

RICHMOND, VIRGINIA

CUSHMAN & WAKEFIELD | THALHIMER

RESEARCH SPOTLIGHT

Richmond Multifamily Market Report





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An aerial photograph of a city skyline at sunset. The sky is a warm orange and yellow. Several buildings are visible, including a prominent white building with a flag on top. A large blue geometric shape, resembling a stylized 'V' or a large arrow pointing right, is overlaid on the right side of the image. The text 'Section | 01' is written in a white serif font within the blue shape.

Section | 01

ECONOMY + POPULATION



Richmond Multifamily Market Report

Economy + Population

Richmond exhibits strong market fundamentals that will sustain consistent levels of growth. The Bureau of Labor Statistics reported the metropolitan statistical area (MSA) adding 4,800 jobs from February 2017 to February 2018. Formidable healthcare, government, supply chain and finance sectors form the foundations of the regional economy and are fueled by a highly-educated population. As of 2016, 90% of the Richmond MSA population over the age of 25 has at least a high school education, compared to 87% nationally, and 36.7% has a bachelor's degree or higher, compared to 31.2% nationally. Attracted to the area's central location, favorable business environment, and relatively affordable cost of living, seven Fortune 500 company headquarters call Richmond home. The city continues to outperform the national average, with unemployment rates below 4%, with Q1 2018 estimates reporting an unemployment rate of 3.7%. Richmond's diverse economy is expected to sustain balanced, steady growth for the foreseeable future.

36.7% (of the Richmond MSA population over the age of 25) has a bachelor's degree or higher, compared to 31.2% nationally.



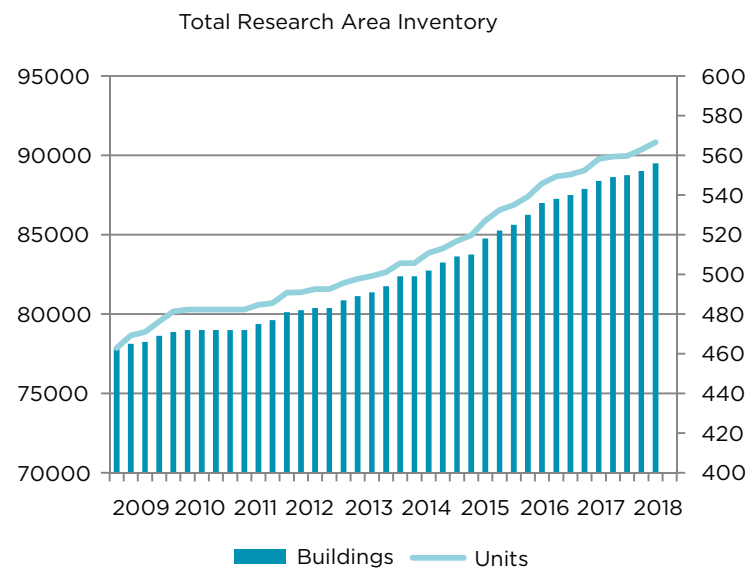
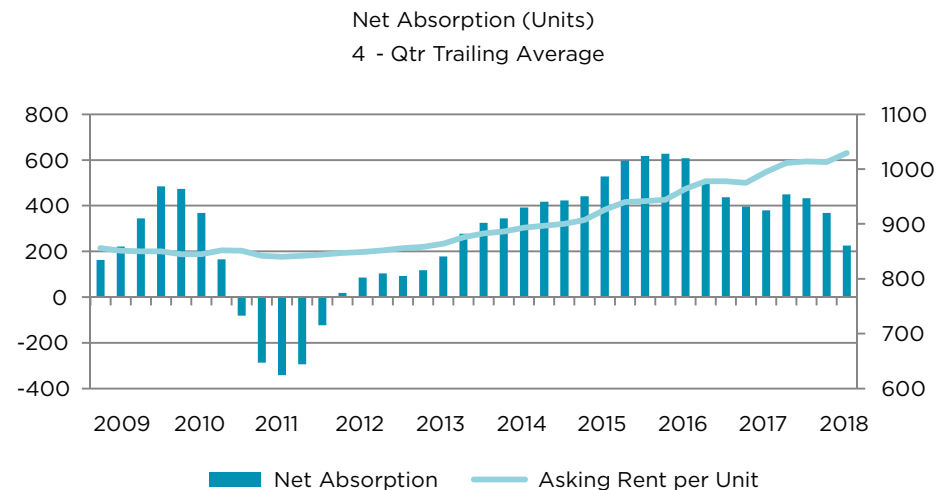
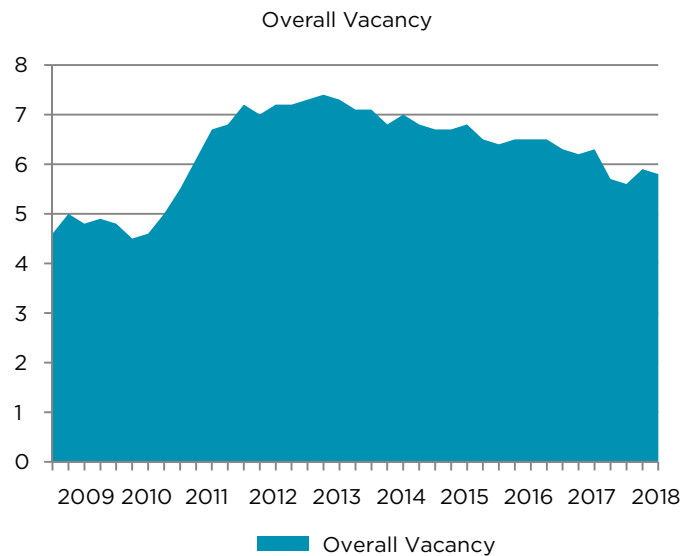


An aerial photograph of a city skyline at sunset. The sky is a warm orange and yellow. Several buildings are visible, including a prominent white building with a flag on top. A large blue geometric shape, resembling a stylized 'V' or a large arrow, is overlaid on the right side of the image. The text 'Section | 02' is written in a white serif font within the blue shape.

Section | 02

MARKET OVERVIEW



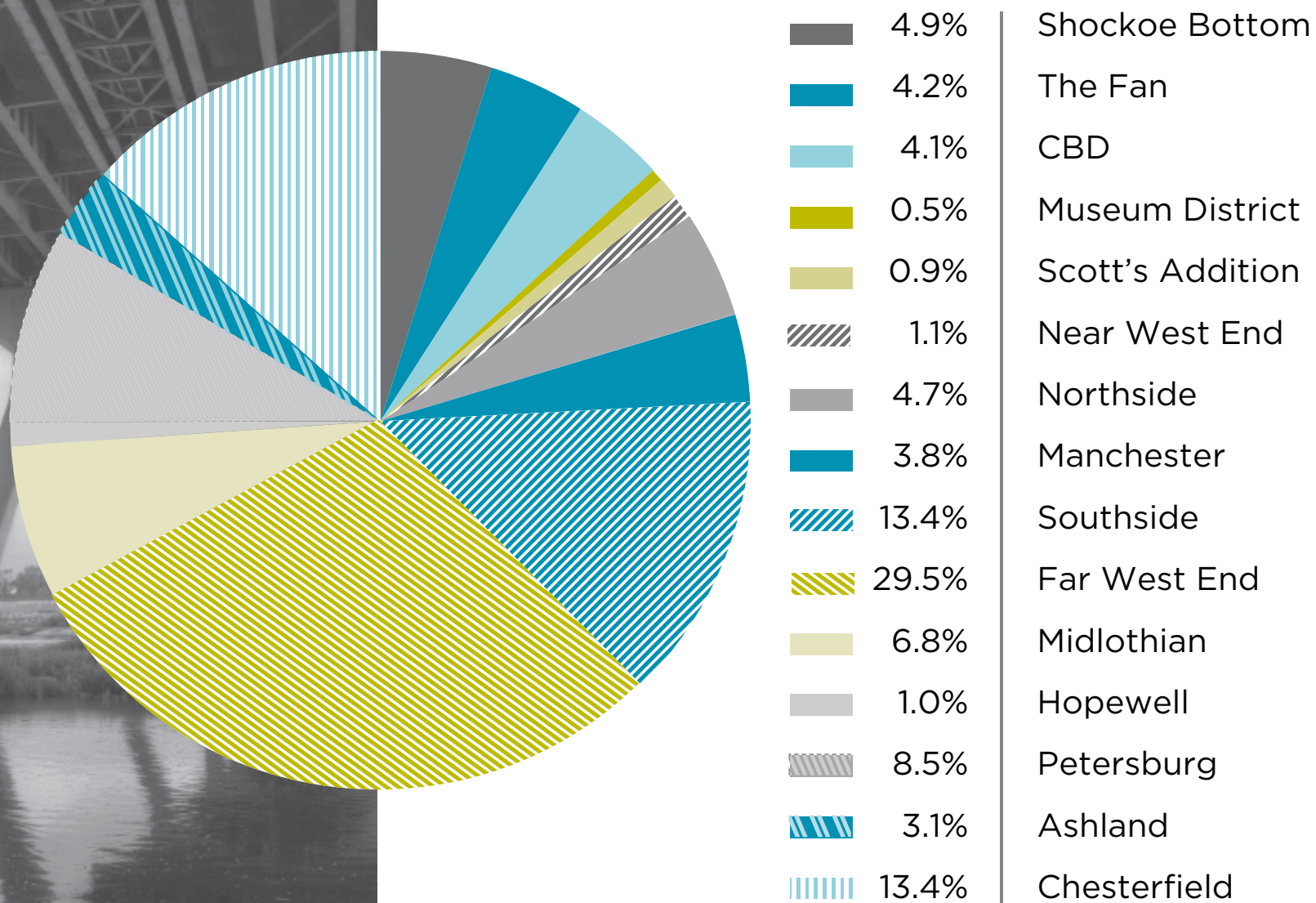


Market Overview

The economic and demographic profile of Richmond has created structural demand for multifamily product. Rents have increased for 29 consecutive quarters, reaching \$1,034 as of Q1 2018 in the survey area. However, the average Richmond asking rent per unit was more than \$300 below the national average of \$1,382, according to REIS's preliminary Q1 2018 apartment data. The overall vacancy rate was 5.8% in Q1 2018 and has remained below 7% since Q1 2015. Several submarkets have vacancies far below the overall metric as supply is struggling to keep up with demand in Richmond's most attractive neighborhoods. Developers are responding with over 3,100 units currently under construction, and more in the pipeline. There is continued development interest in the CBD, Scott's Addition, Manchester, Western Henrico, and Midlothian for their superior rents, access to amenities, and proximity to employment centers. The strongest supply growth is occurring in urban submarkets, as infill developments capitalize on Richmond's sustained downtown revitalization.

...supply is struggling to keep up with demand in Richmond's most attractive neighborhoods. Developers are responding with over 3,100 units currently under construction, and more in the pipeline.

Richmond Apartment Inventory



	INVENTORY BLDGS	INVENTORY UNITS	ASKING RENT PER UNIT	ANNUAL RENT % GROWTH	VACANT UNITS	VACANCY %	ANNUAL VACANCY % GROWTH	NET ABSORPTION (UNITS)	UNDER CONSTRUCTION (BLDGS)**
Shockoe Bottom	45	4,414	\$1,183	0.6%	430	9.7%	4.2%	67	2
The Fan	45	3,833	\$1,175	3.5%	249	6.5%	-3.8%	192	1
CBD	39	3,714	\$1,190	-0.3%	221	5.9%	-0.6%	-41	1
Museum District	6	490	\$1,265	2.9%	25	5.0%	-7.8%	10	1
Scott's Addition	9	826	\$1,336	4.2%	18	2.2%	-0.5%	-2	1
Near West End	5	973	\$1,153	8.3%	28	2.9%	-0.6%	9	0
Northside	25	4,231	\$890	2.9%	363	8.6%	-0.7%	2	1
Manchester	29	3,464	\$975	1.8%	168	4.8%	-2.6%	0	5
Southside	65	12,195	\$843	5.6%	803	6.6%	-0.5%	102	1
Far West End	111	26,831	\$1,078	3.7%	1,243	4.6%	-0.1%	52	2
Midlothian	25	6,179	\$1,137	4.9%	508	8.2%	0.9%	120	1
Hopewell	10	939	\$753	2.6%	55	5.9%	-2.1%	1	0
Petersburg	61	7,725	\$841	2.3%	353	5.7%	-0.8%	1	0
Ashland	22	2,826	\$996	4.3%	85	3.0%	-3.7%	1	0
Chesterfield	59	12,189	\$1,064	3.6%	610	5.0%	-0.8%	13	1
Totals	556	90,830	\$1,034	3.5%	5,156	5.8%	-0.5%	519	17

SUMMARY BY BEDROOM	UNITS	AVG. SF	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	ABSORPTION 1Q18	ROLLING 4Q ABSORPTION	HISTORIC AVG. QUARTERLY ABSORPTION*	UNDER CONSTRUCTION (UNITS)**	CHANGE IN SUPPLY 2017 (UNITS)
Studio	4,548	491	7.4%	10	10	(3)	7	136	0
One Bed	29,219	689	6.3%	(70)	295	808	134	1027	329
Two Bed	44,399	955	5.3%	(50)	173	549	114	955	236
Three Bed	9,536	1,214	6.2%	(10)	43	72	30	125	21
Four+ Bed	803	1,389	2.2%	(10)	(2)	0	10	0	0

Data provided by CoStar Research for Q1 2018. Only includes properties with 25 units and above. | *Rolling four month quarterly average for the past ten years | **Unit mix not available on every property currently under construction, total includes entire Richmond MSA

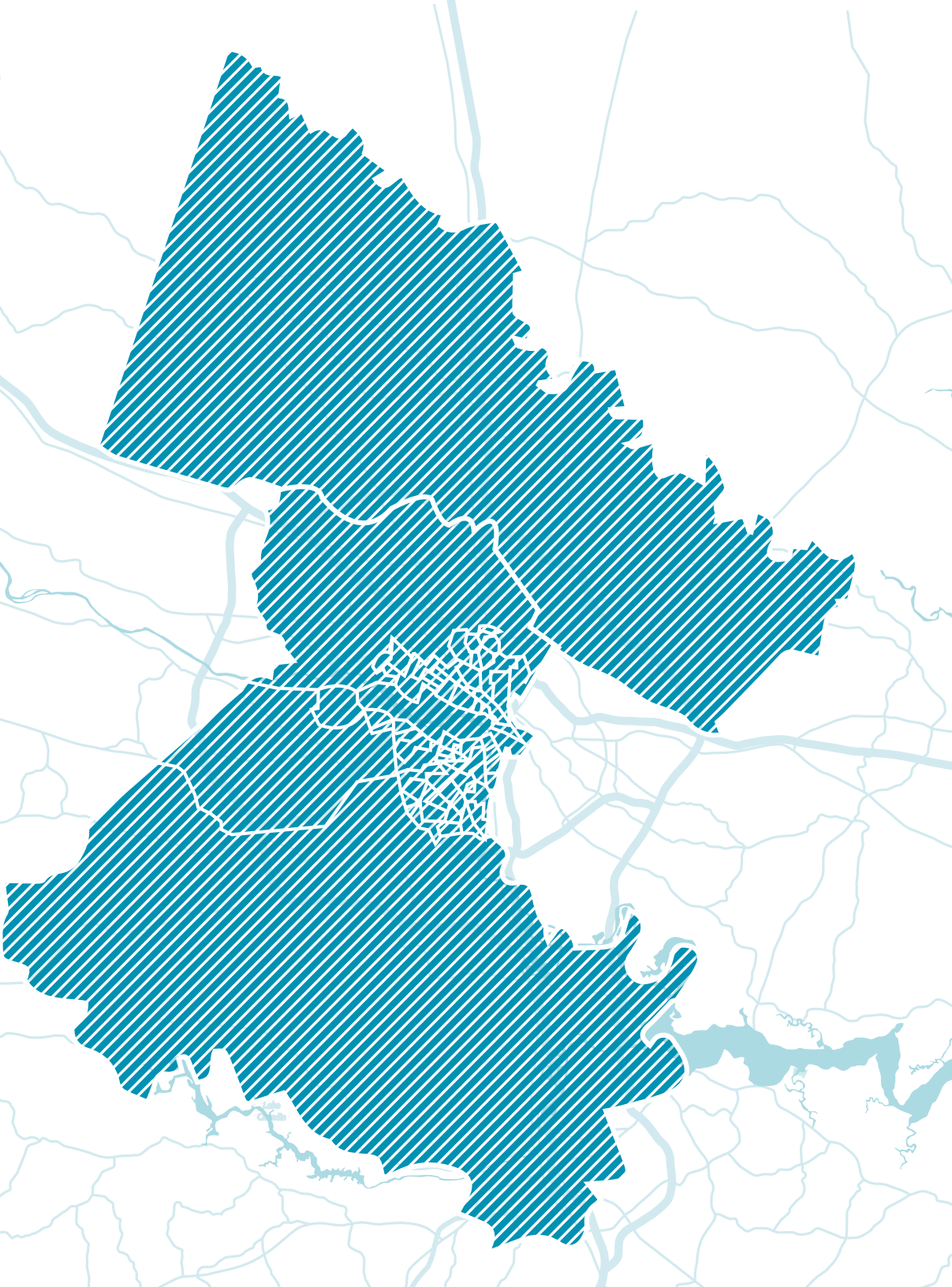
UNDER CONSTRUCTION (UNITS)**	DELIVERIES (BLDGS)	DELIVERIES (UNITS)
------------------------------	--------------------	--------------------

178	2	215
300	1	125
166	0	0
32	0	0
183	0	0
0	0	0
301	0	0
748	0	0
120	1	132
527	0	0
271	0	0
0	0	0
0	0	0
0	0	0
100	0	0

3,134	4	472
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HISTORIC AVG. ANNUAL DELIVERIES	RENT	Rent/ SF/ Month	RENT CHANGE (12 MONTHS %)
---------------------------------	------	-----------------	---------------------------

8	\$926	\$1.90	3.12%
186	\$963	\$1.39	3.55%
160	\$1,049	\$1.10	4.07%
59	\$1,207	\$0.99	2.03%
9	\$930	\$0.68	-16.44%



An aerial photograph of a city skyline at sunset. The sky is a warm orange and yellow. Several buildings are visible, including a prominent white building with a flagpole on top. A large blue geometric shape, resembling a stylized 'V' or a large arrow pointing right, is overlaid on the right side of the image. The text 'Section | 03' and 'OUTLOOK' is positioned within the blue shape.

Section | 03

OUTLOOK

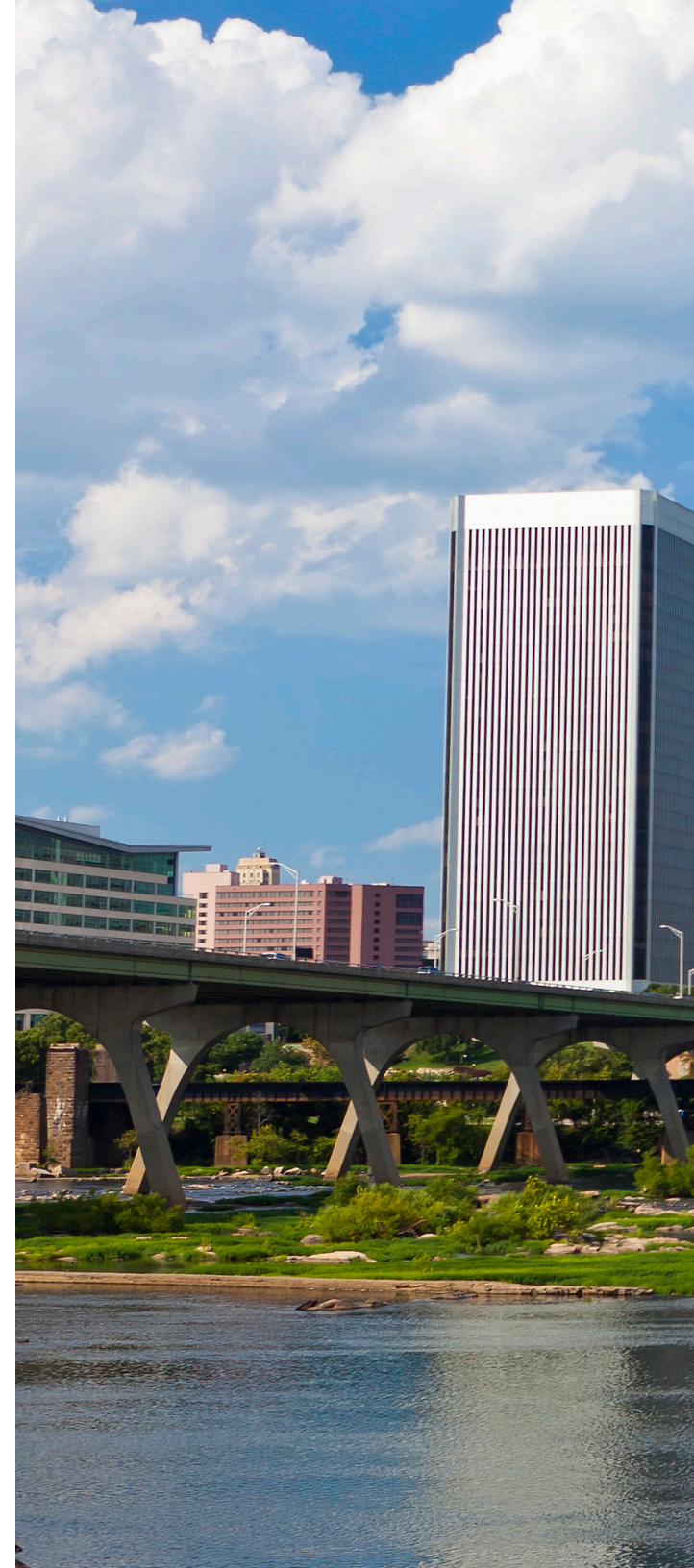


Outlook

Benefiting from favorable demographic and economic conditions, the Richmond multifamily market is expected to sustain its strong performance. New construction will add needed inventory, as demand outstrips the existing supply. In addition to the 3,100+ units under construction, another 4,532 units are proposed throughout the MSA. The permitting process is taking considerably more time and may delay some deliveries, as the city works through an influx of building permits. New building permits for multifamily developments with more than five units set a record high in 2017, with 2,334 reported. Despite the risk from rising interest rates and construction costs, development is anticipated to continue at a high rate due to strong market fundamentals. In addition, the city of Richmond is investing in public transportation to improve downtown access. The Pulse bus rapid transit project is opening on the Broad Street corridor this summer, while several traffic calming, pedestrian improvement and bike lane projects are also underway. A focus on walkability and access will be imperative to attract tenants. Richmond has historically lagged in walkability, but the population is beginning to gravitate towards alternative modes of transport.

Out of town investors have noticed the demand for multifamily product and are responsible for nearly all of the deals in 2018 to date. Sellers will be the beneficiary of increased values and yields on multifamily properties, while investors in search of value-add opportunities may have difficulty significantly raising rental rates. New deliveries offer more amenities and contemporary design to attract high-end tenants. Property management services will also feel the strain of new supply, adding operational risk for new supply.

Out of town investors have noticed the demand for multifamily product and are responsible for nearly all of the deals in 2018 to date.







Section | 04

TRANSACTION TRENDS





Transaction Trends

Rising concerns over interest rates and construction costs has slowed the pace of multifamily deal volume in 2018 when compared to 2017. However, activity is expected to be steady throughout the year given the strong market fundamentals. 2018 year-to-date has seen seven deals through the first quarter. The deals totaled \$83.8 million for 1,109 units, averaging \$12.0 million and 158 units per deal.

2017 witnessed 32 deals throughout the year. The deals totaled \$621.1 million and 6,628 units, averaging \$18.8 million and 201 units per deal with an average cap rate of 6.6%.

Data provided by Real Capital Analytics (RCA) and Cushman & Wakefield | Thalhimer Research



Rising concerns over interest rates and construction costs has slowed the pace of multifamily deal volume in 2018 when compared to 2017. However, activity is expected to be steady throughout the year given the strong market fundamentals.

An aerial photograph of a city skyline at sunset. The sky is a warm orange and yellow. Several buildings are visible, including a prominent white building with a flag on top. A large blue geometric shape, resembling a stylized 'A' or a series of parallel lines, is overlaid on the right side of the image. The text 'Section | 06' is positioned within this blue shape.

Section | 06

COMPLETIONS +UNDER CONSTRUCTION





Apartment Market Properties

COMPLETED

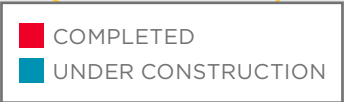
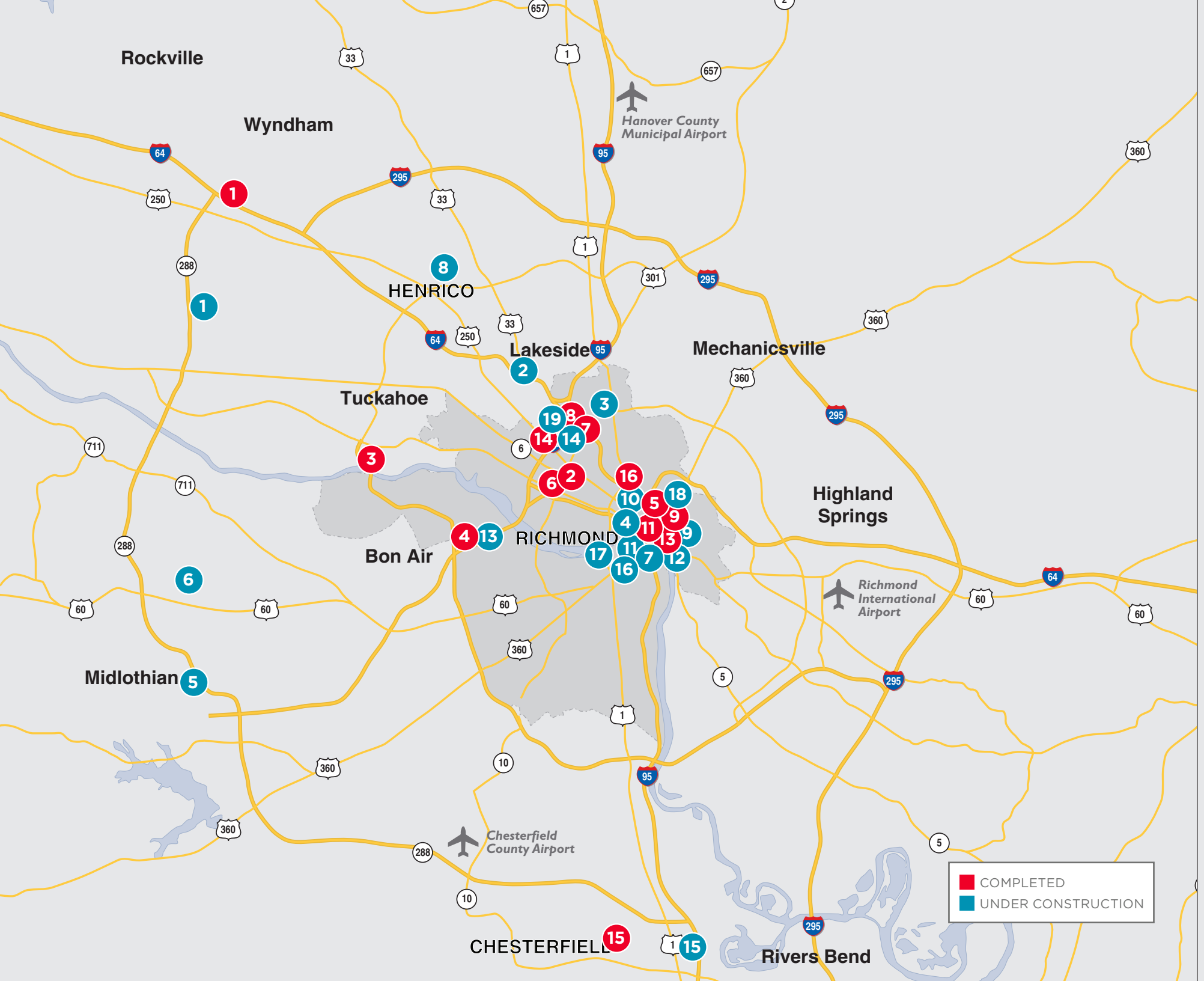
- | | | |
|---|--|--|
| 1. Avia Luxury Apartments
320 Units
3/17 - Date Finished | 7. The Cooperage
117 Units
12/17 - Date Finished | 13. Garber Gables
59 Units
3/18 - Date Finished |
| 2. Cary Street Station II
283 Units
12/17 - Date Finished | 8. Symbol Apartments
101 Units
5/18 - Date Finished | 14. Carytown Crossing
50 Units
8/17 - Date Finished |
| 3. James River at Stony Point
280 Units
1/18 - Date Finished | 9. Shockoe Valley View II
87 Units
4/17 - Date Finished | 15. Fountain Square
37 Units
1/17 - Date Finished |
| 4. The Village at Westlake
252 Units
12/17 - Date Finished | 10. Cavalier Senior Apartments
80 Units
1/17 - Date Finished
(not pictured on map) | 16. Eggleston Plaza
31 Units
6/17 - Date Finished |
| 5. The Edge at ATC
156 Units
3/18 - Date Finished | 11. The Overview
77 Units
4/17 - Date Finished | |
| 6. Cary Street Station
125 Units
12/17 - Date Finished | 12. Long Lofts
62 Units
7/17 - Date Finished
(not pictured on map) | |

