

Multifamily Q2 2023

8.2%

Vacancy Rate

YoY Chg



12-Mo. Forecast



708

Net Absorption, units



\$1,438

Effective Rent, per unit



(Overall, All Property Classes)
Source: CoStar

ECONOMIC INDICATORS Q2 2023

712.2K

Richmond MSA
Employment

YoY Chg



12-Mo. Forecast



3.1%

Richmond MSA
Unemployment Rate



0.6%

Richmond MSA
Population Growth



Source: BLS, Census Bureau, Moody's Analytics

ECONOMIC OVERVIEW: A Region In Growth Mode

After a landmark year in terms of capital investment and job creation, the Richmond region hit the mid-year mark with the growth mindset intact. Companies relocating and expanding to Richmond have brought residents with them. The area's population growth rate is estimated to be more than triple that of Virginia's five largest metros as published by the Weldon Cooper Center for Public Service. The Richmond International Airport (RIC) earned the award for North America's Most Efficient Airport from the Air Transport Research Society (ATRS), a nod to RIC's progressive vision following consecutive record-setting months for passenger travel that has resulted in plans to expand international flight offerings. Activation Capital, an innovation ecosystem development organization, announced plans to develop the 102,000-square-foot (sf) Innovation Center in Richmond's Bio+Tech Park, a life sciences hub home to more than 70 companies, research institutes, and state/federal laboratories.

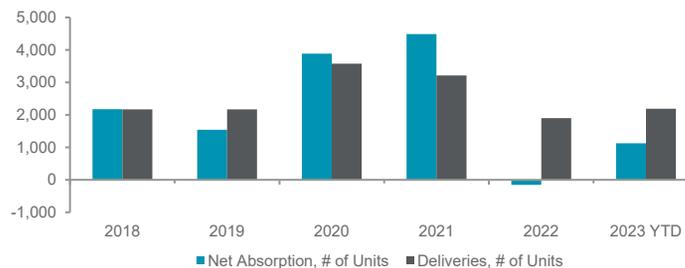
SUPPLY AND DEMAND: Construction Starts Slow

At the mid-year mark, overall vacancy landed at 8.2%, an increase of 90 basis points (bps) year-to-date (YTD) and a jump of 230 bps year-over-year (YOY). Absorption activity is on the rise with 150% of units leased YTD compared to the same time period last year. The construction pipeline remains active with more than 4,400 units currently in development, and while new projects continue to be announced in key submarkets, construction starts have slowed with only three projects breaking ground in the first half of 2023. The midtown area centered around Scott's Addition and The Diamond remains a focus for development projects with 13.4% of units under construction located in those submarkets. Western Henrico leads the charge in terms of development with more than 2,240 units under construction, projects that will expand the inventory of the region's largest submarket by an additional 8.8%. Deliveries topped 930 units for the quarter, with the largest projects completed in Western Henrico and Midlothian, both suburban areas.

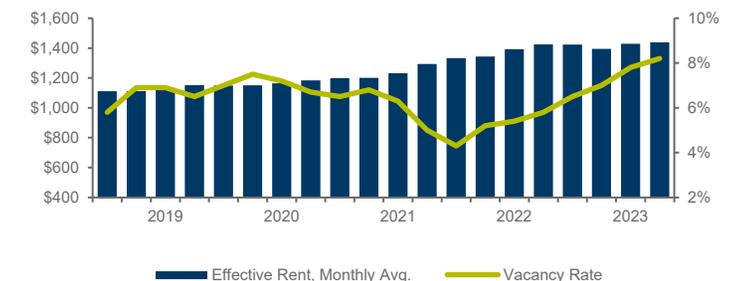
PRICING: Rent Growth Rates Stabilize

Effective rents ended the quarter at a slight increase of 2.7% YTD as the growth trendline continues to stabilize. Growth rates in Hanover County remain the highest for the small suburban submarket with historically low vacancy. YTD sales volume topped \$141 million including the second quarter sale of Millspring Commons, a 159-unit townhome-style complex in Western Henrico that sold for \$34.1 million to RailField Partners. The majority of the year's sales activity has centered around older vintage suburban developments with historically high occupancy rates, and investor interest remains active in developing areas like Manchester, as and when the limited offerings come available. The Mill at Manchester Lofts also sold in the second quarter to an individual investor for \$14.8 million, more than \$210,000 per unit.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



Multifamily Q2 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	17,860	781	8.8%	380	322	795	631	947	\$1,465	\$1.89	1.3%
Chesterfield	13,387	979	5.6%	0	143	281	364	0	\$1,549	\$1.58	2.7%
East Richmond/Henrico	5,339	894	8.3%	460	(27)	(161)	0	0	\$1,244	\$1.39	-1.0%
Hanover	2,215	954	3.1%	200	(6)	(33)	90	0	\$1,642	\$1.72	9.6%
Midlothian	6,451	975	5.9%	(60)	142	43	594	457	\$1,646	\$1.69	0.1%
Near West End	1,375	851	3.3%	(390)	(4)	52	263	0	\$1,723	\$2.02	4.0%
North Richmond	3,160	806	7.9%	470	48	74	0	224	\$1,181	\$1.48	1.3%
South Richmond	15,181	851	8.4%	340	55	(294)	784	160	\$1,282	\$1.51	2.3%
Tri-Cities	6,621	891	9.0%	520	(90)	(216)	52	0	\$1,075	\$1.21	1.7%
Western Henrico	25,513	907	8.1%	180	126	(17)	1,628	402	\$1,508	\$1.66	-1.6%
RICHMOND, VA TOTALS	97,102	887	8.2%	290	709	524	4,406	2,190	\$1,438	\$1.62	0.8%

