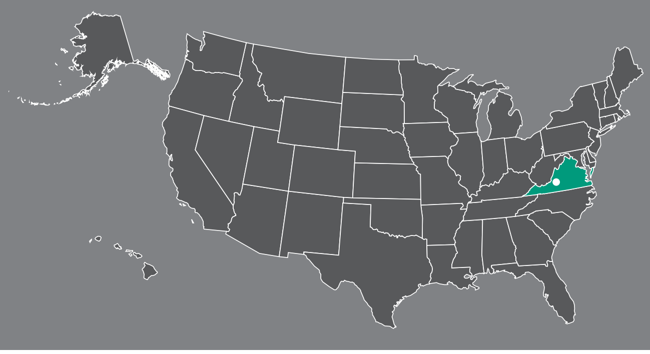
HUD PD&R **Housing Market Profiles**

Roanoke, Virginia

Quick Facts About Roanoke

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **In 2018, *Forbes* rated Roanoke as one of the top 25 places in the country to retire due to its low cost of living and rich scenic environment, including Smith Mountain Lake in Franklin County. Properties at Smith Mountain Lake, with more than 500 miles of shoreline, account for nearly 60 percent of total real estate tax revenue in Franklin County.**



By Matthew Tieff | As of April 1, 2020

Overview

The Roanoke metropolitan area includes the counties of Botetourt, Craig, Franklin, and Roanoke, as well as the cities of Roanoke and Salem. Located in the Blue Ridge and Allegheny Mountains of southwest Virginia, the metropolitan area is 240 miles southwest of Washington, D.C. and 180 miles west of Richmond.

- As of April 1, 2020, the estimated population of the metropolitan area is 313,400, reflecting an average annual increase of 50, or less than 0.1 percent, since 2015 (U.S. Census Bureau population estimates as of July 1). By comparison, from 2010 to 2015, population growth averaged 900 people, or 0.3 percent, annually.
- The lack of population growth was due to both lower levels of net in-migration and greater net natural decline (resident deaths minus resident births). Net in-migration to the metropolitan area averaged 570 people a year since 2015, compared with an average of 970 people a year during the previous 5 years; net natural decline averaged 520 people each year since 2015, compared with an average of 60 people a year from 2010 to 2015.

continued on page 2

continued from page 1

- The relatively low cost of living and accessible health care attracts retirees to the metropolitan area. Approximately 20 percent of the metropolitan area population was aged 65 or older in 2018, compared with 15 percent in Virginia and 16 percent nationally. The median age for the metropolitan area was 43.1 years, higher than the Virginia and national median ages of 38.3 and 38.2 years, respectively (2018 American Community Survey 1-year data).

Economic Conditions

The economy of the Roanoke metropolitan area had generally strengthened since the Great Recession, with an average increase of 1,275 jobs, or 0.8 percent, annually from 2011 through 2019, although nonfarm payrolls recently declined and total jobs are below the first-quarter pre-recession peak. During the first quarter of 2020, nonfarm payrolls averaged 161,100 jobs, a decrease from the first quarter average of 161,700 jobs during 2007.

During the first quarter of 2020—

- Nonfarm payrolls declined by 400 jobs, or 0.2 percent, compared with a gain of 1,700 jobs, or 1.0 percent, during the first quarter of 2019.
- Losses were largest in the transportation and utilities and the leisure and hospitality sectors, declining by 400 and 300 jobs, or 4.7 and 2.1 percent, respectively. In the transportation and utilities sector, Norfolk Southern Corporation, a freight railroad operator, laid off 130 employees in September 2019, announcing in February 2020 that it would be closing its Roanoke distribution center, cutting more than 100 jobs in the metropolitan area by May 2020.
- Partially offsetting these losses were job gains in the education and health services and the mining, logging, and construction sectors, growing by 300 and 100 jobs, or 1.1 and 1.2 percent, respectively. By comparison, the education and health services sector grew by 1.5 percent, and the mining, logging, and construction sector increased by 5.0 percent during the first quarter of 2019, compared with the same quarter a year ago.
- The unemployment rate averaged 3.1 percent, unchanged from a year earlier and below the 8.3-percent rate during the first quarter of 2010. The current unemployment rate is the lowest of any corresponding period in the metropolitan area since 2001, when the unemployment rate averaged 2.6 percent.

