



Rising Mortgage Rates, Inflation & Affordability

PWAR's 2022
Housing Market Outlook

PWAR
Economic Summit

March 25, 2022

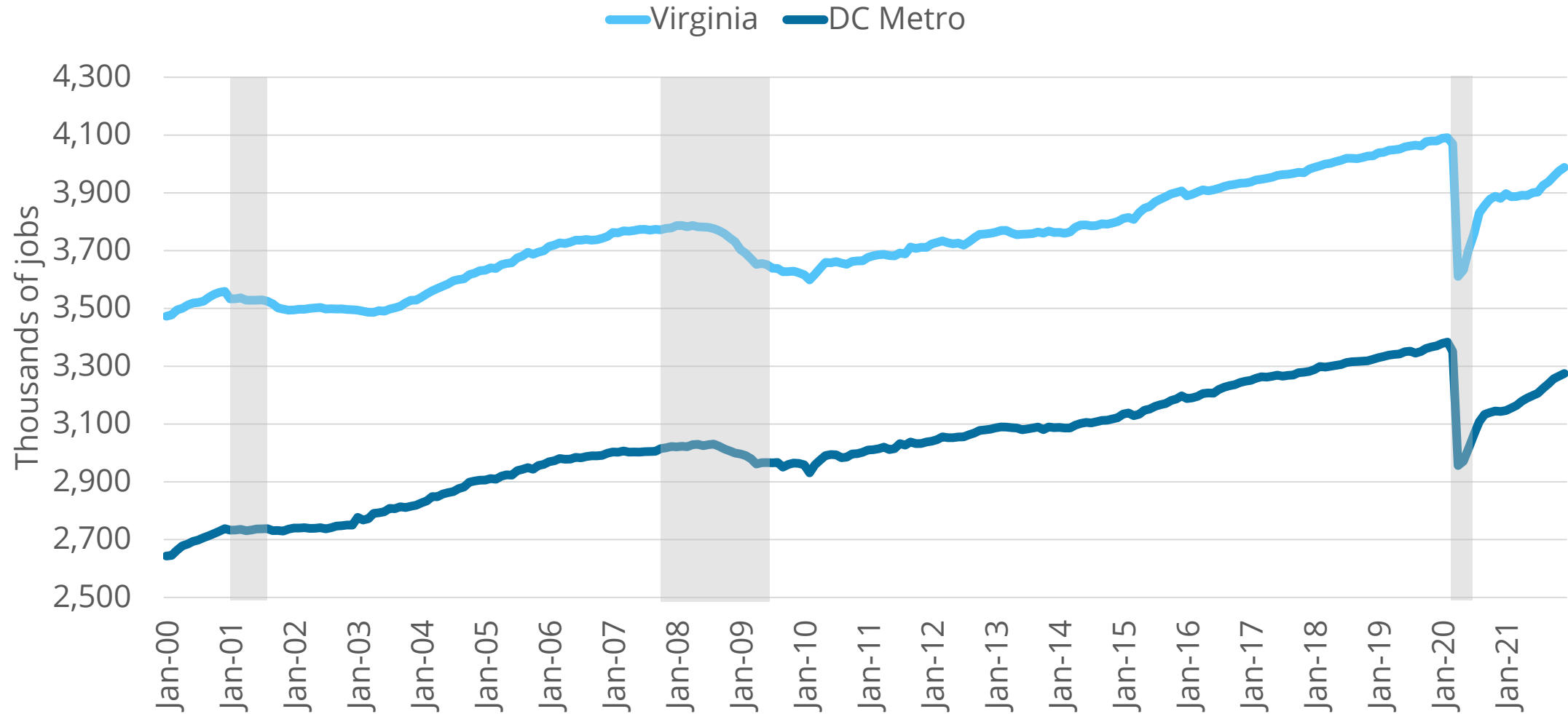
Ryan Price, AICP
Deputy Chief Economist, Virginia REALTORS®



