Hampton Roads Real Estate

Figure 7.1 Building Permits in Hampton Roads .......................................................... 3
Figure 7.2 Value of Building Permits in Hampton Roads ........................................... 3
Figure 7.3 Per Unit Value of Single Family Building Permits in Hampton Roads .... 4
Figure 7.4 Pre-Owned and New Construction Home Sales in Hampton Roads ........ 4
Figure 7.5 Homeownership Rates in Hampton Roads ............................................... 5
Figure 7.6 Construction Employment in Hampton Roads ......................................... 5
Figure 7.7 Housing Price Index in Hampton Roads, Virginia, and the U.S. ............. 6
Figure 7.8 Housing Price Index in Hampton Roads and Reference Metropolitan Areas ................................................................. 6
Figure 7.9 Housing Opportunity Index ....................................................................... 7
Figure 7.10 30-Year Conventional Mortgage Rates ..................................................... 7
Figure 7.11 Retail Vacancy Rate in Hampton Roads ..................................................... 8
Figure 7.12 Industrial Market Vacancy Rate in Hampton Roads .............................. 8
Real Estate in Hampton Roads

Real estate plays a vital role in the economy and constitutes where people in Hampton Roads live, work, shop, and stay. Hampton Roads real estate has remained in a fragile state since the onset of the Great Recession in 2007. Residential home building hit its peak in 2005 with the subsequent crash leading to historic lows in 2009, but has steadily increased in the recovery. Construction employment has declined by nearly 11,000 positions since the height of the market, but are gradually increasing as the market recovers from the Great Recession and building permits increase. The number of building permits issued fell from more than 11,000 in 2005 to a low of 3,966 in 2010. Permits have been rising steadily since those lows, and increased significantly in response to demand during the COVID-19 pandemic—nearly 7,000 building permits were issued in 2020.

Homeownership has declined from its peak in 2003, resulting from increasing home prices and debt, which have made purchasing a home unaffordable. During the Great Recession, the decline in home prices made housing more affordable, which led to an increase in the percentage of homes sold that families who earned the region’s median income could afford. Interest rates, and in return, mortgage rates, have remained extremely low in an effort to stimulate economic growth in the current economic recession. However, this has not translated to an increase in the housing opportunity index due to increased demand, reduced supply, and the subsequent increase in housing prices due to COVID-19.

One result of the housing correction and lower rate of homeownership has been growth in multifamily construction, as builders take advantage of higher rents relative to the cost of homeownership.

While the vacancy rate of retail space has not increased significantly across the region, it is important to note that all real estate is local, so trends across the region will not necessarily manifest themselves in individual pockets of Hampton Roads. The industrial market vacancy rate is at historic lows—according to CoStar it’s the seventh lowest industrial vacancy rate in the country.

Although there has been some recovery in construction employment, general weakness in the Hampton Roads labor market suggests the housing market will not experience the hyper-rapid home price appreciations that have occurred in some of Hampton Roads’ reference MSAs, even given the acceleration of price increases in 2020. That said, the Hampton Roads housing market is expected to continue to experience growth in the near-term.
**Figure 7.1 Building Permits in Hampton Roads**

**Why is it important?**
Building permit information reflects on the general well-being of the residential construction industry. Large increases or decreases in the number of building permits have both social and economic implications.

**How are we doing?**
Building permits declined rapidly on the eve of the Great Recession as builders quickly reacted to the looming housing correction. In response to heightened demand during the COVID-19 pandemic, building permits increased significantly to 6,951 in 2020. Single family homes represented over 75% of all permits issued, the highest ratio since 2010.

**Figure 7.2 Value of Building Permits in Hampton Roads**

**Why is it important?**
The value of building permits is an excellent indicator of residential construction activity. Both the number and the value of building permits reflect the demand for housing in relation to the price of housing.

**How are we doing?**
The value of housing permits issued has increased since the housing correction, indicating a level of recovery to the overall housing market. Increased demand for housing due to the pandemic caused 2020 values to reach recent highs, however recovery will likely not reach levels seen during the housing boom.
Figure 7.3 Per Unit Value of Single Family Building Permits in Hampton Roads

**Why is it important?**
The size and amenities of homes built in the region respond to numerous features, including economic factors, family size, and changing tastes. The cost of building new homes indicates at what price point the market has been operating.

**How are we doing?**
Inflation-adjusted values peaked in 2007, before declining slightly through the Great Recession. After stabilizing around $220,000 for the past several years, 2020 values declined by over 6%.

