

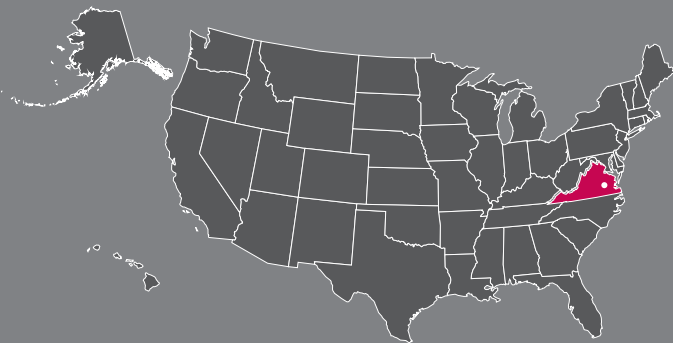
HUD PD&R Housing Market Profiles

Richmond, Virginia



Quick Facts About Richmond

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **The metropolitan area is home to the city of Richmond, the capital of Virginia and a southern city rich with history because of its role in the Revolutionary and Civil Wars.**



By Erin K. Browne | As of September 1, 2016

Overview

The Richmond metropolitan area consists of 13 counties and 4 independent cities in central Virginia: Amelia, Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, New Kent, Powhatan, Prince George, and Sussex Counties and the independent cities of Colonial Heights, Hopewell, Petersburg, and Richmond. The nation's main east coast highway, Interstate 95, runs through the metropolitan area, connecting it to major metropolitan areas from New England to the southeastern United States. The principal city of Richmond is approximately 100 miles south of Washington, D.C. Several government entities call the metropolitan area home, including the Federal Reserve Bank of Richmond, one of the United States Courts of Appeals, and Fort Lee Army Base (AB).

- The population of the Richmond metropolitan area is currently estimated at 1.28 million, up an average annual 1.0 percent, or 12,100, since 2009, when the most recent recession ended.

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- The population had been growing at a faster rate of 15,700, or 1.4 percent, a year from 2000 to 2008 because economic conditions were favorable through much of the period (University of Virginia, Weldon Cooper Center for Public Service).
- The city of Richmond is undergoing a resurgence in population growth. It was the only county or independent city in the

metropolitan area with a sizable increase in the rate of growth from 2010 to 2015 compared with 2000 to 2010, rising to 1.3 percent annually from an average rate of 0.3 percent a year (University of Virginia, Weldon Cooper Center for Public Service).

Economic Conditions

Economic conditions in the Richmond metropolitan area are strong and much improved since the national recession and housing crisis of the late 2000s. After a 3-year period of decline, nonfarm payrolls increased from 2011 through 2015 by an average of 11,900 jobs, or 1.9 percent, annually, with all the losses from the downturn recovered by 2014.

During the 3 months ending August 2016—

- Nonfarm payrolls increased 3.4 percent year over year, the highest rate of growth since 2000. During the same 3 months in 2015, nonfarm payrolls increased 2.6 percent year over year.
- More than one-third of the jobs created were in the professional and business services sector, the largest sector in the metropolitan area. In June 2016, Direct Mail Solutions announced plans to hire an additional 243 employees in Henrico County.

- The manufacturing sector was one of only two sectors to decline, losing 400 jobs. One-half of the decline was from a reduction of 200 jobs at Altria Group, Inc. (parent company to Philip Morris USA) in March 2016.
- The unemployment rate declined to 4.1 percent, the lowest rate in 9 years but still above the low of 3.4 percent averaged from 2005 through 2007.

The government sector is the second largest sector in the Richmond metropolitan area. Most of the federal government payrolls are at Fort Lee AB and the Defense Supply Center Richmond, which, combined, employ nearly 15,000 military and civilian personnel and contractors. Fort Lee AB, in particular, has a significant effect on the southern part of the metropolitan area by supporting 28,000 direct, indirect, and induced jobs and by having a combined economic impact of \$2.4 billion on the six counties and

