

CONSTRUCTION
ACTIVITY



UNDER CONSTRUCTION **1,746**

UNITS DELIVERED (YTD) **2,024**

MARKET
FUNDAMENTALS



VACANCY RATE **5.2%**

YEAR-OVER-YEAR CHANGE **-40bps**

ASKING RENTS **\$1,529**

YEAR-OVER-YEAR CHANGE **+2.6%**

TRANSACTION
ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$117,500**

HAMPTON ROADS
MULTIFAMILY
2Q 2024

MARKET INSIGHTS

Rents rise even as new units come online

HIGHLIGHTS

- Property performance in the Hampton Roads multifamily market posted improvements during the second quarter, with rapid absorption pushing vacancies lower and rents higher.
- Area vacancy continued to improve in recent months. The rate dipped 20 basis points during the second quarter to 5.2 percent. Year over year, vacancy is down 40 basis points.
- Rents have been on an upswing this year. Asking rents rose 1.5 percent in the last three months to \$1,529 per month, building on a similar gain from the first quarter. Rents increased by 2.6 percent during the past year.
- Transaction volume picked up in the second quarter, although total sales velocity in the first half was down about 50 percent from 2023 levels. The median sales price thus far in 2024 is \$117,500 per unit, while cap rates have ranged between 5.5 percent to 6.25 percent.

HAMPTON ROADS MULTIFAMILY MARKET OVERVIEW

Multifamily operating conditions in Hampton Roads improved during the second quarter. The market recorded more than 2,300 net move-ins during the past 12 months, and strong renter demand has pushed the vacancy rate lower and driven rents higher. The continued strength of renter demand has sparked an acceleration in the pace of new construction, but even as deliveries have increased, market fundamentals have remained healthy. Total deliveries to this point in 2024 have reached more than 2,000 units, ahead of the full-year totals from prior years. The pace of construction will slow in the coming months and sharp declines in permitting and construction starts signal a much more modest pace of supply growth in the coming years.

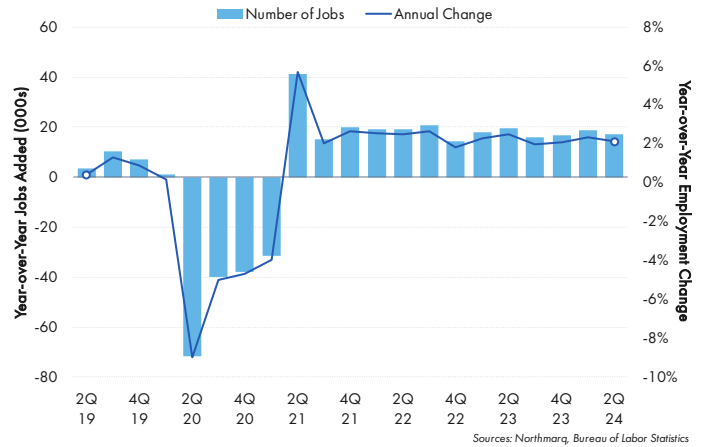
Total sales in the Hampton Roads multifamily investment market picked up during the second quarter, but transaction volume through the first half of 2024 has gotten off to a slower start than in recent years. Transaction counts in the first half of this year are down roughly 50 percent from the first half of last year with investment activity concentrated in 1970s-era Class C properties. The median price year to date is \$117,500 per unit, lower than in 2023, due in part to the mix of assets changing hands. There has been minimal transaction activity at the higher end of the quality spectrum, and these properties have generally traded between \$170,000 per unit and \$210,000 per unit. Last year, there were a few transactions that closed at higher prices per unit, but a few of these had assumable debt that attracted buyers and offset earlier rises in interest rates.

EMPLOYMENT

- Local employment in Hampton Roads has increased at a healthy pace in recent quarters. Area employers added 17,000 workers to payrolls in the past 12 months, an increase of 2.1 percent.
- The education and health services sector led the area in number of new jobs added in the past year. Gains in this sector accounted for nearly one-third of the total jobs added in the region. Year over year, education and health services employment has expanded by 4.7 percent with the addition of 5,400 net new jobs.
- Construction employment has been on an upswing, expanding by more than 9 percent in the past year with the addition of nearly 3,500 workers. This is the largest annual increase since 1997.
- FORECAST:** The local economy is expected to maintain its current growth trajectory through the remainder of this year. Employers are forecast to expand payrolls by 2 percent in 2024 with the addition of roughly 16,000 workers, nearly identical to the gains posted in 2023.

