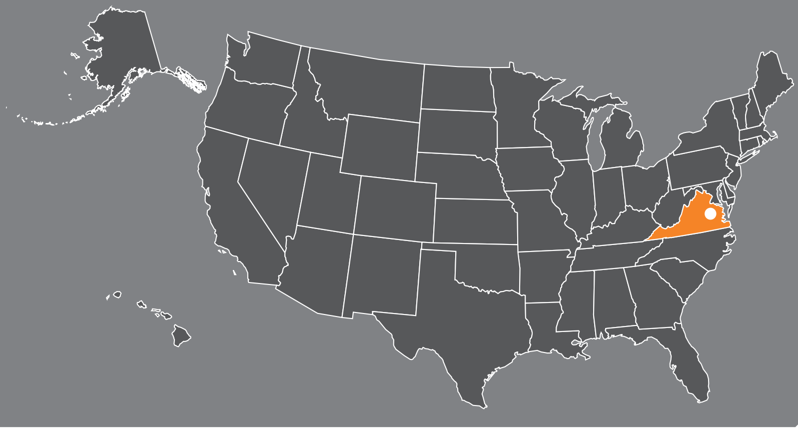
HUD PD&R Housing Market Profiles

Richmond, Virginia

Quick Facts About Richmond

- **Current sales market conditions: tight**
- **Current apartment market conditions: tight**
- **The Richmond metropolitan area is home to the Virginia Commonwealth University (VCU), with approximately 23,400 enrolled students (Integrated Postsecondary Education Data System, with estimates by the analyst). The metropolitan area is also home to VCU Health, a multi-hospital health system headquartered in the city of Richmond. Together, these institutions have economic impacts of $3.9 and $9.5 billion within the city of Richmond and the state of Virginia, respectively (Office of Institutional Equity, Effectiveness and Success; Innovation Gateway, a division of the Office of the Vice President for Research and Innovation; and the Center for Urban and Regional Analysis in the L. Douglas Wilder School of Government and Public Affairs).**



By Diana Villavicencio | As of June 1, 2022

Overview

The Richmond metropolitan area in central Virginia, bisected by the James River, consists of 13 counties and four independent cities and is coterminous with the Richmond, VA Metropolitan Statistical Area. The metropolitan area includes the counties of Amelia, Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, New Kent, Powhatan, Prince George, and Sussex and the independent cities of Colonial Heights, Hopewell, Petersburg, and Richmond. The metropolitan area has several corporate headquarters and a large number of government jobs, in part because the city of Richmond is the state capital and is approximately 100 miles south of Washington, D.C. Economic conditions in the metropolitan area have improved on a year-over-year basis following the economic recession caused by the COVID-19 pandemic in early 2020. The sales market has tightened from a year ago and is currently tight, partly because of improving economic conditions, accelerated population growth, and a shortage of for-sale housing. Apartment market conditions are also tight, but conditions have eased from a year earlier in part because of increased apartment construction.

continued on page 2

continued from page 1

- As of June 1, 2022, the estimated population of the Richmond metropolitan area is 1.36 million, an annualized increase of 9,775, or 0.7 percent, since July 2021 because net in-migration and net natural increase averaged 8,375 people and 1,400 people, respectively. During this period, which included the phasing out of restrictions put in place to slow the spread of COVID-19, it is estimated that international and domestic net in-migration and births rose, but deaths remained elevated from the impact of COVID-19.
- By comparison, from April 2020 to July 2021, during the early stages of the COVID-19 pandemic, net in-migration and net natural increase averaged 7,850 and 175 people a year, respectively, which caused population growth to average 8,025 people, or 0.6 percent, annually (U.S. Census Bureau decennial census counts and population estimates as of July 1). During this period, the metropolitan area had lower levels of international and domestic net in-migration, fewer births, and more deaths compared with the July 2021 to the current period.
- The metropolitan area is a popular place to live for the working-age population, with the 25 to 44 and the 45 to 64 age cohorts each accounting for 27 percent of the population during the 2015 through 2019 period (2015–2019 American Community Survey 5-year data). At the same time, the retirement-age portion of the population, generally defined as residents age 65 years and older, accounted for 15 percent of the population, and the population age 24 years and younger accounted for 31 percent.

