

RVA New Home Market Report

2017 Year in Review

Overview

The new home market in Central Virginia saw another strong year in 2017 and built on the momentum from the first half of the year. The home building sector ended the year with positive increases in every key indicator. The number of new home closings and building permits increased by double digits in 2017 compared to 2016, up 21% and 15% respectively. The average new home price was up as well, increasing by 2% in 2017.

These results further solidify gains made over the past three years. As HBAR and Commonwealth Partnerships (CWP) discuss in this report, based on data provided by IRR-Richmond, the housing industry's rebound continued its steady rise from the depths of the Great Recession to realize sustained growth. However, as we've indicated in previous reports, challenges persist, including the lack of developed land, low inventory, and higher material and labor costs. The home building industry remains a cornerstone of our region's economy. A healthy and thriving new home market creates significant economic ripples. Fortunately, HBAR and CWP believe that the growth throughout 2017 will continue in 2018 as home builders remain bullish about our local markets and buyers continue to show heightened demand for new homes.

At A Glance

2017 vs. 2016

Number of closings: ↑ 21%

Number of permits: ↑ 15%

New home price: ↑ 2%

New Home Sales



Based on the data provided by IRR-Richmond for this report, the number of new home closings increased by double digits while new home prices were up slightly in 2017 compared to 2016. The number of closed new home sales increased 21% to 3,608 homes sold during 2017 compared to the 2,985 homes that were sold the year prior. The average price for a new home in the Richmond region was slightly higher, up only 2%. The average home price was \$382,975 in 2017 compared to \$373,796 in 2016. Reversing a trend from 2017, **Henrico County** saw a 47% jump in new home sales. HBAR and CWP attribute this increase to a number of new developments coming online or expanding in the county compared to last year. Despite the increase in **Henrico, Chesterfield County** once again had the largest market share for new home sales, accounting for 43% of the market. The number of closings in the county was up 21% in 2017 compared to 2016. The region's most populous suburban counties -- **Chesterfield, Henrico, and Hanover** -- continue to dominate new home sales in Central Virginia. Those three counties accounted for 80% of all new home sales in the local market. Notably, the **City of Richmond** also continued to see growth in the number of new home sales. The city also had the largest increase in new home sales price in 2017 compare to 2016. New home sales prices in **Richmond** were up 21%, buoyed by strong demand in a number of neighborhoods in high demand and unit sales in three new high-end condominium projects.

Photo Credit: LifeStyle Home Builders

New Home Closings by Jurisdiction						
Jurisdiction	2016		2017		Closings Change	Avg. Price Change
	Closings	Avg. Price	Closings	Avg. Price		
Caroline County	57	\$252,979	74	\$256,059	30%	1%
Chesterfield County	1,286	\$393,605	1,552	\$399,228	21%	1%
Goochland County	86	\$514,338	113	\$481,146	31%	-6%
Hanover County	493	\$338,602	467	\$346,986	-5%	2%
Henrico County	583	\$398,351	859	\$397,999	47%	0%
New Kent County	149	\$315,492	182	\$314,306	22%	0%
Powhatan County	106	\$392,606	111	\$387,796	5%	-1%
City of Richmond	225	\$280,701	249	\$338,578	11%	21%
Condo/Townhouse	623	\$292,695	876	\$319,961	41%	9%
Single-Family Detached	2,362	\$395,187	2,732	\$403,180	16%	2%
Total	2,985	\$373,796	3,608	\$382,975	21%	2%

Source: Integra Realty Resources-Richmond

Building Permits

The number of residential building permits issued for new construction in 2017 was up 15% compared to 2016. The number of building permits continues to outpace previous years and almost equaled the market’s previous peak a decade ago. 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 year after year.

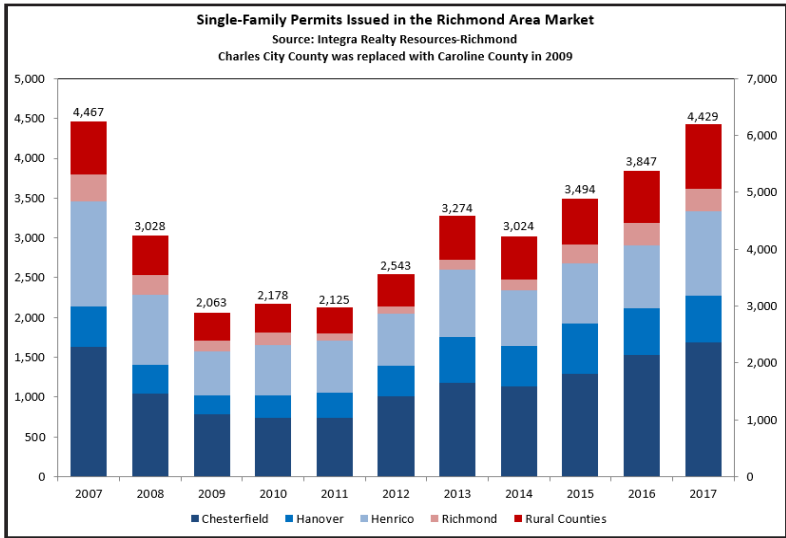


Photo Credit: HHHunt Homes

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

HBAR’s Take:
Richmond’s home building industry is healthy, growing, and diversifying its new housing stock. Builders and developers are optimistic for a star performance in 2018.

Attached Housing



Photo Credit: Main Street Homes

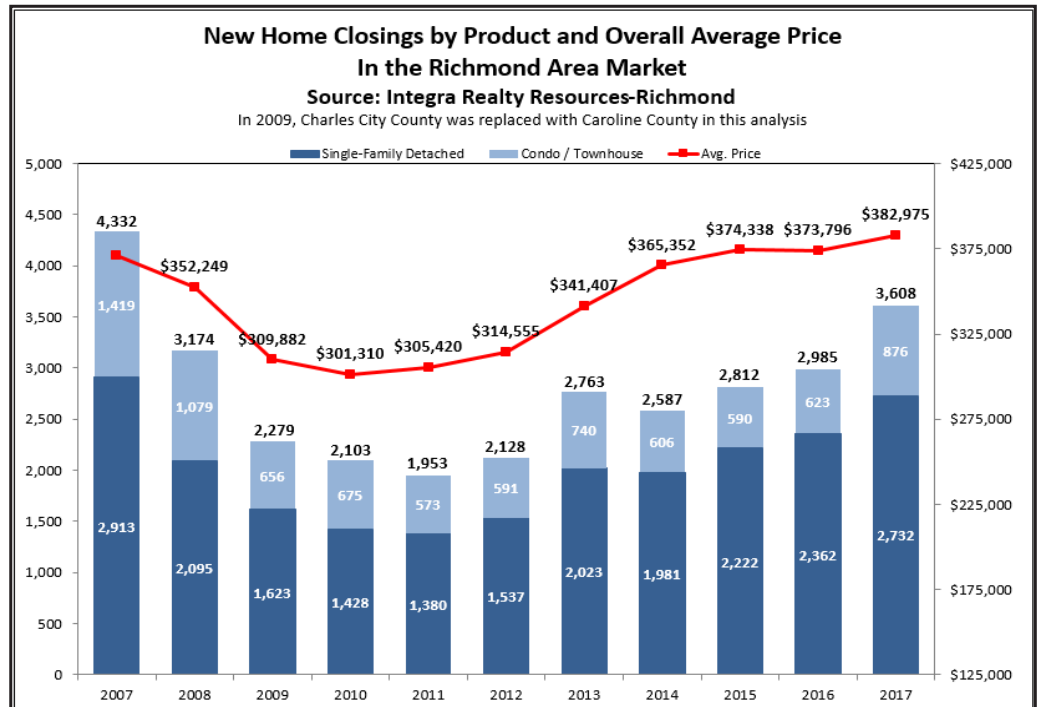
The market share of attached housing, consisting of condominium units and townhouses, increased in 2017. There were more than 250 additional attached housing units sold in 2017 compared to 2016. As illustrated in the chart below, provided by IRR-Richmond, the attached housing market share saw its first uptick since 2013 and reached its highest level in three years. Attached housing accounted for 24% of all new homes sold in the local market in 2017. As predicted in the 2016 Year in Review Report, HBAR and CWP believe that despite the decline in attached housing market share in recent years, this sector was poised for growth in 2017 as projects with significant attached housing inventory came online. Furthermore, attached housing remains popular with key market segments, such as Boomers and Millennials, which will help to support further growth in coming years.

CWP’s Take:
The attached housing sector saw solid gains in 2017 and we expect to see continued growth in the coming year. Attached housing, particularly townhomes, remain popular with many buyers due to more attractive price points and low maintenance living that supports a “lock-and-go” lifestyle many Millennials and Boomers desire.

Sales of New Attached Housing Units in the Richmond Area Market by Jurisdiction					
Jurisdiction	2013	2014	2015	2016	2017
Chesterfield	143	130	192	153	269
Hanover	129	119	132	180	177
Henrico	346	264	202	188	360
Richmond	86	63	55	91	54
Rural Counties	36	30	9	11	16
Attached	740	606	590	623	876
Market Share	27%	23%	21%	21%	24%
Detached	2,023	1,981	2,222	2,362	2,732
Market Share	73%	77%	79%	79%	76%
Total Sales	2,763	2,587	2,812	2,985	3,608
Source: Integra Realty Resources-Richmond					

Looking Ahead

Based on the data provided by IRR for this report, HBAR and CWP conclude that 2017 maintained the notable progress seen in the first half of the year and showed improvement in the home building sector compared to 2016. Since 2014, there has been consistent growth in the number of new home sales in Central Virginia. Although the rate of new home sales in 2017 remained below an optimal market, the sustained progress is encouraging. Likewise, the increase in the number of building permits indicates that the momentum from 2017 will continue in 2018. Although we remain optimistic about the home building sector, builders still face some persistent challenges, such as a labor shortage, lack of developable land, higher material costs, and a burdensome regulatory environment.



Looking ahead, HBAR and CWP expect 2018 to be another positive year for the home building industry in Central Virginia. 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 for our region because it helps make the dream of homeownership a reality for many more people. A strong home building market also benefits our regional economy because home building serves as a bedrock of broader economic growth by attracting private investment and new jobs.

IRR's Take:

The recent growth trend in new home sales will continue well into 2018 and perhaps beyond. Activity commenced in several new townhouse communities in 2017 and several other new townhouse communities are currently under development. Activity in these communities will likely produce higher numbers of new home sales in the attached housing segment and in Henrico County, where several of the communities are located.



Photo Credit: Ryan Homes



Photo Credit: Dumont Homes

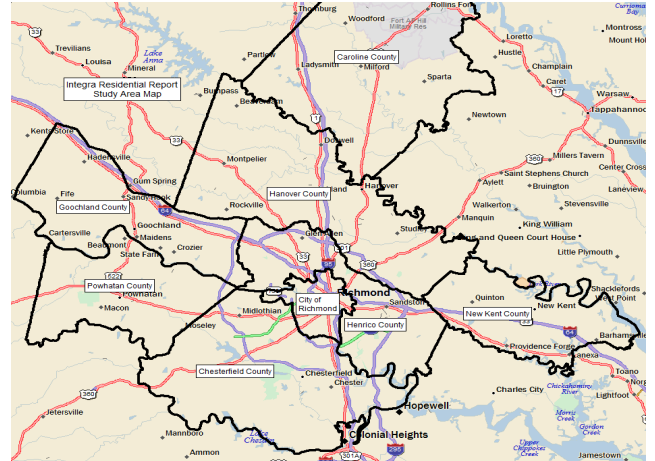


Photo Credit: Biringer Builders

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 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.

