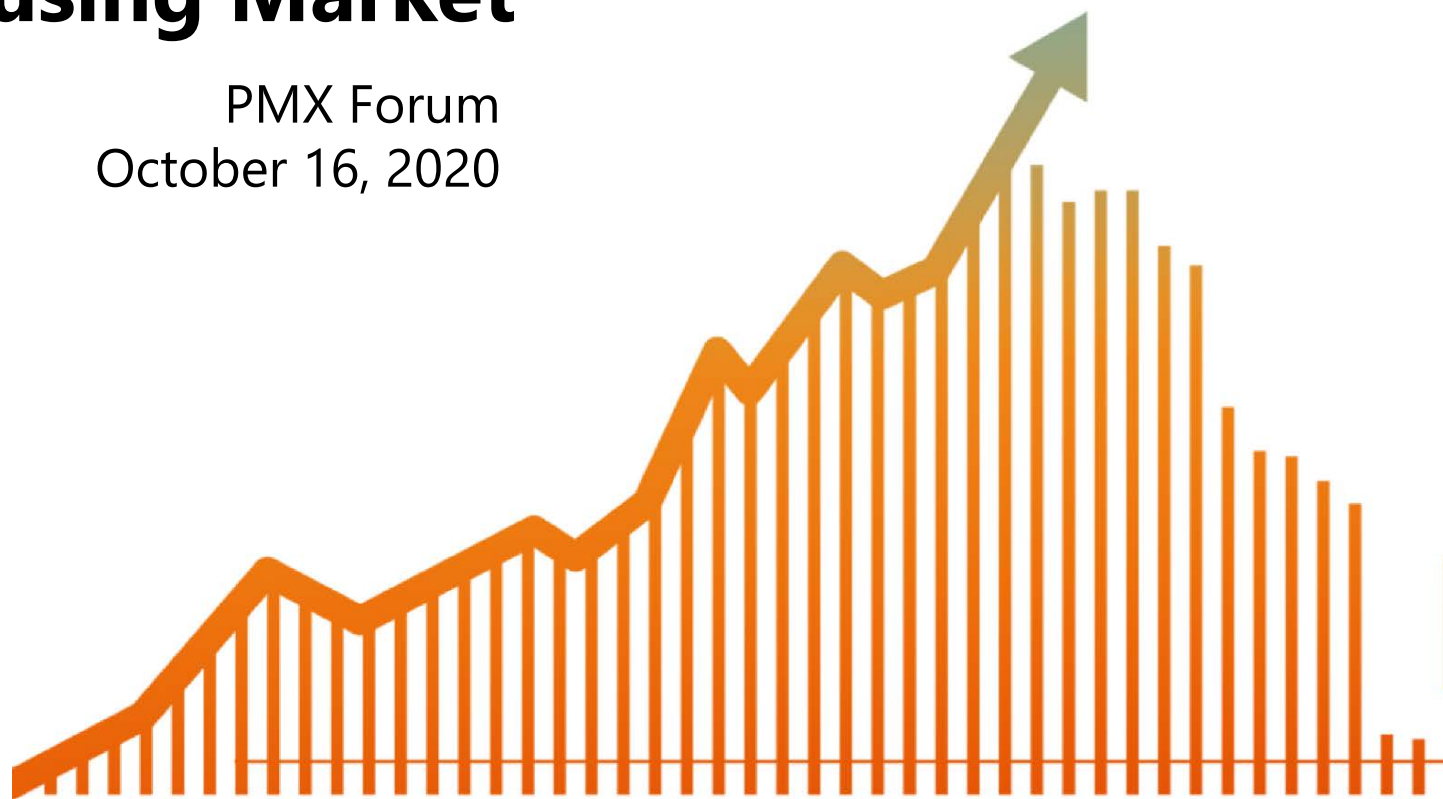


The Impact of COVID-19 and the Recession on Virginia's Rental Housing Market

PMX Forum
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Key Trends & Outlook

Factors Affecting Virginia's Housing Market



"K-shaped" recovery is benefitting some over others; homeowners better positioned currently



Interest rates will stay low, making purchase and refinancing attractive



Renters have more challenges than homeowners meeting expenses



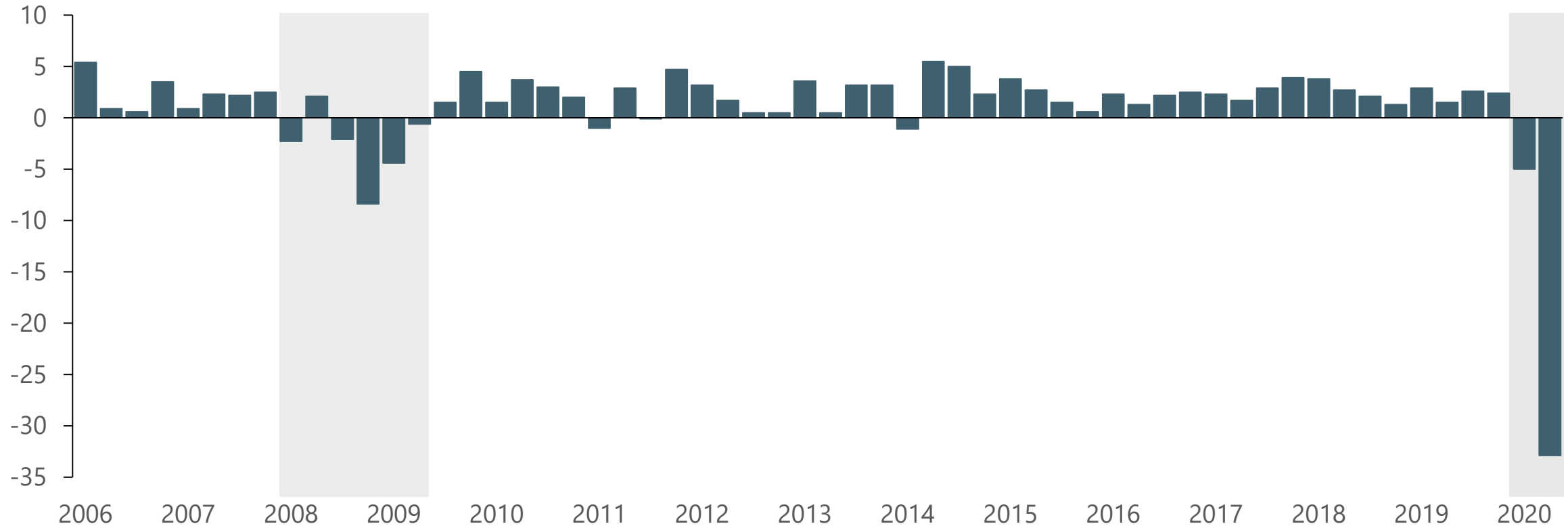
Longer-term shift in housing preferences expected at the margins

Economic Trends

U.S. Real GDP Growth – 2nd Quarter GDP Down 32.9%

Q3/Q4 GDP expected to grow but uncertainty remains

Annualized Quarterly Change (%)

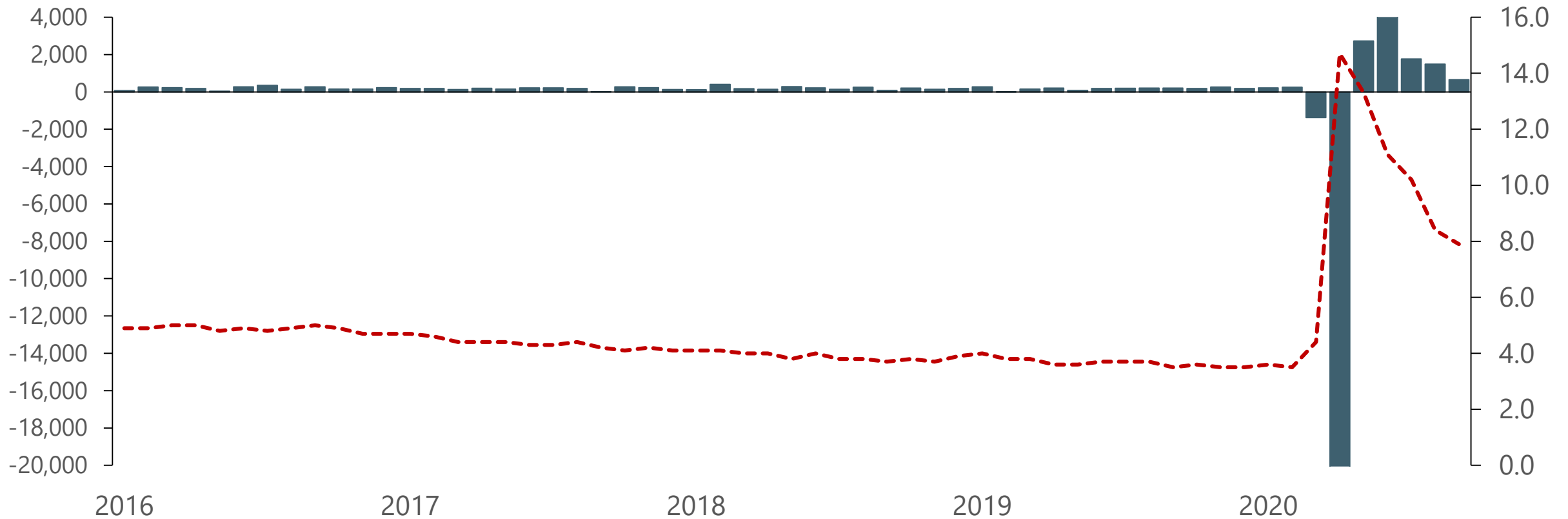


U.S. Employment - Up for 5 Consecutive Months

Pace of job growth has slowed; unemployment rate hit 7.9% in September

Month to Month Job Change (000s)

