Yardi Matrix

MULTIFAMILY REPORT

Richmond Stays Solid

October 2024

Completions Increase YoY

Rent Growth Outpaces US

Employment Market Steady

RICHMOND MULTIFAMILY

Yardi Matrix

Rent Growth Recovers, Supply Steady

Richmond's multifamily market regained momentum as it entered the second half of the year, with continued economic growth and more consistent gains. Advertised asking rents in the metro were up 2.8% year-over-year, to $1,542, as of August, significantly above the 0.8% national rate. Demand held strong, with overall occupancy up 30 basis points year-over-year, to 95.0%, as of July. Meanwhile, the national rate dropped 30 basis points, to 94.7%.

Employment growth stayed at 1.8% year-over-year in June, for the fifth consecutive month, 50 basis points ahead of the U.S. figure. This was despite unemployment climbing to 3.4% in July, according to preliminary data from the Bureau of Labor Statistics. Over the 12-month period ending in June, Richmond added 32,500 jobs, with education and health services comprising the bulk of that (10,900 jobs). Major projects underway, such as the $2.4 billion Diamond District redevelopment, are expected to boost economic growth at a steady pace through the remainder of the year.

Richmond's development pipeline included 11,365 units under construction, along with an additional 45,000 units in the planning and permitting stages as of August. Activity was strong in the metro, with completions at 3,934 units through August, up 500 units since last year, compared to most major metros. Meanwhile, investors traded only $272 million in the first eight months of the year, as they wait for more favorable conditions.

Market Analysis | October 2024

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Recent Richmond Transactions

Woodscape

City: Newport News, Va.
Buyer: Foxfield
Purchase Price: $34 MM
Price per Unit: $113,682

Shady Creek

City: Richmond, Va.
Buyer: Walde Enterprises
Purchase Price: $17 MM
Price per Unit: $103,125

The Park at Ridgedale

City: Richmond
Buyer: Lincoln Avenue Capital
Purchase Price: $14 MM
Price per Unit: $112,917

Dorchester Square

City: Franklin, Va.
Buyer: SRK Management
Purchase Price: $10 MM
Price per Unit: $76,000

RENT TRENDS

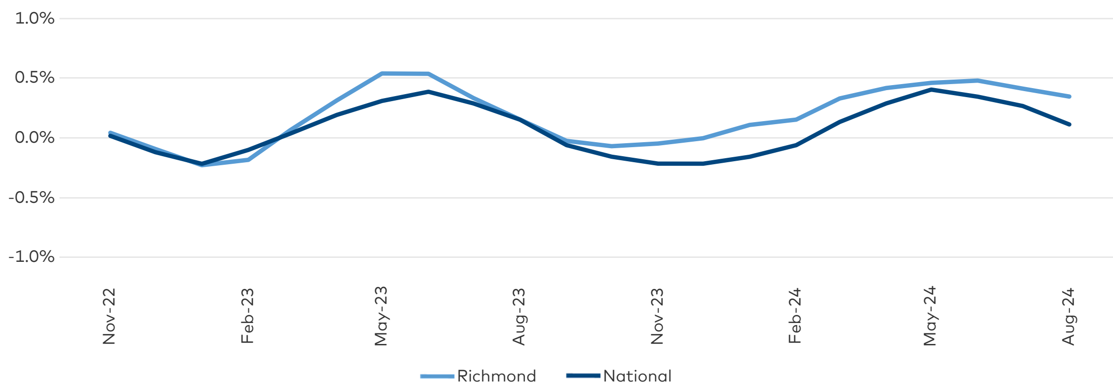
- Richmond's average advertised asking rent was up 0.3% on a trailing three-month (T3) basis through August, to $1,542, lagging the $1,741 national figure. Rent development slowed down from the 0.5% T3 rate recorded in May and June but was still ahead of the 0.1% national figure. Advertised asking rents in the metro were up 2.8% year-over-year, 200 basis points above the U.S. figure.

- Advertised asking rents for the working-class Renter-by-Necessity segment were up 0.5% on a T3 basis through August, to $1,391, while the Lifestyle figure was up 0.2%, to $1,772. The latter reached negative territory, down 0.2% in the winter season, while RBN rents declined to 0.1% and recovered faster, as the segment continues to make up the bulk of Richmond's inventory.

- Overall occupancy in the metro increased 30 basis points year-over-year, to 95.0%, as of July. Meanwhile, the national rate declined 30 basis points, to 94.7%. Occupancy for Richmond's Lifestyle segment remained flat at 95.4%, while the RBN rate increased 50 basis points, to 94.8%.

