

2022 MID-YEAR

# WASHINGTON D.C.

## Multifamily Report

**BERKADIA**<sup>®</sup>  
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

110,200

↑ 3.4%

### NEXT 12 MONTHS\*

56,200

↑ 1.7%

## Unemployment

### MID-YEAR 2022

3.4%

↓ 170 BPS YOY

### MID-YEAR 2023\*

3.0%

↓ 40 BPS YOY

\*Projected

# WASHINGTON, D.C. EMPLOYMENT

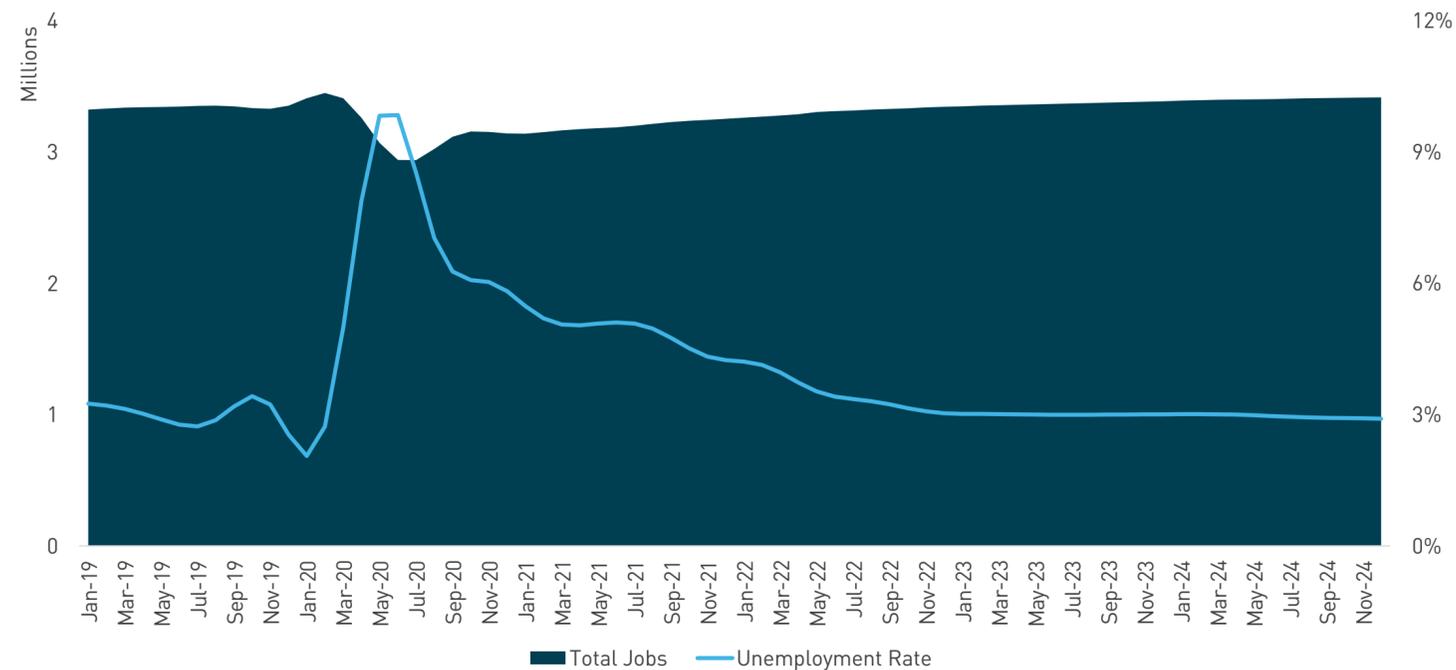
From a mix of public and private developments, Washington, D.C., remained a hotbed for construction and bolstering the local economy. As of the first quarter of 2022, the first phase of Amazon.com Inc.'s HQ2 topped out. Amazon will welcome employees to the building in 2023 as builders initiate construction on the second phase. Overall, the \$2.5 billion investment will create 4 million square feet of office and will require a significant amount of construction jobs in the upcoming years.

Another major project strengthening the construction industry in the near term is the revitalization of the \$3.4 billion Purple Line project by Maryland Transit Administration, which is now scheduled to be completed

in 2026. The apartment segment was another driving force for the construction industry recently with approximately 13,100 market-rate units came online in the last four quarters.