Unemployment Rate (%)

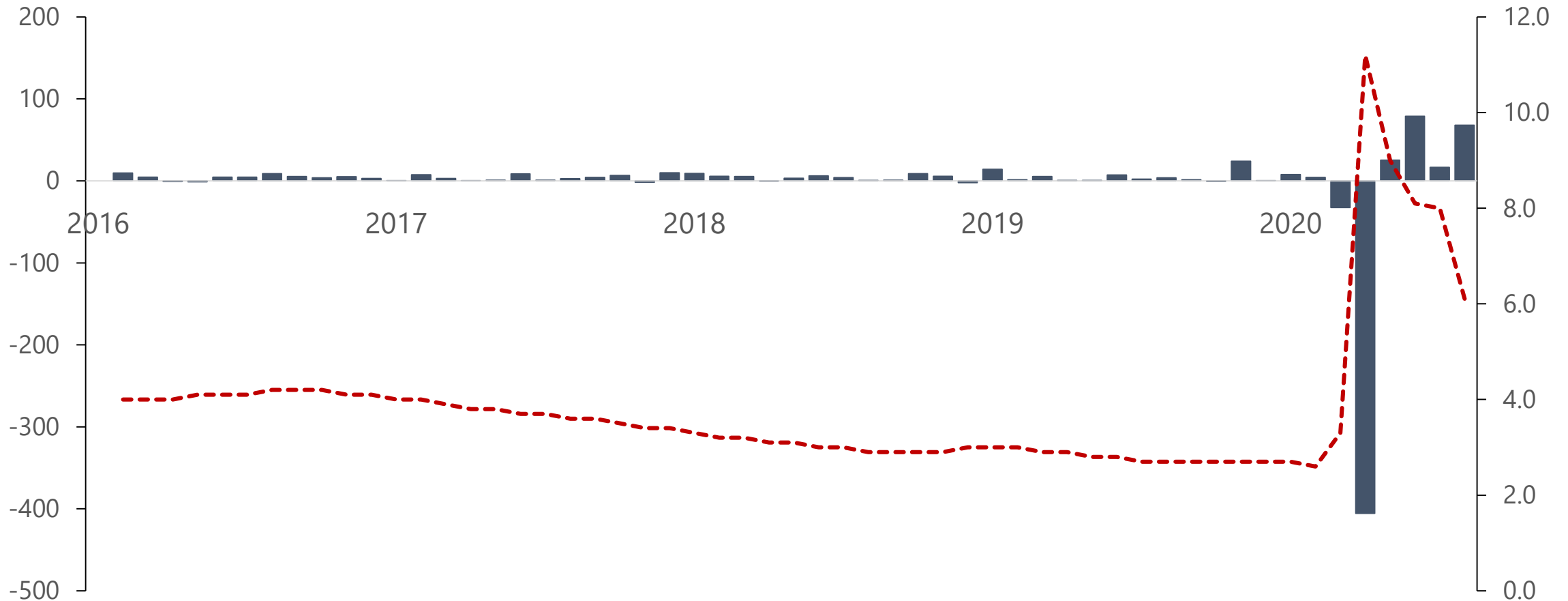


Source: U.S. Bureau of Labor Statistics, seasonally adjusted

Virginia Employment - Up for 4 Consecutive Months

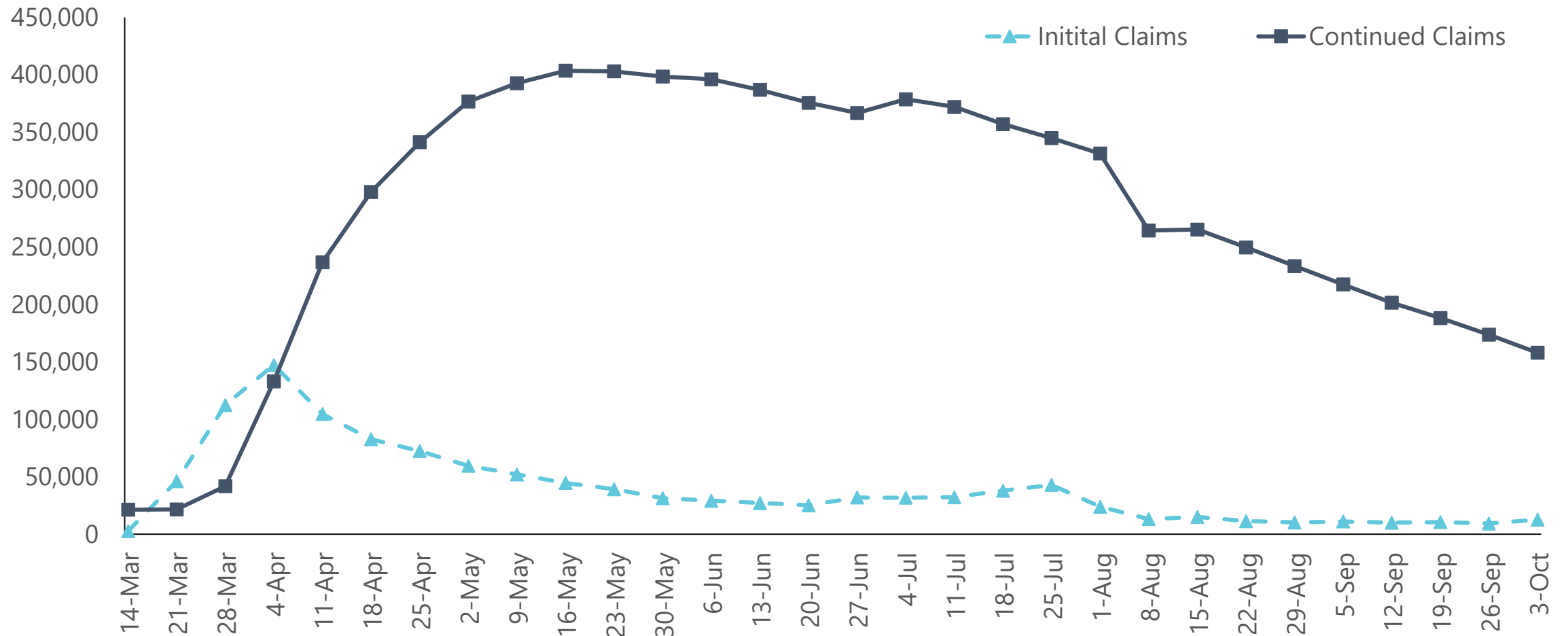
Unemployment rate hit 6.1% in August

Virginia Month to Month Job Change (000s)



Virginia Unemployment Claims – Steady Declines

About 158,000 Virginians were receiving unemployment benefits in early Oct

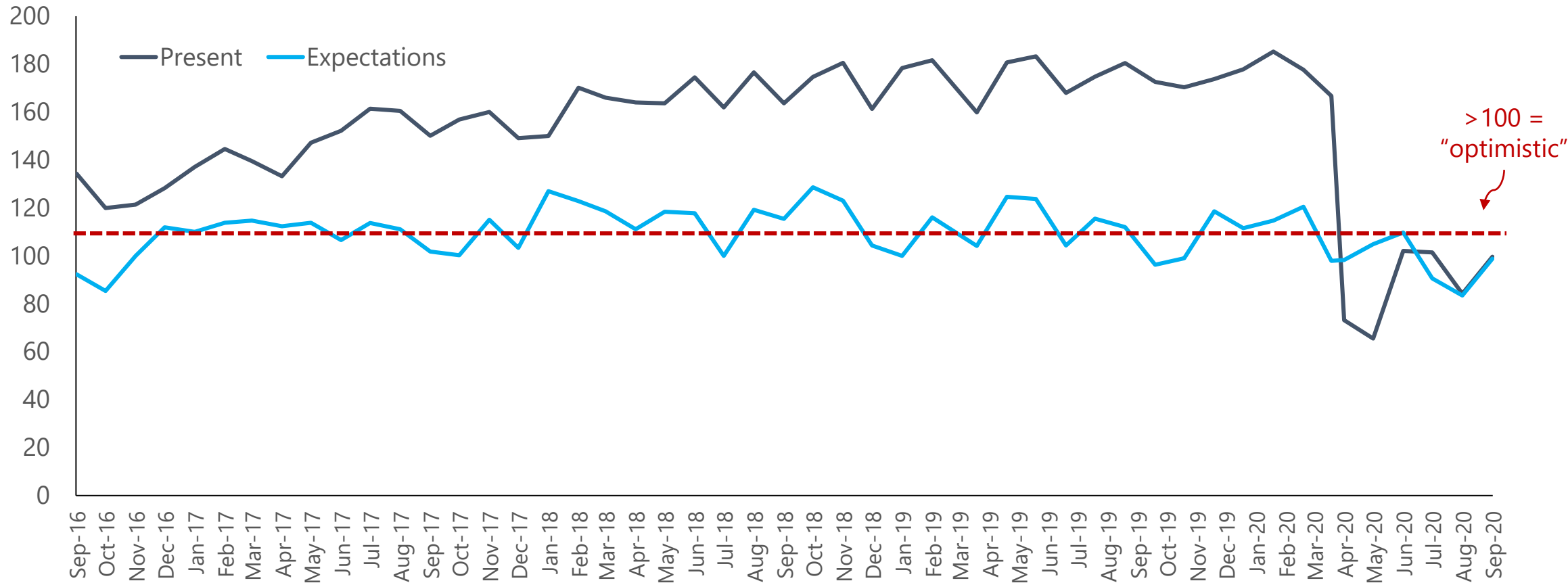


Source: U.S. Department of Labor, Not Seasonally Adjusted

Consumer Confidence Improved in September

The Present Index rose to 99.6; the Expectations Index rose to 98.8

Consumer Confidence Index – South Atlantic Region

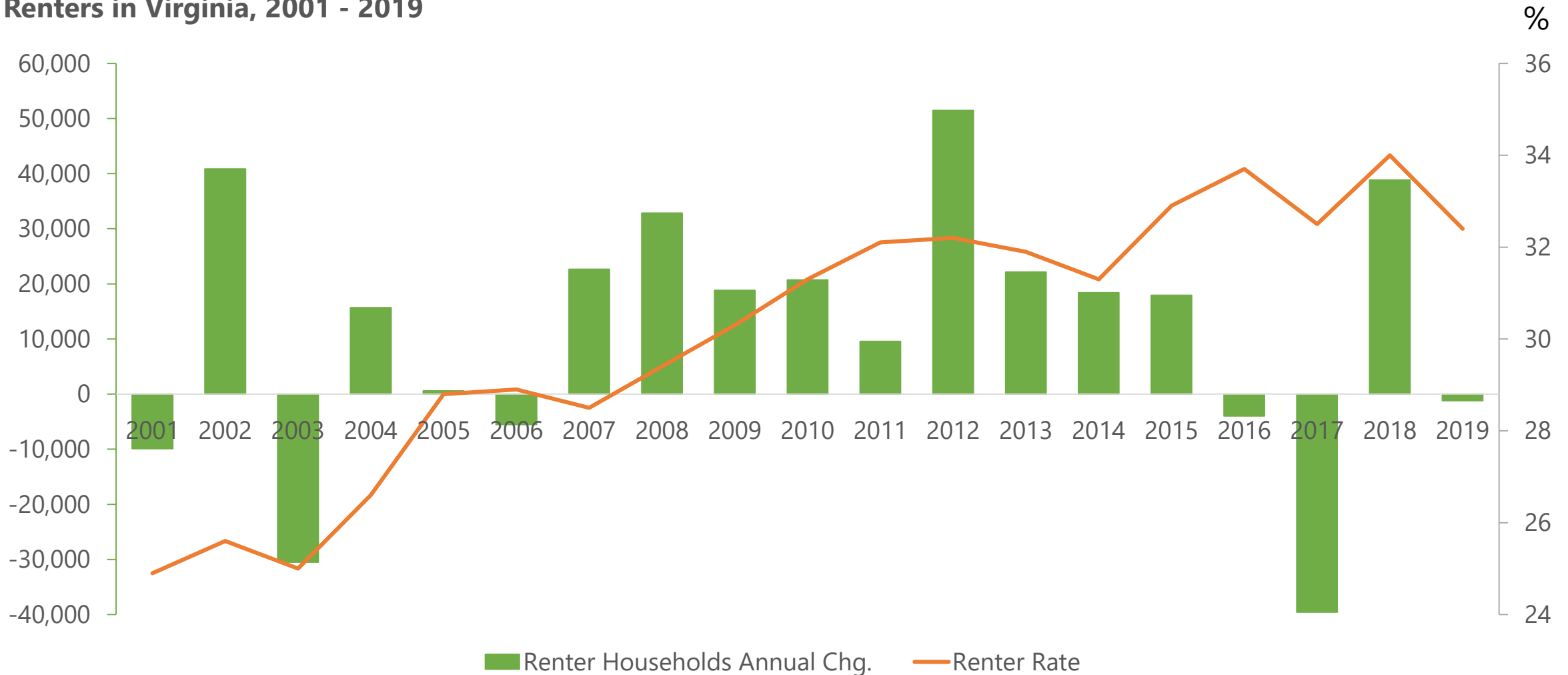


Housing Market Trends

