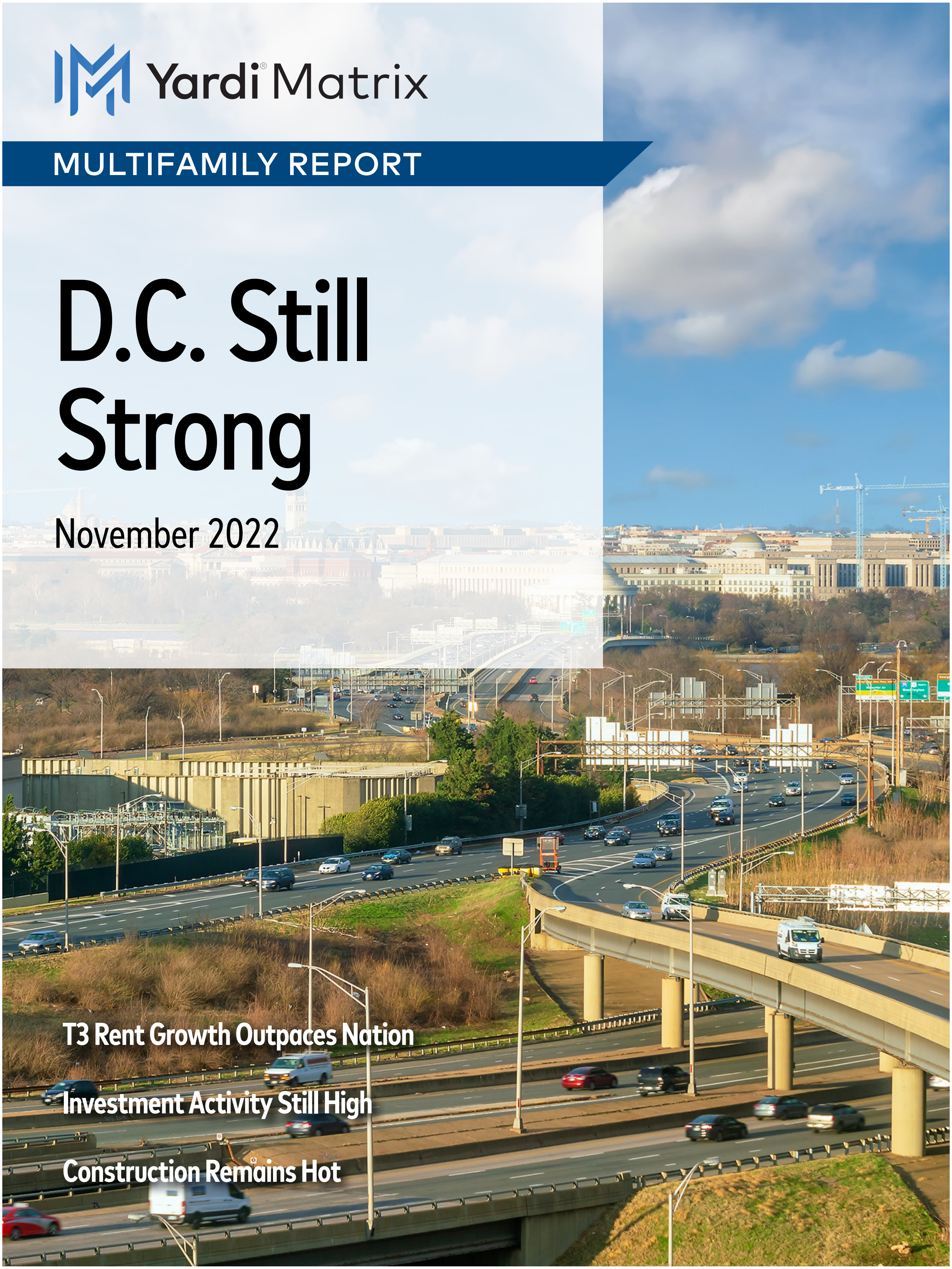
Yardi Matrix

MULTIFAMILY REPORT

D.C. Still Strong

November 2022



T3 Rent Growth Outpaces Nation

Investment Activity Still High

Construction Remains Hot

WASHINGTON, D.C. MULTIFAMILY

Yardi Matrix

D.C. Multifamily Holds Its Own

The U.S. capital's multifamily market continued to record solid numbers through the first three quarters of the year. Rent growth on a trailing three-month basis in the metro stood at 0.3%, 10 basis points over the moderating national rate. The overall average rent was $2,103, well outpacing the $1,718 U.S. figure.

The district's employment market stood at 3.2% year-over-year, with the metro adding 75,000 jobs in the 12 months ending in July. Mirroring many other markets, job growth was driven by the recovering leisure and hospitality sector, which added 32,900 positions through the interval. D.C. local authorities are rolling out the district's first public-private partnership through its DC Smart Street Lighting initiative. The $309 million project will replace existing public lighting with energy-efficient LED lights, as ongoing challenges generate the need for new technology in infrastructure.

Development activity in the district was strong, with 34,014 units underway and a total of 10,000 units added year-to-date through September. Despite elevated construction throughout the decade, the average occupancy rate in stabilized properties remained high, even rising 20 basis points, at 95.6% as of August. In investment, multifamily sales had another strong year, with $4.2 billion recorded through the same period. With D.C. being one of the largest multifamily markets in the nation, Yardi Matrix expects rent growth to close the year at around 7.3%.

Market Analysis | November 2022

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Alex Girda
Senior Editor

On the cover: Photo by f11photo/iStockphoto.com

Recent Washington, D.C. Transactions

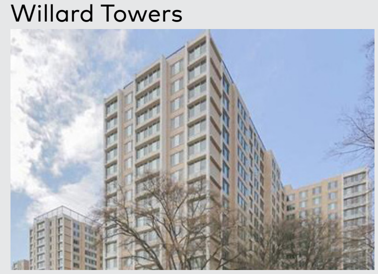
Cortland Pentagon City

City: Arlington, Va.
Buyer: Cortland
Purchase Price: $305 MM
Price per Unit: $571,536

Vistas of Annandale

City: Annandale, Va.
Buyer: CIM Group
Purchase Price: $276 MM
Price per Unit: $258,685

Willard Towers



City: Chevy Chase, Md.
Buyer: AIR Communities
Purchase Price: $176 MM
Price per Unit: $335,238

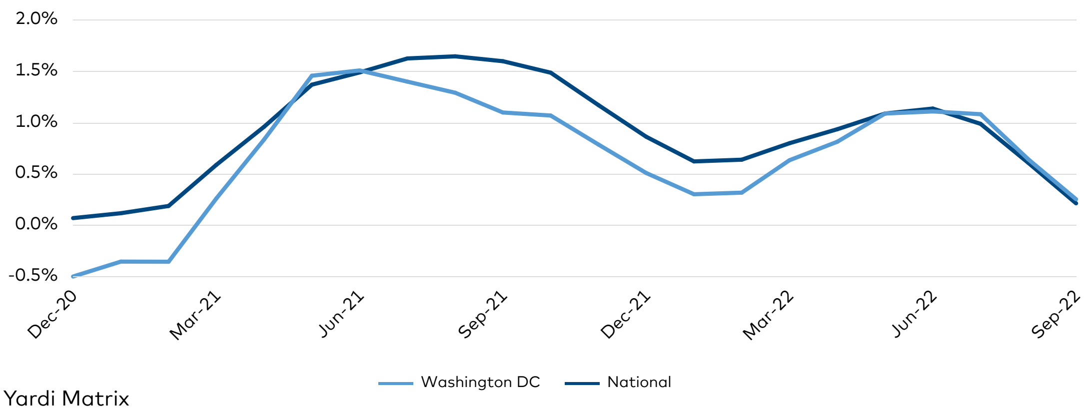
The Benjamin at Landover Hills

City: Landover Hills, Md.
Buyer: Dantes Partners
Purchase Price: $139 MM
Price per Unit: $191,197

RENT TRENDS

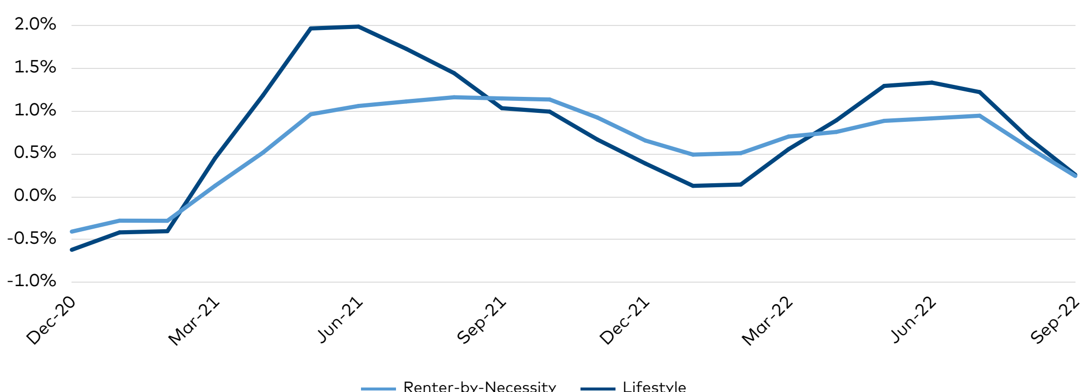
- Washington, D.C., rent growth was 0.3% on a trailing three-month (T3) basis as of September, as it continued to mirror national rate movement. Since April, rent expansion has deviated from the U.S. rate by a maximum of 10 basis points.
- The district's average overall rent was $2,103, nearly $400 more than the national figure, which continued to plateau for the third-consecutive month. However, values are elevated, with year-over-year rent gains at 9.4% nationally, and the improvement is a testament to how strongly rates have risen over the past year. Meanwhile, D.C. rent growth was 7.8% through the same interval.
- Rent growth by quality segment was fairly even, with Lifestyle driving some improvement at 0.3%, 10 basis points higher than the Renter-by-Necessity increase on a T3 basis. The upscale segment had an average rent of $2,480, nearly $700 higher than the RBN figure, at $1,789.
- Rent development occurred across the map, with no submarkets seeing a decline on a year-over-year basis. West Silver Spring (up 15.3%) and Adams Morgan/North Dupont Circle (14.0%) led improvement among suburban Maryland submarkets, while growth in northern Virginia was driven by Bull Run/Centreville/Chantilly (13.9%) and Bailey's Crossing (13.5%).
- Single-family rentals saw some moderation as well, but D.C.'s SFR sector saw rent gains at 39.7% on a year-over-year basis, as potential homebuyers were priced out of buying.

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 75,000 jobs in the 12 months ending in July, accounting for 3.2% growth year-over-year, 130 basis points lower than the national rate.
- The leisure and hospitality sector saw the bulk of new jobs added in the metro, some 32,900 positions, generally following the national trend. Significant job growth is still largely driven by the sector, as it regains positions that were lost during the pandemic.
- D.C.'s public sector saw employment contractions, down 3,200 jobs. However, government jobs remain one of the metro's leading job sectors, with 21.3% of positions in the district still coming from the public sector.
- Trade, transportation and utilities saw 10,000 jobs added, for a 2.5% increase. With energy efficiency an increasing necessity, local authorities launched the metro's first major public-private partnership earlier in 2022. The DC Smart Street Lighting project will replace current public lighting using more economical LED technology, which will improve long-term savings. The $309 million project will be rolled out over a two-year period.

Washington, D.C. Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	316	9.5%
65	Education and Health Services	438	13.1%
60	Professional and Business Services	806	24.2%
40	Trade, Transportation and Utilities	408	12.2%
80	Other Services	200	6.0%
15	Mining, Logging and Construction	166	5.0%
50	Information	79	2.4%
30	Manufacturing	56	1.7%
90	Government	709	21.3%
55	Financial Activities	152	4.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The district's population saw a bit of a decrease in 2021, down 0.5%, after recording a near-100,000-resident jump in 2020. Population growth has been steadily expanding throughout the decade, with the metro adding more than 500,000 residents during that time.

Washington, D.C. vs. National Population

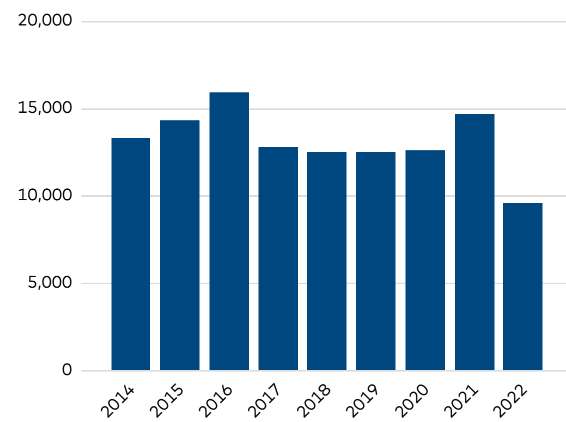
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Metro D.C.	6,243,114	6,284,241	6,371,877	6,342,492

