



MULTIFAMILY REPORT

DC's Stable Year

February 2024

Development Remains Strong

Transactions Reach Decade Low

Northern Virginia Leads Rent Growth

WASHINGTON, D.C., MULTIFAMILY



District Holds On, Northern Virginia Booms

Feeling the seasonal lull at the end of 2023, the Washington, D.C., multifamily market closed the last quarter in the red, with rates down 20 basis points on a trailing three-month basis. Even so, last year was a relatively good one for the market, with the average rent up 1.6% over 12 months, to \$2,114. That was significantly above the U.S. figure, with the national rate up just 0.3% last year, to \$1,709. Northern Virginia outpaced the larger metro, with rents rising 3.1% and occupancy up a strong 70 basis points, even as large swaths of the country recorded contractions.

Metro D.C. continued to display one of the most stable economies among major coastal cities, with unemployment at a tight 2.7% as of November 2023 and the market adding 60,300 net jobs over 12 months. And while new development initiatives lack the magnitude of earlier megaprojects such as Amazon's HQ2 or the Silver Line metro extension, the pipeline remains relatively strong. The metro had more than 13 million square feet underway in industrial, office and self storage projects alone as of January. That comes on top of a sizable residential pipeline and several infrastructure and civic projects.

A total of 12,002 units came online across the market last year, with an additional 33,196 apartments underway. Meanwhile, only \$2 billion in rental assets traded in 2023, a decade low and an abrupt drop from the volumes recorded in the previous two years.

Market Analysis | February 2024

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

Bogdan Odagescu

Senior Editor

Recent Washington, D.C., Transactions

Lafayette



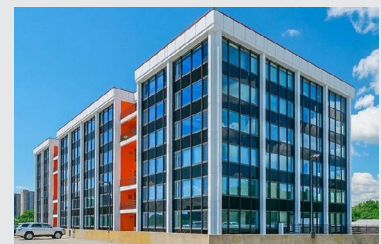
City: Alexandria, Va.
Buyer: Spira Equity Partners
Purchase Price: \$69 MM
Price per Unit: \$202,353

Connecticut Plaza



City: Washington, D.C.
Buyer: Stonebridge Investments
Purchase Price: \$67 MM
Price per Unit: \$282,458

Mission Lofts



City: Falls Church, Va.
Buyer: JCE
Purchase Price: \$50 MM
Price per Unit: \$317,468

ReNew Springfield

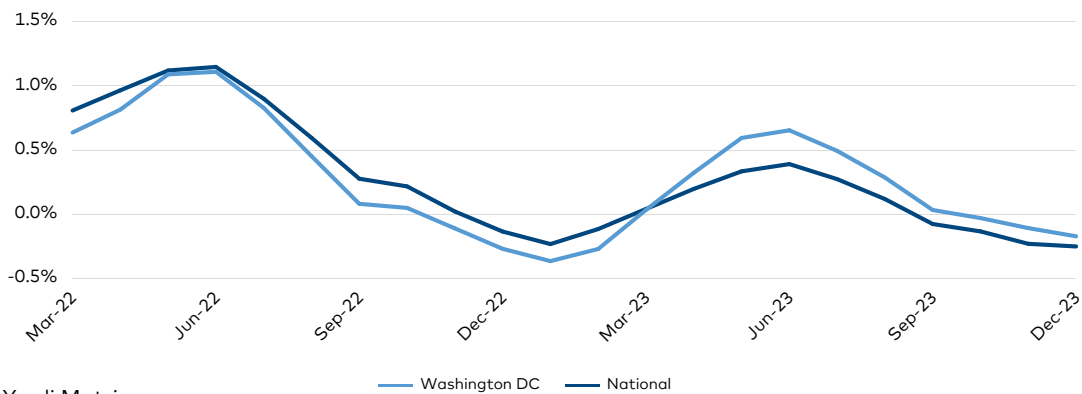


City: Springfield, Va.
Buyer: FPA Multifamily
Purchase Price: \$35 MM
Price per Unit: \$213,253

