Section **4.1**

MULTIFAMILY**MARKET**ASSESSMENT

RETAIL REVITALIZATION REPORT2023

A Research and Analysis Report Supporting Prince George's County's

RETAIL REVITALIZATION ONLINE GUIDE

CONSUMERS NO LONGER shop for goods at the frequency or for the duration that they did in the past. Today's consumer is looking for a complete spectrum of offerings, all in one place, from evening and weekend destinations (food and beverage, entertainment, and shopping) to day-to-day needs (e.g., services, fitness, wellness, and community).

In the United States, adaptive reuse and restoration of existing structures is 16 percent less expensive than new development construction and can be completed in 18 percent less time on average.[29] The reuse of existing building stock to catalyze positive change and foster diverse urban environments benefits the entire real estate ecosystem—owners, developers, and investors, as well as the public sector and local communities.

In the following section, we will explore multifamily land use that provides an alternative to retail.

Residential developments are catalysts for foot traffic and drive value to ground-floor retail. Robust amenities, such as ground floor retail, enhance the quality of life for residents, add foot traffic, and increase housing marketability.

OUR METHODOLOGY

To evaluate the opportunities for multifamily residential development along the Branch Avenue corridor, we first examined the existing competition to identify concentrations and gaps in the market. We assessed population trends and projected population growth to understand how the current supply would meet future needs. We examined historical performance in the submarket, including absorption rates, vacancy rates, and new deliveries. Finally, we projected demand for multifamily residential in the market over the next five and ten years. The following analysis is based on commercial real estate data sourced from Moody's REIS, supplemented with population and demographic data from Sitewise, ESRI, and the U.S. Census Bureau.

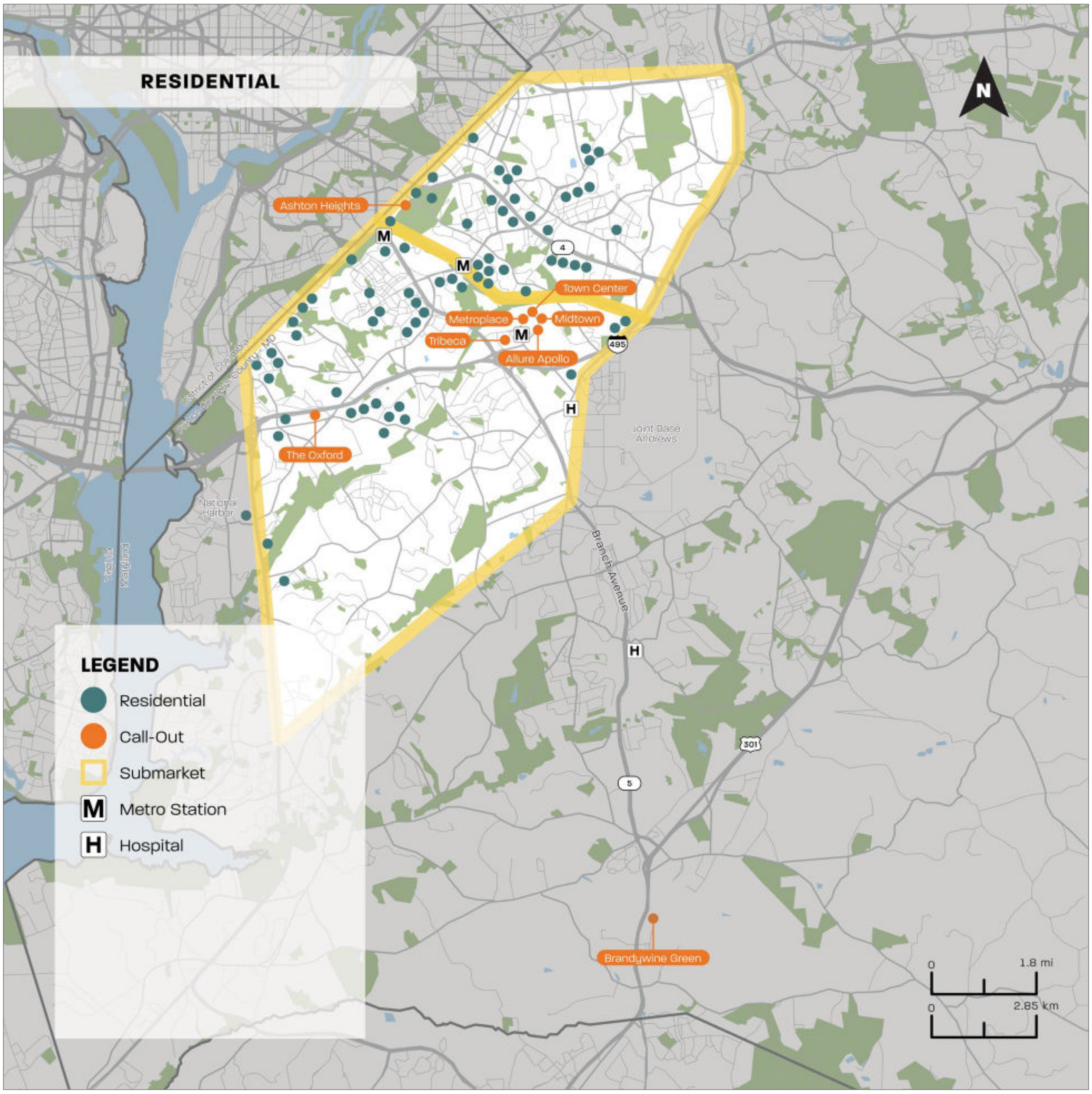
BRANCH AVENUE RESIDENTIAL OPPORTUNITY

Consistent with population densities, most multifamily rental apartments in the area are concentrated north of the Branch Avenue Corridor, along the Washington, D.C., border, and around the Naylor Road and Branch Avenue Metro Stations. South of the Metro stations, rental apartment buildings become less prevalent, and single-family home and townhome developments dominate.

The Branch Avenue study area falls partially within two submarkets that were used for this analysis—District Heights and Forest Heights/Oxon Hill. The submarkets' boundaries are illustrated below. The apartment inventory south of the submarket boundaries is very limited, particularly along Branch Avenue.

29 "Adaptive Reuse of Commercial Real Estate: Turning Vacant Properties Into Revenue-Generators," Deloitte, September 27, 2017, https://www2.deloitte.com/us/en/pages/financial-services/articles/adaptive-reuse-of-commercial-real-estate.html.

Map 9. Residential Submarket and Existing Supply



The combined submarkets consist of 25,300 apartment units and 72 individual properties. The existing multifamily apartment inventory in these submarkets is predominantly made up of smaller low-rise or garden-style buildings. There is one high-rise property in the area, Ashton Heights in Suitland, and an additional 21 properties are mid-rise properties that have 5 to 12 stories.

Existing rental apartment inventory within these submarkets is aged, with over 82 percent of all properties built before 1970. Almost all the submarkets' inventory is class B or C. All of the Class A rental apartments in the submarkets are located around the Branch Avenue Metro Station (except for The Oxford in Oxon Hill) and total 1,684 units.

The Allure Apollo Apartments and Midtown Camp Springs near Branch Avenue were delivered between 2007 and 2019 and have rents averaging $2,000 to $2,700 per month; this is significantly higher than the submarket average of $1,370 per month.[30]

Since 2016, average asking rents in the submarket have increased by 10.7 percent, keeping pace with inflation during that period.[31]