UNDER CONSTRUCTION

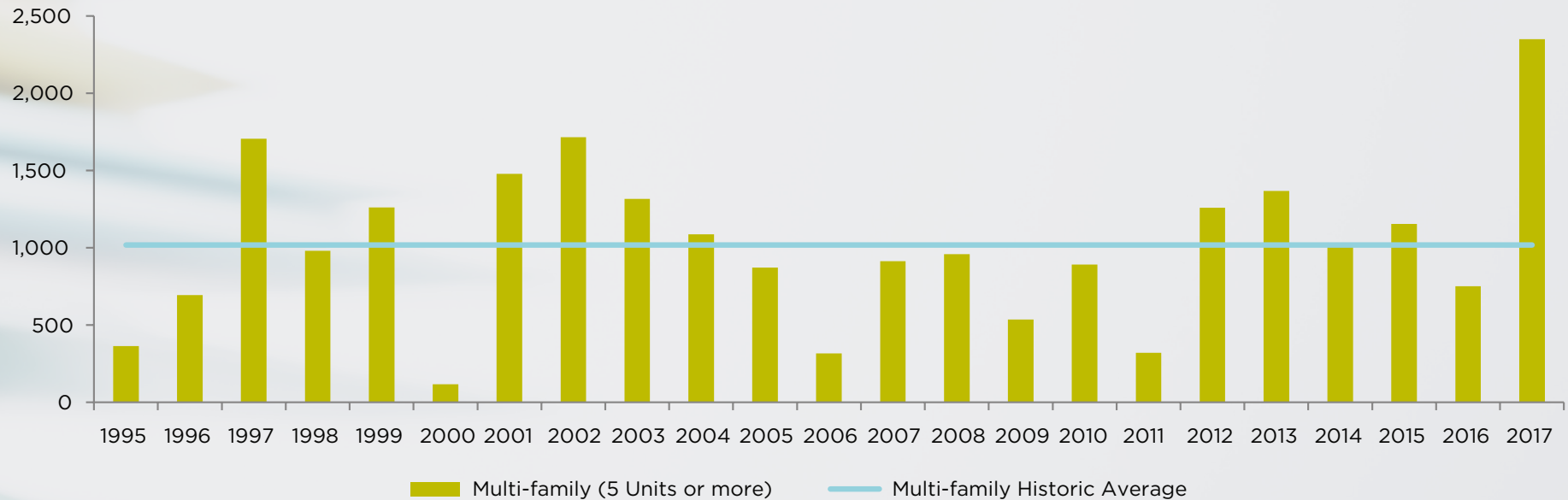
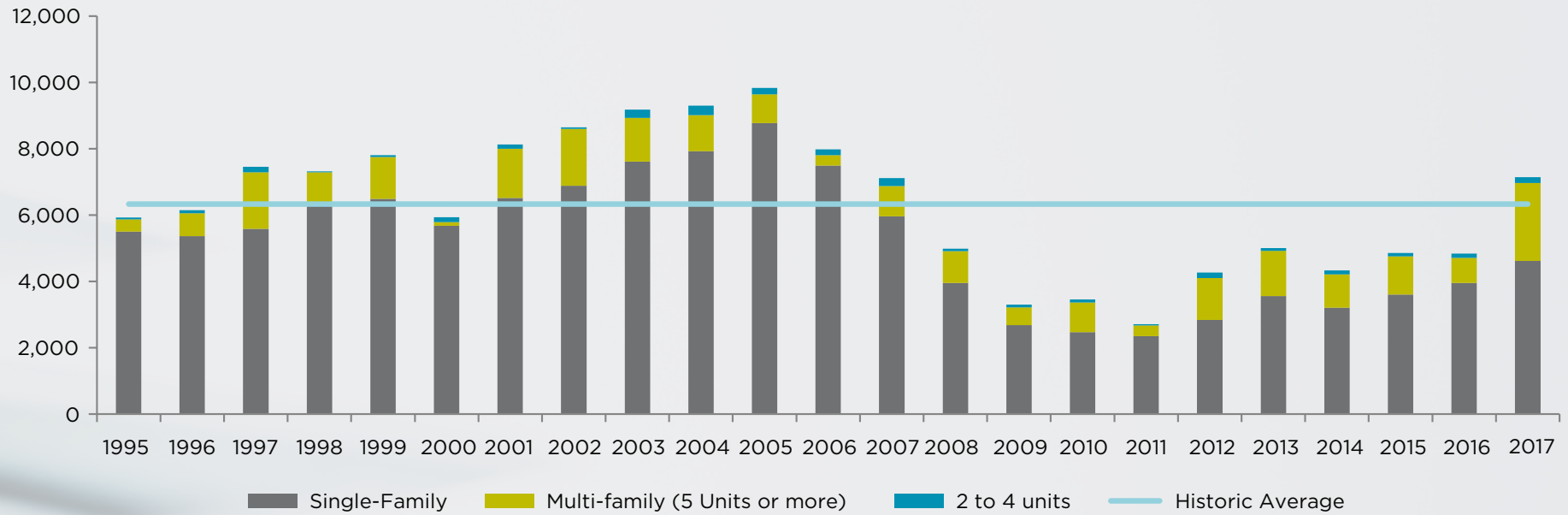
- | | | |
|---|--|---|
| 1. 2000 West Creek
373 Units
7/18 - Date to be Finished | 8. Townhomes at Parham Place
200 Units
9/18 - Date to be Finished | 15. Moore's Lake Apartments
100 Units
6/18 - Date to be Finished |
| 2. Libbie Mill - Midtown
327 Units
7/18 - Date to be Finished | 9. 1903 E Marshall St
178 Units
2019 - Date to be Finished | 16. Manchester Green
80 Units
2019 - Date to be Finished |
| 3. Canopy at Ginter Park
175 Units
2019 - Date to be Finished | 10. Marshall at City Center
166 Units
8/18 - Date to be Finished | 17. Manchester Park
57 Units
2019 - Date to be Finished |
| 4. 720 W Cary St
300 Units
7/18 - Date to be Finished | 11. City View Marketplace
161 Units
6/19 - Date to be Finished | 18. The Goodwin at Union Hill
52 Units
11/18 - Date to be Finished |
| 5. Abberly at CenterPointe
271 Units
6/18 - Date to be Finished | 12. East 51 at Rocketts Landing
156 Units
12/18 - Date to be Finished | 19. 1004 N Thompson St
26 Units
12/18 - Date to be Finished |
| 6. Winterfield Crossing
250 Units
9/18 - Date to be Finished | 13. The Village at Westlake
120 Units
8/18 - Date to be Finished | |
| 7. River's Edge at Manchester
213 Units
7/18 - Date to be Finished | 14. Symbol Apartments II
101 Units
6/18 - Date to be Finished | |

Data provided by CoStar and Cushman & Wakefield | Thalhimer Research





Richmond, VA Building Permits



Data provided by the U.S. Census Bureau

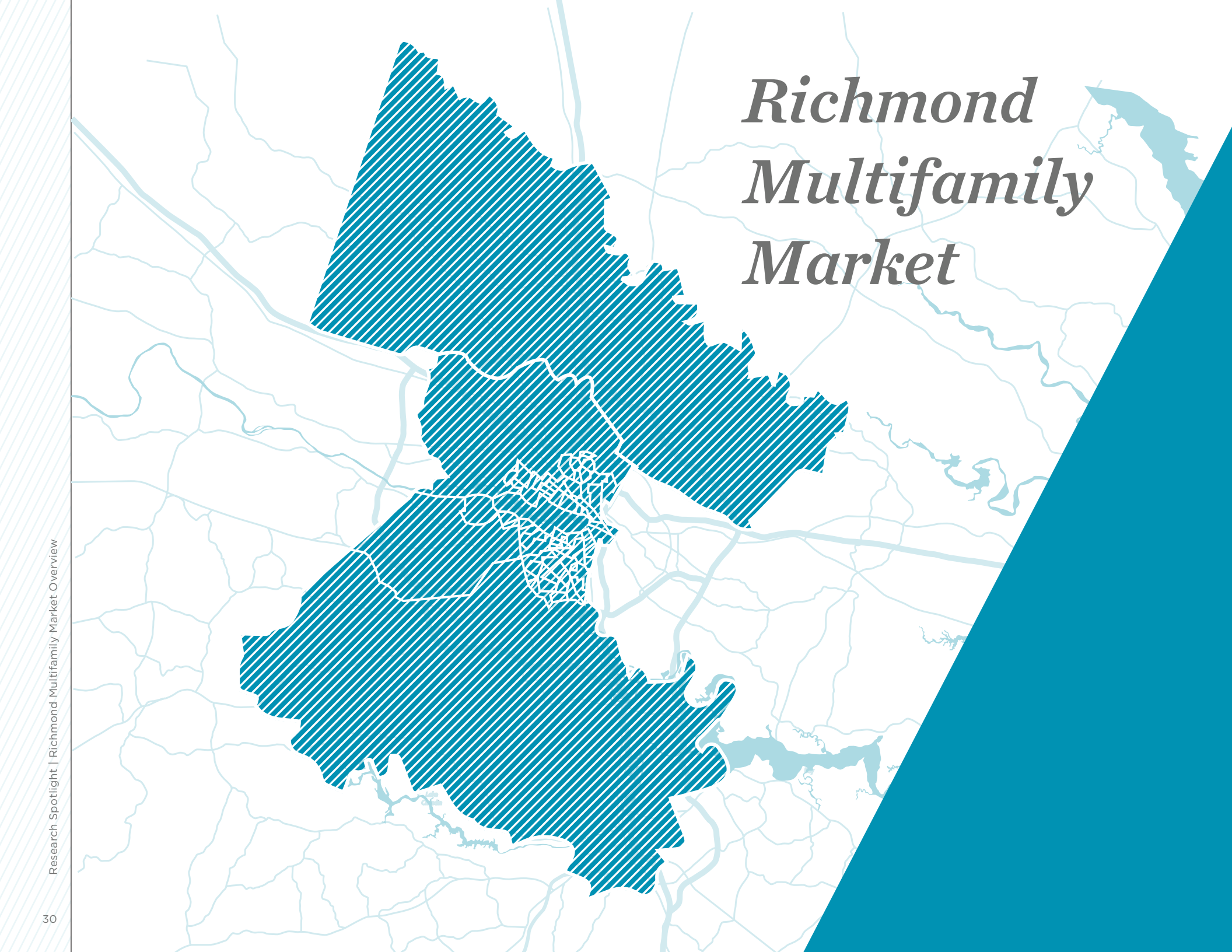
An aerial photograph of a city skyline at sunset. The sky is a warm orange and yellow. Several buildings are visible, including a prominent white building with a flagpole on top. A large blue geometric shape, resembling a stylized 'A' or a large triangle, is overlaid on the right side of the image. The text 'Section | 05' is written in a white serif font within this blue shape.

Section | 05

SUBMARKET SNAPSHOT







Richmond Multifamily Market

Top 5 Submarkets Based on Key Indicators

RANK		INVENTORY UNITS	INVENTORY ANNUAL GROWTH UNITS	OCCUPANCY %	ASKING RENT PER UNIT	UNDER CONSTRUCTION UNITS
#1	Far West End	26,831	Midlothian 280	Scott's Addition 97.8%	Scott's Addition \$1,336	Manchester 748
#2	Southside	12,195	Shockoe Bottom 233	Near West End 97.1%	Museum District \$1,265	Far West End 527
#3	Chesterfield	12,189	The Fan 125	Ashland 97.0%	CBD \$1,190	Northside 301
#4	Petersburg	7,725	Petersburg 62	Far West End 95.4%	Shockoe Bottom \$1,183	The Fan 300
#5	Midlothian	6,179	Museum District 50	Manchester 95.2%	Near West End \$1,153	Midlothian 271

RANK		INVENTORY UNITS / % GROWTH	EFFECTIVE RENT CONCESSIONS %	OCCUPANCY ANNUAL % GROWTH	ASKING RENT ANNUAL % GROWTH	VACANCY %
#1	Museum District	11.4%	Northside 5.9%	Museum District 7.8%	Near West End 8.3%	Shockoe Bottom 9.7%
#2	Shockoe Bottom	5.7%	Museum District 3.7%	The Fan 3.8%	Southside 5.6%	Northside 8.6%
#3	Midlothian	4.7%	CBD 2.0%	Ashland 3.7%	Midlothian 4.9%	Midlothian 8.2%
#4	The Fan	4.0%	Petersburg 1.9%	Manchester 2.6%	Scott's Addition 4.2%	Southside 6.6%
#5	Petersburg	0.8%	Shockoe Bottom 1.3%	Hopewell 2.1%	Ashland 4.2%	The Fan 6.5%

Data provided by CoStar Research for Q1 2018

RANKS 2ND IN INVENTORY GROWTH

5.7% - **233** UNITS

RANKS 5TH HIGHEST

1.3% EFFECTIVE RENT CONCESSIONS

UNDER CONSTRUCTION

173 UNITS

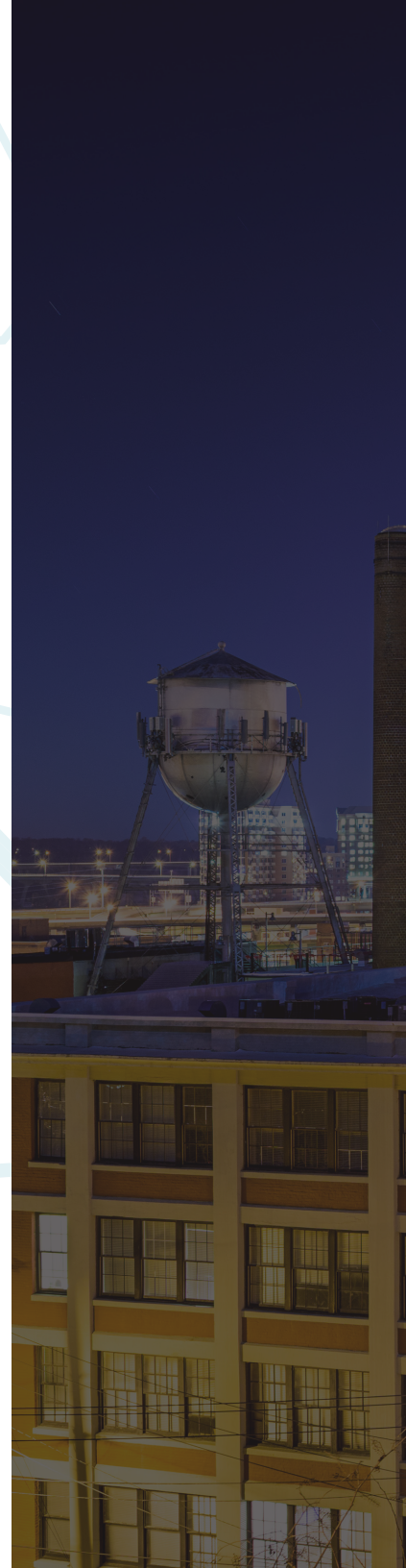
HIGHEST VACANCY

4TH HIGHEST ASKING RENT

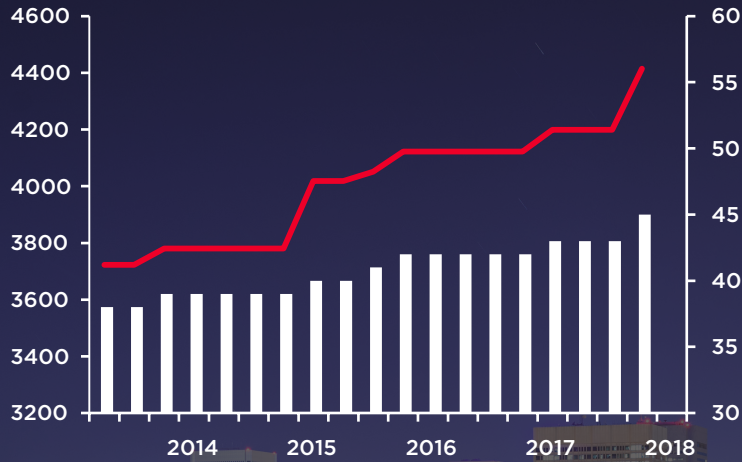
9.7%

\$1,183

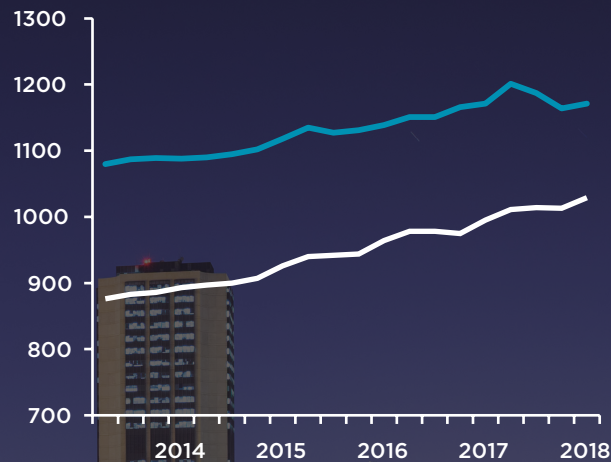
Shockoe Bottom



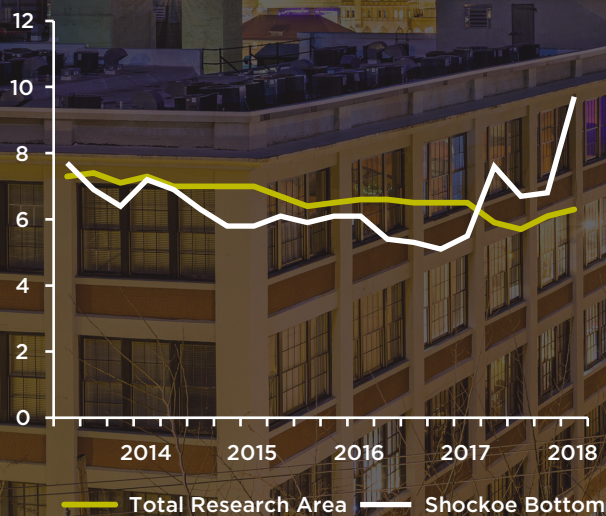
INVENTORY



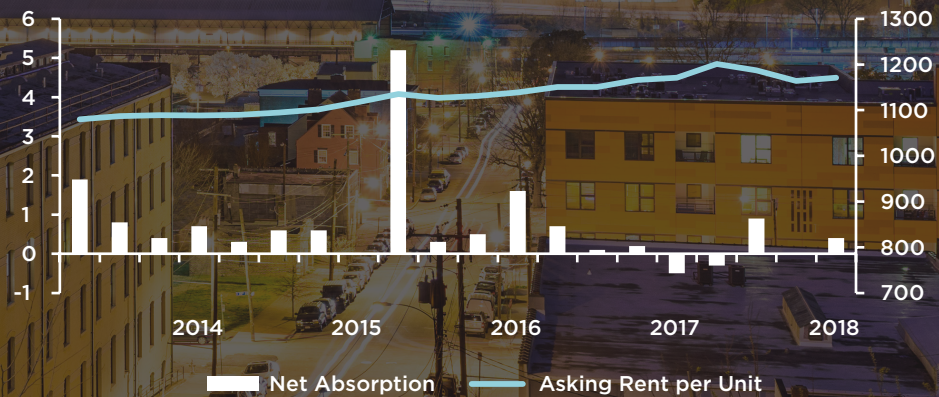
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



