

# Metro Housing Outlook:

## Washington, DC - Q2 2024

### Overview:

- Washington, D.C.'s apartment market has been managing a surge in new unit deliveries for more than seven years. The economic shock of the pandemic softened conditions in the market, though it also may have lessened the size of the supply surge. The underlying economy supporting the metro's apartment market has also slowed, but it has seen steady growth for the past three years. Washington likely has the necessary economic engines to enter a period of slightly higher economic growth, once the national economy enters a sustained expansion. However, the metro is large and diverse, and it is no longer likely to see expansions that are far above national averages.
- Though there was a rebound in fundamental multifamily measures in 2021 and 2022, the apartment market is likely facing a period of softness in late 2024 — with lackluster rent growth and slightly rising vacancy rates — though it should be able to stabilize and grow once the region's economic engines are able to participate in a national economic expansion.
- The engines that support Washington's economy include the stabilizing government sector in the District, the large number of biotech companies in the Maryland suburbs, and the growing high-tech sector in the Virginia suburbs, headlined by Amazon HQ2.

### Market Strengths:

- Despite the high levels of completions over the past several years, the apartment market has managed to maintain a generally stable equilibrium: absorption has been quite healthy, with annual levels increasing steadily since 2016, which has also prevented a dramatic increase in vacancies.
- Over the past two decades, Washington's job market has diversified. While the government remains the primary engine of the area's economy, private employers have proved to be an equally important force in the local economy.

### Market Weaknesses:

- Since the beginning of 2017, nearly 123,000 rental units have been added to inventory in the metro, and another 31,700 units are currently underway. An additional 247,000 units are in the planning stages of development. The metro's job and population growth have been solid, and likely will be near or above the national averages going forward. However, its level of rental development represents an addition of almost 7% to existing rental inventory, which is a concern given the region's expected moderate economic growth rates.
- Several submarkets in D.C. are seeing a significant amount of development in a short period: the four most active D.C. submarkets currently have more than 30 projects underway, with over 7,000 new units. In addition, most of the new inventory underway is both more luxurious and in denser urban submarkets, both of which have been somewhat slower to recover due to the increased competition.
- Continued condo development is a minor concern: the volume of impending supply may cause some modest deterioration of for-sale pricing and will likely translate into unanticipated inventory in the for-rent market.

### Outlook:

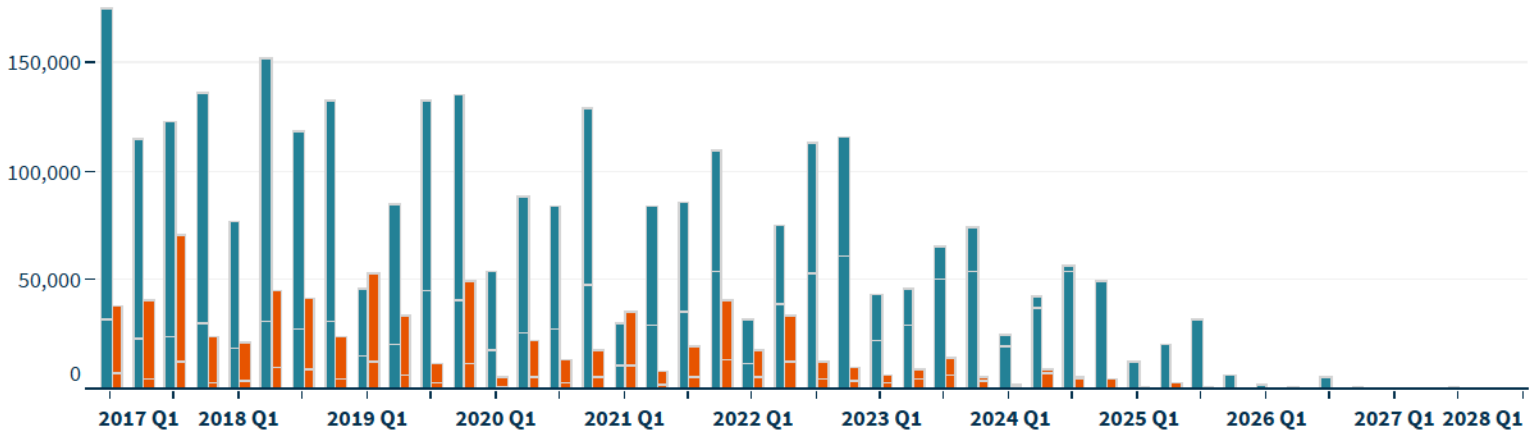
- A large volume of new apartments is a concern, and the impact of robust new supply held back the rental market prior to 2020, though it remained healthy. The area saw a rebound in 2021, which continued into mid-2022, but it has been relatively muted compared to national averages, and rent and vacancy measures began to soften late in the year, which continued into early 2024. Steady job and population growth are expected once the area enters an all-industry expansion, but the apartment market will likely be softened by new supply, and asking rents could see consecutive periods of negative growth, especially if national economic conditions remain lackluster. Nonetheless, the market saw remarkable resilience from 2016 through 2018, and once the supply wave subsides and the job market recovers, conditions in the metro should noticeably improve.
- While the apartment market could potentially see near-term volatility, the overall scale and stability of the metro's economy should allow the apartment market to eventually regain its previous health. Furthermore, over the next several years, Amazon should begin to contribute more significantly to the metro's overall economic growth prospects. Washington's steady base of federal government jobs should also continue to contribute to the metro's economic stability, which is among the more stable metro areas in the country.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

