

MARKETBEAT

Richmond, VA

Multifamily Q3 2019



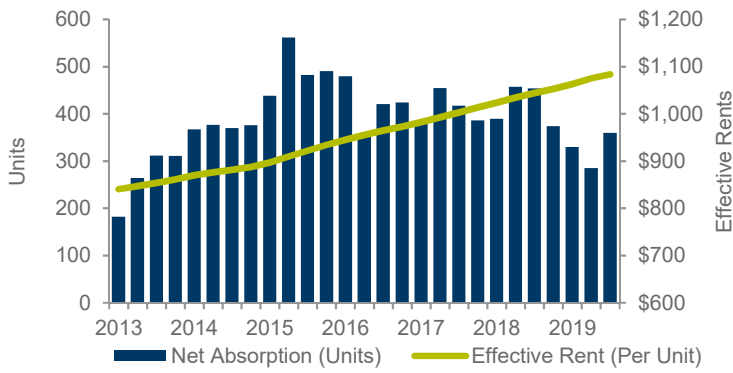
ECONOMIC INDICATORS

National	Q3 18	Q3 19*	12-Month Forecast
GDP Growth	3.1%	2.0%	▲
CPI Growth	2.6%	1.8%	▲
Consumer Spending Growth	5.9%	4.0%	▲
Retail Sales Growth	5.5%	4.1%	▲

Regional	Q3 18	Q3 19*	12-Month Forecast
Median Household Income	\$69,700	\$70,800	▲
Population Growth	0.9%	0.6%	▲
Unemployment	3.0%	3.0%	▲

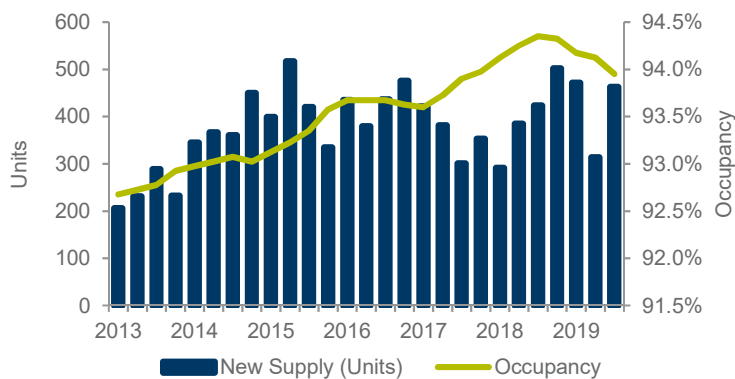
*2019 Q3 data are based on latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

Net Absorption/Average Monthly Rent 4Q Trailing Average



Source: CoStar, Cushman & Wakefield | Thalhimer Research

New Supply/Occupancy 4Q Trailing Average



Source: CoStar, Cushman & Wakefield | Thalhimer Research

Economy

The Federal Reserve Bank cut interest rates by a quarter of a percentage point, citing concerns over slowing economic growth and the risk of a recession. In Richmond, the regional economy posted steady job growth as the unemployment rate remains near cyclical lows, at 3.0%. Employment increased by 6,700 jobs over the past 12 months, near the average pace of 6,900. Several economic announcements during the quarter will contribute to future employment growth in the Richmond area. Alphasonics USA, a UK-based medical device company, will locate a sales office in Henrico County. Amazon plans to open a new fulfillment and delivery facility in the Virginia I-95 Logistics Center.

Market Overview

Development activity continues throughout Richmond. More than 4,000 apartment units are currently under construction, near a post-recession peak for construction activity. Current developments follow the approximately 1,865 apartment units that have delivered over the past 12 months. Apartment demand and higher quality units have propelled effective rental rate to \$1,091, a 2.6% increase from the prior year. The influx of new apartments may be steering renters away from older, outdated multifamily product. The overall vacancy rate increased 40 basis points (bps) from the prior year to 6.0%. New apartments were built between 2014 and 2018 have a 4.7% vacancy rate in comparison.

Multifamily transactions continue to lead overall investment activity in the Richmond area, accounting for 55% of all commercial real estate transactions in 2019. SNP Properties recorded the largest transaction of the quarter after acquiring the 178-unit Vida East apartments for \$28.0 million.

Outlook

New deliveries added to the market have contributed to a slight decrease in the overall occupancy rate. Still, steady demand for rental units is expected to lead to continued absorption, rental rate growth and higher occupancy rates. As developers introduce a variety of services and features with contemporary design, properties that lack modern amenities are faced with more competition and may be the first to be negatively impacted by the steady stream of projects set to deliver in the coming months.

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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	14,184	808	4.8%	(100)	51	356	620	1,644	26	627	\$1,291	\$1.60	2.0%
East Richmond/Henrico	5,107	869	6.0%	40	52	268	82	0	94	109	\$933	\$1.07	3.5%
North Richmond	2,967	795	25.5%	1300	86	-124	10	0	301	21	\$913	\$1.15	0.2%
Hanover	1,903	926	3.4%	(50)	(3)	9	33	0	0	27	\$1,094	\$1.18	1.7%
South Richmond	14,625	846	4.7%	(110)	(7)	161	327	890	0	308	\$940	\$1.11	2.2%
Western Henrico	23,743	910	4.9%	(540)	106	407	155	634	0	222	\$1,130	\$1.24	2.4%
Near West End	854	823	3.0%	40	1	-3	18	0	0	16	\$1,228	\$1.49	4.3%
Chesterfield	10,177	974	4.2%	(40)	58	231	134	524	200	121	\$1,157	\$1.19	3.7%
Tri-Cities	6,392	884	5.8%	160	4	-77	61	0	0	20	\$902	\$1.02	4.5%
Midlothian	4,860	988	11.8%	580	244	209	110	868	521	125	\$1,224	\$1.24	3.6%
Total	84,812	887	6.0%	40	592	1,437	1,550	4,560	1,142	1,596	\$1,098	\$1.24	2.6%

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	11,048	757	7.6%	60	232	634	37	315	0	59	\$1,132	\$1.50	1.8%
One Bed	70,871	877	6.2%	50	586	1438	763	2,420	507	837	\$1,113	\$1.27	2.4%
Two Bed	77,938	893	6.1%	50	582	1377	627	1,564	525	601	\$1,108	\$1.24	2.6%
Three Bed	50,270	950	6.3%	100	383	602	100	237	98	98	\$1,137	\$1.20	2.6%
Four+ Bed	2549	1,053	3.3%	(5)	12	17	13	0	0	1	\$1,482	\$1.41	3.3%

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 Q3 2019 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT
Vida East	Central	SNP Properties	Seacoast Communities	178	\$28.0 M	\$157,303
South Bank	South Richmond	307 Stockton FEE LLC	Spy Rck RE / The Davis Cos	150	\$23.0 M	\$153,333

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

Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
South Falls	111 Hull St.	South Richmond	WVS Cos. / Fountainhead	481	Under Construction	Q4 2020
The Reserve at Rivington	6300 Rivington Dr.	Chesterfield County	Cathcart Group	276	Under Construction	Q3 2021
The Boulders Lakeside	900 Boulders Pky.	Midlothian	Dominion Realty Partners	248	Under Construction	Q4 2020
The Current	400 Hull St.	South Richmond	Lynx Ventures	215	Under Construction	Q3 2020

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

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