Overall, the construction employers grew headcounts 2.0% in the last year as payrolls approached the pre-pandemic peak. Washington, D.C., total employment mirrored the industry as steady hiring shifts levels closer to the previous peak by mid-year. The workforce is forecast to continue to grow over the next year with approximately 56,200 additional jobs for a 1.7% annual expansion.

## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### PROFESSIONAL & BUSINESS SERVICES INDUSTRY



24%  
OF ALL JOBS IN THE METRO

\$100,800  
AVERAGE ANNUAL SALARY

## Top Professional & Business Services Employers

**Deloitte.** 15,000 JOBS

Booz | Allen | Hamilton 13,900 JOBS

**carahsoft.** 1,300 JOBS

## In The News

[Google looks to hire hundreds in D.C.](#)

[D.C. to invest \\$30M to hire 347 officers](#)

[Dulles International Airport to add \\$675M new concourse](#)



## WASHINGTON, D.C.

# DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

14,348

**ABSORPTION**

6,781

2023 Units\*

**DELIVERIES**

17,213

**ABSORPTION**

14,115

\*Projected

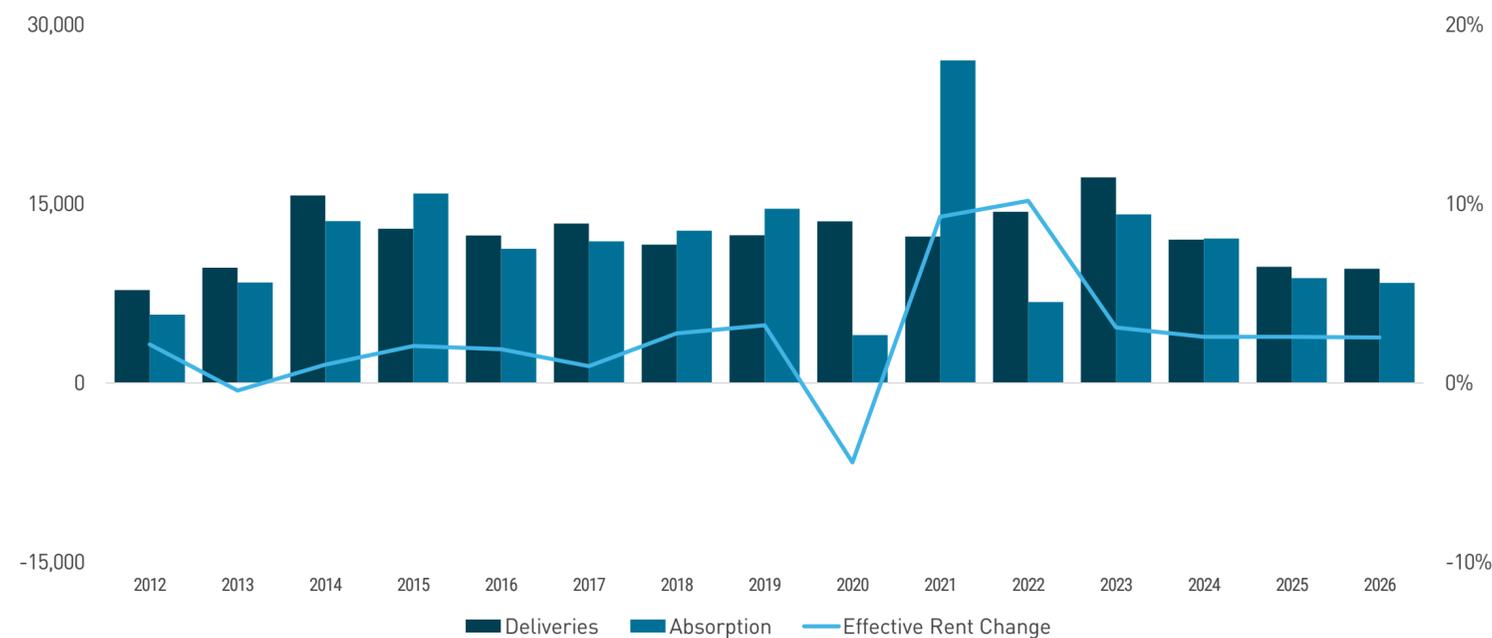
Apartment developers remained bullish on the Washington, D.C., market as nearly 13,100 market-rate units came online in the last year. Deliveries accelerated 6.5% from one year prior. The latest additions also outpaced the approximately 12,700 units to come online on average annually over the previous five years.

