

# JANUARY JUMPSTART

JANUARY 13-28

## **Economic and Housing Market Update: Outlook for 2021**

January 13, 2021



# Real Estate is an Essential Part of the State's Economy

## Economic Impact of a Typical Home Sale in Virginia



**\$96,722**

in direct and indirect spending



The real estate industry accounts for

**\$102. Billion**

or

nearly **1/5** of Virginia's  
Gross State Product

# Factors Affecting Virginia's Housing Market



COVID vaccine opens the way for economic recovery in 2021



"K-shaped" recovery has benefitted some over others



Interest rates will stay low fueling purchases and refi's



Home sales strong but inventory remains a constraint



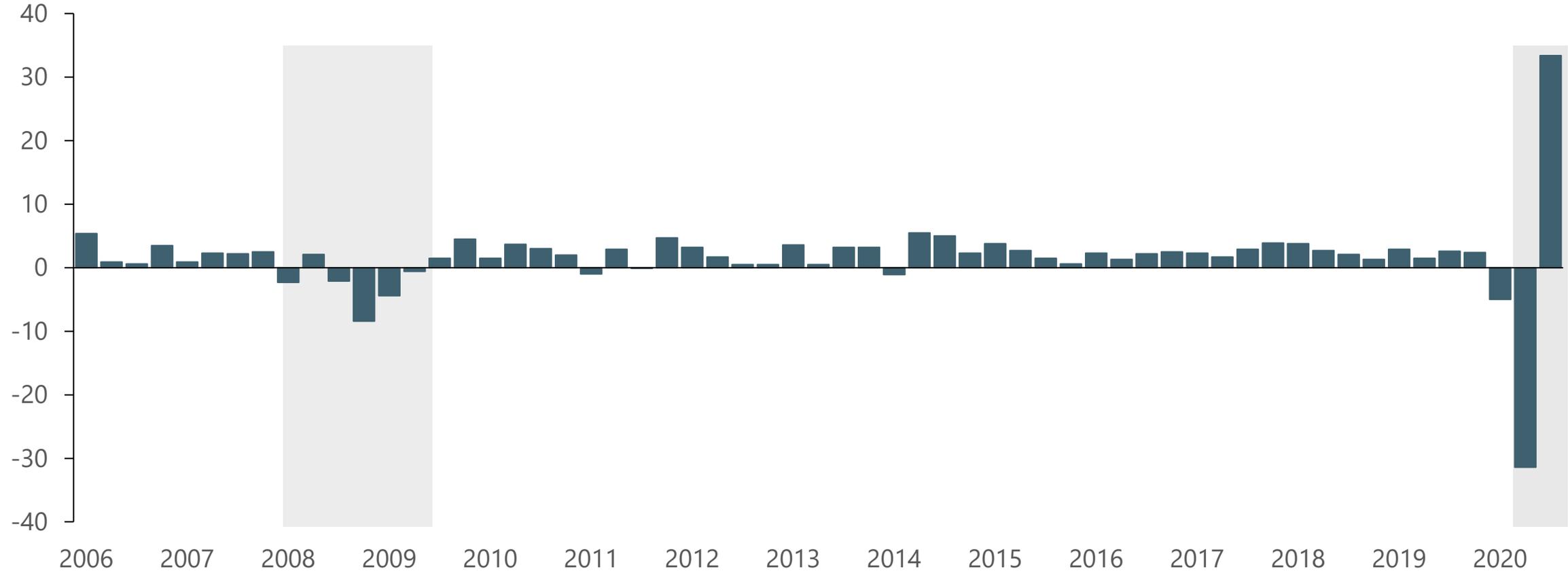
Housing preferences: short-term shift or long-term change?

