Northmarq

## CONSTRUCTION ACTIVITY

| | |
|---|---|
| UNDER CONSTRUCTION | 15,964 |
| UNITS DELIVERED (YTD) | 5,066 |

## MARKET FUNDAMENTALS

| | |
|---|---|
| VACANCY RATE | 5.8% |
| YEAR-OVER-YEAR CHANGE | +110bps |
| ASKING RENTS | $2,232 |
| YEAR-OVER-YEAR CHANGE | -1.1% |

## TRANSACTION ACTIVITY (YTD)

| | |
|---|---|
| MEDIAN PRICE PER UNIT | $246,400 |

WASHINGTON, D.C.
MULTIFAMILY
**Q2 2026**

MARKET INSIGHTS

# Quarterly sales nearly double year over year

## HIGHLIGHTS

- Operating conditions in the Washington, D.C., region firmed in the second quarter as employment losses eased and future construction deliveries shifted increasingly into 2027.
- Vacancy held at 5.8% in the second quarter, though it remained 110 basis points above the year-ago level. A sharp rebound in quarterly net absorption closely tracked new supply levels, while Northern Virginia remained tighter than the Maryland suburbs.
- Asking rents increased 0.4% during the second quarter to $2,232 per month, though current rents are still down 1.1% year over year.
- Investment activity accelerated sharply, with 19 properties trading for $1.4 billion, while the median sale price fell to $246,400 per unit as transaction activity shifted toward smaller, older District assets.

## WASHINGTON, D.C., MULTIFAMILY MARKET OVERVIEW

The Washington, D.C., multifamily market showed early signs of stabilization in the second quarter, as a sharp swing in net absorption halted a multi-quarter rise in vacancy and pushed asking rents higher for the first time in more than a year. The quarterly improvement in rents coincided with a moderating, though still negative, pace of annual job losses. The federal government sector has continued to post net job losses to this point in 2026, offsetting some modest additions in the private sector. Rent performance remained weakest at the top of the market, where Class A rents have declined roughly three times as much as Class C rents over the past year. The geographic pattern also shifted from the prior quarter, with the annual rent declines easing in Northern Virginia while further softening was recorded in the District and in the Maryland suburbs.

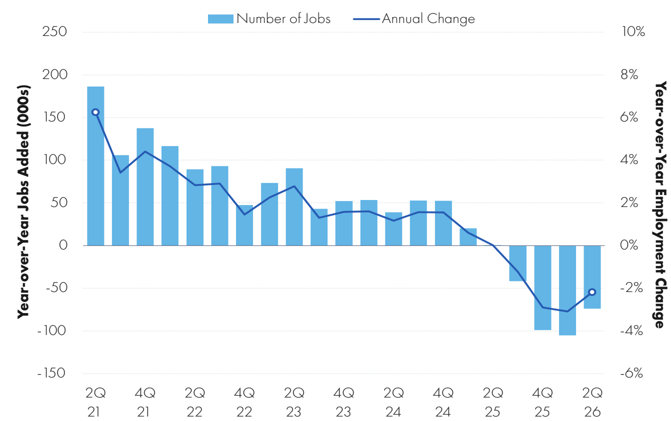
Investment activity accelerated throughout the first half of the year as operating conditions generally held steady. Nearly all of that growth flowed to Northern Virginia, which captured roughly 60% of regional dollar volume, more than double its share from a year earlier. Suburban Maryland's share of traded dollar volume held steady near one-third, while the District's share fell to roughly 7%, even as the number of transactions increased there. Capital did not pull back from the District so much as rotate toward Northern Virginia. The transaction mix also tilted toward Class B properties, which accounted for roughly half of first-half transactions compared with about a quarter last year, helping explain the decline in median price per unit despite stronger sales activity.

## EMPLOYMENT

- Employment losses in the Washington, D.C., metro area eased in the second quarter, with payrolls down 74,100 positions year over year, a 2.2% decrease, improving from a 3.1% decline in the first quarter. The region also posted its first quarterly gain since the fourth quarter of 2024, ending five consecutive quarters of job losses.
- Government payrolls remained the primary drag on employment, down 40,800 positions year over year, a 5.7% decline. Job losses continued in the federal government, while workers were added to state and local government payrolls.
- In Northern Virginia, Blue Sky Innovators announced a $7 million expansion of its Reston operations in March. The project includes a secure prototyping and electromagnetic spectrum facility that is expected to create several hundred jobs.
- **FORECAST**: Regional employment is projected to decline by roughly 20,000 jobs in 2026, a 0.6% contraction, following a decade in which annual employment growth averaged 0.5%.

*The region posted its first quarterly employment gain since 2024.*

EMPLOYMENT OVERVIEW



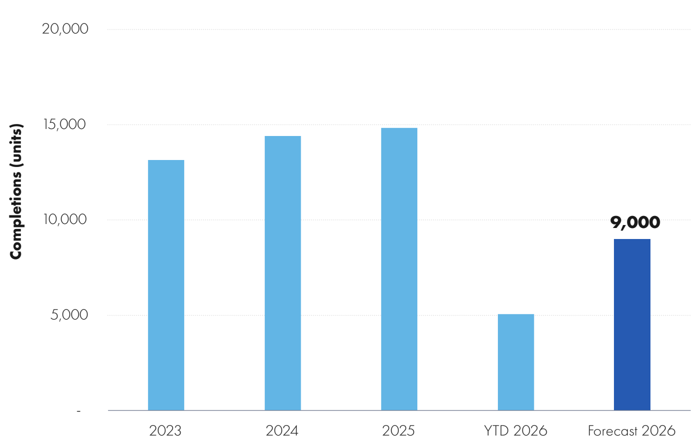

Sources: Northmarq, Bureau of Labor Statistics

## DEVELOPMENT & PERMITTING

- The Washington, D.C., region delivered more than 3,200 units in the second quarter, bringing year-to-date completions to roughly 5,000 units. Northern Virginia and Suburban Maryland accounted for 82% of second-quarter supply, reversing the first-quarter trend when the District and Suburban Maryland led completions.
- Of the roughly 15,900 units currently under construction, only 19% are projected to deliver in the second half of this year. Nearly half of the units in the construction pipeline are scheduled for completion in 2027.
- Developers pulled permits for 3,932 units during the second quarter, the highest second-quarter total since 2022. First-half permitting reached 7,685 units, surpassing all of 2025 activity.
- **FORECAST**: Regional deliveries are projected to fall to roughly 9,000 units in 2026, a 39% decline from 2025. Permitting is expected to reach 10,000 units this year, up from 7,500 in 2025.

*Year-to-date completions totaled roughly 5,000 units.*

DEVELOPMENT TRENDS

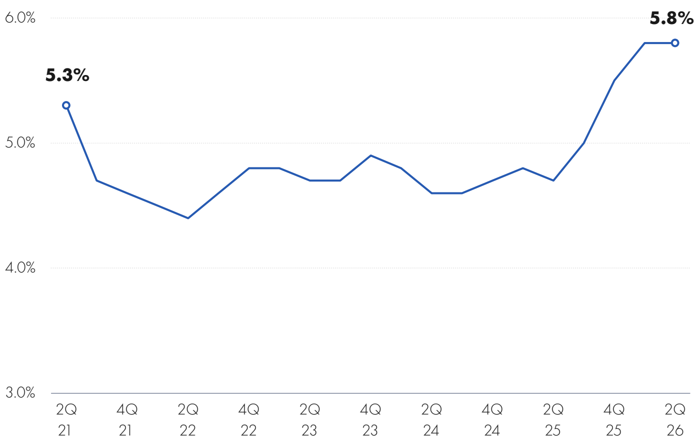



Sources: Northmarq, CoStar, Yardi

## VACANCY

*Quarterly net absorption rebounded to roughly 2,800 units.*

VACANCY TRENDS




Sources: Northmarq, Yardi

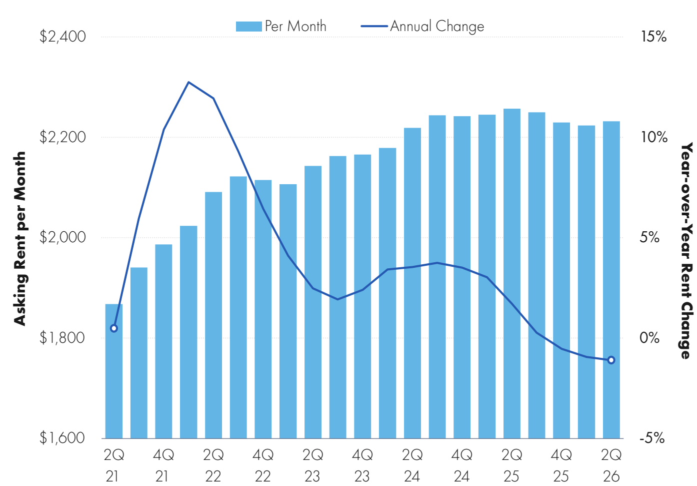
- Regional vacancy held at 5.8% in the second quarter, unchanged from the first quarter and ending three consecutive quarterly increases. Net absorption rebounded to roughly 2,800 units from a negative reading in the first quarter.
- Northern Virginia remained the tighter subregion at 4.8% vacancy, compared with 6.7% in the Maryland suburbs. Vacancy tightened in eight of its 26 larger submarkets during the quarter, up from four in the first quarter. Pentagon City/Penrose was the exception, posting the highest vacancy rate at 7.7%, up 280 basis points year over year.
- Vacancy softened across all three property classes during the past year, with Class A properties remaining the tightest at 5.4% and Class C the highest at 7.0%. The gap between Class A and Class C widened to 160 basis points from 140 basis points a year earlier.
- **FORECAST**: Regional vacancy is projected to reach 6.0% by year-end, up 50 basis points from 2025 and above the 10-year average of 5.2%.

## RENTS

- Regional asking rents rose to $2,232 per month in the second quarter, up 0.4% from the first quarter. Rents remain down 1.1% year over year, marking the third consecutive quarter of annual rent declines.
- Northern Virginia rents fell 1.1% year over year to $2,339 per month, while rents in the District and Suburban Maryland declined 1.5% to $2,149 per month. Excluding the Barry Farms/Saint Elizabeths and Brentwood/Trinidad/Woodridge submarkets, rent declines in the District and Suburban Maryland were generally in line with Northern Virginia.
- Class A rents posted the steepest year-over-year decline among all property classes, falling 1.8%, compared with declines of 1.1% for Class B and 0.6% for Class C.
- **FORECAST**: Regional asking rents are projected to reach $2,242 per month by year-end 2026, up 0.5% from 2025.

*Regional asking rents are up 0.4% from the first quarter.*

RENTS TRENDS



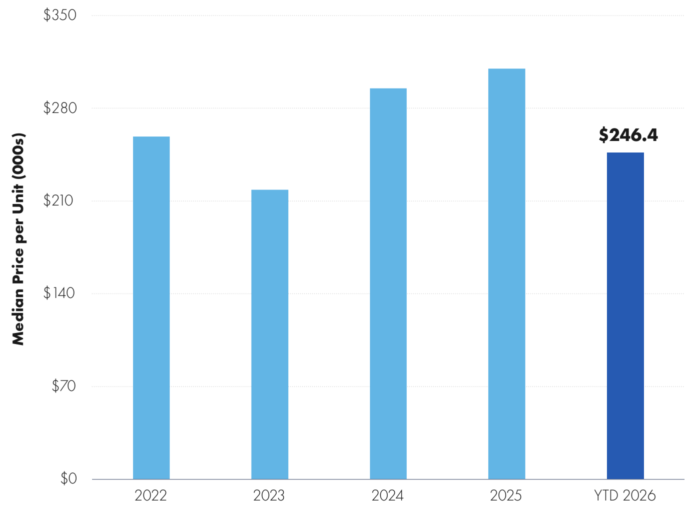

Sources: Northmarq, Yardi

## MULTIFAMILY SALES

- Investment activity accelerated in the second quarter, with 19 properties trading for a combined $1.4 billion, nearly double the levels recorded in the same period last year.
- The year-to-date median sale price was $246,400 per unit, down from $306,000 per unit in 2025. Over the trailing 12 months, the regional median was closer to $264,000 per unit.
- Northern Virginia remained the highest-priced subregion, with a trailing-year median price of $362,000 per unit. Franconia was among the more active submarkets, accounting for four of the 26 transactions over the same period.
- In the District, the trailing-year median sale price was $187,000 per unit. Four of the six second-quarter transactions involved older Class C assets.
- The Maryland suburbs posted a trailing-year median sale price of $245,000 per unit, with Class B assets accounting for 10 of 17 transactions. Silver Spring-area submarkets represented three of the 17 sales recorded over the same period.
- Cap rates averaged 5.8% over the trailing 12 months, in line with recent history, though the sample size remains limited to 15 qualifying trades after excluding an outlier.

*The year-to-date median sale price was $246,400 per unit.*

INVESTMENT TRENDS



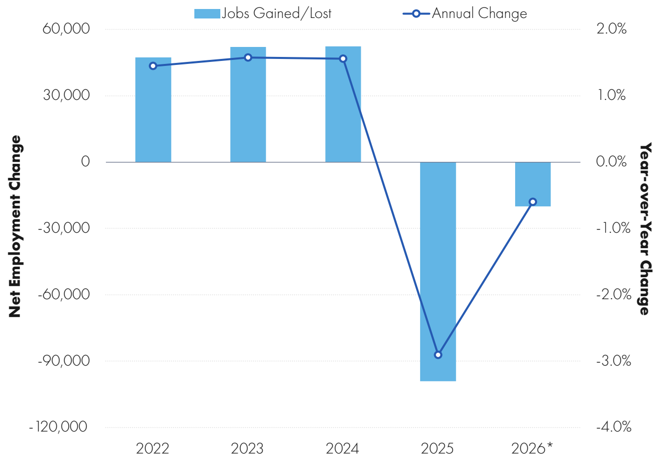

Sources: Northmarq, CoStar

## LOOKING AHEAD

Job losses continued to ease in the second quarter, though the fourth quarter will be a key test of whether that trend holds, as agencies typically finalize workforce decisions around the start of the new federal fiscal year in October. Leasing activity also slows during the winter months, and vacancy is still forecast to edge higher by year-end despite this quarter's plateau. Full-year completions are expected to total roughly 9,000 units, though a sharp rebound in permitting points to a heavier delivery schedule in 2027, when the pipeline already slated for completion is more than double this year's remaining volume. Rents are projected to close 2026 higher, reversing the annual declines posted in each of the past three quarters as lighter deliveries and steadier demand support pricing in the near term.

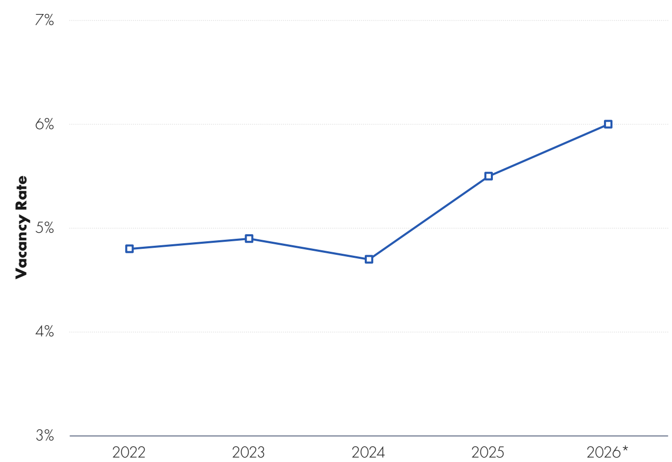
Where capital flows next will likely depend on whether Northern Virginia's operating fundamentals become more favorable through the second half of the year. Its share of regional dollar volume has roughly doubled from what it was a year ago, concentrating investment activity in the subregion with the steadiest rents and vacancy rather than the weakest. If those relative advantages persist, the shift toward Northern Virginia is likely to continue. In the District, the number of transactions held up even as dollar volume fell sharply, suggesting continued demand for smaller, value-add opportunities while larger deals remain limited. Cap rates have also drifted modestly higher, though the sample remains too small to indicate a broad market repricing.

## EMPLOYMENT FORECAST



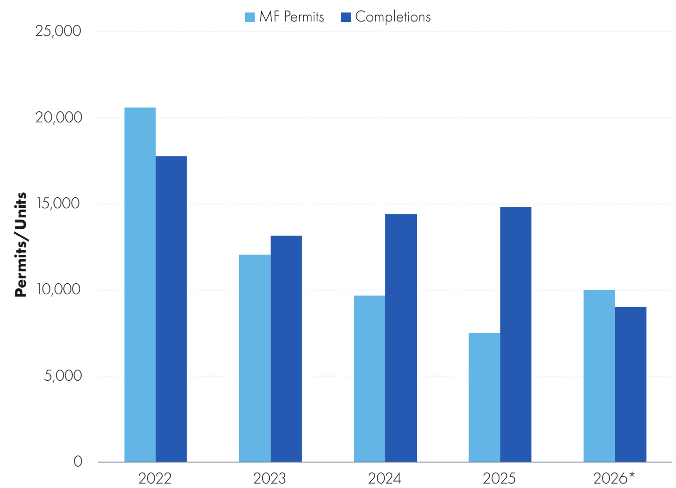

* Year-End Forecast
Sources: Northmarq, Bureau of Labor Statistics

## VACANCY FORECAST



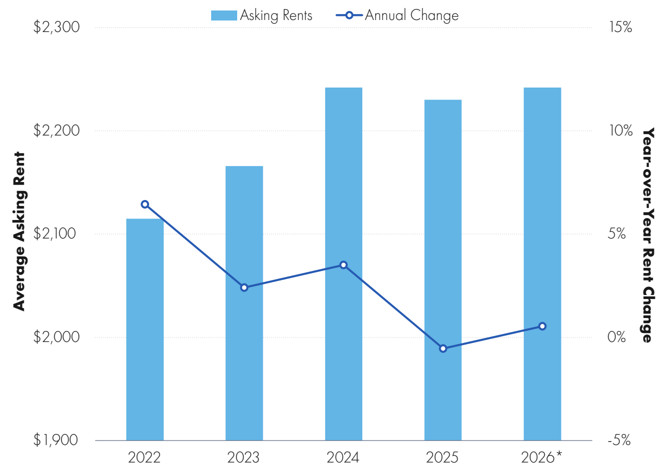

* Year-End Forecast
Sources: Northmarq, Yardi

## CONSTRUCTION & PERMITTING FORECAST




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

## RENTS FORECAST




* Year-End Forecast
Sources: Northmarq, Yardi

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## ABOUT **NORTHMARQ**

Northmarq is one of the largest privately held commercial real estate firms in the United States, combining a nationwide presence with deep local expertise. With more than 50 offices across the country, we provide a full suite of debt, equity, investment sales, loan servicing and fund management solutions for a comprehensive range of property types. Our unique structure allows us to connect clients with the best opportunities, yet be nimble enough to ensure access to every expert across our company. The firm manages a loan servicing portfolio of over $80 billion and has completed $91.3 billion in transactions over the past four years. At Northmarq, collaboration fuels results, helping clients achieve success in every market, nationwide. For more information, visit www.northmarq.com.