Northmarq

MARKET INSIGHTS

Vacancy softens as new supply eases

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	52,209
UNITS DELIVERED	5,022

MARKET FUNDAMENTALS

VACANCY RATE	5.6%
YEAR-OVER-YEAR CHANGE	+50bps
ASKING RENTS	$2,099
YEAR-OVER-YEAR CHANGE	+1.0%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$187,900

NORTHEAST MULTIFAMILY
Q1 2026

HIGHLIGHTS

- Property fundamentals across the Northeast were mixed in the first quarter, with regional vacancy increasing to 5.6%, up 50 basis points year over year. The increase was broad, with five of the region's six markets recording increases from a year earlier.
- Rent growth remained positive but slowed to a regional average of 1.0% year over year. Performance varied widely, with Norfolk/Hampton Roads leading at 4.1% and Washington, D.C., standing as the region's only market to post a decline
- Construction continued to ease, with approximately 5,000 units delivered to open the year and the pace of completions slowing from recent highs. More than 52,000 units remain under construction, with Washington, D.C., Philadelphia, and Boston together accounting for roughly 80% of the regional pipeline.
- Investment activity during the first quarter outpaced the prior-year levels in several markets. The regional median sale price reached approximately $187,900 per unit, reflecting a transaction mix weighted toward Class B and Class C assets.

NORTHEAST MULTIFAMILY MARKET OVERVIEW

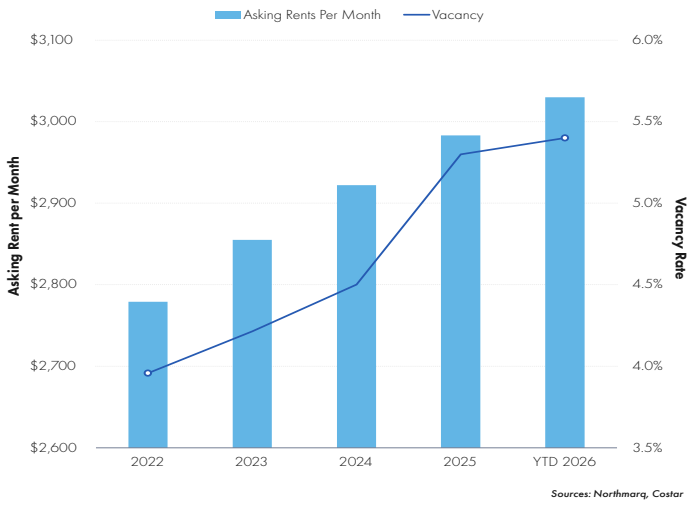
Performance across the Northeast was divided along demand lines in the first quarter, a shift from the supply-driven split that defined recent quarters. Norfolk/Hampton Roads and Richmond, the region's smaller markets, posted the strongest fundamentals, pairing the fastest rent growth with the smallest construction pipelines and the only meaningful vacancy improvement in the region. Washington, D.C., sat at the opposite end, where deepening federal employment contraction pulled net absorption negative and produced both the steepest annual vacancy increase and the only year-over-year rent decline among the six markets. Boston and Baltimore continued to work through earlier construction cycles, with vacancy still rising as recent deliveries leased up. Developers expanded regional inventory by approximately 2.9% over the year, but completions slowed sharply to open 2026, and with permitting subdued across most markets, the supply pressure that drove vacancy higher is set to ease through the remainder of the year.

Multifamily transaction activity opened 2026 ahead of the prior-year pace in several markets, even as pricing diverged from the gains recorded last year. The regional median sale price was approximately $187,900 per unit, reflecting a transaction mix weighted toward older Class B and Class C assets rather than a broad decline in values. Washington, D.C., led in dollar volume, with thirteen trades totaling $1.2 billion, well ahead of the prior-year quarter, while Northern Virginia continued to command the region's highest per-unit pricing. Boston opened with its most active first quarter in years, as two trades above $130 million accounted for nearly 60% of volume. Philadelphia recorded a 27% increase in deal count as smaller private buyers re-engaged, driving average deal size below $30 million. Cap rates broadly held in the 5.0% to 6.0% range.

BOSTON

Roughly 1,000 units were delivered in the first quarter.

VACANCY & RENT TRENDS



Sources: Northmarq, Costar

CONSTRUCTION | VACANCY | RENTS

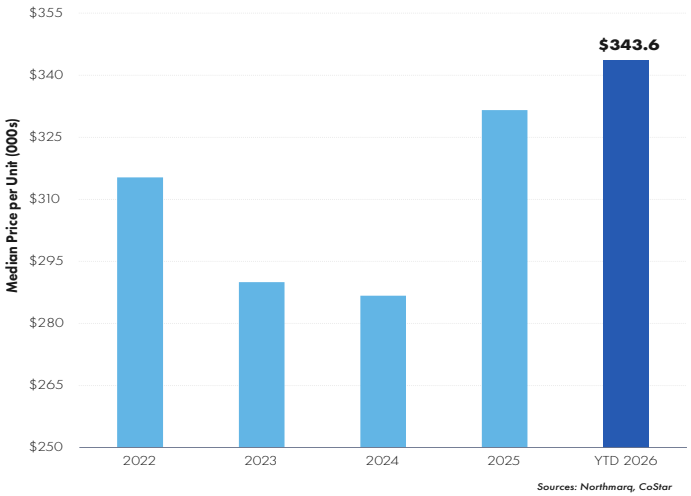
- Multifamily deliveries slowed sharply to begin 2026, with roughly 1,000 units coming online in the first quarter. Approximately 12,700 units remain under construction across the region. With the luxury high-rise cycle largely complete, nearly 40% of the units underway are now Class B.
- Regional vacancy edged up 10 basis points in the first quarter to 5.4%, a 70-basis-point annual increase. Class A vacancy of 6.2% now exceeds both Class B at 5.6% and Class C at 4.1%, reflecting the concentration of recent deliveries in higher-end properties.
- Asking rents rose 1.6% during the first quarter to $3,030 per month, topping $3,000 for just the second time. Annual rent growth finished the quarter at 1.8%, with Class C leading all segments at roughly 2%.
- **FORECAST:** Deliveries are projected to fall to roughly 7,000 units in 2026, the lightest total in years, with most completions expected in the second half. The thinner pipeline should ease broad supply pressure, though continued Class B deliveries are expected to lift vacancy 30 basis points to 5.7% by year-end. Asking rents are projected to advance 2.6% annually to approximately $3,060 per month.

MULTIFAMILY SALES

- Investment activity opened 2026 with Boston's most active first quarter in recent years, with transaction totals running more than 50% ahead of the same period last year. Middlesex and Suffolk counties together accounted for more than 60% of the quarter's deal count.
- The quarter was defined by a split in activity. Two large trades, a $218 million acquisition in Cambridge and a $137 million deal in Salem, New Hampshire, combined for nearly 60% of total dollar volume, while Class C assets made up nearly half of all transactions, concentrated along the Route 1 corridor and outer suburban markets.
- The median sale price reached $343,600 per unit during the first quarter. A wide pricing gap persisted across property classes, with Class A trading at a median of $614,000 per unit against roughly $190,000 per unit for Class C, as investors reached beyond core locations for yield.
- Cap rates held firm through the interest rate cycle, with pricing on well-located Class A and Class B assets continuing to command a premium over value-add product.

The median sale price reached $343,600 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

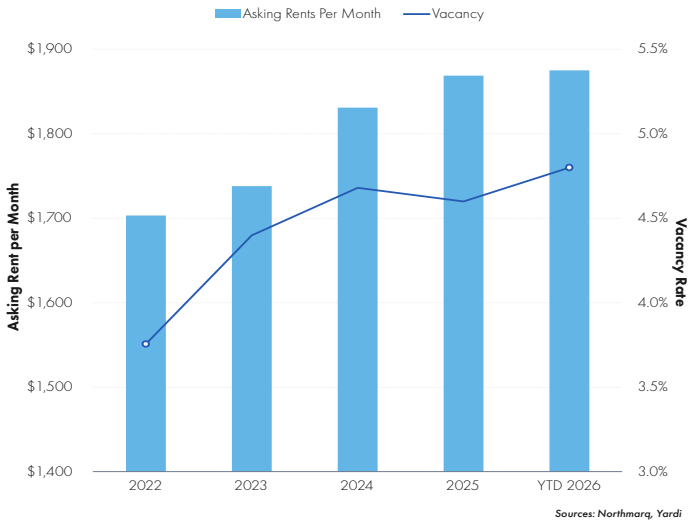
PHILADELPHIA

CONSTRUCTION | VACANCY | RENTS

- Deliveries fell to roughly 820 units in the first quarter, the lightest quarterly total in several years, with most 2026 deliveries scheduled for the second half of the year. Approximately 13,600 units remain under construction, now split nearly evenly between urban and suburban submarkets, a shift from the two-thirds urban concentration at year-end as large projects moved into active construction across Chester and Montgomery counties.
- Regional vacancy edged up 10 basis points year over year to 4.8% in the first quarter. The modest increase was driven by suburban submarkets in areas such as Newark in Delaware, and Levittown-Morrisville in Pennsylvania.
- Asking rents reached $1,875 per month, up 2.0% from one year ago. Suburban submarkets regionwide outpaced the urban core for the second consecutive year, with growth rates in supply-constrained corridors running well ahead of the market average.
- **FORECAST:** Completions are projected to total roughly 7,000 units this year, with most deliveries concentrated in the second half before the development pipeline thins considerably. Vacancy is expected to end 2026 near 4.7%, while asking rents are forecast to rise 1.7% to approximately $1,900 per month.

Suburban rents rose 2.4%, outpacing the urban core.

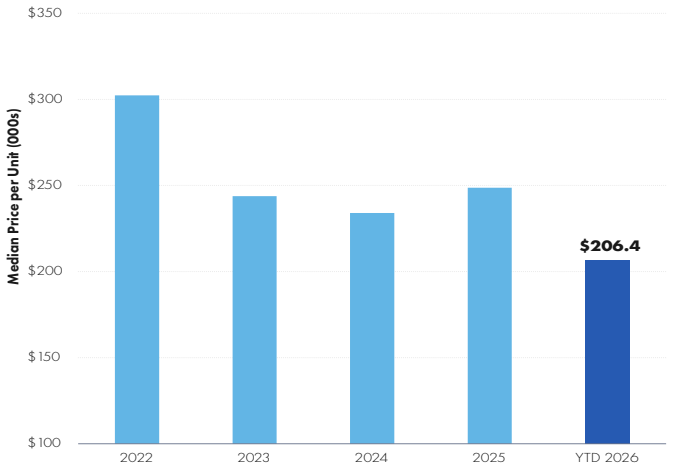
VACANCY & RENT TRENDS



Sources: Northmarq, Yardi

The year-to-date median sale price is $206,400 per unit.

SALES TRENDS



Sources: Northmarq, REIS

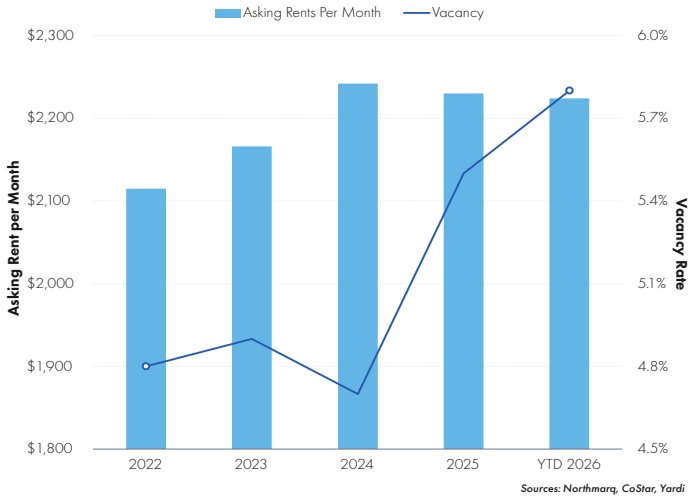
MULTIFAMILY SALES

- Transaction activity totaled approximately $310 million across 14 properties in the first quarter, with deal count running 27% ahead of the same period last year. Dollar volume fell year over year despite the higher count. The average deal size was below $30 million, and no transaction exceeded $90 million.
- Year-to-date, the median sale price is $206,400 per unit, down 17% from the full-year 2025 figure. The decline reflected the assets that traded rather than a drop in values, as older garden and mid-rise product made up the majority of closings while newer, higher-priced properties accounted for a smaller share.
- Newer construction continued to command a wide premium, with recently built assets pricing well above older garden and mid-rise vintages. The first-quarter mix tilted decisively toward the latter, pulling the headline median lower.
- Activity was more geographically dispersed than last year, when Montgomery County and the CBD accounted for a larger share of transactions. Philadelphia County led with five trades, while the remaining activity was spread across Montgomery, Chester, and New Castle counties.

WASHINGTON, D.C.

Asking rents posted the steepest annual decline since 2021.

VACANCY & RENT TRENDS



CONSTRUCTION | VACANCY | RENTS

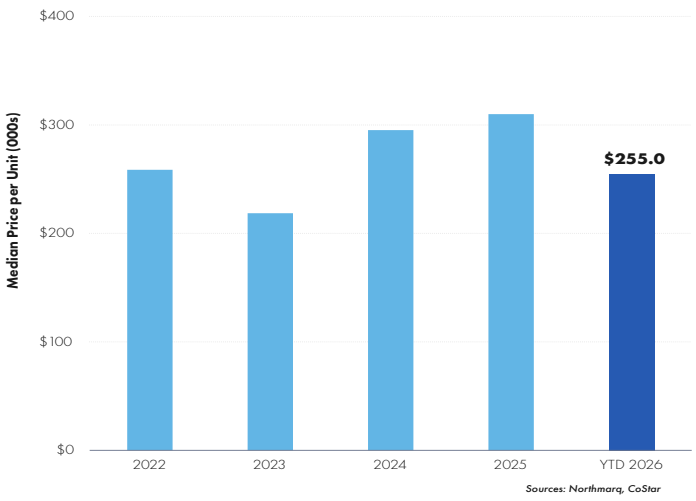
- Deliveries slowed to roughly 2,000 units in the first quarter, concentrated in the District and Suburban Maryland. Approximately 15,000 units remain under construction, with Northern Virginia holding roughly half and concentrating near-term supply in the Virginia suburbs.
- Regional vacancy rose 30 basis points during the first quarter to 5.8%, a 100-basis-point increase from one year ago and the largest annual rise for the region. Net absorption turned negative as a federal workforce cuts spread beyond government payrolls and into the contractor base.
- Asking rents slipped to $2,224 per month, down 0.9% year over year, the steepest annual decline since 2021. The pullback concentrated at the high end, with Northern Virginia rents falling 1.4% even as a cluster of affordable Prince George's County submarkets posted gains of 3% or more.
- **FORECAST:** Deliveries are projected to reach a five-year low near 10,000 units in 2026, though projects underway point to a heavier total in 2027. Vacancy is expected to climb to 6.0% by year-end, while asking rents are projected to finish near $2,225 per month, a second straight annual decline.

MULTIFAMILY SALES

- Investment activity strengthened to open 2026, with 13 properties trading in the first quarter for a total volume of approximately $1.2 billion. Both figures exceeded the first quarter of 2025, when nine deals closed for under $700 million.
- Northern Virginia continued to anchor regional deal flow, accounting for roughly half of all transactions over the trailing year, ahead of the District near 28% and the Maryland suburbs near 20%.
- The year-to-date median price is $255,000 per unit, below recent full-year levels, though the figure reflects a Class B-weighted mix rather than a broad decline in values. On a trailing-12-month basis the regional median held closer to $296,000 per unit, with Northern Virginia highest near $347,000 per unit and the Maryland suburbs lowest near $242,000 per unit.
- The cap rate sample was too limited to establish a quarterly trend, with just two first-quarter trades reporting rates of 5.5% and 6.0%. Across the broader 2025 sample, cap rates averaged approximately 5.8% and approached 6.0% by year-end.

Northern Virginia anchored roughly half of regional deal flow.

SALES TRENDS



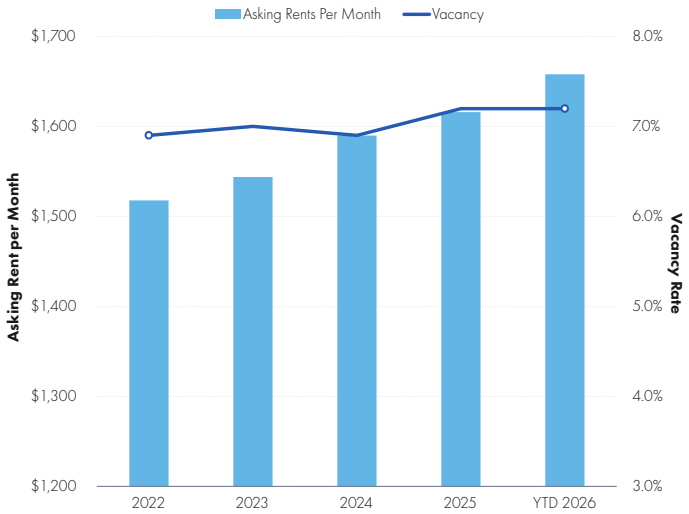
RICHMOND

CONSTRUCTION | VACANCY | RENTS

- Richmond remained in an active supply cycle, with roughly 500 units delivered in the first quarter and approximately 4,500 units under construction, well above the market's ten-year average.
- Area vacancy held at 7.2%, unchanged from the prior quarter but up 40 basis points year over year. The rate has stabilized in recent quarters as absorption has largely matched the pace of new deliveries.
- Asking rents reached $1,658 per month, up 2.9% year over year, an acceleration from a year earlier. The pickup ranks among the firmer readings in the region, second only to Norfolk/Hampton Roads.
- **FORECAST:** Deliveries are projected to total nearly 3,300 units in 2026, roughly in line with 2025. Vacancy is expected to hold at 7.2% by year-end, while asking rents are projected to advance about 2.8% annually to roughly $1,665 per month.

Asking rents are up 2.9% year over year.

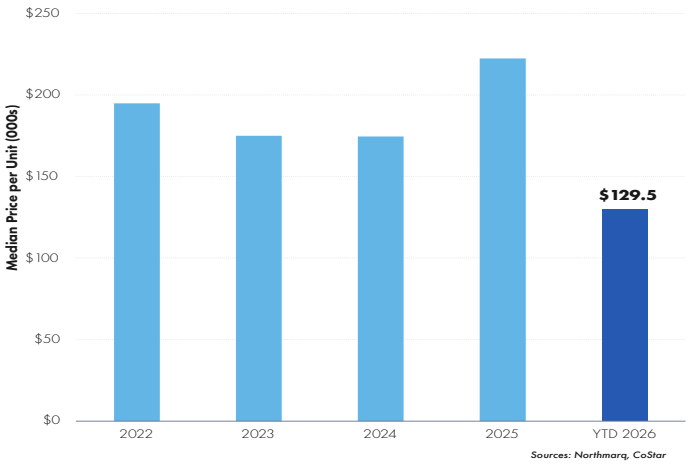
VACANCY & RENT TRENDS



Sources: Northmarq, Costar

The year-to-date median sale price is $129,500 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

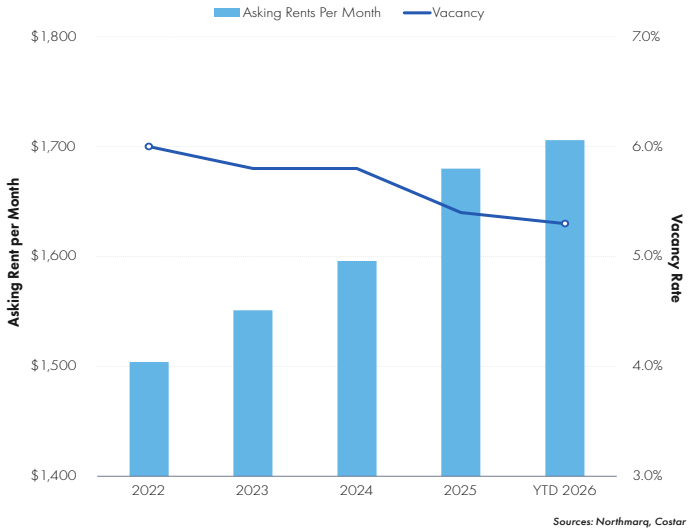
MULTIFAMILY SALES

- Investment activity opened 2026 at a healthy pace, with seven properties trading in the first quarter for total volume of roughly $241 million. Deal count and dollar volume moved in opposite directions: smaller Class B and Class C properties made up the majority of trades, while three Class A communities accounted for more than three-quarters of total dollar volume.
- Year-to-date, the median sale price registered $129,500 per unit, below recent full-year levels. The figure reflects a larger share of lower-priced value-add trades rather than a decline in values, with Class A product pricing near $243,000 per unit against roughly $97,000 for the Class B and Class C assets that traded.
- Sales activity concentrated in two areas, with South Richmond capturing most value-add Class B and Class C trades and Western Henrico County leading the larger Class A transactions.

HAMPTON ROADS

Asking rents climbed 4.1% year over year.

VACANCY & RENT TRENDS



Sources: Northmarq, Costar

CONSTRUCTION | VACANCY | RENTS

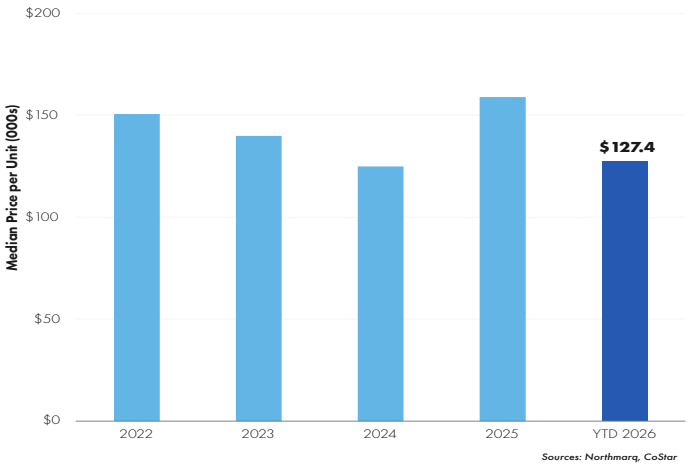
- Deliveries totaled 130 units in the first quarter, extending the slowdown from the prior cycle. Approximately 2,700 units remain under construction, but the delivery schedule is heavily back-loaded, with only about 560 units scheduled for 2026 and most of the pipeline slated for 2027.
- Regional vacancy tightened 10 basis points year over year to 5.3%. Net absorption of roughly 550 units in the first quarter ran well ahead of the number of units delivered, the only market in the region where demand outpaced new supply.
- Asking rents reached $1,706 per month, up 4.1% year over year. The pace accelerated from 3.3% a year earlier, supported by steady absorption and a constrained near-term supply pipeline.
- **FORECAST:** Deliveries are projected near 560 units in 2026, well below recent years. Vacancy is forecast to tighten to approximately 5.0% by year-end, while asking rents are projected to advance about 3.5% to roughly $1,765 per month.

MULTIFAMILY SALES

- Investment activity opened 2026 at a steady pace, with seven properties trading in the first quarter for a total volume of roughly $170 million. Class C product accounted for the majority of activity by transaction count.
- Year-to-date, the median sale price registered $127,400 per unit, down 20% from the 2025 full-year figure. The decline reflects a transaction mix concentrated in older Class C assets rather than a decline in values, with no Class A product trading during the quarter.
- Trades were geographically dispersed across the region, with Newport News, Hampton, and Virginia Beach each recording activity. The largest deal by dollar volume was a Class C community in Newport News.
- Per-unit pricing spanned a wide range, from roughly $68,000 for older Class C urban assets to $203,000 per unit for stabilized suburban Class B assets.

Year to date, the median sale price is $127,400 per unit.

