

How Do Small Towns Grow?

Following the Great Recession, the dominant narrative around rural communities has been one of population loss: opportunities are few, so kids leave small hometowns behind. No one moves in to replace them. And a sad but real demographic reality is that an older population means larger natural population losses, as well.

Historically, this has been a hard trend to change. But in the last few years, we've come across a number of small towns that appear to be turning things around — that have gone from losing residents to growing. The data bear this out. Between 2010 and 2020, nearly three-fourths of rural Fifth District counties saw population losses, aligning with the “rural is shrinking” narrative. Between 2020 and 2023, 59 of those 217 counties, or 27 percent, saw their population start to grow. That compares to only 3 percent that turned from declining to growing in the prior decade.

Before I dive into the stories behind this growth, let me make two points. First, I believe that growth is good. Population growth is a key component of economic growth, and economic growth means more spending, more jobs, higher tax revenue to fund investments and improved standards of living. A healthier, more vibrant economy in turn improves morale, gives kids and entrepreneurs more reason to stay, external talent and businesses more reason to move in, and developers more reason to build and invest. Second, not every shrinking rural community is going to be able to grow. Just because growth is possible doesn't mean it's probable. But I do believe there's value in understanding what makes growth more likely.

So, looking at the 59 were-shrinking, now-growing counties, what can we learn? Perhaps unsurprisingly, much of the growth is in exurbs.



Nearly two-thirds of the were-shrinking, now-growing counties are within extended commuting distance of a large metro area, likely gaining momentum from their urban neighbors. (See “What’s Driving Rural Population Growth?” p. 28.) The pandemic benefited these communities. The rising cost of living in cities pushed urban dwellers to look for more affordable options at the same time that desire for outdoor space, and more space period, made smaller towns more attractive to younger workers and new retirees alike. As hybrid work policies expanded the reasonable commuting radius from employment centers, exurbs grew — at least some of them.

What drove that growth: availability of housing at affordable prices. I like to call myself a “windshield warrior” given how much I drive around the Fifth District. And when I am in the outskirts of Greenville, S.C., or Charlotte, or Raleigh, or Richmond, or even in the eastern panhandle of West Virginia outside of D.C., I see huge plots of land being developed at scale by the major home builders.

You see that on the I-95 corridor

east of Raleigh. Farmland is being converted to subdivisions priced in the \$250,000-\$350,000 range, which is well below the Raleigh average of about \$450,000. I found Rocky Mount Mills compelling. A once abandoned mill on the Tar River used to serve as a reminder of the area's hollowed-out textile industry. Now, it houses a number of full-time residents as well as restaurants, a brewery incubator, and outdoor recreation activities.

But we don't see developments like this in every exurb. Why not? Political buy-in for housing (and growth, generally) is crucial. After all, policy at the local level — permitting, zoning, incentives — can help draw in or keep away developers. But community push-back is common. Population growth brings growing pains, whether they be traffic, increased housing costs or, more simply, change. Those pains can often be more visible — or visceral — than the benefits. In other words, NIMBYism is real. Where it is strong, development efforts face added time, cost and uncertainty. We've heard it's held back a number of exurbs that were otherwise well positioned for growth.

Beyond exurbs, where else do we find growth? Places with natural or well-crafted amenities. For some communities, a more isolated location goes hand in hand with being in the heart of enviable natural amenities. Several of the now-growing towns are tucked into the Blue Ridge Mountains, on the Outer Banks, or a bit further up the coast in the Northern Neck of Virginia or on Maryland's Eastern Shore. These towns have attracted their fair share of retirees in recent years, but a surprising number of them have grown their prime working-age population as well. Broadband improvements have helped.

Natural beauty is not the only type of “sellable” amenity, however. If you

ask my kids about the appeal of small towns, where do their minds go? The quaint town square gazebo or autumn town festival in *Gilmore Girls'* Stars Hollow. The riverwalk or burning boat festival in *One Tree Hill's* Tree Hill. The pull of a small town, especially following the pandemic period of isolation and instability, may well lie in the relationships it offers. It's the friendly, manageable downtowns. It's the local traditions. And it's the sense of community.

How do these amenity-rich communities grow their working-age population? Again, housing matters. Along with their revitalized downtown, leaders in the town of Warsaw, in Virginia's Northern Neck, credit their recent growth in excess of neighboring towns to a strong residential development push focused on worker housing. They recognized that larger, expensive homes weren't viable options for younger workers, even if available. So, they've focused on more accessible housing, seen success, and are now building more. They've recently approved 321 units in the \$300k-\$400k range, a 45 percent increase in the number of units. There are also plans to build an additional 100 single-family homes.

Wilson, N.C., offers a number of good examples of how to build amenities. Investments in third places, like a revitalized downtown, art galleries, outdoor art installations, and a

soon-to-come baseball stadium, have helped market the town. And worker-focused investments help make the community more livable. For example, Wilson replaced its bus system with an on-demand microtransit service.

But what do you do if you're not near a big city and don't benefit from natural amenities? Well, the age-old strategy of attracting jobs is still viable. But I want to emphasize that the historic approach, focused on incentives and buildable sites, is no longer sufficient. The communities that seem to be winning in this game are also winning through investments in workforce. With talent so short, companies need to be convinced they can find and retain the workers they need.

I'm intrigued by Florence, S.C., and its surrounding towns. They have seen a number of new manufacturing and distribution centers move to the area in recent years. Local leaders highlight regional cooperation as key and credit the programs led by the area community college for boosting the supply of ready talent and helping businesses with space and equipment they may not be able to invest in themselves.

In the northern part of our district, I'd point to Salisbury, Md., and its surrounding counties. The area has seen strong job growth post-pandemic, especially compared to the rest of the state. Like Florence, they are investing in growing their own jobs and workforce. Salisbury University encourages

entrepreneurship through an entrepreneurship center, with incubator space and regular startup competitions. Nearby Wor-Wic Community College helps fill workforce gaps with fast turnaround programs. At the same time, they're investing in high-speed internet, the beautification of downtown, and housing. Their "Here is Home" program, which was stood up in 2021, reduced both permitting times and costs. They've faced plenty of that local pushback I mentioned, but they're making headway on new units.

To close, I'll emphasize that now-growing counties, both exurbs and those further out, didn't begin their growth journeys in 2020. Their momentum started earlier. Often, progress takes a less measurable form first. Community leaders start to shape a collective vision, build trust and learn to better navigate funding streams and systems. In time, with the right conditions, that momentum starts showing up in the data.



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