

What's Ahead for Virginia's Housing Market?

Presentation to NOVA NARPM

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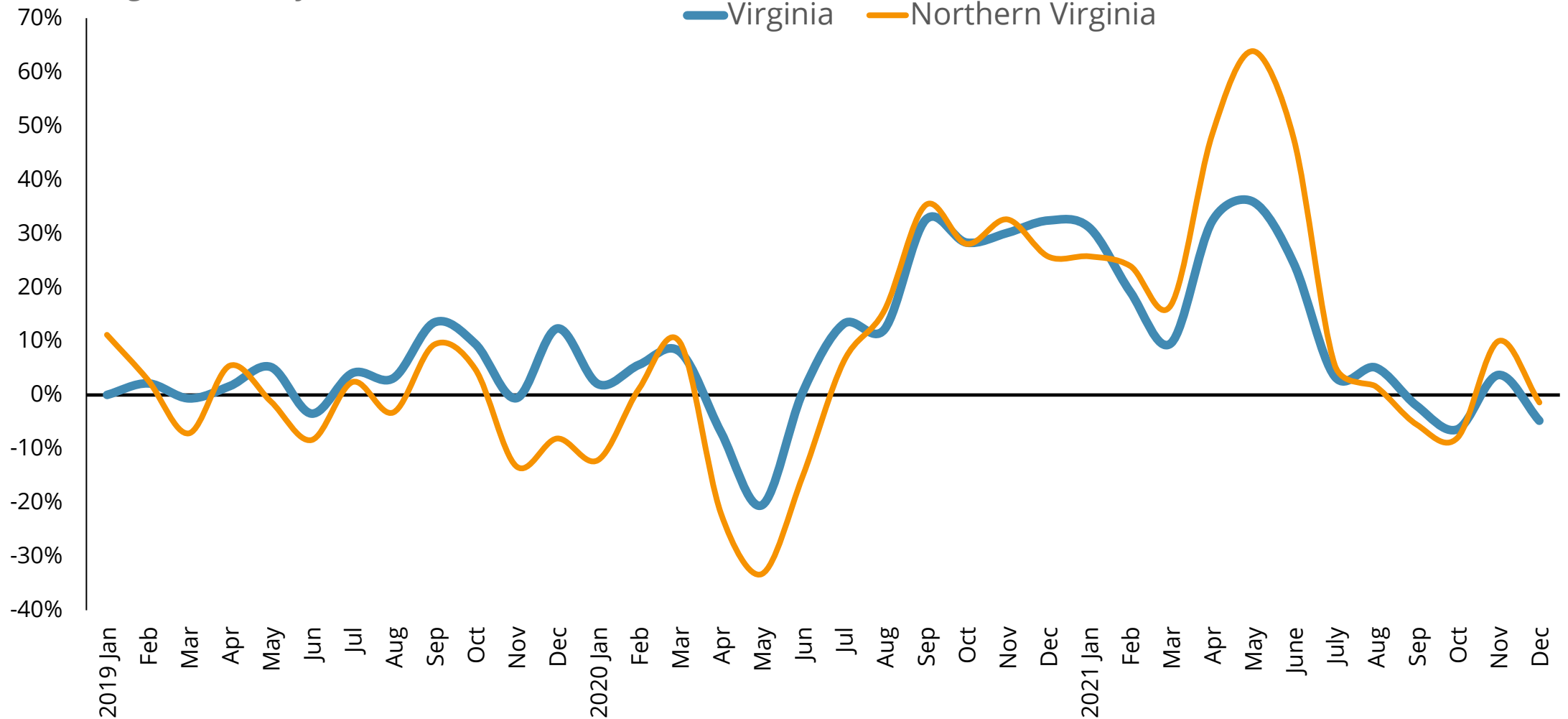
A view from a car window looking out at a sunset over a road with a bridge. The sun is low on the horizon, casting a golden glow over the scene. The road is paved and has a white dashed line. A bridge with a railing is visible in the distance. The sky is a mix of orange and yellow. The car's interior is visible in the foreground, including the window frame and a portion of the dashboard.

