RESEARCH **1Q 2020**

MID-ATLANTIC
MULTIFAMILY MARKET REPORT

IMPACT OF COVID-19 AND THE PATH FORWARD

The global coronavirus pandemic has swiftly impacted economies and commercial real estate markets across the world. The Mid-Atlantic region's multifamily market will face challenges in the coming months, as the economic hardship that many renters are enduring may affect the cash flow from certain assets in the short term. However, eviction and unemployment protections are built into the CARES Act, which should help renters who are impacted by layoffs or business closures; similarly, direct payments to individuals under certain income thresholds will assist with rental payments and in turn help asset owners. The Mid-Atlantic region is also uniquely positioned to overcome the challenges ahead due to its labor force's strength in the high-wage professional and business services sector and the stabilizing presence of government contractors.

Early data has shown that despite expected employment disruptions and economic uncertainty from the COVID-19 pandemic, renters are renewing existing leases early. This may be due in part to some large owners and operators offering renewals with no rent increases, and also the economic circumstances and local mandates around movement limiting relocations. Economic impacts of the pandemic also could lead to some recoupling of renters into roommate situations. This would be a shift from earlier in the cycle, when uncoupling has bolstered apartment absorption and occupancy rates around the region as millennials moved into the next phases of their personal lives and careers. However, ongoing economic uncertainty may also push some potential homebuyers back into the rental market, making up for some losses and helping the multifamily market remain an attractive investment option.

Parts of the region best insulated from job losses, including the healthcare corridor in Montgomery County (MD) and the technology corridor connecting Arlington, Tysons and Reston (VA), are likely to feature the best multifamily investment opportunities in the period ahead. As the capital of Virginia, Richmond is likely to see some benefits from the expanding role state governments are taking on during this time. The Hampton Roads area is also likely to benefit from a strong federal government presence.

A bright spot in the multifamily capital markets is the continued availability of debt provided through Fannie Mae and Freddie Mac. While both lenders are currently requiring operating reserve escrows at closing, there is ample liquidity in the market with the federal government continuing to purchase mortgage securities. Loans are still being quoted at sub-4% interest rates with special consideration being given to assets providing workforce or affordable housing.

Development projects that are already underway will likely deliver, perhaps with some units delayed; however, projects that are yet to break ground may be stalled or scrapped altogether. Delivery of new units while fewer tenants are able to move or afford the luxury product in the pipeline could extend lease-up periods. The new supply may also force asset owners to increase concession packages, lowering effective rents. Still, the safe harbor of the multifamily market relative to other asset classes and investment vehicles will buoy values in this property type during the potentially volatile months ahead.

MID-ATLANTIC MULTIFAMILY MARKETS: KEY STATISTICS

	Baltimore Metro Area	Hampton Roads Metro Area	Richmond Metro Area	Washington Metro Area
Total Inventory (Units)	229,560	139,273	102,514	434,850
Overall Occupancy Rate	94.8%	96.1%	95.4%	95.9%
Year-to-Date Absorption (Units)	316	-527	-38	2,471
Effective Rent (Per Unit)	$1,350	$1,105	$1,117	$1,828
Effective Rent (Per SF)	$1.51	$1.17	$1.24	$2.10
1-Year Effective Rent Change	2.1%	2.6%	2.1%	2.7%
5-Year Average Effective Rent Change	1.9%	1.8%	3.3%	2.1%
YTD Deliveries	961	295	374	3,457
Under Construction (Units)	4,416	2,572	5,605	29,994
3-Year Delivery Pipeline (Units)	5,614	3,153	6,975	33,929

RESEARCH **1Q 2020**

BALTIMORE METRO AREA
ECONOMY AND MULTIFAMILY MARKET

SUBURBAN FUNDAMENTALS CONTINUE TO OUTPERFORM

Baltimore metro area multifamily absorption ticked up during the first quarter of the year. The region absorbed 316 multifamily units, up from 253 during the first quarter of 2019. Due to job losses which began in March, absorption is likely to decline during the remainder of the year. The metro area's occupancy rate registered 94.8%, even with one year ago. At the end of the first quarter, 4,416 units were under construction, and 961 units delivered in the region. An additional 1,198 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 5,614 units. 62% of planned units are located in Baltimore City and there may be some delays in new starts given the current environment. As of the publication of this report, construction is considered to be an essential business, and projects already underway are generally moving forward.

ECONOMIC AND MULTIFAMILY MARKET OUTLOOK

The Baltimore metro area's economic growth has been above average over the past year, and regional multifamily market metrics remained sturdy in the first quarter, particularly in the suburbs. For the 12 months ending in March 2020, the region added 500 jobs with an unemployment rate of 3.5% in February 2020. However, with the coronavirus pandemic and its far-reaching impact on the economy, Baltimore likely will suffer job losses in the short term. The region is projected to add 6,300 jobs per annum from 2021 through 2024, with a net loss of jobs in 2020. Baltimore may be somewhat insulated from the worst impacts of a recession, as its core job sectors such as logistics and healthcare are better equipped to handle this downturn. The Professional and Business Services sector added 5,200 jobs in the 12 months ending March 2020 while six sectors saw job losses over this same period. Education and Healthcare lost 200 jobs in the 12 months ending in March 2020. Despite this recent job loss, this sector could see job growth in the coming year, especially at Johns Hopkins University, which has taken a leading role in COVID-19 research.

MULTIFAMILY MARKET SUMMARY

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	229,560	227,845	↑
Occupancy Rate	94.8%	94.8%	↓
Quarterly Net Absorption (Units)	316	253	↓
12-Month Effective Rent Change	2.1%	2.4%	↓
Quarterly Deliveries (Units)	961	252	↓

ECONOMY

Payroll Employment: 1.42 million at March 2020.

Historical Job Change: 500 jobs added in the 12 months ending March 2020.

Projected Job Change: After job losses in 2020, NKF forecasts an average increase of 6,300 jobs per annum from 2021–2024.

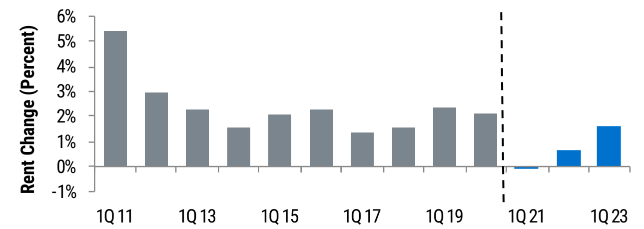
Unemployment Rate: 3.5% in February 2020, down 60 basis points from February 2019.

