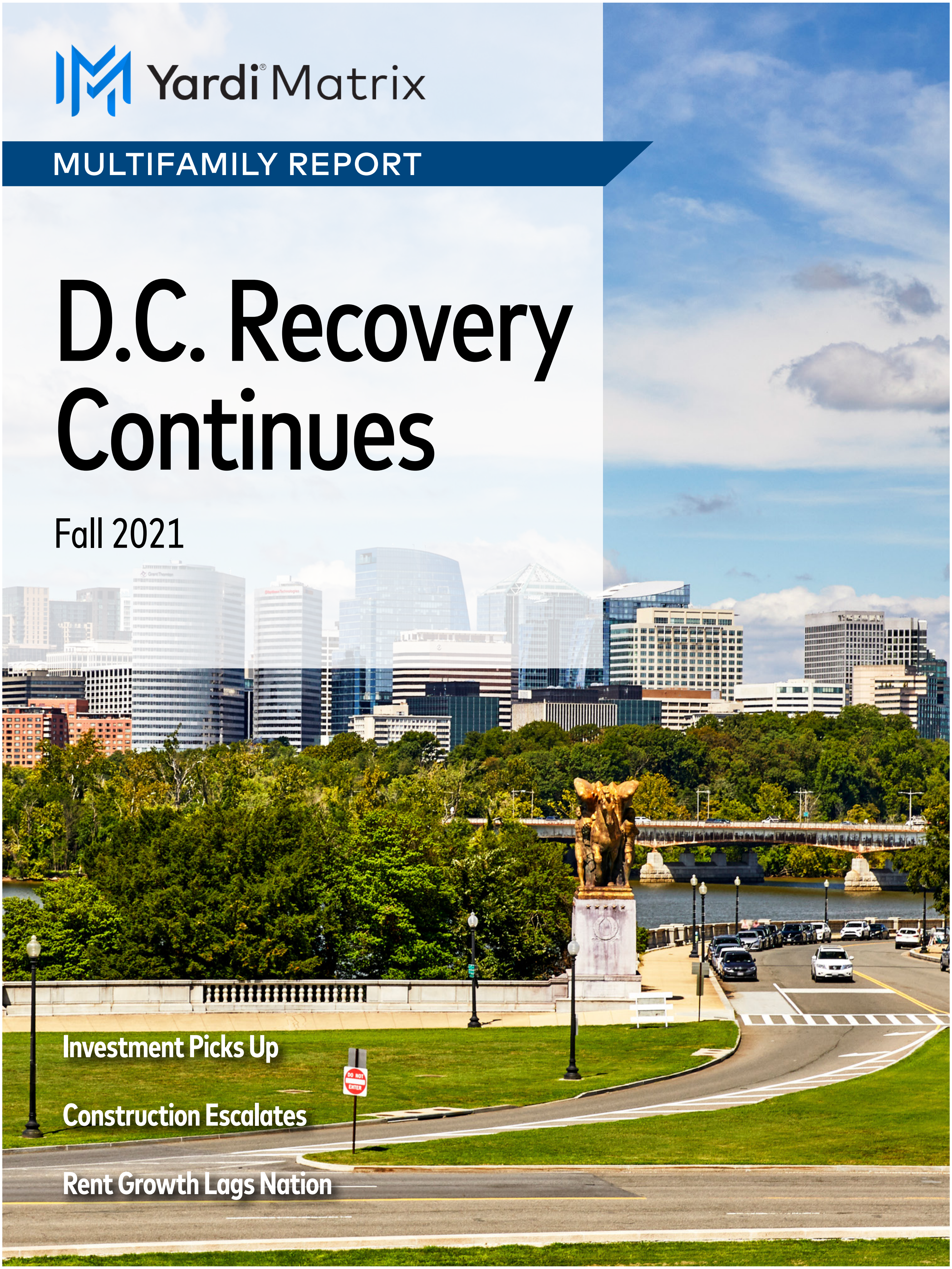
Yardi Matrix

MULTIFAMILY REPORT

D.C. Recovery Continues

Fall 2021



Investment Picks Up

Construction Escalates

Rent Growth Lags Nation

Yardi Matrix

Capital Rental Market On Solid Trajectory

The Washington, D.C., multifamily market is holding steady, with most indicators showing that recovery is underway. September's rents averaged $1,952, a 1.2% increase on a trailing three-month (T3) basis. While this lagged national growth by 40 basis points, several submarkets—particularly those in sought-after suburban zones in Northern Virginia—exhibited rapid growth following shifts in renter preference away from the metro's urban core.

Economic growth is underway, with 135,400 jobs added during the year ending in July. While employment has yet to return to pre-pandemic levels, unemployment fell to 4.8% in August, the lowest reported rate in the metro since March 2020. The leisure and hospitality sector made the fastest gains, adding more than 51,000 jobs, and the metro's economic powerhouses, the government and professional and business services sectors, added another combined 36,400 jobs during the same period.

Nearly 40,000 units were under construction at the end of September, accounting for 7.1% of inventory. While construction starts have slowed considerably in 2021, deliveries for the year are expected to total nearly 13,000 units, among the highest in recent years. Transaction volume totaled $3.8 billion year-to-date through September, a moderate increase compared to last year, with sale prices averaging $258,904 per unit.

Market Analysis | Fall 2021

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Recent Washington, D.C. Transactions

Arrive Silver Spring

City: Silver Spring, Md.
Buyer: Trinity Property Consultants
Purchase Price: $219 MM
Price per Unit: $245,791

The Earl

City: Arlington, Va.
Buyer: Lincoln Property Co.
Purchase Price: $192 MM
Price per Unit: $576,577

The Gateway

City: Gaithersburg, Md.
Buyer: Bridge Investment Group
Purchase Price: $157 MM
Price per Unit: $209,893

Windsor Herndon

City: Herndon, Va.
Buyer: GID
Purchase Price: $140 MM
Price per Unit: $357,143

RENT TRENDS

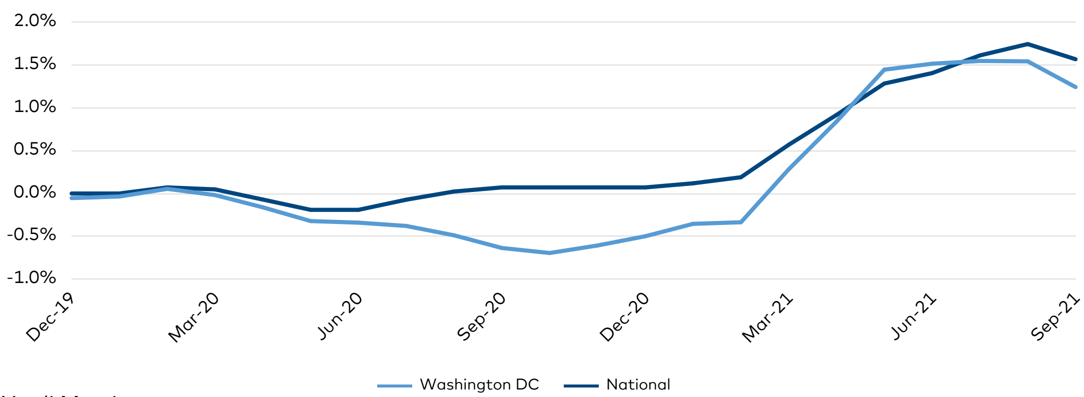
- Washington, D.C., rents rose 1.2% on a trailing three-month basis as of September, to $1,952. The market's rents were 25.3% higher than the U.S. average of $1,558, but growth lagged the national increase by 40 basis points. Year-over-year, metro rents decreased by 0.6% compared to 3.9% growth nationwide.

- Lifestyle rents increased the fastest, up 1.3% on a T3 basis to $2,312. RBN rates grew by 1.2% during the same period, averaging $1,658. Lifestyle occupancy increased 1.6% over the year through August, significantly faster than RBN assets, which held steady with a 10-basis-point increase at the same time.

- The Falmouth/Spotsylvania submarket experienced the largest rent growth, up 22.3% over the year through September to $1,814. Midway between the District and Richmond, Va., the suburban submarket benefited from renters departing the urban core for newly constructed Lifestyle units. More than 2,300 units have delivered within the submarket since 2017.

