



# 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, 2016



## Housing Market Area



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. The HMA comprises 16 counties and independent cities along the Chesapeake Bay in southeastern Virginia and northeastern North Carolina: Gloucester, Isle of Wight, James City, Mathews, and York Counties in Virginia; the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg in Virginia; and Currituck and Gates Counties in North Carolina. The Virginia Beach HMA includes 7 of the 11 most populous cities in Virginia and is home to the largest naval station in the world, Naval Station Norfolk.

## Summary

### Economy

The economy in the Virginia Beach HMA has expanded during the past 5 years, but employment has not yet returned to prerecession levels. During 2015, nonfarm payrolls increased by 7,000 jobs, or 0.9 percent, a faster pace compared with payroll growth of 0.7 percent from 2011 through 2014. Most of the growth in 2015 was in the education and health services and the leisure and hospitality sectors. Nonfarm payrolls are expected to expand an average of 0.9 percent during the 3-year forecast period, led by growth in the education and health services and the professional and business services sectors and modest increases in military personnel levels.

### Sales Market

Sales housing market conditions in the HMA are slightly soft, with an estimated sales vacancy rate of 2.0 percent as of January 1, 2016, down from 2.5 percent in April 2010. During the forecast period, demand is expected for 13,500 new homes (Table 1). The 1,400 homes currently under construction and a portion of the estimated 31,000 other vacant units in the HMA that may reenter the sales market will satisfy some of the forecast demand.

### Rental Market

The rental housing market in the HMA is balanced, with an estimated

overall rental vacancy rate of 6.5 percent, down from 7.6 percent in April 2010 (Table DP-1 at the end of this report). Apartment market conditions are also balanced, with a vacancy rate of 5.7 percent during the fourth quarter of 2015, unchanged from a year earlier (MPF Research). During the forecast period, demand is expected for 7,500 new rental units (Table 1). The 4,225 rental units currently under construction will satisfy some of the forecast demand.

**Table 1. Housing Demand in the Virginia Beach HMA\* During the Forecast Period**

	Virginia Beach HMA*	
	Sales Units	Rental Units
Total demand	13,500	7,500
Under construction	1,400	4,225

\* Virginia Beach-Norfolk-Newport News HMA. 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, 2016. A portion of the estimated 31,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is January 1, 2016, to January 1, 2019.

Source: Estimates by analysts

## Market Details

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# Economic Conditions

The economy of the Virginia Beach HMA has expanded since 2011 and has recouped nearly all the jobs lost during the most recent downturn, from 2008 through 2010. The current level of nonfarm payrolls, 765,400 jobs, is 1.3 percent below the peak of 775,500 jobs in the HMA in 2007. During 2015 the number of nonfarm payrolls increased by 7,000 jobs, or 0.9 percent, from a year earlier, which was higher than the average growth of 5,300 jobs, or 0.7 percent, from 2011 through 2014 (Table 2). From 2011 through 2015, the education and health services and the professional and business

services sectors added the most jobs, increasing by averages of 2,500 and 1,300 jobs, or 2.5 and 1.3 percent, a year, respectively. By comparison, job growth was stronger during the previous expansion, from 2001 through 2007, averaging 7,900 jobs, or 1.1 percent, annually. The economy contracted from 2008 through 2010, and nonfarm payrolls decreased by 12,800 jobs, or 1.7 percent, a year, despite continued growth in the government sector. The unemployment rate rose during that period, reaching a high of 7.6 percent in 2010, but has since declined to 4.9 percent in 2015 (Figure 1).

Government is the largest sector in the HMA, accounting for more than 20 percent of payrolls, relatively unchanged since 2000 (Figure 2). All branches of the United States military are represented within the HMA; the Navy, which has the greatest presence, accounts for several of the major employers in the HMA and includes more than 44,200 active-duty personnel at Naval Station Norfolk (Defense Manpower Data Center; Table 3). During fiscal year (FY) 2014, the most recent data available, the combined Navy facilities in the HMA had an estimated economic impact of \$9.98 billion on the HMA, an increase of \$770 million, or 0.7 percent, compared with its impact during FY 2013 (Navy Region Mid-Atlantic).

From 2001 through 2007, payrolls in the federal government subsector (which excludes active-duty military personnel) remained relatively unchanged, with average annual increases of 100 jobs, or 0.2 percent. During that period, activities related to the 2005 Defense Base Realignment and Closure, or

