



MULTIFAMILY REPORT

Richmond Corrects Course

April 2024

Rent Growth Outperforms US

Pipeline, Completions Record Uptick

Unemployment Slides

RICHMOND MULTIFAMILY



Economic Stability Supports Rental Market

After seven months of either staying flat or declining, national rents rebounded slightly as spring approached. In Richmond, rents were up 0.2% on a trailing three-month basis through February, to an average of \$1,500. Meanwhile, the U.S. figure remained negative, down 0.1%. Year-over-year, Richmond rates were up 2.5%, well ahead of the 0.6% national figure. Meanwhile, occupancy saw an unusual improvement over the same period, up 10 basis points, to 94.7%, as of February.

The area's economy showed signs of stability, as unemployment was 2.9% in December in both Richmond and Hampton Roads, according to data from the Bureau of Labor Statistics. This was 10 basis points lower than Virginia's overall rate. The metro's labor pool expanded by 1.3% in 2023, adding 22,400 jobs. Leisure and hospitality led growth with 8,000 jobs, followed by education and health services (4,800 jobs). In December, a significant milestone was achieved in the development of the upcoming 162-mile passenger route connecting Raleigh, N.C., and Richmond. The U.S. Department of Transportation approved a \$1 billion grant for the project.

Supply showed no sign of dwindling, as Richmond and Hampton Roads had a total 14,146 units under construction as of February. Both completions and construction starts improved year-over-year, as developers brought 5,986 units online in 2023 and started work on 6,593 units across the metro.

Market Analysis | April 2024

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Tudor Scolca-Seuşan

Associate Editor

Recent Richmond Transactions

Belmont Hills



City: Richmond, Va.
Buyer: Levco Management
Purchase Price: \$103 MM
Price per Unit: \$157,879

Cottage Trails at Culpepper Landing



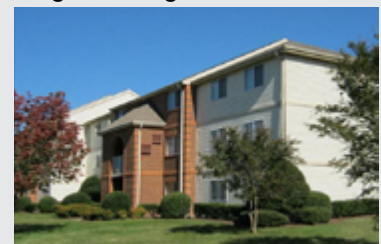
City: Chesapeake, Va.
Buyer: Conserve Holdings
Purchase Price: \$41 MM
Price per Unit: \$222,678

Forest Pine



City: Franklin, Va.
Buyer: The Temple Group
Purchase Price: \$18 MM
Price per Unit: \$73,770

Kings Landing

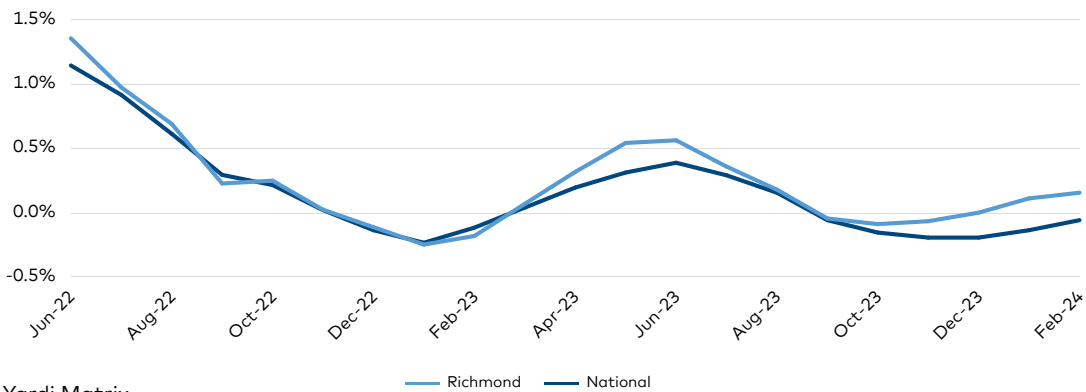


City: Suffolk, Va.
Buyer: Gene B. Glick Co.
Purchase Price: \$12 MM
Price per Unit: \$98,333

