

# RVA New Home Market Report

## 2014 Year in Review

### Overview

The optimistic outlook reflected in the 2014 Mid-Year Report, released in August, appears to have been misplaced. As we examine the numbers at the end of 2014, we see that they largely mirror the results from the first half of the year. In 2013, the new home market in Central Virginia showed promising gains, but that momentum was not sustained in 2014. Both the number of closings and permits were down in 2014 compared to the previous year. Home prices, which were up compared to 2013, remained a silver lining and indicate increased costs associated with building and a shift toward more high-end homes sold. As HBAR and Commonwealth Partnerships (CWP) discuss in this report, based on data provided by IRR-Richmond, the housing industry continues an uneven recovery. We remain far from an optimal market and only built 45% of the number of new homes seen in a

“normal” or pre-boom market. This difficulty can be attributed to a number of factors, including higher costs, increased regulations, and uncertain economic conditions. Some areas did perform well and the key to the new home sector remains location, location, location. HBAR and CWP expect further improvements in the new housing sector in 2015, but a full rebound remains elusive. As we see some positive signs on the horizon, it reminds us how critical the home building industry is for the broader economy, bringing investments, jobs, and people.

#### At A Glance

2014 vs. 2013

Number of closings: ↓ 6%  
 Number of permits: ↓ 8%  
 New home price: ↑ 7%

### New Home Sales



Photo Credit: HHHunt Homes

Based on the data provided by IRR for this report, the number of new home closings were down slightly while average prices of new homes were up in 2014 compared to 2013. The number of closed new home sales decreased 6% to 2,587 homes sold in 2014 compared to 2,763 homes sold the year prior. The average price for a new home in the Richmond region was up 7% in 2014 compared to 2013 and reached \$365,352. **Chesterfield County** once again had the largest market share for new home sales. However, the number of sales dropped 4% compared to 2013 and the average price increased \$23,000 year over year in the county. During 2014, **Chesterfield** captured a 40% market share, up from a 38% share in 2013. The region’s most populous suburban counties -- **Chesterfield, Henrico, and Hanover** -- accounted for 83% of all new home sales in the local

market and saw the smallest dips in the number of new home sales in the region. Year over year, Hanover had the lowest dip in sales with a 2% drop while **Caroline County** saw the greatest percentage drop in new home sales, down 28%. Home prices increased across the region as **Powhatan County** led the way with the average new home price up 15%, followed by **Goochland County** at 8%. The corresponding chart details new home closings and prices.

Jurisdiction	New Home Closings by Jurisdiction				Closings Change	Avg. Price Change
	2013		2014			
	Closings	Avg. Price	Closings	Avg. Price		
Caroline County	74	\$213,722	53	\$200,152	-28%	-6%
Chesterfield County	1,060	\$340,568	1,022	\$363,011	-4%	7%
Goochland County	90	\$461,333	78	\$498,061	-13%	8%
Hanover County	429	\$312,802	422	\$331,959	-2%	6%
Henrico County	749	\$384,764	705	\$411,394	-6%	7%
New Kent County	135	\$294,340	113	\$303,368	-16%	3%
Powhatan County	72	\$354,855	68	\$409,856	-6%	15%
City of Richmond	154	\$242,236	126	\$257,468	-18%	6%
Condo/Townhouse	741	\$298,069	606	\$318,357	-18%	7%
Single-Family Detached	2,022	\$357,289	1,981	\$379,728	-2%	6%
<b>Total</b>	<b>2,763</b>	<b>\$341,407</b>	<b>2,587</b>	<b>\$365,352</b>	<b>-6%</b>	<b>7%</b>

Source: Integra Realty Resources-Richmond

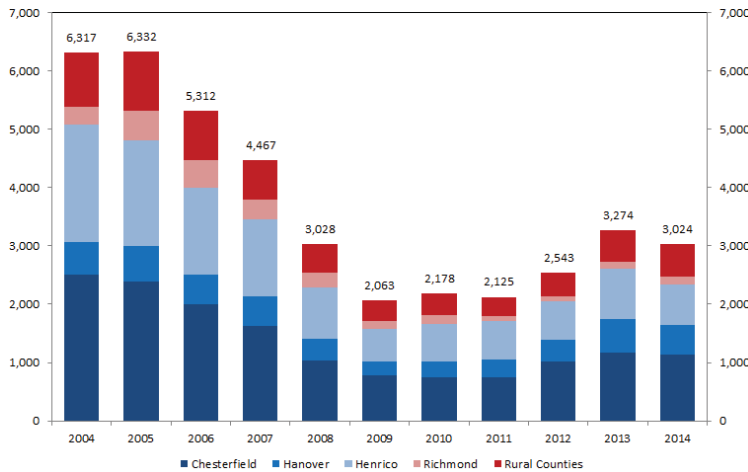
## Building Permits

The number of residential building permits issued for new construction was down 8% in 2014 compared to 2013. HBAR and CWP expect that the lack of developable land in some sought after locations will continue to depress the number of permits issued for new homes, as will rising building and regulatory costs. Similar to the number of new home closings, **Chesterfield County** remains the most active locality for single-family permits. The suburban counties of **Chesterfield, Henrico, and Hanover** have



Photo Credit: Main Street Homes

Single-Family Permits Issued in the Richmond Area Market  
Source: Integra Realty Resources-Richmond  
Charles City County was replaced with Caroline County in 2009



historically issued the greatest number of permits and

continue to do so. These permit trends are not surprising given the number of new homes built and sold in those counties.

### IRR's Take:

*The recent decline in single-family permitting activity is likely a sign that there will not be a meaningful rebound in new home sales in early 2015.*

## Multifamily



Photo Credit: Purcell Construction Corporation

The multifamily housing market also faced a decline in 2014. As the corresponding chart demonstrates, new construction in the apartment sector fell in 2014. The number of permits issued dropped 18% in 2014 compared to the previous year. The 1,006 permits issued in 2014 represents the first drop in building permits since 2011. This decline comes despite the uptick seen in the first half of 2014 and indicates that the pace of building slowed in the final six months of 2014. For the first time since 2008, **Chesterfield County** issued the most multifamily permits of any other jurisdiction and accounted for a substantial amount of multifamily building permits. Surprisingly, **Henrico County** only issued one multifamily building permit in 2014 (Henrico

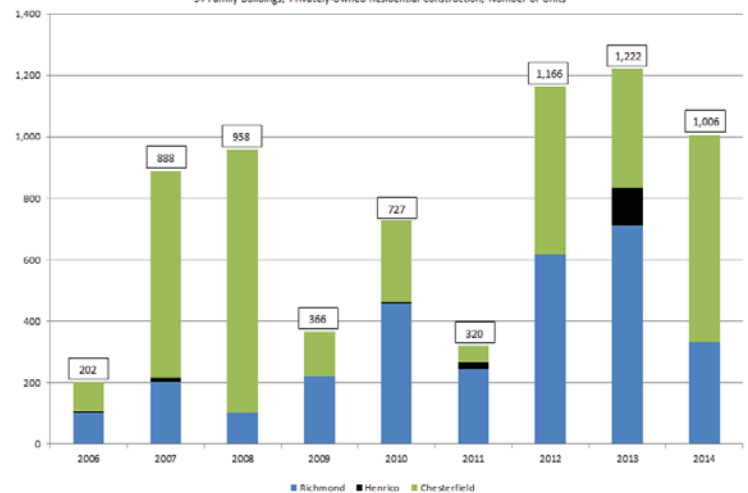
does not track the number of units associated with a multifamily building permit). HBAR and CWP believe that these trends highlight concerns about the amount of new rental housing in **Henrico** and a slowdown in the multifamily building boom in the **City of Richmond**.

### CWP's Take:

*The changing multifamily landscape in RVA is fascinating to watch. The drop in permits in the city of Richmond could reflect a saturation of units in the city. Meanwhile, the large jump in permits issued in Chesterfield raises a question about a potential multifamily bubble developing in the county.*

Multifamily Building Permits Issued in Chesterfield, Henrico and Richmond

Source: U. S. Census Bureau  
5+ Family Buildings, Privately-Owned Residential Construction, Number of Units



## Attached Housing

As illustrated in the corresponding chart, attached housing, consisting of condominium units and townhouses, accounted for 23% of all new homes sold in the local market in 2014. This market share represents a 4% drop from 2013 and the lowest level since before 2006. HBAR and CWP believe that the attached housing dip is due to recent completion of many communities with major attached housing components. We expect demand for attached housing to return, especially given preferences of Boomers and Millennials.

**New Home Market Share of Attached and Detached Product  
Twelve-Month Periods Ending December 2004-2014**  
Source: Integra Realty Resources-Richmond

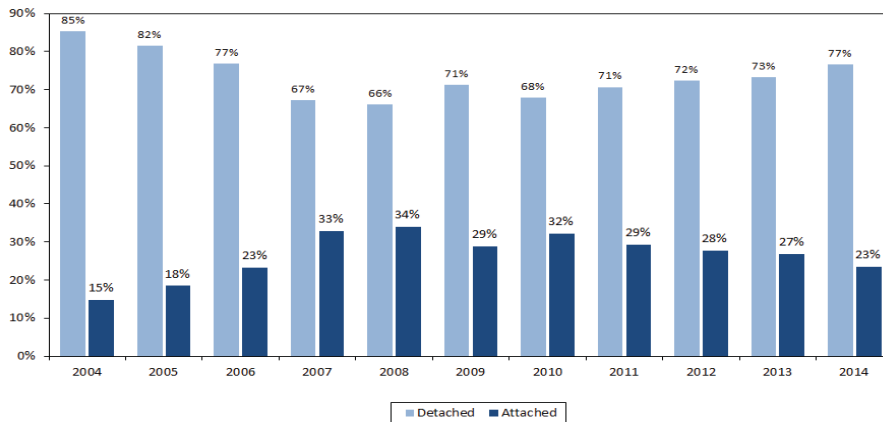


Photo Credit: Eagle Construction of VA, LLC

### IRR's Take:

*A number of new townhouse developments are slated to come online in the next 12 to 24 months. We believe that the market share of attached housing will increase as units in the new developments begin to sell.*

## What's Next



Photo Credit: Boone Homes

Based on the data provided by IRR for this report, HBAR and CWP conclude that 2014 represents a step backward for the new home recovery. There were some bright spots and certain communities saw a great deal of activity. For example, the high-end new home market continues to show strong signs of life. Despite the uneven year, builder confidence remains solid in Central Virginia and many new home builders are expecting improvements in 2015. There remain a number of challenges that developers and new home builders face, though, such as the rising cost of building supplies, availability of new lots in some locations, and regulatory burdens. Looking ahead, HBAR and CWP expect 2014 to be an anomaly and for positive building trends to return in 2015. Increased sales and home prices will be key to a rebound, as will the

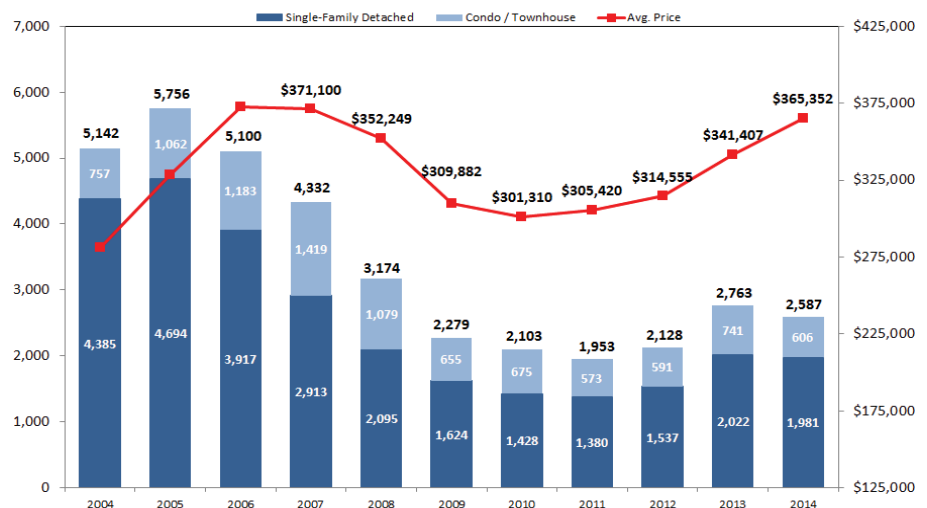
ability to develop new homes and multifamily units. The new home industry has made significant strides since the depths of the Great Recession, but as 2014 displayed there is still a long path before we reach a full recovery.

### HBAR's Take:

*This report highlights that despite our earlier optimism, 2014 was an uneven year for many in the new home industry. We are still very much in a recovery and given the role that home building plays in the larger economy, it's important that we continue to work toward that rebound. One good sign was the increase in home prices, which underscore the strength of the local market.*

**New Home Closings by Product and Overall Average Price  
In the Richmond Area Market**

Source: Integra Realty Resources-Richmond  
In 2009, Charles City County was replaced with Caroline County in this analysis

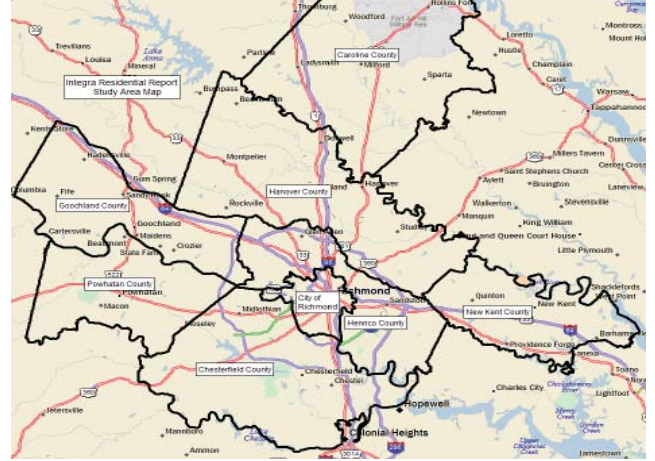




## About the Report and Methodology

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 (CWP), 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](http://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](http://www.irr.com)

### Commonwealth Partnerships (CWP)

Commonwealth Partnerships works with organizations and professionals in Virginia to develop and implement strategic marketing and communications campaigns for industries that support economic development, including real estate, A/E/C, professional services, nonprofit, senior living, and transportation. With award-winning experience, we focus on eight areas of service: branding and creative, content marketing, public relations, advertising, website development, social media, community relations, and research and analysis. For more information, visit [www.cpgrouppllc.com](http://www.cpgrouppllc.com).



Copyright 2015 | All Rights Reserved