2021

A LOOK BACK

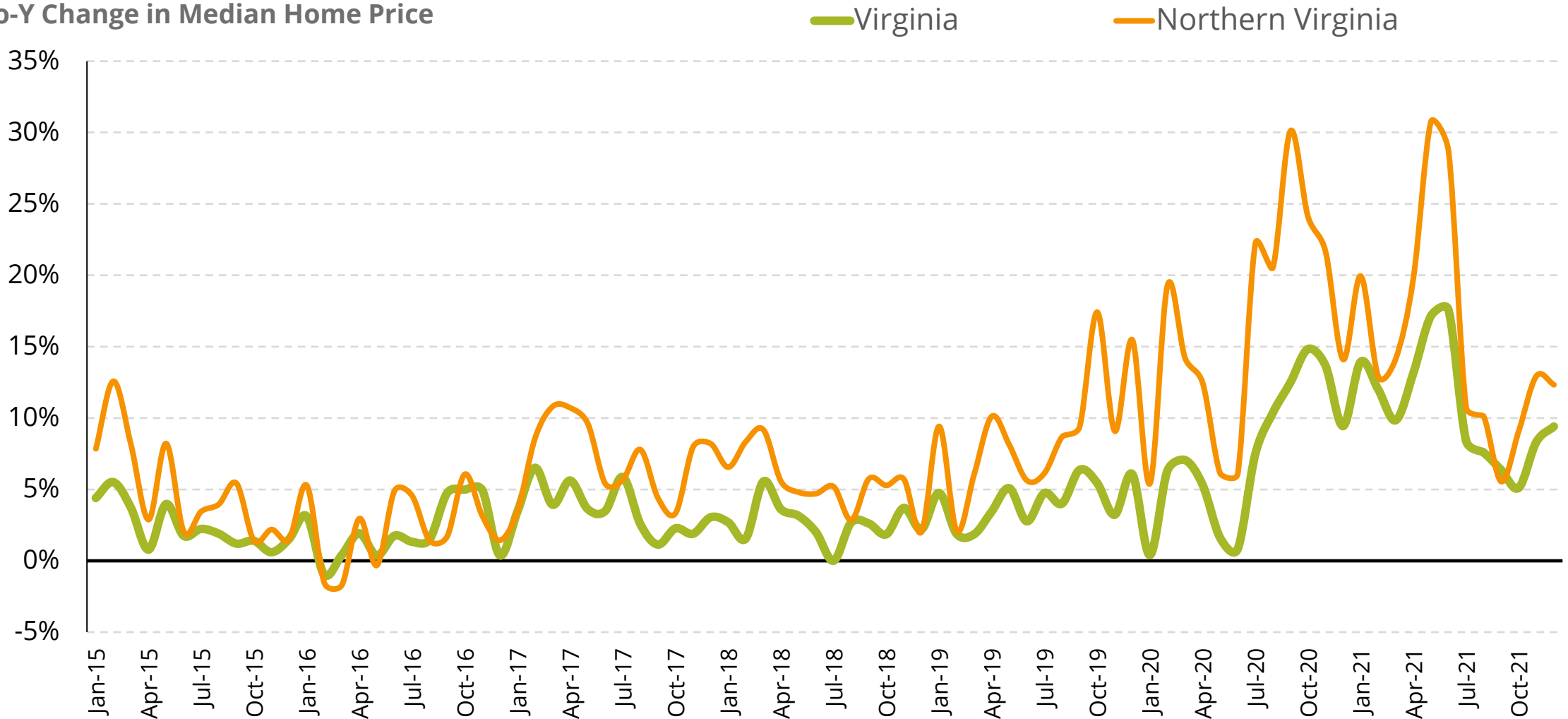
Virginia and Regional Home Sales

Y-o-Y Change in Monthly Home Sales



Virginia and Regional Home Prices

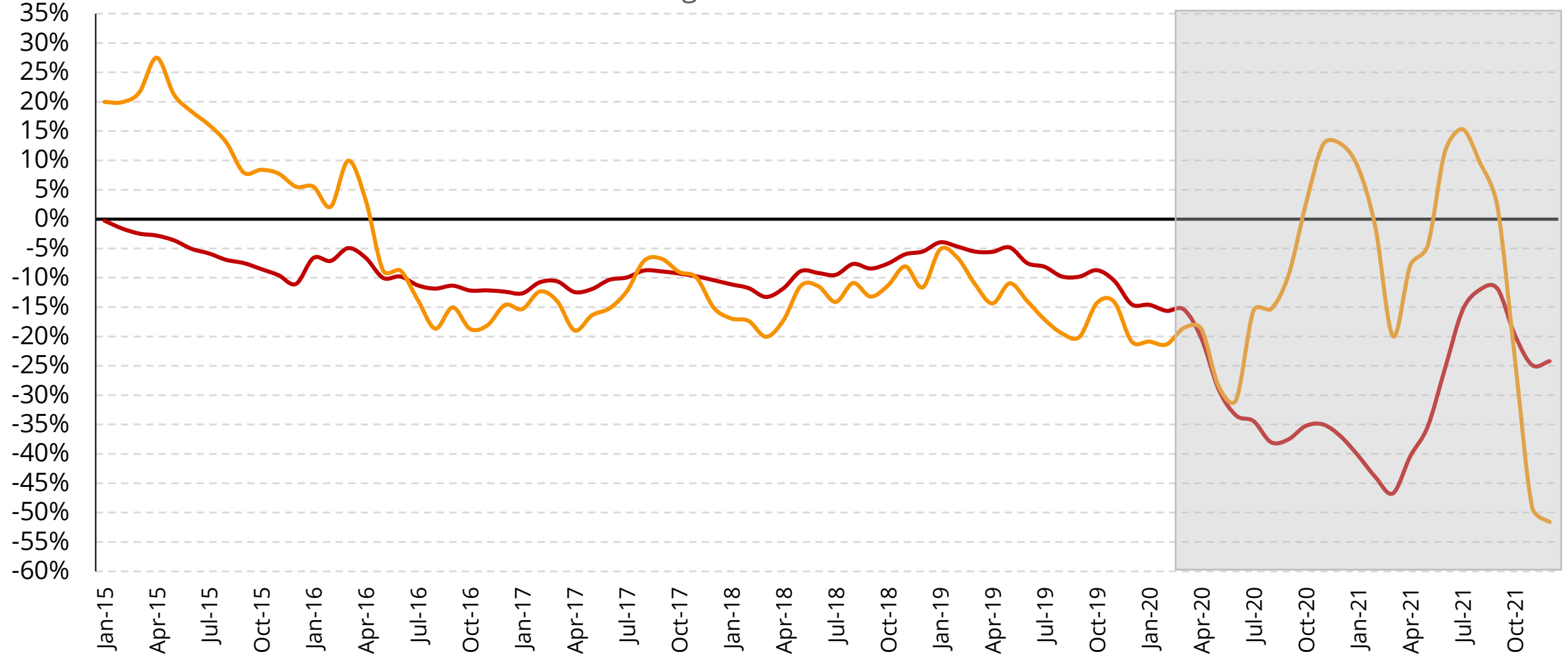
Y-o-Y Change in Median Home Price



Virginia and Regional Inventory

Y-o-Y Change in Month-End Inventory

— Virginia — NVAR



Recap:


What Drove the Hot 2020-2021 For-Sale 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

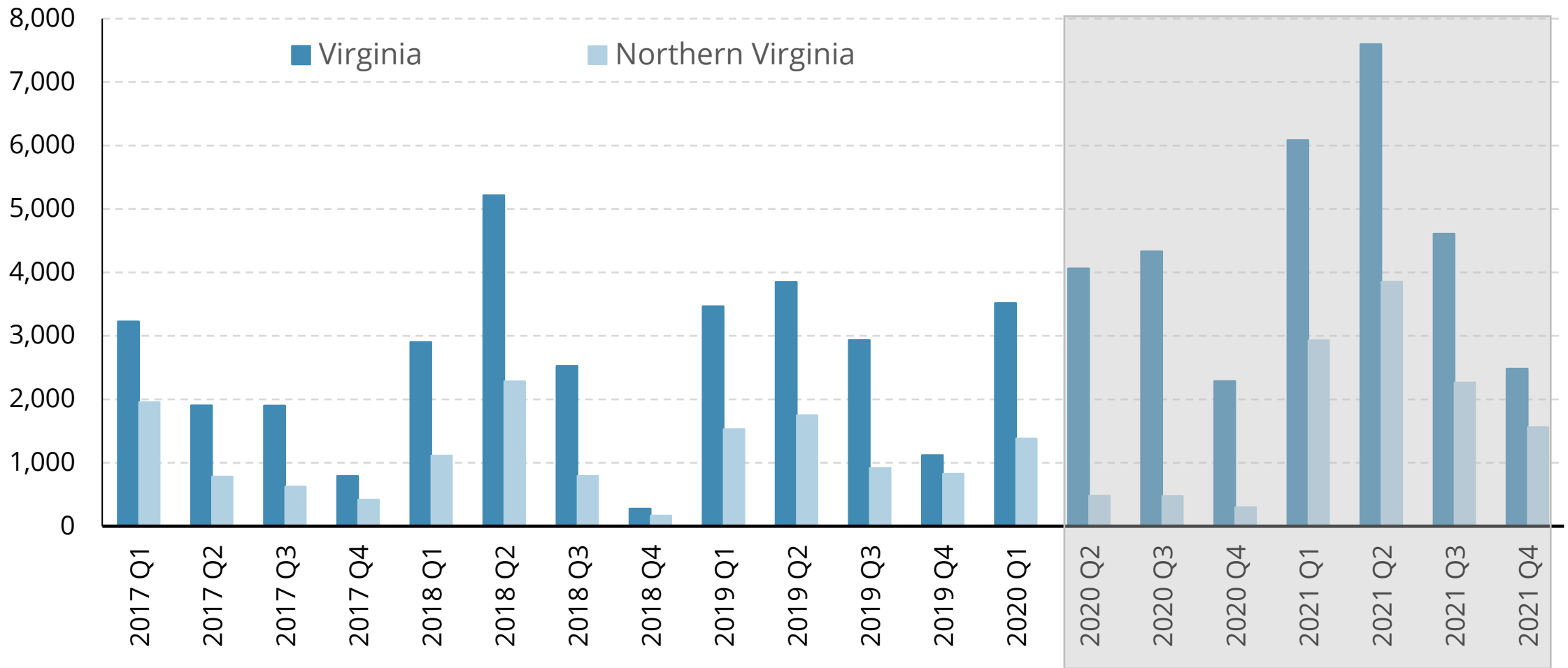
- Favorable demographics supporting demand (i.e., Millennials)
- Baby Boomers staying in their homes longer
- Resilient economy and stable employment picture for many



