



CAVALRY
REAL ESTATE ADVISORS

DISTRICT OF COLUMBIA STATE OF THE MARKET

Presented by Will Rich, CRE

03.18.26

ECONOMIC TRENDS



- War in Middle East
- Spike in gas prices
- Trade war



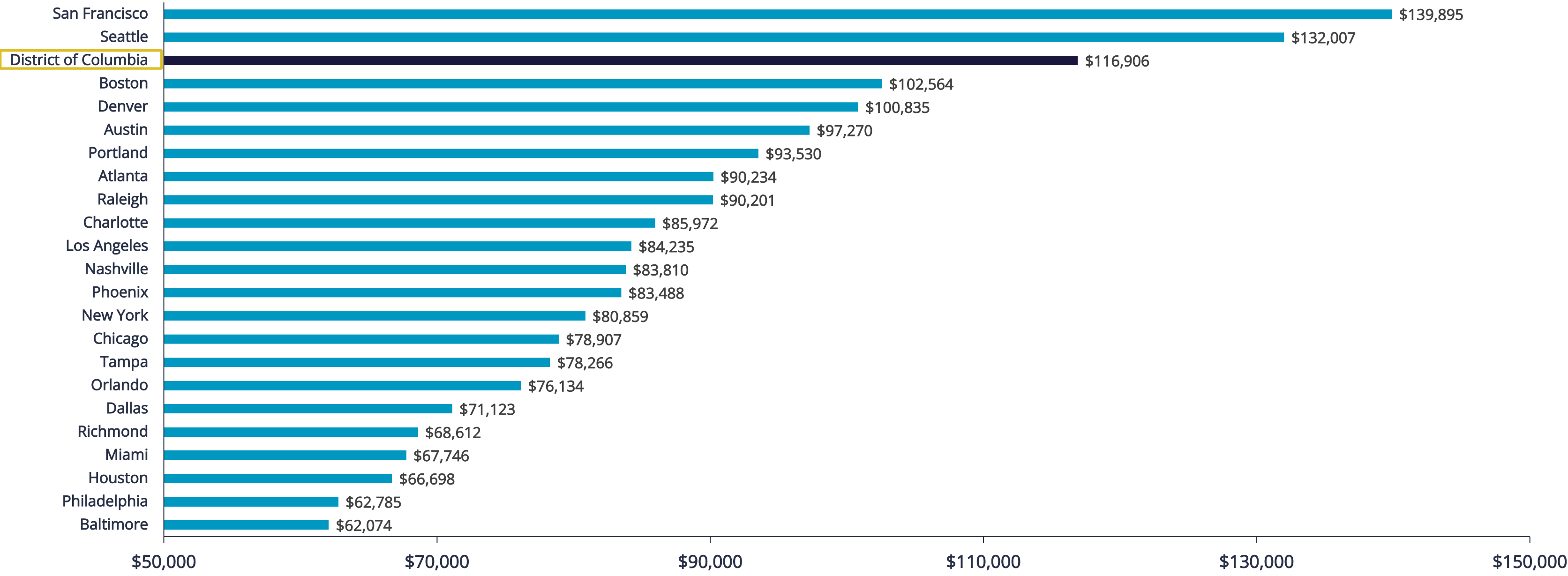
- Slow to negative job growth
- GDP growth slowdown
- Persistent inflation



