New Residential Market

Author: Blair Hardesty Belliveau
Data Analysis/Layouts: Residential DataBank

Existing Residential Market

Author: Cameron Brown
Data Analysis/Layouts: Data & Analytics Specialist
Real Estate Information Network, Inc.
Hampton Roads ML

Financial
The E. V. Williams Center for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED IPAC and Council Advisory Boards.

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 makes any representation or warranty as to its accuracy.
General Overview

The Hampton Roads Residential market statistics covered in this report analyze the new home building industry and the existing home sales activity for the year 2012. Included are the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, and the counties of Gloucester, Isle of Wight, James City, and York. The new homes portion of the report also includes information for Franklin and Southampton, while the existing homes section of the report contains additional information on Surry, Matthews and Currituck. The new construction data contained in this report was gathered from the actual deeds recorded and from the building permits issued by each city or county. The sales data and existing home closings data was gathered from the Real Estate Information Network (REIN).

NEW CONSTRUCTION

The best characterization of residential new construction in Hampton Roads in 2012 is that it was a year of transition from a bottoming market in 2011 to a clearly defined upturn in 2012. Permits, closings and revenue were all up double digits compared to 2011, signaling the beginning of the upward trend that has been long awaited. Though we are still a long way from the lofty numbers of the boom years, the lines on the graphs are now headed in the right direction.

The single laggard of the four metrics of permits, closings, sales price and revenue is sales price. Average sales price edged slightly lower by 1.1% in 2012. However, prices have been declining at a slower pace over the last four years and have been fairly stable for the last two years. There are two main reasons for the decline: One, an oversupply of similar products in the same submarkets resulting in price competition among builders; and, two, attractive land deals inked by builders in 2011 and early 2012 who have passed some of those land savings on to the customer in the form of lower prices for to be built homes, while still providing generous living space comparable to past years.

Inventory levels in most price ranges are at multi-year lows for the second straight year and, in some price ranges, are completely depleted. Hampton Roads is a market that responds well to a robust “spec” building environment due to the large number of military transferees that want to get settled quickly and are not always willing or able to wait for a five to six months or longer build time. One of the big challenges for builders in 2013 will be the restoration of healthy inventory levels through well managed “spec” building programs. In order for that to happen, the builders must be willing to risk it and the banks must agree to lend for these programs. We remain optimistic that both of these opportunities will become a reality in 2013.

Pent up demand and a continued improvement in the economy will drive the further growth in sales numbers that is anticipated for 2013.

The local building industry has emerged from the market “adjustment” process a much leaner and stronger industry with valuable lessons learned and the industry is determined to move forward toward a new prosperity.
THE TEN YEAR TREND...

The run-up to the market peak that occurred from 2002 to 2004-2005 was followed by several years of declines in permits, closings, sales price and revenue. In 2010 and 2011, there were clear signs that the downward trend was leveling off toward a market bottom from which a recovery could take place. 2012 provided further confirmation of a 2011 bottom and showed the beginning of a clear upward trend in permits, closings and revenue. Prices, on the other hand, are continuing their leveling off process and no upward trend has been established.

FROM THE PEAK TO THE PRESENT...

Permits down 57% with 4,406 fewer permits issued in 2012 versus 2005
Closings down 50% with 2,713 fewer closings in 2012 versus 2004
Average Sales Price down 23%, a $90,790 decline from 2006 to 2012
Total Revenue down 57%, a decline of $1.1 billion in 2012 compared to 2006

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permits</td>
<td>6902</td>
<td>7147</td>
<td>7696</td>
<td>7233</td>
<td>4917</td>
<td>3331</td>
<td>2852</td>
<td>3054</td>
<td>2777</td>
<td>3290</td>
</tr>
<tr>
<td>Closings</td>
<td>4831</td>
<td>5445</td>
<td>5085</td>
<td>4828</td>
<td>4114</td>
<td>3297</td>
<td>2746</td>
<td>2405</td>
<td>2345</td>
<td>2714</td>
</tr>
<tr>
<td>Avg Sales Price</td>
<td>$244,235</td>
<td>$295,474</td>
<td>$364,792</td>
<td>$397,131</td>
<td>$387,781</td>
<td>$362,260</td>
<td>$322,661</td>
<td>$320,556</td>
<td>$309,658</td>
<td>$306,341</td>
</tr>
<tr>
<td>Total Revenue (millions)</td>
<td>$1,180</td>
<td>$1,609</td>
<td>$1,855</td>
<td>$1,917</td>
<td>$1,595</td>
<td>$1,194</td>
<td>$886</td>
<td>$771</td>
<td>$726</td>
<td>$831</td>
</tr>
</tbody>
</table>
2012 VERSUS 2011 CONSTRUCTION ACTIVITY
by Product Type

**Detached**
Detached permits were up 22.5% to 2,448. Closings increased by 22.0% to 1,833 led by successes at Turtle Creek in Newport News, Parkside at Bennett’s Creek in Suffolk, and Village Bend in Virginia Beach. The average sales price declined 3.1% to $335,452 and detached revenue increased by 18.2% to $614.9 million.

