



Multifamily Market Commentary – November 2017

Affordable Housing Drives Development East of the Anacostia River

Although Washington, DC has the nation’s second-highest level of new multifamily units underway, new development is not evenly distributed throughout the nation’s capital. One glaring example is the lack of new market rate multifamily projects that are located in Wards 7 and 8, both of which are situated east of the Anacostia River. Many of the District’s residents in Wards 7 and 8 have lower educational attainment than residents of the District as a whole, and many live below the poverty line. Due to the uneven distribution of development, residents east of the Anacostia River have not been able to benefit from the job growth and economic benefits usually brought about by local commercial investment.

Educational Attainment East of the Anacostia Lags the Larger Metro

Educational attainment is lower east of the Anacostia River than in the overall District. As shown in the table to the right, 17 percent of residents in Wards 7 and 8 did not graduate from high school, compared to 10.7 percent for all of Washington, DC. A significant proportion of residents of Wards 7 and 8 – about 40 percent – stopped their education at high school, compared to just 18 percent in Washington, DC as a whole. Fewer than 17 percent of the residents of Wards 7 and 8 have a college degree, compared to more than 54 percent of all District residents.

Select Educational Statistics, Washington, DC - Wards 7 & 8

Educational Attainment	Washington DC (City)	Ward 8 (Anacostia)	Ward 7 (Lower Northeast)
Did not complete High-School	10.7%	17.0%	17.0%
Completed High-School Only	17.4%	40.7%	38.5%
Completed Bachelor's Degree or Higher	54.6%	13.9%	16.9%

Source: 2015 American Community Survey 5 year composite estimates 2011-2015

Household Incomes are Much Lower East of the Anacostia

As shown in the second adjacent table, household income is lower and unemployment is higher in Wards 7 and 8 than in the District overall. The median household income in Ward 7 is about \$39,000 and is slightly higher than Ward 8’s \$31,000. However, both wards are still well below the Washington, DC median household income of \$71,000.

Select Household Statistics, Washington, DC - Wards 7 & 8

Household Composition	Washington DC (City)	Ward 8 (Anacostia)	Ward 7 (Lower Northeast)
Population	647,000	81,000	73,000
Households	273,000	29,500	29,300
Median Household Income	\$71,000	\$31,000	\$39,000
Unemployment Rate	9.6%	22.9%	19.1%
Families in Poverty	14.3%	35.3%	23.6%
Under 18 Years of Age in Poverty	26.7%	49.6%	39.9%

Source: 2015 American Community Survey 5 year composite estimates 2011-2015

The unemployment rate east of the Anacostia is about twice as high as it is for the District as a whole. As a result, the poverty rate in Ward 8, which is at 35.3 percent, is more than twice the percentage of the overall District. The situation is even more serious for the young as over 39 percent of residents under age 18 live in poverty east of the Anacostia. This could have serious implications for the next generation.



Crime Rates Decrease in the District

Overall, crime rates have been declining in Washington, DC. In fact, the District's total All Crime Rate declined by 8 percent year over year as of September 2017, and homicides declined by 22 percent. As shown in the table below, the overall crime rate in Ward 8 also improved and declined by 8 percent year over year, as of September 2017, matching the decrease for the entire District.

Washington, DC Annual Crime Statistics - September 28, 2017

Offense	District of Columbia	% Change (YOY)	Ward 8	% Change (YOY)2	Ward 7	% Change (YOY)3
Homicide	115	-22%	47	-2%	21	-55%
Violent Crime-Total	4,571	-26%	916	-32%	1,031	-9%
Property Crime-Total	30,033	-4%	2,707	4%	3,384	7%
All Crime-Total	34,604	-8%	3,623	-8%	4,415	3%

Source: District of Columbia Police Department
<https://mpdc.dc.gov/node/197622>

Homicide Rate Decreases

As of September 2017, on a year-over-year basis the number of homicides in Ward 8 declined by 2 percent to 47 and the number of homicides in Ward 7 fell by 55 percent to 21.

Property Crime Increases

Property crime, which can include theft of automobiles, theft from automobiles, and burglary, did increase east of the Anacostia – climbing 4 percent year over year in Ward 8 and 7 percent in Ward 7.

Elevated Crime Rates Deter Investment and Growth

While property crime east of the Anacostia River only represented 20 percent of the total for the District, violent crimes were somewhat higher, representing about 36 percent of the total for the District. This type of crime can leave local residents feeling vulnerable and deter businesses from moving east of the Anacostia since potential employers might have concerns about the safety of their employees. The elevated level of property crimes is also likely detrimental to the economic, commercial, and residential growth of Wards 7 and 8 since it can negatively impact the quality of life of the residents.



