



MULTIFAMILY REPORT

DC Gets A Boost

November 2024

Rent Gains Above US Average

Employment Market Expands

Uptick in Transaction Volume



WASHINGTON, D.C., MULTIFAMILY



Positive Rent Movement, Improving Occupancy

Washington, D.C.'s multifamily market maintained healthy fundamentals entering the fourth quarter, even as rate gains decelerated. The metro's average advertised asking rent increased by 0.1% on a trailing three-month basis through September, to \$2,216, while the U.S. average remained flat, at \$1,750. As of August, the metro's occupancy rate in stabilized properties climbed to 95.4%, settling 60 basis points above the national average.

The metro added 28,600 net jobs in the 12 months ending in July, marking a 0.7% increase. As of August, D.C.'s unemployment rate was 3.8%, below the 4.2% national figure, according to preliminary Bureau of Labor Statistics data. Inova has kicked off construction on two new hospitals: the Inova Alexandria Campus in Alexandria, Va., and the Inova Franconia-Springfield Campus in Springfield, Va. The Alexandria health system will be a key part of the \$2 billion WestEnd project, led by Foulger-Pratt Cos., which will transform the former Landmark Mall into a mix of residential, retail and entertainment spaces.

By the end of the third quarter, developers had completed 8,310 units and had another almost 31,000 units under construction. The development pipeline also included 220,000 units in the planning and permitting stages. Multifamily transactions totaled \$2.2 billion over the first three quarters, with investor activity already very close to 2023's \$2.3 billion total.

Market Analysis | November 2024

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Recent Washington, D.C., Transactions

The Belgard



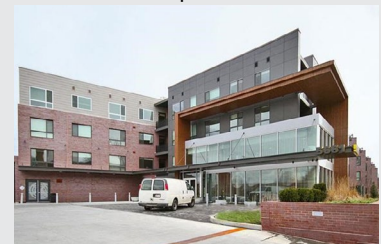
City: Washington, D.C.
Buyer: Foulger-Pratt
Purchase Price: \$108 MM
Price per Unit: \$311,416

The Victor Stonebridge



City: Woodbridge, Va.
Buyer: Peterson Cos.
Purchase Price: \$96 MM
Price per Unit: \$311,688

Fort Totten Square



City: Washington, D.C.
Buyer: LBX Investments
Purchase Price: \$87 MM
Price per Unit: \$251,594

West Springfield Terrace

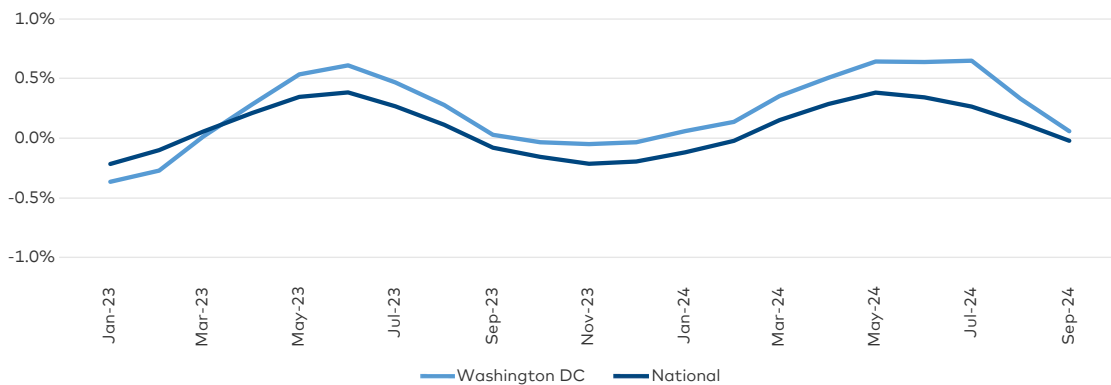


City: Springfield, Va.
Buyer: Eagle Rock Properties
Purchase Price: \$71 MM
Price per Unit: \$288,934

