

Missing Middle and Housing Affordability in the D.C. Area

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Missing Middle Housing

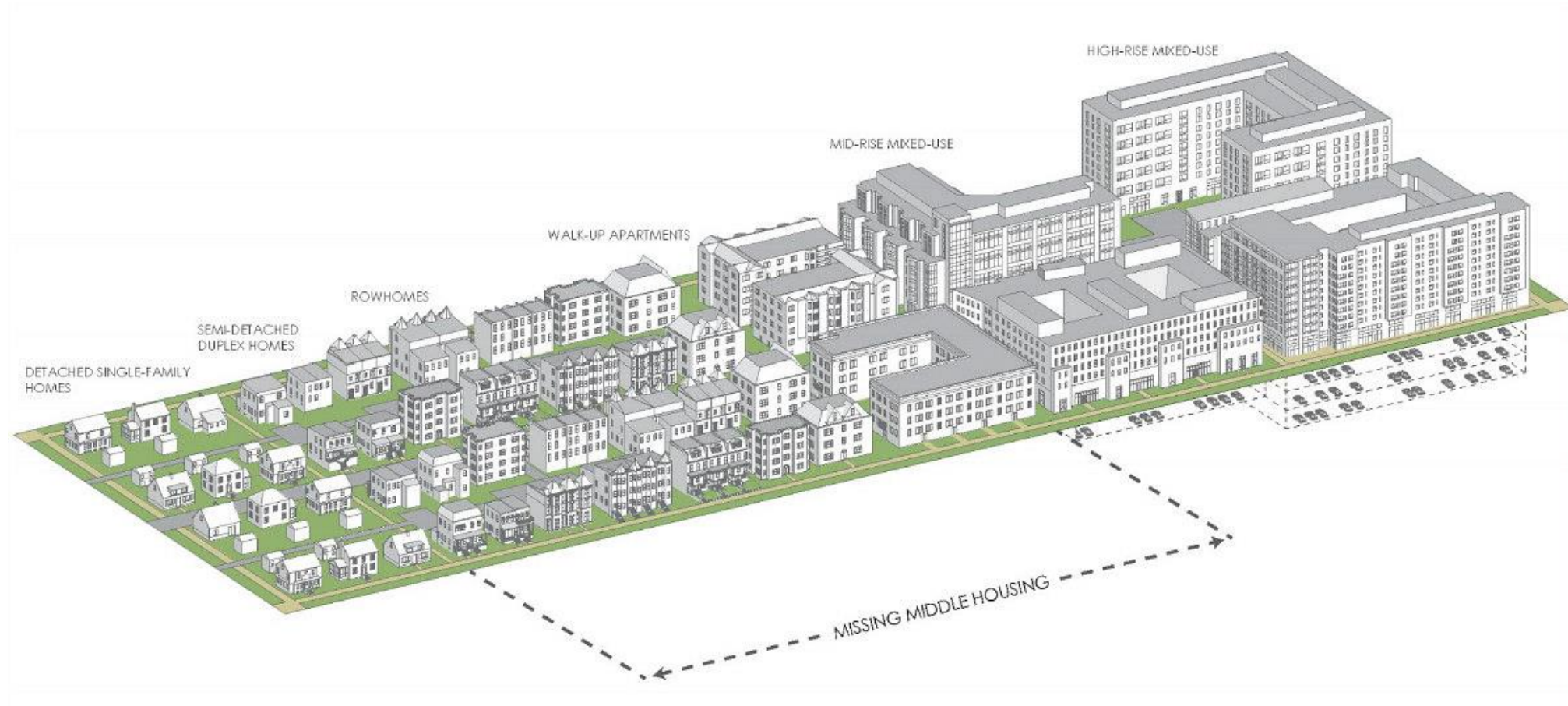


Image source: D.C. Office of Planning.

