

Multifamily Metro Outlook:

Richmond – Q2 2024

Overview:

- Richmond's economy continued to expand in the year ending Q2 2024 as shown in the metro's inflation-adjusted economic output, which expanded 2.2%. Additionally, the metro recorded a net gain of 11,100 jobs, which increased the employment base by 1.6%, according to RealPage.
- Richmond has a comparatively low unemployment rate of 2.8% as of the second quarter 2024. This is markedly lower than the national unemployment rate of 3.7%. Looking forward, Richmond's economy should see additional upside potential if migration helps the economy grow.
- The median household income in the metro, which averaged \$86,300 as of the second quarter 2024, is considerably above the national average of \$78,200 which has allowed the metro to better resist substantial inflationary pressures that built around the country throughout 2023 and continued into the beginning of 2024.
- Richmond's levels of net absorption have ebbed and flowed from 1,300 units all the way up to 5,600 units in the last five years. In the year ending Q2 2024, the market recorded demand for 4,000 units, which matched concurrent supply volumes. Thus, the vacancy rate has decreased to around 5.65%.

Market Strengths:

- Richmond is one of the most affordable places to live in the lower Atlantic region, especially considering its significant industry presence with available employment in the health system, banking, and local government.
- The workforce is extremely educated: 39.4% of Richmond's working-age population has a bachelor's degree or higher, compared with 34.3% nationally.
- Lego is planning to invest \$1 billion to build a 1.7-million-square-foot manufacturing plant in Chesterfield County that would create 1,761 jobs in the area. Site work on the land began in April 2023, with the factory scheduled to open in 2027 due to some general contractor and design delays.
- The Richmond Marine Terminal received \$6 million in upgrades recently, which could provide tailwinds to the e-commerce sector and logistics network in Richmond.

Market Weaknesses:

- Because Richmond is the state capitol of Virginia, it has an outsized number of government jobs in its economy (15.8% of total Richmond employment, per Moody's Analytics). This could be a cause for concern, as it is exposed to high risk associated with state budgets. For now, this is proving to be a boon for the local economy, as the 2024-2026 budget included a 10% rise in operating expenses and therefore higher pay for Richmond government workers. But in the future, wages could stagnate as a result of state budget cuts and tax revenue decreases.
- Richmond's formerly strong demographics slipped as of late 2023, with the metro's 20-34-year-old cohort making up 20.3% of the total population, compared with an average 20.4% nationally. This age group is a key driver of apartment demand, and to see further growth, Richmond will need greater in-migration among young professionals.

Development:

- As of the second quarter 2024, around 7,300 multifamily apartment units were underway in the metro, according to Dodge Data & Analytics.

Outlook:

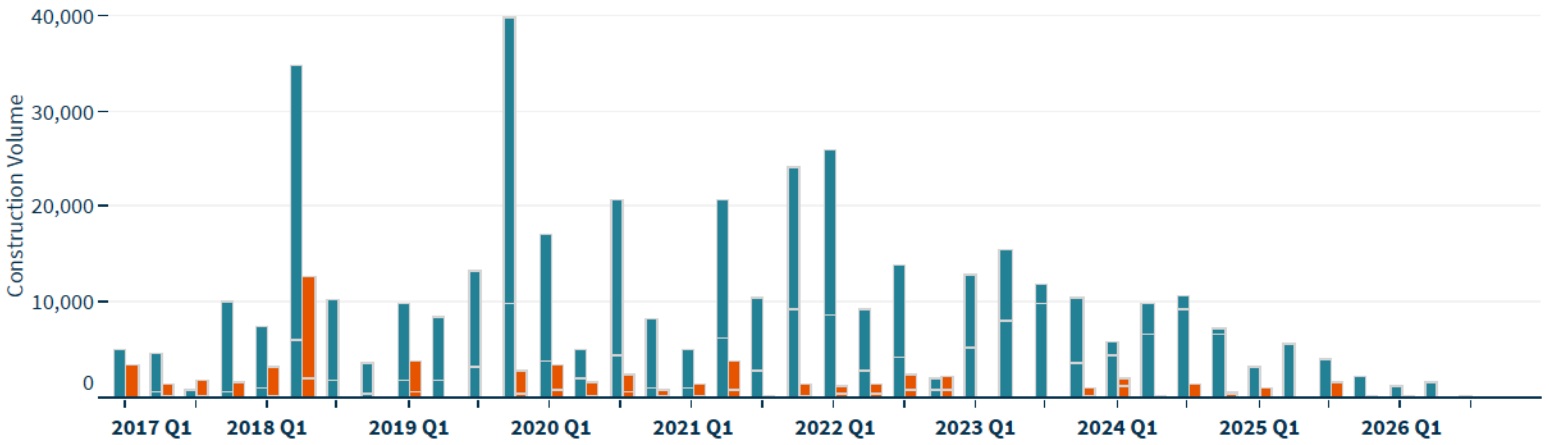
- With absorption matching new units coming online, Richmond has seen an increase in rent growth in the second quarter of 2024 at 1.90%. Going forward, vacancy rates will likely lower as job growth and government salaries increase over the next two years. Overall, Richmond appears to be moving in a positive direction. With a highly capable workforce and lower cost of living than Washington, D.C., Richmond will likely remain a stable market.
- Richmond's economy is expected to keep pace with the national economy in 2024 and into 2025. Government payrolls and health care jobs have sustained the employment market over the past year. And with interest rates beginning to lower, the metro's large financial services sector should benefit from lower borrowing costs. In the long term, weakening migration patterns among the young professional cohort may leave Richmond as an average but stable performer.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

