



MULTIFAMILY REPORT

DC Rents Pick Up

July 2023

T3 Rent Gains Outperform Nation

Investment Activity Moderates

Construction Decelerates



WASHINGTON, D.C., MULTIFAMILY



Rate Growth Rebounds, Occupancy Above 95%

Washington, D.C.'s multifamily market showcased strengthening fundamentals, with rent growth rebounding in the second quarter of 2023, up 0.6% on a trailing three-month basis through May, to \$2,098. Meanwhile, the U.S. average appreciated 0.3%, to \$1,716. Occupancy in stabilized assets marked a 50-basis-point decline year-over-year through April but stayed healthy, at 95.1%.

The District's job market contracted to record lows, at 2.4% in April, outperforming the 3.4% national rate. Employment expanded by 2.1%, or 74,800 jobs, in the 12 months ending in March, trailing the 3.1% U.S. figure. The ongoing recovery of leisure and hospitality led gains, adding 27,400 positions, followed by education and health services (19,900 jobs) and professional and business services (12,400 jobs). Three sectors lost 2,100 positions combined—trade, transportation and utilities, financial activities and information. Growth is expected in trade, transportation and utilities, as United Airlines announced plans to significantly expand its Boeing 787 fleet and add 1,100 positions at Dulles International Airport.

Developers brought 3,841 units online in 2023 through May and had an additional 29,750 units under construction, as well as more than 230,000 apartments in the planning and permitting stages. Meanwhile, investment volume totaled just \$635 million, and the average price per unit declined 5.2% year-over-year, to \$277,622 as of May, still significantly above the \$179,358 U.S. figure.

Market Analysis | July 2023

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

Anca Gagiuc

Senior Associate Editor

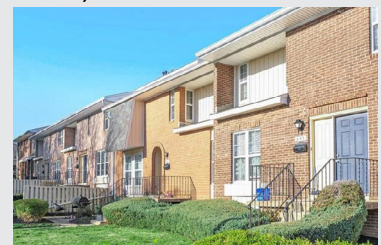
Recent Washington, D.C., Transactions

Windsor Kingstowne



City: Alexandria, Va.
Buyer: GID
Purchase Price: \$179 MM
Price per Unit: \$321,942

The Ivy Rockville



City: Rockville, Md.
Buyer: Fairstead
Purchase Price: \$90 MM
Price per Unit: \$428,571

Valo



City: Washington, D.C.
Buyer: Bernstein Management
Purchase Price: \$82 MM
Price per Unit: \$371,041

Maven at Wheaton

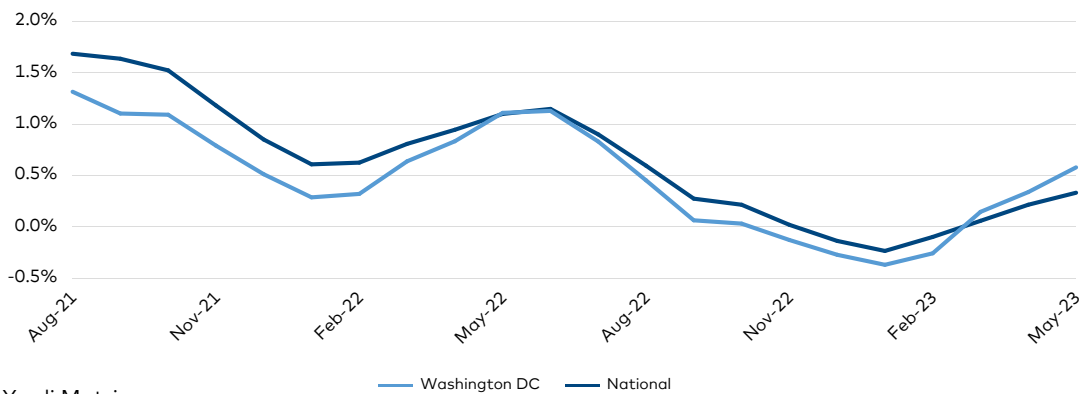


City: Silver Spring, Md.
Buyer: 29th Street Capital
Purchase Price: \$64 MM
Price per Unit: \$275,862

