Mid-Atlantic Multifamily Market Report

Flight to Quality and Stability Drives Demand for Multifamily Assets

The Mid-Atlantic multifamily market tightened in the first quarter of 2022, building upon several quarters of strengthening market fundamentals. Though the spread of Omicron challenged the pace of public health improvement early in the quarter, markets maintained steady growth and should see more gradual expansion this year.

In the first quarter, all four Mid-Atlantic metro markets surveyed by Newmark experienced relatively modest demand and therefore minimal change to occupancy. Effective rental rates have increased in all Mid-Atlantic markets, although the rate of growth has slowed in some areas. Recent effective rent growth declines represent more of a flattening than a true contraction, following a year of particularly strong rent increases. The Washington Metro recorded annual effective rent growth of 10.6%, while the District of Columbia measured 8.3%.

The Mid-Atlantic's competitive multifamily market conditions come from each of the region's four metro areas featuring a well-positioned labor force anchored by federal and state government employment. It also boasts growth in high-wage sectors like Professional and Business Services, Financial Services, and Information. These demand drivers, combined with a relatively tight homeownership market, have contributed to significant developer optimism for future multifamily demand and have boosted construction pipelines. The increasing pipeline has modestly rebalanced the region's forecasted supply and demand. However, all four markets currently boast occupancy rates in excess of 97%, supporting the need for greater supply.

Mid-sized metro markets and suburbs have experienced the greatest amount of multifamily activity since the onset of the pandemic. In Richmond, the smallest of the Mid-Atlantic multifamily markets, net absorption over the last 12 months was 5.4% of total inventory, bringing overall occupancy to 97.8%.

Mid-Atlantic investment activity stagnated in the first quarter. The mid-sized metros of Hampton Roads and Richmond have captured a relatively large share of investment volume over the last year, which is consistent with the national trend of increased institutional investment in emerging markets, particularly in the Sun Belt.

The best investment opportunities are anticipated to follow the areas with the greatest economic growth potential. Areas of future growth include Maryland's pharmaceutical and biotechnology nodes, Baltimore suburbs' cybersecurity corridor, and Northern Virginia's technology hubs. Long-term flexibility in working arrangements and greater affordability in secondary markets could support long-term demand in smaller metro areas. Given anticipated economic growth and existing supply constraints, multifamily investments in the Mid-Atlantic remain a relative safe harbor for return-driven investors, who are focused on the flight to quality and stability in primary, as well as secondary and tertiary markets. Multifamily assets continue to perform well, and serve as hedges against current market conditions, including inflation and interest-rate increases.

Mid-Atlantic Multifamily Markets: Key Statistics

	Baltimore Metro Area	Hampton Roads Metro Area	Richmond Metro Area	Washington Metro Area
Total Inventory (Units)	235,673	142,333	109,055	661,690
Overall Occupancy Rate	97.5%	98.3%	97.8%	97.3%
Year-to-Date Absorption (Units)	456	-354	1,014	4,495
Effective Rent (Per Unit)	$1,577	$1,340	$1,360	$1,949
Effective Rent (Per SF)	$1.77	$1.41	$1.50	$2.25
1-Year Effective Rent Change	11.1%	12.4%	12.3%	10.6%
5-Year Average Effective Rent Change	4.6%	5.8%	6.7%	2.7%
YTD Deliveries	257	265	735	2,628
Under Construction (Units)	4,693	2,937	6,805	32,214
3-Year Delivery Pipeline (Units)	5,619	3,829	7,813	35,700

NEWMARK

RESEARCH Q1 2022

Baltimore Metro Area Multifamily Market

Baltimore Recovery Stable; High-End Investment Interest Growing

The Baltimore metro area's multifamily market held tight in the first quarter. Occupancy increased marginally to 97.5% and effective rents increased 1.5% from the fourth quarter to $1,577/unit. The region absorbed 456 multifamily units during the first quarter, well down from 1,069 during the fourth quarter of 2021. Baltimore City recorded absorption of just 182 units in the first quarter, compared to 284 units in the suburbs. Though less of a difference compared to past quarters, this absorption discrepancy is in line with historical trends. In the first quarter, 4,693 units were under construction and 257 units delivered in the region. Approximately 926 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 2,867 units.

Economic and Multifamily Market Outlook

Economic recovery continued gradually in the Baltimore metro area in the first quarter of 2022. The region's unemployment rate has fallen 160 basis points over the last year to 4.2%, 60 basis points higher than the national rate of 3.6%. Baltimore added 59,000 jobs in the 12 months ending in February 2022. Baltimore's office-using employment sectors, which often boast above-average wages, have grown notably over the last year. Professional Business Services employment has grown 4.6% since February 2021, adding 10,700 jobs to the market. The region benefits from the Port of Baltimore, which is an important asset for supporting the shipping and logistics needs of the e-commerce industry. This growing sector continues to provide opportunities for future multifamily demand in the Baltimore market, regardless of market conditions.

Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	235,673	234,448	↑
Occupancy Rate	97.5%	95.9%	↓
Quarterly Net Absorption (Units)	456	564	↓
12-Month Effective Rent Change	11.1%	3.3%	↓
Quarterly Deliveries (Units)	257	670	↑

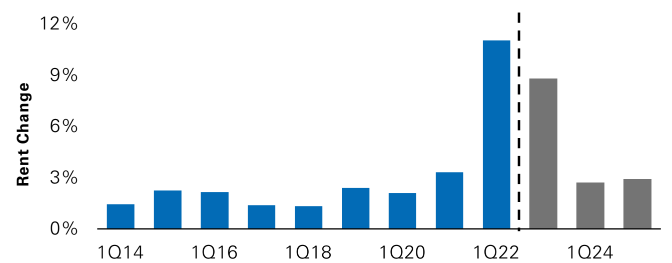
Economy

- **Payroll Employment:** 1,382,000 at February 2022.
- **Historical Job Change:** 59,000 jobs added in the 12 months ending February 2022.
- **Projected Job Change:** Newmark forecasts an average increase of 22,025 jobs per annum from 2022-2025.
- **Unemployment Rate:** 4.2% in February 2022, down 160 basis points from 5.8% in February 2021.
- **Average Household Income:** $114,077 in 2021.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; April 2022

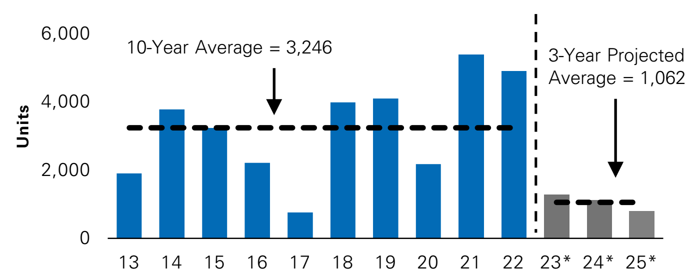
Market Analysis

ANNUAL AVERAGE EFFECTIVE RENT CHANGE



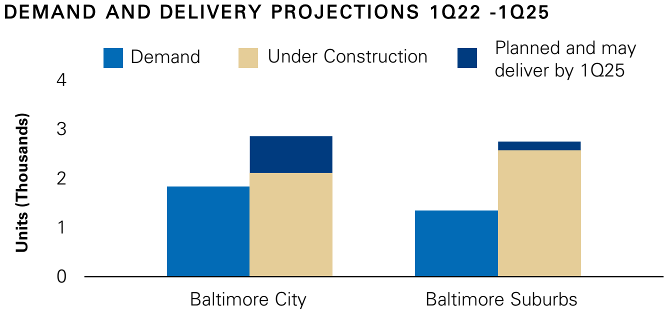
Source: Real Capital Analytics, Newmark Research; April 2022
Note: Effective rent change is calculated using same-store method for the trailing 12 months

MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in first quarter
Source: Real Capital Analytics, Newmark Research; April 2022

DEMAND AND DELIVERY PROJECTIONS 1Q22 -1Q25



Source: Real Capital Analytics, Newmark Research; April 2022

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Economic and Multifamily Market Outlook (Continued)

In the next three years, new supply is expected to outpace demand in both Baltimore City and Baltimore Suburbs. Overall, this will likely decrease the region's overall occupancy rate by 90 basis points to 96.6%. Occupancy rates have been exceptionally tight, reaching a 20-year high-water mark of 97.5%. While relatively modest, Baltimore's construction pipeline has been trending up, which will apply some downward pressure on occupancy rates in the period ahead. Rent growth was still considerable in first-quarter 2022, measuring 11.1%. This aggressive increase is anticipated to slow, with forecasted annual rent appreciation under 4% by 2024. Rents may continue to accelerate through the first half of 2022, if at a slower rate.

Investment Sales Activity Quieter in 2022

The Baltimore area's multifamily market registered $3.6 billion in sales volume for the 12 months ending in first-quarter 2022. Quarterly volume was soft in the first quarter, at just $151.6 million, at the writing of this report. The largest transaction of the quarter was the $145 million sale of Crossings at Russett, purchased by Camden Property Trust. Over the last 12 months, the metro area recorded an average sale price of $166,288 per unit, an increase of 17.4% from a year earlier, though this increase is influenced by the relatively small number of sales this quarter. The average pro-forma cap rate measured 5.1% for the 12 months ending in first-quarter 2022. This rate has been steadily declining throughout 2021 as multifamily investment volume has grown.

Multifamily Investment Sales Outlook

Sales volume in the Baltimore area on a trailing 12-month basis was somewhat quiet in the first quarter of 2022. At $151.6 million, the first quarter sales volume is the lowest measurement since first-quarter 2019. Investment volume should trend upwards in 2022, as underlying fundamentals in the market indicate sustained stability for investors. Value-focused buyers may consider alternative asset types as the economy recovers, but the safety of multifamily investments is supporting continued downward pressure on cap rates. Suburban multifamily strength is expected to persist in the future, partly supported by the growth of economic drivers located outside the city limits, including large healthcare, logistics, and cybersecurity firms.

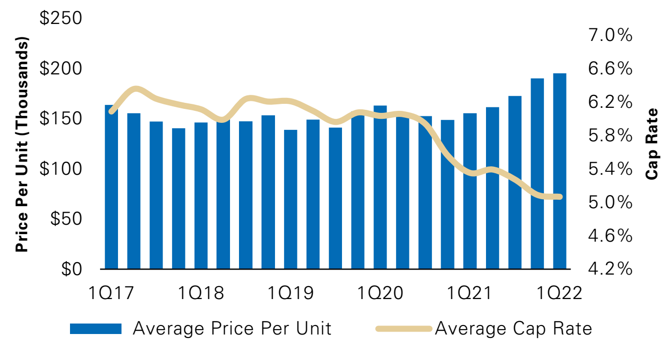
Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2022	$3.6 B
12-Month Transaction Volume at 1Q 2021	$1.9 B
1Q 2022 Average Price Per Unit	$166,288
1Q 2022 Average Cap Rate	5.1%

Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; April 2022

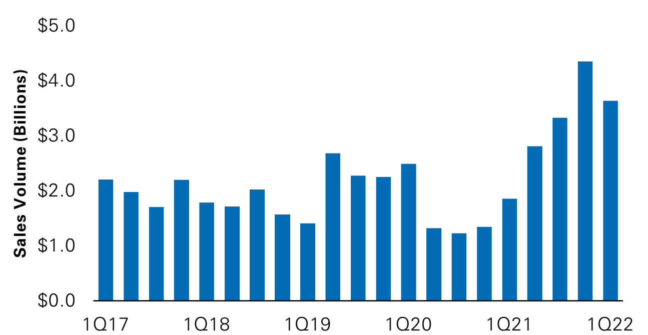
Investment Sales Analysis

AVERAGE MULTIFAMILY CAP RATE AND PRICE PER UNIT



Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; April 2022

TRAILING 12-MONTH MULTIFAMILY TRANSACTION VOLUME



Source: Real Capital Analytics, Newmark Research; April 2022

Notable Recent Multifamily Sales Transactions

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Crossings at Russett	$145	$340,376	Laramar Group	Camden Property Trust	Laurel
Alta Brewers Hill	$125	$336,927	Excelsior Communities	Wood Partners	Baltimore
Banner Hill Apartments	$91.4	$261,748	FPA Multifamily	ZOM Residential	Baltimore
Shelter Cove Apartments	$78.5	$261,750	FPA Multifamily	Goldstar Group	Odenton
10 Light Street	$69.2	$168,780	FPA Multifamily	Metropolitan Partnership Ltd	Baltimore
Woodside Gardens	$33	$229,167	Woodside Preservation LP	Fairstead Capital	Annapolis

Source: Real Capital Analytics, Newmark Research; January 2022

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2019 Absorption (Units)	2020 Absorption (Units)	2021 Absorption (Units)	1Q 2022 Absorption (Units)	YTD 2022 Absorption (Units)
Baltimore Metro Area	**235,673**	**97.5%**	**1,642**	**5,042**	**5,060**	**456**	**456**
Baltimore City	72,848	96.9%	623	1,144	2,263	182	182
Baltimore Metro Suburbs	162,825	97.8%	1,019	3,898	2,797	274	274

