



Mid-Atlantic Multifamily Market Report

Multifamily Investment Sales Pricing Remains Strong Despite Decreased Buyer Demand

The Mid-Atlantic multifamily market exhibited modest softening in the first quarter of 2023. Despite the average price per unit increasing nearly 12% over the last year, in the Mid-Atlantic region, quarterly sales volume has seen a 39% decrease during the same period. Consistent with the national trend of slowing demand momentum, the Mid-Atlantic markets each saw a deceleration from the exceptional growth experienced in 2021. Rising interest rates and unsteady financial market conditions have slowed the market's momentum.

In the first quarter of 2023, all Mid-Atlantic metro markets surveyed by Newmark, except Hampton Roads, experienced an increase in net leasing demand. Effective rent growth remained positive, though the pace of growth has decreased since 2021. Among the three substate regions in the Washington metro area, Washington DC and Northern Virginia boast the highest annualized rent appreciation at 4.3 % and 4.2%, respectively.

Continuing economic headwinds are beginning to impact the multifamily investment markets. Persistently high inflation has forced the Federal Reserve to institute steady interest rate hikes, which has softened real estate investment activity. Given the delay between market reactions and measured changes in fundamentals, the proof of this decline will be more evident in the coming quarters. At the writing of this report, preliminary inflation for March 2023 has cooled over recent months but remains high, and indicates the Federal Reserve is likely to maintain its planned efforts to continue boosting interest rates to suppress the influence of inflation.

Given these near-term headwinds, it is reassuring that the Mid-Atlantic region encompasses strong and stable economic markets, which perform well in periods of uncertainty. All four Mid-Atlantic multifamily markets' competitive conditions are supported by a well-positioned labor force anchored by the federal and state government. The region also boasts growth in high-wage sectors, like Professional and Business Services, and Information. Although a recession is not guaranteed, low-growth economic cycles, combined with exceptionally tight home ownership, can benefit multifamily leasing fundamentals and support safety-focused investment opportunities. The Mid-Atlantic's supply and demand balance is therefore anticipated to remain in relative equilibrium.

Investment activity in the Mid-Atlantic was healthy in the first quarter of 2023, but weaker conditions are expected. Since 2020, strong growth in mid-sized Sun Belt markets drew significant investor attention away from traditional markets. However, current market volatility has challenged investment sales and leasing velocity in recently popular investment markets like Phoenix, Tampa, Jacksonville, Atlanta, and Houston. Furthermore, increasing cost of capital and softening yield compression is causing risk-averse investors to begin reducing exposure in secondary markets and reconsider the safety of the Mid-Atlantic.

The best investment opportunities are expected 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 tech hubs. 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.

Mid-Atlantic Multifamily Markets: Key Statistics

	Baltimore Metro Area	Hampton Roads Metro Area	Richmond Metro Area	Washington Metro Area
Total Inventory (Units)	237,405	143,530	111,443	674,527
Overall Occupancy Rate	94.7%	94.9%	94.5%	94.9%
Year-to-Date Absorption (Units)	-242	-3,377	605	1,754
Effective Rent (Per Unit)	\$1,636	\$1,436	\$1,441	\$2,044
Effective Rent (Per SF)	\$1.84	\$1.51	\$1.59	\$2.36
1-Year Effective Rent Change	2.9%	5.2%	4.5%	4.0%
5-Year Average Effective Rent Change	5.1%	6.4%	6.9%	3.3%
YTD Deliveries	913	433	636	3,787
Under Construction (Units)	4,805	2,550	7,617	36,247
3-Year Delivery Pipeline (Units)	5,470	3,015	9,636	39,056

Baltimore Metro Area Multifamily Market

Occupancy Losses Focused in the City; Investment Market Softens

The Baltimore metro area's multifamily market softened slightly in the first quarter of 2023, though market conditions remain tight. Occupancy decreased by 40 basis points this quarter, to 94.7%. The region's net absorption registered negative 242 units during the first quarter of 2023. The Baltimore Suburbs outperformed the city, recording 134 units of positive absorption compared to the negative 376 units in the city. Although this was a notably negative quarter, market moderation was expected entering 2023 due to a variety of factors including socio-economic conditions and seasonality. There were 913 units that delivered this quarter, just over double the amount in the fourth quarter of 2022. The construction pipeline remains healthy, with 4,805 units under construction. An additional 665 units are expected to break ground in the near term, bringing the region's three-year development pipeline to 5,470 units.

Economic and Multifamily Market Outlook

Economic recovery continued gradually in the Baltimore metro area in the first quarter of 2023. The region's unemployment rate has fallen 60 basis points over the last year to 3.0%, which is also 60 basis points lower than the national rate. Baltimore added 17,800 jobs in the 12 months ending in February 2023. Out of all office-using sectors, the Other Services sector has grown 5.1% over the last 12 months, adding 2,400 jobs to the market. The Other Services sector comprises various employment types such as personal, religious and civic services. The region continues to benefit from the Port of Baltimore, which is an important asset for supporting the shipping and logistics needs of the ecommerce industry. The growing employment sector continues to provide opportunities for future multifamily demand throughout the entire Baltimore market. Recessionary pressures have begun curbing consumer demand, which may impact overall demand and downstream employment growth among logistics-based employers.

Market Summary

	Current Quarter	Year-Ago Period	36-Month Forecast
Total Inventory (Units)	237,405	235,673	↑
Occupancy Rate	94.7%	97.5%	→
Quarterly Net Absorption (Units)	-242	456	↑
12-Month Effective Rent Change	2.9%	11.1%	→
Quarterly Deliveries (Units)	913	257	↑

NEWMARK

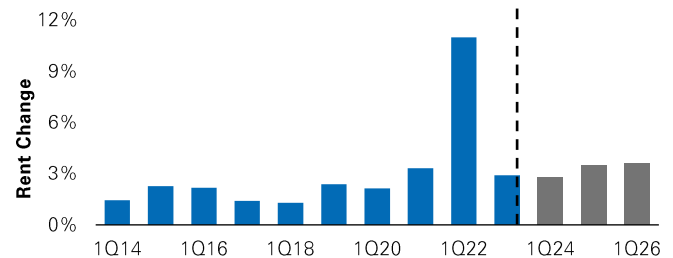
Economy

- **Payroll Employment:** 1,394,400 in March 2023.
- **Historical Job Change:** 17,800 jobs added in the 12 months ending March 2023.
- **Projected Job Change:** Newmark forecasts an average increase of 10,806 jobs per annum from 2023-2026.
- **Unemployment Rate:** 3.0% in February 2023, down 60 basis points from February 2022.
- **Average Household Income:** \$114,077 in 2021.

Source: Moody's, U.S. Bureau of Labor Statistics, ESRI, Newmark Research.

Market Analysis

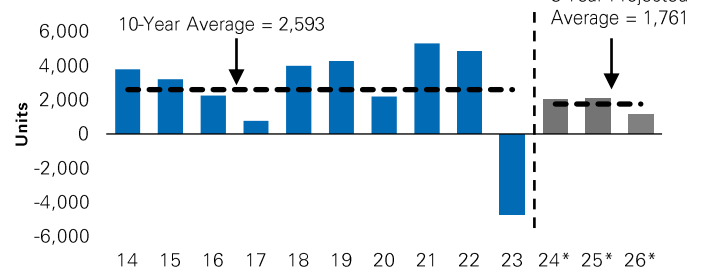
ANNUAL AVERAGE EFFECTIVE RENT CHANGE



Source: Real Capital Analytics, Newmark Research

Note: Effective rent change is calculated using same-store method for the trailing 12 months

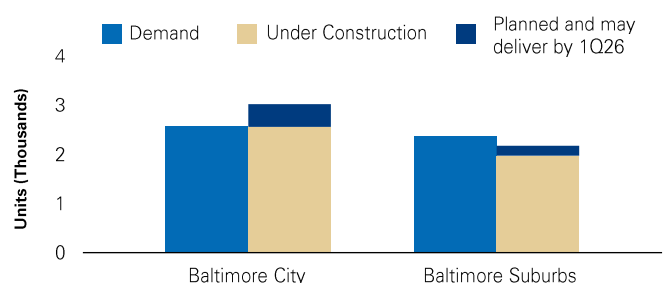
MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in first quarter

Source: Real Capital Analytics, Newmark Research

DEMAND AND DELIVERY PROJECTIONS 1Q23 -1Q26



Source: Real Capital Analytics, Newmark Research;

RESEARCH Q1 2023

In the next three years, supply and demand will be relatively stable, with demand slightly out-pacing supply in Baltimore City, while the suburbs will see a slight increase in supply compared to demand. Still, the metro area will remain relatively healthy, and the region's overall occupancy rate is expected to hold at 94.7% by the end of the first quarter of 2026. Rent growth remains elevated, at 2.9%, despite decreasing 100 basis points from the prior quarter. Quarter-over-quarter rent growth slowed in the first quarter of 2023 as multifamily demand generally softened nationwide due to seasonality and economic uncertainty.

The Baltimore area's multifamily investment market registered \$1.5 billion in sales volume for the 12 months ending in the first quarter of 2023. Quarterly volume decreased from the fourth quarter of 2022 by \$171.2 million. The largest single transaction this quarter was Beech's Farm Apartments, purchased by Howard County Housing Commission from StoneBridge Investments B.C. for \$218,519 per unit. Priced just below average, this sale is representative of recent investor preference for quality assets and has contributed to the increase in per-unit pricing in 2022. Overall pricing in the Baltimore metro area has been steadily rising since mid-2020 and currently registers \$232,098 per unit. The average cap rate measured 4.9% for the 12 months ending in the first quarter. This rate has been consistent over the last two quarters as real estate investors target multifamily assets. Despite this, cap rates are anticipated to rise in the period ahead due to recessionary pressures, increased interest rates, and limited access to debt.

Multifamily Investment Sales Outlook

Baltimore's multifamily investment activity has decelerated throughout 2022 and into 2023, with the first quarter posting the lowest sales volume since the second quarter of 2020. Macroeconomic headwinds are applying increasing downward pressure on market activity, which may become more evident in the upcoming quarters. Still, multifamily generally holds a competitive demand and pricing edge over alternative asset classes in the current real estate investment environment. The stability of multifamily and its reputation for steady occupancy gains since 2020 will continue attracting investors, albeit below the exceptional pace set in 2021. Asset pricing on a per-unit basis decreased in the first quarter of 2023 due to relatively few recorded sales. However, the four-quarter trailing average price per square-foot was supported by stronger gains in 2022. Significant price compression is not expected, though buyers and sellers are exploring repricing strategies due to rising interest rates and increased cost of capital that continue to temper investment activity. Nonetheless, the inflation-resistant nature of real estate could act as a counterweight to Federal Reserve actions.

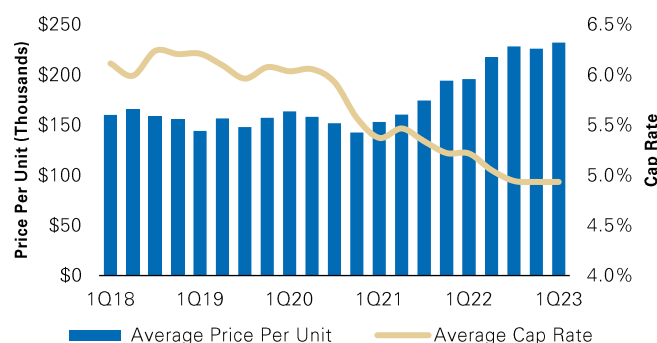
Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2023	\$1.5 B
12-Month Transaction Volume at 1Q 2022	\$3.6 B
1Q 2023 Average Price Per Unit	\$232,098
1Q 2023 Average Cap Rate	4.9%

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

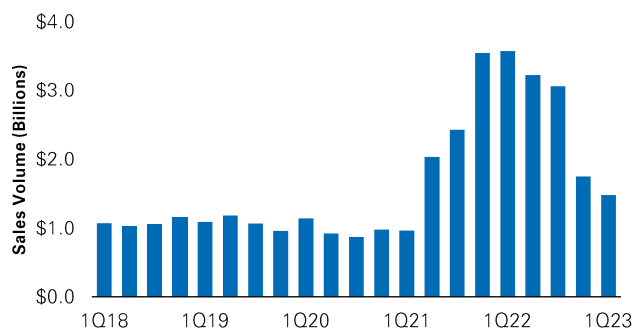
Investment Sales Analysis

AVERAGE MULTIFAMILY CAP RATE AND PRICE PER UNIT



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

TRAILING 12-MONTH MULTIFAMILY TRANSACTION VOLUME



Source: Real Capital Analytics, Newmark Research

Notable Recent Multifamily Sales Transactions

Multifamily Asset Name	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Residences at Annapolis Junction	\$150.0	\$360,577	RST Development	Armada Hoffer	Annapolis Junction
Echelon at Odenton	\$102.4	\$419,803	Hamilton Zane & Co.	Crow Holdings	Odenton
Riverstone at Owings Mills	\$92.9	\$286,574	Carter Multifamily	Continental Realty Corp	Owings Mills
Columbia Pointe	\$78.0	\$240,000	Excelsa	Morgan Properties	Columbia
Beech's Farm Apartments	\$29.5	\$218,519	Howard Co Housing Comm	StoneBridge Investments	Columbia

