



Richmond Metro Area Economy and Multifamily Market

Robust Demand and Rent Growth Bolster Market

Multifamily demand ticked up in the second quarter of 2021 and the economy recovered. The Richmond metro area added 22,000 jobs during the 12 months ending in June 2021. The unemployment rate measured 4.5% in May 2021, down 460 basis points from one year ago. Job growth should continue the remainder of 2021 and into 2022 with the rapid roll out of vaccines in the area.

Absorption was 1,717 units in the second quarter, bolstered by occupancy growth in the Chesterfield County and Southside submarkets. The region's occupancy rate measured 96.7%, up 90 basis points from one year ago. There are 6,160 units under construction; 1,127 units delivered in the second quarter. Approximately 1,163 units are planned and likely to deliver within the next three years, bringing the region's development pipeline to 7,323 units.

Regional rents increased 9.1% over the past 12 months on a same-store basis, which is above the five-year average effective rent growth of 4.0%. The region's high occupancy rate and status as an appealing secondary market (when dense, gateway cities have been challenged) allowed for robust rent growth even during a turbulent period. Rent growth is likely to slow over the next three years to 3.5% but remain higher than the 10-year average of 3.3%. Future net demand is expected to be in line with the recent average but modestly lag oncoming supply over the next three years, bringing vacancy down 90 basis points to 95.8%. Improvements in Virginia's economic conditions should continue in 2021 and keep the market's fundamentals strong.

Economic and Multifamily Market Outlook

Richmond's knowledge-based economy and the creation of high-paying jobs prior to COVID-19 helped to insulate the region and maintain multifamily demand during the economic downturn. The two largest employment sectors, Professional and Business Services and Government, have seen job growth over the last 12 months. Professional and Business Services saw 3.5% job growth and the government saw 1.5% job growth. This stable employment growth in office using positions is likely to help bolster multifamily demand in the future.

Economy

Payroll Employment: 652,700 at June 2021.

Historical Job Change: 22,000 jobs added in the 12 months ending June 2021.

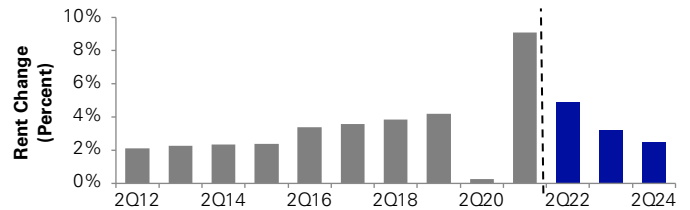
Unemployment Rate: 4.5% in May 2021, down 460 basis points from May 2020.

Average Household Income: \$92,673 in 2020.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2021

Market Analysis

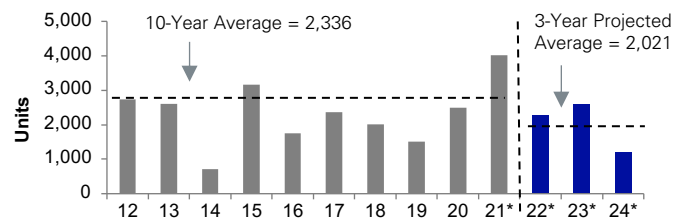
Annual Average Effective Rent Change



Source: RealPage, Newmark Research; July 2021
Note: Effective rent change is calculated using same-store method for the trailing 12 months

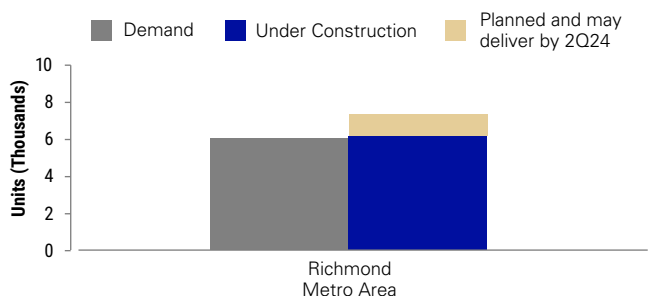
Market Outlook

Multifamily Absorption Projection



*12 months ending in second quarter
Source: RealPage, Newmark Research; July 2021

