

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

NAMMBA Connect Tour March 24, 2022

Lisa Sturtevant, PhD Virginia REALTORS® Chief Economist



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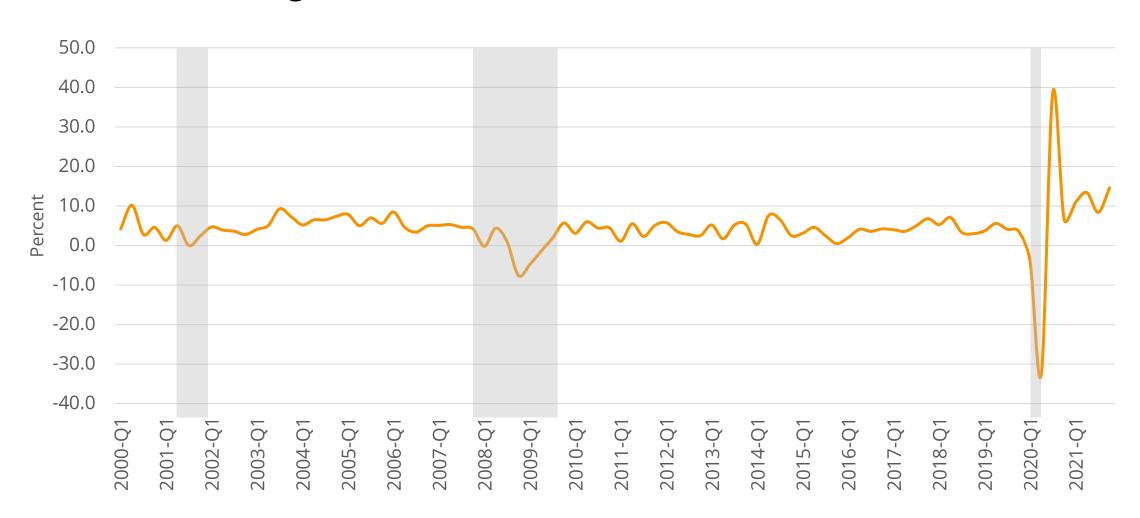
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Gross Domestic Product

Annualized Change

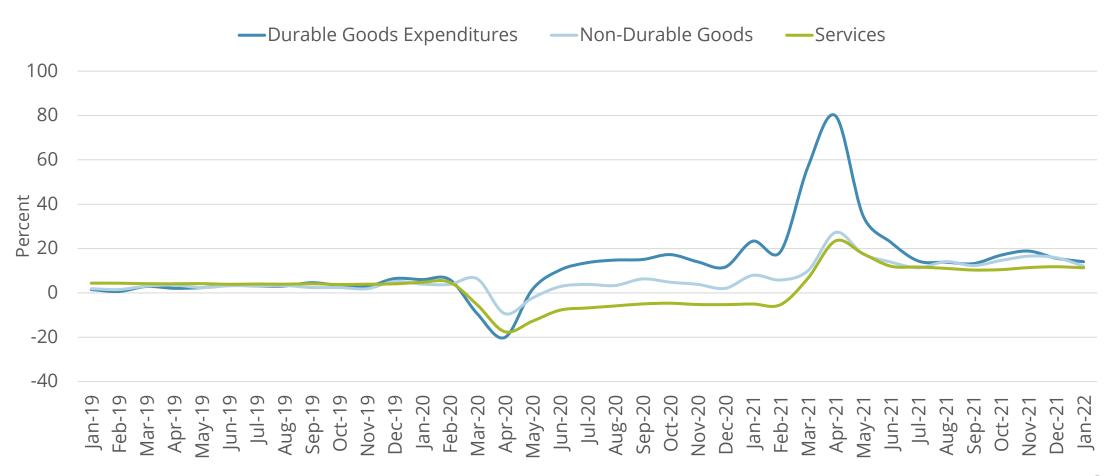


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Personal Consumer Expenditures

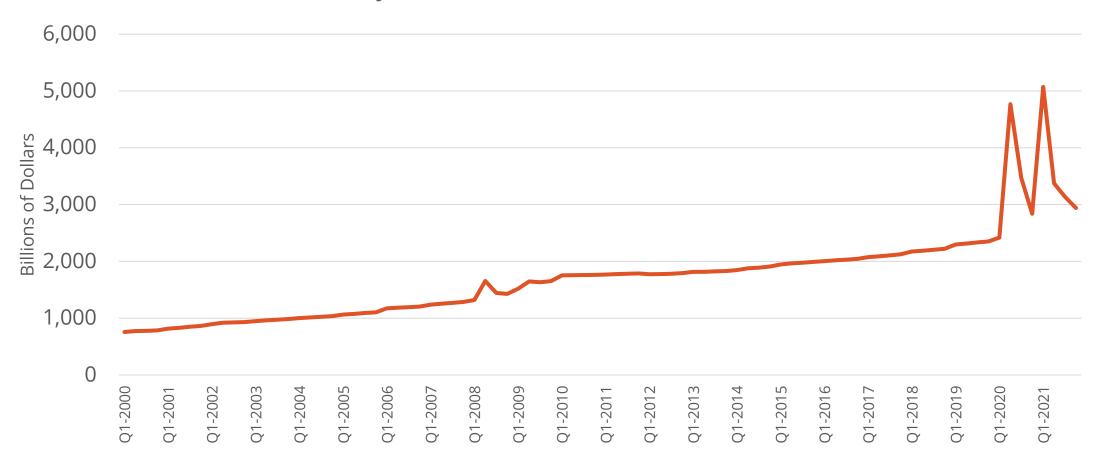
Year-over-year change





Stimulus Payments

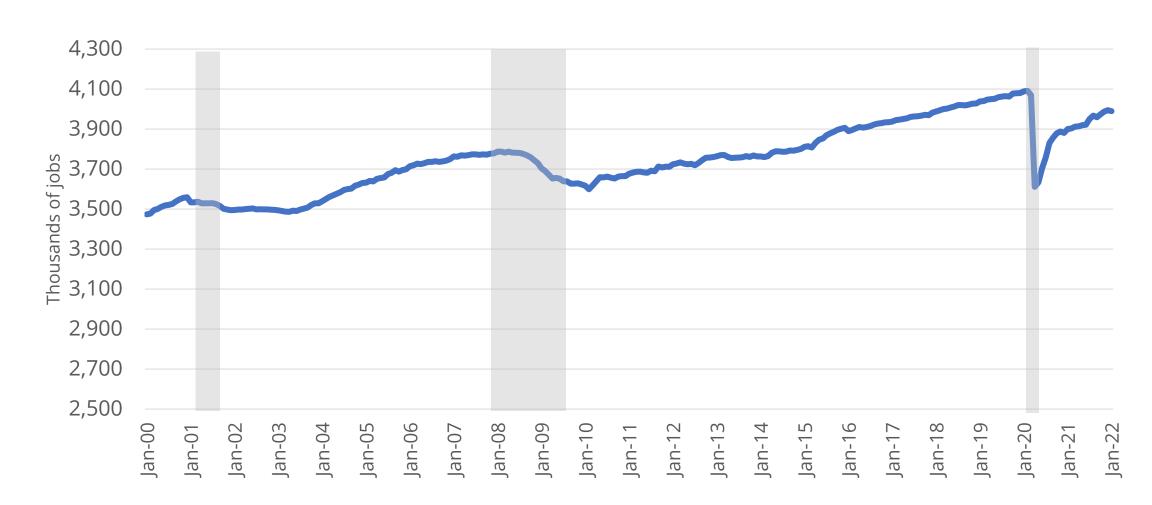
Federal Government Transfer Payments to Individuals



Source: U.S. Bureau of Economic Analysis

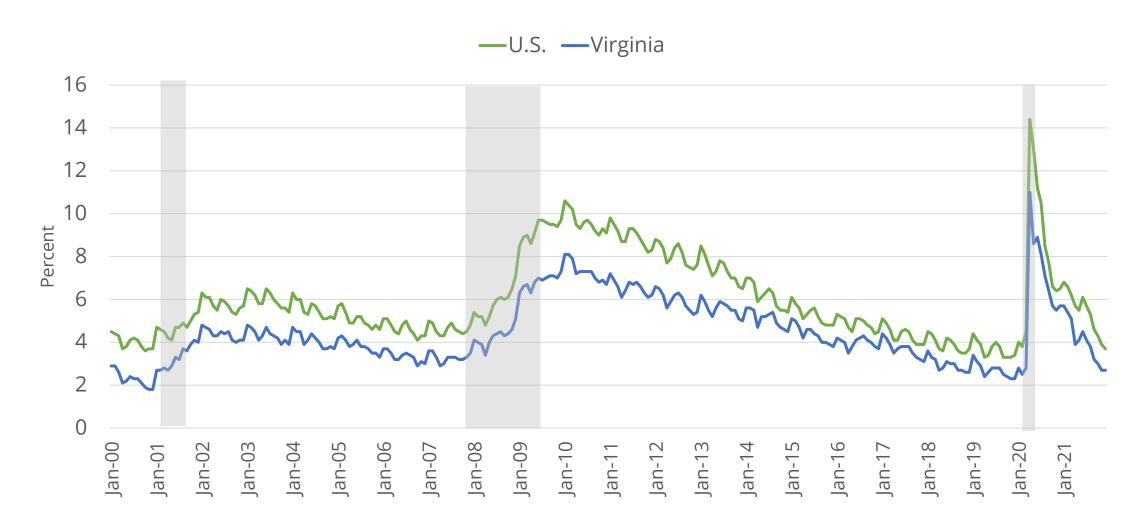


Employment Virginia



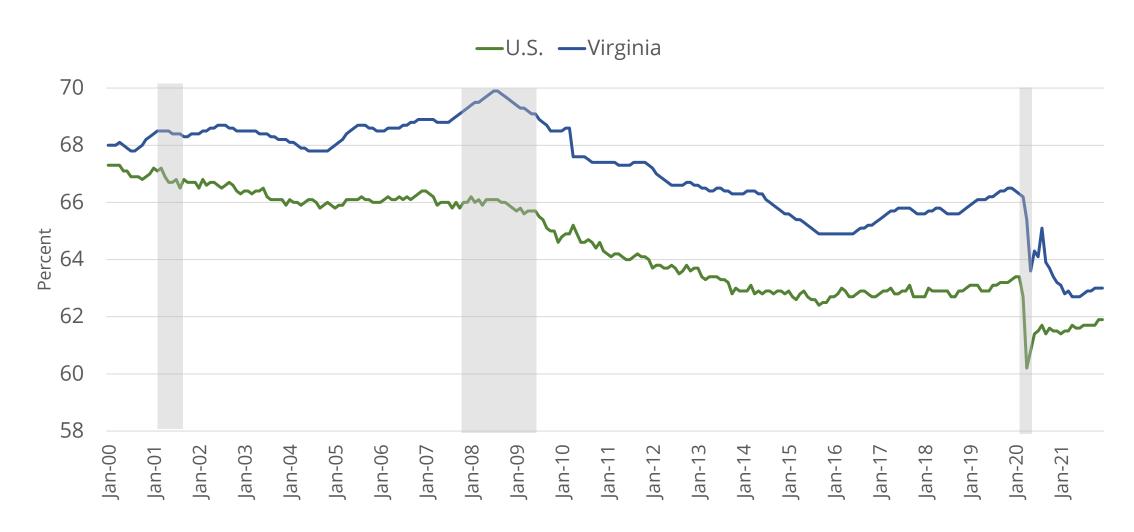


Unemployment Rate



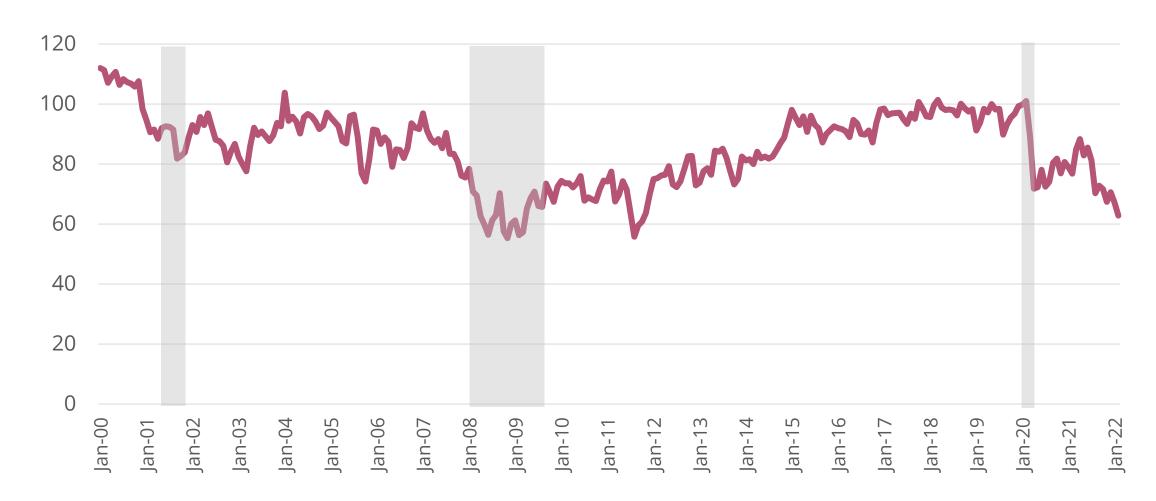


Labor Force Participation Rate





Consumer Sentiment U.S.

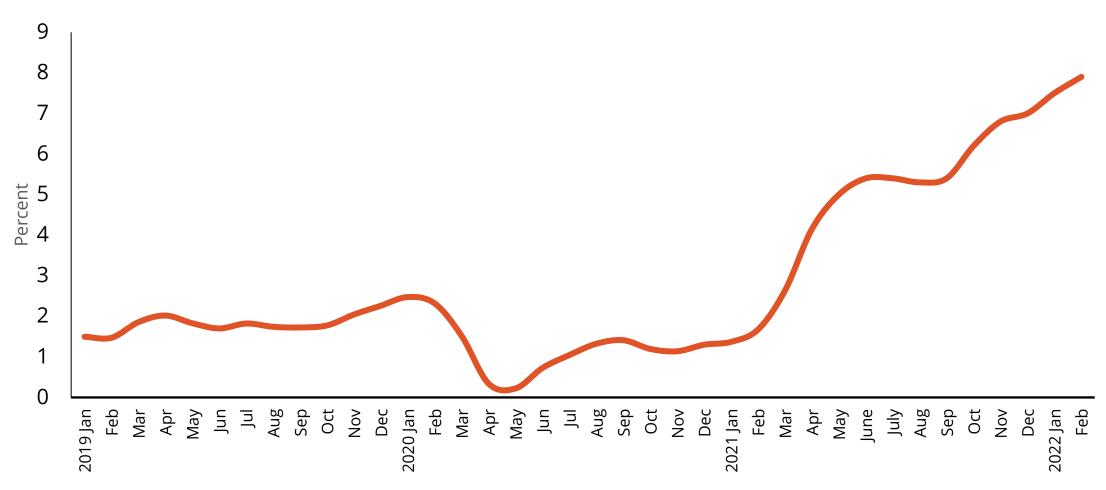




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Inflation

Change in CPI-U

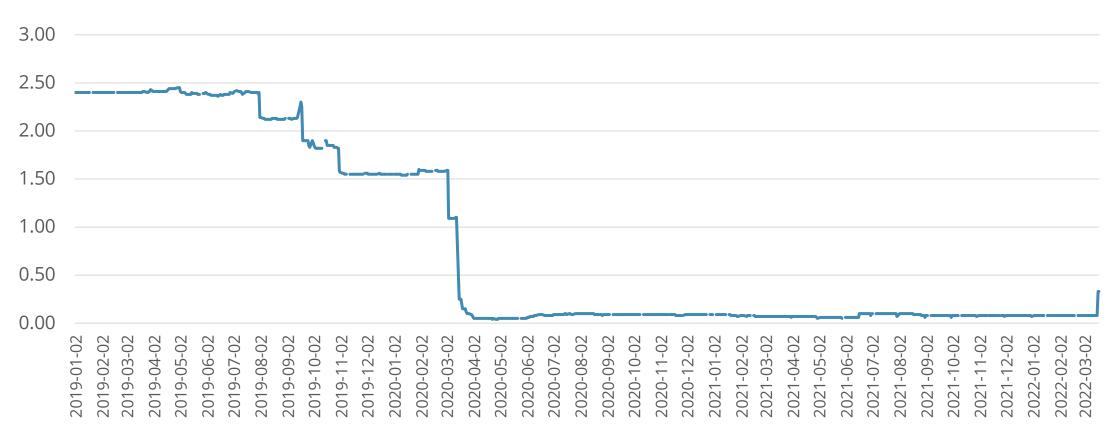


Source: Bureau of Labor Statistics



Federal Reserve Raises Short-Term Interest Rates

Effective Federal Funds Rate

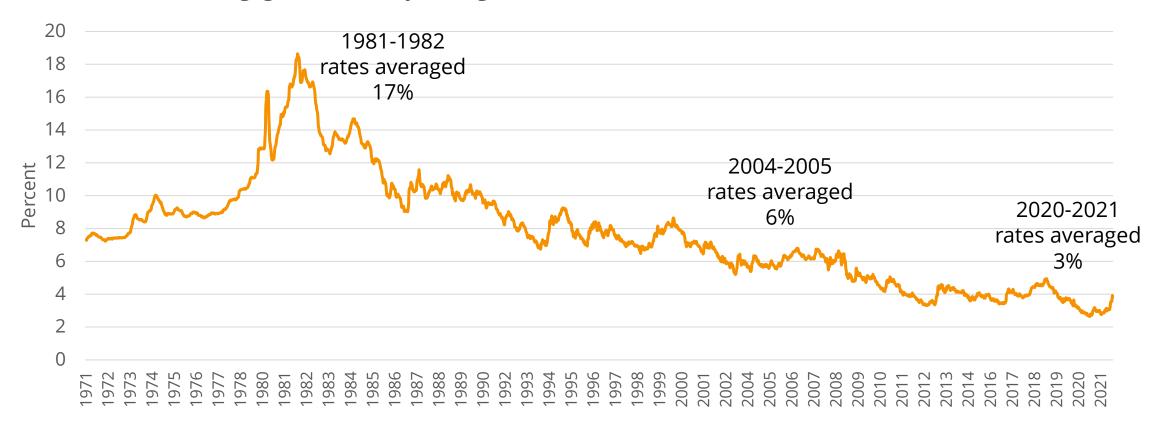


Source: Federal Reserve



Long-Term Mortgage Rates

30-Year Fixed Rate Mortgage Rate (weekly average)





Mortgage Rates Rising in Early 2022

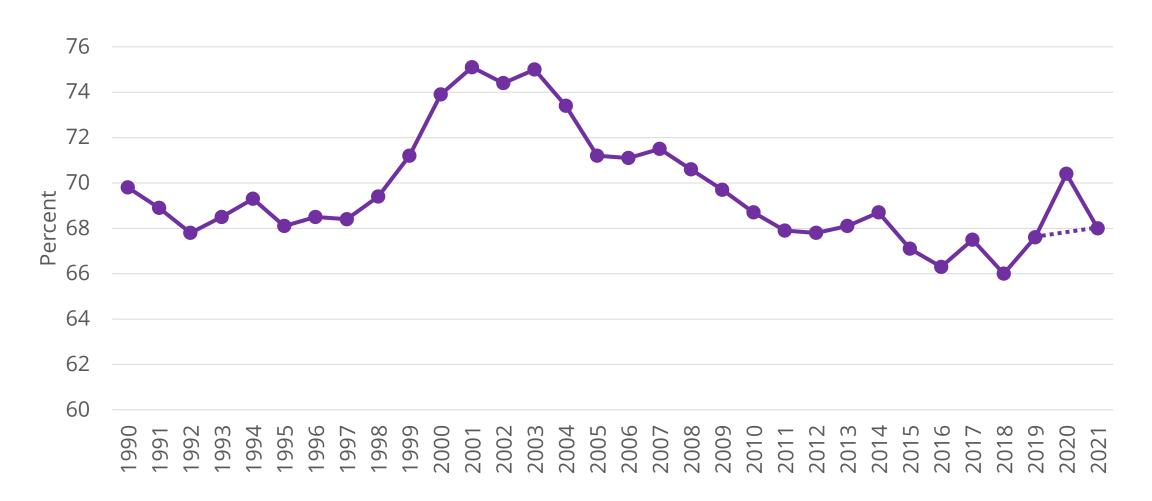
30-Year Fixed Rate Mortgage Rate (weekly average)







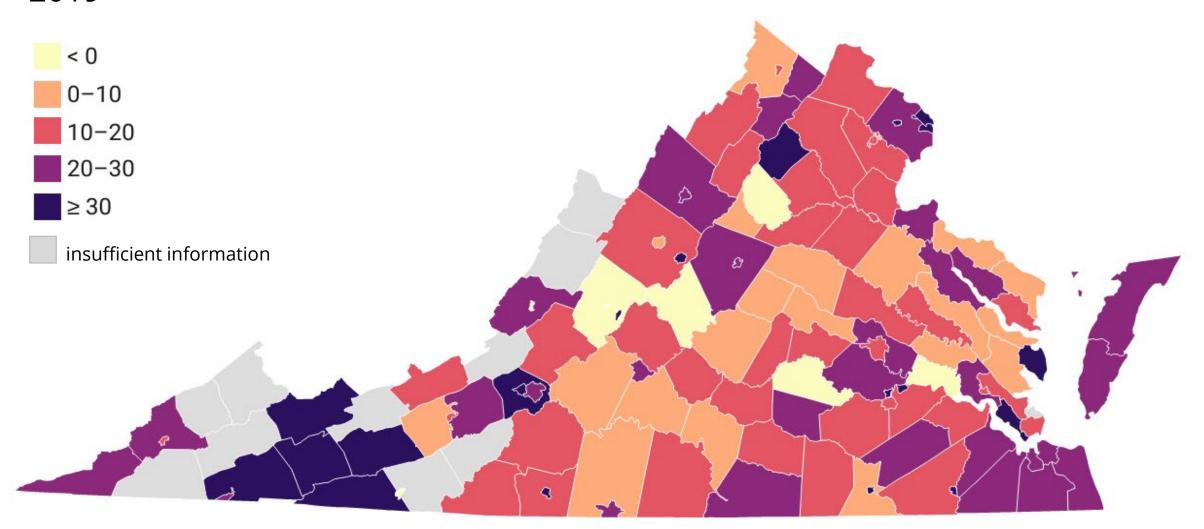
Homeownership Rate Virginia

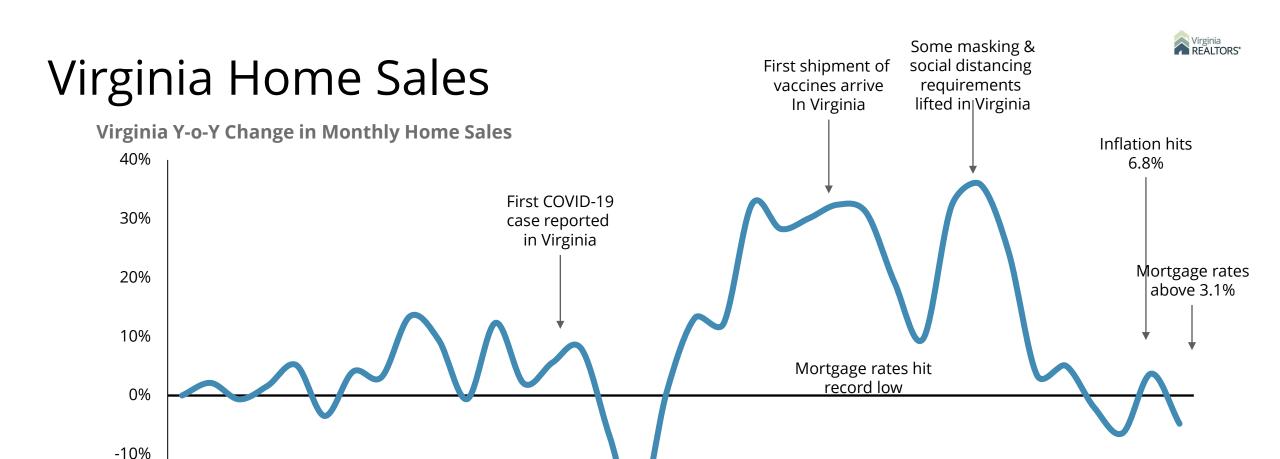


Source: U.S. Census Bureau



White-Black Homeownership Rate Gap





Stay-at-home directive

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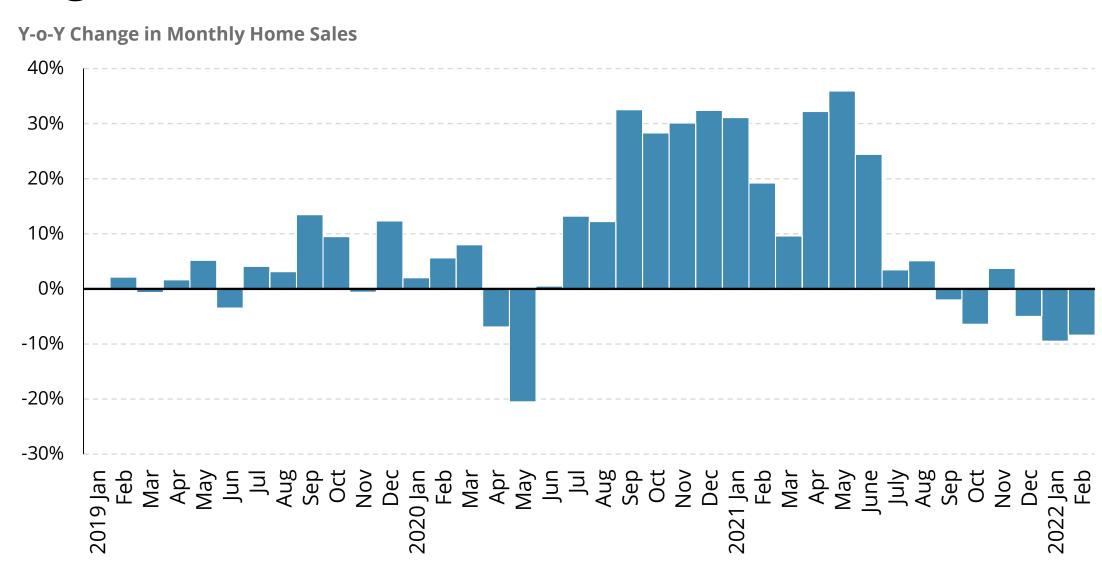
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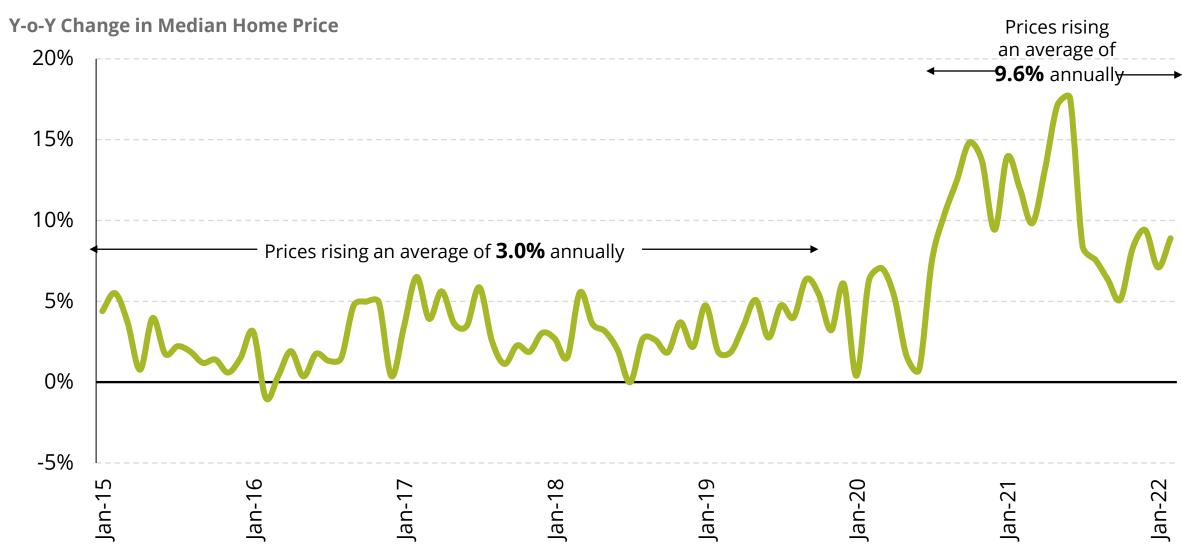


Virginia Home Sales



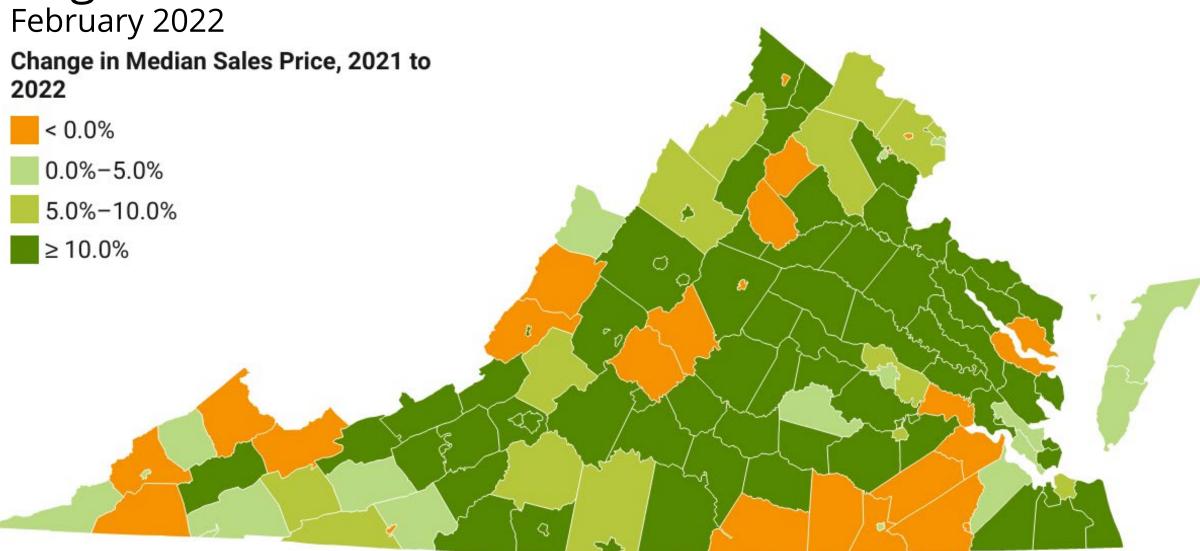


Virginia Home Prices



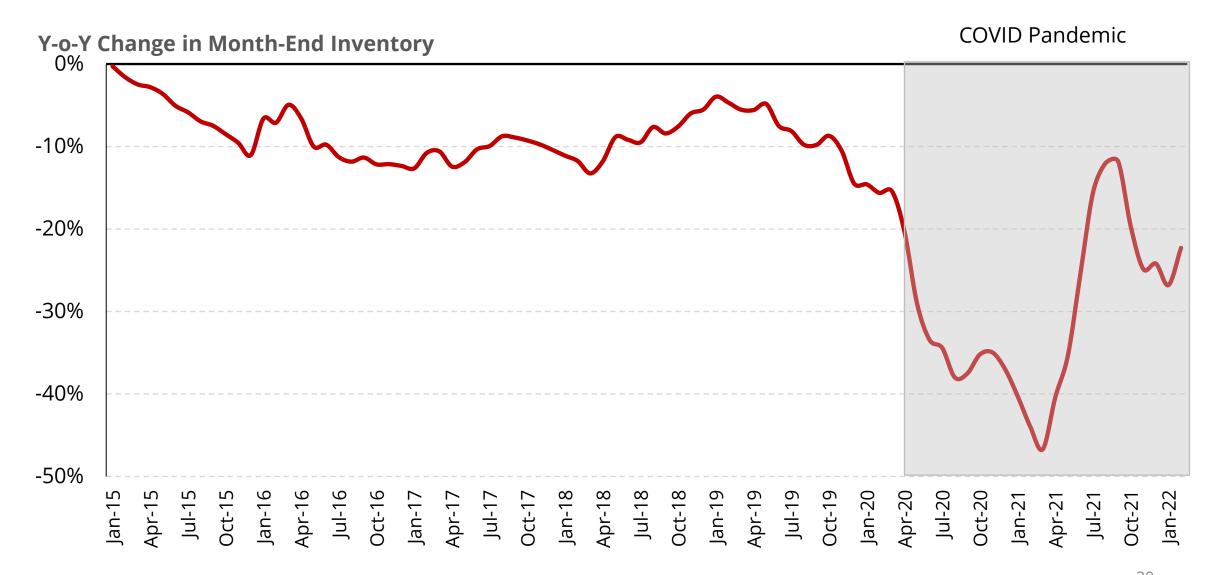


Virginia Home Prices



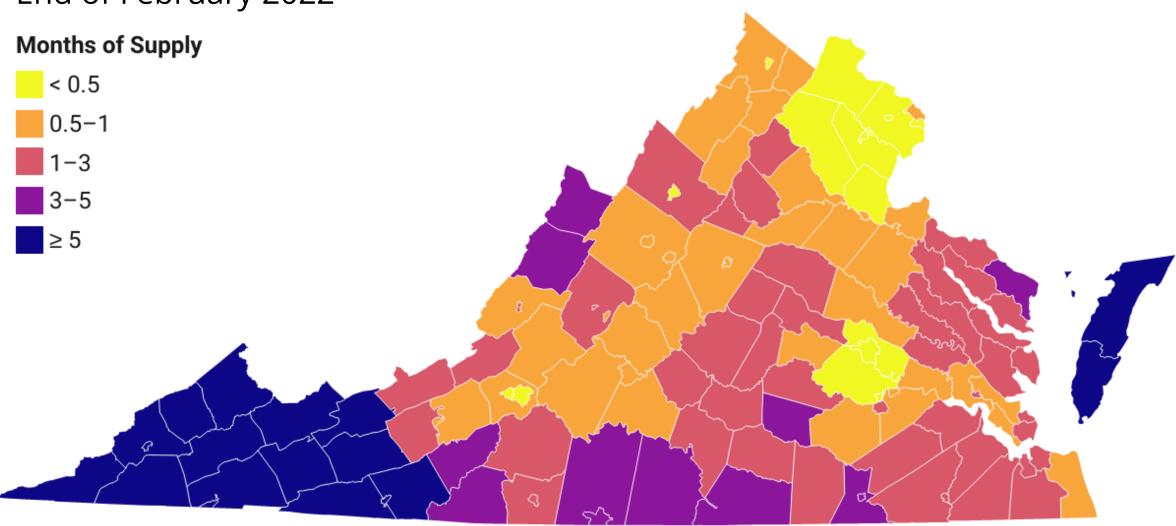
Virginia Inventory







Inventory End of February 2022

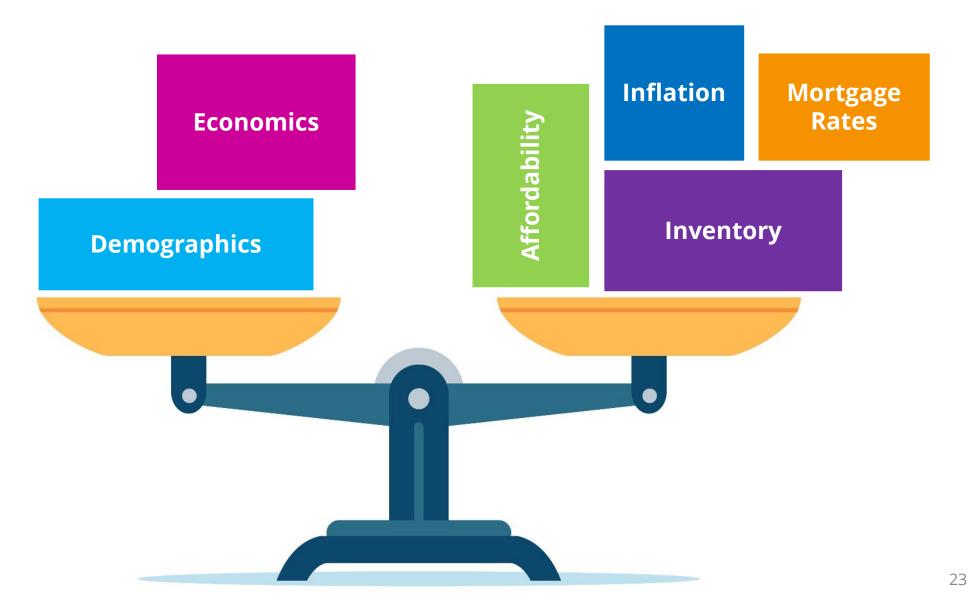


Source: Virginia REALTORS®

Outlook

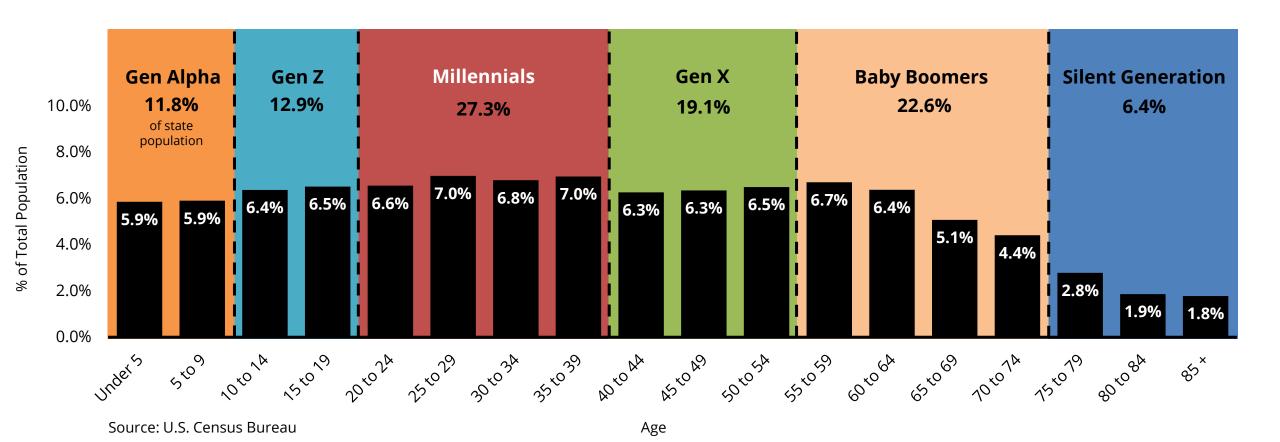


What will tip the scales in the 2022 housing market?





Demographics Age distribution in Virginia (2019)

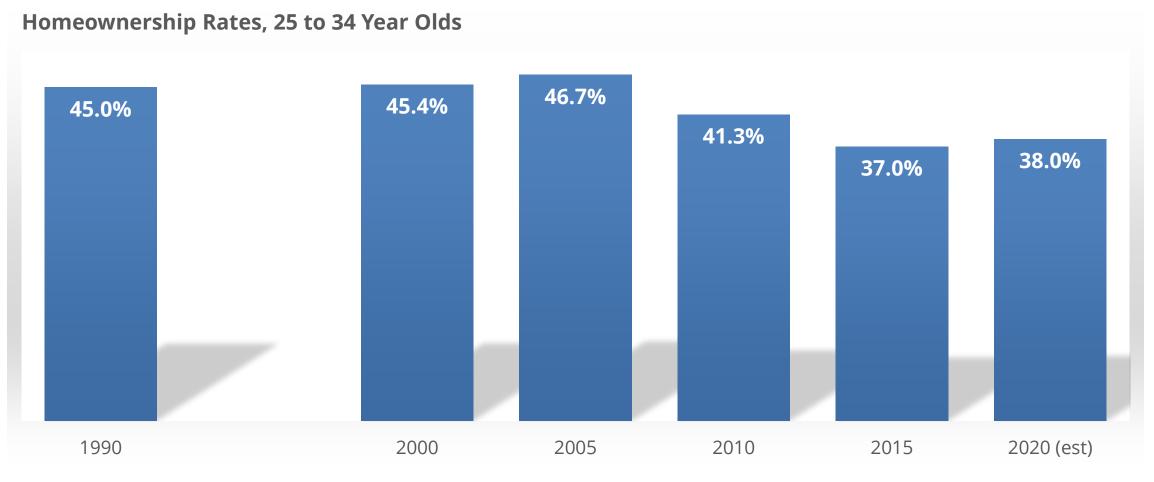


Note: Generation age ranges are approximate

Demographics



Homeownership rates among Millennials remain relatively low



Young Boomers

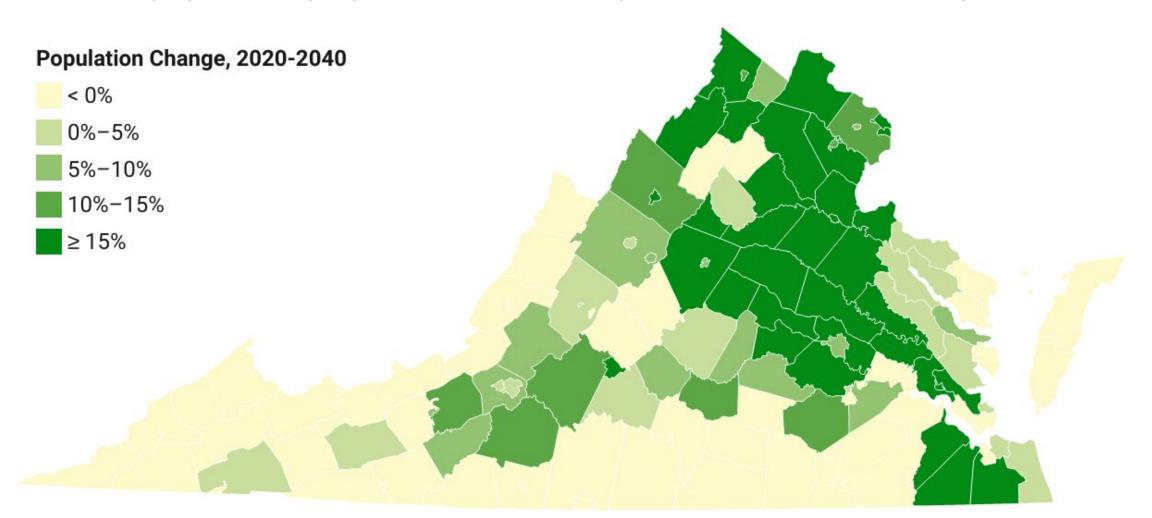
Gen X

Millennials/Gen Y



Demographics

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

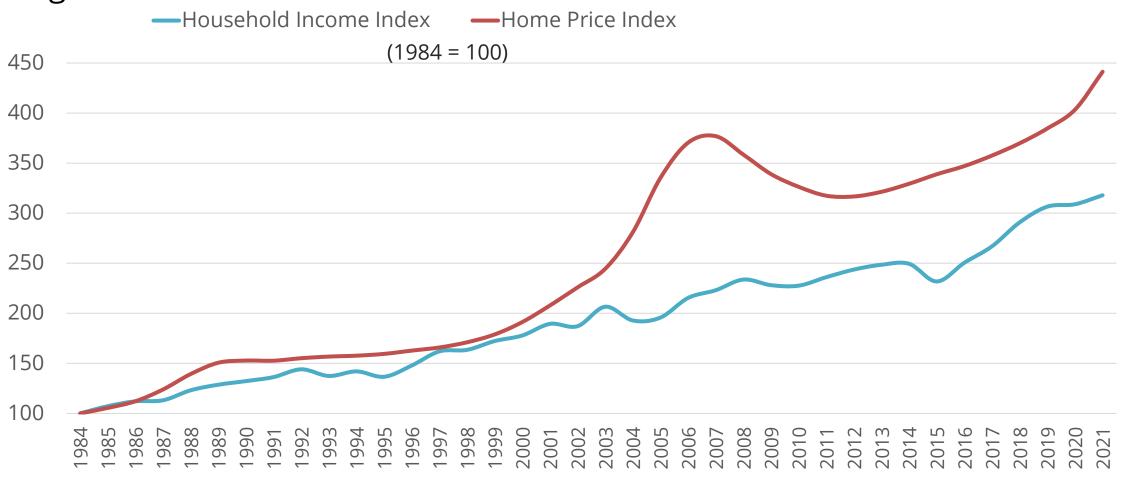


Source: UVA Weldon Cooper Center



Affordability

Home prices are rising much faster than incomes Virginia



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.

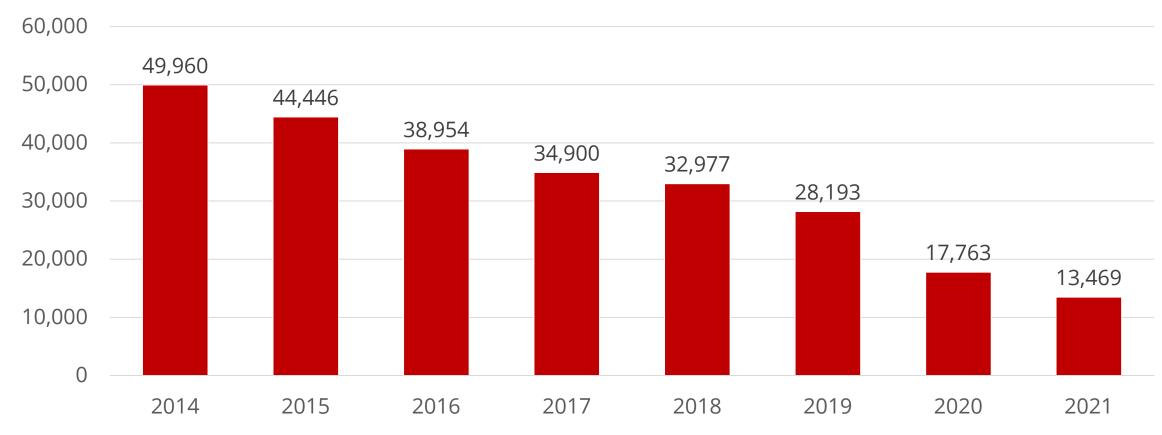
Also assumes the total payment is no more than 28% of gross income.





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

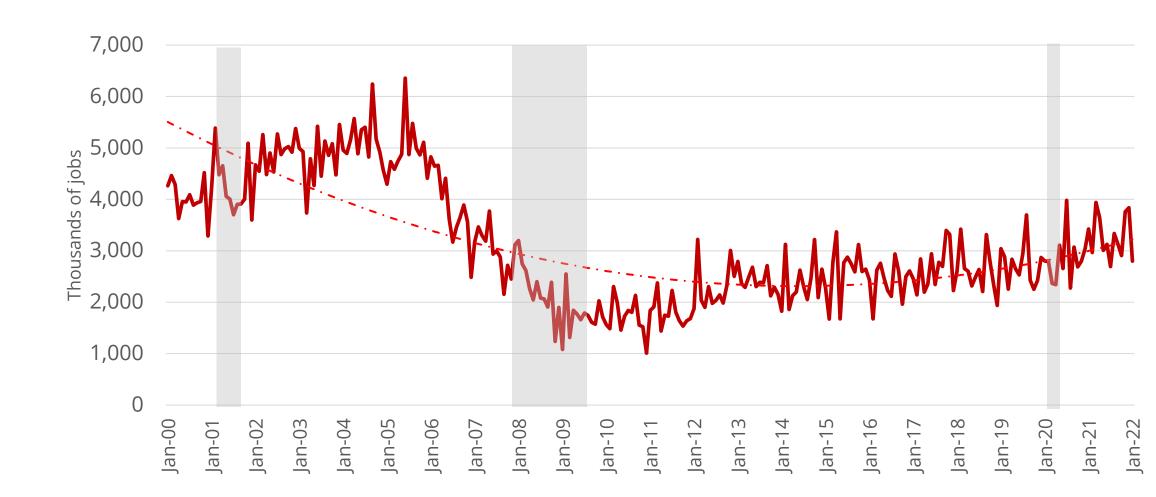
Number of active listings End of December each year



Source: Virginia REALTORS®



New Housing Construction Units authorized by building permit Virginia





Outlook for 2022

Economic and demographic factors will continue to support strong demand, outweighing potential challenges

Recession risks have increased. Virginia tends to fare better than other states during economic downturns.

in the market.

Demographics

Bigges
Inflation
Rate
Inventory

Biggest Risks in 2022

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

Mortgage rates will rise (~4.5%).

Inventory will continue to be very tight.

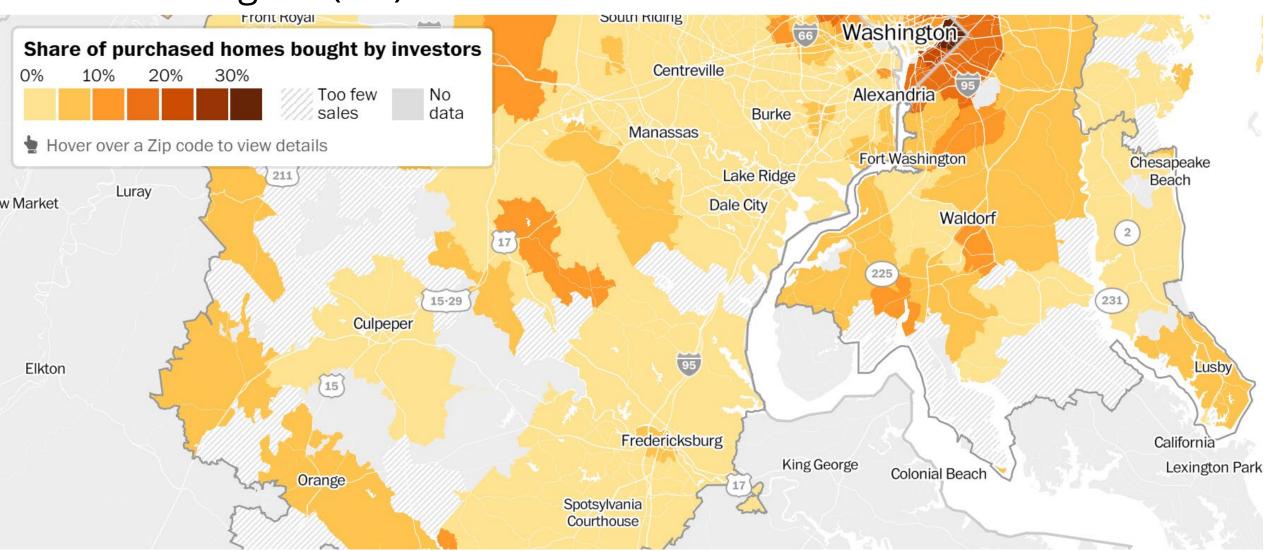


What we **don't** expect in 2022

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

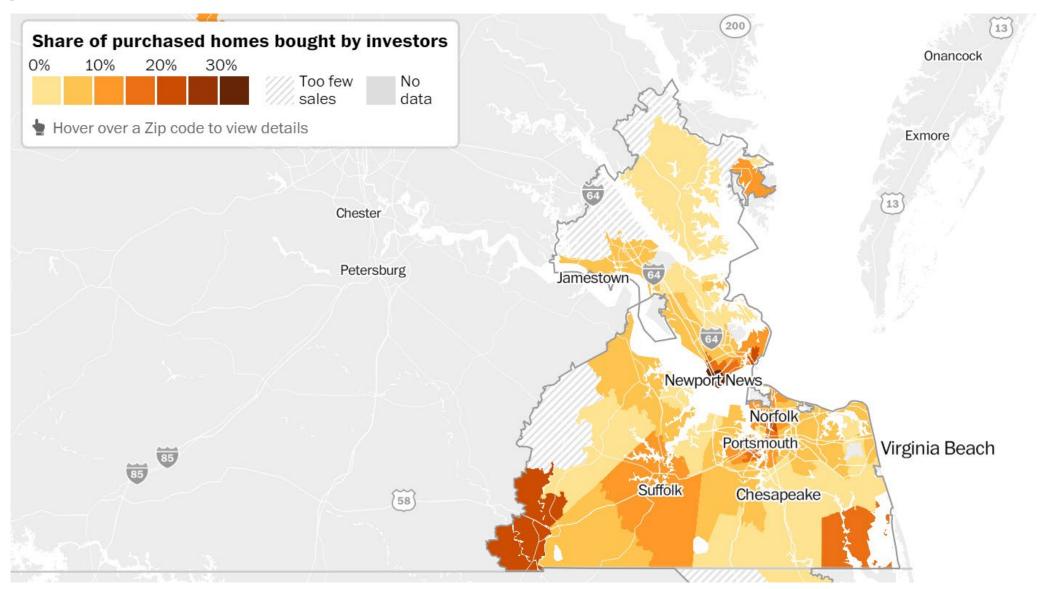


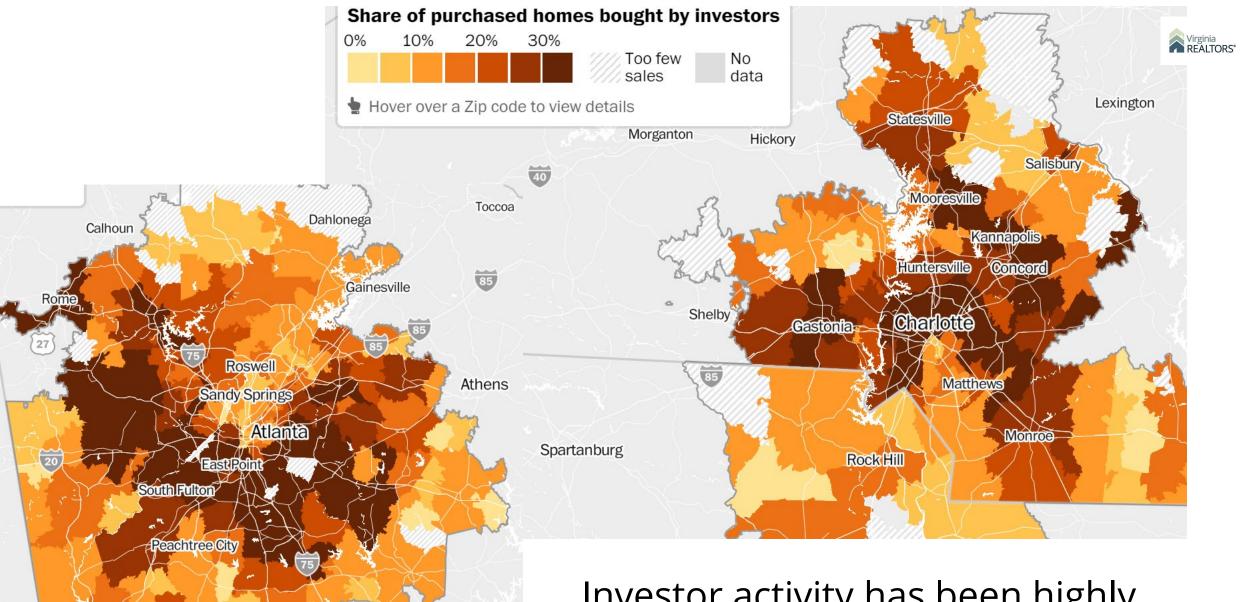
Investors are a **small share** of Virginia housing markets Northern Virginia (6%)



Investors are a **small share** of Virginia housing markets Virginia Beach (8%)







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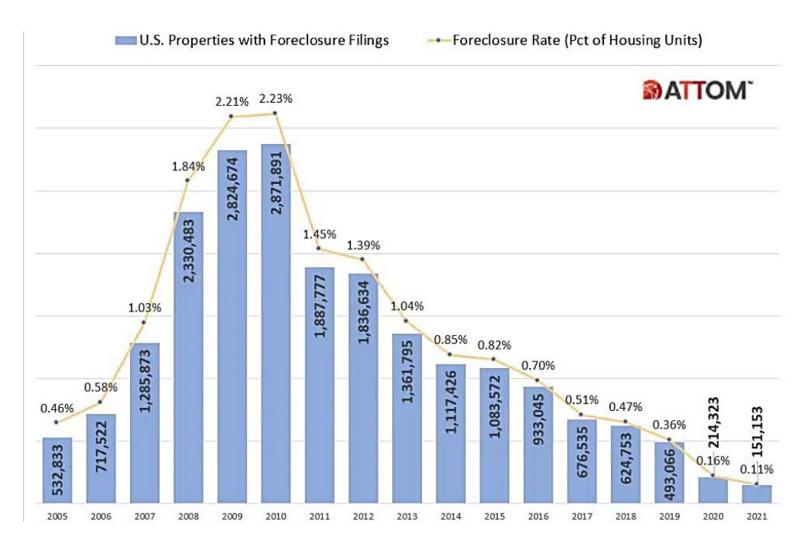
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Investor activity has been highly concentrated in a handful of markets

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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