

MARKETBEAT

Richmond, VA

Multifamily Q2 2018



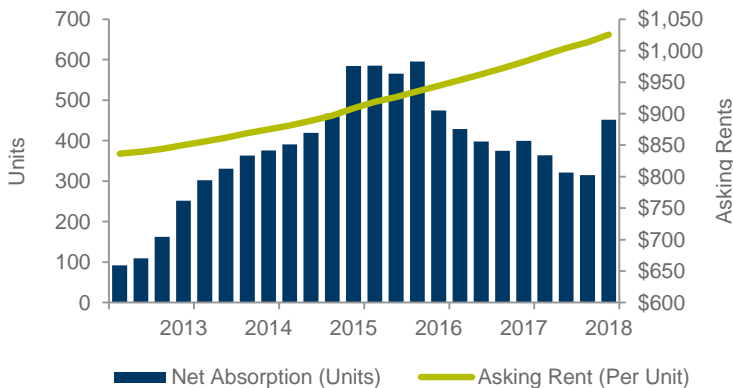
ECONOMIC INDICATORS

National	Q2 17	Q2 18*	12-Month Forecast**
GDP Growth	2.2%	3.0%	▲
CPI Growth	1.9%	2.8%	▲
Consumer Spending Growth	2.7%	2.5%	▲
Retail Sales Growth	4.3%	5.3%	▲

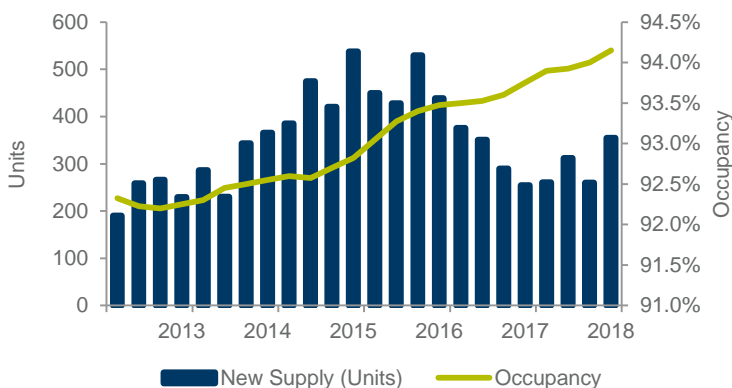
Regional	Q2 17	Q2 18	12-Month Forecast**
Household Income	\$64,795	\$66,597	▲
Population Growth	0.94%	0.81%	■
Unemployment	3.9%	3.4%	▼

Source: Moody's Analytics. *Q2 18 estimates. **Forecast by Cushman & Wakefield. Values represent year-over-year change.

Vacancy/Average Monthly Rent 4Q Trailing Average



New Supply/Occupancy 4Q Trailing Average



Economy

U.S. economic growth exceeded expectations during the second quarter, with activity rising at a solid rate and unemployment reaching historically low levels. The Federal Reserve Bank raised interest rates by a quarter of a percentage point and suggested two additional increases will occur during the year, a rise from the previous quarter's projection. The rosy economic outlook also highlights an extremely tight labor market with many industries experiencing a shortage of workers. The U.S. followed through with trade tariffs on select Chinese goods and China quickly responded with tariffs of their own. Still, Economic expansion is anticipated to continue in the second half of the year. Richmond's economy maintained steady performance in the second quarter. The unemployment rate decreased 50 basis points (bps) to 3.4% from the previous year and remains below the U.S. rate of 3.8%. The metro area added 9,700 jobs during the time period, with the service and hospitality industries leading the way in job growth.

