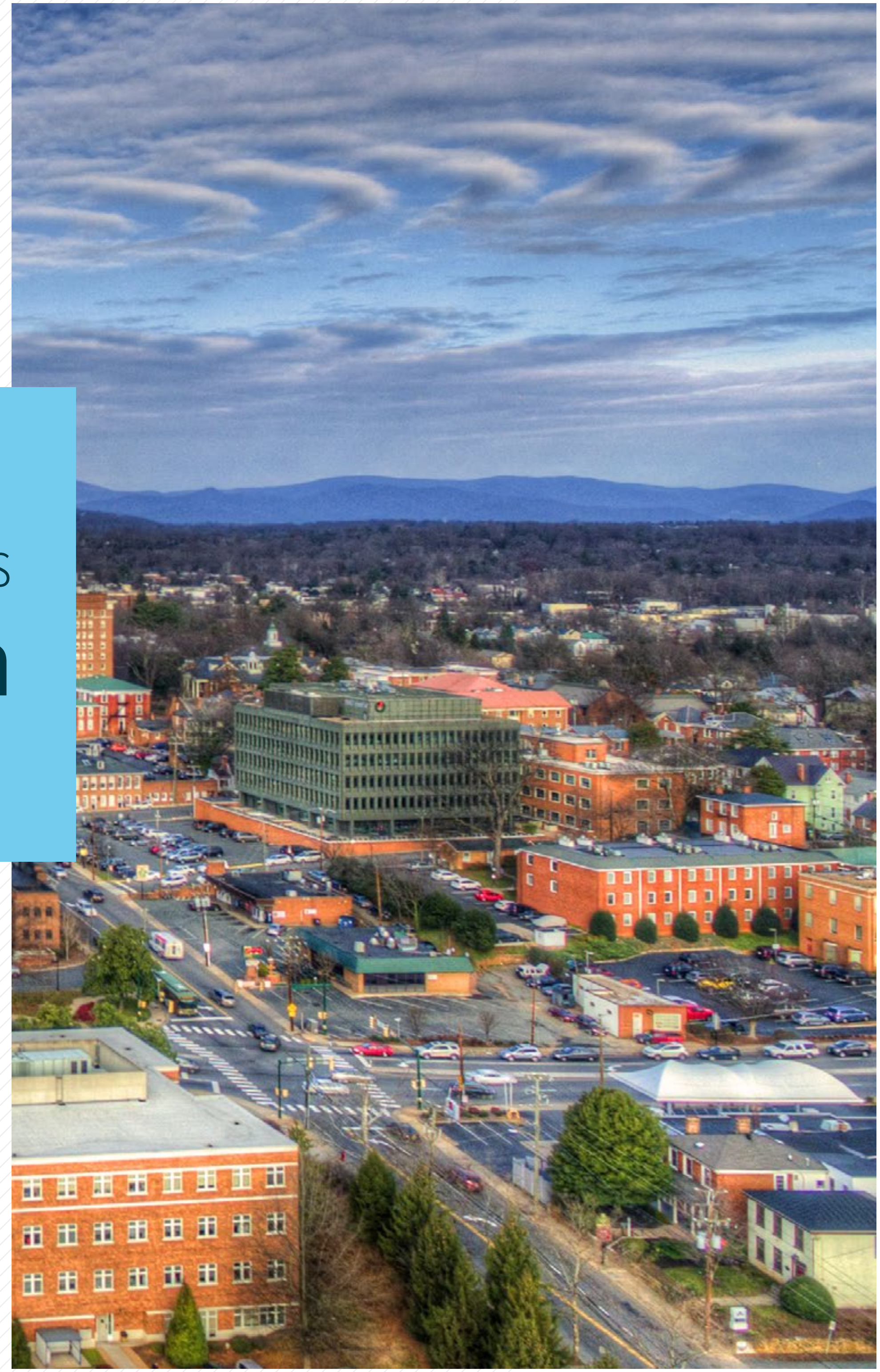
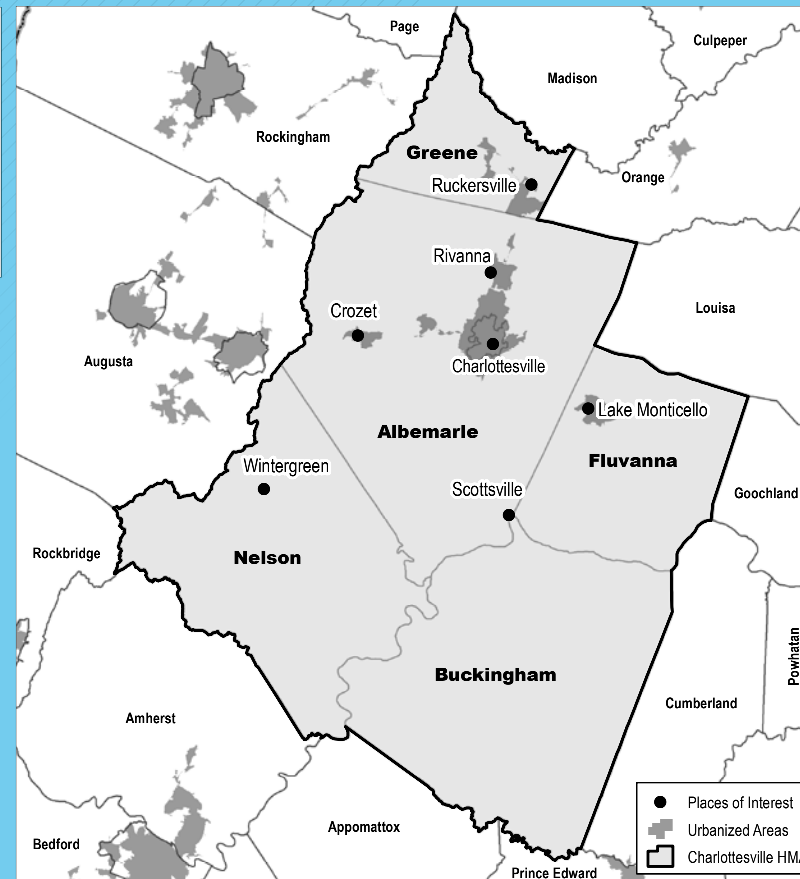
COMPREHENSIVE HOUSING MARKET ANALYSIS

# Charlottesville, Virginia



**U.S. Department of Housing and Urban Development,**
Office of Policy Development and Research

As of April 1, 2019




# Executive Summary

## Housing Market Area Description

The Charlottesville Housing Market Area (HMA) is coterminous with the Charlottesville, VA Metropolitan Statistical Area, consisting of the independent city of Charlottesville along with Albemarle, Buckingham, Fluvanna, Greene, and Nelson Counties.

The population is currently estimated at 236,900.

The HMA is 75 miles northwest of Richmond, near the Blue Ridge Mountains, and is home to the University of Virginia (UVA) and the University of Virginia Health System. The presence of the university adds stability to the economy and supports high-tech jobs. In addition, tourists are attracted to the HMA for its historic sites, downtown pedestrian mall, and scenic outdoor recreation areas.

### Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

# Market Qualifiers

## Economy

Stable: During the 12 months ending March 2018, nonfarm payrolls increased by an average of 1,300 jobs, or 1.1 percent.

The economy has expanded in the Charlottesville HMA for the past 6 years, despite slower growth during the most recent 12 months. Nonfarm payrolls exceeded the 2007 prerecession high during 2013 and the largest job gains occurred from 2014 through 2016, when nonfarm payrolls rose by 2,800 jobs, or 2.6 percent, a year. The government sector led the recent job gain. During the next 3 years, economic growth is expected to moderate, with an estimated 1.0-percent average annual increase.

## Sales Market

Balanced: Home sales have declined, and prices have increased during the past 12 months while economic growth has moderated here.

The sales housing market in the Charlottesville HMA is currently balanced, with an estimated vacancy rate of 1.3 percent, down from 2.3 percent in April 2010. New and existing home sales in the HMA totaled 4,525 homes during the 12 months ending March 2019, down by 300 homes or 6 percent from a year earlier due to slower economic conditions (CoreLogic, Inc., with adjustments by the analyst). During the same period, the average price of an existing home rose 3 percent, to $311,900, compared with a year earlier. During the forecast period, demand is estimated for 2,400 new homes. The 310 homes currently under construction in the HMA will satisfy some of the demand.

## Rental Market

Balanced: The apartment market is tighter than the rental market; the apartment vacancy rate was 3.5 percent during the first quarter of 2019, down slightly from 3.7 percent a year earlier.

