



# Hampton Roads Metro Area Multifamily Market

## Occupancy Contracts Slightly but Conditions Remains Tight

Multifamily market fundamentals remained tight in the first quarter of 2022, although some indicators are beginning to soften. Occupancy decreased by 20 basis points and effective rents increased by just 0.9% from the fourth quarter. Given the market’s elevated occupancy rate of 98.3%, in the first quarter, a slight decline in demand may loosen the market and permit more lease trade outs. Average effective rents increased 12.4% over the past 12 months on a same-store basis. Investment activity declined in the first quarter. Total multifamily investment activity on the quarter measured \$453.1 million, still significantly higher than the long-term average. Out-of-market institutional investors are increasing their holdings in the region, consistent with the national trend of greater investment activity among institutional investors in high-growth secondary and tertiary markets. Growing demand for alternative multifamily assets including senior living and 55+ communities is also driving investor attention to the area. Hampton Roads has seen a steady rise in its population of retirees and older generations in recent years.

Regional absorption measured negative 354 units in first-quarter. There are 2,937 units under construction; 265 units delivered in the past three months. There are currently 690 planned units set to deliver in the next three years, bringing the region’s total development pipeline to 3,627 units.

Economic growth in the Hampton Roads metro area modestly increased during the first quarter. Annual employment gains were measured at 10,000 jobs, but the region has only recaptured 75.9% of the jobs lost between March and April of 2020. The unemployment rate measured 3.4% in February 2022, down 200 basis points over the last year.

### Economic and Multifamily Market Outlook

The stability of Hampton Roads’ economic drivers should continue to support a strong multifamily market. Though future demand is expected to decrease and lag new supply over the next three years, the region’s occupancy rate of 98.3% has created very tight market conditions. Rising future supply and modestly slowing demand will reduce overall occupancy by about 80 basis points by March 2025. Given the market’s concentration of federal agencies, including the world’s largest naval base (Naval Station Norfolk), continued federal spending, steady employment growth among high-wage labor sectors, and the region’s strong position in attracting net-new residents will support multifamily demand moving forward.

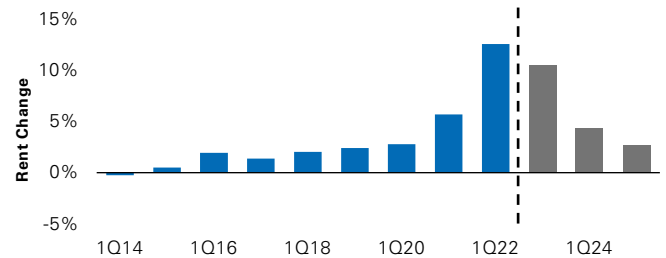
### Economy

- **Payroll Employment:** 765,800 at February 2022.
- **Historical Job Change:** 10,000 jobs added in the 12 months ending February 2022.
- **Unemployment Rate:** 3.4% in February 2022, down 200 basis points from February 2021.
- **Average Household Income:** \$88,911 in 2021.

Source: Moody’s, U.S. Bureau of Labor Statistics, Esri, Newmark Research; April 2022

### Market Analysis

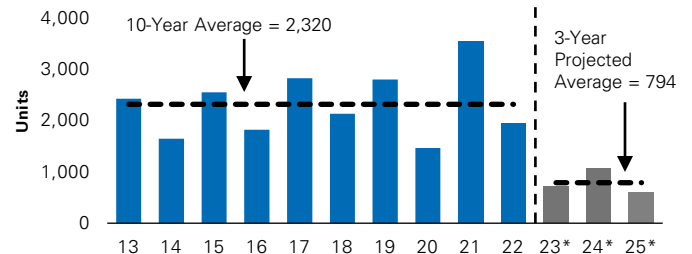
#### ANNUAL AVERAGE EFFECTIVE RENT CHANGE