Market Overview

The overall multifamily vacancy rate continued its decline by 60 bps from Q2 2017 to Q2 2018. A positive 1,045 units were absorbed and 556 units delivered in the first quarter. Asking rents increased for the 30th consecutive quarter, increasing 4.4% year-over-year to \$1,065 and mark an all-time high for the area. New apartments are hitting the market, and for the most part, are being rented quickly. 951 units have been delivered in 2018 and the overall vacancy rate declined 70 bps from the first quarter with more than 1,600 units absorbed year-to-date. 2000 West Creek and Winterfield Crossing are nearing completion to provide supply in the outer suburbs and have generally been well received by the market. Units are preleasing at a fast pace due to 2000 West Creek's quality and location near major employment centers. The newly opened GRTC Pulse Bus Rapid Transit line, which connects Willow Lawn with downtown and continues to Rocketts Landing, is also attracting development interest to central locations along the corridor.

Outlook

Despite the risk from rising interest rates and construction costs, Richmond's multifamily market exhibits healthy fundamentals and has performed well in the first half of the year. Consistent job growth and favorable demographics provide structural demand for multifamily product. Out of town investors continue to be active in the market, while local players have started investing in larger projects.

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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-%)
Central	13,866	814	6.2%	(10)	278	453	412	525	348	443	\$1,208	\$1.48	1.7%
East Richmond/Henrico	4,875	874	6.0%	140	179	255	20	632	336	16	\$865	\$0.99	4.2%
North Richmond	2,667	791	5.9%	(200)	-5	53	46	301	0	49	\$725	\$0.92	3.4%
Hanover	1,903	935	3.3%	(140)	-1	28	12	0	0	13	\$1,070	\$1.14	3.8%
South Richmond	13,237	864	6.2%	(30)	304	538	155	374	252	181	\$915	\$1.06	6.7%
Western Henrico	22,986	915	3.9%	(20)	144	55	63	527	0	109	\$1,116	\$1.22	4.4%
Near West End	846	823	3.4%	20	13	12	5	0	15	7	\$1,248	\$1.52	5.1%
Chesterfield	10,030	966	5.2%	(30)	46	33	197	100	0	212	\$1,119	\$1.16	6.8%
Tri-Cities	6,840	884	7.7%	(240)	34	124	57	0	0	60	\$848	\$0.96	1.4%
Midlothian	4,011	998	5.0%	(300)	53	118	44	509	0	61	\$1,222	\$1.22	8.4%
Total	81,261	892	5.3%	(60)	1045	1,669	1,071	2,968	951	1,151	\$1,065	\$1.19	4.4%

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	2,084	499	7.0%	(100)	11	55	25	226	2	97	\$890	\$1.78	3.9%
One Bed	25,779	703	5.6%	(60)	385	669	475	1316	451	529	\$980	\$1.39	4.0%
Two Bed	42,590	956	5.1%	(50)	547	767	367	1090	432	442	\$1,077	\$1.13	5.0%
Three Bed	7,399	1,245	5.4%	(70)	102	146	97	136	66	111	\$1,345	\$1.08	4.8%
Four+ Bed	524	1,398	2.4%	(32)	(1)	(3)	26	0	0	23	\$965	\$0.69	-4.5%

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 10 years.

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

Significant Q2 2018 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT
Mayton Transfer Lofts	Tri-Cities	Capitol Square 1031	E Bank St Properties	223	\$21,500,000	\$96,413
3501 Stuart Avenue	Central	Peak Capital Partners	The Davis Co / Spy Rock	155	\$24,800,000	\$159,873
Lofty Apartments	Central	Undisclosed	Fulton Hill Properties	33	\$6,600,000	\$200,000

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	Q3 2018
Penstock Quarter Apartments	5001 Libbie Mill East Blvd	Western Henrico	Gumenick Properties	327	Under Construction	Q4 2018
Canopy at Ginter Park	1311 Westwood	North Richmond	Bristol Development Group	301	Under Construction	Q2 2019
Scott's View	1400 Roseneath Rd	Central	Historic Housing	258	Under Construction	Q3 2020
Winterfield Crossing	14245 Midlothian Tpke	Midlothian	Blackwood Development	250	Under Construction	Q3 2018

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

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