

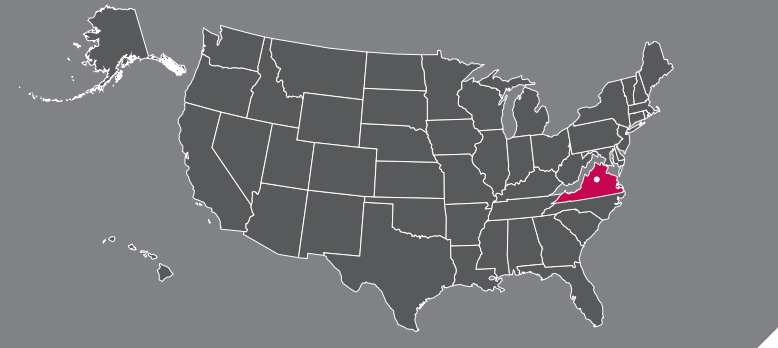
HUD PD&R Housing Market Profiles

Charlottesville, Virginia



Quick Facts About Charlottesville

- **Current sales market conditions: soft but improving.**
- **Current apartment market conditions: slightly soft.**
- **The metropolitan area is home to the University of Virginia (UVA), a public university that enrolled 21,800 students and employed 12,100 faculty and staff during the 2014-to-2015 school year.**



By Joseph Shinn | As of July 1, 2015

Overview

The Charlottesville metropolitan area comprises the city of Charlottesville and Albemarle, Buckingham, Fluvanna, Greene, and Nelson Counties in central Virginia. The government sector is a major contributor to the local economy, accounting for nearly one-third of all nonfarm payrolls. During the Great Recession and its immediate aftermath, employment levels continued to increase at the state-funded UVA and UVA Health System, resulting in a 0.6-percent annual increase in the government sector in the metropolitan area from the end of 2009 through 2012 compared with an average nationwide decline of 0.9 percent during the same period. The strength of the government sector during the recession also caused job losses in the metropolitan area to be less severe than in the state and the nation as a whole. Growth in the government sector has continued to help drive the economy of the HMA since the end of 2012; nonfarm payrolls in the metropolitan area have increased by an average of 2,100 jobs, or 2.0 percent, annually and the government sector accounted for one-third of the growth.

continued on page 2



continued from page 1

- As of July 1, 2015, the estimated population of the Charlottesville metropolitan area was 229,000, an average increase of 2,000, or 1.0 percent, annually since 2010 (Census Bureau decennial census counts and population estimates as of July 1). By comparison, from 2007 to 2010, population growth averaged 2,525 people, or 1.3 percent, annually.
- Net in-migration since 2010 has averaged 1,250 people annually and accounted for one-half of population growth compared with an average of 1,525 people annually, accounting for more than three-fourths of population growth, from 2007 to 2010.
- Net in-migration has declined in recent years because economic growth in the metropolitan area no longer exceeded growth in the nation, as it did before 2010.

Economic Conditions

Economic conditions in the Charlottesville metropolitan area strengthened during the past 6 years, and nonfarm payrolls continued to increase after surpassing the prerecession peak in mid-2014. In addition, job growth accelerated during the past 2 years after job gains were moderate during the previous 4 years.

During the second quarter of 2015—

- Nonfarm payrolls averaged 112,300 jobs, an increase of 2,800 jobs, or 2.6 percent, compared with the average during the second quarter of 2014. By comparison, during the corresponding periods from 2009 through 2013, nonfarm payrolls increased by an average of 700 jobs, or 0.6 percent, a year.
- The greatest gain was in the government sector, which increased by 2,200 jobs, or 6.5 percent. More than 95 percent of the gain

was in the state government subsector, which was up by 2,100 jobs, or 9.1 percent, partially because of an increase of 290 full-time salaried employees at UVA in 2014, in response to increasing enrollment. In addition, UVA Health System added more than 400 new full- and part-time jobs in response to expansions of its existing facilities, including a new children's hospital, which opened in late 2014.

- The education and health services and the leisure and hospitality sectors increased by 400 jobs, or 3.1 percent, each. In the leisure and hospitality sector, in response to increased tourism in the metropolitan area, nearly 290 new hotel rooms were completed during the past year at Homewood Suites by Hilton and Red Roof Inn, adding an unspecified number of new jobs in the

continued on page 3

Nonfarm payrolls increased in 9 of 11 sectors in the Charlottesville area, led by the government sector.

	3 Months Ending		Year-Over-Year Change	
	June 2014 (thousands)	June 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	109.5	112.3	2.8	2.6
Goods-producing sectors	9.0	9.1	0.1	1.1
Mining, logging, and construction	5.2	5.3	0.1	1.9
Manufacturing	3.8	3.8	0.0	0.0
Service-providing sectors	100.5	103.2	2.7	2.7
Wholesale and retail trade	12.5	12.1	-0.4	-3.2
Transportation and utilities	1.5	1.6	0.1	6.7
Information	2.2	2.1	-0.1	-4.5
Financial activities	4.5	4.5	0.0	0.0
Professional and business services	14.4	14.4	0.0	0.0
Education and health services	12.8	13.2	0.4	3.1
Leisure and hospitality	12.9	13.3	0.4	3.1
Other services	5.7	5.8	0.1	1.8
Government	34.0	36.2	2.2	6.5
	(percent)	(percent)		
Unemployment rate	4.5	4.3		

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



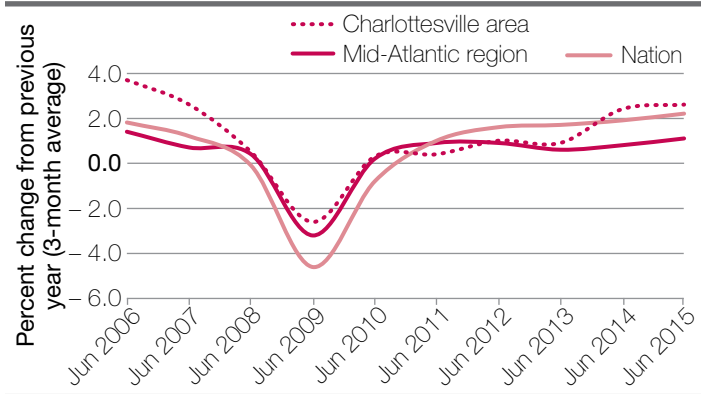
continued from page 2

metropolitan area. Additional jobs in the leisure and hospitality sector are expected during the next 3 years when construction is complete at the Marriott Residence Inn and Country Inns & Suites.

- Losses in the wholesale and retail trade and the information sectors, which decreased by 400 and 100 jobs, or 3.2 and 4.5 percent, respectively, partially offset the overall job gain. All the net losses in the wholesale and retail trade sector were in the retail trade subsector, which declined 3.1 percent, including the loss of approximately 20 jobs with the closure of a Downtown Athletic Store in the city of Charlottesville in April 2015.

UVA is a significant contributor to the economy in the Charlottesville metropolitan area. UVA and UVA Health System are the two largest employers in the metropolitan area, with 12,100 and 6,550 employees, respectively. The combined economic impact of the university and its health system on the local economy was reported to be greater than \$1.1 billion in 2005 (UVA Weldon Cooper Center for Public Service; the most recent data available). Because the university and health system are state-funded institutions, they comprise a significant part of the government sector. Steadily increasing enrollment levels since 2010 have led the university to add more than 500 full- and part-time salaried workers.

Nonfarm payrolls have increased in the Charlottesville area since the end of 2009, and job growth recently accelerated.



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

Largest employers in the Charlottesville area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Virginia	Government	12,100
University of Virginia Health System	Government	6,550
Martha Jefferson Hospital	Education and health services	2,150

Note: Excludes local school districts.
Sources: Virginia Employment Commission; local sources

Sales Market Conditions

The sales housing market in the Charlottesville metropolitan area is currently soft but improving. The estimated sales vacancy rate as of July 2015 was 1.9 percent, down from 2.3 percent in April 2010 because of limited single-family construction activity. Increasing job growth during the past 2 years contributed to higher levels of home sales. During the 12 months ending May 2015, approximately 3,375 existing homes (including single-family homes, townhomes, and condominiums) sold, an increase of 470 homes, or 16 percent, from the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The average sales price of existing homes decreased 3 percent, to \$286,100, partially because of a significant decline in the average sales price of real estate owned (REO) properties, which comprise 6 percent of all existing home sales compared with less than 1 percent of existing home sales from 2006 through 2008. New home sales totaled 360, up by 45 homes, or 15 percent. The average sales price of a new home increased 6 percent, to \$386,000.

- After increases during the past 3 years, sales of existing and new homes are up 55 and 22 percent, respectively, from average annual sales levels from 2009 through 2011.

- During the 12 months ending May 2015, the average sales price of existing homes was 14 percent less than the average annual sales price from 2006 through 2008 of \$333,500, partly because REO sales comprised a greater portion of existing home sales after 2008. The average sales price of new homes sold, however, exceeded the average price of \$378,800 from 2006 through 2008, because greater demand for new homes led to an increase of 14 percent a year in the average sales price during the past 3 years.
- In June 2015, 1.9 percent of home loans in the metropolitan area were seriously delinquent (loans 90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 2.2 percent in June 2014 (Black Knight Financial Services, Inc.).
- The rate of seriously delinquent loans and REO properties in the metropolitan area has remained lower than the rates in the state and nation as a whole because of less severe job losses during the national recession than in the rest of the nation.