continued on page 3

Nonfarm payrolls declined slightly in the Roanoke metropolitan area 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	161.5	161.1	-0.4	-0.2
Goods-Producing Sectors	23.9	24.1	0.2	0.8
Mining, Logging, & Construction	8.5	8.6	0.1	1.2
Manufacturing	15.4	15.5	0.1	0.6
Service-Providing Sectors	137.6	137.0	-0.6	-0.4
Wholesale & Retail Trade	24.5	24.4	-0.1	-0.4
Transportation & Utilities	8.5	8.1	-0.4	-4.7
Information	1.3	1.3	0.0	0.0
Financial Activities	8.1	8.1	0.0	0.0
Professional & Business Services	22.1	21.9	-0.2	-0.9
Education & Health Services	27.9	28.2	0.3	1.1
Leisure & Hospitality	14.4	14.1	-0.3	-2.1
Other Services	7.8	7.7	-0.1	-1.3
Government	23.0	23.1	0.1	0.4
Unemployment Rate	3.1%	3.1%		

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

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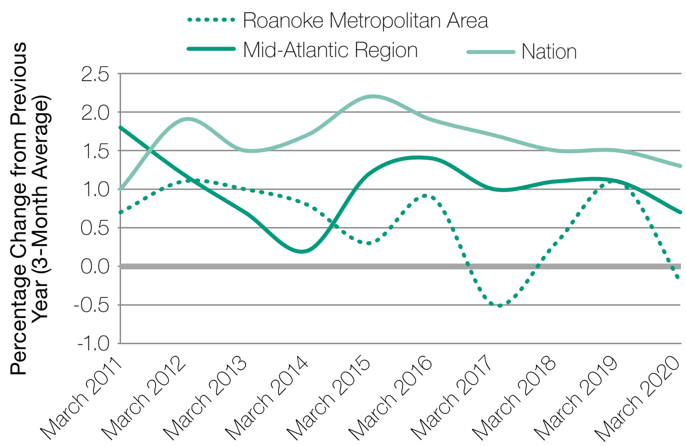
Since 2015, the economy of the Roanoke metropolitan area has, on average, grown slower than both the region and the nation.



Source: U.S. Bureau of Labor Statistics

Although the number of jobs in the manufacturing sector had declined from 2012, the number of jobs lost had decreased year over year from 2015 through 2018 and had recently transitioned to job gains. During the first quarter of 2020, the manufacturing sector was one of only three private sectors in the metropolitan area to have grown, increasing by 100 jobs, or 0.4 percent, from a year ago, compared with no change during the same period a year earlier. By comparison, from the first quarter of 2012 to the first quarter of 2018, this sector declined by 170 jobs, or 1.0 percent, annually. In January, Mack Trucks, Inc., a subsidiary of AB Volvo, opened a medium-duty truck manufacturing facility in the city of Salem, which is expected to employ more than 250 people when fully operational by the summer of 2020. The facility is at the former LSC Communications printing plant, which closed in July 2017, resulting in the loss of 140 jobs.

Largest Employers in the Roanoke Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Carilion Roanoke Memorial Hospital	Education & Health Services	1000+
The Kroger Co.	Wholesale & Retail Trade	1000+
Wells Fargo & Company	Financial Activities	1000+

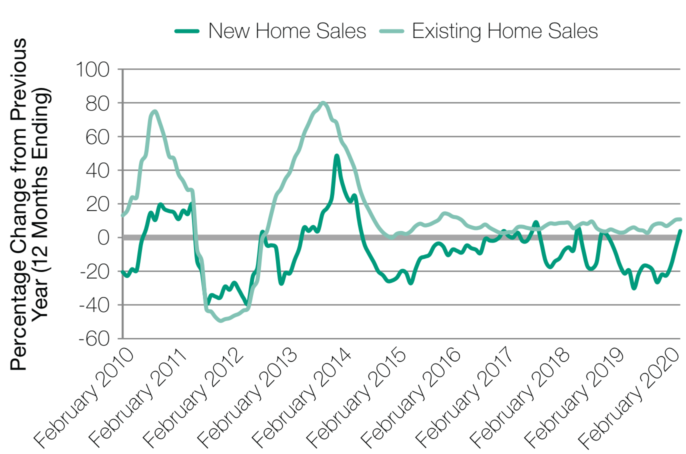
Note: Excludes local school districts.
Source: Economy.com

Sales Market Conditions

Sales housing market conditions in the Roanoke metropolitan area are currently balanced, with an estimated vacancy rate of 1.7 percent, down from 2.6 percent in April 2010. The improvement in sales housing market conditions was due in part to the decline in single-family homebuilding activity since the Great Recession. As of April 2020, the metropolitan area had approximately 3.9 months of for-sale available inventory, down from a 9.4-month supply in 2010 (Roanoke Valley Association of Realtors®). The percent of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 1.2 percent, down from 1.5 percent a year earlier. The rate of distressed sales in the metropolitan area was higher than the rate of 1.0 percent for the state of Virginia but slightly lower than the national rate of 1.3 percent (CoreLogic, Inc.).

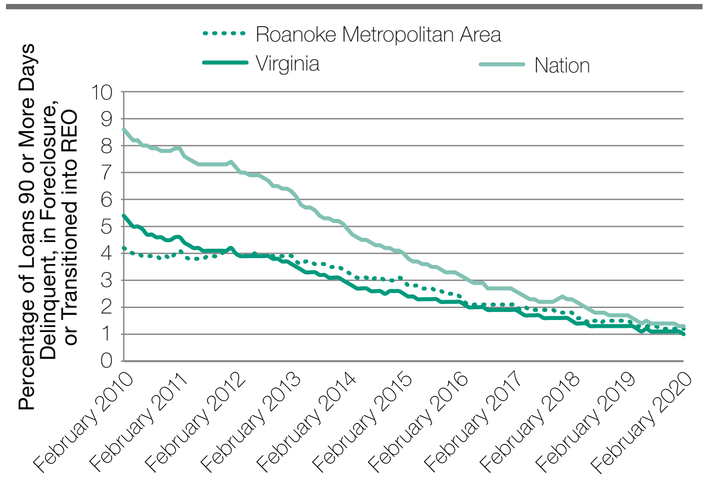
continued on page 4

Both new existing home sales have increased in the Roanoke metropolitan area during the past year.



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

For the past decade, the percentage of seriously delinquent loans and REO properties in the Roanoke metropolitan area has been below the national average.



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

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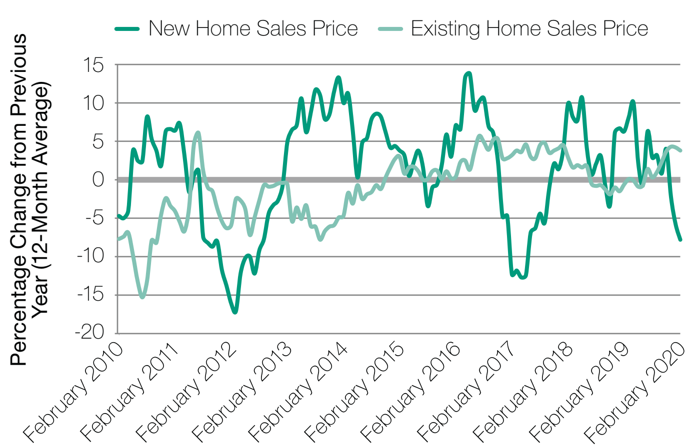
During the 12 months ending February 2020—

