

RVA New Home Market Report

2015 Mid-Year in Review

Overview

Since hitting the bottom in 2011, the home building industry has endured a difficult and uneven rebound with gains often followed by dips. Such was the case in 2014, but this year has been brighter for new home builders in RVA. The first half of 2015 showed improvements in a number of key indicators. The number of closings, permits, and average new home price were all up in the first six months of 2015 compared to the first half of 2014. As HBAR and Commonwealth Partnerships (CWP) discuss in this report, based on data provided by IRR-Richmond, the housing industry has seen positive momentum in 2015, but we remain far from a “normal” or optimal market. Perhaps most important, the number of new home permits offers a sign for hope and was up by double digits, a leading indicator of what to expect in the coming months and year. Many signs point to renewed confidence and momentum. However, this optimism is tempered by a number of potential hurdles which remain for home builders, including higher lot, labor, and material costs and increased regulations. HBAR and CWP expect further improvements in the new housing market during the second half of 2015 as a result of the lack of re-sale inventory, increased job growth throughout Central Virginia, and record low interest rates. Our region’s new home industry is very likely to sustain the positive gains seen in the first half of 2015 and continue to grow for the remainder of the year.

At A Glance
Mid-Year 2015 vs. 2014

Number of closings: ↑ 2%

Number of permits: ↑ 13%

New home price: ↑ 3%

New Home Sales



Photo Credit: TimberCreek Building & Design

Based on the data provided by IRR for this report, the number of new home closings and new home prices were both up slightly in the first half of 2015 compared to the same period in 2014. The number of closed new home sales increased 2% to 1,191 homes sold thus far in 2015 compared to 1,169 homes sold the year prior. The average price for a new home in the Richmond region was up 3% and reached \$368,928. Yet again, **Chesterfield County** had the largest market share for new home sales and the number of closings in the county was up 10% compared to the first half of 2014. Thus far in 2015, **Chesterfield** captured a 43% market share and remained the dominant locality for new home communities. The region’s most populous suburban counties -- **Chesterfield**, **Henrico**, and **Hanover** -- accounted for 80% of all new home sales in the local

market. Year over year, **Henrico** saw the largest drop in closings, which were down 17% while **Powhatan County** saw the greatest percentage increase in new home sales, up 58% (although only 49 new homes were sold and home prices dropped 10%). Home prices generally increased across the region with **Richmond** experiencing the largest rise in home prices, up 10% compared to the first half of 2014. The corresponding chart details new home closings and prices.

New Home Closings by Jurisdiction						
Jurisdiction	Jan-Jun 2014		Jan-Jun 2015		Closings Change	Avg. Price Change
	Closings	Avg. Price	Closings	Avg. Price		
Caroline County	25	\$207,948	23	\$225,166	-8%	8%
Chesterfield County	463	\$349,131	508	\$368,048	10%	5%
Goochland County	29	\$519,072	31	\$454,996	7%	-12%
Hanover County	173	\$317,989	176	\$324,248	2%	2%
Henrico County	328	\$408,680	271	\$435,275	-17%	7%
New Kent County	53	\$296,678	67	\$310,113	26%	5%
Powhatan County	31	\$437,065	49	\$393,842	58%	-10%
City of Richmond	67	\$248,379	66	\$273,294	-1%	10%
Condo/Townhouse	287	\$321,528	252	\$297,963	-12%	-7%
Single-Family Detached	882	\$368,021	939	\$387,972	6%	5%
Total	1,169	\$356,607	1,191	\$368,928	2%	3%

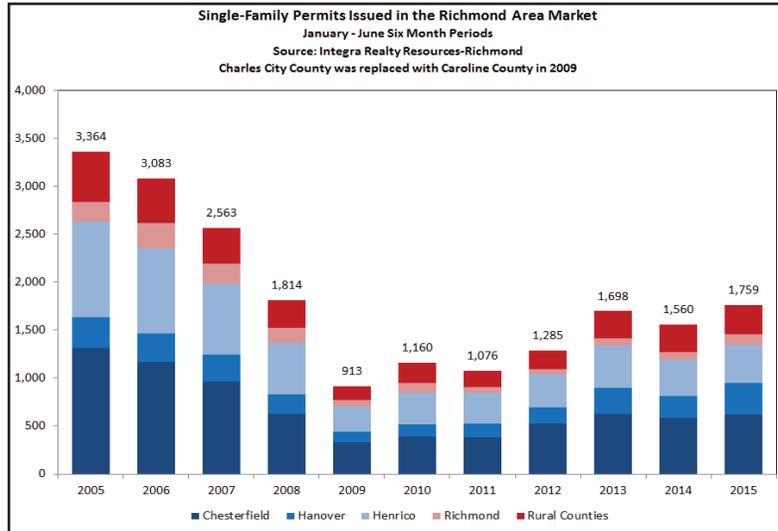
Source: Integra Realty Resources-Richmond

