GTEP Advisors

The Capital Region Land Reset

Acquiring entitled development sites at a third of pre-pandemic basis through discounted note purchases in the Washington, D.C. metro area

A six-year repricing — hybrid work, federal contraction, a rate regime, and a regulatory turn — has left the Washington region's development land trading below the cost of the entitlements attached to it. The equity that funded those sites is gone; the debt is not. This paper argues that the note, rather than the land, is where that basis can be acquired, and sets out a structure for doing it.

GTEP ADVISORS / WHITE PAPER / SUMMER 2026

> PREPARATION NOTE This paper was researched, drafted, and produced in concert with generative artificial intelligence tools. The strategy, the analytical framework, and the conclusions are those of GTEP Advisors. Market data and third-party figures are attributed in Section 10 and should be independently verified before reliance; the illustrative economics rest on the assumptions stated in Sections 05 and 07 and remain subject to confirmatory diligence.

EXECUTIVE SUMMARY

Executive summary

Between 2020 and 2026 the Washington metropolitan area absorbed four shocks in sequence. Hybrid work permanently removed a share of office demand and drove District vacancy from 14.1% at year-end 2019 to 22.6% by the first quarter of 2026.[1] A rate regime shift repriced every long-duration asset in the market. A federal workforce contraction cost the region more than 63,000 federal positions since the start of 2025 and 100,500 jobs in total over the twelve months through May 2026 — the lowest federal headcount in thirty years.[2] And a regulatory turn — Montgomery County's rent stabilization ordinance,[3] a proposed District-wide rent freeze,[4] and a decisive leftward shift in District politics, confirmed in June 2026 when a self-described democratic socialist won the Democratic mayoral primary alongside a slate of progressive Council candidates[5] — made the region's residential development math unfinanceable for institutional capital.

The clearest evidence sits in Montgomery County. After Bill 15-23 took effect in July 2024, quarterly multifamily permits fell from 555 in the first quarter of 2024 to seven in the first quarter of 2025 — a 97% collapse. Over the following five quarters the county permitted roughly 610 units, essentially none of them market-rate, while neighboring jurisdictions permitted thousands.[3]

Land is the residual claimant. A development site is worth whatever remains after construction cost, financing cost, and a developer's required return are subtracted from stabilized value. When no institutional developer will underwrite projects in a jurisdiction, that residual does not decline gracefully — it approaches zero. Sites in Bethesda, Silver Spring, and parts of the District that cleared at $125 per buildable square foot before the pandemic now transact between $40 and $60, if they transact at all.[6]

That basis is not available in the land market, because there is no land market. It is available in the note market. Land and pre-development loans are the worst asset a bank can carry: no cash flow, no amortization, no appraisal support, punitive capital treatment, and examiner attention in every cycle. Sponsors are underwater by multiples of remaining value and are not curing. Banks that spent 2023 through 2025 extending are now selling into a market with roughly $875 billion of commercial real estate maturities scheduled in 2026 alone, of which only an estimated half to fifty-five percent of the comparable 2025 vintage was paid off at maturity.[7,8]

The strategy. Acquire first-position notes secured by entitled or entitlement-ready development parcels in the Washington region at a discount to current appraised value. Resolve to title through deed-in-lieu, consensual foreclosure, or negotiated restructuring. Capitalize each position with a fully funded five-year carry reserve so that no position ever faces a maturity, a capital call, or a forced sale. Then hold the optionality to develop or to sell into a recovering land market.

The mispricing, stated plainly. In Montgomery County, new construction is exempt from rent stabilization for twenty-three years, yet land is being priced as though the regulation applies to the building that would be built on it. It does not.[3] In the District, the measure that drove capital out — Initiative 88, a blanket freeze on residential rents — did not pass and did not qualify for the November 2026 ballot, while the legislation that was actually enacted over the same period, the RENTAL Act, narrowed TOPA and tightened eviction procedure.[4] In both jurisdictions, land is being priced against a regulatory regime that either does not reach the building or has not been enacted at all. What has repriced is not the economics of new development but the willingness of institutional capital to underwrite these jurisdictions — a sentiment discount layered on top of a real one.

How land values recover from here. The regional construction pipeline ended 2025 at its lowest level in a decade, with 2026 deliveries projected below 10,000 units;[9] national multifamily starts have fallen 73% from their 2022 peak.[10] Downtown Bethesda has recorded no office construction for nine consecutive quarters, and its median home price stands near $1.3 million and rising.[11,12] Meanwhile the policy pendulum has begun to swing: the District's RENTAL Act narrowed TOPA effective December 2025, the rent-freeze initiative missed the November 2026 ballot,[4] Montgomery County's own planning department has recommended loosening the stabilization exemption,[3] and two Maryland statutes taking effect October 1, 2026 — the Housing Certainty Act and the Transit and Housing Opportunity Act — materially improve entitlement durability and transit-adjacent density.[13] Supply is being withdrawn while demand and policy both move the other way.

The rate regime is the real risk, and it is not the one being discussed. At today's capitalization rate and consensus rent growth, a developer can pay roughly $53 per buildable square foot. The discount to pre-pandemic pricing is a discount to history, not to current supportable value, and a hundred basis point rise in exit capitalization rates eliminates the residual at consensus rent growth. The 1966 to 1981 record is more encouraging than the reflex suggests — cap rates rose five hundred basis points while rents compounded near 7.9% and appreciation still averaged 5.7%[14] — but that outcome depended on rent growth outrunning construction cost inflation. In this region, with permitting collapsed and construction capacity idle, it plausibly does. Section 07 sets out the full analysis, including the case that does not work.

Illustrative economics. On the Bethesda case study in Section 05 — a site with more than $20 million of sponsor basis against a $5 million appraisal — an all-in acquisition at $46 per buildable square foot produces a 1.17x multiple over five years if land recovers only to $55, 1.60x at $75, and 2.66x on a full recovery to the $125 at which the submarket cleared before the pandemic. Executed as a ground-up development instead, the same basis supports a 6.24% yield on cost against a 5.25% exit — a development that does not pencil at a normalized land basis and does pencil at this one. The distribution of outcomes is the point: the downside returns capital, and the upside is a 21.6% five-year return requiring nothing more than a return to prior pricing.[15]

Six years of dislocation

The Washington region entered 2020 as the most defensive major real estate market in the United States. Federal employment was counter-cyclical by construction, the office market had never posted a double-digit peak-to-trough value decline, and land in the District and its inner Maryland and Virginia suburbs traded at a persistent premium to comparable metros on the strength of that stability. Six years later the premium has inverted. The sequence matters, because each shock compounded the last rather than replacing it.

