



MULTIFAMILY REPORT

# The District's Endurance

November 2023



**RBN Rates Remain Stable**

**Investment Activity Slows**

**Employment Below US Figures**

# WASHINGTON, D.C. MULTIFAMILY



## DC Overcomes Volatility With Stabilized Fundamentals

Washington, D.C.'s multifamily market displayed steady fundamentals, despite ongoing market volatility. Rents plateaued on a trailing three-month basis through September, reaching \$2,121, while national rates moved into negative territory, at -0.1%. The Renter-by-Necessity segment saw some limited growth, while the upscale segment saw a 0.1% contraction. In average occupancy rates in stabilized properties, the Lifestyle segment saw a 50-basis-point increase year-over-year, up to 95.7%.

The metro added 59,900 jobs in the 12 months ending in July, up 2.0%, but 60 basis points lower than the national rate. As of August, the unemployment rate clocked in at 5.0%, according to preliminary data from the Bureau of Labor Statistics. Education and health services added 21,700 positions, the largest addition to the workforce across all sectors. Employment rates are set to increase, with a \$500 million industrial facility coming to the suburbs. National Capital Business Park will encompass 3.5 million square feet and is taking shape along the Interstate 95 distribution corridor.

Developers had 33, 109 units under construction as of September. Of the projects underway, 6,800 units broke ground this year, a 42.8% decrease compared to the same interval in 2022. Investment activity saw a significant slowdown. Since the beginning of the year, \$1.6 billion in multifamily transactions have traded.

## Market Analysis | November 2023

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### Recent Washington, D.C. Transactions

#### The Elm



City: Bethesda, Md.  
Buyer: AIR Communities  
Purchase Price: \$220 MM  
Price per Unit: \$482,962

#### Windsor Fair Oaks



City: Fairfax, Va.  
Buyer: GID  
Purchase Price: \$85.6 MM  
Price per Unit: \$303,546

#### Jasper Columbia Pike



City: Arlington, Va.  
Buyer: The Penzance Cos.  
Purchase Price: \$105 MM  
Price per Unit: \$390,334

#### Westchester West



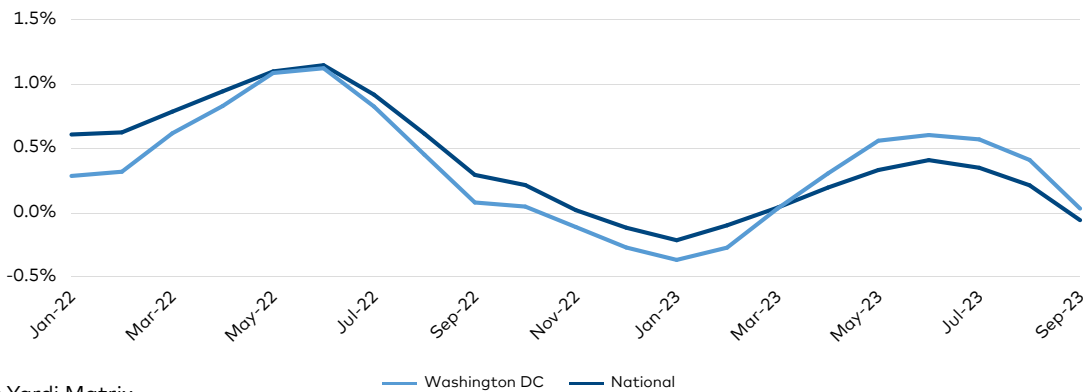
City: Silver Spring, Md.  
Buyer: Enterprise Community Partners  
Purchase Price: \$67 MM  
Price per Unit: \$194,202