Uneven Distribution of Multifamily Subsidized Units

Households in Wards 7 and 8 tend to be renters by necessity. As of May 2016, an estimated 62 percent and 79.5 percent of occupied housing was inhabited by renters in Wards 7 and Ward 8, respectively, compared to less than 59 percent for the District as a whole.

Given the low incomes of many residents located east of the Anacostia, it is no surprise that Wards 7 and 8 need subsidized rental housing. In fact, these two wards have almost half of the total subsidized rental housing stock in Washington, DC, with an estimated 19,600 units out of a total 40,100 units, as shown in the table below. In addition, these subsidized units represent a substantial share of the apartment rental stock in each ward. As shown in the chart below, almost 43 percent of units are subsidized in Ward 7, and 58 percent of multifamily rental units are subsidized in Ward 8.

Number of Assisted Units and Projects in Washington, DC, by Ward²

	Projects	Subsidized Units ¹	Total Occupied Rental Units (Subsidized and Non-Subsidized)	Percent of Ward Subsidized
Total	314	40,088	152,278	26.33%
Ward 1	59	4,765	22,162	21.50%
Ward 2	16	1,930	25,250	7.64%
Ward 3	3	369	18,649	1.98%
Ward 4	15	790	11,730	6.73%
Ward 5	34	4,667	15,915	29.32%
Ward 6	50	7,943	20,360	39.01%
Ward 7	45	7,097	16,558	42.86%
Ward 8	92	12,527	21,654	57.85%

¹That is, units receiving one or more of the following forms of subsidy such as Section 8, Low Income Housing Tax Credits (LIHTC) (with or without tax exempt bonds), a below market U.S. Department of Housing and Urban Development (HUD)-insured mortgage, HOME or Community Development Block Grant (CDBG) funds (administered by HUD), D.C. Housing Production Trust Fund monies, Section 202/811 funds, and other types of subsidy.

²Subsidized units were not separated between rental and homeownership. For the purpose of this analysis, “% of Ward Subsidized” was only compared to occupied rental units, as the number of subsidized homeownership units is marginal. These data do not explicitly account for Housing Choice Vouchers and Local Rent Supplement programs independent of the project-based subsidies in the catalog.

Source for Table and Footnotes: District of Columbia Housing Preservation Strike Task Force Final Report, November 2016

Rents Lower East of the Anacostia

The average asking rent for market rate multifamily units located in Washington, DC is estimated at \$2,000 per month, according to CoStar, Inc. In some of the District’s submarkets, such as Dupont Circle and Shaw, the average multifamily asking rent is even higher at \$2,400. By comparison, average asking rents are \$1,400 in Ward 7 and \$1,100 in Ward 8.

Nevertheless, many Wards 7 and 8 residents still have difficulty affording these rents. Multifamily rental units are deemed affordable when renters spend no more than 30 percent of income on rent and utilities. Renters spending more than this amount are considered to be cost-burdened. Renters in Wards 7 and 8 would have to spend 43 percent of the median household income to rent a typical market-rate unit, thereby making those households cost-burdened.

Multifamily Asking Rents – Second Quarter 2017

	District of Columbia (City)	Ward 8 (Anacostia)	Ward 7 (Lower Northeast)
All Multifamily Units	\$2,000	\$1,100	\$1,400
New Market Rate Units	\$2,700	Not Applicable	Not Applicable

Source: CoStar, Inc.

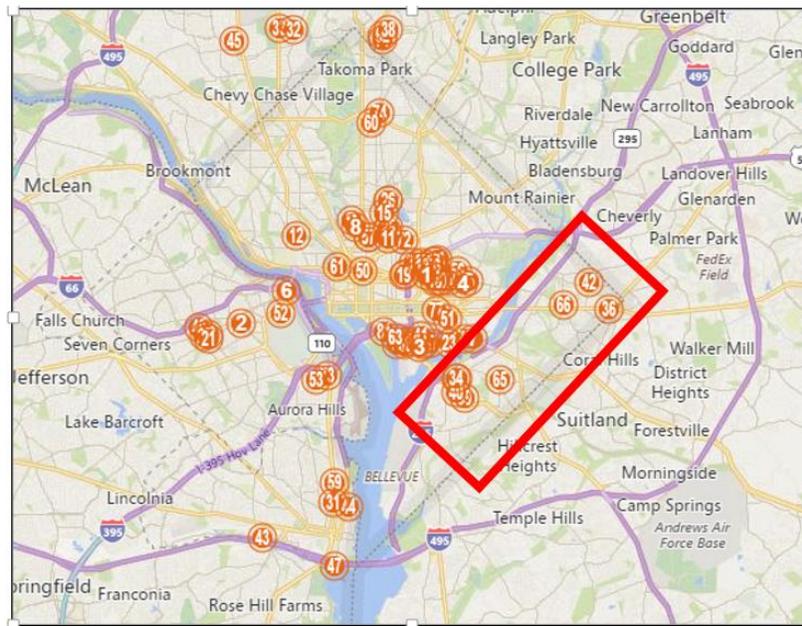
Note: Nearly all new developments completed have had federal subsidies in recent years.



Elevated Levels of Multifamily Development in Washington, DC . . .

While there are over 27,000 apartment units underway in the greater Washington, DC metro area, most of the new multifamily construction is located in more affluent submarkets, as seen in the map below. For instance, the Tysons Corner submarket has five projects with almost 2,200 units underway. In the District, the more affluent Capitol Hill submarket and the adjacent Southwest submarket have about 15 projects under construction, with over 3,600 multifamily rental units expected to complete and be delivered over the next 18 months.

Multifamily Rental Units Underway – Washington, DC



Source: Dodge Data & Analytics - Dodge Pipeline

. . . But Not Much East of the Anacostia River

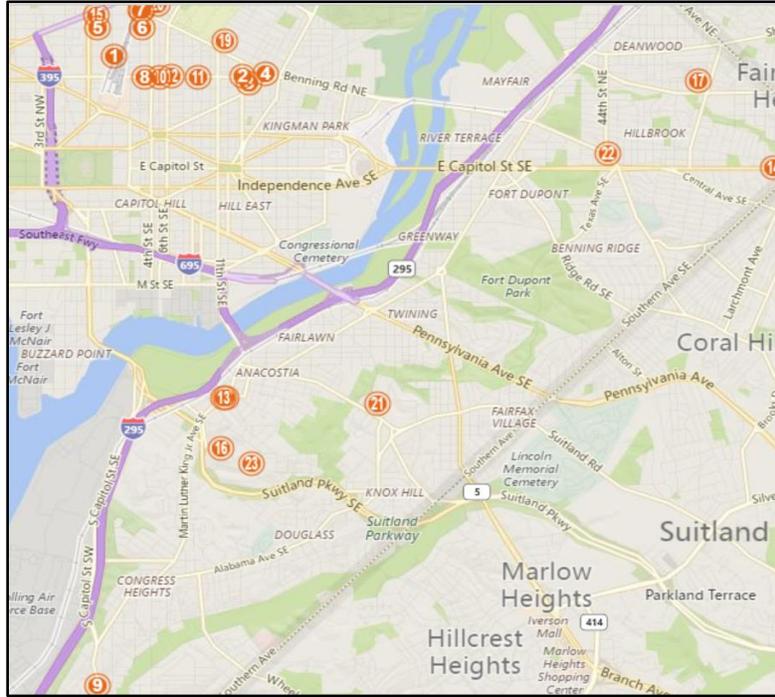
In contrast, as shown in the map above, there is less new multifamily construction currently underway in Wards 7 and 8, with only nine multifamily projects consisting of about 1,400 units located east of the Anacostia River. The construction underway has been spurred by the development of affordable housing.

There has been little development in this area over the past several years, even though an enormous renovation has been planned for the massive 350-acre site of the former St. Elizabeths Hospital. The property is divided into two campuses. The West Campus, owned by the federal government, will be used to consolidate the headquarters for the Department of Homeland Security. However, to date, only the new Coast Guard headquarters has been completed.

Plans for the 183-acre East Campus includes housing the headquarters for the Federal Emergency Management Agency. The remainder of the property will be developed as a mixed-use, mixed-income, walkable community. The development project is being overseen by the District of Columbia's Office of the Deputy Mayor for Planning and Economic Development, which includes the construction of a new sports and entertainment complex for the Washington Mystics, a professional women's basketball team.



