



RESEARCH 2Q 2021



# The Mid-Atlantic Multifamily Market

## Region's Multifamily Market Rebounds During Second Quarter

The second quarter of 2021 saw the Mid-Atlantic multifamily market stabilize after a challenging year. The second quarter saw a rapid increase in vaccinations across the region and the lifting of all pandemic related restrictions on businesses.

The Mid-Atlantic region's multifamily market recorded stable fundamentals except for modest declining rents in the District of Columbia and Northern Virginia. Even though these areas saw declining rents over the last 12 months, absorption was robust in the second quarter, showing signs of a market in recovery. The Mid-Atlantic area remains well-positioned relative to its geographic peers due to the stable federal job market (both direct and contract work), and overall composition of labor, which boasts many high-wage jobs in the Professional and Business Services sector. The Washington metro area, despite a robust pipeline, is likely to feature balanced supply and demand in the aggregate over the next three years.

Institutional investment picked up in the second quarter and will likely increase as recovery continues and investment hurdles in the District decline, allowing multifamily transactions to resume in earnest. Access to capital and investment appetite remains high in multifamily, due to the perceived riskiness of the office and hotel markets.

In the District of Columbia, the State of Emergency extension is set to expire in July and sales can begin again in August. The State of Emergency has made it effectively impossible to legally adhere to the Tenant Opportunity to Purchase Act (TOPA) since the beginning of the pandemic.

The pandemic has disrupted the normal rhythm of the housing markets and this did not change in the second quarter. A single-family homeownership market with sharply rising existing home prices, low inventory and rising construction costs could keep potential homebuyers in the rental market, especially in the Washington and Baltimore metro areas. Per the MLS, the median sales price for single family homes in the Washington metro area rose 16.3% from June 2019 to June 2021 and 18.3% in the Baltimore metro area during that same period. These conditions likely will help elevate multifamily demand in the future.

Within the region, the best multifamily investment opportunities will shadow the areas with the greatest economic growth. Maryland's life sciences/pharmaceutical nodes and cybersecurity in the Baltimore suburbs, as well as Northern Virginia's technology corridor (connecting Alexandria, Arlington, Tysons and Reston), have all seen job growth throughout the pandemic that will lend itself to Class A multifamily demand. Hampton Roads will continue to benefit from its strong federal government presence and constrained pipeline, along with its strong Professional and Business Services sector. Richmond continues to be the strongest performing Mid-Atlantic multifamily market surveyed by Newmark and benefits from population migration to secondary markets with a more affordable cost of living. Overall, multifamily investment remains a relatively safe harbor within the real estate sector.

### Mid-Atlantic Multifamily Markets: Key Statistics

	Baltimore Metro Area	Hampton Roads Metro Area	Richmond Metro Area	Washington Metro Area
Total Inventory (Units)	233,418	141,504	106,288	451,236
Overall Occupancy Rate	96.3%	98.0%	96.7%	95.2%
Year-to-Date Absorption (Units)	2,247	1,337	2,309	8,915
Effective Rent (Per Unit)	\$1,452	\$1,219	\$1,242	\$1,801
Effective Rent (Per SF)	\$1.63	\$1.28	\$1.37	\$2.06
1-Year Effective Rent Change	6.7%	8.4%	9.1%	-1.4%
5-Year Average Effective Rent Change	2.3%	3.1%	4.0%	1.0%
YTD Deliveries	1,109	660	1,786	5,909
Under Construction (Units)	3,742	2,479	6,160	31,594
3-Year Delivery Pipeline (Units)	4,313	2,692	7,323	33,769



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# Baltimore Metro Area Economy and Multifamily Market

## Baltimore Sees Strong Metrics in Second Quarter

The Baltimore metro area's multifamily metrics remained strong in the second quarter as COVID-19 restrictions lifted and vaccines were rapidly deployed. The region absorbed 1,717 multifamily units, up from 1,403 during the second quarter of 2020. Absorption was likely buoyed by the region's expanding logistics and healthcare industries, which have thrived during the pandemic and will continue to thrive after. The metro area's occupancy rate registered 96.3%, up 130 basis points from one year ago. At the end of the second quarter, 3,742 units were under construction and 414 units delivered in the region during the second quarter. Approximately 571 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 4,313 units. Of those planned units, 86.7% are in Baltimore City.

### Economic and Multifamily Market Outlook

The Baltimore metro area's economic recovery continued into the second quarter of 2021. The region's unemployment rate stands at 5.5%, which compares favorably to the national rate of 5.8%. Baltimore added back 79,700 jobs in the 12 months ending in June 2021. Baltimore can rely on its core job sectors such as logistics and healthcare to bolster apartment demand in the future. Consistent demand in the e-commerce industry is likely to continue after the pandemic, as the convenience of online shopping will remain a fixture of consumer behavior. The vaccine rollout advanced rapidly during the second quarter with Maryland having over 70% of its residents 18+ fully vaccinated. This high vaccination rate will likely keep COVID-19 variants at bay and allow the return to normal.

### Multifamily Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	233,418	230,606	↑
Occupancy Rate	96.3%	95.0%	↓
Quarterly Net Absorption (Units)	1,717	1,403	↓
12-Month Effective Rent Change	6.7%	0.1%	↓
Quarterly Deliveries (Units)	1,109	1,046	↓

### Economy

**Payroll Employment:** 1,369,900 at June 2021.

**Historical Job Change:** 79,700 jobs added in the 12 months ending June 2021.

**Projected Job Change:** Newmark forecasts an average increase of 27,098 jobs per annum from 2021-2024.

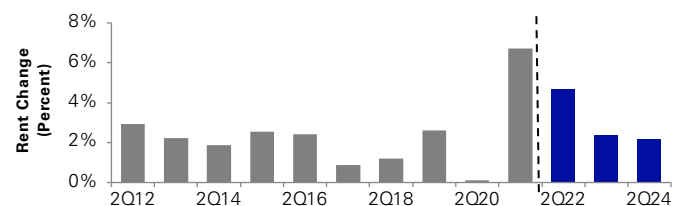
**Unemployment Rate:** 5.5% in May 2021, down 370 basis points from May 2020.

**Average Household Income:** \$111,847 in 2020.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2021

### Market Analysis

#### Annual Average Effective Rent Change

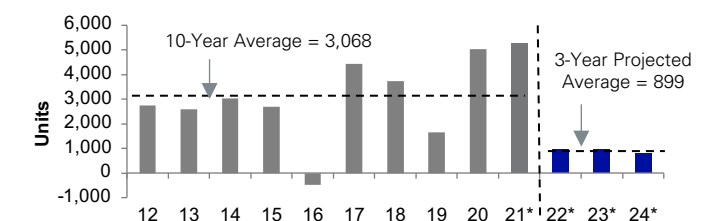


Source: RealPage, Newmark Research; July 2021

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

### Market Outlook

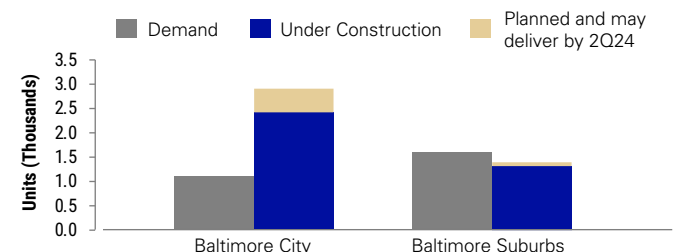
#### Multifamily Absorption Projection



\* 12 months ending in second quarter

Source: RealPage, Newmark Research; July 2021

#### Multifamily Demand and Delivery Projections: 3Q21-2Q24



Source: RealPage, Newmark Research; July 2021

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## Economic and Multifamily Market Outlook (Continued)

Over the next 36 months, new supply is anticipated to outpace demand in Baltimore City, but demand is expected to outpace new supply in the Baltimore Suburbs. Overall, this will likely decrease the region's overall occupancy rate by 60 basis points to 95.7%. Rent growth is anticipated to slow, with 3.1% annual average effective rent growth over the next 36 months—higher than the 10-year average of 2.4% but lower than the robust 6.7% increase seen in the past 12 months. Demand is expected to moderate during the balance of 2021 notwithstanding the likely job growth ahead, as the market saw little attrition last year.

## Sales Volume Skyrockets During Second Quarter

The Baltimore area's multifamily market registered \$2.6 billion in sales volume for the 12 months ending in the second quarter of 2021, measuring an increase of \$1.5 billion from the prior 12 months. The largest transaction of the quarter was the \$154.0 million sale of Nautilus Pointe, purchased by Bainbridge Companies and TPG Realty. During the 12 months ending in the second quarter of 2021, the Baltimore metro area recorded an average sale price of \$176,262 per unit—an increase of 2.5% from a year earlier. The average pro-forma cap rate measured 5.3% for the 12 months ending in second quarter of 2021, steady from the second quarter of 2020.

## Multifamily Investment Sales Outlook

Sales volume in the Baltimore area on a trailing 12-month basis recovered nicely in the second quarter. The second quarter recorded the highest quarterly sales volume since the fourth quarter of 2015. Investment volume will likely remain elevated during the remainder of 2021 as the economy continues to recover and multifamily investment remains a safe bet. Cap rates remain low; they are down 90 basis points since the most recent peak in 2016. There was a flight to quality this quarter with the top five sales transacting for over \$100,000 more per unit than the average. Baltimore is continuing to recover jobs in the first half of 2021 and is still around 200 basis points away from pre-pandemic unemployment numbers. Job recovery is forecasted to be stout in the second half of 2021 and into 2022 due to the rapid roll out of vaccines in the area and the strength of Baltimore's large healthcare, logistics and cybersecurity sectors. These factors will bolster demand for multifamily units in the years ahead.

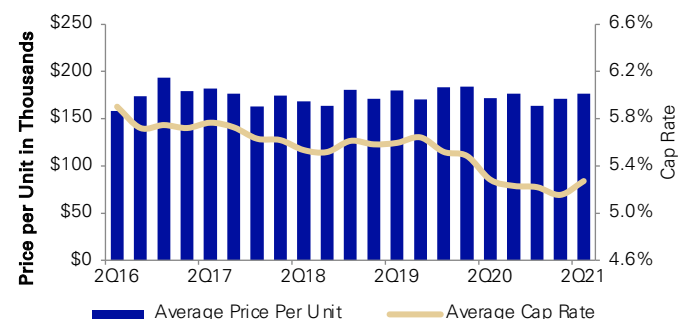
## Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 2Q 2021	\$2.6 B
12-Month Transaction Volume at 2Q 2020	\$1.1 B
2Q 2021 Average Price Per Unit	\$176,262
2Q 2021 Average Cap Rate	5.3%

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

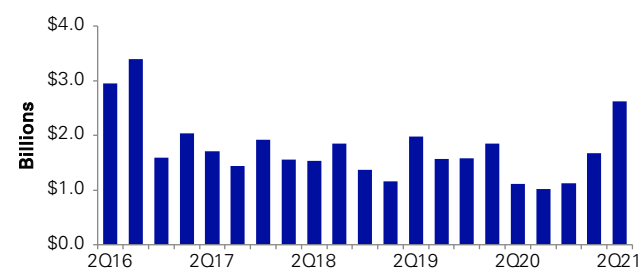
## Market Analysis

### 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
Nautilus Point	\$154.0	\$253,289	Bainbridge Companies/TPG Realty	Castle Lanterra Properties	Annapolis, MD
Avalon Arundel Crossing East	\$119.0	\$309,896	AvalonBay Communities	JLB Partners	Linthicum Heights, MD
Arrive Crofton	\$112.5	\$277,094	FPA Multifamily	Pantzer Properties	Crofton, MD
The Gramercy at Town Center	\$67.0	\$319,048	Stonebridge Group	PGIM/Bozzuto	Columbia, MD

## Market Statistics—Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2018 Absorption (Units)	2019 Absorption (Units)	2020 Absorption (Units)	2Q 2021 Absorption (Units)	YTD 2021 Absorption (Units)
<b>Baltimore Metro Area</b>	<b>233,418</b>	<b>96.3%</b>	<b>3,732</b>	<b>1,642</b>	<b>5,042</b>	<b>1,717</b>	<b>2,247</b>
Baltimore City	72,215	94.7%	1,817	623	1,144	741	755
Baltimore Suburbs	161,203	97.0%	1,915	1,019	3,898	976	1,492

## Market Statistics: Effective Rent and Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	2020 Deliveries (Units)	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>Baltimore Metro Area</b>	<b>233,418</b>	<b>\$1,452</b>	<b>\$1.63</b>	<b>6.7%</b>	<b>2.3%</b>	<b>3,710</b>	<b>1,109</b>	<b>3,742</b>	<b>4,313</b>
Baltimore City	72,215	\$1,327	\$1.67	2.8%	0.9%	1,148	296	2,419	2,914
Baltimore Suburbs	161,203	\$1,508	\$1.61	8.4%	2.9%	2,562	813	1,323	1,400