Missing Middle Policy Goals

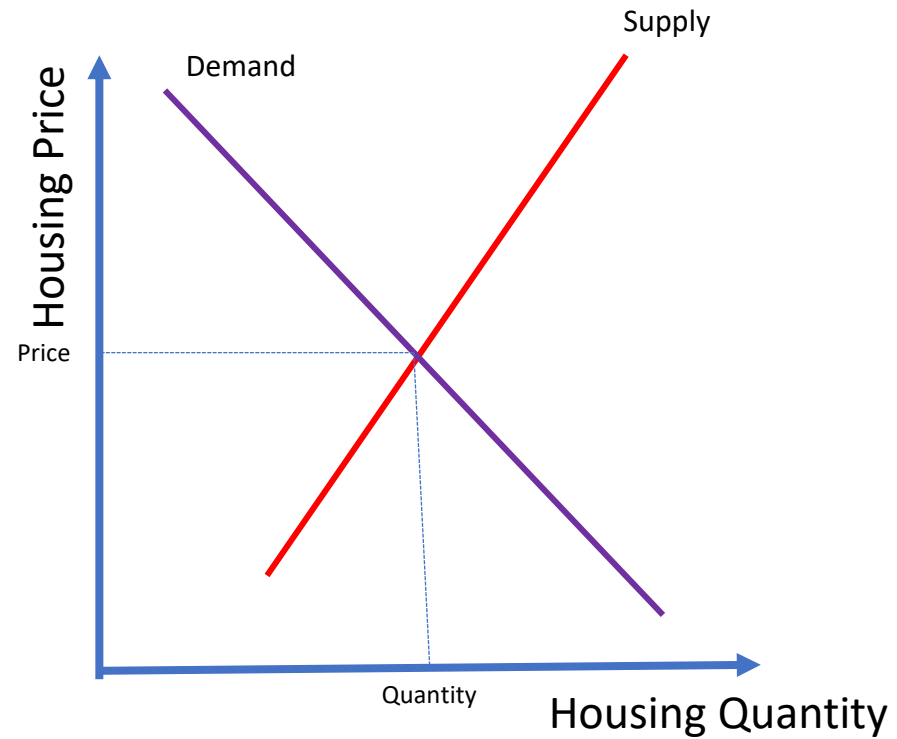
- **Affordability**

- Housing Choice
- Environmental
- Diversity
- Equity

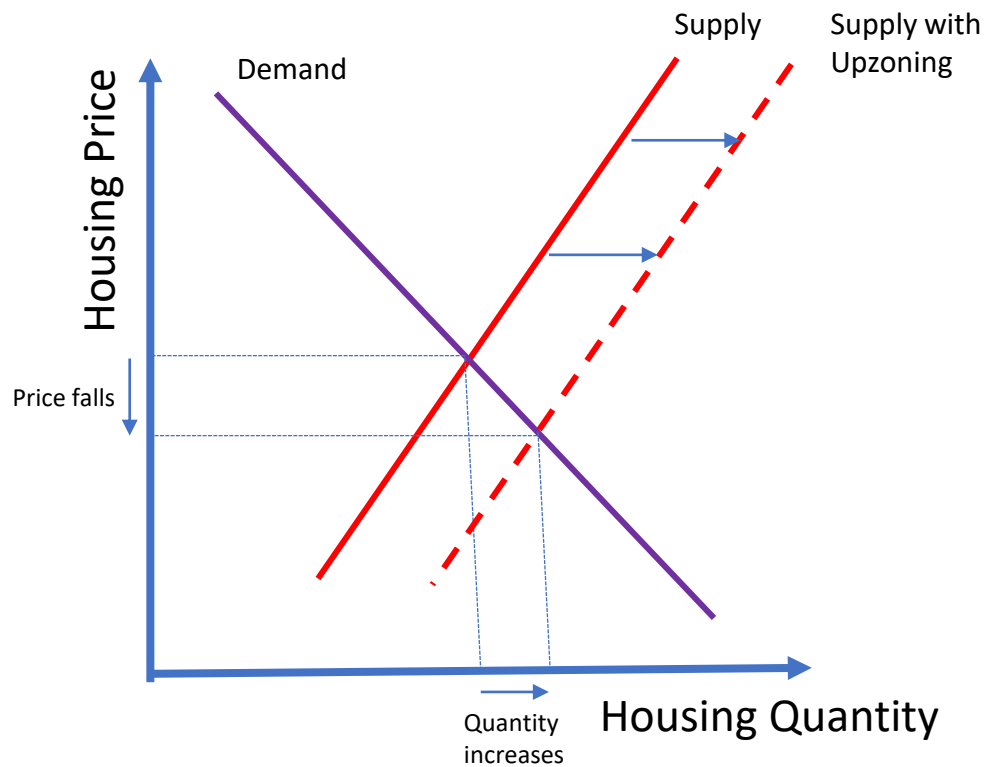
For affordability, we evaluate:

- Economics behind Missing Middle (MM).
- What will be built and how much it will cost in Arlington.
- Affordable MM in Arlington compared to the region.

Housing Supply and Demand



Housing Supply and Demand



Upzoning for MM pushes out supply curve. Overall, this leads to:

- **Lower prices**
- **More housing**

How much will prices drop, and will new housing meet the region's needs for affordable housing?

Missing Middle Affordability

Of the properties built since 2017 with recorded sales data:

58 townhomes:

- Average selling price is \$1.02 million
- Range: \$823K to \$1.4 million



8 duplexes / side-by-sides:

- Average selling price of \$1.05 million
- Range: \$742K to \$1.2 million

Garden-style and similar:

- 0 garden condos built since 2017
- 35 stacked condos (\$700K to \$840K, all in 2017)
- 0 garden apartments built since 2017



Missing Middle Affordability

Conclusions:

- New townhomes to be in the **\$1.0 to \$1.5 million** range.
- New duplexes or side-by-sides in the **\$1.0 to \$1.3 million** range.
- New stacked condos **\$850K+**.
- Little evidence yet for garden apartments and condos.

Follow-up Questions:

As supply of MM housing gets older, will prices decline? As supply of MM housing expands, will prices decline?

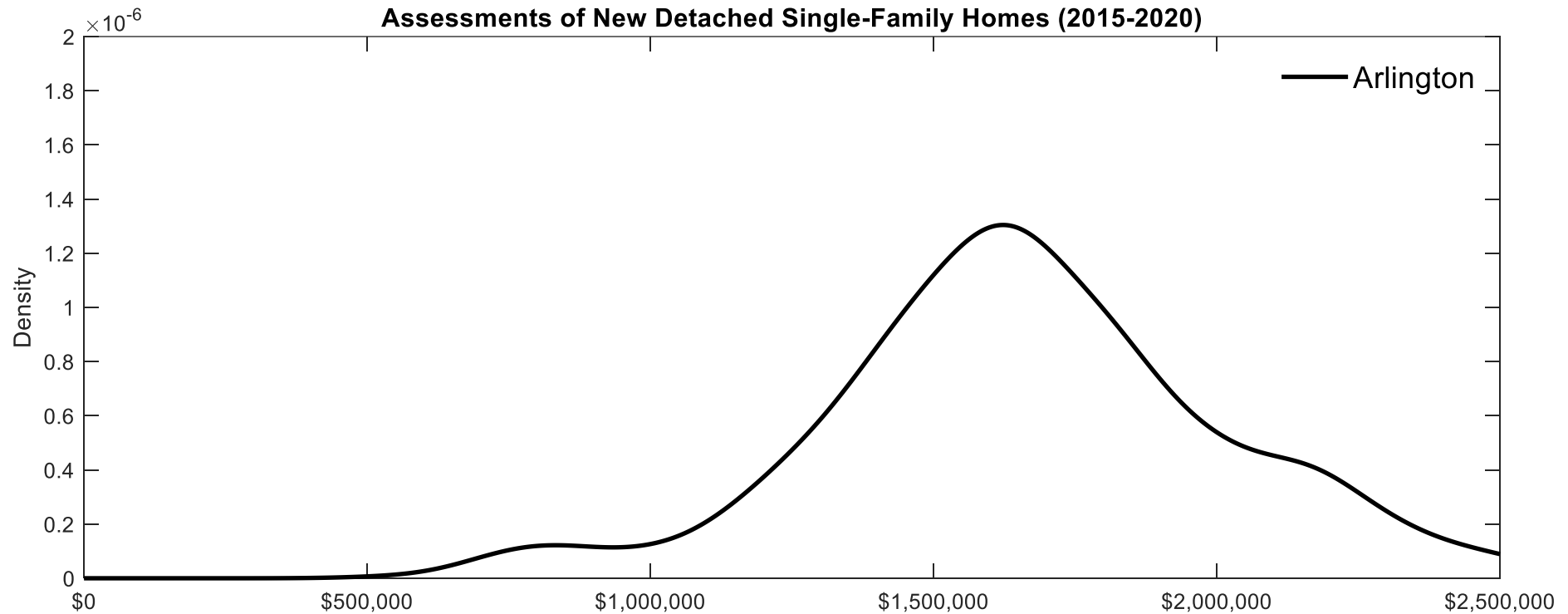
Missing Middle Affordability

Over last decade, existing townhome assessments growing faster than inflation and wage growth.

- Builders will only build MM if it is as profitable as building a new detached single-family home (SFH).
- **New SFH prices set a price floor for new MM residences.**
- As new MM is built, supply of SFHs declines, increasing their prices, which slowly raises the “floor.”

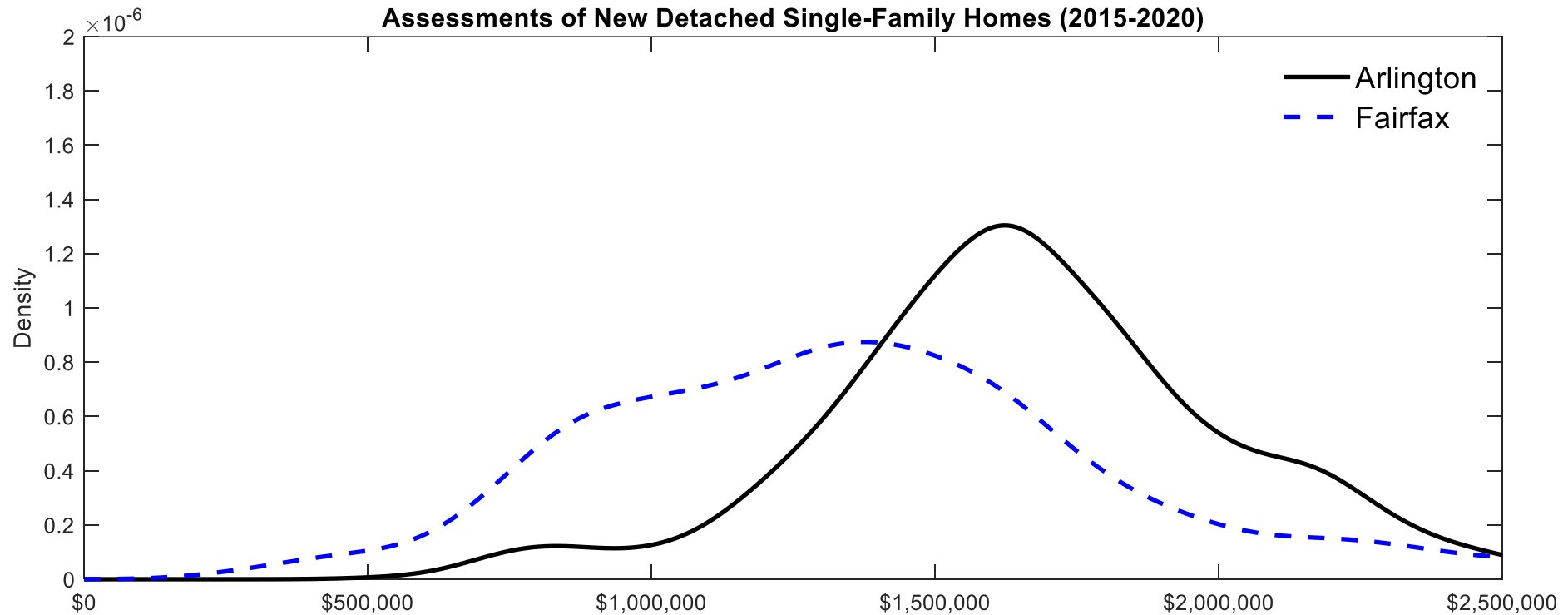
Conclusion: MM will not provide affordable options for AMI households in Arlington; are options available to neighbors.

