

Five Questions for Peter A. Tatian

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1. Why monitor District of Columbia housing trends?

The District's housing market has been going through an historic change since 2001. The price of a single-family home has jumped about 17 percent per year in real dollars—triggered by the region's robust economy, renewed interest in the District as a desirable place to live, and housing loss that occurred in the '90s.

Some of the market change has been good, bringing new economic development and better services to many neighborhoods. But the space for lower-income families is becoming a lot tighter. Many long-term residents are beginning to feel like there's little room left for them. We've lost so much affordable housing, especially since 2001. For instance, the conversions of rental apartments to condominiums generally result in a loss of affordable housing. These challenges call for an aggressive approach to affordable housing in the city.

The District government, developers, and others interested in creating and preserving affordable housing need current, updated information on the market. For example, developers want to know what the prevailing housing prices are in particular neighborhoods and which neighborhoods are appreciating in value. The quarterly [District of Columbia Housing Monitor](#), supported by the Fannie Mae Foundation, responds to this need by tracking prices and the building of new housing. We also track ownership of housing, and many other indicators so that people can follow trends as they develop.

2. What is happening to the District's housing market in 2006?

The market has begun to cool off after the very hot market of the past few years. The number of condominiums and homes being sold each year has started to decline. Houses stay on the market longer. The rate of house-price inflation has started to fall from the double digits to a more modest rate of increase.

Since the boom in housing prices, we've seen a tremendous number of new buildings, primarily multifamily apartments and condominiums, many starting to appear now on the market. This new construction has helped relieve some of the market pressure by making more housing available.

Despite these changes, prices haven't fallen. Home prices in most neighborhoods are holding steady or increasing at a moderate rate. In some of the lower-price communities, like east of the Anacostia River, we're starting to see prices increase much faster. As demand heats up farther east where housing used to be reasonable, finding affordable housing remains a problem for most lower-to-moderate income families.

The District government has responded to this challenge, but more needs to be done. There's no longer any net gain in the number of affordable units through federally subsidized public housing and housing choice vouchers. And, privately owned apartments subsidized through such federal programs as Section 8 could become out of reach as contracts with owners to keep those units affordable reach the end of their terms.

The resources needed to expand affordable housing must be found locally. For example, the District's Housing Production Trust Fund uses revenue from real estate taxes to create more affordable housing. The city is also funding a new rent supplement program modeled on federal housing choice vouchers. Both are very positive developments.

But more needs to be done. The [Comprehensive Housing Strategy Task Force](#) has laid out an aggressive but realistic strategy for creating and preserving affordable housing of all types. Some of the Task Force's recommendations are being implemented, but not all of them.

3. What other District housing trends should be monitored?

We need to monitor the supply of rental housing—an important part of the housing picture because families not yet ready for homeownership need affordable rental housing. The latest [Housing in the Nation's Capital](#) report noted that the average rent in Washington is almost twice that of what a family supported by a full-time cafeteria worker can afford. It's 12 percent more than what a family supported by a schoolteacher can afford.

We also need to watch the changes taking place in who is living in particular neighborhoods. For instance, we've seen a big upward shift in the incomes of new people buying homes in places like Shaw or Columbia Heights. But that might not be the start of a more mixed-income community. It may just be step one in a change from a lower-income neighborhood to a more affluent one, where there's less room for lower-wage earners. Are we witnessing a welcome deconcentration of poverty? Or, are poor people just being pushed out?

4. Who is being denied home mortgages?

All kinds of people get denied home mortgages for justifiable reasons. The problem is when certain groups are more likely to be denied a mortgage loan for what may *not* be legitimate financial criteria. For instance, our analysis of mortgage lending data in the District shows that, even when you control for income, black borrowers are three to four times more likely than white borrowers to be denied a home purchase loan. Latino borrowers are one and a half to two times more likely to be denied a mortgage loan than whites. Differences in creditworthiness may be at work here—the data doesn't say. But such large differences across these groups of borrowers raise red flags.

Discrimination in the housing market is something that Urban has studied over the years. Generally, our research shows that discrimination is still prevalent in many places. Blacks and Latinos are less likely to be given equal treatment in searching for housing. When looking for apartments, for example, they are less likely to be shown available apartments. Discrimination is subtler now, which is why the research is so important.

Another concern is people not being denied mortgages who maybe should be. With more new mortgage products—such as adjustable and interest-only loans—to choose from, more people with lower incomes are qualifying for loans or getting bigger loans than they would have 10 to 20 years ago. Usually, these are higher-cost loans, called subprime loans, and their use can be high in some parts of the District.

For example, homes bought in wards 7 and 8 are ten times more likely to be financed by subprime loans than are homes in wards 2 and 3. The higher costs of the subprime loans can make it harder for borrowers to pay them back and increase the cost of buying a home, making it harder for these homeowners to build assets.

5. What housing challenges await the new mayor?

The same challenges we have been seeing for the past several years—managing the city's housing and development boom and ensuring that there's housing available for persons of all income levels. What's different now is the housing market. Developers are no longer falling all over themselves to get a project started.

As price growth slows, developers are taking a closer look at what the rate of return is on development projects. The new mayor and his administration will have to adapt to this changing environment and initiate policies and programs with this new market in mind. Since the market isn't as strong, developers may be less willing to provide affordable housing or to make other concessions that they might have been earlier.

But leaving the hyperactive market of the beginning of the decade behind could be a positive development. We want prices to increase in a steady, modest way and we want new growth to benefit as many neighborhoods as possible. That's something we will watch in the *Housing Monitor*.

The new mayor also must face the challenge of the District's underperforming schools. The [Housing in the Nation's Capital](#) report provides good data on how the kinds of housing being developed have a big impact on school needs, and vice versa. Having good schools could contribute to healthy neighborhoods that will attract people. Conversely, we've been building a lot of new housing that is condominiums, which is more suitable for singles or for childless couples.

The District's goal is to increase by 100,000 people over the next 10 to 15 years. Who are those 100,000 people going to be? Families enrich communities. We don't want young couples moving out of the city when they start having children. We want to keep them here. Making the city more family-friendly requires improving both housing and schools.

Other Publications by the Authors

- [Peter A. Tatian](#)

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