

# DELTA ASSOCIATES' 23<sup>RD</sup> ANNUAL

Market Overview & Awards For Excellence

10.16.19



# THE ECONOMY



# THE NATIONAL ECONOMY

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# AMAZON HQ2

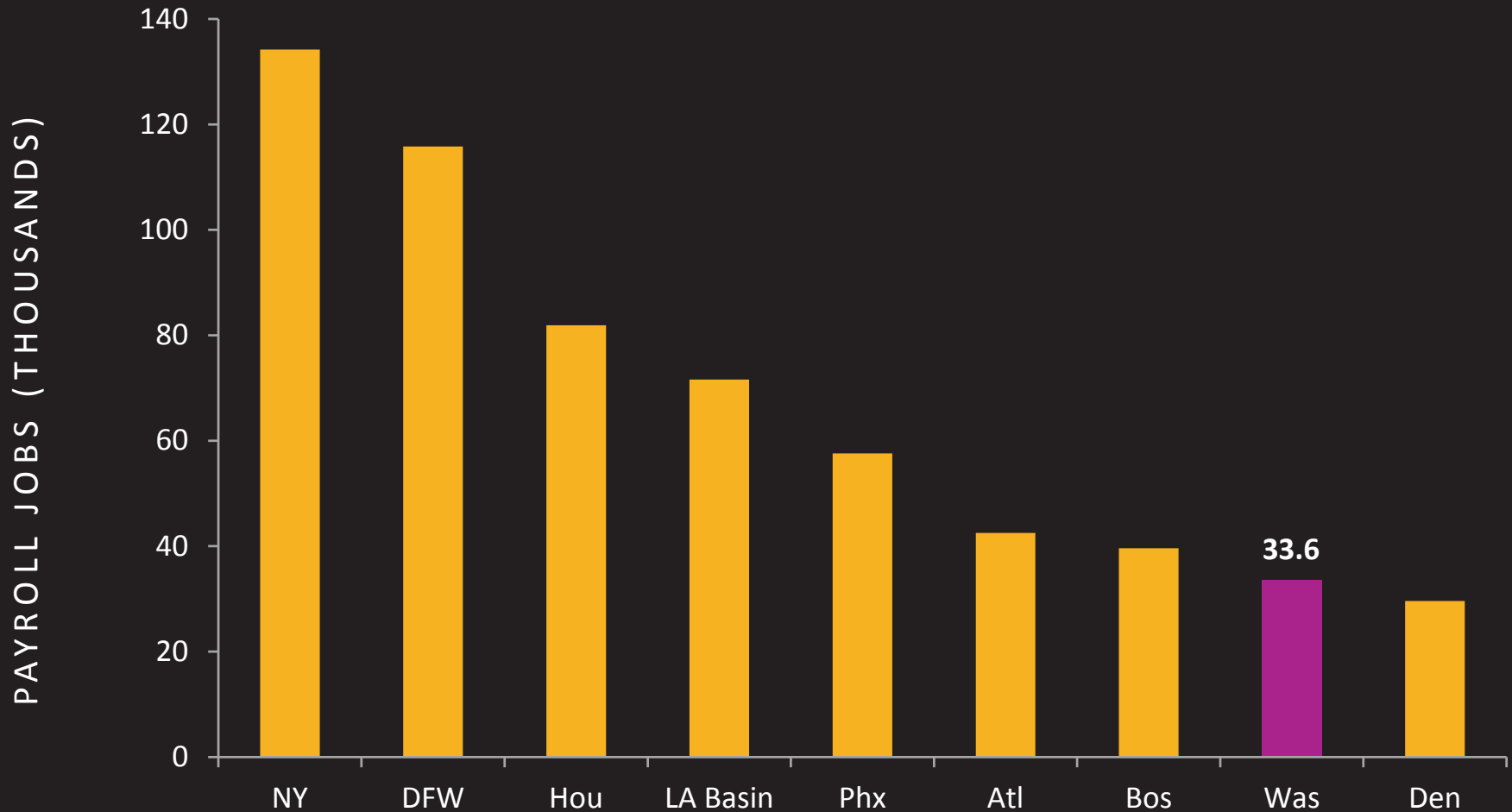
How Will it Impact the Washington Metro Area?

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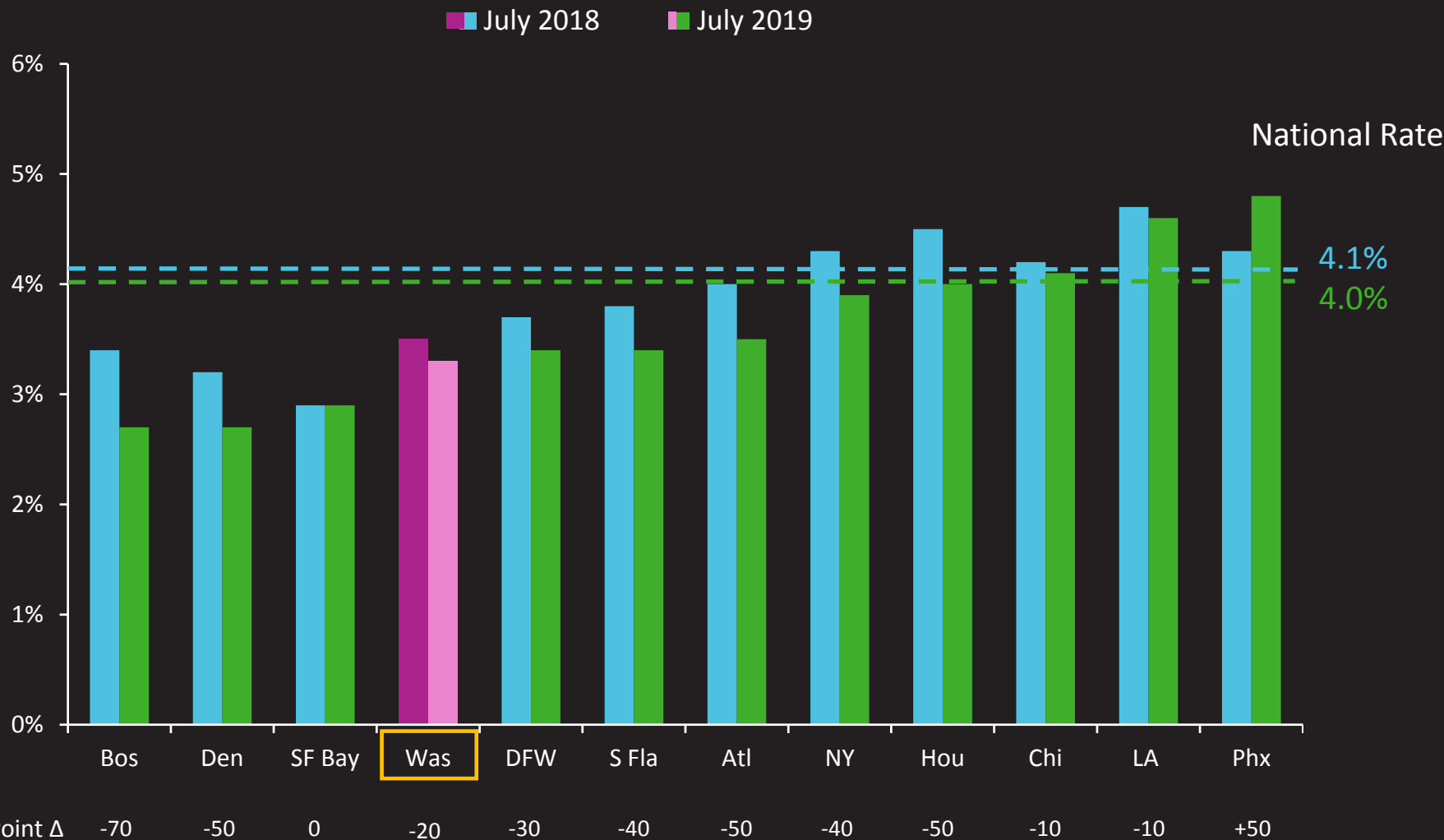
# PAYROLL JOB GROWTH

Selected Large Metro Areas | 12 Months Ending August 2019



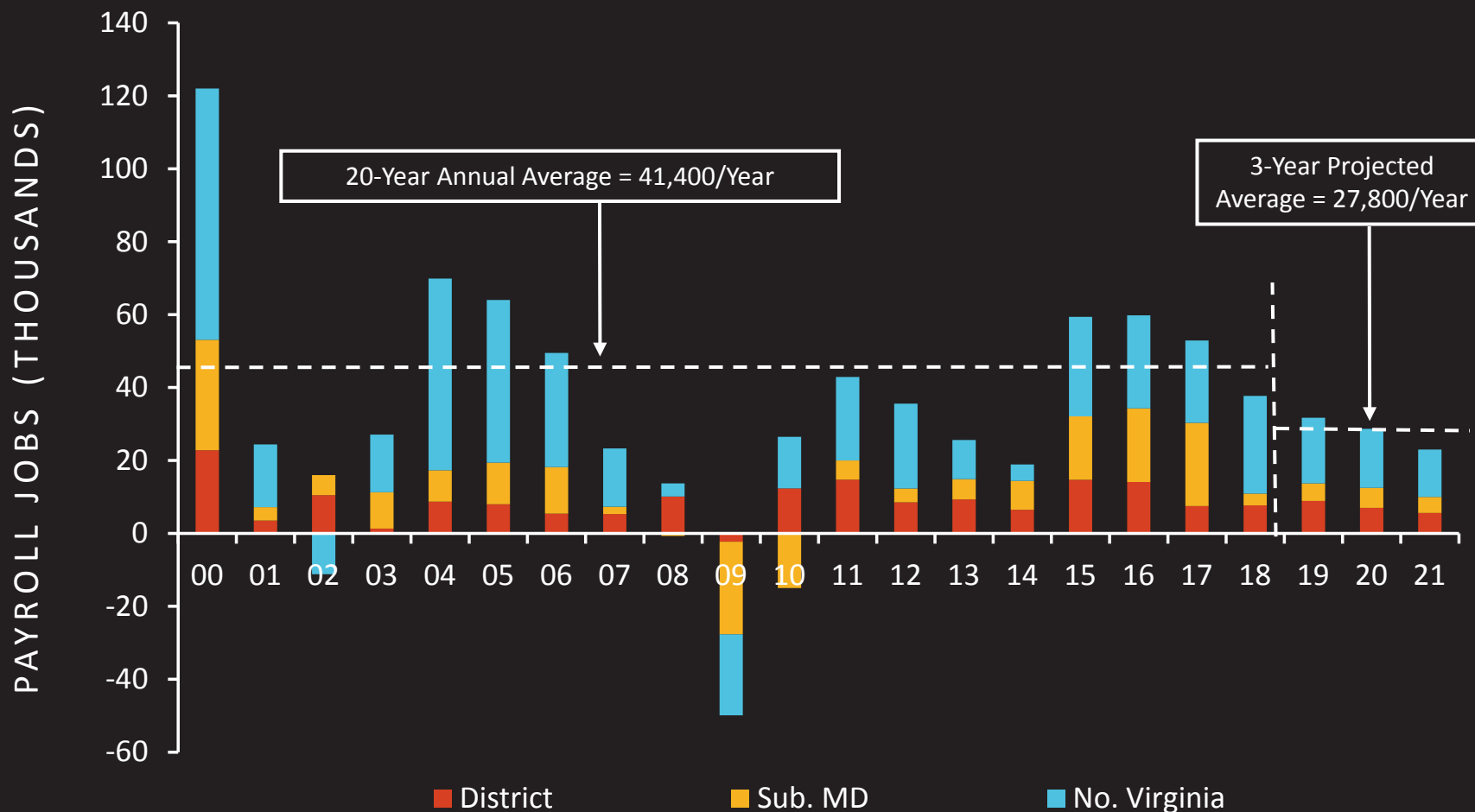
# UNEMPLOYMENT RATE \*

Selected Large Metro Areas | July 2018 vs. July 2019



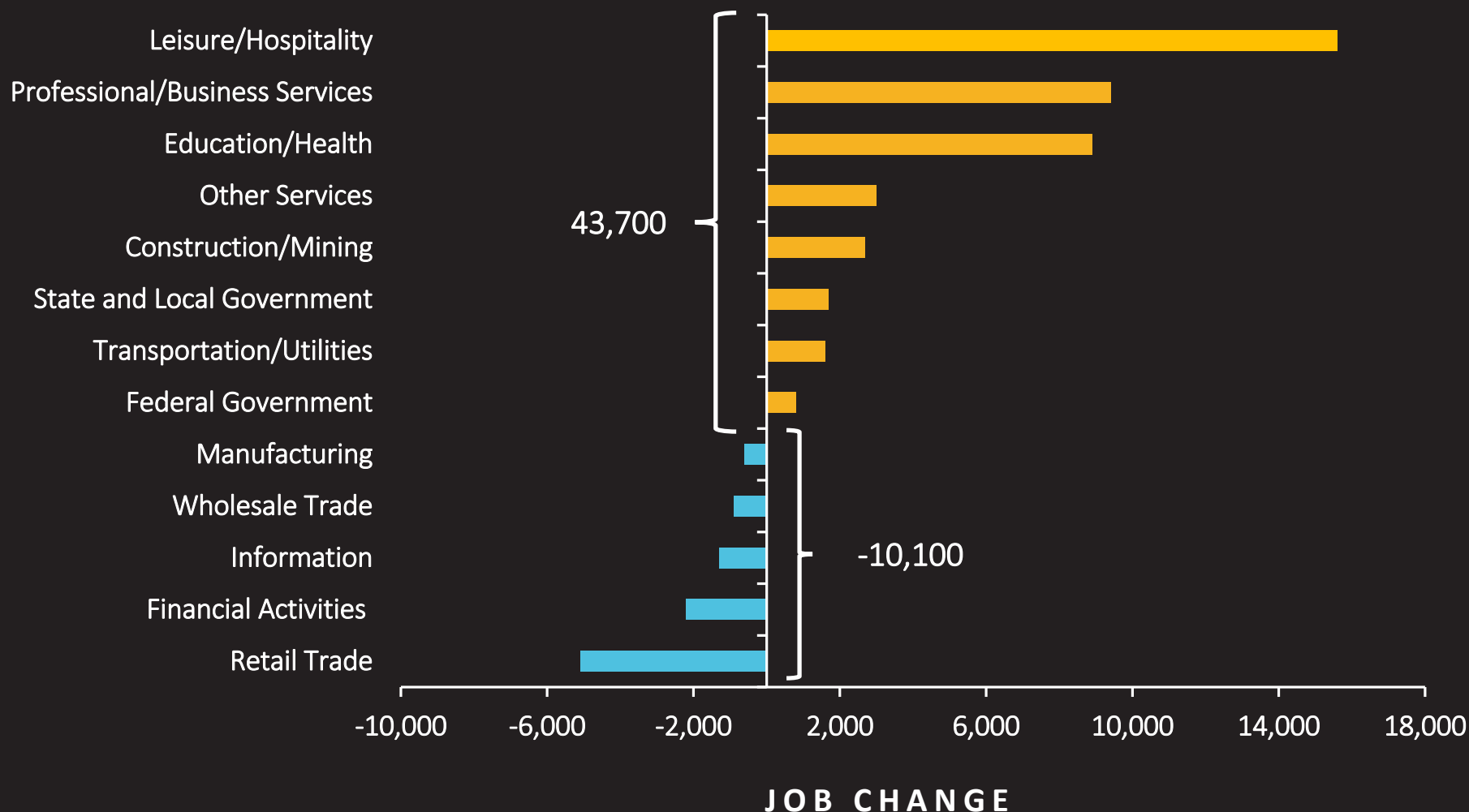
# PROJECTED JOB GROWTH

Washington Metro Area | 2000 - 2021



# PAYROLL JOB GROWTH

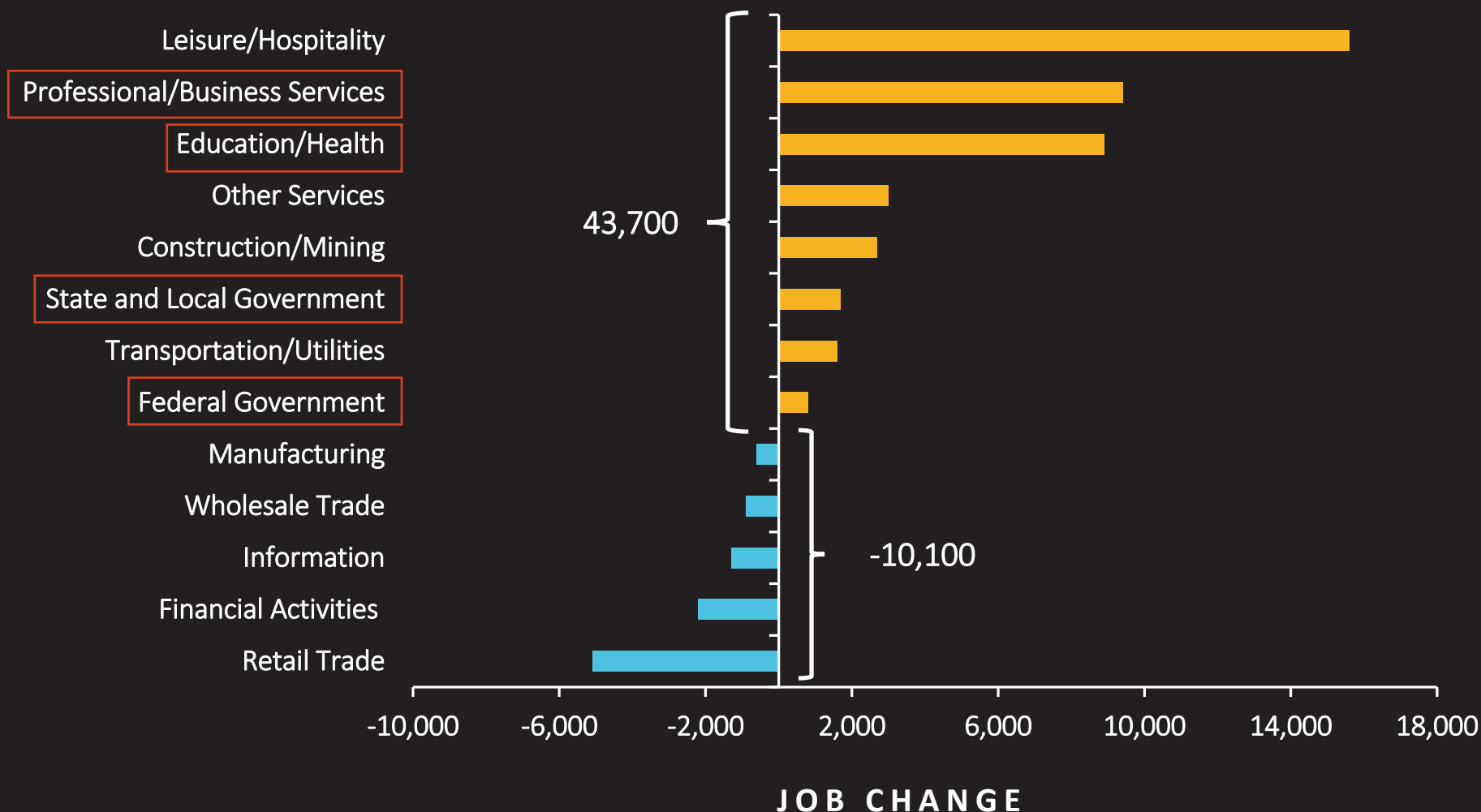
Washington Metro Area | 12 Months Ending August 2019