Source: Real Capital Analytics, Newmark Research

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2020 Absorption (Units)	2021 Absorption (Units)	2022 Absorption (Units)	1Q 2023 Absorption (Units)	YTD 2023 Absorption (Units)
Baltimore Metro Area	237,405	94.7%	5,042	5,060	-4,350	-242	-242
Baltimore City	73,925	93.5%	1,144	2,263	-972	-376	-376
Baltimore Metro Suburbs	163,480	95.2%	3,898	2,797	-3,378	134	134

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore Metro Area	237,405	\$1,636	\$1.84	2.9%	5.1%	913	4,805	5,470
Baltimore City	73,925	\$1,530	\$1.92	2.8%	4.6%	499	2,018	2,483
Baltimore Metro Suburbs	163,480	\$1,684	\$1.80	3.0%	5.4%	414	2,787	2,987

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore City	73,925	93.5%	\$1,530	\$1.92	2.8%	4.6%	499	2,018	2,483
Baltimore City East	18,399	94.0%	\$1,728	\$2.22	3.5%	5.3%	357	673	894
Baltimore City North	18,135	94.2%	\$1,369	\$1.64	4.3%	5.4%	0	0	0
Baltimore City West	18,026	92.8%	\$1,235	\$1.65	1.9%	5.5%	0	0	177
Downtown Baltimore	19,365	93.0%	\$1,766	\$2.16	1.4%	2.4%	142	1,345	1,412
Baltimore Suburbs	163,480	95.2%	\$1,684	\$1.80	3.0%	5.4%	414	2,787	2,987
Annapolis	10,032	95.3%	\$2,088	\$2.37	3.2%	4.9%	0	818	818
Columbia/North Laurel	17,147	95.3%	\$1,965	\$2.04	4.1%	5.4%	177	625	825
Ellicott City/Elkridge	9,493	94.4%	\$1,952	\$2.03	1.3%	4.8%	0	0	0
Far North Baltimore Suburbs	13,760	96.6%	\$1,609	\$1.69	5.4%	5.8%	8	608	608
Northeast Anne Arundel County	12,740	95.8%	\$1,680	\$1.92	2.8%	5.1%	0	0	0
Northwest Anne Arundel County	13,891	94.8%	\$2,011	\$1.99	3.0%	5.0%	0	300	300
Owings Mills/Pikesville/Randallstown	19,642	94.9%	\$1,654	\$1.60	2.6%	5.4%	229	96	96
Parkville/Carney/Perry Hall	12,484	95.2%	\$1,459	\$1.68	3.7%	6.2%	0	0	0
Southeast Baltimore County	19,686	94.3%	\$1,354	\$1.62	2.6%	6.0%	0	340	340
Southwest Baltimore County	18,535	95.0%	\$1,423	\$1.59	1.5%	5.1%	0	0	0
Towson/Hunt Valley	16,070	95.9%	\$1,679	\$1.66	3.2%	5.1%	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

Hampton Roads Metro Area Multifamily Market

Occupancy Contracts Modestly; New Supply to Loosen Tight Fundamentals

Multifamily market fundamentals remained tight in the first quarter of 2023, although some indicators have begun to soften. Occupancy decreased by 80 basis points to 94.9%. Effective rents continue to increase, though at a slowing pace. Given the market's strong level of occupancy, a slight decline in demand has loosened the market and has allowed more lease trade-outs. Average effective rents increased by 5.2% over the last year and regional absorption measured negative 3,377 units in the first quarter of 2023. There are 2,550 units under construction, and 465 planned units are set to deliver in the next three years. There were 433 units that delivered in the first quarter of 2023. The market's active construction pipeline measured 2,550 units, with an additional 465 units scheduled to break ground and deliver within the next three years. This will bring the region's total development pipeline to 3,015 units. The region's proximity to military and government contractor hubs has historically driven investors to the area, as well as consistent demand for multifamily space.

Multifamily investment volume measured \$331.5 million in the first quarter of 2023, ending two consecutive quarters of decreasing sales. After five consecutive quarters of softening, cap rates increased 20 basis points from the fourth quarter 2022, reaching 4.9%, which is in line with the four-year average. Investment market fundamentals are slowing, given the growing recessionary pressures and limited access to debt and financing for major investments. Although uncertain economic conditions may suppress new homebuying and fuel more rental activity, the higher cost of capital is simultaneously constricting activity among institutional investors. Upward pressure on cap rates is anticipated in the coming quarters as a result of declining buyer demand.

Economic and Multifamily Market Outlook

The consistent stability of Hampton Roads' economic drivers will continue to support a strong multifamily market. Though new supply is expected to decrease and modestly lag demand over the next three years, the region's occupancy rate of 94.9% has created tight conditions. Moderated future supply and a modest increase to demand is expected to increase occupancy by 10 basis points, to 95.0% by early 2026. This slight increase in new supply will help to gently moderate already tight conditions and will ultimately provide greater fluidity of renters and increase opportunities for owners to capitalize on lease trade-outs. The market's concentration of federal and military agencies, federal spending, employment growth among high-wage labor sectors, and the region's strong position in attracting new residents will support multifamily demand moving forward.

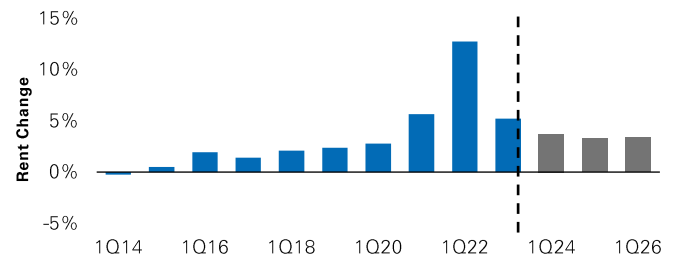
Economy

- **Payroll Employment:** 788,100 at February 2023.
- **Historical Job Change:** 12,400 jobs added in the 12 months ending February 2023.
- **Unemployment Rate:** 3.2% in February 2023, down 40 basis points from the national average.
- **Average Household Income:** \$88,911 in 2021.

