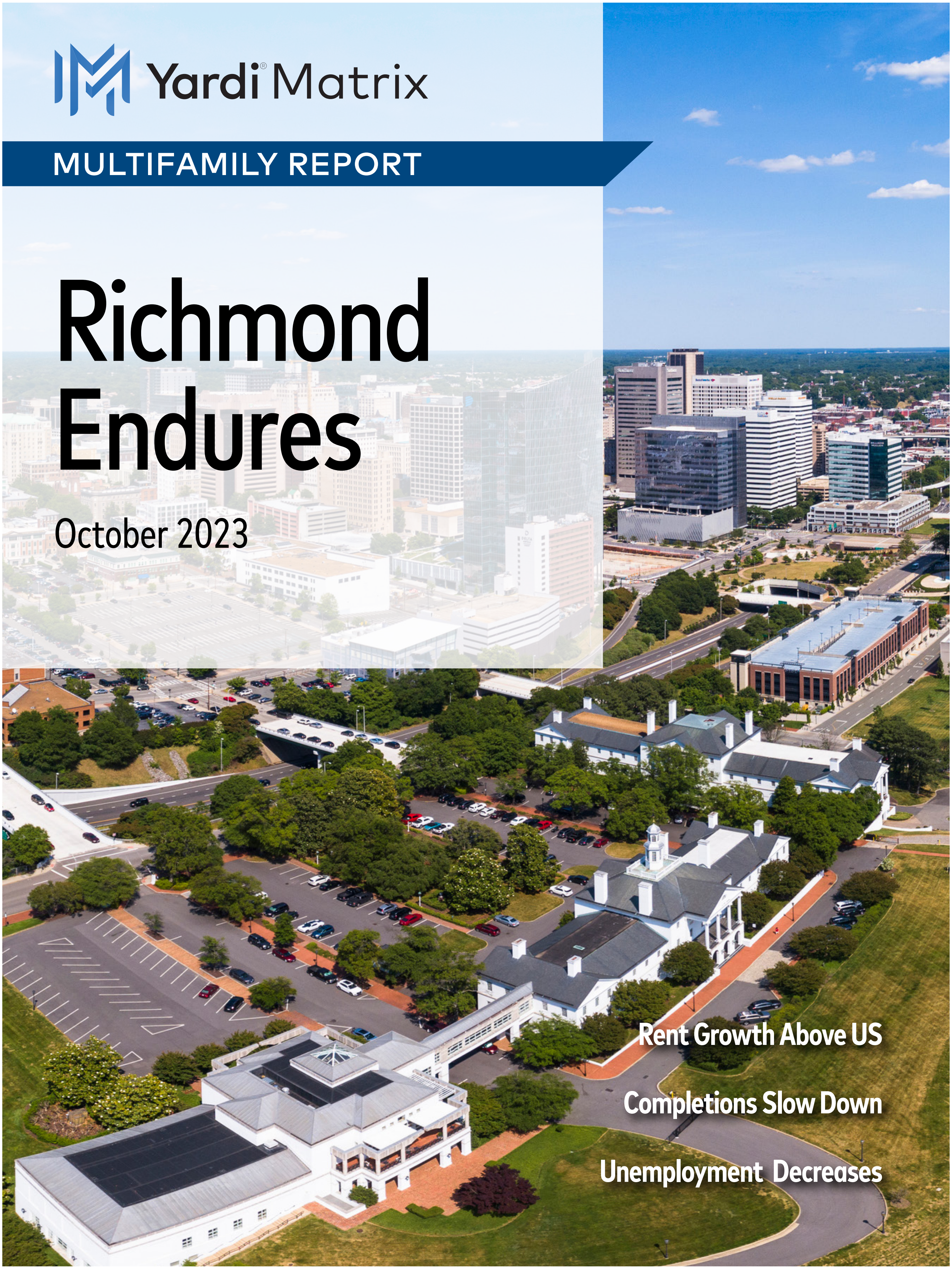
Yardi Matrix

MULTIFAMILY REPORT

Richmond Endures

October 2023



Rent Growth Above US

Completions Slow Down

Unemployment Decreases

RICHMOND MULTIFAMILY

Yardi Matrix

Fundamentals Subdued, Rent Growth Healthy

Richmond-Tidewater market fundamentals started to thaw after the first quarter's slow performance, but metrics were still mostly below national and historic averages. Rates were up 0.4% on a trailing three-month basis through August, 20 basis points higher than the U.S. rate. On a year-over-year basis, rents were up 2.4%, to an average of $1,506.

The labor market remained in line with the nationwide slowdown but was still on relatively good footing. Unemployment improved to 2.8% as of July, according to preliminary data from the Bureau of Labor Statistics, having dropped 60 basis points since January. It was also 70 basis points below the U.S. figure. Over the 12-month period ending in June, Richmond added 35,900 jobs, for a 2.3% expansion. Leisure and hospitality led gains with 14,500 positions added, up 8.9%. Earlier this year, Richmond authorities approved a $2.4 billion development dubbed Diamond District, slated to include a baseball stadium; hospitality, office and retail space; and 1,000 affordable units.

Developers brought 3,152 units online through the first eight months of the year, down 21.9% year-over-year and representing a 1.3% expansion of stock. Although subdued, construction activity was healthy, with the pipeline totaling 13,326 units underway. At $439 million, investments amounted to less than a fifth of the amount recorded during the same period last year.

Market Analysis | October 2023

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Recent Richmond Transactions

Millspring Commons

City: Richmond, Va.
Buyer: RailField Realty Partners
Purchase Price: $34 MM
Price per Unit: $214,465

Carson Square

City: Hampton, Va.
Buyer: Brentwood Investment Group
Purchase Price: $31 MM
Price per Unit: $106,164

Warwick Village

City: Newport News, Va.
Buyer: Cohen Investment Group
Purchase Price: $21 MM
Price per Unit: $131,250

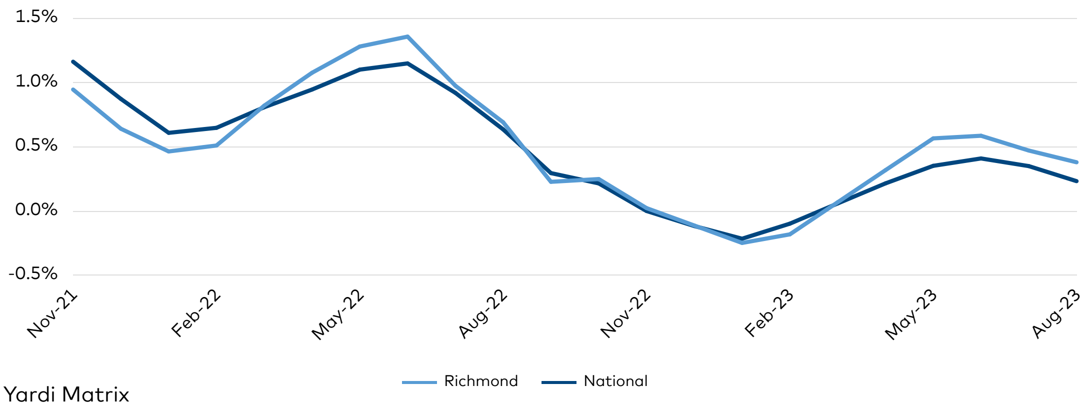
Chippenham Place

City: Richmond, Va.
Buyer: Lincoln Avenue Capital
Purchase Price: $18 MM
Price per Unit: $126,042

RENT TRENDS

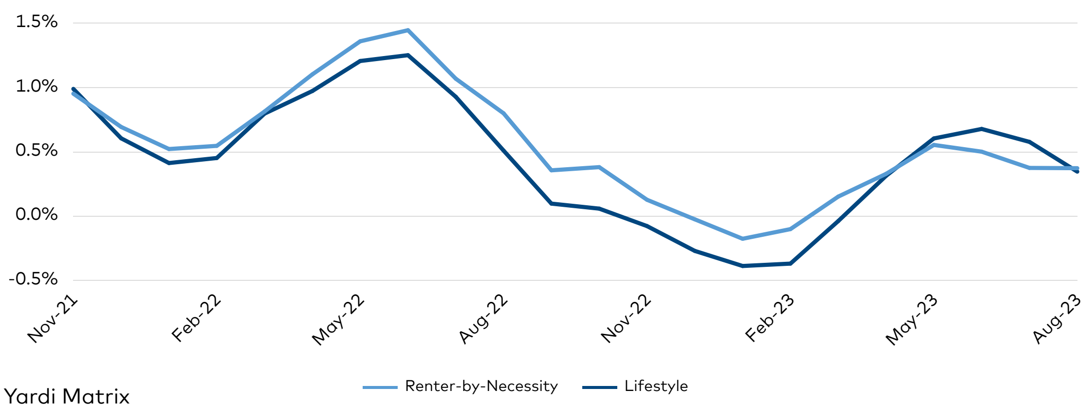
- Richmond-Tidewater rents were up 0.4% on a trailing three-month (T3) basis through August, 20 basis points above the national rate. After the first quarter's slow growth, rent development moved closer to historic figures. On a year-over-year basis, rates were up 2.4%, 90 basis points above the national figure.
- The average rate in the metro reached $1,506 as of August, trailing the $1,728 U.S. figure. Rent growth for working-class Renter-by-Necessity properties was up 0.4% on a T3 basis through July, to $1,354. The Lifestyle segment improved 0.3%, to $1,750.
- Occupancy rates for stabilized assets reached 94.6% as of July, down 130 basis points year-over-year and 40 basis points below the U.S. figure. The Lifestyle segment fared better, with rates down 80 basis points, to 95.2%, while RBN assets recorded a drop of 180 basis points in occupancy, to 94.1%.
- A few suburban submarkets recorded the highest year-over-year rent growth, led by Colonial Heights (up 27.3% to $1,202). Other areas with double-digit growth were Sandston-Airport (up 18.3% to $1,302), Gloucester (16.9% to $982), Chesterfield County (16.2% to $1,750), Hanover County (11.1% to $1,696) and Prince George County (11.1% to $1,391).

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 clocked in at 2.8% as of July, down 20 basis points month-over-month and 70 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. The rate dropped 60 basis points from January and remains at a pre-2019 level. Virginia's unemployment rate stood at 2.5%.

- Over the 12-month period ending in June, metro Richmond added 35,900 jobs, representing a 2.3% expansion of the labor pool, lagging the U.S. rate by 50 basis points. Employment growth slowly tapered off from January's 2.7% rate and was still significantly below last year's gains.

- The leisure and hospitality sector continued to regain jobs at a higher rate than other sectors, with 14,500 positions added—an 8.9% expansion. Education and health services also recorded strong gains, with 3.7% growth (7,700 jobs), followed by government (up 2.0%, 5,300 jobs). Meanwhile, construction lost 1,300 jobs, for a 1.5% contraction.

- Richmond City Council approved $2.4 billion for the redevelopment of 67 acres located at the intersection of interstates 64 and 95 and North Arthur Ashe Boulevard. Dubbed Diamond District, the project will include a baseball stadium, along with office, retail, hospitality and residential space, which will include 1,000 affordable units.

Richmond Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	177	11.6%
65	Education and Health Services	216	14.2%
90	Government	269	17.7%
60	Professional and Business Services	248	16.3%
40	Trade, Transportation and Utilities	258	17.0%
80	Other Services	66	4.3%
55	Financial Activities	97	6.4%
30	Manufacturing	91	6.0%
50	Information	15	1.0%
15	Mining, Logging and Construction	83	5.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Richmond gained 8,683 residents between 2020 and 2021, for a 0.6% expansion. In contrast with major coastal cities, metros like Richmond grew in popularity amid post-pandemic migration trends. Meanwhile, the U.S. population expanded by 0.1%.

Richmond vs. National Population

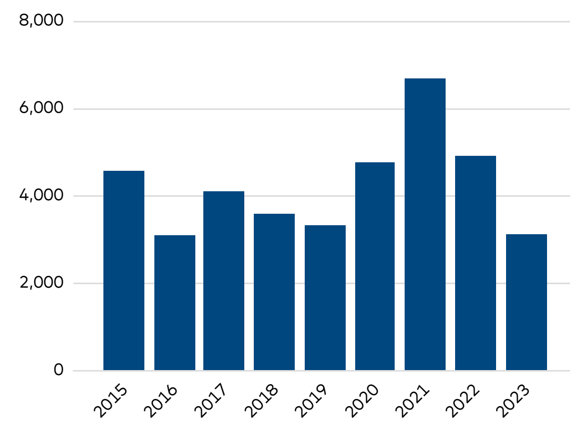
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Richmond	1,306,248	1,317,717	1,340,049	1,348,732

Source: U.S. Census

SUPPLY

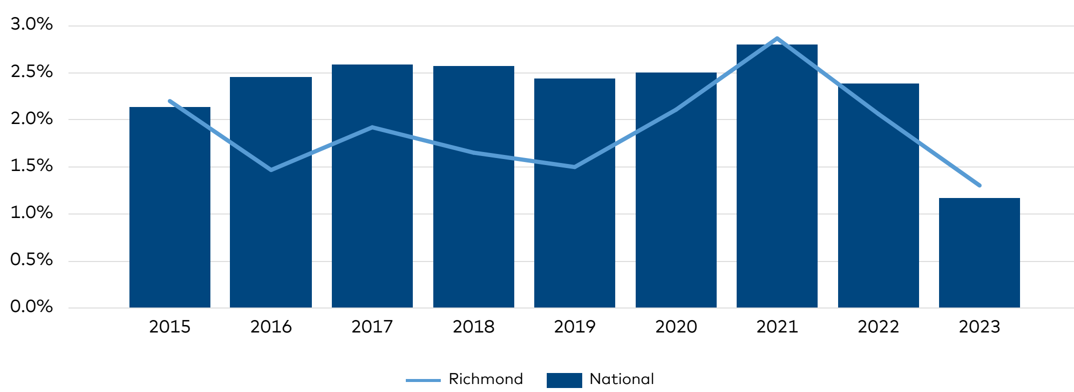
- Richmond-Tidewater had 13,326 units under construction as of August. The supply pipeline was geared toward the high-end segment, as 78.1% of units were in Lifestyle assets. Units in fully affordable properties comprised 18.8% of the pipeline, while the remaining 3.1% were RBN assets. The market had an additional 45,200 units in the planning and permitting stages.
- Year-to-date through August, Richmond-Tidewater developers added 3,152 units to the market. This represented a 1.3% expansion of existing stock, 10 basis points above the national rate. Completions cooled off nationwide, as financing for new projects became scarcer, and developers focused on finishing the developments that were delayed over the past two years. On average, Richmond added 4,672 units annually over the past five-year interval.
- Developers broke ground on 2,408 units, across 14 properties, through the first eight months of the year, down 51.1% from the number recorded during the same period last year.
- Two suburban submarkets led development. Glen Allen had 2,172 units under construction, followed by Midlothian, with 1,319 units. Other submarkets that recorded significant activity included Richmond-Manchester (711 units), Norfolk-Central West (626 units) and Suffolk-Central (620 units).
- The largest property completed during the first eight months of the year was the 225-unit Westbrook at Brewers Row. Spy Rock Real Estate Group developed the asset, which includes 41 affordable units.

