COMPREHENSIVE HOUSING MARKET ANALYSIS

United States Virgin Islands

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

As of August 1, 2019

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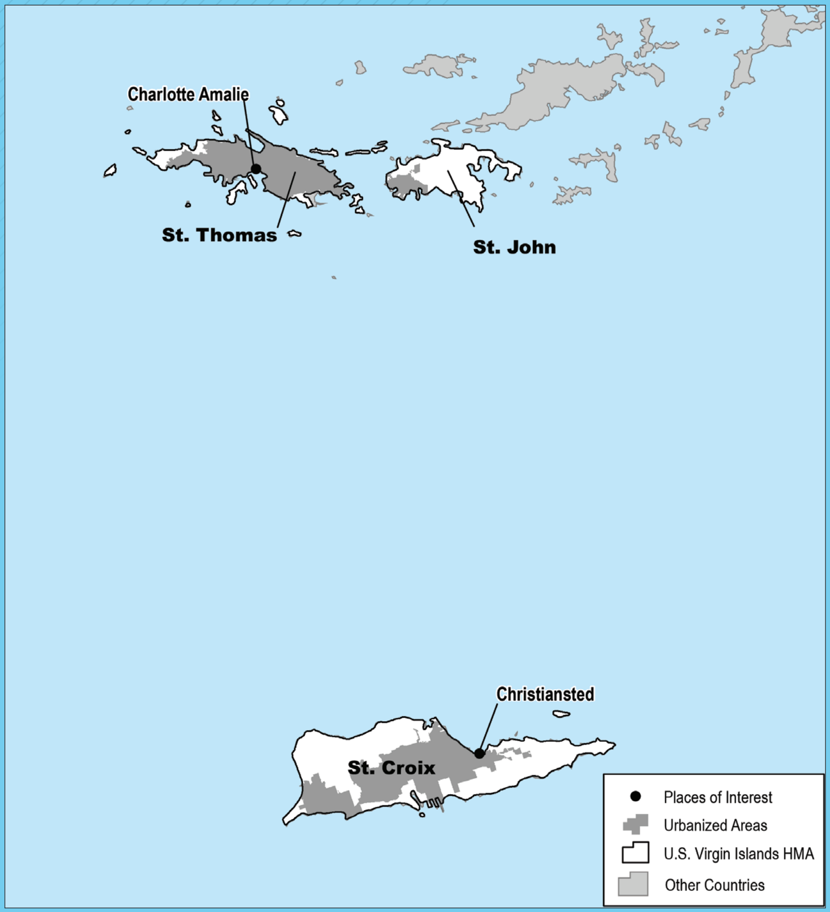

Executive Summary

Housing Market Area Description

The United States Virgin Islands (hereafter, USVI) is approximately 40 miles east of Puerto Rico in the Caribbean Sea.

The current population of the USVI is estimated at 101,900.

During September 2017, two hurricanes, Irma and Maria, impacted the USVI, with Maria being the more damaging storm. More than one-half of all households in the territory reported damage associated with the hurricanes, with more than 10 percent of all households reporting major or severe damage. Significant work remains, although recovery efforts have resulted in notable improvements throughout the territory since late 2017. (Federal Emergency Management Agency, as of March 30, 2018).

Tools and Resources

Find interim updates for this territory, 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

Weak but improving: with 400 jobs added during the 12 months ending July 2019.

Economic conditions in the USVI are improving following the impact of Hurricanes Maria and Irma in September 2017. During the 12 months ending July 2019, nonfarm payrolls increased by 400 jobs, or 1.2 percent, after declining 11.7 percent during the previous 12 months. The unemployment rate in the territory averaged 6.6 percent during the 12 months ending July 2019, well below the 11.6-percent rate during the 12 months ending July 2018. During the 3-year forecast period, nonfarm payroll growth in the territory is expected to average 2.2 percent annually, as tourism revenue increases and significant infrastructure development efforts continue.

Sales Market

Balanced: with a total of 380 homes sold during the first 7 months of 2019, a 31-percent increase from the same period a year ago.

The sales market in the HMA is currently balanced. Reduced inventory associated with hurricane damage continues to limit available supply, and renewed demand for seasonal and second homes contributed to a 10-percent increase in the average home sales price during the past year. As of August 1, 2019, the overall sales vacancy rate was estimated at 3.4 percent, down from 3.7 percent in April 2010. Population growth and improving economic conditions are expected to contribute to demand for an estimated 800 new for-sale units (primary residences) during the next 3 years. The 240 homes currently estimated to be under construction will absorb some of that demand.

Rental Market

Tight: with rents more than doubling for many one-, two-, and three-bedroom units since late 2017.

The rental housing market in the HMA is currently tight because an influx of workers associated with recovery efforts and the reopening of the Hovensa, now known as the Limetree Bay, petroleum refinery on St. Croix have absorbed a significant share of the available inventory since late 2018. The overall rental vacancy rate is currently estimated at 6.5 percent, down from 13.8 percent in April 2010. During the next 3 years, demand in the HMA is expected for 940 new rental units. The 90 units currently estimated to be under construction will satisfy some of that demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
United States Virgin Islands HMA	Total Demand	800	940
	Under Construction	240	90

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

Economic Conditions

Largest sector: Government

Economic conditions in the territory are weak due in part to the impact of Hurricanes Irma and Maria; however, conditions improved notably during the past year.

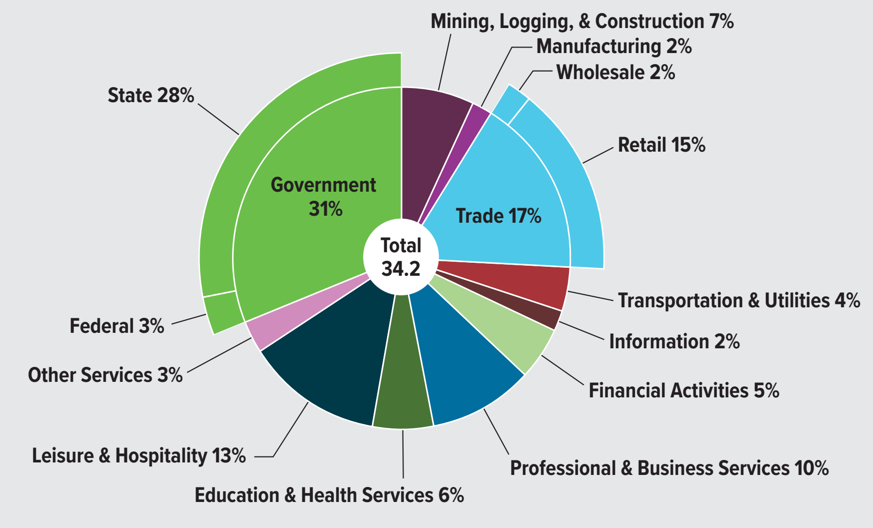
Primary Local Economic Factors

Tourism is significant to the economic foundation of the USVI. Despite the lingering effects of Hurricanes Irma and Maria, the territory welcomed 1.94 million visitors and received $1.0 billion in tourism-related revenue in 2018 (USVI Bureau of Economic Research [VIBER]). The number of jobs in the leisure and hospitality sector, which benefits most directly from tourism, declined dramatically following the hurricanes but still accounted for 13 percent of total nonfarm payrolls in the territory during the 12 months ending July 2019 (Figure 1). The sector includes many resorts. Marriott's Frenchman's Cove (St. Thomas), The Buccaneer Hotel (St. Croix), and The Westin St. John are currently among the largest employers on their respective islands (Table 1).

Current Conditions—Nonfarm payrolls

The territory added jobs during the past year mostly because of redevelopment efforts. Nonfarm payrolls in the USVI increased by 400 jobs, or 1.2 percent, to an average of 34,200 jobs during the 12 months ending July 2019 (Table 2). The largest job gains were in the mining, logging, and construction sector, which increased by 300 jobs, or 13.6 percent. Ongoing repairs of structures damaged by the hurricanes and work associated with the reopening of the Limetree Bay refinery facility on St. Croix, which began in late 2018, contributed to gains in the sector. Work at Limetree Bay also contributed to gains in the manufacturing sector, which added 100 jobs, or 20.0 percent, and the professional and business services sector, which added 200 jobs, or 6.1 percent.

Figure 1. Share of Nonfarm Payroll Jobs in the United States Virgin Islands HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through July 2019.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the United States Virgin Islands HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Government of U.S. Virgin Islands	Government	9,700
U.S. Government	Government	900
Gov. Juan F. Luis Hospital & Medical Center	Education & Health Services	501-700
Kmart	Wholesale & Retail Trade	501-700
PSI Tire Supply LLC	Wholesale & Retail Trade	501-700
Schneider Regional Medical Center	Education & Health Services	501-700
Westin Resorts	Leisure & Hospitality	501-700
Buccaneer Hotel, Inc.	Leisure & Hospitality	301-500
Marriott Frenchman's Cove	Leisure & Hospitality	301-500

Note: Data include military personnel, who are generally not included in nonfarm payroll survey data.
Sources: U.S. Virgin Islands Department of Labor; field work by the analyst

Table 2. Nonfarm Payroll Jobs (1,000s) in the United States Virgin Islands HMA, by Sector

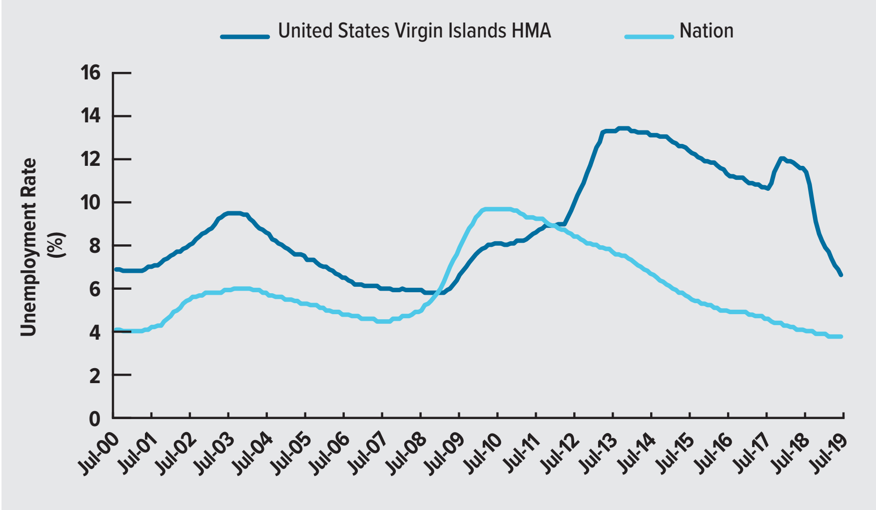
	12 Months Ending July 2018	12 Months Ending July 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	33.8	34.2	0.4	1.2
Goods-Producing Sectors	2.7	3.0	0.3	11.1
Mining, Logging, & Construction	2.2	2.5	0.3	13.6
Manufacturing	0.5	0.6	0.1	20.0
Service-Providing Sectors	31.1	31.1	0.0	0.0
Wholesale & Retail Trade	5.5	5.7	0.2	3.6
Transportation & Utilities	1.3	1.3	0.0	0.0
Information	0.7	0.6	-0.1	-14.3
Financial Activities	1.9	1.9	0.0	0.0
Professional & Business Services	3.3	3.5	0.2	6.1
Education & Health Services	2.1	2.2	0.1	4.8
Leisure & Hospitality	4.8	4.4	-0.4	-8.3
Other Services	0.9	1.0	0.1	11.1
Government	10.6	10.6	0.0	0.0

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

Current Conditions—Unemployment

The unemployment rate in the territory was 6.6 percent during the 12 months ending July 2019, well below the 11.6-percent rate during the 12 months ending July 2018, and less than one-half the 13.4-percent peak unemployment rate during 2013. By comparison, the unemployment rate for the nation was 3.8 percent during the 12 months ending July 2019, down from 4.1 percent during the previous 12 months and well below the recent peak of 9.6 percent in 2010 (Figure 2).

Figure 2. 12-Month Average Unemployment Rate in the United States Virgin Islands HMA and the Nation



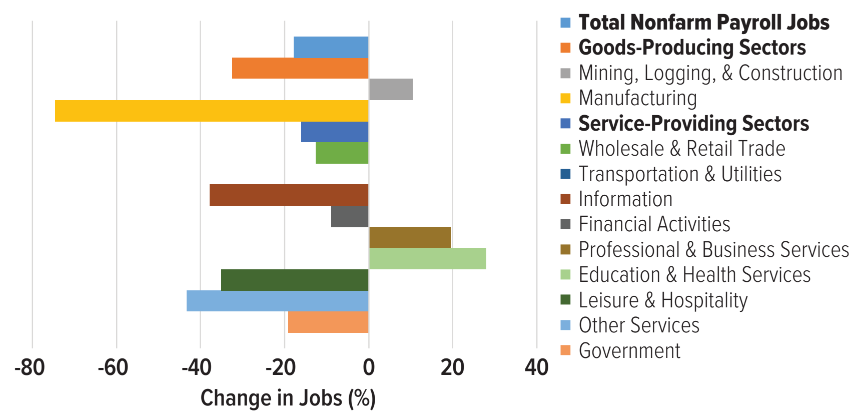
Sources: U.S. Bureau of Labor Statistics; U.S. Virgin Islands Department of Labor

Economic Periods of Significance

2004 through 2010

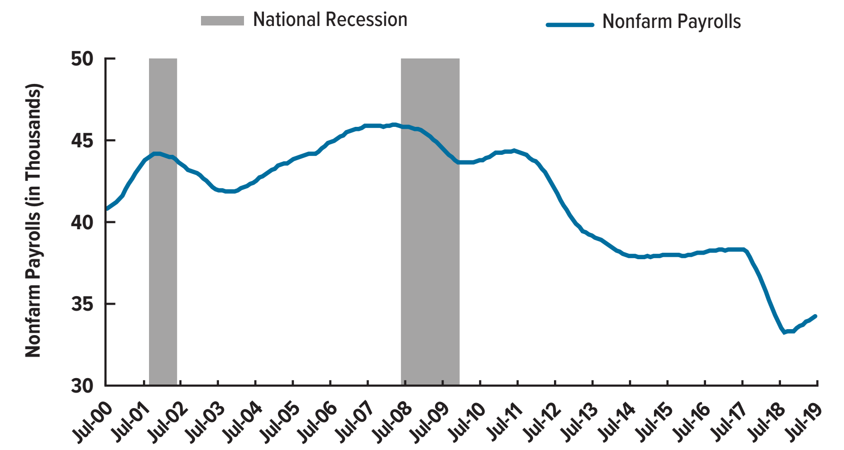
The territory added an average of 1,000 jobs, or 2.2 percent, each year from 2004 through 2007. The mining, logging, and construction sector led job gains during the period and expanded at an average annual rate of 400 jobs, or 18.9 percent. Increased construction activity contributed significantly to job growth in the sector. The total value of all construction permits issued averaged $357.3 million a year during the period, up nearly 60 percent from an average of $226.3 million a year from 2001 through 2003. Notable growth also occurred in the education and health services sector, which has been the fastest growing sector in the territory since 2000 (Figure 3). From 2004 through 2007, the sector added an average of 100 jobs, or 2.7 percent, annually, including the jobs created at The Charlotte Kimelman Cancer Institute on St. Thomas, which opened in 2005. The USVI had a shorter and modestly less severe economic downturn in the late 2000s than the nation. Nonfarm payrolls in the territory declined by an average of 1,000 jobs, or 2.3 percent, a year during 2008 and 2009 compared with an average annual decline of 2.5 percent each year in the United States during the period. The number of jobs in the United States declined 0.7 percent in 2010, while the territory added 500 jobs, or 1.1 percent (Figure 4).