RENT TRENDS

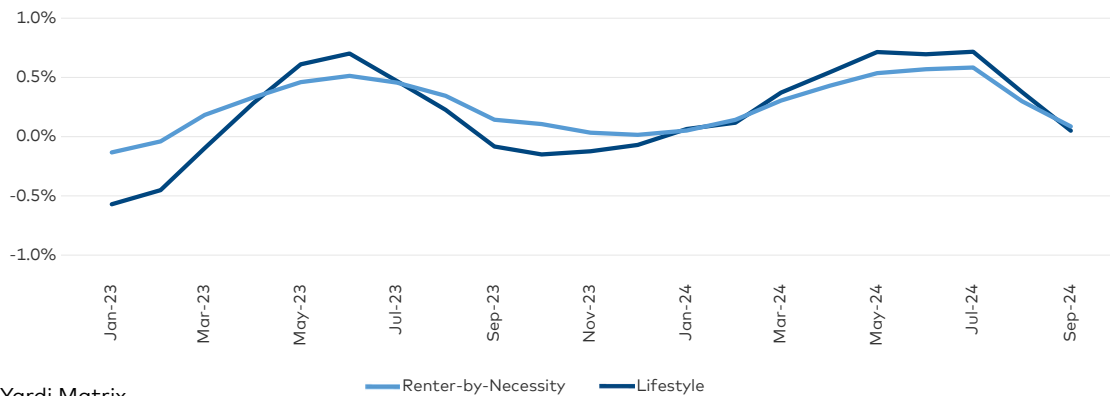
- ▶ Metro D.C. advertised asking rents saw a slight increase of 0.1% on a trailing three-month (T3) basis through September, while the corresponding national rate was flat. Year-over-year, rent gains in the market improved 3.1%, to an average of \$2,216. In fact, D.C. had one of the strongest yearly gains among all U.S. metros as of September. By contrast, the U.S. average was up only 0.9% year-over-year, to \$1,750.
- ▶ Annually, working-class Renter-by-Necessity rates increased 3.0%, to \$1,887, while the market's Lifestyle segment performed slightly better, up 3.2%, to \$2,564. Advertised asking rents for both quality segments recorded 0.1% upticks on a T3 basis.
- ▶ As of August, Washington, D.C.'s occupancy rate in stabilized assets edged up 20 basis points year-over-year, to 95.4%. The figure outperformed the 94.8% U.S. average. Occupancy in the Lifestyle segment improved 30 basis points, to 95.9%. Meanwhile, RBN occupancy inched up 10 basis points, to 95.0%.
- ▶ As of September, all but 10 submarkets saw year-over-year rent growth. The West Cleveland Park/Wisconsin Avenue area led gains, with advertised asking rents surging 14.2%, to \$2,507. Gainesville/Leesburg (10.6% to \$2,331) and Bailey's Crossing (9.9% to \$2,084) followed. Northern Virginia recorded significantly stronger performance than D.C. and suburban Maryland, claiming 18 of the top 20 submarkets for rent gains.

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.'s, unemployment rate stood at 3.8% as of August, according to preliminary BLS data. This marked a 120-basis-point increase in just four months. Even so, the metro's average was 40 basis points below the national average.
- Metro D.C. added 28,600 net jobs in the 12 months ending in July. The figure accounted for a 0.7% rate of growth, about half of the 1.3% national average. The government sector, the area's main employment driver added the most jobs (17,100), for a 2.4% expansion. Meanwhile, financial activities and information lost a combined 3,200 net jobs.
- Inova has started construction on two new hospitals: the Inova Alexandria Campus in Alexandria, Va., and the Inova Franconia-Springfield Campus in Springfield, Va. In addition to the 192-bed hospital, the Inova Alexandria campus will include a cancer center and an outpatient facility. The Inova Franconia-Springfield Campus will expand the current emergency and outpatient units to include more services. Both projects are expected to be completed by 2028. The Alexandria health system will serve as the anchor for the \$2 billion WestEnd project, a redevelopment of the former Landmark Mall. Led by Foulger-Pratt Cos., the development will include a mix of residential, retail and entertainment-oriented projects.

Washington, D.C., Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	744.5	21.7%
80	Other Services	203	5.9%
65	Education and Health Services	457.1	13.3%
15	Mining, Logging and Construction	167	4.9%
40	Trade, Transportation and Utilities	406.1	11.8%
30	Manufacturing	59.2	1.7%
70	Leisure and Hospitality	338.5	9.9%
60	Professional and Business Services	825.1	24.0%
50	Information	79.8	2.3%
55	Financial Activities	152.5	4.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- From 2019 to 2022, metro D.C.'s population expanded by almost 150,000 people, a 2.4% growth rate. That was 40 basis points higher than the national average. The increase was primarily due to immigration. In 2022, the metro area gained 14,014 residents or a 0.2% increase.

