

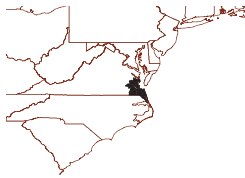


Virginia Beach-Norfolk-Newport News, Virginia-North Carolina

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2011



Housing Market Area



The Virginia Beach-Norfolk-Newport News Housing Market Area (HMA), which consists of 16 geographic entities in southeastern Virginia and northeastern North Carolina, is divided into two submarkets. The Southside submarket includes the cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach in Virginia; Isle of Wight and Surry Counties in Virginia; and Currituck County, North Carolina. The Peninsula submarket comprises the cities of Hampton, Newport News, Poquoson, and Williamsburg and the counties of Gloucester, James City, Mathews, and York in Virginia. The HMA includes the nation's largest naval base and is a popular resort area.

Summary

Economy

Employment in the Virginia Beach-Norfolk-Newport News HMA has declined since 2008, but the job losses abated in 2010 as nonfarm payrolls decreased by 1 percent to 733,500 jobs compared with the 3.3-percent decline during 2009. Growth was stronger during the first half of the 2000s, when the service-providing sectors added jobs. During the 3-year forecast period, job gains are expected to average 0.3 percent annually. The military has a significant impact on the economy of the HMA, where Northrop Grumman Shipbuilding, a military contractor with 19,000 employees, is the leading employer.

Sales Market

The sales market in the HMA is soft, with a vacancy rate of 2.2 percent. According to Hanley Wood, LLC,

during 2010, new and existing home sales decreased by 7 percent to 22,100 homes, and the median sales price declined by 4 percent to \$191,700. During the next 3 years, demand is forecast for 7,000 new homes, as shown in Table 1. It is likely that some of the estimated 37,400 other vacant units in the HMA will meet a portion of the forecast demand.

Rental Market

The rental market in the HMA is currently balanced, with a vacancy rate of 6.2 percent. According to Real Data, the apartment vacancy rate in the HMA was 5.7 percent in October 2010, down from 6.9 percent in October 2009. As shown in Table 1, during the forecast period, the 1,625 units currently under construction will satisfy a portion of the total demand for 5,375 market-rate units in the HMA.

Market Details

Economic Conditions	2
Population and Households	5
Housing Market Trends	7
Data Profiles	13

Table 1. Housing Demand in the Virginia Beach-Norfolk-Newport News HMA, 3-Year Forecast, January 1, 2011 to January 1, 2014

	Virginia Beach-Norfolk-Newport News HMA		Southside Submarket		Peninsula Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	7,000	5,375	6,050	3,775	960	1,625
Under Construction	1,425	1,625	1,050	760	380	870

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2011. A portion of the estimated 37,400 other vacant units in the HMA will likely satisfy some of the forecast demand.

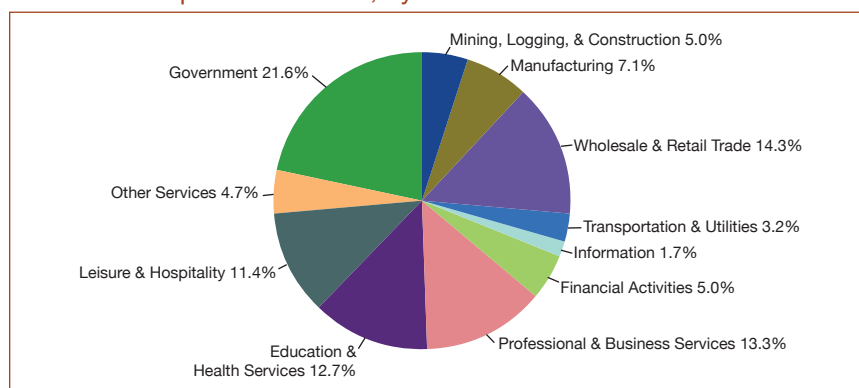
Source: Estimates by analyst

Economic Conditions

During 2010, nonfarm payrolls in the Virginia Beach-Norfolk-Newport News HMA declined by 7,300 jobs, or 1 percent, to 733,500 jobs, compared with the number of jobs recorded a year earlier. This decrease is significantly less than the loss of 25,600 jobs, or 3.3 percent, that occurred in 2009. Job growth was stronger earlier in the decade, with increases averaging 1.2 percent annually from 2000 through 2007 because of gains in the service-providing sectors.

The government sector, including the military, is the largest employment sector in the HMA, with nearly 22 percent of all nonfarm payrolls (see Figure 1). All branches of the United States military are represented within the HMA, including the Navy at Naval Station Norfolk, which is the largest naval base in the world. The U.S. Navy and Marine Corps are located primarily in the Southside submarket, and the U.S. Army and Air Force have bases in the Peninsula submarket. In fiscal year (FY) 2009, the Navy had an estimated economic impact of more than \$14.8 billion on the HMA, an increase of \$165 million, or 1 percent, compared with its impact during FY 2008. According to the most recent data available from the Statistical Information and Analysis Division of the Department of Defense, a total of 32,200 military and 15,400 civilian personnel were assigned to bases in the HMA as of 2009.

Activities related to the 2005 Defense Base Closure and Realignment

Figure 1. Current Nonfarm Payroll Jobs in the Virginia Beach-Norfolk-Newport News HMA, by Sector

Note: Based on 12-month averages through December 2010.

