Is the District of Columbia still competitive?

Waning interest after COVID-19 and how D.C. can reverse the trend.

D.C. POLICY CENTER
The Alice M. Rivlin Initiative

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Contents

Executive summary

This report examines whether the District of Columbia remains a place that residents, employers and workers, businesses, and investors choose. Rather than evaluating policy levers such as taxes, regulations, or quality-of-life investments in isolation, this report focuses on revealed preferences—the choices people make about where to live, work, start businesses and invest. These choices provide insights regarding the city's post-pandemic attractiveness.

In this report, we use the phrase "Demand for D.C." to informally capture the city's appeal to residents, employers and workers, businesses, and investors. While not all indicators in this report measure demand in the standard economic sense, they provide useful signals of interest in the District.

To assess Demand for D.C., we focus on four lines of inquiry:

- **Residents:** Do people want to live in the District? We examine population, migration, household patterns, and housing trends pre- and post-pandemic.
- **Employers and workers:** Are employers hiring, and are workers choosing to work in the District? We track employment trends, wage growth, and job activity taking place in the city relative to the broader D.C. region.
- **Businesses:** Do firms want to locate in the District? We track business formation, entrepreneurial interest, and the demand for office space in the city.
- **Investors:** Do investors find the District an attractive place for investment? We review investment surveys, construction activity, and the performance of REITs with exposure to D.C. assets.

This report has four key findings:

- **Resident demand for D.C. is fragile.** The District's resident population has nearly recovered from its decline during the COVID-19 pandemic. International migration has driven population growth in recent years, but this source of growth remains vulnerable to stricter immigration policies. In contrast, domestic migration and natural change (births minus deaths) have remained stagnant. However, household formation in the District shows promise. It is fueled by renters who live alone—many of whom are aged 25 to 34 and have household incomes over $100,000. These single renters could anchor future population growth if they choose to stay and start families.

- **Employer and worker demand for D.C. is weak.** Since the pandemic, the District's nonfarm employment growth has lagged the nation. Average real wages in the District have also fallen, and a smaller share of workers in the D.C. metro area are physically working in the District.

- **Business demand for D.C. is mixed.** Private sector establishments in the District have grown faster in number since 2020, and the business landscape has shifted toward smaller businesses (fewer employees). However, entrepreneurial interest—as measured by total business applications—has fallen since the pandemic, and demand for office space in the city remains weak.

- **Investor demand for D.C. is uneven.** Surveys suggest that interest in the D.C. metro area has been relatively muted. Furthermore, investor interest has not led to new groundbreakings in the District, and Real Estate Investment Trusts (REITs) exposed to D.C. assets are underperforming compared with national REITs.

These findings suggest that the District faces multiple headwinds. The rise of remote work during and after the COVID-19 pandemic challenged the city's attractiveness, and current federal workforce and immigration policies are now strengthening the headwinds.

Generating dynamism: a path to innovation-driven growth in the District

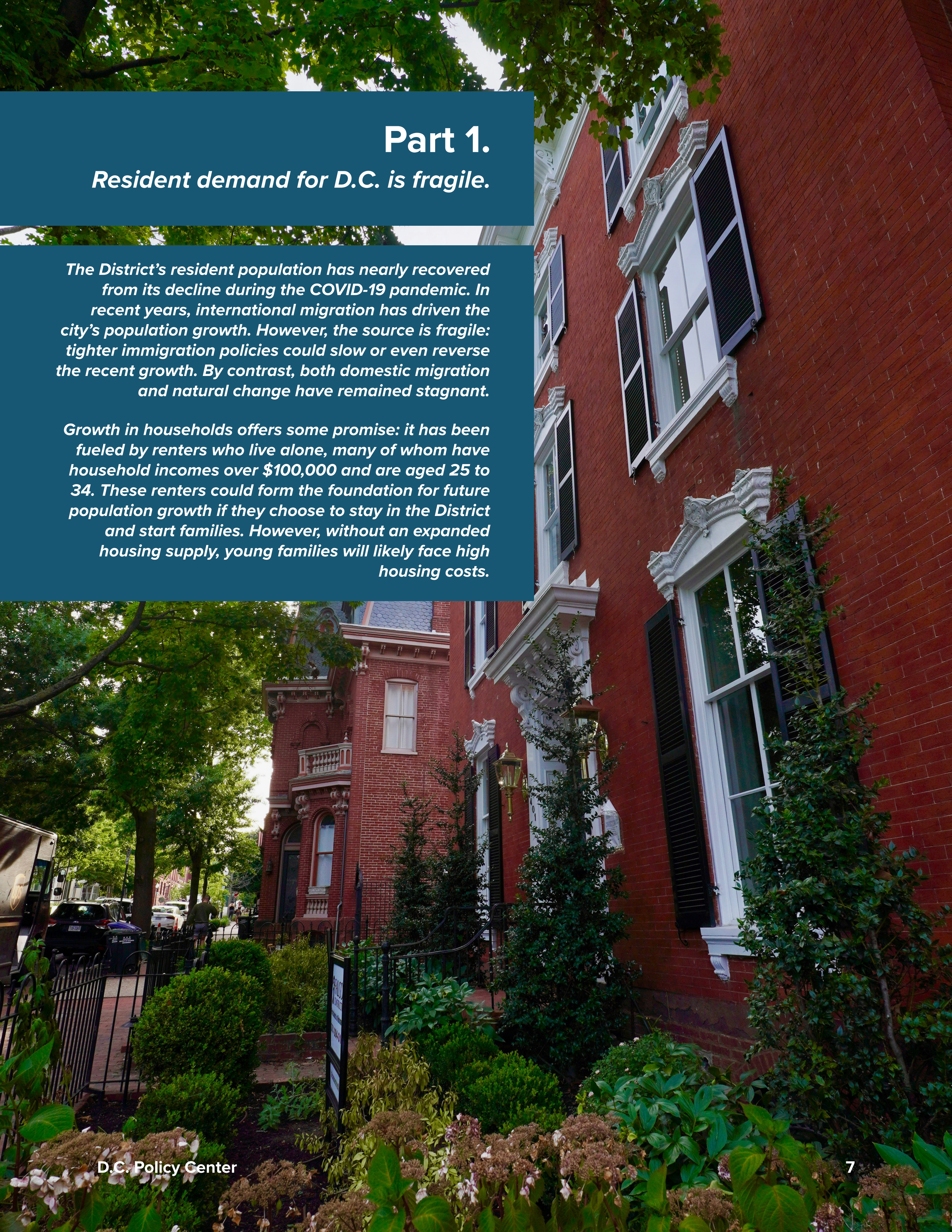
In an era characterized by remote work, e-commerce, and cloud computing, D.C. must reduce its long-standing reliance on the federal government and businesses occupying large amounts of office space, and pivot toward an economy driven by private sector dynamism and innovation. Achieving this shift will require practical, market-oriented reforms that make the District more attractive to residents, workers, businesses, and investors, while increasing the city's potential for innovation-led growth.

We recommend four sets of market-oriented reforms and a total of 13 policy recommendations:

1. **Build more housing as core economic infrastructure.** Rather than relying on subsidies or scarcity-driven policies, the District should expand the housing supply to make it more affordable for residents and families of all income levels, which in turn enhances the city's overall attractiveness.
2. **Make private sector job growth a priority.** As the federal government reduces its presence, the District should focus on private-sector employment growth through targeted tax incentives, stronger talent pipelines, and place-based incentives to attract remote workers.
3. **Adopt competitiveness as a policy lens.** To make D.C. the region's most attractive environment for businesses and residents, policymakers should assess all economic, regulatory, and fiscal policies for their impact on cost, complexity, and time-to-market.
4. **Leverage the District's assets.** By building on its strong base of research-oriented institutions, the District should work to attract and support research spin-off firms that can drive growth and innovation.

Recommendations matrix

Strategy	*Recommendations*
Build more housing as core economic infrastructure.	***Legalize more housing.*** **1.** Set the goal of expanding the amount of land zoned for townhomes and multifamily housing from 26 percent to 50 percent of residential-zoned land. **2.** Use comprehensive plan and building code reviews to modernize and reform land use regulations. **3.** Permit by-right development for 10,000 housing units across more lots in all eight wards of the city, including undeveloped and commercially zoned lots.
	Consider the effect of regulations on the housing supply. **4.** Establish a regulatory review and modernization process to prioritize expanding the supply of housing. **5.** Continute to reform the Tenant Opportunity to Purchase Act (TOPA).
	Improve process. **6.** Reform the Planned Unit Development (PUD) process to minimize delays and friction. **7.** Establish a faster, simpler, and more predictable permitting process.
	Support family housing. **8.** Increase the housing supply of family-friendly units to support growing families.
Make private sector job growth a priority.	**9.** Align economic development incentives with export-based growth. **10.** Develop sustainable talent pipelines consistent with economic development incentives. Use place-based incentives to attract remote workers.
Adopt competitiveness as a policy lens.	**12.** Establish a formal process to measure the economic impact of new policies—especially their potential costs to D.C. businesses and residents.
Leverage the District's assets.	**13.** Strengthen efforts to foster and attract university and research spin-off firms.



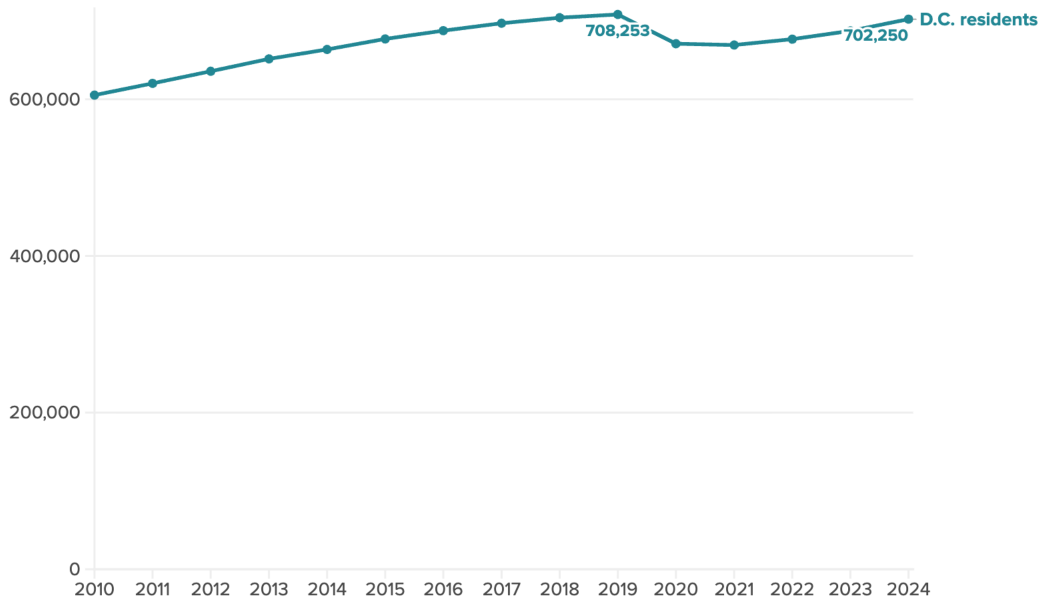
Part 1.

Resident demand for D.C. is fragile.

The District's resident population has nearly recovered from its decline during the COVID-19 pandemic. In recent years, international migration has driven the city's population growth. However, the source is fragile: tighter immigration policies could slow or even reverse the recent growth. By contrast, both domestic migration and natural change have remained stagnant.

Growth in households offers some promise: it has been fueled by renters who live alone, many of whom have household incomes over $100,000 and are aged 25 to 34. These renters could form the foundation for future population growth if they choose to stay in the District and start families. However, without an expanded housing supply, young families will likely face high housing costs.

Figure 1.
The resident population of the District of Columbia has nearly rebounded to its 2019 level.



Source: Federal Reserve Bank of St. Louis, FRED (Series: DCDIST5POP).

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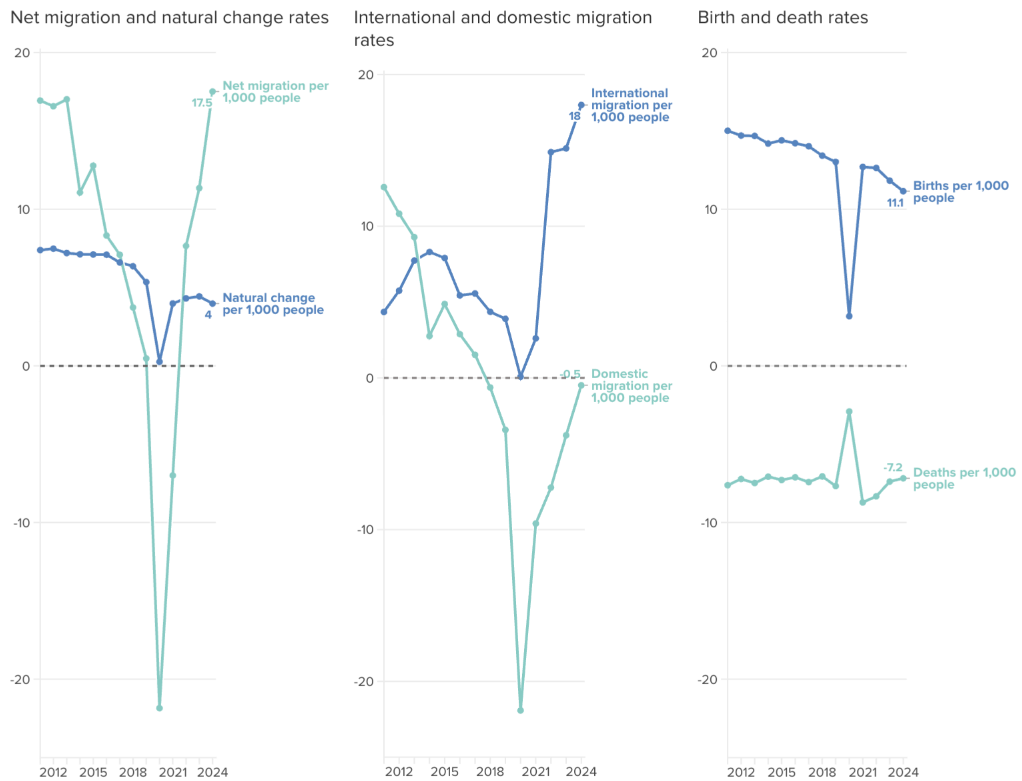
The District's population gains have stemmed from a fragile source—international migration.