**Table 2.** 12-Month Average Nonfarm Payroll Jobs in the Virginia Beach HMA,\* by Sector

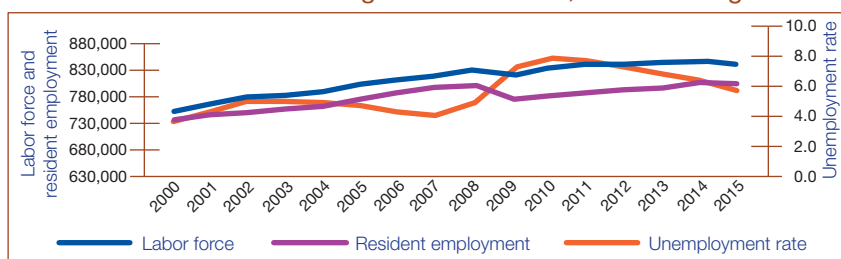
	12 Months Ending		Absolute Change	Percent Change
	December 2014	December 2015		
Total nonfarm payroll jobs	758,400	765,400	7,000	0.9
Goods-producing sectors	89,100	89,200	100	0.1
Mining, logging, & construction	34,400	35,400	1,000	2.9
Manufacturing	54,700	53,500	-1,200	-2.2
Service-providing sectors	668,900	676,200	7,300	1.1
Wholesale & retail trade	105,800	107,200	1,400	1.3
Transportation & utilities	23,200	24,100	900	3.9
Information	11,100	10,800	-300	-2.7
Financial activities	37,800	38,200	400	1.1
Professional & business services	103,800	104,600	800	0.8
Education & health services	105,300	108,300	3,000	2.8
Leisure & hospitality	85,500	87,700	2,200	2.6
Other services	36,000	36,000	0	0.0
Government	160,500	159,300	-1,200	-0.7

\* Virginia Beach-Norfolk-Newport News HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2014 and December 2015.

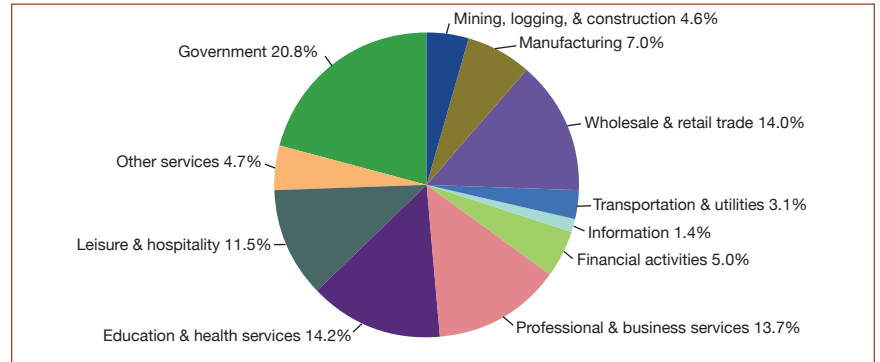
Source: U.S. Bureau of Labor Statistics

**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Virginia Beach HMA,\* 2000 Through 2015



\* Virginia Beach-Norfolk-Newport News HMA.

Source: U.S. Bureau of Labor Statistics

**Figure 2. Current Nonfarm Payroll Jobs in the Virginia Beach HMA,\* by Sector**

\* Virginia Beach-Norfolk-Newport News HMA.

Note: Based on 12-month averages through December 2015.

Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Virginia Beach HMA\***

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Naval Station Norfolk	Government	44,207
Huntington Ingalls Industries, Inc.	Manufacturing	24,000
Sentara Healthcare	Education & health services	22,000
Joint Base Langley-Eustis	Government	11,884
Norfolk Naval Shipyard	Government	8,500
Riverside Health System	Education & health services	8,000
Joint Expeditionary Base Little Creek-Fort Story	Government	5,474
Naval Medical Center Portsmouth	Government	5,400
Naval Weapons Station Yorktown	Government	4,318
Naval Air Station Oceana	Government	3,851

\* Virginia Beach-Norfolk-Newport News HMA.

Notes: Excludes local school districts. The number of employees at the military installations includes military employment of active-duty troops. The military counts do not include professional and nonprofessional civilian staff or independent contractors. Private-sector employee counts are not reported.

Sources: Defense Manpower Data Center, September 2015; Hampton Roads Economic Development Alliance, September 2015

BRAC, included the closing of Fort Monroe in Hampton. From 2008 through 2010, payrolls in the federal government subsector increased by an average of 1,800 jobs, or 3.8 percent, annually, at a time when the overall economy declined. When economic conditions began to improve in 2011 and 2012, growth in the federal government subsector continued but at a slower pace, with payrolls increasing by an average of 1,300 jobs, or 2.4 percent, annually. In 2011 the Joint Forces Command in Suffolk closed, and an estimated 1,900 civilian jobs were lost. More

recently the 2014 opening of the \$31 million headquarters of the Military Sealift Command in Norfolk added approximately 500 jobs to the federal government subsector. In June 2015 the Naval Facilities Engineering Command Mid-Atlantic expanded its base operations and facilities maintenance services workforce, adding 200 jobs each in Virginia Beach and Norfolk and 30 jobs in York County. During 2015, despite a gain of 1,700 jobs, or 3.1 percent, in the federal government subsector, the government sector decreased by 1,200 jobs, or 0.7 percent. Declines in the

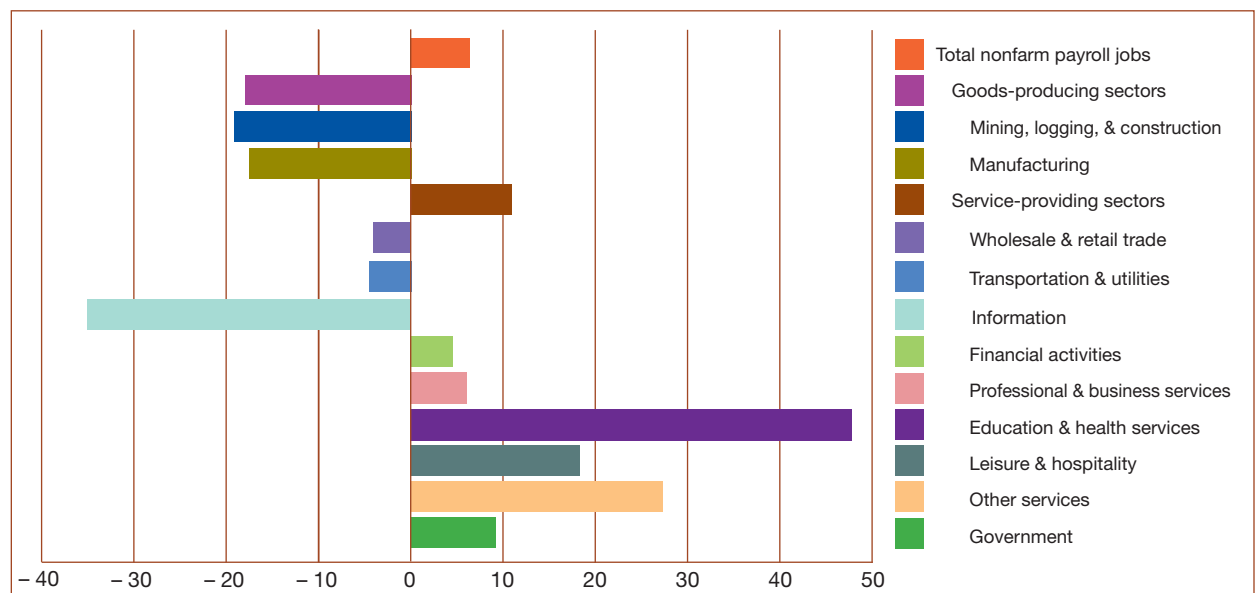
state and local government subsectors of 400 and 2,000 jobs, or 1.6 and 2.3 percent, respectively, more than offset the increase in federal jobs.

Education and health services is the only sector in the HMA that has added jobs consistently each year since the 1990s, although growth in the sector slowed when economic conditions weakened during the most recent downturn (Figure 3). From 2001 through 2007, the sector added 2,500 jobs, or 3.1 percent, with more than 90 percent of the jobs created in the health care and social assistance subsector. Payroll growth in the education and health services sector slowed to an average of 1,300 jobs, or 1.4 percent, from 2008 through 2010, when economic conditions weakened. During the economic expansion that followed, the sector added jobs more rapidly from 2011 through 2015, gaining an average of 2,500 jobs a year, a 2.5-percent annual increase. During 2011, the \$173 million Sentara Princess Anne

hospital opened in Virginia Beach, creating 110 new jobs. Sentara Health System is the third largest employer in the HMA. Although growth slowed to an increase of 1,700 jobs, or 1.6 percent, annually in 2015, stronger growth is expected to resume when Sentara Health begins its 5-year, \$199 million expansion and update of Sentara Norfolk General Hospital in March 2016.

During 2015, the wholesale and retail trade and the mining, logging, and construction sectors gained 1,400 and 1,000 jobs, increases of 1.3 and 2.9 percent, respectively. Residential construction and commercial development added jobs to the construction subsector in 2015. During 2015 nearly all the jobs created in the wholesale and retail trade sector were in the retail trade subsector. A Sam's Club opened in the city of Norfolk in November 2015, adding 170 jobs. In addition, in November 2015, a Whole Foods grocery store opened in Newport

**Figure 3. Sector Growth in the Virginia Beach HMA,\* Percentage Change, 2000 to Current**



\* Virginia Beach-Norfolk-Newport News HMA.

Note: Current is based on 12-month averages through December 2015.

Source: U.S. Bureau of Labor Statistics

News at the \$250 million mixed-use development under construction at Tech Center of Oyster Point.

More than 10 percent of jobs in the HMA are in the leisure and hospitality sector. In 2014 (the most recent data available) approximately 13.2 million tourists visited Virginia Beach, providing an economic impact of \$1.37 billion on the city of Virginia Beach, an increase from \$1.30 billion in 2013 (Virginia Beach Convention & Visitors Bureau). Overnight stays totaled 6.0 million visitors in 2014, up 1.7 percent from 5.9 million in 2013. The leisure and hospitality sector in the HMA added 2,200 jobs, an increase of 2.6 percent, in 2015. In addition to the Virginia Beach coastline, nearby tourist attractions include Busch Gardens, Colonial Williamsburg, and Water Country USA in Williamsburg.

During 2015, the professional and business services sector added 800 jobs, or 0.8 percent. By comparison, the sector added an average of 1,600 jobs, or 1.6 percent, annually from 2011 through 2014. Those gains replaced only a portion of the job losses that occurred in 2009 and 2010, which averaged 3,400 jobs, or 3.3 percent, a year. The employment services industry accounted for approximately one-half of the net job losses and subsequent job gains during the downturn and the recovery that followed. The HMA includes numerous call centers, but during the expansion from 2001 through 2005, when most payroll sectors were increasing, growth in the professional and business services sector was relatively weak, with average annual increases of 500 jobs, or 0.5 percent. In 2004, the sector declined by 4,000 jobs, or 3.8 percent, with the closure of

five call centers with an average of 500 employees each at various locations in the HMA. In 2015, however, 460 jobs were added at call centers, including 340 jobs at Faneuil, Inc., in Hampton and 120 jobs at GEICO Corporation in Virginia Beach.

After 4 years of growth, the manufacturing sector declined by 1,200 jobs, or 2.2 percent, in 2015. In July 2015 Bayshore Concrete Products closed its plant in the city of Chesapeake that produced pre-cast concrete used in infrastructure projects; more than 80 jobs were relocated to a new plant in Cape Charles. The manufacturing sector includes Huntington Ingalls Industries, Inc., the second largest employer in the HMA and the largest military shipbuilder in the nation. The recent job losses in the manufacturing sector were not as great as those that occurred from 2006 through 2010, when the sector decreased by 1,700 jobs, or 2.9 percent, a year. In 2007 the Ford Motor Company closed its manufacturing facility in Norfolk that produced pickup trucks and had employed 2,400 workers. Another major employer, Smithfield Foods, Inc., closed a smoked ham processing plant in Isle of Wight County in 2009, with a net loss of approximately 300 jobs in the HMA. Offsetting some of the declines during that period, AVID Medical Inc., the producer of custom procedure-ready trays for the healthcare industry, added 300 new jobs and doubled the size of its James City County facility in 2006. From 2011 through 2014 the manufacturing sector gained an average of 700 jobs, or 1.4 percent, annually. In 2011 Keurig Green Mountain Inc. opened a coffee roasting and packaging facility in Isle of Wight County, adding 800 new jobs.

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 0.9 percent, or by 6,900 jobs annually. The greatest growth is expected to occur in the education and health services and the professional and business services sectors, and military personnel levels are expected to increase at a modest pace. ADP, a human resources and payroll services company in the professional and business services sector, plans to open a regional customer service center in Norfolk.

Approximately 900 jobs will be added by December 2016, and eventually the facility will employ 1,800 workers. Also in the professional and business services sector, Movement Mortgage will create 200 additional jobs in 2017 when it relocates its operations center currently in Virginia Beach to Norfolk. Emser Tile will add nearly 100 jobs to the wholesale trade subsector by establishing a \$16.25 million east coast distribution center in Suffolk, which is expected to be complete by late 2016.

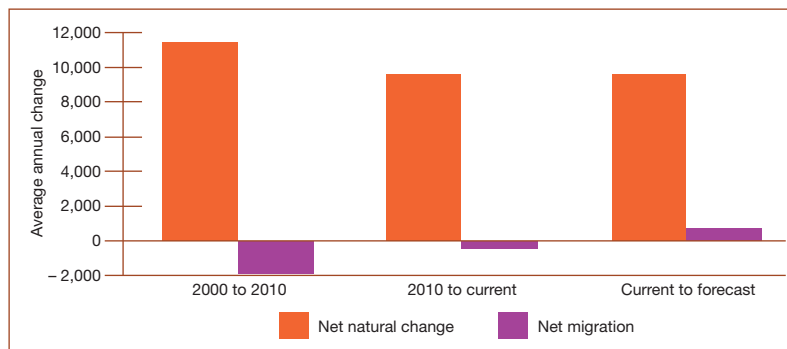
## Population and Households

As of January 1, 2016 the estimated population of the Virginia Beach HMA is 1.73 million, reflecting an average annual increase of 9,250, or 0.5 percent, since April 2010. That growth is comparable with the average annual increase of 9,675, or 0.6 percent, from 2000 to 2010. The portion of the HMA in Virginia accounts for approximately 20 percent of the statewide population and is home to 7 of the 11 most populous cities in Virginia. The cities of

Virginia Beach, Norfolk, and Chesapeake—with populations of 450,980, 245,428, and 233,271, respectively—are the three largest cities in the Commonwealth (2014 American Community Survey 1-year estimates). In the HMA, net natural increase (resident births minus resident deaths) has accounted for nearly all the net population gain since 2000 (Figure 4). Net natural increase averaged 11,600 a year from 2000 to 2010 before declining to an average of 9,550 annually from 2010 to the current date (January 1, 2016). During the 3-year forecast period, net natural change is expected to continue to decrease slightly to 9,300 a year.

Population growth in the Virginia Beach HMA was relatively strong during the early 2000s. From 2000 to 2006, the population increased by an average of 13,700, or 0.8 percent, annually. The stronger growth was partly because of a higher rate of net in-migration, which averaged 2,250 people annually. During that period, military personnel counts

**Figure 4.** Components of Population Change in the Virginia Beach HMA,\* 2000 to Forecast



\* Virginia Beach-Norfolk-Newport News HMA.

Notes: The current date is January 1, 2016. The forecast date is January 1, 2019.  
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analysts

Population and Households *Continued*

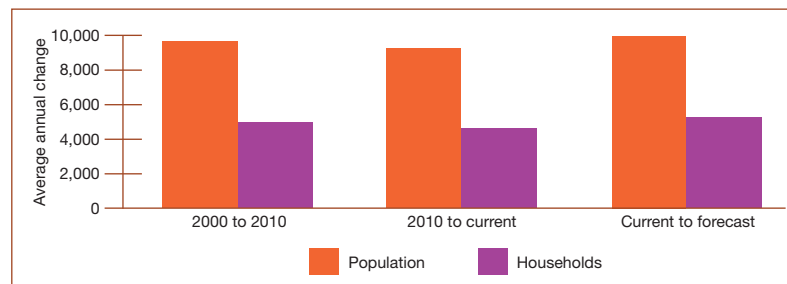
increased by an average of 6,900, or 12.8 percent, annually, to a peak of nearly 92,100 in 2006 (Defense Manpower Data Center). When economic conditions worsened in the HMA during the national recession in the late 2000s, population growth slowed to an average of 8,725, or 0.5 percent, from 2008 to 2010 because of a net out-migration averaging 2,675 people a year. Military personnel levels also declined by an average of 2,775, or 2.9 percent, annually during that period. Since 2010, population growth strengthened to an increase of 9,250, or 0.5 percent, annually, and net out-migration slowed to an average of 300 people annually.

From 2010 to 2015, overall military personnel counts in the HMA decreased by an average of 580, or 0.4 percent, annually to 78,550 in 2015. During the next 3 years, the trend in net out-migration is anticipated to reverse, and net in-migration is expected to gradually increase to an average of 700 people annually, as military personnel counts are projected to rise by 1,500 annually.

Declines in military personnel counts and tight mortgage lending standards during recent years have caused renter household growth to outpace growth in owner households. The Virginia Beach HMA currently has an estimated 655,000 households, reflecting an average annual increase of 4,275 households, or 0.7 percent, since April 2010. That growth was somewhat slower compared with the increase of 4,875 households, or 0.8 percent, annually during the previous 10 years (Figure 5). Since April 2010, 78 percent of the growth in the HMA has been among renter households, compared with 36 percent of the growth from 2000 to 2010. Owners currently constitute an estimated 61.2 percent of all households, down from 63.2 percent in the 2010 Census and 63.1 percent in the 2000 Census. Figure 6 shows the number of households by tenure in the HMA since 2000.

During the 3-year forecast period, the population and number of households in the Virginia Beach HMA are expected to continue to grow. The HMA population is expected to increase by an average of 10,000, or 0.6 percent, annually, reaching 1.76 million by January 1, 2019. The number of households in the HMA is expected to grow

**Figure 5.** Population and Household Growth in the Virginia Beach HMA,\* 2000 to Forecast

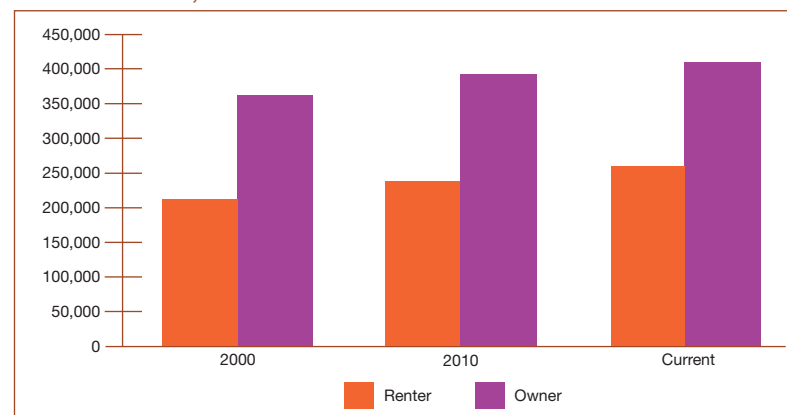


\* Virginia Beach-Norfolk-Newport News HMA.

Notes: The current date is January 1, 2016. The forecast date is January 1, 2019.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analysts

**Figure 6.** Number of Households by Tenure in the Virginia Beach HMA,\* 2000 to Current



\* Virginia Beach-Norfolk-Newport News HMA.

Note: The current date is January 1, 2016.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analysts

by 4,825, or 0.7 percent, annually during the forecast period, to 669,500 households. Approximately 55

percent of the growth during the forecast period is expected to be among renter households.

## Housing Market Trends

### Sales Market

The sales housing market in the Virginia Beach HMA was slightly soft in 2010 but, despite the decline in the rate of owner household growth since 2010, has gradually moved toward a balanced state during the past 4 years. That balance has resulted, in part, because the economy continued to improve slowly and construction of new homes for sale was limited compared with the early to mid-2000s. The current owner vacancy rate is estimated at 2.0 percent, down from the 2.5-percent rate in April 2010 but up from the 1.8-percent rate in April 2000.

The number of existing homes sold (including single-family homes, townhomes, and condominiums) and average sales prices remain well below the peak levels recorded during the 2000s. During 2015 existing home sales totaled 25,750, a 9-percent increase from the 23,600 home sales recorded during 2014 (CoreLogic, Inc., with adjustments by the analysts). By comparison, an average of 35,250 existing homes sold annually from 2002 through 2006. Existing home sales decreased to 25,750 in 2007. From 2008 through 2010—a period that included the national recession and an economic downturn in the HMA, which led to substantially tightened mortgage lending standards—annual home sales averaged 18,050 and declined to a low

of 16,850 homes sold in 2010. Existing home sales have increased every year since 2011, averaging 21,000 homes sold from 2011 through 2013. During 2015, the average sales price for existing homes was \$229,700, a 4-percent increase from \$220,200 during 2014. Average existing home sales prices were 8 percent less than the peak of \$250,200 during 2007 but were 12 percent greater than the low of \$206,000 during 2011.

Similar to existing home sales, new home sales and average sales prices remain well below the peak levels recorded during the 2000s. During 2015, new home sales totaled 3,075, which represented a 19-percent increase from the 2,575 new homes sold during 2014 and accounted for 11 percent of all home sales. By comparison, from 2001 through 2006, the peak period for new home sales in the HMA, an average of 4,475 new homes sold annually, accounting for 12 percent of all home sales. New home sales decreased each year from 2007 through 2009, declining to a low of 1,775 new homes sold during 2009. New home sales in the HMA have generally trended upward since 2010, averaging 2,425 new homes sold annually from 2010 through 2013. During 2015, the average sales price for new homes was \$319,000, a 3-percent increase from \$310,800 during 2014. Average new home sales



## Housing Market Trends

### Sales Market *Continued*

prices were 13 percent less than the peak of \$368,700 during 2007 but were 11 percent greater than the low of \$287,600 during 2012.

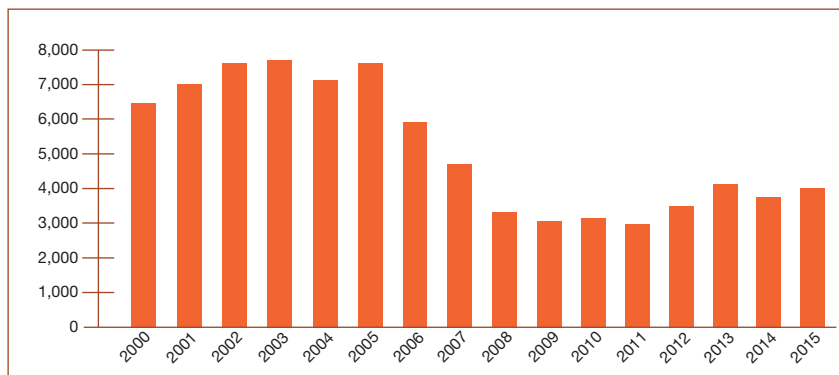
The improvement in sales market conditions in the HMA can be partially attributed to the decrease in the rates of seriously delinquent and real estate owned (REO) loans, underwater mortgages, and distressed sales. As of December 2015, 3.3 percent of home loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 3.8 percent a year earlier and down from a peak of 5.5 percent in January and February of 2010. During December 2015 the percentage of underwater mortgages (mortgages with principal balances greater than the market value of the home) in the HMA was estimated at 13 percent, unchanged from December 2014 but down from the 28-percent rate in December 2011. Distressed sales (REO and short sales) constituted an estimated 22 percent of existing home sales in the HMA during 2015, down from 25 percent a year earlier and 35 percent during 2011. (Distressed sales

constituted an estimated 1 percent of existing home sales in the HMA from 2006 through 2007.)

Despite strengthening economic and sales market conditions, single-family homebuilding activity, as measured by the number of homes permitted, has remained at a historically low level since 2008. During 2015 the number of single-family homes permitted increased 7 percent, to 4,050, compared with the 3,775 homes permitted during the previous 12 months (preliminary data). During the most recent peak period from 2001 through 2005, the number of homes permitted averaged 7,475 annually. Single-family homebuilding activity decreased to an average annual rate of 5,325 during 2006 and 2007. From 2008 through 2011, single-family home permitting averaged 3,100 homes permitted annually, decreasing to 2,975 homes during 2011, the lowest level in more than 30 years. Activity increased, however, to 3,525 homes permitted during 2012 and 4,100 homes permitted during 2013. Figure 7 shows the number of single-family homes permitted in the HMA from 2000 through 2015.

A significant share of the homebuilding activity occurred in the cities of Chesapeake, Virginia Beach, and Norfolk, where 850, 690, and 400 single-family homes, respectively, were permitted in 2015 (preliminary data). Construction of 81 homes in Cavalier Residences, located on the ocean in Virginia Beach, will begin in early 2016, with prices expected to range from \$375,000 for a 500-square-foot bungalow to \$1.85 million for a 3,000-square-foot home; completion of the homes and a 300-room hotel is expected in spring 2017. In Norfolk City, approximately 20 homes are

**Figure 7. Single-Family Homes Permitted in the Virginia Beach HMA,\* 2000 to Current**



\* Virginia Beach-Norfolk-Newport News HMA.

Notes: Includes townhomes. Current includes data through December 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

currently under construction at East Beach. The community includes 380 homes that have been completed since 2004 and is expected to include 410 homes when the community is built out in approximately 2 years. Prices for the townhomes and single-family homes at East Beach start at \$475,000 and \$550,000, respectively. The Turtle Creek development in Newport News, which is near Langley Air Force Base and Fort Eustice, attracts

many military households, including first-time homebuyers. Turtle Creek began construction in 2014, and 274 homes are expected to be complete by summer 2016; approximately 10 single-family homes are currently under construction, with an average price of \$350,000.

