

Multifamily Metro Outlook:

Richmond - Q4 2023

Overview:

- Richmond's economy continued to expand in 2023 as shown in the metro's inflation adjusted economic output, which expanded 2.5%, as well as the metros recorded net gain of 19,100 jobs. This expanded the employment base by 2.7% and decreasing unemployment rate by 0.1-point year over year to 3.1% which is below the national average of 3.5%.
- In addition, Richmond's current employment base now sits at 39,600 jobs or about 6% above pre pandemic levels in February 2020. Looking forward, Richmond's economy should see additional upside potential with migration continue to flow into the market.
- Incomes in the metro, which averaged \$82,300 as of third fourth quarter ending 2023, are considerably above the national average, allowing the metro to better resist inflationary pressures building around the country.
- New apartment supply continues to be added to the market, with an additional 4,463 units delivered in 2023 and an annual inventory growth of 3.9%. At the end of 2023 there were 6,537 units under construction with 3,618 of those units scheduled to be completed in the next four quarters.
- Richmond's demand has ebbed and flowed from net absorption of 1,270 units all the way to 5,620 units in the last five years. In 2023 the market recorded demand for 3,513 units trailing concurrent supply volumes. Thus, vacancy rates increased to 6.75% at the end of 2023.

Market Strengths:

- Richmond has strong demographics with the metro's 20- to 34-year-old cohort, a critical component of the apartment market, making up 20.6% of the total population, larger than the national norm of 20.4%. In addition, 39.4% of Richmond's working age population holds a bachelor's degree or higher compared to 34.3% nationally.
- Lego is planning to invest \$1 billion to build a 1.7 million square foot manufacturing plant that in turn would create 1,761 jobs in the area. Site work on the land began in April 2023 with the factory scheduled to open in 2025.

Market Weaknesses:

- Higher interest rates in addition to increased use of online banking will slow the pace of the financial sector. Richmond's banking sector has been hit particularly hard. Top employers Truist and Bank of America have reduced their footprint in the metro. Both banks are set to close dozens of locations in the year ahead, including in Richmond, which will contribute to the metro area's subpar growth in 2024.

Development:

- Richmond multifamily development has started to slow. With an increase of less than 200 added in 2023 compared to 2022, with a continued slowdown expected.

Outlook:

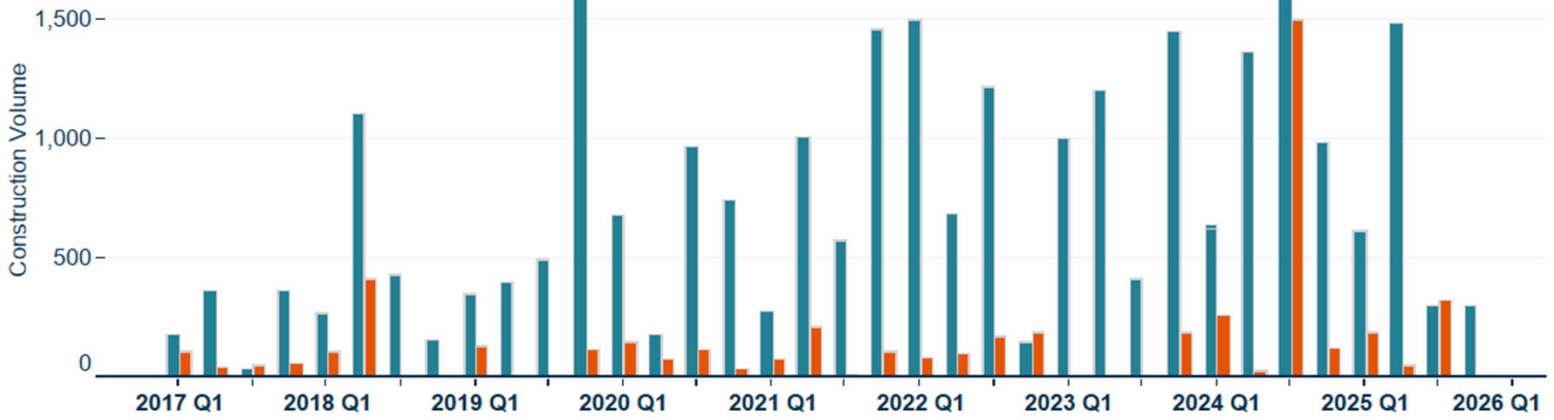
- Richmond may have a few more quarters before its multifamily supply and demand are in balance, but it is likely the worst of Richmond's net move outs are in rear-view and inventory additions have peaked. Going forward, apartment occupancy will likely stabilize as demand continues to normalize. Overall Richmond appears to be moving in a positive direction. Added with strong demographics and lower cost of living compared to its D.C neighbor, it is likely Richmond will stay as a stable market.
- Richmond's economy is expected to keep pace with the nation's in 2024. Government payrolls added to the stats capitol have somewhat balanced out the weakness in the finance industry. In the long term, weakening migration patterns 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