Source: U.S. Census Bureau, HRPDC

Figure 7.4 Pre-Owned and New Construction Home Sales in Hampton Roads

**Why is it important?**
Regional home sales react to both local and national market pressures. Large increases in new construction sales often indicate increasing population, while increases in housing resales can be attributed to a variety of factors, including economic growth.

**How are we doing?**
Closings in Hampton Roads contracted significantly during the Great Recession, with a brief spike related to the homebuyer tax credit. The number of transactions has increased consistently over the past few years, with vast increases in resales in 2020 as a result of the COVID-19 pandemic.

Source: Rose and Womble Residential Data Bank, HRPDC
**Figure 7.5 Homeownership Rates in Hampton Roads**

**Why is it important?**
Homeownership was a stated policy goal of the two previous presidential administrations, and is often been considered part of the American Dream. Changes in the homeownership rate are driven by new household formation, as well as other demographics changes.

**How are we doing?**
Homeownership peaked in 2003, until rising home prices and debt started to slow down household formation. The Census estimated that the homeownership rate decreased in 2018, but stayed above recent lows of 2015 and 2016. Demand for housing due to the pandemic drove rates to nearly 66% in 2020.

![Home Ownership Rate Graph](image)

Source: U.S. Census Bureau, HRPDC

**Figure 7.6 Construction Employment in Hampton Roads**

**Why is it important?**
Construction employment serves as another measure of the construction industry, and the industry provides employment opportunities for individuals who decided to forego high levels of education.

**How are we doing?**
Construction employment declined significantly during the housing correction and has yet to return to the levels seen through the 2000s, although the industry is seeing modest improvements of roughly 1-2% per year since 2016. Even with record-high unemployment in 2020, construction employment remained strong.

![Construction Employment Graph](image)

Source: Bureau of Labor Statistics, HRPDC
Why is it important?
The FHFA Home Price Index (HPI) measures repeated sales of homes to capture the true increase in the cost of housing. Rising home values serve as an asset to families and represent a rising cost of living for workers.

How are we doing?
The HPI in Hampton Roads experienced a similar decline to that of the nation and the Commonwealth from 2007 to 2009, but has been recovering at a slower rate. As the COVID-19 pandemic took hold, HPI increased overall, with the trend remaining of slower growth in Hampton Roads.

Why is it important?
Housing is a major component of the cost of living, affecting how the Hampton Roads region can compete for employment with other metro areas. Also, real property taxes are an important part of local government finances, and changes in home values can impact the level of services a locality can provide.

How are we doing?
Hampton Roads home prices have increased by 15% from 2010 levels, showing the impact of COVID-19 on home prices. However, prices rose by greater rates in 37 of the 38 other reference metro areas.
Figure 7.9 Housing Opportunity Index

Why is it important?
The ability to purchase housing improves the quality of life by offering individuals the opportunity to take advantage of the benefits associated with homeownership. This index estimates the percentage of homes sold that are affordable to a family earning the region’s median income.

How are we doing?
Housing affordability increased in Hampton Roads as a result of lower home prices and interest rates, as well as steady growth in median incomes. More recently, affordability has been declining, accelerated by the increased home prices, increase in demand and decrease in supply experienced in 2020.

Figure 7.10 30-Year Conventional Mortgage Rates

Why is it important?
National mortgage rates influence local mortgage rates and the overall affordability of the housing market. Continued low rates allow the market to continue to improve, but any major increase in mortgage rates could greatly impact the housing market.

How are we doing?
Mortgage rates have decreased as a result of lower demand for loans and accommodative monetary policy after the recession. As the Federal Reserve lowered interest in 2019 to boost the economy and kept them low in 2020, lower mortgage rates have followed.
### Figure 7.11 Retail Vacancy Rate in Hampton Roads

**Why is it important?**
The availability of retail space reflects market conditions, speculation, and access to real estate.

**How are we doing?**
The 2019 retail vacancy rate in Hampton Roads remained constant from 2018 at 5.1% despite the opening of several notable chain stores due to the demise of several weak brands. It is important to note that this data does not include the impact of COVID-19, which severely impacted the retail market.

Source: Old Dominion University Center for Real Estate and Economic Development, HRPDC

### Figure 7.12 Industrial Market Vacancy Rate in Hampton Roads

**Why is it important?**
The industrial market vacancy rate signals the availability of industrial space for area employers. Sudden changes in the vacancy rate can indicate the arrival or departure of a major employer. Sustained changes are indicative of trends in the industrial market place.

**How are we doing?**
The industrial market reported a historically low vacancy rate for 2019 at 2.5% as several major supply chain projects were announced, military contracts expanded, and Port of Virginia completed construction improvements and saw record volume.

Source: Old Dominion University Center for Real Estate and Economic Development, HRPDC