



Rising Mortgage Rates, Inflation & Affordability

Loudoun's 2022
Housing Market Outlook

Dulles Area Association of REALTORS®
Economic Summit

March 18, 2022

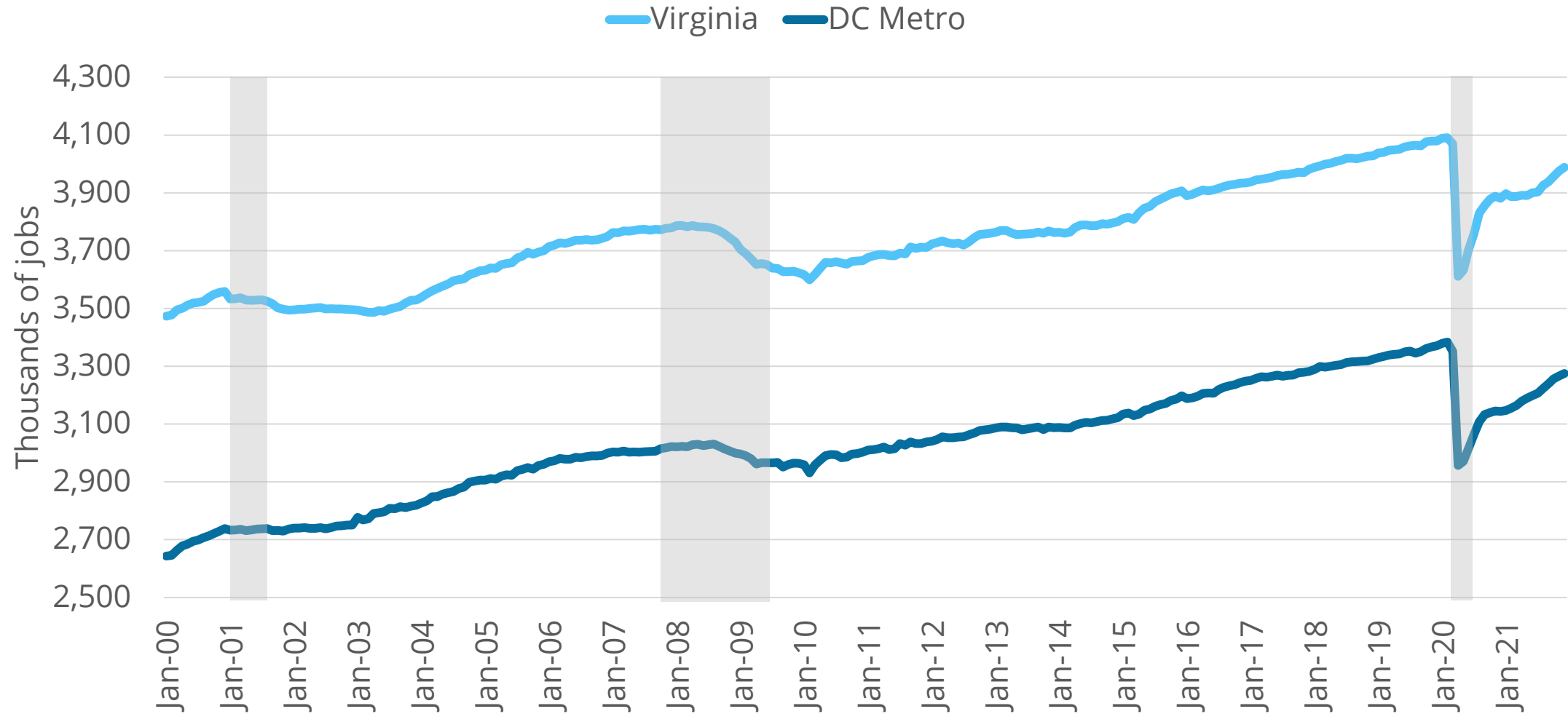
Lisa Sturtevant, PhD
Chief Economist, Virginia REALTORS®



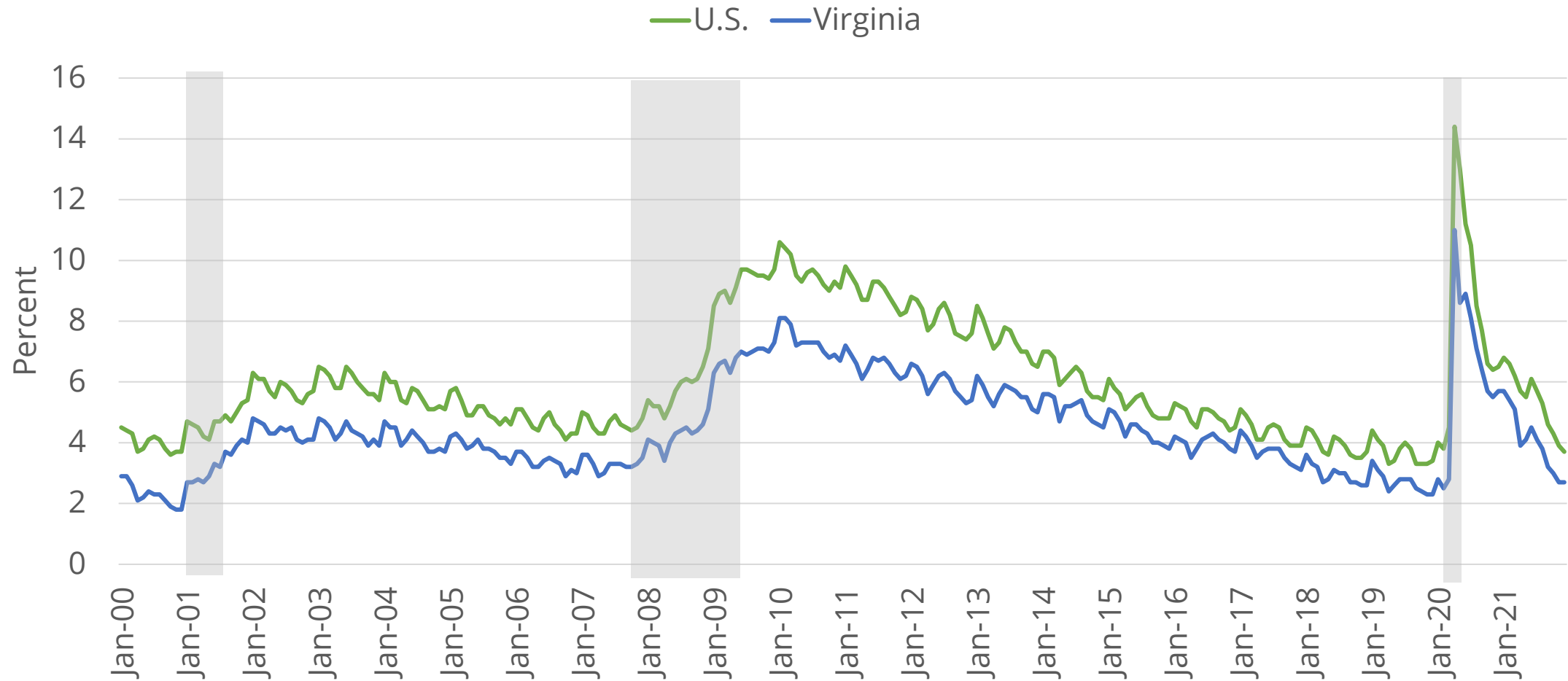
The background is a blue-tinted photograph of a document. It features a line graph with a jagged, fluctuating line. A pen is positioned in the upper right corner, pointing towards the graph. The graph has horizontal grid lines, with some numerical values visible: '2.5' on the left and '2.47' on the right.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

