



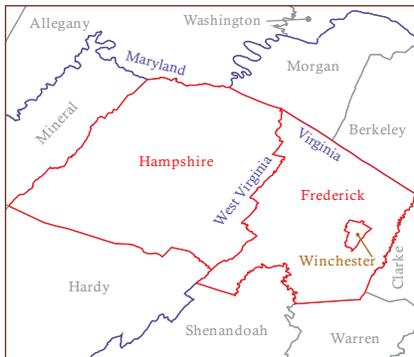
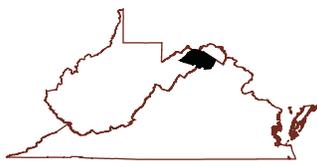
Winchester, Virginia-West Virginia

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2012



Summary

Housing Market Area



The Winchester Housing Market Area (HMA), approximately 70 miles northwest of Washington, D.C., consists of Frederick County and the city of Winchester in Virginia and Hampshire County in West Virginia. In 2011, *AARP The Magazine* named Winchester one of the top “10 Affordable Cities for Retirement” in the nation.

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Economy

Economic conditions improved in the Winchester HMA after 3 consecutive years of decline, with job gains recorded during the past 2 years. During the 12 months ending September 2012, nonfarm payrolls increased by approximately 700 jobs, or 1.2 percent, to 56,400 jobs. The unemployment rate averaged 6.0 percent during the same period, lower than the 6.7-percent rate recorded a year earlier. Valley Health is the largest employer in the HMA with nearly 4,450 employees. Employment in the HMA is expected to increase by an average of 930 jobs, or 1.7 percent, annually during the 3-year forecast period.

Sales Market

The sales housing market in the HMA is currently soft, but improving; the estimated vacancy rate is 2.2 percent, down from the 2.4-percent rate recorded in 2010. During the next 3 years, demand is forecast for 1,450 new homes, including 75 mobile homes (Table 1). The 80 homes currently under construction and some of the 5,775 other vacant units in the HMA that may reenter the market will satisfy a portion of the demand.

Rental Market

The rental housing market in the HMA is currently balanced. The current rental vacancy rate is estimated at 6.6 percent compared with the 9.1-percent rate recorded in 2010. During the forecast period, demand is estimated for 270 new rental units; the 200 units currently under construction will meet a portion of this demand (Table 1).

Table 1. Housing Demand in the Winchester HMA, 3-Year Forecast, October 1, 2012, to October 1, 2015

	Winchester HMA	
	Sales Units	Rental Units
Total Demand	1,450	270
Under Construction	80	200

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Includes an estimated demand for 75 mobile homes. Units under construction as of October 1, 2012. A portion of the estimated 5,775 other vacant units in the HMA will likely satisfy some of the forecast demand. Source: Estimates by analyst

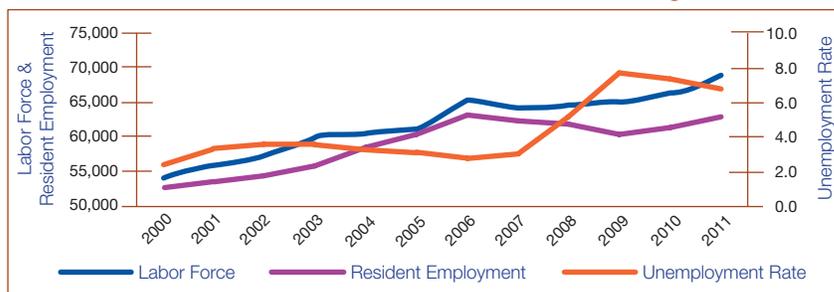
Economic conditions in the Winchester HMA improved after 3 consecutive years of decline with job gains recorded during the past 2 years. During the 12 months ending September 2012, nonfarm payrolls increased by approximately 700 jobs, or 1.2 percent, to approximately 56,400 jobs. By comparison, during the 12 months ending September 2011, nonfarm payrolls averaged 55,700, an increase of 1,550 jobs, or 2.8 percent, from a year earlier. During the 12 months ending September 2012, the unemployment rate averaged 6.0 percent, less than the 6.7-percent rate recorded a year earlier but more than the average 3.2-percent rate recorded from 2000 through 2006. The current unemployment rate is higher than the statewide rate in Virginia of 5.8 percent but lower than the statewide rate in West Virginia of

7.3 percent. Figure 1 illustrates trends in the labor market, resident employment, and the unemployment rate in the HMA from 2000 through 2011.

