

RVA New Home Market Report

2013 Year in Review

Overview

It's been almost a decade since the new home market in the Richmond region peaked, and in 2013 the market finally began to stabilize from the precipitous decline that followed that peak. This, in short, is good news and worth celebrating. As HBAR and Commonwealth Partnerships (CP) discuss in this report, based on data provided by IRR-Richmond, the housing industry recovery is progressing. Since hitting its low point in 2011 – following a lengthy and steep decline – new home prices and sales have rebounded steadily. The recovery seen throughout 2012 was reinforced by the improving numbers we saw in 2013 and we expect to accelerate in 2014. This report will examine key indicators and gauge the health of the new home market. Compared to the previous few years, there is a marked improvement as indicated in this report's charts and analysis.

At A Glance

2013 vs. 2012

Number of closings: ↑ 30%

Number of permits: ↑ 25%

New home price: ↑ 9%

As the country's broader economy continues its recovery, HBAR and CP expect further improvements in the new housing sector. This rebound is critical because the home building industry historically has served as an important economic driver. We're seeing signs of the housing sector flexing its muscles, which will help boost spending and employment. After all, three jobs are created for each new home built and housing has important ripple effects across the economy.

New Home Sales



Photo Credit: Southern Tradition Homes

Based on the data provided by IRR for this report, both the number of new home closings and average prices of new homes were up in 2013. The number of closed new home sales increased 30% to 2,763 in 2013 compared to 2012. The average price for a new home in the Richmond region was up 9% in 2013 compared to 2012 and reached \$341,407.

Chesterfield County has consistently been the most active local jurisdiction in terms of new home sales. During 2013, the county captured a 38% market share, the largest share by far. The region's most populous suburban counties --

Chesterfield, Henrico, and Hanover -- accounted for 81% of all new homes sales in the local market. Year over year, **Goochland County** saw the largest jump in the number of home sales in 2013 with 131% more closings while each jurisdiction recorded double-digit increases in the number of closings. Home prices also increased across the region in 2013 with **Goochland County** again leading the way with the average new home price up 18%. The corresponding chart details new home closings and prices in 2013 throughout the region.

New Home Closings by Jurisdiction

Jurisdiction	2012		2013		Closings Change	Avg. Price Change
	Closings	Avg. Price	Closings	Avg. Price		
Caroline County	48	208,666.9	74	213,721.6	54%	2%
Chesterfield County	882	\$315,156	1,060	\$340,568	20%	8%
Goochland County	39	\$392,158	90	\$461,333	131%	18%
Hanover County	270	\$293,084	429	\$312,802	59%	7%
Henrico County	644	\$342,441	749	\$384,764	16%	12%
New Kent County	107	\$279,930	135	\$294,340	26%	5%
Powhatan County	37	\$327,879	72	\$354,855	95%	8%
City of Richmond	101	\$241,060	154	\$242,236	52%	0%
Condo/Townhouse	604	\$269,673	752	\$301,181	25%	12%
Single-Family Detached	1,524	\$332,343	2,011	\$356,449	32%	7%
Total	2,128	314,555	2,763	\$341,407	30%	9%

Source: Integra Realty Resources-Richmond

Building Permits

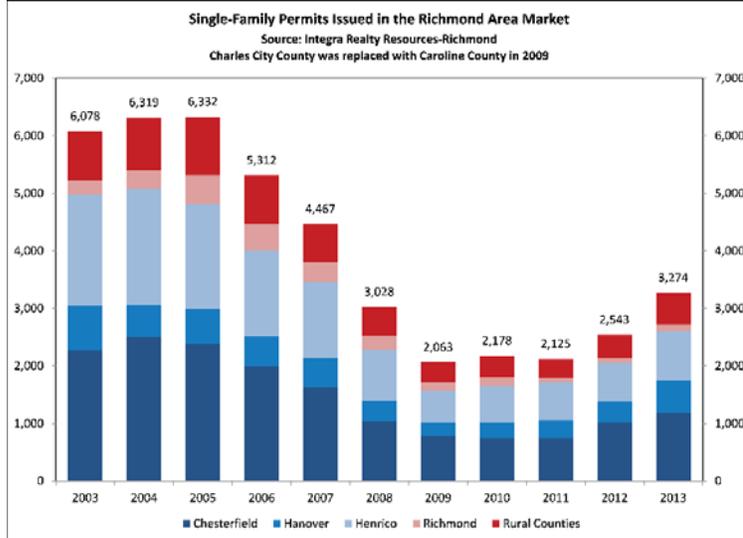
The number of residential building permits issued for new construction increased in 2013, but remains well below normal activity. Permitting activity declined 69% between 2005 and 2009 and increased 37% between 2009 and 2013. Permitting activity was up 29% in 2013 compared to 2012. Similar to the number of new home closings, **Chesterfield County** has consistently been the most active locality. The suburban counties of **Chesterfield, Hanover, and Henrico** have historically issued



Photo Credit: Boone Homes

the vast majority of permits. In 2013, nearly 80% of all

permits were issued by the three counties alone. These permit trends are not surprising given the number of new homes built and sold in those counties.



IRR's Take:

The increase in permitting activity during 2013 was widespread. Activity was up in seven of the eight local jurisdictions. The greatest numeric increase was seen in Henrico County, where activity increased by 198 issued permits. Activity in Hanover County and Chesterfield County increased by 196 and 163 issued permits, respectively.

Multifamily



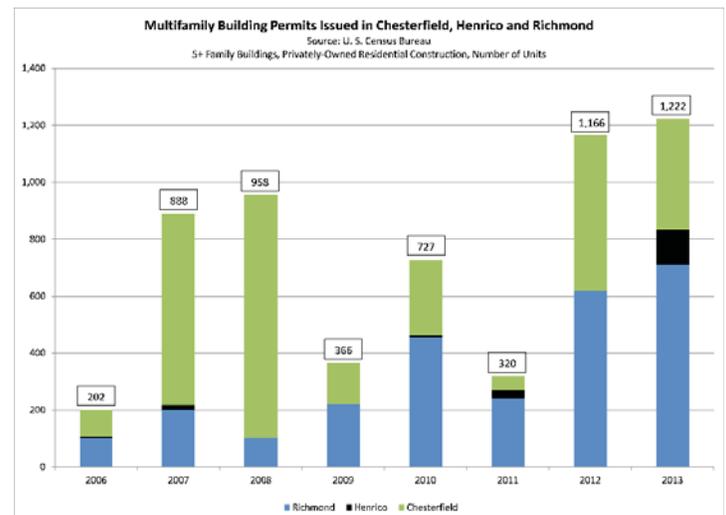
Photo Credit: Robin Miller Associates

The multifamily housing market has been among the strongest sectors in recent years. As the corresponding chart demonstrates, new construction in the apartment market remains strong. In 2009, the apartment market led all other sectors out of the recession. After four years of price appreciation and rental demand growth in the apartment market, 2013 shows that it is still feasible to build multifamily units. **Richmond** has led the apartment building boom since 2009, buoyed by demand for new multifamily units in the urban core. Adaptive reuse of historic structures has been a steady trend and increasing numbers of multifamily developments are seen in the suburban counties. Overall, multifamily projects have been strong performers in Central Virginia. HBAR and CP believe that among the biggest factors

contributing to multifamily success has been shifting demographics, notably among young professionals and Millennials who are renting units for longer periods and choosing to live in mixed-use communities with multifamily components. HBAR and CP expect that more multifamily and mixed-use projects, both large and small, are likely in the coming years.

CP's Take:

The multifamily sector remains strong as a result of available financing and demographic shifts, especially among Millennials. However, the ongoing multifamily building boom could create an oversupply of in Central Virginia as more units are delivered to the market.



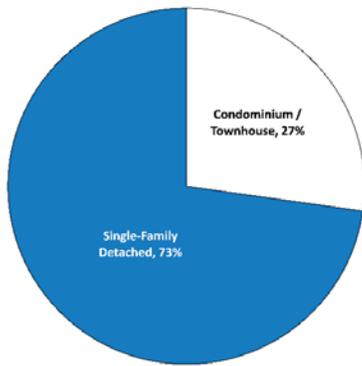
Attached Housing

The attached housing sector continued to be a bright spot in the new home industry. As illustrated in the corresponding graph, attached housing, consisting of condominium units and townhouses, accounted for 27% of all new homes sold in the local market during 2013. Since 2003, the market share of attached housing ranged from 10% in 2003 to 34% in 2008. HBAR and CP believe that the recent strength of the attached housing market is the result



Photo Credit: Gumenick Properties

2013 New Homes Market Share by Product
Source: Integra Realty Resources-Richmond



of a number of factors, including demographic shifts, land use policies, consumers' housing preferences changing, and available financing.

IRR's Take:

The recovery in the local housing market is clearly demonstrated in the recent development of several new townhouse communities and plans are in place for the development of additional attached housing communities in the near term.

What's Next



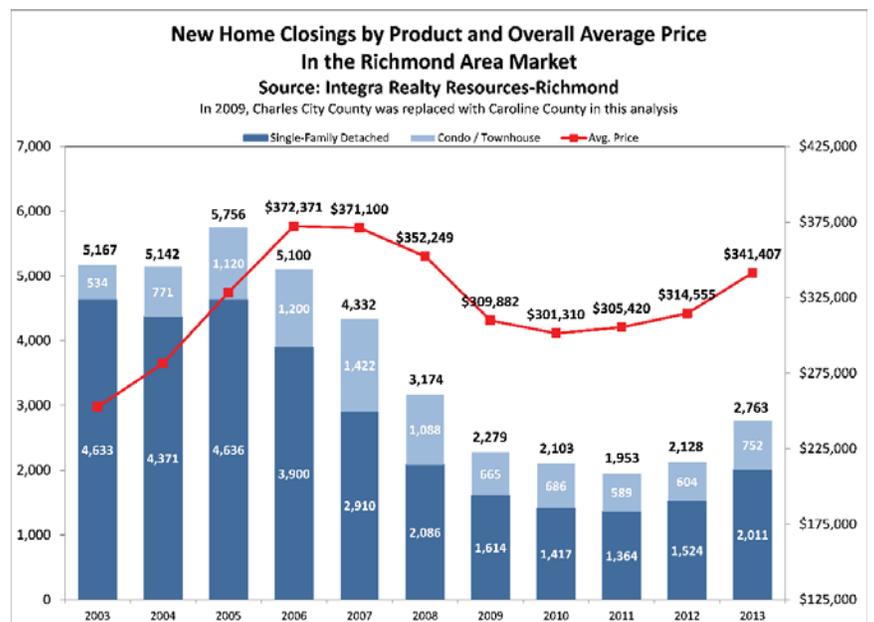
Photo Credit: HHHunt

Based on the data provided by IRR for this report, HBAR and CP conclude that multiple signs point to a strengthening new home market in Central Virginia. Builder confidence is rising, home prices and sales are increasing, housing remains affordable, and favorable financing is widely available. The housing market also has begun to fulfill its role as a broader economic driver. The 2,763 newly constructed homes that were sold during 2013 represent 17% of all homes sold locally. We've seen sustained progress in recent years, especially 2013, as illustrated by the corresponding chart. Although the new home market is improving, it still has a long path toward complete recovery. The next few years will be

critical turning points. Looking ahead, HBAR and CP expect key metrics to remain positive as building permits, home sales, and home prices rise. More households should form, which will create a greater need for housing. We also anticipate that the popularity of mixed-use and amenity-driven communities will continue.

HBAR's Take:

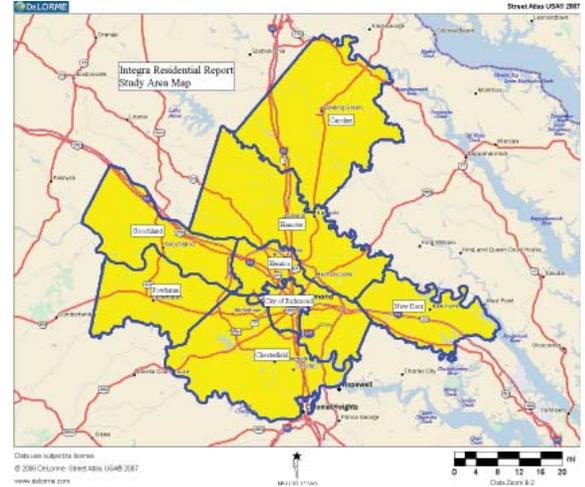
Overall, the new home sector continues its recovery. We saw steady growth in 2013 and expect more accelerated improvements in 2014 and 2015, which will be driven by demand and low inventory. Given advantageous financing options and affordability, it remains a great time to buy a new home.



About the Report and Methodology

The RVA New Home Market Report is an unbiased and independent report that provides information and insight on the new home industry in Central Virginia. A collaboration of the Home Building Association of Richmond (HBAR) and Commonwealth Partnerships (CP), with data provided by Integra Realty Resources-Richmond (IRR), the report is issued on a semi-annual basis. It offers data and analysis on key market metrics, including new home sales, prices, and building permits.

The information included in this report represents housing market activity in seven Central Virginia jurisdictions: Caroline County, Chesterfield County, Goochland County, Hanover County, Henrico County, New Kent County, Powhatan County, and the City of Richmond. All exhibits were prepared using sales and building permit data collected directly from various departments of each jurisdiction. Data was gathered by Integra Realty Resources-Richmond. The reported new home closings represent sales of new homes that were closed and recorded during the time periods indicated. The report does not identify the sales of homes built on lots owned by homebuyers, as such sales do not appear as new home sales in public records.



Home Building Association of Richmond (HBAR)

The Home Building Association of Richmond is the professional trade association of the home building industry in Central Virginia, serving builders and service providers. HBAR is dedicated to the American dream of homeownership by providing resources and support to the home building community and home buyers. For more information, visit www.hbar.org.



Integra Realty Resources-Richmond (IRR)

IRR-Richmond provides complete real estate valuation and advisory services, including market and marketability studies, highest and best use and feasibility analyses, site location, acquisition and development counseling, zoning and land use consultation, investment analysis and tax appeal, and litigation support. The firm also publishes the Integra Residential Report, released quarterly since the late 1980s, which provides a comprehensive analysis of the housing market in the Richmond region with an emphasis on the new construction segment of the market. For more information, visit www.irr.com



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