The overall rental market in the Charlottesville HMA is balanced, with a current rental vacancy rate estimated at 5.5 percent, down from 7.7 percent in 2010. Conditions in the apartment market are slightly tight but are easing; the apartment vacancy rate has increased to 3.5 percent from a low of 1.3 percent in 2017 when the market was tight. Multifamily permitting has increased since 2014, and most of the demand is being met by new supply. During the next 3 years, demand is expected for 1,625 new rental units; the 1,275 units currently under construction and 460 units in planning will meet all the demand during the 3-year forecast period.

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**3-Year Housing Demand Forecast**

| | | Sales Units | Rental Units |
|---|---|---|---|
| Charlottesville HMA | Total Demand | 2,400 | 1,625 |
| | Under Construction | 310 | 1,275 |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2019. The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

# Economic Conditions

Largest sector: Government

> The state government subsector, including employees of UVA and the UVA Health System, accounts for nearly 70 percent of government sector payrolls in the HMA (Figure 1).

## Primary Local Economic Factors

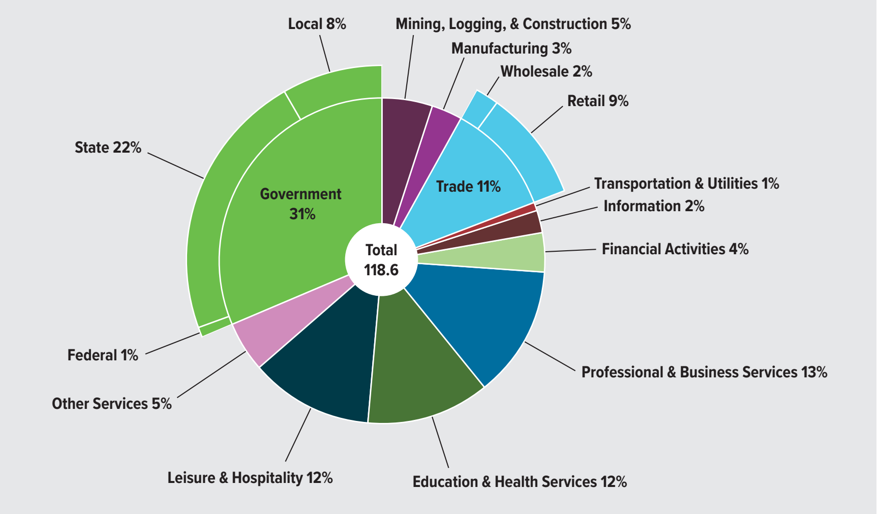
A prominent feature of the Charlottesville HMA is UVA, a state-funded institution founded by Thomas Jefferson in 1819. UVA contributes to the stability of the economy and as a result, the HMA was less impacted by the Great Recession than other areas in the nation. The state government subsector accounts for 22 percent of all jobs in the HMA and includes UVA and the UVA Health System, the two largest employers (Table 1). Other employment sectors that have contributed to economic growth since 2010 are the professional and business services, the financial activities, and the leisure and hospitality sectors (Figure 2). Tourists are attracted to the HMA, particularly to historic Monticello;

**Table 1. Major Employers in the Charlottesville HMA**

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---|---|---|
| University of Virginia | Government | 16,000 |
| University of Virginia Health System | Government | 12,000 |
| Sentara Healthcare | Education & Health Services | 1,000+ |
| State Farm Mutual Automobile Insurance Company | Financial Activities | 500-999 |
| U.S. Department of Defense | Government | 500-999 |
| ServiceLink | Professional & Business Services | 500-999 |
| Wintergreen Resort | Leisure & Hospitality | 500-999 |
| Walmart Inc. | Wholesale & Retail Trade | 500-999 |
| Food Lion LLC | Wholesale & Retail Trade | 500-999 |
| Region Ten Community Services Board | Education & Health Services | 500-999 |

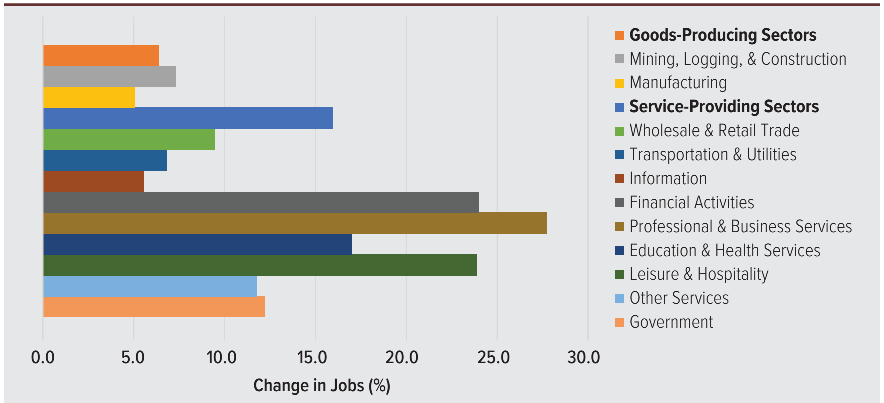
Notes: Excludes local school districts. University of Virginia Health System has some non-state government employees, including more than 1,200 medical professionals at UVA Physicians Group.
Sources: Virginia Employment Commission (VEC); University of Virginia

**Figure 1. Current Nonfarm Payroll Jobs in the Charlottesville HMA, by Sector**




Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Current is the 12-month average through March 2019.
Source: U.S. Bureau of Labor Statistics

**Figure 2. Nonfarm Payroll Sector Growth in the Charlottesville HMA, 2010 to Current**




Note: The current date is April 1, 2019.
Source: U.S. Bureau of Labor Statistics

the walkable downtown mall in Charlottesville for its shops, restaurants, and activities; and to Wintergreen Resort in Nelson County for year-round activities including skiing, golfing, wine tasting, and weddings.

# Current Conditions

## Nonfarm Payrolls

The economy expanded during the past year, but at a slower rate than previously. Nonfarm payroll growth averaged 1,300 jobs, or 1.1 percent, annually, during the 12 months ending March 2019, following a gain of 2,300 jobs, or 2.0 percent, during the previous 12 months (Table 2). The slower growth resulted from fewer additions in both goods-producing and service-providing sectors, particularly in the mining, logging, and construction and professional and business services sectors. Nonfarm payrolls were unchanged in the mining, logging, and construction sector, compared with a gain of 300 jobs a year earlier. Payrolls in the professional and business services sector declined by 100 jobs, or 0.8 percent, down from a 300-job or 1.8-percent gain a year earlier. Despite the decrease, ChartIQ, a firm that creates software for banks, brokerages, and financial technology companies, announced the addition of 30 workers in February 2019.

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000's) in the Charlottesville HMA, by Sector**

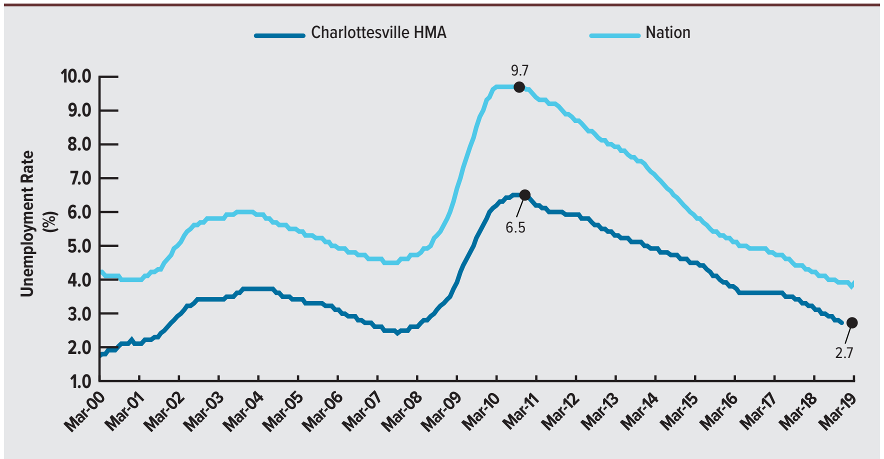
| | 12 Months Ending March 2018 | 12 Months Ending March 2019 | Absolute Change | Percentage Change |
|---|---|---|---|---|
| **Total Nonfarm Payroll Jobs** | 117.4 | 118.6 | 1.3 | 1.1 |
| **Goods-Producing Sectors** | 9.8 | 9.9 | 0.1 | 0.5 |
| Mining, Logging, & Construction | 5.9 | 5.9 | 0.0 | 0.0 |
| Manufacturing | 3.9 | 4.0 | 0.0 | 1.3 |
| **Service-Providing Sectors** | 107.5 | 108.7 | 1.2 | 1.1 |
| Wholesale & Retail Trade | 13.3 | 13.1 | -0.2 | -1.4 |
| Transportation & Utilities | 1.7 | 1.7 | 0.0 | 0.5 |
| Information | 2.2 | 2.2 | 0.0 | 0.8 |
| Financial Activities | 4.7 | 4.8 | 0.1 | 2.7 |
| Professional & Business Services | 15.4 | 15.3 | -0.1 | -0.8 |
| Education & Health Services | 14.1 | 14.0 | -0.1 | -0.5 |
| Leisure & Hospitality | 13.9 | 14.1 | 0.2 | 1.5 |
| Other Services | 5.9 | 6.0 | 0.1 | 2.3 |
| Government | 36.2 | 37.4 | 1.1 | 3.1 |

Notes: Based on 12-month averages through March 2018 and March 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

## Unemployment

After the unemployment rate in the HMA reached a peak of 6.5 percent during 2010, the economy has improved (Figure 3). The unemployment rate declined to 2.7 percent during the 12 months ending March 2019, down from 3.2 percent a year earlier. The rate in the HMA has been consistently below the national rate, which peaked during the 12 months ending November 2010 at 9.7 percent.

