

MARKETBEAT

Richmond, VA

Multifamily Q1 2018



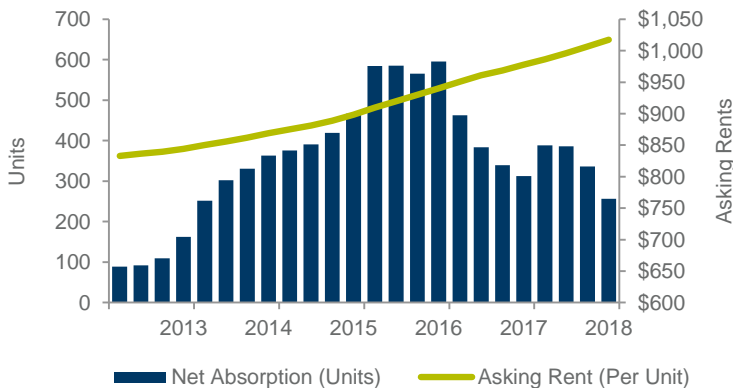
ECONOMIC INDICATORS

National	Q1 17	Q1 18	12-Month Forecast**
GDP Growth	2.0%	2.9%*	▲
CPI Growth	2.6%	2.3%*	▼
Consumer Spending Growth	2.9%	2.8%*	▼
10-Year Treasury	2.45%	2.8%	▲
Permits 5+ units***	5.0%	6.4%	▲
Starts 5+ units***	23%	7.1%	▼

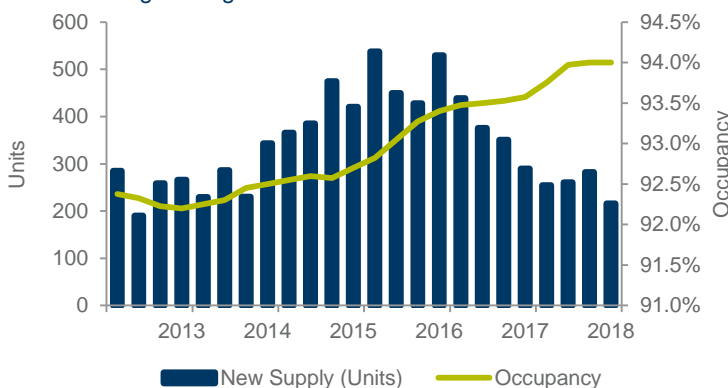
Regional	Q1 17	Q1 18	12-Month Forecast**
Household Income	\$64,146	\$66,581	▲
Population Growth	0.96%	0.84%	▼
Unemployment	4.1%	3.7%	▼

Source: Moody's Analytics. *Q1 values. **Forecast by Cushman & Wakefield. Values represent year-over-year change. ***Year-over-year change

Overall Net Absorption/Asking Rent 4Q Trailing Average



New Supply/Occupancy 4Q Trailing Average



Economy

Sustained employment and wage growth led The Federal Reserve Bank to increase interest rates to begin the year. U.S. GDP growth strengthened, increasing 90 basis points (bps) from the preceding year. But despite a well-performing job market, economists believe that low inflation numbers may limit the ability of the Federal Reserve to continue raising rates. As corporations begin to benefit from the recent tax overhaul, investors will be keen to take advantage of the healthy economic environment. Richmond sustained strong economic figures, adding 4,500 jobs and decreasing the unemployment rate by 40 bps to 3.7% from February 2017 to February 2018. The Construction and Information sectors recorded the largest year-over-year growth.

Market Overview

The overall multifamily vacancy rate declined by 20 bps from Q1 2017 to Q1 2018. A positive 266 units were absorbed and 340 units delivered in the first quarter. Asking rents increased for the 29th consecutive quarter, increasing 3.9% year-over-year with the strongest growth occurring in urban submarkets. Vacancy in the Western Henrico submarket, Richmond's largest multifamily submarket declined 480 bps and asking rents increased 3.8% from a year ago.

Following the influx of construction permits authorized in 2017, a considerable number of units will be added to the market. Developers are responding to tenants' preference for amenity rich environments with downtown areas receiving a significant portion of the new supply. 559 units are under construction in the Central submarket and 213 of the 465 units being built in South Richmond are located across the river in nearby Manchester. In the West End, 373 units are under construction at 2000 West Creek. Costar research shows a total of 2,327 units currently under construction and another 4,532 units proposed throughout the metro area.

