

Multifamily Q1 2022

YoY Chg 12-Mo. Forecast

4.9%

Vacancy Rate



333

Net Absorption, units



\$1,374

Effective Rent, per unit



(Overall, All Property Classes)
Source: CoStar

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

668.6k

Richmond MSA
Employment



3.5%

Richmond MSA
Unemployment Rate



0.5%

Richmond MSA
Population Growth



Source: BLS, Census Bureau, Moody's Analytics

ECONOMIC OVERVIEW

Richmond's metro area population has continued to grow throughout the pandemic, following the upward trend of the last decade. Business Facilities has named Virginia as the top-ranked state for Best Business Climate and Top Tech Talent Pipeline, and Virginia is investing more than \$2 billion in its Tech Talent Investment Program, the largest state commitment to computer science education. The region expanded by more than 11% between 2010 and 2020 to a population of more than 1.3 million, and that number is forecasted to grow at a similar rate over the next ten years. The area's unemployment rate continues to fall below the national average with an estimated 6,200 jobs added in February, a positive offset to the seasonal job losses typical at the start of the year. The quarter closed with unemployment at 3.5% for the metro area, down 40 basis points (bps) from the previous quarter and down 2.3% year-over-year (YOY). Richmond's business-friendly environment and affordable cost of living help to propel the region's economy, to encourage interest from existing businesses looking to expand, and to attract new businesses to the area.

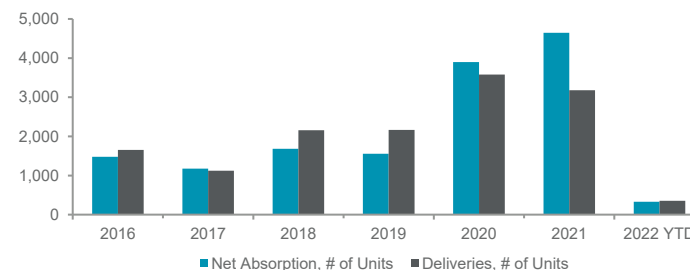
SUPPLY AND DEMAND

Richmond's multifamily construction boom is in full swing with active projects in urban and suburban locations. Almost 6,000 units are under construction currently, more than five times the number of units being built this time last year, with projects active throughout the metro area. Approximately 30% of the construction pipeline is within the central region, including Scott's Addition and the Diamond area, where new development accounts for more than 10% of the total inventory. Another 27% of new construction is in Western Henrico, the largest region in terms of overall unit count with 26.7% of the total inventory. Absorption outpaced deliveries in 2021 by almost 150% and has matched deliveries in the first quarter of 2022. Multifamily absorption is expected to continue its upward trend with the forecast population growth, and with more than 10,000 additional units proposed or planned, development shows no signs of slowing.

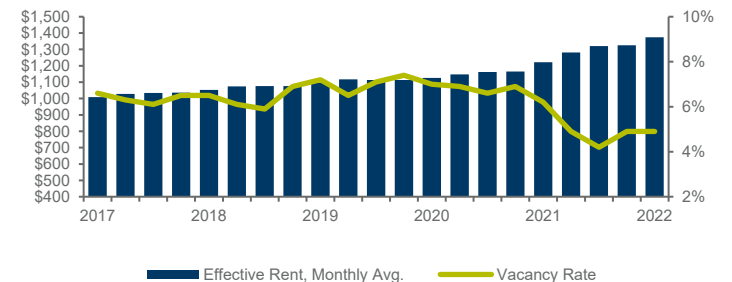
PRICING

With demand trending above average and vacancy rates continuing to fall, Richmond's multifamily market asking rates have reached historic highs. Rents have increased by 20% since the first quarter of 2020 with sustained growth projected to continue through 2022. Annual effective rent growth reached a record high of 13.3% in Q1 2022. Richmond continues to attract and hold investor attention with more than \$1.5 billion in sales since the start of 2021 at an average of \$120,000 per unit.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	AVG SF/UNIT	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	CURRENT ABSORPTION (UNITS)	4Q ROLLING ABSORPTION (UNITS)	UNDER CONSTRUCTION (UNITS)*	DELIVERIES YTD (UNITS)	RENT (MONTHLY)	RENT/ SF/MONTH	YOY RENT CHANGE
Central	16,291	786	5.3%	(150)	94	712	1,708	95	\$1,406	\$1.80	10.6%
East Richmond/Henrico	5,482	866	2.2%	(190)	15	86	21	0	\$1,123	\$1.30	13.4%
North Richmond	2,662	802	4.5%	(990)	13	119	448	0	\$1,009	\$1.27	14.6%
Hanover	2,137	952	0.5%	(60)	0	21	0	0	\$1,372	\$1.44	12.9%
South Richmond	15,041	851	4.5%	(140)	79	876	381	0	\$1,228	\$1.44	16.5%
Western Henrico	24,759	908	5.9%	170	(11)	247	1,596	262	\$1,490	\$1.64	18.6%
Near West End	1,144	857	3.1%	(2,270)	24	352	211	0	\$1,553	\$1.82	9.6%
Chesterfield	12,677	984	4.7%	(600)	108	923	441	0	\$1,456	\$1.47	13.1%
Tri-Cities	6,395	890	3.2%	(60)	17	21	0	0	\$1,019	\$1.14	10.6%
Midlothian	6,030	988	7.3%	(60)	(4)	441	1,004	0	\$1,610	\$1.63	18.5%
RICHMOND, VA TOTALS	92,618	889	4.9%	(160)	333	3,798	5,810	357	\$1,374	\$1.55	15.1%

Only includes properties with five units and above. Dormitories, senior housing, and properties with only affordable housing units excluded.

SUMMARY BY BEDROOM	INVENTORY (UNITS)	AVG SF/UNIT	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	CURRENT ABSORPTION (UNITS)	4Q ROLLING ABSORPTION (UNITS)	UNDER CONSTRUCTION (UNITS)*	DELIVERIES YTD (UNITS)	RENT (MONTHLY)	RENT/ SF/MONTH	YOY RENT CHANGE
Studio	4,873	485	5.4%	(80)	40	199	683	16	\$1,068	\$2.23	7.7%
One Bed	32,361	700	6.0%	(100)	264	1,919	2,805	269	\$1,259	\$1.80	11.8%
Two Bed	46,992	964	4.2%	(110)	13	1,296	2,014	72	\$1,397	\$1.45	13.3%
Three Bed	8,162	1,272	4.7%	(220)	8	327	308	0	\$1,770	\$1.39	12.1%
Four+ Bed	230	1,747	13.9%	(1,870)	8	42	0	0	\$2,130	\$1.18	-

*Unit mix not available on every property currently under construction.

NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNERSHIP / DEVELOPER	UNITS	COMPLETION DATE
Watkins Centre	Chesterfield County	Castle Development Partners	450	Q3 2023
3500 West View	Western Henrico	Commonwealth Properties	407	Q1 2023
Laurel Park	Western Henrico	Aurelie Capital	350	Q1 2024
The Otis	Scott's Addition	Greystar Real Estate / Capital Square Realty Advisors	350	Q3 2022
Luxe 360	Midlothian	Reztark Design Studio / Edward Rose & Sons	342	Q3 2022

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Pointe at River City	Eastern Henrico	C-III Asset Management / AION Partners	1,184	\$154M / \$130k
Tanglewood Apartments	Petersburg	Drucker + Falk / Carlton Equities	408	\$44M / \$108k
Vida East	Upper Shockoe	SNP Properties / Bonaventure Realty Group LLC	178	Undisclosed
River Road Terrace	Petersburg	Morrison Avenue Capital Partners / Riverbend Investments	128	\$16.5M / \$129k

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