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

Market Analysis

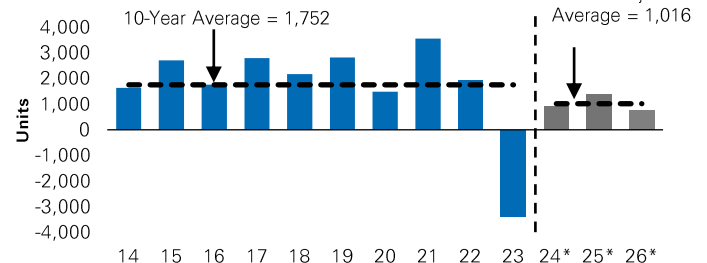
ANNUAL AVERAGE EFFECTIVE RENT CHANGE



Source: Real Capital Analytics, Newmark Research

Note: Effective rent change is calculated using same-store method for the trailing 12 months

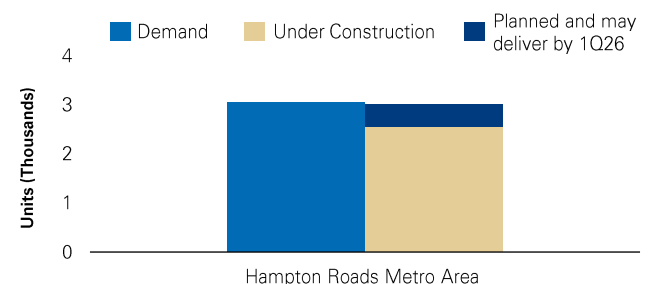
MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in first quarter

Source: Real Capital Analytics, Newmark Research

DEMAND AND DELIVERY PROJECTIONS 1Q23 -1Q26



Source: Real Capital Analytics, Newmark Research

Market Summary

	Current Quarter	Year-Ago Period	36-Month Forecast
Total Inventory (Units)	143,530	142,333	↑
Occupancy Rate	94.9%	98.5%	↓
Quarterly Net Absorption (Units)	-3,377	-354	↓
12-Month Effective Rent Change	5.2%	12.4%	↓
Quarterly Deliveries (Units)	433	265	↑

Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2023	\$1.4 B
12-Month Transaction Volume at 1Q 2022	\$1.7 B
1Q 2023 Average Price Per Unit	\$156,663
1Q 2023 Average Cap Rate	4.9%

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

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2020 Absorption (Units)	2021 Absorption (Units)	2022 Absorption (Units)	1Q 2023 Absorption (Units)	YTD 2023 Absorption (Units)
Hampton Roads Metro Area	143,530	94.9%	2,628	2,540	-778	-3,377	-3,377

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Hampton Roads Metro Area	143,530	\$1,436	\$1.51	5.2%	6.4%	433	2,550	3,015

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Hampton Roads Metro Area	143,530	94.9%	\$1,436	\$1.51	5.2%	6.4%	433	2,550	3,015
Chesapeake	10,785	96.4%	\$1,566	\$1.57	4.7%	5.1%	0	0	75
Hampton/Poquoson	17,692	93.9%	\$1,416	\$1.44	3.6%	6.7%	0	0	0
Newport News	26,649	93.4%	\$1,315	\$1.41	6.5%	7.6%	0	176	405
Northern Norfolk	15,596	96.1%	\$1,219	\$1.40	7.8%	5.4%	0	0	0
Portsmouth/Suffolk	16,751	95.2%	\$1,350	\$1.47	3.7%	6.6%	129	255	255
Southern Norfolk	12,870	95.0%	\$1,493	\$1.63	4.0%	4.2%	144	959	959
Virginia Beach East	18,835	95.5%	\$1,587	\$1.62	3.8%	7.0%	160	160	160
Virginia Beach West	17,379	95.4%	\$1,546	\$1.60	6.6%	6.3%	0	535	696
Williamsburg / Jamestown	6,973	95.0%	\$1,651	\$1.63	5.2%	8.3%	0	465	465

*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
ReNew Marina Shores	\$101.9	\$260,000	FPA Multifamily	C-III Investment Mgmt	Virginia Beach
5550 Shore Drive	\$55.4	\$147,207	Blackfin Real Estate	Shore Drive Associates LLLP	Virginia Beach
Addison at Hampton	\$50.0	\$181,159	Weinstein Properties	Berkadia	Newport News
Riverlands Apartments	\$42.2	\$104,455	Blackfin Real Estate	Perrel Management Company	Newport News

Source: Real Capital Analytics, Newmark Research

Richmond Metro Area Multifamily Market

Investment Activity Softens; Future Demand to Outperform Supply

Richmond's multifamily market remained relatively stable through the first quarter of 2023, with unchanged occupancy and a small increase in asking rents. Although asking rents are moderating from the exceptionally high rates recorded in the preceding two years, Richmond's overall effective rents increased 4.5% over the last 12 months, on a same-store basis, a modest increase from the fourth quarter of 2022. The exceptionally high rent growth recorded over the past 24 months is anticipated to moderate over the next three years, but increased demand relative to available supply by early 2026 should keep rent appreciation healthy and above pre-pandemic rates.

Net absorption measured 605 units in the first quarter of 2023, offsetting some of the loss seen last quarter. The region's occupancy rate remains unchanged from the previous quarter, measuring 94.5%. New deliveries added 636 units to the total inventory this quarter. The market's active construction pipeline measured 7,617 units, with an additional 2,019 units scheduled to break ground and deliver within the next three years. This will bring the region's total development pipeline to 9,636 units. Furthermore, the market's occupancy rate is expected to increase 190 basis points to 96.4% over the next three years.

Richmond's stable occupancy rate and sturdy demand continue to lure investor attention as an appealing secondary Mid-Atlantic market. However, investment activity is cooling due to challenging economic and financing conditions. Multifamily investment activity measured \$78.3 million this quarter, lower than the 10-year average of \$129.7 million. Average cap rates have decreased 10 basis points over the last year, to 4.8%; however, some upward pressure is likely to be experienced as investors reconsider valuations and current market conditions for investment opportunities.

Economic and Multifamily Market Outlook

Richmond's economic development has been instrumental in supporting its multifamily market over the last decade. The region gained 18,400 jobs during the 12 months ending in February 2023. The Richmond market is home to several Fortune 500 companies, including Capital One and Altria, as well as noteworthy education and medical employers, including VCU, University of Richmond, and state government offices. The market's healthy share of high-wage jobs and its affordability relative to nearby markets make it attractive to investors seeking the historical stability of the Mid-Atlantic and the upside of a diversified secondary market. Despite the region's optimistic economic drivers and business-friendly environment, macroeconomic factors are beginning to affect investment activity.

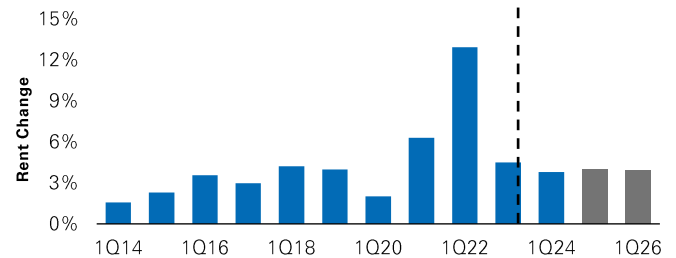
Economy

- **Payroll Employment:** 699,800 at February 2023.
- **Historical Job Change:** 18,400 jobs were gained in the 12 months ending February 2023.
- **Unemployment Rate:** 3.0% in February 2023, down 20 basis points from February 2022.
- **Average Household Income:** \$95,784 in 2021.

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

Market Analysis

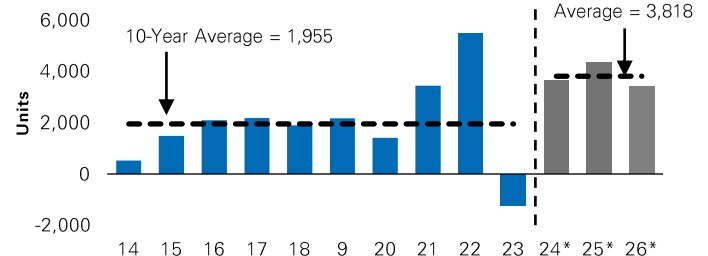
ANNUAL AVERAGE EFFECTIVE RENT CHANGE



Source: Real Capital Analytics, Newmark Research

Note: Effective rent change is calculated using same-store method for the trailing 12 months

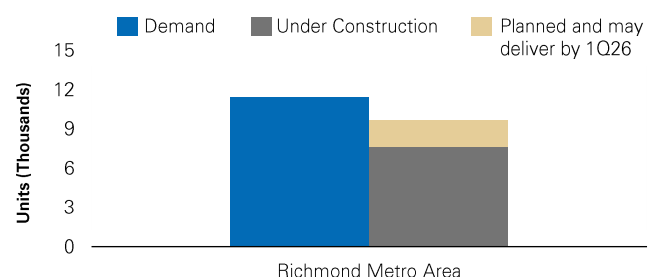
MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in first quarter

Source: Real Capital Analytics, Newmark Research

DEMAND AND DELIVERY PROJECTIONS 1Q23 -1Q26



Source: Real Capital Analytics, Newmark Research

RESEARCH Q1 2023

Market Summary

	Current Quarter	Year-Ago Period	36-Month Forecast
Total Inventory (Units)	111,443	109,055	↑
Occupancy Rate	94.5%	97.8%	↑
Quarterly Net Absorption (Units)	605	1,014	↑
12-Month Effective Rent Change	4.5%	12.3%	↓
Quarterly Deliveries (Units)	636	735	↑

Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2023	\$1.3 B
12-Month Transaction Volume at 1Q 2022	\$1.4 B
1Q 2023 Average Price Per Unit	\$142,076
1Q 2023 Average Cap Rate	4.8%

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

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2020 Absorption (Units)	2021 Absorption (Units)	2022 Absorption (Units)	1Q 2023 Absorption (Units)	YTD 2023 Absorption (Units)
Richmond Metro Area	111,443	94.5%	2,504	5,469	-1,051	605	605

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Richmond Metro Area	111,443	94.5%	\$1,441	\$1.59	4.5%	6.9%	636	7,617	9,636
Chesterfield County	15,260	94.8%	\$1,585	\$1.55	3.9%	6.5%	0	1,449	2,016
Downtown Richmond/ The Fan	12,598	95.7%	\$1,453	\$1.83	4.3%	3.2%	204	444	659
East Richmond	19,198	93.4%	\$1,276	\$1.48	4.0%	7.0%	51	530	530
Hanover County	5,517	96.5%	\$1,683	\$1.67	11.2%	6.5%	0	285	285
Northwest Richmond	12,128	93.9%	\$1,491	\$1.67	1.8%	6.7%	0	1,291	1,291
Petersburg/ Colonial Heights/ Hopewell	9,185	94.0%	\$1,181	\$1.28	8.0%	5.8%	0	0	0
Southside	22,013	94.2%	\$1,354	\$1.54	4.8%	9.7%	72	1,382	1,784
Tuckahoe/Westhampton	15,544	94.8%	\$1,645	\$1.71	3.1%	7.4%	309	2,236	3,073

*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
Element at Stonebridge	\$96.3	\$240,625	American Landmark	Boyd Homes	Richmond
Hickory Creek	\$65.0	\$221,088	NorthRock Companies	Capital Square 1031	Henrico
College Park	\$26.0	\$107,438	Dorbin CLG PK LLC	Brookfield	Richmond
Laurel Pines Apartments	\$21.0	\$175,000	Highlands Vista Group	H2 Capital	Richmond

Source: Real Capital Analytics, Newmark Research



Washington Metro Area Multifamily Market

Demand Softens; Limited Investor Activity Driven by Suburbs

The Washington metro area's multifamily market remained relatively tight in the first quarter of 2023, despite key performance indicators continuing to soften. Despite strong rent appreciation, a slight decrease in net occupancy and new unit deliveries resulted in decreased occupancy. Net demand measured 1,754 units in the first quarter of 2023, which is an improvement from the negative 246 units measured in the previous quarter. Quarterly demand has varied between the three substate areas, measuring 1,314 units in the District of Columbia, 1,053 units in Northern Virginia, and negative 613 units in Suburban Maryland. Uncertain economic conditions were one of a variety of factors that contributed to occupancy contraction, along with expected seasonality during the first quarter. Occupancy decreased and measured 94.8%, 94.7%, and 95.1% in the District of Columbia, Suburban Maryland, and Northern Virginia, respectively. The modest softening of fundamentals should not raise alarms; however, conditions should continue to moderate, following the exceptional growth of the past year. Although economic headwinds are applying downward pressure on the market, overall fundamentals remain strong.

Regionally, per-unit effective rents have increased 4.0% over the last 12 months. Rent growth continues to be supported by the District of Columbia and Northern Virginia, with average growth rates of 4.3% and 4.2%, followed by Suburban Maryland, at 3.5%. Though moderating, high lease trade-out rates have been supporting high rent growth nationwide, particularly in secondary markets. Fast-growing suburban nodes within major gateway markets, such as Northern Virginia, continue to see more aggressive trade-out rates relative to the urban core. Rents are projected to remain positive for the next three years, though growth will slow to about 2.7% by the first quarter of 2026.

A total of 36,247 units are under construction and 3,787 units delivered regionally in the first quarter of 2023. Additionally, 2,809 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 39,056 units. Construction and material costs remains high, but developers are optimistic about future demand for newly built rentals. While interest rates remain elevated, expectations for continued growth have moderated. Consequently, market activity could pick up later in 2023 as financial market conditions become more predictable. Nonetheless, investor interest is high in Northern Virginia and Maryland due to fewer regulations, most notably TOPA, but challenges such as access to equity and exceptionally limited assets available for purchase are suppressing actionable investment. The region's diverse pipeline and ongoing optimism among developers for new product will result in relatively balanced supply and demand regionally.

Economy

- **Payroll Employment:** 3,340,700 in March 2023.
- **Historical Job Change:** 74,700 jobs added in the 12 months ending March 2023.
- **Unemployment Rate:** 2.9% in February 2023, down 30 basis points from February 2022.
- **Average Household Income:** \$144,743 in 2021.

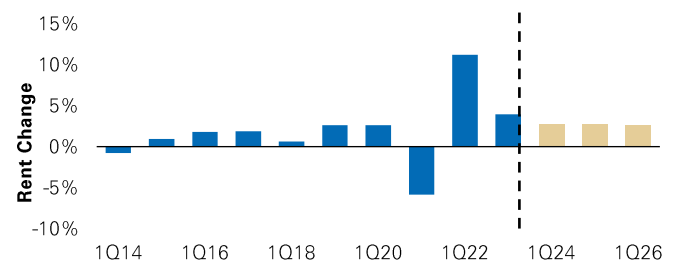
Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research

Market Summary

	Current Quarter	Year-Ago Period	36-Month Forecast
Total Inventory (Units)	674,527	661,690	↑
Occupancy Rate	94.9%	97.3%	↑
Quarterly Net Absorption (Units)	1,754	4,495	↑
12-Month Effective Rent Change	4.0%	10.6%	↓
Quarterly Deliveries (Units)	3,787	2,628	↑

Market Analysis

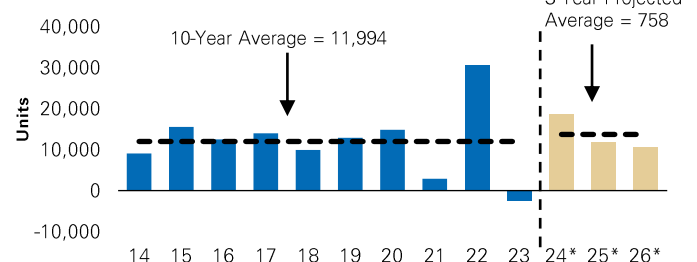
ANNUAL AVERAGE EFFECTIVE RENT CHANGE



Source: Real Capital Analytics, Newmark Research

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

Economic and Multifamily Market Outlook

The Washington metro area's employment base recovered 74,700 jobs in the 12 months ending in March 2023. The region's unemployment rate was 2.9% in February and has declined 30 basis points from one year ago. Though annualized labor market recovery was strong, month-over-month growth has slowed down in 2022, heading into 2023, due in part to increasing recessionary concerns. Despite these challenges, the Washington metro area continues to hold a competitive advantage thanks to its economic stability, highly educated workforce, and strong private sector demand drivers. 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 catalyzed new economic expansion, leading to greater multifamily demand. Though economic pressures may soften the federal insulation effect the region holds during periods of economic uncertainty, the federal government has also provided a stronger growth engine during periods of prosperity. Rental demand should be further supported by the particularly tight home ownership market due to lack of quality inventory and elevated interest rates, which further constrain opportunities for prospective homebuyers, thus supporting 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 both the urban core and alternative suburban areas. This includes off-Metrorail areas of Montgomery and Fairfax Counties and technology-focused markets along the completed Silver Line and Dulles Toll Road. Northern Virginia continues to support most of the region's office-using employment growth, gaining 45,100 jobs over the last year. The growth of high-wage jobs in suburban markets is encouraging for continued growth in Northern Virginia. Increased demand is expected in all three substate areas but will be most prevalent in Northern Virginia.

Multifamily demand forecasts have strengthened the region's development pipeline, which will result in a slight increase in demand relative to supply. Newmark anticipates that the region's occupancy rate will increase slightly to 95.8% over the next three years. Though occupancy modestly contracted this quarter and market conditions tilted downward, the region is anticipated to see positive occupancy growth in the period ahead, driven by suburban markets. Still, forecasted regional occupancy greater than 95% is healthy for investors, particularly for a market as large as the Washington metro area. More neutral supply and demand conditions are anticipated in the District of Columbia over the next three years. A strong construction pipeline in the urban core has effectively densified the District's fastest growing and high value micro-markets. In the period ahead, developers will have to consider riskier development propositions as opportunities contract.

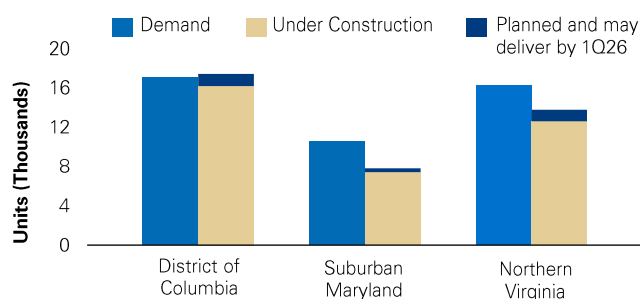
Although the pace of rent growth is beginning to slow, inflation indicators assembled by the Bureau of Labor Statistics highlight the relative strength of rent appreciation relative to overall inflation. Rent of primary residences has continued to increase at a record pace over the last four quarters, reaching 8.8% as of March 2023. Concurrently, the Consumer Price Index experienced modest downward pressure after reaching an apex in June 2022. Given the slowing rent growth measured locally in the first quarter of 2023, it is expected that the inflation rate for rent of primary residence will temper in the coming months but will remain above that of the CPI, at least in the near term.

Current Conditions

- The region absorbed 1,754 units during the first quarter of 2023, up from negative 246 units absorbed in fourth-quarter 2022.
- The region's occupancy rate decreased 30 basis points from the fourth quarter to 94.9%.
- The average effective rent increased 4.0% over the past 12 months; a decrease from the 5.4% annualized growth recorded in the fourth quarter of 2022.

Demand and Delivery Projections

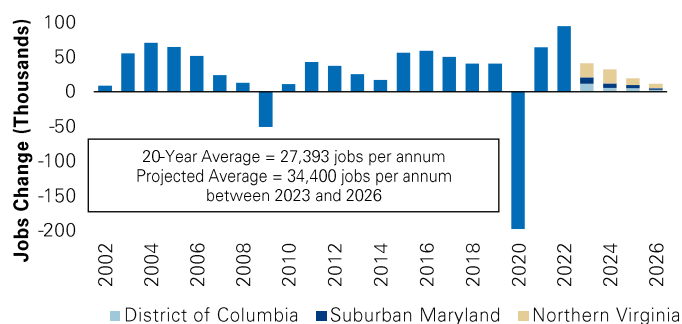
DEMAND AND DELIVERY PROJECTIONS 1Q23 -1Q26



Source: Newmark Research

Payroll Job Growth Forecast

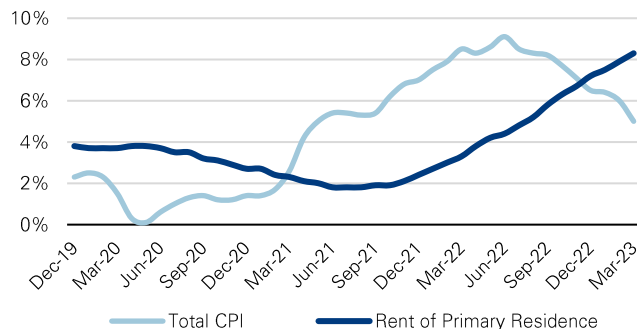
WASHINGTON METRO AREA | 2002 - 2026



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

Inflation and the Consumer Price Index

CONSUMER PRICE INDEX – ANNUAL PERCENTAGE CHANGE



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

Investment Sales Activity Cools; Cap Rates to Experience Upward Pressure in 2023

The Washington region's multifamily market registered \$1.1 billion in quarterly sales volume in the first quarter of 2023, slightly below the five-year average and a decrease from the fourth quarter of 2022. The 12-month average cap rate measured 4.5% in the first quarter, which remains unchanged from 12 months ago. One challenge continuing to face investors is the limited supply of multifamily assets on the market. Given the rapidly changing financial market conditions, both buyers and sellers are exhibiting significantly greater caution in exploring investment prospects. Quarterly sales in Suburban Maryland and Northern Virginia were relatively low, at \$399.2 million and \$321.5 million, respectively. A notable transaction in the first quarter was Sussex at Kingstowne, in Alexandria, Virginia, which sold for \$179.0 million, or \$321,942 per unit, from GID to Harbor Group Int'l.

Multifamily Investment Sales Outlook

Multifamily investment activity in the Washington region continued to decelerate through the first quarter of 2023. Macroeconomic headwinds persist, slowing some of the growth drivers anticipated to push the market. Recessionary pressures, a high 10-year Treasury rate, and increased interest rates continue to apply downward pressure on investor demand as access to debt remains limited. Market fundamentals remain strong as buyers and sellers continue to navigate the uncertain climate by re-pricing deals due to higher interest rates. The Mid-Atlantic has historically been targeted by investors for its stability during periods of economic uncertainty. Given inflation, slowing economic indicators, and the competitive advantage of residential over alternative assets, safety-minded investors may focus on Washington's multifamily market. Regional cap rates remain relatively low, but cap rates are increasing in certain areas, partially a result of decreased buyer-demand. A subtle easing of the region's yield compression could help to limit the leakage of investors to higher-return secondary markets.

Washington's high occupancy rate and economic fundamentals, particularly in the suburbs, are expected to be stalwarts in driving continued investor demand. Investment opportunities will be most attractive in areas with upward economic growth, such as healthcare nodes in Montgomery County and the technology corridor connecting Arlington, Tysons, and Reston. Suburban Maryland's consistent fundamentals and strong demographics will support its position as a safe and stable investment market. Relatively low cap rates will continue to demonstrate Washington's relative safety compared to other markets for investors.

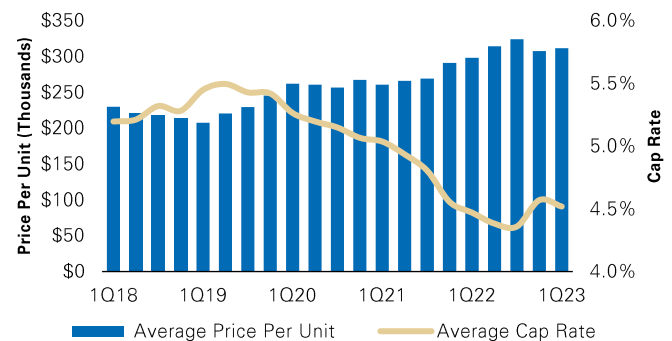
Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2023	\$6.8 B
12-Month Transaction Volume at 1Q 2022	\$9.3 B
1Q 2023 Average Price Per Unit	\$311,470
1Q 2023 Average Cap Rate	4.5%

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

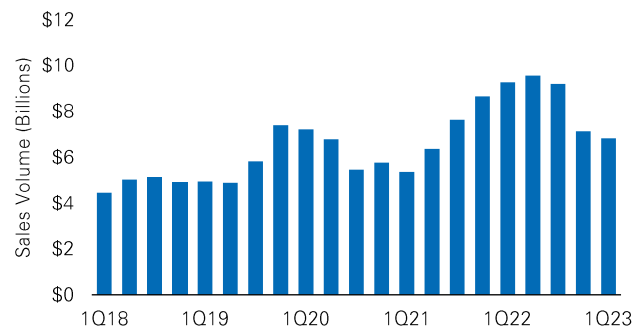
Investment Sales Analysis

AVERAGE MULTIFAMILY CAP RATE AND PRICE PER UNIT



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

TRAILING 12-MONTH MULTIFAMILY TRANSACTION VOLUME



Source: Real Capital Analytics, Newmark Research

Notable Recent Multifamily Sales Transactions

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
The Lydian	\$181.5	\$560,185	Pacific Life	The Wilkes Co JV Quadrangle	Washington DC
Sussex At Kingstowne	\$179.0	\$321,942	GID	Harbor Group Int'l	Alexandria
Highgate at Metropolitan Mile	\$137.0	\$346,835	Kettler JV Pacific Life	Blackstone	Fairfax
Huntington King Farm Phase I	\$123.0	\$283,410	AEW Capital	RREEF Funds JV JPI Multifamily	Rockville
Lyric Apartments	\$111.5	\$476,496	Pacific Life	Quadrangle	Washington DC