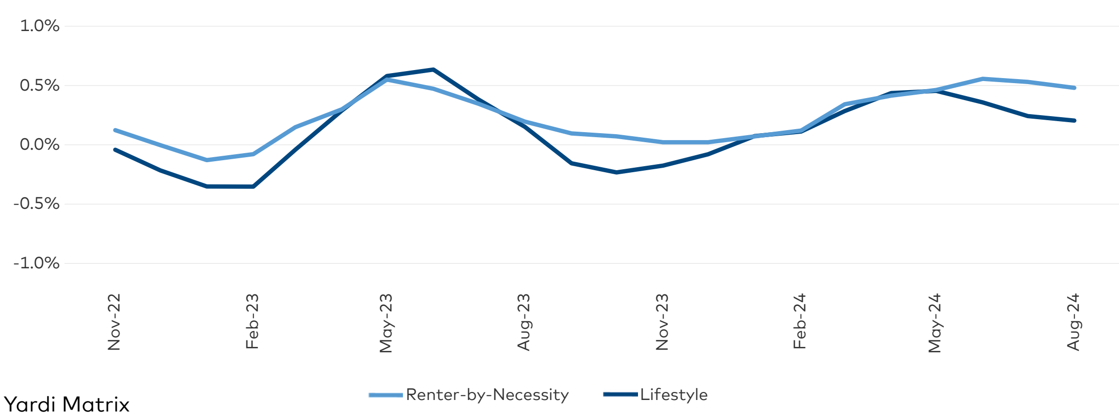
- Of Richmond's 74 submarkets, a few stood out with above-average year-over-year gains for advertised asking rents. The top five were Virginia Beach—Bayside (up 8.6% to $2,000), Virginia Beach—South (8.1% to $1,727), Richmond—South (7.7% to $1,161), Newport News—South (7.2% to $1,161) and Richmond—East End (6.9% to $1,441).

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 3.4% in July, according to preliminary data from the BLS. Although the rate increased 50 basis points since January, to its highest point since August 2023, it remained well below the 4.3% national figure. Meanwhile, Virginia's rate was 2.7% this July.
- Over the 12-month period ending in June, Richmond gained 32,500 jobs. This was a 1.8% expansion of its workforce and 50 basis points higher than the national rate of job growth. June marked the fifth consecutive month of unchanged employment gains for Richmond, while the U.S. rate decreased 20 basis points in the same period. The metro has remained consistently ahead of the nation since April 2023.
- Education and health services led growth, with 10,900 jobs gained, up 5.0%. Mining, logging and construction (6,300 jobs), government (4,900) and professional and business services (3,700) also posted significant gains.
- The $2.4 billion Diamond District redevelopment project hit a new milestone in early September. Richmond Flying Squirrels, together with city officials, CarMax and other development partners, broke ground on a new, 10,000-seat baseball stadium, set to open for the 2026 season.

Richmond Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	229.8	14.7%
15	Mining, Logging and Construction	90.7	5.8%
90	Government	276.3	17.7%
60	Professional and Business Services	249.8	16.0%
80	Other Services	70.5	4.5%
40	Trade, Transportation and Utilities	262.9	16.8%
70	Leisure and Hospitality	173.1	11.1%
30	Manufacturing	92.7	5.9%
50	Information	16.2	1.0%
55	Financial Activities	102.4	6.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Richmond's population expanded by 1.0% from 2021 to 2022, gaining roughly 13,000 residents, as steady employment gains and economic growth make it an attractive location. Meanwhile, the U.S. population expanded 0.4%.

Richmond vs. National Population

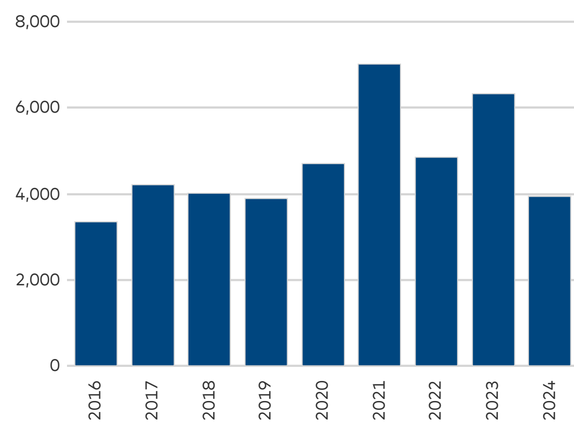
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Richmond	1,269,530	1,282,067	1,303,212	1,316,145

Source: U.S. Census

SUPPLY

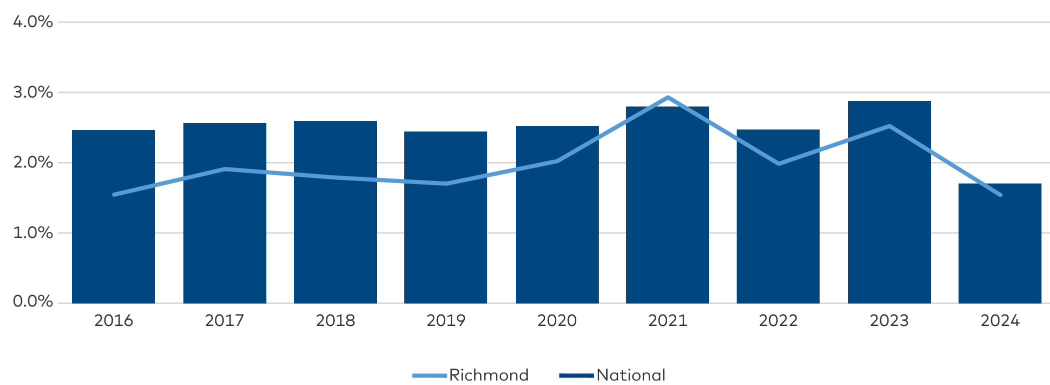
- Richmond developers completed 3,934 units year-to-date through August, accounting for 1.5% of existing stock—20 basis points behind the U.S. figure. Completions increased by roughly 500 units when compared to the same interval in 2023. At this rate, Richmond is likely on track to reach the average number of completions recorded each year from 2016 to 2023—4,799 units.
- The metro had 11,365 units under construction as of August. Developers remained focused on the upscale segment, in line with national trends, as nearly three-quarters of the units underway were in Lifestyle projects. Units in fully affordable developments accounted for just under 24% of the under-construction pipeline. Richmond had an additional 45,000 units in the planning and permitting stages.
- Developers broke ground on 13 properties encompassing 2,096 units year-to-date through August. This was only a slight decrease from the 16 properties and 2,849 units that broke ground during the same period last year, highlighting consistent demand across the metro.
- Midlothian led construction activity with 1,445 units in progress, making it the only submarket with more than 1,000 units underway. Glen Allen (870 units) and Richmond–Scott's Addition (869) rounded out the top three. Other hot spots included Virginia Beach–Northeast (664) and Richmond–North Side (661).
- Betting on consistent demand in the Hampton Roads, Va., market, Signature Management completed Society at Crossroads. At 382 units, it was the largest community to come online in the first eight months of the year.

Richmond Completions (as of August 2024)



Source: Yardi Matrix

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

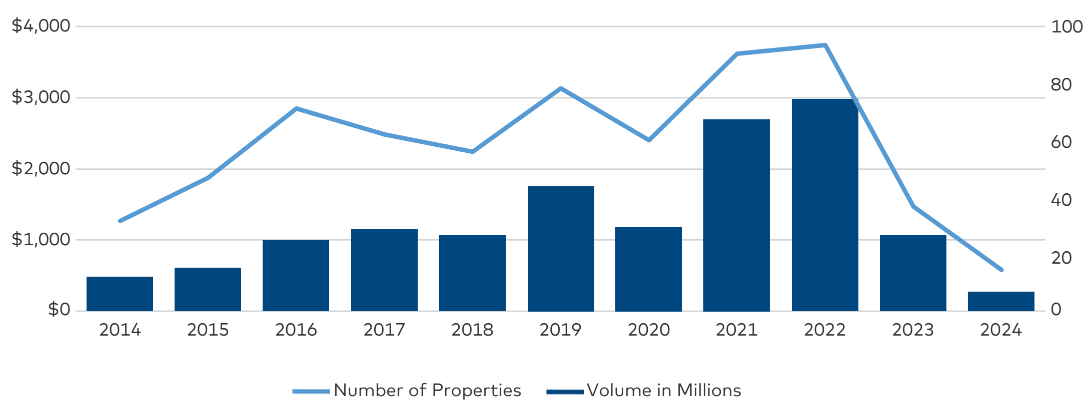


Source: Yardi Matrix

TRANSACTIONS

- Richmond investors traded $272 million in multifamily assets year-to-date through August, down 48.8% year-over-year. This drop mirrors the overarching national trend, as investors are waiting for more favorable circumstances to deploy capital. The Federal Reserve announced its plan to cut interest rates, which will pave the way for activity to pick up again once mortgage rates return to acceptable levels for investors.
- The average per-unit price was down to $127,893, remaining significantly below the U.S. average of $184,269. Richmond's per-unit figure grew 54.2% from 2018 to 2023, while the national price was up 33.6% in the same time frame.
- Suburban submarkets continued to lead in overall volume over a 12-month period ending in August, with Northeast Norfolk, North Chesterfield and Chester each having more than $100 million in transactions in this time frame.

