

MARKETBEAT

Richmond, VA

Multifamily Q3 2017

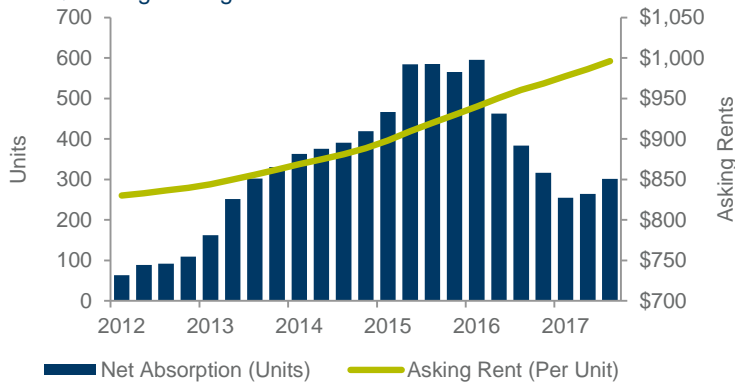


ECONOMIC INDICATORS

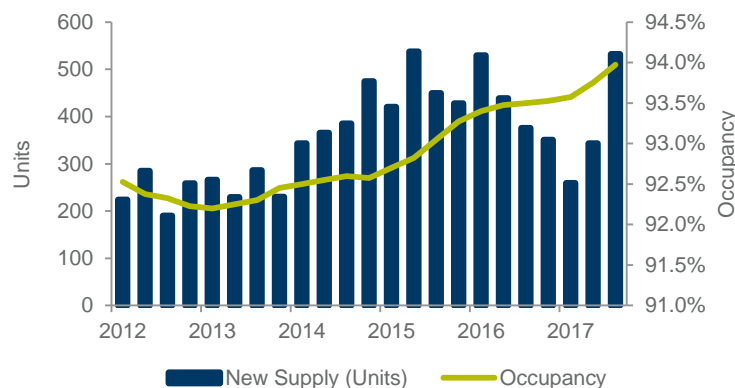
National	Q3 16	Q3 17	12-Month Forecast**
GDP Growth	1.2%	2.2%*	▲
CPI Growth	1.1%	2.0%	▲
Consumer Spending Growth	2.8%	2.7%*	▼
Ten Year Treasury	1.6%	2.2%	▲
Permits 5+ units	12.4%	-13.4%	■
Starts 5+ units	-8.4%	-17.3%	■

Regional	Q3 16	Q3 17	12-Month Forecast**
Household Income	\$63,180	\$65,148	▲
Population Growth	0.9%	0.8%	▲
Unemployment	4.1%	3.8%	■

Overall Net Absorption/Asking Rent 4Q Trailing Average



New Supply/Occupancy 4Q Trailing Average



Economy

Multiple hurricanes in September slowed job growth as well as construction permits and starts in the south which impacted the national figures. On a rolling 12-month basis, permits and starts in buildings with five or more units declined by 5.5% and 4.2%, respectively. According to the FHFA, single-family housing prices increased 6.6% from August 2016 to August 2017. The ten-year treasury ticked up but at 2.2% remains low by historical standards. The FHFA reported the 30-Year Fixed Mortgage at 3.94%. Trepp recorded declining delinquency as fewer 2006 and 2007 loans reach their balloon dates and distressed loans are resolved.

The Richmond metro area continued to experience strong job growth with 10,500 jobs added from September 2016 to September 2017. Richmond had 1,957 new multifamily units authorized through September of 2017 which is significantly above the 751 units authorized in 2016.

Market Overview

The overall multifamily vacancy rate declined by 80 basis points from Q3 2016 and 1,544 units were absorbed over the past year. Asking rent growth remains strong at 3.6% year-over-year but showed signs of plateauing with only a 0.2% increase from Q2 to Q3 2017. Rent growth was strongest in suburban locations with the Tri-Cities, Chesterfield, Midlothian, and Hanover leading all submarkets with rent growth above 4.5%. The Central submarket which has led the post-recession expansion experienced rent growth of only 0.34% year-over-year despite strong absorption. The Central and South Richmond (Manchester) submarkets have the most units under construction with 874 and 747 units, respectively.

Outlook

Multifamily fundamentals remain strong in Richmond. Absorption continues to outpace deliveries helping to increase occupancy and rents. Supply is likely to catch up to demand in 2018 as many of the projects under construction deliver to the market. Multifamily transaction volumes have declined nationally but activity in Richmond has remained steady. CoStar reported that multifamily investors priced out of primary markets are investing in Richmond in a search for yield. Zoning changes in Scott's Addition as well as along the Pulse Bus Rapid Transit line significantly increases the density in some of the city's most active neighborhoods.

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SUBMARKET	INVENTORY (Units)	AVG. SF	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	ABSORPTION Q3 17 (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	12,694	814	5.90%	-100	138	515	354	874	404	380	\$1,185	\$1.46	0.34%
East Richmond/Henrico	4,471	872	5.30%	-80	-29	37	27	204	0	21	\$808	\$0.93	3.68%
North Richmond	3,044	765	5.20%	-180	63	56	47	173	0	49	\$694	\$0.91	2.51%
Hanover	1,903	935	2.00%	-190	50	167	5	0	0	13	\$1,050	\$1.12	4.58%
South Richmond	12,587	852	5.90%	-120	93	166	136	747	14	162	\$865	\$1.02	3.23%
Western Henrico	22,366	911	4.20%	-500	-3	490	16	200	320	69	\$1,043	\$1.14	4.51%
Near West End	733	828	3.00%	-80	3	6	5	0	0	6	\$1,135	\$1.37	-0.79%
Chesterfield	10,562	971	6.30%	-80	18	78	167	503	0	195	\$1,049	\$1.08	5.53%
Tri-Cities	6,239	915	6.30%	-170	49	175	60	0	62	59	\$890	\$0.97	5.83%
Midlothian	4,339	1,003	9.40%	340	-57	-146	64	280	0	86	\$1,166	\$1.16	4.86%
Total	78,938	892	5.50%	-80	325	1,544	881	2,981	800	1,040	\$1,011	\$1.13	3.59%

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	2,096	501	8.7%	-230	-30	-23	25	115	-731	34	\$859	\$1.71	3.74%
One Bed	24,555	702	5.3%	-110	165	734	394	1234	18	450	\$929	\$1.32	4.03%
Two Bed	41,711	955	5.4%	-70	156	693	336	671	49	416	\$1,021	\$1.07	3.76%
Three Bed	7,229	1,246	5.9%	-30	18	73	100	99	1	117	\$1,280	\$1.03	4.23%
Four+ Bed	521	1,405	1.8%	-8	21	4	25	1	1	23	\$950	\$0.68	-26.72%

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 Q3 2017 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
Crystal Lakes	Chesterfield	Emet Capital	Latitude Management	720	\$37,500,000	\$52,083
Town & Country	South Richmond	West End Capital	Quest Management	646	\$33,300,000	\$51,548
Falling Creek	Chesterfield	BAF Associates	Property Capital Group	348	\$13,000,000	\$37,356
Wellesley Terrace	Western Henrico	General Services Corp	Knickerbocker Props	340	\$51,127,657	\$150,375

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

Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
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
James River at Stony Point	9101 Stony Point	Midlothian	Wood Partners	280	Under Construction	Q4 2017
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

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