

# Rental Housing MARKET

**D**emand for rental housing in the Washington region has grown dramatically over the past decade, with a higher proportion of renters in the region now living outside the District. The booming housing market both in the city and in the region intensifies the challenges facing low-income households—especially renters. The District accounts for a disproportionate share of the region's most affordable rental housing, but declining vacancy rates and rising rents make it harder for low-income households to find units they

can afford in many District neighborhoods. This chapter combines data from the decennial census and the AHS to describe rental housing market conditions and trends. These major data sources are supplemented with local information on current rent levels, assisted housing, and homelessness in the city and region.

## RENTAL HOUSING SUPPLY AND DEMAND

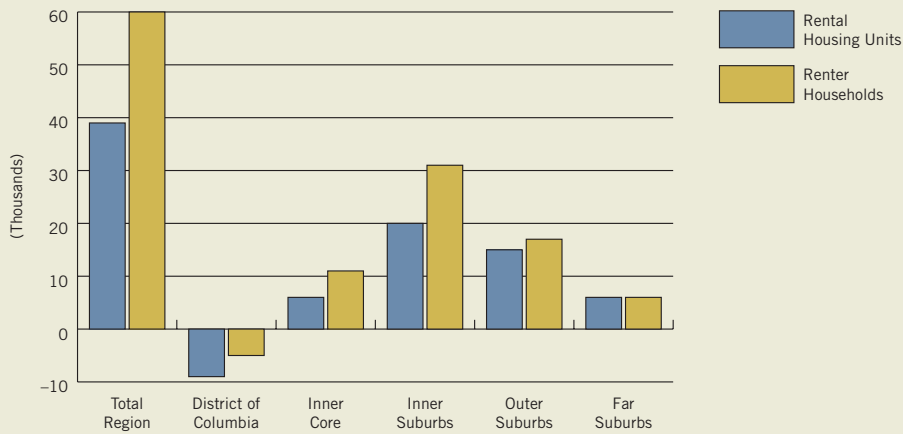
*While the total number of rental units in the region grew during the 1990s, fewer of these units are now located in the District.*

The total number of rental units in the region grew from 656,000 in 1990 to 695,000 in 2000, responding to the economic prosperity and growth discussed in chapter 2.<sup>40</sup> This was a net increase of about 39,000 units, or 6 percent. The largest gain in rental units was in the Inner Suburbs, which added a net 20,000 units to the rental stock from 1990 to 2000, an increase of 7 percent. The largest percentage growth was in the Outer Suburbs, which went from 67,000 to 83,000 rental units, or an increase of 23 percent.

While the region experienced strong growth in its rental housing stock, supply did not keep pace with demand (figure 14). Between 1990 and 2000, the total number of renter households in the region increased 10 percent, from 606,300 to 666,100. This translates to about 1.6 additional renter households for each net rental unit added during the decade. In addition to having the largest net increase in units, the Inner Suburbs had the largest net gain of 30,800 renter households (15 percent), or about 1.5 additional households for each net

