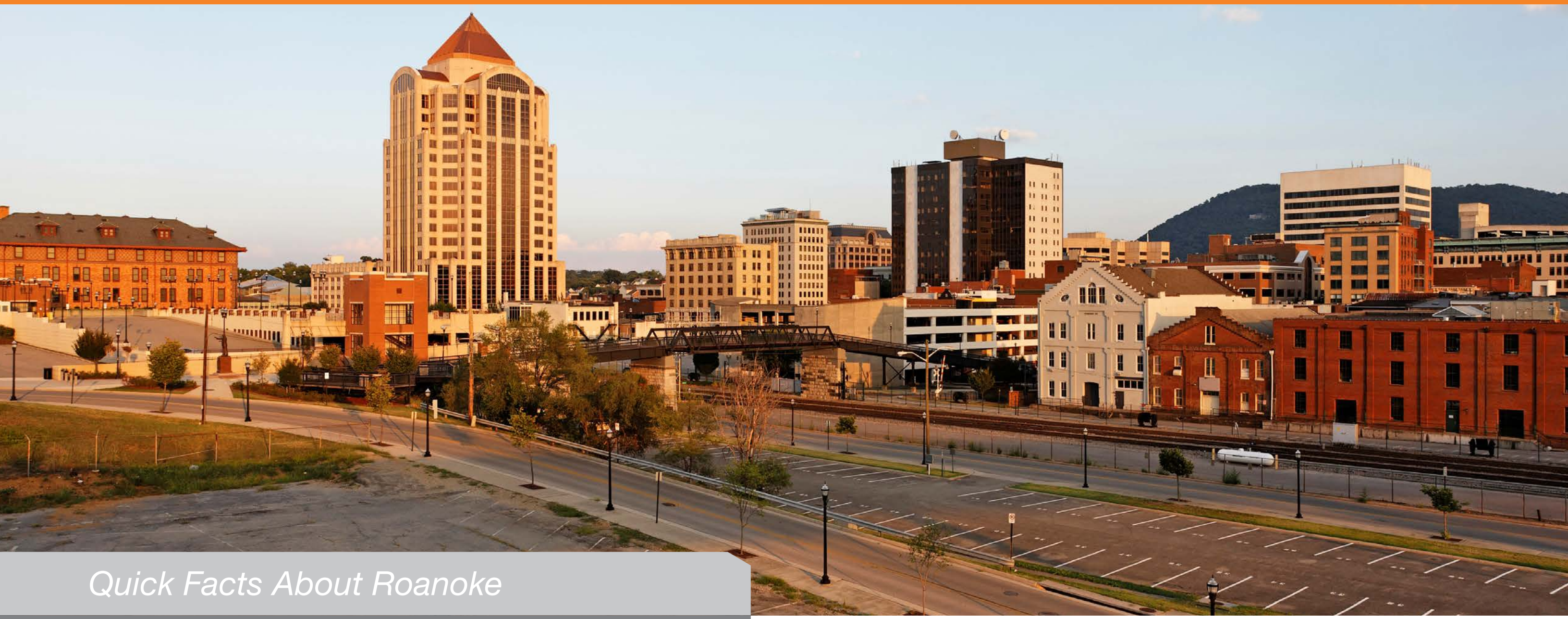
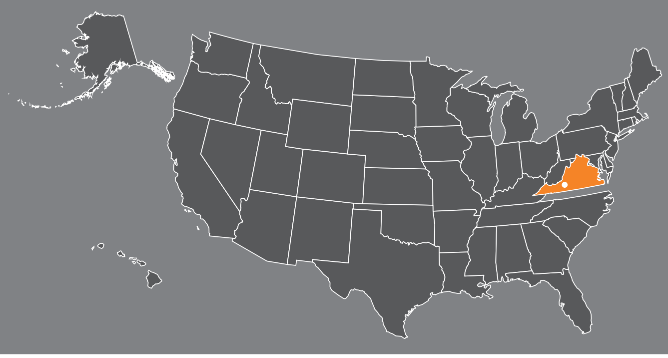
HUD PD&R **Housing Market Profiles**

Roanoke, Virginia



Quick Facts About Roanoke

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: balanced.**
- **Smith Mountain Lake in Franklin County, with more than 500 miles of shoreline, is a popular destination for tourists and retirees. Properties in the Smith Mountain Lake area account for nearly 60 percent of total real estate tax revenue in Franklin County.**