**Figure 3. 12-Month Average Unemployment Rate in the Charlottesville HMA and the Nation**



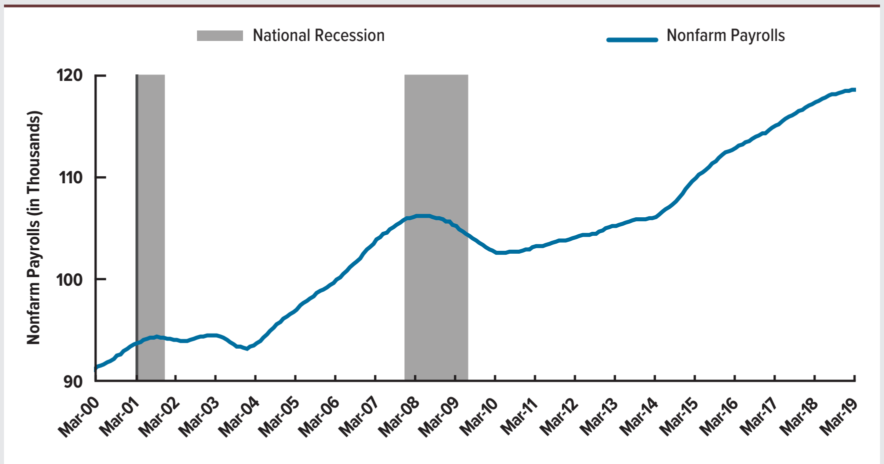

Source: U.S. Bureau of Labor Statistics

# Economic Periods of Significance

## 2004 Through 2008

The economy expanded by 2,500 jobs, or 2.5 percent, annually from 2004 through 2008, following a period of relatively flat nonfarm payroll growth from 2001 through 2003 (Figure 4). The state government subsector and professional and business services sector led the growth from 2004 through 2008, adding an average of 900 and 600 jobs, or 4.4 and 5.5 percent, a year, respectively. In the professional and business services sector, high-tech firms in the computer systems design industry contributed to the growth. CACI International Inc expanded by 50 jobs in 2005 and Athena Innovative Solutions, Inc., the information technology consulting firm, began operations in 2008, adding 200 jobs. In 2006, Video Gaming Technologies, Inc., the electronic bingo, poker, and blackjack casino game developer, gained 200 new jobs.

**Figure 4. 12-Month Average Nonfarm Payrolls in the Charlottesville HMA**




Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

## 2009 Through 2010

As a result of the Great Recession (which lasted nationally from December 2007 through June 2009), nonfarm payrolls in the HMA declined by 1,400 jobs, or 1.3 percent, annually in 2009 and 2010. By comparison, the average decrease for the nation was larger and lasted longer with nonfarm payrolls declining an average of 1.9 percent a year from 2008 through 2010. The largest annual losses in the HMA were in the goods-producing sectors; the mining, logging, and construction sector decreased an average of 11.1 percent, or by 700 jobs a year; and the manufacturing sector declined an average of 10 percent, or 400 jobs annually. In February 2010, Hyosung America, Inc., the tire manufacturer, closed its plant in Scottsville, in Albemarle County, with a loss of approximately 100 jobs. In addition, Biotage, a manufacturing plant that produces pharmaceutical purification products, announced a layoff of 65 workers in May 2009.

## 2011 Through 2013

After the national recession, the local economy improved and nonfarm payrolls rose by 1,000 jobs, or 1.0 percent a year from 2011 through 2013. Nonfarm payrolls exceeded the 2007 prerecession high during 2013 and the professional and business services sector accounted for approximately one-half of the net job gain from 2011 through 2013, increasing by an average of 500 jobs, or 3.7 percent. In 2011, HemoShear Therapeutics, LLC, a biotechnology research and development company, added 83 jobs and Silverchair Information Systems, a developer of publishing platforms for scientific, technical, and medical information, expanded by 62 jobs.

## 2014 Through 2018

Nonfarm payrolls increased an average of 2,500 jobs, or 2.3 percent, annually from 2014 through 2018. The rate of growth during this period has been stronger compared with 1.8 percent for the nation and 1.2 percent for Virginia. During this period, the strongest job gains were in the government, professional and business services, and leisure and hospitality sectors. Employment at UVA rose from 15,050 during fall 2014 to nearly 17,500 in fall 2018, an average annual increase of 600 jobs or 3.8 percent.

## Economic Sectors of Significance

### State Government

UVA and the UVA Health System are the largest employers in the HMA, with 16,000 and 12,000 employees, respectively. The annual statewide economic impact of UVA was estimated at $5.9 billion in 2018, and the annual impact of the health system was estimated at $4 billion in 2017 (UVA Board Basics 2018, Board of Visitors Office). Approximately 24,650 students were enrolled at UVA in fall 2018, up from 24,350 a year earlier. Payrolls in the state government subsector totaled 25,900, and increased by 900 jobs, or 3.6 percent during the 12 months ending March 2019. The subsector has gained jobs in all but 2 years since 2001. The strongest growth occurred from 2004 through 2007 when payrolls rose by an average of 1,000 jobs, or 5.1 percent, a year when enrollment increased by an average of nearly 300 annually, similar to the current rate.

### Technology

Students, faculty, and graduates of UVA, along with research centers at the university, support the creation of high-tech jobs in the HMA. High-tech industries include financial, engineering, medical, and data science firms, such as WillowTree, Inc., the digital and mobile technology design and development company that employs 320 workers, and CCRi (Commonwealth Computer Research, Inc.) the applied data science and software engineering company that employs 130 workers (c-ville.com). The UVA Research Park, which was developed in 1994 to foster relationships between UVA and the private sector, currently consists of 8 buildings with 30 tenants and employs more than 1,500 workers in technology jobs including medical research and data science. In January 2019, UVA received a $120 million donation from the Quantitative Foundation in Charlottesville to establish a School of Data Science which will allow the field of data science to be integrated within all disciplines at UVA. As an indicator of growth in new startup firms (which would include technology-based companies), approximately 425 startup companies formed in the HMA in 2018, up from nearly 360 in 2016, an 18-percent increase (Charlottesville Community Profile, Virginia Employment Commission).

### Leisure and Hospitality

Tourists support hotel occupancy and are attracted to historic sites in the HMA, including the Rotunda at UVA (Figure 5) and Monticello, each designated as World Heritage Sites by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The number of visitors to Monticello, the home of Thomas Jefferson, totals approximately 440,000 people annually (Thomas Jefferson Foundation). Tourists also participate in year-round outdoor recreational activities as well as winery and brewery tours.

**Figure 5. The Rotunda**

Source: Photo courtesy of the University of Virginia

The leisure and hospitality sector has expanded by an average of 300 jobs, or 2.5 percent, a year since 2001, and was one of only three sectors in the HMA to add jobs during the economic downturn in 2009 and 2010, along with the education and health services and government sectors. During the past year, growth has moderated, with an increase of 200 jobs, or 1.5 percent during the 12 months ending March 2019. A total of five hotels were completed from 2014 through the current date, adding approximately 740 rooms and hiring an estimated 40 to 60 employees at each hotel (McGraw-Hill Construction Pipeline database). As a result, local hotel revenue was up 9 percent during fiscal year (FY) 2017, compared with a year earlier (Charlottesville Albemarle Convention and Visitors Bureau [CACVB]). In the city of Charlottesville, lodging taxes rose approximately 7 percent, to $5.15 million in FY 2018, compared with FY 2017 (Comprehensive Annual Financial Report). Currently, two hotels with a combined total of 183 rooms are under construction in the HMA.

## Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.0 percent annually, a moderate pace compared with the rate of growth 3 years ago. Job growth is expected to be concentrated in the state government subsector and the professional and business services sector. The software developer, Castle Hill Gaming, expects to expand its workforce at its headquarters in Albemarle County by more than 100 jobs during 2019. WillowTree, Inc. plans to rehabilitate the historic Woolen Mills factory in Albemarle County and relocate approximately 200 employees there from the city of Charlottesville. The firm will hire 200 additional workers when the $20.6 million facility is completed in late-2019, with a potential for 100 more employees.

# Population and Households

## Current population: 236,900

Population growth since 2010 has been weaker than during the previous decade because net in-migration has slowed.

Nearly one-half of the population of the Charlottesville HMA resides in Albemarle County, which surrounds the independent city of Charlottesville. In addition, the population of the city of Charlottesville was estimated at 48,117 in 2018, accounting for 20 percent of the population of the HMA (Census Bureau population estimates as of July 1). The population shares in the remaining counties in the HMA range from 6 to 11 percent of the HMA total.

## Population and Student Enrollment Trends

Population growth has generally followed economic trends in the HMA. The estimated population of the Charlottesville HMA, as of April 1, 2019, is 236,900, representing an increase of approximately 2,025, or 0.9 percent, annually since April 2010 (Table 3; Census Bureau decennial census counts). Net in-migration accounted for 70 percent of the growth, or 1,425 people a year. During the early- to mid-2000s, while the economy expanded, the population growth rate rose from an average of 1.4 percent, or 2,750 people, from 2000 to 2003 to 1.6 percent, or 3,225 people, from 2003 to 2008 (Figure 6). During this period, net in-migration also increased from an average of 1,950 in the early 2000s to 2,300 a year from 2003 to 2008. Population growth slowed during the economic downturn and recovery, to an average of 0.8 percent, or 1,850 people, from 2008 to 2013, and net in-migration declined to 1,050 people a year. When the economy expanded from 2013 to 2018, net in-migration averaged 1,725 people a year, contributing to moderate population growth of 1.0 percent, or 2,275 people, annually. Despite strengthening economic conditions, the rate of population growth was slower than during the previous decade partially due to a reduction in net natural increase (resident births minus resident deaths), which averaged 620 a year from 2010 to 2018, down from 890 from 2000 to 2009.

Enrollment at UVA has been increasing during most years since 2000 and has followed trends in migration since the early 2000s. From 2000 to 2003, fall semester enrollment rose by an average of nearly 110 students annually, to

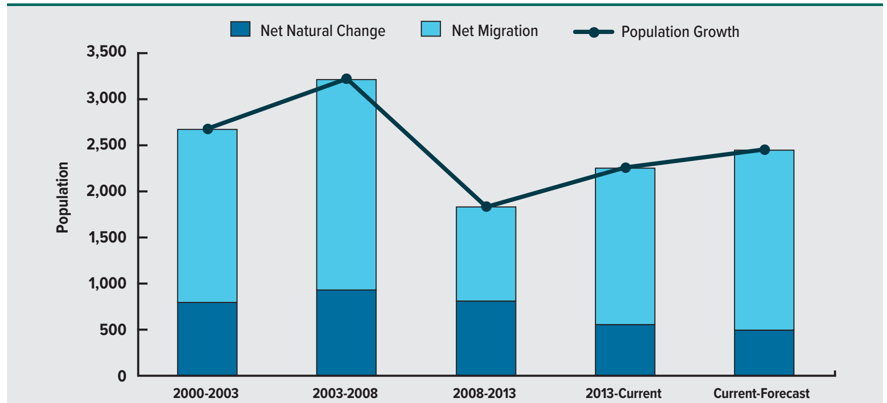
**Table 3. Charlottesville HMA Population and Household Quick Facts**

| Population Quick Facts | | 2010 | Current | Forecast |
|---|---|---|---|---|
| | Population | 218,705 | 236,900 | 244,200 |
| | Average Annual Change | 2,900 | 2,025 | 2,450 |
| | Percentage Change | 1.4 | 0.9 | 1.0 |

| Household Quick Facts | | 2010 | Current | Forecast |
|---|---|---|---|---|
| | Households | 84,525 | 92,850 | 96,200 |
| | Average Annual Change | 1,175 | 930 | 1,100 |
| | Percentage Change | 1.5 | 1.0 | 1.2 |

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date, April 1, 2019, to April 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

**Figure 6. Components of Population Change in the Charlottesville HMA, 2000 Through the Forecast**




Note: Net natural change and net migration totals are average annual totals over the time period.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

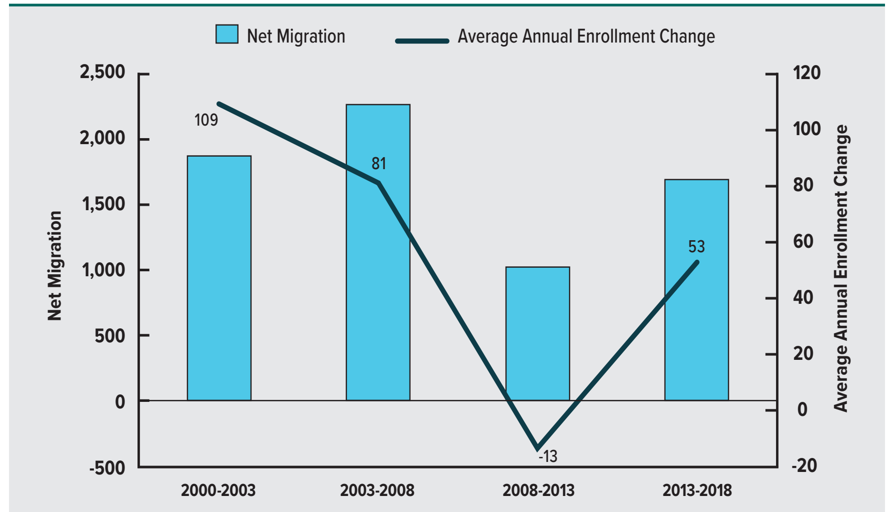
nearly 23,100 students (Figure 7). During the next 5 years, enrollment increased, albeit more slowly, by approximately 80 students a year, from 2003 to 2008, to nearly 24,550 students, while net in-migration to the HMA increased. Enrollment was essentially unchanged from 2008 to 2013 when net in-migration slowed during the recession and subsequent recovery. More recently, enrollment rose by an average of 55 students a year from 2013 to 2018, to a fall 2018 enrollment of 24,600, while net in-migration also rose.

The migration by age group (Figure 8) is typical for an HMA with a large university presence—that is, net in-migration of college-age people, followed by net out-migration of older age groups. From 2002 to 2007, when enrollment was increasing, net in-migration among the population ages 15 to 24 was higher than during later periods. The population ages 25 to 34 had a higher rate of net out-migration from 2007 to 2012 during the recession and recovery when job growth was weaker; net out-migration of that age group subsequently slowed when the economy improved from 2012 to 2017.

## Household Trends

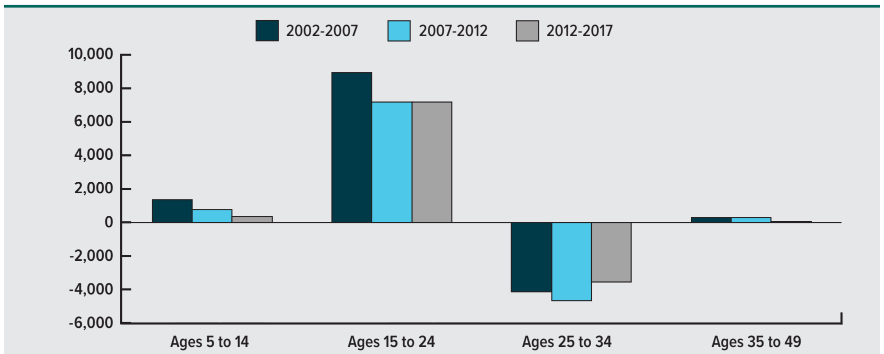
As of April 2019, the number of households is estimated at 92,850, of which approximately 64.5 percent were owner households (Figure 9). Similar to