According to data from the Quarterly Census of Employment and Wages, from 2002 through 2007, covered payrolls increased by an average of 1,000 jobs, or 1.9 percent, annually. Gains in the service-providing sectors more than offset the losses in the goods-producing sectors. The service-providing sectors added 1,250 jobs, or 3.1 percent, annually, during the 6-year period. Increases were highest in the education and health services sector, which increased by 380 jobs, or 4.9 percent, annually. This increase was partially attributed to Valley Health, the largest employer in the HMA, with 4,450 employees (Table 2), which added a total of approximately 540 jobs, as their existing facilities expanded. The trade, transportation, and utilities sector increased by 170 jobs, or 1.5 percent, annually as a total of 450 jobs were added at distribution centers built by Kohl's Department Stores, Home Depot U.S.A., and Ford Motor Company.

From 2008 through late 2010, covered payrolls in the HMA declined. During the 12 months ending October 2010, payrolls averaged 52,200 jobs. From the 12 months ending January 2008 through the 12 months ending October 2010, the number of jobs decreased by an average of 1,425, or 2.6 percent, annually. More than 80 percent of these losses were in the goods-producing sectors, which declined by an average of 1,150 jobs, or 10.7 percent, annually. More than one-half of the losses in the goods-producing sectors were concentrated in the manufacturing sector, which declined by 600 jobs, or 8.0 percent, annually. General Electric

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Winchester HMA, 2000 Through 2011



Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Winchester HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Valley Health	Education & Health Services	4,450
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	500-999
Rubbermaid Commercial Products, LLC	Manufacturing	500-999
Shenandoah University	Education & Health Services	860
Navy Federal Credit Union	Financial Activities	610
U.S. Department of Homeland Security	Government	500-999
Lord Fairfax Community College	Government	510
U.S. Department of Defense	Government	500
Home Depot U.S.A.	Wholesale & Retail Trade	250-499
Martin's®	Wholesale & Retail Trade	250-499

Note: Excludes local school districts.

Sources: Virginia Employment Commission; local sources

Company closed a plant in 2010, which resulted in approximately 200 jobs lost.

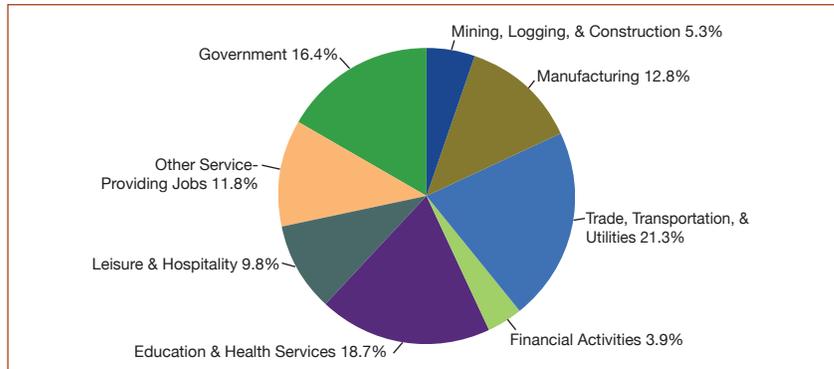
Since late 2010, economic conditions have improved and job growth has resumed. During the 12 months ending June 2012, the most recent data available for individual sectors, covered payrolls in the service-providing sectors increased by 1,550 jobs, or 3.6 percent. Job growth was recorded in all individually reported service-providing sectors, with the largest absolute increases recorded in the education and health services and the trade, transportation, and utilities sectors, which increased by approximately 425 jobs each, or 4.2 and 3.6 percent, respectively. Job gains in the education and health services sector were partially attributed to the late 2011 completion of a 3-year, \$161 million expansion at Winchester Medical Center, a component of Valley Health, because of increased demand from retirees moving into the area. This expansion led to an increase of approximately 50 new employees. Also included in the education and health services sector is Shenandoah University, the fourth largest employer in the HMA with 860 faculty and staff and a current enrollment of 3,800 students. According to a 2010 study by TischlerBise, Inc., the economic

impact of the university on the local economy was estimated at \$90 million annually. In the trade, transportation, and utilities sector, the largest sector in the HMA, accounting for more than 21 percent of the total jobs in the HMA (Figure 2), Kohl's Department Stores added approximately 160 employees in an expansion of its distribution center. Gains were also recorded in the government sector, which increased by 250 jobs, or 2.7 percent, as the Federal Emergency Management Agency added approximately 200 new employees in the HMA during 2011. Additional gains were recorded in the leisure and hospitality sector, which increased by 250 jobs, or 4.9 percent.

Although jobs in the service-providing sectors increased significantly, covered payrolls in the goods-producing sectors decreased during the 12 months ending June 2012. During this period, employment in the goods-producing sectors decreased by 150 jobs, or 1.3 percent (Table 3). The manufacturing sector declined by approximately 100 jobs, or 1.6 percent, but O'Sullivan Films and Kraft Foods Inc. both expanded their manufacturing facilities during 2011, a combined increase of 280 jobs. These gains partially offset small workforce reductions by many of the approximately 145 manufacturing companies in the HMA. Figure 3 shows the percentage change in sector growth from 2001 to June 2012.

During the forecast period, economic conditions in the HMA are expected to improve, with an average nonfarm payroll increase of approximately 930 jobs, or 1.7 percent, annually. Job gains are expected to be steady during all 3 years and are estimated to be

Figure 2. Current Covered Payroll Jobs in the Winchester HMA, by Sector



Note: Based on 12-month averages through June 2012.

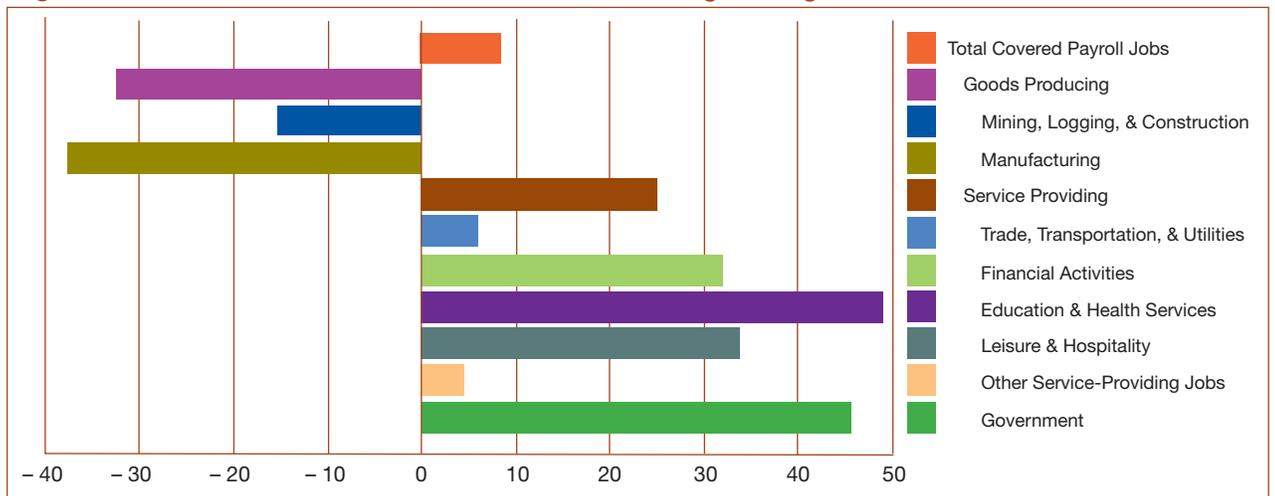
Source: U.S. Bureau of Labor Statistics

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Winchester HMA, by Sector

	12 Months Ending June 2011	12 Months Ending June 2012	Percent Change
Total Covered Payroll Jobs	53,100	54,500	2.6
Goods Producing	10,025	9,875	-1.3
Mining, Logging, & Construction	2,925	2,900	-0.7
Manufacturing	7,100	7,000	-1.6
Service Providing	43,050	44,600	3.6
Trade, Transportation, & Utilities	11,200	11,625	3.6
Financial Activities	2,050	2,100	2.4
Education & Health Services	9,750	10,175	4.2
Leisure & Hospitality	5,125	5,375	4.9
Other Service-Providing Jobs	6,250	6,450	2.9
Government	8,675	8,900	2.8

