

Yardi® Matrix

# Overbuilding in Richmond?

Multifamily Report Spring 2017



**Rent Growth Cools Off**

**Transactions Reach Cycle High**

**Construction on Track to Surpass 2016**

# RICHMOND MULTIFAMILY

Yardi® Matrix

## Market Analysis

Spring 2017

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## New Supply, Weak Growth Slow Rent Gains

Following several years of strong supply, Richmond's multifamily market is shifting down a gear. Rents rose 1.6% year-over-year through April, continuing to trail the national average. With almost 20,000 units in the pipeline—more than a third of which are under construction—the metro is at risk of overbuilding.

Richmond's economy is slowly but steadily expanding. Anchored by military bases, defense contractors and health-care providers, the metro's job market is underperforming. However, with Virginia Beach becoming a Mid-Atlantic hub for transoceanic high-speed data cables, the area may develop into a tech hot spot. Projects are in the works to connect the region to the Netherlands, Spain and Brazil, and Dutch company NxtVn has announced a \$2 billion data center park. Huntington Ingalls, the state's largest industrial employer, is adding 3,000 jobs this year. The list of major developments includes Dominion Resources' 20-story downtown Richmond headquarters, a \$220 million arena in Virginia Beach and the \$450 million Tech Center in Newport News.

With \$830 million in assets changing hands, 2016 marked the sixth consecutive cycle high. Investors are focusing mainly on value-add opportunities. There were roughly 7,800 units under construction as of April, and the metro is well on track to surpass 2016's level of completions this year. As new stock is putting a damper on growth, Yardi Matrix expects rents to rise by 3.5% in 2017.

## Recent Richmond Transactions

### Tattersall



City: Chesapeake, Va.  
Buyer: Peter J. Weidhorn  
Purchase Price: \$60 MM  
Price per Unit: \$173,977

### Latitudes



City: Virginia Beach, Va.  
Buyer: Chandler Management  
Purchase Price: \$56 MM  
Price per Unit: \$124,732

### Founders Village



City: Williamsburg, Va.  
Buyer: PAC  
Purchase Price: \$42 MM  
Price per Unit: \$170,580

### Trail Creek



City: Hampton, Va.  
Buyer: The Wolff Co.  
Purchase Price: \$39 MM  
Price per Unit: \$130,000

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