While apartment development was spread throughout the Greater D.C., more than one out of every five deliveries in the metro was in the Northeast D.C. submarket. In the submarket, construction was focused in the NoMa and the Union Market neighborhoods. The areas have become a hotspot for development, with approximately 32,300 square feet of office space under construction as of mid-

2022. The sustained demand for housing underpinned developer optimism in the Northeast D.C. submarket and across the metro.

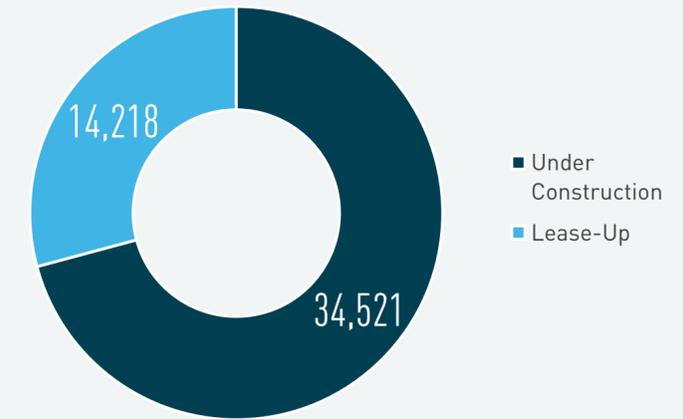
Greater D.C. households grew 1.1% year over year through June 2022, faster than the pace of single-family home completions. Both the lack of homes for purchase, and the median price of existing single family homes surpassing \$590,900 in June, contributed to an increased number of renters. In the last four quarters, more than 21,500 people moved into apartment than moved out. Annual leasing activity more than doubled the previous year's net absorption.

## Deliveries, Absorption, & Effective Rent Change

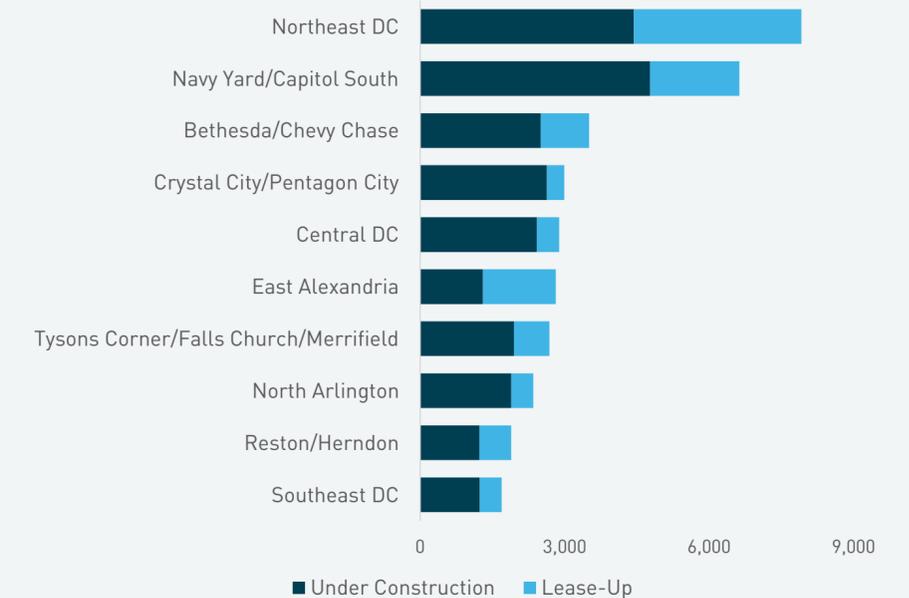


Source: RealPage

## Market Pipeline



## Top 10 Submarket Pipelines

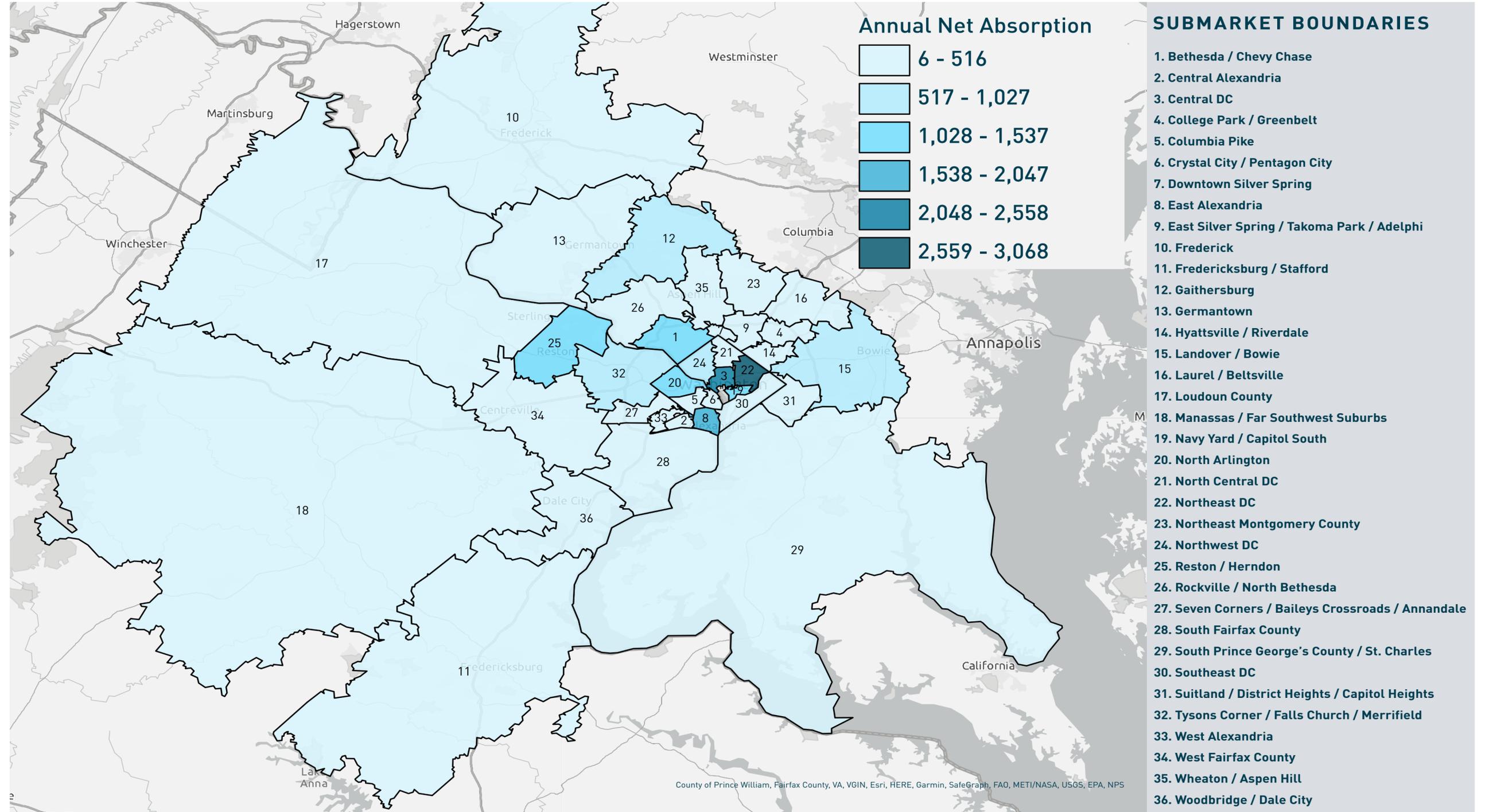




## WASHINGTON, D.C.

# SUBMARKET ANNUAL ABSORPTION

Renters returned en masse to the urban core of Washington, D.C., as annual leasing activity accelerated in nearly every submarket during the last year. Renters preferred the Northeast D.C. submarket, where a metro-leading 2,700 units came online since mid-2021. Development was concentrated in the NoMa and the Union Market neighborhoods. These burgeoning areas emerged as the epicenter of D.C.'s gourmet scene, providing renters with desirable neighborhood amenities. Renters met the new inventory with robust demand as they signed leases for more than 2,100 units within these communities alone. Overall, approximately 3,100 net units were absorbed in the submarket in the last year, leading all other areas of the metro. Substantial apartment development and demand is expected to continue, with metro-leading deliveries and net absorption forecast over the next four quarters.





