# Washington D.C. faces sharp housing development slowdown amid policy and financial challenges



For the first time in nearly a decade, the skyline of Washington, D.C., is marked not by numerous construction cranes but by their marked absence, signalling a stark slowdown in housing development within the nation’s capital. Last year, only 932 new rental housing units broke ground—an alarming 79% decrease from the 4,474 units commenced in 2023. This downturn contrasts sharply with the robust pace of at least 5,000 units annually initiated since 2015.

Data from the Washington D.C. Economic Partnership’s (WDCEP) annual Development Report highlights that overall development starts in 2023 were at their lowest level in 15 years. The slowdown is not isolated to multifamily housing but spans all property types. However, the sharp retreat of multifamily construction threatens to exacerbate the city’s affordability crisis as it faces the possibility of a localised recession.

Developers cite a confluence of challenges holding back investment: nationwide high interest rates and rising construction costs, coupled with uniquely stringent and tenant-favourable local policies that have unsettled the rental market. These policies, lawmakers say, have prompted investors and lenders to pull back from D.C.

“The market for financing new housing in D.C. has become frozen,” said Matt Robinson, principal at MRP Realty, the city’s most active developer over the past five years with 11 completed projects. Robinson, whose firm recently completed an affordable housing project on North Capitol Street, noted they currently have no projects under construction in the city due to market conditions. “We have shovel-ready projects that are waiting for the market.”

A significant strain on landlords is the mounting rental arrears, which average $2,207 per unit—more than twice the national average, according to a March report by a D.C. Council committee. The committee has advanced legislation aimed at revising pandemic-era protections that allowed tenants to delay eviction without paying rent, with a final council vote expected next month.

The council also contemplates broader reforms to entrenched housing policies like the Tenant Opportunity to Purchase Act (TOPA), designed to empower tenants by giving them the right to buy their rental units. Council Member Robert White, chair of the housing committee, emphasises the urgency of reforms to reinvigorate investment and prevent housing costs from escalating further.

“We need the market to start investing in housing in D.C. again,” White said at a Small Multifamily Owners Association event. “If they don’t, it’s not going to hurt the most wealthy in D.C., it’s going to hurt the people who are struggling to find a place they can afford to live.”

The median asking rent in D.C. has continued to rise, reaching $2,325 in February—a 2.7% increase year over year, per Redfin. Yet these figures obscure the reality of widespread non-payment, which places many rental properties at risk of foreclosure and deters financing for new developments. Traditionally, project financial models assumed an economic vacancy rate—units unoccupied or unpaid—of about 5%. Currently, developers are forced to factor in rates between 7% and 10%, undermining profitability and complicating investment decisions.

Erika Wadlington, vice president of public policy and strategic affairs at the D.C. Building Industry Association, explained at an industry event that these rising vacancy assumptions combined with the regulatory environment, including TOPA’s complexities, prompt lenders to shy away.

“We’re already seeing lenders not willing to invest in the District for a number of reasons whether it’s rental arrearages, whether it’s TOPA,” Wadlington said. She added that investors often opt for markets with clearer policies and balanced political will, viewing D.C.'s rental arrears—five to ten times higher than the national average—as a sign of instability.

Affordable housing developers are also feeling the pinch. Priya Jayachandran, CEO of the National Housing Trust, detailed at a recent Bisnow event that five of their properties are currently unprofitable owing to unpaid rent, requiring the nonprofit to allocate additional resources to sustain them. Attempts to secure financing for new affordable projects have also faltered. “Their credit folks have decided D.C. is not a good investment right now,” Jayachandran said, referring to a lender backing out of a tax credit deal.

In response to these challenges, Mayor Muriel Bowser proposed the RENTAL Act in February, a comprehensive reform package aiming to speed up evictions, modify TOPA and institute other housing policy changes. She highlighted data showing surging rent delinquencies over the past two years alongside a decline in housing starts compared to neighbouring Maryland and Virginia.

Deputy Mayor Nina Albert affirmed the city's previous leadership in housing production but warned that current policy imbalances risk further slowdown. “It’s critical that the Council pass Mayor Bowser’s legislation to rebalance the housing ecosystem, ensure that rent is paid, and improve the investment climate,” Albert stated.

One major element of the RENTAL Act is the exemption of all market-rate buildings from TOPA, a move drawing criticism from tenant advocates. Council Member Brianne Nadeau, a proponent of tenant rights, has introduced an alternative bill limiting the TOPA exemption to the first three years post-construction. “TOPA is a bedrock for tenants’ rights in D.C.,” she told Bisnow. “It has led to preservation of affordable units, condo homeownership, and co-ops. My bill aims to reform TOPA so it’s streamlined and less of a barrier.”

Council Member Robert White is planning to propose a third option: exempting buildings from TOPA for 15 years after construction or significant renovation to give developers and buyers longer stability before restrictions apply. The housing committee anticipates hearings on all three proposals within months. White acknowledged the contentiousness of TOPA reform but stressed its necessity for economic wellbeing.

“This is not a time we can kick the can down the road and tinker around the edges,” he said. “We are in a different point economically in D.C. than we have been in about three decades, and we have to take it seriously.”

As the debate over housing policy intensifies, the future of rental development in Washington, D.C. remains uncertain, shaped by the intersection of financial constraints, regulatory frameworks, and the city’s broader economic outlook.

Source: [Noah Wire Services](https://www.noahwire.com)

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