

## Multifamily Q4 2022

YoY Chg 12-Mo. Forecast

**7.0%**

Vacancy Rate



**(459)**

Net Absorption, units



**\$1,391**

Effective Rent, per unit



(Overall, All Property Classes)  
Source: CoStar

### ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

**682.8k**

Richmond MSA  
Employment



**2.9%**

Richmond MSA  
Unemployment Rate



**0.6%**

Richmond MSA  
Population Growth



Source: BLS, Census Bureau, Moody's Analytics

### ECONOMIC OVERVIEW: Job Recovery Nears 100%

The Richmond metro area closed the year posting rising employment numbers close to pre-pandemic levels and boasting the addition of 4,300 jobs. BHE GT&S, a subsidiary of Berkshire Hathaway Energy, became the latest regional company to announce expansion plans with the purchase of a two-building complex in Innsbrook – Henrico County's office hub – from Capital One. Facebook parent company Meta purchased an additional 475 acres in eastern Henrico's White Oak Technology Park to expand its sprawling data center footprint, taking advantage of the county's infrastructure that hosts 18% of the East Coast's internet traffic. On a statewide level, Virginia earned the top ranking from Site Selection as the best state business climate, beating Georgia, the winner for the past eight consecutive years. The Greater Richmond Partnership reports an additional seven megaprojects in its active pipeline, requirements on a scale comparable to LEGO's investment and each bringing a minimum of 1,000 jobs.

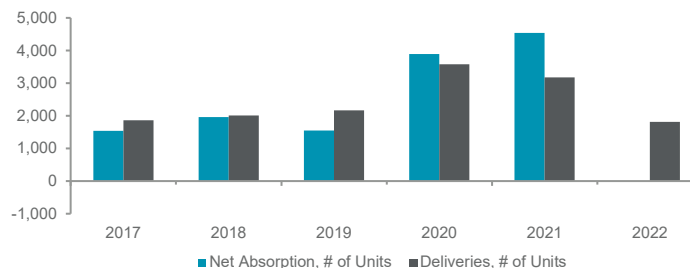
### SUPPLY AND DEMAND: Deliveries Edge Absorption

The year ended with overall deliveries outpacing absorption, and overall vacancy edging up to 7.0% overall, an increase of 50 basis points (bps) since the third quarter and up 160 bps year-over-year (YOY). The appetite for newer product remains strong with positive net absorption of more than 600 units for the year in complexes built since 2020. The development pipeline includes more than 6,600 units under construction, with 1,831 units scheduled to deliver in the first quarter of 2023, and more than 6,400 additional units proposed. While the projects actively under construction stand to add 7% to the total inventory, interest in newer, upscale units is projected to remain strong, particularly considering the limited supply and inflated pricing on residential sale offerings. Occupancy rates for new construction (delivered since 2020) increased 12.6% YOY, a further indication of the sustained demand for this type of product. The majority of active construction projects are located in Western Henrico County where the pipeline of more than 2,440 units will add 9.4% to that submarket's inventory.

### PRICING: Growth Rates Stabilize

Rents continue to trend upward, and growth rates show signs of stabilizing, ending the year at an overall average of 3.9% YOY, down from an elevated average of 9.7% in the fourth quarter of 2021. Rent growth rates for product delivered since 2020 ended the year at 5.6% overall, 170 bps above the average for the Richmond market. Investor interest remains strong in the multifamily sector as well as the Richmond market, and the year closed with sales volume nearing \$1.5 billion with an average price per unit of \$181,000, an increase of 10.4% YOY. Sales volume has jumped significantly over the last eight quarters with 2022 numbers reaching 228% of 2020 sales.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & EFFECTIVE RENT



## Multifamily Q4 2022

## MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	AVG SF/UNIT	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	CURRENT ABSORPTION (UNITS)	4Q ROLLING ABSORPTION (UNITS)	UNDER CONSTRUCTION (UNITS)*	DELIVERIES YTD (UNITS)	EFFECTIVE RENT (MONTHLY)	EFFECTIVE RENT/ SF/MONTH	YOY RENT CHANGE
Central	16,847	783	7.3%	(190)	114	500	1,554	568	\$1,449	\$1.84	3.3%
Chesterfield	13,425	979	7.6%	(180)	(153)	158	112	435	\$1,460	\$1.49	2.7%
East Richmond/Henrico	5,300	897	7.2%	(510)	(93)	(226)	60	21	\$1,186	\$1.32	3.3%
Hanover	2,136	954	3.2%	(270)	(15)	(57)	29	0	\$1,542	\$1.62	15.4%
Midlothian	5,994	986	8.2%	(490)	39	(45)	1,261	0	\$1,621	\$1.65	5.3%
Near West End	1,355	855	3.0%	220	(14)	229	263	211	\$1,564	\$1.83	4.7%
North Richmond	2,923	816	6.3%	(90)	(42)	(51)	224	0	\$1,153	\$1.44	15.3%
South Richmond	14,989	851	7.4%	(430)	(150)	(267)	741	0	\$1,240	\$1.44	4.6%
Tri-Cities	6,520	890	6.7%	(330)	(74)	(139)	0	0	\$1,045	\$1.17	1.5%
Western Henrico	25,208	908	7.5%	(280)	(71)	(124)	2,382	580	\$1,471	\$1.62	2.9%
<b>RICHMOND, VA TOTALS</b>	<b>94,697</b>	<b>890</b>	<b>7.0%</b>	<b>(310)</b>	<b>(459)</b>	<b>(22)</b>	<b>6,626</b>	<b>1,815</b>	<b>\$1,391</b>	<b>\$1.57</b>	<b>3.9%</b>

*Includes properties with five units and above. Dormitories, senior housing, and properties with only affordable housing units excluded.*

SUMMARY BY BEDROOM	INVENTORY (UNITS)	AVG SF/UNIT	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	CURRENT ABSORPTION (UNITS)	4Q ROLLING ABSORPTION (UNITS)	UNDER CONSTRUCTION (UNITS)*	DELIVERIES YTD (UNITS)	EFFECTIVE RENT (MONTHLY)	EFFECTIVE RENT/ SF/MONTH	YOY RENT CHANGE
Studio	5,016	473	6.2%	(150)	1	150	641	156	\$1,095	\$2.30	3.6%
One Bed	33,283	699	7.0%	(200)	(10)	757	3,753	1,052	\$1,277	\$1.83	3.2%
Two Bed	48,034	967	7.2%	(360)	(385)	(822)	1,818	577	\$1,406	\$1.45	4.1%
Three Bed	8,133	1,284	6.6%	(230)	(64)	(133)	414	30	\$1,832	\$1.43	5.0%
Four+ Bed	231	1,749	5.7%	380	(1)	27	0	0	\$2,348	\$1.29	11.5%

