

INVESTMENT FORECAST

Multifamily
Washington, D.C.

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

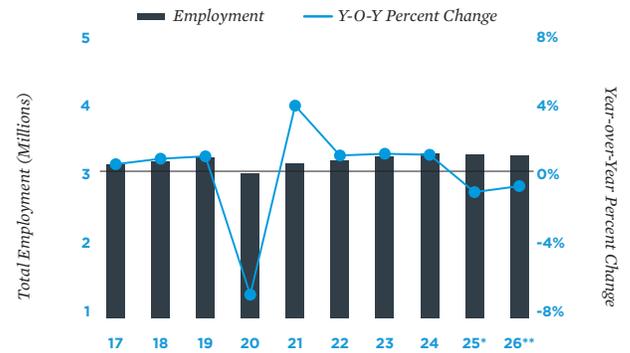
2026

Policy Tailwinds in Store for Sales Market as Supply, Employment Concerns Abate

Select submarkets shrug off labor market challenges. The metro's job losses last year weighed on leasing, but not enough to fully reverse vacancy rate reductions from 2024. Federal workforce cuts have also had second-order effects on white-collar firms that employ Class A/B renters, reducing professional services positions by slightly more than government jobs were reduced. However, fewer roles are projected to be shed in 2026, and some submarkets, such as North Central D.C. and the Reston-Herndon area, have already seen declining Class A/B vacancy rates under these pressures. That momentum may continue this year. Separately, a handful of areas may benefit from acute supply pullbacks. In the Navy Yard-Capitol Hill South submarket last year, new supply pushed the vacancy rate into the 6 percent band. A nearly blank slate due in 2026, however, will give existing properties a reprieve. The Hyattsville-Riverdale area and Bethesda-Chevy Chase will also see this dynamic, though at a smaller scale. This should help mid- and upper-tier properties sustain occupancy levels even as the metro navigates ongoing headwinds.

Policy changes may catalyze trading. While overall transaction velocity rose in 2025, momentum in the \$20 million-plus price tranche remained little changed. The D.C. City Council's RENTAL Act, passed last fall, is likely to influence trades this year. It includes an exemption from the Tenant Opportunity to Purchase Act (TOPA) right-of-first-refusal process for apartments built less than 15 years ago that could reduce deal timelines. Court-procedure reforms could also benefit operations at certain properties. Last year, before the passage of the RENTAL Act, Public REITs accounted for a little more than half of institutional-grade deal flow. In this period, such buyers commonly targeted buildings completed in the 21st century. Outside the core, investors may look to Northern Virginia's West Fairfax County, which includes Centreville and Chantilly. Vacancy rates here were below 4 percent at the end of 2025. Move-ins by the DEA and AT&T created varied employment opportunities and renter demand last year. An IKEA planned for this spring highlights corporate confidence in the area's residential base, potentially drawing more investors toward this Class B-oriented submarket.

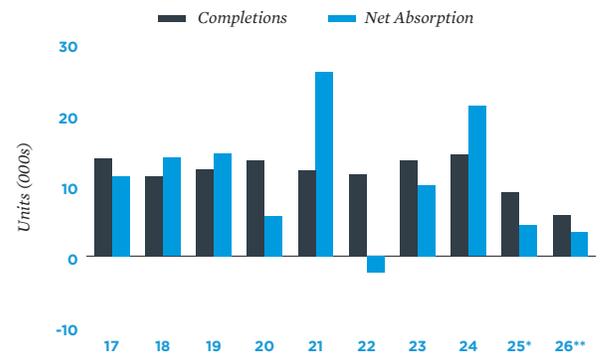
Employment Trends



Housing Affordability Gap



Supply and Demand



20.2%

2025 share of local population between 20 and 34 years old



49.2%

of local population hold bachelor's degree or higher*



\$637,800

2025 median home price*

* Estimate ** Forecast * Through 3Q
*2025: 25+ years old

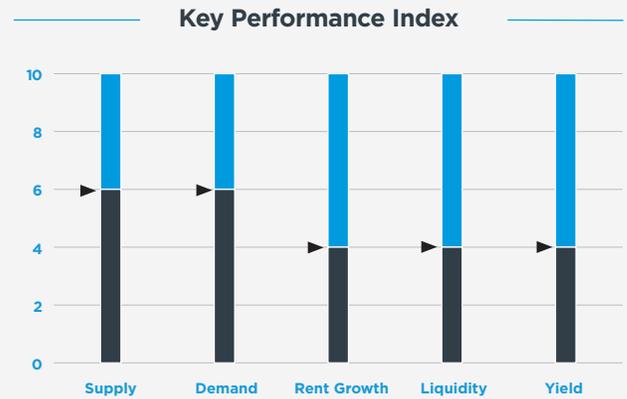
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

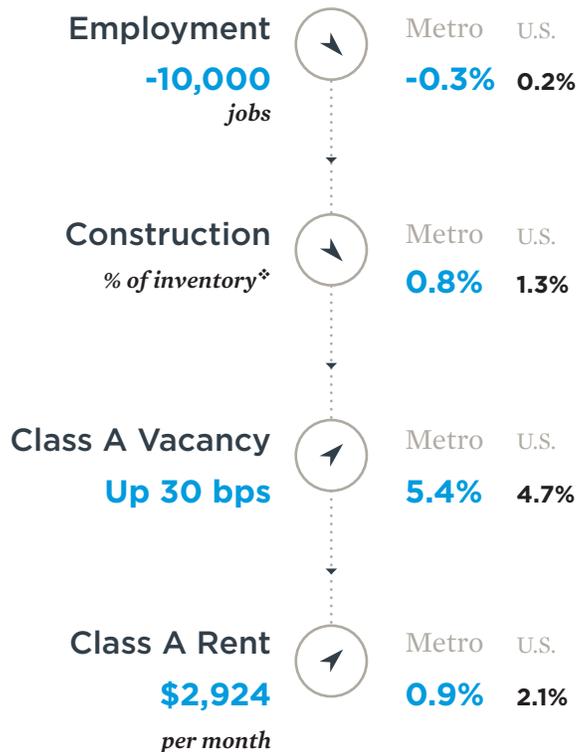
Washington, D.C., registers matching scores of 6 for supply and demand, indicating the market is experiencing less-than-average pressure from completions while vacancy rises by less than last year. This closer balance, however, takes some momentum out of rent growth, translating into a lower rent score of 4.

The liquidity and yield scores for the nation's capital remain unchanged at 4 for 2026. Holding in the mid-5 percent zone last year, the lowest average cap rate in the Mid-Atlantic may limit some more yield-oriented investors' options.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2026 INVESTMENT OUTLOOK



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2025

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics