



Introduction and Summary OF FINDINGS

This is the first in what will become an annual series of reports on housing in the District of Columbia and the surrounding region. The report assembles and analyzes the most current data on housing supply and demand in the Washington metropolitan area, focusing on the city and its neighborhoods. Its purpose is to help inform the public, policy makers, industry representatives, community-based organizations, and advocates concerned about housing conditions and trends.

This report consists of five core chapters:

- (1) Introduction and Summary of Findings,
- (2) Economic and Demographic Context,

- (3) Housing Stock and Production, (4) Homeownership Market, and (5) Rental Housing Market. Each of these chapters will be updated annually as new data become available. A sixth chapter will focus on a different topic each year, taking advantage of specialized data or responding to emerging issues of particular concern. This year, the focus is on changes in the racial and ethnic diversity of city and suburban neighborhoods, using new data from the decennial census. In addition to the information and analysis presented in this volume, detailed data tabulations are provided at http://www.knowledgeplex.org/kp/report/report/relfiles/fmf_0507_hnc.html.

For most of the analysis presented here, we have adopted the federal government's most recent definition of the Washington, DC, Primary Metropolitan Statistical Area (PMSA) and have defined several subareas within it to facilitate comparisons (see map 1 and appendix A). Within the District, data are presented for neighborhood "clusters," which have been defined by the city government on the basis of consultations with community organizations and residents. In all, there are 39 neighborhood clusters (map 2 and appendix A), each consisting of three to five neighborhoods. Appendix B provides basic demographic and housing characteristics for each of these clusters.

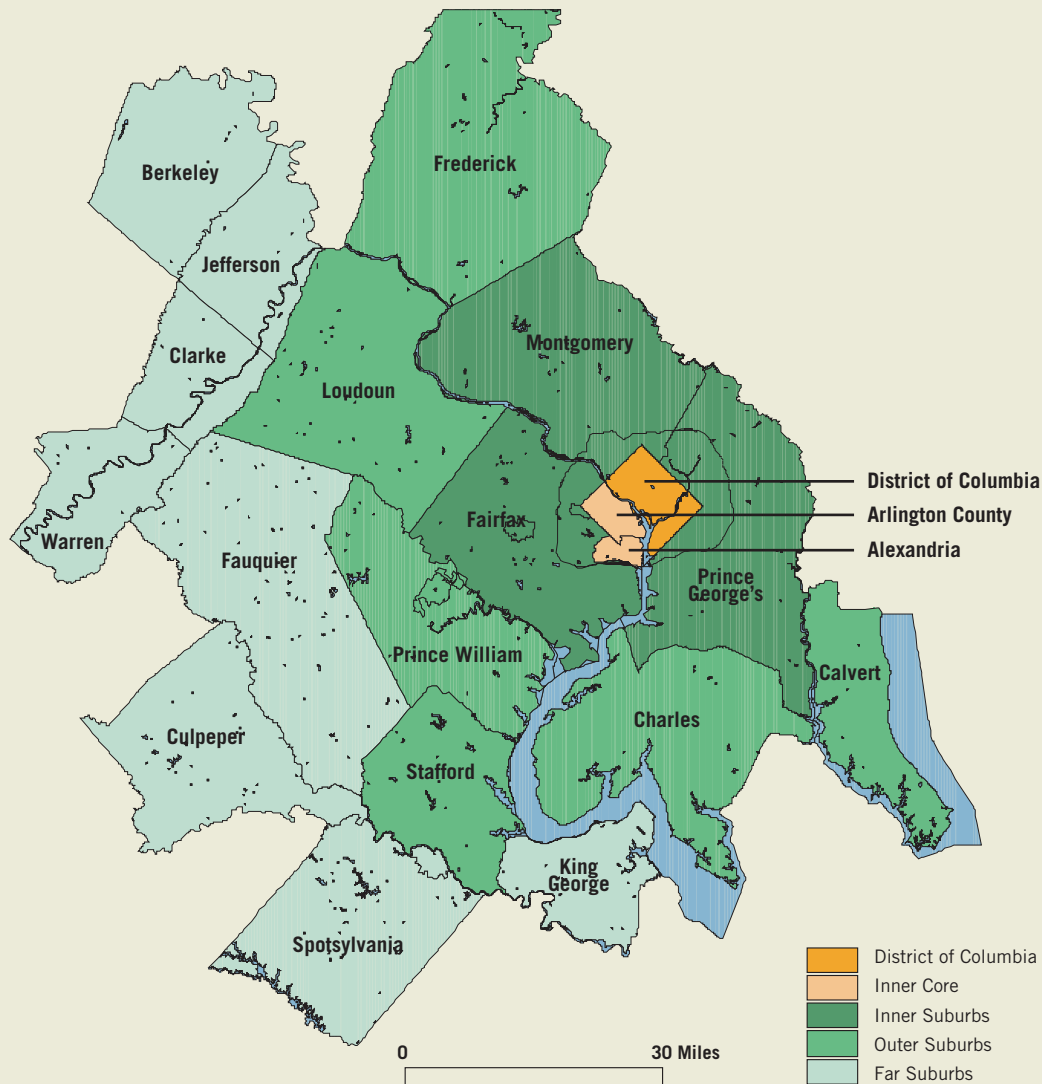
FINDINGS

The Washington region's economic prosperity and growth have fueled a booming housing market and contributed to a resurgence of demand for housing in the District.

Over the past two decades, the number of jobs in the Washington region grew by 63



Map 1. Washington, DC, Metropolitan Area 2000



Source: Office of Management and Budget.

percent. While public sector employment declined, jobs in high-paying private services expanded dramatically, increasing the region's per capita income levels. Economic growth was strongest in the suburbs, but by the end of the 1990s, the District stopped losing jobs and even appeared to have started gaining households. This economic prosperity translated into a strong regional housing market, with higher-than-average household growth, falling vacancy rates, and rising rents and house prices.

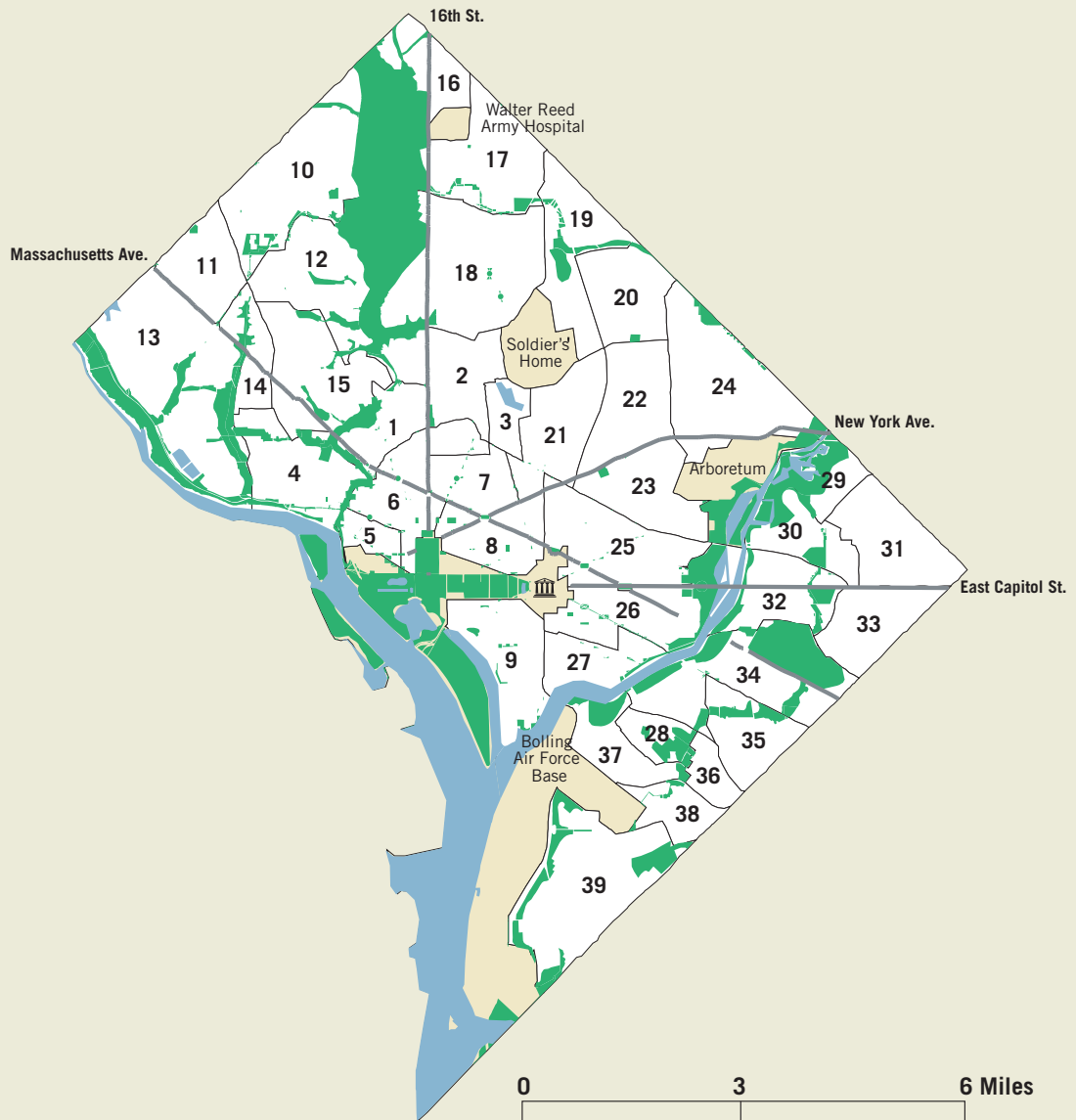
Although the District had fewer housing units in 2000 than in 1990, housing production picked up toward the end of the decade,

rental vacancy rates dropped, and rents and house prices rose. The share of city rental units that were vacant and available for rent fell from 8.0 percent in 1990 to 5.9 percent in 2000, with rates below 2 percent in some neighborhoods. Census 2000 data on rent levels are not yet available, but advertised rents for houses and apartments currently on the market in the District average almost \$1,000 for efficiencies and over \$1,800 for two-bedroom units, substantially higher than rent levels recorded across the city in 1998. Average home sales prices in the District reached \$250,000, a 16 percent increase from 1998 to 2000.

Racial and ethnic minorities have played a central role in the region's growth, and both city and suburbs have become more diverse. But segregation, particularly for blacks, remains high.

In the Washington region, the minority share of the population has increased considerably over the past two decades, from about one-third in 1980 to 43 percent in 2000. Blacks make up about a quarter of the region's population, but their share has stayed constant, while the Hispanic and Asian shares of total population have grown to 8.7 percent and 7.4 percent, respectively.

Map 2. Neighborhood Clusters in the District of Columbia, 2000



Source: District of Columbia Department of Planning.
 Note: See Appendix A, Table A.2, for names and descriptions of clusters.

The old stereotype of a predominantly black city surrounded by white suburbs no longer holds true here. Minorities dominated suburban population growth during the 1990s, with the total number increasing by 304,000 for blacks, 191,000 for Hispanics, and 161,000 for Asians and Pacific Islanders. Suburban whites increased only 70,000 over the same period. A majority of District residents are black, but their share of the city's population fell from 65 percent in 1990 to 61 percent in 2000, while the number and share of Hispanics and Asians increased. In some neighborhoods, the share of whites increased

slightly, and a growing percentage of home buyers are white.

Despite its increasing diversity, the region remains profoundly segregated on the basis of race. Minority households—especially blacks—remain relatively concentrated in the District and in Prince George's County. In fact, Prince George's County accounts for 64 percent of the region's black households (but only 16 percent of all households), and two-thirds of the county's census tracts were majority black in 2000. Across the region, segregation of blacks from whites remains high (63 on a scale of 0 to 100), although it declined from

66 in 1990. Further, Hispanics and Asians became increasingly segregated from whites during the 1990s. Levels of segregation for these groups are lower, but rose from 44 to 48 for Hispanics and from 37 to 39 for Asians during the 1990s.

Homeownership rose both in the region and in the District, and the gap between minority and white homeownership has narrowed.

The region's sustained prosperity contributed to rising homeownership rates, especially among minority households. Almost two out of

every three households in the region now own their homes, and the gap between minority and white homeownership rates has narrowed from 26 percentage points to 23. Blacks enjoyed the greatest gain in homeownership rate—from 42 percent in 1990 to 49 percent in 2000.

As of 2000, more than 101,000 households owned homes in the District, and over the past decade, both the number of homeowners and the homeownership rate increased. As is the case with most central cities, the District’s homeownership rate (41 percent) is considerably lower than in the surrounding suburbs, in part because the types of households that prefer central-city living (young singles and childless couples) are less likely to be homeowners than families with children. But during the 1990s, the District’s homeownership rate rose faster than in many other big cities. And the gap between white and minority homeownership in the city is only 12 percentage points, about half that for the region as a whole.

The region’s booming housing market has intensified hardships for very low income households.

For most households in the region, employment and income growth have more than kept pace with rising housing costs. But declining vacancy rates and rising rents and house prices make it harder for very low income households (those with incomes under \$41,400) to find units they can afford. (See appendix C for income categories used in this report.) As a result, a growing number of very low income households are faced with unaffordable housing costs (table 1).

Almost three-quarters of very low income renters in the region face housing problems—unaffordable rent burdens, physical deficiencies, or overcrowding. By far the most prevalent problem is affordability; roughly two-thirds of very low income renters pay more than 30 percent of their monthly income for rent (“excessive cost burden”). Rent consumes more than 50 percent of income (“severe cost burden”) for almost 40 percent of these households. Although the proportion of very low income renters experiencing any type of housing problem did not change measurably over the 1990s, the share of these households



Table 1. Percentage of Very Low Income Households with Housing Problems in the Washington Region

	Inner Region			
	1993		1998	
	Renters	Owners	Renters	Owners
Excessive cost burden	68	47	67	72
Severe cost burden	28	26	36	52
Physical deficiencies	10	6	12	5
Severe deficiencies	4	2	3	1
Overcrowding	5	1	3	0
One or more problems	74	51	73	74

Source: American Housing Survey, 1993 and 1998.
 Note: Very low income is defined as all households whose income is less than 50 percent of the area median income.

with severe cost burdens rose by about 10 percentage points.

Among very low income homeowners, the incidence of housing hardship is equally high, with about three-quarters of these homeowners facing one or more housing problems. Again, affordability is the most prevalent problem, and among very low income homeowners, the incidence of excessive cost burden climbed dramatically between 1993 and 1998, from 47 percent to 72 percent. During the same period, the percentage of very low income homeowners with severe cost burdens doubled. Very low income homeowners in the District appear to have experienced the same worsening trend, but sample sizes are not large enough for precise comparisons.

Thus, almost 85,000 very low income households (both owners and renters) in the District faced one or more housing problems in 1998, while across the Inner Region, more than 370,000 very low income households faced problems. Moreover, recent counts indicate that almost 13,000 people in the Washington region are homeless.

Almost half of all federally subsidized rental units in the Washington region—and two-thirds of public housing units—are located in the District, although a majority of eligible households live in the suburbs. The city's stock of public and assisted rental housing (units that the poorest households can afford) has been shrinking over the past decade because of the expiration of federal assistance contracts and the demolition and reconstruction of distressed public housing developments. Federal policy has increasingly relied on vouchers to help very low income renters meet their housing needs, with the goal of offering recipients a greater choice about where to live and counteracting the concentration of poverty. But in a tight housing market with low vacancy rates and rising rents, it can be difficult for recipients to find units where they can use their vouchers.

The recent housing boom has created intense market pressures for some District neighborhoods, while others continue to struggle with weak demand and disinvestment.

Renewed demand for housing has been particularly pronounced in some District neighborhoods. A few neighborhoods experienced rapid household growth, declining vacancies, and

escalating house prices during the late 1990s, raising serious concerns about affordability and possible displacement. For example, in five of the District's neighborhood clusters, average house prices rose \$75,000 between 1999 and 2000. These extraordinary increases may not have been sustained through all of 2001, but they do raise questions about the ability of low- and moderate-income households to find housing they can afford in many parts of the city.

In other District neighborhoods, however, demand for housing remains very weak; the population continues to decline, vacancy rates are high, and house prices are stagnant. Many of these neighborhoods are blighted by large numbers of deteriorated or abandoned properties. For example, in three neighborhood clusters, 1 out of every 10 properties is vacant, boarded up, or abandoned.

Current forecasts for future population growth suggest that the District could gain as many as 33,000 to 55,000 households by 2010. If recent rates of new housing construction persist, net increases in the housing stock would not keep pace with this projected level of new demand, even if the District stopped losing units through demolition and conversion. In theory, the District has enough vacant units to accommodate substantial growth, but vacant housing is geographically concentrated in neighborhoods where demand has been weak.

The Washington region's economic strength offers opportunities to better address housing needs in the future.

The Washington region has enjoyed a sustained period of economic vitality, but it still faces formidable challenges, with serious social inequities high on the list. The high incidence of housing hardship among very low income households, the persistence of racial and ethnic segregation, rapidly escalating housing costs in some neighborhoods, and continued disinvestment in others demand serious attention from policy makers across the region. In recent years, the District government has increased its commitment to affordable housing; and, beginning in 2000, this commitment included funds from local revenue sources. But the District alone cannot solve the region's housing challenges or ensure adequate and affordable housing for the region's poor.



The prosperity and growth that the region as a whole enjoys offer the opportunity to improve housing and neighborhood conditions across the region. Of course, the fallout from September 11 and the general weakening of the world economy could prove more debilitating than is evident to date. Nonetheless, no one can review the history of this region since 1980 without being impressed by its growing strength and resilience and by the evidence of revitalization in the District. Metropolitan Washington should be positioned to address the needs of its residents—including the provision of ample, good-quality, affordable housing—as well as any urban region in the country.