**Figure 7. Average Student Enrollment and Net Migration Trends in the Charlottesville HMA**



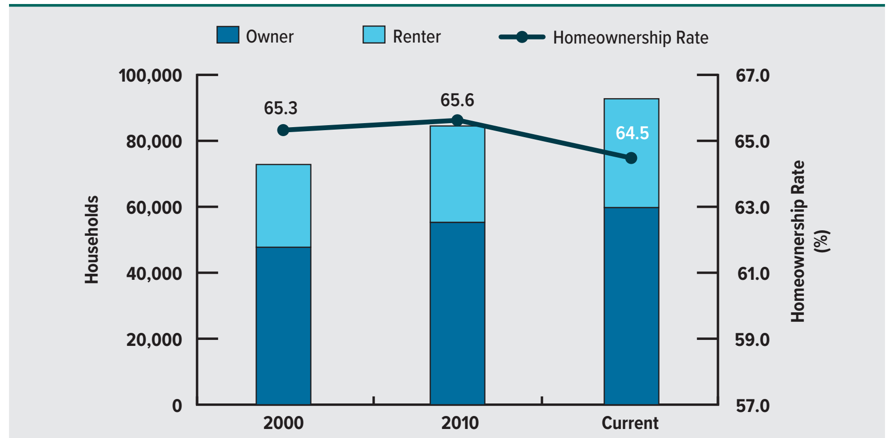

Sources: U.S. Census Bureau; State Council of Higher Education for Virginia

**Figure 8. Annual Net Migration for Select Age Groups in the Charlottesville HMA, 2002–2017**




Note: Net in-migration of the 15–24 age group accounts for only a portion of University of Virginia students residing in the HMA.
Sources: Census Bureau population estimates; Virginia Department of Health; estimates by the analyst

**Figure 9. Households by Tenure and Homeownership Rate in the Charlottesville HMA**




Note: The current date is April 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

population growth, household growth has slowed since 2010, averaging 930, or 1.0 percent annually, compared with an average annual increase of 1,175, or 1.5 percent, from 2000 through 2010. During the 2000s, approximately two-thirds of household growth was owner households, contributing to a slight increase in the homeownership rate from 65.3 percent in 2000 to 65.6 percent in 2010. From 2010 to the current date, the homeownership rate has declined to 64.5 percent and only 54 percent of the growth in households has been attributed to owner households since 2010.

At UVA, approximately 22,645 students are considered as living "on grounds," in units on or near campus (UVA Housing and Residence Life). This number includes an estimated 9,600 students housed in college-owned or affiliated dormitories and apartments. Most of the remaining 13,000 students live nearby in privately-owned apartments and homes, which would typically be called "off-campus" housing at most universities but are known as "on grounds" at UVA because most of these units are very close to campus. Since 2010, 11 residence halls on Alderman Road have been renovated and replaced with seven larger buildings; as a result, the number of dormitory beds increased by 300 and all first-year students are currently housed on campus. Similar renovations of residence halls for first-year students on McCormick Road began in 2016 and will be completed in 2020.

## Forecast

During the next 3 years, the HMA population is expected to increase by 2,450, or 1.0 percent, a year, to 244,200, similar to the population growth rate since 2013. Net in-migration of 1,950 people annually is expected, and net natural increase is estimated to slow slightly to 500 people a year. The number of households in the Charlottesville HMA is expected to increase at a slightly faster rate of 1,100, or 1.2 percent, a year to 96,200.

# Home Sales Market Conditions

Market Conditions: Balanced

Total home sales exceeded the 2006 peak in 2015 and are currently 4 percent above the peak, despite a recent slowdown.

## Recent Conditions

The sales housing market in the Charlottesville HMA is currently balanced, with an estimated vacancy rate of 1.3 percent (Table 4), down from 2.3 percent in April 2010. Conditions are relatively tighter, but still balanced, in the city of Charlottesville and Albemarle County where homes sell more quickly compared with the outlying counties that are farther from employment centers. Within an area encompassing most of the HMA (excluding Buckingham County but including Louisa County) the inventory of active home listings during the first quarter of 2019 averaged 4.9 months of supply, up slightly from 4.7 months of supply during the first quarter of 2018 (Charlottesville Area Association of Realtors®). The sales market has tightened compared with a few years ago when the average months' supply of homes was higher, at 8.2 months, during the first quarter of 2015.

Table 4. Home Sales Quick Facts in the Charlottesville HMA

| Home Sales Quick Facts | | Charlottesville HMA | Nation |
|---|---|---|---|
| | Vacancy Rate | 1.3% | NA |
| | Months of Inventory | 4.9 | 3.6 |
| | Total Home Sales | 4,525 | 6,026,000 |
| | 1-Year Change | -6.3% | -3.8% |
| | Average New Home Sales Price | $449,300 | $380,100 |
| | 1-Year Change | -7% | 1% |
| | Average Existing Home Sales Price | $311,900 | $294,500 |
| | 1-Year Change | 3% | 3% |
| | Mortgage Delinquency Rate | 0.9% | 1.6% |

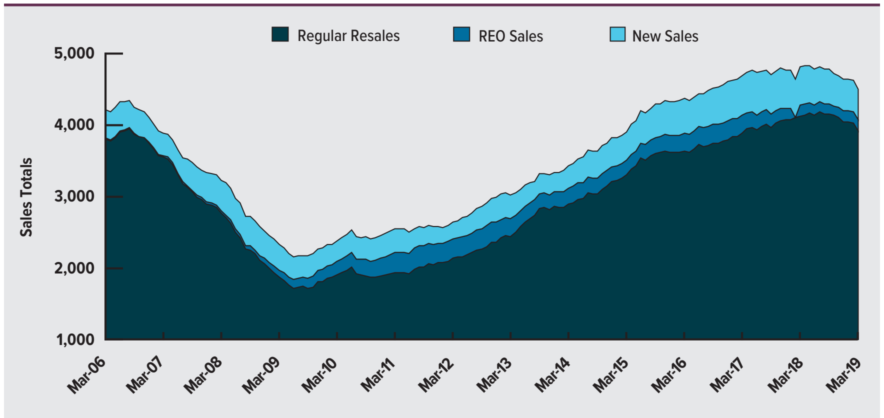
NA = data not available.
Notes: The vacancy rate is as of the current date, April 1, 2019. Home sales and prices are for the 12 months ending March 2019. Months of inventory and mortgage delinquency data are as of March 2019. Months of inventory data for HMA excludes Buckingham County and includes Louisa County.
Sources: CoreLogic, Inc.; Charlottesville Area Association of Realtors®

## Existing Home Sales

Existing single-family home, townhome, and condominium sales have generally increased in the Charlottesville HMA since a low of approximately 1,825 homes sold during the 12 months ending June 2009 (Figure 10; CoreLogic, Inc., with adjustments by the analyst). From 2002 through 2006, prior to the local housing market downturn, existing home sales increased an average of 14 percent annually, peaking at approximately 3,900 homes sold during the 12 months ending June 2006. Existing home sales subsequently declined 13 percent annually from 2007 through 2010 when the economy was weak and population growth and the demand for homes slowed. In 2009, regular resales fell to a low level of 1,700 homes sold. Real estate owned (REO) home sales, which averaged only 25 homes sold annually from 2001 through 2006, rose to an average of 130 homes sold annually from 2007 through 2010, partially offsetting this reduction.

Since 2011, the economy has improved and the demand for homes has steadily risen. From 2011 through 2017, existing home sales increased by an average of 300, or 10 percent, a year, with an average of 3,375 homes sold. By 2016, existing home sales surpassed the 2006 peak and reached a high of 4,350 homes sold in mid-2018. During the 12 months ending March 2019, approximately 4,525 homes sold, down 6 percent from a year earlier due to moderating economic conditions.

Figure 10. 12-Month Sales Totals by Type in the Charlottesville HMA




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

## New Home Sales

Trends in new home sales in the Charlottesville HMA followed overall trends in the economy, but with a 2- to 3-year delay from the mid-2000s through 2013. From 2002 through 2006, new home sales were up 20 percent a year, increasing from an average of 170 homes in 2002 to 350 homes in 2006. In 2007 and 2008, new home sales rose an average of 5 percent annually, to a high of 450 homes sold in 2008, 2 years later than the peak in existing home sales. Sales of new homes decreased 6 percent annually from 2009 through 2013, 3 years later than the economic slowdown, to a low of 270 homes in 2013. From 2014 through 2017, sales of new homes increased 19-percent annually, peaking at 590 homes sold in 2017, while demand increased due to population and job growth. During the 12 months ending March 2019, 430 new homes sold, down 20 percent from a year earlier in response to slower economic growth.

## Home Sales Prices

During the 12 months ending March 2019, the average price of an existing home was $311,900, up 3 percent from a year earlier. The price was below the pre-recession peak of $368,500 in 2008. From 2002 through 2008 the average existing home sales price rose 11 percent annually, before decreasing 4 percent a year from 2009 through 2013 (Figure 11). From 2014 through 2018, prices for existing homes were relatively flat, rising an average of only 1 percent annually.

The average price for new homes exceeded the 2007 pre-recession high of $418,500 in mid-2016. Prior to the recession, the average price of a new home rose 9 percent annually from 2002 through 2006, before decreasing 6 percent a year from 2007 through 2010. With a stronger economy, prices rose an average of 6 percent a year from 2011 through 2017. During the 12 months ending March 2019, new home prices averaged $449,300, down 7 percent from a year earlier. The recent decrease in the average price is partially because more than 60 percent of new homes sold for less than $500,000 during the 12 months ending March 2019, while only approximately one-half of new homes sold for less than $500,000 a year earlier.

## Delinquent Mortgages and REO Properties

The rate of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and REO properties in the HMA has been consistently below the national rate. During March 2019, the rate was 0.9 percent in the HMA, down from 1.1 percent a year earlier, and a decrease from a peak of 3.4 percent in early 2010 (CoreLogic, Inc.). The rate for the nation was 1.6 percent in March 2019, down from 2.2 percent in March 2018 and a peak of 8.6 percent in early 2010.

REO sales accounted for approximately 2 percent of total home sales in the Charlottesville HMA from 2002 through 2006 but increased to a high of 11 percent in 2011. While the economy strengthened, REO sales fell 6 percent a year from 2010 to 2017 and accounted for 3 percent of total sales in March 2019. By comparison, REO sales for the nation accounted for a high of more than 27 percent of total sales in January 2009 and decreased to slightly more than 3 percent of sales in March 2019. REO sales contributed to the decline in

**Figure 11. 12-Month Average Sales Price by Type of Sale in the Charlottesville HMA**

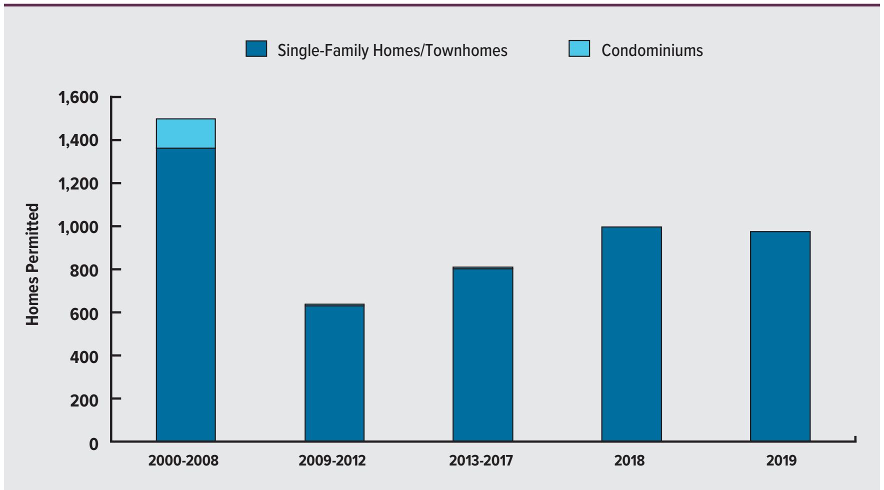

Note: New and existing sales include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

the existing home sales price in the HMA during the housing crisis; from 2009 through 2013, REO sales had an average price of $179,100, compared with a regular resale average price of $307,400.

## Sales Permit Activity

Sales construction activity, as measured by the number of single-family homes, townhomes, and condominium units permitted, has increased most years since 2013. The current level is below the level of the early- to mid-2000s (Figure 12). Permitting averaged 1,500 units a year from 2000 through 2008, before declining to 640 units from 2009 through 2012 in response to weaker sales market conditions. Permitting has gradually risen since 2013, averaging 810 units a year from 2013 through 2017. During the 12 months ending March 2019, approximately 760 sales units were permitted, down 5 percent from the 800 units permitted a year earlier (preliminary data with adjustments by the analyst). The construction of condominium units was more prevalent during the 2000s, averaging 190 units annually from 2003 through 2007. Since 2010, however, fewer than 10 condominium units have been permitted each year.

**Figure 12. Average Annual Sales Permitting Activity in the Charlottesville HMA**




Notes: Homes permitted includes single-family homes, townhomes, and condominiums. 2019 includes data through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

## New Construction

Since 2000, homebuilding activity has mostly occurred in Albemarle County, the city of Charlottesville, and around Lake Monticello in Fluvanna County, a bedroom community for Charlottesville and Richmond. During the past 2 years, more than 80 percent of the development has been in Albemarle County. In Crozet, Albemarle County, approximately 460 homes have been completed at Old Trail Village which began construction in 2005. Approximately 100 units have been sold since 2017, with prices starting at $329,900 and $429,900 for townhomes and single-family homes, respectively (Metrostudy, A Hanley Wood Company); the development will have 1,000 units or more when built out during the next several years. At the Cascadia development under construction northeast of the city of Charlottesville in Albemarle County, approximately 145 homes have been sold since 2017; the community will include a maximum of 330 residential units when completed. Prices range from $349,900 for townhomes to $507,700 for single-family homes.

## Housing Affordability: Homeownership

Similar to the nation as a whole, homeownership in the Charlottesville HMA declined from 2010 to 2017. During the previous decade from 2000 to 2010, the homeownership rate in the HMA increased by 9.1 percentage points while the effects of relaxed lending standards in the early to mid-2000s more than offset weaker sales demand resulting from the local economic downturn at the end of the decade. Despite strengthening economic conditions, the homeownership rate declined 10.2 percentage points from 2010 to 2017. During this period, homeownership for heads of households aged 25 to 34 years and 35 to 44 years also declined, but more slowly than total households, at rates of 4.2

and 7.1 percentage points, respectively (Table 5). Nationwide, homeownership declined by 1.1 percentage points during the 2000-to-2010 period, compared with a 1.2-percentage point decline during the 2010-to-2017 period. For heads of households aged 35 to 44, the national homeownership rate declined by 3.9 percentage points in the 2000-to-2010 period, and by 4.8 percentage points during the 2010-to-2017 period. Affordability concerns limited the ability of the 35 to 44 age group to purchase a house to a greater extent in the Charlottesville HMA than for the nation during the 2010-to-2017 period.

**Table 5. Homeownership Rates by Age of Householder in the Charlottesville HMA and the Nation**

| | Charlottesville HMA | | | Nation | | |
|---|---|---|---|---|---|---|
| | 2000 (%) | 2010 (%) | 2017 (%) | 2000 (%) | 2010 (%) | 2017 (%) |
| **Householder Age 25 to 34 Years** | 40.5 | 36.9 | 32.7 | 45.6 | 42.0 | 38.2 |
| **Householder Age 35 to 44 Years** | 66.1 | 65.3 | 58.2 | 66.2 | 62.3 | 57.5 |
| **Total Households** | 65.3 | 74.4 | 64.2 | 66.2 | 65.1 | 63.9 |

Sources: 2000 and 2010 Decennial Census; 2013–2017 American Community Survey, 5-year estimates

## Forecast

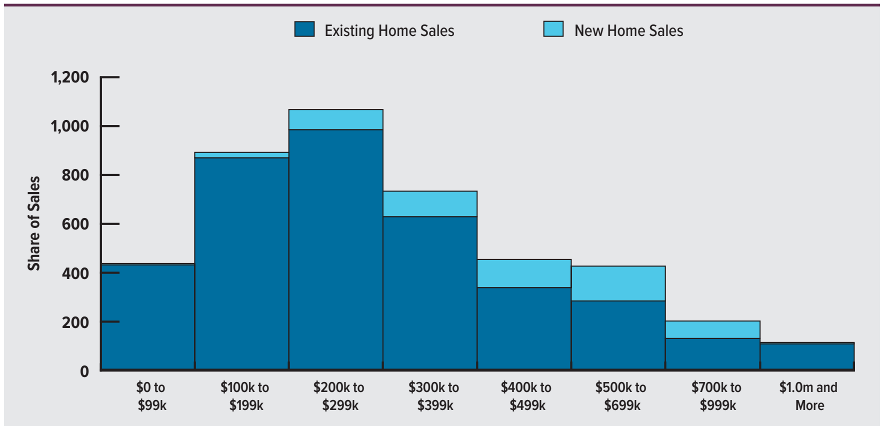
During the next 3 years, demand is expected for 2,400 new homes in the HMA (Table 6). The 310 homes currently under construction will satisfy a portion of the estimated demand during the forecast period. The sales demand is expected to be relatively stable during the 3-year period. Most of the demand will be for new homes priced between $250,000 and $500,000 (Figure 13).

**Table 6. Demand for New Sales Units in the Charlottesville HMA During the Forecast Period**

| | Sales Units |
|---|---|
| **Demand** | 2,400 Units |
| **Under Construction** | 310 Units |

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

**Figure 13. Share of Sales by Price Range During the 12 Months Ending March 2019 in the Charlottesville HMA**




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

# Rental Market Conditions

Market Conditions: Balanced

Rental market conditions are balanced overall, however, the apartment market is slightly tight; most of the demand in the rental market is in the city of Charlottesville and Albemarle County.

## Current Conditions and Recent Trends

Overall rental market conditions are currently balanced in the Charlottesville HMA. The vacancy rate for all rental units (including apartments, and single-family homes, townhomes, and mobile homes for rent) is estimated at 5.5 percent, down from 7.7 percent in April 2010 when the market was slightly soft (Table 7). Rental market conditions have generally followed economic conditions, becoming soft during the economic downturn and tightening when the economy strengthened. The apartment market is typically tighter than the overall rental market because of the demand for apartments created by UVA students living off-campus. Students occupy an estimated 18 percent of rental units in the HMA and approximately one-quarter of rental units in the city of Charlottesville and Albemarle County combined.

**Table 7. Rental and Apartment Market Quick Facts in the Charlottesville HMA**

| | | 2010 (%) | Current (%) |
|---|---|---|---|
| Rental Market Quick Facts | **Rental Vacancy Rate** | 7.7 | 5.5 |
| | **Occupied Rental Units by Structure** | | |
| | Single-Family Attached & Detached | 41 | 43 |
| | Multifamily (2–4 Units) | 14 | 13 |
| | Multifamily (5+ Units) | 40 | 37 |
| | Other (Including Mobile Homes) | 5 | 7 |

| | | Current | YoY Change (%) |
|---|---|---|---|
| Apartment Market Quick Facts | **Apartment Vacancy Rate (%)** | 3.5% | -0.2 |
| | **Average Rent** | $1,270 | 1% |
| | Studio | $883 | NA |
| | One-Bedroom | $1,145 | NA |
| | Two-Bedroom | $1,311 | NA |
| | Three-Bedroom | $1,437 | NA |

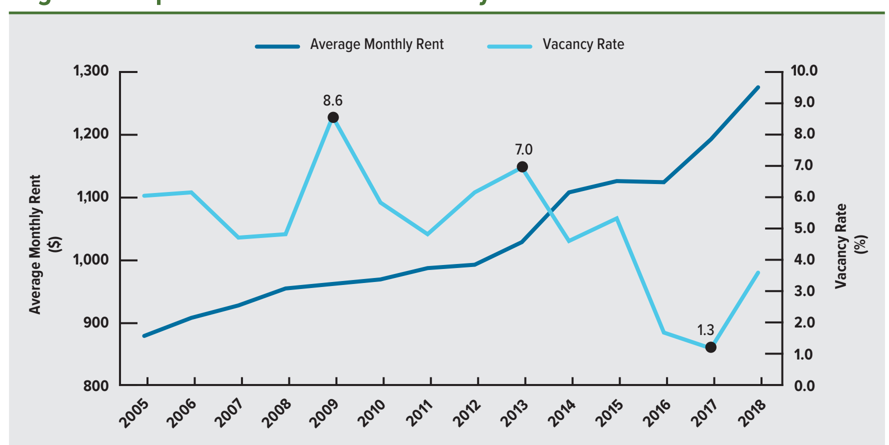
NA = data not available. YoY = year-over-year.
Note: The current date is April 1, 2019.
Sources: 2006–2010 and 2013–2017 American Community Survey, 5-year data; Reis, Inc.

## Apartment Market Conditions

The apartment market in the HMA is currently slightly tight. During the first quarter of 2019, the apartment vacancy rate was 3.5 percent, down from 3.7 percent during the first quarter of 2018 and below the 4.8 percent rate for the nation (Reis, Inc.). The average apartment rent rose $14, or 1 percent, from a year earlier, to $1,270 during the first quarter of 2019 (Figure 14). By comparison, the average rent increased 4 percent, to $1,389, nationally.

From 2005 through 2008, the apartment market in the HMA was balanced, and the supply of new apartment units completed kept up with demand resulting from the economic expansion; during this period, the vacancy rate averaged

**Figure 14. Apartment Rents and Vacancy Rates in the Charlottesville HMA**



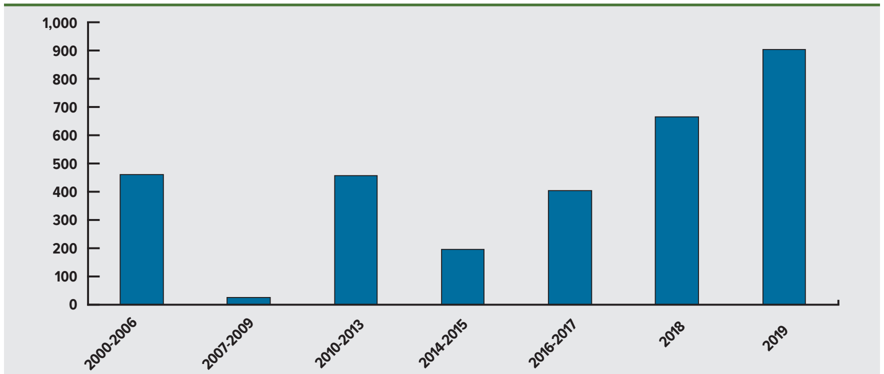

Source: Reis, Inc.

5.5 percent and the average rent increased 4 percent a year. The market softened in 2009 during the economic downturn; the vacancy rate rose to 8.6 percent while rents were unchanged. Market conditions trended toward balanced with an average vacancy rate of 5.7 percent when the economy improved from 2010 through 2012 but softened again in 2013; units in lease-up were absorbed slowly and the vacancy rate rose to 7.0 percent while economic and population growth slowed slightly. Economic conditions were relatively strong from 2014 through 2016 and market conditions transitioned from balanced to tight. The vacancy rate decreased from 4.7 percent in 2014 to 1.8 percent in 2016, and the average rent was up 1 percent. The market was tight during the first quarter of 2017 and the vacancy rate fell to 1.3 percent. Despite increasing construction, the market is expected to remain slightly tight until units currently under construction are completed later in 2019.

## Rental Permit Activity

The number of building permits issued for rental units has been increasing since 2014 and are currently above the level of the early- to mid-2000s (Figure 15). Permitting averaged 460 units from 2000 through 2006 in response to economic and population growth. During the economic downturn, permitting decreased significantly to an average of only 30 units permitted annually from 2007 through 2009. Permitting averaged 460 units a year from 2010 through 2013 and has been steadily increasing since 2014 while the economy has been gradually expanding. The number of units permitted annually averaged 200 units in 2014 and 2015, rising to an average of 400 units a year in 2016 and 2017. During the 12 months ending March 2019, 900 rental units were permitted, up 45 percent from the 620 units permitted a year earlier (preliminary data with adjustments by the analyst).

**Figure 15. Average Annual Rental Permitting Activity in the Charlottesville HMA**




Notes: Includes apartments and units intended for rental occupancy. 2019 includes data through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

## Rental Construction Activity

Rental permitting has been mostly concentrated in the city of Charlottesville and Albemarle County since 2000. Currently, approximately 50 percent of units in the construction pipeline are in Albemarle County, 30 percent are in the city of Charlottesville, and 20 percent are in Greene County. In Albemarle County, 190 units are under construction at The Summit at Old Trail Apartments in Crozet, with the rents for these new units yet to be announced. In addition, 316 units are underway at Brookhill Apartments, in Albemarle County, 7 miles north of the city of Charlottesville, one-half mile east of the Rivanna Reservoir, and 250 units are planned at The Presidio (also known as Martha Jefferson Hospital Apartments), 3 miles east of the city of Charlottesville. In Greene County, a 90-unit addition is underway at Terrace Greene in Barboursville with rents ranging from $1,019 to $1,549 and $1,239 to $1,999 for one- and two-bedroom units respectively, and a 212-unit development, Ruckersville Apartments, is planned in Ruckersville. In the city of Charlottesville, four developments ranging in size from 19 to 65 units, with a combined total of nearly 170 units, are under construction. The largest of the four developments, The Lofts at Meadowcreek, located more than 3 miles from UVA, is expected to be completed by fall 2019, with rents yet to be announced. Two of the other developments, with a combined total of 75 units, are within a mile of UVA and are likely to be occupied by students.