Regional Comparisons



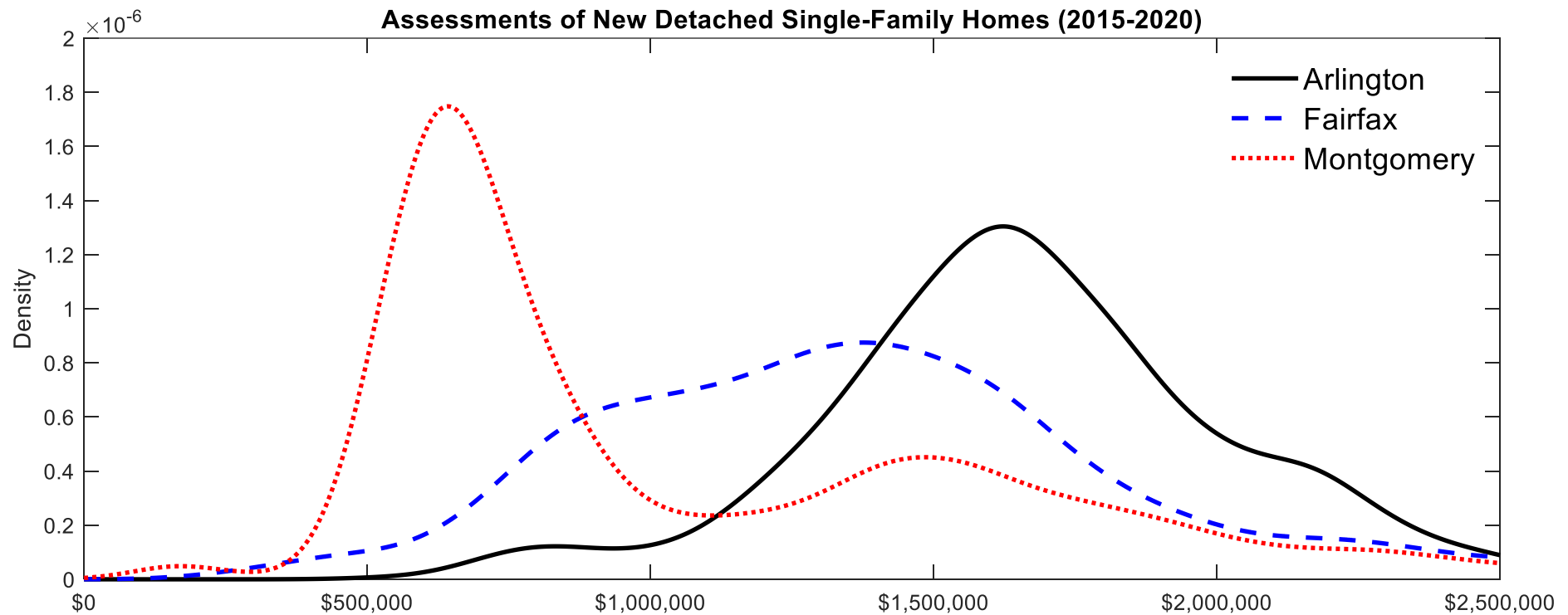
Sources: Arlington Open Data (*Assessment* and *Property* datasets); author's calculations.

