

MARKETBEAT

Richmond, VA

Multifamily Q1 2019



ECONOMIC INDICATORS

National

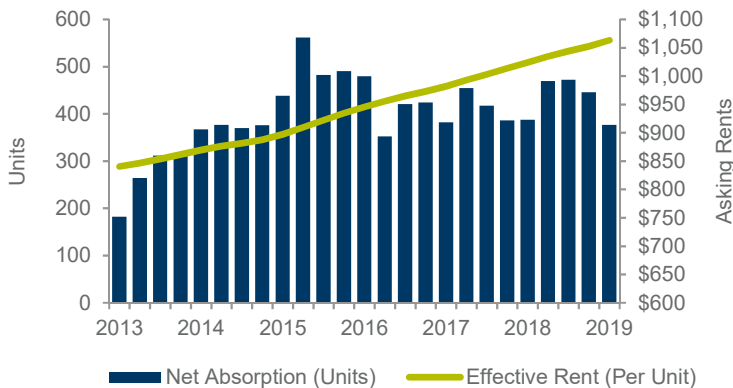
	Q1 18	Q1 19*	12-Month Forecast**
GDP Growth	2.6%	2.9%	▲
CPI Growth	2.2%	1.6%	▲
Consumer Spending Growth	2.4%	3.2%	▲
Retail Sales Growth	4.9%	4.2%	▲

Regional

	Q1 18	Q1 19*	12-Month Forecast**
Median Household Income	\$68,765	\$70,442	▲
Population Growth	0.75%	0.67%	■
Unemployment	3.6%	2.9%	▼

Source: Moody's Analytics
 *Q1 19 Estimates. Values represent year-over-year % change
 **Forecasted by Cushman & Wakefield

Net Absorption/Average Monthly Rent 4Q Trailing Average



New Supply/Occupancy 4Q Trailing Average



Economy

The Federal Reserve Bank announced plans to hold interest rates steady in 2019 over risk concerns tied to slowing economic momentum. Still, growth in manufacturing activity and construction spending provide optimism for continued expansion. The Richmond area unemployment rate declined to 2.9% during the first quarter of 2019 as employers continued to hire workers. The regional economy added 6,300 jobs over the past twelve months with the largest gains in the construction, finance, and manufacturing sectors.

Market Overview

The Richmond multifamily market continues to experience rising rental rates and interest from out of town investors. The overall effective rent increased 3.9% over the past twelve months, while multifamily sales accounted for nearly 60% of all commercial real estate transactions during the first quarter. Investor appetite coupled with continued demand for rental units from Richmond area residents, both young and old, has led to an influx of new apartment developments breaking ground.

More than 4,000 units are currently under construction in the Richmond market, an 88.8% increase from the same time last year. Central and South Richmond continue to be a hotbed for development, notably with construction activity in Scott's Addition and Manchester. Meanwhile, apartment developments in Midlothian – one of the highest-income trade area in Richmond – are following recent retail development in the western suburbs. Suburban submarkets also led the Richmond area in annual rent growth. Western Henrico and Chesterfield both experienced more than 5.0% rent growth over the past twelve months.

Outlook

The Richmond region continues to experience some of the highest rates of population and economic growth in the Commonwealth. The City of Richmond's population has increased 12% since 2010, outpacing surrounding counties and twice the growth rate of the state and nation. These trends are expected to continue following recent announcements of company relocations, with Brother International and Lumber Liquidators moving to the region, and local startups finding success. Multifamily deliveries are in line to set records in 2019 and 2020. New product is expected to be absorbed quickly and continue to fuel investor interest in the Richmond market.