Virginia Renters

Renter population expanded following the last recession; slowdown recently

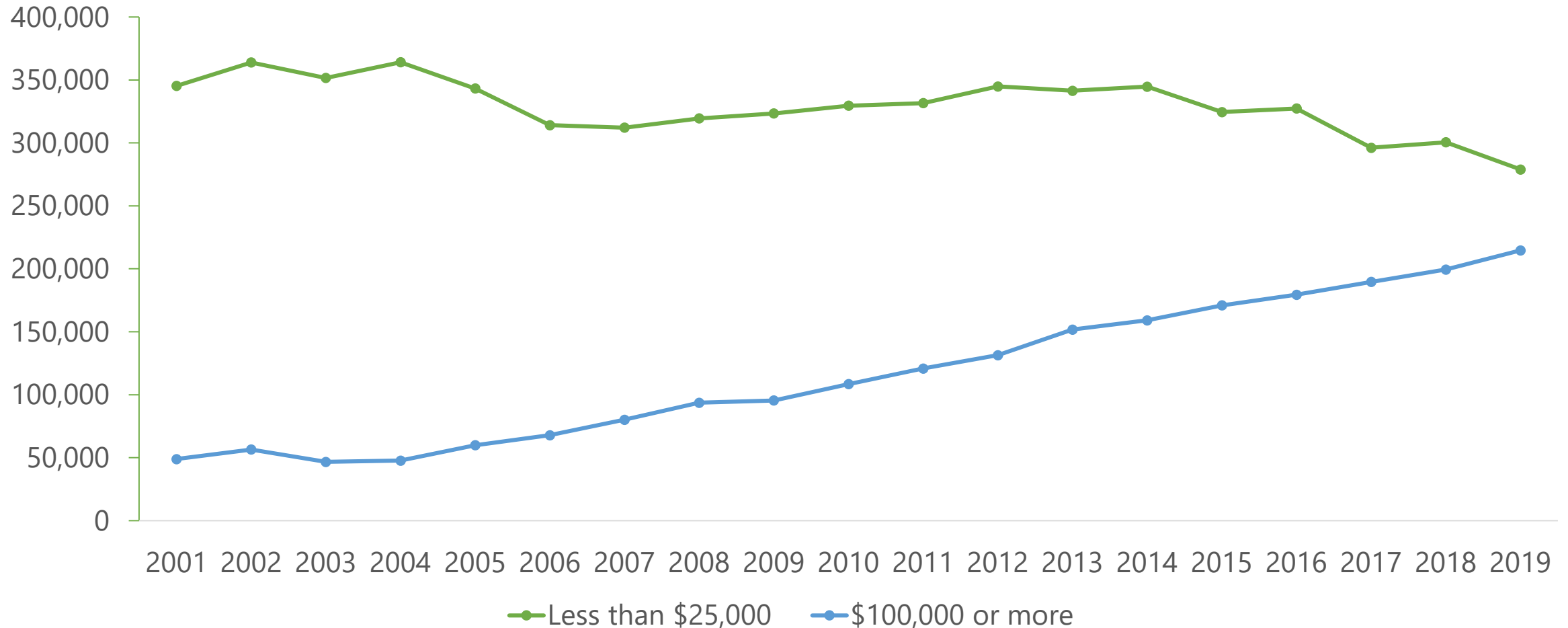
Renters in Virginia, 2001 - 2019



Virginia Renters

Higher-income households have fueled growth in renter population

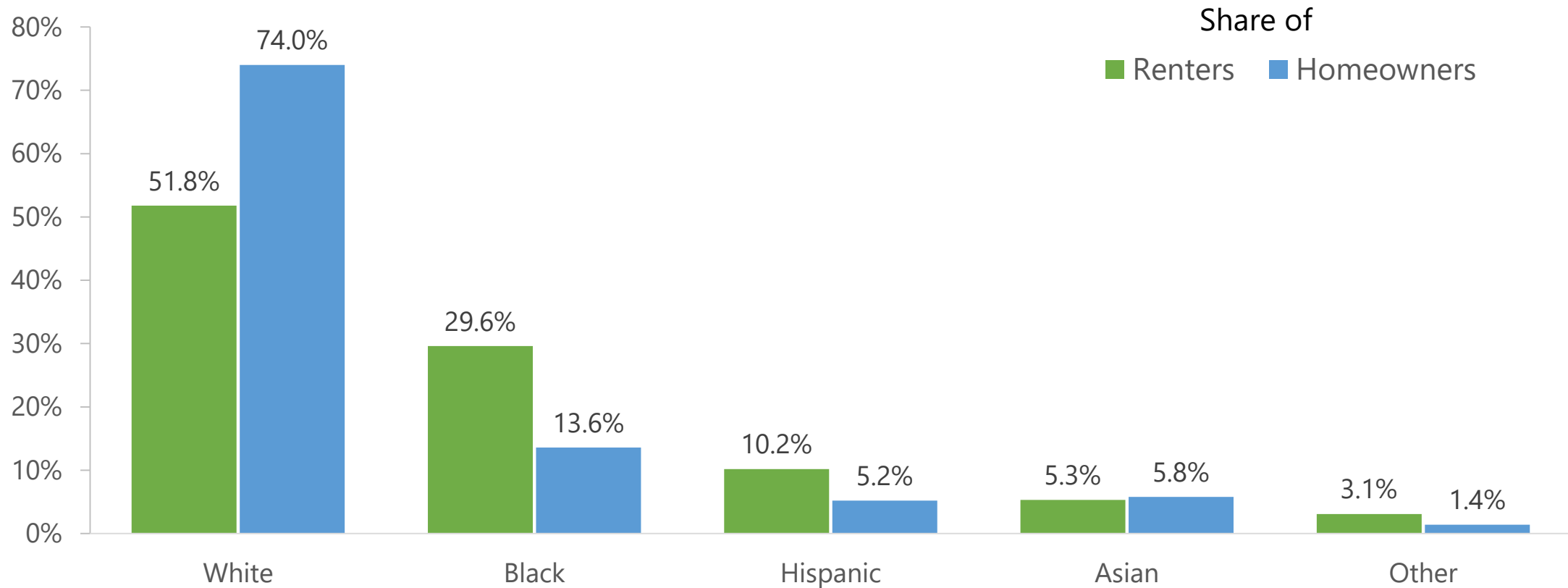
Renters by Household Income, 2001 - 2019



Virginia Renters

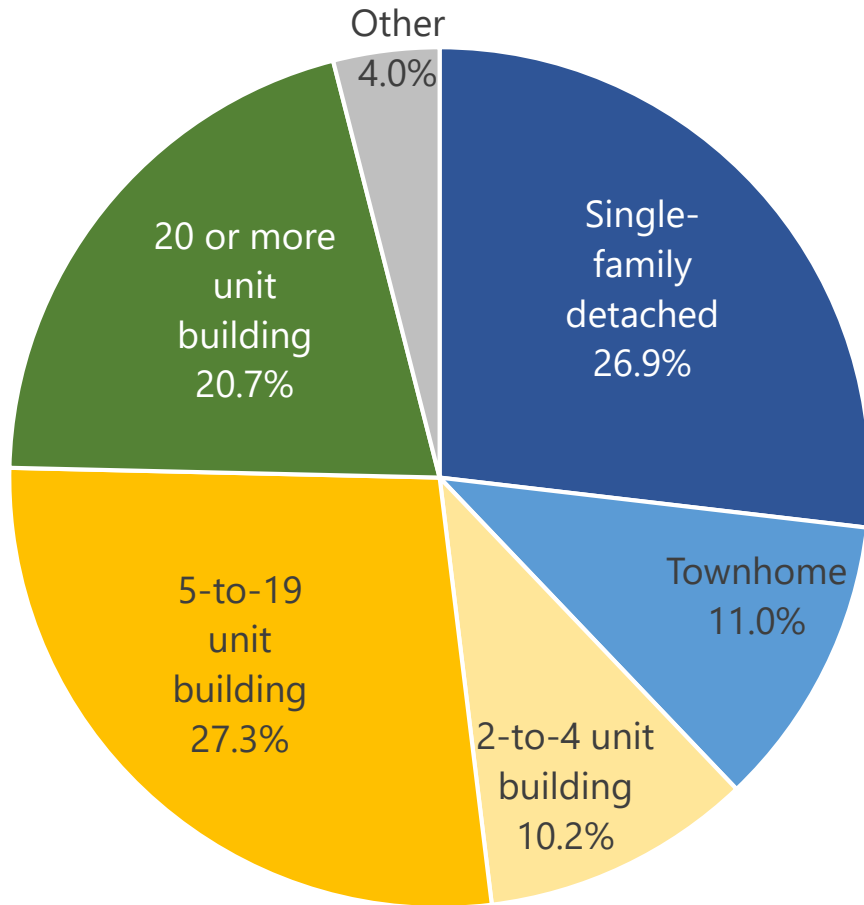
Non-White Virginians are more likely to be renters

Race/Ethnicity by Tenure, 2019

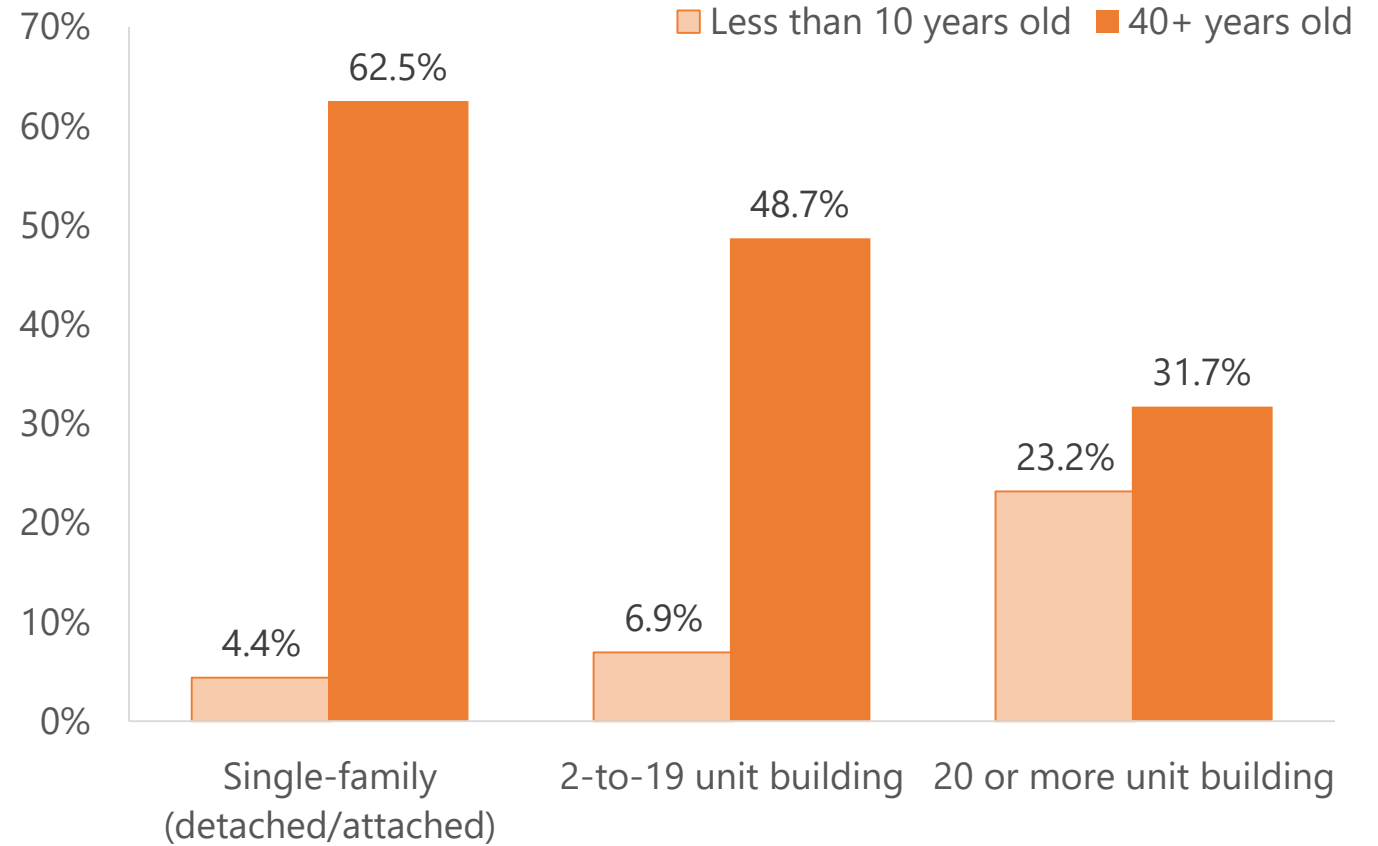


Virginia's Rental Housing Stock

Rental Units by Type, 2019

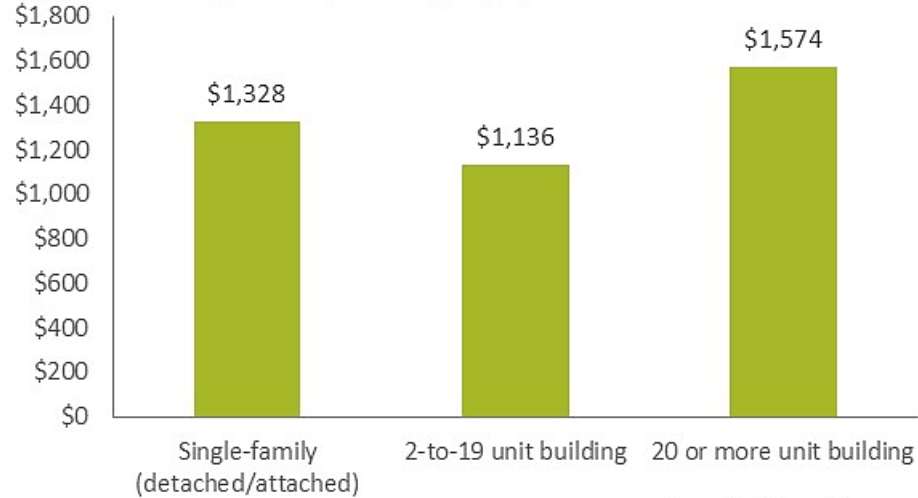


Age of Unit by Type, 2019



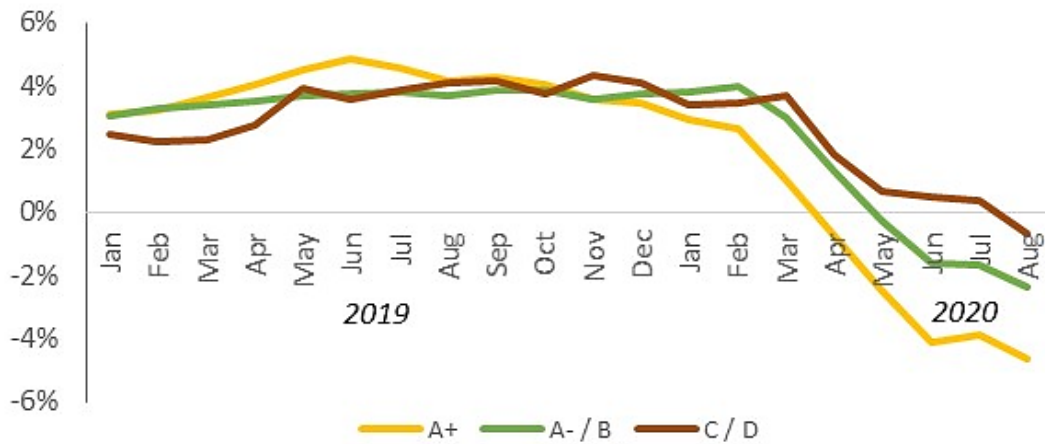
Virginia's Rental Housing Stock

Average Monthly Rent by Building Type, 2019



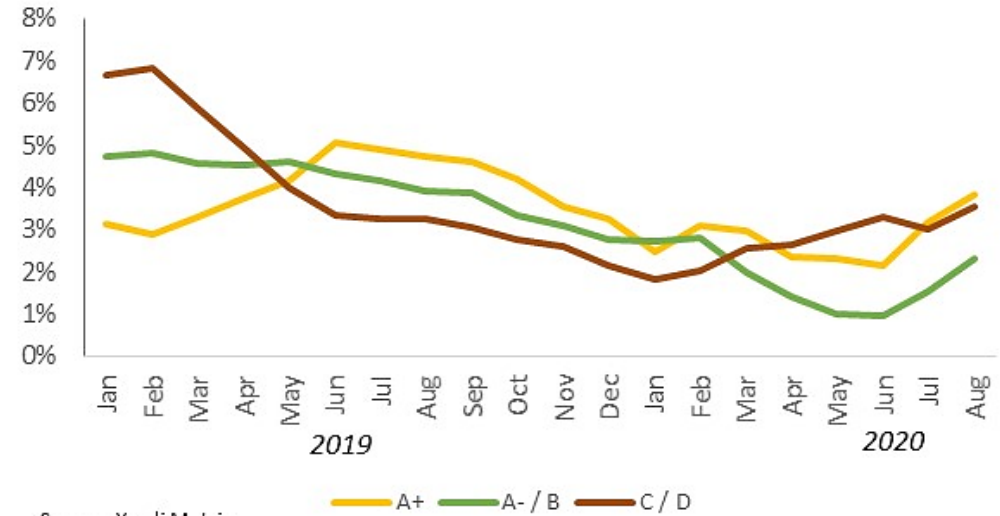
Source: U.S. Census Bureau

Percent Change in Monthly Rents by Property Class
Northern Virginia



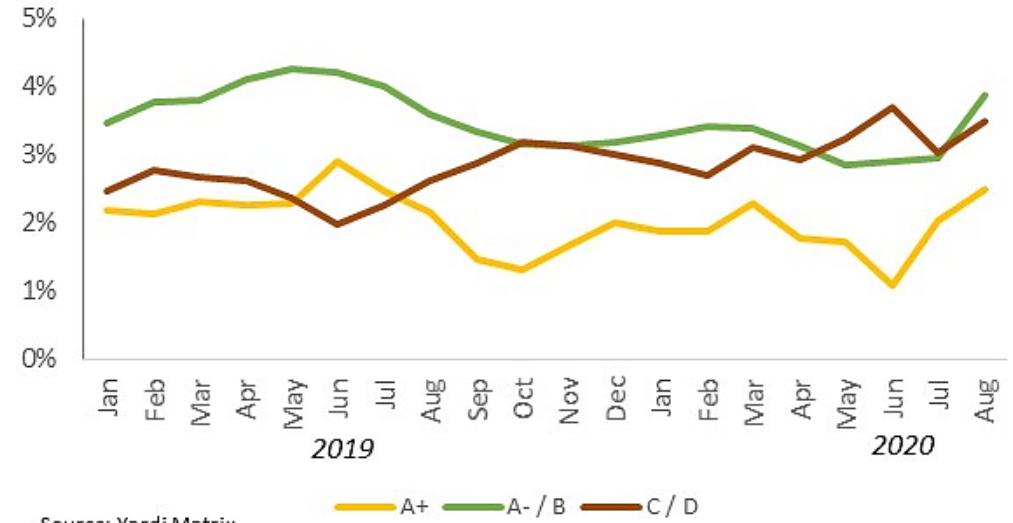
Source: Yardi Matrix

Percent Change in Monthly Rents by Property Class
Richmond Region



Source: Yardi Matrix

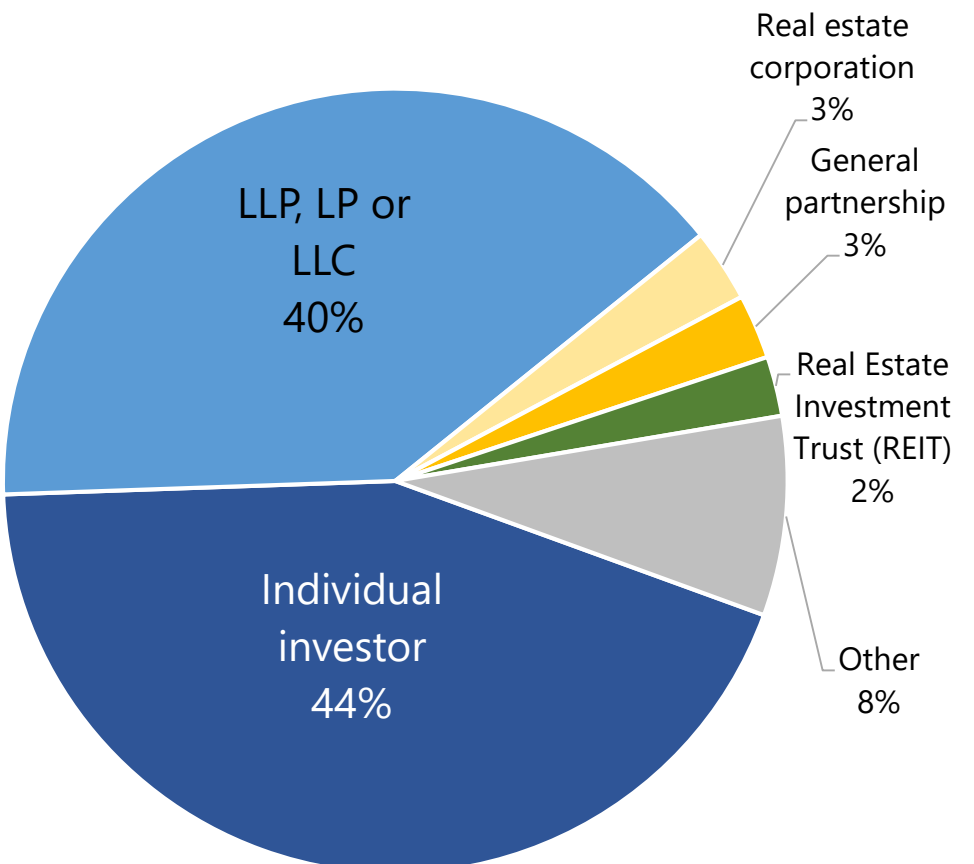
Percent Change in Monthly Rents by Property Class
Hampton Roads Region



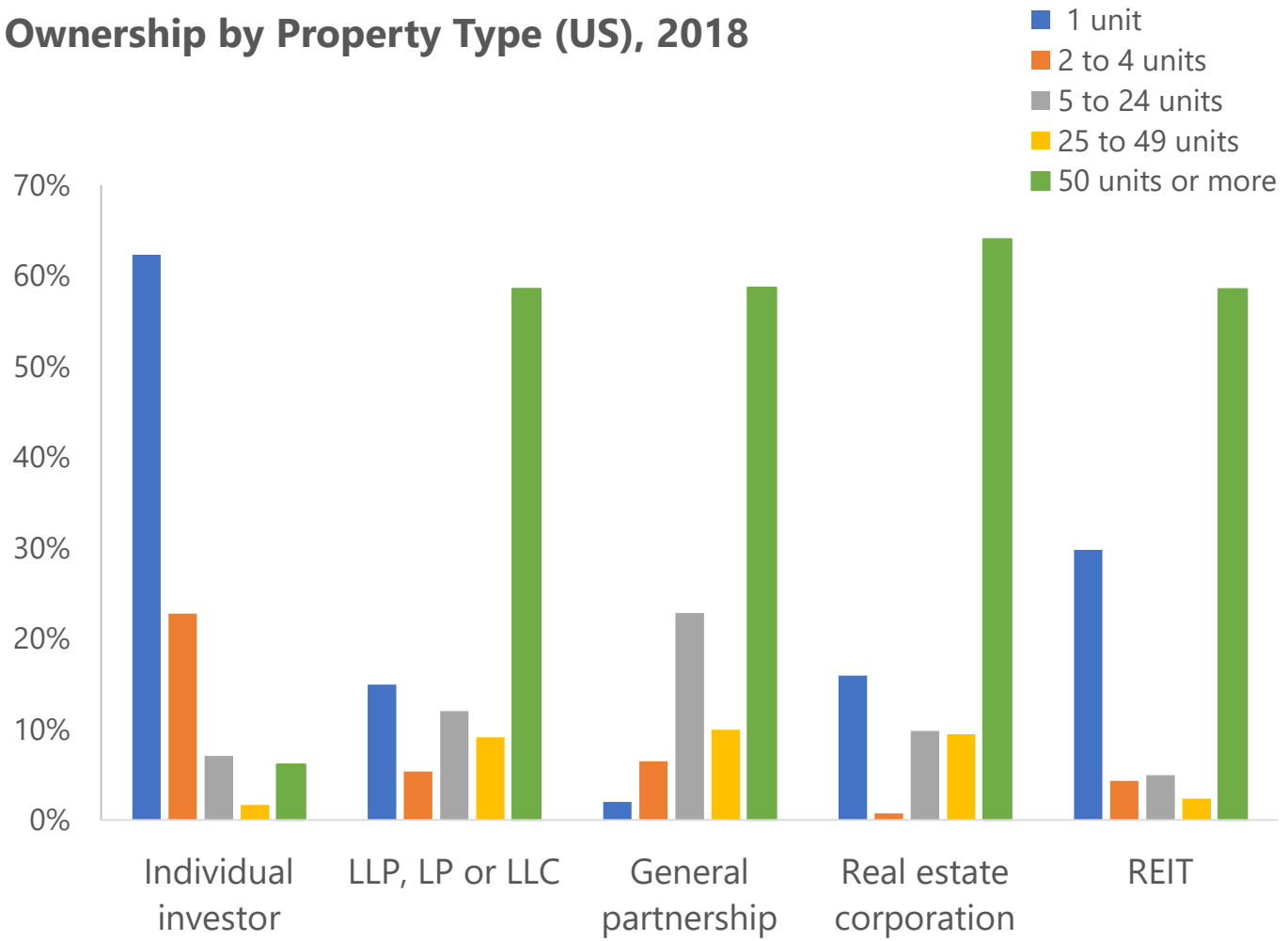
Source: Yardi Matrix

Rental Property Owners

Rental Units by Owner Type (US), 2018



Ownership by Property Type (US), 2018

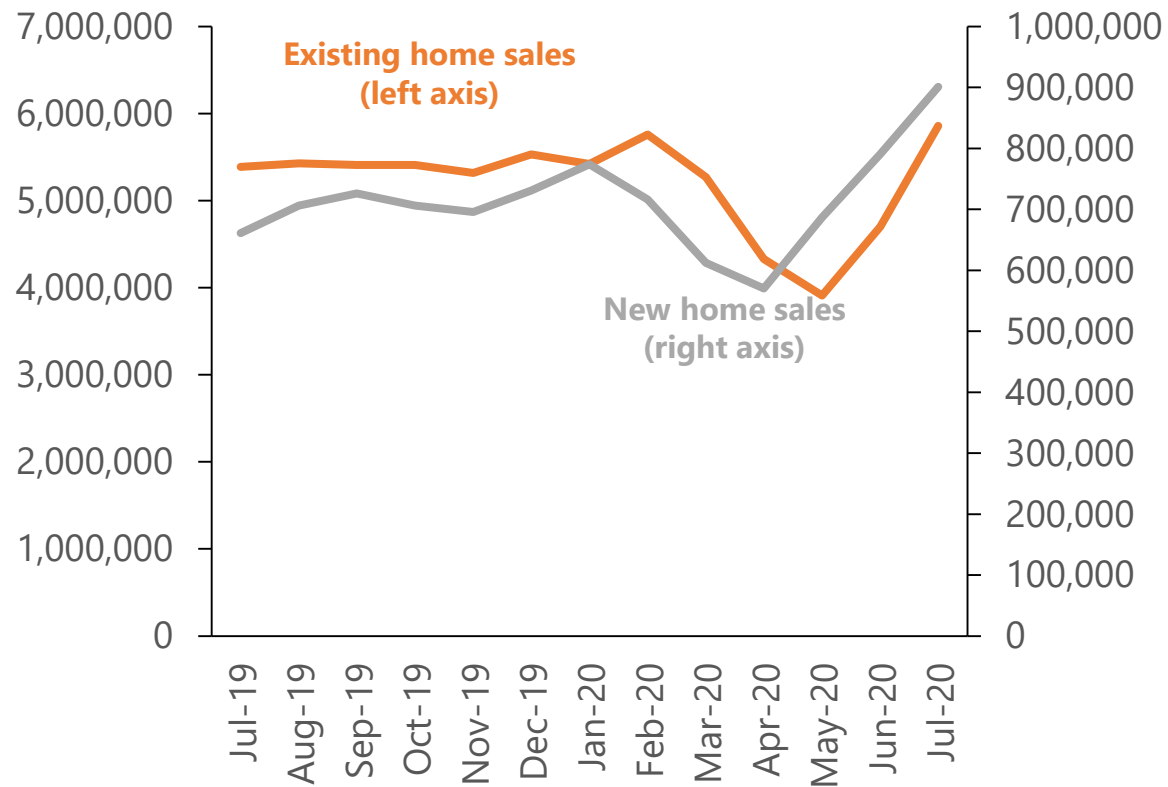


Source: U.S. Census Bureau, RHFS

Why Has the For-Sale Housing Market Been So Resilient?

V-shaped recovery in the for-sale housing market

U.S. Home Sales



Annualized monthly home sales

Job losses have been concentrated in a few sectors where workers are mostly renters.

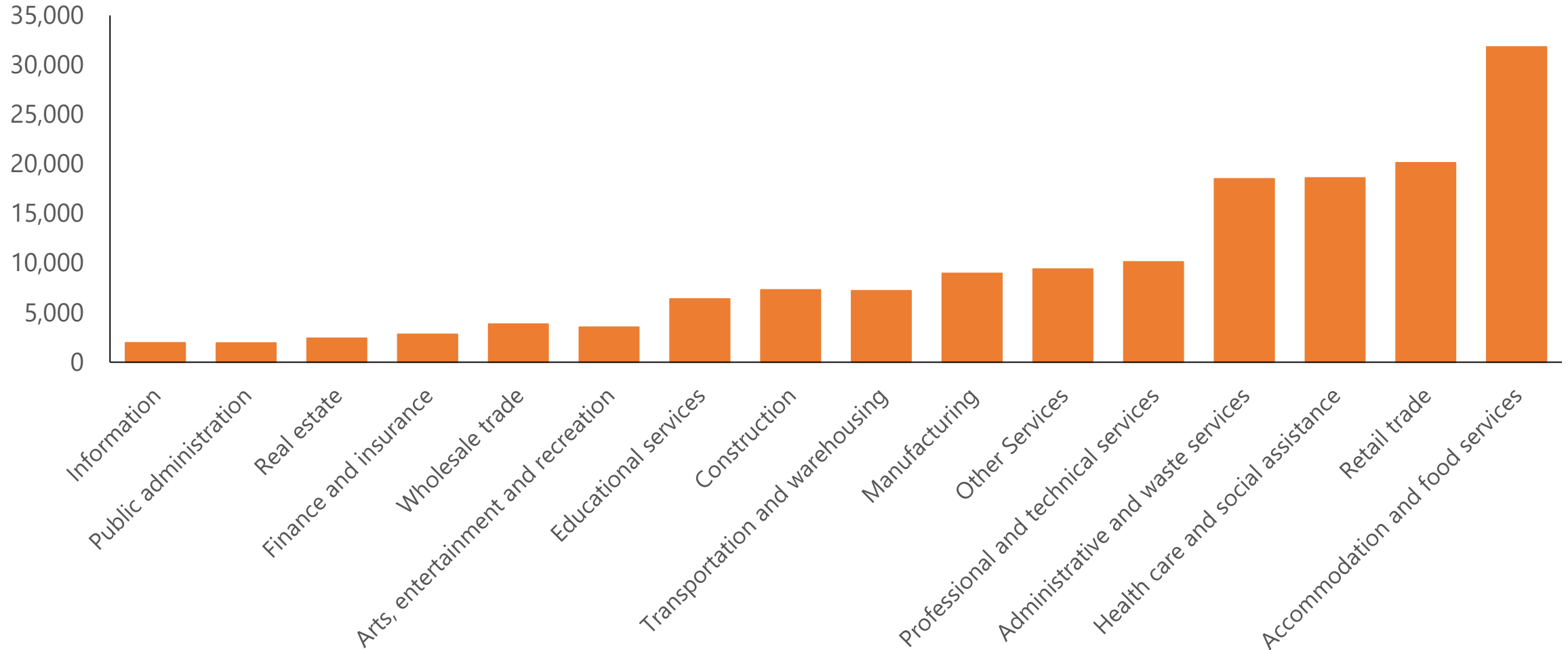
Mortgage rates have been at historically low levels.

Pre-COVID housing demand was strong – and will continue to be.

Virginia Unemployment Claims by Industry

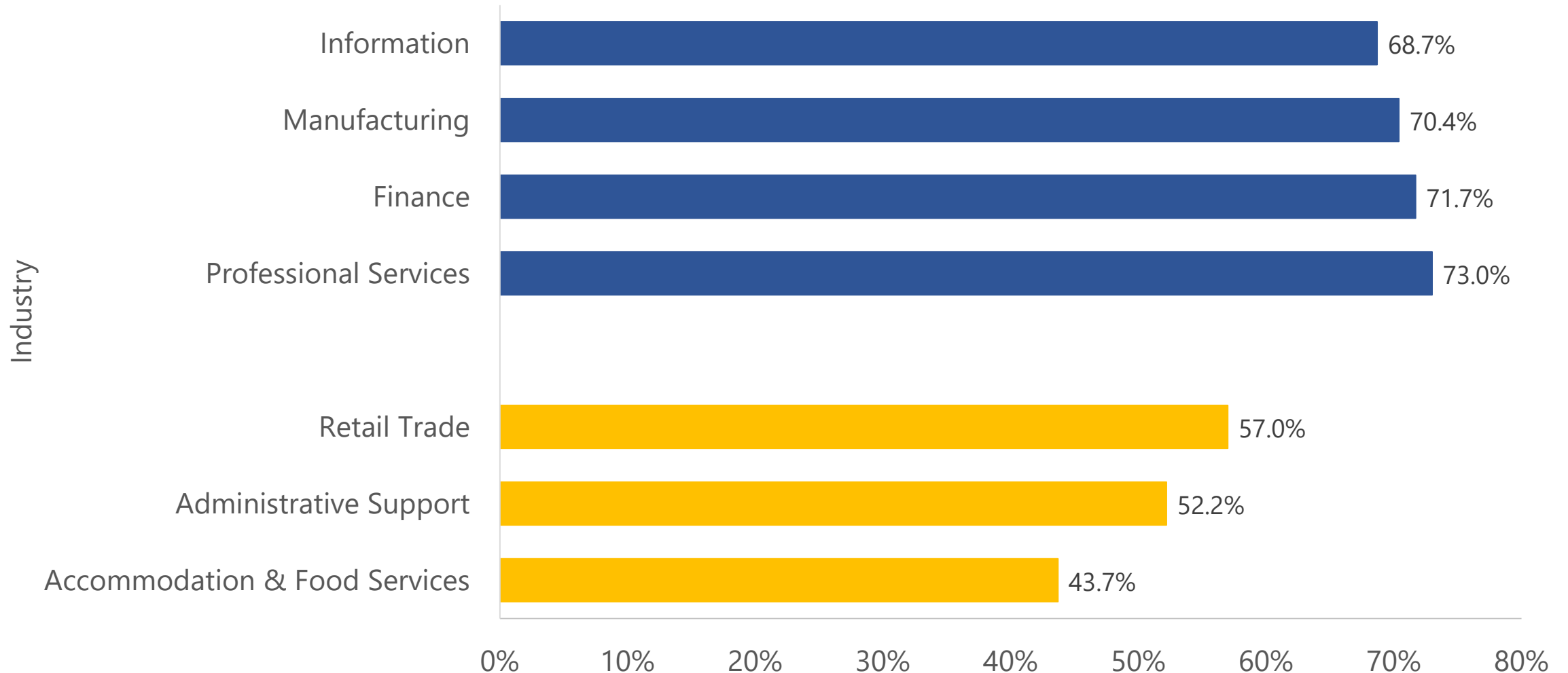
1 in 5 unemployed residents are in the Accommodation & Food Services sector

Total Continued Claims by Industry (As of September 26)



Virginia Homeownership Rates by Industry

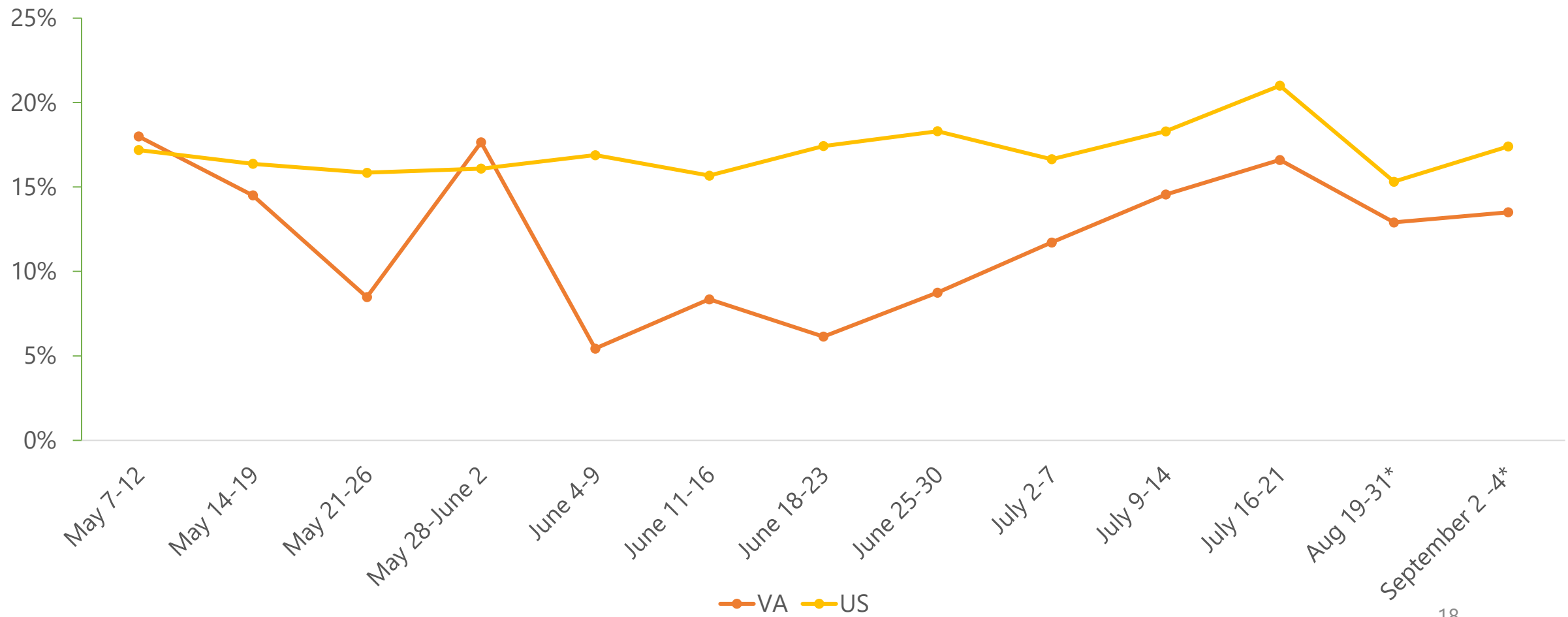
Workers in industries most impacted by the downturn are more likely to be renters



Virginia Renters-13.5% of renters did not pay rent last month

About a quarter are worried about paying next month's rent

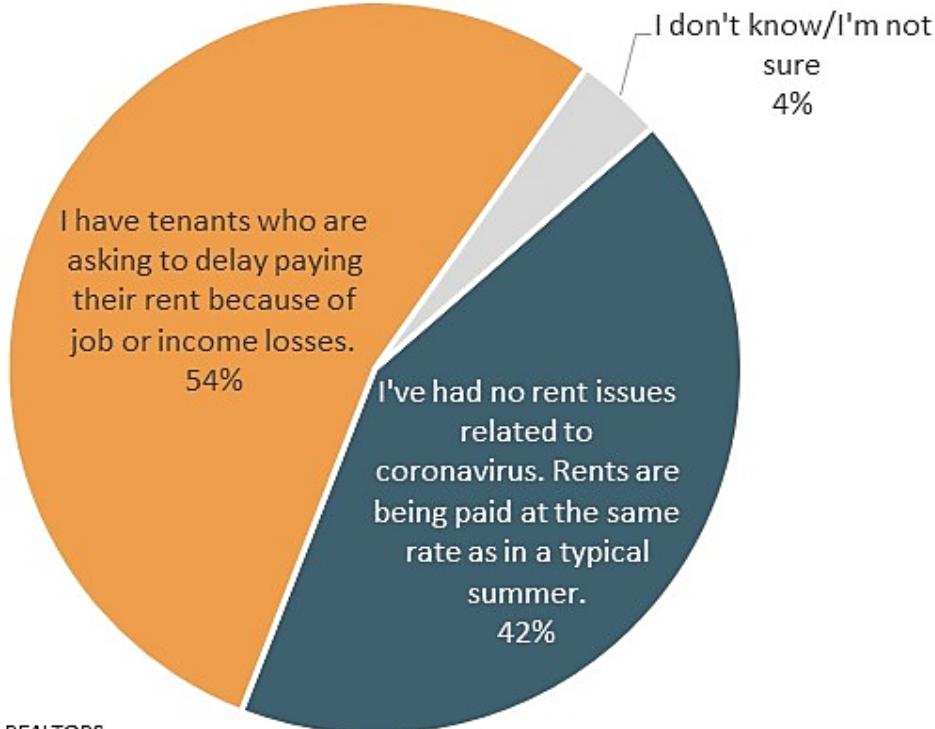
Share Not Paying Rent Last Month



Source: U.S. Census Bureau, Household Pulse Survey

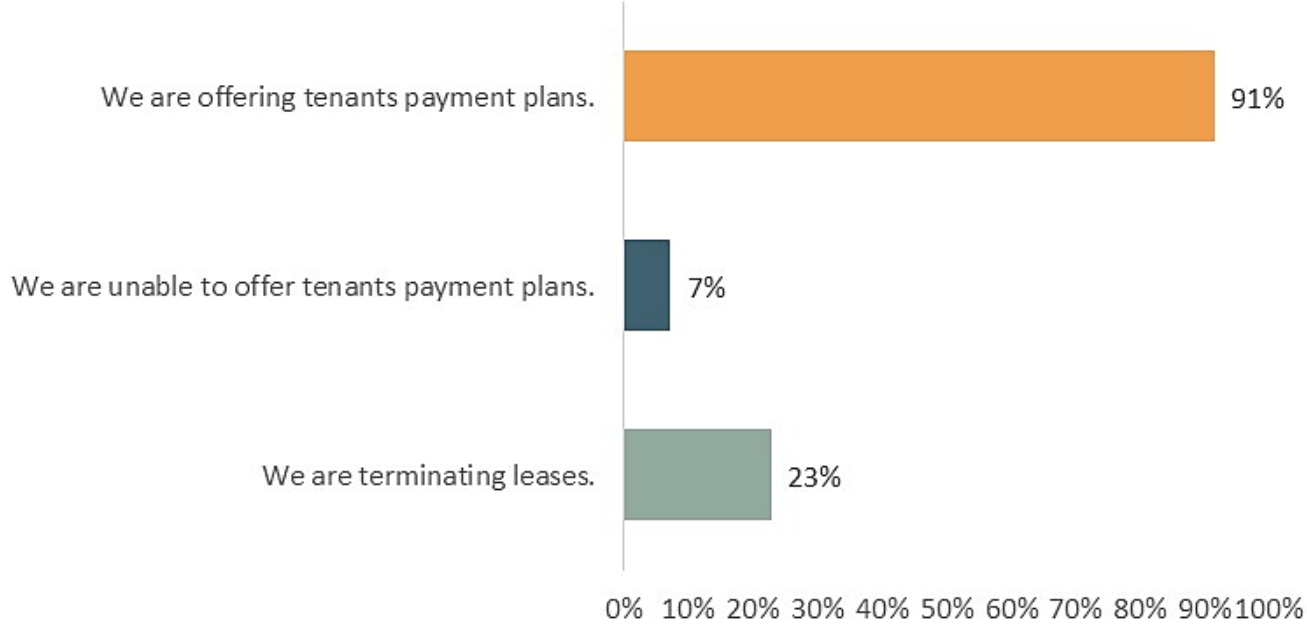
Rental Property Owners & Managers

Thinking about how coronavirus (COVID-19) has impacted your rental properties, have you seen any tenants who have been unable to pay their rent?



Source: Virginia REALTORS
Survey of landlords and property managers, July 23-26, 2020
n=134

How are you handling tenants who say they are unable to pay their rent?

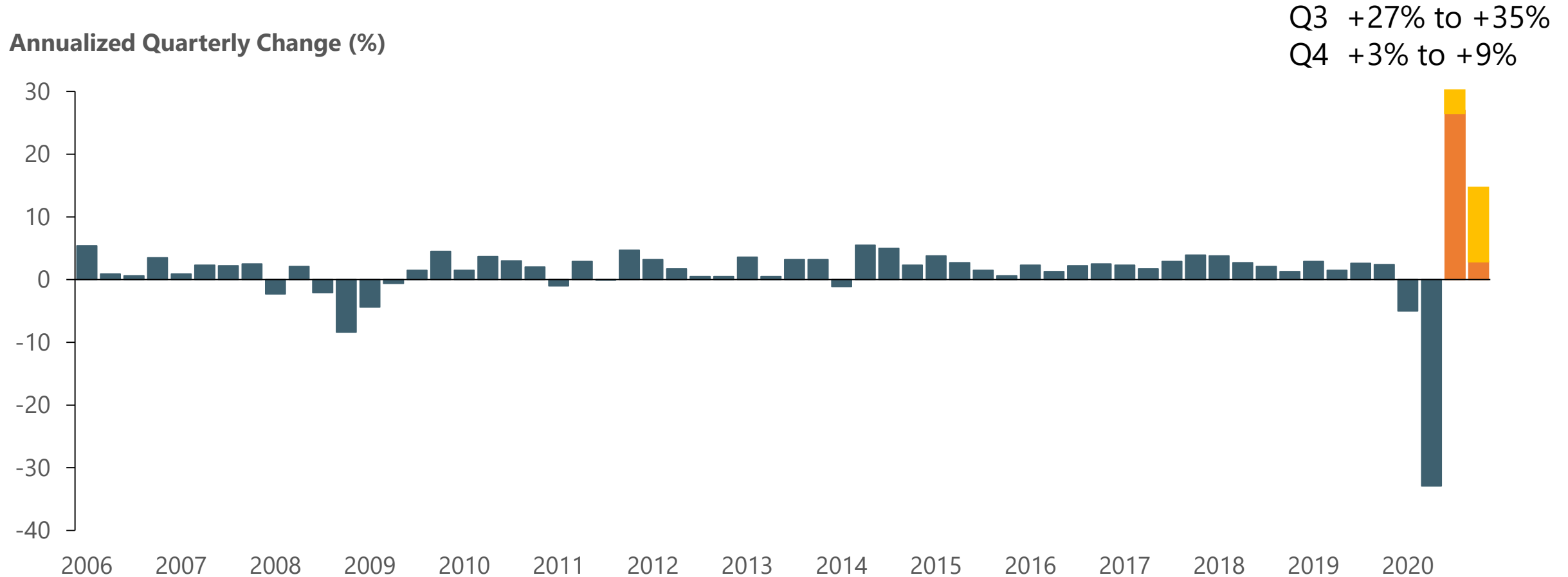


Respondents could select more than one answer.

Outlook

Forecasts of U.S. Real GDP Growth

Q4 outlook downgraded by some economists due to lack of federal stimulus



What's ahead for 2020 and 2021?

- “K-Shaped” economic recovery
 - Some benefitting, others falling behind
 - Widening inequalities
- Interest rates will remain low into 2021
 - ~3% mortgage rates expected
 - Not all will be able to take advantage
- Prolonged recovery will continue to hurt renters and landlords
- Some rental property owners will transition units to for-sale units
- Rents generally flat into 2021; falling slightly in higher-cost submarkets
- Growing demand for rental housing in suburban and rural rental housing

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