SALES TRENDS



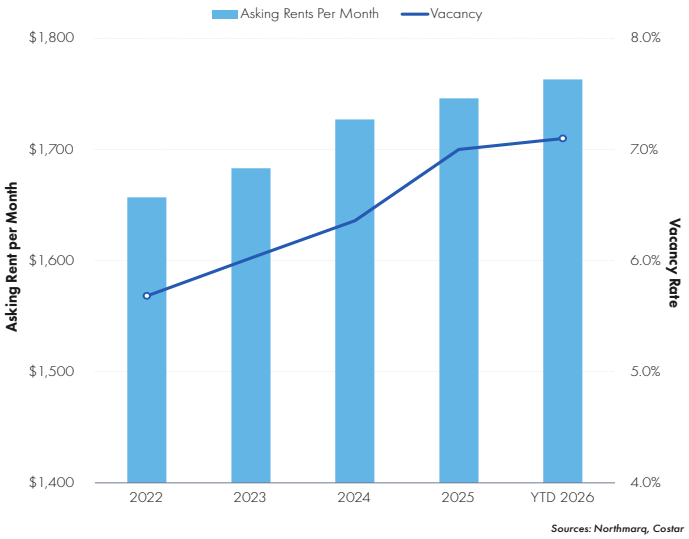
Sources: Northmarq, CoStar

CONSTRUCTION | VACANCY | RENTS

- Multifamily deliveries slowed to roughly 600 units in the first quarter. Approximately 3,600 units remain under construction, with Class A accounting for more than 60% of the pipeline. Roughly half the pipeline is expected to deliver in 2026, with the remainder pushed into 2027 and beyond.
- Regional vacancy edged up 10 basis points in the first quarter to 7.1%, a 70-basis-point annual increase. Net absorption remained positive but was outpaced by new deliveries.
- Asking rents reached $1,763 per month, up 0.7% year over year. Annual growth has steadily slowed from 2.6% recorded a year earlier.
- **FORECAST:** Deliveries are projected to total nearly 1,900 units in 2026, roughly in line with 2025. Vacancy is expected to tick up to approximately 7.3% by year-end, while asking rents are projected to advance about 1.0% during 2026 to roughly $1,780 per month.

Vacancy rose 70 basis points year over year.

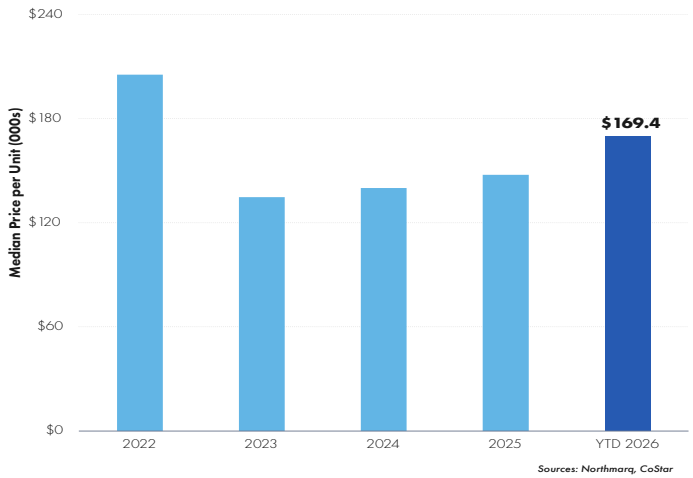
VACANCY & RENT TRENDS



Sources: Northmarq, Costar

The median sale price reached $169,400 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

MULTIFAMILY SALES

- Investment activity started 2026 at a solid pace, with five properties trading in the first quarter for a total volume of roughly $337 million, ahead of the year-earlier quarter. Larger Class B suburban assets anchored the activity.
- The median sale price registered $169,400 per unit so far in 2026, below recent full-year levels. The decline reflects a transaction mix weighted toward older Class B and Class C product rather than a broad change in values, with no high-priced Class A trades closing during the quarter.
- Activity was concentrated in Baltimore County, where Owings Mills, Towson, and White Marsh accounted for the quarter's largest trades by dollar volume. Per-unit pricing ranged widely, from roughly $61,000 for older urban product to $270,000 for stabilized suburban Class A.
- Older, lower-basis assets continued to attract the most consistent buyer interest, with Class B and Class C product representing the majority of first-quarter transactions by count.

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FOR MORE INFORMATION, **PLEASE CONTACT**

WASHINGTON, D.C. INVESTMENT SALES

CHRIS DOERR
Regional Managing Director
202.486.0229
cdoerr@northmarq.com

WILL HARVEY
Senior Vice President
703.477.0710
wharvey@northmarq.com

MEG CARTER
Lead Transaction Manager
424.334.7020
mcarter@northmarq.com

DEVON CLARK
Investment Sales Analyst
412.559.0137
dclark@northmarq.com

SHACK STANWICK
Associate
301.861.0094
sstanwick@northmarq.com

BALTIMORE INVESTMENT SALES

ARI AZARBARZIN
Senior Vice President
410.296.0709
aazarbarzin@northmarq.com

ANTHONY PINO
Senior Associate
410.296.6568
apino@northmarq.com

JAMIE GRANT
Associate
410.296.0703
jgrant@northmarq.com

PHILADELPHIA INVESTMENT SALES

LIZANN MCGOWAN
Managing Director
215.484.0321
lmcgowan@northmarq.com

BRYAN CHESKY
Associate
610.400.7169
bchesky@northmarq.com

BOSTON INVESTMENT SALES

ALIX CURTIN
Associate Broker
339.222.5410
acurtin@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

JOHN SALTER, *Research Analyst* | 602.508.2231 | jsalter@northmarq.com

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