



What's Ahead for Virginia's Housing Market?

Lisa Sturtevant, PhD
Chief Economist

Ryan Price
Deputy Chief Economist

January 13, 2022



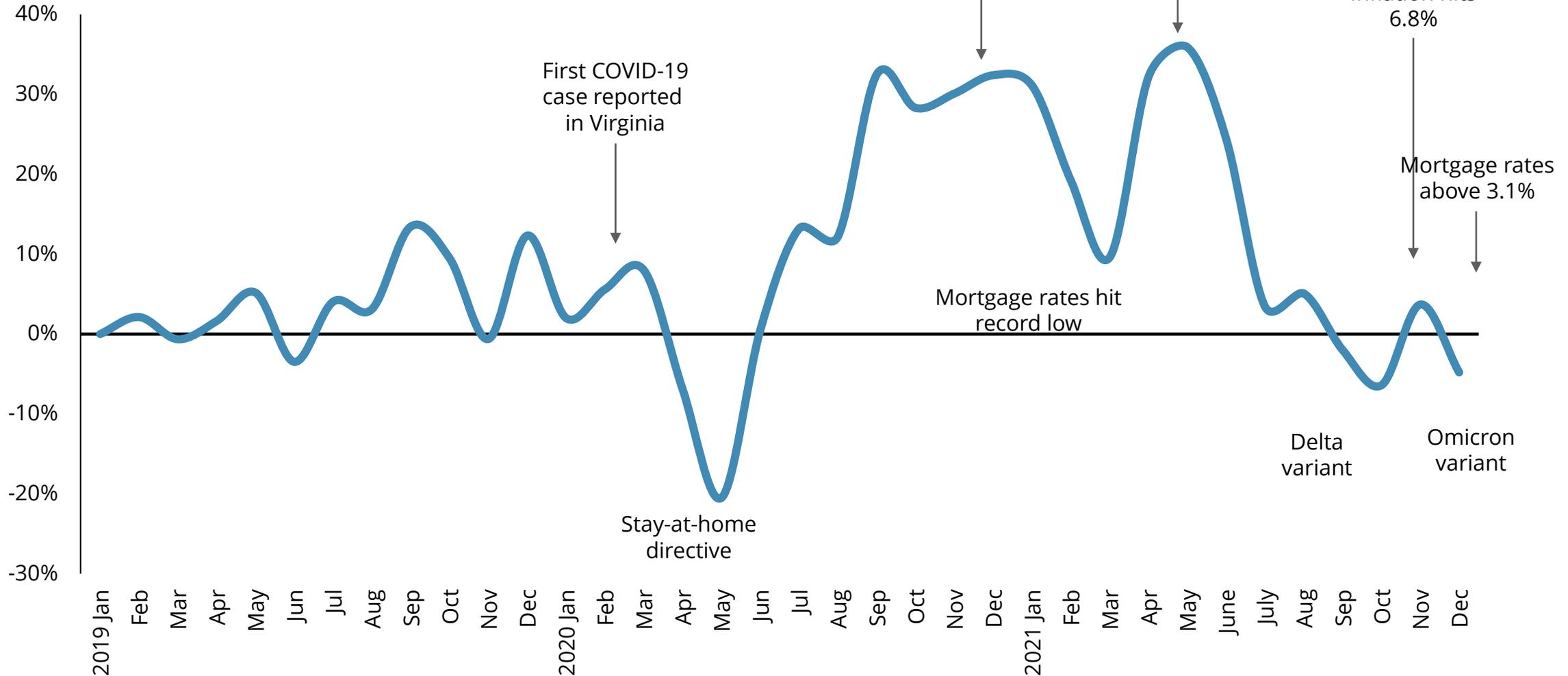
A view from a car window looking out at a sunset over a road with a bridge. The sun is low on the horizon, creating a golden glow and reflecting on the road. A bridge is visible in the distance. The car's interior is visible in the foreground.

2021

A LOOK BACK

Virginia Home Sales

Virginia Y-o-Y Change in Monthly Home Sales



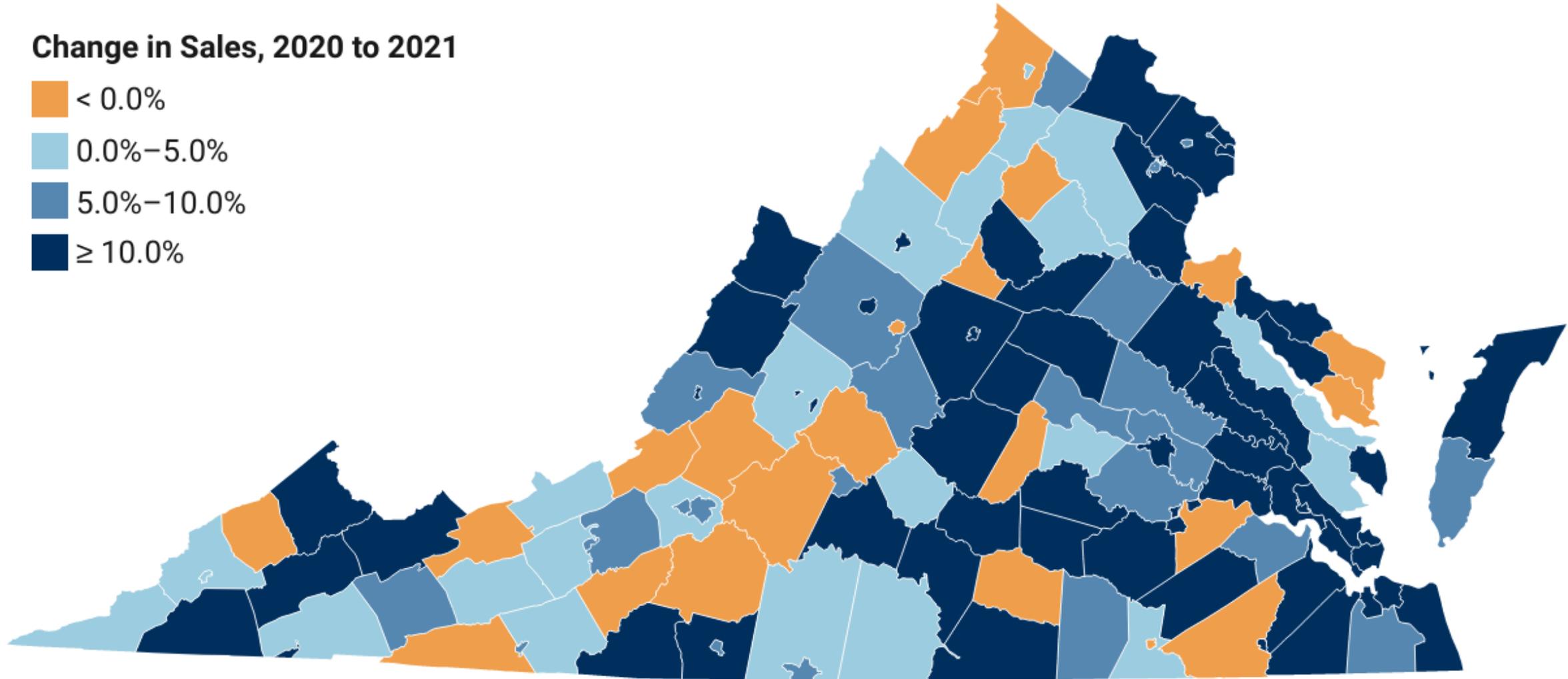
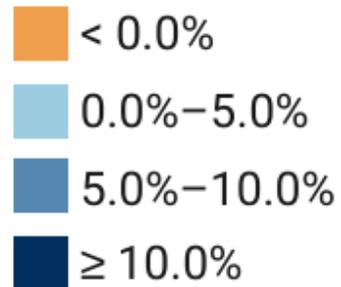
2021 versus 2020

	2020	2021*	Change 2020 to 2021
Sales	139,908	154,365	+10%
Volume	\$53.6B	\$66.8B	+25%
Median Price	\$319,902	\$350,000	+9%
Average Days on Market	41	25	-16 days
Average 30-yr mortgage rate	2.68%	3.10%	0.42 pp