RENT TRENDS

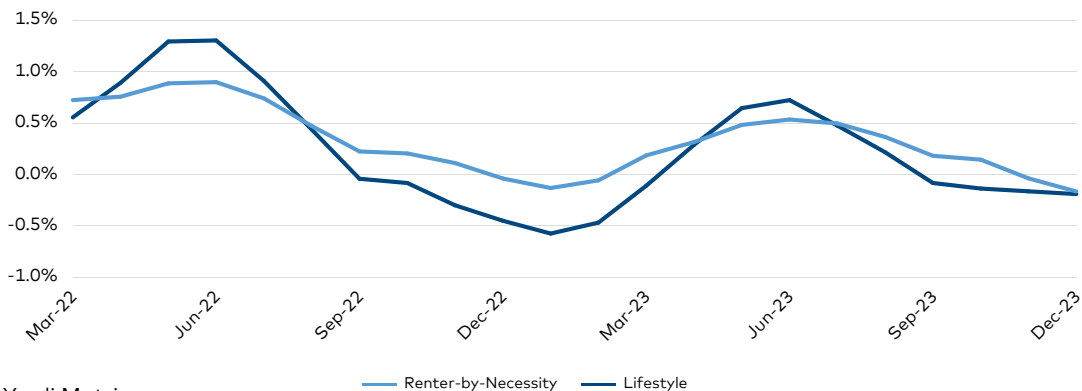
- ▶ Metro D.C. rents were down 0.2% in the fourth quarter of last year, as the seasonal slowdown took hold. Meanwhile, the national rate contracted 0.3%. Year-over-year, the market outperformed the nation for the better part of 2023, with rent growth clocking in at 1.6% for the year, to an average of \$2,114. During that time, the average U.S. rent advanced just 0.3%, to \$1,709.
- ▶ Quality segments were in lockstep on a trailing three-month (T3) basis as of December 2023. Both Lifestyle and working-class Renter-by-Necessity rates contracted 0.2%, to \$2,451 and \$1,823, respectively.
- ▶ Geographically, Northern Virginia fared much better in 2023, with rent growth hitting 3.1%. Meanwhile, rates in the District and suburban Maryland rose just 0.5%. This was also reflected by the occupancy rate in stabilized assets, with Northern Virginia recording a solid 70-basis-point hike, to 96.0%. By contrast, D.C. and suburban Maryland recorded a 40-basis-point slide, to a much smaller 94.7%.
- ▶ Single-family rentals had a slower year, with the average rent down 0.3% in metro D.C., to \$3,503. SFR occupancy, however, improved, up a healthy 4.5% across the market.
- ▶ Despite economic turbulence and pandemic whiplash, Washington, D.C., remains a high-demand/high-supply market. Yardi Matrix expects this to continue in 2024, with rent growth clocking in at 1.1% for the year.

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

- Metro D.C. unemployment stood at a tight 2.7% as of November 2023, according to preliminary data from the Bureau of Labor Statistics. Anchored by the federal government, academic institutions and associated businesses and organizations, D.C.'s labor pool was one of the most stable among large cities over the past five years. In fact, unemployment hasn't surpassed the 4.0% threshold since September 2021.
- Washington, D.C., added 60,300 net jobs in the 12 months ending in October 2023, with all but three sectors recording gains. That accounted for a 1.9% rate of growth, trailing the U.S. average by 40 basis points.
- As expected, the area's main economic pillars led growth. Education and health services and government gained 35,500 positions combined, with leisure and hospitality (12,900 jobs) rounding out the top three. Meanwhile, manufacturing, information and financial activities shed a collective 4,800 positions.
- While not as large as some of the area's pre-pandemic projects, many developments continue to break ground. Beyond more than 30,000 multifamily units under construction, metro D.C.'s pipeline also included 7.8 million square feet of industrial, 4.2 million square feet of office and 1.2 million square feet of self storage space underway as of January 2024.

Washington, D.C., Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	470	13.7%
90	Government	755	22.1%
70	Leisure and Hospitality	320	9.4%
80	Other Services	200	5.8%
40	Trade, Transportation and Utilities	403	11.8%
15	Mining, Logging and Construction	168	4.9%
60	Professional and Business Services	813	23.8%
30	Manufacturing	57	1.7%
50	Information	81	2.4%
55	Financial Activities	151	4.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- As a large coastal metro, D.C. took a demographic hit during the pandemic, with population down almost 30,000 people in 2021. However, the area's long-term prospects are still positive, with the metro slated for a return to long-term growth trends.