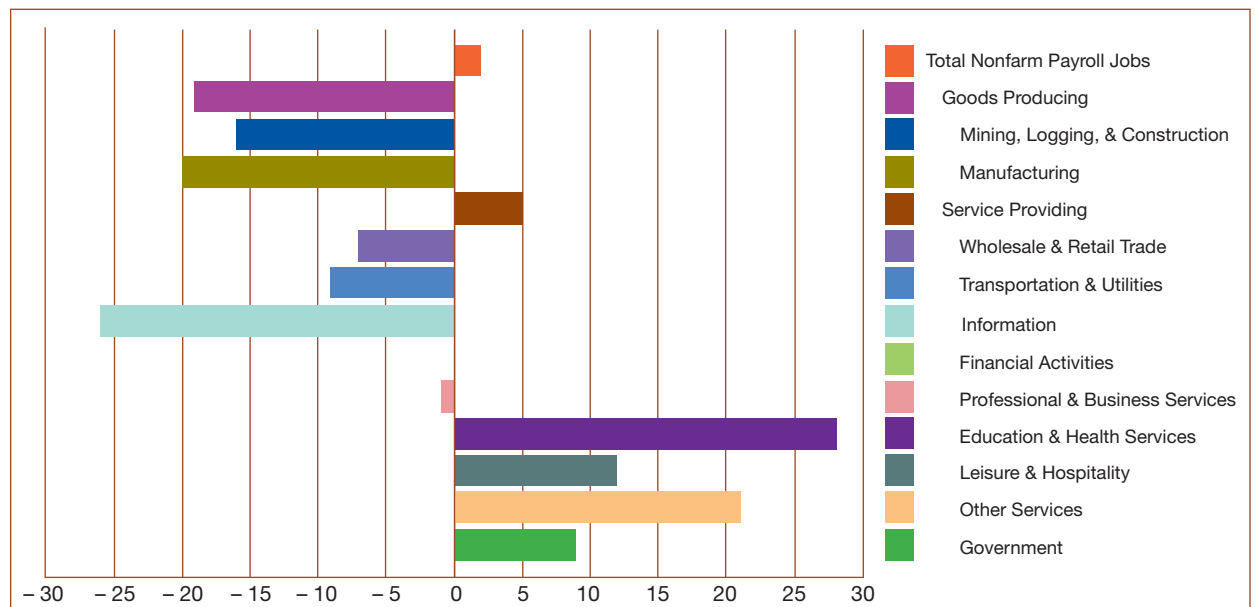
Source: U.S. Bureau of Labor Statistics

Commission (BRAC) had only a moderate economic impact on the HMA overall because of offsetting changes in the two submarkets. When BRAC changes are completed in 2011, military and civilian employment will register a net increase of 5,000 jobs in the Southside submarket and a net decrease of 2,600 jobs in the Peninsula submarket. Most of the decline in the Peninsula submarket is because of the impending closure of Fort Monroe in Hampton in September 2011. In announcements separate from the BRAC, in the Southside submarket, the closure of the Joint Forces Command in Norfolk is expected to result in nearly 2,000 job losses by early 2012. In the Peninsula submarket, an air squadron will be added at Langley Air Force Base in Hampton, adding 400 jobs between 2012 and 2014.

The manufacturing sector, which includes shipbuilding and food processing industries, has declined 20 percent since 2000, as shown in Figure 2. During 2010, the manufacturing

sector lost 1,650 jobs, or 3.1 percent (see Table 2), compared with a loss of 2,700 jobs, or 4.8 percent, during 2009. The largest private employer in the HMA, Northrop Grumman Shipbuilding, in Norfolk, with 19,000 jobs in the manufacturing sector, as shown in Table 3, announced layoffs of nearly 400 employees in November 2010. Smithfield Foods, Inc., a producer of meat products and specialty foods, closed a plant in Isle of Wight County in 2009. Of the 1,375 positions eliminated because of the closure, 800 workers were transferred to another processing facility in the HMA, and current employment at Smithfield Foods, Inc., totals 5,000. In 2010, the mining, logging, and construction sector declined by 1,450 jobs, or 3.9 percent, compared with the number of jobs recorded during the previous year, a significantly smaller decrease than the loss of 6,900 jobs, or 15.2 percent, during 2009. Job losses were primarily the result of low levels of residential construction.

Figure 2. Sector Growth in the Virginia Beach-Norfolk-Newport News HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through December 2010. During this period, financial activities sector jobs showed no net change.

Source: U.S. Bureau of Labor Statistics

During 2010, the information sector lost 900 jobs, or 6.7 percent. With the exception of an increase of 400 jobs, or 1.3 percent, annually from 2006 through 2007, the sector lost jobs throughout the decade, consistent with the decline in print media publishing industries nationwide. Despite the job decreases, Dominion Enterprises, a media and information services firm, opened its headquarters in Norfolk in 2006 and currently employs more than 900 people.

Job growth has occurred in the education and health services, other services, and leisure and hospitality sectors since 2000, as indicated in Figure 2. During 2010, however, employment in those sectors was nearly unchanged from 2009. During 2010, the education and health services sector increased by 450 jobs, or 0.5 percent, primarily because of growth in the education subsector. Enrollment at private colleges and universities totaled approximately 12,900 in 2010, up 4 percent from 2009. The leisure and hospitality sector, which added 50 jobs, or 0.1 percent, in 2010, includes Busch Gardens in Williamsburg, Colonial Williamsburg, Norfolk attractions, and the Virginia Beach coastline. Tourism expenditures in the HMA totaled 3.5 billion in 2009, down more than 8 percent from 2008, according to the Virginia Tourism Corporation. The unemployment rate increased from an average of 6.8 percent in 2009 to 7.4 percent in 2010. See Table DP-1 at the end of this report and Figure 3 for trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 to 2010.

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Virginia Beach-Norfolk-Newport News HMA, by Sector

	12 Months Ending December 2009	12 Months Ending December 2010	Percent Change
Total Nonfarm Payroll Jobs	740,800	733,500	- 1.0
Goods Producing	91,900	88,800	- 3.4
Mining, Logging, & Construction	38,350	36,900	- 3.9
Manufacturing	53,550	51,900	- 3.1
Service Providing	648,900	644,700	- 0.6
Wholesale & Retail Trade	106,000	104,500	- 1.4
Transportation & Utilities	23,700	23,800	0.4
Information	13,300	12,400	- 6.7
Financial Activities	37,500	36,400	- 3.0
Professional & Business Services	99,700	97,800	- 1.9
Education & Health Services	93,050	93,500	0.5
Leisure & Hospitality	83,350	83,400	0.1
Other Services	34,300	34,400	0.2
Government	158,000	158,500	0.3

Notes: Based on 12-month averages through December 2009 and December 2010. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

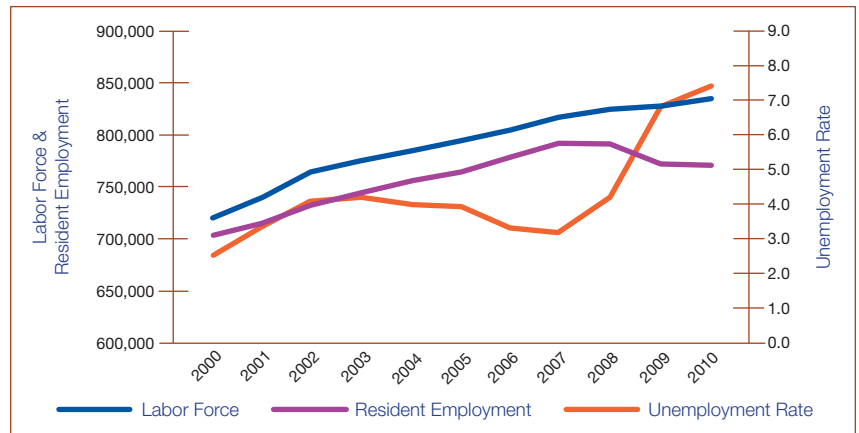
Table 3. Major Employers in the Virginia Beach-Norfolk-Newport News HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Northrop Grumman Shipbuilding	Manufacturing	19,000
Sentara Healthcare	Education & Health Services	17,000
Norfolk Naval Shipyard	Government	7,500
Riverside Health System	Education & Health Services	7,050
Naval Medical Center Portsmouth	Government	5,400
Smithfield Foods, Inc.	Manufacturing	5,000
College of William & Mary	Education & Health Services	4,800
NASA Langley Research Center	Government	4,000
Old Dominion University	Education & Health Services	4,000
The Colonial Williamsburg Foundation	Leisure & Hospitality	4,000

Notes: As of July 2010. Excludes military personnel.

Source: Hampton Roads Economic Development Alliance

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Virginia Beach-Norfolk-Newport News HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

Population and Households

The population of the Virginia Beach-Norfolk-Newport News HMA is currently estimated at more than 1.6 million, indicating an annual increase of 9,475, or 0.6 percent, since 2000, despite an average annual net out-migration 1,525 people. As the economy slowed in 2007 and the number of jobs began to decline in mid-2008, population growth decreased to an average of 1,425 a year from 2007 through 2009. In comparison, population growth averaged approximately 13,050 annually from 2000 through 2006 (see Figure 4). Net natural change (resident births minus resident deaths) decreased slightly from 2007 to the current date, but it is expected to remain stable during the next 3 years, as shown in Figure 5. Net in-migration averaged 3,850 people annually from 2000 through 2006; however, in 2007, the trend reversed and net out-migration averaged 11,250 people a year from 2007 through 2009 because of weaker economic conditions. Out-migration has continued since 2010, although more slowly, by

7,700 people a year, because the HMA is increasingly attractive to military retirees who remain in the area for access to medical facilities. Between 2008 and 2009, total pension payments to Navy and Marine Corps retirees residing in the HMA increased by 8 percent to \$1.2 billion, according to the *FY 2008 and 2009 Economic Impact Reports for the Navy Mid-Atlantic Region*, which is the most recent data available.

The population of the Southside submarket increased by 6,975, or 0.6 percent, a year from 2000 to the current date, when an average annual net natural change of 8,075 more than offset the average net out-migration of 1,100 people a year. Between 2000 and 2003, net in-migration averaged 4,175 people annually. As the economy slowed later in the decade, however, net out-migration averaged 7,775 people a year from 2007 through 2009. The rate of out-migration has slowed to 4,000 people annually since 2010 as a result of BRAC-related gains in military and civilian positions at the Naval

Population and Households *Continued*

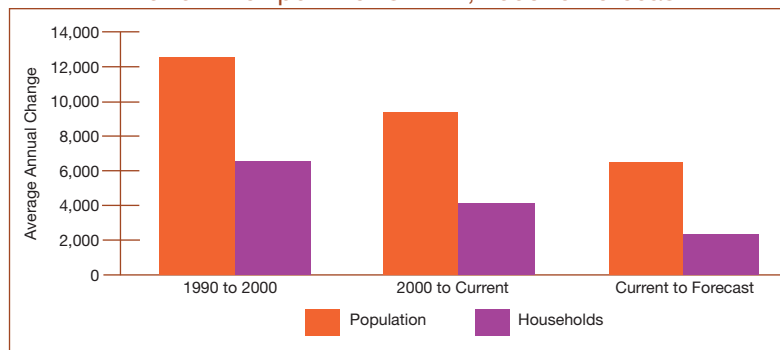
Station Norfolk; Naval Support Activity Norfolk; Naval Amphibious Base, Little Creek in Virginia Beach; and the Norfolk Naval Shipyard, located in Portsmouth.

The population of the Peninsula submarket increased by 2,425, or 0.5 percent, from 2000 to the current date. From 2000 through 2006, net in-migration averaged 2,125 people a year. From 2007 through the current date, however, the trend reversed, and net out-migration averaged 2,675 people a year because of BRAC-related military reassignments, including the closure of Fort Monroe in Hampton and the loss of 180 civilian jobs at the Naval Weapons Station Yorktown.

As with population growth, the number of households increased more rapidly during the first part of the 2000s, when economic conditions were stronger. From 2000 through 2006, household growth averaged nearly 4,000, or 0.7 percent, annually. From 2007 through 2009, the number of households increased more slowly, by an average annual rate of 1,800, or 0.3 percent. Since the 2010 Census, the number of households has decreased by 4,900, or 0.8 percent, to 624,900; weak economic conditions contributed to doubling up and a delay in younger household formation. See Tables DP-1, DP-2, and DP-3 at the end of this report for detailed information about population and household growth in the HMA and the two submarkets.

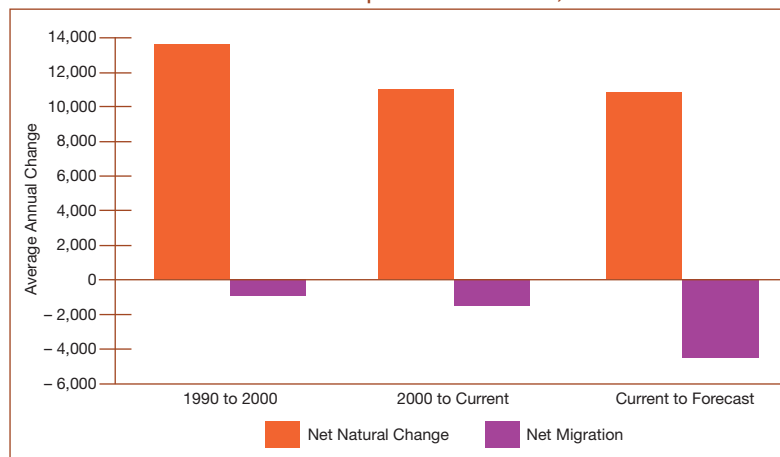
Although economic conditions are expected to strengthen moderately during the forecast period, population growth will be lower than the rate during the past year, as BRAC personnel decreases are completed in the Peninsula submarket. The recent decline in the number of households is projected to end, and the number of households is expected to grow at an increasing rate as the economy improves. As a result, population and households are expected to grow by 6,400 and 2,325 a year, respectively, increasing by 0.4 percent each in the HMA. In the Southside submarket, during the next 3 years, average annual population and household growth is expected to slow to 6,450 and 1,975, or 0.6 and 0.5 percent, respectively, partly because BRAC personnel changes for the Navy have ended. In the Peninsula submarket, the population will remain relatively stable and households are projected to increase slowly by 0.2 percent annually because of the anticipated addition of an air squadron at Langley Air Force Base.

Figure 4. Population and Household Growth in the Virginia Beach-Norfolk-Newport News HMA, 1990 to Forecast



Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Virginia Beach-Norfolk-Newport News HMA, 1990 to Forecast



Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market—Southside Submarket

Approximately 20,000 Navy and Marine Corps military households own homes in the HMA, according to the *FY 2009 Economic Impact Report for the Navy Mid-Atlantic Region*. Most of those households are likely to reside in the Southside submarket, where more than 90 percent of Navy and Marine Corps military personnel are assigned to bases. Military households make up an estimated 7 percent of the 270,200 owner households currently residing in the Southside submarket. Since 2000, the percentage of owner households has increased slightly from 63 percent of households in 2000 to 64 percent as of the current date, as shown in Figure 6.

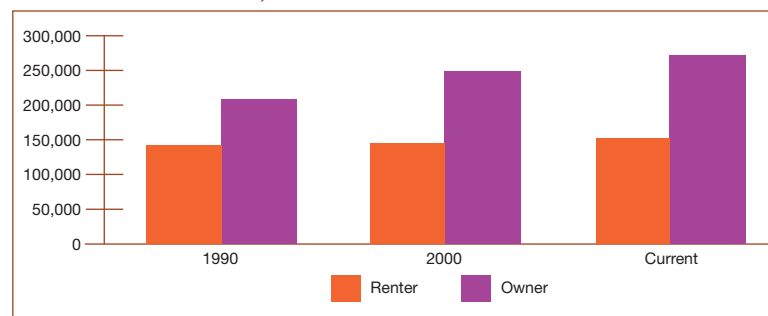
Because of the slower economy, the sales market in the Southside submarket is currently soft, with a sales vacancy rate of 2.2 percent, which

is higher than the rate of 1.8 percent recorded in 2000. According to Hanley Wood, LLC, 14,300 existing homes were sold in 2010 compared with 15,100 homes sold during 2009, which represents a 5-percent decrease. Sales of new homes declined by 16 percent to nearly 1,300 homes in 2010 compared with the total recorded in 2009. In comparison, the levels of existing and new home sales in 2010 are 18 and 53 percent below the average that occurred each year between 2006 and 2008, respectively. During 2010, the average price of existing homes fell by more than 5 percent to \$219,500, and the average price of new homes decreased by more than 16 percent to \$312,500.

In response to the soft housing market, developers have reduced the volume of homebuilding in the Southside submarket since 2007; however, in 2010, conditions began to improve, with a slight increase in construction (see Figure 7). During 2010, based on preliminary data, single-family homebuilding, as measured by the number of building permits issued, increased by 130 units, or 6 percent, to 2,075 homes compared with the number permitted during 2009. Between 2007 and 2008, the number of homes permitted averaged 2,575 homes annually, or 45 percent below the average annual rate of 4,725 homes permitted from 2000 to 2006.

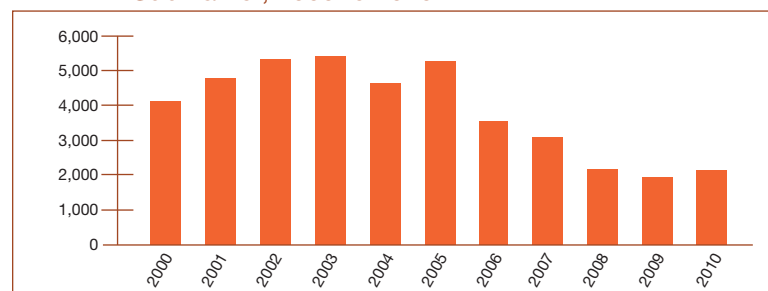
Since 2000, an estimated 3,000 condominium units have been constructed in the Southside submarket. Approximately one-half were located in Virginia Beach, and one-fourth were located in each of the cities of Chesapeake and Norfolk. According to Hanley Wood, LLC, in 2010, the average

Figure 6. Number of Households by Tenure in the Southside Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 7. Single-Family Building Permits Issued in the Southside Submarket, 2000 to 2010



Notes: Includes only single-family units. Includes data through December 2010.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market—Southside Submarket *Continued*

price of new and existing condominium units in the Southside submarket was \$235,700, a 3-percent decrease compared with 2009. From 2009 to 2010, sales of new and existing condominiums were down 18 percent, declining from 1,675 to 1,375 homes. Approximately 5 percent of the sales of new condominiums were to absentee owners purchasing second or investment homes, which is lower than the 14-percent average that occurred from 2005 through 2007.

Foreclosure activity in the Southside submarket decreased in 2010, particularly in Chesapeake, Portsmouth,

Suffolk, and Virginia Beach. According to LPS Applied Analytics, during December 2010, the number of home loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the Southside submarket declined to 9,650, 7 percent less than during December 2009. This level represents 5.5 percent of all home loans in the Southside submarket in December 2010 compared with 6 percent in December 2009. The rate of foreclosure activity for the HMA in December 2010 was 5.3 percent.

During the next 3 years, demand is forecast for 6,050 single-family homes and condominium units in the submarket. A portion of this demand will be met by the 1,050 homes currently under construction (see Table 1). In addition, home builders should be aware of the estimated 25,400 other vacant units in the Southside submarket, some of which may return to the market during the forecast period. Prices for new homes are expected to start at \$175,000. Table 4 presents detailed information on the estimated demand for new sales housing by price range in the Southside submarket during the forecast period.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Southside Submarket, January 1, 2011 to January 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
175,000	199,999	120	2.0
200,000	299,999	790	13.0
300,000	399,999	2,425	40.0
400,000	499,999	910	15.0
500,000	599,999	730	12.0
600,000	699,999	610	10.0
700,000	999,999	420	7.0
1,000,000	and higher	60	1.0

Note: A portion of the estimated 25,400 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market— Southside Submarket

Approximately 32,250 Navy and Marine Corps military households occupy rental housing units within the HMA, including 4,100 in military units and 28,150 in private rental units, according to the *FY 2009 Economic Impact Report for the Navy Mid-Atlantic Region*. Most of those households are likely to reside in the Southside submarket, where more than 90 percent of Navy and Marine Corps personnel are assigned to bases. Military households make up approximately one-fifth

of the 152,200 renter households in the Southside submarket.

The rental market in the Southside submarket is currently balanced, with a vacancy rate of 6 percent, higher than the 5.4-percent rate reported in the 2000 Census (see Figure 8). The apartment market tightened as a result of BRAC-related activities, and the absorption of apartments in the Southside submarket more than doubled during the 12 months ending

Housing Market Trends

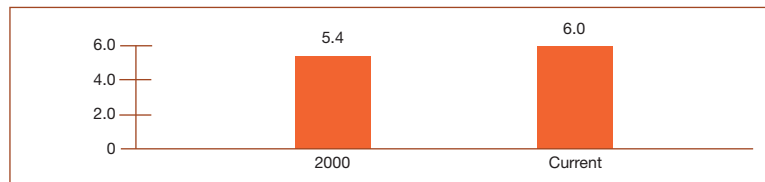
Rental Market—Southside Submarket *Continued*

October 2010, according to Real Data. From October 2009 to October 2010, the apartment vacancy rate declined from 6.6 to 4.5 percent. During that time, approximately 850 apartments at 4 developments built in 2009 and 2010 were leasing, with nearly two-thirds of those units located in Chesapeake. During the 12 months ending October 2010, a total of 670 units were absorbed in Chesapeake, significantly more than the 180 units absorbed a year earlier.

The number of permits issued for multifamily units in the Southside submarket declined to 760 in 2010, 60 percent below the 1,900 units permitted during 2009, based on preliminary data. Between 2007 and 2008, multifamily permitting activity averaged 1,550 units, 31 percent below the average annual rate of 2,250 units permitted from 2000 to 2006. As shown in Figure 9, construction of both condominiums and apartments increased in 2009; however, condominiums accounted for a greater share in 2009, at 40 percent of units permitted, compared with only 20 percent of units permitted from 2005 through 2008.

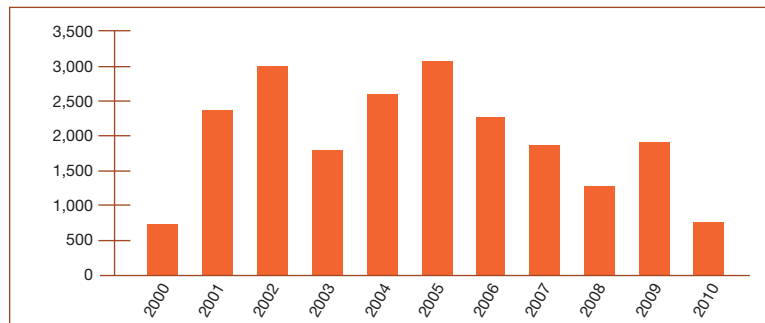
During the next 3 years, demand is forecast for 3,775 new market-rate rental housing units, including the 760 units currently under construction (see Table 1). To allow for excess vacancies and units under construction to be absorbed, demand for new rental units is not expected until the third year of the forecast period. Rents for the new units are projected to start at \$1,025 for an efficiency unit, \$1,100 for a one-bedroom unit, \$1,425 for a two-bedroom unit, and \$1,650 for a three-bedroom unit. Table 5 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level in the submarket during the forecast period.

Figure 8. Rental Vacancy Rates in the Southside Submarket, 2000 to Current



Sources: 2000–2000 Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Southside Submarket, 2000 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2010.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Southside Submarket, January 1, 2011 to January 1, 2014

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,025 to 1,224	190	1,100 to 1,299	1,425	1,425 to 1,624	930	1,650 to 1,849	610
1,225 to 1,424	0	1,300 to 1,499	90	1,625 to 1,824	200	1,850 to 2,049	190
1,425 to 1,624	0	1,500 to 1,699	0	1,825 to 2,024	0	2,050 to 2,249	95
1,625 to 1,824	0	1,700 to 1,899	0	2,025 to 2,224	0	2,250 to 2,449	45
Total	190	Total	1,515	Total	1,130	Total	940

Source: Estimates by analyst

Sales Market—Peninsula Submarket

The sales market in the Peninsula submarket is soft, with a vacancy rate of 2.1 percent, higher than the 1.9-percent rate recorded in 2000. With the weakening of the home sales market, the number of owner households has decreased slightly from 62 percent in 2000 to 61 percent as of the current date, as shown in Figure 10. Sales of existing homes fell by 10 percent to nearly 5,700 homes in 2010 compared with the total recorded in 2009, and the average price of existing homes declined by nearly 10 percent to \$172,800. The level of existing home sales in 2010 is 23 percent below the average recorded between 2006 and 2008. Despite the soft market, new homes sales and prices increased slightly in 2010. According to Hanley Wood, LLC, sales of new homes rose by 3 percent

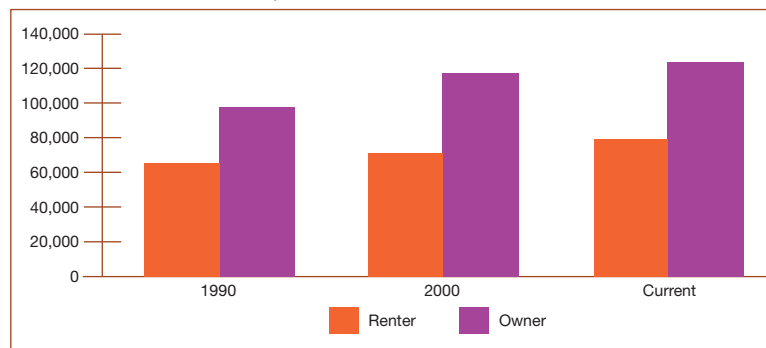
to 700 homes; however, sales remain down 35 percent from the 2006-to-2008 average. The average price of new homes rose by nearly 2 percent to \$238,600 in 2010.

Homebuilding increased slightly in 2010, after 3 years of declining construction because of the weaker economy, as shown in Figure 11. New home construction, as measured by the number of building permits issued for single-family homes, increased in 2010 by 130 homes, or 14 percent, to 1,075 homes, compared with the number of homes permitted in 2009, based on preliminary data. From 2007 through 2008, the number of homes permitted averaged 1,475 annually, 39 percent below the average annual rate of 2,425 homes permitted from 2000 to 2006, as shown in Figure 11.

Since 2000, approximately 1,750 condominium units have been built in the Peninsula submarket, with nearly 50 percent located in Hampton, approximately 40 percent in Newport News, and the remainder in Williamsburg. According to Hanley Wood, LLC, in 2010, the average price of new and existing condominium units in the Peninsula submarket fell more than 14 percent to \$166,300 compared with the prices recorded during 2009. During 2010, condominium sales were up 10 percent to nearly 380 units.

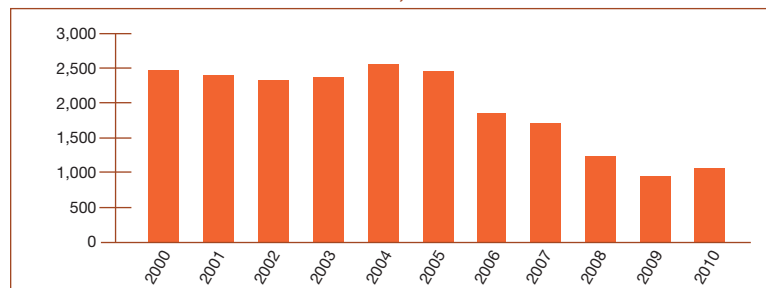
Foreclosure activity during 2010 was lower in the Peninsula submarket compared with activity in the HMA overall. According to LPS Applied Analytics, the number of home loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the Peninsula submarket during December 2010 totaled 3,225, which

Figure 10. Number of Households by Tenure in the Peninsula Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 11. Single-Family Building Permits Issued in the Peninsula Submarket, 2000 to 2010



Notes: Includes only single-family units. Includes data through December 2010.
Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market—Peninsula Submarket *Continued*

was nearly unchanged from a year earlier. This level represents 4.7 percent of all home loans in the Peninsula submarket, a rate that was constant in December 2009 and in December 2010. The foreclosure rate for the HMA overall was 5.3 percent in December 2010.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Peninsula Submarket, January 1, 2011 to January 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	65	7.0
200,000	399,999	430	45.0
400,000	599,999	350	36.0
600,000	999,999	95	10.0
1,000,000	and higher	20	2.0

Note: A portion of the estimated 12,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

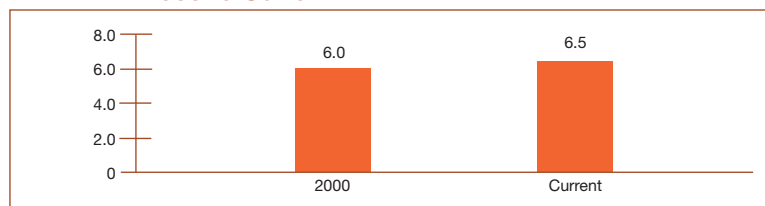
During the next 3 years, demand is forecast for 960 single-family homes and condominium units. A portion of this demand will be met by the 380 homes currently under construction (see Table 1). In addition, an estimated 12,000 other vacant units are in the Peninsula submarket, some of which may return to the market during the forecast period. Prices for new homes are expected to start at \$150,000. Table 6 presents detailed information on the estimated demand for new sales housing by price range in the Peninsula submarket during the forecast period.

Rental Market—Peninsula Submarket

The rental market in the Peninsula submarket is slightly soft, with a vacancy rate of 6.5 percent, higher than the 6-percent rate reported as of the

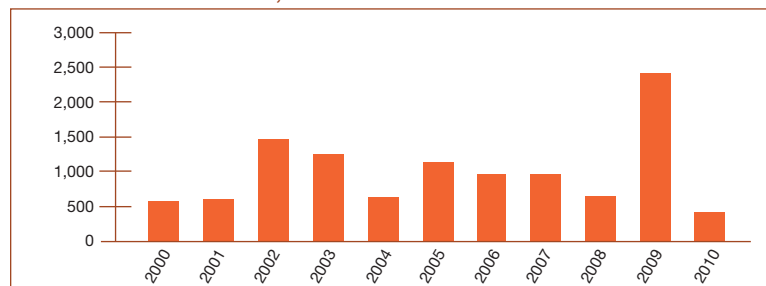
2000 Census (see Figure 12). According to Real Data, as of October 2010, the apartment vacancy rate in the Peninsula submarket was 7.5 percent, nearly unchanged from 7.4 percent a year earlier. Approximately 480 apartment units were absorbed during the 12 months ending October 2010, nearly 40 percent fewer than the number absorbed a year earlier, as BRAC personnel reductions began at Fort Monroe in Hampton.

