

What's Ahead for Virginia's Housing Market?

Presentation to the Roanoke Valley
Association of REALTORS®

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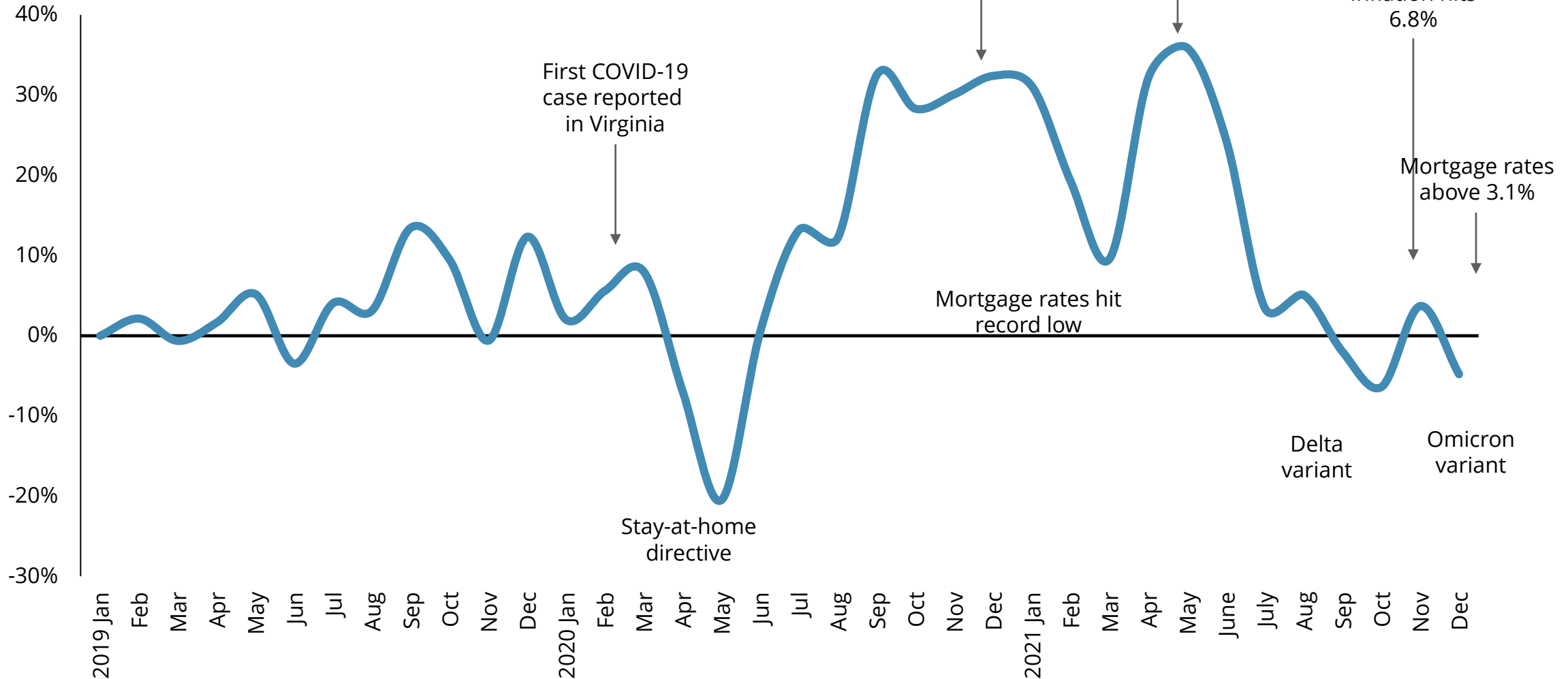
A view from a car window looking out at a sunset over a road with a bridge. The sun is low on the horizon, creating a bright orange and yellow glow. A bridge spans across the road in the distance. The car's interior is visible in the foreground, including the window frame and a portion of the dashboard.

