WASHINGTON, D.C.
MULTIFAMILY REPORT

2023 | MIDYEAR

BERKADIA®
INSTITUTIONAL SOLUTIONS

Jobs Added / Lost

LAST 12 MONTHS

65,300

2.0%

NEXT 12 MONTHS*

25,000

0.7%

Unemployment

MIDYEAR 2023

2.8%

0 BPS YOY

MIDYEAR 2024*

3.1%

30 BPS YOY

**Projected*

WASHINGTON, DC

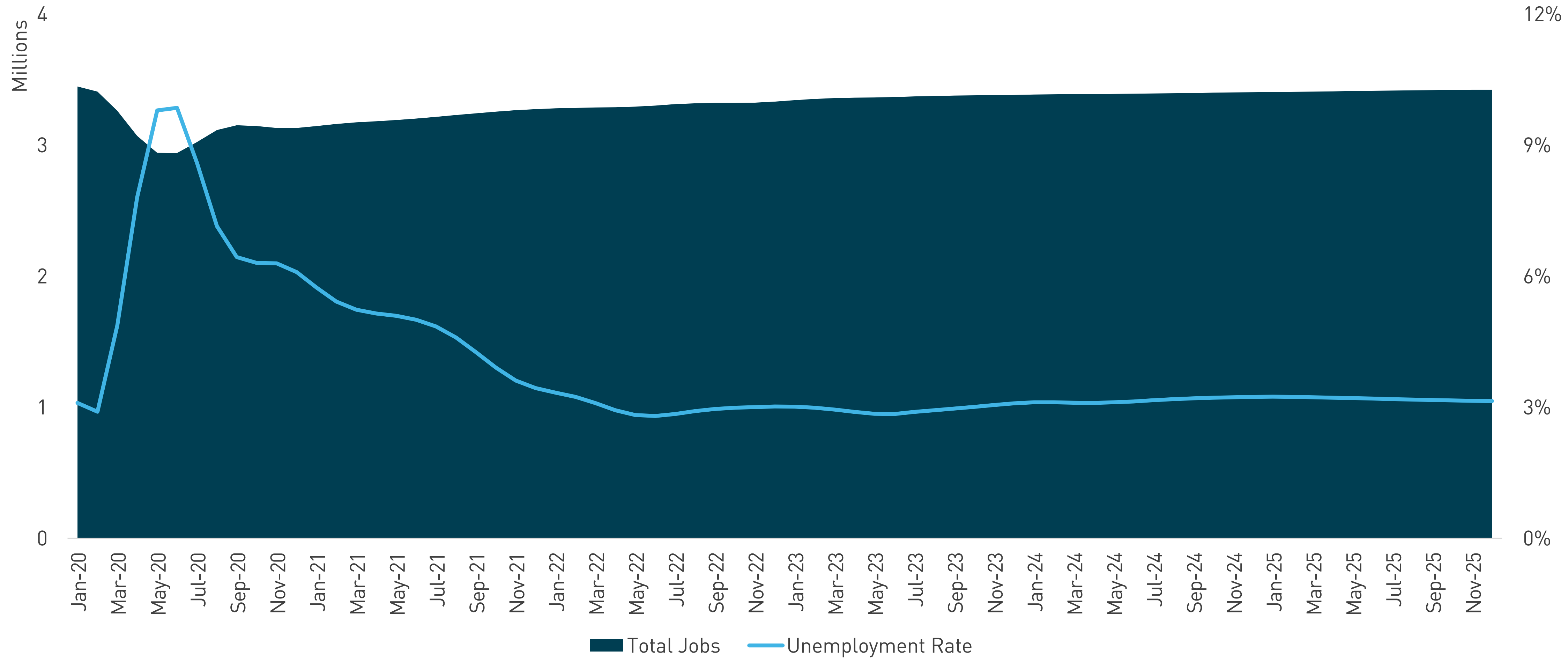
EMPLOYMENT

The federal government provides the underlying base of the regional economy, though Greater Washington is becoming more economically diverse—technology jobs are thriving within the region. For example, Amazon.com Inc. officially opened Metropolitan Park in May, the first phase of its second headquarters in the Arlington County neighborhood of Crystal City to be occupied by 8,000 employees by fall 2023. This year, Amazon announced they remain committed to investing $2.5 billion and hiring 25,000 workers in Arlington by 2030.

