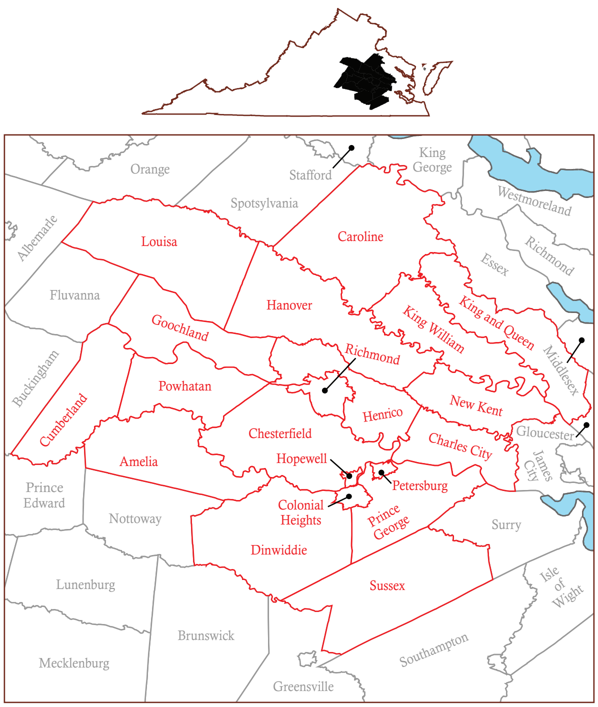
COMPREHENSIVE HOUSING MARKET ANALYSIS

Richmond, Virginia

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2012



Housing Market Area

The Richmond Housing Market Area (HMA), with a population of 1.27 million, is coterminous with the Richmond metropolitan statistical area and consists of 16 counties and 4 independent cities. The HMA, located in central Virginia, includes the Richmond City submarket (the city of Richmond), the Chesterfield and Henrico Counties submarket (Chesterfield and Henrico Counties), and the Remainder submarket (the cities of Colonial Heights, Hopewell, and Petersburg and the counties of Amelia, Caroline, Charles City, Cumberland, Dinwiddie, Goochland, Hanover, King and Queen, King William, Louisa, New Kent, Powhatan, Prince George, and Sussex). Richmond, the state capital, and the U.S. Army Installation at Fort Lee are located in the HMA.

Summary

Economy

Economic conditions in the Richmond HMA began to improve in 2011 after a 3-year decline. Nonfarm payrolls increased by 7,100 jobs to 609,500 jobs in 2011, a 1.2-percent increase, compared with a decline of 3,100 jobs, or 0.5 percent, in 2010. Employment in the government sector provides stability to the economy. The two largest employers in the HMA are Fort Lee and the Commonwealth of Virginia. During the 3-year forecast period, job gains are expected to average 1.3 percent annually.

Sales Market

The home sales market in the HMA is soft, with an estimated vacancy rate of 2.1 percent. According to the Virginia Association of REALTORS®, the number of home sales increased by 480 homes, or 4 percent, in 2011 compared with the number sold in 2010. During the next 3 years, demand is forecast for 8,325 new homes, as shown in Table 1. It is likely that some of the estimated 20,700 other vacant units in the HMA will meet a portion of the forecast demand.

Rental Market

The rental housing market in the HMA is soft, with an estimated vacancy rate of 7.8 percent. According to Real Data, the apartment vacancy rate in the HMA was 7.1 percent in January 2012, up slightly from the 6.8-percent rate recorded in January 2011. As shown in Table 1, during the next 3 years, the 680 units under construction will satisfy a portion of the total demand for 4,175 new rental units in the HMA.

Market Details

Economic Conditions......................2
Population and Households............5
Housing Market Trends...................7
Data Profiles.................................15

Table 1. Housing Demand in the Richmond HMA, 3-Year Forecast, January 1, 2012 to January 1, 2015

	Richmond HMA		Richmond City Submarket		Chesterfield and Henrico Counties Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	8,325	4,175	240	1,300	4,825	2,350	3,250	540
Under Construction	810	680	20	570	430	0	360	110

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, 2012. A portion of the estimated 20,700 other vacant units in the HMA will likely satisfy some of the forecast demand. Includes the estimated demand for 160 mobile homes in the Remainder submarket.

Source: Estimates by analyst

Economic Conditions

Economic conditions strengthened in the Richmond HMA during the past year after a 3-year decline. Nonfarm payrolls increased by 7,100 jobs, or 1.2 percent, to an average of 609,500 in 2011 (Table 2) compared with a decline of 3,100 jobs, or 0.5 percent, in 2010. The job decrease in 2010 was an improvement from the loss of 24,900 jobs, or 3.9 percent, that occurred in 2009. By contrast, from 2003 through 2007, the economy of the Richmond HMA expanded by an average of 9,300 jobs, or 1.5 percent, primarily because of increases in the service-providing sectors. As a result of the economic growth during that period, the unemployment rate decreased from 4.2 percent in 2003 to 3.1 percent in 2007. When the economy slowed in 2008, however, the unemployment rate began to rise, peaking at 7.8 percent in 2010, before declining to 6.9 percent in 2011, as shown in Figure 1.

Payrolls in the government sector have remained relatively stable since 2006. The government sector includes the U.S. Army Installation at Fort Lee, the Commonwealth of Virginia, and Virginia Commonwealth University (VCU), which are among the largest employers in the HMA, as shown in Table 3. During 2011, the government sector added 200 jobs, an increase of 0.2 percent. The state government subsector registered an average increase of 300 jobs, or 0.9 percent, a year since 2009. By comparison, the sector declined by

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Richmond HMA, by Sector

	12 Months Ending December 2010	12 Months Ending December 2011	Percent Change
Total Nonfarm Payroll Jobs	602,400	609,500	1.2
Goods Producing	66,550	64,100	– 3.7
Mining, Logging, & Construction	33,700	32,450	– 3.8
Manufacturing	32,850	31,650	– 3.6
Service Providing	535,800	545,400	1.8
Wholesale & Retail Trade	91,450	92,400	1.1
Transportation & Utilities	19,400	20,200	4.2
Information	9,450	9,000	– 4.8
Financial Activities	42,600	44,100	3.5
Professional & Business Services	93,350	97,350	4.3
Education & Health Services	84,750	85,000	0.3
Leisure & Hospitality	51,500	53,900	4.6
Other Services	30,000	29,900	– 0.3
Government	113,400	113,600	0.2