RENT TRENDS

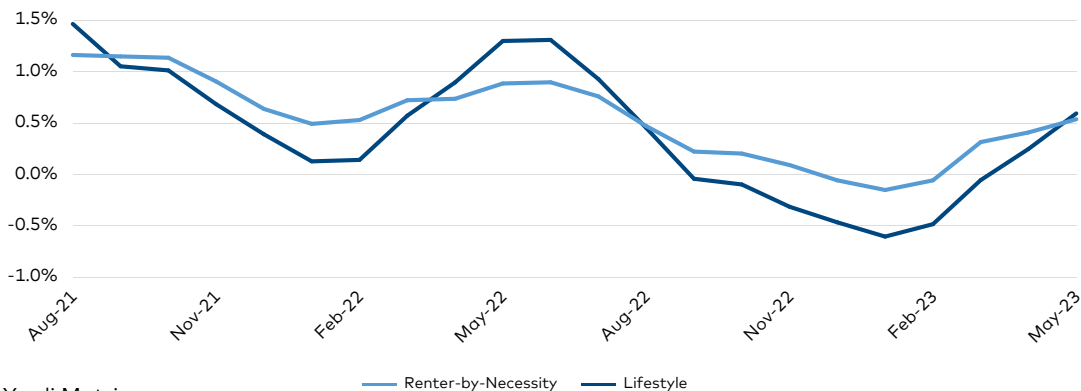
- Rent gains rebounded in metro D.C., at 0.6% on a trailing three-month (T3) basis through May, double the 0.3% national rate. Moreover, this was the third consecutive month of improvement on a T3 basis. Yet year-over-year, D.C. rates rose just 1.9%, lagging the 2.6% U.S. figure. At \$2,098, the metro's average asking rent was significantly above the \$1,716 national rate.
- Rent expansion was nearly equal across quality segments. Lifestyle assets took the lead for the first time since July 2022, up 0.6% on a T3 basis through May, to \$2,438, while working-class Renter-by-Necessity rates improved 0.5%, to \$1,815.
- The occupancy rate in stabilized properties decreased 50 basis points in the 12 months ending in April but remained healthy, at 95.1%. Drilling down to property segments, RBN occupancy slid 80 basis points, to 95.1%, while Lifestyle inched down just 20 basis points, to the same 95.1%.
- Of the 88 submarkets tracked by Yardi Matrix, 15 posted declines in the average asking rent on a year-over-year basis, with the largest drop registered in Downtown Bethesda (-4.5% to \$2,564). The most expensive areas were Penn Quarter (1.5% to \$2,936), Capitol Hill (-0.9% to \$2,876) and Fort Myers Heights/Radnor (4.1% to \$2,763).
- The single-family rental sector decelerated, with annual asking rents down 2.6% through May. Meanwhile, occupancy marked the largest decline among major metros, down 9.4% in the 12 months ending in April.

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

- Unemployment in the District stood at 2.4% in April, according to preliminary data from the Bureau of Labor Statistics, the lowest level since late 1999. The rate was a 40-basis-point improvement from March (2.8%) but was 80 basis points lower than the January figure (3.2%). Meanwhile, the U.S. rate clocked in at 3.4% as of April, before a 30-basis-point rise in May.
- Employment growth continued to decelerate, at 2.1%, or 74,800 jobs, in the 12 months ending in March. March was also the first month when the metro's total jobs reached pre-pandemic figures, a level that other large metros have yet to reach.
- Leisure and hospitality led gains, adding 27,400 positions, followed by education and health services (19,900 jobs) and professional and business services (12,400 jobs). Meanwhile, trade, transportation and utilities, financial activities and information lost 2,100 jobs combined.
- Transportation should get a boost as, in December 2022, United Airlines announced plans to purchase 100 new Boeing 787 aircrafts and hire 1,100 people at Dulles International Airport. Another move that would benefit the metro's economy is the tentative FBI headquarters consolidation outside of the District, which has been in the works for a decade but is now getting closer to a decision. However, sites in both Virginia and Maryland remain in the running.