Employment growth in the District of Columbia softened modestly in the trailing 12 months ending June 2023, a gain of 2.0% compared to 3.1% in the prior year. The region has seen a measured return to pre-pandemic job levels. Greater Washington lost about 339,000 jobs in the early weeks of the COVID pandemic through April 2020. Since that point, employers in the market have added 296,900 jobs, a 98.8% recovery.

Employers in the D.C. metro added a net 65,300 jobs between June 2022 and June 2023. Over this time, the leisure and hospitality sector led the effort with businesses adding a net 22,300 employees. Destination DC released 2022 tourism numbers that show 20.7 million domestic tourists visited the city last year, which is 91% of pre-pandemic numbers in 2019.

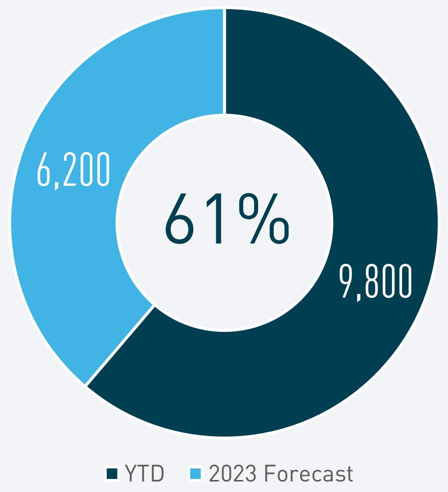
Employment Trends



Source: Moody's Analytics

Who's Hiring?

LEISURE AND HOSPITALITY INDUSTRY



10%

OF ALL JOBS IN THE METRO

$37,500

AVERAGE ANNUAL SALARY

Top Leisure and Hospitality Employers

Kings Dominion	3,000 JOBS
GRAND HYATT WASHINGTON	1,000 JOBS
MARRIOTT MARQUIS WASHINGTON DC	900 JOBS

In The News

- Amazon bringing 25,000 jobs by 2030 to Arlington, 8,000 by fall 2023
- 445-room Arlo Hotel slated to complete in 2024
- Cedar Hill Regional Medical Center in DC opening 2025 with 550 full-time professionals

2023 Units*

DELIVERIES
16,172

ABSORPTION
11,186

2024 Units*

DELIVERIES
18,996

ABSORPTION
21,775

**Projected*

WASHINGTON, DC

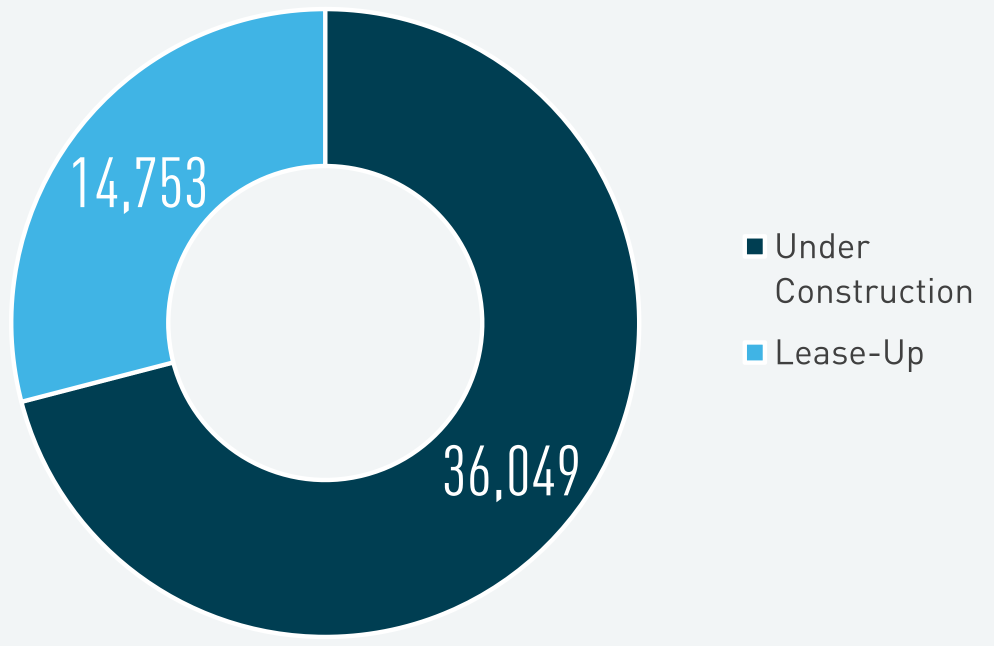
DELIVERIES & ABSORPTION

As individuals continue to migrate to the metro area and single-family home construction remains restrained, apartment developers are working to fill the housing gap. A total of 12,953 apartments were completed across the metro since mid-2022. Heightened deliveries will persist: 145 properties, representing about 36,000 units, are underway. New housing options will be necessary as D.C.'s mayor has a plan to boost the city's population from 671,000 residents to 725,000 by 2028.

