure 6 shows the 12-month sales totals by unit type in the HMA since 2001, and Figure 7 shows the share of home sales by price range during the 12 months ending June 2022.

Condominium Sales

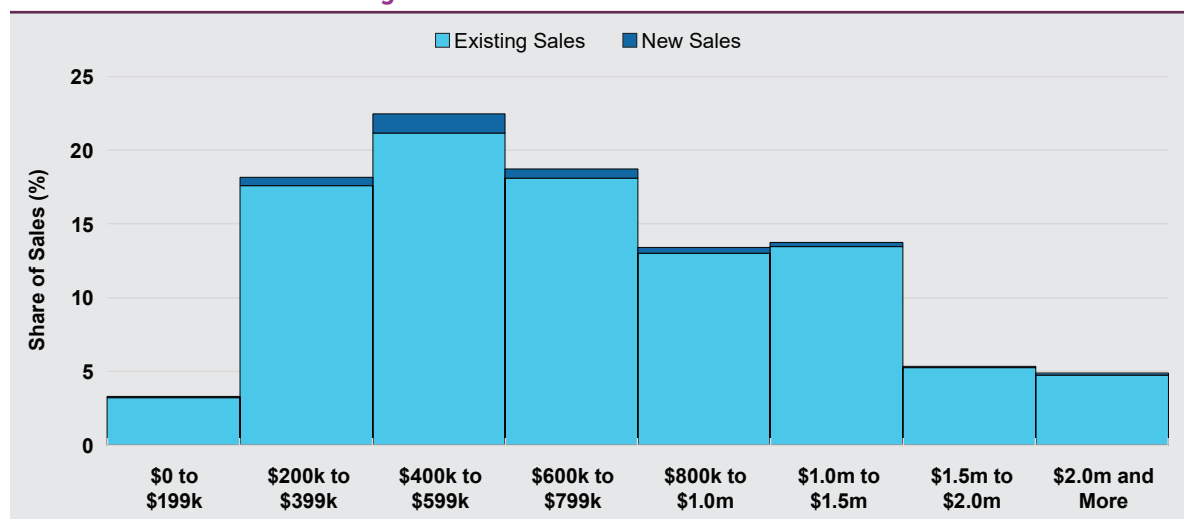
Sales of new and existing condominiums also declined during the past year, compared with significant increases during 2020 and 2021. During the 12 months ending June 2022, approximately 5,150 new and existing condominiums sold, down 8 percent from 5,625 sold during the same period a year earlier, which was an all-time peak (Bright MLS, Inc.). By comparison, condominium sales

Figure 6. 12-Month Sales Totals by Type in the District of Columbia HMA



Source: Bright MLS, Inc.

Figure 7. Share of Overall Sales by Price Range During the 12 Months Ending June 2022 in the District of Columbia HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.

Source: Zonda

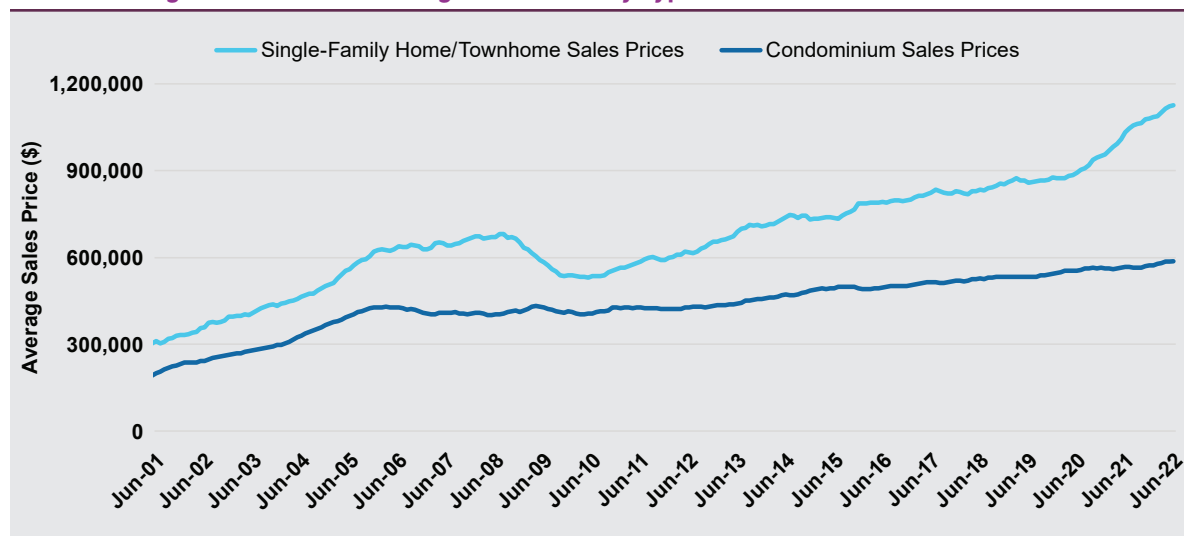
increased an average of 15 percent annually during 2020 and 2021, which was more than seven times the average annual 2-percent rise from 2014 through 2019. In addition, despite the recent decrease, the current level of condominium sales is more than double the 2,500 units sold in 2011, which was the lowest level since 2000.