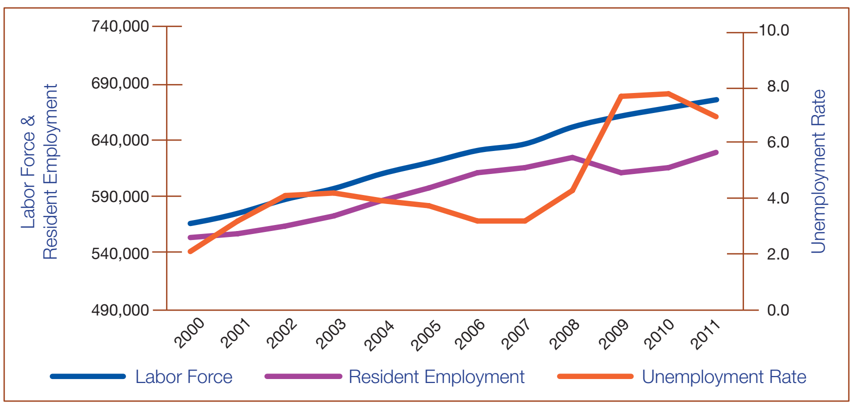
Notes: Based on 12-month averages through December 2010 and December 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

1,600 jobs, or 3.7 percent, annually from 2006 through 2008, offsetting overall increases in federal and local government employment during that period. From 2007 through 2010, the federal government subsector grew by an average of 400 jobs a year, or 2.4 percent, resulting from activities related to the 2005 Defense Base Closure and Realignment Commission (BRAC). As a result of BRAC changes, military and civilian employment at Fort Lee increased by approximately 6,150 and 1,150 jobs, respectively, between September 2009 and September 2011. Employment at Fort Lee, the third largest training site for the U.S. Army, totaled 5,250 military and 5,325 civilian personnel, in addition to an average daily training enrollment of 9,700 students in 2011, according to the BRAC Synchronization Office at Fort Lee. The annual economic impact of Fort Lee on south central Virginia was approximately $1.7 billion in 2011, according to the Office of Economic Adjustment, Department of Defense. In the state government subsector, enrollment at VCU was approximately 30,000 students in 2011 and is expected to remain relatively unchanged during the next 3 years. According to Chmura Economics and Analytics, VCU had an economic impact of $1.6 billion on the HMA in 2010. The Commonwealth of Virginia currently employs 11,300 people in the HMA, nearly unchanged from a year ago, but a 7-percent decrease compared with the number of workers employed in 2007.

During 2011, the service-providing sectors led payroll growth. The professional and business services sector, the second largest sector in the HMA, added 4,000 jobs, an increase of 4.3 percent, and the leisure and hospitality sector increased by 2,400 jobs, or 4.6 percent. During 2011, the education and health services sector increased by 250 jobs, or 0.3 percent, compared with an increase of 1,700 jobs, or 2.0 percent, in 2010. The sector added an average of 3,300 jobs, or 5.1 percent, a year from 2000 through 2010, with 90 percent of the growth during the decade in the healthcare and social assistance subsector (Figure 2). During the next 3 years, the education and health services sector is expected to gain 650 jobs at Health Diagnostic Laboratory in the city of Richmond. The first 350 jobs will be added in early 2012, and the remaining jobs will be added in 2013, when the planned building rehabilitation is completed.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Richmond HMA, 2000 Through 2011



Source: U.S. Bureau of Labor Statistics

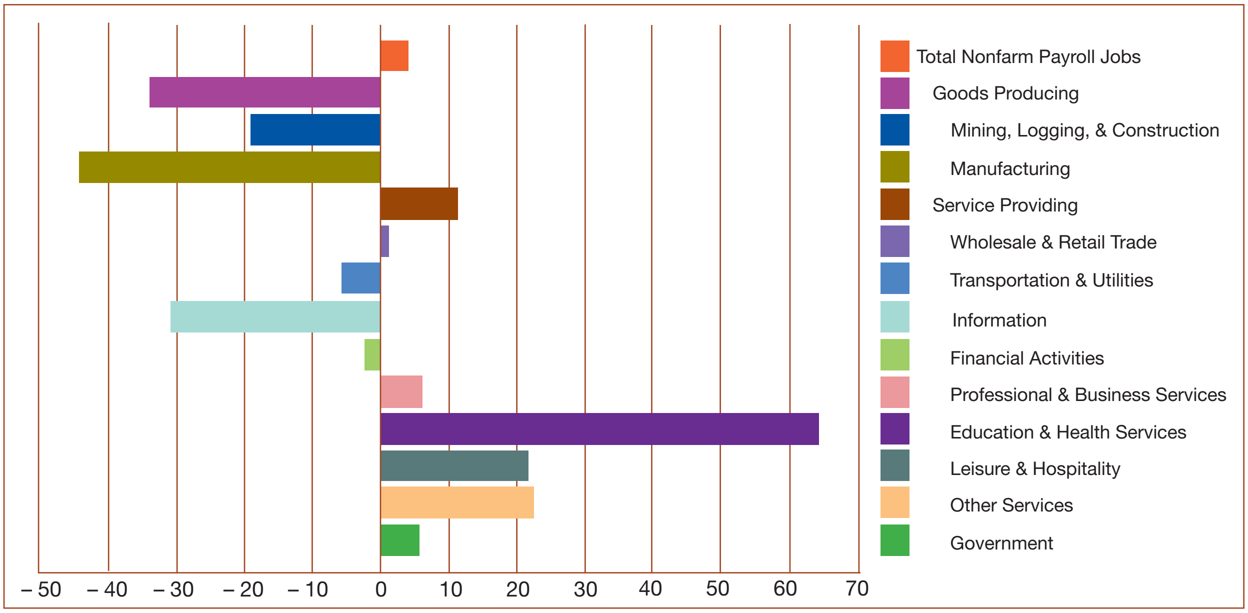
Table 3. Major Employers in the Richmond HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Commonwealth of Virginia	Government	11,300
U.S. Army Installation at Fort Lee, Virginia	Government	9,825
Virginia Commonwealth University Health System	Government	8,075
Capital One Financial Corporation	Financial Activities	7,875
Virginia Commonwealth University	Government	7,850
HCA Virginia Health System, Inc.	Education & Health Services	7,275
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	6,225
Bon Secours Richmond Health System	Education & Health Services	5,725
Dominion Resources, Inc.	Transportation & Utilities	5,250
Altria Group, Inc.	Manufacturing	4,375

Note: Excludes local school districts.