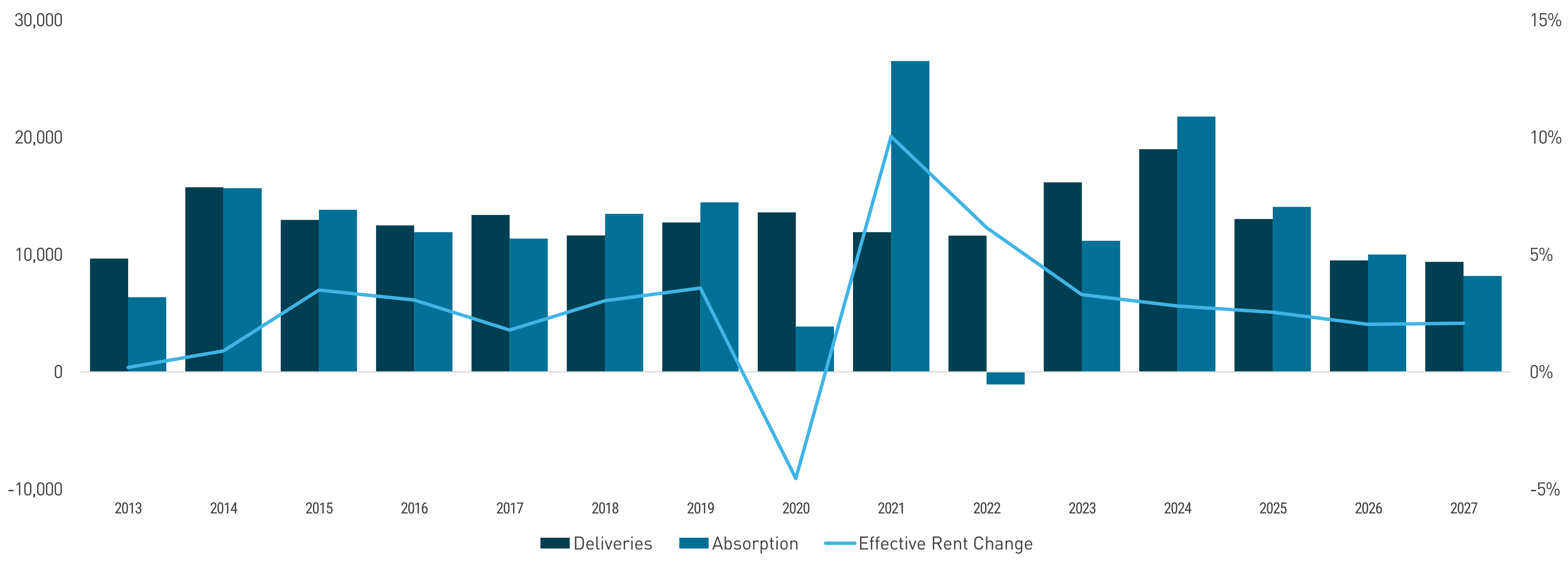
The wave of luxury apartments coming online across the metro are targeting renters by choice or people priced out of homeownership due to limited availability and rising mortgage rates. Part of these individuals are coming from outside the metro as annual net migration accelerated in the last two years and is projected to rise again in 2023 as employers continue to hire, albeit at a more measured pace.

Apartment demand in the first half of 2023 rebounded following net move outs in the second half of 2022. Net absorption was 1,774 units for the four quarters ending second quarter 2023. Residents are projected to lease an additional 20,700 units over the next year, more than a record delivery volume.