Sales Prices

In response to elevated levels of sales, the average sales price of new and existing single-family homes and townhomes has increased at a strong pace since 2020. The rate of increase has slowed during the past year, however, which is largely attributed to rising mortgage interest rates and a decrease in the number of homes sold. During the 12 months ending June 2022, the average sales price of new and existing homes sold increased 9 percent, to \$1.13 million, compared with a 16-percent rise during the same period a year earlier. Since 2020, the average sales price has increased an average of 11 percent annually, compared with an average annual 5-percent rise from 2010 through 2019. In addition, the current average price is an all-time high and is more than double the average price of \$536,900 in 2009, which was the lowest price since 2004. Figure 8 shows the 12-month average sales price by unit type in the HMA since 2001.

The average sales price of new and existing condominiums has increased in 14 of the past 15 years and is also at an all-time high. During

Figure 8. 12-Month Average Sales Price by Type in the District of Columbia HMA



Source: Bright MLS, Inc.

the 12 months ending June 2022, the average sales price of new and existing condominiums rose 3 percent, to \$586,500. The average sales price has increased an average of 2 percent annually since 2008, compared with an average annual decline of 3 percent during 2006 and 2007.

In contrast to national trends, the average sales price of existing homes in the District of Columbia has typically been higher than that of new homes, which is largely attributed to new owner construction being more heavily concentrated in lower-priced condominiums. During the 12 months ending June 2022, the average sales price of existing homes was \$847,500, up 7 percent compared with the 12 months ending June 2021 (Redfin, a national real estate brokerage). By comparison, the average sales price of new homes was \$764,300, representing a 1-percent decline compared with a year ago.

Sales Construction Activity

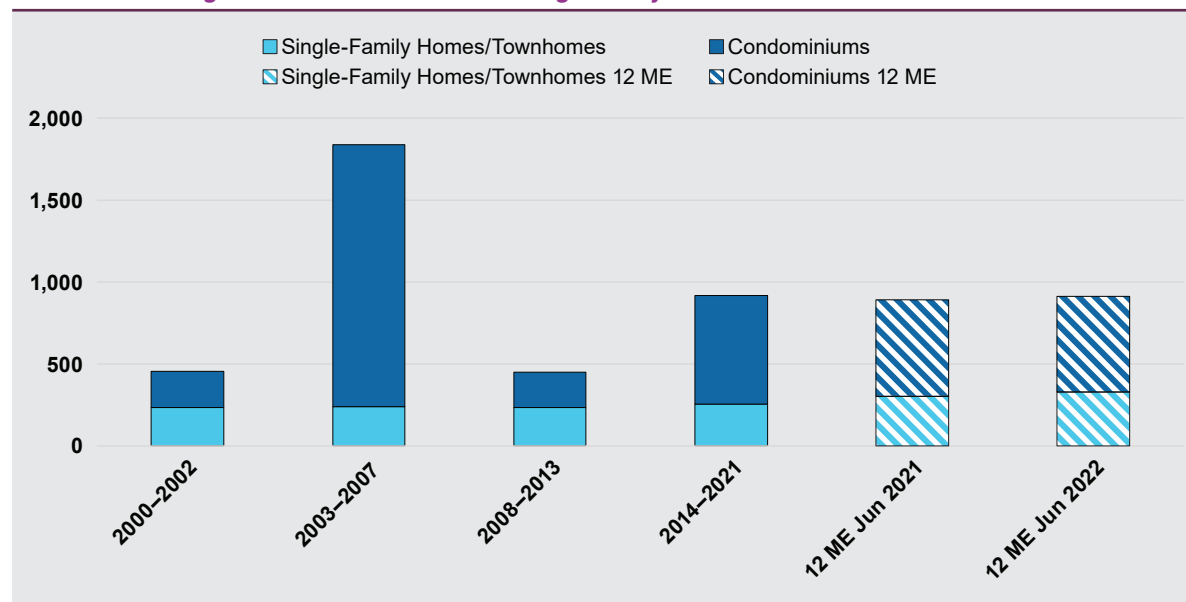
In response to elevated levels of home sales, sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted (see [building permits](#)), has been strong since 2014. Recent construction activity, however, is still well below the levels during the mid-2000s, when a significantly higher portion of all multifamily units permitted were for condominiums. From 2014

through 2021, an average of 920 sales units were permitted annually (Figure 9). Sales permitting activity during this period was more than double the average of 450 sales units permitted annually from 2008 through 2013, but it is still down 50 percent compared with the average of 1,850 sales units permitted annually from 2003 through 2007. During the 12 months ending June 2022, approximately 910 sales units were permitted, up 2 percent compared with the 12 months ending June 2021 (preliminary data, with adjustments by the analyst). Since 2008, approximately 65 percent of all sales units permitted were for condominium units, down significantly from 87 percent of all sales units permitted from 2003 through 2007.

New Construction

Because developable land is relatively limited in the District of Columbia HMA, new construction of sales units occurs primarily in townhome and condominium developments, whereas single-family construction activity is primarily confined to tear downs and replacement of older single-family units. Recent activity includes The Townhomes at Michigan Park, which is in the northeast portion of the city. Of the 80 planned homes in this community, 10 have been completed since mid-2021, 36 are currently under construction, and the remaining homes are expected to be complete within the next 2 years; prices start at \$988,800 for these three-bedroom townhomes. Recent condominium construction

Figure 9. Annual Sales Permitting Activity in the District of Columbia HMA



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000-21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

activity includes La Demuren Vue, a 45-unit condominium community in the Lower Northeast market area that was completed in early 2022. Prices for the one-, two-, and three-bedroom units at this community start at \$270,000, \$297,000, and \$461,000, respectively. In the Southwest/Navy Yard market area, The Kennedy on L, a 74-unit condominium community, was completed in late 2021. Prices for these one- and two-bedroom condominium units start at \$499,900 and \$899,900, respectively.

Housing Affordability: Sales

Homeownership in the District of Columbia is generally expensive, and the affordability of owning a home has declined significantly during the past year due to a strong rise in the median sales price. In the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division, the median sales price increased 20 percent during the past year, which more than outpaced a 14-percent rise in the median income (National Association of Homebuilders [NAHB]). The NAHB/Wells Fargo Housing Opportunity Index (HOI) for the metropolitan division, which represents the share of homes sold that would have been affordable to a family

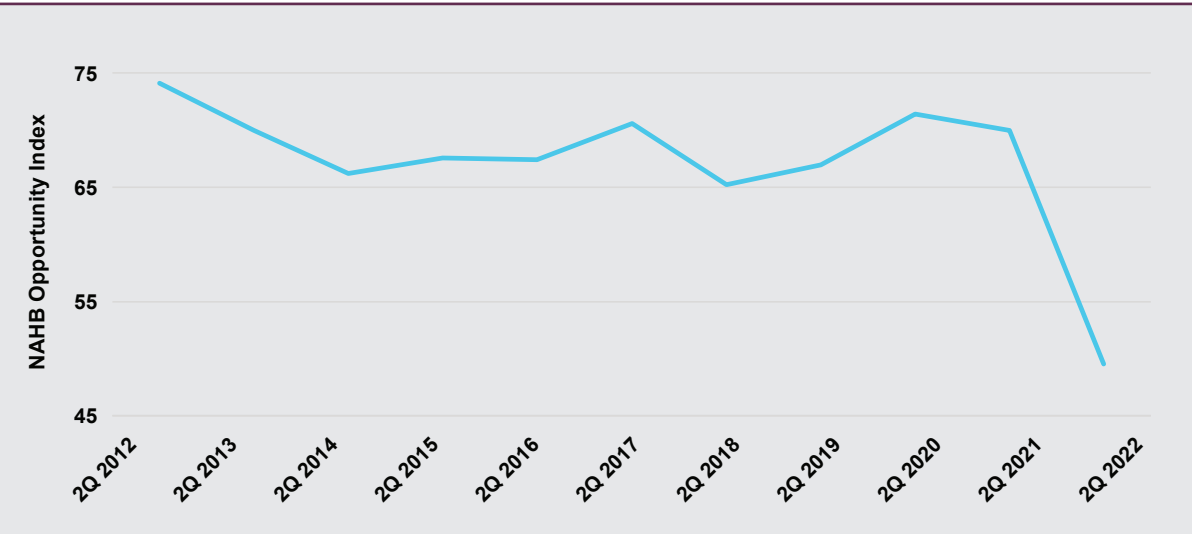
earning the local median income, was 49.5 during the second quarter of 2022, down from 70.0 during the second quarter of 2021 (Figure 10).

In addition to homeownership becoming less affordable during the past year, the cost of owning a home has generally been higher in the District of Columbia than in the rest of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division. As of June 2022, the median sales price of new and existing homes in the District of Columbia was \$725,000, which is 32 percent higher than the median sales price of all homes sold in the metropolitan division (Redfin, a national real estate brokerage). By comparison, as of 2019, the median income in the District of Columbia was only 2 percent higher than the median income in the metropolitan division (American Community Survey [ACS]).

Forecast

During the 3-year forecast period, demand is estimated for 2,075 new homes (Table 5). Demand is expected to accelerate each year of the forecast period as economic conditions continue to improve. New supply should be targeted to come online during the second and third years of the forecast period because the 950 homes under construction will satisfy all demand during the first year.

Figure 10. Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division Housing Opportunity Index



2Q = second quarter. NAHB = National Association of Home Builders.
Source: NAHB/Wells Fargo

Table 5. Demand for New Sales Units in the District of Columbia HMA During the Forecast Period

Sales Units	
Demand	2,075 Units
Under Construction	950 Units

Note: The forecast period is from July 1, 2022, to July 1, 2025.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Soft

Conditions in the rental market in the HMA have softened since 2019, compared with balanced conditions from 2000 through 2018.

Current Conditions and Recent Trends

The rental market in the District of Columbia HMA—including single-family homes, townhomes, condominiums, and mobile homes for rent—is currently slightly soft. The overall vacancy rate is estimated at 9.3 percent, up from 8.0 percent in 2010 (Table 6). Conditions in the rental market were balanced from 2000 through 2018, but conditions have generally softened since 2019 because of a rise in the number of newly constructed apartment units coming online, despite lower levels of net in-migration. Since 2019, an average of approximately 5,975 new apartment units were completed a year, up 28 percent from an average of 4,650 units completed annually from 2016 through 2018 and more than double the average of 2,750 units completed annually from 2010 through 2015 (CoStar Group). In 2019, approximately 12 percent of all renter-occupied units were single-family homes, down from 16 percent of all renter-occupied units in 2010 (ACS 1-year data). In addition,

Table 6. Rental and Apartment Market Quick Facts in the District of Columbia HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.0	9.3
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	16	12
	Multifamily (2–4 Units)	13	13
	Multifamily (5+ Units)	70	75
	Other (Including Mobile Homes)	0	0
Apartment Market Quick Facts		2Q 2022	YoY Change
	Apartment Vacancy Rate	8.6	-3.0
	Average Rent	\$2,279	6%

2Q = second quarter. YoY= year-over-year.

Notes: The current date is July 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—CoStar Group

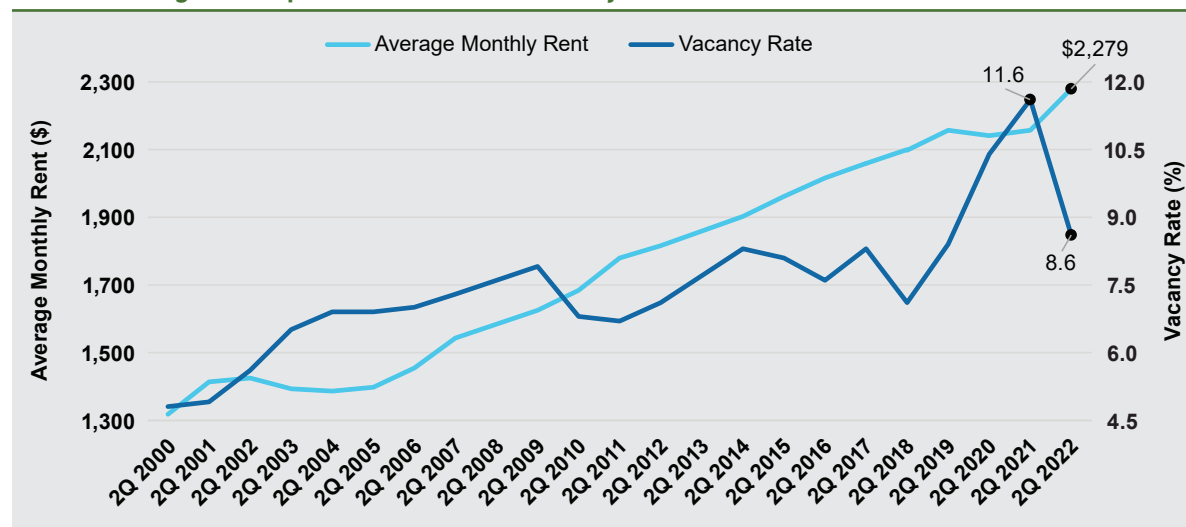
13 percent of all renter units were in structures with two to four units, unchanged compared with 2010. Renter households in multifamily buildings with five or more units, typically apartments, accounted for 75 percent of all occupied rental units in 2019, up from 70 percent of all occupied rental units in 2010. The surge in apartment construction since 2019 has shifted the rental stock away from single-family homes and toward buildings with five or more units.

Conditions are also slightly soft in the apartment market, compared with balanced conditions in 2010. During the second quarter of 2022, the apartment vacancy rate was 8.6 percent, down from 11.6 percent during the second quarter of 2021 (Figure 11; CoStar Group). From 2010 through 2019, the second-quarter vacancy rate ranged from a low of 6.7 percent in 2011 to a high of 8.4 percent in 2019. The second quarter vacancy rate further rose to 10.4 percent in 2020 and to 11.6 percent in 2021, which was the highest rate in more than 20 years. In addition to the rise in the number of newly constructed apartments being completed, the elevated vacancy rates during this period were partially because of students at the local colleges and universities leaving the HMA during the early stages of the COVID-19 pandemic in response to these schools offering classes on a fully or mostly remote basis. As these schools returned to in-person learning, students returned to the HMA, contributing to the 3.0 percentage-point decline in the apartment vacancy rate during the past year.

During the second quarter of 2022, vacancy rates were down in 7 of 10 CoStar Group-defined market areas that make up the District of Columbia, led by a 15.4 percentage-point decline, to 5.9 percent, in the Capitol Hill market area. In the Downtown DC market area, which includes neighborhoods near American University—the largest university in the HMA—the vacancy rate declined 3.7 percentage points, to 5.6 percent. In the Georgetown/Wisconsin Avenue market area, the vacancy rate rose 0.8 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—because of a significant rise in the number of newly constructed apartment units. During the 12 months ending June 2021, approximately 770 new apartment units were completed, which is more than nine times the average of 85 new units being completed annually in the market area during the previous 5 years.

In response to a sharp decline in the vacancy rate during the past year, the average apartment rent rose at the fastest pace in 15 years. During the second quarter of 2022, the average apartment rent in the District of Columbia HMA increased 6 percent, to \$2,279, compared with the average rent being relatively unchanged during the previous 2 years (CoStar Group). By comparison, from 2010 through 2019, the second-quarter average apartment rent was up an average of

Figure 11. Apartment Rents and Vacancy Rates in the District of Columbia HMA



2Q = second quarter.

Source: CoStar Group

3 percent annually. Within the District of Columbia, average rents were up in all 10 market areas, led by the Connecticut Avenue Northwest and the Downtown DC market areas, where rents rose 8 and 7 percent, to \$2,339 and \$2,641, respectively. In the Georgetown/Wisconsin Avenue market area, the average rent increased 6 percent, to \$2,475.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has been strong during the past 12 years, especially since 2016; however, the pace has slowed slightly during the past year in response to elevated vacancy rates in recent years. From 2000 through 2004, an average of approximately 990 rental units were permitted annually (Figure 12). In response to net in-migration into the HMA, construction activity increased to an average of 1,725 units permitted annually from 2005 through 2010 and to an average of 4,775 units permitted annually from 2011 through 2015. Rental construction activity further accelerated to an average of 6,275 units permitted annually from 2016 through 2021, which is largely attributed to strong absorption in newly constructed apartment communities. During the 12 months ending June 2022, approximately 6,125 new rental units were

permitted, down 12 percent compared with the same period a year earlier (preliminary data, with adjustments by the analyst).

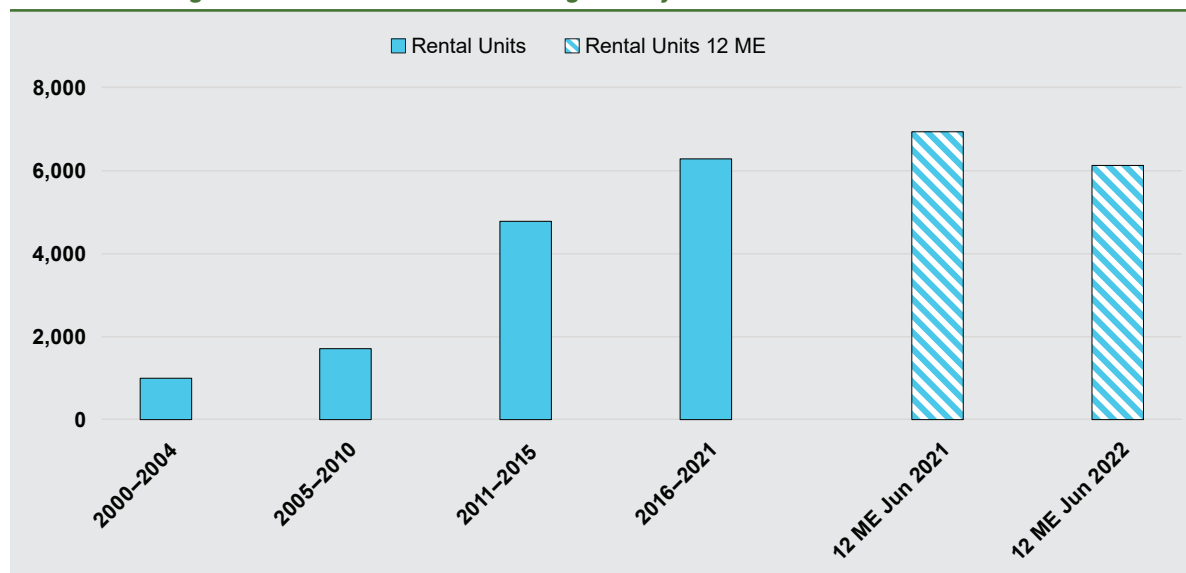
New Construction

Recent construction activity in the District of Columbia HMA has been largely spread across the city. Recent activity includes the 690-unit City Ridge apartment community in the Georgetown/Wisconsin Avenue market area, which was completed in mid-2022. 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. 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. In the Southwest/Navy Yard market area, The Tides, a 255-unit apartment community, was completed in mid-2022. Rents for the studio, one-bedroom, and two-bedroom units in this community start at \$2,150, \$2,400, and \$3,950, respectively.

