

Easing construction rebalances regional outlook

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **15,224**

UNITS DELIVERED (YTD) **14,291**

MARKET FUNDAMENTALS



VACANCY RATE **5.2%**

YEAR-OVER-YEAR CHANGE **+50bps**

ASKING RENTS **\$2,226**

YEAR-OVER-YEAR CHANGE **-0.7%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$310,000**

WASHINGTON, D.C.
MULTIFAMILY
Q4 2025

HIGHLIGHTS

- Developers completed 14,300 multifamily units across the Washington, D.C., region in 2025, marking the second consecutive year of elevated supply. Despite this volume, regional property fundamentals remained relatively stable as the market absorbed new inventory.
- After recording minimal improvements earlier in the year, vacancy rates rose 20 basis points during the fourth quarter to 5.2%. The area vacancy ended 2025 up 50 basis points from one year earlier.
- Asking rents ended the year at \$2,226 per month, reflecting a 0.7% annual decline as the pace of decrease accelerated in the fourth quarter. While Northern Virginia continues to command the region's highest rents, the Maryland suburbs have maintained a slightly faster pace of growth in recent periods.
- After a slow start to the year, investment activity regained momentum in the second half of the year. The median sale price ended the year at \$310,000 per unit, with cap rates ranging between 4.5% and 5.7% for most assets.

WASHINGTON, D.C., MULTIFAMILY MARKET OVERVIEW

The Greater Washington, D.C., multifamily market softened in the fourth quarter as rents retreated in the second half of the year. Vacancy rates ended 2025 at 5.2%, a 50 basis point increase from one year earlier. This year marked a continuation of elevated supply conditions, with developers delivering 14,300 units in 2025. Since early 2022, approximately 60,000 units have been added to the market, expanding inventory by roughly 15%. This growth has significantly outpaced regional employment, which expanded by only 3.8% during the same period. Current renter demand is being sustained by elevated home prices that make transitioning from renting to owning a significant challenge. Area home prices are up roughly 25% since 2020 and mortgage rates remaining elevated. While white collar job losses remain a headwind for Class A assets, steady hiring in hospitality and construction continues to support the Class C segment.

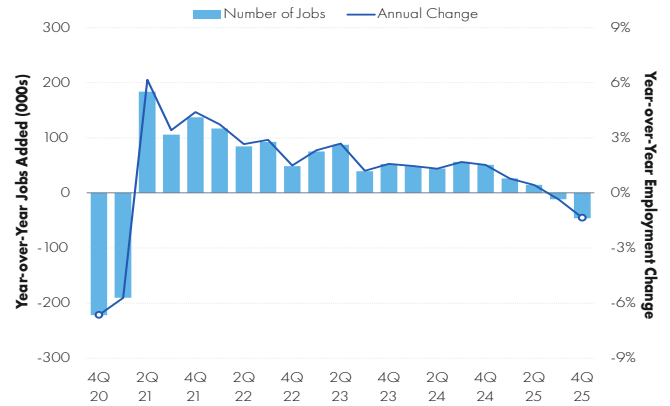
While developers remained active in bringing new projects online and net absorption trended lower, the investment market maintained a measured pace. Transaction counts in 2025 declined 7% from year-earlier levels, though the year ended with significant momentum as the fourth quarter recorded the highest quarterly sales volume. Some of this activity was fueled by easing interest rates in the second half of the year. Investors primarily targeted newer assets delivered within the past five years, with Class A buildings seeing a 20% increase in transactions over the prior year. In properties that sold in 2025, per-unit prices increased largely due to a shift in activity toward Northern Virginia. Fairfax County saw a notable 33% rise in transactions as fundamentals outperformed the broader region. Fairfax recorded a 130 basis point decrease in vacancy in 2025, one of the most significant improvements of any submarket in Northern Virginia, to end the year at 3.7%.

EMPLOYMENT

- Total employment in the Washington, D.C., region contracted throughout 2025, ending the year with a net loss of approximately 45,900 positions. This 1.4% year-over-year decline was driven almost exclusively by cuts within the federal government subsector.
- While most sectors in Washington, D.C., posted soft conditions in 2025, the construction sector emerged as a primary source of resilience. Expanding by more than 5% with the addition of approximately 9,000 new positions, this industry posted the highest growth rate in the region.
- The District is trying to attract high-wage employers through incentives including a new \$2.4 million Tech Ecosystem Fund and \$5 million Vitality Fund. Underscoring this momentum, NVIDIA is in active negotiations for 30,000 square feet of District office space to expand its local AI infrastructure footprint.
- **FORECAST:** Total employment in the region is expected to contract by 0.6% in 2026. This net loss of 20,000 jobs is largely attributed to ongoing volatility within the federal government.

Net job losses in 2025 totaled 45,900 positions.

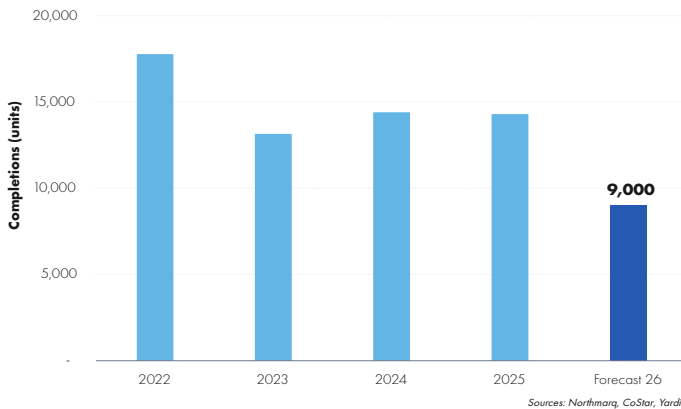
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics.

Regional multifamily permits slowed to 7,500 units in 2025.

DEVELOPMENT TRENDS



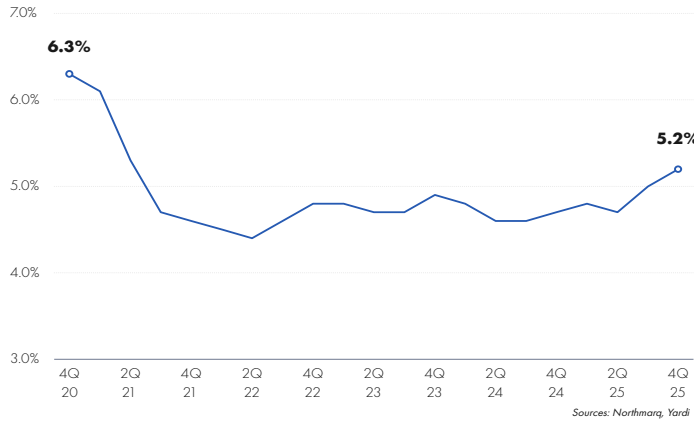
Sources: Northmarq, CoStar, Yardi

DEVELOPMENT & PERMITTING

- Regional deliveries in 2025 totaled approximately 14,300 units, maintaining pace with 2024 completion levels. Within the District of Columbia, more than 4,900 units came online, led by the Southwest/Navy Yard cluster which contributed 2,179 units, the highest volume in the city.
- The regional development pipeline declined to 15,200 units by the end of 2025, a 26% contraction from the previous year. Northern Virginia accounts for 45% of the regional construction volume, while the District of Columbia has 4,100 units currently in progress.
- Regional multifamily permits slowed to 7,500 units in 2025, the lowest volume in more than a decade. This total marks a sharp departure from the historical 13,400-unit annual average maintained over the last five years.
- **FORECAST:** Regional deliveries are expected to reach a five-year low in 2026 as the peak construction cycle concludes. Developers are projected to complete approximately 9,000 units over the next 12 months, representing a 37% decrease from 2025 levels.

The vacancy rate ended the year at 5.2%.

VACANCY TRENDS



VACANCY

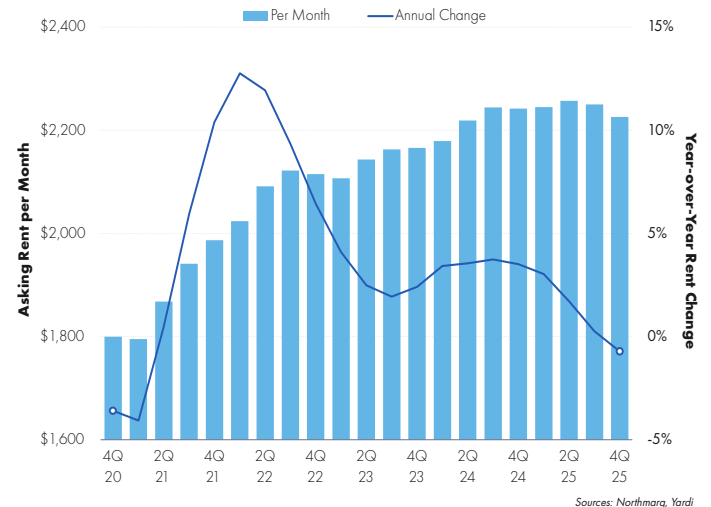
- Regional vacancy trended higher in the second half of 2025, reversing the modest tightening recorded earlier in the year. The rate rose 20 basis points in the final quarter to reach 5.2%, representing a 50-basis-point annual increase.
- Northern Virginia maintains the tightest vacancies in the region, with the rate increasing 40 basis points over the past year to 4.1%. Despite this rise, the figure remains well below the five-year historical average. Within the submarket, Fairfax saw the most significant annual improvement, with vacancy declining 130 basis points to 3.7%.
- Multifamily vacancy in the Maryland suburbs ended the year at 6.1%, a 50-basis-point increase from one year ago. This marks the first time since 2020 that vacancy in the Maryland submarkets has exceeded 6.0%.
- FORECAST:** Regional vacancy is forecasted to reach 5.0% by year-end 2026, a 20-basis-point decline from the 2025 total. This tightening is driven by a slowdown in new construction, keeping the rate below the 5.5% historical average.

RENTS

- Regional multifamily rents ended 2025 at \$2,226 per month after a 1.1% fourth quarter contraction. This resulted in a 0.7% annual rent decline, the first year-over-year decrease in five years as the market adjusted to elevated delivery volumes.
- Northern Virginia average rents fell to \$2,301 per month by year end 2025, a 2.2% decrease over the past 12 months. Despite this contraction, the subregion continues to command a premium relative to the broader Washington, D.C., market.
- Average rents in the Maryland suburbs ended the year at \$2,158 per month, reflecting a modest 0.1% decline over the past 12 months. While these rates remain lower than the regional average, the subregion demonstrated greater stability than the broader market in 2025.
- FORECAST:** Rents are expected to rebound in 2026 across the Washington, D.C., region, but gains will likely be more modest than in recent years. On average, rents are expected to advance 1.1% to \$2,250 per month by the end of 2026.

Rents in the region are down 0.7% year over year.

