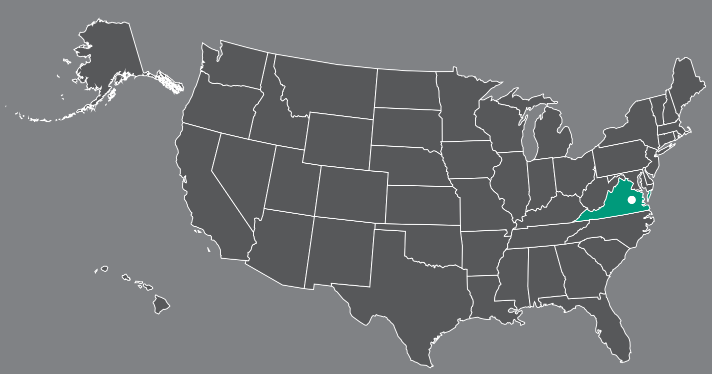
HUD PD&R **Housing Market Profiles**

Richmond, Virginia

Quick Facts About Richmond

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: slightly tight**
- **The city of Richmond was the location of the first electric streetcar system, the Richmond Union Passenger Railway, which opened in 1888.**



By Tim McDonald | As of April 1, 2020

Overview

The Richmond metropolitan area consists of 13 counties (Amelia, Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, New Kent, Powhatan, Prince George, and Sussex) and 4 independent cities (Colonial Heights, Hopewell, Petersburg, and Richmond) in central Virginia. The city of Richmond, the state capital of Virginia, is situated at the highest navigable point on the James River, a location that led to the historical development of the area. The Richmond metropolitan area attracts many tourists interested in visiting the local historical sites. According to a study published by the Richmond Region Tourism board, the metropolitan area attracts more than 7 million visitors annually, with a $2.6 billion economic impact in 2019.

- As of April 1, 2020, the Richmond metropolitan area population was estimated at slightly more than 1.32 million people, an average increase of 11,600 people, or 0.9 percent, annually since 2010. Population growth peaked from 2011 through 2014, with an average increase of 13,000 people, or 1.1 percent annually; however, from 2014 through the current date, population growth slowed slightly to an average of 11,500, or 0.9 percent annually.

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- Since 2010 net in-migration has accounted for nearly 63 percent of all population growth in the Richmond metropolitan area. International migration accounted for 42 percent of all in-migration to the metropolitan area, with more than 87 percent of international in-migration going to the core urban area of the city of Richmond and Henrico and Chesterfield Counties.
- The population of the city of Richmond has grown at a faster rate than the metropolitan area since 2010, increasing by an average of 1.3 percent, or 2,850 people annually, as young professionals have increasingly moved to the city.

Economic Conditions

Economic conditions in the Richmond metropolitan area remain positive as the area has been steadily adding jobs since 2011. The Richmond metropolitan area has a service-based economy that is heavily concentrated in finance, law, government, and health care, in part because it is only one of three metropolitan areas nationwide with both a federal circuit court of appeals and a federal reserve bank. The Richmond metropolitan area is also home to 7 Fortune 500 companies, including Altria Group, Inc., Carmax, Inc., and Dominion Energy, Inc. During the 3 months ending March 2020, nonfarm payrolls in the Richmond metropolitan area increased by 8,600 jobs, or 1.3 percent, to 687,200. From 2015 through 2016, nonfarm payroll growth averaged 15,100, or 2.4 percent, annually, but has slowed to an average of 7,650, or 1.1 percent, annually from 2017 to the current date. The unemployment rate was 3.1 percent during the 3 months ending March 2020, down from 3.3 percent a year earlier.

During the 3 months ending March 2020—

- The financial activities sector led job growth, increasing by 3,100 jobs, or 6 percent. Expansions at Kinsale Insurance Company and West Creek Financial, Inc. added 225 and 150 jobs, respectively, contributing to this increase.
- Professional and business services is the largest payroll sector in the metropolitan area with 119,500 jobs, accounting for 17 percent of all nonfarm payrolls. This sector increased by 3,100 jobs, or 2.7 percent, with The Results Companies, a business process management company, adding 600 jobs.
- The manufacturing sector had the largest percentage decline, as jobs in this sector fell by 3.1 percent with 1,000 jobs lost. Premier Store Fixtures laid off nearly 200 employees in the past year.
- The education and health services sector declined by 700 jobs, or 0.7 percent. This decline was the first overall job loss in this sector since before 2000. From 2000 through 2018, employment in this sector increased by an average of 2,800, or 3.8 percent, annually.

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In the Richmond metropolitan area, 8 out of the 11 nonfarm payroll sectors had gains during the first quarter of 2020.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	678.6	687.2	8.6	1.3
Goods-Producing Sectors	71.0	72.3	1.3	1.8
Mining, Logging, & Construction	39.1	41.4	2.3	5.9
Manufacturing	31.9	30.9	-1.0	-3.1
Service-Providing Sectors	607.6	614.9	7.3	1.2
Wholesale & Retail Trade	93.5	92.5	-1.0	-1.1
Transportation & Utilities	27.5	28.1	0.6	2.2
Information	6.9	7.0	0.1	1.4
Financial Activities	51.9	55.0	3.1	6.0
Professional & Business Services	116.4	119.5	3.1	2.7
Education & Health Services	102.4	101.7	-0.7	-0.7
Leisure & Hospitality	63.8	64.1	0.3	0.5
Other Services	32.0	32.4	0.4	1.3
Government	113.2	114.7	1.5	1.3
Unemployment Rate	3.3%	3.1%		

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

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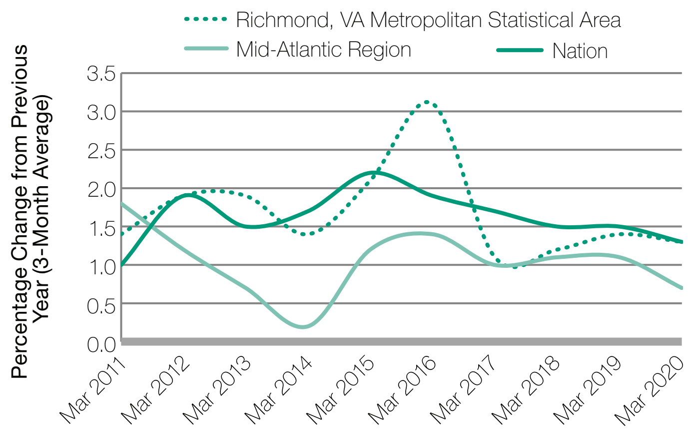
The Richmond metropolitan area is home to Virginia Commonwealth University, the second largest university in the state of Virginia, with an enrollment of more than 32,000 students. The university has 11,000 employees and a $4 billion annual economic impact, according to a 2017 study produced by the university. The metropolitan area is home to the Fort Lee U.S. Army Base, which includes the Combined Arms Support Command; here, more than 180,000 soldiers receive training annually. Wegmans Food Markets, Inc. recently broke ground on a $175 million distribution center that, when completed in 2021, will create 700 new jobs. During 2019, Amazon.com, Inc. announced that it will open two new distribution centers in the area that will add 150 jobs at each location by the end of 2021.

Largest Employers in the Richmond Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Capital One Financial Corporation	Financial Services	13,000
VCU Health System	Education and Health Services	9,300
HCA Virginia Health System	Education and Health Services	7,625

Note: Excludes local school districts.
Source: Greater Richmond Partnership

Nonfarm payroll job growth in the Richmond metropolitan area has been equal to or greater than nonfarm payroll growth in the Mid-Atlantic region since mid-2011.



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

Sales Market Conditions

The home sales market is currently slightly tight with a vacancy rate of 1.1 percent, down from 2.4 percent in 2010 when conditions were soft. There is currently a 1.6 month supply of inventory on the market, down from 2.1 months 1 year earlier (Richmond Association of Realtors®). During March 2020, the average number of days on the market for a home was 36 days, down from 41 days a year earlier.