Market Statistics – Effective Rents and Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore Metro Area	**235,673**	**$1,577**	**$1.77**	**11.1%**	**4.6%**	**257**	**4,693**	**5,619**
Baltimore City	72,848	$1,465	$1.84	10.8%	3.4%	161	2,113	2,867
Baltimore Metro Suburbs	162,825	$1,627	$1.74	11.2%	5.2%	96	2,580	2,752

Submarket Statistics – All Classes

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore City	**72,848**	**96.9%**	**$1,465**	**$1.84**	**10.8%**	**3.4%**	**161**	**2,113**	**2,867**
Baltimore City East	17,520	97.7%	$1,680	$2.16	12.9%	3.5%	161	1,645	1,774
Baltimore City North	18,135	95.6%	$1,254	$1.51	7.5%	3.6%	0	0	175
Baltimore City West	18,026	97.7%	$1,181	$1.57	11.4%	4.9%	0	0	287
Downtown Baltimore	19,167	96.5%	$1,737	$2.12	11.7%	1.9%	0	468	631
Baltimore Suburbs	**162,825**	**97.8%**	**$1,627**	**$1.74**	**11.2%**	**5.2%**	**96**	**2,580**	**2,752**
Annapolis	10,032	97.4%	$2,023	$2.29	13.3%	5.1%	0	818	818
Columbia/North Laurel	16,793	97.3%	$1,888	$1.96	10.6%	5.1%	0	472	549
Ellicott City/Elkridge	9,422	97.6%	$1,878	$1.95	10.7%	4.4%	0	0	95
Far North Baltimore Suburbs	13,752	98.4%	$1,521	$1.59	10.8%	5.7%	0	421	421
Northeast Anne Arundel County	12,740	98.1%	$1,610	$1.84	11.5%	5.1%	0	0	0
Northwest Anne Arundel County	13,891	97.2%	$1,956	$1.93	10.7%	5.0%	0	300	300
Owings Mills/ Pikesville/Randallstown	19,516	97.4%	$1,584	$1.53	10.4%	4.8%	96	229	229
Parkville/Carney/Perry Hall	12,484	97.8%	$1,408	$1.62	11.3%	5.8%	0	0	0
Southeast Baltimore County	19,686	98.1%	$1,326	$1.58	10.8%	5.4%	0	340	340
Southwest Baltimore County	18,535	97.9%	$1,404	$1.57	11.0%	5.4%	0	0	0
Towson/Hunt Valley	15,974	98.2%	$1,629	$1.61	13.2%	4.8%	0	0	0

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.
Source: Real Capital Analytics, Newmark Research; April 2022

Hampton Roads Metro Area Multifamily Market

Occupancy Contracts Slightly but Conditions Remains Tight

Multifamily market fundamentals remained tight in the first quarter of 2022, although some indicators are beginning to soften. Occupancy decreased by 20 basis points and effective rents increased by just 0.9% from the fourth quarter. Given the market's elevated occupancy rate of 98.3%, in the first quarter, a slight decline in demand may loosen the market and permit more lease trade outs. Average effective rents increased 12.4% over the past 12 months on a same-store basis. Investment activity declined in the first quarter. Total multifamily investment activity on the quarter measured $453.1 million, still significantly higher than the long-term average. Out-of-market institutional investors are increasing their holdings in the region, consistent with the national trend of greater investment activity among institutional investors in high-growth secondary and tertiary markets. Growing demand for alternative multifamily assets including senior living and 55+ communities is also driving investor attention to the area. Hampton Roads has seen a steady rise in its population of retirees and older generations in recent years.

Regional absorption measured negative 354 units in first-quarter. There are 2,937 units under construction; 265 units delivered in the past three months. There are currently 690 planned units set to deliver in the next three years, bringing the region's total development pipeline to 3,627 units.

Economic growth in the Hampton Roads metro area modestly increased during the first quarter. Annual employment gains were measured at 10,000 jobs, but the region has only recaptured 75.9% of the jobs lost between March and April of 2020. The unemployment rate measured 3.4% in February 2022, down 200 basis points over the last year.

Economic and Multifamily Market Outlook

The stability of Hampton Roads' economic drivers should continue to support a strong multifamily market. Though future demand is expected to decrease and lag new supply over the next three years, the region's occupancy rate of 98.3% has created very tight market conditions. Rising future supply and modestly slowing demand will reduce overall occupancy by about 80 basis points by March 2025. Given the market's concentration of federal agencies, including the world's largest naval base (Naval Station Norfolk), continued federal spending, steady employment growth among high-wage labor sectors, and the region's strong position in attracting net-new residents will support multifamily demand moving forward.

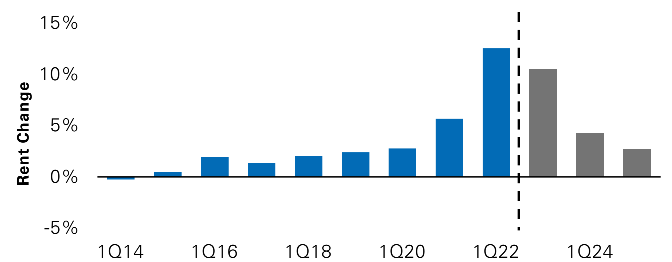
Economy

- **Payroll Employment:** 765,800 at February 2022.
- **Historical Job Change:** 10,000 jobs added in the 12 months ending February 2022.
- **Unemployment Rate:** 3.4% in February 2022, down 200 basis points from February 2021.
- **Average Household Income:** $88,911 in 2021.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; April 2022

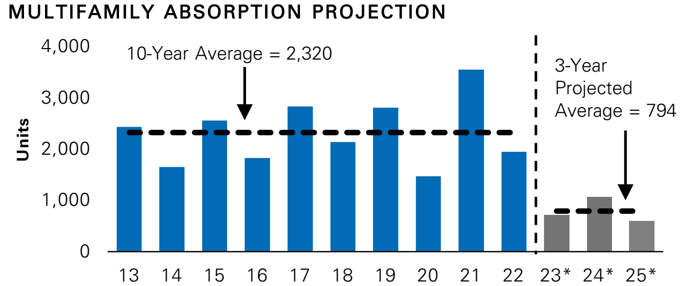
Market Analysis

ANNUAL AVERAGE EFFECTIVE RENT CHANGE



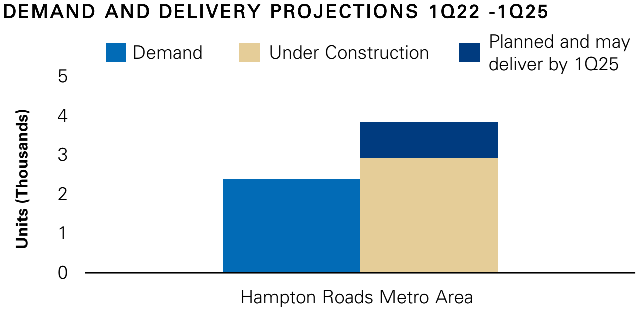
Source: Real Capital Analytics, Newmark Research; April 2022
Note: Effective rent change is calculated using same-store method for the trailing 12 months

MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in first quarter
Source: Real Capital Analytics, Newmark Research; April 2022

DEMAND AND DELIVERY PROJECTIONS 1Q22 -1Q25



Source: Real Capital Analytics, Newmark Research; April 2022

Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	142,333	141,503	↑
Occupancy Rate	98.3%	97.5%	↓
Quarterly Net Absorption (Units)	-354	234	→
12-Month Effective Rent Change	12.4%	5.7%	↓
Quarterly Deliveries (Units)	265	294	↑

Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2022	$453.1 M
12-Month Transaction Volume at 1Q 2021	$329.5 M
1Q 2022 Average Price Per Unit	$144,802
1Q 2022 Average Cap Rate	4.0%

Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; April 2022

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2019 Absorption (Units)	2020 Absorption (Units)	2021 Absorption (Units)	1Q 2022 Absorption (Units)	YTD 2022 Absorption (Units)
Hampton Roads Metro Area	**142,333**	**98.3%**	**2,138**	**2,628**	**2,540**	**-354**	**-354**

Market Statistics – Effective Rents and Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Hampton Roads Metro Area	**142,333**	**$1,340**	**$1.41**	**12.4%**	**5.8%**	**265**	**2,937**	**3,829**

Submarket Statistics – All Classes

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Hampton Roads Metro Area	**142,333**	**98.3%**	**$1,340**	**$1.41**	**12.4%**	**5.8%**	**265**	**2,937**	**3,829**
Chesapeake	10,748	98.6%	$1,475	$1.48	10.9%	4.8%	0	270	270
Hampton/Poquoson	17,533	97.6%	$1,353	$1.38	15.1%	6.4%	0	159	159
Newport News	26,929	98.1%	$1,218	$1.31	15.4%	6.5%	0	32	437
Northern Norfolk	15,596	98.2%	$1,122	$1.29	7.0%	4.7%	0	0	0
Portsmouth/Suffolk	16,422	98.7%	$1,268	$1.38	12.0%	6.6%	15	605	689
Southern Norfolk	12,175	98.6%	$1,383	$1.51	9.4%	3.6%	20	1,200	1,200
Virginia Beach East	18,793	98.1%	$1,497	$1.53	13.7%	6.7%	0	400	613
Virginia Beach West	17,464	98.8%	$1,435	$1.48	11.0%	5.4%	131	0	110
Williamsburg / Jamestown	6,938	98.3%	$1,493	$1.48	14.7%	6.1%	99	271	352

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.

Notable Recent Multifamily Sales Transactions

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Coastline Apartments	$98.5	$164,167	Beitel Group, Scharf Group	Blackfin Real Estate Investors, GMF Capital	Virginia Beach
Arlay Point	$91.0	$142,188	AION Partners	Moshe Mark Silber	Norfolk
Runaway Bay Apartments	$90.0	$204,545	K2 Real Estate Partners	Harbor Group International	Virginia Beach
Lumen	$82.0	$273,333	Kushner Companies	Craig Davis Prop, LM Sandler & Sons	Hampton

Source: Real Capital Analytics, Newmark Research; April 2022

Richmond Metro Area Multifamily Market

Investment Activity Accelerates Alongside Increased Occupancy

Richmond's multifamily market continued to tighten in the first quarter of 2022, evidenced by steadily rising occupancy rates and asking rents. Average effective rents increased 12.3% over the past 12 months on a same-store basis, a marginally lower growth rate than in fourth-quarter 2021. Exceptionally high rent growth in the region will slow over the next three years, but balanced supply and demand through March 2025 should keep upward pressure on rents, which are expected to average 8.2% annual growth over the next three years.

Net absorption measured 1,014 units in the first quarter, the lowest quarterly total over the last 12 months. The region's occupancy rate measured 97.8%, up 20 basis points from last quarter. There are 6,805 units under construction; 735 units delivered in the first quarter. Approximately 1,008 units are planned to begin construction and likely to deliver within the next three years, bringing the region's development pipeline to 7,813 units. Furthermore, the market's occupancy rate is expected to increase 40 basis points over the next three years.

The market's high occupancy rate, sturdy demand, and status as an appealing secondary market are supporting the growth in investment activity in Richmond. Total multifamily investment measured $275.3 million on the quarter; much higher than the 10-year average of $147.4 million. Average multifamily cap rates have fallen 130 basis points over the last year, to 4.9% in the first quarter.

Economic and Multifamily Market Outlook

Richmond's economic development has been instrumental in supporting its multifamily market in the years predating the pandemic. Despite job losses in the fourth quarter of 2021, the region gained 14,900 jobs during the 12 months ending in February 2022. Richmond's economic drivers remain active and provide optimism for steady multifamily demand growth in the coming years. The Richmond market is home to several Fortune 500 companies, including Capital One and Altria, as well as noteworthy "Eds and Meds" employers including VCU, University of Richmond, and many state government offices. The market's healthy share of stable, high-wage jobs, and its greater affordability relative to the neighboring Washington market make it attractive to investors seeking growth opportunities.