Source: Real Capital Analytics, Newmark Research

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2020 Absorption (Units)	2021 Absorption (Units)	2022 Absorption (Units)	1Q 2023 Absorption (Units)	YTD 2023 Absorption (Units)
Washington Metro Area	674,527	94.9%	4,357	28,728	-246	1,754	1,754
District of Columbia	170,637	94.8%	1,216	11,558	1,664	1,314	1,314
Suburban Maryland	229,869	94.7%	706	7,374	-858	-613	-613
Northern Virginia	274,021	95.1%	2,435	9,796	-1,052	1,053	1,053

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	YTD 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Washington Metro Area	674,527	\$2,044	\$2.36	4.0%	3.3%	3,787	36,247	39,056
District of Columbia	170,637	\$2,225	\$2.92	4.3%	1.9%	2,007	16,209	17,438
Suburban Maryland	229,869	\$1,859	\$2.05	3.5%	3.9%	305	7,419	7,828
Northern Virginia	274,021	\$2,087	\$2.28	4.2%	3.7%	1,475	12,619	13,790

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
District of Columbia	170,637	94.9%	\$2,225	\$2.92	4.3%	1.9%	2,007	16,209	17,438
Central DC/West End/Shaw/Mt. Vernon Triangle	50,387	95.5%	\$2,556	\$3.49	4.7%	1.3%	471	3,097	3,533
Navy Yard/Capitol Hill/Southwest	22,505	93.0%	\$2,679	\$3.36	3.2%	2.8%	246	4,792	5,072
North Central DC/Columbia Heights/Petworth	18,928	95.9%	\$1,894	\$2.66	5.9%	2.0%	323	1,264	1,294
Northeast DC/NoMa/H Street	27,349	93.3%	\$2,313	\$2.88	1.9%	1.6%	831	4,501	4,850
Northwest DC/Georgetown/Friendship Heights	22,139	95.7%	\$2,323	\$3.05	6.4%	1.7%	136	1,568	1,639
Southeast DC	29,329	95.1%	\$1,368	\$1.69	4.1%	2.9%	0	987	1,050

*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

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Suburban Maryland	229,869	94.7%	\$1,859	\$2.05	3.5%	3.8%	305	7,419	7,828
Bethesda/Chevy Chase	14,982	94.2%	\$2,586	\$2.70	1.9%	2.3%	0	2,614	2,863
College Park/Greenbelt	11,191	93.7%	\$1,835	\$1.95	4.1%	4.3%	66	0	0
Downtown Silver Spring	14,533	96.3%	\$1,972	\$2.24	3.2%	1.6%	135	553	553
East Silver Spring/ Takoma Park/Adelphi	17,563	96.7%	\$1,577	\$1.98	4.2%	3.1%	0	0	0
Frederick	11,863	95.6%	\$1,821	\$1.89	6.2%	6.9%	0	799	799
Gaithersburg	16,352	96.3%	\$1,970	\$2.07	6.5%	5.1%	0	268	268
Germantown	8,449	95.4%	\$1,941	\$2.02	3.1%	5.6%	0	212	212
Hyattsville/Riverdale	17,345	95.1%	\$1,586	\$1.95	2.4%	3.4%	0	600	632
Landover/Bowie	18,462	93.2%	\$1,828	\$2.00	4.2%	3.8%	90	1,256	1,256
Laurel/Beltsville	14,615	94.1%	\$1,674	\$1.86	-0.3%	3.5%	0	0	0
Northeast Montgomery County	9,312	96.0%	\$1,787	\$1.91	7.3%	4.1%	0	0	128
Rockville/North Bethesda	21,691	95.5%	\$2,204	\$2.26	4.0%	3.0%	0	670	670
South Prince George's County/St. Charles	22,494	94.1%	\$1,641	\$1.90	1.8%	4.4%	14	120	120
Suitland/District Heights/ Capitol Heights	17,628	91.0%	\$1,591	\$1.78	0.9%	3.6%	0	327	327
Wheaton/Aspen Hill	13,389	94.6%	\$1,962	\$2.13	6.2%	4.1%	0	0	0

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 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Northern Virginia	274,021	95.1%	\$2,087	\$2.28	4.2%	3.7%	1,475	12,619	13,790
Central Alexandria	12,880	95.3%	\$1,822	\$2.11	5.3%	3.7%	0	511	640
Columbia Pike	15,032	96.3%	\$1,997	\$2.34	3.4%	2.4%	0	250	250
Crystal City/Pentagon City	14,845	94.1%	\$2,362	\$2.56	4.3%	1.6%	154	2,327	2,777
East Alexandria	21,188	95.5%	\$2,168	\$2.57	4.7%	2.8%	108	1,254	1,578
Fredericksburg/Stafford	15,005	94.1%	\$1,728	\$1.70	1.2%	6.6%	24	471	516
Loudoun County	17,793	95.1%	\$2,097	\$2.13	7.0%	5.3%	0	437	437
Manassas/Far Southwest Suburbs	16,059	96.3%	\$1,817	\$1.90	6.0%	5.5%	0	0	0
North Arlington	31,807	95.5%	\$2,609	\$3.01	4.5%	3.1%	0	1,808	1,863
Reston/Herndon	21,879	95.0%	\$2,191	\$2.18	6.2%	3.8%	0	1,655	1,731
Seven Corners/Bailey's Crossroads/Annandale	11,922	95.2%	\$1,913	\$2.01	3.8%	3.1%	0	240	240
South Fairfax County	23,167	94.6%	\$1,937	\$2.16	4.8%	3.8%	129	715	807
Tysons/Falls Church/Merrifield	28,542	95.0%	\$2,208	\$2.38	4.8%	2.9%	569	2,037	2,037
West Alexandria	11,369	94.4%	\$1,785	\$2.04	-2.7%	2.9%	127	0	0
West Fairfax County	17,450	96.2%	\$2,097	\$2.23	4.9%	3.9%	205	914	914
Woodbridge/Dale City	15,083	93.9%	\$1,747	\$1.93	1.1%	4.4%	159	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

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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.

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