2021

A LOOK BACK

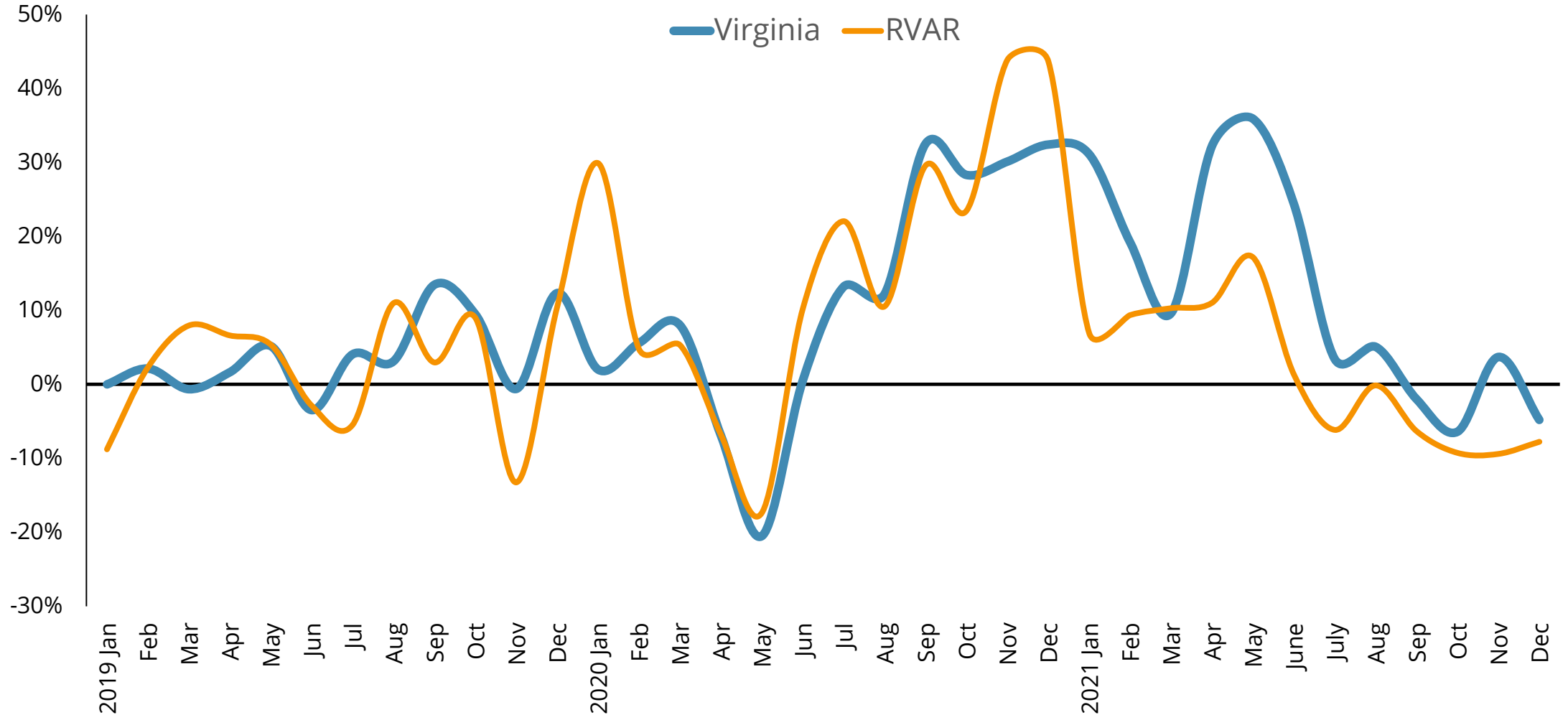
Virginia Home Sales

Virginia Y-o-Y Change in Monthly Home Sales



Virginia and RVAR Home Sales

Y-o-Y Change in Monthly Home Sales

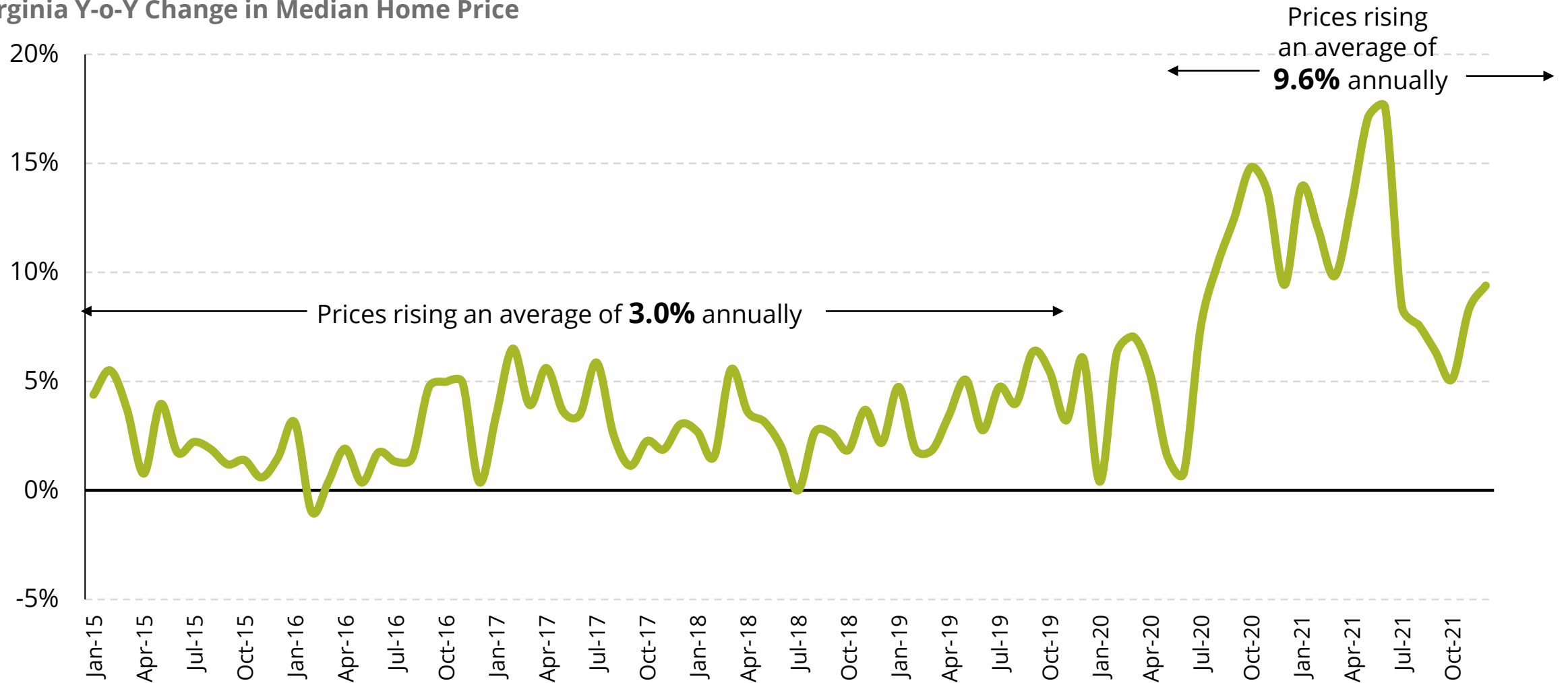


2021 versus 2020

	2020	2021	Change 2020 to 2021
Sales	139,908	154,340	+10%
Volume	\$53.6B	\$66.8B	+22%
Median Price	\$319,902	\$350,000	+9%
Average Days on Market	41	25	-15 days
Average 30-yr mortgage rate	2.68%	3.10%	0.42 pp

Virginia Home Prices

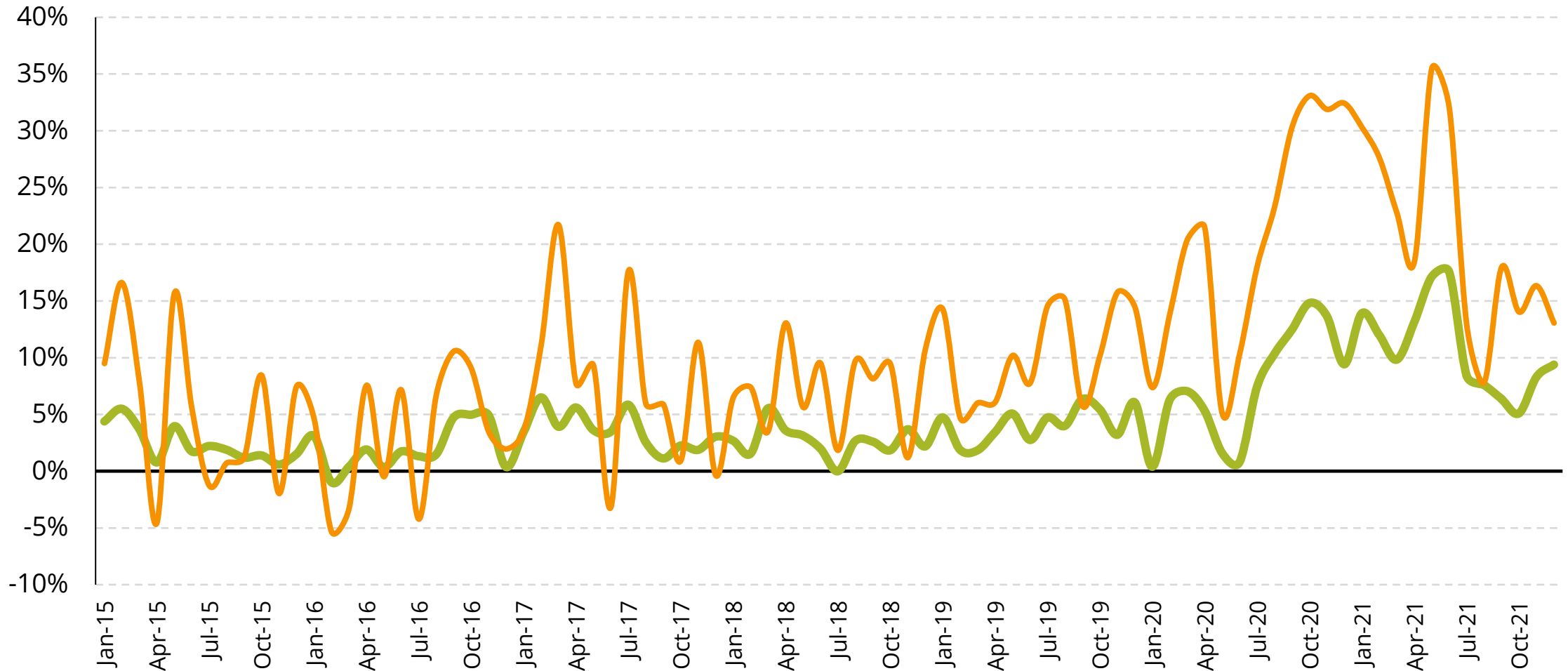
Virginia Y-o-Y Change in Median Home Price



Virginia and RVAR Home Prices

Y-o-Y Change in Median Home Price

— Virginia — RVAR



Virginia Home Prices

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

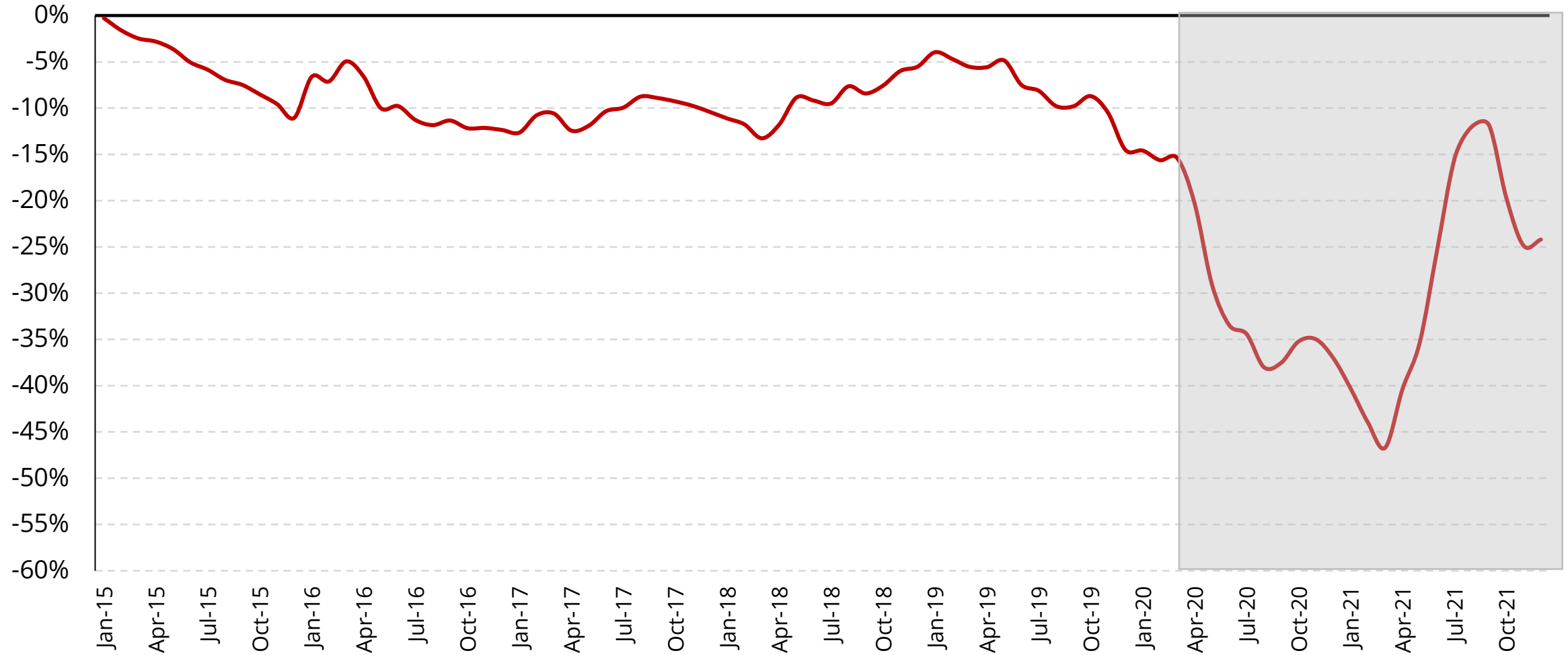
	Median home price	Average mortgage rate	Monthly payment	Income Needed
Dec 2017	\$274,000	3.95%	\$1,235	\$52,938
Dec 2018	\$280,000	4.64%	\$1,370	\$58,714
Dec 2019	\$297,000	3.72%	\$1,302	\$55,795
Dec 2020	\$325,000	2.68%	\$1,249	\$53,530
Dec 2021*	\$350,000	3.10%	\$1,420	\$60,850

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 7

Virginia Inventory

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

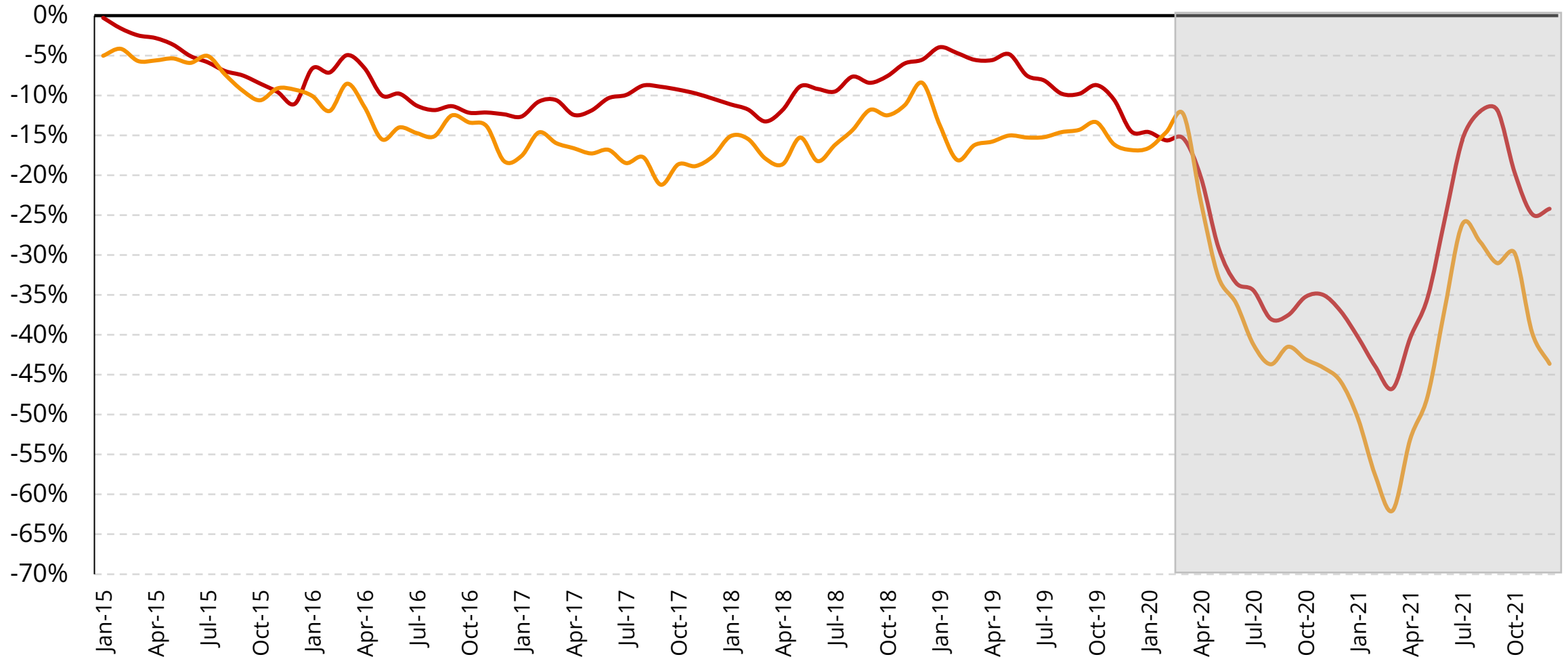


Virginia and RVAR Inventory

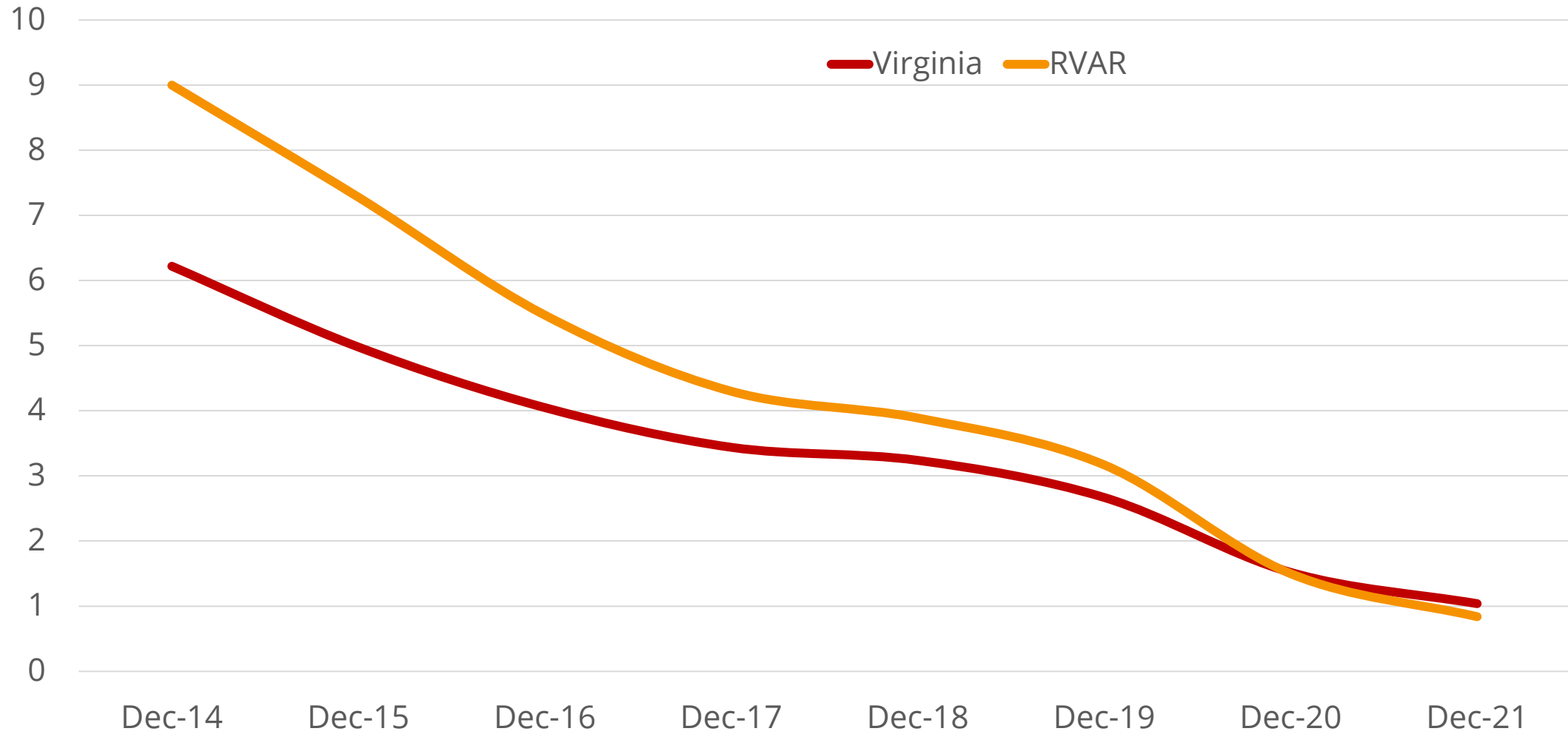
Y-o-Y Change in Month-End Inventory

— Virginia — RVAR

COVID Pandemic



Months of Supply




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



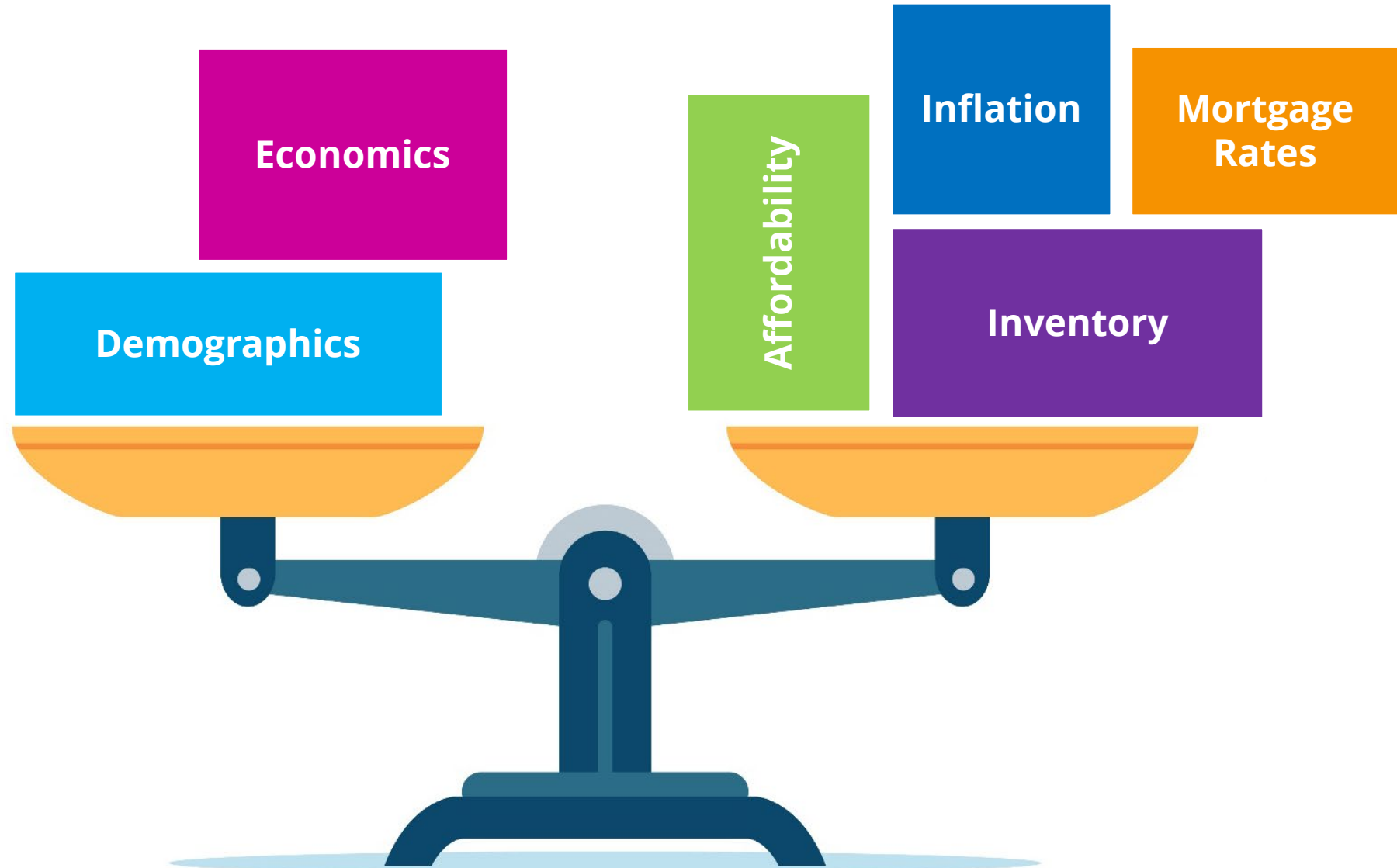
Strong demand, low supply, frenzied market



2022

LOOKING AHEAD

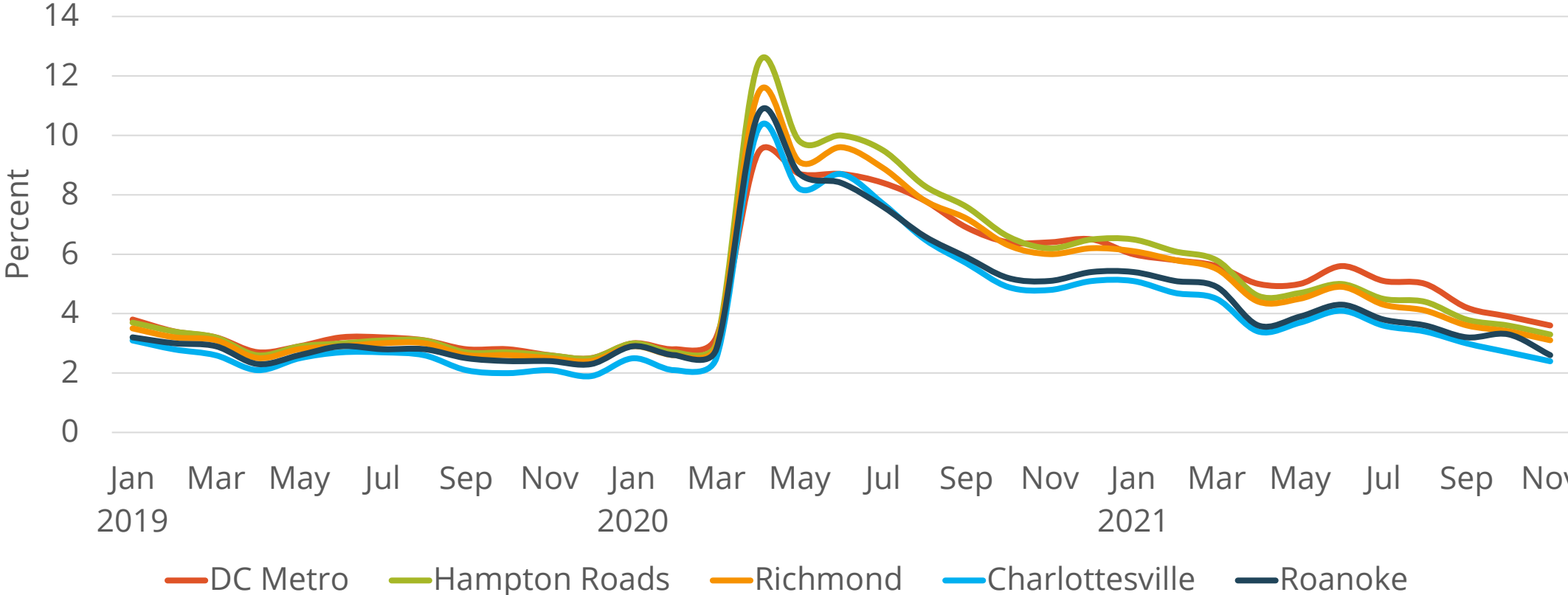
What will tip the scales in the 2022 housing market?



The Economy

Unemployment is close to pre-pandemic levels

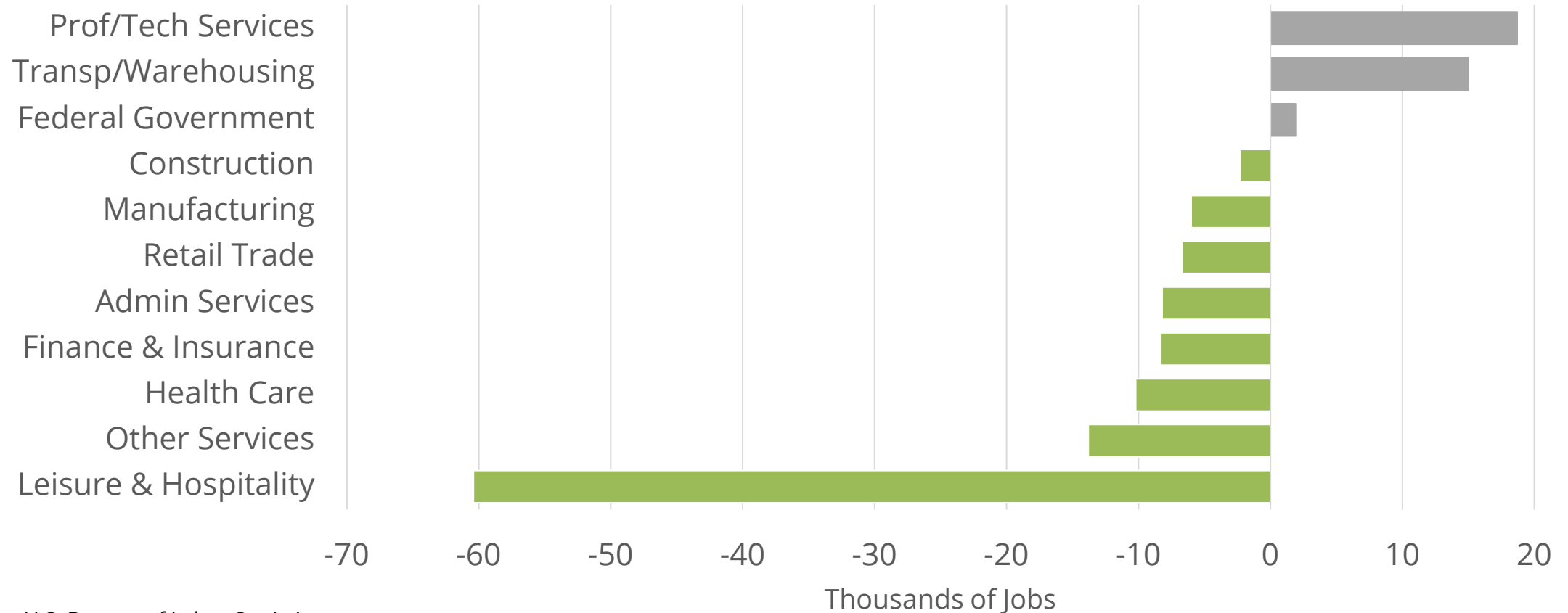
Unemployment Rate (not seasonally adjusted)



The Economy

Strong growth in higher-wage, professional jobs

Virginia Employment by Sector November 2021 Compared to January 2020

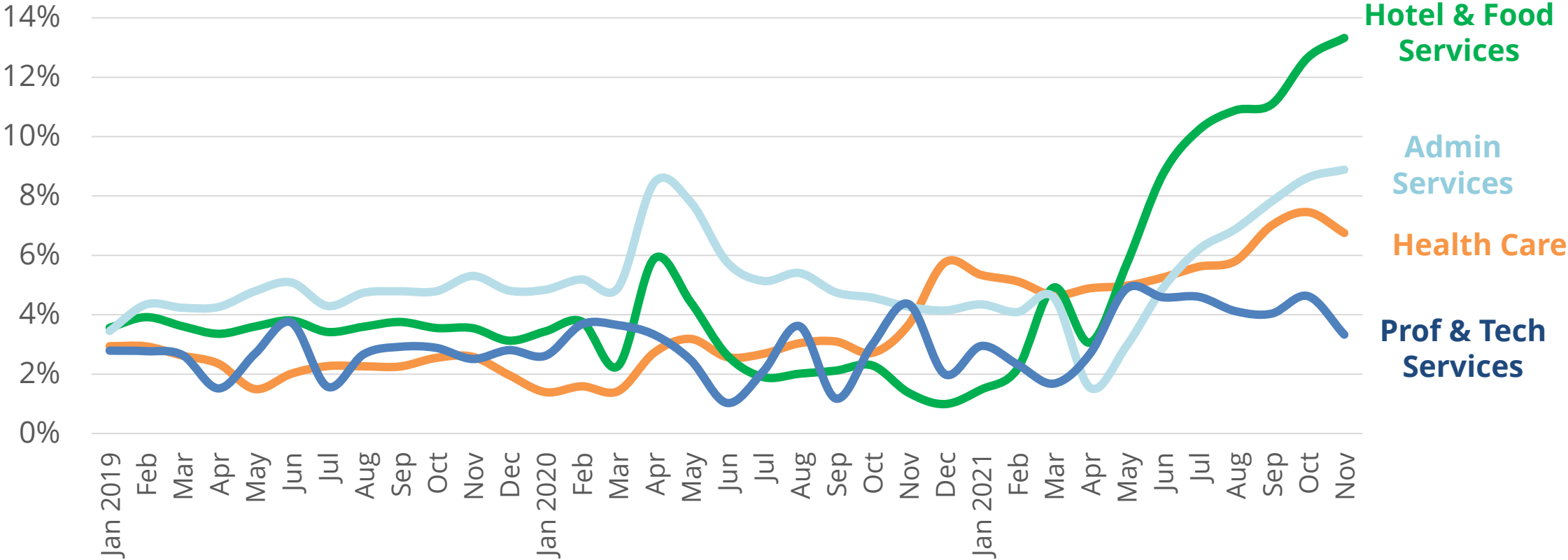


Source: U.S. Bureau of Labor Statistics

The Economy

Wages are rising for many workers

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



Source: U.S. Bureau of Labor Statistics

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%

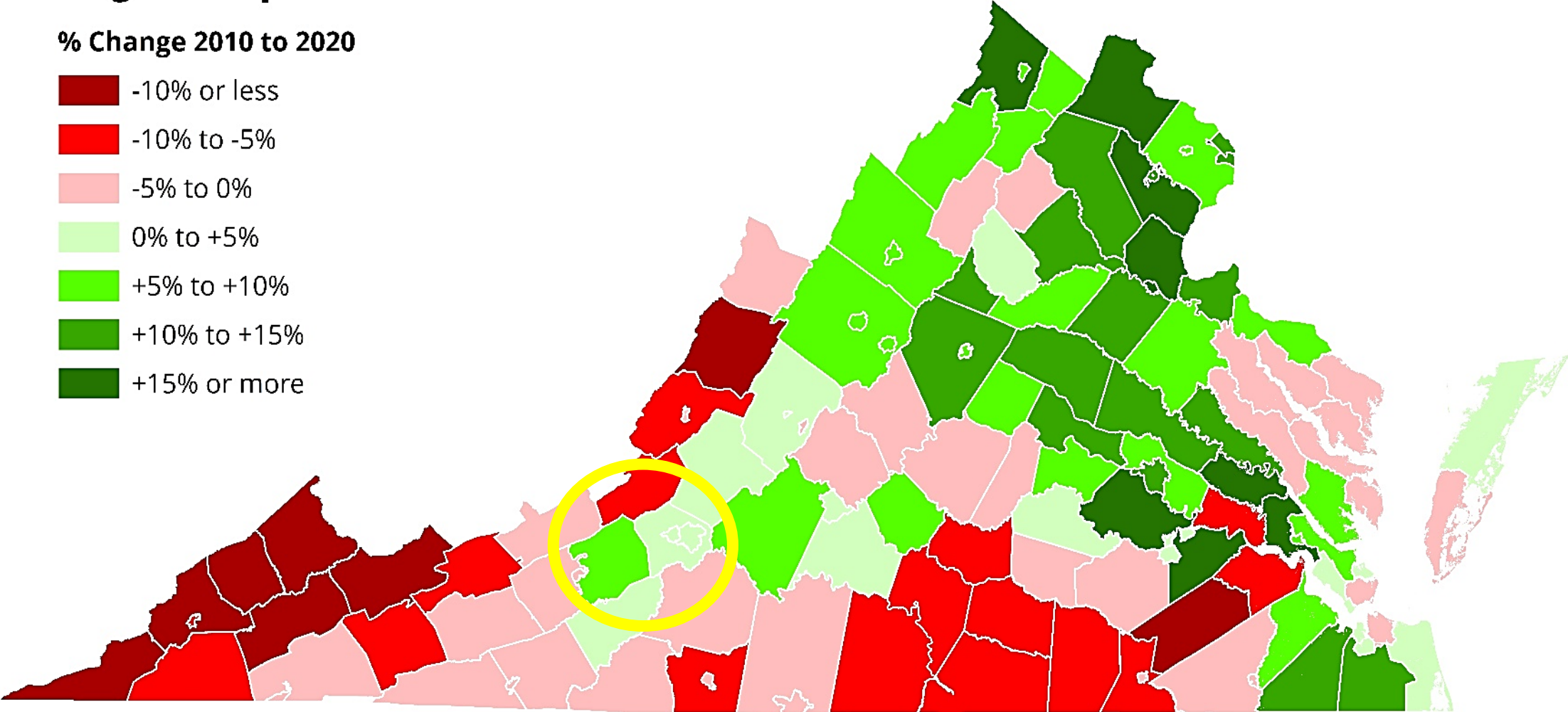
Demographics

The population of Virginia's Urban Crescent has been growing

Virginia Population Trends

% Change 2010 to 2020

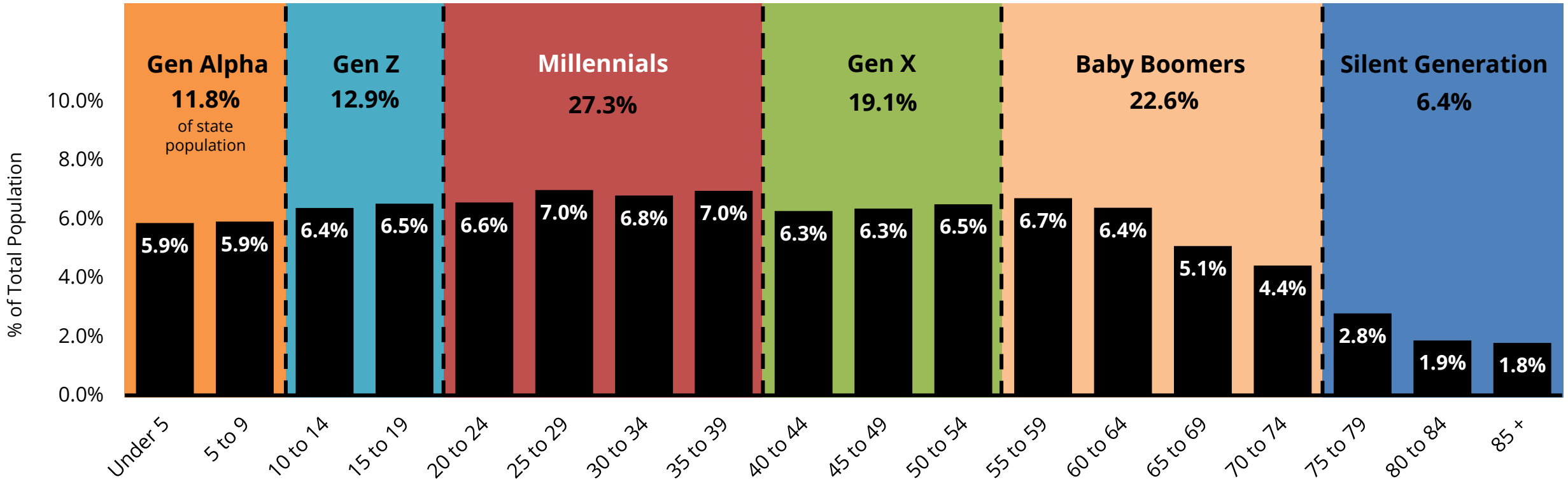
- 10% or less
- 10% to -5%
- 5% to 0%
- 0% to +5%
- +5% to +10%
- +10% to +15%
- +15% or more



Source: U.S. Census Bureau (Decennial Census)

Demographics

Age distribution in Virginia (2019)



Source: U.S. Census Bureau

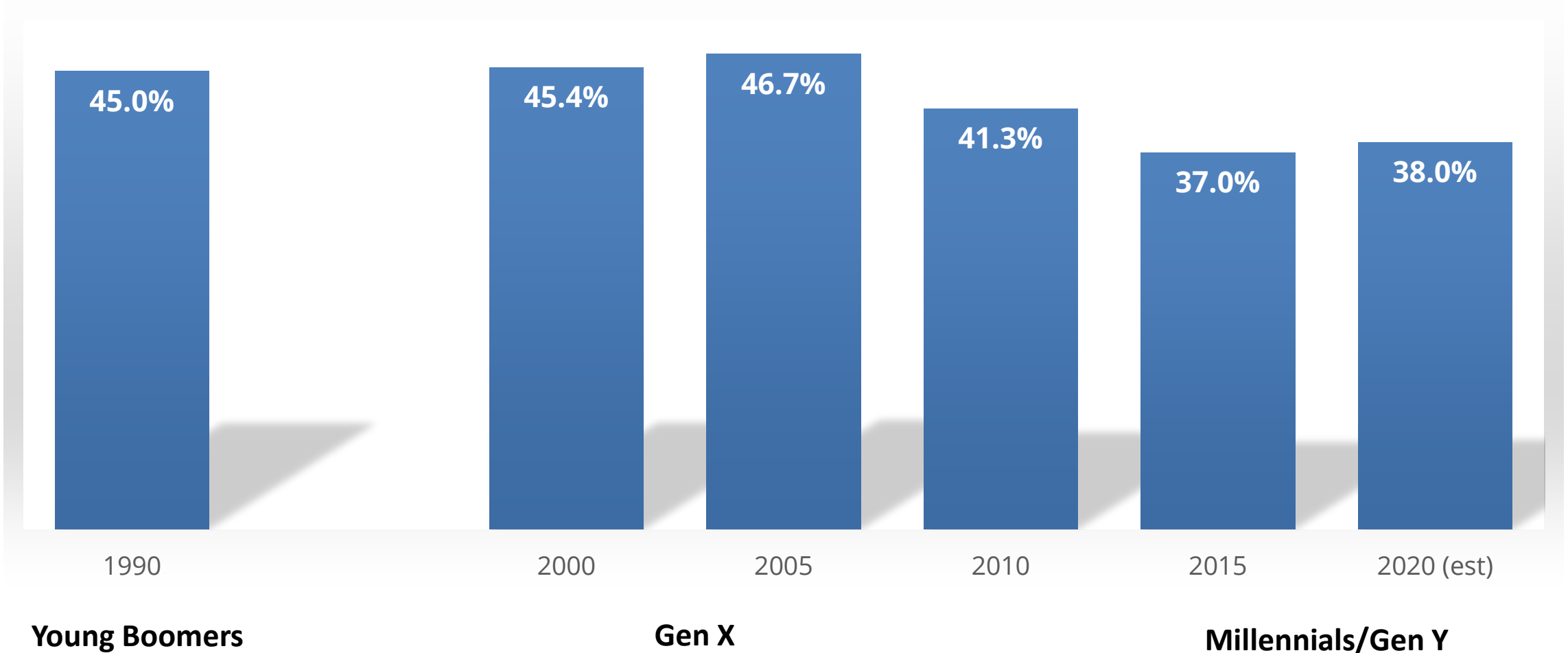
Age

Note: Generation age ranges are approximate

Demographics

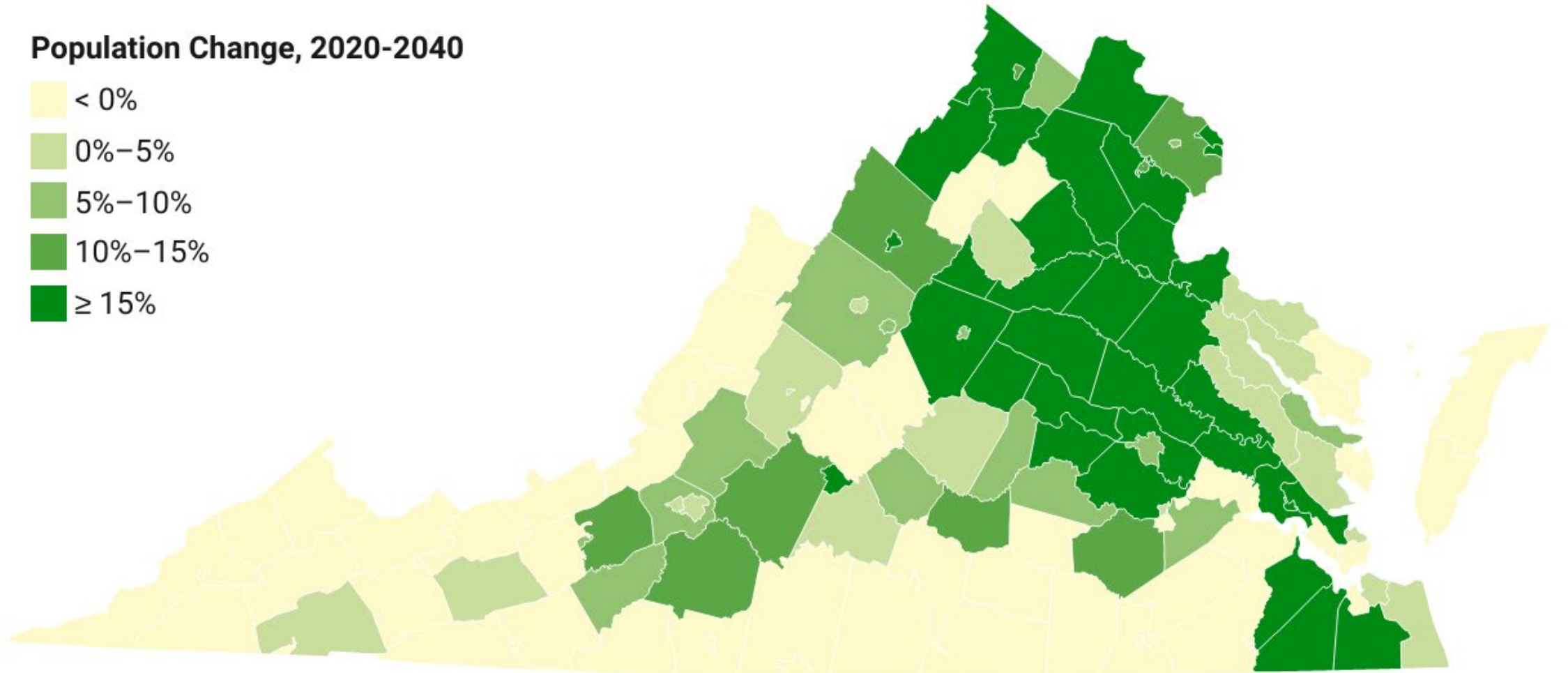
Homeownership rates among Millennials remain relatively low

Homeownership Rates, 25 to 34 Year Olds



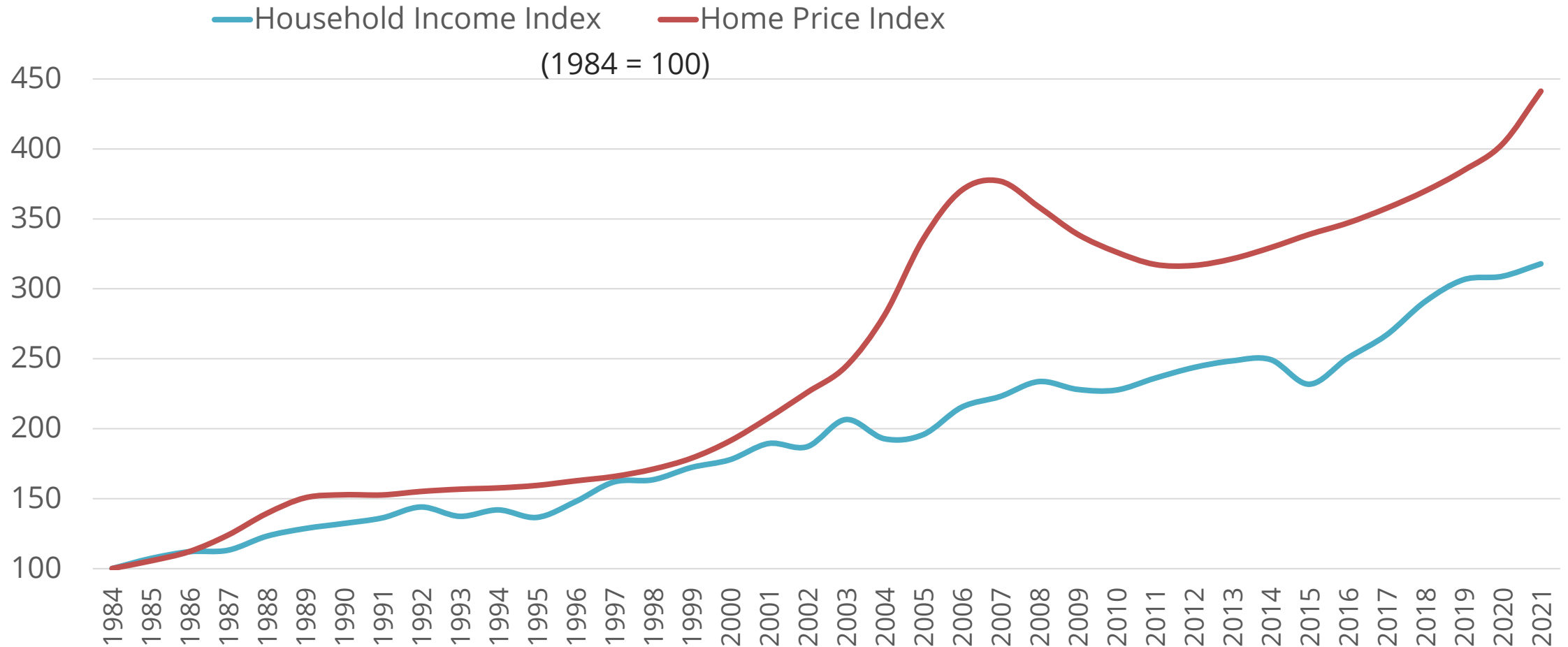
Demographics

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



Affordability

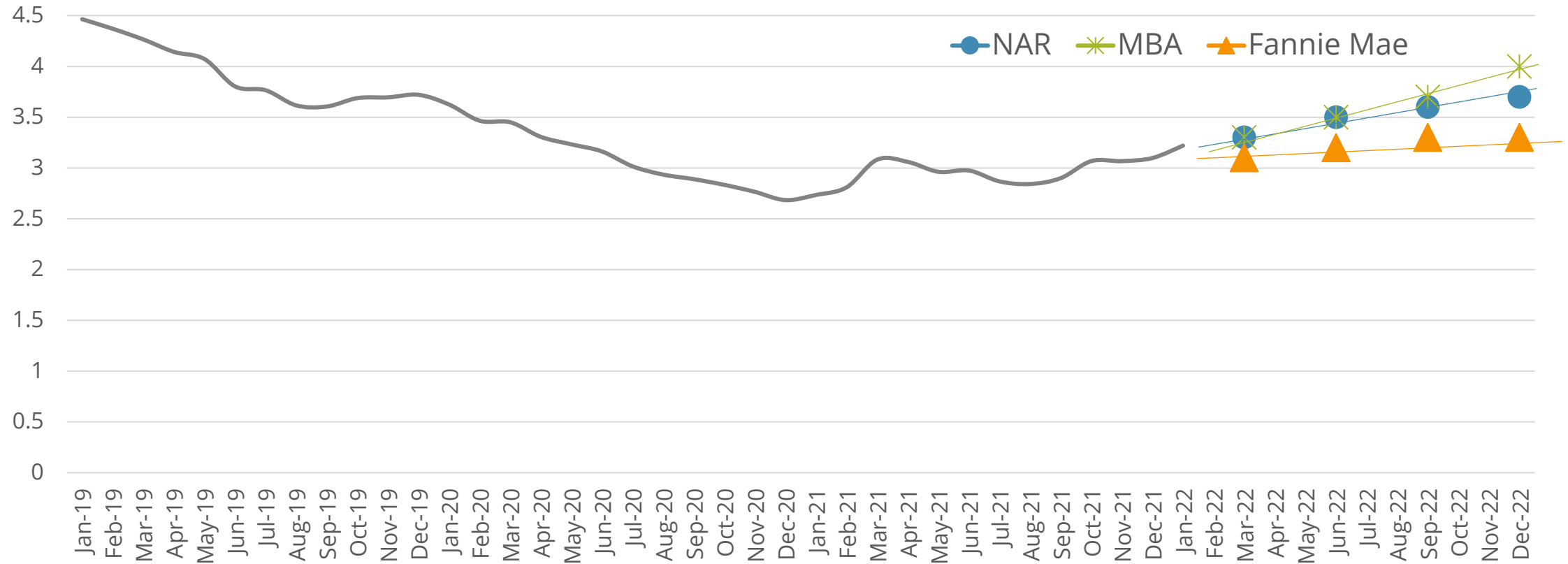
Home prices are rising much faster than incomes



Mortgage Rates

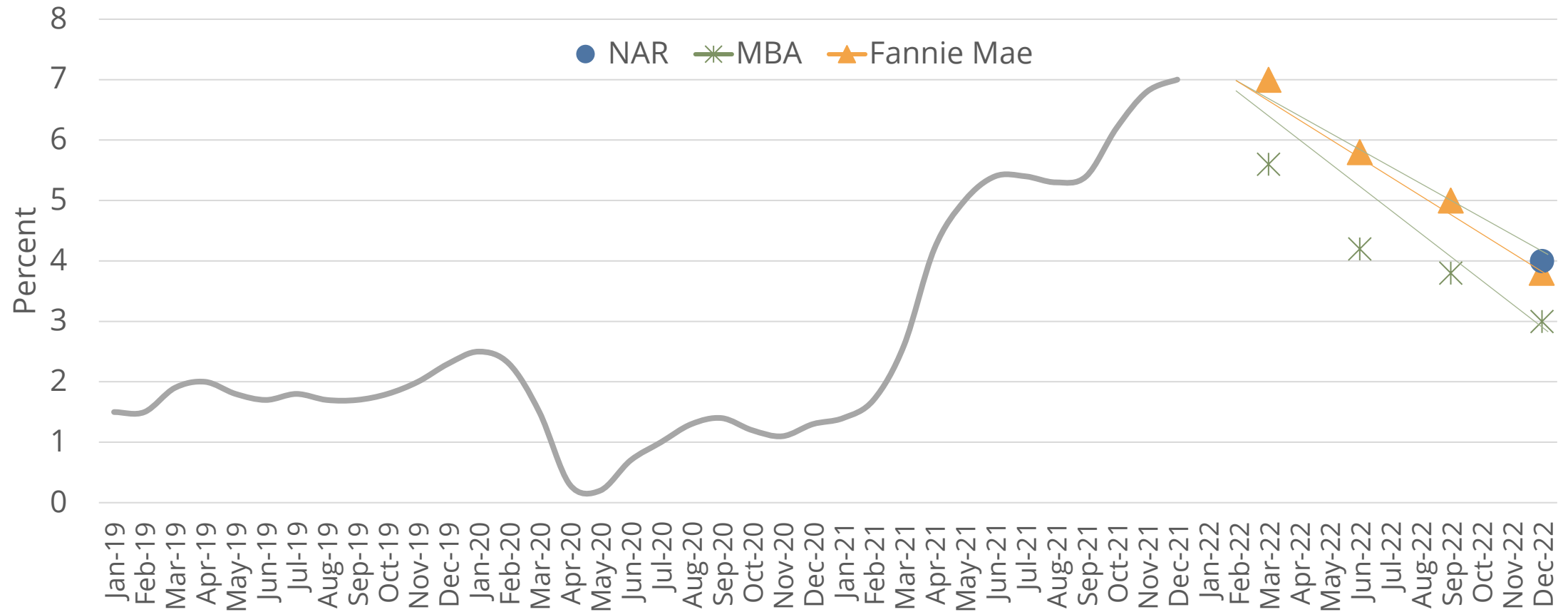
Modest increases forecasted for 2022

Average 30-Year Fixed Rate Mortgage Rate

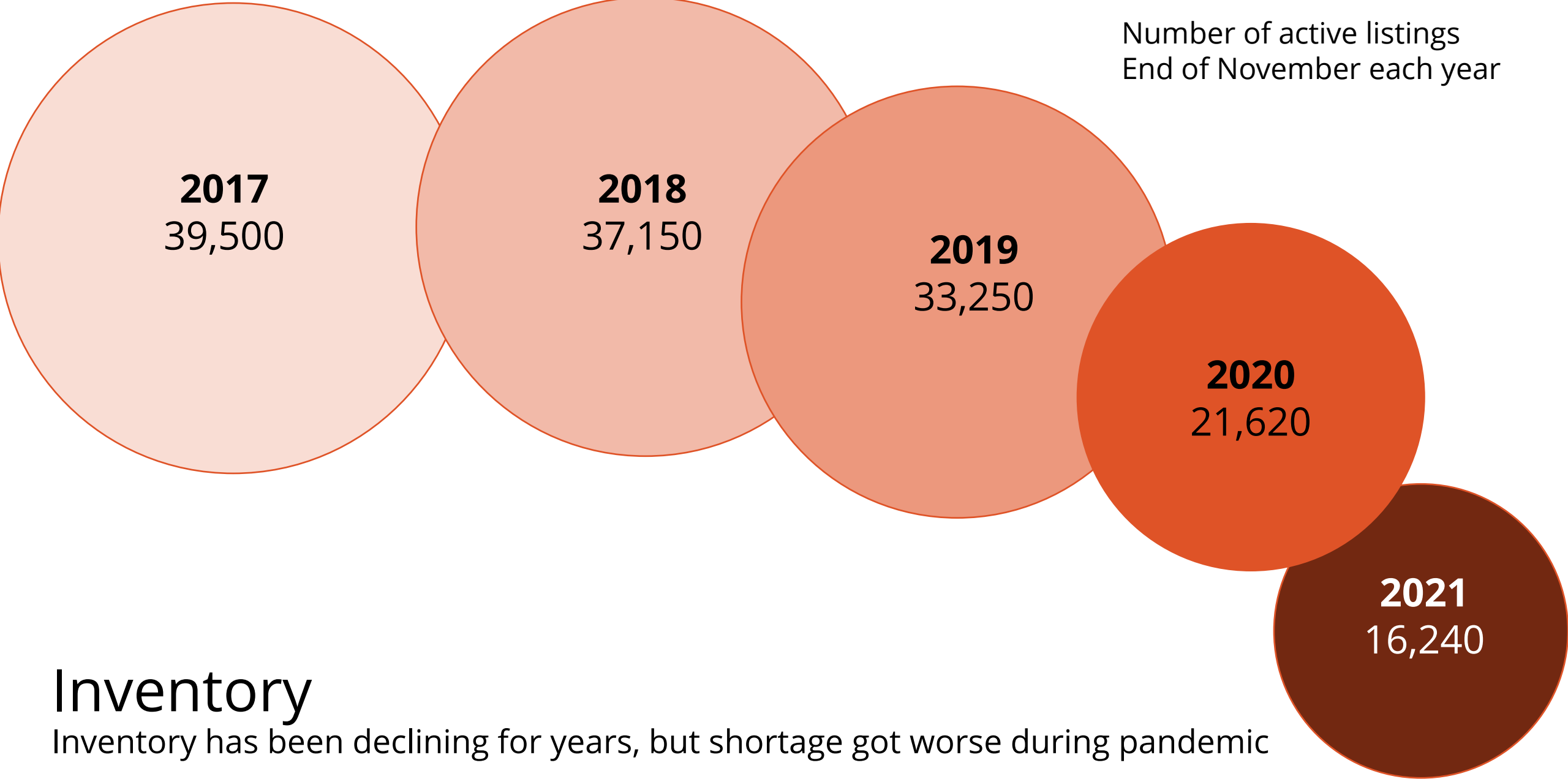


Inflation

Most economists are forecasting a sharp drop in inflation this year



Number of active listings
End of November each year



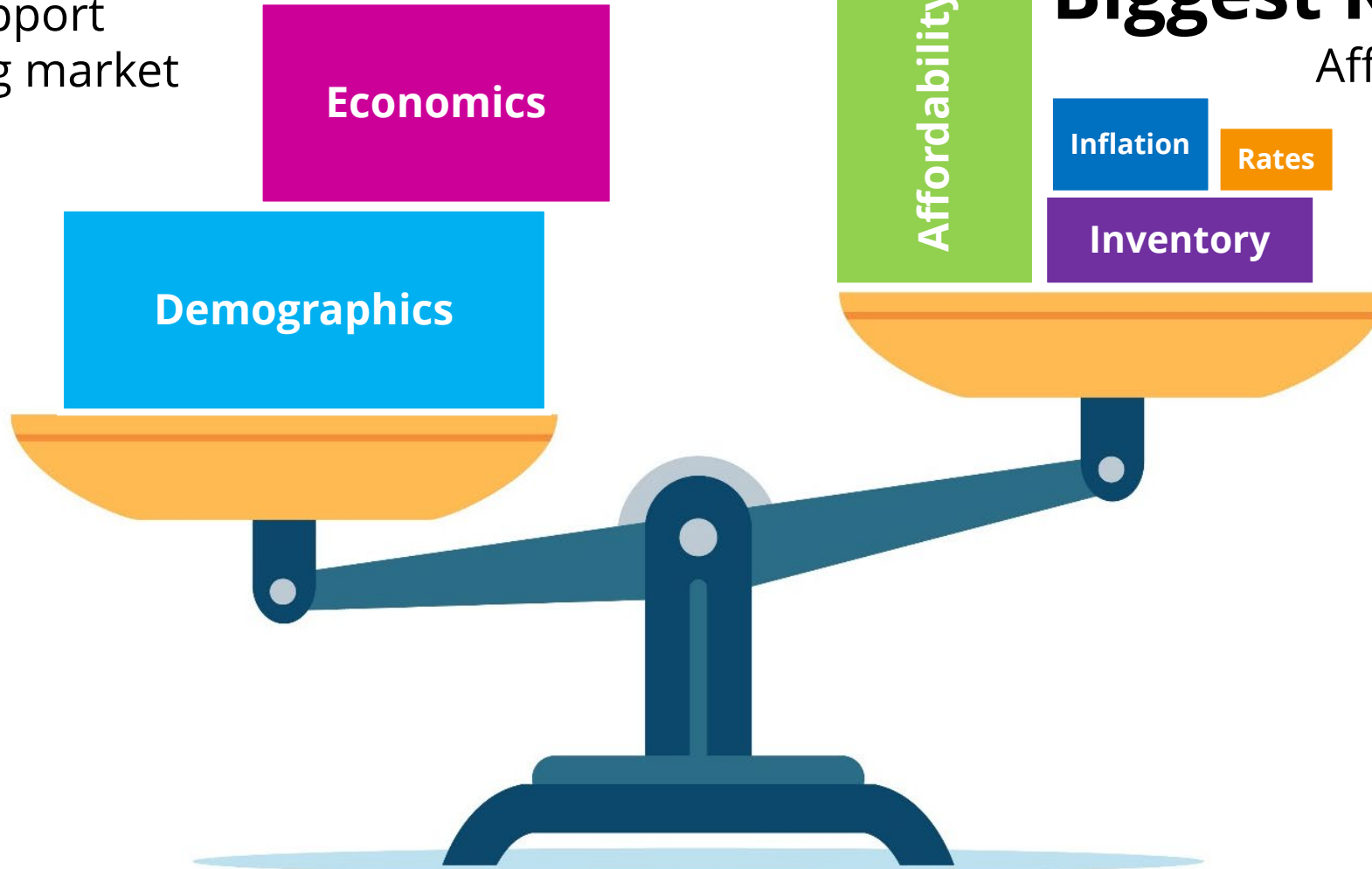
Inventory

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

Source: Virginia REALTORS®

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%

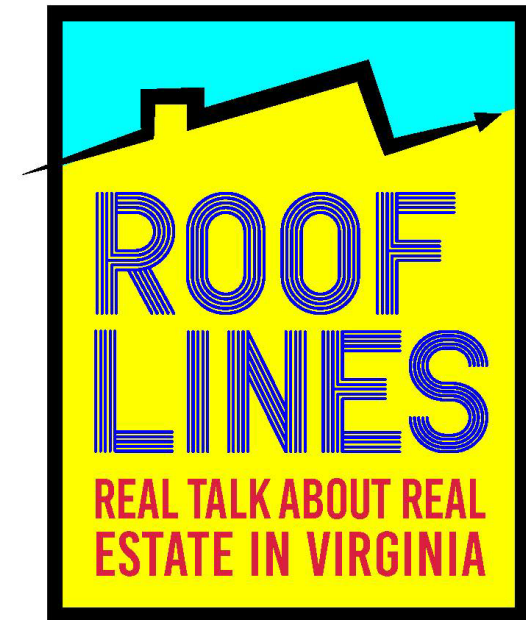
2022: 4.00%



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