

RVA New Home Market Report

2016 Mid-Year in Review

Overview

The new home building industry in Central Virginia has maintained the momentum gathered last year as growth continued in the local market during the first half of 2016. Improvements were seen in almost every key indicator. The number of new home closings and building permits increased in the first six months of 2016 compared to the first six months of 2015. These results further solidify gains made throughout 2015. Despite the uptick in closings and permits, the average new home price was flat in the first half of 2016 compared to the same time frame last year. As HBAR and Commonwealth Partnerships (CWP) discuss in this report, based on data provided by IRR-Richmond, the housing industry's rebound has progressed from the depths of the Great Recession, but we still remain far from the optimal market of the pre-boom years. These positive signs, coupled with renewed optimism from local builders, indicate a strong year. However, this optimism is tempered by unrelenting challenges facing home builders, including labor shortages, higher material costs, limited land availability, and the increased costs to develop land. Ultimately, HBAR and CWP expect further improvements in the new housing market during the second half of 2016.

At A Glance

Mid-Year 2016 vs. 2015

Number of closings: ↑ 7%

Number of permits: ↑ 15%

New home price: ↔ 0%

New Home Sales



Photo Credit: HHHunt Homes

Based on the data provided by IRR for this report, the number of new home closings was up while new home prices were flat in the first half of 2016 compared to the same period in 2015. The number of closed new home sales increased 7% to 1,279 homes sold in the first six months of 2016 compared to 1,192 homes sold the year prior. The average price for a new home in the Richmond region increased only \$986, much less than 1% and essentially flat. The average home price reached \$369,792. The biggest news is the gain made in **Hanover County**, which had almost as many new home closings as **Henrico County**. Year over year, **Henrico** saw a drop in new home closings, which were down 9% while **Hanover County** saw a significant rise in new home sales, up 32%. Yet again, **Chesterfield County** had the largest market share for new home sales, accounting for 41% of the market, and the number of closings in the county was up 4% compared to the first half of 2015. The region's most populous suburban counties -- **Chesterfield**, **Henrico**, and **Hanover** -- accounted for 79% of all new home sales in the local market. The **City of Richmond** experienced the largest jump in closings and was up 74%, although the total number of sales was lower than the surrounding counties. **Goochland County** had the largest increase in average new home price compared to the first half of 2015. Average new home price in the county was up over \$77,000 or 17%. The corresponding chart details new home closings and prices.

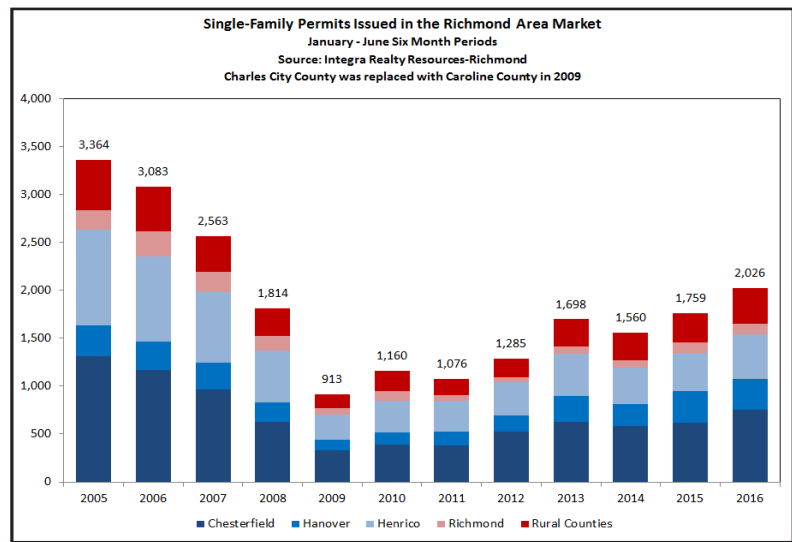
New Home Closings by Jurisdiction

Jurisdiction	Jan-Jun 2015		Jan-Jun 2016		Closings Change	Avg. Price Change
	Closings	Avg. Price	Closings	Avg. Price		
Caroline County	23	\$225,166	25	\$241,456	9%	7%
Chesterfield County	508	\$368,048	529	\$390,763	4%	6%
Goochland County	31	\$454,996	36	\$532,278	16%	17%
Hanover County	176	\$324,248	233	\$327,062	32%	1%
Henrico County	272	\$434,500	247	\$400,687	-9%	-8%
New Kent County	67	\$310,113	51	\$310,798	-24%	0%
Powhatan County	49	\$393,842	43	\$406,125	-12%	3%
City of Richmond	66	\$273,294	115	\$283,151	74%	4%
Condo/Townhouse	252	\$297,963	283	\$288,664	12%	-3%
Single-Family Detached	940	\$387,798	996	\$392,843	6%	1%
Total	1,192	\$368,806	1,279	\$369,792	7%	0%

Source: Integra Realty Resources-Richmond

Building Permits

The number of residential building permits issued for new construction in the first six months of 2016 was up 15% compared to the same period in 2015. HBAR and CWP expect that the ongoing spike in permits signals positive momentum for the remainder of 2016 and into 2017. 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 permits and continue to do so. These three counties remain the most popular locations in the



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



Photo Credit: Main Street Homes

CWP's Take:

The number of permits in the first half of 2016 was the highest level since 2007. This continuing uptick in single-family permitting activity is a positive sign for coming years as homes permitted now will be delivered to the local market in coming months.

Attached Housing



Photo Credit: Eagle Construction of VA, LLC

The attached housing sector, consisting of condominium units and townhouses, rebounded after shrinking for the past three years. As illustrated in the chart below, the attached housing market share rose slightly in the first half of this year. Attached home sales accounted for 22% of all new homes sold in the local market in first half of 2016, up 1% from the same time period in 2015. This slight turnaround in market share represents the first such improvement in more than three years. HBAR and CWP believe that the attached housing sector should see some additional growth the remainder of 2016 and in coming years as scheduled projects with significant attached housing inventory come online.

IRR's Take:

The recent improvement in the local housing market is an indication that the recovery is continuing. Going forward, the recovery will be supported by the ongoing residential development in the local market. The notable changes in new home sales in Hanover, Henrico, and Richmond largely reflect changes in the supply of vacant lots and new homes.

Sales of New Attached Housing Units in the Richmond Area Market by Jurisdiction					
Jurisdiction	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2016
Chesterfield	81	72	64	92	71
Hanover	50	53	53	48	83
Henrico	130	146	114	76	80
Richmond	25	33	43	31	41
Rural Counties	9	20	13	5	8
Attached	295	324	287	252	283
Market Share	31%	27%	25%	21%	22%
Detached	668	870	882	940	996
Market Share	69%	73%	75%	79%	78%
Total Sales	963	1,194	1,169	1,192	1,279
Source: Integra Realty Resources-Richmond					

Looking Ahead

Based on the data provided by IRR for this report, HBAR and CWP conclude that the first half of 2016 showed marked improvement in the home building sector and signaled positive momentum for the second half of the year. Despite the uneven recovery we have seen since the Great Recession, the continued growth from 2015 into 2016 is a very good sign for the new home industry in RVA. The increases in new homes closings and building permits reflects the optimism in the home building sector, although builders remain concerned about a number of challenges they must face on the long road toward full recovery. Among the most pressing obstacles are meeting labor needs, identifying developable land, higher material costs, and greater expenses to develop land for new home communities. Looking ahead, HBAR and CWP expect the first half of 2016 to be the foundation of a positive year for the home building sector, similar to 2015. We predict that builders will record more sales and find new development opportunities that will sustain growth in coming years. The continued recovery of the new home industry is good news for Central Virginia's economy because home building serves as a bedrock of broader economic growth by attracting private investment and new jobs.

