

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **16,292**

UNITS DELIVERED (YTD) **10,075**

MARKET FUNDAMENTALS



VACANCY RATE **4.7%**

YEAR-OVER-YEAR CHANGE **+10bps**

ASKING RENTS **\$2,257**

YEAR-OVER-YEAR CHANGE **+1.7%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$211,800**

WASHINGTON, D.C.
MULTIFAMILY
2Q 2025

MARKET INSIGHTS

Uncertainty restricts activity despite low vacancies

HIGHLIGHTS

- Conditions in the Washington, D.C., region proved to be volatile in the first half, although the multifamily market posted continued stability despite disruption in the larger economy. Vacancies remained within a very tight range, even as the pace of new development picked up in the first half of the year.
- Vacancy dipped 10 basis points in the second quarter, falling to 4.7%; during the past 12 months, the rate has inched up 10 basis points.
- Rents are rising, although the pace of increases appears to be leveling off to this point in 2025. Rents ended the second quarter at \$2,257 per month, up 1.7% year over year. Rent growth across the region had been averaging closer to 3.0% since 2023. The highest rents are in Northern Virginia, but the Maryland suburbs are generally posting a slightly faster pace of growth in recent periods.
- After a slow start to the year, investment activity regained momentum in the second quarter. The median price year to date is \$211,800 per unit, with cap rates ranging between 4.5% and 5.75% for most assets.

WASHINGTON, D.C. MULTIFAMILY MARKET OVERVIEW

Despite some economic disruption affecting the federal government workforce, the Washington, D.C., multifamily market posted healthy operational performance during the first half of this year. Vacancy has remained within a very tight range for more than two years while rents posted a slight advance. Development of new rental units has accelerated, and this year is on pace to be the most active period of new deliveries since 2021. Construction activity is occurring throughout the region, with the largest concentration of new projects located in Northern Virginia, where vacancies ended the second quarter at just 3.5% and rents are about \$100 per month above the regional average. In the Maryland suburbs, Bethesda, Rockville, and Silver Spring are top locations for properties that are currently under construction.

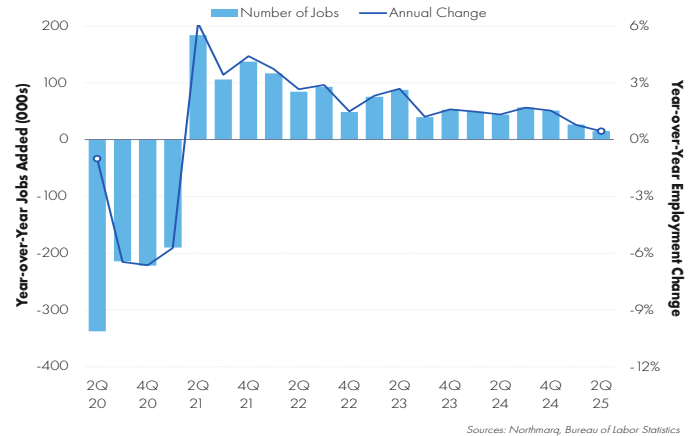
Investment activity in the Washington, D.C., region got off to a very slow start to the year, as transactions were limited by levels of uncertainty that were unique to the market. Conditions showed signs of returning closer to normal during the second quarter, as transaction activity gained momentum and bounced off of lows recorded at the beginning of the year. In properties that have sold this year, per-unit prices are down, which is largely a function of fewer properties located in Northern Virginia changing hands. In the properties that have sold to this point in 2025, the median price in Northern Virginia has topped \$300,000 per unit, while prices are lower in both the Maryland suburbs and within the District.