Home Sales Up in Most Markets in 2021

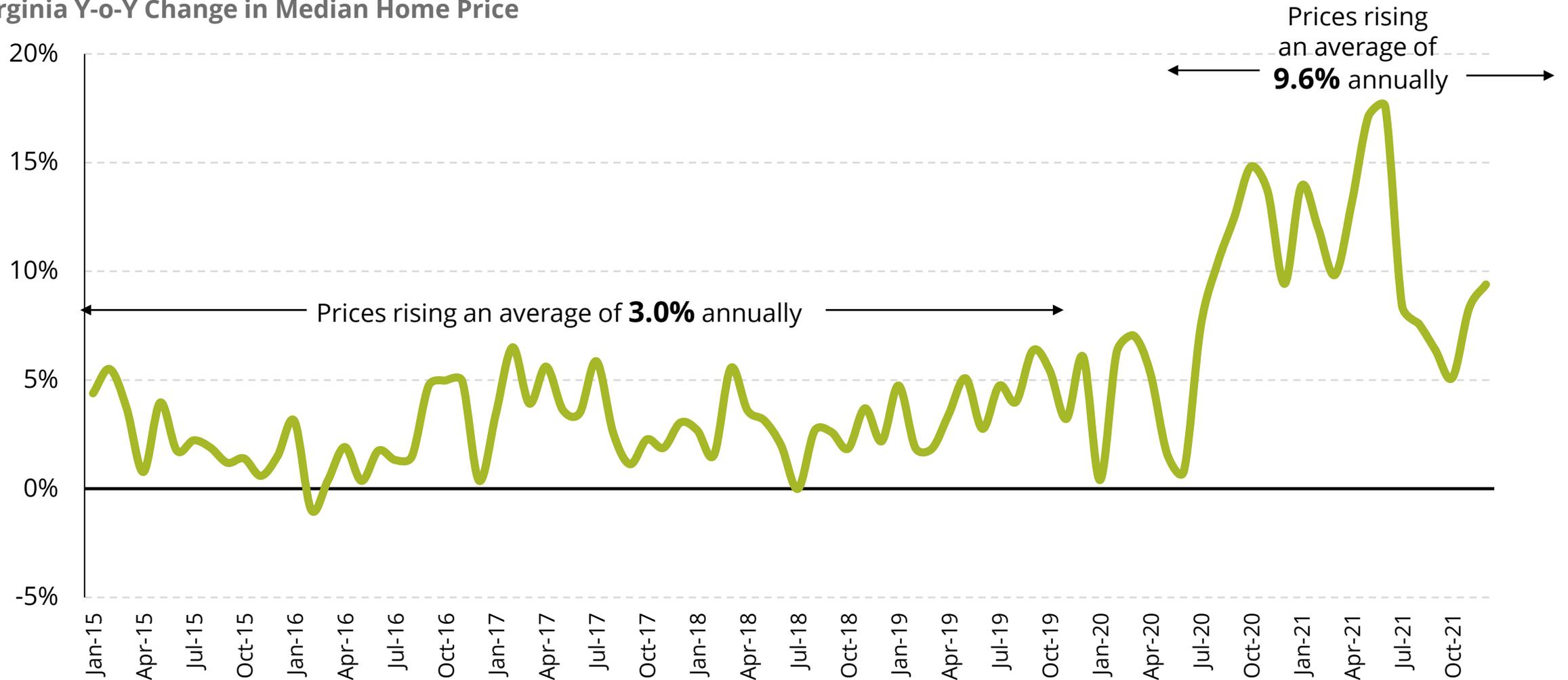
Faster sales in some urban markets

Change in Sales, 2020 to 2021



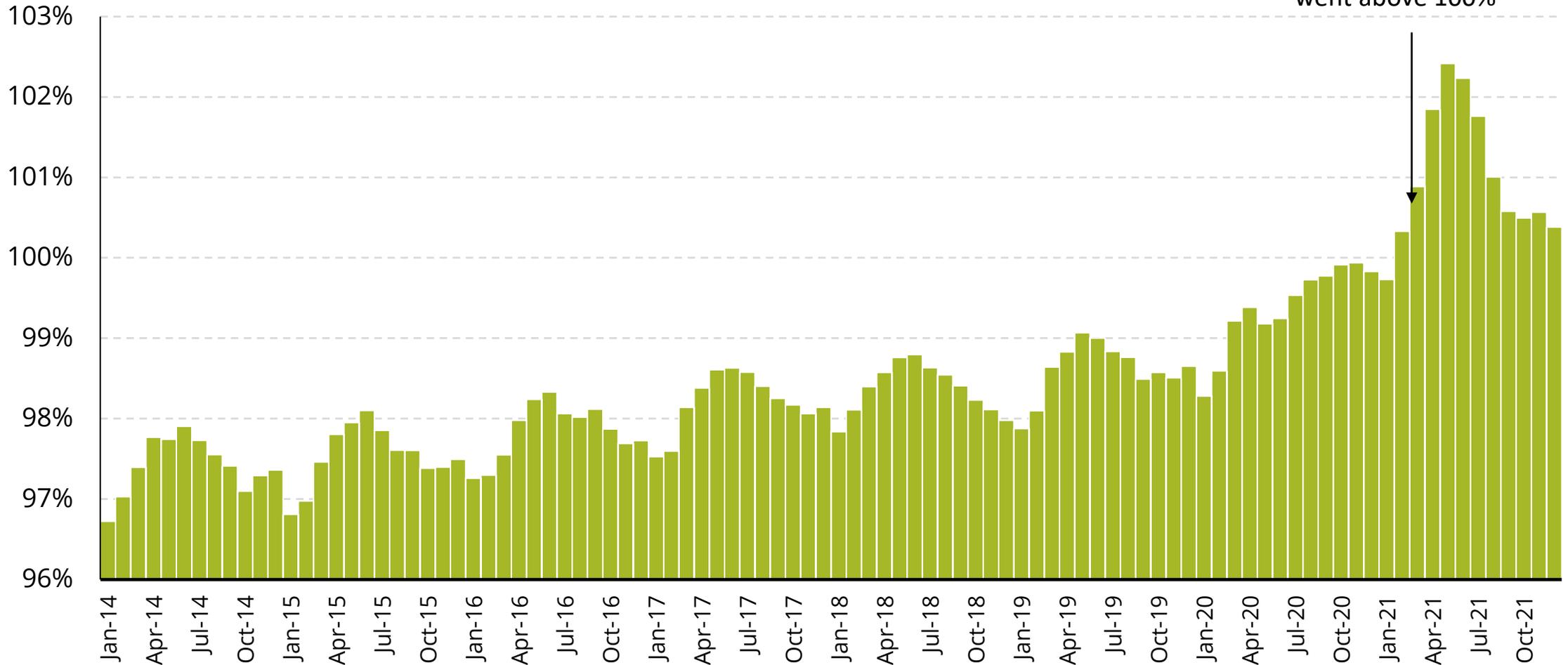
Virginia Home Prices

Virginia Y-o-Y Change in Median Home Price



Virginia Home Prices

Virginia Average Sold-to-List Price Ratio



Virginia Home Prices

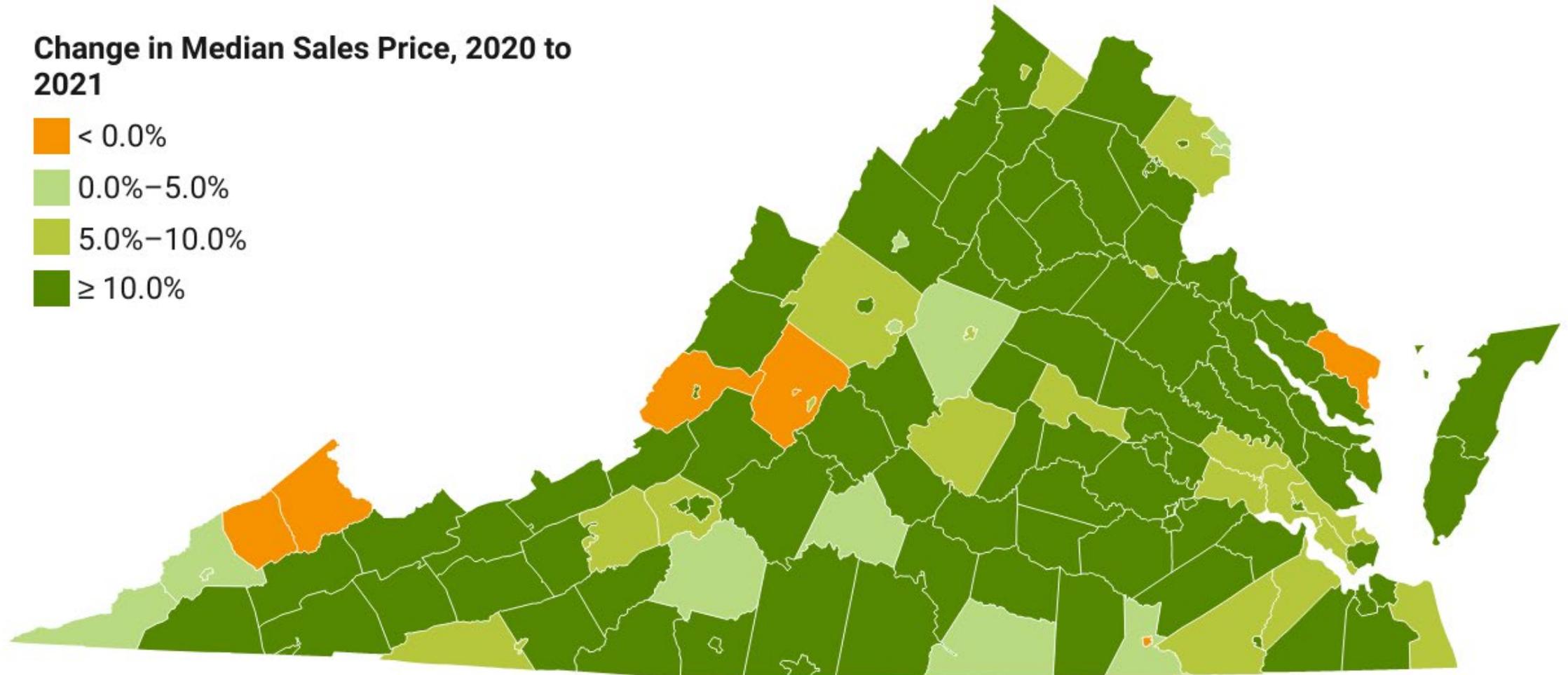
The impact of rising prices has been offset by low mortgage rates...until recently

	Median home price	Average mortgage rate	Monthly payment	Income Needed
Dec 2017	\$274,000	3.95%	\$1,235	\$52,938
Dec 2018	\$280,000	4.64%	\$1,370	\$58,714
Dec 2019	\$297,000	3.72%	\$1,302	\$55,795
Dec 2020	\$325,000	2.68%	\$1,249	\$53,530
Dec 2021*	\$350,000	3.10%	\$1,420	\$60,850

Source: Virginia REALTORS®. Freddie Mac
Assumes 5% down payment, 1.5% closing costs, and a 30-year fixed rate loan.
Also assumes the total payment is no more than 28% of gross income.

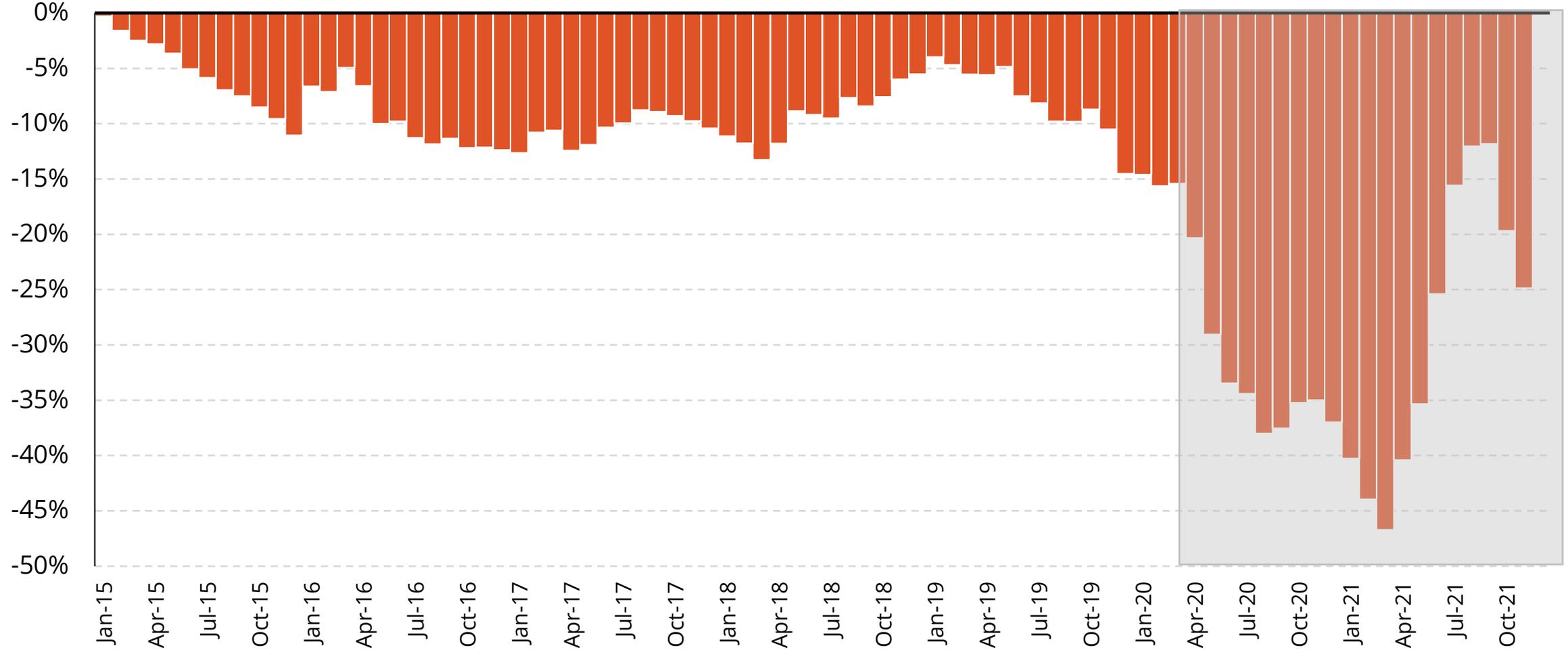
*Preliminary as of 1/9/2021

Home Prices Rose at Double-Digit Rates in 2021 In Most Markets



Virginia Inventory

Virginia Y-o-Y Change in Month-End Inventory



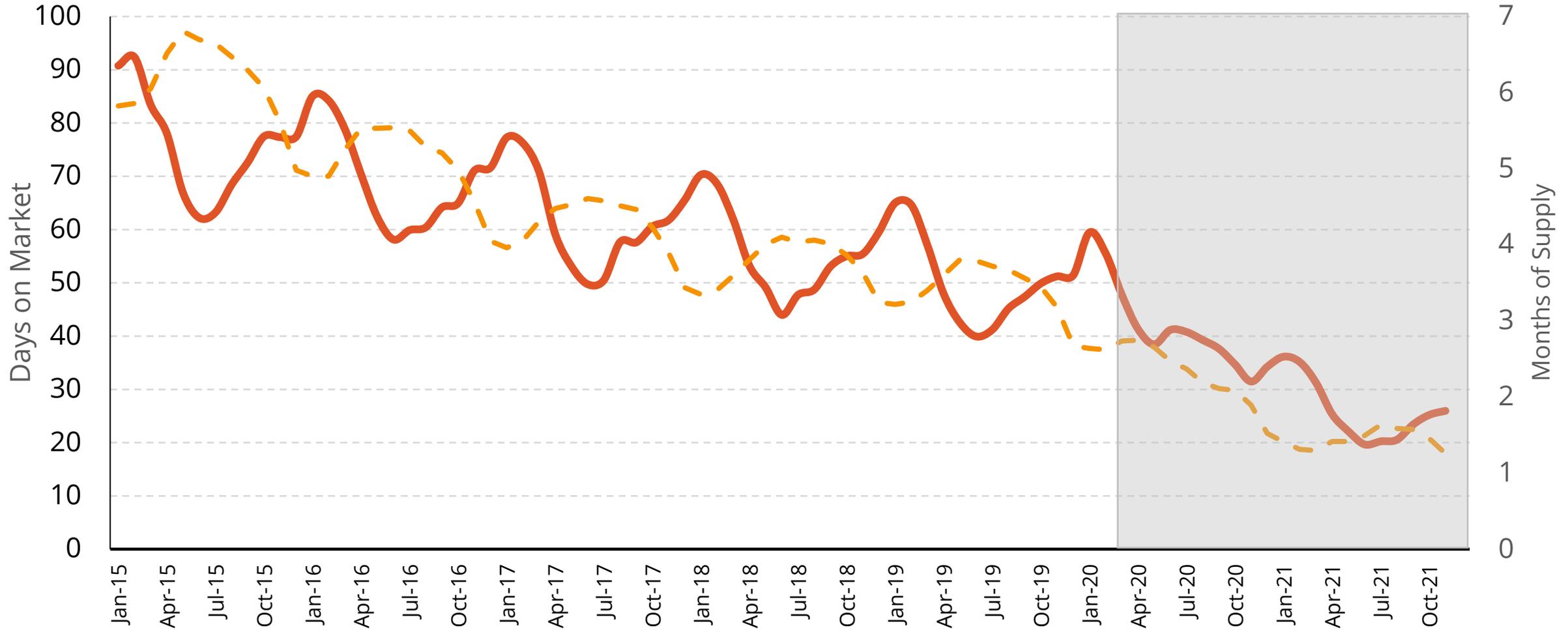
Virginia Average Days on Market & Months of Supply



Indicate an escalating market during the pandemic

— Avg Days on Market - - Months of Supply

COVID Pandemic



Recap: What Drove the Hot 2020-2021 Housing Market

Pandemic-related factors

- Mortgages kept low by Federal Reserve policies
- Incomes propped up by Federal stimulus payments
- Remote work and learning
- Surge in re-financing activity which worsened inventory challenge

Other factors

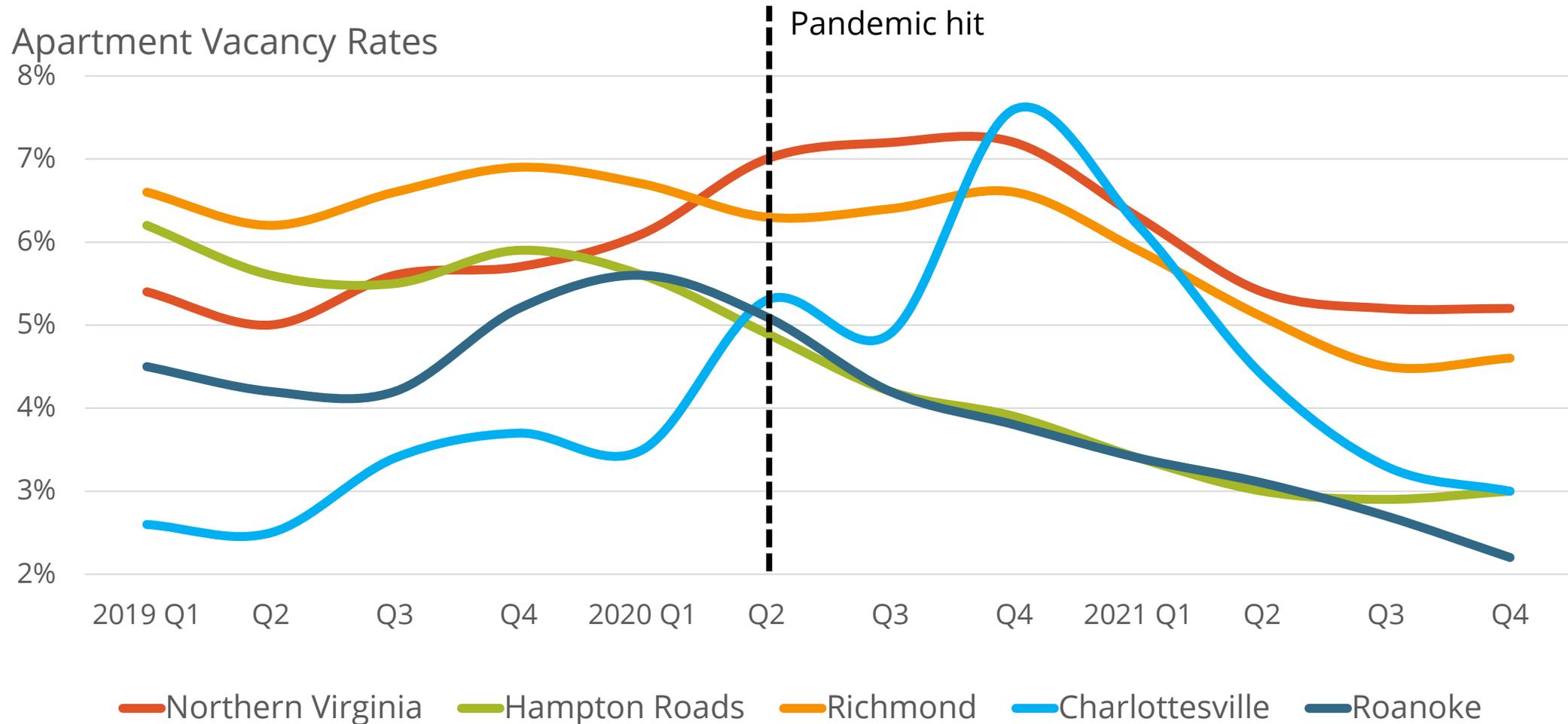
- Favorable demographics supporting demand (i.e., Millennials)
- Baby Boomers staying in their homes longer
- Resilient economy and stable employment picture for many



Strong demand, low supply, frenzied market

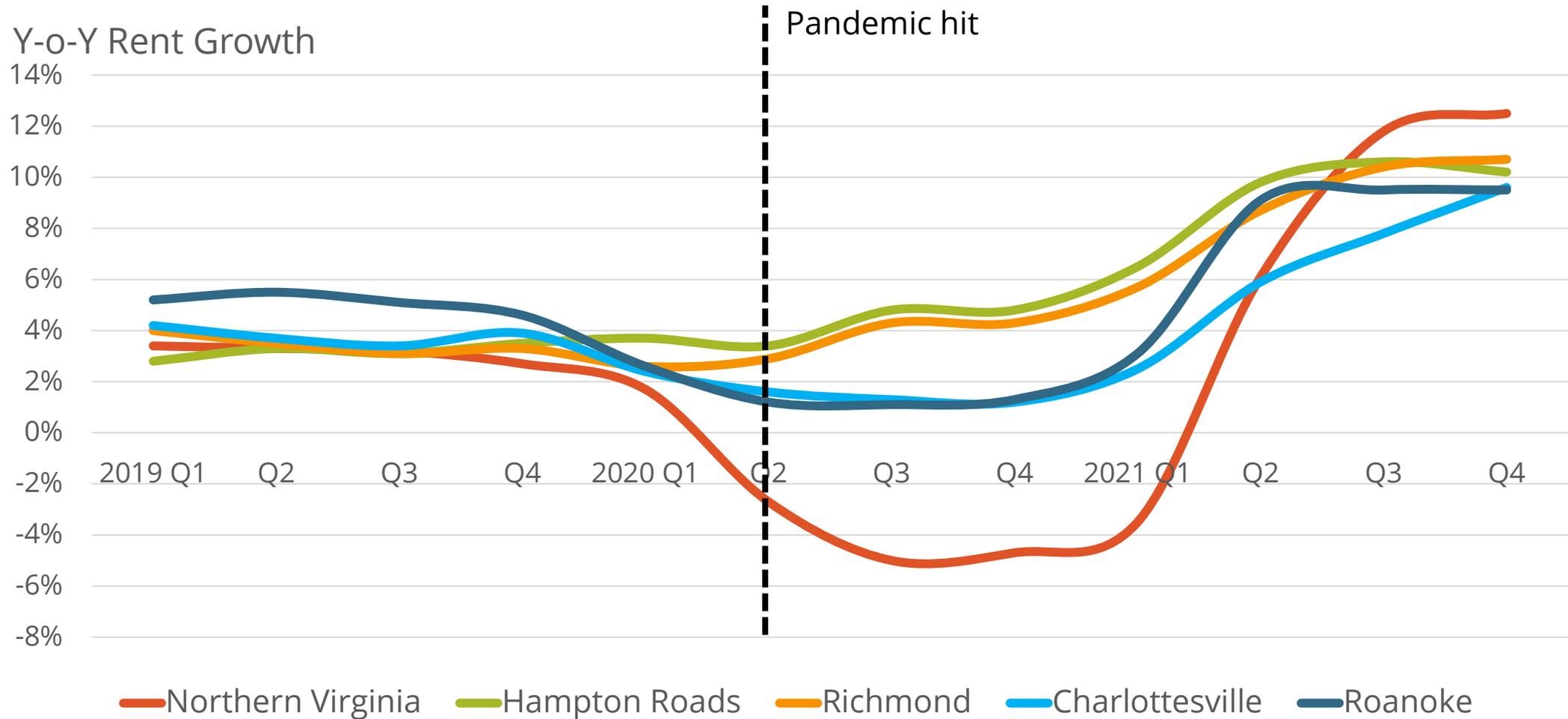
Apartment Markets

Occupancy held pretty firm during the pandemic



Apartment Markets

Rents dipped in some markets in 2020 but are rebounding quickly



Impact of COVID-19 on Smaller Landlords

Size of Landlord Portfolio	Share Receiving <90% Charged Yearly Rent		Share Receiving <50% Charged Yearly Rent	
	2019	2020	2019	2020
Small (own 1-5 units)	11%	34%	4%	10%
Mid-Sized (own 6-19 units)	12%	44%	2%	8%
Large (own 20+ units)	7%	50%	-	3%

Impact of COVID-19 on Smaller Landlords

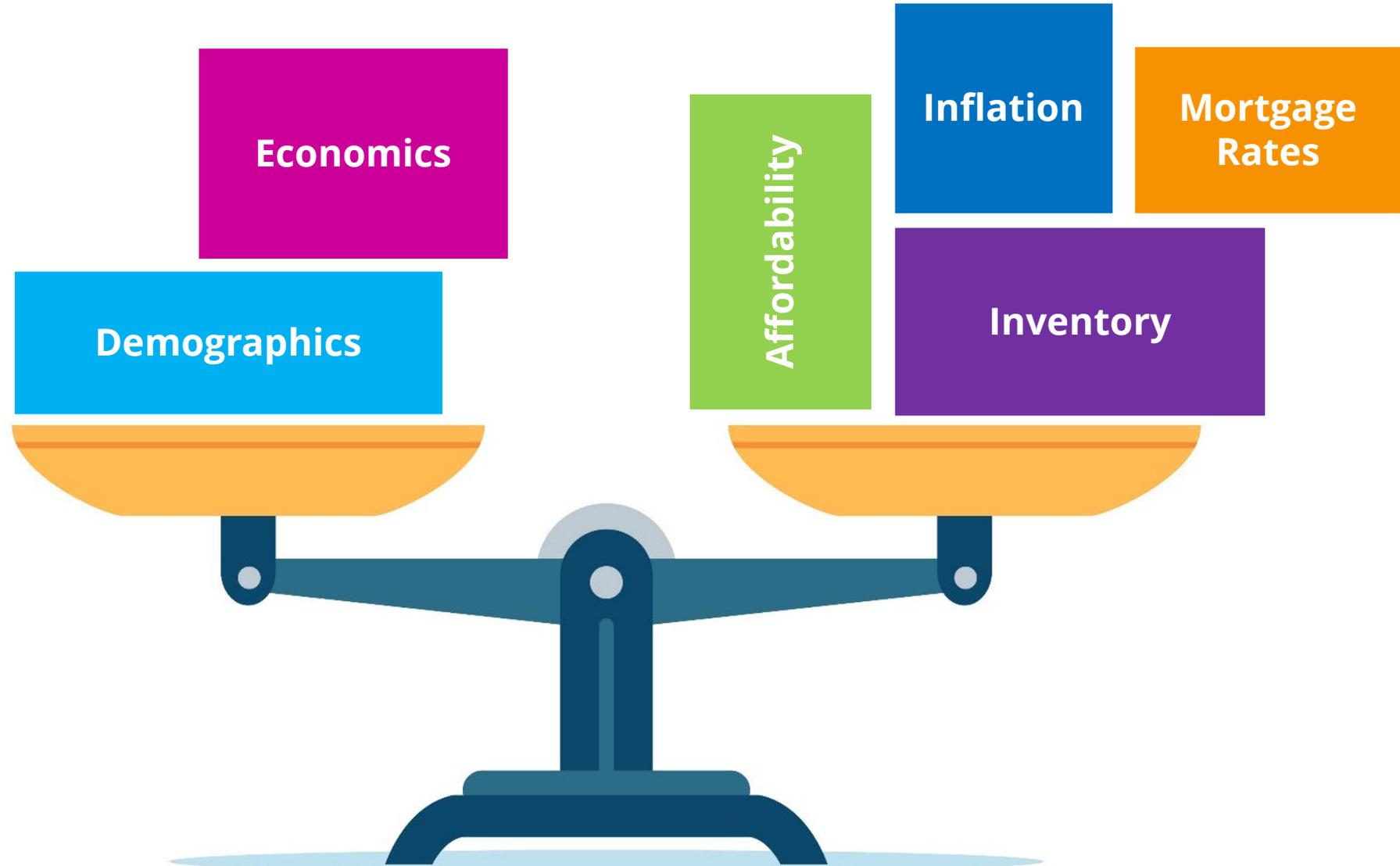
Year	Missed Mortgage, Utility, and/or Property Tax Payment	Deferred Maintenance	Listed Property for Sale
2019	4%	5%	3%
2020	19%	31%	13%



2022

LOOKING AHEAD

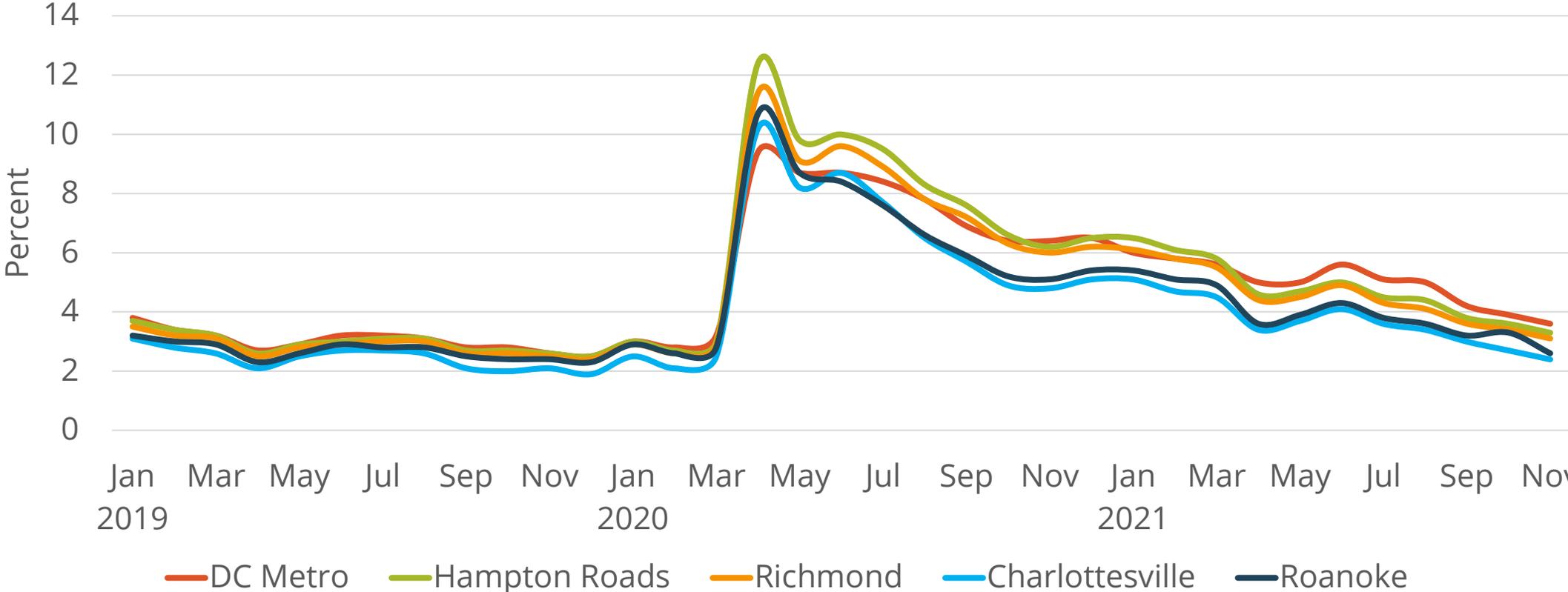
What will tip the scales in the 2022 housing market?



The Economy

Unemployment is close to pre-pandemic levels

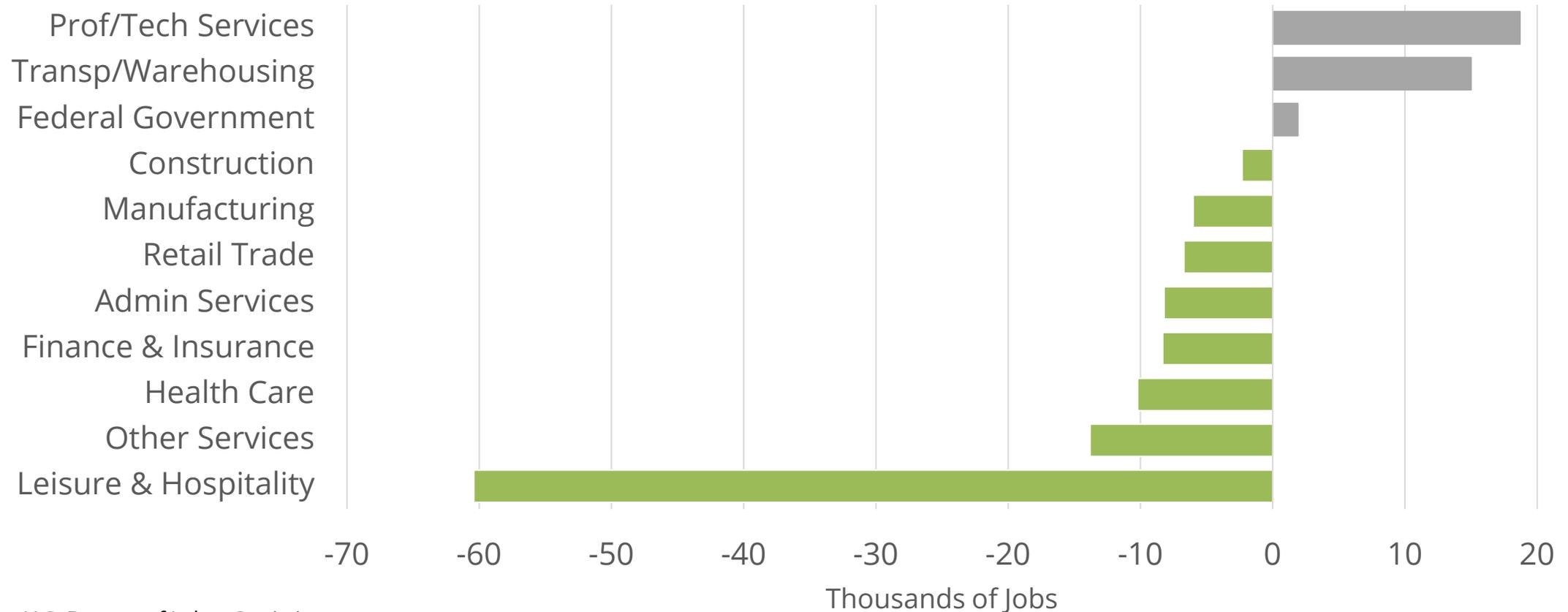
Unemployment Rate (not seasonally adjusted)



The Economy

Strong growth in higher-wage, professional jobs

Virginia Employment by Sector November 2021 Compared to January 2020

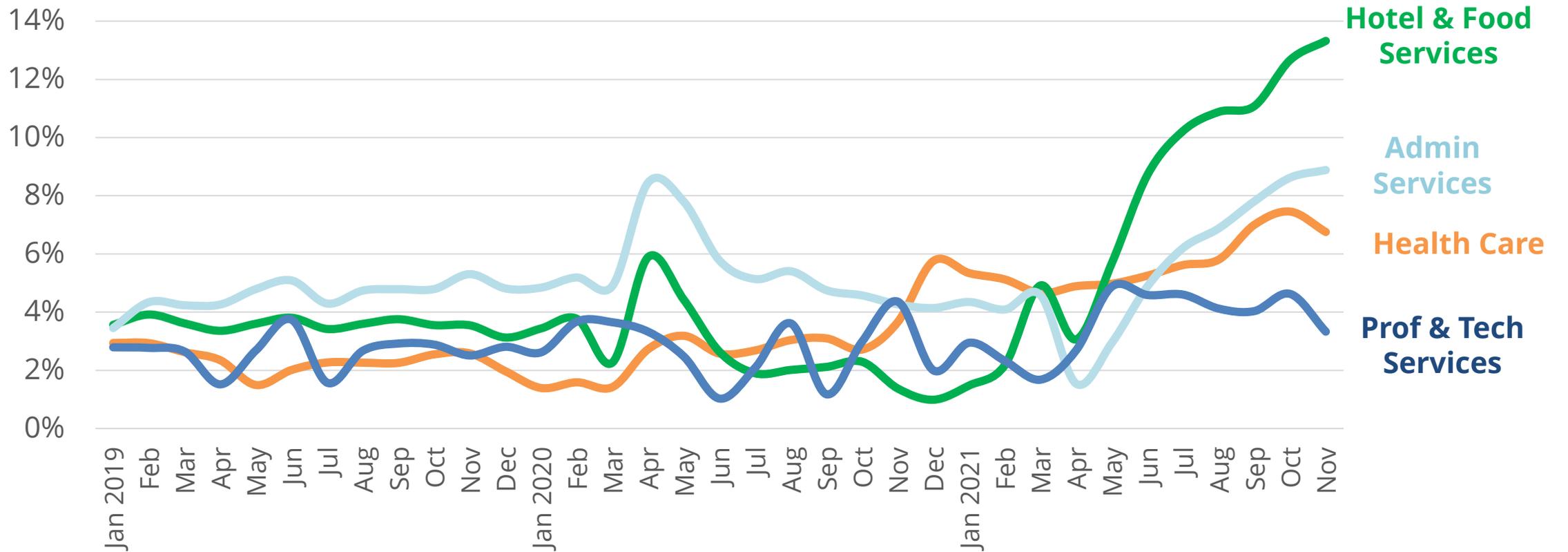


Source: U.S. Bureau of Labor Statistics

The Economy

Wages are rising for many workers

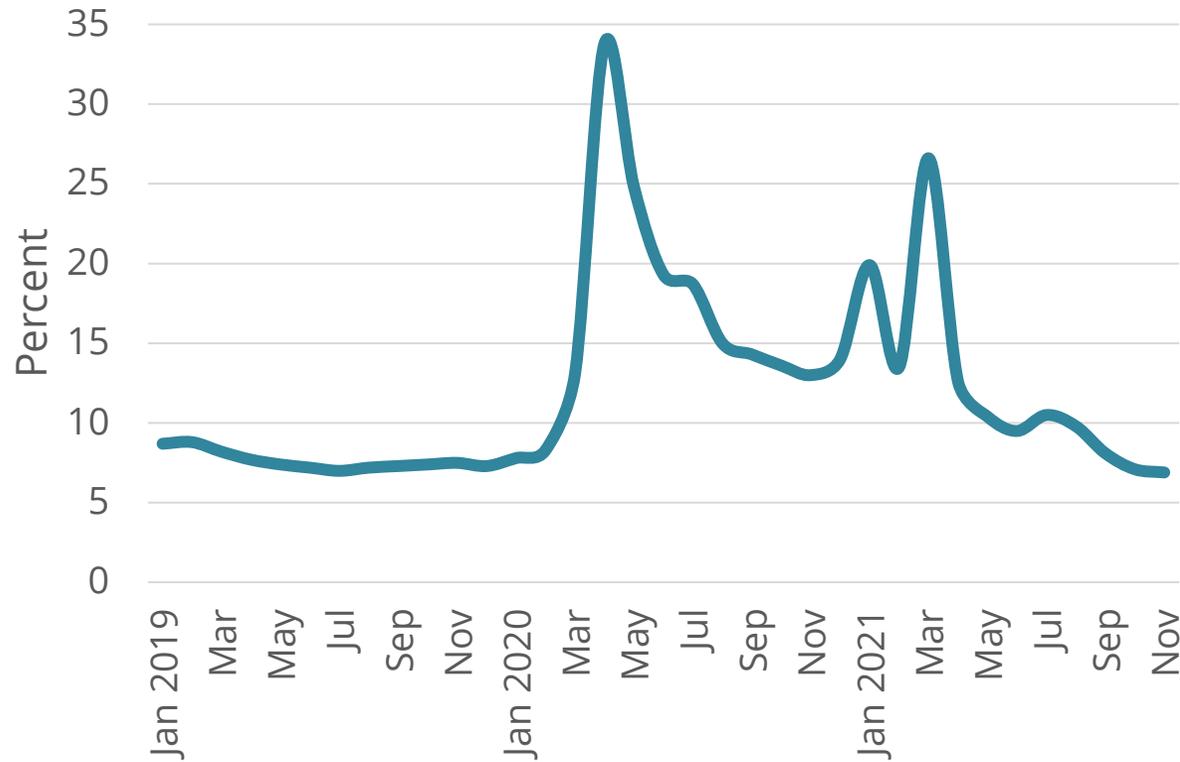
Year-over-year wage growth (U.S.)



The Economy

People saved, now they are spending

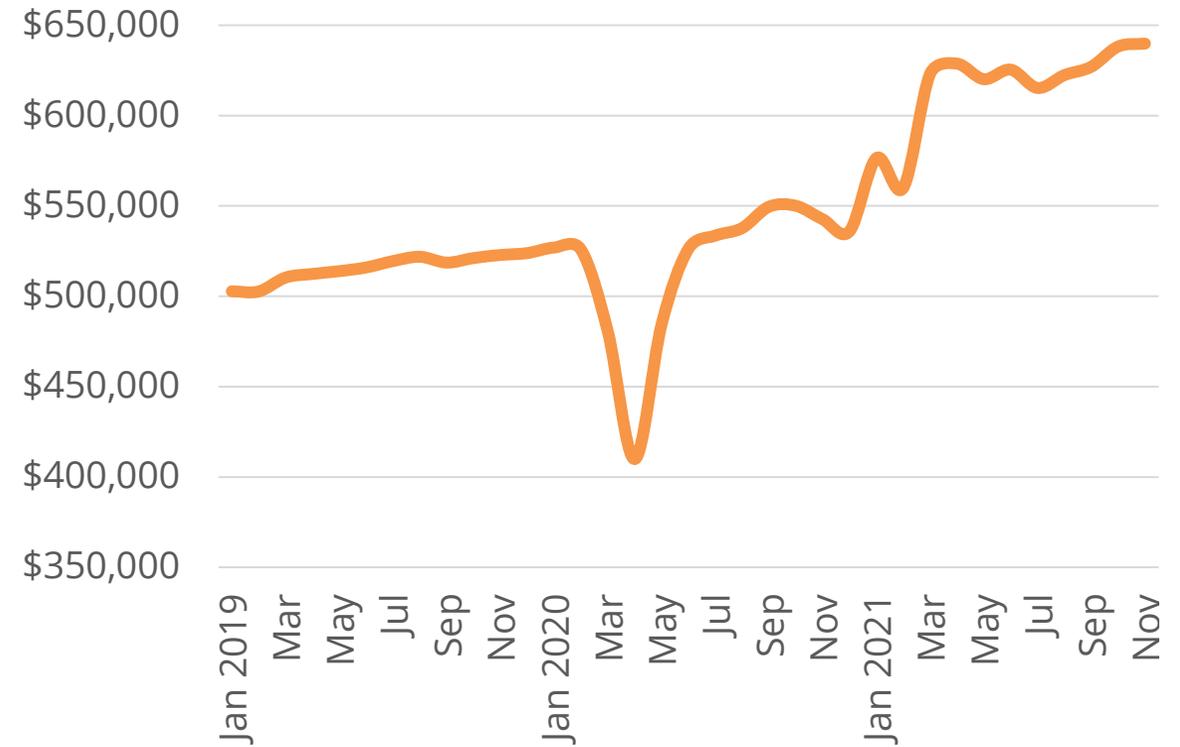
Personal Savings Rate



Source: U.S. BEA

Advance Retail Sales (including food services)

Millions of dollars



Source: U.S. Census Bureau

The Economy: Where We're Headed

Job Growth

Annual Change



2021: +1.6%
+62K jobs

2022: +2.0%
+79K jobs

Unemployment Rate

4th quarter

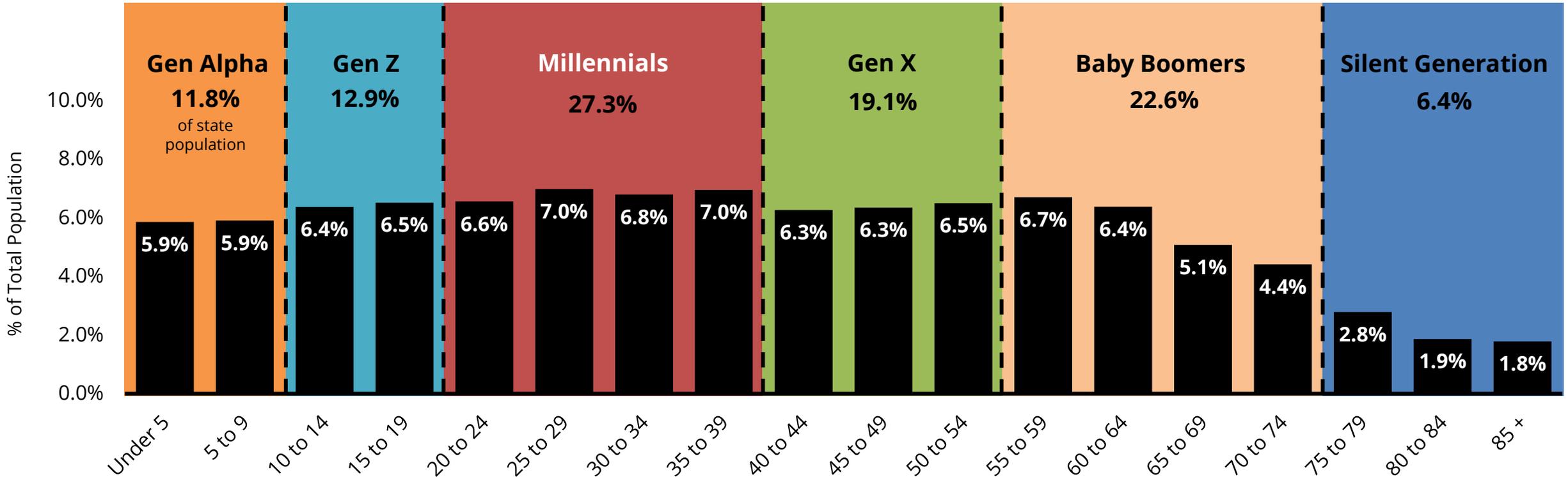


2021: 3.5%

2022: 3.0%

Demographics

Age distribution in Virginia (2019)



Source: U.S. Census Bureau

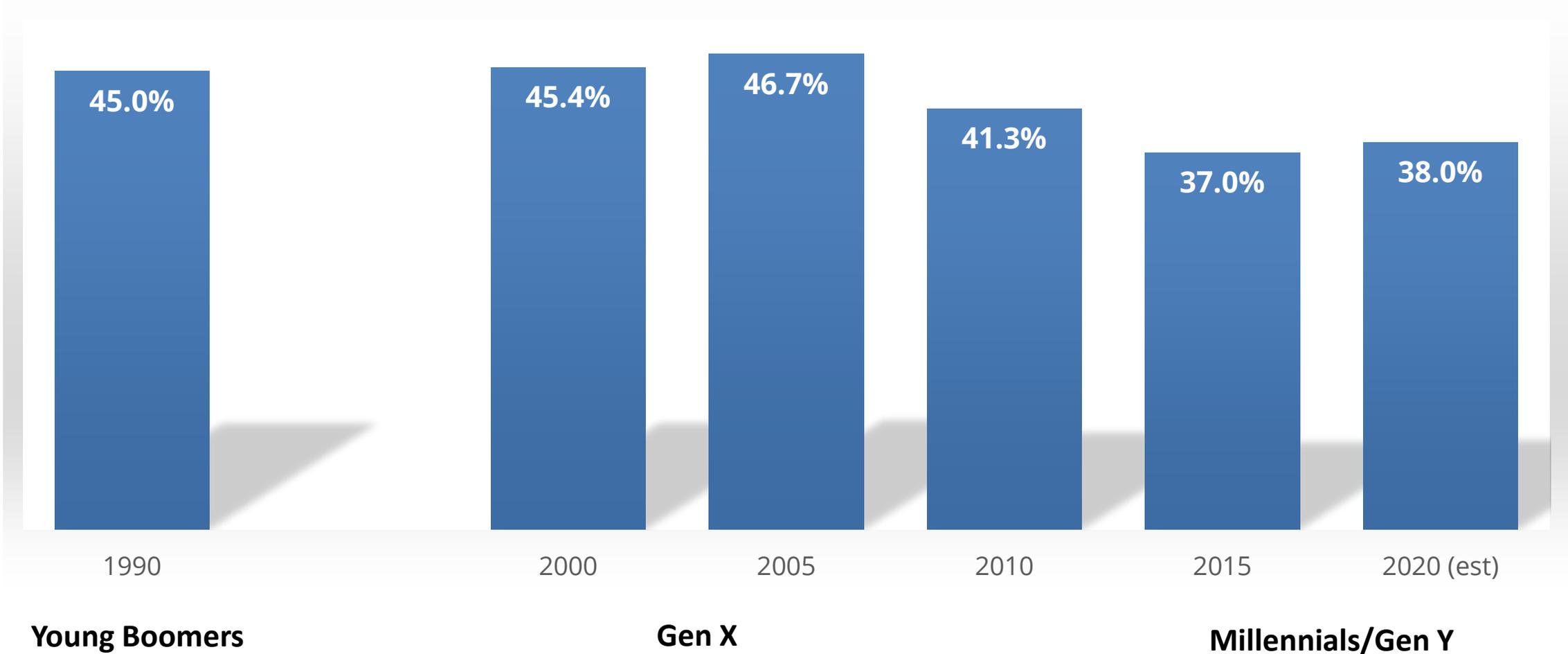
Age

Note: Generation age ranges are approximate

Demographics

Homeownership rates among Millennials remain relatively low

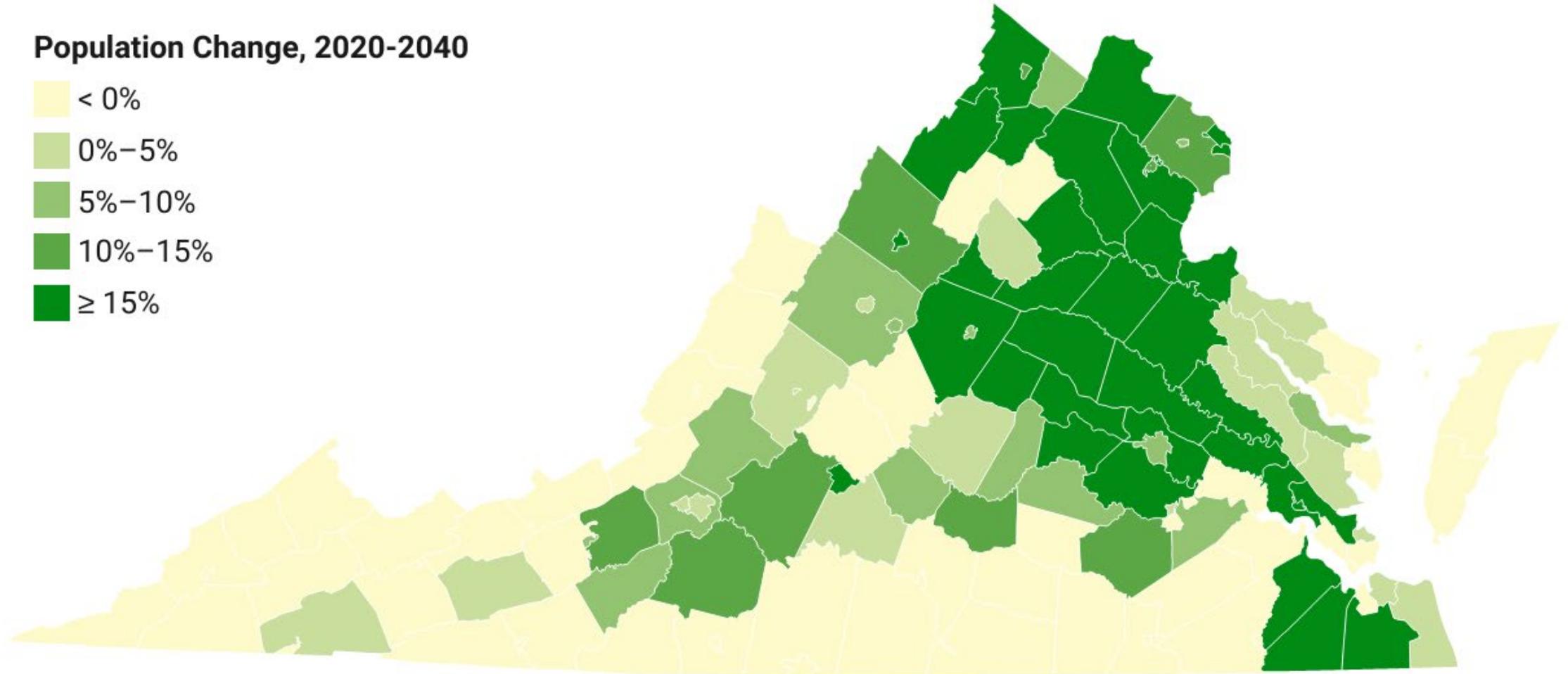
Homeownership Rates, 25 to 34 Year Olds



Source: U.S. Census Bureau, 2019 estimates

Demographics

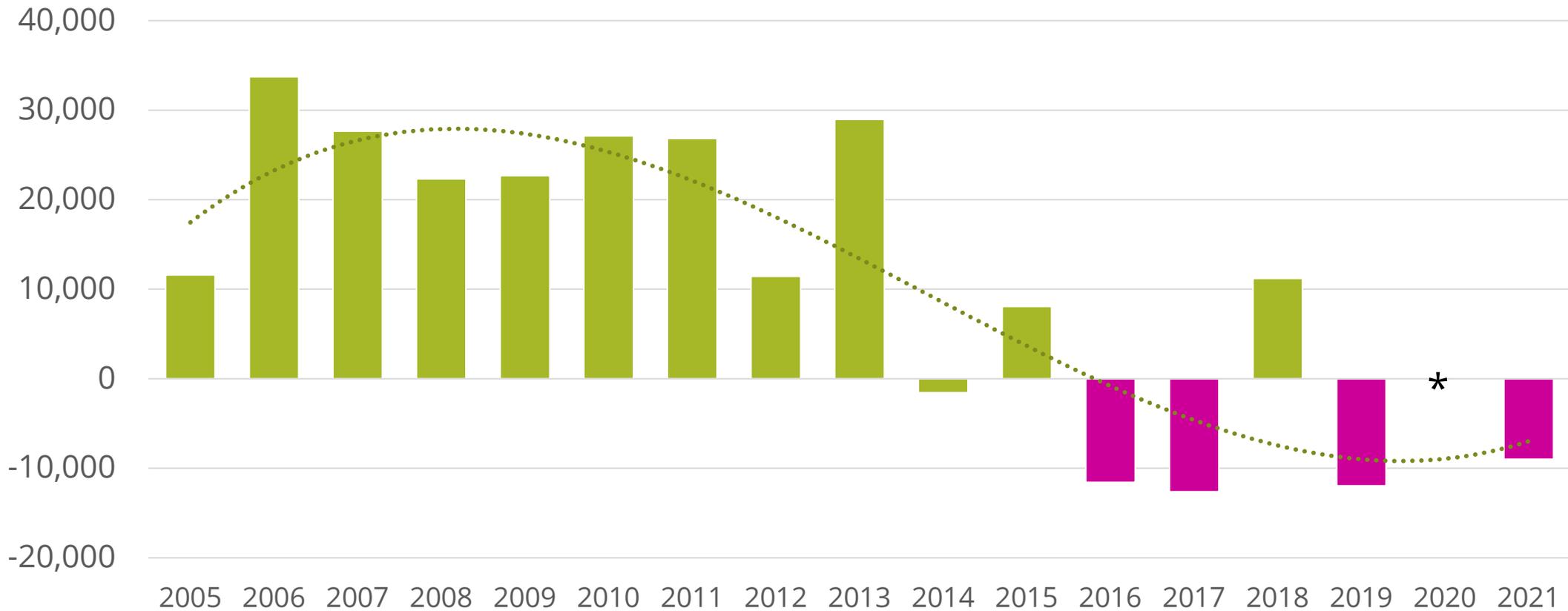
Statewide population projected to increase by 14.2% over the next 20 years



Demographics

Net domestic migration has been negative for several years

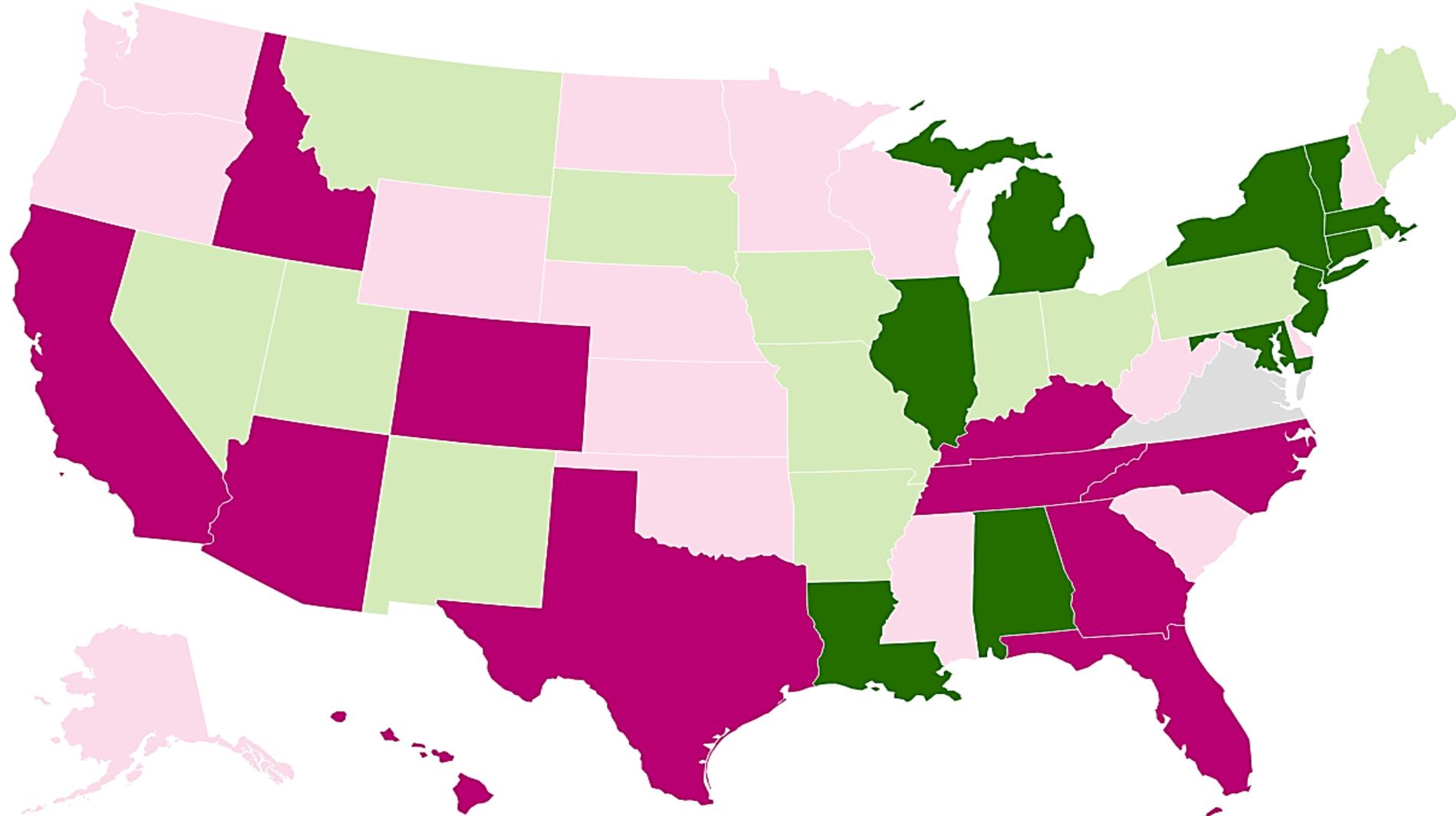
Net Domestic Migration, Virginia



Source: U.S. Census Bureau *2020 data not available

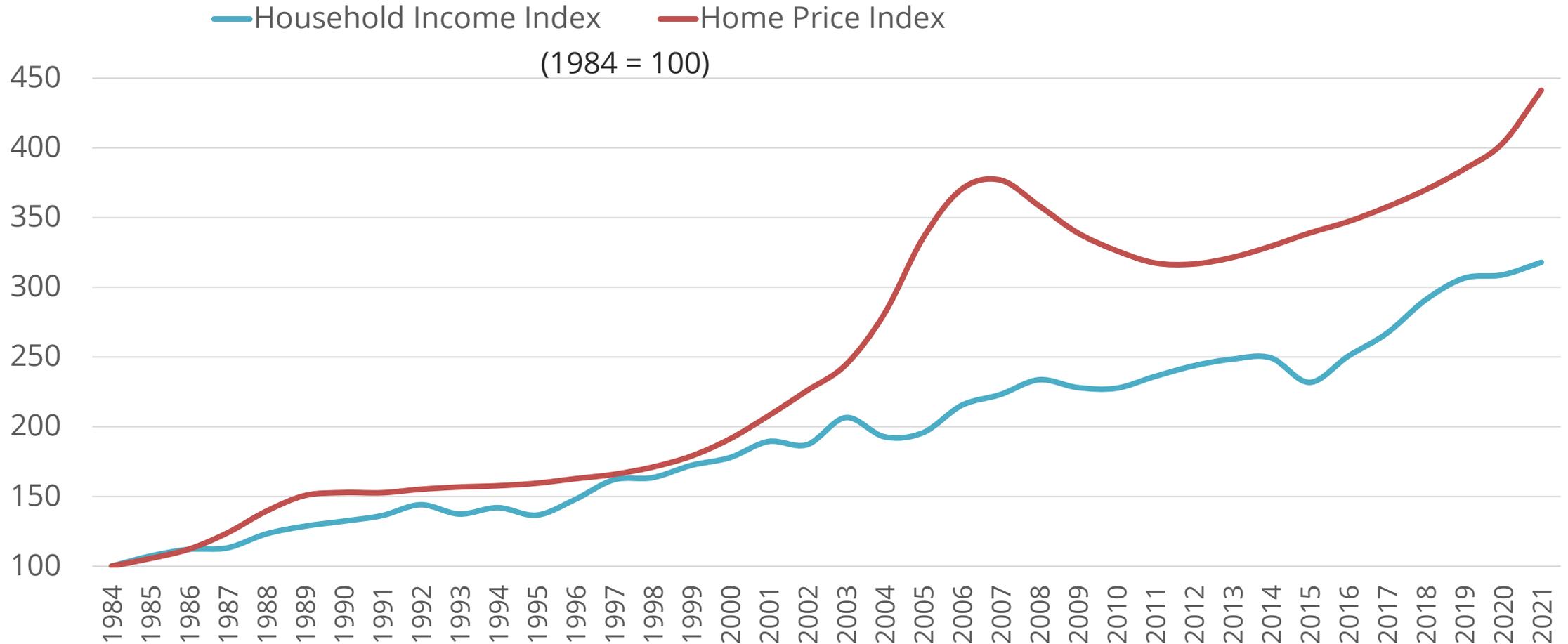
Virginia Net Migration, 2019

■ < -1000 ■ -1000-0 ■ 0-1000 ■ ≥ 1000



Affordability

Home prices are rising much faster than incomes



Affordability

Affordability challenges are different across the commonwealth and depends on home prices and incomes in the region.

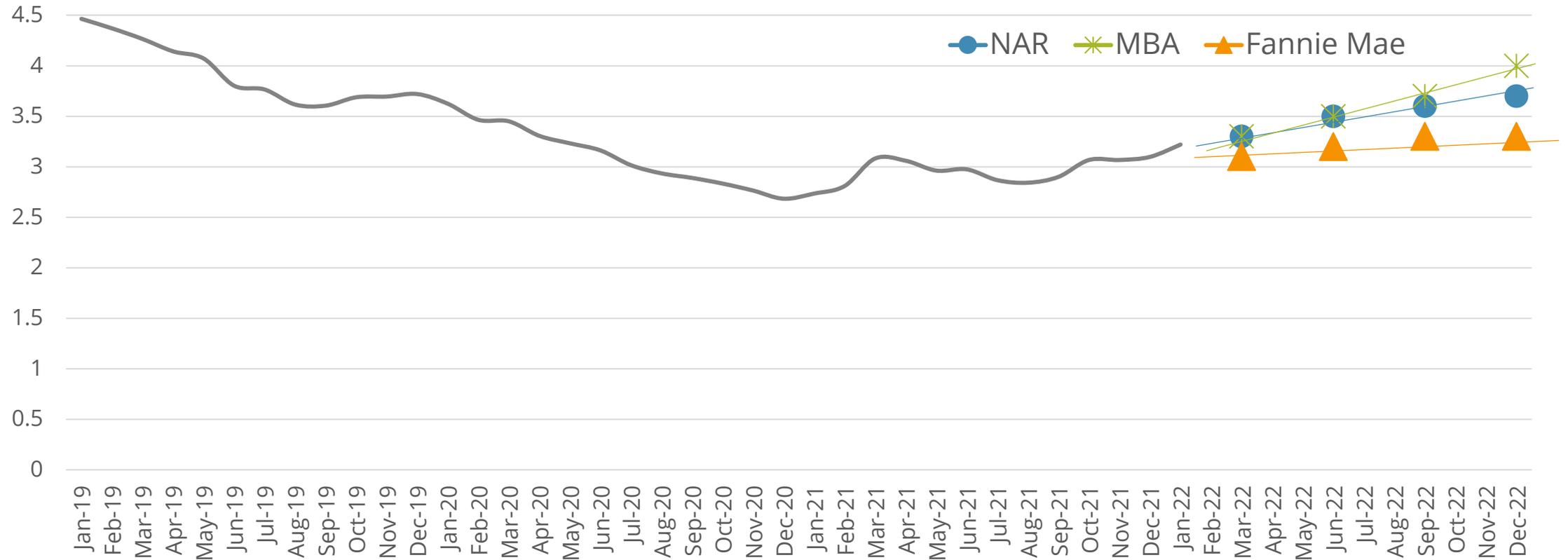
Least Affordable	% of Metro Area Households that Can Afford the Typical Home	Most Affordable	% of Metro Area Households that Can Afford the Typical Home
City of Falls Church	44%	City of Petersburg	88%
Albemarle County	45%	Warren County	84%
City of Charlottesville	48%	City of Hopewell	83%
Goochland County	51%	Sussex County	82%
Washington County	55%	City of Roanoke	79%

Note: Includes only counties and independent cities within metropolitan areas.

Mortgage Rates

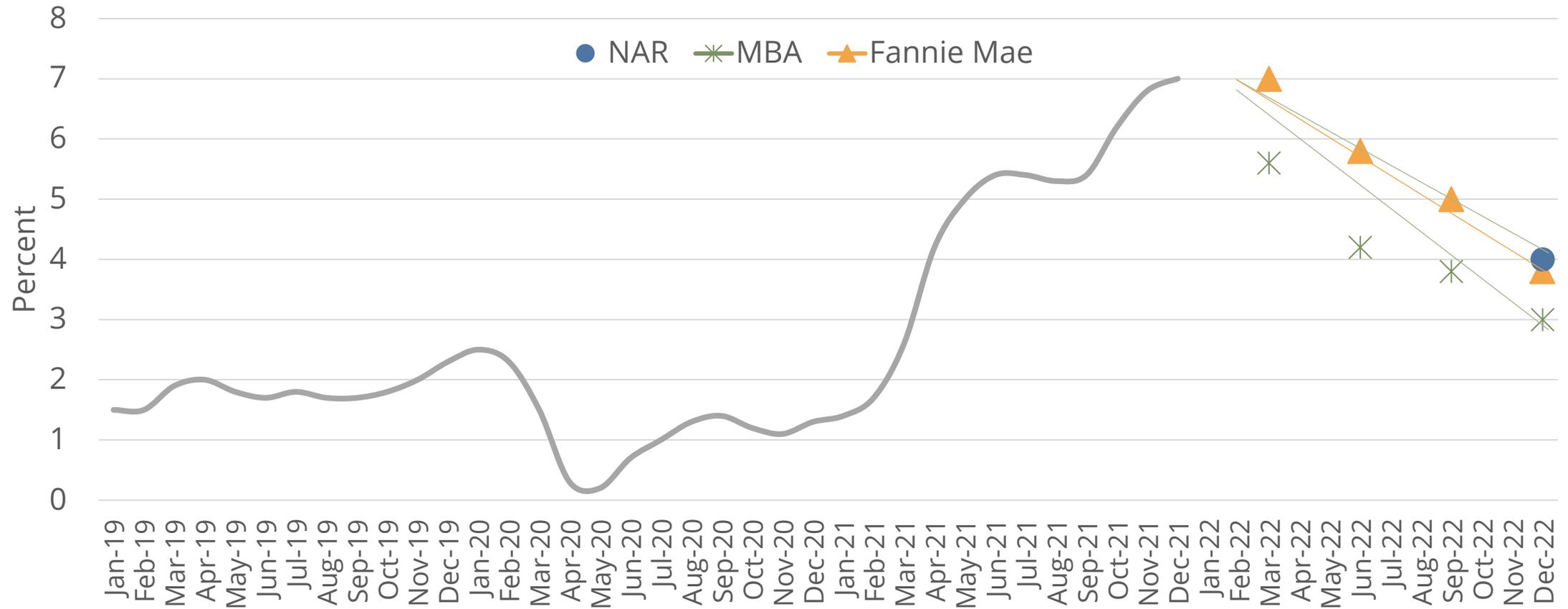
Modest increases forecasted for 2022

Average 30-Year Fixed Rate Mortgage Rate

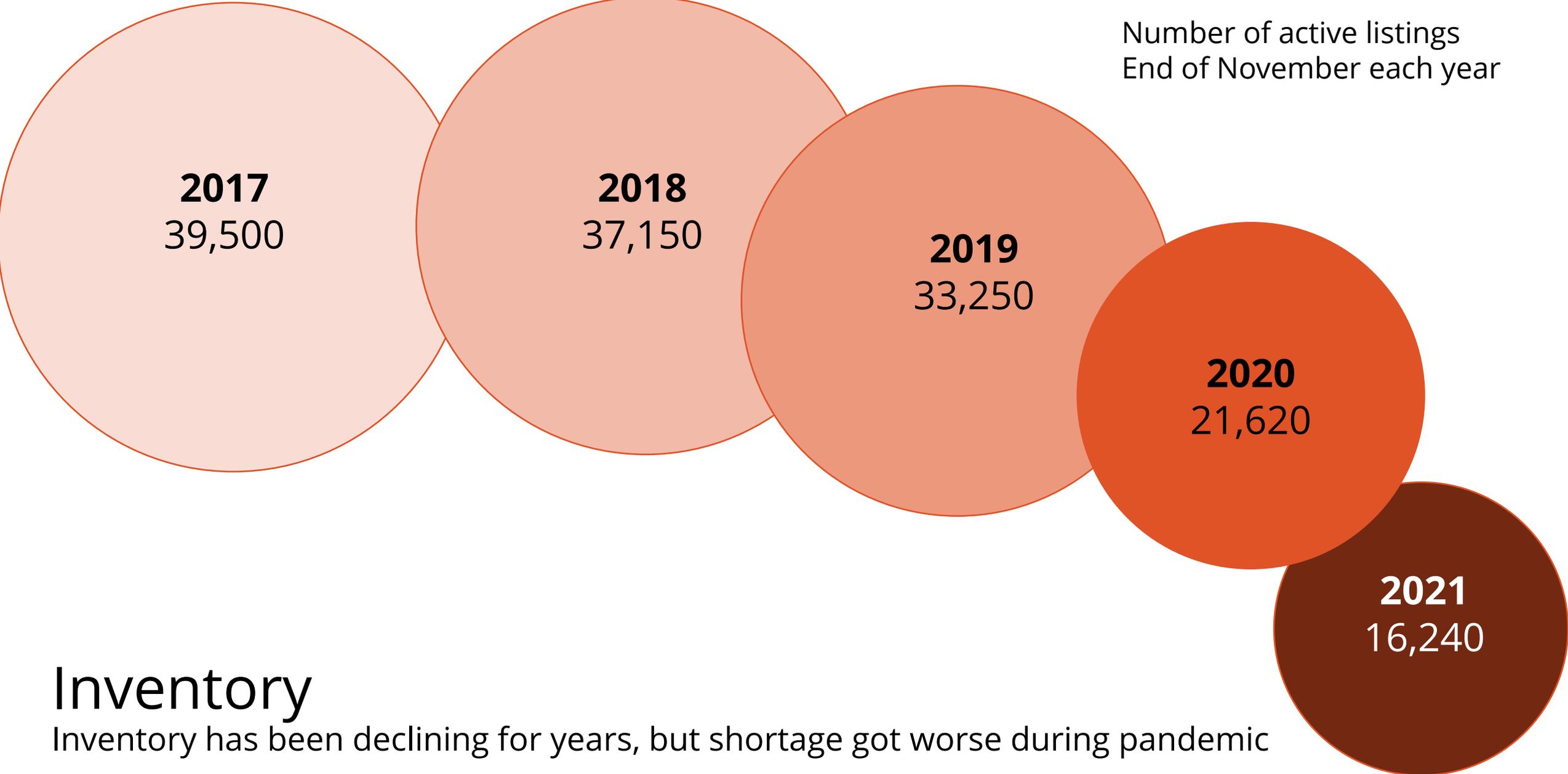


Inflation

Most economists are forecasting a sharp drop in inflation this year



Number of active listings
End of November each year



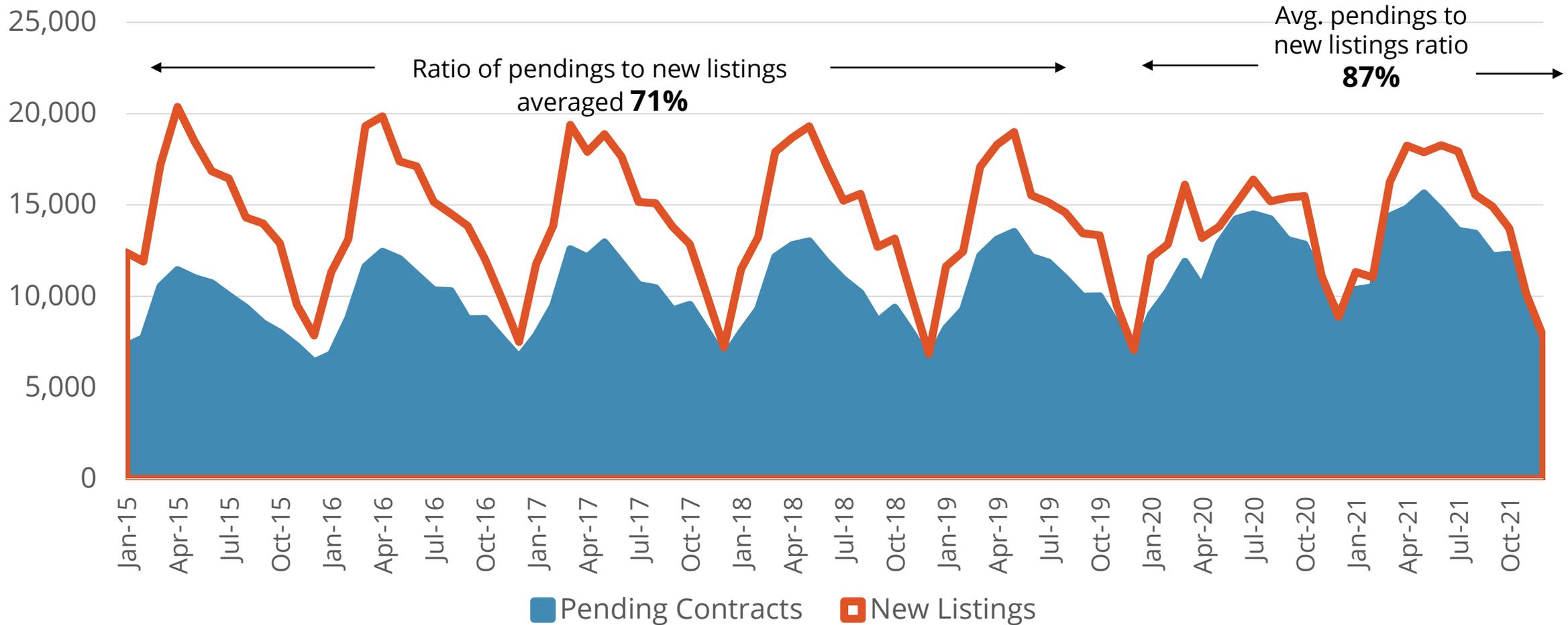
Inventory

Inventory has been declining for years, but shortage got worse during pandemic

Source: Virginia REALTORS®

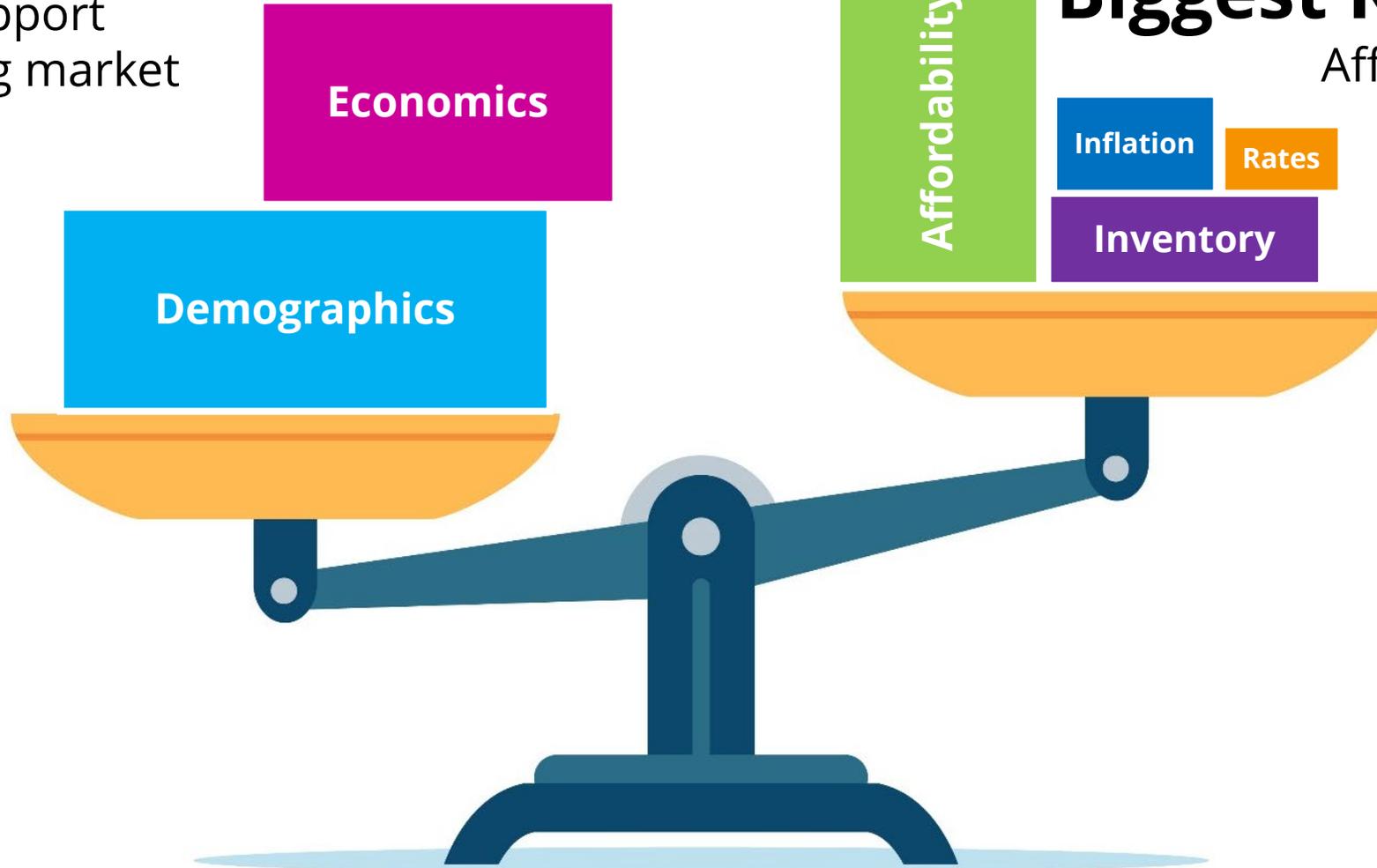
Inventory

New listings have not kept up with demand



Outlook for 2022

Economic and demographic factors will support strong housing market conditions, outweighing potential challenges in the market.



Biggest Risks in 2022

Affordability will be the biggest challenge in 2022, with buyers in many markets priced out.

Inventory will continue to be very tight.

The Housing Market: Where We're Headed



Home Sales

Annual Change

2021: ~~+6.2%~~ **+10%**

2022: -0.1%

Median Home Price

Annual Change

2021: +9.2%

2022: +4.1%



New Housing Starts

Annual Change

2021: +10.3%

2022: +0.5%



30-Year Mortgage Rate

December average

2021: 3.10%

2022: 4.00%

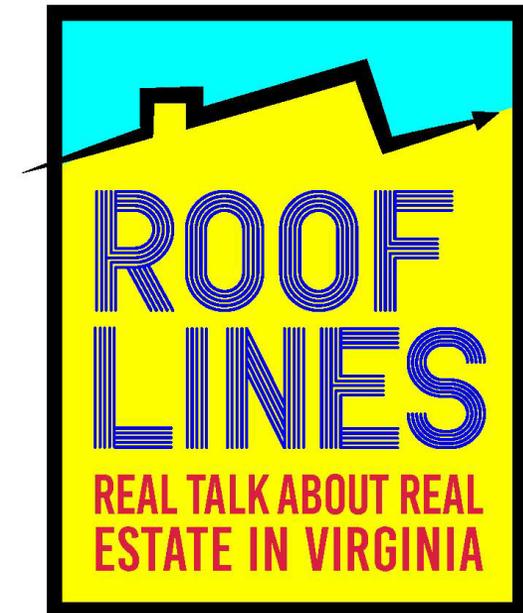


Looking for More Information?

Check out Virginia REALTORS® Research website: virginiarealtors.org/research



Subscribe to our new weekly podcast, coming in February!



Join us for our monthly Facebook Live



Log on to our quarterly By the Numbers webinar



Reach out to
Research staff
directly -

We're here for
you!



Lisa Sturtevant
lsturtevant@virginiarealtors.org



Ryan Price
rprice@virginiarealtors.org