Washington, D.C. vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Metro D.C.	6,196,585	6,250,309	6,332,069	6,346,083

Source: U.S. Census

SUPPLY

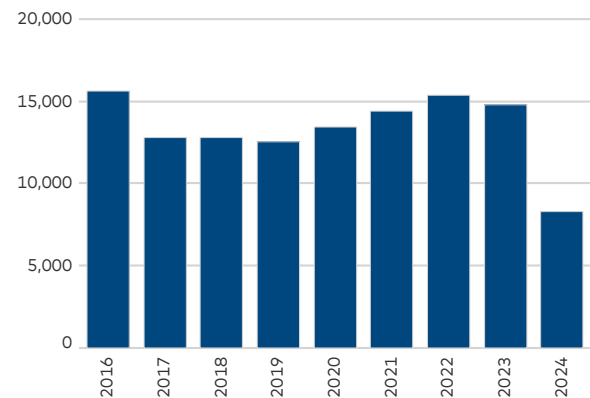
- ▶ During the first nine months of 2024, metro D.C. developers delivered 8,310 units. Completions accounted for 1.4% of existing stock, 70 basis points short of the 2.1% national rate. The bulk of these deliveries comprised Lifestyle assets. The remaining share consisted of RBN properties, making up roughly 20%, plus a single fully affordable project.
- ▶ The metro had 30,820 units under construction as of September, with an additional 220,000 units in the planning and permitting stages. Consistent with completion trends, the upscale segment dominates, with four in five projects underway being Lifestyle communities. Fully affordable projects account for some 15% of the pipeline, and a mere 2% are RBN projects.
- ▶ In the first three quarters, developers started construction on 7,489 units across metro D.C. This marked a 31% drop compared to the same period in 2023, when developers kicked off construction on 10,816 units.
- ▶ Of the 88 submarkets tracked by Yardi Matrix, 53 had at least one project of more than 50 units underway. Nine had more than 1,000 units under construction each. The Barry Farms/Saint Elizabeths submarket continues to lead, with

2,640 units. The top five also includes Crystal City, with 2,071 units, followed by Brentwood/Trinidad/Woodridge (1,795 units), Downtown Bethesda (1,407) and College Park (1,355).

- ▶ The 868-unit 2660 Woodley Road NW is the metro's largest development underway. Carmel Partners started construction on the Lifestyle asset this year and expects to deliver it in 2026. Wells Fargo provided \$360 million in construction financing.

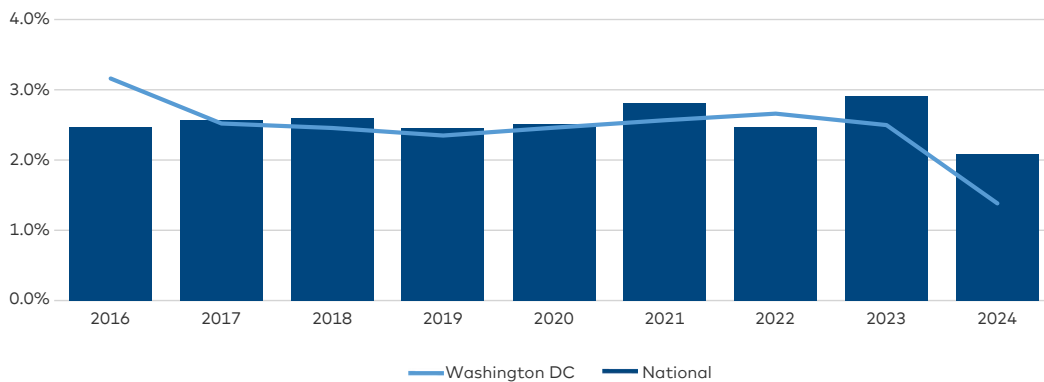
Washington, D.C. Completions

(as of September 2024)



Source: Yardi Matrix

Washington, D.C. vs. National Completions as a Percentage of Total Stock (as of September 2024)