Economic Conditions

The economy in the Richmond metropolitan area is recovering on a year-over-year basis, following the economic recession caused by the COVID-19 pandemic in early 2020, but the recovery is lagging behind the nation. During the 3 months ending May 2022, nonfarm payrolls rose by 12,500 jobs, or 1.9 percent, from a year earlier to 671,200 jobs, compared with a gain of 21,700 jobs, or 3.4 percent, during the 3 months ending May 2021. By comparison, nonfarm payrolls in the nation rose 4.5 percent during the 3 months ending May 2022 after increasing 4.7 percent a year earlier. By May 2022, nearly 83 percent of the 74,000 jobs lost in the metropolitan area during March and April 2020 had been recovered, compared with the nation, which regained and surpassed the number of jobs lost during the same period by nearly 4 percent (monthly data, not seasonally adjusted). The lagging recovery in the metropolitan area is partly related to a faster increase in reported COVID-19 cases per 100,000 people in the state of Virginia than in the nation from May 2021 to May 2022 (Centers for Disease Control and Prevention COVID Data Tracker).

continued on page 3

Eight nonfarm payroll sectors in the Richmond metropolitan area added jobs during the 3 months ending May 2022.

	3 Months Ending		Year-Over-Year Change	
	May 2021 (Thousands)	May 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	658.7	671.2	12.5	1.9
Goods-Producing Sectors	72.0	71.2	-0.8	-1.1
Mining, Logging, & Construction	41.4	39.9	-1.5	-3.6
Manufacturing	30.6	31.3	0.7	2.3
Service-Providing Sectors	586.7	600.0	13.3	2.3
Wholesale & Retail Trade	91.6	90.6	-1.0	-1.1
Transportation & Utilities	30.0	30.9	0.9	3.0
Information	6.0	6.3	0.3	5.0
Financial Activities	52.7	51.3	-1.4	-2.7
Professional & Business Services	115.6	116.4	0.8	0.7
Education & Health Services	97.9	98.1	0.2	0.2
Leisure & Hospitality	54.9	65.1	10.2	18.6
Other Services	29.5	30.2	0.7	2.4
Government	108.5	111.1	2.6	2.4
Unemployment Rate	4.5%	3.0%		