Building Permits

The number of residential building permits issued for new construction in the first six months of 2015 was up 13% compared to the same period in 2014. HBAR and CWP expect that the spike in permits signals positive momentum for the remainder of 2015 and into 2016. 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 historically issued the greatest number of



Photo Credit: Harring Construction



permits and continue to do so. The counties remain the most

popular locations to build new homes in the region. These permit trends are not surprising given the number of new homes built and sold in those counties.

HBAR's Take:

The recent uptick in single-family permitting activity is likely a sign that there will be a renewed rebound in new home sales in 2015 and 2016 as these homes are delivered to the local market.

Multifamily



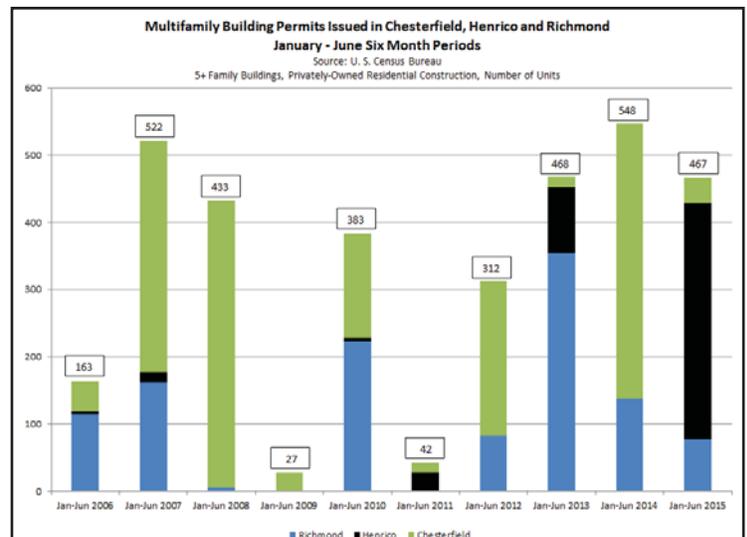
Photo Credit: Miller & Associates

Although the multifamily housing market saw a drop in permits in the first half of 2015 compared to the same period in 2014, it is currently on par with 2013 performance. As the corresponding chart demonstrates, new construction in the apartment sector fell as the number of permits issued dropped 15% thus far in 2015 compared to the previous year. For the first time in a decade, **Henrico County** issued the most multifamily permits of any jurisdiction and accounted for a substantial majority of permits, a stark rebound from 2014. Other significant results are the lack of permits in **Chesterfield County** and the ongoing drop of permits in **Richmond**. HBAR and CWP believe that the market is trying to absorb the many multifamily units

coming online in **Chesterfield** and **Richmond** after multiple years of development, indicating a potential slowdown in the multifamily building boom.

IRR's Take:

After a protracted period in which most new multifamily projects were adaptive reuse developments funded in part by historic tax credits, new ground-up construction of conventional communities has reemerged in the suburbs. Initially throughout Chesterfield and now in Henrico, the Richmond area will see significant new suburban apartment housing options for the first time since the recession.



Attached Housing

The attached housing sector, consisting of condominium units and townhouses, continues to shrink. The number of attached housing sales fell 12% and prices were down 7% in the first six months of 2015 compared to the first six months of 2014. Additionally, as illustrated in the corresponding chart below, attached housing only accounted for 21% of all new homes sold in the local market in first half of this year. This market share represents a 4% drop from the same period in 2014 and the lowest level since before 2006. HBAR and CWP believe that the attached housing sector continues to dip due to the completion of many communities with major attached housing components. However, we do expect attached housing to see some growth as scheduled projects come online.



Photo Credit: Eagle Construction of VA, LLC

Sales of New Attached Housing Units in the Richmond Area Market by Jurisdiction										
Jurisdiction	Jan-Jun 2011		Jan-Jun 2012		Jan-Jun 2013		Jan-Jun 2014		Jan-Jun 2015	
	Sales	Attached Mkt. Shr.								
Chesterfield	61	7%	81	8%	72	6%	64	5%	92	8%
Hanover	50	6%	50	5%	53	4%	53	5%	48	4%
Henrico	84	10%	130	13%	146	12%	114	10%	76	6%
Richmond	41	5%	25	3%	33	3%	43	4%	31	3%
Rural Counties	20	2%	9	1%	20	2%	13	1%	5	0%
Attached	256	30%	295	31%	324	27%	287	25%	252	21%
Detached	598	70%	668	69%	870	73%	882	75%	939	79%
Total Sales	854	100%	963	100%	1,194	100%	1,169	100%	1,191	100%

Source: Integra Realty Resources-Richmond

HBAR's Take:

The attached housing market is seeing an increase in demand from first time home buyers and baby boomers as first time buyers turn to townhomes due to low re-sale inventory and boomers look to downsize with limited maintenance requirements.

