Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	4,240
UNITS DELIVERED (YTD)	3,412

MARKET FUNDAMENTALS

VACANCY RATE	7.2%
YEAR-OVER-YEAR CHANGE	+30bps
ASKING RENTS	$1,619
YEAR-OVER-YEAR CHANGE	+1.8%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$222,400

RICHMOND MULTIFAMILY
Q4 2025

MARKET INSIGHTS

Annual rent growth holds up despite rising supply

HIGHLIGHTS

- Property performance in the Richmond multifamily market was mixed throughout 2025, yet operating conditions closed the year on solid footing. Asking rents advanced for the full year, and strong renter demand kept the annual vacancy increase minimal.
- Vacancy decreased by 20 basis points quarter over quarter to 7.2%. Although short-term conditions improved, vacancy is up 30 basis points compared to the same period last year.
- Following moderate gains during the first half of the year, rents inched lower in the second half, tracking a similar pattern recorded in 2024. Asking rents advanced by 1.8% annually to $1,619 per month, as first-half gains were stronger than second-half declines.
- The median sale price in 2025 was $222,400 per unit, up 27% from 2024. Transaction velocity continues to decline, as total sales during the past year lagged levels recorded in 2024 by 15%. Late in the year, cap rates compressed by 25-50 basis points compared to 2024.

RICHMOND MULTIFAMILY MARKET OVERVIEW

Continued renter demand in the Richmond multifamily market supported property performance even as developers delivered the second-highest annual total of new units to the market during the past decade. More than 3,400 new units were added to inventory during the year, a 39% increase from 2024. Net absorption of approximately 2,750 units helped offset most of the impact of new construction, signaling that the market's core demand drivers remain strong. Vacancies have generally remained within a tight range since late 2022, although the rate did rise 30 basis points in 2025. While most submarkets posted annual vacancy increases, the rate in Downtown Richmond remained steady in the mid-5% range. Absorption in Downtown Richmond trended higher, recording net move-ins of about 600 units in 2025, up from nearly 350 units in 2024.

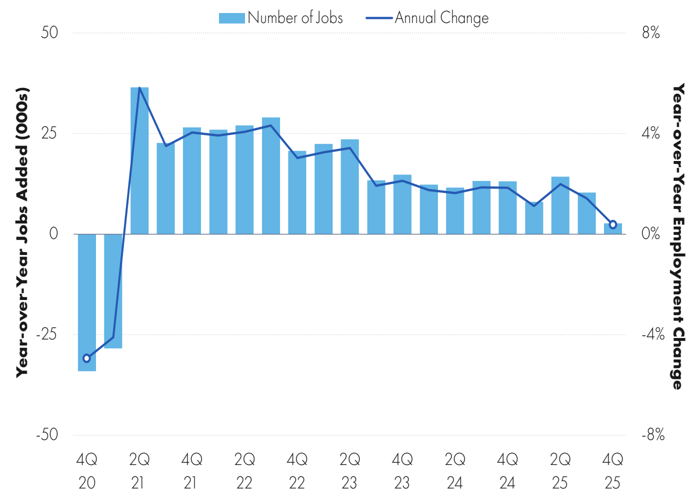
Transaction activity slowed in Richmond in 2025, as the number of multifamily properties sold declined by about 15% from 2024 and nearly 60% from the 2021 cyclical peak. In the deals that did occur, the sales mix was dominated by newer-vintage assets. Sales activity for properties built in the 2020s more than doubled from 2024 to 2025, pushing overall pricing higher. The median sale price in 2025 was $222,400 per unit, up 27% from last year. Class A assets generally traded with cap rates between 5.0% and 5.5%, and core-plus or value-add opportunities typically priced in the 5.75% to 6.5% range.

EMPLOYMENT

- Employment growth in Richmond maintained momentum through most of 2025, but slowed in the fourth quarter, bringing year-over-year growth to 2,700 jobs, an increase of 0.4%.
- Rebounding from a period of slow performance, the finance sector recorded an annual gain of 1,600 positions in Richmond, representing 2.8% annual growth. In the preceding two years, this sector lost 500 positions.
- Midtown64, a $500 million 46-acre mixed-use development in Richmond, broke ground in December. The site will include a mix of apartments, townhouses, a hotel, office space and a retail component anchored by a grocery store and a fitness concept. The phased construction plan is expected to be completed by 2028.
- **FORECAST:** Job growth in Richmond is expected to remain positive through 2026, rising about 1.0% annually and adding roughly 7,000 new jobs.

The finance sector recorded an annual gain of 1,600 positions.