Notes: Based on 12-month averages through June 2011 and June 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Winchester HMA, Percentage Change, 2001 to Current

Note: Based on 12-month averages through June 2012.

Source: U.S. Bureau of Labor Statistics

concentrated in the private service-providing sectors with little growth expected in the government sector or goods-producing sectors. Job growth is expected to be the strongest in the professional and business services and the trade, transportation, and utilities sectors. Navy Federal Credit Union, which added 360 jobs with the opening of a call center in 2009, is expected to add an additional 450 jobs during the second and third years of the forecast period. McKesson

Corp., a medical and surgical supplies wholesale distribution company, is expected to invest nearly \$37 million in a new distribution center during the second and third years of the forecast period, which will add approximately 210 new jobs. Rubbermaid Commercial Products, LLC, the third largest employer in the HMA, is expected to add approximately 70 manufacturing jobs during the first year of the forecast period when a \$67 million expansion is completed.

Population and Households

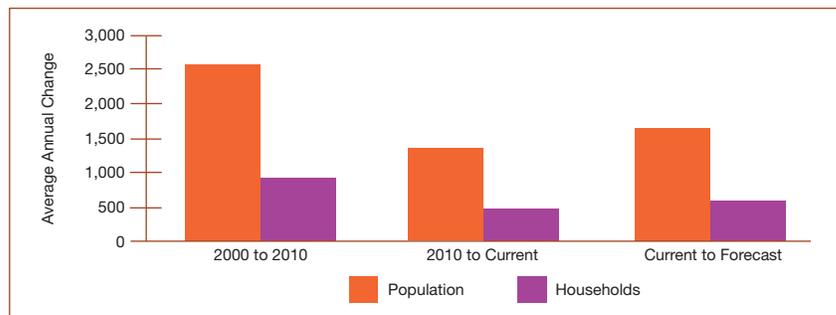
As of October 1, 2012, the population of the Winchester HMA is estimated at 131,800. From April 2000 to July 2007, the population increased by an average of 2,875, or 2.6 percent, annually, with net in-migration averaging 2,300 people a year. From July 2007 through April 2010, net in-migration declined to an average of 1,000 people a year because of weakening economic conditions that caused population growth to slow to an average of 2.1 percent, or 1,675 people, annually. Since April 2010, economic conditions have improved, but job levels remain below 2007 totals. As a result, net in-migration declined to 810 people and population growth slowed to 1.0 percent, or 1,325 people, annually. Figure 4 shows population and household growth in the HMA

and Figure 5 shows the components of population change in the HMA from 2000 through the forecast period.

The HMA has become a popular destination for retirees. From April 2000 to July 2007, the population aged 55 and older increased by 990, or 3.9 percent, annually, faster than the average growth rate of 2.6 percent annually for the overall population. When the overall population growth slowed to an average of 2.1 percent, annually, from July 2007 to April 2010, growth in the 55-and-older population increased to 4.2 percent, or by 1,300 people, annually. The trend of in-migration of retirees is attributed to more affordable housing in the HMA compared with housing in the Washington, D.C. and Baltimore, Maryland metropolitan areas. Based on data from Metropolitan Regional Information Systems, Inc. (MRIS®), during 2011, the average sales price of new and existing homes sold was \$183,600 in the HMA. By comparison, the average sales prices in the Washington, D.C. and Baltimore metropolitan areas were \$421,000 and \$262,500, 129 and 43 percent higher, respectively, than the sales price in the HMA.

