



# Rising Mortgage Rates, Inflation & Affordability

Loudoun's 2022  
Housing Market Outlook

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Dulles Area Association of REALTORS®  
Economic Summit

March 18, 2022

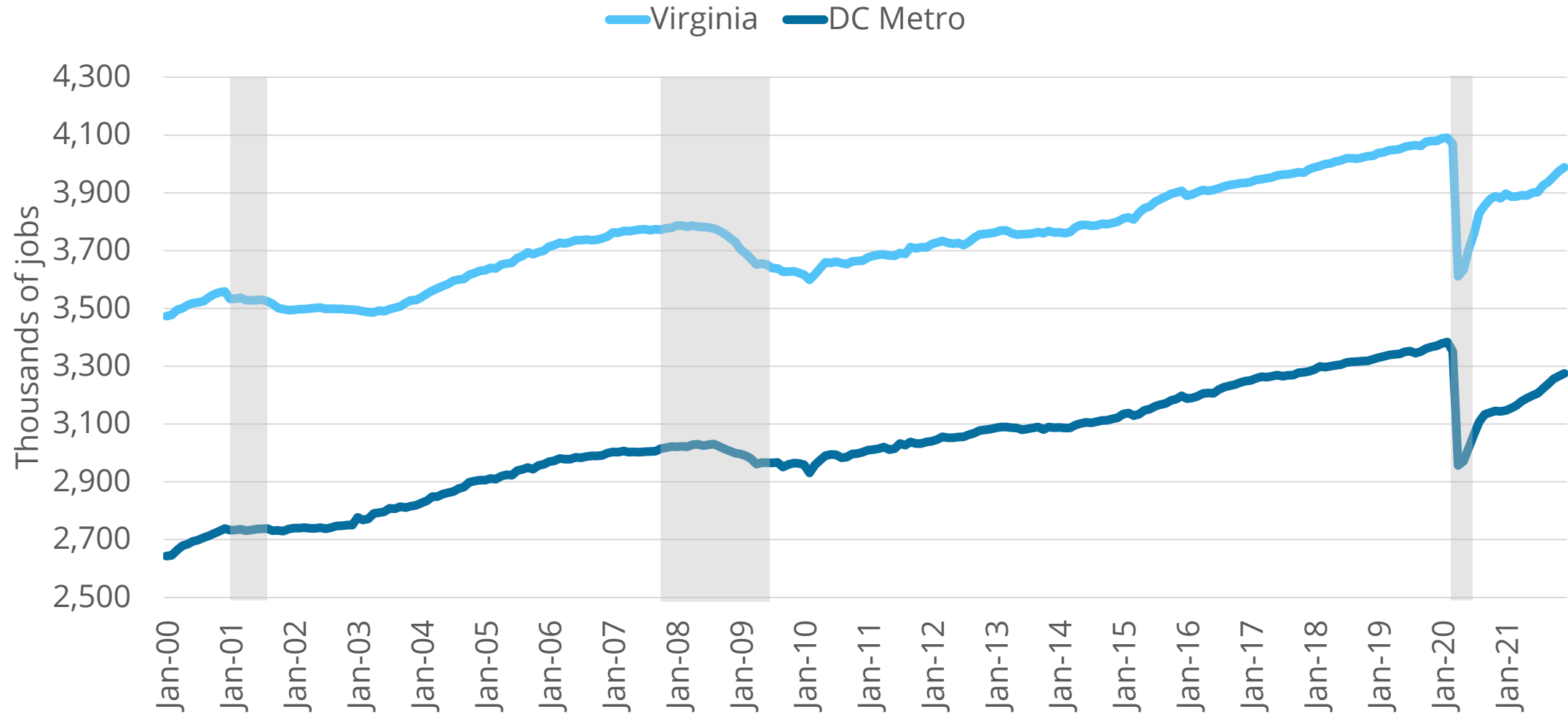
Lisa Sturtevant, PhD  
Chief Economist, Virginia REALTORS®



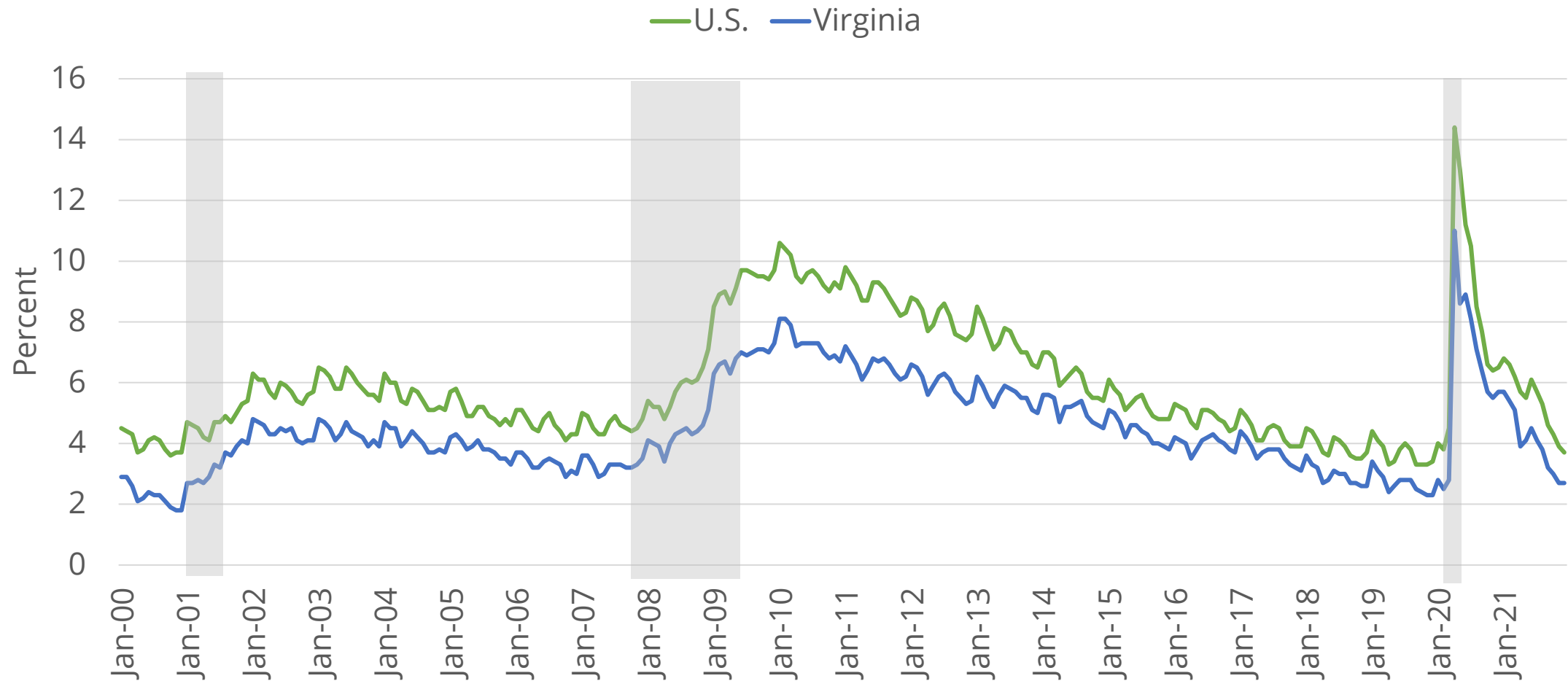
The background is a blue-tinted photograph of a document. It features a line graph with a jagged, fluctuating line. A pen is positioned in the upper right corner, pointing towards the graph. The graph has a vertical axis with numerical values: '2.5' is visible on the left, and '2.47' is visible on the right. The overall scene suggests a financial or economic analysis.

