

Transaction volume accelerates in 2026

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **15,612**

UNITS DELIVERED (YTD) **1,963**

MARKET FUNDAMENTALS



VACANCY RATE **5.8%**

YEAR-OVER-YEAR CHANGE **+100bps**

ASKING RENTS **\$2,224**

YEAR-OVER-YEAR CHANGE **-0.9%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$255,000**

WASHINGTON, D.C.
MULTIFAMILY
Q1 2026

HIGHLIGHTS

- Operating conditions across the Washington, D.C., region softened in the first quarter as federal employment losses deepened, with regional payrolls down more than 3% from a year earlier. The pace of new deliveries slowed from the elevated levels of recent years.
- The regional vacancy rate rose 30 basis points during the first quarter to 5.8%, a 100 basis-point increase from one year earlier. The increase traces to slightly negative net absorption alongside the delivery of roughly 2,000 units.
- Asking rents closed the quarter at \$2,224 per month, down 0.3% from the prior quarter and 0.9% year over year, the steepest annual decline since 2021. The pullback was concentrated in the higher-priced Northern Virginia subregion.
- Investment activity opened the year ahead of the prior-year pace, with sales volume totaling \$1.2 billion across 13 trades. The median sale price registered \$255,000 per unit, reflecting a Class B-weighted mix.

WASHINGTON, D.C., MULTIFAMILY MARKET OVERVIEW

The Greater Washington, D.C., multifamily market softened in the first quarter, with pressure coming from weakening demand rather than new supply. A deepening contraction in federal employment, now spreading from government payrolls into the private contractor base, pulled net absorption slightly negative even as developers slowed the pace of new deliveries. The decline was led by the high-rent end of the market, with Northern Virginia and Class A product posting the steepest rent declines, reflecting the concentration of job losses in higher-wage roles. Vacancy rose at a similar pace across all price tiers, a sign of broad-based demand softness, while the region's most affordable submarkets were the main exception, still posting rent gains. Elevated home prices and mortgage rates continue to keep would-be buyers renting, though that has not offset the move-outs tied to a shrinking white-collar job base.

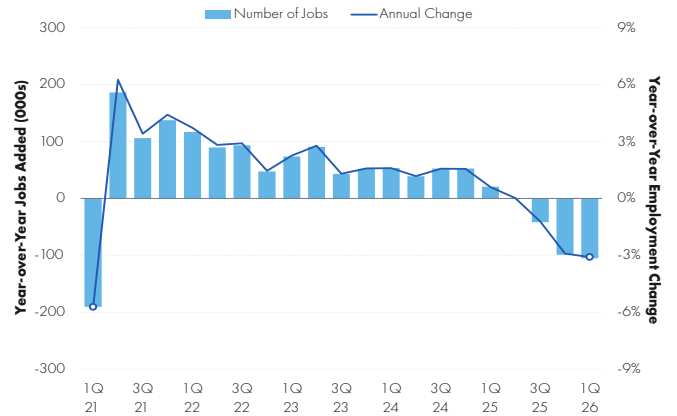
The investment market diverged from the operating fundamentals this quarter. Even as employment contracted and vacancy climbed, the deal count ran roughly 45% ahead of the year-earlier quarter, with dollar volume surging nearly 80%. Cap rates have moved higher over the past year, and the first quarter's deal mix leaned toward lower-priced Class B and value-add product, away from the Class A assets that led a year ago. That mix, not a broad drop in values, is why the headline median came in lower. Among comparable trades, Northern Virginia still commanded the region's highest per-unit pricing, while the Maryland suburbs anchored the low end. With cap rates higher and operating fundamentals soft, the assets clearing the market were increasingly the lower-basis, higher-yielding ones.

EMPLOYMENT

- Total employment across the Washington, D.C., region fell by 105,100 jobs year over year in March, a 3.1% decline and the steepest annual contraction since the pandemic.
- Professional and Business Services, the region’s federal contractor base, lost 34,200 jobs, a 4.3% decrease year over year, a sign that the federal drawdown has spread beyond direct payrolls. Government employment itself fell 52,200 positions, or 7.2%.
- Healthcare was the only sector adding jobs at scale, increasing by 2,700 positions, or 0.7%. Construction, the prior year’s main engine of job growth, stalled to roughly flat at 0.4%, removing a key offset that had cushioned headline losses through 2025.
- **FORECAST:** Regional employment is projected to decline 0.6% in 2026, a net loss of roughly 20,000 jobs. This would mark a second consecutive year of contraction, though at a much slower pace than in 2025 as federal cuts are fully absorbed.