## 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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>Baltimore City</b>	<b>72,215</b>	<b>94.7%</b>	<b>\$1,327</b>	<b>\$1.67</b>	<b>2.8%</b>	<b>0.9%</b>	<b>296</b>	<b>2,419</b>	<b>2,914</b>
Baltimore City East	17,635	95.9%	\$1,498	\$1.92	0.5%	0.1%	33	1,546	1,754
Baltimore City North	18,341	93.4%	\$1,153	\$1.38	5.4%	2.3%	0	0	0
Baltimore City West	18,026	95.6%	\$1,053	\$1.40	6.4%	2.4%	0	0	287
Downtown Baltimore	18,213	94.2%	\$1,607	\$1.96	-1.0%	-1.3%	263	873	873
<b>Baltimore Suburbs</b>	<b>161,203</b>	<b>97.0%</b>	<b>\$1,508</b>	<b>\$1.61</b>	<b>8.4%</b>	<b>2.9%</b>	<b>813</b>	<b>1,323</b>	<b>1,400</b>
Annapolis	9,911	97.1%	\$1,880	\$2.13	6.7%	2.6%	0	0	0
Columbia/North Laurel	16,743	97.0%	\$1,737	\$1.80	5.8%	2.1%	0	472	549
Ellicott City/Elkridge	9,307	95.9%	\$1,759	\$1.83	8.0%	2.3%	80	0	0
Far North Baltimore Suburbs	13,752	97.9%	\$1,414	\$1.48	9.7%	2.8%	0	184	184
Northeast Anne Arundel County	12,598	96.7%	\$1,453	\$1.66	6.1%	2.9%	236	0	0
Northwest Anne Arundel County	13,929	96.9%	\$1,837	\$1.82	6.9%	2.0%	334	0	0
Owings Mills/Pikesville/Randallstown	19,286	97.4%	\$1,484	\$1.43	8.8%	3.2%	163	667	667
Parkville/Carney/Perry Hall	12,470	97.7%	\$1,302	\$1.50	12.1%	4.5%	0	0	0
Southeast Baltimore County	18,719	96.9%	\$1,240	\$1.48	10.8%	3.7%	0	0	0
Southwest Baltimore County	18,535	97.1%	\$1,296	\$1.45	10.1%	3.3%	0	0	0
Towson/Hunt Valley	15,953	96.0%	\$1,482	\$1.46	6.4%	2.2%	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: RealPage, Newmark Research; July 2021



## Hampton Roads Metro Area Economy and Multifamily Market

### Multifamily Metrics Strong as Occupancy Remains Elevated During Recovery

Economic growth in the Hampton Roads metro area has rebounded since the onset of the coronavirus pandemic, adding 39,500 jobs in the 12 months ending June 2021. The unemployment rate measured 4.7% in May 2021, down 770 basis points from one year earlier. The rapid distribution of the coronavirus vaccine has supported employment recovery during the second quarter and will through the remainder of 2021. Hampton Roads' large defense contracting sector insulated the economy from the worst effects of the economic downturn.

Regional absorption measured 1,038 units during the second quarter, which marks an improvement from second-quarter 2020, when 702 units were absorbed. The region's occupancy rate registered 98.0%, up 160 basis points from one year ago. Future net demand is expected to be lower than the recent average and lag behind oncoming supply over the next three years. Below-average demand may modestly reduce vacancy by 20 basis points by June 2024. At the end of the second quarter, 2,479 units were under construction; 271 units delivered in the past three months. There are currently 213 planned units set to deliver in the next three years, bringing the region's total development pipeline to 2,692 units.

The average rent increased 8.4% over the past 12 months on a same-store basis, higher than the ten-year average of 2.0%. Despite the economic hardship perpetuated by the pandemic, effective rents have continued to rise in the Hampton Roads market likely due to the stable job market and the high occupancy rate. Rent growth is likely to moderate over the next three years as new supply outstrips demand.

### Economic and Multifamily Market Outlook

Hampton Roads is home to the world's largest naval base (Naval Station Norfolk), and NASA, The Departments of Energy, Transportation, Commerce and Veterans Affairs all have a presence in the region. The largest employment sector in the Hampton Roads area is the government (local, state and federal), at 20% of total employment. The second largest employment sector, Professional and Business Services, has seen a 9.1% increase in jobs over the past 12 months, helping to keep apartment demand steady. Federal spending and a steady Professional and Business Services sector, especially around the Port of Virginia, will help sustain multifamily demand.

### Economy

**Payroll Employment:** 773,000 at June 2021.

**Historical Job Change:** 39,500 jobs added in the 12 months ending June 2021.

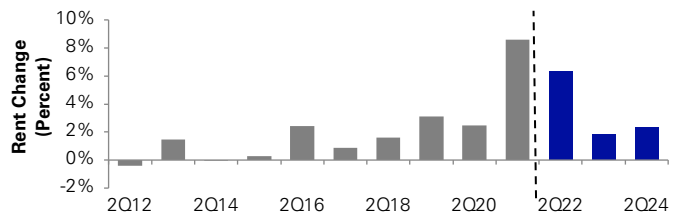
**Unemployment Rate:** 4.7% in May 2021, down 770 basis points from May 2020.

**Average Household Income:** \$86,970 in 2020.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2021

### Market Analysis

#### Annual Average Effective Rent Change

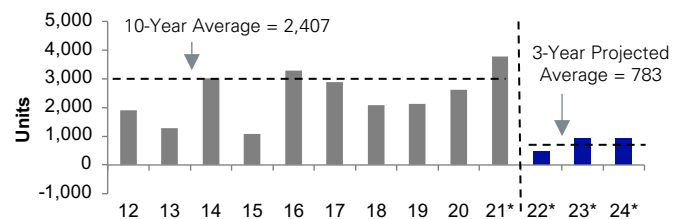


Source: RealPage, Newmark Research; July 2021

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

### Market Outlook

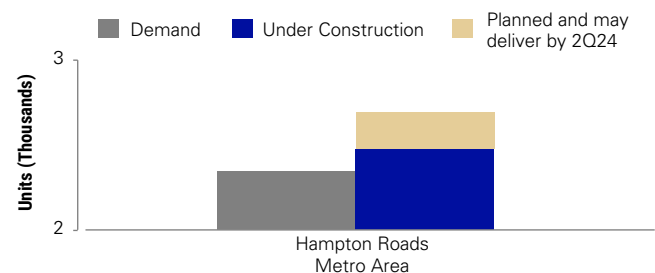
#### Multifamily Absorption Projection



\*12 months ending in second quarter

Source: RealPage, Newmark Research; July 2021

#### Multifamily Demand and Delivery Projections: 3Q21-2Q24



Source: RealPage, Newmark Research; July 2021

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### Multifamily Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	141,504	139,611	↑
Occupancy Rate	98.0%	96.4%	↓
Quarterly Net Absorption (Units)	1,038	702	↓
12-Month Effective Rent Change	8.4%	2.5%	↓
Quarterly Deliveries (Units)	271	338	↓

