The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of government policies to counteract the disruption. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

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

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of November 1, 2019

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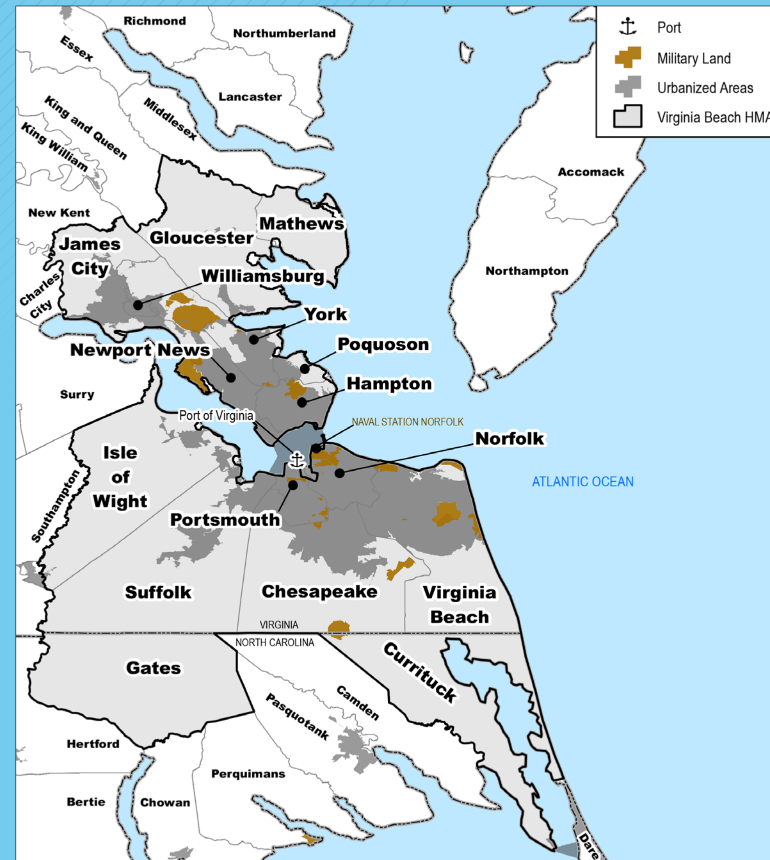
Executive Summary

Housing Market Area Description

The Virginia Beach-Norfolk-Newport News Housing Market Area (hereafter, the Virginia Beach HMA) is coterminous with the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area and includes the following counties and independent cities: Currituck and Gates Counties in North Carolina; Gloucester, Isle of Wight, Mathews, James City, and York Counties in Virginia; and the independent cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg in Virginia. The city of Virginia Beach, situated along the Atlantic coastline, is the largest city in the HMA. Of the 11 most populous cities in the state of Virginia, 7 are in the Virginia Beach HMA. Economic activity in the HMA is heavily dependent on federal spending and, to a lesser extent, on the Port of Virginia and the tourism industry.

The population of the HMA is currently estimated at 1.74 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Stable: Nonfarm payrolls increased 0.4 percent during the 12 months ending October 2019.

Economic conditions in the Virginia Beach HMA are currently stable, but the rate of job growth has moderated during the past 12 months. Nonfarm payroll jobs averaged 793,500 during the 12 months ending October 2019, reflecting an increase of 2,900 jobs, or 0.4 percent, from the same time a year earlier. The current rate of job growth is down from 1.3 percent during the 12 months ending October 2018 and is below the average annual growth rate of 0.9 percent from 2011 through 2017. During the 12 months ending October 2019, the unemployment rate in the HMA was 3.1 percent—down from 3.4 percent during the same period a year earlier. During the 3-year forecast period, nonfarm payroll growth is expected to rise to an average of 0.9 percent annually.

Sales Market

Slightly Soft: The home sales vacancy rate is elevated because of continued net out-migration from the HMA and household preference to rent.

Sales housing market conditions in the HMA are currently slightly soft because continued net out-migration is reducing demand. The current sales vacancy rate is estimated at 2.3 percent, down slightly from 2.5 percent in 2010. During the 12 months ending October 2019, total home sales were approximately 32,600, reflecting an increase of 7 percent from a year earlier, and the average home sales price rose 1 percent, to $272,400 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the 3-year forecast period, demand is estimated for 11,500 new homes for sale. The 1,525 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

Rental Market

Balanced: The rental market has an estimated overall rental vacancy rate of 6.4 percent, down from 7.6 percent in 2010.

Rental housing market conditions in the HMA are balanced and the apartment market is slightly tight. The apartment vacancy rate continues to decline due in part to a gradual decrease in the number of units completed since the end of 2016. During the third quarter of 2019, the apartment vacancy rate declined more than 1 percentage point from a year earlier, to 3.1 percent, and the average asking rent was $1,096 (RealPage, Inc.). During the 3-year forecast period, demand is expected for 7,675 new rental units. The 1,825 units currently under construction will satisfy a portion of that demand during the first year of the forecast period.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Virginia Beach HMA	Total Demand	11,500	7,675
	Under Construction	1,525	1,825

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2019. The forecast period is November 1, 2019, to November 1, 2022.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Government

Economic activity in the Virginia Beach HMA relies heavily on the presence of military personnel, civilian federal employees, and industries related to the U.S. Department of Defense.

Current Conditions—Nonfarm Payrolls

Economic conditions in the Virginia Beach HMA are currently stable, but the rate of job growth slowed recently. During the 12 months ending October 2019, nonfarm payrolls increased by 2,900 jobs, or 0.4 percent, to a new high of 793,500 (Table 1). By comparison, payrolls rose by 9,800, or 1.3 percent, during the 12 months ending October 2018.

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Virginia Beach HMA, by Sector

	12 Months Ending October 2018	12 Months Ending October 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**790.6**	**793.5**	**2.9**	**0.4**
Goods-Producing Sectors	94.0	98.1	4.1	4.4
Mining, Logging, & Construction	38.0	39.6	1.6	4.2
Manufacturing	56.1	58.5	2.4	4.3
Service-Providing Sectors	696.5	695.5	-1.0	-0.1
Wholesale & Retail Trade	105.9	103.6	-2.3	-2.2
Transportation & Utilities	25.6	24.7	-0.9	-3.5
Information	10.9	10.2	-0.7	-6.4
Financial Activities	38.7	39.5	0.8	2.1
Professional & Business Services	113.3	115.2	1.9	1.7
Education & Health Services	113.4	113.4	0.0	0.0
Leisure & Hospitality	92.8	95.4	2.6	2.8
Other Services	35.9	36.0	0.1	0.3
Government	160.0	157.7	-2.3	-1.4

Notes: Based on 12-month averages through October 2018 and October 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