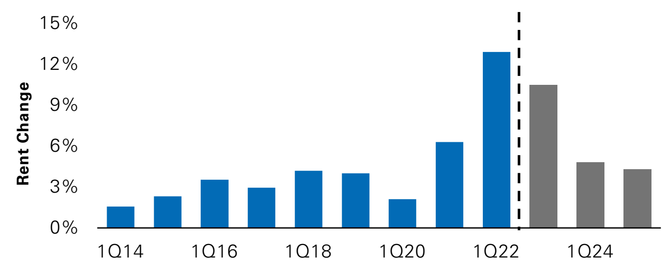
Economy

- **Payroll Employment:** 665,900 at February 2022.
- **Historical Job Change:** 14,900 jobs were gained in the 12 months ending February 2022.
- **Unemployment Rate**: 3.2% in February 2022, down 190 basis points from February 2021.
- **Average Household Income:** $95,784 in 2021.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; April 2022

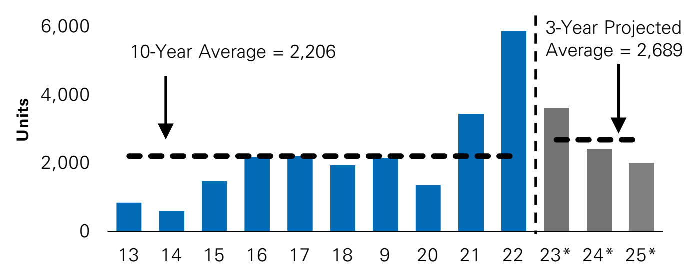
Market Analysis

ANNUAL AVERAGE EFFECTIVE RENT CHANGE



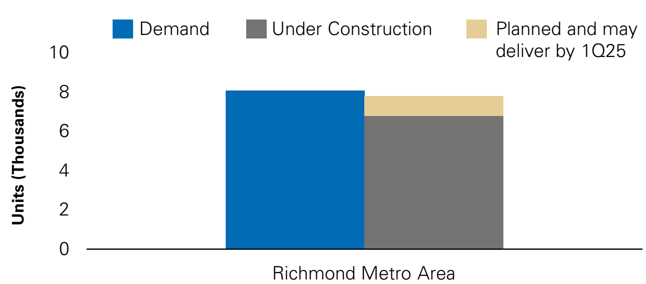
Source: Real Capital Analytics, Newmark Research; April 2022
Note: Effective rent change is calculated using same-store method for the trailing 12 months

MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in fourth quarter
Source: Real Capital Analytics, Newmark Research; April 2022

DEMAND AND DELIVERY PROJECTIONS 1Q22 -1Q25



Source: Real Capital Analytics, Newmark Research; April 2022

Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	109,055	104,825	↑
Occupancy Rate	97.8%	96.2%	↑
Quarterly Net Absorption (Units)	1,014	672	→
12-Month Effective Rent Change	12.3%	6.3%	↓
Quarterly Deliveries (Units)	735	571	↓

Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2022	$1.5 B
12-Month Transaction Volume at 1Q 2021	$523.6 M
1Q 2022 Average Price Per Unit	$129,775
1Q 2022 Average Cap Rate	4.9%

Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; April 2022

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2019 Absorption (Units)	2020 Absorption (Units)	2021 Absorption (Units)	1Q 2022 Absorption (Units)	YTD 2022 Absorption (Units)
Richmond Metro Area	**109,055**	**97.8%**	**1,507**	**2,504**	**5,469**	**1,014**	**1,014**

Market Statistics – Effective Rents and Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Richmond Metro Area	**109,055**	**$1,360**	**$1.50**	**12.3%**	**6.7%**	**735**	**6,805**	**7,813**

Submarket Statistics – All Classes

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Richmond Metro Area	**109,055**	**97.8%**	**$1,360**	**$1.50**	**12.3%**	**6.7%**	**735**	**6,805**	**7,813**
Chesterfield County	14,755	97.7%	$1,508	$1.48	13.1%	6.6%	0	1,276	1,276
Downtown Richmond/ The Fan	12,229	97.9%	$1,384	$1.75	6.8%	2.6%	120	1,108	1,126
East Richmond	19,077	96.3%	$1,199	$1.39	9.8%	5.9%	0	199	487
Hanover County	5,697	98.7%	$1,498	$1.48	12.4%	6.0%	0	0	0
Northwest Richmond	12,158	98.3%	$1,434	$1.61	16.8%	7.1%	28	1,291	1,291
Petersburg/ Colonial Heights/ Hopewell	9,233	99.1%	$1,120	$1.21	8.8%	6.1%	79	0	0
Southside	21,810	98.6%	$1,268	$1.44	12.8%	9.2%	48	994	1,337
Tuckahoe/Westhampton	14,831	97.0%	$1,570	$1.63	16.9%	7.8%	460	1,937	2,296

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.

Notable Recent Multifamily Sales Transactions

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
11 North at White Oak	$154.5	$130,448	AION Partners	C-III Investment Management	Richmond
Tanglewood Apartments	$44.0	$107,843	Tanglewood Apartment Equities LLC	Georgetown Square Investment	Petersburg
River Road Terrace	$16.5	$129,102	RRT Patrick LLC	Morrison Avenue Capital Partners	Petersburg
Stoneyridge Apartments	$12.5	$125,000	Howard Road Owner LLC	Stoneyridge Apartments LLC	Richmond

Source: Real Capital Analytics, Newmark Research; April 2022

Washington Metro Area Multifamily Market

Sustained Suburban Demand Aids Occupancy and Rent Growth

The Washington metro area's multifamily market continued to accelerate in the first quarter, recording a slight increase to occupancy and a sturdier increase in effective rent growth. The demand of 4,495 units was relatively strong in the first quarter of 2022, despite absorption being about 3,000 units fewer than fourth quarter. Quarterly demand has been relatively evenly distributed between the three substate areas, measuring 1,920 units in Northern Virginia, 1,565 units in Suburban Maryland, and 1,010 units in the District of Columbia. Though relatively balanced, Northern Virginia's greater absorption compared to Suburban Maryland and the District of Columbia is consistent with the absorption trends of the last year. Relative to inventory, quarterly occupancy was strongest in Northern Virginia at 0.71%, yet occupancy rates of Northern Virginia and the District of Columbia lag that of Suburban Maryland. The District's overall occupancy rate is 96.5%, Northern Virginia's measures 97.4%, and Suburban Maryland's occupancy rate in the first quarter of 2022 was 97.8%.

Meanwhile, the occupancy growth of the Navy Yard/Capitol Hill/Southwest submarket has been particularly noteworthy in recent quarters. This trend is bolstered by the fact that NoMa and Navy Yard have had the biggest pipelines in the District recently. The Navy Yard/Capitol Hill/Southwest submarket and the Northeast DC/NoMa/H Street submarket have pipelines of 3,979 and 4,730 units, respectively. Despite the robust construction pipeline, occupancy in the Navy Yard/Capitol Hill/Southwest measures 96.1%, and that of Northeast Dc/NoMa/H Street measures 96.6%, relatively in-line with the District's overall average.

Region-wide, per-unit effective rents increased 10.6% over the last 12 months. Rent growth was supported by the metro area's suburbs, as Northern Virginia and Suburban Maryland recorded growth of 13.7% and 8.7%, respectively. Elevated annual rent growth can be partially attributed to low rents measured in early 2021. Additionally fueling strong rent appreciation, lease trade-out rates have been rising, concurrent with increased demand, and average concessions have been contracting in the Washington metro for the last 6 months. Though exceptionally high lease trade-out rates have been registered in secondary markets, fast-growing suburban nodes within primary markets, such as Northern Virginia, could see trade-out rates in excess of those of the urban core. Rents are projected to remain positive for the next three years, though growth will slow to about 2.3% by early 2025.