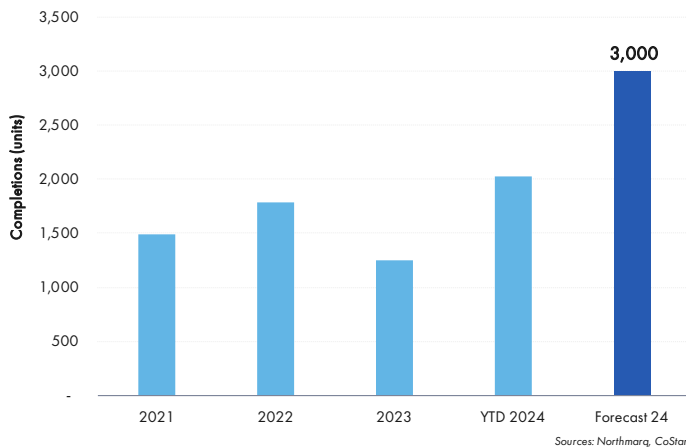
Employers added 17,000 workers to payrolls in the past 12 months.

EMPLOYMENT OVERVIEW



Projects totaling about 1,750 units are currently under construction.

DEVELOPMENT TRENDS

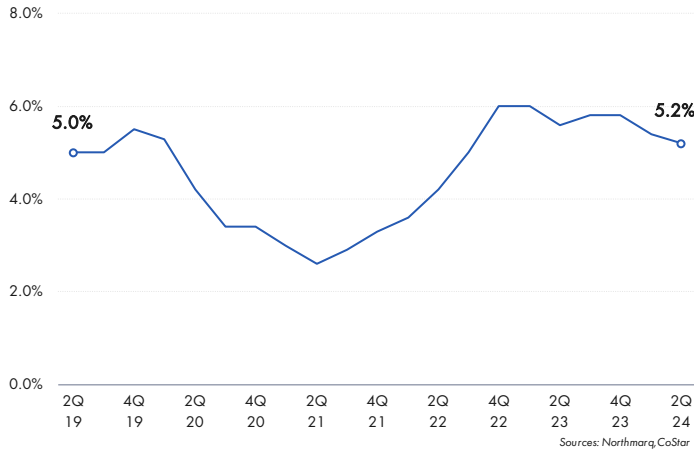


DEVELOPMENT & PERMITTING

- The first half has been an active period for new construction in the Hampton Roads area. Developers have completed projects totaling more than 2,000 units in the first half of 2024, more than doubling the total units that came online during the same period in 2023.
- The local development pipeline has been shrinking as few new projects have broken ground in recent quarters. Projects totaling about 1,750 units are currently under construction in the region, down 35 percent from one year ago.
- Slowing permitting activity is setting the stage for a thinning construction pipeline in the coming years. Thus far in 2024, developers have pulled permits for approximately 500 multifamily units, down more than 60 percent from the first half of 2023.
- FORECAST:** Developers are on pace to complete approximately 3,000 new multifamily units this year, although the bulk of the new inventory has already been delivered. Only about 1,000 units are scheduled to come online in the second half.

Year over year, vacancy has improved by 40 basis points.

VACANCY TRENDS



VACANCY

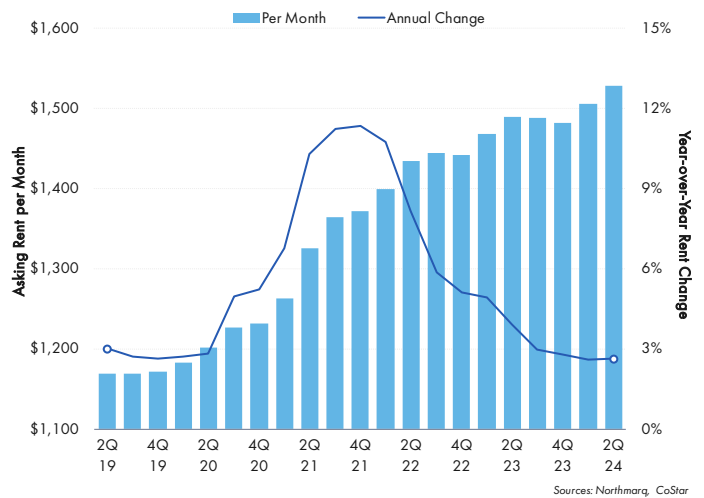
- Area vacancy continued to decrease in the second quarter, falling 20 basis points to 5.2 percent. Year over year, the local vacancy rate has improved by 40 basis points.
- The Virginia Beach submarket is posting some of the best vacancy performance in the region. The vacancy rate in the submarket has dropped by 110 basis points over the past 12 months, falling to just 3.9 percent.
- Vacancy improvement in the Virginia Beach submarket is being fueled by elevated absorption levels. The submarket posted net absorption of approximately 500 units during the second quarter.
- **FORECAST** Vacancy in Hampton Roads is forecast to finish 2024 at 5.4 percent, down 40 basis points from last year. The rate dropped 20 basis points in 2023.