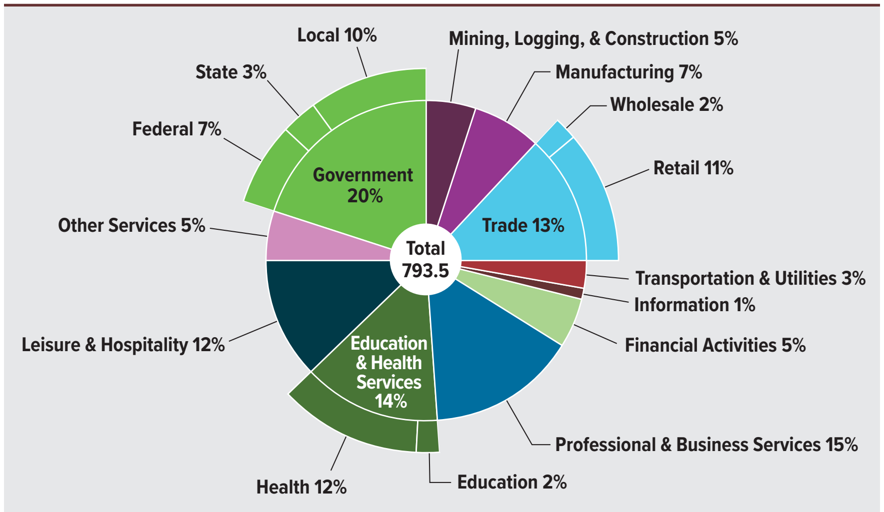
Approximately 88,000 active-duty personnel—from all branches of the military—are currently stationed in the HMA, down more than 20 percent from the previous peak in 2003. The HMA includes the largest naval base in the world—Naval Station Norfolk—with about 47,350 active-duty personnel (Defense Manpower System, September 2019; Table 2). Civilian employees and private contractors in the HMA also support the military. The government sector—which includes civilian jobs with the military—is the largest sector in the HMA, with 157,700 jobs; the sector accounts for 20 percent of all nonfarm payrolls in the HMA (Figure 1). Approximately 37 percent of all jobs in the sector, or 58,100 jobs, are in the federal government subsector. During the 12 months ending October 2019, the government sector declined by 2,300 jobs, or 1.4 percent. Job losses in the government sector occurred in the local and the state government subsectors, which decreased by 2,100 and 700 jobs, or 2.6 and 3.3 percent, respectively; the federal government subsector added 500 jobs, or 0.9 percent.

Table 2. Military Personnel and Dependents Assigned to Military Bases in the Virginia Beach HMA

	Military	Dependents	Combined
Dam Neck Fleet Training Center Atlantic	3,838	5,859	9,697
ENDIST Norfolk	268	595	863
Fort Eustis	5,645	8,490	14,135
Fort Story	8,790	12,949	21,739
Langley Air Force Base	7,243	9,549	16,792
Naval Air Station Oceana	5,711	6,755	12,466
Naval Amphibious Base Little Creek	1,045	887	1,932
Naval Medical Center Portsmouth	3,231	3,961	7,192
Naval Safety Center	323	485	808
Naval Security Group Activity Northwest	866	1,221	2,087
Naval Station Norfolk	47,368	53,525	100,983
Naval Weapons Station Yorktown	1,311	1,405	2,716
Norfolk Naval Shipyard	637	1,084	1,721
USCG Sector Hampton Roads	1,642	2,566	4,208
Total	**87,918**	**109,331**	**197,339**

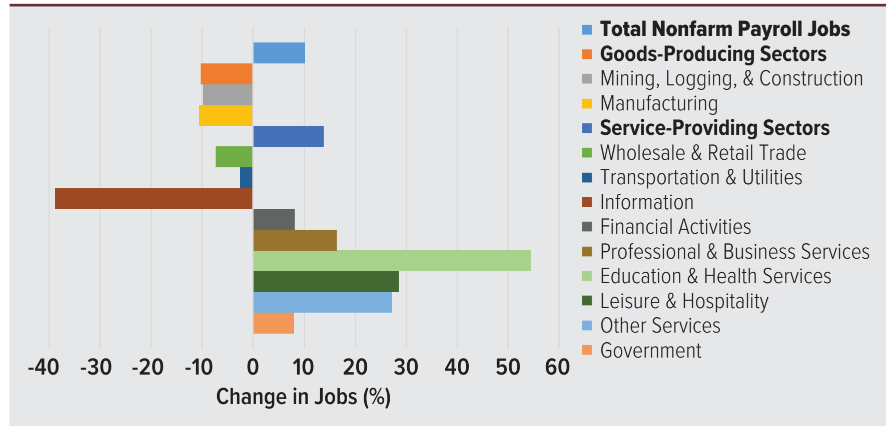
Source: Defense Manpower System, September 2019

Figure 1. Share of Nonfarm Payroll Jobs in the Virginia Beach HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through October 2019.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Virginia Beach HMA, 2001 to Current



Note: The current date is November 1, 2019.
Source: U.S. Bureau of Labor Statistics

The leisure and hospitality sector led job growth during the 12 months ending October 2019, with a gain of 2,600 jobs—or 2.8 percent—to 95,400. Since 2001, the sector has been the second fastest growing nonfarm payroll sector in the HMA, behind the education and health services sector (Figure 2). Five new hotels have been built in 2019 so far, which has added an estimated 600 rooms to the lodging inventory; in 2018, only one 90-room hotel was renovated (Dodge Data & Analytics LLC).

During the 12 months ending October 2019, substantial growth also occurred in the manufacturing sector, which increased by 2,400 jobs, or 4.3 percent, to 58,500. For perspective, the manufacturing sector is currently 11 percent below the previous peak in 2000. The manufacturing sector in the HMA includes large shipbuilding and food-processing industries. With approximately 23,000 employees, Huntington Ingalls Industries, Inc. is the largest private employer in the metropolitan area and the largest military shipbuilding company in the nation. In 2019, Huntington Ingalls Industries, Inc. was awarded a $15.2 billion contract to build two more Ford-class aircraft carriers and a $22.2 billion contract to build up to nine new Virginia-class submarines. Most of the work performed under both contracts will be completed in the HMA.

The professional and business services sector is the second largest payroll sector in the HMA, with 115,200 jobs during the 12 months ending October 2019; that number represents an increase of 1,900—or 1.7 percent—from the previous 12 months. Payroll offices for company headquarters are generally classified as part of the sector, no matter the primary industry of the company. The professional and business services sector recently expanded in the HMA, in part, because of the 2015-aquisition of Family Dollar by Dollar Tree Stores, Inc. Dollar Tree Stores, Inc. received $13.5 million in state and local incentives to remain in the HMA. In 2018, the company expanded its headquarters in a new mixed use development in the city of Chesapeake with the construction of a 12-story office building. The company is expected to finalize the relocation of about 700 workers from North Carolina to the city of Chesapeake by the time the former Family Dollar headquarters in Matthews, NC closes at the end of 2019.

Higher federal defense spending stemming from the Bipartisan Budget Act of 2018—signed into law in 2018—led to a rise in the number of construction and infrastructure improvement projects in the HMA. During the 12 months ending October 2019, the mining, logging, and construction sector grew by 1,600 jobs—or 4.2 percent—to 39,600. Despite job growth in the mining, logging, and construction sector since 2014, sector payrolls are 21 percent below the high reached during the housing boom in 2005. During the third quarter of 2019, the value of nonresidential construction in the HMA rose 19 percent, to $1.63 billion, whereas the value of residential construction fell 7 percent, to $1.31 billion (Dodge Data & Analytics LLC).

Because of the fast-growing healthcare industry, the education and health services sector has become an important part of the local economy and has been the fastest growing sector in the HMA since 2001. During the 12 months ending October 2019, however, the level of payrolls in the sector remained unchanged, at 113,400. Of the 10 largest employers in the HMA, 3 are healthcare providers (Table 3). Sentara Healthcare is the second largest private employer in the HMA, with approximately 22,000 jobs.

