

Q1 2022 MULTIFAMILY MARKET REPORT



The multifamily rental housing market in Virginia has been very competitive at the beginning of the year. Escalating home prices and rising mortgage rates have pushed more individuals and families into the rental market. Property managers often have multiple applicants for vacant units. Some prospective tenants are offering to pay higher-than-advertised rents. Higher-income renters have put added pressure on rents, making it more difficult for low- and moderate-income households to find housing they can afford. While new apartment construction has increased in most markets, it is still not sufficient to keep up with demand.

Recent research from the Federal Reserve found that the share of renters who expect to own a home at some point has dropped to an all-time low. As a result, a growing renter population is expected to fuel a hot rental market in the year ahead.

Economic Conditions (as of February 2022)

	Y-o-Y Change	Monthly Change
4.01 million <i>Virginia employment</i>	▲	▲
3.2% <i>Virginia unemployment rate</i>	▼	▼
3.8% <i>U.S. unemployment rate</i>	▼	▼

Source: U.S. Bureau of Labor Statistics

State and Metro Area Employment (as of February 2022)

	Y-o-Y Change	Monthly Change
Virginia	2.9%	0.5%
Northern Virginia	3.3%	0.8%
Richmond	2.1%	0.6%
Hampton Roads	1.6%	0.4%
Roanoke	1.4%	0.3%
Lynchburg	2.1%	0.1%
Charlottesville	4.1%	0.2%
Blacksburg	7.4%	1.1%
Winchester	4.4%	1.2%
Harrisonburg	5.7%	2.8%

Source: U.S. Bureau of Labor Statistics

The Economy

Virginia's economy continues to improve in early 2022, despite on-going uncertainties. Multifamily real estate market conditions in the state continued to improve, with demand rising for housing in the state's more urban markets as the COVID-19 pandemic continues to recede. Despite the recent COVID-19 variants, movement into cities and denser neighborhoods has been steady over the past year.

In February 2022, total employment in Virginia surpassed four million jobs, the first time since March 2020. Employment is up 111,900 compared to a year ago. Between January and February 2022, Virginia added 21,300 jobs. The statewide unemployment rate was 3.2% in February, the lowest level since before the pandemic hit and unemployment in Virginia continues to be lower than in many other parts of the country.

The employment base is expanding in every metropolitan area across the Commonwealth. Virginia's small and mid-sized regions are experiencing relatively fast economic growth in the first part of 2022. The number of jobs in the Blacksburg region increase by 7.3% between February 2021 and February 2022. Job growth was also very strong in Harrisonburg, Winchester, and Charlottesville. Rates of employment growth in Richmond and Hampton Roads were slower than the statewide average; however, job growth in Northern Virginia surpassed the statewide increase in February.

The Multifamily Rental Market

Across Virginia, apartment vacancy rates have reached historically low levels and rents are increasing at double-digit rates. The pace of new apartment construction has ramped up in many local markets, though deliveries have been slow since the middle of 2021.

This Multifamily Market Report provides data and analysis on multifamily apartment buildings. Information is summarized for nine metropolitan areas in Virginia. All market data are provided by CoStar and are analyzed by Virginia REALTORS®.

Key Takeaways

- Multifamily vacancy rates continue to be at near-record levels.** In markets across Virginia, occupancy remains very high, with fewer renters moving out to buy homes and more tenants remaining in their current unit longer. In the first quarter of 2022, the overall statewide vacancy rate was just 4.5%, which is down from 5.1% during the first quarter of 2021. Vacancy rates began falling in the middle of 2020. Before that time, the typical statewide vacancy rate was about 6% in Virginia.

The lowest multifamily vacancy rates are in some of the state’s small and mid-sized markets. Blacksburg had the lowest vacancy rate in Q1 2022 at 1.5%. Vacancy rates were below 3% in Roanoke and Winchester.

- Rents continue to rise very quickly.**

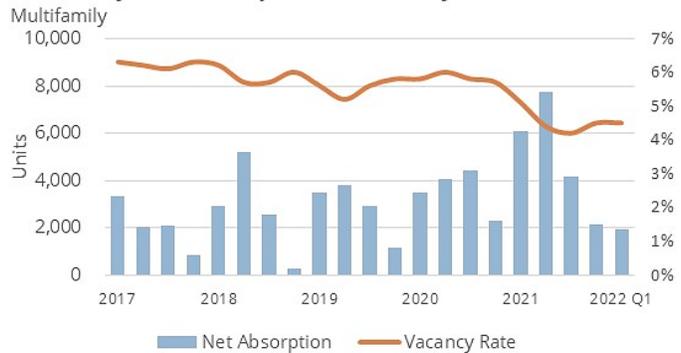
With more renters in the market and growing demand from higher-income households, rents have surged in many local markets across Virginia. In the first quarter, the average effective rent statewide was up 11.3% compared to a year earlier. The statewide average rent has been rising at a double-digit rate for three consecutive quarters. In Q1 2022, the effective rent averaged \$1.71 per square foot in Virginia.