Outlook

Despite the risk from rising interest rates and construction costs, Richmond's multifamily market exhibits healthy fundamentals and will be a strong performer in 2018. Consistent job growth and favorable demographics provide structural demand for multifamily product. Out of town investors have been active in the market and are responsible for almost all of the nearly \$84.2 million sold in Q1 2018, according to Real Capital Analytics. However, increased competition from Class A deliveries hitting the market will make it more difficult for value-add investments to significantly raise rental rate.

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SUBMARKET	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	ABSORPTION Q1 18 (UNITS)	4Q TRAILING ABSORPTION (UNITS)	HISTORIC AVG. ANNUAL ABSORPTION* (UNITS)	UNDER CONSTRUCTION (UNITS)	CHANGE IN SUPPLY YTD 2018 (UNITS)	HISTORICAL AVG. ANNUAL DELIVERIES	RENT (Monthly)	Rent/SF/ Month	RENT CHANGE (Y-O-Y %)
Central	13,764	813	7.6%	0	224	574	386	559	340	420	\$1,192	\$1.47	1.3%
East Richmond/Henrico	4,797	860	5.2%	(10)	(6)	7	5	360	0	3	\$823	\$0.96	8.7%
North Richmond	2,659	791	6.0%	(180)	11	48	44	301	0	49	\$710	\$0.90	1.9%
Hanover	1,903	935	3.1%	(500)	0	95	11	0	0	13	\$1,057	\$1.13	4.1%
South Richmond	12,914	857	7.2%	(30)	64	342	138	465	0	168	\$879	\$1.03	5.0%
Western Henrico	22,987	915	5.1%	(480)	(8)	-56	57	527	0	110	\$1,077	\$1.18	3.8%
Near West End	831	817	3.5%	(40)	7	3	4	15	0	6	\$1,236	\$1.51	9.5%
Chesterfield	10,745	965	8.5%	60	(84)	-57	172	100	0	212	\$1,074	\$1.11	4.7%
Tri-Cities	6,262	892	5.9%	(30)	(21)	74	65	0	0	60	\$860	\$0.96	3.00%
Midlothian	4,019	996	6.6%	(160)	79	64	41	0	0	61	\$1,154	\$1.16	4.9%
Total	80,881	891	6.4%	40	266	1,094	934	2,327	340	1,101	\$1,037	\$1.16	3.9%

SUMMARY BY BEDROOM	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	ABSORPTION Q1 18	4Q TRAILING ABSORPTION (UNITS)	HISTORIC AVG. ANNUAL ABSORPTION* (UNITS)	UNDER CONSTRUCTION (UNITS)**	CHANGE IN SUPPLY YTD 2018 (UNITS)	HISTORICAL AVG. ANNUAL DELIVERIES	RENT (Monthly)	Rent/SF/ Month	RENT CHANGE (12 MONTHS %)
Studio	2,089	501	7.4%	(30)	14	11	25	137	-	59	\$873	\$1.74	3.4%
One Bed	25,917	701	6.5%	(70)	294	427	453	1090	204	514	\$958	\$1.37	3.9%
Two Bed	42,102	957	6.0%	(20)	116	150	336	384	88	423	\$1,051	\$1.10	4.8%
Three Bed	7,514	1,244	7.3%	60	32	4	89	16	48	110	\$1,284	\$1.03	2.1%
Four+ Bed	534	1,411	2.2%	0	(1)	19	25	0	-	23	\$929	\$0.66	-18.6%

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 2018 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
Ashland Towne Square	Hanover	United Property Associates	Evans Management Group	218	\$27,250,000	\$125,000
Belt Atlantic	Midlothian	Hampstead Group	Tryko Partners	216	\$17,500,000	\$81,019
Hope Village	Western Henrico	Hope Preservation LP	Hope Village Investors	100	\$9,200,000	\$92,000
One Monument	Central	Lane Capital Partners	Kenneth Zaslav	34	\$11,350,000	\$333,824

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

Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
2000 West Creek	2000 Broad Branch Cir	Near West End	Riverstone Properties / Bristol Development Group	373	Under Construction / Lease Up	Q4 2018
Libbie Mill	Libbie Mill East	Western Henrico	Gumenick Properties	327	Under Construction	Q3 2018
Canopy at Ginter Park	1311 Westwood	North Richmond	Bristol Development Group	301	Under Construction	Q3 2018
River's Edge at Manchester	505 Porter Street	South Richmond	CMB Development	213	Under Construction	Q2 2018
Abberly at CenterPointe	1900 Brandermill Pky	Midlothian	HHHunt	271	Under Construction	Q2 2018

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

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