1. Executive Summary

The New River Valley (NRV) is a desirable place to live and work. The region’s population is growing, creating more jobs and amenities, and it offers diverse settings as well as relative affordability and superior amenities that appeal to a variety of households and support our economic competitiveness. However, relatively low median days on market and steep price increases are evidence of a potential housing shortage. Whereas steady increases in demand (and thereby prices) are important for protecting the investments of current residents, a market with too little housing inventory makes housing upgrades or changes to more appropriate housing difficult (or impossible) for current residents and may stagnate growth. The NRV is facing various housing affordability and availability issues that are starting to affect the region’s quality of life and ability to grow.

Housing plays a critical role in economic opportunity for individual workers and their families, affecting current and future workers, employers, communities, and regional markets. Housing unaffordability is often why individuals and families experience instability in housing, accept substandard housing, or sacrifice other critical needs like child educational enrichment, medical attention, or food. In addition, deferring maintenance and living in overcrowded conditions may help households reduce burdensome housing costs but have their own consequences for the household and its neighbors.

Availability and affordability of housing have distinct effects on businesses and markets. Although high housing prices often reflect local amenities and economic opportunities in an area (Ratcliffe 2015), research suggests that high housing prices and few affordable options may constrain economic growth. A job–housing imbalance may impede economic development by making it difficult for businesses to recruit and retain employees (Morrison & Monk 2006).

Housing Need

The NRV needs at least 5,500 income-restricted units to stabilize current residents with low- and moderate-income who spend more than 50 percent of their income on housing and have been unable to afford housing without sacrificing other elements of their basic wellbeing. In addition, 9,000 other households in the region pay more than 30 percent of their income for housing and may struggle to afford housing along with other necessities such as transportation, healthcare, or education.

Some households critical to the region’s growth (including both low-wage service workers and top talent for leading-edge industries) can benefit from living in the region, being closer to their jobs, buying a home for investment, or upgrading; however, the tight housing market in the NRV makes it difficult for these workers to find a suitable and affordable live/work arrangement, which may limit the region’s growth.

Homebuyer Market

Potential homebuyers face a tight market in the NRV, with homes being listed for a median of only 9 days in 2019. Highly competitive markets favor experienced buyers that can make cash offers or afford prices
above appraised value, and potential buyers who are less willing or able to make offers quickly are likely to be excluded from the market and may give up the search altogether.

Over the June 2018–May 2019 period, 1,650 homes were sold in the NRV, with the midrange price of homes (i.e., the 25th to 75th percentile range) between $132,000 and $275,000 and 13.5 median days on market. The NRV needs more homes in and slightly above this price range to relieve intense demand pressure on prices and market availability.

Rental Market
Median rents increased 38.5 percent from 2007–2017, which indicates strong demand in many communities (including the NRV’s large university-student population). The rental vacancy rate in the NRV is below 2.4%, and units throughout the region are likely to be rented nearly continuously. Employers, economic development professionals, service providers, and residents have expressed frustration with the tightness of the rental market. Employers explained that new employees have difficulty finding appropriate, high-quality rental housing when they accept jobs in the region. Many new residents prefer to rent, and those seeking to purchase homes often rent while they familiarize themselves with the area and endure a long home-search or build a new home. Furthermore, prospective residents may decline a job in the region and move to another locality if they are unable to find a suitable apartment or house.

Addressing Housing Need
Housing challenges will intensify without concerted leadership from local governments and support from current residents. Local governments must raise and dedicate funds to support low-income households, encourage the development of a variety of housing choices and innovative approaches to density, and work regionally to establish market-wide housing goals, policies, and programs. Local governments have tools available to help address housing, such as land use and zoning regulations and incentives, tax abatement, resource dedications, influence, development decision-making, and support. However, each of these tools requires resources to develop and use appropriately. Incentivizing and removing barriers to developing suitable housing types for residents of all income levels is necessary to creating an inclusive, prosperous, happy, stable, and growing community.

Local governments cannot resolve housing challenges alone. Policies and programs require community commitment to inclusivity and support from philanthropists, businesses, and taxpayers. Tension exists between existing residents and new development because ample supply slows housing price increases and changes the landscapes that attracted current residents. However, real estate prices can stagnate without growth as places lose relevance and desirability. The value of continued development and redevelopment is realized over the long term, so stakeholders such as realtors, developers, and employers must speak up for prospective residents. Furthermore, residents must respond to the needs of workers and neighbors who struggle to get by. Finally, every stakeholder must understand that growing environmental awareness and increasing prices of land, labor, and materials imply that density and innovation are required to offer affordable, appropriate housing to our growing and changing population.
The Report

This report offers an in-depth documentation and analysis of the NRV market and submarkets as well as strategy recommendations at both the regional and local levels responsive to both quantitative evidence and expert input developed in coordination with local and regional leadership. The authors suggest reading the regional sections (“The Region”, “Housing the Community” and “Market Challenges and Opportunities”) in addition to any of “Local Profiles” since regional findings contextualize and have important implications for local findings.

Strategy recommendations are included in separate documents. Regional strategies address region-wide issues such as housing education and involve partnerships among jurisdictions and institutions. Local strategies have common themes that allow growth to respond to the history and character of our region, including creative density focused on towns and villages, re-investment in the existing housing stock, and tools to incentivize and preserve housing for low-income households and first-time homebuyers. Local strategies also include specific recommendations tailored to the opportunities and challenges of that jurisdiction within the overall regional market.