Source: Real Capital Analytics, Newmark Research; April 2022

Note: Effective rent change is calculated using same-store method for the trailing 12 months

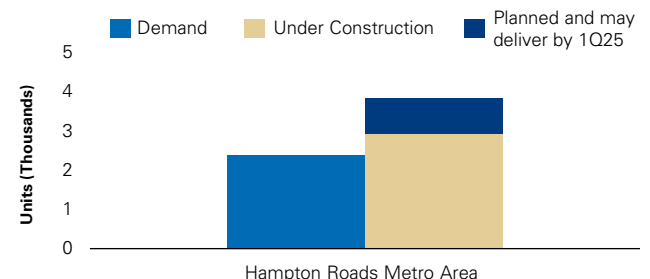
#### MULTIFAMILY ABSORPTION PROJECTION



\*12 months ending in first quarter

Source: Real Capital Analytics, Newmark Research; April 2022

#### DEMAND AND DELIVERY PROJECTIONS 1Q22 -1Q25



Source: Real Capital Analytics, Newmark Research; April 2022

## RESEARCH Q1 2022

| Market Summary                   |                 |                 |                   | Metro Area Multifamily Investment Sales Market Summary |           |
|----------------------------------|-----------------|-----------------|-------------------|--|-----------|
|                                  | Current Quarter | Year Ago Period | 36-Month Forecast | Metro Region   |           |
| Total Inventory (Units)          | 142,333         | 141,503         | ↑                 | 12-Month Transaction Volume at 1Q 2022                 | \$453.1 M |
| Occupancy Rate                   | 98.3%           | 97.5%           | ↓                 | 12-Month Transaction Volume at 1Q 2021                 | \$329.5 M |
| Quarterly Net Absorption (Units) | -354            | 234             | →                 | 1Q 2022 Average Price Per Unit                         | \$144,802 |
| 12-Month Effective Rent Change   | 12.4%           | 5.7%            | ↓                 | 1Q 2022 Average Cap Rate                               | 4.0%      |
| Quarterly Deliveries (Units)     | 265             | 294             | ↑                 |  |           |

Note: Values are trailing 12-month averages  
Source: Real Capital Analytics, Newmark Research; April 2022

| Market Statistics – Occupancy and Absorption |                         |                        |                         |                         |                         |                            |                             |
|--|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|----------------------------|-----------------------------|
|  | Total Inventory (Units) | Overall Occupancy Rate | 2019 Absorption (Units) | 2020 Absorption (Units) | 2021 Absorption (Units) | 1Q 2022 Absorption (Units) | YTD 2022 Absorption (Units) |
| <b>Hampton Roads Metro Area</b>              | <b>142,333</b>          | <b>98.3%</b>           | <b>2,138</b>            | <b>2,628</b>            | <b>2,540</b>            | <b>-354</b>                | <b>-354</b>                 |

| Market Statistics – Effective Rents and Deliveries |                         |                           |                         |                              |                              |                             |                            |                   |
|--|-------------------------|---------------------------|-------------------------|------------------------------|------------------------------|-----------------------------|----------------------------|-------------------|
|  | Total Inventory (Units) | Effective Rent (Per Unit) | Effective Rent (Per SF) | 1-Year Effective Rent Change | 5-Year Effective Rent Change | YTD 2022 Deliveries (Units) | Under Construction (Units) | Pipeline* (Units) |
| <b>Hampton Roads Metro Area</b>                    | <b>142,333</b>          | <b>\$1,340</b>            | <b>\$1.41</b>           | <b>12.4%</b>                 | <b>5.8%</b>                  | <b>265</b>                  | <b>2,937</b>               | <b>3,829</b>      |