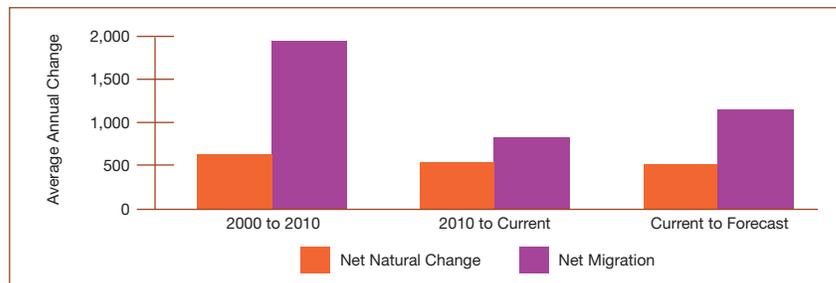
An estimated 50,250 households currently reside in the HMA. The number of households has increased by an average of 470, or 1.0 percent, annually since April 2010. This rate was slower than the average annual increase of 900 households, or 2.1 percent, recorded from 2000 through 2010, primarily because of slower population growth. Figure 6 shows households by tenure in the HMA since 2000.

Figure 4. Population and Household Growth in the Winchester HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Winchester HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Winchester HMA, 2000 to Current

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The population of the HMA is expected to grow by an average of 1,625, or 1.2 percent, annually during the forecast period, to 136,700. Net migration is expected to average 1,125 during the 3-year forecast period and increase slightly during the second

and third years of the forecast period in response to continued job creation and in-migration by retirees. The number of households is expected to grow at an average rate of 1.1 percent, or 570 households, annually to 51,950 during the forecast period.

Housing Market Trends

Sales Market

The sales housing market in the Winchester HMA is currently soft, but improving, with an estimated vacancy rate of 2.2 percent, down from 2.4 percent in April 2010 (Table DP-1 at the end of the report). Home sales market conditions were balanced from 2000 through 2006 but softened from 2007 through 2009 because of declining net in-migration and weak economic conditions. Since 2010, home sales market conditions have improved as a result of limited additions to the supply but remain soft. Currently, the inventory of unsold homes is at approximately a 6-month supply compared with the more than 8-month supply recorded in 2010. According to data

from MRIS[®], homes sold during September 2012 were on the market for an average of 80 days, down from an average of 95 days on the market during September 2010. According to LPS Applied Analytics, as of September 2012, 4.6 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), less than the 5.4-percent rate recorded in September 2011. The current rate is more than the 4.2-percent statewide rate in Virginia but less than the 5.0-percent statewide rate in West Virginia.

According to data from MRIS[®], during the 12 months ending September 2012, approximately 1,450

new and existing homes sold, up 1 percent from a year earlier. The current level of sales represents a 33-percent decline from the average annual number of 2,150 homes sold from 2002 through 2006, the highest levels since 2000. By comparison, from 2007 through 2010, an average of approximately 1,450 homes were sold annually. During the 12 months ending September 2012, the average sales price of new and existing homes sold increased 5 percent, to \$193,400. The average sales price, however, is 33 percent less than the decade-high average sales price of \$288,200 reported from 2005 through 2007. By comparison, from 2008 through 2010, the average sales price was \$198,300.

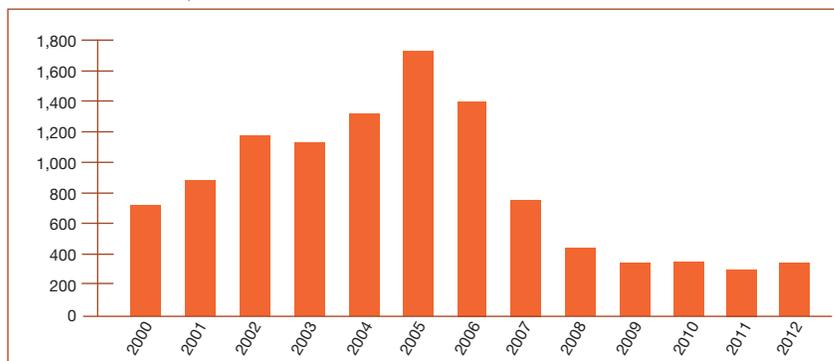
In response to declining demand for new homes, single-family building activity, as measured by the number of homes permitted, decreased in all but 1 year from 2005 through 2011. In 2005, approximately 1,725 single-family homes were permitted, the most homes permitted during the past 10 years and compared with the 430 homes permitted during 2008 (Figure 7). The decline in building activity continued at a slower pace through 2011, when 290 homes were permitted. Based on preliminary