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	5,283	482	10.1%	510	56	153	467	259	\$1,121	\$2.32	-0.2%
One Bed	34,838	697	9.0%	290	407	774	2,465	1,295	\$1,306	\$1.88	0.5%
Two Bed	48,649	969	7.8%	300	194	306	1,158	564	\$1,469	\$1.51	0.8%
Three Bed	8,087	1,290	6.9%	230	49	(47)	316	72	\$1,894	\$1.46	2.1%
Four+ Bed	245	1,735	5.8%	(470)	(2)	5	0	0	\$2,388	\$1.31	7.6%

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

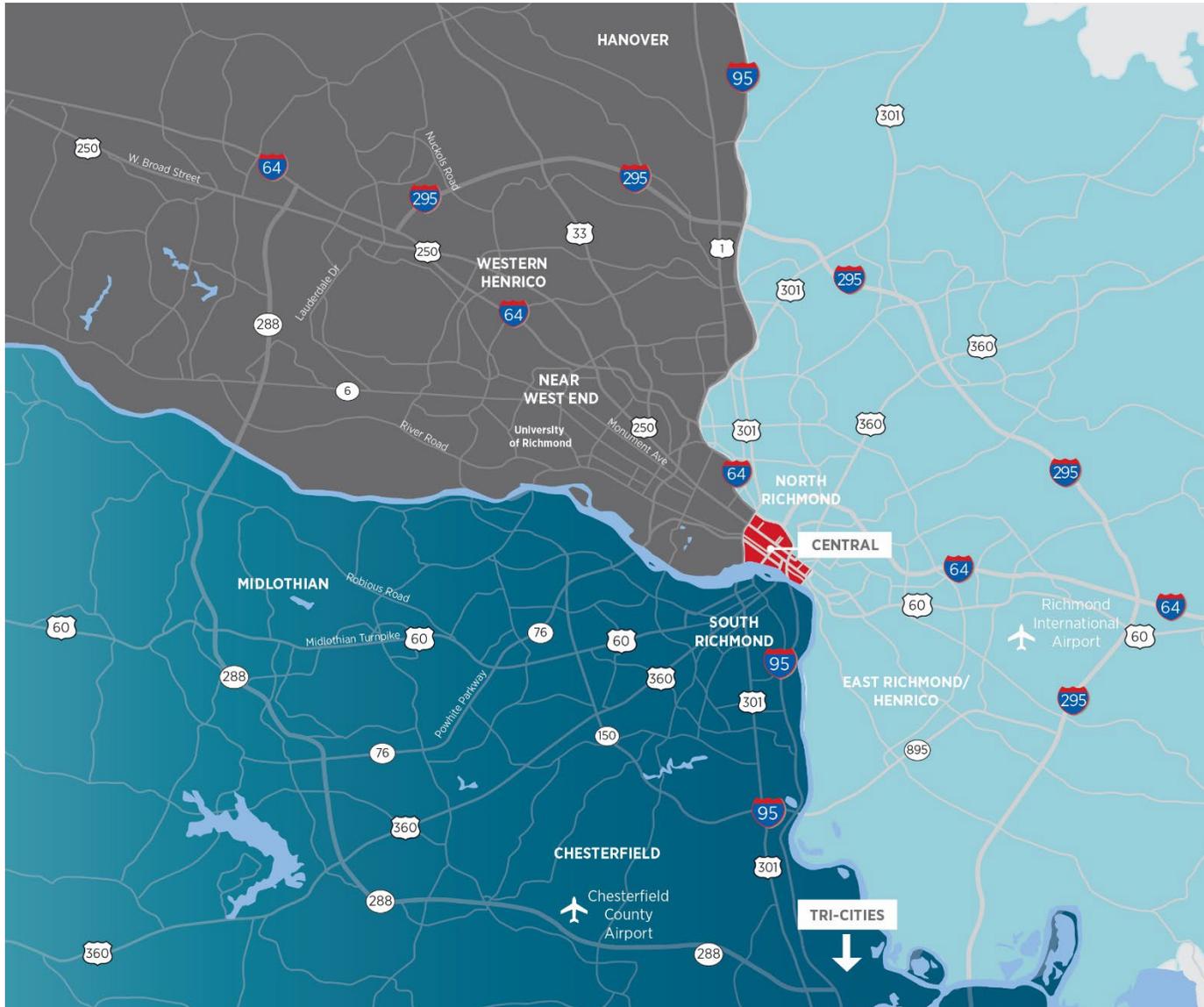
NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNERSHIP / DEVELOPER	UNITS	COMPLETION DATE
Apartments @ Innsbrook Square	Western Henrico	Dominion Realty Partners / Dominion Realty Partners	363	Q1 2024
Ainsworth	Western Henrico	Aurelie Capital / Aurelie Capital	350	Q3 2023
Luxe 360 on CenterPointe	Midlothian	Edward Rose Development Co / Edward Rose & Sons	344	Q3 2023
Kotarides River Mill	Western Henrico	Kotarides / Kotarides	285	Q1 2024
3500 West View	Western Henrico	WB APT Land LC / Commonwealth Properties	282	Q3 2023
NOVEL Scott's Addition	Scott's Addition	Crescent Communities / Thalhimer Realty Partners	275	Q1 2024
Silverhills at Monument Ave	Sauer's Gardens	Silver Hills Development / Silver Hills Development	263	Q1 2024

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Millspring Commons	Western Henrico	Republic Properties Corporation / RailField Partners	159	\$34.1M / \$214k
Chippenham Place	Piney Knolls	Atlantic American Partners / Lincoln Avenue Capital	144	\$18.2M / \$126k
The Mill at Manchester Lofts	Manchester	Fulton Street Partners LLC / Putnam Mill LLC	70	\$14.8M / \$211k

MULTIFAMILY SUBMARKETS



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