



Multifamily Metro Outlook: Washington DC Spring 2019

Overview

Washington’s apartment development continues to be among the most active in the nation. CoStar estimates over 9,100 rentable completions in 2018, with another 12,800 for 2019. This new supply, coupled with modest economic growth in the region, has moved Washington from being a leading apartment market to one where there are some concerns. That being said, solid population and near-term economic growth is expected and there is already a general shortage of affordable housing in the metro.

The recent announcement that Amazon’s HQ2 will be located in the metro is good news, but it will take several years before that investment stimulates the local economy. In the meantime, Washington’s economy should remain healthy. Job growth in the metro has gone from being lackluster to generally healthy: in 2018, the metro added over 50,000 jobs, an increase of 1.6 percent, which was slightly below the 1.8 percent the national average. The possibility of federal government spending being muted is hanging over the metro, but large-scale reductions currently look unlikely.

Despite the high level of completions over the past several years, the apartment market managed to maintain a generally stable equilibrium – though absorption in 2016 was down compared to the prior year, it recovered in 2017 and 2018, and has prevented a dramatic increase in vacancies.

Development

Since the beginning of 2013, over 76,800 rental units have been added to inventory in the metro, and another 34,300 units are currently underway. An additional 164,000 units are in the planning stages of development. Coupled with housing boom, condo conversion, and recent development, the metro may be somewhat oversupplied in both the For-Sale and For-Rent sectors. While the metro’s job and population growth has been solid, and likely will be near the national average going forward, this level of rental development represents an addition of more than 5 percent to existing rental inventory, which is a concern given the region’s expected moderate economic growth rates.

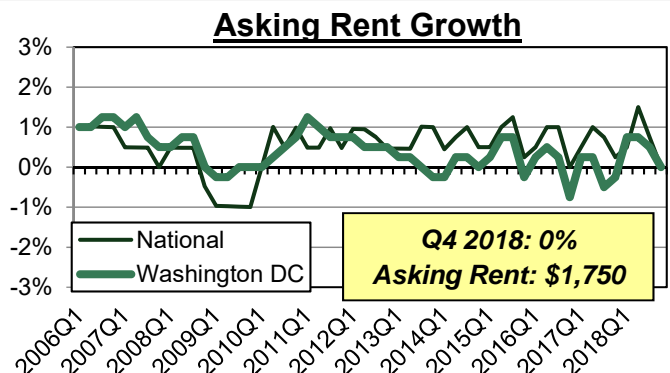
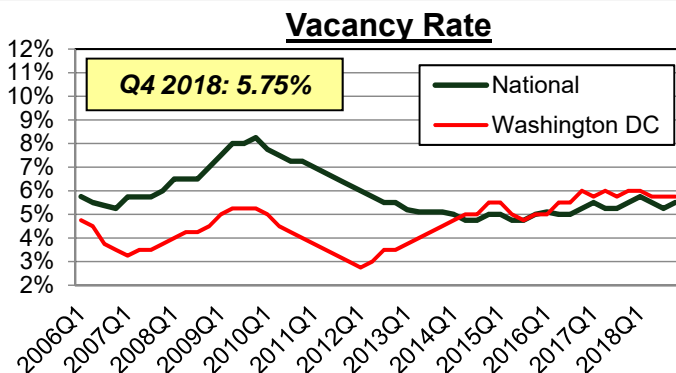
In particular, several neighborhoods in downtown DC are seeing a significant amount of development in a short period: the three most active DC submarkets currently have 54 projects underway, with nearly 11,900 new units.