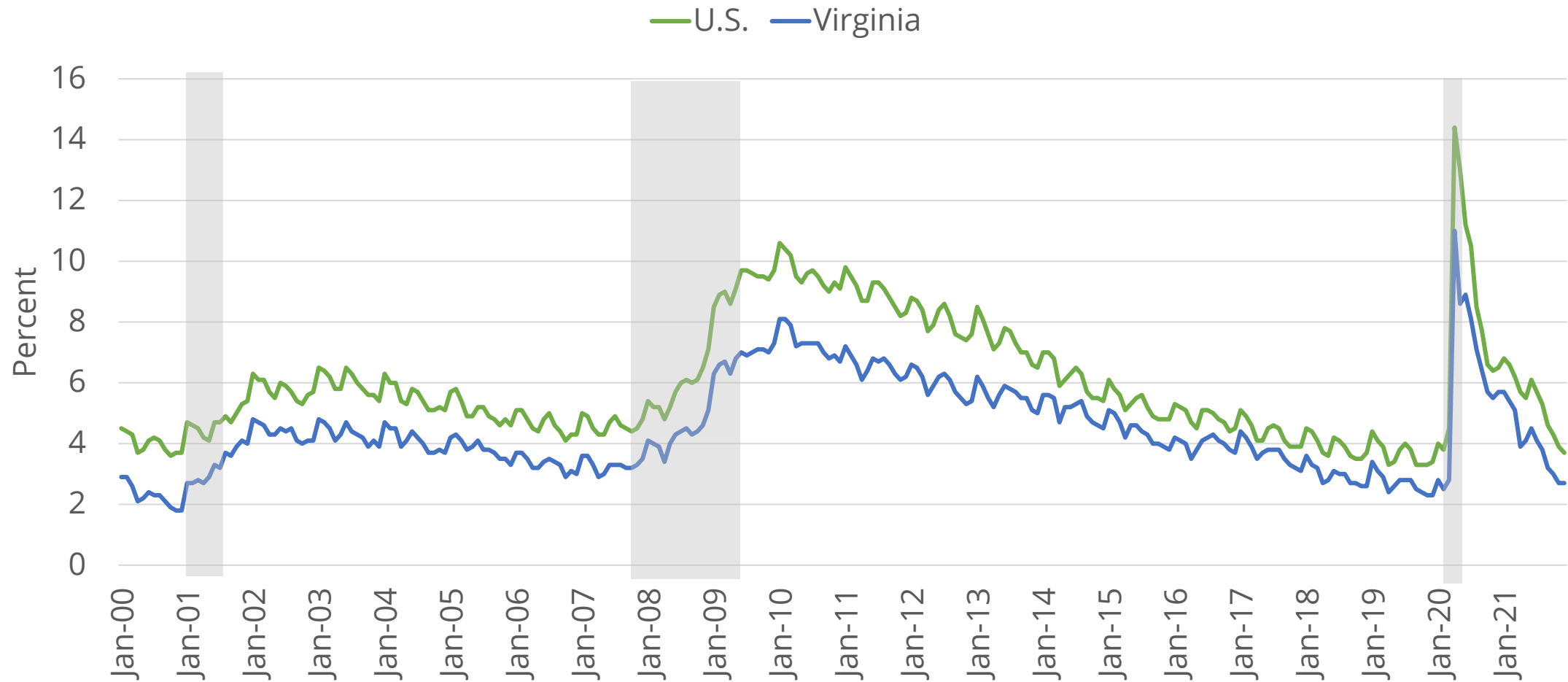
The background is a blue-tinted photograph of a document. It features a line graph with a jagged, fluctuating line. A pen is positioned in the upper right corner, pointing towards the graph. The text 'Economic Indicators' is overlaid in the center in a white, sans-serif font. Some numbers are visible on the graph's axes, including '2.5' and '2.47'.

