

The COVID-19 pandemic has resulted in unprecedented large and rapid changes in many data series, and similarly unprecedented large policy responses, making analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/ addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Winston-Salem, North Carolina

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

As of January 1, 2021



OPD&R

Share on:   

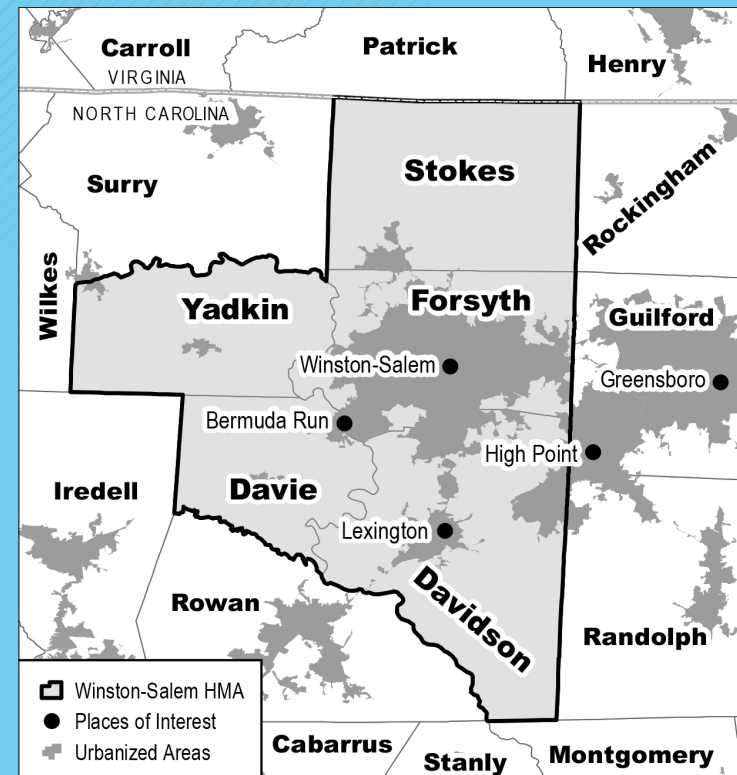


Executive Summary

Housing Market Area Description

The Winston-Salem Housing Market Area (HMA) includes Davidson, Davie, Forsyth, Stokes, and Yadkin Counties is in north-central North Carolina and is coterminous with the Winston-Salem, NC Metropolitan Statistical Area. The HMA was traditionally known as a leading producer of tobacco and textile products but has transitioned to a service-based economy.

The current population is estimated at 682,500.



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



Weak: Nonfarm payrolls declined during 2020 by 17,600 jobs, or 6.5 percent, from 1 year earlier, and all payroll sectors either lost jobs or had no gains.

The economy in the Winston-Salem HMA weakened significantly during the past year because of the countermeasures implemented to slow the spread of COVID-19. Job losses were widespread, with the largest number of jobs lost in the leisure and hospitality sector. During 2020, the unemployment rate nearly doubled to an average of 7.0 percent from 1 year earlier because of significant employment losses near the beginning of the pandemic. Nonfarm payroll growth is expected to be moderate during the 3-year forecast period, increasing by an average of 1.5 percent annually.

Sales Market



Balanced: During 2020, the average existing home sales price increased 11 percent from the previous year.

The sales market in the HMA is balanced, with an estimated sales vacancy rate of 2.2 percent, down from 2.7 percent in 2010. During 2020, total home sales were approximately 11,050, reflecting a 2-percent decline from a year earlier, and the average home sales price rose 10 percent to \$219,100 (Zonda). During the 3-year forecast period, demand is estimated for 7,075 new homes. The 1,200 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

Rental Market



Balanced: During the fourth quarter of 2020, the average apartment rent increased 5 percent compared with the same period a year earlier.

The overall rental housing market in the HMA is balanced, with an estimated vacancy rate of 7.1 percent, down from 12.5 percent in April 2010. Apartment market conditions are also balanced, with a vacancy rate of 3.7 percent during the fourth quarter of 2020, compared with 4.1 percent during the fourth quarter of 2019 (RealPage, Inc.). During the forecast period, demand is expected for 1,850 new rental units. The 550 units under construction are expected to satisfy a portion of this demand during the first year of the forecast period.

TABLE OF CONTENTS

- Economic Conditions 4
- Population and Households 10
- Home Sales Market 13
- Rental Market 17
- Terminology Definitions and Notes 20

3-Year Housing Demand Forecast		
	Sales Units	Rental Units
Winston-Salem HMA	Total Demand	7,075
	Under Construction	1,200
		550

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2021. The forecast period is January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst



Economic Conditions

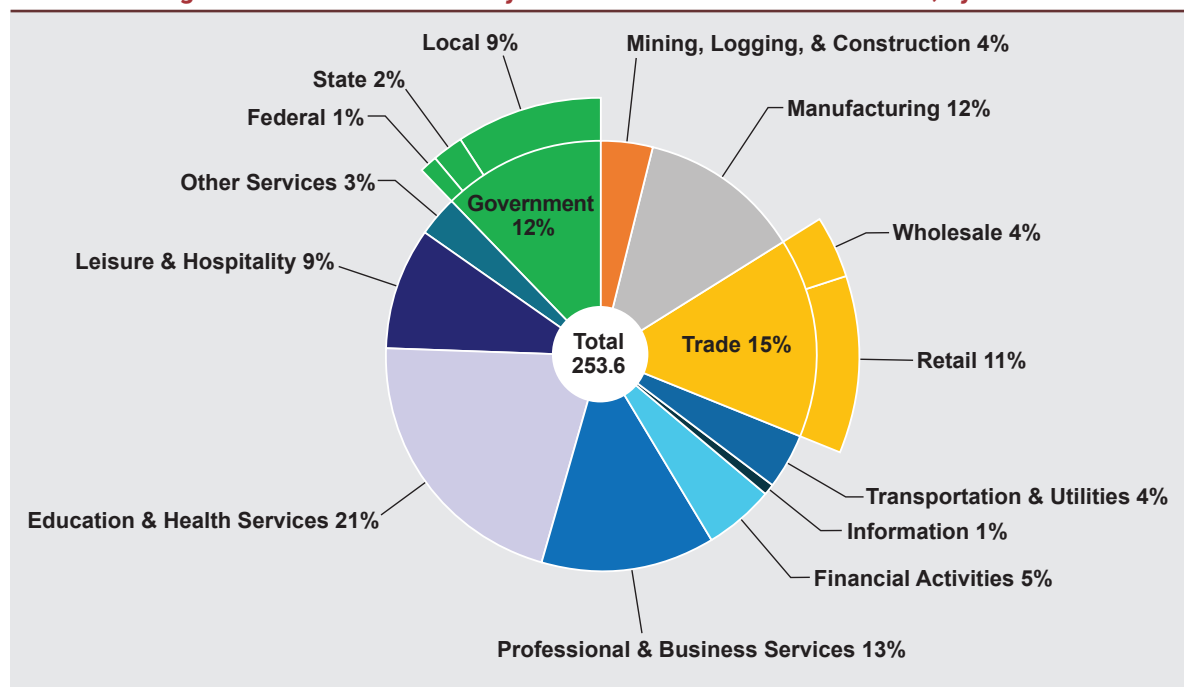
Largest Sector: Education and Health Services

The education and health services sector has been the fastest growing nonfarm payroll sector in the HMA since 2001.

Primary Local Economic Factors

Textile and tobacco manufacturing historically were the primary employment sources in the Winston-Salem HMA, but employment in these industries has been declining since the 1980s because of increased international competition and the introduction of labor-saving technologies. In 1990, manufacturing in the HMA accounted for 28 percent of nonfarm payrolls but declined to 12 percent of nonfarm payrolls in 2010—the same share as in 2020 (Figure 1). The manufacturing sector has progressed to include more innovative technologies in manufacturing and is the fourth largest sector in the HMA. As the share of manufacturing jobs have declined, education and health services jobs have increased. The HMA has become increasingly known as a regional center for healthcare and is home to Wake Forest Baptist Medical Center and Novant Health, the two largest employers in the HMA (Table 1). The HMA is halfway between Washington, D.C., and the city of Atlanta and is within 650 miles of more than one-half of the U.S. population, with an efficient transportation network that also includes an international airport.

