

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **4,849**

UNITS DELIVERED (YTD) **2,587**

## MARKET FUNDAMENTALS



VACANCY RATE **6.9%**

YEAR-OVER-YEAR CHANGE **+40bps**

ASKING RENTS **\$1,631**

YEAR-OVER-YEAR CHANGE **+1.7%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$167,000**

RICHMOND  
MULTIFAMILY  
2Q 2025

## MARKET INSIGHTS

# Robust demand supporting continued rent growth

## HIGHLIGHTS

- Property fundamentals in the Richmond multifamily market performed well during the second quarter, with the vacancy rate inching lower and rents continuing to grow. New deliveries have been elevated so far this year, after tracking long-term averages in 2024.
- Area vacancy improved by 10 basis points during the second quarter to 6.9% Year over year, the rate rose by 40 basis points. Renter demand has been consistently strong since the beginning of 2023.
- Asking rents continued to rise in recent months, increasing by 1.2% during the past three months to \$1,631 per month. During the past year, rents grew by 1.7%. The influx of new inventory in the first half of 2025 has led to some moderation in growth.
- While transaction activity in the Richmond multifamily investment market remains below long-term averages, velocity has increased in recent periods. Total sales in the first half of 2025 doubled compared to the prior year. Year to date, the median sales price is \$167,000 per unit, down 4% from last year. Cap rates continued to average 6%.

## RICHMOND MULTIFAMILY MARKET OVERVIEW

Operating conditions in the Richmond multifamily market posted a strong second quarter, as vacancies have been stable and rents continued to advance. After a peak in completions in 2023, development briefly returned to long-term norms last year, but the pace has picked up again in 2025. Through the second quarter, projects totaling approximately 2,600 units have come online, slightly exceeding the total for all of 2024. Despite the increase in supply, vacancy has held steady at just under 7% through the first half of the year, reflecting strong renter demand. During the past 18 months, apartments have recorded net absorption of roughly 5,000 units, closely tracking the pace of new inventory additions during the same period. Nearly 65% of the absorbed units were in Class A properties, underscoring a clear preference among renters for top-tier units.

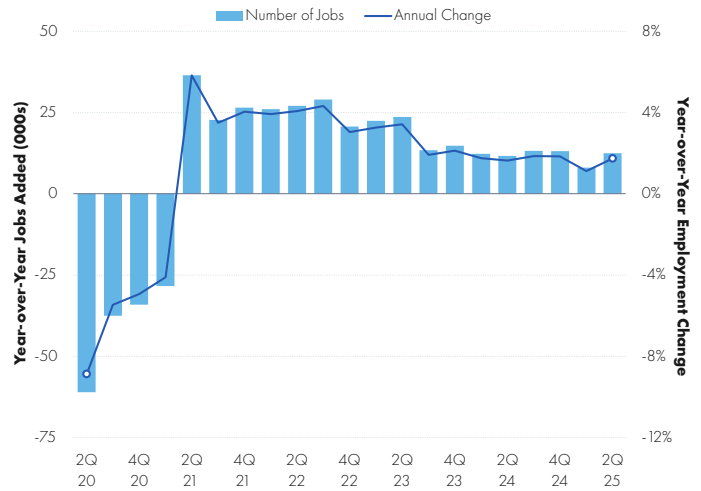
Following a strong close to 2024, multifamily properties continued to change hands in Richmond in the first half. Total sales during the second quarter matched levels from the previous quarter, and year-to-date activity has doubled compared to the same period of 2024. Despite this momentum, sales volume for the first half of the year is trailing the region's 10-year average by 33%. Most of the assets that traded in recent months were older properties, primarily from the 1960s and 1980s, some of which were acquired with a value-add strategy. While older vintages have made up the majority of sales since the first quarter, properties built in the 2020s have accounted for one-third of the transactions so far this year. Pricing has declined modestly, with the median sale price year to date at \$167,000 per unit, down 4% from last year.

## EMPLOYMENT

- Employment growth in Richmond has cooled in recent quarters but remains above historical trends. Area employers added 12,500 workers during the past 12 months, an increase of 1.7%. From 2014 to 2024, annual employment growth averaged 1.4%.
- Total employment in the region's largest sector, trade, transportation, and utilities, posted solid gains during the past year, with growth closely tracking the market's overall rate. This sector expanded by 2,200 positions during the past 12 months, an increase of 1.7%.
- Phase I of the Diamond District's larger development broke ground. The Diamond District will be a 67-acre mixed-use development centered around the new stadium for the Richmond Flying Squirrels, which is set to open in 2026. By 2027, the development is scheduled to include 20,000 square feet of retail space, a 180-room hotel, 87,000 square feet of office space, and roughly 450 multifamily units.
- **FORECAST:** Local employers are projected to continue to add workers at a modest pace through the end of the year. In 2025, total employment is expected to expand by 10,000 positions, an increase of 1.4%.

*Area employers added 12,500 workers during the past 12 months.*

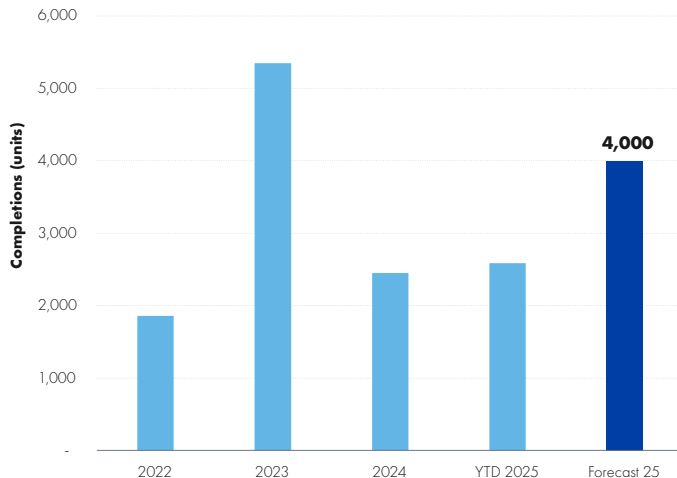
### EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

*Projects totaling roughly 2,600 units came online during the first half of 2025.*

### DEVELOPMENT TRENDS



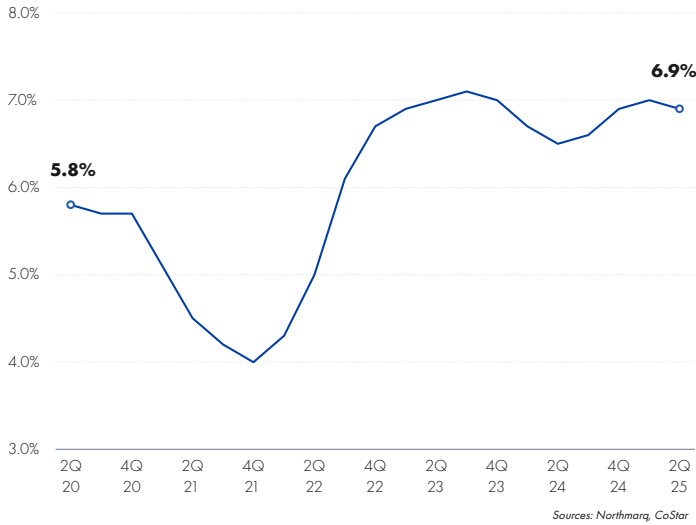
Sources: Northmarq, CoStar

## DEVELOPMENT & PERMITTING

- Multifamily deliveries have been strong to this point in the year. Projects totaling roughly 2,600 units came online during the first half of 2025, up from nearly 400 units recorded in the same period of last year.
- Projects totaling approximately 4,900 units are currently under construction in Richmond, down 27% from one year ago. Development is concentrated in Downtown Richmond, which accounts for 33% of units under construction. Western Henrico County follows closely, comprising 31% of the units in the construction pipeline.
- After multifamily permitting was elevated to start the year, activity returned to trend in recent months. Developers pulled permits for roughly 1,000 units during the second quarter, down 48% from the preceding three months.
- **FORECAST:** The pace of multifamily deliveries is expected to slow slightly through the end of the year, but annual completions will likely reach 4,000 units in 2025, a 63% increase from the lighter levels recorded in 2024. During the past five years, developers have delivered an average of 3,150 units per year.

Class A vacancy is currently 5.4%.

#### VACANCY TRENDS



#### VACANCY

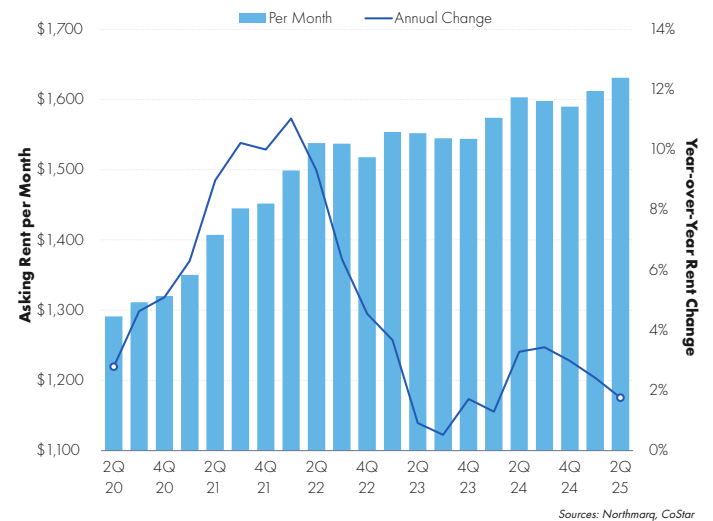
- The vacancy rate in Richmond inched lower by 10 basis points during the second quarter, reaching 6.9%. Year over year, area vacancy is up 40 basis points. Despite rising during the past year, vacancy has remained generally stable over the long term, fluctuating between 6.5% to 7.1% since the end of 2022.
- While vacancy trends were mixed across submarkets, the rate in Downtown Richmond improved during the past year. Apartment vacancy in this area closed the second quarter at 5.0%, down 150 basis points from one year ago.
- Top-tier vacancy has performed well in recent quarters, due in part to the lighter levels of inventory growth in 2024. Class A vacancy is currently 5.4%, identical to levels recorded one year ago.
- FORECAST:** Vacancy is projected to remain stable in the coming quarters, as consistent renter demand should keep pace with supply growth. Area vacancy is forecast to close 2025 at 7.0%, up just 10 basis points from the end of 2024.

#### RENTS

- Asking rents in Richmond continued to advance at a solid pace in recent months after inching lower during the second half of 2024. Area rents rose by 1.2% during the second quarter to \$1,631 per month. During the past year, rents are up 1.7%.
- Rents in Western Henrico County trended higher during the past year, slightly outpacing the market rate. Year over year, rents in this submarket increased by 2.1% to \$1,702 per month.
- Apartment rents rose across all asset classes in recent years. Class A rents are currently \$1,840 per month, up 2.1% annually. Class B rents advanced at a similar rate, rising by 2.2% during the past year.
- FORECAST:** Area rents are expected to continue to rise through the end of the year. Apartment rents are forecast to rise by 3.1% annually, finishing 2025 at \$1,640 per month. Prior to the spike recorded in 2021, annual rent gains averaged 3.2% from 2012 to 2020.

During the past year, rents are up 1.7%.

#### RENTS TRENDS

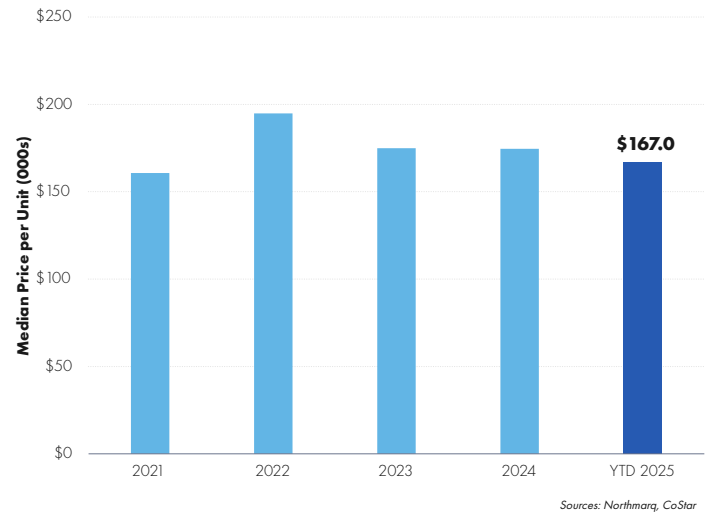


## MULTIFAMILY SALES

- Sales activity in the Richmond multifamily market has strengthened in recent periods following limited transaction activity for most of the prior year. Year to date, total sales have more than doubled the limited levels recorded during the same period last year, but remain 33% below the region's 10-year average.
- Year to date, the median sales price is \$167,000 per unit, down 4% from one year ago. The sales mix in 2025 has been concentrated at the opposite ends of the vintage spectrum, with properties built in the 2020s and 1960s accounting for 67% of sales. In 2024, activity was primarily driven by assets built in the 2000s.
- Cap rates continued to average approximately 6.0% during the second quarter, closely tracking levels recorded since the beginning of 2024. Average cap rates reached a low of around 5.0% in the opening months of 2022.

*Year to date, the median sales price is \$167,000 per unit.*

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

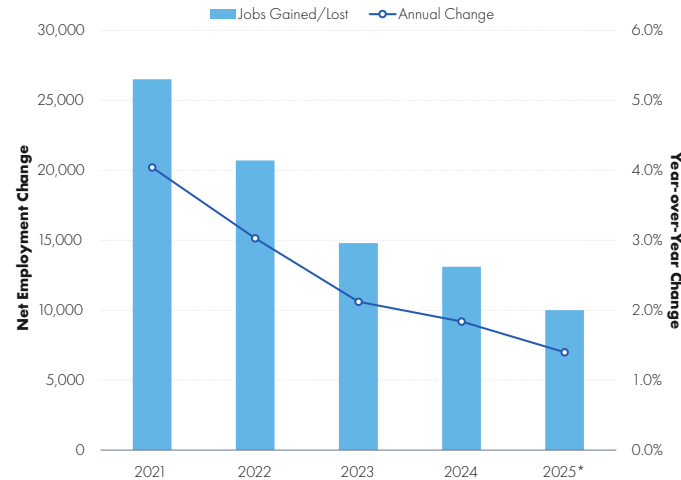
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Metropolis at Innsbrook	4500 Metropolis Dr., Glen Allen	2023	402	\$98,000,000	\$243,781
Reserve South	6701 Carnation St., Richmond	1987	200	\$33,350,000	\$166,750

## LOOKING AHEAD

The Richmond multifamily market is expected to continue working through existing supply as the construction pipeline tapers. Even so, projects totaling approximately 4,000 units are expected to come online this year, elevated compared to traditional levels, but below the 2023 peak. Renter demand should remain healthy, supporting stable vacancy conditions. The vacancy rate is projected to end the year at 7.0%, up just 10 basis points from the rate at the close of 2024. Strong absorption is likely to support modest rent growth in the second half of the year. While rents in Richmond have trended lower during the second halves of the past three years, this pattern is expected to reverse in the coming months. Submarkets with limited new construction, such as Chesterfield, are poised to outperform with healthy rent growth and below-average vacancy.

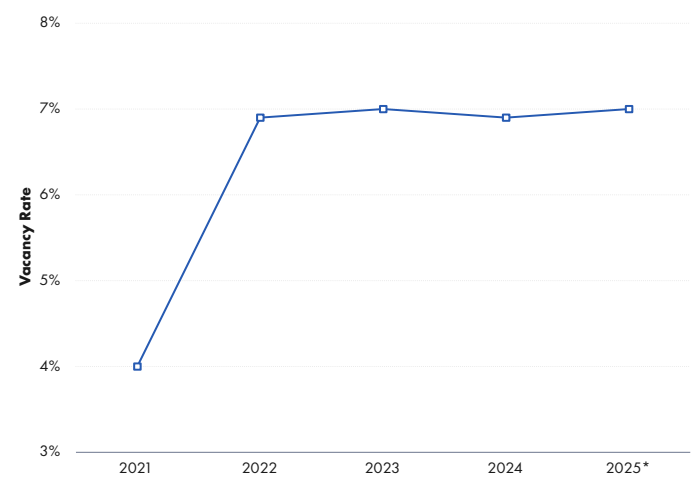
An early look into the third quarter suggests that sales velocity should accelerate through the end of 2025, following historical trends. Total sales in the Richmond multifamily investment market are likely to surpass levels recorded in each of the past two years and may match long-term averages with a strong finish to the year. While the sales mix to this point in the year has been concentrated at the extremes of the vintage spectrum, properties across all vintages are expected to change hands more frequently, consistent with patterns observed over the past five years. Buyer and seller expectations appear to have aligned during the past nine months, which bodes well for the future of the local investment market.

### EMPLOYMENT FORECAST



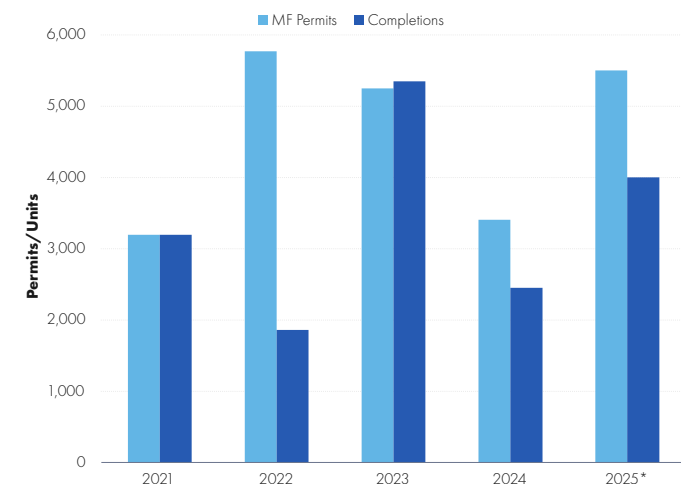
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### VACANCY FORECAST



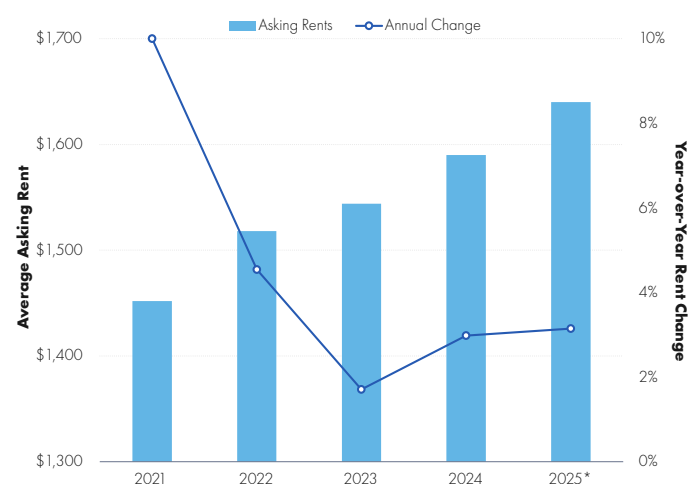
\* Year End Forecast  
Sources: Northmarq, CoStar

### CONSTRUCTION & PERMITTING FORECAST



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

### RENTS FORECAST



\* Year End Forecast  
Sources: Northmarq, CoStar



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