



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

Virginia REALTORS® Broker Plus  
March 3, 2022

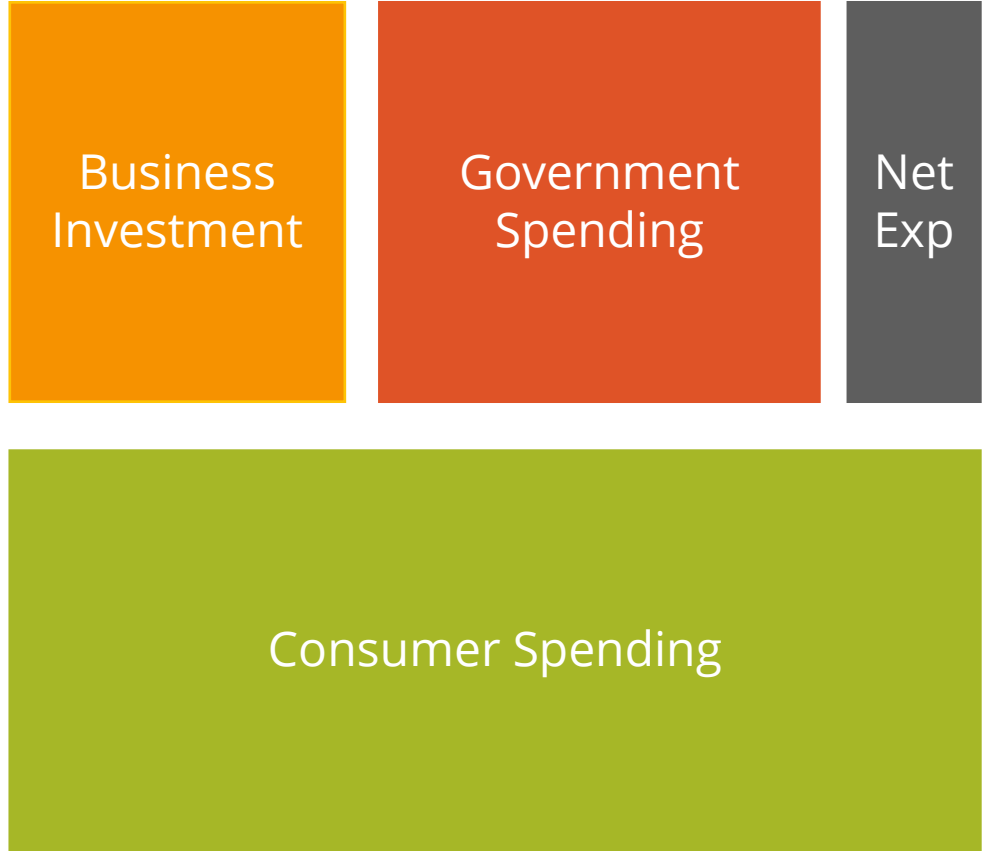
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Lisa Sturtevant, PhD  
Chief Economist

Ryan Price  
Deputy Chief Economist



# Economic Indicators

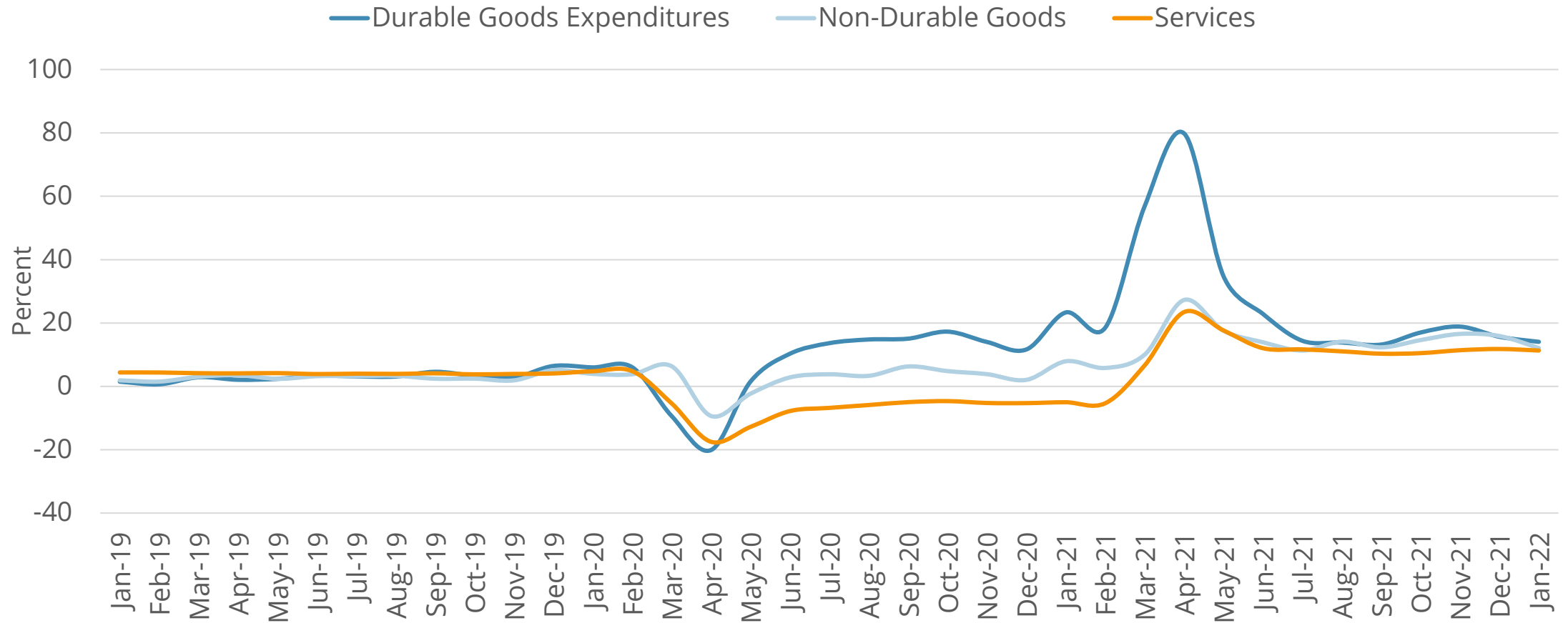


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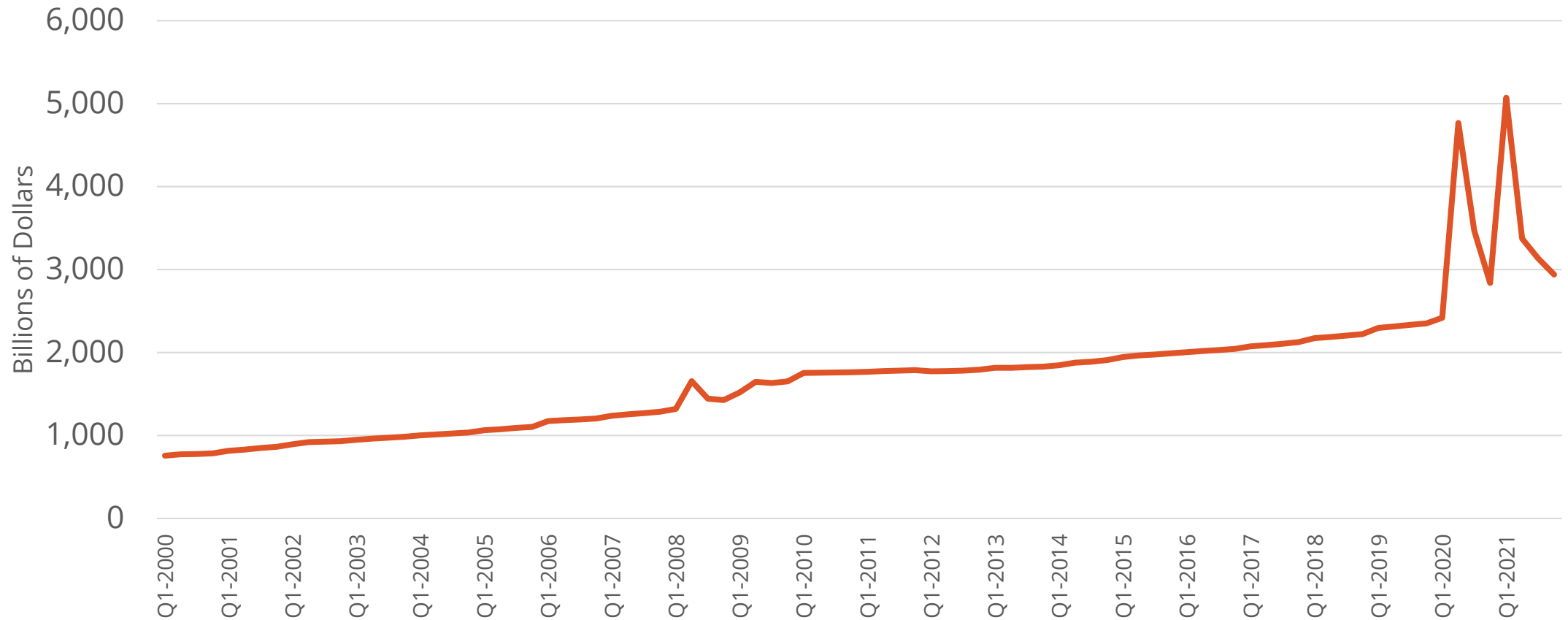
# Personal Consumer Expenditures