Sources: BRAC Synchronization Office, Fort Lee; Economy.com; VCU Center for Institutional Effectiveness

Figure 2. Sector Growth in the Richmond HMA, Percentage Change, 2000 to Current

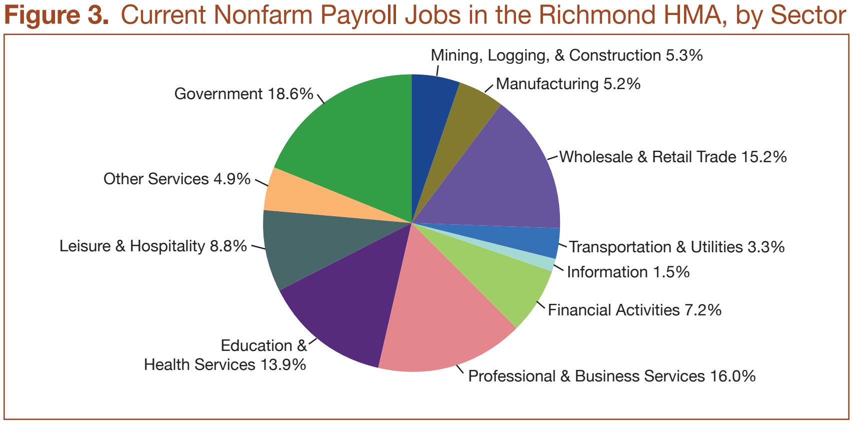


Note: Current is based on 12-month averages through December 2011.
Source: U.S. Bureau of Labor Statistics

The financial activities sector increased by 1,500 jobs, or 3.5 percent, in 2011 compared with job growth in 2010. By contrast, from 2005 through 2010, the sector declined by an average of 700 jobs a year, because tighter requirements in the banking industry led to a decline in mortgage lending. In 2011, Capital One Financial Corporation, the third largest employer in the HMA, opened a new call center in Henrico County, adding 700 new jobs.

The wholesale and retail trade sector, which accounts for 15 percent of jobs in the HMA, added 950 jobs in 2011, a 1.1-percent increase compared with the number of jobs in 2010 (Figure 3). The wholesale trade subsector registered a 4.2-percent increase with the addition of approximately 1,100 jobs, more than offsetting the modest decline of 200 jobs, or 0.3 percent, in the retail trade subsector. During the forecast period, the retail trade subsector is projected to strengthen with the planned addition of 1,450 new jobs by Amazon.com, Inc. Storage and shipping facilities for Amazon.com, Inc., are under construction and are expected to result in a gain of 1,060 jobs in Chesterfield County by the summer of 2012 and 390 jobs in Dinwiddie County by September 2012.

Figure 3. Current Nonfarm Payroll Jobs in the Richmond HMA, by Sector



Note: Based on 12-month averages through December 2011.
Source: U.S. Bureau of Labor Statistics

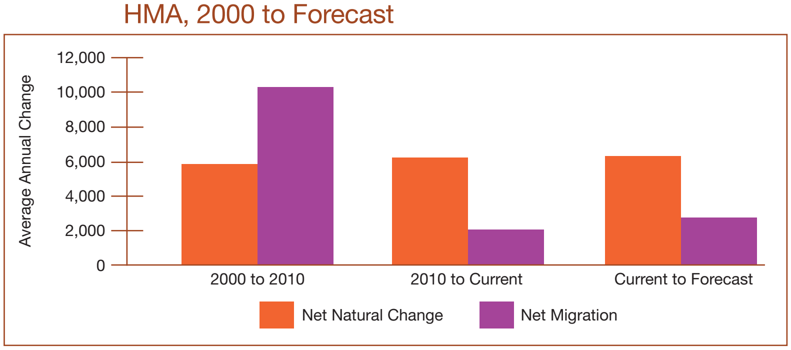
The mining, logging, and construction and the manufacturing sectors each declined by 3.7 percent, or 1,250 and 1,200 jobs, respectively, during 2011 compared with the number of jobs in 2010. The manufacturing sector is expected to continue to lose jobs during the next 3 years. Pfizer, Inc., plans to lay off 550 employees in May 2013 when it closes a pharmaceutical manufacturing facility in the city of Richmond, but research and development operations will remain in the city.

During the 3-year forecast period, job gains are expected to average 1.3 percent annually, which is less than the average annual growth rate of 1.5 percent recorded from 2003 through 2007 but more than the rate of 1.2 percent in 2011. Employment is expected to increase during each year of the forecast period, with the strongest growth expected during the third year.

Population and Households

As of January 1, 2012, the population of the Richmond HMA was estimated at nearly 1.27 million. Since 2010, the population has increased by an average of 8,425, or 0.7 percent, annually, more slowly than the growth of 12,600, or 1.0 percent, a year from 2007 through 2009. By comparison, when the economy expanded from 2000 through 2006, the population increased by 17,500, or 1.5 percent, annually. Net natural change (resident births minus resident deaths) has increased by an average of nearly 6,250 people since 2010, more than the rate of 5,850 people during the 2000s. Net natural change is expected to continue to increase by an average of 6,325 people annually during the next 3 years (Figure 4). Net in-migration accounted for more than 60 percent of the population increase during the 2000s compared with approximately 25 percent of the population growth that occurred after 2010, when the economy slowed.

Figure 4. Components of Population Change in the Richmond HMA, 2000 to Forecast



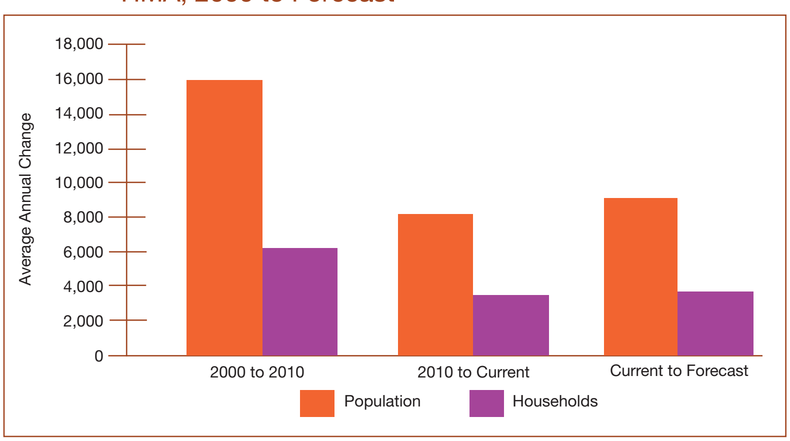
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

During the 2000s, the population of the Richmond City submarket increased by 640, or 0.3 percent, annually. From 2000 through 2003, the population remained nearly unchanged, but, as the downtown area became increasingly popular among young professionals and students, the population increased by an average of 1,250, or 0.6 percent, a year from 2004 through 2009. Annually from 2010 to the current date, when economic conditions slowed, the population growth decreased to 730 people, or 0.4 percent. Population growth is expected to continue increasing at 0.4 percent a year through the forecast period.

Population growth during the 2000s was stronger in the Chesterfield and Henrico Counties submarket compared with the outlying areas of the Remainder submarket. During the 2000s, the population of the Chesterfield and Henrico Counties submarket increased by 10,100, or 1.8 percent, annually. Net in-migration was highest from 2003 through 2006, averaging 9,025 people annually, resulting in population growth of 2.3 percent annually. In the Remainder submarket, the population increased by 5,400, or 1.3 percent, a year during the 2000s.

Since 2010, population growth has continued, but at a slower pace, in the Chesterfield and Henrico Counties and the Remainder submarkets because of weaker economic conditions. As a result of BRAC-related gains in military and civilian positions at Fort Lee, an estimated 4,250 people relocated to the Chesterfield and Henrico Counties and the Remainder submarkets. Approximately 70 percent of the BRAC migration was to the Remainder submarket, where Fort Lee is located, and the residual migration was to the Chesterfield and Henrico Counties submarket. Since 2010, population growth in the Chesterfield and Henrico Counties submarket has averaged 4,875 people, or 0.8 percent, annually. In the Remainder submarket, the population increased by 2,650, or 0.6 percent, a year since 2010. The population during the forecast period is estimated to increase annually by 0.9 percent in the Chesterfield and Henrico Counties submarket and by 0.5 percent in the Remainder submarket.

Figure 5. Population and Household Growth in the Richmond HMA, 2000 to Forecast



Source: Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Similar to the population growth trends, recent household growth in the HMA is slower than the rate that occurred during the 2000s. In the HMA, during the decade, the number of households increased by 6,325, or 1.4 percent, a year. By contrast, since 2010, household growth has slowed to approximately one-half of the rate of the previous decade to 3,475, or 0.7 percent, annually. With economic conditions expected to strengthen moderately in the HMA during the forecast period, the population and the number of households are expected to increase by 9,000 and 3,600 a year, respectively, or at an annual rate of 0.7 percent each (Figure 5). By the end of the forecast period, the population of the HMA is expected to reach 1.30 million and the number of households is expected to total 505,200.

An exception to the trend in the HMA is the city of Richmond, where household growth has nearly doubled since 2010. In the Richmond City submarket, household growth has increased by 490 households, or 0.6 percent, a year compared with the growth of 260 households, or 0.3 percent, a year during the 2000s, as the downtown and surrounding areas have attracted residents. The annual household growth rate is expected to remain constant at 0.6 percent in the Richmond City submarket.

Since 2010, in the Chesterfield and Henrico Counties submarket, the number of households has increased by 1,675, or 0.7 percent, a year compared with the growth of 3,850 households, or 1.8 percent, a year during the 2000s. The annual household growth rate is expected to increase to 0.8 percent in the Chesterfield and Henrico Counties submarket.

In the Remainder submarket, average household growth slowed to 1,325 households, or 0.8 percent, a year compared with the growth of 2,225 households, or 1.5 percent, a year during the 2000s. The annual household growth rate is expected to decline to 0.6 percent in the Remainder submarket subsequent to the completion of BRAC-related activities at Fort Lee. Tables DP-1, DP-2, DP-3, and DP-4 at the end of this report have more information on household growth in the HMA and the submarkets by tenure from 2000 through the current date.

Housing Market Trends

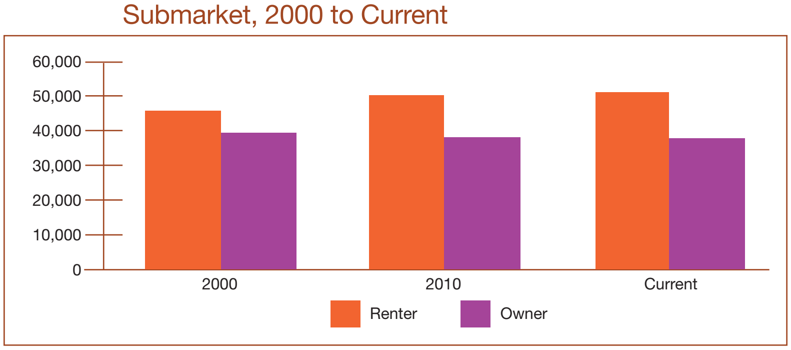
Sales Market—Richmond City Submarket

The sales housing market in the Richmond City submarket currently is soft. The sales vacancy rate is estimated at 4.0 percent, down from 4.6 percent recorded in April 2010. According to the Virginia Association of REALTORS®, 2,050 homes sold during 2011, an increase of 190 homes, or 10 percent, compared with sales in 2010. The average home sales price was $191,600 in 2011, up 3 percent from 2010. By comparison, the current level of sales is 4 percent lower and the average home sales price is 5 percent lower than in 2008. Since 2010, the percentage of owner households has decreased slightly from 43 to 42 percent as of the current date (Figure 6).

Mortgage delinquencies in the Richmond City submarket decreased during the past year. According to LPS Applied Analytics, during December 2011, the share of loans for homes that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the submarket declined to 8.7 percent compared with 9.0 percent a year earlier. The rate for Richmond City was more than the rates of 4.2 percent for Virginia and 7.6 percent for the nation.

In response to the soft home sales market, builders have reduced construction of single-family homes. According to preliminary data, 90 homes were permitted in the city of Richmond during 2011 compared with 130 homes permitted during the previous year. Single-family home construction has been declining since the peak years in 2005 and 2006, when an average of 500 homes was permitted annually.

Figure 6. Number of Households by Tenure in the Richmond City Submarket, 2000 to Current

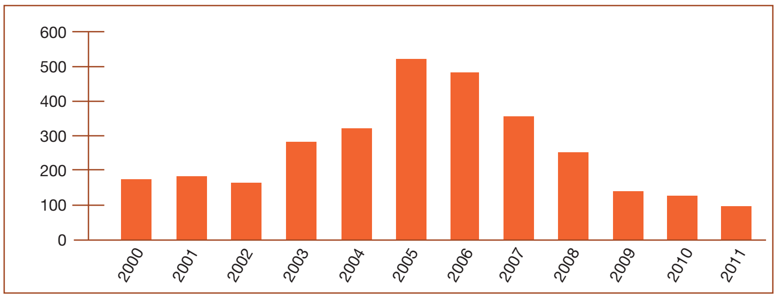


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The number of permits issued for single-family homes has declined steadily, averaging 250 units a year from 2007 through 2009 (Figure 7).