Total employment fell by 105,100 jobs year over year.

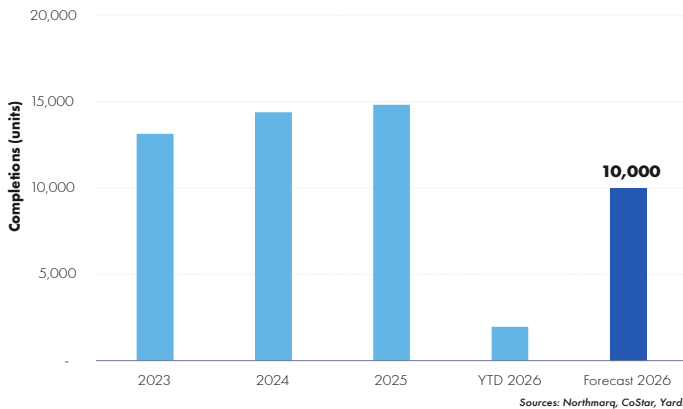
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

The region added 1,963 units in the first quarter.

DEVELOPMENT TRENDS



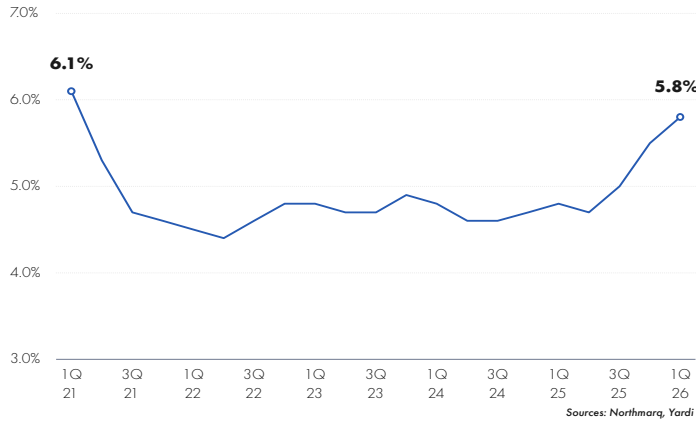
Sources: Northmarq, CoStar, Yardi

DEVELOPMENT & PERMITTING

- The region added 1,963 units in the first quarter, with new supply concentrated in the District and Suburban Maryland, which together accounted for roughly three quarters of deliveries.
- Regional development totaled more than 15,000 units under construction at quarter end, with Northern Virginia accounting for roughly half. The District of Columbia had about 4,100 units underway and Suburban Maryland roughly 3,700 units, concentrating near-term supply in the Virginia suburbs.
- Permitting ticked higher in the first quarter after bottoming in 2025. Developers pulled permits for roughly 3,900 units, the strongest opening quarter since 2021.
- **FORECAST:** Regional deliveries are expected to reach a five-year low in 2026, declining 33% from 2025 to roughly 10,000 units. The slowdown will be uneven, however, as projects currently underway point to a heavier delivery year in 2027.

Class A remains the tightest segment of the market.

VACANCY TRENDS



VACANCY

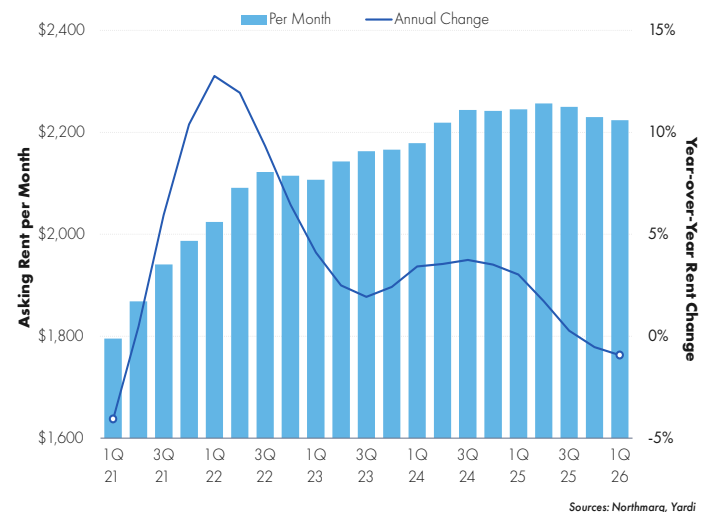
- Regional vacancy rose to 5.8% during the first quarter, up 30 basis points from the prior quarter and 100 basis points year over year. Net absorption turned negative to start the year, pushing vacancy higher even as new deliveries slowed.
- Northern Virginia remains the tightest part of the region at 4.7%, but the spread across its submarkets is wide. Pentagon City rose more than 300 basis points over the year to 7.3% and neighboring Crystal City reached 7.2%, while Ashburn/Dulles/Sterling was the only large submarket to tighten, easing to 4.2%.
- Softening spanned the quality spectrum, with Class A, Class B, and Class C vacancy each rising roughly 100 basis points year over year. Class A remains the tightest segment at 5.3%, while Class C has the highest vacancy rate at 6.7%, an ordering that has held since mid-2023.
- **FORECAST:** Regional vacancy is projected to reach 6.0% by year-end 2026, up 50 basis points from the 2025 close and slightly above the long-term average of roughly 5.5%.

RENTS

- Regional asking rents slipped to \$2,224 per month in the first quarter, down 0.3% from the prior quarter and 0.9% year over year. The decline marks a second straight quarterly pullback and the sharpest annual rent contraction since 2021.
- Northern Virginia rents fell 1.4% year over year to \$2,320 per month, outpacing the 0.8% decline across the District and Suburban Maryland. The pullback narrowed the gap with the rest of the market, though Northern Virginia remains the region’s highest-rent subregion.
- The lower-priced end of the market ran counter to the regional decline. A cluster of affordable submarkets in Prince George’s County posted annual rent growth, with several rising 3% or more, the strongest gains anywhere in the region.
- **FORECAST:** Rents are projected to finish 2026 at approximately \$2,225 per month, down roughly 0.2% from 2025. If realized, this would mark the second consecutive year of falling rents.

Rents in the region are down 0.9% year over year.

RENTS TRENDS

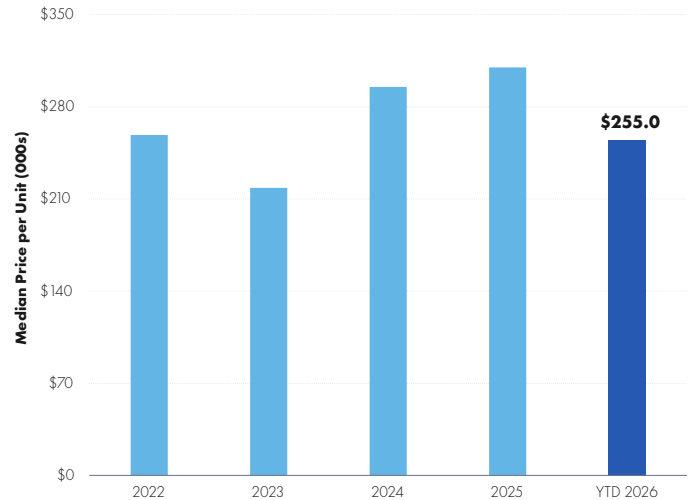


MULTIFAMILY SALES

- Investment activity strengthened to open 2026, with 13 properties trading in the first quarter for a total volume of \$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. Over the trailing 12 months, it accounted for roughly half of all transactions, 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, but the figure reflects a Class B-weighted transaction mix. Over the trailing 12 months, the regional median held closer to \$296,000 per unit.
- Northern Virginia remained the highest-priced part of the region, with a trailing-year median sale price near \$347,000 per unit, the highest of the area’s three subregions.
- The Maryland suburbs sat at the other end, with a trailing-year median near \$242,000 per unit. Silver Spring remained among the more active Maryland submarkets during this period.
- In the District, the trailing-year median was near \$298,000 per unit, slightly above the regional figure, with Class A properties making up the largest share of transactions.
- The cap rate sample was too thin this quarter to establish a trend, with only two first-quarter trades reporting rates, at 5.5% and 6.0%. Across the fuller 2025 sample, cap rates averaged near 5.8% and reached roughly 6.0% by the fourth quarter.

The year-to-date median price is \$255,000 per unit.

