

# Multifamily Metro Outlook:

## Norfolk - Virginia Beach - Q4 2023

### Overview:

- Norfolk's performance has been slowly stabilizing since the pandemic. Low business costs and aggressive development efforts have allowed personal income growth to increase 6% in 2023 which is an increase from 3.2% in 2022. Expansion in the labor force led to monthly payroll growth that is mildly leading that of the state and region, especially leisure and hospitality which is showing signs of growth
- The consistent flow of defense dollars to contractors in the area in combination with capital improvements in the logistics industry continues to fuel job creation; thus, it should hardly come as a surprise the median household income is above the national average at 79,300 compared to 75,100 for the national average. However, the rate of growth, 25.6%, is below the national average of 30.3%, according to RealPage.
- Although the cost of housing continues to rise in both the multifamily and single-family sectors, cooling inflation has slowed down the pace at which rents and mortgages are increasing. Although annual price growth among multifamily rents continues to outpace single-family housing price growth, the cost of renting in the metro remains a more affordable option.

### Market Strengths:

- Elevated defense spending and new investment projects will support Norfolk's outsized defense sector. The share of military employment is six times the U.S. average, and the metro is home to multiple high-profile defense contractors.
- Capital improvements at the Port of Virginia should create greater capacity and lead to increased efficiency which, when combined with the metro's central location in the Mid-Atlantic, is expected to draw more logistics firms into the region. Amazon broke ground in September on second new facilities on 237 acres in Virginia Beach. An investment more than \$350 million in a robotics fulfillment center and a delivery station which are expected to create more than 1,000 new jobs.

### Market Weaknesses:

- Norfolk has several cornerstones to ensure the economy does not further recede amidst a recession, but they do little to combat rising inflation as household incomes in the metro still lag the rest of the state.
- Norfolk's population increase trailed behind the national average in 2023. In addition, the fastest growing population was the 55 years and over segment which grew 14.2% from 2017-2022. Meanwhile the metros 20-34-year-old cohort, a crucial component of the apartment market shrank 3.2%.

### Development:

- Lackluster development has historically plagued Norfolk's multifamily market. However new apartment completions were modest recently as approximately 1,300 units were delivered in 2023, and there are 1,900 units under construction with most of those units scheduled to complete in the next four quarters. Housing permits have decreased by almost 300 since last year.
- Single-family development is on par with the multifamily sector, the number of permits issued during 2023 totaled just under 3,600, which was a very slight decline from last year's levels.

### Outlook:

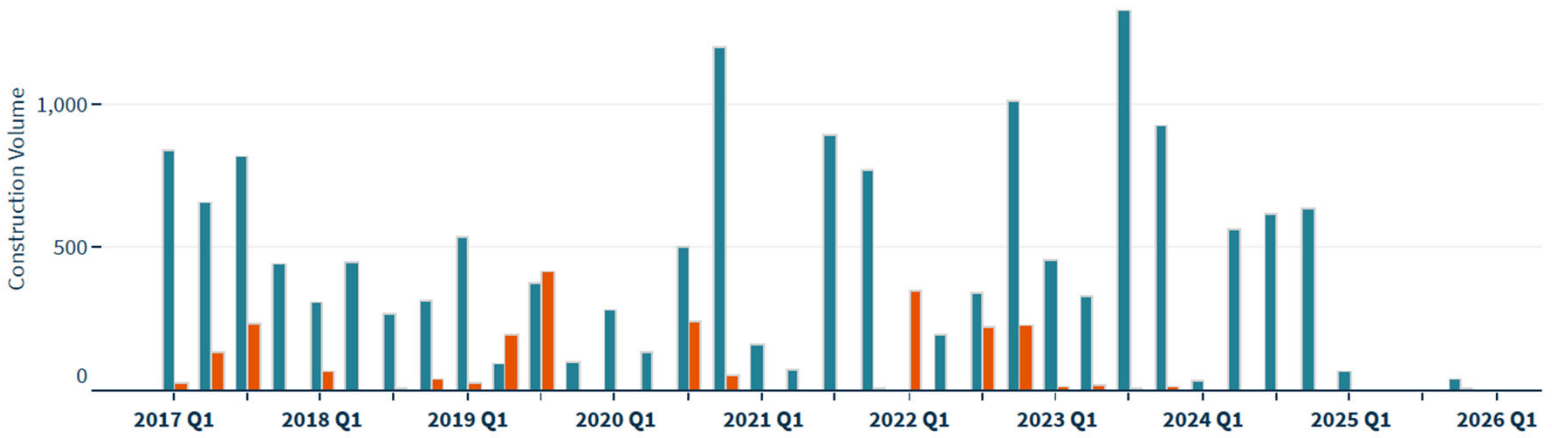
- Even with new multifamily supply trickling slowly into the market, the signs of easing appear to be ramping up. The vacancy rate has increased in each consecutive period since third quarter ending 2021, reaching 4.5% in Q4 2023, though this remains below the national average of 7.7%. Nonetheless, the current multifamily pipeline is likely insufficient to produce adequate supply in the near-future, although the composition of the residents in the metro leave for little in term of demand. Thus, asking rents advanced 1.0% over the last year. As such, fundamentals are expected to remain in a relatively healthy range even if they continue modestly easing.
- Norfolk will benefit from the high-functioning port and elevated defense spending. However, the reliance on trade and federal budget decisions mean that outsized growth is just as unlikely as a severe downturn. Considering the performance of its peers, employment and income gains in the metro will probably underperform the rest of the region in the near-term, but the region is expected to overperform the rest of the nation.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

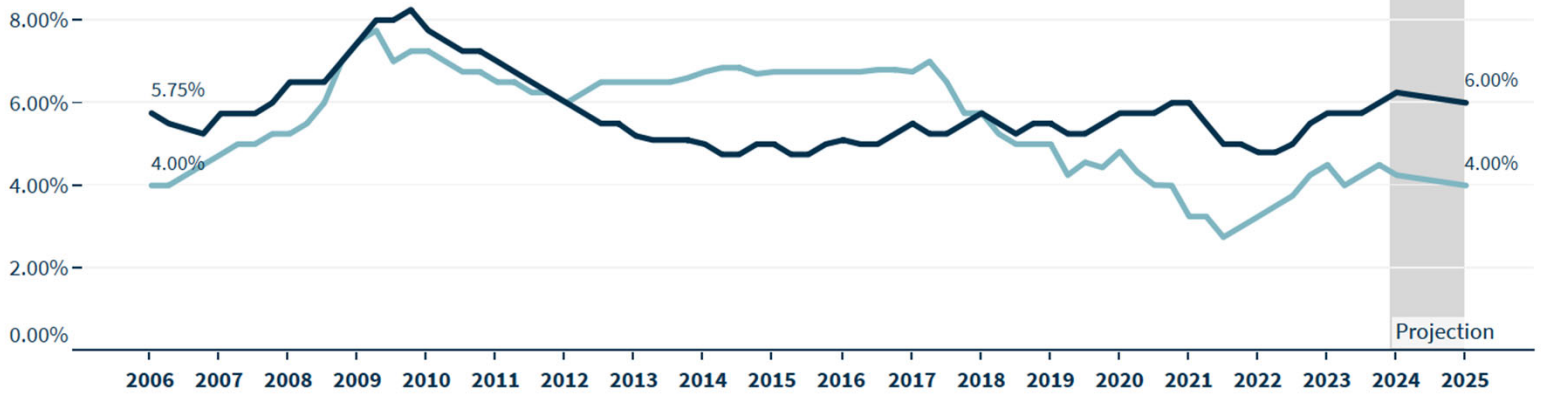
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Norfolk | National

Q4 2023 Vacancy Rate:

4.50%

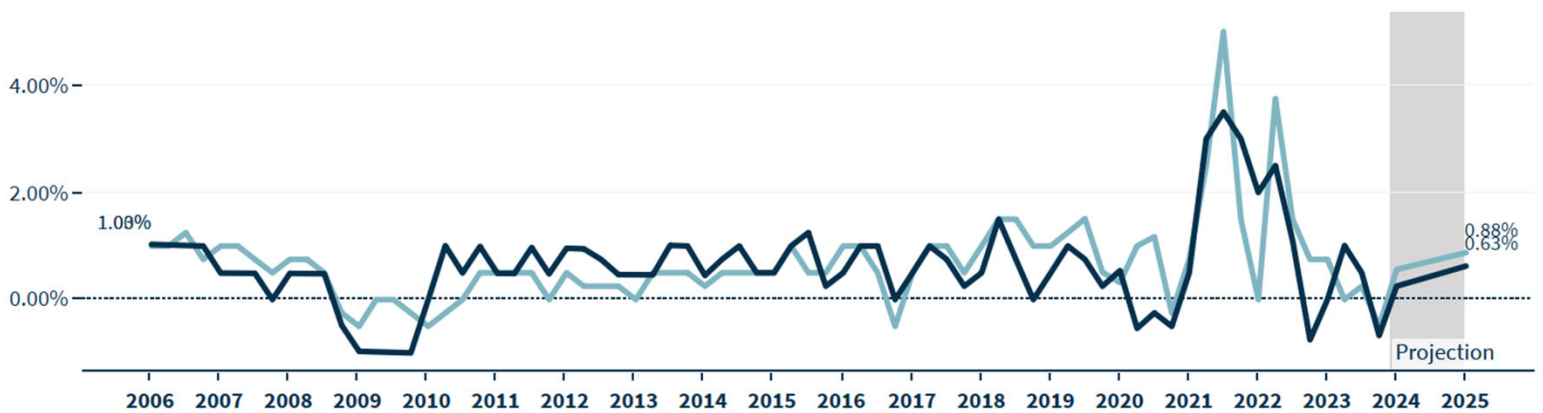


### Asking Rent Growth

Norfolk | National

Q4 2023 Asking Rent:

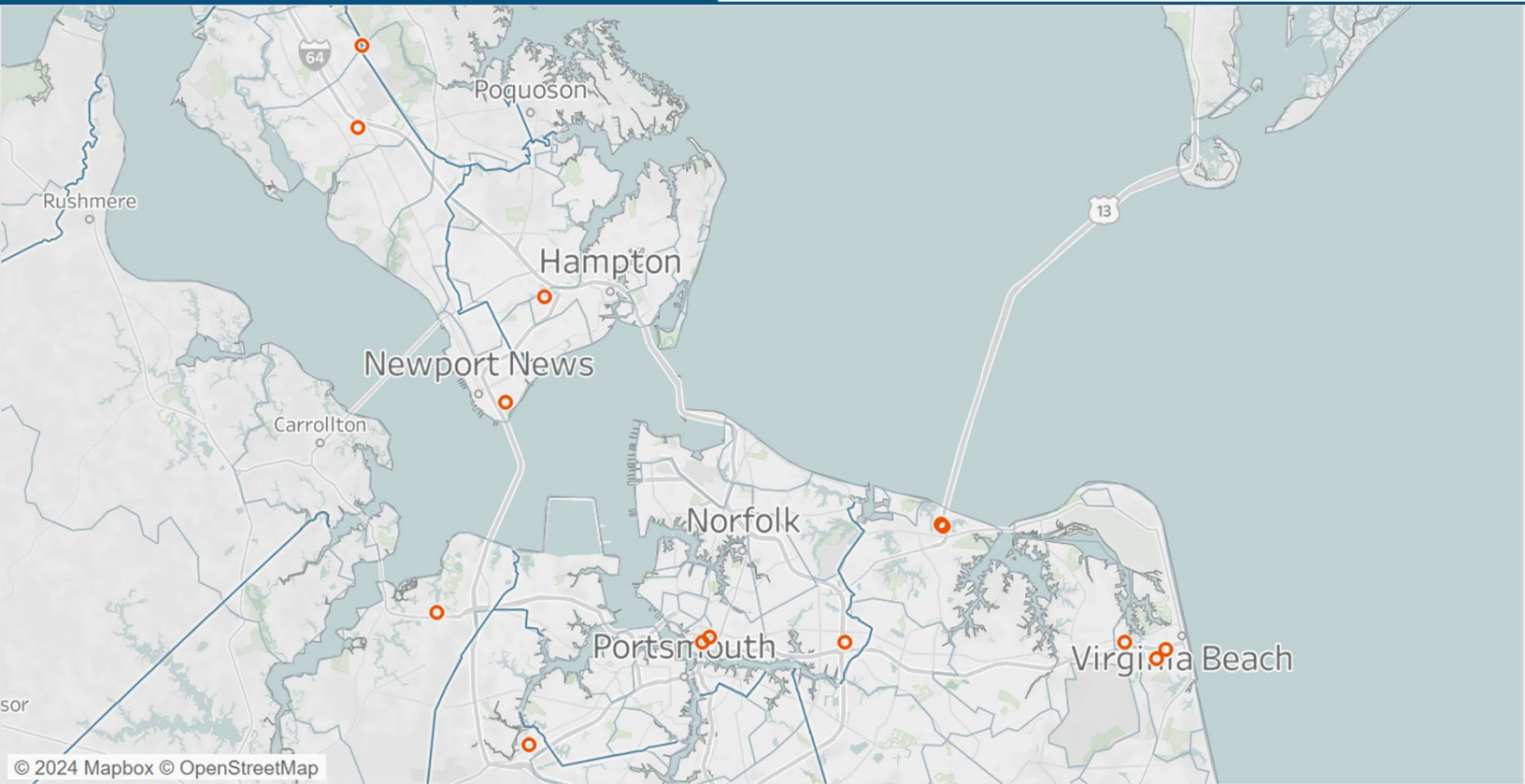
\$1,420



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Hampton/Poquoson	1	68
Newport News	3	559
Portsmouth/Suffolk	2	288
Southern Norfolk	3	520
Virginia Beach East	3	231
Virginia Beach West	3	283
<b>Grand Total</b>	<b>15</b>	<b>1,949</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Norfolk-Virginia Beach Q4 2023

## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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