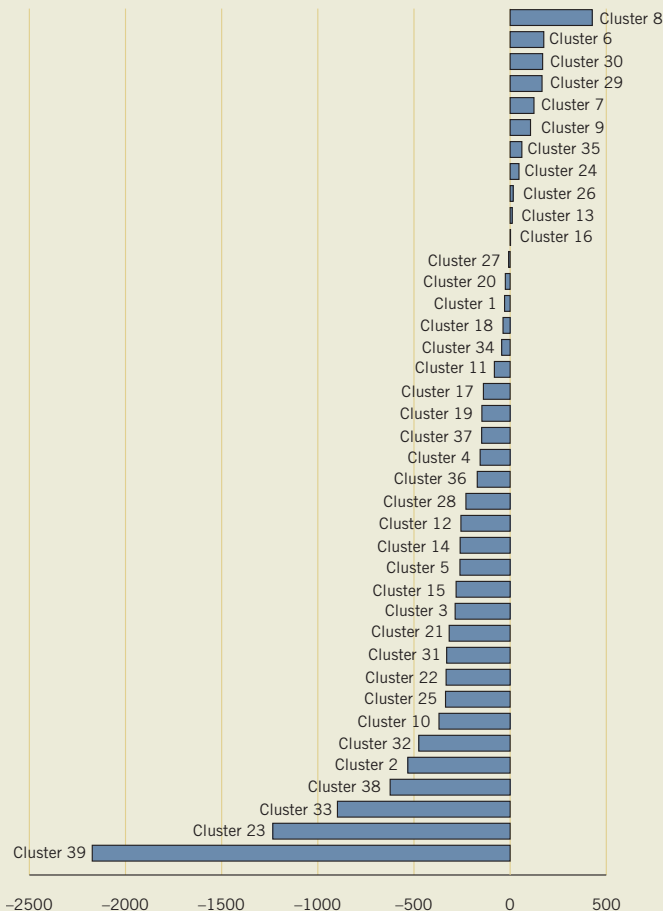


**Figure 14. Change in Rental Housing Units and Households in the Region and Subareas, 1990 to 2000**



Source: U.S. Bureau of the Census.

**Figure 15. Change in the Number of Rental Units by Neighborhood Cluster, 1990 to 2000**



Source: U.S. Bureau of the Census.

additional rental unit. Demand outpaced supply even more in the Inner Core, which gained 1.7 additional households for each additional unit.

Unlike other parts of the region, the District experienced a net loss of both rental units and renter households in the 1990s. The number of rental units fell from 165,800 to 156,300 units, a net loss of 6 percent. The decline in the number of rental units accounts for all of the District's net loss in housing units, since as discussed in chapter 4, the number of homeowner units grew modestly. The city's biggest losses occurred in neighborhoods where the demand for rental housing was weak, because of very low income levels, declining population, or both. The Congress Heights cluster (39) had the largest net loss of rental units (figure 15). It went from 12,225 to 10,052 units, a drop of 18 percent. The largest percentage loss was in the Ivy City cluster (23), which went from 5,697 to 4,463 units, a decline of 22 percent.

Despite the overall decline in rental housing, some clusters gained rental units in the 1990s. The Downtown cluster (8) saw the largest net increase, rising from 3,204 to 3,631 units, an increase of 13 percent. The largest percentage gain occurred in the Eastland Gardens cluster (29), which rose from 304 to 470 units, a net gain of almost 55 percent, although it had a very low level of rental housing to begin with.

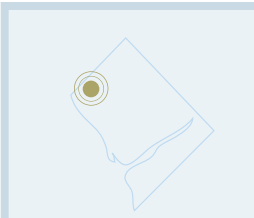
The number of renter households in the District also declined from 1990 to 2000, but not as rapidly as the number of rental units. The number of renters dropped from 152,500 to 147,100 households, a net loss of 3.6 percent.<sup>41</sup> This represents a decline of 1.7 rental units for each net renter household lost during the decade. Within the city, the Congress Heights cluster (39) had the largest net loss of renters (19 percent), going from 10,754 to 8,725 households. The rate of loss for households was about equal to the loss of housing units; however, the Congress Heights cluster (39) lost 1.1 rental units for each renter household lost. As was the case with the decline in rental units, the largest percentage decline in renter households was in the Ivy City cluster (23), which went from 5,381 to 4,036 households, a drop of 25 percent. The rate of loss for renter households was actually slower than the decline in rental units, with a

drop of only 0.9 units for each renter household lost.

As with rental units, even while the city was losing renters overall, some neighborhood clusters had a net gain in renter households during the 1990s. The Dupont Circle cluster (6) had the largest net increase, from 8,073 to 8,787 renter households—a gain of 9 percent. Demand greatly outpaced supply in this cluster—the increase in renter households was about four times greater than that of rental units. We again see the Eastland Gardens cluster (29) with the largest percentage gain in renter households—up 153 percent. This represented about 1.5 renter households for each net additional rental unit.

**Because of increasing demand, rental vacancy rates in the region were cut in half between 1990 and 2000. Along with all other areas in the region, the District is experiencing a tighter rental market, although vacancy rates remain relatively high in Northeast and Southeast.**

The increase in renter households over the past decade, combined with slower rates of growth in the rental stock in most of the region, has led to a much tighter rental market in 2000. As discussed in chapter 3, the overall vacancy rate declined significantly during the 1990s, as did the share of all vacancies available for rent. Regional rental vacancy rates dropped sharply between 1990 and 2000—from 7.6 to 4.1 percent. The tightest rental market is now in the Inner Core, where