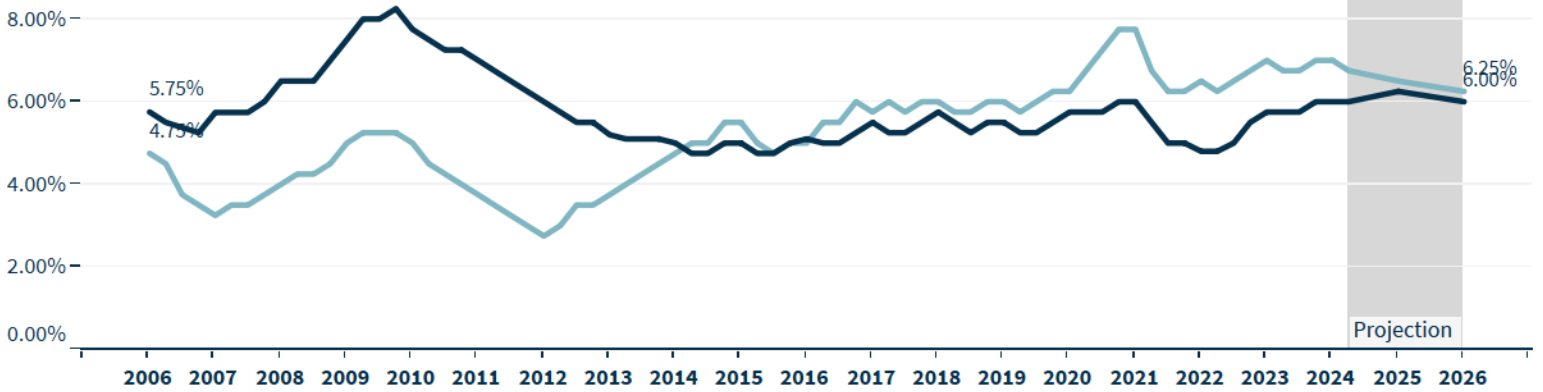
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

DC | National

Q2 2024 Vacancy Rate:

6.75%

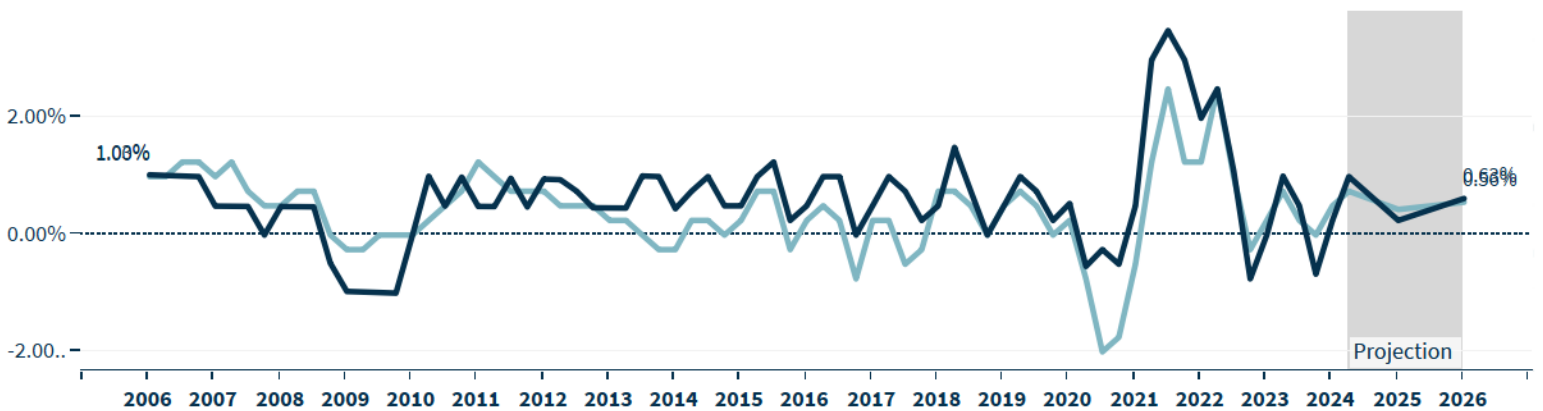


### Asking Rent Growth

DC | National

Q2 2024 Asking Rent:

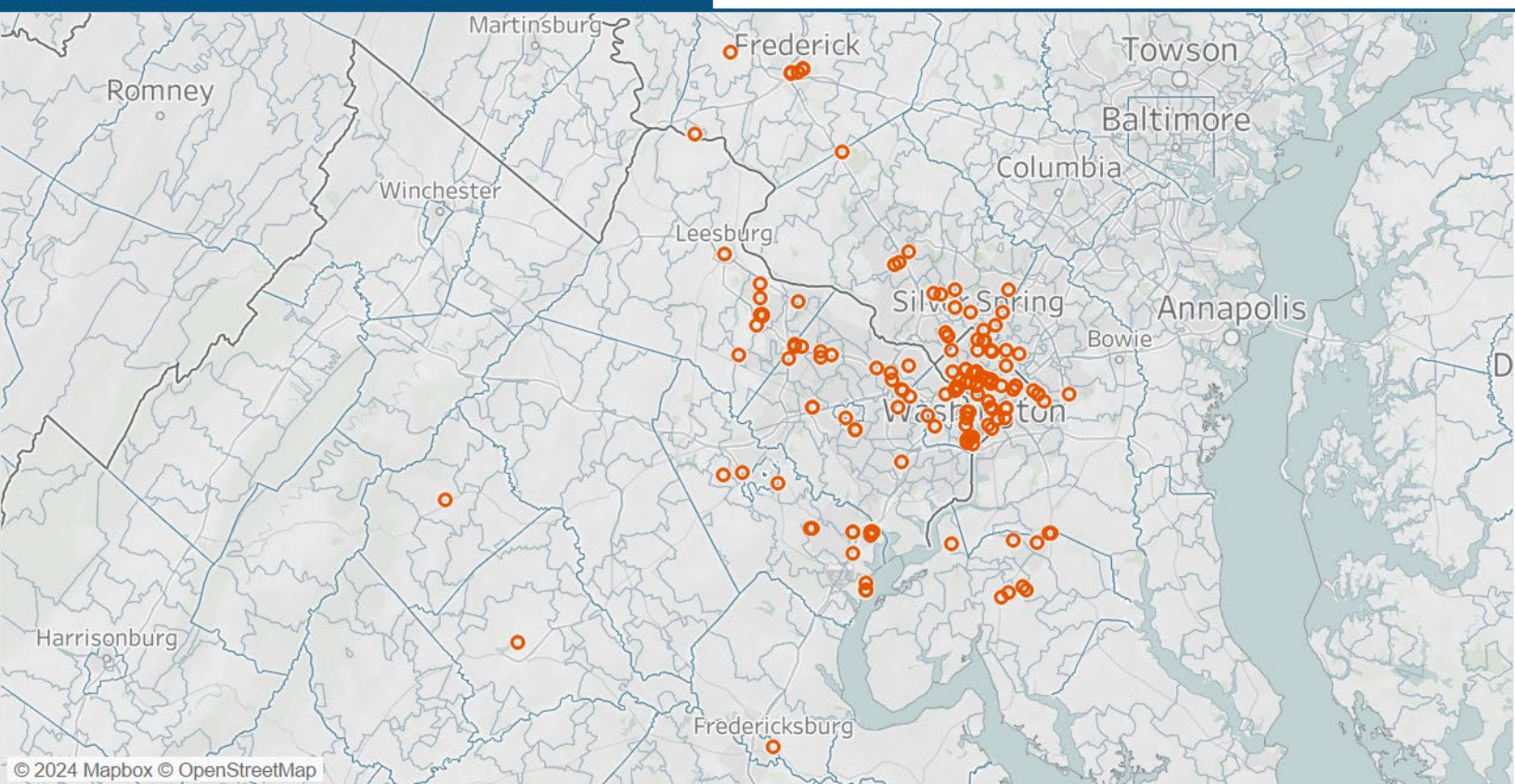
\$1,910



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Bethesda/Chevy Chase	3	956
Central DC	9	1,052
Crystal City/Pentagon City	5	2,074
Downtown Silver Spring	1	98
East Alexandria	6	1,104
East Silver Spring/Takoma Park/Adelphi	2	694
Frederick	9	877
Fredericksburg/Stafford	1	69
Gaithersburg	1	118
Germantown	1	321
Hyattsville/Riverdale	2	578
Landover/Bowie	1	379
Loudoun County	11	779
Manassas/Far Southwest Suburbs	5	774
Navy Yard/Capitol South	2	1,031
North Arlington	7	2,719
North Central DC	7	1,819
Northeast DC	5	848
Northeast Montgomery County	1	387
Northwest DC	6	1,280
Reston/Herndon	7	2,136
Rockville/North Bethesda	4	1,122
Seven Corners/Baileys Crossroads/Annandale	1	361
South Fairfax County	1	439
South Prince George's County/St. Charles	9	1,028
Southeast DC	14	3,312
Suitland/District Heights/Capitol Heights	4	732
Tysons Corner/Falls Church/Merrifield	8	2,124
West Alexandria	1	116
West Fairfax County	5	537
Wheaton/Aspen Hill	3	465
Woodbridge/Dale City	14	1,392
<b>Grand Total</b>	<b>156</b>	<b>31,721</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Washington DC Q2 2024

## Multifamily Economics and Market Research Team

Tim Komosa, Economic and Strategic Research

### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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