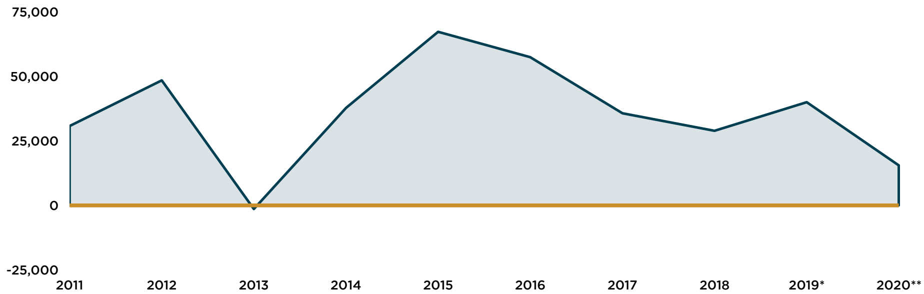
WASHINGTON, D.C.

BERKADIA®

2019 REVIEW

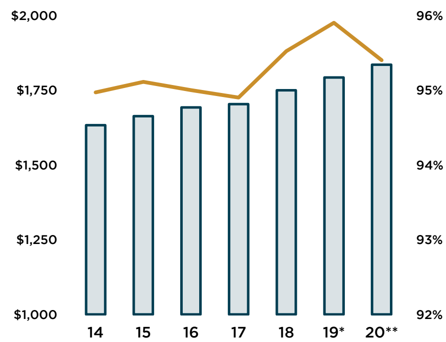
The Washington, D.C., metropolitan area remained a top performing apartment market this cycle. Apartment occupancy continued to climb even with an influx of new inventory in 2019. Construction completed on more than 9,200 market-rate units in the prior four quarters, part of nearly a 19% increase in apartment inventory over the last decade. Builders worked to meet housing need near major employers with more than half of all deliveries in the metro core in 2019. Multifamily developers were active across the metro due in part to the high cost of homeownership, robust renter household formation, and a 1.2% expansion of the labor force. These factors contributed to annual apartment absorption outpacing inventory growth in 2019 to elevate average apartment occupancy. At 95.9% in the fourth quarter of 2019, occupancy was up 40 basis points year over year. Operators capitalized on the rising occupancy by keeping upward pressure on leasing costs. Monthly effective rent advanced 2.4% annually to $1,792 by year-end.

EMPLOYMENT CHANGE



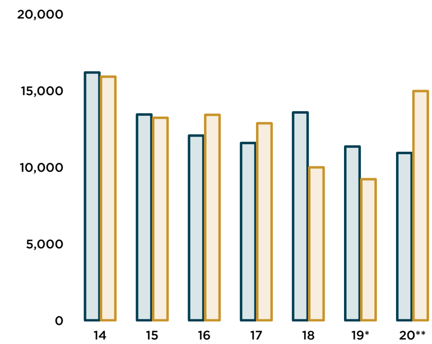
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

EFFECTIVE RENT AND OCCUPANCY



*Estimate; **Forecast | Source: Berkadia, Axiometrics

ABSORPTION AND DELIVERIES



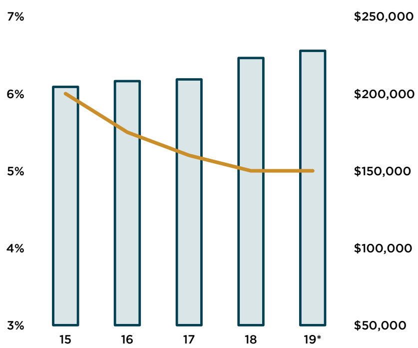
*Estimate; **Forecast | Source: Berkadia, Axiometrics

2019 PERFORMANCE HIGHLIGHTS

EMPLOYMENT CHANGE	UNEMPLOYMENT RATE	OCCUPANCY
40,000	3.2%	95.9%
▲1.2% YOY	0 BPS YOY	▲40 BPS YOY

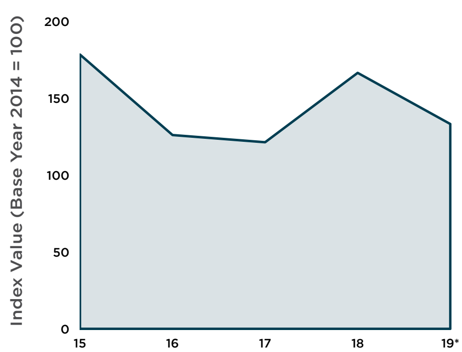
EFFECTIVE RENT	ABSORPTION	CONSTRUCTION
$1,792	11,344 Units	9,211 Units
▲2.4% YOY		▼7.7% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, Real Capital Analytics

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, Real Capital Analytics

MARKET FACTS

POPULATION	HOUSEHOLDS	MEDIAN HOUSEHOLD INCOME	RENT SHARE OF WALLET
6,323,500	2,414,600	$104,189	20.6%
YE 2019 ▲0.8% YOY	YE 2019 ▲1.3% YOY	YE 2019 ▲2.2% YOY	YE 2019 0 BPS YOY

2020 PREVIEW

Continued employment growth will bode well for the Washington, D.C., apartment market. Payrolls are forecast to expand 0.5% over the next 12 months. Construction of Amazon's new headquarters in the Crystal City/Pentagon City submarket is scheduled to begin this year and will boost the construction industry in the short term and the overall job market over the next decade. Employment gains should keep the demand for apartments healthy. Builders will work to meet that demand with nearly 15,000 new apartments units in 2020. Development again will be focused in the metro's core, with a significant share of deliveries in the Navy Yard/Capitol South submarket. This highly sought neighborhood ranks among the top submarkets in the country for inventory expansion as developers target the growing young, wealthy renter base seeking live-work-play communities with numerous amenities. While many operators will see the new inventory quickly leased, net absorption is expected to trail inventory growth. This trend is expected to be reflected metrowide, leading to the DMV average occupancy lowering 50 basis points to 95.4% by year-end but still 20 basis points higher than the five-year average. At the same time, monthly effective rent is forecast to rise 2.4% to $1,835.

Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. Numbers for 2019 are estimated values, while 2020 figures are forecast projections. Apartment market data criteria and methodologies vary by market.