

Multifamily Q4 2022

YoY Chg 12-Mo. Forecast

7.0%

Vacancy Rate



(459)

Net Absorption, units



\$1,391

Effective Rent, per unit



(Overall, All Property Classes)
Source: CoStar

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

682.8k

Richmond MSA Employment



2.9%

Richmond MSA Unemployment Rate



0.6%

Richmond MSA Population Growth



Source: BLS, Census Bureau, Moody's Analytics

ECONOMIC OVERVIEW: Job Recovery Nears 100%

The Richmond metro area closed the year posting rising employment numbers close to pre-pandemic levels and boasting the addition of 4,300 jobs. BHE GT&S, a subsidiary of Berkshire Hathaway Energy, became the latest regional company to announce expansion plans with the purchase of a two-building complex in Innsbrook – Henrico County's office hub – from Capital One. Facebook parent company Meta purchased an additional 475 acres in eastern Henrico's White Oak Technology Park to expand its sprawling data center footprint, taking advantage of the county's infrastructure that hosts 18% of the East Coast's internet traffic. On a statewide level, Virginia earned the top ranking from Site Selection as the best state business climate, beating Georgia, the winner for the past eight consecutive years. The Greater Richmond Partnership reports an additional seven megaprojects in its active pipeline, requirements on a scale comparable to LEGO's investment and each bringing a minimum of 1,000 jobs.

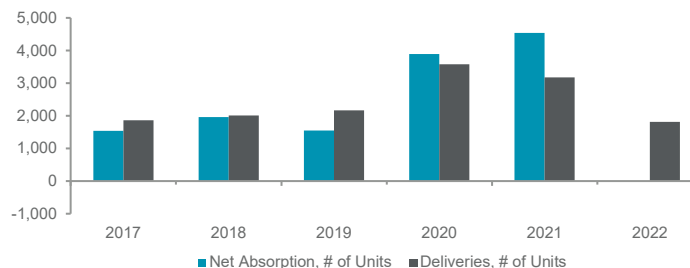
SUPPLY AND DEMAND: Deliveries Edge Absorption

The year ended with overall deliveries outpacing absorption, and overall vacancy edging up to 7.0% overall, an increase of 50 basis points (bps) since the third quarter and up 160 bps year-over-year (YOY). The appetite for newer product remains strong with positive net absorption of more than 600 units for the year in complexes built since 2020. The development pipeline includes more than 6,600 units under construction, with 1,831 units scheduled to deliver in the first quarter of 2023, and more than 6,400 additional units proposed. While the projects actively under construction stand to add 7% to the total inventory, interest in newer, upscale units is projected to remain strong, particularly considering the limited supply and inflated pricing on residential sale offerings. Occupancy rates for new construction (delivered since 2020) increased 12.6% YOY, a further indication of the sustained demand for this type of product. The majority of active construction projects are located in Western Henrico County where the pipeline of more than 2,440 units will add 9.4% to that submarket's inventory.

PRICING: Growth Rates Stabilize

Rents continue to trend upward, and growth rates show signs of stabilizing, ending the year at an overall average of 3.9% YOY, down from an elevated average of 9.7% in the fourth quarter of 2021. Rent growth rates for product delivered since 2020 ended the year at 5.6% overall, 170 bps above the average for the Richmond market. Investor interest remains strong in the multifamily sector as well as the Richmond market, and the year closed with sales volume nearing \$1.5 billion with an average price per unit of \$181,000, an increase of 10.4% YOY. Sales volume has jumped significantly over the last eight quarters with 2022 numbers reaching 228% of 2020 sales.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



Multifamily Q4 2022

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) | EFFECTIVE RENT (MONTHLY) | EFFECTIVE RENT/ SF/MONTH | YOY RENT CHANGE |
|----------------------------|-------------------|-------------|--------------|-------------------------------|----------------------------|-------------------------------|-----------------------------|------------------------|--------------------------|--------------------------|-----------------|
| Central | 16,847 | 783 | 7.3% | (190) | 114 | 500 | 1,554 | 568 | \$1,449 | \$1.84 | 3.3% |
| Chesterfield | 13,425 | 979 | 7.6% | (180) | (153) | 158 | 112 | 435 | \$1,460 | \$1.49 | 2.7% |
| East Richmond/Henrico | 5,300 | 897 | 7.2% | (510) | (93) | (226) | 60 | 21 | \$1,186 | \$1.32 | 3.3% |
| Hanover | 2,136 | 954 | 3.2% | (270) | (15) | (57) | 29 | 0 | \$1,542 | \$1.62 | 15.4% |
| Midlothian | 5,994 | 986 | 8.2% | (490) | 39 | (45) | 1,261 | 0 | \$1,621 | \$1.65 | 5.3% |
| Near West End | 1,355 | 855 | 3.0% | 220 | (14) | 229 | 263 | 211 | \$1,564 | \$1.83 | 4.7% |
| North Richmond | 2,923 | 816 | 6.3% | (90) | (42) | (51) | 224 | 0 | \$1,153 | \$1.44 | 15.3% |
| South Richmond | 14,989 | 851 | 7.4% | (430) | (150) | (267) | 741 | 0 | \$1,240 | \$1.44 | 4.6% |
| Tri-Cities | 6,520 | 890 | 6.7% | (330) | (74) | (139) | 0 | 0 | \$1,045 | \$1.17 | 1.5% |
| Western Henrico | 25,208 | 908 | 7.5% | (280) | (71) | (124) | 2,382 | 580 | \$1,471 | \$1.62 | 2.9% |
| RICHMOND, VA TOTALS | 94,697 | 890 | 7.0% | (310) | (459) | (22) | 6,626 | 1,815 | \$1,391 | \$1.57 | 3.9% |

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) | EFFECTIVE RENT (MONTHLY) | EFFECTIVE RENT/ SF/MONTH | YOY RENT CHANGE |
|--------------------|-------------------|-------------|--------------|-------------------------------|----------------------------|-------------------------------|-----------------------------|------------------------|--------------------------|--------------------------|-----------------|
| Studio | 5,016 | 473 | 6.2% | (150) | 1 | 150 | 641 | 156 | \$1,095 | \$2.30 | 3.6% |
| One Bed | 33,283 | 699 | 7.0% | (200) | (10) | 757 | 3,753 | 1,052 | \$1,277 | \$1.83 | 3.2% |
| Two Bed | 48,034 | 967 | 7.2% | (360) | (385) | (822) | 1,818 | 577 | \$1,406 | \$1.45 | 4.1% |
| Three Bed | 8,133 | 1,284 | 6.6% | (230) | (64) | (133) | 414 | 30 | \$1,832 | \$1.43 | 5.0% |
| Four+ Bed | 231 | 1,749 | 5.7% | 380 | (1) | 27 | 0 | 0 | \$2,348 | \$1.29 | 11.5% |

**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 / Castle Development Partners | 450 | Q3 2023 |
| 3500 West View | Western Henrico | WB APT Land LC / Commonwealth Properties | 407 | Q1 2024 |
| Metropolis at Innsbrook | Western Henrico | Robinson Development Group / Robinson Development Group | 402 | Q1 2023 |
| The Otis | Scott's Addition | Greystar Real Estate / Capital Square Realty Advisors | 350 | Q1 2023 |
| NOVEL Scott's Addition | Scott's Addition | Crescent Communities / Thalhimer Realty Partners | 275 | Q1 2024 |
| Eddy on the James | South Richmond | The Beach Company / The Beach Company | 221 | Q1 2023 |

