



# Market Madness: Where is the Fredericksburg Area Housing Market Headed?

Presentation to  
Fredericksburg Area Association of REALTORS®

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Virginia REALTORS®

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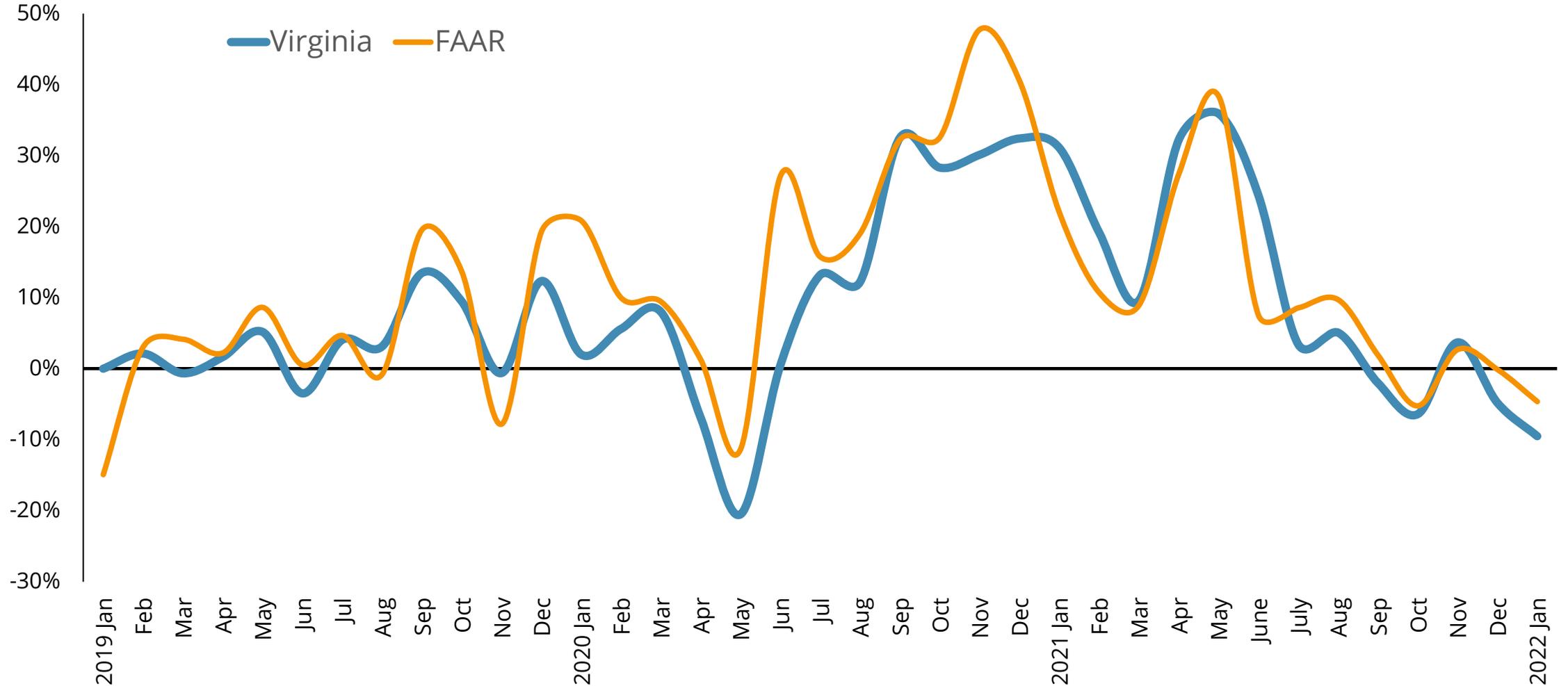
# Record-breaking housing market activity 2021 versus 2020

Virginia			
	2020	2021	Change 2020 to 2021
<b>Sales</b>	139,908	154,340	+10%
<b>Volume</b>	\$53.6B	\$66.8B	+22%
<b>Median Price</b>	\$319,902	\$350,000	+9%
<b>Average Days on Market</b>	41	25	-15 days
<b>Months of Supply</b>	1.52	1.04	-0.48 months

FAAR			
	2020	2021	Change 2020 to 2021
	8,980	9,871	+10%
	\$3.2B	\$4.0B	+26%
	\$330,000	\$375,000	+14%
	33	18	-15 days
	1.02	0.81	-0.20 months

