

Housing Affordability in Blacksburg

The Town of Blacksburg has a housing shortage, particularly affordable housing. The Town is undertaking a three part public engagement process to understand your top concerns and priorities as the Town explores strategies to address this issue. Your feedback will be used to help us weigh the tradeoffs in front of us and to make important policy, land use, and development decisions. Over the next few months we will be asking for your feedback on a variety of housing related topics. Please participate! The goal is to select the strategies that most align with our community priorities and values to create a pathway for increased housing affordability in Blacksburg.

This first brief explains the factors that are driving growth in our community and creating a housing shortage.

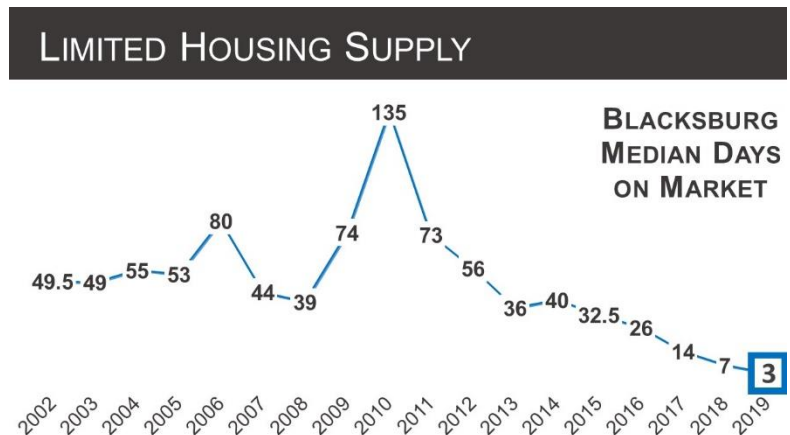
Cost of housing and traffic congestion are top community concerns

The Town of Blacksburg has an affordable housing crisis that is growing worse every year. As part of a 2017 Comprehensive Plan Community Input Survey, the Town learned that citizens identified the cost of housing and traffic congestion as the #1 and #2 issues, respectively, that concerned them about the future of Blacksburg. The recently released New River Valley Regional Housing Study confirms that citizens' concerns are grounded in the data: housing is becoming increasingly unaffordable for more segments of the population in our region, but especially so in Blacksburg.

A low supply of housing is contributing to high rent and sale prices

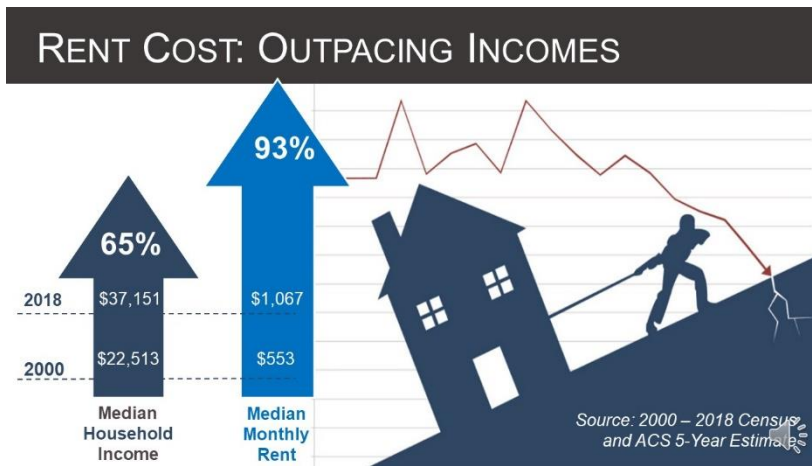
Housing in the Town of Blacksburg is the most limited and highest in demand of any location in the New River Valley. This demand is largely driven by the growth of emerging businesses within the Corporate Research Center and the expansion of enrollment at Virginia Tech. In recent years, the University has grown by nearly 5,000 students along with additional staff and faculty to serve those students, most of whom are living off-campus. We expect this growth to continue.

High and growing demand exists both for for-sale and rental homes at all price points. This trend is best demonstrated by looking at the 10-year trend for average days on market, which has fallen from 140 days back in 2010, to an average of just 3 days today. This is a nearly 93% decrease over the last 5 years.



Student housing skews Blacksburg's housing market

The Town of Blacksburg's housing market is dominated by undergraduate student housing, either in the form of apartments or single family homes converted to rental units. As a result, the Town has a much larger proportion of rental properties compared to surrounding localities, which poses an additional challenge and barrier to homeownership in Blacksburg.



Student demand for off-campus housing has significantly inflated the cost of available rental property and land values, eliminating much of the affordable housing stock in Town.

We have seen a 93% increase in median monthly gross rent over the last 20 years while household incomes have only risen by 65%. While student rentals comprise a large portion of the rental market in Blacksburg, non-student renters face a difficult time finding affordable and suitable rental housing.

To afford the median gross monthly rent of \$1067, which includes the cost of utilities, you would have to earn a full time wage of \$22 an hour or an annual salary of \$42,000. This average monthly rent is too high for most of our non-student workforce.

One of the more noticeable forms of recent growth in our Town, is upscale student housing, which is emerging in university-dominated communities across the country. This new model of student housing caters even more narrowly to student lifestyles, and is not generally in line with the housing needs of non-students. Upscale student housing is also very profitable relative to other housing types. As a result, many college towns are seeing a fundamental shift in their housing markets.

Because student housing and particularly upscale student housing is so profitable, developers and lenders are willing to pay significantly more per acre for land. Landowners are more likely to “hold out” to see if they can get a better offer for their land from a student housing developer. This tends to price out most other types of development in the community - other than very high end single-family homes. In addition to increasing land values, the cost of building materials and labor keeps rising. So, unless something changes, we will continue to have an undersupply of housing for non-students and housing prices will continue to outpace growth in incomes year after year.

Housing affordability is an accelerating challenge for Blacksburg

The average price of new homes being constructed in the past six years is well outside the price point of the average homebuyer.

With a 10% minimum down payment, a household would need to earn at least \$68,000 a year to afford the median home prices of \$268,000 and earn \$80,000 to afford the median single family home price of \$351,000. In addition you’d need to have enough savings to quickly and competitively make the offer and down payment.

When we look at this chart we can see two important trends. Overall home prices have been steadily rising, but more importantly, the average price of the homes built in recent years is significantly higher than the median sale price. Last year, the average newly constructed home sold for \$435,000, which is well outside the price point of the average homebuyer. In a very real sense, Blacksburg is becoming a community that primarily serves undergraduate student renters, investors, and wealthier or more established homeowners.

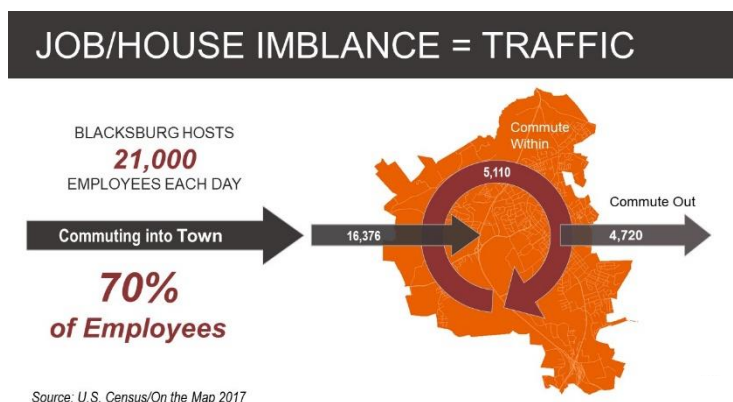


When housing costs outpace incomes it has predictable impacts. It affects people at the lowest end of the income scale first - typically those in the retail, food service, and tourism sectors. Middle-income residents, such as teachers, police officers, office workers, nurses, and entry level young professionals, are next to find themselves priced out of the market. In fact, most households working in the top 10 occupations in Blacksburg cannot afford to live in our community. These long-term trends are effectively shutting moderate-income households and most first-time homebuyers out of the Blacksburg housing market. In a very real sense, Blacksburg is becoming a community primarily for undergraduate student renters, wealthy or more established homeowners.

The lack of affordable housing in Blacksburg is driving up housing costs in the region, creating sprawl and congestion, and increasing transportation costs.

The shortage of affordable housing in Blacksburg is also driving up housing costs in surrounding areas and contributing to increasing traffic congestion. The number of people who can afford to both live and work in Blacksburg has fallen significantly in the last ten years - and this reality is reflected in the region’s commuting patterns where 70% of those who work in Blacksburg live elsewhere in the region.

This transportation issue has several impacts on our region. For individual households, these longer commute distances becomes a “hidden cost” of housing - and further limits disposable income for lower- and middle-income residents. From an infrastructure standpoint, a growing proportion of in-commuters also places an additional strain on road maintenance and contributes to traffic congestion, which citizens identified as their #2 concern about the future of Blacksburg.



Clearly, we have some big challenges. We also have a number of opportunities to address these housing trends, so don’t forget to provide your input and stay tuned because we have more to explore and consider together!