INVESTMENT TRENDS



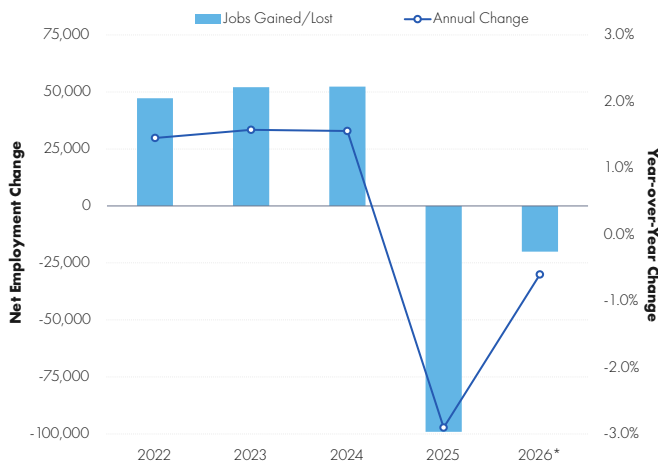
Sources: Northmarq, CoStar

LOOKING AHEAD

The operating outlook for 2026 hinges on the federal employment trajectory. Deliveries are set to fall to roughly 10,000 units, the lightest in years, which, in most cycles would strengthen fundamentals. This year, that relief arrives just as demand is still contracting, with payrolls projected to decline again and the drawdown now reaching the GovCon contractor base alongside direct government roles. Still, the high-wage picture is not uniformly bleak: defense, cybersecurity, and federal-technology hiring remain a pocket of strength, with Systems Planning and Analysis adding more than 1,200 positions across Northern Virginia, a tailwind likely to concentrate in the close-in Virginia submarkets. Rents are likely to drift lower for a second straight year, with the firmest support at the affordable end, where renters priced out of for-sale housing keep backfilling lower-tier product.

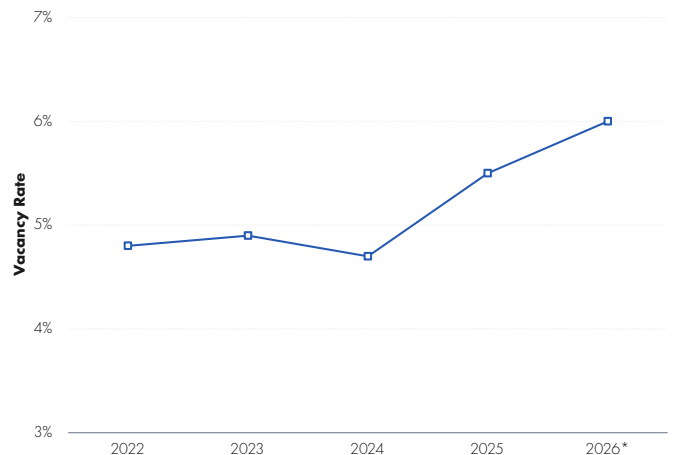
Investment activity should hold up in 2026, but where buyers choose to invest will matter more than the quantity of trades. Northern Virginia drew the largest share of capital over the past year, taking in about 60% of regional dollar volume on the strength of its higher per-unit pricing. That capital concentrated in the part of the market with the weakest rent growth, since Northern Virginia posted the steepest rent declines while the cheaper Maryland and Prince George's County submarkets were the only ones with rent growth. If that gap persists, more buyers are likely to follow the income and move toward the steadier, less expensive Maryland product, a trend that began to emerge in the first quarter. With employment still falling, owners may hold properties off the market, keeping transaction volume below its recent pace even as the supply picture improves.

EMPLOYMENT FORECAST



* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



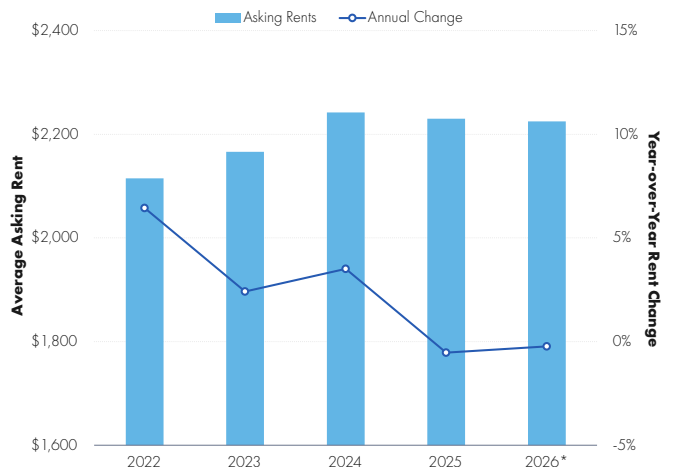
* Year End Forecast
Sources: Northmarq, Yardi

CONSTRUCTION & PERMITTING FORECAST



Sources: Northmarq, Census Bureau, CoStar, Yardi

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Yardi



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