Market Pipeline

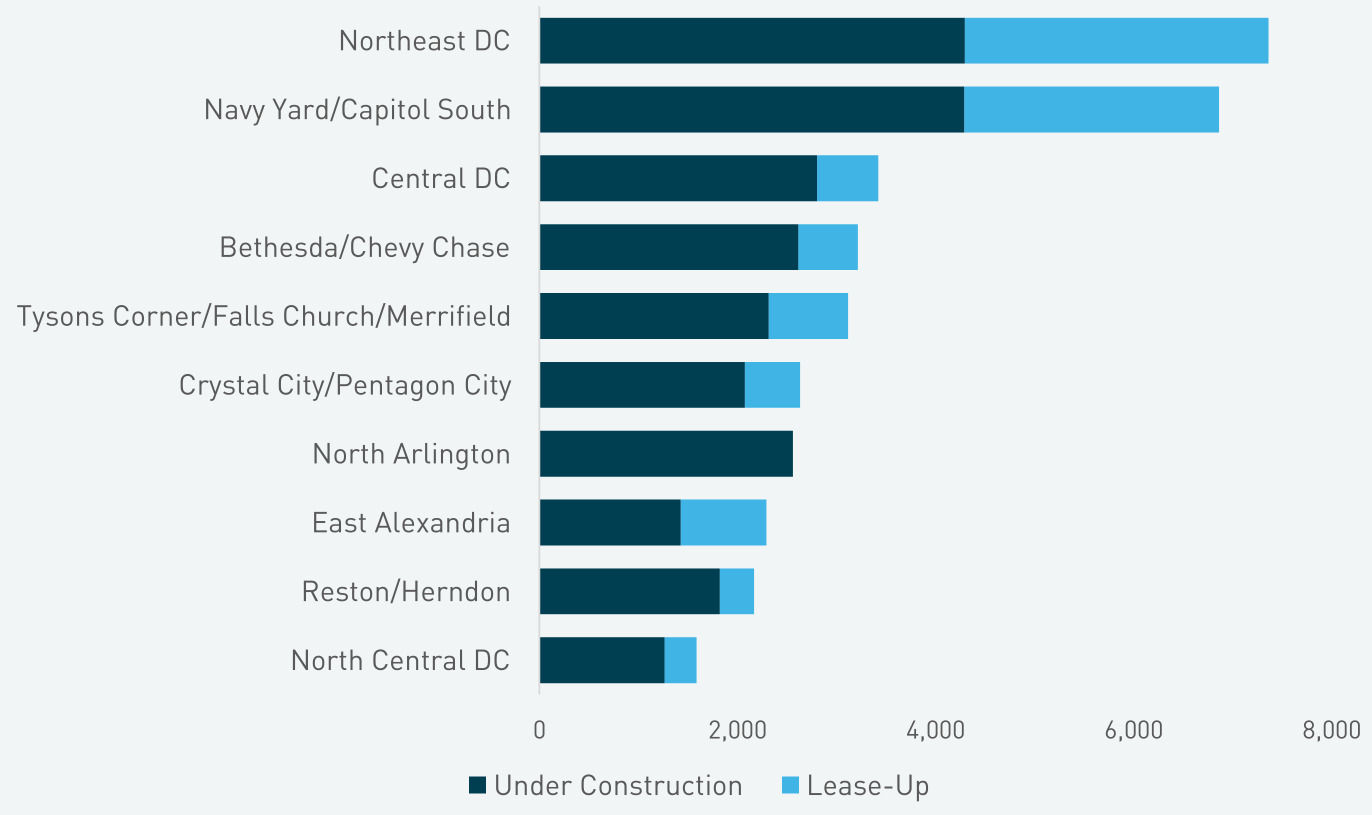


Deliveries, Absorption, & Effective Rent Change



Source: RealPage

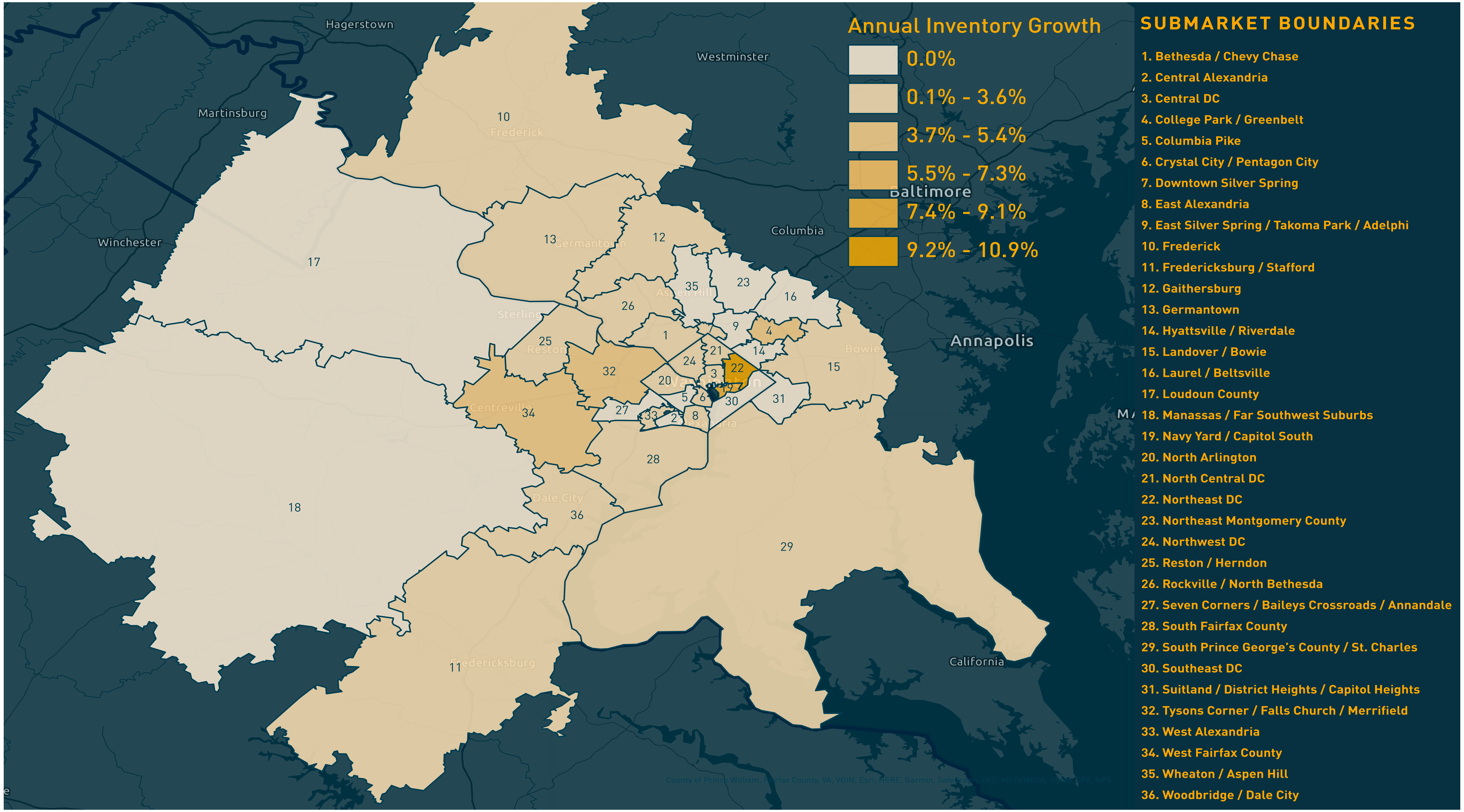
Top 10 Submarket Pipelines



While new inventory came online in two-thirds of the 36 submarkets since June 2022, apartment builders were most active in the Northeast DC and the Navy Yard/Capitol South areas, finishing 2,709 and 1,713 units respectively. Renters were drawn to the new inventory, as absorption was highest in these areas at the same time. Home to the H Street and NoMa neighborhoods, the Northeast DC submarket provides more affordable rents with highly sought-after community amenities and proximity to major employers downtown. Metro D.C. will see the most significant expansion over the next few years. NoMa, Navy Yard, and Brightwood have the most units underway, as eastern D.C. neighborhoods have become the most popular renter destinations in the market. In Virginia, development is focused on revitalizing growth along the Dulles Corridor and National Landing because of Amazon's increased presence.

