

YoY Chg      12-Mo. Forecast

**8.0%**

Vacancy Rate



**747**

Net Absorption, units



**\$1,427**

Effective Rent, per unit



(Overall, All Property Classes)  
Source: CoStar

### ECONOMIC INDICATORS Q3 2023

YoY Chg      12-Mo. Forecast

**711.3K**

Richmond MSA  
Employment



**2.6%**

Richmond MSA  
Unemployment Rate



**0.5%**

Richmond MSA  
Population Growth



Source: BLS, Census Bureau, Moody's Analytics

### ECONOMIC OVERVIEW: Maintaining Growth Mode

The third quarter closed with employment numbers continuing to climb, increasing 4.2% over the last four quarters, as the region maintains its growth mindset. Richmond was ranked in the top 50 on the 2023 list of America's Best Cities according to Resonance, a leading economic development advisor for communities nationwide. The Council for Community and Economic Research calculated the cost of living in the Richmond region at about 3% below the national average, and affordability has improved 50 basis points (bps) since 2022. After considering sites in Arizona and Ohio, Berkley Insurance Company announced its plan to invest \$6.1 million to expand its Henrico County operation, creating 72 new jobs. Virginia Commonwealth University (VCU) set a fiscal year record by reaching over \$464 million in sponsored research funding. Regional hotel tax revenue hit an historic high in the last year at \$35 million, an increase of 16.4% over the previous year.

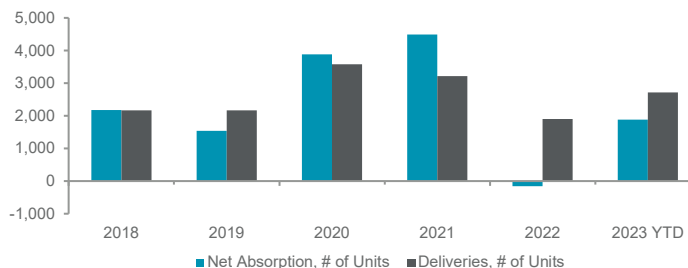
### SUPPLY AND DEMAND: Absorption Numbers Up

At the end of the third quarter, overall vacancy has dipped 20 bps from the mid-year mark, and while year-over-year (YOY) vacancy increased 130 bps, absorption is up significantly with more than 10 times the number of units leased year-to-date (YTD) compared to the same timeframe last year. YTD deliveries are 66.8% higher compared the first three quarters of 2022, and while construction starts slowed in the first half of the year, six new projects broke ground in the third quarter, adding more than 2,200 to an already-active construction pipeline. An additional 1,628 units are scheduled to come online before the end of the year with another 2,744 units slated to deliver in 2024. More than 25% of active development projects are in the midtown area centered around Scott's Addition and The Diamond area with the bulk of the remaining projects in Western Henrico County and Midlothian, both suburban areas west of downtown.

### PRICING: Rent Growth Rates Stabilize

Effective rent growth closed the quarter effectively flat YOY and down 130 bps YTD after a run of dramatic growth during the Covid era that pushed rents more than 21% above pre-pandemic numbers. Rent growth is forecast to normalize over the next year, and as high interest rates and limited purchase options continue to make home ownership challenging, sustained demand for rental options is expected to continue. YTD sales volume topped \$208 million with more than \$67.5 million closed in the third quarter, well below 2022 numbers and a further indication of the challenging lending environment. Courthouse Green in Chesterfield County traded from LEM Capital to Jones Street Investment Partners for \$51 million which equated to more than \$191,000 per unit, 31.3% above the YTD average pricing.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & EFFECTIVE RENT



## 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	18,132	780	8.0%	100	259	815	1,147	1,068	\$1,441	\$1.87	-0.9%
Chesterfield	13,393	979	6.0%	(50)	(1)	251	1,114	0	\$1,510	\$1.54	-1.2%
East Richmond/Henrico	5,339	897	9.2%	420	(27)	(203)	0	0	\$1,253	\$1.40	0.8%
Hanover	2,215	952	3.8%	180	(5)	(22)	90	0	\$1,523	\$1.60	-0.9%
Midlothian	6,451	975	10.5%	150	195	427	1,202	457	\$1,652	\$1.69	0.5%
Near West End	1,375	849	3.5%	180	(3)	(22)	263	0	\$1,641	\$1.93	2.0%
North Richmond	3,160	800	5.8%	80	37	165	0	224	\$1,191	\$1.50	0.9%
South Richmond	15,647	848	9.9%	410	189	30	376	568	\$1,285	\$1.51	1.7%
Tri-Cities	6,595	885	9.8%	470	(44)	(191)	52	0	\$1,119	\$1.26	5.1%
Western Henrico	25,523	908	7.4%	20	147	325	2,488	402	\$1,495	\$1.64	-2.0%
<b>RICHMOND, VA TOTALS</b>	<b>97,830</b>	<b>886</b>	<b>8.0%</b>	<b>160</b>	<b>747</b>	<b>1,575</b>	<b>6,732</b>	<b>2,719</b>	<b>\$1,427</b>	<b>\$1.61</b>	<b>-0.4%</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	5,181	482	8.9%	200	53	145	1,196	267	\$1,129	\$2.34	-1.1%
One Bed	35,440	696	8.5%	160	422	1,098	3,303	1,571	\$1,293	\$1.86	-0.8%
Two Bed	48,841	969	7.7%	150	242	297	1,764	749	\$1,455	\$1.50	-0.4%
Three Bed	8,126	1,291	6.7%	90	71	64	469	122	\$1,897	\$1.46	0.8%
Four+ Bed	242	1,752	5.8%	(10)	0	9	0	0	\$2,536	\$1.38	5.7%

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

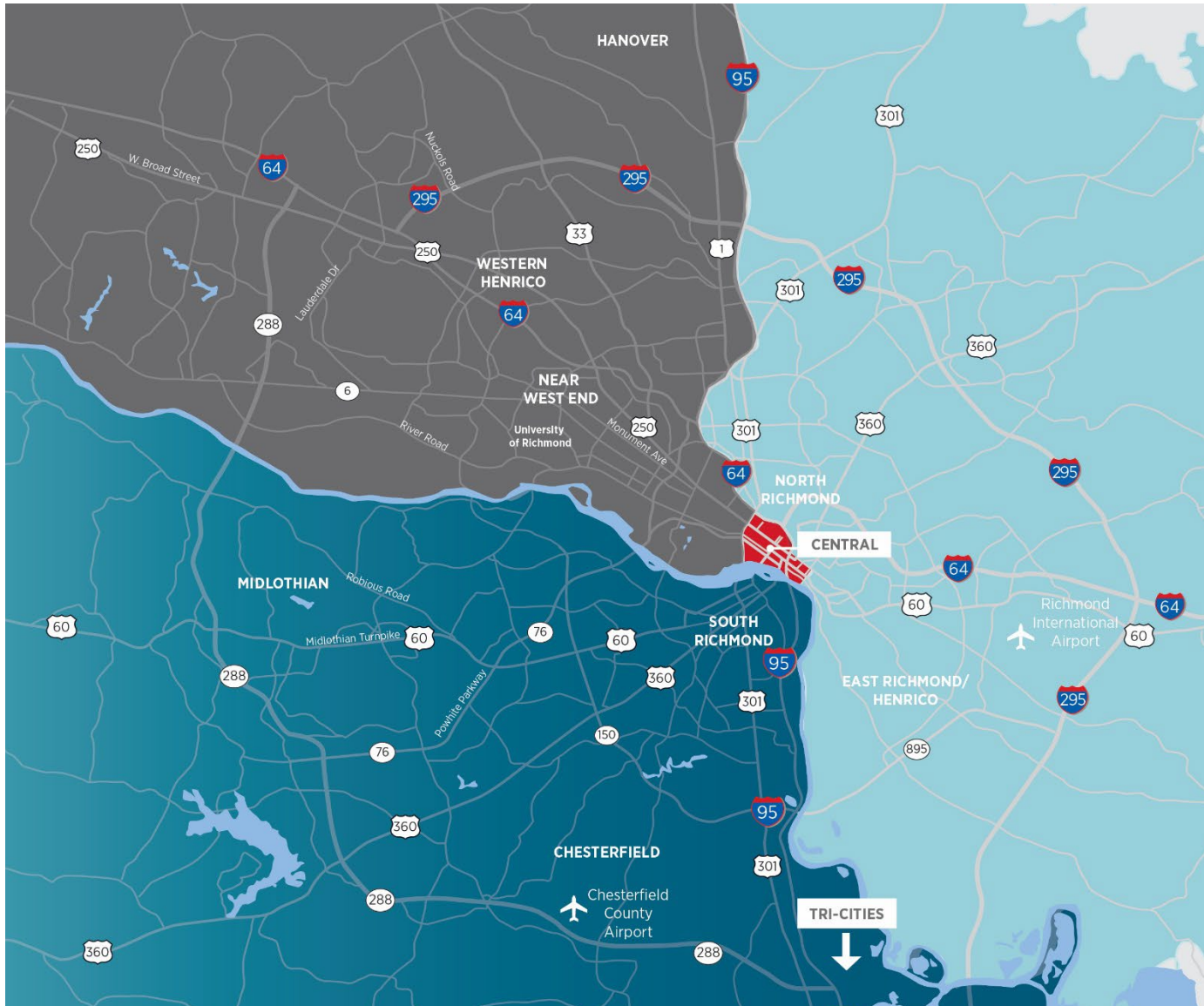
## NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNERSHIP / DEVELOPER	UNITS	COMPLETION DATE
The Lake	Chesterfield	National Land Realty / The Breeden Company	750	Q1 2025
Luxe 360 on CenterPointe	Midlothian	Edward Rose Development Co / Edward Rose & Sons	344	Q4 2023
Bainbridge Midlothian	Midlothian	The Bainbridge Companies / The Bainbridge Companies	310	Q3 2024
The Brook	Western Henrico	The Resmark Companies / Middleburg Communities	310	Q1 2025
Apartments @ Innsbrook Square	Western Henrico	Dominion Realty Partners / Dominion Realty Partners	305	Q1 2024
Kotarides River Mill	Western Henrico	Kotarides / Kotarides	285	Q1 2024
NOVEL Scott's Addition	Scott's Addition	Crescent Communities / Thalhimer Realty Partners	275	Q1 2024

## KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Courthouse Green	Chesterfield County	LEM Capital / Jones Street Investment Partners LLC	266	\$51.0M / \$192k
American Heritage Apartments	City Center	Brentwood Investment Group / Cleghorn Capital	57	\$9.9M / \$173k
2602-2606 Grove Ave	The Fan	DCW Management Inc. / 2602 Grove LLC	21	\$4.1M / \$193k

## MULTIFAMILY SUBMARKETS



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