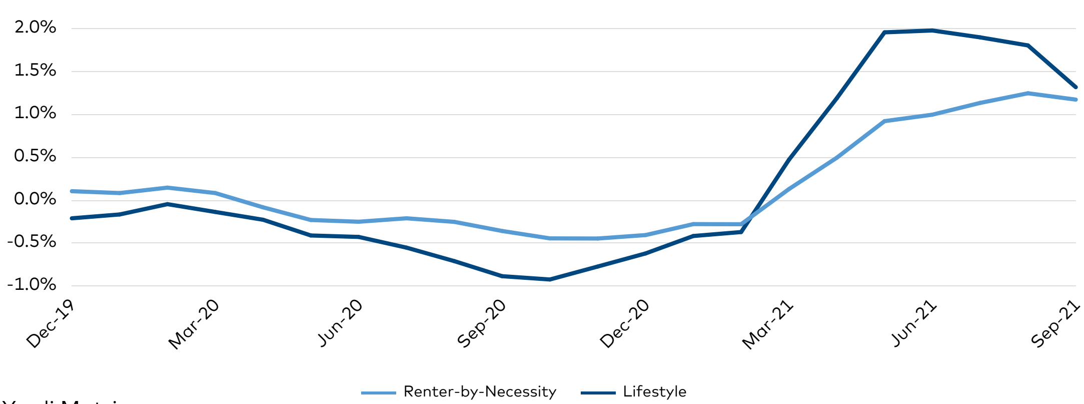
- Rents in Penn Quarter were the highest marketwide, averaging $2,721 in September, up 2% over the year, followed by Ballston/East Falls Church/Seven Corners ($2,588, up 17.3% year-over-year) and Fort Myers Heights/Radnor ($2,561, up 12.5%). The lowest rents were in Anacostia/Garfield Heights ($1,189, down 0.3%) and Congress Heights/Congress Park ($1,236, up 0.1%).

Washington, D.C. vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Washington, D.C. Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Washington, D.C., added 135,400 jobs during the year ending in July, a 4.4% increase year-over-year. The metro's unemployment rate was 4.8% in August, according to preliminary data from the Bureau of Labor Statistics, the lowest level reported since the beginning of the pandemic and 40 basis points less than the national figure.
- Most employment sectors experienced growth in the 12 months ending in July. Washington, D.C.'s mainstay sectors, government and professional and business services, realized gains of a respective 13,700 and 22,700 jobs, or a 2.0% and 3.0% increase over the year. The fastest-growing sector metro-wide was leisure and hospitality, which gained 51,400 jobs, an increase of 22.9% over the year. Two sectors reported job losses: information and financial activities, down by 100 and 1,600 jobs.
- Infrastructure spending and corporate expansions will provide the metro with an additional boost in the near term. The long-awaited D.C. Metro Silver Line's expansion to Washington Dulles International Airport was nearing completion and could begin operations as soon as the first quarter of 2022. Meanwhile, Amazon's HQ2 continued to take shape, and the e-commerce giant announced plans in September to hire 2,500 additional employees.

Washington, D.C. Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	276	8.6%
65	Education and Health Services	427	13.2%
60	Professional and Business Services	790	24.5%
40	Trade, Transportation and Utilities	394	12.2%
90	Government	701	21.7%
80	Other Services	193	6.0%
30	Manufacturing	56	1.7%
15	Mining, Logging and Construction	164	5.1%
50	Information	73	2.3%
55	Financial Activities	154	4.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The Washington, D.C., metro added 44,091 residents in 2020, a 0.7% increase compared to the national growth rate of 0.4%.
- The metro's population increased by 542,560 residents in the past 10 years, though growth has decelerated in the second half of the decade.

Washington, D.C. vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Metro D.C.	6,200,001	6,249,950	6,267,226	6,311,317

Sources: U.S. Census, Moody's Analytics

SUPPLY

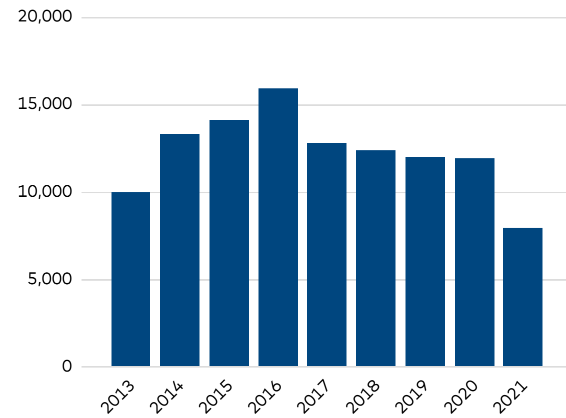
- There were 39,307 units under construction in the Washington, D.C., metro as of September, accounting for 7.1% of inventory. An additional 225,000 units were in planning and permitting stages. Year-to-date, construction began on 29 projects comprising nearly 7,100 units, a steep decrease in new construction compared to the 14,582 units that broke ground during the same period last year.