What's Next



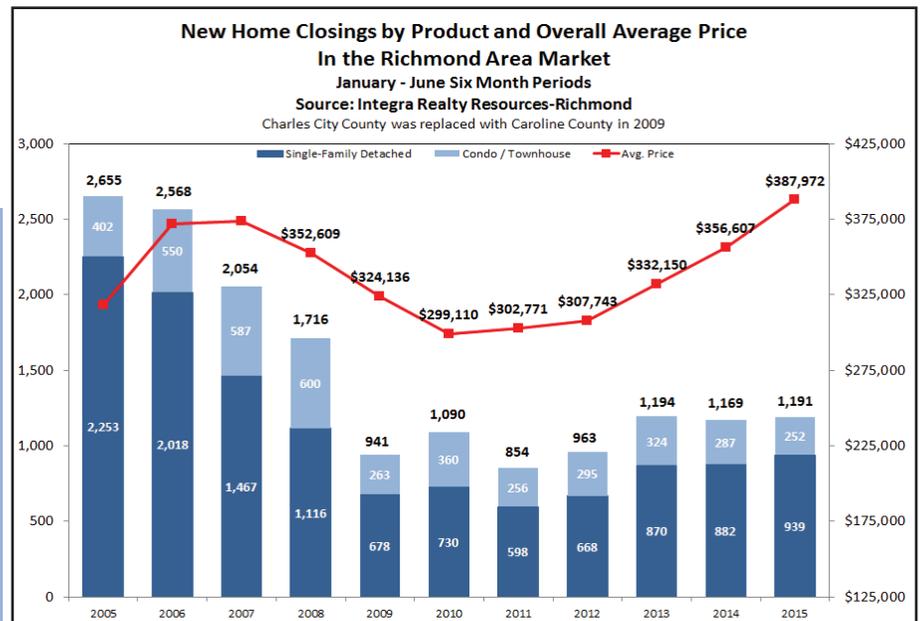
Photo Credit: HHHunt Communities

Based on the data provided by IRR for this report, HBAR and CWP conclude that the first half of 2015 showed improvement in the home building sector and signals positive momentum. As with the uneven recovery we have seen for the past few years, there were some bright spots, but challenges remain and there is still a long road toward full recovery. Builder confidence remains solid and is strengthening in Central Virginia with many new home builders expecting good results throughout the remainder of 2015. As new and existing home prices move closer to one another and home buyers see the value and cost savings of a newly built home, demand should keep rising. Looking ahead, HBAR and CWP expect the first half of 2015 to be the foundation of a positive year for the home building sector, especially as builders

record more sales and continue identifying new development opportunities. Increased closings and home prices will be key to an ongoing rebound, as will the availability of land to develop new homes and multifamily units.

CWP's Take:

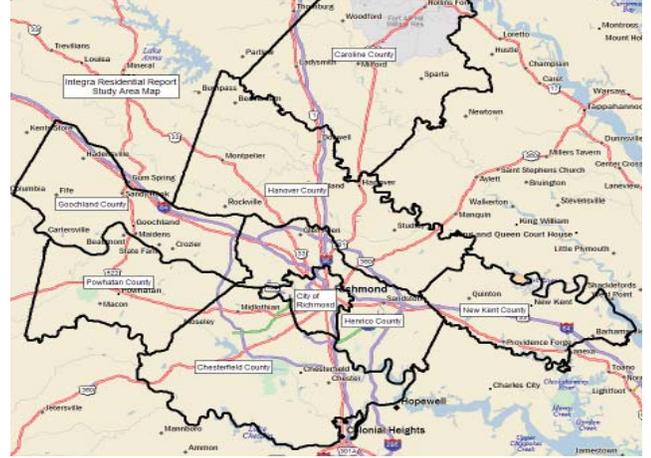
This first half of 2015 has been strong for home builders and the year should be a positive one. Perhaps most promising is the increase in building permits, which indicates a number of new projects in the coming years. We are still in the midst of a recovery and as the home building rebounds the entire economy will benefit.



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 eight 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

Commonwealth Partnerships (CWP)

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