Outlook

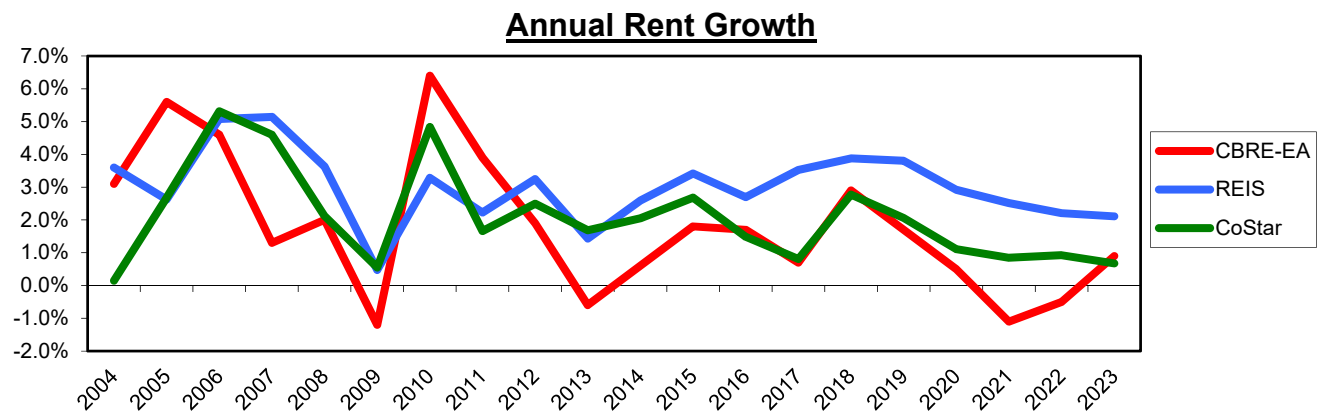
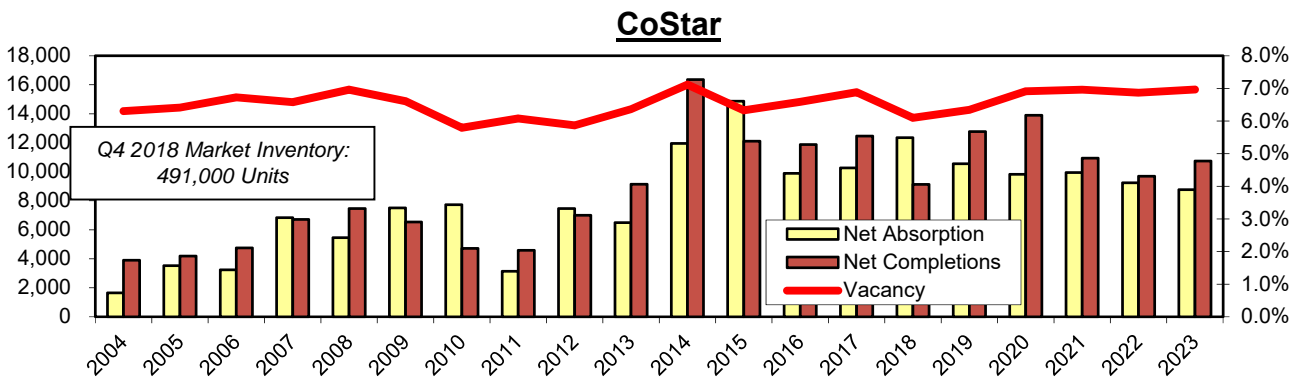
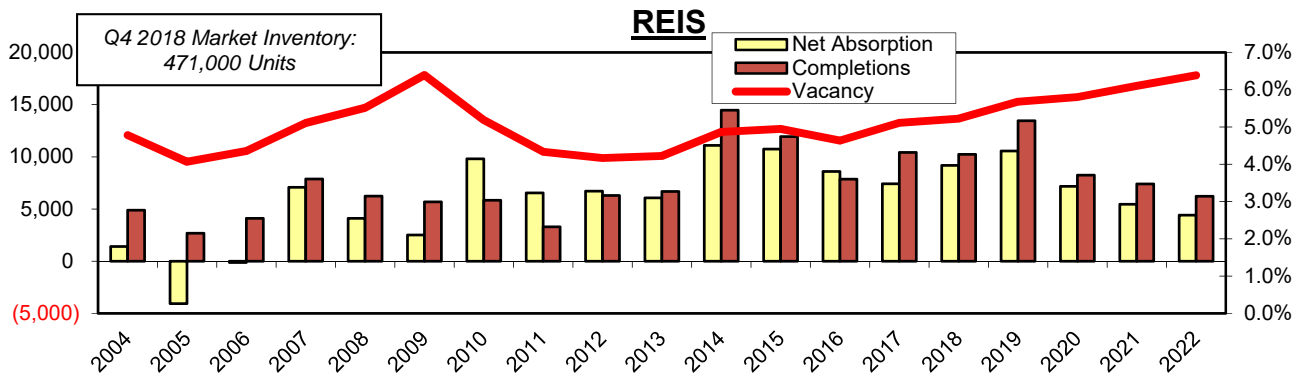
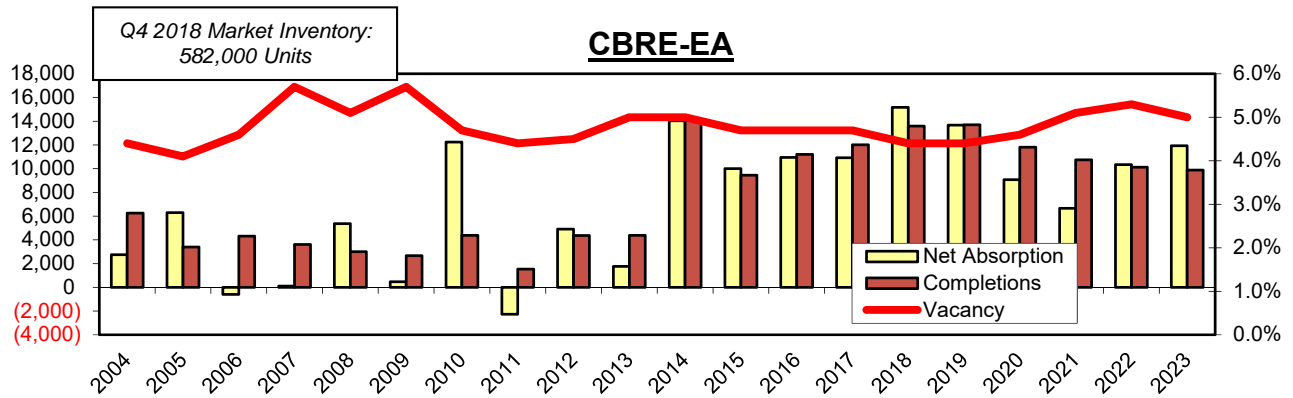
A large volume of new apartments is a concern and the impact of robust new supply has probably held back the rental market. In spite of this, steady job and population growth are expected and asking rents could see periods of negative growth. The market saw remarkable resilience from 2016 through 2018, and once the supply wave subsides conditions in the metro should improve.

While the apartment market is possibly in for near-term softness, the overall scale and stability of the metro’s economy should allow the apartment market to eventually regain its previous health. And then Amazon HQ development should begin to contribute positively to the metro’s overall growth prospects. Washington’s steady base of federal government jobs should also continue to contribute to the metro’s economic stability.

Vacancy and Rent Composite Estimates



Source: Fannie Mae Multifamily and Economics Research



Construction Bidding/Underway
151 projects/36,400 Units/41.6 M Sq. Feet)

CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Anacostia/Northeast DC	20	4488	3856
Bethesda/Chevy Chase	4	1376	1146
Brookland/Ft. Totten	5	345	287
Capitol Hill/Southwest	20	6614	6462
College Park/Greenbelt	1	350	275
Columbia Pike/Shirlington	3	729	707
District Heights	2	1786	1288
Downtown/Logan Circle	4	267	311
Dupont Circle/Adams Morgan	3	238	170
Falls Church/Annandale	1	209	190
Forest Heights/Oxon Hill	1	216	187
Frederick County	2	463	273
Gaithersburg/Germantown	4	675	550
Howard U./Mt. Pleasant/Brightwood	14	1611	1562
Hyattsville	2	789	712
Landover	5	2301	2294
Loudoun County	11	1399	1099
Old Town	7	2833	2159
Pentagon City/Crystal City	1	435	440
Prince George's County	2	1022	689
Prince William County	4	432	290
Rockville	4	1304	1073
Rosslyn/Ballston	8	3440	3076
SE Fairfax County	1	445	400
Seminary Road/Landmark	1	305	302
Silver Spring	4	1065	858
Spotsylvania County	2	529	635
Tysons Corner/Fairfax City	7	3303	2850
Western Fairfax County	7	2320	2009
Woodley Pk./Cleveland Pk./Van Ness	1	278	226



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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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