Richmond Completions (as of August 2023)



Source: Yardi Matrix

Richmond vs. National Completions as a Percentage of Total Stock (as of August 2023)

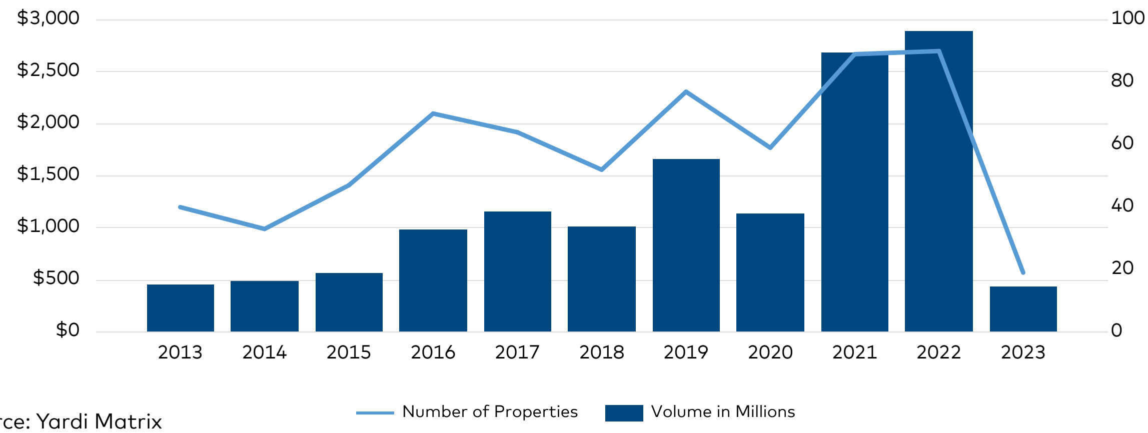


Source: Yardi Matrix

TRANSACTIONS

- Year-to-date through August, investment in the Richmond-Tidewater market totaled $439 million, which was less than a fifth of the amount recorded during the same period last year—$2.2 billion. This was in line with the overall nationwide trend of slowing multifamily investment.
- Only 19 transactions were recorded during the first eight months of the year, two of which involved Lifestyle assets, while the other 17 were in the RBN segment. The average price per unit dipped 12% since the end of last year, to $145,685 as of August. Lifestyle properties traded on average for $260,000 per unit, down 17% from December, while prices for RBN assets clocked in at $128,594, down 10.8%.
- The largest sale of the first eight months occurred in February. FPA Multifamily acquired the 392-unit ReNew Marina Shores for $102 million—roughly $260,000 per unit—from C-III Capital Partners.

Richmond Sales Volume and Number of Properties Sold (as of August 2023)



Source: Yardi Matrix

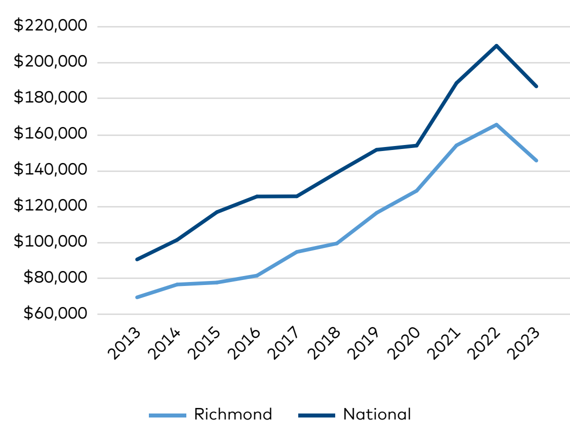
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Richmond-Scott's Addition	$117
Virginia Beach-Bayside	$102
Richmond-West End	$99
Richmond-West	$96
Hampton-North	$86
Virginia Beach-West	$82
Hampton-South	$79