## WASHINGTON, D.C.

# RENT & OCCUPANCY

### Effective Rent

2Q 2022

\$2,002

↑ 11.2% YOY

### Occupancy

2Q 2022

96.5%

↑ 140 BPS YOY

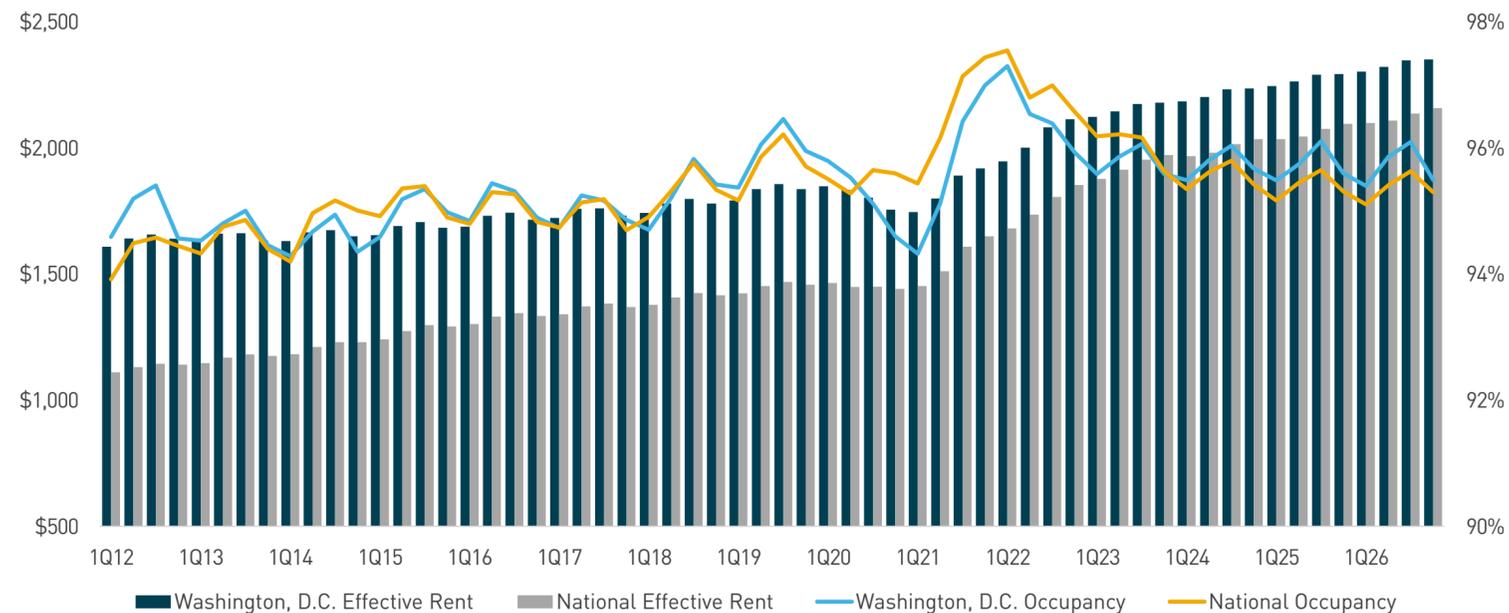
The resilience of the Washington, D.C., apartment market was evident in the last year. Net absorption exceeded 21,500 renters units annually through mid-2022, a significant increase from the prior year. Part of the surge in leasing came as employment grew 3.4%, contributing to the net migration of 8,700 additional people in the last year.

With inventory growth trailing housing demand, Greater D.C. occupancy elevated 140 basis points year over year. At an average of 96.5% in the second quarter of 2022, occupancy was 90 basis points higher than the preceding five-year average. Apartment operators capitalized on the healthy occupancy by advancing monthly effective

rent 11.2% since mid-2022, more than offsetting the 1.8% drop in rent during the preceding year. The latest annual increase significantly outpaced the 4.0% annual average during the five years prior.

Even with monthly effective rent reaching \$2,002 in the second quarter of 2022, the cost of renting across Greater D.C. remained well below the monthly median home payment of \$3,187 in June 2022. Apartment operators should have the leeway to continue to raise rent in the near term given projections of sustained demand, with a forecast 1.7% employment expansion over the next 12 months.

## Washington, D.C. vs. National Effective Rent & Occupancy



Source: RealPage

## Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Bethesda/Chevy Chase	96.5%	320	\$2,484	9.7%
Central Alexandria	97.6%	290	\$1,764	14.7%
Central DC	95.8%	320	\$2,483	12.2%
College Park/Greenbelt	96.4%	130	\$1,801	7.3%
Columbia Pike	97.3%	240	\$1,976	16.1%
Crystal City/Pentagon City	96.5%	290	\$2,297	17.8%
Downtown Silver Spring	96.9%	230	\$1,946	8.8%
East Alexandria	96.5%	140	\$2,125	10.4%
East Silver Spring/Takoma Park/Adelphi	97.8%	110	\$1,525	8.0%
Frederick	97.7%	10	\$1,786	14.6%
Fredericksburg/Stafford	97.3%	-30	\$1,780	7.7%
Gaithersburg	97.7%	170	\$1,881	12.0%
Germantown	96.6%	60	\$1,975	16.0%
Hyattsville/Riverdale	96.2%	40	\$1,581	6.6%
Landover/Bowie	96.1%	50	\$1,802	6.6%
Laurel/Beltsville	97.0%	70	\$1,711	6.4%
Loudoun County	97.1%	30	\$2,030	14.5%
Manassas/Far Southwest Suburbs	97.9%	0	\$1,783	12.8%
Navy Yard/Capitol South	94.8%	310	\$2,661	9.1%
North Arlington	96.4%	210	\$2,529	12.2%
North Central DC	94.8%	120	\$1,800	6.3%
Northeast DC	95.5%	210	\$2,278	7.7%
Northeast Montgomery County	97.2%	100	\$1,713	8.1%
Northwest DC	95.5%	270	\$2,222	12.8%
Reston/Herndon	96.4%	190	\$2,158	14.9%
Rockville/North Bethesda	96.4%	120	\$2,183	11.7%
Seven Corners/Baileys Crossroads/Annandale	96.7%	80	\$1,869	11.3%
South Fairfax County	97.2%	200	\$1,920	14.8%
South Prince George's County/St. Charles	96.5%	-40	\$1,618	7.2%
Southeast DC	97.0%	-30	\$1,293	2.6%
Suitland/District Heights/Capitol Heights	95.7%	-20	\$1,576	6.6%
Tysons Corner/Falls Church/Merrifield	96.3%	90	\$2,177	13.8%
West Alexandria	96.8%	260	\$1,887	20.3%
West Fairfax County	97.6%	90	\$2,086	12.1%
Wheaton/Aspen Hill	97.2%	210	\$1,900	11.9%
Woodbridge/Dale City	97.1%	30	\$1,796	11.3%