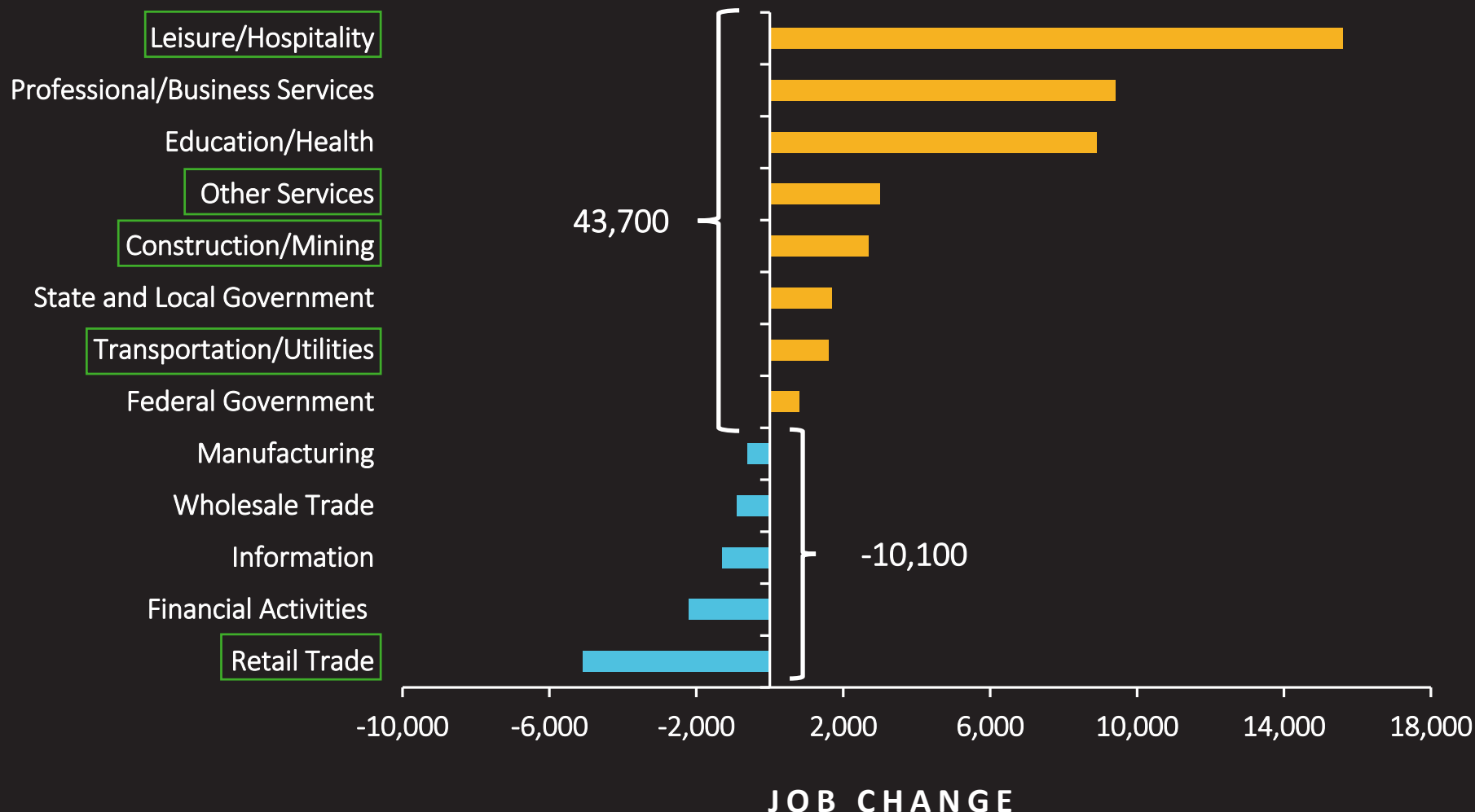
# PAYROLL JOB GROWTH

Washington Metro Area | 12 Months Ending August 2019

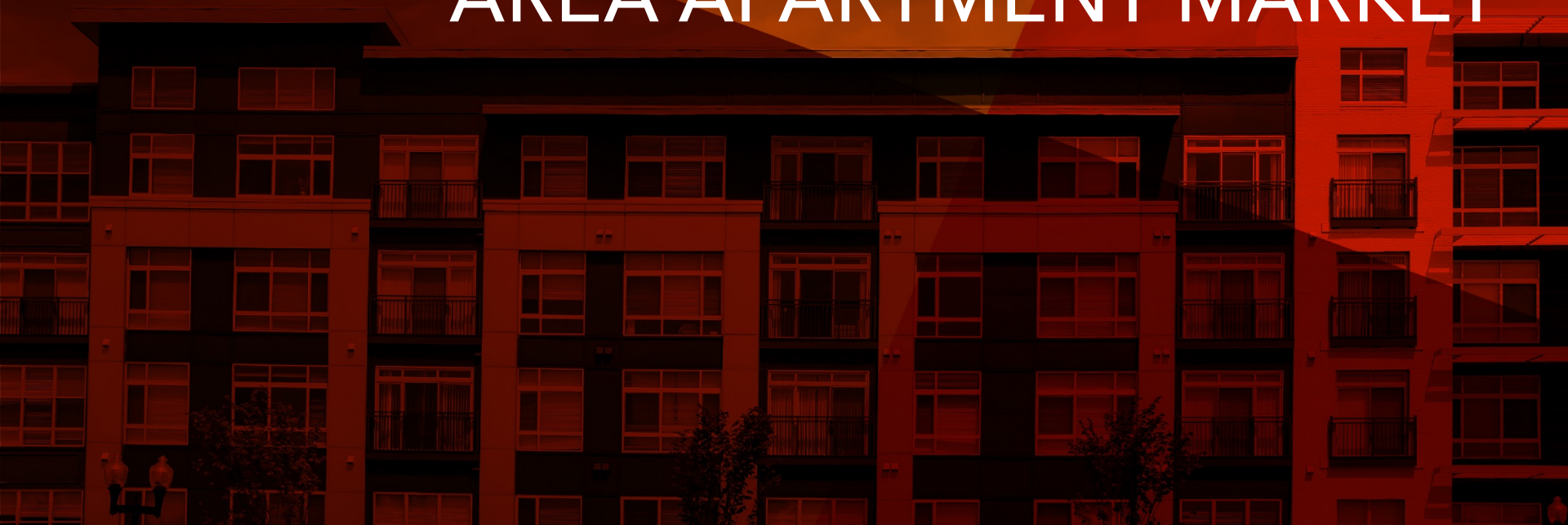


# PAYROLL JOB GROWTH

Washington Metro Area | 12 Months Ending August 2019

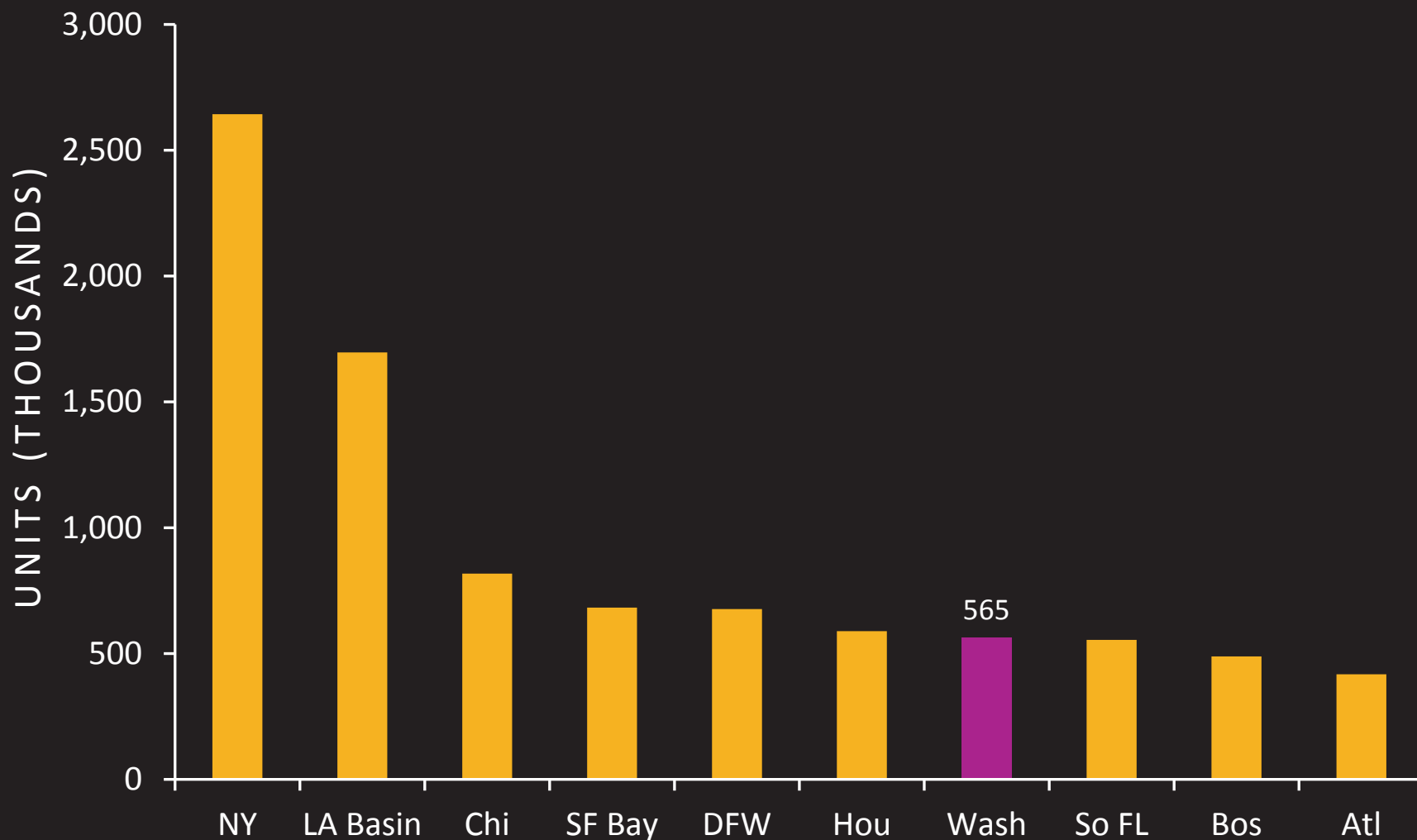


# THE WASHINGTON METRO AREA APARTMENT MARKET



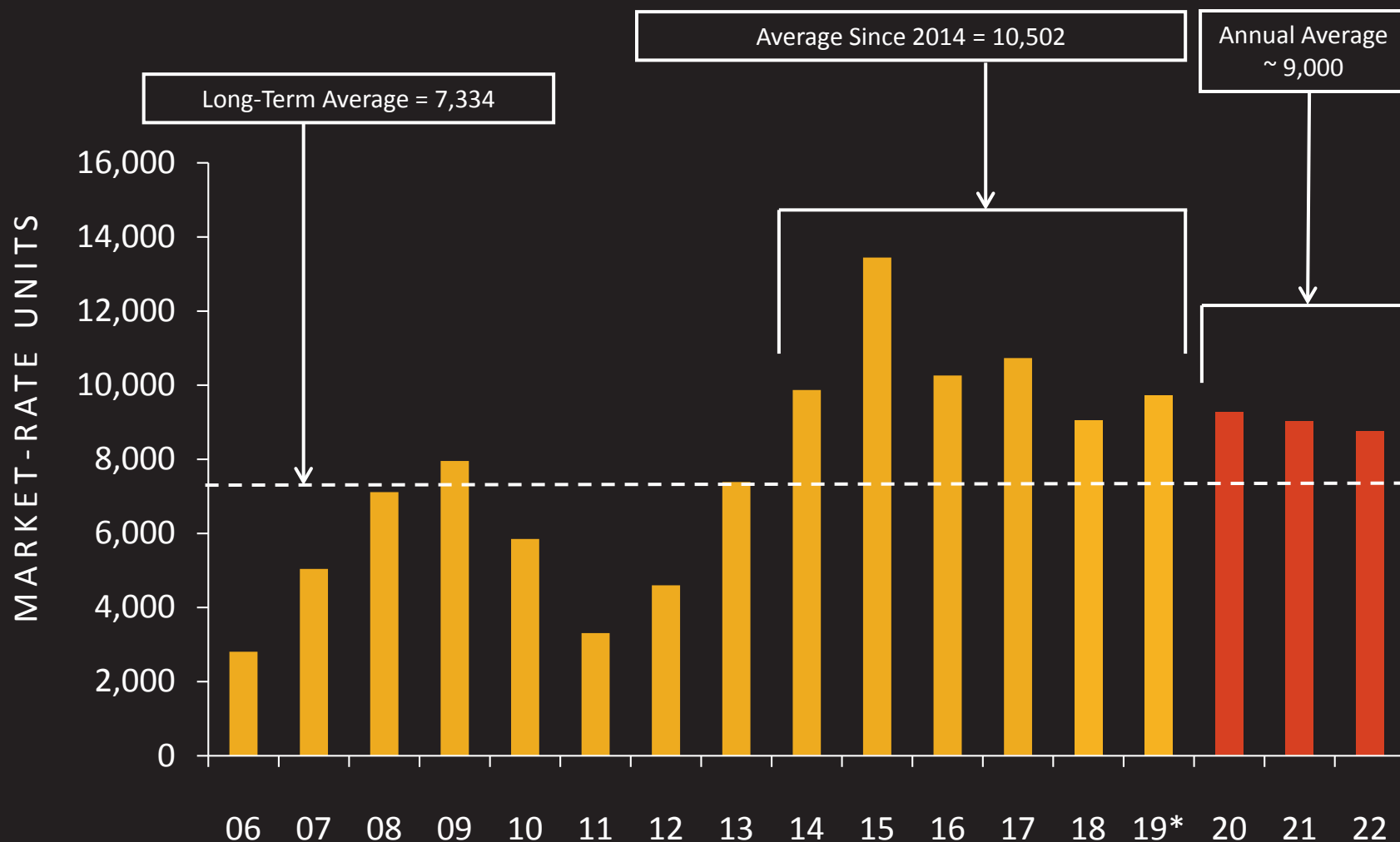
# LARGEST APARTMENT MARKETS

Selected Metro Areas | 2017



# CLASS A APARTMENT ABSORPTION

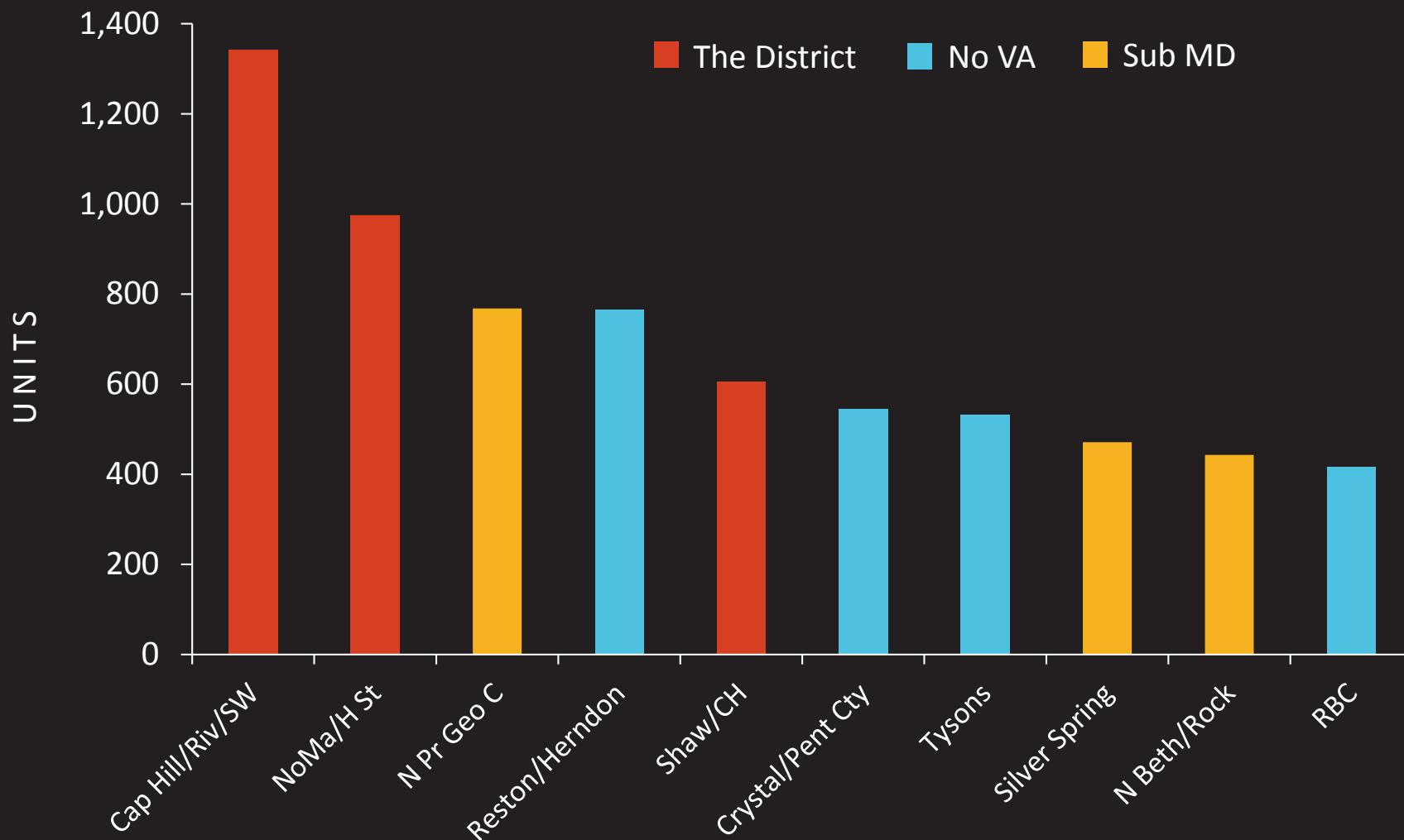
Washington Metro Area | 2006 - 2019





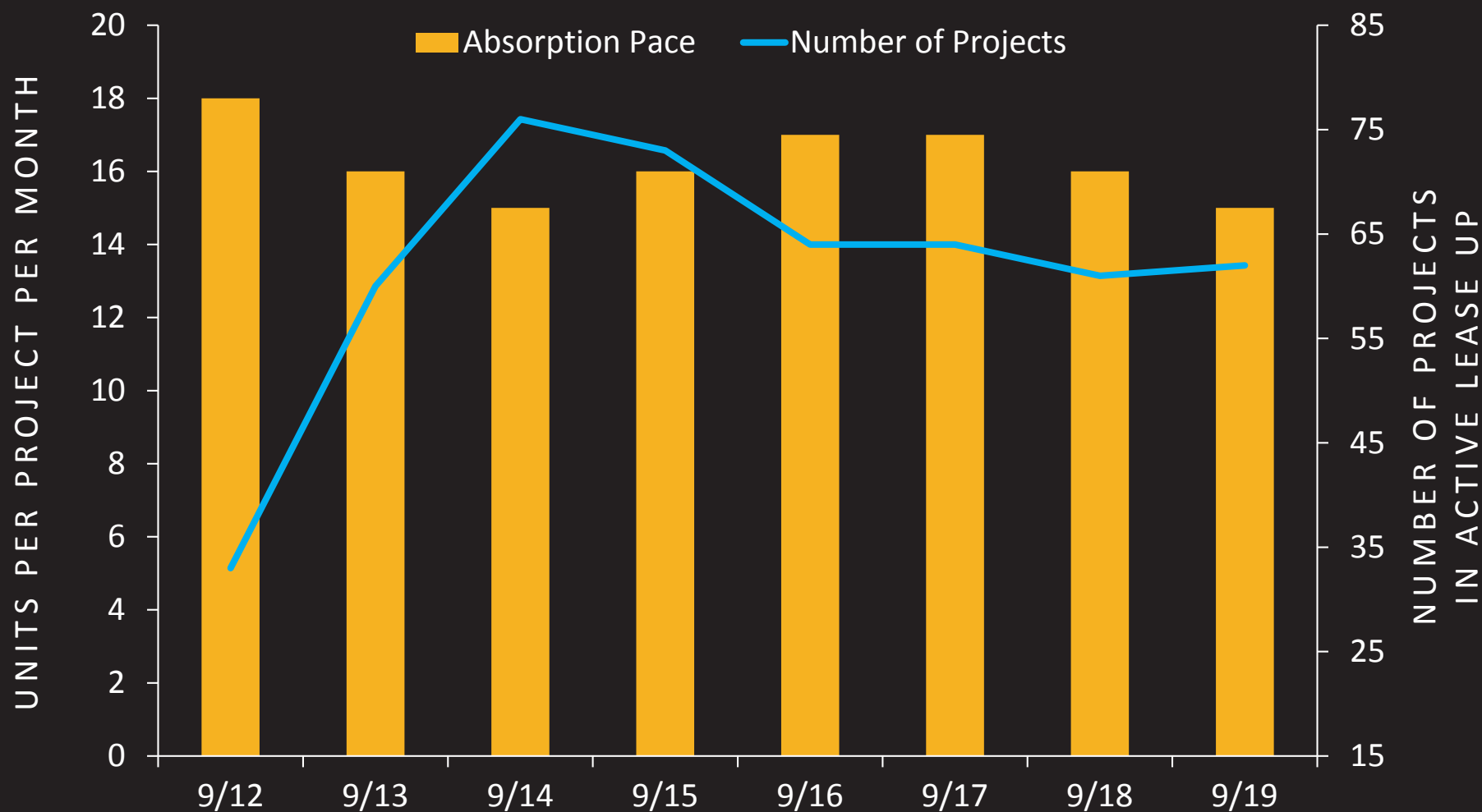
# CLASS A APARTMENT ABSORPTION

Top 10 Submarkets in Washington Metro Area | 12 Months Ending September 2019



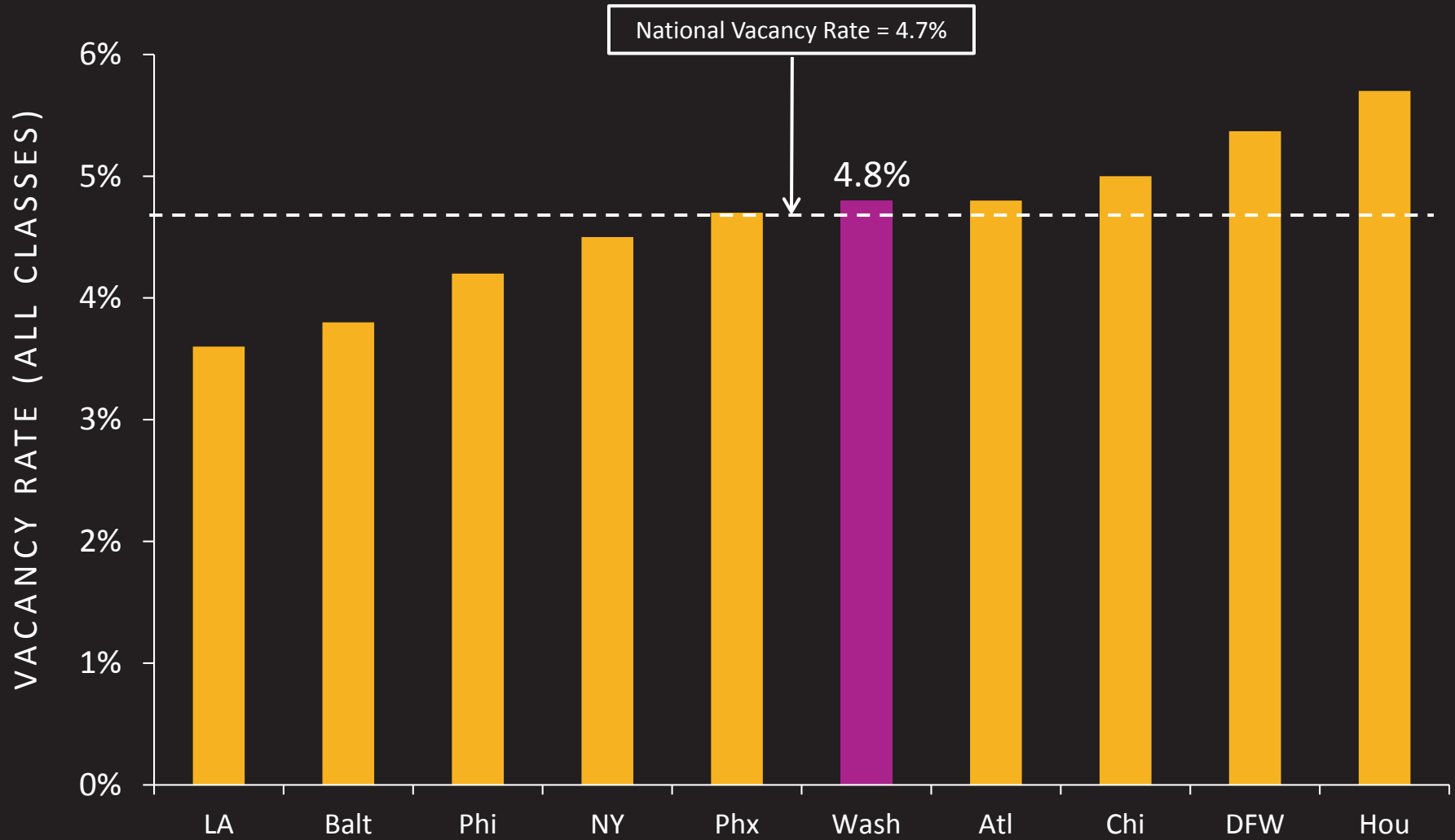
# ABSORPTION PACE

Class A Projects in Initial Lease-Up | Washington Metro Area



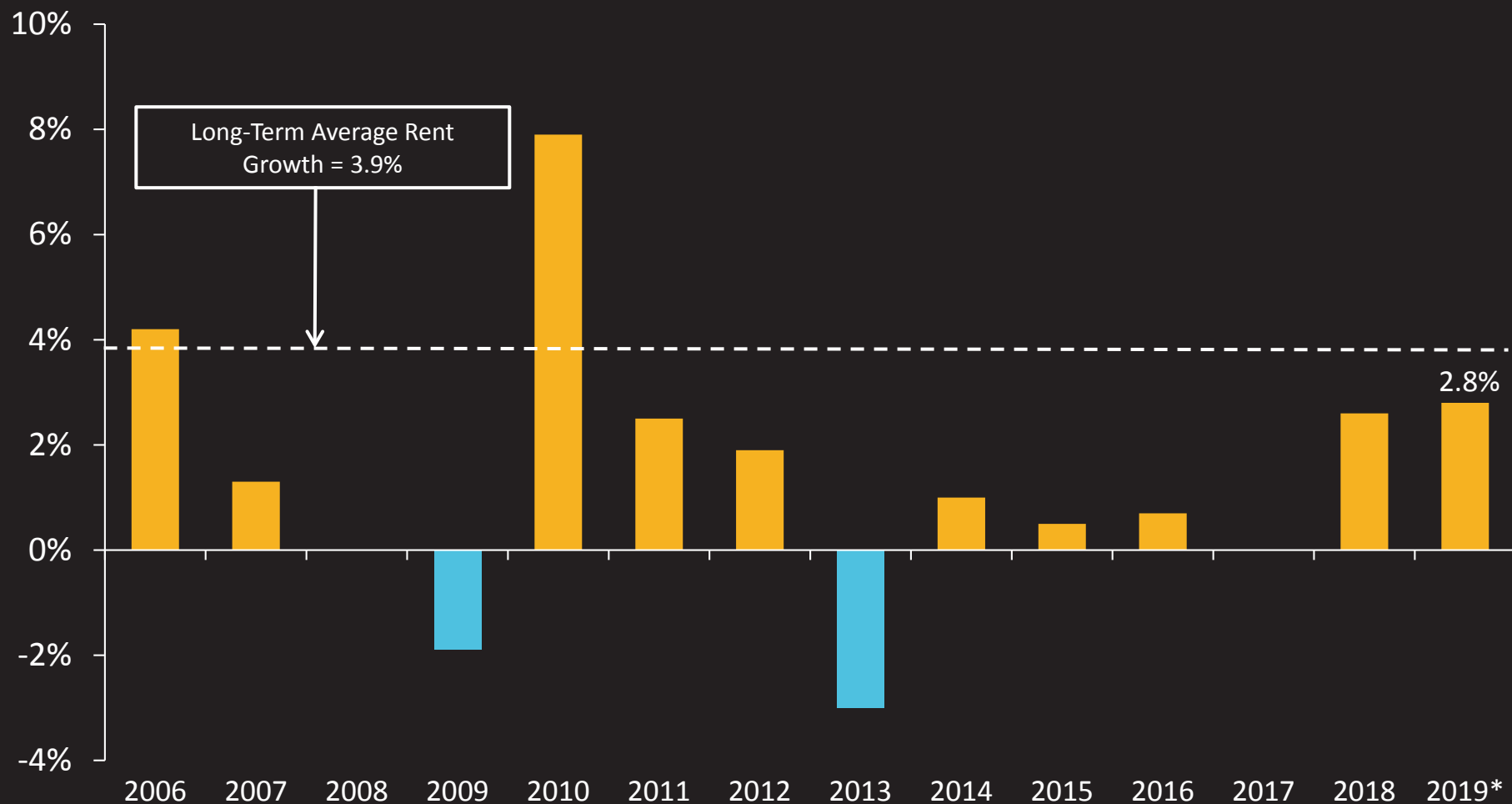
# STABILIZED APARTMENT VACANCY RATES

Major Apartment Markets | Second Quarter 2019



# ANNUAL EFFECTIVE RENT GROWTH

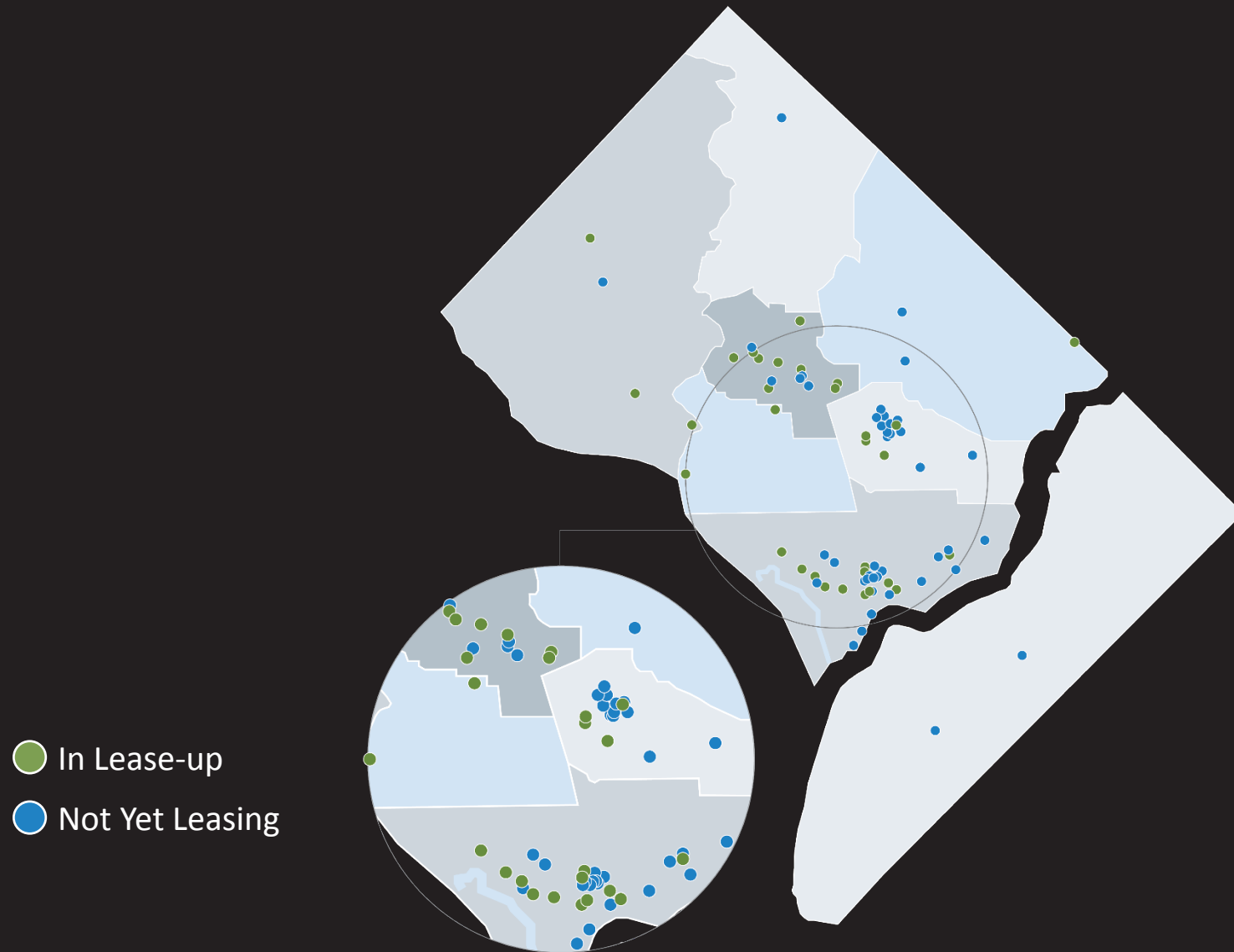
Class A Apartments | Washington Metro Area | 2006 - 2019



# PROJECTS CURRENTLY UNDER CONSTRUCTION

District of Columbia

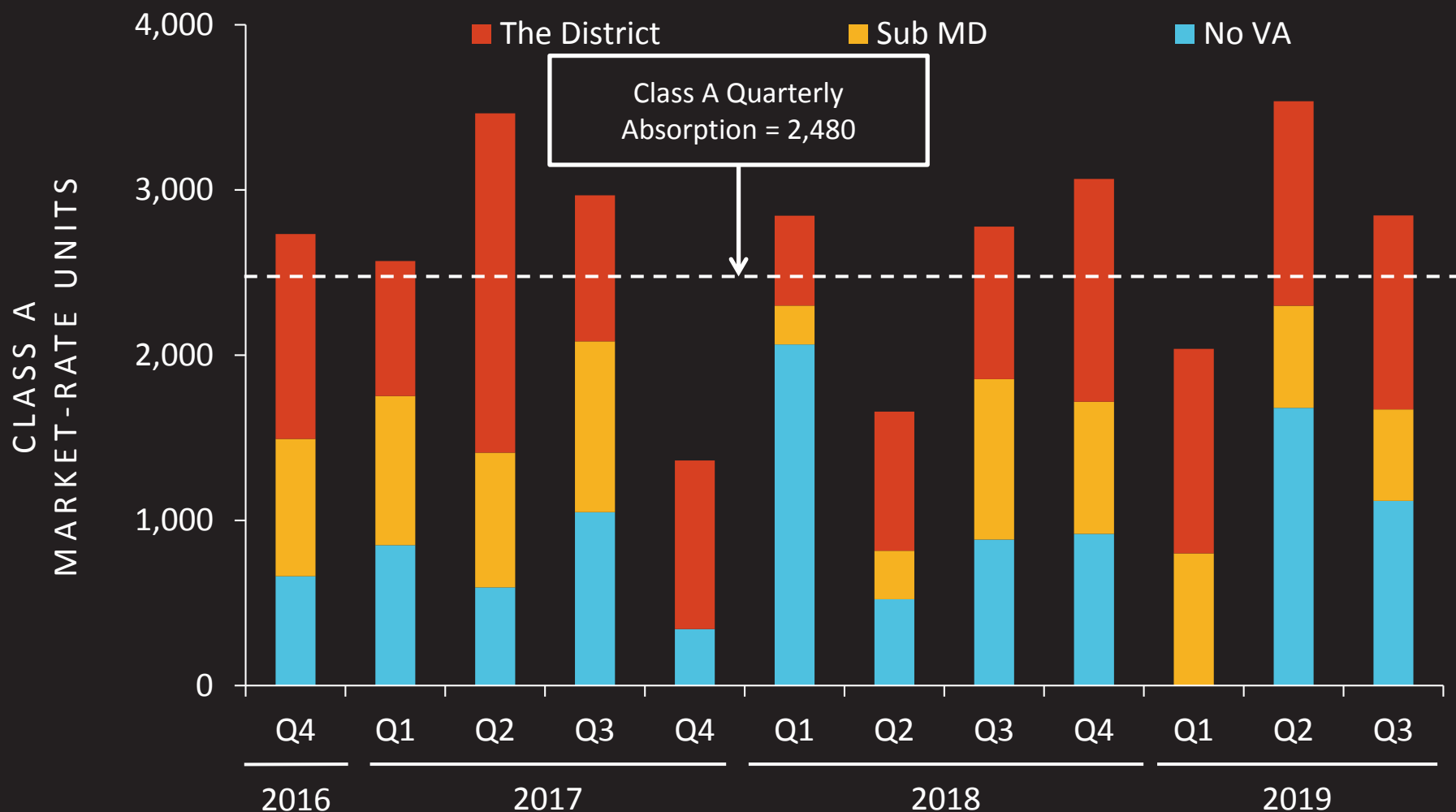
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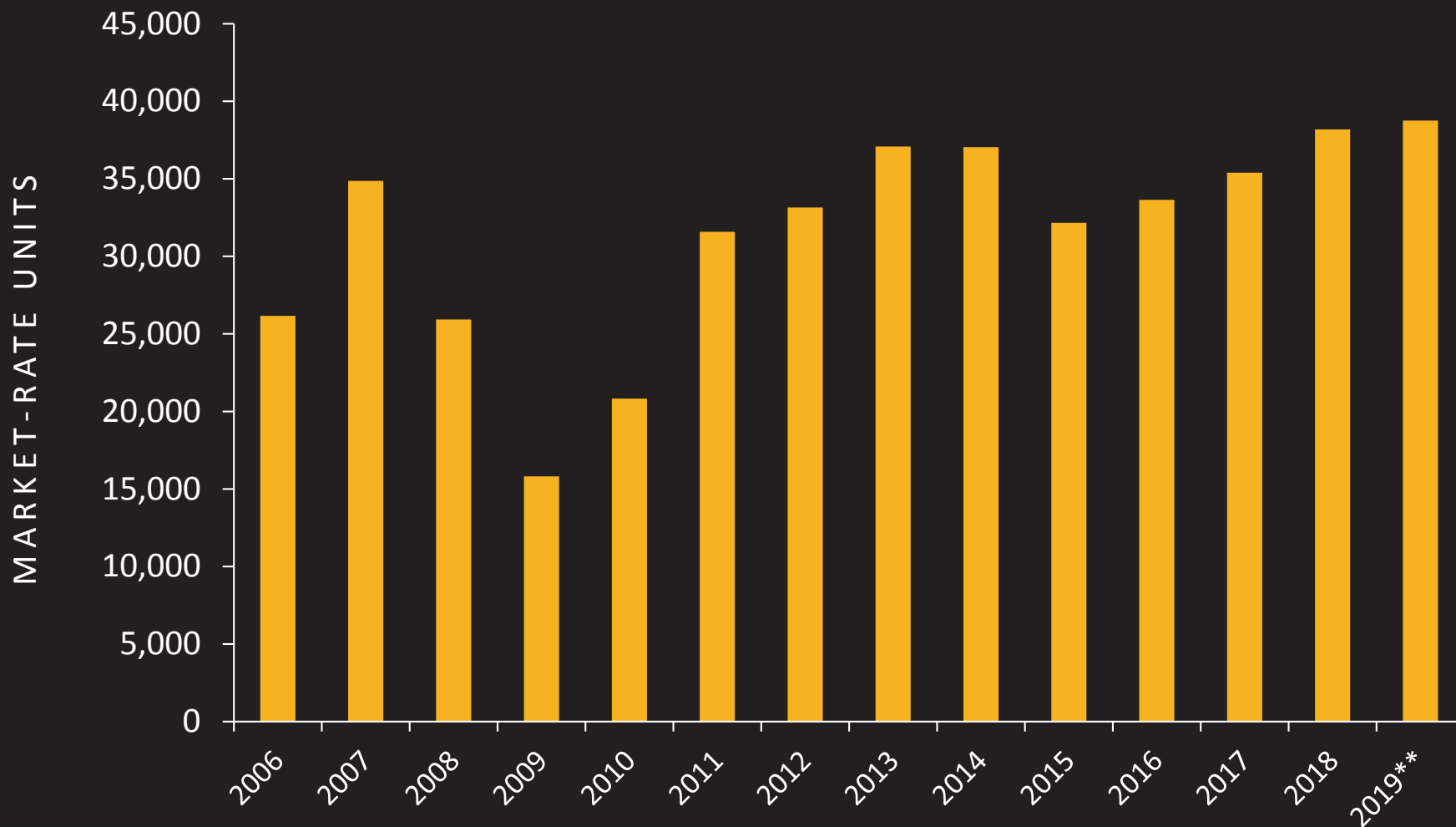
# APARTMENT DELIVERIES

Washington Metro Area | 2016 - 2019



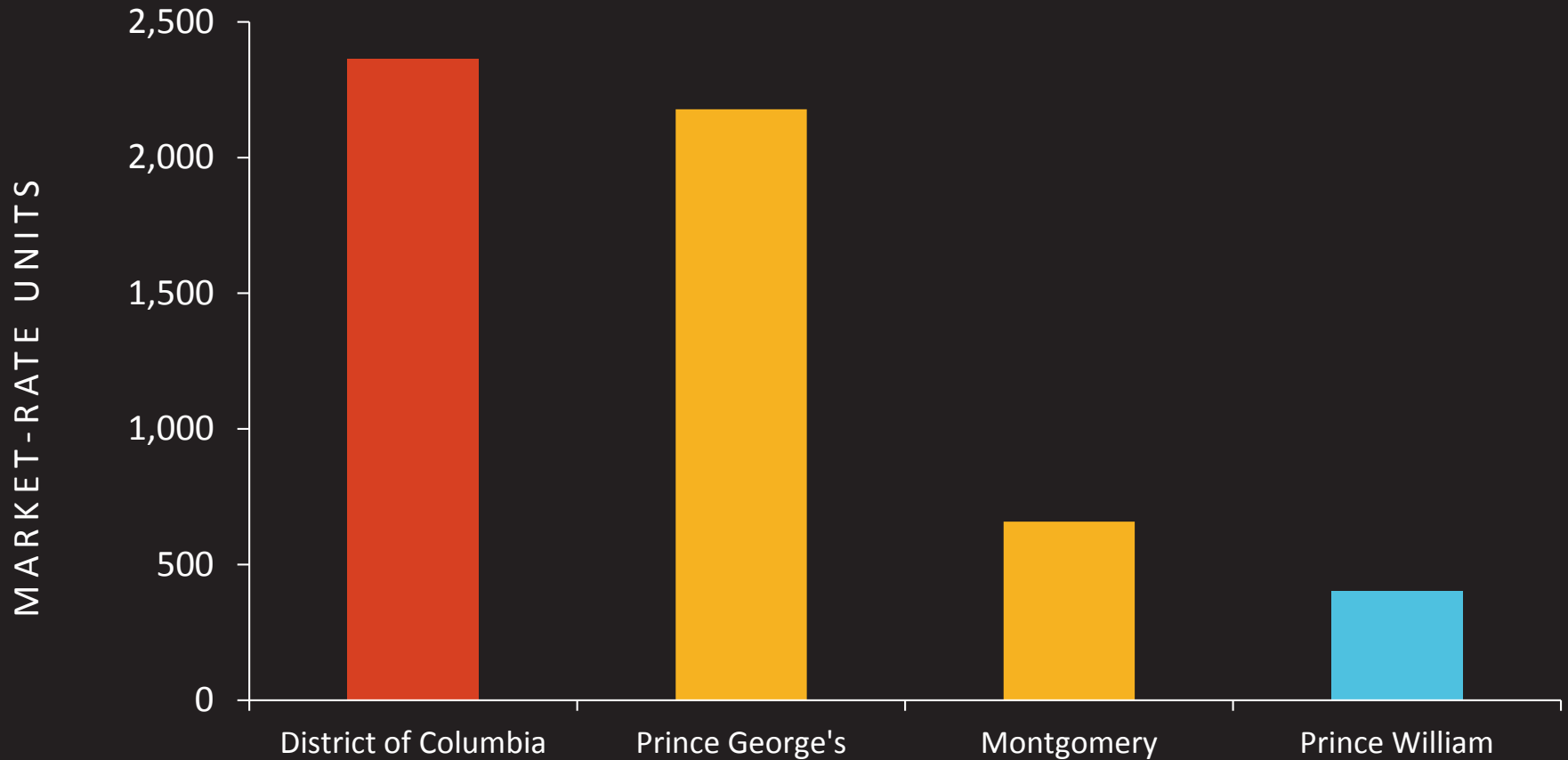
# 36-MONTH APARTMENT DEVELOPMENT PIPELINE\*