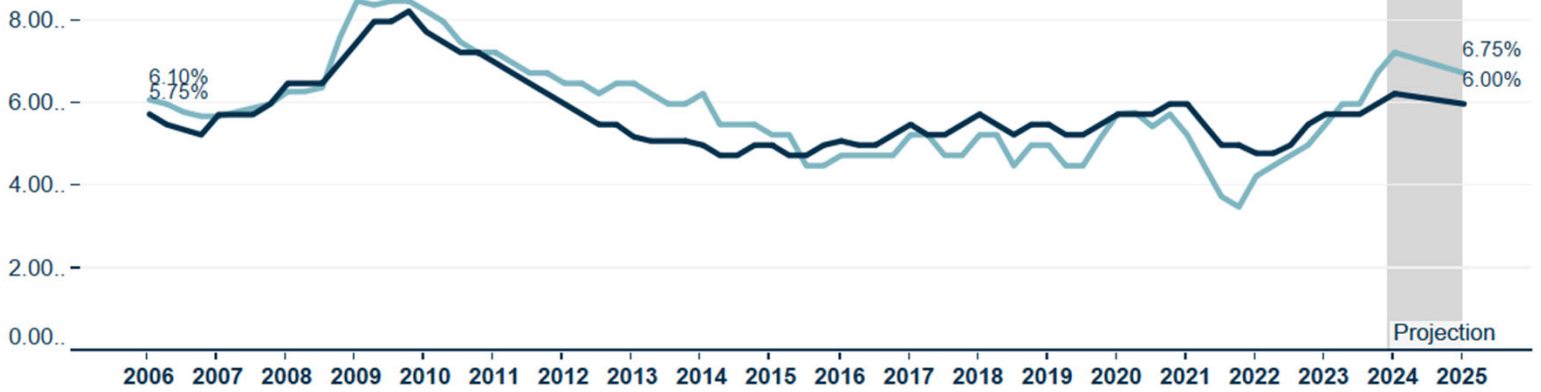
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Richmond | National

Q4 2023 Vacancy Rate:

6.75%

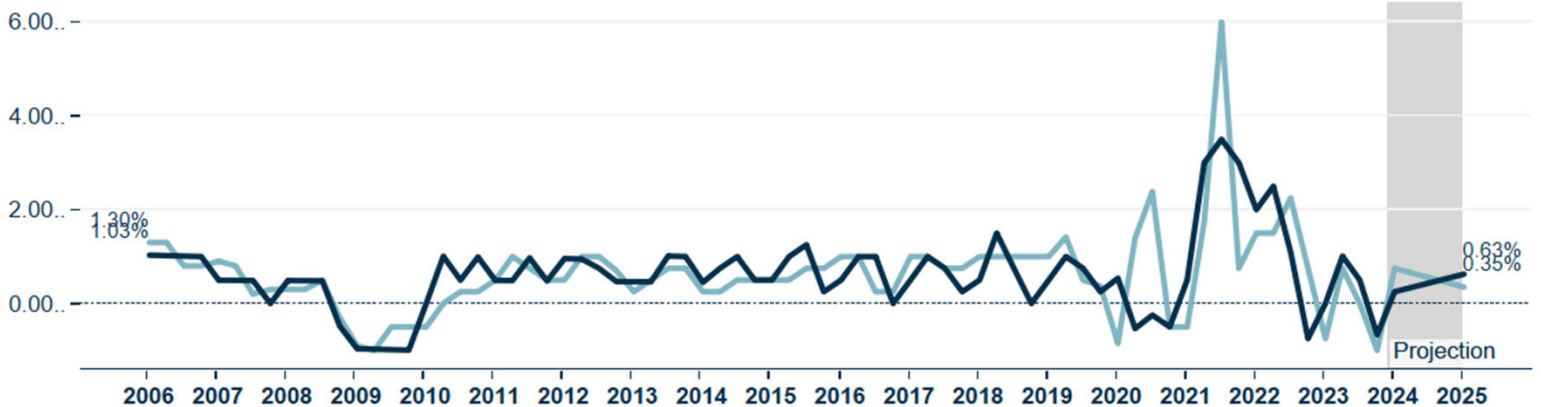


Asking Rent Growth

Richmond | National

Q4 2023 Asking Rent:

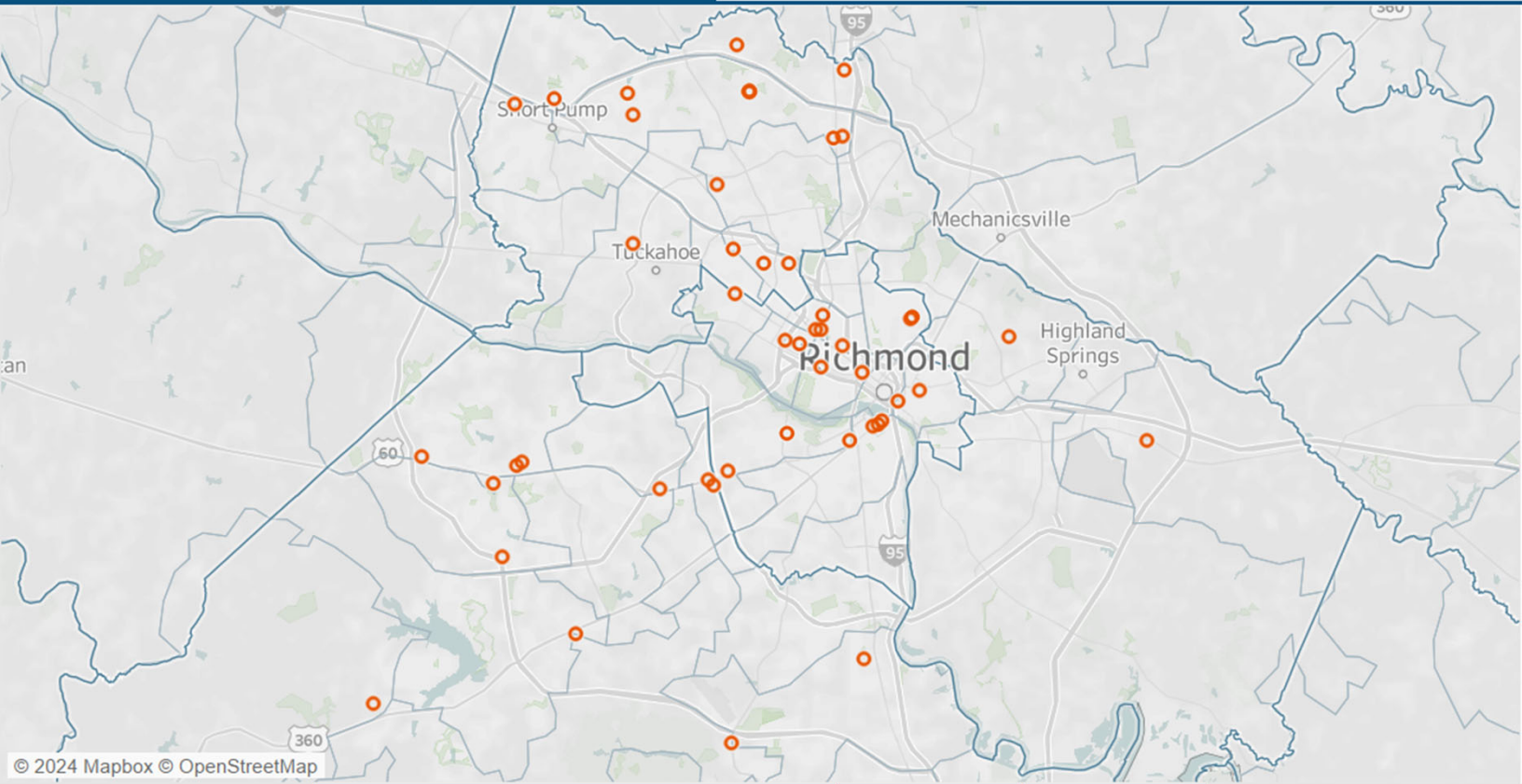
\$1,360



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Chesterfield County	10	1,874
Downtown Richmond/The Fan	5	766
East Richmond	6	366
Hanover County	3	299
Northwest Richmond	8	610
Southside	8	1,492
Tuckahoe/Westhampton	9	1,877
Grand Total	49	7,284

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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