Since 2000, condominium units have accounted for 12 percent of multifamily units permitted in the Richmond City submarket. Of the 850 condominium units developed during the 2000s, approximately 85 percent were constructed from 2006 through 2008. Nearly all of the existing condominium units are located in the downtown and surrounding areas. Many are conversions of former warehouses and manufacturing buildings to residence buildings, with an average of 30 units in each development and an average home sales price of $200,000 for a two-bedroom unit. A few larger, newly constructed condominium developments were built along the James River, including the 160-unit Vistas on the James in 2007 and the 120-unit Riverside on the James in 2008. Starting home sales prices for those new units ranged from $200,000 to $600,000.

Figure 7. Single-Family Building Permits Issued in the Richmond City Submarket, 2000 to 2011



Notes: Includes townhomes. Includes data through December 2011.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Richmond City Submarket, January 1, 2012 to January 1, 2015

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	149,999	50	20.0
150,000	199,999	110	45.0
200,000	299,999	70	30.0
300,000	and higher	10	5.0

Note: The 20 homes currently under construction and a portion of the estimated 4,225 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

During the next 3 years, demand is forecast for 240 new single-family homes and condominium units in the Richmond City submarket. The 20 homes currently under construction will meet a portion of that demand (Table 1). In addition, a portion of the estimated 4,225 other vacant units in the submarket may re-enter the home sales market during the forecast period and satisfy some of the demand. Prices for new homes are expected to start at $100,000. Table 4 presents detailed information on the estimated demand for new sales housing by price range in the Richmond City submarket during the forecast period.

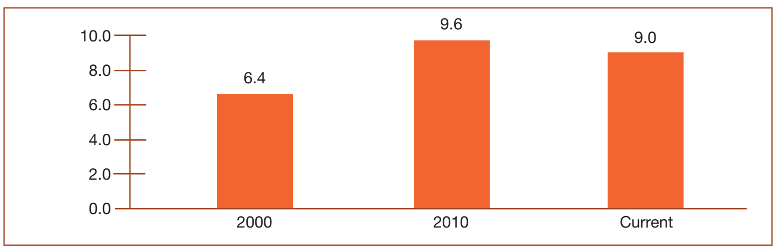
Rental Market—Richmond City Submarket

The rental housing market in the Richmond City submarket currently is soft, with an overall vacancy rate of 9.0 percent, down from the 9.6-percent rate recorded in April 2010 (Figure 8). According to Real Data, in January 2012, the apartment vacancy rate in the city of Richmond remained unchanged compared with the rate a year ago, at 6.8 percent. The average rent in the submarket was $820, up more than 6 percent from a year ago. The average rent was nearly $1,025 north of the James River, including downtown and The Fan area, which includes VCU, and $700 south of the James River, including Manchester, a neighborhood that has begun a conversion from former industrial use to residential use.

Multifamily construction increased from 2006 through 2008 (Figure 9) as the downtown and surrounding areas became increasingly popular among young professionals and students. In the Richmond City submarket, in 2011, the number of multifamily units permitted, based on preliminary data, increased 24 percent, to 590 units, compared with the number permitted in 2010. From 2006 through 2008, an average of 1,000 multifamily units was constructed compared with an average of 490 units built annually from 2000 through 2005. Many new developments were conversions of former factories and warehouses into apartments. Since 2000, nearly 90 percent of multifamily units permitted in the submarket were apartments. During 2011, approximately 190 units were completed at Cedar Broad Apartments and 75 units at 2001 East.

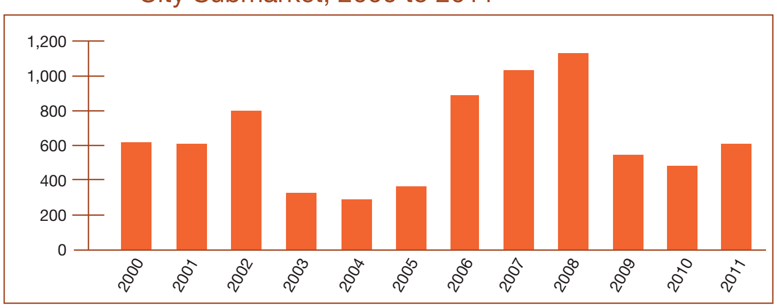
During the next 3 years, demand is forecast for 1,300 new market-rate rental housing units, which include the 570 units currently under construction (Table 1). After calculating for the projected absorption of excess vacancies and units under construction, demand for new rental units is not expected until the second year of the forecast period. The pipeline includes an estimated 1,075 units that are in the planning stages, which should be completed during the next 3 years and are likely to satisfy all the remaining demand in the submarket. Rents for the new units are projected to start at $800 for an efficiency unit, $900 for a one-bedroom unit, $1,200 for a two-bedroom unit, and $1,400 for a three-bedroom unit. Table 5 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level in the submarket during the forecast period.

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



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

Figure 9. Multifamily Building Permits Issued in the Richmond City Submarket, 2000 to 2011



Notes: Excludes townhomes. Includes data through December 2011.

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

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Richmond City Submarket, January 1, 2012 to January 1, 2015

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
800 or more	65	900 to 1,099	340	1,200 to 1,399	390	1,400 to 1,599	200
		1,100 or more	110	1,400 or more	130	1,600 or more	65
Total	65	Total	450	Total	520	Total	260

Notes: Numbers may not add to totals because of rounding. The 570 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

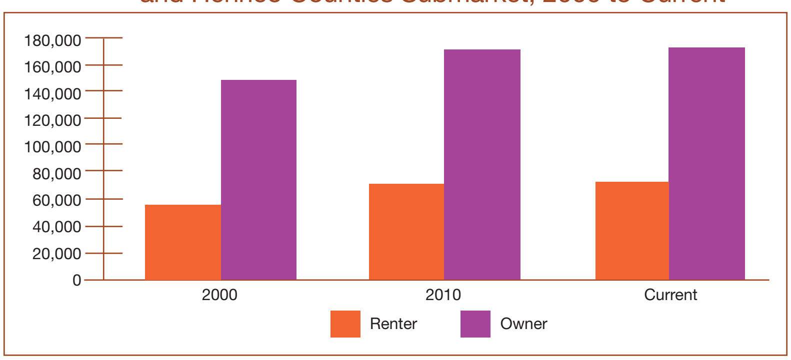
Sales Market—Chesterfield and Henrico Counties Submarket

The sales housing market in the Chesterfield and Henrico Counties submarket is slightly soft with a sales vacancy rate of 1.7 percent, a decrease from the 2.1-percent rate in April 2010. According to the Virginia Association of REALTORS®, during 2011, nearly 6,725 homes sold, an increase of 260 homes, or 4 percent, compared with sales in 2010. The average home sales price was $223,700 in 2011, down 11 percent from the average for 2010. By comparison, the current level of sales is 8 percent lower and the average home sales price is 11 percent lower than in 2009. Despite the decline in the sales vacancy rate since April 2010, the home sales market has remained weak, and the percentage of owner households has decreased slightly from 71 percent in 2010 to 70 percent as of the current date (Figure 10).