Washington, D.C. vs. National Population

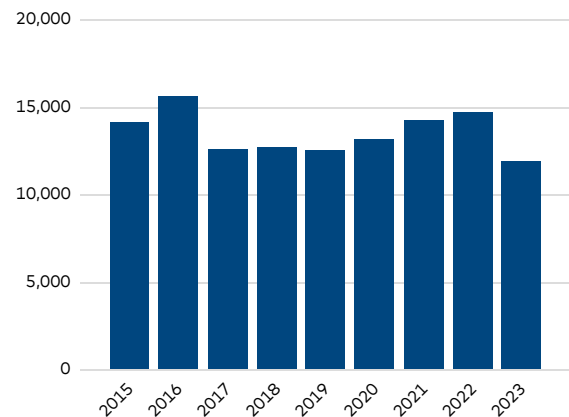
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Metro D.C.	6,243,114	6,284,241	6,371,877	6,342,492

Source: U.S. Census

SUPPLY

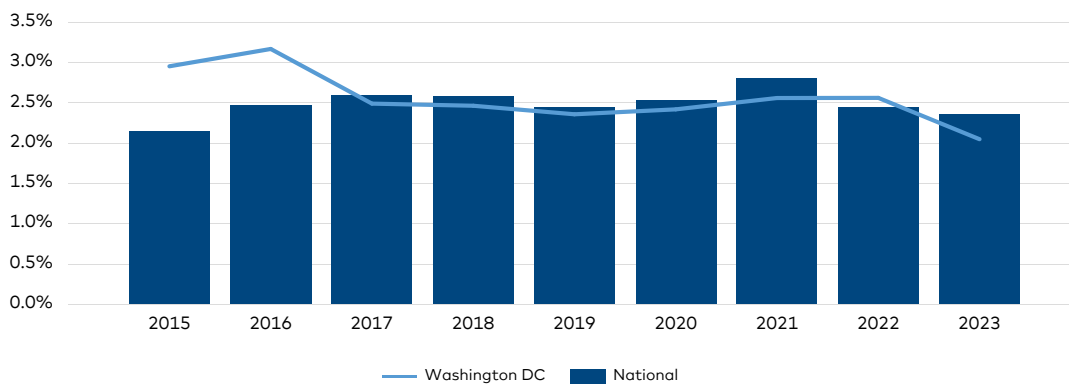
- ▶ Recent turbulence did little to slow down Washington, D.C., development, with 33,196 units under construction as of December. Despite the relatively large pipeline, the metro failed to make the country's top 10 for development going into 2024, where Dallas (69,871 units under construction), Austin (57,863 units) and Miami (44,456 units) topped the list. This is another testament to the strong pipeline both at a local and national level.
- ▶ A total of 12,002 apartments came online in metro D.C. last year, slightly below the market's 13,500-unit average over the previous five years. Of these, only 5,000 apartments were delivered in Northern Virginia, with the remainder divided between the District and suburban Maryland. With development lagging in the larger region, it's no surprise that Northern Virginia is outperforming when it comes to both rent growth and occupancy.
- ▶ Even as national completions are set to crest in 2024, metro D.C. will likely keep its pace. Yardi Matrix expects deliveries in the metro to reach 12,162 units in 2024. That would account for 2.1% of total stock, the same rate it recorded last year.
- ▶ Of the top 10 submarkets by units underway as of December, only two were in Northern Virginia: Crystal City (2,054 units), next to Amazon's ongoing HQ2 project, and Falmouth/Spotsylvania (851 units). A total of six submarkets had more than 1,000 apartments underway each, most of which are located within or very close to the District's core. The list includes Barry Farms/Saint Elizabeths (3,225 units), Brentwood/Trinidad/Woodridge (2,495 units) and North Capitol (1,248 units).

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



Source: Yardi Matrix

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

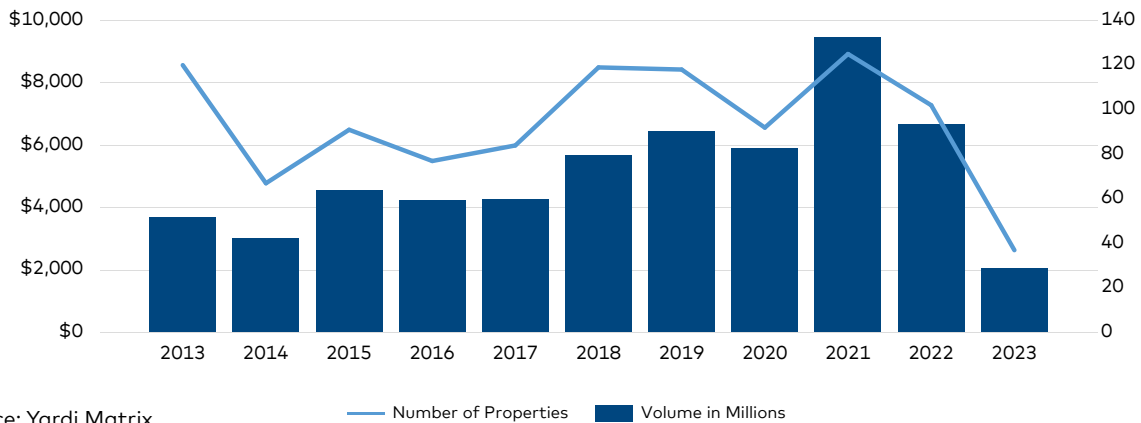


Source: Yardi Matrix

TRANSACTIONS

- ▶ Washington, D.C., deal volume reached just \$2 billion in 2023, the metro's lowest level in at least a decade. As expected, transactions accounted for a small fraction of the total recorded over the previous two years, when \$16 billion in multifamily assets changed hands.
- ▶ Per-unit prices recorded their first contraction in five years, with metro D.C.'s average sliding 5.0%, to \$269,568. This was largely in line with nationwide trends, as the U.S. average dropped 11.3%, to \$185,172.
- ▶ Last year, more than \$800 million in sales was recorded in Northern Virginia and \$876 million in suburban Maryland. Meanwhile, the volume in D.C. proper reached \$357 million.
- ▶ The largest single-asset deal of the year involved The Elm, a 456-unit asset in Bethesda, Md. AIR Communities bought the 2021-completed property from Carr Properties for \$220.2 million, or \$482,903 per unit.

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



Source: Yardi Matrix

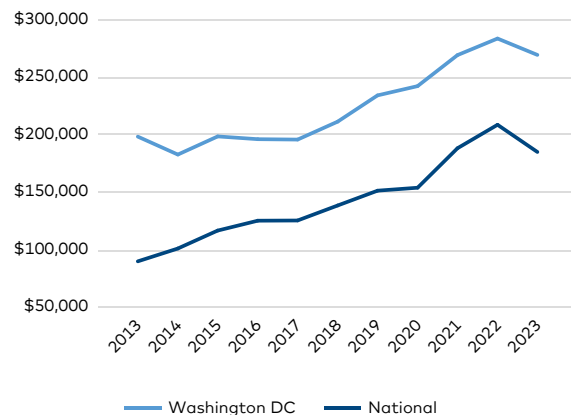
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Downtown Bethesda	220
Ashburn/Dulles/Sterling	205
Eisenhower East/Fort Hunt/Franconia	179
East Gaithersburg/Redland	173
Aspen Hill/Rossmoor	134
Brookland/South Petworth	126
Douglas Park/Nauck	105