By Matthew Tieff | As of June 1, 2017

Overview

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

- As of June 1, 2017, the estimated population of the metropolitan area is 314,400, reflecting an average annual increase of 560, or 0.2 percent, since July 2013. This rate of growth is down slightly from July 2010 to July 2013, when the population increased approximately 0.3 percent, or 1,000 annually (Weldon Cooper Center for Public Service population estimate as of July 1, 2016; estimates by the analyst).
- The relatively low cost of living and accessible health care attract retirees to the metropolitan area, with nearly 19 percent of the population aged 65 or older as of July 2015, compared with 15 percent of the population aged 65 and older nationally. The median age for the metropolitan area was estimated at 41.8, higher than the national average of 37.8 (2015 American Community Survey 1-year data).

continued on page 2

continued from page 1

- Approximately 32 percent of the population in the metropolitan area lives in the city of Roanoke. The city is increasingly popular among young professionals with its historic downtown area and loft apartments. The average age in the city is 36.9, lower than the national average.
- Migration into the metropolitan area has averaged 600 people a year since July 2013. This growth was offset somewhat by a net natural decrease (resident births minus resident deaths) during this same period, averaging a loss of 30 people a year, primarily a consequence of the aging population. (Weldon Cooper Center for Public Service population estimate as of July 1, 2016; estimates by the analyst).

Economic Conditions

The economy of the Roanoke metropolitan area has been steadily improving since 2010, with nonfarm payroll growth averaging 0.7 percent, or 1,100 jobs, annually. By comparison, prerecession growth averaged 1,900 jobs, or 1.2 percent, annually from 2004 through 2007. Nonfarm payrolls averaged 163,400 jobs during the 3 months ending May 2017, below the prerecession peak of 164,900 jobs during the 3 months ending June 2001, a difference of 1,500 jobs. However, the metropolitan area had never fully recovered from the 2001 recession before the 2008 recession began. During the 3 months ending July 2007, nonfarm payrolls averaged 164,200 jobs before the economy began to contract.

During the 3 months ending May 2017—

- Nonfarm payrolls increased by an average of 1,100 jobs, or 0.7 percent, from a year earlier. Although this job growth was equal to the average growth since 2010, growth fluctuated during this period, ranging from a 200-job, or 0.2-percent, decline during the 3 months ending May 2015 to a 2,500-job, or 1.5-percent, increase during the 3 months ending May 2016.
- The education and health services sector, which increased by 800 jobs, or 2.9 percent, from a year ago to 28,000 jobs, led job growth. The healthcare and social services industry accounts for 23,100 jobs, or 83 percent, of the jobs in this sector. The largest employer in the metropolitan area, Carilion Clinic, continues to expand with a $45 million investment in the Virginia Tech Carilion School of Medicine and Research Institute and expects to create more than 250 jobs by 2019.

continued on page 3

During the 3 months ending May 2017, nonfarm payroll growth in the Roanoke area was concentrated in the education and health services sector.

	3 Months Ending		Year-Over-Year Change	
	May 2016 (thousands)	May 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	162.3	163.4	1.1	0.7
Goods-producing sectors	24.8	24.9	0.1	0.4
Mining, logging, and construction	9.1	9.4	0.3	3.3
Manufacturing	15.7	15.5	– 0.2	– 1.3
Service-providing sectors	137.5	138.5	1.0	0.7
Wholesale and retail trade	25.2	25.1	– 0.1	– 0.4
Transportation and utilities	8.9	8.9	0.0	0.0
Information	1.4	1.4	0.0	0.0
Financial activities	8.1	8.1	0.0	0.0
Professional and business services	21.7	21.9	0.2	0.9
Education and health services	27.2	28.0	0.8	2.9
Leisure and hospitality	14.5	14.4	– 0.1	– 0.7
Other services	7.8	7.7	– 0.1	– 1.3
Government	22.6	22.9	0.3	1.3
	(percent)	(percent)		
Unemployment rate	3.7	3.7		

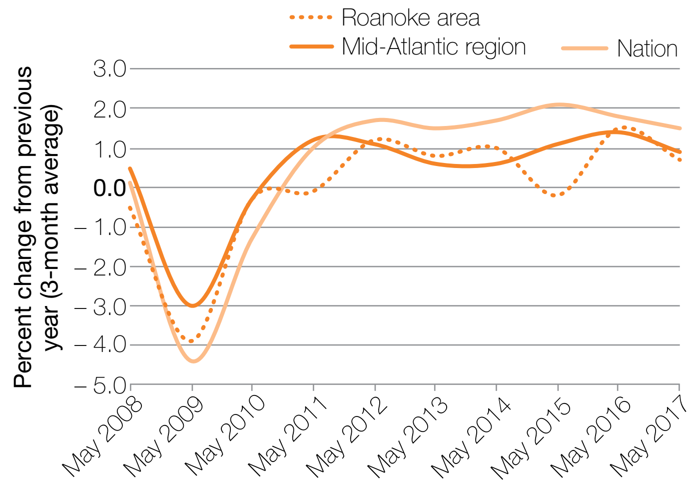
Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