Between 2010 and 2019, the District's population grew by 17 percent, adding 102,971 residents. The pandemic eroded some of these gains: from 2019 to 2021, the city lost 38,997 residents. Part of this loss resulted from people moving to lower-cost metro areas.[1] Although population growth resumed in 2022, the District's population in 2024 remained below its 2019 peak of 708,253.

The District's population trends mirror those of other urban jurisdictions. In the Washington region, urban counties, such as Arlington County and the city of Alexandria, lost residents during the early years of the COVID-19 pandemic.[2] Across the country, many large metro areas lost population during the pandemic but—like the District—are now experiencing growth again.[3]

International migration has been the primary driver of the District's recent population growth.[4]

Figure 2.
The District's international migration rate has increased in recent years.



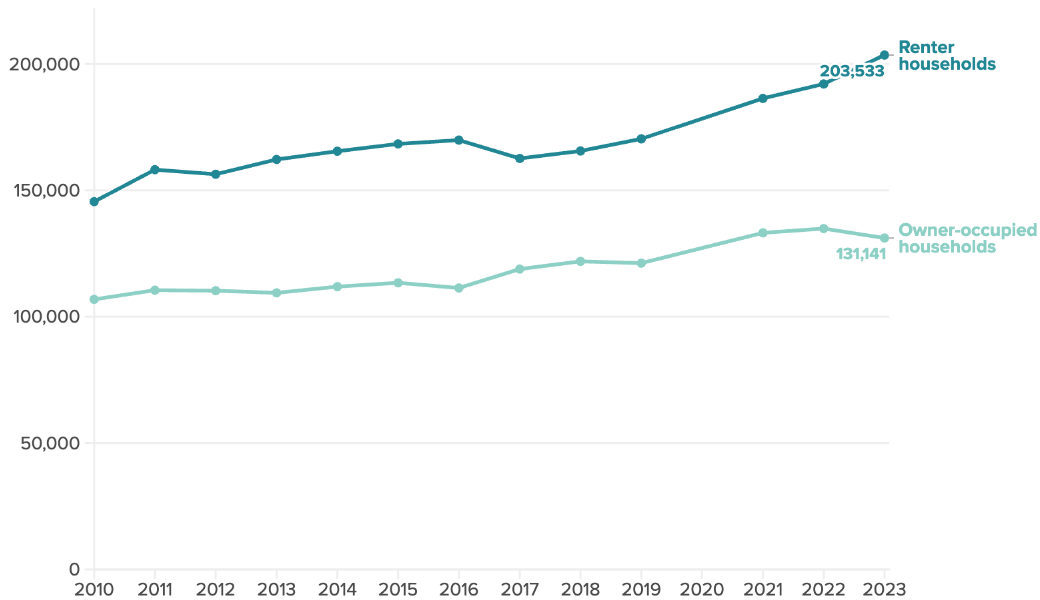
Source: U.S. Census Bureau, State Population Totals and Components of Change: 2010-2019 & Vintage 2024 Estimates County Population Totals and Components of Change.

After falling to nearly zero in 2020, international migration rebounded to 18 per 1,000 residents in 2024. However, this source of growth is fragile: tighter immigration policies could slow or even reverse the recent gains.

Domestic indicators—namely domestic migration and natural change—performed less well.[5] In 2020 and 2021, 21,549 residents left the District for other parts of the U.S. While the pace of out-migration has slowed, domestic migration has yet to turn positive. The rate of natural change—births minus deaths—has also declined, dropping from 7.4 per 1,000 residents in 2011 to 4 per 1,000 in 2024. This decline is driven primarily by fewer births: between 2011 and 2024, the number of births fell from 9,289 to 7,602—a sign that fewer residents are starting families in the District.[6]

These trends suggest that the District's appeal as a place to live and raise families is waning. Decisions about where to settle are influenced by factors such as job opportunities, housing costs, school quality, public safety, and taxes. Recent research shows that state taxes correlate with migration patterns. Between 2020 and 2023, the rise of remote work coincided with many high-income earners relocating from higher- to lower-tax states. This shift drained an estimated $40 to $50 billion in revenue from state income tax coffers. In 2022, these losses represented approximately 7 to 8 percent of state-level income tax revenues.[7]

Figure 3.
Renter households have been the main driver of household growth in the District of Columbia.



Source: IPUMS American Community Survey (ACS), 1-year estimates, 2010-2019, 2021-2023.

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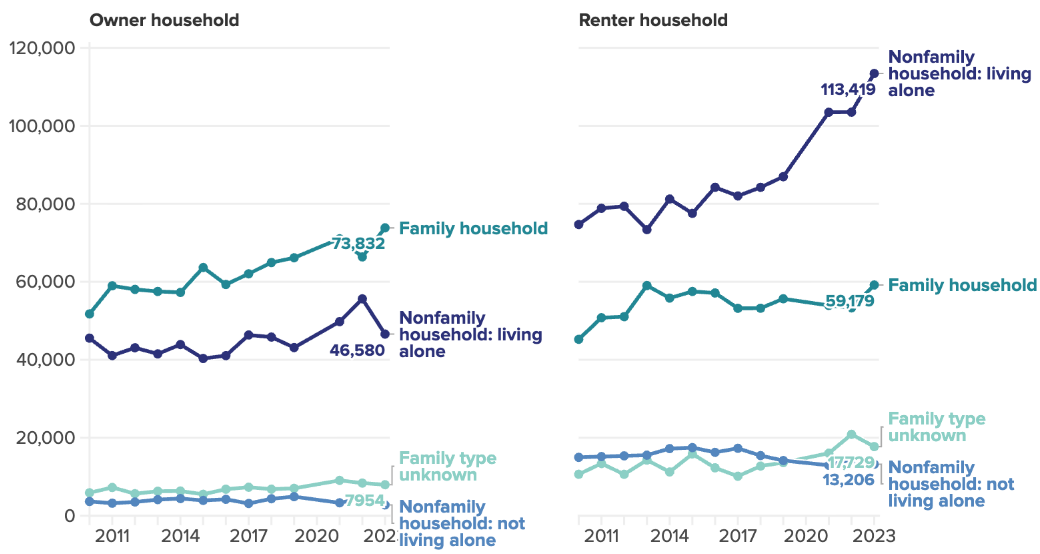
Figure 4.
Renters living alone drive household growth in the District.



Source: IPUMS American Community Survey (ACS), 1-year estimates, 2010-2019, 2021-2023.

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Household growth outpaced population growth in the District.

Between 2010 and 2023, the number of occupied households in the District rose from 252,386 to 334,674—an increase of 33 percent. Over the same period, however, the city's population grew by 13.5 percent. Even during the pandemic, when population declined, household formation continued to rise.[8] From 2019 to 2021 alone, the number of occupied households increased by nearly 10 percent, from 291,570 to 319,564, while the population fell by almost 6 percent.

Renter households accounted for much of the household growth.[9] Between 2010 and 2023, renter households grew by 40 percent, compared with a 23 percent rise in owner-occupied households. Growth in renter households accelerated after 2019: from 2010 to 2018, the number of renter households rose by nearly 14 percent, and then grew by another 19 percent from 2019 to 2023.

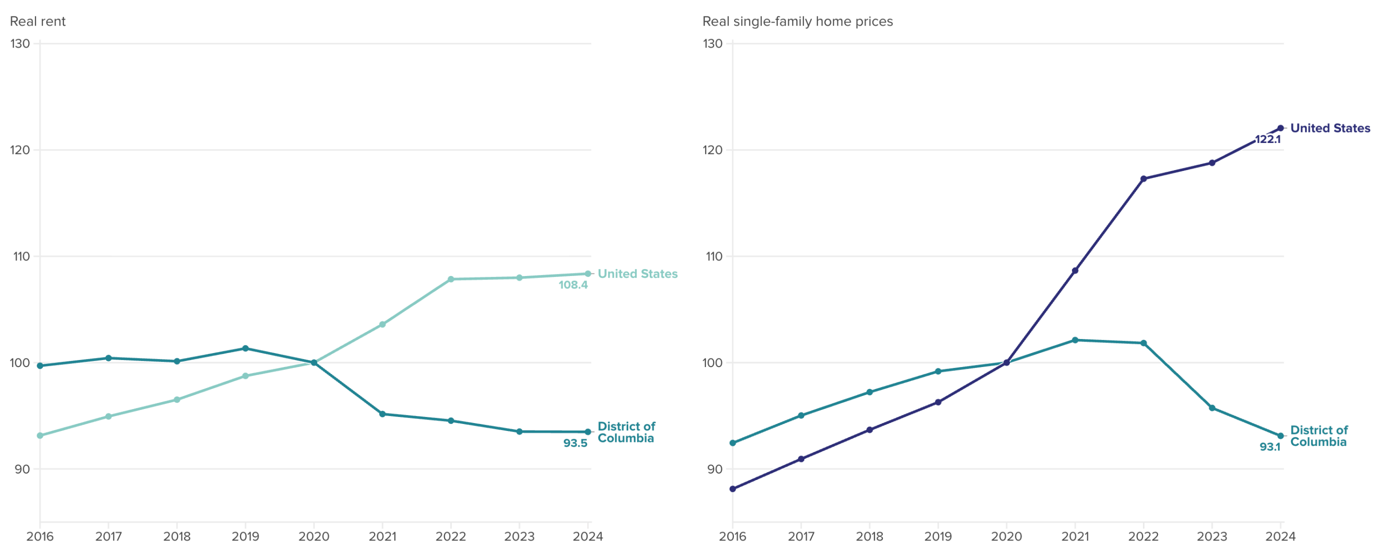
The sharpest increase among households with known family types occurred among renters living alone.[10] Between 2010 and 2023, the number of renters living alone grew by nearly 52 percent—from 74,687 to 113,419—including a 30 percent jump from 2019 to 2023.

Mirroring a trend from the early 2000s, many of these renters living alone are aged 25 to 34 with annual household incomes over $100,000 (2023 dollars).[11] Their presence bodes well for the city's future tax base and population growth. But their *continued* presence likely depends on the District addressing obstacles to family formation, such as high housing costs, limited childcare options, school quality, and public safety.

Despite declines in inflation-adjusted rents and single-family home prices since 2020, housing in the District remains out of reach for many.

Inflation-adjusted rents and single-family home prices in the District have declined since 2020, while prices nationwide have risen. This divergence likely reflects two trends: the continued popularity of remote work and the migration of residents from the city to the region's suburbs and exurbs.

Figure 5.
In the District, real rents and single-family home prices dropped following 2020.
Adjusted to 2020 dollars, 2020 = 100

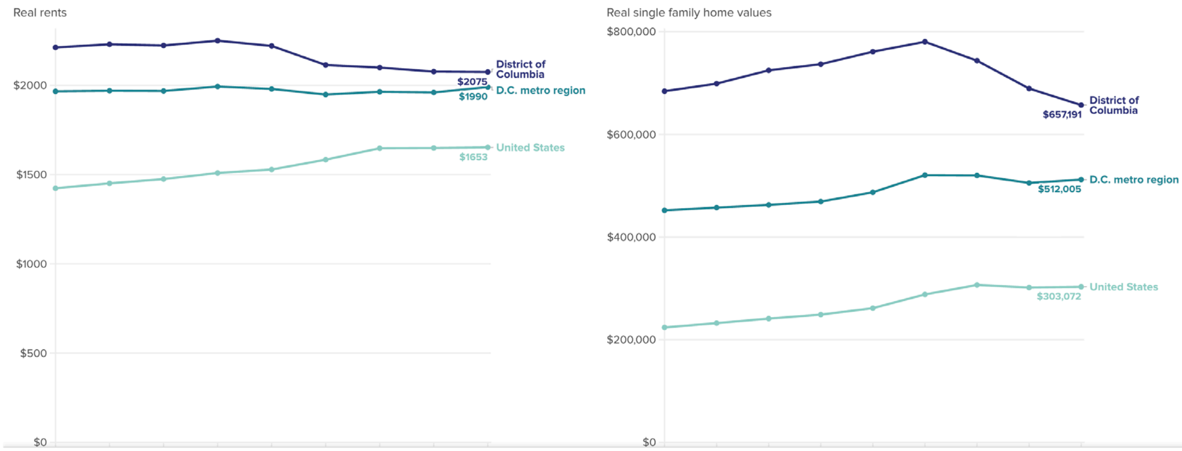


Source: Federal Reserve Bank of St. Louis, FRED (Series: USSTHPI, ATNHPIUS11001A, CPIAUCSL), Zillow, (ZORI), and author's calculations. ZORI is all homes plus multifamily time series.

Figure 6.

Although real rents and single-family home values declined in the District after 2020, they remain comparatively high.

Adjusted to 2020 dollars



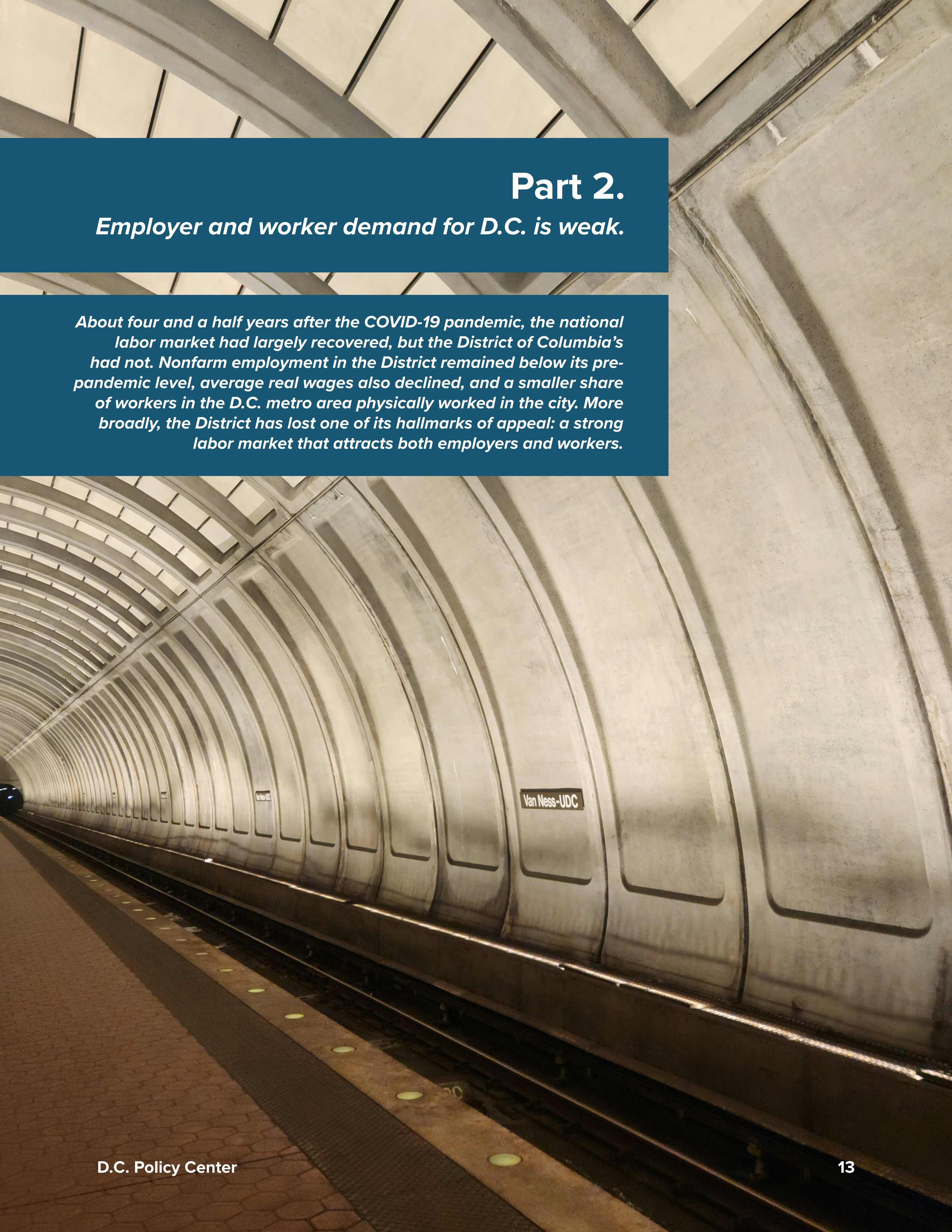
Source: Zillow, (ZORI) All homes plus multifamily time series. Zillow, (ZHVI) Single-family home time series. Federal Reserve Bank of St. Louis, FRED (Series: CPIAUCSL) and author's calculations.
Note: The D.C. metro region includes the District of Columbia.

Still, housing in the District remains out of reach for many. One striking statistic illustrates this point: in 2022, 64 percent of the District's essential workers lived outside the city.[12] Another notable feature of the city's housing landscape is the shortage of affordable, appropriately sized housing for low- and middle-income families. This challenge stems from two related factors. First, the number of small units is insufficient for the number of small households. Second, there is an oversupply of larger units relative to the number of large households. However, many of the larger units are occupied by higher-earning singles and couples, which raises prices and limits housing options for lower- and middle-income families.[13]

Comparing inflation-adjusted home values and residential rents in the District with those in the broader D.C. metro region and the nation offers a different perspective on housing trends. In 2024, inflation-adjusted rents were about 4 percent higher in the District than in the broader region, while single-family home values were approximately 28 percent higher in the city than in the surrounding region.

While partly a reflection of the District's urban structure, the higher rents and home values also reflect supply constraints. To be sure, between 2000 and 2020, the District increased its housing supply by rezoning non-residential land for additional housing.[14] Nevertheless, building height limits, slow approval processes, and restrictive zoning practices continue to constrain the supply of housing in the city.[15]

This challenge is not unique to D.C. Reducing constraints on the housing supply has become a national imperative. According to recent research by economists Edward Glaeser and Joseph Gyourko, Sunbelt metro areas used to build enough new housing to keep prices relatively affordable. Conditions, however, have changed over time. Between 1950 and 1960, the average annual percentage change in new housing units in two prominent Sunbelt metro areas—Miami and Dallas—was around 15 percent and 8 percent, respectively. Fast forward a few decades. Between 2020 and 2023, the average annual increase for Miami and Dallas fell below 1 percent, putting them on par with some of the more supply-constrained metro areas, such as Los Angeles, San Francisco, and the D.C. region.[16]



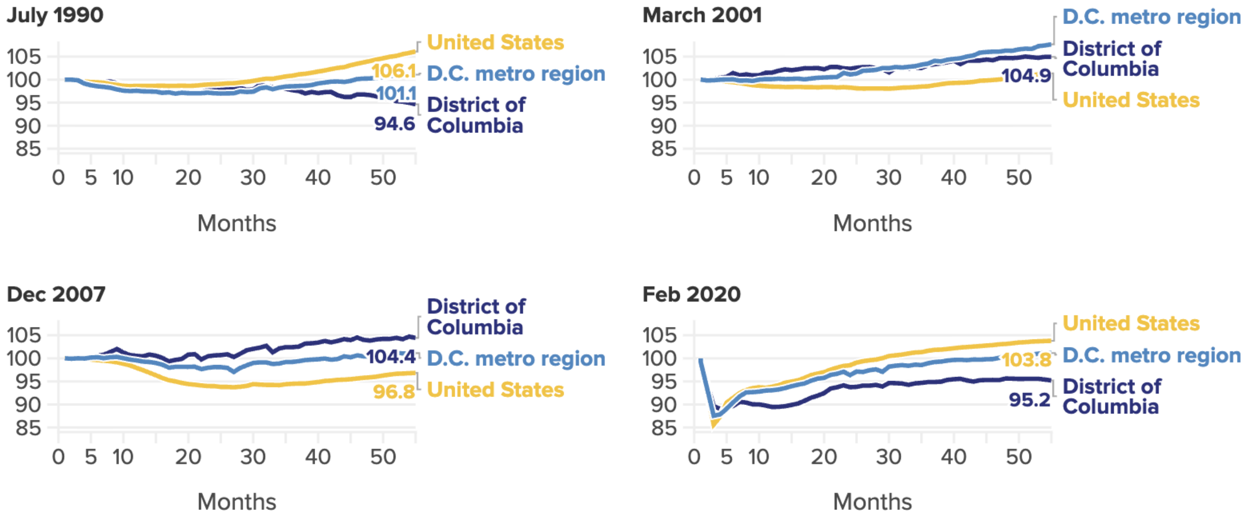
Part 2.

Employer and worker demand for D.C. is weak.

About four and a half years after the COVID-19 pandemic, the national labor market had largely recovered, but the District of Columbia's had not. Nonfarm employment in the District remained below its pre-pandemic level, average real wages also declined, and a smaller share of workers in the D.C. metro area physically worked in the city. More broadly, the District has lost one of its hallmarks of appeal: a strong labor market that attracts both employers and workers.

Figure 7.
Nonfarm employment growth in the District was comparatively sluggish following the COVID-19 pandemic.

Month 1 = peak month, indexed to 100



Source: Bureau of Labor Statistics, State and Metro Area Employment, Hours, & Earnings. Bureau of Labor Statistics, Current Employment Statistics. NBER Business Cycle Dating.
Note: Month 1 is the "peak" month. The peak month is the point at which economic activity reaches its highest level before beginning to decline, as determined by a group of professional economists. The D.C. metro region (Washington-Arlington-Alexandria, DC-VA-MD-WV) includes the District of Columbia.

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Nonfarm employment refers to the total number of jobs in a geographic area, excluding farm jobs. The measure is based on the location of the business establishment rather than where a worker physically performs their job.

Following the March 2001 and December 2007 recessions, the District's recovery outperformed the nation's—both in terms of when it began and the pace of employment growth.[17] In contrast, the District's recovery following the COVID-19 recession did not start until nearly 18 months after the initial shock, and progress since then has been modest. The COVID-19 recovery resembles the recovery following the 1990 recession, when the District experienced federal spending reductions and the fiscal shock of bankruptcy.[18]

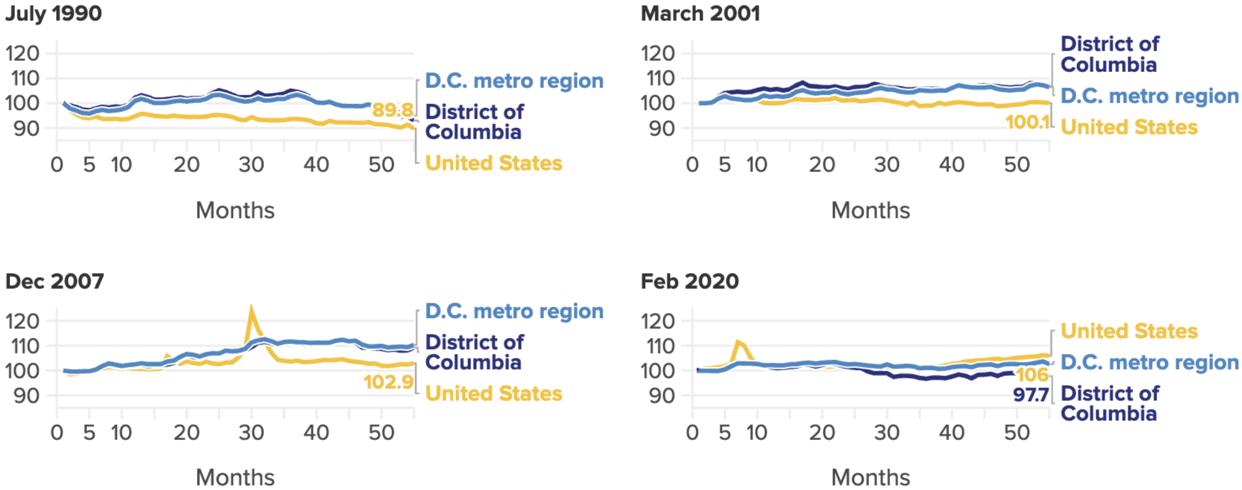
In the wake of the two recessions—the 2001 and 2007 recessions—when the District outperformed the nation, federal government employment in the District was higher at month 55 than it had been before the recessions began. In contrast, following the two recessions when the District lagged the nation—the 1990 and 2020 recessions—federal employment in the District was lower at month 55 than before the onset of the recessions. The upshot is that federal government employment has been a somewhat unstable anchor for the District—at times a tailwind aiding recovery, and at others, a headwind slowing it down.

More recent data on federal government employment in the District and the broader region is concerning. Between January and July 2025, federal government employment fell by a little more than 3 percent in the District and nearly 5 percent in the surrounding region. Moreover, these declines may deepen over time.[19] The District's Chief Financial Officer estimates that 40,000 federal jobs may be lost in the District over the next four years.[20]

From 2016 to 2020, average inflation-adjusted wages in the private sector grew nationwide and in the District, with stronger growth in the District. Since 2020, the trend has shifted: average real wages in the District have declined by 14.1 percent, compared to less than 1 percent nationally.

Figure 8.
Federal government employment has been an unstable engine for the District.

Month 1 = peak month, indexed to 100



Source: Federal Reserve Bank of St. Louis, FRED (Series: SMU11479009091000001, CEU9091000001, SMU11000009091000001). NBER Business Cycle Dating. Data is seasonally unadjusted.
Note: Month 1 is the "peak" month. The peak month is the point at which economic activity reaches its highest level before beginning to decline, as determined by a group of professional economists. The D.C. metro region (Washington-Arlington-Alexandria, DC-VA-MD-WV) includes the District of Columbia.

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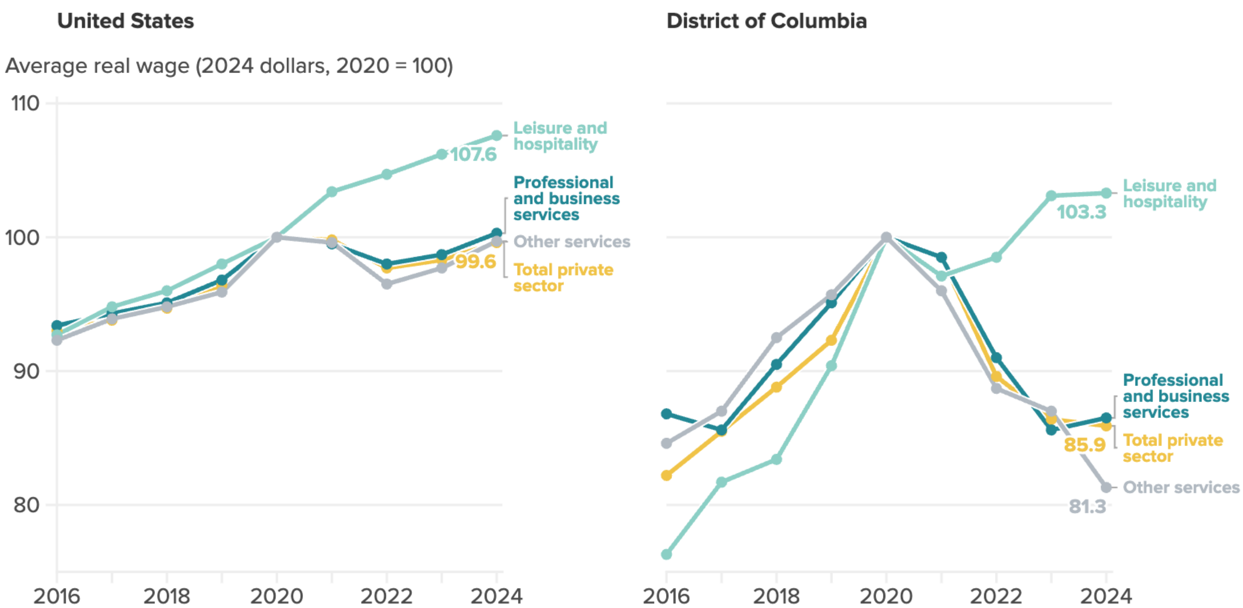
Figure 9.
Average real wages in the District fell after 2020.

Selected sectors



Source: Economic Policy Institute, State of Working America Data Library, "Hourly earnings by industry - All payroll employees, average real wage (2024$)," 2025 and author's calculations.