Source: U.S. Census

SUPPLY

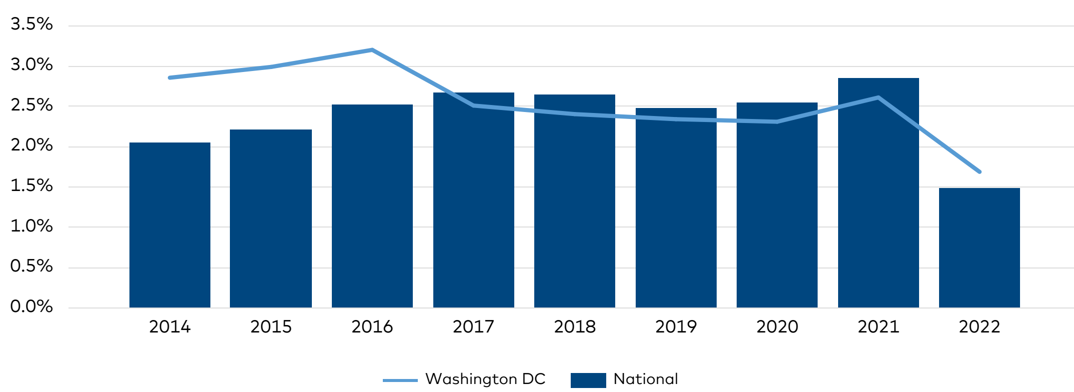
- There were 34,014 units under construction in metro D.C. as of September, while another 200,000 units were in the planning and permitting stages. The capital is notorious for its bustling multifamily pipeline, having been one of the leading markets for deliveries and units underway throughout the past decade. Of the units under development, less than 10% are being built in fully affordable assets.
- Developers added 9,663 units to the metro's multifamily inventory, accounting for 1.7% of existing stock and outpacing the national share by 20 basis points.
- The district's fast-growing multifamily inventory has done little to dent demand, with the average occupancy rate in stabilized assets actually going up 20 basis points year-over-year, to 95.6% as of August. That's 30 basis points below the national figure, which also declined 30 basis points through this interval.
- Construction activity was strongest in Brentwood/Trinidad/Woodridge (4,630 units underway), Barry Farms/Saint Elizabeths (3,105 units) and Chevy Chase/Potomac (1,917 units). The three largest multifamily pipelines were in submarkets located in the suburban Maryland side of the district.
- The largest project under construction was City Ridge in the West Cleveland Park/Wisconsin Avenue submarket. Roadside Development's 690-unit community is slated for completion later this fall.

Washington, D.C. Completions (as of September2022)



Source: Yardi Matrix

Washington, D.C. vs. National Completions as a Percentage of Total Stock (as of September 2022)

