

**CONSTRUCTION
ACTIVITY**



UNDER CONSTRUCTION **5,451**

UNITS DELIVERED (YTD) **3,442**

**MARKET
FUNDAMENTALS**



VACANCY RATE **7.4%**

YEAR-OVER-YEAR CHANGE **+80bps**

ASKING RENTS **\$1,625**

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

**TRANSACTION
ACTIVITY (YTD)**



MEDIAN PRICE PER UNIT **\$166,800**

**RICHMOND
MULTIFAMILY
Q3 2025**

MARKET INSIGHTS

Vacancy rises as new supply continues to deliver

HIGHLIGHTS

- Operating fundamentals were mixed in the third quarter, as elevated supply continued to impact the Richmond market. Vacancy rose to 7.4%, up 80 basis points year over year.
- Average rents increased to \$1,625 per month, reflecting a 1.7% annual rate of growth. Compared with the previous quarter, rents declined 0.4%.
- Development activity levels have ramped up steadily, with deliveries increasing by about 70% between 2022 and 2025. Completions reached 3,442 units so far in 2025, and the forecast calls for roughly 4,000 units by year-end.
- Sales activity remains slightly below the trailing five-year average. Year to date, the median sale price is \$166,800 per unit, with Class A assets trading at cap rates between 5.25% to 5.75%.

RICHMOND MULTIFAMILY MARKET OVERVIEW

Richmond's multifamily market is adjusting to new supply during a period where demand drivers remain strong. During the third quarter, vacancy rose to a 10-year high of 7.4%, up 50 basis points from the midyear figure. Operators are competing for renters through competitive rent adjustments and targeted concessions. Average rents fell 0.4% from the prior quarter, but have advanced by 1.7% year over year, reaching \$1,625 per month. Year to date, 3,442 units have been delivered, particularly in Downtown Richmond, and submarkets in Chesterfield County. With new supply expected to taper in 2026, the current imbalance is expected to normalize over the medium term.

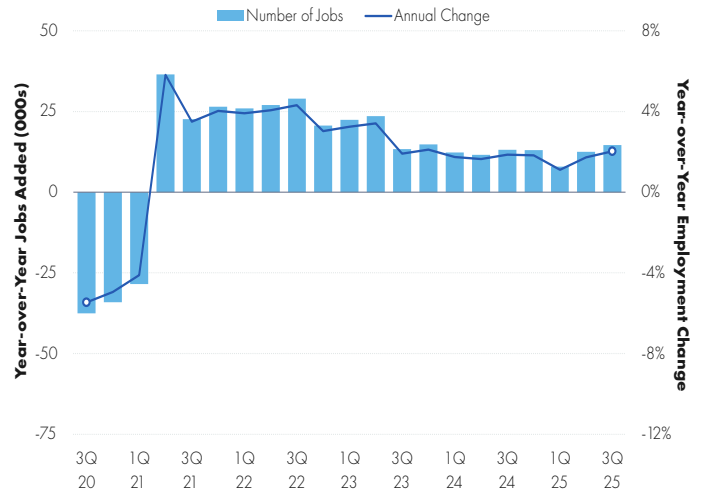
Sales activity has remained relatively steady, averaging slightly below the 10-year average. Multifamily sales in the market tend to be seasonal, with historical data of the past 10 years showing nearly half of annual transactions occurring in the fourth quarter. The investment market is being impacted by headwinds including price discovery, tighter underwriting, and higher capital costs. Asset classes trading in Richmond are largely diverse, with a modest skew toward institutional quality deals in core submarkets. On average, investors are transacting at higher cap rates than 2021–2022 levels, with most Class A trades falling in the 5.25% to 5.75% range. While some buyers and sellers have adjusted price expectations, many remain on the sidelines awaiting improved financing conditions. Despite these challenges, investor interest in Richmond remains strong, supported by a favorable long-term outlook.

EMPLOYMENT

- Business expansion continues to strengthen Richmond’s regional competitiveness. Total employment grew 2.0% year over year, adding 14,600 jobs by the end of the third quarter of 2025. Richmond represents one of the most consistently expanding labor markets in the Mid-Atlantic region.
- The healthcare and social assistance sector remains a strong performer, fueled by ongoing expansion of VCU Health, Hospital Corporation of America, and regional outpatient care networks. This sector has grown by 6.2% year over year, adding 5,800 jobs.
- This quarter, the City of Richmond’s Economic Development Authority began soliciting developers for the design and construction of a new downtown transit hub on the former Public Safety Building site, which will anchor a mixed-use development including residential, commercial, and retail components.
- **FORECAST:** Looking ahead, job growth is expected to remain positive through the end of 2025, with an estimated 1.9% annual increase, adding approximately 14,000 jobs.

Total employment grew 2.0% year over year.