2020–2022: the demand shock. Hybrid work removed a structural share of office utilization. District office vacancy, 14.1% at the end of 2019, reached 22.6% in the first quarter of 2026 and 22.2% in the second.[1] The headline rate understates the demand loss in three respects, and each matters to this thesis. First, it is measured against a shrinking denominator: the District has removed inventory continuously through office-to-residential conversion, redevelopment and demolition, and CBRE records the construction pipeline falling from more than 7.0 million square feet in 2018 to zero by the first quarter of 2026.[1] A vacancy rate that is flat while the numerator and the denominator both fall is not a stabilizing market. Second, the flat headline masks eighteen consecutive quarters of negative net absorption averaging roughly 419,000 square feet each.[11] Third, the loss is concentrated in exactly the product these sites would replace: Class B vacancy stood at 24.0% in the first quarter of 2026 against Trophy vacancy of 16.7%, and 12.4% for Trophy space in the CBD and East End.[16] Reported vacancy also varies by roughly four percentage points across the major brokerage series depending on inventory definition — 19.0% to 22.6% for the same quarter[1,16,17] — which is itself a reason to underwrite the absorption record rather than the headline. The market did not lose demand uniformly. It lost demand for everything that was not new.

2022–2024: the rate shock and the extend-and-pretend interval. The move in base rates repriced every capitalization rate and every construction budget simultaneously. Rather than realize losses, lenders extended. Bank-held delinquency statistics stayed deceptively benign — roughly 1.3% into late 2025[18] — because modification, not resolution, was the industry's operating mode. Securitized debt, which cannot extend as quietly, tells the truer story: the CMBS office delinquency rate reached a record 12.34% in January 2026, and the office delinquency rate across rated private-label CMBS rose 156 basis points in that single month to 13.9%.[19] The consequence was to defer the maturity wall into 2026 and 2027 rather than clear it.

2025–2026: the federal shock. The reduction in federal employment struck the one variable the region had always been able to underwrite. Regional federal employment fell from roughly 375,800 positions at the start of 2025 to 312,500 by May 2026, a decline of more than 63,000 and the lowest level in three decades. Total metropolitan-area job losses reached 100,500 over the twelve months through May 2026.[2] The second-order effects — professional services contraction, GSA footprint reductions, small-business and retail attrition — are still working through the system.

2023–2026: the regulatory turn. The final shock was jurisdictional and political rather than economic, and it is the one that separates the Washington region from other repriced markets. It is treated separately below because it is the shock that specifically destroyed land value, and the one most likely to reverse.

/ 02 — THE REGULATORY REPRICING AND ITS MECHANISM

The regulatory repricing and its mechanism

Three jurisdictions inside one metropolitan labor market now operate under materially different rules for the same asset class. Capital has responded to the most restrictive of them by withdrawing from the region as a whole — a category error that is the source of the opportunity.

REGULATORY REGIMES ACROSS THE CAPITAL REGION · SUMMER 2026

JURISDICTION	CURRENT REGIME	DIRECTION OF TRAVEL
Montgomery County, MD	Bill 15-23 caps annual increases at the lesser of CPI-U plus 3% or 6% (5.2% for FY2027). Rolling 23-year exemption for new construction.	County planning department has recommended replacing the rolling exemption with a fixed 2002 cutoff. Council deliberation ongoing.
District of Columbia	RENTAL Act (L26-0080) effective December 31, 2025 narrowed TOPA and reformed eviction procedure. Initiative 88 rent freeze missed the November 2026 ballot on July 6, 2026.	Initiative 88 deferred to a possible spring 2027 special election; litigation and the FILTER Act both remain live. Mayoral and Council transition January 2027 under a democratic socialist mayor-in-waiting.
Northern Virginia	No rent regulation. Dillon Rule constrains local authority to impose it.	Stable. Continues to attract the marginal regional development dollar.

Sources: Montgomery County DHCA and Planning Department; D.C. Board of Elections; Ballard Spahr legal alerts, May and July 2026. See notes 3, 4 and 5.

The Montgomery County evidence. Bill 15-23 was enacted in July 2023 and became operative in July 2024. Multifamily permitting in the county fell from 555 units in the first quarter of 2024 to seven in the first quarter of 2025. Across five subsequent quarters the county permitted approximately 610 units, and industry groups report that essentially all of them were tied to subsidy or tax-abatement structures rather than private market-rate investment. Over the same interval, adjoining jurisdictions in Virginia, Maryland, and the District permitted thousands of units. The county's own planning department, after surveying developers, concluded that the ordinance has had a chilling effect and recommended amendment. Roughly 26,900 approved but unbuilt units now sit in the county's pipeline.[3]

Why the twenty-three-year exemption did not prevent this. New construction is exempt from the cap for twenty-three years. On paper that should have been sufficient. In practice, the exemption is rolling rather than fixed, which means every building has a known date on which it becomes regulated — and that date sits inside the terminal-value assumption of every institutional underwriting. A merchant developer selling in year five prices the buyer's exit; the buyer prices theirs; and the regulatory date propagates backward through the chain into today's residual land value. The exemption protected operations. It did not protect capitalization.

The mechanism, stated formally. Land value in a development context is a residual: stabilized value, less hard and soft cost, less financing cost, less the developer's required profit. Because land is the smallest term in that equation, it absorbs the full variance of every other term. A 10% reduction in achievable rents combined with a 15% increase in construction cost and a 100 basis point widening of required yield on cost does not reduce residual land value proportionally — it can eliminate it entirely. This is the arithmetic behind a 55% to 65% decline in transacted land pricing in a market where home prices in the same submarket are flat to rising.[6,12]

The District case is different, and is being priced as though it were not. Initiative 88 — a blanket two-year freeze on residential rents across all existing and new multifamily, with an automatic twelve-month re-freeze whenever regional CPI exceeds 5% — would have been the most restrictive measure of its kind in a major U.S. market. It did not pass. It missed the July 6, 2026 deadline to qualify for the November general election, blocked by litigation from an industry coalition. It is not dead: the earliest it could reappear is an expected spring 2027 special election, and its proponents would need roughly 24,000 valid signatures across at least five of eight wards. But it now faces a pending lawsuit, a proposed single-subject rule under the FILTER Act that its seven distinct subject matters would likely fail, a Chief Financial Officer finding that funds are insufficient to implement it, and a Council backstop that can decline to appropriate. Meanwhile the District's enacted legislation over the same period moved the other way: the RENTAL Act narrowed TOPA's reach with new exemptions for recent construction, LIHTC properties, and small landlords, and tightened eviction procedure.[4]