- Developers completed 7,965 units this year through September, or 1.4% of stock. Total deliveries this year are expected to reach nearly 13,000 units, an increase from the 11,982 units added in 2020 but far less than the nearly 16,000 units completed in 2016.

- Brentwood/Trinidad/Woodridge was the most active submarket for development in the market, with 5,445 units underway at the end of September, or 41.5% of the submarket's inventory. The largest project under construction was MRP Realty's Elevation at Washington Gateway. Construction began on the 641-unit second and third phases of the development in summer 2020, with completion estimated for mid-2023.

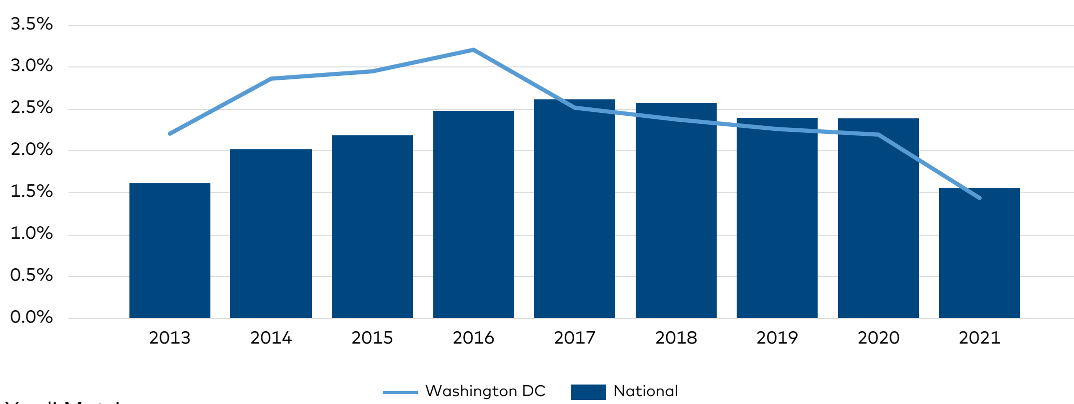
- The largest completion year-to-date was the 480-unit Riverpoint in the Barry Farms/Saint Elizabeths submarket. Owned by a joint venture between Akridge Real Estate Services, Jefferson Apartment Group, Orr Partners and Redbrick Development, the project began in 2018, backed by $120 million in construction financing from Mack Real Estate Group. The property opened in July.

Washington, D.C. Completions
(as of September 2021)



Source: Yardi Matrix

Washington, D.C. vs. National Completions as a Percentage of Total Stock (as of September 2021)