- Existing home sales, including single-family homes, townhomes, and condominiums, totaled 5,675 homes, up nearly 11 percent from the 5,125 homes sold during the 12 months ending February 2019 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- The average sales price of existing homes was $197,500, an increase of 4 percent from $190,300 during the previous 12-month period. Since 2015, the average existing home sales price increased an average of 2 percent annually.
- The number of new homes sold, including single-family homes, townhomes, and condominiums, totaled 80 homes, up 4 percent from the 75 homes sold during the previous 12 months. By comparison, after a recent peak of 140 new homes sold during the corresponding period of 2014, the number of new homes sold in the metropolitan area declined to an average of 110 homes sold annually from 2015 through 2018.
- The average sales price of new homes was $274,600, an 8-percent decrease from $297,800 a year earlier. By comparison, the average price of a new home increased an average of 2 percent annually from 2015 through 2018.

As a result of slow economic and population growth, single-family homebuilding, as measured by the number of homes permitted, has been low since the early 2010s compared with the previous decade. The level of home construction, however, has been relatively stable since 2011.

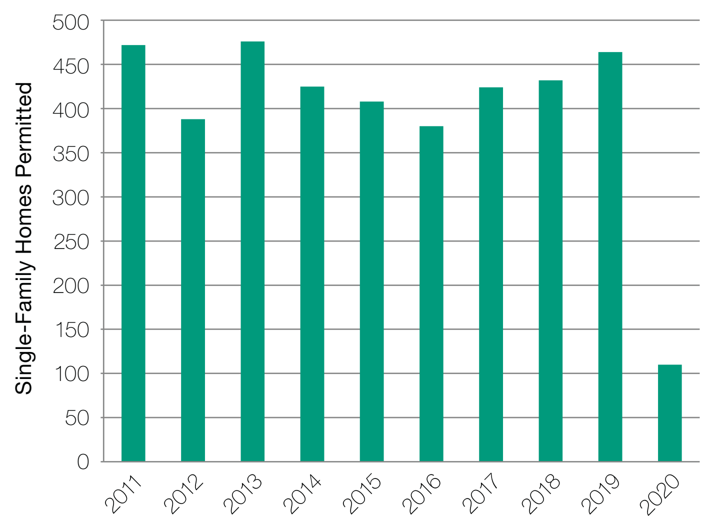
- During the 12 months ending March 2020, 450 single-family homes were permitted, up approximately 2 percent from a year earlier (preliminary data, with estimates by the analyst).
- After declining each year from 2008 through 2010 and averaging 540 homes per year, single-family home permitting has averaged 430 homes each year from 2011 through 2019.
- Approximately 63 percent of all single-family homes built since 2011 were in Roanoke and Franklin Counties. Single-family homebuilding in the city of Roanoke, which has nearly one-third of the population of the metropolitan area, accounted for 8 percent of all single-family homebuilding activity in the metropolitan area due to a lack of developable land.

Since 2015, the average sales price of a new home in the Roanoke metropolitan area has fluctuated while the average sales price of existing homes has generally increased.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Since 2011, single-family homebuilding has been relatively steady in the Roanoke metropolitan area.



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

Rental Market Conditions

Rental market conditions in the Roanoke metropolitan area are currently balanced, with an overall vacancy rate of 6.8 percent, down from 8.8 percent in April 2010. Since 2010, conditions in the metropolitan area have tightened, partly because renting has become a more affordable option for new households and partly due to tighter borrowing requirements compared with the 2000s.

