# Washington D.C. faces sharp decline in new rental housing amid policy challenges



For much of the past decade, Washington D.C.'s skyline has been marked by the presence of numerous construction cranes, symbolising a robust period of development, particularly in the rental housing sector. However, in the last year, the city has seen a striking decline in new construction projects, with many cranes disappearing from the skyline. According to the Washington D.C. Economic Partnership’s (WDCEP) annual Development Report, only 932 rental housing units began construction in 2024, a steep 79% decrease compared to the 4,474 units that commenced in 2023. This figure contrasts sharply with the trend from 2015 to 2023, during which time developers consistently initiated construction on at least 5,000 units annually across the city.

The slowdown is not limited to multifamily housing but extends to all property types across Washington D.C., raising concerns about the potential impact on housing affordability as the city prepares for what some forecast as a localised economic recession. Nationally, multifamily housing starts declined by 25% last year, reflecting wider economic and financial trends. Yet the downturn is especially pronounced in the capital due to policies viewed as tenant-friendly, which have altered the rental market dynamics and reduced investor and lender confidence.

Local industry figures emphasise these challenges. Matt Robinson, principal at MRP Realty, D.C.’s most active developer over the past five years with 11 projects completed, shared that following the completion of an affordable housing project on North Capitol Street, the company currently has no projects underway. “It’s challenging to get development done at this time,” Robinson said. “We have shovel-ready projects that are waiting for the market.”

A key factor cited by developers is the high level of unpaid rent across the District, which has significantly strained landlords’ incomes and the overall market for financing new housing. Rental arrears average $2,207 per unit in D.C., more than double the national average, according to a report by a D.C. Council committee published in March 2024. This situation has led to the introduction of a bill aimed at addressing a pandemic-era policy that permitted tenants to delay eviction proceedings without paying rent. The D.C. Council was scheduled to hold a final vote on this legislation in the month following the report.

In addition to tackling rental arrears, the Council is debating broader reforms of longstanding housing policies, including the Tenant Opportunity to Purchase Act (TOPA). Council Member Robert White, chair of the housing committee, has stated that changes to these policies are essential for revitalising investment and controlling housing costs. Speaking at a Small Multifamily Owners Association event, White said, “We need the market to start investing in housing in D.C. again. 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 WDCEP report highlights that overall development starts in the city last year were at their lowest level in 15 years. This coincides with the fact that Washington D.C. remains one of the most expensive rental markets in the United States, with the median asking rent reaching $2,325 in February 2024 – a 2.7% increase from the previous year, based on data from Redfin. However, this figure does not account for the significant amounts of rent going unpaid, which developers warn is destabilising the market and increasing the risk of foreclosure on properties.

Robinson explained the financial challenges faced when projecting the profitability of new projects. Historically, developers have factored in an economic vacancy rate—units that are either unoccupied or have not generated rent—of about 5%. Currently, due to rent delinquency and potential policy shifts, this assumption has had to be adjusted upwards to between 7% and 10%, severely constraining expected returns. He said, “It completely wrecks the pro forma,” referring to the financial projections critical to convincing investors.

The combination of rising economic vacancy and regulatory measures such as TOPA, which dates back 45 years, has contributed to investor and lender wariness. Erika Wadlington, vice president of public policy and strategic affairs at the D.C. Building Industry Association (DCBIA), stated at an industry event: “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.” She added that despite interest from local developers, national investment partners are shifting funds to regions with clearer policies and more balanced housing frameworks.

Nonprofit affordable housing developer National Housing Trust’s CEO, Priya Jayachandran, underscored these pressures, revealing that five of the organisation’s affordable properties are currently losing money due to unpaid rent. Jayachandran noted, “We had a deal in the works for a new affordable housing development with tax credits lined up, but the lender… backed out because of uncertainty in the city.” She added, “Their credit folks have decided D.C. is not a good investment right now.”

Both the public and private sectors see potential relief in legislative reform. Washington D.C. Mayor Muriel Bowser introduced the RENTAL Act in February 2024, a comprehensive proposal aimed at expediting evictions, reforming TOPA, and introducing various housing policy improvements. The mayor presented data highlighting soaring rent delinquencies over two years and a slower pace of housing starts compared with neighbouring Maryland and Virginia.

Deputy Mayor Nina Albert affirmed the city’s longstanding commitment to housing production during Bowser’s decade in office and the achievement of a second-term goal to add 36,000 units. However, she also warned, “The data make it clear that policy changes have pulled our housing system out of balance. 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.” She cautioned that without reforms, new housing development would continue to decline, pushing prices even higher.

One significant element of the RENTAL Act is a proposal to exempt all market-rate buildings from TOPA, a move met with criticism from tenant advocates. Council Member Brianne Nadeau introduced an alternative bill proposing to only exempt newly constructed buildings from TOPA for three years post-construction while also seeking to streamline transactional processes. In an interview, Nadeau noted that TOPA remains “a bedrock for tenants’ rights” and has historically contributed to affordable housing preservation, condominium homeownership, and cooperative housing creation. Nevertheless, she supports reforms intended to reduce complaints about TOPA’s impact on development.

Robert White plans to propose a third amendment to the RENTAL Act involving a more extended TOPA exemption, potentially lasting 15 years after construction or significant renovations. He explained that such reform would allow developers to sell projects and would give future buyers a longer timeframe before facing TOPA restrictions.

White also acknowledged the difficulty of reforming TOPA, describing it as a “contentious” issue. He stressed the urgency of the situation, stating, “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.”

The different proposals for reform will be subject to further hearings in the coming months. The outcome will play a crucial role in determining the future landscape of housing development and affordability in the U.S. capital amid challenging economic conditions and unprecedented shifts in local housing policy.

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

## Bibliography

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