Figure 1. Share of Nonfarm Payroll Jobs in the Winston-Salem 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 December 2020.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Winston-Salem HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Wake Forest Baptist Medical Center	Education & Health Services	10,194
Novant Health	Education & Health Services	9,896
Reynolds American Inc.	Manufacturing	3,000
Wake Forest University	Education & Health Services	2,800
City of Winston-Salem	Government	2,593
Hanesbrands Inc.	Manufacturing	2,400
Truist Bank	Information	2,134
Forsyth County	Government	2,098
Wells Fargo & Company	Financial Activities	1,985

Note: Excludes local school districts.
Source: Greater Winston-Salem, Inc.



The city of Winston-Salem has a wealth of artistic and cultural organizations, including the first arts council in the nation, the University of North Carolina School of the Arts, and the National Black Theatre Festival. Downtown Winston-Salem has become a focus for development in the region. The Innovation Quarter is a downtown-based innovation district and research park encompassing more than 200 acres and is adaptively reusing older industrial buildings and constructing new mixed-use buildings, creating an environment that helps increase development and serves business and academic needs in the HMA. In 2014, Inmar Inc., a technology and advanced data analytics company, relocated approximately 900 associates from outside the HMA to its new team support center in two renovated R. J. Reynolds Tobacco Company buildings in the Innovation Quarter. In 2016, the Bowman Gray Center for Medical Education opened a new medical center in a former tobacco manufacturing plant in the district. The Innovation Quarter has also attracted the development of retail shops, bars, restaurants, apartments, and condominiums.

Current Conditions— The Effects of the COVID-19 Pandemic on Nonfarm Payrolls

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020, and the state of North Carolina issued a statewide 30-day executive stay-at-home order on March 27,

2020. Among other restrictions, the order resulted in the closure of all schools, restaurant dining rooms, barbershops and salons, bars, and gyms and required that all businesses deemed nonessential limit their activity to minimum basic operations. The restrictions were extended through May 8, 2020. Consumers have been slow to return to pre-pandemic behaviors as these orders have been gradually relaxed, and the economic impact remains evident. From February 2020 through April 2020, the HMA lost 37,200 jobs, or 13.7 percent, and from April 2020 through December 2020, it regained 23,300 jobs, or 70 percent of jobs lost due to the impact of COVID-19.

Economic conditions in the Winston-Salem HMA weakened as the effects of the COVID-19 pandemic and countermeasures designed to slow its spread severely limited economic activity in the HMA. During 2020, the number of nonfarm payroll jobs in the Winston-Salem HMA decreased by 17,600 jobs, or 6.5 percent, to 253,600 (Table 2), following a growth of 3,900 jobs, or 1.4 percent, during the previous year. By comparison, during 2020, nonfarm payrolls in the state and the nation decreased 3.7 and

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

	12 Months Ending December 2019	12 Months Ending December 2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	271.2	253.6	-17.6	-6.5
Goods-Producing Sectors	44.6	42.5	-2.1	-4.7
Mining, Logging, & Construction	11.4	10.8	-0.6	-5.3
Manufacturing	33.2	31.7	-1.5	-4.5
Service-Providing Sectors	226.6	211.2	-15.4	-6.8
Wholesale & Retail Trade	39.0	37.3	-1.7	-4.4
Transportation & Utilities	9.2	9.0	-0.2	-2.2
Information	1.9	1.8	-0.1	-5.3
Financial Activities	13.8	13.8	0.0	0.0
Professional & Business Services	37.2	33.9	-3.3	-8.9
Education & Health Services	56.3	52.7	-3.6	-6.4
Leisure & Hospitality	29.2	23.7	-5.5	-18.8
Other Services	8.9	8.4	-0.5	-5.6
Government	31.1	30.6	-0.5	-1.6

Notes: Based on 12-month averages through December 2019 and December 2020. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics



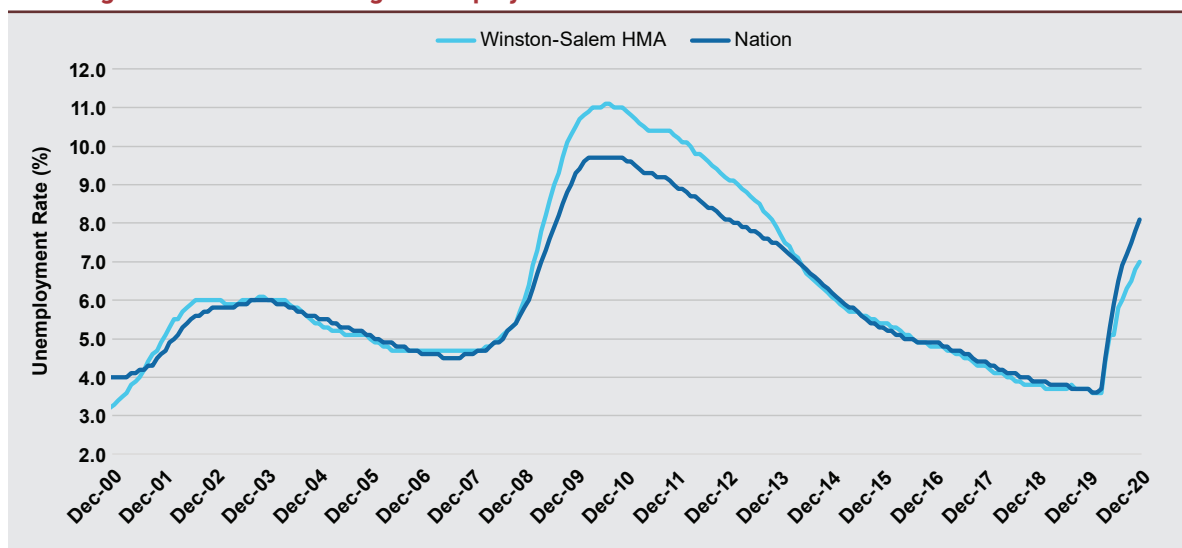
6.0 percent, respectively. Job losses in the HMA were widespread, with declines or no gains in all 11 nonfarm payroll sectors, and most job losses occurred because of temporary layoffs. Significant job losses occurred in the leisure and hospitality sector, which fell by 5,500 jobs, or 18.8 percent. These losses result from the decline in travel and tourism amid efforts to minimize the spread of COVID-19. The Arts Council of Winston-Salem and Forsyth County announced the shut-down of all productions through 2020, but they expect to start reopening in 2021. The National Black Theatre Festival has been postponed until August 2022. Contributing to some of the job loss in the leisure and hospitality sector, the Marriott in downtown Winston-Salem laid off 101 employees when the demand for hotel rooms plummeted.

Current Conditions— Unemployment

The unemployment rate, which peaked at 10.9 percent in the HMA in 2010, was elevated in recent months due to measures used to slow the spread of COVID-19. During 2020, the

unemployment rate averaged 7.0 percent, up from 3.7 percent a year earlier. By comparison, the national unemployment rate increased from an average of 3.7 percent to 8.1 percent during the same period compared with a peak of 10.6 percent in January 2010. Before the COVID-19 pandemic, employment growth outpaced growth in the labor force and contributed to declining unemployment rates from 2012 through 2019, both in the HMA and national levels. Figure 2 shows trends in the unemployment rate from 2000 to the current date for the HMA and the nation.