The political direction, however, is genuinely adverse, and it is what capital is actually pricing. On June 16, 2026, Ward 4 Councilmember Janeese Lewis George won the Democratic mayoral primary with roughly 53% of first-place votes against 37% for the more moderate Kenyan McDuffie, who conceded two days later. In a city where the Democratic primary is effectively determinative, she will succeed Muriel Bowser in January 2027 as the District's first self-described democratic socialist mayor. The result was not isolated: progressive and Democratic Socialists of America-aligned candidates won the delegate nomination, the open at-large Council seat, and the Ward 1 seat in the same cycle, and practitioners tracking District government have characterized the outcome as a decisive shift in the Council's center of gravity.[5] Her stated housing platform pairs measures capital reads as adverse — strengthening and expanding rent stabilization, and restoring and broadening TOPA — with measures it reads as favorable, including legalizing high-density mixed-use development near Metrorail and bus corridors and on publicly owned land in service of a 72,000-unit five-year production target. Her senior advisers have declined to rule out any specific instrument, including a rent freeze.[20] The honest reading is that District regulatory risk has risen and the range of outcomes has widened. It is also true that the District's Home Rule structure, congressional budget oversight, the Council's own composition, and the Chief Financial Officer's certification requirement all constrain unilateral action, and that the mayor-in-waiting has publicly identified restrictive zoning rather than tenant protection as the binding constraint on production.[20]

The reasonable conclusion is that the District is pricing an enacted regime that has moved in developers' favor and a political regime that has moved against them, and is capitalizing the second while ignoring the first — while Montgomery County is pricing an enacted ordinance that its own planners have recommended amending. Neither is priced to its facts. That is a wider distribution of outcomes than a single land price can express, which is precisely why entry basis, rather than a policy forecast, is the defence.

/ 03 — WHERE THE DISTRESS SITS

Where the distress sits

The distress in this market is not primarily in stabilized assets. It is in the loans against undeveloped and pre-development parcels — the exposures that were underwritten in 2021 and 2022 against a rent, cost, and regulatory environment that no longer exists.

The lender's position is uniquely bad. A land or pre-development loan generates no cash flow to service interest, has no amortization, produces no operating statement against which to test value, and is supported only by an appraisal that is itself derived from a comparable set that has stopped trading. When the appraisal resets by more than half, the loan is instantly and visibly impaired with no offsetting narrative. There is no lease-up story, no bridge-to-agency exit, and no borrower cash flow to negotiate against. Within a bank's construction and development concentration — the category examiners scrutinize most closely — these are the exposures with the least defensible carrying value.

The borrower is not coming back. The sponsors who assembled these sites are underwater by multiples of remaining value. In the case study below, more than $20 million of sponsor capital stands behind an asset appraised at approximately $5 million. No rational sponsor contributes fresh equity into that position, and few have the liquidity to do so after four years of carrying costs at default rates. The guarantors are often impaired across a portfolio of similar positions.

The extension cycle has ended. Roughly $875 billion of commercial real estate debt is scheduled to mature in 2026 against $5.0 trillion outstanding, much of it the product of prior modification; industry estimates put the share of the $957 billion 2025 cohort that actually paid off at maturity at only half to fifty-five percent, with the remainder extended into the 2026 and 2027 calendars.[7,8] Total distressed commercial real estate volume reached $126.6 billion in the third quarter of 2025, up 18% year over year, with office the largest component.[21] Securitized office delinquency reached a record 12.34% in January 2026.[19] Banks that deferred resolution through 2023 and 2024 are now disposing, and note sales — which convert a criticized asset into cash in a single quarter without the reputational and timeline burden of foreclosure — are the preferred mechanism.

There is regional precedent for the exit. In August 2025 a joint venture between MRP Realty and Prime Finance acquired Bethesda Crescent, a four-property, 287,529-square-foot downtown Bethesda office portfolio, through foreclosure and without brokerage involvement.[22] Transactions of this shape — credit-side acquisition, direct negotiation, off-market — are the operative comparable for this strategy, not the marketed land sales that have largely ceased.

/ 04 — THE STRATEGY: BUYING BASIS THROUGH THE NOTE

The strategy: buying basis through the note

Why the note and not the asset. Three reasons. First, price: a bank disposing of a criticized construction and development exposure is selling a regulatory problem, and prices to exit rather than to value, which is not true of an owner selling a fee interest. Second, control: the first-position note carries the remedies — foreclosure, receivership, and the leverage to negotiate a consensual deed-in-lieu — that convert a discount into title. Third, absence of competition: the buyer universe for a $10 million non-performing land note in a jurisdiction institutional capital has publicly exited is measured in single digits, whereas a marketed land parcel draws whatever residual bid exists.

The four-step execution. Each position follows the same sequence. Source the note directly from the holding institution or its special-assets group, generally off-market and frequently through the regional brokerage relationships that see the paper before it is packaged. Underwrite the collateral to a development residual under current-cost, current-rent, and current-regulation assumptions, and underwrite the loan file independently — title, lien position, mechanics' lien exposure, tax status, environmental condition, and entitlement standing. Resolve to title through the fastest available path, ordinarily a negotiated deed-in-lieu with a release, and consensual foreclosure or receivership where it is not. Then capitalize the position with a fully funded five-year reserve covering taxes, insurance, entitlement maintenance, and administration, so that the hold period is a decision rather than a constraint.

Why the fully funded reserve is the structural point. Every land investment that has failed in this cycle failed on time, not on price. Sponsors bought reasonable basis and then encountered a maturity, a capital call, or a lender who would not extend, and were forced to sell into the same illiquidity that created the opportunity. Funding the carry to a five-year horizon at close removes the only mechanism by which this strategy can be forced into a bad exit. It converts land — normally the most fragile position in real estate — into a position that cannot be taken away from its holder.

REPRESENTATIVE ACQUISITION PARAMETERS

PARAMETER	TARGET PROFILE
Instrument	First-position notes and participations secured by land or pre-development collateral; selective fee acquisitions where the credit path is unavailable
Geography	District of Columbia; Montgomery and Prince George's Counties, MD; inner Northern Virginia. Transit-proximate and entitlement-advanced sites prioritized
Collateral	Entitled or entitlement-ready parcels with a defined residential or mixed-use program; no environmentally impaired or litigation-encumbered sites
Acquisition basis	50–70% of current as-is appraised value; 20–40% of unpaid principal balance; target all-in basis at or below 40% of pre-pandemic land pricing
Position size	$3–12 million all-in per position; 10–14 positions per vehicle
Capitalization	All-cash acquisition; five years of taxes, insurance, entitlement maintenance, and administration fully reserved at close; no acquisition leverage at the asset level
Hold	Three to five years, with extension optionality; exit by land sale, joint-venture contribution, or self-developed ground-up execution

Parameters are representative of the target underwriting profile and will vary by transaction. Source: GTEP Advisors underwriting framework. See note 15.