# Virginia and FAAR Home Sales

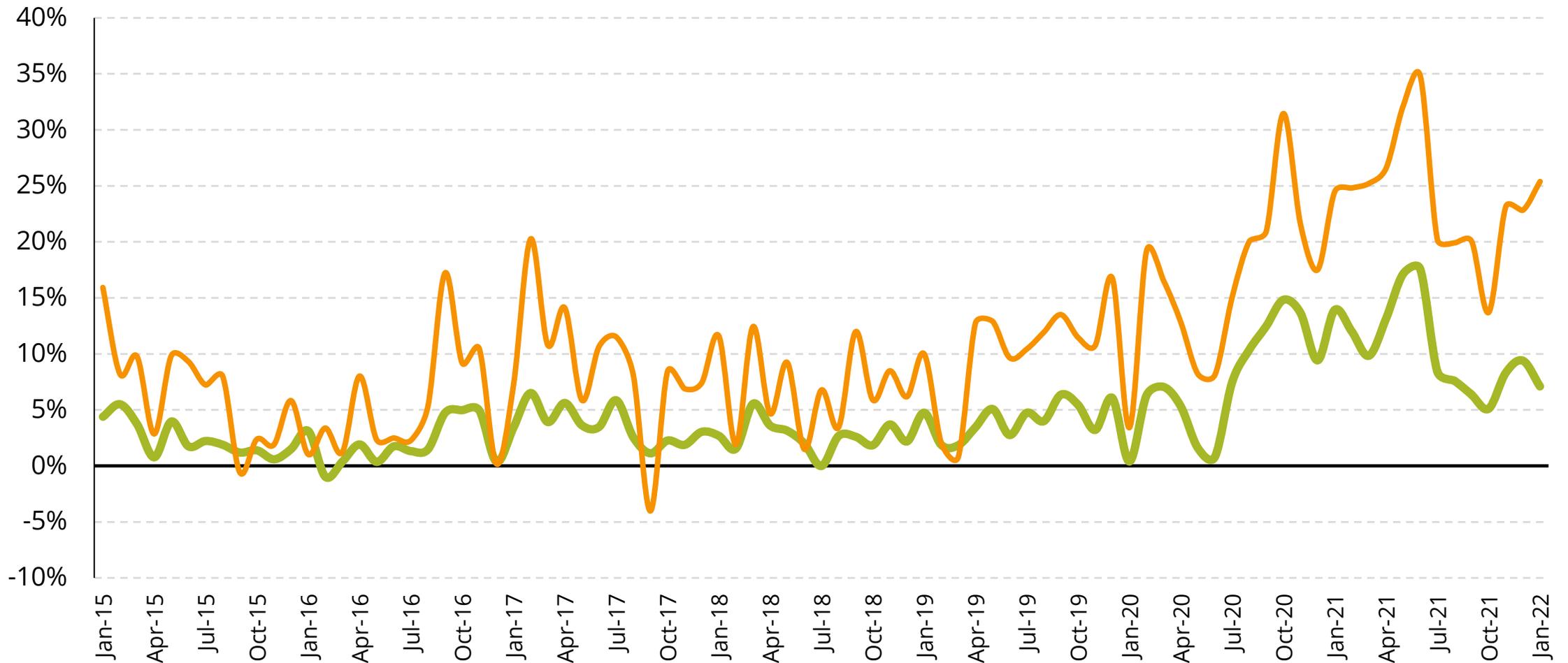
Y-o-Y Change in Monthly Home Sales



# Virginia and FAAR Home Prices

Y-o-Y Change in Median Home Price

— Virginia — FAAR

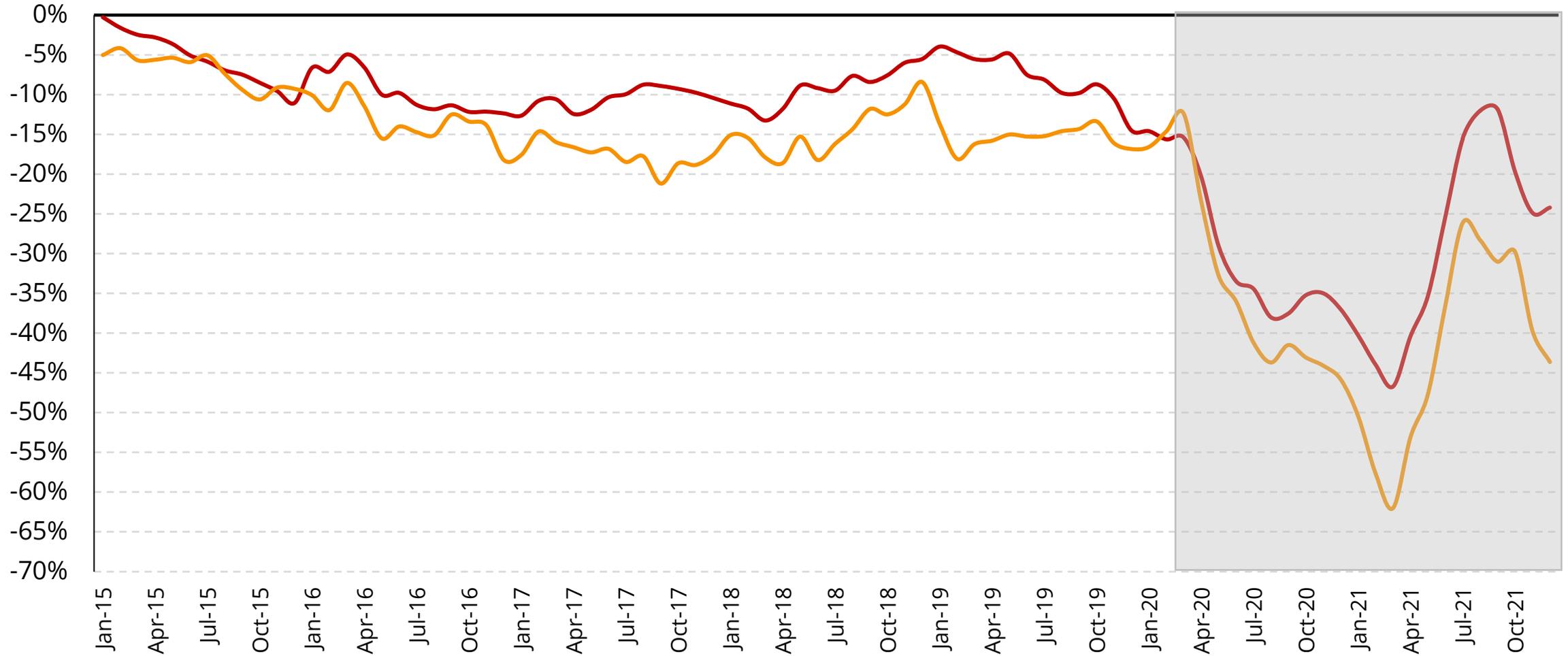


# Virginia and FAAR Inventory

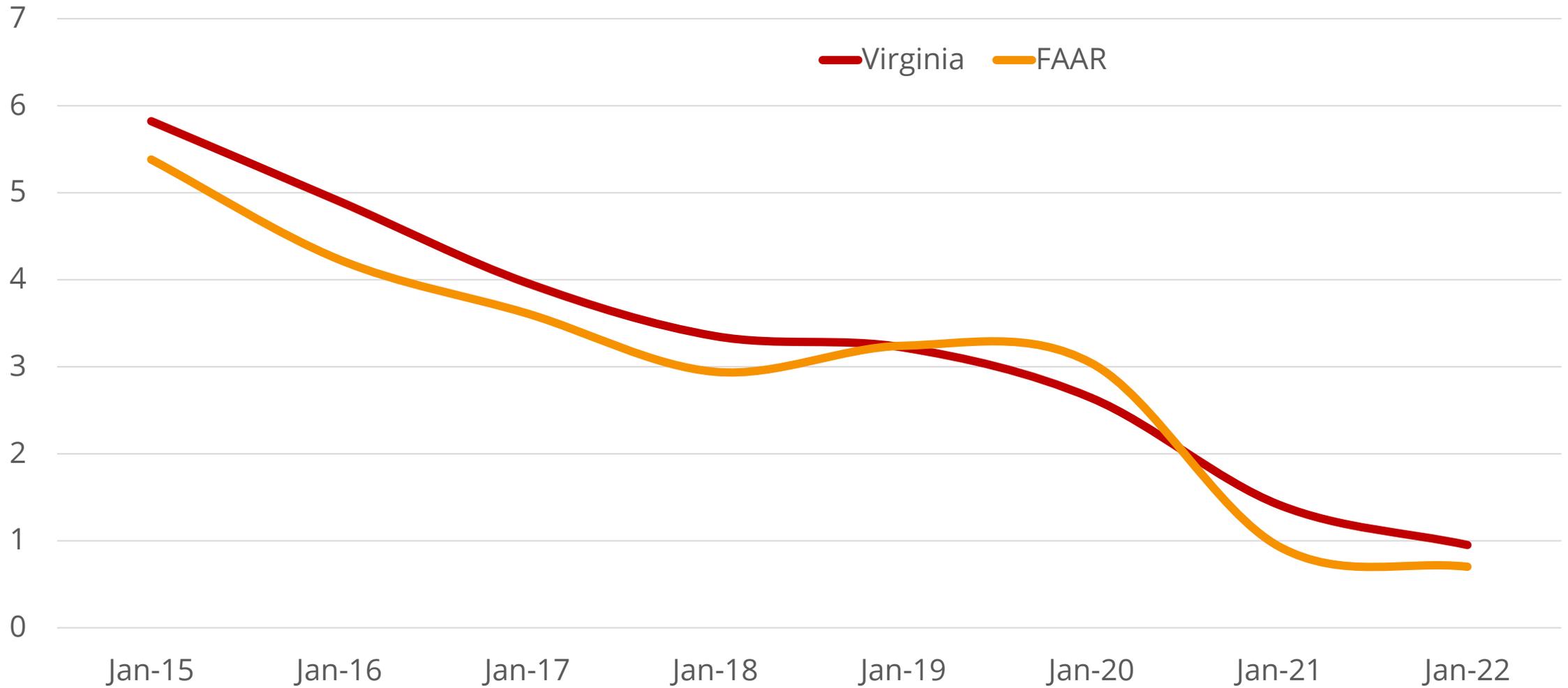
Y-o-Y Change in Month-End Inventory

— Virginia — FAAR

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



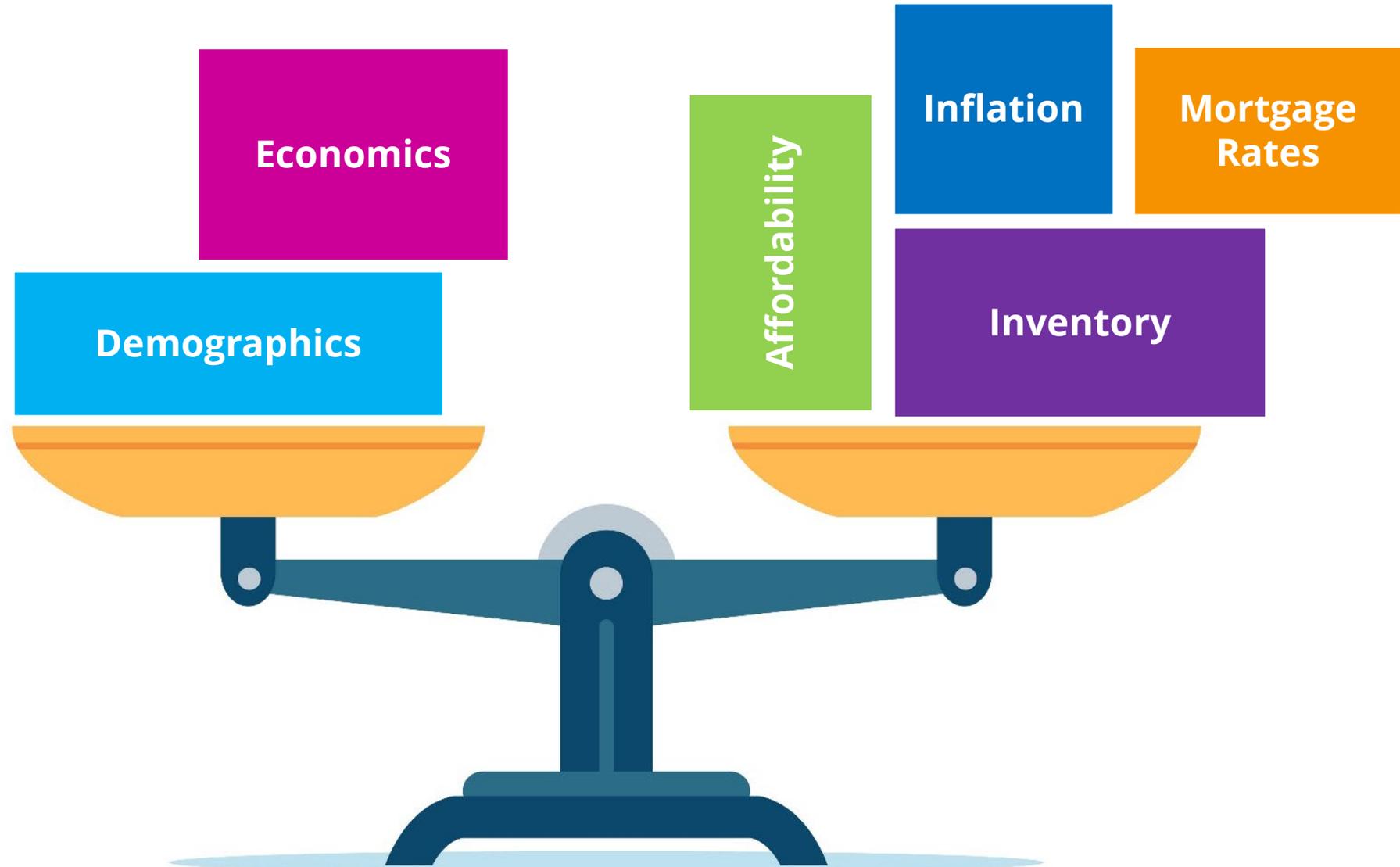
Strong demand, low supply, frenzied market

# Outlook for 2022

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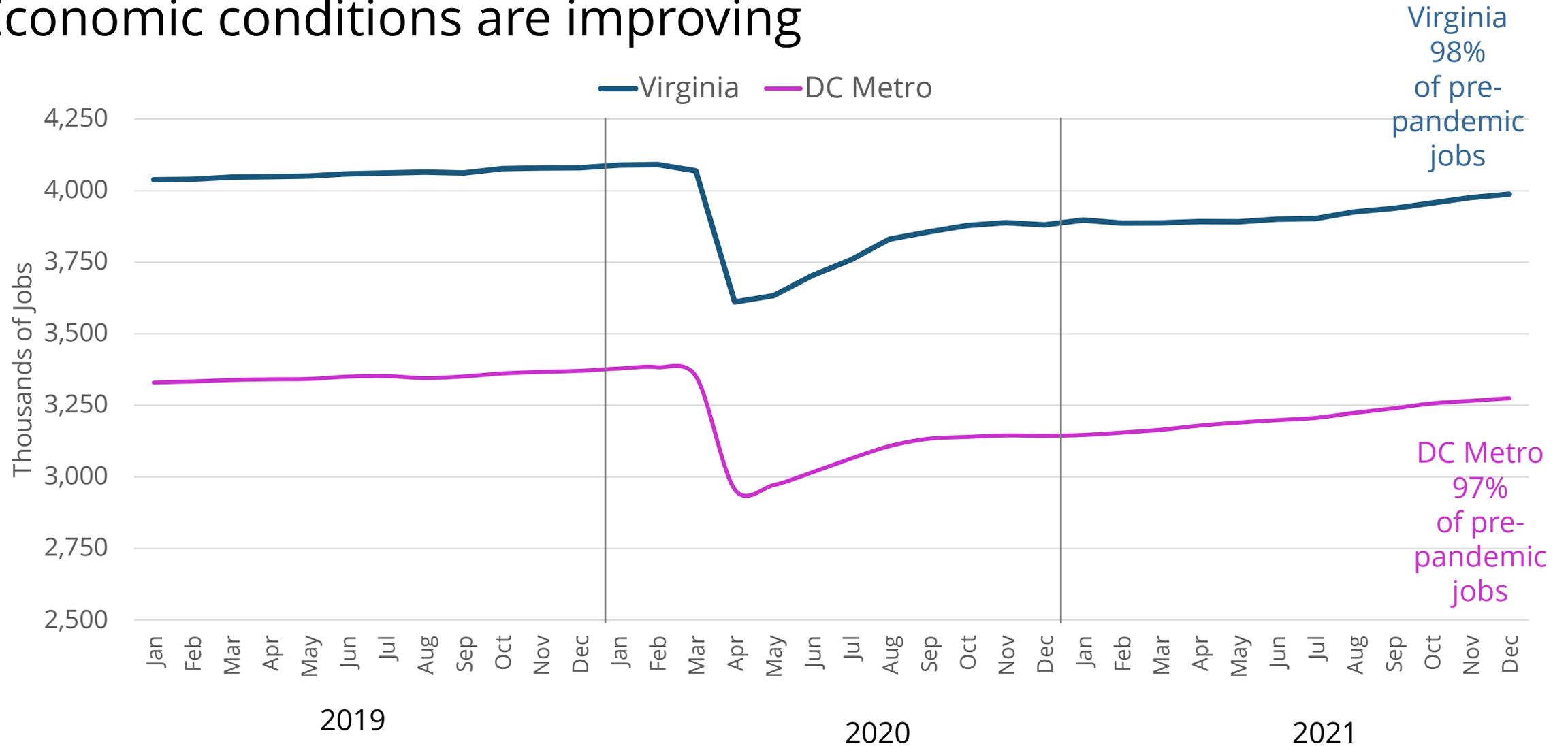


# What will tip the scales in the 2022 housing market?



# The Economy

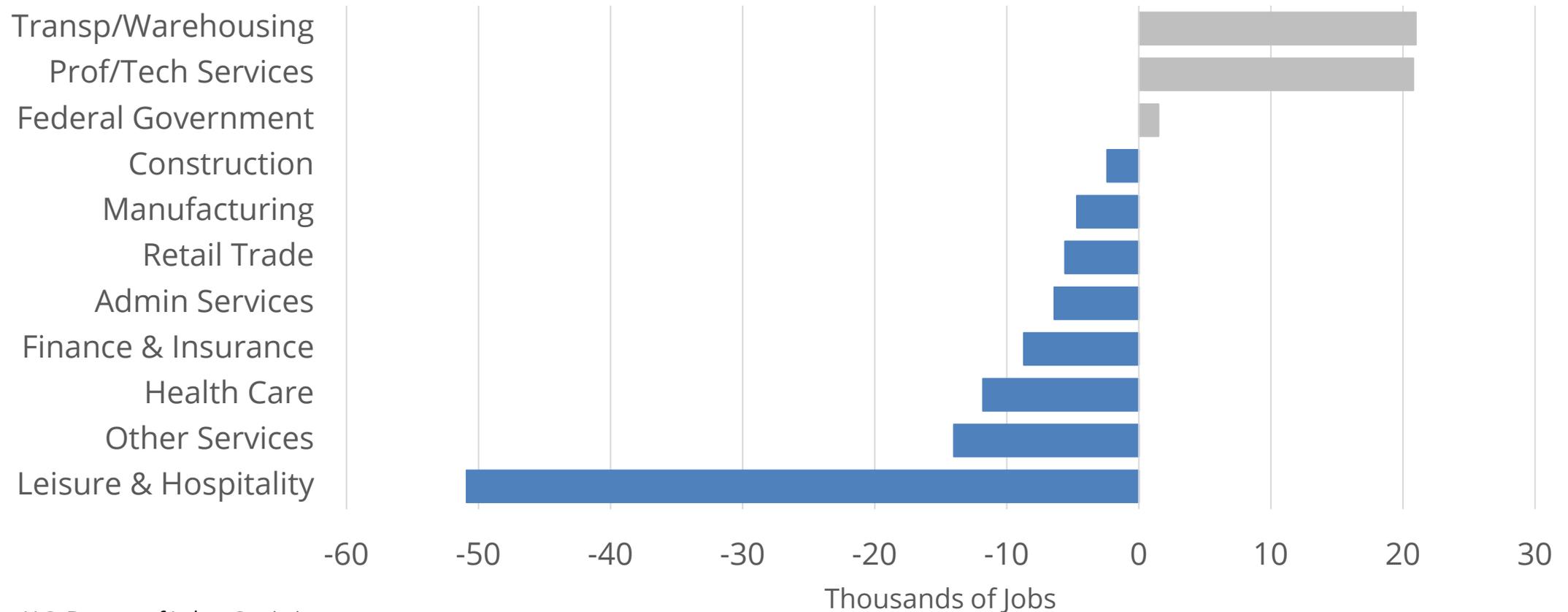
## Economic conditions are improving



# The Economy

Strong growth in higher-wage, professional jobs

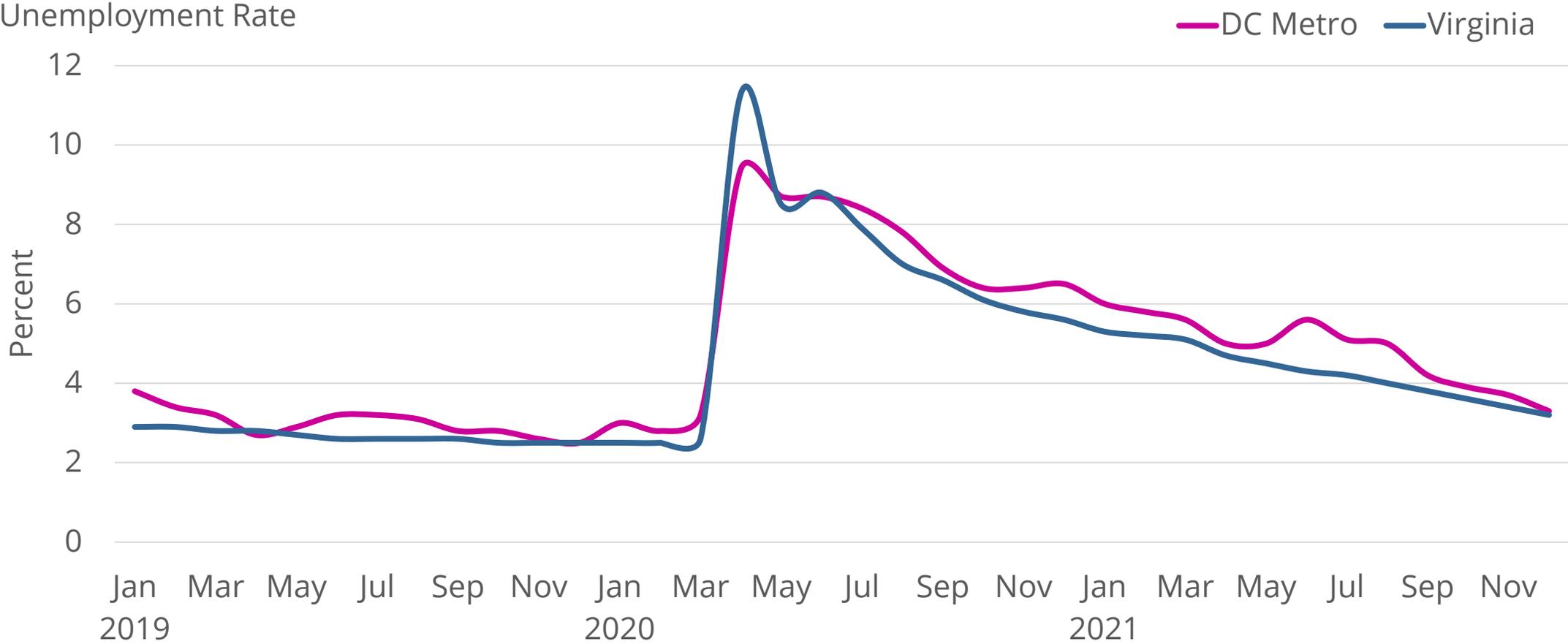
## Virginia Employment by Sector December 2021 Compared to January 2020



Source: U.S. Bureau of Labor Statistics

# The Economy

Unemployment is close to pre-pandemic levels



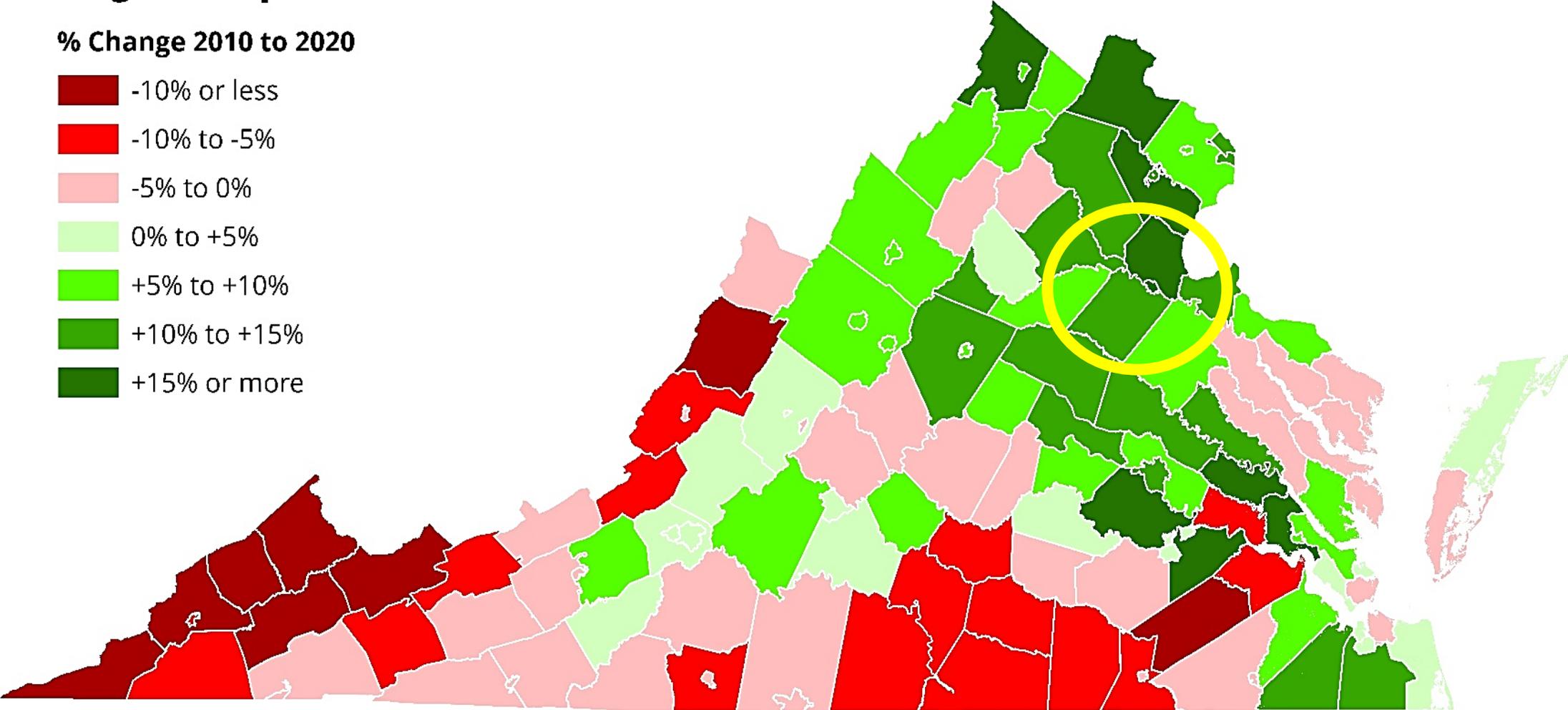
# Demographics

The population of Virginia's Urban Crescent has been growing

## Virginia Population Trends

% Change 2010 to 2020

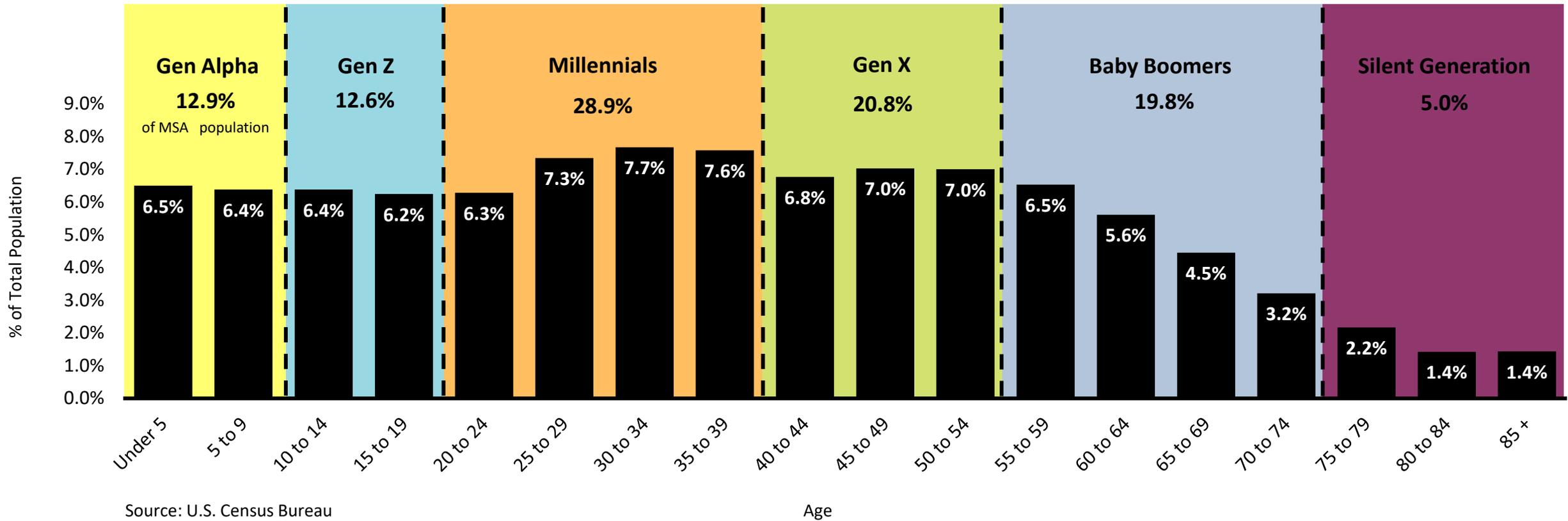
- 10% or less
- 10% to -5%
- 5% to 0%
- 0% to +5%
- +5% to +10%
- +10% to +15%
- +15% or more



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

# Age Distribution in Washington MSA, 2019

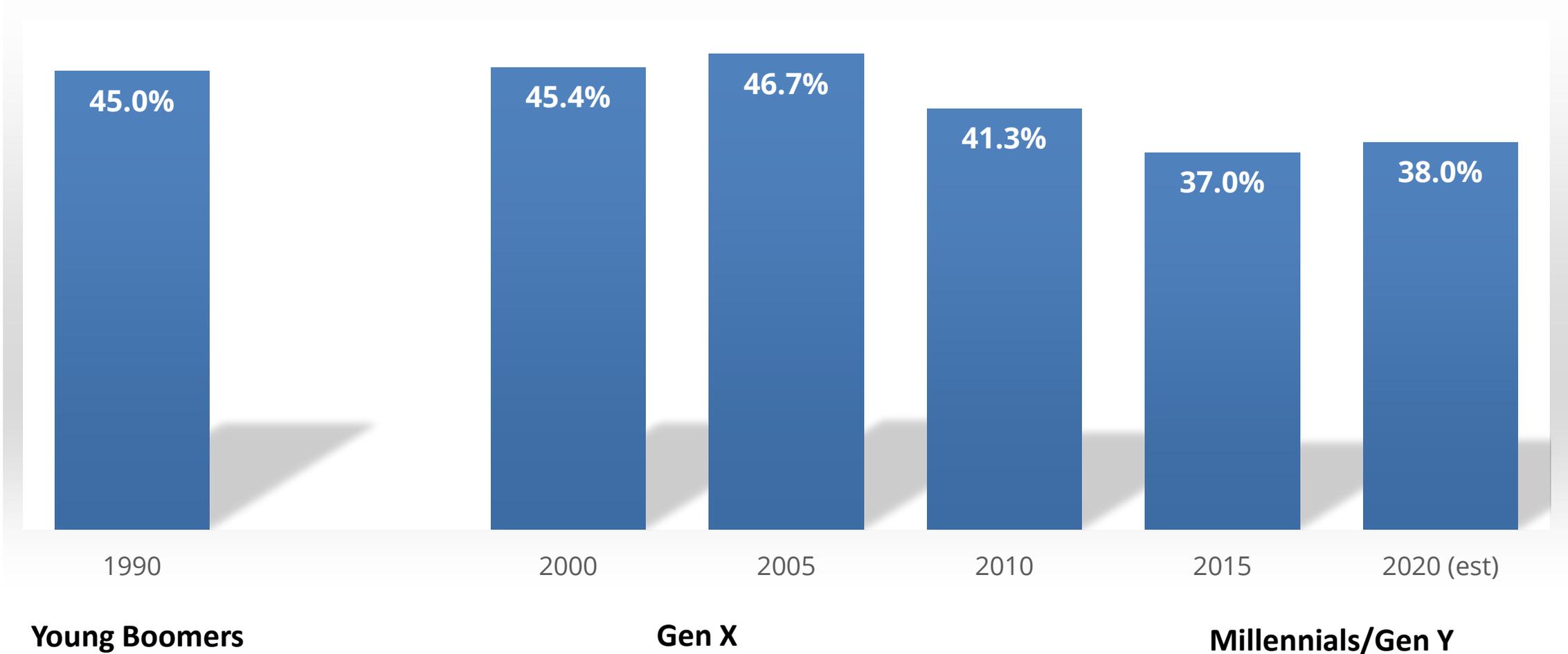
Note: Generation age ranges are approximate



# Demographics

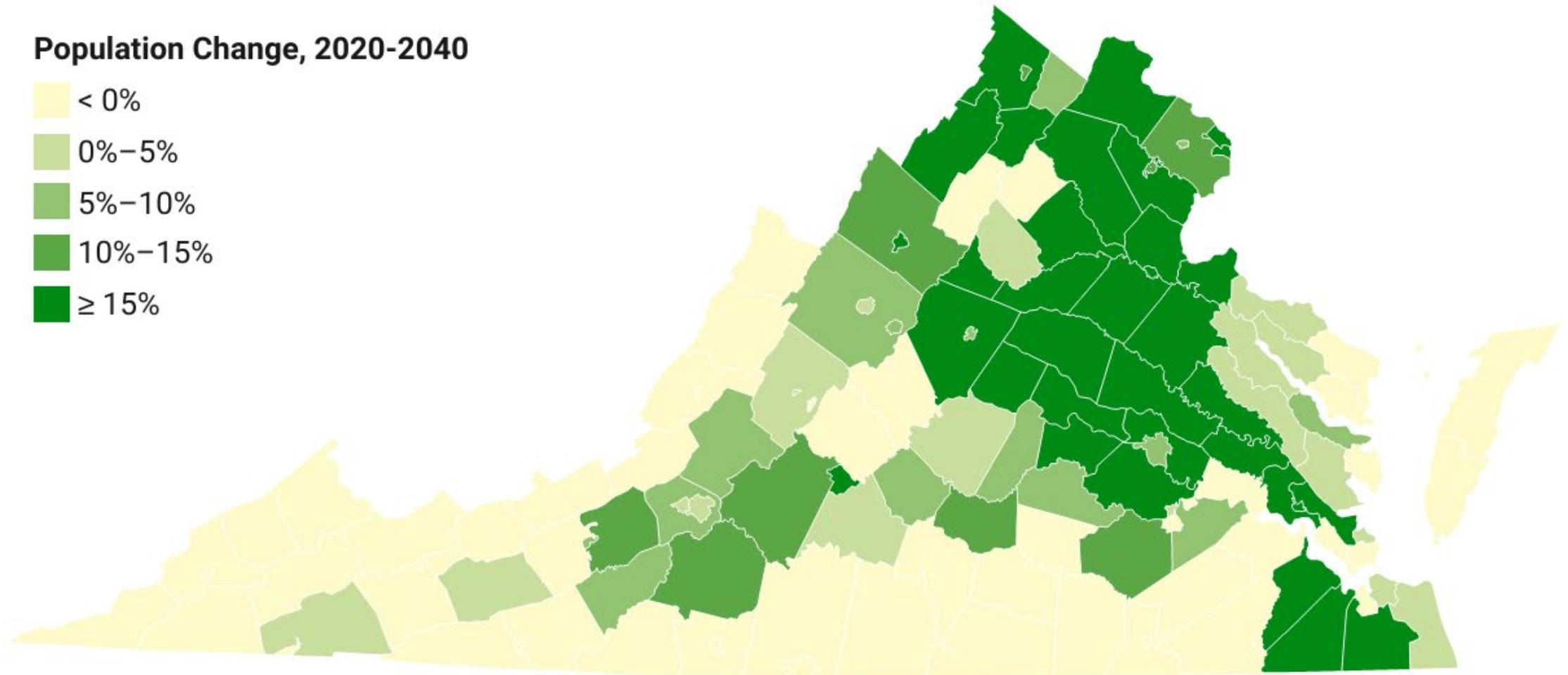
Homeownership rates among Millennials remain relatively low

### Homeownership Rates, 25 to 34 Year Olds



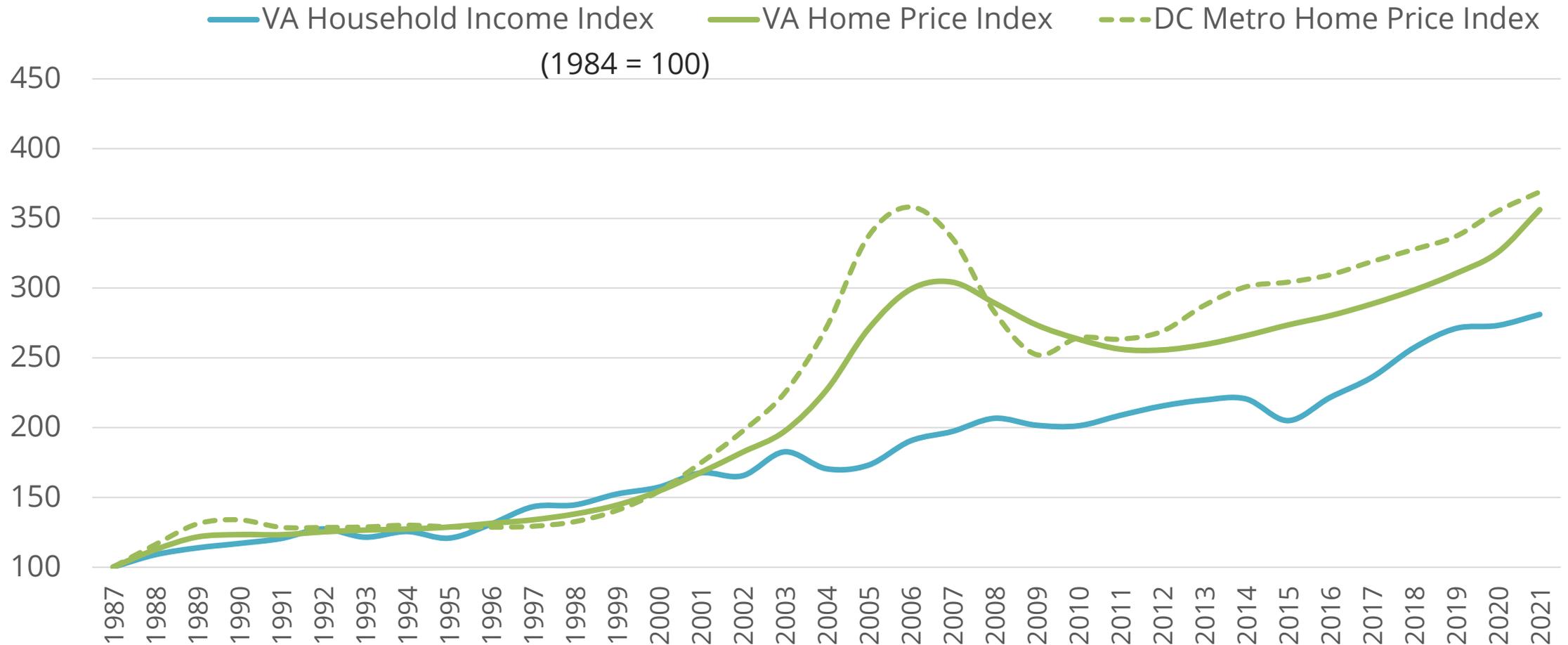
# Demographics

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



# Affordability

Home prices are rising much faster than incomes



# Virginia Home Prices

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

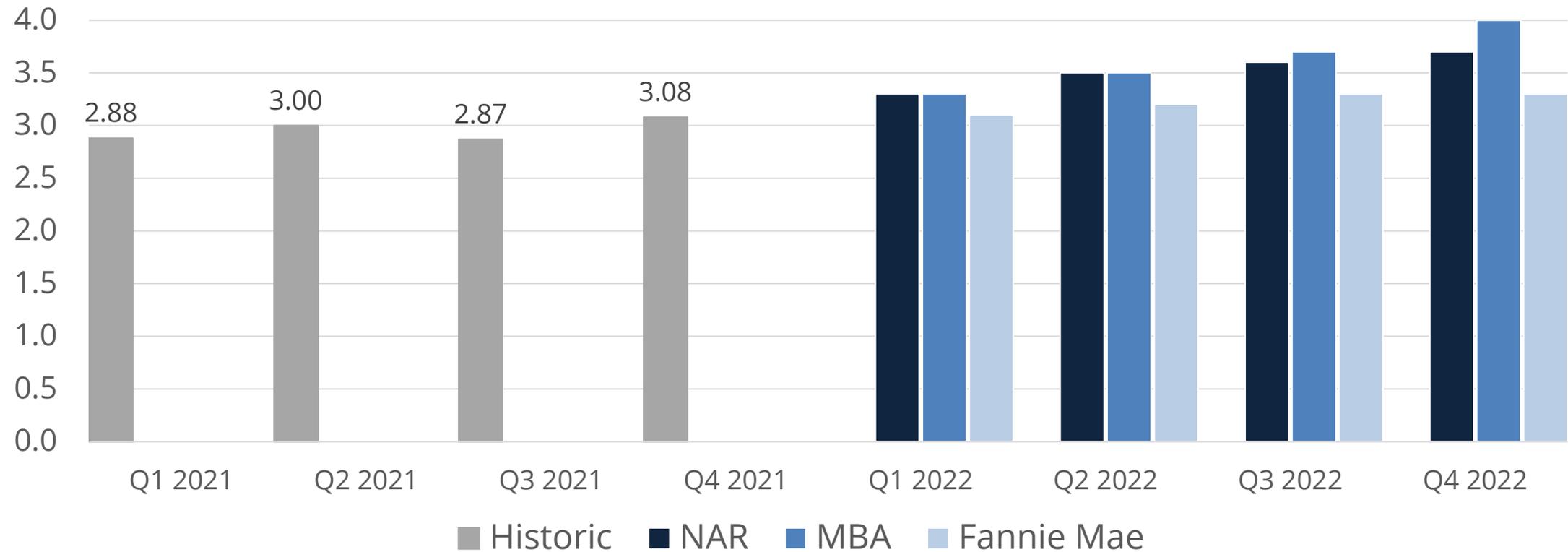
	Median home price	Average mortgage rate	Monthly payment	Income Needed
Dec 2017	\$274,000	3.95%	\$1,235	\$52,938
Dec 2018	\$280,000	4.64%	\$1,370	\$58,714
Dec 2019	\$297,000	3.72%	\$1,302	\$55,795
Dec 2020	\$325,000	2.68%	\$1,249	\$53,530
Dec 2021	\$350,000	3.10%	\$1,420	\$60,850
<b>2022?</b>	<b>\$364,000</b>	<b>4.00%</b>	<b>\$1,650</b>	<b>\$70,750</b>

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.

# Mortgage Rates

Modest increases forecasted for 2022

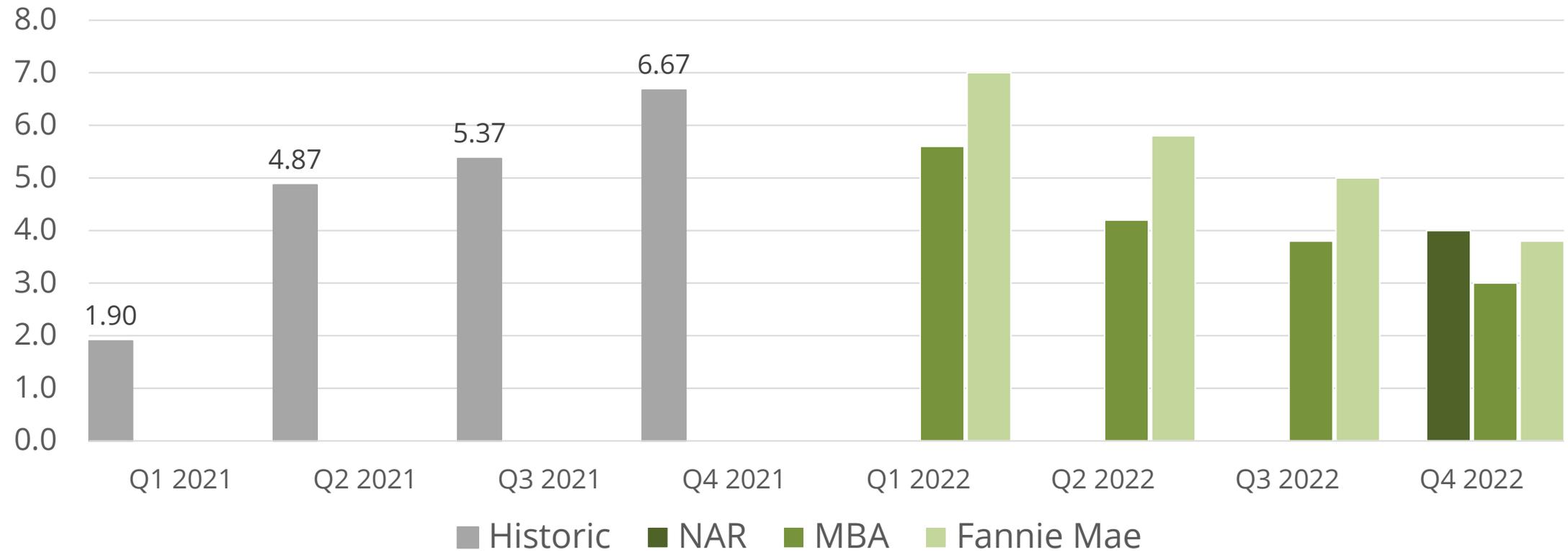
Average 30-Year Fixed Rate Mortgage Rate



# Inflation

Most economists are forecasting a sharp drop in inflation this year

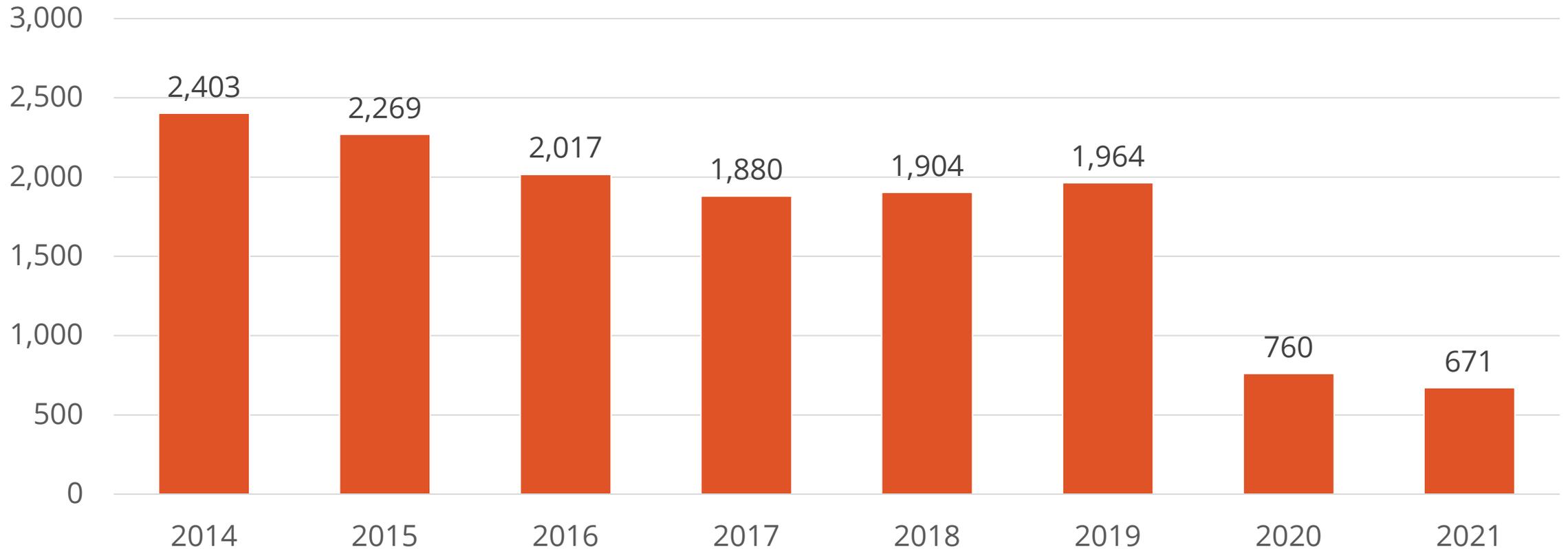
Average Change in CPI-U



# FAAR Inventory

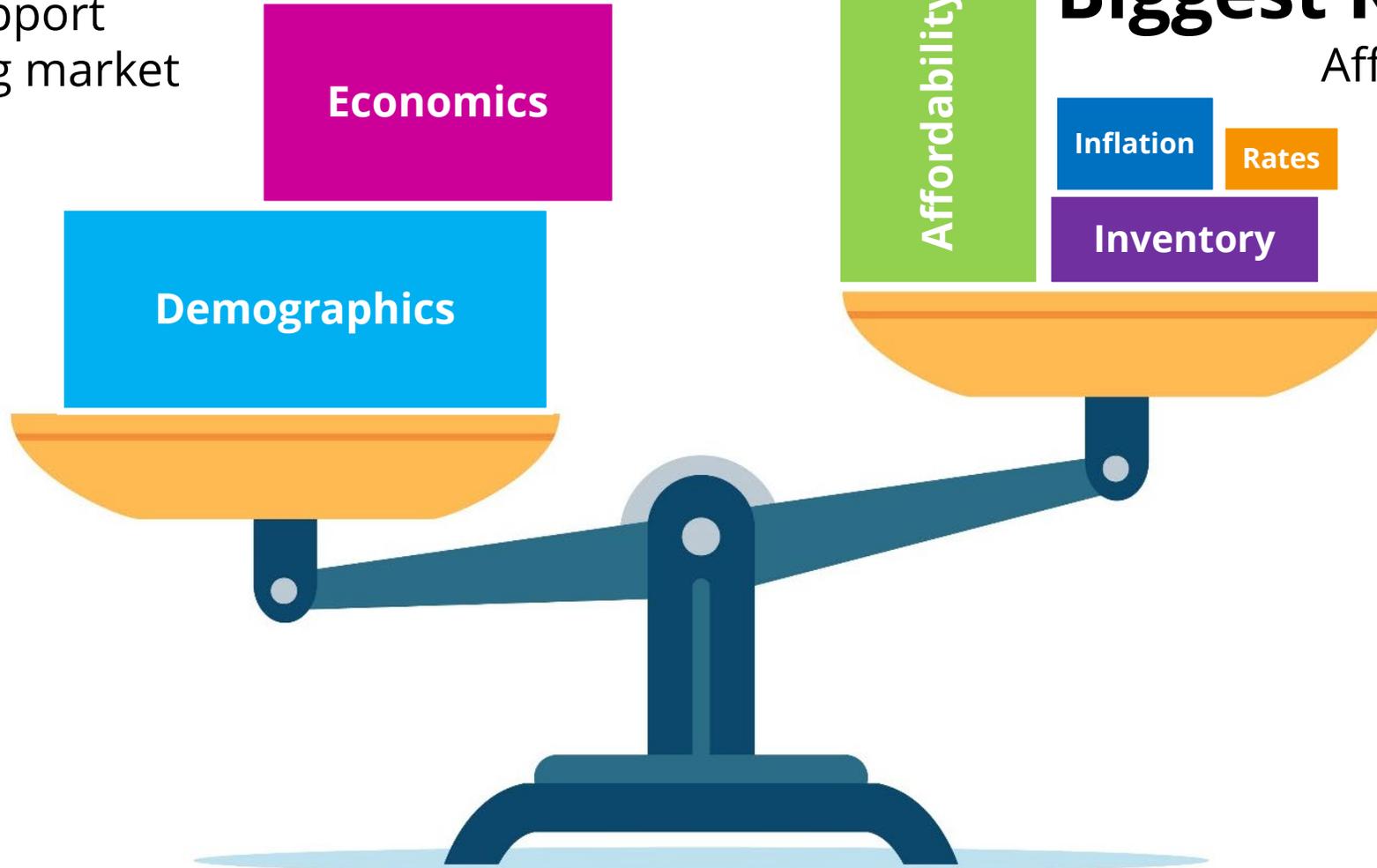
Inventory has been declining for years, but shortage got worse during pandemic

Number of active listings, FAAR  
End of December each year



# Outlook for 2022

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



## Biggest Risks in 2022

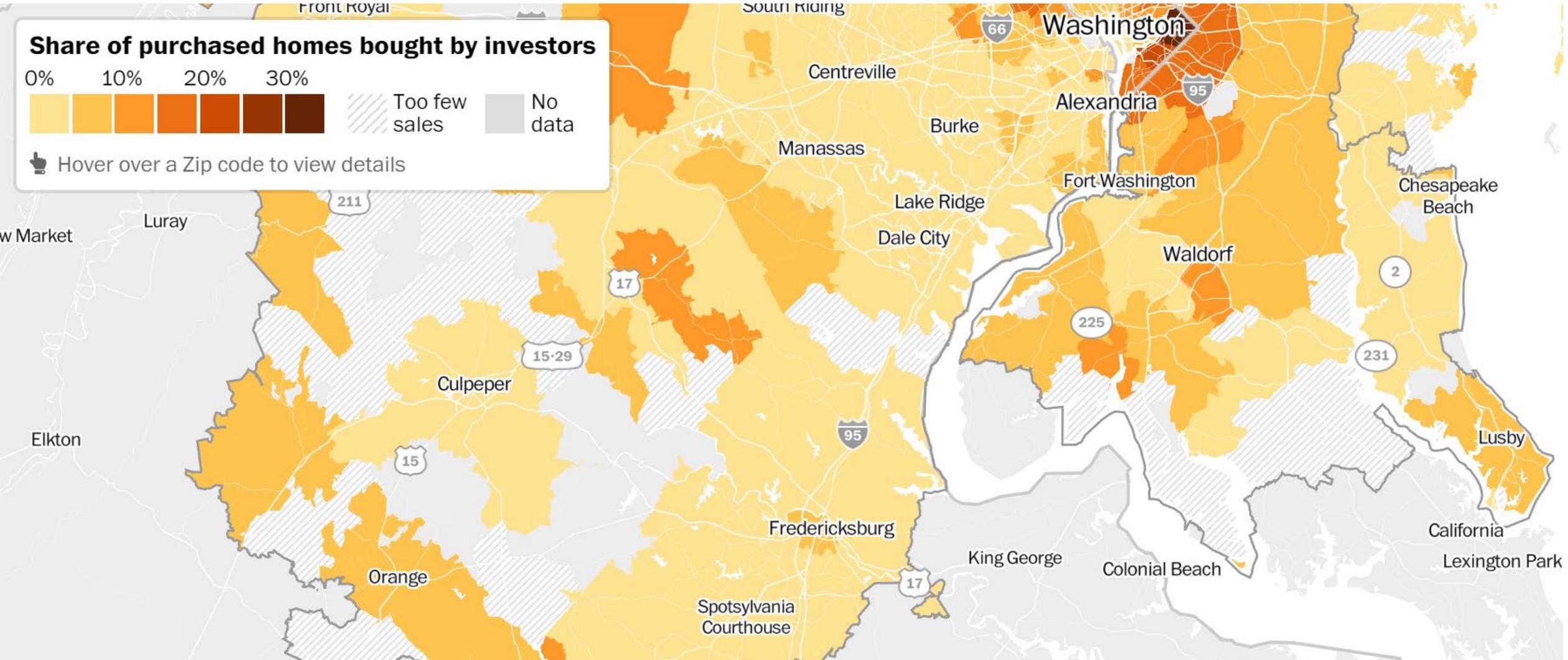
Affordability will be the biggest challenge in 2022, with buyers in many markets priced out.

Inventory will continue to be very tight.

# What we **don't** expect in 2022 in the Fredericksburg area market

- Investors being major players in the market
- Foreclosures flooding the market
- A housing market “bubble bursting”

# Investors are a **small share** of the Washington DC are housing market



## Share of purchased homes bought by investors

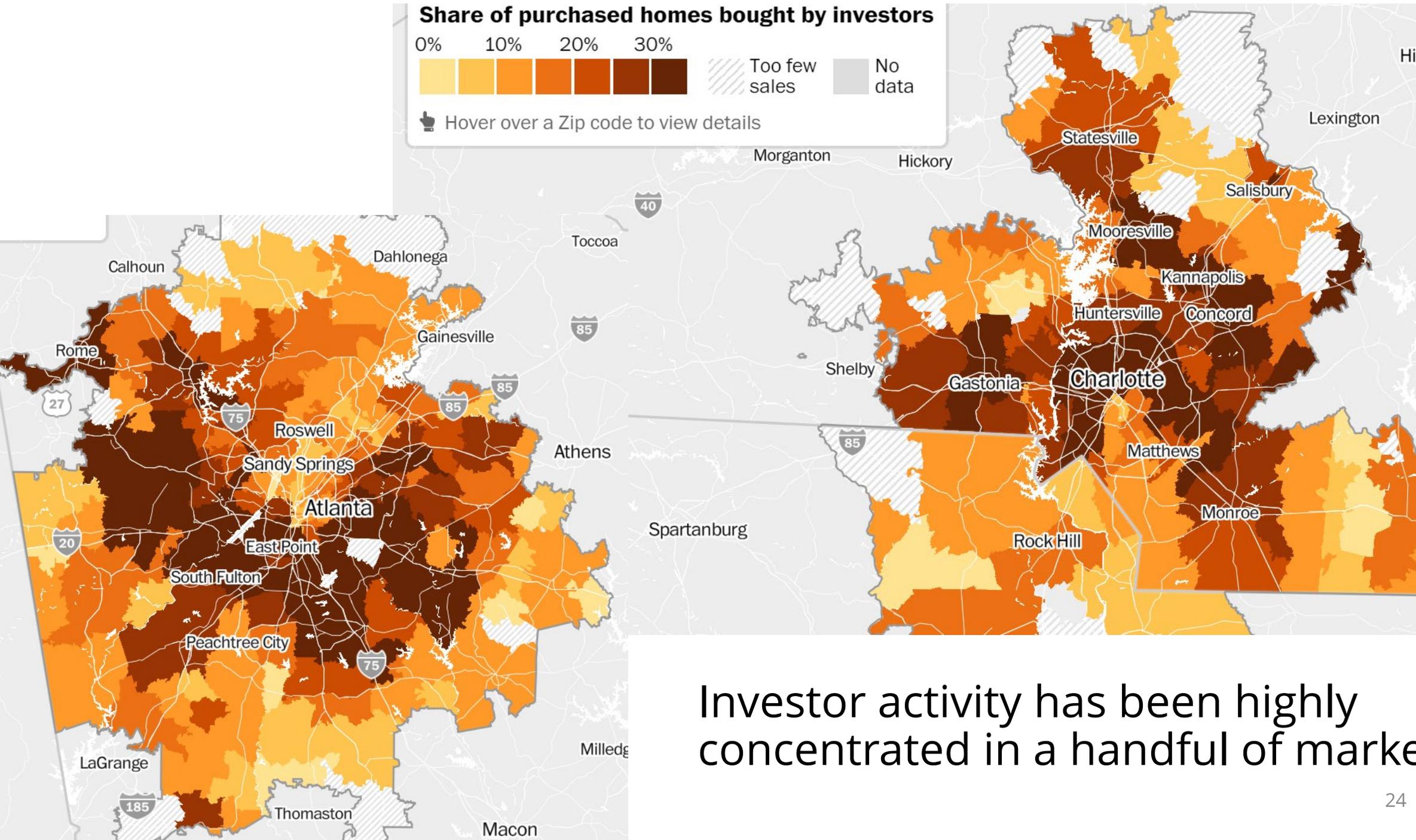
0% 10% 20% 30%



Too few sales

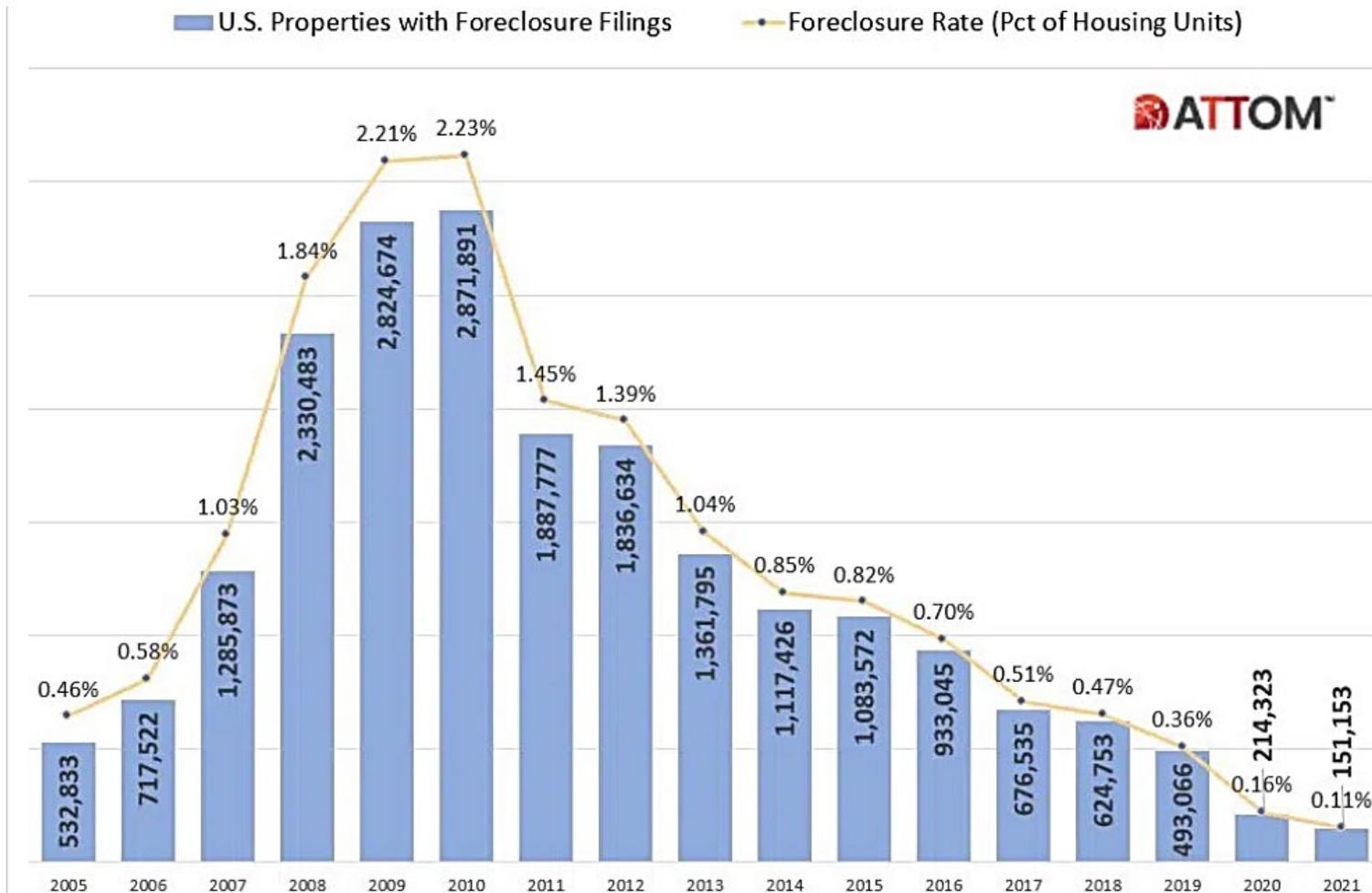
No data

🖱️ Hover over a Zip code to view details



Investor activity has been highly concentrated in a handful of markets

# Foreclosure and delinquency activity is low, rising from a near zero level



Virginia ranked **31<sup>st</sup> (out of 50 states)** in terms of foreclosure activity at the end of 2021  
 Source: ATTOM

Virginia

	Dec '21	Dec '19
Delinquency %	2.9%	3.1%
Foreclosure %	0.1%	0.2%

Source: Black Knight

# 2022 is very different than 2008

## 2008

- Loose credit standards
- Extensive subprime lending
- Abundant supply and surges in new construction activity
- Unemployment rising

## 2022

- Tight credit standards
- Little subprime lending
- Extremely low inventory and little new construction
- Unemployment falling

# The Housing Market: Where We're Headed

## Virginia



### 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%

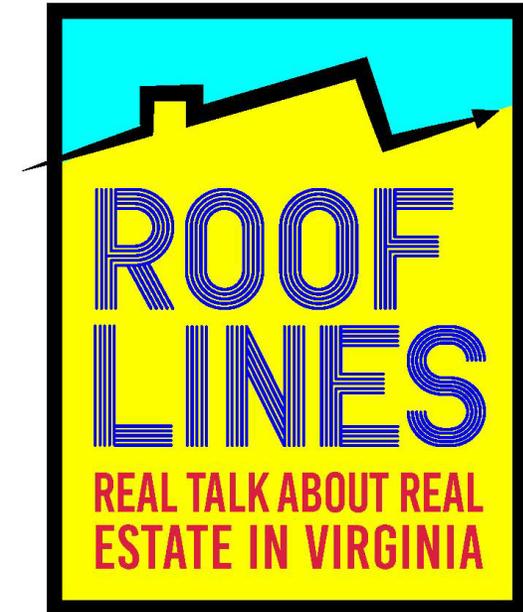


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