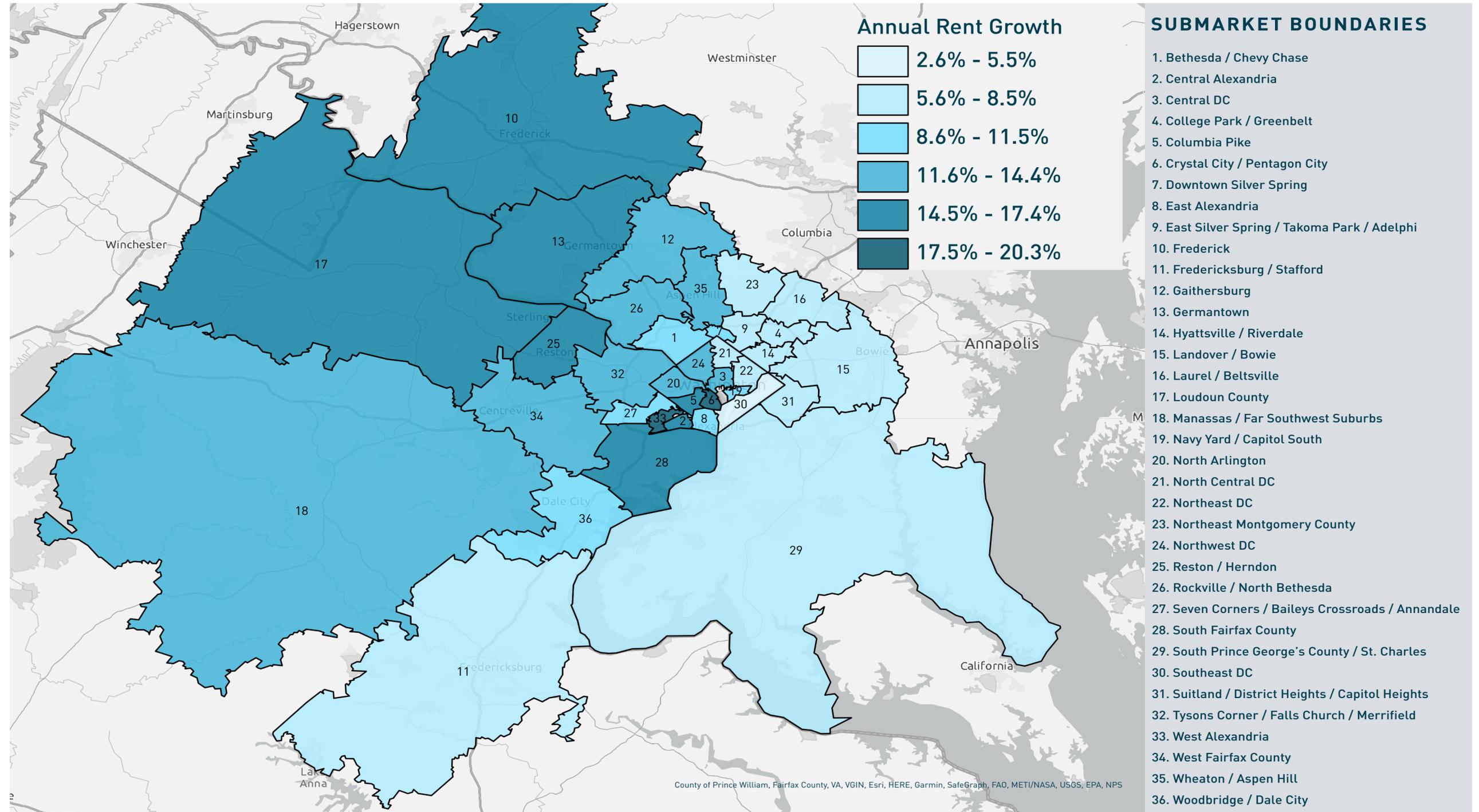


## WASHINGTON, D.C.

# SUBMARKET ANNUAL RENT CHANGE

As the opening of Amazon.com Inc.'s HQ2 in Crystal City draws closer, the Crystal City/Pentagon City submarket becomes increasingly attractive to renters. The combination of zero inventory growth and the net absorption of more than 400 units sent average apartment occupancy soaring 290 basis points in the last year. The increase shifted the submarket's occupancy rate of 96.5% on par with the metro average in the second quarter of 2022.

