

MARKETBEAT

Richmond, VA

Multifamily Q3 2018



ECONOMIC INDICATORS

National

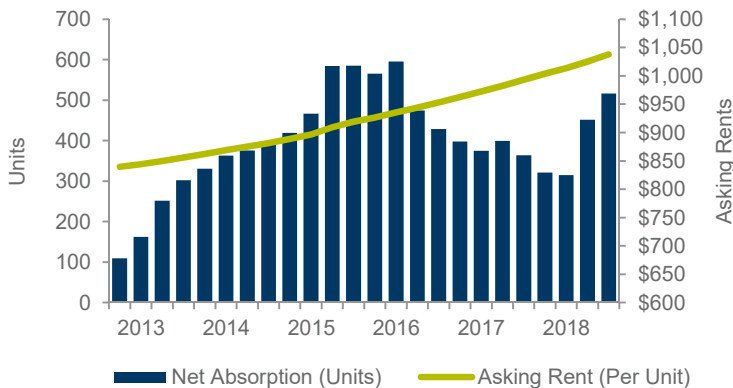
	Q3 17	Q3 18*	12-Month Forecast**
GDP Growth	2.3%	3.1%	▲
CPI Growth	2.0%	2.8%	▲
Consumer Spending Growth	2.4%	2.7%	▲
Retail Sales Growth	4.5%	6.1%	▲

Regional

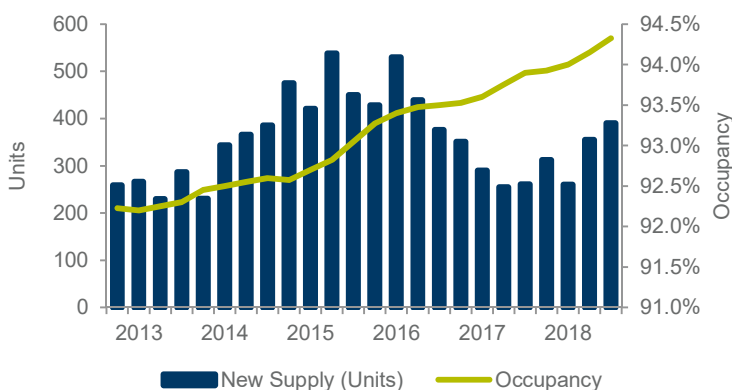
	Q3 17	Q3 18*	12-Month Forecast**
Median Household Income	\$64,901	\$66,870	▲
Population Growth	0.90%	0.76%	■
Unemployment	3.8%	3.2%	▼

Source: Moody's Analytics *Q3 18 Estimates. Values represent year-over-year % change
 ** Forecasted by Cushman & Wakefield.

Net Absorption/Average Monthly Rent 4Q Trailing Average



New Supply/Occupancy 4Q Trailing Average



Economy

Powered by gains in consumer spending, net exports, and business investment, the U.S. economy posted its strongest growth since 2014 with revised GDP growth of 4.2% in the second quarter. Growth continued at a more modest pace in third quarter, at 3.5%, while remaining above the average level for the current economic expansion. The Federal Reserve Bank raised interest rates for the third time in 2018 and signaled its accommodative era is over. In Richmond, employment gains continued in the third quarter. Richmond's unemployment rate decreased 60 basis points (bps) to 3.2% with the economy adding 6,900 jobs from the previous year.

Market Overview

Richmond's multifamily market maintained momentum in the third quarter. The overall multifamily vacancy rate declined 60 bps in the past year to 5.1%, 425 units were absorbed, and 211 new units delivered in the quarter. Rent growth increased at a moderate pace with a 3.9% annual increase in asking rent and continue to mark an all-time high for the region.

Strong performance in the multifamily sector is attracting out of town investors. With \$163 million in sales to date, downtown apartment sales are on pace for strongest year ever. Out of town investors are leading the investment activity, completing multiple transactions in the quarter. The multifamily development pipeline has more than 2,300 units under construction in the total market. Construction activity is spread throughout the Richmond Metropolitan Area with Downtown Richmond, Midlothian, and Western Henrico leading the way in total number of units under construction.