Mortgage delinquencies in the Chesterfield and Henrico Counties submarket decreased during the past year. According to LPS Applied Analytics, during December 2011, the percentage of total loans 90 or more days delinquent, in foreclosure, or in REO in the submarket declined to 4.3 percent compared with 4.7 percent a year earlier. The rate for Chesterfield and Henrico Counties was slightly more than the 4.2-percent rate for Virginia but less than the 7.6-percent rate for the nation.

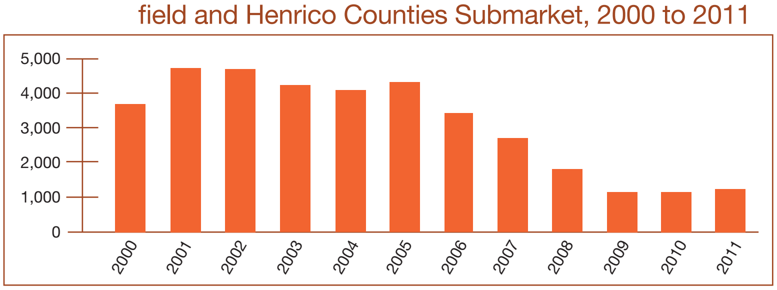
In response to softer sales market conditions, builders have maintained a lower level of production during the past 2 years. According to preliminary data, nearly 1,225 homes were permitted during 2011, up 3 percent from the 1,175 homes permitted during 2010. Single-family home construction averaged 3,975 homes a year from 2000 through 2007. Due to reduced population growth as a result of weaker economic conditions, however, single-family construction averaged 1,450 homes annually in 2008 and 2009 (Figure 11). The Highlands, a planned development with 900 existing homes in Chesterfield County, constructed during the past 15 years, has approvals for approximately 300 additional homes. Prices for new homes range from $300,000 to $660,000, and existing home prices start at $250,000.

Figure 10. Number of Households by Tenure in the Chesterfield and Henrico Counties Submarket, 2000 to Current



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

Figure 11. Single-Family Building Permits Issued in the Chesterfield and Henrico Counties Submarket, 2000 to 2011



Notes: Includes townhomes. Includes data through December 2011.

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

Since 2000, condominium units have accounted for 11 percent of all multifamily units permitted in the Chesterfield and Henrico Counties submarket. Approximately 560 new condominium units were constructed during the 2000s, with more than 70 percent completed from 2000 through 2004, and nearly all were located in Chesterfield County. In 2011, the average sales price for new condominium units started at $200,000. One of the largest condominium developments is the 300-unit Bristol Village, constructed in Chesterfield in 2004.

During the next 3 years, demand is forecast for 4,825 homes in the submarket. The 430 homes currently under construction will meet a portion of this demand (Table 1). In addition, an estimated 5,025 other vacant units are in the submarket, some of which may return to the sales housing market during the forecast period. Prices for new homes are expected to start at $125,000. Table 6 presents detailed information on the estimated demand for new sales housing by price range in the Chesterfield and Henrico Counties submarket during the forecast period.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Chesterfield and Henrico Counties Submarket, January 1, 2012 to January 1, 2015

Price Range ($)		Units of Demand	Percent of Total
From	To		
125,000	199,999	1,450	30.0
200,000	299,999	1,700	35.0
300,000	399,999	720	15.0
400,000	599,999	480	10.0
600,000	799,999	340	7.0
800,000	and higher	140	3.0

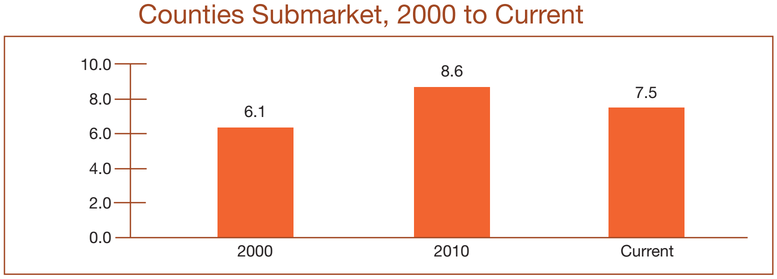
Note: The 430 homes currently under construction and a portion of the estimated 5,025 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Chesterfield and Henrico Counties Submarket

In the Chesterfield and Henrico Counties submarket, the rental housing market is currently soft but improving, with a vacancy rate of 7.5 percent. By comparison, the vacancy rate was 8.6 percent in April 2010 (Figure 12). According to Real Data, the apartment vacancy rate in Chesterfield and Henrico Counties was 6.8 percent as of January 2012, unchanged from a year earlier. The apartment vacancy rate was 5.8 percent in Henrico County and 9.2 percent in Chesterfield County. The apartment market in Henrico County is balanced, and no large-scale apartment developments have been constructed since 2009. In Chesterfield County, the apartment market is soft because recently completed units are in leaseup. The 300-unit Meridian Watermark, located in northern Chesterfield County, was 70 percent occupied as of January 2012. The average rent in the Chesterfield and Henrico Counties submarket increased by nearly 6 percent from a year ago, to $870 a month.

Figure 12. Rental Vacancy Rates in the Chesterfield and Henrico Counties Submarket, 2000 to Current

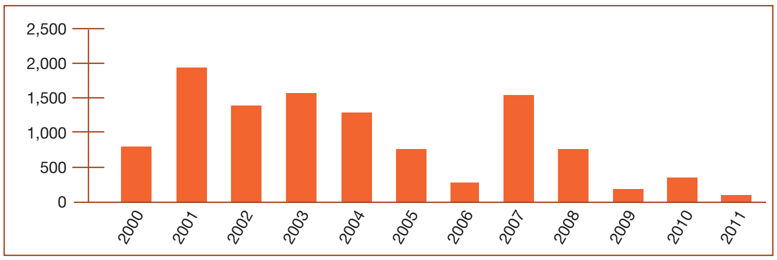


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

During the latter part of the 2000s, developers responded to slower population growth and weaker economic conditions by decreasing multifamily construction in the Chesterfield and Henrico Counties submarket. From 2005 through 2009, an average of 690 units was permitted annually, approximately one-half of the average of 1,375 units permitted annually from 2000 through 2004. Nearly 90 percent of multifamily units permitted in the submarket were apartments. Based on preliminary data, in 2011, the number of permits issued for multifamily units declined by 68 percent, to 110 units, compared with the number of permits in 2010 (Figure 13).

Because economic conditions are expected to improve during the next 3 years, demand is forecast for 2,350 new market-rate rental housing units (Table 1). Rents for the new units are projected to start at $750 for a one-bedroom unit, $1,000 for a two-bedroom unit, and $1,350 for a three-bedroom unit. Table 7 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level in the submarket during the forecast period.

Figure 13. Multifamily Building Permits Issued in the Chesterfield and Henrico Counties Submarket, 2000 to 2011



Notes: Excludes townhomes. Includes data through December 2011.

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

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Chesterfield and Henrico Counties Submarket, January 1, 2012 to January 1, 2015

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
750 to 949	650	1,000 to 1,199	840	1,350 to 1,549	370
950 or more	160	1,200 to 1,399	160	1,550 or more	95
		1,400 or more	50		
Total	820	Total	1,050	Total	470

Notes: Numbers may not add to totals because of rounding. No rental units are currently under construction.

Source: Estimates by analyst

Sales Market—Remainder Submarket

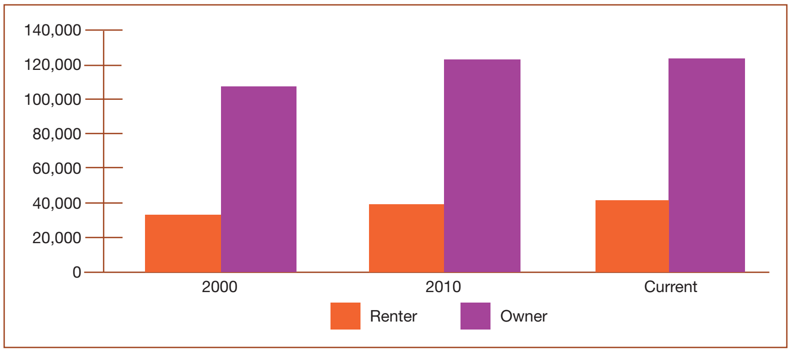
The sales market in the Remainder submarket is soft, with a vacancy rate of 2.0 percent, down from a rate of 2.2 percent in April 2010. According to the Virginia Association of REALTORS®, nearly 2,575 homes sold during 2011, an increase of 30 homes, or 1 percent, compared with sales in 2010. The average home sales price increased by 5 percent to $231,200 in 2011 compared with the average price a year earlier. Since 2010, the percentage of owner households has decreased slightly from 76 to 75 percent as of the current date (Figure 14).

Mortgage delinquencies in the Remainder submarket decreased during the past year. According to LPS Applied Analytics, during December 2011, the percentage of total loans 90 or more days delinquent, in foreclosure, or in REO in the submarket declined to 5.3 percent compared with 5.7 percent a year earlier. The rate for the Remainder submarket was more than the rate of 4.2 percent for Virginia and less than the rate of 7.6 percent for the nation.

Developers responded to increased sales and higher prices by increasing construction of new homes during 2011. According to preliminary data, nearly 1,075 homes were permitted during 2011, an increase of 100 homes, or more than 8 percent, compared with the number of homes permitted in 2010. Single-family home construction averaged 3,400 homes a year from 2000 through 2007. Sales of new homes reached a 10-year peak of 4,275 homes sold in 2005 (Figure 15). During 2008 and 2009, however, construction activity declined to an average of 1,750 homes annually because of the weaker economy.

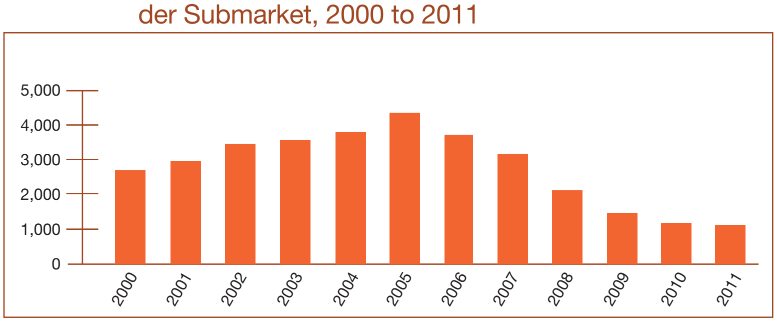
During the next 3 years, demand is forecast for 3,090 new single-family homes and 160 mobile homes. Mobile home placements are likely to be concentrated in Cumberland, Powhatan, and Sussex Counties. The 360 homes currently under construction will meet a portion of that demand (Table 1). In addition, an estimated 11,450 other vacant units are in the Remainder submarket, some of which may re-enter the home sales market and satisfy part of the demand during the forecast period. Prices for new homes are expected to start at $100,000. Table 8 presents detailed information on the estimated demand for new sales housing by price range in the Remainder submarket during the forecast period.

Figure 14. Number of Households by Tenure in the Remainder Submarket, 2000 to Current



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

Figure 15. Single-Family Building Permits Issued in the Remainder Submarket, 2000 to 2011



Notes: Includes townhomes. Includes data through December 2011.

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

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, January 1, 2012 to January 1, 2015

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	199,999	930	30.0
200,000	299,999	1,175	38.0
300,000	499,999	560	18.0
500,000	699,999	310	10.0
700,000	and higher	120	4.0

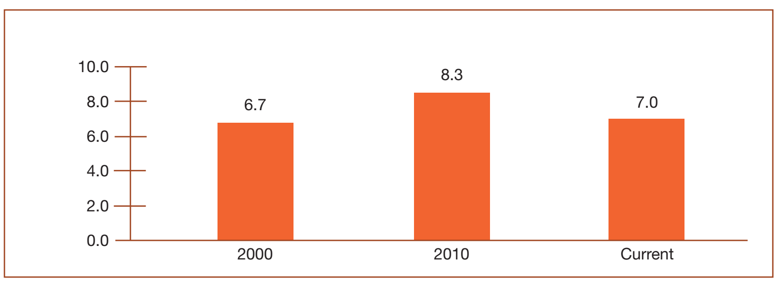
Notes: The 360 homes currently under construction and a portion of the estimated 11,450 other vacant units in the submarket will likely satisfy some of the forecast demand. Does not include the demand for an estimated 160 mobile homes.

