

# RESEARCH BRIEF

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## The RENTAL Act - Implications for the District of Columbia

### Frequently Asked Questions:

OCTOBER 2025

#### Q: What does the RENTAL Act aim to achieve?

**A:** In September, the D.C. City Council passed the Rebalancing Expectations for Neighbors, Tenants and Landlords, or RENTAL, Act. This legislation is a collection of adjustments to existing multifamily policy, working to return tenancy guidelines to pre-pandemic norms. These new rules were written to tackle operations-side problems lingering from COVID-era tenant protections, as well as to reduce transaction-side frictions stemming from much older laws in an attempt to encourage investment and development in D.C. Changes made cover such areas as:

- **Rent payments in arrears.** The Small Multifamily Owners Associated estimates over \$1 billion in unpaid rent since the end of eviction moratoriums in 2021.
- **Excessive time to evict.** From beginning to end, evictions proceedings can take as long as two years under the weight of current case backlogs and procedural constraints.
- **TOPA's procedural drag.** The Tenant Opportunity to Purchase Act of 1980 allowed residents the option to make an offer to purchase their building when their landlord goes to sell. The process involved in this often adds lengthy delays even without serious efforts by tenants to buy the building.
- **Downstream consequences for housing.** These delays can deter transaction activity by prolonging closings and complicating loan underwriting, as uncertain timelines make financing less predictable. Over time, the resulting slowdown in deal flow would weaken the incentive to pursue development, working against the city's housing affordability goals.

#### Q: How will TOPA change, and who will benefit?

**A:** A key provision of the RENTAL Act aims to reduce delays and uncertainty stemming from the Tenant Opportunity to Purchase Act (TOPA), with the goal of spurring investment in D.C. housing. Tenants' right of first refusal on sale will still exist, but sales of buildings constructed within 15 years of the transaction will not trigger a TOPA review. In 2025, this exemption would cover 13 percent of properties, accounting for 35 percent of units in D.C., but the standard rules will apply when a building matures beyond this grace period. Class A and Class B properties compose the majority of exempt assets. This concentration eases transaction hurdles and is expected to attract greater participation from institutional investors. The reforms also codify and clarify rules that exempt limited liability partners without a controlling interest when transferring their stake.

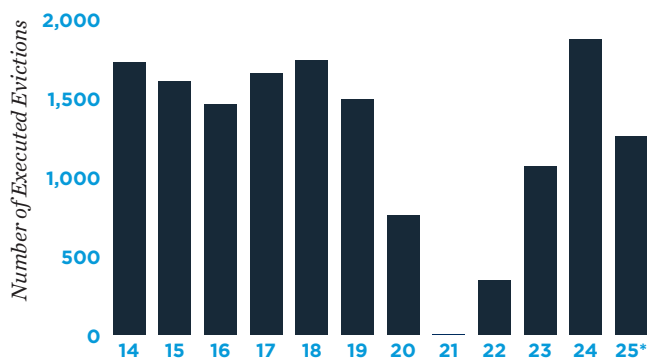
#### Q: What will happen to eviction proceedings?

**A:** Addressing impediments to the eviction process, this new policy tightens the timing of non-payment notices from 30 days to 10 days and shortens the waiting period for sending a summons from 30 days to 14 days. Judges will also have more discretion over previously mandatory reprieves from evictions, while landlords will gain more control over operations through more permissive rules for evictions on repeated lease-agreement violations. Additionally, tenants will be required to deposit rent payments into escrow accounts during disputes, deterring frivolous suits and assisting rent collections. Combined, these changes are expected to create more predictable operations and strengthen overall property performance.

#### Q: How will stronger eviction laws impact operations?

**A:** Shorter eviction timelines and enhanced rent recovery are expected to create more predictable cash flows and greater operating stability by reducing vacancy downtime, limiting credit loss and trimming legal expenses. These dynamics should help ensure operators have the funds to cover daily expenses such as utilities, maintenance and staffing. With fewer dollars tied up in arrears, apartment owners can also redirect cash flow to repairs or upgrades that create safer, more sustainable housing conditions and extend asset life spans. The benefits are likely to be most pronounced for older Class B and C apartments, which face higher delinquency risk and often carry deferred maintenance needs. While not a complete solution, the new reforms should encourage more effective eviction enforcement and reinforce investor confidence in long-term ownership.

#### Evictions Rising Post-Moratorium



\* Year to date through July 2025

## Q: What do TOPA and eviction reforms mean for investors?

**A:** TOPA exemptions for newer properties and enhanced eviction rules reduce regulatory friction and strengthen income reliability, enabling investors to underwrite deal timelines and property cash flows with greater certainty.

- **Streamlined timelines.** TOPA reforms should shorten transaction processes that might otherwise be delayed by tenant disputes, lowering execution risk for sellers and encouraging more buyers to commit earnest money.
- **Improved financing conditions.** Lenders benefit from more predictable exit timelines and rent collections, while reduced arrears lower delinquency risk. These factors could spur more lending activity in the District.
- **Core capital alignment.** Over 70 percent of the exempted units fall within the Class A segment, curtailing regulatory risk for institutional investors and creating a more favorable environment for core strategies. This may draw more capital to premium assets, while greater clarity around partnership transfers may also support activity in larger, structured transactions.
- **Lower risk in value-oriented assets.** Stronger eviction rules should help alleviate operating volatility for many Class B and C properties, potentially expanding investor willingness to pursue these assets. Faster turnover may also strengthen the appeal of value-add strategies that rely on re-leasing.

## Q: How will these changes influence construction activity?

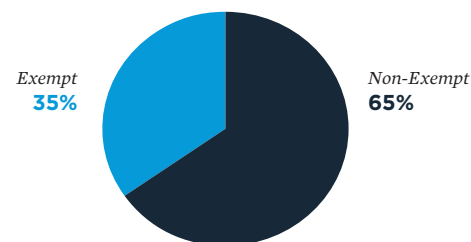
**A:** New TOPA reforms are expected to benefit developers by reducing disposition delays, particularly for groups that typically sell immediately upon delivery. Lower arrears risk should also improve cash flow stability and help more projects pencil — especially lower-income or affordable housing developments where delinquency tends to run higher. By providing clearer project timelines and more reliable rent collections, the reforms should give lenders greater confidence to finance ground-up development. Even so, economic pressures such as elevated interest rates, higher material costs and rising labor expenses are likely to keep construction activity subdued in the near term.

## Q: What is the outlook for the D.C. multifamily market?

**A:** The District recorded the net absorption of more than 6,000 units over the past 12 months ended in September, keeping vacancy aligned with its past decade average of 4.5 percent. A softer labor market may temper leasing going forward, but a sharp pullback in new supply should help offset that pressure. Completions are expected to fall about 35 percent in 2026 compared with 2025, and this year's decade-low construction activity underscores the significant constraints facing developers, even with the new legislation. As such, vacancy should stay relatively tight, supporting rent growth and potentially drawing more investors, as sales activity has steadily improved through 2025.

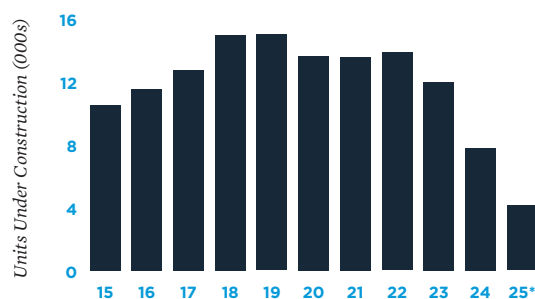
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## Share of Stock Exempt From TOPA

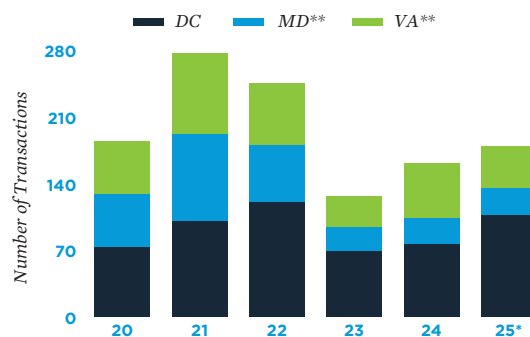


*Exempt units are those built after October 2010*

## Multifamily Construction Falling Sharply in D.C.



## District Deal Flow Gaining Momentum



\* Trailing 12 months through August 2025

\*\* Maryland and Virginia figures include only Washington D.C. metro districts

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