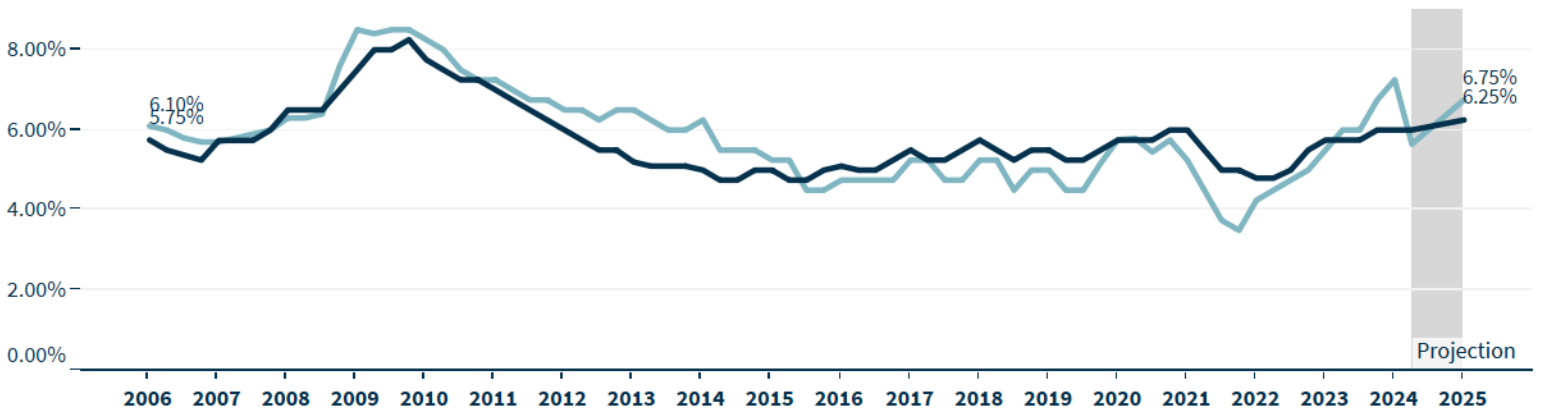
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Richmond | National

Q2 2024 Vacancy Rate:

5.65%



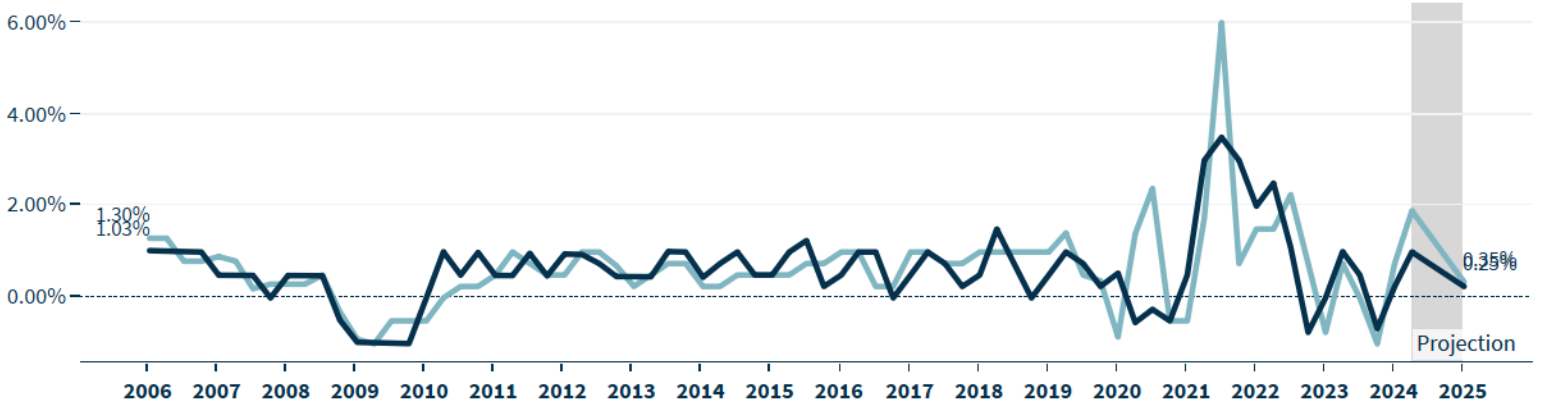
Projection

Asking Rent Growth

Richmond | National

Q2 2024 Asking Rent:

\$1,390

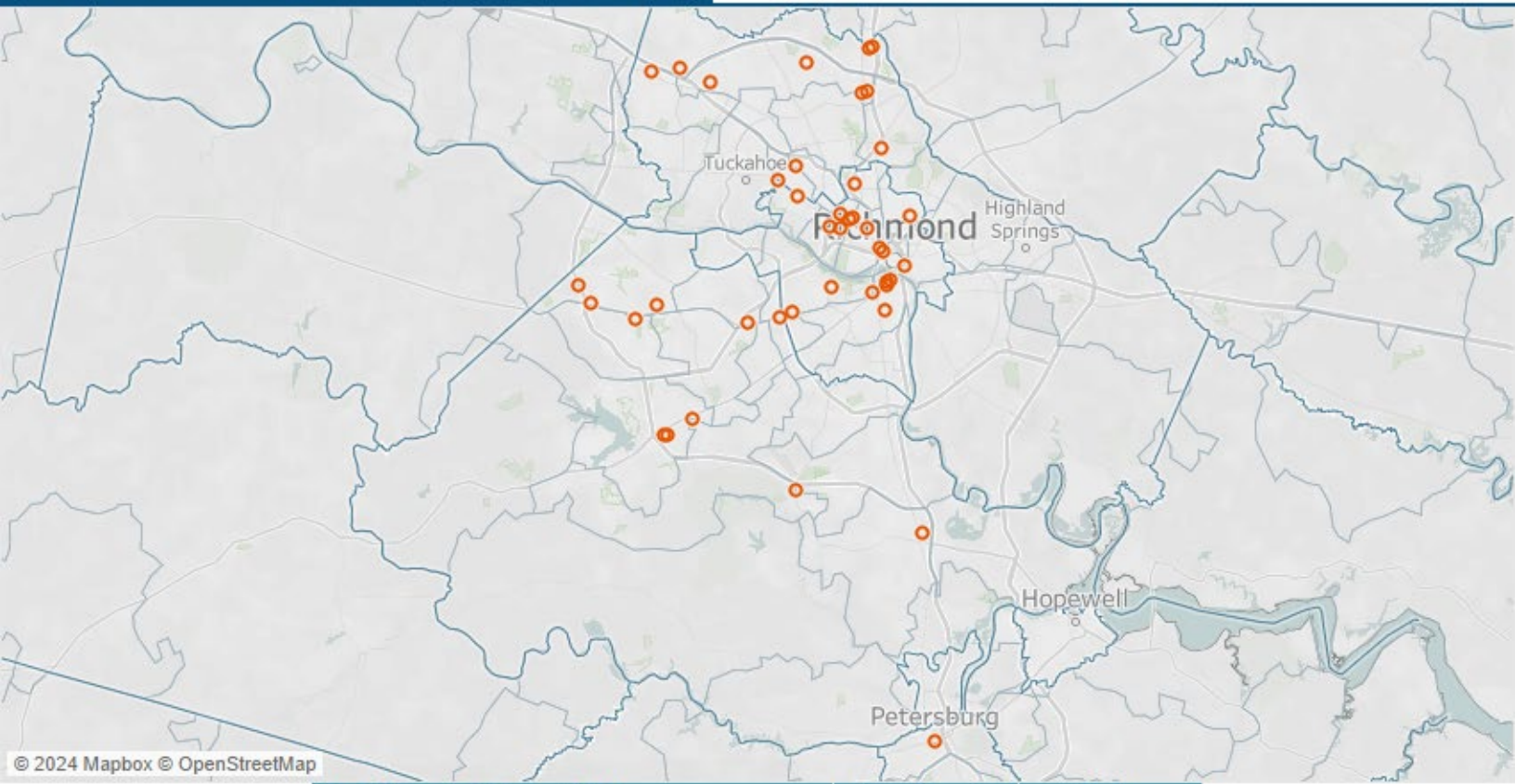


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



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<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Chesterfield County	10	2,019
Downtown Richmond/The Fan	5	796
East Richmond	4	532
Hanover County	3	564
Northwest Richmond	4	508
Petersburg/Colonial Heights/Hopewell	1	356
Southside	8	1,382
Tuckahoe/Westhampton	7	1,116
Grand Total	42	7,273

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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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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