Source: Estimates by analyst

Rental Market—Remainder Submarket

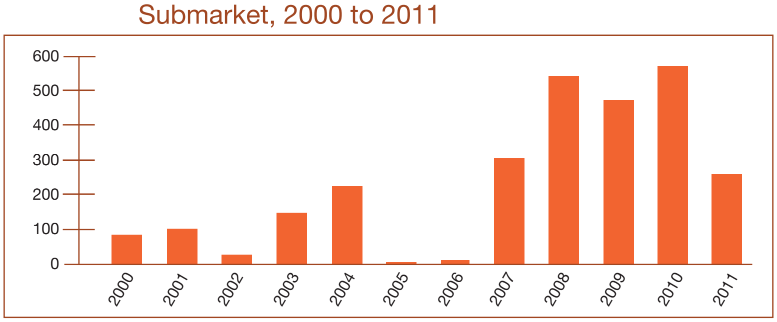
The rental market in the Remainder submarket is slightly soft, with a vacancy rate of 7.0 percent, down from the 8.3-percent rate recorded in April 2010 (Figure 16). According to Real Data, which covers approximately 25 percent of all rental units in the Remainder submarket, the apartment vacancy rate was 9.1 percent in January 2012, an increase from the 6.5-percent rate recorded a year earlier. The number of recently completed apartment units in lease up in the submarket increased to 230 units in January 2012 compared with 60 units a year ago. As reported by Real Data, vacancy rates increased from 4.4 to 6.0 percent in Hanover County and from 7.1 to 9.8 percent in the cities of Colonial Heights, Hopewell, and Petersburg, which are located near Fort Lee. The average rent in the submarket was $976, unchanged from a year ago.

Figure 16. Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



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

Figure 17. Multifamily Building Permits Issued in the Remainder Submarket, 2000 to 2011



Notes: Excludes townhomes. Includes data through December 2011.

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

Multifamily construction activity in-creased from 2007 through 2010 when developers responded to employment growth at Fort Lee. In September 2011, BRAC activities were completed and, as a result of concurrent declines in migration during 2011, development of multifamily housing slowed. Based on preliminary data, in 2011, the number of multifamily units permitted declined to 260 units, a 54-percent decrease, compared with the number of units permitted in 2010 (Figure 17). From 2007 through 2010, an average of 470 multifamily units was constructed annually compared with an average annual level of 80 units from 2000 through 2006. In Prince George County near Fort Lee, 230 market-rate apartment units and 650 units of military housing for families were developed from 2009 through 2011. In addition, approximately 130 units were constructed annually in the city of Petersburg from 2008 through 2011, and occupancy was targeted primarily to students and young professionals. A significant portion of the rental stock in the submarket includes single-family and mobile home rentals.

During the next 3 years, demand is forecast for 540 new market-rate rental housing units, which includes an estimated 110 units that are currently under construction (Table 1). To allow for excess vacancies and units under construction to be absorbed, demand for new rental units is not expected until the second year of the forecast period. Rents for the new units are projected to start at $800 for a one-bedroom unit, $1,100 for a two-bedroom unit, and $1,400 for a three-bedroom unit. Table 9 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level in the submarket during the forecast period.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket, January 1, 2012 to January 1, 2015

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
800 to 999	150	1,100 to 1,299	180	1,400 to 1,599	60
1,000 or more	65	1,300 or more	60	1,600 or more	20
Total	220	Total	240	Total	80

Notes: Numbers may not add to totals because of rounding. The 110 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profiles

Table DP-1. Richmond HMA Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total Resident Employment	553,197	616,351	628,500	1.1	2.0
Unemployment Rate	2.1%	7.8%	6.9%		
Nonfarm Payroll Jobs	587,300	602,400	609,500	0.3	1.2
Total Population	1,096,957	1,258,251	1,273,000	1.4	0.7
Total Households	425,100	488,330	494,500	1.4	0.7
Owner Households	292,368	330,241	331,000	1.2	0.1
Percent Owner	68.8%	67.6%	66.9%		
Renter Households	132,732	158,089	163,500	1.8	1.9
Percent Renter	31.2%	32.4%	33.1%		
Total Housing Units	452,684	531,648	536,100	1.6	0.5
Owner Vacancy Rate	1.5%	2.4%	2.1%		
Rental Vacancy Rate	6.4%	8.8%	7.8%		
Median Family Income	$55,044	$73,200	$73,900	2.9	1.0

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2011. Median family incomes are for 1999, 2009, and 2010.

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

Table DP-2. Richmond City Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total Population	197,790	204,214	205,500	0.3	0.4
Total Households	84,549	87,151	88,050	0.3	0.6
Owner Households	39,008	37,596	37,350	– 0.4	– 0.4
Percent Owner	46.1%	43.1%	42.4%		
Rental Households	45,541	49,555	50,700	0.8	1.3
Percent Renter	53.9%	56.9%	57.6%		
Total Housing Units	92,282	98,349	98,800	0.6	0.3
Owner Vacancy Rate	2.4%	4.6%	4.0%		
Rental Vacancy Rate	6.4%	9.6%	9.0%		

Note: Numbers may not add to totals because of rounding.

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

Table DP-3. Chesterfield and Henrico Counties Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total Population	522,203	623,171	631,700	1.8	0.8
Total Households	201,893	240,281	243,300	1.8	0.7
Owner Households	146,963	170,042	171,000	1.5	0.3
Percent Owner	72.8%	70.8%	70.3%		
Rental Households	54,930	70,239	72,250	2.5	1.6
Percent Renter	27.2%	29.2%	29.7%		
Total Housing Units	210,277	255,333	257,100	2.0	0.4
Owner Vacancy Rate	1.2%	2.1%	1.7%		
Rental Vacancy Rate	6.1%	8.6%	7.5%		

Note: Numbers may not add to totals because of rounding.

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

Table DP-4. Remainder Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total Population	376,964	430,866	435,500	1.3	0.6
Total Households	138,658	160,898	163,200	1.5	0.8
Owner Households	106,397	122,603	122,640	1.4	0.0
Percent Owner	76.7%	76.2%	75.1%		
Rental Households	32,261	38,295	40,565	1.7	3.3
Percent Renter	23.3%	23.8%	24.9%		
Total Housing Units	150,125	177,966	180,200	1.7	0.7
Owner Vacancy Rate	1.5%	2.2%	2.0%		
Rental Vacancy Rate	6.7%	8.3%	7.0%		

Note: Numbers may not add to totals because of rounding.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 1/1/2012—Analyst's estimates
Forecast period: 1/1/2012–1/1/2015—Analyst's estimates

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

Other Vacant Units: In 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 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_RichmondVA_12.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 www.huduser.org/publications/econdev/mkt_analysis.html.