RENTS

- Rents continued to trend higher at a steady pace in recent months. Asking rents in Hampton Roads rose 1.5 percent during the second quarter, reaching \$1,529 per month. In the past year, area rents are up 2.6 percent.
- The Norfolk section of the market posted some of the most significant rent increases in the region. Apartment rents in this submarket advanced by 3.2 percent during the past 12 months to \$1,425 per month. In Virginia Beach, the annual rent increase totaled 2.9 percent.
- Rents are pushing higher in the region’s lower-tier properties. During the past 12 months, asking rents for Class C assets have risen 3.1 percent to \$1,289 per month.
- **FORECAST:** Rents in Hampton Roads are expected to continue rising at a steady pace. Asking rents are forecast to rise roughly 4 percent for the full year, reaching \$1,540 per month.

In the past year, area rents are up 2.6 percent.

RENTS TRENDS

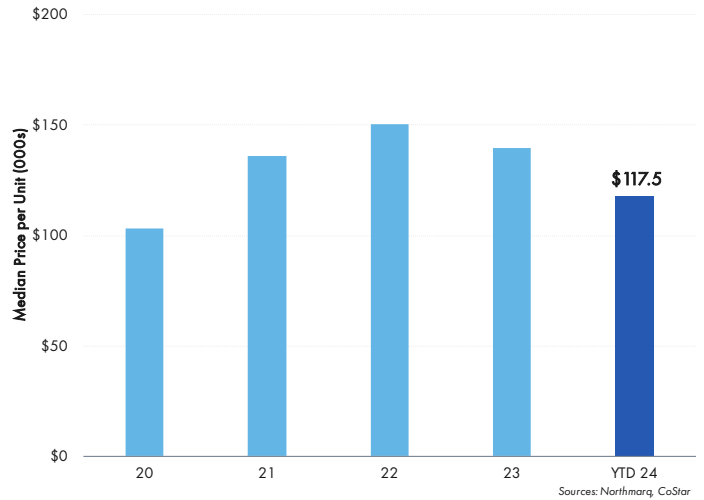


MULTIFAMILY SALES

- Investment activity picked up slightly in the second quarter, though transaction volumes remain limited compared to previous years. Transaction activity to this point in the year is down roughly 50 percent compared to levels from the first half of 2023.
- In transactions that closed during the first half of the year, the median sale price was \$117,500 per unit. The bulk of the transactions that have closed year to date have traded between \$100,000 per unit and \$125,000 per unit. The highest prices that have been achieved have been between \$170,000 per unit and \$210,000 per unit.
- Cap rates have remained mostly steady during the past 18 months. The lowest cap rates are generally around 5.5 percent, with other transactions closing with cap rates between 6 percent and 6.25 percent.

The median sale price year to date was \$117,500 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

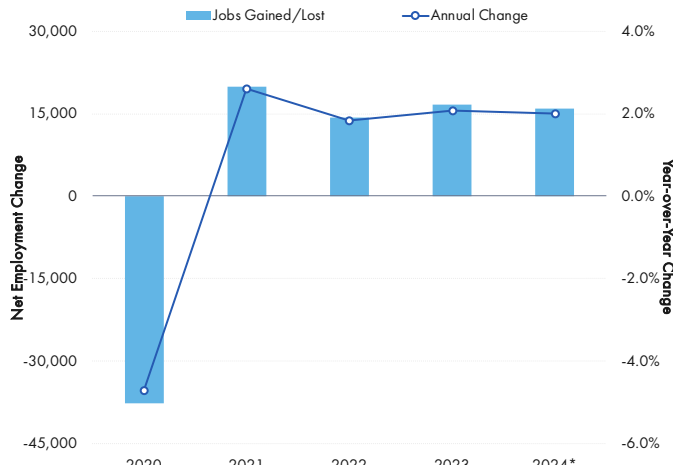
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
ReNew Little Creek	6450 Cresecent Way, Norfolk	1991	400	\$84,000,000	\$210,000
Hilton Village Townhomes	531 Bulkeley Pl., Newport News	1966	160	\$19,400,000	\$121,250
Woodscape Apartments	581 Calla Ct., Newport News	1974	296	\$33,650,000	\$113,682