# Economic Trends

# U.S. Real GDP Growth

*3rd Quarter GDP Up 33.4% on an Annualized Basis*

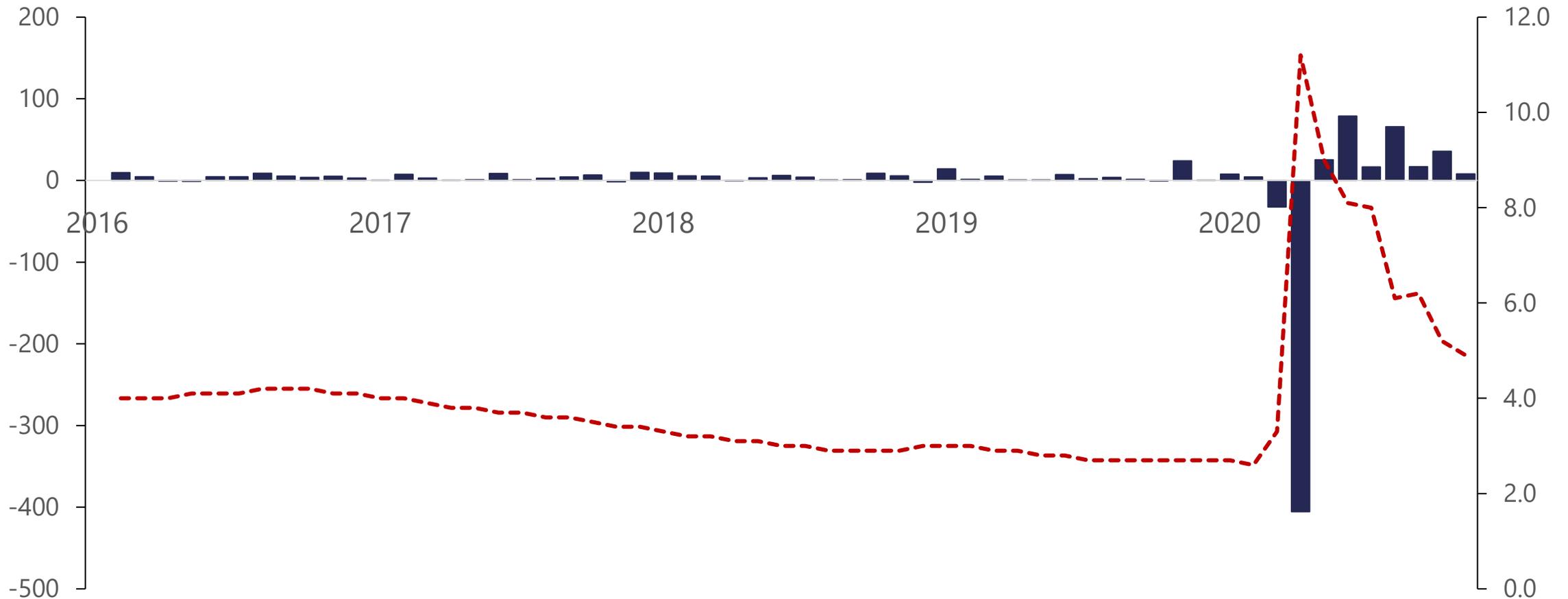
**Annualized Quarterly Change (%)**



# Virginia Employment - Up for 7 Consecutive Months

*Unemployment Rate was 4.9% in November*

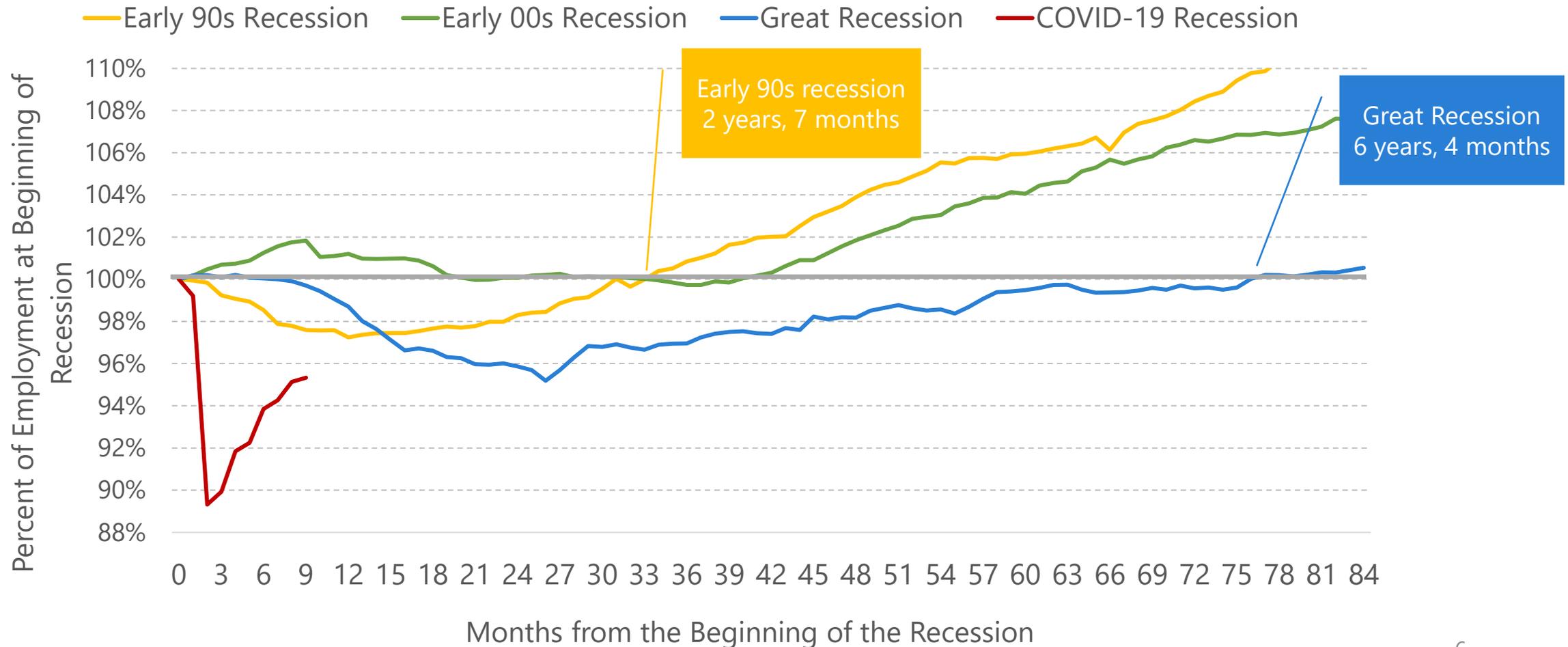
**Virginia Month to Month Job Change (000s)**