Economy

- **Payroll Employment:** 3,252,400 at February 2022.
- **Historical Job Change:** 122,000 jobs added in the 12 months ending February 2022.
- **Unemployment Rate:** 3.6% in February 2022, down 170 basis points from February 2021.
- **Average Household Income:** $144,743 in 2021.

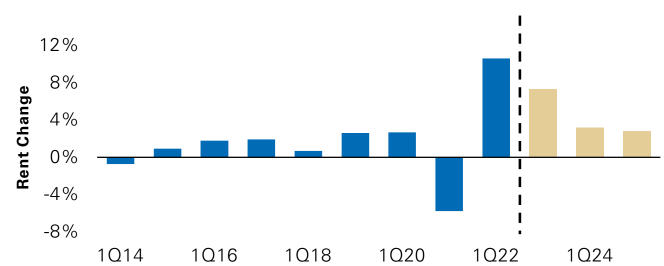
Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; April 2022

Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	661,690	648,919	↑
Occupancy Rate	97.3%	94.5%	↓
Quarterly Net Absorption (Units)	4,495	116	↓
12-Month Effective Rent Change	10.6%	-5.8%	↓
Quarterly Deliveries (Units)	2,628	1,874	↑

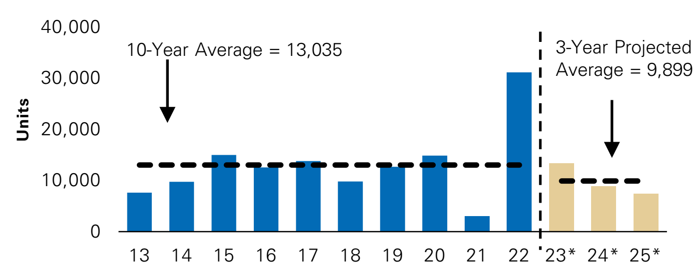
Market Analysis

ANNUAL AVERAGE EFFECTIVE RENT CHANGE



Source: Real Capital Analytics, Newmark Research; April 2022
Note: Effective rent change is calculated using same-store method for the trailing 12 months

MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in fourth quarter
Source: Real Capital Analytics, Newmark Research; April 2022

NEWMARK

A total of 32,214 units are under construction and 2,628 units delivered in the region during the first quarter. Approximately 3,486 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 35,700 units. The impact of COVID-19 continues to strain global supply chains and construction costs, but developers in the region are bullish about future demand for newly-built rentals. The District Government has begun investigating the feasibility of a tax abatement program as an incentive for developers who redevelop office buildings for multifamily use. This potential bill has not been approved, but its advocacy is notable, since part of the qualification for the abatement is tied to increasing availability of affordable multifamily units. Despite Washington's history of steady occupancy gains and forecasted employment growth, the region's robust pipeline, and developer optimism for new product will result in supply outweighing demand in aggregate over the next three years.

Economic and Multifamily Market Outlook

The Washington metro area's employment base recovered 122,000 jobs in the 12 months ending in February 2022. The region's unemployment rate was 3.6% in February and has declined 170 basis points from one year ago. Labor market recovery continued to steadily grow during the first quarter, though Omicron disrupted other areas of the market's rebound, including office reboarding. Despite the challenges of the pandemic and variants, the Washington metro area continues to hold a competitive advantage due to its economic stability, with a large and highly-educated workforce, and growth among its private sector demand drivers as a backbone. Although the federal government and associated activities have been the anchor of the region's economy, private sector diversification over the last 20 years has been a catalyst for new economic expansion, and thus, multifamily demand. Rental demand should further be supported by the particularly tight home ownership market in the Washington metro area. Rising interest rates will apply greater financial pressure on prospective home buyers and may continue to encourage more rental activity.

The region's economic drivers for the period ahead – including life sciences, technology, and the federal government and its associated contractors – are supporting multifamily growth in the urban core and alternative suburban areas. This includes off-Metrorail areas of Montgomery and Fairfax Counties, and in technology-focused markets along the Dulles Toll Road. The growth of high-wage jobs in suburban markets is encouraging for continued growth in Northern Virginia's future demand, which is forecasted to absorb the most multifamily units over the next three years among the three substate areas in the region.

Bullish multifamily demand forecasts have bolstered the region's development pipeline, ensuring the region's forecasted supply outweighs demand, on balance. Newmark projects that the region's occupancy rate will decrease to 96.6% over the next three years. Though occupancy increased this quarter, the downtown core is recovering more slowly, causing some sellers to remain out of the market and wait for momentum to rebuild. Nonetheless, a robust pipeline of new supply should slowly reduce occupancy as projects deliver and encourage lease turnover and trade-outs. Still, forecasted regional occupancy in excess of 95.0% is healthy, particularly for a market as large as the Washington metro.

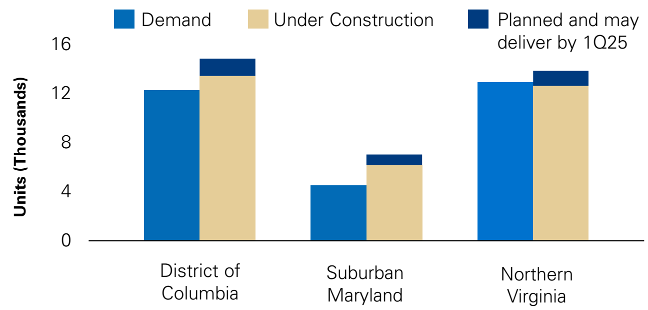
Current Conditions

- The region absorbed 4,495 units during the first quarter of 2022, down from 7,161 units absorbed in the fourth quarter of 2021.
- The region's occupancy rate increased 280 basis points over the past year to 97.3%.
- The average effective rent increased 11.8% over the past 12 months but has averaged an annual increase of 2.7% over the past five years.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; April 2022

Demand and Delivery Projections

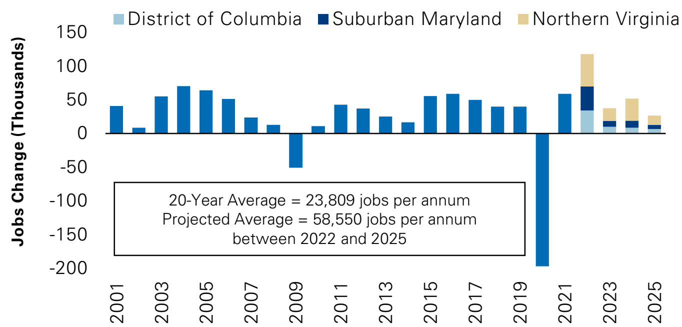
DEMAND AND DELIVERY PROJECTIONS 1Q22 -1Q25