RENT TRENDS

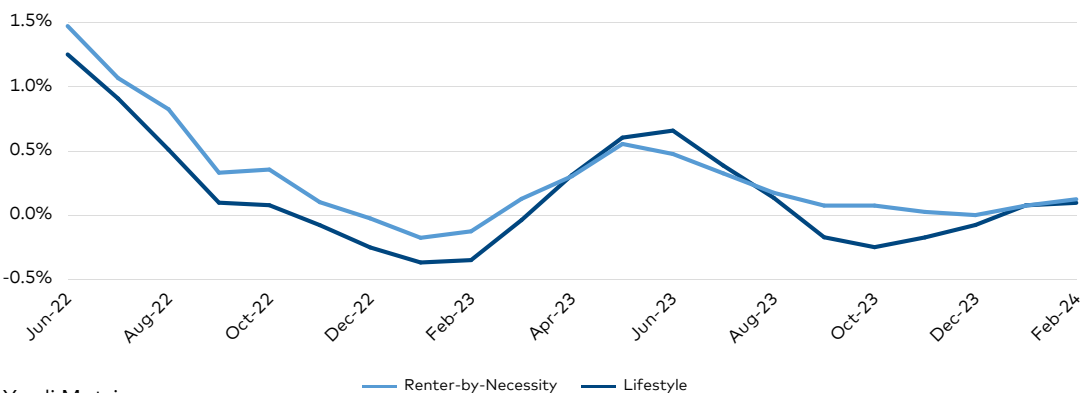
- ▶ Richmond rents were up 0.2% on a trailing three-month (T3) basis through February, 30 basis points above the U.S. Rates started to stabilize at the beginning of the year, after recording contractions from October through December. Richmond managed to keep its lead over the U.S. throughout 2023 on a T3 basis, but only by about 10 to 20 basis points. Year-over-year, rents were up 2.5% as of February, compared to just 0.6% growth nationally.
- ▶ Richmond's average rent was \$1,500 in February, still behind the \$1,713 U.S. figure. Rent growth by quality segment followed a similar trajectory in 2023, and both working-class Renter-by-Necessity and Lifestyle rents were up 0.1% on a T3 basis through February. RBN rates stood at an average of \$1,351, while Lifestyle clocked in at \$1,735.
- ▶ Overall occupancy in stabilized Richmond assets increased 10 basis points over 12 months, to 94.7%, as of February. This was rather notable, as national occupancy dropped about 60 basis points during that time. The metro's RBN occupancy rate stood flat at 94.3%, while in Lifestyle assets it was up 30 basis points, to 95.3%.
- ▶ A few submarkets recorded above-average year-over-year rent growth, including Newport News – Far South, where rates were up 9.6% to \$1,147. The list also included Williamsburg – South (up 7.0% to \$1,688), Hampton – North (up 6.3% to \$1,532) and Richmond – South (up 5.9% to \$1,110).

Richmond vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Richmond Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Richmond unemployment stood at 2.9% as of December, according to data from the BLS, 80 basis points lower than the U.S. figure. The rate was down 50 basis points compared to January and did not surpass 3.3% throughout 2023. Meanwhile, Virginia's jobless rate was 3.0% in December.
- ▶ In 2023, Richmond added 22,400 jobs, which marked a 1.3% expansion of the labor pool, 70 basis points behind the national pace. The metro's economy sidestepped a sudden drop, but growth has been consistently decelerating since January of last year. The rate was 140 basis points lower year-over-year, declining by approximately 10 basis points each month.
- ▶ Leisure and hospitality was the best-performing sector, with 8,000 jobs added, or a 5.2% expansion. Education and health services (4,800 jobs, 2.2%) and government (4,400, 1.6%) rounded out the top three. A few losses were recorded, including information (-700 jobs) and manufacturing (-300 jobs).
- ▶ The U.S. DOT approved a \$1 billion grant for the upcoming 162-mile passenger rail route connecting Raleigh, N.C., and Richmond. It will be developed by the Raleigh to Richmond Corridor Program, a joint venture between North Carolina Department of Transportation and the Virginia Rail Passenger Authority. The project has been in the works for about two decades.

Richmond Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	161	10.6%
65	Education and Health Services	222	14.6%
90	Government	275	18.0%
60	Professional and Business Services	246	16.1%
40	Trade, Transportation and Utilities	269	17.6%
15	Mining, Logging and Construction	84	5.5%
55	Financial Activities	97	6.4%
30	Manufacturing	91	6.0%
80	Other Services	65	4.3%
50	Information	15	1.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Richmond gained almost 13,000 citizens in 2022, which represented an expansion of just under 1.0%. The metro's population has been steadily growing over the past decade, with the only exception recorded from 2018 to 2019.