Figure 2. 12-Month Average Unemployment Rate in the Winston-Salem HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2003 Through 2007

Following the economic downturn caused by the dot-com recession in 2001 and 2002, the

Winston-Salem HMA economy expanded because the service-providing sectors grew each year from 2003 through 2007. Nonfarm payrolls in the HMA grew by an average of 1,400 jobs, or 0.6 percent, annually from 2003 through 2007, to 261,100 jobs (Figure 3). The education and health services sector added the most jobs, increasing an average of 1,900 jobs, or 4.5 percent, annually. During this period, several large expansions were made at the Wake Forest Baptist Medical Center, including an outpatient Comprehensive Cancer Center that opened in 2004, and construction on the first research building in Innovation

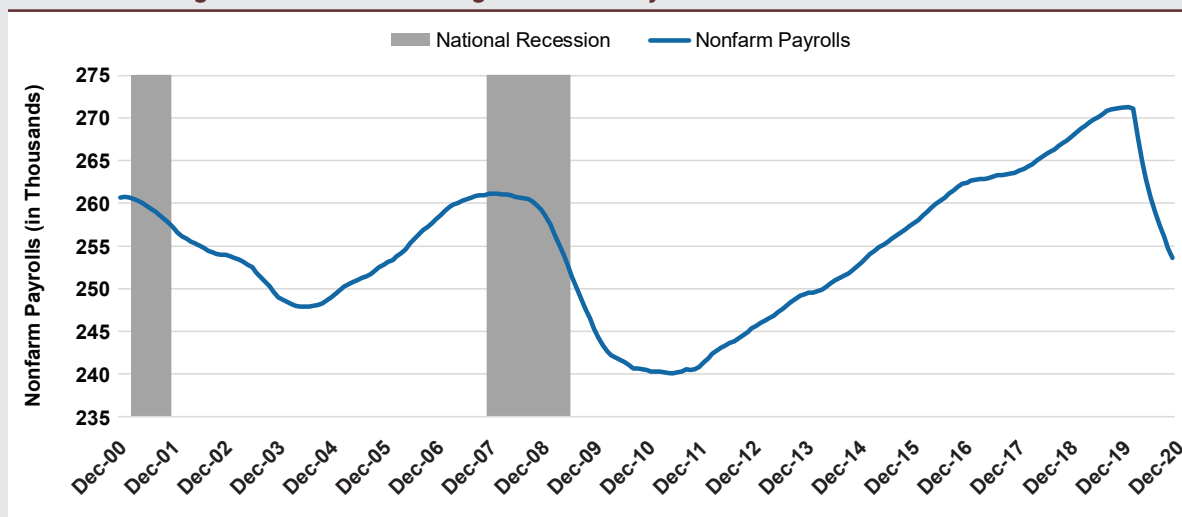


Quarter, a five-story structure with laboratory and office space. The professional and business services and the leisure and hospitality sectors both added an average of 500 jobs annually, or 1.7 and 2.3 percent, respectively. Although payroll growth was strong during this period, the manufacturing sector lost an average of 2,200 jobs, or 5.0 percent, annually. VF Jeanswear, an apparel and footwear manufacturer, closed its plant in the HMA and eliminated 390 jobs in 2006.

2008 Through 2010

In 2008, economic conditions in the HMA began to weaken with the onset of the Great Recession and the national housing crisis. From 2008 through 2010, nonfarm payrolls in the HMA declined by an average of 6,900 jobs, or 2.7 percent, a year. During the economic downturn, 9 out of 11 payroll sectors lost jobs. Nearly one-half of all payroll losses occurred in the manufacturing sector because of increased international competition and improved labor-saving technologies. During this period, the sector fell by an average of 3,100 jobs, or 8.8 percent, annually. Among the reductions, Dell Inc., an international computer technology company, cut 900 jobs when it closed its manufacturing plant in the HMA. The mining, logging, and construction sector had average declines of 1,300 jobs, or 10.9 percent, annually, due largely to the effects of the housing crisis on construction in the HMA. Additionally, the wholesale and retail trade sector fell by an average of 1,200 jobs, or 3.2 percent, annually. The

Figure 3. 12-Month Average Nonfarm Payrolls in the Winston-Salem HMA



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

government sector partially offset job losses during this period with an increase of 600 jobs, or 1.8 percent, annually. The education and health services sector added an average of 300 jobs, or 0.7 percent.

2011 Through 2016

The local economic recovery began in 2011. From 2011 through 2016, an average of 3,600 jobs, or 1.5 percent, were added annually in the HMA. Gains were concentrated in the professional and business services sector, the second fastest growing sector since 2001, which added an average of 1,100 jobs, or 3.5 percent, annually (Figure 4). In 2014, Inmar Inc., an information technology company, moved its headquarters into the Innovation Quarter and partnered with the Division of Public Health Sciences of Wake Forest School of Medicine, where Inmar will locate and enroll patients for clinical trials. The goods-producing sector increased by an average of 700 jobs, or 1.7 percent, each year. In 2016, Corning Optical Communications LLC, which develops and manufactures high-performance fiber-optic cables for global network operators, increased its workforce by 100 employees as part of a \$30 million manufacturing expansion. In 2015, the art deco 21-story former R. J. Reynolds Tobacco Company headquarters building in downtown Winston-Salem was converted into the 211-room Kimpton Cardinal Hotel on the first seven

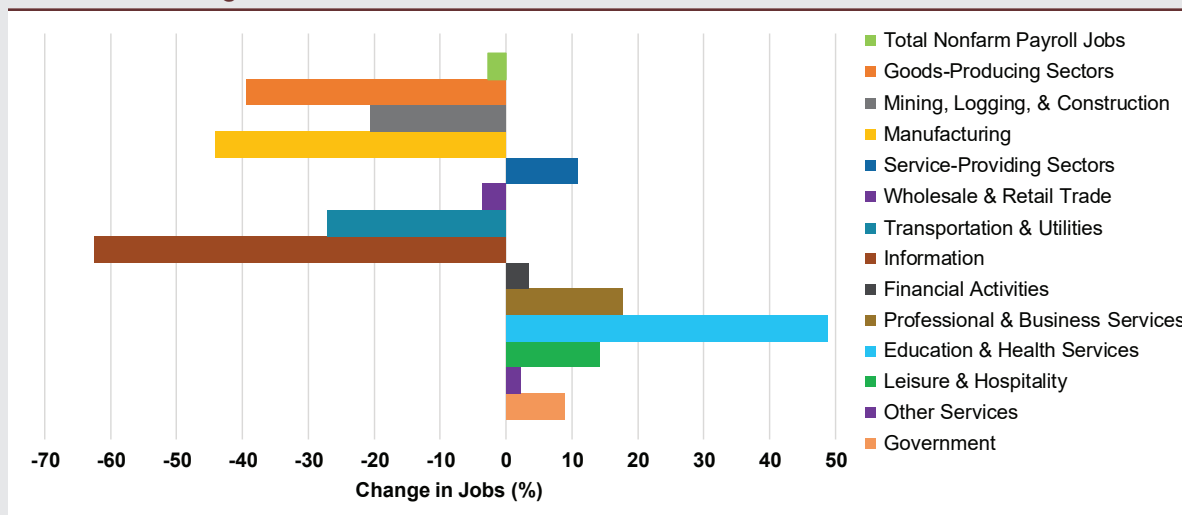


floors; the conversion also included 150 for-sale condominium residences and cost \$60 million, contributing to jobs in the construction subsector. The retail trade subsector added an average of 600 jobs, or 2.2 percent, annually. The education and health services sector added an average of 500 jobs, or 1.0 percent, annually. In 2012, Wake Forest University opened the Wake Forest Biotech Place, a research facility that supports scientists and preclinical researchers in downtown Winston-Salem in the Innovation Quarter.

2017

Economic growth was moderate in 2017, following 6 years of stronger growth. During 2017, nonfarm payrolls grew an average of 1,200, or 0.5 percent, annually. The education and health services and the wholesale and retail trade sectors expanded by 1,000 and 900 jobs, or 1.9 and 2.3 percent, respectively. In 2017, Wake Forest Baptist Medical Center completed a \$47 million, 50-bed expansion that added an emergency department and an operating room. The leisure and hospitality sector added 600 jobs, or 2.2 percent. Foothills Brewing opened a restaurant and brewery in downtown Winston-Salem, adding 50 jobs. Job gains in 2017 were offset by losses in the professional and business services sector, which fell by 1,000 jobs, or 2.8 percent. North State Aviation closed its headquarters in the HMA, laying off approximately 345 employees.

Figure 4. Sector Growth in the Winston-Salem HMA, 2001 to Current



Note: The current date is January 1, 2021.
Source: U.S. Bureau of Labor Statistics

2018 Through 2019

Job growth in the HMA increased from 2018 through 2019, with nonfarm payrolls increasing by an average of 3,800 jobs, or 1.5 percent, annually. The professional and business services and the education and health service sectors added an average of 1,200 and 1,100 jobs, or 3.4 and 2.1 percent, respectively, each year. From July 2018 through January 2020, Norwegian Cruise Line Holdings Ltd., an American cruise line, hired more than 200 employees in the HMA for its at-home agent program. In addition, Blue Cross and Blue Shield of North Carolina added 170 full-time employees in 2019. Economic growth during this period also increased residential and commercial development, benefitting the mining, logging, and construction sector, which added an average of 600 jobs, or 5.2 percent, annually from 2018 through 2019. In 2019, the 126-room Courtyard by Marriott began construction in downtown Winston-Salem and was opened in the third quarter of 2020. Construction was completed at the 119-room Hampton Inn and Suites hotel in downtown Winston-Salem in the summer of 2019. The manufacturing sector added an average of 400 jobs, or 1.1 percent, annually from 2018 through 2019. In 2019, Unilin North America, LLC, a flooring manufacturer, announced plans to expand their existing facility and add 100 new jobs by the first quarter of 2021.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average rate of 1.5 percent annually as the local economy recovers from the major economic disruption triggered by the COVID-19 pandemic. As of January 1, 2021, the HMA has regained 70 percent of the jobs lost in March and April 2020, at the start of the pandemic. Nearly all the payrolls are expected to be regained by the end of the forecast period. Job growth in the forecast period is expected to include several payroll sectors. In 2020, Lowe's Companies, Inc., a national home improvement retailer, opened a new IT service desk facility in the city of Winston-Salem, where analysts provide remote service support and resolve technology concerns. The facility opened with 110 employees transferred from the nearby city of Wilkesboro outside of the HMA; the company expects to add an additional 20 employees at the facility during 2021. Truiliant Federal Credit Union, a

not-for-profit financial institution, is converting a former Macy's department store in Hanes Mall in the city of Winston-Salem into new office space; the credit union will hire an additional 550 employees when the facility opens in 2021. In 2020, Whitewood Industries, a household furniture manufacturer in Davidson County, invested \$1.5 million to expand operations and will create 50 to 75 new jobs in the next 2 years. Purple Crow, a Winston-Salem-based food distributor, announced it was investing \$12 million to expand its local headquarters and is expected to add 55 additional jobs when the facility is complete in 2021. Wake Forest Baptist Medical Center and Atrium Health announced a merger in the fourth quarter of 2020, with construction underway for a new Eye Institute in the Innovation Quarter and a new critical care facility, emergency department, and surgery tower. Both projects are expected to be completed in 2022.



Population and Households

Current Population: 682,500

Population growth in the HMA has been steady since 2014 but below the levels before the Great Recession.

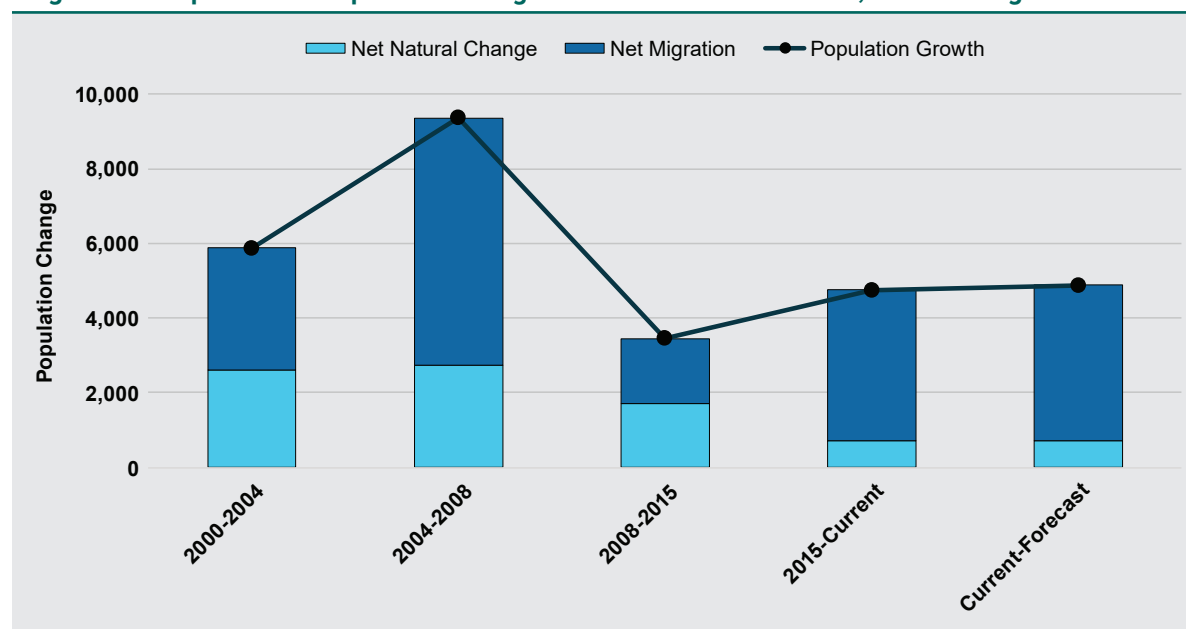
Population Trends

The population of the Winston-Salem HMA is estimated at 682,500 as of January 1, 2021. Approximately 57 percent of the HMA population resides in Forsyth County, a proportion that has remained relatively stable since 2000. From 2000 to 2004, a period with no net job growth, the population increased an average of 5,900 people, or 1.0 percent, annually. Net in-migration averaged 2,600 people a year during this period, and net natural change (resident births minus resident deaths) accounted for the remaining annual increase of 3,300 people. From 2004 to 2008, in response to stronger job growth, the population of the HMA increased by an average of 9,350, or 1.5 percent, annually. Net in-migration averaged 6,600 people a year, or 71 percent of the increase during the period, and net natural change averaged 2,750 people a year. Population growth slowed during the economic downturn and the initial years of the recovery that followed. From 2008 to 2015, the population increased by an average of 3,450 people, or 0.5 percent; net in-migration slowed to an

average of 1,750 people a year, and net natural change averaged 1,700 people annually. From 2015 to current, the population increased by an average of 4,775 people, or 0.7 percent, annually. Net in-migration averaged 4,050 people annually, and net natural change averaged 720 people each year. Figure 5 shows the components of population change from 2000 through the forecast.

Forsyth County is the fourth most populous county in North Carolina, with 383,000 people as of 2019. The county includes the largest city in the HMA, Winston-Salem, which had a 2019 population of 247,900 people. The county accounted for 88 percent of population growth in the HMA since 2010, followed by Davidson County with 13 percent and Davie County with 5 percent growth. Both Stokes and Yadkin counties had populations slightly below their 2010 levels. The population for Forsyth County increased by an average of 0.9 percent annually from 2010 to 2019, and Davidson County and Davie County both increased by annual averages of 0.3 percent. Stokes and Yadkin counties both had higher population

Figure 5. Components of Population Change in the Winston-Salem HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (January 1, 2021) to January 1, 2024.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst



counts in 2010 than in 2019. The population in Stokes County decreased at an average annual rate of 0.4 percent, and Yadkin County, the least populous of all the counties in the HMA, decreased by an average of 0.2 percent annually. By comparison, growth in the HMA averaged 0.6 percent annually during the same period.

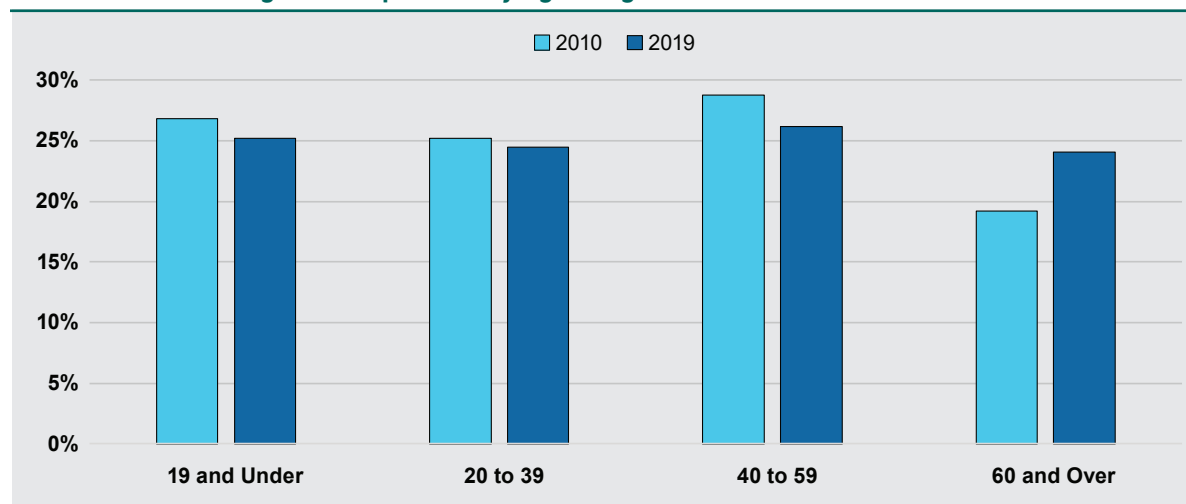
Age Cohort Trends

The share of seniors, generally defined as residents aged 60 and older, living in the HMA increased from 2010 to 2019, whereas the share of all other age cohorts declined (Figure 6). The share of the population aged 60 and older rose from 19 percent of the population in 2010 to 24 percent in 2019. Access to healthcare services attracted retirees from outside the HMA and incentivized current residents to retire in place. The rising share of seniors contributed to the decline in net natural change during the current decade. The share of the population aged 40 to 59 declined the most, from 29 percent in 2010 to 26 percent in 2019. The share of residents aged 19 and under fell from 27 percent in 2010 to 25 percent in 2019. The share of the population aged 20 to 39 fell from just over 25 percent in 2010 to slightly under 25 percent in 2019. Both the number and portion of adults in the 20-to-59 age cohorts, which make up the majority of the labor force, has declined since 2010, partly due to people leaving for job opportunities in the cities of Charlotte, Raleigh, and Columbia, South Carolina.

Household Trends

As of January 1, 2021, the number of households in the Winston-Salem HMA is estimated at 277,400 (Table 3), including approximately 183,600 owner and 93,850 renter households. Due in part to the prolonged effects of the Great Recession, which resulted in stricter lending practices and a shift in household preferences

Figure 6. Population by Age Range in the Winston-Salem HMA



Source: U.S. Census Bureau

Table 3. Winston-Salem HMA Population and Household Quick Facts

	2010	Current	Forecast	
Population Quick Facts	Population	640,595	682,500	697,100
	Average Annual Change	7,150	3,900	4,875
	Percentage Change	1.2	0.6	0.7
Household Quick Facts	Households	256,825	277,400	284,300
	Average Annual Change	2,900	1,925	2,275
	Percentage Change	1.2	0.7	0.8

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 (January 1, 2021) to January 1, 2024.

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

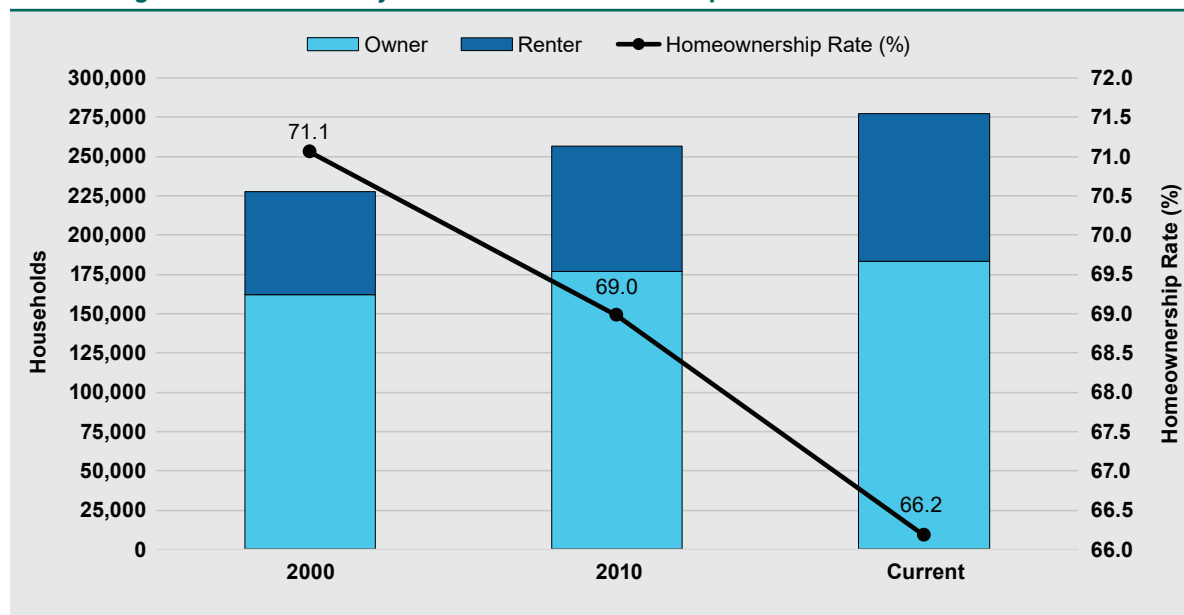


toward renting, the homeownership rate in the HMA has been declining and is currently estimated at 66.2 percent of all households (Figure 7). From 2000 to 2010, households increased by an average of approximately 2,900, or 1.2 percent, a year, the same pace as population growth. Since 2010, households increased by an average of 1,925, or 0.7 percent, a year, or slightly higher than the 0.6-percent population growth, because of a decrease in household size. From 2010 to 2021, the average household size in the HMA has declined, partly due to a decrease in births and a greater share of elderly households, which tend to be smaller in size. Renter households have accounted for 68 percent of household growth since 2010.

Population and Household Forecast

During the 3-year forecast, economic growth is expected to contribute to faster population growth in the HMA, estimated to average 4,875 people, or 0.7 percent, a year. The population is expected to reach 697,100 by January 1, 2024. Households are expected to increase by an average of 2,275, or 0.8 percent, annually, reaching 284,300 households by the end of the forecast period.

Figure 7. Households by Tenure and Homeownership Rate in the Winston-Salem HMA



Note: The current date is January 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst



Home Sales Market

Market Conditions: Balanced

New and existing home sales decreased 2 percent during 2020, and home sales prices increased 10 percent during this period.

Current Conditions

The sales housing market in the Winston-Salem HMA is currently balanced, with an estimated vacancy rate of 2.2 percent (Table 4), down from 2.7 percent in 2010 when the market was slightly soft because of the housing market downturn. The for-sale inventory of new and existing single-family homes in the HMA decreased from a 3.0-month supply in December 2019 to a 2.3-month supply in December 2020 (CoreLogic, Inc.). During 2020, total home sales in the HMA, which include new and existing homes, decreased 2 percent to 11,050 (Zonda). During the same period, new and existing home sales prices increased 10 percent to \$219,100, compared with 6 percent from the previous year. Total home sales price growth has accelerated recently because changes in seller behavior in response to the COVID-19 pandemic have led to a reduction in the supply of homes for sale.

New Home Sales

Approximately 1,200 new homes sold in the HMA during 2020, down 2 percent from the 1,225 sold during the previous year (Zonda). Currently, the number of new home sales is approximately

51 percent below the previous high of 2,450 homes sold during 2005 (Figure 8). New home sales decreased by an average of 19 percent, or 270 homes, annually from 2006 through 2012; that decrease, which was largely due to the Great Recession and housing market crash, reached a low of 570 homes sold

Table 4. Home Sales Quick Facts in the Winston-Salem HMA

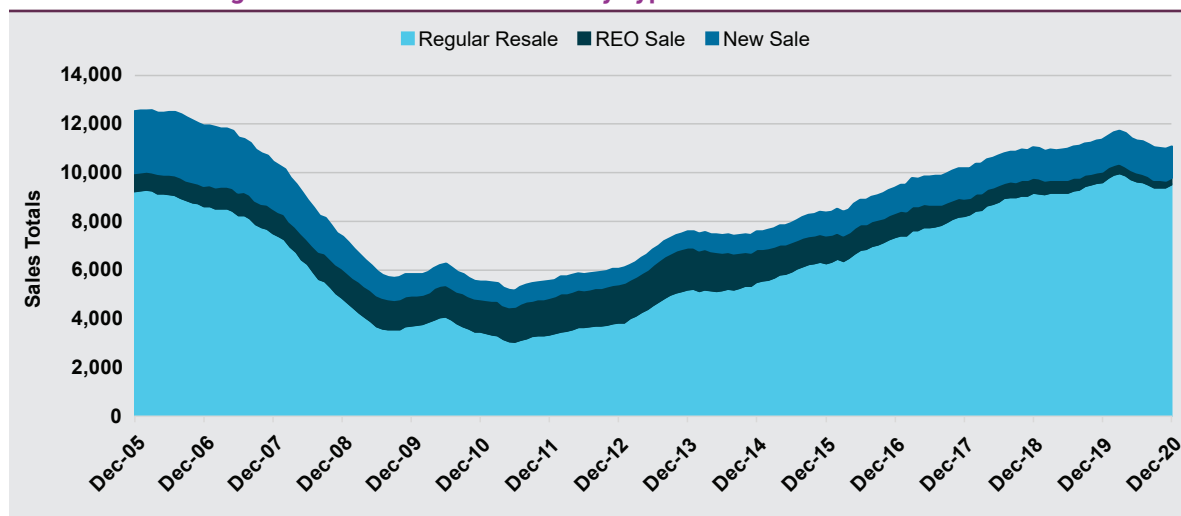
	Winston-Salem HMA	Nation
Vacancy Rate	2.2%	NA
Months of Inventory	2.3	1.6
Total Home Sales	11,050	6,451,000
1-Year Change	-2%	7%
New Home Sales Price	\$279,700	\$333,100
1-Year Change	7%	4%
Existing Home Sales Price	\$210,200	\$296,500
1-Year Change	11%	9%
Mortgage Delinquency Rate	4.1%	4.0%

NA = data not available.

Notes: The vacancy rate is as of January 1, 2021; home sales and prices are for the 12 months ending December 2020; months of inventory and mortgage delinquency data are as of December 2020; HMA home prices are the average for 2020; and national home prices are the median for 2020.

Sources: Vacancy rate—estimate by the analyst; months of inventory and mortgage delinquency rates—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of Realtors® and Census Bureau/HUD

Figure 8. 12-Month Sales Totals by Type in the Winston-Salem HMA



REO = real estate owned.
Source: Zonda



in 2012. From 2013 through 2015, the number of new home sales increased by an average rate of 95 homes, or 14 percent, annually, to 850 homes sold in 2015. When economic conditions improved and excess inventory was absorbed, new home sales continued to rise from 2016 through 2018. The sales of new homes increased by an average of 100 homes, or 11 percent, annually, during this period.

Existing Home Sales

During 2020, existing home sales (including regular resale and real estate owned [REO] home sales) totaled 9,825, a decrease of 2 percent from a peak of 10,100 homes sold during the previous year (Zonda). This decrease in existing home sales is attributed to lack of inventory, the reluctance of potential buyers, and a reluctance among potential sellers to list their homes because of the COVID-19 pandemic. REO sales accounted for approximately 3 percent of existing home sales during 2020. Existing home sales peaked in 2019 at 10,100, with the previous high in 2005 at 10,000 homes. From 2006 through 2010, as economic conditions weakened, existing home sales declined by an average of 1,025 homes, or 14 percent, annually, to a low of 4,850 home sales in 2010. REO sales increased by an average of 12 percent annually during the same period and peaked at 28 percent of existing home sales in 2010. In response to improving economic conditions and increased migration, the market for existing homes improved. From

2011 through 2015, existing home sales increased to an average of 6,325 homes sold each year; during the period, REO sales decreased an average of 3 percent a year. From 2016 through 2018, existing home sales increased to an average of 9,075 each year; simultaneously, REO sales declined at an average rate of 17 percent annually.

Delinquent Mortgages

The rate of seriously delinquent home loans in the HMA increased recently due to pandemic-related job losses. The rate of seriously delinquent home loans and REO properties in the HMA peaked in 2009 at 6.2 percent, compared with a 5.8-percent statewide rate and an 8.4-percent rate nationwide (CoreLogic, Inc.). During December 2020, 4.1 percent of home loans were seriously delinquent or had transitioned into REO status, up from 1.6 percent in December 2019 and slightly above the national rate of 4.0 percent. By comparison, the rate for the nation was 4.0 percent in December 2020, up from 1.4 percent in December 2019 and below the peak of 8.6 percent in early 2010, respectively, during the same period. The increase in seriously delinquent mortgages is largely attributed to income and job losses from efforts to contain COVID-19 spread and from temporary mortgage forbearance offered by some lenders and required for federal-government-backed loans under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

New Home Sales Prices

The average sales price for a new home during 2020 was \$279,700, an increase of approximately 7 percent, compared to an increase of 5 percent during the previous year. By comparison, in 2005, new home sales prices averaged \$195,900, rose 6 percent annually through 2008 to \$230,800, and then fell 6 percent annually to a low of \$192,500 by 2011, when demand for homes declined because of weaker economic conditions. As economic conditions improved, accelerating population growth led to increasing demand for new homes. Annual price growth averaged 2 percent from 2012 through 2015. From 2016 through 2018, new home sales prices continued to rise, with an average change of 4 percent annually, reaching \$249,300 in 2018. During the past year, new home sales were greatest among homes priced from \$200,000 to \$299,000 (Figure 9).

Existing Home Sales Prices

During 2020, the average sales price of an existing home was \$210,900, up 11 percent from the previous year, compared with 6-percent price growth a year earlier. As a result of the Great Recession, demand for existing homes declined. From 2006 through 2010, existing home prices increased at an average rate of less than 1 percent annually to \$148,900 in 2010. An increase in REO sales from 2006 through 2010, which

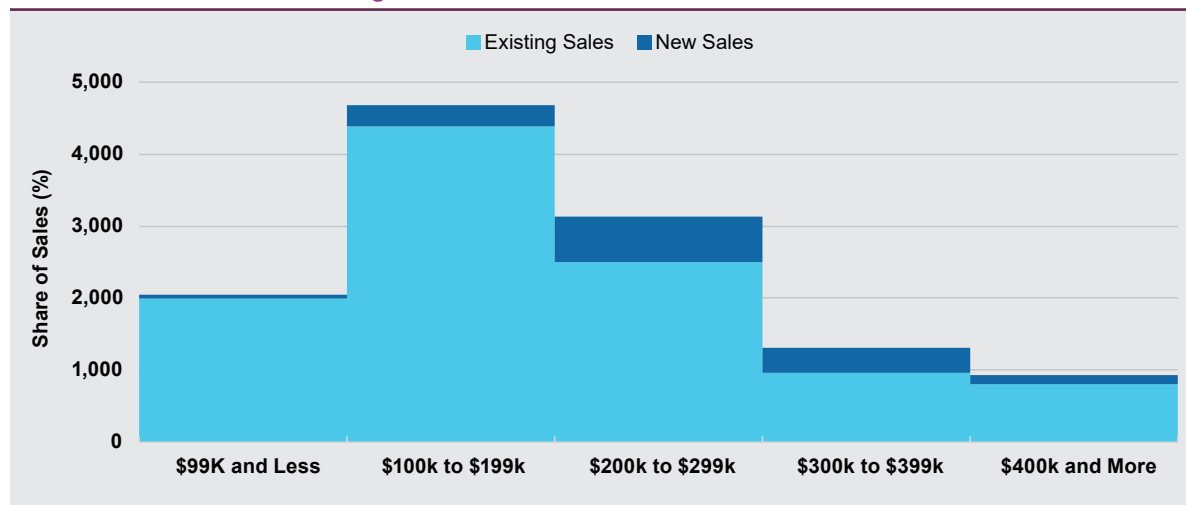


sold at a discount compared with regular resale homes, contributed to the declining average sales price for existing homes. The average sales price of an REO property was \$99,200, compared with \$159,600 for a regular resale home in 2009 (Figure 10). Prices for existing homes increased an average of 2 percent annually from 2011 through 2015 to \$160,900, when economic conditions improved and the inventory of REO properties was absorbed. Existing home sales prices continued to improve and, from 2016 through 2018, increased by an average of \$6,000, or 4 percent, annually, to \$179,000.

Sales Construction Activity

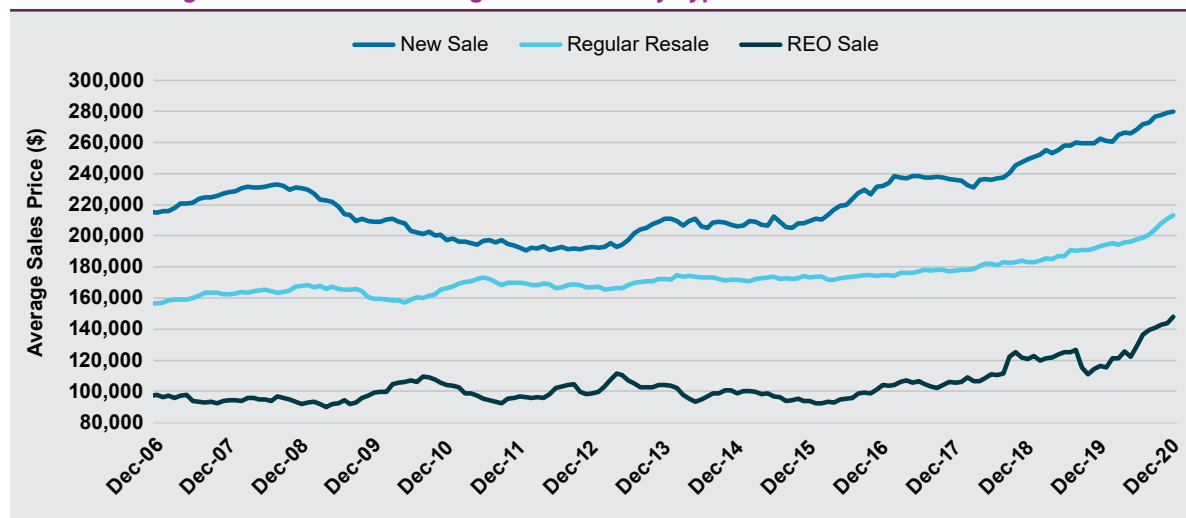
Sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted, has trended upward in the Winston-Salem HMA since 2013 but is below the historically high levels reached during the housing boom in the mid-2000s (Figure 11). From 2000 through 2007, the number of homes permitted averaged 4,100 homes annually before declining to 2,575 homes in 2008. From 2009 through 2012, the number of homes permitted further declined to an annual average of 1,125 homes during the peak of the foreclosure crisis. Builders have since responded with increased home construction when population growth accelerated. From 2013 through 2019, sales construction activity increased by an average of 300 homes, or 17 percent, annually. During 2020, approximately 2,850 homes were permitted,

Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending December 2020 in the Winston-Salem HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 10. 12-Month Average Sales Price by Type in the Winston-Salem HMA



REO = real estate owned.
Source: Zonda



below the 3,150 homes permitted during the previous year (preliminary data, with adjustments by the analyst).

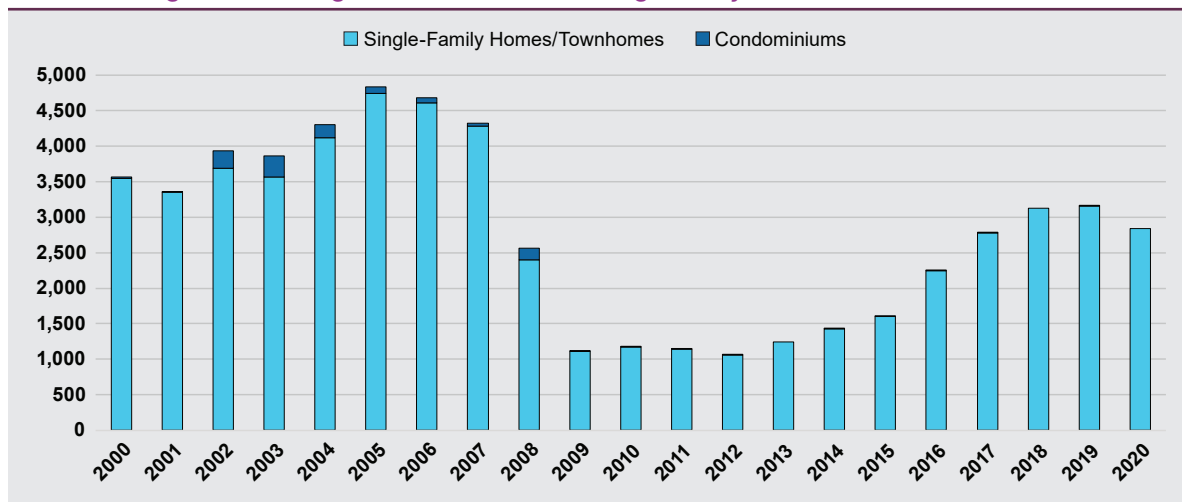
New Construction Properties

New home construction is occurring throughout the HMA. Located near US-52 and approximately 10 miles from downtown Winston-Salem, LGI Homes is developing 70 new home sites in the Meredith Woods subdivision. Homes in the development range from 1,350 to 2,200 square feet, and list prices will range from \$198,000 to \$245,900. Bridgton Place, located in Forsyth County near Hanes Mall, offers ranch and two-story homes that range from 1,440 to 2,790 square feet and have prices ranging from the low \$200,000s to \$267,900. Once completed in 2022, the subdivision is expected to have approximately 300 homes.

Forecast

Based on current and anticipated economic and population growth in the Winston-Salem HMA, demand is estimated for 7,075 new homes during the next 3 years (Table 5), with demand evenly distributed among each year of the forecast. The 1,200 homes currently under construction are expected to meet a portion of the demand during the first year of the forecast.

Figure 11. Average Annual Sales Permitting Activity in the Winston-Salem HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

Table 5. Demand for New Sales Units in the Winston-Salem HMA During the Forecast Period

Sales Units	
Demand	7,075 Units
Under Construction	1,200 Units

Note: The forecast period is from January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

The average market-rate apartment rent during the fourth quarter of 2020 was \$926, up 5 percent from a year earlier (RealPage, Inc.).

Current Conditions and Recent Trends

Overall rental housing market conditions in the Winston-Salem HMA are currently balanced, with an estimated rental vacancy rate of 7.1 percent, down from 12.5 percent in 2010 when the market was soft (Table 6). The decline in the vacancy rate is partially because the number of new renter households, which is estimated to have averaged 1,325 annually since 2010, exceeded the number of rental units added to the inventory. The number of units added includes newly built rental units and homes that shifted from owner to renter occupancy. Single-family homes accounted for 38 percent of all occupied rental units in 2019, down from 40 percent in 2010 (ACS 1-year estimates). Multifamily units, with five or more units,

accounted for 40 percent of rental units in 2019, down from 42 percent in 2010. The remaining 22 percent, which represents other housing types, including mobile homes, were up from 18 percent in 2010. The effects on the rental market of the countermeasures used to slow the spread of COVID-19 were mostly mitigated because of eviction protection policies at the state and federal levels.

Apartment Market Conditions

The apartment market in the Winston-Salem HMA has transitioned from soft conditions in 2010 to currently balanced conditions. The apartment vacancy rate declined from 8.7 percent in 2010, just after the Great Recession, to 6.5 percent in 2014 when the economy recovered. During this period, the average apartment rent increased approximately 1 percent each year from \$663 in 2010 to \$700 in 2014 (RealPage, Inc.). With continued economic growth, the apartment vacancy rate declined from 6.4 percent in 2015 to 5.0 percent in 2018. The decreasing apartment vacancy rate put upward pressure on rents, with the average rent increasing nearly 5 percent annually, from \$714 in 2015 to \$817 in 2018. The apartment vacancy rate during the fourth quarter of 2020 was 3.7 percent, compared with 4.1 percent a year earlier. The average apartment rent was \$926, up 5 percent from a year earlier. Figure 12 shows vacancy rates and average monthly apartment rents from 2010 to 2020.

Table 6. Rental and Apartment Market Quick Facts in the Winston-Salem HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	12.5	7.1
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	40.0	38.0
	Multifamily (2–4 Units)	9.0	10.0
	Multifamily (5+ Units)	42.0	40.0
	Other (Including Mobile Homes)	9.0	12.0
		Current	YoY Change
	Apartment Vacancy Rate	3.7	0.4
	Average Rent	\$926	5.2%
Studio	\$775	0.0%	
One-Bedroom	\$829	4.2%	
Two-Bedroom	\$957	6.0%	
Three-Bedroom	\$1,134	4.9%	

YoY= year-over-year.

Notes: The current date is January 1, 2021. Percentages may not add to 100 due to rounding.

Sources: 2010 and 2019 American Community Survey, 1-year data; RealPage, Inc., with adjustments by the analyst



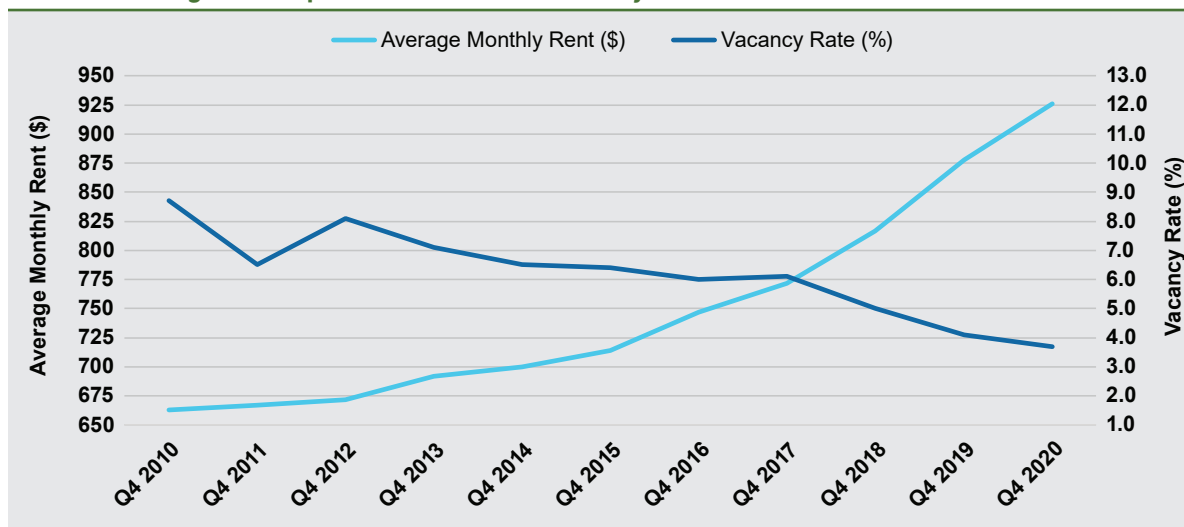
Rental Permit Activity

Rental permitting activity, as measured by the number of rental units permitted, averaged 670 units from 2017 through 2020 and is currently below the early 2000s levels. From 2001 through 2006, construction in the metropolitan area declined by an average of 150 units permitted, or 17 percent, annually (Figure 13). Rental units permitted increased from 430 units in 2006 to 1,625 units in 2007 at the height of the construction boom in the HMA. The number of rental units permitted decreased by an average of 600 units, or 49 percent, annually from 2008 through 2009 during the Great Recession. From 2010 through 2013, as the economy began to recover, rental building activity increased by an average of 230 units, or 34 percent, annually when economic conditions in the HMA strengthened. From 2014 through 2018, permitting decreased 14 percent, or by an average of 150 units, annually. During 2020, 590 units were permitted, compared with the 510 units permitted during the previous year, a 16-percent increase (preliminary data and adjustments by the analyst).

Recently Completed and Under Construction Rental Properties

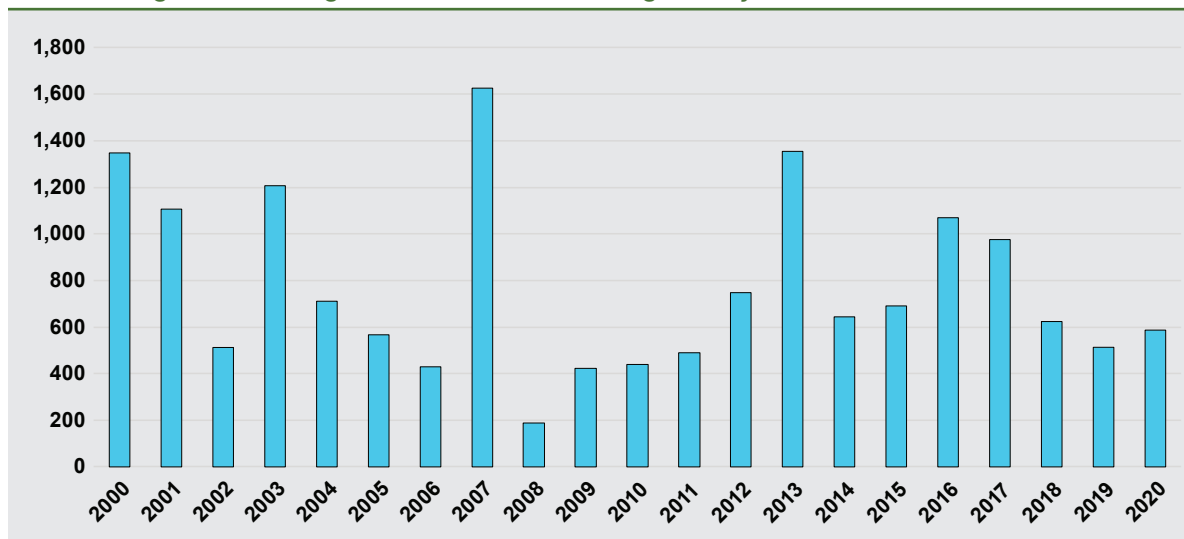
Recent construction activity includes the 340-unit Link Apartments Innovation Quarter, which was completed in early 2020. This community is located in downtown Winston-Salem, and

Figure 12. Apartment Rents and Vacancy Rates in the Winston-Salem HMA



Q4 = fourth quarter.
Source: RealPage, Inc.

Figure 13. Average Annual Rental Permitting Activity in the Winston-Salem HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2019 final data and analyst estimates; 2020 preliminary data and estimates by the analyst



units range from 500 to 1,210 square feet. Rents for studio, one-, and two-bedroom units start at \$1,040, \$1,150, and \$1,500, respectively. The construction of Comet Bermuda Run, a 224-unit apartment community located just south of I-40 in the city of Bermuda Run, was completed in 2019. The property offers one- and two-bedroom units with rents starting at \$1,050 and \$1,420, respectively. In response to an increase in the senior population in the HMA, the Arbor at Cotton Grove, with 80 garden-style apartments, is an affordable senior community in the city of Lexington, North Carolina, that is currently under construction and is expected to be complete in

the first quarter of 2021. The Arbor at Cotton Grove will offer one-, two-, and three-bedroom units and will be located east of Interstate 85 and south of downtown Lexington, approximately 22 miles from downtown Winston-Salem.

Forecast

During the 3-year forecast period, demand is estimated for an additional 1,850 rental units (Table 7). The 550 units currently under construction will meet a portion of the demand. The rental demand is expected to be evenly distributed among each year of the forecast period.

Table 7. Demand for New Rental Units in the Winston-Salem HMA During the Forecast Period

Rental Units	
Demand	1,850 Units
Under Construction	550 Units

Note: The forecast period is January 1, 2021, to January 1, 2024.

Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

<p>Building Permits</p>	<p>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.</p>
<p>Construction Activity</p>	<p>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.</p>
<p>Demand</p>	<p>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.</p>
<p>Forecast Period</p>	<p>01/01/2021–01/01/2024—Estimates by the analyst.</p>
<p>Home Sales/ Home Sales Prices</p>	<p>Includes single-family home, townhome, and condominium sales.</p>
<p>Rental Market/ Rental Vacancy Rate</p>	<p>Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.</p>
<p>Seriously Delinquent Mortgages</p>	<p>Mortgages 90+ days delinquent or in foreclosure.</p>



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 April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

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

Cover Photo	iStock
-------------	--------

Contact Information

Steve Walker, Economist
 Atlanta HUD Regional Office
 678-732-2725
 steven.h.walker@hud.gov

