

# RVA New Home Market Report

## 2016 Year in Review

### Overview

The new home market in Central Virginia maintained the momentum built in the first half of the year and ended with positive increases in almost every key indicator. The number of new home closings and building permits increased in 2016 compared to 2015. These results further solidify gains made over the past two years. Despite the uptick in closings and permits, the average new home price was flat in 2016 compared to the previous year. As HBAR and Commonwealth Partnerships (CWP) discuss in this report, based on data provided by IRR-Richmond, the housing industry's rebound continued its slow but steady rise from the depths of the Great Recession. However, as we've indicated in previous reports, the industry still hasn't returned to a normal, pre-boom market. The solid growth in 2016 was a good sign for home builders and the broader Central Virginia economy. A recent report released from the Governor's Office and George Mason University shows that the housing industry in Virginia is responsible for over 314,000 jobs and \$1.6 billion in state and local taxes. While the positive signs are encouraging, the new home industry continues to face familiar hurdles as well, such as a deepening labor shortage, higher material costs, limited land availability, and an uncertain regulatory environment. Ultimately, HBAR and CWP believe the growth in 2016 should continue in 2017.

#### At A Glance

2016 vs. 2015

Number of closings: ↑ 6%  
 Number of permits: ↑ 10%  
 New home price: ↔ 0%

### New Home Sales



Based on the data provided by IRR-Richmond for this report, the number of new home closings increased while new home prices were flat in 2016 compared 2015. The number of closed new home sales increased 6% to 2,984 homes sold during 2016 compared to the 2,812 homes that were sold the year prior. The average price for a new home in the Richmond region was essentially flat, dropping a minor \$530. The average home price was \$373,808 in 2016 compared to \$374,338 in 2015. The biggest news was the drop in new home closings in **Henrico County**. Year over year, **Henrico** saw an 11% decrease in new home closings and a 7% drop in the average new home price. HBAR and CWP attribute this decline to the completion of a number of new communities and the lack of major new developments in 2016. Yet again, **Chesterfield**

**County** had the largest market share for new home sales, accounting for 43% of the market, and the number of closings in the county was up 11% compared to 2015. The average new home price in **Chesterfield County** rose 5%. **Hanover**

**County** also saw growth in 2016 compared to 2015 with new home sales up 5% and average new home price up 2%. The region's most populous suburban counties -- **Chesterfield, Henrico, and Hanover** -- remain dominate in terms of sales and accounted for 79% of all new home sales in the local market. Notably, the **City of Richmond** had the largest percentage jump in closings (54%), although the total number of sales was lower than the surrounding counties.

Jurisdiction	2015		2016		Closings Change	Avg. Price Change
	Closings	Avg. Price	Closings	Avg. Price		
Caroline County	46	\$234,502	57	\$252,979	24%	8%
Chesterfield County	1,158	\$375,003	1,286	\$393,605	11%	5%
Goochland County	88	\$527,278	86	\$514,338	-2%	-2%
Hanover County	471	\$330,676	493	\$338,602	5%	2%
Henrico County	657	\$429,248	582	\$398,455	-11%	-7%
New Kent County	151	\$322,050	149	\$315,492	-1%	-2%
Powhatan County	95	\$372,935	106	\$392,606	12%	5%
City of Richmond	146	\$269,693	225	\$280,701	54%	4%
Condo/Townhouse	590	\$289,372	620	\$293,019	5%	1%
Single-Family Detached	2,222	\$396,899	2,364	\$394,996	6%	0%
<b>Total</b>	<b>2,812</b>	<b>\$374,338</b>	<b>2,984</b>	<b>\$373,808</b>	<b>6%</b>	<b>0%</b>

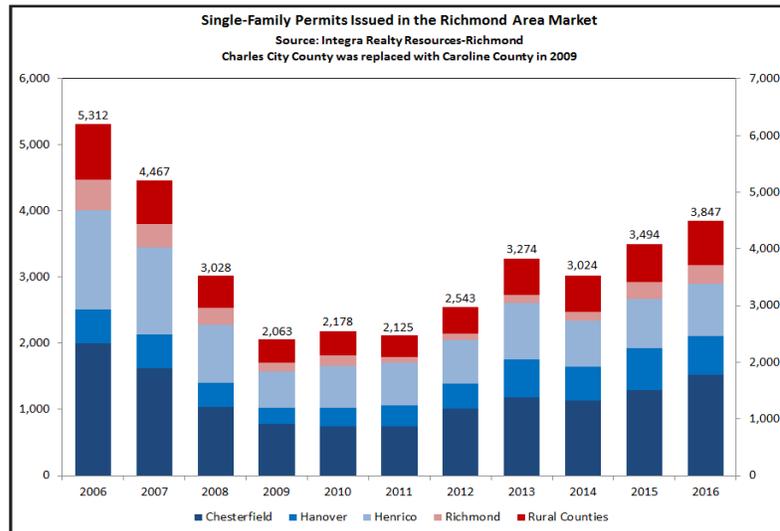
Source: Integra Realty Resources-Richmond

## Building Permits

The number of residential building permits issued for new construction in 2016 was up 10% compared to 2015. The number of building permits reached the highest level since 2007, an indication that the number of new homes delivered to the market will remain robust during 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



Photo Credit: StyleCraft Homes



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

### CWP's Take:

*The number of permits issued in 2016 is a very positive sign for the home building sector and underscores current builder confidence. This uptick in permits indicates that builders expect continued demand for single-family homes and plan to deliver more homes to the local market in 2017.*

## Attached Housing

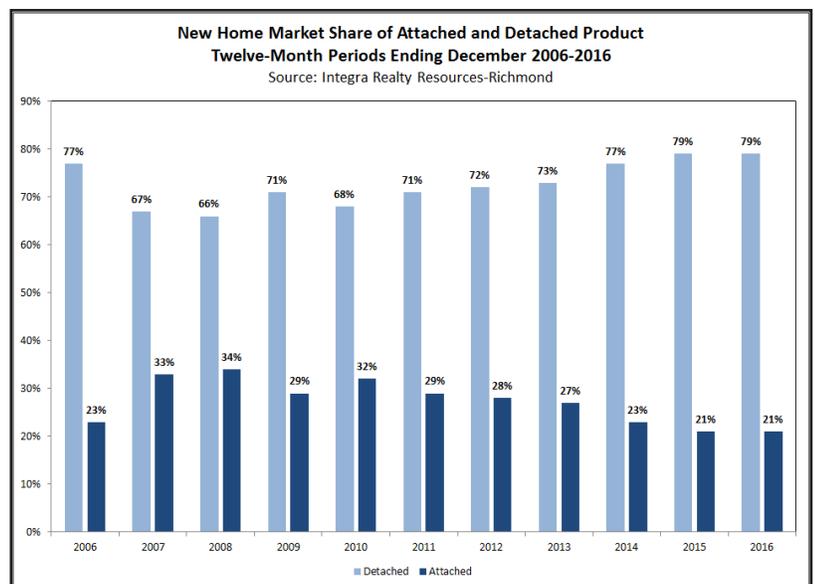


Photo Credit: NK Homes

### IRR's Take:

*Throughout 2016, local home builders achieved a steady increase in the number of new home sales as the average sale price stabilized compared to previous years. We may also see an increase in the market share of attached housing as units sales commence in several recently developed townhouse communities.*

The market share of attached housing, consisting of condominium units and townhouses, remained consistent between 2016 and 2015. As illustrated in the chart below, the attached housing market share was flat and accounted for 21% of all new homes sold in the local market in 2016. While holding steady in 2016, the attached housing sector did halt a slide in market share that began in 2010. HBAR and CWP believe that despite the decline in market share recently, the attached housing sector should see additional growth in 2017 as projects with significant attached housing inventory come online. Absorption of new condos and townhomes increased 5% to 620 sales during 2016. Furthermore, attached housing remains popular with key market segments, such as Millennials, which will help to support growth in coming years.



## Looking Ahead

Based on the data provided by IRR for this report, HBAR and CWP conclude that 2016 maintained the progress seen in the first half of the year and showed improvement in the home building sector compared to 2015. Despite the uneven recovery we have seen since the Great Recession, the continued growth from 2015 into 2016 is a positive sign for the new home industry in RVA. We expect this growth to continue in 2017, but our region remains at least a few years away from reaching an optimal new home market. The increases in new homes closings and building permits reflects the ongoing optimism in the home building sector, although builders remain concerned about persistent challenges on the road toward full recovery, including a labor shortage, lack of developable land, higher material costs, and an uncertain regulatory environment. Looking ahead, HBAR and CWP expect 2017 to be another positive year for the home building industry. 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:

Recent research indicates that home buyers see the added value that comes with a new home versus a resale home. Builders are adapting to market demands by providing quality, sustainable developments and homes for every generation. Because builders are providing better than ever product and buyers are seeing added value, HBAR predicts the Central Virginia new home market will continue to see gains in 2017.



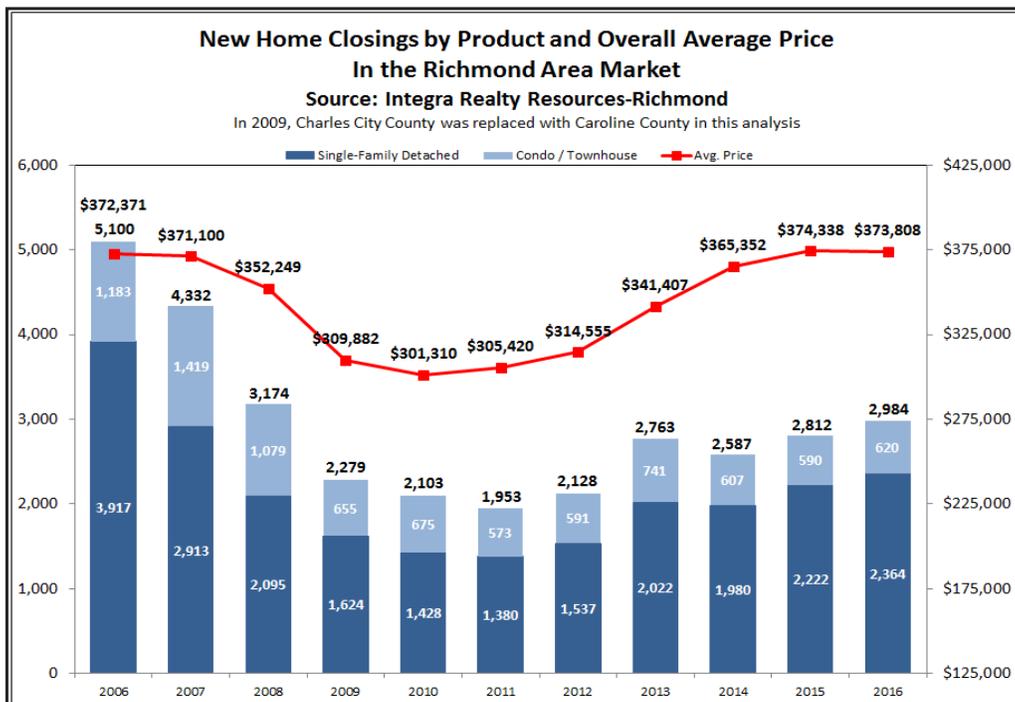
Photo Credit: CraftMaster Homes



Photo Credit: Main Street Homes



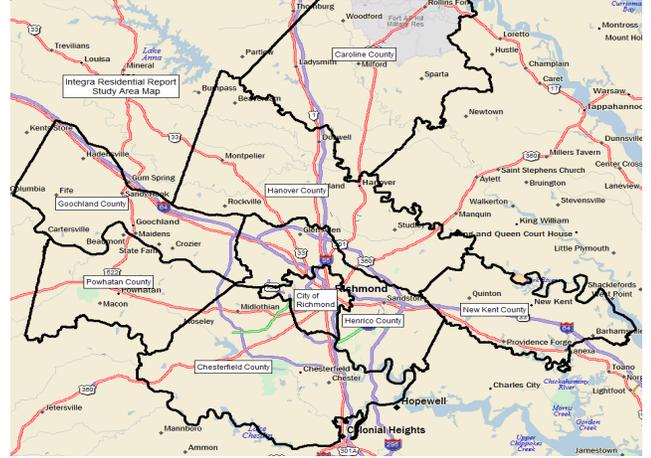
Photo Credit: Southern Traditions



## 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](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 to develop and implement strategic public relations, communications, and marketing campaigns for the real estate, architecture, engineering, construction, and senior living sectors. With award-winning experience, we focus on six areas of service: awards and rankings, community relations, content marketing, public relations, social media, and video development. For more information, visit [www.cpgroupllc.com](http://www.cpgroupllc.com).