Average Household Income: $137,124 in 2019.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, NKF Research; April 2020

MARKET ANALYSIS

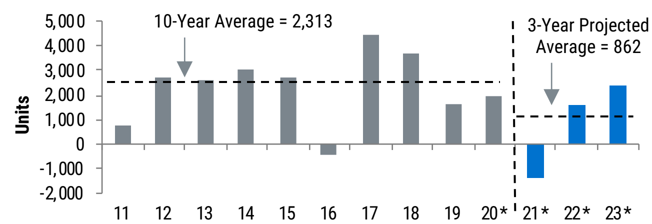
Annual Average Effective Rent Change



Source: RealPage, NKF Research; April 2020
Note: Effective rent change is calculated using same-store method for the trailing 12 months

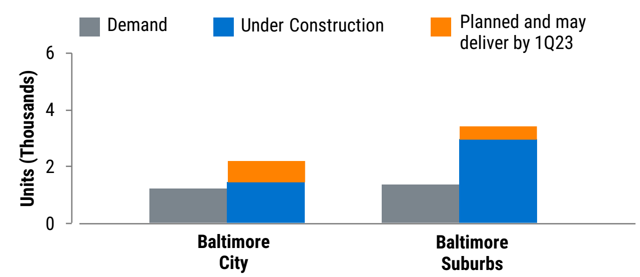
MARKET OUTLOOK

Multifamily Absorption Projection



Source: RealPage, NKF Research; April 2020
*12 months ending in the first quarter

Multifamily Demand and Delivery Projections: 2Q20–1Q23



Source: RealPage, NKF Research; April 2020

1Q 2020 **BALTIMORE METRO AREA MULTIFAMILY MARKET**

ECONOMIC AND MULTIFAMILY MARKET OUTLOOK (CONTINUED)

Over the next 36 months, new supply is likely to outpace demand in both the city and the suburbs, decreasing total occupancy by 110 basis points to 93.7%. Rent growth is likely to slow materially, with 0.9% annual average effective rent growth over the next 36 months—lower than the 10-year average of 2.4%. While the impacts of COVID-19 are expected to stall absorption for the remainder of this year and into 2021, demand likely will accelerate in 2022 and 2023.

SALES MARKET IS ROBUST DURING PAST 12 MONTHS

The Baltimore area multifamily market registered $2.3 billion in sales volume for the 12 months ending in the first quarter of 2020, an increase of $900 million from the prior year. During the 12 months ending in the first quarter of 2020, the Baltimore metro area recorded an average sale price of $173,337 per unit—an increase of 20.4% from a year earlier. The increase in the average price per unit can partially be attributed to the high quality of many assets sold in this period including Columbia Town Center and The Townes at Mill Run, which both traded above $250,000 per unit. The average pro-forma cap rate measured 5.7% for the 12 months ending in first quarter of 2020, down 20 basis points from the first quarter of 2019.

MULTIFAMILY INVESTMENT SALES OUTLOOK

Sales volume in the Baltimore area continued to be strong for the 12 months ending in the first quarter of 2020, but it is likely to moderate in the second quarter due to the impacts of COVID-19. Sales volume may pick up again in the third and fourth quarter as the multifamily sector is often seen as a safe haven in times of crisis. Another bright spot for multifamily is the continued availability of debt provided through Fannie Mae and Freddie Mac.

Baltimore's suburbs have had stronger leasing fundamentals than Baltimore City for the past several years. Accordingly, all of the recent notable transactions have occurred in the suburbs. This trend is likely to persist through 2020, as the suburbs continue to see higher occupancy rates, giving comfort to investors. Overall, Baltimore's large Heath and Education employment base will help buoy the Baltimore area's performance during this recession.

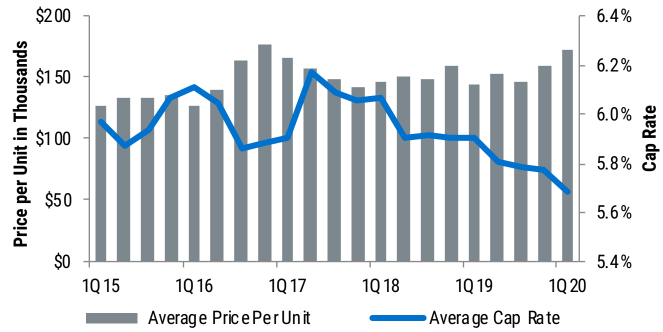
METRO AREA MULTIFAMILY INVESTMENT SALES MARKET SUMMARY

	Metro Region
12 Month Transaction Volume at 1Q 2020	$2.3 B
12 Month Transaction Volume at 1Q 2019	$1.4 B
1Q 2020 Average Price Per Unit	$173,337
1Q 2020 Average Cap Rate	5.7%

Note: Averages are for trailing 12 months
Source: Real Capital Analytics, NKF Research

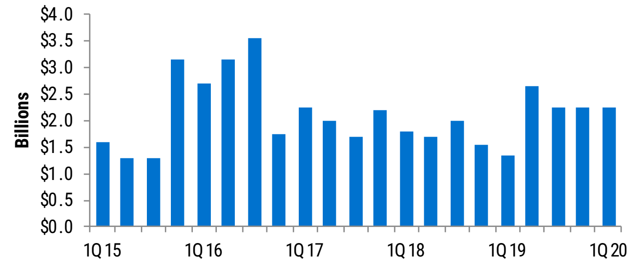
MARKET ANALYSIS

Average Multifamily Cap Rate and Price Per Unit



Note: Values are trailing 12-month averages
Source: Data provided by Real Capital Analytics, analysis by NKF Research

Trailing 12-Month Multifamily Transaction Volume



Source: Data provided by Real Capital Analytics, analysis by NKF Research

NOTABLE RECENT MULTIFAMILY SALES TRANSACTIONS

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Columbia Town Center	$133.7	$251,789	Cardone Capital	Clarion Partners	Columbia, MD
The Chimneys of Cradle Rock	$40.1	$202,273	Hamilton Zanze	Aimco	Columbia, MD
The Timbers at Long Reach	$34.9	$195,787	Hamilton Zanze	Aimco	Columbia, MD
The Townes at Mill Run	$28.0	$259,259	Paradise Management	Klein Enterprises	Owings Mills, MD

1Q 2020 BALTIMORE METRO AREA MULTIFAMILY MARKET AND SUBMARKET STATISTICS

Newmark Knight Frank

MARKET STATISTICS: OCCUPANCY AND ABSORPTION

	Total Inventory (Units)	Overall Occupancy Rate	2017 Absorption (Units)	2018 Absorption (Units)	2019 Absorption (Units)	1Q 2020 Absorption (Units)	YTD 2020 Absorption (Units)
Baltimore Metro Area	**229,560**	**94.8%**	**4,441**	**3,732**	**1,642**	**316**	**316**
Baltimore City	71,040	93.7%	1,940	1,817	623	5	5
Baltimore Suburbs	158,520	95.4%	2,501	1,915	1,019	311	311

MARKET STATISTICS: EFFECTIVE RENT AND DELIVERIES

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	2019 Deliveries (Units)	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore Metro Area	**229,560**	**$1,350**	**$1.51**	**2.1%**	**1.9%**	**1,546**	**961**	**4,416**	**5,614**
Baltimore City	71,040	$1,265	$1.59	1.0%	0.9%	1,050	269	1,447	2,195
Baltimore Suburbs	158,520	$1,388	$1.48	2.5%	2.3%	486	692	2,969	3,419

SUBMARKET STATISTICS – ALL CLASSES

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore City	**71,040**	**93.7%**	**$1,265**	**$1.59**	**1.0%**	**0.9%**	**269**	**1,447**	**2,195**
Baltimore City East	17,185	94.7%	$1,430	$1.84	0.4%	0.8%	111	688	1,184
Baltimore City North	18,066	93.0%	$1,086	$1.30	2.2%	1.5%	-	-	0
Baltimore City West	17,982	94.5%	$987	$1.32	2.4%	1.9%	132	-	133
Downtown Baltimore	17,807	92.5%	$1,567	$1.92	-1.1%	-0.5%	26	759	878
Baltimore Suburbs	**158,520**	**95.4%**	**$1,388**	**$1.48**	**2.5%**	**2.3%**	**692**	**2,969**	**3,419**
Annapolis	9,911	95.0%	$1,702	$1.93	4.6%	2.3%	-	-	-
Columbia/North Laurel	16,284	95.9%	$1,645	$1.70	2.9%	1.9%	127	382	382
Ellicott City/Elkridge	8,795	95.3%	$1,620	$1.69	4.5%	2.0%	168	394	394
Far North Baltimore Suburbs	13,710	96.8%	$1,293	$1.36	2.6%	1.8%	42	-	-
Northeast Anne Arundel County	12,332	96.2%	$1,360	$1.55	1.4%	2.9%	-	215	215
Northwest Anne Arundel County	13,237	95.0%	$1,756	$1.74	3.6%	1.7%	34	654	654
Owings Mills/Pikesville/Randallstown	18,755	95.6%	$1,355	$1.31	3.0%	2.3%	232	437	667
Parkville/Carney/Perry Hall	12,160	96.2%	$1,146	$1.32	2.6%	3.0%	-	324	324
Southeast Baltimore County	18,719	94.6%	$1,067	$1.27	3.1%	2.2%	-	-	-
Southwest Baltimore County	18,535	95.3%	$1,156	$1.29	0.9%	2.5%	-	-	-
Towson/Hunt Valley	15,390	95.9%	$1,406	$1.39	3.0%	1.9%	89	563	783

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.
Source: RealPage, NKF Research; April 2020

HAMPTON ROADS METRO AREA ECONOMY AND MULTIFAMILY MARKET

UNIT DEMAND MODERATES, BUT DEFENSE SECTOR LIKELY TO BOLSTER ECONOMY

The Hampton Roads metro area's economic growth has been steady throughout the recent cycle, but employment change was 3,400 jobs lost for the 12 months ending in March 2020, well below the metro area's 20-year average growth of 4,400 jobs per annum. The unemployment rate remained low, at 3.0% for the 12 months ending in February 2020, down 60 basis points from one year ago. Employment is likely to decline further due to the effects of COVID-19, but Hampton Roads' large defense contractor sector may insulate the economy from the worst effects. Federal spending typically serves as a ballast in Hampton Roads during recessions, supporting the multifamily market.

Absorption moderated in the first quarter of the year, as the region absorbed negative 527 multifamily units, down from positive 377 units in the first quarter of 2019. The region's occupancy rate registered 96.1%, up 70 basis points from one year ago. At the end of the first quarter, 2,572 units were under construction, and 295 units delivered in the region during the quarter. An additional 581 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 3,153 units.

Region-wide, rents increased 2.6% over the past 12 months; rent growth is likely to moderate for the remainder of 2020 and into 2021 as a result of the coronavirus pandemic. The Hampton/Poquoson and Portsmouth/Suffolk submarkets recorded the highest rent growth at 3.8%. The region's five-year average effective rent growth is 1.8%.

ECONOMIC AND MULTIFAMILY MARKET OUTLOOK

Hampton Roads is home to the world's largest naval base (Naval Station Norfolk) and was awarded $12.4 billion in contracts for fiscal year 2019 by the Department of Defense. NASA, plus the Departments of Energy, Transportation, Commerce and Veterans Affairs, have a presence in the region. The largest employment sector in the Hampton Roads area is the government, at 20% of total employment. Historically, government employment in the area has remained steady or increased during economic downturns, which sustains multifamily demand.

On top of both direct government employment and a large share of government contract funds, the Hampton Roads area also has one of the largest populations of military personnel. Military jobs are not accounted for in the Bureau of Labor Statistics numbers but will also help bolster the local economy in the period ahead. All of these factors should help the Hampton Roads area's economy mitigate the worst economic effects of COVID-19, although a halt to tourism will contribute to moderating rent growth and demand during the remainder of 2020 and into 2021.

ECONOMY

Payroll Employment: 787,100 at March 2020.

Historical Job Change: 3,400 jobs lost in the 12 months ending March 2020.

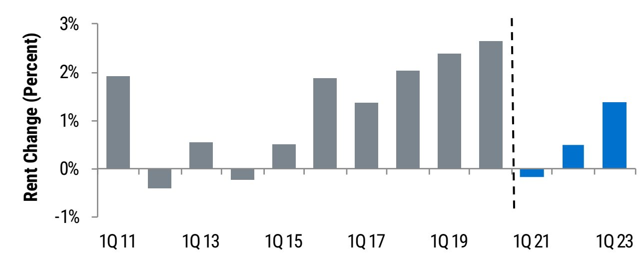
Unemployment Rate: 3.0% in February 2020, down 60 basis points from February 2019.

Average Household Income: $86,425 in 2019.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, NKF Research; April 2020

MARKET ANALYSIS

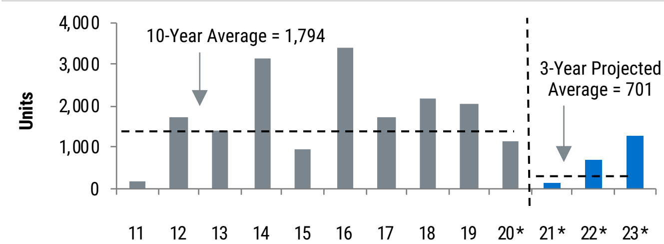
Annual Average Effective Rent Change



Source: RealPage, NKF Research; April 2020
Note: Effective rent change is calculated using same-store method for the trailing 12 months

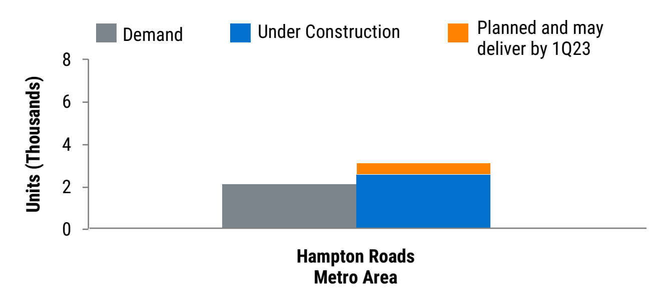
MARKET OUTLOOK

Multifamily Absorption Projection



Source: RealPage, NKF Research; April 2020
*12 months ending in the first quarter

Multifamily Demand and Delivery Projections: 2Q20–1Q23



Source: RealPage, NKF Research; April 2020

1Q 2020 **HAMPTON ROADS METRO AREA MULTIFAMILY MARKET AND SUBMARKET STATISTICS**

Newmark Knight Frank

MULTIFAMILY MARKET SUMMARY

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	139,273	138,958	↑
Occupancy Rate	96.1%	95.4%	↓
Quarterly Net Absorption (Units)	-527	377	↑
12-Month Effective Rent Change	2.6%	2.4%	↓
Quarterly Deliveries (Units)	295	354	↓

Source: RealPage, NKF Research; April 2020

INVESTMENT SALES MARKET SUMMARY

	Metro Region
12 Month Transaction Volume at 1Q 2020	$833.8 M
12 Month Transaction Volume at 1Q 2019	$675.8 M
1Q 2020 Average Price Per Unit	$105,144
1Q 2020 Average Cap Rate	5.8%

Note: Averages are for trailing 12 months
Source: Real Capital Analytics, NKF Research

MARKET STATISTICS: OCCUPANCY AND ABSORPTION

	Total Inventory (Units)	Overall Occupancy Rate	2017 Absorption (Units)	2018 Absorption (Units)	2019 Absorption (Units)	1Q 2020 Absorption (Units)	YTD 2020 Absorption (Units)
Hampton Roads Metro Area	**139,273**	**96.1%**	**2,880**	**2,080**	**2,138**	**-527**	**-527**

SUBMARKET STATISTICS – EFFECTIVE RENT AND DELIVERIES

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Hampton Roads Metro Area	**139,273**	**96.1%**	**$1,105**	**$1.17**	**2.6%**	**1.8%**	**295**	**2,572**	**3,153**
Chesapeake	10,375	97.3%	$1,234	$1.24	2.6%	2.1%	-	373	657
Hampton/Poquoson	16,842	95.6%	$1,090	$1.11	3.8%	2.0%	72	462	462
Newport News	26,960	94.7%	$982	$1.05	2.6%	1.8%	-	0	0
Northern Norfolk	15,141	96.7%	$975	$1.12	2.7%	1.7%	-	145	145
Portsmouth/Suffolk	16,121	96.3%	$1,050	$1.14	3.8%	1.9%	69	432	545
Southern Norfolk	12,147	96.5%	$1,225	$1.33	0.2%	1.1%	-	0	185
Virginia Beach East	18,654	96.4%	$1,192	$1.22	3.3%	1.8%	-	200	200
Virginia Beach West	16,717	96.1%	$1,197	$1.24	1.8%	1.8%	-	244	244
Williamsburg / Jamestown	6,316	96.6%	$1,177	$1.16	2.1%	2.2%	154	716	716

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.

NOTABLE RECENT MULTIFAMILY SALES TRANSACTIONS

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Springhouse Apartment Homes	$54.1	$125,231	BH Management/L5 RE Investments	Croatan Investments	Newport News, VA
Mayflower Seaside Towers	$43.1	$161,917	Lynd/VTS Capital Partners	Harbor Group International	Virginia Beach, VA
Alta Citizen at Patrick Henry	$43.0	$205,742	Whitmore Company	Wood Partners	Newport News, VA
Indigo 19	$41.5	$211,735	Hamilton Zanze & Company	Harmony Hospitality	Virginia Beach, VA

Source: RealPage, NKF Research; April 2020

Newmark Knight Frank

RICHMOND METRO AREA
ECONOMY AND MULTIFAMILY MARKET

DEMAND MODERATES IN Q1, BUT GOVERNMENT EMPLOYMENT A CUSHION FOR THE YEAR AHEAD

The Richmond metro area recorded positive job growth during the past 12 months, although multifamily unit demand moderated in the first quarter of 2020 and is expected to slow further as the effects of COVID-19 come into focus. For the 12 months ending in March 2020, the region added 4,700 jobs, lower than the metro area's 20-year average growth of 6,100 jobs per annum.

Absorption moderated in the first quarter, as the region absorbed negative 38 multifamily units. The region's occupancy rate registered 95.4%, down 60 basis points from one year ago. At the end of the first quarter, 5,605 units were under construction, after 374 units delivered in the region. An additional 1,370 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 6,975 units. It is likely the planned pipeline will moderate in the coming months as some projects delay groundbreaking given the current economic conditions.

Region-wide, rents increased 2.1% over the past 12 months. The region's five-year average effective rent growth is 3.3%. Rent growth is likely to moderate through the balance of 2020 and into 2021 as some owners are offering no rent increases on renewals. Net demand will be limited by job losses and by some situations in which residents of two units combine their households to save on occupancy costs. These new roommate arrangements would mark a reversal of the trend during the past few years, in which uncoupling of roommate arrangements helped to drive absorption, particularly among younger people.

ECONOMIC AND MULTIFAMILY MARKET OUTLOOK

The Richmond area's unemployment rate was 2.8% at February 2020. The strong growth in high-paying jobs that had occurred prior to the pandemic—particularly in the Professional and Business Services (PBS) sector and the Financial Activities sector—is projected to insulate the economy to a degree and will help support multifamily demand over the next several years. Jobs in these sectors tend to be high-wage positions, which bolster demand for Class A multifamily product. The Richmond area also will likely see an uptick in government employment as the Commonwealth responds to the pandemic. The Financial Activities sector will be somewhat insulated from the economic effects of COVID-19, as the federal and state governments rely on those companies for rollouts of programs like the Payment Protection Plan (PPP). For reference, the Financial Services sector saw 5.2% growth in employment over the 12 months ending March 2020.

ECONOMY

Payroll Employment: 685,100 at March 2020.

Historical Job Change: 4,700 jobs added in the 12 months ending March 2020.

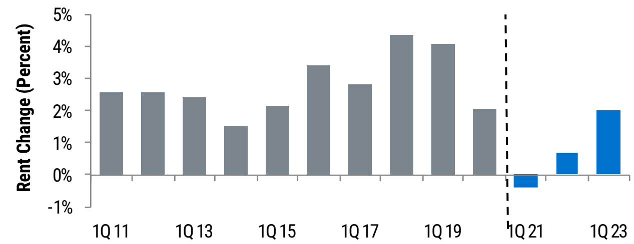
Unemployment Rate: 2.8% in February 2020, down 50 basis points from February 2019.

Average Household Income: $92,190 in 2019.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, NKF Research; April 2020

MARKET ANALYSIS

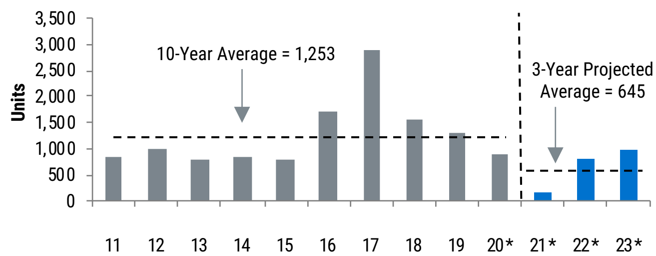
Annual Average Effective Rent Change



Source: RealPage, NKF Research; April 2020
Note: Effective rent change is calculated using same-store method for the trailing 12 months

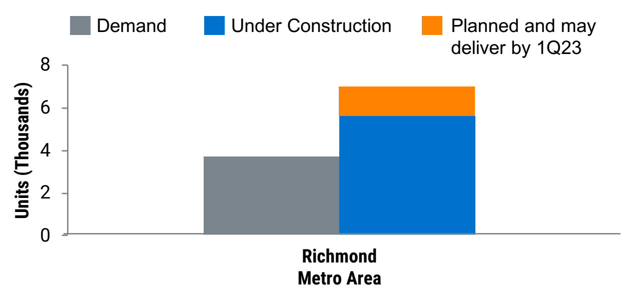
MARKET OUTLOOK

Multifamily Absorption Projection



Source: RealPage, NKF Research; April 2020
*12 months ending in the first quarter

Multifamily Demand and Delivery Projections: 2Q20–1Q23



Source: RealPage, NKF Research; April 2020

1Q 2020 **RICHMOND METRO AREA MULTIFAMILY MARKET AND SUBMARKET STATISTICS**

MULTIFAMILY MARKET SUMMARY

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	102,514	100,943	↑
Occupancy Rate	95.4%	96.0%	↓
Quarterly Net Absorption (Units)	-38	446	↑
12-Month Effective Rent Change	2.1%	4.1%	↓
Quarterly Deliveries (Units)	374	570	↑

Source: RealPage, NKF Research; April 2020

INVESTMENT SALES MARKET SUMMARY

	Metro Region
12 Month Transaction Volume at 1Q 2020	$719.8 M
12 Month Transaction Volume at 1Q 2019	$905.2 M
1Q 2020 Average Price Per Unit	$145,215
1Q 2020 Average Cap Rate	6.0%

Note: Averages are for trailing 12 months
Source: Real Capital Analytics, NKF Research

MARKET STATISTICS: OCCUPANCY AND ABSORPTION

	Total Inventory (Units)	Overall Occupancy Rate	2017 Absorption (Units)	2018 Absorption (Units)	2019 Absorption (Units)	1Q 2020 Absorption (Units)	YTD 2020 Absorption (Units)
Richmond Metro Area	**102,514**	**95.4%**	**2,880**	**1,542**	**1,325**	**-38**	**-38**

SUBMARKET STATISTICS – EFFECTIVE RENT AND DELIVERIES

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Richmond Metro Area	**102,514**	**95.4%**	**$1,117**	**$1.24**	**2.1%**	**3.3%**	**374**	**5,605**	**6,975**
Chesterfield County	13,243	95.5%	$1,222	$1.20	1.7%	3.3%	48	1,928	2,134
Downtown Richmond/The Fan	11,581	96.2%	$1,298	$1.64	2.3%	2.1%	48	161	442
East Richmond	18,621	94.0%	$1,013	$1.18	1.1%	2.6%	51	824	1,092
Hanover County	5,655	97.3%	$1,271	$1.26	2.4%	3.0%	124	0	0
Northwest Richmond	11,907	95.4%	$1,124	$1.26	3.5%	4.4%	-	100	100
Petersburg/ Colonial Heights/ Hopewell	9,099	96.4%	$957	$1.04	3.4%	3.3%	-	0	0
Southside	19,803	94.7%	$965	$1.10	1.8%	3.8%	27	1612	1,794
Tuckahoe/Westhampton	12,605	96.3%	$1,270	$1.32	1.5%	3.6%	76	980	1,414

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.

NOTABLE RECENT MULTIFAMILY SALES TRANSACTIONS

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
2000 West Creek	$103.0	$276,139	Capital Square 1031	Bristol Development	Richmond, VA
Villages at West Laurel and Trails at Short Pump Portfolio	$80.6	$160,557	Angelo, Gordon & Co./McCann Realty Partners	DRA Advisors/The Milestone Group/Bell Partners	Henrico, VA
Millspring Commons	$28.5	$179,371	Republic Properties	Aurelie Capital	Henrico, VA
Scott's Edge Apartments	$18.2	$193,085	Bonaventure Realty Group	Legend Property Group	Richmond, VA

Source: RealPage, NKF Research; April 2020

RESEARCH **1Q 2020**

Newmark Knight Frank

WASHINGTON METRO AREA ECONOMY AND MULTIFAMILY MARKET

STRONG EARLY 2020 MARKET FUNDAMENTALS SET UP REGION WELL FOR POST-COVID RECOVERY

The Washington metro area's employment base continued to grow during the first quarter of 2020 and multifamily metrics remained strong. For the 12 months ending in March 2020 (before the full impact of COVID-19), the region added 31,500 jobs, slightly below the metro area's 20-year average growth of 38,800 jobs per annum. The region's unemployment rate was 3.0% in February, but has increased with coronavirus-related job losses. While the region's economic diversification during the past ten years has modestly reduced its recession resistance, the ongoing presence of the federal government, its contractors, and other high-wage professional services jobs still offer a strong buffer against recession compared to Washington's peer cities.

Demand was strong in the first quarter of 2020 with total absorption of 2,471 units, significantly more than the 1,045 units absorbed in the first quarter of 2019. After a strong start to the year, demand is likely to decelerate through the remainder of 2020 as renters are likely to stay put amidst uncertainty surrounding the impact of COVID-19. As a result of the economic contraction, we may also see a recoupling of roommates, stifling some of the organic demand that their uncoupling had created during the most recent cycle. However, people who were on the verge of becoming first-time home buyers are likely to remain renters, supporting apartment demand.

As of the end of March, the region's occupancy rate registered 95.9%, up 40 basis points from one year ago. At the end of the first quarter, 29,994 units were under construction after 3,457 units delivered in the region during the quarter. An additional 3,935 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to just under 34,000 units. While most properties already under construction are moving forward, some planned projects could delay groundbreaking as a result of COVID-19's economic impact.

Region-wide, per-unit rents increased 2.7% over the 12 months ending in March. The District of Columbia showed the strongest rent growth during this period with an increase of 3.2%, while rents in Northern Virginia and Suburban Maryland rose 2.7% and 2.6%, respectively. While the region's rent growth has remained sturdy considering the robust level of new deliveries over the past several years, it is likely to decelerate during the remainder of 2020 and into 2021 as a result of COVID-19, with asset owners offering attractive renewal packages. Three submarkets across the Washington metro area saw 12-month rent growth exceeding 4.0%. Crystal City/Pentagon City, Northwest DC and Gaithersburg were the top markets for rental increases, reporting growth of 4.4%, 4.2%, and 4.1%, respectively.

ECONOMY

Payroll Employment: 3.35 million at March 2020.

Historical Job Change: 31,500 jobs added in the 12 months ending March 2020.

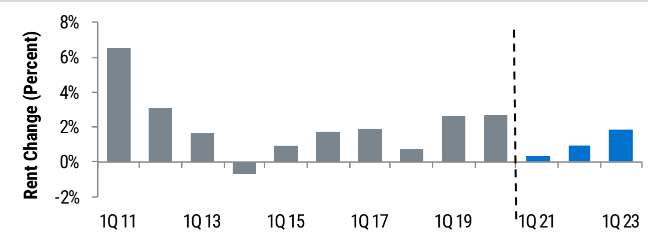
Projected Job Growth: NKF forecasts an average increase of 20,100 jobs per annum from 2021 through 2024.

Unemployment Rate: 3.0% in February 2020, down 50 basis points from February 2019.

Average Household Income: $137,124 in 2019.

MARKET ANALYSIS

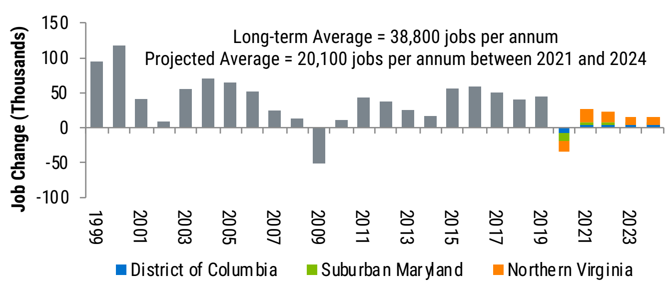
Annual Average Effective Rent Change



Source: RealPage, NKF Research; April 2020
Note: Effective rent change is calculated using same-store method for the trailing 12 months

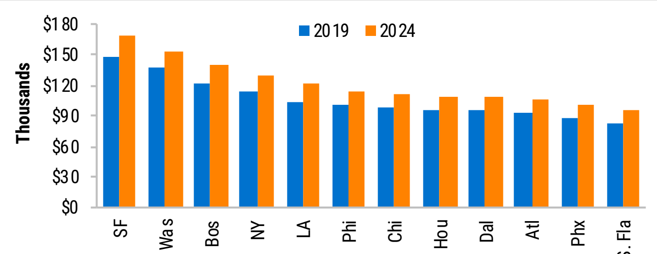
PAYROLL JOB GROWTH FORECAST

Washington Metro Area



AVERAGE HOUSEHOLD INCOME

Largest U.S. Metro Areas | 2019 and Projections for 2024



Sources: Esri, Moody's, NKF Research, RealPage, Stephen S. Fuller Institute, U.S. Bureau of Labor Statistics; April 2020

REGION STARTS 2020 OFF WITH STRONG FUNDAMENTALS

Demand was strong in the first quarter of 2020 with total absorption of 2,471 units, significantly more than the 1,045 units absorbed in the first quarter of 2019. Quarterly absorption in Northern Virginia registered 1,724 units, followed by District of Columbia with 944 units absorbed, and Suburban Maryland, with absorption of negative 197 units. Occupancy remained strong throughout the region; it was highest in the Northern Virginia at 96.0%, followed by the District of Columbia at 95.9% and Suburban Maryland at 95.7%. At the end of the first quarter, 29,994 units were under construction, while 3,457 units delivered in the region during the quarter. An additional 3,935 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 33,929 units. The District of Columbia has the largest pipeline at 16,227 units, followed by Northern Virginia at 11,437 units. Suburban Maryland's pipeline stands at 6,265 units.

ECONOMIC AND MULTIFAMILY MARKET OUTLOOK

Moving forward, The Stephen S. Fuller Institute at George Mason University forecasts that the Washington region's economy will contract by 0.8% in 2020 (in the aggregate). The Washington region is less insulated from a recession than it has been in previous downturns due to federal job cuts and a pivoting of the region's economy toward the private sector. However, the area remains better insulated than many peer cities, making the Washington region a relatively superior investment opportunity. The duration of the outbreak and the degree of the resulting economic decline will lead to private sector job losses across all three of the region's substate areas. However, the Washington metro area's economy is likely to benefit from public investment and other federal government activity over the next few months in response to the pandemic. This spending will likely lessen the duration of the impact on the local economy and multifamily market. The region's core sectors—including life sciences, the technology sector, and the federal government and its contractors—will help it bounce back from recession.

The Washington multifamily market traditionally has led the nation out of recessions, as it did in 2010 when absorption was a robust 14,000 units, thus enhancing the resilience of local apartment assets and attracting potential renters from other metro areas. Regional occupancy, at approximately 96%, has been comparable to the national rate over the past several years. Over the next 36 months, we project that the occupancy rate will tick down to approximately 93.1% due to the large amount of multifamily product already under construction and moderating demand during the remainder of 2020 and in early 2021. Development projects that were already underway will likely deliver, perhaps with some units delayed; however, projects that are yet to break ground may be stalled or scrapped altogether in an uncertain economic climate.

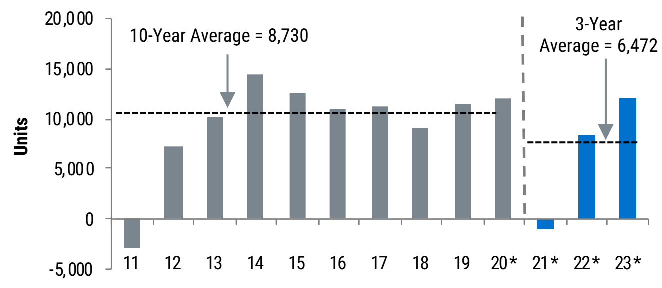
Washington's well educated, high-wage workforce sets up the market well for a quicker-than-average rebound. For investors seeking safe harbor during a period of uncertainty, Washington's track record suggests appealing stability.

CURRENT CONDITIONS

- The region absorbed 2,471 units during the first quarter of 2020, up from 1,045 units absorbed in the first quarter of 2019.
- The region's occupancy rate increased 40 basis points over the past year to 95.9%.
- The average effective rent rose 2.7% over the past 12 months and has averaged a 2.1% annual increase over the past five years.

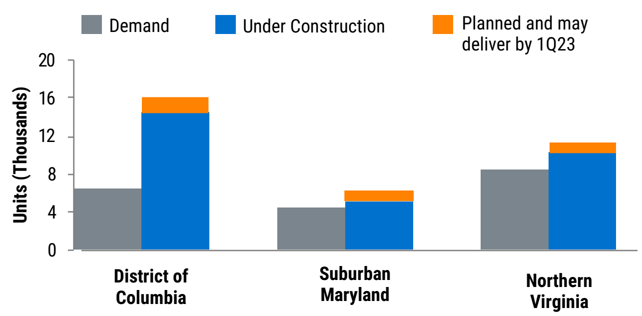
MARKET OUTLOOK

Absorption Projection



Source: RealPage, NKF Research; April 2020
*12 months ending in the first quarter

Multifamily Demand and Delivery Projections: 2Q20–1Q23



Source: RealPage, NKF Research; April 2020

MARKET SUMMARY

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	434,850	418,957	↑
Occupancy Rate	95.9%	95.5%	↓
Quarterly Net Absorption (Units)	2,471	1,045	↓
12-Month Effective Rent Change	2.7%	2.8%	↓
Quarterly Deliveries (Units)	3,457	1,615	↓

Source: RealPage, NKF Research; April 2020

1Q 2020 **WASHINGTON METRO AREA MULTIFAMILY MARKET AND SUBMARKET STATISTICS**

Newmark Knight Frank

METRO AREA MARKET STATISTICS: OCCUPANCY AND ABSORPTION

	Total Inventory (Units)	Overall Occupancy Rate	2017 Absorption (Units)	2018 Absorption (Units)	2019 Absorption (Units)	1Q 2020 Absorption (Units)	YTD 2020 Absorption (Units)
Washington Metro Area	**434,850**	**95.9%**	**11,350**	**9,157**	**11,537**	**2,471**	**2,471**
District of Columbia	78,319	95.9%	4,845	3,622	4,115	944	944
Suburban Maryland	168,315	95.7%	3,663	1,374	3,260	-197	-197
Northern Virginia	188,216	96.0%	2,842	4,161	4,162	1,724	1,724

METRO AREA MARKET STATISTICS: EFFECTIVE RENT AND DELIVERIES

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	2019 Deliveries (Units)	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Washington Metro Area	**434,850**	**$1,828**	**$2.10**	**2.7%**	**2.1%**	**10,243**	**3,457**	**29,994**	**33,929**
District of Columbia	78,319	$2,216	$2.91	3.2%	1.9%	3,808	1,421	14,530	16,227
Suburban Maryland	168,315	$1,627	$1.80	2.6%	2.3%	2,743	292	5,124	6,265
Northern Virginia	188,216	$1,848	$2.03	2.7%	2.1%	3,692	1,744	10,340	11,437

DISTRICT OF COLUMBIA SUBMARKET STATISTICS – ALL CLASSES

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
District of Columbia	**78,319**	**95.9%**	**$2,216**	**$2.91**	**3.2%**	**1.9%**	**1,421**	**14,530**	**16,227**
Central DC/West End/Shaw/ Mt. Vernon Triangle	26,067	95.9%	$2,507	$3.42	2.3%	1.2%	81	1,159	1,303
Navy Yard/Capitol Hill/Southwest	9,759	94.6%	$2,569	$3.22	3.3%	2.6%	725	6,418	6,866
North Central DC/Columbia Heights/ Petworth	6,885	96.7%	$1,763	$2.48	3.6%	1.7%	-	301	499
Northeast DC/NoMa/H Street	11,824	95.9%	$2,340	$2.91	3.0%	1.5%	585	5,511	6,125
Northwest DC/Georgetown/ Friendship Heights	13,603	96.0%	$2,243	$2.95	4.2%	1.7%	30	878	1,108
Southeast DC	10,181	96.3%	$1,256	$1.55	4.0%	3.8%	-	263	327

*Units under construction plus those planned and likely to deliver within the next 36 months
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.
Source: RealPage, NKF Research; April 2020

1Q 2020 **WASHINGTON METRO AREA MULTIFAMILY SUBMARKET STATISTICS**

Newmark Knight Frank

SUBURBAN MARYLAND SUBMARKET STATISTICS – ALL CLASSES

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Suburban Maryland	**168,315**	**95.7%**	**$1,627**	**$1.80**	**2.6%**	**2.3%**	**292**	**5,124**	**6,265**
Bethesda/Chevy Chase	8,848	96.0%	$2,401	$2.50	1.7%	1.0%	-	1,446	1,605
College Park/Greenbelt	8,052	95.8%	$1,666	$1.77	3.7%	3.1%	-	-	361
Downtown Silver Spring	11,406	95.4%	$1,885	$2.14	0.6%	0.9%	-	-	193
East Silver Spring/ Takoma Park/Adelphi	12,510	96.5%	$1,423	$1.79	3.6%	2.1%	-	-	-
Frederick	6,833	95.2%	$1,398	$1.45	4.0%	2.7%	136	457	457
Gaithersburg	11,172	96.3%	$1,652	$1.74	4.1%	2.3%	-	386	386
Germantown	6,516	95.7%	$1,535	$1.60	0.8%	2.4%	-	627	627
Hyattsville/Riverdale	13,559	96.3%	$1,434	$1.76	3.6%	2.9%	82	229	229
Landover/Bowie	12,923	94.9%	$1,613	$1.77	2.3%	2.4%	-	542	906
Laurel/Beltsville	11,043	95.7%	$1,497	$1.66	1.5%	2.5%	-	-	-
Northeast Montgomery County	7,035	94.9%	$1,528	$1.63	0.9%	2.1%	-	-	-
Rockville/North Bethesda	16,912	96.2%	$1,982	$2.03	3.7%	1.3%	-	782	782
South Prince George's County/St. Charles	17,557	95.5%	$1,403	$1.63	1.5%	3.1%	-	80	80
Suitland/District Heights/ Capitol Heights	15,369	95.7%	$1,428	$1.60	4.0%	3.5%	74	321	386
Wheaton/Aspen Hill	8,580	95.1%	$1,647	$1.79	1.3%	2.0%	-	254	254

NORTHERN VIRGINIA SUBMARKET STATISTICS – ALL CLASSES

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	YTD 2020 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Northern Virginia	**188,216**	**96.0%**	**$1,848**	**$2.03**	**2.7%**	**2.1%**	**1,744**	**10,340**	**11,437**
Central Alexandria	11,756	96.7%	$1,624	$1.88	2.0%	2.4%	50	302	302
Columbia Pike	11,751	96.6%	$1,847	$2.16	2.8%	1.9%	301	401	401
Crystal City/Pentagon City	11,809	95.2%	$2,319	$2.51	4.4%	1.7%	210	360	817
East Alexandria	13,154	96.0%	$1,995	$2.36	3.3%	1.7%	194	2,032	2,201
Fredericksburg/Stafford	9,057	96.0%	$1,338	$1.32	2.2%	3.3%	242	240	240
Loudoun County	10,049	96.2%	$1,689	$1.72	1.5%	2.8%	39	965	997
Manassas/Far Southwest Suburbs	11,591	96.8%	$1,458	$1.53	2.5%	2.9%	48	-	-
North Arlington	20,237	96.3%	$2,431	$2.80	3.6%	1.7%	194	2,174	2,174
Reston/Herndon	13,358	95.2%	$1,866	$1.86	2.1%	1.9%	230	1,440	1,531
Seven Corners/Bailey's Crossroads/Annandale	6,015	95.9%	$1,695	$1.78	3.7%	1.5%	-	157	157
South Fairfax County	14,011	96.0%	$1,738	$1.94	3.0%	1.9%	-	-	113
Tysons/Falls Church/Merrified	20,287	95.9%	$2,009	$2.17	2.4%	1.4%	174	1,554	1,691
West Alexandria	8,804	95.6%	$1,666	$1.91	2.0%	2.2%	-	-	97
West Fairfax County	12,832	95.8%	$1,813	$1.93	2.1%	2.6%	62	715	715
Woodbridge/Dale City	13,505	96.3%	$1,481	$1.63	2.3%	2.6%	-	-	-

*Units under construction plus those planned and likely to deliver within the next 36 months
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method
Source: RealPage, NKF Research; April 2020

1Q 2020 WASHINGTON METRO AREA MULTIFAMILY INVESTMENT SALES MARKET

MULTIFAMILY SALES VOLUME STOUT IN FIRST QUARTER

The Washington area multifamily market registered $8.4 billion in sales volume for the 12 months ending in the first quarter of 2020, an increase of $900 million from the prior year. The largest deal of the fourth quarter was GID's acquisition of The Woodley, a 212-unit building in Washington, DC from Nuveen Real Estate for $180.1 million. The second-largest transaction was The Emerson, a 355-unit building in Centreville, VA acquired by Hines from JLB Partners for $117.0 million. During the 12 months ending in the first quarter of 2020, the Washington metro area recorded an average sale price of $262,257 per unit. The average cap rate measured 5.1% for the 12 months ending in the first quarter of 2020, 20 basis points lower than one year ago. Northern Virginia led the region with $3.8 billion in sales volume for the 12 months ending in the first quarter of 2020, or 45% of the region's total. Suburban Maryland ranked second in regional sales volume, posting $3.0 billion in sales, or 36% of the regional total. The District of the Columbia had the smallest sales volume for the 12 months ending in the first quarter of 2020, measuring $1.6 billion.