## Student Housing

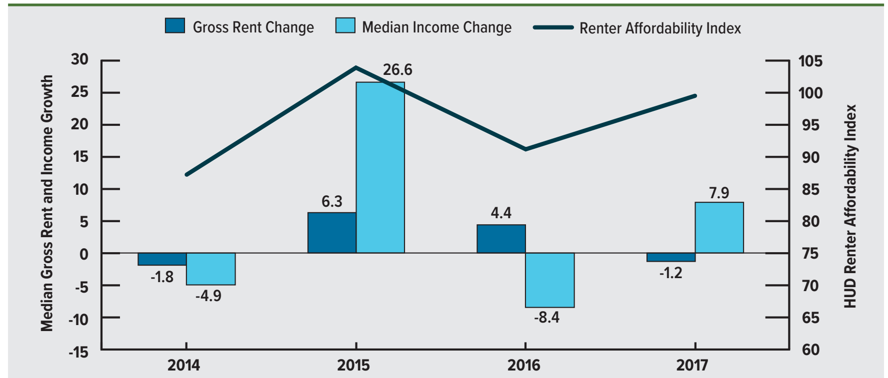
Many apartments near UVA targeted to students consist of two- to four-bedroom units, with shared common areas and leases for individual bedrooms. The Standard at Charlottesville, a 189-unit apartment community within 1 mile of UVA, was completed in August 2018. The property is currently almost fully leased and charges an average monthly rent per student of $1,053 (RealPage, Inc.). Currently, apartment units under construction near UVA include Bond House on Brandon Avenue, which will house 313 upper-class students and is expected to be completed by fall 2019. Additionally, a second phase of the project, that will accommodate 300 to 400 students, is planned; however, a start date has yet to be announced.

## Housing Affordability: Renter

Rental affordability in the Charlottesville HMA has improved modestly since 2014 due to moderate rent growth. From 2014 to 2017, the median gross monthly rent increased a total of nearly 8 percent from $1,059 to $1,141. During the same time, the median household income for renter households in the HMA also rose nearly 8 percent from $42,360 in 2013, to $45,640 in 2017. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has trended upward overall. The index was 99.6 during 2017, up from 87.3 in 2014, but below the high of 103.9 in 2015. Figure 16 compares the year-to-year change in the median gross rent (including single-family homes, apartments, and mobile homes for rent) with the respective change in the median gross income.

During the 2011 through 2015 period, an estimated 17.6 percent of all renter households in the HMA were cost-burdened, spending between 30 and 49 percent of their income on rent, while 23.0 percent were severely cost-burdened, spending more than 50 percent of income toward rent (Table 8). Nationwide, a larger proportion of renter households were cost burdened, and slightly more were severely cost burdened, at 22.0 and 23.8 percent, respectively. Cost-burdens are particularly notable, however, for lower-income renter households in the HMA. For renter households with incomes less than 50 percent of the Area Median Family Income (AMFI), a slightly lower proportion, 16.4 percent, were paying between 30 and 49 percent of their incomes toward rent but the plurality of households at these income levels, or 53.1 percent, were severely cost burdened. The share was higher nationally for cost-burdened households, where 25.7 percent of lower-income renter households were spending 30 to 49 percent of incomes toward rents, but the share was lower nationally for severely cost-burdened households, where 50.2 percent were spending more than 50 percent of incomes toward rent.

**Figure 16. Charlottesville HMA Rental Affordability**




Source: American Community Survey, 1-year data

**Table 8. Percentage of Cost-Burdened Renter Households by Income in the Charlottesville HMA and the Nation, 2011–2015**

| | Cost Burdened | | Severely Cost Burdened | |
|---|---|---|---|---|
| | Charlottesville HMA | Nation | Charlottesville HMA | Nation |
| **Renter Households with Income <50% AMFI** | 16.4 | 25.7 | 53.1 | 50.2 |
| **Total Renter Households** | 17.6 | 22.0 | 23.0 | 23.8 |

AMFI = area median family income.
Note: "Cost-burdened" households spend between 30–49 percent of their income on rent and "severely cost-burdened" households spend over 50 percent of their income on rent.
Sources: Consolidated Planning/CHAS Data; 2011–2015 American Community Survey, 5-year estimates; huduser.gov

As housing has become costlier in the HMA, an increasingly high household income is required to enter the sales market, thereby pushing up the number of higher-income households who stay in or enter the rental market. In response, several statewide and local policy initiatives are underway to address affordability issues in the Charlottesville metropolitan area. In 2007, the city of Charlottesville established the Charlottesville Affordable Housing Fund (CAHF). Since 2007 the fund has committed more than $20 million to address the affordable housing needs of low- and moderate-income households. The FY 2019 budget for the city of Charlottesville allocated more than $3.39 million to the CAHF, up 36 percent from FY 2018. Developers such as Habitat for Humanity are preserving affordable housing in the HMA by replacing aging mobile home parks with new affordable housing. In 2004, Habitat for Humanity purchased Sunrise Trailer Court in the city of Charlottesville, and by 2012 had developed 66 new affordable housing units, including 26 apartments and 30 single-family homes. Habitat for Humanity also purchased Southwood Mobile Home Park in Albemarle County in 2007 and began purchasing and rehabilitating mobile homes in 2016. The first model village of affordable homes is expected to begin construction in 2020. On completion, the development will have 800 apartments and townhome units, with more than one-half expected to be affordable.

In addition, income eligible residents in the HMA may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCV) through the local public housing authority (PHA). PHAs within the Charlottesville HMA managed approximately 1,149 HCVs in 2018 (Picture of Subsidized Households). Households were on the waitlist an average of 4 years. Within the Charlottesville HMA there are nearly 1,862 subsidized units through project-based rental assistance and other programs. The number of households that are receiving federal rental assistance declined 2.1 percent and households with an HCV in the HMA has risen 1.7 percent since 2010 (Table 9). Local housing authorities have reported assisting fewer households because the increased cost of assistance per household outpaced increases in overall funding. Therefore, despite an inflation-adjusted increase in rent subsidy from HUD of 1.4 percent since 2010 in the HMA, the number of assisted households declined; during the same time period, the inflation-adjusted increase in tenant contribution for HCV went up 2.3 percent. By comparison, the total number of assisted and voucher households expanded by respective averages of 5.0 and 11.0 percent nationwide, while the inflation-adjusted HUD subsidy declined 4.5 percent and the inflation-adjusted tenant contribution increased 0.8 percent, since 2010.

In the Charlottesville HMA, approximately 183 people were homeless in 2018, of which 15 percent were unsheltered homeless (2018 Point-in-Time Count). The Charlottesville rate is lower than the 31 percent share of unsheltered homeless in the state of Virginia. Approximately 20 percent of the state homeless population are in the HMA. Overall, homelessness in the HMA has decreased since 2010, when 228 persons were experiencing homelessness; the share of unsheltered homelessness was lower then, however, at 12 percent.

**Table 9. Picture of Subsidized Households in the Charlottesville HMA and the Nation, 2018**

| | Charlottesville HMA | Charlottesville HMA Change Since 2010 (%) | National Count | National Change Since 2010 (%) |
|---|---|---|---|---|
| **Total Assisted Households (2018)** | 1,862 | -2.1 | 4,650,853 | 5.0 |
| **Total Housing Voucher Households (2018)** | 1,149 | 1.7 | 2,264,047 | 11.0 |
| Average HCV Tenant Monthly Contribution | $346 | 2.3 | $370 | 0.8 |
| Average Monthly HUD Subsidy | $752 | 1.4 | $753 | -4.5 |

HCV = housing choice voucher.
Note: Dollar changes are inflation adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).
Source: National and Local Assisted Housing, huduser.gov

## Forecast

During the next 3 years, demand is expected for 1,625 new rental units in the Charlottesville HMA (Table 10). All the demand is expected to be met by the 1,275 units currently under construction and the 460 units in planning that have applied for Federal Housing Administration (FHA) insurance. The demand is expected to be relatively stable during each year of the forecast period.

**Table 10. Demand for New Rental Units in the Charlottesville HMA During the Forecast Period**

| Rental Units | |
|---|---|
| **Demand** | 1,625 Units |
| **Under Construction** | 1,275 Units |

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

# Terminology Definitions and Notes

## A. Definitions

| | |
|---|---|
| **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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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. |
| **Distressed Sales** | Short sales and real estate owned (REO) sales. |
| **Seriously Delinquent Mortgages** | Mortgages 90+ days delinquent or in foreclosure. |

| | |
|---|---|
| **Home Sales/ Home Sales Prices** | Includes single-family, townhome, and condominium sales. |
| **Rental Market/ Rental Vacancy Rate** | Includes apartments and other rental units such as single-family, multifamily, and mobile homes. |
| **Forecast Period** | 4/1/2019–4/1/2022—Estimates by the analyst |
| **Unsheltered Homeless** | Unsheltered homeless includes people who stay in places not designated for regular use as sleeping accommodations. |

## 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 February 28, 2013. |
| 2. | Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria. |
| 3. | The census tracts referenced in this report are from the 2010 Census. |

### C. Additional Notes

| | |
|---|---|
| **1.** | 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. |
| **2.** | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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. |

### D. Photo/Map Credits

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