Because of soft sales market conditions in the Charlottesville metropolitan area, the level of single-family homebuilding activity, as measured by the number of homes permitted, has remained low since 2009.

continued on page 4



continued from page 3

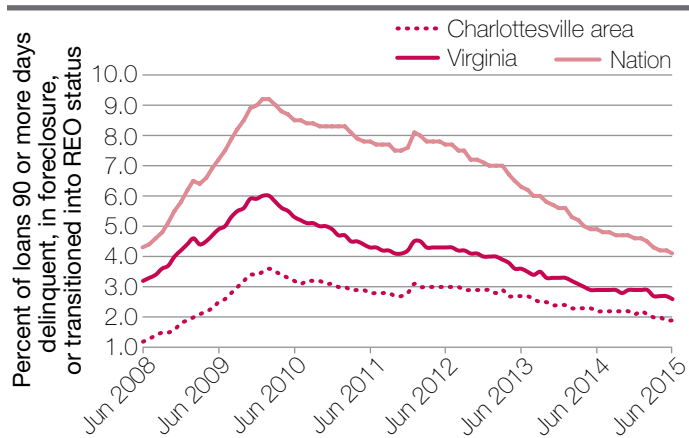
- During the 12 months ending June 2015, single-family construction activity totaled approximately 510 homes permitted, a decrease of 40 homes, or 8 percent, compared with the number of homes permitted during the previous 12-month period (preliminary data).
- From 2009 through 2014, homebuilding activity averaged 660 homes permitted annually. Construction activity is down from the peak period from 2000 through 2006, when housing market conditions were stronger and an average of 1,450 homes were permitted annually.

New home sales prices in the Charlottesville area increased during the past year, but existing home sales prices decreased slightly.



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

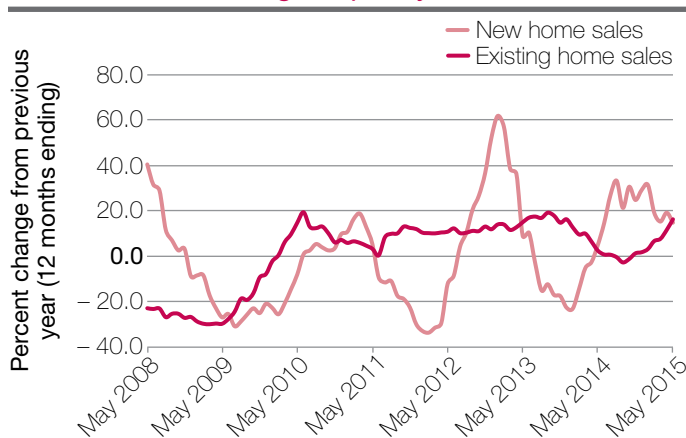
The rate of seriously delinquent loans and REO properties in the Charlottesville area has remained lower than the state and national rates because of less severe job losses during the recent recession.



REO = real estate owned. Source: Black Knight Financial Services, Inc.

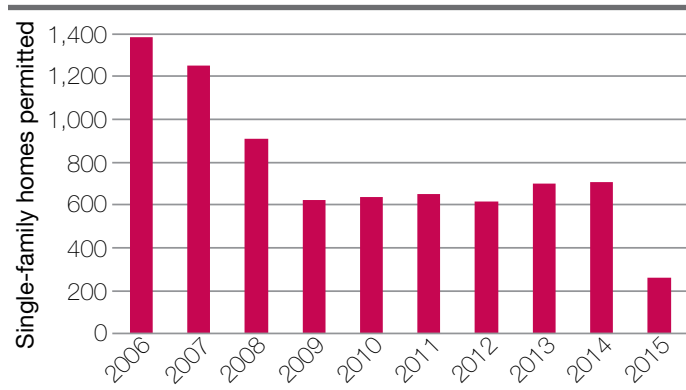
- Current construction activity includes Old Trail Village in Crozet. More than 20 percent of the 2,200 planned units in the community have been completed since 2004, and the remaining units are expected to be built during the next 10 to 20 years as the homes are sold. Approximately 90 percent of the units will be single-family homes, and the remaining units will consist of condominiums, apartments, and assisted-living units. Prices of newly constructed three-bedroom, two-and-a-half-bathroom single-family homes start at \$348,000. At Willow Glen, in Albemarle County, approximately 10 percent of the 230 planned single-family homes and townhomes have been completed since 2013. Prices for new townhomes in the community start at \$280,000.

New and existing home sales in the Charlottesville area increased during the past year.



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

Single-family homebuilding activity in the Charlottesville area has remained steady since 2009.