## RENT TRENDS

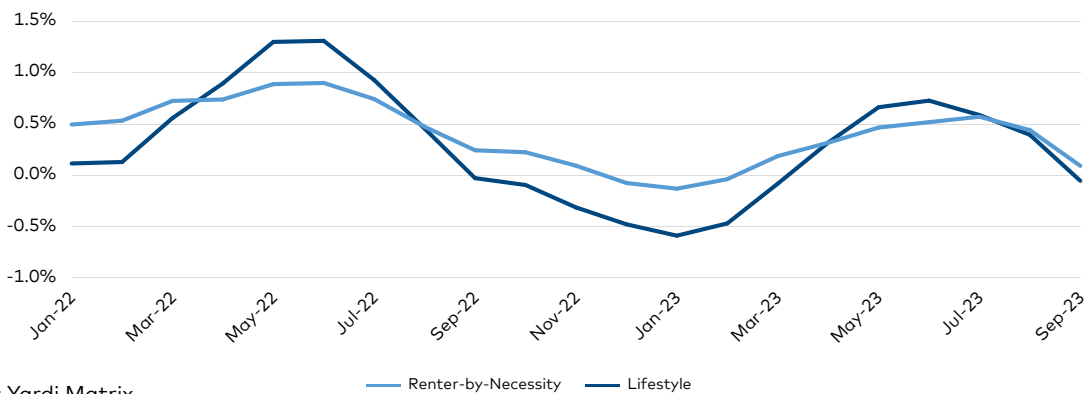
- Rents in the metro plateaued on a trailing three-month (T3) basis through September, while the U.S. figure registered a 0.1% decrease. The average asking rent in Washington, D.C., was \$2,121. The metro recorded a run of negative rent movement for four months, from November 2022 to February 2023, but then took a positive turn, holding at 0.6% between May and July.
- Renter-by-Necessity rates rose 0.1% on a T3 basis through September, to an average of \$1,828. Lifestyle rents were down 0.1% during the same period, reaching \$2,464. The upscale segment registered a period of negative rent growth between October 2022 and March 2023. The affordable segment was more stable, recording a 0.1% contraction for two months in December and January.
- The metro's average overall occupancy rate in stabilized properties decreased 10 basis points year-over-year, reaching 95.3% as of August. RBN assets recorded a drop of 60 basis points, to 95%, while the rate for Upscale properties saw a 50-basis-point increase year-over-year, up to 95.7%.
- Of the 88 Washington, D.C., submarkets tracked by Yardi Matrix, only 10 saw declines on a year-over-year basis. The rest of the metro recorded some level of rent growth. The areas that led improvement were West Greenbelt/East Riverdale (up 7.2% year-over-year), followed by Mount Vernon (6.9%) and Takoma Park (6.7%).

### 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., had an employment growth of 2% in July, 60 basis points lower than the national average. The metro added 48,900 jobs in the 12 months ending in July, although several sectors contracted: manufacturing (down 500 jobs), trade, transportation and utilities (-5,100), financial activities (-3,400) and professional and business services (-2,000). Education and health services registered the largest growth rate, at a 5.0% increase, with 21,700 positions added. The employment rate was on a decelerating path during that period, registering a 140-basis-point difference compared to July 2022.
- The metro's unemployment rate was 5.0% as of August, 120 basis points higher than the U.S.

figure and the highest over a 12-month period, according to preliminary data from the BLS. The unemployment rate slightly fluctuated through that period, remaining under 4.0% and reaching its lowest rate of 3.4% in January and April.

- A \$500 million industrial project is currently underway in suburban Washington, D.C. Turnbridge Equities, alongside Manekin, is developing National Capital Business Park, which will encompass 3.5 million square feet and is taking shape along the Interstate 95 distribution corridor. The first phase of the project is slated for delivery in early 2024.

### Washington, D.C. Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	454	13.4%
70	Leisure and Hospitality	333	9.8%
90	Government	737	21.7%
80	Other Services	202	5.9%
15	Mining, Logging and Construction	170	5.0%
50	Information	82	2.4%
30	Manufacturing	57	1.7%
60	Professional and Business Services	811	23.9%
55	Financial Activities	153	4.5%
40	Trade, Transportation and Utilities	399	11.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- Washington D.C.'s population lost 29,385 residents in 2021, a 0.5% decrease from the previous year, while the national rate was up 0.1%.
- A major increase was observed between 2019 and 2020, when the metro gained almost 90,000 residents.

### 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

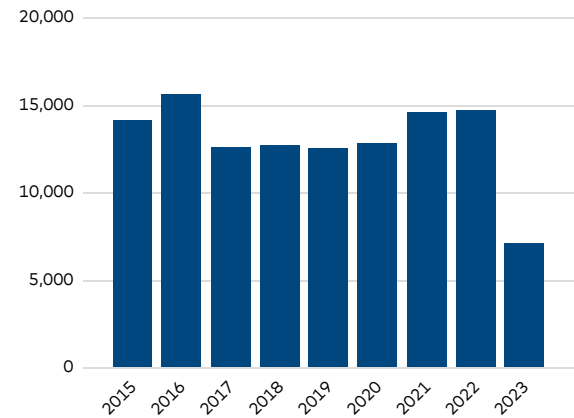
Source: U.S. Census

## SUPPLY

- ▶ Developers brought 7,101 units online in 2023 through September, accounting for 1.2% of existing stock, 30 basis points lower than the national share. Of those, 3,383 units were delivered in Northern Virginia and 3,718 units in Maryland and the District. The inventory comprised 17 Lifestyle assets, while the remaining were units in affordable communities.
- ▶ The market had 33,109 units under construction as of September, while an additional 223,000 were in the planning and permitting stages. The number of construction starts was significantly reduced, with 6,800 units breaking ground through September, 42.8% lower than the 11,883 recorded during the same interval in 2022.
- ▶ There was at least one property of 50-plus units under construction in 57 of the 88 submarkets tracked by Yardi Matrix. Brentwood/Trinidad/Woodridge took the lead with 3,914 units underway followed by Barry Farms/Saint Elizabeths (3,717 units), both within the district. The Crystal City submarket in Northern Virginia led with 1,566 units.
- ▶ Crystal City also houses the largest development in the metro. JBG Smith Properties is building 1900 Crystal Drive, an 808-unit Class

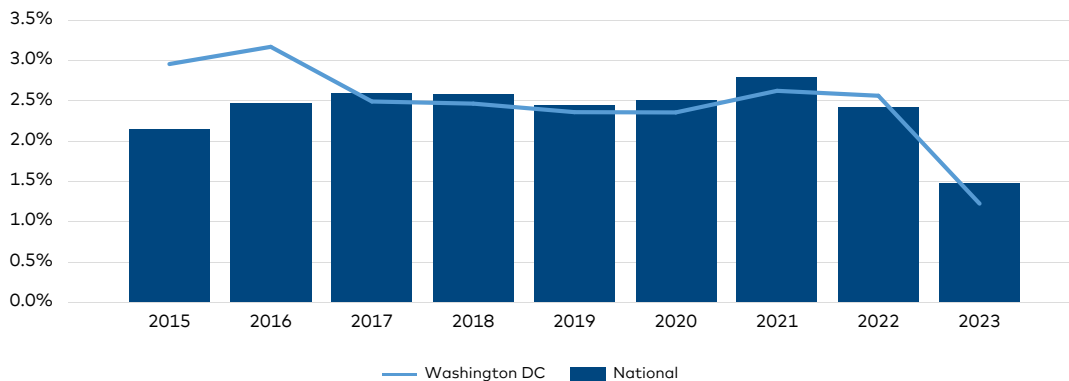
A property that broke ground in April 2021. The project's delivery date is set for January 2024. Only three other submarkets had properties with more than 600 units under development. Those include West Cleveland Park/Wisconsin Avenue (690 and 689 units each for two properties), North Reston (677 units) and Alexandria West (675 units).

### Washington, D.C. Completions (as of September 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

## TRANSACTIONS

- ▶ Through September, multifamily investment in the metro slowed down to \$1.6 billion across 25 transactions. The drop is due to economic headwinds and capital being increasingly hard to come by. By comparison, transactions in the last 10 years crossed the \$3 billion threshold annually and reached a decade-high in 2021, when \$9.4 billion in multifamily assets traded in Washington, D.C.
- ▶ The price-per-unit increased, as the metro's overall average reached \$304,740, significantly higher than the \$189,597 U.S. figure.

The metro actually saw prices rise 7.5% compared to 2022. RBN assets led sales activity, at an average price per unit of \$225,884. Average per-unit prices in the Lifestyle segment reached \$362,883.

- ▶ The 456-unit The Elm was the most expensive multifamily asset to change hands in the 12 months ending in September. AIR Communities paid \$220 million to Carr Properties for the property.