RENTS TRENDS

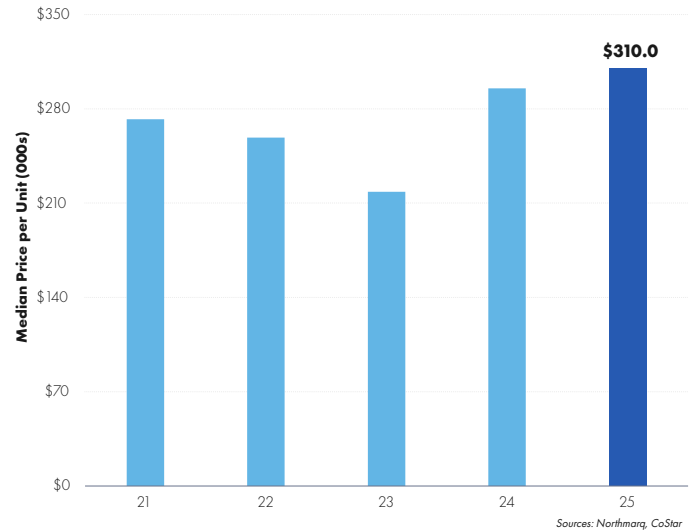


MULTIFAMILY SALES

- Transaction activity in the Washington, D.C., region largely kept pace with previous levels in 2025. While the total number of properties sold was down 7% compared to 2024, sales velocity gained significant momentum toward the end of the year. Transaction counts jumped by more than 50% from the third quarter to the fourth quarter.
- Sales activity trends remained mixed throughout 2025. Assets within the District accounted for approximately 25% of total regional transactions, though activity levels in both the District and Maryland suburbs trailed 2024 levels. In contrast, sales velocity in the Northern Virginia suburbs increased by nearly 18% from 2024.
- Prices increased in 2025 as the median price in closed transactions rose to \$310,000 per unit. This represents a 5.1% increase from 2024. An increase in the number of sales in Northern Virginia has supported this regional trend, as that submarket historically features the highest per-unit pricing.
- The median price in Northern Virginia submarkets rose to \$330,000 per unit through the year, compared to nearly \$300,000 per unit in 2024. Prices increased as the subregion maintained its position as one of highest-priced areas in the greater Washington, D.C., area.
- In the Maryland suburbs, the median price increased in 2025 reaching \$278,800 per unit. Approximately 35% of the transactions that sold in the Maryland suburbs were located in Silver Spring, where pricing ranged from about \$170,000 per unit to \$300,000 per unit.
- In the District, transactions increased during the second half of the year as the median price reached approximately \$325,000 per unit. Prices increased as Class A properties accounted for nearly half of the total transactions in 2025.
- Cap rates across the Washington, D.C., metro area averaged approximately 5.5% in 2025, with most properties trading between 4.5% and 5.7%. This represents a moderate increase from 2024, when cap rates averaged closer to 5.2%.

The median sale price ended the year at \$310,000 per unit.

INVESTMENT TRENDS

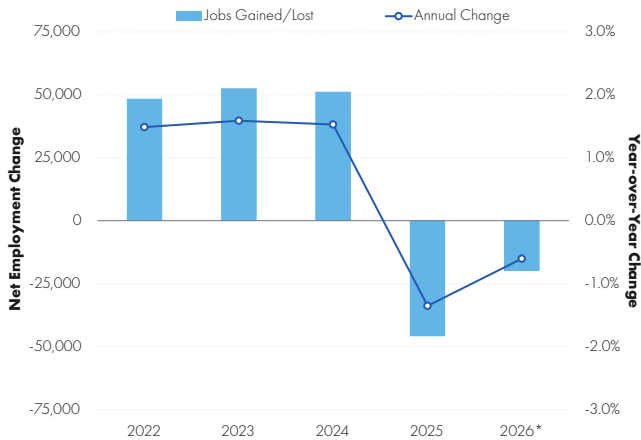


LOOKING AHEAD

Working class renter demand may improve in 2026, though it will likely take a few more quarters for uncertainty to lift and for the outlook to fully normalize. While regional job losses weighed on leasing in 2025, vacancy remained below the long-term average. With workforce reductions mostly confined to white collar and government roles alongside steady hiring in hospitality and construction, Class C properties are positioned for improved performance in 2026. Separately, a handful of areas will benefit from acute supply pullbacks. In the Navy Yard-Capitol Hill submarket, a surge in new supply recently pushed the vacancy rate into the 6% band. As regional construction is expected to retreat in 2026, these high delivery corridors should expect a reprieve that allows fundamentals to stabilize.

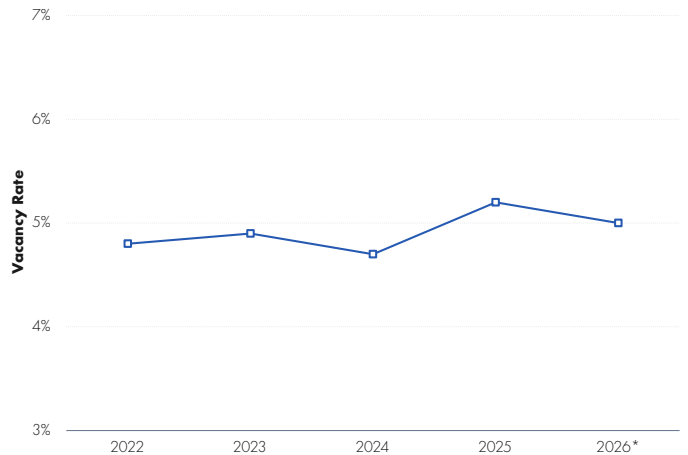
The investment outlook for Washington, D.C., remains cautious as economic uncertainty impacts transaction sentiment, yet the supply side of the equation offers considerable clarity for 2026. The regional construction pipeline ended 2025 at its lowest level in a decade, with annual deliveries projected to fall below 10,000 units in 2026. This contraction is expected to mitigate oversupply risks and stabilize valuations as the market absorbs the recent wave of product. While federal workforce reductions remain a headwind, emerging regulatory shifts and procedural reforms in the District are expected to influence investment activity. As new starts remain limited, investors may find opportunities in high-delivery corridors like Navy Yard-Capitol Hill, where a pullback in the pipeline should allow fundamentals to stabilize following a period of elevated vacancy.

EMPLOYMENT FORECAST



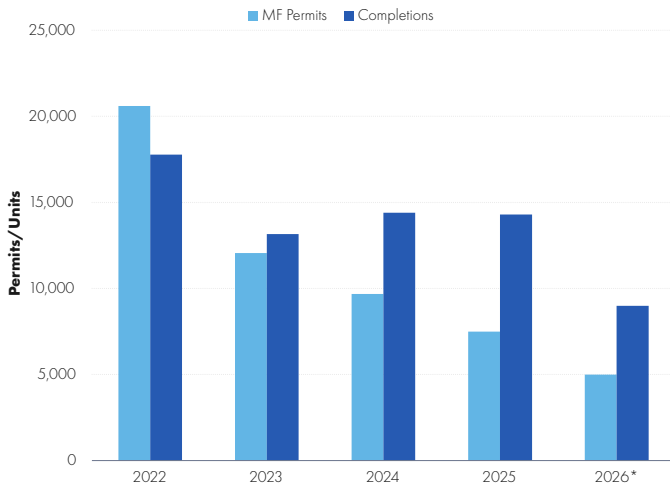
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



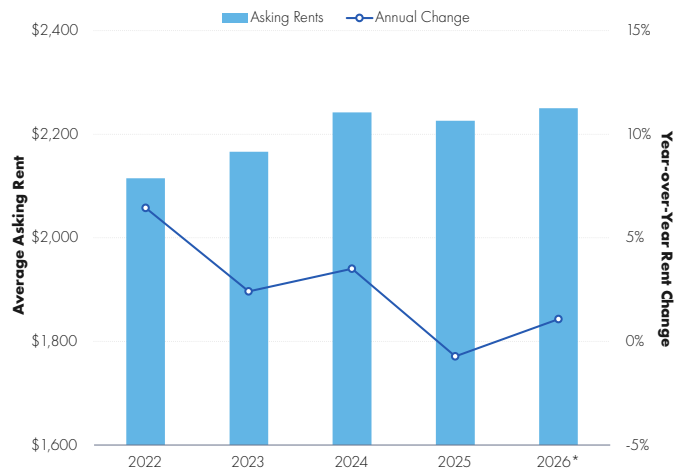
* Year End Forecast
Sources: Northmarq, Yardi

CONSTRUCTION & PERMITTING FORECAST



Sources: Northmarq, Census Bureau, CoStar, Yardi

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Yardi



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