

Multifamily Q1 2023

7.8%
Vacancy Rate



439
Net Absorption, units



\$1,429
Effective Rent, per unit



(Overall, All Property Classes)
Source: CoStar

ECONOMIC INDICATORS Q1 2023

707.5k
Richmond MSA
Employment



3.3%
Richmond MSA
Unemployment Rate



0.5%
Richmond MSA
Population Growth



Source: BLS, Census Bureau, Moody's Analytics

ECONOMIC OVERVIEW: A Region In Growth Mode

Coming off one of the region's best years in more than two decades, Richmond is in growth mode. More than \$1.6 billion in capital investment and nearly 5,000 new jobs were announced in 2022, and the region has been ranked as the #4 hottest city for job growth by Gusto, a leader in human resources management software. Mixed-use development is on the rise with a focus on expanding Richmond's already varied and vibrant lifestyle amenities. Henrico County's Virginia Center Commons is slated for redevelopment with a mix of retail and residential housing as well as space for two large job centers included on its 90-acre campus. Construction began on Midlothian's Springline at District 60 development, replacing a former retail center with entertainment venues, apartment units, and office space on its 42 acres in Chesterfield County. Richmond's Stone Brewing facility will begin brewing Sapporo, expanding its facilities and doubling its workforce, and SanMar announced plans to establish a \$50 million distribution hub in Hanover County.

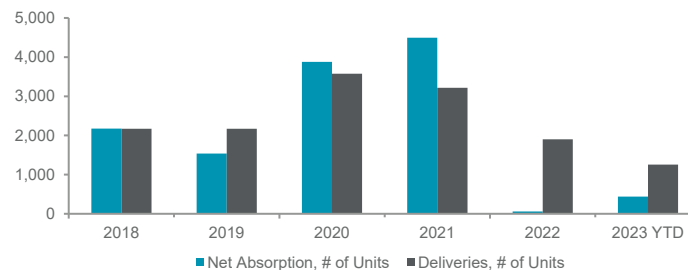
SUPPLY AND DEMAND: Construction Pipeline Surge

The quarter closed with vacancy at 7.8% overall, an increase of 80 basis points (bps) since the fourth quarter and up 240 bps year-over-year (YOY). Deliveries and absorption are the rise as well with new product outpacing leasing by almost 3 to 1. Newer product continues to post the highest absorption rates compared to inventory size, closing the quarter at 6.4% for complexes built since 2020, an increase of 290 bps quarter-over-quarter (QOQ). More than 1,250 units delivered in the first quarter, and while construction starts were limited, work is scheduled to begin on an estimated 27 proposed projects in the second quarter of 2023, which would add more than 6,800 units to the pipeline. The midtown area from Scott's Addition and The Diamond to Willow Lawn remains a focus of development projects with 21.1% of units under construction and 25.3% of proposed used located in that segment of the metro area.

PRICING: Rent Growth Rates Stabilize

Rents ended the quarter at a slight increase of 2.4% QOQ, and while growth rates have slowed from the dramatic jumps of late 2021 into early 2022, overall effective rents were up 2.6% YOY. Rents for product delivered since 2020 are up 3.3% YOY and are projected to increase at a similar rate throughout the balance of the year. Slowing growth rates are less a sign of decreased demand and more likely attributable to market stabilization following the frenzy of leasing and relocations during the pandemic. Sales volume slowed in the first quarter but is expected to rebound as the year progresses with investor interest active Richmond multifamily sector.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



Multifamily Q1 2023

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	17,651	788	9.3%	400	174	599	776	779	\$1,453	\$1.86	1.4%
Chesterfield	13,433	981	6.9%	220	111	137	364	0	\$1,524	\$1.55	4.1%
East Richmond/Henrico	5,339	896	8.2%	600	(36)	(218)	0	0	\$1,229	\$1.37	2.9%
Hanover	2,190	954	2.6%	210	11	(40)	180	0	\$1,617	\$1.69	15.7%
Midlothian	6,206	984	10.5%	320	29	(7)	1,449	212	\$1,647	\$1.69	2.9%
Near West End	1,375	852	2.8%	(30)	1	96	263	0	\$1,564	\$1.83	0.4%
North Richmond	3,147	806	5.3%	80	229	175	0	224	\$1,147	\$1.44	1.6%
South Richmond	15,037	851	8.4%	390	(86)	(416)	902	42	\$1,257	\$1.48	0.8%
Tri-Cities	6,585	893	6.8%	360	31	(138)	0	0	\$1,086	\$1.22	5.4%
Western Henrico	25,208	908	7.3%	140	(26)	(74)	2,030	0	\$1,526	\$1.69	2.2%
RICHMOND, VA TOTALS	96,171	890	7.8%	290	438	114	5,964	1,257	\$1,429	\$1.61	2.6%

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	5,110	480	7.2%	180	91	176	699	126	\$1,127	\$2.33	2.0%
One Bed	33,882	697	8.0%	200	226	694	3,393	586	\$1,297	\$1.87	1.7%
Two Bed	48,693	969	7.8%	360	118	(660)	1,447	491	\$1,461	\$1.51	3.0%
Three Bed	8,241	1,286	7.2%	250	6	(112)	425	54	\$1,858	\$1.44	3.8%
Four+ Bed	245	1,735	7.0%	(690)	(2)	16	0	0	\$2,281	\$1.25	11.8%

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

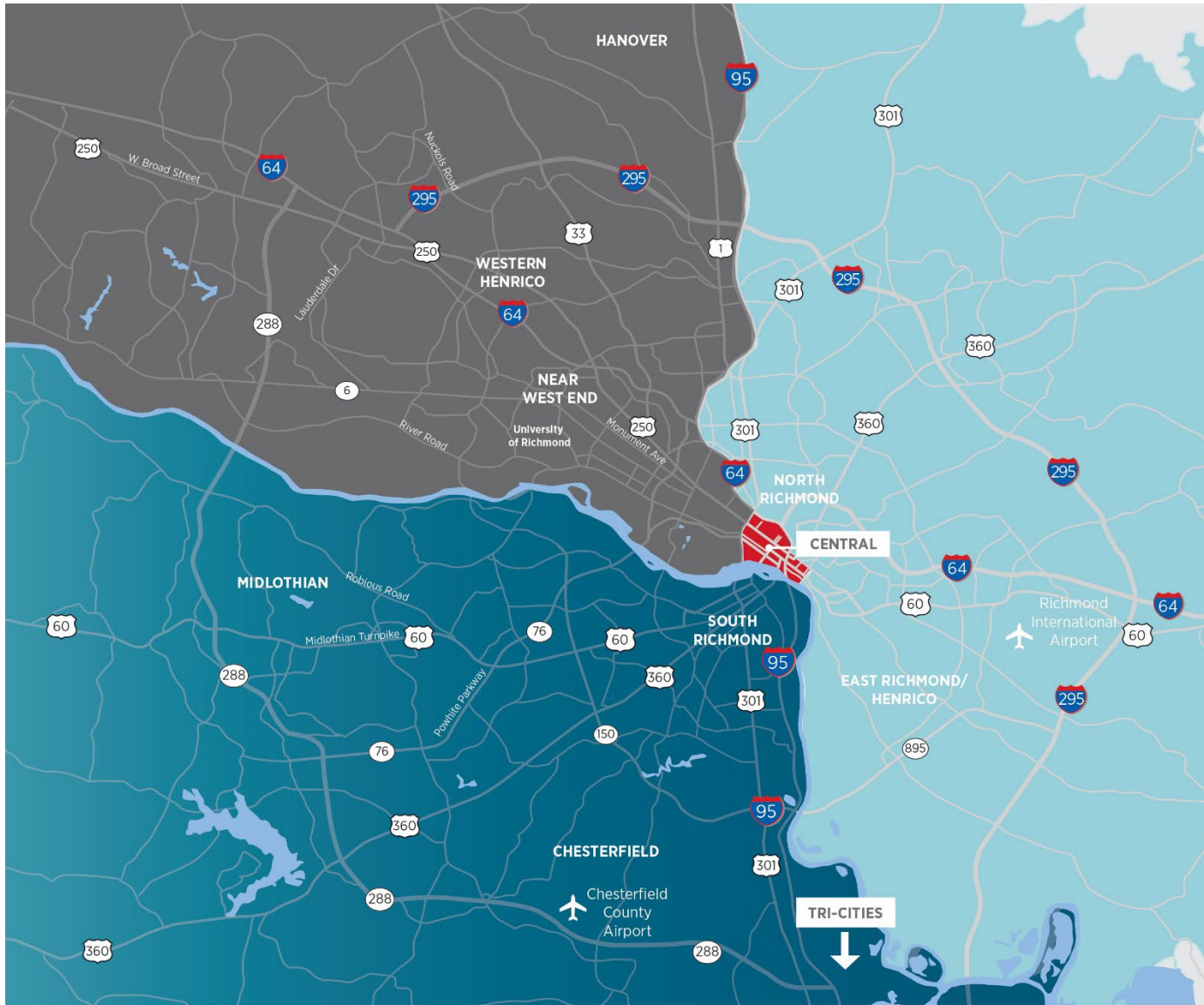
NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNERSHIP / DEVELOPER	UNITS	COMPLETION DATE
Watkins Centre	Chesterfield County	Castle Development Partners / Castle Development Partners	450	Q3 2023
2950 W Marshall Street	Scott's Addition	Capital Square Realty Advisors / Capital Square Realty Advisors	352	Q1 2025
Ainsworth	Western Henrico	Aurelie Capital / Aurelie Capital	350	Q4 2023
Luxe 360 on CenterPointe	Midlothian	Edward Rose Development Co / Edward Rose & Sons	344	Q2 2023
Kotarides River Mill	Western Henrico	Kotarides / Kotarides	285	Q1 2024
3500 West View	Western Henrico	WB APT Land LC / Commonwealth Properties	282	Q1 2024
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 Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Laurel Pines Apartments	Eastern Henrico	Four Mile Capital / Highlands Vista Group	120	\$21M / \$175k
Riverside Drive Apartments	Woodland Heights	Thalhimer Realty Partners / Lakeland Capital	66	\$7.6M / \$115k

MULTIFAMILY SUBMARKETS



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