# At 95% of Pre-Recession Job Totals in Virginia

## *Full Recovery Could Take Years*

### Virginia Employment

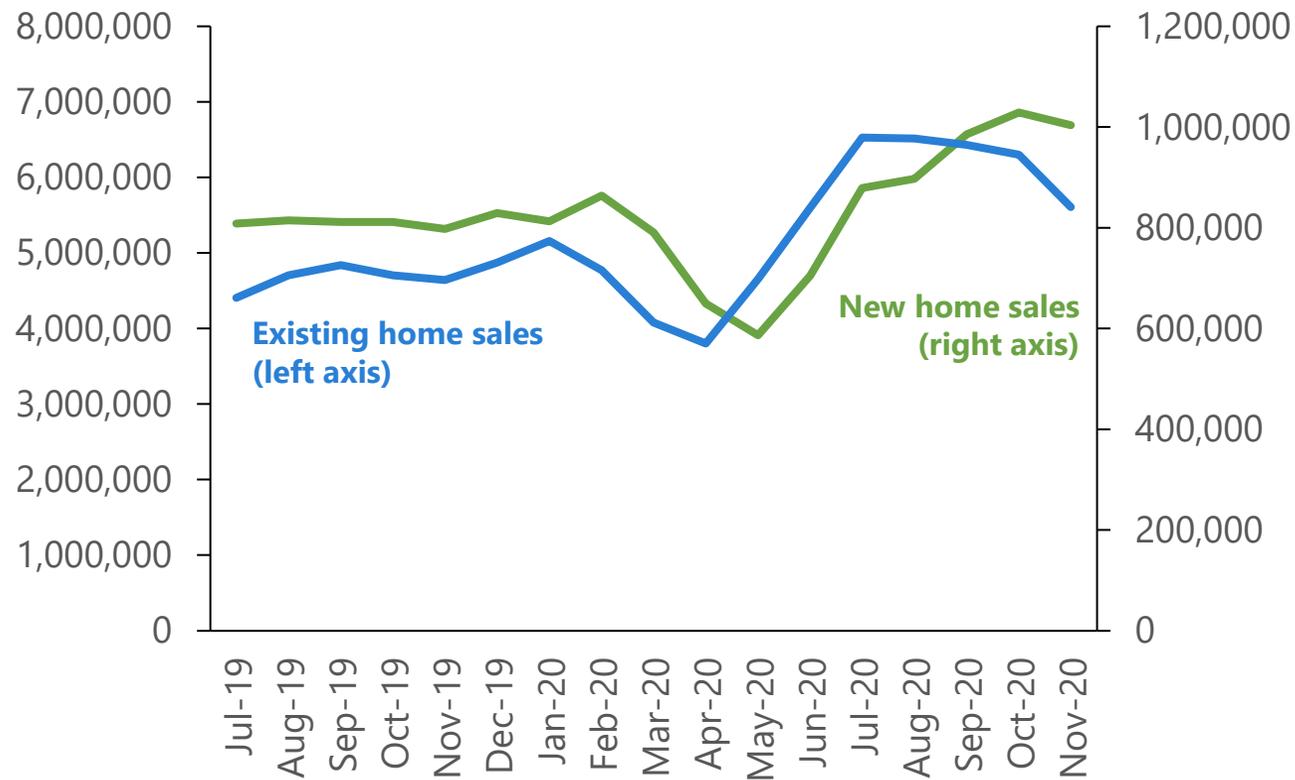


# Housing Market Trends

# Why Has the Housing Market Been So Resilient?

## *V-shaped recovery in the housing market*

### U.S. Home Sales



Annualized monthly home sales  
Sources: NAR, U.S. Census Bureau

Job losses have been concentrated among renters.

Mortgage rates have been at historically low levels.

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

REALTORS adapted business practices to respond to COVID.

# Virginia Home Sales

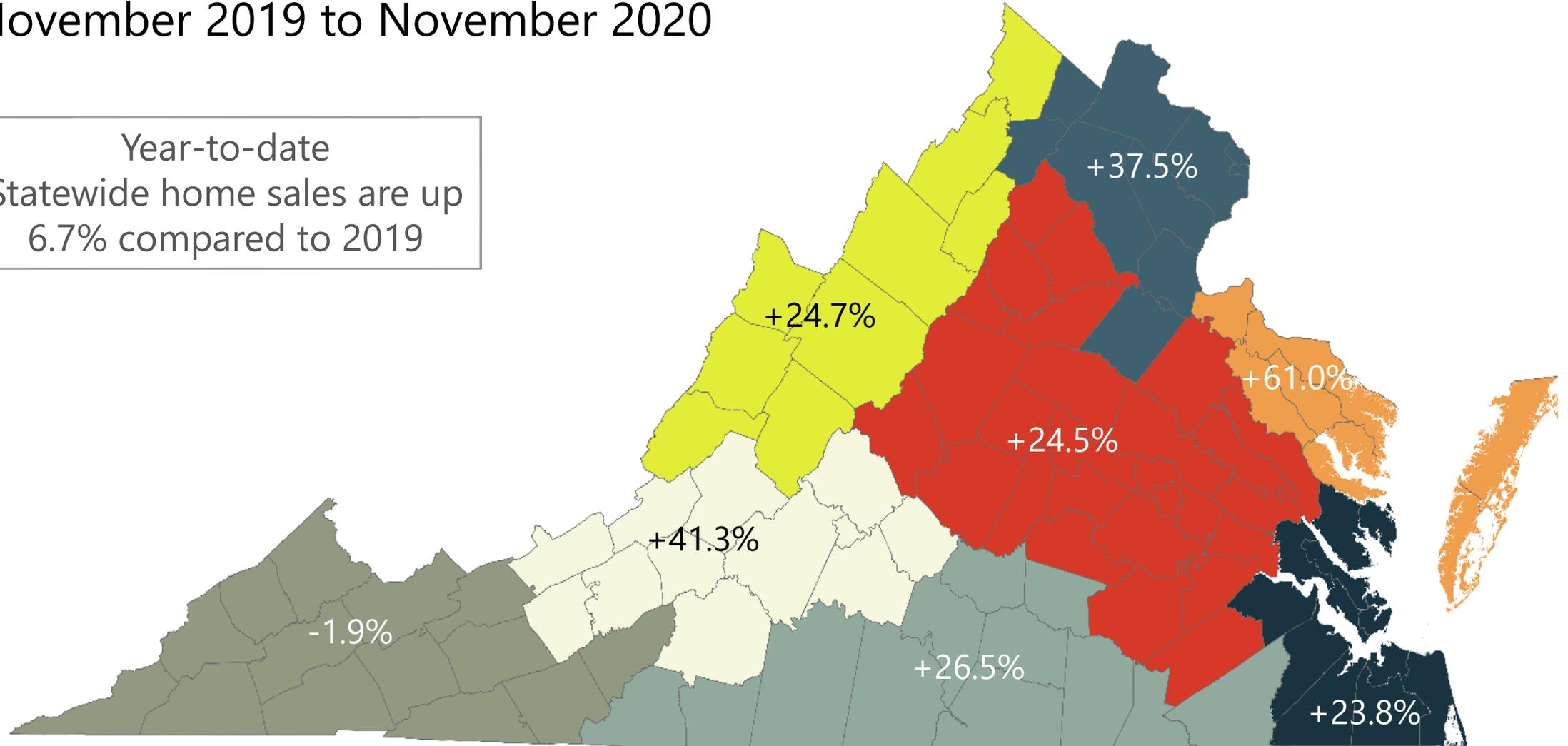
Virginia Y-o-Y Change in Monthly Homes Sales



# Change in Home Sales by Region

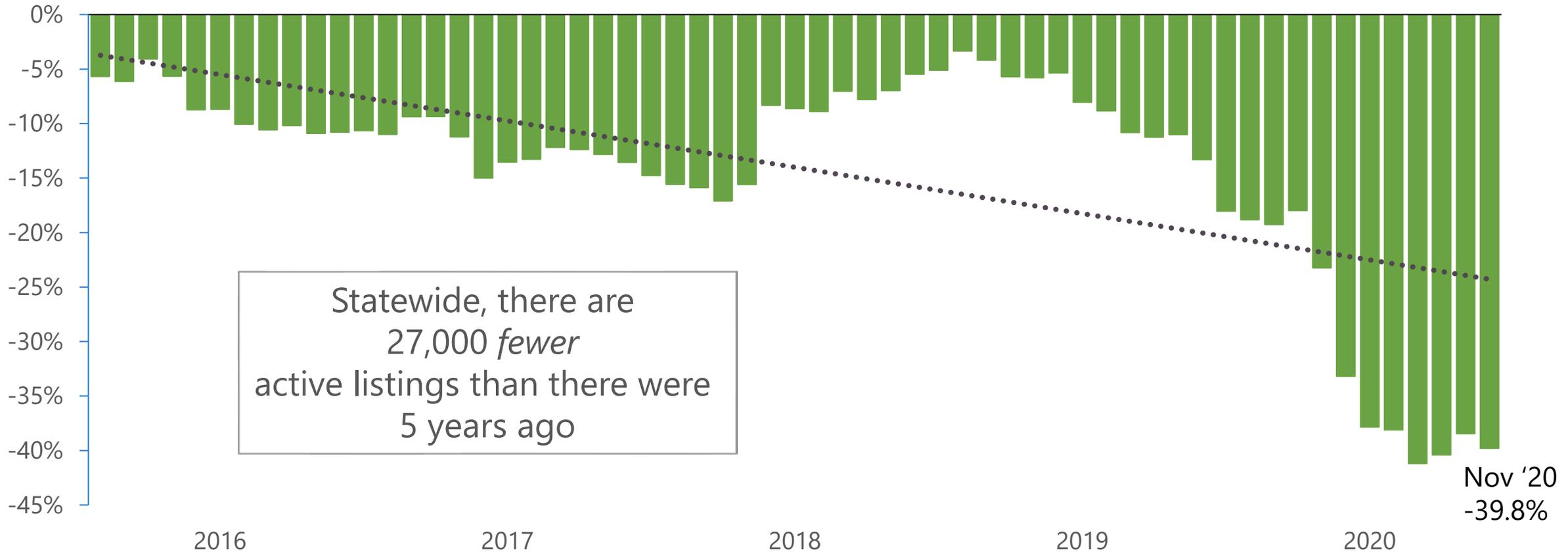
November 2019 to November 2020

Year-to-date  
Statewide home sales are up  
6.7% compared to 2019



# Inventory – Supply Remains a Major Constraint

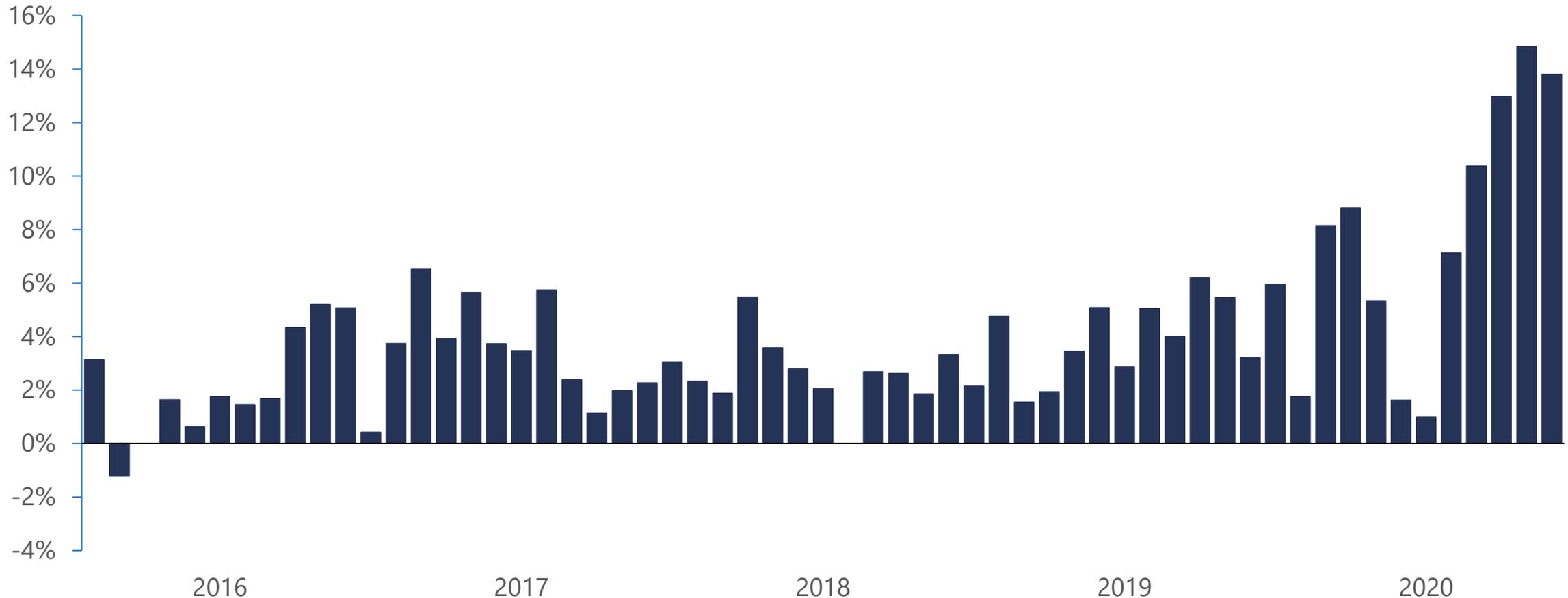
Virginia Y-o-Y Change in Monthly Active Listings