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



Source: Yardi Matrix

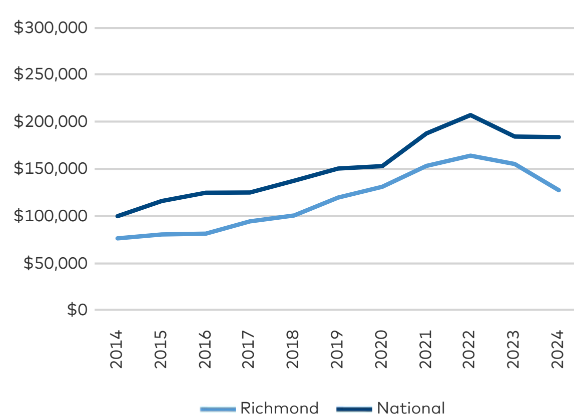
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Norfolk–Northeast	123
North Chesterfield	116
Chester	111
Petersburg	95
Bon Air	53
Norfolk–Central West	42
Portsmouth–Central	42

Source: Yardi Matrix

[1] From September 2023 to August 2024

Richmond vs. National Sales Price per Unit



Source: Yardi Matrix

Why This Mid-Atlantic Operator Wants to Stay Hyperlocal

By Madalina Pojoga

Specializing in property management, leasing and asset management for multifamily properties throughout the Mid-Atlantic, Community Realty Co. has been strengthening its position in the region, and has no intention to expand outside of it. Director of Residential Management Benjamin Zeitler weighed in on the firm's plans and provided his tips for maintaining a high level of service and satisfaction despite increased operational costs.

What are the latest challenges you've faced as a property management firm operating in the Mid-Atlantic?

In the last few years, more and more residents are now working from home. This has been challenging in a number of areas such as general building maintenance and noise concerns, as well as programming common-area spaces. It has also impacted the maintenance of building systems such as heat/AC and electricity. In the past, these systems would often have an opportunity to 'cool down' while everyone was at the office. That is no longer the case.

The other piece that has been challenging has been getting occupancy levels back up to prepandemic levels after we witnessed a mass exodus from the city center to the suburbs.

Do you have any tips on fostering a lucrative relationship with your residents that is in the benefit of both parties?

If our residents have access

to what they need and can communicate easily with the onsite team, it is usually mutually beneficial.

If residents are happy where they live and enjoy living there, it is a great symbiotic relationship. As far as tips go, I recommend that operators focus on the resident experience and attempt to resolve the pain points that residents have with the building/company and focus on those items first.

What is your long-term goal in the Mid-Atlantic area?

Community Realty Co. would like to continue to be a hyperlocal operator and be a trusted name in property management. Although we are a smaller organization, we offer everything that the larger institutional management companies offer.

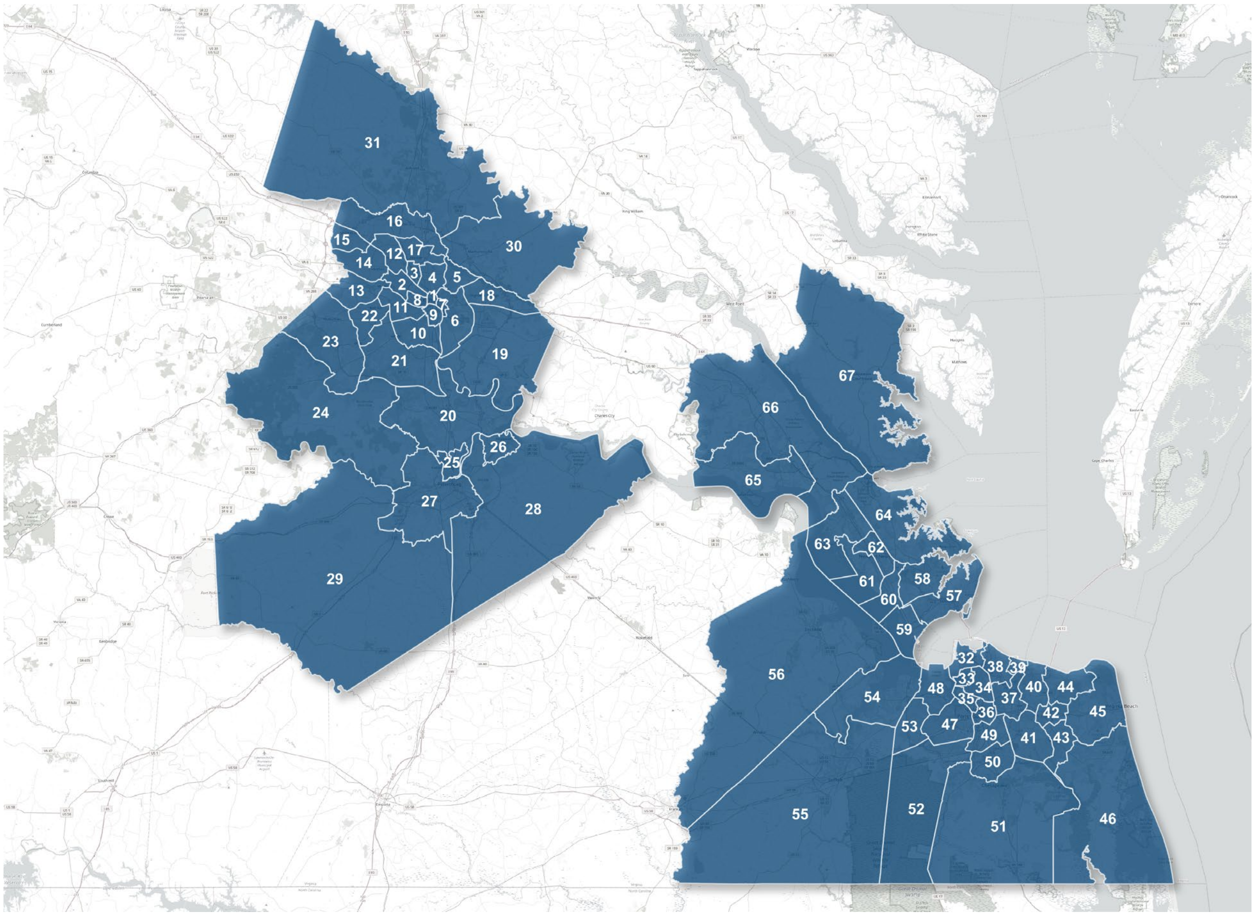
We are very tech-forward and focused on the resident experience while maximizing asset values through smart, modern upgrades, and a focus on unseen building maintenance.

Are there any particular smaller markets in this region that you intend to expand to?

We do not have current plans to expand into other markets in our region. However, based on incoming client needs, we have extensive experience in many Maryland submarkets, to include Montgomery, Prince George's County and Baltimore County and city, along with many NoVa neighborhoods, and Richmond, and would be happy to expand into any of those submarkets.

(Read the complete interview on multihousingnews.com.)

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
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
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

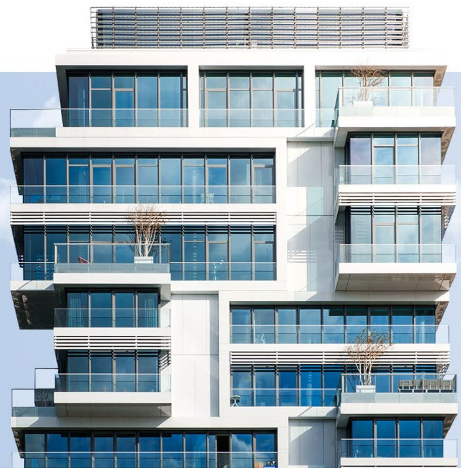
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.

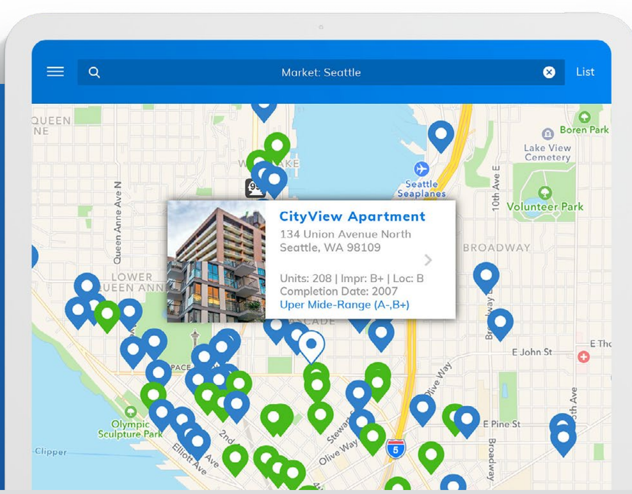
Yardi Matrix

Power your business with the industry's leading data provider



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 **22.3+ million units**, covering over **92% of the U.S. population.**

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