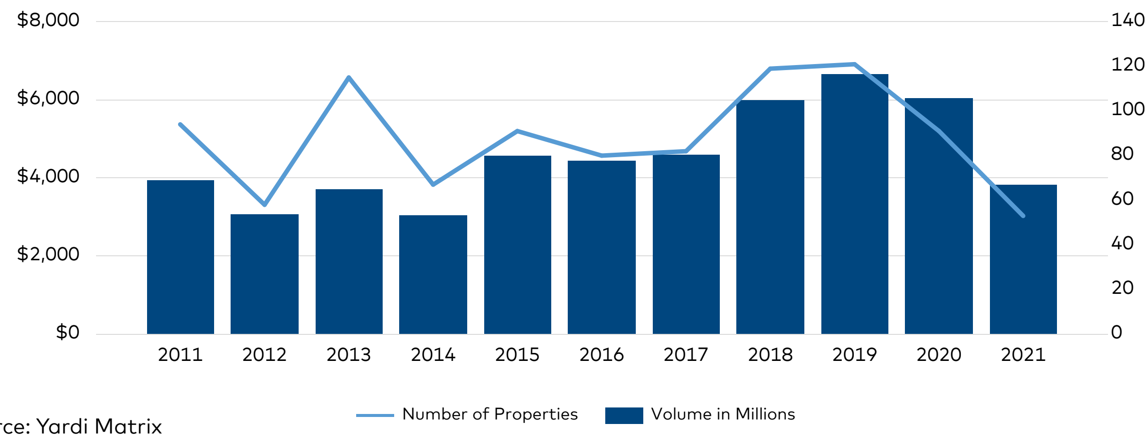


Source: Yardi Matrix

TRANSACTIONS

- Washington, D.C.'s multifamily investment volume was $3.8 billion year-to-date through September, a 4.5% increase from the $3.6 billion transacted during the same time last year. Sales averaged $258,904 per unit, 43.9% higher than the national average of $179,959.
- Lifestyle assets attracted the most investment, totaling $2.1 billion, or 56.4% of total volume. Lifestyle sale prices averaged $283,086 per unit, a 13.6% decline from 2020. RBN properties drew $1.7 billion in investment, a larger share than last year and at an average price of $233,224 per unit, 23.8% higher than in 2020.
- A number of major transactions closed this year through September: Fourteen multifamily sales had a value at or above $100 million. The largest investment this year was Washington Housing Conservancy's $377 million acquisition of the 825-unit Crystal House in Arlington, Va., from Mack-Cali Realty.

Washington, D.C. Sales Volume and Number of Properties Sold (as of September 2021)



Source: Yardi Matrix

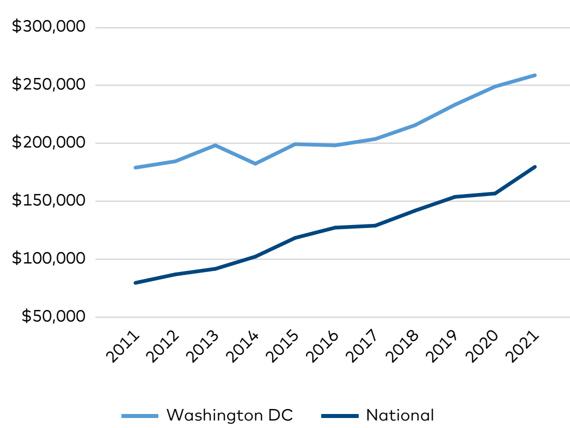
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Ashburn/Dulles/Sterling	541
Dale City/Lorton/Woodbridge	405
Crystal City	377
Beltsville/Laurel/South Laurel	367
West Gaithersburg	366
Germantown/Montgomery Village	316
Merrifield/Tyson's Corner/ Vienna	298

Source: Yardi Matrix

[1] From October 2020 to September 2021

Washington, D.C. vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

data by

Top 5 Multifamily Properties Under Construction in Washington, DC

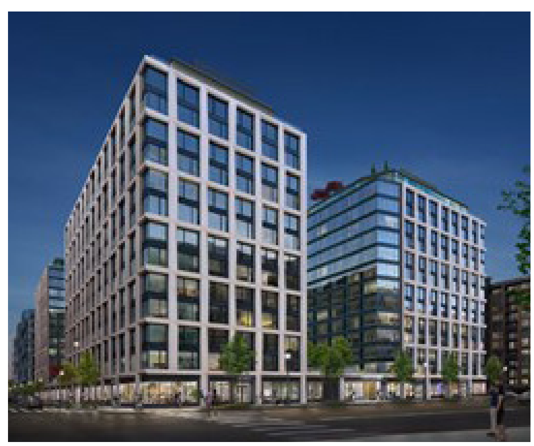
By Corina Stef

The multifamily sector has shown its resilience, with most key indicators trending positively. From a development perspective, the Washington, D.C., metro continues to be more active than most: Nearly 40,000 units across 122 properties were under construction as of August, according to Yardi Matrix data. Some 7,700 units delivered year-to-date through August, including PTM Partners' Watermark at Buzzard Point, a 453-unit community in southwest Washington, D.C.