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Among the sectors shown, the steepest decline in wages in the District occurred in the "other services" sector.[21] Average real wages also fell in the traditionally strong professional and business services sector. The only sector in the District where real average wages grew relative to their 2020 level was the leisure and hospitality sector.

D.C. now lags the nation on two key measures of attractiveness: job growth and real wage growth. Before the pandemic, the District outpaced the nation in real wage growth and started from a higher baseline. But since the pandemic, the District's labor market has become considerably less of a draw for employers and workers than it was before 2020.

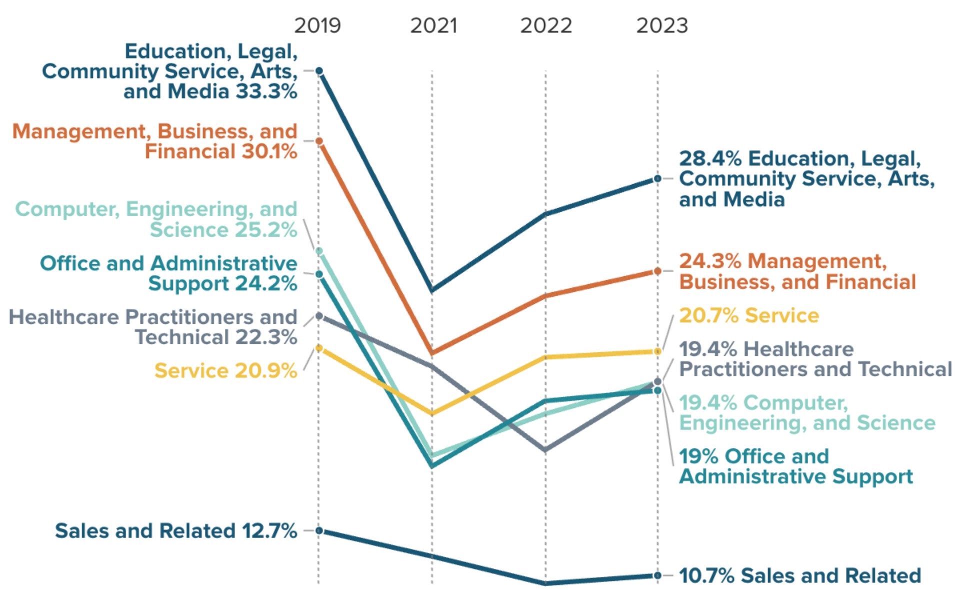
Remote work has weakened the relationship between where people work and where they live.[22] This weakened relationship adds to the challenges of an already sluggish local labor market. Workers now have greater flexibility to reside farther from the city, even if their employer is in the District.[23] As a result, "job activity"—a metric of where workers physically perform their jobs—has shifted from the District to other parts of the D.C. region.[24]

Before the pandemic, for every 100 people employed in the D.C. region, 24 actually worked in the District. By 2021, that share had declined to 18 percent, mostly because of remote work. As of 2023, it had modestly rebounded to 20.7 percent. The decline was most pronounced in occupations tied to education, legal services, community work, arts, and media, which fell by 10 percentage points between 2019 and 2021 and then rose by 5 percentage points between 2021 and 2023. STEM occupations—such as computer, engineering, and science positions—declined by 9 percentage points between 2019 and 2021 and then increased by a little over 3 percentage points between 2021 and 2023.

More broadly, workers who once helped drive economic activity in the city are now doing so elsewhere. This shift in job activity weakens the city's fiscal foundation, diminishes its daytime vibrancy, and reduces its overall attractiveness.

Figure 10.
Job activity in the District remained below its pre-pandemic level in 2023.

Share of D.C. metro region workers physically working in the District for select occupations.



Source: IPUMS American Community Survey (ACS), 1-year estimates, 2019, 2021-2023 and author's calculations.

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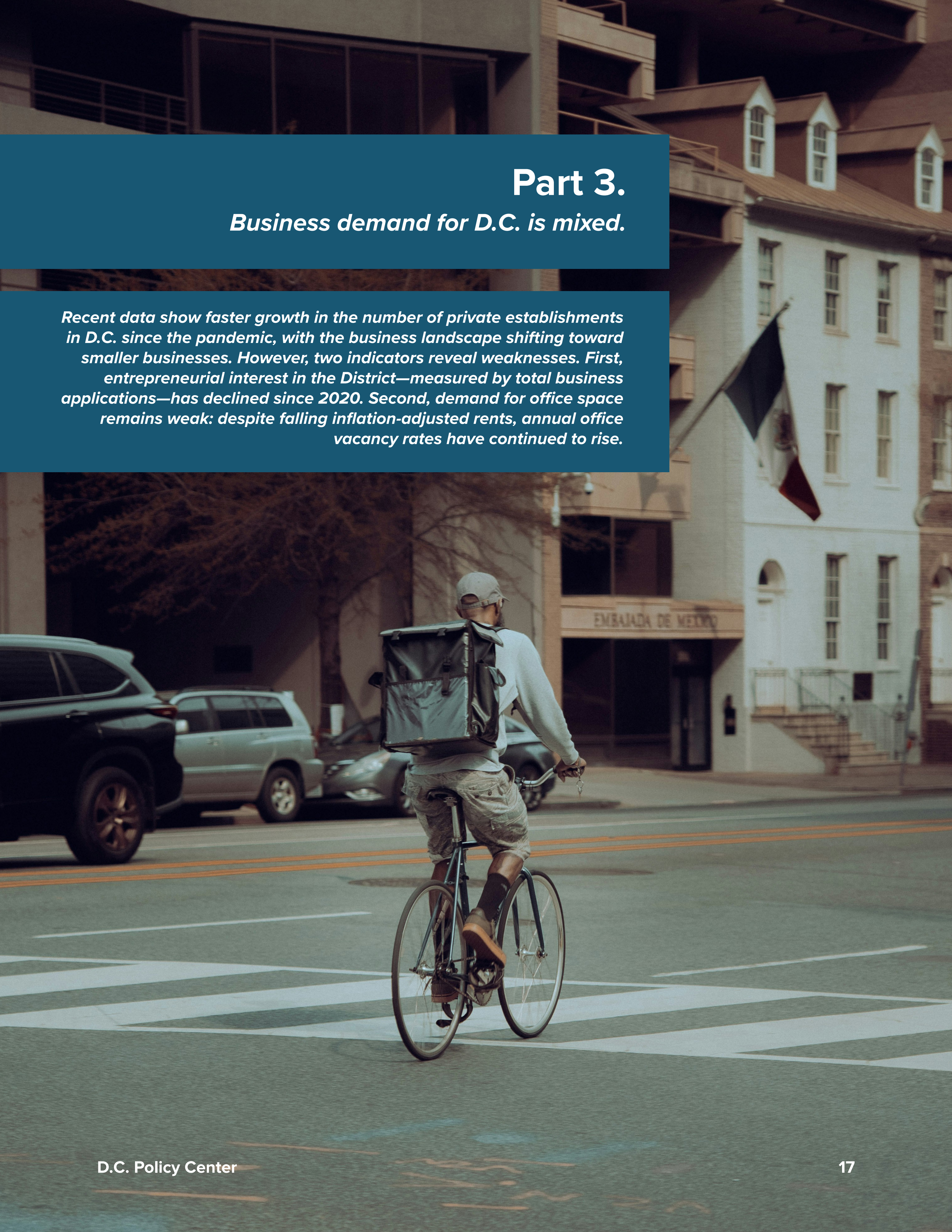


Part 3.

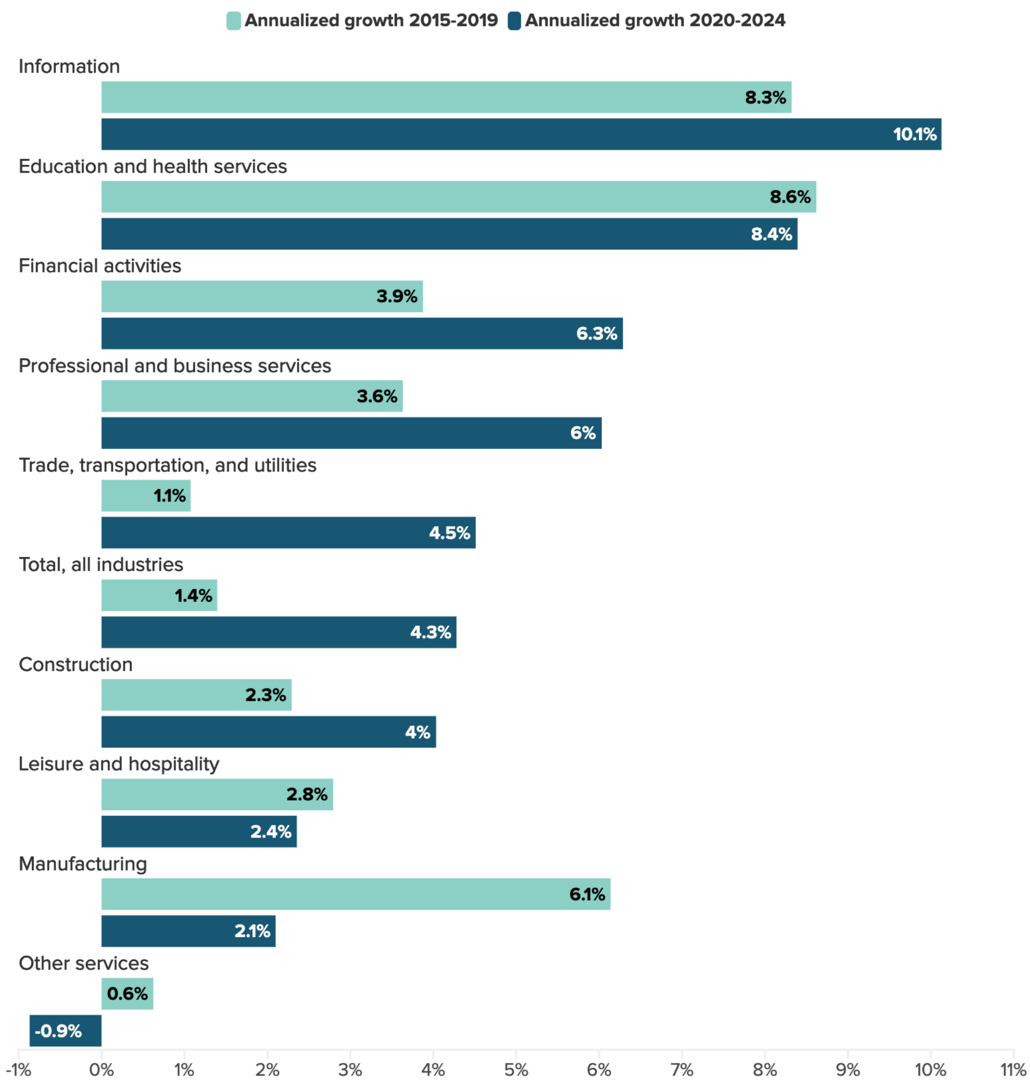
Business demand for D.C. is mixed.

Recent data show faster growth in the number of private establishments in D.C. since the pandemic, with the business landscape shifting toward smaller businesses. However, two indicators reveal weaknesses. First, entrepreneurial interest in the District—measured by total business applications—has declined since 2020. Second, demand for office space remains weak: despite falling inflation-adjusted rents, annual office vacancy rates have continued to rise.

Between 2020 and 2024, the number of private-sector establishments grew at an annual rate of just over 4 percent—about three times the pace of 1.4 percent recorded between 2015 and 2019. Growth was strongest in the information sector, where the number of establishments rose at a 10.1 percent annual rate in the post-pandemic period, compared with 8.3 percent. The professional and business services sector also experienced faster growth—6 percent after the pandemic, compared to 3.6 percent before.

The District's business landscape is shifting toward smaller businesses.[25] From 2020 to 2024, the number of establishments with fewer than 100 employees increased by almost 26 percent, while establishments with 1,000 or more employees grew by just over 7 percent. In the years before the pandemic, between 2015 and 2019, the number of establishments with fewer than 100 employees grew by roughly 8 percent, and establishments with 1,000 or more employees declined by 3 percent.[26]

Figure 11.
Growth in the number of private establishments in the District accelerated after 2020.



Source: BLS, Quarterly Census of Employment and Wages (QCEW) and author's calculations.

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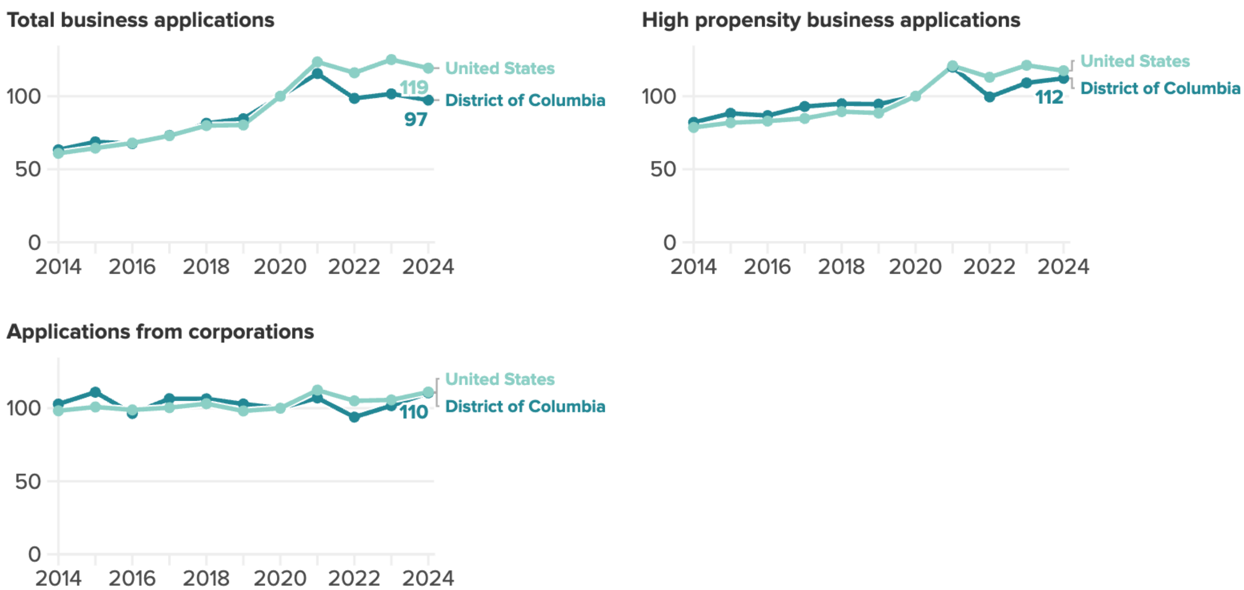
Figure 12.
Average monthly business applications per year in the District dropped in the years following 2020.
2020 indexed to 100



Source: U.S. Census Bureau, Business Formation Statistics and author's calculations.

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Entrepreneurial interest has faded.

Entrepreneurial interest—measured by total business applications—rose in both the District and the nation at the onset of the pandemic.[27] Since then, national business application growth has outpaced that of the District. By 2024, total business applications in the District dropped below its 2020 level, while national applications remained elevated. Although high-propensity and corporate applications in the District were above their 2020 levels, both continued to lag their national counterparts in 2024.

Demand for office space in the city has fallen, but the District is not alone.

The District's office market continues to struggle with weak demand.[28] Signs of trouble—particularly downtown—were evident even before the COVID-19 pandemic. After the pandemic, the rise of remote work and fewer commuters exacerbated the office market's challenges. However, compared with the larger D.C. metro area and other metro areas, the District's office market struggles do not stand out.[29]

By the end of 2024, the office vacancy rate in the District was a little over 17 percent, and since the COVID-19 pandemic, more office space has been vacated than has been leased. The Central Business District and East End had vacancy rates near 20 percent in 2024, and higher availability rates suggest that vacancy rates could continue to rise. Moreover, as vacancy rates have risen, nominal annual gross office rents have largely flatlined or declined since 2019 in the District's Central Business District and East End. Yet the stagnation in rents has not been enough to entice additional tenants to lease space.[30]

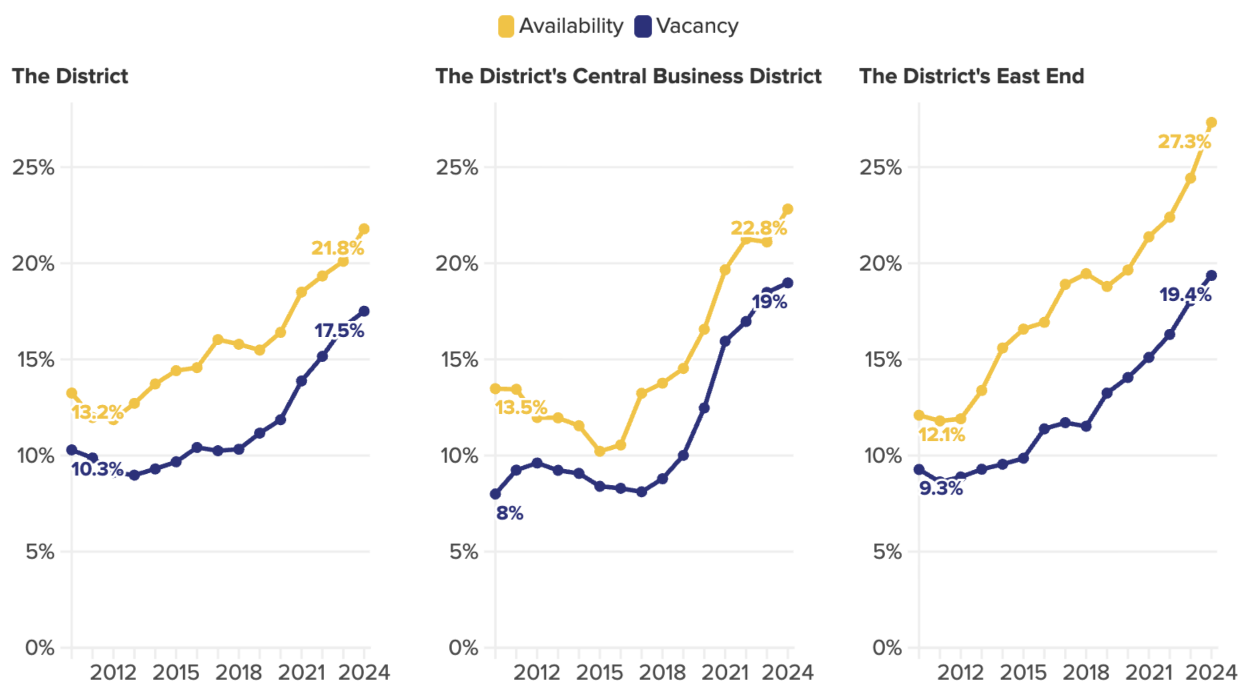
A consequence of the weak demand has been reduced office valuations.[31] The Office of Tax and Revenue's proposed Tax Year 2026 assessments for the District's 833 largest office buildings total $77.8 billion—a $10 billion drop from the prior year, or an 11 percent decline. [32] This decline translates to an estimated $178 million loss in commercial property tax revenue for the city.

Early indications suggest that assessments may continue to fall. In 2024 and the first half of 2025, public tax data show 51 recorded office building sales. Of these, 30 sold for 75 percent or less of their assessed value.[33] Many of these properties are likely under assessment appeal—or soon will be—putting further pressure on the city's commercial tax base.

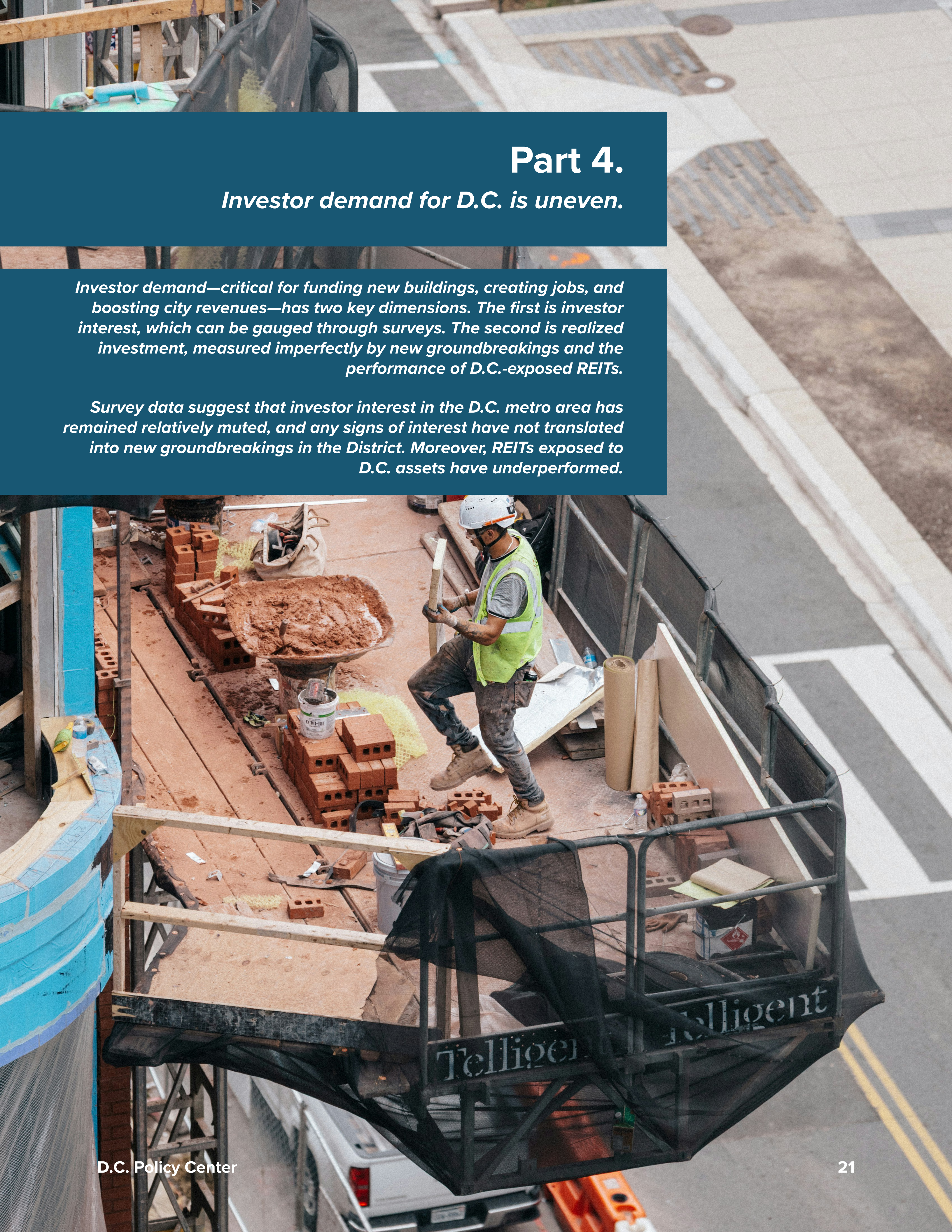
More broadly, the subdued demand for office space in the city since the pandemic raises the question of whether demand will return to pre-pandemic levels. Technological advances—such as remote work, cloud computing, and online retail—have lessened businesses' need for large amounts of physical space. One economist has called this trend the "demassification" of economic activity.[34]

For a city built around federal agencies, lobbying firms, legal offices, and conference venues, demassification poses a substantial challenge. The city's high office vacancy and availability rates likely reflect the effects of demassification. Moreover, according to the January 2025 Quarter 1 *Avison Young* office market snapshot report, the D.C. metro area's "office development pipeline remains at its lowest point in more than 20 years..."[35]

Figure 13.
Annual office vacancy rates in the District are high.



Source: CoStar.



Part 4.

Investor demand for D.C. is uneven.

Investor demand—critical for funding new buildings, creating jobs, and boosting city revenues—has two key dimensions. The first is investor interest, which can be gauged through surveys. The second is realized investment, measured imperfectly by new groundbreakings and the performance of D.C.-exposed REITs.

Survey data suggest that investor interest in the D.C. metro area has remained relatively muted, and any signs of interest have not translated into new groundbreakings in the District. Moreover, REITs exposed to D.C. assets have underperformed.

Surveys suggest that multifamily assets lead, but overall investor sentiment is tepid.

Investor surveys present a mixed picture of demand. According to CBRE's 2025 U.S. Investor Intentions Survey, the Washington, D.C. metro area reentered CBRE's list of the top 10 "most attractive markets for investment" after falling off in 2024. Tied with Austin, Texas, the Washington, D.C. metro area ranked seventh, while Dallas held the top spot for the third straight year. Surveyed investors continued to show the strongest interest in the multifamily market, followed by industrial and logistics, and then retail.[36]

Findings from the 2024 AFIRE International Investor Survey are consistent with this pattern. When investors were asked which American cities they would "prioritize" for investment if they "were starting with fresh books," Washington, D.C. ranked twelfth. AFIRE also found that investors are targeting multifamily assets and seeking greater exposure to "alternative real estate" investments.[37]

Investor interest is not translating into new projects.

Planned and active construction activity can serve as an imperfect proxy for investor confidence. On this front, the signs for the District are concerning.

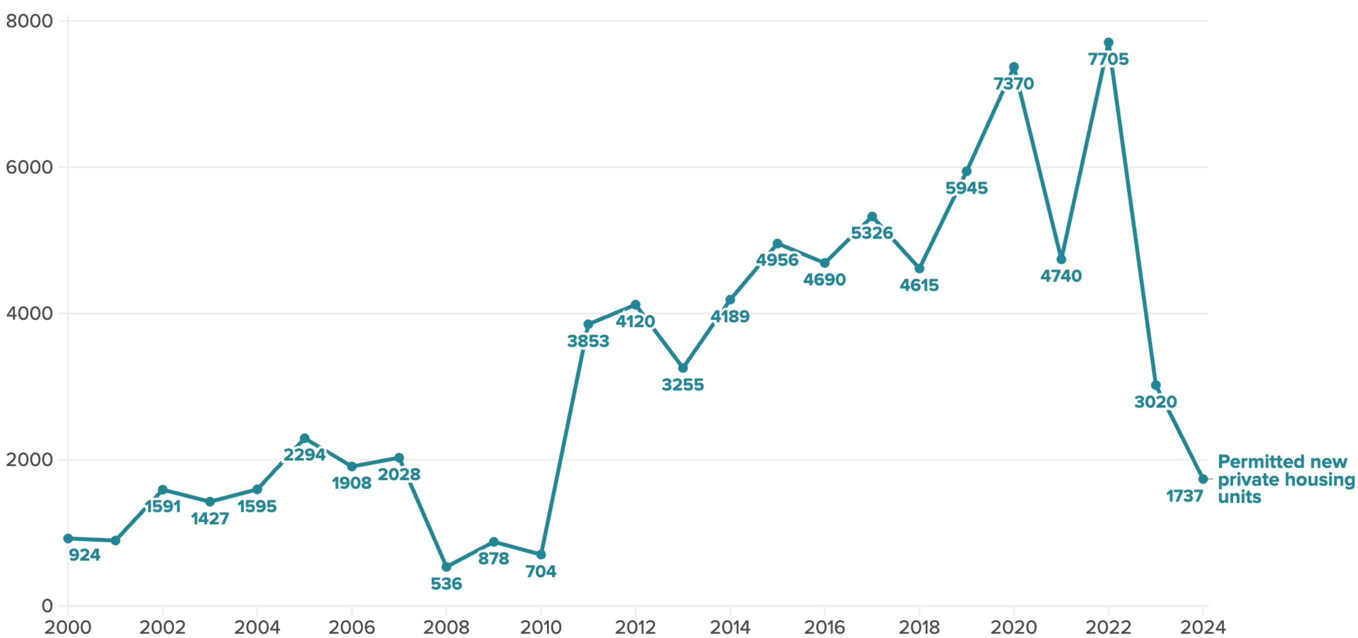
In the multifamily residential market, construction has slowed. As of the first quarter of 2025, 59 buildings are under construction in D.C., delivering a total of 8,277 units. That is nearly half the level of the first quarter in 2020—when 110 buildings were underway with 16,561 units.[38]

Residential permitting data provides additional insight. While not all permitted units are built, and permitting trends can be influenced by factors beyond demand—such as regulatory changes, construction costs, and interest rates—permitting data offers an imperfect gauge of the investment climate. When conditions are favorable, permitting tends to rise; when conditions worsen, it tends to fall.

Since 2022, the number of new private housing units permitted in D.C. has declined, reversing the growth seen before the pandemic. This trend signals a cooling environment for investment.

Figure 14.

Permitted new private housing units in D.C. have sharply declined in recent years.



Source: U.S. Census Bureau, New Private Housing Units Authorized by Building Permits for District of Columbia [DCBPPRIVSA], retrieved from FRED, Federal Reserve Bank of St. Louis.

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A similar trend is evident in commercial real estate. A useful, though imperfect, indicator of investor demand is the amount of office and retail space under construction. According to CoStar data, this activity in the District has been declining—starting in 2017 for office space and in 2014 for retail—and has remained subdued after the pandemic. These declines likely reflect reduced investor confidence and ongoing uncertainty about future demand.

The return on investment in D.C.-based real estate appears to be falling.

In past downturns—such as the Great Recession—investors viewed the Washington, D.C., metropolitan area as a safe investment market. Many real estate investment trusts (REITs) increased their holdings in the District and surrounding region, confident in its economic prospects. That perception has shifted.

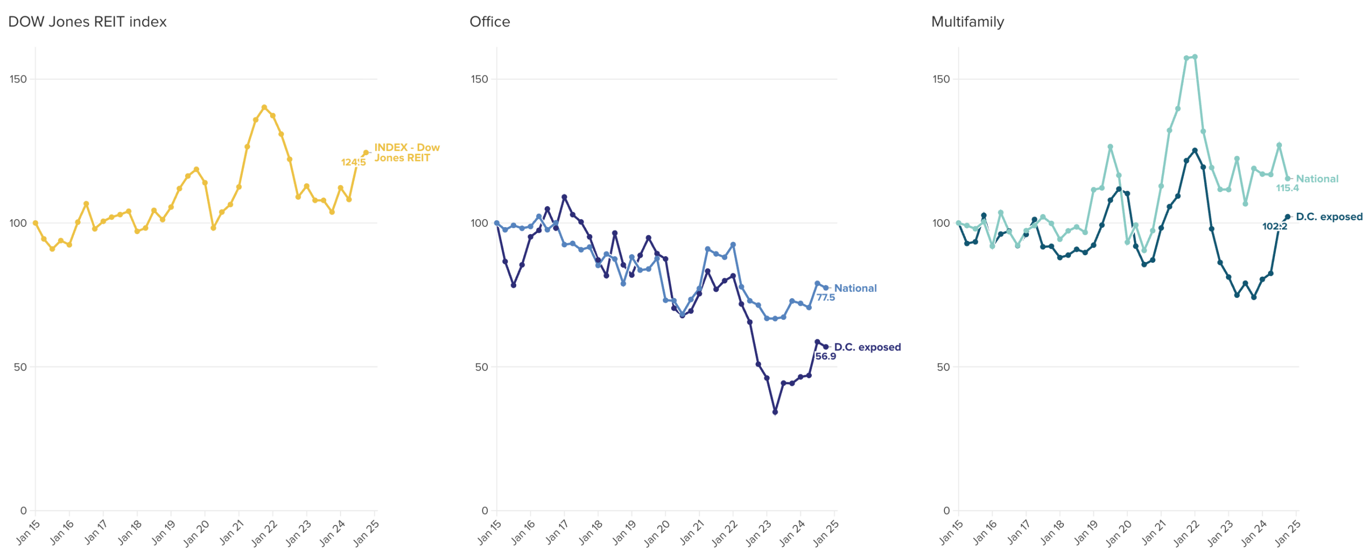
An internal analysis by the D.C. Policy Center identified publicly traded REITs with significant exposure to D.C.-area assets over the last 10 years and compared their valuations to similar REITs nationally. The results suggest that investors now associate D.C.-based real estate with lower returns.[39]

Since the first quarter of 2015, the Dow Jones REIT Index—which tracks REITs across all property types—has grown by 25 percent, driven largely by gains in sectors such as warehousing, data centers, and infrastructure. Over the same period, REITs focused on multifamily housing nationally increased by 15 percent. In contrast, multifamily REITs with substantial D.C. exposure gained just 2 percent—a reversal from earlier periods when D.C.-focused REITs outperformed or matched their national peers.

The gap is even wider for office-focused REITs. Nationally, these REITs have declined by 25 percent since 2015, likely reflecting the diminished demand for office space. Office REITs invested in D.C., however, are now trading at a 43 percent discount—a signal that investors see lower return potential in the District.

Even investors seeking portfolio diversification now favor other markets—signaling that the area's reputation for stability is becoming less reliable in attracting or retaining capital.

Figure 15.
D.C.-exposed REITs have underperformed.
Quarterly change in REIT values by exposure type and location, Jan 2015 = 100



Source: Desk research to identify REITS. Stock market data from the Wall Street Journal. REIT data from XYXZ.
Note: The data is grouped by D.C.-exposed REITs, with quarterly values adjusted for trading volume.

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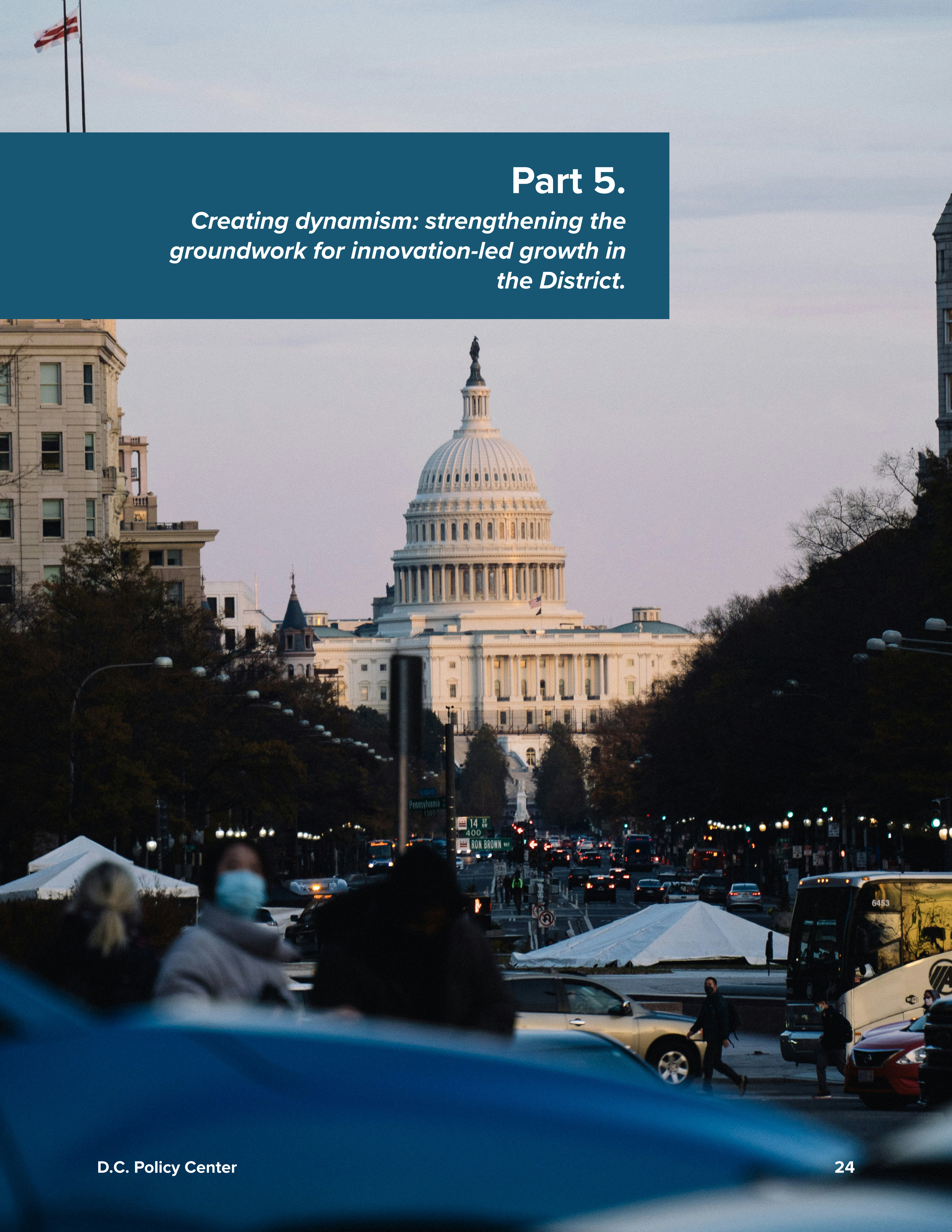
Part 5.

Creating dynamism: strengthening the groundwork for innovation-led growth in the District.



With fragile demand from residents, weak demand from workers, mixed demand from businesses, and uneven demand from investors, the District stands at a turning point. To reestablish itself as one of the world's most attractive cities, D.C. must pivot away from office-space-dependent sectors toward an economy propelled by innovation-led growth. Fortunately, the market-oriented reforms that enhance the District's attractiveness and appeal to residents, workers, businesses, and investors are the same ones that will increase the chances of innovation-driven growth.

Spurring innovation-led growth will not be easy. Tech clusters—such as Silicon Valley or the Puget Sound region—often emerge because of breakthroughs by private actors experimenting in ordinary places, such as garages, basements, or college dorm rooms. A few well-known examples illustrate the point.[40] Dell—which helped transform Austin—originated in Michael Dell's University of Texas dorm room.[41] Amazon—which helped rejuvenate Seattle—had its roots in Jeff Bezos's garage in Bellevue, Washington. And Apple—which played a major role in Silicon Valley's rise—started in a garage.[42] Consistent with these examples, innovation-driven growth is difficult to directly engineer through government policy.[43] As economist Enrico Moretti has remarked: "Picking the next big thing is very hard for the venture capitalist. It's virtually impossible for the government worker."[44]

Still, the fact that government policy is very unlikely to directly engineer innovation-driven growth does not mean local policymakers should remain on the sidelines. Instead, existing research indicates that it would be productive for policymakers to focus on two related policy areas.

The first is to adopt policies that make the city more attractive as a place to live, work, do business, and invest. Common sense suggests that a city that offers affordable housing, appealing employment opportunities, a regulatory environment that encourages experimentation, and effective local governance is better positioned to attract and retain talented professionals.

The second is to pursue policies that build on and leverage the District's existing strengths. It is instructive to remember that more than six in ten entrepreneurs in Silicon Valley were born abroad, and universities, particularly Stanford University, played a crucial role in the famed region's development. The point here is not that the District should try to replicate Silicon Valley but that the District already possesses strengths associated with innovative cities: a highly educated workforce, a diverse population, and a set of well-regarded universities and research institutions.[45]

For the two reasons articulated above, we recommend four sets of market-oriented reforms.[46]

1. **Build more housing as core economic infrastructure.** Rather than relying on subsidies or scarcity-driven policies, the District should expand the housing supply to make it more affordable for residents and families of all income levels, which in turn enhances the city's overall attractiveness.
2. **Make private sector job growth a priority.** As the federal government reduces its presence, the District should focus on private-sector employment growth through targeted tax incentives, stronger talent pipelines, and place-based programs to attract remote workers.
3. **Adopt competitiveness as a policy lens.** To make D.C. the region's most attractive environment for businesses and residents, policymakers should assess all economic, regulatory, and fiscal policies for their impact on cost, complexity, and time-to-market.
4. **Leverage the District's assets.** By building on its strong base of research-oriented institutions, the District should work to attract and support research spin-off firms that can drive growth and innovation.

1. Build more housing as core economic infrastructure.

Housing policy should play a central role in the District's economic development strategy.[47] Research suggests that cities with a more flexible housing supply tend to weather economic shocks more effectively than those with restrictive land-use practices. Furthermore, high housing prices limit the city's appeal to prospective residents.[48]

Legalize more housing.

#1. Set the goal of expanding the amount of land zoned for townhomes and multifamily housing from 26 percent to 50 percent of residential-zoned land. Single-family zoning covers a little more than two-fifths of all the surface area that is not owned by the federal government and three-fourths of all tax lots in the District.[49] Between 2000 and 2020, zoning reforms left zoning for single-family homes untouched, and most new housing growth in the District came from rezoning non-residential areas.[50] To meet future housing needs, the city should look to expand by-right development for multifamily units and townhomes beyond commercial corridors.[51] While the results of supply-oriented reforms are often realized over a long time horizon, setting a goal—such as increasing the share of residential land that allows multifamily housing and townhouse development—could serve as a north star for evaluating the city's progress in expanding its housing supply. The District does not need to lag behind in housing reform efforts. Notable reforms have already been implemented elsewhere in the country, including Oregon, California, and Minneapolis, Minnesota.[52]

#2. Use comprehensive plan and building code reviews to modernize and reform land use regulations. Facilitating housing construction is essential to expanding the District's housing supply. The city's approach should include modernizing zoning, easing parking minimums, and removing minimum lot size and height restrictions. Similarly, the building code should be updated to accommodate modern construction techniques. When safe and consistent with life-safety standards, certain regulations—such as those for sprinkler systems and dual-stairwell requirements—should be re-evaluated for smaller buildings.[53] Modernizing zoning and building codes is essential for enabling housing production and ensuring that rules for large buildings, such as dual-stairwell requirements, do not impede the development of smaller multifamily housing. Portland, Oregon, the state of Montana, and the cities of Raleigh and Charlotte, North Carolina, have all pursued building code or zoning reforms to increase the supply of housing.[54]

#3. Permit by-right development for 10,000 housing units across more lots in all eight wards of the city, including undeveloped and commercially zoned lots. Allowing by-right development can streamline time-consuming zoning reviews and discretionary approvals currently required for planned use changes. Increasing density through by-right development could, in turn, produce new housing opportunities and fiscal benefits. Estimates suggest that each new housing unit generates about $15,500 annually in property,[55] income,[56] and sales taxes.[57] Adding 7,000 new units over the next four years could yield as much as $543 million in additional annual revenue. Several states—such as California and Hawaii—have expanded by-right development for multifamily housing, including allowing such projects on commercially zoned land.[58] By reducing discretionary approvals and rezoning requirements, by-right reforms are an important tool for increasing housing production more quickly and at scale. According to the American Enterprise Institute (AEI), by-right reforms have the potential to increase the housing supply by 1 to 2.5 percent per year.[59]

Consider the effect of regulations on the housing supply.

