

# MARKETBEAT

## Richmond, VA

### Multifamily Q4 2018



#### ECONOMIC INDICATORS

##### National

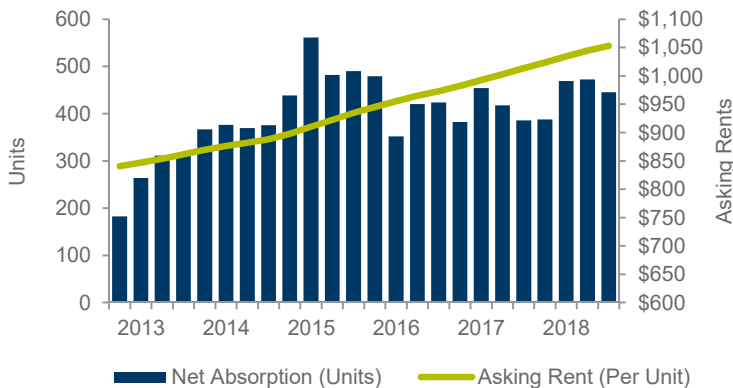
	Q4 17	Q4 18*	12-Month Forecast**
GDP Growth	2.5%	3.3%	▲
CPI Growth	2.1%	2.3%	▲
Consumer Spending Growth	2.7%	2.7%	▲
Retail Sales Growth	5.9%	4.6%	▲

##### Regional

	Q4 17	Q4 18*	12-Month Forecast**
Median Household Income	\$68,814	\$69,878	▲
Population Growth	0.87%	0.74%	■
Unemployment	3.8%	3.1%	▼

Source: Moody's Analytics \*Q4 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

The U.S. economy posted 3.4% GDP growth in the third quarter and growth for the year is expected to remain over 3.0% after fourth quarter results. With consistent growth over the past few quarters, the Federal Reserve Bank raised interest rates for the fourth time in the calendar year. Rate hikes are expected to decelerate and continue at a more modest pace in 2019. Richmond maintained its momentum to close out the year. The economy added 10,400 jobs from the prior year and unemployment remained near the lowest rate since 2001 at 3.1%. Henrico County announced more than 1,022 new jobs and \$763.7 million in investments in new and existing businesses throughout 2018. At the same time, investor capital continued to flow to a range of industries in Richmond's flourishing startup ecosystem.

## Market Overview

Demand for apartments in Richmond continued in 2018. The average four-year absorption has exceeded 350 units every quarter since the start of 2014. In 2018, annual absorption was the highest since 2015. The majority of multifamily absorption was concentrated near the city's urban core in more walkable areas. Central and South Richmond accounted for 71.3% of total net absorption during the year. Suburban areas have been targeted for more dense development to create a live-work-play environment. More than 500 units are under construction in Midlothian and 285 in Chesterfield.

The annual average occupancy rate remained above 94.0% during the entire year, even with the addition of nearly 2,000 new units. Steady demand for multifamily buildings contributed to 3.3% annual rent growth for the total market in the fourth quarter and Richmond rents continue to set new record highs during the current expansionary period.

## Outlook

Multifamily sales accounted for over 40% of the approximately \$1.1 billion of transactions that occurred in Richmond during 2018. The region is sought after for its affordability, growing workforce, and steady economy. Out of town investors will continue to seek opportunities and drive activity in the market. As new development activity progresses – with nearly 2,500 units currently under construction – 2019 deliveries are expected to top 2018's total.

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### Multifamily Q4 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-Y%)
Central	14,378	810	6.7%	10	5	590	497	819	657	537	\$1,208	\$1.49	2.1%
East Richmond/Henrico	5,015	868	9.5%	430	(12)	278	29	94	529	36	\$905	\$1.04	3.5%
North Richmond	3,079	774	5.4%	(360)	87	113	46	301	0	49	\$724	\$0.94	3.4%
Hanover	1,903	935	3.1%	20	9	-2	12	0	0	14	\$1,092	\$1.17	3.4%
South Richmond	14,905	850	5.6%	(110)	13	605	187	459	478	181	\$921	\$1.08	4.3%
Western Henrico	23,548	909	6.7%	160	(27)	-72	29	0	327	117	\$1,101	\$1.21	3.4%
Near West End	846	823	3.2%	(100)	(1)	23	7	0	15	8	\$1,169	\$1.42	0.6%
Chesterfield	9,954	974	4.9%	(60)	(27)	58	120	285	0	136	\$1,109	\$1.14	3.8%
Tri-Cities	6,571	971	4.2%	(220)	(20)	110	66	0	0	62	\$863	\$0.89	3.6%
Midlothian	4,011	992	6.3%	(190)	(6)	79	56	509	0	61	\$1,170	\$1.18	2.4%
<b>Total</b>	<b>84,210</b>	<b>891</b>	<b>6.1%</b>	<b>10</b>	<b>26</b>	<b>1,677</b>	<b>1,051</b>	<b>2,467</b>	<b>1,837</b>	<b>1,209</b>	<b>\$1,054</b>	<b>\$1.18</b>	<b>3.3%</b>

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 RENT (Monthly)	RENT/SF/ Month	RENT CHANGE (12 MONTHS %)	
Studio	2,176	520	10.8%	290	12	(8)	26	166	291	113	\$901	\$1.73	3.0%
One Bed	28,596	700	6.7%	60	72	886	512	804	905	567	\$964	\$1.38	3.2%
Two Bed	42,657	966	5.6%	(30)	(46)	776	371	1107	566	425	\$1,072	\$1.11	3.5%
Three Bed	7,395	1,249	5.7%	(70)	(29)	124	77	97	75	81	\$1,335	\$1.07	2.9%
Four+ Bed	528	1,382	3.5%	16	1	(9)	25	0	0	23	\$1,000	\$0.72	3.3%

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 Q4 2018 Apartment Sales

PROPERTY NAME	SUBMARKET	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT
Creek's Edge at Stony Point	South Richmond	Zaremba Management Co.	Wood Partners/ Eagle Realty Group	282	\$62,000,000	\$219,858
Copper Mill	Western Henrico	Hamilton Zanze & Co.	JRK Asset Management	192	\$33,000,000	\$171,875
Park at Forest Hill and Westover Hills Townhomes	South Richmond	Thalhimier Realty Partners	Cedar Grove Partners	119	\$7,450,000	\$62,605

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

### Notable Construction Pipeline

PROPERTY NAME	ADDRESS	SUBMARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
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 | Thalhimier Research Services

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