4TH IN INVENTORY GROWTH

4.0% - 125 ADDED IN THE PAST YEAR

2ND HIGHEST ANNUAL OCCUPANCY GROWTH

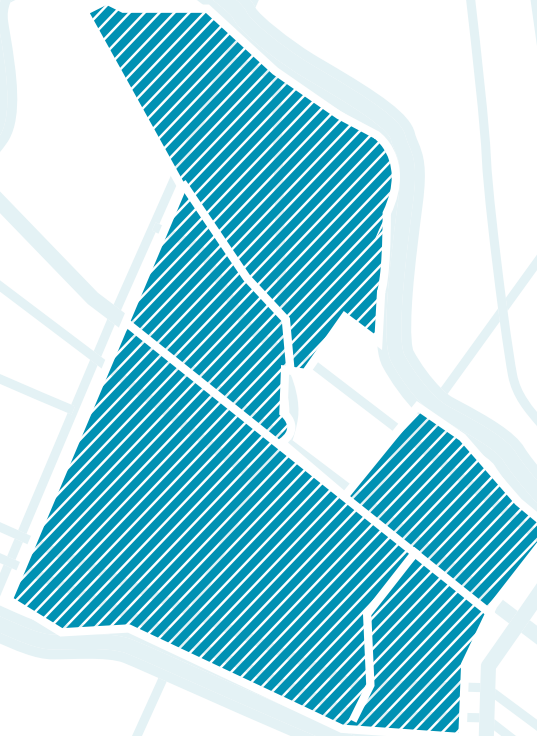
3.8%

ABSORBED IN Q1

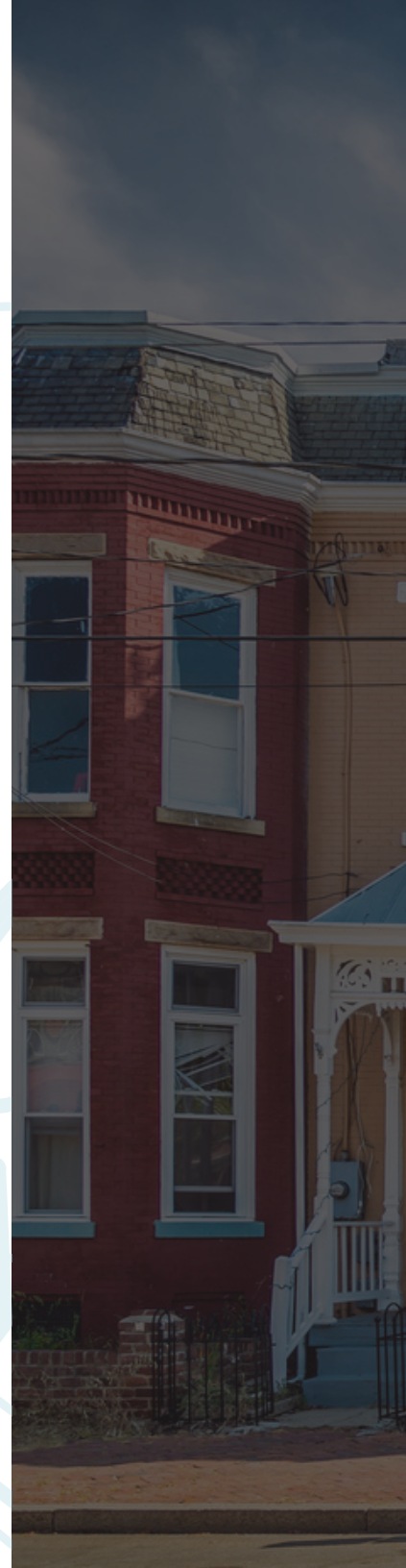
192 NET UNITS

UNDER CONSTRUCTION

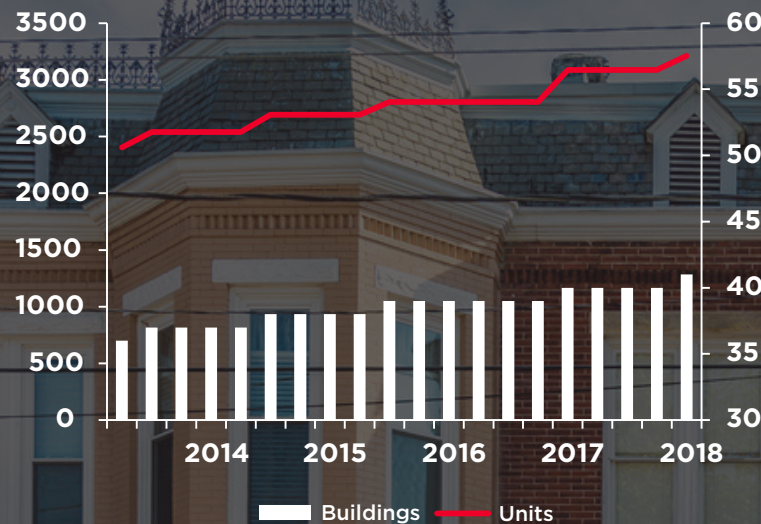
300 UNITS



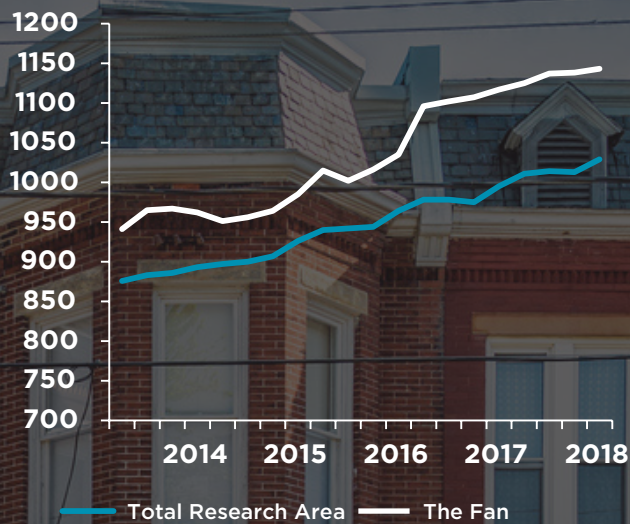
The Fan



INVENTORY



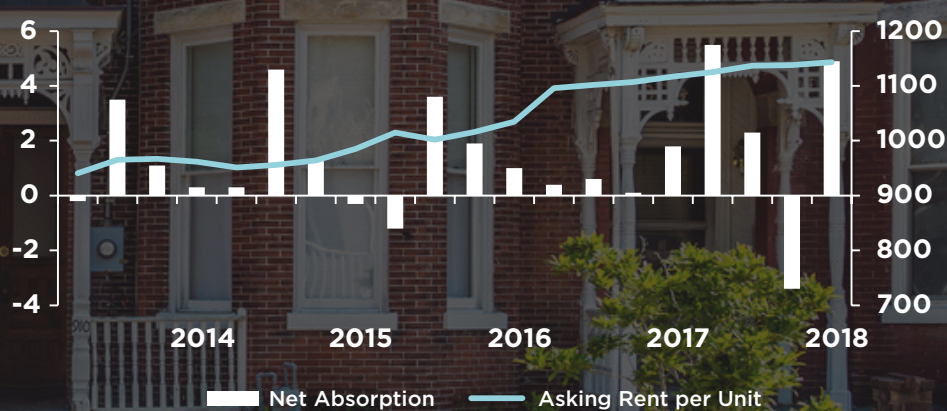
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



3RD HIGHEST RENT

\$1,190 PER UNIT

3RD HIGHEST RENT CONCESSIONS

2.0%

UNDER CONSTRUCTION

66 UNITS

VACANCY RATE

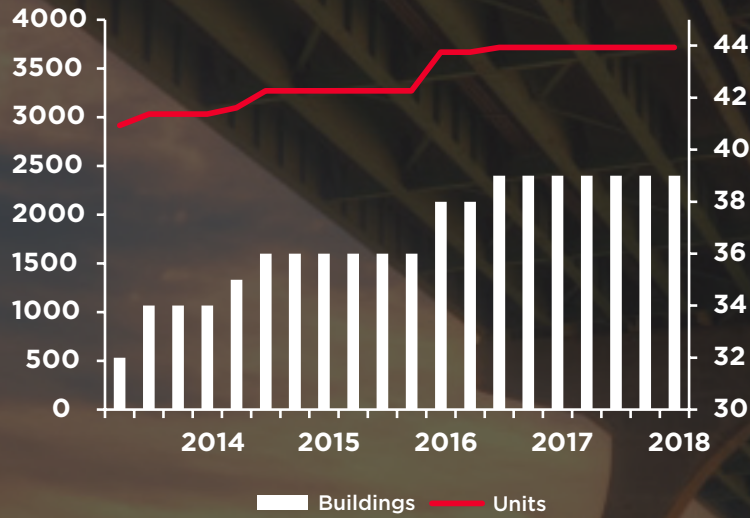
5.9%

RENT DECREASED

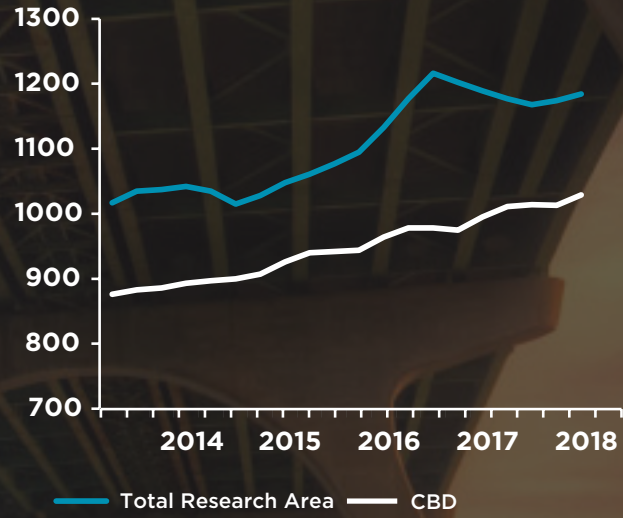
0.3% IN PAST YEAR

CBD

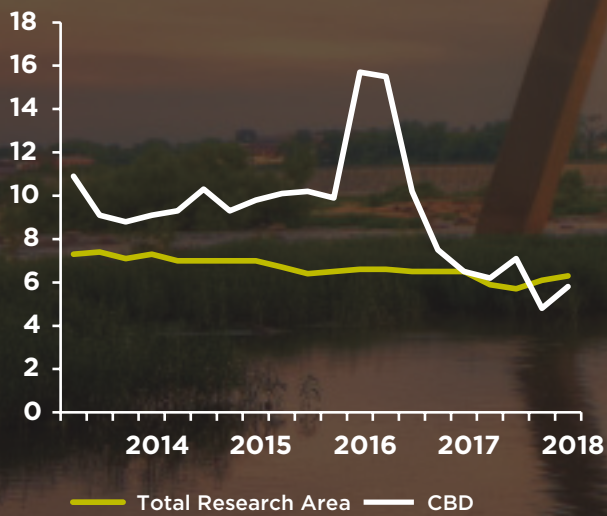
INVENTORY



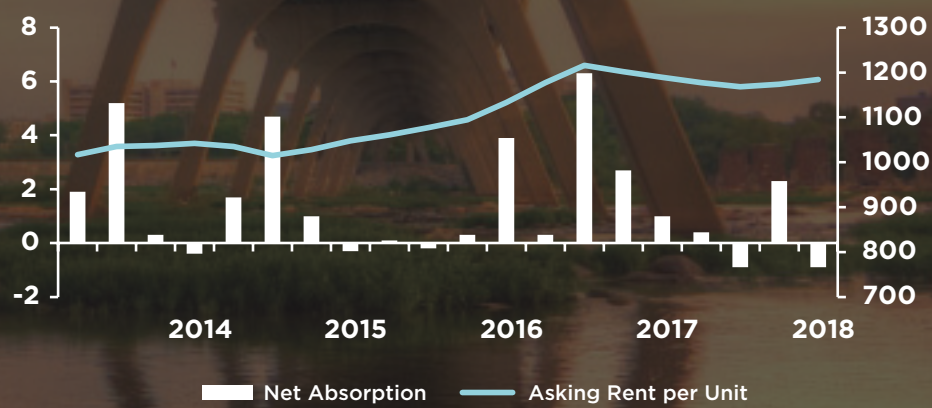
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



GROWING INVENTORY

490 UNITS

RANKS 1ST; INCREASE IN INVENTORY

11.4%

2ND HIGHEST RENT CONCESSIONS

3.7%

FASTEST ANNUAL OCCUPANCY GROWTH

7.8%

TIED FOR 3RD LOWEST VACANCY

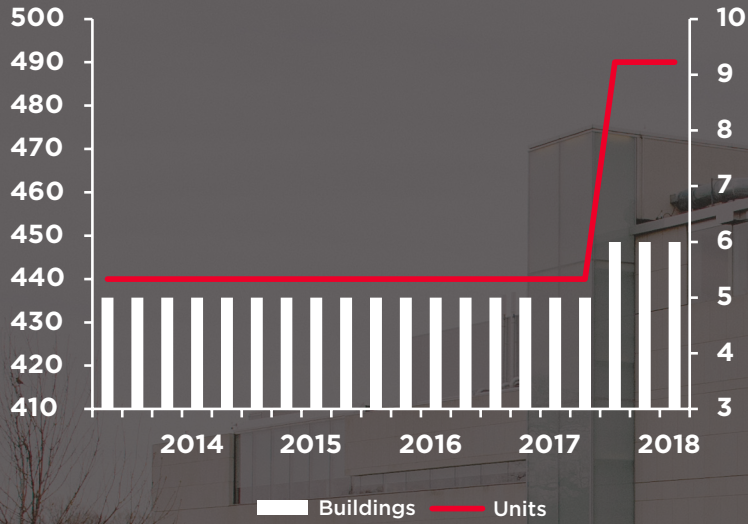
5.0%

UNDER CONSTRUCTION

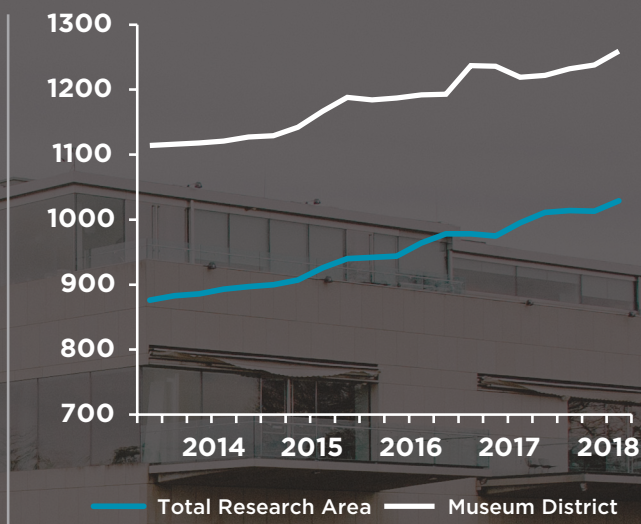
32 UNITS

*Museum
District*

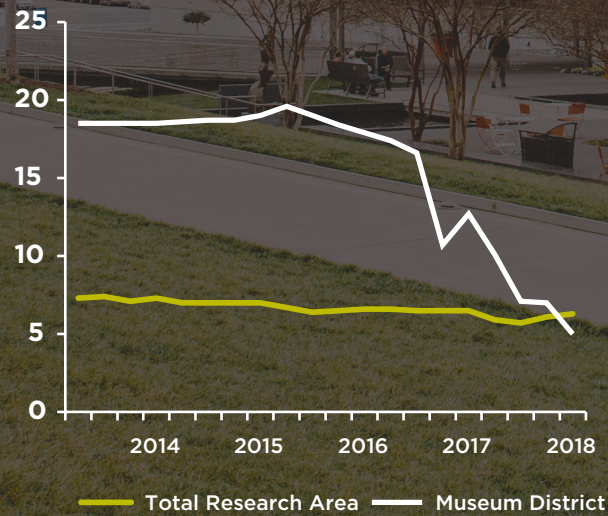
INVENTORY



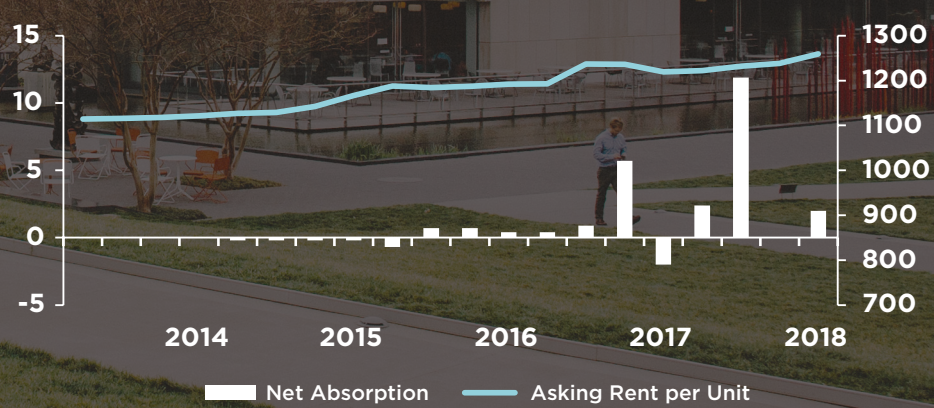
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