### Spotlight Friendship Heights (11)

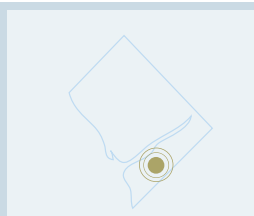
The Friendship Heights cluster (11) enjoyed stable rental market conditions over the past decade. The total number of renters declined slightly (about 70 households), but the number of rental housing units fell by 82. As a result, the vacancy rate dropped from 2.8 percent in 1990 (already one of the lowest in the city) to 1.6 percent in 2000 (the second lowest). The composition of renter households in Friendship Heights remained quite stable, with whites accounting for 90 percent of renters in 1990 and 86 percent in 2000. Over half of all renters in Friendship Heights are singles living alone, and a third of all renters are over 65.

vacant units for rent fell from 8.2 to 2.4 percent of the rental stock.

Because it lost rental housing at a faster rate than renter households, the District also had fewer vacant units available for rent in 2000 than it did at the beginning of the 1990s. While the District's rental vacancy rate decreased in the 1990s, it remained higher than the overall rate for the region. (This was also the case for owner vacancy rates, as discussed in chapter 4.) The city's rental vacancy rate dropped from 8.0 to 5.9 percent in 2000—above the 2000 regional rate of 4.1 percent. However, some neighborhood clusters had extremely low vacancy rates. The four clusters with the lowest rental vacancy rates are all in Ward 3: the Cleveland Park cluster (15) at 1.1 percent, the Friendship Heights cluster (11) at 1.6 percent, the Hawthorne

cluster (10) at 1.7 percent, and the Cathedral Heights cluster (14) at 1.9 percent. The cluster with the largest drop in its vacancy rate was the Eastland Gardens cluster (29), which went from having 46.4 to 12.1 percent of its 470 rental units vacant.

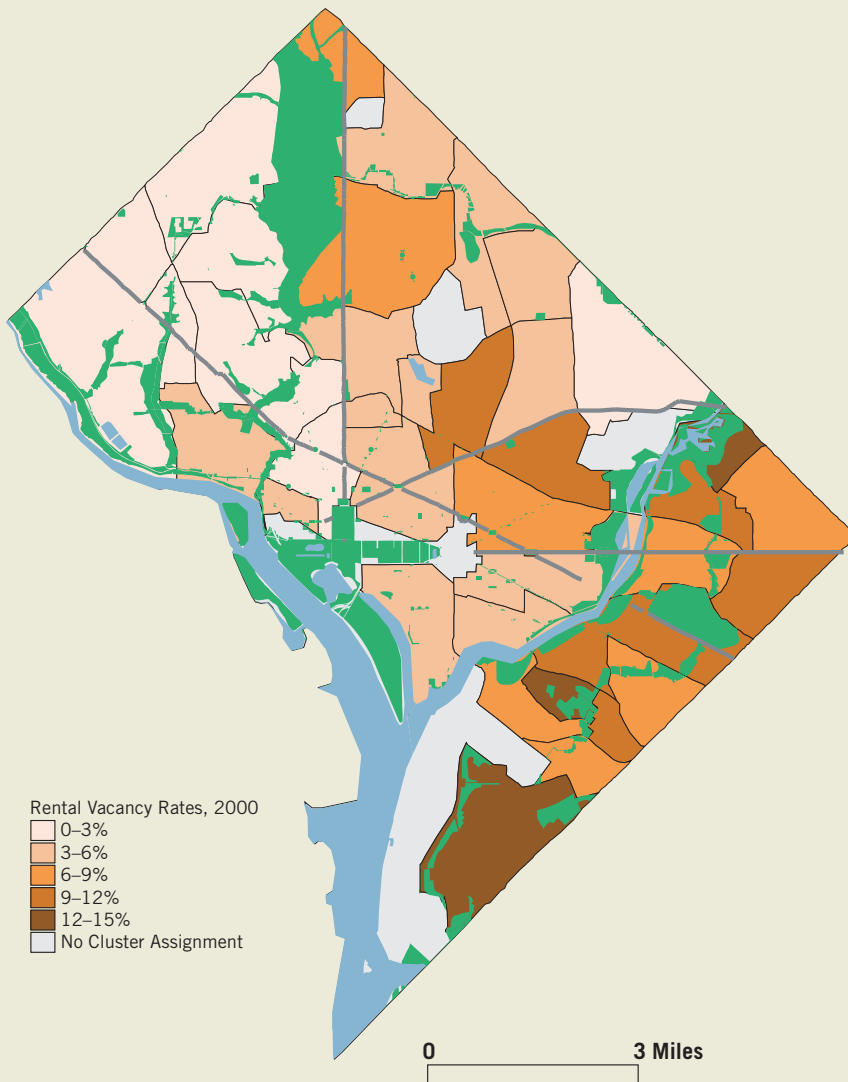
Despite the tighter rental market conditions overall, some clusters do have relatively high vacancy rates. As shown in map 7, most of the areas with high 2000 vacancy rates were located in Northeast and Southeast. The four clusters with the highest vacancy rates were all located east of the Anacostia River; the Historic Anacostia cluster (28) was highest at 14.5 percent. Next were the Congress Heights cluster (39) at 13.2 percent, the Eastland Gardens cluster (29) at 12.1 percent, and the Twining cluster (34) at 11.0 percent.



### Spotlight Historic Anacostia (28)

Among the city's most challenged neighborhoods, the Historic Anacostia cluster (28) reflects a very weak rental market. Between 1990 and 2000, the number of renter households declined by almost 240, and the number of rental housing units dropped by 230. Historic Anacostia had the city's highest rental vacancy rate at 14.5 percent in 2000. Virtually all the renter households living in the cluster were black, both in 1990 and 2000. Single-parent families made up over half (54 percent) of all renter households in 2000.

**Map 7. Rental Vacancy Rates in the District of Columbia, 2000**



Source: U.S. Bureau of the Census.

## CHARACTERISTICS OF RENTER HOUSEHOLDS

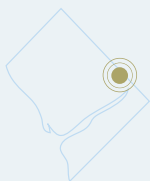
In the region as a whole, minorities and young households are overrepresented among renters. In the District, only 13 percent of all renters are elderly, although in a few neighborhoods, the elderly account for a very large proportion of renters.

The racial composition of renter households in the region generally corresponds to that of the overall population, although white households are underrepresented and minority households are overrepresented. In 2000, about 46 percent of renter households were white, compared with 61 percent of all households (a ratio of 0.75). In the District, whites constitute 34 percent of all households and 29 percent of renter-occupied housing (a ratio of 0.9).

There are fewer elderly householders in rental housing than among all households, because, as discussed in chapter 4, the elderly are more likely to be homeowners. In 2000, 10 percent of occupied rental units in the Washington region had a household head older than 64. By comparison, 15 percent of all occupied housing units had an elderly householder. Only 5 percent of renter-occupied units had a household head over 74, while 7 percent of all occupied housing units had a householder of this age.

The District has a higher proportion of elderly households than the region as a whole, and so renter households there were slightly more likely to have an elderly head. But there was still a smaller proportion of elderly households living in rental housing than in the general population. In 2000, 13 percent of heads of renter households in the city were over 64, compared with 20 percent of households overall. About 6 percent of householders in rental housing were over 74, while 10 percent of all householders in the District were this age.

In several District neighborhoods, the share of elderly renter households is particularly high. The highest proportion of elderly renters was in the Woodridge cluster (24), where people over 64 headed 47 percent of renter households and people over 74 headed 26 percent. Second was the Friendship Heights



### Spotlight Woodridge (24)

The rental housing market in the Woodridge cluster (24) grew during the 1990s, with an increase of about 100 renter households and almost 50 rental housing units. The already low rental vacancy rate of 5.7 percent in 1990 dropped to only 2.5 percent by 2000. This cluster led the District in the share of elderly renters (47 percent), although the number of younger renters increased over the decade. Almost all renters living in the Woodridge cluster were black, both in 1990 and in 2000.

cluster (11), with 34 percent of renter households over 64 and 25 percent over 74. In the Downtown cluster (8), 27 percent of renter households were over 64 and 14 percent were over 74.

In the Washington region as a whole, half of the households in rental housing were “family” households, while the other half consisted of one or more unrelated people. The District had a smaller proportion of family households than the entire region and so also had a smaller share of family households in rental housing. Only about 39 percent of renters were family households, while 50 percent were single people and another 12 percent consisted of two or more unrelated people.

The two clusters with the highest proportions of family households in rental housing were the Eastland Gardens cluster (29) at 82 percent and the Sheridan cluster (37) at 79 percent. The two clusters with the highest proportions of single-person households in rental housing were both in Ward 2: the West End cluster (5) at 73 percent and the Dupont Circle cluster (6) at 71 percent.

In general, renter households have lower incomes than homeowners.<sup>42</sup> In 1998, 16 percent of renter households in the Inner Region had incomes at minimum wage (\$12,800 a year) or below (figure 16). By comparison, only 7 percent of all households in the region had incomes at this level. About 25 percent of renter households in the Inner Region have extremely low incomes (less than 30 percent of the area median, or \$24,800), compared with 17 percent of households overall. Another 22 percent of renters have incomes from 30 to 50 percent of the median (or between \$24,800 and \$41,400), and 23 percent have incomes from 50 to 80 percent of the median (or between \$41,400 and \$66,200).

As discussed in chapter 2, households in the District tend to have lower incomes than those in the region as a whole. While 21 percent of District households made minimum wage or less in 1998, almost a third (31 percent) of renter households had incomes at this level. Almost half (46 percent) of renter households had extremely low incomes, compared with 39 percent of all households. Households with incomes from 30 to 50 percent of the median comprised 17 percent of all renters, while 18 percent had incomes

from 50 to 80 percent of the median. Although a large proportion of District renters have relatively low incomes, it is important to note that the majority (69 percent) of the region’s very low income renters (incomes below \$41,400) live in suburban jurisdictions, not in the District.

## HOUSING COSTS AND AFFORDABILITY

**Due to tight market conditions, the cost of rental housing is increasing throughout the region. Average rent levels tend to be lower in the District than elsewhere in the region. However, recently advertised rents are higher than average rents for all units in the District and substantially higher in Northwest than in the rest of the city.**

Average rents in the Inner Region increased by \$82 a month between 1993 and 1998.<sup>43</sup> Rents for efficiency and one-bedroom units increased by \$70 a month. Rents for two-bedroom units went up \$85 a month, while rents for three-bedroom units or larger were \$76 higher in 1998 than in 1993.

On average, rents in the District were lower than in the Inner Region as a whole, even after controlling for unit size. In 1998, the average rent for an efficiency or one-bedroom

unit in the region was \$671, while the same-sized units rented for \$578 in the District. Two-bedroom units rented for an average of \$812 in the region, as opposed to \$693 in the District. Large units with three or more bedrooms cost \$1,074 in the region and \$883 in the District.

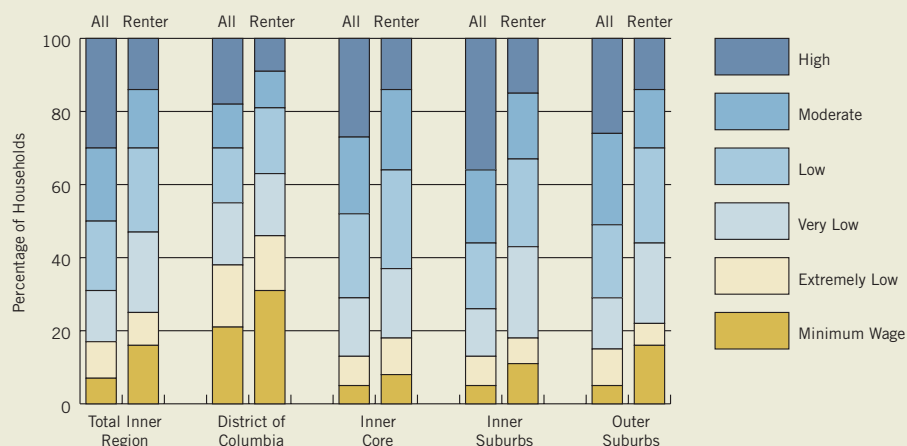
To get a more current picture of rent levels in the District, the Urban Institute collected a sample of advertisements for rental units from the *Washington Post*, the *Washington City Paper*, and the *Washington, DC/Maryland/Virginia Apartment Shoppers Guide*. A total of 3,435 advertisements were sampled from August to October 2001. The average advertised rents—tabulated by the number of bedrooms in the unit—appear in table 6.

Caution should be exercised when comparing advertised rents with information from sources like the census or the AHS, because the former do not constitute a representative sample of the general rental market.

Nevertheless, such comparisons are useful because these are the asking rents that people will find when they turn to these sources to find housing. It is also worthwhile to compare advertised rents across different geographic areas, such as the District versus the suburbs, or Northwest versus the rest of the city.

The average advertised rents in the District were as follows: \$966 for an efficiency, \$1,218 for a one-bedroom, \$1,804 for a two-bedroom, \$2,185 for a three-bedroom, and

**Figure 16. Household Income Level of All Households and Renter Households, 1998**



Source: AHS.

\$3,370 for a four-bedroom or larger unit. These levels were substantially higher than the average rents reported for all units in the District in 1998. In part, this differential reflects the fact that rents are typically lower for units that have been occupied by the same household for a long time, but it also suggests that rent levels in the District may have increased significantly during the past few years, in line with the house price increases discussed in chapter 4. Within the city, rents in Northwest exceeded those in the rest of the District by \$271 a month for an efficiency to \$1,722 a month for a four-bedroom unit. Furthermore, advertised rents for units in the city are considerably higher than for comparably sized units in the suburbs.

**Two-thirds of all renter households in the Inner Region are living in affordable units. However, only 12 percent of those making minimum wage or less can afford their rental units. Because more renters in the District are low income, affordability problems are more prevalent in the city, but among low-income renters, the incidence of living in unaffordable housing is about the same in the city and the suburbs.**

When gauging the affordability of rental housing, policy makers often use as a standard that households should spend no more than 30 percent of their income on housing costs. And households paying over 50 percent of their income for housing are classified as severely cost burdened. Applying these standards to information from the 1998 AHS, we find that

34 percent of all renter households in the Inner Region had excess cost burdens, and 17 percent were severely cost burdened.<sup>44</sup>

Obviously, households at lower income levels are more likely to have difficulty finding affordable housing. As of 1998, the vast majority of renter households earning the minimum wage or less lived in unaffordable housing. This figure declines to 85 percent for renters with extremely low incomes, 67 percent for those with very low incomes, and 49 percent for those with low incomes. The share of renters with severe housing cost burdens is also highest for households with minimum wage incomes (81 percent) but close to zero for those with incomes above \$41,400.

Overall, renter households in the District are more likely to live in unaffordable units, but lower-income renters there may have fewer affordability problems than their counterparts in the suburbs. In 1998, about 43 percent of all renter households in the District were living in unaffordable units, with 25 percent facing severe cost burdens. But for most income categories, the incidence of unaffordable housing was the same or lower in the District than in the region as a whole. Specifically, among renters earning the minimum wage, 83 percent had unaffordable cost burdens. For extremely low income renters, the share declined to 80 percent, and for those with low incomes, to 50 percent. The share of renters in the District with severe cost burdens dropped steeply from 71 percent among households earning the minimum wage to almost zero for those with incomes above \$41,400.



**Although there is a regionwide gap of over 27,000 affordable units for extremely low income households, the District has proportionally more affordable units than the suburbs based on the incomes of households in the city.**

Another way to look at the issue of housing affordability is to compare the total number of households in a given income category with the total number of units whose rents are affordable at that income level (figures 17 and 18). This indicates whether the supply of low-cost housing units is adequate to meet the needs of the renter population.<sup>45</sup>

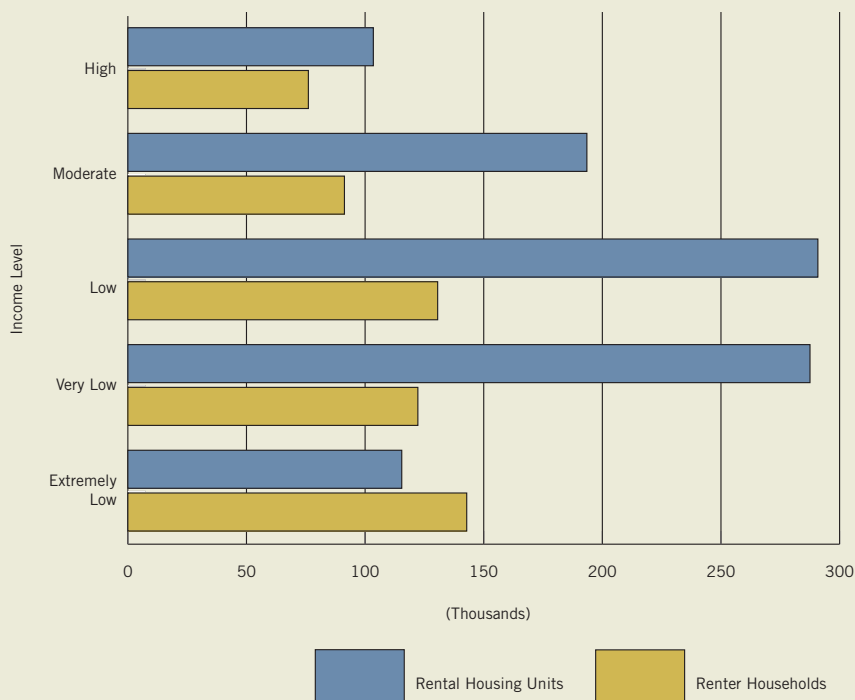
In the Inner Region, there were about 142,800 renter households with extremely low incomes, but only about 115,500 rental units with total costs at or below 30 percent of this income level. This means there was a gap of approximately 27,300 rental housing units affordable to extremely low income households in the region. At higher levels of income, however, there appear to be enough

**Table 6. Average Rents for Sampled Rental Ads by Unit Size, 2001**

Area	Total Ads	Average Monthly Rent for Sampled Rental Advertisements 2001, by Unit Size				
		Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4+ Bedroom
Total	3,435	\$904	\$1,035	\$1,457	\$1,744	\$2,645
District of Columbia	987	966	1,218	1,804	2,185	3,370
Northwest	704	1,024	1,421	2,048	2,478	3,668
Rest of DC	283	753	781	1,272	1,389	1,946
Maryland	1,200	802	860	1,168	1,583	2,589
Virginia	1,248	886	1,044	1,366	1,770	2,473

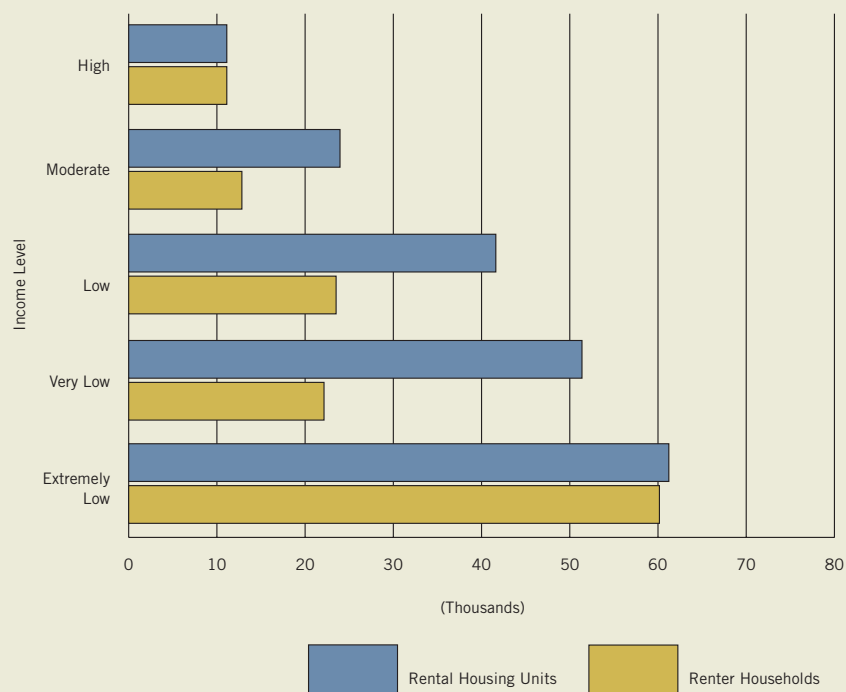
Source: Sample of rental ads appearing in the *Washington Post* (August 5, September 9, and October 7, 2001), the *Washington City Paper* (August 10, September 7, and October 5, 2001), and the *Washington, DC/Maryland/Virginia Apartment Shoppers Guide* (August, September, and October 2001), tabulated by the Urban Institute.

**Figure 17. Rental Housing Supply-Demand Comparison, Inner Region, 1998**



Source: AHS.

**Figure 18. Rental Housing Supply-Demand Comparison, District of Columbia, 1998**



Source: AHS.

affordable rental units for the number of households.

Meanwhile, there are proportionally more affordable rental housing units in the District relative to the number of households with limited incomes. In 1998, there were about equal numbers of extremely low income renter households and rental units affordable to that group—60,200 households and 61,200 housing units. At higher income levels, there are larger numbers of affordable units, relative to the number of households.

## OTHER HOUSING PROBLEMS

Housing quality problems affect 12 percent of renter households in the Inner Region, but only 3 percent of renters were overcrowded. Levels of these problems were similar in the District and in the region as a whole.

In 1998, 8 percent of the occupied rental housing units in the Inner Region were found to be in moderately inadequate condition.<sup>46</sup> An additional 3 percent had problems serious enough to merit a severely inadequate ranking. Although one might expect poorer households to live in housing units with physical deficiencies, the incidence of problems was not measurably higher for extremely low and very low income households, relative to all households. Only 9 percent of extremely low and very low income households lived in units graded moderately inadequate, while only 3 percent lived in units judged severely inadequate.<sup>47</sup>

The quality of rental housing in the District was approximately the same as in the region. About 9 percent of District renter households lived in moderately inadequate units, while 4 percent were in severely inadequate units. Again, percentages for extremely low and very low income households were not measurably higher: 10 percent of these households lived in moderately inadequate units, while 6 percent were in severely inadequate units.

Another housing problem is overcrowding. The conventional standard used by policy makers is that there should be one room in the unit for every person in the household. Applying this standard to data from the 1998 AHS, we find that only 3 percent of all renter

households in the region—and the same share of very low income renters—were overcrowded. The levels of crowding in the District were about the same as in the region—3 percent of all renters and 2 percent of extremely low and very low income renters.<sup>48</sup>

## RENTAL HOUSING ASSISTANCE NEEDS

The need for rental housing assistance in the District and its suburbs substantially exceeds the resources available from the federal government.

Approximately 67,500 District renters faced one or more housing problems in 1998 (table 7). Three-quarters of these households had extremely low incomes (below \$24,800), and half had incomes below the minimum wage (\$12,800). About one-third of the District renters with problems consisted of families with children (almost 22,000 households), and 17 percent were elderly (over 11,000 households). An even larger number of suburban renters—about 180,000 in the Inner Region—have one or more housing problems, and half of these households had extremely low incomes.

Estimates of housing problems from the AHS do not include all people who live in the region and need housing, however. The COG Homeless Services Planning and Coordinating Committee conducted an enumeration on January 24, 2001, and estimated that there were 12,850 homeless people living in the Washington region.<sup>49</sup> A large share of these people can be found in the District. The Community Partnership for the Prevention of Homelessness states that “on any given day there are approximately 6,800 literally homeless persons” in the city, including both single people and families living on the street, staying in emergency or transitional shelters, or awaiting placement in an emergency shelter. In addition, the partnership estimates that during 2000, “15,780 persons in the District were homeless at some point during the year.”<sup>50</sup>

As discussed in chapter 3, there are about 9,000 public housing units, 11,000 privately owned units with long-term federal rent subsidies, and 1,200 LIHTC units located in the District. In addition, about 5,000 District

**Table 7. Number and Characteristics of District Renter Households with Housing Problems, 1998**

	Percent	Number
Renter households with		
Excessive cost burden	43	56,869
Physical deficiencies	13	17,193
Overcrowding	3	3,968
One or more problems	51	67,450
Renter households with problems who are		
Elderly	17	11,466
Families with children	32	21,583
Extremely low income	75	50,588
Minimum wage income	53	35,749

Source: AHS.

households receive federal housing vouchers, which help them pay for moderately priced housing units in the private stock. Clearly, the availability of federal housing assistance falls far short of need in the District (as it does in jurisdictions all across the country). Only about one-third of District renters whose incomes make them eligible actually receive federal housing assistance. And the current waiting list for public housing in the District consists of over 10,000 households, with almost 15,000 households on the waiting list for vouchers.<sup>51</sup>

Over the past two decades, the focus of federal policy for very low income renters has shifted toward housing vouchers, which supplement what a household can afford to pay for housing in the private market. About 15,000 households across the region receive federal housing vouchers, with about one-third using them to rent modestly priced rental housing in the District. One of the advantages of housing vouchers is that they allow recipients to choose the neighborhood (and jurisdiction) in which they want to live and can therefore help address the problems of concentrated poverty and racial segregation. However, research suggests that voucher recipients in the District remain relatively clustered in low-income neighborhoods. Moreover, as demand for rental housing in the city and region intensifies, voucher recipients may need extra help to find suitable units and convince landlords to participate in the program.<sup>52</sup>