#4. Establish a regulatory review and modernization process to prioritize expanding the supply of housing. Housing production in D.C. is constrained by a complex web of regulations that not only raise the cost of building and operating multifamily housing but also discourage private investment. Over the past two years, the D.C. Council enacted a series of laws that—while individually modest—have collectively increased costs and risk. Collectively, the laws include changes to rent control rules that delay or limit allowable rent increases,[60][61] new limits on tenant application fees including fees for pets (under consideration),[62] mandates for "net-zero" building standards,[63] requirements for electric vehicle charging in new or substantially renovated buildings,[64] increased permit fees for gas appliances,[65] bird-friendly façade mandates for non-historic buildings,[66] lower thresholds for requiring Project Labor Agreements in government-funded projects,[67] and licensing requirements for construction managers and contractors.[68]

While well-intentioned, these changes have made it more difficult to expand the housing supply. Housing production is not merely a zoning problem but a regulatory ecosystem issue. Cities such as Spokane, WA, and Tacoma, WA, have adopted "housing action plans" that, among other things, review regulatory barriers to multifamily housing.[69]

This year, Mayor Bowser proposed delaying the implementation of the Building Energy Performance Standards and net-zero mandates—both of which have been too costly to implement effectively. These requirements should be modified or eliminated. The District should establish a formal, recurring regulatory audit of building codes, permitting rules, and housing-related mandates. Such an audit would aim to make multifamily housing development more feasible and predictable across neighborhoods and income levels.

#5. Continue to reform the Tenant Opportunity to Purchase Act (TOPA). D.C. Policy Center research indicates that TOPA activity—both property transactions and tenant association (TA) formations—tends to occur in older, smaller, rent-controlled buildings.[70] Over 94 percent of property transactions and 96 percent of tenant association formations occur in buildings built before 1978. Most of these buildings with TOPA activity are also small: 71 percent of tenant associations occur in buildings with fewer than 20 units, and 88 percent occur in buildings with fewer than 50 units. The objective of TOPA is to support tenant ownership and stability. However, the effects of TOPA—whether delaying investment or complicating preservation—extend beyond the buildings where TOPA activity is concentrated. Regulatory uncertainty and litigation can substantially draw out transactions, sometimes up to 420 days.[71] Given the current uncertain interest rate environment, such delays increase risk and make new housing production less likely.

Recently, the D.C. Council passed the Rental Act.[72] This act exempts all buildings for 15 years after gaining a Certificate of Occupancy. The law also exempts many 2-to-4-unit properties not owned by corporations. Analysis by the D.C. Policy Center indicates that these reforms would keep tenant protections in buildings most affected by TOPA, while reducing delays elsewhere.[73] As of late October, the legislation needs the Mayor's signature and must pass Congress's passive review period before it becomes law.

The District should also consider eliminating direct cash payments to tenants during sales, exempting properties exiting Low Income Housing Tax Credit (LIHTC) affordability programs from TOPA, and strengthening data collection on TOPA transactions to track outcomes—especially with respect to affordability and negotiated improvements.[74]

Improve process.

#6. Reform the Planned Unit Development (PUD) process to minimize delays and friction. Once a key tool for delivering large-scale development and community benefits, the Planned Unit Development (PUD) process has become less efficient. Too often, it generates legal risk, lawsuits, negotiation fatigue, and delays, requiring discretionary approvals, public hearings, and multi-agency reviews. A recent survey by the District of Columbia Building Industry Association (DCBIA) found that many developers now avoid PUDs altogether and instead opt for by-right projects to circumvent costly and time-consuming appeals.

In D.C., where the PUD process is often cited as a source of cost, delay, or legal risk, reforms—such as establishing base zoning that allows for more flexibility, limiting discretionary approvals, or redefining the community benefits process—could reduce friction and incentivize greater housing production, especially at scale. The Mayor's proposed Budget Support Act includes a provision to implement these reforms, and the Council should embrace them. Other major cities—such as Denver, Colorado, and Phoenix, Arizona—have already modified or replaced PUD processes to establish more efficient approval pathways.[75]

#7. Establish a faster, simpler, and more predictable permitting process. The District must set clearer timelines and performance metrics for permitting, plan reviews, and inspections to facilitate an efficient development process. While the Department of Buildings has made progress in recent years in reducing prescreening and review times,[76] challenges remain. Some applicants still undergo twelve prescreenings and face as many as nine review cycles before approval. These repeated iterations underscore the need for clearer prescreening guidance and more streamlined review procedures. Steps that do not advance safety, environmental protection, or other steps in the public interest should be updated or removed. A more efficient permitting system would reduce delays and costs while stimulating additional housing development.

D.C. has taken steps to improve its permitting system. These steps include the creation of the Department of Buildings in 2022 and an online plan submission and tracking system.[77] A mayoral task force launched in 2023 led to new performance metrics and some progress on faster reviews, including same-day express permits and expedited review for larger projects.[78] The Department of Buildings has hired more staff and introduced a "Second Look" process to reduce unnecessary review cycles.[79] However, developers of large-scale buildings still confront unclear guidelines and experience delays.

To make further progress, the District needs codified timelines, consolidated reviews, improved pre-submittal guidance, and self-certification for compliant housing projects to reduce operational burdens. The District would not be alone in pursuing permitting reforms. Several cities and states—including Los Angeles, CA; Maryland; New Jersey; and the states of California and Texas—have undertaken various permitting reforms designed to increase speed or efficiency.[80]

Support family housing.

#8. Increase the housing supply of family-friendly units to support growing families. To attract and retain families, the District should prioritize the production of larger, family-friendly units in multifamily housing. This production could be achieved through targeted zoning reforms that make it easier to build family-friendly multifamily buildings, expedited permitting processes, and well-designed tax incentives for projects that include units with three or more bedrooms. The District should also develop a comprehensive "Workforce Housing" strategy to support the production and preservation of family-sized units, especially in neighborhoods with high-quality schools and access to amenities. Other U.S. cities—including Portland, Oregon, and Vancouver, Washington—have introduced incentives to encourage the construction of larger, family-appropriate units in multifamily buildings.[81]

2. Make private sector job growth a priority.

To promote job growth in the District, policymakers should offer tax incentives for export-based industries and firms, align workforce talent pipelines with economic development objectives, and use place-based incentives to attract remote workers.

#9. Align economic development incentives with export-based growth. When job growth is sluggish, well-designed tax incentives can stimulate local employment. In the District, where employment gains have lagged since the pandemic, policymakers would be well advised to target "export-based" firms—which, notably, include firms in the professional, scientific, and technical services sector. Export-based firms use local labor and infrastructure to produce goods or services that are sold beyond the District and the surrounding region. An example is *The Washington Post*: while it has offices in D.C., the newspaper is sold across the country. Firms in personal services, on the other hand, are examples of non-export-based firms because such services are primarily sold to and bought by D.C. residents. Economist Timothy J. Bartik finds that tax incentives for export-based firms tend to generate larger local job multipliers: each new job in an export-based sector creates more additional jobs in the local economy than a comparable job in a non-export-oriented sector.[82]

#10. Develop sustainable talent pipelines consistent with economic development incentives. Economic research shows that worker training programs produce stronger results when they focus on skills employers actually seek.[83] Building on this insight, one promising approach is to foster partnerships between firms receiving economic incentives and the District's workforce providers (e.g., DOES, UDC, and WIC partners) to strengthen local talent pipelines.[84] Several jurisdictions—such as New York City's *Career Pathways & Industry Partnerships* and Maryland's *Employment Advancement Right Now (EARN)*—have adopted partnership-driven approaches that link economic development objectives with workforce pipelines.[85] By aligning publicly funded job training programs with economic development goals, the District can strengthen its workforce and promote long-lasting employment outcomes.

#11. Use place-based incentives to attract remote workers. As remote and hybrid work have become entrenched, some cities have sought to attract remote workers who bring income, spending, and skills. Although D.C. has struggled to attract domestic residents in recent years, the city can still make a compelling case with its rich array of cultural amenities—from world-class museums and theaters to professional sports teams, diverse cuisine, and vibrant neighborhoods. To boost job growth, the city could offer relocation grants and networking programs to attract talented remote workers.

Tulsa, Oklahoma's "Tulsa Remote" program, for example, has attracted remote workers with cash grants and quality-of-life perks. An early analysis found that "on average, approximately one new job was created in Tulsa for every two remote workers who relocated."[86] A more recent study confirmed that Tulsa's remote work program benefited local residents, in part through the creation of new local jobs supported by the additional spending of the remote workers who relocated.[87] Overall, the Tulsa Remote program provides a model for how cities can translate remote work into local job growth—an approach the District could adapt given its challenging employment outlook.

3. Adopt competitiveness as a policy lens.

#12. Establish a formal process to measure the economic impact of new policies—especially their potential costs to D.C. businesses and residents. The District should conduct formal economic impact analyses for legislative and regulatory changes affecting the private sector. In addition to outlining fiscal effects, these analyses should examine how proposed policies would influence the cost of doing business, the time required to bring goods or services to market, and any changes in overall investment incentives. When businesses face higher compliance costs or longer permitting times, those burdens can translate into higher prices or slower service for D.C. residents.

Several states and localities across the United States and Canada—including Texas, Arizona, Washington, and the province of British Columbia—have adopted economic impact review processes to evaluate how legislation and regulations shape resident outcomes and the costs of doing business.[88]

Establishing an Economic Impact Unit—either within the Office of the Chief Financial Officer or as an independent entity—would help prevent policies from imposing unintended costs on residents and businesses while promoting more effective, evidence-based economic policies.

4. Leverage the District's assets.

When companies emerge from universities or federally funded research centers, they can spur innovation and strengthen D.C.'s economy. Universities, after all, have driven some of the most consequential breakthroughs of the past century, including mRNA vaccines, GPS, and the internet. For this reason, it is unsurprising that a characteristic of many successful innovation or tech clusters is the productive interaction between firms and nearby research-driven institutions.[89]

#13 Strengthen efforts to foster and attract university and research spin-off firms. D.C. should develop a strategy to foster and attract research-driven firms—companies that emerge from universities, policymaking institutions, or benefit from being close to them. Such firms thrive in locations that offer a pool of skilled talent, research infrastructure, and proximity to specialized expertise. D.C.'s proximity to well-recognized universities, including Georgetown, George Washington, and Howard University, and national research institutions, such as the National Institutes of Health (NIH) and the National Science Foundation (NSF), provides a strong foundation. Yet the city can better position itself as a hub for research-driven firms—especially those in health technology, climate, and cybersecurity.

The District can draw inspiration from other cities. Anchored by MIT, Boston's Kendall Square became an innovation district through local policies designed to support academic spin-offs and industry collaborations.[90] North Carolina's Research Triangle Park not only fosters start-up firms through its proximity to Duke University, UNC–Chapel Hill, and North Carolina State University, but also offers rentable lab space, commercialization support, and access to venture capital.[91] In Austin, Texas, the University of Texas helps drive economic development through public-private partnerships that support early-stage companies and facilitate their transition to the market.[92]

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35 "Washington, DC: Office market snapshot Q1 2025," Avison Young; see also, Daniel Burge and Yesim Sayin, "2025 State of Business Report: Investing in growth," D.C. Policy Center, September 24, 2025.

36 "2025 U.S. Investor Intentions Survey: Investment Activity Poised for Growth," CBRE, January 23, 2025.

37 "AFIRE International Investor Survey," underwritten by Holland Partner Group, March 2024.

38 "Economic and Revenue Trend Reports, April 2025," D.C. Office of Revenue Analysis, April 2025.

39 It is important to note that these REITs have likely responded to changes in market conditions and the regional reshuffling of economic activity during the COVID-19 pandemic and have rebalanced at least some of their portfolios throughout our analysis period.

40 Erin McDowell and Caroline Fox, "15 of the most successful companies that started in homes, basements, sheds, and bedrooms," Business Insider, April 20, 2023; For more on tech clusters, see, William R. Kerr and Frederic Robert-Nicoud, "Tech Clusters," Journal of Economic Perspectives 34, no. 3 (Summer 2020): 50–76.

41 Chris Fleisher. "Growth by Proximity," AEA Research Highlights, October 13, 2021.

42 Erin McDowell and Caroline Fox, "15 of the most successful companies that started in homes, basements, sheds, and bedrooms," Business Insider, April 20, 2023.

43 William R. Kerr and Frederic Robert-Nicoud, "Tech Clusters," Journal of Economic Perspectives 34, no. 3 (Summer 2020): 50–76.

44 Kathleen O'Toole, "Enrico Moretti: The Geography of Jobs," Insights by Stanford Business, June 10, 2013.

45 William R. Kerr and Frederic Robert-Nicoud, "Tech Clusters," Journal of Economic Perspectives 34, no. 3 (Summer 2020): 50–76, esp. p. 63, 65-67.

46 The policy recommendations in this report draw on—and in some cases adapt—previously published or forthcoming research by staff at the D.C. Policy Center. This includes a forthcoming report on the housing landscape in D.C. and a vision for the future.

47 Andrew Trueblood, "Housing for workforce is a key economic development program," D.C. Policy Center, July 31, 2024; "D.C. Policy Center Housing Policy Initiative: Research agenda for 2024/2025" D.C. Policy Center; Daniel Burge, "Chart of the week: Housing policy must be a cornerstone of D.C.'s economic development strategy" D.C. Policy Center, June 28, 2024; Yesim Sayin and Emilia Calma, "Priced out: Where can D.C.'s essential workers afford to live?" D.C. Policy Center, July 18, 2024.

48 Chelsea Coffin and Hannah Mason, "Housing affordability for early childhood educators in D.C. Part III," D.C. Policy Center, February 5, 2025. Amine Ouazad, "Resilient Urban Housing Markets: Shocks vs. Fundamentals." Chapter in: COVID-19: Systemic Risk and Resilience, Springer Verlag, May 29, 2021.

49 Yesim Sayin, "Single-family zoning and neighborhood characteristics in the District of Columbia," D.C. Policy Center, July 17, 2019; See also, Alex Baca, Patrick McAnaney, and Jenny Schuetz, "'Gentle density' can save our neighborhoods," Brookings, December 4, 2019.

