

RVA New Home Market Report

2018 Year in Review

Overview

The new home market in Central Virginia saw another solid year in 2018 as the housing sector benefited from continued momentum built in 2016 and 2017. The home building sector ended the year with positive increases in two key indicators. The number of new home closings and new home prices increased by 4% and 5% respectively in 2018 compared to 2017. Building permits in 2018 fell by 1%, a slight decrease from 2017.

Although these results highlight growth among home builders, they also showcase how that growth slowed compared to previous years. As HBAR and Commonwealth Partnerships (CWP) discuss in this report, based on data provided by IRR-Richmond, the housing industry continues to face a number of hurdles. As we've indicated in previous reports, challenges persist, including the lack of developed land, low inventory, rising costs, and affordability. Builders also contended with extreme weather in 2018 that resulted in delays. Home building is a cornerstone of our region's economy and its success creates significant ripples throughout the region. Fortunately, demand for new homes remains high in Central Virginia. HBAR and CWP anticipate that strong economic conditions in 2019 will help bolster the new home market. We believe that 2019 will be a positive year for home builders, but the growth is likely to mirror 2018's slower pace.

At A Glance

2018 vs. 2017

Number of closings: ↑ 4%

Number of permits: ↓ 1%

New home price: ↑ 5%

New Home Sales



Based on the data provided by IRR-Richmond for this report, the number of new home closings increased in 2018 compared to 2017. The number of closed new home sales increased 4% to 3,740 homes sold during 2018 compared to the 3,607 homes that were sold the year prior. The average price for a new home in the Richmond region was higher as well, up 5%. The average home price was \$403,266 in 2018 compared to \$383,012 in 2017. Continuing a trend from 2017, **Henrico County** saw a 27% jump in new home sales. HBAR and CWP attribute this increase to a number of new developments coming online or expanding in the county, especially developments featuring attached units. Meanwhile, **Hanover County** saw a 26% decline in new home sales. This decrease can be attributed to developments closing out. **Chester-**

field County once again had the largest market share for new home sales, accounting for 43% of the market. The region's most populous suburban counties -- **Chesterfield, Henrico, and Hanover** -- continue to dominate new home sales in

Central Virginia and accounted for 81% of all new home sales in the local market. Regarding new home prices in the region, as the corresponding chart details, the **City of Richmond** and **Goochland County** tied for the largest increase in home price. New home prices in both localities were up 17% in 2018 compared to 2017. Significant changes in the average sale price often reflect changes in the mix of product sold as well as direct price increases within product lines.

New Home Closings by Jurisdiction						
Jurisdiction	2017		2018		Closings Change	Avg. Price Change
	Closings	Avg. Price	Closings	Avg. Price		
Caroline County	74	\$256,059	73	\$249,256	-1%	-3%
Chesterfield County	1,552	\$399,228	1,602	\$404,205	3%	1%
Goochland County	112	\$483,210	117	\$565,159	4%	17%
Hanover County	467	\$346,986	344	\$385,698	-26%	11%
Henrico County	859	\$397,999	1,091	\$413,902	27%	4%
New Kent County	183	\$314,645	219	\$330,499	20%	5%
Powhatan County	111	\$387,796	126	\$421,068	14%	9%
City of Richmond	249	\$338,578	168	\$396,901	-33%	17%
Condo/Townhouse	878	\$319,816	947	\$346,380	8%	8%
Single-Family Detached	2,729	\$403,344	2,793	\$422,554	2%	5%
Total	3,607	\$383,012	3,740	\$403,266	4%	5%

Source: Integra Realty Resources-Richmond

Building Permits

The number of residential building permits issued for new construction was down slightly in 2018 compared to 2017, dropping just 1%. Despite the decline, the number of building permits issued in 2018 was the highest level in the past decade aside from 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 year after year.

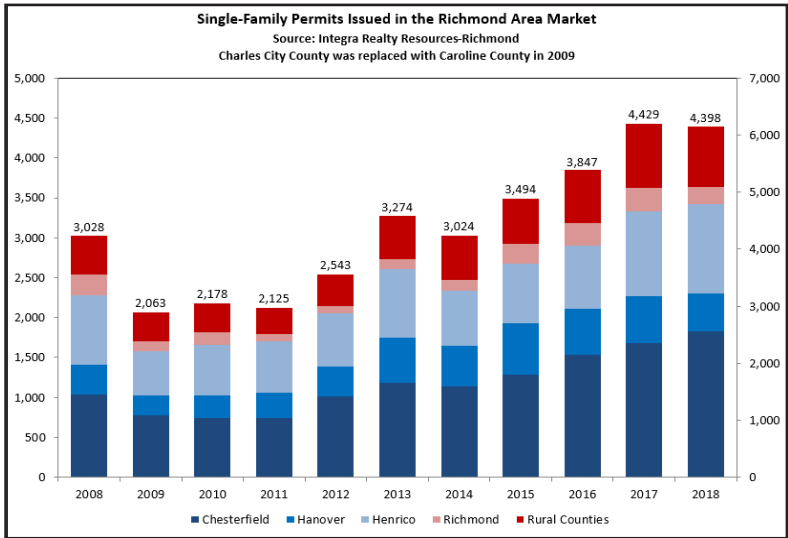


Photo Credit: HHHunt Homes

These three counties remain, by far, 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.

CWP's Take:

Although down slightly from 2017, the number of permits issued in 2018 was higher than many recent years, indicating strong demand for new homes in our region. Builders are planning to deliver more homes and communities to meet that buyer demand.

Attached Housing



Photo Credit: R-CI Builders

The market share of attached housing, consisting of condominium units and townhouses, increased again in 2018. As illustrated in the chart below, provided by IRR-Richmond, the attached housing market share saw its second consecutive uptick and reached its highest level in five years. Attached housing accounted for 25% of all new homes sold in the local market in 2018. As predicted in the 2016 and 2017 Year in Review Reports, HBAR and CWP believe that the attached housing market was poised for growth as projects with significant attached housing inventory came online. **Henrico County** accounted for 56% of the attached housing sales in 2018, continuing its trend of having the most attached housing sales of any locality in the region. Given buyer demographics and demand, we expect attached housing to continue performing well.

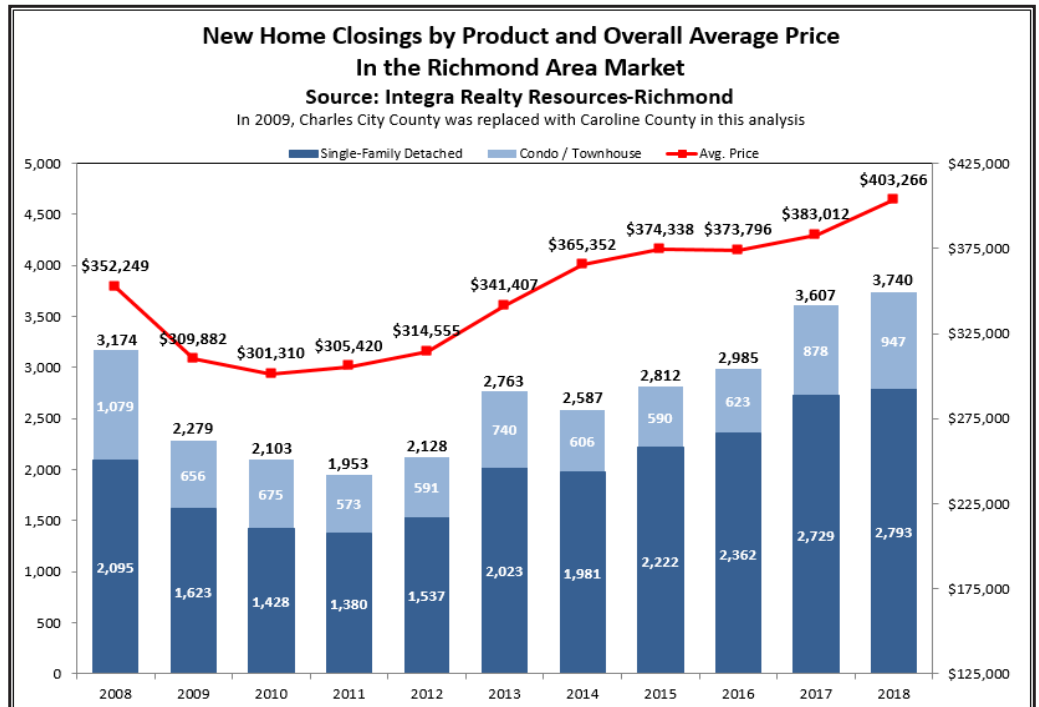
IRR's Take:

During 2018, the diversification of new housing product continued in the local market. Going forward, builders will be offering additional age-targeted, townhouse, and condominium housing options. Yet, it remains difficult for builders to offer additional product at the most affordable price points.

Sales of New Attached Housing Units in the Richmond Area Market by Jurisdiction					
Jurisdiction	2014	2015	2016	2017	2018
Chesterfield	130	192	153	270	247
Hanover	119	132	180	177	95
Henrico	264	202	188	360	535
Richmond	63	55	91	55	55
Rural Counties	30	9	11	16	15
Attached	606	590	623	878	947
Market Share	23%	21%	21%	24%	25%
Detached	1,981	2,222	2,362	2,729	2,793
Market Share	77%	79%	79%	76%	75%
Total Sales	2,587	2,812	2,985	3,607	3,740
Source: Integra Realty Resources-Richmond					

Looking Ahead

Based on the data provided by IRR-Richmond for this report, HBAR and CWP conclude that 2018 maintained the momentum from previous years, although at a slower pace. Since 2014, the home building sector has seen consistent growth in the number of new home sales in Central Virginia. Although there have been some slips, the past five years delivered steady increases in new home prices and the number of building permits issued. Despite these positive trends, the new home market remains below optimal sales levels. We are optimistic about the home building sector, but are cognizant of many challenges that persist for builders, such as a labor shortage, lack of developable land, higher material costs, and a burdensome regulatory environment that hampers new home affordability.



Looking ahead, HBAR and CWP expect 2019 to be another positive year for the home building industry in Central Virginia. We predict that builders will record more sales and new home prices will rise, although both indicators will likely reflect the increases in 2018. Likewise, we expect that home builders will find new development opportunities to sustain growth in the coming year. A recent national study found high demand for new homes in the Richmond region with 70% of buyers believing 2019 is a good time to purchase a new home. Home builders who can capitalize on this demand will be well positioned for a strong year.

HBAR's Take:

Extreme weather faced by developers and builders in 2018 put projects behind by as much as six months, hindering the industry's ability to offer more supply to buyers. Builders and developers are hoping to make up for that lost opportunity in 2019. To accommodate the region's projected housing supply demand for a growing workforce, the industry will need to produce approximately 4,000 units per year between now and 2024, according to Virginia's Housing Policy Advisory Council.



Photo Credit: CraftMaster Homes



Photo Credit: LifeStyle Home Builders

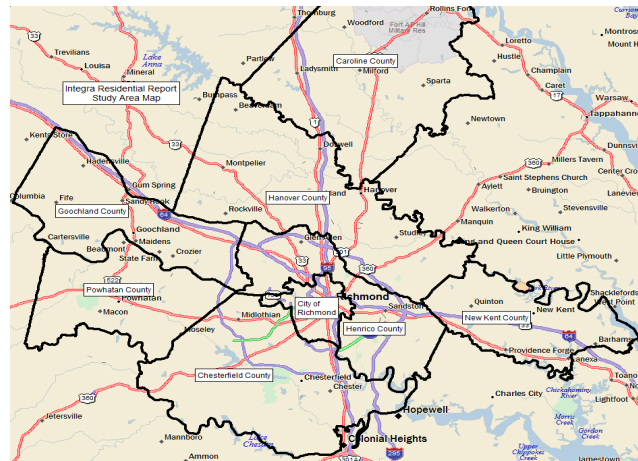


Photo Credit: Main Street Homes

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. For information on the Richmond area housing market, please contact Tom Tyler at ttyler@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.