Source: Yardi Matrix

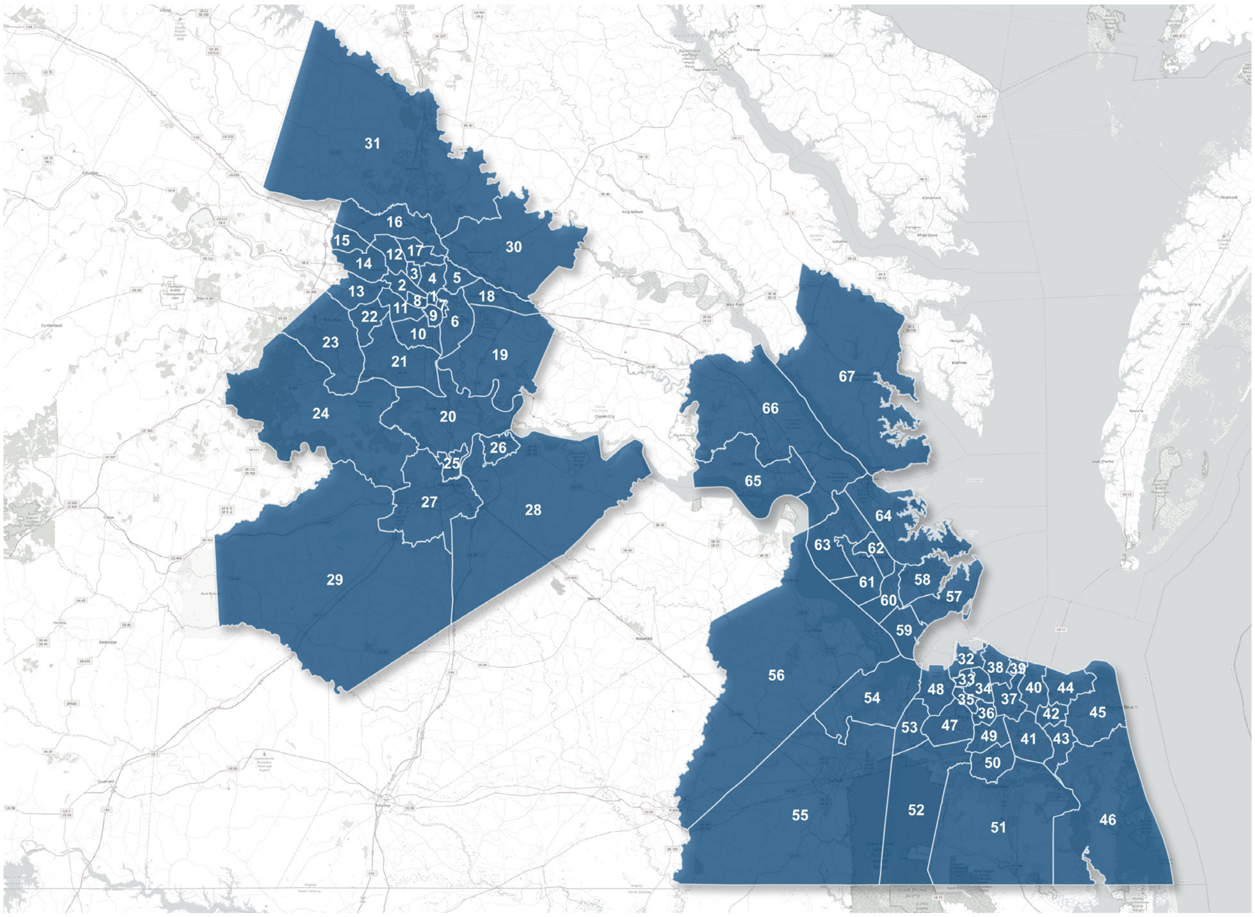
[1] From September 2022 to August 2023

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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Yardi Matrix

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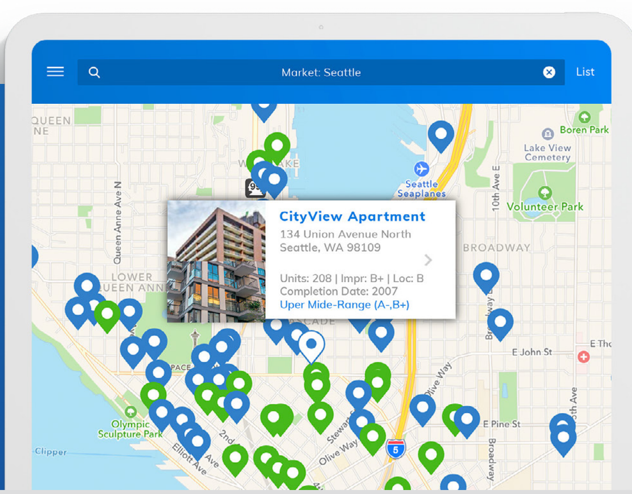
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- 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



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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