

## Multifamily Q3 2020

YoY Chg      12-Mo. Forecast

**6.3%**

Vacancy Rate



**1,280**

Net Absorption, units



**\$1,135**

Effective Rent, per unit



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q3 2020

YoY Chg      12-Mo. Forecast

**644.2k**

Richmond MSA Employment



**7.7%**

Richmond MSA Unemployment Rate



**0.7%**

U.S. Household Growth Rate



Source: BLS, Census Bureau

### ECONOMIC OVERVIEW: Early Stage Recovery

Unemployment fell 190 basis points (bps) from the second quarter to 7.7% in Richmond, below the national rate of 8.8%. Many businesses were able to reopen, re-hire, and return to the workplace following pandemic forced closures. The economic recovery is in its early stages as the federal government debates additional stimulus funding and the long-term impacts unfold.

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

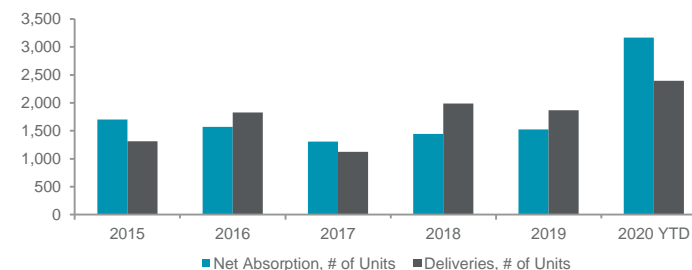
### SUPPLY AND DEMAND: Strong Absorption and Record Construction Activity

Construction activity continues at a strong pace to satisfy demand. Year-to-date absorption exceeds the total number of units delivered by more than 700 units. Deliveries in 2020 are on pace for the largest annual total ever in Richmond and the construction boom will continue into 2021. Over 4,300 units are currently under construction and approximately 2,400 have delivered this year. Steady demand caused the overall multifamily vacancy rate to fall 60 basis points over the past 12 months. Economic uncertainty due to the pandemic may be forcing more tenants to opt to rent instead of purchase a home, while Richmond remains attractive to companies and populations fleeing larger metropolitan areas in response to the pandemic. New construction is expected to be quickly absorbed as tenants continue to seek in-home amenities and more space to work from home in the near term.

### PRICING: Upward Pressure on Rents

Consistent demand for multifamily product along with new deliveries are providing upward pressure on rental rates. Annual rent growth exceeded 6.0% in three submarkets (Western Henrico, Chesterfield, and Tri-Cities), while the overall market effective rent increased 4.5% to \$1,160 per unit. Investment sales activity increased in the third quarter following the Kushner Companies' portfolio purchase, which included two \$34.0+ million apartment complexes in Richmond, but overall investment activity remains on pace for the lowest annual volume since 2014. With strong fundamentals, Richmond will continue to be attractive to investors and activity is expected to increase in 2021 as the economic recovery from the pandemic progresses.

### 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	14,692	793	7.9%	150	368	842	863	882	\$1,266	\$1.61	0.3%
East Richmond/Henrico	5,073	871	3.9%	(360)	28	214	126	33	\$969	\$1.11	3.7%
North Richmond	2,664	756	15.8%	(1460)	125	388	0	0	\$843	\$1.13	4.4%
Hanover	2,110	937	3.4%	30	70	196	153	207	\$1,194	\$1.27	5.6%
South Richmond	13,751	844	4.5%	(140)	119	461	1,033	246	\$1,011	\$1.20	4.0%
Western Henrico	23,847	912	6.2%	80	116	137	635	349	\$1,213	\$1.33	6.6%
Near West End	776	872	2.2%	(60)	2	4	304	0	\$1,280	\$1.47	2.9%
Chesterfield	11,352	972	4.9%	(260)	246	532	781	248	\$1,248	\$1.25	6.1%
Tri-Cities	5,906	896	3.8%	(290)	11	124	0	0	\$920	\$1.02	6.3%
Midlothian	5,312	1,001	11.2%	(60)	195	408	448	428	\$1,323	\$1.33	4.4%
<b>RICHMOND, VA TOTALS</b>	<b>85,483</b>	<b>888</b>	<b>6.3%</b>	<b>(100)</b>	<b>1,280</b>	<b>3,306</b>	<b>4,343</b>	<b>2,393</b>	<b>\$1,160</b>	<b>\$1.30</b>	<b>4.5%</b>

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	12,589	744	8.6%	(150)	370	885	1,009	762	\$1,096	\$1.48	2.4%
One Bed	72,377	878	6.5%	(100)	1,246	3,178	4,039	2,393	\$1,173	\$1.34	4.5%
Two Bed	80,588	890	6.3%	(110)	1,277	3,298	2,844	2,369	\$1,161	\$1.31	4.6%
Three Bed	51,721	949	6.0%	(160)	767	1,816	1,330	1,086	\$1,201	\$1.26	5.4%
Four+ Bed	1,821	1,011	4.0%	(16)	22	28	200	0	\$1,282	\$1.15	3.6%

## NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNERSHIP / DEVELOPER	UNITS	COMPLETION DATE
Fulton Yards	Central	Zimmer Development Company	535	Q2 2022
The Wellsmith	Western Henrico	Gumenick Properties	350	Q4 2020
Livingston Apartment Flats	Chesterfield	LIV Development	305	Q4 2020
Kotarides River Mill	Western Henrico	Kotarides	285	Q4 2021

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Wilde Lake	Western Henrico	Drucker + Falk / Kushner Companies	190	\$35.2M / \$185k
Hanover Crossing	Hanover	Drucker + Falk / Kushner Companies	220	\$34.0M / \$155k
2700 Idlewood	Central	City & Guild / Idlewood Fav RVA LLC	24	\$3.4M / \$140k
Seventeenth Street Lofts	Central	Historic Housing Ltd. / Feldman Bergin Development	25	\$3.2M / \$128k

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