EMPLOYMENT

- Total employment in the Washington, D.C., area has inched higher during the 12-month period ending in the second quarter, although cuts have been recorded to this point in 2025. Year over year, nearly 15,000 jobs have been added, a 0.4% rise. Net job losses totaling 6,500 positions have been posted year to date.
- The federal government sector has been the largest drag on the local economy in 2025. In the past year, area employment in the federal government sector has been trimmed by 4.6% with net cuts totaling 17,200 positions. All of the losses have come in 2025; through the first six months of this year, more than 20,000 federal jobs had been eliminated in the region.
- The private education and health services sector has been one of the few sources of local job growth in recent periods. The sector has grown by 3% in the past year with the addition of 14,300 new jobs.
- **FORECAST:** Job cuts in the public sector are expected to drag on the larger economy in 2025. Total payrolls in the Washington, D.C., area are expected to contract by 0.3% this year, with a net loss of 10,000 jobs.

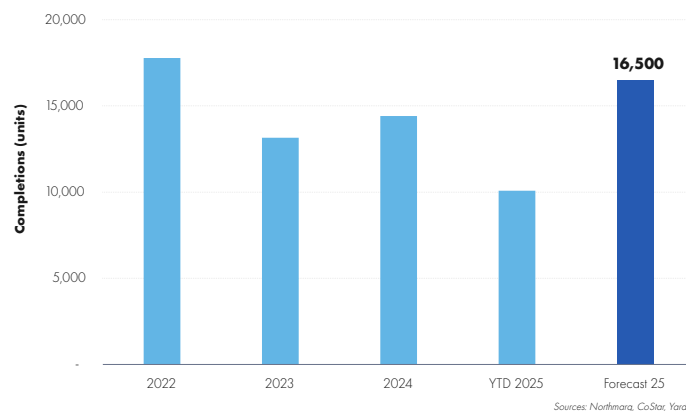
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EMPLOYMENT OVERVIEW



Multifamily permitting slowed significantly in the first half of 2025.

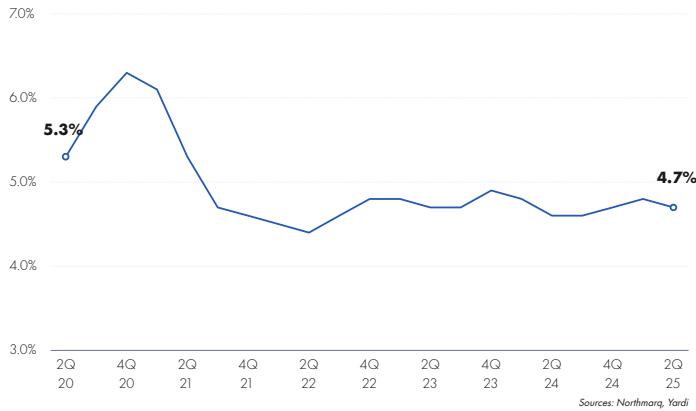
DEVELOPMENT TRENDS



- Projects totaling about 5,300 units were delivered in the second quarter, after more than 4,700 units came online in the first three months of the year. Deliveries to this point in the year are ahead of the 2024 pace by more than 50%.
- Approximately 16,300 units were under construction at midyear 2025, with nearly 45% of the units that are currently underway located in Northern Virginia. More than 1,750 units are under construction in Arlington, while an additional 600 units are in development in Alexandria. Approximately 4,500 units are under construction in the District, with properties concentrated in the Barry Farms/Saint Elizabeths submarket.
- Multifamily permitting has slowed significantly in 2025. Developers pulled permits for only about 3,200 multifamily units in the first half, down nearly 40% from levels during the same period in 2024. Multifamily permitting volumes peaked at more than 20,000 units in 2022, but the total for this year will likely be closer to 7,500 units.
- **FORECAST:** Developers are expected to complete approximately 16,500 units across the Washington, D.C., region in 2025, after more than 14,400 units were delivered in 2024. About 7,700 units are expected to come online within the Northern Virginia suburbs, while nearly 6,000 units are slated to be delivered in the District.

The vacancy rate ended the second quarter at 4.7%.

VACANCY TRENDS



VACANCY

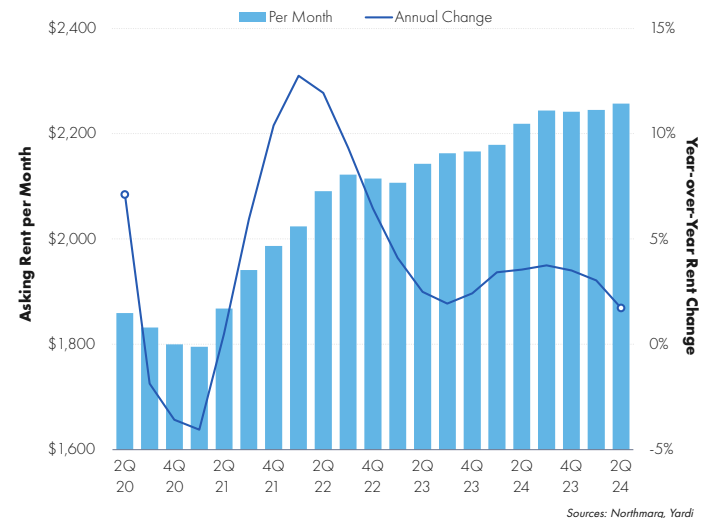
- Average vacancy rates within the Washington, D.C., region have been steady throughout the past several periods. The rate declined by 10 basis points in the second quarter, reaching 4.7%. Vacancy is up just 10 basis points from levels posted from one year earlier.
- Vacancy conditions have remained very tight in the Northern Virginia suburbs, where the rate ended the second quarter at just 3.5%. The vacancy rate in Northern Virginia has remained at or below 4% for eight consecutive quarters. The rate has averaged 4.4% since the beginning of 2020.
- In the Maryland suburbs, vacancy ended the second quarter at 5.7%, up 20 basis points from one year ago. This marked the ninth consecutive quarter where vacancy in Maryland suburbs has topped 5%.
- **FORECAST:** Vacancy is on pace to inch higher this year, ending 2025 at 4.9%, up 20 basis points for the full year. This would offset the 20 basis point decline recorded in 2024.

RENTS

- Rents in the Washington, D.C., region are up 1.7% year over year, averaging \$2,257 per month in the second quarter. Rent growth had averaged more than 3% percent for more than a year before the pace of gains slowed in recent periods. Year to date, rents have ticked up just 0.7%.
- The Northern Virginia suburbs typically have some of the highest rents in the region. Average rents in Northern Virginia ended the second quarter at \$2,360 per month, up 1.3% during the past 12 months.
- Rents in the Maryland suburbs are lower than in surrounding areas, but are advancing at a faster pace. The average rent in the Maryland suburban submarkets has gained 1.9% in the past year, reaching \$2,177 per month at midyear.
- **FORECAST:** Rents are expected to tick higher in 2025 across the Washington, D.C., region, but gains will likely be more modest than in recent years. On average, rents are on pace to advance 1.5% to \$2,275 per month by the end of 2025.

Rents in the region are up 1.7% year over year.