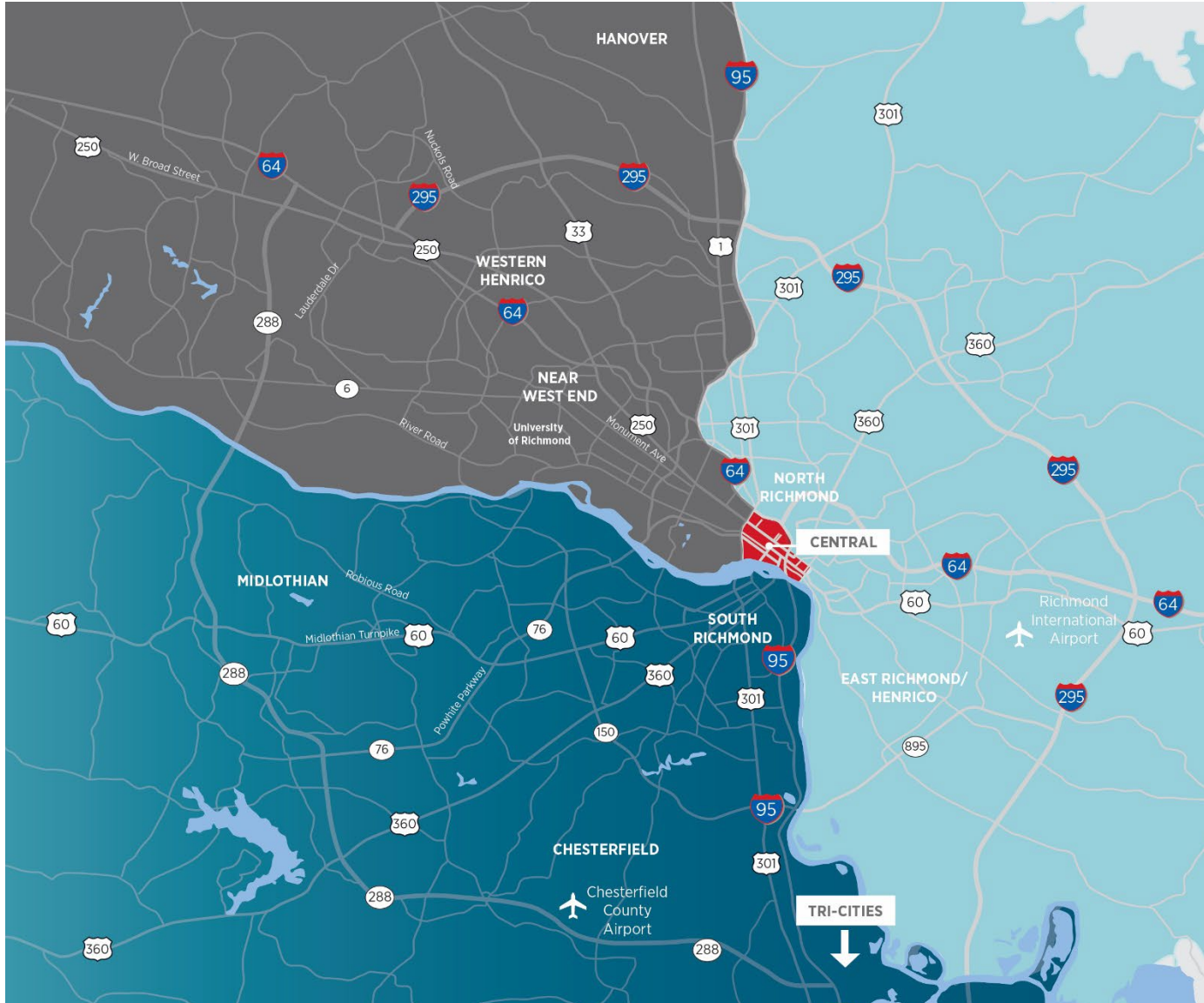
KEY SALES TRANSACTIONS Q4 2022

| PROPERTY | SUBMARKET | SELLER / BUYER | UNITS | PRICE / \$ UNIT |
|--------------------------|-----------------|--|-------|------------------|
| Villages at West Laurel | Western Henrico | Angelo, Gordon & Co. / BlackRock Inc. | 503 | \$98M / \$195k |
| Hickory Creek Apartments | Western Henrico | Capital Square Realty Advisors / NorthRock Companies | 294 | \$65M / \$221k |
| Forest Ridge Apartments | Forest Hill | Colony Management Corporation / Ritz Banc Group | 135 | \$19.3M / \$143k |
| Columbia Apartments | The Fan | TRP Columbia LLC / 1142 West Grace Street LLC | 25 | \$4.6M / \$184k |

RICHMOND, VA

Multifamily Q4 2022

MULTIFAMILY SUBMARKETS



LIZ GREVING

Research Manager
Tel: +1 804 697 3560
liz.greving@thalhimer.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

thalhimer.com

Independently Owned and Operated / A Member of the Cushman & Wakefield Alliance