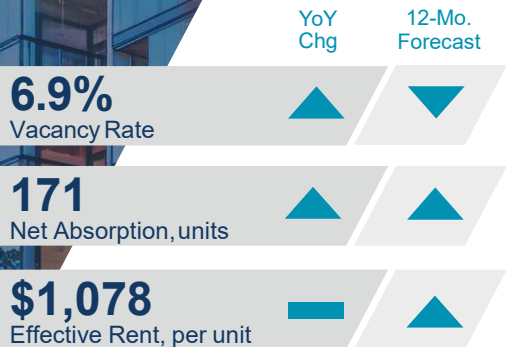
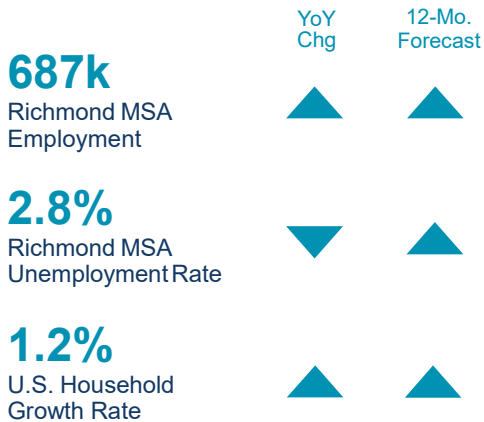


## Multifamily Q4 2019



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q4 2019



Source: BLS, Census Bureau

### ECONOMIC OVERVIEW: Steady Employment Growth Throughout 2019

Richmond's economy added 8,000 jobs over the past twelve months, lowering the unemployment rate 20 basis points (bps) to 2.8% during that time. Office related employment, education and health services, and leisure and hospitality sectors contributed the largest employment gains. Richmond's tourism industry has also surged in recent years. The city ranked 39<sup>th</sup> on the New York Times list of '52 Places to Go in 2020' with new restaurants, cultural sites, and art exhibits gaining national notoriety.

### SUPPLY and DEMAND: Steady Development Activity Continues

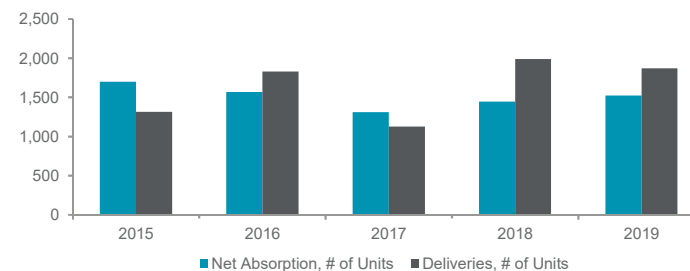
Steady demand from tenants is allowing developers to continue to break ground on new developments. More than 1,500 units were absorbed in 2019, while more than 1,800 units delivered during the year. The added inventory contributed to a slight increase in the overall multifamily vacancy rate. Absorption is expected to remain at a similar rate in 2020 as the region continues to grow and attract new residents. Richmond's population increased at nearly twice the rate of the state and nation from 2010 to 2019. With more than 5,000 units currently under construction, 2020 is on target to set a new record for annual deliveries. New developments will present opportunities for investors to capitalize on Richmond's growth, in addition to offering new amenities and conveniences for residents.

### PRICING: Apartments Remain Attractive to Investors

Several notable sales occurred during the fourth quarter, as investors continue to seek apartment deals throughout the Richmond region. Bristol Development sold its 373-unit 2000 West Creek development to Capital Square 1031 for \$103 million. The deal marked the largest sale over the past twelve months for an individual property in the market. Out of state investors also remain keen on the Richmond region. A joint venture between McCann Realty, a local investment firm, and New York-based Angelo, Gordon & Co. acquired two western Henrico County apartment communities for a total of \$143.75 million.

Effective rent growth has slowed following the delivery of nearly 4,000 units over the past 24 months. South Richmond (+4.0%) and Near West End (+6.5%) experienced the greatest increase in rent growth, while the overall rent increased 2.7% year-over-year. Still, new apartments are being absorbed at a healthy rate and rental rates are expected to increase with new product delivering in 2020. Rising construction costs and a focus on more desirable amenities in new developments are contributing to rental rate growth. Tenants seeking these added conveniences will have more opportunities available throughout the market at a premium price point.

### 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	13,742	1015	7.7%	40	182	684	1,052	784	\$1,266	\$1.58	2.6%
East Richmond/Henrico	5,216	934	7.5%	(210)	(11)	152	0	42	\$914	\$1.05	2.1%
North Richmond	2,439	916	25.1%	870	76	40	0	301	\$818	\$1.08	0.3%
Hanover	1,903	1032	3.0%	(50)	0	10	207	0	\$1,105	\$1.19	3.7%
South Richmond	14,627	954	6.2%	50	(57)	-47	1,336	33	\$935	\$1.11	4.0%
Western Henrico	24,054	1033	5.6%	(100)	(100)	234	984	0	\$1,108	\$1.21	1.9%
Near West End	864	1108	2.1%	(40)	4	5	0	0	\$1,235	\$1.50	6.5%
Chesterfield	10,179	1157	4.7%	(20)	(8)	214	829	200	\$1,142	\$1.17	4.4%
Tri-Cities	5,883	848	6.4%	90	18	-40	0	0	\$860	\$0.95	2.9%
Midlothian	4,845	1,135	10.5%	420	67	273	676	509	\$1,192	\$1.20	1.4%
<b>RICHMOND, VA TOTALS</b>	<b>83,752</b>	<b>1,015</b>	<b>6.9%</b>	<b>30</b>	<b>171</b>	<b>1,525</b>	<b>5,084</b>	<b>1,869</b>	<b>\$1,078</b>	<b>\$1.21</b>	<b>2.7%</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	11,160	924	9.2%	(340)	31	536	303	176	\$1,081	\$1.43	3.0%
One Bed	70,617	1,020	7.0%	20	182	1549	2,584	1836	\$1,092	\$1.24	2.5%
Two Bed	78,012	1,035	7.0%	40	152	1444	1,941	1836	\$1,082	\$1.21	2.7%
Three Bed	50,929	1,075	6.9%	70	(16)	487	256	892	\$1,102	\$1.17	2.8%
Four+ Bed	1723	1,151	3.9%	(13)	(12)	28	0	0	\$1,138	\$1.07	3.8%

## 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
Cosby Village Apartments	Chesterfield	LIV Development	305	Q4 2020

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
2000 West Creek	Goochland	Bristol Development / Capital Square 1031	373	\$103M / \$276k
Villages at West Laurel	Western Henrico	DRA Advisors / Angelo, Gordon & Co.	503	\$80.6 M / \$160k
The Trails at Short Pump	Western Henrico	DRA Advisors / Angelo, Gordon & Co.	350	\$63.2 M / \$180k
Scott's Edge	Central	Legend Property / Bonaventure Realty	94	\$17.6 / \$187k

## JONATHAN KOES

Research Manager

+1 804 697 3560 / [jonathan.koes@thalhimer.com](mailto:jonathan.koes@thalhimer.com)

[thalhimer.com](http://thalhimer.com)

## A CUSHMAN &amp; 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.