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Data Analysis

Real Data

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Disclosure

The data used for this report are deemed reliable; however, neither Old Dominion University, the E.V. Williams Center for Real Estate and Economic Development, nor sponsoring companies and/or individuals make any representation or warranty as to its accuracy.
2014 MULTIFAMILY

General Overview

The Norfolk-Virginia Beach-Newport News Apartment Report, published by Real Data, is a detailed analysis of the rental market within conventional apartment communities in the Hampton Roads region. The area has been divided into nine submarkets: Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Suffolk, Virginia Beach, Williamsburg and York. Combined, these areas contain a survey base of over 95,000 units within conventional apartment communities of 50 or more units each.

The region is divided into two portions by the James River. The Peninsula area is north of the James River and contains Hampton, Newport News, Williamsburg, and York. The Southside area is south of the James River and contains Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach. The cities with the highest concentration of units are Virginia Beach and Newport News, which accounts for nearly one half of the region’s apartment units.

The Hampton Roads apartment market has remained stable over the past five years with a current occupancy rate of 93.4% as of the fourth quarter of 2013 compared to a five year average of 93.5%. Occupancy rates are forecast to dip slightly in 2014 as new supply comes on-line.

Development activity continues to gain momentum to meet demand for rental housing, especially in the urban core areas. As of October 2013, there were 3,632 units under construction, which is a record high. This equates to a 3.8% growth rate in supply over the next 12 to 18 months which is a manageable rate given the current level of demand for apartments.

The average quoted rental rate is $952, with one-bedroom rents averaging $850 per month, two-bedroom units averaging $959 per month, and three-bedroom units reporting an average rental rate of $1,133 per month. Average rental rates from existing inventory increased by only $6.81 in the last twelve months. Although the area did not see any significant drop in rents during the recession of 2008 to 2010, which other cities experienced, rent growth in the Hampton Roads region has been minimal especially when compared to rent growth of other cities over the past two years.
Historical Apartment Development

Development of apartment units in this market peaked during two time periods, the early 1970s and the late 1980s. The current five year period is projected to see the highest level of development activity since the peak of 1985 to 1989. Although current development activity is being slowed by tighter lending restrictions, there are over 3,000 units expected to come on line within the next 18 months. There are another 2,700 units in some level of planning, many of which are waiting to secure financing.

NORFOLK-VIRGINIA BEACH-NEWPORT NEWS

Table I  Historical Apartment Development

<table>
<thead>
<tr>
<th>Year Built</th>
<th>Number of Units</th>
</tr>
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<tbody>
<tr>
<td>Pre-'64</td>
<td>8,000</td>
</tr>
<tr>
<td>'65-'69</td>
<td>5,000</td>
</tr>
<tr>
<td>'70-'74</td>
<td>20,000</td>
</tr>
<tr>
<td>'75-'79</td>
<td>5,000</td>
</tr>
<tr>
<td>'80-'84</td>
<td>5,000</td>
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<tr>
<td>'85-'89</td>
<td>25,000</td>
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<tr>
<td>'90-'94</td>
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<td>'95-'99</td>
<td>1,000</td>
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<tr>
<td>'00-'04</td>
<td>3,000</td>
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<tr>
<td>'05-'09</td>
<td>2,000</td>
</tr>
<tr>
<td>'10-'14</td>
<td>1,000</td>
</tr>
</tbody>
</table>
MULTIFAMILY PERMIT ACTIVITY

HISTORICAL MULTIFAMILY BUILDING PERMITS
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS

Overall housing development in the region was at its peak from 2002 to 2006 with more than 10,000 permits issued annually for single and multifamily housing. Multifamily permit activity, which includes rental and for-sale units, surged from 2002 to 2005 and surged again in 2011 to 2013. Total multifamily development in 2013 nearly eclipsed the peak of development that occurred in 2005. The current development wave is being led by multifamily rentals, whereas development in 2005 was fueled by the for sale housing market.

Table II  Annual Multifamily Permit Activity
APARTMENT DEVELOPMENT ACTIVITY

As of the 4th quarter of 2013, there were 3,632 apartment units under construction within twenty communities in the Norfolk-Virginia Beach-Newport News market. There are an additional 2,720 apartment units proposed to start construction within the next year. Chesapeake, Norfolk, and Virginia Beach are the most active areas for new apartment development with 25 communities either underway or in planning.
DEMAND

Based on historical performance, the Norfolk-Virginia Beach-Newport News area is expected to absorb between 900 and 1,100 units annually. A surge in demand for rental housing has pushed the absorption rate to nearly 1,400 units annually over the past five years.

The area experienced record levels for demand in 2013 with nearly 2,500 units absorbed.

Demand in 2013 was strongest in the Virginia Beach, Newport News, and Chesapeake submarkets. Although the outlook for rental demand is expected to remain strong for the next several years, household formation and job growth is the ultimate driver for housing demand and a rebounding job market will be needed to sustain demand for the long term.
The overall vacancy rate for the Norfolk-Virginia Beach-Newport News market as of October 2013 was 6.6%, an improvement from 7.3% in 2012. Vacancy rates across the Peninsula averaged 7.9% compared to only 5.7% in the Southside submarkets. Vacancy rates for the overall Hampton Roads region are expected to remain in the 7% range through 2014.

Most submarkets experienced a modest improvement in vacancies over the past year. Hampton Roads historically has maintained a relatively healthy vacancy rate even in weak economic cycles due to the strong and consistent demand from the military bases for rental housing in the area.
RENTAL RATES

As of October 2013, the average rental rate in Norfolk-Virginia Beach-Newport News was $952.

AVERAGE RENTS

Average overall rents ranged from a low of $852 in Newport News to a high of $1,080 in Chesapeake. Newport News, Portsmouth, Williamsburg, and Norfolk all reported rents lower than the regional average, while York, Hampton, Suffolk, Virginia Beach and Chesapeake all reported rents higher than the regional average.
MANAGEMENT

There were over 485 conventional apartment communities with more than 50 units surveyed in the Hampton Roads region. Of the 95,000+ apartment units surveyed, the top four firms: S.L. Nusbaum Realty Co., Drucker & Falk, Lawson Companies, and Breeden Management Company, manage one-quarter of these units.

Table XI  Top 10 Management Companies
REGIONAL TRENDS

ROANOKE
Roanoke has fewer than 10,000 conventional apartment units among communities of at least 30 units. Roanoke’s apartment market coped better than most markets during the past recession. This was due in large part to the fact that there has been minimal new suburban apartment development in Roanoke over the past several years. Recent development activity has been focused on redevelopment of older commercial/industrial buildings into rental apartments in and around the downtown area. Occupancy rates in 2013 reached 95.4% with rent averaging $714 per month.

RICHMOND
Richmond has over 60,000 conventional apartment units within communities of at least 50 units. The area’s apartments hit bottom in the fourth quarter of 2009 and first quarter of 2010 when occupancies fell to 90% and rents declined by (-3.5%) for the year. Since that time Richmond has seen a strong resurgence in rental demand and occupancies reached 93% in 2013. Rents also showed modest growth over the past year with rents now averaging $907 per month. Developers remain focused on the downtown areas of Richmond with 27 projects underway or planned in the urban core.
Multifamily Submarkets

**Southside**
- Chesapeake
- Norfolk
- Portsmouth
- Suffolk
- Virginia Beach
- Isle of Wight

**Peninsula**
- Hampton
- Newport News
- York County
- Williamsburg
- Poquoson
- James City

[Image of a map showing the locations mentioned in the text]