

Multifamily Q4 2020

YoY Chg 12-Mo. Forecast

6.7%
Vacancy Rate



699
Net Absorption, units



\$1,167
Effective Rent, per unit



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

658.6k
Richmond MSA Employment



5.5%
Richmond MSA Unemployment Rate



0.9%
Richmond MSA Household % Growth



Source: BLS, Census Bureau

ECONOMIC OVERVIEW: Pandemic Recovery Continues

The Richmond region continues to recover from the impacts of the COVID-19 pandemic. In the fourth quarter, the unemployment rate fell 30 basis points (bps) to 5.5% as the region regained approximately 14,400 jobs since the third quarter. However, employment levels remain below the same period last year. The recent virus surge led to holiday business restrictions and slowed the pace of recovery. Total employment has mended nearly 60% of the initial job losses caused by the pandemic and the introduction of a vaccine provides optimism that the recovery will accelerate throughout 2021.

During the quarter, Henrico officials and GreenCity LLC announced plans for GreenCity in the county. The \$2.3 billion mixed-use redevelopment of the former Best Products headquarters would include 2.2 million square feet of office space, 280,000 square feet (sf) of retail, up to 2,400 residential units, two hotels, and a 17,000-seat arena. GSK Consumer Healthcare also announced it will invest \$16.7 million to expand its consumer research and development center, adding over 150 new jobs to the region.

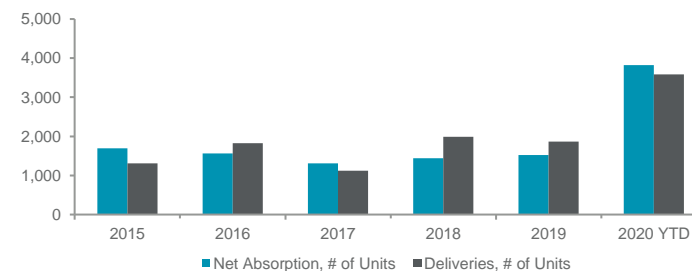
SUPPLY AND DEMAND: Record Year for Construction

Despite the headwinds caused by the COVID-19 pandemic, multifamily development has continued at a torrid pace in Richmond. Backed by steady demand, developers completed construction on over 3,500 units. This marked a new record number of completions and the third consecutive year 2,000 units or more were built. Total annual absorption surpassed the total number of units that were built during year, with over 3,800 units absorbed. Over 4,000 units remain under construction and 2021 deliveries are expected to surpass the five-year average of 2,136 units for the fourth consecutive year. Richmond's rental market has benefited from an influx of new residents moving away larger metropolitan areas, while the economic impact of the pandemic may also be delaying homeownership for some renters.

PRICING: Upward Pressure on Rents

Rent growth cooled at the end of the year but still increased from the prior quarter and up 4.7% from the same period last year. 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) for the second consecutive quarter. Investment sales activity built on momentum from the third quarter as Capital Square Realty Advisors' acquisition of the Canopy at Ginter Park in the fourth quarter marked 2020's largest sale, at \$83.75 million for the 301-unit complex.

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	14,904	798	8.4%	80	251	878	1114	1,094	712	\$1,262	-0.3%
East Richmond/Henrico	5,193	872	3.1%	(420)	27	250	126	33	117	\$958	3.7%
North Richmond	2,646	755	15.1%	(1250)	25	334	0	0	60	\$851	0.7%
Hanover	2,137	944	2.6%	(80)	11	217	153	360	99	\$1,165	2.3%
South Richmond	13,854	847	4.9%	(120)	(7)	402	929	246	259	\$1,036	4.4%
Western Henrico	23,847	911	5.2%	(60)	158	466	634	349	199	\$1,221	6.9%
Near West End	794	870	3.3%	100	(2)	-8	682	0	16	\$1,348	2.3%
Chesterfield	12,100	979	8.8%	120	68	622	200	829	363	\$1,259	7.8%
Tri-Cities	5,906	894	4.4%	(180)	(25)	78	0	0	22	\$910	6.4%
Midlothian	5,561	999	10.8%	50	193	579	200	676	288	\$1,331	4.7%
RICHMOND, VA TOTALS	86,942	891	6.7%	(70)	699	3,818	4,038	3,587	2,136	\$1,167	4.7%

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	4,603	488	6.0%	100	8	104	200	141	72	\$910	1.7%
One Bed	29,804	698	7.8%	(50)	379	1722	2531	1,813	1124	\$1,048	3.0%
Two Bed	44,230	965	5.9%	(100)	304	1719	926	1,424	814	\$1,189	5.4%
Three Bed	8,145	1,255	6.7%	(100)	10	275	231	209	126	\$1,505	6.4%
Four+ Bed	160	1,432	4.3%	10	(1)	(2)	150	0	0	\$1,882	3.3%

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
Kotarides River Mill	Western Henrico	Kotarides	285	Q4 2021
South Falls	Old Town Manchester	Fountainhead	255	Q4 2021

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Canopy at Ginter Park	Sherwood Park	Bristol Development / Capital Square Realty Advisors	301	\$83.75M / \$278k
The Belvedere	Midlothian	Brookfield Asset Management / NorthRock Companies	296	\$67.35M / \$228k
River Forest	Midlothian	Brookfield Asset Management / NorthRock Companies	300	\$57.65M / \$192k
Meridian Watermarck	Chesterfield	Waverton Associates / CAPREIT	300	\$53.3M / \$178k

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