data, during the 12 months ending September 2012, approximately 340 new single-family homes were permitted compared with the 250 homes permitted during the previous 12 months. Recent construction activity includes the Snowden Bridge community in Stephenson, Virginia. Approximately 100 single-family homes and townhomes have been built since 2008, and an additional 30 homes are currently under construction. The first phase, consisting of 310 homes, is expected to be complete during the forecast period. Additional phases in the four-phase, 1,600-home development will start construction after units in phase 1 are sold. Sales prices for single-family homes and townhomes in this community start at \$206,000 and \$185,000, respectively.

Construction began in 2005 on the Shenandoah Community, an active-adult retirement community located on 940 acres in Stephens City. Approximately 170 single-family homes have been sold with sales prices starting at \$285,000.

During the next 3 years, demand is estimated for 1,450 new homes, including single-family homes and townhomes (Table 1). The 80 homes currently under construction and some of the estimated 5,775 other vacant units in the HMA that may reenter the market will satisfy a portion of this demand. Approximately 90 percent of demand is estimated in years 2 and 3 of the forecast period, after the market absorbs the current excess supply of available units during the first year. New home sales prices are expected to start at \$125,000 in the HMA, with approximately one-fourth of the demand being for homes priced between \$200,000 and \$250,000 (Table 4).

Figure 7. Single-Family Building Permits Issued in the Winchester HMA, 2000 to 2012



Notes: Includes townhomes. Includes data through September 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Winchester HMA, October 1, 2012, to October 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
125,000	149,999	70	5.0
150,000	199,999	280	20.0
200,000	249,999	340	25.0
250,000	299,999	280	20.0
300,000	349,999	210	15.0
350,000	399,999	140	10.0
400,000	and higher	70	5.0

Notes: The 80 homes currently under construction and a portion of the estimated 5,775 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes mobile homes.

Source: Estimates by analyst

Rental Market

The rental housing market in the Winchester HMA is currently balanced; no surveyed apartments are offering rent concessions. The estimated 6.6-percent vacancy rate decreased from the 9.1-percent rate in 2010 (Figure 8).

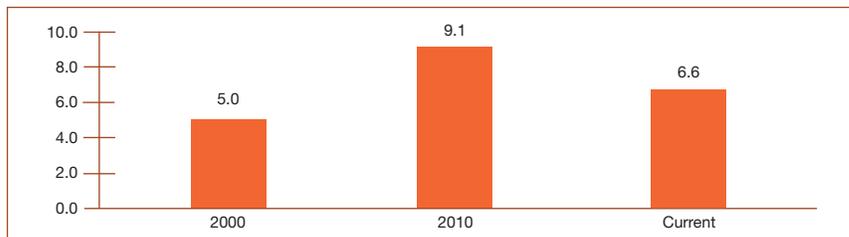
Rental housing market conditions in the HMA were balanced to tight

from 2000 through 2006, but softened in 2007 and 2008 because of declining net in-migration. Since 2009, conditions improved because of limited additions to the rental stock. In addition, because of job losses and the resulting economic hardships, some households have moved from homes they owned into rental units out of necessity, and other households have postponed buying.

From 2000 through 2007, apartment building activity, as measured by the number of multifamily units permitted, averaged 60 units permitted annually. Figure 9 shows the number of multifamily permits issued in the HMA since 2000, all of which were for apartments. From 2008 through mid-2011, as a result of a soft rental housing market, multifamily building activity declined to an average of 5 units permitted annually. As a result of a tightening market, construction activity has recently increased. Since mid-2011, 200 units were permitted and are currently under construction.