Outlook

Consistent rent growth and strong employment numbers will attract further multifamily investment in 2019. Investment activity for existing properties is expected to continue with interest from out of town and institutional investors. Despite interest rates rising more than 75 bps this year, cap rates remain low with institutional investors driving activity in the market. Construction costs have increased more than ten percent in the past year. The rising cost of development will make financing construction difficult and limit new project feasibility. Still, projects that are able to break ground will benefit from strong market fundamentals and investor interest in the Richmond market.

MARKETBEAT

Richmond, VA

Multifamily Q3 2018



SUBMARKET	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	CURRENT ABSORPTION (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	14,192	811	5.8%	(30)	173	544	438	544	466	467	\$1,220	\$1.50	2.2%
East Richmond/Henrico	4,839	873	4.4%	(100)	73	377	32	460	353	25	\$898	\$1.03	5.4%
North Richmond	2,816	788	8.7%	120	(4)	-33	39	301	0	49	\$735	\$0.93	3.2%
Hanover	1,903	935	3.7%	110	(11)	-20	11	0	0	13	\$1,086	\$1.16	4.2%
South Richmond	14,745	852	5.7%	(20)	217	729	168	0	463	190	\$927	\$1.09	4.6%
Western Henrico	23,222	911	4.7%	(470)	(106)	-19	60	327	0	109	\$1,106	\$1.21	4.7%
Near West End	846	823	2.9%	(90)	4	23	5	0	15	7	\$1,179	\$1.43	2.2%
Chesterfield	9,954	974	4.4%	(130)	25	126	165	200	0	136	\$1,131	\$1.16	5.3%
Tri-Cities	6,581	974	3.4%	(330)	79	165	73	0	0	62	\$861	\$0.88	0.2%
Midlothian	4,011	992	5.8%	(430)	(24)	172	48	509	0	61	\$1,178	\$1.19	2.9%
Total	83,109	893	5.1%	(60)	426	2,064	1,099	2,341	1,297	1,120	\$1,059	\$1.19	3.8%

SUMMARY BY BEDROOM	INVENTORY (UNITS)	AVG. UNIT SIZE (SF)	VACANCY RATE	VACANCY RATE CHANGE 12 MONTHS (bps)	CURRENT ABSORPTION (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 (12 MONTHS %)
Studio	2,084	499	7.0%	(100)	11	55	25	140	2	97	\$890	\$1.78	3.9%
One Bed	25,779	703	5.6%	(60)	385	669	475	1,102	689	529	\$980	\$1.39	4.0%
Two Bed	42,590	956	5.1%	(50)	547	767	367	1,055	535	442	\$1,077	\$1.13	5.0%
Three Bed	7,399	1,245	5.4%	(70)	102	146	97	44	71	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 Q3 2018 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT
Rivermont Station	Chesterfield	Stephen A Goldberg & Co	Boyd Homes	312	\$47,850,000	\$153,365
Aden Park & Glenway Green	South Richmond	Hiveman Realty Group	Weinstein Properties	538	\$46,550,000	\$86,524
Summit at Bon Air	Midlothian	Capital Square 1031	Lincoln Property Co/Ritz Banc Group	296	\$39,500,000	\$133,446
Rivermont Landing Townhomes	Chesterfield	Stephan A Goldberg & Co	Boyd Homes	145	\$31,900,000	\$220,000

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

Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
Penstock Quarter Apartments	5001 Libbie Mill East Blvd	Western Henrico	Gumenick Properties	327	Under Construction	Q4 2018
Canopy at Ginter Park	1311 Westwood Ave	North Richmond	Bristol Development Group	301	Under Construction	Q2 2019
Abberly at CenterPointe	1900 Abberly Cir	Midlothian	HHHunt	271	Under Construction	Q4 2018
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	Q4 2018

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

Cushman & Wakefield | Thalhimer
11100 W. Broad St
Glen Allen, VA 23060
thalhimer.com

For more information, contact:
Jonathan Koes
Research Manager
Tel: +1 804 697 3560
jonathan.koes@thalhimer.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.