Source: Yardi Matrix

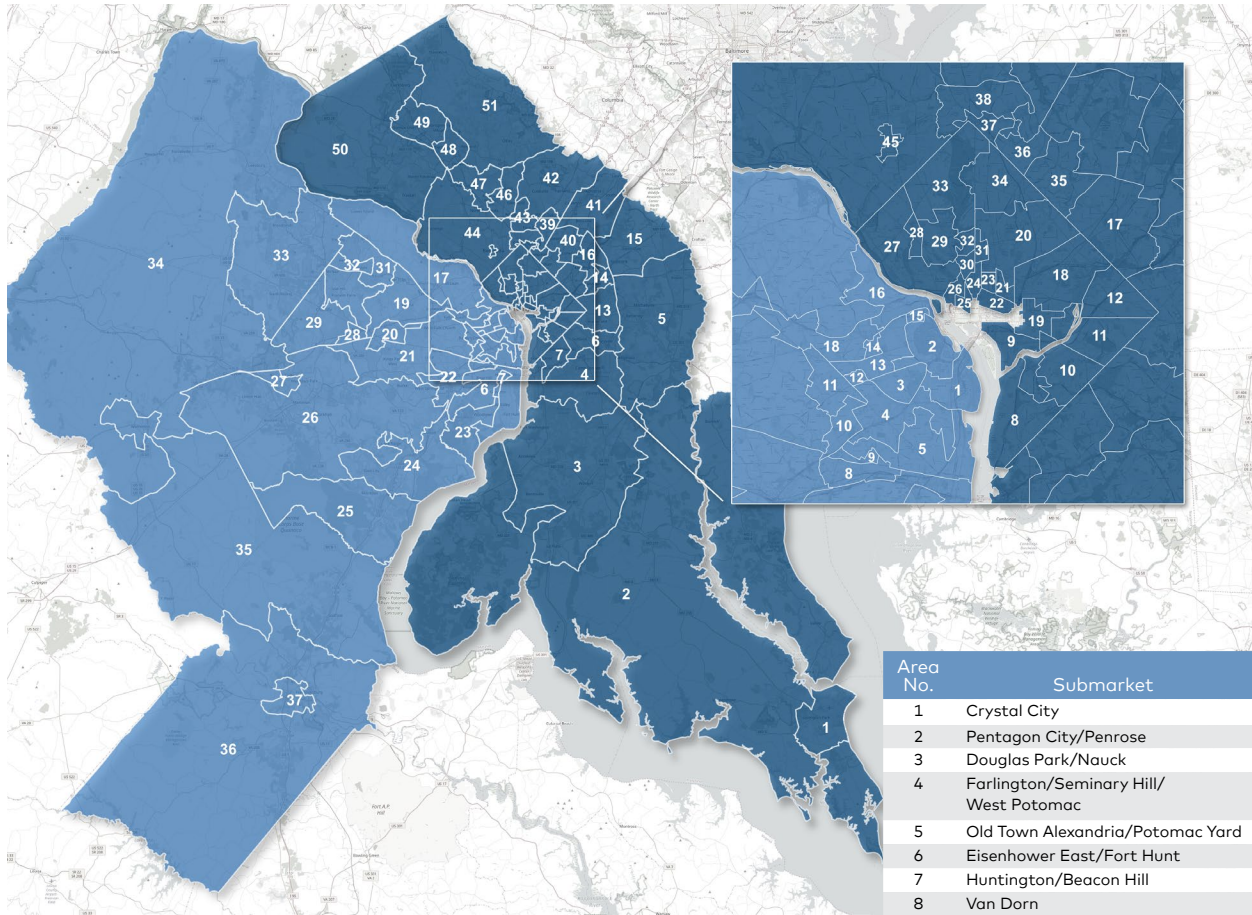
¹ From January 2023 to December 2023

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	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.

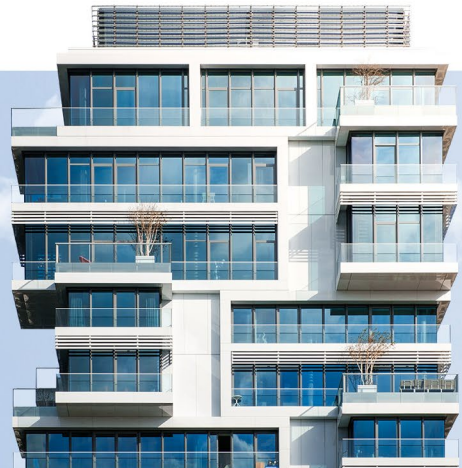
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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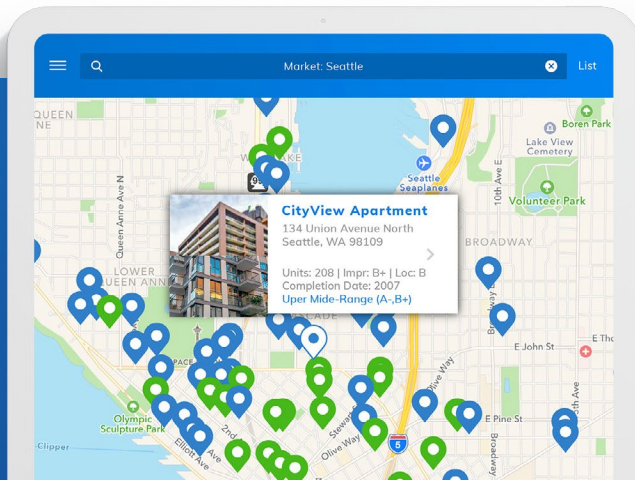
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with the industry's
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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
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- 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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