Washington, D.C. Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	309	9.2%
65	Education and Health Services	456	13.6%
60	Professional and Business Services	805	24.0%
90	Government	744	22.2%
80	Other Services	195	5.8%
15	Mining, Logging and Construction	163	4.9%
30	Manufacturing	56	1.7%
40	Trade, Transportation and Utilities	395	11.8%
55	Financial Activities	154	4.6%
50	Information	79	2.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Metro D.C. lost 29,385 residents in 2021, for a 0.5% annual downtick. Nationally, the population inched up 0.1%. This was the area's first decline in more than a decade.
- Between the 2010 Census and 2021, D.C.'s population expanded 12.0%, surpassing the 7.3% U.S. rate.

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

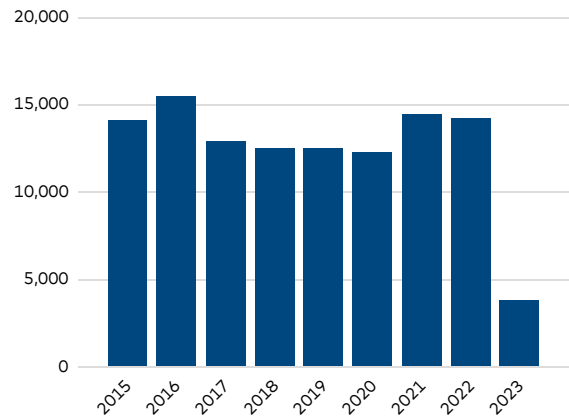
Source: U.S. Census

SUPPLY

- ▶ Developers delivered 3,841 units in 2023 through May, the equivalent of 0.7% of existing stock, slightly above the 0.6% U.S. rate. Specifically, 1,522 units were brought online in Northern Virginia and 2,319 units in Maryland and the District. The new inventory comprised mostly upscale projects (86%), while the remaining 14% were units in fully affordable communities.
- ▶ The construction pipeline is thinning, with 29,750 units underway, two-thirds of which were in Maryland and D.C. Another 230,000 units were in the planning and permitting phases. The pipeline's composition remained tilted in favor of Lifestyle properties, accounting for 82% of all projects under construction. For 2023, Yardi Matrix expects 11,114 units to come online across the metro, the lowest level since at least 2015.
- ▶ With construction financing becoming elusive, the volume of construction starts dwindled in metro D.C., with 2,377 units breaking ground in 2023 through May, a substantial drop from the volume registered in 2022 (4,717 units) and 2021 (4,130 units).
- ▶ Development was spotty across the map, present in just 47 of the 88 submarkets tracked by

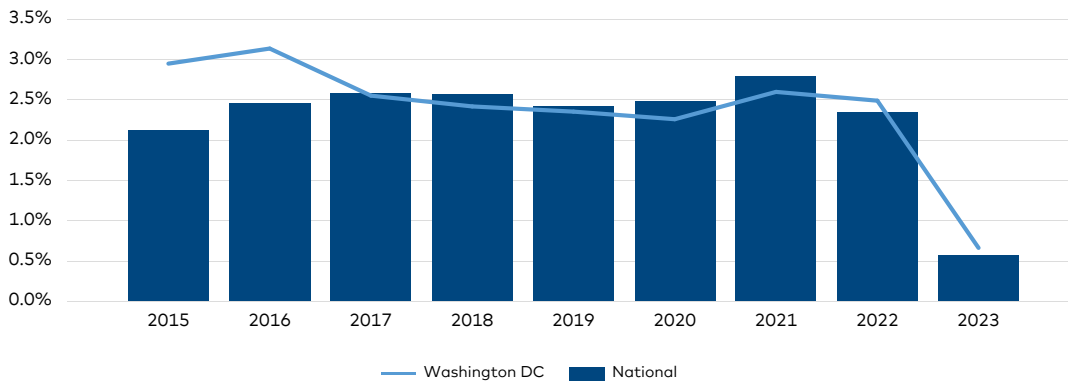
Yardi Matrix. Submarkets within the District led by units underway, as of May: Brentwood/Trinidad/Woodridge (3,509 units) and Barry Farms/Saint Elizabeths (2,848 units). The former also houses the largest delivery of the year through May—the 500-unit Revel, which is owned by a Perseus Realty and Four Points joint venture. The community includes corporate housing and 40,000 square feet of retail space.

Washington, D.C. Completions (as of May 2023)



Source: Yardi Matrix

Washington, D.C. vs. National Completions as a Percentage of Total Stock (as of May 2023)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Through May, multifamily investment amounted to just \$635 million; two-thirds of this total consisted of assets in Maryland and the District. The slowdown in transactions is the effect of prolonged financial challenges, which have kept investors cautious and sellers waiting. During the same period last year, more than \$2.4 billion in multifamily assets changed hands in the metro.
- ▶ Values also decreased, with the average price per unit clocking in at \$277,622 year-to-date

through May, for a 5.2% decline. The U.S. average dropped to \$179,358. Sales composition reflected greater interest in value-add plays, with RBN assets accounting for 11 of the 14 sales during the period. The average Lifestyle per-unit price declined 11.4% year-over-year, while RBN figures increased 11.3%.

- ▶ The largest deal through May was GID's \$179 million purchase of Windsor Kingstowne in Alexandria, Va., from Harbor Group, at \$321,942 per unit.

Washington, D.C. Sales Volume and Number of Properties Sold (as of May 2023)



Source: Yardi Matrix

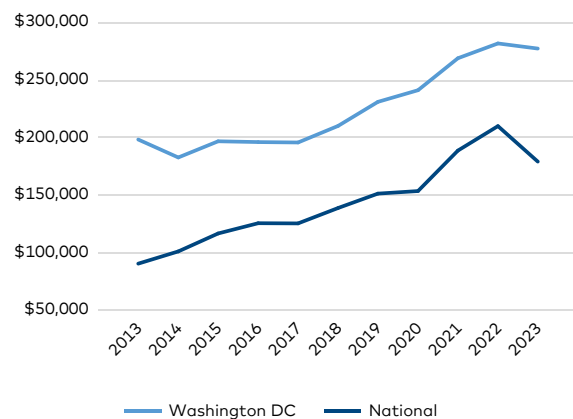
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Colonial Village/North Highlands/Rosslyn	335
Pentagon City/Penrose	305
Fair Oaks	293
Annandale/Lincolnia/Springfield	276
Chevy Chase/Potomac	271
College Park	204
Eisenhower East/Fort Hunt/Franconia	179