RENTS TRENDS

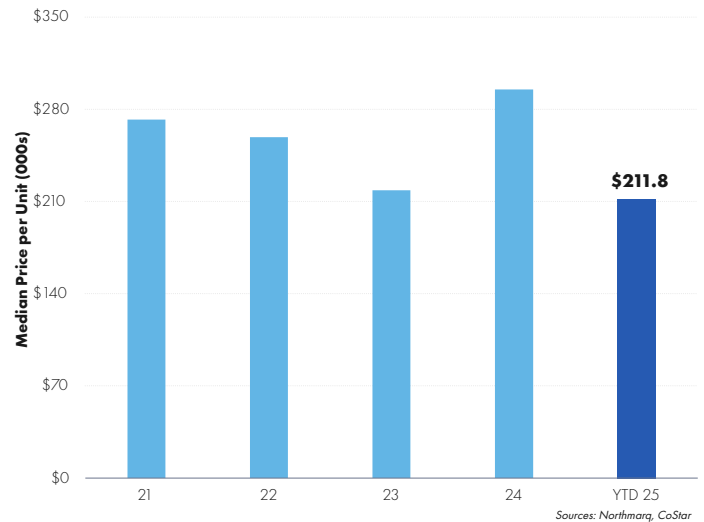


MULTIFAMILY SALES

- Transaction activity in the Washington, D.C., region has lagged year-earlier levels thus far in 2025. The number of properties that sold during the first half was down 15% compared to transaction counts during the same period in 2024. Sales velocity gained momentum in the second quarter; transaction counts jumped by more than 50% from the first quarter to the second quarter.
- Regional sales activity trends have been mixed to this point in the year. Properties within the District have accounted for approximately half of the total transactions in the region, up from about 25% of sales over the past few years. Activity levels within the District and the Maryland suburbs are ahead of the 2024 pace, while sales in the Northern Virginia suburbs have dropped by nearly 50% year to date.
- In sales that have closed year to date, prices have declined. The median price in sold transactions is \$211,800 per unit, down from about \$295,000 per unit in 2024. A drop in the number of sales in Northern Virginia—which historically features the highest per-unit pricing—has driven part of the price decline for the region as a whole.
- In the Northern Virginia submarkets, the median price through the first half of the year was \$307,500 per unit, after reaching nearly \$300,000 per unit in 2024.
- In the Maryland suburbs, the median price has dipped 12% year to date, reaching \$226,100 per unit. Approximately half of the transactions that have sold in the Maryland suburbs were located in Silver Spring, where pricing ranged from about \$150,000 per unit to \$300,000 per unit. A newer asset changed hands in Bethesda for more than \$600,000 per unit during the first quarter.
- In the District, the median price in the first half was approximately \$183,000 per unit, as older, Class C properties accounted for nearly half of the total transactions. The District also featured some of the highest per-unit transactions. Class A properties in the District sold at a median price of nearly \$600,000 per unit during the first half.
- Cap rates across the Washington, D.C., metro area have averaged approximately 5% to this point in 2025, with most properties trading with cap rates between 4.5% and 5.75%. Last year, cap rates averaged closer to 5.25%.

The median price in transactions is \$211,800 per unit.

INVESTMENT TRENDS

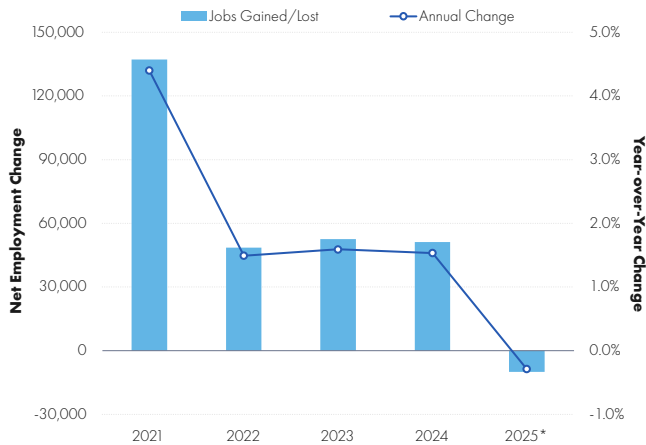


LOOKING AHEAD

The second half of 2025 should be less volatile than the first half within the Washington, D.C., region, although it will likely take a few more quarters for uncertainty to lift and for the outlook to fully normalize. Developers are expected to remain active, with projects located throughout the region's affluent suburbs. In addition, multifamily development within the District is gaining momentum, particularly as the local government incentivizes office-to-residential redevelopment projects. While it will likely take several years for these conversions to enter the local multifamily inventory, the program is expected to add more than 8,000 new housing units within the District.

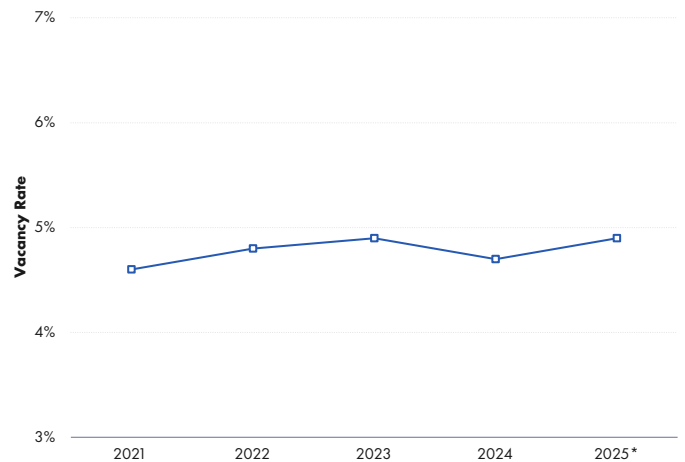
The investment market in Washington, D.C., is being influenced by two competing forces. The first is strong operational performance of rental properties, highlighted by tight vacancy conditions, healthy absorption, and rising rents. These forces traditionally buoy investor sentiment and spark activity. The other pull on the market is the uncertainty that accompanies declines in the region's core employment sector; federal government employment in the region has contracted by nearly 5% year to date, although the bulk of the cuts have likely already occurred, and conditions should stabilize beginning in 2026. There could be some additional disruption in the near term as the government heads towards a potential funding shutdown at the end of the third quarter, but historically, these have been resolved within a few weeks.

EMPLOYMENT FORECAST



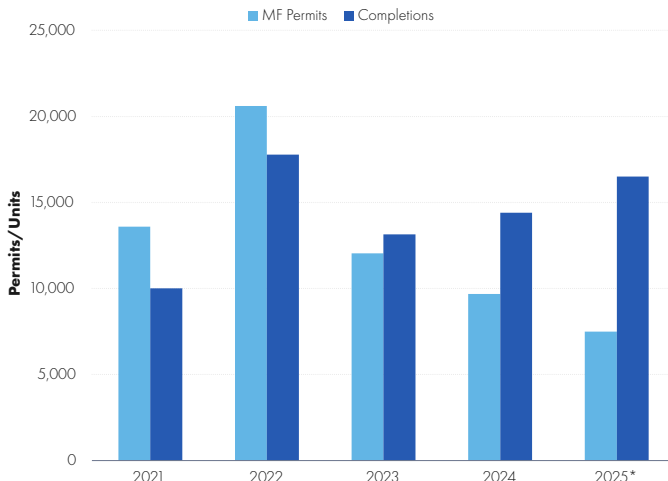
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



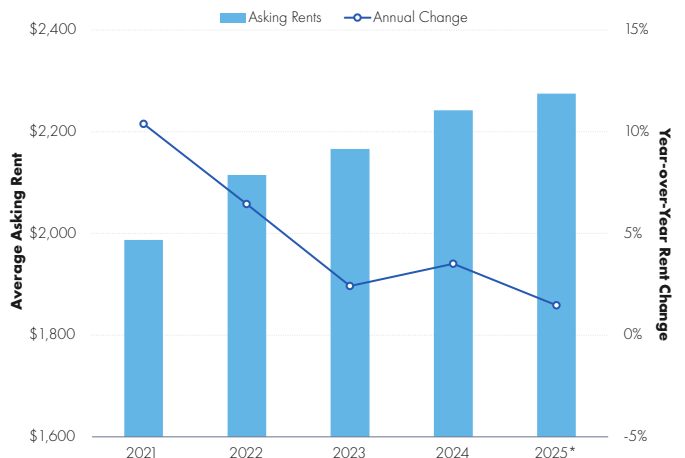
* Year End Forecast
Sources: Northmarq, Yardi

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Census Bureau, CoStar, Yardi

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Yardi



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