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

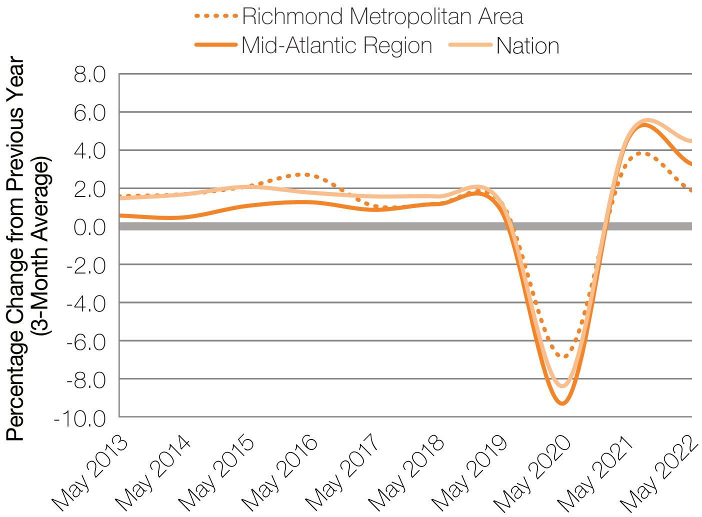
continued from page 2

During the 3 months ending May 2022—

- Nonfarm payrolls rose in 8 of the 11 payroll sectors from the 3 months ending May 2021, with the leisure and hospitality sector adding 10,200 jobs, or 18.6 percent. The sector added the most jobs of any sector, a reversal from the 3 months ending May 2020, when the sector lost the most jobs because in-person interactions were difficult to maintain when interventions, like the stay-at-home order, were taken to slow the spread of COVID-19.
- The government sector, the second largest sector in the metropolitan area, added the second most jobs in the metropolitan area, increasing by 2,600 jobs, or 2.4 percent, because job gains in the local and state government subsectors increased by 2,500 and 300 jobs, or 4.7 and 0.8 percent, respectively, more than offsetting a job decline in the federal government subsector. The sector-wide increase is in contrast with the 3 months ending May 2021, when the sector lost 2,300 jobs, the most jobs of any sector.
- The three sectors to lose jobs were the mining, logging, and construction, the financial activities, and the wholesale and retail trade sectors, which declined by 1,500, 1,400, and 1,000 jobs, or 3.6, 2.7, and 1.1 percent, respectively, from the 3 months ending May 2021. Losses in the mining, logging, and construction sector were partly the result of a recent slowdown in single-family home construction.
- The unemployment rate averaged 3.0 percent, down from 4.5 percent a year earlier and 8.1 percent during the same period in 2020. Despite slower job recovery, the unemployment rate in the metropolitan area has been below the national rate since the 3 months ending May 1990. The nationwide unemployment rate averaged 3.5 percent during the 3 months ending May 2022, down from 5.8 percent a year ago and from 10.6 percent during the 3 months ending May 2020.

The professional and business services sector has been the largest sector in the metropolitan area since 2016, accounting for 17 percent of nonfarm payrolls in the metropolitan area—a proportion that has remained relatively unchanged, despite the impact of the recession resulting from the COVID-19 pandemic. During the 3 months ending May 2022, the sector added the fourth most jobs in the metropolitan area—up by 800 jobs, or 0.7 percent, to 116,400, compared with an increase of 2,100 jobs, or 1.8 percent, during the same 3-month period in 2021. Eight Fortune 500 companies have headquarters in the metropolitan area. Altria Group, Inc., a tobacco and wine manufacturer, ranked 165th on the Fortune 500 list, and Dominion Energy, Inc., an electric and gas utility company, ranked 257th (2022 Fortune 500). The transportation and utilities sector added the third most jobs, up by 900 jobs, or 3.0 percent, during the most recent period, compared with a gain of 1,900 jobs, or 6.9 percent, 1 year earlier. Job gains in the sector are partly due to a pandemic-driven shift in spending on online goods that increased the need to transport e-commerce goods from warehouses. The transportation and utilities sector and the mining, logging, and construction sector were the only sectors to surpass the job levels of the 3 months ending May 2019 because of a surge in multifamily and warehouse construction. During the second quarter of 2022, there were 12.61 million square feet of warehousing and industrial space under construction, an all-time peak, up from 5.89 square feet during the second quarter of 2021 (CoStar Group). An example of a large warehouse that is currently under construction is a 2.6 million square foot Amazon.com, Inc. fulfillment center, which is expected to add 1,000 jobs when it opens in the spring of 2023.

The rate of job growth in the Richmond metropolitan area was lower than the rates for the Mid-Atlantic region and the nation during the 3 months ending May 2022.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Richmond Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Virginia Commonwealth University Health	Government	13,500
Capital One Financial Corporation	Financial Activities	13,000
HCA Virginia Health System	Education & Health Services	11,000

Notes: Excludes local school districts. Excludes state government jobs; state government jobs during the 3 months ending May 2022 averaged 38,200, which includes employees at Virginia Commonwealth University Health.
Source: Greater Richmond Partnership

Sales Market Conditions

The home sales market in the Richmond metropolitan area is currently tight, with an estimated vacancy rate of 1.3 percent, down from 2.4 percent in April 2010, when conditions were soft. The market tightened during the 2010s because of lower levels of homebuilding coupled with increased population growth compared with the previous decade. In 2020, despite a recession, slowed population growth, and an increase in homebuilding activity, the sales market tightened further, partially because mortgage interest rates reached their lowest levels in more than 50 years, which caused a surge in homebuying. Although the average 30-year fixed-rate mortgage rate has been rising since September 2021, conditions have remained tight, partly because of improved economic conditions, increased population growth, and slowing homebuilding activity. In May 2022, the metropolitan area had 0.7 month of available for-sale inventory—down from 0.9 month a year earlier and well below the recent peak of 4.3 months of available inventory during the same month in 2012 (Redfin, a national real estate brokerage). The supply of inventory has remained below 3.0 months since March 2019. In May 2022, the average interest rate for a 30-year fixed-rate mortgage was 5.1 percent, up from 3.0 percent a year earlier and a 4.8-percent rate in May 2010 (Freddie Mac). These low levels of for-sale inventory and relatively low interest rates have contributed to upward pressure on home prices.

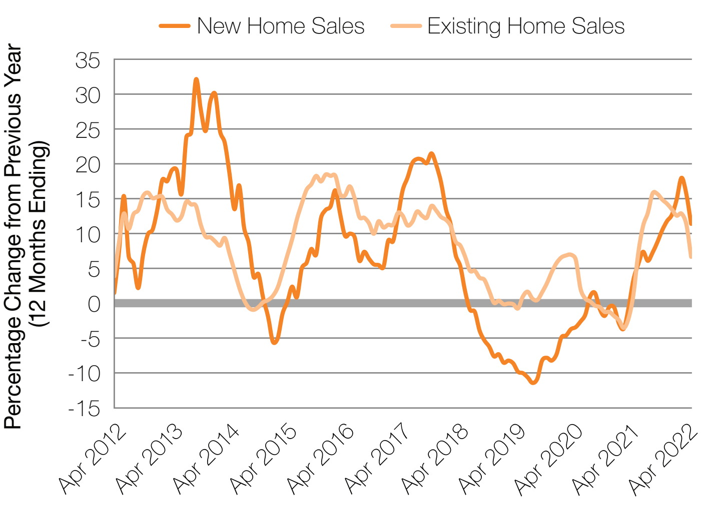
The recent pandemic-driven recession led to an increase in the percentage of seriously delinquent mortgages and real estate owned (REO) properties. As of April 2022, 1.5 percent of home loans in both the metropolitan area and the nation were seriously delinquent or had transitioned into REO status, down from 3.2 and 3.4 percent, respectively, a year earlier but up from 1.4 percent each in April 2020 (CoreLogic, Inc.). Between April 2020 and April 2021, the number of home loans that were 90 or more days delinquent in the metropolitan area more than doubled; at the same time, the number of home loans that were in foreclosure was 22 percent lower compared with April 2020. During the same period, the number of properties that transitioned to REO status was 62 percent lower. Mortgage forbearance policies provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act helped prevent an increase in foreclosures and REO properties during the period.

During the 12 months ending April 2022—

- Approximately 28,100 existing homes were sold in the metropolitan area, an increase of 1,750 home sales, or nearly 7 percent, from 1 year earlier, and compared with a 1-percent increase during the 12 months ending April 2021 (CoreLogic, Inc., with adjustments by the analyst). All of the increase in existing sales during the recent 12 months resulted from an 8-percent increase in resale home sales, whereas REO home sales declined 34 percent.
- The average sales price for existing homes was $325,000, a 12-percent gain year-over-year, compared with a 10-percent increase during the same period a year earlier (CoreLogic, Inc., with adjustments by the analyst). During the 12 months ending April 2022, prices rose 12 and 9 percent, respectively, for resale and REO home sales.

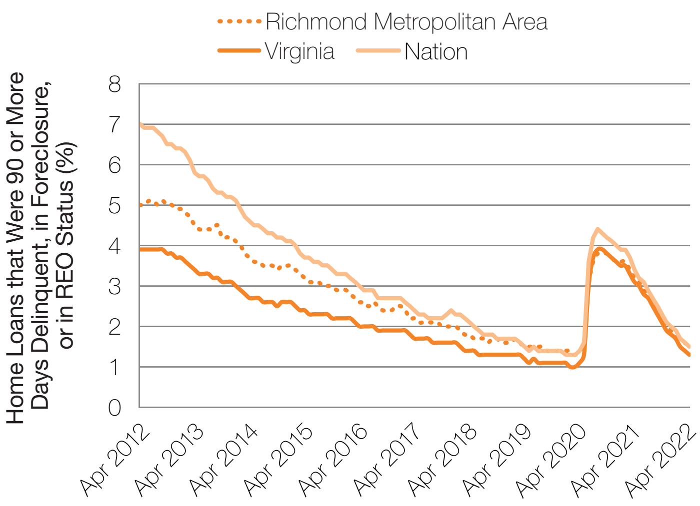
continued on page 5

New and existing home sales increased significantly during the past year in the Richmond metropolitan area despite low inventory and swift price growth.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent mortgages and REO properties in the Richmond metropolitan area increased significantly from April 2020 through November 2020 but has steadily declined since December 2020.



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

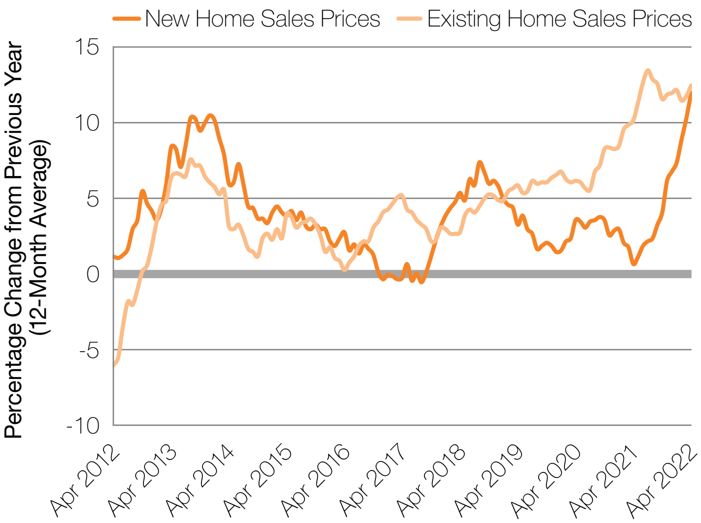
continued from page 4

- New home sales rose 11 percent to 3,425 homes sold from the same period a year earlier and compared with an increase of 3 percent during the 12 months ending April 2021.
- The average sales price for a new home was $453,400, up 12 percent from an average price of $405,100 during the previous year, when the average sales price rose less than 1 percent. The recent rate of price growth was the fastest rate observed in the metropolitan area since the 12 months ending April 2006, before the Great Recession.

New home construction, as measured by the number of single-family homes permitted, generally increased from 2015 through 2021 in the Richmond metropolitan area, but homebuilding slowed during the most recent 12-month period in response to decreased demand as interest rates have increased.

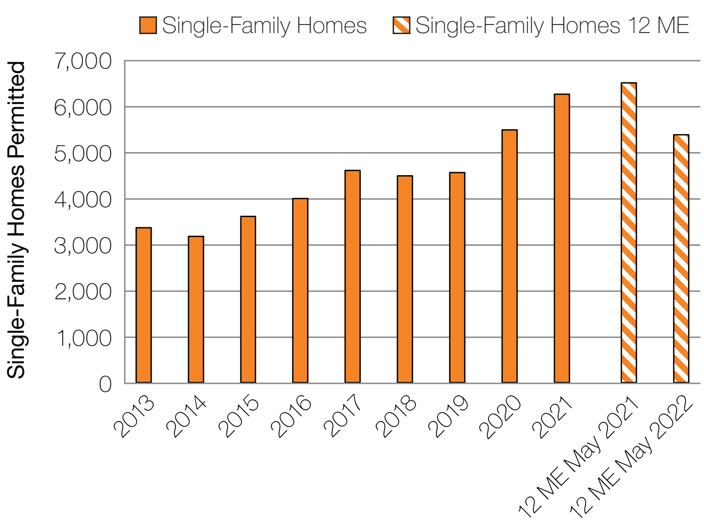
- During the 12 months ending May 2022, the number of single-family homes permitted decreased 17 percent to 5,400 homes, compared with 6,525 homes permitted a year earlier (preliminary data). During 2013 and 2014, an average of 3,275 single-family homes were permitted annually and rose to an average of 4,250 homes annually from 2015 through 2019, before increasing to 5,500 homes permitted in 2020 and 6,275 homes permitted in 2021.
- During the 12 months ending May 2022, more than one-third of new single-family home construction activity in the metropolitan area occurred in Chesterfield County. Currently under construction in North Chesterfield, 12 miles southwest of downtown Richmond, is Silverleaf, a 440-home single-family and townhome master planned community, with three-to-four-bedroom, 1,542-to-2,592-square-foot homes with prices ranging from $290,000 to $399,000.
- Additional homebuilding activity in Chesterfield County includes the 1,200-acre Harpers Mill community which is approximately 20 miles south of downtown Richmond and is expected to have 2,400 homes at buildout. Glen Royal, the fifth neighborhood in the community, with approximately 65 homes built and sold and 33 lots available for sale, is expected to have 250 homes at buildout; home prices start at $500,000 for a 3,000-square-foot home.

New and existing home sales price growth in the Richmond metropolitan area accelerated during the past year.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Single-family homebuilding activity in the Richmond metropolitan area slowed during the most recent 12 months after reaching a recent high during the previous 12-month period.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

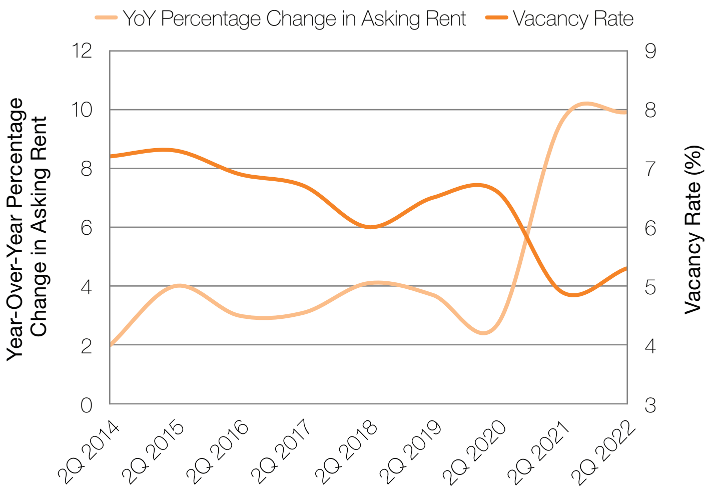
Apartment Market Conditions

Apartment market conditions in the Richmond metropolitan area are tight. During the second quarter of 2022, the apartment vacancy rate was 5.3 percent, up from 4.9 percent during the second quarter of 2021 (CoStar Group). The recent vacancy rate is down from the 6.6-percent rate during the second quarter of 2020, when the COVID-19-related economic contraction led many renters to search for more affordable rental housing or, for those with the means and expected long-term options to work from home, to transition into homeownership. During the second quarter of 2022, the average apartment rent rose 10 percent year-over-year to $1,410, compared with the same rate of change during the second quarter of 2021 and a 3-percent increase during the same quarter in 2020. Nationally, the apartment vacancy rate was 5.0 percent during the second quarter of 2022, down from 5.2 percent a year earlier, and the rent averaged $1,638, up 9 percent from a year earlier.

During the second quarter of 2022—

- The apartment vacancy rate in the metropolitan area increased in 11 of the 20 CoStar Group-defined market areas (hereafter, market areas) of the Richmond metropolitan area. Vacancy rates increased the least, 0.2 percentage point each, in the Amelia County, the East End, and the Powhatan County market areas to 4.2, 5.4, and 4.2 percent, respectively. The vacancy rate in the Eastern Henrico County market area increased the most,1.9 percentage points, to 3.4 percent.
- Apartment vacancy rate declines ranged from 0.7 percentage point, to reach 1.1 and 1.5 percent, respectively, in the Hanover County and King William County market areas, to 10.8 percentage points in the West End market area, where the rate declined from 17.9 to 7.1 percent, the highest vacancy rate in the metropolitan area. The large drop in the vacancy rate in the West End market area, just west of the Downtown Richmond market area, occurred because absorption of units exceeded the delivery of nearly 340 new apartment units during the past year.
- Average rents increased in all market areas where data are available, with the steepest increase of 18 percent, to $1,478, occurring in the Hanover County market area. This increase is likely because market conditions are very tight, and no new inventory has been delivered in the market area during the past year.
- The smallest rent increases, 2 percent, occurred in the northernmost and southernmost market areas—Caroline County and Sussex County—where rents rose to $886 and $647, respectively, the lowest average rents in the metropolitan area. In the Downtown Richmond market area, the rent rose 7 percent, to $1,443, and the vacancy rate rose to 4.8 percent from 3.9 percent one year earlier.