Regional Comparisons



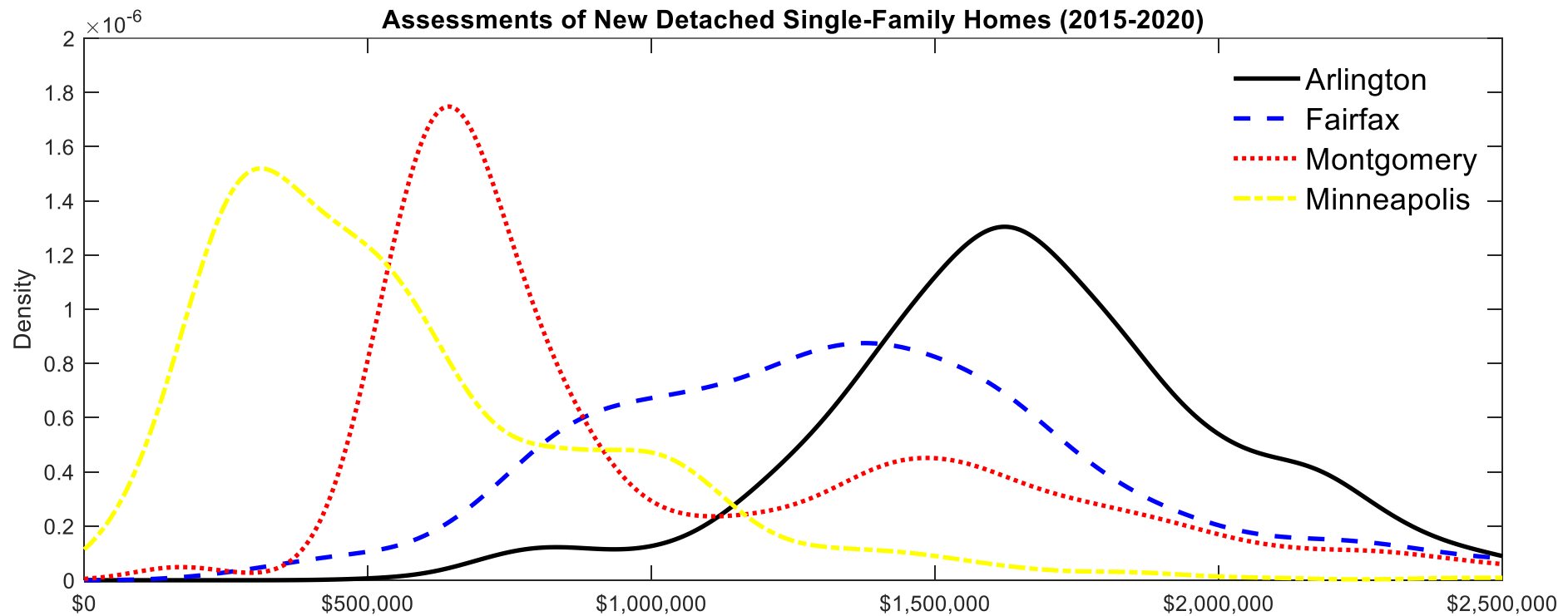
Sources: Previous sources plus Fairfax Open Geospatial Data (*Parcels, Assessed Values, and Dwelling Data datasets*).

Regional Comparisons



Sources: Previous sources plus dataMontgomery (*Residential Permit and Real Property Tax 2020* datasets).

Regional Comparisons



Sources: Previous sources plus Open Data Minneapolis (*Assessors Parcel Data 2020* dataset).

Conclusions

- Housing will become more affordable
- We should expect more success achieving affordable MM housing in areas with greater diversity of housing prices
- Astronomical property values preclude generating affordable Missing Middle options in Arlington at scale