HBAR's Take:

The housing industry has seen slow but steady growth during the first half of 2016. This growth points to an improved economy, job creation, and proves that the American dream of homeownership is alive and well. With permits being a leading indicator for new home closings, HBAR predicts further growth during the second half of 2016 and 2017.



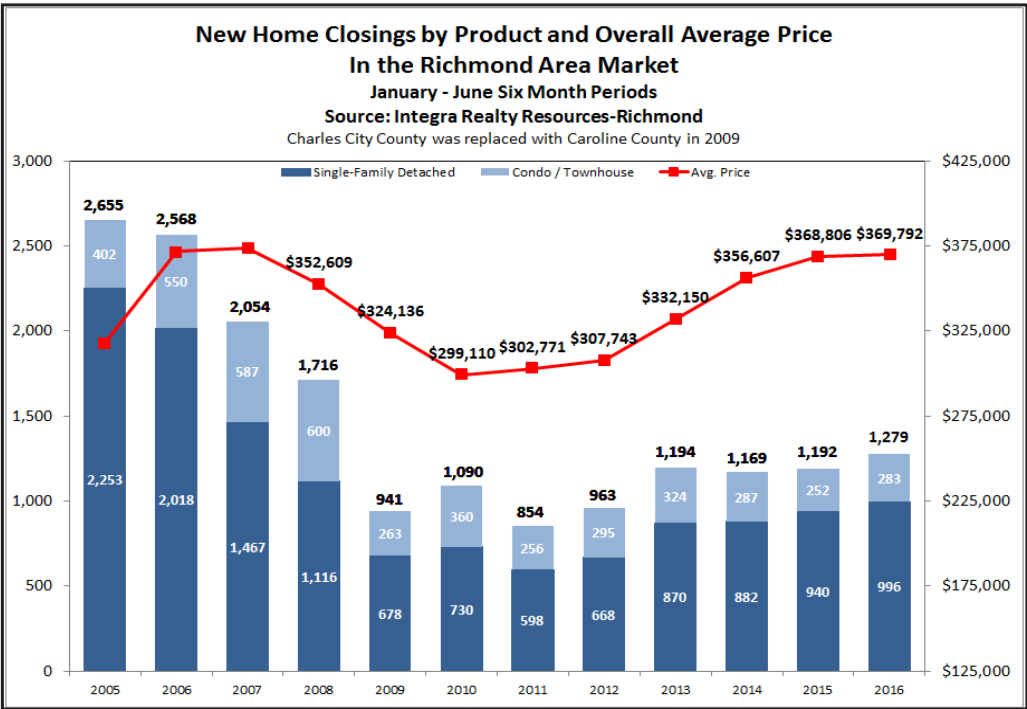
Photo Credit: CraftMaster Homes



Photo Credit: LifeStyle Home Builders



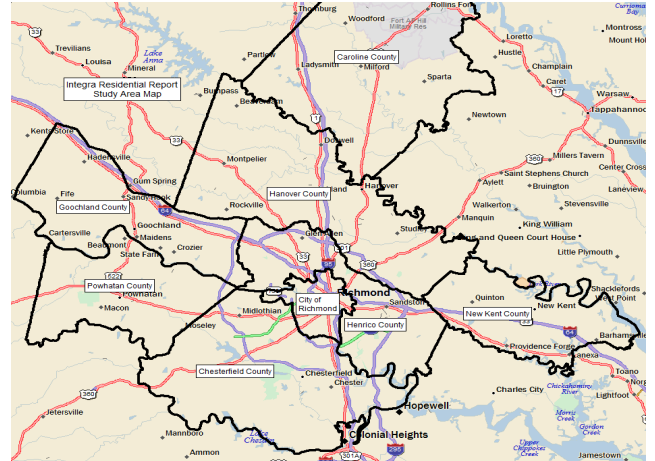
Photo Credit: StyleCraft Homes



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.