The apartment vacancy rate in the Richmond metropolitan area increased slightly in the past year, whereas the average rent increased significantly for the past 2 years.



2Q = second quarter. YoY = year-over-year.
Source: CoStar Group

Multifamily building activity, as measured by the number of units permitted, began increasing in 2017 and rose further during the most recent 12-month period, in response to tight apartment market conditions following the initial impact of the COVID-19 pandemic.

During the 12 months ending May 2022—

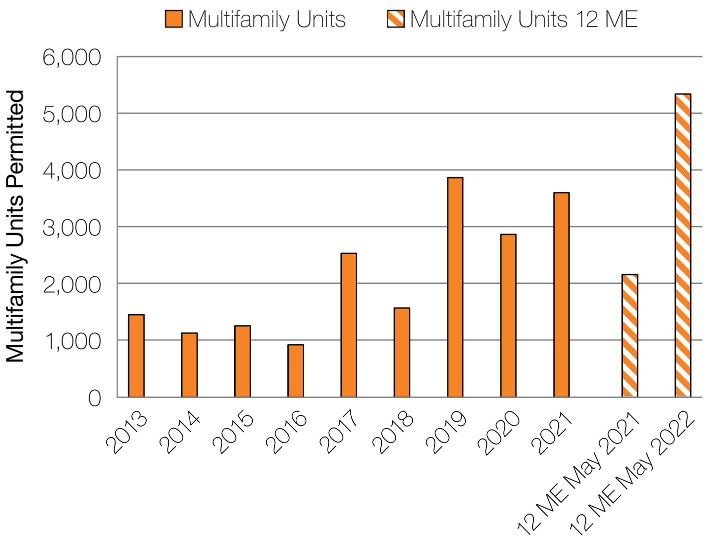
- Approximately 5,325 multifamily units were permitted, more than double the 2,150 units permitted during the same period a year earlier (preliminary data). From 2013 through 2016, an average of 1,200 multifamily units were permitted annually before increasing to an average of 2,875 units a year from 2017 through 2021.
- Nearly one-half of new multifamily permitting activity in the metropolitan area occurred in Henrico County, where five apartment properties are currently under construction, including the market-rate general occupancy Metropolis at Innsbrook. The property, located in the western portion of the county, in Glen Allen, will include 402 units when complete in 2023.

continued on page 7

continued from page 6

- Chesterfield County accounted for nearly 25 percent of new construction in the metropolitan area. In Midlothian, Luxe 360, a 342-unit luxury apartment building, is expected to be complete in April 2023; at completion, the property will feature one-bedroom units.
- Multifamily permitting in the city of Richmond accounted for 21 percent of permitting in the metropolitan area. In downtown Richmond, several properties are under construction, including the market-rate general occupancy Mutual on Main, which will include 168 units when complete in January 2023, and two student-oriented apartment properties, with 168 and 24 units, at The Opus and Parkview Franklin, which are expected to be complete in 2022 and 2023, respectively.

Multifamily building activity increased to the highest level during the most recent 12 months in the Richmond metropolitan area, and construction has been at an elevated level since 2017.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
CARES Act	The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The more-than-$2 trillion in federal funding provides economic assistance in response to the public health and economic impacts of COVID-19.
Existing Home Sales	Includes resales and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Real Estate Owned (REO) Sales	Bank owned properties that were sold to an unaffiliated third party.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

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.