# Home Prices Are on the Rise

*The statewide median home price was \$328,000, up 13.8% from a year ago*

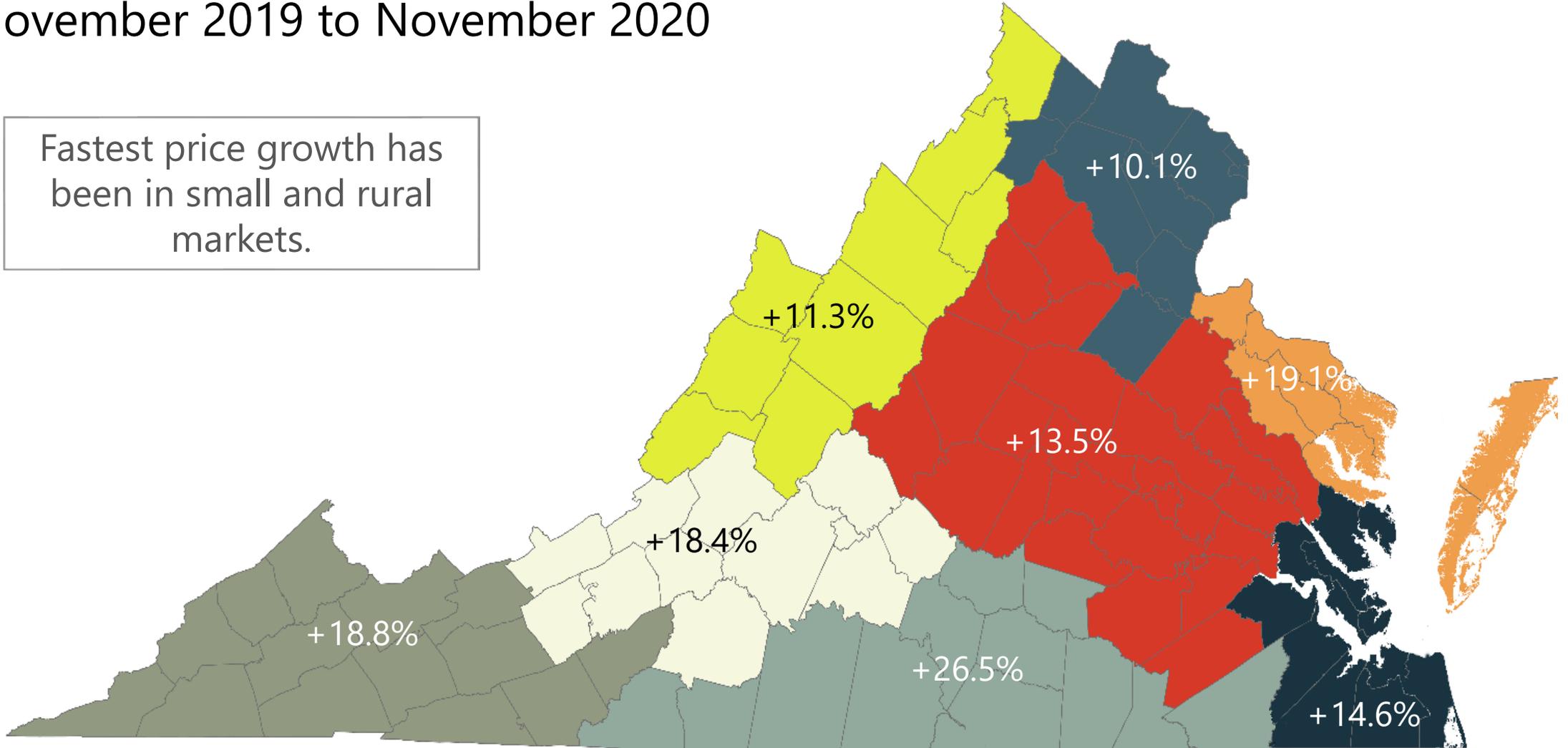
**Virginia Y-o-Y Change in Monthly Median Home Price**



# Change in Median Sales Price by Region

November 2019 to November 2020

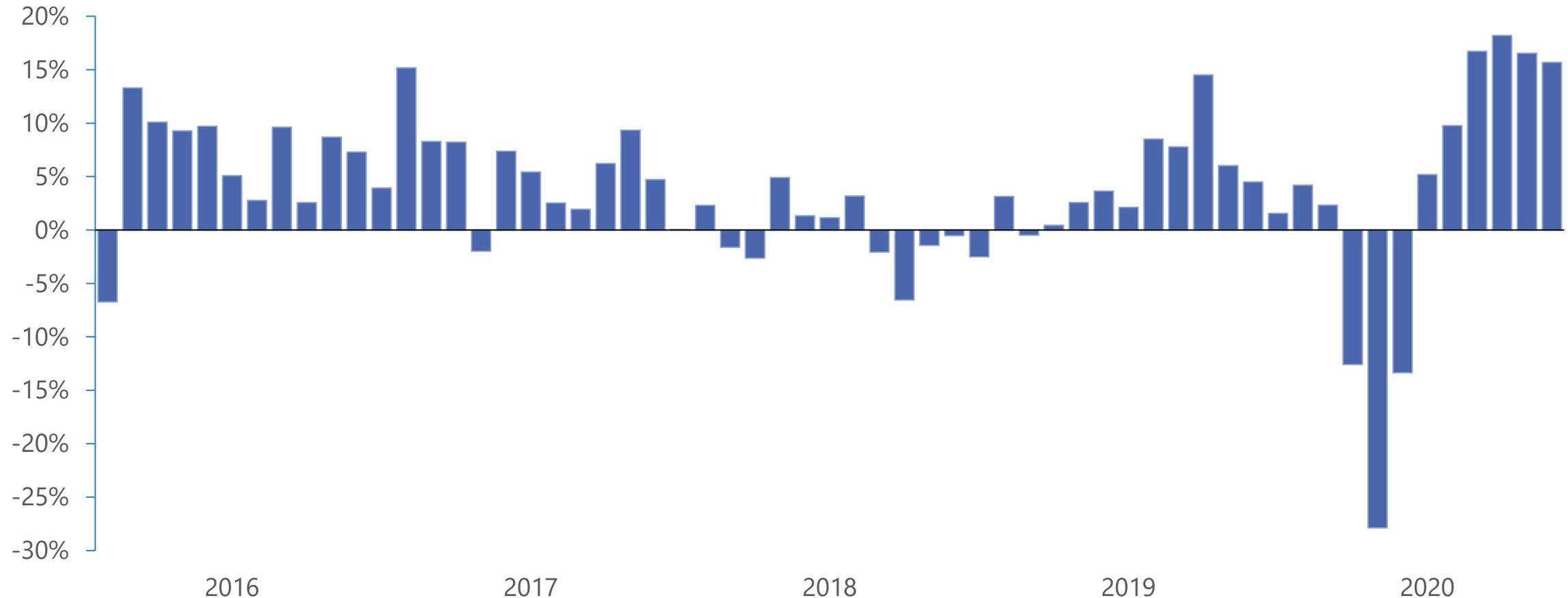
Fastest price growth has been in small and rural markets.



# Pending Sales – Indicate Fall Sales will be Up

*November pending sales up 15.7% year-over-year*

**Virginia Y-o-Y Change in Monthly Pending Sales**

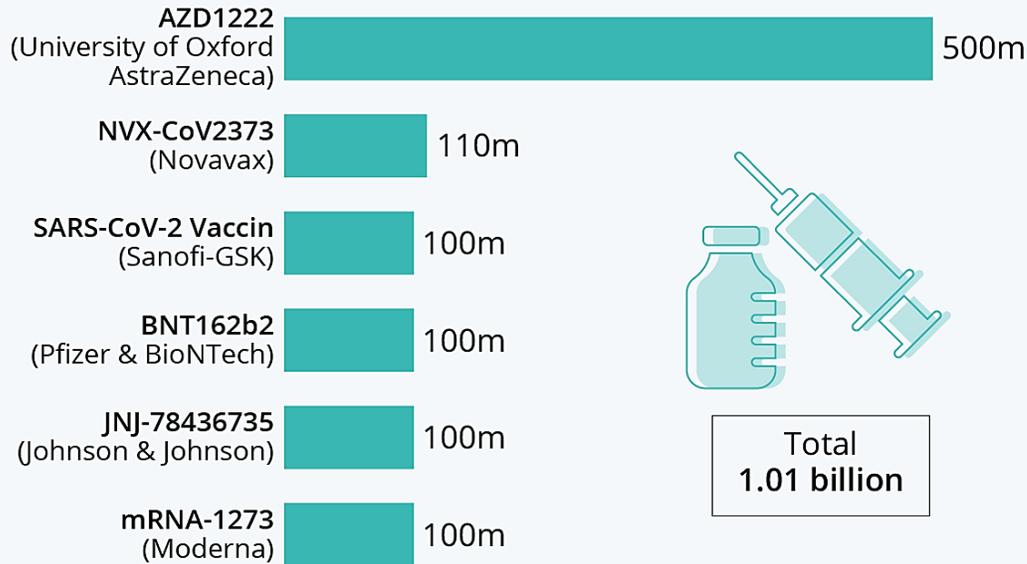


# 3 Reasons to be Optimistic About 2021

# COVID-19 Vaccine is Being Distributed

## How Many Covid-19 Vaccine Doses Has The U.S. Secured?

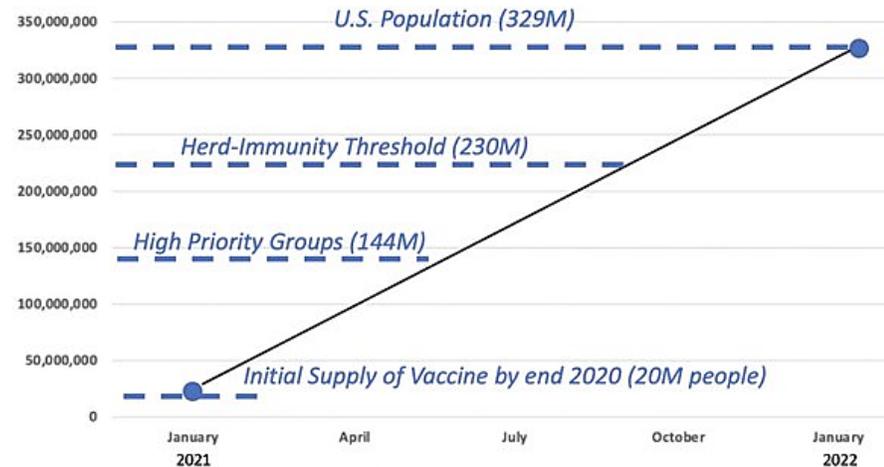
Number of doses of Covid-19 vaccines secured by the U.S. as of November 20, 2020



Source: Duke University Launch and Scale Speedometer



## U.S. Vaccine Availability and Eligible Groups



### Some Useful Numbers to Gauge Vaccine Timing (Ariadne estimates)

- Healthcare workers & first responders: 19.3M
- Patients with one or more comorbidities: 92M
- Patients over 65 with no comorbidities: 1.3M
- Over 65 in congregate settings: 2.3M
- Essential workers not fitting other categories: 22M
- Homeless: 6.7M
- Incarcerated: 0.7M

**Total: ~144M**

**Number of people in U.S.: 329M**

**Herd immunity threshold (~70% of total population): 230M**

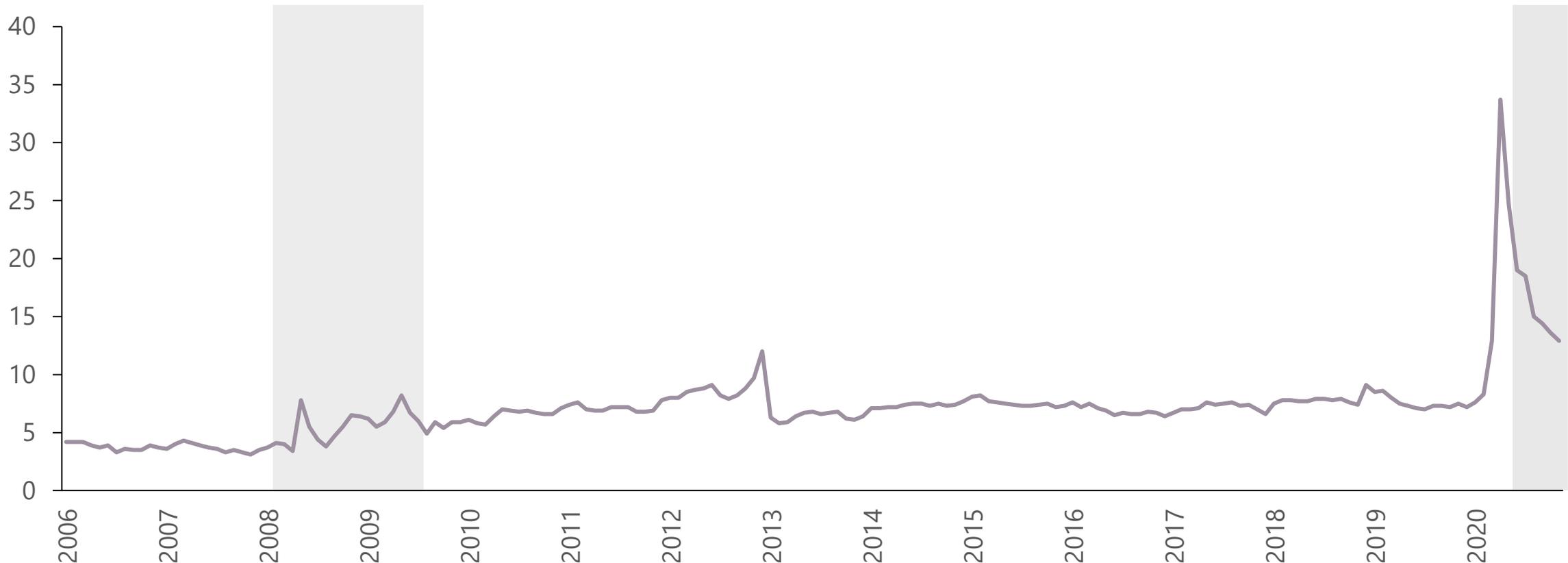
@bob\_wachter

**More than 450,000 total vaccine doses have been distributed in Va., but barely 20% administered while positivity rate surges**