MULTIFAMILY INVESTMENT SALES OUTLOOK

Parts of the region best insulated from job losses, including the healthcare corridor in Montgomery County and the technology corridor connecting Arlington, Tysons and Reston, are likely to feature the best multifamily investment opportunities in the period ahead. Another bright spot in the multifamily capital markets sector is the continued availability of debt provided through Fannie Mae and Freddie Mac. While both lenders are currently requiring operating reserve escrows at closing, there is ample liquidity in the market with the Federal Government continuing to purchase mortgage securities.

Ongoing economic uncertainty may push some potential homebuyers back into the rental market, making up for some loss of demand and helping the multifamily market remain an attractive investment option. As operators closely track rental collections and renewals, the Washington metro area could offer more potential transaction opportunities compared with the region's peer markets, considering this area's better-insulated employment base, which is bolstered by federal spending.

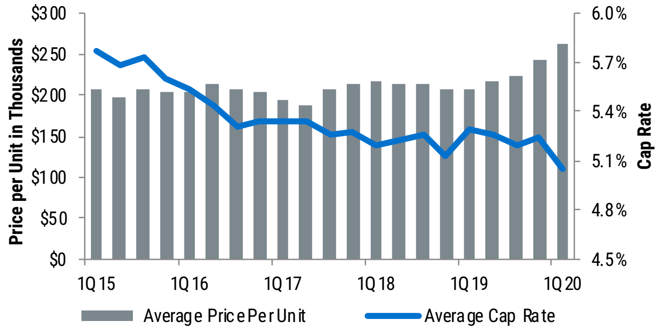
METRO AREA MULTIFAMILY MARKET SUMMARY

	Metro Region
12 Month Transaction Volume at 1Q 2020	$8.4 B
12 Month Transaction Volume at 1Q 2019	$7.5 B
1Q 2020 Average Price Per Unit	$262,257
1Q 2020 Average Cap Rate	5.1%

Note: Averages are for trailing 12 months
Source: Real Capital Analytics, NKF Research

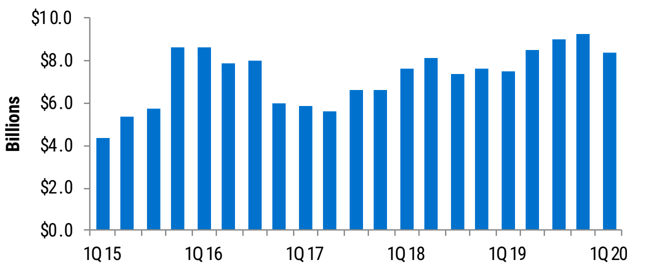
MARKET ANALYSIS

Average Multifamily Cap Rate and Price Per Unit



Note: Values are trailing 12-month averages
Source: Data provided by Real Capital Analytics, analysis by NKF Research

Trailing 12-Month Multifamily Transaction Volume



Source: Data provided by Real Capital Analytics, analysis by NKF Research

NOTABLE 1Q20 MULTIFAMILY SALES TRANSACTIONS

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
The Woodley	$180.1	$849,705	GID	Nuveen Real Estate	Washington, DC
The Emerson	$117.0	$329,577	Hines	JLB Partners	Centreville, VA
Inigo's Crossing*	$108.8	$229,915	JRK Asset Management	Blackstone	North Bethesda, MD
Avana Alexandria	$106.0	$325,153	Alexandria Housing Development Corporation	Greystar	Alexandria, VA
Takoma Towers	$85.0	$181,624	Schweb Partners	ASC Corp	Takoma Park, MD
Monument Village at College Park	$62.7	$266,809	Foulger Pratt Companies	Monument Realty	College Park, MD

*Leasehold purchase
Source: RealPage, NKF Research; April 2020

WASHINGTON, DC
1899 Pennsylvania Avenue NW
Suite 300
Washington, DC 20006
202.331.7000

TYSONS
1410 Spring Hill Road
Suite 600
McLean, VA 22102
703.448.2000

BALTIMORE
One East Pratt Street
Suite 805
Baltimore, MD 21202
410.625.4200

NORFOLK
999 Waterside Drive
Suite 2525
Norfolk, VA 23510
757.777.3818

RICHMOND
1512 Willow Lawn Drive
Richmond, VA 23230
703.575.2157

RESEARCH

Alexander (Sandy) Paul, CRE, LAI
Senior Managing Director
202.312.5783
apaul@ngkf.com

Bethany Schneider
Director, Research
202.664.5898
bschneider@ngkf.com

Jordan Schott
Senior Research Analyst
202.664.5902
jordan.schott@ngkf.com

Kevin Sweeney
Senior Research Analyst
202.312.5763
kevin.sweeney@ngkf.com

MULTIFAMILY SALES TEAM

Christine Espenshade
Vice Chairman
202.312.5741
christine.espenshade@ngkf.com

Robert Garrish
Vice Chairman
202.312.5479
robert.garrish@ngkf.com

Wink Ewing
Senior Managing Director
703.575.2157
wink.ewing@ngkf.com

Carter Wood
Associate
804.350.2109
carter.wood@ngkf.com

Greg Bury
Senior Financial Analyst
202.312.5765
gregory.bury@ngkf.com

Catherine Cheng
Senior Financial Analyst
202.312.5764
catherine.cheng@ngkf.com

FINANCE

Shawn McDonald
Vice Chairman
703.918.0229
shawn.mcdonald@ngkf.com

Anthony Hebenstreit
Director
703.918.4673
anthony.hebenstreit@ngkf.com

LAND SALES

Mark Anstine
Executive Managing Director
703.575.2101
mark.anstine@ngkf.com

Dan Lockard
Senior Managing Director
703.575.2103
dan.lockard@ngkf.com

Eugene Howard
Transaction Manager
703.575.2108
eugene.howard@ngkf.com

GLOSSARY

Absorption: Net change in occupied units over a specific period.

Effective Rent: The price at which a unit leases after factoring in all concessions and discounts, calculated over the lease period.

Inventory: Professionally managed, investment-grade apartment buildings with 40 or more units.

Occupancy Rate: The number of physically occupied units, expressed as a percentage of total inventory.

Pipeline: Units under construction, plus those planned and likely to deliver within the next 36 months.

Note: *Submarkets were redistricted as of third quarter 2018. As a result, comparison to historical versions of this report is not advised. Please see the research contact information above should you need historical data.*