Figure 3. Sector Growth in the United States Virgin Islands HMA, 2001 to Current



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

Figure 4. 12-Month Average Nonfarm Payrolls in the United States Virgin Islands HMA



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

2011 through 2016

A decline of 400 jobs, or 0.9 percent, in 2011 largely offset the gains in the USVI during the previous year. The Hovensa petroleum refinery, which employed as many as 2,200 workers while in operation and was the largest private employer in the territory in 2011, closed in 2012, laying off 2,000 workers, which contributed to nonfarm payrolls declining by an average of 2,000 jobs, or 4.8 percent, each year from 2012 through 2014. Most of the jobs at the Hovensa facility were in the manufacturing sector, which declined by an average of 500 jobs, or 32.7 percent, annually during the period. The impact of the closure was also notable in the government sector, which declined by an average of 600 jobs, or 5.0 percent, annually from 2012 through 2014. All those losses were associated with layoffs by the territorial government whose operating budget declined an average of 6 percent a year in 2012 and 2013. In total, the Hovensa closure contributed to a 15-percent decline in the gross product of the territory, which fell from $4.2 billion in 2011 to $3.6 billion in 2014 (VIBER).

Improving economic conditions throughout much of the world, particularly in the United States, contributed to an increase in tourism and a modest economic recovery in the territory in 2015 and 2016. During the period, nonfarm payrolls increased by an average of 200 jobs, or 0.5 percent annually. Nearly all those gains were associated with tourism when total visitor expenditures rose an average of 1 percent a year and the leisure and hospitality sector added an average of 200 jobs, or 3.0 percent a year.

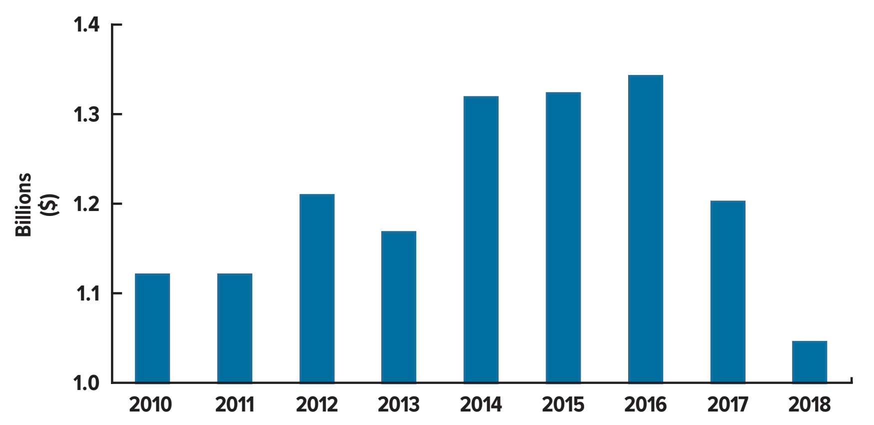
Hurricanes Irma and Maria

The territory continued to add jobs at a modest pace during early 2017, and nonfarm payrolls increased by 200 jobs, or 0.5 percent, during the 12 months ending July 2017. Those gains were dwarfed, however, by the impact of Hurricanes Irma and Maria, which made landfall in September 2017. In the immediate aftermath of the storms, 95 percent of the territory was without power, while a similar percentage of U.S. Virgin Islands Waste Management Authority (WMA) customers experienced disruptions in wastewater service.

The main airports on both St. Croix and St. Thomas were closed for 2 weeks because of extensive damage, and all seaports were closed for 3 weeks because 400 vessels were sunk. Major roadways were obstructed by mudslides, flooding, downed power lines, and debris for more than a month while healthcare facilities, schools, and more than one-half of all households reported damage. In total, the storms resulted in an estimated $10.8 billion of damage and thousands of residents leaving the territory. (USVI Housing Finance Authority [VIHFA]).

The impact of the hurricanes continued throughout much of 2018. Nonfarm payrolls declined by 4,500 jobs, or 11.7 percent, during the 12 months ending July 2018, while the unemployment rate rose sharply. Job losses were widespread, although sectors associated with tourism decreased significantly, including the leisure and hospitality sector, which lost 2,900 jobs, a decline of 37.8 percent. Nearly all major resorts were closed for at least part of the period with several damaged severely. The Ritz-Carlton, as well as Frenchman's Reef and Morningstar Beach Resort on St. Thomas, Divi Carina Resort on St. Croix, and the Caneel Bay Resort, which was the largest employer on St. John prior to the hurricanes, have yet to reopen. Those closures exacerbated an already steep decline in tourism expenditures, which fell 10 percent in 2017 and 13 percent in 2018 (Figure 5).

Figure 5. Total Tourism Expenditures in the United States Virgin Islands HMA



Source: U.S. Virgin Islands Bureau of Economic Research

The trade sector was also significantly impacted by the decline in tourism and decreased by 1,000 jobs, or 15.8 percent, during the 12 months ending July 2018, with the retail trade subsector accounting for nearly all the decline.

Recovery Efforts

Significant work remains, although recovery efforts, which were supported by $459 million in federal funding during the fourth quarter of 2017 alone, have resulted in notable improvements throughout the territory. Wastewater service was restored to all customers within 30 days of the hurricanes, and partly because of the clearing of 22.3 million cubic feet of debris, power has been restored to all eligible residents in the territory since March 2018 (WMA, VIHFA, Virgin Islands Water and Power Authority). Several healthcare facilities remain closed or are operating at less than full capacity in the territory, although the Myrah Keating Smith Clinic (St. John) reopened in March 2019, and the first phase of repairs at the Schulterbrandt Living Facility (St. Thomas) was completed in April 2019. Significant repair work is still necessary at many schools; however, nearly all have returned to full sessions in 2019 after only having partial sessions in 2018. Several major resorts also resumed operations during the past year, contributing to increased tourism. From January through July of 2019, airline passenger activity to the territory rose 52 percent from the same period in 2018 partly because of renewed operations at The Buccaneer Hotel and Marriott's Frenchman's Cove, both of which returned to full capacity in mid-2018, as well as The Westin St. John, which reopened in early 2019.

Employment Forecast

Economic conditions in the USVI are expected to improve significantly during the next 3 years due in large part to an estimated average nonfarm payroll growth of 2.2 percent a year. The reopening of the Limetree Bay refinery will continue to contribute to the economy of the territory, particularly on the island of St. Croix. Construction at the facility currently supports approximately 1,300 jobs, with 700 permanent jobs expected to be created when production resumes in early 2020. The leisure and hospitality sector is also expected to expand during the forecast period, with job growth stemming from the reopening of several major resorts.

The Ritz Carlton is scheduled to reopen in December 2019, followed soon after by the Divi Carina Resort (St. Croix), Frenchman's Reef and Morningstar Beach Resort (St. Thomas), and The Renaissance St. Croix Carambola Beach Resort & Spa in 2020. The total economic impact of those openings is currently unknown, although the four resorts combined to account for more than 1,000 jobs prior to the hurricanes.

The territory is also expected to benefit substantially from continued investment in infrastructure. Construction associated with the St. Thomas' Veteran's Drive Improvement Project, which includes widening a 3-mile long stretch of the primary roadway running through the capital city of Charlotte Amalie, is expected to intensify during the next 2 years with completion scheduled for 2021. The Virgin Islands Department of Public Works is also expected to increase work on a $500 million infrastructure project, which includes improvements to roadways, drainage, utilities, signage, lighting, and traffic management control during the next decade. In March 2019, the U.S. Economic Development Administration awarded the Virgin Islands Port Authority $27 million in funds for expansions of both the Cyril E. King Airport (St. Thomas) and Henry E. Rohlsen Airport (St. Croix). On completion, the two expansions are expected to create as many as 160 permanent jobs. In addition to those projects, in early 2018, the U.S. Department of Housing and Urban Development (HUD) awarded nearly $1.9 billion in Community Development Block Grant Disaster Relief funds for the purpose of unmet needs in housing, infrastructure, and economic revitalization from the 2017 hurricanes and for mitigation activities to protect the territory from damage in future events.

Population and Households

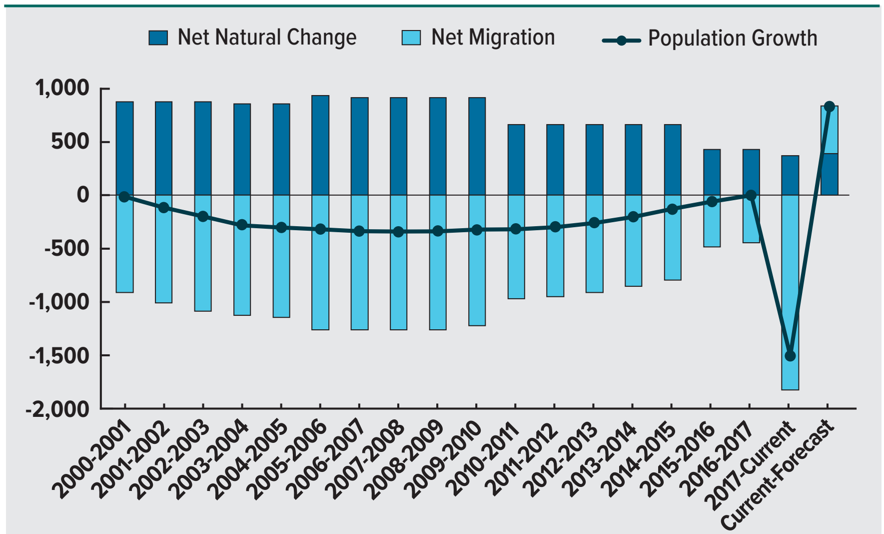
Current Population—USVI: 101,900

Hurricanes Irma and Maria exacerbated a long-term trend of out-migration, although many displaced residents have since returned to the territory.

Population Trends

The territory encompasses more than 50 islands, although the islands of St. Croix, St. John, and St. Thomas account for almost all of the population. The population of the USVI has declined for much of the past two decades because of significant out-migration stemming from weak economic conditions (Figure 6). From 2000 to 2005, the population of the territory declined by an average of 160, or 0.1 percent, each year (2000 Census Bureau and United Nations [UN] population estimates as of July 1). Strong job growth in the United States attracted residents from the territory, and average net out-migration of 1,030 people a year exceeded net natural change (resident births minus resident deaths) of 870 people a year during the period. Population decline accelerated to an average of 300 a year, or 0.3 percent, from 2005 to 2014 when the combined effects of the Great Recession in the late 2000s and the closure of the Hovensa refinery contributed to an average annual net out-migration of 1,100 (UN population estimates and 2010 Census data). Modestly improving economic conditions slowed out-migration from 2014 to 2017 to 580 a year, although the population of the territory continued to decline at an average annual rate of 0.1 percent, or 70 people, during the period.

Figure 6. Components of Population Change in the United States Virgin Islands HMA, 2000 Through the Forecast



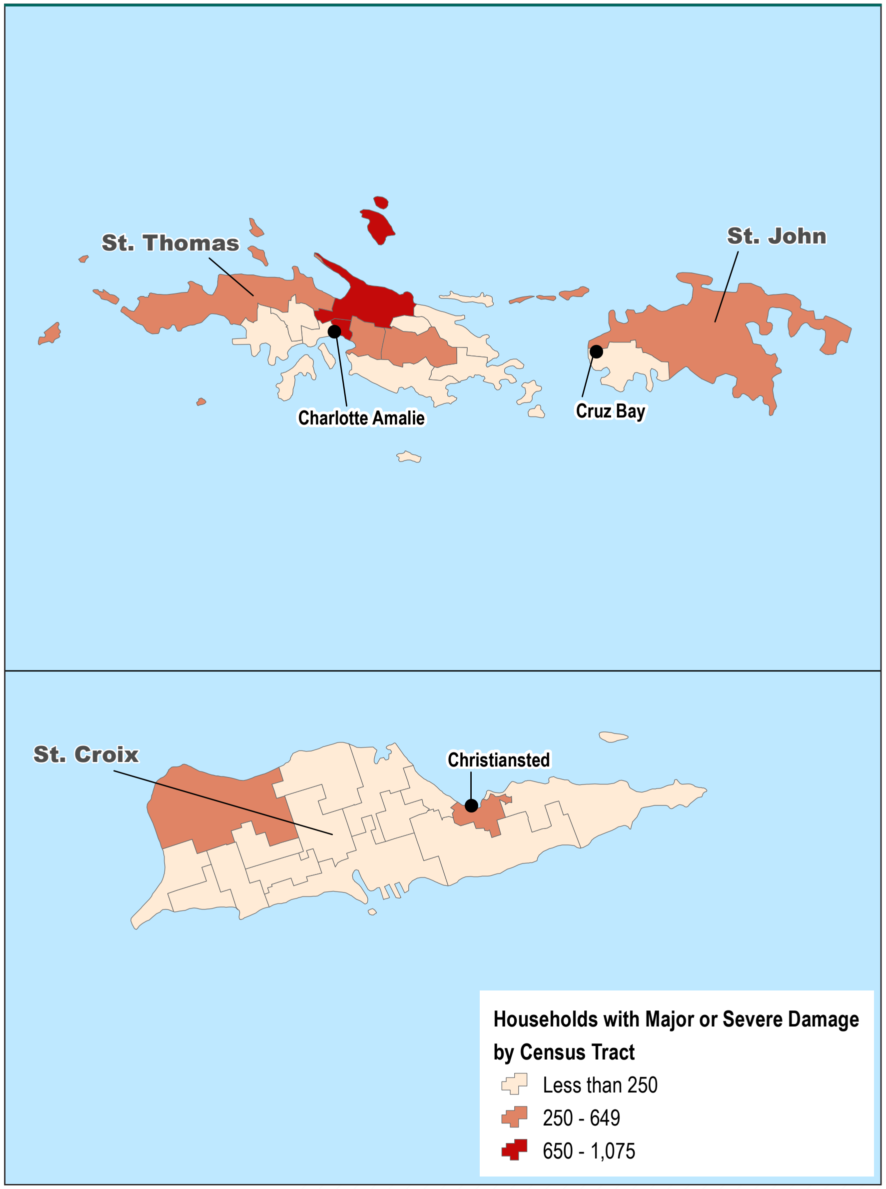
Notes: Net natural change and net migration totals are average totals over the time period.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

In the immediate aftermath of Hurricanes Irma and Maria, thousands of residents left the USVI, particularly those with homes located in the hardest hit parts of St. Croix and St. Thomas (Map 2). Outbound passengers from the two major airports in the territory exceeded the number of inbound passengers by more than 26,150 during 2017 (Figure 7). A significant number of residents returned the following year, however, when inbound passengers exceeded outbound passengers by 8,700 during 2018. That trend is estimated to have continued during 2019, although the population of the territory is currently estimated at only 101,900, an average annual decline of 1,450, or 1.4 percent, since July 2017 (Table 3).

Age Trends

Due in part to a general scarcity of high-paying jobs in the USVI, out-migration from the territory has been heavily concentrated among the working-age population. As a result, the median age has risen sharply relative to the United States. From 2000 to 2010, the median age in the USVI rose from 33.4 to 39.2, an increase of 5.8 years, while the median age for the United States rose from 35.3 to 37.2, an increase of only 1.9 years (Table 4). That trend continued into the early 2010s, with significant job losses further limiting opportunities for skilled workers. As of 2014, the median age in the territory was 43.5 years, nearly 6 years older than the median age of 37.7 years in the United States (2014 Virgin Islands

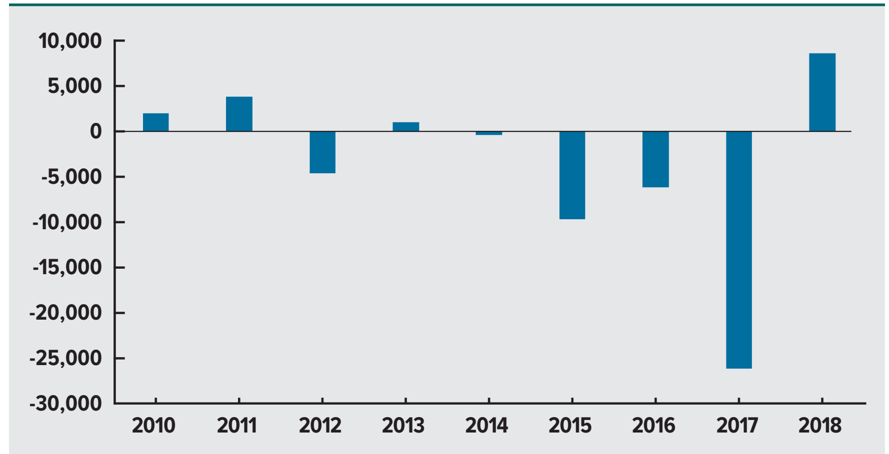
Map 2: Households Reporting Major or Severe Hurricane Damage in the United States Virgin Islands HMA, 2012–2017



Source: FEMA, 2012-2017

Community Survey [VICS] and 2014 American Community Survey [ACS] 1-year data). Out-migration associated with the hurricanes is likely to have further exacerbated that trend because younger residents were more likely to have relocated to areas outside the territory.

Figure 7. Net Inbound Air Passengers to the United States Virgin Islands HMA



Source: Virgin Islands Port Authority

Table 3. United States Virgin Islands HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	106,405	101,900	104,400
	Average Annual Change	-220	-480	830
	Percentage Change	-0.2	-0.5	0.8
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	43,214	42,150	43,500
	Average Annual Change	260	-110	450
	Percentage Change	0.6	-0.3	1.0

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Table 4. Selected Population and Household Demographics in the United States Virgin Islands HMA

	United States Virgin Islands HMA		Nation	
	2000	2010	2000	2010
Median Age	33.4	39.2	35.3	37.2
Households with 5+ persons	13.0%	8.0%	11.0%	11.0%
Average Household Size	2.64	2.41	2.59	2.58
Median Household Income	$24,704	$37,254	$41,851	$50,046

Source: U.S. Census Bureau

Household Trends

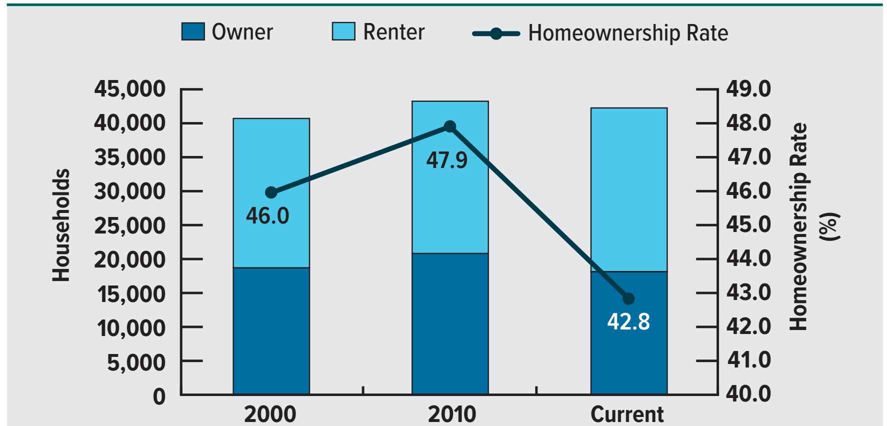
Despite the population decline, the territory had modest household growth from 2000 to 2010, due in large part to a long-term trend of decoupling by larger households. Household growth in the territory averaged 0.6 percent a year from April 2000 to April 2010. As the population decreased during the period, the formation of smaller sized households accounted for the positive household growth with the average household size declining from 2.64 in April 2000 to 2.41 in April 2010. The percentage of households in the USVI that had five or more people declined from 13 percent in April 2000 to 8 percent in April 2010, while the figure for the United States remained largely unchanged at 11 percent (2000 and 2010 Census data). The average household size in the territory has continued to decline since the early 2010s, and although the number of households has decreased since 2010, the rate of decline has been less than that of the population. As of August 1, 2019, the number of households in the USVI was estimated at 42,150, an average annual decline of 0.3 percent since April 2010, compared with an average annual decline of 0.5 percent for the population.

Income & Tenure

Incomes in the USVI have historically been lower than the nation as a whole. The income gap narrowed during the 2000s but has become significantly more pronounced during the past decade. From 2000 to 2010, the median household income in the territory increased an average of 4 percent annually from $24,704 in 2000 to $37,254 in 2010, compared with an average annual increase of 2 percent from $41,851 in 2000 to $50,046 in 2010 for the nation (2000 and 2010 Census data). The income gap widened significantly from 2010 to 2014 when economic conditions weakened in the territory where the median household income declined an average annual 3 percent to $33,057. The median household income for the nation increased an average of 2 percent annually to $53,657 (VICS, ACS 1-year data). Median household income in the USVI was estimated at only $31,000 before the hurricanes in 2017, while the median household income in the nation was $60,336 (Federal Reserve Bank of New York, ACS 1-year data).