Source: Real Capital Analytics, Newmark Research

### Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 2Q 2021	\$795.8 M
12-Month Transaction Volume at 2Q 2020	\$542.7 M
1Q 2021 Average Price Per Unit	\$141,367
1Q 2021 Average Cap Rate	5.0%

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

### Market Statistics: Occupancy And Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2018 Absorption (Units)	2019 Absorption (Units)	2020 Absorption (Units)	2Q 2021 Absorption (Units)	YTD 2021 Absorption (Units)
<b>Hampton Roads Metro Area</b>	<b>141,504</b>	<b>98.0%</b>	<b>2,080</b>	<b>2,138</b>	<b>2,628</b>	<b>1,038</b>	<b>1,337</b>

### 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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>Hampton Roads Metro Area</b>	<b>141,504</b>	<b>98.0%</b>	<b>\$1,219</b>	<b>\$1.28</b>	<b>8.4%</b>	<b>3.1%</b>	<b>660</b>	<b>2,479</b>	<b>2,692</b>
Chesapeake	10,552	98.3%	\$1,350	\$1.36	7.4%	3.0%	0	524	524
Hampton/Poquoson	17,564	98.0%	\$1,204	\$1.23	9.8%	3.5%	268	159	159
Newport News	26,960	97.5%	\$1,095	\$1.17	9.5%	3.4%	0	32	32
Northern Norfolk	15,322	97.3%	\$1,061	\$1.22	4.0%	2.6%	0	0	0
Portsmouth/Suffolk	16,333	98.1%	\$1,142	\$1.24	6.4%	2.9%	28	358	358
Southern Norfolk	12,147	98.1%	\$1,290	\$1.41	5.0%	2.3%	0	376	376
Virginia Beach East	18,982	98.3%	\$1,358	\$1.39	12.7%	3.7%	136	480	692.5
Virginia Beach West	16,942	98.6%	\$1,316	\$1.36	8.3%	3.1%	49	219	219
Williamsburg / Jamestown	6,702	97.9%	\$1,322	\$1.31	10.5%	3.4%	179	331	331

\*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
Chesapeake Crossing	\$68.0	\$113,903	Standard Communities	Boyd Homes	Chesapeake, VA
Streets of Greenbrier	\$67.3	\$240,179	Capital Square 1031	GrayCo	Chesapeake, VA
Spotswood Commons	\$46.0	\$216,981	Kushner Companies	The Dolben Company, Inc.	Norfolk, VA
The Rockefeller	\$26.0	\$177,631	Waverton Associates	Marathon Development Group	Norfolk, VA

\*Source: RealPage, Real Capital Analytics, Newmark Research; July 2021



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## Richmond Metro Area Economy and Multifamily Market

### Robust Demand and Rent Growth Bolster Market

Multifamily demand ticked up in the second quarter of 2021 and the economy recovered. The Richmond metro area added 22,000 jobs during the 12 months ending in June 2021. The unemployment rate measured 4.5% in May 2021, down 460 basis points from one year ago. Job growth should continue the remainder of 2021 and into 2022 with the rapid roll out of vaccines in the area.

Absorption was 1,717 units in the second quarter, bolstered by occupancy growth in the Chesterfield County and Southside submarkets. The region's occupancy rate measured 96.7%, up 90 basis points from one year ago. There are 6,160 units under construction; 1,127 units delivered in the second quarter. Approximately 1,163 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 7,323 units.

Regional rents increased 9.1% over the past 12 months on a same-store basis, which is above the five-year average effective rent growth of 4.0%. The region's high occupancy rate and status as an appealing secondary market (when dense, gateway cities have been challenged) allowed for robust rent growth even during a turbulent period. Rent growth is likely to slow over the next three years to 3.5% but remain higher than the 10-year average of 3.3%. Future net demand is expected to be in line with the recent average but modestly lag oncoming supply over the next three years, bringing vacancy down 90 basis points to 95.8%. Improvements in Virginia's economic conditions should continue in 2021 and keep the market's fundamentals strong.

### Economic and Multifamily Market Outlook

Richmond's knowledge-based economy and the creation of high-paying jobs prior to COVID-19 helped to insulate the region and maintain multifamily demand during the economic downturn. The two largest employment sectors, Professional and Business Services and Government, have seen job growth over the last 12 months. Professional and Business Services saw 3.5% job growth and the government saw 1.5% job growth. This stable employment growth in office using positions is likely to help bolster multifamily demand in the future.

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### Economy

**Payroll Employment:** 652,700 at June 2021.

**Historical Job Change:** 22,000 jobs added in the 12 months ending June 2021.

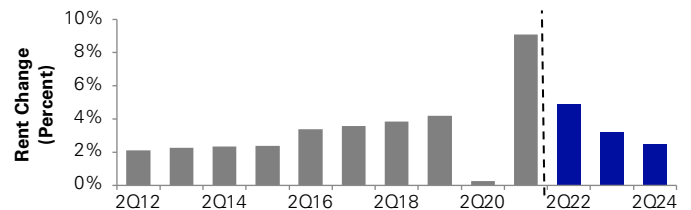
**Unemployment Rate:** 4.5% in May 2021, down 460 basis points from May 2020.

**Average Household Income:** \$92,673 in 2020.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2021

### Market Analysis

#### Annual Average Effective Rent Change

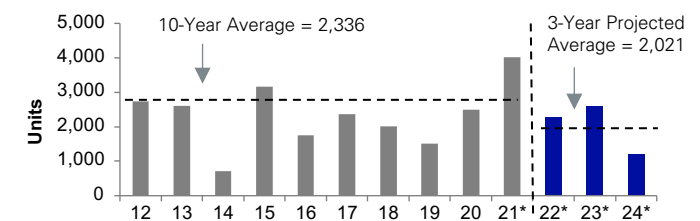


Source: RealPage, Newmark Research; July 2021

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

### Market Outlook

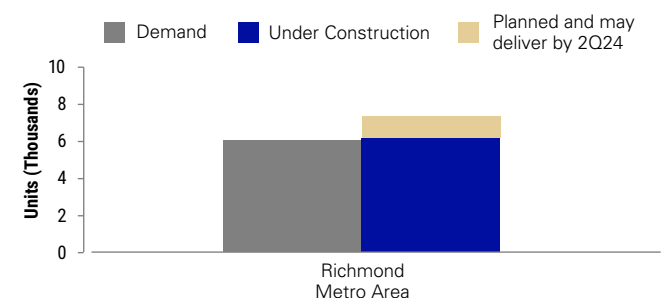
#### Multifamily Absorption Projection



\*12 months ending in second quarter

Source: RealPage, Newmark Research; July 2021

#### Multifamily Demand and Delivery Projections: 3Q21-2024



Source: RealPage, Newmark Research; July 2021

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### Multifamily Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	106,288	103,082	↑
Occupancy Rate	96.7%	95.8%	↓
Quarterly Net Absorption (Units)	1,717	939	↓
12-Month Effective Rent Change	9.1%	0.3%	↓
Quarterly Deliveries (Units)	1,127	568	↓

Source: Real Capital Analytics, Newmark Research

### Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 2Q 2021	\$561.0 M
12-Month Transaction Volume at 2Q 2020	\$385.8 M
2Q 2021 Average Price Per Unit	\$185,990
2Q 2021 Average Cap Rate	5.1%

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

### Market Statistics: Occupancy And Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2018 Absorption (Units)	2019 Absorption (Units)	2020 Absorption (Units)	2Q 2021 Absorption (Units)	YTD 2021 Absorption (Units)
<b>Richmond Metro Area</b>	<b>106,288</b>	<b>96.7%</b>	<b>2,017</b>	<b>1,507</b>	<b>2,504</b>	<b>1,717</b>	<b>2,309</b>

Source: Real Capital Analytics, Newmark Research

### 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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>Richmond Metro Area</b>	<b>106,288</b>	<b>96.7%</b>	<b>\$1,242</b>	<b>\$1.37</b>	<b>9.1%</b>	<b>4.0%</b>	<b>1,786</b>	<b>6,160</b>	<b>7,323</b>
Chesterfield County	14,773	97.4%	\$1,382	\$1.35	11.5%	4.5%	687	1,059	1,160
Downtown Richmond/ The Fan	11,749	95.4%	\$1,340	\$1.69	1.5%	1.9%	39	803	803
East Richmond	19,033	96.5%	\$1,119	\$1.30	5.0%	2.8%	188	383	684
Hanover County	5,725	98.0%	\$1,397	\$1.38	11.0%	3.8%	0	0	0
Northwest Richmond	12,050	96.3%	\$1,274	\$1.43	11.4%	4.9%	13	525	826
Petersburg/ Colonial Heights/ Hopewell	9,099	98.3%	\$1,052	\$1.14	8.6%	3.9%	0	0	0
Southside	20,698	96.5%	\$1,107	\$1.26	11.7%	5.2%	620	1,019	1,174
Tuckahoe/Westhampton	13,161	96.3%	\$1,426	\$1.48	12.2%	4.6%	239	2,371	2,677

\*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
Canopy at Ginter Park	\$83.5	\$277,409	Capital Square 1031	Bristol Development Group	Richmond, VA
Sapphire at Centerpointe	\$48.3	\$251,563	Capital Square 1031	Robinson Development	Midlothian, VA
Rivers Edge at Manchester	\$47.5	\$224,057	Four Mile Capital	CMB Development	Richmond, VA
Maple Springs	\$34.8	\$129,851	L5 Odyssey Management	Capital Square 1031	Henrico, VA

Source: RealPage, Real Capital Analytics, Newmark Research; July 2021



# Washington Metro Area Economy and Multifamily Market

## Robust Absorption in all Substates Aides Recovery

The Washington metro area's employment base recovered 168,500 jobs in the 12 months ending in June 2021. The region's unemployment rate was 5.0% in May and has declined 370 basis points from one year ago. Recovery has been slow as the region's various municipalities battled an increase in COVID-19 cases during the winter, and in turn, restrictions on economic activities were increased or kept in place. The second quarter saw all these restrictions lifted and the State of Emergency which has prevented sales from happening in the District of Columbia is set to expire in July. The stable employment base and the high acceptance of vaccines in the region, are likely to continue to spur multifamily unit demand across the region.

Demand was robust in the second quarter of 2021, with regional net absorption of 8,315 units; this is up from the 1,676 units absorbed during the second quarter of 2020. Movement among multifamily tenants ticked up in the second quarter as people moved back into the city and recent college graduates looked to find jobs. Another factor in the uptick of demand is the continued single-family home shortage and increasing single-family home prices in the Washington region. This will likely encourage prospective first-time homebuyers to remain renters for the foreseeable future, bolstering apartment demand.

As of second-quarter 2021, the region's occupancy rate was 95.2%, down 50 basis points from one year ago. A total of 31,594 units were under construction; 3,301 units delivered in the region during the second quarter. Approximately 2,175 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to a robust 33,769 units. The impact of COVID-19 on global supply chains and construction costs is likely to delay the groundbreaking of some new projects. Despite the robust pipeline, Washington's steady history of absorption and strong projected acceleration of employment growth during the balance of 2021 and into 2022 suggest that demand and new supply will be roughly in balance over the next three years in the aggregate.

### Economy

**Payroll Employment:** 3,206,800 at June 2021.

**Historical Job Change:** 168,500 jobs added in the 12 months ending June 2021.

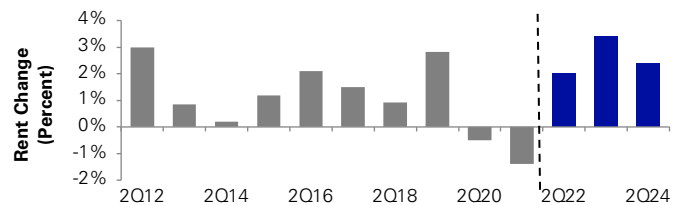
**Unemployment Rate:** 5.0% in May 2021, down 370 basis points from May 2020.