Economic Indicators

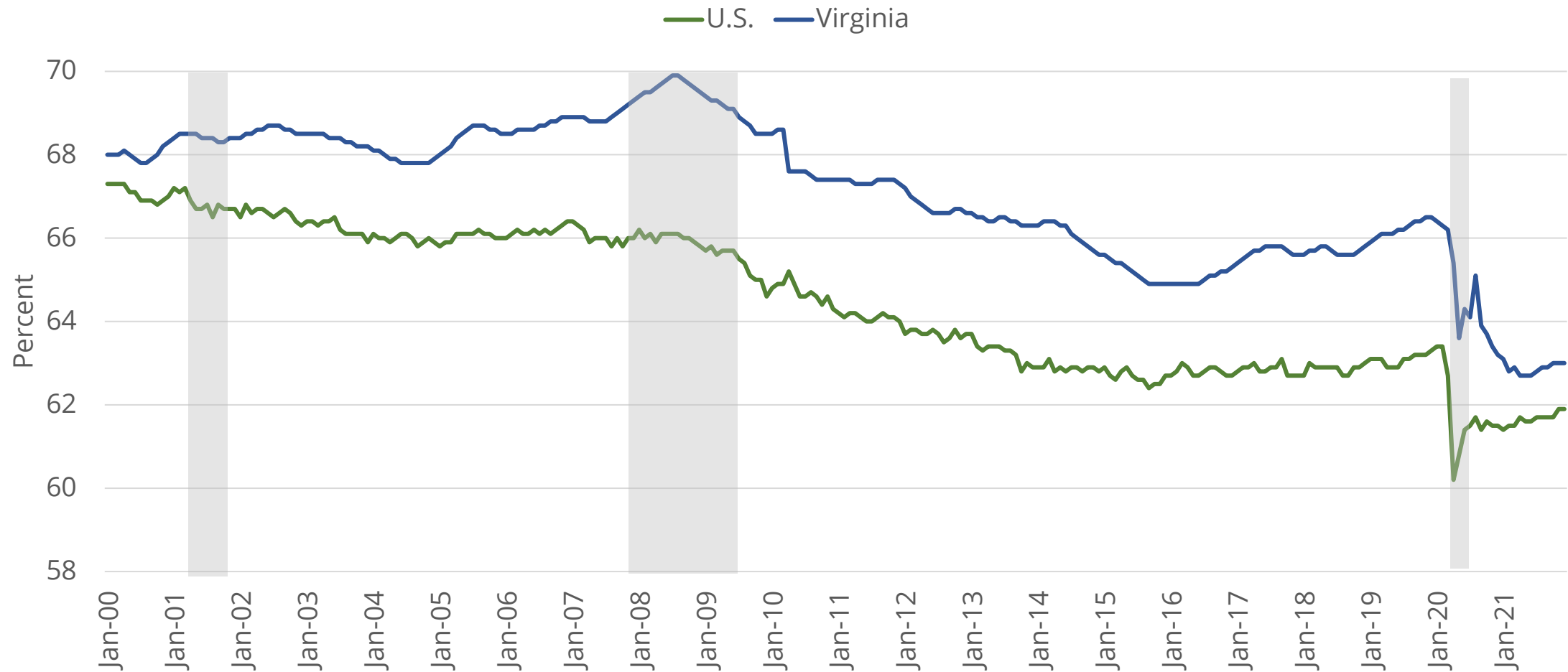
Employment



Unemployment Rate

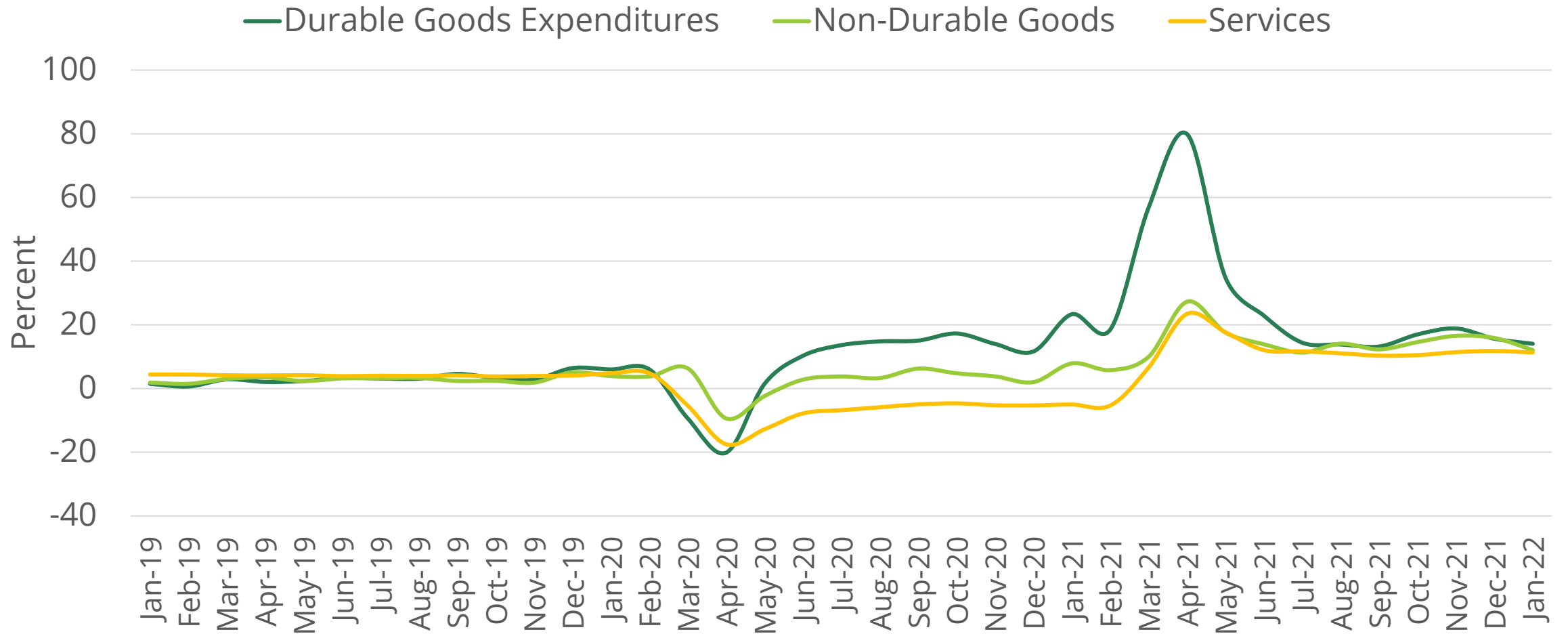