HIGHEST OCCUPANCY

97.8%

HIGHEST ASKING RENT

\$1,336

4TH FASTEST RENT GROWTH RATE

4.2%

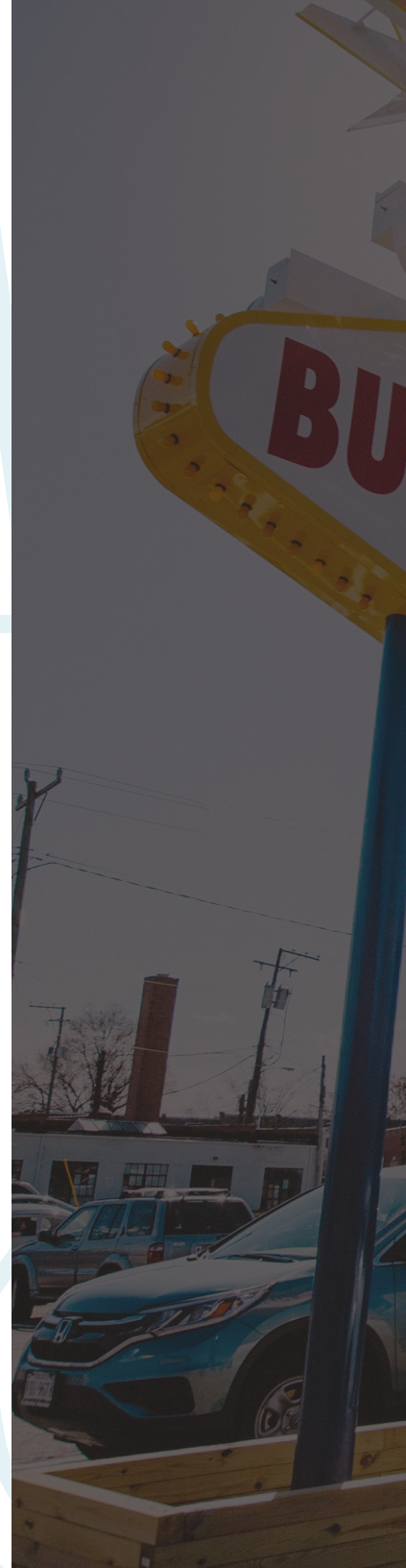
VACANCY DECREASED

1.3% IN PAST YEAR

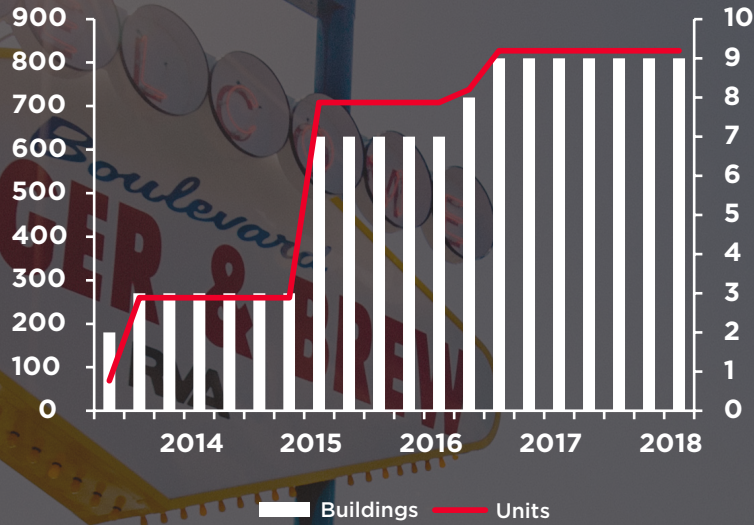
UNDER CONSTRUCTION

183 UNITS

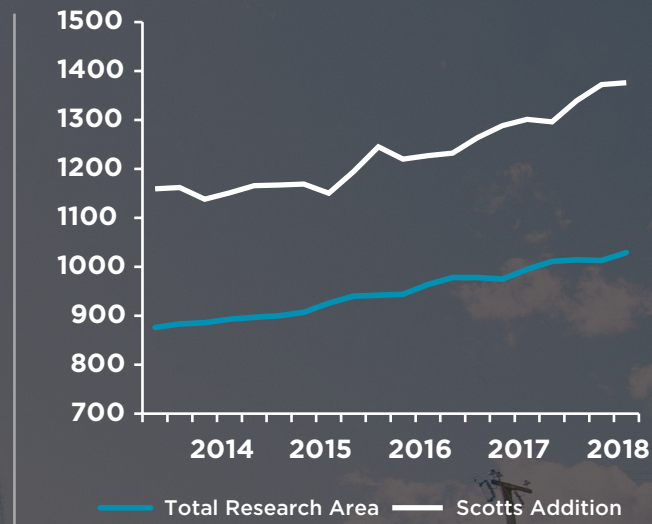
*Scott's
Addition*



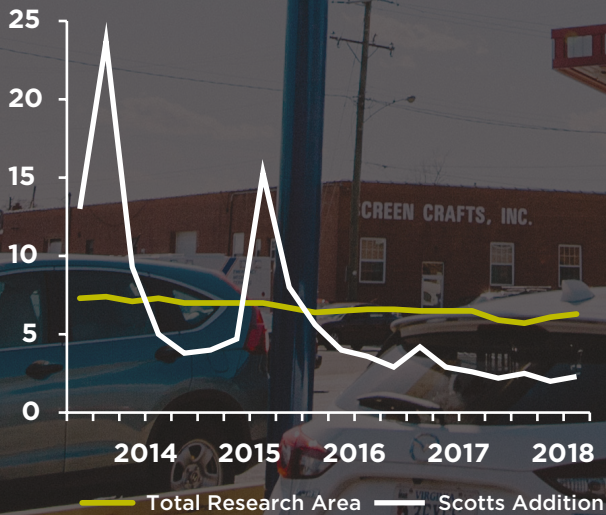
INVENTORY



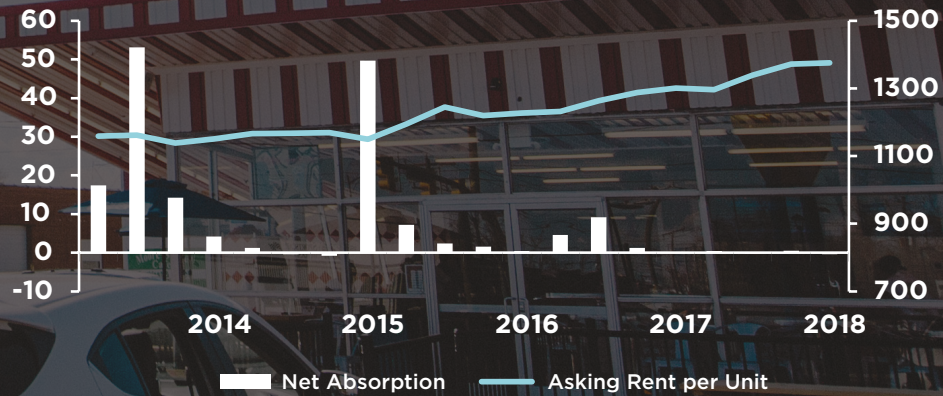
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



5TH HIGHEST RENTAL RATE

\$1,153 PER UNIT

ANNUAL GROWTH RATE

8.3%

NET ABSORBED IN Q1 2018

9 UNITS

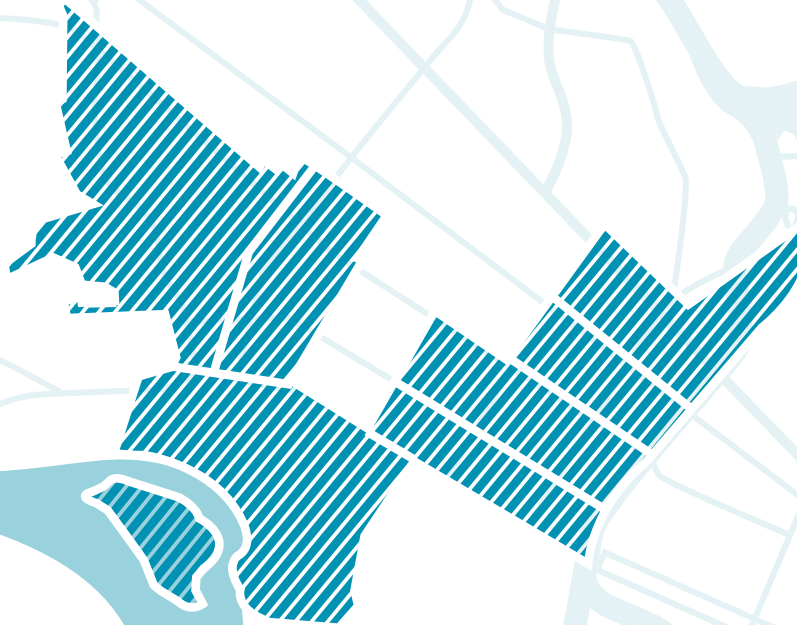
BUILDINGS IN SUBMARKET

5

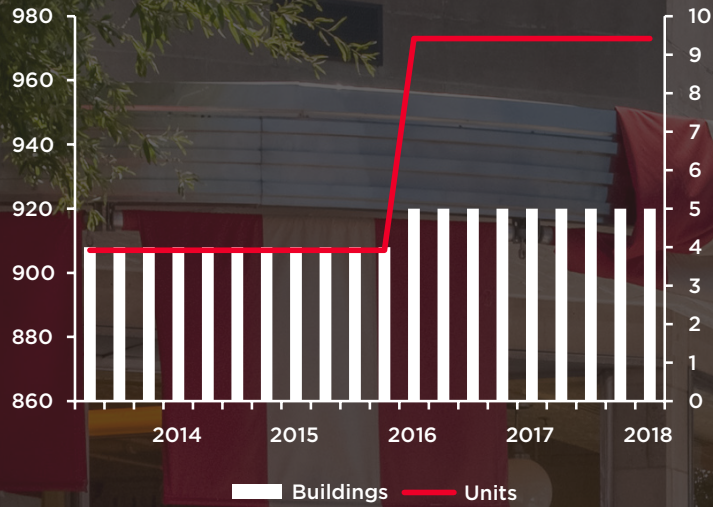
VACANCY RATE

2.9%

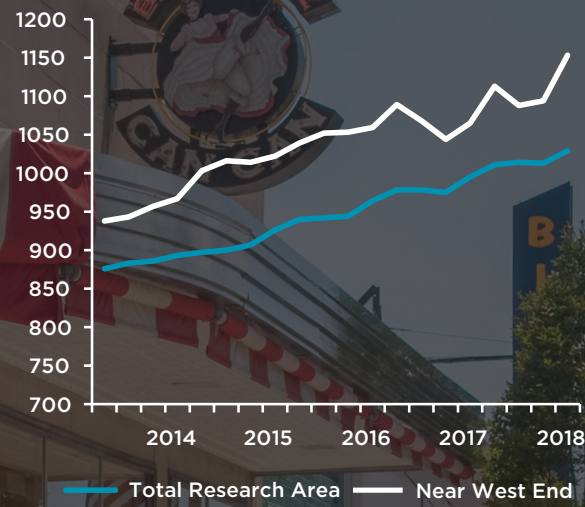
Near West End



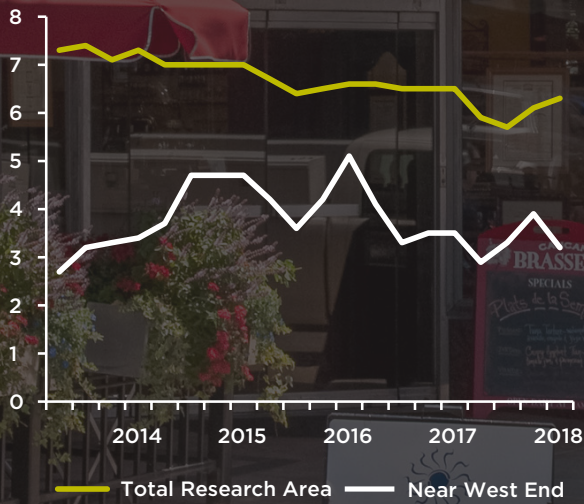
INVENTORY



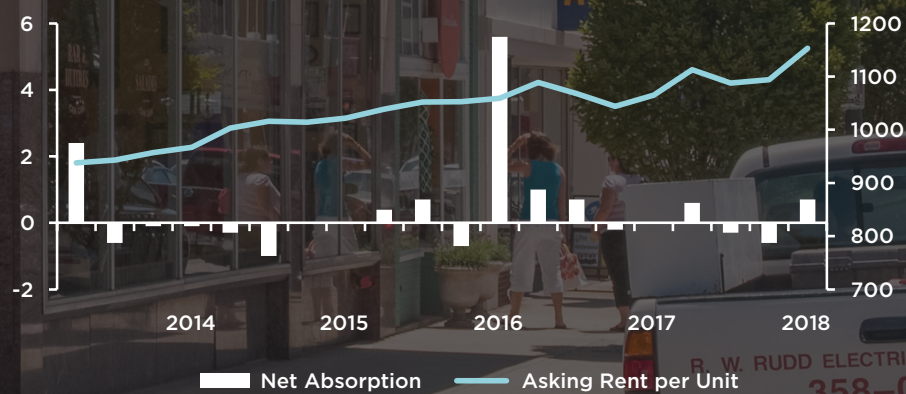
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



4TH LOWEST ASKING RENT

\$890

VACANCY RATE RANKS 2ND HIGHEST

8.6%

HIGHEST EFFECTIVE RENT CONCESSIONS

5.9%

ANNUAL RENT GROWTH

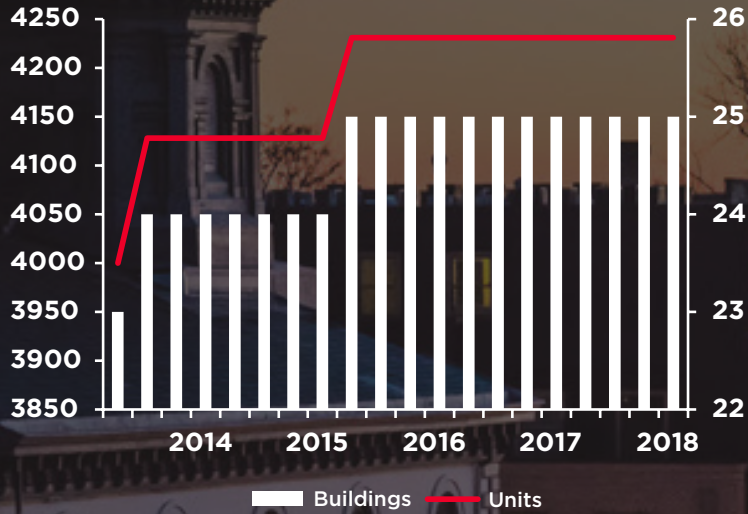
2.9%

INVENTORY AND UNDER CONSTRUCTION

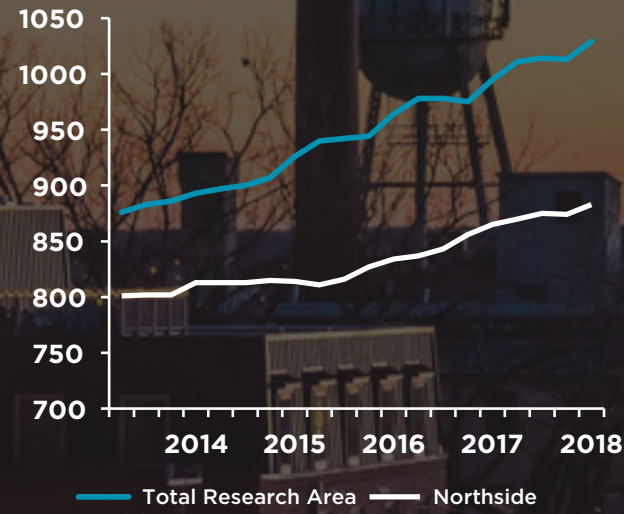
4,231 UNITS, **301** UNDER CONSTRUCTION

Northside

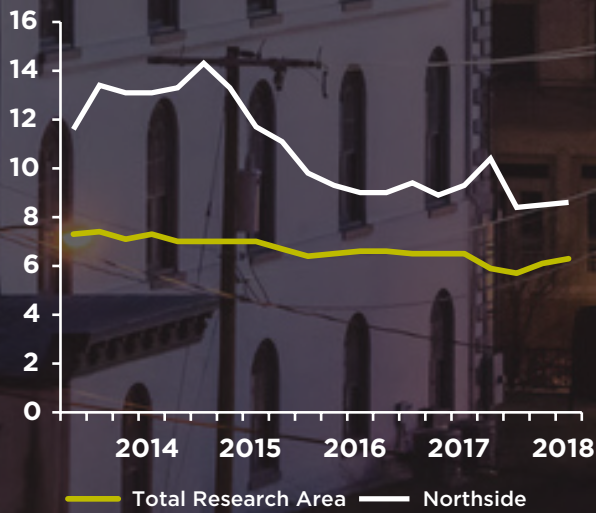
INVENTORY



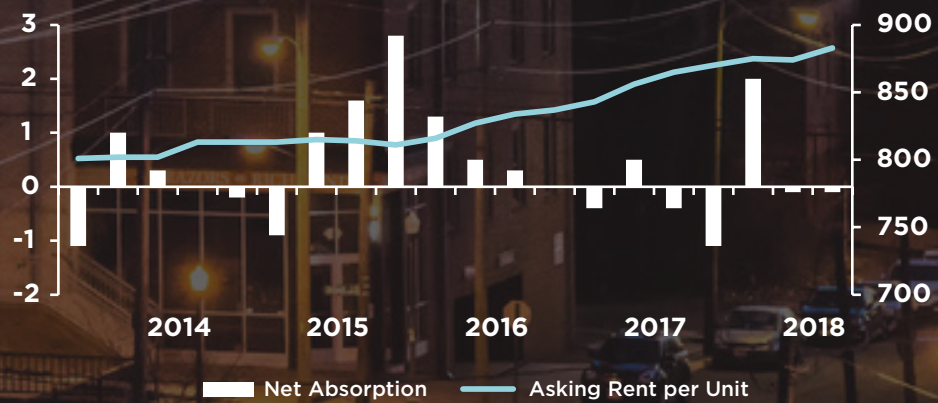
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



BUILDINGS DOUBLED IN PAST 10 YEARS

29 BUILDINGS

THE MOST DEVELOPMENT / UNDER CONSTRUCTION

748 UNITS

UNITS ADDED IN THE PAST 5 YEARS

1,305 UNITS

ASKING RENT

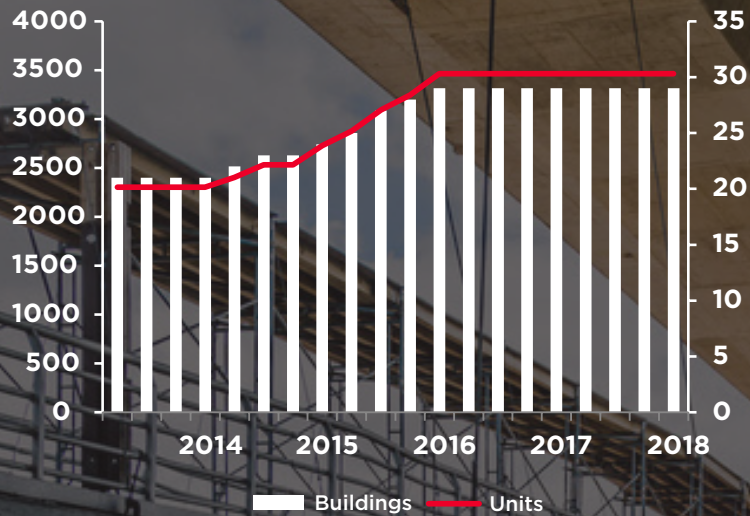
\$975

VACANCY RATE

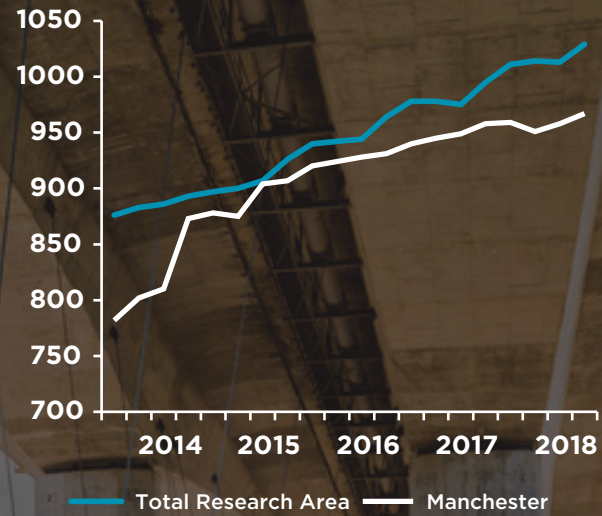
4.8%

Manchester

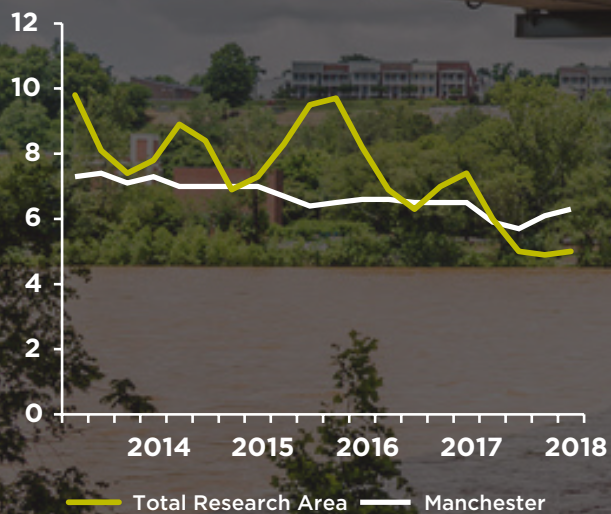
INVENTORY



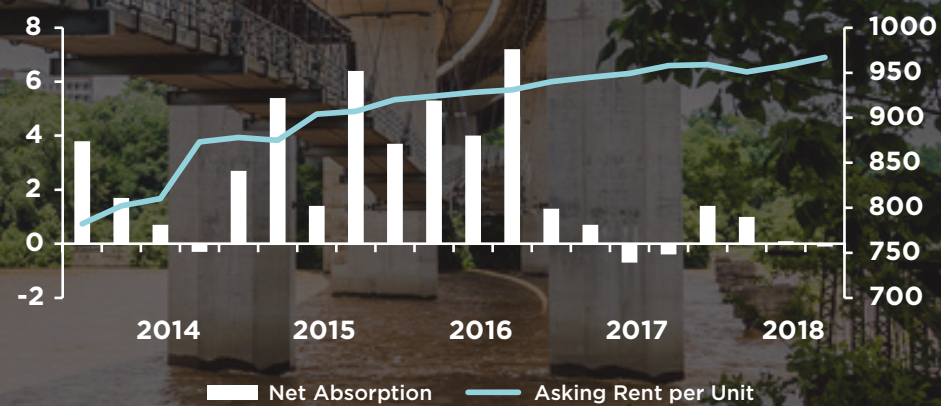
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



ANNUAL RENT GROWTH, RANKS 2ND

5.6%

ASKING RENT

\$843

2ND MOST INVENTORY

12,195 UNITS

VACANCY RATE IS 4TH HIGHEST

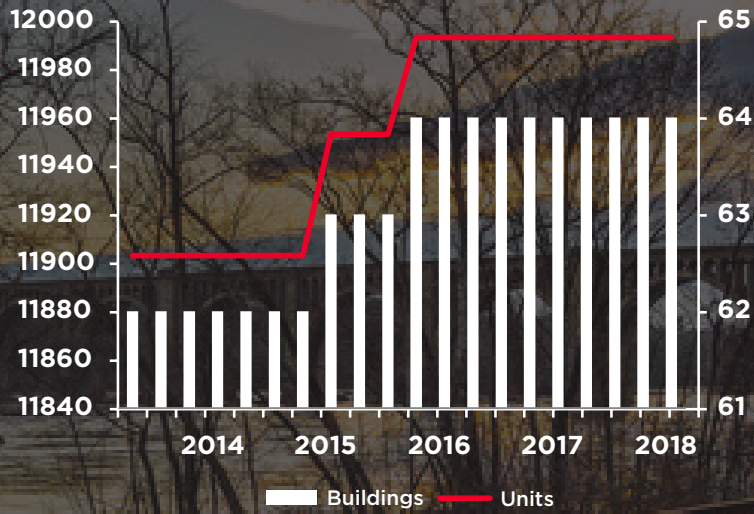
6.6%

4TH MOST UNDER CONSTRUCTION

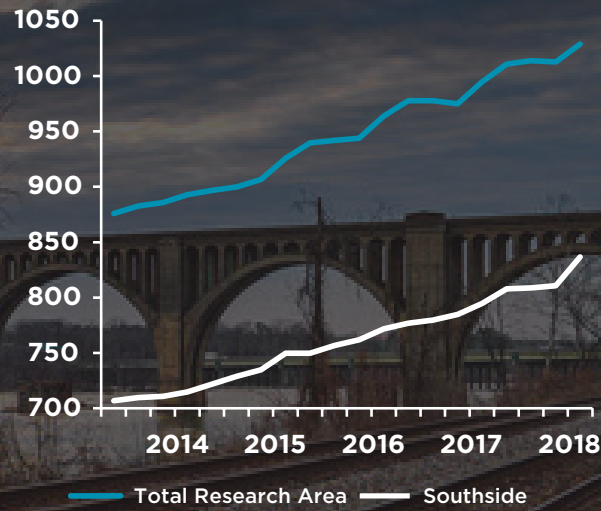
252 UNITS

Southside

INVENTORY



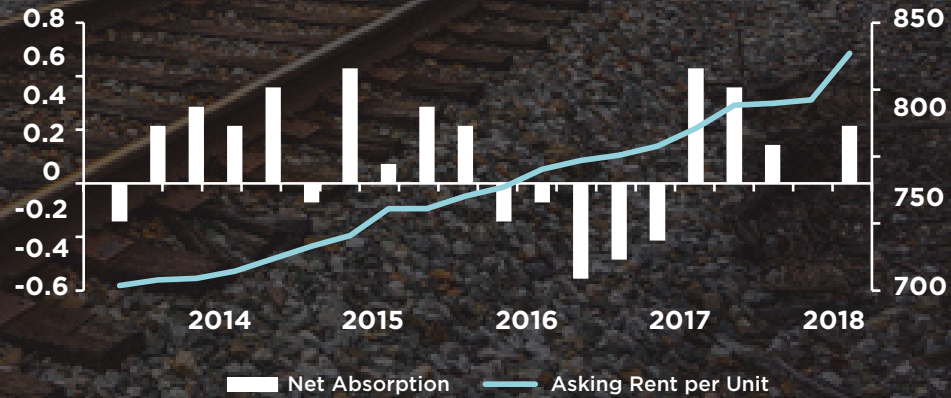
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



LARGEST INVENTORY

26,831 UNITS

4TH HIGHEST OCCUPANCY RATE

95.4%

2ND MOST UNDER CONSTRUCTION

527 UNITS

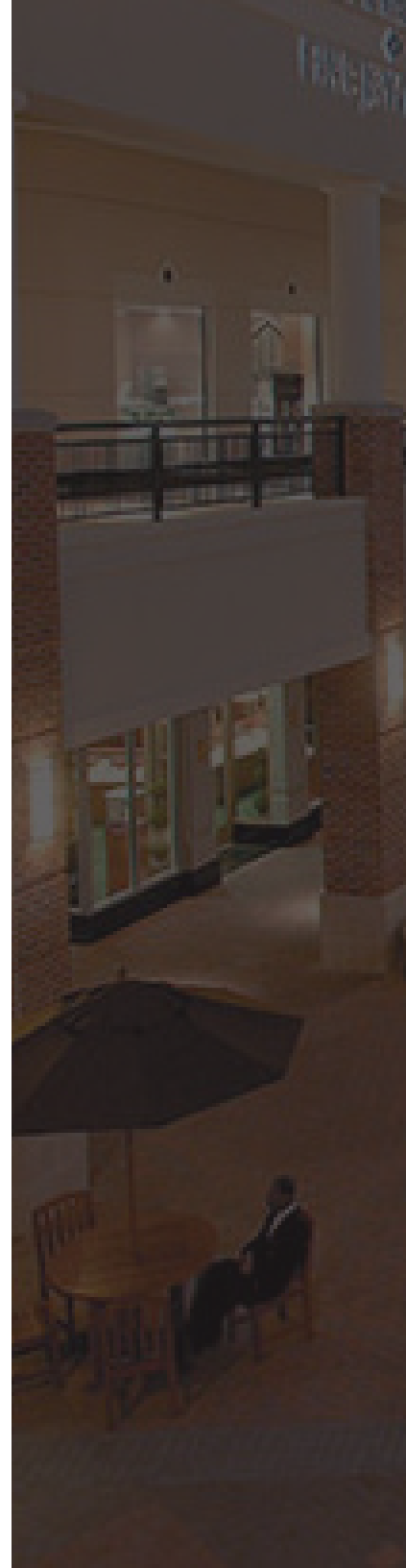
ANNUAL VACANCY RATE DECLINED

0.1%

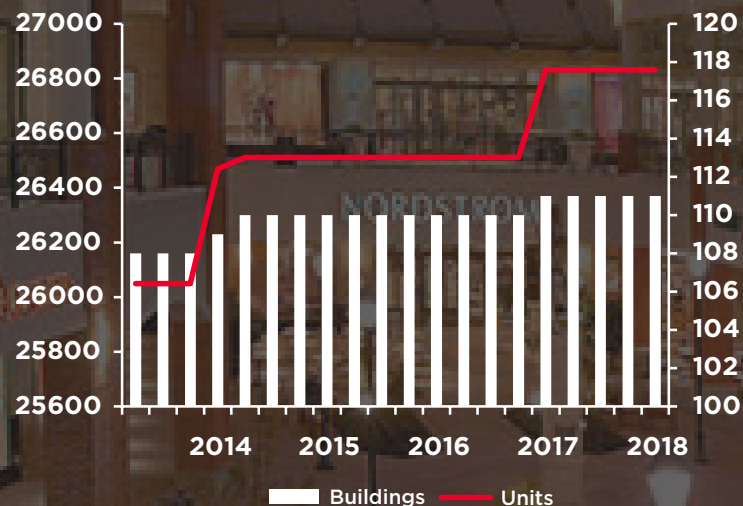
ANNUAL RENT GROWTH

3.9%

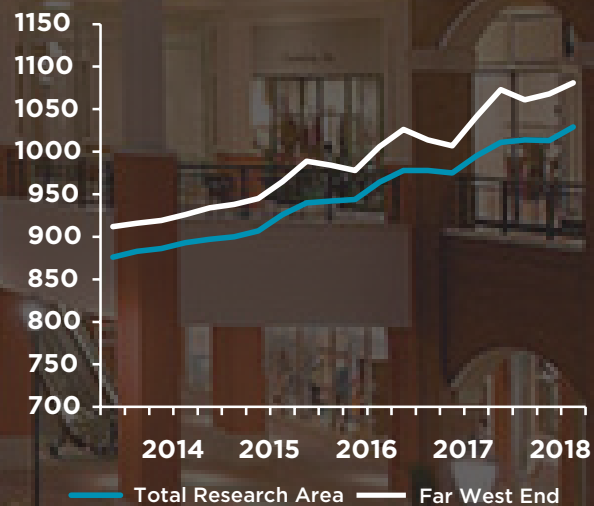
Far West End



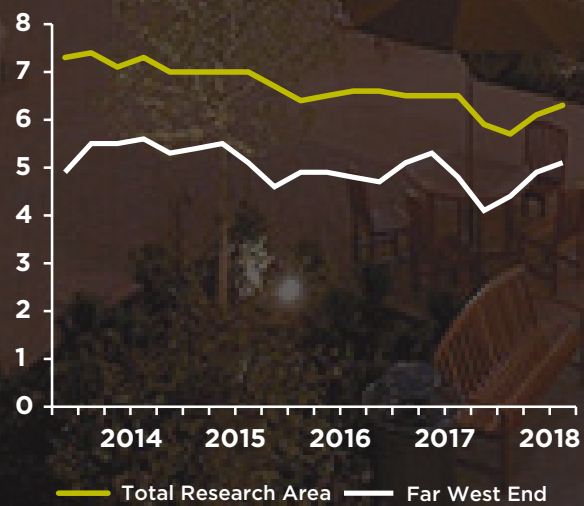
INVENTORY



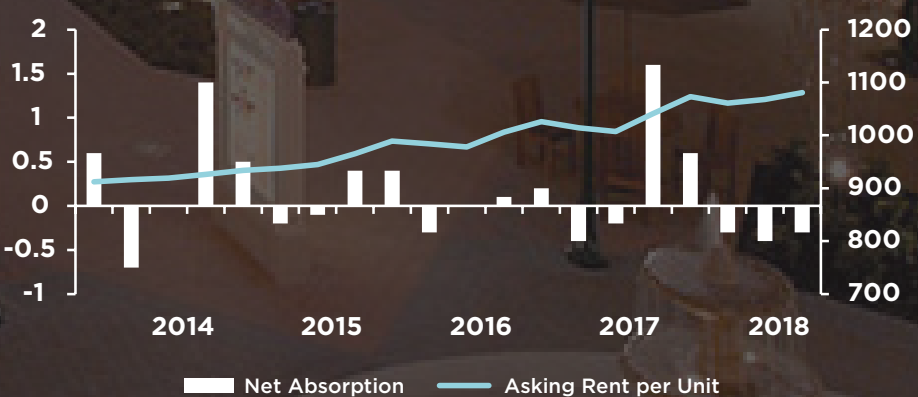
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



5TH LARGEST INVENTORY WITH 6,179

4.7% INVENTORY GROWTH

MOST NEW INVENTORY ADDED IN PAST YEAR

280 UNITS

ANNUAL RENT GROWTH

4.9%

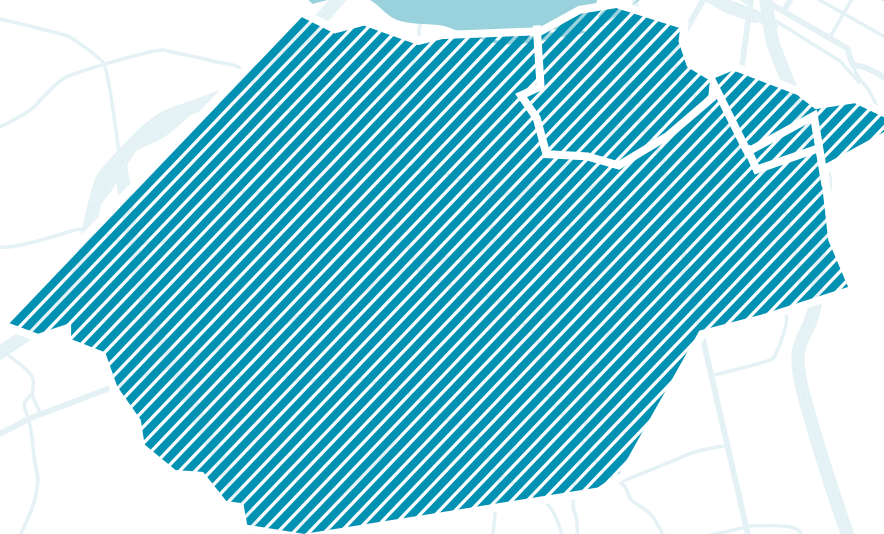
ABSORBED IN Q1

120 UNITS

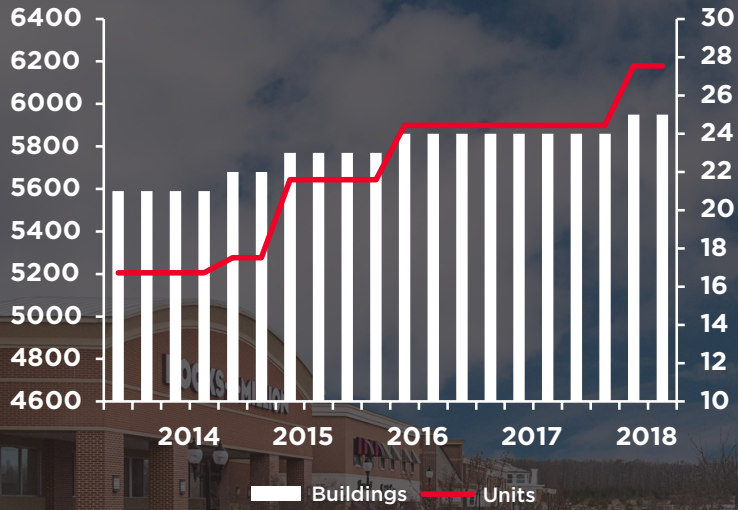
VACANCY RATE

8.2%

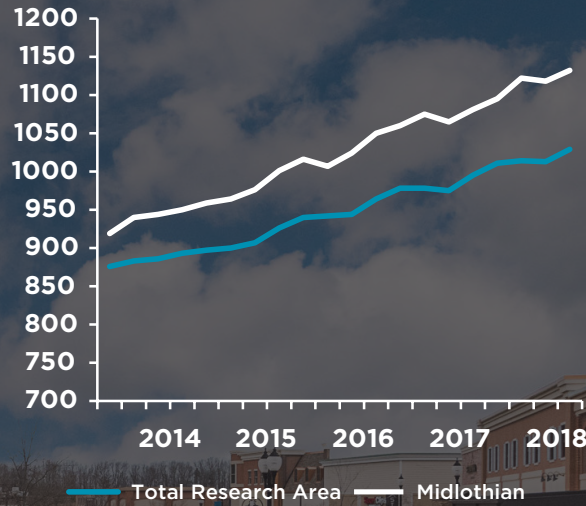
Midlothian



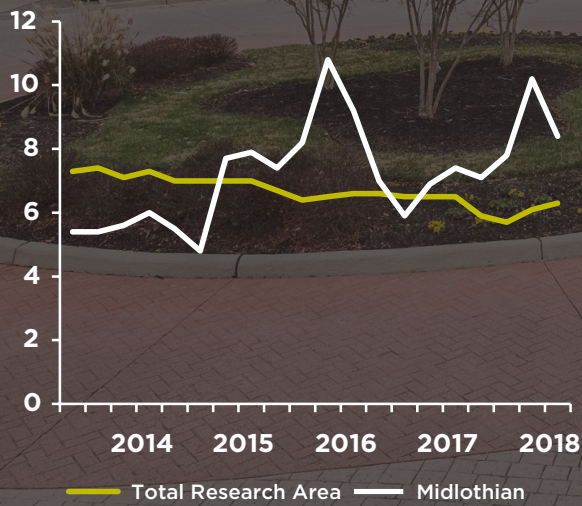
INVENTORY



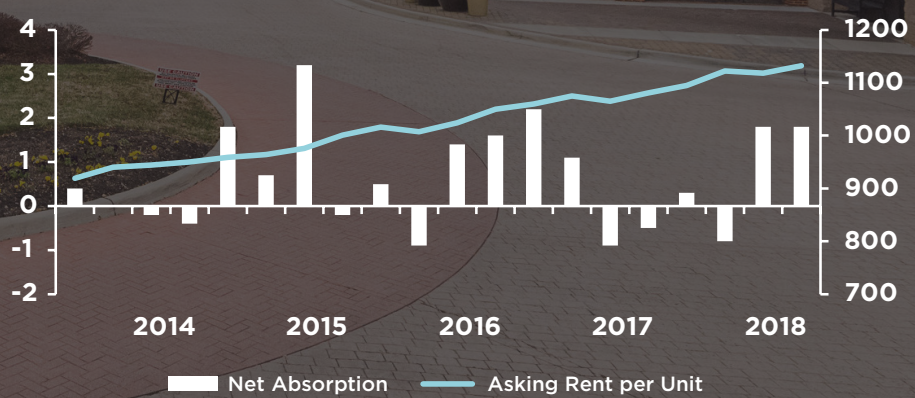
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



3RD LARGEST INVENTORY

12,189 UNITS

ANNUAL ASKING RENT GROWTH

3.6%

ASKING RENT

\$1,064

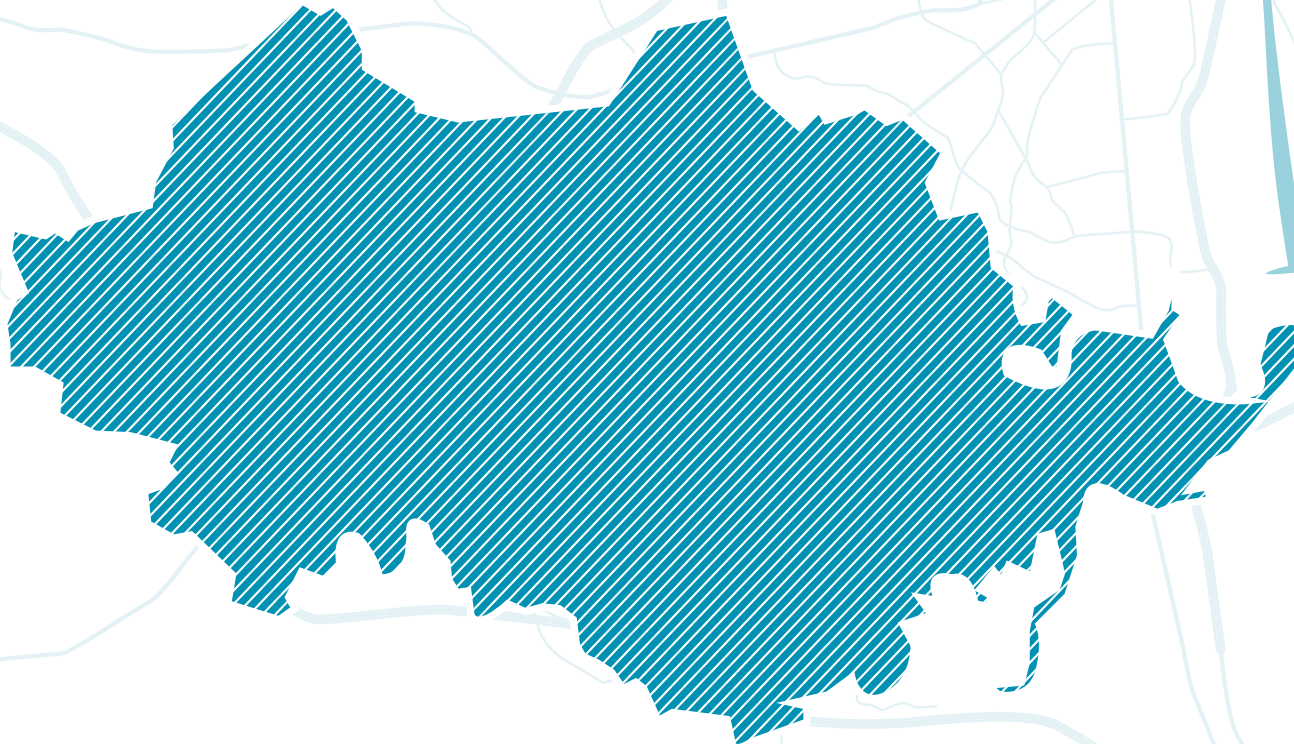
VACANCY RATE

5.0%

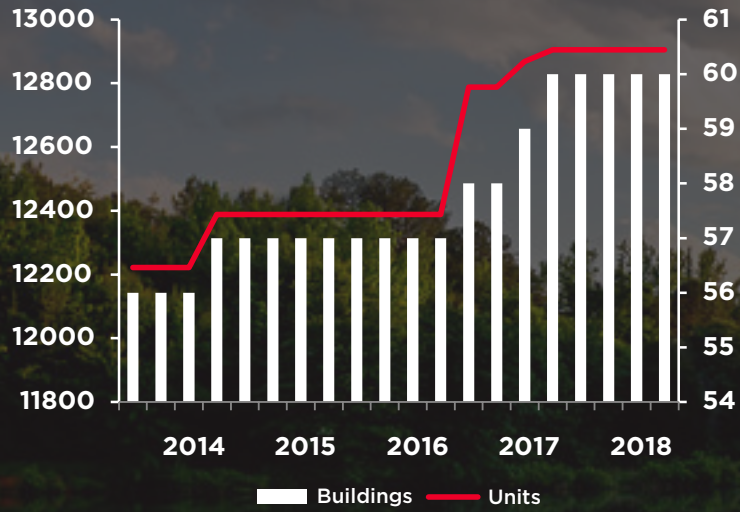
UNDER CONSTRUCTION

100 UNITS

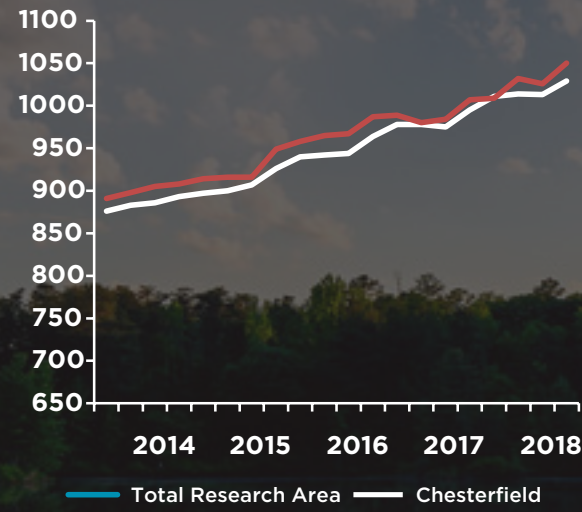
Chesterfield



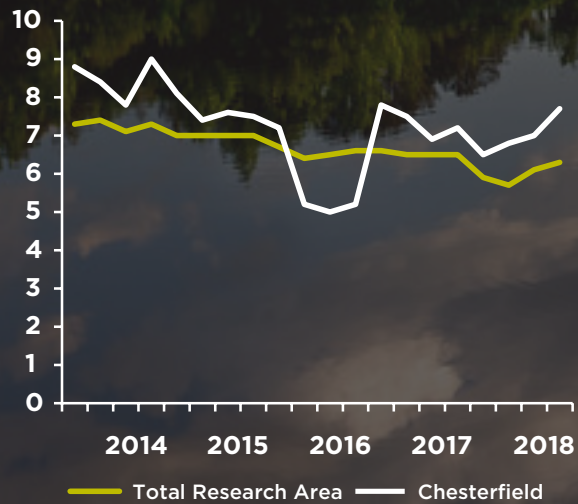
INVENTORY



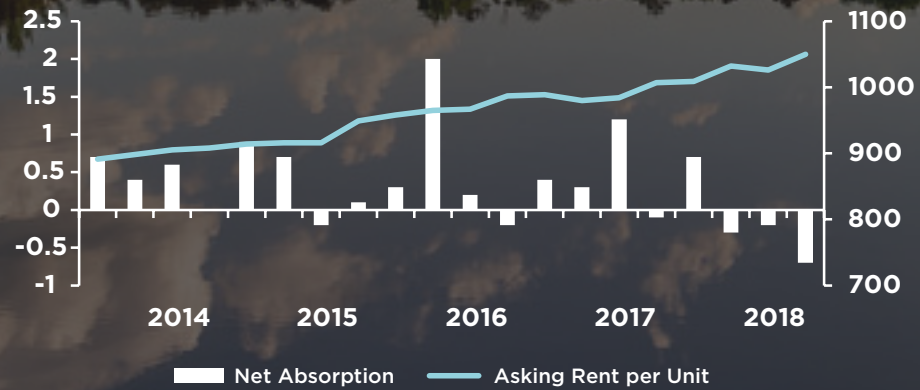
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



