

ECONOMIC INDICATORS

National	Q3 15	Q3 16	12-Month Forecast
GDP Growth	2.0%	2.4%	▲
CPI Growth	1.4%	1.2%	▲
Consumer Spending Growth	3.1%	2.8%	▲
Retail Sales Growth	2.0%	2.9%	▲
Permits 5+ units*	-1.3%	-11.6%	▼
Starts 5+ units*	28.6%	-5.6%	▼
New Renter HH Formation*	5.4%	2.3%	▲

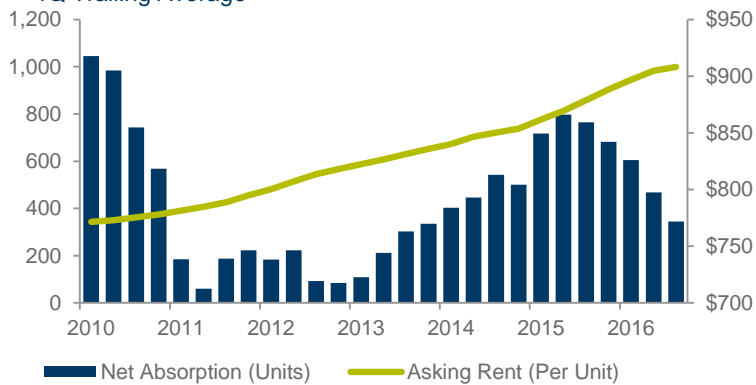
*Permits and Starts is year-to-date through September. New Renter HH is second quarter data (latest available).

Regional	Q3 15	Q3 16	12-Month Forecast
Household Income	\$62,953	\$64,503	▲
Population Growth	0.87%	0.78%	▲
Unemployment	4.4%	3.8%	▲

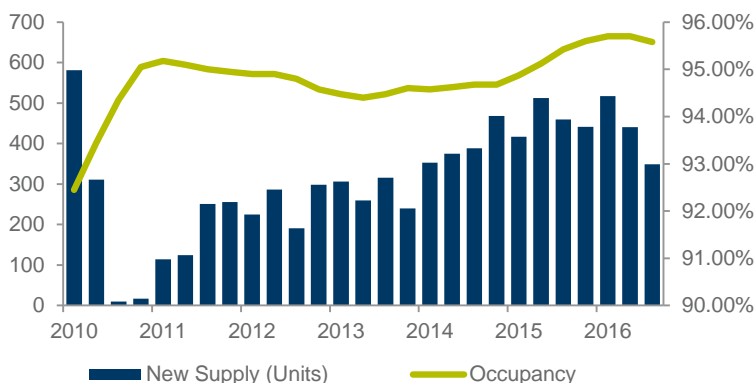
Economy

The U.S. economy continued to add jobs for a record 78 consecutive months in August. The continued tightening of employment helped median household income grow 5.2% in 2015 over 2014. Richmond added 21,400 jobs in September 2016 over a year ago of which 9,300 were in Financial and Professional and Business Service sectors. Job growth leads to new household formation. According to the Census Bureau, an additional 967,000 rental housing units were occupied in Q2 2016 (latest available) compared to Q2 2015. Multifamily building permits across the U.S. were down 11.6% year to date through September of 2016; starts were down 5.6%. The number of multifamily units under construction in September of 2016 was 12.9% above a year ago. According to Real Capital Analytics (RCA), the average multifamily cap rate in Q3 2016 was 5.5% across the U.S. and 6.2% in non-major metros. The U.S. 10 year treasury was 1.76% as of October 19, 2016.

Overall Net Absorption/Asking Rent
4Q Trailing Average



New Supply/Occupancy
4Q Trailing Average



Market Overview

The Richmond multifamily market remains healthy with a low 4.4% vacancy a slight increase from a year ago. A positive 1,399 units have been absorbed thus far in 2016 outpacing the 1,092 units delivered year-to-date. An additional 2,837 units are under construction. The sustained absorption activity helped rent to increase by 2.1% in the previous 12 months. The Central submarket is the most active with 45% of the new supply and the highest absorption figure. Vacancy in the Central submarket increased 350 basis points from a year ago due to the 632 new units that are in lease up. Construction activity is increasing in suburban submarkets with Western Henrico and Chesterfield both having nearly 650 units under construction. Midlothian and Hanover have 271 and 243 units under construction respectively. South Richmond which includes Manchester has 384 units under construction. Transaction volume in Richmond reached \$79.8 million in Q3 2016 according to RCA with a total of 1,060 units trading.