- During the 12 months ending March 2020, new home sales totaled 2,800, an increase of 40 sales, or nearly 2 percent from the previous 12 months, while the average sales price of a new home increased by $6,300, or nearly 2 percent, to $404,100 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- During the 12 months ending March 2020, existing home sales totaled 21,000, an increase of 1,300 sales, or 7 percent, from the previous 12 months; the average sales price of an existing home increased by $11,700, or more than 4 percent, to $275,200.
- The median home price for new and existing home sales varied throughout the metropolitan area, ranging from $400,000 in Goochland County to $118,000 in the city of Petersburg (Richmond Association of Realtors®).
- As of February 2020, the proportion of home loans in the region that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status decreased to 1.4 percent from 1.7 percent a year earlier (CoreLogic, Inc.).

Single-family homebuilding, as measured by the number of single-family homes permitted, generally trended upwards in the

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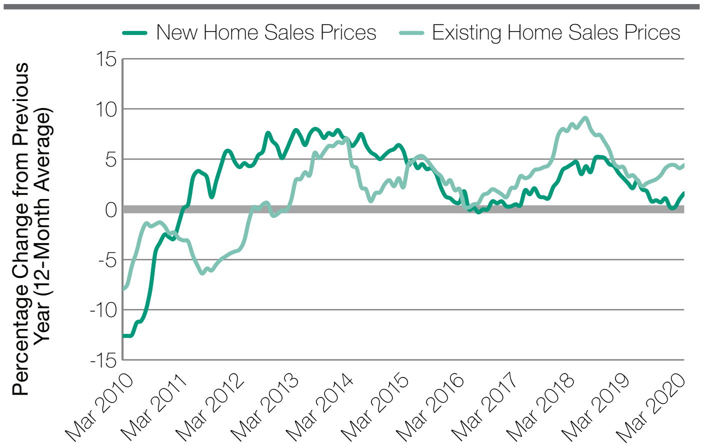
The average sales price of new homes recovered earlier in the years following the Great Recession, but home prices have been increasing faster since 2016.



Note: Prices include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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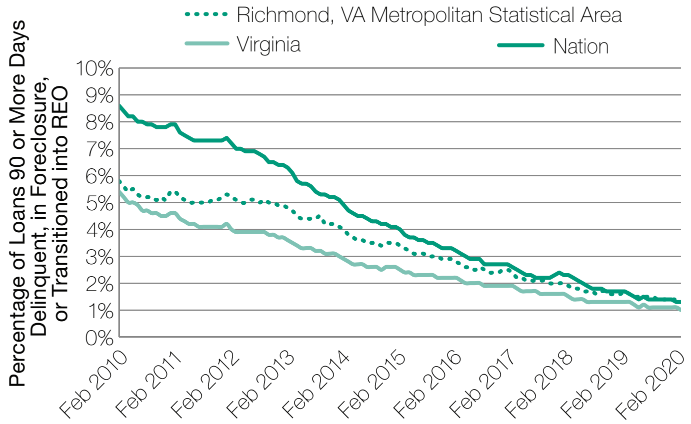
Richmond metropolitan area from 2011 through 2017 but has remained relatively stable since 2018. During the 12 months ending March 2020, building activity, as measured by the number of single-family homes permitted, totaled 4,700, an increase of 375, or nearly 9 percent, from 12 months earlier (preliminary data).

During the 12 months ending March 2020—

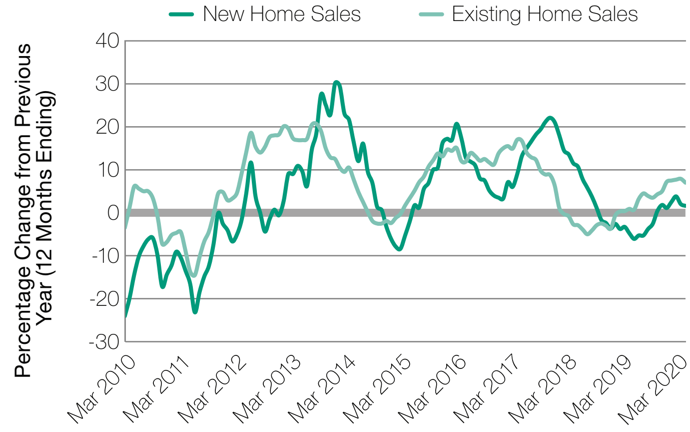
- Chesterfield, the most populous county in the metropolitan area, accounted for more than 35 percent of all single-family homes permitted with 1,650, an increase of 75, or nearly 5 percent, from a year earlier.
- Hanover County had the largest increase in the number of single-family homes permitted, increasing by 150 homes, or 31 percent. Single-family homebuilding in the city of Richmond had the largest percentage increase in the metropolitan area, with building activity increasing 57 percent, or by 140 homes, to 370 single-family homes permitted.
- Henrico County had the largest decline in single-family permitting, down by 120, or nearly 13 percent from the previous 12 months.

The percentage of home loans that were seriously delinquent, or had transitioned to REO status in the Richmond metropolitan area, has been higher than the statewide average since at least 2010.



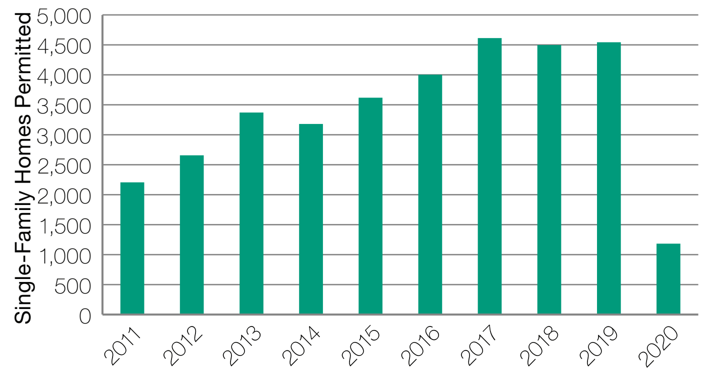
REO = real estate owned.
Source: CoreLogic, Inc.

Both new and existing home sales have been volatile since 2011, with three periods of growth and three smaller periods of contraction.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

An average of 4,550 single-family homes were permitted annually in the Richmond metropolitan area from 2017 through 2019, the highest 3-year average since 2005 through 2007, when an average of 6,650 single-family homes were permitted annually.



Note: Includes preliminary data from January 2019 through March 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions have ranged from tight to slightly tight since 2011, when conditions were balanced with a 6.5-percent vacancy rate during the first quarter of 2011 (Reis, Inc.). An expanding economy, population growth, and an increased number of people choosing to live in the downtown area have contributed to tighter apartment market conditions in the metropolitan area compared with 2011. Apartment market conditions in the Richmond metropolitan area during the first quarter of 2020 are slightly tight with a 4.0-percent vacancy rate, up slightly from 3.9 percent during the first quarter of 2019 (Reis, Inc.). During the first quarter of 2020, one-half of the 10 Reis Inc.-defined market areas in the Richmond metropolitan area had an increasing vacancy rate, while 2 market areas had a decline in the average rent.

- During the first quarter of 2020, the average rent for an apartment in the Richmond metropolitan area was $1,052, an increase of $22, or slightly more than 2 percent.

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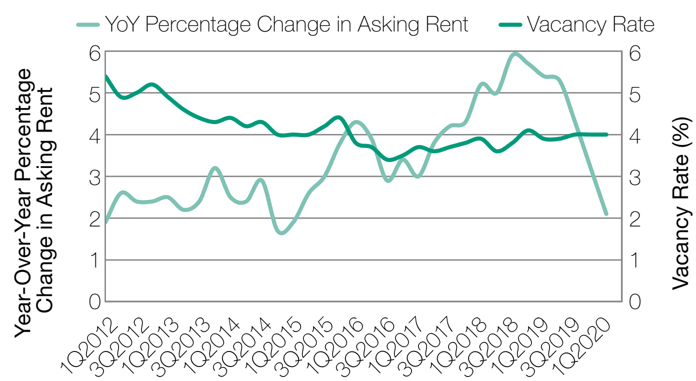
- The Downtown/Fan market area had the highest average rent of any market area, at $1,282, which was down by $13, or 1 percent, from a year earlier. The market area had the highest vacancy rate and the largest increase in the rate, rising from 4.8 percent in the first quarter of 2019 to 6.7 percent during the first quarter of 2020.
- The Southside market area had the largest decline in the vacancy rate, as it dropped to 4.9 percent during the first quarter of 2020, down from 5.8 percent in the first quarter of 2019.
- The Northern Chesterfield market area had the largest increase in average rent of any market area, increasing by $64, or nearly 6 percent, to $1,186.

Multifamily building activity, as measured by the number of units permitted, began to increase substantially in 2013 in response to tightening apartment market conditions as the economy improved, and household and population growth increased. With more people moving into the urban core of the city of Richmond, a higher percentage of all units permitted since 2010 have been multifamily units compared with the previous decade. Since 2010, more than 43 percent of all housing units permitted have been multifamily units, up from nearly 26 percent from 2000 through 2009.

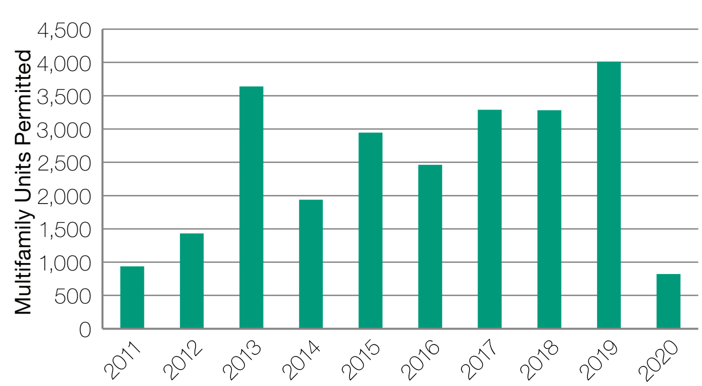
The growth rate in apartment rents has slowed during the past year due to rent declines in several of the higher priced submarkets in the Richmond metropolitan area.



1Q = first quarter. 3Q = third quarter. YoY = year-over-year.
Source: Reis, Inc.

- During the 12 months ending March 2020, multifamily building activity, as measured by the number of units permitted, totaled 4,400, an increase of 600, or nearly 16 percent, from the previous 12 months (preliminary data).
- During the 12 months ending March 2020, the number of multifamily units permitted in the city of Richmond totaled nearly 1,900, an increase of 600, or 46 percent, from the previous 12 months.
- Multifamily construction in the outlying counties of Goochland and Hanover declined to zero during the 12 months ending March 2020 after nearly 700 units were permitted in those two counties combined during the previous 12 months.
- Since 2013, the city of Richmond accounted for more than 46 percent of all apartment units permitted in the Richmond metropolitan area, up from 29 percent from 2000 through 2012. Many of the newer units built in the city of Richmond have ground-floor retail or other amenities that appeal to young professionals.
- Recent development in the city of Richmond has occurred in the Scott's Addition Historic District, a former industrial area near the Museum District. Since 2015, more than 1,400 apartment units have been built, with another 500 under construction. The neighborhood is home to 13 breweries, cideries, and distilleries that draw residents to the area.

Multifamily building activity reached an all-time high in 2019, with more than 4,000 units permitted.



Note: Includes preliminary data from January 2019 through March 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst