

MARKETBEAT

Richmond, VA

Multifamily Q2 2019



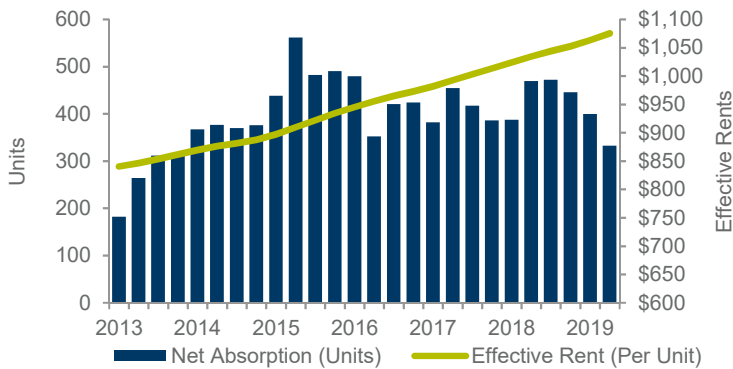
ECONOMIC INDICATORS

National			
	Q2 18	Q2 19*	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.5%	▼
Retail Sales Growth	5.6%	3.3%	▼

Regional			
	Q2 18	Q2 19*	12-Month Forecast
Median Household Income	\$69,500	\$70,700	▲
Population Growth	1.0%	0.6%	■
Unemployment	3.2%	3.1%	▲

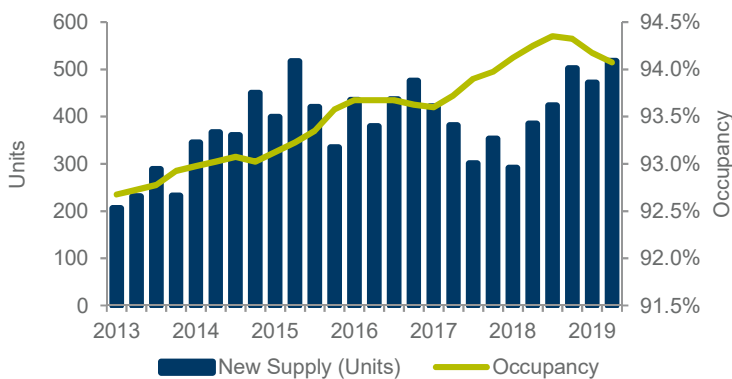
*2019 Q2 data are based on latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

Net Absorption/Average Monthly Rent 4Q Trailing Average



Source: CoStar, Cushman & Wakefield | Thalhimers Research

New Supply/Occupancy 4Q Trailing Average



Source: CoStar, Cushman & Wakefield | Thalhimers Research

Economy

The U.S. economic expansion continued and became the longest in history starting the second half of the year. The Federal Reserve Bank announced the first interest rate cut since the Great Recession over concerns for slowing growth and trade uncertainty. Meanwhile, the Richmond area unemployment rate sits near cycle lows, declining to 3.1%. The regional economy continues to experience positive job growth, adding 6,300 jobs over the past twelve months, and benefits from its strategic location in CNBC's top rated state for business. Amazon recently announced plans for a new fulfillment center in south Richmond and CoStar is planning to add 100 jobs in its downtown office.

Market Overview

Developers and investors have responded to the steady demand for apartments and continue to be bullish. There are currently more than 4,000 apartment units under construction, marking a post-recession peak for construction activity. Apartment sales have accounted for more than 50% of all commercial real estate transactions during the first half of 2019. Additionally, institutional investment has accelerated in recent years and is responsible for nearly 53% of all apartment sales in 2019.

The Richmond multifamily market continues to experience rising rental rates and steady absorption rates. The overall effective rent increased 3.7% over the past twelve months, marking the 18th consecutive quarter with annual effective rent growth greater than 3.0%. Western Henrico experienced the highest rate of rent growth, which increased 5.7% from the previous year. More than 680 units were absorbed throughout Richmond during the quarter and year-to-date absorption is currently 25% ahead of pace of the 5-year average annual absorption. The Western Henrico and Central submarkets were responsible for nearly 50% of all of the absorption that occurred during the quarter.

Outlook

Recently ranked the seventh best millennial destination in the country based on an analysis by the National Association of Realtors, Richmond exhibits strong market fundamentals that will sustain consistent levels of growth in the foreseeable future. The influx of new deliveries is introducing new amenities and contemporary design as landlords compete for high-end tenants and rental rates. New apartments may initially provide upward pressure on vacancies, but are anticipated to be absorbed by new residents who continue to arrive in the metro area.

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SUBMARKET	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	CURRENT ABSORPTION (UNITS)	4Q TRAILING ABSORPTION (UNITS)	5-YR AVG. ANNUAL ABSORPTION* (UNITS)	UNDER CONSTRUCTION (UNITS)	CHANGE IN SUPPLY YTD 2019 (UNITS)	5-YR AVG. ANNUAL DELIVERIES	EFFECTIVE RENT (Monthly)	EFFECTIVE RENT/SF/ Month	RENT CHANGE (Y-O-Y%)
Central	14,178	806	5.0%	(210)	193	502	620	1,576	26	627	\$1,290	\$1.60	2.7%
East Richmond/Henrico	5,086	869	7.3%	80	150	243	82	0	94	109	\$918	\$1.06	3.1%
North Richmond	3,076	795	26.3%	1290	(43)	-237	10	0	301	21	\$923	\$1.16	-2.1%
Hanover	1,903	925	2.9%	(30)	2	6	33	0	0	27	\$1,113	\$1.20	3.8%
South Richmond	14,862	851	4.7%	(100)	113	345	327	890	0	308	\$947	\$1.11	2.5%
Western Henrico	23,552	908	5.4%	(450)	173	98	155	634	0	222	\$1,183	\$1.30	5.7%
Near West End	846	823	2.9%	20	(4)	-1	18	129	0	16	\$1,292	\$1.57	3.7%
Chesterfield	10,153	975	4.9%	10	100	180	134	524	200	121	\$1,152	\$1.18	2.8%
Tri-Cities	6,327	884	5.7%	(50)	(27)	28	61	0	0	20	\$895	\$1.01	3.8%
Midlothian	4,577	996	10.4%	510	26	-9	110	666	509	125	\$1,268	\$1.27	3.8%
Total	84,560	886	5.9%	30	683	1,155	1,550	4,419	1,130	1,596	\$1,180	\$1.26	3.7%

SUMMARY BY BEDROOM	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	CURRENT ABSORPTION (UNITS)	4Q TRAILING ABSORPTION (UNITS)	5-YR AVG. ANNUAL ABSORPTION* (UNITS)	UNDER CONSTRUCTION (UNITS)**	CHANGE IN SUPPLY YTD 2019 (UNITS)	5-YR AVG. ANNUAL DELIVERIES	EFFECTIVE RENT (Monthly)	EFFECTIVE RENT/SF/ Month	RENT CHANGE (Y-O-Y%)
Studio	2,051	512	8.9%	30	47	80	37	268	0	59	\$917	\$1.79	2.8%
One Bed	28,530	700	6.6%	40	352	656	763	2,363	507	837	\$1,002	\$1.43	2.9%
Two Bed	42,943	955	5.5%	30	231	365	627	1,380	525	601	\$1,132	\$1.19	4.0%
Three Bed	7,418	1,250	5.6%	50	51	44	100	108	98	98	\$1,433	\$1.15	3.6%
Four+ Bed	528	1,382	4.2%	12	(2)	(6)	13	0	0	1	\$2,419	\$1.75	2.9%

Source: CoStar

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

*Rolling four month quarterly average for the past 10 years.

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

Significant Q2 2019 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT
Carriage Hill	Western Henrico	BHE Acquisitions	Bonaventure Realty Group	664	\$79.5 M	\$119,728
The Park at Salisbury	Midlothian	Kushner Companies	R.C. Evans Management	320	\$58.9 M	\$184,210
Hickory Creek	Western Henrico	Capital Square 1031	McCann Realty Partners	294	\$45.6 M	\$155,102
Garden Springs	Chesterfield County	Kushner Companies	R.C. Evans Management	212	\$39.1 M	\$184,210

Sources: Real Capital Analytics, Costar, Cushman & Wakefield | Thalhimer Research Services

Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
The Reserve at Rivington	6300 Rivington Dr.	Chesterfield County	Cathcart Group	276	Under Construction	Q3 2021
Scott's View	1400 Roseneath Rd.	Scott's Addition	Historic Housing	258	Under Construction	Q3 2020
South Falls	111 Hull St.	South Richmond	WVS Cos. / Fountainhead	256	Under Construction	Q3 2021
Boulders at Lakeside	1001 E byrd St.	Central	Lynx Ventures	237	Under Construction	Q4 2019

Sources: Real Capital Analytics, Costar, Cushman & Wakefield | Thalhimer Research Services

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