50 Leah Brooks and Jenny Schuetz, "Where 20 years of new housing was built in Washington, DC—and where it wasn't," Brookings, September 18, 2023.

51 Emilia Calma, "Housing density as an economic driver for D.C." D.C. Policy Center, February 26, 2025.

52 1) In 2019, Oregon passed House Bill 2001, which effectively ended single-family zoning in cities with more than 10,000 residents by legalizing the construction of duplexes. The law also legalized "duplexes, triplexes, fourplexes, cottage clusters, and townhouses in residential areas" in cities with more than 25,000 residents. 2) In 2021, California legalized duplexes across the state. It also permitted up to four homes on lots that were previously zoned for single-family homes (SB 9). Another law permitted cities in California to upzone in neighborhoods near public transportation or employment centers (SB 10). 3) In 2018, the Minneapolis City Council made headlines by eliminating single-family zoning. It legalized duplexes and triplexes on lots that previously only permitted single family homes. The city also removed parking minimums and upzoned areas along transit corridors. See also, Jenny Schuetz, "Minneapolis 2040: The most wonderful plan of the year," Brookings, December 12, 2018.

53 Regarding the requirement for multiple staircases, a proposal is under consideration by the Council. See Bill 26-277, One Front Door Act of 2025. In the Statement of Introduction, it states that the reform is consistent "with efforts in Virginia and Maryland. Similar measures have been proposed or recently passed in California (AB835), New York State (S6573), Oregon (HB3395), Washington (SB 5491), and Nashville (BL2024-181)."

54 1) Per the city's Residential Infill Project, the city of Portland, Oregon legalized duplexes, triplexes, and fourplexes on all residential

lots, and, if a certain percentage of the units are affordable, five or six units are allowed. Portland also reformed residential parking minimums and implemented minimum lot size and floor area ratio (FAR) reforms for better site utilization. 2) First inspired by a state housing task force, Montana passed various housing reforms in 2023. To simplify, the reforms required cities to permit duplexes and ADUs by-right on single-family lots and allowed for the building of multifamily units in commercial areas. Reforms also prevented localities from imposing stricter building codes than those at the state level. Parking minimums were also reformed. 3) Inspired by "The Charlotte Future 2040 Comprehensive Plan", the city of Charlotte reformed its Unified Development Ordinance. The changes meant, according to one report, that "the vast majority of that residential land was made available for duplexes and triplexes without any special authorization needed from a land use authority." 4) The city of Raleigh, which also developed a comprehensive plan, changed the zoning code to allow for more townhouses and duplexes in residential areas, as well as allowing "smaller homes on smaller lots and denser development near high-frequency transit." The city also reformed lot size requirements.

55 Assumes that new units are all in multifamily buildings with an average per unit assessment of $390,000. According to the District's tax rolls, that is the average assessed value of multifamily units produced since 2018.

56 Assumes the average Adjusted Gross Income of a household occupying new units is $159,000. This is the average AGI according to the data published by the IRS for 2021 ($137,000), adjusted for inflation. We assume that the average household pays DC income taxes at an effective rate of 6.4 percent, which is the effective tax rate according to the OCFO data.

57 Per OCFO data, per capita spending on items subject to general sales tax is $21,000. The estimate uses a household size of 1.5 persons and a 6.5 percent effective sales tax rate.

58 For example, a 2022 California law (AB 2011) permitted multifamily housing development by right in commercial zones if certain conditions are met. SB 6 (2022) also permits residential development on commercial land subject to certain requirements. Hawaii enacted a law (Act 37) that, according to one local news article, "requires the counties to allow multifamily residential development in all commercially zoned areas and reduces the barriers to repurpose existing commercial buildings for residential use." For more on various housing reform efforts see, Ben Horowitz and Zakary Yudhishthu, "States reform regulations to support more housing production," Federal Reserve Bank of Minneapolis, November 15, 2023; Ben Horowitz and Christina Spicher, "States made big and little changes to land use laws in 2024," Federal Reserve Bank of Minneapolis, February 19, 2025.

59 Alana Baker, Tobias Peter, Edward Pinto, and Joseph Tracy, "A Critique of the Urban Institute's Panel Study on Land Use Reforms to Impact Housing Supply: Evidence of Severe Methodological Gaps," AEI Economics Working Paper 2025-07, October 2025, all but esp. p. 1, 29.

60 DC Act 25-0151 DCR 70:9407; DC Law 25-0169, Effective from Jun 01, 2024 DCR 71:7000.

61 DC Law 25-0065, Effective from Nov 28, 2023, DCR 70: 15600; DC Law 25-0149, Effective from Mar 23, 2024, DCR 71: 3865.

62 DC Law 25-0065, Effective from Nov 28, 2023, DCR 70: 15600.

63 Council passed this law, and then postponed it, but only for government's own projects.

DC Law 25-0128, DCR 71: 2680.

64 DC Act 25-0625 DCR 71: 014111.

65 DC Law 25-0189, Effective from Jul 19, 2024, DCR 71:9562.

66 DC Law 24-0337, Effective from Mar 22, 2023, DCR 70:4308.

67 Law L25-0202, Effective from Aug 24, 2024 DCR 71: 10773. It affects the cost of housing projects that receive government supports and serves as a perfect example of how one social priority (creating a preference for unionized labor) can undermine housing affordability. The District's Chief Financial Officer scored the legislation's cost to be over $27 million through a four-year period. It is available here: https://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FIS%20Revised%20Project%20Labor-Agreement%20Cost%20Threshold%20Amendment%20Act%20of%202024.pdf.

68 DC Law 25-0244 Effective from Dec 17, 2024.

69 For Spokane, see here. For Tacoma, see here.

70 Yesim Sayin and Emilia Calma, "TOPA's Promise and Pitfalls: Balancing tenant rights, affordability, and housing investment in Washington, D.C.," D.C. Policy Center, March 13, 2025.

71 Yesim Sayin, "D.C.'s multifamily sales slowdown—A hidden cost of policy friction" D.C. Policy Center, May 22, 2025; Emilia Calma, "Clarifying TOPA to encourage investment in the District of Columbia" D.C. Policy Center, May 28, 2025.

72 B26-164, Rebalancing Expectations for Neighbors, Tenants, and Landlords (RENTAL) Act of 2025. Text of the legislation can be found here.

73 Emilia Calma, "Clarifying TOPA to encourage investment in the District of Columbia," D.C. Policy Center, May 28, 2025.

74 Emilia Calma, "Clarifying TOPA to encourage investment in the District of Columbia," D.C. Policy Center, May 28, 2025.

75 Denver reformed its zoning code by offering form-based zoning districts and "large development review" plans that provide a clearer framework for larger projects in their initial stages. 2) Phoenix still uses a PUD process for large or complex projects but has streamlined the process by allowing administrative approvals for minor amendments to approved PUDs and, more generally, by setting target review times.

76 DOB's Permit Operations dashboard provides historic performance indicators for prescreenings and reviews. It can be accessed here.

77 The Department of Buildings (DOB) moved its permitting process online with ProjectDox for plan submission and the Citizen Access Portal for application tracking. However, the digital interface remains cumbersome, and many developers report frequent system errors, unclear comment logs, and a lack of interagency visibility.

78 Certain small-scale permits (e.g., fences, signs, home repairs) can be processed via express permits, often on the same day. For larger projects, DOB offers an Expedited Plan Review for a fee, with target turnaround times of 5–10 business days for first comments. However, uptake has been limited due to unclear eligibility rules and inconsistent staffing.

79 Applicants may request a meeting to clarify and streamline remaining review issues, though usage remains uneven and not well publicized.

80 "Reforming Permitting Requirements to Lower the Cost of Building New Housing and Increase Housing Affordability" White House CEA Blog Post, August 13, 2024; "Reforms Spur Faster Housing Approvals in California," Pew, August 28, 2024.

81 Under Portland's Inclusionary Housing (IH) program, developers have the option of "reconfiguration." Developers can use reconfiguration to create more two-bedroom or larger affordable units while still meeting the program's requirements. A February 2023 Inclusionary Housing Calibration Study reports that "reconfiguration was included as an amendment during the legislative process by Council to incentivize 2+ [bedroom] units." Vancouver, WA, provides an incentive through development calculations: "To facilitate larger sized multifamily units, 3-bedroom units shall be counted as 1.5 units and 4-bedroom units counted as 2 units." Washington state also has a Multifamily Property Tax Exemption that cities can take advantage of.

82 Timothy J. Bartik, "What standards make sense for economic development tax incentives?" Upjohn Institute, April 4, 2024; "The District's tax incentive strategy is unique," D.C. Policy Center, January 11, 2021. Bartik notes that "multipliers also may be higher in some high-tech industries if the area already has some local jobs in that high-tech industry, which leads to some synergy benefits for the existing high-tech sector."

83 "Active Labor Market Policies: Theory and Evidence for What Works" Council of Economic Advisers Issue Brief, December 2016.

84 D.C. Policy Center research suggests that the District's First Source requirements—which mandate that employers receiving government support prioritize hiring disadvantaged D.C. residents—have been ineffective in fostering stable employment. For more, see Emilia Calma, "Alternative Workforce Plans can help grow local talent, especially in construction where workers are lacking," D.C. Policy Center, November 9, 2023; Yesim Sayin and Emilia Calma, "The case for creating a local talent pipeline in the District of Columbia," D.C. Policy Center, April 29, 2021.

85 NYC's Career Pathways initiative promotes industry-led partnerships between employers, city agencies, and training providers. The initiative is oriented toward "career progression instead of stopping at job placement." The "effort will include sector-focused bridge programs, skills training, job-relevant curricula, and work-based learning opportunities." NYC's Industry Partnership initiative looks to "establish feedback loops that formalize regular interaction with employers, work to determine the skills and qualifications that employers need, and continuously upgrade curricula, training, and credential attainment programs to reflect local market conditions." EARN Maryland is "industry-led" training partnerships funded by the state in sectors, such as the skilled trades, cybersecurity, and health care. Participating employers shape the curriculum.

86 Quote from "Lessons from a Leading Remote Work Incentive in Tulsa, Oklahoma" Economic Innovation Group; Perri Ormont Blumberg, "I run Tulsa Remote, which pays people to move to Oklahoma. Here's how the investment has benefited our city." Business Insider, December 28, 2021; Prithwiraj Choudhury, Evan Starr, and Thomaz Teodorovicz, "Work-from-anywhere as a public policy: 3 findings from the Tulsa Remote program" Brookings, September 15, 2022.

87 Timothy J. Bartik, "The Effects of Tulsa Remote on Inducing Moves to Tulsa: Estimates and Implications," W.E. Upjohn Institute for Employment Research, May 20, 2025; "Each dollar spent drawing remote workers to Tulsa delivers $4 benefit to current residents," W.E. Upjohn Institute for Employment Research.

88 Texas requires an Economic Impact Statement (EIS) for any proposed rule or legislation that affects small businesses or microbusinesses. Among other things, the EIS must assess the cost to businesses and whether the objective of the rule could be achieved in alternative ways. Arizona's Governor's Regulatory Review Council (GRRC) requires agencies to submit economic, small business, and consumer impact statements for proposed rules. Statements must provide

evidence that the proposed rule is the cost-effective way of achieving the rule's objective. Such statements consider compliance costs, the effects on the regulated entities, and paperwork burdens. Washington requires that agencies proposing new rules prepare economic impact analyses for small businesses. These analyses must include compliance costs, effects on employment due to compliance, and how the rule is likely to affect business sales or revenue. Although in Canada, the province of British Columbia provides another example.

89 Martin Neil Baily and Nicholas Montalbano, "Clusters and Innovation Districts: Lessons from the United States Experience," Brookings, May 2018; Sujai Shivakumar, Charles Wessner, Shruti Sharma, and Chris Borges, "U.S. Universities: Engines of Economic Growth," CSIS: Center for Strategic and International Studies, October 29, 2025.

90 "Kendall Square: Final Report 2013," Cambridge Community Development Department, 2013.

91 Sujai Shivakumar, Charles Wessner, Shruti Sharma, and Chris Borges, "U.S. Universities: Engines of Economic Growth," CSIS: Center for Strategic and International Studies, October 29, 2025; "The Lab at RTP," Research Triangle Park; "Evolution of Research Triangle Park", Research Triangle Park; "A Timeline of RTP Innovations," Research Triangle Park; "Triangle Venture Day links emerging university-led biotech startups with entrepreneurial ecosystem," October 3, 2025.

92 Martin Neil Baily and Nicholas Montalbano, "Clusters and Innovation Districts: Lessons from the United States Experience," Brookings, May 2018; "UT's Discovery to Impact Invests in TAU Systems' Laser-Driven Particle Accelerator," UT News, April 8, 2025; "Discovery to Impact" University of Texas at Austin.

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Data notes

The complete data appendix with links can be found online at dcpolicycenter.org.

Residents:

Data on the District's resident population can be obtained from FRED.

Data on the components of population change (migration and natural change) can be accessed on the United States Census Bureau website: see 2020-2024 and 2010-2019.

One-year American Community Survey (ACS) data on household formation and household type in the District can be obtained from IPUMS.

Data on rents and home values can be accessed via Zillow. Note that the single-family home values reflect "the typical value for homes in the 35th to 65th percentile range." All-transactions house price indexes can be obtained from FRED: nation, the District, and D.C. metro area.

Consumer Price Index data used to adjust for inflation can be obtained from FRED.

Employers and workers:

Recession dates were borrowed from the NBER's US Business Cycle Expansions and Contractions.

Nonfarm employment data can be obtained from the Bureau of Labor Statistics.

Data on federal government employment can be accessed via FRED: nation, the District, and the D.C. metro area.

Data on average real hourly wages can be obtained from the Economic Policy Institute's State of Working America data library.

The District's share of job activity was calculated using one-year American Community Survey (ACS) data from IPUMS.

Businesses:

Data on the number of private establishments can be obtained from the Quarterly Census of Employment and Wages.

Data on the number of business applications for the District and the nation can be obtained from the Census's Business Formation Statistics.

Office market data for the District and select submarkets can be obtained from CoStar.

Investors:

Data on housing permits can be obtained from FRED.

The list of DC-focused REITs was compiled through internal research that began with this list created by Nareit.com. REIT prices obtained from the Wall Street Journal.

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