Low incomes, combined with relatively high home prices stemming from strong demand by nonresidents, have contributed to notably low homeownership rates in the territory. The homeownership rate in the USVI increased from 46.0 percent in 2000 to 47.9 percent in 2010 partly because weak economic conditions in the nation limited demand for seasonal and second homes during the late 2000s, which allowed some residents to purchase homes. Homeownership began to decline in the early 2010s, however, a trend that is estimated to have accelerated in the aftermath of the hurricanes. As of August 1, 2019, the homeownership rate in the territory is estimated at 42.8 percent (Figure 8). By comparison, the

Figure 8. Households by Tenure and Homeownership Rate in the United States Virgin Islands HMA



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst homeownership rate for the nation declined from 67.2 percent during the second quarter of 2000 to 66.9 percent during the second quarter of 2010 and was 64.1 percent during the second quarter of 2019 (Current Population Survey).

Forecast

During the next 3 years, population growth is expected to average 830, or 0.8 percent, annually, in the USVI, with improving economic conditions contributing to net in-migration, including the continued return of displaced residents. The number of households is expected to increase at a faster average annual rate of 1.1 percent, to 43,500, during the forecast period with the average household size expected to continue to decline.

Home Sales Market Conditions

Market Conditions: Balanced

The average price of homes on St. Croix and St. Thomas rose to $368,000 during the first seven months of 2019, a 10-percent increase from the same period in 2018.

Current Conditions

The sales housing market in the USVI is currently balanced. Demand for sales housing, particularly by nonresidents, declined dramatically following the hurricanes but has since resumed. Supply remains limited, however, with some severely damaged for-sale units yet to return to the market and many other units being converted to rental units in response to tight rental market conditions. As a result, the inventory of for-sale homes declined in the territory, and home prices have increased during the past year. As of August 1, 2019, the overall sales vacancy rate was estimated at 3.4 percent, down from 3.7 percent in April 2010, and well below the 12.8-percent rate in April 2000 (Table 5).

Table 5. Home Sales Quick Facts in the United States Virgin Islands HMA

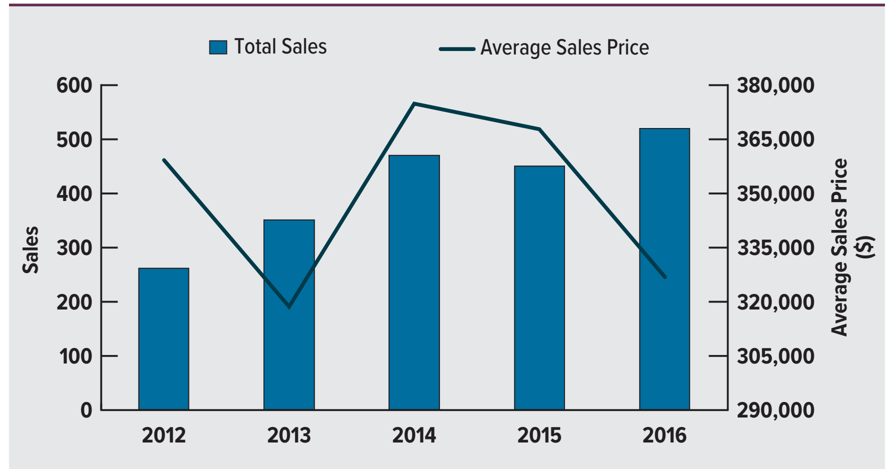
		2018	2019
Home Sales Quick Facts	**Vacancy Rate**	NA	3.4%
	Total Home Sales	290	380
	1-Year Change	-15%	31%
	Average Home Sales Price	$335,800	$368,000
	1-Year Change	3%	10%

NA = data not available.
Notes: The vacancy rate is as of the current date. Home sales and prices are for January through July and exclude the island of St. John.
Sources: Sales—Virgin Islands Territorial Association of Realtors; vacancy rate—estimates by the analyst

Early and Mid-2010s

Despite weak economic conditions and declining homeownership, a significant amount of demand by nonresidents, which typically account for approximately half of all home sales in the territory, contributed to relatively strong demand for sales housing in the early and mid-2010s. The number of home sales on the islands of St. Thomas and St. Croix, which compose more than 95 percent of the USVI's population and housing stock, increased by an average of 34 percent annually, from 260 in 2012 to 470 in 2014 (Virgin Islands Territorial Association of Realtors Multiple Listing Service [MLS]). Home sales increased despite the significant job losses associated with the closure of the Hovensa refinery because many former workers, particularly on the island of St. Croix, were forced to leave the territory and sell their homes, often to nonresidents. The average home price fell from $359,000 in 2012 to $318,600 in 2013, but subsequently rose to $374,800 in 2014 (Figure 9). The combined number of home sales on the two islands declined 4 percent in 2015 but subsequently increased 16 percent to 520 in 2016. The average sales price declined 11 percent to $326,700 in 2016 mostly because of a 21-percent increase in the number of condominium sales, which are generally smaller and less expensive than single-family homes.

Figure 9. Annual Sales Totals and Average Sales Prices in the United States Virgin Islands HMA

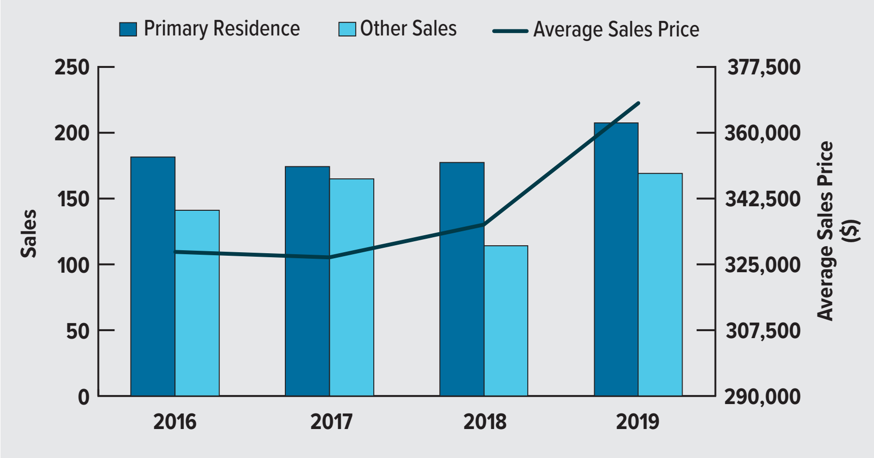


Note: Data exclude the island of St. John.
Source: Virgin Islands Territorial Association of Realtors

2017 to Current

Sales market conditions were relatively stable in early and mid-2017, although sales activity declined dramatically after the hurricanes as damage was assessed and recovery efforts began. From January through July 2017, the number of homes sold on St. Croix and St. Thomas totaled 340, up 6 percent from the same period in 2016, while the average sales price was largely unchanged at $327,000 (Figure 10). Very little sales activity occurred in late 2017, and home sales, particularly to nonresidents, remained limited through much of 2018. From January through July 2018, only 290 homes were sold on St. Croix and St. Thomas, a 15-percent decline from the same period in 2017. The average sales price increased 3 percent to $335,800 as the decline in home sales was heavily concentrated in condominium unit sales, which fell 27 percent. Home sales activity increased sharply during the past year, with home prices continuing to rise in response to renewed demand for second homes. From January through July 2019, 380 homes were sold on St. Croix and St. Thomas, up 31 percent from the same period a year ago and 19 percent higher than the first 7 months of 2017. The average home sales price also increased 10 percent to $368,000. The increase in demand during the past year also contributed to significant absorption of available inventory, with the number of active listings declining from 220 in July 2018 to only 160 in July 2019.