EMPLOYMENT OVERVIEW



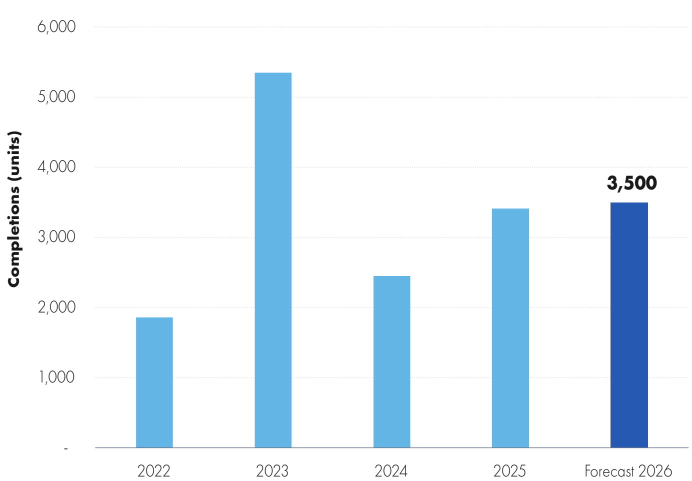
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- The Richmond multifamily market remains in a supply expansion phase. In 2025, builders completed approximately 3,400 units, exceeding the average of 2,600 units built over the trailing 10 years.
- The development pipeline is active with more than 4,200 units under construction. The most active submarkets for new construction are Western Henrico County with 1,820 units and Downtown Richmond with 1,470 units.
- For the full year 2025, building permits issued for multifamily projects totaled 4,600 units, a 35% increase from 2024. Since 2021, developers pulled permits for an average of 4,450 units per year.
- **FORECAST:** Deliveries in 2026 should closely track levels from the prior year. Developers are expected to complete projects totaling approximately 3,500 units in the coming year.

More than 4,200 units are under construction.

DEVELOPMENT TRENDS



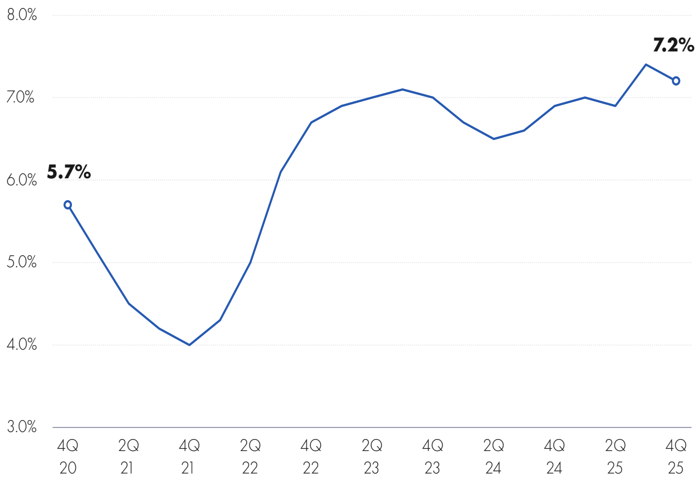
Sources: Northmarq, CoStar

VACANCY

Multifamily vacancy in Richmond closed 2025 at 7.2%.

- Vacancy in Richmond improved in recent months after rising during the third quarter. Area vacancy declined by 20 basis points during the fourth quarter to 7.2%. Despite the recent improvement, the rate is up 30 basis points annually.
- While vacancy trended higher across most submarkets, the rate in Downtown Richmond remained steady between 5.6% and 5.7% throughout 2025.
- Vacancy conditions in Class A properties have faced increased pressure from supply growth. During the past 12 months, the Class A vacancy rate increased 100 basis points to 6.5%. Even with the recent increase, top-tier vacancy is below market levels.
- **FORECAST:** By year-end 2026, vacancy is expected to inch up to 7.4% as supply expansion continues. The possibility of a significant vacancy increase should be offset by continued healthy absorption, which is driven by employment and population growth in Richmond.

