New Residential Market

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Existing Residential Market

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2015 Hampton Roads Real Estate Market Review

General Overview

Residential new construction in Hampton Roads took a pause in 2014 from the market upturn that began in 2012. In late 2013 there were signs that the pace of sales was slowing. This was confirmed in 2014 with declines in permits to 2012 levels, closings to 2011 levels and total revenue to 2010 levels. Average sales prices, however, increased to a six-year high in 2014.

The 3.9 percent increase in average sales price to $333,402 in 2014 was led by a continuation of strength in sales of single-family detached homes in price ranges from $350,000-$450,000. 2014 was the second consecutive year-over-year increase in average sales prices, reaching a level not seen since 2008. There are two main reasons for the average sales price increases:

a) Demand from the move-up buyer segment of the market enabled by improvements in the existing home market; and
b) An increase in land acquisition and labor costs and a supply shortage of building lots.

Inventory levels in some price ranges increased slightly in 2014 from the multi-year lows of 2012 and 2013, but were still near historically low levels in the popular price ranges. Builders that had an active spec building program in 2014 benefitted from the demand for quick occupancy homes, which are popular choices for transferees from the military and the medical professions. Builder and lender attitudes about the depth of the housing recovery are improving. However, both builders and lenders maintain a healthy skepticism about the market recovery, because of concerns about rising interest rates, lot acquisition costs, labor costs, and the uncertain funding environment for the crucial military component of our economy. Most builders know that the recent pace of sales price increases is not sustainable, and are attempting to reduce costs where they are able to.

The signs of a potential slowdown characterized sales for the year. However, 2014 did see further improvements in the economy, modest gains in wages, a reduction in unemployment, interest rates that were still low by historical standards, lower gas prices and improved consumer confidence. All of these factors are positive going into 2015. So, despite the modestly slower pace of new home sales in 2014, there remains a considerable unmet demand for the “for sale” segment of the new construction residential housing market. This unmet demand, combined with a better economy and tempered by the availability of product and affordability issues, will drive sales in 2015.

Class A Market Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Permits</th>
<th>Closings</th>
<th>Avg Sales Price</th>
<th>Total Revenue</th>
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The run-up to the market peak that occurred from 2002 to 2005 was followed by several years of declines in permits, closings, sales price and revenue. The upward trend that began in 2012 for permits, closings and revenue turned downward in 2014. However, average closing prices for new homes in Hampton Roads continue to rise.

From the peak to the present-day permits are down 59 percent with 4,611 fewer permits issued in 2014 compared to 2006. Closings are down 54 percent, with 2,768 fewer closings in 2014 than a decade earlier. The average sales prices is down 16 percent, a real-dollar decline of $62,526 from 2006 to 2014. Total revenue is down 59 percent, or $1.1 billion, since 2006.

Further improvements in the economy, modest gains in wages, a reduction in unemployment, interest rates that were still low by historical standards, lower gas prices and improved consumer confidence. All of these factors are positive going into 2015. So, despite the modestly slower pace of new home sales in 2014, there remains a considerable unmet demand for the “for sale” segment of the new construction residential housing market. This unmet demand, combined with a better economy and tempered by the availability of product and affordability issues, will drive sales in 2015.
2015 Hampton Roads Real Estate Market Review

2014 VERSUS 2013 NEW CONSTRUCTION ACTIVITY

### By Product Type

**Detached**
- Permits were down nine percent to 2,448 in 2014.
- Closings decreased by 11.9 percent to 1,706.
- The largest decline was in Williamsburg, where permits increased 24.8 percent in 2014. Apartments at Whitehall and Williamsburg Village. The average sales price increased 41.1 percent, to $40 million in 2014. The largest decline took place in James City County, down 34.6 percent to $28.2 million. Virginia Beach had the largest dollar increase, up $8 million to $21.9 million.