RANKS 5TH IN ANNUAL OCCUPANCY GROWTH

2.1%

VACANCY RATE

5.8%

ASKING RENT | SLOWEST IN THE AREA

\$753

ADDED INVENTORY IN PAST 10 YEARS

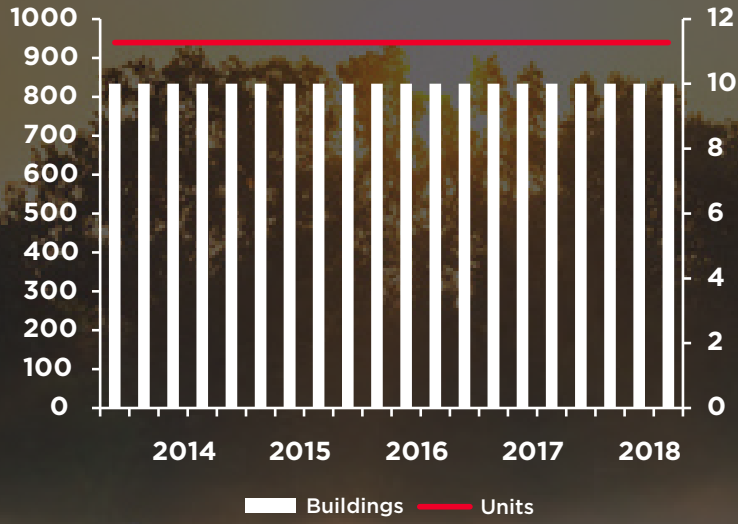
0

ANNUAL RENT GROWTH

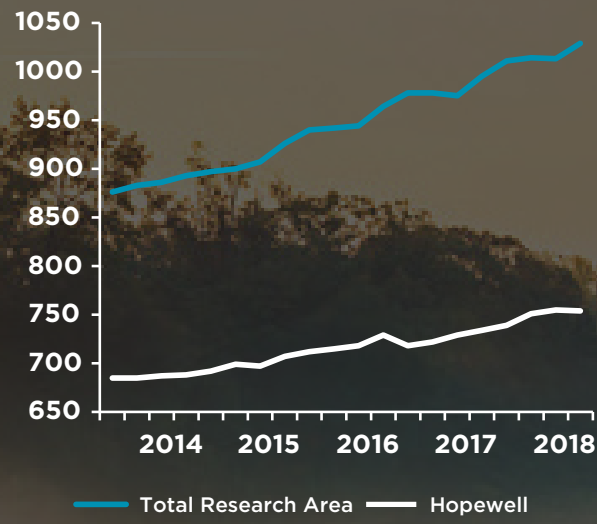
2.6%

Hopewell

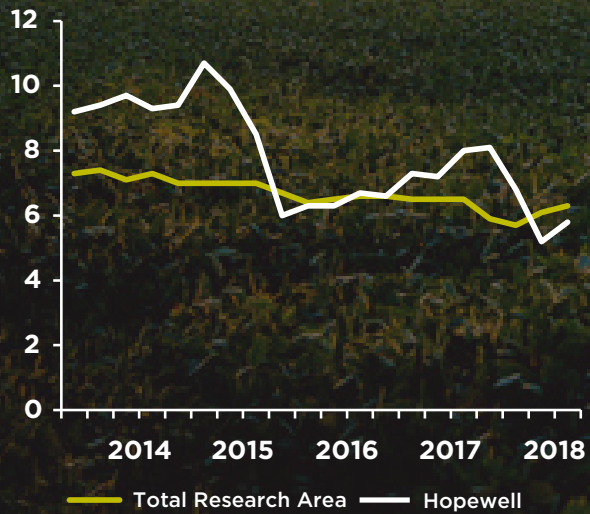
INVENTORY



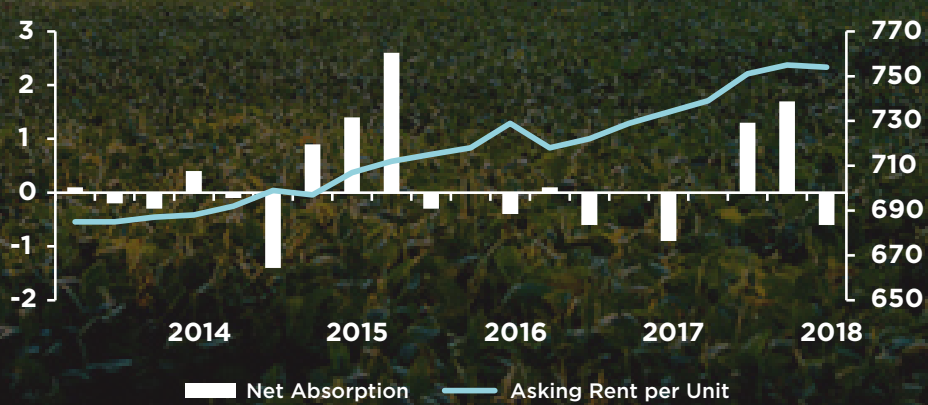
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



62 UNITS ADDED IN PAST YEAR,
4TH MOST # UNITS ADDED

0.8% INCREASE

ANNUAL RENT GROWTH

2.3%

4TH LARGEST INVENTORY

7,725 UNITS

ASKING RENT

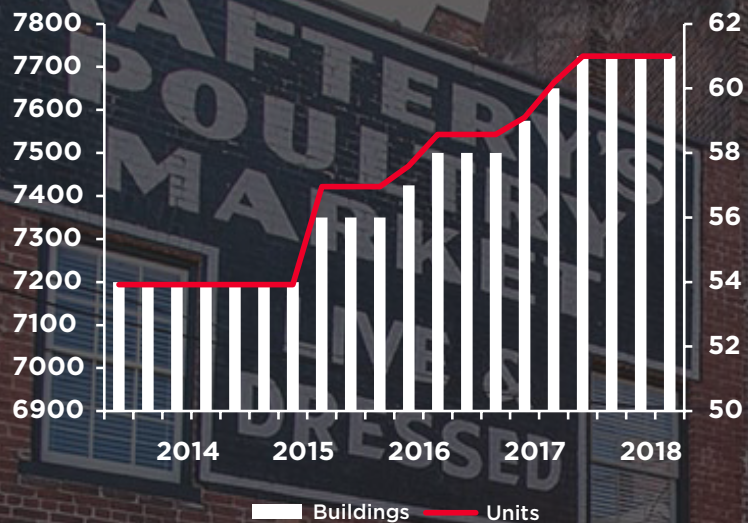
\$841

VACANCY RATE

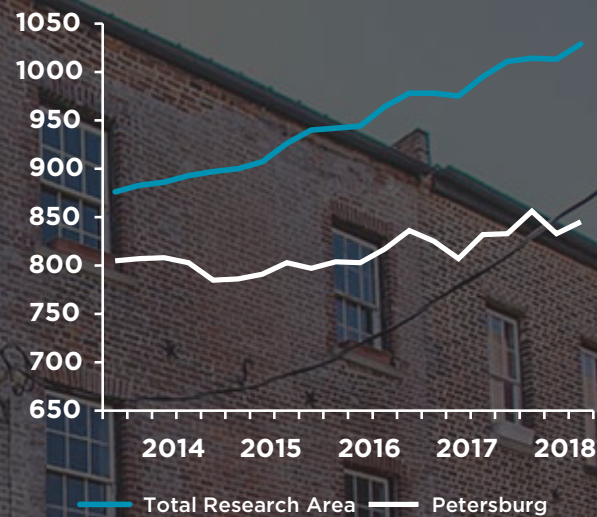
5.7%

Petersburg

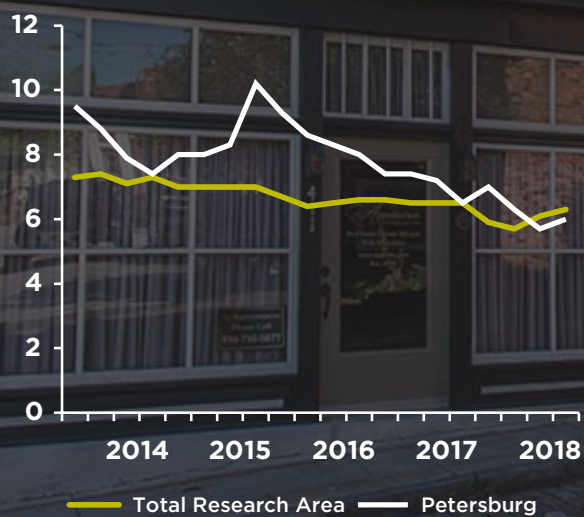
INVENTORY



ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



LARGEST APARTMENT SALE TO DATE IN 2018

\$27.2M

ANNUAL RENT GROWTH

4.2%

3RD HIGHEST OCCUPANCY

97%

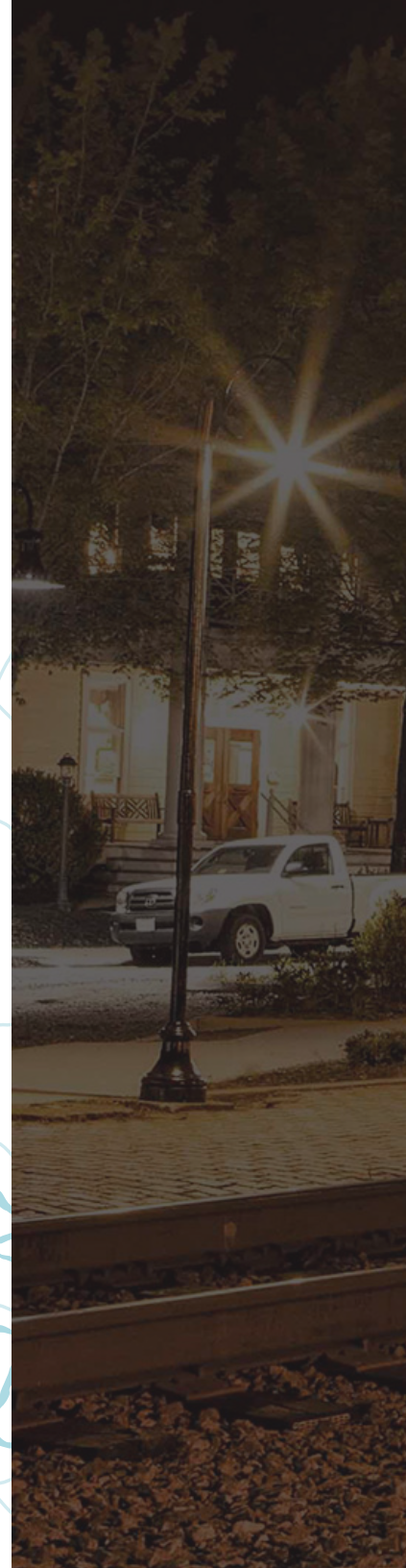
VACANCY RATE

3.0%

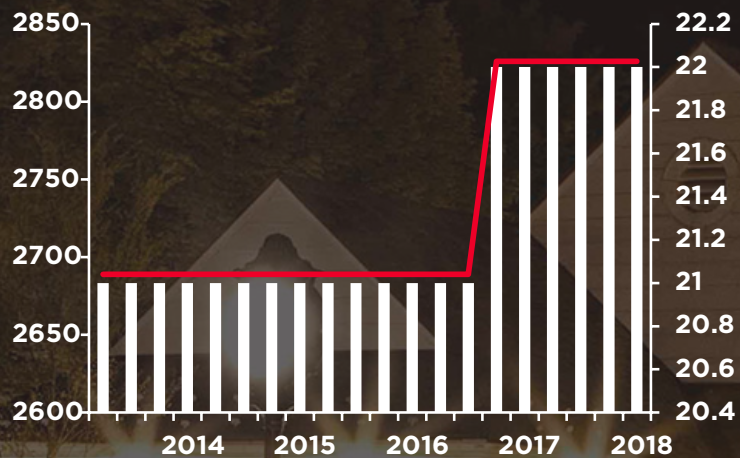
ANNUAL OCCUPANCY GROWTH

3.7%

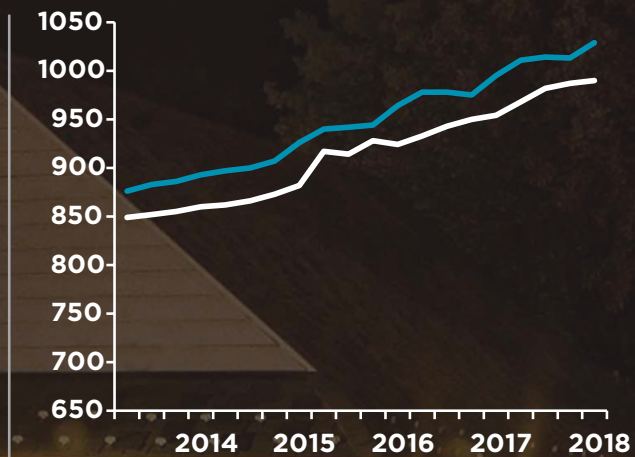
Ashland



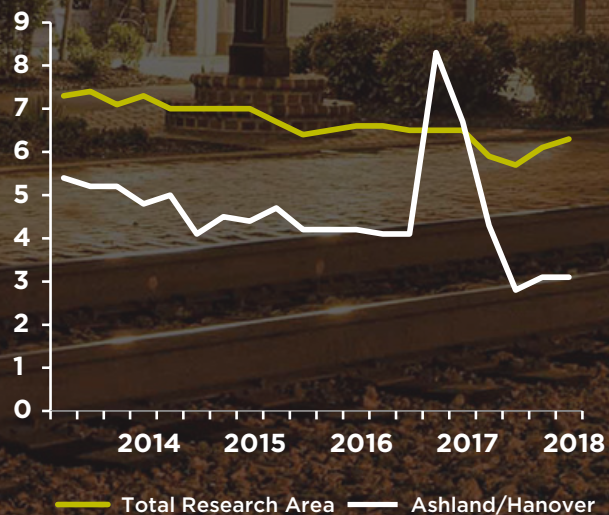
INVENTORY



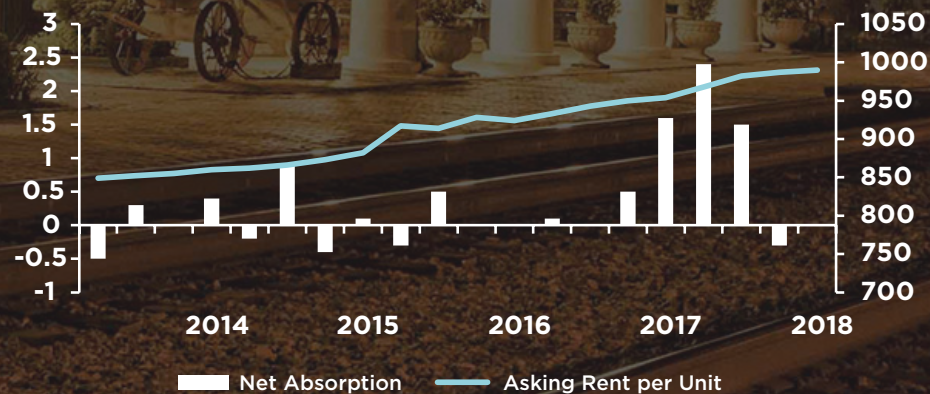
ASKING RENT PER UNIT



VACANCY



NET ABSORPTION (UNITS)



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