## Year-over-year change



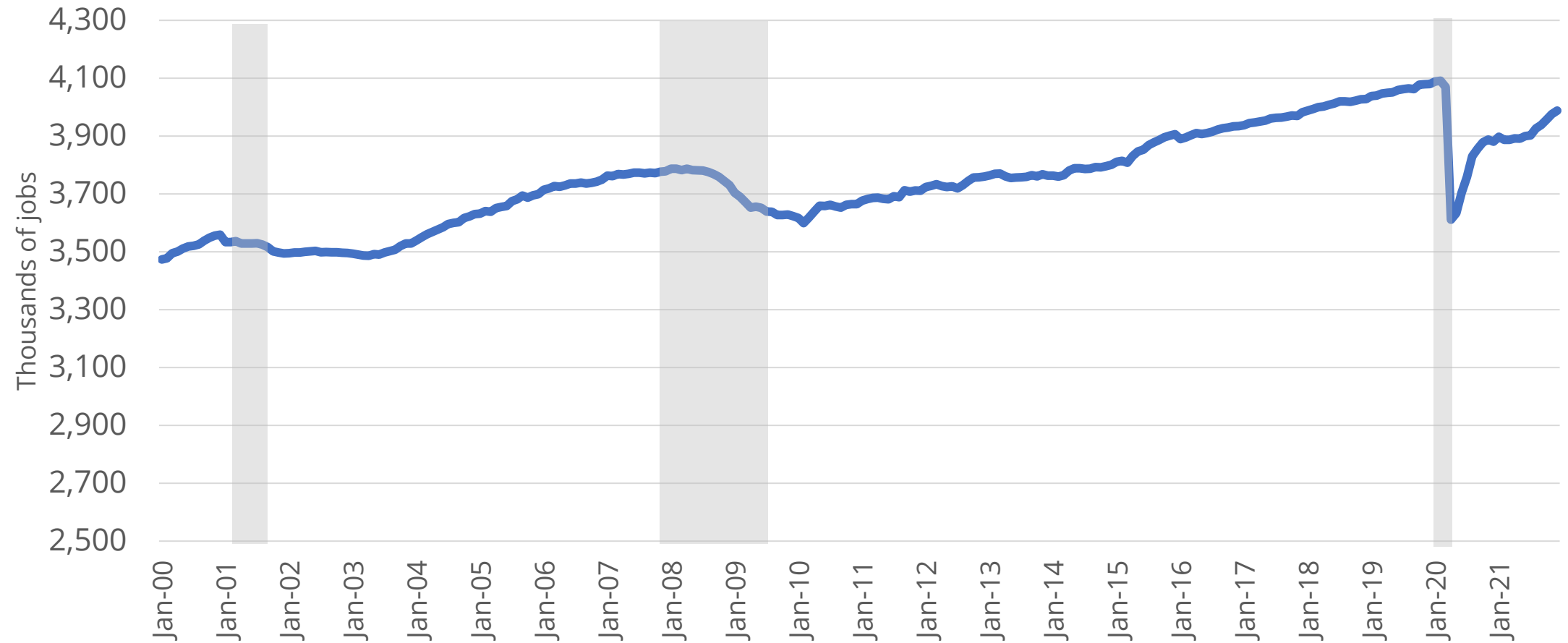
# Stimulus Payments

Federal Government Transfer Payments to Individuals

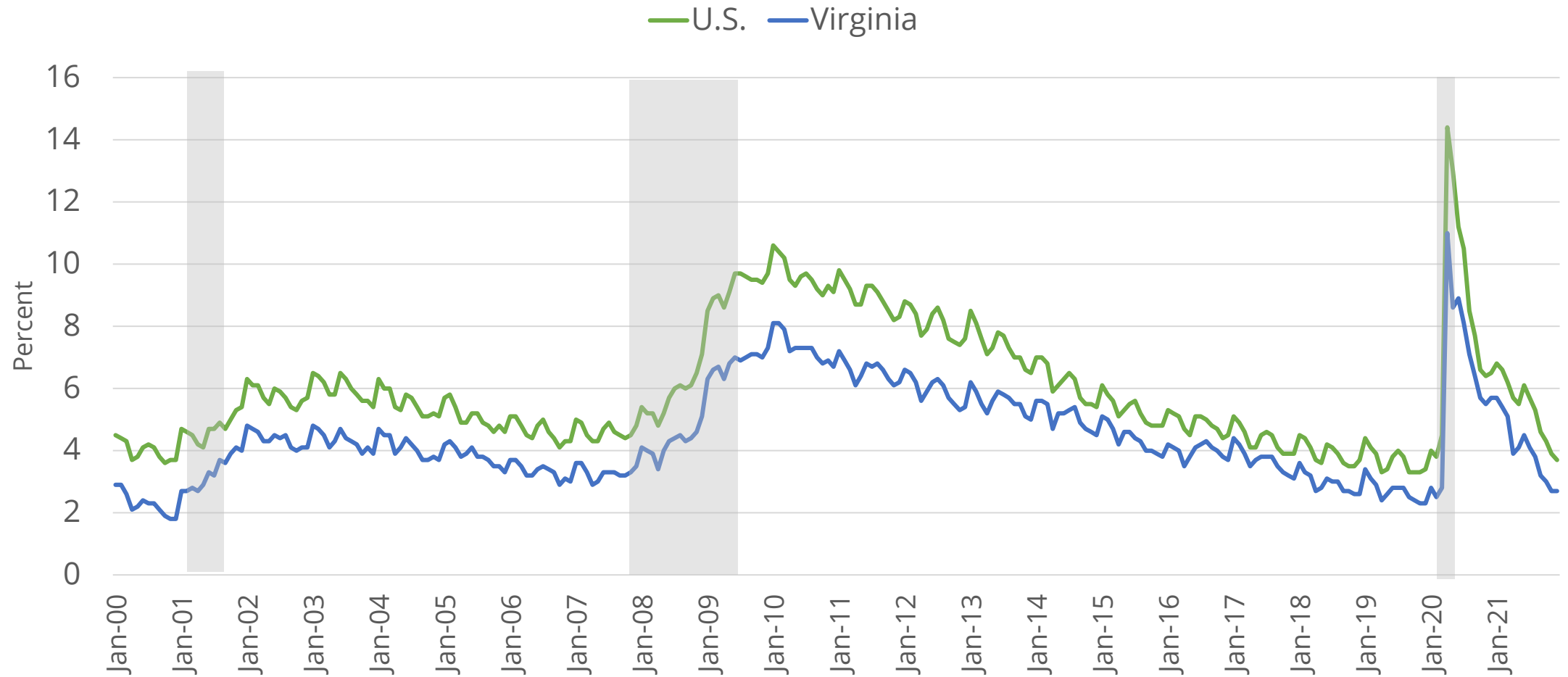


# Employment

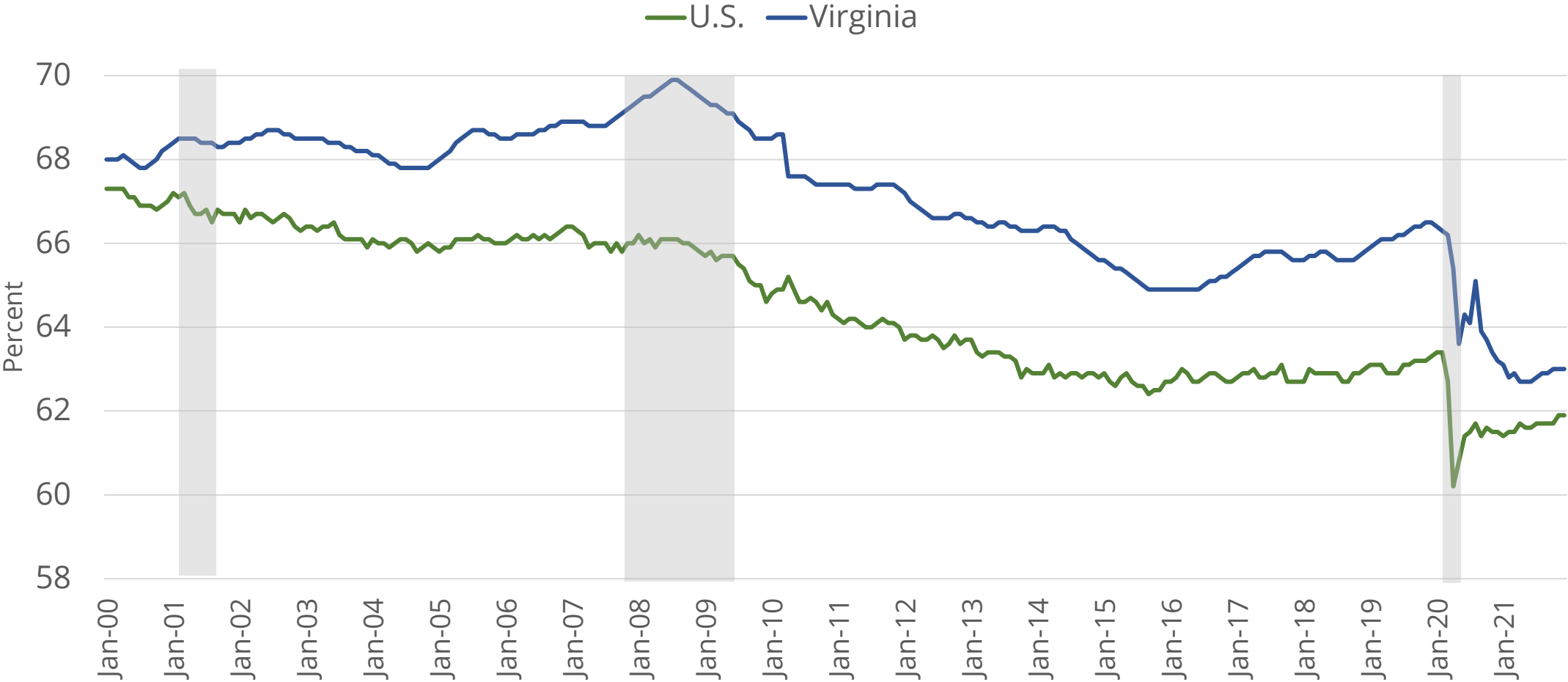
## Virginia



# Unemployment Rate



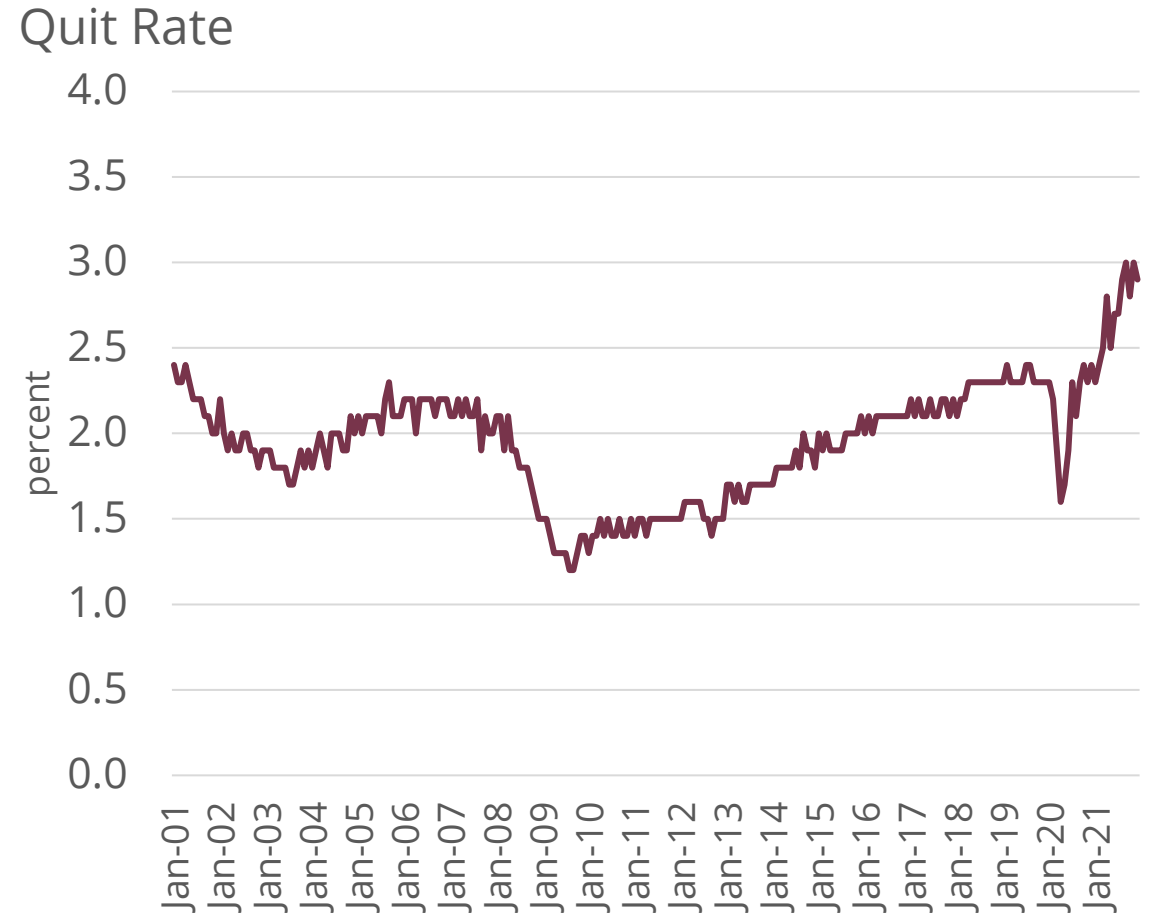
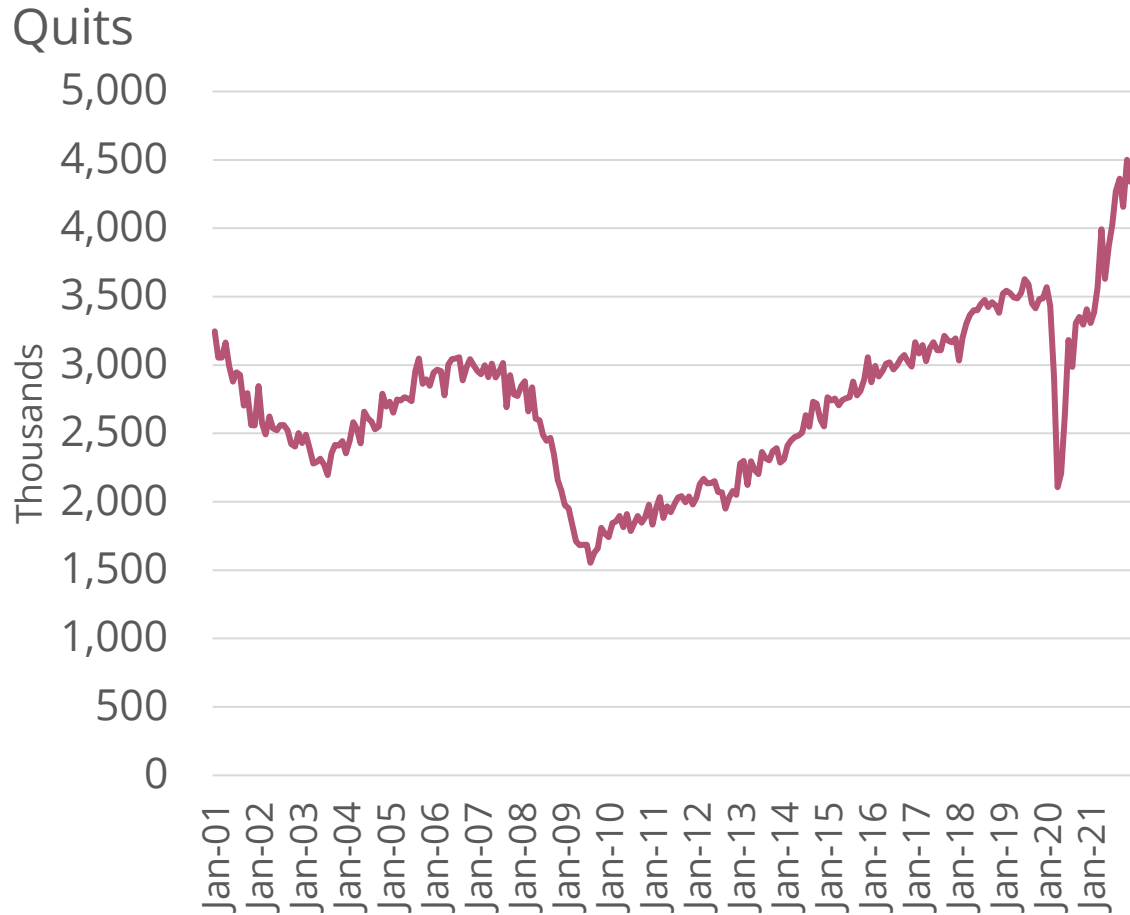
# Labor Force Participation Rate



Source: U.S. Bureau of Labor Statistics, seasonally adjusted



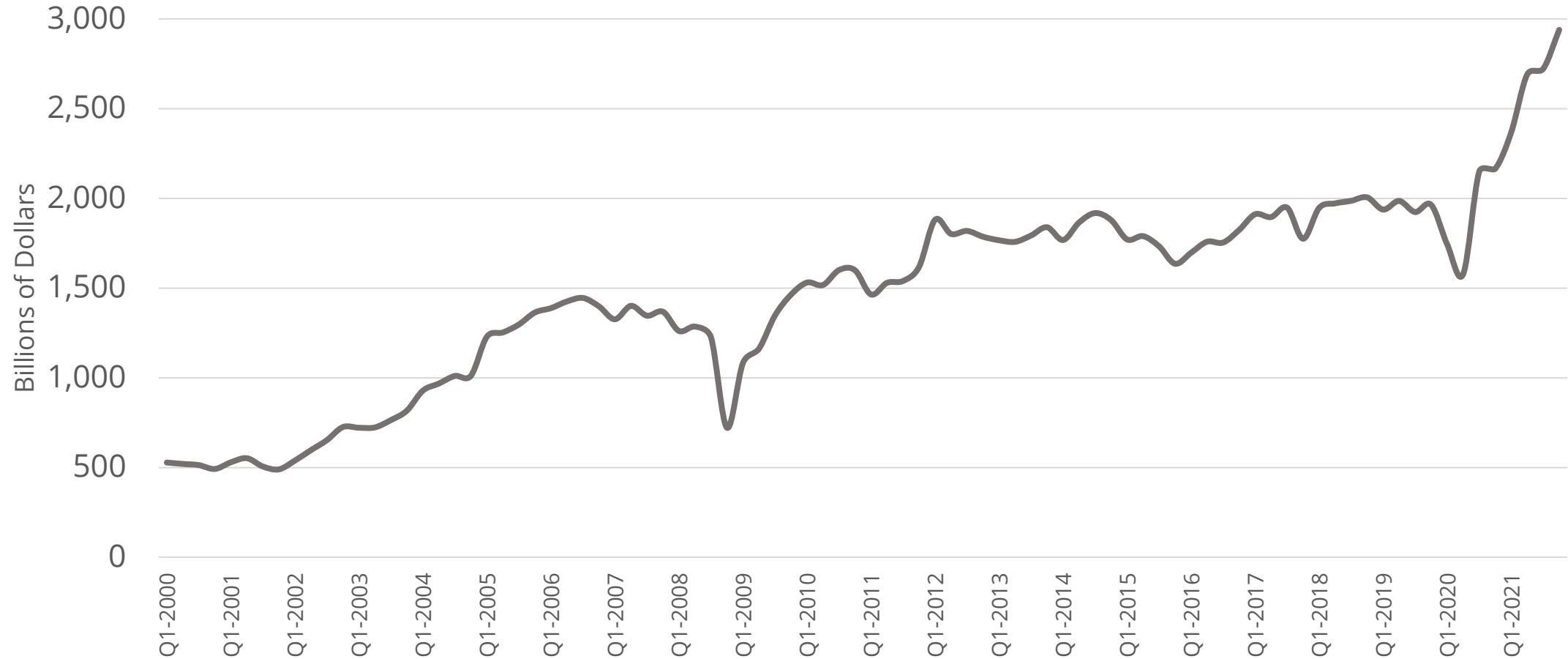
# Labor Force Churn U.S.



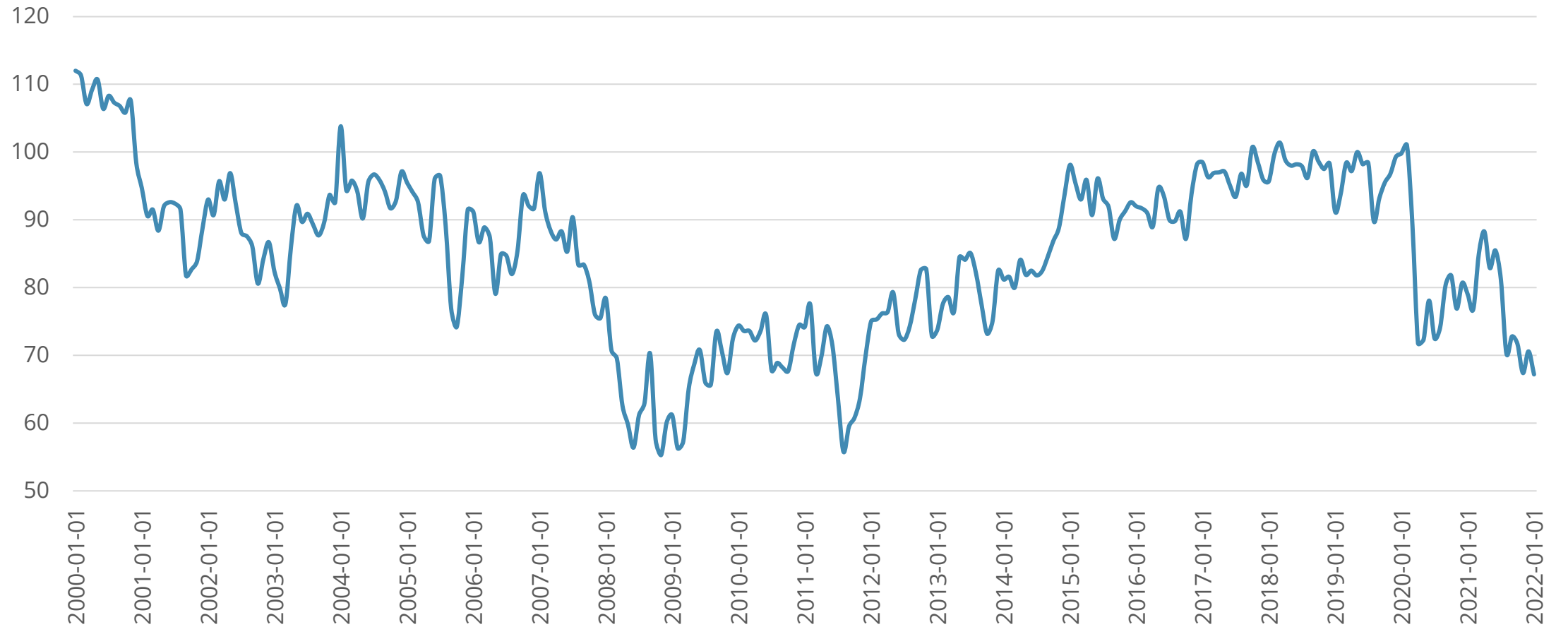
# Manufacturers' Capital Goods Orders U.S.



# Corporate Profits U.S.

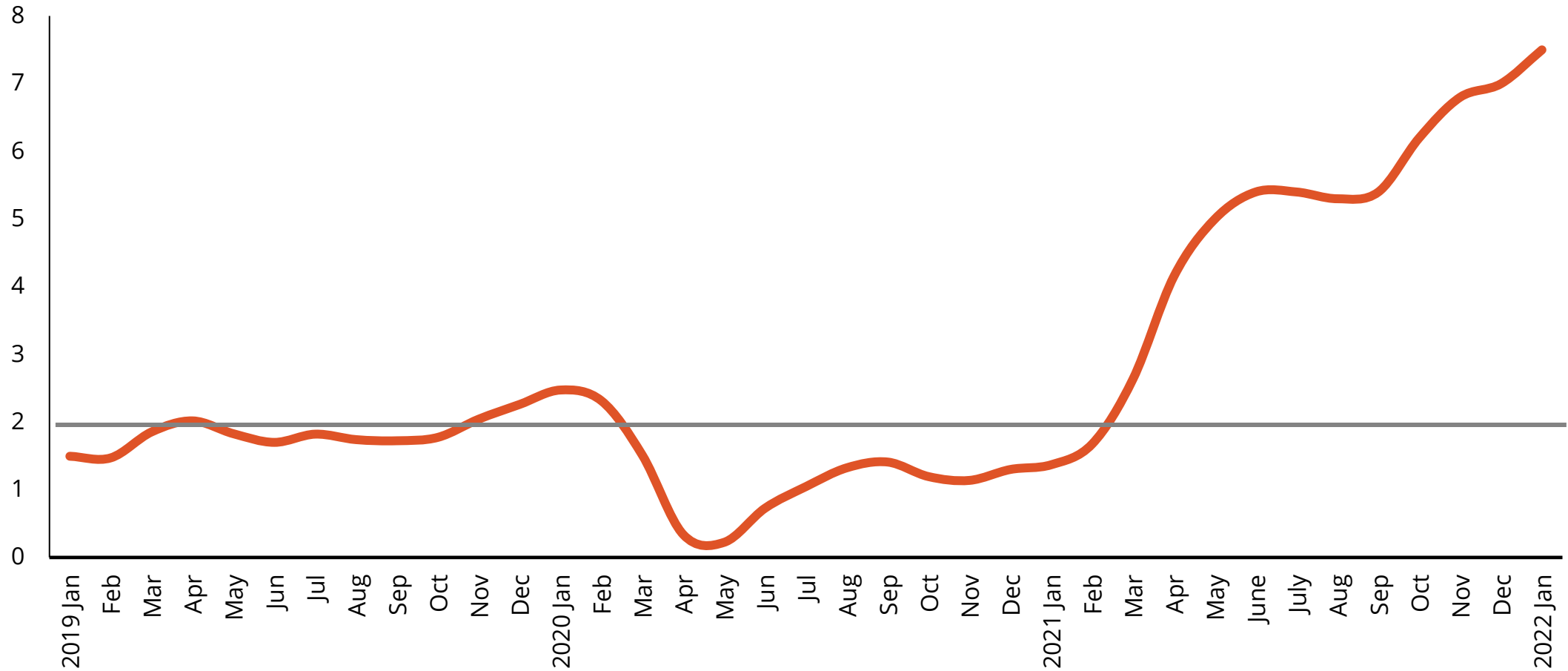


# Consumer Sentiment U.S.



# Inflation

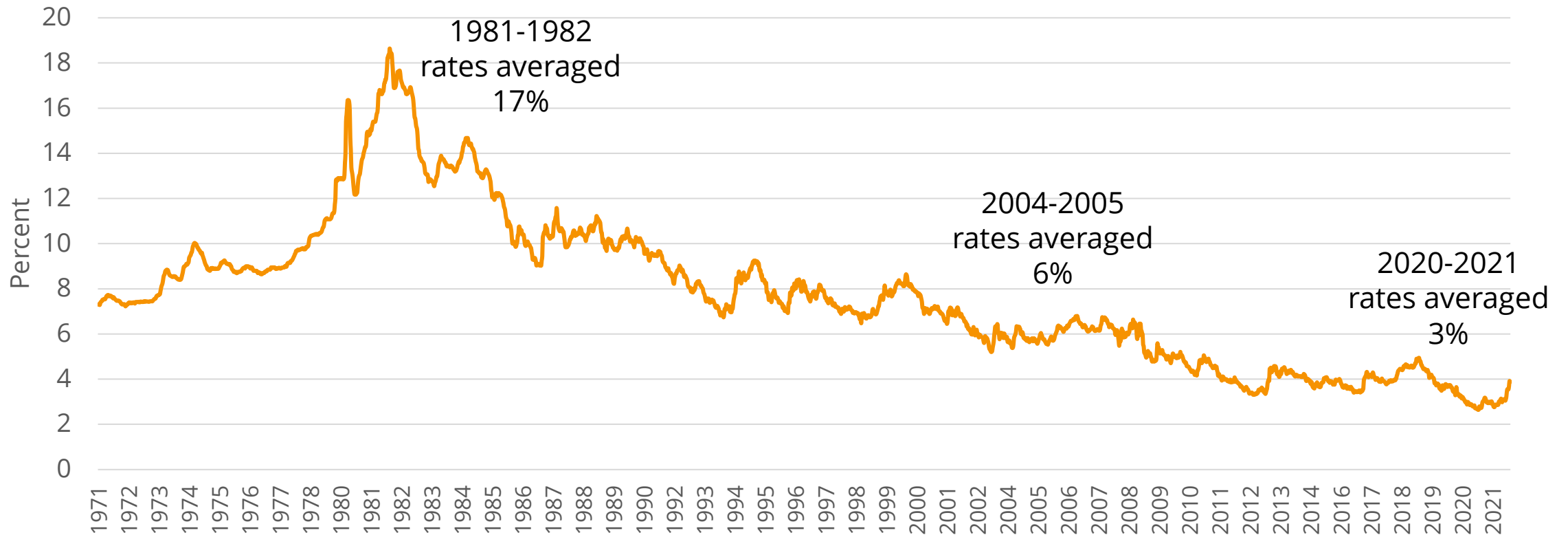
Change in CPI-U



Source: Bureau of Labor Statistics

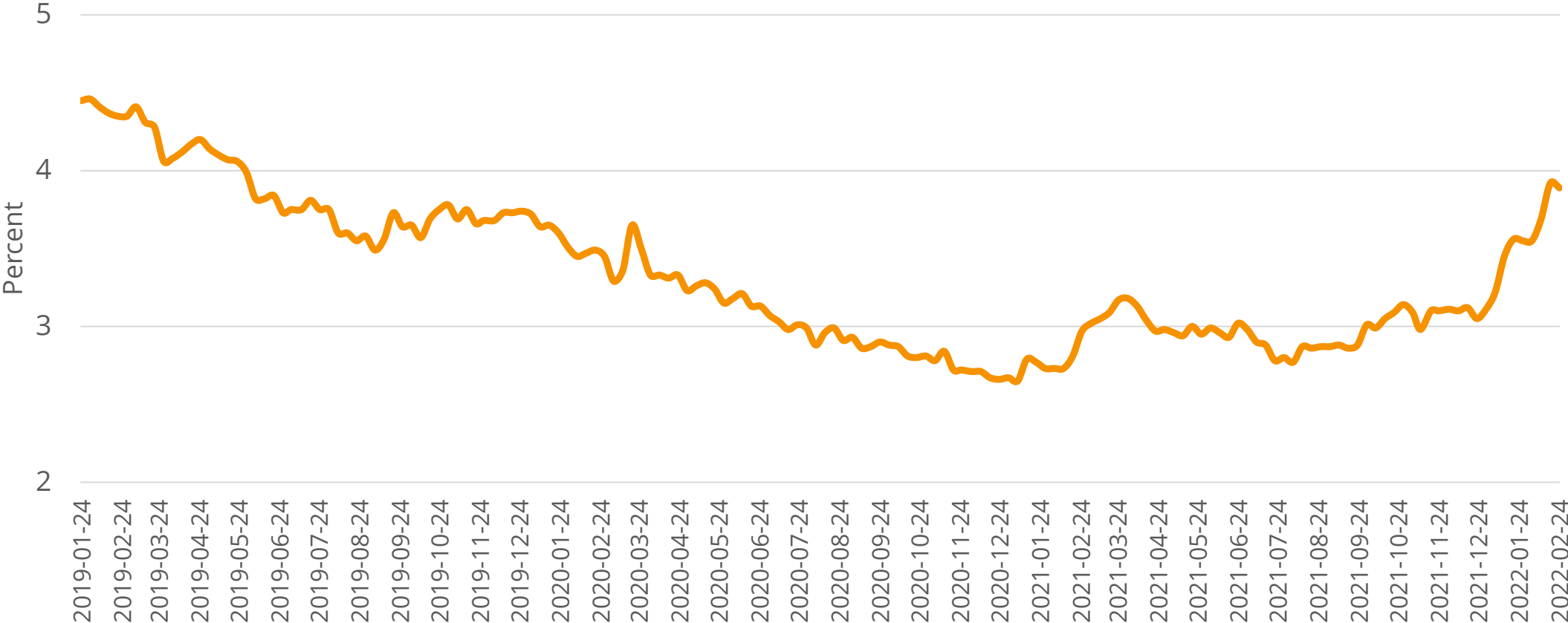
# Long-Term Mortgage Rates

30-Year Fixed Rate Mortgage Rate (weekly average)



# Mortgage Rates

30-Year Fixed Rate Mortgage Rate (weekly average)



