

WASHINGTON, D.C.

APARTMENT DELIVERIES & DEMAND FORECAST TO RISE IN 2021 AS ECONOMY RECOVERS

With apartment occupancy rising in the Washington, D.C., metropolitan area in recent years, developers ramped up activity. Apartment deliveries rose more than 16% annually, with approximately 13,300 market-rate units coming online in 2020. While construction activity remained elevated, the effects of the pandemic hindered leasing activity last year as the workforce contracted, especially in the leisure and hospitality industry. The positive net apartment absorption trailed inventory growth to lead to a significant drop in metrowide occupancy. In response, average concessions increased to contribute to a decrease in monthly effective rent in 2020. Apartment operators are expected to employ concessions to attract renters, as more than 14,900 units are scheduled to come online over the next four quarters. A significant share of additions will be in the Navy Yard/Capitol South submarket, an area undergoing massive redevelopment beyond multifamily, as approximately 1.3 million square feet of office space was under construction at the start of this year. The additional office space will be needed as hiring among professional and business services employers is forecast to lead all employment sectors in 2021. This bodes well for apartment operators, as leasing activity in the submarket is expected to be among the highest in the metro. Across the DMV region, absorption this year is projected to more than double 2020's pace. Even with this rise, supply-side pressure is forecast to result in a 30-basis-point decrease in metrowide occupancy to 94.6% by year-end 2021. Simultaneously, monthly effective rent is expected to increase 0.1% annually to \$1,756.



2021 MARKET AT A GLANCE



OCCUPANCY RATE

94.6%

Down 30 bps YOY



EFFECTIVE RENT

\$1,756

Up 0.1% YOY

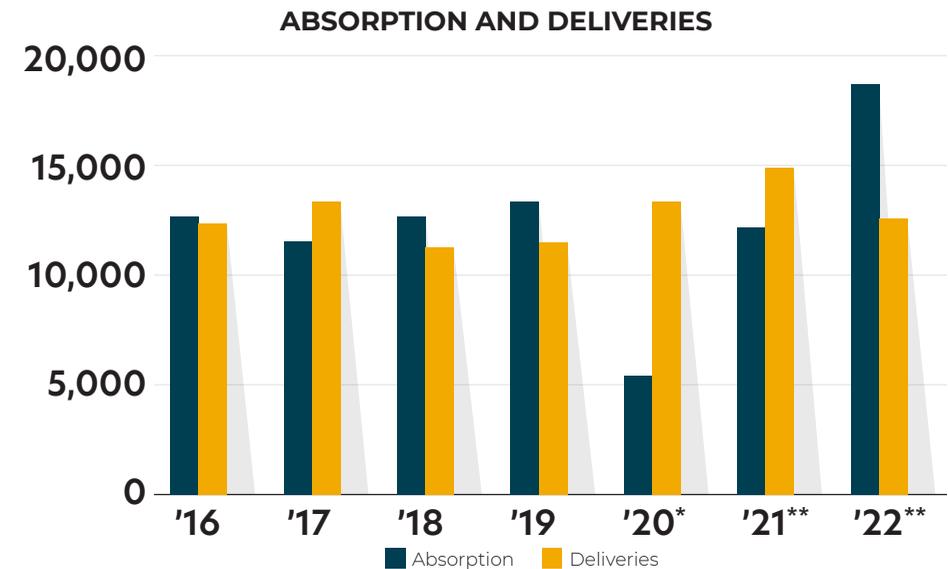
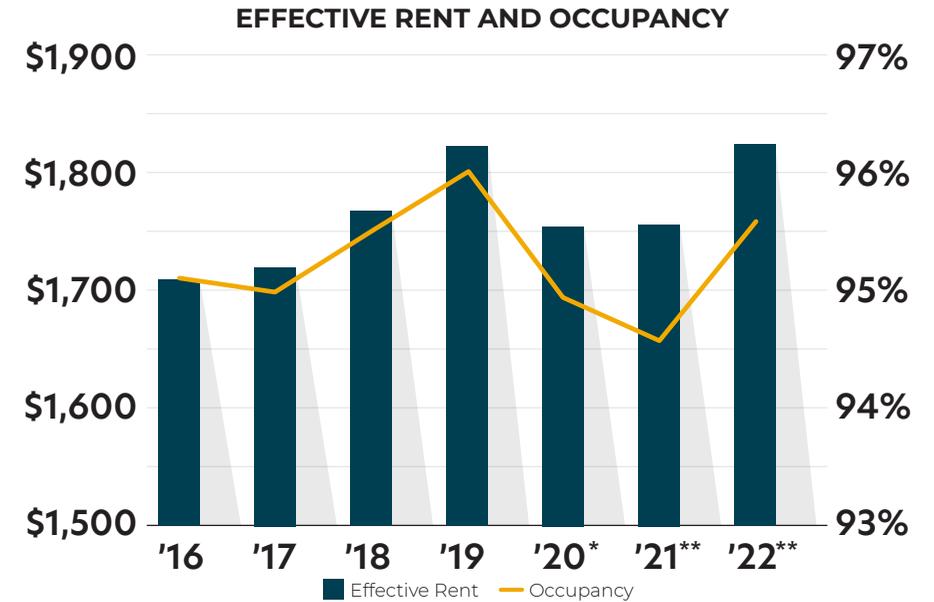


RENT SHARE OF WALLET

19.8%

Down 20 bps YOY

MARKET TRENDS



Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. *Numbers for 2020 are projected values; **2021/2022 figures are forecast projections. Apartment market data criteria and methodologies vary by market.

EMPLOYMENT TRENDS



EMPLOYMENT

2019	YOY CHANGE	2020*	YOY CHANGE	2021**
3,412,300	-8.5%	3,123,700	2.4%	3,199,100

UNEMPLOYMENT RATE

2019	YOY CHANGE	2020	YOY CHANGE	2021
2.3%	470 BPS	7.0%	-120 BPS	5.8%

POPULATION

2019	YOY CHANGE	2020	YOY CHANGE	2021
6,286,900	0.8%	6,340,200	0.8%	6,390,200

HOUSEHOLDS

2019	YOY CHANGE	2020	YOY CHANGE	2021
2,389,900	1.1%	2,416,800	1.1%	2,442,400

MEDIAN HOUSEHOLD INCOME

2019	YOY CHANGE	2020	YOY CHANGE	2021
\$105,416	-0.1%	\$105,340	1.2%	\$106,627

SALES TRENDS

PRICE PER UNIT

2019	YOY CHANGE	2020*
\$232,058	19.4%	\$277,022

CAP RATE

2019	YOY CHANGE	2020
5.1%	-20 BPS	4.9%



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