Source: Yardi Matrix

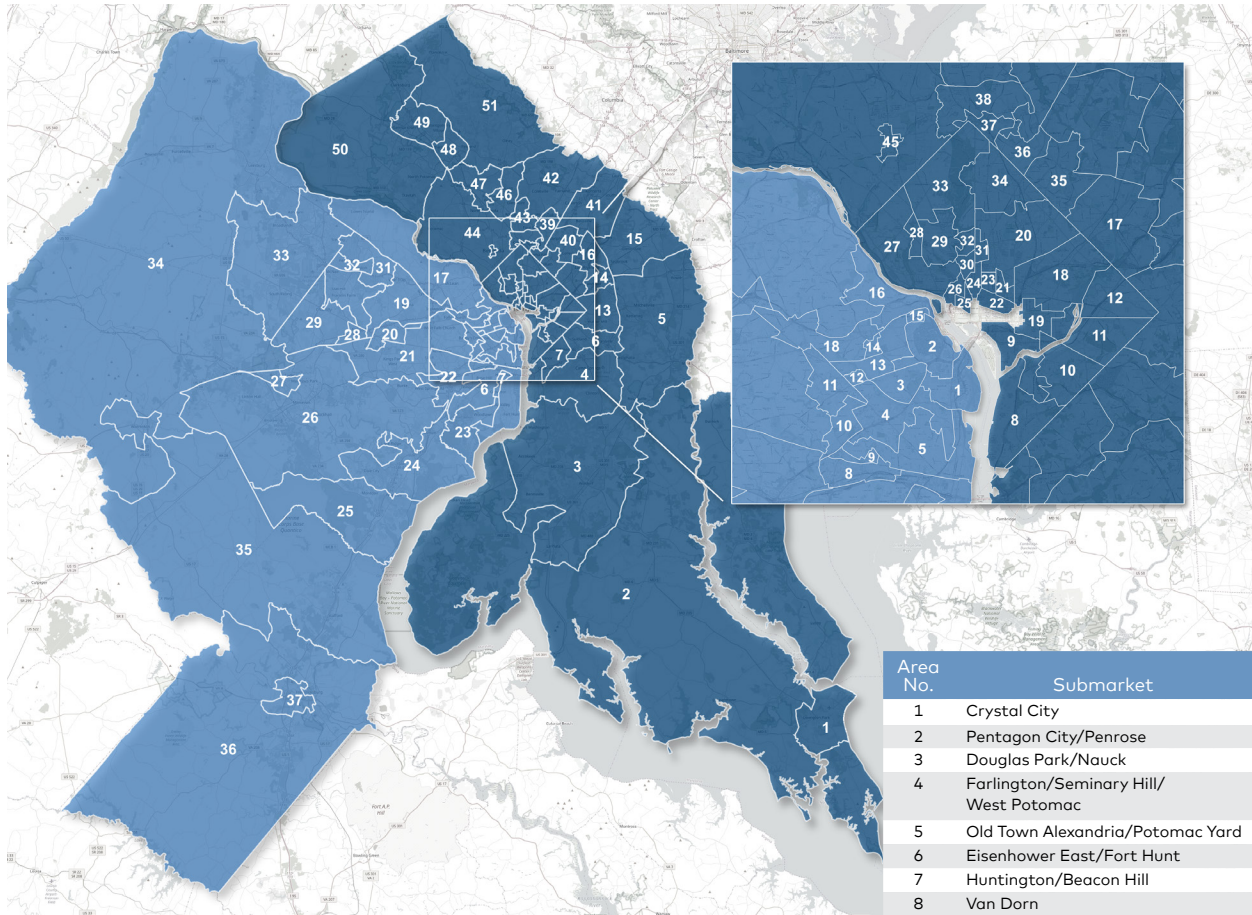
¹ From June 2022 to May 2023

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



Source: Yardi Matrix

WASHINGTON, D.C. SUBMARKETS



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

Area No.	Submarket
1	Lexington Park
2	California/Leondartown/ 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

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.



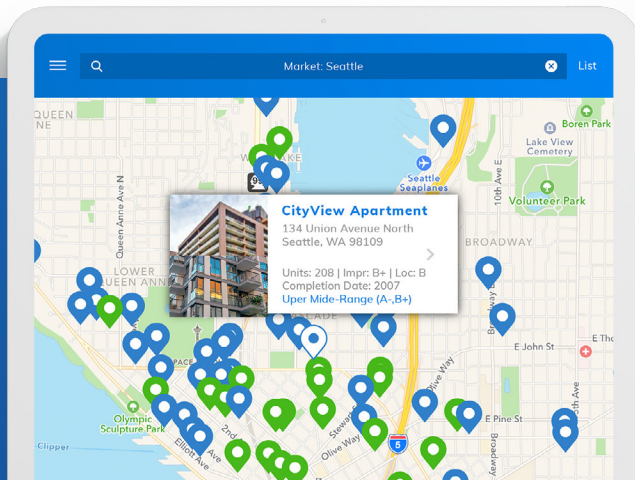
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MULTIFAMILY KEY FEATURES

- 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
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