LOOKING AHEAD

The Hampton Roads multifamily market is forecast to record another solid year of property performance in 2024, as renter demand should remain elevated in the face of continued supply growth. Completions are forecast to total approximately 3,000 units by the end of the year, but this will thin out the development pipeline considerably, and with multifamily permitting and starts slowing, the outlook beyond 2024 calls for much more modest construction levels. The local labor market is expected to continue to expand in the coming quarters, fueling further renter demand. Apartment operators will continue to raise rents at a steady pace, with annual rent growth in Hampton Roads being forecast to reach roughly 4 percent in 2024, outperforming the national average.

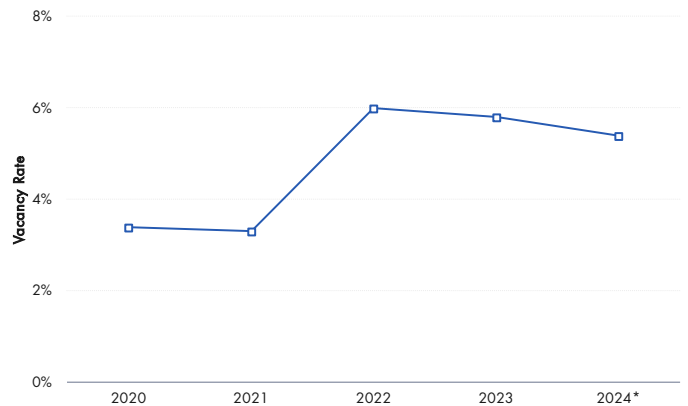
Investors are showing signs of increasing activity in the Hampton Roads market, though upticks will likely be modest through the end of the year. The momentum that is building in the region is in response to an outlook that calls for persistent renter demand for units, a thinning development pipeline and continued rent growth. In 2024, transaction activity will likely lag levels posted in the past few years, though the transaction mix should largely remain the same. Increasing sales in better performing Class C properties combined with the newly built properties beginning to hit the market will likely increase overall sales velocity in the next 6 to 12 months. Cap rates should remain near current ranges, but will be influenced by the larger interest rate and lending environment.

EMPLOYMENT FORECAST



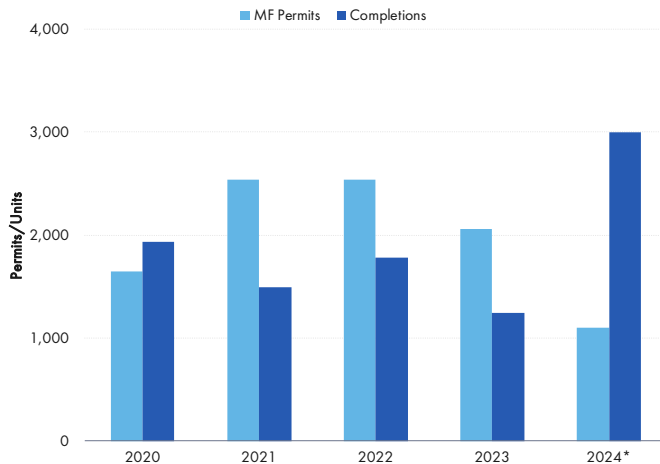
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



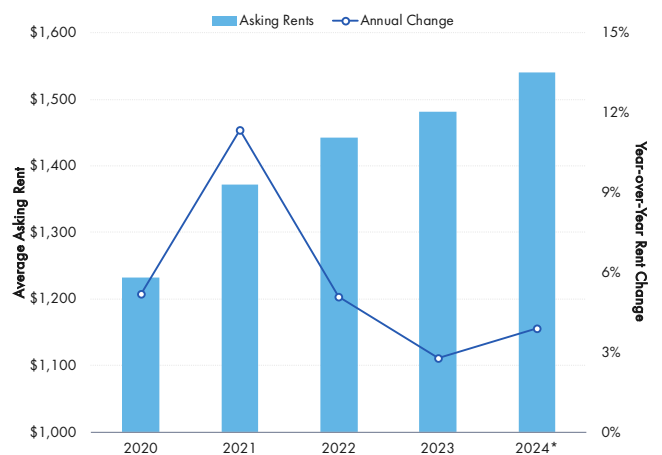
* Year End Forecast
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Apartment Insights, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, CoStar



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