**Attached - Multistory**
Multistory condominiums were the only product type to have a decrease in permits and closings for the year with a permit decline of 31.4% to 72 and a closing decline of 20.6% to 127. This is due to the closeout of Southmoor at Ridgely Manor in Virginia Beach and the lack of new multistory projects. The average sales price increased 4.5% to $273,065 and revenue declined 17% to $34.7 million.

**Attached - Multiplex**
Multiplex permits were up 33.6% to 203. Closings were up 21.8% to 235; this is due to success by the Dragas Companies in three Chesapeake communities that accounted for 49.8% of the 2012 multiplex condo closings. Average prices were up 3.5% to $225,474 as a result of increased competition in this market segment. This group experienced the largest increase in revenue, up 26.0% to $60 million.

**Attached - Townhouse/Duplex**
Townhouse/Duplex permits were up 8.8% to 567. The largest increase was in Chesapeake where permits increased by 25 to 91. Closings were up 5.9% to 519, led by successes at Meridian Parkside in Newport News and Riverwalk Townes in York County. The average sales price held steady with 0.4% decline to $248,287 and revenues increased 5.5% to $128.9 million.
2012 VERSUS 2011 NEW CONSTRUCTION ACTIVITY by City

Permits
Permits were up in nine cities in Hampton Roads. The largest gainer was Chesapeake, up 26.5% to 820 permits issued. The largest percent increase was in Portsmouth where permits increased 53.3% to 69. Permits were down in three cities. The largest percentage decline was Williamsburg, down 57.1% to 15 permits issued. The largest reduction in the number of permits issued occurred in Newport News, down 60 permits for the year.

Closings
Closings were up in 2012 compared to 2011 in all cities except for Isle of Wight and Williamsburg. Although Gloucester had the largest percentage increase with 54.1%, Chesapeake had the largest number increase, up 88 closings for a 15.3% increase. Isle of Wight had a slight decrease of three closings, down to 61 closings recorded for 2012. Williamsburg had a decrease of 45.5% to 18 closings.

Average Sales Price
The average sales price increased in more than half of the cities/counties. The largest increases were in Portsmouth and Williamsburg, up 9.6% and 9.8% respectively. York County had the largest decrease, down 14.6% to $274,673. Virginia Beach had the highest average closing price for a new home in Hampton Roads during 2012 at $392,591, and Portsmouth had the lowest average closing price at $208,828.

Revenue
There were revenue increases in ten cities. Gloucester had the largest percentage increase up 57.6% to $13.9 million. Suffolk had the largest dollar increase up $21.2 million to $85.8 million in revenue for 2012. The largest percentage and dollar value decrease occurred in Williamsburg with a 40.1% decrease in revenue to $5 million, a $3.4 million decrease compared to 2011.
HAMPTON ROADS 2012 TOP SUBDIVISIONS

For 2012, the number one subdivision for permits was Kings Pointe at Western Branch in Chesapeake with 96 permits, including 72 non-elevator served multistory condominium permits and 24 four-plex condominium permits. The number two subdivision for permits was Culpepper Landing in Chesapeake which had 72 permits issued during the year. There were 39 detached permits issued to 10 builders, 12 multiplex permits issued to Kotarides Builders, and 21 townhome permits issued to ABT Custom Homes.

The top subdivision for closings in 2012 was Culpepper Landing in Chesapeake with 61 closings and $18,092,198 in revenue. There were 30 detached closings by eight builders; Vintage Homes had the most detached home closings at Culpepper Landing with 10 closings recorded and an average sales price of $380,453. Kotarides Builders had 10 multiplex closings recorded with an average price of $164,999 and ABT Custom Homes had 21 townhome closings with an average price of $237,901.

