Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	4,758
UNITS DELIVERED (YTD)	1,302

MARKET FUNDAMENTALS

VACANCY RATE	7.0%
YEAR-OVER-YEAR CHANGE	+30bps
ASKING RENTS	$1,612
YEAR-OVER-YEAR CHANGE	+2.4%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$305,000

RICHMOND MULTIFAMILY
1Q 2025

MARKET INSIGHTS

Healthy absorption totals support rent gains

HIGHLIGHTS

- Property performance in the Richmond multifamily market remained steady in the first quarter, with asking rents on an upswing while vacancy rates softened slightly. Deliveries were elevated in the opening months of 2025, following lower levels in the previous year.
- The vacancy rate ticked up in the first quarter, rising by 10 basis points to 7%. Over the past 12 months, the vacancy rate increased by 30 basis points.
- Rent growth rebounded to start the year after two quarters of modest dips. Asking rents in Richmond gained 1.4% during the first quarter, reaching $1,612 per month. Year over year, rents increased by 2.4%.
- Sales activity in the Richmond multifamily market was limited to start the year, but during the past 12 months roughly a dozen properties changed hands. The median price during this period was $176,000 per unit, and cap rates averaged 6%.

RICHMOND MULTIFAMILY MARKET OVERVIEW

Continued renter demand has contributed to stable market fundamentals in recent months. During the first quarter, average rents recorded healthy increases even as an accelerating pace of deliveries resulted in a modest vacancy uptick. More than 1,300 new units came online in the past three months, up from roughly 750 units in the previous quarter. Since early 2023, net absorption has averaged more than 700 units per quarter, while the area vacancy remained steady around 7%. South Richmond, especially in the Old Town Manchester neighborhood, has benefited from strong renter demand, with net absorption totaling approximately 1,000 units since the beginning of 2023. Some of the healthiest market conditions are being seen in the area, where vacancy held steady at 7% over the past year and rent growth remained solid. The submarket has shown meaningful improvement since its peak vacancy of 8.8% two years ago, reflecting ongoing demand and tightening fundamentals.

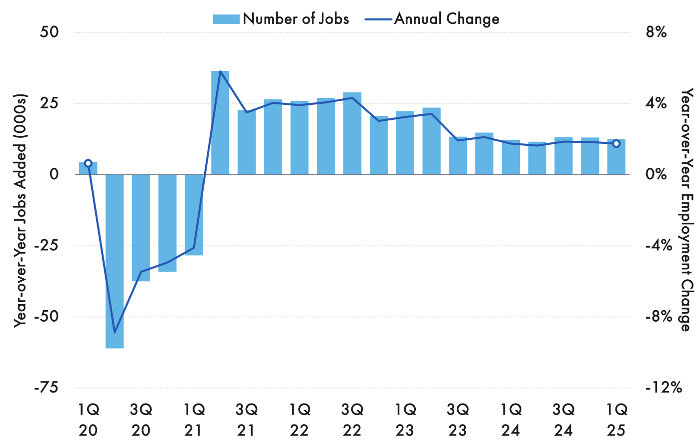
Transaction activity has been limited so far in 2025, following stronger sales volume in the previous quarter. The only property to change hands during the first quarter, a Class A asset that sold for $305,000 per unit, placing it among the highest per-unit prices recorded in recent years. Over the past year, the median price was $176,000 per unit, closely tracking pricing levels recorded in 2023. Although sales activity has been modest, transactions resumed in South Richmond after a pause. Outside of last year, the South Richmond submarket typically records notable transaction volume. Cap rates across the Richmond area have averaged roughly 6% since early 2024, rising about 50 basis points since the start of 2023.

EMPLOYMENT

- Employers in Richmond have been adding jobs since mid-2023. During the past 12 months, payrolls have grown by 1.8%, with area employers hiring 12,500 workers. This recent pace exceeds the region's long-term average of 1.4% annual growth since 2010.
- The leisure and hospitality sector has been a leading source of new jobs in Richmond in recent periods. This sector added 1,900 jobs in the past year, a 3% increase.
- Homes.com, a CoStar subsidiary headquartered in Richmond, announced plans to expand its workforce in 2025. By the end of the year, the company aims to hire 1,000 new employees for its office complex currently under construction in Downtown Richmond.
- **FORECAST:** Local employers are forecast to hire roughly 10,000 new workers over the next year, expanding payrolls by 1.4%, similar to the market's long-term trend.

Year over year, area employers have expanded payrolls by 1.8%.

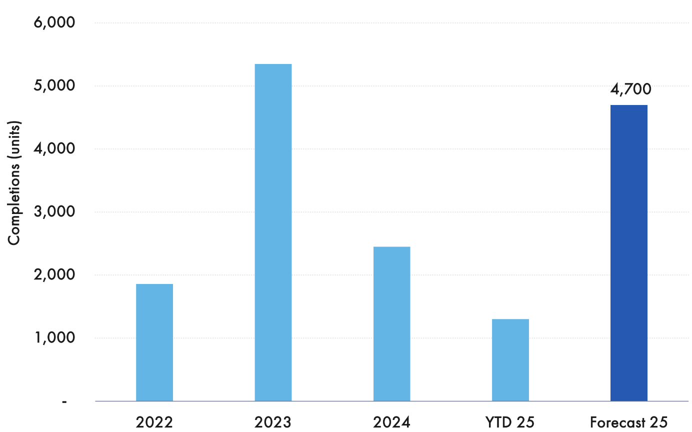
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

There are currently roughly 4,750 units under construction.

DEVELOPMENT TRENDS



Sources: Northmarq, CoStar

DEVELOPMENT & PERMITTING

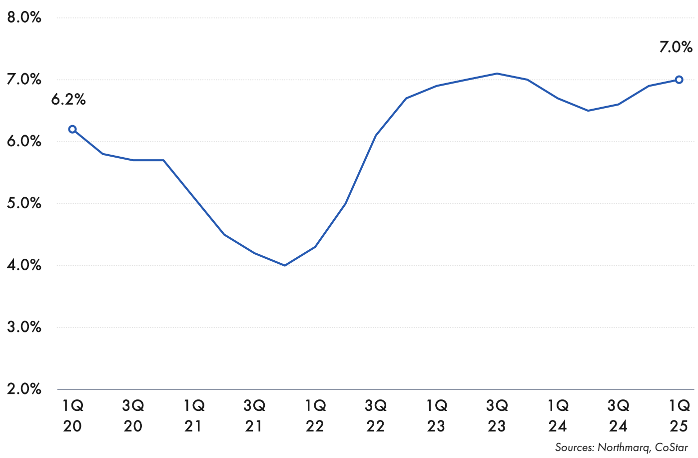
- Multifamily completions in Richmond were elevated in the first quarter, with more than 1,300 units coming online, primarily in Chesterfield County and Western Henrico County. In the same period last year, roughly 125 units were completed.
- The construction pipeline has contracted in recent quarters, with approximately 4,750 units under construction in the area, down from nearly 5,800 units one year ago. Most of the construction activity is concentrated in Downtown Richmond and Western Henrico County; these two submarkets combine to account for roughly 2,600 units underway.
- Multifamily permitting slowed in the first quarter, with developers pulling permits for approximately 750 units, down 45% from the closing three months of 2024. Permitting volume has tapered off since peaking in 2022.
- **FORECAST:** The pace of multifamily deliveries is expected to rebound in 2025, following a return to more typical levels in 2024. Projects totaling 4,700 units are slated to come online, nearly doubling the number of units that were delivered last year.

VACANCY

Year over year, vacancy increased by 30 basis points.

- The vacancy rate in Richmond has remained relatively flat, with an increase of 10 basis points quarter over quarter to 7%. Year over year, vacancy increased by 30 basis points.
- Downtown Richmond has been one the better performing submarkets in the past year, showing notable improvement. The vacancy rate in the submarket finished the first quarter at just 5.3%, down 180 basis points from one year ago. Overall vacancy in the submarket has averaged 5.8% over the previous five years.
- Vacancy for top-tier properties stabilized over the past 12 months. The Class A vacancy rate closed the first quarter at 5.9%, down 10 basis points year over year.
- **FORECAST** An elevated pace of deliveries should result in a modest increase in vacancy, though continued positive absorption is expected to limit the increase. In 2025, the vacancy rate in Richmond is projected to rise by 20 basis points to 7.1%.

VACANCY TRENDS



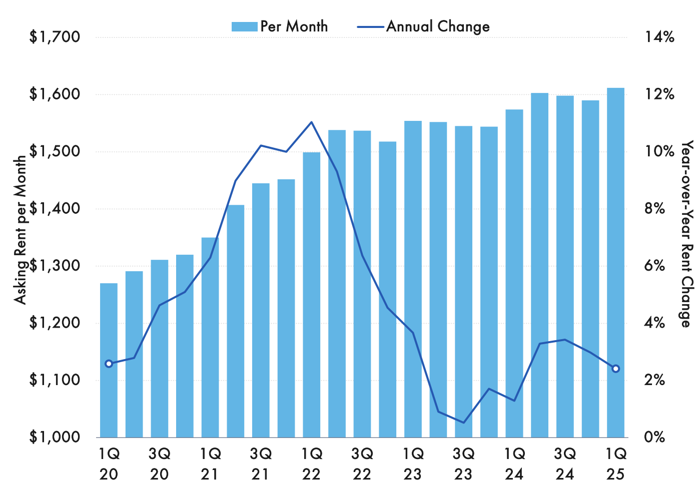
Sources: Northmarq, CoStar

RENTS

- Since 2015, rent growth in Richmond has accelerated from the fourth quarter to the first quarter, a trend that continued in the opening months of 2025. Area rents are up by 2.4% over the past 12 months to $1,612 per month.
- While all multifamily property classes recorded rental growth over the past year, Class C properties posted the strongest increase, rising by 4% to $1,378 per month.
- Rents rose in nearly every submarket over the past year, with Chesterfield County outperforming the market average with a 4.1% increase from one year ago to $1,676 per month. Other major submarkets, including South Richmond, Midlothian, and Eastern Henrico County, all recorded gains of at least 3% during the same period.
- **FORECAST:** Asking rents are forecast to rise at a similar pace in 2025 as in 2024. By year-end, asking rents are projected to reach approximately $1,640 per month, reflecting a 3% annual increase.

Area rents rose by 2.4% over the last year.

RENTS TRENDS



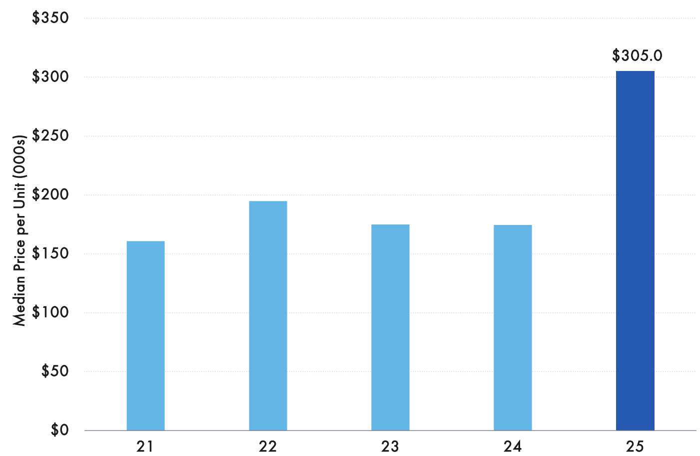
Sources: Northmarq, CoStar

MULTIFAMILY SALES

- Investment activity in Richmond started more slowly in 2025 following an increase in transactions during the fourth quarter of last year. Only one significant property was transacted during the first quarter.
- The one major sale recorded in the first quarter of 2025 closed at $305,000 per unit, a 75% increase over the median price in 2024, which predominately consisted of older vintages. The median price in properties sold during the past 12 months was $174,600 per unit, nearly identical to the level recorded in 2023.
- Cap rates have remained within a tight range in recent periods, averaging 6% since the beginning of 2024.

The median price during the past 12 months was $174,600 per unit.

INVESTMENT TRENDS



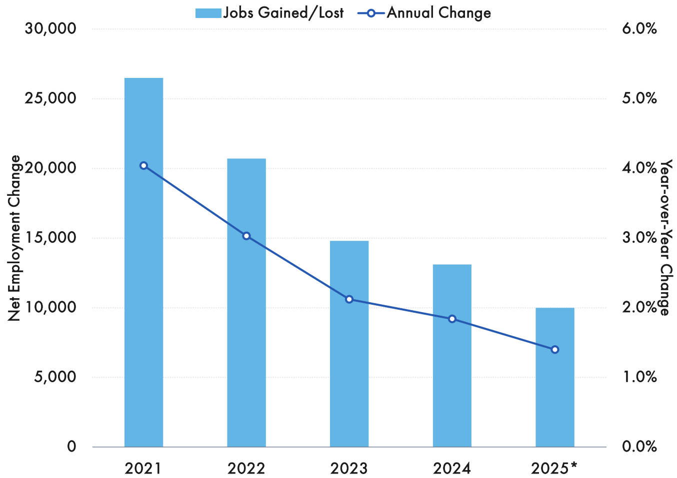
* Sales closed in the past 12 months
Sources: Northmarq, CoStar

LOOKING AHEAD

Property fundamentals in the Richmond multifamily market are expected to remain steady in the coming quarters, with vacancy projected to remain near its current level and rent growth continuing. The recent pace of deliveries is set to persist throughout 2025, with approximately 4,700 units forecast to come online, exceeding historical averages but below the market's peak in 2023. Future development is concentrated along a six-mile corridor within one mile of West Broad Street, stretching from Downtown Richmond to the northwest. While completions are on pace to be elevated in 2025, construction activity is expected to return to closer to long-term trend levels in subsequent years. Multifamily permitting has tapered off after surpassing 5,000 units in both 2022 and 2023.

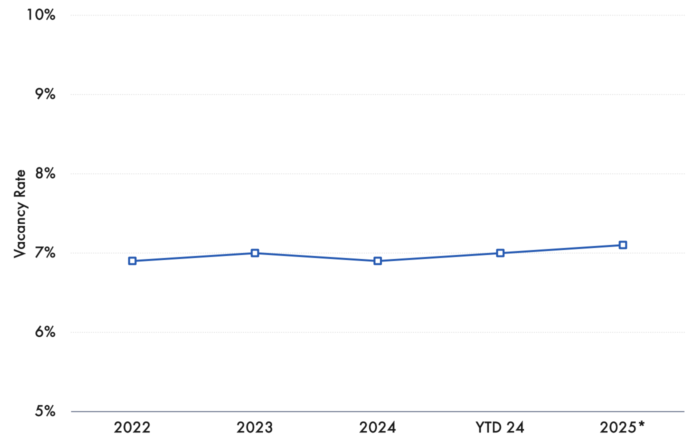
While transaction counts may remain below historical norms, an uptick in sales is expected in the coming months. Stable market fundamentals should attract investment activity in Richmond throughout 2025. Although new deliveries are forecasted to be elevated, the leasing environment is expected to remain favorable, and operators are likely to continue to implement rent increases, creating opportunities for investors to acquire assets across the quality spectrum. The likelihood of continued cap rate stability reflects growing strength and predictability within the market. Chesterfield County and Western Henrico County are expected to present opportunities in the coming years after limited sales activity in 2024. Property fundamentals have remained solid in these areas in recent periods, and developers continue to be active in both submarkets.

EMPLOYMENT FORECAST



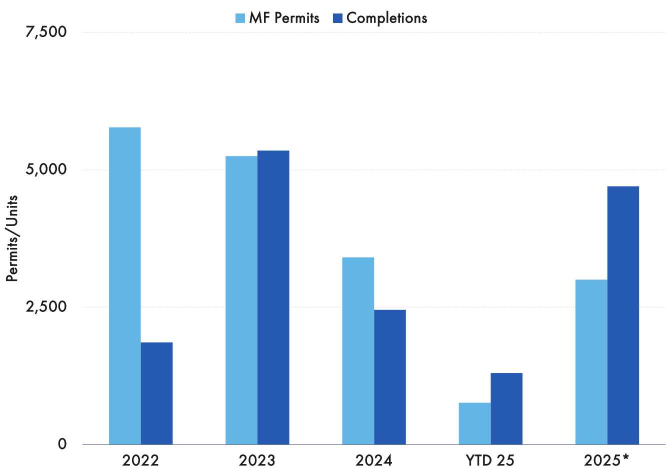
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



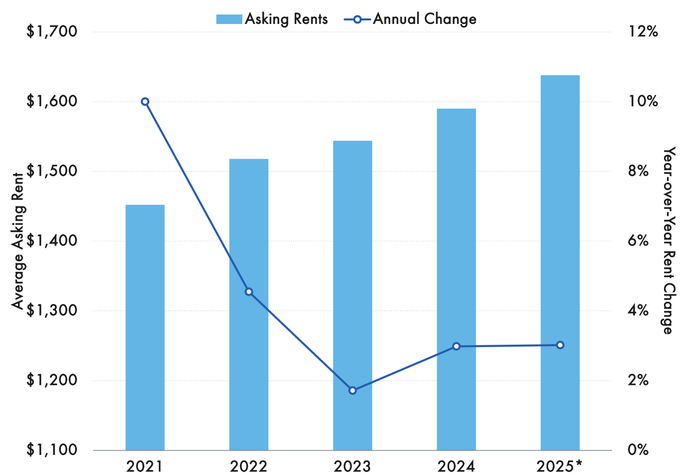
* Year End Forecast
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Apartment Insights, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, CoStar

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