# Personal Savings Rate

*Spiked to 34% in April, declining but still high*

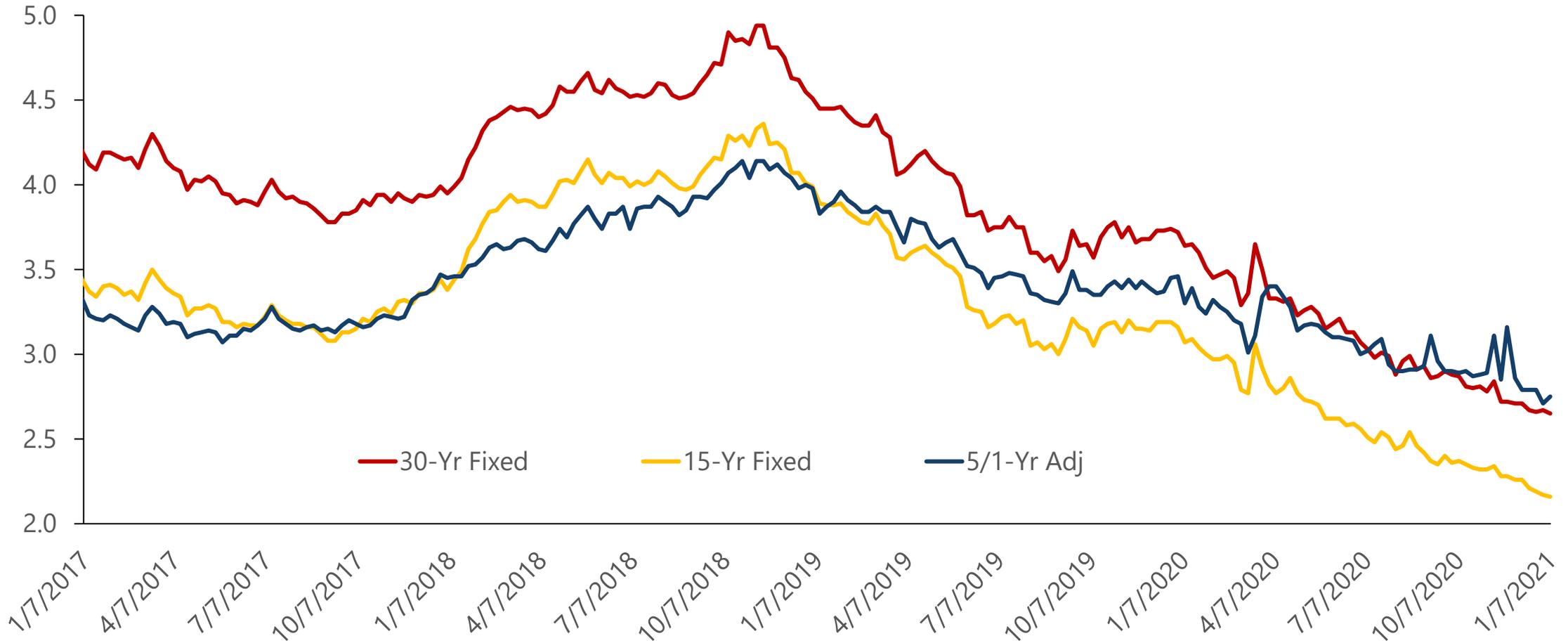
Personal Savings as a % of Disposable Income



# Mortgage Rates

## *Mortgage Rates Fall to a Record Low Again to Start 2021*

**Weekly Mortgage Interest Rates (%), Not Seasonally Adjusted**

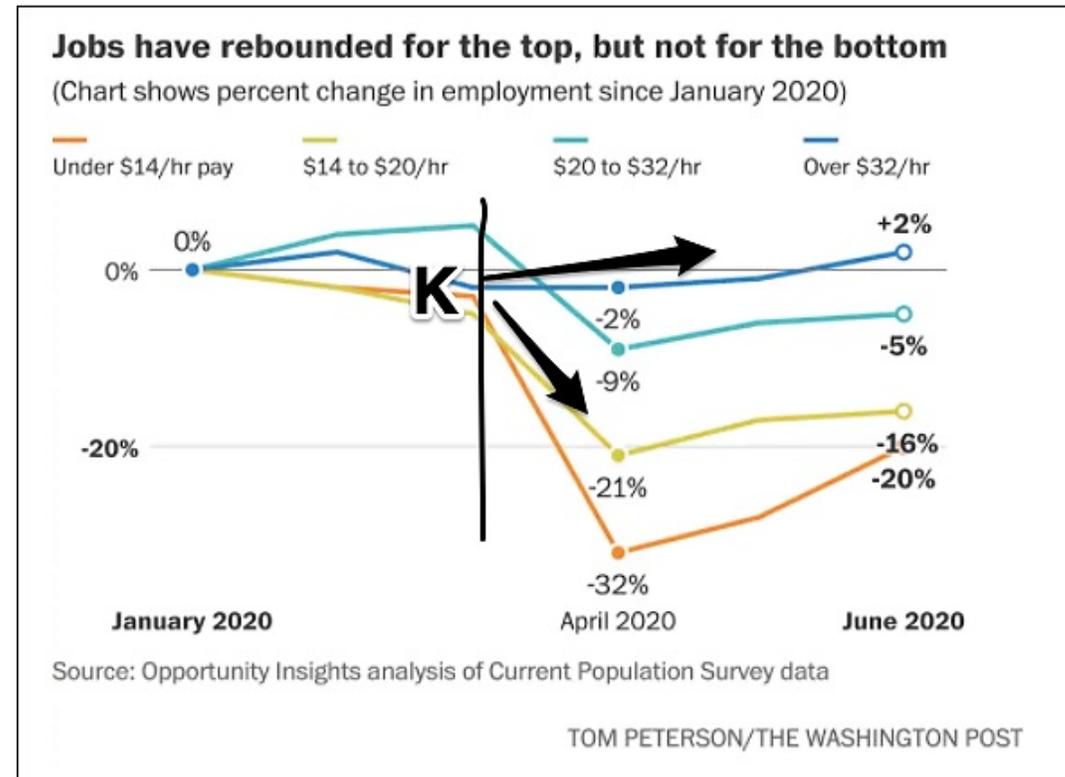


# What's ahead for 2021?

## Economic Conditions

- Slower economic recovery in Q4 2020
  - Q1 2021 bounce back?
- Uncertainties remain
  - Federal stimulus
  - Renewed job losses
  - Resurgence in COVID cases
  - Another shutdown
  - Distribution of vaccine

- “K-Shaped” economic recovery continues
  - Widening inequalities



# What's ahead for 2021?

## For-Sale Market

- Low mortgage rates well into 2021
- Strong home sales though a slowdown in activity
- Main constraint is supply
- More demand for smaller markets and single-family homes
- Housing affordability is a growing challenge

## Rental Market

- Prolonged recovery will continue to hurt renters and landlords
  - Deadline for state's Rent Relief program extended to January 25, 2021
- Some rental property owners may transition units to for-sale units
- Rents generally flat into 2021; falling in high-cost submarkets
- Growing demand for rental housing in suburban and rural rental housing

# Questions or Need More Info?

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