Washington Metro Area | 2006 - 2019



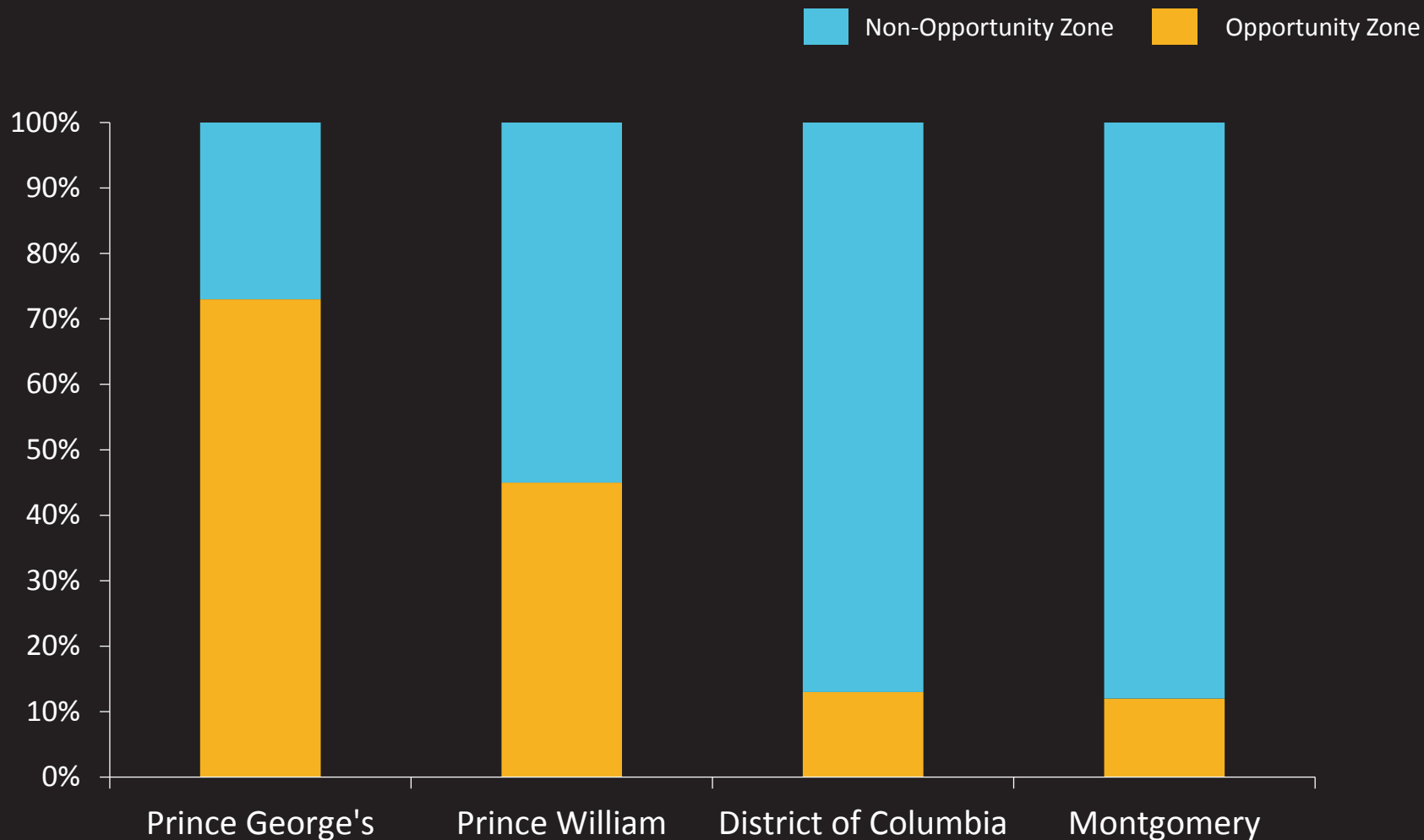
# APARTMENTS UNDER CONSTRUCTION IN OPPORTUNITY ZONES

Washington Metro Area | Third Quarter 2019



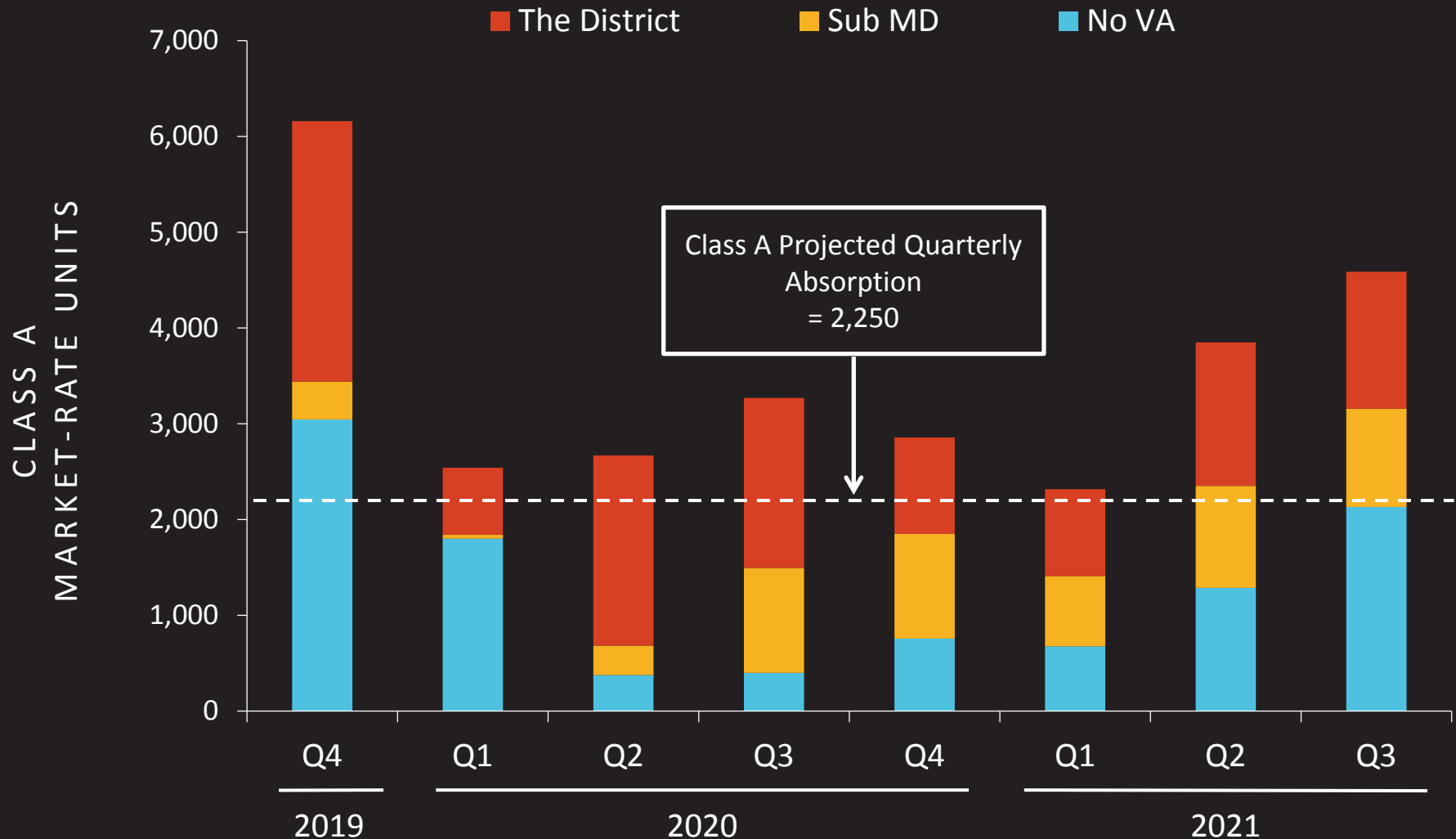
# SHARE OF APARTMENTS U/C IN OPPORTUNITY ZONES

Washington Metro Area



# PROJECTED DELIVERIES

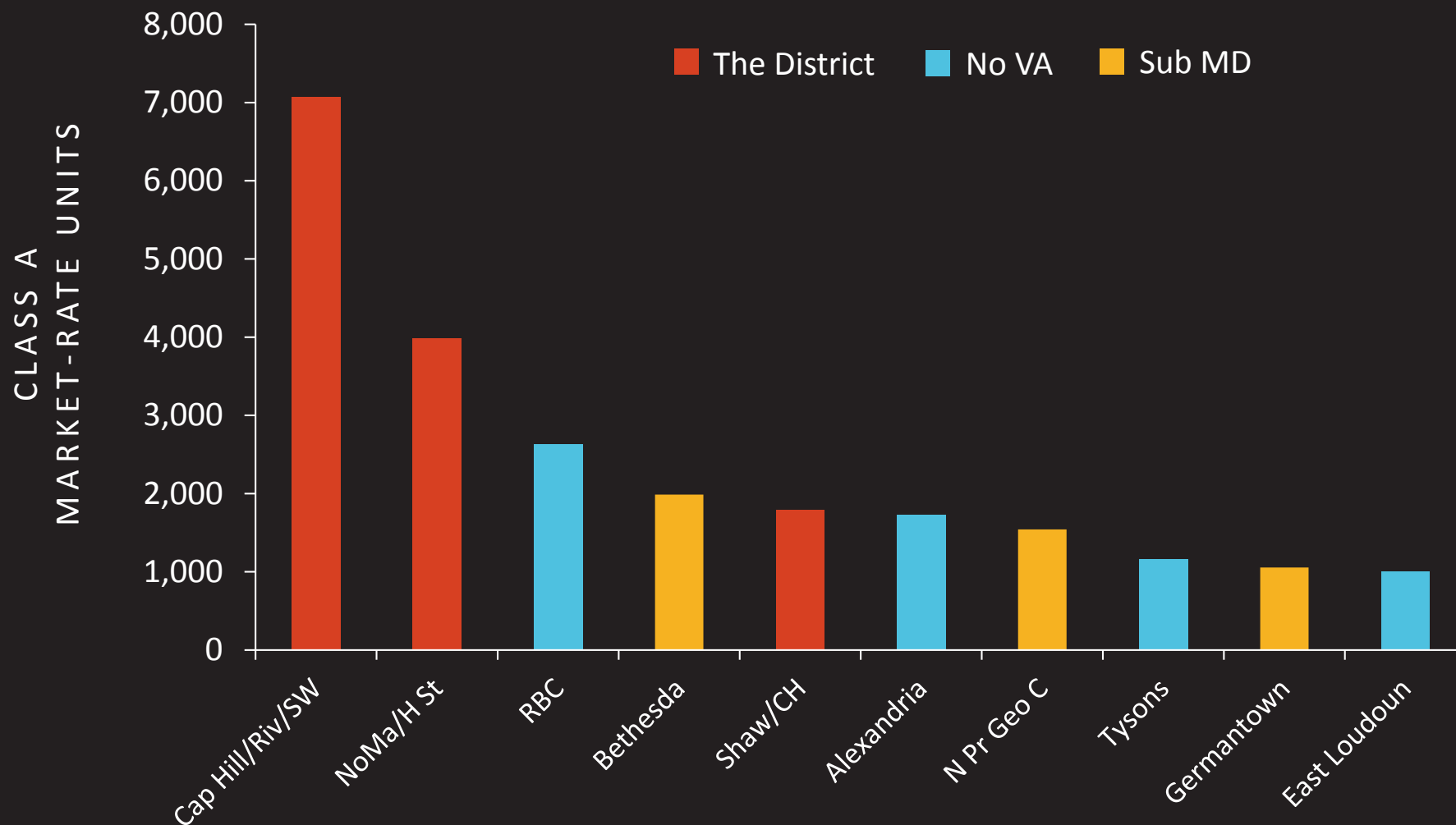
Washington Metro Area | 2019 - 2021





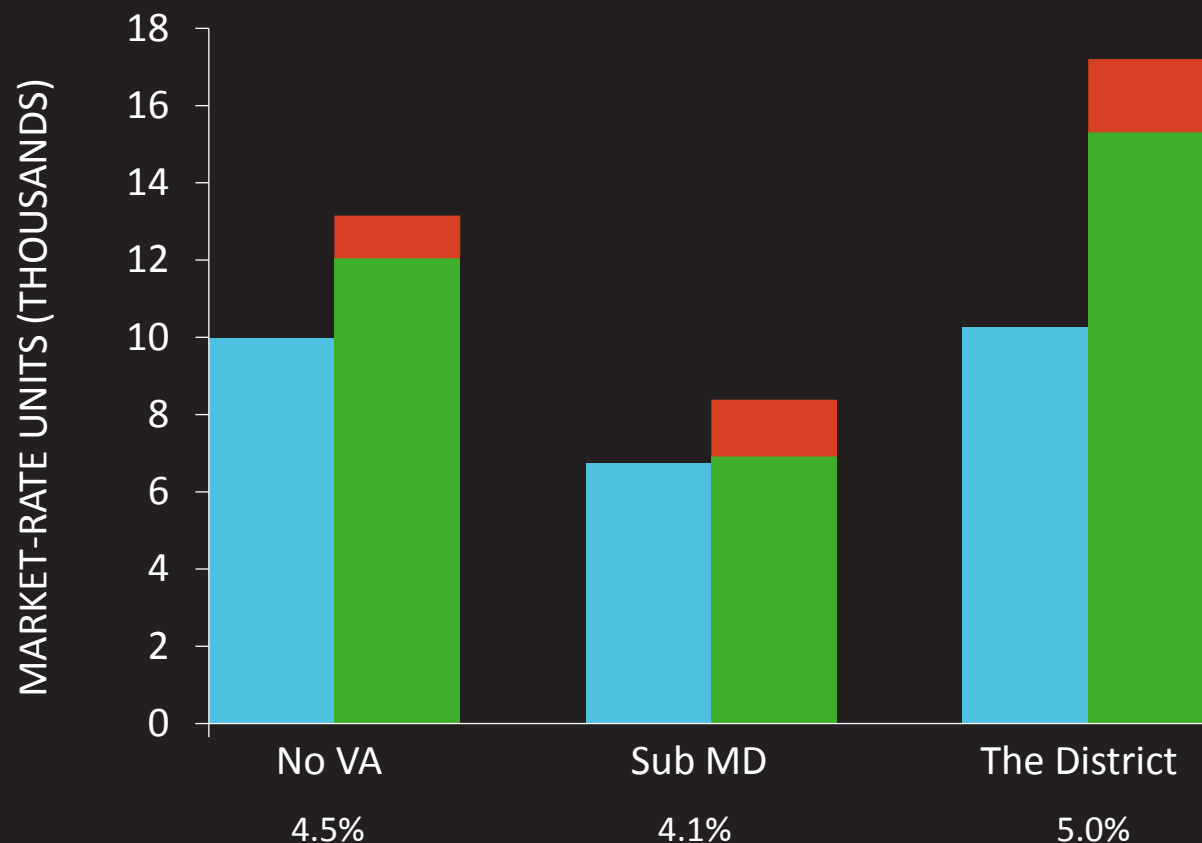
# 36-MONTH APARTMENT DEVELOPMENT PIPELINE\*

Top 10 Submarkets in Washington Metro Area | Third Quarter 2019



# DEMAND AND SUPPLY PROJECTIONS

Washington Metro Area Class A Apartments | 36 Months Ending September 2022



Projected Stabilized Vacancy % at September 2022

4.5% Metro-Wide

## DEMAND

Net Absorption:  
9,000/Year = 27,000

## SUPPLY

Planned and may  
deliver by 9/22:  
4,475 units<sup>1</sup>

Under construction:  
34,276 units<sup>2</sup>

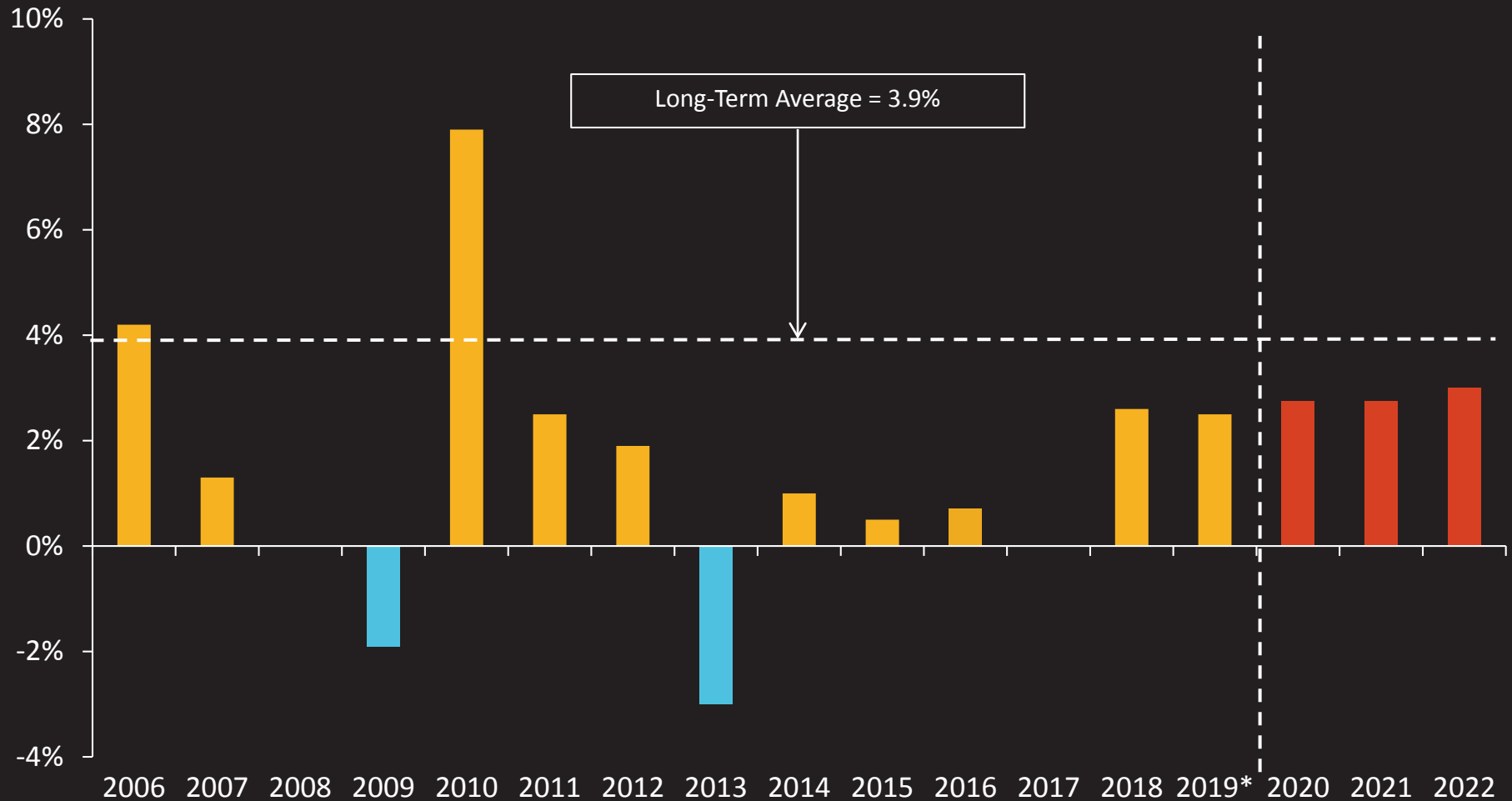
Total = 38,751 units

<sup>1</sup> Probable supply after projected attrition.

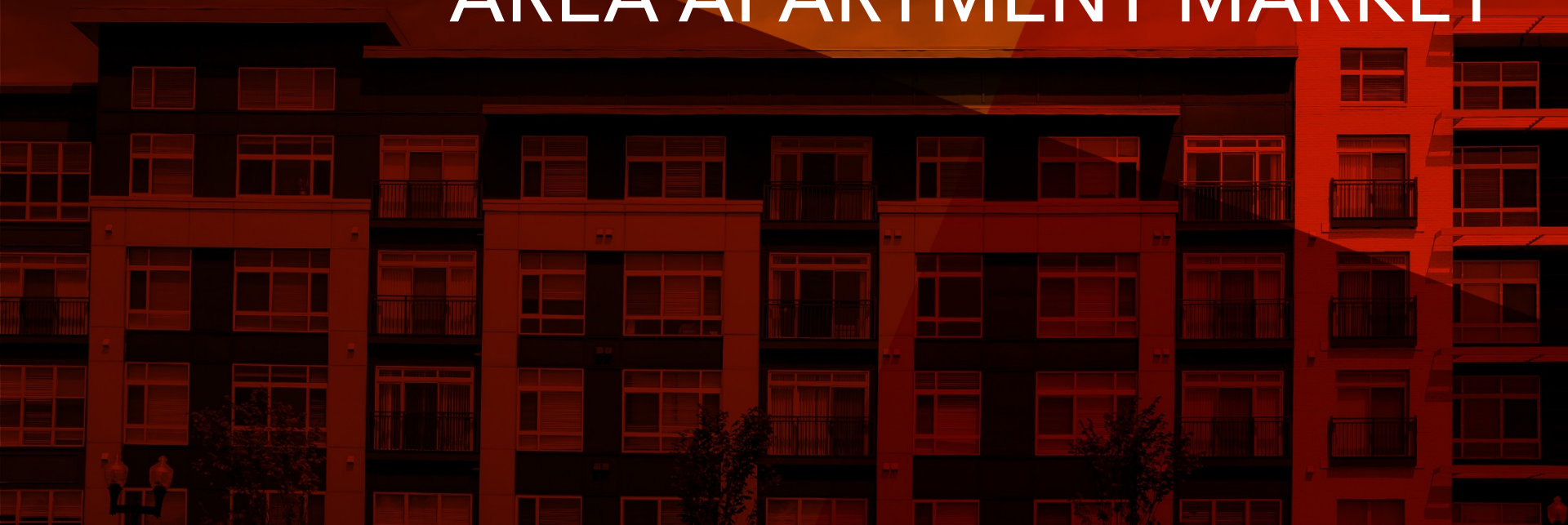
<sup>2</sup> Includes unleased units at projects in lease-up.