Richmond vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Richmond	1,269,530	1,282,067	1,303,212	1,316,145

Source: U.S. Census

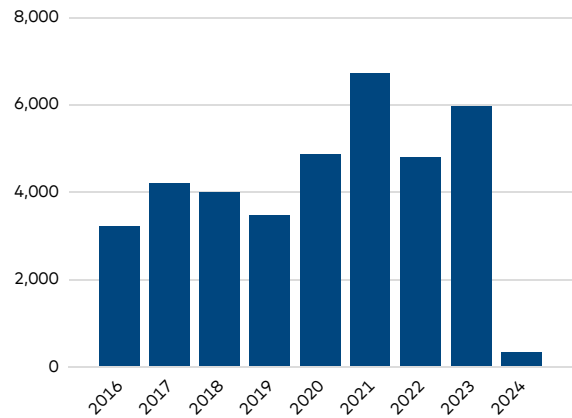
SUPPLY

- ▶ A total of 14,146 units were under construction across Richmond and Hampton Roads as of February. In lockstep with the majority of metros, the upscale segment took the lion's share of the pipeline, with almost 80% of units in Lifestyle assets. A little more than 17% were in fully affordable projects. Meanwhile, an additional 47,000 units were in the planning and permitting stages in February.
- ▶ Last year, developers completed 5,986 units, which represented a 2.4% expansion of existing stock, 30 basis points below the U.S. figure. Completions were up 24% year-over-year, as developers raced to burn through backlogs and meet the outsize demand of 2021 to 2022. Yardi Matrix expects Richmond to expand its inventory by around 6,300 units this year, should market conditions hold. This would surpass the current five-year average, currently at 5,181 units.
- ▶ Developers started work on 6,593 units across 33 properties last year. This was a slight increase from the 6,190 units in 30 properties that broke ground in 2022, despite less favorable economic conditions.
- ▶ Two suburban submarkets accounted for nearly a quarter of metro Richmond's pipeline: Glen

Allen (2,170 units) and Midlothian (1,358). Other active areas include Richmond – Scott's Addition (732), North Chesterfield (710) and Virginia Beach – Northeast (664).

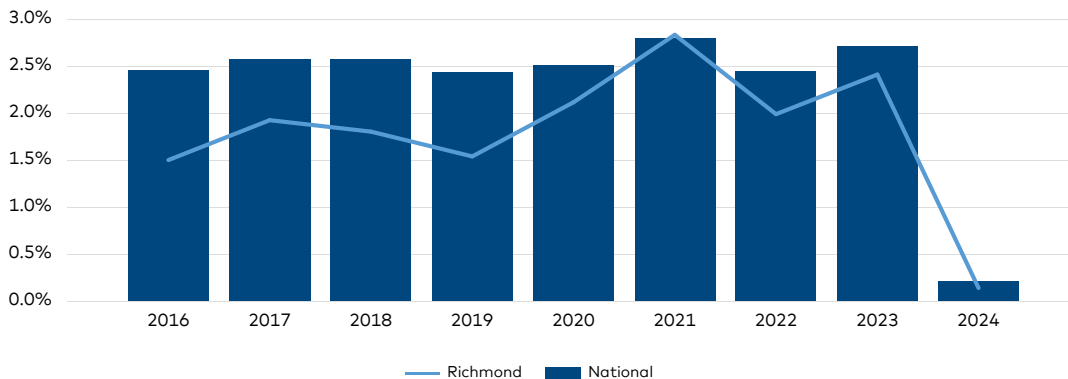
- ▶ Robinson Development Group broke ground in 2021 on the largest property underway—the 700-unit Metropolis in Glen Allen. It is slated to wrap up later this year. Fulton Bank provided a \$64 million construction loan.

Richmond Completions (as of February 2024)



Source: Yardi Matrix

Richmond vs. National Completions as a Percentage of Total Stock (as of February 2024)

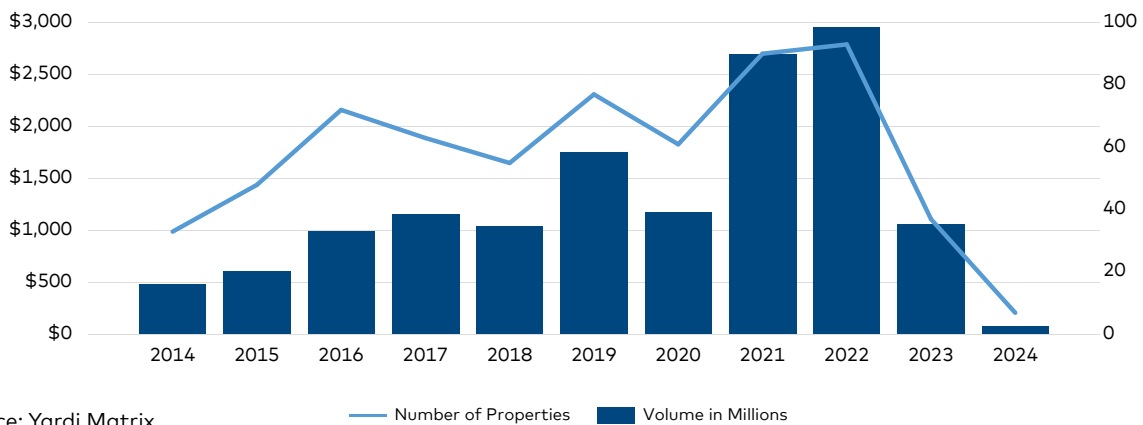


Source: Yardi Matrix

TRANSACTIONS

- ▶ Last year, Richmond investment volume totaled \$1 billion, down to a third of the 2022 figure. After outstanding performance in 2021 (\$2.6 billion) and 2022 (\$2.9 billion), the metro returned closer to historical averages.
- ▶ Investors paid an average \$156,818 per unit in 2023, still lagging the nation's \$185,662. Value-add plays attracted a lot of capital, as 30 RBN assets traded for an average of \$136,038, while only seven Lifestyle sales were recorded, at \$227,917 per unit. Last year was also the first since 2018 that the average per-unit price recorded a drop.
- ▶ The largest transaction of 2023 closed in December, when Levco Management bought the 651-unit Belmont Hills in the North Chesterfield submarket for \$102.8 million, or \$157,879 per unit. Weinstein Properties was the seller of the 56-building community, according to Yardi Matrix data.

Richmond Sales Volume and Number of Properties Sold (as of February 2024)



Source: Yardi Matrix

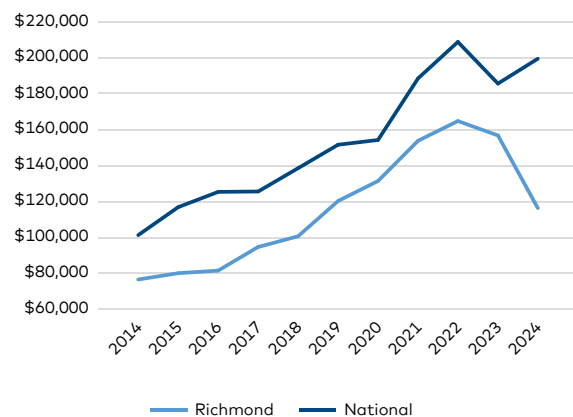
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Chester	\$111
North Chesterfield	\$103
Petersburg	\$95
Bon Air	\$53
Chesapeake-Deep Creek	\$50
Hampton-North	\$50
Portsmouth-Central	\$48

Source: Yardi Matrix

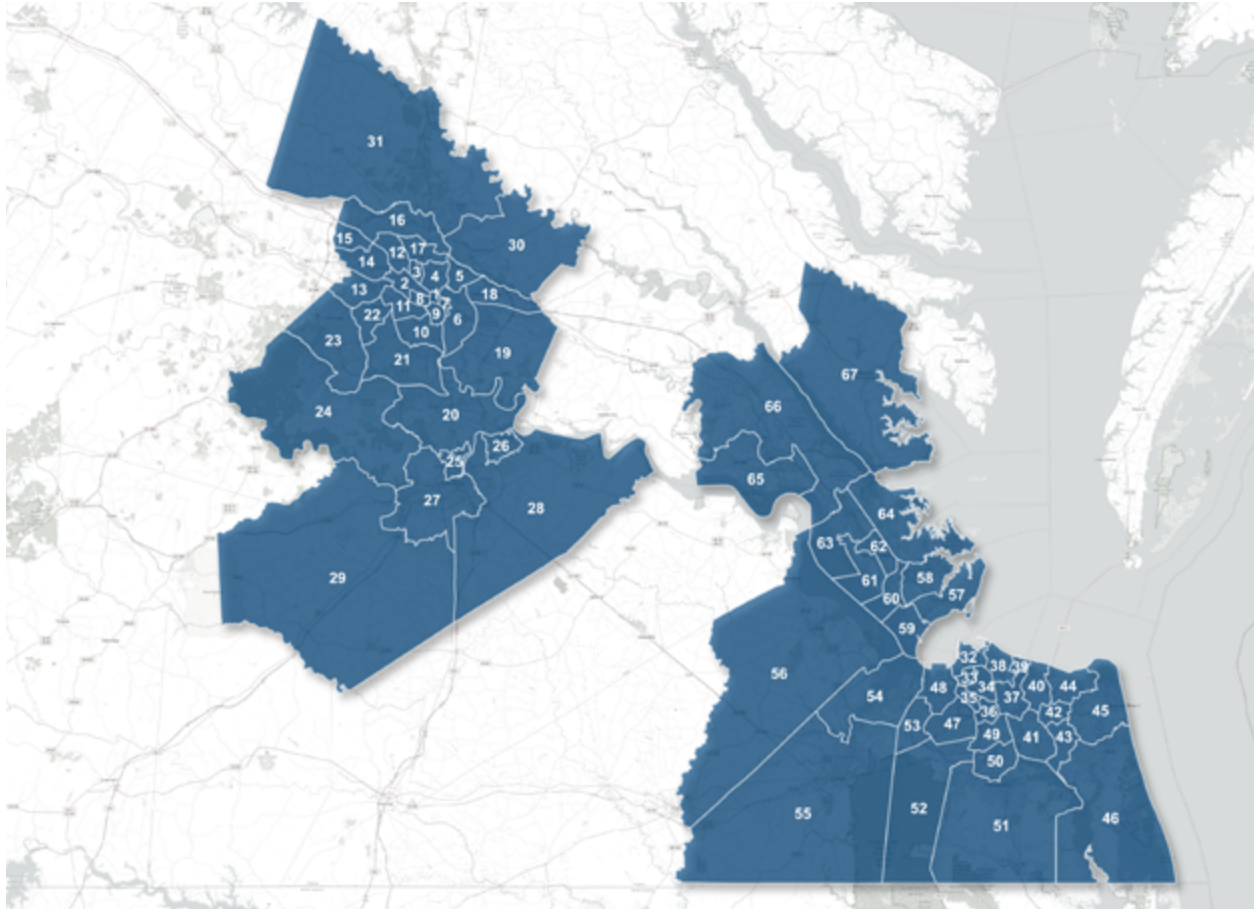
¹ From March 2023 to February 2024

Richmond vs. National Sales Price per Unit



Source: Yardi Matrix

RICHMOND SUBMARKETS



Area No.	Submarket
1	Richmond–City Center
2	Richmond–Fan District
3	Richmond–Scott’s Addition
4	Richmond–North Side
5	Richmond–East Highland Park
6	Richmond–East End
7	Richmond–Church Hill
8	Richmond–Randolph
9	Richmond–Manchester
10	Richmond–South
11	Richmond–West
12	Richmond–West End
13	Richmond–Stony Point
14	Tuckahoe
15	Three Chopt
16	Glen Allen
17	Lakeside
18	Highland Springs
19	Sandston–Airport
20	Chester
21	North Chesterfield
22	Bon Air
23	Midlothian

Area No.	Submarket
24	Chesterfield County
25	Colonial Heights
26	Hopewell
27	Petersburg
28	Prince George County
29	Dinwiddie County
30	Mechanicsville
31	Hanover County
32	Norfolk–Navy Base
33	Norfolk–Lochhaven
34	Norfolk–Lafayette River
35	Norfolk–Central West
36	Norfolk–Central East
37	Norfolk–Southeast
38	Norfolk–Northeast
39	Norfolk–East Beach
40	Virginia Beach–Northwest
41	Virginia Beach–West
42	Virginia Beach–Town Center
43	Virginia Beach–Central
44	Virginia Beach–Bayside
45	Virginia Beach–Northeast
46	Virginia Beach–South

Area No.	Submarket
47	Portsmouth–Central
48	Portsmouth–North
49	Chesapeake–Northeast
50	Chesapeake–Central
51	Chesapeake–South
52	Chesapeake–Deep Creek
53	Chesapeake–Northwest
54	Suffolk–North
55	Suffolk–Central
56	Isle of Wight County
57	Hampton–South
58	Hampton–North
59	Newport News–Far South
60	Newport News–South
61	Newport News–West
62	Newport News–Central
63	Newport News–North
64	Yorktown
65	Williamsburg–South
66	Williamsburg–North
67	Gloucester

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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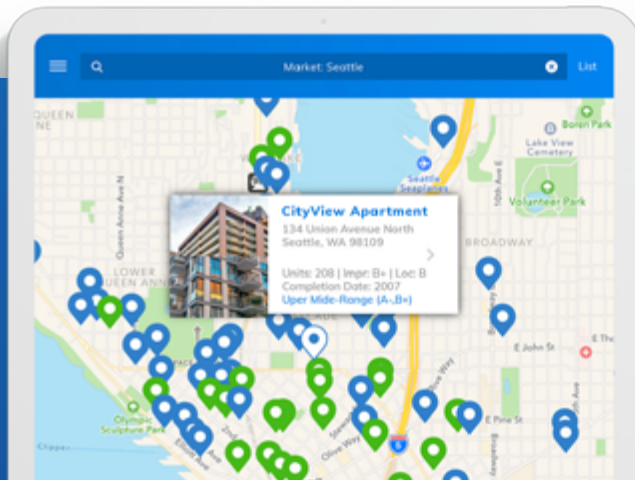
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- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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