# Economic Indicators

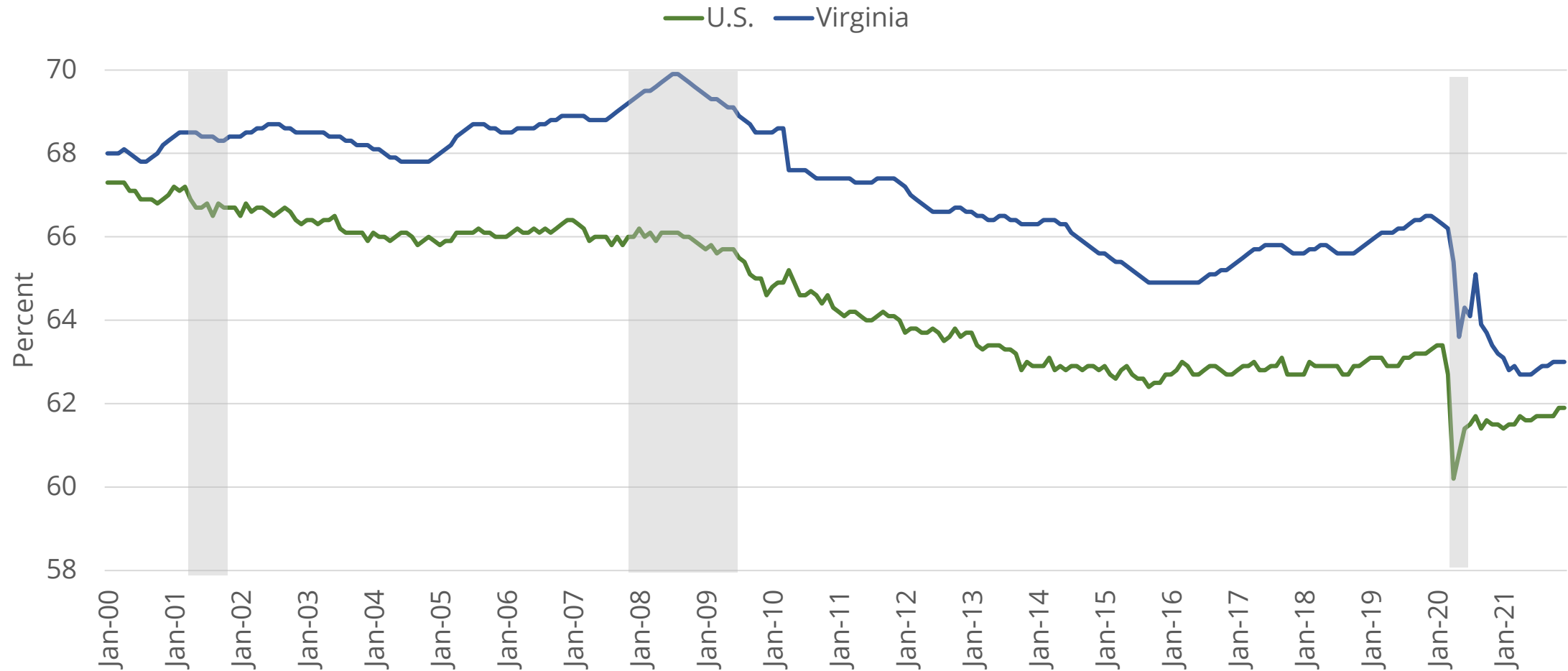
# Employment



# Unemployment Rate

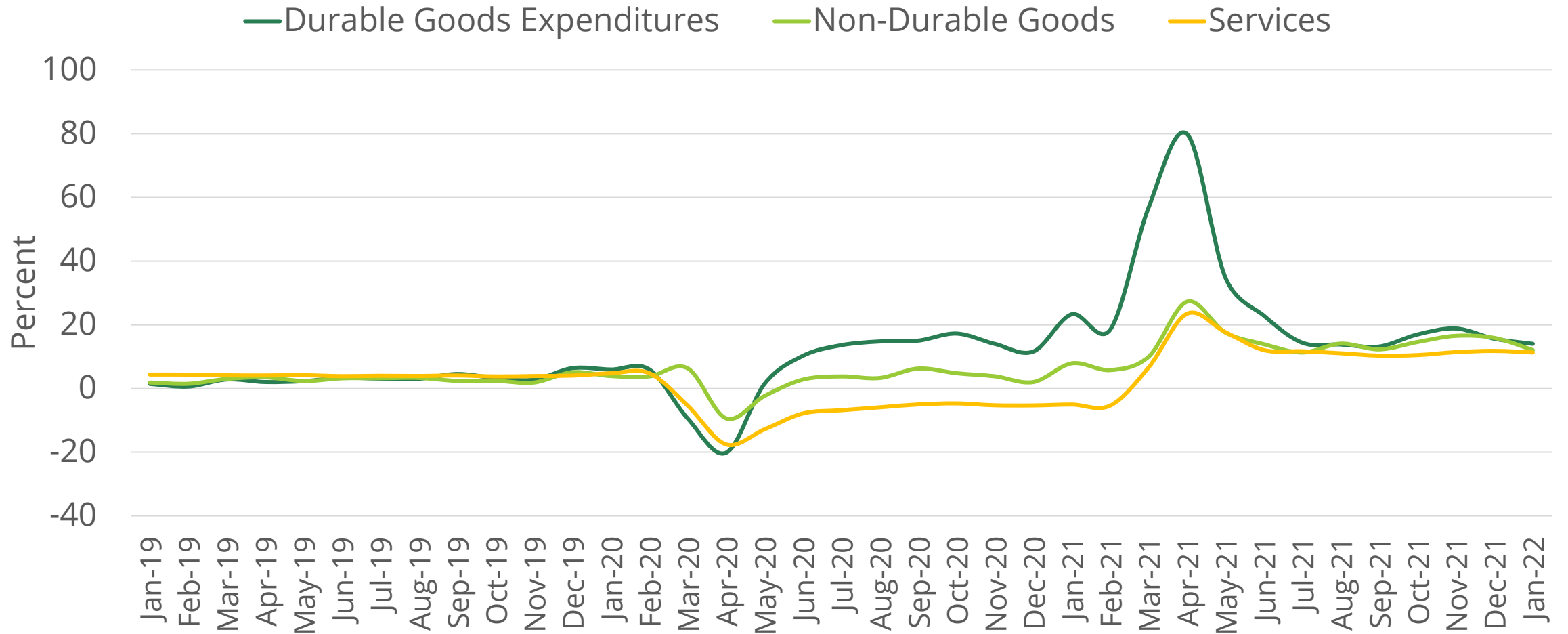


# Labor Force Participation Rate

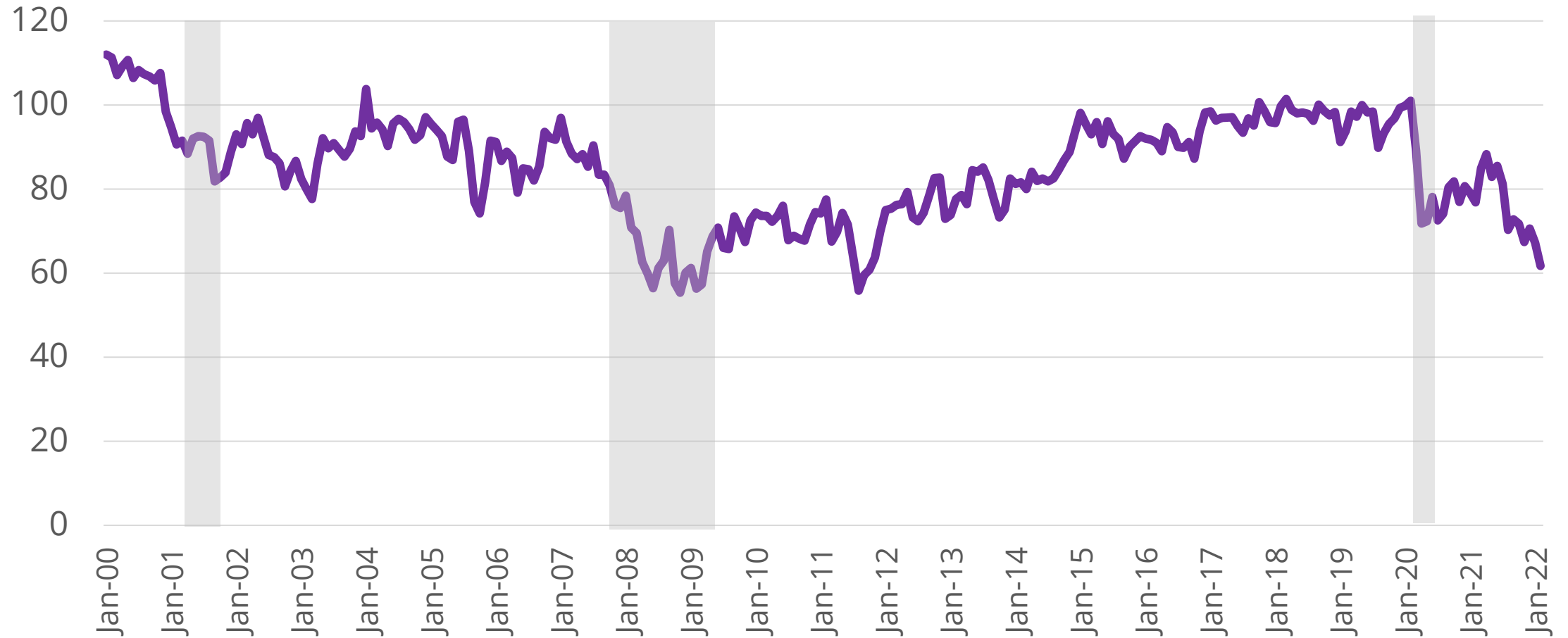


# Personal Consumer Expenditures

Year-over-year change

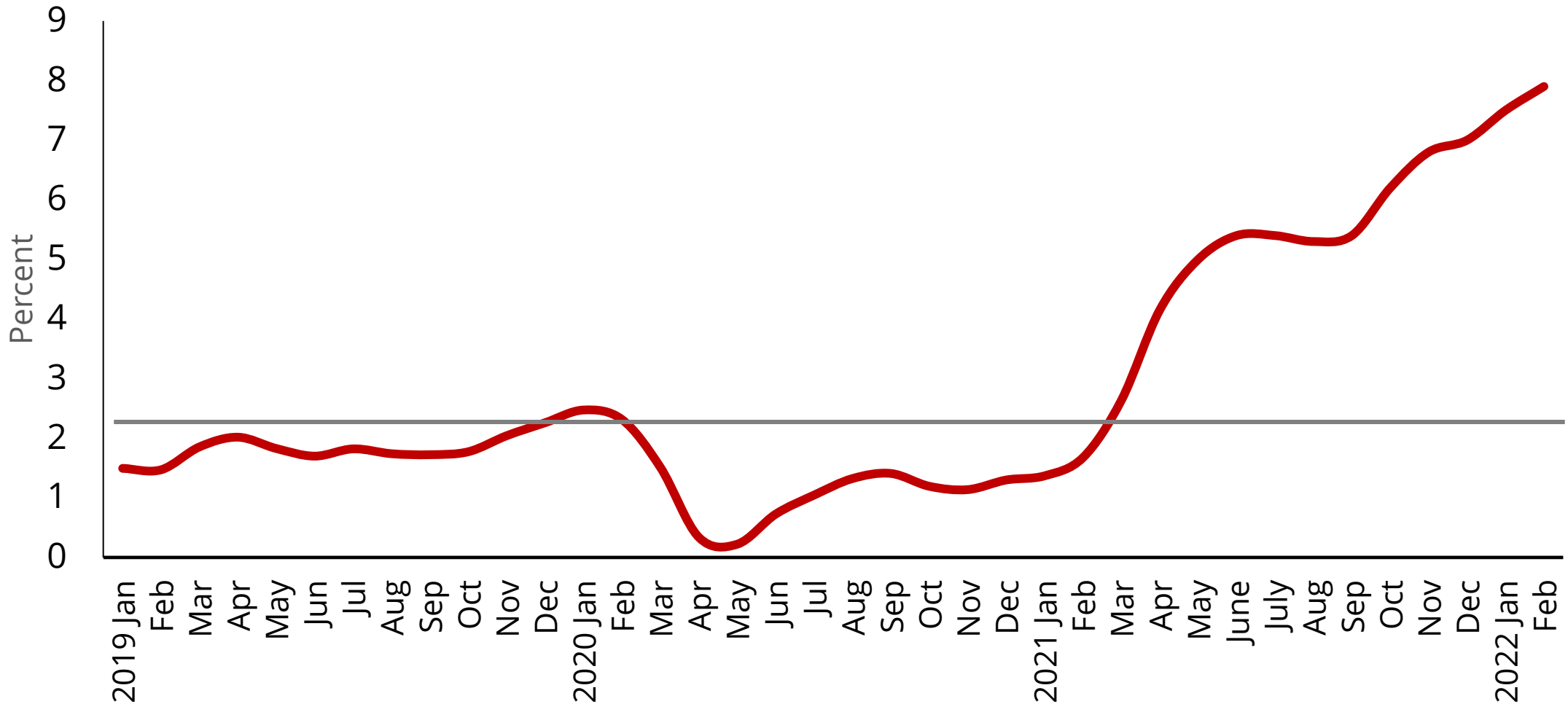


# Consumer Sentiment



# Inflation

Change in CPI-U



Source: Bureau of Labor Statistics



# Housing Market Trends



# Record-breaking housing market activity

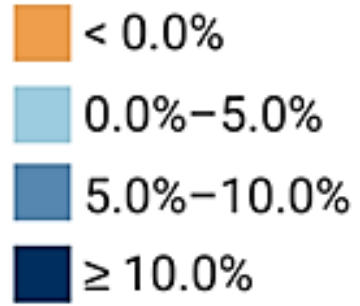
Loudoun County		
	2021	Change 2020 to 2021
<b>Sales</b>	8,507	+9%
<b>Median Price</b>	\$615K	+13%
<b>Average Days on Market</b>	13	-6 days
<b>Months of Supply (year end)</b>	0.27	-.05 months
<b>Showings</b>	200K+	+27%

Washington Region*	
2021	Change 2020 to 2021
79,282	+12%
\$525K	+8%
19	-5 days
0.62	-0.50 months
2m+	+18%

Source: Virginia REALTORS®, Bright MLS \*Includes the District of Columbia; Arlington, Alexandria, Fairfax, and Loudoun; and Montgomery, Prince George's, and Frederick.

# Regional Home Sales

Change in Sales, 2020 to 2021



DC +12%  
Montgomery +16%

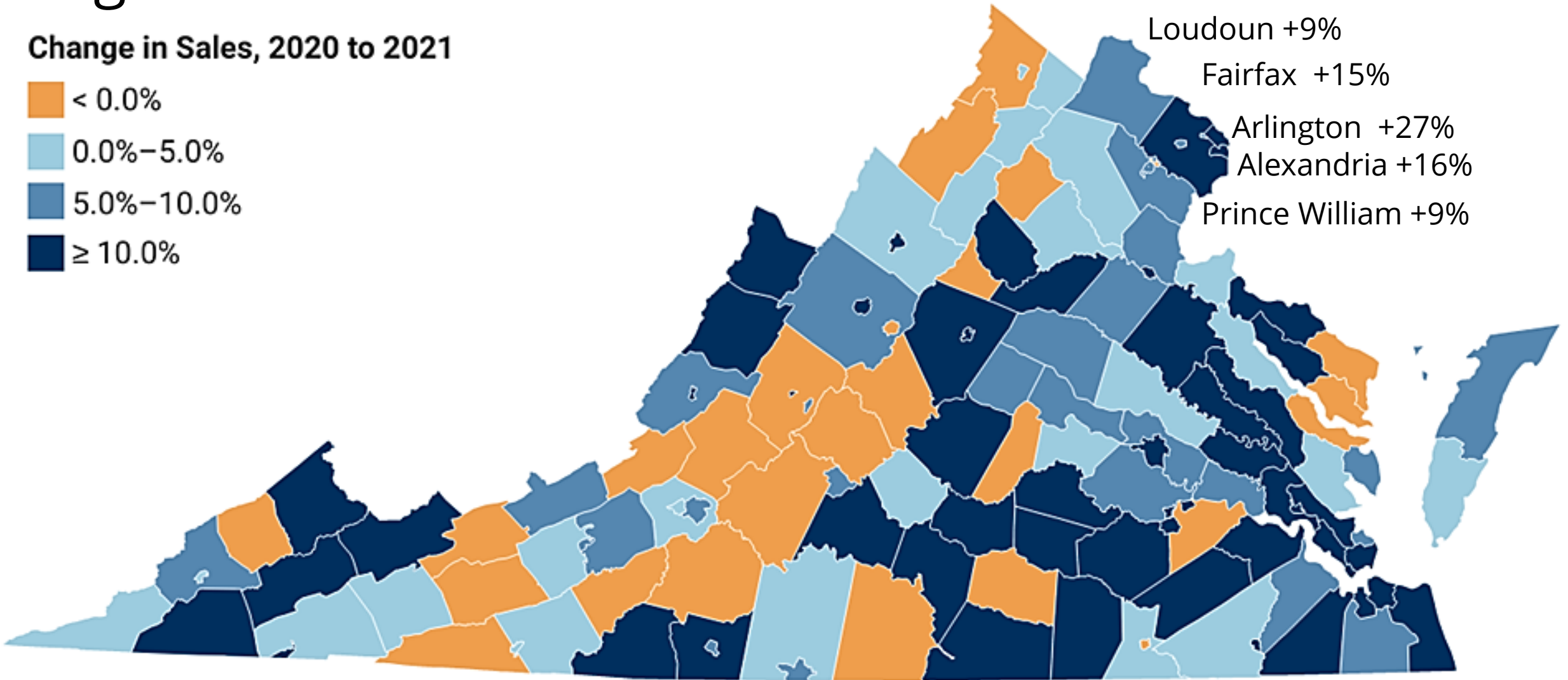
Loudoun +9%

Fairfax +15%

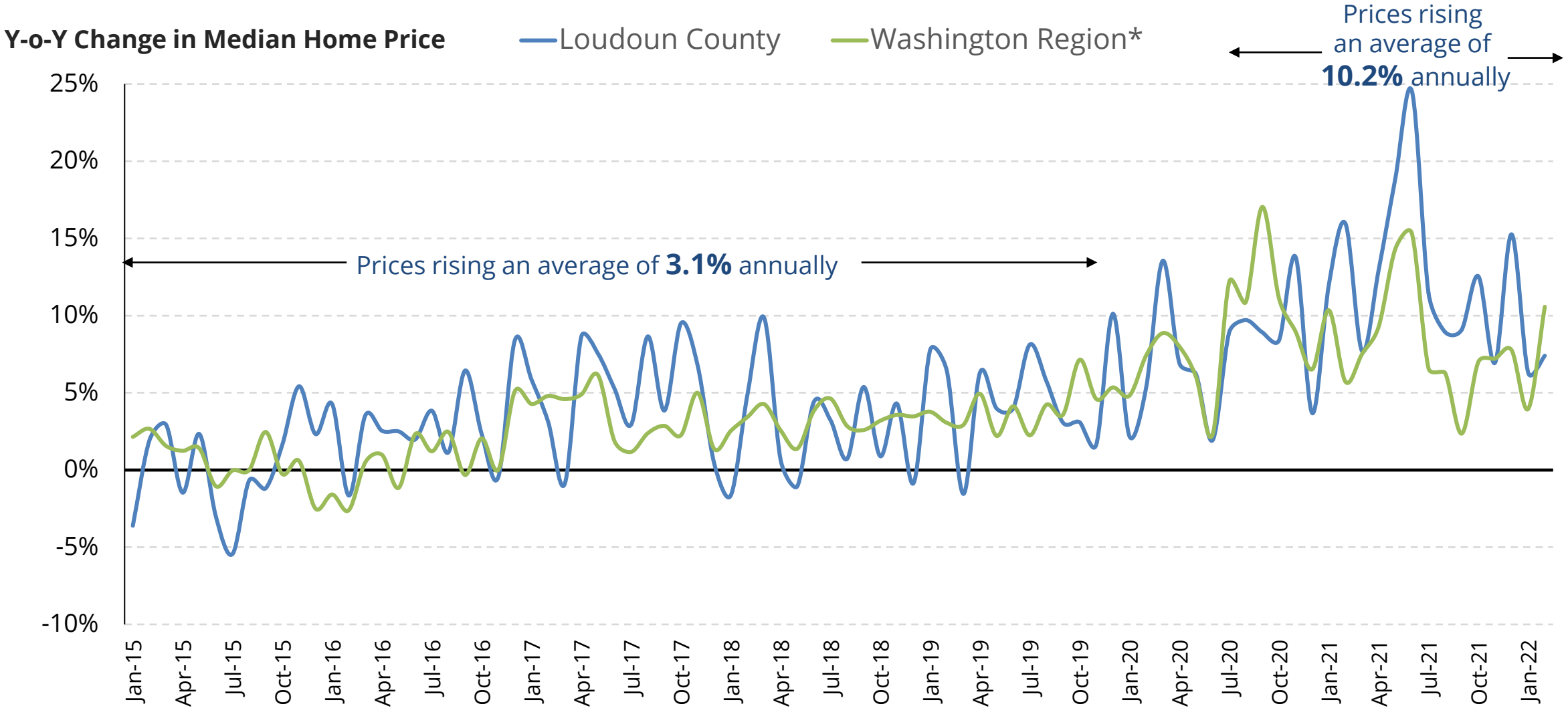
Arlington +27%

Alexandria +16%

Prince William +9%

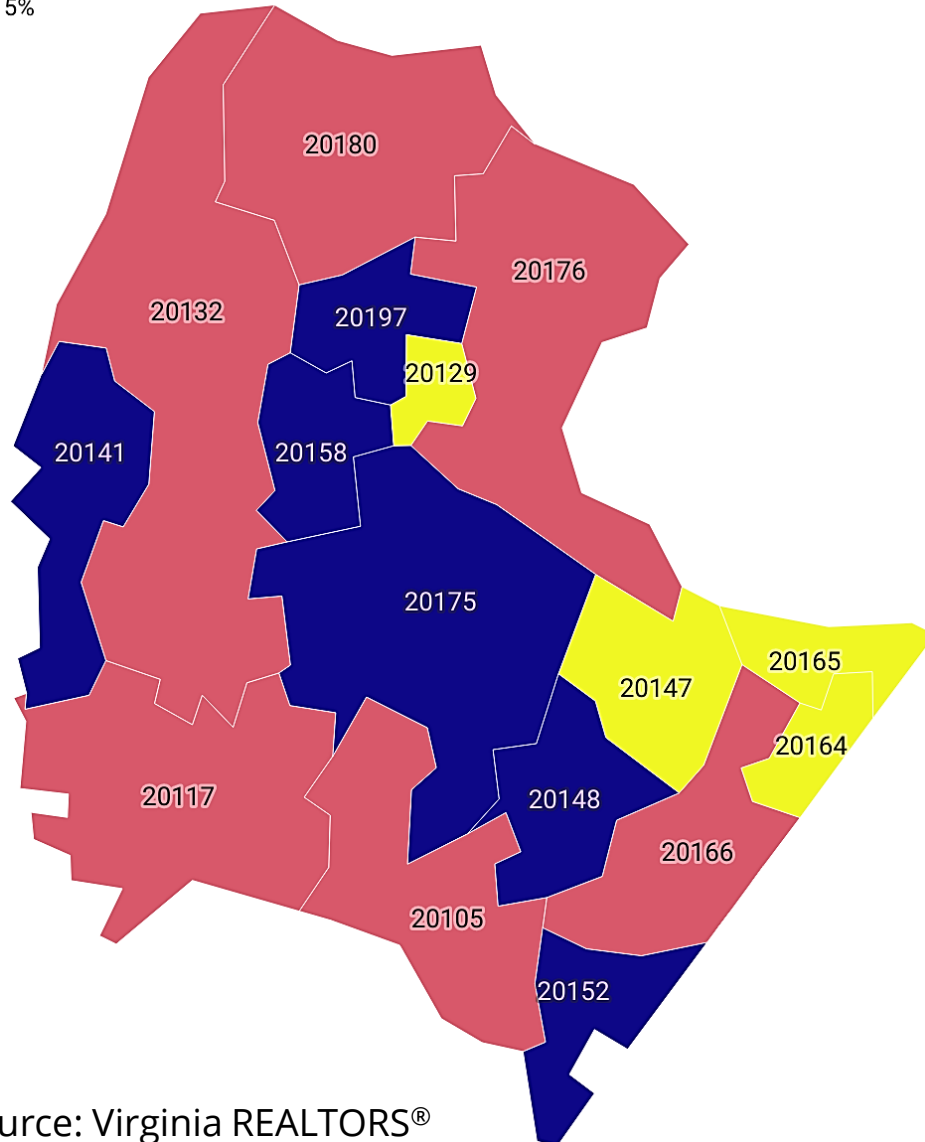
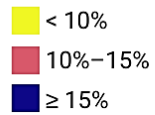


# Regional Home Prices



Source: Virginia REALTORS® Bright MLS \*Includes the District of Columbia; Arlington, Alexandria, Fairfax, and Loudoun; and Montgomery, Prince George's, and Frederick. 11