Strong demand, low supply, frenzied market

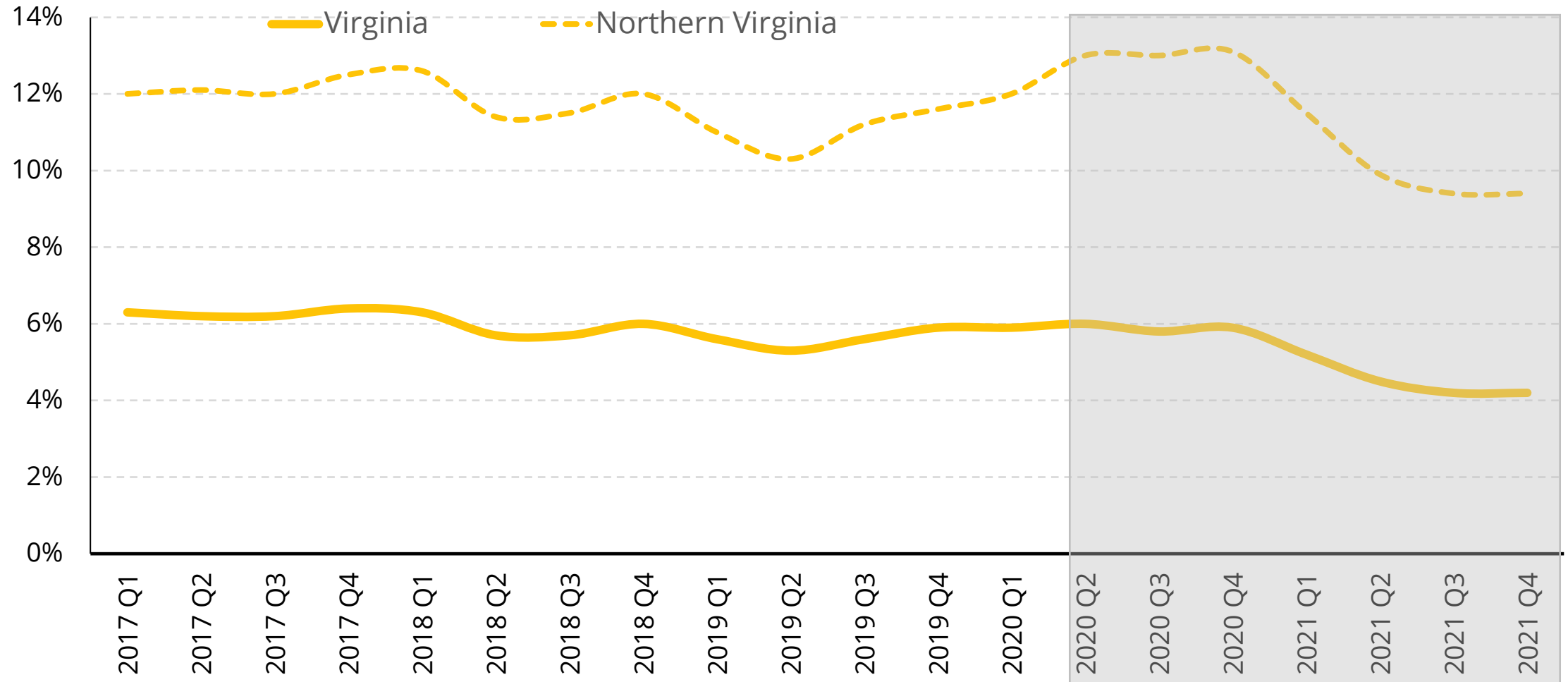
Virginia and Regional Apartment Absorption

Quarterly Apartment Absorption (SF)



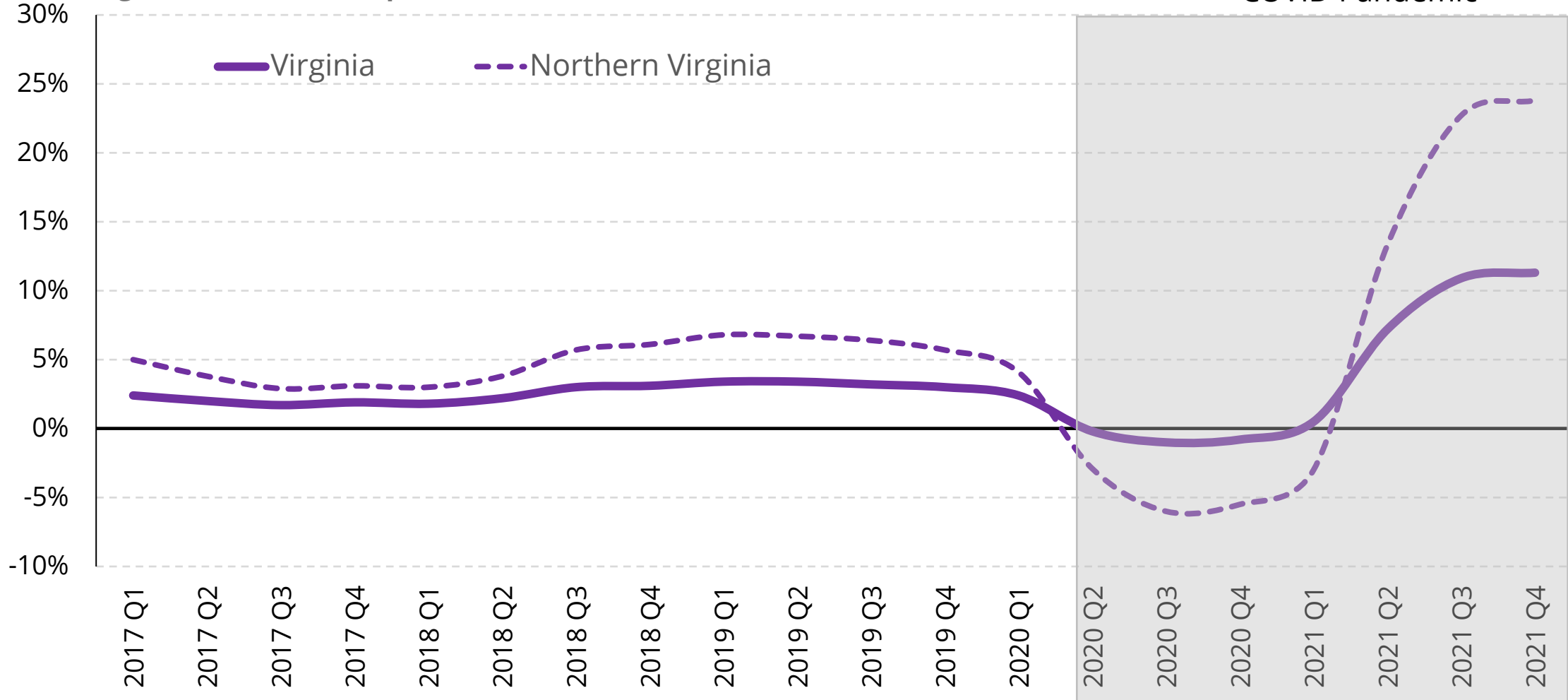
Virginia and Regional Vacancy Rates

Vacancy Rate



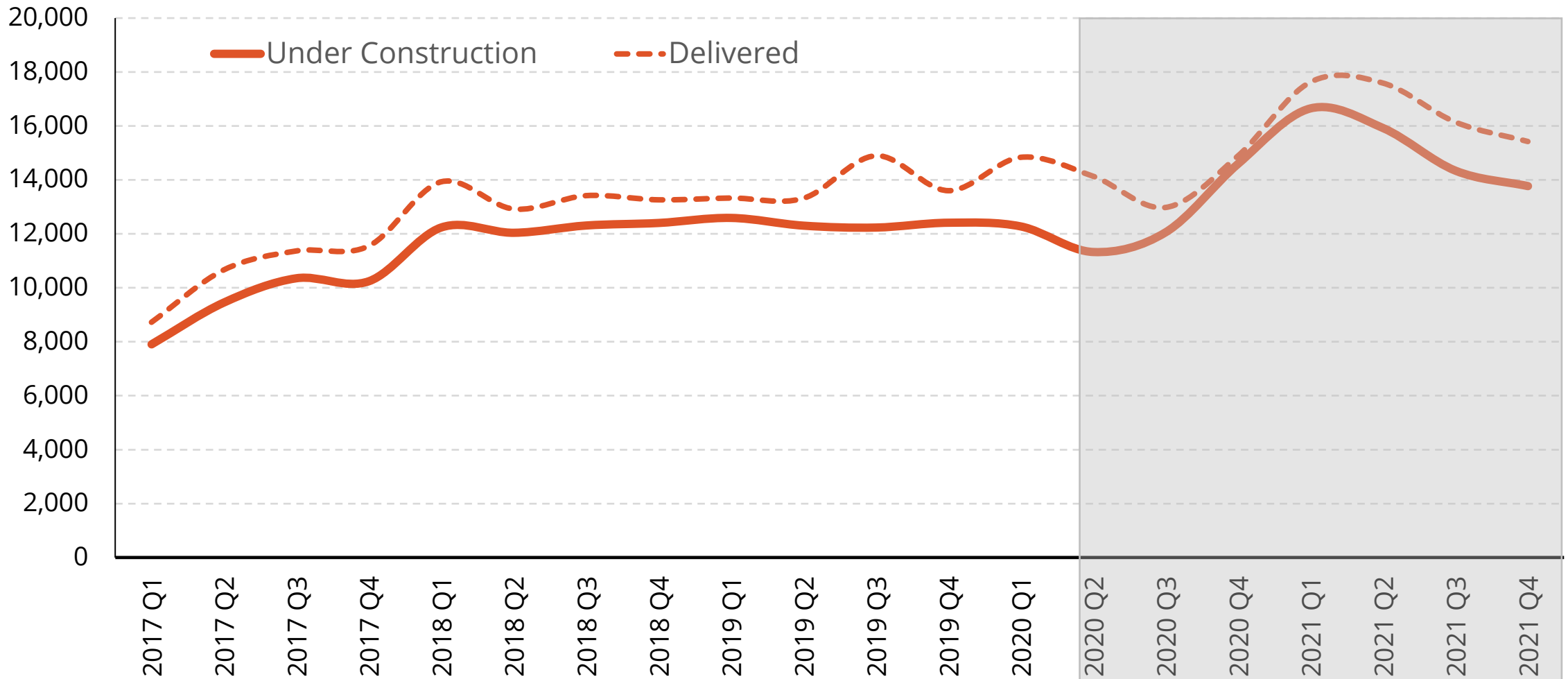
Virginia and Regional Rents


Y-o-Y Change in Effective Rent (per SF)



Virginia and Regional Apartment Construction

Northern Virginia Market

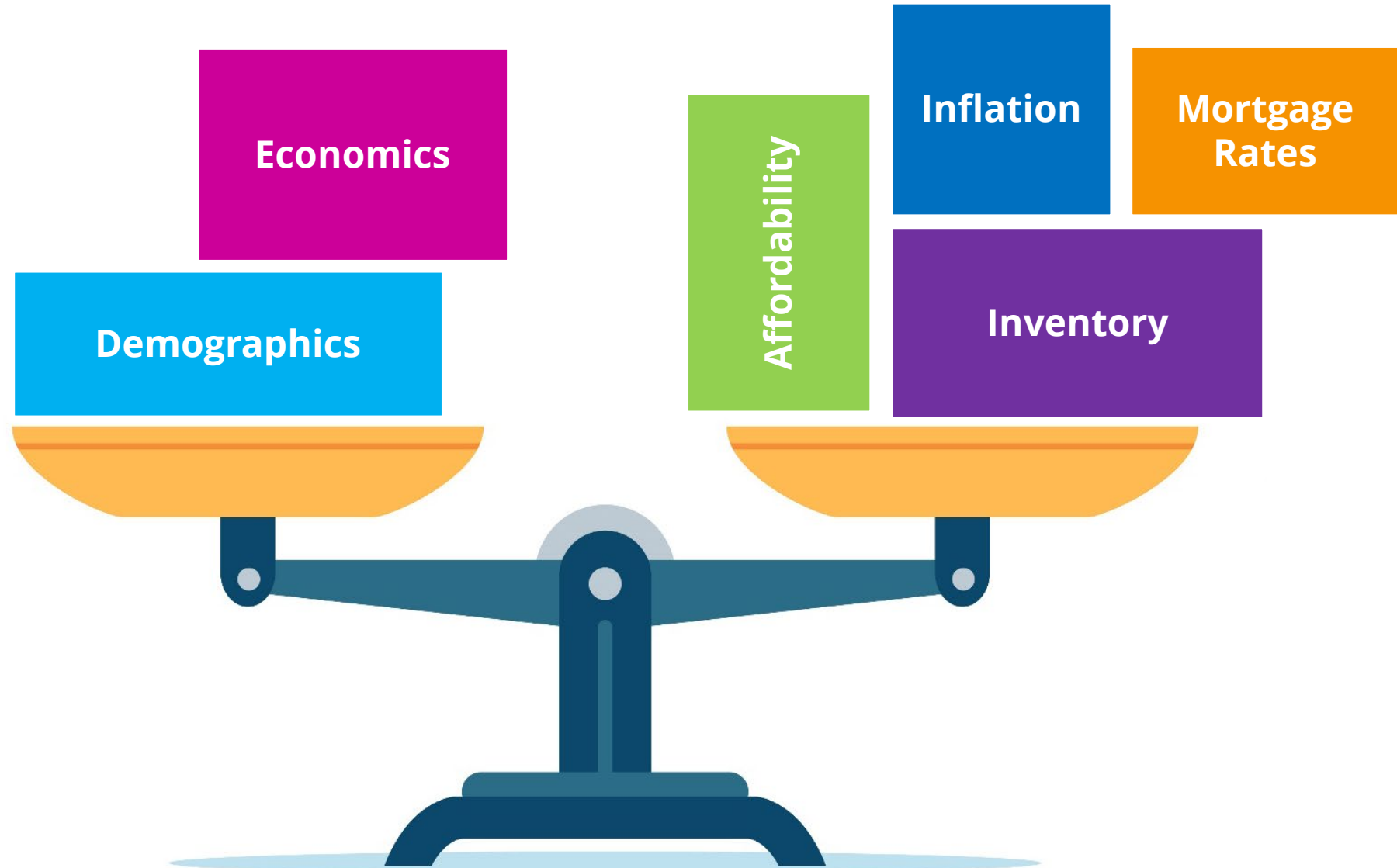




2022

LOOKING AHEAD

What will tip the scales in the 2022 housing market?



The Economy: Where We're Headed

Job Growth

Annual Change



2021: +1.6%
+62K jobs

2022: +2.0%
+79K jobs

Unemployment Rate

4th quarter

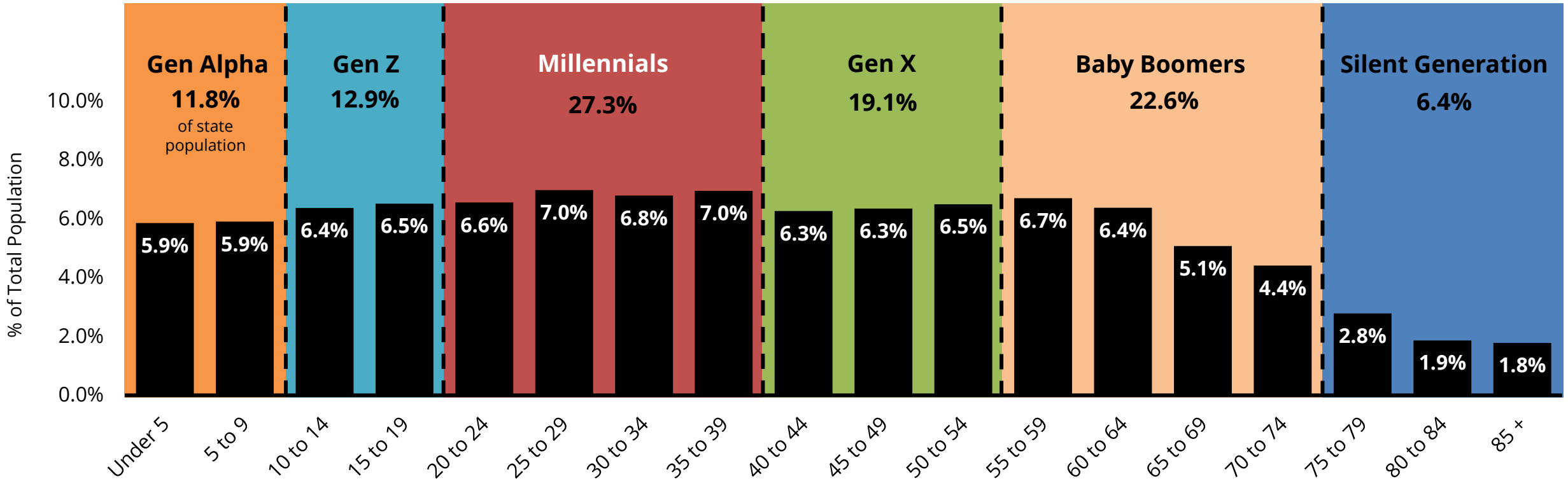


2021: 3.5%

2022: 3.0%

Demographics

Age distribution in Virginia (2019)



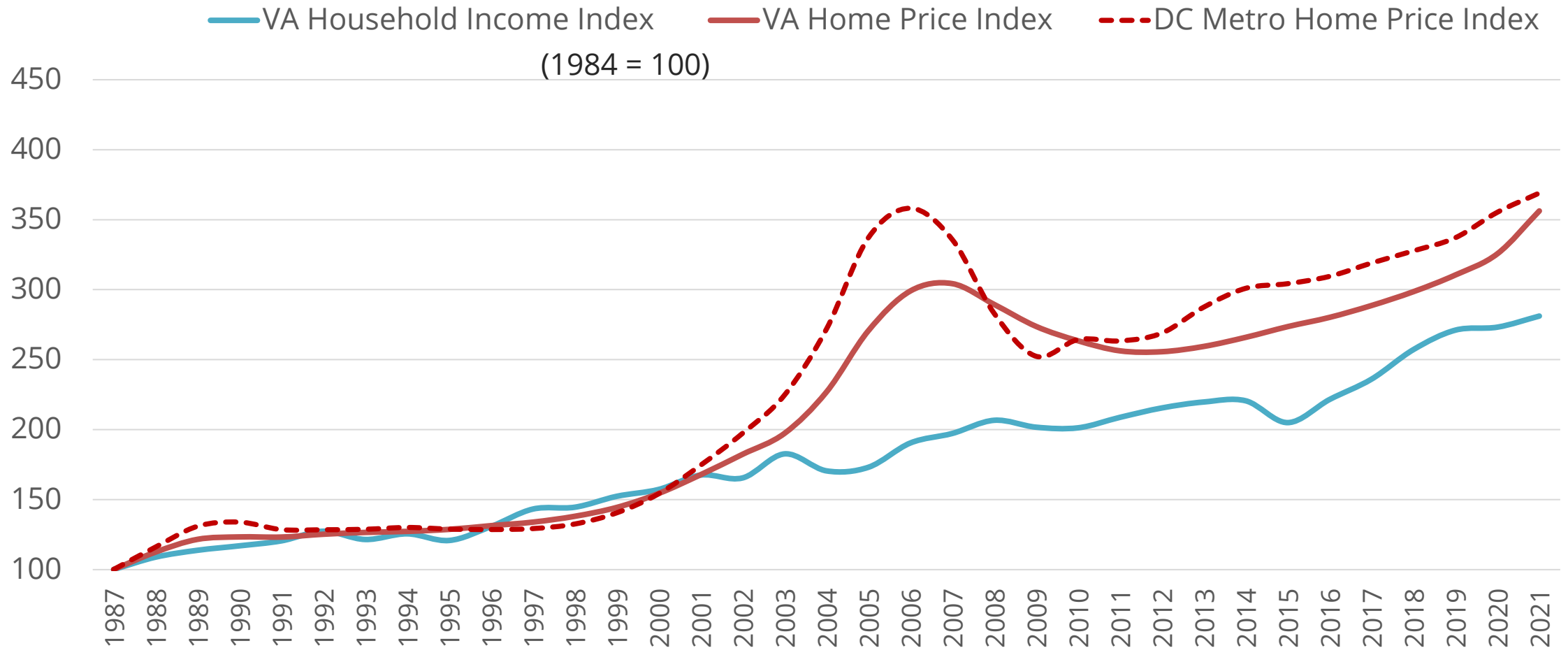
Source: U.S. Census Bureau

Age

Note: Generation age ranges are approximate

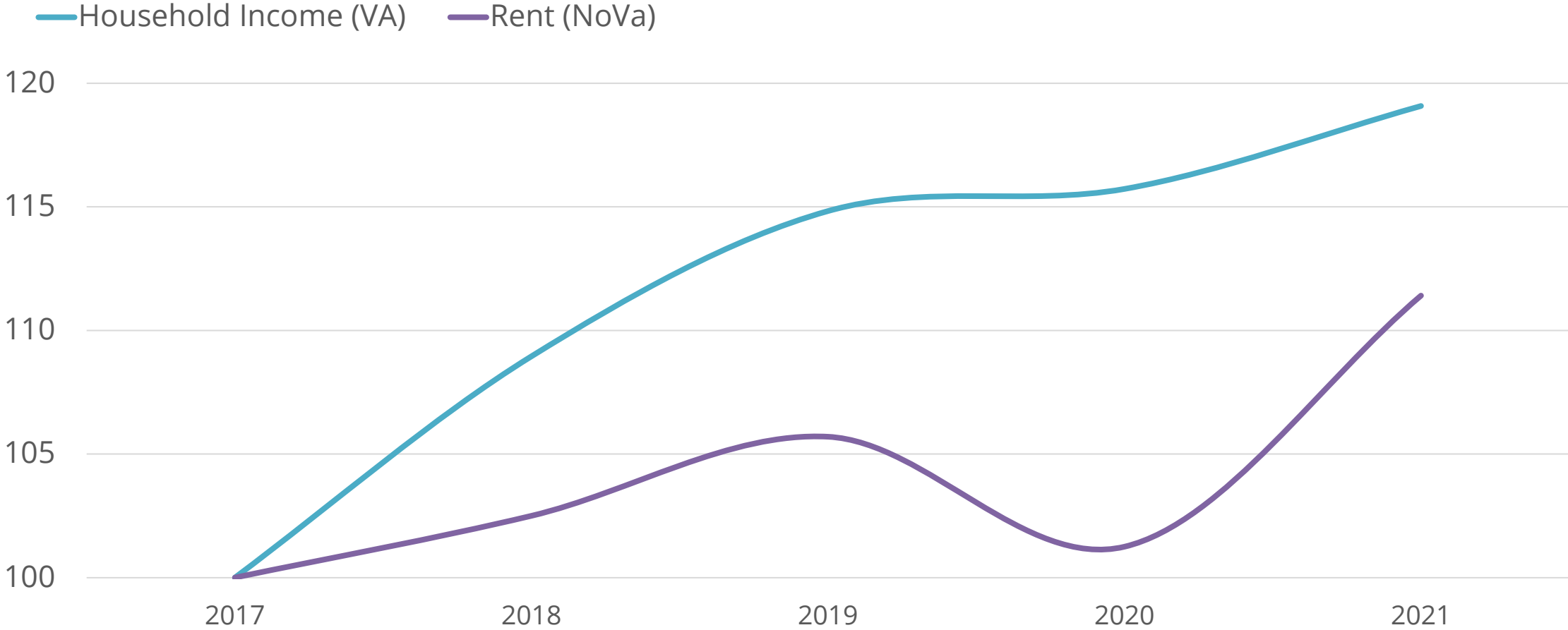
Affordability

Home prices are rising much faster than incomes



Affordability

Rents have also risen quickly over the past year

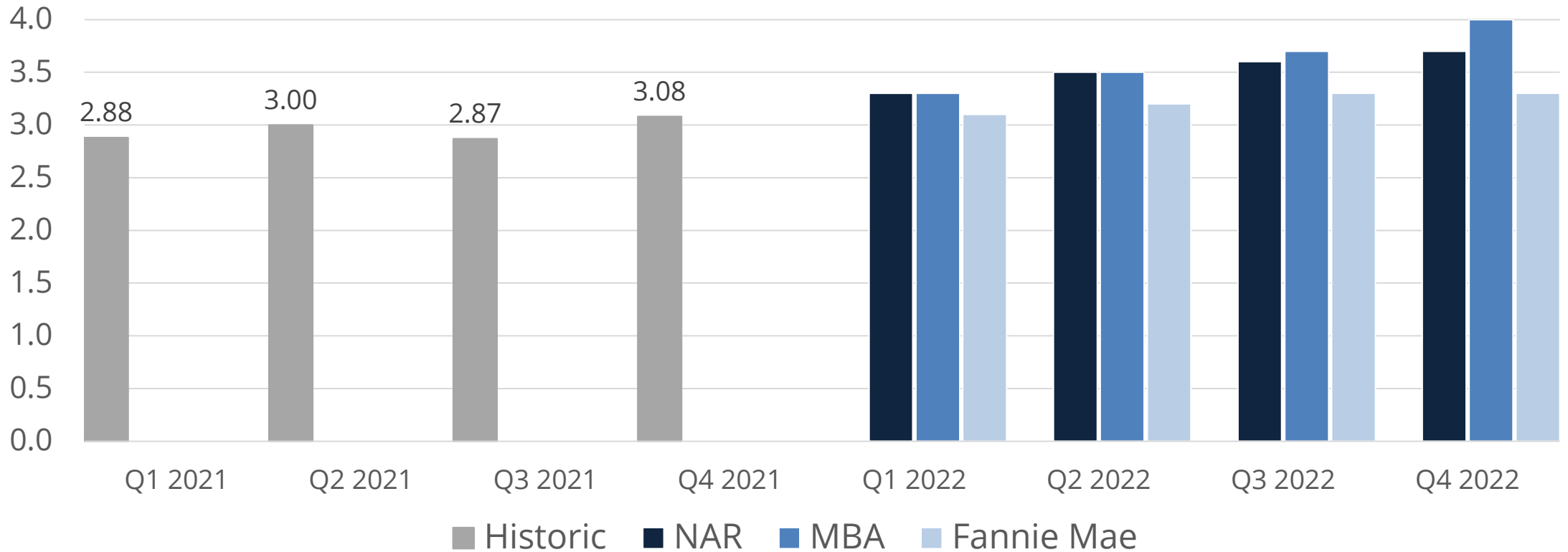


Source: Virginia REALTORS®, CoStar

Mortgage Rates

Modest increases forecasted for 2022

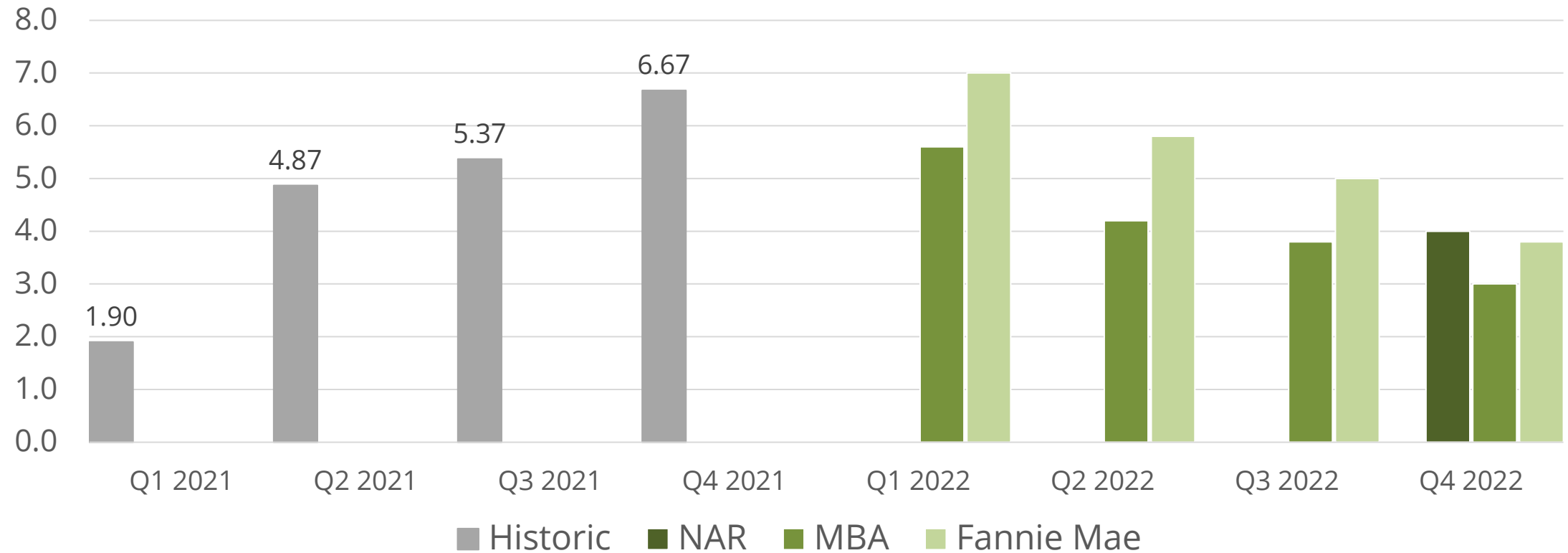
Average 30-Year Fixed Rate Mortgage Rate