# ANNUAL CLASS A APARTMENT EFFECTIVE RENT GROWTH

Washington Metro Area | 2006 - 2022

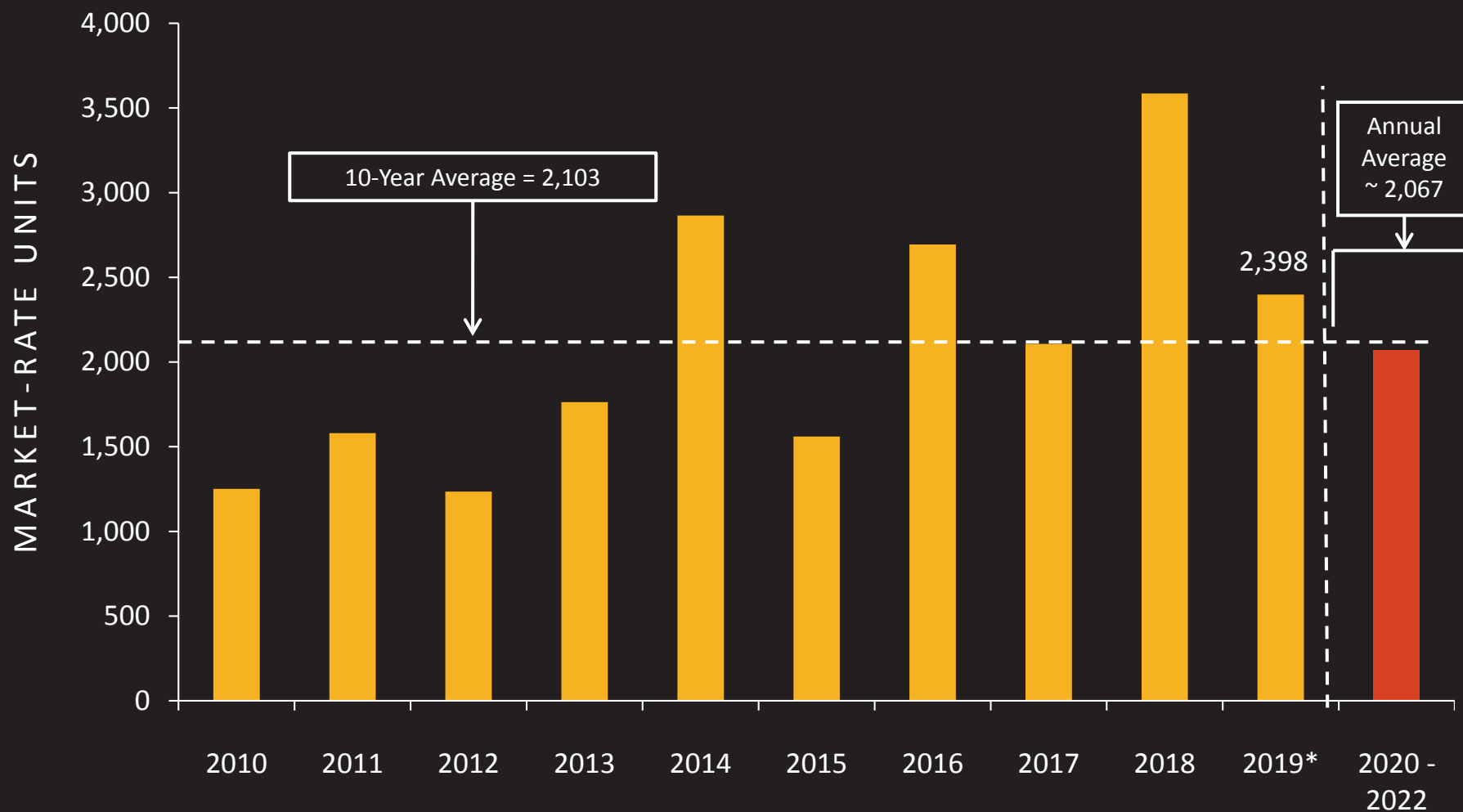


# THE BALTIMORE METRO AREA APARTMENT MARKET



# CLASS A APARTMENT ABSORPTION

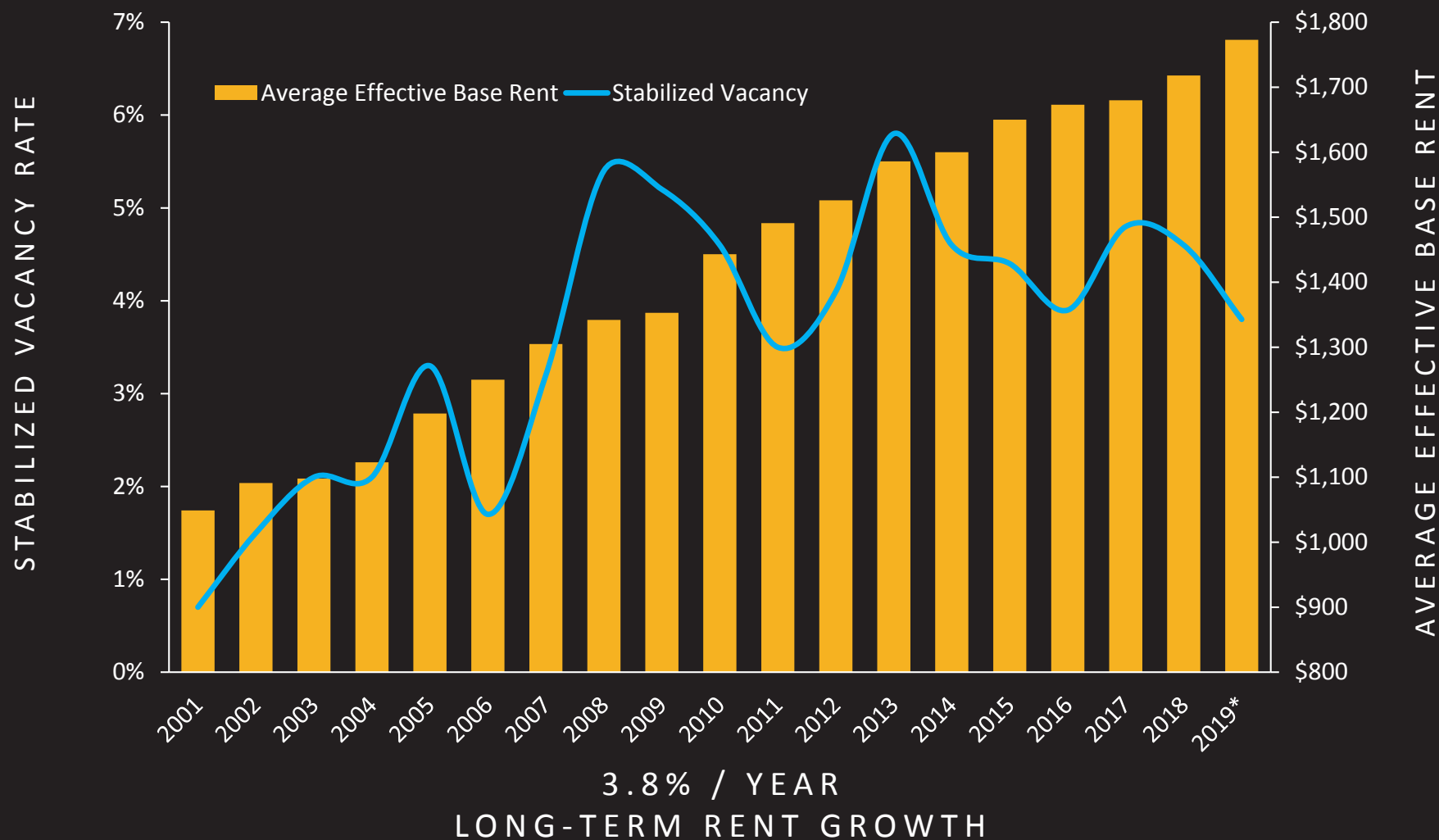
Baltimore Metro Area | 2010 - 2022





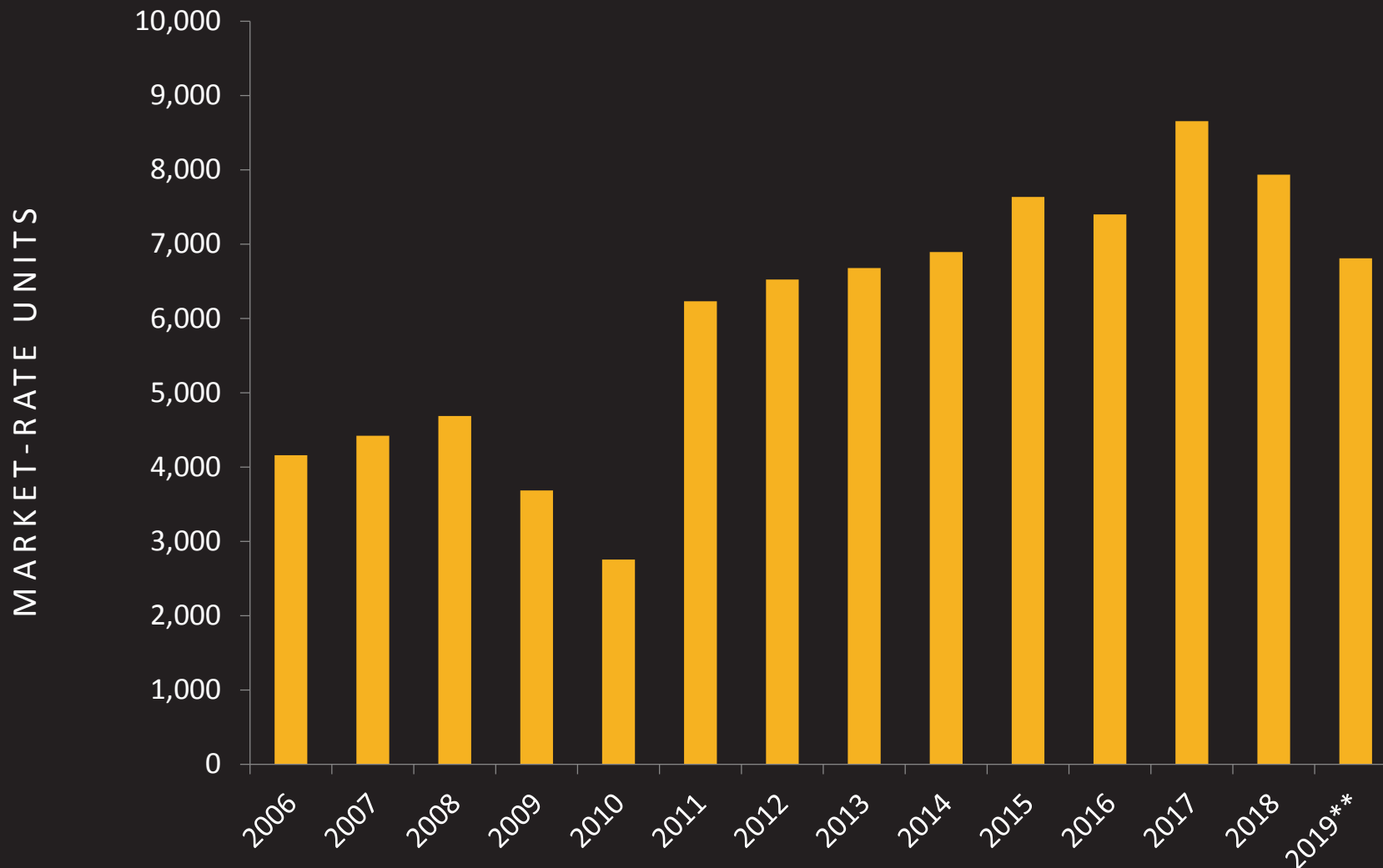
# EFFECTIVE RENT AND VACANCY RATE

Class A Apartments | Baltimore Metro Area | 2001 - 2019



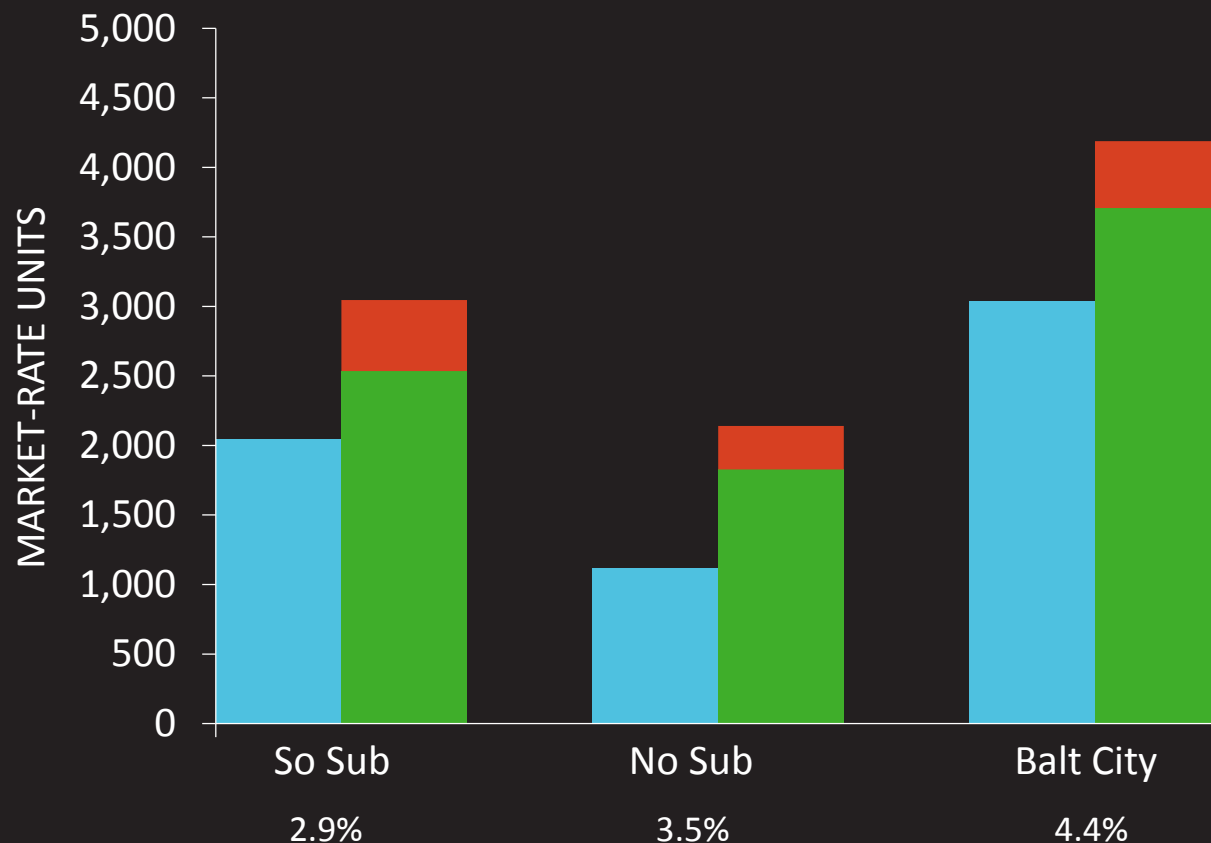
# 36-MONTH APARTMENT DEVELOPMENT PIPELINE\*

Baltimore Metro Area | 2006 - 2019



# DEMAND AND SUPPLY PROJECTIONS

Baltimore Metro Area Class A Apartments | 36 Months Ending September 2022



So Sub

2.9%

No Sub

3.5%

Balt City

4.4%

Projected Stabilized Vacancy % at September 2022

3.6% Metro-Wide

## DEMAND

Net Absorption:  
2,067/Year = 6,200

## SUPPLY

Planned and may  
deliver by 9/22:  
882 units<sup>1</sup>

Under construction:  
6,809 units<sup>2</sup>

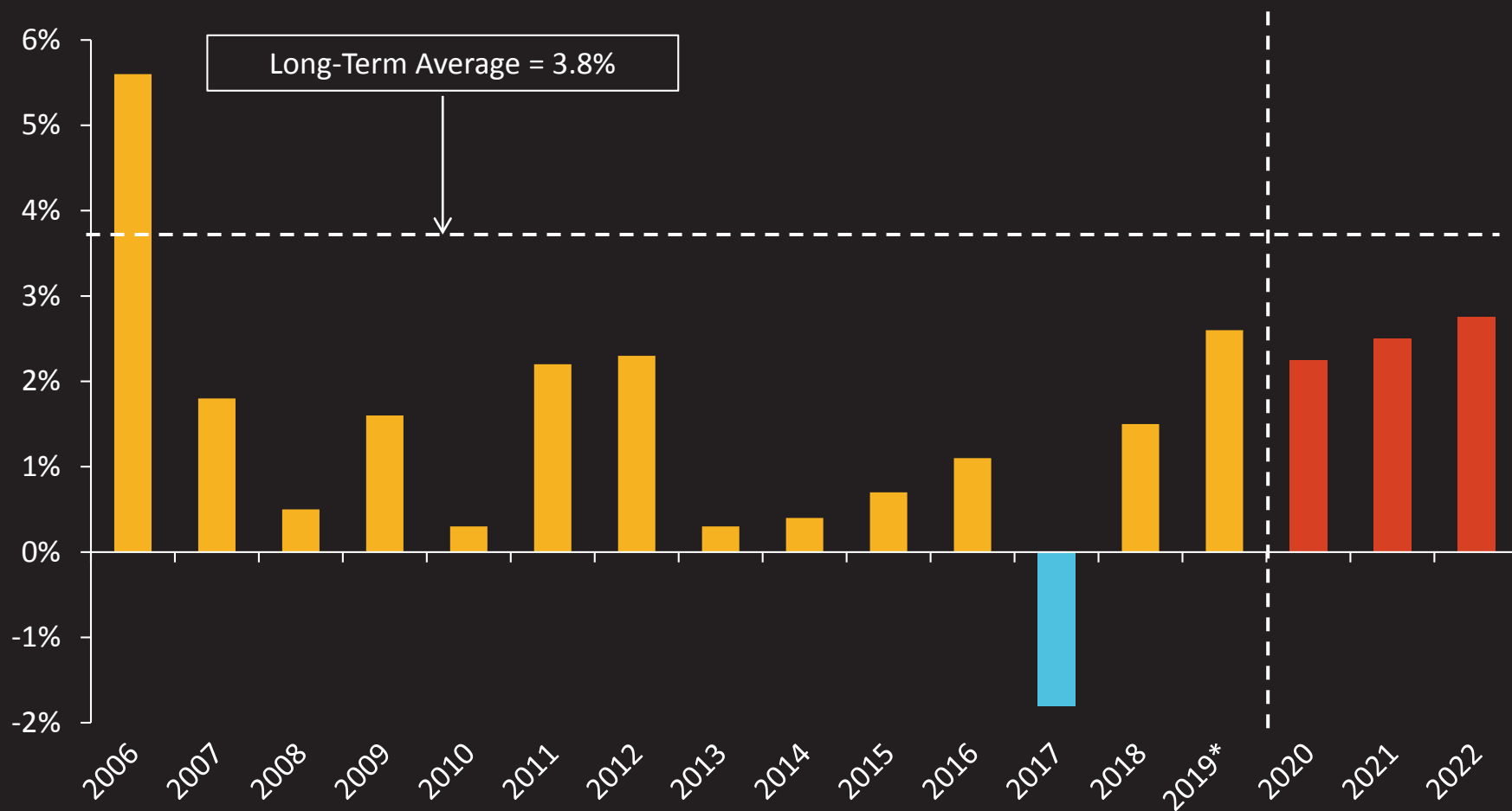
Total = 7,691 units

<sup>1</sup> Probable supply after projected attrition.

<sup>2</sup> Includes unleased units at projects in lease-up.

# ANNUAL CLASS A APARTMENT EFFECTIVE RENT GROWTH

Baltimore Metro Area | 2006 - 2022

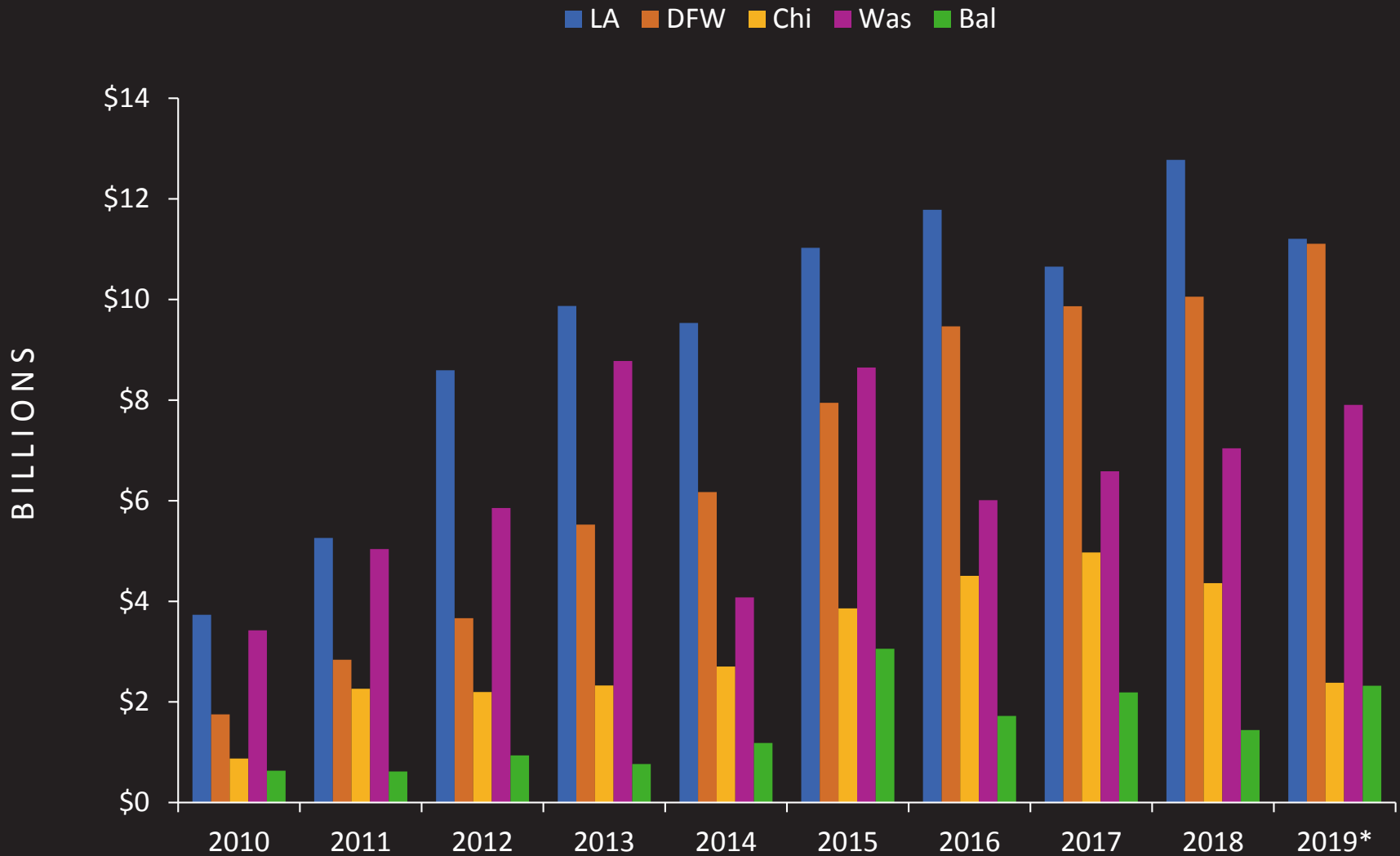


# THE WASHINGTON/BALTIMORE AREA CAPITAL MARKETS



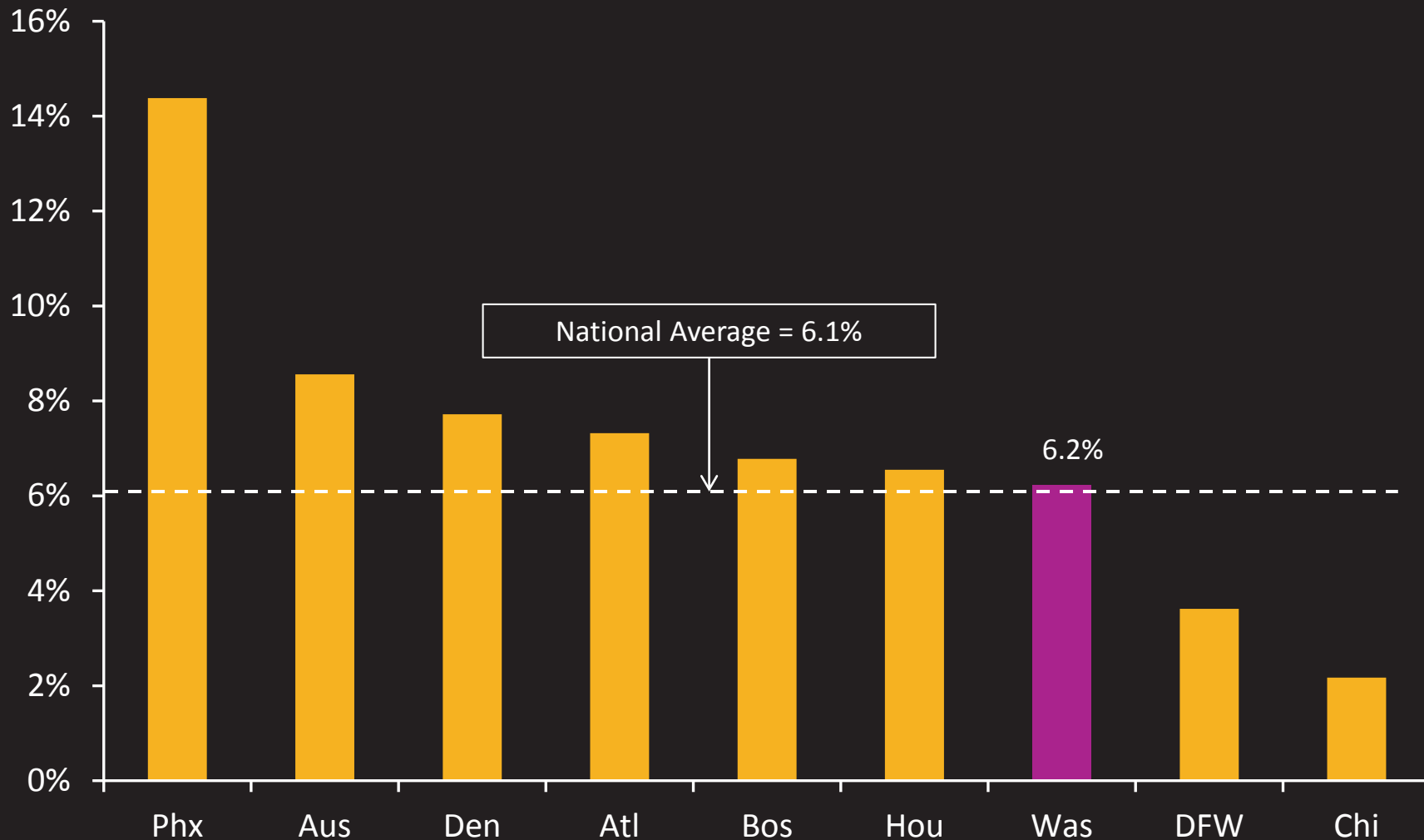
# APARTMENT INVESTMENT SALES

Selected Metro Areas | 2010 - 2019



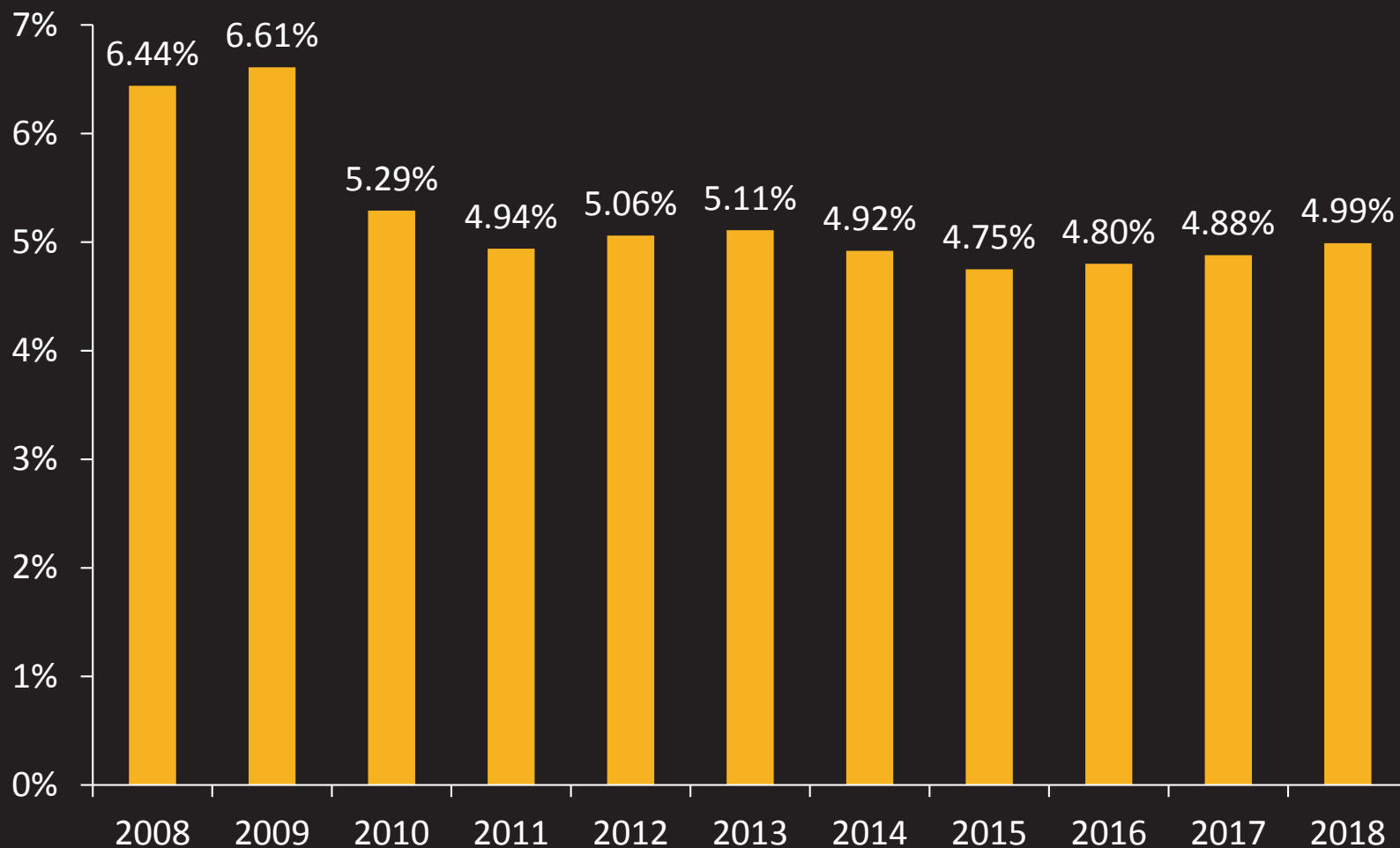
# NCREIF RETURN INDEX FOR INVESTMENT-GRADE APARTMENTS

Selected Metro Areas | 12 Months Ending June 2019



# CLASS A HIGH-RISE APARTMENT CAP RATES

Washington Metro Area | 2008 - 2018

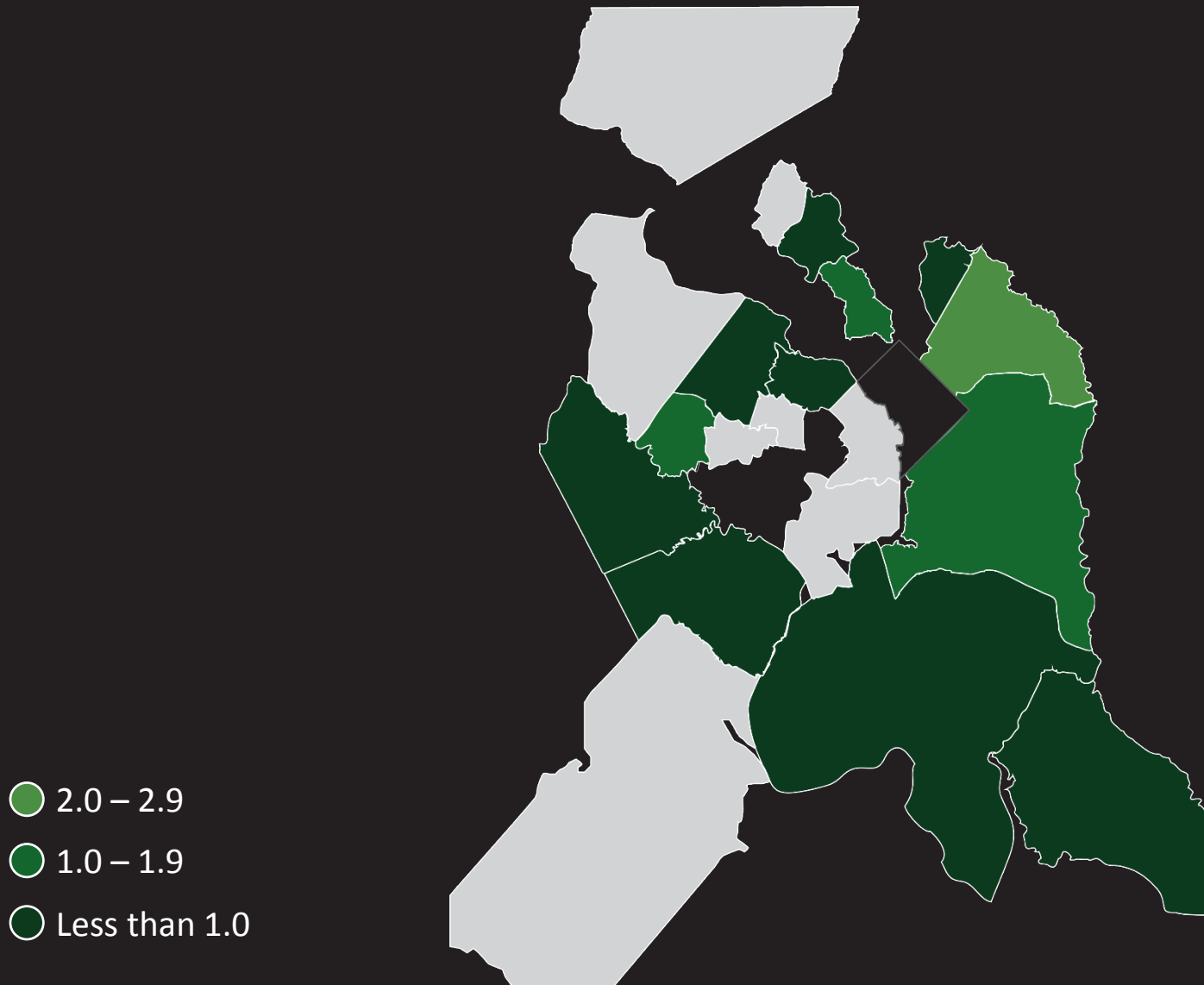




# THE WASHINGTON/BALTIMORE AREA APARTMENT MARKET TAKEAWAYS

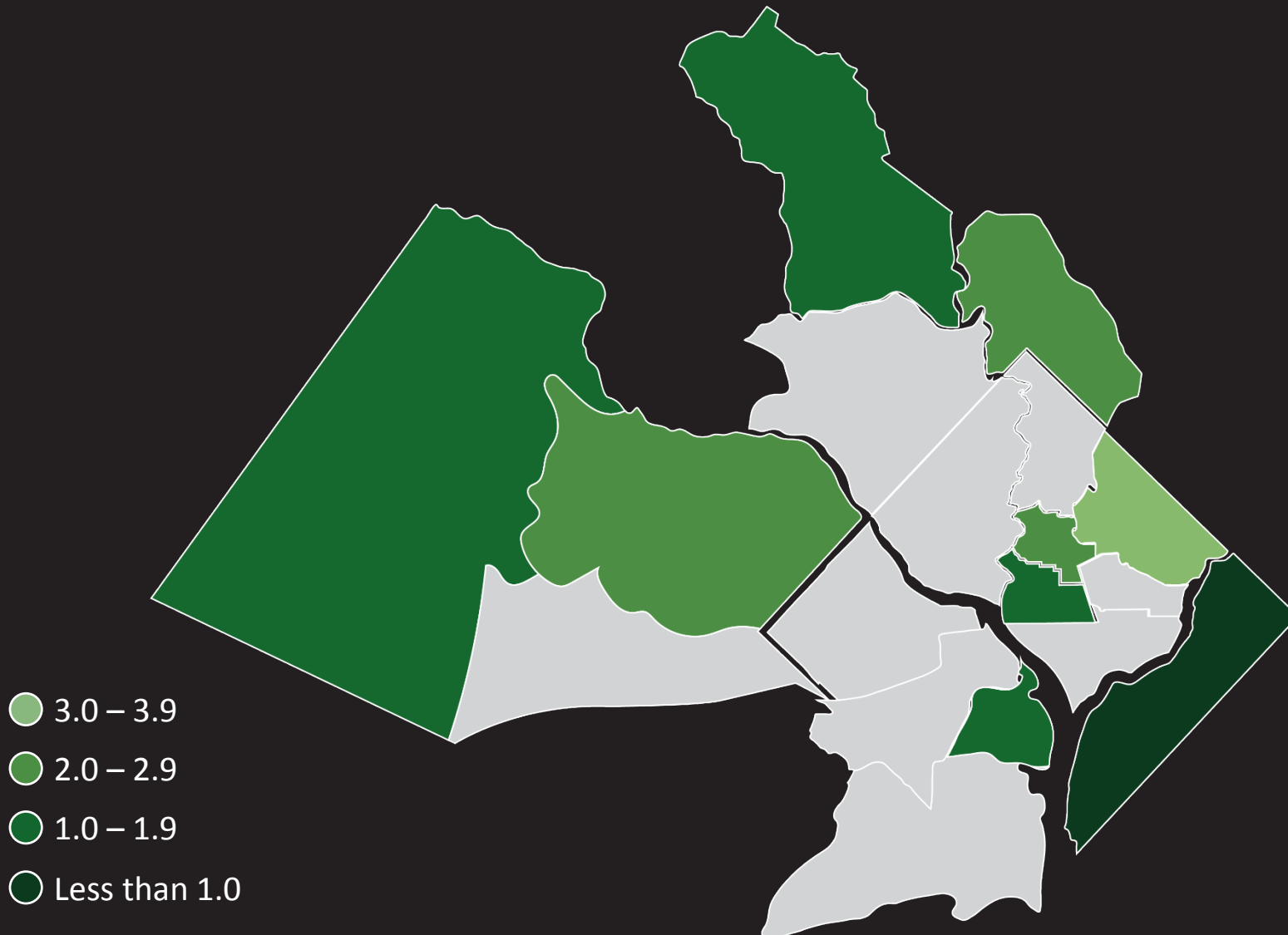
# YEARS OF SUPPLY

Low-Rise Class A Submarkets | Washington Metro Area



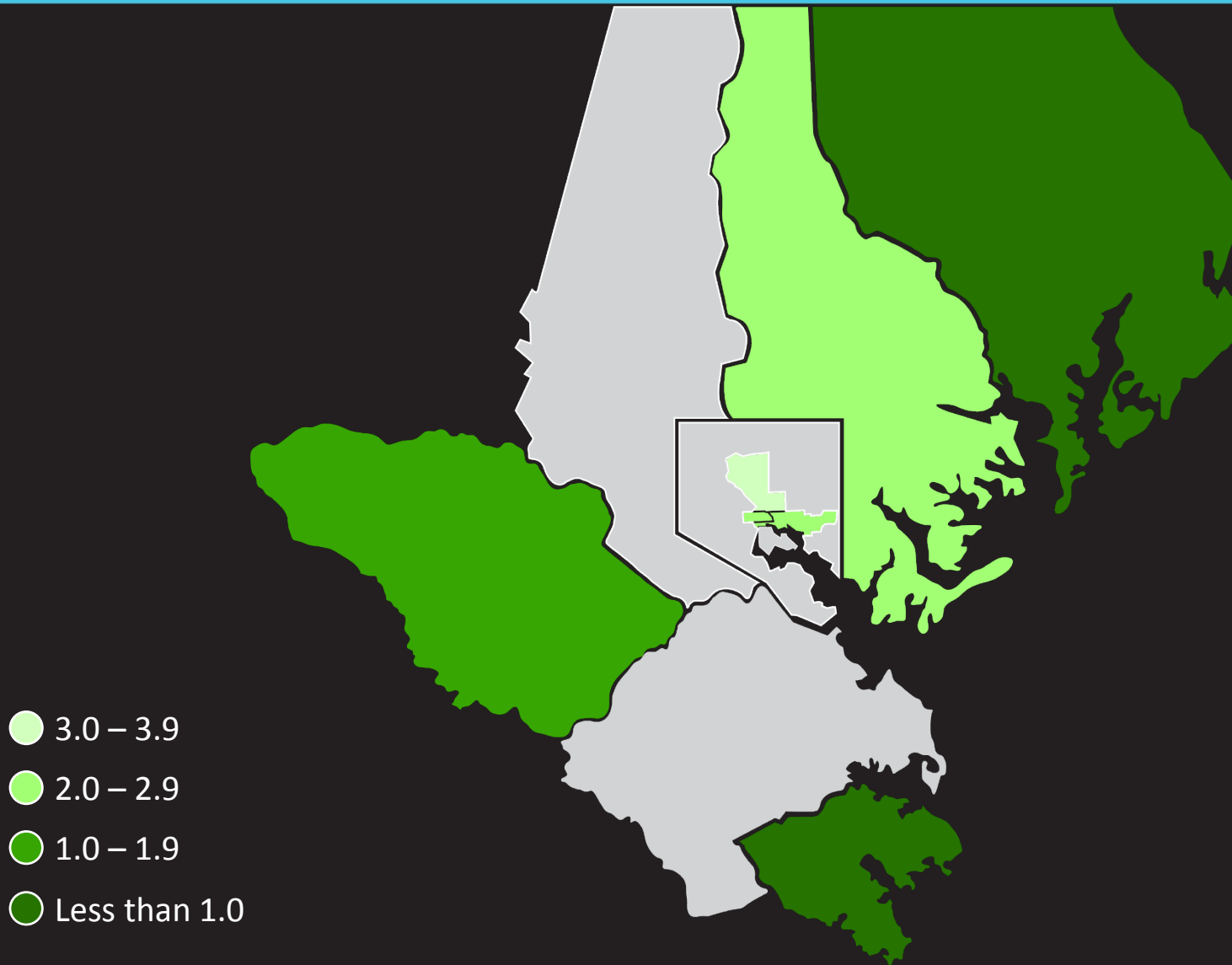
# YEARS OF SUPPLY

High-Rise Class A Submarkets | Washington Metro Area



# YEARS OF SUPPLY

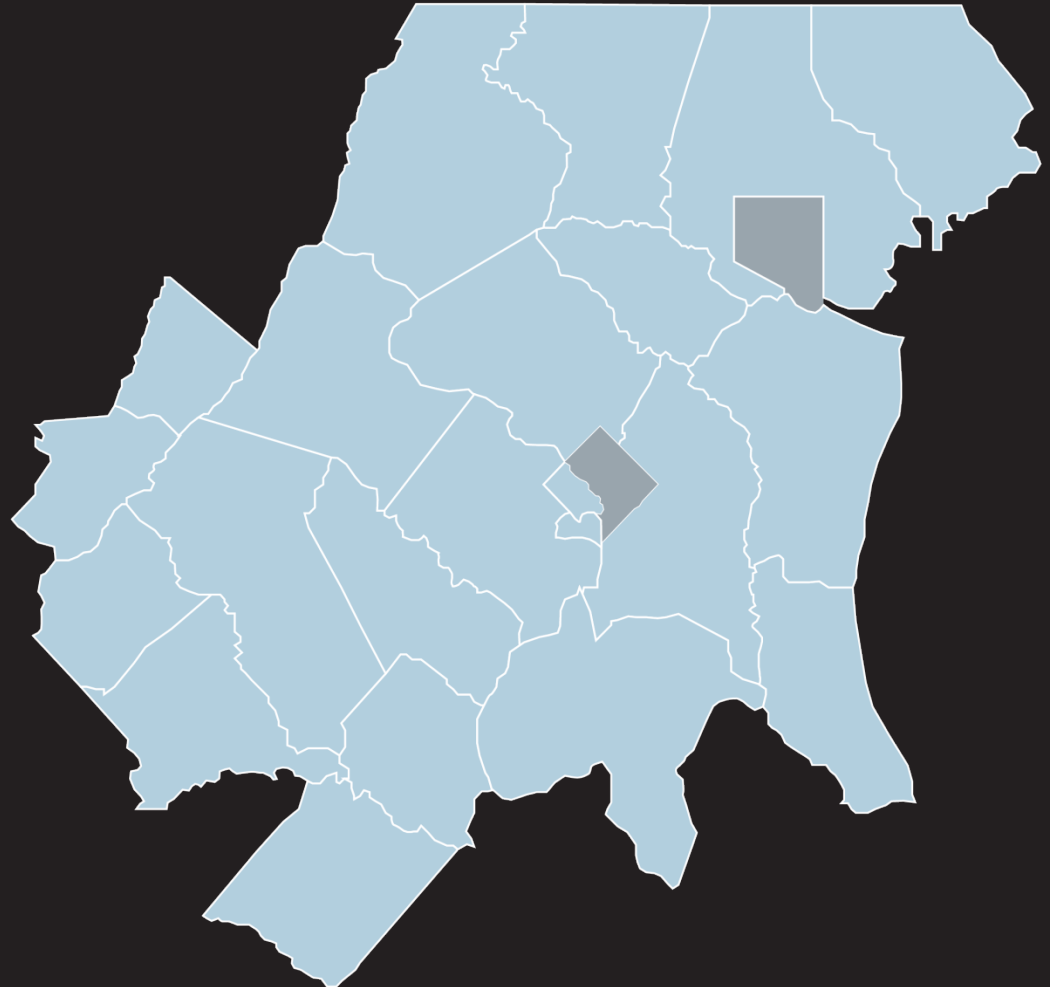
Class A Submarkets | Baltimore Metro Area



# TAKEAWAYS

## Washington/Baltimore Area Apartment Market

- ABOVE-AVERAGE ABSORPTION TO CONTINUE, BUT DECREASE IN VELOCITY
- DEVELOPMENT IN OPPORTUNITY ZONES TO INCREASE
- RENT GROWTH EXPECTED TO STRENGTHEN

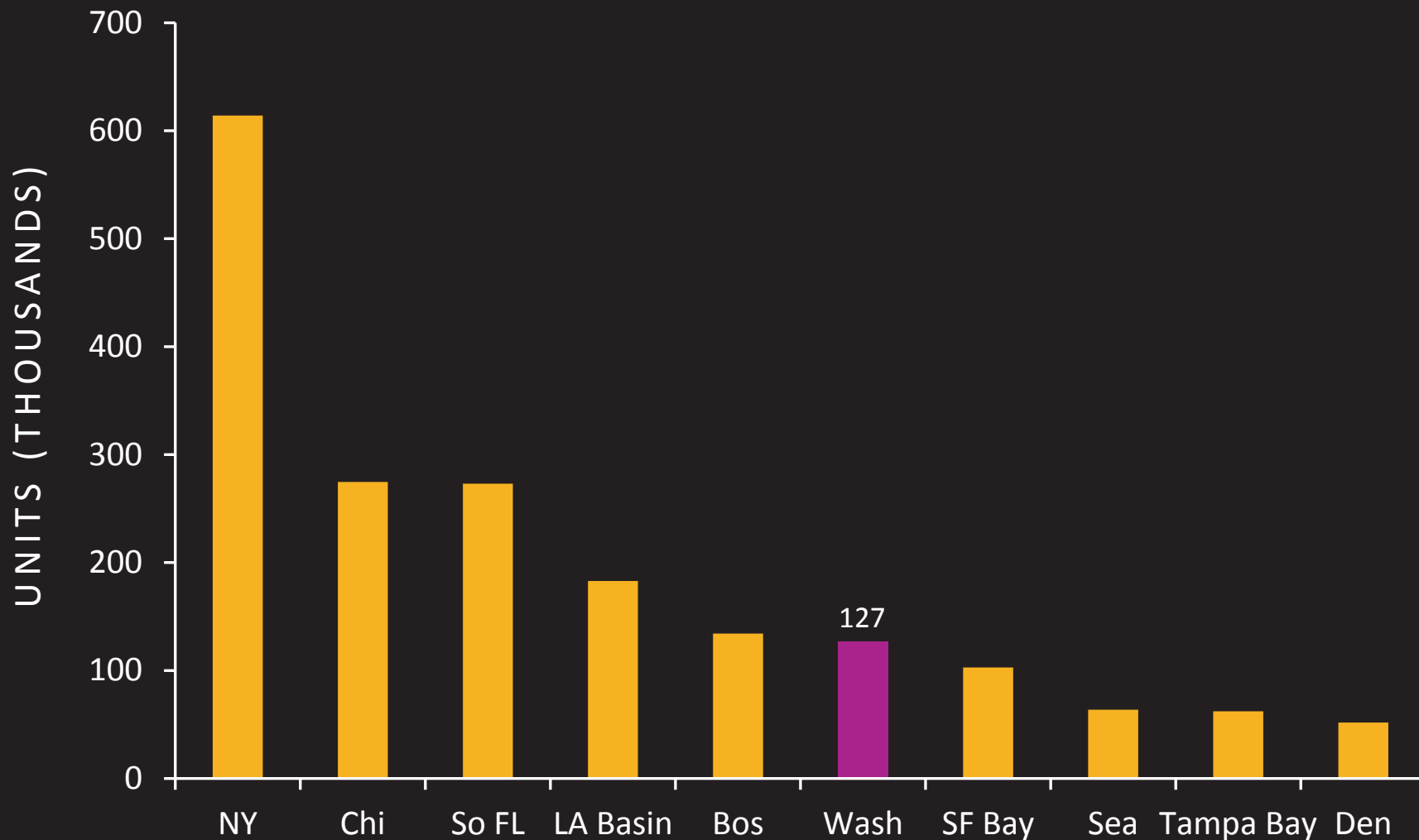


# THE WASHINGTON METRO AREA CONDOMINIUM MARKET



# LARGEST CONDOMINIUM MARKETS

Selected Metro Areas | 2017

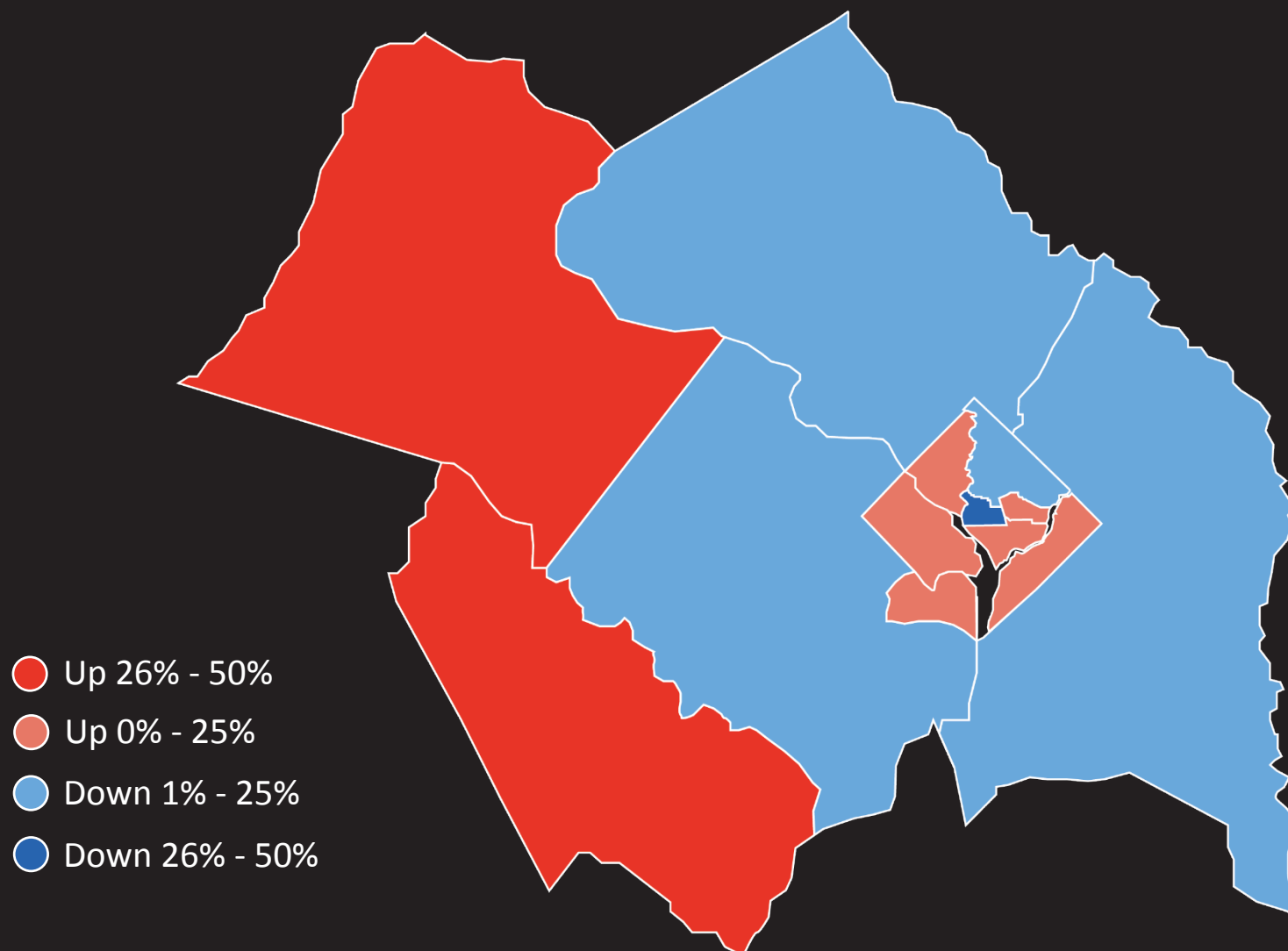




# CONDOMINIUM SALES ACTIVITY

Washington Metro Area | 12 Months Ending September 2019 Compared to Prior Year

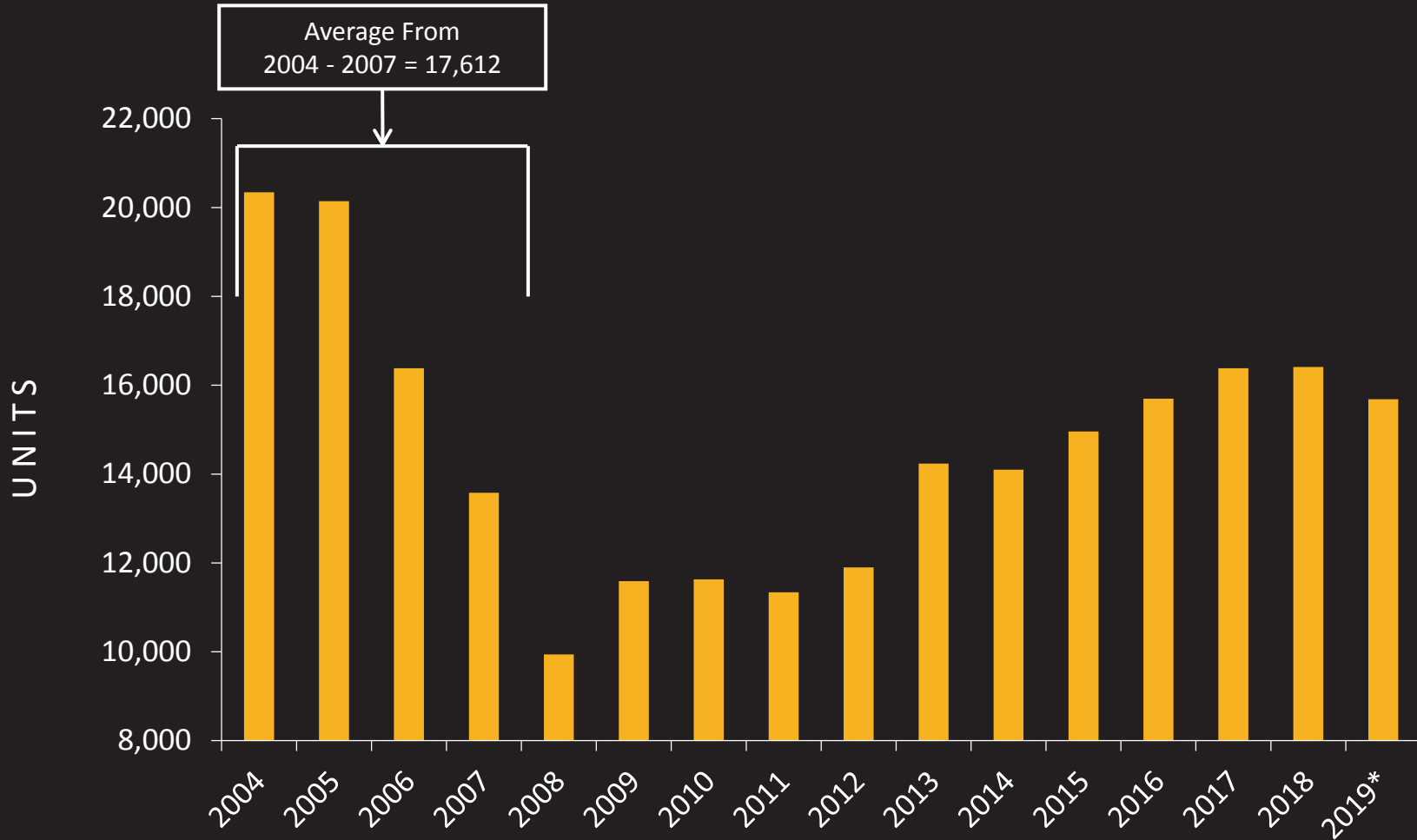
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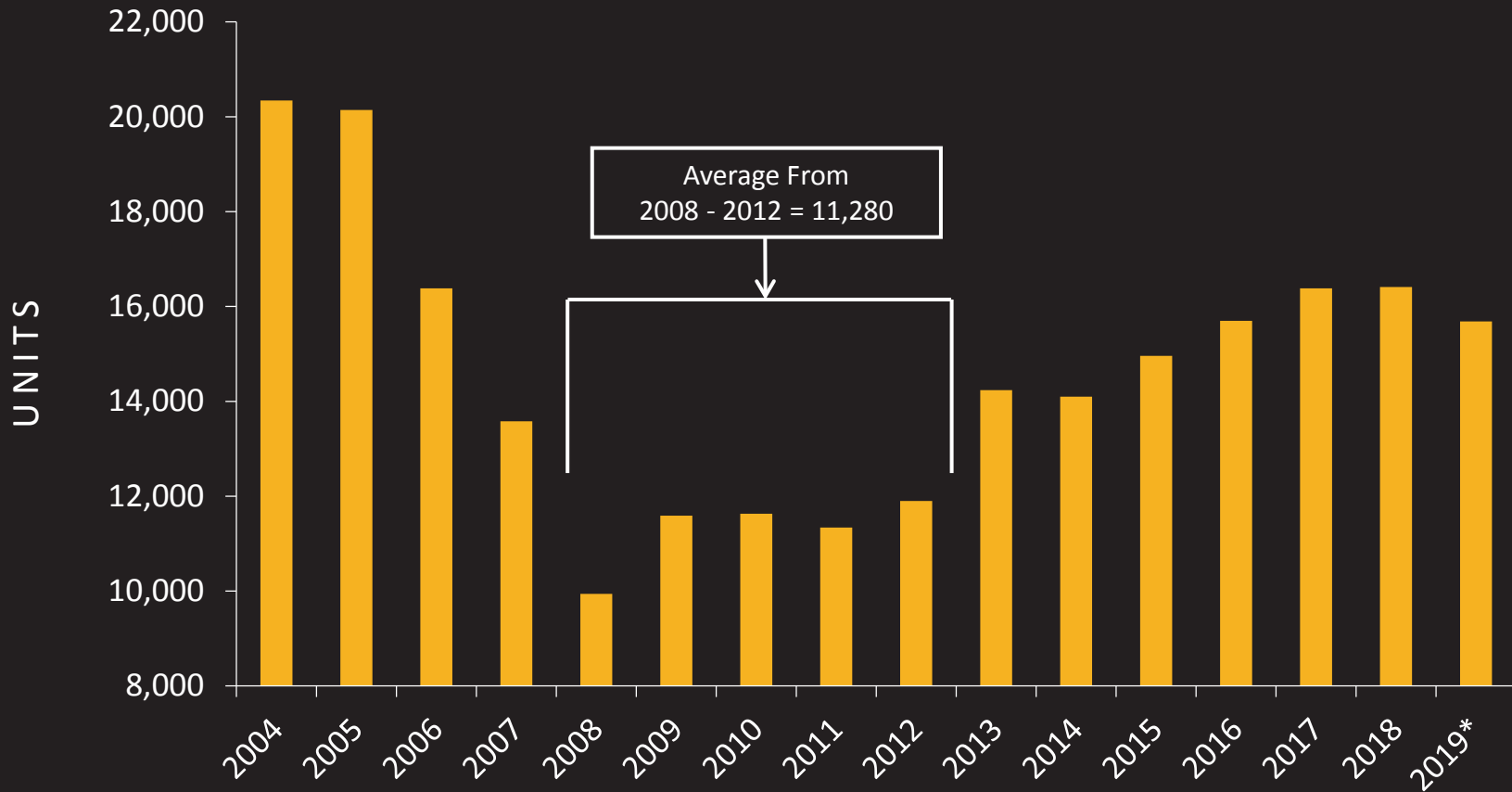
# ANNUAL CONDOMINIUM RESALES