# Change in Median Home Price, 2020 to 2021

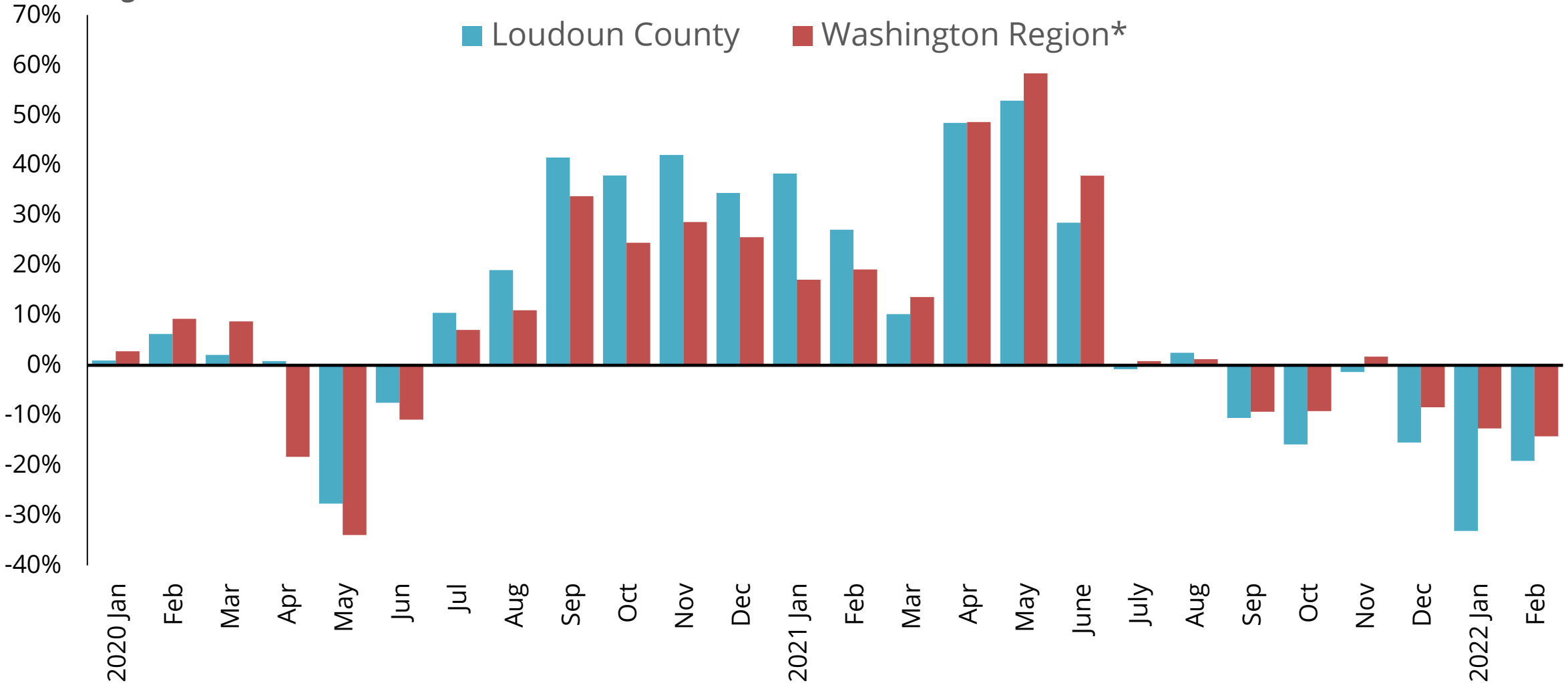


Zip Code	2021 Median Price (\$)	Change 2020 to 2021
20148 (Brambleton)	682,997	15.9%
20147 (Ashburn)	575,000	9.5%
20176 (Leesburg)	664,000	11.6%
20175 (Leesburg)	606,342	17.7%
20164 (Sterling)	468,700	9.0%
20152 (Chantilly)	660,000	15.9%
20105 (Aldie)	768,000	12.9%
20132 (Purcellville)	685,000	14.2%

Source: Virginia REALTORS®

# Regional Home Sales

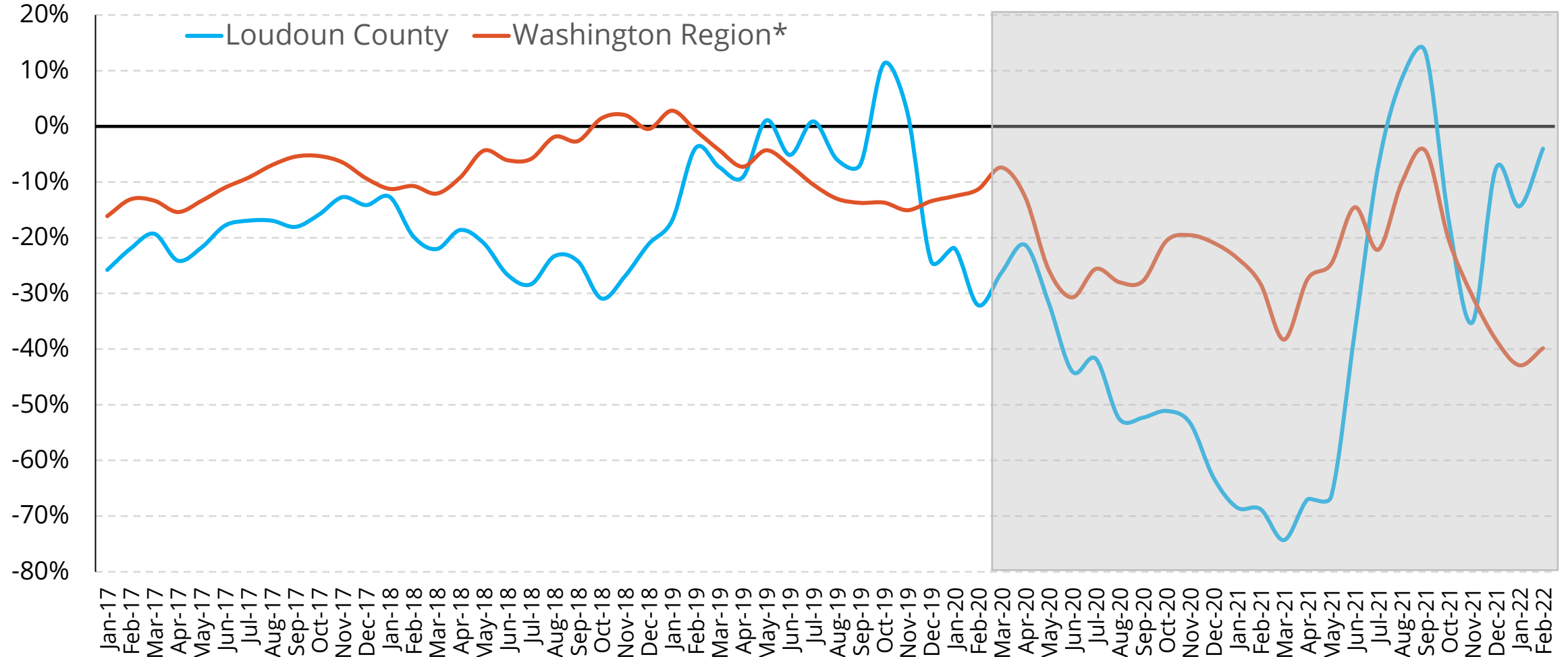
Y-o-Y Change in Home Sales



Source: Virginia REALTORS® Bright MLS \*Includes the District of Columbia; Arlington, Alexandria, Fairfax, and Loudoun; and Montgomery, Prince George's, and Frederick.

# Regional Inventory

Y-o-Y Change in Month-End Inventory



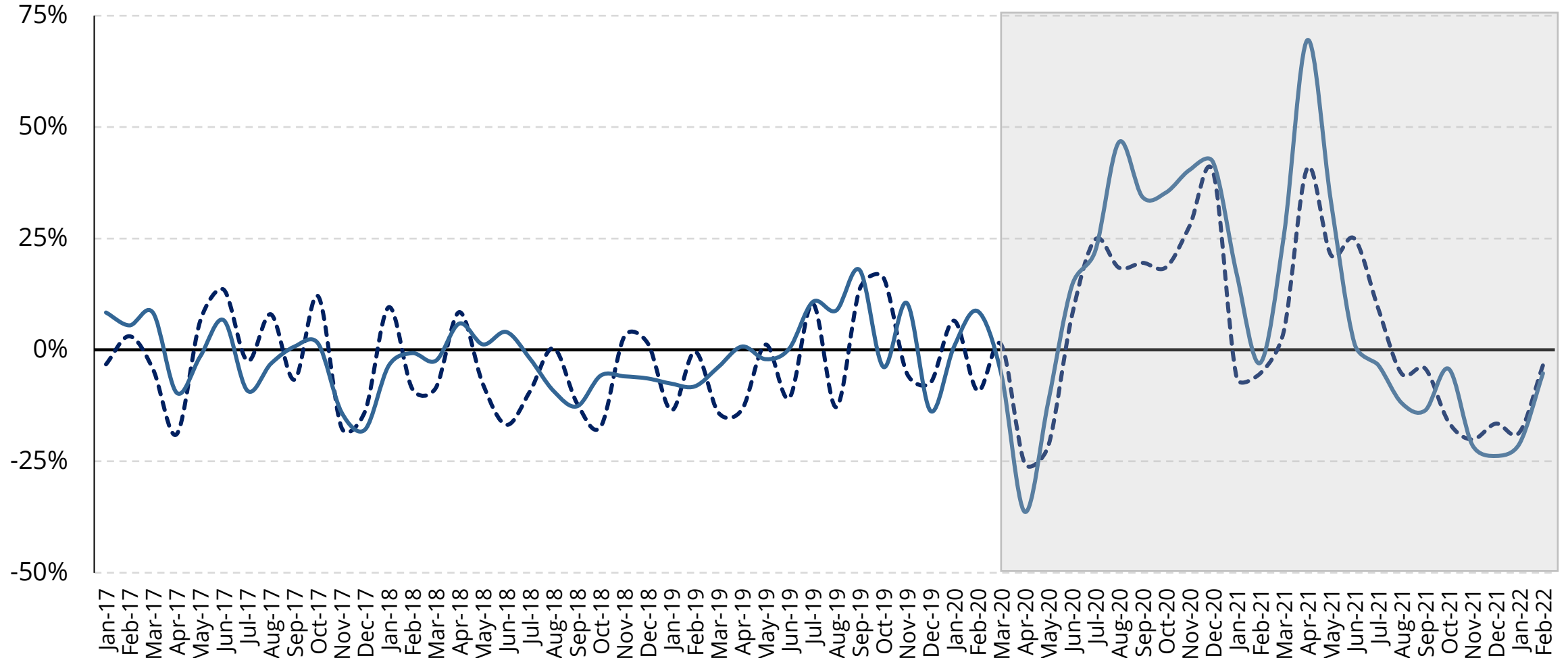
Source: Virginia REALTORS®. Bright MLS \*Includes the District of Columbia; Arlington, Alexandria, Fairfax, and Loudoun; and Montgomery, Prince George's, and Frederick.

# Loudoun County New Listings / New Pendings

Y-o-Y Change

--- New Listings    — New Pendings

COVID Pandemic



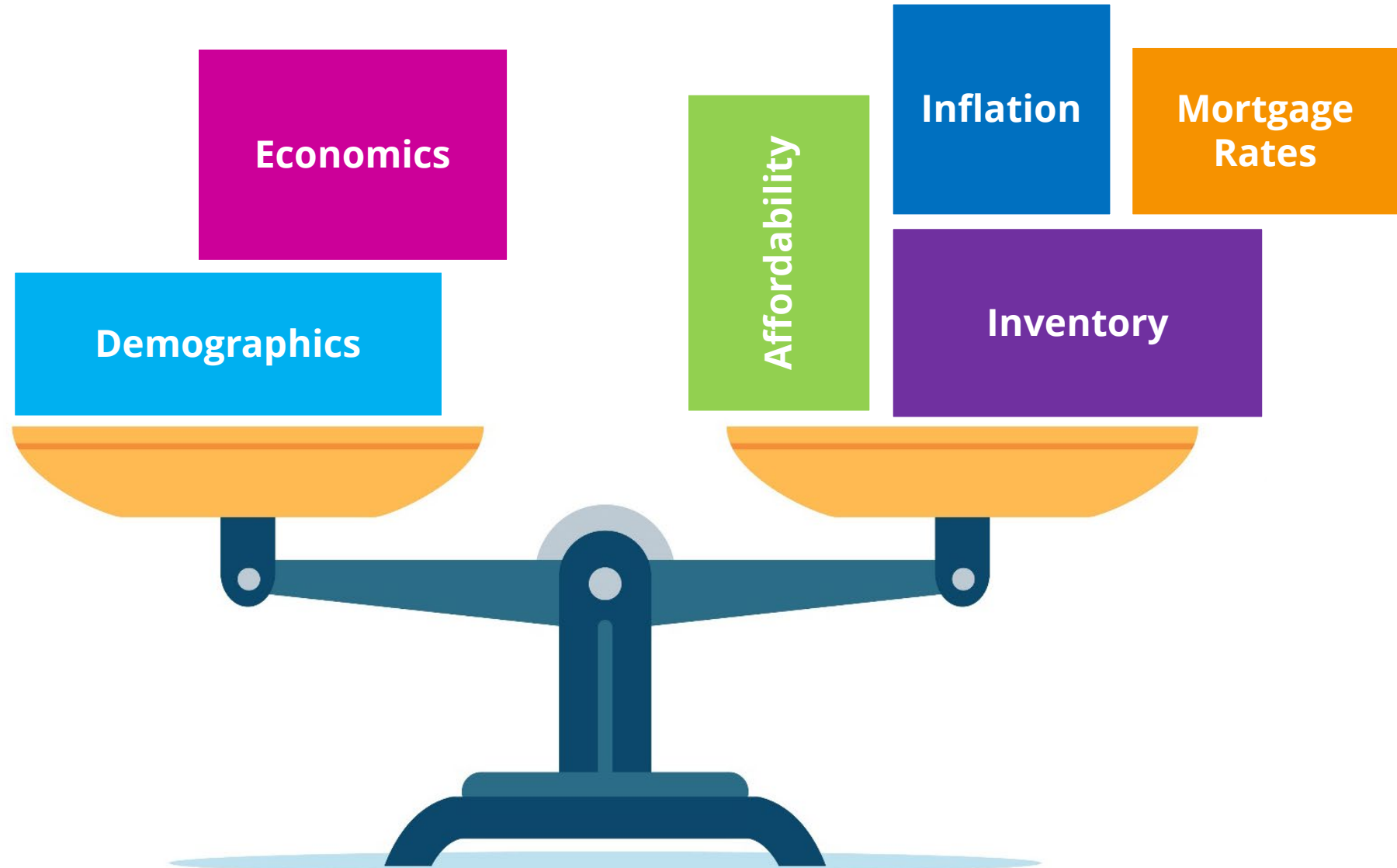


# Outlook for 2022

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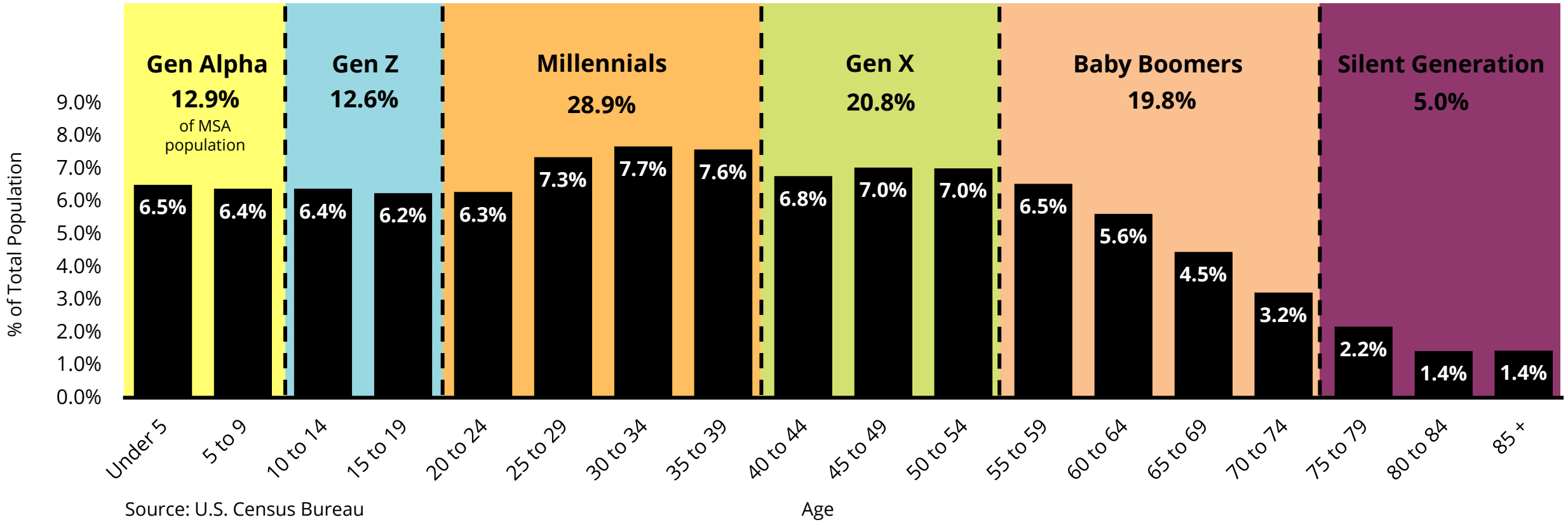


# What will tip the scales in the 2022 housing market?



# Age Distribution in Washington MSA, 2019

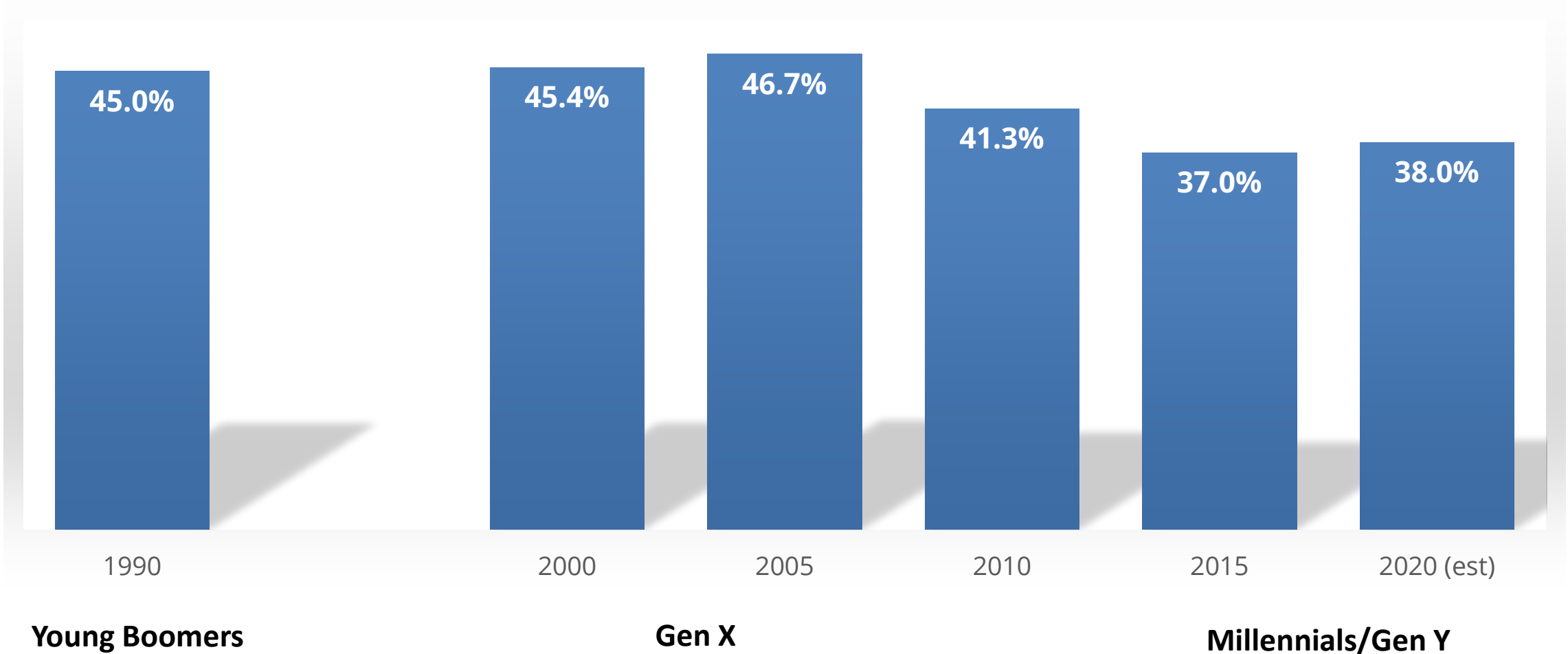
Note: Generation age ranges are approximate