*\*Unit mix not available on every property currently under construction.*

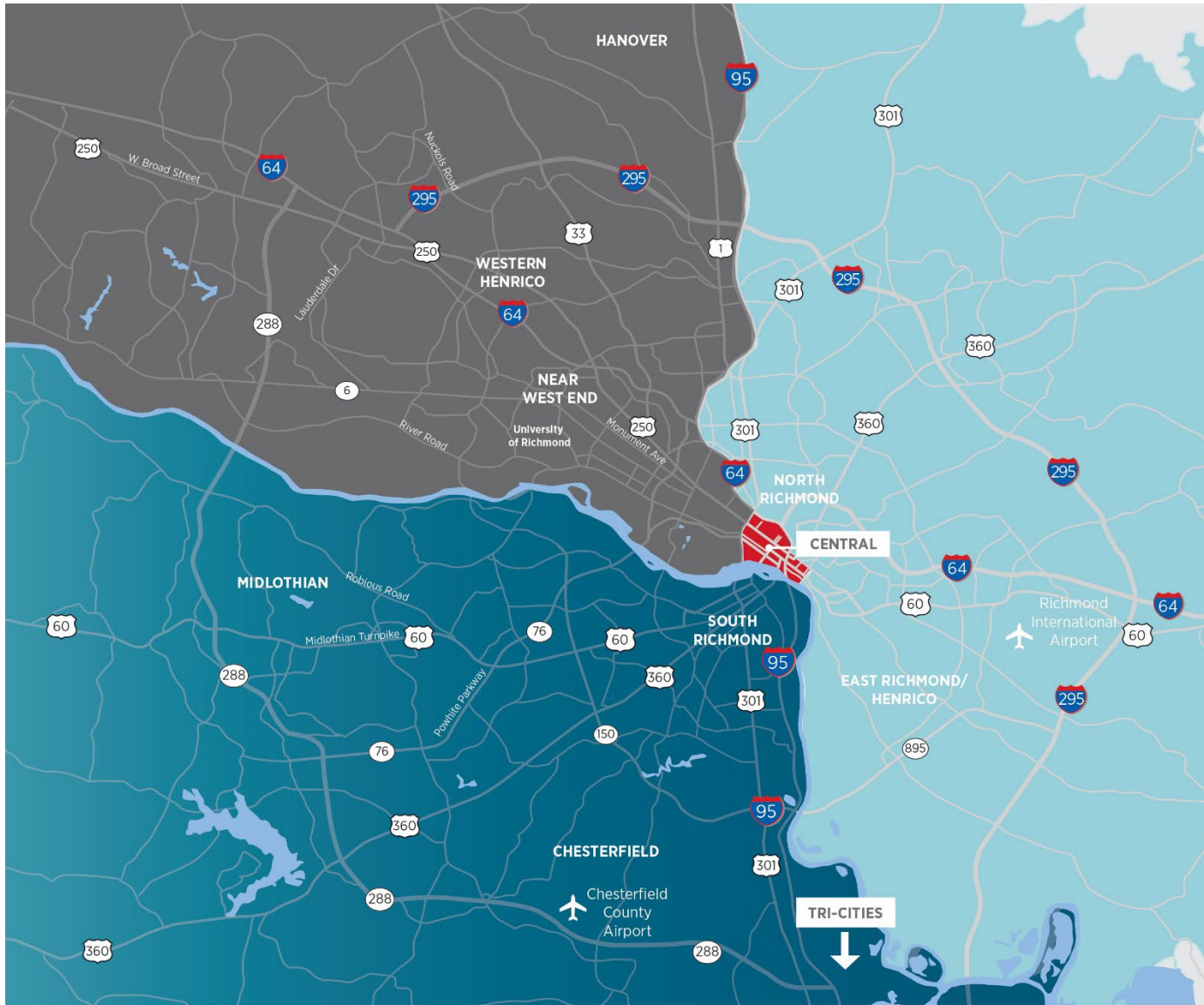
## NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNERSHIP / DEVELOPER	UNITS	COMPLETION DATE
Watkins Centre	Chesterfield County	Castle Development Partners / Castle Development Partners	450	Q3 2023
3500 West View	Western Henrico	WB APT Land LC / Commonwealth Properties	407	Q1 2024
Metropolis at Innsbrook	Western Henrico	Robinson Development Group / Robinson Development Group	402	Q1 2023
The Otis	Scott's Addition	Greystar Real Estate / Capital Square Realty Advisors	350	Q1 2023
NOVEL Scott's Addition	Scott's Addition	Crescent Communities / Thalhimer Realty Partners	275	Q1 2024
Eddy on the James	South Richmond	The Beach Company / The Beach Company	221	Q1 2023

## KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Villages at West Laurel	Western Henrico	Angelo, Gordon & Co. / BlackRock Inc.	503	\$98M / \$195k
Hickory Creek Apartments	Western Henrico	Capital Square Realty Advisors / NorthRock Companies	294	\$65M / \$221k
Forest Ridge Apartments	Forest Hill	Colony Management Corporation / Ritz Banc Group	135	\$19.3M / \$143k
Columbia Apartments	The Fan	TRP Columbia LLC / 1142 West Grace Street LLC	25	\$4.6M / \$184k

## MULTIFAMILY SUBMARKETS



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