Optionality is the return driver, not the recovery assumption. The position does not require a view on when the land market reopens. At exit each site can be sold to a merchant developer, contributed into a joint venture with a capital partner in exchange for a promoted interest, or built. The decision is made in year three or four with four additional years of rent, cost, and policy data in hand — the opposite of the position every 2021 vintage land buyer is in today. Basis low enough to survive the downside is what purchases that optionality.

/ 05 — CASE STUDY: A DOWNTOWN-ADJACENT BETHESDA SITE

Case study: a downtown-adjacent Bethesda site

The following is drawn from a live opportunity under review and is presented on an anonymized basis. All figures are illustrative and subject to confirmation through diligence.[15]

The situation. A transit-proximate parcel in downtown Bethesda with approximately 100,000 square feet of approved buildable area, supporting a program of roughly 105 residential units. The sponsor assembled and entitled the site beginning in 2021 and has more than $20 million of capital invested. The senior loan has been extended and now accrues at 12%. The current as-is appraisal is approximately $5 million — $50 per buildable square foot, against a pre-pandemic comparable basis of $125. The lender has signaled a willingness to transact on the paper.

ACQUISITION AND CAPITALIZATION

ITEM	AMOUNT	PER BUILDABLE SF
Note acquisition (68% of appraised value)	$3,400,000	$34.00
Resolution: deed-in-lieu, title, transfer, legal	$350,000	$3.50

ITEM	AMOUNT	PER BUILDABLE SF
Diligence: appraisal, environmental, survey, planning	$100,000	$1.00
Five-year carry reserve, fully funded at close	$750,000	$7.50
Total capitalized basis	**$4,600,000**	**$46.00**

Sponsor basis of $20,000,000 equates to $200 per buildable square foot. Acquisition basis represents a 77% discount to that figure and a 63% discount to pre-pandemic land pricing of $125.

EXIT A · LAND SALE TO A MERCHANT DEVELOPER, YEAR FIVE

SCENARIO	EXIT $/BSF	NET PROCEEDS	MOIC	IRR
Downside — minimal recovery	$55	$5,390,000	1.17x	3.2%
Mid — partial recovery	$75	$7,350,000	1.60x	9.8%
Upside — full recovery to pre-pandemic	$125	$12,250,000	2.66x	21.6%

Net proceeds after 2% disposition costs. Unlevered; no asset-level acquisition debt. Single terminal cash flow at month sixty.

Read the distribution, not the midpoint. The downside case is not a loss — at $55 per buildable square foot, five dollars above today’s appraisal, the position returns 1.17x and roughly recovers its capital in real terms. The mid case at $75 returns 1.60x, which is a respectable land-banking outcome but not an opportunistic one. The upside case does the work: a return to the $125 at which this submarket cleared before the pandemic produces 2.66x and a 21.6% five-year return, and requires no assumption beyond mean reversion in a market where nothing is being built. That asymmetry — capital preserved on the downside, a doubling and a half on the upside — is the shape a distressed strategy should have.

EXIT B · SELF-DEVELOPED GROUND-UP EXECUTION

LINE	AT ACQUIRED BASIS	AT MID-CASE LAND BASIS
Land basis	$4,600,000	$7,500,000
Hard and soft cost at $340/gsf	$34,000,000	$34,000,000
Total project cost	$38,600,000	$41,500,000
Stabilized net operating income	$2,410,000	$2,410,000
Yield on cost	6.24%	5.81%
Value at 5.25% exit capitalization	$45,910,000	$45,910,000
Development profit	$7,310,000	$4,410,000
Profit margin on cost	**18.9%**	**10.6%**

105 units at an average 850 net rentable square feet; $3.75 per square foot monthly at stabilization; 6% vacancy and concession allowance; operating expenses including real property taxes at $14,500 per unit. Assumptions require site-specific confirmation.

The comparison in the right-hand column is the entire argument. At the mid-case land basis of $75 the project produces a 10.6% margin on cost and a 5.81% yield against a 5.25% exit — a development no institution would fund, which is precisely why nothing is being built in Montgomery County. At the acquired basis the same building, with the same rents, the same costs, and the same exit assumptions, produces an 18.9% margin and roughly a 100 basis point development spread. The land discount is not merely a return enhancement. It is the difference between a project that is financeable and one that is not.

And the building itself is unregulated. A unit delivered in 2029 or 2030 is exempt from Montgomery County rent stabilization until the early 2050s. The regulation that destroyed the land value does not touch the asset the land produces for a generation. The market has capitalized a twenty-three-year-forward regulatory event into a present-day land price at close to a total loss.

/ 06 — HOW LAND VALUES RECOVER FROM HERE

How land values recover from here

A basis-driven strategy still requires a plausible path to a higher clearing price. Four independent forces point the same direction, and only the upside case requires a full return to pre-pandemic conditions.

Supply has been withdrawn on a scale without modern precedent. National multifamily starts fell to approximately 55,000 units in the first quarter of 2026 — the lowest quarterly figure since 2011 and 73% below the early-2022 peak — and the national pipeline has contracted more than 50% from its 2023 high to roughly 579,000 units.[10] Regionally, the Washington construction pipeline ended 2025 at its lowest level in a decade with 2026 deliveries projected below 10,000 units.[9] Suburban Maryland has had no office construction underway for nine consecutive quarters.[11] Deliveries in 2027 and 2028 will be a fraction of the 2024 record. Whatever demand exists in 2029 will meet a supply base that stopped growing in 2025.

Demand in the target submarkets never left. The federal contraction is a genuine regional headwind and should not be minimized. But it is not evenly distributed, and it is not a housing-demand story in the submarkets this strategy targets. The median Bethesda home price stood near $1.3 million in mid-2026, up 3.1% year over year, with homes selling in nineteen days.[12] District Trophy vacancy fell 220 basis points to 8.8% in the first quarter of 2026 with a small number of assets asking above $100 per square foot, and the District recorded its first quarterly occupancy gain in several periods in the second quarter of 2026.[1,17] The region is bifurcating, not collapsing, and the bifurcation favors new, well-located product — which is what these sites produce.

The policy pendulum has already begun to swing. Four developments in the last eight months point the same way. The District's RENTAL Act narrowed TOPA effective December 2025. Initiative 88 failed to qualify for the November 2026 ballot and faces litigation, a likely-fatal single-subject rule, and a Council appropriation backstop.[4] Montgomery County's planning department, following a developer survey, formally recommended converting the rolling twenty-three-year exemption to a fixed 2002 cutoff.[3] And in July 2026 the outgoing District administration introduced the Housing Investment Protection Act, explicitly framed around making the District attractive to build in again.[4] There is a supply-side argument on the incoming administration's side of the ledger as well: the District's share of new regional multifamily projects fell from nearly half in 2019 to roughly 18% by 2024, and the mayor-in-waiting has made reversing that the organizing goal of a 72,000-unit production target built on transit-oriented upzoning.[20] Regulatory cycles in housing are mean-reverting for a structural reason: a permitting collapse produces a supply shortage, and a supply shortage produces political pressure to build.