Figure 10. Sales by Type and Average Sale Price in the United States Virgin Islands HMA



Note: Data are for January through July and exclude the island of St. John.
Source: Virgin Islands Territorial Association of Realtors

Seasonal Homes, Second Homes & Condominiums

Seasonal and second homes constitute a significant part of the sales market in the USVI, with demand by nonresidents putting upward pressure on home prices. Prior to the hurricanes, from January through July 2017, sales for a purpose other than primary residence (which include seasonal and second homes) accounted for 49 percent of all home sales in the territory, which was generally consistent with historical levels. That figure declined to only 39 percent during the same period in 2018, due in large part to uncertainty regarding hurricane damage, but rose to 45 percent during the first 7 months of 2019, due in part to increased buyer confidence associated with recovery efforts. Seasonal and second homes have historically been more expensive than primary residences in the territory. The average sales price for seasonal and second homes on St. Croix and St. Thomas was $352,300 during January through July 2017, 16 percent higher than the average price for primary residences—$303,000. Prices for seasonal and second homes fell much faster than prices for primary residences following the hurricanes but have since increased at a relatively rapid rate as recovery efforts have helped assuage concerns about the future of the market among prospective investors. Primary residences sold for an average of $358,300, or 16 percent more than $300,600, the average price for seasonal and second homes, during January through July 2018. Conversely, during the first 7 months of 2019, the average sales price for seasonal and second homes, $395,400, was 14 percent higher than the average sales price of a primary residence, which declined to $345,800 due in large part to an increased number of condominium sales.

Condominiums, which are particularly popular with nonresidents due to the relatively minimal amount of maintenance required, have a substantial impact on the housing market in the territory. Approximately 18 percent of all owner-occupied housing units in the USVI are currently estimated to be condominium units (in multi-unit structures), more than triple the 5-percent figure for the United States in 2017 (ACS 1-year data). During January through July of 2017, approximately 170 condominiums sales occurred on St. Croix and St. Thomas. That figure declined to only 120 units during same period in 2018, but subsequently increased to 180 units during the first seven months of 2019. The average sales price for condominium units was $228,500 during January through July 2019, up 1 percent from a year ago.

St. John

The sales market on the island of St. John typically accounts for less than 10 percent of all home sales in the territory. The Virgin Islands National Park covers approximately 60 percent of the island, making developable land scarce but very desirable. As a result, home prices are generally much higher than elsewhere in the territory but fluctuate significantly from year to year given the low number of sales. From 2013 through 2016, home sales on the island averaged 50 homes a year, with median home sales prices ranging from a low of $643,600 in 2015 to a high of $765,000 in 2014. During the first seven months of 2017, 30 homes were sold, with a median sales price of $658,800, although home sales activity has been extremely limited since the hurricanes.

Affordability

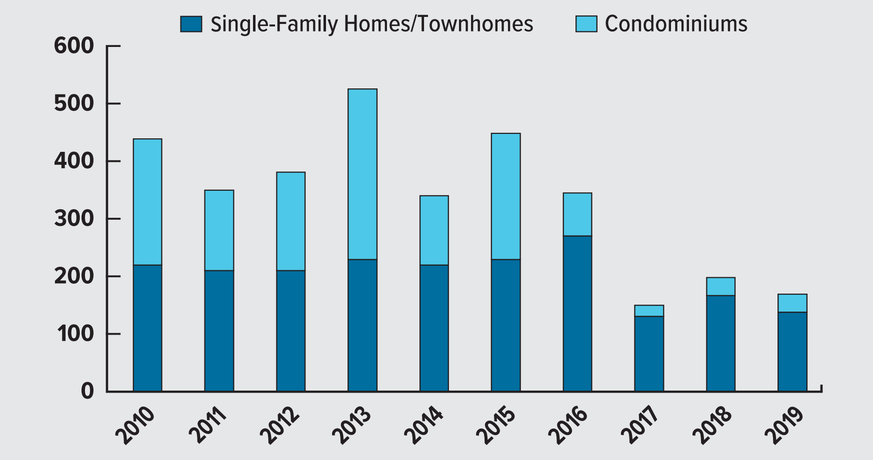
Relatively low incomes, high construction costs, limited developable land, and strong demand by nonresidents have contributed to an ongoing affordability problem for residents of the territory seeking to purchase a home. During 2017, the median home price was approximately 7 times higher than the median household income in the USVI, compared with 5 times higher for the nation. The ratio is likely to have increased significantly in the territory during the past 2 years because home prices have risen since the hurricanes despite severely weakened economic conditions.

Homeownership in the territory is also limited by significant barriers associated with financing. The largest of these barriers is the high cost of homeowner's insurance, which was approximately four times more expensive than for the nation as a whole before the hurricanes and is estimated to have increased as much as 20 percent since 2017. To avoid the lender requirement to purchase home insurance, home sales in the USVI are often cash transactions among family and friends. More than two-thirds of all owner-occupied homes in the USVI do not have a mortgage. By comparison, only 37 percent of owner-occupied homes in the United States did not have a mortgage in 2017 (ACS 1-year data).

Sales Construction Activity

Significant recovery efforts have resulted in increased permitting of sales units in the USVI during the past 2 years, although large-scale development remains difficult due in part to high material costs and geographic limitations. An estimated 190 for-sale units were permitted during the 12 months ending July 2019, up 6 percent from the previous 12 months. Annual totals of 150 and 200 units were permitted in 2017 and 2018, respectively (Figure 11). By comparison, an average of 400 for-sale units were permitted each year from 2010 through 2016, a period when condominiums, timeshares, and duplexes accounted for a relatively high share of the for-sale development activity. Such units accounted for an estimated 44 percent of all for-sale units permitted in the USVI during 2010 through 2016, up from 31 percent from 2000 through 2009. Seasonal homes and second homes,

Figure 11. Sales Permitting Activity in the United States Virgin Islands HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through July 2019.
Sources: Virgin Islands Department of Planning and Natural Resources; estimates by the analyst

including resort condominiums and timeshares, contributed significantly to the increase, which coincided with the economic recovery of the United States.

Construction is extremely expensive in the territory because materials such as concrete are routinely more than three times as expensive as in the continental United States and much of the undeveloped land is mountainous. As a result, building large-scale developments is extremely difficult, although efforts are being made to promote homeownership by permanent residents. Several moderately-sized new home developments are in planning, with the largest, a currently unnamed 57-home development, targeted for the western part of St. Croix. Prices have yet to be released, but completion is currently targeted for the first quarter of 2021, with the initial occupants to be selected by VIHFA from a waiting list of more than 200 qualified first-time homebuyers.

Forecast

Demand for primary residences is expected at an estimated 800 new sales units in the HMA during the 3-year forecast period (Table 6). Population growth associated with improving economic conditions will contribute to sales demand. The 240 units currently under construction will satisfy some of the estimated demand.

Table 6. Demand for New Sales Units in the United States Virgin Islands HMA During the Forecast Period

	Sales Units
Demand	800 Units
Under Construction	240 Units

Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Tight

The overall rental vacancy rate in the USVI is estimated to have fallen by more than one-half since the hurricanes, with rents estimated to have more than doubled for some unit types.

Overall Rental Market Conditions

The overall rental market in the USVI is currently tight. An influx of workers, particularly those associated with recovery efforts and the reopening of the Limetree Bay facility, has contributed to a significant increase in demand since the hurricanes. Supply is limited, however, due in part to severely damaged units that remain off the market. As a result, the current overall rental vacancy rate is historically low. As of August 1, 2019, the overall rental vacancy rate is estimated at 6.5 percent, well below the 10.1-percent rate in 2000 and less than one-half the 13.8-percent rate in April 2010 (Table 7).