# Demographics

Homeownership rates among Millennials remain relatively low

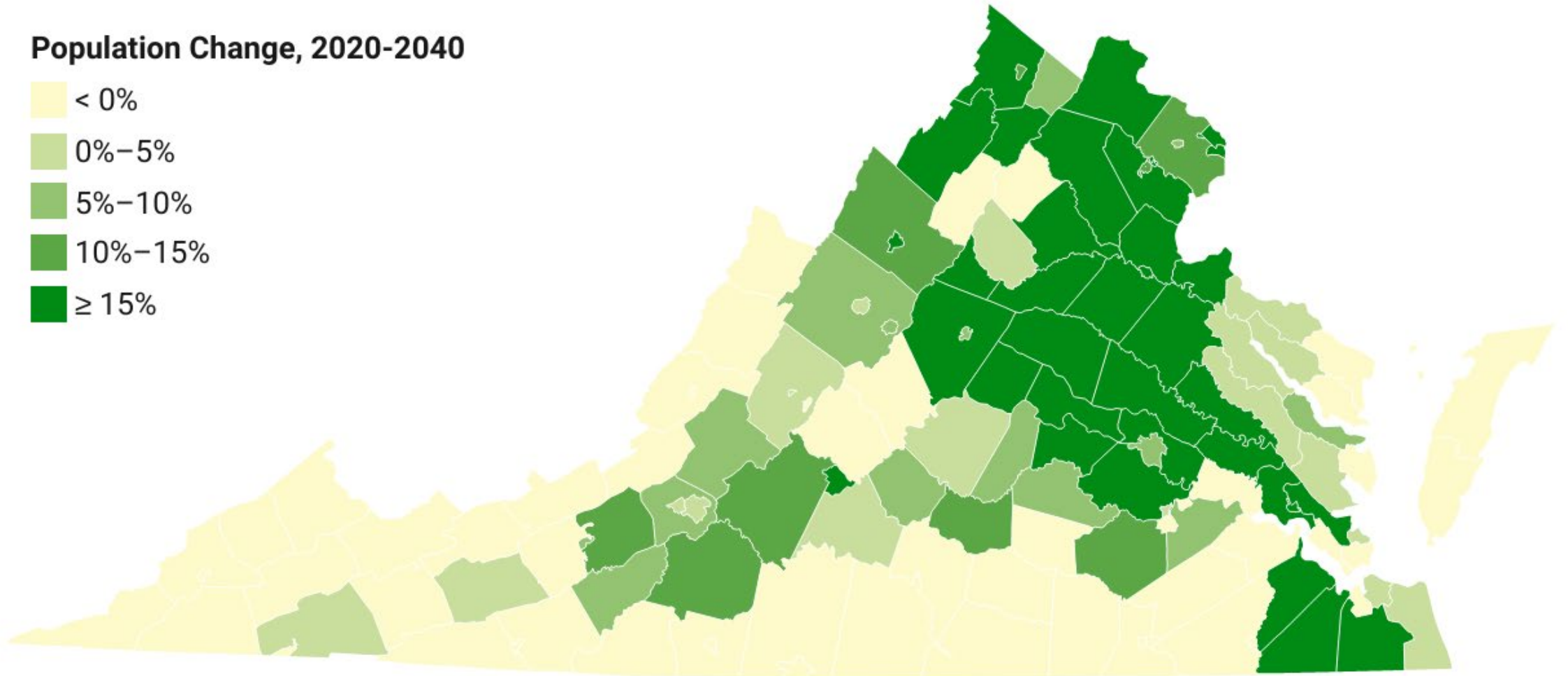
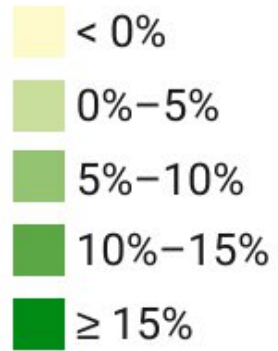
## Homeownership Rates, 25 to 34 Year Olds



# Demographics

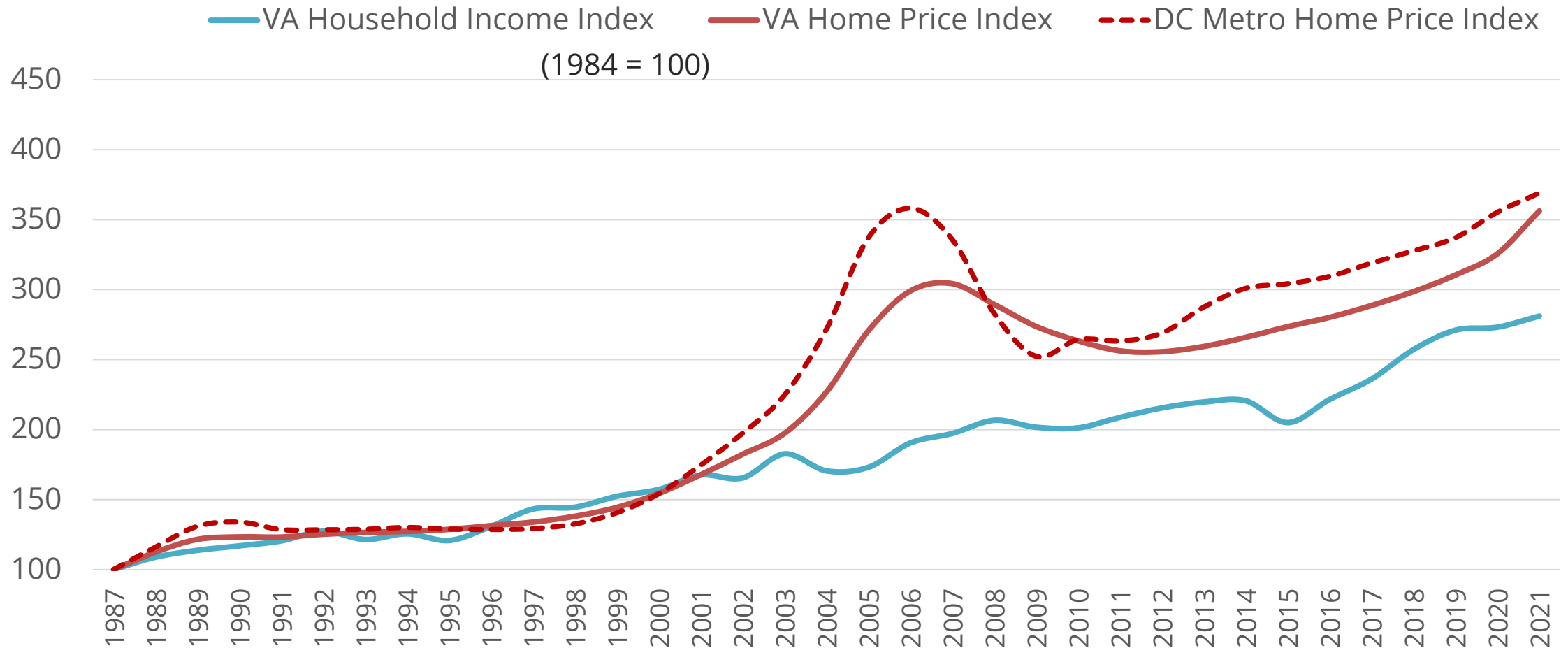
Statewide population projected to increase by 14.2% over the next 20 years

## Population Change, 2020-2040



# Affordability

Home prices are rising much faster than incomes



# Rising prices and rising mortgage rates

## Virginia

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

# New fees will make rates higher for high-cost and second home loans

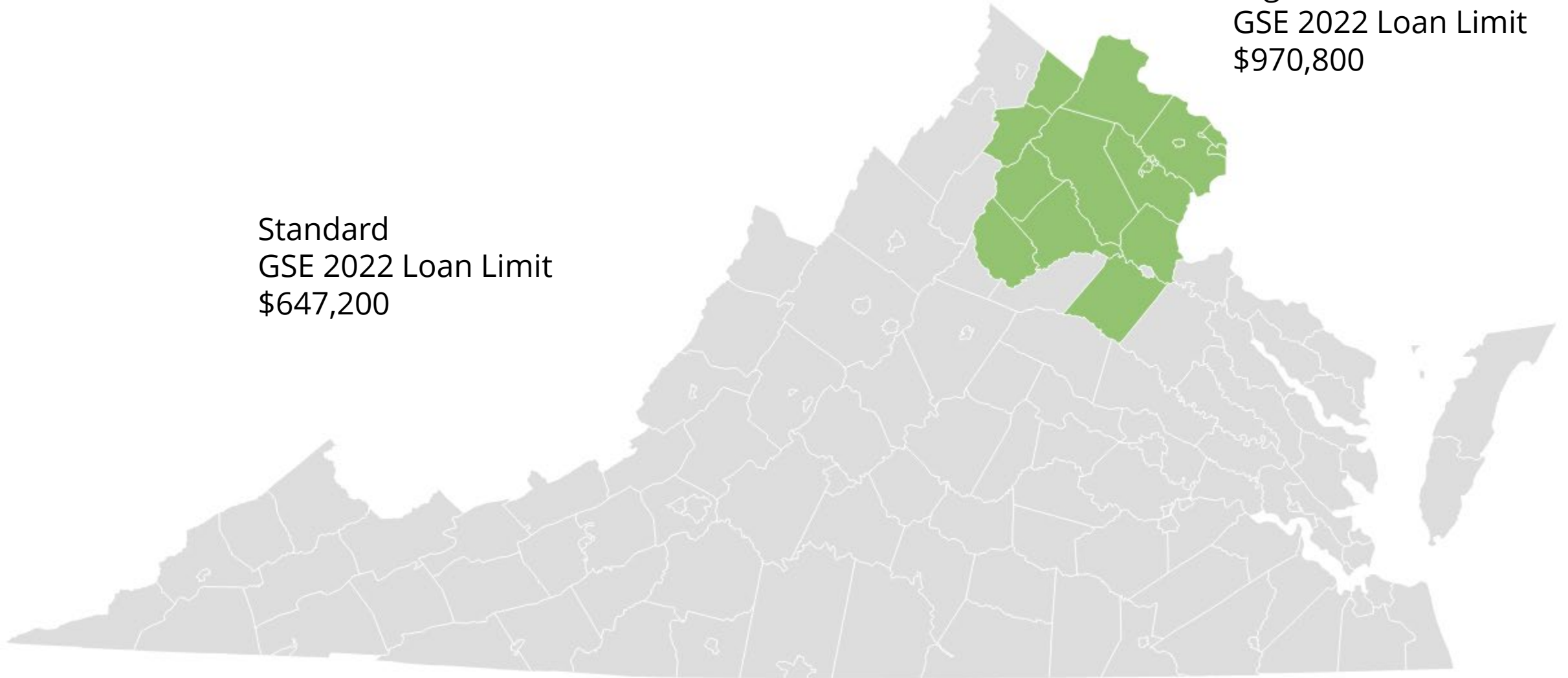
- FHFA introduced new fees on some high-cost and second home loans
  - First-time homebuyers exempted
- Will take effect April 1, but some lenders have already begun to add the fees
- **High-balance loans:** additional 0.25 to 0.75 of a point
  - On a \$850,000 loan
    - 0.25 pt = \$2,215
    - 0.75 pt = \$6,375
- **Second home loans:** additional 1.125 to 4.125 additional points depending on downpayment amount



# Virginia's high-cost areas are in Northern Virginia

High-Cost Areas  
GSE 2022 Loan Limit  
\$970,800

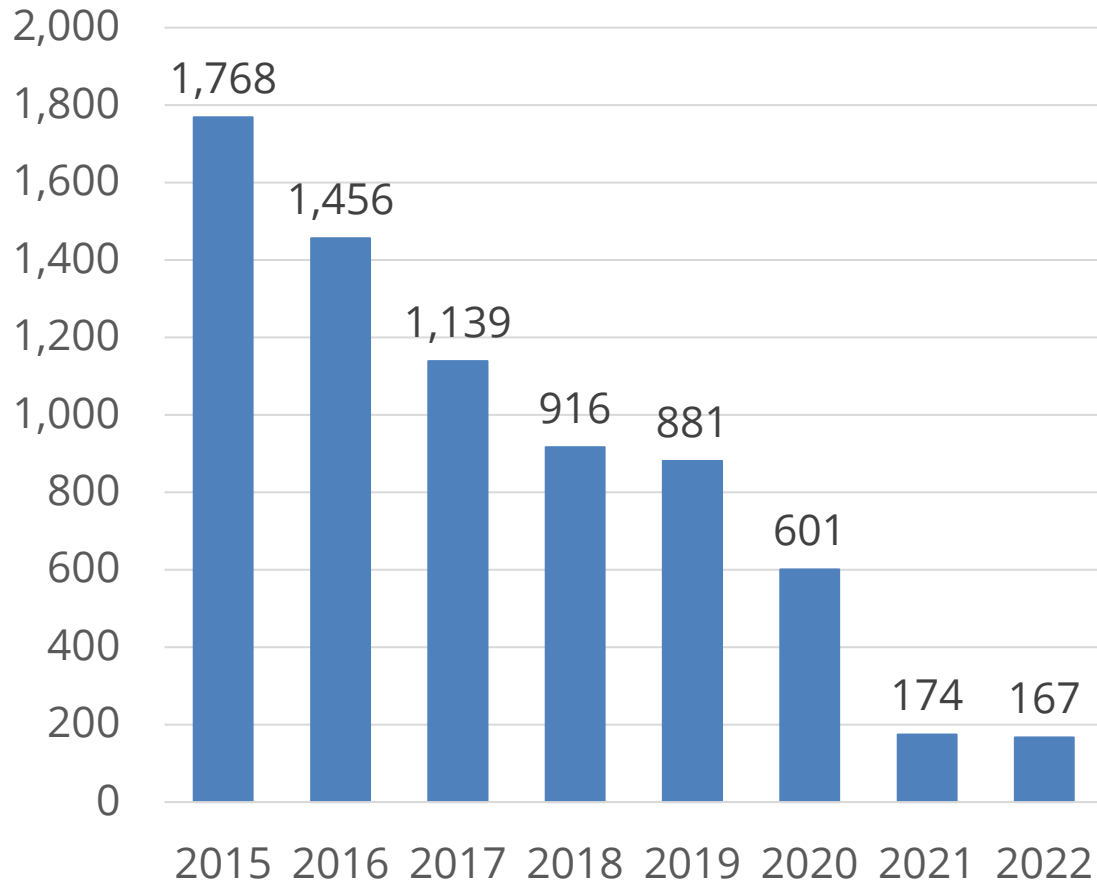
Standard  
GSE 2022 Loan Limit  
\$647,200



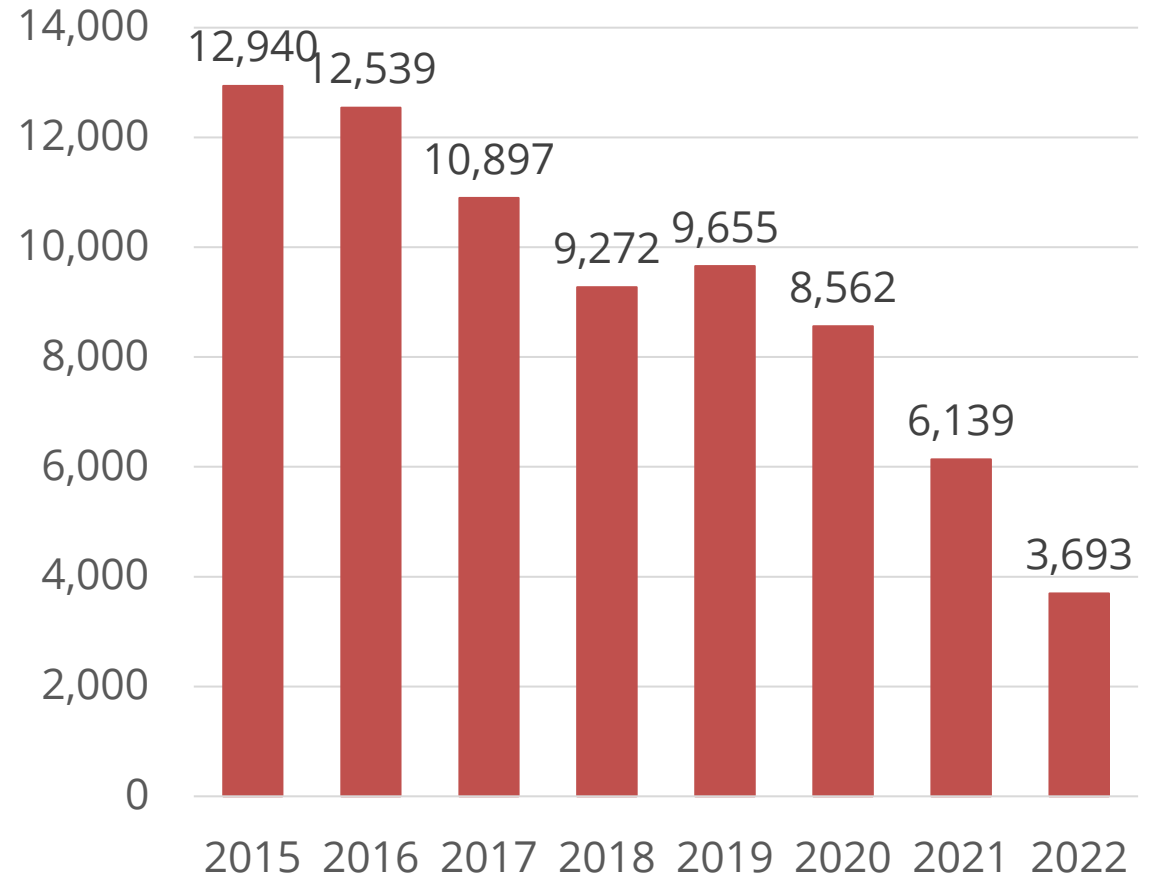
# Regional Inventory

Number of active listings, end of February each year

## Loudoun County

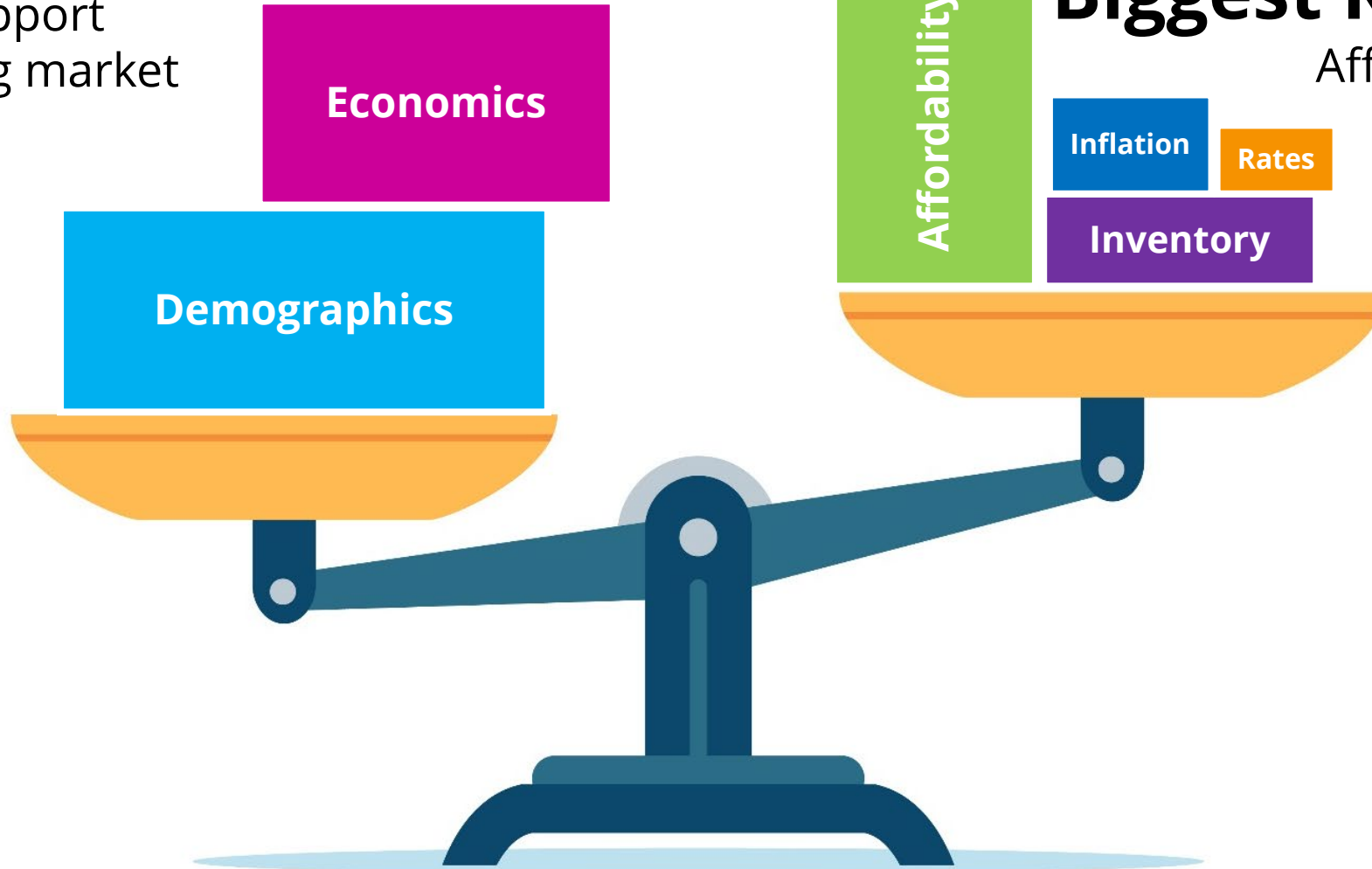


## Washington Region\*



# 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.

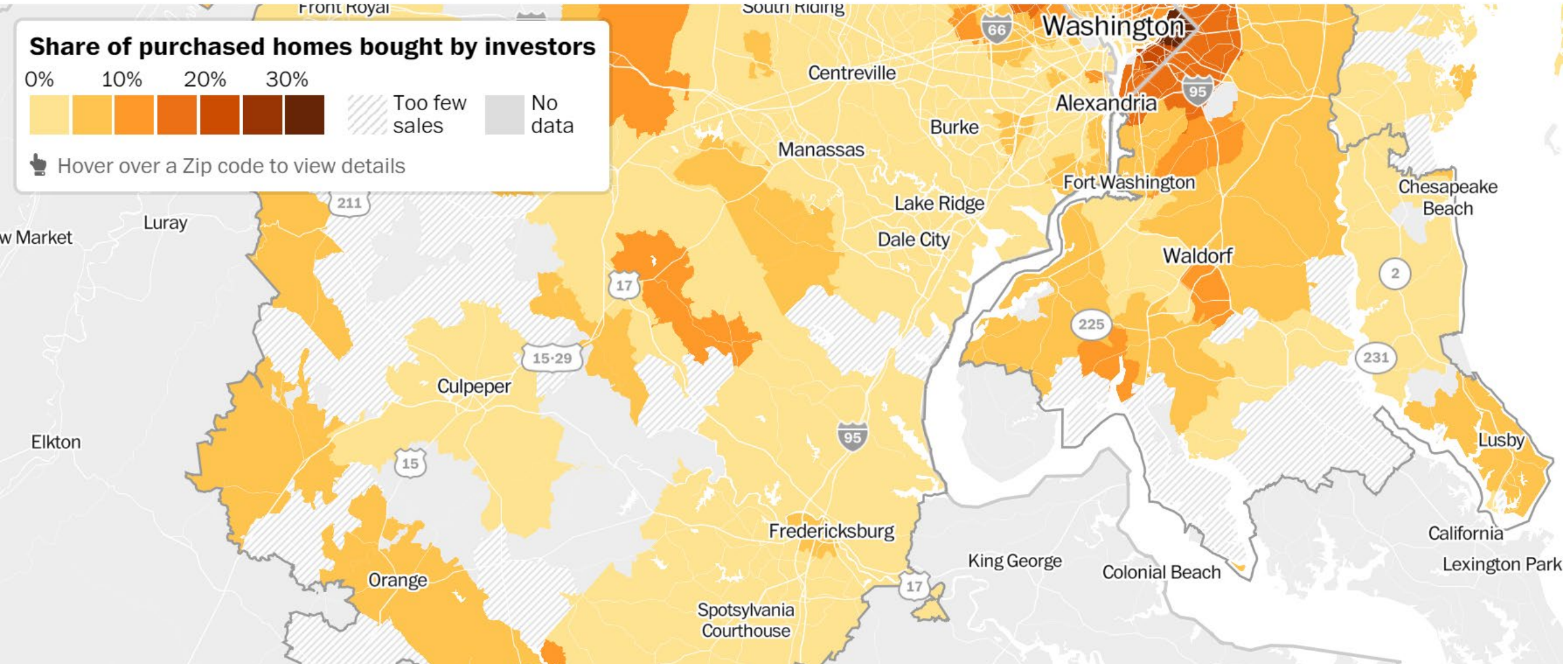
Inventory will continue to be very tight.

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

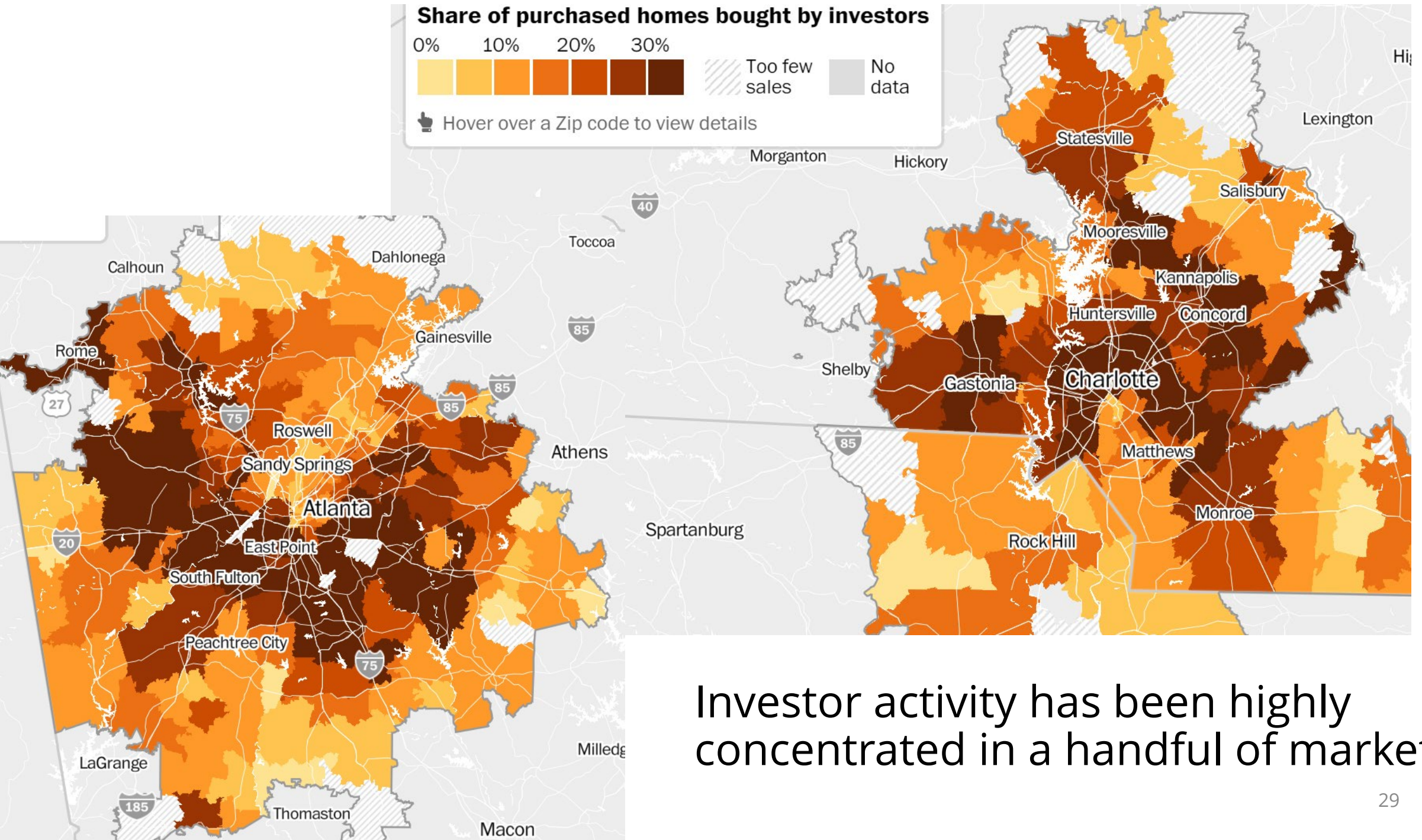
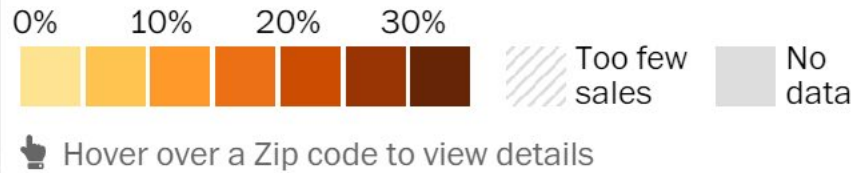
- Investors being major players in the market
- Foreclosures flooding the market
- A housing market “bubble bursting”

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

## Northern Virginia (6%)

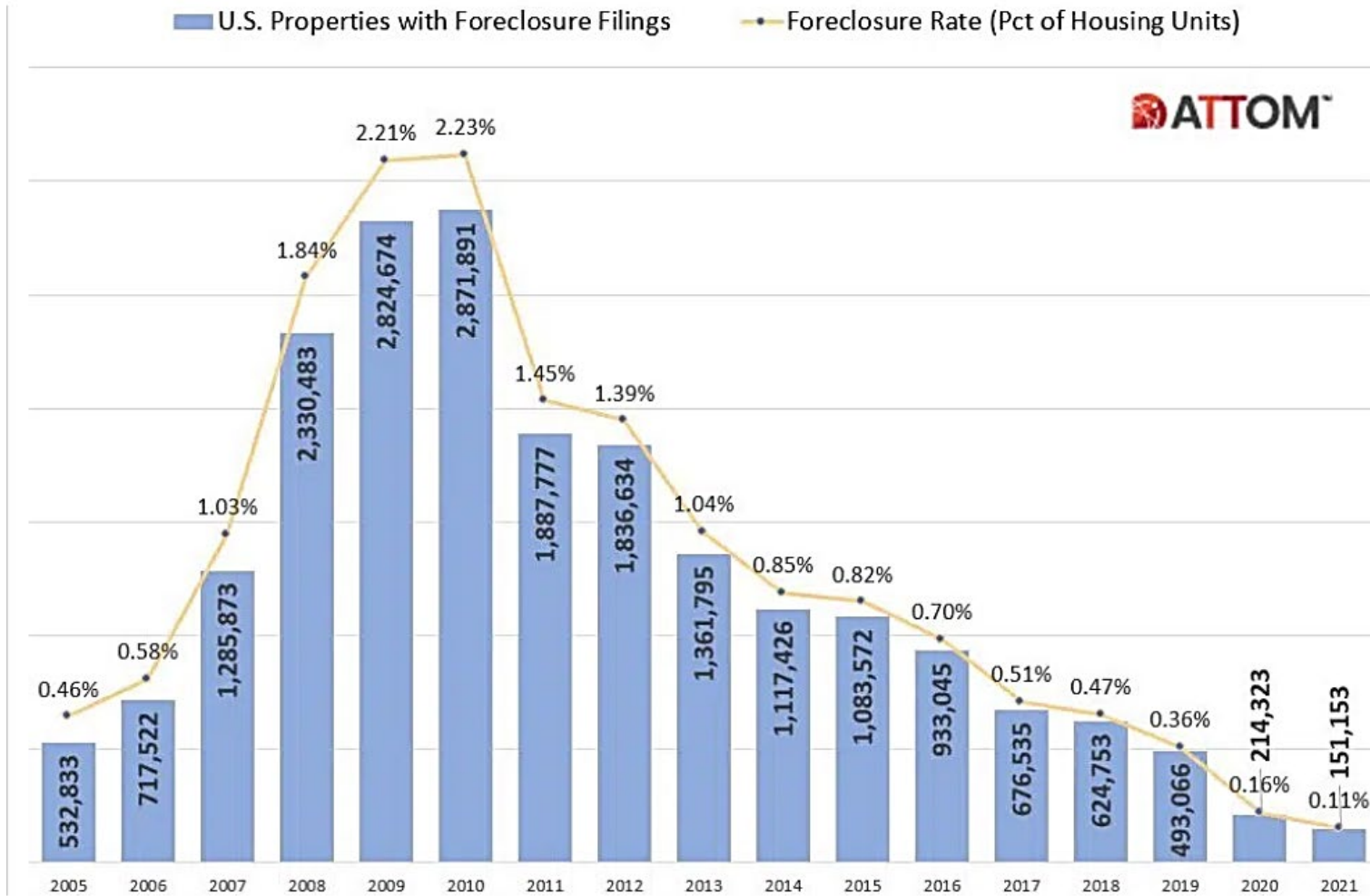


### Share of purchased homes bought by investors



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

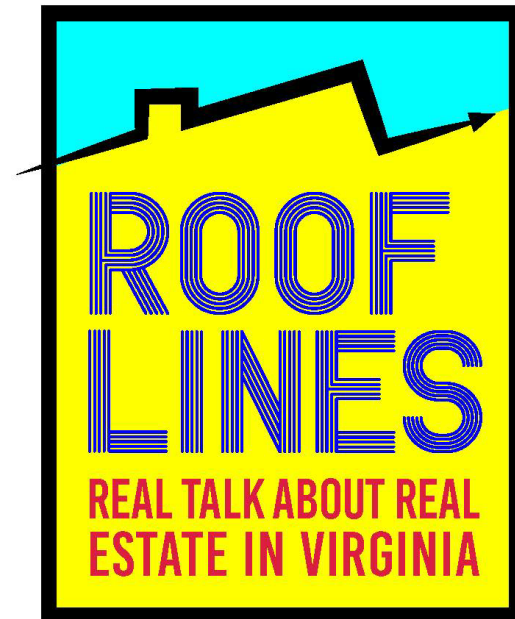


# Looking for More Information?

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