Outlook

Multifamily fundamentals remain strong throughout the Richmond MSA buoyed by economic and population growth. Absorption will remain strong particularly in the Central submarket and suburban submarkets with strong school districts. Rent growth will continue across the market as vacancy remains low. Investors continue to look at opportunities in secondary and tertiary markets to find yield in a cap rate compressed environment.

MARKETBEAT

Market Name

Multifamily Q3 2016



SUBMARKET	INVENTORY (Units)	AVG. SF	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	YTD ABSORPTION	HISTORIC AVG. ANNUAL ABSORPTION*	UNDER CONSTRUCTION (UNITS)**	CHANGE IN SUPPLY YTD (UNITS)	HISTORIC AVG. ANNUAL DELIVERIES	RENT	RENT CHANGE (12 MONTHS %)
Central	11,576	818	8.80%	350	404	289	494	632	332	\$1,090	(0.88%)
East Richmond/Henrico	5,268	856	2.80%	(230)	118	68	87	0	56	\$810	2.74%
North Richmond	2,550	793	5.90%	130	(21)	47	0	0	49	\$685	0.74%
Hanover	1,766	931	2.00%	30	19	4	243	0	0	\$972	3.40%
South Richmond	12,509	862	3.70%	90	108	204	384	125	177	\$838	3.25%
Western Henrico	22,879	913	3.20%	60	91	90	647	0	78	\$1,009	3.70%
Near West End	726	829	3.20%	210	66	4	0	59	4	\$1,107	0.18%
Chesterfield	10,271	975	3.30%	30	311	218	649	203	194	\$994	3.33%
Tri-Cities	5,122	896	7.40%	(190)	138	51	62	73	50	\$798	1.66%
Midlothian	4,356	1,010	3.70%	(250)	165	95	271	0	90	\$1,073	1.71%
Total	77,023	896	4.40%	50	1,399	1,069	2,837	1,092	1,030	\$957	2.13%

SUMMARY BY BEDROOM	UNITS	AVG. SF	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	YTD ABSORPTION	HISTORIC AVG. ANNUAL ABSORPTION*	UNDER CONSTRUCTION (UNITS)*	CHANGE IN SUPPLY YTD (UNITS)	HISTORIC AVG. ANNUAL DELIVERIES	RENT	RENT CHANGE (12 MONTHS %)
Studio	2,233	488	12.8%	870	(62)	21	25	91	31	\$780	(0.76%)
One Bed	23,529	707	4.8%	120	661	407	1,056	679	413	\$881	1.85%
Two Bed	41,910	956	3.9%	0	678	489	438	308	438	\$963	2.45%
Three Bed	7,208	1,246	3.2%	(80)	104	121	125	12	112	\$1,221	2.26%
Four+ Bed	624	1,381	6.9%	(48)	18	32	0	2	33	\$1,036	12.29%

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 YTD 2016 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
Park West End & Champions Club	Western Henrico	MDO Capital	Core Realty	524	\$52,000,000	\$99,236
River Road Terrace	Tri-Cities	Republic River Road	Variant Commercial	128	\$2,900,000	\$22,656
The Birches	North Richmond	Harbor Group	Space Properties	98	\$5,500,000	\$56,122
Madison Terrace	Tri-Cities	Edge Development	Nola Property	76	\$3,055,000	\$40,197
Ram Cat Alley	Central	Levco Realty Group	Genesis Properties	58	\$5,700,000	\$98,276

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

2016 Notable Construction Pipeline

PROPERTY NAME	ADDRESS	Submarket	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
Libbie Mill	Libbie Mill East	Western Henrico	Gumenick Properites	327	Under Construction	Q3 2018
Bus Barn	101 S Davis	Central	Monument Companies	280	Under Construction	Q4 2016
Avia	12350 West Broad Street	Western Henrico	Commonwealth Properties	268	Under Construction	Q1 2017
Element at Stonebridge	301 Karl Linn	Chesterfield	Boyd Homes	264	Under Construction	Q2 2017
Symbol Mattress	Highpoint and Patton	Central	Spy Rock	202	Under Construction	Q2 2017
Charleston Ridge	Atlee Station	Hanover	Charter Realty/R.C. Evans Management Group	103	Under Construction	

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

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