

Multifamily Q2 2020

YoY Chg 12-Mo. Forecast

7.2%

Vacancy Rate



691

Net Absorption, units



\$1,135

Effective Rent, per unit



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

621.8k

Richmond MSA Employment



10.7%

Richmond MSA Unemployment Rate



0.8%

U.S. Household Growth Rate



Source: BLS, Census Bureau

ECONOMIC OVERVIEW: Uncertainty Remains

With widespread business disruptions, Richmond's unemployment rate reached 10.7% and surpassed the previous peak set during the Great Recession of 8.7%. Restrictions to operate businesses entered Phase 3 in Virginia on July 1 and most retailers and restaurants have reopened their doors. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

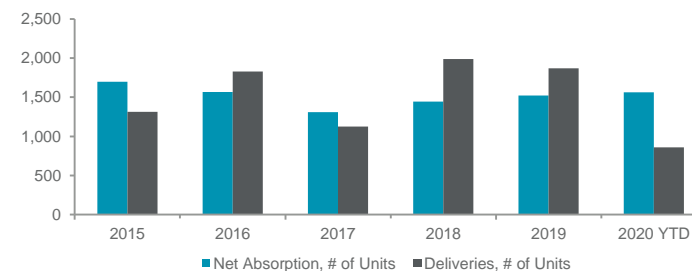
SUPPLY AND DEMAND: Steady Demand and New Deliveries

Strong absorption continued in Richmond, despite the economic slowdown caused by the pandemic during the second quarter. The trailing four quarter total absorption of 2,325 units surpassed the previous cycle peak set in Q1 of 2016. Almost 2,100 units have delivered so far in 2020 and development activity continues, primarily in Scott's Addition and in Manchester. Developers remain confident and continue to move forward with new projects. Nearly 4,200 units are actively under construction throughout the metropolitan area. 45% of all multifamily construction activity is concentrated in the Central and South submarkets, where Scott's Addition and Manchester are located, and more units are in the planning process. The recent supply increase caused the overall vacancy rate to increase 30 basis points (bps) from the first quarter to 7.2%. Occupancy levels will continue to be closely monitored as the economy starts to recover.

PRICING: Rent Growth Continues

Consistent demand for multifamily product along with new deliveries are providing upward pressure on rental rates. The overall market experienced 2.9% effective rent growth over the past twelve months, reaching \$1,135 per unit. While uncertainty remains over the coming months, rent collections have stayed consistent despite record levels of unemployment. Class A properties have largely been immune to the unemployment impacts, but the expiration of government stimulus packages may prove to be a burden on Class B and C properties. Still, strong demand for apartments from millennials and empty nesters coupled with steady rental rate growth will continue to attract investor interest in Richmond in the long term.

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	14,366	794	7.5%	240	178	773	653	424	\$1,274	\$1.61	1.8%
East Richmond/Henrico	5,216	871	4.9%	(290)	46	150	119	164	\$945	\$1.08	3.2%
North Richmond	2,632	782	22.2%	(230)	29	289	-7	0	\$872	\$1.14	6.6%
Hanover	2,110	937	6.8%	370	50	123	56	207	\$1,172	\$1.25	3.6%
South Richmond	13,591	847	5.7%	20	125	256	295	256	\$986	\$1.17	3.5%
Western Henrico	23,848	911	6.8%	130	7	25	92	349	\$1,190	\$1.31	2.1%
Near West End	776	870	2.6%	(60)	0	4	18	0	\$1,273	\$1.47	-3.2%
Chesterfield	10,917	972	4.0%	(210)	150	225	178	248	\$1,184	\$1.22	5.6%
Tri-Cities	5,906	891	4.9%	(220)	37	98	58	0	\$889	\$1.00	3.8%
Midlothian	5,312	991	15.5%	930	68	381	134	428	\$1,283	\$1.29	1.8%
RICHMOND, VA TOTALS	84,674	888	7.2%	90	690	2,324	1,595	2,076	\$1,135	\$1.28	2.9%

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	12,010	756	9.4%	(150)	159	624	314	228	\$1,128	\$1.49	1.9%
One Bed	71,393	878	7.4%	100	664	2276	1560	2,535	\$1,152	\$1.31	2.9%
Two Bed	79,384	891	7.2%	80	731	2323	1544	1,116	\$1,140	\$1.28	2.9%
Three Bed	50,743	949	6.8%	30	407	984	646	205	\$1,175	\$1.24	3.9%
Four+ Bed	1889	1,008	5.1%	5	(3)	(10)	45	0	\$1,142	\$1.13	4.2%

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

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