Inflation

Most economists are forecasting a sharp drop in inflation this year

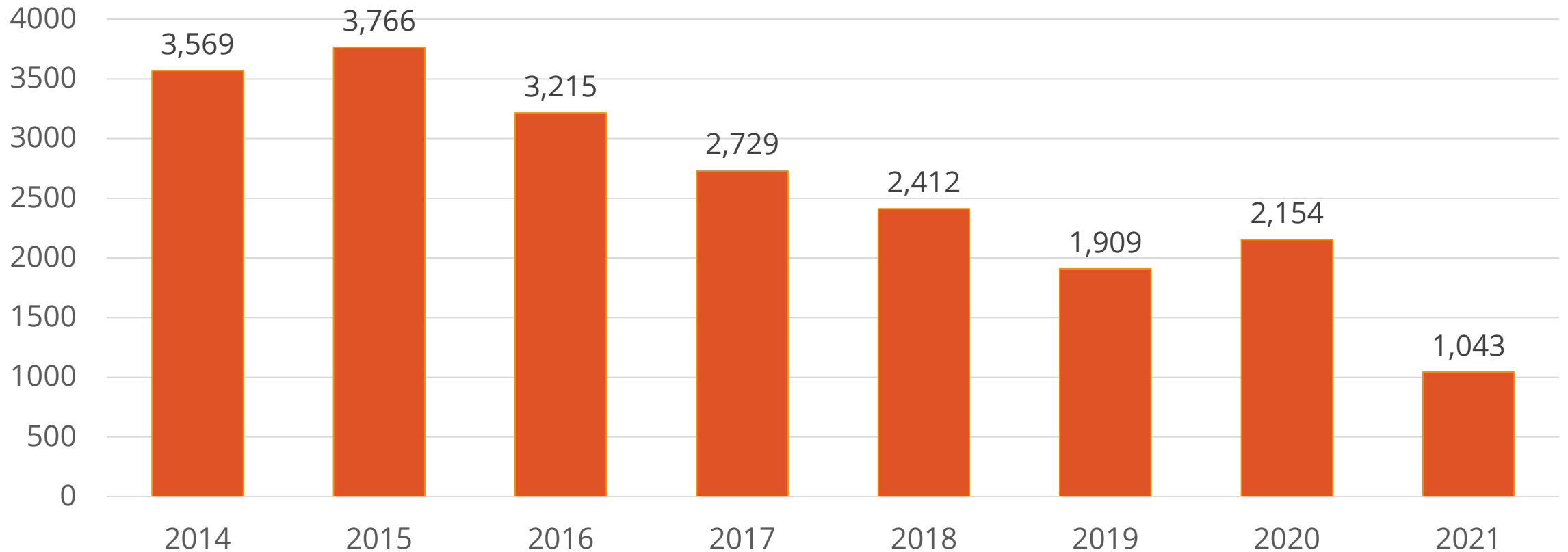
Average Change in CPI-U



NVAR For-Sale Inventory

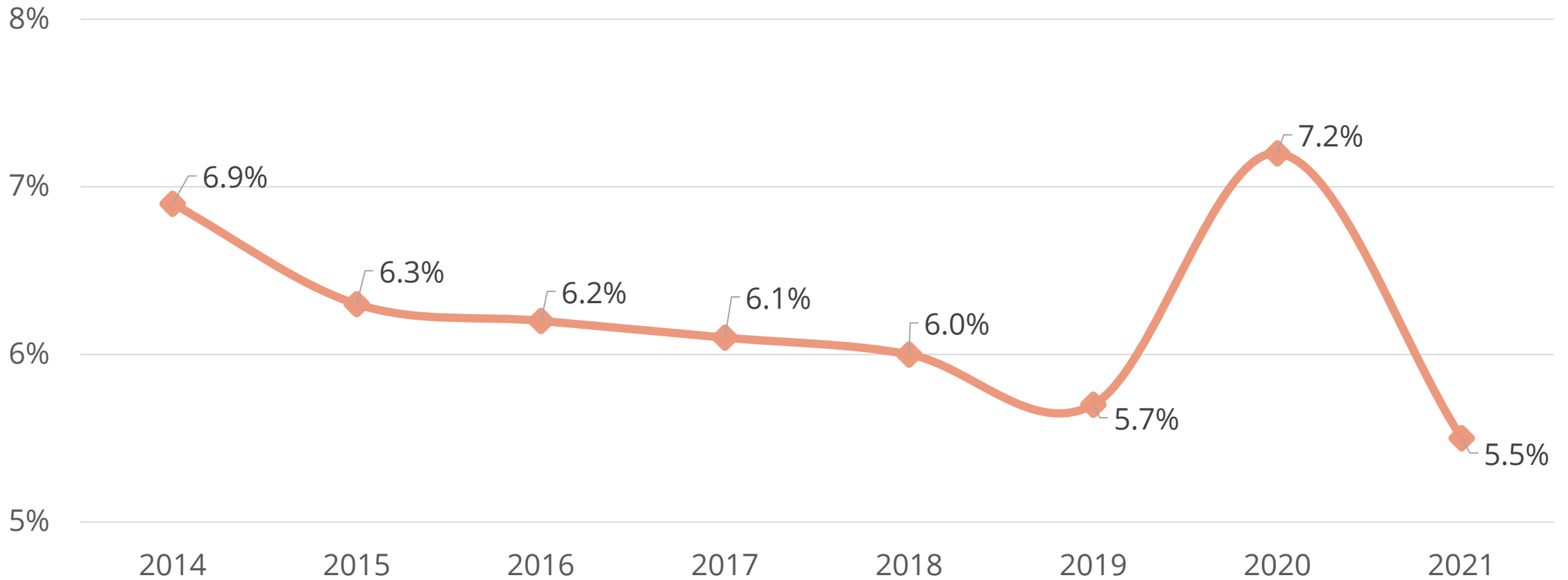
Inventory has been declining for years, but shortage got worse during pandemic

Number of active listings, NVAR
End of December each year



NVAR Apartment Vacancy

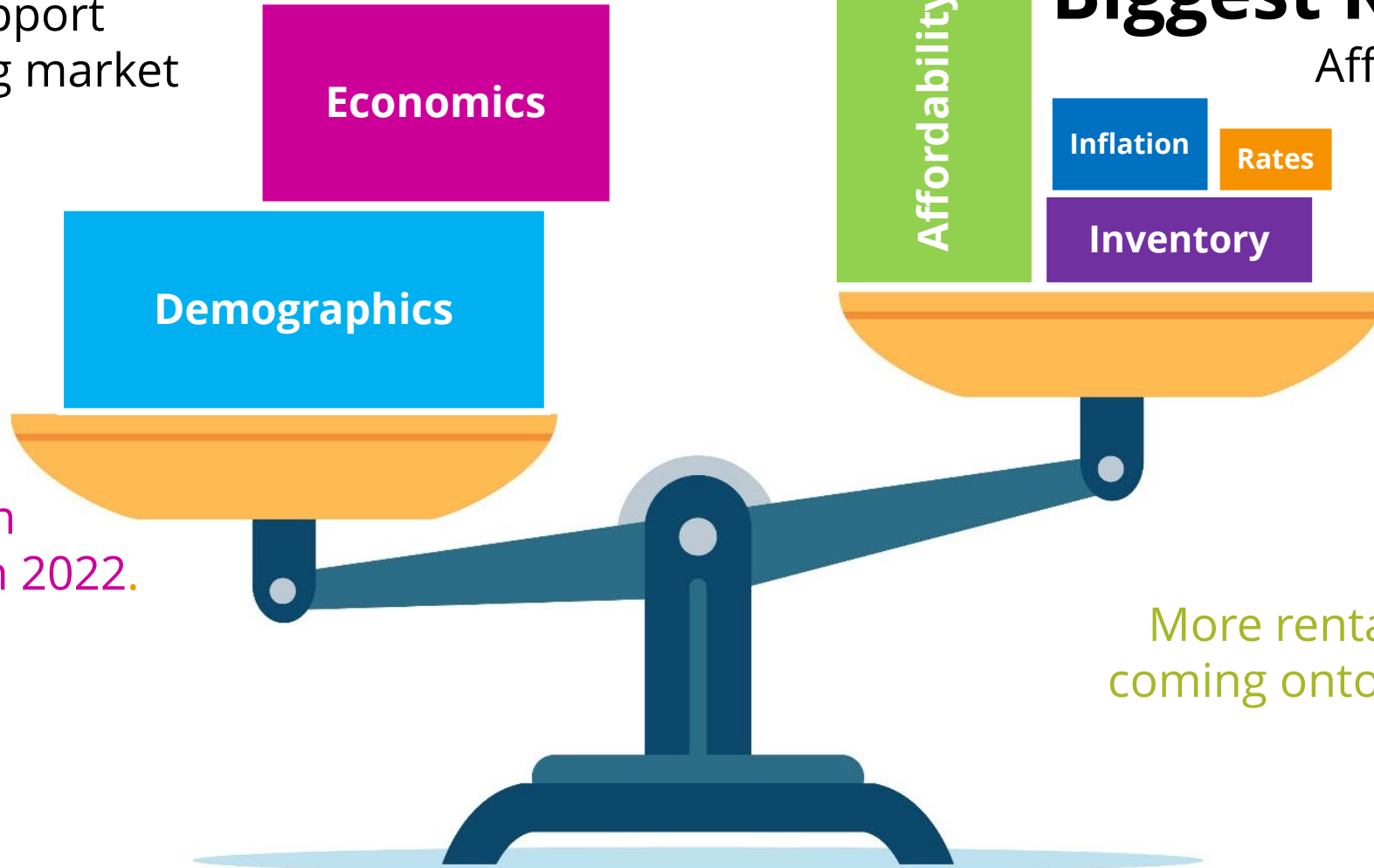
Average annual vacancy rate



Outlook for 2022

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

Rents will rise faster than home prices in 2022.



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.

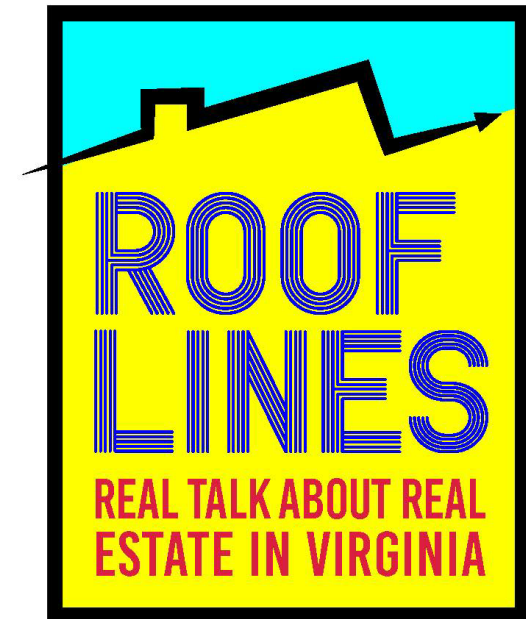
More rental housing should be coming onto the market in 2022.

Looking for More Information?

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



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