VACANCY TRENDS



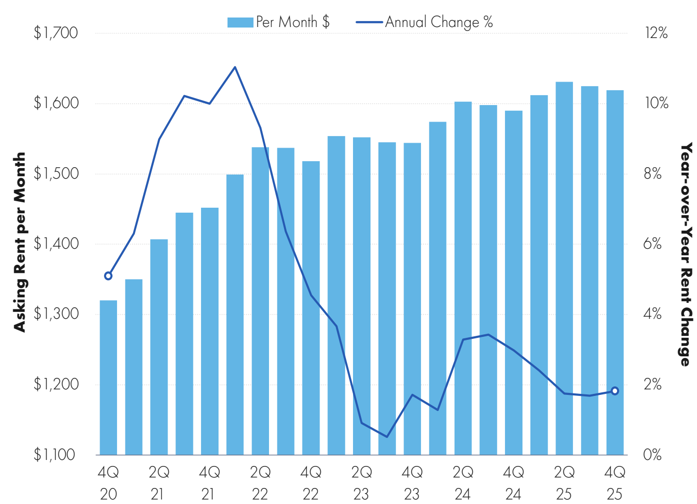
Sources: Northmarq, CoStar

RENTS

- Rents have dipped since the second quarter of 2025, declining from $1,631 per month to $1,619 per month by the end of the fourth quarter. Despite the recent decline, average rents are up 1.8% annually.
- The strongest rent gains were recorded in Chesterfield County. Chesterfield County's asking rents advanced by 2.5% during 2025, reaching $1,684 per month. Petersburg was also up 2.5% annually to $1,212 per month.
- Asking rents for top-tier properties rose in recent quarters, but gains were modest. Class A rents increased by 1.3% during the past 12 months to $1,835 per month.
- **FORECAST:** Rent trends from 2025 are expected to continue into 2026. Asking rents are forecast to reach $1,645 per month by year-end, an annual increase of 1.6%.

Average rents are up 1.8% annually.

RENTS TRENDS



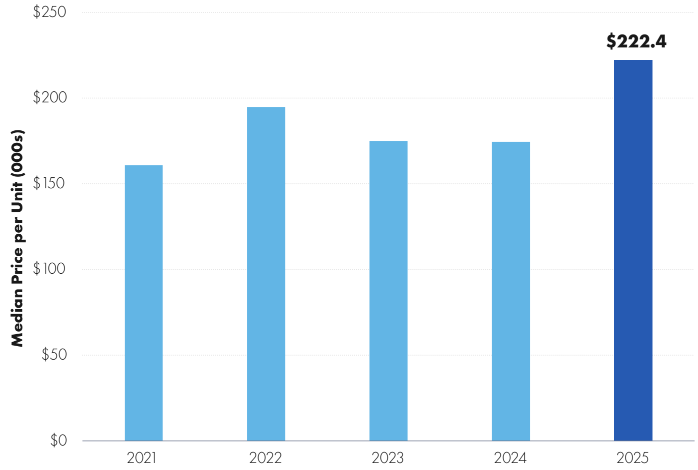
Sources: Northmarq, CoStar

MULTIFAMILY SALES

- Since peaking in 2021, sales activity has slowed. In 2025, total sales in Richmond fell by 15% compared to the previous year and have declined by nearly 60% since the 2021 cycle peak.
- The pace of Class C property sales slowed significantly in 2025, influencing overall pricing trends. Historically, Class C properties have accounted for nearly 50% of total transactions in the Richmond market, but in 2025, Class C communities represented only 20% of the sales mix. This past year marked the fewest Class C sales in Richmond since 2020.
- With the sales mix dominated by Class A and newer Class B assets, per-unit prices pushed higher. The median price in 2025 was $222,400 per unit, up 27% from the prior year.
- During 2025, cap rates trended lower, compressing by generally 25-50 basis points compared to 2024. Stabilized Class A properties are trading at cap rates between 5.0% to 5.5%, while core-plus and value-add assets are trading in the 5.75% to 6.5% range.

The median sale price in 2025 was $222,400 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

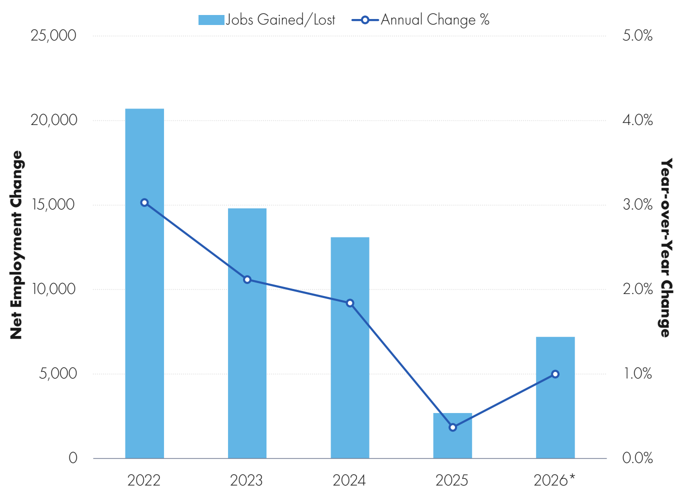
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Marshall Springs at Gayton West	4501 Marshall Run Circle, Glen Allen	2014	420	$119,750,000	$285,119
Everleigh Short Pump	12651 Three Chopt Road, Henrico	2021	165	$63,500,000	$384,848
Triton Glen	10945 Nuckols Road, Glen Allen	2024	250	$65,000,000	$260,000
Sphere Apartments	2005 Brook Road, Richmond	2023	224	$45,020,190	$200,983

LOOKING AHEAD

Richmond's multifamily operating conditions are expected to remain stable but will continue to be shaped by elevated supply. About 3,500 new units are forecast to be delivered over the next year, similar to the 2025 total. Continued supply growth is projected to pressure overall vacancy slightly higher, from 7.2% to around 7.4%. Still, employment in the region is projected to increase by roughly 1.0% in 2026, supporting demand for housing. Gains will likely continue to be driven by education and health services and finance, with key assets like the VA Bio+ Tech Park serving as drivers to demand.

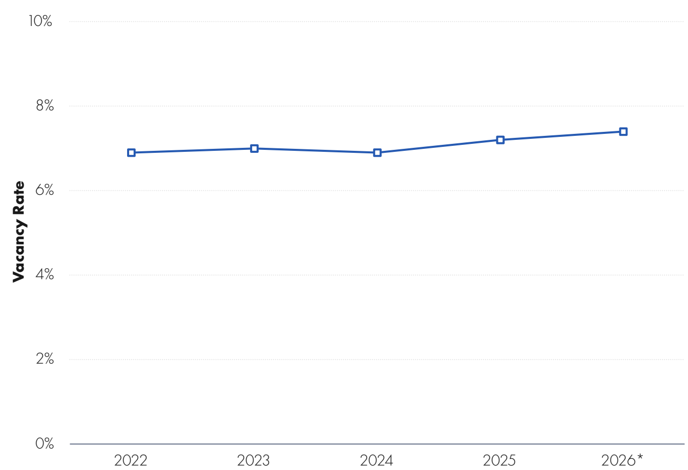
Investment activity could gain some momentum in 2026, particularly if interest rates tick lower and the market continues to generate rent increases. Investors may continue to show a preference for newer-vintage communities that justify higher per-unit pricing, but the market will truly show signs of stabilizing when older assets begin to trade in larger numbers. Cap rates on Class A assets are expected to continue trading in the low- to mid-5% range, while older vintages land in the mid-5% to mid-6% band.

EMPLOYMENT FORECAST



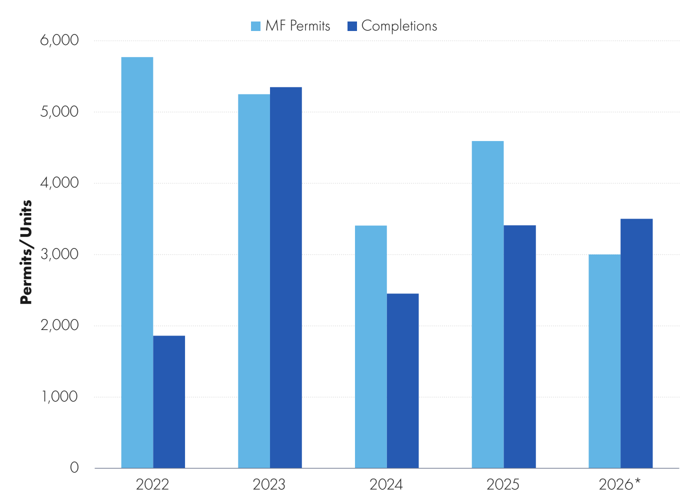
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



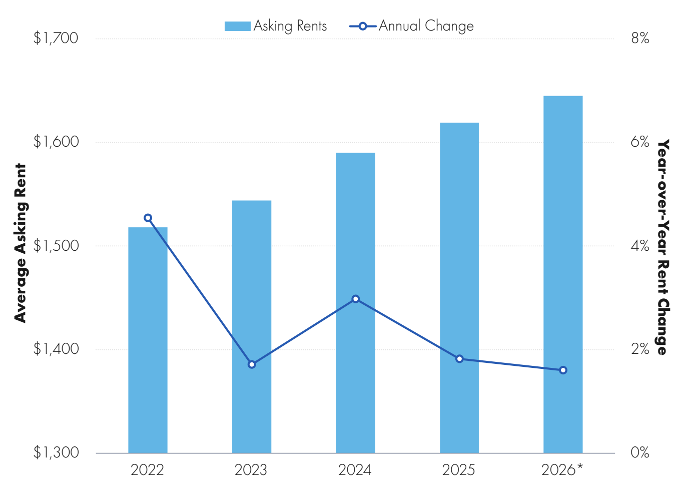
** Year End Forecast*
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, CoStar

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