WASHINGTON, DC

SUBMARKET ANNUAL INVENTORY CHANGE



Effective Rent

Q2 2023

$2,078

4.0% YOY

Occupancy

Q2 2023

94.9%

170 BPS YOY

WASHINGTON, DC

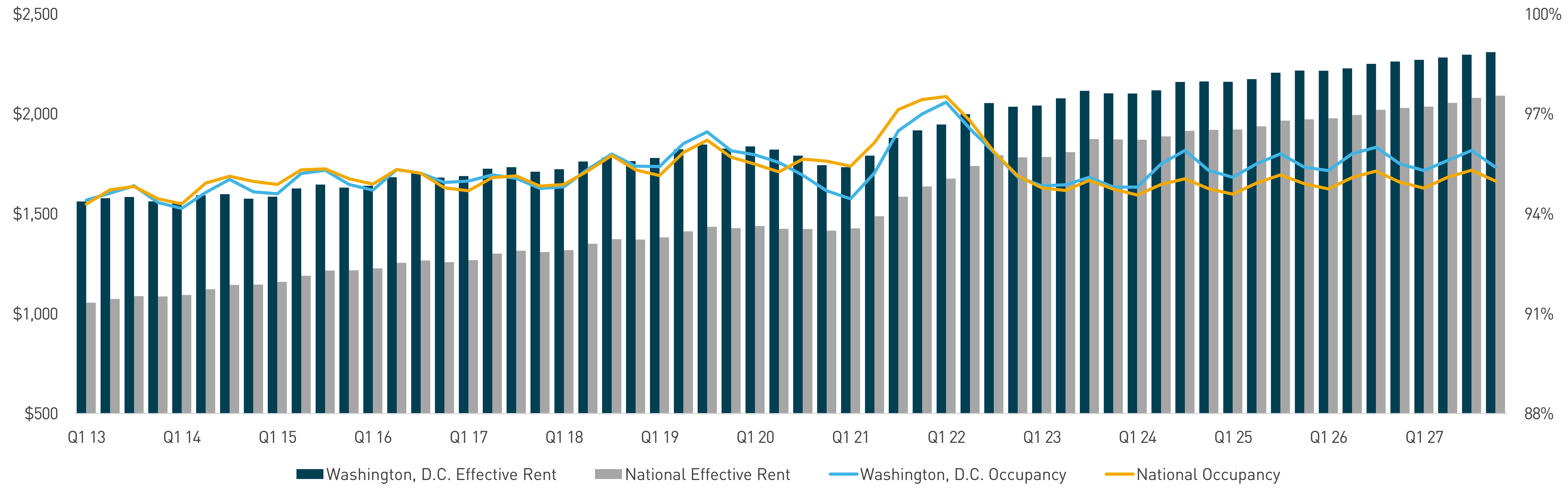
RENT & OCCUPANCY

Demand drain and relentless new supply have slimmed leverage for many Washington, D.C., apartment operators, but a bottom may have materialized. Annualized effective rent growth will not likely match 2022's peak, but the pace of deceleration has slowed, and more normalized effective rent increases returned to pockets of the market.

Average effective rent in the D.C. metro area rose 4.0% year over year, reaching $2,078 per month in the second quarter of 2023. While rent growth decelerated from the 11.6% pace one year ago, the recent rent gain was on par with the national average. Like most U.S. rental markets, the D.C. metro is readjusting after the strongest period of rent growth ever recorded in the market and the nation.

Despite overall solid fundamentals, apartment leasing activity softened, resulting in a 170-basis-point decrease in occupancy to 94.9% at the midpoint of 2023. Occupancy was down from one year ago in nearly all submarkets. Even with more than 28,700 units coming online in the coming 12 months, occupancy is projected to rise to 95.5%. After more than three years, the federal government is asking agencies to bring employees back to the office which is likely to trigger a boost in the overall occupancy rate as employees reconsider closer-in housing.