Student Housing

The District of Columbia HMA contains eight colleges and universities that house students, and an estimated 12,950 student renter households reside off-campus in the HMA, accounting for approximately 6 percent of all renter households. Construction of the privately owned 55 H Street

Figure 12. Annual Rental Permitting Activity in the District of Columbia HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000-21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

NW Apartments near Georgetown University was completed in mid-2022. The furnished units are rented by the bedroom, and rents start at \$2,475 for one-bedroom units, \$2,050 per bedroom for two-bedroom units, and \$1,825 per bedroom for four-bedroom units.

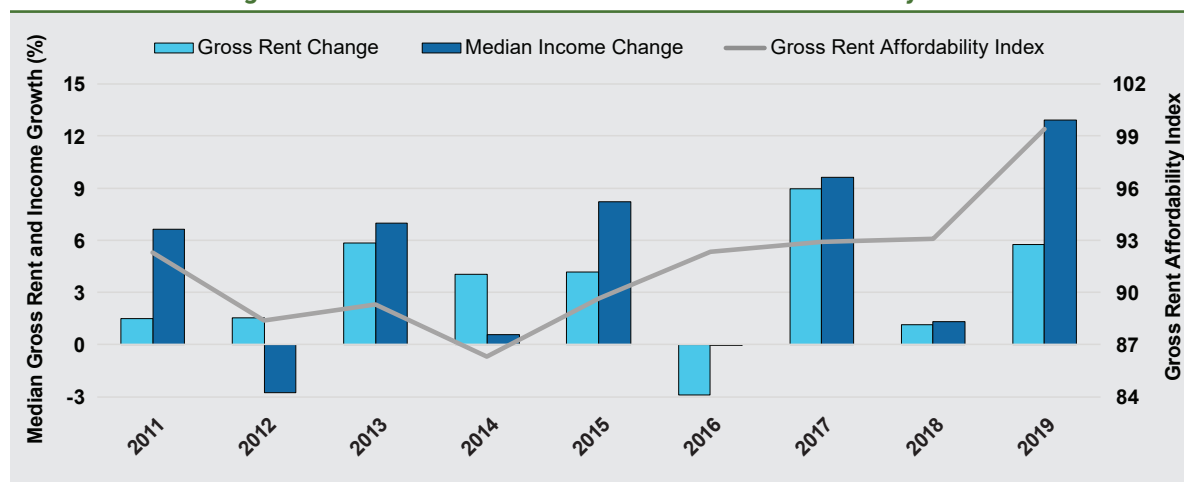
Housing Affordability: Rental

Rental housing in the District of Columbia is generally expensive but has become more affordable since 2015 due to strong increases in the median income of renter households. In 2019, the median income of renter households was \$63,744, representing an average increase of 6 percent annually from 2015 through 2019, which outpaced the average annual 3-percent rise in the median rent (ACS 1-year data). As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has trended upwards. The index was 99.4 in 2019, up from 86.3 in 2014 (Figure 13). By comparison, the index nationwide was 96.8 in 2019, up from 92.1 in 2014.

Forecast

During the 3-year forecast period, demand is estimated for 5,825 new rental units in the HMA (Table 7). Demand is expected to be relatively steady during the forecast period. The 9,000 units currently under construction will more than satisfy all demand for new rental units during the forecast period.

Figure 13. District of Columbia HMA Gross Rent Affordability Index



Note: The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure.

Source: American Community Survey 1-year data

Table 7. Demand for New Rental Units in the District of Columbia HMA During the Forecast Period

Rental Units	
Demand	5,825 Units
Under Construction	9,000 Units

Note: The forecast period is July 1, 2022, to July 1, 2025.

Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
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.
Fiscal Year	The federal government fiscal year runs from October 1 through September 30 of the following year.
Forecast Period	7/1/2022–7/1/2025—Estimates by the analyst.
Great Recession	The Great Recession occurred nationally from December 2007 to June 2009.
Home Sales	Includes single-family home, townhome, and condominium sales.
Rental Market	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area and metropolitan division definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	The Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division includes all counties that are in the metropolitan statistical area of the same name except for the counties of Montgomery and Frederick in Maryland.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	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.

D. Photo/Map Credits

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