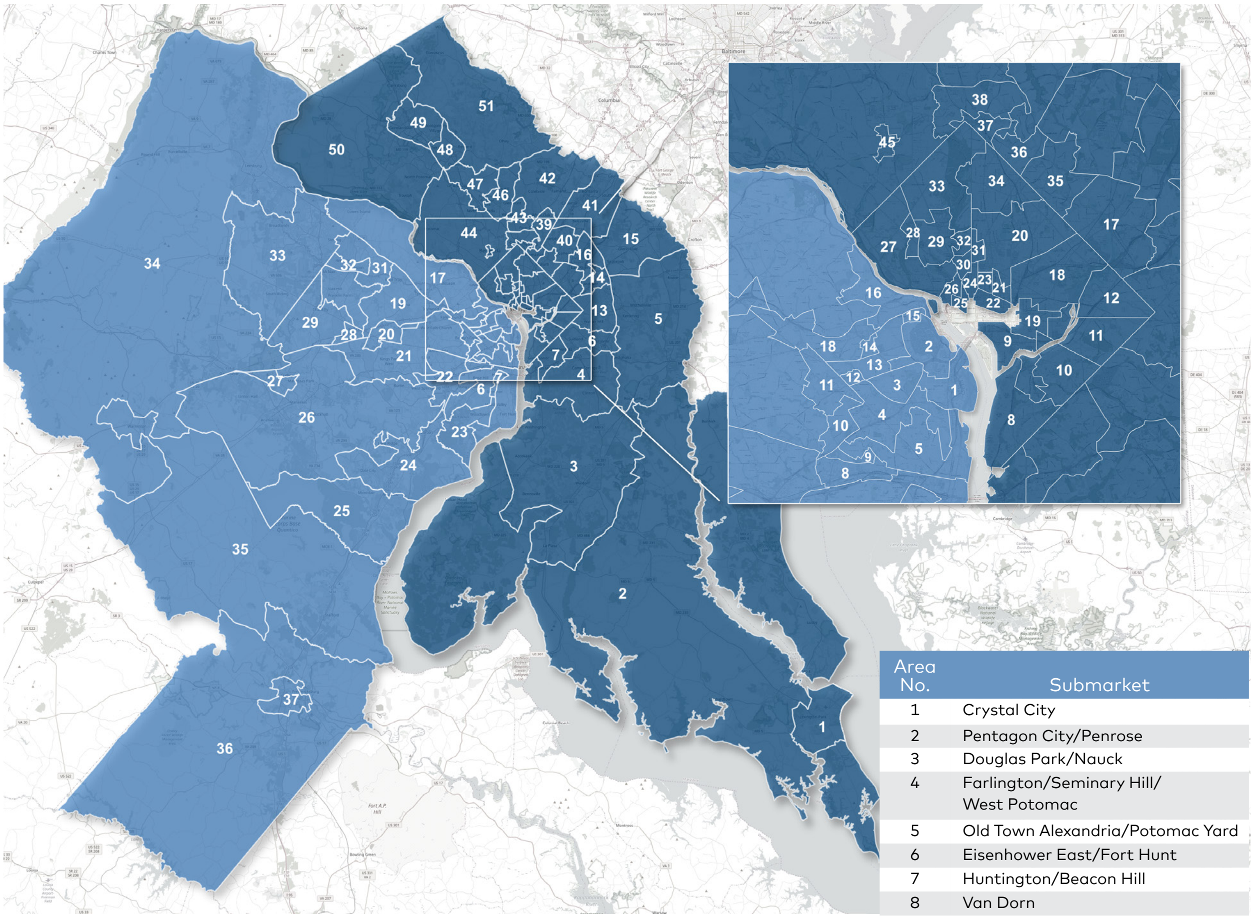
Rank	Property Name	No. of Units	City	Owner	Anticipated Completion
1	Loudoun Metro	4,128	Ashburn, Va.	Soave Enterprises	Q2 2022
2	Crossing DC	818	Washington, D.C.	Tishman Speyer	Q4 2022
3	1900 Crystal Drive	808	Arlington, Va.	JBG SMITH Properties	Q1 2024
4	861 New Jersey	750	Washington D.C.	Oxford Properties Group	Q4 2022
5	Carlyle Crossing	700	Alexandria, Va.	StoneBridge Investments	Q4 2022

CROSSING DC IN WASHINGTON, D.C.

In March 2019, Tishman Speyer broke ground on Crossing DC, an 818-unit community in Washington, D.C. The project consists of two 14-story connected buildings with one-, two- and three-bedroom units ranging in size from 397 to 1,673 square feet, as well as 30,000 square feet of retail space on the lower floors. Wells Fargo Bank funded the construction with a $122 million loan. Completion is scheduled for the end of 2022.



WASHINGTON, D.C. SUBMARKETS



Area No.	Submarket
1	Lexington Park
2	California/Leonardtown/ Prince Frederick
3	St. Charles/Waldorf
4	Camp Springs/Fort Washington
5	Bowie/Lake Arbor/Largo
6	Forestville/Suitland
7	Hillcrest Heights/Marlow Heights
8	Congress Heights/Congress Park
9	Barry Farms/St. Elizabeths
10	Anacostia/Garfield Heights
11	Fort Dupont Park/Marshall Heights
12	Deanwood
13	Seat Pleasant/Walker Mill
14	Cheverly/Glenarden/Landover Hills
15	Goddard/Glenn Dale
16	West Greenbelt/East Riverdale
17	Bladensburg/Riverdale Park
18	Brentwood/Trinidad/Woodridge
19	Capitol Hill
20	Brookland/South Petworth
21	North Capitol
22	Penn Quarter
23	Logan Circle/West Mount Vernon
24	South 16th Street/Scott Circle Corridor
25	East Foggy Bottom
26	West Foggy Bottom

Area No.	Submarket
27	Georgetown/Wesley Heights/ South Glover Park
28	West Cleveland Park/Wisconsin Avenue
29	East Cleveland Park/Woodley Park
30	Adams Morgan/North Dupont Circle
31	Columbia Heights
32	Mount Pleasant
33	North Connecticut Ave. Corridor
34	Brightwood/16th Street Heights
35	Chillum/Queens Chapel
36	Takoma Park
37	Downtown Silver Spring
38	West Silver Spring
39	East Silver Oak/White Oak
40	College Park
41	Beltsville/Laurel/South Laurel
42	Fairland
43	Wheaton
44	Chevy Chase/Potomac
45	Downtown Bethesda
46	Aspen Hill/Rossmoor
47	East Rockville
48	East Gaithersburg/Redland
49	Germantown/Montgomery Village
50	West Gaithersburg
51	Olney

Area No.	Submarket
1	Crystal City
2	Pentagon City/Penrose
3	Douglas Park/Nauck
4	Farlington/Seminary Hill/ West Potomac
5	Old Town Alexandria/Potomac Yard
6	Eisenhower East/Fort Hunt
7	Huntington/Beacon Hill
8	Van Dorn
9	Landmark/Foxchase
10	Alexandria West
11	Bailey's Crossing
12	Columbia Heights West
13	Arlington Heights/Clarendon
14	Ashton Heights/Buckingham
15	Fort Myers Heights/Radnor
16	Colonial Village/ North Highlands/Roslyn
17	Lee Highway/McLean
18	Ballston/East Falls Church
19	Merrifield/Tyson's Corner/Vienna
20	Fairfax
21	Burke/Falls Church/Jefferson
22	Annandale/Franconia/Springfield
23	Mount Vernon
24	Dale City/Lorton/Woodbridge
25	Dumfries/Triangle
26	Prince George/Manassas
27	Manassas
28	Fair Oaks
29	Bull Run/Centreville/Chantilly
30	South Herndon
31	North Reston
32	Herndon/Reston
33	Ashburn/Dulles/Sterling
34	Gainesville/Leesburg
35	Stafford/Warrenton
36	Falmouth/Spotsylvania
37	Fredericksburg

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi® Matrix

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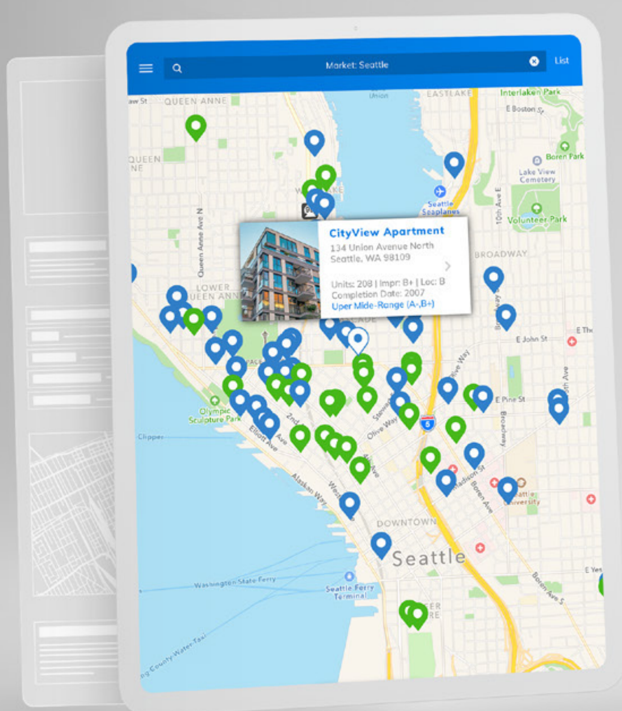

Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
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- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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