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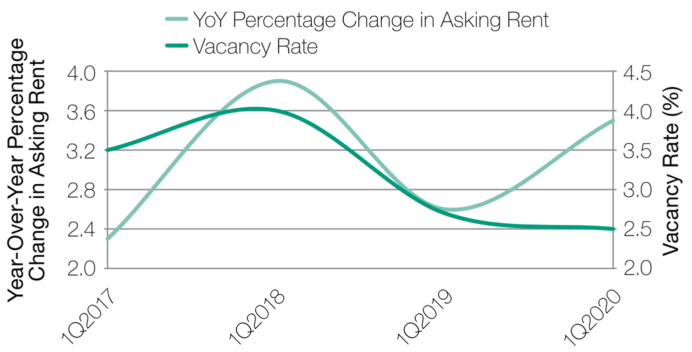
Since 2018, rents have grown modestly in the Roanoke metropolitan area as the vacancy rate declined.



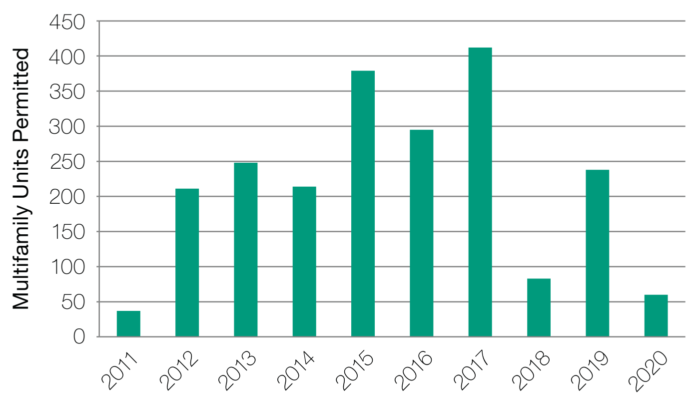
1Q = first quarter. YoY = year-over-year.
Source: Reis, Inc.

- During the first quarter of 2020, the apartment vacancy rate was 2.5 percent, down from 2.7 percent a year earlier (Reis, Inc.). The vacancy rate was below the national average of 4.7 percent and was the lowest first-quarter vacancy rate in the Roanoke metropolitan area since 2016.
- The average apartment rent in the metropolitan area during the first quarter of 2020 was $823, an increase of 4 percent from the average of $795 during the first quarter of 2019. The average rent in the Roanoke metropolitan area was 18 percent lower than the nearby Reis Inc.-defined Blacksburg market area, where rents average of $999, and 45 percent lower than the national average of $1,505.
- As of July 2018, approximately 43 percent of all renter households lived in single-family homes, above the national average of 34 percent (American Community Survey, 1-year data).

In response to tightening apartment market conditions in the Roanoke metropolitan area, multifamily building activity, as measured by the number of units permitted, has been strong during the past 8 years. Multifamily building activity, however, has slowed since 2018 to allow recently completed multifamily developments to lease-up.

- During the 12 months ending March 2020, approximately 200 multifamily units were permitted in the metropolitan area, a 67-percent increase from the 120 units permitted during the previous year (preliminary data, with adjustments by the analyst).
- An average of 260 multifamily units was permitted annually from 2012 through 2018. During this period, multifamily permitting peaked in 2017, with 410 units permitted.
- Nearly 70 percent of the multifamily units permitted in the metropolitan area since 2012 were in the city of Roanoke, where an average of 180 units was permitted annually.
- The Heir, located in the city of Roanoke, is a 77-unit luxury apartment development that will open in May 2020. The development is a renovation of the historic Heironimus Building in downtown Roanoke, with rents that will start at $999 for one-bedroom units and $1,359 for two-bedroom units.
- The District Vue is a new 216-unit apartment development that opened in November 2019. Located in the city of Roanoke, approximately 6 miles northeast of the downtown area, rents for one-, two-, and three-bedroom units start at $1,045, $1,250, and $1,540, respectively.

Multifamily construction in the Roanoke metropolitan area has been below the recent high in 2017.



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