MARKET RATE MULTIFAMILY RESIDENTIAL ASKING RENT

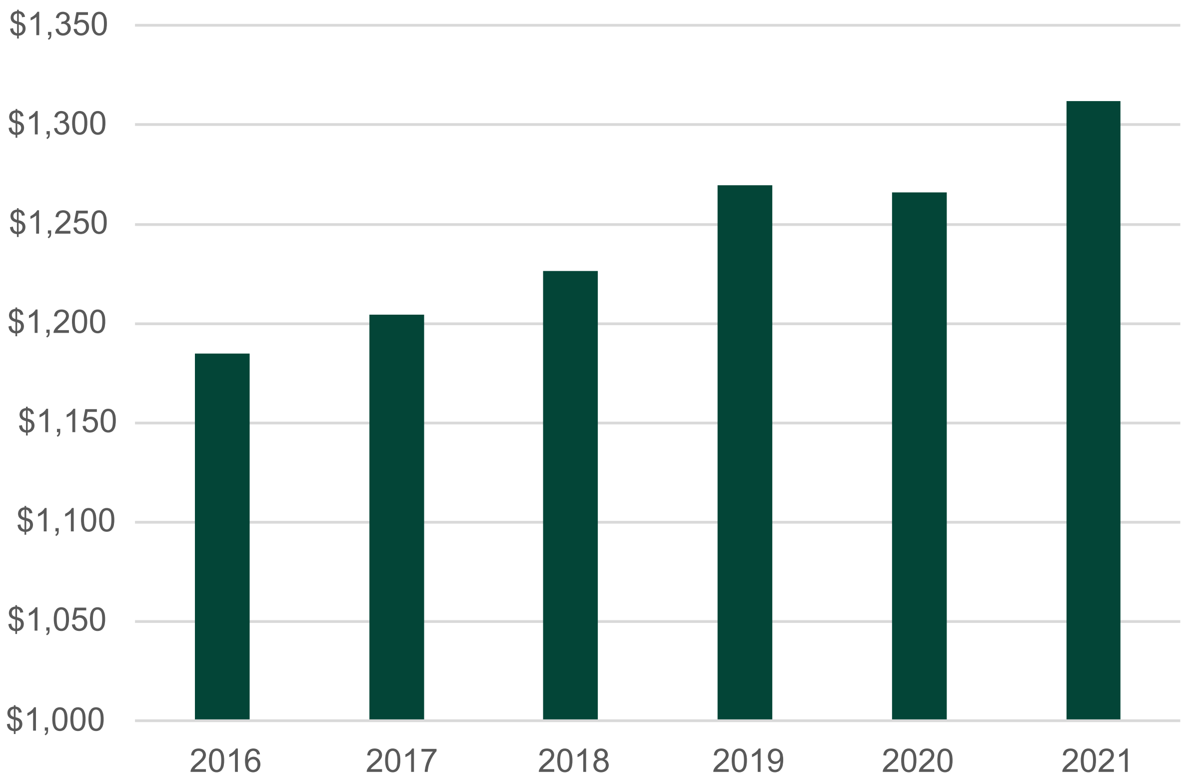


Figure 8. Market Rate Multifamily Residential Asking Rent

30 REIS, 2022.

31 REIS, 2022.

Overall activity in the submarkets since 2016 has been low. Historically, vacancies remain consistently low, hovering at about 3 percent. In 2019, 571 units were delivered adjacent to Branch Avenue Metro Station, most of which were absorbed the same year;[32] this, coupled with higher asking rents near Metro stations, indicates strong demand and high performance of newer, Metro-adjacent properties.

The low vacancies, coupled with fast absorption of new Metro-adjacent properties, indicate there are few places available for people looking for quality rental apartments in the area.[33] This represents an opportunity for future Metro-adjacent properties to draw new residents to the area.

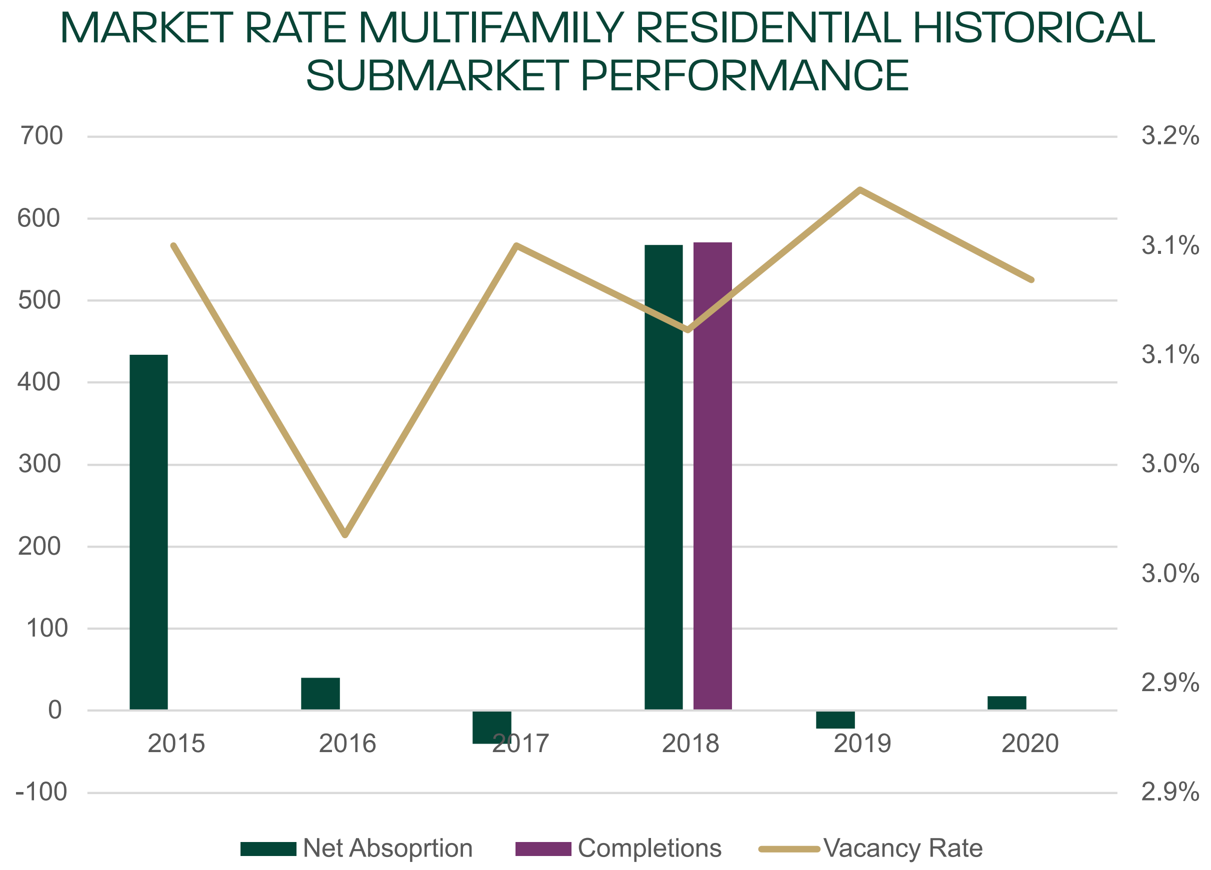


Figure 9. Market Rate Multifamily Residential Historical Submarket Performance

32 REIS, 2022.

33 REIS, 2022.

BRANCH AVENUE RESIDENTIAL DEMAND CONCLUSION

Overall, the residential market in the area is healthy and bullish, demonstrated by the robust single-family home development pipeline. However, there is a gap in quality multifamily rental options. The areas in the north of Branch Avenue, especially around the two Metro stations, represent ideal opportunities to fill that void and take advantage of a strong residential market.

The following analysis projects the total number of rental apartment units that could be supported in the Branch Avenue Corridor over the next five and ten years under two scenarios.

Table 2. Residential Demand

	Residential Demand	
	Scenario 1 50% Capture	Scenario 2 75% Capture
2027	720 units	1,000 units
2032	1,600 units	2,500 units

Scenario 1

The first scenario is more conservative and assumes that the Branch Avenue Corridor will capture 50 percent of all latent demand that exists within the overall submarket. The corridor will compete with rental apartment projects in Suitland, Capitol Heights, and the apartments planned for Westphalia.

After accounting for the development pipeline, the Branch Avenue Corridor can support the residential demand of an additional 720 multifamily units in five years. That demand grows to 1,600 units in ten years.

Scenario 2

The second scenario represents a more competitive assumption, showing residential demand if the Branch Avenue Corridor can capture 75 percent of overall demand in the submarket. This scenario demonstrates how a competitive, unique, and high-quality apartment offering, with robust community amenities, can outcompete other apartment developments in the overall submarket.

If Branch Avenue can outcompete the rest of the submarket with a quality residential offering, the total demand for additional rental apartments will increase to 1,000 units in five years, growing to 2,500 units in ten years.