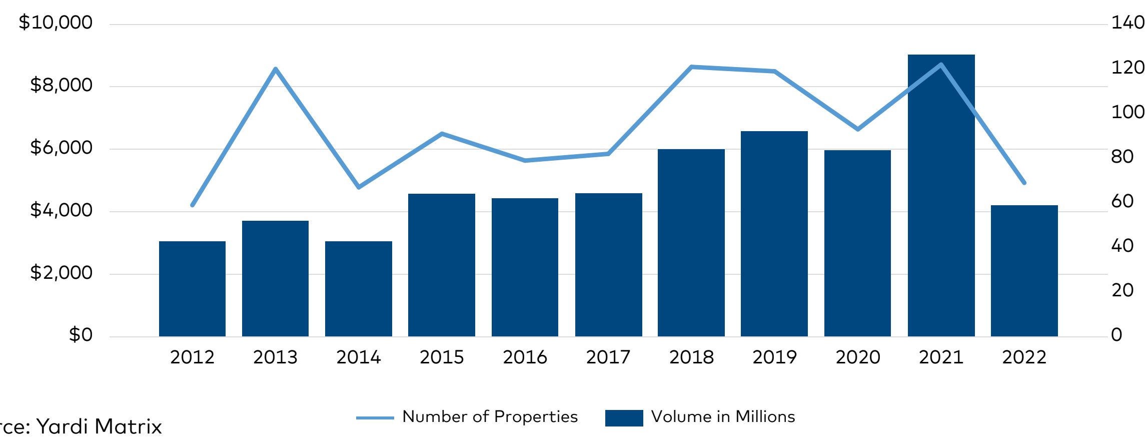


Source: Yardi Matrix

TRANSACTIONS

- Some $4.2 billion in multifamily sales were recorded in Washington, D.C., through the first three quarters of 2022, as investment largely benefited from continued investor appetite, following a record-breaking 2021. More than $9 billion in assets traded last year, exceeding the previous decade-high by nearly $2.5 billion.
- The average price per unit in the capital was $285,524 this year, 31% higher than the U.S. average and up 5% over the 2021 figure.
- Although 60% of transactions involved RBN assets, values in the Lifestyle sector meant that those deals accounted for 62% of overall volume in 2022.
- In the 12 months ending in September, suburban Maryland sales totaled $4.9 billion, while assets in northern Virginia accounted for $3.9 billion. During that time, East Rockville ($616 million), St. Charles/Waldorf ($592 million), Douglas Park/Nauck ($517 million) and Pentagon City/Penrose ($506 million) led investment activity.

Washington, D.C. Sales Volume and Number of Properties Sold (as of September 2022)



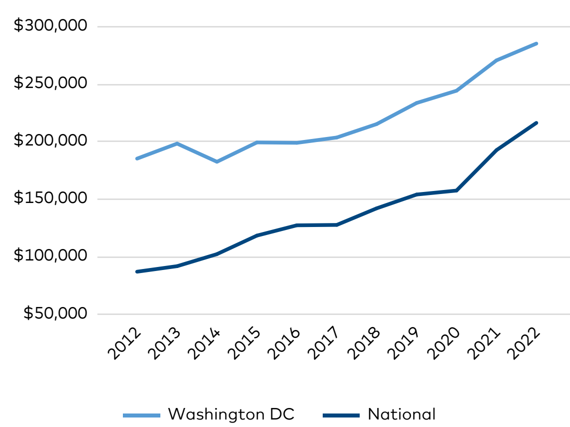
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
East Rockville	616
St. Charles/Waldorf	592
Douglas Park/Nauck	517
Pentagon City/Penrose	506
Huntington/Beacon Hill	499
Chevy Chase/Potomac	481
West Gaithersburg	400

Source: Yardi Matrix
[1] From October 2021 to September 2022

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



Source: Yardi Matrix

MULTI-HOUSING NEWS
data by
Yardi Matrix

Top 5 Markets for Multifamily Deliveries

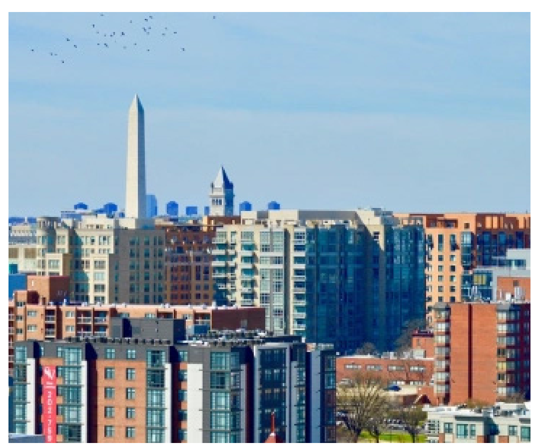
By Corina Stef

Multifamily demand still runs hot despite major economic headwinds and experts predict that the sector will continue to outperform throughout 2022. According to Yardi Matrix data, 153,314 units came online nationwide between January and June 2022, representing 1.0 percent of total stock. The volume of units delivered accounts for a 21.3 percent decrease from the 194,885 units that were delivered last year during the same period.