**Multistory**
- Permits were up 5.6 percent to 239 in 2014.
- Closings increased by six closings for the year. Portsmouth had the largest number increase, up 41 closings versus 2013. New Port by Chesapeake Homes had a large impact on the increase in closings in Portsmouth with 29 closings recorded in 2014, versus one closing in 2013.

**Revenue**
- There were revenue decreases in 2014 compared to 2013 in all cities except Norfolk, Portsmouth and Williamsburg.
- Over all residential building permits issued and 72.3 percent of all new construction recorded.

**Attached - Multi-story**
- Multi-story condominium permits were down seven percent in 2014.
- The majority of the decline in Virginia Beach was in the detached housing market, where permits dropped by 132 units.
- The increase is due to a decrease in closings of less expensive homes, including the closeout at Weatherly at Williamsburg Village at Quarterpath by Ryan Homes. Virginia Beach also experienced a significant decline, down 24.2 percent, to $300,585. James City County had the largest dollar increase in average price, an increase of $63,680 from 2013. This increase was due to a decrease in closings of less expensive homes, including the closeout at Weatherly at Williamsburg Village at Quarterpath by Ryan Homes. Norfolk had the largest decrease in average price, down 4.6 percent to $285,932. The decline was due to increased activity at lower price points, including Pointe East by Francis Homes. It was the top community in Norfolk for 2014 with 63 closings and an average price of $225,267.

**Attached - Multiplex**
- Multiplex permits were up 3.5 percent to 239 in 2014.
- The majority of the decline in Virginia Beach was in the detached housing market, where permits dropped by 132 units.
- The increase is due to a decrease in closings of less expensive homes, including the closeout at Weatherly at Williamsburg Village at Quarterpath by Ryan Homes. Virginia Beach also experienced a significant decline, down 24.2 percent, to $300,585. James City County had the largest dollar increase in average price, an increase of $63,680 from 2013. This increase was due to a decrease in closings of less expensive homes, including the closeout at Weatherly at Williamsburg Village at Quarterpath by Ryan Homes. Norfolk had the largest decrease in average price, down 4.6 percent to $285,932. The decline was due to increased activity at lower price points, including Pointe East by Francis Homes. It was the top community in Norfolk for 2014 with 63 closings and an average price of $225,267.
Hamppton Roads 2014 Top Subdivisions

For 2014, the top subdivision in Hampton Roads for permits, closings and revenue was Culpepper Landing in Chesapeake, with 97 permits, 95 closings and $29.5 million in revenue. There were 64 detached permits issued to four builders. Ryan Homes had the most detached permits with 34 issued. Dragas Companies had 24 multiplex condominium permits issued and ABT Custom Homes had nine townhome permits issued. There were 58 detached closings by four builders. Ryan Homes had the most detached home closings with 31, and an average sales price of $368,234. Kolotides Builders had 14 multiplex closings recorded with an average price of $178,341 and ABT Custom Homes had 23 townhome closings with an average price of $252,178.

Colonial Heritage in James City County by Lennar Corporation was the second-ranked community in Hampton Roads for permits and revenue for 2014, with 84 single family detached permits issued, 60 closings and $24,488,170 in revenue. Kings Pointe in Western Branch in Chesapeake by Dragas Companies was the second-ranked community for closings in Hampton Roads. The community had 60 permits issued during 2014. There were 36 multiplex condominium permits and 24 multiplex condominium permits issued. There were 65 closings recorded in 2014, including 44 multistory closings with an average price of $145,918, and 21 multiplex closings with an average price of $194,639.

Kings Pointe in Western Branch in Chesapeake by Dragas Companies was the second-ranked community for closings in Hampton Roads. The community had 60 permits issued during 2014. There were 36 multiplex condominium permits and 24 multiplex condominium permits issued. There were 65 closings recorded in 2014, including 44 multistory closings with an average price of $145,918, and 21 multiplex closings with an average price of $194,639.

Hampton Roads 2014 Top Builders

Ryan Homes was the top builder in Hampton Roads in 2014 for permits, closings and revenue with 326 permits issued, 296 closings and $114,560,855 in revenue. Ryan Homes is actively building in 23 new communities in Hampton Roads. Their top subdivision was Turtle Creek in Newport News with 46 permits, 55 closings and $18,156,604 in revenue. Culpepper Landing in Chesapeake was second for permits, closings and revenue with 34 permits and 31 detached closings recorded for $18,156,604 in revenue.

Chesapeake Homes was the No. 2 builder for closings in Hampton Roads and the No. 3 builder for permits and revenue with 100 permits, 111 closings recorded and $29,409,771 in revenue in 14 communities on the Southside and the Peninsula. Cornerstone in Virginia Beach was Chesapeake Homes’ top community in 2014 with 33 permits issued, 40 closings recorded and $9,903,239 in revenue.

Platinum Homes had a successful year with 98 permits, 92 closings and $29,593,768 across 22 communities on the Southside. Seasons at Cahoon Plantation was their top community with 29 permits, 28 closings and $7,546,142 in revenue.
EXISTING HOMES

The existing residential real estate market exhibited positive signs of growth in 2014. Three common performance metrics provide insight to the health of the housing market including counts of active residential listings, pending sales, and settled sales. Two of the three metrics showed positive year-over-year growth. Moreover, distressed existing listings that include residential short sales and foreclosures declined year over year as well.

In December 2014 there were 8,044 active residential listings representing a 4.22 percent increase over the 7,718 active residential listings for the same month in 2013. This is the second consecutive year for positive growth in the listing of existing homes. All of the major cities in Hampton Roads showed positive increases in inventory. The residential month’s supply of inventory ended the year at 5.92 months, which is up slightly from 2013 when it was 5.45 months. This indicates the number of months it would take to clear the existing inventory based on the average monthly sales of the preceding 12 months. A six months’ supply of inventory is indicative of a balanced market; that is, the current housing market is not favoring buyers or sellers.

The median settled sales price of existing residential properties increased slightly from $191,500 in 2013 to $195,000 in 2014, making this the third consecutive year for positive increase. At the local level, most of the cities and counties saw positive increases in settled sales in 2014. It should be noted, however, the 2014 count, while slightly less than 2013, is 26 percent above the count of existing home closings in 2010, which was the lowest level of closings in the past 18 years. The median settled sales price of existing properties increased slightly from $191,500 in 2013 to $195,000 in 2014, making this the third consecutive year for positive increase. Our region’s existing residential property has not experienced a three year increase in median sales price since 2005 through 2007. Interestingly, our region’s estimated median family income declined, which is the only decline in this metric over the past 18 years. There are many reasons why our region would experience declines in median family income including lethargic economic growth and changing demographics. However, this indicator is a derived estimate calculated by HUD, and with any derived indicator, a full understanding of the methodology is needed.

A NOTE ON MEDIAN FAMILY INCOME

The HUD derived estimate of Median Family Income (MFI) is based on a complicated methodology that takes into account estimates of either the one-year or five-year median income for our region from the American Community Survey (ACS). This survey administered by the US Census Bureau is the basis for most statistical information used in the US. The ACS estimate is then adjusted to reflect changes in the consumer price index (CPI) and further adjusted to take into account the trend in annual growth rate of the one-year ACS estimates between 2006 and 2011 to arrive at the final estimate of median family income. However, the HUD estimates do not reflect the latest changes in geography of our metropolitan area that were mandated by the Office of Management and Budget in February of 2013. The Federal Financial Institutions Examination Council has adjusted the HUD estimates taking into account the new metropolitan statistical area and reports a 2014 median family income of $72,200. This $72,200 estimate is less of a difference than the HUD derived estimate. However, we will continue to use the HUD estimate as presented and wait for the revisions to be made. Further information is available at www.huduser.org/datasets/il/il08/Medians_2008.pdf and www.ffciec.gov/about.htm.