Multifamily Demand and Delivery Projections: 3Q21-2024



Source: RealPage, Newmark Research; July 2021

RESEARCH 2Q 2021

Multifamily Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	106,288	103,082	↑
Occupancy Rate	96.7%	95.8%	↓
Quarterly Net Absorption (Units)	1,717	939	↓
12-Month Effective Rent Change	9.1%	0.3%	↓
Quarterly Deliveries (Units)	1,127	568	↓

Source: Real Capital Analytics, Newmark Research

Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 2Q 2021	\$561.0 M
12-Month Transaction Volume at 2Q 2020	\$385.8 M
2Q 2021 Average Price Per Unit	\$185,990
2Q 2021 Average Cap Rate	5.1%

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

Market Statistics: Occupancy And Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2018 Absorption (Units)	2019 Absorption (Units)	2020 Absorption (Units)	2Q 2021 Absorption (Units)	YTD 2021 Absorption (Units)
Richmond Metro Area	106,288	96.7%	2,017	1,507	2,504	1,717	2,309

Source: Real Capital Analytics, Newmark Research

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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Richmond Metro Area	106,288	96.7%	\$1,242	\$1.37	9.1%	4.0%	1,786	6,160	7,323
Chesterfield County	14,773	97.4%	\$1,382	\$1.35	11.5%	4.5%	687	1,059	1,160
Downtown Richmond/ The Fan	11,749	95.4%	\$1,340	\$1.69	1.5%	1.9%	39	803	803
East Richmond	19,033	96.5%	\$1,119	\$1.30	5.0%	2.8%	188	383	684
Hanover County	5,725	98.0%	\$1,397	\$1.38	11.0%	3.8%	0	0	0
Northwest Richmond	12,050	96.3%	\$1,274	\$1.43	11.4%	4.9%	13	525	826
Petersburg/ Colonial Heights/ Hopewell	9,099	98.3%	\$1,052	\$1.14	8.6%	3.9%	0	0	0
Southside	20,698	96.5%	\$1,107	\$1.26	11.7%	5.2%	620	1,019	1,174
Tuckahoe/Westhampton	13,161	96.3%	\$1,426	\$1.48	12.2%	4.6%	239	2,371	2,677

*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
Canopy at Ginter Park	\$83.5	\$277,409	Capital Square 1031	Bristol Development Group	Richmond, VA
Sapphire at Centerpointe	\$48.3	\$251,563	Capital Square 1031	Robinson Development	Midlothian, VA
Rivers Edge at Manchester	\$47.5	\$224,057	Four Mile Capital	CMB Development	Richmond, VA
Maple Springs	\$34.8	\$129,851	L5 Odyssey Management	Capital Square 1031	Henrico, VA

Source: RealPage, Real Capital Analytics, Newmark Research; July 2021

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For more information:

Washington, DC

1899 Pennsylvania Avenue, NW
Suite 300
Washington, DC 20006
t 202-331-7000

Tysons

1420 Spring Hill Road
Suite 600
McLean, VA 22102
t 703-448-2000

Baltimore

One East Pratt Street
Suite 805
Baltimore, MD 21202
t 410-625-4200

nmrk.com

RESEARCH

Matt Kruczlnicki

Associate Director, Research
202-312-5757
matthew.kruczlnici@nmrk.com

Jordan Schott

Research Manager
202-664-5902
jordan.schott@nmrk.com

Adam Reiskin

Research Analyst
202-312-5763
adam.reiskin@nmrk.com

MULTIFAMILY SALES TEAM

Christine Espenshade

Vice Chairman
202-312-5741
christine.espenshade@nmrk.com

Robert Garrish

Vice Chairman
202-312-5479
robert.garrish@nmrk.com

Greg Bury

Vice President
202-312-5765
gregory.bury@nmrk.com

Catherine Cheng

Vice President
202-312-5764
catherine.cheng@nmrk.com

FINANCE

Shawn McDonald

Vice Chairman
703-918-0229
shawn.mcdonald@nmrk.com

Anthony Hebenstreit

Director
703-918-4673
anthony.hebenstreit@nmrk.com

LAND SALES

Mark Anstine

Executive Managing Director
703-575-2101
mark.anstine@nmrk.com

Dan Lockard

Senior Managing Director
703-575-2103
dan.lockard@nmrk.com

Eugene Howard

Director
703-575-2108
eugene.howard@nmrk.com

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.

Note: *Submarkets were redistricted as of third quarter 2018. As a result, comparison to historical versions of this report is not advised. Please see the research contact information above should you need historical data.*

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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