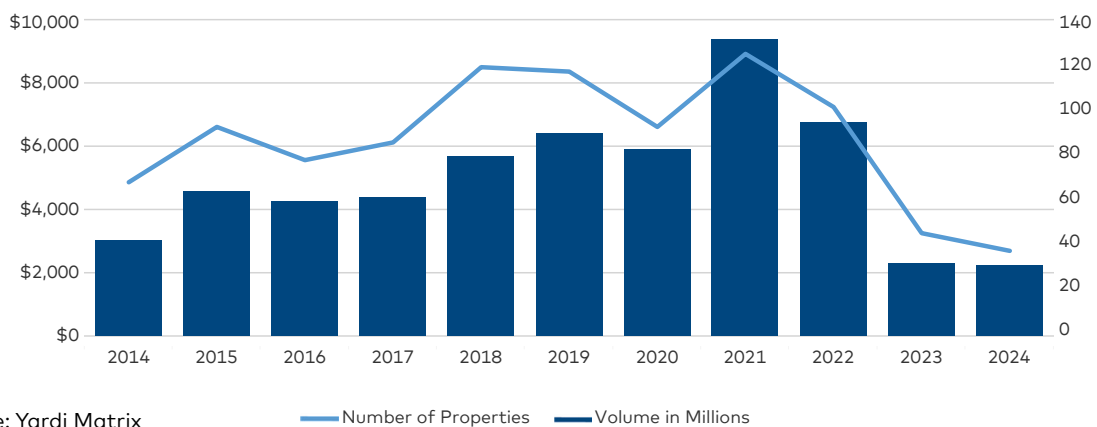


Source: Yardi Matrix

TRANSACTIONS

- ▶ Multifamily investment in metro D.C. totaled \$2.2 billion in the first nine months of the year. This marked a slight uptick from the \$2.1 billion that traded across 35 assets in the same period of 2023. If investor interest remains strong in the fourth quarter, 2024 is likely to significantly surpass the \$2.3 billion in sales recorded last year.
- ▶ At \$262,864, the metro's per-unit price was well above the \$188,379 U.S. average, though it marked a downtick from the \$270,377 figure recorded in 2023. Lifestyle properties commanded a per-unit price of \$330,669, while the RBN price per unit was \$202,725.
- ▶ One of the more notable recent transactions was the sale of the 93-unit Apartments at Westlight in West Foggy Bottom. A partnership between Munich Re and CBRE Investment Management acquired the asset for \$79.2 million, or a whopping \$851,613 per unit. EastBanc sold the property, which came online in 2018.

Washington, D.C., Sales Volume and Number of Properties Sold (as of September 2024)



Source: Yardi Matrix

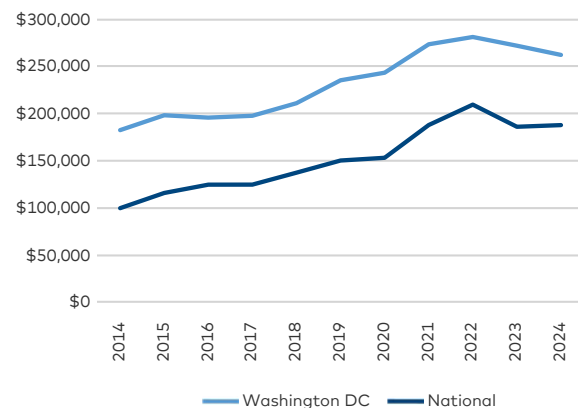
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Pentagon City/Penrose	266
Van Dorn	225
Downtown Bethesda	193
Dale City/Lorton/Woodbridge	168
West Foggy Bottom	147
Brentwood/Trinidad/Woodridge	146
Gainesville/Leesburg	109

Source: Yardi Matrix

¹ From October 2023 to September 2024

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



Source: Yardi Matrix



When Others Seek New Markets, This Mid-Atlantic Operator Wants to Stay Hyperlocal

By Madalina Pojoga

In its six-decades-long existence in the Mid-Atlantic, Community Realty Co. has seen multiple ups and downs, and has overcome several periods of uncertainty and economic fluctuations. Specializing in property management, leasing and asset management for multifamily properties throughout the Mid-Atlantic region, the operator has been strengthening its position in the region, and has no intention to expand outside of it.

Your company has been active in the multifamily industry since the 1960s. What are the latest challenges you've faced?

Zeitler: Before the pandemic lockdown, many folks would leave their apartments to go to an office, as there were not a lot of remote work options before 2020. In the last few years, more and more residents are now working from home. This has been challenging in a number of areas such as general building maintenance and noise concerns, as well as programming common-area spaces. It has also impacted the maintenance of building systems such as heat/AC and electricity. In the past, these systems would often have an opportunity to 'cool down' while everyone was at the office. That is no longer the case.

To what extent have the currently tight lending conditions and the dampening overall market fundamentals impacted your portfolio in terms of occupancy and renter stability?



Zeitler: It has made some folks stay in their apartment longer, until a drop in mortgage rates happen, or until they have saved up enough to afford a mortgage in this current credit climate. Overall, we are seeing people generally staying where they are or searching for the next deal to keep their core costs down.

What do you think makes your properties stand out?