**Average Household Income:** \$141,166 in 2020.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2021

### Market Analysis

#### Annual Average Effective Rent Change

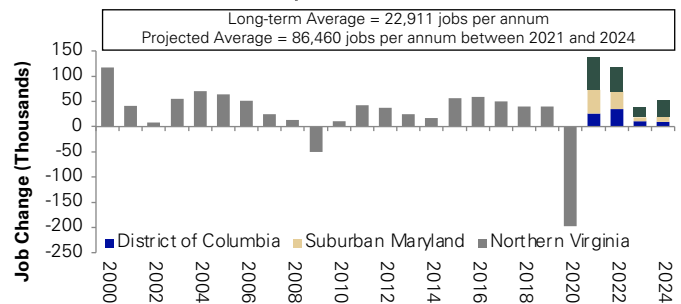


Source: RealPage, Newmark Research; July 2021

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

### Payroll Job Growth Forecast

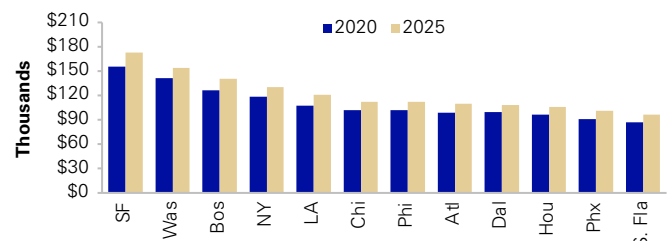
#### Washington Metro Area | 2021-2024



Source: U.S. Bureau of Labor Statistics; forecast developed by Newmark Research with reference to data from the Stephen S. Fuller Institute and Moody's Analytics; July 2021

### Average Household Income

#### Largest Metro Areas | 2020 and Projections for 2025



Sources: Esri, Moody's, Newmark Research, RealPage, Stephen S. Fuller Institute, U.S. Bureau of Labor Statistics; July 2021

## Robust Absorption in all Substates Aides Recovery (Continued)

Region-wide, per-unit rents decreased 1.4% over the 12 months ending June 2021. Suburban Maryland, however, saw a 2.0% rent increase. Rents in the District of Columbia and Northern Virginia declined 8.7% and 1.1%, respectively. Rents are likely to plateau soon and begin to turn positive in the second half of 2021 or early 2022.

## Mid-Atlantic Market Fundamentals Hold Steady in Second Quarter

Regional demand was positive in the second quarter of 2021 with total absorption of 8,315 units, up from the 1,676 units absorbed in the second quarter of 2020. Quarterly net absorption in Northern Virginia registered 3,371 units, followed by the District of Columbia with 2,951 units absorbed, and Suburban Maryland with 1,993 units absorbed. Occupancy remained strong in Suburban Maryland at 95.8%. Northern Virginia recorded occupancy of 95.6%, a quarterly increase of 100 basis points. The District saw occupancy increase 120 basis points from the first quarter to 93.4%. At the end of the second quarter, 31,594 units were under construction; 3,301 units delivered in the region during the first quarter.

## Economic and Multifamily Market Outlook

The Washington region is less insulated from a recession than it has been in previous downturns due to federal job cuts over the past decade and a pivoting of the region's economy toward the private sector. However, the area remains better insulated than many peer investment markets, including Los Angeles and New York. This continues to make the Washington region a relatively superior investment opportunity even during periods of economic uncertainty. The local economy continued to recover in the second quarter and the unemployment rate is down 370 basis points from May 2020. The region's core sectors—including life sciences, the technology sector, and the federal government and its contractors—have played a large part in the recovery locally and across the United States. The rapid rollout of the vaccines across the nation helped accelerate the employment recovery in the second quarter and the high uptake in all the three states in the region will help keep new variants and economic restrictions at bay.

The Washington area's multifamily market traditionally has led the nation out of recessions, as it did in 2010 when absorption was a robust 14,000 units, thus enhancing the resilience of local apartment assets and attracting potential renters from other metro areas. Over the next 36 months, Newmark projects that the region's occupancy rate will tick up modestly to 95.5%. The increase is due to the robust pipeline that saw little decline during the pandemic. Development projects may slow due to an increase in construction costs across the country. There has been a softening of effective rents over the past few quarters in the District of Columbia and close-in Northern Virginia submarkets such as North Arlington and Crystal City as people sought space outside the city. The second quarter did see a shift in this pattern as people feel more comfortable with the density of urban living due to vaccines and cities "re-opened." Washington's well-educated, high-wage workforce positions the multifamily market well for the future.

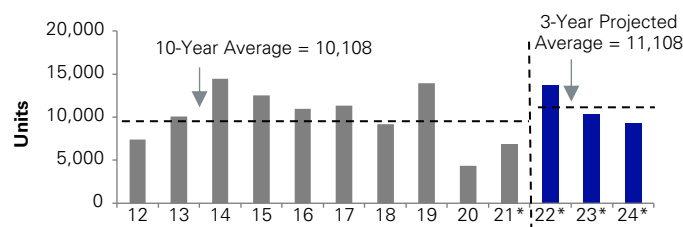
## Current Conditions

- The region absorbed 8,315 units during the second quarter of 2021, down from 1,676 units absorbed in the second quarter of 2020.
- The region's occupancy rate decreased 50 basis points over the past year to 95.2%.
- The average effective rent declined 1.4% over the past 12 months but has averaged a 1.0% annual increase over the past five years.

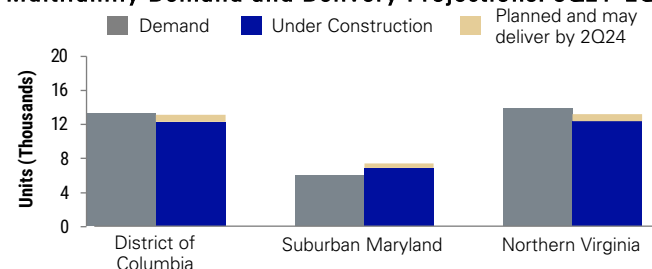
Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2021

## Market Outlook

### Multifamily Absorption Projection



### Multifamily Demand and Delivery Projections: 3Q21–2Q24



## Multifamily Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	451,236	438,364	↑
Occupancy Rate	95.2%	95.7%	↑
Quarterly Net Absorption (Units)	8,315	1,676	↓
12-Month Effective Rent Change	-1.4%	-0.5%	↑
Quarterly Deliveries (Units)	3,301	3,514	↓

Source: RealPage, Newmark Research; July 2021

### Metro Area Market Statistics: Occupancy And Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2018 Absorption (Units)	2019 Absorption (Units)	2020 Absorption (Units)	2Q 2021 Absorption (Units)	YTD 2021 Absorption (Units)
<b>Washington Metro Area</b>	<b>451,236</b>	<b>95.2%</b>	<b>9,157</b>	<b>11,537</b>	<b>4,357</b>	<b>8,315</b>	<b>8,915</b>
District of Columbia	86,873	93.4%	3,622	4,115	1,216	2,951	4,142
Suburban Maryland	170,971	95.8%	1,374	3,260	706	1,993	1,849
Northern Virginia	193,392	95.6%	4,161	4,162	2,435	3,371	2,924