Source: Newmark Research, April 2022

Payroll Job Growth Forecast

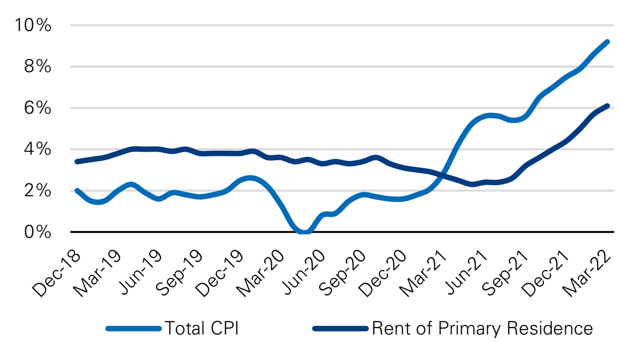
WASHINGTON METRO AREA | 2021 - 2025



Source: U.S. Bureau of Labor Statistics; forecast by Newmark Research with reference to data from the Stephen S. Fuller Institute and Moody's Analytics; April 2022

Inflation and the Consumer Price Index

CONSUMER PRICE INDEX – ANNUAL PERCENTAGE CHANGE



Sources: U.S. Bureau of Labor Statistics, Newmark Research; April 2022

Investment Sales Volume Stagnates in First Quarter, Steadily Declining Cap Rates

The Washington area multifamily market registered $12.5 billion in sales volume for the 12 months ending in the first quarter, an increase of $5.8 billion compared with the prior 12 months. The 12-month trailing average cap rate measured 4.5% in the first quarter, which is 50 basis points lower than a year ago. In the first quarter, there is relatively little product on the market for sale in the District of Columbia, which is hampering sales volume. Year-to-date sales in Northern Virginia and Suburban Maryland measured on the low side, but within the normal range of the last year, at $536.5 million and $1.0 billion, respectively. The largest sale of the first quarter was the Millennium at Metropolitan Park, which sold for $200.0 million, or about $666,667 per unit to Urban Investment Partners.

Multifamily Investment Sales Outlook

Multifamily investment activity has consistently increased throughout 2021 and into 2022, as investors continue to target the long-term value and stability of multifamily, despite the appeal of value-priced competing asset types. Cap rates declined marginally this quarter and are expected to remain low. Although investment sales activity in the metro area was quieter in first-quarter 2022, it should pick up through the second quarter. This moderation in investment demand is not significant, as seasonality and external pandemic factors created some volatility in first quarter recovery. The region's high occupancy rate will keep investor demand for the market sturdy. Investment opportunities in the District of Columbia have been slim because many sellers are electing to hold valuable multifamily assets until greater normalcy is achieved in the urban core.

Outside of the District, investment opportunities in the period ahead will be most attractive in areas boasting dynamic economic growth, such as the healthcare nodes in Montgomery County and the technology corridor connecting Arlington, Tysons, and Reston. Suburban Maryland's stable fundamentals, strong demographics, and emerging economic drivers will support its position as a safe investment market. Consistently decreasing cap rates will continue to attract investors seeking steady returns, but yield compression may nudge upside-focused investors to smaller metro markets. Nonetheless, the Washington metro area remains a highly-desired multifamily investment market, noted for its historic stability and current growth opportunities, particularly in the suburbs.

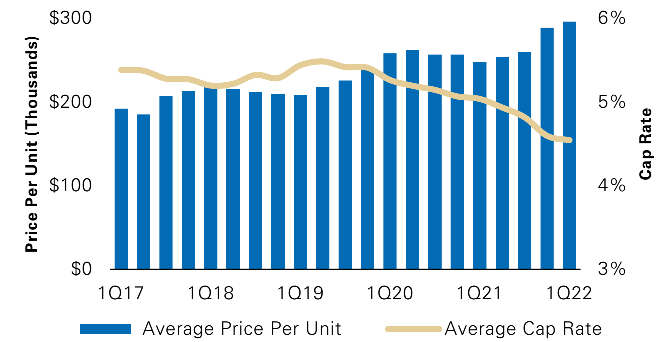
Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2022	$12.5 B
12-Month Transaction Volume at 1Q 2021	$6.8 B
1Q 2022 Average Price Per Unit	$296,031
1Q 2022 Average Cap Rate	4.5%

Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; April 2022

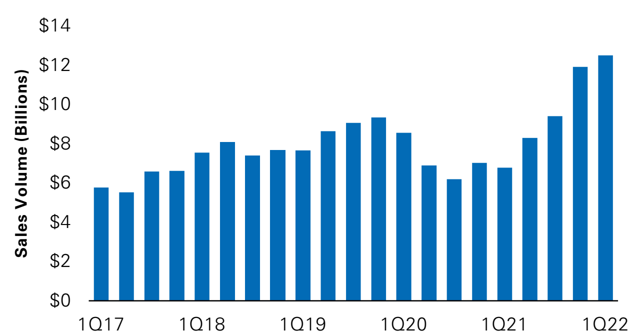
Investment Sales Analysis

AVERAGE MULTIFAMILY CAP RATE AND PRICE PER UNIT



Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; April 2022

TRAILING 12-MONTH MULTIFAMILY TRANSACTION VOLUME



Source: Real Capital Analytics, Newmark Research; April 2022

Notable Recent Multifamily Sales Transactions

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
The Millennium at Metropolitan Park	$200.0	$666,667	Urban Investment Partners	Clarion Partners	Arlington
The Alaire/The Terano*	$137.5	$278,905	Eastsky Properties	JBG Smith	Rockville
The Monterey	$133.8	$309,722	FPA Multifamily	Pantzer Properties	North Bethesda
The Fields at Cascades	$105.5	$329,688	Nuveen/Jair Lynch	FCP	Sterling
Heather Hills	$97.0	$211,329	OneWall Communities	Hampshire Assets	Temple Hills

Source: Real Capital Analytics, Newmark Research; April 2022
*Sale was leasehold interest

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2019 Absorption (Units)	2020 Absorption (Units)	2021 Absorption (Units)	1Q 2022 Absorption (Units)	YTD 2022 Absorption (Units)
Washington Metro Area	**661,690**	**97.3%**	**11,537**	**4,357**	**28,728**	**4,495**	**4,495**
District of Columbia	164,880	96.5%	4,115	1,216	11,558	1,010	1,010
Suburban Maryland	227,743	97.8%	3,260	706	7,374	1,565	1,565
Northern Virginia	269,067	97.4%	4,162	2,435	9,796	1,920	1,920

Market Statistics – Effective Rents and Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1- Year Effective Rent Growth	5-Year Average Effective Rent Growth	2021 Deliveries (Units)	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Washington Metro Area	**661,690**	**$1,949**	**$2.25**	**10.6%**	**2.7%**	**13,934**	**2,628**	**32,214**	**35,700**
District of Columbia	164,880	$2,119	$2.78	8.3%	1.2%	6,924	693	13,404	14,832
Suburban Maryland	227,743	$1,784	$1.96	8.7%	3.4%	1,117	807	6,195	7,029
Northern Virginia	269,067	$1,986	$2.17	13.7%	3.1%	5,893	1,128	12,615	13,839

District of Columbia Submarket Statistics – All Classes

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
District of Columbia	**164,880**	**96.5%**	**$2,119**	**$2.78**	**8.3%**	**1.2%**	**693**	**13,404**	**14,832**
Central DC/West End/Shaw/ Mt. Vernon Triangle	49,763	96.7%	$2,440	$3.33	13.0%	0.3%	66	2,124	2,319
Navy Yard/Capitol Hill/ Southwest	20,645	96.1%	$2,624	$3.29	8.1%	3.3%	139	3,808	3,979
North Central DC/Columbia Heights/Petworth	18,713	95.8%	$1,775	$2.50	3.1%	0.7%	61	808	1,178
Northeast DC/NoMa/H Street	24,782	96.6%	$2,259	$2.81	8.3%	1.0%	364	4,508	4,730
Northwest DC/Georgetown/ Friendship Heights	21,722	96.0%	$2,174	$2.86	12.3%	0.7%	0	1,601	1,719
Southeast DC	29,255	97.1%	$1,277	$1.58	0.9%	2.2%	63	555	907

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.
Source: Real Capital Analytics, Newmark Research; April 2022

Suburban Maryland Submarket Statistics – All Classes

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Suburban Maryland	**227,743**	**97.8%**	**$1,784**	**$1.96**	**8.7%**	**3.4%**	**807**	**6,195**	**7,029**
Bethesda/Chevy Chase	14,701	96.7%	$2,445	$2.55	9.9%	1.6%	164	1,941	1,997
College Park/Greenbelt	10,765	97.8%	$1,772	$1.88	5.4%	3.7%	118	393	497
Downtown Silver Spring	14,130	97.6%	$1,917	$2.17	8.4%	1.0%	0	956	1,060
East Silver Spring/ Takoma Park/Adelphi	17,608	98.8%	$1,507	$1.90	8.0%	2.4%	0	0	0
Frederick	11,863	98.5%	$1,712	$1.78	13.3%	6.9%	0	0	0
Gaithersburg	16,287	98.4%	$1,818	$1.91	10.5%	3.8%	193	268	268
Germantown	8,449	97.3%	$1,882	$1.96	16.3%	5.4%	0	212	212
Hyattsville/Riverdale	17,345	97.3%	$1,552	$1.91	5.5%	3.3%	0	0	233
Landover/Bowie	18,060	97.6%	$1,745	$1.91	5.0%	3.4%	134	1,239	1,335
Laurel/Beltsville	14,615	97.7%	$1,692	$1.88	8.5%	4.2%	0	0	0
Northeast Montgomery County	9,312	98.5%	$1,666	$1.78	5.6%	2.9%	0	0	0
Rockville/North Bethesda	21,306	97.3%	$2,126	$2.18	10.9%	2.4%	150	785	860
South Prince George's County/St. Charles	22,285	98.0%	$1,603	$1.86	8.6%	4.4%	48	401	401
Suitland/District Heights/ Capitol Heights	17,628	97.8%	$1,552	$1.74	6.6%	3.6%	0	0	0
Wheaton/Aspen Hill	13,389	97.6%	$1,846	$2.00	11.1%	3.2%	0	0	167

Northern Virginia Submarket Statistics – All Classes

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Northern Virginia	**269,067**	**97.4%**	**$1,986**	**$2.17**	**13.7%**	**3.1%**	**1,128**	**12,615**	**13,839**
Central Alexandria	12,880	98.1%	$1,731	$2.01	12.1%	2.8%	0	0	0
Columbia Pike	15,032	97.4%	$1,917	$2.24	14.6%	1.7%	0	0	0
Crystal City/Pentagon City	14,540	97.1%	$2,233	$2.42	19.0%	0.8%	0	2,142	2,304
East Alexandria	20,088	96.6%	$2,078	$2.46	12.4%	2.1%	451	2,266	2,322
Fredericksburg/Stafford	14,926	97.0%	$1,672	$1.64	12.0%	6.6%	200	160	197
Loudoun County	17,607	97.4%	$1,934	$1.97	14.0%	4.1%	76	97	179
Manassas/Far Southwest Suburbs	15,965	98.5%	$1,703	$1.78	11.0%	5.3%	0	0	0
North Arlington	31,498	97.1%	$2,427	$2.80	14.0%	2.1%	0	1,795	2,164
Reston/Herndon	21,503	97.2%	$2,061	$2.05	14.1%	3.2%	147	825	915
Seven Corners/Bailey's Crossroads/Annandale	11,682	98.3%	$1,809	$1.90	8.6%	2.3%	0	480	480
South Fairfax County	22,854	97.4%	$1,876	$2.09	14.0%	3.5%	0	1,106	1,106
Tysons/Falls Church/Merrified	27,422	97.2%	$2,116	$2.29	14.7%	2.7%	169	1,944	2,372
West Alexandria	10,985	97.9%	$1,855	$2.12	20.1%	3.4%	85	513	513
West Fairfax County	17,027	98.2%	$1,998	$2.13	14.2%	3.1%	0	969	969
Woodbridge/Dale City	15,058	97.1%	$1,703	$1.88	10.8%	4.6%	0	318	318

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.
Source: Real Capital Analytics, Newmark Research; April 2022

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GLOSSARY

Absorption: Net change in occupied units over a specific period.

Effective Rent: The price at which a unit leases after factoring in all concessions and discounts, calculated over the lease period.

Inventory: Professionally managed, investment-grade apartment buildings with 40 or more units.

Occupancy Rate: The number of physically occupied units, expressed as a percentage of total inventory.

Pipeline: Units under construction, plus those planned and likely to deliver within the next 36 months.

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.