

Multifamily Q1 2020

YoY Chg 12-Mo. Forecast

6.9%

Vacancy Rate



749

Net Absorption, units



\$1,096

Effective Rent, per unit



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2020

YoY Chg 12-Mo. Forecast

696.9k

Richmond MSA
Employment



2.8%

Richmond MSA
Unemployment Rate



1.2%

U.S. Household
Growth Rate



Source: BLS, Census Bureau

ECONOMIC OVERVIEW: COVID-19 Starts to Take Toll on Economy

After the longest expansion in U.S. history, the global pandemic caused by COVID-19 is causing many businesses to close and furlough or reduce payrolls. Retail, travel, and hospitality sectors are being hit the hardest after the government halted any non-essential businesses. Richmond may be well positioned to manage the 90% increase in unemployment claims that the Virginia Employment Commission reported for the last full week of the quarter when compared to last year. According to Oxford economics, the retail trade and leisure and hospitality sectors account for roughly 19% of all jobs in Richmond, below the U.S. average of 21% and nearby MSA's such as Norfolk, Baltimore, Philadelphia, Raleigh, and Charlotte when compared in a recent CoStar study.

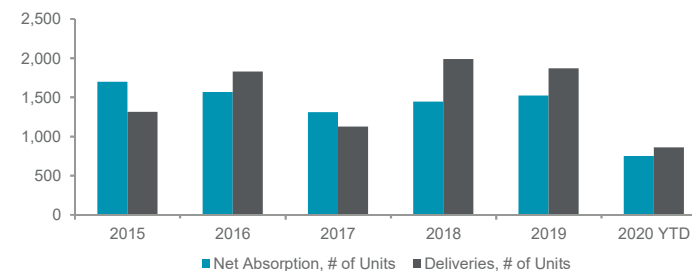
SUPPLY AND DEMAND: Absorption Strong to Begin the Year

The first quarter saw the largest quarterly total number of units absorbed over the last five years. Nearly 750 units were absorbed and over 860 units delivered during the quarter. Despite uncertainty surrounding the economic impacts of the ongoing global pandemic, the overall vacancy rate held steady at 6.9%. The coming months will reveal more of the impacts to occupancy levels but developers and constructions crews are pushing ahead on nearly 5,000 units that are currently under construction. Development activity is distributed throughout the Richmond area, but remains concentrated downtown as well as in the northwest and southwest suburbs in submarkets that command the highest rental rates. Projects that are already under construction are proceeding on schedule and are not expected to be materially impacted in the short term. Projects that were scheduled to break ground in the coming months will likely be delayed until there is more certainty in the economic environment, but should move forward at a later date.

PRICING: Apartments Remain Attractive to Investors

New deliveries and a growing population are continuing to put upward pressure on rental rates. While there remains uncertainty over the coming months, steady demand and rental rate growth will continue to attract investor interest in Richmond in the long term. The overall market experienced 2.3% effect rent growth over the past twelve months, reaching \$1,096 per unit. Luxury, Class A apartment leasing has not been impacted to the extent that more affordable units in Class B and Class C product are experiencing. May and June rental payments will reveal more of the impact from COVID-19. In the long term, COVID-19 may result in a shift from homeownership into rental housing or delays in homeownership for potential buyers that have been impacted.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	AVG. SF/UNIT	VACANCY RATE	YOY VACANCY RATE CHANGE	CURRENT ABSORPTION (UNITS)	4Q ROLLING ABSORPTION (UNITS)	UNDER CONSTRUCTION (UNITS)*	DELIVERIES YTD (UNITS)	RENT (MONTHLY)	RENT/SF/MONTH	YOY RENT CHANGE
Central	14,351	801	7.1%	(10)	276	1060	913	260	\$1,268	\$1.60	2.6%
East Richmond/Henrico	5,216	867	7.2%	(190)	11	140	139	164	\$881	\$1.01	-0.4%
North Richmond	2,618	773	23.5%	410	99	138	0	0	\$883	\$1.17	7.7%
Hanover	2,110	939	9.1%	590	73	77	0	207	\$1,136	\$1.21	2.0%
South Richmond	14,876	836	6.7%	110	140	88	1069	230	\$949	\$1.13	3.2%
Western Henrico	23,826	914	5.4%	(70)	87	180	984	0	\$1,139	\$1.25	2.4%
Near West End	776	871	2.2%	(70)	1	6	304	0	\$1,273	\$1.46	-0.7%
Chesterfield	10,175	975	4.5%	(140)	21	136	829	0	\$1,159	\$1.18	1.9%
Tri-Cities	5,866	899	6.1%	(20)	3	7	0	0	\$874	\$0.97	2.2%
Midlothian	4,845	989	9.7%	360	38	302	676	0	\$1,222	\$1.24	1.3%
RICHMOND, VA TOTALS	84,659	887	6.9%	20	749	2,134	4,914	861	\$1,096	\$1.24	2.3%

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

*Unit mix not available on every property currently under construction

SUMMARY BY BEDROOM	INVENTORY (UNITS)	AVG. SF/UNIT	VACANCY RATE	YOY VACANCY RATE CHANGE	CURRENT ABSORPTION (UNITS)	4Q ROLLING ABSORPTION (UNITS)	UNDER CONSTRUCTION (UNITS)*	DELIVERIES YTD (UNITS)	RENT (MONTHLY)	RENT/SF/MONTH	YOY RENT CHANGE
Studio	11,864	760	9.4%	(380)	134	734	277	162	\$1,099	\$1.46	4.1%
One Bed	71,258	876	6.9%	0	757	2242	2,611	347	\$1,112	\$1.27	2.4%
Two Bed	79,382	889	7.0%	30	740	2083	1,642	292	\$1,101	\$1.24	2.3%
Three Bed	51,705	942	7.0%	40	338	759	280	61	\$1,129	\$1.20	2.9%
Four+ Bed	1742	1,066	4.2%	6	(9)	(11)	0	0	\$1,168	\$1.10	5.2%

NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNERSHIP / DEVELOPER	UNITS	COMPLETION DATE
South Falls	South Richmond	Fountainhead Properties	481	Q4 2020
The Wellsmith	Western Henrico	Gumenick Properties	350	Q4 2020
Innslake Place	Western Henrico	The WVS Companies	349	Q3 2021
The Livingston	Chesterfield	LIV Development	305	Q4 2020

KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Millspring Commons	Western Henrico	Aurelie Capital / Republic Properties Corporation	159	\$28.5M / \$179k
Pohlig Box Factory & Superior Warehouse Apartments	Shockoe Bottom	United Leasing Corporation / Realty Mogul, Co.	93	\$15.9 M / \$171k
Signal Hill Apartments	Hanover County	Signal Hill Apts Lp / Peak Strategic Capital	68	\$7.6 M / \$112k
The Lofts at Shiplock Watch	Shockoe Bottom	Historic Housing Ltd. / Shiplock 1 Llc	51	\$6.6 / \$129k

JONATHAN KOES

Research Manager

+1 804 697 3560 / jonathan.koes@thalhimer.com

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 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2020 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.