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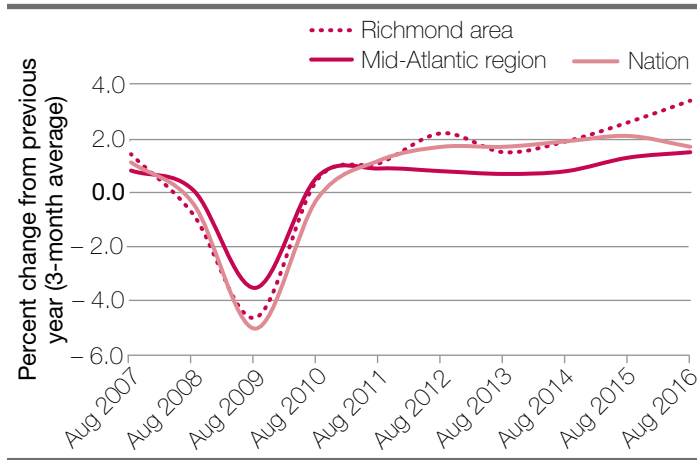
Nonfarm payrolls in the Richmond area increased year over year in all but two sectors.

	3 Months Ending		Year-Over-Year Change	
	August 2015 (thousands)	August 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	652.3	674.4	22.1	3.4
Goods-producing sectors	68.1	68.1	0.0	0.0
Mining, logging, and construction	37.1	37.6	0.5	1.3
Manufacturing	30.9	30.5	-0.4	-1.3
Service-providing sectors	584.2	606.3	22.1	3.8
Wholesale and retail trade	95.9	100.6	4.7	4.9
Transportation and utilities	25.2	27.8	2.6	10.3
Information	7.5	7.4	-0.1	-1.3
Financial activities	50.3	51.6	1.3	2.6
Professional and business services	107.3	115.6	8.3	7.7
Education and health services	94.4	96.5	2.1	2.2
Leisure and hospitality	64.4	65.4	1.0	1.6
Other services	32.0	33.5	1.5	4.7
Government	107.3	107.9	0.6	0.6
	(percent)	(percent)		
Unemployment rate	4.8	4.1		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics



The rate of nonfarm payroll growth in the Richmond area during the past 3 months was the fastest rate in 10 years.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

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independent cities that directly surround the base (University of Illinois at Chicago). Contributing to state government payrolls is Virginia Commonwealth University (VCU), which generated \$3.6 billion in spending and supported approximately 43,700 jobs in the state of Virginia during the 2009–10 fiscal year (Chmura Economics & Analytics, most recent data available).

Largest employers in the Richmond area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Capital One Financial Corporation	Financial activities	11,262
Virginia Commonwealth University Health System	Education and health services	9,313
Hospital Corporation of America Virginia Health System	Education and health services	7,628

Notes: Excludes government-sector employers. The number of employees shown for Virginia Commonwealth University Health System does not include the 5,978 public-sector employees at Virginia Commonwealth University.
Source: *Richmond Times-Dispatch*

Sales Market Conditions

The sales housing market in the Richmond metropolitan area is currently balanced, with a vacancy rate of 1.7 percent, down from 2.4 percent in 2010. Conditions have improved significantly since 2010, when the housing crisis was at its worst in the metropolitan area. In April 2010, 7.1 percent of mortgages were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, a rate that declined to 2.5 percent as of July 2016 (CoreLogic, Inc.). Although the rate in July 2016 was above the rate for Virginia (2.0 percent), it was slightly below the national average of 2.8 percent.

During the 12 months ending July 2016—

- The number of existing homes sold increased 5 percent from the previous 12 months, to 20,300 homes, the highest level of home sales since 2007.
- The average existing home sales price increased 2 percent, to \$220,000; however, the average price remains 15 percent below the peak of \$258,000 during the 12 months ending July 2008.
- New home sales increased only 1 percent, to 2,625, in part because new homes have become relatively more expensive in recent years.