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



Source: Yardi Matrix

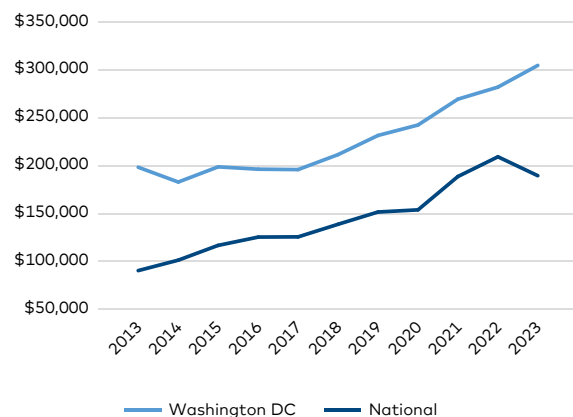
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Ashburn/Dulles/Sterling	331
Fair Oaks	296
Downtown Bethesda	220
Eisenhower East/Fort Hunt/Franconia	179
Lee Highway Corridor/McClean/Sugarland Run	146
Cheverly/Glenarden/Landover Hills	139
Aspen Hill/Rossmoor	134

Source: Yardi Matrix

<sup>1</sup> From October 2022 to September 2023

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



Source: Yardi Matrix

## Top 10 Markets for Multifamily Deliveries in H1 2023

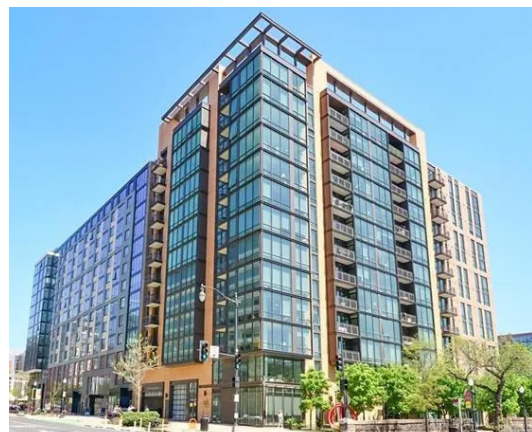
By Anda Rosu

Multifamily demand stayed elevated in 2023 despite major economic headwinds, although overall the sector was underperforming during the first six months of the year, compared to 2022. According to Yardi Matrix data, 154,366 units came online nationwide between January and June 2023. The volume of multifamily deliveries accounts for a 60-basis-point increase from the 153,314 units that were delivered last year during the same period.

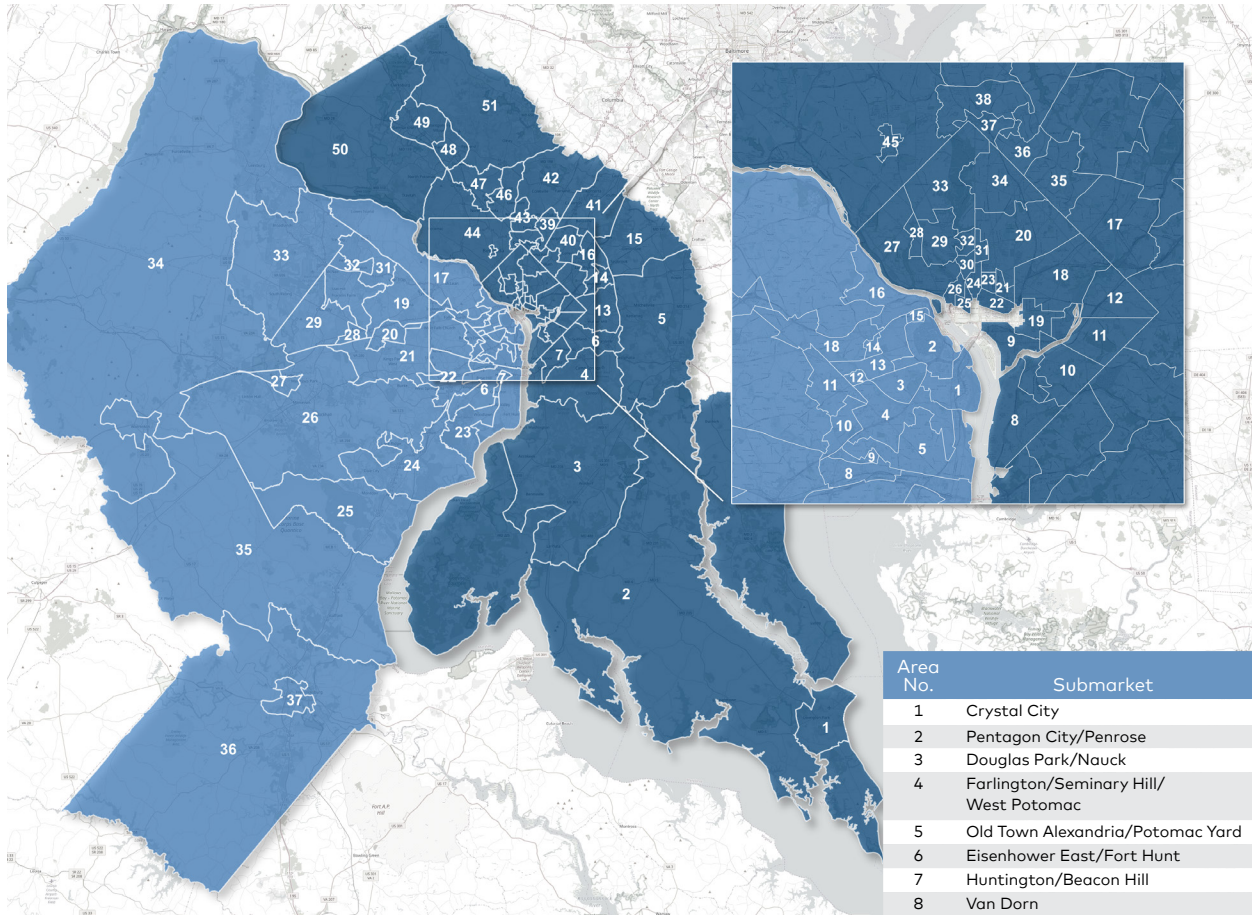
Rank	Metro	Projects Delivered 2023 H1	Number of Units Delivered 2023 H1	Construction Starts 2023 H1 Units
1	Phoenix	36	8,062	10,886
2	Washington, D.C.	25	6,333	5,288
3	Atlanta	29	6,178	10,380
4	Austin	23	5,473	11,220
5	Dallas	20	5,133	15,747
6	Miami Metro	22	5,109	9,969
7	Charlotte	21	4,595	6,441
8	Orlando	19	4,445	5,437
9	Denver	23	4,270	6,046
10	Houston	17	3,910	6,562

### Washington D.C.

New supply is burgeoning in Washington, D.C., with a total of 6,333 units added to the stock in the first six months of 2023, 1.8% of total stock and a little less than the 6,975 units delivered during the same time period in 2022. A total of 94 percent out of the stock added this year through June are in Lifestyle units, with the remaining 6% in Renter-by-Necessity projects.



# 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	Herrdon/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.

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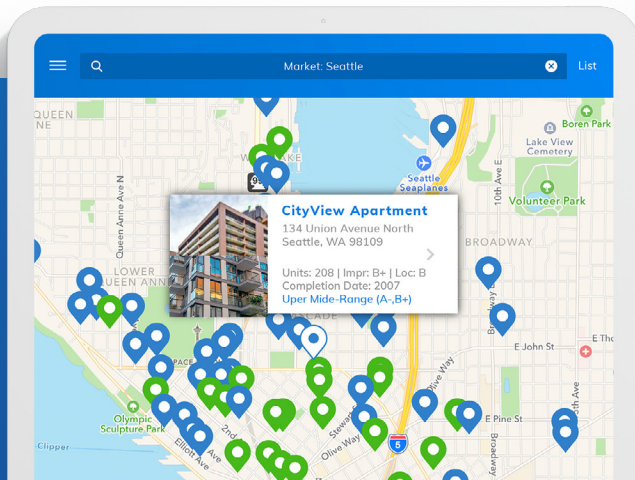
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