Turtle Creek by Ryan Homes in Newport News was the number two subdivision with 59 closings recorded. These closings had an average price of $282,296 and total revenue of $16,655,447. Colonial Heritage by Lennar Corporation in James City County was the number three builder for closings and revenue during 2012 with 57 closings and $19,928,888 in revenue. There were 55 detached closings with an average price of $353,617 and two duplex closings with an average price of $239,990.

East Beach was the number one subdivision for revenue in 2012. There were 45 closings recorded for $23,375,659 in revenue. There were 27 detached closings with a total revenue of $15,521,759 by 13 builders; Seaside Builders was the most successful detached builder with six closings and $3,039,790 in revenue. There were 12 multistory condominium closings at East Beach Villas with an average price of $415,333 and six townhome closings by L R Hill Custom Builder with an average price of $478,317. Sherwood Lakes in Virginia Beach was the number two community for revenue in Hampton Roads with $20,961,556 in revenue divided between Home Associates of VA with $13,705,660 and HBD Building with $7,255,896.

<table>
<thead>
<tr>
<th>Subdivision</th>
<th>Permits Issued</th>
<th>Subdivision</th>
<th>Permits</th>
<th>Closing Recorded</th>
<th>Average Price</th>
<th>Subdivision</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kings Pointe, C</td>
<td>96</td>
<td>Culpepper Landing, C</td>
<td>61</td>
<td>$296,593</td>
<td>1</td>
<td>East Beach, R</td>
<td>$23,375,659</td>
</tr>
<tr>
<td>Culpepper Landing, C</td>
<td>72</td>
<td>Turtle Creek, N</td>
<td>59</td>
<td>$282,296</td>
<td>2</td>
<td>Sherwood Lakes, V</td>
<td>$20,961,556</td>
</tr>
<tr>
<td>Colonial Heritage, J</td>
<td>59</td>
<td>Colonial Heritage, J</td>
<td>57</td>
<td>$349,630</td>
<td>3</td>
<td>Colonial Heritage, J</td>
<td>$19,928,888</td>
</tr>
<tr>
<td>Turtle Creek, N</td>
<td>59</td>
<td>Meridian Parkside, N</td>
<td>55</td>
<td>$206,519</td>
<td>4</td>
<td>Culpepper Landing, C</td>
<td>$18,092,198</td>
</tr>
<tr>
<td>Village Bend, V</td>
<td>58</td>
<td>Kings Pointe, C</td>
<td>54</td>
<td>$172,876</td>
<td>5</td>
<td>Turtle Creek, N</td>
<td>$16,655,447</td>
</tr>
<tr>
<td>The Grove, C</td>
<td>52</td>
<td>Sherwood Lakes, V</td>
<td>52</td>
<td>$403,107</td>
<td>6</td>
<td>Sajo Farm, V</td>
<td>$16,184,050</td>
</tr>
<tr>
<td>Sherwood Lakes, V</td>
<td>47</td>
<td>Whitehall, J</td>
<td>46</td>
<td>$232,738</td>
<td>7</td>
<td>Parkside, S</td>
<td>$15,994,503</td>
</tr>
<tr>
<td>Lakes Of Jolliff, C</td>
<td>47</td>
<td>East Beach, R</td>
<td>45</td>
<td>$519,459</td>
<td>8</td>
<td>Heritage Park, V</td>
<td>$14,721,919</td>
</tr>
<tr>
<td>Whitehall, J</td>
<td>46</td>
<td>Sajo Farm, V</td>
<td>42</td>
<td>$385,335</td>
<td>9</td>
<td>Village Bend, V</td>
<td>$14,411,055</td>
</tr>
<tr>
<td>Parkside, S</td>
<td>44</td>
<td>Parkside, S</td>
<td>42</td>
<td>$380,822</td>
<td>10</td>
<td>Settlement At Powhatan, J</td>
<td>$11,611,065</td>
</tr>
<tr>
<td>Settlement At Powhatan, J</td>
<td>43</td>
<td>Oakbrooke Crossing, C</td>
<td>41</td>
<td>$183,306</td>
<td>11</td>
<td>Meridian Parkside, N</td>
<td>$11,358,545</td>
</tr>
<tr>
<td>East Beach, R</td>
<td>42</td>
<td>Village Bend, V</td>
<td>40</td>
<td>$360,276</td>
<td>12</td>
<td>Whitehall, J</td>
<td>$10,705,948</td>
</tr>
<tr>
<td>Graystone Reserve, S</td>
<td>39</td>
<td>The Grove, C</td>
<td>39</td>
<td>$203,860</td>
<td>13</td>
<td>Hampshire Glen, H</td>
<td>$10,481,230</td>
</tr>
<tr>
<td>Eagle Pointe, C</td>
<td>38</td>
<td>Hampshire Glen, H</td>
<td>38</td>
<td>$275,822</td>
<td>14</td>
<td>Greensprings West, J</td>
<td>$9,741,304</td>
</tr>
<tr>
<td>Sajo Farm, V</td>
<td>36</td>
<td>Settlement At Powhatan, J</td>
<td>35</td>
<td>$331,745</td>
<td>15</td>
<td>Lakes Of Jolliff, C</td>
<td>$9,709,682</td>
</tr>
</tbody>
</table>
HAMPTON ROADS 2012 TOP BUILDERS

Ryan Homes was the top builder in Hampton Roads for permits, closings and revenue with 238 permits issued, 242 closings and $72,036,822 in revenue. Ryan Homes is actively building in 15 new communities in Hampton Roads. Their top subdivision was Turtle Creek in Newport News with 59 permits, 59 closings and $16,655,447 in revenue. The Settlement at Powhatan was their number two subdivision for permits, closings and revenue with 17 detached permits and 18 townhome permits. There were 18 detached closings and 13 townhome closings recorded for $9,847,885 in revenue.

Chesapeake Homes was the number two builder in Hampton Roads for permits with 172 issued in 11 subdivisions during 2012. Graystone Reserve in Suffolk had the most permits issued with 39.

HHHunt Homes was the number two builder for closings and revenue with 165 closings recorded and $38,167,764 in revenue. HHHunt Homes had closings in eight communities in Hampton Roads during the year, including six detached and two attached. Their top subdivision for 2012 was Meridian Parkside in Newport News with 55 closings and $11,358,545 in revenue.

<table>
<thead>
<tr>
<th>PERMITS</th>
<th>CLOSINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Builders</td>
<td>Permits Issued</td>
</tr>
<tr>
<td>Ryan Homes</td>
<td>238</td>
</tr>
<tr>
<td>Chesapeake Homes</td>
<td>172</td>
</tr>
<tr>
<td>Dragas Companies</td>
<td>164</td>
</tr>
<tr>
<td>HHHunt Homes</td>
<td>151</td>
</tr>
<tr>
<td>Terry Peterson Res</td>
<td>79</td>
</tr>
<tr>
<td>Platinum Homes</td>
<td>77</td>
</tr>
<tr>
<td>Ashdon Builders Inc</td>
<td>69</td>
</tr>
<tr>
<td>McQ Bldrs &amp; Dev Inc</td>
<td>61</td>
</tr>
<tr>
<td>Lennar Corp</td>
<td>59</td>
</tr>
<tr>
<td>Napolitano Ent Inc</td>
<td>59</td>
</tr>
<tr>
<td>Virginia Ent Inc</td>
<td>56</td>
</tr>
<tr>
<td>Pace Constr &amp; Dev Corp</td>
<td>55</td>
</tr>
<tr>
<td>Bishard Dev Corp</td>
<td>53</td>
</tr>
<tr>
<td>Francis cus Co Inc</td>
<td>53</td>
</tr>
<tr>
<td>Hearn don Constr Corp</td>
<td>52</td>
</tr>
<tr>
<td>Virginia Ent Inc</td>
<td>48</td>
</tr>
</tbody>
</table>

2013 RESIDENTIAL
EXISTING HOMES

The Hampton Roads existing residential real estate market showed signs of continued stability throughout 2012 that started in 2011. Existing home closings picked up from where the leading indicators left off at the end of 2011. Closings of existing homes continued to rise through all four quarters; however, a fair number of these were of distressed homes. Overall, the region showed positive signs as inventories dropped, closings rose and sales of distressed properties also decreased.

At 2012 year end, active inventory of existing homes for sale in the region fell 13.1% as compared to 2011. There were only 7,483 existing homes for sale at the end of 2012 as compared to 8,614 existing homes at the end of 2011. As a result of the decrease in inventory and an increase in closed sales, the Hampton Roads’ monthly supply of inventory fell to 5.53 months as compared to 6.88 months in 2011 which was a 19.62% year-over-year decrease. Most experts view a healthy market as between six to eight months’ supply of inventory.

Existing home closings increased 8.2% in 2012 to 16,249 from 15,017 in 2011. Virginia Beach continued to have the largest percentage of the total existing home closings at 31% which was equal to the 31% measured in 2011. Chesapeake came in second at 15% and Norfolk was third with 13% of all existing closings. On the Peninsula, Newport News had the highest percentage increase with 9.0% of the total existing closings followed by Hampton at 7.1%.

The median sale price of existing home closings increased by a modest 1.37% at 2012 year end from $182,500 to $185,000. Since the peak median sales price in 2007 of $224,900, the region’s median sales price for existing homes has fallen 17.7%.

Several cities experienced increases in their median sales prices of existing homes for 2012 year end: Norfolk at 3.5%; Chesapeake at 3.3%; Virginia Beach at 2%; and Williamsburg at 17%. James City County continued to have the highest median existing home sale price at $277,000, up $500 from 2011. York County also continued to have the second highest median existing home sale price at $260,500, down $2,500 from 2011.

Cities that experienced the greatest decreases in their median sales prices of existing homes for 2012 year end: Newport News at -4.8%; Suffolk at -4.8%; and Portsmouth at -3.2%. Portsmouth had the lowest median sales price for existing homes at $107,000 which was down $3,450 from 2011.
Detached existing home closings comprised 12,693 units or 78.1% of all existing home closings, an increase of 775 units from 11,918 units in 2011. Most cities and counties in the Hampton Roads region showed year-over-year gain of 8.0% or greater of detached existing home sales with the exception of Portsmouth with a 2.8% loss and Newport News with a 2.3% loss. For cities with more than 100 sales reported in 2012, James City County had a 30.47% gain in existing home closings. Isle of Wight had the second greatest percentage gain of 18.99% in existing home closings.

Attached existing home closings posted more gains in 2012 than for 2011. Attached existing home closings for 2012 included 3,556 units or 21.9% of all existing home closings, an increase of 457 units from 2011 for a year-over-year gain of 14.7%. James City County had the largest year-over-year gain of 107.14% from 2011. Portsmouth also showed a significant gain of 35.16% from 2011 (123 units sold in 2012 compared to 91 units in 2011). Virginia Beach came in with a healthy 13.88% gain over 2011 (1,871 units in 2012 compared to 1,643 units in 2011). Of the total existing home closings (attached and detached) for Hampton Roads, the city with the largest percentage of attached existing home closings for 2012 was Virginia Beach with 36.6%.

Distressed homes, as defined in this report, are those that are bank owned, government owned or short sales. Throughout the year, distressed home sales comprised between 24.22% and 28.05% of the total existing home sales in the region ending the year at 28.05%. Virginia Beach, Chesapeake and Norfolk showed the most activity pertaining to distressed existing homes at 7.86%, 4.78%, and 3.94% respectively. This is largely due to the population densities within these cities.
Distressed homes in the Hampton Roads region also comprised between 24.4% and 37.18% of closed existing home sales during 2012 on a monthly basis. The peak for these sales was in January. The percentage tapered off sharply beginning with May at 26.26% to the low in August. Following August, the percent of distressed closed existing home sales crept up to 31.71%.

The median sales price of distressed closed existing home sales ranged from $122,750 (November) to $140,000 (July) ending the year at $129,975. For non-distressed closed existing home sales, the median sales price ranged from $182,000 (January) to a high of $220,000 (June), ending the year at $204,900. The end of year difference between distressed and non-distressed closed existing home sale prices was $74,925 or a discount percentage of 36.57%. The average number of days an existing home spent on the market before closing in 2012 was 95 days, a decrease of six days when compared to the 2011 average of 101 days. This reduction is promising and may indicate a normalization of the sales market.

Looking into 2013, there are indicators of growth in the overall homes real estate market in Hampton Roads. All four quarters of 2012 posted very positive returns in the home sales market. Third quarter 2012 posted a 13.33% increase over the same quarter in 2011 (5,510 home sales units vs. 4,862). The fourth quarter of 2012 maintained a strong increase of 6.41% over 2011 (4,649 home sales units vs. 4,369). In December alone, under contract home sales increased 8.55% or 1,358 home sales units compared to 1,251 units in 2011. The caveat to this growth is centered on economic policies and consumer trust and belief in the economy. Uncertainty is never good for growth.
RESIDENTIAL SUBMARKETS
(NEW CONSTRUCTION)

**Southside**
- Chesapeake
- Franklin/Southampton
- Isle of Wight Co
- Norfolk
- Portsmouth
- Suffolk
- Virginia Beach

**Peninsula**
- Gloucester
- Hampton
- James City County
- Newport News
- York County

RESIDENTIAL SUBMARKETS
(EXISTING HOMES)

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

**Peninsula**
- Gloucester
- Hampton
- James City County
- Matthews
- Newport News
- York County