INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY 2026

Washington, D.C., Metro Area

Class C-Oriented Submarkets Well-Positioned; Private Owners Welcome Advantageous New Rules

Working-class renter demand holding fast. The metro's job losses last year weighed on leasing, but not enough to fully reverse vacancy rate reductions from 2024. With job losses mostly confined to white-collar roles and steadier hiring in hospitality and construction, Class C properties may maintain performance, despite leading class cuts in vacancy declines last 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 Class A and B properties sustain occupancy levels even as the metro navigates ongoing headwinds.

Policy changes seek to bolster liquidity. The year begins on a strong note after transaction velocity rose by about 40 percent year-over-year in 2025, especially in the $1 million to $10 million range. The D.C. city council's RENTAL Act, passed last fall, is likely to influence trades this year, as an exemption from TOPA right-of-first-refusal could reduce deal timelines. Court-procedure reforms could also benefit operations at certain properties. The Anacostia-Southeast Side submarket may interest investors searching for older, smaller properties. The submarket's vacancy rate narrowed into the 3 percent range last year, the lowest in the Washington, D.C., core. Northern Virginia's West Fairfax County, which includes Centreville and Chantilly, held a vacancy rate below 4 percent. Move-ins by the DEA and AT&T created varied employment opportunities, adding to renter demand in 2025. An IKEA planned for this spring highlights corporate confidence in the area's residential base, potentially drawing more multifamily investors toward this Class B-oriented submarket in 2026.

2026 MARKET FORECAST

-0.3% — **Employment:** About 10,000 jobs are likely to be shed on net this year, fewer than in 2025. Most of the cuts are likely to be in the white-collar sector.

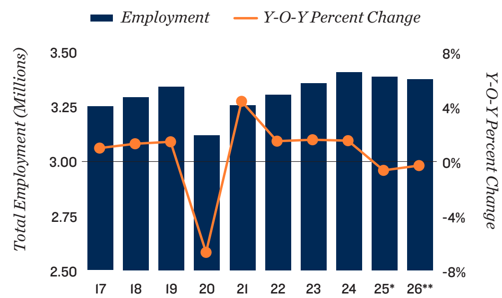
5,800 units — **Construction:** New apartment rollouts wind down further in 2026, expanding inventory by 0.8 percent year-over-year. This rate of stock growth is near the middle of major mid-Atlantic markets.

+30 bps — **Vacancy:** Cuts to government and contracting jobs, alongside the federal shutdown, were felt most strongly in 2025. Lingering effects in the first half of 2026 will raise the vacancy rate to 5.0 percent.

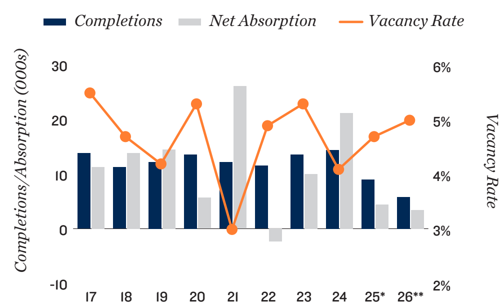
+0.8% — **Rent:** A higher vacancy rate impedes rent growth, bringing the monthly average effective rent to $2,250. The District may continue to lead gains, followed by northern Virginia and suburban Maryland.

INVESTMENT: *Investors focused on Virginia suburbs may look to the broader Manassas, Reston, or Arlington areas, given a relatively stable recent vacancy trend expected to continue in 2026.*

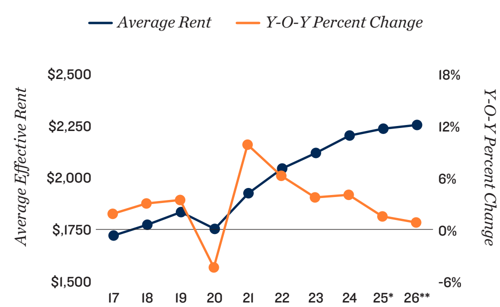
Employment Trends



Supply and Demand



Rent Trends



** Estimate; ** Forecast*

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

Washington, D.C. Office:

Charles Gallagher

Senior Director, Market Leader

7200 Wisconsin Ave, Suite 1101

Bethesda, MD 20814

Tel: (202) 536-3700 | charles.gallagher@marcusmillichap.com