



Economic and Real Estate Market Outlook: What's Ahead for 2022?

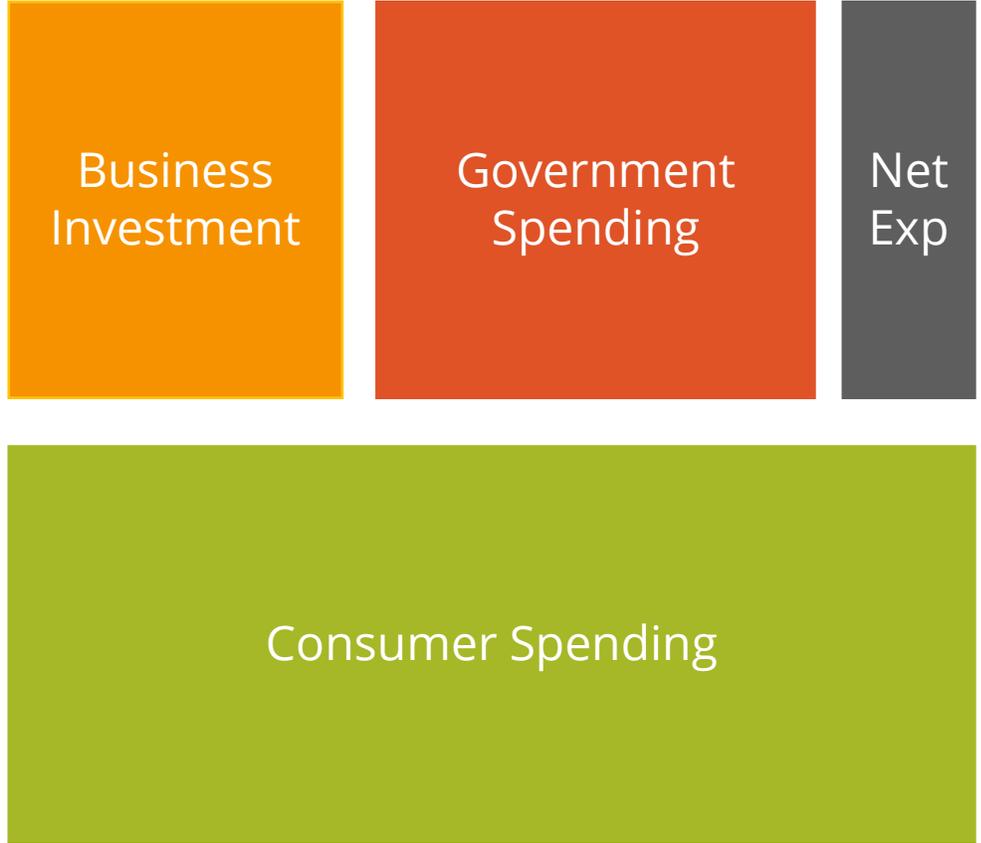
Virginia REALTORS® Broker Plus
March 3, 2022

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Chief Economist

Ryan Price
Deputy Chief Economist



Economic Indicators

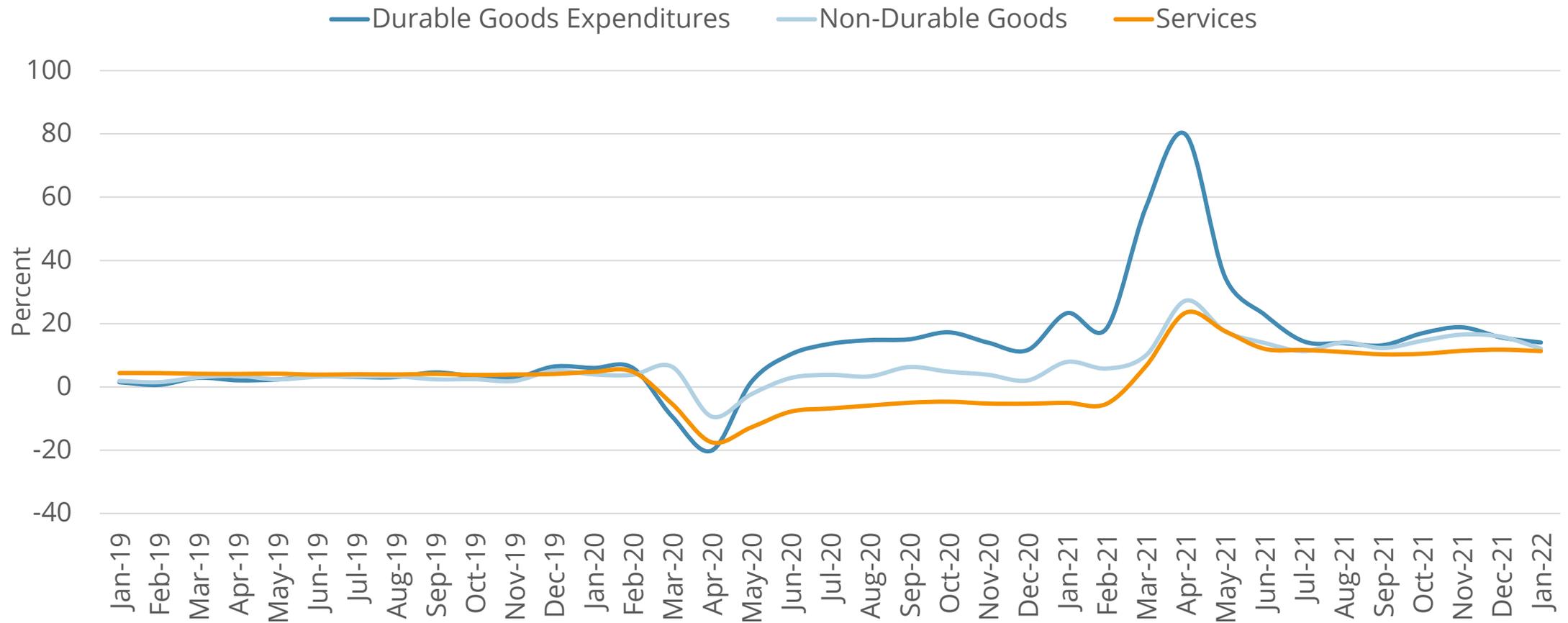


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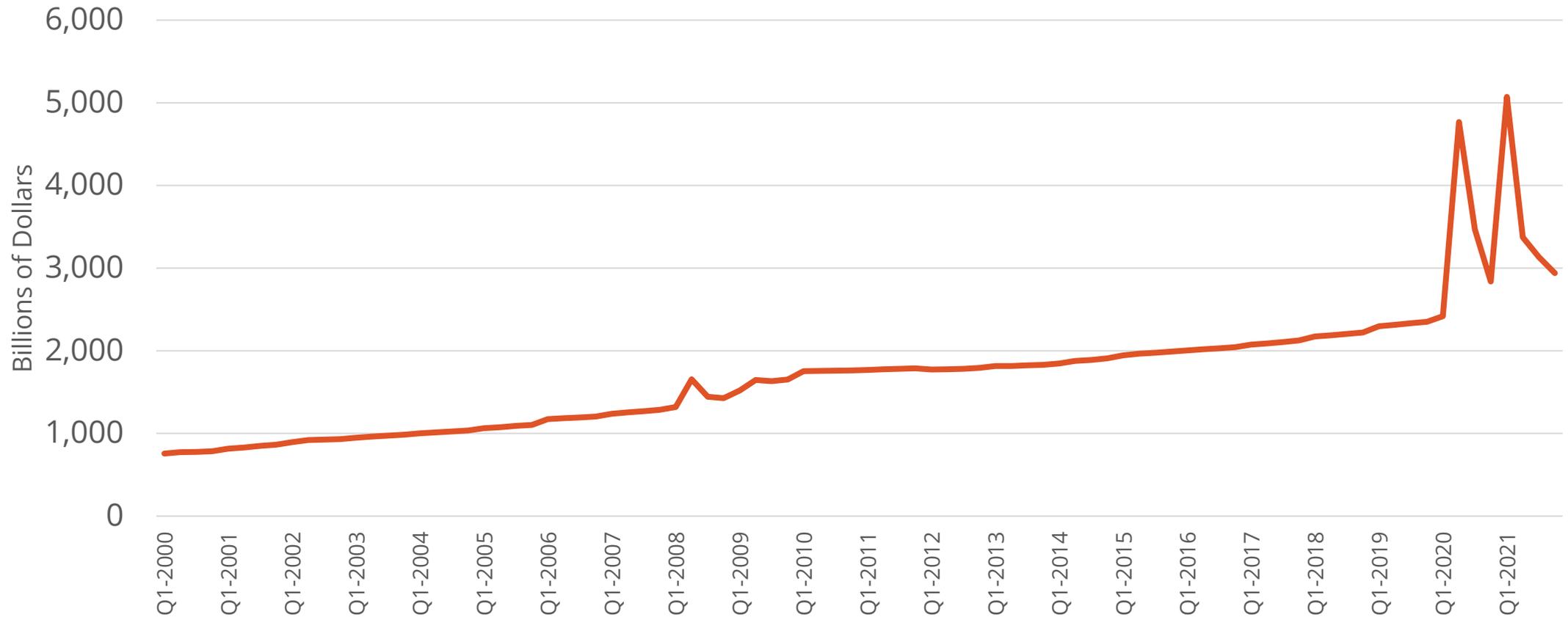
Personal Consumer Expenditures

Year-over-year change



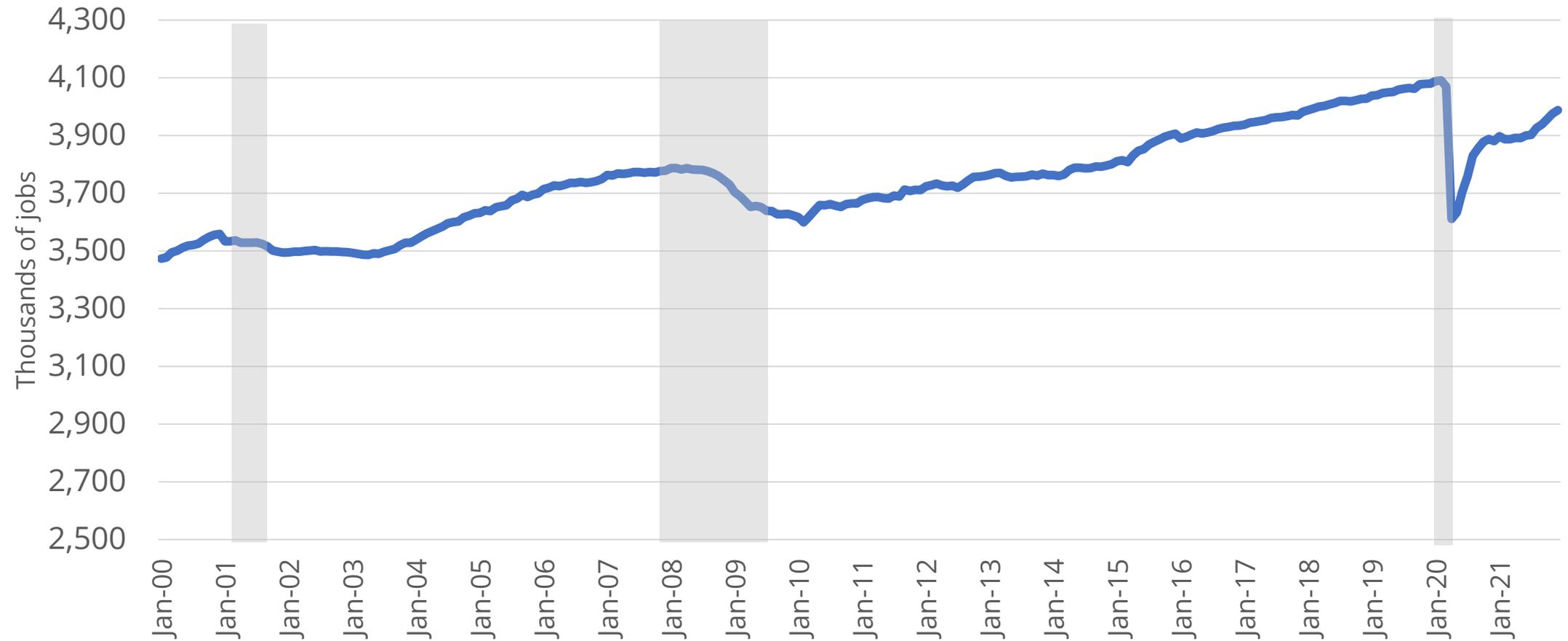
Stimulus Payments

Federal Government Transfer Payments to Individuals

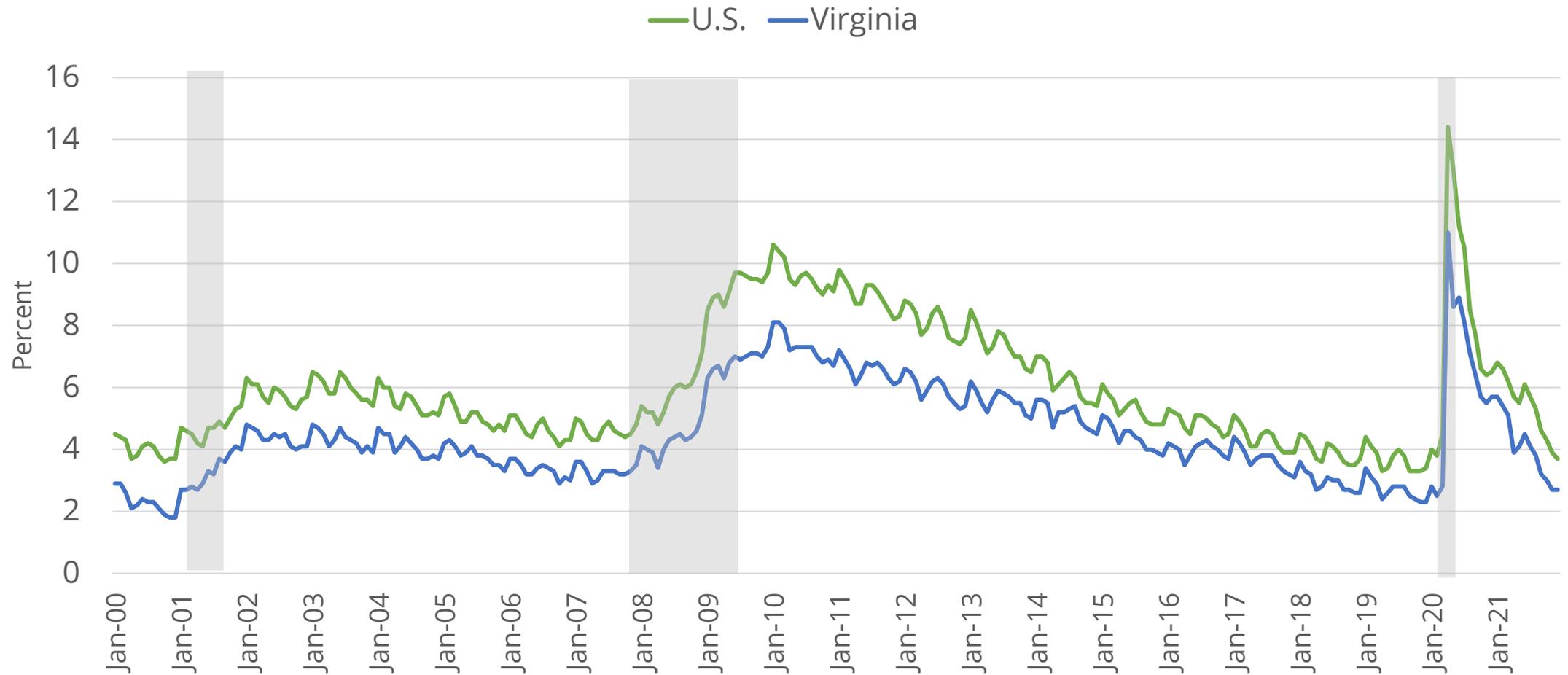


Employment

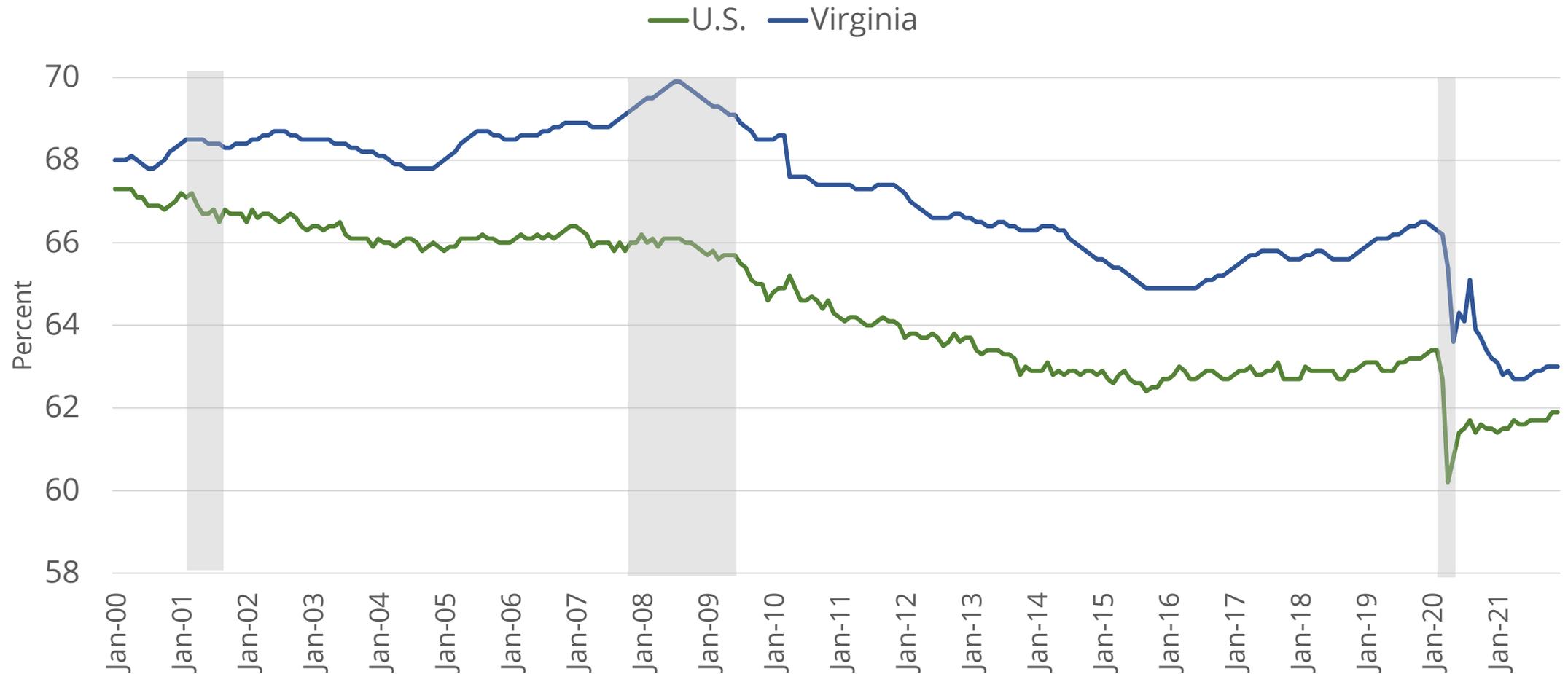
Virginia



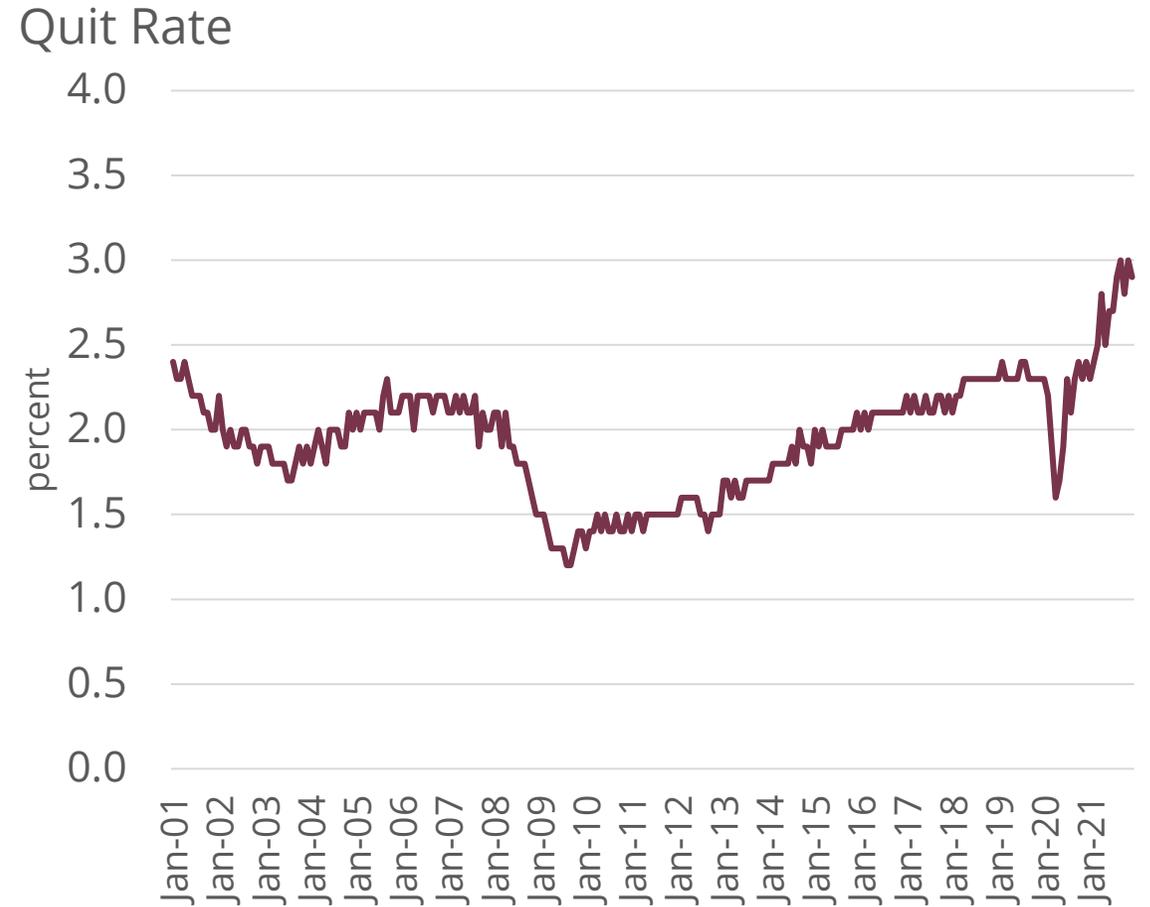
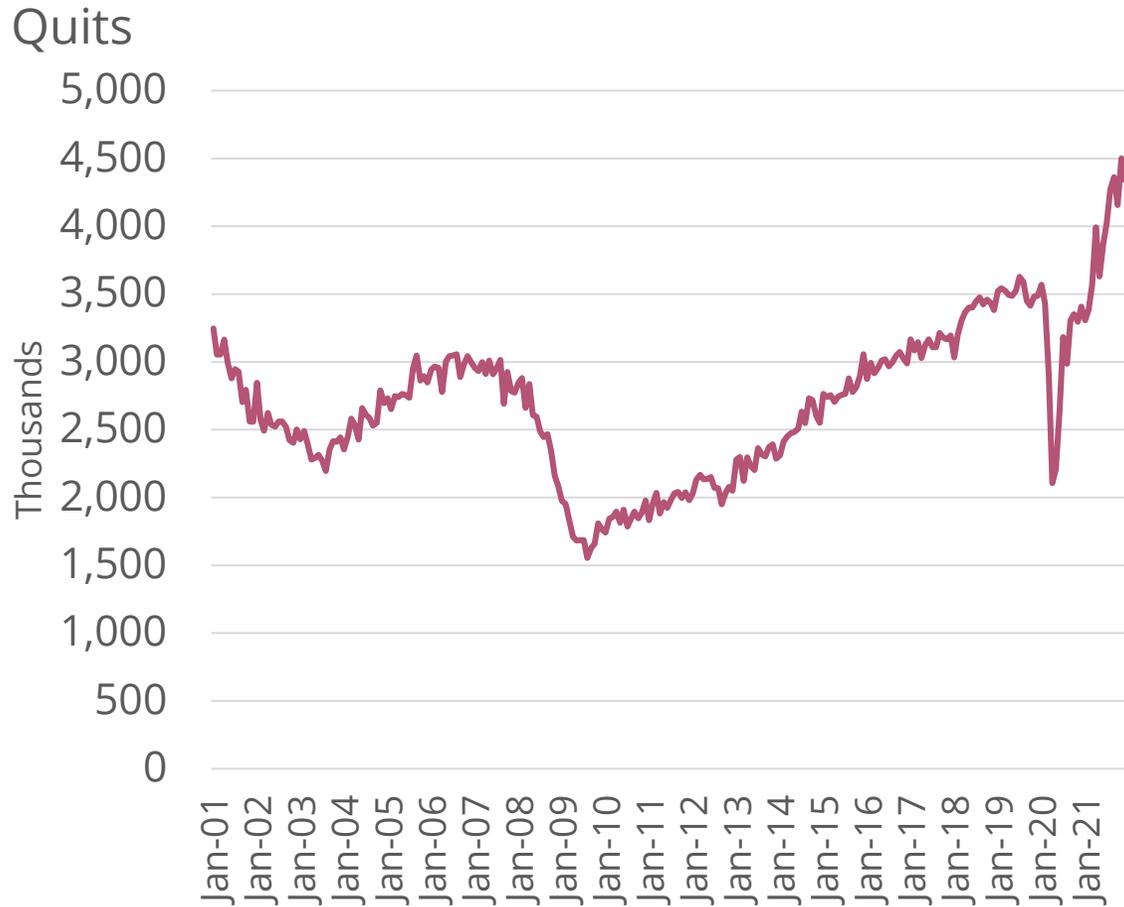
Unemployment Rate



Labor Force Participation Rate



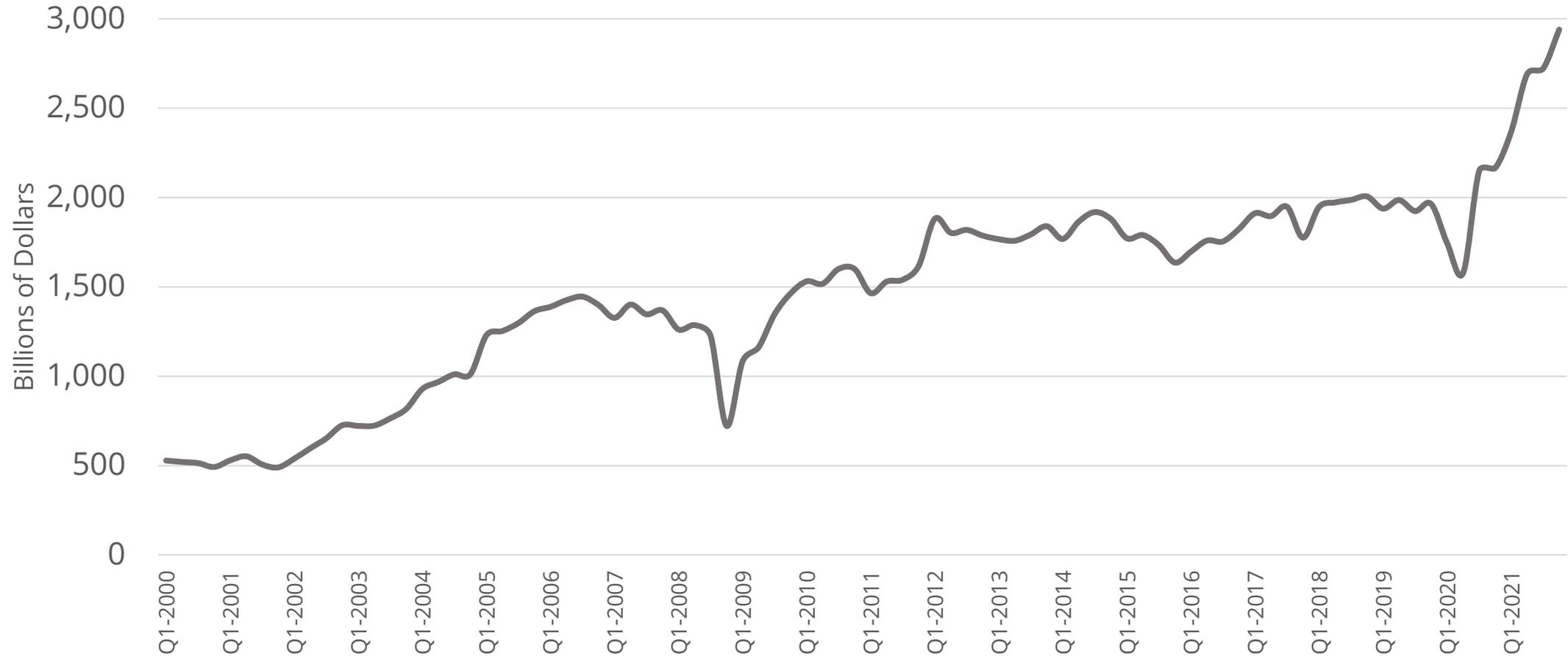
Labor Force Churn U.S.



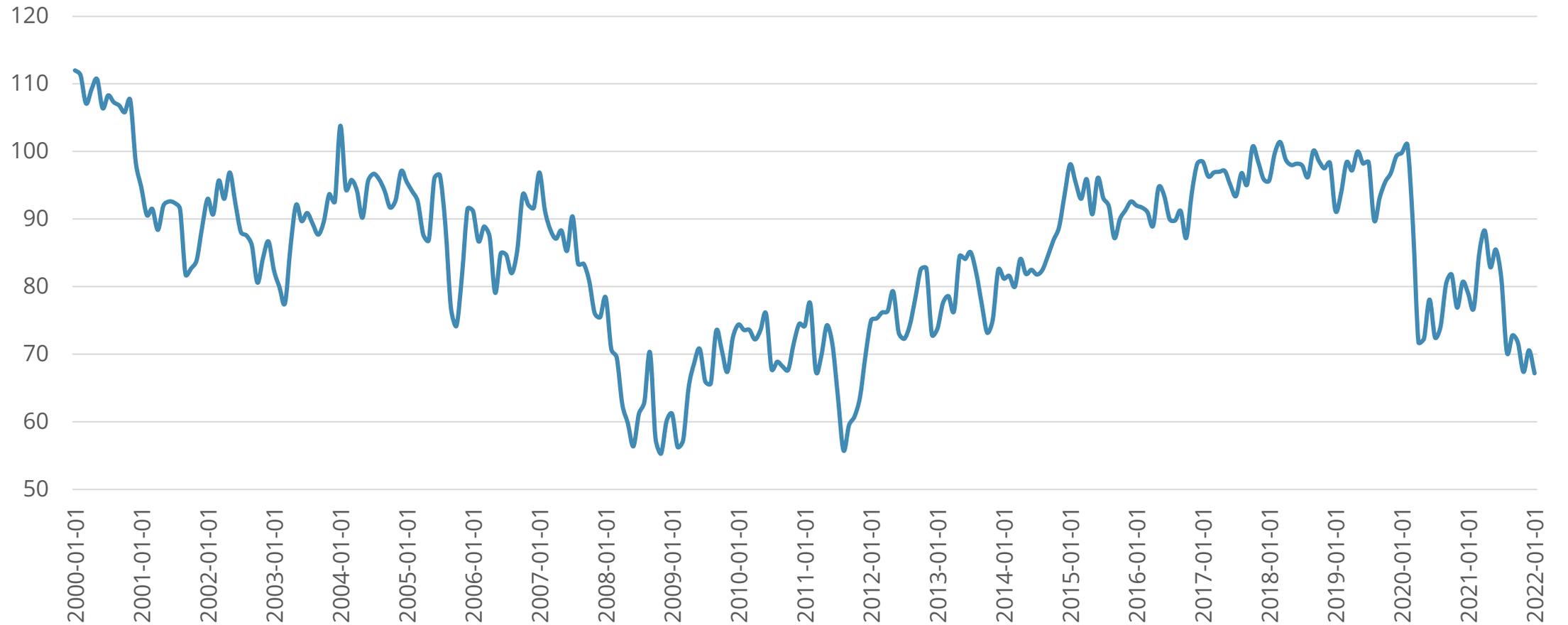
Manufacturers' Capital Goods Orders U.S.



Corporate Profits U.S.

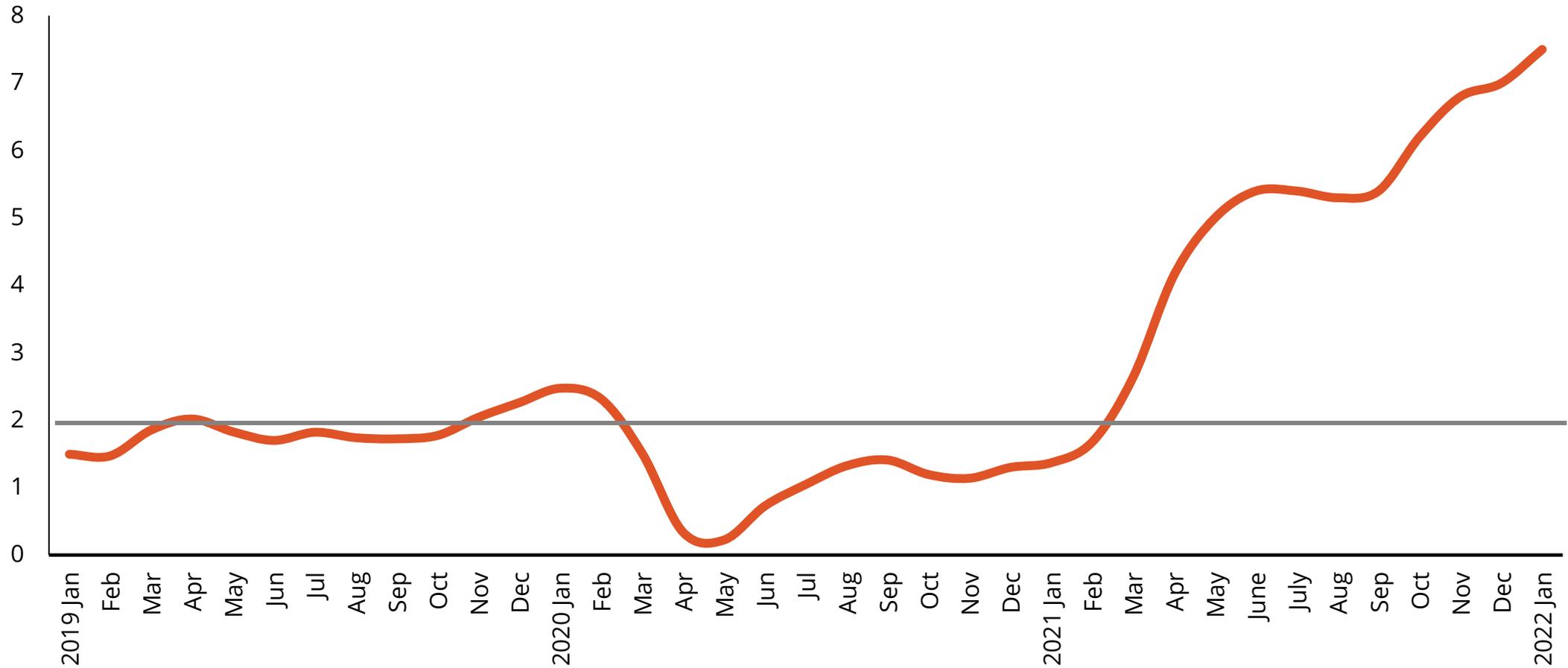


Consumer Sentiment U.S.



Inflation

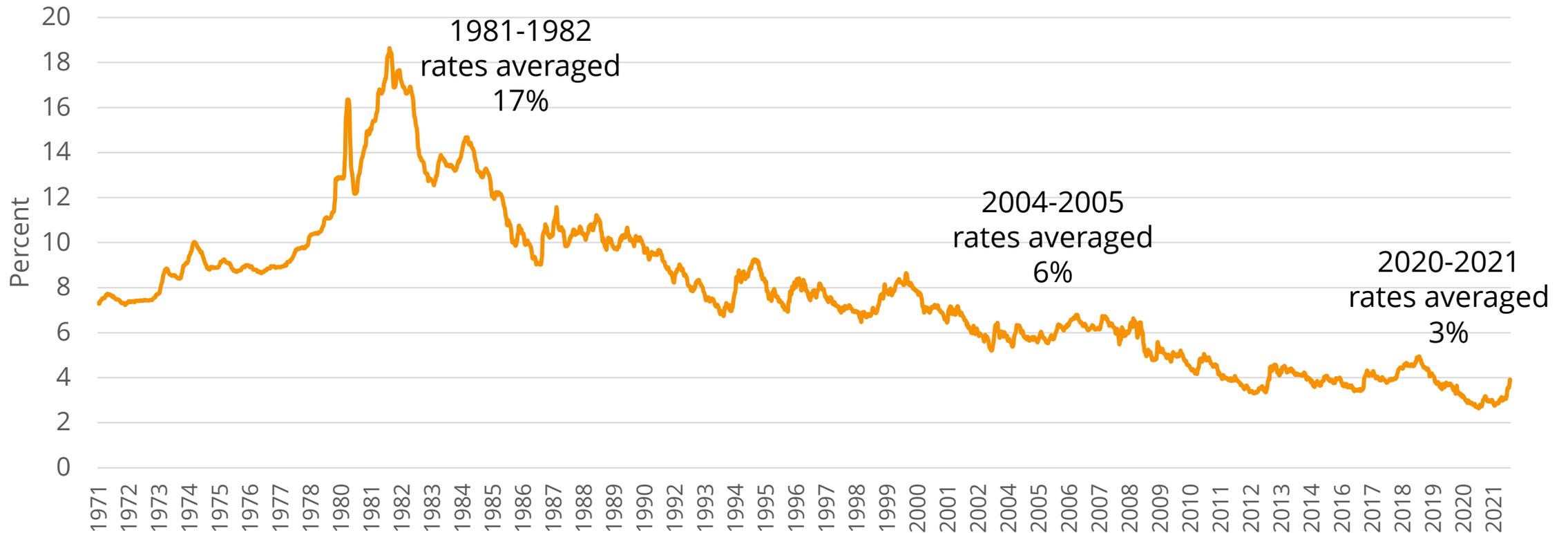
Change in CPI-U



Source: Bureau of Labor Statistics

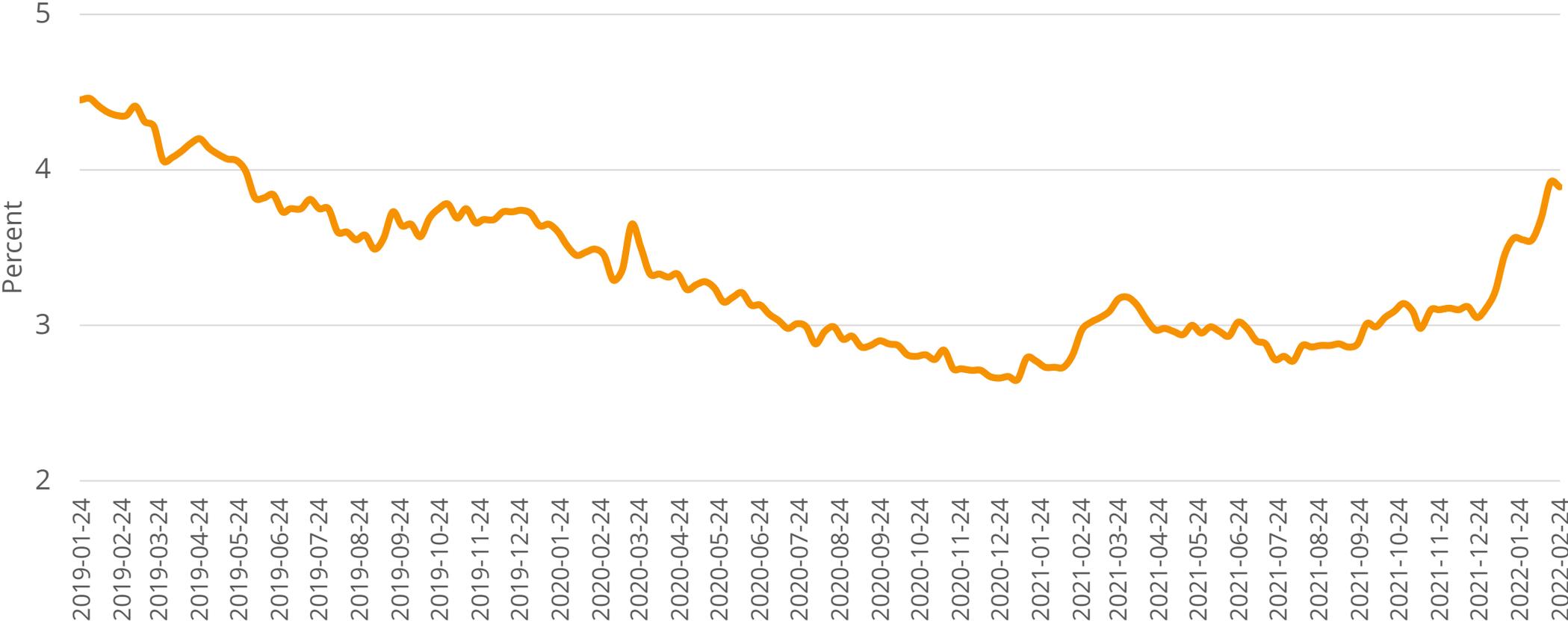
Long-Term Mortgage Rates

30-Year Fixed Rate Mortgage Rate (weekly average)



Mortgage Rates

30-Year Fixed Rate Mortgage Rate (weekly average)



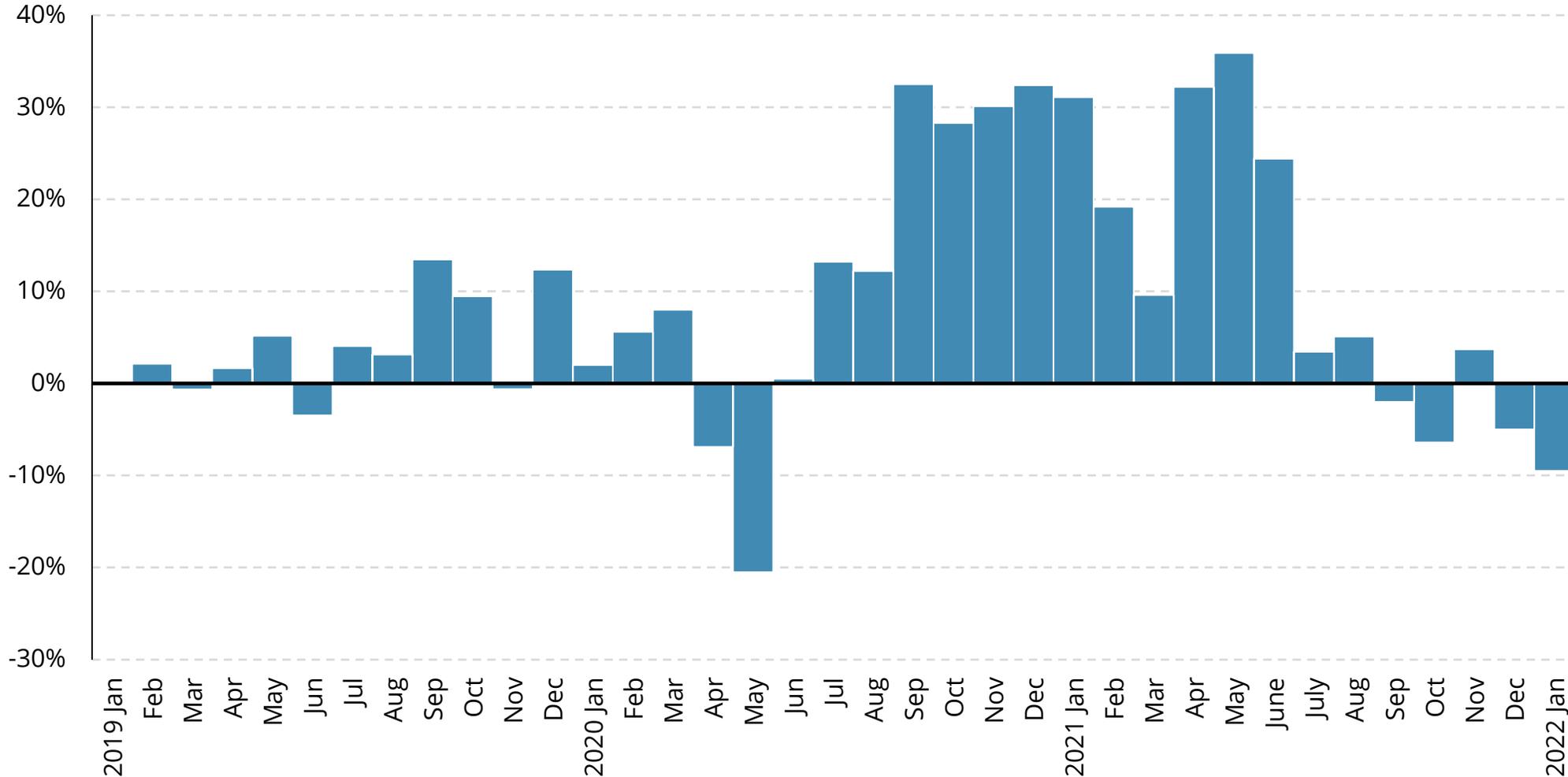
Source: Freddie Mac

Housing Market Trends



Virginia Home Sales

Virginia Y-o-Y Change in Monthly Home Sales



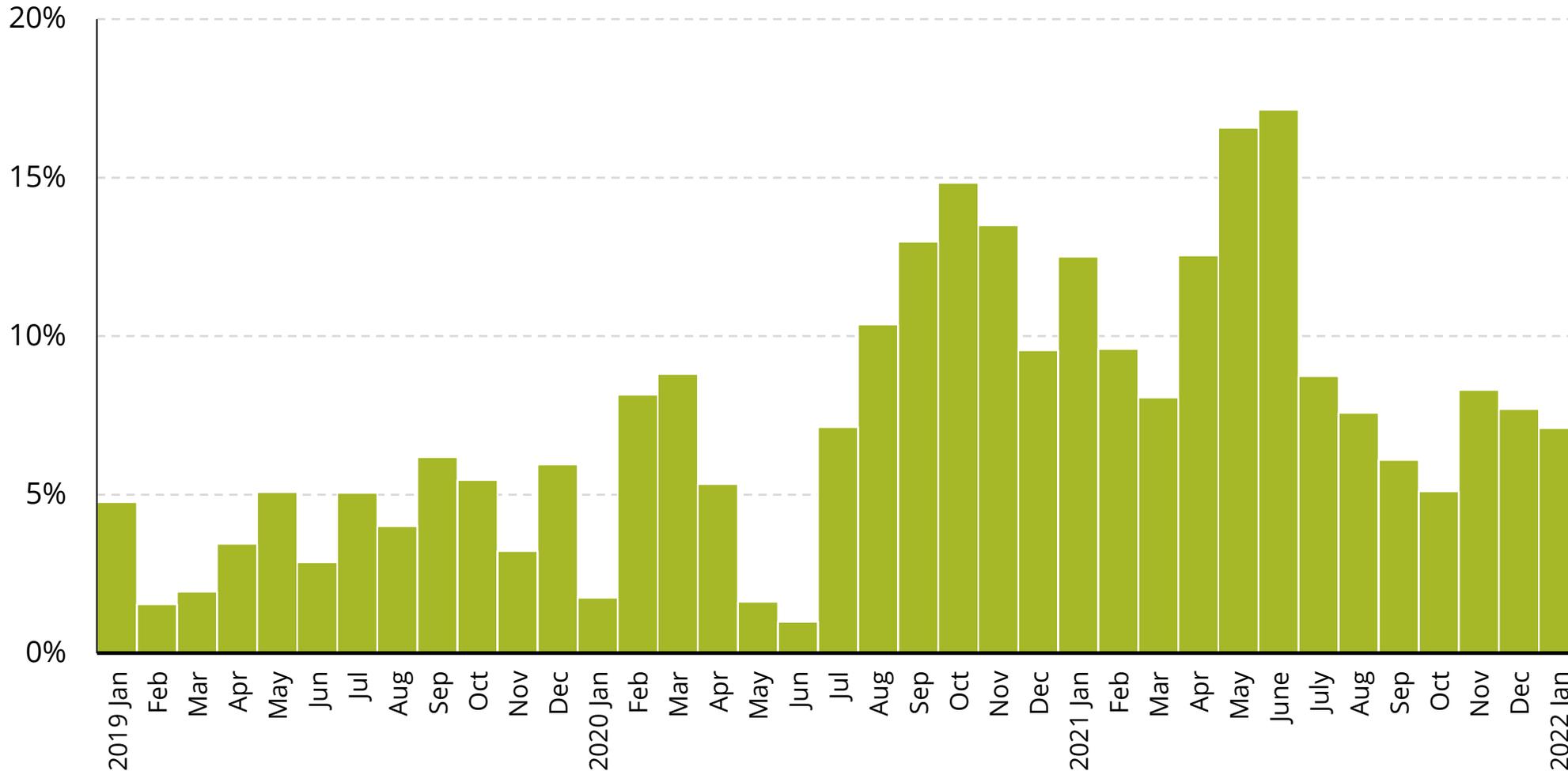
Statewide

Change from Jan 2021
-9.5%

Change From Dec 2021
-33.0%

Virginia Home Prices

Virginia Y-o-Y Change in Median Home Price

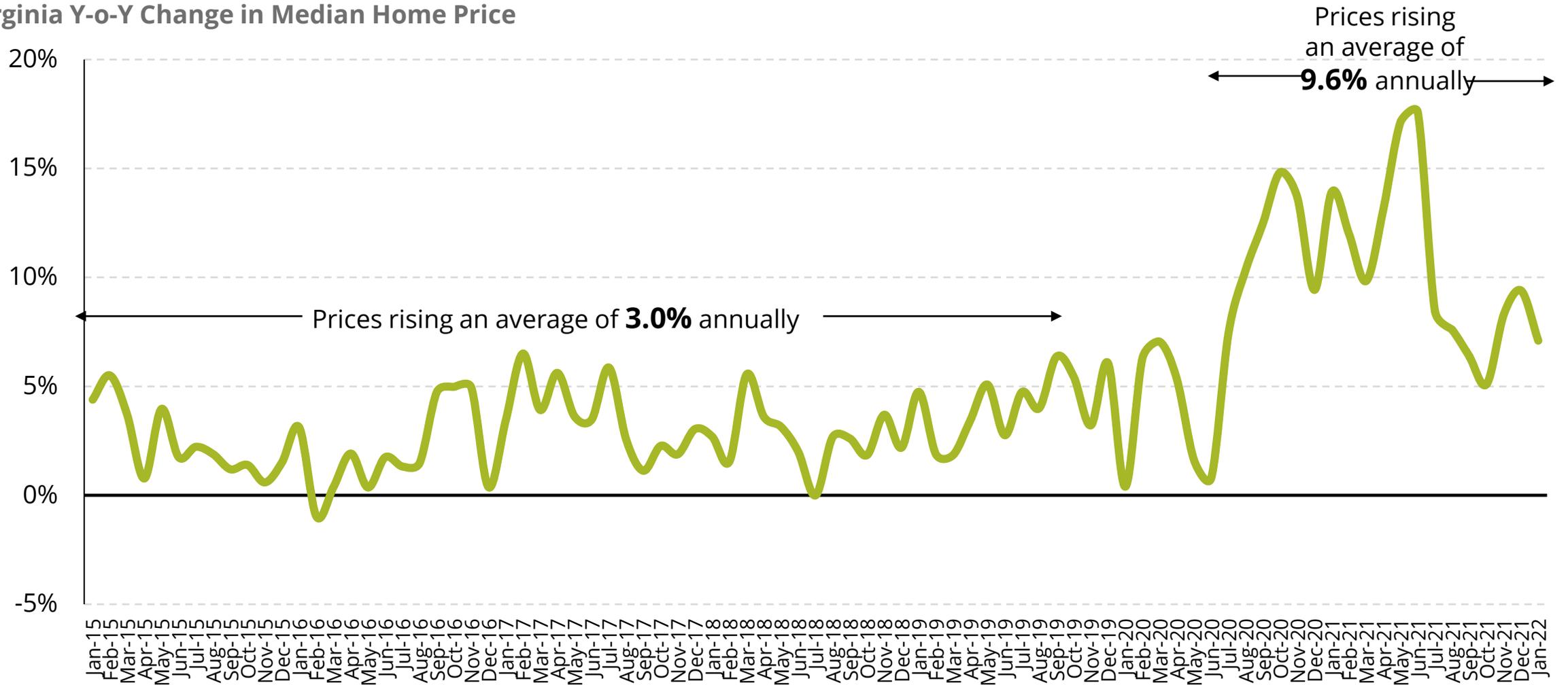


Statewide

Change from Jan 2021
+7.1%

Virginia Home Prices

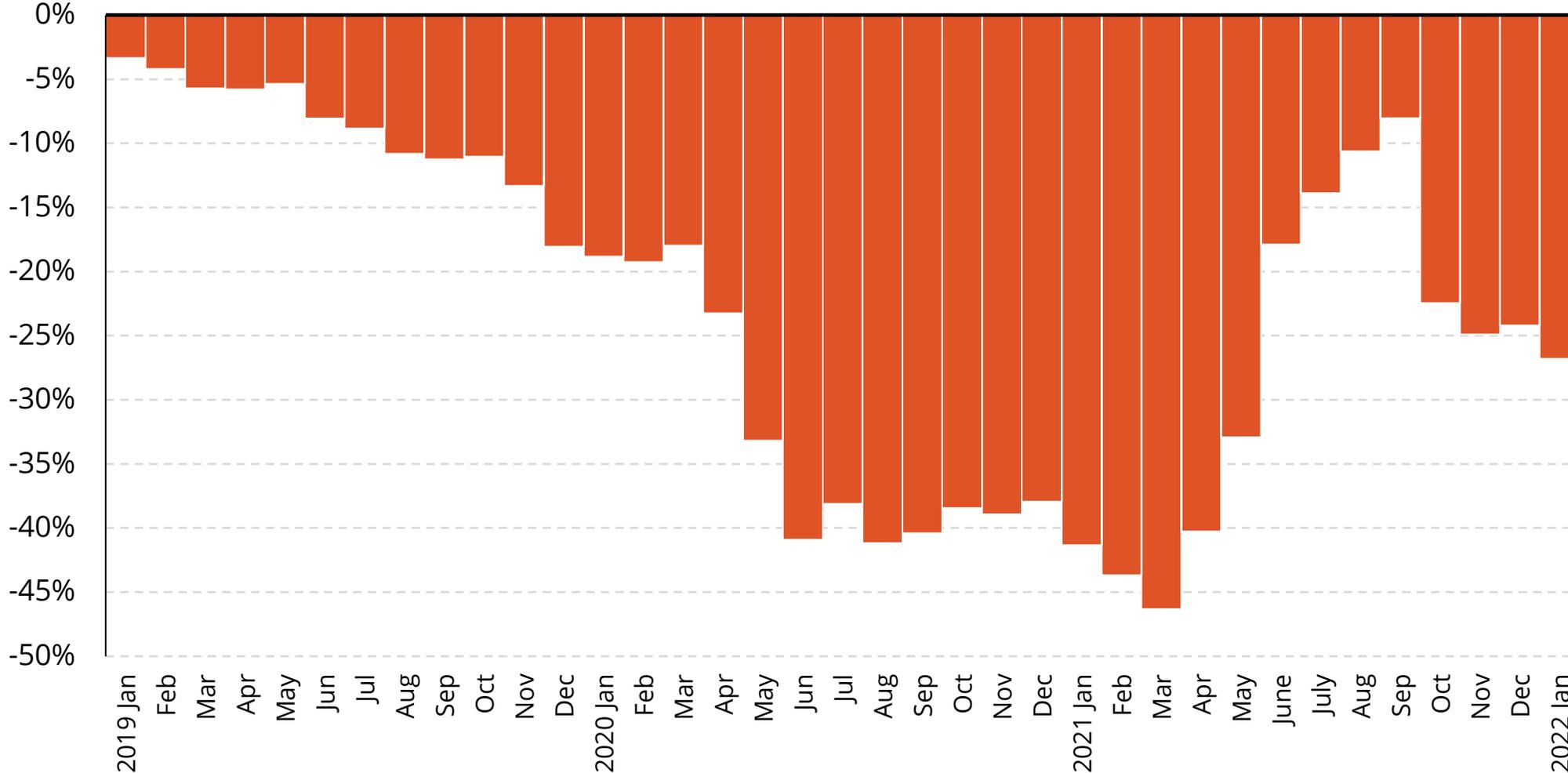
Virginia Y-o-Y Change in Median Home Price



Virginia Inventory



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



Statewide

Jan 2022
12,203 total
active listings

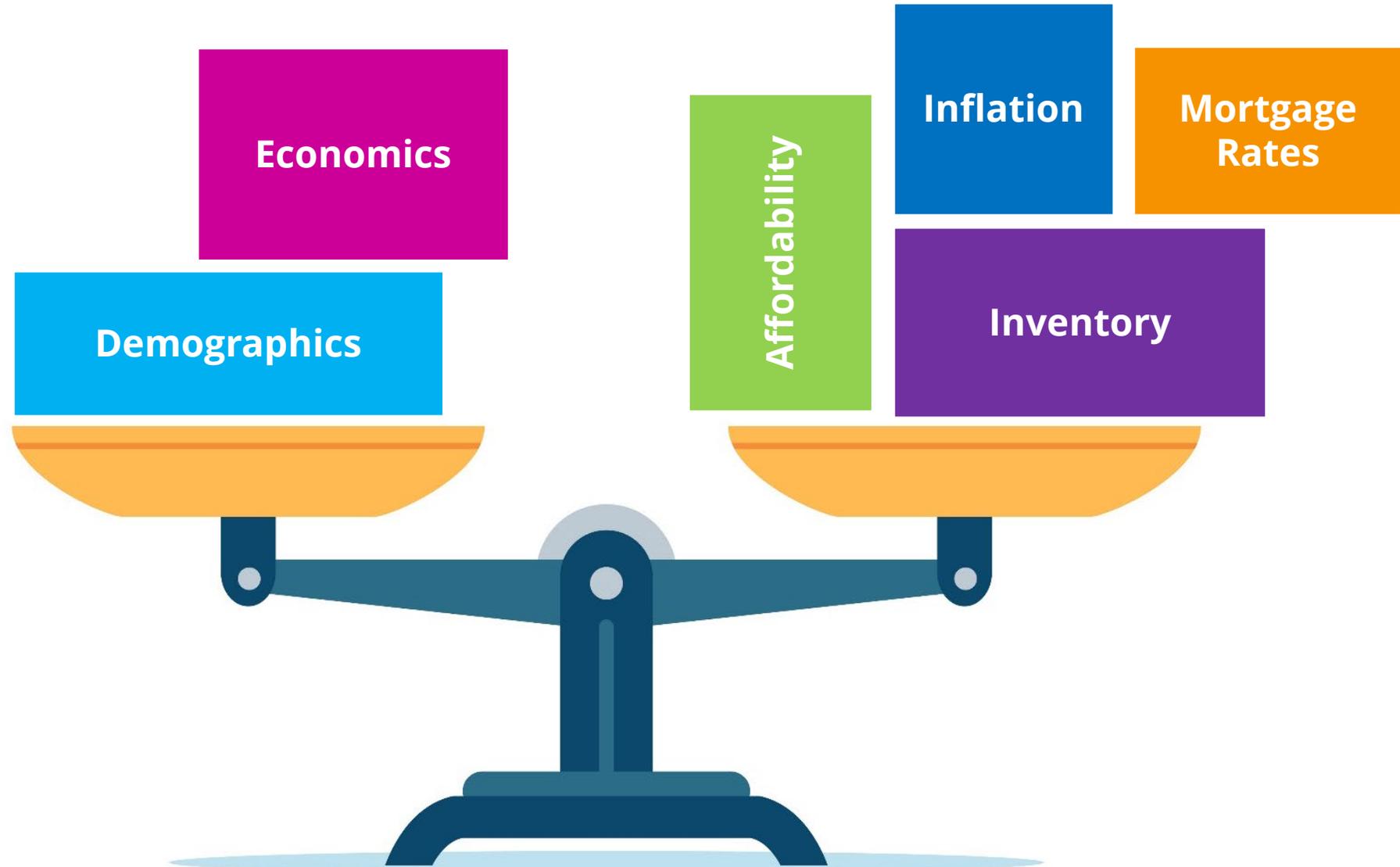
Change from
Jan 2021
-26.8%

1.0
Month of
supply

Forecast

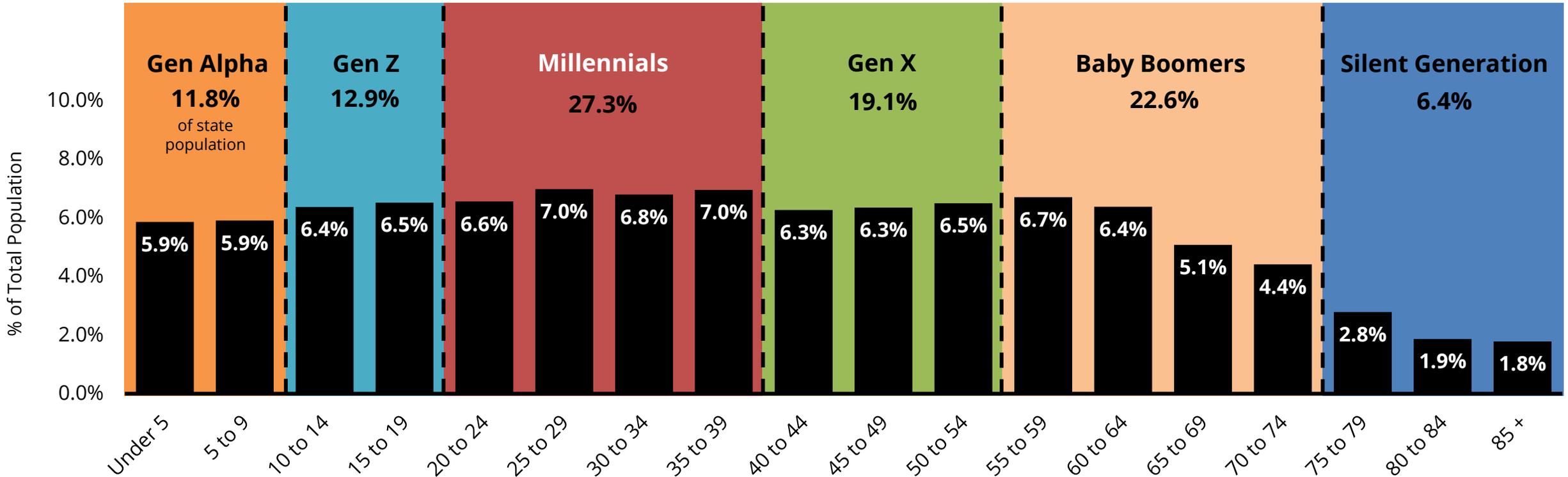


What will tip the scales in the 2022 housing market?



Demographics

Age distribution in Virginia (2019)

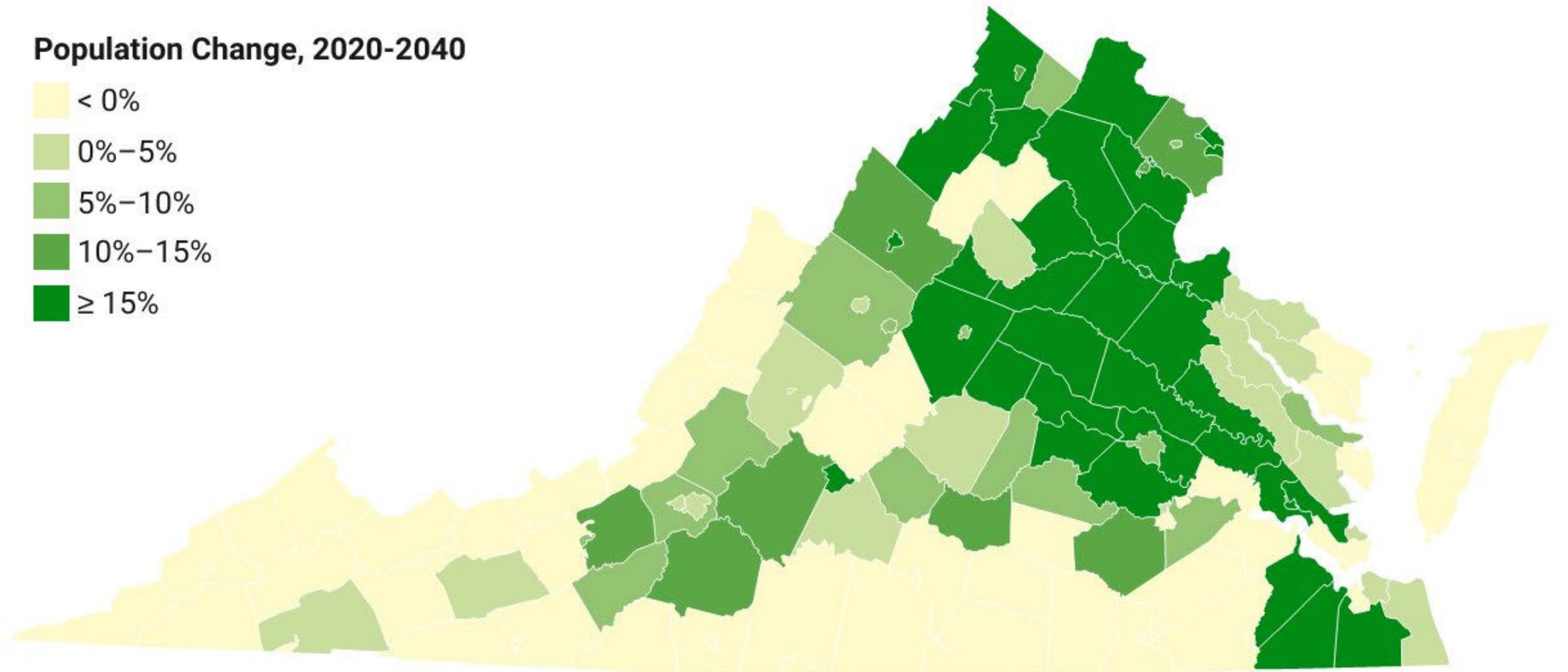


Source: U.S. Census Bureau

Note: Generation age ranges are approximate

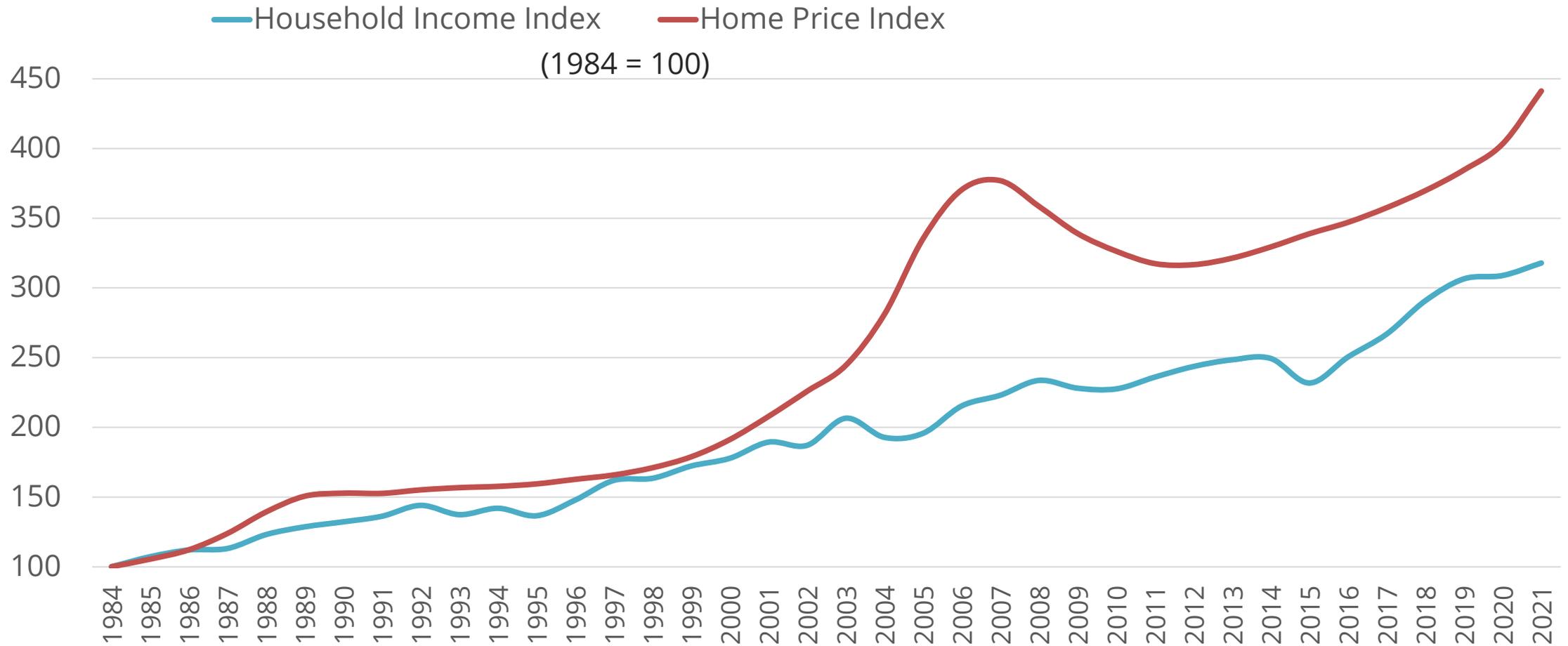
Demographics

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



Affordability

Home prices are rising much faster than incomes



Rising prices and rising mortgage rates

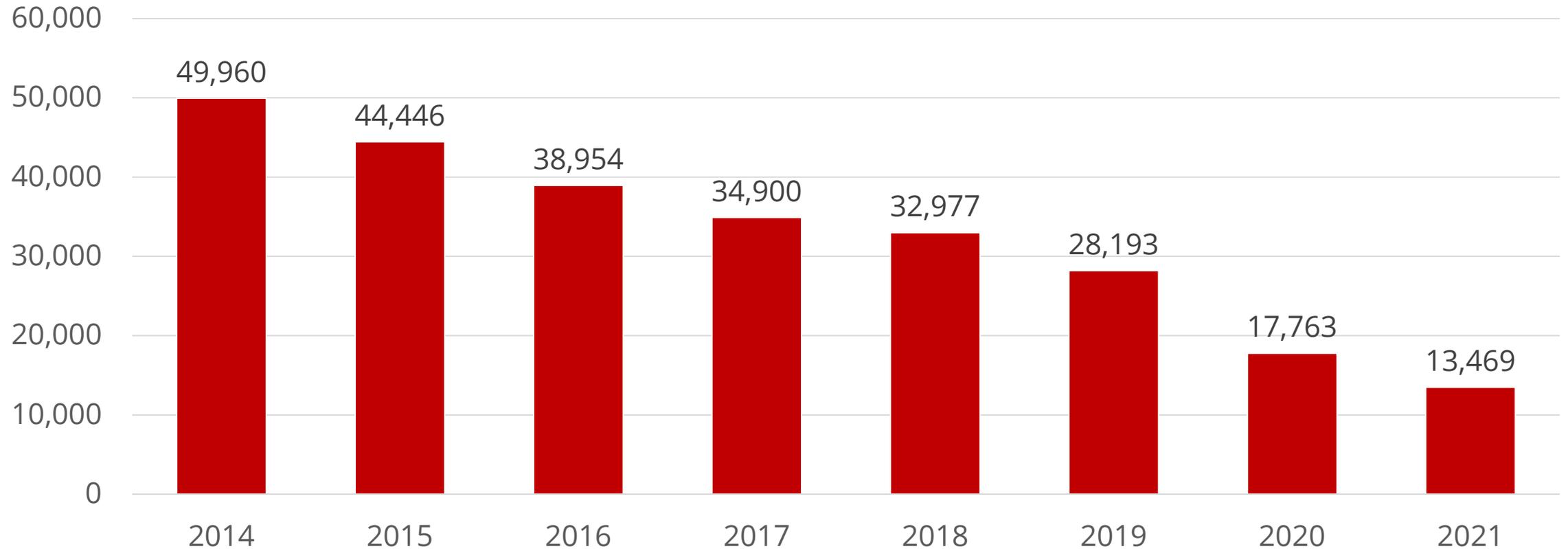
	Median home price	Average mortgage rate	Monthly payment	Income Needed
Dec 2017	\$274,000	3.95%	\$1,235	\$52,938
Dec 2018	\$280,000	4.64%	\$1,370	\$58,714
Dec 2019	\$297,000	3.72%	\$1,302	\$55,795
Dec 2020	\$325,000	2.68%	\$1,249	\$53,530
Dec 2021	\$350,000	3.10%	\$1,420	\$60,850
2022	\$364,000	4.00%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

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.

Virginia Inventory

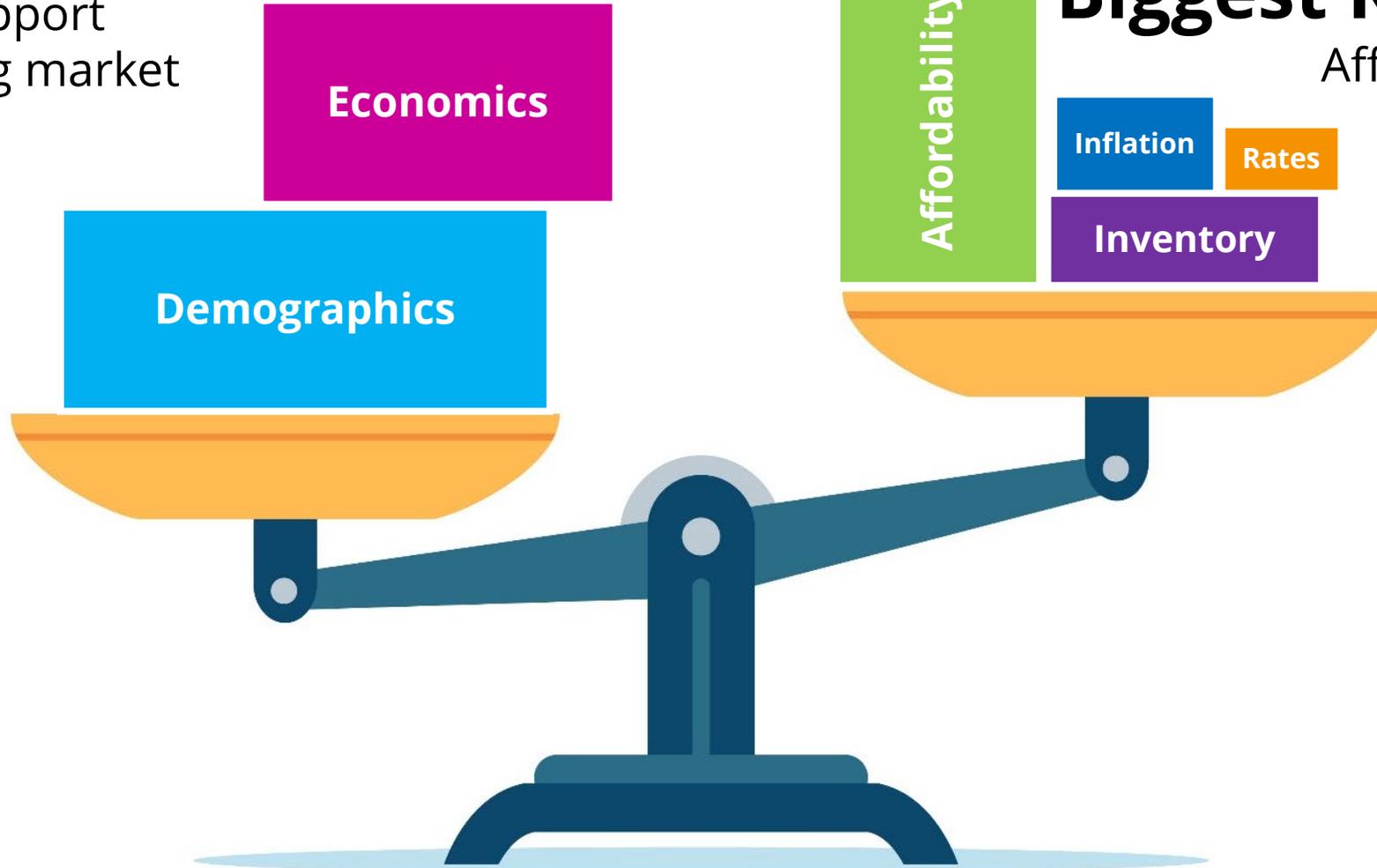
Inventory has been declining for years, but shortage got worse during pandemic

Number of active listings
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.

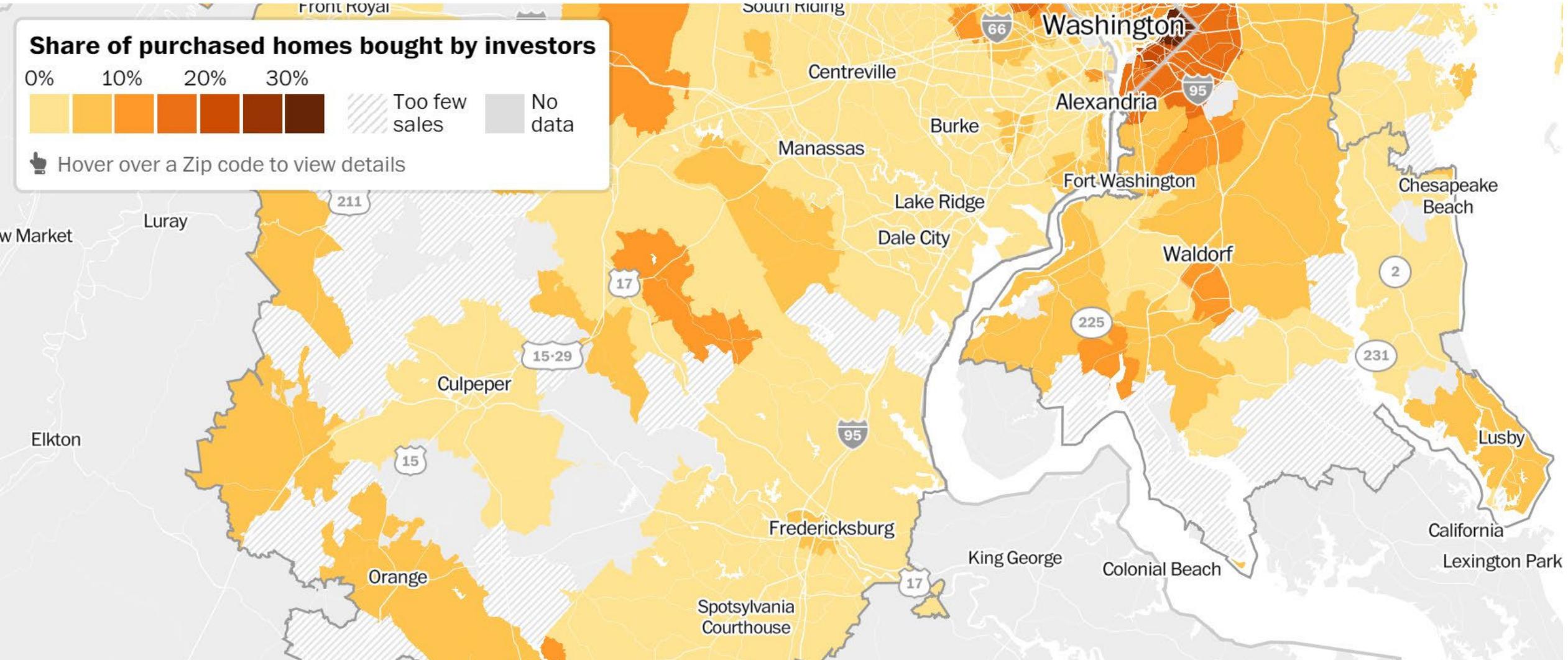
Inventory will continue to be very tight.

What we **don't** expect in 2022

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

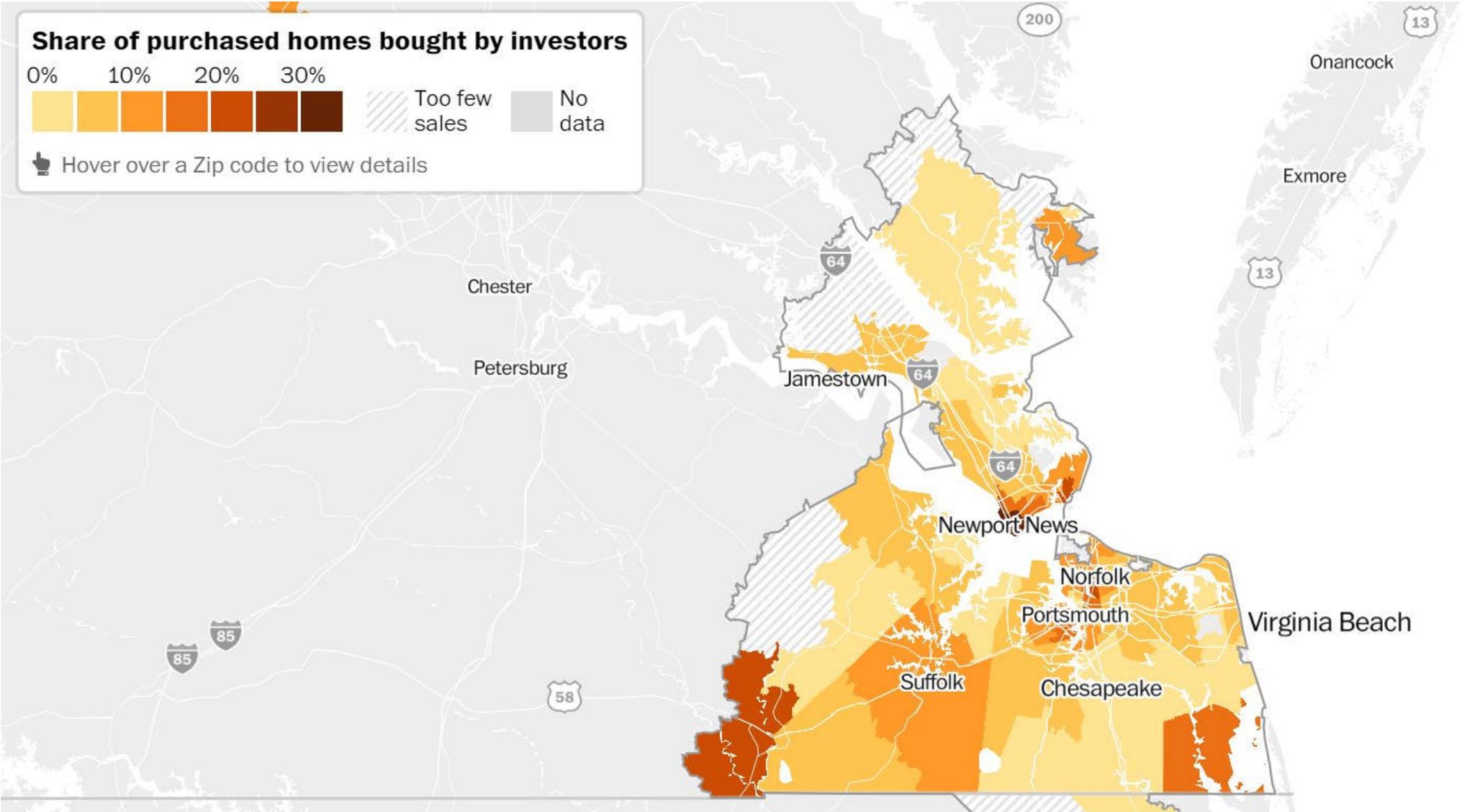
Investors are a **small share** of Virginia housing markets

Northern Virginia (6%)



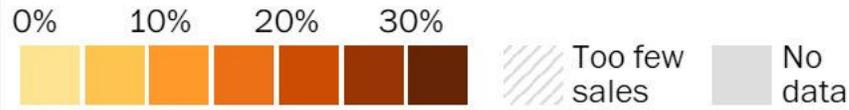
Investors are a **small share** of Virginia housing markets

Virginia Beach (8%)

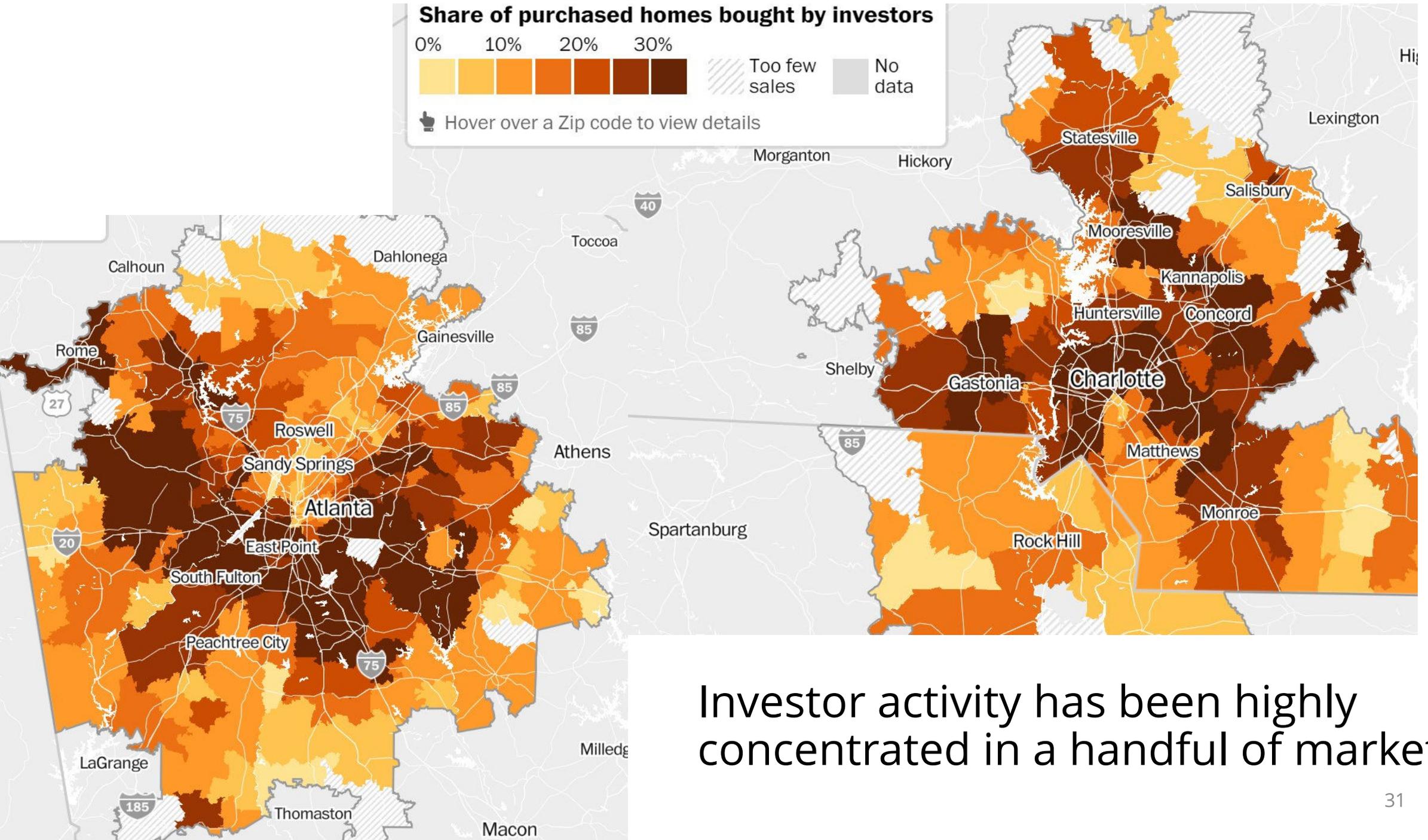


Source: Washington Post , <https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/>

Share of purchased homes bought by investors

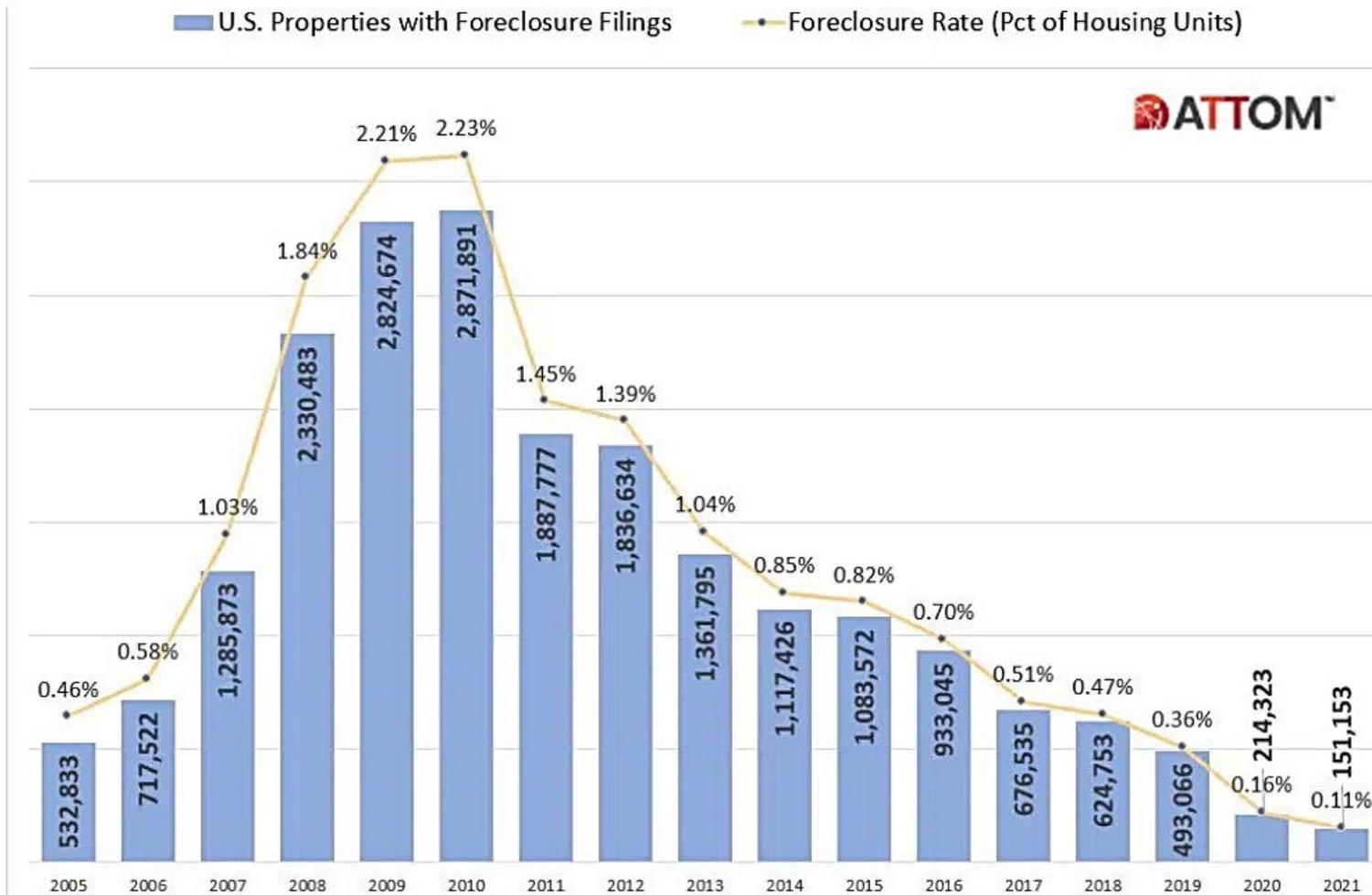


👉 Hover over a Zip code to view details



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 **31st (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

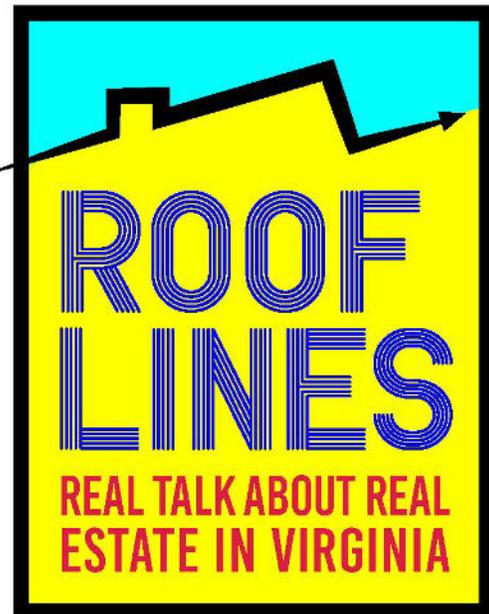
2022

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

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By the Numbers webinar Quarterly



Have Questions or Need More Info?

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