Economic Indicators

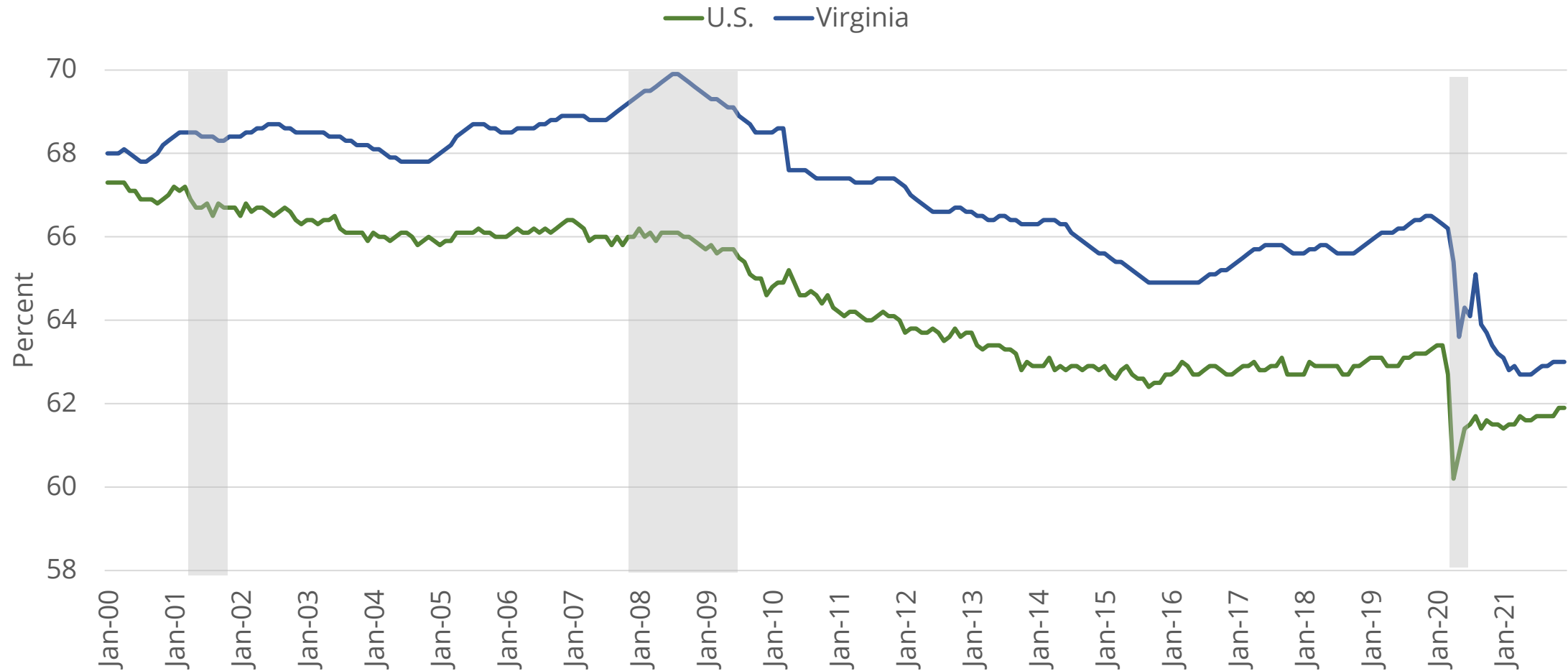
Employment



Unemployment Rate

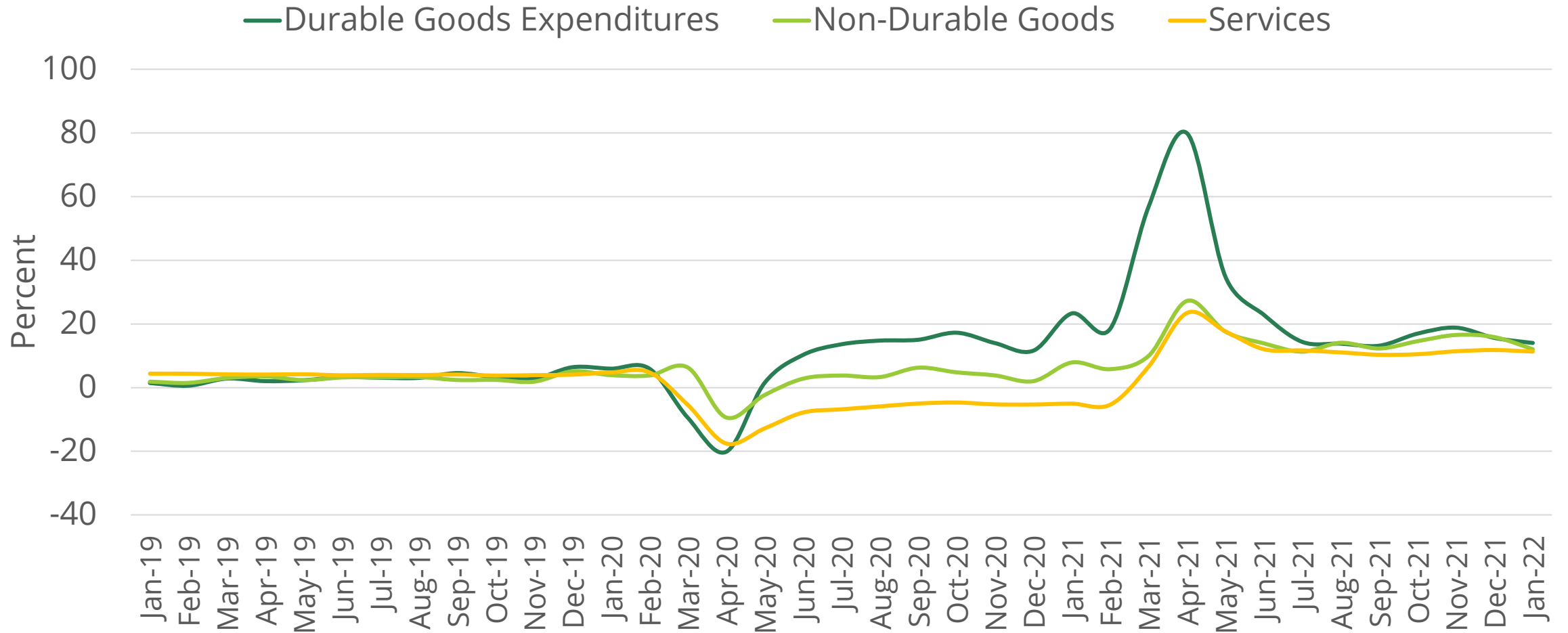


Labor Force Participation Rate

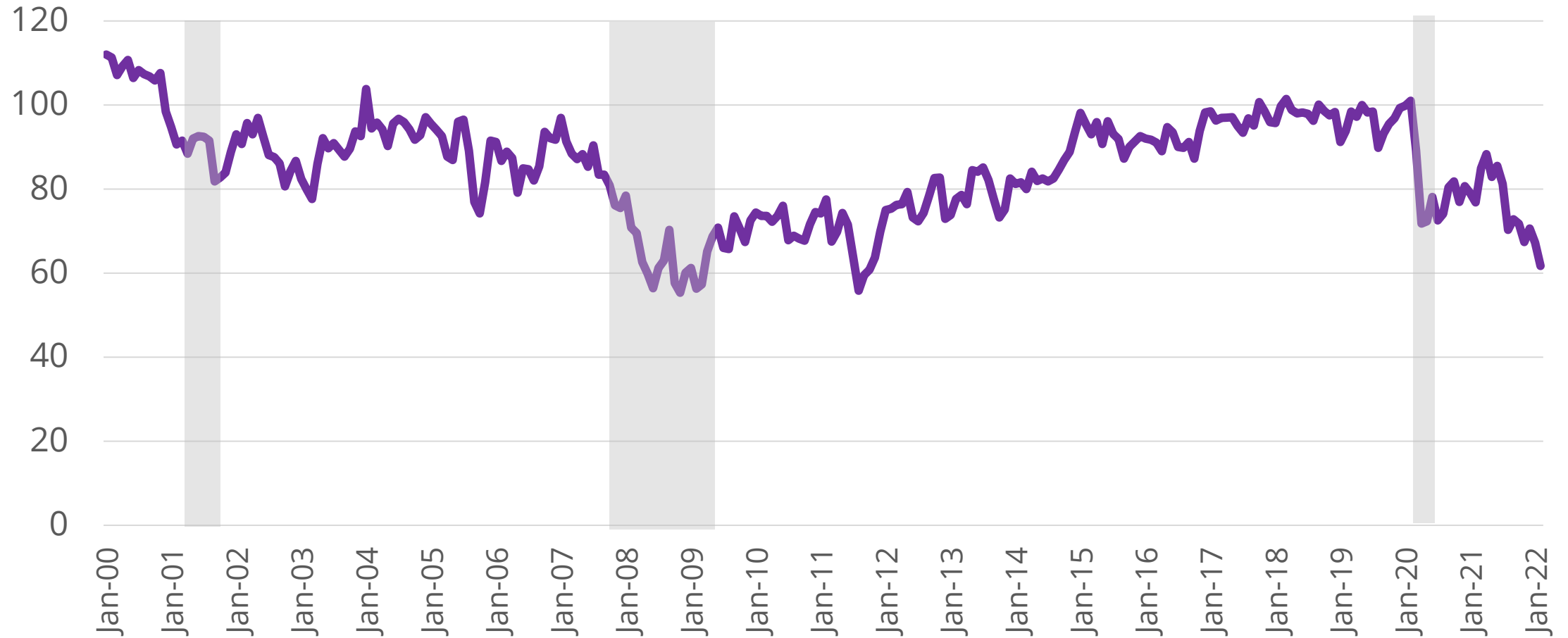


Personal Consumer Expenditures

Year-over-year change

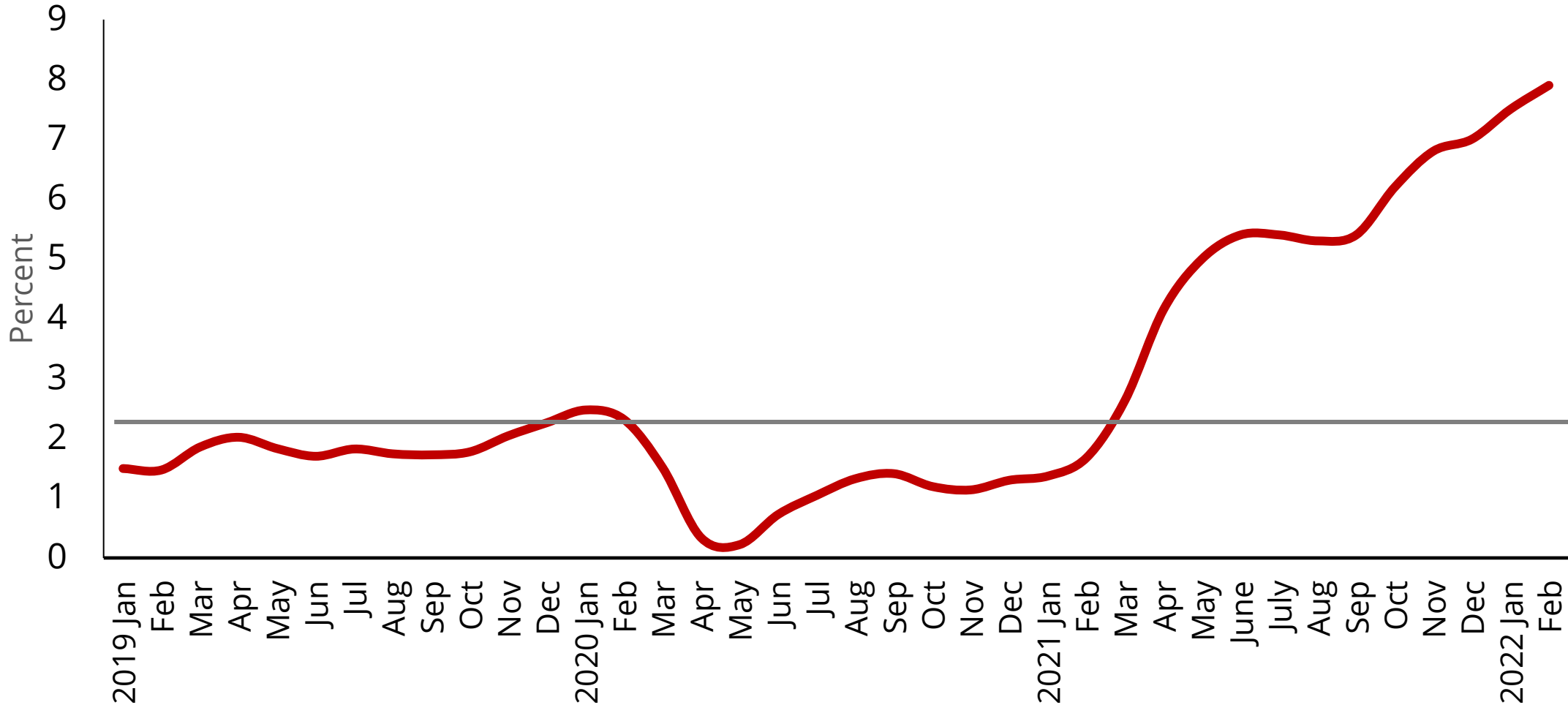


Consumer Sentiment



Inflation

Change in CPI-U



Source: Bureau of Labor Statistics

Housing Market Trends



Record-breaking housing market activity

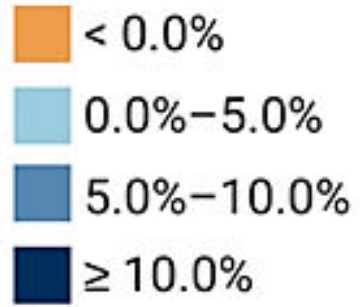
Loudoun County		
	2021	Change 2020 to 2021
Sales	8,507	+9%
Median Price	\$615K	+13%
Average Days on Market	13	-6 days
Months of Supply (year end)	0.27	-.05 months
Showings	200K+	+27%

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%

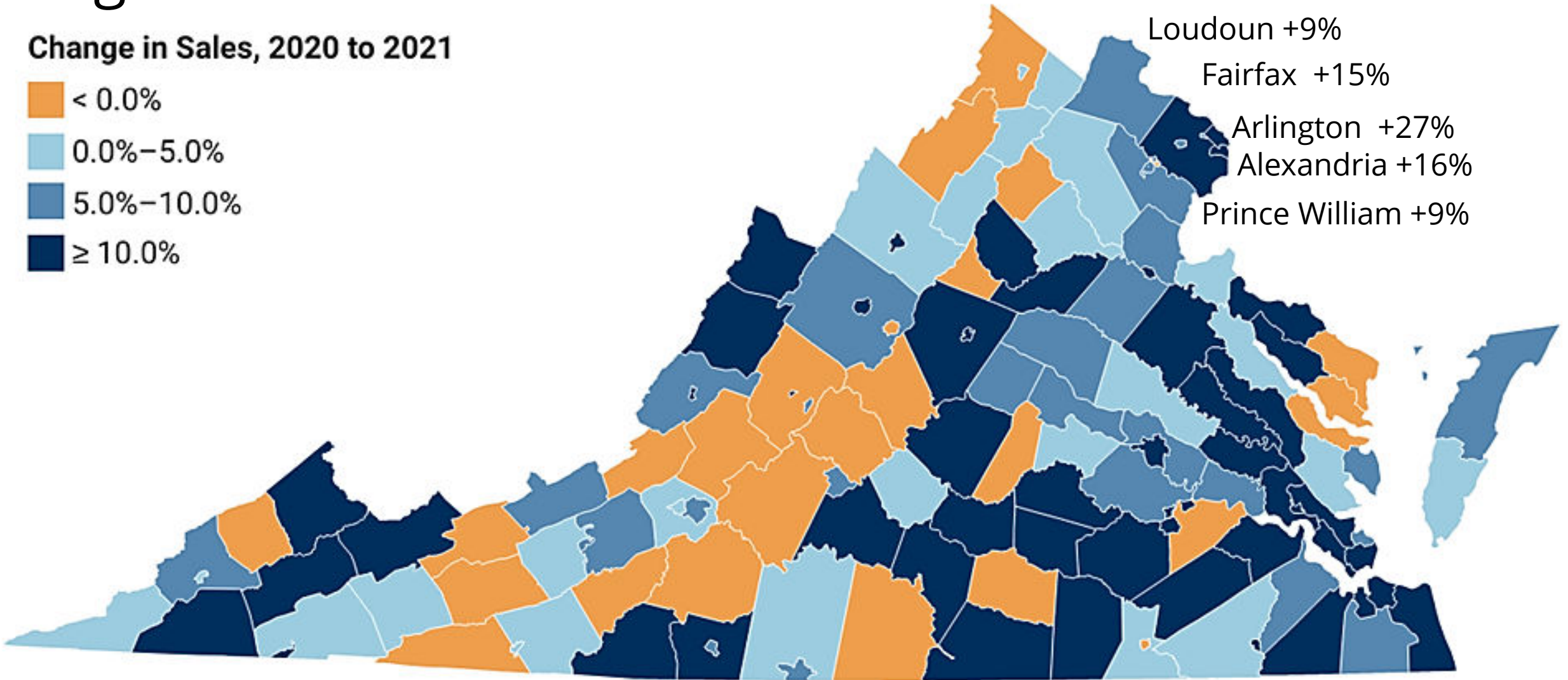
Loudoun +9%

Fairfax +15%

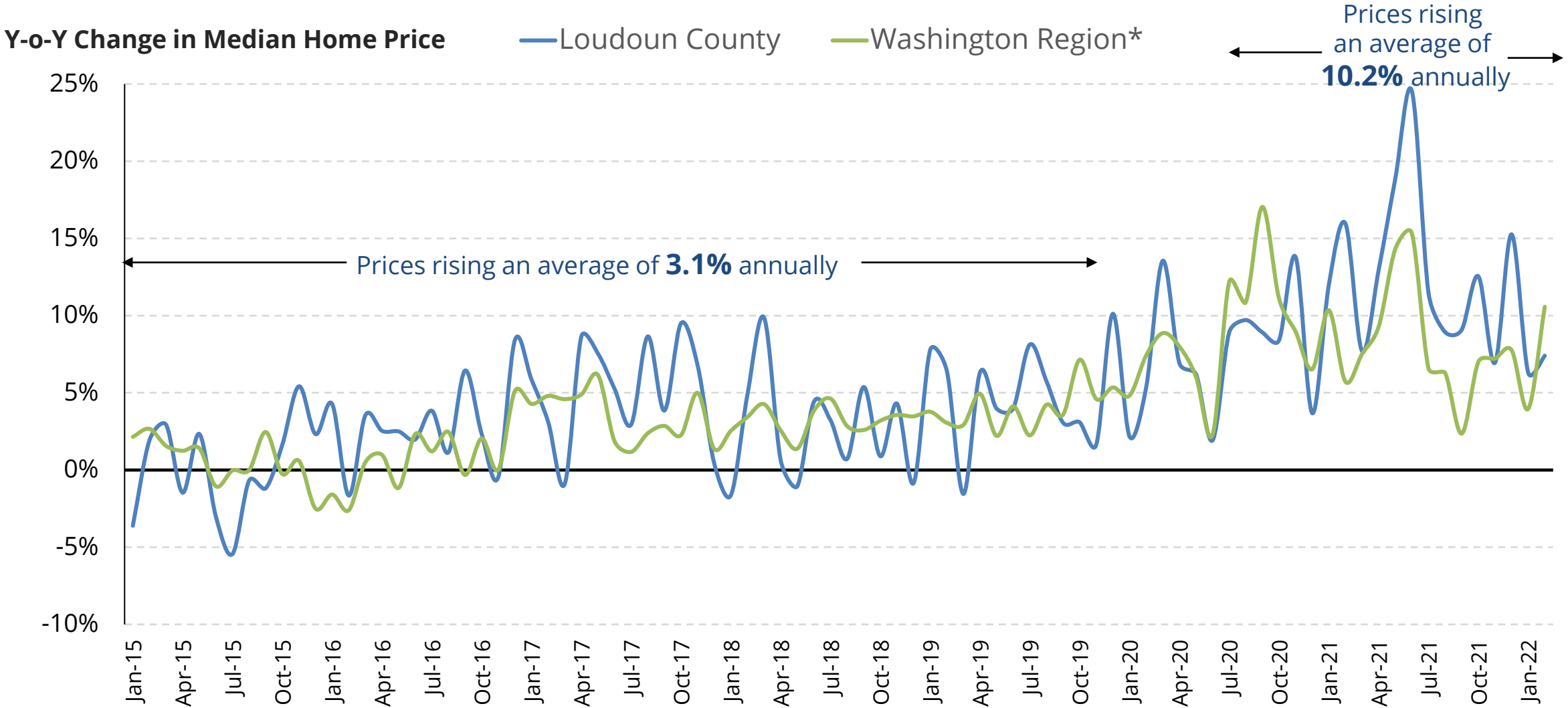
Arlington +27%

Alexandria +16%

Prince William +9%

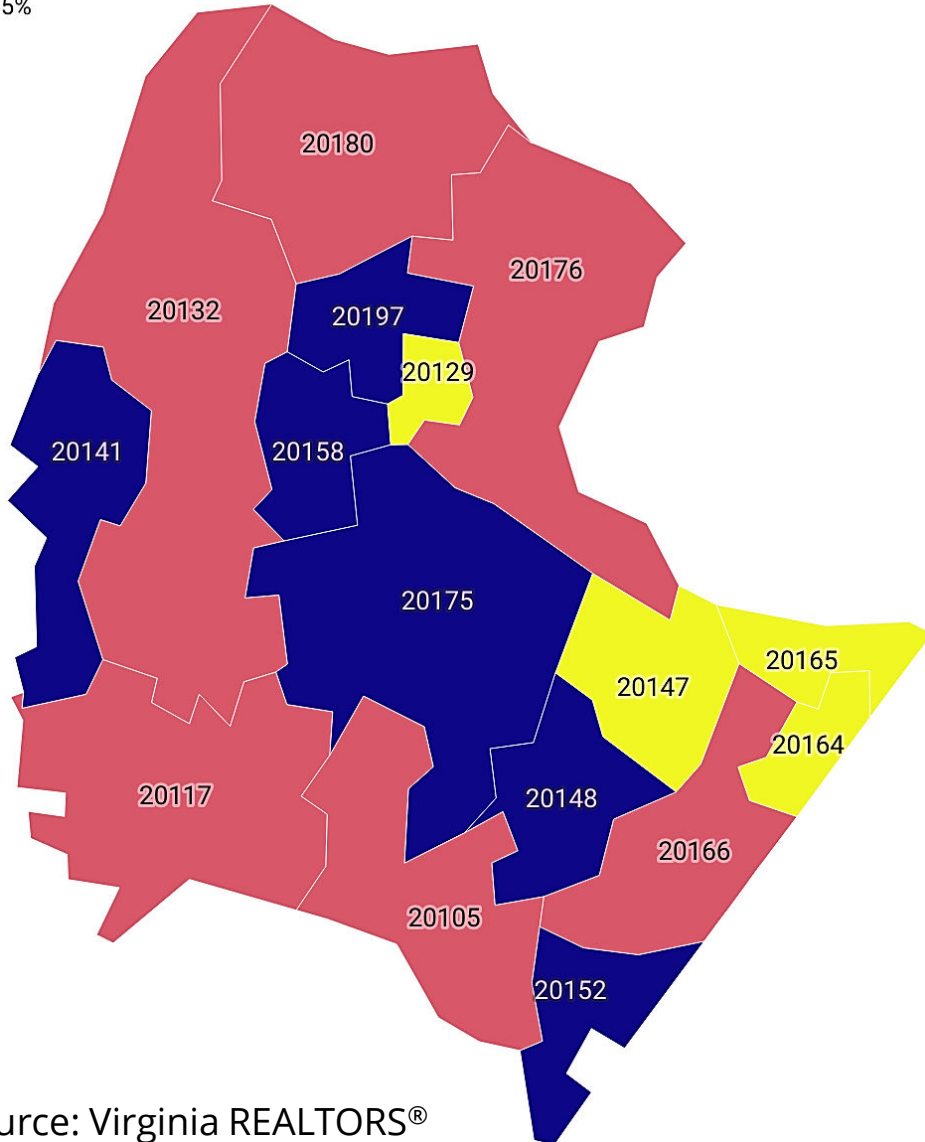
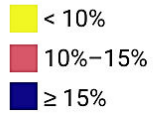


Regional Home Prices



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

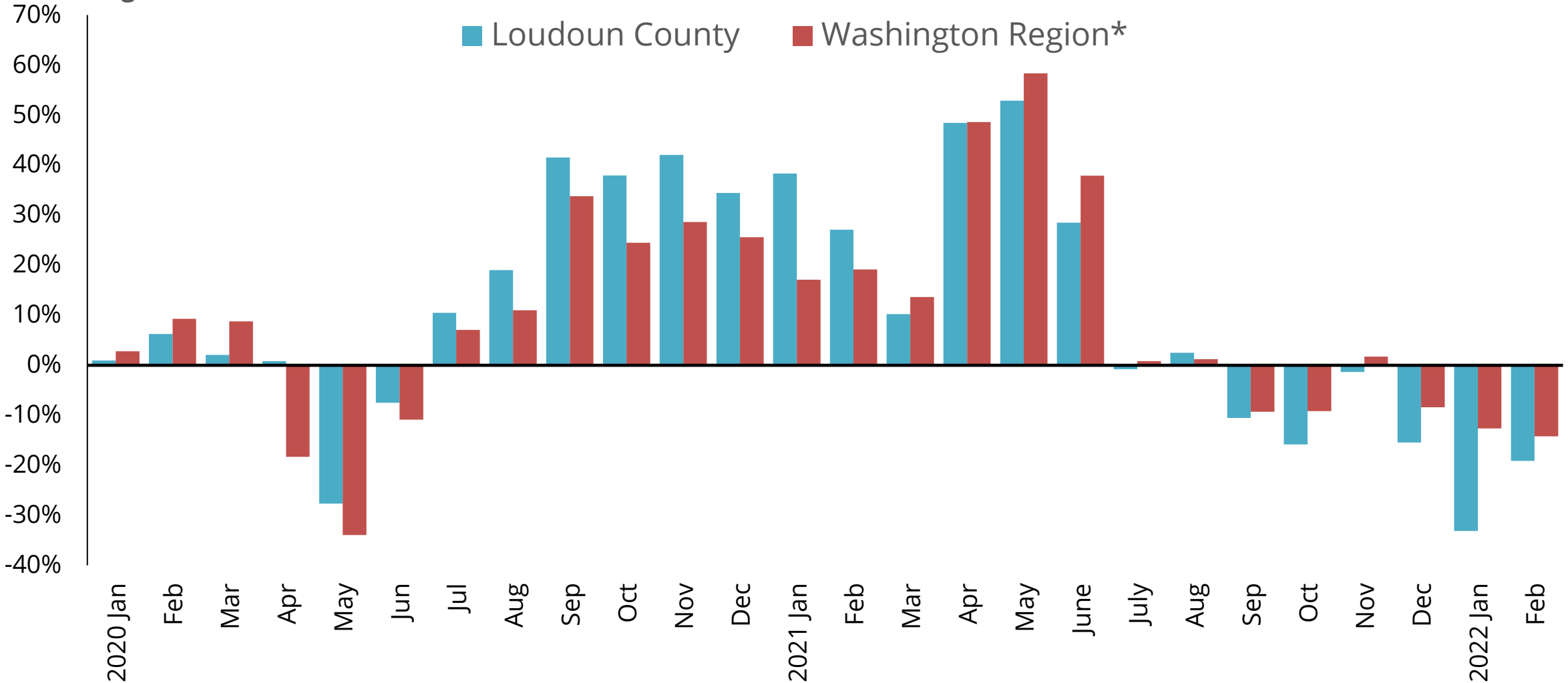


Zip Code	2021 Median Price (\$)	Change 2020 to 2021
20148 (Brambleton)	682,997	15.9%
20147 (Ashburn)	575,000	9.5%
20176 (Leesburg)	664,000	11.6%
20175 (Leesburg)	606,342	17.7%
20164 (Sterling)	468,700	9.0%
20152 (Chantilly)	660,000	15.9%
20105 (Aldie)	768,000	12.9%
20132 (Purcellville)	685,000	14.2%

Source: Virginia REALTORS®

Regional Home Sales

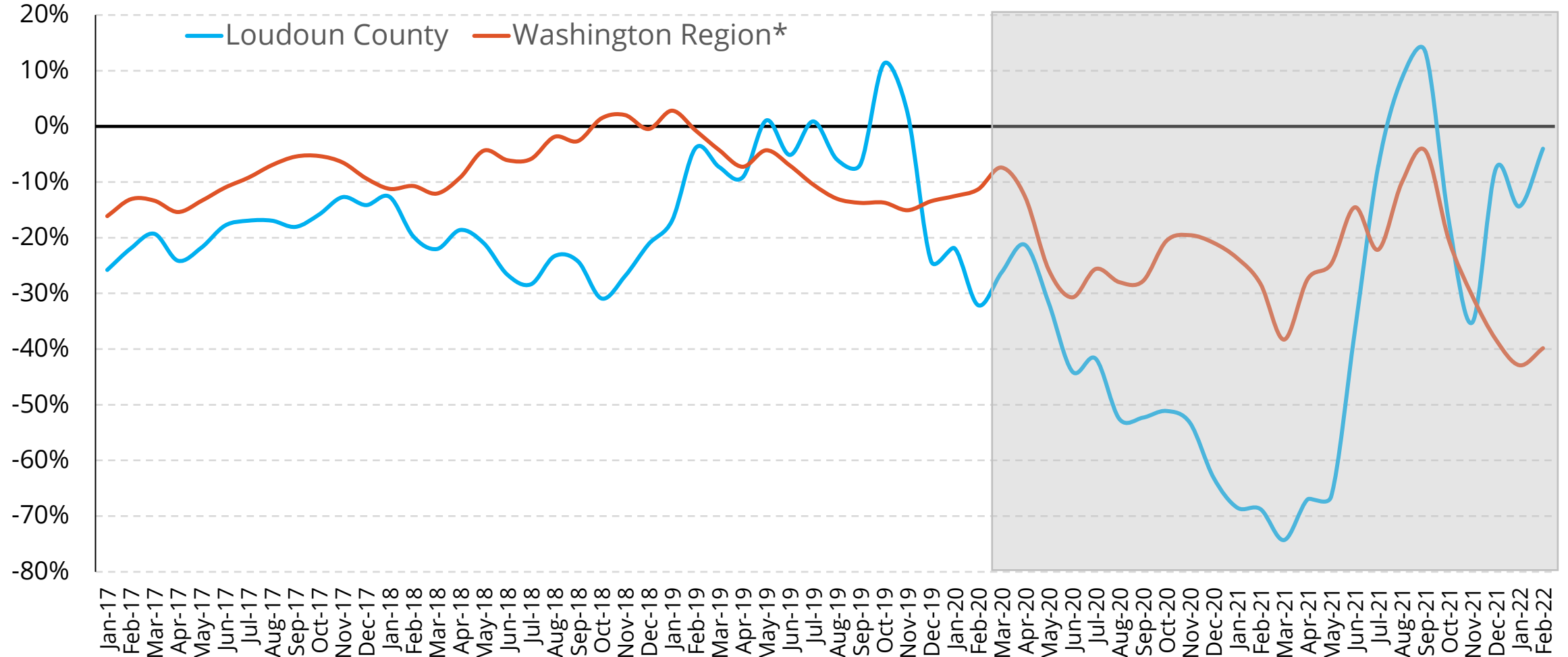
Y-o-Y Change in Home Sales



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



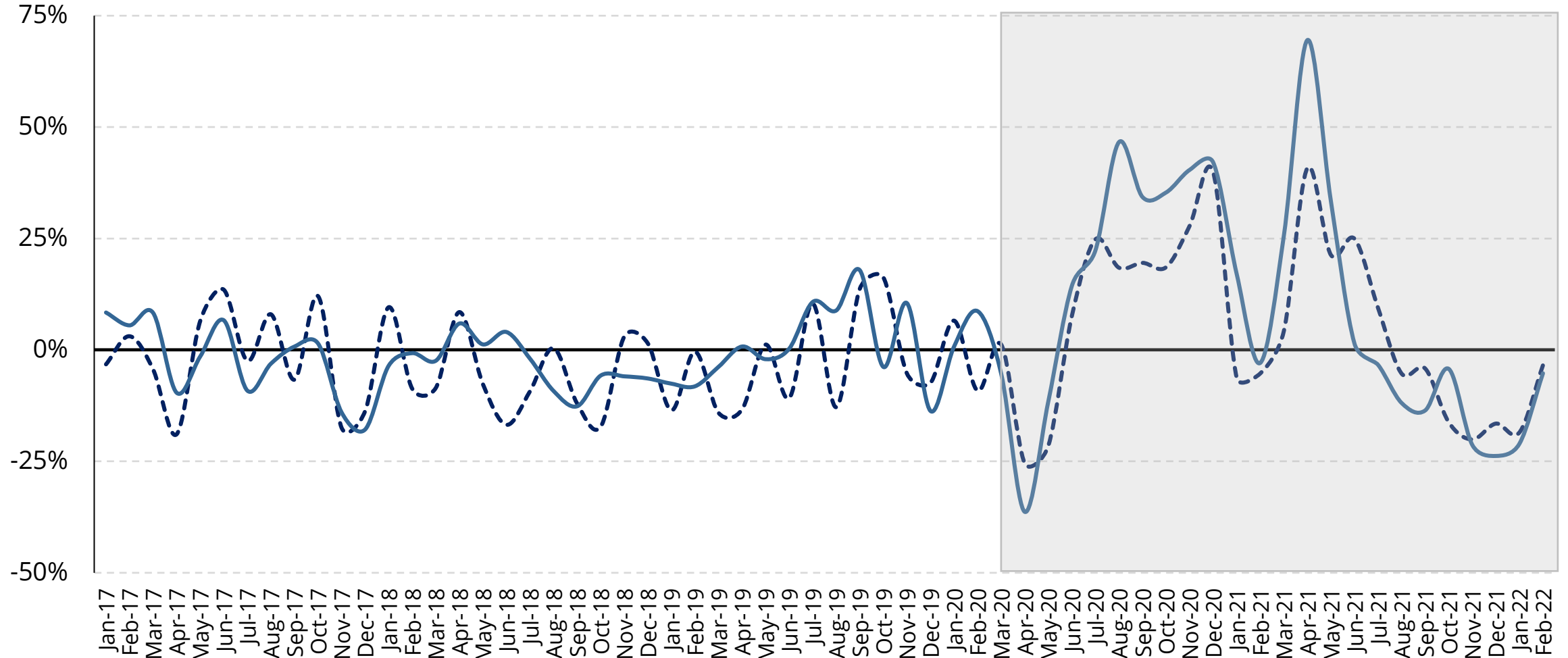
Source: Virginia REALTORS®. Bright MLS *Includes the District of Columbia; Arlington, Alexandria, Fairfax, and Loudoun; and Montgomery, Prince George's, and Frederick.

Loudoun County New Listings / New Pendings

Y-o-Y Change

--- New Listings — New Pendings

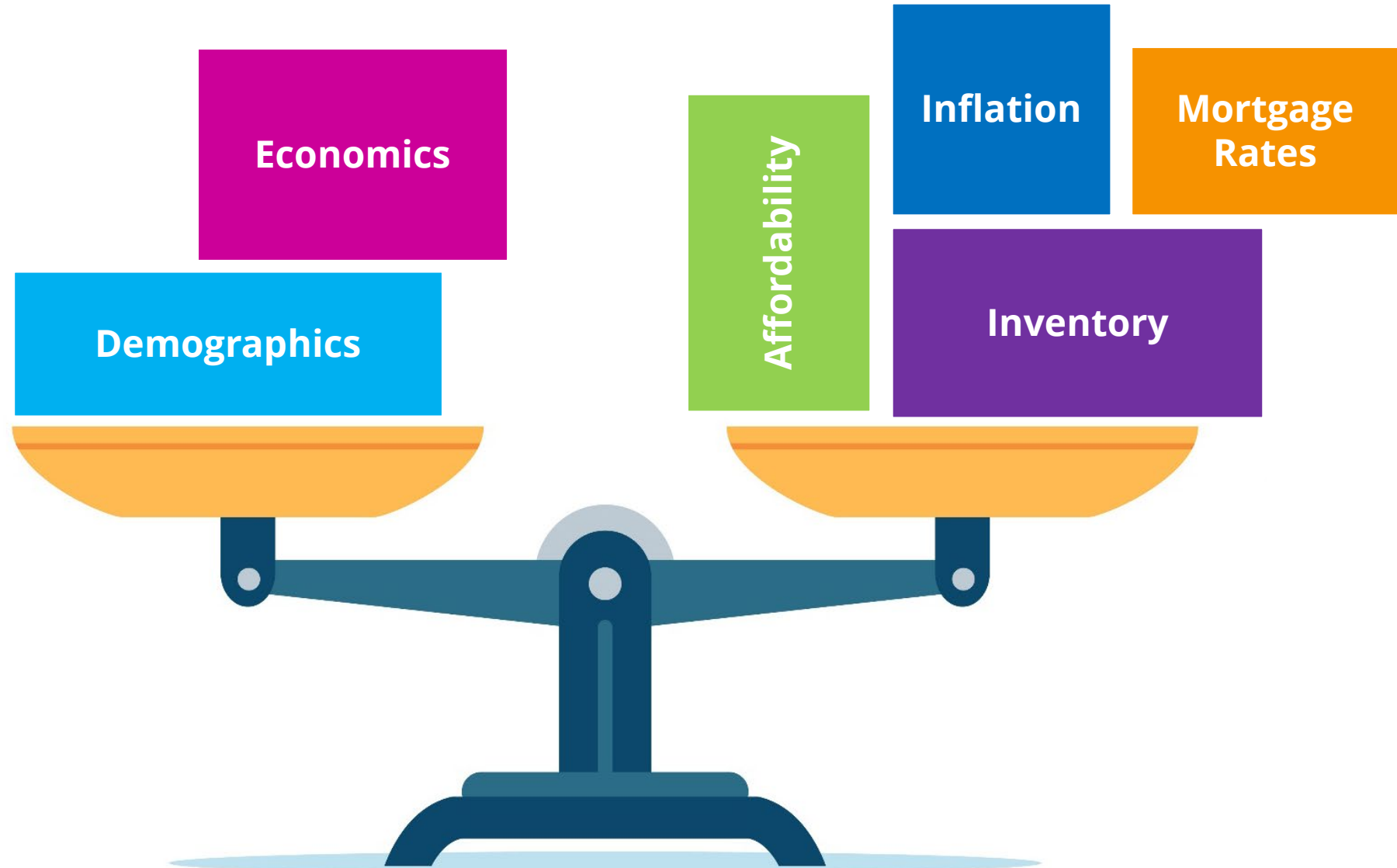
COVID Pandemic



Outlook for 2022

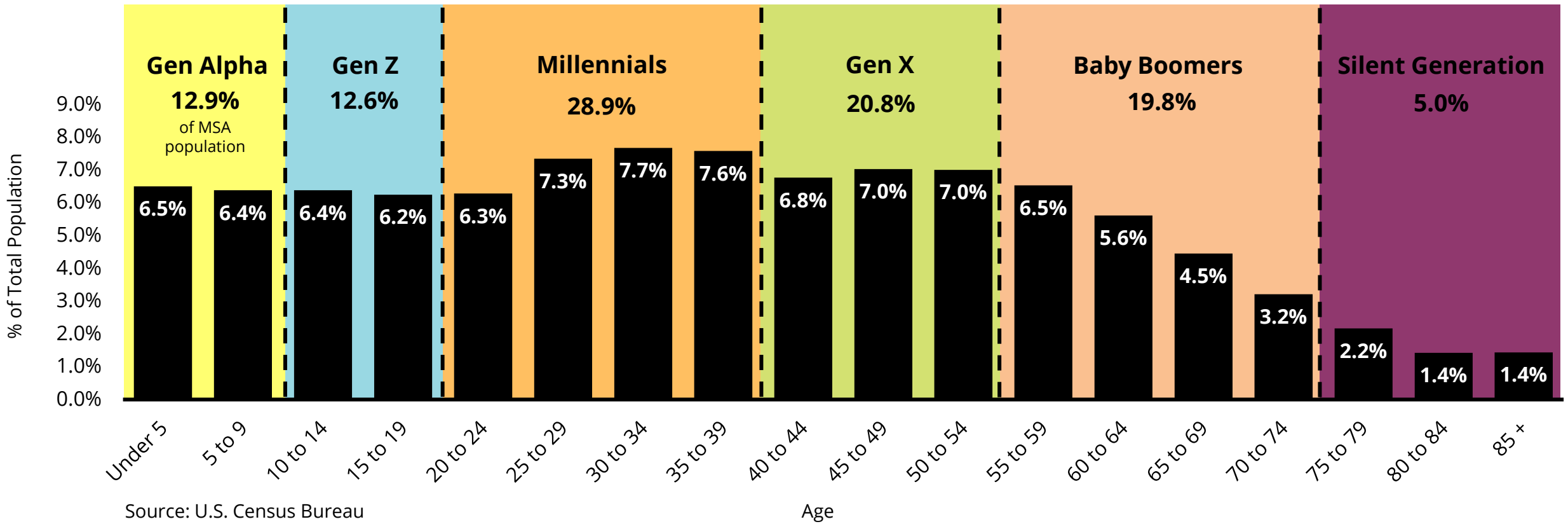


What will tip the scales in the 2022 housing market?



Age Distribution in Washington MSA, 2019

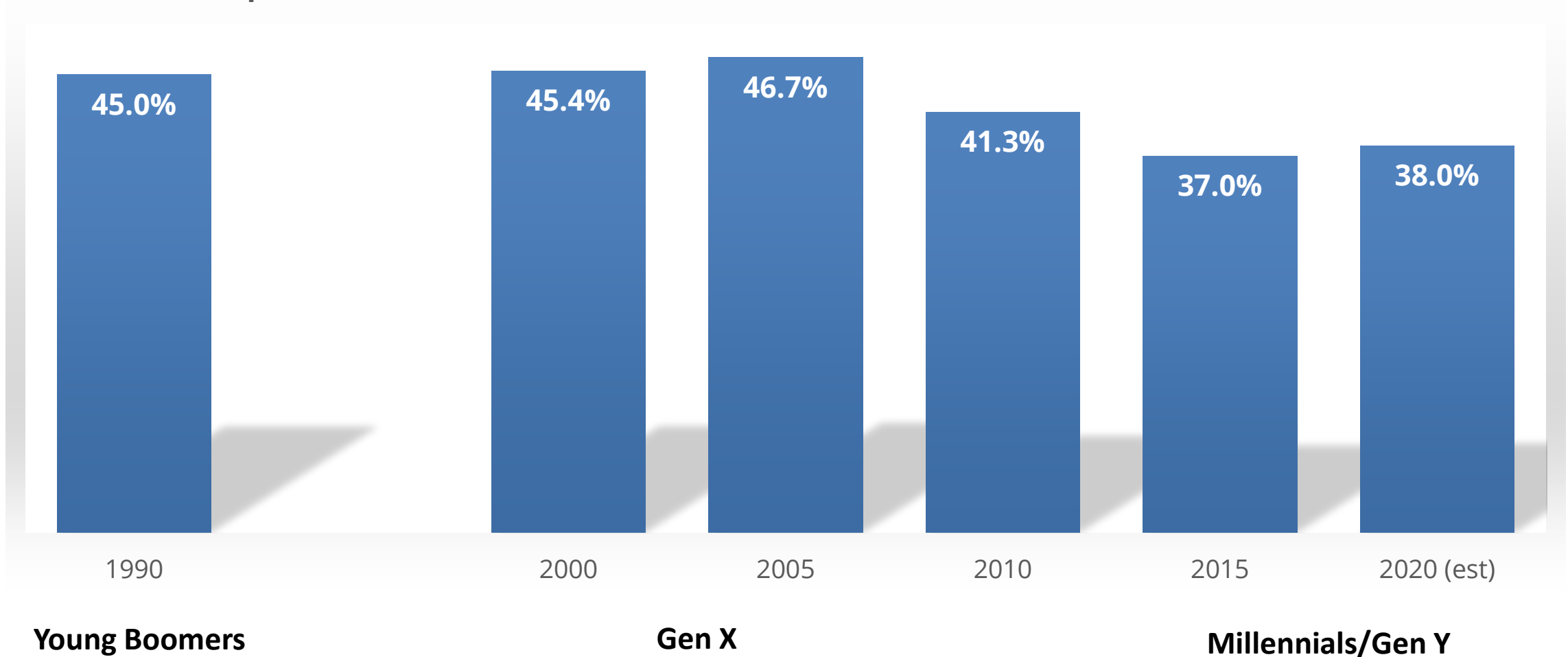
Note: Generation age ranges are approximate



Demographics

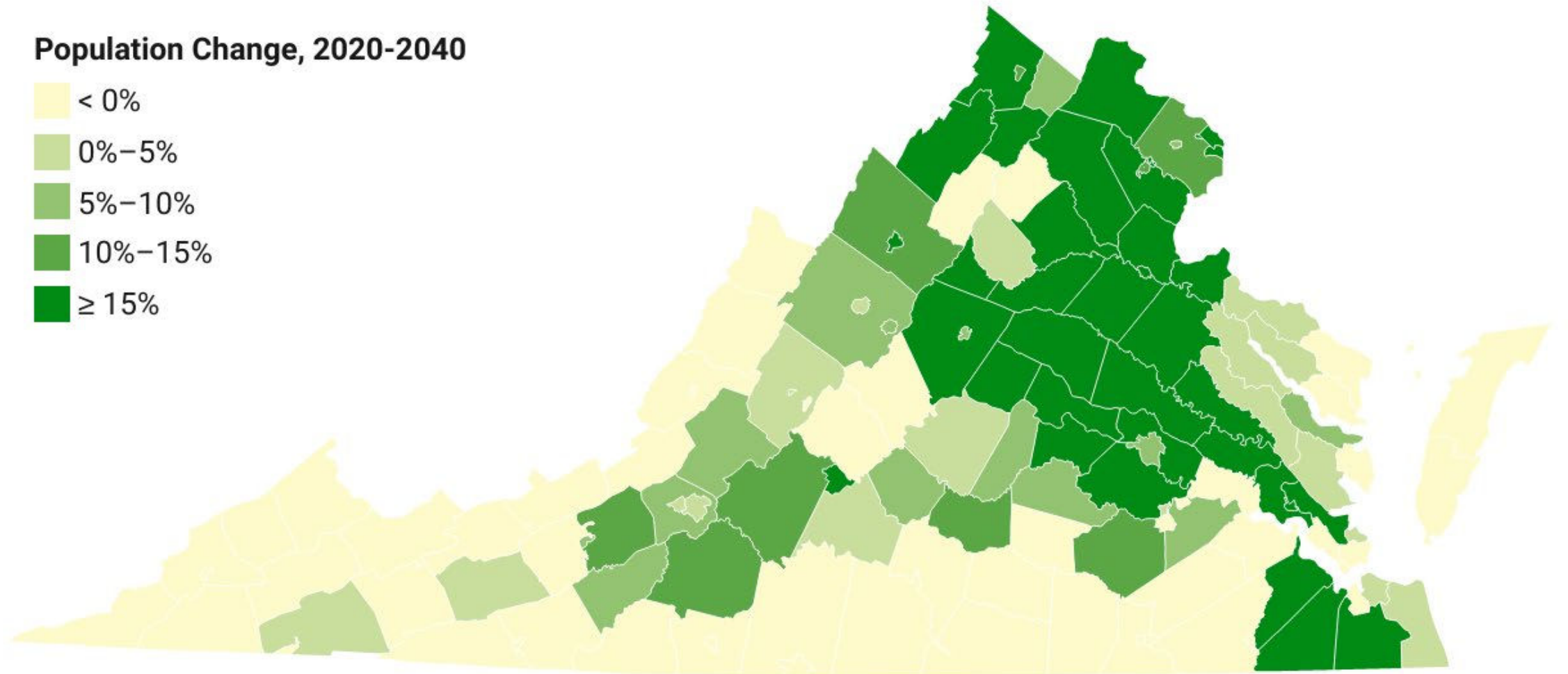
Homeownership rates among Millennials remain relatively low

Homeownership Rates, 25 to 34 Year Olds



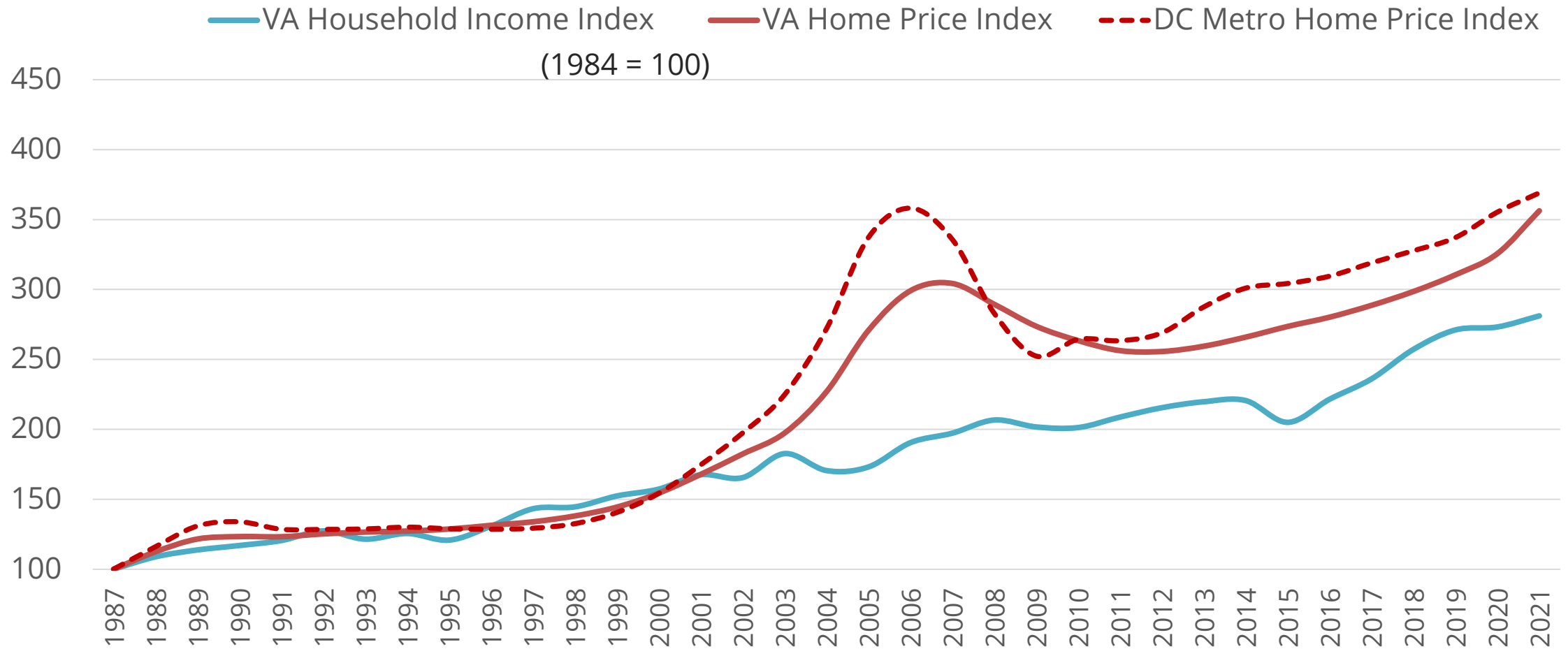
Demographics

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



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
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 estimate	\$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

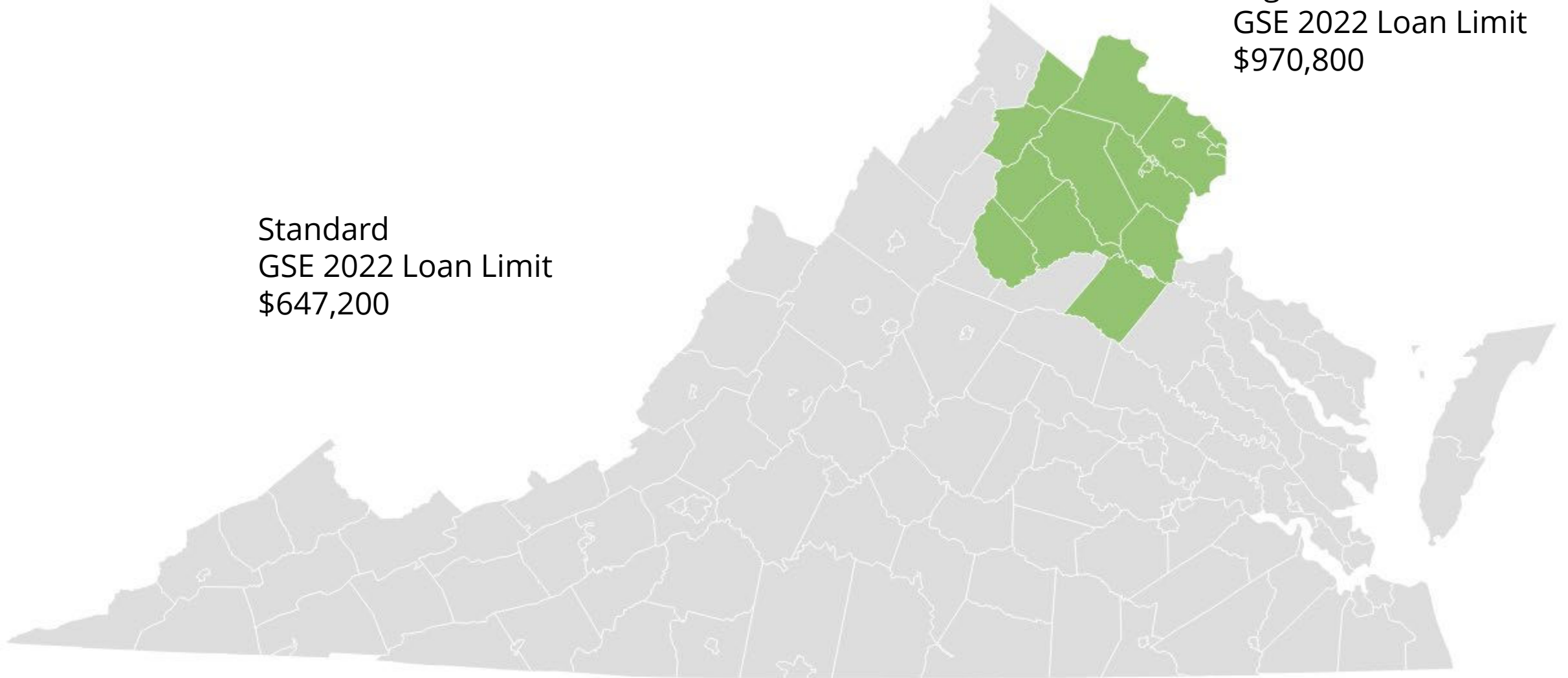
- FHFA introduced new fees on some high-cost and second home loans
 - First-time homebuyers exempted
- Will take effect April 1, but some lenders have already begun to add the fees
- **High-balance loans:** additional 0.25 to 0.75 of a point
 - On a \$850,000 loan
 - 0.25 pt = \$2,215
 - 0.75 pt = \$6,375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

Got rid of the 0.5 point “adverse market refinance fee” last year

Virginia's high-cost areas are in Northern Virginia

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

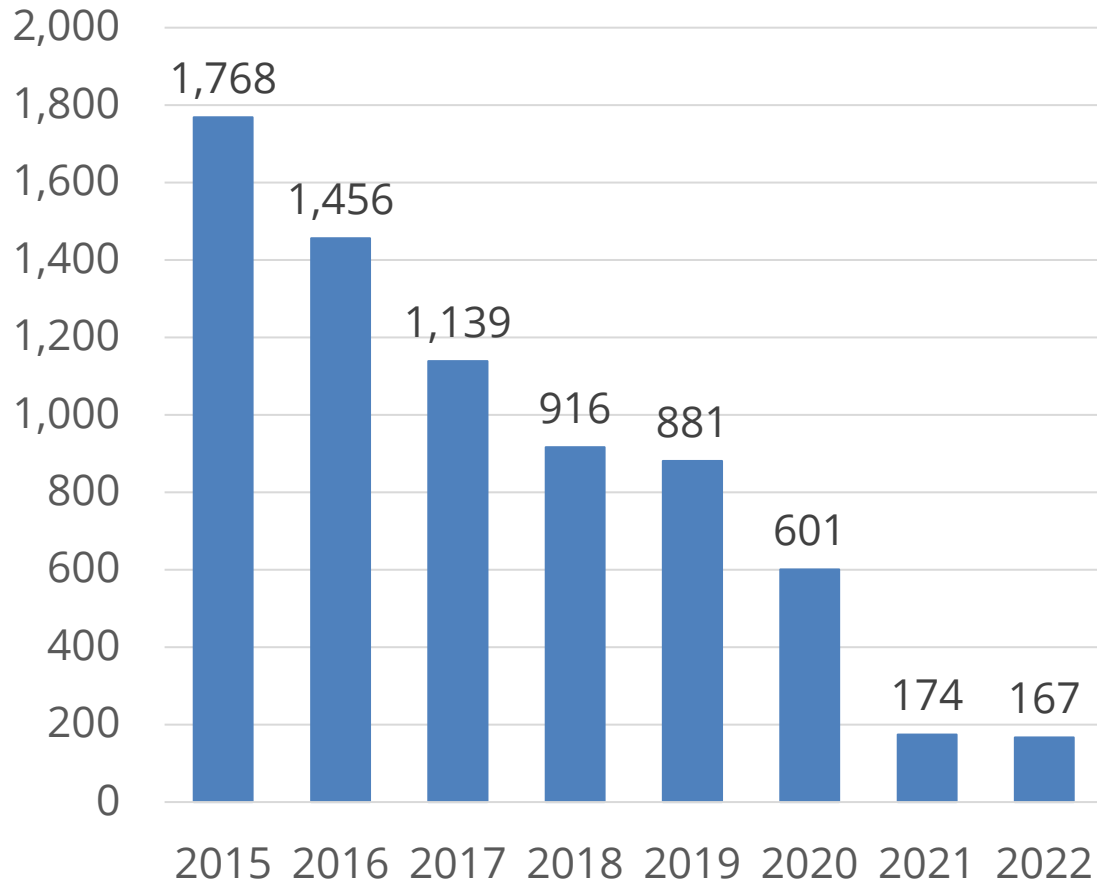
Standard
GSE 2022 Loan Limit
\$647,200



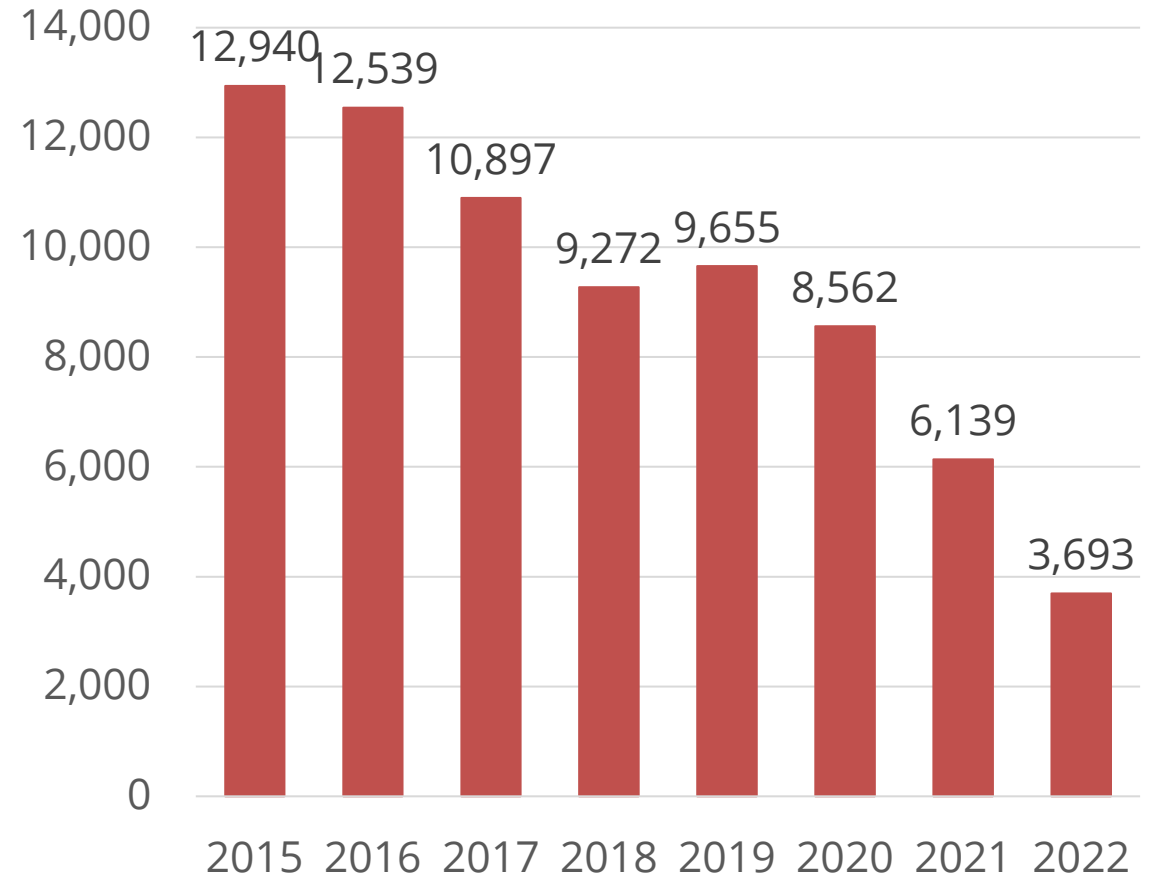
Regional Inventory

Number of active listings, end of February each year

Loudoun County

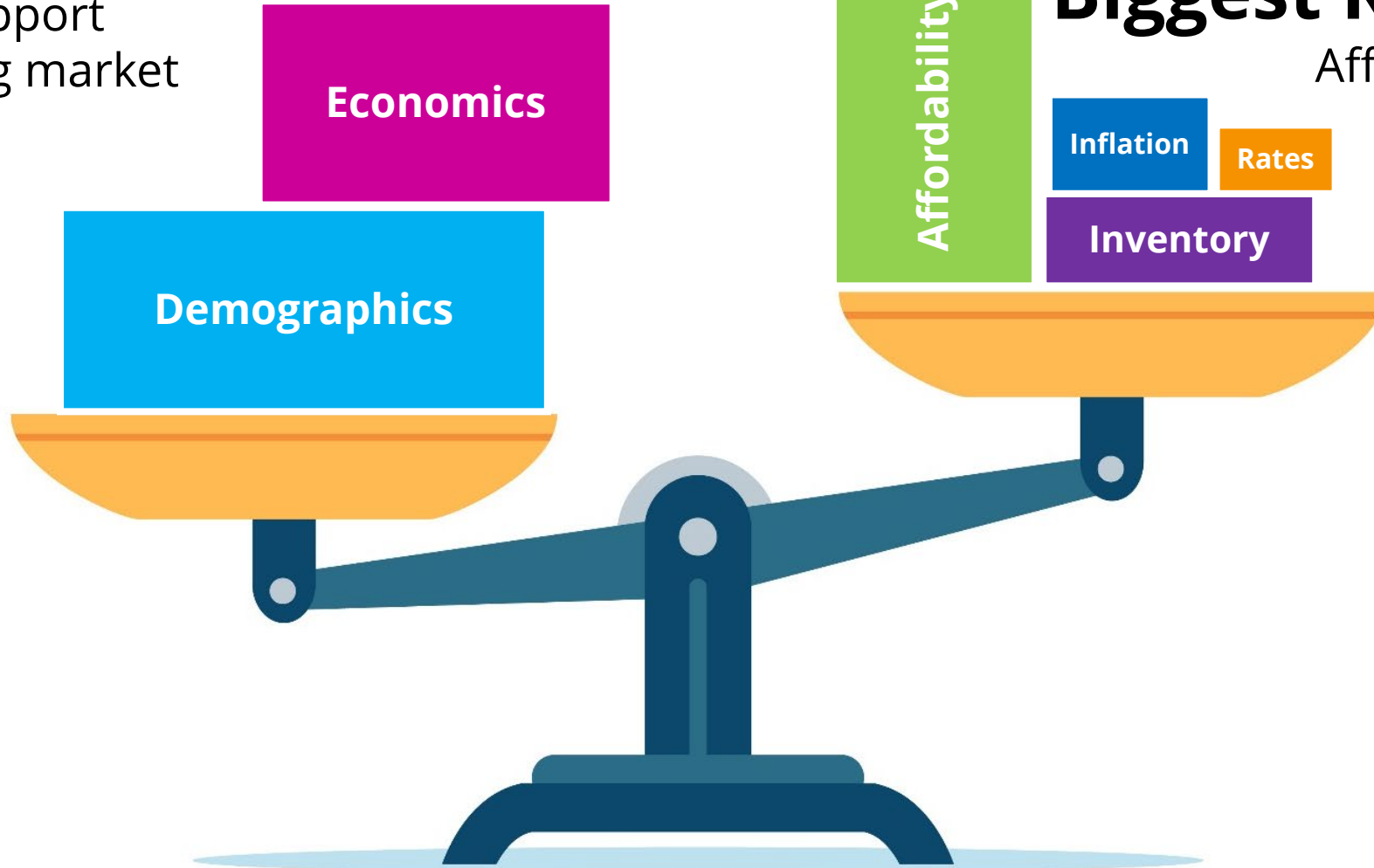


Washington Region*



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.

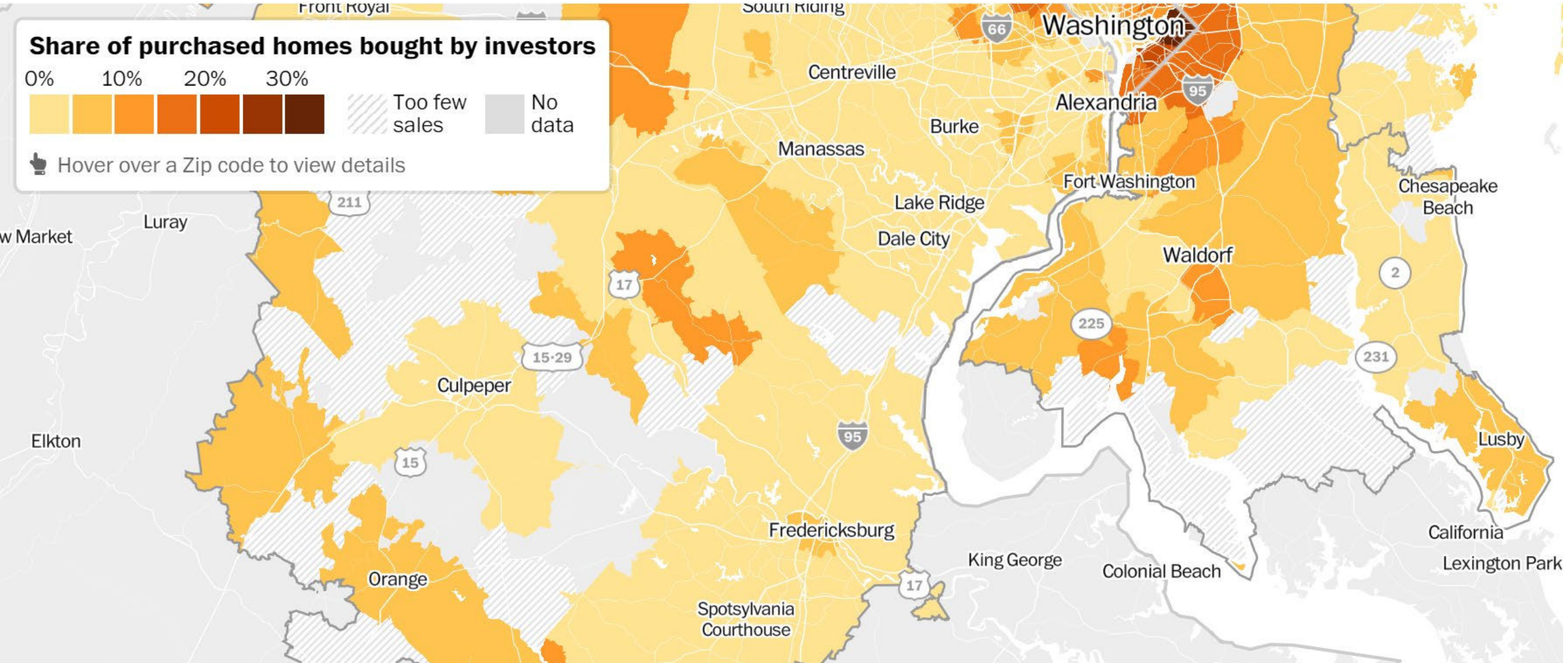
Inventory will continue to be very tight.

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

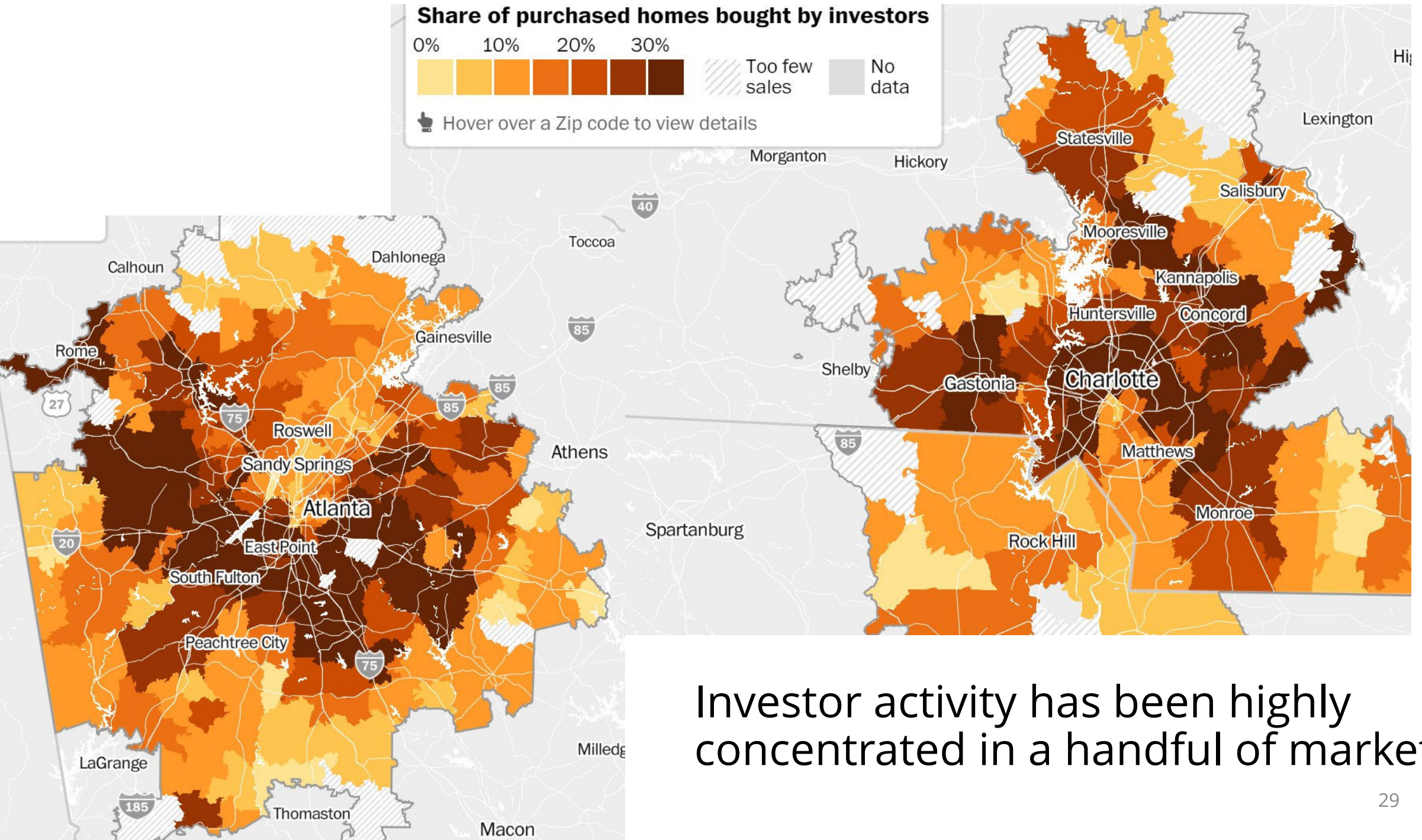
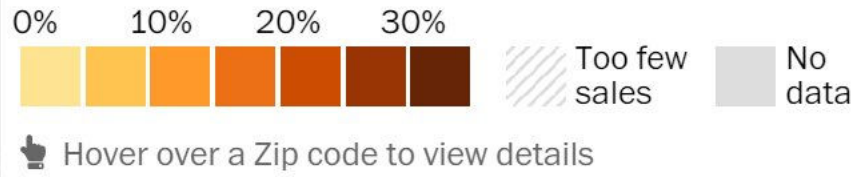
- Investors being major players in the market
- Foreclosures flooding the market
- A housing market “bubble bursting”

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

Northern Virginia (6%)

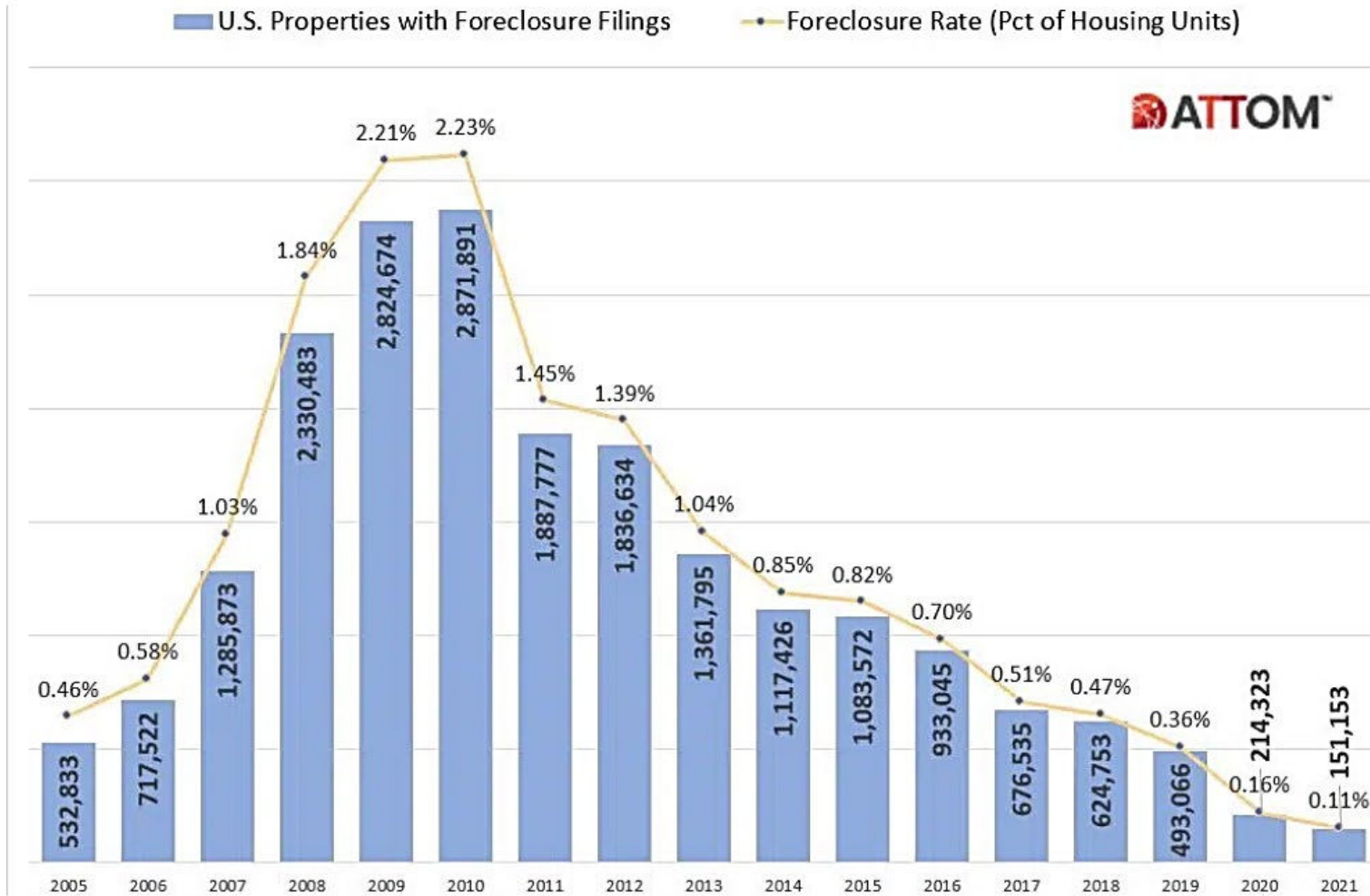


Share of purchased homes bought by investors



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 **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

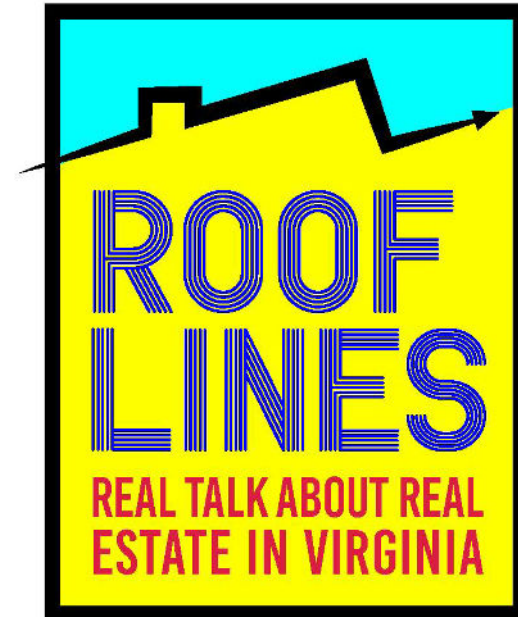
- Tight credit standards
- Little subprime lending
- Extremely low inventory and little new construction
- Unemployment falling

Looking for More Information?

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



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