

# COMMERCIAL REAL ESTATE REPORT Q3 2022

## Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area

### Demographics and Economy

#### Demographics

|  |   |  |   |
|--|---|--|---|
| <b>-0.5%</b>                                   | <b>35.7%</b>                              | <b>2.6%</b>  | <b>54.0%</b>                              |
| population growth<br>(2020-2021)<br>U.S.: 0.7% | share of renters<br>(2021)<br>U.S.: 34.5% | renter household formation<br>(2021)<br>U.S.: 2.6% | share of inbound moves<br>(Jan-Sept 2022) |

#### Economy

|   |   |   |  |
|---|---|---|--|
| <b>-1.0%</b>  | <b>88,800</b>                                       | <b>2.7%</b>   | <b>0.5%</b>  |
| GDP growth<br>(2021)<br>U.S.: 5.9%                          | 12-month job creation<br>(September 2022)           | 1-year job growth<br>(September 2022)<br>U.S.: 3.9%   | 1-year wage growth<br>(September 2022)<br>U.S.: 4.8% |
| <b>\$72,191</b>   | <b>3.1%</b>   | <b>33.1%</b>  | <b>44.5%</b>   |
| Average wage per year<br>(September 2022)<br>U.S.: \$49,100 | unemployment rate<br>(September 2022)<br>U.S.: 3.5% | share of workers teleworking<br>(2021)<br>U.S.: 17.9% | inbound businesses moves<br>(Jan-Sept 2022)          |

### Commercial Real Estate by Sector

#### 1. Office

Demand for office space is **weaker than nationwide** as this area has a slower absorption of office space. As a result, rents rose slower than nationwide and vacancy rate is higher in this area.

|         | Net Absorption SF | Net Absorption SF 12 Months | Market Rent Growth 12 Months | Market Rent/SF     | Vacancy Rate    |
|---------|-------------------|-----------------------------|------------------------------|--------------------|-----------------|
| Q3 2022 | -504,185          | -993,687                    | -0.3%                        | \$39               | 15.5%           |
| Q3 2021 | -102,411          | -8,218,751                  | -1.4%                        | \$39               | 14.8%           |
|         | Inventory SF      | Net Delivered SF            | Net Delivered SF 12 Months   | Total Sales Volume | Market Cap Rate |
| Q3 2022 | 517,902,701       | 907,948                     | 2,904,624                    | \$1,920,729,600    | 7.1%            |
| Q3 2021 | 514,998,077       | -33,660                     | -1,465,271                   | \$2,953,046,272    | 7.0%            |

#### 2. Multifamily

Demand for multifamily space is **stronger than nationwide** as this area has a faster absorption of multifamily space. Despite strong conditions, rent prices rose slower than nationwide and vacancy rate is higher in this area.

|         | Absorption Units | Absorption Units 12 Months | Market Asking Rent Growth 12 Months | Market Asking Rent/Unit | Market Effective Rent/Unit | Vacancy Rate |
|---------|------------------|----------------------------|-------------------------------------|-------------------------|----------------------------|--------------|
| Q3 2022 | 2,334            | 12,405                     | 4.8%                                | \$2,066                 | \$2,050                    | 6.1%         |
| Q3 2021 | 6,892            | 21,770                     | 8.1%                                | \$1,971                 | \$1,949                    | 6.4%         |
|         | Inventory Units  | Net Delivered Units        | Net Delivered Units 12 Mo           | Market Cap Rate         |                            |              |
| Q3 2022 | 546,734          | 4,275                      | 11,774                              | 4.5%                    |                            |              |
| Q3 2021 | 534,960          | 3,486                      | 14,246                              | 4.6%                    |                            |              |

#### 3. Retail

Demand for retail space is **weaker than nationwide** as this area has a slower absorption of retail space. As a result, rents rose slower than nationwide and vacancy rate is higher in this area.

|         | Net Absorption SF | Net Absorption SF 12 Months | Market Rent Growth 12 Months | Market Rent/SF            | Vacancy Rate |
|---------|-------------------|-----------------------------|------------------------------|---------------------------|--------------|
| Q3 2022 | 212,481           | 780,316                     | 4.2%                         | \$31                      | 5.1%         |
| Q3 2021 | 600,526           | 284,104                     | 1.4%                         | \$30                      | 5.3%         |
|         | Inventory SF      | Market Cap Rate             | Total Sales Volume           | Transaction Sale Price/SF |              |
| Q3 2022 | 266,997,305       | 6.0%                        | \$605,519,488                | \$261                     |              |
| Q3 2021 | 266,525,730       | 6.1%                        | \$688,863,232                | \$321                     |              |

#### 4. Industrial

Demand for industrial space is **stronger than nationwide** as this area has a faster absorption of industrial space. As a result, rent prices rose faster than nationwide and vacancy rate is lower in this area.

|         | Net Absorption SF | Net Absorption SF 12 Months | Market Rent Growth 12 Months | Market Rent/SF  | Vacancy Rate       |
|---------|-------------------|-----------------------------|------------------------------|-----------------|--------------------|
| Q3 2022 | 2,515,842         | 7,426,425                   | 12.7%                        | \$15            | 3.9%               |
| Q3 2021 | 2,685,193         | 8,824,279                   | 7.8%                         | \$13            | 4.5%               |
|         | Inventory SF      | Net Delivered SF            | Net Delivered SF 12 Months   | Market Cap Rate | Total Sales Volume |
| Q3 2022 | 292,681,196       | 2,556,268                   | 5,969,856                    | 6.1%            | \$1,108,042,240    |
| Q3 2021 | 286,711,340       | 1,583,243                   | 5,755,283                    | 6.1%            | \$619,765,440      |

Sources: NAR analysis on data from the U.S. Census Bureau, U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, USPS, CoStar

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