- Negative job growth
- Federal contraction
- Positive regulatory changes

MEDIAN HOUSEHOLD INCOME

Selected Cities | 2025

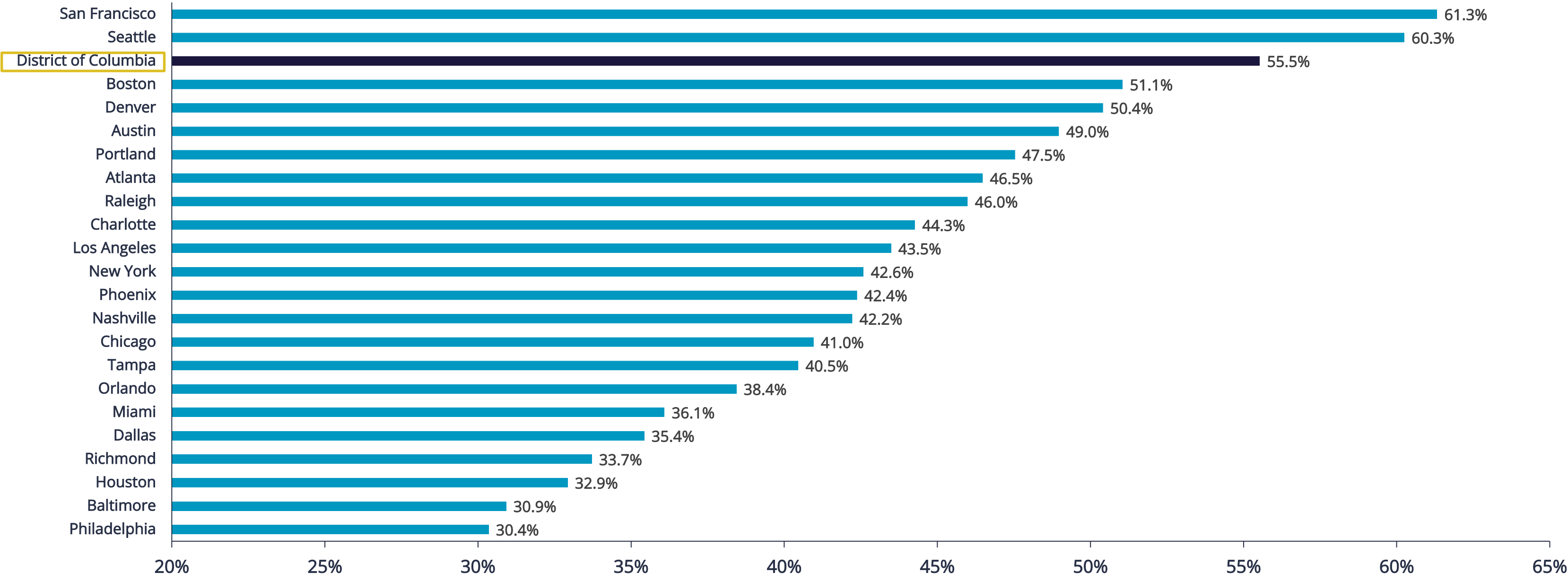


Source: ESRI, Cavalry Real Estate Advisors; March 2026.



SHARE OF \$100,000+ HOUSEHOLDS

Selected Cities | 2025

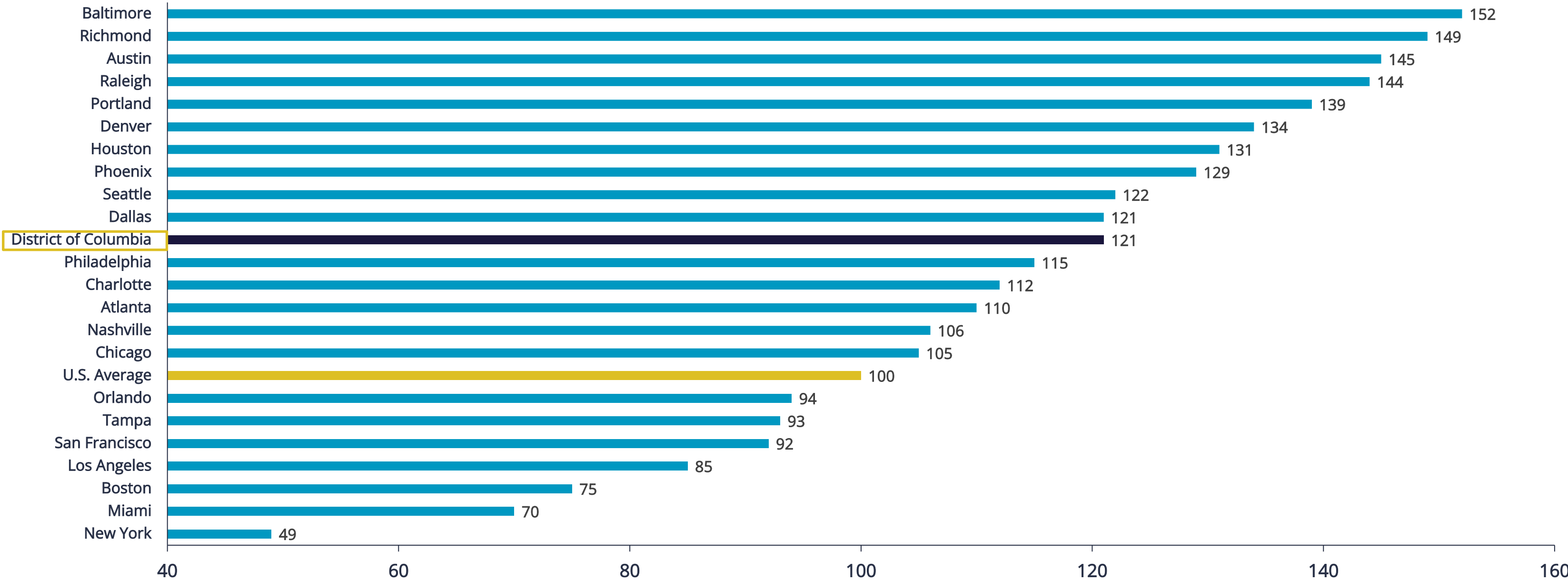


Source: ESRI, Cavalry Real Estate Advisors; March 2026.



HOUSING AFFORDABILITY INDEX

Selected Cities | 2025



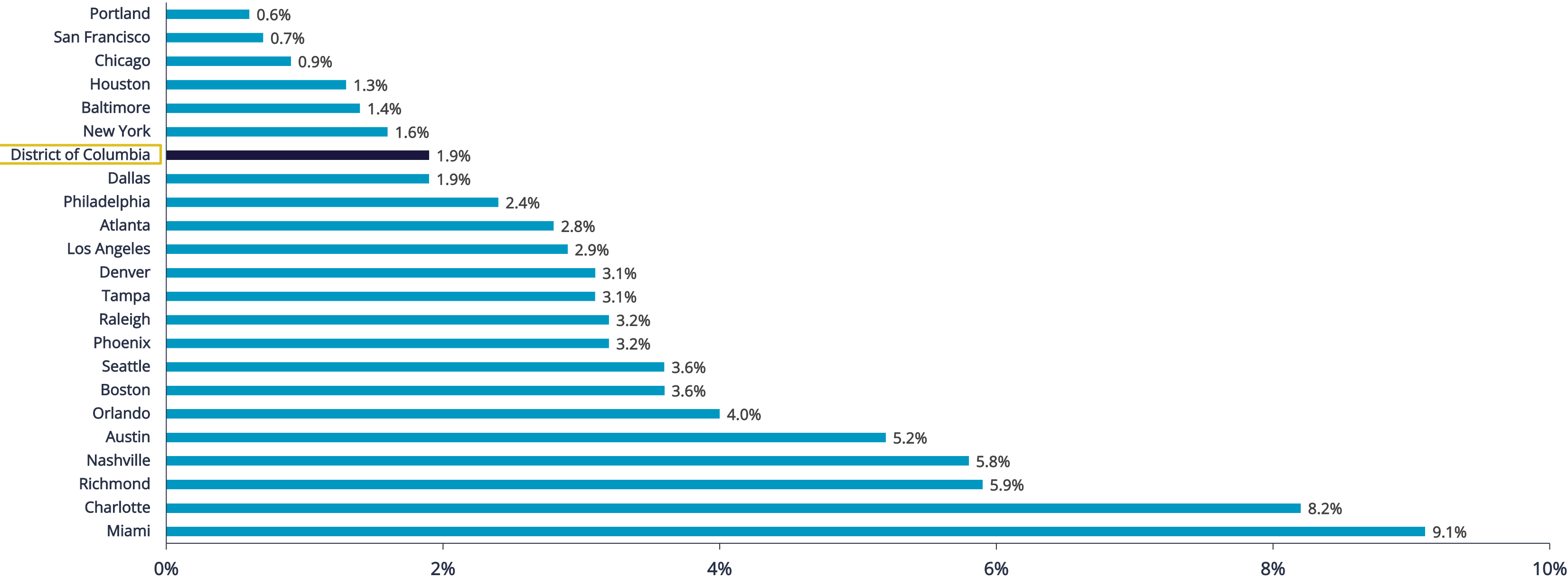
Source: U.S. Census Bureau, CoStar, Cavalry Real Estate Advisors; March 2026.

Note: Cities ranked from most affordable to least affordable. Index is calculated by dividing 1/3 of the metro area's monthly median family income by the average rent in each city, compared to the national average.



SHARE OF INVENTORY UNDER CONSTRUCTION

Apartments in Selected Cities | Q4 2025

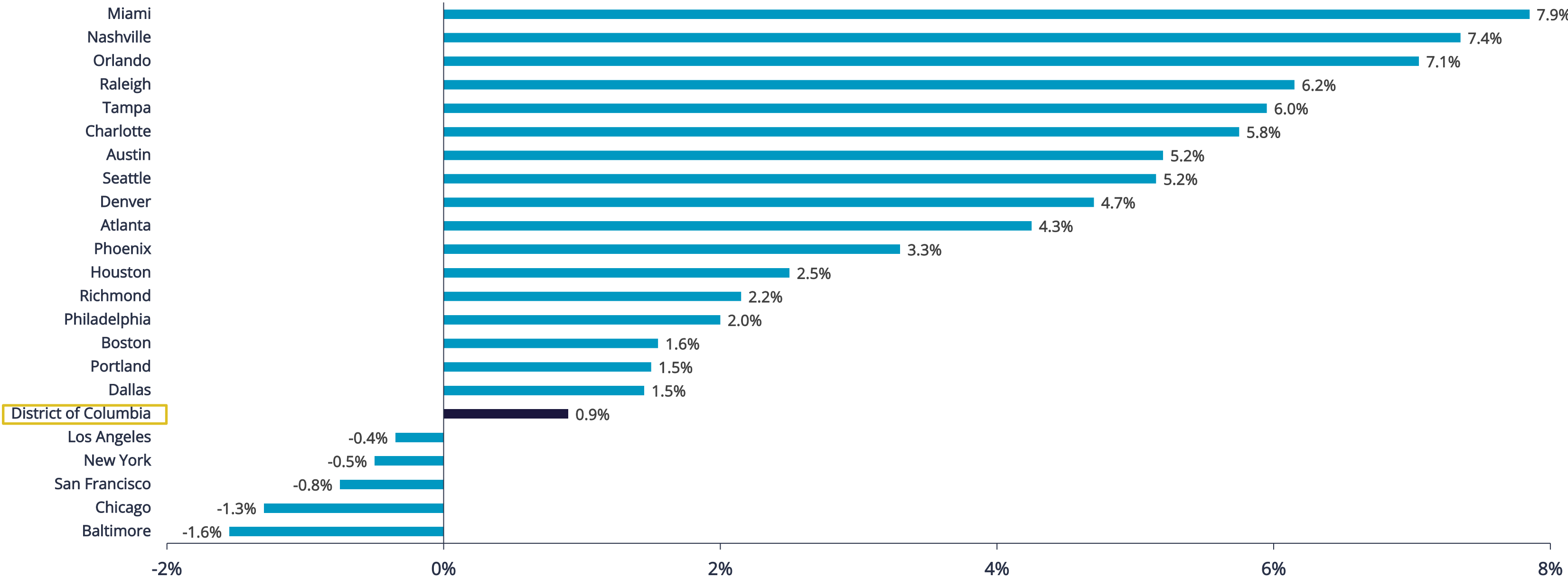


Source: CoStar, Cavalry Real Estate Advisors; March 2026.



PROJECTED POPULATION GROWTH RATE

Selected Cities | 2025 - 2030

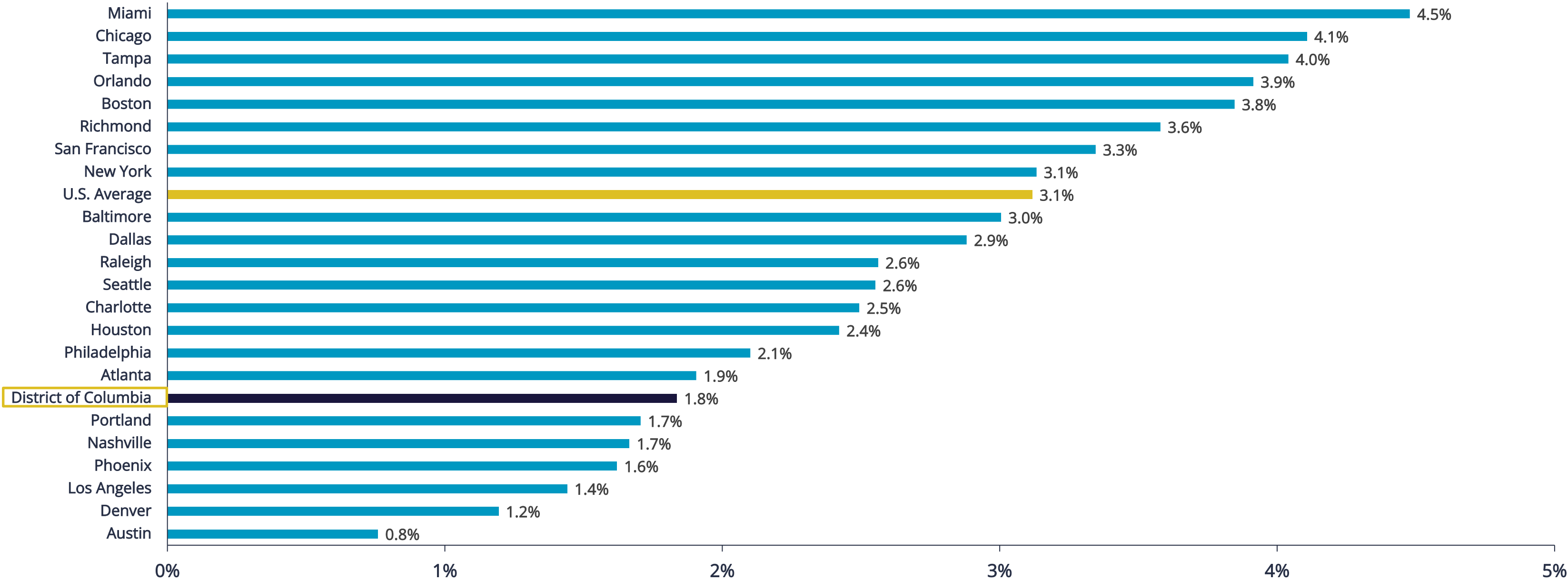


Source: ESRI, Cavalry Real Estate Advisors; March 2026.



ANNUAL APARTMENT EFFECTIVE RENT GROWTH

Selected Cities | 2020 - 2025

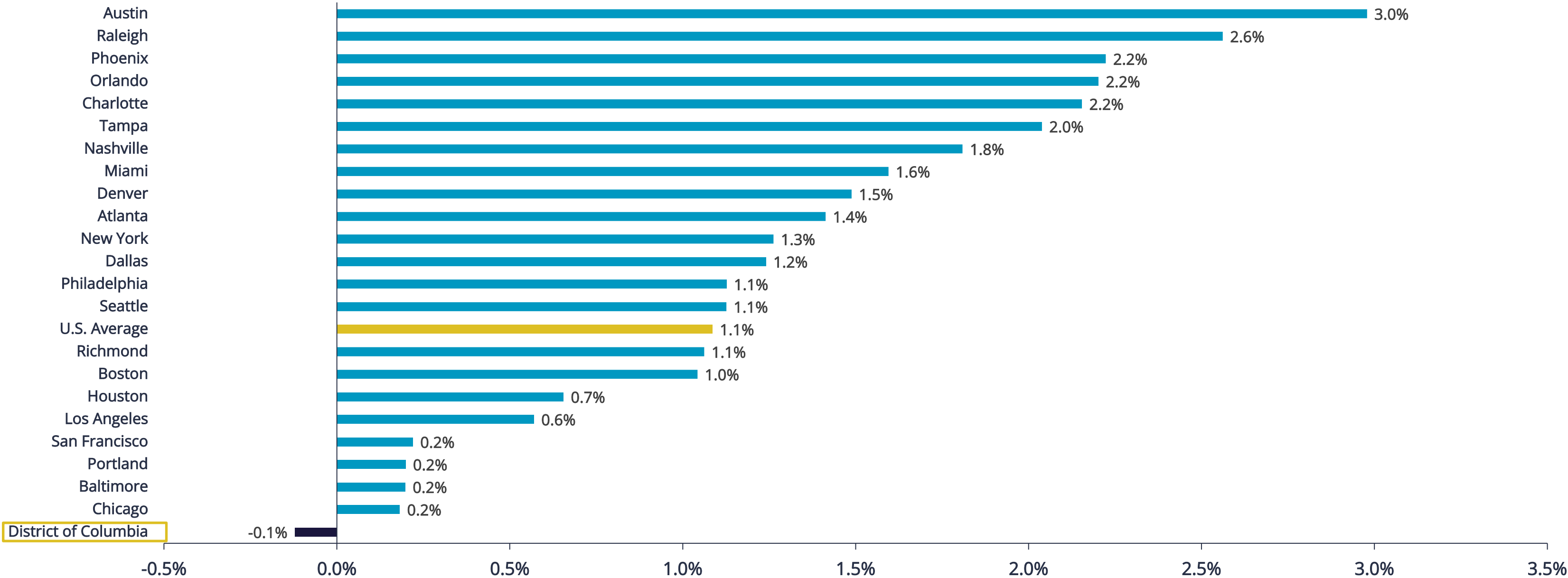


Source: CoStar, Cavalry Real Estate Advisors; March 2026.