Zeitler: Our communities stand out from the competition by offering good value for the apartment home that they choose to rent with us. We offer many of the same amenities as the larger

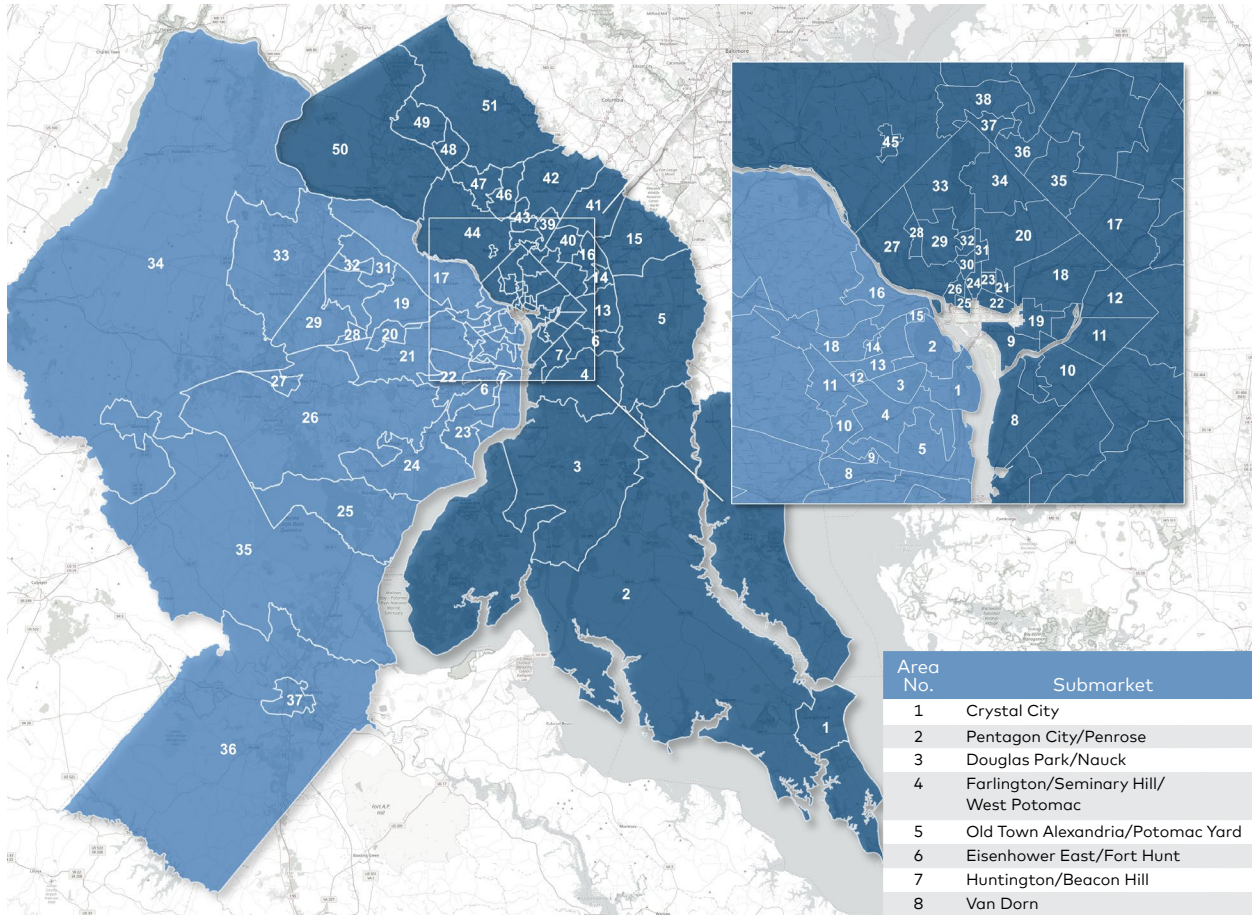
management companies and our teams stay with us for a long time. The lack of employee turnover, along with our overall building maintenance and attention to the resident experience, really sets our company apart from the rest.

This must contribute a lot to the overall resident satisfaction. But how exactly do you meet their day-to-day requests?

Zeitler: We have an app that residents can use to communicate with the office, enter service requests, pay their rent, and communicate on a virtual resident bulletin board. After residents reach out to us, we are generally quick to respond to requests, many of them within 24 hours. All the on-site managers have an open-door policy which allows residents to speak with the manager and have their grievances heard.

(Read the full interview at www.multi-housingnews.com)

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.



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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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