In 2014 pending residential sales1 for December increased by 21.7 percent across the region compared to the same time in 2013. This continues the trend of positive increases seen from 2012 to 2013. For the year however, total pending sales increased a marginal 1.98 percent, much less than the 8.9 percent increase from 2012 to 2013.

Six of Hampton Roads’ seven major cities experienced median sale price increases in 2014. The cities of Hampton and Portsmouth led the way with median increases of 6.79 percent and 6.45 percent respectively. The City of Norfolk was the only city that experienced a decline; however, in percentage terms the decline was less than one third of one percent. Surry County and Matthews County saw the most notable rises at 46.11 percent and 26.07 percent. Once again, James City County had the highest median sale price for existing homes at $283,000; however this represents a -4.71 percent decrease from $297,000 in 2013. Williamsburg had the largest year over year decline in median sales price recording a -21.62 percent decline.

Detached home sales accounted for 78.3 percent of the 17,951 existing homes sales in 2014, a decline of less than 1 percent from the 18,126 detached homes that closed in 2013. At the local level, most of the cities and counties recorded slight declines with the exception of Matthews County and the City of Poquoson, which recorded increases of 37.14 percent and 19.05 percent respectively.

Attached existing home sales remained steady in 2014, recording 3,895 closings, down by only two from the 3,897 closings recorded in 2013. The data for attached sales are largely influenced by the city of Virginia Beach, which accounts for nearly 50 percent of all attached closings. Therefore, many of the region’s counties report very small changes in this type of residential property, providing a relatively small base for comparison.

1 Pending residential sales is calculated as total pending sales less pending sales of new construction.

existing homes 2015

Existing Homes Median Sales Price by City/County 2012, 2013, 2014

Existing Home Median Sales Price and Median Family Income

Existing Homes Median Sales Price by City/County 2012, 2013, 2014
Distressed homes, those that are either bank-owned or short sales, declined by 17.9 percent in 2014 when compared to the year prior. Throughout the year distressed homes accounted for between 18.81 percent and 30.76 percent of existing homes for sale on a monthly basis, reaching a low during the month of August and a high during the month of February. These ranges can be compared to 2013’s low of 20.5 percent and high of 34.8 percent.

The average number of days an existing home spent on the market before closing in 2014 was 82 days. This is a decrease of six days compared to 2013’s average of 88 days on the market, a decrease of more than two weeks compared to 2012’s 95 days on the market. 82 days on the market is the lowest average number of days an existing home has spent on the market since 2007. Since tracking began, the lowest average number of days an existing home spent on the market was recorded in 2004 at 27 days. A peak was recorded in 2011 at 101 days on the market.

Looking into 2015, key indicators point towards continued growth. For the first time since 2008 and 2009, existing homes for sale increased for two years in a row. However, while the number of distressed home sales declined for the past three years, the proportion of distressed homes sales to existing home sales remains above 20 percent. On a more positive note, 2014 ended the year with a 21.7 percent increase in under contract home sales in month-over-month comparison with 2013. While there is never a guarantee that pending sales will advance to home closings, this percentage is large enough to set the tone for gains in the residential real estate market early in 2015.

RESIDENTIAL SUBMARKETS
(NEW CONSTRUCTION)
Southside
Chesapeake
Franklin/Southampton
Norfolk
Portsmouth
Suffolk
Virginia Beach

Peninsula
Gloucester
Hampton
James City County
Newport News
York County
Williamsburg

RESIDENTIAL SUBMARKETS
(EXISTING HOMES)
Southside
Chesapeake
Currituck
Isle of Wight Co
Norfolk
Portsmouth
Suffolk
Surry
Virginia Beach

Peninsula
Gloucester
Hampton
James City County
Mathews
Newport News
York County
Virginia Beach
Congratulations

CREED

on your Platinum Anniversary
20 years of valuable information for Hampton Roads

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