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Multifamily Q1 2019



SUBMARKET	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	CURRENT ABSORPTION (UNITS)	4Q TRAILING ABSORPTION (UNITS)	HISTORIC AVG. ANNUAL ABSORPTION* (UNITS)	UNDER CONSTRUCTION (UNITS)	CHANGE IN SUPPLY YTD 2019 (UNITS)	HISTORICAL AVG. ANNUAL DELIVERIES	EFFECTIVE RENT (Monthly)	EFFECTIVE RENT/SF/ Month	RENT CHANGE (Y-O-Y%)
Central	14,784	809	6.4%	(70)	49	528	523	1,194	26	563	\$1,222	\$1.51	2.2%
East Richmond/Henrico	5,067	868	9.4%	330	49	223	37	42	52	46	\$904	\$1.04	3.9%
North Richmond	2,919	779	16.1%	730	(68)	-214	25	301	0	49	\$738	\$0.95	-2.5%
Hanover	1,903	925	2.7%	(80)	13	15	13	0	0	14	\$1,099	\$1.19	3.7%
South Richmond	14,906	851	5.6%	(90)	18	570	199	675	0	193	\$923	\$1.08	3.7%
Western Henrico	23,549	908	6.3%	(450)	92	-106	18	665	0	92	\$1,138	\$1.25	5.7%
Near West End	846	823	2.7%	10	0	15	7	0	0	8	\$1,258	\$1.53	0.8%
Chesterfield	10,054	971	5.4%	(20)	43	114	107	533	100	117	\$1,145	\$1.18	5.0%
Tri-Cities	6,315	882	4.0%	(490)	15	232	50	0	0	51	\$847	\$0.96	2.8%
Midlothian	4,339	1,005	6.2%	(50)	4	20	56	983	0	61	\$1,217	\$1.21	3.7%
Total	84,682	886	6.4%	40	215	1,397	1,035	4,393	178	1,195	\$1,080	\$1.22	3.9%

SUMMARY BY BEDROOM	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	CURRENT ABSORPTION (UNITS)	4Q TRAILING ABSORPTION (UNITS)	HISTORIC AVG. ANNUAL ABSORPTION* (UNITS)	UNDER CONSTRUCTION (UNITS)**	CHANGE IN SUPPLY YTD 2019 (UNITS)	HISTORICAL AVG. ANNUAL DELIVERIES	EFFECTIVE RENT (Monthly)	EFFECTIVE RENT/SF/ Month	RENT CHANGE (Y-O-Y%)
Studio	2,181	515	11.7%	440	8	(11)	25	377	(855)	121	\$910	\$1.77	1.4%
One Bed	28,543	701	7.2%	110	91	629	475	1,215	684	557	\$990	\$1.41	3.4%
Two Bed	43,114	956	5.7%	(30)	106	703	353	1,216	323	416	\$1,098	\$1.15	4.0%
Three Bed	7,392	1,249	6.0%	20	9	71	68	474	26	77	\$1,366	\$1.09	5.2%
Four+ Bed	528	1,382	3.1%	8	1	(4)	25	0	0	23	\$1,009	\$0.73	7.7%

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 Q1 2019 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT
The Flats at West Broad Village	Western Henrico	Pollack Shores / Heitman LLC	Shopcore	339	\$75.5 M	\$222,714
Crowne at Swift Creek	Midlothian	Sentinel Real Estate	Crowne Partners	312	\$59.5 M	\$190,705
Plant 1 Apartments	South Richmond	PMC Property Group	Larson Development	134	\$23.5 M	\$175,373
Towers on Franklin	Central	Thalhimer Realty Partners	Blue Vista	332	\$23.5M	\$70,783

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

Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
Innslake Place	4235 Innslake Dr	Western Henrico	WVS Cos.	350	Under Construction	Q3 2021
Canopy at Ginter Park	1311 Westwood Ave	North Richmond	Bristol Development Group	301	Under Construction	Q2 2019
Scott's View	1400 Roseneath Rd	Central	Historic Housing	258	Under Construction	Q3 2020
South Falls	111 Hull St.	South Richmond	WVS Cos. / Fountainhead	255	Under Construction	Q3 2021

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

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About Cushman & Wakefield

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