| Submarket Statistics – All Classes |                         |                        |                           |                         |                              |                              |                             |                            |                   |
|------------------------------------|-------------------------|------------------------|---------------------------|-------------------------|------------------------------|------------------------------|-----------------------------|----------------------------|-------------------|
|                                    | Total Inventory (Units) | Overall Occupancy Rate | Effective Rent (Per Unit) | Effective Rent (Per SF) | 1-Year Effective Rent Change | 5-Year Effective Rent Change | YTD 2022 Deliveries (Units) | Under Construction (Units) | Pipeline* (Units) |
| <b>Hampton Roads Metro Area</b>    | <b>142,333</b>          | <b>98.3%</b>           | <b>\$1,340</b>            | <b>\$1.41</b>           | <b>12.4%</b>                 | <b>5.8%</b>                  | <b>265</b>                  | <b>2,937</b>               | <b>3,829</b>      |
| Chesapeake                         | 10,748                  | 98.6%                  | \$1,475                   | \$1.48                  | 10.9%                        | 4.8%                         | 0                           | 270                        | 270               |
| Hampton/Poquoson                   | 17,533                  | 97.6%                  | \$1,353                   | \$1.38                  | 15.1%                        | 6.4%                         | 0                           | 159                        | 159               |
| Newport News                       | 26,929                  | 98.1%                  | \$1,218                   | \$1.31                  | 15.4%                        | 6.5%                         | 0                           | 32                         | 437               |
| Northern Norfolk                   | 15,596                  | 98.2%                  | \$1,122                   | \$1.29                  | 7.0%                         | 4.7%                         | 0                           | 0                          | 0                 |
| Portsmouth/Suffolk                 | 16,422                  | 98.7%                  | \$1,268                   | \$1.38                  | 12.0%                        | 6.6%                         | 15                          | 605                        | 689               |
| Southern Norfolk                   | 12,175                  | 98.6%                  | \$1,383                   | \$1.51                  | 9.4%                         | 3.6%                         | 20                          | 1,200                      | 1,200             |
| Virginia Beach East                | 18,793                  | 98.1%                  | \$1,497                   | \$1.53                  | 13.7%                        | 6.7%                         | 0                           | 400                        | 613               |
| Virginia Beach West                | 17,464                  | 98.8%                  | \$1,435                   | \$1.48                  | 11.0%                        | 5.4%                         | 131                         | 0                          | 110               |
| Williamsburg / Jamestown           | 6,938                   | 98.3%                  | \$1,493                   | \$1.48                  | 14.7%                        | 6.1%                         | 99                          | 271                        | 352               |

\*Units under construction plus those planned and likely to deliver within the next 36 months.  
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.

| Notable Recent Multifamily Sales Transactions |                       |            |                            |   |                |  |
|---|-----------------------|------------|----------------------------|---|----------------|--|
| Project                                       | Sale Price (Millions) | Price/Unit | Buyer                      | Seller                                      | City           |  |
| Coastline Apartments                          | \$98.5                | \$164,167  | Beitel Group, Scharf Group | Blackfin Real Estate Investors, GMF Capital | Virginia Beach |  |
| Arlay Point                                   | \$91.0                | \$142,188  | AION Partners              | Moshe Mark Silber                           | Norfolk        |  |
| Runaway Bay Apartments                        | \$90.0                | \$204,545  | K2 Real Estate Partners    | Harbor Group International                  | Virginia Beach |  |
| Lumen   | \$82.0                | \$273,333  | Kushner Companies          | Craig Davis Prop, LM Sandler & Sons         | Hampton        |  |

Source: Real Capital Analytics, Newmark Research; April 2022

## RESEARCH Q1 2022

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## GLOSSARY

**Absorption:** Net change in occupied units over a specific period.

**Effective Rent:** The price at which a unit leases after factoring in all concessions and discounts, calculated over the lease period.

**Inventory:** Professionally managed, investment-grade apartment buildings with 40 or more units.

**Occupancy Rate:** The number of physically occupied units, expressed as a percentage of total inventory.

**Pipeline:** Units under construction, plus those planned and likely to deliver within the next 36 months.

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