Note: Includes preliminary data from January 2015 through June 2015. Source: U.S. Census Bureau, Building Permits Survey



Apartment Market Conditions

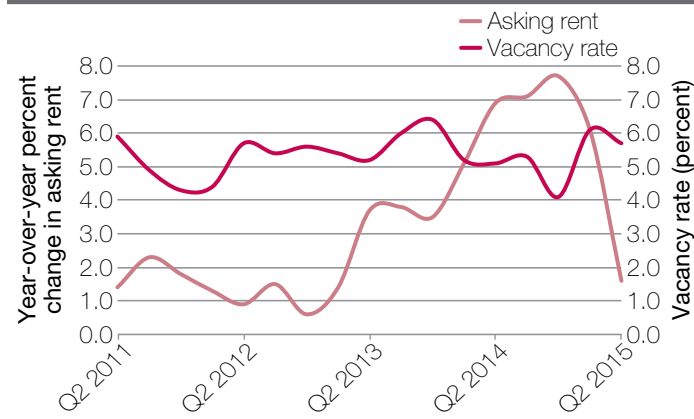
Apartment market conditions in the Charlottesville metropolitan area are currently slightly soft because of higher levels of construction activity since 2010 than during the 2007-through-2009 period. Conditions are estimated to be slightly tight in and near the city of Charlottesville, however, where UVA is located, because of increased demand for units near the university. In the suburban parts of the metropolitan area, by contrast, conditions are soft because fewer people are moving into the suburbs from outside the metropolitan area and more people are moving from the suburbs to the city of Charlottesville.

During the second quarter of 2015—

- The apartment vacancy rate was 5.7 percent, up from the rate of 5.1 percent during the second quarter of 2014 (Reis, Inc.).
- Vacancy rates have fluctuated but remained above 5.0 percent during the second quarters since 2010 because of consistent additions to the apartment stock.
- The average asking rent was \$1,115, up less than 2 percent from the asking rent during the second quarter of 2014.
- Rent increases slowed from an average growth of more than 3 percent annually from the second quarters of 2010 through 2014 because of softening apartment market conditions in the suburban parts of the metropolitan area.

Multifamily construction activity in the Charlottesville metropolitan area, as measured by the number of units permitted, recently decreased. Construction levels remain elevated, however, in and near

Vacancy rates in the Charlottesville area have remained elevated and rent growth has varied by year.

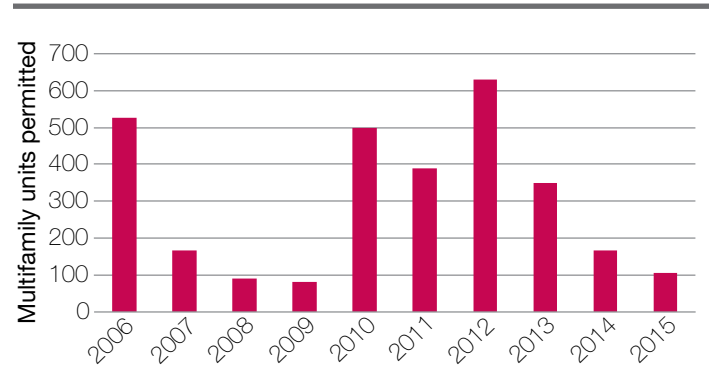


Source: Reis, Inc.

the city of Charlottesville because strong demand by students and young professionals causes rapid absorption of new apartment units near the university.

- During the 12 months ending June 2015, approximately 150 units were permitted in the metropolitan area (preliminary data); nearly 70 percent of these units are currently under construction and the other units were completed in the first half of 2015.
- Multifamily building activity averaged 470 units permitted annually from 2010 through 2013 compared with an average of 110 units permitted annually from 2007 through 2009.
- Because of the high demand for housing by students at UVA, more than 25 percent of the apartment units permitted since 2010 have been in communities that were built for, and targeted toward, students.
- Recent construction activity in the metropolitan area includes the 301-unit City Walk Apartments, which was completed in late 2014; rents for one- and two-bedroom units start at \$1,050 and \$1,450, respectively. The Reserve at Belvedere, a 288-unit apartment complex completed in 2012 in the city of Charlottesville, has rents for one-, two-, and three-bedroom apartments starting at \$1,050, \$1,250, and \$1,475, respectively.
- The 221-unit The Flats at West Village, a recently completed student-targeted apartment community, was completed in November 2014. These apartments rent by the bedroom, and asking rents range from approximately \$780 per person in a four-bedroom apartment to \$1,425 for a one-bedroom apartment.

Multifamily building activity in the Charlottesville area recently slowed after strong activity prevailed from 2010 through 2013.



Note: Includes preliminary data from January 2015 through June 2015.
Source: U.S. Census Bureau, Building Permits Survey