Source: Freddie Mac

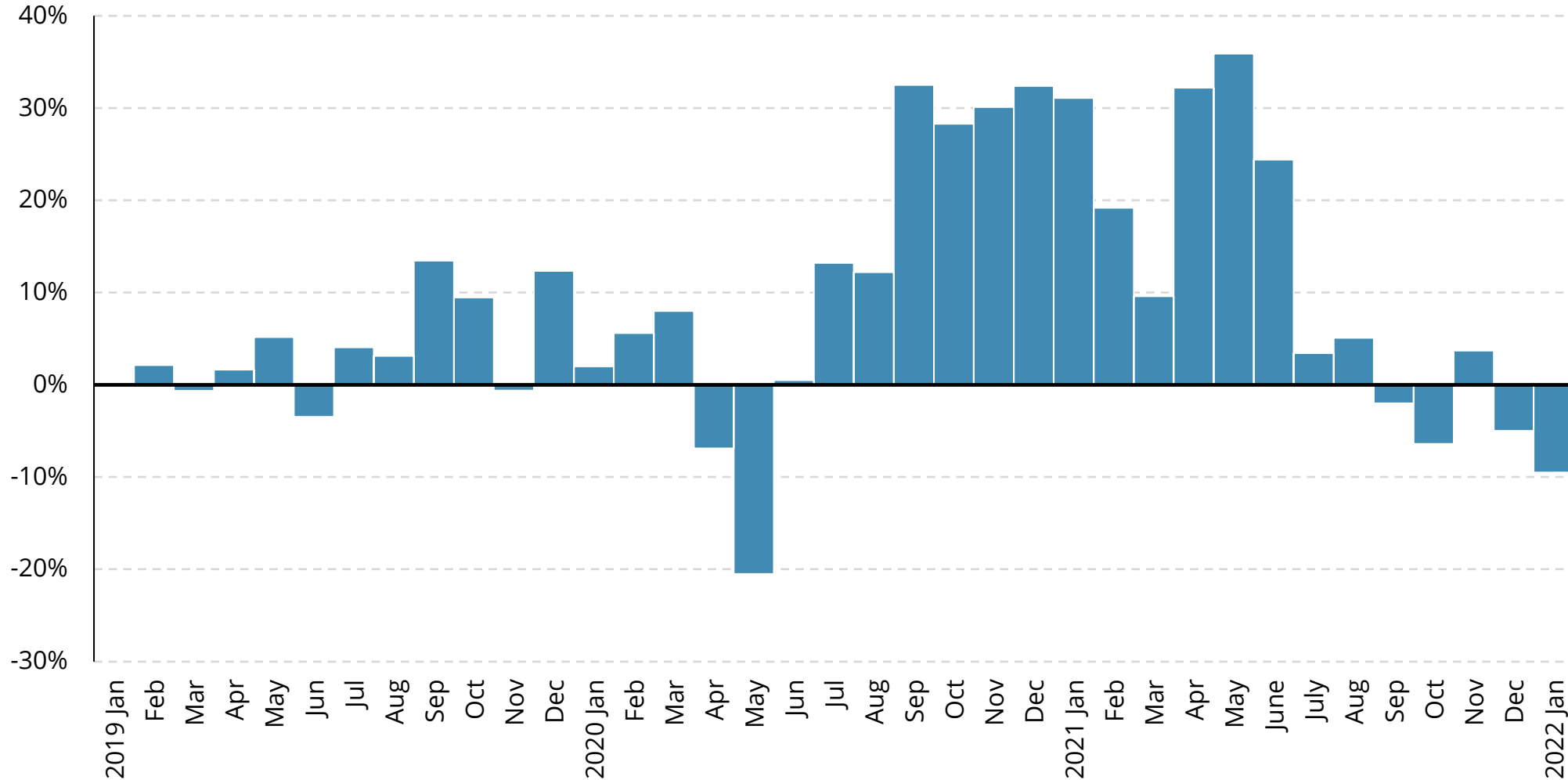
# Housing Market Trends





# Virginia Home Sales

Virginia Y-o-Y Change in Monthly Home Sales



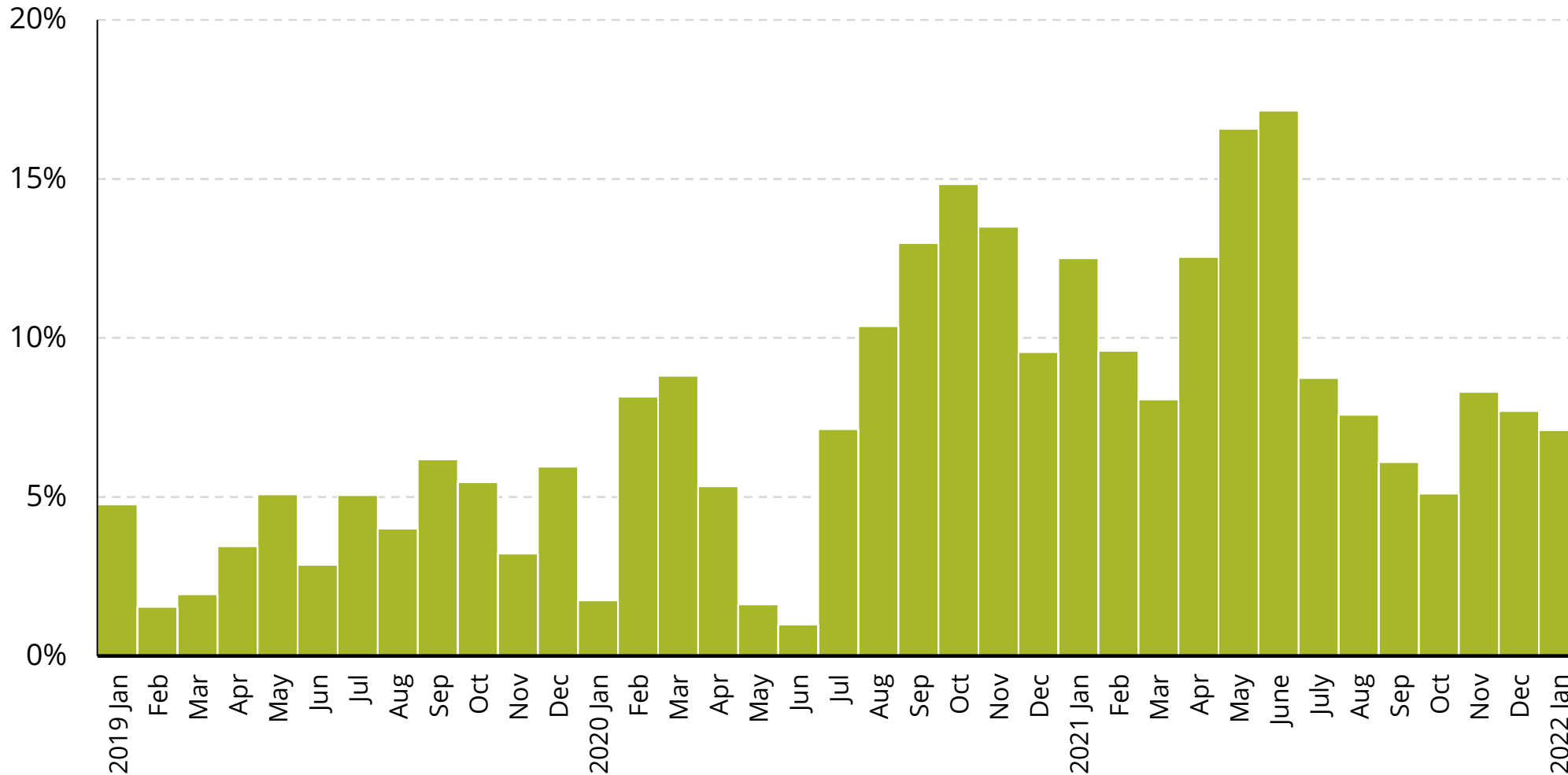
## Statewide

Change from Jan 2021  
-9.5%

Change From Dec 2021  
-33.0%

# Virginia Home Prices

Virginia Y-o-Y Change in Median Home Price

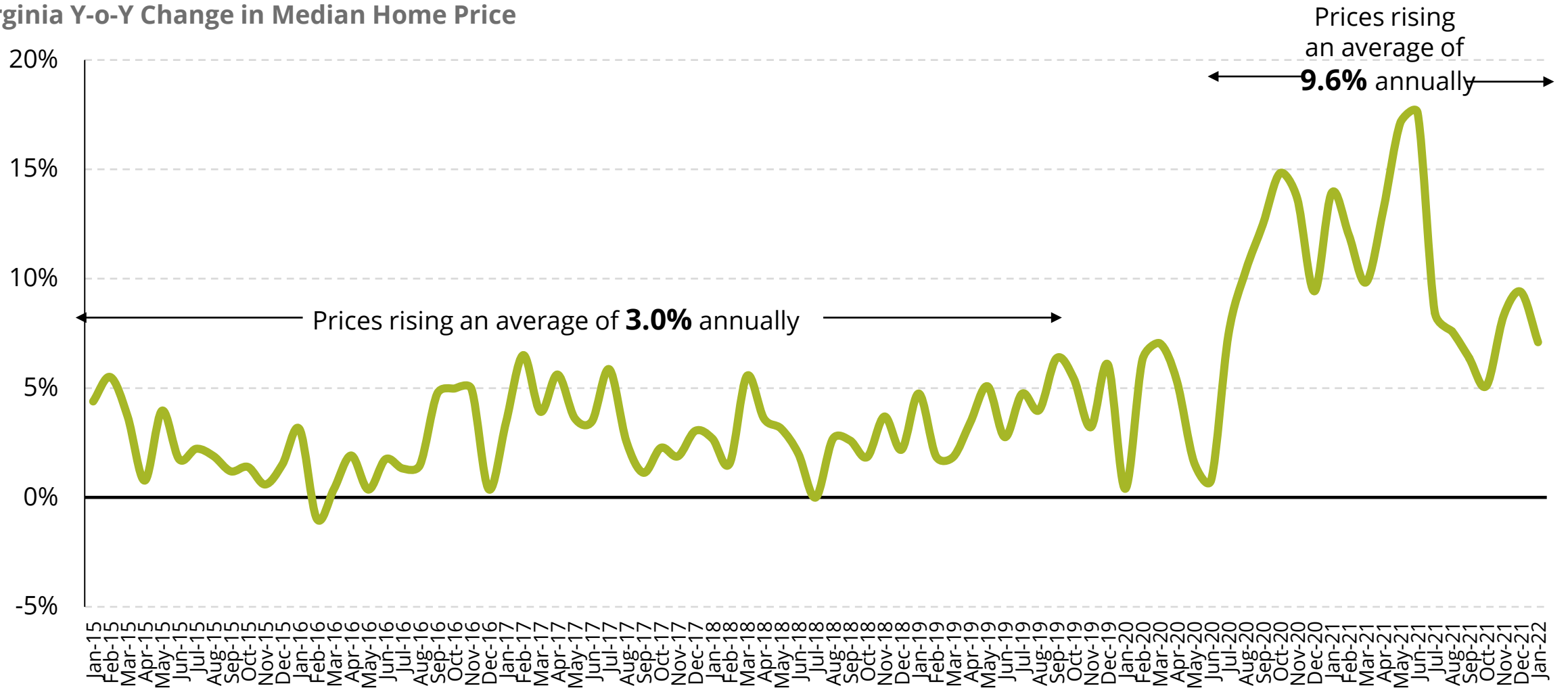


**Statewide**

Change from Jan 2021  
+7.1%

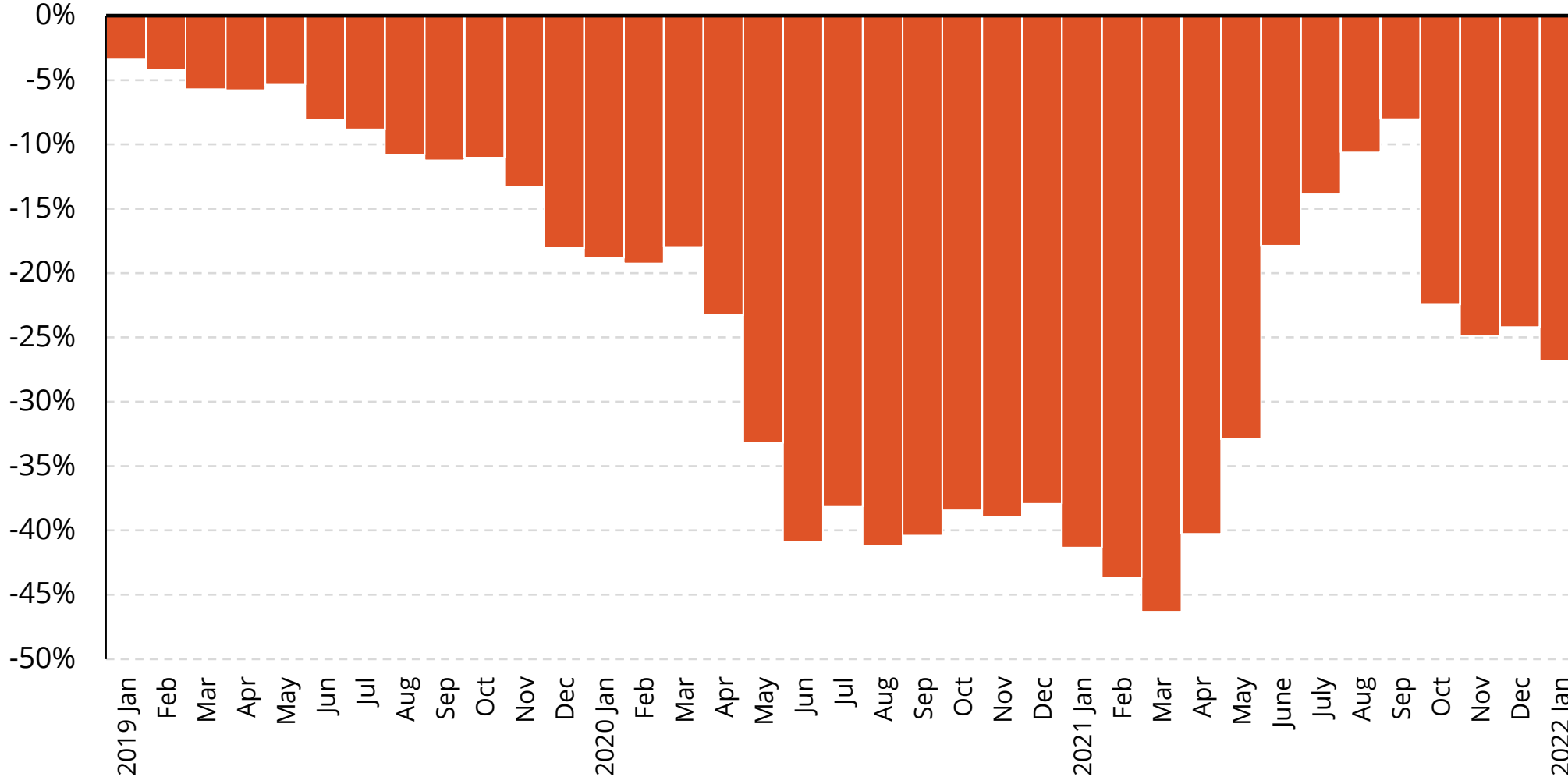
# Virginia Home Prices

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%

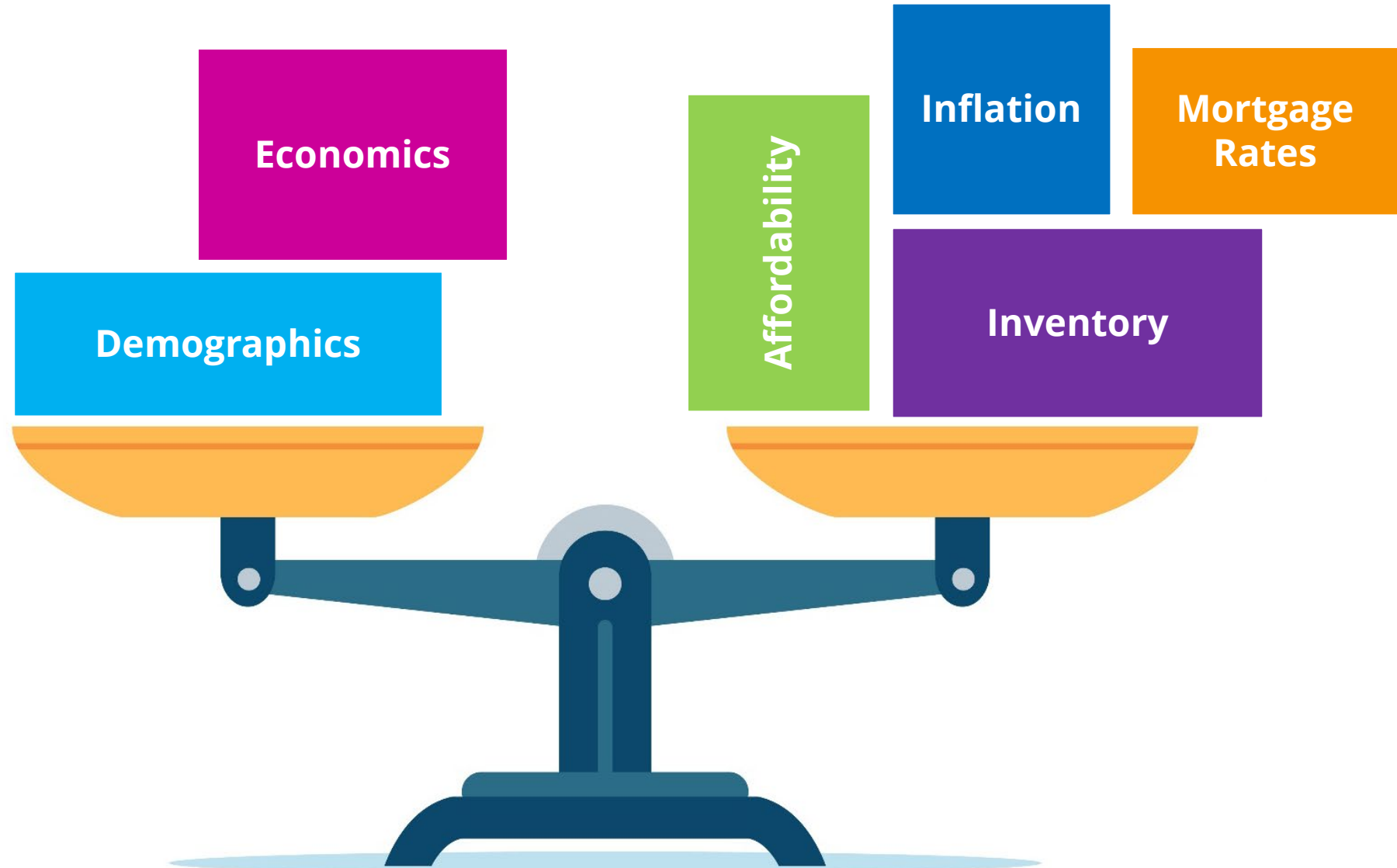
1.0  
Month of  
supply

# Forecast

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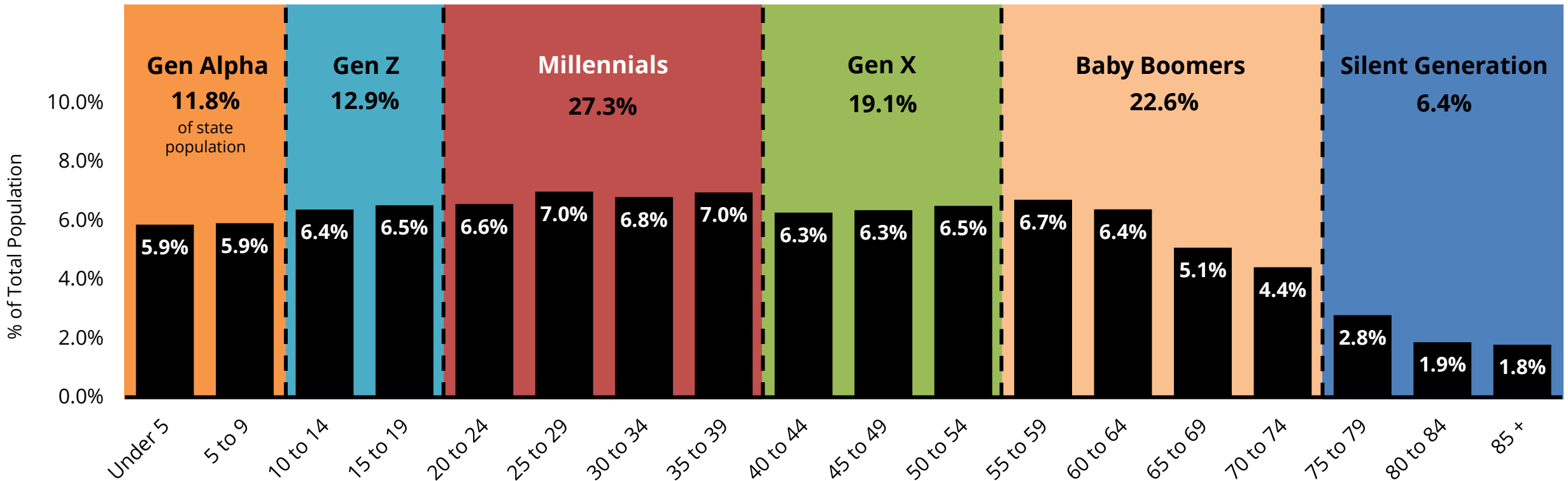


# What will tip the scales in the 2022 housing market?



# Demographics

## Age distribution in Virginia (2019)

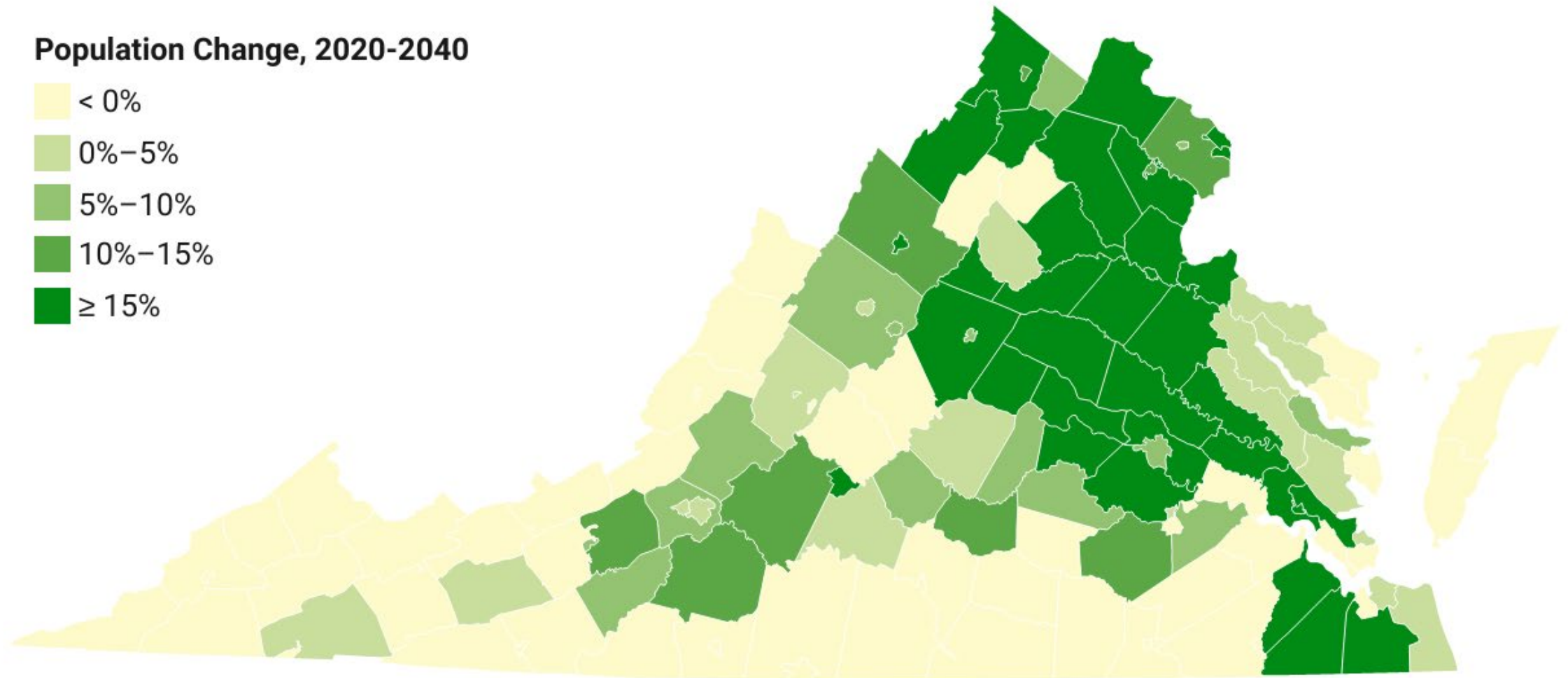


Source: U.S. Census Bureau

Note: Generation age ranges are approximate

# Demographics

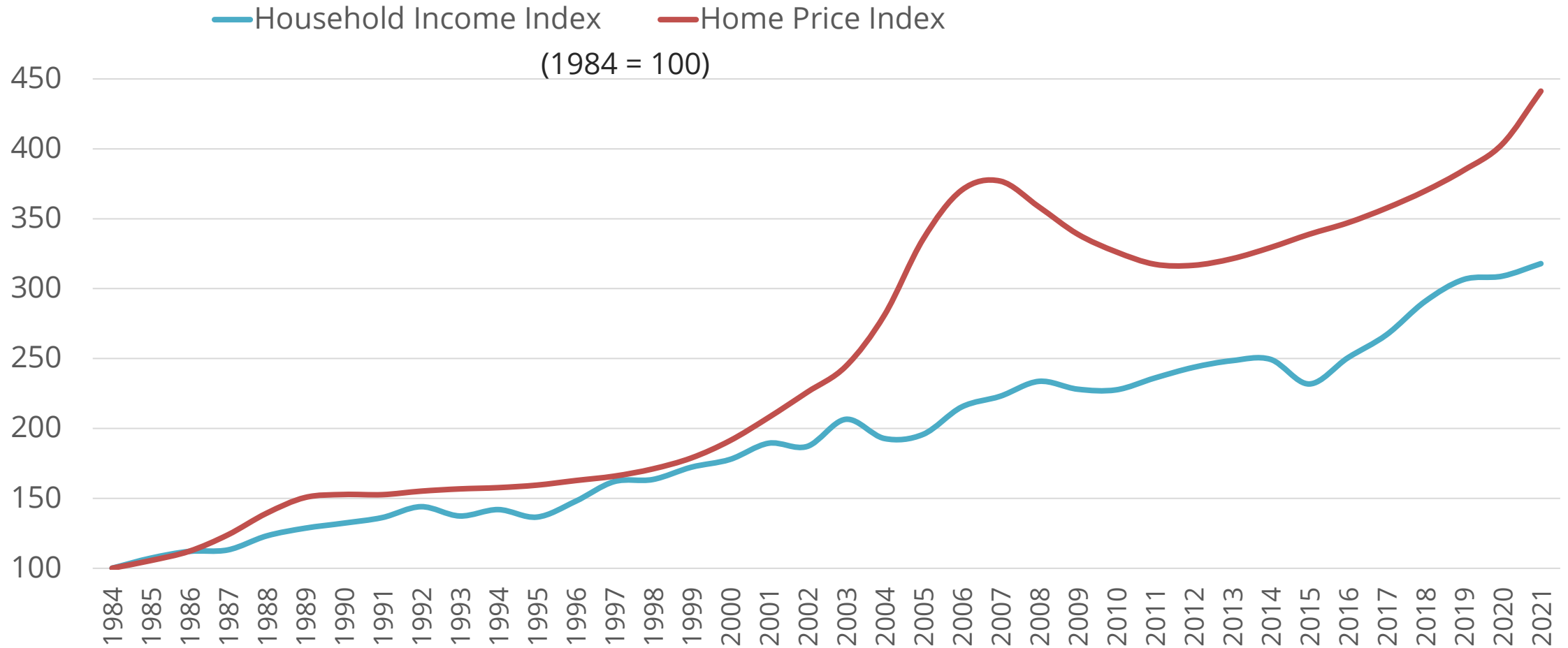
Statewide population projected to increase by 14.2% over the next 20 years





# Affordability

Home prices are rising much faster than incomes



# Rising prices and rising mortgage rates

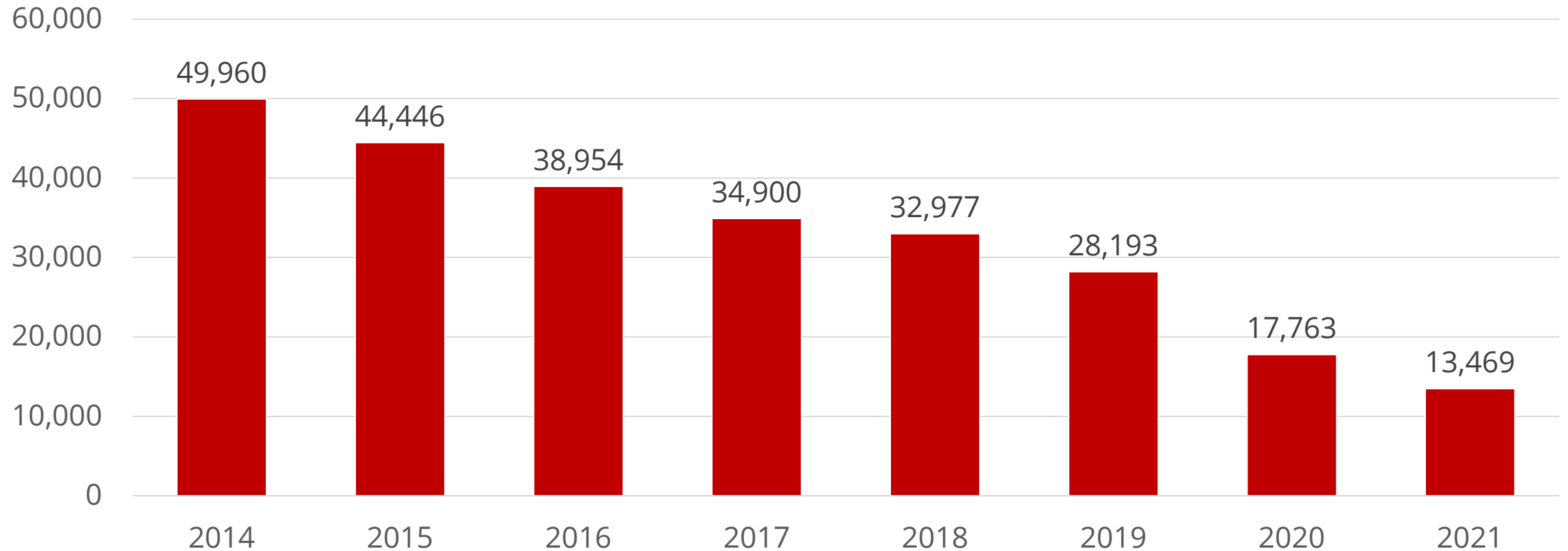
	Median home price	Average mortgage rate	Monthly payment	Income Needed
Dec 2017	\$274,000	3.95%	\$1,235	\$52,938
Dec 2018	\$280,000	4.64%	\$1,370	\$58,714
Dec 2019	\$297,000	3.72%	\$1,302	\$55,795
Dec 2020	\$325,000	2.68%	\$1,249	\$53,530
Dec 2021	\$350,000	3.10%	\$1,420	\$60,850
2022	\$364,000	4.00%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

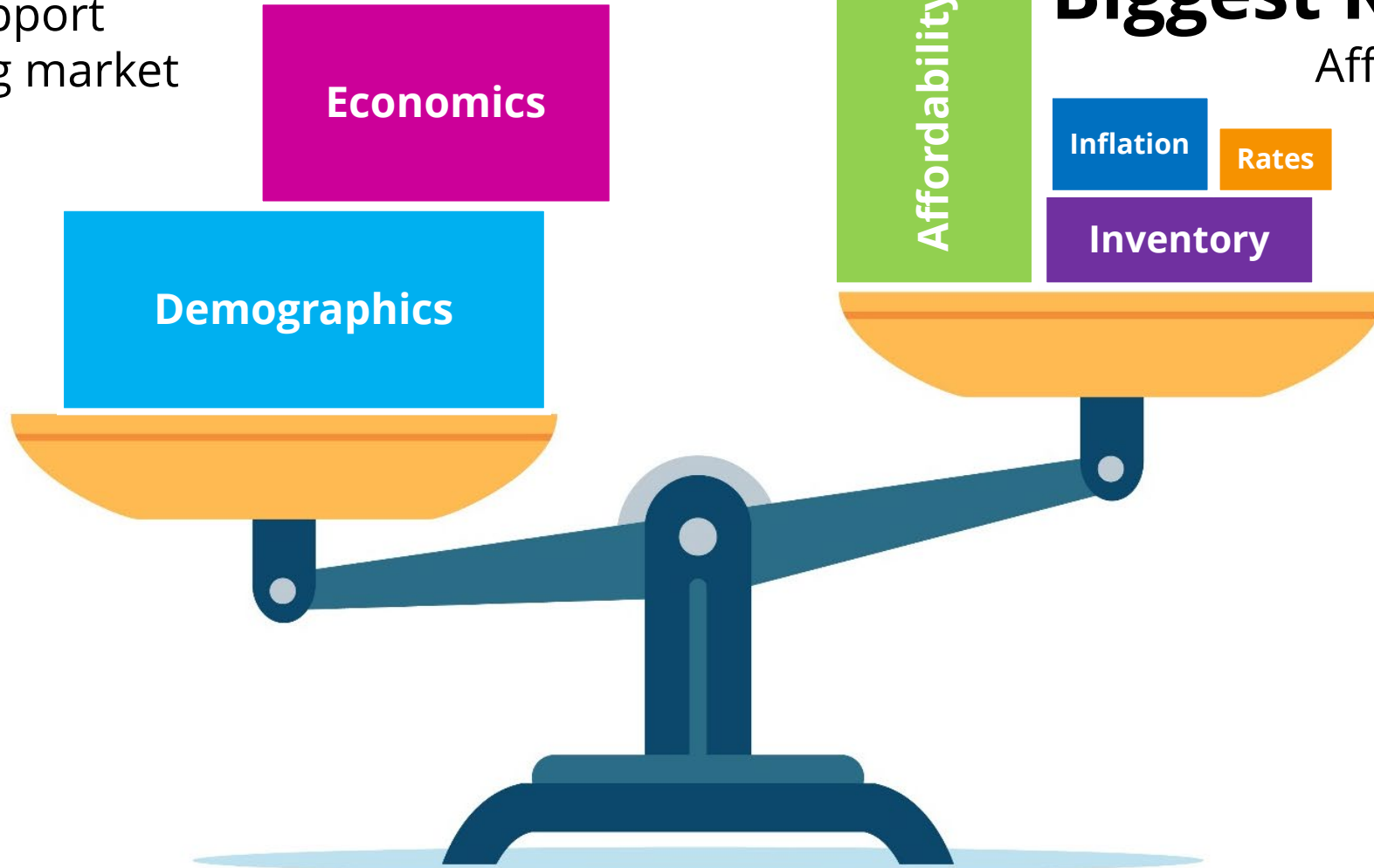
Inventory has been declining for years, but shortage got worse during pandemic

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.

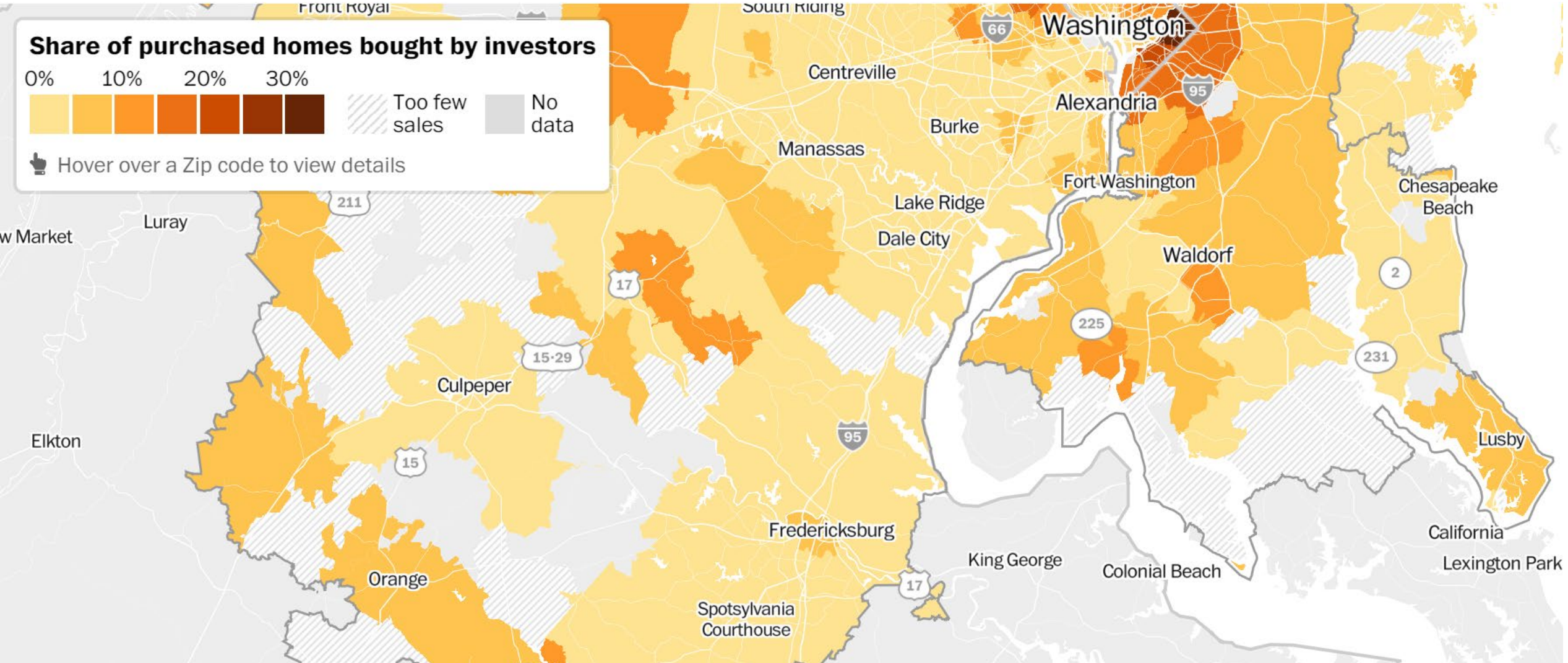
Inventory will continue to be very tight.

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

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

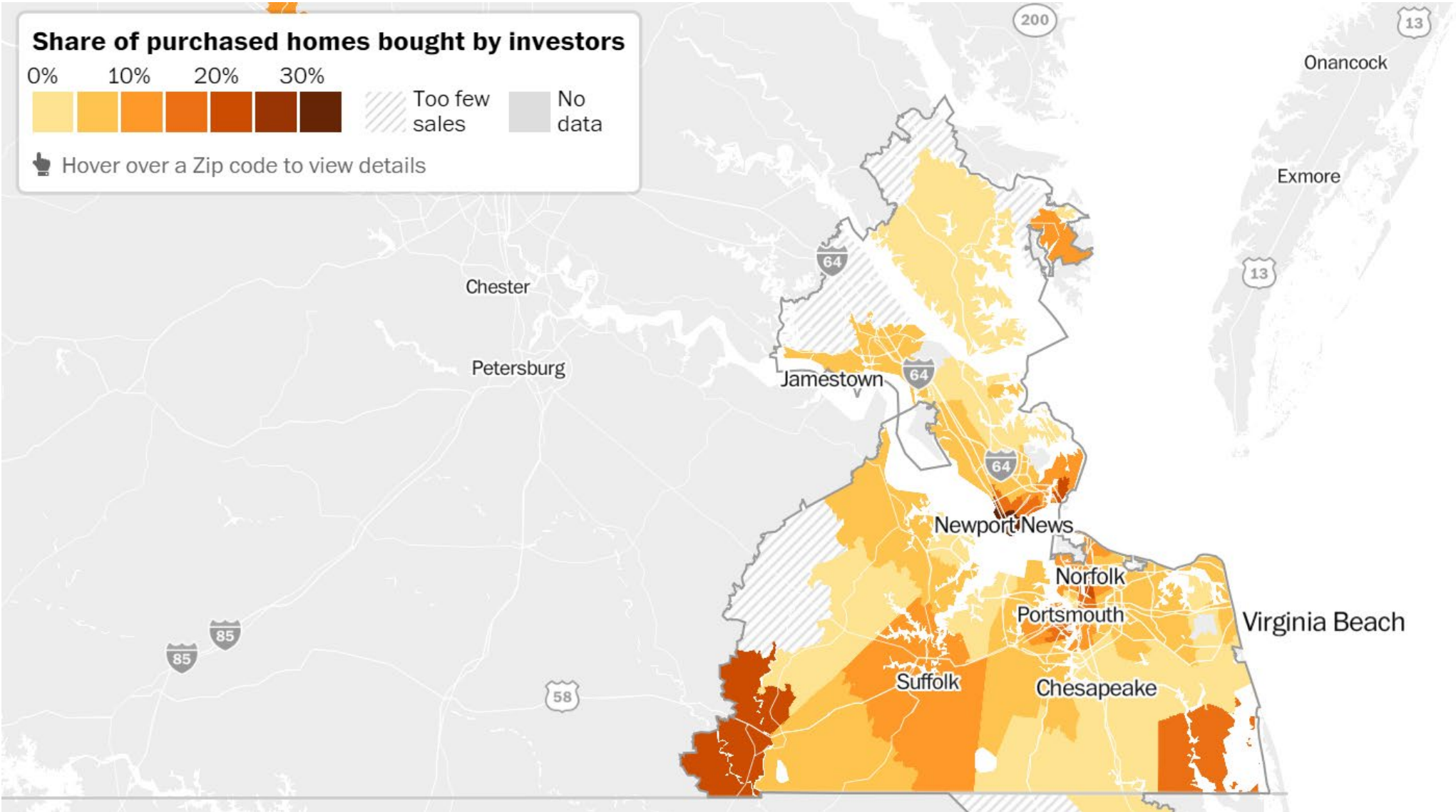
# Investors are a **small share** of Virginia housing markets

## 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

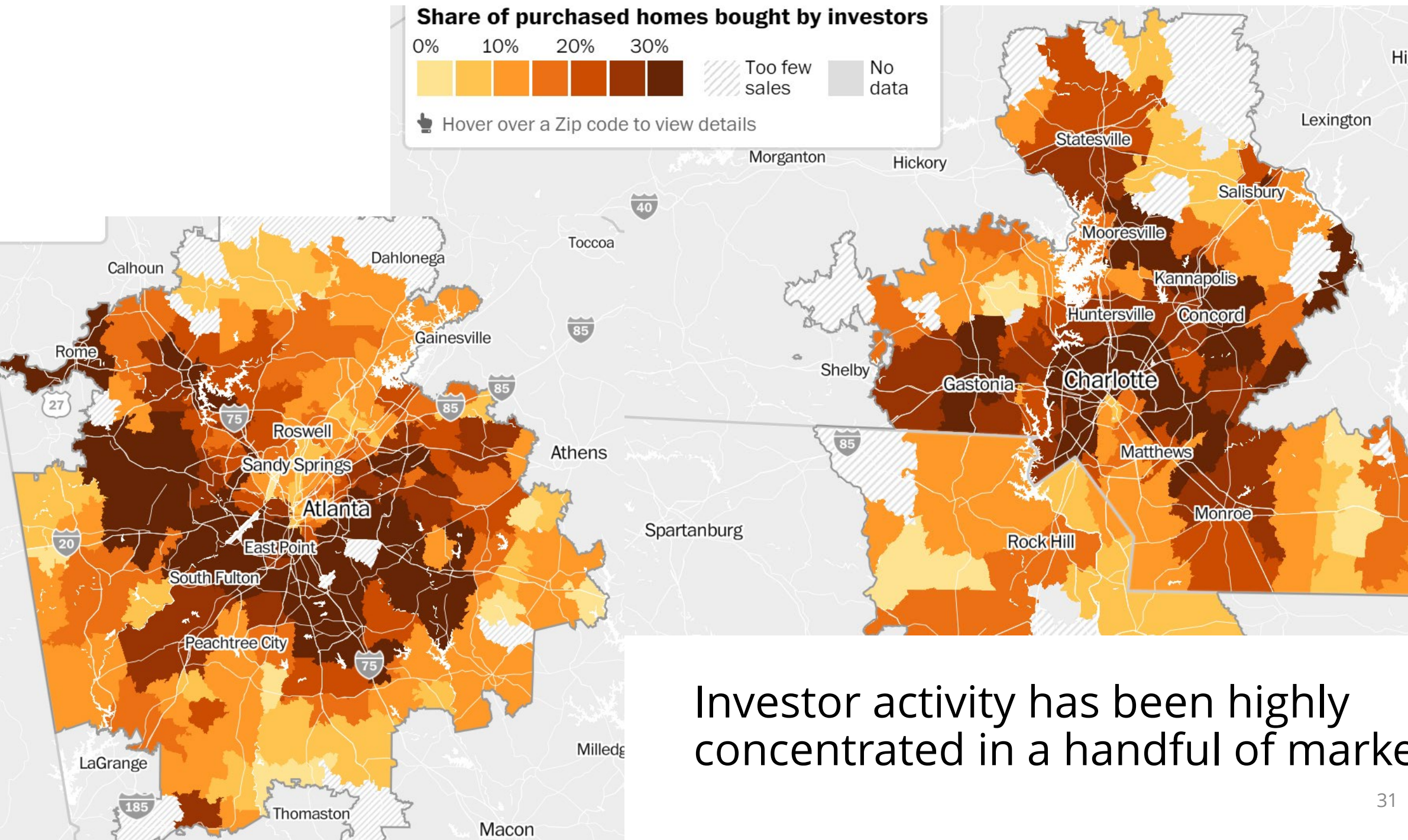
0% 10% 20% 30%



Too few sales

No data

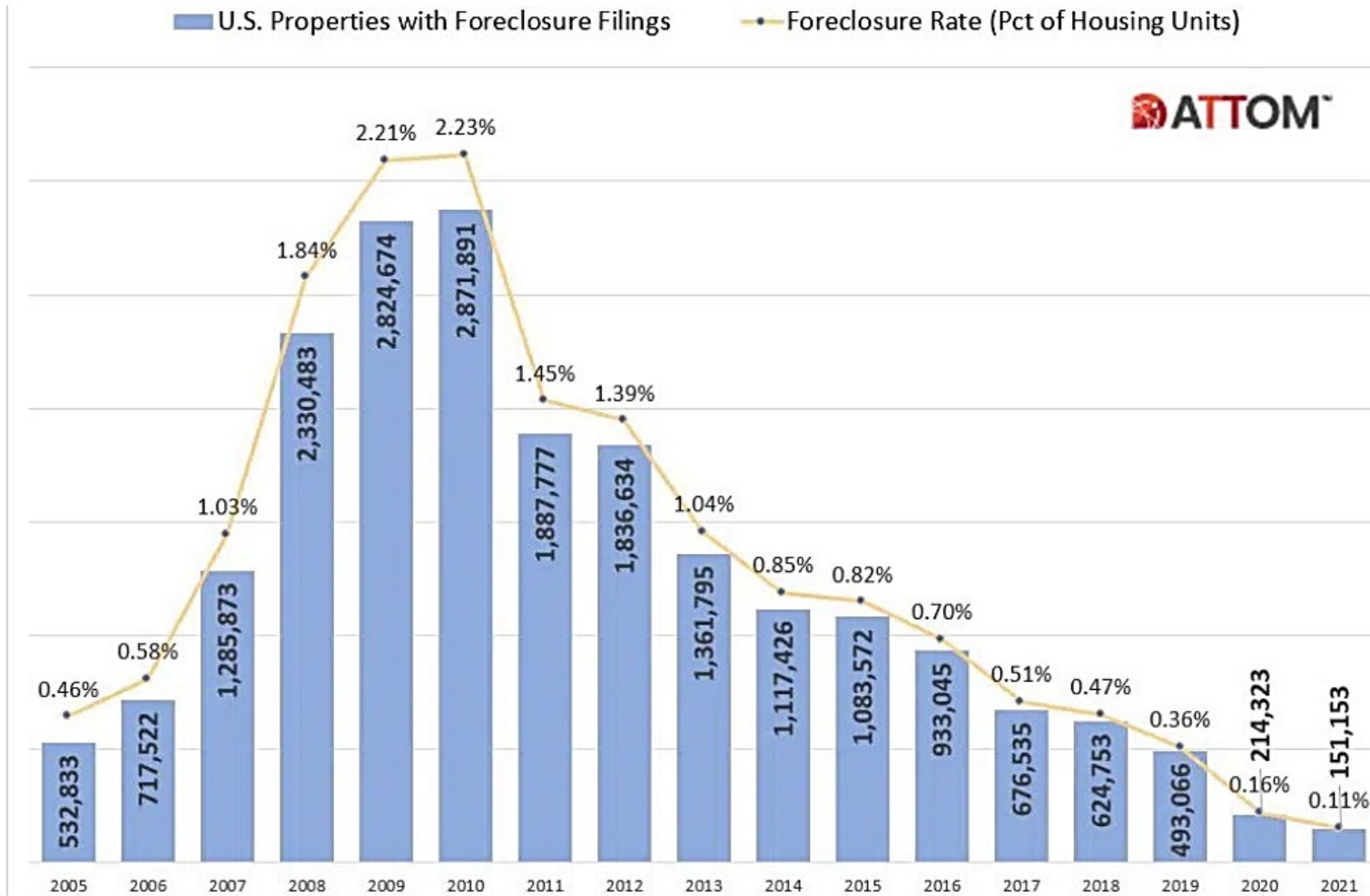
Hover over a Zip code to view details



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

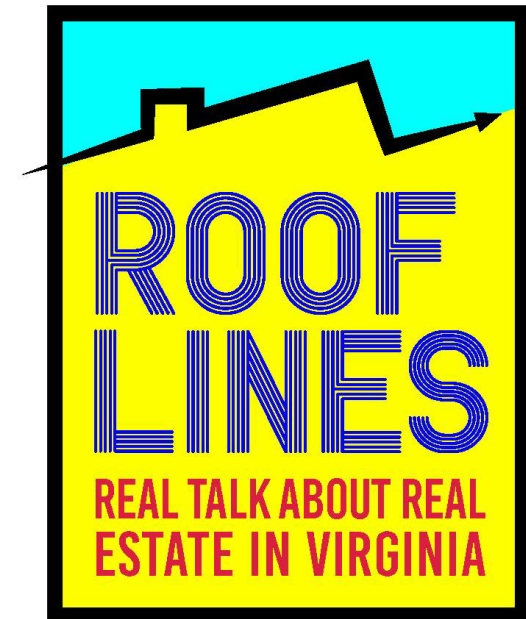
## 2022

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

# Looking for More Information?

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By the Numbers webinar Quarterly



# Have Questions or Need More Info?

[Isturtevant@virginiarealtors.org](mailto:Isturtevant@virginiarealtors.org)  
[rprice@virginiarealtors.org](mailto:rprice@virginiarealtors.org)

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