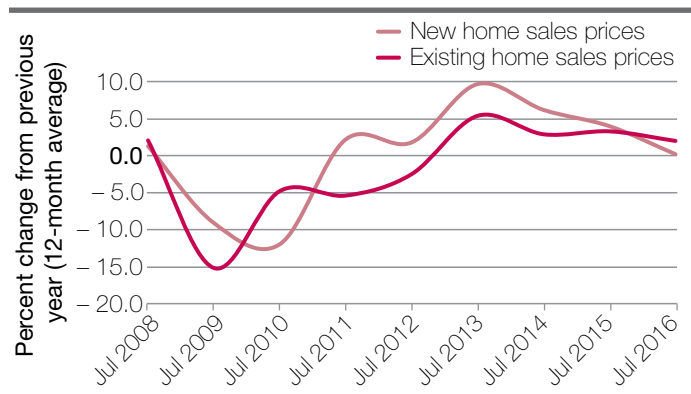
- The average new home sales price was relatively unchanged, at \$356,400. Unlike the average price of existing homes, the average price of new homes has surpassed the previous peak in 2008.

As the home sales market has improved since the housing crisis, builders have increased home production but remain cautious of returning to the homebuilding levels of the early to mid-2000s.

- The number of single-family homes permitted increased 10 percent, to 3,875, during the 12 months ending August 2016 compared with the previous 12 months (preliminary data), despite the small change in new home sales during roughly the same time period.
- Chesterfield County had the most building activity, constituting approximately one-third of the single-family homes permitted during the 12 months ending August 2016.
- One of the largest developments in Chesterfield County is Magnolia Green, a 1,896-acre planned community with approval for 3,550 homes. In 2015, the development had the most new home sales of all developments in the Richmond metropolitan area, with 149 homes sold.

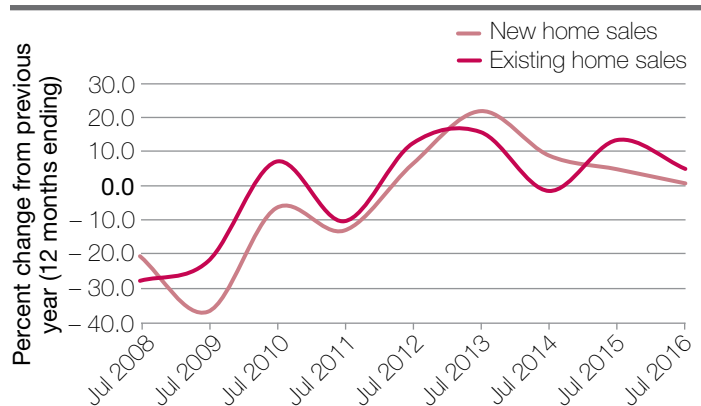


Growth in average sales prices for new and existing homes in the Richmond area has slowed in the past 12 months.



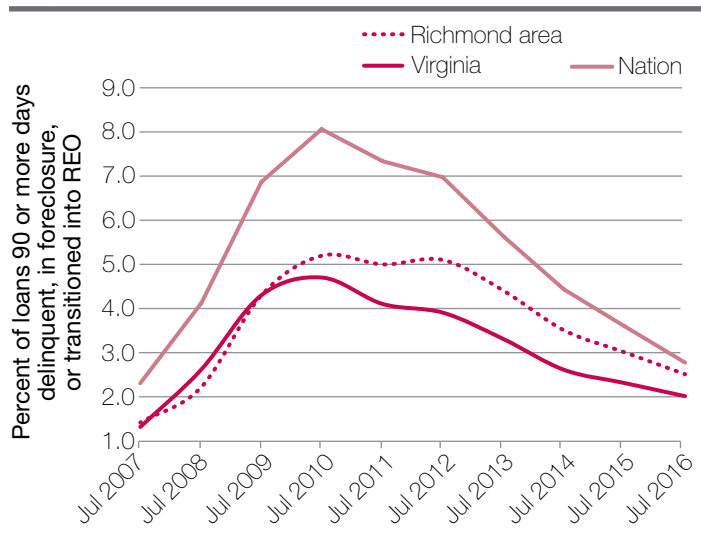
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

New and existing home sales growth in the Richmond area has been mostly positive since mid-2012.