### Metro Area Market Statistics: Effective Rent And Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	2020 Deliveries (Units)	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>Washington Metro Area</b>	<b>451,236</b>	<b>\$1,801</b>	<b>\$2.06</b>	<b>-1.4%</b>	<b>1.0%</b>	<b>13,934</b>	<b>5,909</b>	<b>31,594</b>	<b>33,769</b>
District of Columbia	86,873	\$2,055	\$2.69	-8.7%	-0.5%	6,924	3,051	12,330	13,134
Suburban Maryland	170,971	\$1,659	\$1.83	2.0%	1.7%	1,117	1,831	6,869	7,448
Northern Virginia	193,392	\$1,813	\$1.99	-1.1%	1.0%	5,893	1,027	12,395	13,187

### 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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>District of Columbia</b>	<b>86,873</b>	<b>93.4%</b>	<b>\$2,055</b>	<b>\$2.69</b>	<b>-8.7%</b>	<b>-0.5%</b>	<b>3,051</b>	<b>12,330</b>	<b>13,134</b>
Central DC/West End/Shaw/Mt. Vernon Triangle	27,095	92.7%	\$2,274	\$3.10	-10.9%	-1.4%	158	1,422	1,538
Navy Yard/Capitol Hill/Southwest	15,374	92.0%	\$2,345	\$2.94	-9.4%	-0.3%	1,452	2,660	2,825
North Central DC/Columbia Heights/Petworth	6,885	93.7%	\$1,725	\$2.43	-6.9%	-0.2%	0	889	889
Northeast DC/NoMa/H Street	13,482	93.7%	\$2,091	\$2.60	-9.0%	-1.0%	1,310	6,034	6,373
Northwest DC/Georgetown/Friendship Heights	13,725	92.8%	\$2,022	\$2.66	-10.2%	-0.8%	0	871	978
Southeast DC	10,312	97.2%	\$1,262	\$1.56	-0.1%	2.4%	131	454	531

\*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: RealPage, Newmark Research; July 2021

## 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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>Suburban Maryland</b>	<b>169,870</b>	<b>95.4%</b>	<b>\$1,626</b>	<b>\$1.79</b>	<b>-0.5%</b>	<b>1.7%</b>	<b>1,831</b>	<b>6,869</b>	<b>7,448</b>
Bethesda/Chevy Chase	9,357	93.6%	\$2,263	\$2.36	-6.6%	-1.1%	509	1,328	1,488
College Park/Greenbelt	8,052	95.1%	\$1,674	\$1.78	-0.4%	2.1%	0	747	747
Downtown Silver Spring	11,406	94.6%	\$1,816	\$2.06	-2.7%	-0.4%	0	580	889
East Silver Spring/ Takoma Park/Adelphi	12,510	96.7%	\$1,413	\$1.78	1.0%	1.4%	0	0	0
Frederick	7,212	97.7%	\$1,554	\$1.61	13.9%	3.4%	49	0	0
Gaithersburg	11,172	96.2%	\$1,660	\$1.75	1.0%	1.6%	0	654	654
Germantown	7,088	96.3%	\$1,693	\$1.76	8.3%	3.0%	217	0	0
Hyattsville/Riverdale	13,788	95.8%	\$1,456	\$1.79	0.4%	2.0%	229	0	95
Landover/Bowie	13,183	95.6%	\$1,697	\$1.86	3.8%	2.7%	260	1,944	1,944
Laurel/Beltsville	11,043	96.3%	\$1,605	\$1.78	6.0%	2.4%	0	0	0
Northeast Montgomery County	7,035	96.4%	\$1,586	\$1.69	1.2%	1.8%	0	0	0
Rockville/North Bethesda	17,438	95.1%	\$1,938	\$1.98	-1.9%	0.4%	412	1,045	1,045
South Prince George's County/St. Charles	17,637	97.0%	\$1,496	\$1.73	4.9%	2.9%	54	0	15
Suitland/District Heights/ Capitol Heights	15,369	95.9%	\$1,476	\$1.65	3.6%	2.9%	0	321	321
Wheaton/Aspen Hill	8,681	95.5%	\$1,690	\$1.83	2.0%	1.1%	101	250	250

## 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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
<b>Northern Virginia</b>	<b>193,392</b>	<b>95.6%</b>	<b>\$1,813</b>	<b>\$1.99</b>	<b>-1.1%</b>	<b>1.0%</b>	<b>1,027</b>	<b>12,395</b>	<b>13,187</b>
Central Alexandria	11,967	94.7%	\$1,549	\$1.80	-4.5%	0.8%	0	0	0
Columbia Pike	12,080	95.2%	\$1,696	\$1.98	-7.1%	-0.1%	0	0	0
Crystal City/Pentagon City	12,307	93.9%	\$1,983	\$2.15	-14.7%	-1.5%	0	1,367	1,367
East Alexandria	13,706	95.0%	\$1,920	\$2.27	-4.4%	0.5%	0	1,749	1,981
Fredericksburg/Stafford	9,310	97.7%	\$1,619	\$1.59	17.8%	5.2%	22	200	237
Loudoun County	10,619	96.9%	\$1,776	\$1.80	3.0%	2.5%	0	285	406
Manassas/Far Southwest Suburbs	11,591	97.9%	\$1,587	\$1.66	6.5%	3.3%	0	0	61
North Arlington	21,349	94.5%	\$2,235	\$2.57	-7.4%	-0.3%	304	1,883	2,016
Reston/Herndon	14,066	94.6%	\$1,890	\$1.88	1.1%	0.7%	656	2,127	2,285
Seven Corners/Bailey's Crossroads/Annandale	6,171	95.9%	\$1,636	\$1.72	-0.5%	0.9%	0	480	480
South Fairfax County	14,011	95.3%	\$1,709	\$1.90	-0.7%	1.1%	0	1,106	1,106
Tysons/Falls Church/Merrifield	20,731	95.4%	\$1,920	\$2.07	-4.0%	-0.3%	45	1,944	1,994
West Alexandria	8,804	94.2%	\$1,568	\$1.79	-3.7%	0.6%	0	513	513
West Fairfax County	13,175	96.7%	\$1,877	\$2.00	4.1%	1.7%	0	741	741
Woodbridge/Dale City	13,505	97.0%	\$1,618	\$1.79	8.3%	3.0%	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: RealPage, Newmark Research; July 2021

### Sales Volume is Still Below Pre-Pandemic Levels but Volume Increased in Second Quarter

The Washington area multifamily market registered \$7.5 billion in sales volume for the 12 months ending in the second quarter of 2021, an increase of \$900 million, or 13.6%, compared with the prior 12 months. The largest deal of the second quarter was Arrive Silver Spring, an 891-unit building in Silver Spring Maryland, purchased by FPA Multifamily from Pantzer Properties for \$219.0 million. The second-largest transaction was The Gateway, a 748-unit building in Gaithersburg, MD acquired by Bridge Investment Group from Harbor Group International for \$157.0 million. During the 12 months ending in the second quarter of 2021, the Washington metro area recorded an average sale price of \$258,310 per unit. The average cap rate measured 4.8% for the 12 months ending in the second quarter of 2021, which is 20 basis points lower than one year ago. Northern Virginia led the region with \$4.0 billion in sales volume for the 12 months ending in the second quarter of 2021, or 53% of the region's total. Suburban Maryland ranked second in regional sales volume, posting \$3.4 billion in sales, or 45% of the regional total. The District of Columbia had the smallest sales volume for the 12 months ending in the second quarter of 2021, measuring \$133 million, or 2% of the regional total.

### Multifamily Investment Sales Outlook

Multifamily investment opportunities in the period ahead likely will be most attractive in areas where recovery will be fastest, such as the healthcare corridor in Montgomery County and the technology corridor connecting Arlington, Tysons and Reston. However, the State of Emergency that prevented TOPA from taking place, is set to expire in the District of Columbia in July which has prevented any sales of occupied apartment buildings since March of 2020. Investors will likely look to put their capital into the District as the occupancy rate stabilizes and rents improve. Northern Virginia continues to be where the most capital is landing and it will benefit in the future from the growing tech market and Virginia Tech's new campus at Potomac Yard. Suburban Maryland saw an increase in capital to the area, most likely due to its suburban/exurban characteristics, the job market, and its steady occupancy rate and increasing rents. Suburban Maryland has also benefited from its smaller pipeline, reasonable supply/demand balance, and larger unit composition that appeals to older generations looking to downsize from single-family homes.

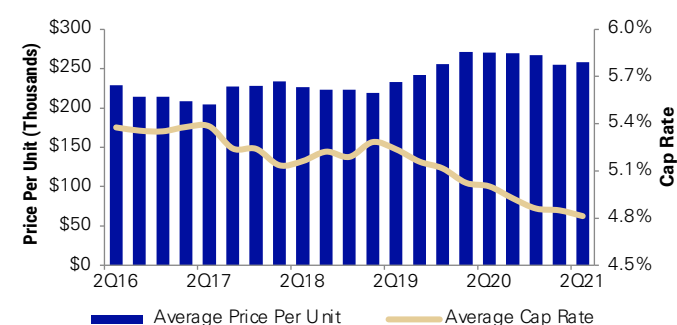
### Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 2Q 2021	\$7.5 B
12-Month Transaction Volume at 2Q 2020	\$6.6 B
2Q 2021 Average Price Per Unit	\$258,310
2Q 2021 Average Cap Rate	4.8%

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

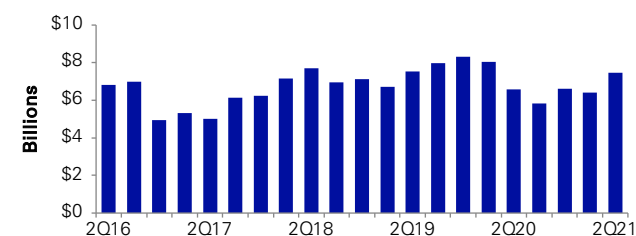
### Market Analysis

#### 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
Arrive Silver Spring	\$219.0	\$245,791	FPA Multifamily	Pantzer Properties	Silver Spring, MD
The Gateway	\$157.0	\$209,893	Bridge Investment Group	Harbor Group International	Gaithersburg, MD
Ravens Crest	\$113.0	\$254,505	Clarion Partners/Blackfin Real Estate Investors	Ares Management/LCOR	Manassas, VA
Mallory Square	\$110.0	\$301,370	Nuveen	Woodfield Investments	Rockville, MD
Heather Ridge	\$91.5	\$282,407	Greystar	Ares Management/LCOR	Bowie, MD

## RESEARCH 2Q 2021

### For more information:

#### Washington, DC

1899 Pennsylvania Avenue, NW  
Suite 300  
Washington, DC 20006  
t 202-331-7000

#### Tysons

1420 Spring Hill Road  
Suite 600  
McLean, VA 22102  
t 703-448-2000

#### Baltimore

One East Pratt Street  
Suite 805  
Baltimore, MD 21202  
t 410-625-4200

[nmrk.com](http://nmrk.com)

### RESEARCH

#### Matt Kruczlnicki

Associate Director, Research  
202-312-5757  
matthew.kruczlnici@nmrk.com

#### Jordan Schott

Research Manager  
202-664-5902  
jordan.schott@nmrk.com

#### Adam Reiskin

Research Analyst  
202-312-5763  
adam.reiskin@nmrk.com

### MULTIFAMILY SALES TEAM

#### Christine Espenshade

Vice Chairman  
202-312-5741  
christine.espenshade@nmrk.com

#### Robert Garrish

Vice Chairman  
202-312-5479  
robert.garrish@nmrk.com

#### Greg Bury

Vice President  
202-312-5765  
gregory.bury@nmrk.com

#### Catherine Cheng

Vice President  
202-312-5764  
catherine.cheng@nmrk.com

### FINANCE

#### Shawn McDonald

Vice Chairman  
703-918-0229  
shawn.mcdonald@nmrk.com

#### Anthony Hebenstreit

Director  
703-918-4673  
anthony.hebenstreit@nmrk.com

### LAND SALES

#### Mark Anstine

Executive Managing Director  
703-575-2101  
mark.anstine@nmrk.com

#### Dan Lockard

Senior Managing Director  
703-575-2103  
dan.lockard@nmrk.com

#### Eugene Howard

Director  
703-575-2108  
eugene.howard@nmrk.com

## 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.

**Note:** Submarkets were redistricted as of third quarter 2018. As a result, comparison to historical versions of this report is not advised. Please see the research contact information above should you need historical data.

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/insights](http://nmrk.com/insights).

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