Maryland has legislated directly into this thesis. Two statutes signed May 26, 2026 take effect October 1, 2026. The Maryland Housing Certainty Act of 2026 provides that a housing development application is governed only by the laws and regulations in effect at the time a complete application is submitted, vests the approved use for at least five years, and defers collection of development impact fees and excise taxes until construction is complete — the single most valuable protection an entitled land position can have, and one that materially raises the value of holding entitlements through a policy transition. The Maryland Transit and Housing Opportunity Act of 2026 designates qualifying transit-oriented development areas as Enterprise Zones, prohibits certain local minimum-parking requirements within a quarter-mile of an active rail station, and is estimated to unlock at least 300 acres of station-adjacent land supporting more than 7,000 housing units and nearly $1.4 billion of state and local investment.[13] Transit-proximate entitled sites in Montgomery County are the direct beneficiaries.

What each scenario actually requires. The downside case assumes land recovers by ten percent from today's appraisal over five years — less than inflation, and materially worse than any observed Washington-area land cycle. The mid case assumes recovery to $75, roughly 37% of the distance back to prior pricing, which is consistent with a market that stabilizes but does not re-rate. The upside case assumes a full return to $125 in five years. Given a supply pipeline at a decade low, a Bethesda housing market at record prices, and two Maryland statutes taking effect that make entitled land more valuable, the upside is not the aggressive case. It is the case in which the market simply works.

/ 07 — THE RATE REGIME AND WHAT IT DOES TO THE EXIT

The rate regime and what it does to the exit

The recovery case above assumes a capitalization rate environment no worse than today's. That assumption deserves to be attacked, because the inflation picture has turned. Core PCE ran 3.1% in January 2026, the effective tariff rate has moved from roughly 2.1% to near 11.7%, energy prices have risen on the conflict with Iran, and a sitting Federal Reserve governor described inflation in July as near its highest level since 2023. The Federal Open Market Committee has held at 3.50% to 3.75% through mid-2026, but the April minutes recorded a market-implied probability of a hike by the first quarter of 2027 of roughly 30%, and at least one major dealer has moved its house view from holds to three increases.[23] A higher-for-longer or higher-from-here regime is no longer a tail case, and for a strategy whose entire return is terminal value it is the single largest threat to the exit.

The forty-year model is the wrong model. Almost every underwriting standard in use today was formed between 1982 and 2023, a period of continuous disinflation during which capitalization rates fell to a record low near 4.6%. Practitioners trained in that regime carry an unexamined assumption that rising rates mechanically raise cap rates and destroy real estate values. The 1966 to 1981 record says something more complicated, and it is the more relevant analogue.

TWO REGIMES

PERIOD	CAPITALIZATION RATES	RENT GROWTH	SPREAD TO 10-YEAR	APPRECIATION
1966–1981 — rising rates	Rose from 8.4% to 13.4%	7.9% per annum	Negative, near −280 bps	5.7% per annum
1982–2023 — falling rates	Fell to a record low near 4.6%	Lower	Positive throughout	Driven by compression

Sources: NCREIF and Federal Reserve series as compiled by Crow Holdings Capital and by industry research on pre-1980 performance. Figures are directional and drawn from third-party research rather than independently reconstructed. See note 14.

Cap rates rose by less than nominal yields, not more. Through the inflationary period, capitalization rates climbed roughly five hundred basis points while nominal bond yields climbed further, and the spread between cap rates and the ten-year Treasury inverted — averaging something close to negative two hundred and eighty basis points. Investors accepted a running yield below the risk-free rate because they were underwriting rent growth, which delivered: rents compounded at about 7.9% annually. Appreciation still averaged roughly 5.7% a year.[14] Inflation did not destroy real estate. It destroyed leveraged owners facing maturities and owners who had paid for a cap rate that did not survive.

The distinction that matters is why rates rise, not how far. If nominal rates rise because inflation expectations rise and real rates stay flat, values hold up reasonably well, because the same inflation lifts net operating income and replacement cost. If real rates rise — policy tightening beyond what inflation alone requires — that is a direct increase in required returns with no offsetting income benefit, and values fall hard. The 2022 through 2024 repricing was substantially real-rate driven, which is why it was so severe. A genuine 1970s repeat would be more inflation-driven and therefore, counterintuitively, less damaging to a well-bought real asset.

Land is not a building, and this is where we must be candid. A stabilized asset in an inflationary regime has income that rises with prices. A development site has none. It is a residual — stabilized value less construction cost less required profit — and because land is the smallest term in that equation, it absorbs the entire variance of every other one. The same arithmetic that produced today's entry price works against us if capitalization rates rise, and it works with severe operating leverage. The table below sets out what a merchant developer could pay for this site at exit under different rate and rent outcomes, with construction cost inflating at 3% a year.

SUPPORTABLE LAND VALUE AT EXIT ($ PER BUILDABLE SF), FIVE-YEAR HOLD

EXIT CAP RATE	RENTS +2%	RENTS +3%	RENTS +5%	RENTS +7.9%	RENTS +10%
4.75% — rates fall	$69	$92	$141	$219	$281
5.25% — today	**$32**	**$53**	**$98**	**$170**	**$227**
6.25% — moderate tightening	nil	nil	$30	$92	$141
7.25% — 1970s-style	nil	nil	nil	$33	$76
8.25% — severe	nil	nil	nil	nil	$25

Required yield on cost is set 100 basis points above the exit cap rate. Construction cost inflates at 3% annually from $340 per gross square foot. "Nil" means the residual is zero or negative — the site does not trade at any price. The example transaction basis is $46. The 7.9% column is the average annual rent growth recorded across the 1966–1981 rising-rate period.[15]

Read the second row first, because it is the honest one. At today's capitalization rate and consensus rent growth, a developer can pay roughly $53 per buildable square foot. The example transaction basis is $46. That is the uncomfortable truth this paper has to state plainly: the 63% discount is a discount to pre-pandemic pricing, not to what the site is worth to a rational buyer at current rates and current rents. Those are different things. Every dollar of return above that basis depends on rent growth outpacing construction cost inflation, and a hundred basis points of cap rate expansion eliminates the residual entirely at consensus rent growth. This is the real risk in the strategy, and it is larger than the regulatory risk that gets all the attention.

Which means the variable to watch is construction cost, not the cap rate. Holding rent growth at 5%, supportable land falls from $152 per foot with flat construction costs to $58 at 5% cost inflation and to $15 at 7% — at an unchanged 5.25% cap rate.[15] Cost inflation, not the discount rate, is what destroys land value in an inflationary regime. That is precisely what happened in the 1970s, when construction was booming and input costs compounded alongside rents.

The regional situation today is the opposite: Montgomery County permitted seven multifamily units in the first quarter of 2025 and roughly 610 over the following five quarters,[3] national multifamily starts are 73% below their 2022 peak,[10] and suburban Maryland has had no office construction underway for nine consecutive quarters.[11] Subcontractor and labor capacity in this market is idle. Regional construction cost inflation should therefore run below headline inflation, which is the single most important assumption in the strategy and the one that must be re-tested with live general contractor pricing every year of the hold.

But developers did build through the 1970s and 1980s, which deserves an answer. It is the obvious objection, and the answer comes in three phases. In the first — 1979 through 1982, when rates actually spiked — they did not build. Multifamily starts fell from 587,000 in 1978 to 390,000 in 1981, total housing starts fell from 2.0 million in 1978 to 1.06 million in 1982, the lowest since the 1940s, and the thirty-year mortgage averaged 16.6% in 1981 with an October peak above 18%.[24,25] High rates did not produce clever development. They stopped it. That is the honest precedent for a rate shock, and it is the phase most relevant to a five-year hold.

In the second phase the tax code did the work, not the rent roll. The Economic Recovery Tax Act of 1981 shortened the depreciation life of rental housing from thirty-two years to fifteen and front-loaded the recovery, against a top marginal rate of 50% and fully deductible interest. Highly leveraged projects threw off large early paper losses that investors could set against ordinary income. Multifamily starts went from 390,000 in 1981 to roughly 670,000 by 1985 — levels not reached since — in the teeth of double-digit mortgage rates.[24,26] The return on those projects came substantially from sheltering income, not from net operating income. It was not a demonstration that development pencils at high rates. It was a demonstration that a large enough tax subsidy can override the rate math.

The third phase is the one to remember. The Tax Reform Act of 1986 restored a 27.5-year depreciation life, introduced the passive loss rules, and cut the top individual rate to 28%. The subsidy vanished and so did the construction: starts fell from roughly 576,000 in 1985 to 138,000 by 1991, a 76% decline, the savings and loan system that had financed it failed, and regulators forced banks to liquidate commercial real estate portfolios into a market with no bid.[24,26] By 1992, in Boston, capitalization rates had reached 12%, buildings were valued below their replacement cost, and the implied value of the land underneath them was negative.[14] Not depressed — negative.

THEN AND NOW

	1981	1985	TODAY
Federal funds rate	19% peak	About 8%	3.50–3.75%
Thirty-year mortgage, annual average	16.6%	About 12%	About 6.2%
Capitalization rate	13.4%	—	5.25%
Stabilized value as a multiple of NOI	7.5x	—	19.0x
Multifamily starts	390,000	670,000	About 220,000
Residential depreciation life	15 years	15 years	27.5 years
Top marginal individual rate	50%	50%	37%

Cap rate series and 1985 policy rates are directional estimates drawn from third-party research; starts, tax parameters, and mortgage rates are from Census, HUD, Federal Reserve and Freddie Mac series. Today's starts figure annualizes the first quarter of 2026. Value multiple is the reciprocal of the capitalization rate. See notes 14, 23, 24, 25 and 26.

Which inverts the intuitive answer about construction cost. The instinct is that development worked in 1981 because building was cheap. The arithmetic says the reverse. A capitalization rate of 13.4% means a stabilized building is worth 7.5 times its net operating income; at 5.25% it is worth 19.0 times. Construction cost has to fit inside that multiple, and the multiple today is two and a half times larger. Low capitalization rates are precisely what make today's expensive construction viable. On the case study, at a 5.25% exit the completed building is worth $459 per buildable square foot against $340 of construction cost, leaving $119 for land and developer profit. At a 7.09% exit those two numbers are equal and land is worth exactly nothing. At 8% the building is worth $38 per foot less than it costs to build; at the 1981 level of 13.4% it is worth $160 less.[15]

So the threshold is knowable, and it is 7.09%. That single number is the most useful output of this section. It is not a forecast; it is the point at which this specific site, with these rents and this construction cost, ceases to have any land value at all — the Boston 1992 outcome, arrived at arithmetically. It sits roughly 185 basis points above today's exit assumption. Rent growth moves it favorably and construction cost inflation moves it adversely, which is why those two variables, and not the level of rates, are what should be monitored.

And the modern mitigant that existed then does not exist now. The tax code will not rescue development this time. Depreciation is 27.5 years, passive losses are limited, and the top individual rate is 37%. If capitalization rates rise materially, development will simply stop the way it stopped in 1980, rather than continuing on subsidy the way it did in 1984. That is a genuine negative for the exit, because our buyer is a developer. It is also the mechanism that makes the supply argument in Section 06 more forceful rather than less: a market in which nothing can be built is a market in which entitled sites eventually become the scarce asset. The 1990s bore that out — but the recovery took most of a decade, not five years, which is an argument about hold period rather than about basis.

FIVE-YEAR OUTCOME BY RATE AND RENT SCENARIO, AT A DEVELOPER-SUPPORTABLE EXIT

SCENARIO	EXIT CAP	RENT GROWTH	EXIT $/BSF	MOIC	IRR
Rates fall, disinflation resumes	4.75%	3.0%	$92	1.96x	14.4%
Rates hold near today	5.25%	3.0%	$53	1.13x	2.4%
Moderate tightening	6.25%	5.0%	$30	0.64x	(8.5%)
1970s-style: rates up, rents up	7.25%	7.9%	$33	0.71x	(6.7%)
Stagflation: rates up, rents flat	7.25%	2.0%	nil	nil	total loss

Exit price is derived from what a developer could pay in each scenario rather than assumed. This is a deliberately severe test: it forces a sale at the five-year mark into whatever environment exists, with no extension. See note 15.

What the structure does about it. Four things, none of which is a forecast. The position carries no acquisition leverage and no maturity, so a bad rate environment cannot force a sale — which is the mechanism that destroyed leveraged land owners between 1979 and 1982, and the reason the scenario table above overstates the risk by requiring a sale at exactly sixty months. The carry is funded for five years with two one-year extensions, so the exit is a decision rather than a deadline. Rising rates improve the entry: they deepen bank distress, thin the competing buyer pool further, and lower the price of the next note, so the strategy deploys into the tightening rather than against it. And the position is convex — the case in which rates fall returns nearly 2x while the moderate tightening case loses roughly a third, which is a favorable asymmetry to hold unlevered.

What the structure does not survive. Sustained stagflation — capitalization rates materially higher with rents flat in real terms — takes the residual to zero and the position to a substantial or total loss. No amount of structure fixes that; only entry price does, and at some level of rate expansion no entry price is low enough. This scenario should be sized for directly rather than diversified around, and it is the strongest argument for a deal-by-deal structure with the discipline to stop deploying, over a blind-pool vehicle with capital that must be put to work.

/ 08 — RISK CONSIDERATIONS

Risk considerations

This is a concentrated, illiquid, non-income-producing strategy in a market undergoing genuine structural change. It should be underwritten as such.

Basis risk and the absence of a bid. Land is the most illiquid position in real estate and the first to lose its market. A five-year fully funded hold is designed for a market that reopens within five years; it is not designed for a ten-year winter. Concentration in a single metropolitan area with a single dominant employer under active contraction compounds this. The mitigant is basis and structure, not certainty.

The mid case is the honest planning case. A 1.60x position-level multiple over five years is a 9.8% return. Layer conventional fund-level economics on top of it — a management fee on committed capital and a compounding preferred return — and that outcome does not clear the preferred, which is why the deal-by-deal structure contemplated in Section 07 matters as much as the entry price. Anyone underwriting this strategy should be able to accept the mid case as an outcome, not merely tolerate it as a scenario. The upside is genuinely attractive and genuinely plausible; it is not the base case.

Resolution risk. A discounted note is not title. Borrowers facing foreclosure file single-asset real estate bankruptcies, and the automatic stay, cramdown exposure, and the possibility of an election under section 1111(b) can extend timelines by twelve to twenty-four months and compress recovery. Maryland foreclosure is comparatively efficient but not instantaneous. Lender-liability and equitable-subordination claims are standard defensive theatre and occasionally more than that. Every position must be underwritten to a contested outcome, not a consensual one.

Loan-file and collateral risk. Mechanics' liens under Maryland law, unpaid real property taxes, prior-position encumbrances, defective assignments, environmental conditions, and lapsed or lapsing entitlements are each capable of eliminating the discount. Entitlement decay is the most underappreciated: approvals expire, and while the Maryland Housing Certainty Act materially improves prospective durability, it does not revive what has already lapsed.[13]

Regulatory and political risk in both directions. Initiative 88 is deferred, not defeated, and could appear on a spring 2027 special-election ballot.[4] The District administration taking office in January 2027 under a self-described democratic socialist, alongside a Council that moved measurably to the left in the same cycle, may pursue a materially different housing policy than its predecessor, and its advisers have expressly declined to rule out further rent regulation.[5,20] The offsetting facts are that the incoming administration's central housing commitment is a 72,000-unit supply target built on transit-oriented upzoning, and that the District's Home Rule structure, congressional budget oversight, the Chief Financial Officer's certification requirement, and the Council's own composition all constrain unilateral action.[20] Montgomery County exposure is governed by the County Council and by Annapolis rather than by the District, and the Maryland legislative direction in 2026 has been constructive[13] — but the county has also declined to sunset its ordinance once already.

Construction cost and development-option risk. The development exit depends on a cost basis that has been moving against developers. Labor shortages, tariffs, and data-center demand are pushing construction costs higher,[27] and the case study's 18.9% margin does not survive a 15% cost increase absent offsetting rent growth. The development option should be underwritten as an option with real value, not as the base case.

Rate and inflation risk is the largest single risk to the exit. It is treated in full in Section 07 and should be read as the primary risk in the strategy rather than a secondary one. At consensus rent growth, a hundred basis points of capitalization rate expansion eliminates the developer residual that sets our exit price. The mitigants are the absence of leverage and of any maturity, the funded carry, extension optionality, and an entry price that improves as rates rise — not a view on the path of rates.

Structural risk. The strategy produces no current income; investors should expect a pronounced J-curve with no distributions until realizations begin. Returns are terminal-value dependent and therefore highly sensitive to exit timing and to the accuracy of residual land assumptions in a market with a thin comparable set — which is, in fairness, the same thinness that creates the entry price.

Nothing here is a projection. The illustrative economics in Section 05 rest on stated assumptions about achievable rents, construction cost, operating expense, exit capitalization rate, and land recovery. Each is a judgment. Reasonable people will hold different ones, and the return figures move materially with all of them.

/ 09 — CONCLUSION

Conclusion

The Washington region has spent six years absorbing shocks that were each individually survivable and collectively repriced an entire asset class. The final shock was regulatory and political, and it did something the others did not: it removed the marginal buyer of development land. With no buyer, the residual went to zero, and the debt secured by that residual became the most impaired and least defensible category on regional bank balance sheets.

That is the opportunity. The capital that created the distress is gone and is not coming back on the timeline that would compete for this paper. The institutions holding it want out and are pricing to exit. The regulation that caused the repricing does not apply to what would be built. Supply has been withdrawn at a scale that has no modern precedent, demand in the target submarkets is intact, and the policy pendulum — in Annapolis, in Rockville, and in the District — has already started back.

Basis at a third of pre-pandemic pricing, capitalized so that time is an asset rather than a liability, in a market where the buyer of last resort has become the buyer of first resort. Capital is preserved if land barely moves and multiplied two and a half times if it simply returns to where it was. The honest qualifier is Section 07: that discount is measured against history, not against what a developer can pay at today's rates, and a materially higher rate regime with flat rents would take the residual to zero. Entry price is the only defence against that, which is why the entry price is the strategy. GTEP Advisors welcomes conversations about this strategy and operating in the Washington, D.C. market.

/ 10 — SOURCES AND NOTES

Sources and notes

Superscript numerals in the text refer to the sources below. Market data is drawn from third-party sources believed to be reliable but has not been independently verified. Where a figure is directional or reconstructed from research rather than a primary series, that is stated.

01 CBRE, Washington, D.C. Office Figures, Q1 2026 and Q2 2026. Vacancy 22.6% in Q1 2026 against 14.1% at year-end 2019; 22.2% in Q2 2026; construction pipeline reduced from more than 7.0 million sq. ft. in 2018 to zero by Q1 2026.

02 U.S. Bureau of Labor Statistics, Washington–Arlington–Alexandria MSA employment series, May 2026, as reported June–July 2026; Metropolitan Washington Council of Governments, Economic Trends Dashboard. Regional federal employment 375,800 at the start of 2025 to 312,500 in May 2026; 100,500 total MSA jobs lost May 2025 to May 2026, of which 54,500 federal.

03 Montgomery County Department of Housing and Community Affairs; Montgomery County Planning Department rent stabilization implementation review and developer survey, 2025–2026; Montgomery County Bill 15-23. Permit counts and the 26,900-unit approved-but-unbuilt pipeline are as reported by the Planning Department and regional industry associations.

04 D.C. Board of Elections, Initiative 88 qualification record, July 6, 2026; Council of the District of Columbia, RENTAL Act (L26-0080), effective December 31, 2025; Housing Investment Protection Act, introduced July 2026; Ballard Spahr, D.C. and Capital Region multifamily legal alerts, May and July 2026.

05 Associated Press, NBC News, PBS NewsHour and The Washington Post reporting on the D.C. Democratic primary, June 16–19, 2026 (Lewis George 53% to McDuffie 37%; concession June 18); The 51st, certified ranked-choice results, June 2026; ArentFox Schiff, “DC Primary Elections Results Signal Likely Shift to More Progressive Government,” June 2026.

06 GTEP Advisors analysis of regional land transactions and appraisals, 2019–2026, together with regional brokerage transaction reporting. Pre-pandemic comparable basis of $125 per buildable square foot and the $40–60 current range are drawn from submarket comparables in Bethesda, Silver Spring and the District and are directional given the thinness of the trading set.

07 Mortgage Bankers Association, 2025 Commercial Real Estate Survey of Loan Maturity Volumes, released February 9, 2026: $875 billion (17%) of $5.0 trillion outstanding scheduled to mature in 2026, a 9% decrease from $957 billion in 2025; $396 billion of that held by depositories.

08 Industry estimates that only 50–55% of the $957 billion maturing in 2025 was paid off at maturity, with the remainder extended, as compiled in Quinn Emanuel, Real Estate Update, May 2026. MSCI has separately estimated the 2026 maturity figure above $930 billion; the MBA series is used here as the primary reference.

09 Regional pipeline and 2026 delivery projections from CoStar and JLL Washington metro multifamily research, year-end 2025 and first-half 2026.

10 U.S. Census Bureau, New Residential Construction; national multifamily pipeline data as compiled by industry research. Q1 2026 multifamily starts of approximately 55,000 units, the lowest quarterly figure since 2011 and 73% below the early-2022 peak; national pipeline of roughly 579,000 units.

11 Colliers, Washington, D.C. Office Market Report, Q2 2026: overall vacancy 21.3%; eighteen consecutive quarters of negative net absorption averaging approximately 419,000 sq. ft.; suburban Maryland office construction. Suburban Maryland construction record cross-referenced to CBRE and JLL suburban Maryland office series.

12 Bright MLS and regional brokerage reporting on Bethesda residential pricing, mid-2026: median price near $1.3 million, up 3.1% year over year, median nineteen days on market.

13 Maryland Housing Certainty Act of 2026 and Maryland Transit and Housing Opportunity Act of 2026 (HB 894), passed April 2026, signed May 26, 2026, effective October 1, 2026; Office of Governor Wes Moore, press releases of May 7 and May 26, 2026; Ballard Spahr, “Maryland Housing Certainty Act Signals Changes for Housing Development Projects,” May 2026.

14 NCREIF and Federal Reserve series as compiled by Crow Holdings Capital, together with industry research on pre-1980 real estate performance and on the early-1990s Boston market. Figures for the 1966–1981 period are directional and are drawn from third-party research rather than independently reconstructed.

15 GTEP Advisors underwriting model for the case study site, including the acquisition and capitalization build-up, the land-sale and ground-up development exits, the supportable land value grid, the 7.09% breakeven exit capitalization rate, and the construction-cost sensitivity. All figures are illustrative, rest on the stated assumptions, and remain subject to confirmatory diligence.

16 Cresa, Q1 2026 Washington, D.C. Office Market Report: overall vacancy 22.0%; Class B vacancy 24.0%; Trophy vacancy 16.7%, and 12.4% in the CBD and East End.

17 Lincoln Property Company, Office Market Report: Washington, D.C., Q1 2026 (total vacancy 19.0% on a narrower inventory definition; Trophy vacancy 8.8%, down 220 basis points; Trophy asking rents with a small number of assets above $100 per sq. ft. NNN).

18 Federal Reserve Board H.8 and FDIC Quarterly Banking Profile; bank-held commercial real estate delinquency of approximately 1.3% through late 2025, with charge-offs near 0.3%.

19 Trepp CMBS delinquency series, January 2026: office delinquency of 12.34%, a record since the series began in 2000. KBRA, CMBS Loan Performance Trends: January 2026: office delinquency up 156 basis points in the month to 13.9%; overall distress rate 10.7%.

20 Bisnow, “Janeese Lewis George Wants To Stabilize Rent. The Question Is How,” July 15, 2026; UrbanTurf, “72,000 Homes: Janeese Lewis George’s Housing Plan for DC,” June 2026 (including the decline in the District’s share of new regional multifamily projects from nearly half in 2019 to approximately 18% in 2024); The 51st, D.C. mayoral race housing coverage, April 2026; campaign platform materials.

21 MSCI Real Capital Analytics, U.S. Distress Tracker, Q3 2025: total distressed commercial real estate volume of $126.6 billion, up 18% year over year, with office the largest single component.

22 Regional trade reporting on the August 2025 acquisition of Bethesda Crescent by a joint venture of MRP Realty and Prime Finance, a four-property, 287,529 sq. ft. downtown Bethesda office portfolio acquired through foreclosure without brokerage involvement.

23 Bureau of Economic Analysis, core PCE price index, January 2026; Federal Open Market Committee statements and minutes through mid-2026; U.S. effective tariff rate estimates as compiled by industry research; public remarks by a Federal Reserve governor, July 2026; dealer research. Market-implied hike probabilities are as reported in the April 2026 minutes and move continuously.

24 U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Construction, historical series: multifamily starts of 587,000 (1978), 390,000 (1981), approximately 670,000 (1985) and 138,000 (1991); total housing starts of 2.0 million (1978) and 1.06 million (1982). Note that two different mid-1980s multifamily figures appear in Section 07 — approximately 670,000 and 576,000 — reflecting different underlying series; these should be reconciled to a single Census definition before external circulation.

25 Freddie Mac Primary Mortgage Market Survey: thirty-year fixed rate averaging 16.63% in 1981 with an October 1981 peak above 18%; Federal Reserve Board, federal funds rate series.

26 Economic Recovery Tax Act of 1981 and Tax Reform Act of 1986, as enacted; Internal Revenue Code sections governing residential depreciation lives and passive activity losses.

27 JLL construction cost research, July 2026, on labor shortages, tariffs and data-center demand as drivers of construction cost escalation.

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