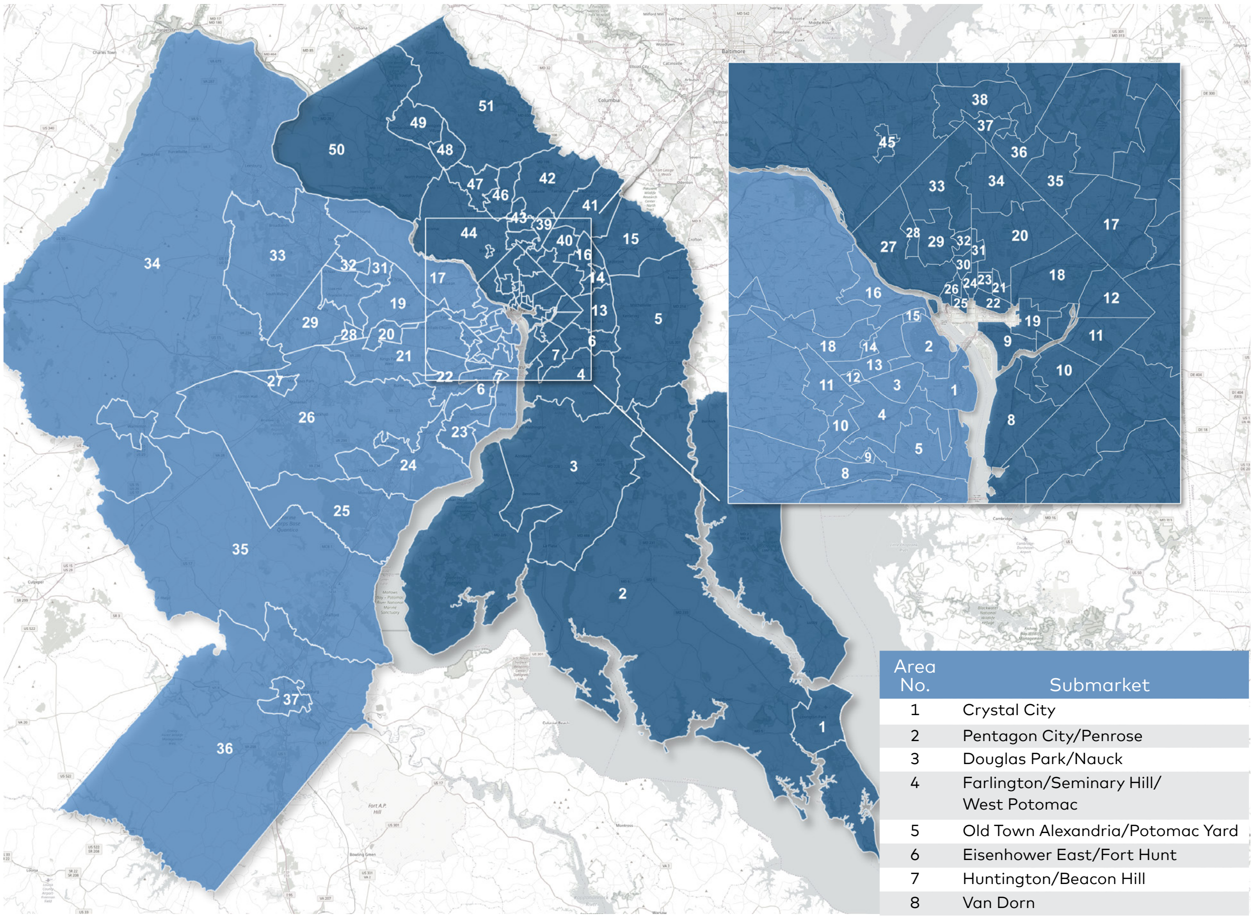
Metro	Units Delivered H1 2022	Units Delivered H1 2021
Dallas	9,829	13,597
Houston	8,038	11,196
Washington, D.C.	6,975	6,341
Miami	6,852	8,036
Phoenix	6,398	4,780

Washington, D.C.

Washington, D.C.'s multifamily inventory grew by 6,975 units in the first six months of 2022, representing 1.2 percent of total stock. Multifamily deliveries surpassed the amount completed in the first half of 2021, when 6,341 units were added to the market, increasing by 10.0 percent. Some 34,661 units were underway in the metro as of June. Construction activity remained robust in the Mid-Atlantic market despite labor and construction supply challenges, largely due to the available capital coupled with strong rent growth and absorption.



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 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 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, 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.

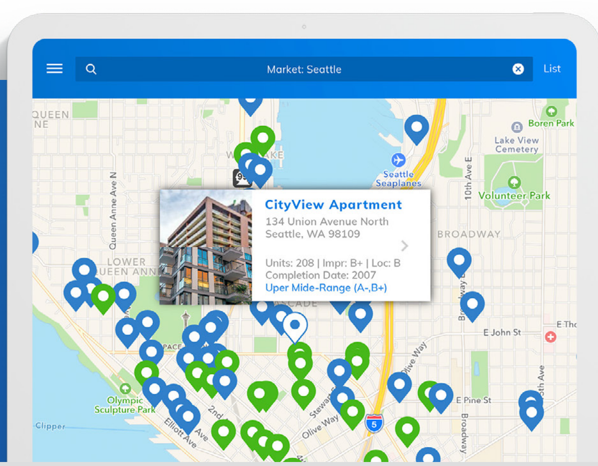
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi Matrix

Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

YARDI

(800) 866-1144
Learn more at yardimatrix.com/**multifamily**

Contact us