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



Source: RealPage

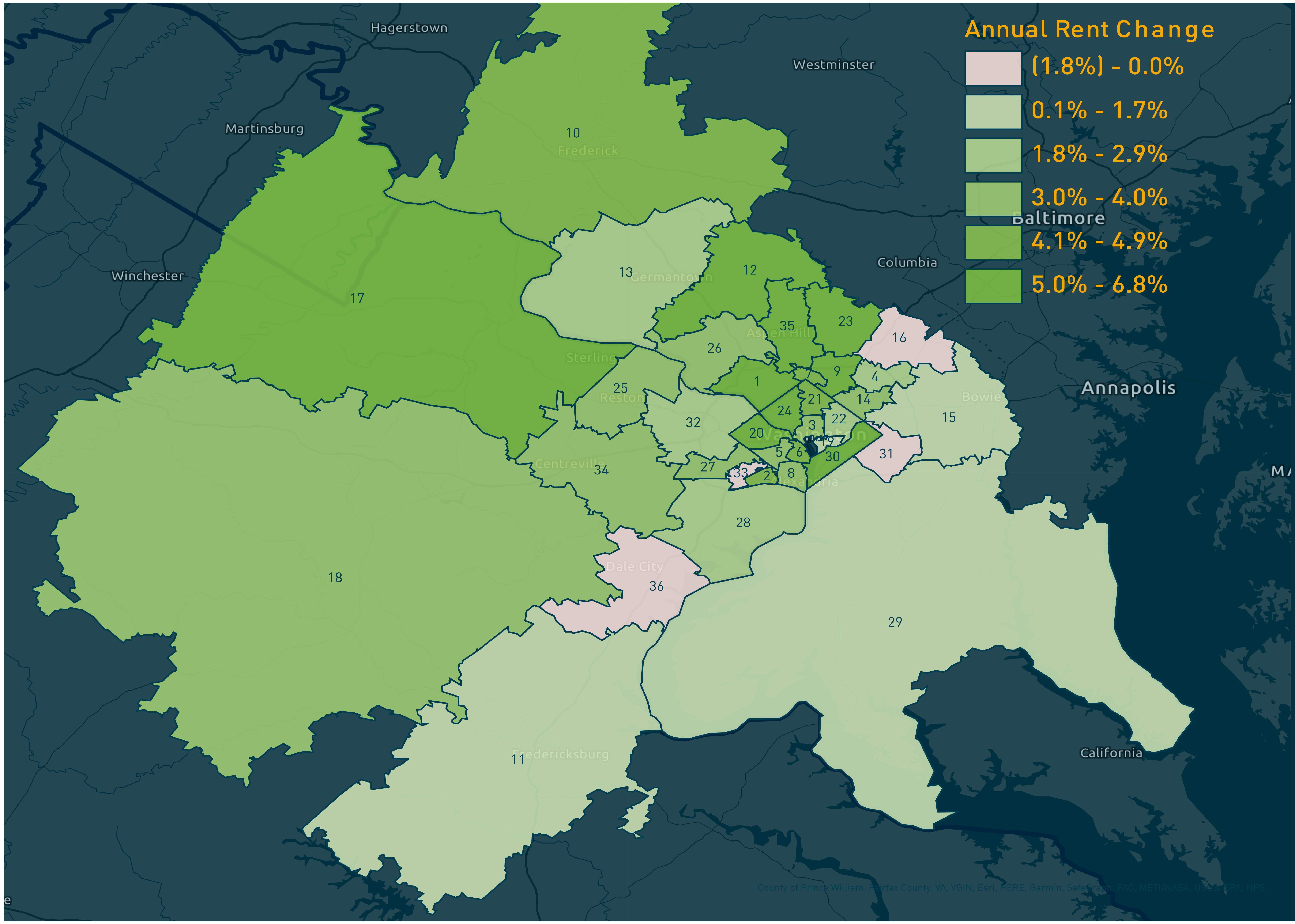
Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Bethesda/Chevy Chase	95.5%	-90	$2,699	6.6%
Central Alexandria	95.3%	-230	$1,848	4.6%
Central DC	95.0%	-50	$2,579	3.9%
College Park/Greenbelt	92.0%	-430	$1,845	2.4%
Columbia Pike	96.5%	-90	$2,039	3.5%
Crystal City/Pentagon City	94.1%	-240	$2,427	4.9%
Downtown Silver Spring	95.5%	-130	$2,047	4.8%
East Alexandria	95.6%	-90	$2,215	4.0%
East Silver Spring/Takoma Park/Adelphi	96.7%	-110	$1,615	5.7%
Frederick	96.2%	-150	$1,863	4.2%
Fredericksburg/Stafford	94.9%	-230	$1,801	1.0%
Gaithersburg	95.9%	-180	$1,992	5.6%
Germantown	95.5%	-110	$2,018	2.2%
Hyattsville/Riverdale	94.9%	-130	$1,631	3.2%
Landover/Bowie	92.8%	-330	$1,824	1.2%
Laurel/Beltsville	94.5%	-250	$1,701	-0.8%
Loudoun County	95.8%	-120	$2,172	6.0%
Manassas/Far Southwest Suburbs	96.0%	-180	$1,865	3.8%
Navy Yard/Capitol South	93.1%	-170	$2,696	1.5%
North Arlington	96.0%	-40	$2,707	6.6%
North Central DC	95.5%	90	$1,887	4.4%
Northeast DC	93.3%	-210	$2,321	2.7%
Northeast Montgomery County	95.3%	-200	$1,817	5.8%
Northwest DC	95.9%	50	$2,355	6.0%
Reston/Herndon	95.5%	-90	$2,239	3.5%
Rockville/North Bethesda	95.7%	-70	$2,260	3.6%
Seven Corners/Baileys Crossroads/Annandale	96.0%	-60	$1,944	3.2%
Southeast DC	95.3%	-160	$1,374	6.7%
South Fairfax County	94.7%	-260	$1,965	2.8%
South Prince George's County/St. Charles	93.0%	-340	$1,631	1.7%
Suitland/District Heights/Capitol Heights	90.0%	-570	$1,596	-0.2%
Tysons Corner/Falls Church/Merrifield	95.3%	-100	$2,236	2.9%
West Alexandria	94.6%	-220	$1,831	-1.8%
West Fairfax County	96.3%	-120	$2,172	3.7%
Wheaton/Aspen Hill	95.5%	-170	$1,969	3.5%
Woodbridge/Dale City	94.3%	-270	$1,789	-0.6%

Lease concessions are still elevated in areas of heavy development like Northeast DC, Navy Yard/Capitol South, and Central DC submarkets, which averaged 29.2%, 21.9%, and 18.8%, respectively, in the second quarter of 2023. Northern Virginia submarkets still stand out among D.C. submarkets in terms of above-average rental pricing power. The other standouts are on the suburban Maryland side of the metro area, with relative affordability and access to life science nodes at least partly at play. Submarkets where year-over-year rent development was highest were: Southeast DC up 6.7% to $1,374 monthly, North Arlington up 6.6% to $2,707 monthly, and Bethesda/Chevy Chase, up 6.6% to $2,699 monthly. A disrupted office market in the heart of the Central Business District continues to hamper rental demand prospects. Though apartments still carry significant cache, which commands an effective rent higher than the metro average.

WASHINGTON, DC

SUBMARKET ANNUAL RENT CHANGE



SUBMARKET BOUNDARIES

1. Bethesda / Chevy Chase
2. Central Alexandria
3. Central DC
4. College Park / Greenbelt
5. Columbia Pike
6. Crystal City / Pentagon City
7. Downtown Silver Spring
8. East Alexandria
9. East Silver Spring / Takoma Park / Adelphi
10. Frederick
11. Fredericksburg / Stafford
12. Gaithersburg
13. Germantown
14. Hyattsville / Riverdale
15. Landover / Bowie
16. Laurel / Beltsville
17. Loudoun County
18. Manassas / Far Southwest Suburbs
19. Navy Yard / Capitol South
20. North Arlington
21. North Central DC
22. Northeast DC
23. Northeast Montgomery County
24. Northwest DC
25. Reston / Herndon
26. Rockville / North Bethesda
27. Seven Corners / Baileys Crossroads / Annandale
28. South Fairfax County
29. South Prince George's County / St. Charles
30. Southeast DC
31. Suitland / District Heights / Capitol Heights
32. Tysons Corner / Falls Church / Merrifield
33. West Alexandria
34. West Fairfax County
35. Wheaton / Aspen Hill
36. Woodbridge / Dale City

WASHINGTON, DC

SALES

2023 Year to Date*

VOLUME
$1.3B

PRICE PER UNIT (AVG)
$349,071

TRANSACTIONS
12

CAP RATE (AVG)
4.5%

What's Trading?*

UNITS (AVG)
315

YEAR BUILT (AVG)
2000s

BUILDINGS (AVG)
7

ACRES (AVG)
5.82

Top Buyers**

BUYER	LOCATION
Cortland	Atlanta
Apartment Income REIT Corp.	Denver
Jair Lynch Real Estate Partners	Washington, D.C.
Starwood Capital	Miami Beach, FL
Blackstone	New York

Top Sellers**

SELLER	LOCATION
Penzance	Washington, D.C.
Capital Properties	New York
JBG Smith	Bethesda, MD
Crow Holdings	Dallas
Greystar	Charleston, SC

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

***Past 24 Months*