Washington Metro Area | 2004 - 2019



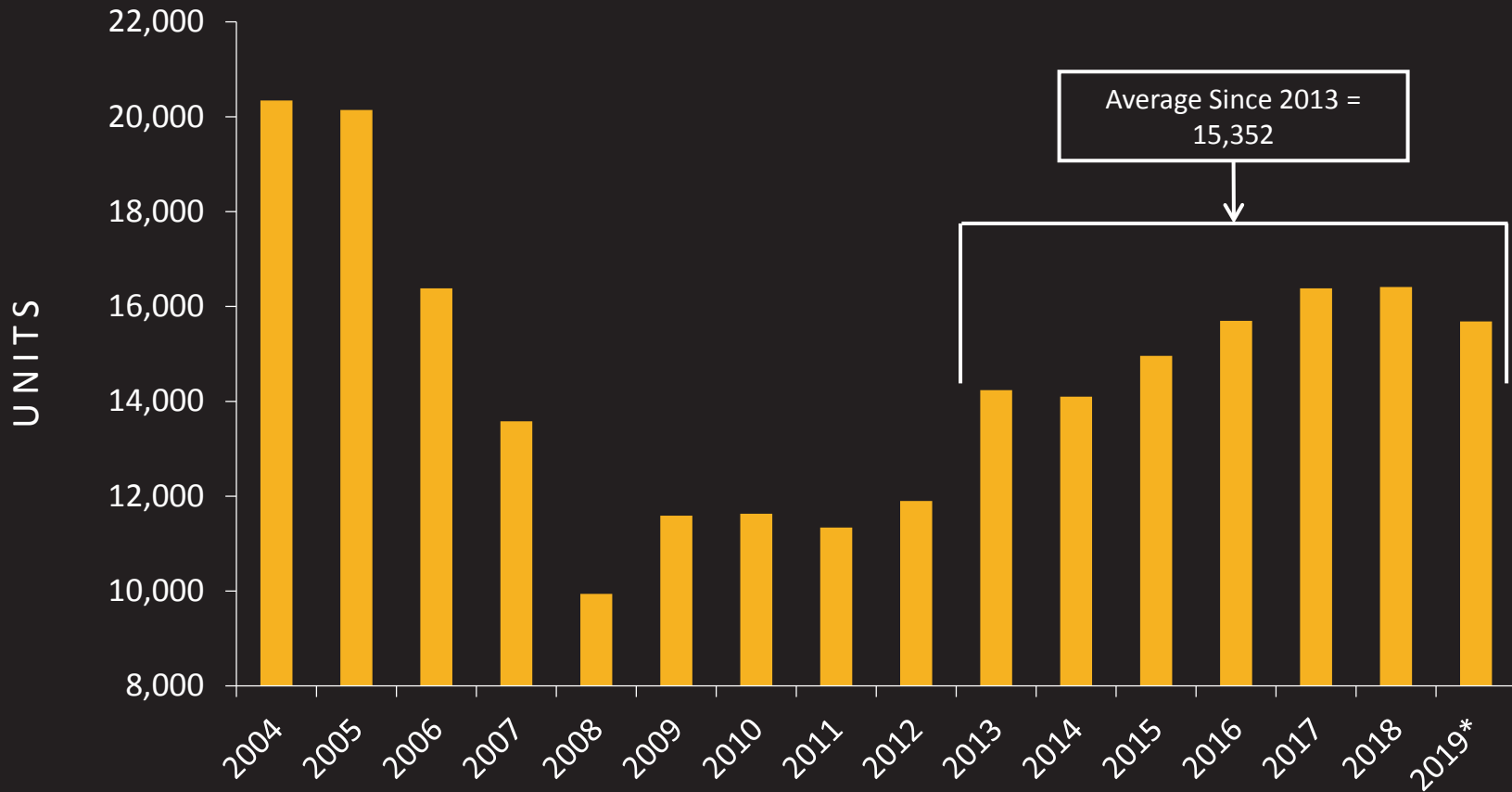
# ANNUAL CONDOMINIUM RESALES

Washington Metro Area | 2004 - 2019



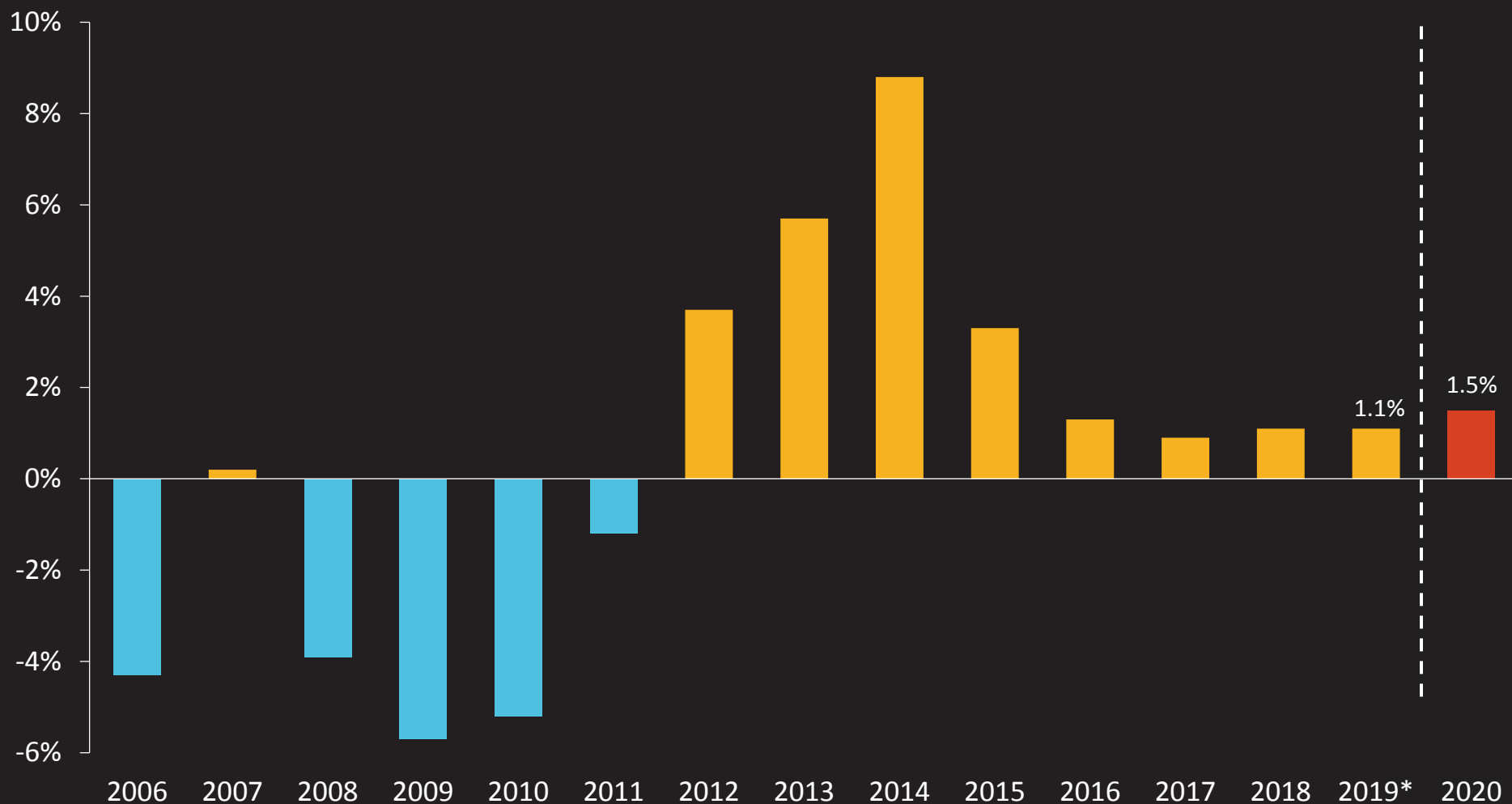
# ANNUAL CONDOMINIUM RESALES

Washington Metro Area | 2004 - 2019



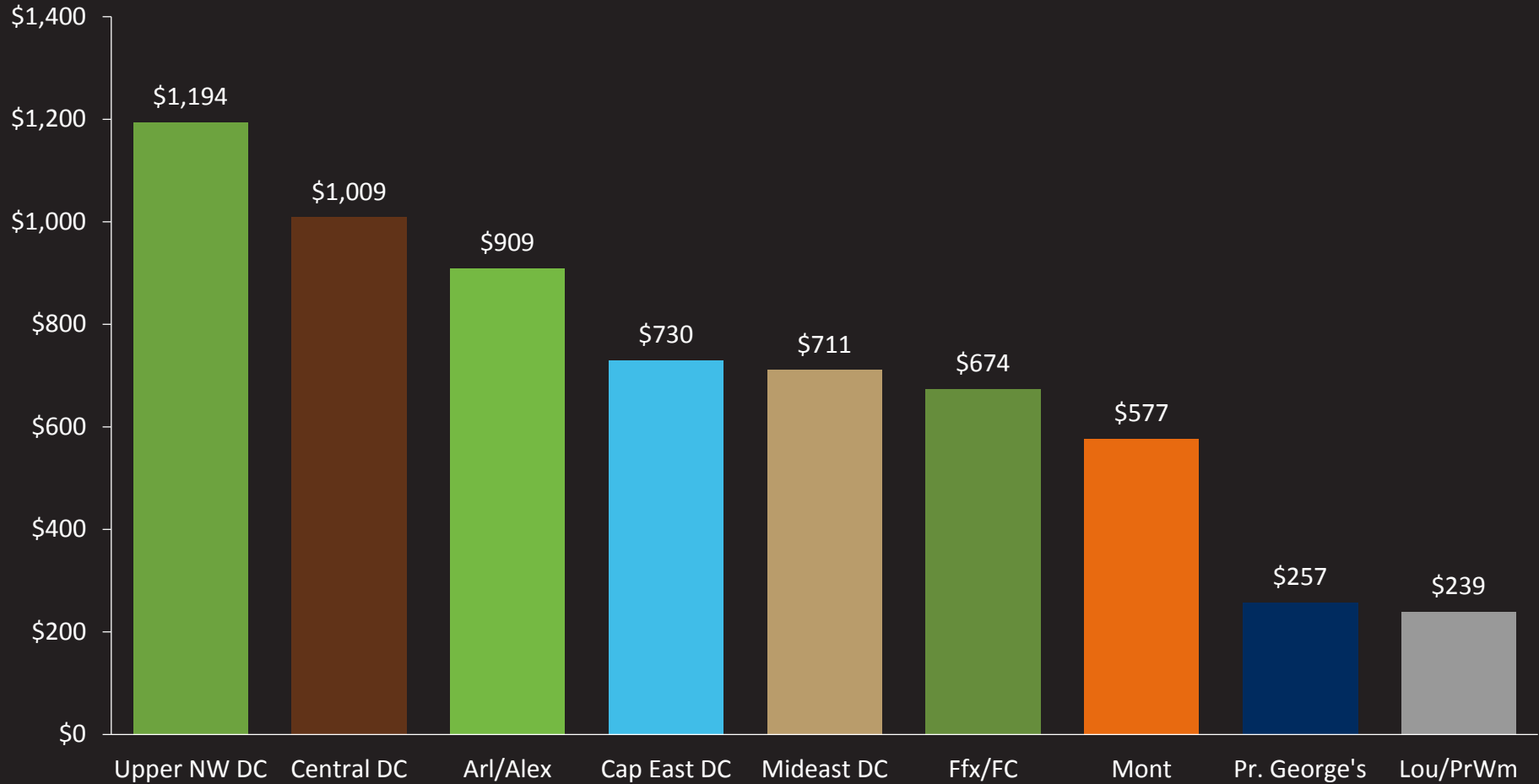
# EFFECTIVE NEW CONDOMINIUM SALES PRICE CHANGE

Washington Metro Area | 2006 - 2020



# NEW CONDOMINIUM AVERAGE PRICE PER SF

Washington Metro Area | Third Quarter 2019



# NEW CONDOMINIUM AVERAGE PRICE PER SF

Selected Downtown Areas in the U.S. | Third Quarter 2019\*



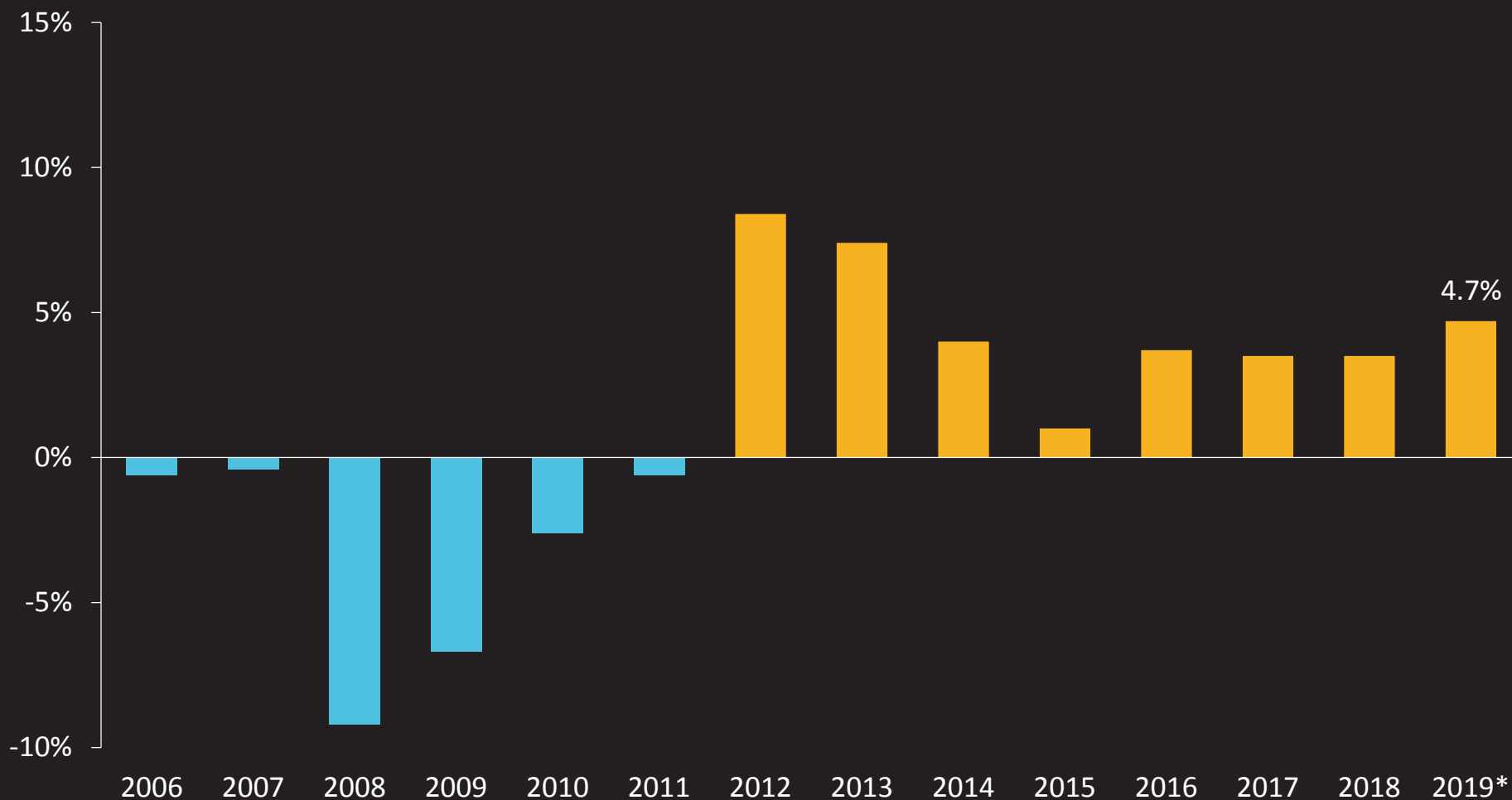
Source: The Mark Company, Miller Samuel Inc., Delta Associates, October 2019.

\*Third Quarter 2019 except for New York City Submarkets which are as of Second Quarter 2019.

Washington/Baltimore

# RESALE CONDOMINIUM SALES PRICE CHANGE

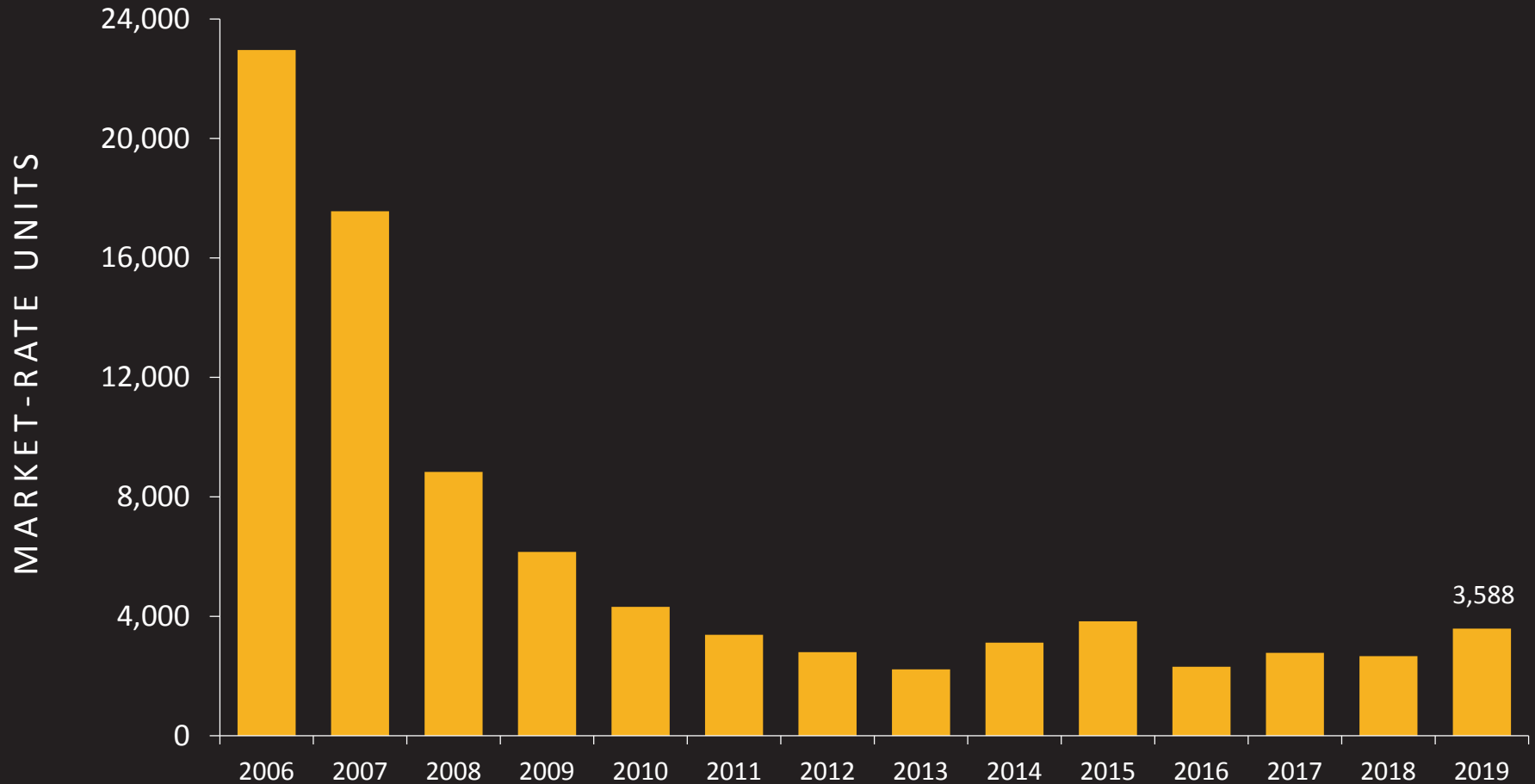
Washington Metro Area | 2006 - 2019



# UNSOLD NEW CONDOMINIUM UNITS ACTIVELY MARKETING OR UNDER CONSTRUCTION

Washington Metro Area | 2006 - 2019

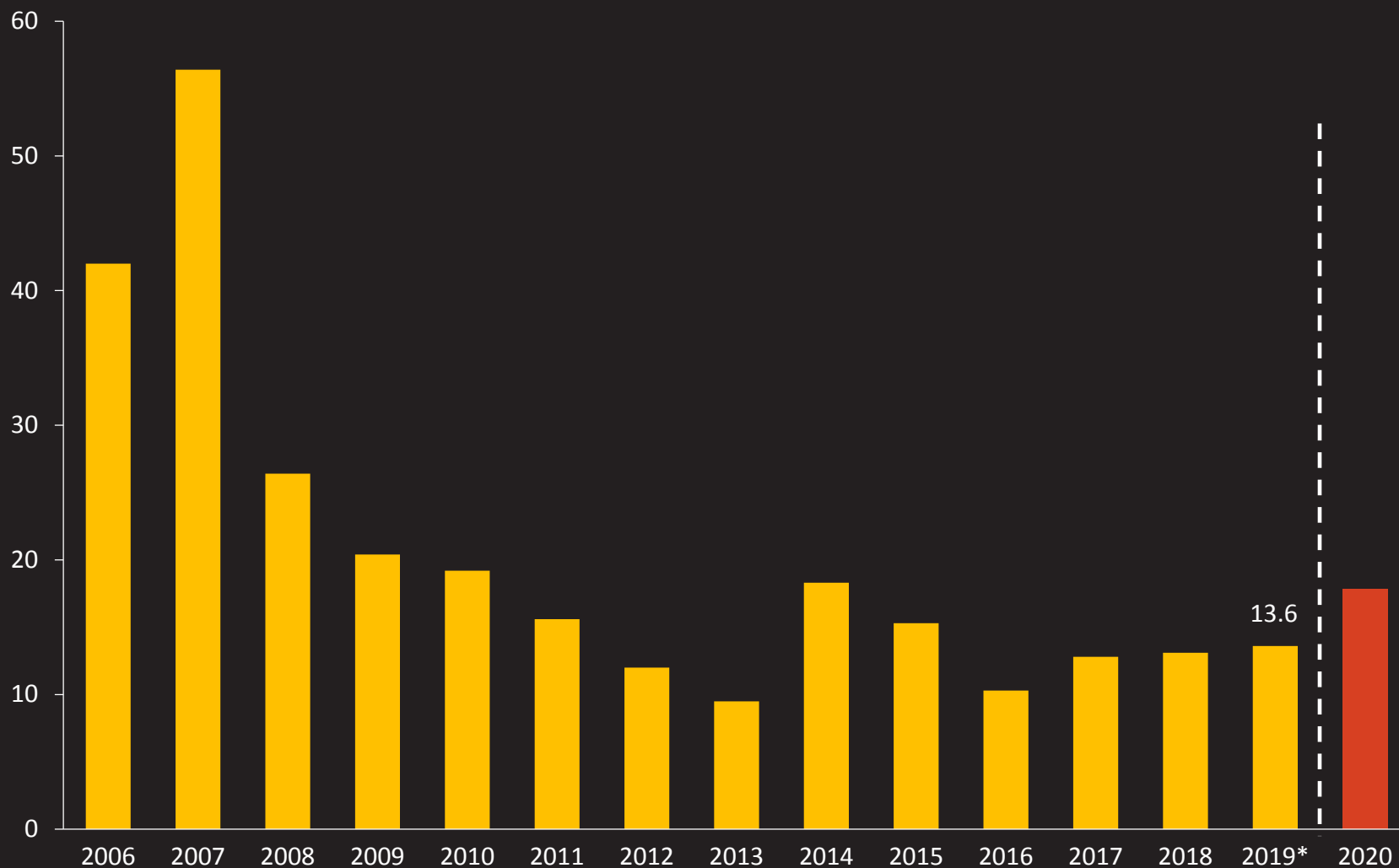
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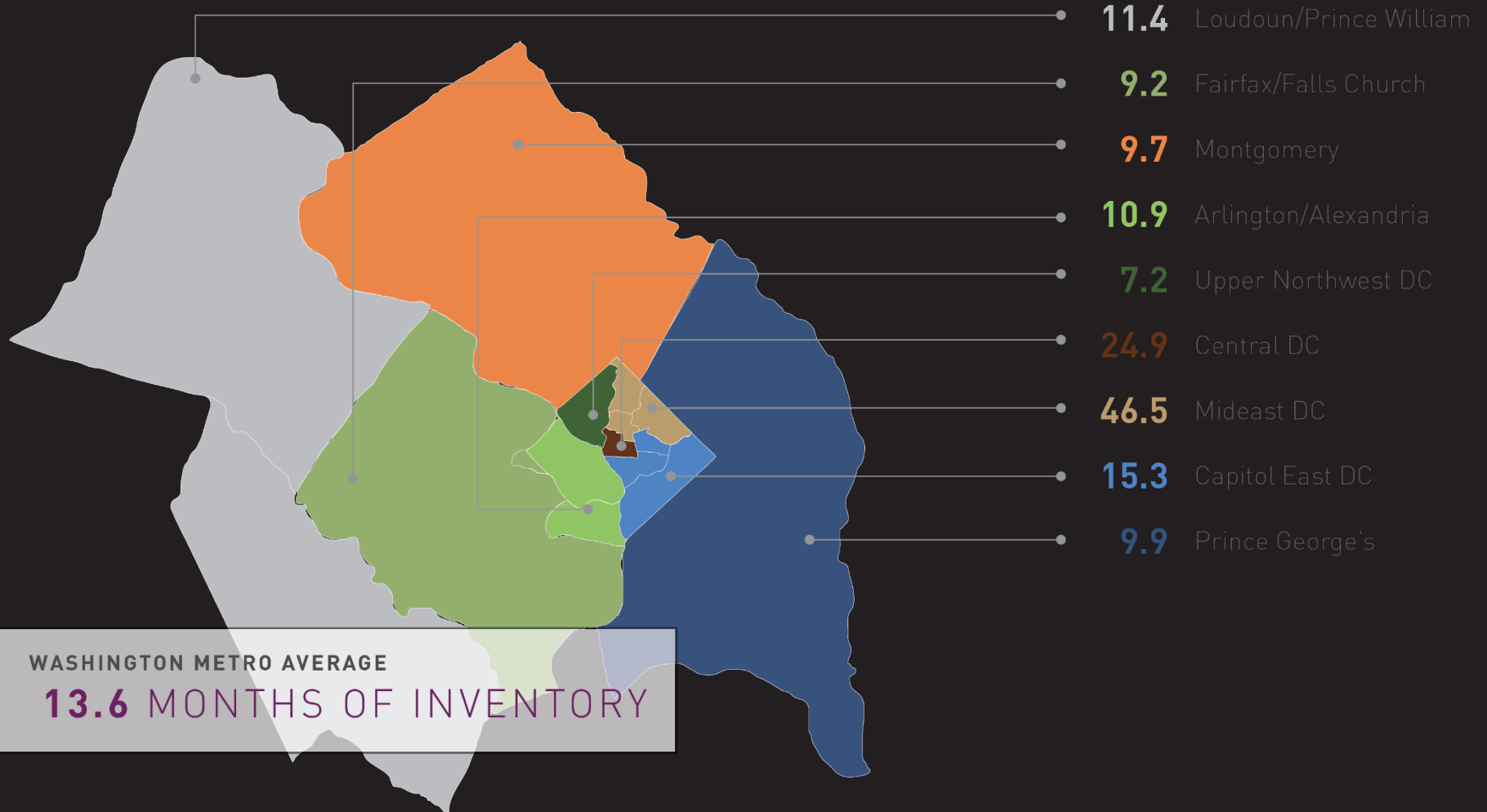
# MONTHS OF NEW CONDOMINIUM SUPPLY

Washington Metro Area | 2006 - 2019



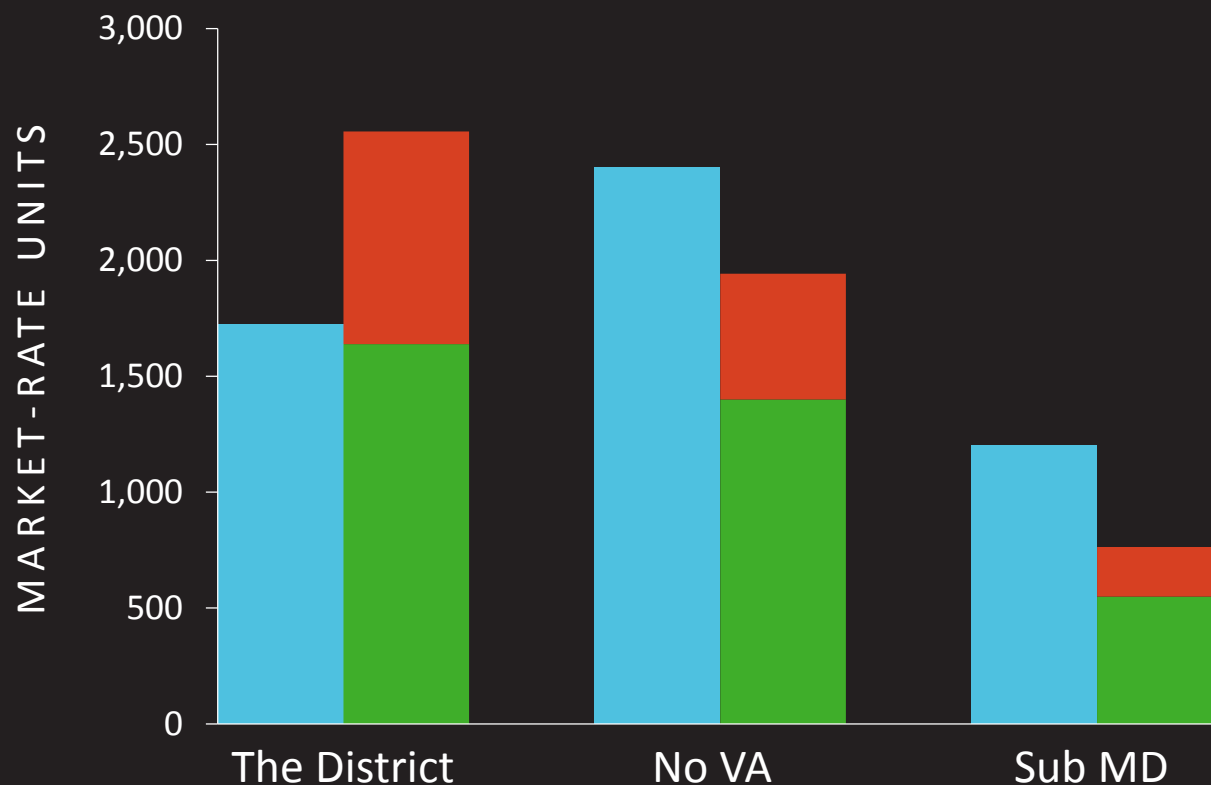
# MONTHS OF NEW CONDOMINIUM SUPPLY BY SUBMARKET

Washington Metro Area | Third Quarter 2019



# DEMAND AND SUPPLY PROJECTIONS

Washington Metro Area Condominiums | 36 Months Ending September 2022



DEMAND

Net Sales:  
1,975/Year = 5,925 units

SUPPLY

Planned and May  
Begin Marketing by  
9/22: 1,673 units<sup>1</sup>

Under Construction  
and/or Marketing:  
3,588 units<sup>2</sup>

Total = 5,261 units

<sup>1</sup> Probable supply after projected attrition.

<sup>2</sup> Includes unleased units at projects in lease-up.

# THE WASHINGTON AREA CONDOMINIUM MARKET TAKEAWAYS

# TAKEAWAYS

## Washington Area Condominium Market

- AVAILABLE INVENTORY INCREASING BUT STILL SUPPLY CONSTRAINED
- SALES EXPECTED TO INCREASE IN 2020
- PRICE INCREASE IS TO REMAIN MUTED



DELTA ASSOCIATES'

# 23<sup>RD</sup> ANNUAL

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10.16.19  
—

PRESENTED BY:

**WILLIAM RICH, CRE**  
President  
Delta Associates

**MOUSTAFA FAHMY**  
Associate  
Delta Associates