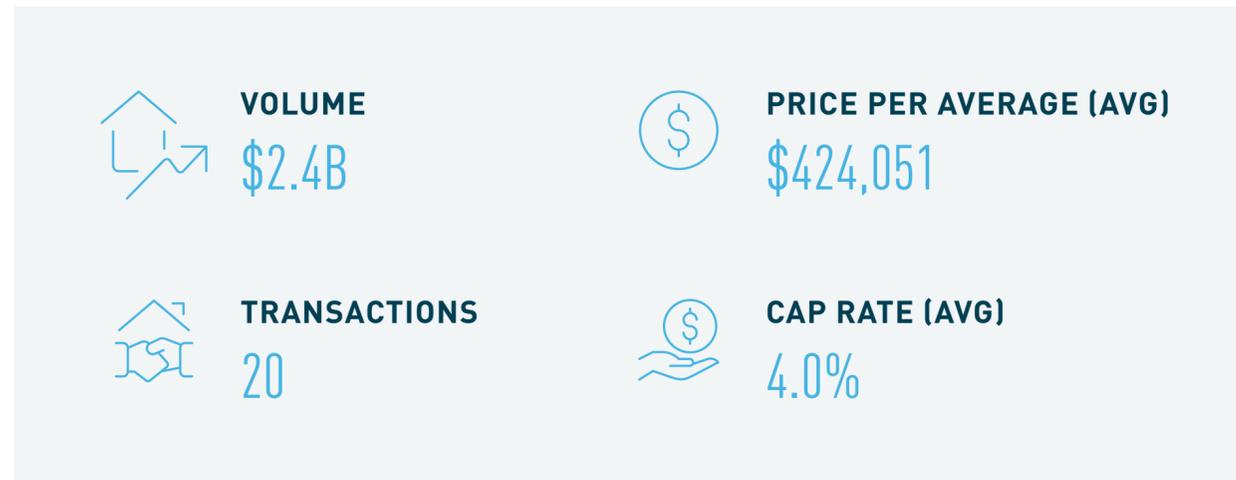
Crystal City/Pentagon City apartment operators responded to the increase in occupancy since mid-2021 by advancing monthly effective rent advanced 17.8% over the last four quarters, one of the highest annual increases in rent across the metro. The recent rise in Crystal City/Pentagon City rent more than offset the 12.0% drop in rent during the preceding year.



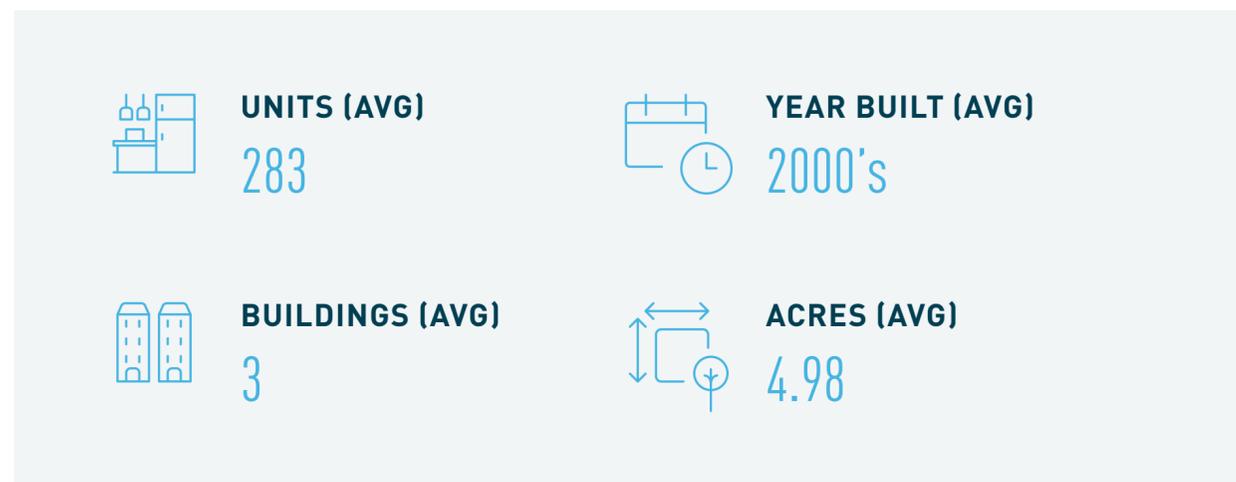


# WASHINGTON, D.C. SALES

2022 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$50m+

Top Buyers\*\*

BUYER	LOCATION
Cortland	Atlanta, GA
AIR	Denver, CO
Jair Lynch Real Estate Partners	Washington, D.C.
SREIT	Miami Beach, FL
Akelius Residential AB	Danderyd, SWE

Top Sellers\*\*

SELLER	LOCATION
Pantzer Properties	New York, NY
Capital Properties	New York, NY
Mill Creek Residential	Dallas, TX
Penzance	Washington, D.C.
Crow Holdings	Dallas, TX

\*\*Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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