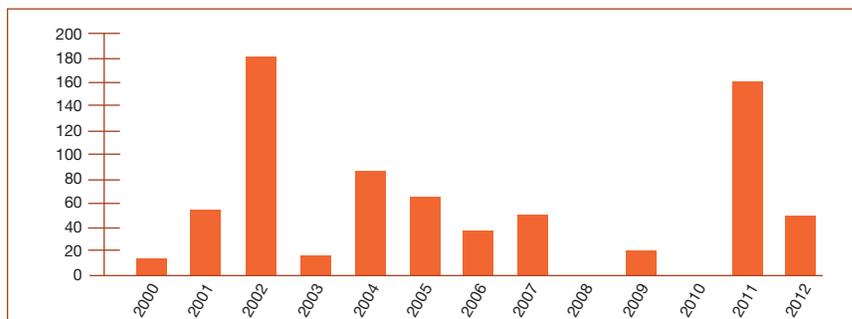
The 200 apartment units currently under construction in the HMA are located at two developments.

Figure 8. Rental Vacancy Rates in the Winchester HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Winchester HMA, 2000 to 2012



Notes: Excludes townhomes. Includes data through September 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The Village at Orchard Ridge, an active-adult retirement community located in Frederick County, includes approximately 50 cottages, 10 skilled-nursing units, and 20 assisted-living units. In addition, 152 apartment units are currently under construction. Of the 152 apartment units, 125 units will require fully or partially refundable entrance fees starting at \$157,000 and monthly service fees ranging from approximately \$1,775 for one-bedroom units to \$2,525 for two-bedroom units. An additional 25 apartment units at this development will be offered as month-to-month rentals with no entrance fee. The average rent for these one-bedroom units is \$2,600, which includes a \$300 monthly food credit. Construction of all apartment units at The Village at Orchard Ridge is expected to be complete in March 2013 and approximately 75 percent of this community has been leased. In addition, 48 general occupancy units are under construction at Cedar Hill Apartments, located in the city of Winchester. These market-rate housing units are expected to be complete

from mid-2013 to late 2013. The rent amount has not yet been determined for these units.

The HMA is home to Shenandoah University, which enrolls approximately 3,800 students, which accounts for nearly 3 percent of the total population in the HMA. Approximately 910 students reside on campus in dormitories and 25 students reside in on-campus apartments. Most of the remaining students reside in apartments and single-family homes located off campus and account for approximately 6 percent of the renter households in the HMA. Currently, the university has no plans for significant increases in university housing and expects enrollment to remain stable during the forecast period.

During the forecast period, demand is expected for 270 new rental units in the HMA (Table 1). The 200 apartments currently under construction will satisfy a portion of this demand. Table 5 shows estimated demand by rent level and number of bedrooms for new market-rate rental housing in the HMA during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Winchester HMA, October 1, 2012, to October 1, 2015

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900 to 1,099	30	1,100 to 1,299	40	1,300 or more	15
1,100 to 1,299	60	1,300 to 1,499	100		
1,300 or more	10	1,500 or more	25		
Total	95	Total	170	Total	15

Notes: Numbers may not add to totals because of rounding. The 200 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Winchester HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	53,657	61,778	64,100	1.4	2.1
Unemployment Rate	2.3	7.5	6.0		
Nonfarm Payroll Jobs	50,300	54,500	56,400	0.8	2.0
Total Population	102,997	128,472	131,800	2.2	1.0
Total Households	40,053	49,066	50,250	2.1	1.0
Owner Households	28,767	35,256	35,350	2.1	0.1
Percent Owner	71.8	71.9	70.3		
Renter Households	11,286	13,810	14,900	2.0	3.1
Percent Renter	28.2	28.1	29.7		
Total Housing Units	45,091	56,906	57,850	2.4	0.7
Owner Vacancy Rate	1.6	2.4	2.2		
Rental Vacancy Rate	5.0	9.1	6.6		
Median Family Income	\$47,423	\$64,200	\$64,400	3.1	0.2

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through September 2012. Median family incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 10/1/2012—Analyst’s estimates
Forecast period: 10/1/2012–10/1/2015—
Analyst’s estimates

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 the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_WinchesterVA-WV_13.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.