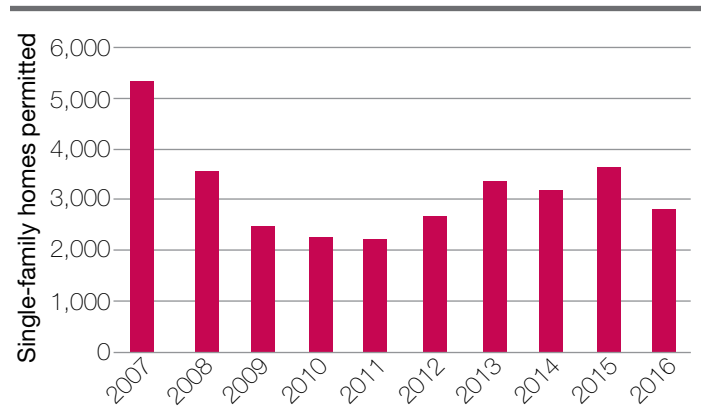
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

The percentage of home loans that were seriously delinquent or in REO status has been lower in the Richmond area than in the nation for the past 10 years.



REO = real estate owned. Source: CoreLogic, Inc.

The number of single-family homes permitted in the Richmond area has trended upward since 2011.



Note: Includes preliminary data from January 2016 through August 2016. Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Richmond metropolitan area is balanced, an improvement from 2010, when the market was soft. In the wake of the housing crisis, more renter households than owner households were formed, which absorbed the excess supply.

- The apartment vacancy rate declined from 6.8 percent in July 2015 to 6.0 percent in July 2016, the lowest rate for July since 2008 (Real Data).

- As the vacancy rate declined, the average monthly rent increased 5 percent, to \$988, in July 2016 compared with the previous year. Rent increases have been steep in the past 10 years, increasing by nearly \$200 during the period.
- The presence of VCU has an effect on the apartment market immediately surrounding the university's two urban campuses. The average monthly rent in the Real Data-defined Central market area, where VCU is located, was the highest in the metropolitan area, at \$1,229, in July 2016.

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- The Central market area also had the highest vacancy rate in July 2016, at 8.8 percent, because of the large number of units in lease up. During the first 6 months of 2016, the area added 361 units, the most additions of all the market areas.

Multifamily building activity, as measured by the number of multifamily units permitted, has varied from year to year since 2007 but has averaged higher levels since 2011 because of improved market conditions.

- During the 12 months ending August 2016, the number of multifamily units permitted increased 33 percent, to 1,350, as builders responded to increased rental demand (preliminary data).
- Nearly 90 percent of the multifamily development in the Richmond metropolitan area is in Chesterfield and Henrico Counties and in the city of Richmond.

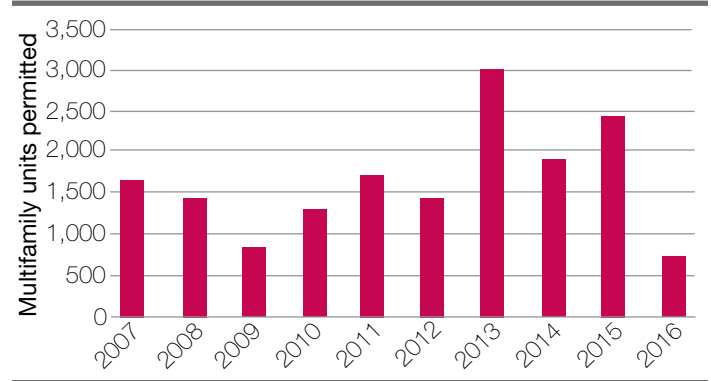
In the past year, the average vacancy rate declined and the average rent increased significantly in the Richmond area.



Source: Real Data

- Some of the largest apartment complexes currently under construction include Avia Apartment Homes in Henrico County, with 320 units, and 280 units on the site of a converted bus barn in the city of Richmond.
- Two of the larger, recently completed properties are in Chesterfield County: Oxygen at Centerpointe Apartments, with 255 units, and Element at Stonebridge Apartments, with 400 units; construction of both was complete in early 2016. Monthly rents start at \$998, \$1,317, and \$1,497 for one-, two-, and three-bedroom units, respectively, at Oxygen at Centerpointe; and at \$1,035, \$1,066, and \$1,368 for studio, one-bedroom, and two-bedroom units, respectively, at Element at Stonebridge.

Since 2012, the average number of multifamily units permitted annually in the Richmond area has been higher than in the previous 5 years.



Notes: Includes preliminary data from January 2016 through August 2016. Source: U.S. Census Bureau, Building Permits Survey