continued from page 2

- The professional and business services sector totaled 21,900 jobs, an increase of 200, or 0.9 percent, from a year earlier. The largest employers in this sector include Wells Fargo & Co., which in 2015 expanded its operations and service center, adding more than 500 jobs.
- The unemployment rate in the metropolitan area was 3.7 percent, unchanged from a year ago. This rate is equal to the state average and below the national average of 4.4 percent.

The manufacturing sector accounts for more than 10 percent of nonfarm payrolls in the metropolitan area. Although the number of jobs in the sector has declined since 2012, the rate of decline has slowed. As of the 3 months ending May 2017, the manufacturing sector declined by 200 jobs, or 1.3 percent, from a year ago. This decline is less than during the previous 3-month period, however, when manufacturing declined by 300 jobs, or 2.1 percent. In April 2017, FreightCar America, Inc., a rail car manufacturer, laid off 170 people. In May 2017, LSC Communications, Inc., a commercial printing firm, announced that it would begin closing its printing plant in July 2017, leading to the loss of 140 jobs. Recent investments in manufacturing have offset job loss in the sector, however. The Eldor Corporation is investing $75 million in a spark plug manufacturing plant that will create an estimated 350 new jobs within the next 5 years. Deschutes Brewing and Ballast Point Brewing Company are investing $85 million and $47.8 million, respectively, into making the metropolitan area the center of their east coast operations. These expansions will create approximately 300 new jobs during the next 3 years.

After a sharp contraction beginning in 2007, total nonfarm payrolls in the Roanoke area have generally increased since 2012.



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

Largest employers in the Roanoke area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Carilion Clinic	Education and health services	1,000+
Kroger	Wholesale and retail trade	1,000+
U.S. Department of Veteran Affairs	Government	1,000+

Note: Excludes local school districts.
Source: Virginia Employment Commission

Sales Market Conditions

Sales housing market conditions in the Roanoke metropolitan area are slightly soft, with an estimated vacancy rate of 2.2 percent, down from 3.0 percent in April 2010. The decline in vacancies reflects greater access to credit, a decline in new construction, and the absorption of excess inventory after the foreclosure crisis. The inventory of homes for sale decreased from 2,738 homes listed in May 2016 to 2,258 as of May 2017 (Roanoke Valley Association of Realtors®).

- During the 12 months ending April 2017 (the best representative data available), existing home sales totaled approximately 5,650, up 3 percent, or 160 homes, from the previous 12 months. The existing home sales price increased 3.1 percent during the 12 months ending April 2017, from $174,200 to $179,600. (CoreLogic, Inc., with adjustments by the analyst).
- Approximately 190 new homes sold during the 12 months ending April 2017, an increase of approximately 14 percent from a year ago. However, new construction home prices declined 6 percent during this same period, from $227,500 to $213,500.
- As of April 2017, the percentage 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 2.4 percent, below the national average of 3.3 percent. Historically, the percent of seriously delinquent loans and REO properties in the metropolitan area remained below the national average. In January 2012, these properties in the metropolitan area peaked at 6.1 percent compared with the national average of 11.5 percent (CoreLogic, Inc.).

Slow population growth has resulted in a decline in the volume of new home construction, as measured by the number of homes permitted since 2014, although economic conditions have improved.

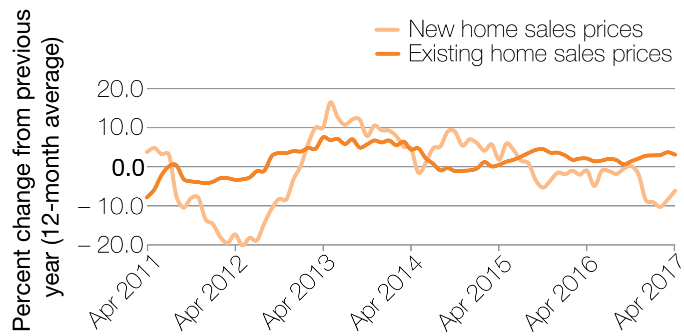
- During the 12 months ending May 2017, 370 single-family homes were permitted, a decline of almost 6 percent compared with the same period a year earlier (estimates by the analyst). This annual rate of decline has remained relatively unchanged since 2014.
- Currently, 160 single-family homes are under construction, 60 percent of which are in Franklin and Roanoke Counties.

continued on page 4

continued from page 3

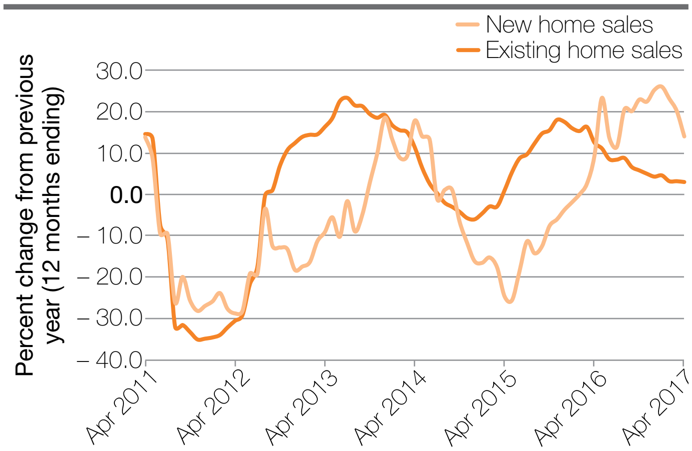
- Runk and Pratt at Smith Mountain Lake is a retirement community of single-family cottage-style homes that is currently in its second phase of development in Franklin County. The development is one-half mile from the Westlake Towne Center and 5 miles from Smith Mountain Lake. Fourteen two-bedroom cottage homes are already built, with an additional 36 planned. Currently, 3 homes are under construction. Homes are built as they are sold, with a base price of $279,000.

Since mid-2015, existing home sales prices in the Roanoke area have increased moderately as new home prices have declined.



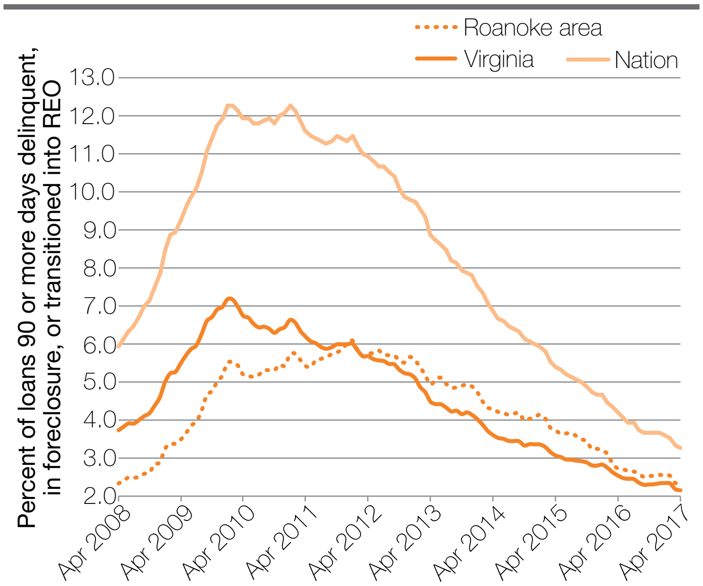
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Since early 2016, new home sales in the Roanoke area have increased and existing home sales have also remained positive, but growth has slowed.



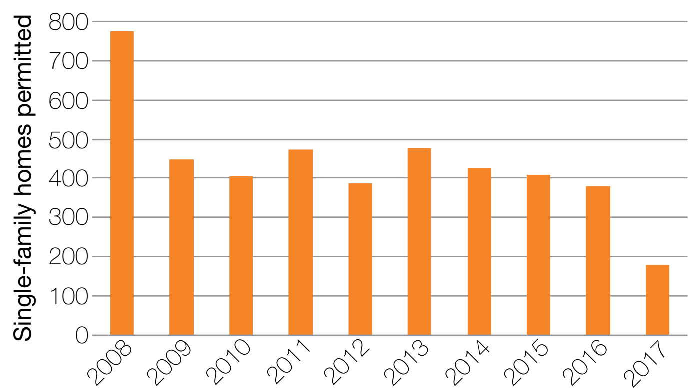
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The percentage of seriously delinquent loans and REO properties in the Roanoke area remained below the national average.



REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by the analyst

Since 2009, single-family construction in the Roanoke area has been limited.



Note: Includes preliminary data from January through June 2017.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst

Apartment Market Conditions

The apartment housing market in the Roanoke metropolitan area is currently balanced. The vacancy rate has declined since 2015, and it is currently equal to the same rate from 3 years ago. Rents have risen since the start of 2016 but at relatively modest rates.

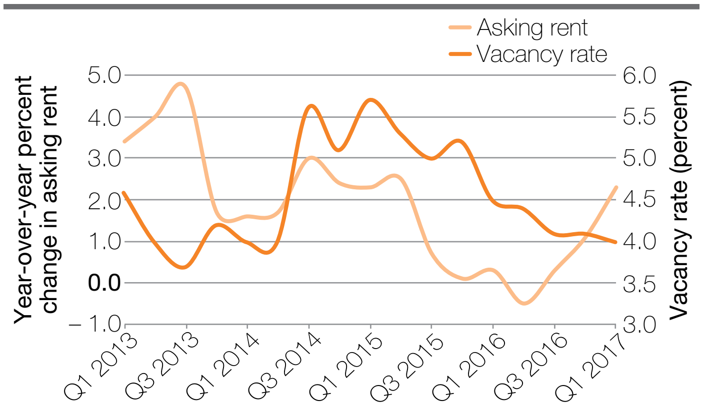
During the first quarter of 2017—

- The apartment vacancy rate was estimated at 3.5 percent, down from 4.0 percent in the first quarter of 2016. This rate is equal to the vacancy rate during the first quarter of 2014 (Reis, Inc.).
- The average rent was $746, an increase of $17, or more than 2 percent, from the same period a year earlier.
- Studios, one-, two-, and three-bedroom apartment rents averaged $614, $682, $740, and $896, respectively.

Since 2012, multifamily units under construction and in planning have increased significantly, most of which have been in the city of Roanoke. The downtown area of the city, with its many amenities, including numerous bars and restaurants, is appealing to young professionals in and around the metropolitan area, contributing to the recent increase in the demand for apartments.

- During the 12 months ending May 2016, 260 multifamily units were permitted, a decline of 19 percent compared with the same period a year earlier (estimates by the analyst).
- Since 2012, an average of 260 multifamily units has been permitted annually. During this period, multifamily unit permitting peaked in 2015 at 355 units.

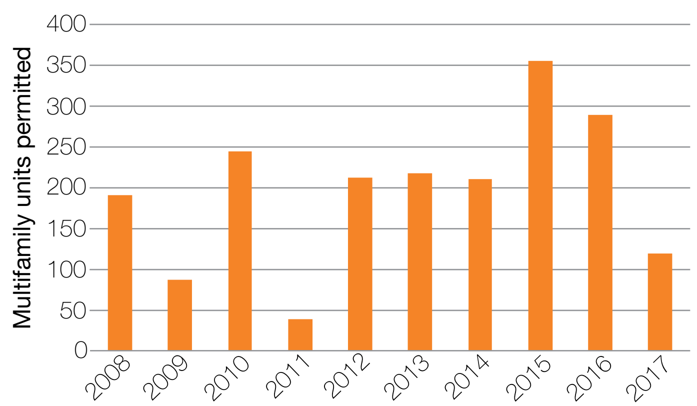
The rate of rent growth in the Roanoke area slowed in 2015 due to an increase in apartment inventory.



Q1 = first quarter. Q3 = third quarter.
Source: Reis, Inc.

- Since 2012, 71 percent of the multifamily units permitted in the metropolitan area were in the city of Roanoke, an average of 180 units annually.
- The number of multifamily units permitted in Roanoke County recently increased. In 2015, 210 units were permitted, compared with 72 units in 2014 and 48 units in 2013. Permitting decreased to only 30 units in Roanoke County in 2016 and 2017, as builders allowed time for the completion of an estimated 150 multifamily units that are currently under construction or in planning.
- South 16 at the Bridges, the most recent luxury apartment community in the city of Roanoke, began leasing in August 2015 (Axiometrics, Inc.). The complex is currently comprised of 97 one-bedroom, 52 two-bedroom, and 8 three-bedroom apartments. Monthly rents start at $820 for a one-bedroom, $1,078 for a two-bedroom, and $1,554 for three-bedroom apartments. It is across the street from the Virginia Tech Carilion School of Medicine and Research Institute and is approximately 1 mile from downtown Roanoke. An additional 127 units are currently under construction.
- The Retreat Apartments in Roanoke County, at the intersection of Interstate 81 and Route 419, is currently in phase one of a two-phase construction plan, with 104 units currently in lease up and 162 units expected to be complete by 2018. An additional 90 units are planned for phase two. On completion, it will consist of 51 one-bedroom, 153 two-bedroom, and 48 three-bedroom apartments, with rents starting at $999, $1,089, and $1,399, respectively.

Multifamily construction in the Roanoke area has increased significantly since 2012.



Note: Includes preliminary data from January through June 2017.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst