

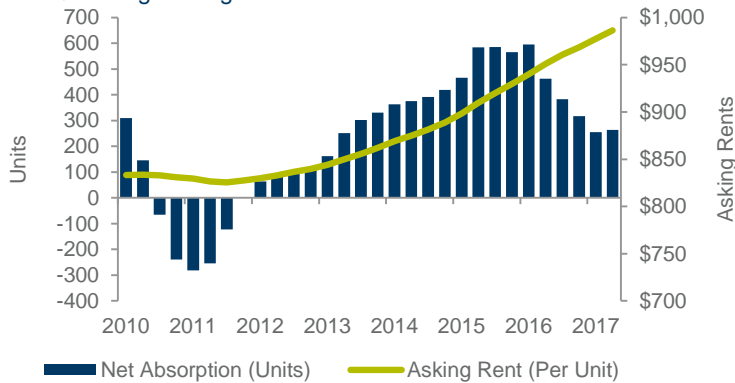
ECONOMIC INDICATORS

National	Q2 16	Q2 17	12-Month Forecast
GDP Growth	1.3%	2.3%	▲
CPI Growth	1.0%	1.9%	▲
Consumer Spending Growth	2.7%	2.31%	▲
Ten Year Treasury	1.49%	2.45%	▲
Permits 5+ units	-16.8%	-2.9%	▲
Starts 5+ units	-3.1%	-4.3%	▼

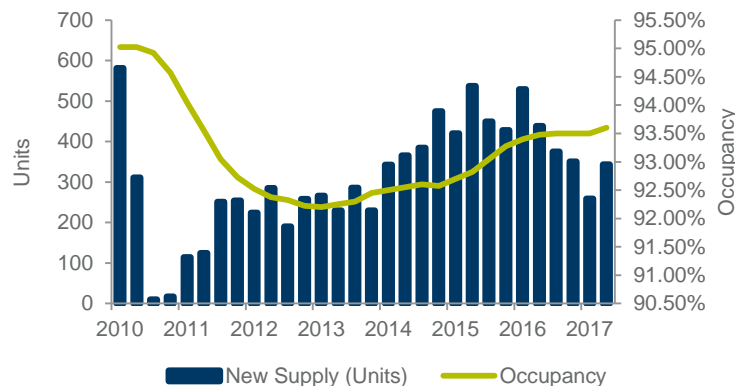
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Regional	Q2 16	Q2 17	12-Month Forecast
Household Income	\$62,534	\$64,359	▲
Population Growth	0.62%	0.57%	▲
Unemployment	4.1%	4.0%	▲

Overall Net Absorption/Asking Rent  
4Q Trailing Average



New Supply/Occupancy  
4Q Trailing Average



Economy

The U.S. added 2.2 million jobs from June 2016 to June 2017 of which 204,000 were in the construction industry. The U.S. Census Bureau estimates that on average construction prices have increased 7.2% through May. Hoya Capital reports that labor shortages have delayed delivery of new multifamily thus far in 2017. Multifamily housing starts decreased 2.4% over the same time period. Real Capital Analytics (RCA) reports that nationally cap rates were 5.7% in May which is 50 basis points below the previous low watermark set earlier in the cycle nearly a decade ago. RCA further reports that the low cap rates are causing a pull back in transaction volume.

The Richmond metro area added 11,100 jobs from May 2016 to May 2017, and the unemployment rate remained a low 3.9%. Richmond had 1,196 new multifamily units authorized through May of 2017 which is 290% above the same time period in 2016.

Market Overview

The overall multifamily vacancy rate declined 50 basis points to 6.1% in Q2 2017. The Richmond multifamily market absorbed nearly 1,200 units in the past year. The vacancy rate was last lower nearly seven years ago. Asking rents increased 3.8% over a year ago and broke the \$1,000 per unit per month threshold for the first time since record keeping began in 2000.

Western Henrico lead all submarkets in vacancy decline with a 460 basis point descent from a year ago. Western Henrico also experienced the largest increase in asking rent growth at 5.7%. The vacancy in the Central submarket decreased 190 basis points and rents increased 3.4%. Close to 3,000 units are under construction of which 29% is located in the Central submarket and 25% in the South Richmond submarket.

Outlook

Multifamily fundamentals remain strong nationally with favorable demographic and job growth outlooks. In Richmond, demand is expected to outstrip supply in the near term with a continued decline in vacancy and rent growth. Real data projects rent growth between 2.5% and 3.5% going into 2018. Supply is anticipated to catch up to demand and moderate rent growth to just under 2%. Real Data reports that over 5,000 units are in the construction pipeline.

# MARKETBEAT

## Richmond, VA

### Multifamily Q2 2017



SUBMARKET	INVENTORY (Units)	AVG. SF	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	ABSORPTION 2017 (UNITS)	ROLLING 4Q ABSORPTION (UNITS)	HISTORIC AVG. ANNUAL ABSORPTION* (UNITS)	UNDER CONSTRUCTION (UNITS)**	CHANGE IN SUPPLY YTD 2017 (UNITS)	HISTORIC AVG. ANNUAL DELIVERIES	RENT (Monthly)	RENT/SF/MONTH	RENT CHANGE (12 MONTHS %)
Central	12,463	821	6.90%	-190	80	532	346	874	458	371	\$1,195	\$1.46	3.35%
East Richmond/Henrico	4,465	878	4.70%	-100	29	47	28	156	-	21	\$775	\$0.88	2.59%
North Richmond	3,036	762	7.60%	70	-15	-21	47	474	-	49	\$691	\$0.91	3.44%
Hanover	1,903	931	4.90%	90	61	114	2	0	-	10	\$1,025	\$1.10	5.34%
South Richmond	12,497	855	6.90%	-10	101	27	138	747	14	167	\$856	\$1.00	3.58%
Western Henrico	23,075	916	4.00%	-460	190	450	43	327	-	94	\$1,073	\$1.17	5.71%
Near West End	733	828	3.40%	-130	6	9	5	0	-	6	\$1,162	\$1.40	-0.85%
Chesterfield	10,519	974	6.70%	-80	76	84	166	366	-	195	\$1,019	\$1.05	1.80%
Tri-Cities	6,916	888	9.90%	240	-150	-34	58	0	62	57	\$827	\$0.93	-0.96%
Midlothian	4,339	1,005	8.00%	20	12	-12	68	0	-	86	\$1,147	\$1.14	4.18%
<b>Total</b>	<b>79,946</b>	<b>895</b>	<b>6.10%</b>	<b>(50)</b>	<b>390</b>	<b>1,196</b>	<b>899</b>	<b>2,944</b>	<b>534</b>	<b>1,055</b>	<b>\$1,009</b>	<b>\$1.13</b>	<b>3.81%</b>

SUMMARY BY BEDROOM	UNITS	AVG. SF	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	ABSORPTION 1Q17	ROLLING 4Q ABSORPTION	HISTORIC AVG. ANNUAL ABSORPTION*	UNDER CONSTRUCTION (UNITS)**	CHANGE IN SUPPLY YTD 2017 (UNITS)	HISTORIC AVG. ANNUAL DELIVERIES	RENT (Monthly)	RENT/SF/MONTH	RENT CHANGE (12 MONTHS %)
Studio	2,076	503	7.7%	-630	-12	64	26	115	0	36	\$865	\$1.72	5.5%
One Bed	24,769	708	6.2%	-80	250	569	391	1,234	143	449	\$933	\$1.32	4.3%
Two Bed	42,498	954	6.0%	0	107	334	357	671	9	430	\$1,012	\$1.06	3.8%
Three Bed	7,316	1,248	6.3%	-20	50	50	100	99	-	117	\$1,294	\$1.04	4.9%
Four+ Bed	522	1,405	4.0%	-13	-4	-3	25	1	-	23	\$945	\$0.67	-23.7%

Source: CoStar.

Notes: Only includes properties with five units and above. Dormitories, senior housing, and properties with only affordable housing units excluded.

\*Rolling four month quarterly average for the past ten years.

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

### Significant Q2 2017 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
Terraces at Manchester	South Richmond	Richmond Terraces, LLC	800 Semmes LLC	148	\$30,100,000	\$203,547
2001 East	Central	Thalhimer Realty Partners	2001 East Broad Street	75	\$9,675,000	\$129,000
The Argon	Near West End	CKS Argon	C.A. Harrison Cos.	66	\$10,200,000	\$154,545
Haxall View Lofts*	Central	Zehman Wolf Mgmt.	Hanover Property Company	29	\$10,500,000	\$362,069

\*Contains street level retail

Sources: Real Capital Analytics, Cushman & Wakefield | Thalhimer Research Services

### Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
2000 Westcreek	2000 Westcreek	Western Henrico	Bristol Development Group	373	Under Construction	Q3 2018
Libbie Mill	Libbie Mill East	Western Henrico	Gumenick Properties	327	Under Construction	Q3 2018
Canopy at Ginter Park		North Richmond	Bristol Development Group	301	Under Construction	Q3 2018
Village at Westlake	Jahnke & German School	Chesterfield	Breeden Companies	252	Under Construction	Q2 2017
Reynolds South Tower	505 Porter Street	South Richmond	CMB Development	213	Under Construction	Q2 2018
Symbol Mattress	Highpoint and Patton	Central	Spy Rock	202	Under Construction	Q2 2017

Sources: Real Data, Costar, Cushman & Wakefield | Thalhimer Research Services

Cushman & Wakefield | Thalhimer  
11100 W Broad St.  
Glen Allen, VA 23060  
[thalhimer.com](http://thalhimer.com)

For more information, contact:  
Basil Hallberg  
Financial Analyst  
Tel: +1 804 697 3560  
[basil.hallberg@thalhimer.com](mailto:basil.hallberg@thalhimer.com)

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