Table 7. Rental and Apartment Market Quick Facts in the United States Virgin Islands HMA

		Percent
Rental Market Quick Facts	**Overall Rental Vacancy Rate**	
	2000	10.1
	2010	13.8
	Current	6.5
	Rental Units by Units Structure	
	Single-Family	40
	2 Units	11
	3 or 4 Units	18
	5 or More Units	29

	Unit Type	Estimated Rents
Apartment Market Quick Facts	Studio	$800–$1,000
	One-Bedroom	$1,200–$2,500
	Two-Bedroom	$2,500–$3,000
	Three-Bedroom	$4,000–$6,000

Sources: U.S. Census Bureau; Virgin Islands Community Survey; field work by the analyst

Apartment Market Conditions

Apartment market conditions in the territory are also tight, although apartments compose a relatively small share of the overall rental market. Prior to the hurricanes, approximately 69 percent of renter households, including those in market-rate and affordable units, resided in structures with four or fewer units. That figure has likely increased during the past 2 years because the recent spike in rental demand has resulted in many small multifamily buildings and single-family homes being converted to long-term rental units. By comparison, only 52 percent of renter households resided in such structures in the United States in 2017 (ACS 1-year data).

The few large apartment communities in the territory are almost all income-restricted or subsidized. Those properties generally have much lower vacancy rates than the overall rental market, a trend that has become more pronounced since the hurricanes. Of the 26 apartment communities managed by the Virgin Islands Housing Authority (VIHA), 24 sustained damage. Notably, on St. Thomas, the 304-unit Estate Tutu community and the 85-unit Lucinda Williams Home were evacuated due to severe damage and are currently scheduled for demolition.

Rents

Data regarding market-rate rental units in the USVI are severely limited because of the general absence of large apartment complexes and subsequently private apartment surveys, although rents are estimated to have more than doubled for some unit types since the hurricanes. Studio units, which rented for $600 a month prior to the hurricanes, are currently estimated to rent for up to $1,000 a month, while rents for one-bedroom units, which previously rented for $1,100 a month, are currently as high as $2,500 a month. Two- and three-bedroom units, which rented for approximately $1,800 and $2,500, currently rent for as much as $3,000 and $6,000 a month, respectively.

Affordability

Renter households in the USVI have historically spent a notably larger share of their income on rent than those in the rest of the nation, an issue that has been compounded by rapidly rising rents since the hurricanes. Based on the most recent data available, the median gross monthly rent in the territory was $848, which represented 39 percent of the median monthly income for renter households, $2,175, during 2014 (2014 VICS). By comparison, the median gross monthly rent was $934 in 2014 in the United States, or about 33 percent of the median monthly income of $2,850 for renter households (ACS 1-year data).

Given the high cost of living and relatively low wages in the territory, subsidized and other low-income rental housing is particularly important. In total, income-restricted or subsidized housing accounts for approximately 25 percent of the total rental inventory in the USVI compared with approximately 14 percent in the United States (VIHFA, Harvard Joint Center for Housing Studies, Center on Budget and Policy Priorities, Urban Institute). The primary provider of subsidized housing is VIHA, which manages 26 public housing communities with a combined 3,014 units (Table 8). A 2015 study by the VIHFA estimated a vacancy rate of 8 percent at VIHA properties, although that figure has declined significantly since the hurricanes, with nearly all available units currently occupied. Other major sources of subsidized rental housing are the Section 8 Project-Based Rental Assistance program, which provides approximately a combined 1,275 units at 8 complexes, and the U.S. Department of Agriculture Rural Development Administration (RDA), which includes 430 units at 11 properties. The vacancy rate at RDA properties has been under 5 percent since 2010. Demand for subsidized rental housing is substantial, with the waiting list of more than 1,000 households for Section 8 Housing Choice Vouchers, up from 590 prior to the hurricanes. In addition to subsidized housing, the Low-Income Housing Tax Credit (LIHTC) program funds approximately 1,500 below market-rate apartment units combined at 31 communities.

Table 8. Picture of Affordable Rental Housing Units in the United States Virgin Islands HMA

	United States Virgin Islands HMA
Public Housing (VIHA)	3,014
Low-Income Housing Tax Credit (LIHTC)	1,500
Project-Based Rental Assistance	1,275
Rural Development Administration (RDA)	430

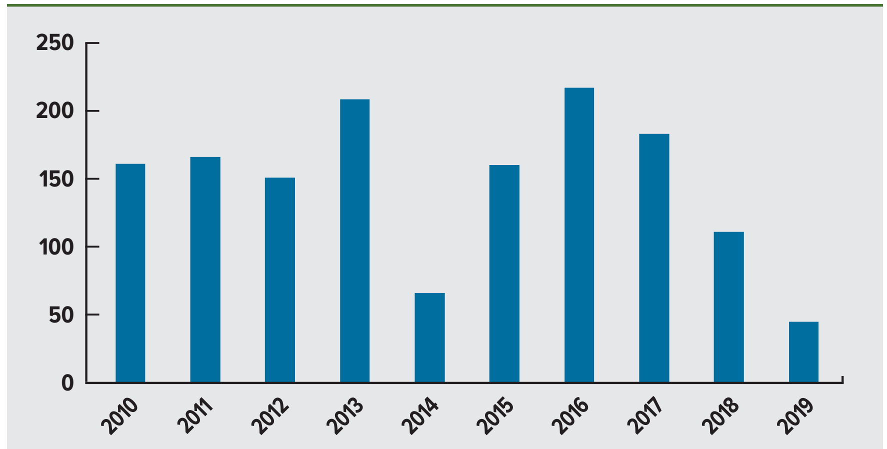
Sources: Virgin Islands Housing Authority (VIHA); Virgin Islands Housing Finance Authority

Rental Construction Activity

Construction of affordable units has contributed to much of the recent rental development in the territory, particularly since the hurricanes. From 2010 through 2017, an estimated average of 160 new rental units were permitted each year, including several affordable apartment properties (Figure 12). Phase 1 and Phase 2 of Louis E. Brown Apartments, which consist of a combined 141 subsidized units on St. Croix, opened in 2011 and 2013, respectively. On St. Thomas, the 48-unit first phase of Magen's Junction, an LIHTC property that is restricted to households at or below 60 percent of Area Median Income, was permitted prior to the hurricanes in 2017 and was completed in 2018. The 90-unit third phase of Louis E. Brown Apartments was also permitted in 2017, although construction was not completed until mid-2019 due in part to the hurricanes.

During the 12 months ending July 2019, 90 new rental units were permitted in the territory, up from 80 units during the previous 12 months (estimates by the analyst). Currently, 90 new rental units are under construction. The 68-unit second phase of Magen's Junction, which was permitted in 2018, accounts for more than three-fourths of the units currently being built.

Figure 12. Rental Permitting Activity in the United States Virgin Islands HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through July 2019.
Sources: Virgin Islands Department of Planning and Natural Resources; estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 940 rental units in the territory (Table 9). A portion of that demand will be met by the 90 apartment units currently estimated to be under construction. It is also important to note that a significant portion of demand will be replacement demand resulting from the planned demolition of severely damaged affordable apartment units.

Table 9. Demand for New Rental Units in the United States Virgin Islands During the Forecast Period

	Rental Units
Demand	940 Units
Under Construction	90 Units

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

Terminology Definitions and Notes

A. Definitions

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.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Forecast Period	8/1/2019–8/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.

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.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family homes, multifamily homes, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

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.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.

2.	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.
3.	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.
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Contact Information

Casey M. Blount, Economist
Atlanta HUD Regional Office
213–534–2622
casey.m.blount@hud.gov