Table 3. Major Employers in the Virginia Beach HMA

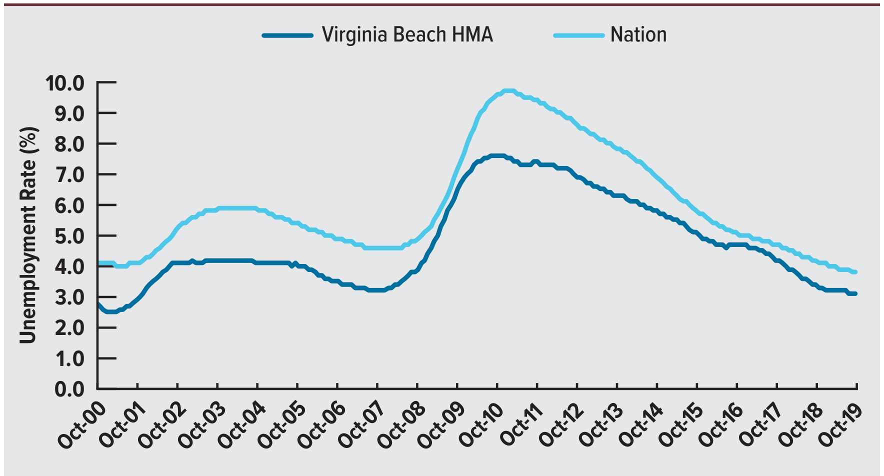
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Naval Station Norfolk	Government	55,000-60,000
Huntington Ingalls Industries, Inc.	Manufacturing	20,000-25,000
Sentara Healthcare	Education & Health Services	20,000-25,000
Joint Base Langley-Eustis	Government	20,000-25,000
Riverside Health System	Education & Health Services	5,000-10,000
Virginia Beach City	Government	5,000-10,000
Chesapeake City	Government	5,000-10,000
Norfolk City	Government	5,000-10,000
Bon Secours Hampton Roads Health System	Education & Health Services	1,000-5,000
Hampton City	Government	1,000-5,000

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.
Sources: Hampton Roads Economic Development Alliance, December 2018; Langley AFB and The United States Navy, September 2018

Current Conditions—Unemployment

During the 12 months ending October 2019, the average unemployment rate in the HMA was 3.1 percent, down from 3.4 percent during the same period a year earlier. By comparison, during the 12 months ending October 2019, the national unemployment rate declined from 4.2 to 3.8 percent. The unemployment rate in the HMA has declined each year since the high of 7.6 percent in 2010 (Figure 3).

Figure 3. 12-Month Average Unemployment Rate in the Virginia Beach HMA and the Nation



Note: 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

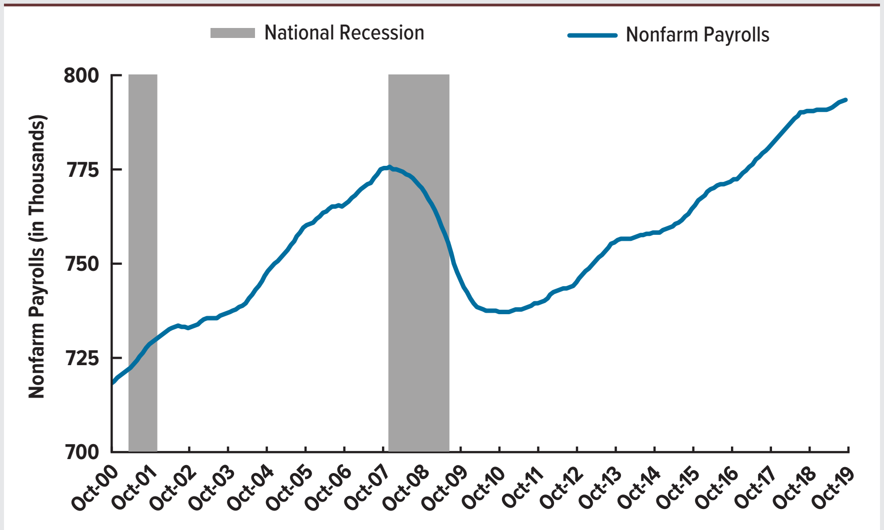
Nonfarm Payroll Trends: 2001 through 2007

Economic activity in the HMA remained largely unaffected by the national recession following the dot-com bubble and the service-providing sectors continued to expand at a brisk pace. From 2001 through 2007, nonfarm payrolls in the HMA rose an average of 7,900—or 1.1 percent—annually. The education and health services and the leisure and hospitality sectors led job growth during that time, with average annual increases of 2,500 and 1,700—or 3.1 and 2.1 percent—respectively. Average losses in the manufacturing sector of 1,100 jobs—or 1.7 percent—annually partially limited overall job gains.

Nonfarm Payroll Trends: 2008 through 2010

Nonfarm payrolls in the Virginia Beach HMA reached a peak of 775,500 jobs at the end of 2007; the following year, economic conditions began to weaken because of the Great Recession and the housing crisis (Figure 4). From 2008 through 2010, nonfarm payrolls in the HMA declined by an average of 12,800 jobs—or 1.7 percent—annually, with 65 percent of losses occurring in 2009. During the economic downturn from 2008 through 2010, 9 of 11 payroll sectors lost jobs. Nearly one-third of all payroll losses occurred in the wholesale and retail trade sector, as consumer spending slowed. During the 2008-to-2010 period, the sector fell by an average of 4,200 jobs—or 3.7 percent—annually, with 79 percent of losses occurring in the retail trade subsector. The goods-producing sectors also decreased sharply, with declines of 3,800 and 2,000 jobs—or 8.6 and 3.6 percent—annually in the mining, logging, and construction sector and the manufacturing sector, respectively. The only sectors to gain jobs from 2008 through 2010 were the government and the education and health services sectors, which increased annually by averages of 2,000 and 1,300 jobs—or 1.3 and 1.4 percent—respectively. Approximately 90 percent of growth in the government sector occurred because of job gains in the federal government subsector.

Figure 4. 12-Month Average Nonfarm Payrolls in the Virginia Beach HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Nonfarm Payroll Trends: 2011 through 2017

Following the Great Recession, cuts in federal spending due to the Budget Control Act of 2011 (also known as sequestration) lowered defense spending in the HMA; reduced spending slowed job growth and prolonged local recovery from the recession. From 2011 through 2017, nonfarm payrolls in the HMA rose by an average of 6,500 jobs, or 0.9 percent, annually—nearly 50 percent slower than the 1.7-percent national growth rate. The education and health services sector continued strong growth, adding an average of 2,500 jobs—or 2.4 percent—annually. In 2017, the sector accounted for 14 percent of total nonfarm payrolls in the HMA, up from 10 percent in 2000. During the period from 2011 through 2017, substantial growth also occurred in the professional and business services and the leisure and hospitality sectors, with average gains of 1,600 and 1,300 jobs—or 1.5 percent each—annually. During that period, several call centers in the HMA expanded operations, including Faneuil, Inc., which provides back-office services for other businesses. The company opened a new office in the city of Hampton in 2014 and had created 350 new jobs by the end of 2015. The $200 million restoration of the historic Cavalier Hotel was completed in 2017 and the hotel reopened as part of the Marriott International, Inc.'s Autograph Collection. The property was originally built in 1927 and contributed to the economic development of the HMA as a tourist destination.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to grow an average of 0.9 percent annually and the stimulus from a higher level of federal defense spending will contribute to steady but slow economic expansion in the HMA. Job growth is expected to increase during the initial 2 years and slow during the last year of the forecast period. The manufacturing and the mining, logging, and construction sectors are expected to gain jobs during the period. Huntington Ingalls Industries, Inc. currently operates its shipyard at 85-percent capacity; that percentage is expected to rise until 2029, as the company increases output to continue to deliver new ships to the U.S. Navy. Aircraft parts manufacturer Eagle Aviation Technologies, LLC plans to invest more than $200,000 to add production equipment and create 75 new jobs by 2022. In November 2019, government contractor TST Fabrications, LLC announced plans to invest $4.1 million and create 34 new jobs in the next 2 years to grow its sheet metal fabrication business in the HMA. In January 2020, construction work is expected to begin on an expansion at the Port of Virginia. On completion, the port will be the deepest East Coast port, able to handle larger vessels to expand transportation and logistics capabilities near the port. Preferred Freezer Services, Inc. is investing $60 million to open a new warehouse and create 60 new jobs in the city of Portsmouth by June 2020. The leisure and hospitality sector is also expected to continue to add jobs during the 3-year forecast period. Currently, five new hotels are in planning—all in the city of Virginia Beach. InMotion Hosting, a provider of web hosting services for businesses, plans to invest $12.2 million and create 50 new jobs to expand its data center in the city of Virginia Beach in 2020, contributing to growth in the professional and business services sector. Redevelopment of downtown Chesapeake through public and private investment from Dollar Tree Stores, Inc. will continue with the construction of a new 133-unit apartment building and 158,000 square feet of office and retail space to be completed in 2020. Moreover, the company plans to add more retail space and 490 new residential units by the end of 2022. Finally, Sentara Healthcare is building a new $92.5 million cancer center in the city of Norfolk, expected to be completed by mid-2020. The new facility will have 375 current employees; that number is expected to grow to meet the growing demand for cancer treatment.

Population and Households

Current Population: 1.74 million

Since 2010, population growth in the HMA has occurred mainly because of net natural change (resident births minus resident deaths).

Population Trends

The population of the Virginia Beach HMA as of November 1, 2019, is estimated at 1.74 million, an average increase of 6,075—or 0.4 percent—annually since April 2010 (Table 4). Historically, population growth in the HMA has varied because of changing economic conditions and changes in troop assignments at military bases. Overall, from 2000 to 2006, strong economic conditions contributed to population growth in the HMA even as the number of military personnel began to decline after reaching a recent peak of about 114,000 in 2003. During the period, the population grew by an average of 13,700, or 0.8 percent, annually; net natural increase and net in-migration averaged 11,450 and 2,250 people a year, respectively (U.S. Census Bureau population estimates as of July 1). Since 2006, net out-migration from the area has occurred and population growth in the HMA has slowed. From 2006 to 2010, population growth averaged only 2,950—or 0.2 percent—annually, as net out-migration of 8,850 people annually largely offset an average net natural increase of 11,800 people a year. During much of that period, the economy was weak and the number of military personnel continued to decline, in part due to the closure of Fort Monroe in the city of Hampton.

Net out-migration and lower net natural increase have limited population growth in the current decade. From 2010 to 2014, net out-migration from the HMA slowed considerably to an average of 830 people annually; net natural increase slowed to an average of 9,600 people a year, resulting in population growth of 8,775—or 0.5 percent—annually. In the years that followed, slow recovery from the Great Recession led to rising net out-migration. From 2014 to 2018, population growth in the HMA averaged 3,650—or 0.2 percent—annually. Net out-migration rose to an average of 4,275 people annually and net natural increase slowed to an average of 7,925 people a year. Since 2018, higher military spending has supported more construction activity in the HMA and net out-migration has declined to an estimated average of 1,875 people annually. As a result, population growth has averaged 4,725—or 0.3 percent—annually, while the net natural increase has slowed further, to an average of 6,600 people a year. Figure 5 shows components of population change in the HMA from 2000 through the forecast.

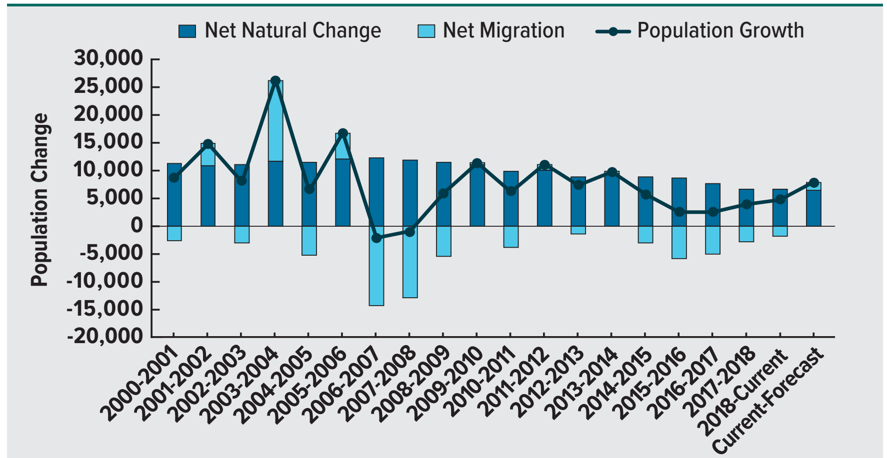
Table 4. Virginia Beach HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	1,676,822	1,735,000	1,759,000
	Average Annual Change	9,675	6,075	7,850
	Percentage Change	0.6	0.4	0.5

		2010	Current	Forecast
Household Quick Facts	Households	630,411	667,700	680,900
	Average Annual Change	4,875	3,875	4,400
	Percentage Change	0.8	0.6	0.7

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (November 1, 2019) to November 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Virginia Beach HMA, 2000 Through the Forecast

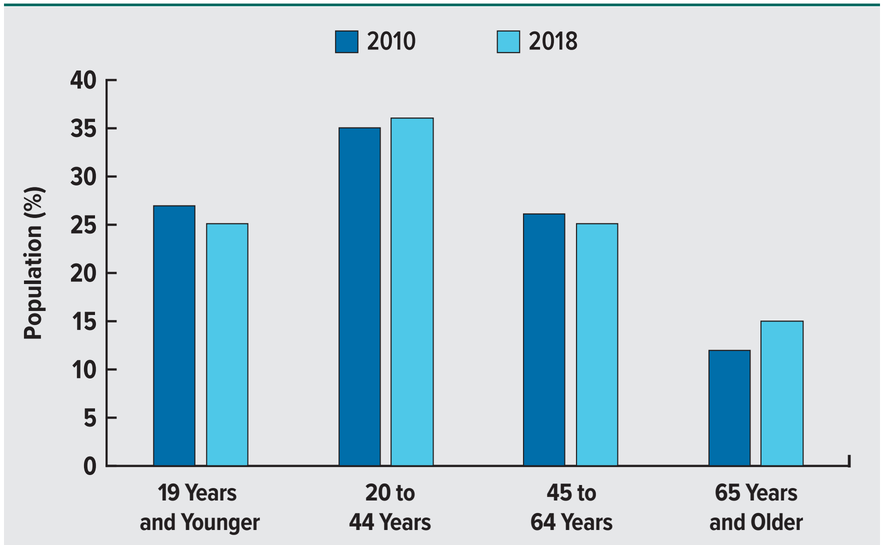


Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (November 1, 2019) to November 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Age Cohort Trends

Representing approximately 36 percent of the total population, the largest age cohort in the HMA in 2018 was residents 20 to 44 years of age, up 1 percentage point since 2010 (2010 and 2018 American Community Survey 1-year data). The age cohort of those 65 and older in the HMA grew the most, increasing from 12 percent in 2010 to 15 percent of the total population in 2018 (Figure 6). The Virginia Beach HMA is popular among military retirees, who remain in the area to maintain access to medical facilities. In 2018, an estimated 58,750 Navy retirees and surviving family members resided in the HMA—an increase of nearly 24 percent from 47,550 people in 2010 (U.S. Navy).

Figure 6. Percentage by Age in the Virginia Beach HMA

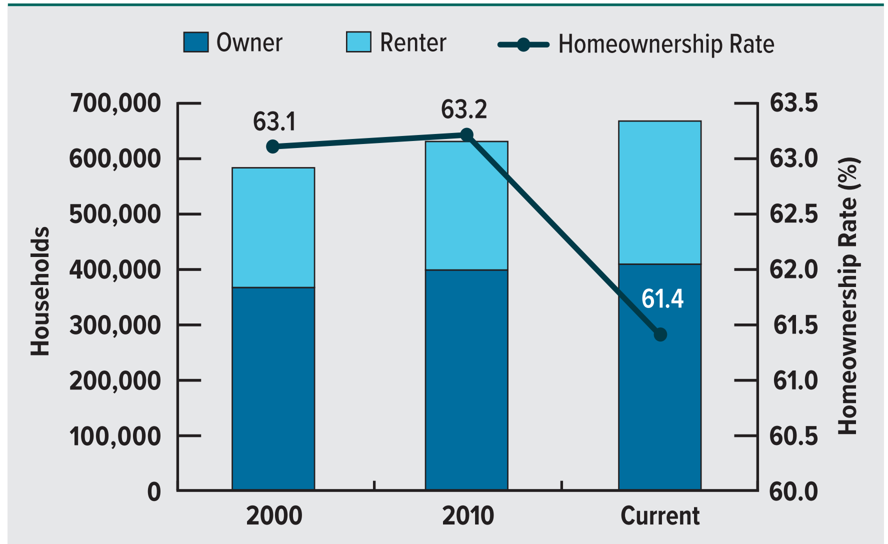


Sources: 2010 and 2018 American Community Survey 1-year data

Household Trends

Like population growth, household growth in the HMA has been slower since 2010 than it was during the 2000s. The current number of households in the HMA is estimated at 667,700, reflecting an average annual increase of 3,875—or 0.6 percent—since 2010. By comparison, from 2000 to 2010, household growth averaged 4,875—or 0.8 percent—annually. Slow economic recovery in the HMA following the housing crisis and a shift in household preference toward renting affected growth in owner-household formation. Renter households have accounted for 69 percent of net household formation since 2010, compared with 36 percent during the 2000s. As a result, the homeownership rate fell to an estimated 61.4 percent as of the current date; that rate was down from 63.2 percent in 2010, which was nearly unchanged from the 63.1-percent rate in 2000 (Figure 7).

Figure 7. Households by Tenure and Homeownership Rate in the Virginia Beach HMA



Note: The current date is November 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Military Households

Among an estimated 67,700 military households in the HMA, approximately 30 percent—or about 20,300—own homes; 64 percent—or 42,700—rent private units; and about 6 percent—or 4,000—live in military units (U.S. Navy and Langley AFB, with estimates by the analyst). Military households account for 5 and 17 percent of the 409,900 owner and 257,700 renter households in the HMA, respectively.

Forecast

During the 3-year forecast period, economic growth is expected to result in a return to net in-migration to the HMA and increased population growth. Moderating some of this increase is limited net natural increase because of the rising share of older residents. Net in-migration is forecast during the second and third years, even as economic expansion will likely slow late in the forecast period. The population is expected to increase by an average of 7,850—or 0.5 percent—annually, with the population reaching 1.76 million by November 2022. The number of households is also estimated to increase during the 3-year forecast period, by an average of 4,400—or 0.7 percent—a year, reaching 680,900 households. The number of military households in the HMA is not expected to increase substantially during the forecast period.

Home Sales Market Conditions

Market Conditions: Slightly Soft

The rate of seriously delinquent mortgages and real estate owned (REO) properties in the Virginia Beach HMA has declined to prerecession levels but is above the average for the nation.

Current Conditions

The sales housing market in the Virginia Beach HMA is currently slightly soft, with an estimated 2.3-percent vacancy rate—down from 2.5 percent in April 2010 (Table 5). Since the early years of economic recovery at the end of 2010, limited new home construction has generally helped to reduce the excess inventory; however, the sales market has weakened recently because of net out-migration from the HMA and household preferences toward renting. Total home sales in the HMA increased to 32,600 homes sold during the 12 months ending October 2019—up nearly 7 percent compared with the previous 12 months—whereas the average home sales price rose only 1 percent, to $272,400 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

Home Sales

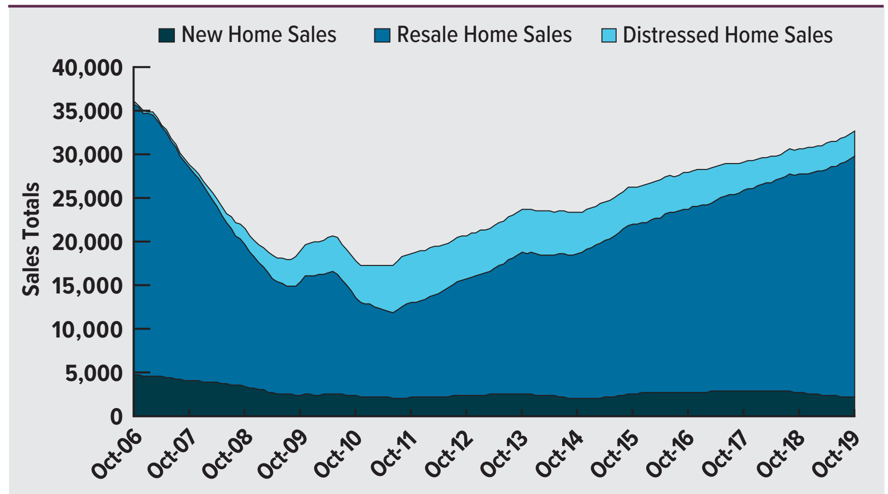
Since the end of 2010, regular resale home sales (which exclude distressed home sales) in the HMA have increased each year in response to improving economic conditions and because home prices have remained relatively affordable. During the 12 months ending October 2019, regular resale home sales totaled 27,700, up by 2,725 homes—or 11 percent—from the number of homes sold during the previous 12 months. By comparison, regular resale home activity in the HMA peaked at 36,100 in 2005 and fell precipitously by an average of 22 percent annually to 10,650 sales in 2010 (Figure 8). Sales activity began to improve a year later; regular resale home sales increased an average of 12 percent annually from 2011 through 2018.

Table 5. Home Sales Quick Facts in the Virginia Beach HMA and the Nation

Home Sales Quick Facts		Virginia Beach HMA	Nation
	Vacancy Rate	2.3%	NA
	Months of Inventory	3.4	3.1
	Total Home Sales	32,600	5,951,000
	1-Year Change	7%	0%
	Average Regular Resale Home Price	$272,200	$316,500
	1-Year Change	0%	2%
	Average New Home Sales Price	$389,200	$410,600
	1-Year Change	6%	-1%
	Mortgage Delinquency Rate	1.7%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending October 2019; and months of inventory and mortgage delinquency data are as of October 2019. The current date is November 1, 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Figure 8. 12-Month Sales Totals by Type in the Virginia Beach HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Higher prices for new homes have caused limited demand and new home sales in the HMA have been declining since 2018. Currently, new home sales account for less than 7 percent of total home sales, below the 10-percent average share from 2010 through 2017. During the 12 months ending October 2019, new home sales in the HMA totaled 2,150, down by 540 homes, or 20 percent, from the previous 12 months. The current level of new home sales is on par with the total in 2011. An average annual decline of 14 percent from the previous peak of 4,600 new homes sold in 2006 resulted in those totals. In 2012 and 2013, new home sales rebounded modestly, averaging 2,400 sales annually. New home sales fell nearly 20 percent, to 1,975, in 2014, as new homes became more expensive because of faster new home sales price growth. Following that low, new home sales in the HMA rose an average of 7 percent annually through 2018.

Delinquent Mortgages and Distressed Home Sales

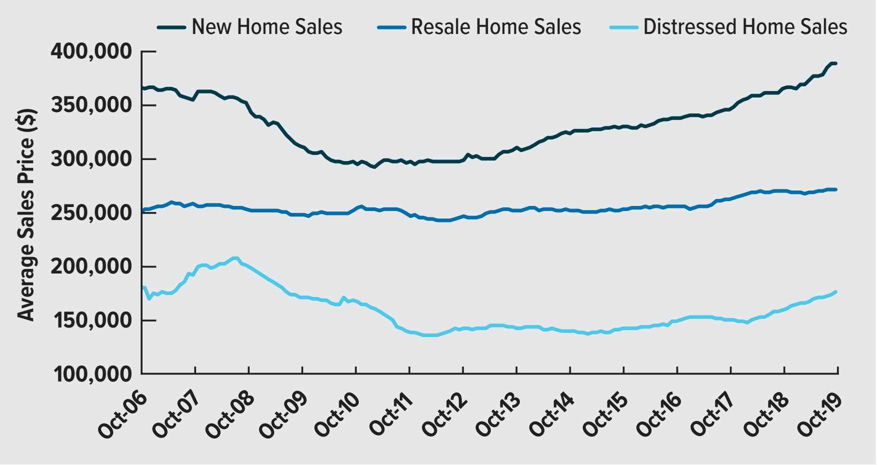
The percentage of home loans that were seriously delinquent or had transitioned into REO status declined from 1.9 percent in October 2018 to 1.7 percent in October 2019. The current rate in the HMA is higher than the 1.4-percent rate for the nation. By comparison, in January 2010, the rate reached a high of 5.5 percent in the HMA when seriously delinquent mortgages and REO properties accounted for 8.6 percent of home loans nationally (CoreLogic, Inc.). The number of distressed home sales has declined from the level reached during the housing crisis. During the 12 months ending October 2019, distressed sales totaled 2,750, a decline of 170 home sales—or 6 percent—from a year earlier and accounted for 9 percent of existing home sales in the HMA (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, distressed home sales accounted for an average of 2 percent of existing home sales annually from 2005 through 2007 but rose to an average of 22 percent annually from 2008 through 2016, with a peak of 34 percent in 2011.

Home Sale Prices

Home sales prices in the HMA fell in the aftermath of the national housing crisis; the fall in distressed home sales prices largely contributed to the decline. The average regular home sales price in the HMA reached a prerecession peak of $257,700 during 2007 and fell an average of only 1 percent annually, to a recent low of $246,100 during 2012. At the same time, the average distressed home sales price decreased 7 percent annually, from $201,900 to $142,100 (Figure 9). Slow and prolonged economic recovery in the HMA resulted in limited home sales price growth. From 2013 through 2018, the average regular home sales price and the average distressed home sales price rose an average of 2 percent each annually, to $270,000 and $163,700, respectively. During the 12 months ending October 2019, the average sales price for a regular resale home in the HMA was $272,200, virtually unchanged from a year earlier, while the average distressed home sales price grew 9 percent, to $176,400.

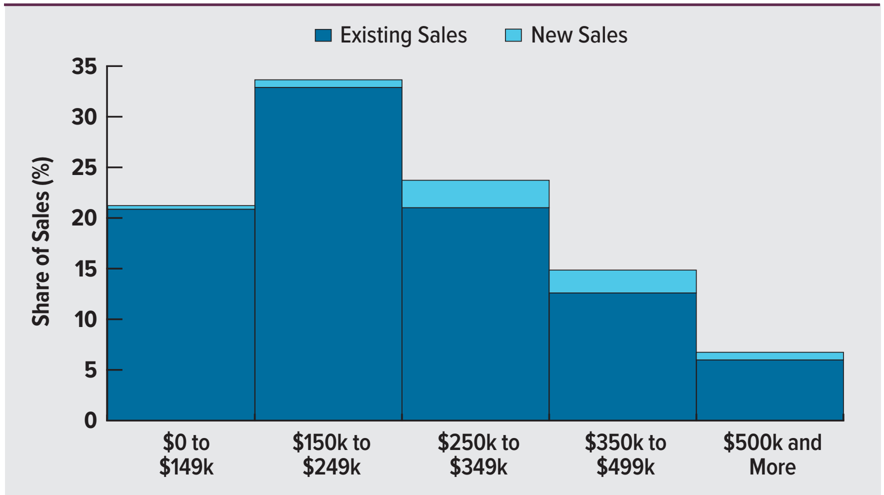
The average sales price for a new home during the 12 months ending October 2019 was $389,200, representing a gain of $23,200, or 6 percent, from a year earlier. Approximately 75 percent of new homes sold in the $250,000-to-$499,999 sales price range during that time (Figure 10). In 2006, new home sales prices averaged $366,700 and then fell an average of 3 percent annually during the economic downturn to reach a low of $296,200 in 2010. A sharp drop in the supply of new homes following the housing market crisis and the

Figure 9. 12-Month Average Sales Price by Type of Sale in the Virginia Beach HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Figure 10. Share of Sales by Price Range During the 12 Months Ending October 2019 in the Virginia Beach HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Metrostudy, A Hanley Wood Company

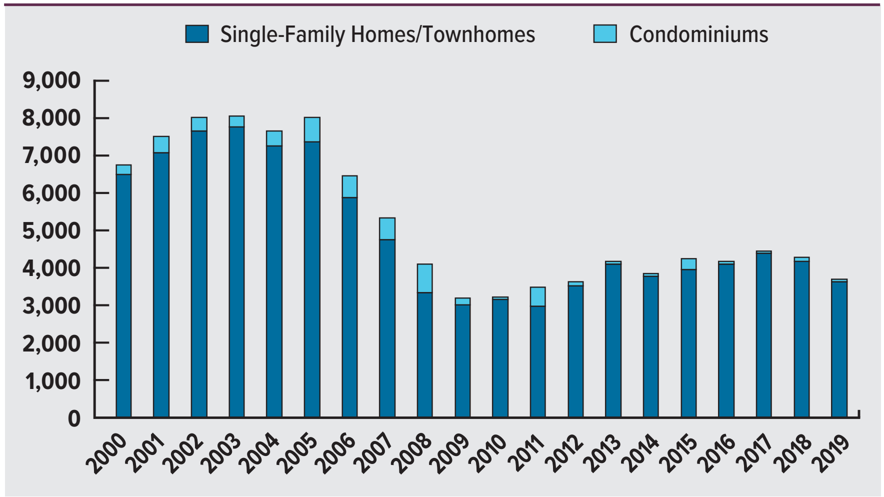
economic recovery in the HMA contributed to an increase in new home sales prices. The average sales price of a new home began to rise in 2011 and averaged growth of 3 percent annually, to $310,600 in 2018; the highest rate of price growth during those years was 5 percent in 2014.

Sales Construction Activity

New home construction, as measured by the number of sales units permitted, has increased modestly since the lows following the housing crisis. The rate of construction remains well below prerecessionary levels in part because of slower population growth since 2010 compared with that of the 2000s. During the 12 months ending October 2019, approximately 4,050 sales units were permitted, down 8 percent from the 4,425 units permitted during the 12 months ending October 2018 (preliminary data, with adjustments by the analyst). By comparison, during the previous peak from 2002 through 2005, new home construction averaged 7,950 homes permitted annually; construction then fell an average of 21 percent annually to a low of 3,000 new homes permitted in 2009 (Figure 11). Permitting activity remained near this low in 2010 and began to increase modestly as economic conditions in the HMA started to improve. From 2011 through 2017, an average of 3,975 new homes a year were permitted in the Virginia Beach HMA.

Examples of new single-family home construction include the Hickory Landing at Edinburgh in the city of Chesapeake, close to Edinburgh Commons Shopping Center. When complete, the development is expected to contain 116 three- to five-bedroom single-family homes, with prices starting at $400,000. In 2018, work began on Mallory Pointe at Buckroe Beach in the city of Hampton. The 41-home subdivision will feature three- to six-bedroom single-family homes, with base prices ranging from $305,000 to $375,000. Approximately 85 percent of lots in each of those developments have been sold to date.

Figure 11. Annual Sales Permitting Activity in the Virginia Beach HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through October 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

Forecast

During the next 3 years, demand is expected for 11,500 new sales units in the HMA (Table 6). The 1,525 homes currently under construction will meet part of the demand during the first year of the forecast period. Continued net in-migration will offset slower employment growth during the third year of the forecast period; therefore, sales demand is expected to remain stable during the 3-year forecast period and be greatest for new homes priced between $250,000 and $349,000.

Table 6. Demand for New Sales Units in the Virginia Beach HMA During the Forecast Period

	Sales Units
Demand	11,500 Units
Under Construction	1,525 Units

Note: The forecast period is from November 1, 2019, to November 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Balanced

Since 2010, rental unit construction in the HMA has been concentrated near existing population and job centers, with approximately 70 percent of units permitted in the cities of Norfolk and Virginia Beach.

Current Conditions and Recent Trends

The rental housing market in the Virginia Beach HMA is currently balanced; the overall vacancy rate is estimated at 6.4 percent, down from 7.6 percent during April 2010, when the market was slightly soft (Table 7). Low levels of multifamily construction in most years since 2010 and increased rental household growth have generally offset a decline in military households in the metropolitan area and have contributed to current balanced market conditions. Approximately 16 percent of renters in 2018 resided in apartment buildings with two to four units, up from 14 percent in 2010; the share of renters in buildings with five or more units remained unchanged at 44 percent during that time (2010 and 2018 American Community Survey 1-year data).

Apartment market conditions in the HMA are currently slightly tight, with a 3.1-percent vacancy rate as of the third quarter of 2019, down from 4.2 percent a year earlier (RealPage, Inc.; Figure 12). Since 2016, a gradual decrease in the number of units completed and slower net out-migration have contributed to declining vacancy rates. From the third quarter of 2009 through to the third quarter of 2016, apartment market conditions in the HMA remained balanced with average rent growth of only 1 percent a year. During the third quarter of 2019, the average monthly apartment asking rent increased by $39, or 4 percent, from the third quarter of 2018, to $1,096. The average monthly asking rents in the HMA for studio, one-bedroom, two-bedroom, and three-bedroom units were $972, $988, $1,105, and $1,304.

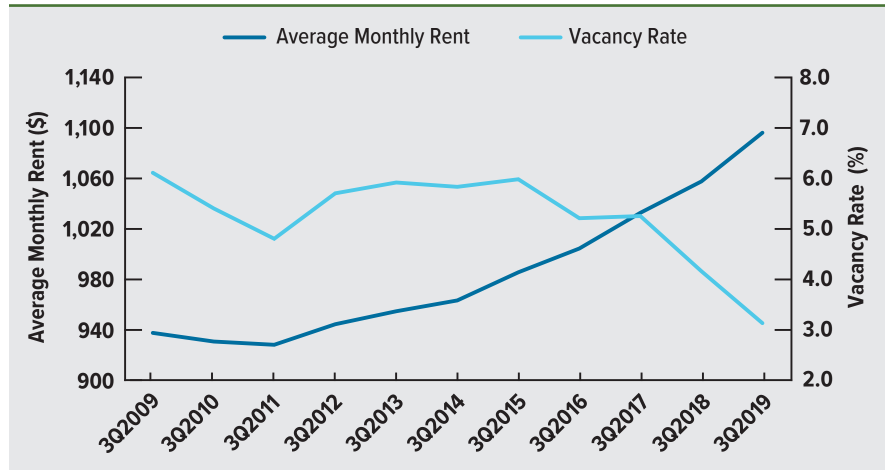
Table 7. Rental and Apartment Market Quick Facts in the Virginia Beach HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	7.6	6.4
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	37.0	38.0
	Multifamily (2–4 Units)	14.0	16.0
	Multifamily (5+ Units)	44.0	44.0
	Other (Including Mobile Homes)	5.0	2.0

		Current	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	3.1	-1.1
	Average Rent	$1,096	4.0
	Studio	$972	4.0
	One-Bedroom	$998	4.0
	Two-Bedroom	$1,105	4.0
	Three-Bedroom	$1,304	3.0

YoY = year-over-year.
Notes: The current date is November 1, 2019. Percentages may not add to 100 percent due to rounding.
Sources: 2010 and 2018 American Community Survey 1-year data; RealPage, Inc.

Figure 12. Apartment Rents and Vacancy Rates in the Virginia Beach HMA



3Q = third quarter.
Source: RealPage, Inc.

Apartment Market Conditions by Geography

Apartment vacancy rates declined in eight of the nine RealPage, Inc.-defined market areas within the Virginia Beach HMA compared with the rates during the third quarter of 2018. The Chesapeake market area had the lowest vacancy rate in the HMA at 2.2 percent, while the highest vacancy rate of 4.4 percent was in the Newport News market area. Apartment vacancy rates declined the most in the Southern Norfolk market area, from 5.0 percent during the third quarter of 2018 to 2.9 percent during the third quarter of 2019 because demand outpaced the supply of new apartments being completed. The Chesapeake market area had the most expensive average monthly asking rent, at $1,240. Average monthly asking rents increased the most in the Newport News and the Williamsburg/Jamestown market areas, rising 6 percent each, whereas the lowest gain of only 1 percent occurred in the Northern Norfolk market area.

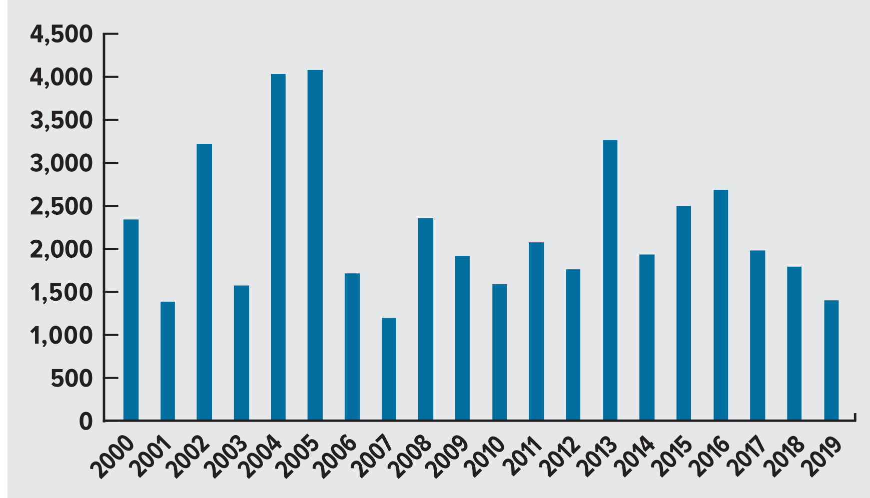
Single-Family Homes for Rent

Single-family homes for rent represent a significant portion of all rental units in the HMA and provide a substitute for larger apartments. Approximately 38 percent of renter households in the HMA lived in single-family homes and townhomes in 2018, up from 37 percent in 2010 (2010 and 2018 American Community Survey 1-year data). The vacancy rate for professionally managed three-bedroom, single-family homes for rent was 2.6 percent in October 2019, unchanged from a year earlier, whereas the average monthly rent rose 5 percent, to $1,534 (CoreLogic, Inc.).

Rental Construction Activity

Despite tighter apartment market conditions, new rental unit construction, as measured by the number of rental units permitted, in the Virginia Beach HMA has declined since 2016. During the 12 months ending October 2019, approximately 1,700 rental units were permitted, down 20 percent from the 2,125 rental units permitted during the previous 12 months (preliminary data, with adjustments by the analyst). Following a peak of 4,075 rental units permitted in 2005, permitting in the HMA fell an average of 46 percent annually to a low of 1,200 units permitted in 2007 (Figure 13). A year later, construction rebounded, nearly doubling, to 2,350 units. Then, construction

Figure 13. Annual Rental Permitting Activity in the Virginia Beach HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through October 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

activity declined again during the economic downturn, falling an average of 18 percent annually to 1,575 rental units permitted in 2010. During the early period of economic recovery in the HMA, rental unit construction remained subdued, averaging 1,925 units annually from 2011 through 2012; construction then spiked 85 percent to 3,260 units in 2013 as continued balanced market conditions gave builders the confidence to increase construction. After that peak, rental unit construction moderated again, averaging 2,275 rental units permitted annually from 2014 through 2017, with the most recent high of 2,675 units permitted in 2016.

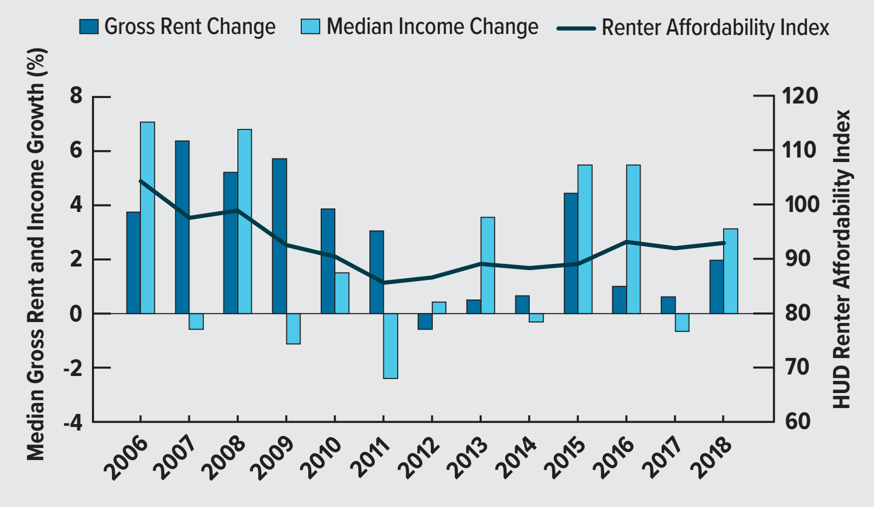
New Construction

Currently under construction in the city of Norfolk is the Pinewell Station Apartments, which will offer 145 one-, two-, and three-bedroom units. Rents will range from $1,300 for a one-bedroom unit to $1,700 for a three-bedroom unit; construction is expected to finish late in 2020. In the city of Virginia Beach, Mezzo Apartment Homes opened in 2019, with 282 studio, one-, two-, and three-bedroom units. The property is currently 60-percent occupied; monthly rents range from $1,185 for a studio or a one-bedroom unit to $1,845 for a three-bedroom unit. In December 2019, the income-restricted 200 West Apartment Homes development is expected to open in the city of Virginia Beach under the Affordable Housing Program, adding 264 affordable units to the rental inventory. The property—which offers one-, two-, and three-bedroom units with monthly rents starting at $770, $895, and $1,020, respectively—is already fully leased.

Housing Affordability: Rental

Rental housing in the HMA is expensive, but affordability has been improving due to income growth generally outpacing rent growth since 2011. From 2009 through 2011, the median gross monthly rent in the HMA rose 13 percent, while the median household income for renter households fell 2 percent. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, trended downward. The index reached a low of 85.7 in 2011, down from 92.6 during 2009 (Figure 14).

Figure 14. Virginia Beach HMA Rental Affordability



Source: 2006–2018 American Community Survey 1-year data

From 2011 through 2018, the median gross monthly rent rose 9 percent, to $1,146; however, the median gross monthly income for renter households increased 18 percent, to $42,636. As a result, the HUD Rental Affordability Index rose to 93.0 in 2018. The rental affordability index values, which have been persistently below 100, indicate that the median income of renter households in the HMA has not been enough to qualify for the median-priced rental units.

During the 2012-through-2016 period, an estimated 25.1 percent of all renter households in the HMA were cost burdened, spending between 30 and 49 percent of their income on rent, while 24.0 percent were severely cost burdened, spending 50 percent or more of their income on rent (Table 8). By comparison, nationwide 22.0 and 23.8 percent of renter households were cost burdened and severely cost burdened, respectively. For renter households in the Virginia Beach HMA with incomes less than 50 percent of the area median family income (AMFI), 24.2 percent were cost burdened, whereas 57.0 percent were severely cost burdened. Nationwide, 25.7 and 50.2 percent of such households were cost burdened and severely cost burdened, respectively.

Low-Income Housing Tax Credit (LIHTC) is the primary source of funding for new affordable rental housing in the nation. From 2010 through 2017, approximately 7,800 LIHTC units were placed in service in the Virginia Beach HMA (an average of about 1,116 units each year), with more than 75 percent of those units reserved for households with incomes at or below 60 percent of AMFI (HUD LIHTC database). Approximately 970 units—or 12 percent—were

Table 8. Percentage of Cost-Burdened Renter Households by Income, 2012–2016

	Cost Burdened		Severely Cost Burdened	
	Virginia Beach HMA	Nation	Virginia Beach HMA	Nation
Renter Households with Income <50% AMFI	24.2	25.7	57.0	50.2
Total Renter Households	25.1	22.0	24.0	23.8

AMFI = area median family income.
Source: Consolidated Planning/CHAS Data, 2012–2016 American Community Survey 5-year estimates (huduser.gov)

reserved for households headed by seniors. By comparison, from 2000 through 2009, approximately 11,425 new LIHTC units were placed in service in the HMA (an average of almost 1,143 units each year), with 82 percent of units reserved for households with incomes at or below 60 percent of AMFI. Approximately 2,500 units—or 22 percent—were reserved for households headed by seniors during the period. One of the most recently completed LIHTC properties in the HMA is the 102-unit Thrive Apartment Homes; that property was placed in service in 2017 in the city of Chesapeake.

In addition to LIHTC, income-eligible residents may qualify for housing choice vouchers (HCV) through the local public housing authority (PHA) or for project-based rental assistance (PBRA). PHAs within the HMA managed approximately 15,825 HCVs in 2018 (Table 9). Within the Virginia Beach HMA, nearly 14,700 units are subsidized through PBRA and other programs. The number of households receiving federal rental assistance increased more than 5 percent since 2010, slightly higher than the nearly 5-percent rise nationwide.

Table 9. Picture of Subsidized Households, 2018

	Virginia Beach HMA	Virginia Beach HMA Change Since 2010 (%)	National Total	National Change Since 2010 (%)
Total Assisted Households (2018)	30,509	5.5	4,628,247	4.5
Total Housing Voucher Households (2018)	15,823	16.5	2,276,722	11.6
Average HCV Tenant Monthly Contribution	$393	-6.1	$379	0.8
Average Monthly HUD Subsidy	$755	-11.1	$793	-1.8

HCV = housing choice voucher.
Note: Dollar changes are inflation-adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).
Source: Assisted Housing: National and Local (huduser.gov)

Of the approximately 1,500 people who were homeless in the HMA in January 2019, 14 percent were unsheltered homeless (2019 Point-in-Time Count). Homelessness in the HMA has decreased since 2010, when 1,950 were homeless; the share of unsheltered homelessness was then slightly lower, at 12 percent.

Forecast

During the 3-year forecast period, demand is estimated for 7,675 new rental units in the HMA (Table 10). The 1,825 units under construction and approximately 530 additional units with construction planned to commence during the next 18 months will satisfy a portion of demand.

Table 10. Demand for New Rental Units in the Virginia Beach HMA During the Forecast Period

	Rental Units
Demand	7,675 Units
Under Construction	1,825 Units

Note: The forecast period is November 1, 2019, to November 1, 2022.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Forecast Period	11/1/2019–11/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
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.
Rental Housing Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Distressed Home Sales	Includes REO and short sales.

Sales Units/ Rental Units Permitted	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
HUD Rental Affordability Index	Rental affordability index values below 100 indicate that the median income of renter households in the HMA is sufficient to qualify for the median-priced rental units.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
Severely Cost Burdened	Spending more than 50 percent of household income on housing costs.
Low-Income Housing Tax Credit (LIHTC)	The LIHTC program gives state and local LIHTC-allocating agencies authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower income households.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of 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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.
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