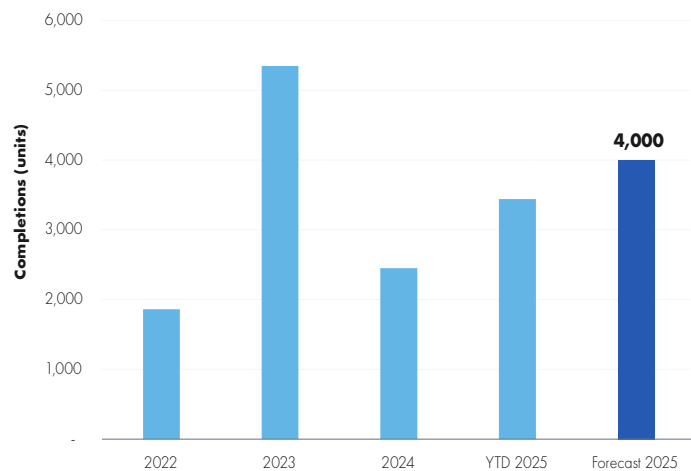
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Year-to-date deliveries total approximately 3,400 units.

DEVELOPMENT TRENDS



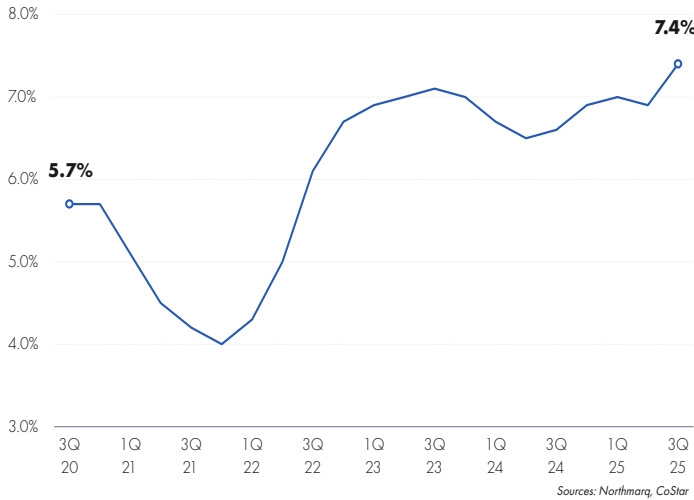
Sources: Northmarq, CoStar

DEVELOPMENT & PERMITTING

- Richmond continues to record elevated levels of new supply, with few indicators pointing to a meaningful slowdown in the near term. Year-to-date deliveries total approximately 3,400 units, surpassing the 10-year average of 2,600 units.
- Approximately 5,450 units are currently under construction in the metro. The development pipeline remains concentrated in the urban core.
- By the end of 2025, building permits issued for multifamily are forecast to total 4,500 units. Current permitting levels are below the recent peak, but still above the 5-year average.
- **FORECAST:** Full-year 2025 deliveries are projected at 4,000 units. While this remains below the 2023 peak of 5,300 units, it is still historically high and will continue to influence operating fundamentals into 2026.

Vacancy reached 7.4% in the third quarter.

VACANCY TRENDS



VACANCY

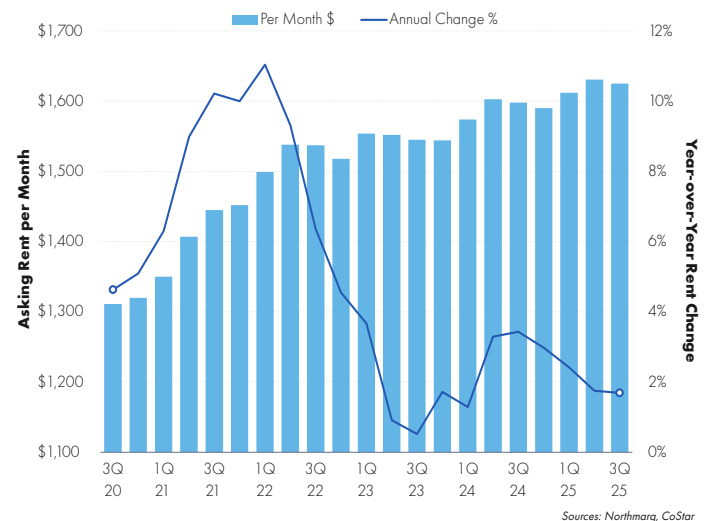
- Year over year, vacancy rose 80 basis points, reaching a recent high of 7.4% in the third quarter. Although absorption remains strong, new supply has outpaced it by nearly 50% to this point in 2025.
- Submarket performance varied. Petersburg and Eastern Henrico recorded the highest submarket vacancy rates at 11.5% and 12.0%, respectively. In contrast, Downtown Richmond at 5.1% and Goochland at 5.4% remained comparatively tight, supported by strong demand.
- During the past 12 months, Class A vacancy increased 30 basis points to 6.2%, Class B increased by 50 basis points to 6.7% and Class C vacancy rose by 70 basis points to 8.6%. This trend suggests a flight to quality is taking place among the Richmond renter base.
- **FORECAST:** Vacancy is expected to peak at 7.5% in the final quarter of 2025 before leveling off in 2026.

RENTS

- Asking rents reached \$1,625 per month in the third quarter, reflecting annual growth of 1.7%, the same rate recorded a quarter prior.
- Submarket results were mixed. Hanover and Northside rents fell by 2.8% and 2.3% during the past 12 months. In contrast, Midlothian and Eastern Henrico posted year-over-year rent gains of 2.4% and 2.2%, respectively.
- During the past year, rent trends have diverged by asset class. Class A asking rents have increased by 1.9%, reaching \$1,848 per month. In the lower tiers, Class C rents have declined by 1.7% to less than \$1,400 per month.
- **FORECAST:** Rent growth is expected to remain healthy, reaching \$1,630 per month by year-end, an increase of 2.5%.

Asking rents increased 1.7% year over year.

RENTS TRENDS

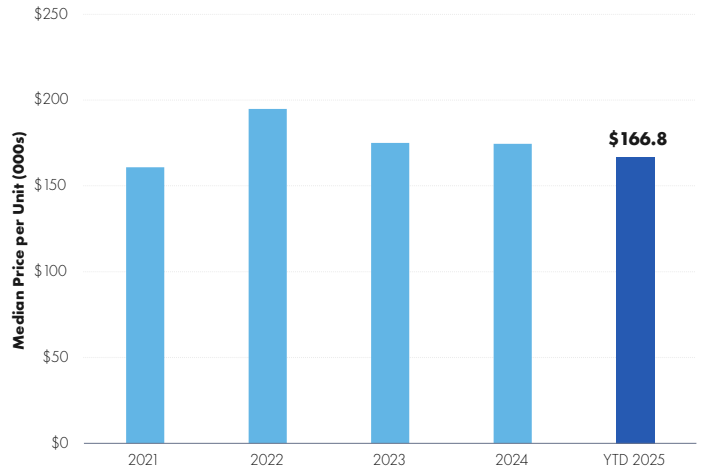


MULTIFAMILY SALES

- Sales activity remains below the trailing five-year average. Historically, the fourth quarter has been the most active period for Richmond multifamily transactions, accounting for nearly half of annual sales, indicating that full-year totals could still increase.
- Pricing continues to adjust downward from peak 2022 levels, with properties trading at a year-to-date median sale price of \$166,800 per unit.
- Stabilized Class A properties are trading at cap rates between 5.25% to 5.75%, while Class B assets are changing hands with cap rates in the 5.75% to 6.25% range.

The year-to-date median sale price is \$166,800 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

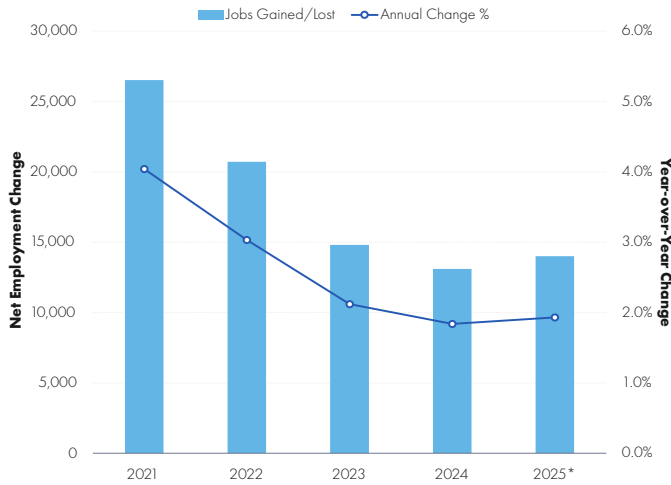
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Bexley West Creek	12608 Patterson Ave., Richmond	2023	335	\$102,175,000	\$305,000
The Bend at 4800	4800 Burnt Oak Circle, North Chesterfield	2002	248	\$44,000,000	\$177,419
Wellington Place	5480 Bradley Pines Circle, Sandston	1991	200	\$31,000,000	\$155,000

LOOKING AHEAD

Richmond’s multifamily fundamentals are expected to stabilize in 2026. Vacancy is projected to peak at 7.5% in late 2025 before potentially leveling off in early 2026. Rent growth should remain positive but moderate as supply pressure keeps operators competitive in attracting new tenants. Key demand drivers, including steady population in-migration, expanding employment, and relative affordability compared with Northern Virginia, position Richmond for strong long-term market conditions. Concessions are expected to remain elevated over the next few quarters but could taper if lease-up velocity increases or supply growth slows.

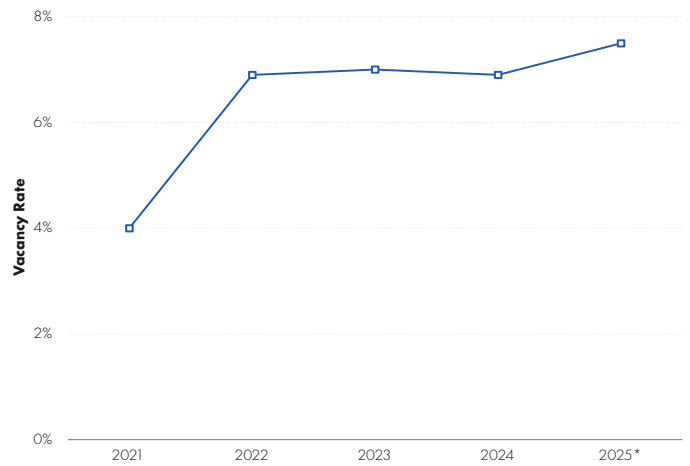
Investment activity is expected to strengthen gradually as interest rate uncertainty moderates and pricing clarity improves. Richmond remains an attractive market for investors due to its strong fundamentals, including economic consistency, a growing renter base, and lower pricing volatility. As fundamentals stabilize and financing conditions improve, transaction volume is likely to increase in 2026. Early signs of renewed activity may first appear in value-add acquisitions, followed by stabilized Class A trades as rent growth accelerates.

EMPLOYMENT FORECAST



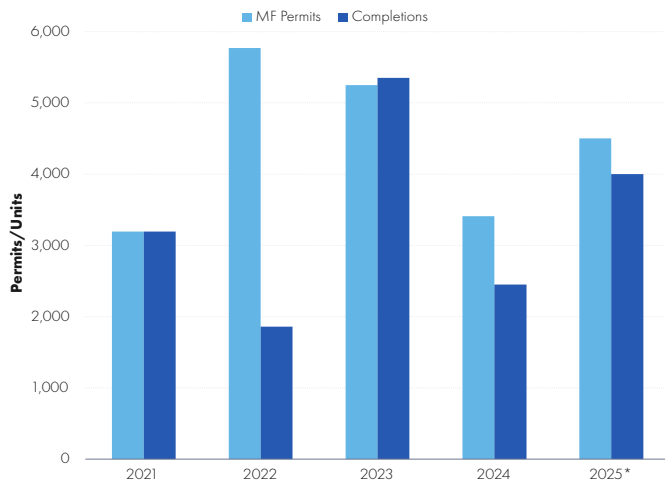
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



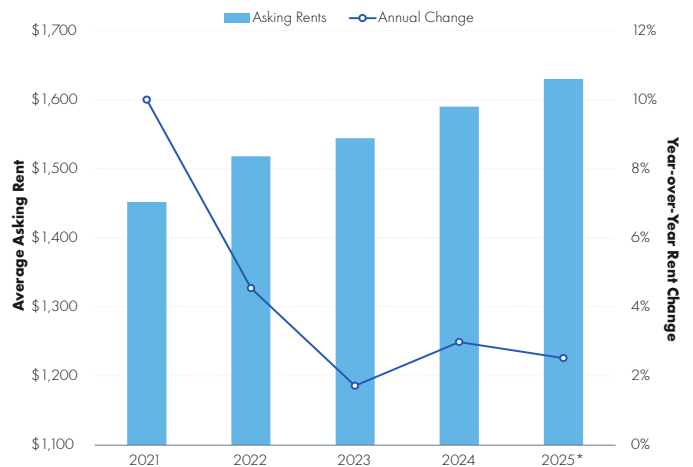
* Year End Forecast
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, CoStar



FOR MORE INFORMATION, PLEASE CONTACT

CHRIS DOERR

Regional Managing Director, Investment Sales

301.861.0013

cdoerr@northmarq.com

KEITH WELLS

Managing Director, Debt + Equity

804.447.0433

kwells@northmarq.com

WIN MARTIN

Vice President, Debt + Equity

804.918.9741

wmartin@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

KEVIN LIMA, *Research Analyst* | 480.977.6980 | klima@northmarq.com

ABOUT NORTHMARQ

Northmarq is one of the largest privately held commercial real estate firms in the United States, combining a nationwide presence with deep local expertise. With more than 50 offices across the country, we provide a full suite of debt, equity, investment sales, loan servicing and fund management solutions for a comprehensive range of property types. Our unique structure allows us to connect clients with the best opportunities, yet be nimble enough to ensure access to every expert across our company. The firm manages a loan servicing portfolio of over \$78 billion and has completed \$69.5 billion in transactions over the past three years. At Northmarq, collaboration fuels results, helping clients achieve success in every market, nationwide. For more information, visit www.northmarq.com.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report. ©2025. All rights reserved.