During the 3-year forecast period, demand is expected for 13,500 new homes (Table 1). The 1,400 homes currently under construction will meet part of the demand. Demand is estimated to be strongest during the third year of the forecast period. Approximately two-thirds of the demand is expected to be for single-family homes priced between \$200,000 and \$400,000, with 20 percent of the overall demand expected to fall within the range of \$300,000 to \$349,999 (Table 4). The HMA includes an estimated 31,000 other vacant units, a portion of which may reenter the sales market and satisfy some of the forecast demand.

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Virginia Beach HMA\* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	670	5.0
200,000	249,999	2,025	15.0
250,000	299,999	2,025	15.0
300,000	349,999	2,700	20.0
350,000	399,999	2,025	15.0
400,000	499,999	2,025	15.0
500,000	699,999	1,350	10.0
700,000	and higher	670	5.0

\* Virginia Beach-Norfolk-Newport News HMA.

Notes: The 1,400 homes currently under construction and a portion of the estimated 31,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is January 1, 2016, to January 1, 2019.

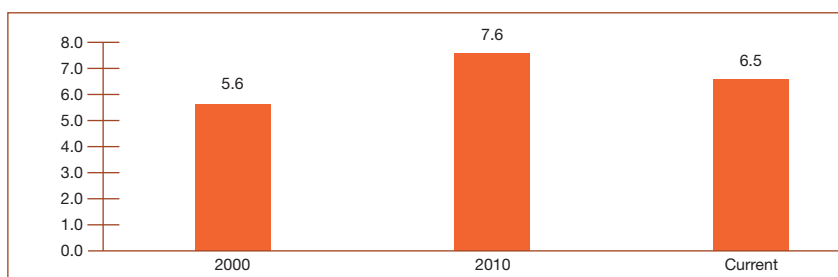
Source: Estimates by analysts

## Rental Market

Overall rental housing market conditions in the Virginia Beach HMA are balanced. As of January 1, 2016, the rental vacancy rate is estimated at 6.5 percent, down from 7.6 percent in

April 2010 but up from 5.6 percent in April 2000 (Figure 8). Approximately 41 percent of all renter households in the HMA live in single-family homes (attached and detached), compared with an average of 35 percent nationally (2014 American Community Survey 1-year data). The rental market for single-family homes in the HMA is balanced but is considered tighter than in many places nationwide because civilian renters choose, in increasing numbers, to rent single-family homes with lower monthly rents. By contrast, newer apartment developments in the HMA are primarily marketed to military households and have higher

**Figure 8.** Rental Vacancy Rates in the Virginia Beach HMA,\* 2000 to Current



\* Virginia Beach-Norfolk-Newport News HMA.

Note: The current date is January 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

rents that are linked to the Basic Allowance for Housing provided to military personnel.

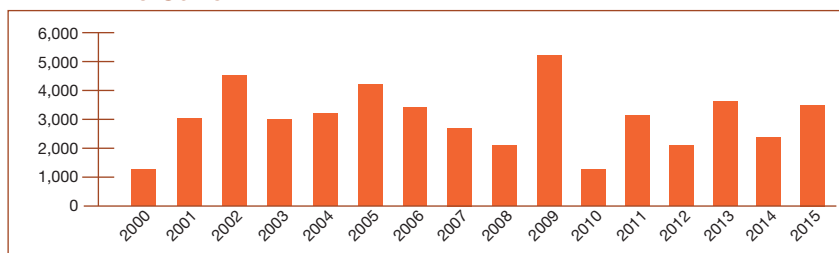
Similar to the overall rental market conditions, apartment market conditions are balanced overall but with slightly softer conditions among units built since 2000. During the fourth quarter of 2015 the apartment vacancy rate was 5.7 percent, unchanged from a year earlier (MPF Research). The average rent for apartments increased 2 percent, to \$987, from a year earlier. The average monthly asking rents in the HMA for studio, one-bedroom, two-bedroom, and three-bedroom units were \$836, \$888, \$988, and \$1,195, respectively. During the fourth quarter of 2015, apartment units in the HMA built since 2000 had a vacancy rate of 7.0 percent, up from 5.3 percent a year earlier, as supply has recently outpaced demand for newer units. By contrast, the apartment vacancy rate for units built during the 1990s was 3.5 percent, down from 5.0 percent a year earlier. The average monthly asking rent for units built since 2000 was \$1,221, whereas the average asking rent for units built during the 1990s was 24 percent less, at \$933.

Within the Virginia Beach HMA, the MPF Research-defined areas with the lowest apartment vacancy rates during the fourth quarter of 2015 were

Portsmouth/Suffolk and Northern Norfolk, at 3.4 and 4.3 percent, respectively. During that period, the greatest decline in apartment vacancy rates from a year earlier occurred in the Newport News area, where the apartment vacancy rate decreased by 1.2 percentage points to 6.7 percent. In the Williamsburg/Jamestown area, the apartment vacancy rate rose from 3.3 to 8.1 percent because the supply of new apartments being completed outpaced demand. The areas with the most expensive average monthly rents were the Southern Norfolk and Chesapeake areas, at \$1,119 and \$1,086, respectively. During the fourth quarter of 2015, the Chesapeake area also had the greatest increase in average asking rents, with 5-percent growth, from the fourth quarter of 2014. The Williamsburg/Jamestown and Southern Norfolk areas led apartment inventory growth in the HMA during 2015, with the number of units expanding by 8.3 and 4.9 percent, respectively. In late 2015, the 228 units at Aura at Quarterpath in Williamsburg were completed; rents start at \$1,115 for one-bedroom units, \$1,380 for two-bedroom units, and \$1,675 for three-bedroom units.

Multifamily building activity has fluctuated significantly from year to year in the HMA and is more susceptible than single-family building activity to changes in military personnel levels. Compared with single-family construction, construction of multifamily units, as measured by the number of multifamily units permitted, did not decline as significantly or for as prolonged a period of time as a result of the most recent recession (Figure 9). During 2015 the number of multifamily units in the HMA totaled approximately 3,450, an increase from 2,400 units permitted during 2014 (preliminary

**Figure 9.** Multifamily Units Permitted in the Virginia Beach HMA,\* 2000 to Current



\* Virginia Beach-Norfolk-Newport News HMA.

Notes: Excludes townhomes. Current includes data through December 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

data). Multifamily permitting activity was at a high level from 2001 through 2006, averaging 3,550 units a year. Despite fluctuations, multifamily construction has averaged 2,925 units annually since 2007. The number of units permitted peaked at 5,225 during 2009, when construction of apartments and condominiums was strong in Hampton and Virginia Beach. The construction of condominiums has accounted for only 8 percent of multifamily units permitted since 2010, a significant decline from the 28 percent share of multifamily units permitted from 2000 to 2010.

Notable apartment developments currently under construction include the 235-unit Infinity at Centerville Crossing, in Chesapeake, which is expected to be complete in March 2016, with rents starting at \$1,150, \$1,365, and \$1,690 for one-, two-, and three-bedroom units, respectively. Venture Apartments [iN]Tech Center, in Newport News, is expected to contain 285 units when complete

in late 2016, with average rents of approximately \$1,000. In addition, in Portsmouth, more than 300 units are currently under construction at five developments, ranging in size from 45 to 134 apartments each. The largest of those developments is Harbor Vista at Crawford Street, which is expected to be complete in fall 2016; rents have yet to be announced.

During the 3-year forecast period, demand is expected for 7,500 new rental units in the Virginia Beach HMA (Table 1). Demand is expected to remain reasonably steady during the forecast period and is expected to be strongest for two-bedroom units, with monthly rents ranging from \$1,200 to \$1,599 (Table 5). The 4,225 new rental units currently under construction will satisfy part of the forecast demand. Any additional construction in the HMA, including projects currently in the planning stages, should be timed to enter the market near the end of the second year of the forecast period or later.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Virginia Beach HMA\* During the Forecast Period

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
1,000 to 1,199	300	1,000 to 1,199	900	1,200 to 1,399	1,500	1,400 to 1,599	230
1,200 or more	75	1,200 to 1,399	900	1,400 to 1,599	1,875	1,600 to 1,799	450
		1,400 or more	450	1,600 or more	380	1,800 to 1,999	340
						2,000 or more	110
<b>Total</b>	<b>380</b>	<b>Total</b>	<b>2,250</b>	<b>Total</b>	<b>3,755</b>	<b>Total</b>	<b>1,130</b>

\* Virginia Beach-Norfolk-Newport News HMA.

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 4,225 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2016, to January 1, 2019.

Source: Estimates by analysts

# Data Profile

**Table DP-1. Virginia Beach HMA\* Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	709,105	770,602	798,100	0.8	0.7
Unemployment rate	2.5%	7.6%	4.9%		
Nonfarm payroll jobs	720,200	737,100	765,400	0.2	0.8
Total population	1,580,057	1,676,822	1,730,000	0.6	0.5
Total households	581,560	630,411	655,000	0.8	0.7
Owner households	367,031	398,497	400,900	0.8	0.1
Percent owner	63.1%	63.2%	61.2%		
Renter households	214,529	231,914	254,100	0.8	1.6
Percent renter	36.9%	36.8%	38.8%		
Total housing units	623,724	688,061	711,600	1.0	0.6
Owner vacancy rate	1.8%	2.5%	2.0%		
Rental vacancy rate	5.6%	7.6%	6.5%		
Median Family Income	NA	NA	\$70,600	NA	NA

\* Virginia Beach-Norfolk-Newport News HMA.

NA = Data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2015. Median Family Incomes are for 1999, 2009, and 2014. The current date is January 1, 2016.

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

## Data Definitions and Sources

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2000: 4/1/2000—U.S. Decennial Census  
 2010: 4/1/2010—U.S. Decennial Census  
 Current date: 1/1/2016—Analysts' estimates  
 Forecast period: 1/1/2016–1/1/2019—Analysts' estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

**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 the U.S. Department of Housing and Urban Development's (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.

**Building Permits:** 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 analysts, through diligent fieldwork, make an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to [huduser.gov/publications/pdf/CMARtables\\_VirginiaBeach\\_Norfolk\\_NewportNewsVA\\_NC\\_16.pdf](http://huduser.gov/publications/pdf/CMARtables_VirginiaBeach_Norfolk_NewportNewsVA_NC_16.pdf).

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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.

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 [huduser.gov/portal/ushmc/chma\\_archive.html](http://huduser.gov/portal/ushmc/chma_archive.html).