Figure 12. Rental Vacancy Rates in the Peninsula Submarket, 2000 to Current



Sources: 2000–2000 Census; current—estimates by analyst

Figure 13. Multifamily Building Permits Issued in the Peninsula Submarket, 2000 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2010.

Source: U.S. Census Bureau, Building Permits Survey

From 2000 to 2008, multifamily construction, as measured by the number of units permitted, averaged 900 units a year in the Peninsula submarket. In 2010, based on preliminary figures, a total of 420 multifamily units were permitted, 83 percent below the high of 2,400 permits issued a year earlier. In 2009, construction of both condominiums and apartments increased (see Figure 13), with most of the units located in Newport News and

Housing Market Trends

Rental Market—Peninsula Submarket *Continued*

Hampton. Condominiums accounted for 43 percent of units built in 2009, a greater share than the annual average of approximately 10 percent from 2000 through 2008. As the economy slowed, some of those developments that were started in 2009 remain under construction as of the current date.

When Fort Monroe closes in September 2011, the land will be transferred to civilian use, and the Federal Area Development Authority (FADA) will oversee the preservation, renovation, and redevelopment activities of the land. FADA is currently evaluating potential private-sector partnerships for developing a mixed-use neighborhood at the North Gate section of Fort Monroe. The 273 rental housing units for the military located at Fort Monroe, however, are likely to continue to be occupied by military households assigned to nearby Fort Eustis. Residents of the existing

118-unit Wherry Housing Complex and the 158 historic single-family homes, duplexes, and quads at Fort Monroe have been encouraged to renew their leases.

Anticipated household growth will result in a demand for a total of 1,625 new market-rate rental housing units during the next 3 years, including the 870 units currently under construction (see Table 1). To allow for excess vacancies and units under construction to be absorbed, demand for new rental units is not expected until the third year of the forecast period. Rents for the new units are projected to start at \$950 for a one-bedroom unit, \$1,000 for a two-bedroom unit, and \$1,250 for a three-bedroom unit. Table 7 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level in the submarket during the forecast period.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Peninsula Submarket, January 1, 2011 to January 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
950 to 1,149	520	1,000 to 1,199	240	1,250 to 1,449	210
1,150 to 1,349	130	1,200 to 1,399	240	1,450 to 1,649	130
1,350 to 1,549	0	1,400 to 1,599	85	1,650 to 1,849	40
1,550 to 1,749	0	1,600 to 1,799	0	1,850 to 2,049	20
Total	650	Total	565	Total	400

Source: Estimates by analyst

Data Profiles

Table DP-1. Virginia Beach-Norfolk-Newport News HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	645,004	703,824	771,400	0.9	0.9
Unemployment Rate	4.7%	2.5%	7.4%		
Nonfarm Payroll Jobs	607,500	720,400	733,500	1.7	0.2
Total Population	1,449,389	1,576,370	1,677,700	0.8	0.6
Total Households	513,419	580,278	624,900	1.2	0.7
Owner Households	306,617	365,851	393,700	1.8	0.7
Percent Owner	59.7%	63.0%	63.0%		
Renter Households	206,802	214,427	231,200	0.4	0.7
Percent Renter	40.3%	37.0%	37.0%		
Total Housing Units	561,928	622,629	686,300	1.0	0.9
Owner Vacancy Rate	3.2%	1.9%	2.2%		
Rental Vacancy Rate	9.6%	5.6%	6.2%		
Median Family Income	\$34,785	\$49,186	\$68,200	3.5	3.3

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through December 2010. Median family incomes are for 1989, 1999, and 2009.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Southside Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	1,007,256	1,077,833	1,153,000	0.7	0.6
Total Households	350,619	392,858	422,400	1.1	0.7
Owner Households	209,184	248,854	270,200	1.8	0.8
Percent Owner	59.7%	63.3%	64.0%		
Rental Households	141,435	144,004	152,200	0.2	0.5
Percent Renter	40.3%	36.7%	36.0%		
Total Housing Units	383,937	421,721	463,600	0.9	0.9
Owner Vacancy Rate	3.3%	1.8%	2.2%		
Rental Vacancy Rate	9.8%	5.4%	6.0%		
Median Family Income	NA	NA	NA	NA	NA

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Peninsula Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	442,133	498,537	524,700	1.2	0.5
Total Households	162,800	187,420	202,500	1.4	0.7
Owner Households	97,433	116,997	123,500	1.8	0.5
Percent Owner	59.8%	62.4%	61.0%		
Rental Households	65,367	70,423	79,000	0.7	1.1
Percent Renter	40.2%	37.6%	39.0%		
Total Housing Units	177,991	200,908	222,700	1.2	1.0
Owner Vacancy Rate	3.1%	1.9%	2.1%		
Rental Vacancy Rate	9.1%	6.0%	6.5%		
Median Family Income	NA	NA	NA	NA	NA

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2011—Analyst's estimates

Forecast period: 1/1/2011–1/1/2014—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_VirginiaBeach-Norfolk-NewportNewsVA-NC_11.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.