Multifamily Rental Projects Underway East of the Anacostia



	Project Name	Units	Owner	Other	Notes:
9	South Capitol Street Apartments	200 Affordable	City Interests LLC	Sponsored by DC housing authority	5-story, mixed-use building with 200 units affordable at 60% of AMI and under; 78 units affordable at 30% of AMI.
13	2255 Martin Luther King Ave SE	71 units	Curtis Investments (leading landowner in anacostia with a dozen properties)	Four Points LLC (Owner-Builder/Developer)	6-story, mixed-income rental, 71 unit multifamily project.
14	Capitol Gateway Marketplace Apartments (w/Retail & Parking)	346 Units	Wood Partners (Owner-Builder/Developer)	market rate	13-story, mixed-use concrete building, 346 apartment units, 3 levels of underground parking; anchored by Walmart.
16	City View Project at 2850 Douglass Place SE.	58 affordable units	WC Smith(Owner-Builder/Developer)	Part of the St. Elizabeths East redevelopment project.	City View Apartments is a 63,230 sf, 58-unit, wood frame on concrete podium building, composed of 3 floors of units and 1 level of below grade parking.
17	Deanwood Hills Apartments	150 affordable units	Pennrose Properties(Owner-Builder/Developer)	N/A	150 units of affordable housing on the former trash transfer site which comprises two acres of city-owned land.
18*	Maple View Flats Mixed Use	114 affordable units	Chapman Development Company LLC	N/A	The apartments (82 one-bedrooms, 24 two-bedrooms and 8 three-bedrooms) will be affordable to households earning up to 60% AMI.
21	Skyland Town Center Residential - Retail - Block 2	128 Affordable MF/ 42 SF	Community of Hope	Developer: Horning Brothers	Mixed-income development including rental and for-sale units and a non-profit community services campus.
22	SOME Training/Office Facilities/Housing & Parking	202 affordable	So Others Might Eat	N/A	7-story, mixed-use building with office space, educational space, 182 affordable apartments and 20 transitional units.
23	Stanton Square Residential Units	128 Affordable MF/ 42 SF	Community of Hope	Developer: Horning Brothers	Mixed Income Development including rental and for-sale units and a non-profit community services Campus; Redevelopment of St. Elizabeth's campus.

Source: Dodge Data & Analytics - Dodge Pipeline. *Note: Project "18" is under "13" on map

Note: Maple View Flats and City View are two Ward 8 projects that are part of Mayor Muriel Bowser's DC Housing Preservation Strike Force initiative which helps finance 13 projects in DC with the aim of redeveloping 1,200 units of affordable housing.



Subsidized Affordable Multifamily Leads the Way East of the Anacostia

Of the nine multifamily developments currently underway east of the Anacostia, at least seven are heavily subsidized and composed largely of rent-restricted housing.

One multifamily development currently underway on the St. Elizabeths East Campus is City View, which will create 58 units of affordable multifamily rental housing. City View is one of 13 projects awarded financing by the DC Housing Preservation Strike Force. This 18-member team, chaired by the director of the Department of Housing and Community Development, is composed of housing experts and other public stakeholders. Another project selected by the Strike Force and currently underway is Maple View Flats, which will preserve 114 apartments affordable to residents earning up to 60 percent of the area median income (AMI).

The District is employing a variety of financing mechanisms to develop more affordable housing. For instance, the currently underway South Capitol Street Apartments is partially funded by the Local Rent Supplement Program. The program is also funded by the Washington, DC government through its Housing Authority and is modeled on the federal Housing Choice Voucher Program. The Local Rent Supplement Program provides “tenant-based” vouchers to individuals and families using the same criteria as the federal Housing Choice Voucher Program. The South Capitol Street Apartments project is expected to create an estimated 195 units affordable to households earning 60 percent of AMI or less, with 78 of these units being affordable to the lowest income households – those earning no more than 30 percent of AMI.

Non-profits and other community organizations are also spurring development east of the Anacostia River. Stanton Square, which broke ground earlier this year, is one such example and is a collaborative project by Martha’s Table, Community of Hope, the Horning Family Fund, and the Horning Brothers. The project is a mixed-income housing development that includes both rental and for-sale housing units, of which 128 are slated to be affordable rental housing units, with 42 market rate townhomes.

A Holistic Approach Needed

Many residents east of the Anacostia River have not benefited as fully from the metro’s recent positive economic growth as residents of other sections of the District. While critically important for helping these residents, simply building new affordable housing will not solve the area’s issue of persistent poverty. A more holistic approach – one involving improved education, better access to healthcare, less crime, and expanded, reliable, and safe public transportation, to name a few – will all be required to help the District’s most economically vulnerable residents benefit from the same prosperity available to others in the nation’s capital.

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