

Q1 2021 MULTIFAMILY MARKET REPORT



Key Takeaways

Virginia's multifamily rental sector has fared relatively well during the COVID-19 pandemic and economic downturn. While there have been some soft spots in the state's higher-cost markets, overall, rents have risen or remained stable and vacancy rates have remained low in most markets around the state. Despite concerns throughout the pandemic, in large multifamily rental buildings, the vast majority of tenants continued to pay rent throughout 2020 and into the first part of 2021.

Economic conditions in Virginia have been improving since mid-2020. The pace of job growth has slowed in recent months; however, widespread availability of the COVID-19 vaccine and the third round of Federal stimulus payments will spur strong economic growth in 2021. An improving economy and a tight for-sale market will support strong demand for rental housing in Virginia.

This Multifamily Market Report provides data and analysis on multifamily rental buildings with 50 or more units. Information is summarized for nine metropolitan areas in Virginia. All market data are from CoStar. Key findings from analysis of Q1 2021 data include the following:

- **Resiliency during COVID-19.** Despite concerns about widespread rent challenges and major impacts on the multifamily rental market, conditions have remained fairly strong in most markets across Virginia. Unlike during prior recessions, vacancy rates, particularly in Class B and C properties, remained very low because people were not moving. Some landlords and property managers had to make concessions and/or work with tenants on payment plans. However, overall rents are stable or rising in most markets in Virginia in Q1 2021.
- **Suburban and smaller markets strong.** The biggest challenges to the multifamily rental market have been in urban areas of the state's highest-cost markets. There were modest rent declines and vacancy increases in some urban submarkets, as higher-income renters moved out of dense

	Y-o-Y Change	Monthly Change
3.9 million <i>Virginia employment</i>	▼	▼
5.2% <i>Virginia unemployment rate</i>	▲	▼
6.2% <i>U.S. unemployment rate</i>	▲	▼

Source: U.S. Bureau of Labor Statistics

environments. During the pandemic, working from home became the norm, and demand for more space increased during the pandemic. As a result, rental housing in suburban markets and small- and mid-sized markets across the state fared well.

- Strong renter demand in 2021.** There are several reasons to expect the multifamily rental market in Virginia to be strong in the year ahead. The end of the recession and the availability of the COVID-19 vaccine will encourage the “unbundling” of households, as young adults move out of their parents’ homes and roommates move out of shared living situations. At the same time, the for-sale market is very competitive, with historically low inventory and rising prices. Homeownership will be out of reach for a growing number of individuals and families who will therefore be looking to rent.

Local Markets

- Northern Virginia.** The Northern Virginia market has been hardest hit by COVID-19 and the economic downturn. Average rent in the region declined by 1.5% between Q1 2020 and Q1 2021, with the fastest declines in the region’s urban submarkets. The multifamily vacancy rate is up two percentage points compared to a year ago. While the number of multifamily units delivered in Q1 2021 is down compared to a year ago, the pace of new construction in Northern Virginia has increased in the first part of the year.

	Effective Rent (s.f.)		Vacancy Rate	
	Y-o-Y Change	Quarterly Change	Y-o-Y Change	Quarterly Change
Northern Virginia	▼	▼	▲	▲
Richmond	▲	▼	▼	▼
Hampton Roads	▲	▲	▼	-
Roanoke	▲	▲	▼	▲
Charlottesville	▲	▼	▲	▼
Winchester	▲	▲	▲	▲
Lynchburg	▼	▲	▼	▼
Harrisonburg	▲	▲	▼	▼
Blacksburg	▲	▼	▲	▼

Source: CoStar

- Richmond.** Rent growth slowed in some urban submarkets in the Richmond area, but suburban rent growth has been strong. The average rent regionwide increased by more than seven percent between Q1 2020 and Q1 2021. Vacancy rates have declined by about half a percentage point over the past year. Deliveries of new multifamily residential units was lower in Q1 2021 compared to Q1 2020; however, new construction was up in the Richmond region.
- Hampton Roads.** Over the past year, multifamily rents have risen across the Hampton Roads region, with strong rent growth in both urban and suburban submarkets. Multifamily rental vacancy rates are very low, declining to 3.8% in Q1 2021. The number of deliveries of multifamily rental units was up in Q1 2021, while new construction was down compared to a year ago.

- **Roanoke.** Multifamily rents have been fairly stable in the Roanoke region and vacancy rates have declined. There were no new deliveries in Q1 2021 in the Roanoke region, but the number of multifamily units under construction increased compared to a year ago.
- **Charlottesville.** The Charlottesville multifamily rental market has been uneven during the pandemic. Overall, the average rent in the region is higher in Q1 2021 compared to a year ago; however, the average rent of properties in the region's urban core declined by about one percent year-over-year in Q1 2021. The pace of construction of new multifamily rental buildings in the Charlottesville region slowed, with fewer units delivered and under construction in Q1 2021 compared to Q1 2020.
- **Winchester.** On average, multifamily rents increased by six percent between Q1 2020 and Q1 2021 in the Winchester region. While vacancy rates were up, demand for rental housing has been steady in the region throughout the past year. Deliveries in the Winchester region were up, and new construction was down in Q1 2021 compared to a year ago.
- **Lynchburg.** Multifamily rents have been fairly steady over the past year in the Lynchburg area. The multifamily rental vacancy rate fell to 5.3% in Q1 2021. New multifamily construction activity picked up in early 2021, with an estimated 450 units under construction in the region.
- **Harrisonburg.** The Harrisonburg region has experienced relatively steady rent growth over the past year. However, in Q1 2021, the multifamily rental vacancy rate rose to 7.0% in the region, much higher than a year earlier. New multifamily construction in the Harrisonburg region was higher in Q1 2021 compared to Q1 2020.
- **Blacksburg.** The Blacksburg multifamily rental market has been fairly resilient throughout the pandemic. The average rent in the region has increased over the past year. While there was an uptick in the multifamily vacancy rate in the region, it remained very low in Q1 2021, at 2.2%. Both deliveries and new construction in the Blacksburg area were up in Q1 2021 compared to a year ago.

1st QUARTER 2021

Multifamily* Market

	Northern Virginia		Richmond		Hampton Roads	
	Q1 2021	Y-o-Y Chg	Q1 2021	Y-o-Y Chg	Q1 2021	Y-o-Y Chg
Total Inventory (Units)	211,057	▼	119,717	▲	162,645	▲
Vacancy Rate	8.2%	▲	6.2%	▼	3.8%	▼
Absorption (Units)	384	▼	820	▼	403	▼
Effective Avg Rent (SF)	\$1.95	▼	\$1.34	▲	\$1.25	▲
Effective Avg Rent (Unit)	\$1,774	▼	\$1,189	▲	\$1,175	▲
Completed (Units)	901	▼	505	▼	324	▲
Under Construction (Units)	16,805	▲	6,720	▲	2,251	▼

	Roanoke		Charlottesville		Winchester	
	Q1 2021	Y-o-Y Chg	Q1 2021	Y-o-Y Chg	Q1 2021	Y-o-Y Chg
Total Inventory (Units)	18,208	▲	12,732	▲	5,816	▲
Vacancy Rate	4.4%	▼	7.0%	▲	7.6%	▲
Absorption (Units)	-13	▼	185	▲	82	▲
Effective Avg Rent (SF)	\$0.98	▲	\$1.45	▲	\$1.24	▲
Effective Avg Rent (Unit)	\$871	▲	\$1,419	▲	\$1,141	▲
Completed (Units)	0	▼	0	▼	67	▲
Under Construction (Units)	586	▲	217	▼	0	▼

	Lynchburg		Harrisonburg		Blacksburg	
	Q1 2021	Y-o-Y Chg	Q1 2021	Y-o-Y Chg	Q1 2021	Y-o-Y Chg
Total Inventory (Units)	12,043	▲	4,411	-	8,550	-
Vacancy Rate	5.3%	▼	1.9%	▼	2.2%	▲
Absorption (Units)	59	▼	6	▼	-18	▼
Effective Avg Rent (SF)	\$0.89	▼	\$1.12	▲	\$1.29	▲
Effective Avg Rent (Unit)	\$897	▲	\$1,021	▲	\$1,187	▲
Completed (Units)	0	-	0	-	9	▲
Under Construction (Units)	450	▲	168	-	114	▲

Source: CoStar, data accessed March 24, 2021

* buildings with 50+ units

- no change

Multifamily Market

Northern Virginia

Northern Virginia Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



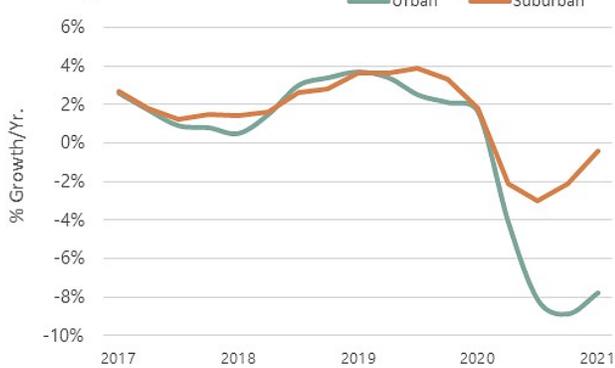
Richmond Metro

Richmond Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



Northern Virginia Metro Area

Effective Rent Growth



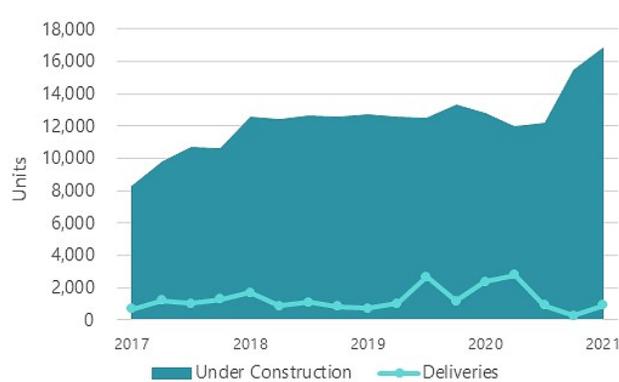
Richmond Metro Area

Effective Rent Growth



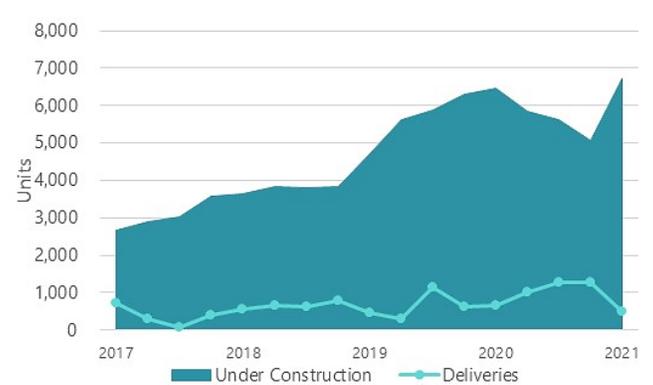
Northern Virginia Metro Area

Net Deliveries & Under Construction



Richmond Metro Area

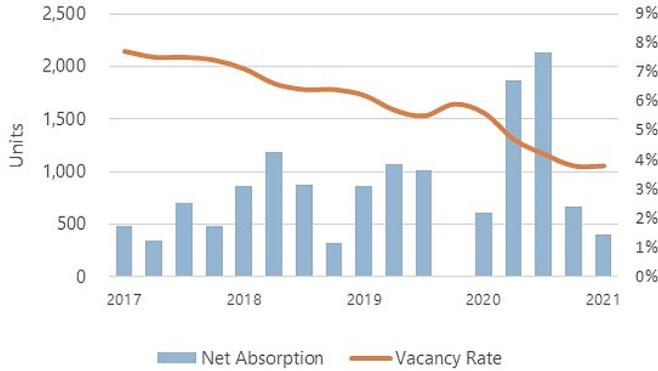
Net Deliveries & Under Construction



Multifamily Market

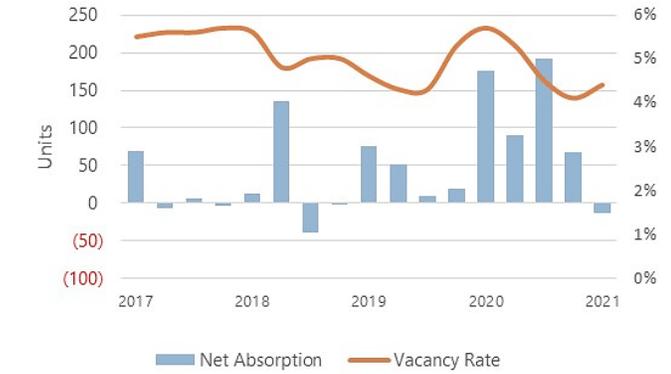
Hampton Roads Metro

Hampton Roads Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



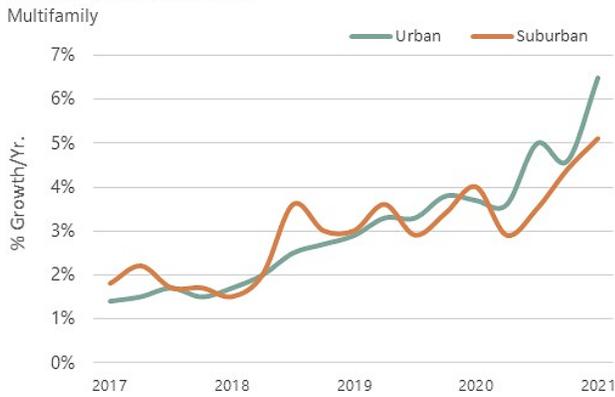
Roanoke Metro

Roanoke Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



Hampton Roads Metro Area

Effective Rent Growth



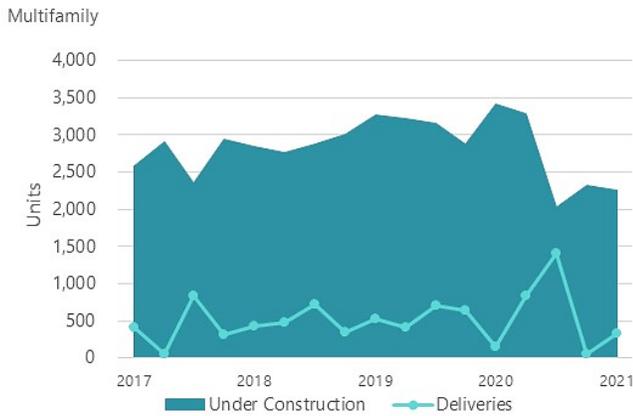
Roanoke Metro Area

Effective Rent Growth



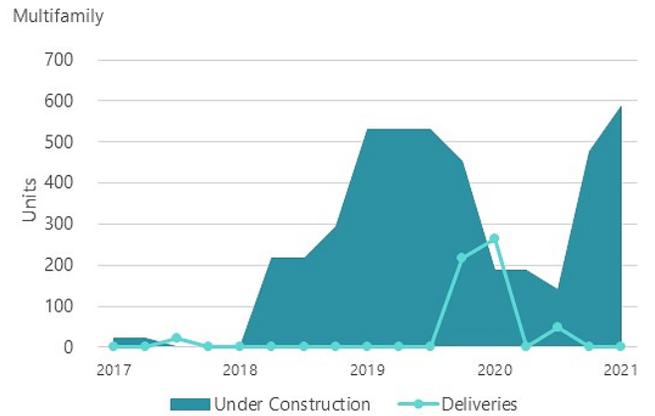
Hampton Roads Metro Area

Net Deliveries & Under Construction



Roanoke Metro Area

Net Deliveries & Under Construction



Multifamily Market

Lynchburg Metro

Lynchburg Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



Charlottesville Metro

Charlottesville Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



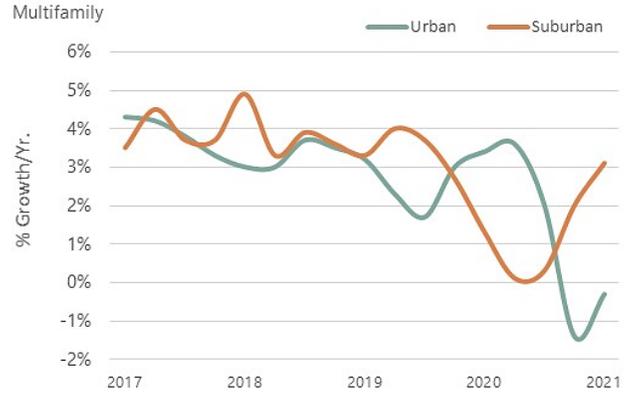
Lynchburg Metro Area

Effective Rent Growth



Charlottesville Metro Area

Effective Rent Growth



Lynchburg Metro Area

Net Deliveries & Under Construction



Charlottesville Metro Area

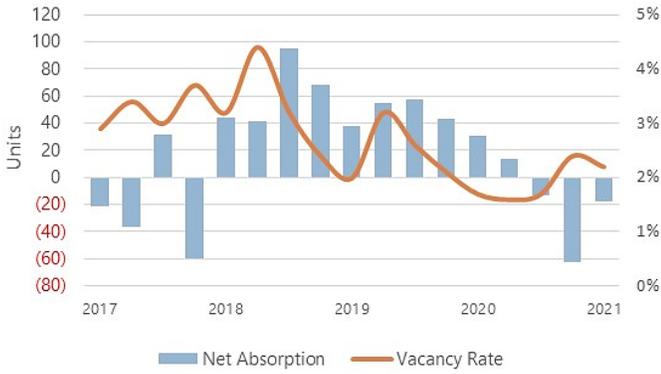
Net Deliveries & Under Construction



Multifamily Market

Blacksburg Metro

Blacksburg Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



Winchester Metro

Winchester Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



Blacksburg Metro Area

Effective Rent Growth



Winchester Metro Area

Effective Rent Growth



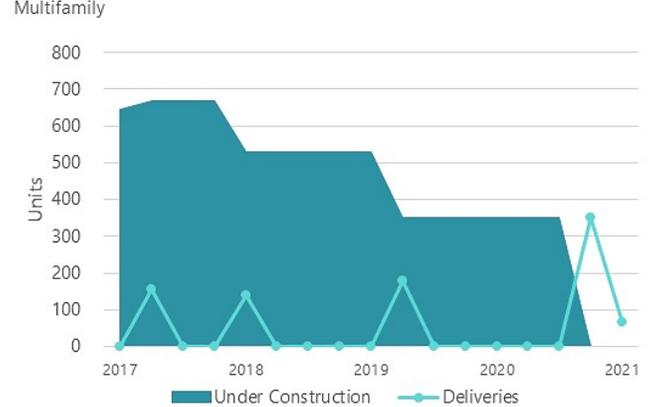
Blacksburg Metro Area

Net Deliveries & Under Construction



Winchester Metro Area

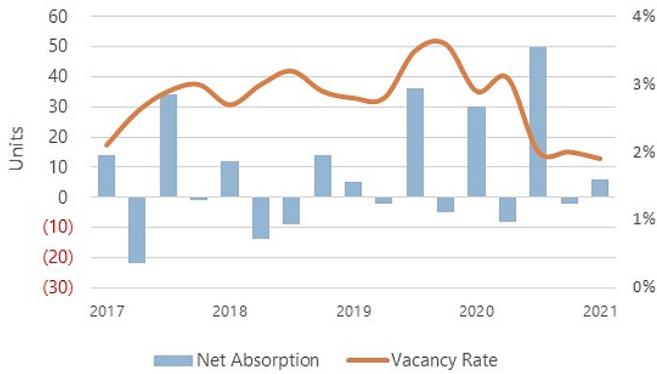
Net Deliveries & Under Construction



Multifamily Market

Harrisonburg Metro

Harrisonburg Metro Area
Quarterly Net Absorption & Vacancy Rates
 Multifamily



Harrisonburg Metro Area
Effective Rent Growth
 Multifamily



Harrisonburg Metro Area
Net Deliveries & Under Construction
 Multifamily



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Data and analysis provided by Virginia REALTORS® Chief Economist, Lisa Sturtevant, PhD. The numbers reported here are based on data from CoStar.