ANNUAL JOB GROWTH RATE

Selected Cities | September 2015 – September 2025

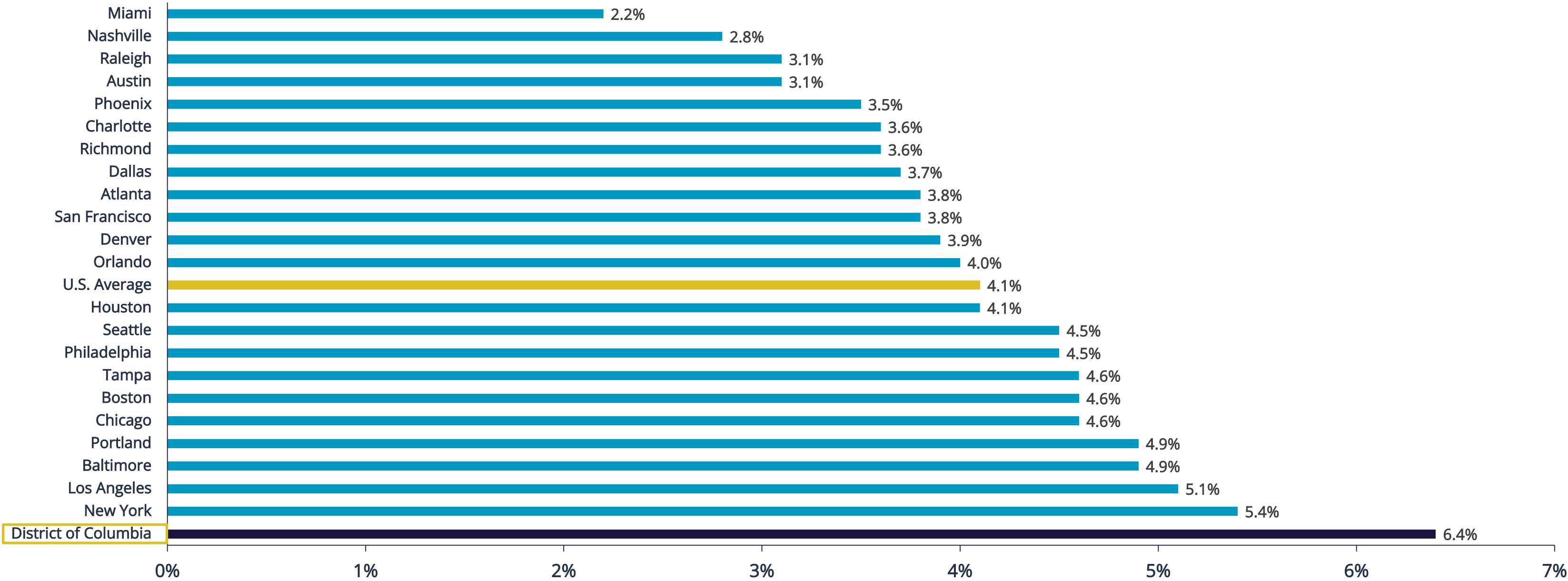


Source: ESRI, Cavalry Real Estate Advisors; March 2026.



UNEMPLOYMENT RATE

Selected Cities | December 2025



Source: ESRI, Cavalry Real Estate Advisors; March 2026.



PROFORMA COMPARISON IN THE DISTRICT

Ground-Up Multifamily | 2021 vs. 2026

Key Metric

2026 Compared to 2021

Construction Costs

- Cement & Concrete
- Lumber



42%



20%

Interest Rates



250-300 basis points

Rents



~10%

Multifamily Cap Rates



100 basis points

Multifamily Sales Transaction



9 months

PROFORMA COMPARISON IN THE DISTRICT

Office to Residential Conversion | 2021 vs. 2026


Key Metric

2026 Compared to 2021

Interest Rates

 250-300 basis points

Multifamily Rents

 ~10%

Multifamily Sales Transaction

 9 months

Office Valuations

 40%+

Property Taxes

- During Conversion

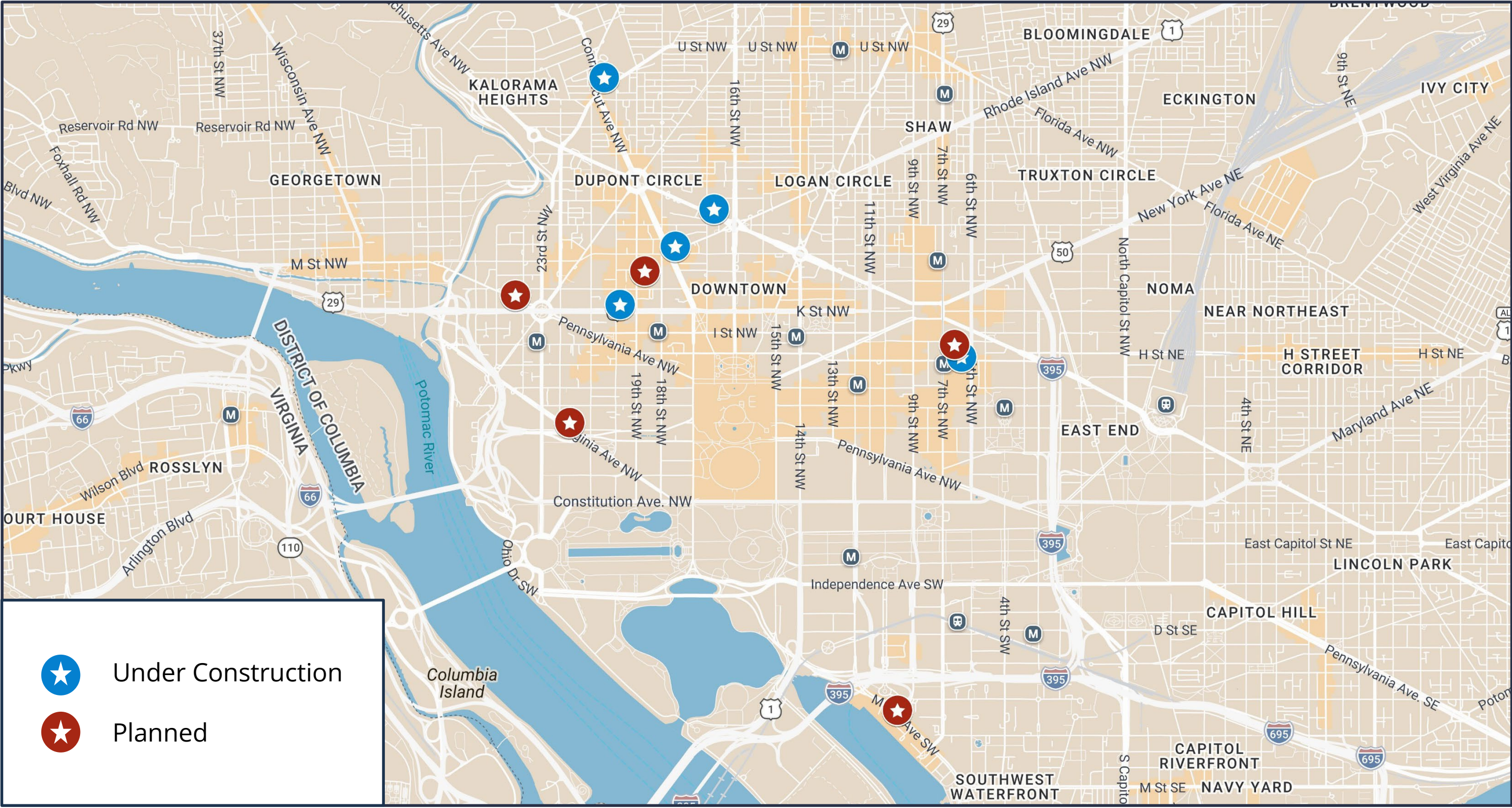
 Rate Change from 1.86% to 0.85%

- Located Downtown & Adjacent

 Abated for 20 years

HOUSING IN DOWNTOWN OFFICE CONVERSIONS

The District | 2024 - 2026



Source: Google Maps, DMPED, Cavalry Real Estate Advisors; March 2026.



PROFORMA COMPARISON IN THE DISTRICT

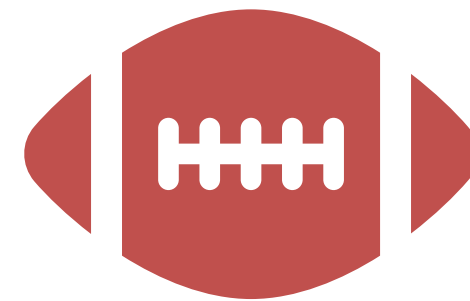
Office to Trophy Conversion | 2021 vs. 2026

<u>Key Metric</u>	<u>2026 Compared to 2021</u>
Office Valuations	↓ 40%+
Interest Rates	↑ 250-300 basis points
Property Taxes (Central Washington)	↓ Incremental Taxes Abated for 15 Years
Trophy Rents	↑ 20%
Trophy Vacancy	↓ 600 basis points
Office Cap Rates	↑ 200 basis points

TWO TRENDS TO WATCH FOR IN THE DISTRICT



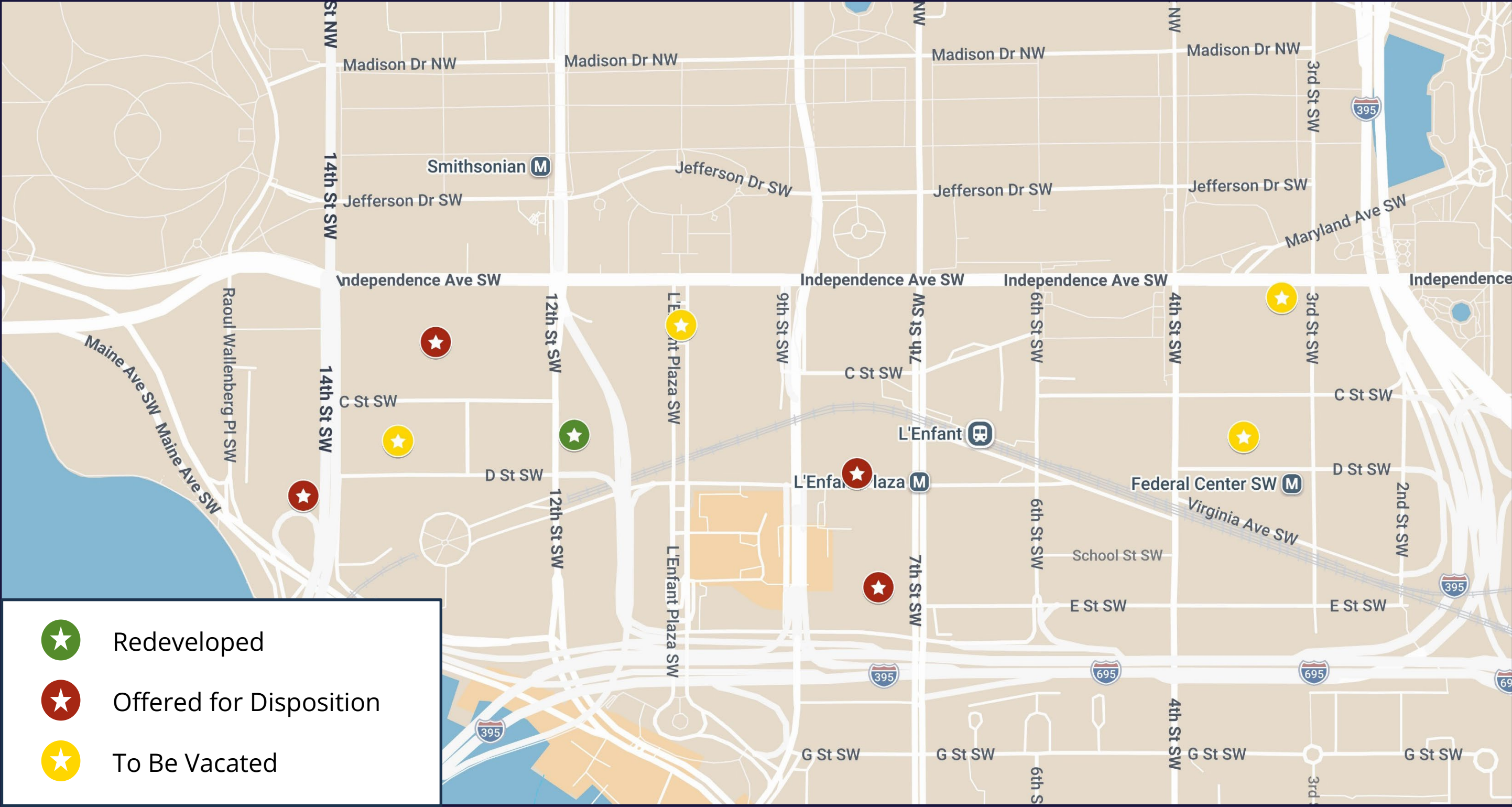
Federal Office Dispositions



Sports-Anchored Development

FEDERAL OFFICE DISPOSITIONS

SW Federal Center



Source: Google Maps, Cavalry Real Estate Advisors; March 2026.

NAVY YARD DEVELOPMENT



Source: Brookfield Properties, Cavalry Real Estate Advisors; March 2026.

RFK CAMPUS REDEVELOPMENT



Source: Washington Commanders, HKS, DMPED, Cavalry Real Estate Advisors; March 2026.