The fastest rent growth has been in the state’s urban markets. In Q1 2022, the average rent was up 13.0% year-over-year in Northern Virginia. Rents were up by 10.7% in the Richmond region and rose by 10.4% in Hampton Roads.

- New construction has increased but deliveries are still low.** Despite on-going challenges in the construction sector, more new apartment buildings are going up in Virginia than at any point in at least the past five years. In the first quarter of 2022, there was a total of 29,053 apartment units under construction statewide. More than half of those units were in Northern Virginia. About a quarter were under construction in the Richmond region. Over

Virginia

Quarterly Net Absorption & Vacancy Rates



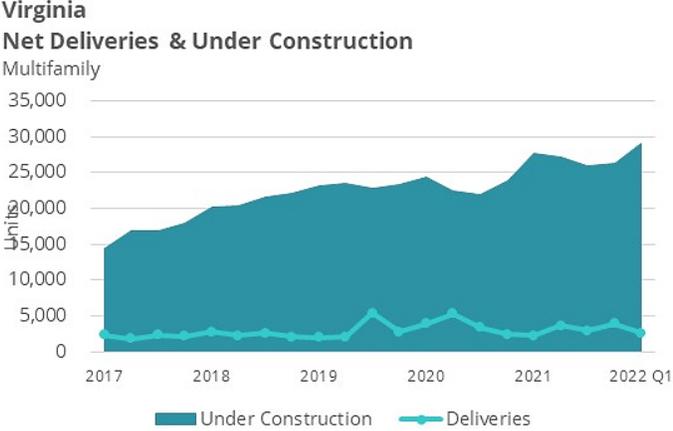
Virginia

Effective Rent



the past year, there has also been a rush of new apartment construction in the Charlottesville area.

Apartment deliveries have not increased significantly. In Q1 2022, there was a total of 2,596 units delivered statewide, including more than 600 units in the Richmond and Charlottesville regions. Hampton Roads had 565 new apartment units come to market in the first quarter of 2022.



Q1 2022

Multifamily Rental Market

	Northern Virginia		Richmond		Hampton Roads	
	Q1 2022	Y-o-Y Chg	Q1 2022	Y-o-Y Chg	Q1 2022	Y-o-Y Chg
Total Inventory (Units)	257,333	▲	126,442	▲	166,526	▲
Vacancy Rate	5.3%	▼	5.0%	▼	3.7%	▲
Absorption (Units)	1,002	▼	490	▼	-126	▼
Effective Avg Rent (SF)	\$2.16	▲	\$1.49	▲	\$1.37	▲
Effective Avg Rent (Unit)	\$1,952	▲	\$1,314	▲	\$1,268	▲
Completed (Units)	461	▼	625	▼	565	▲
Under Construction (Units)	15,989	▲	7,930	▲	3,433	▲

	Roanoke		Charlottesville		Winchester	
	Q1 2022	Y-o-Y Chg	Q1 2022	Y-o-Y Chg	Q1 2022	Y-o-Y Chg
Total Inventory (Units)	18,941	▲	13,341	▲	5,830	▲
Vacancy Rate	2.6%	▼	6.1%	▼	2.3%	▼
Absorption (Units)	139	▲	148	▼	1	▼
Effective Avg Rent (SF)	\$1.10	▲	\$1.54	▲	\$1.27	▲
Effective Avg Rent (Unit)	\$965	▲	\$1,512	▲	\$1,171	▲
Completed (Units)	0 -		601	▲	0 -	
Under Construction (Units)	362	▼	765	▼	192	▲

	Lynchburg		Harrisonburg		Blacksburg	
	Q1 2022	Y-o-Y Chg	Q1 2022	Y-o-Y Chg	Q1 2022	Y-o-Y Chg
Total Inventory (Units)	12,727	▲	4,802	▲	8,899	-
Vacancy Rate	3.3%	▼	3.8%	▲	1.5%	▼
Absorption (Units)	231	▲	57	▲	-6	▼
Effective Avg Rent (SF)	\$1.02	▲	\$1.15	▲	\$1.22	▲
Effective Avg Rent (Unit)	\$987	▲	\$1,033	▲	\$1,138	▲
Completed (Units)	239	▲	86	▲	0 -	
Under Construction (Units)	8	▼	0	▼	206 -	

Source: CoStar, data accessed March 22, 2022

- no change

The Virginia REALTORS® association is the largest professional trade association in Virginia, representing 36,000 REALTORS® engaged in the residential and commercial real estate business. The Virginia REALTORS® association serves as the advocate for homeownership and private property rights and represents the interests of real estate professionals and property owners in the Commonwealth of Virginia.

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All inquiries regarding this report may be directed to:

Robin Spensieri
Virginia REALTORS® Vice President of
Communications and Media Relations
rspensieri@virginiarealtors.org
804-622-7954

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