Labor Force Participation Rate

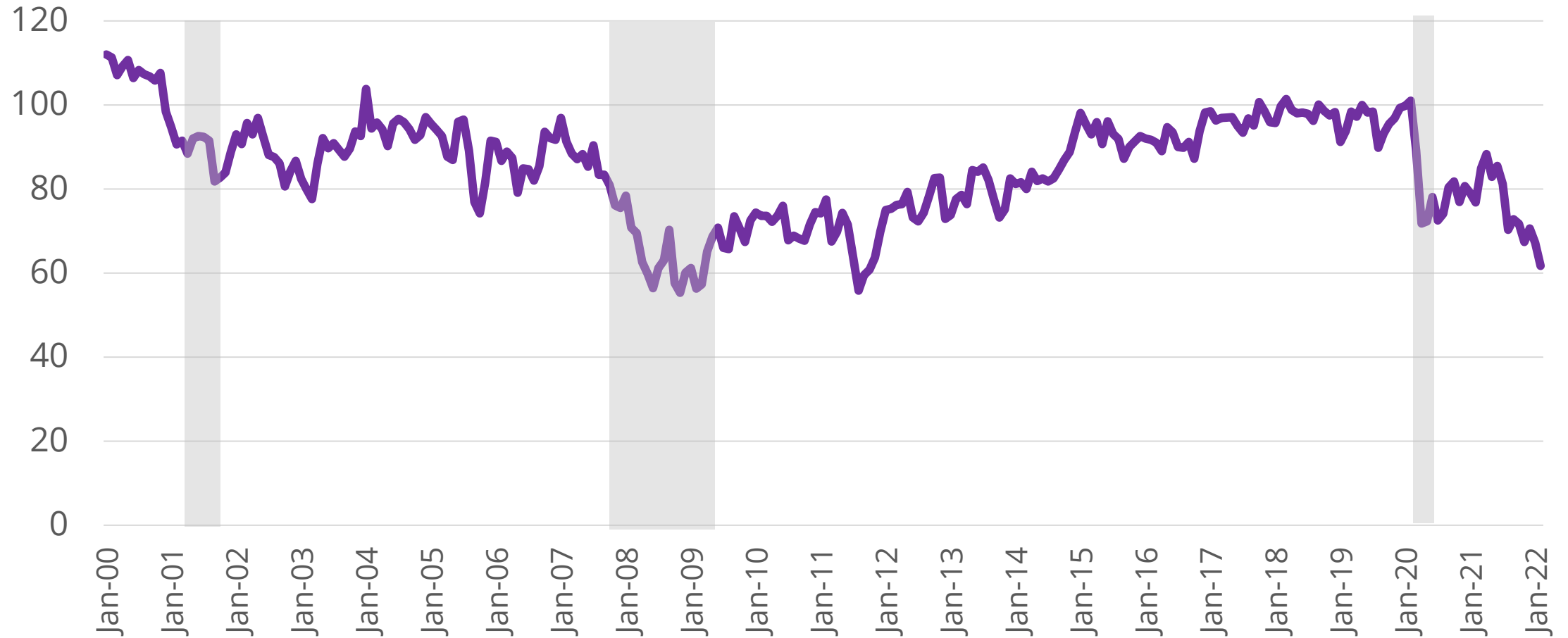


Personal Consumer Expenditures

Year-over-year change

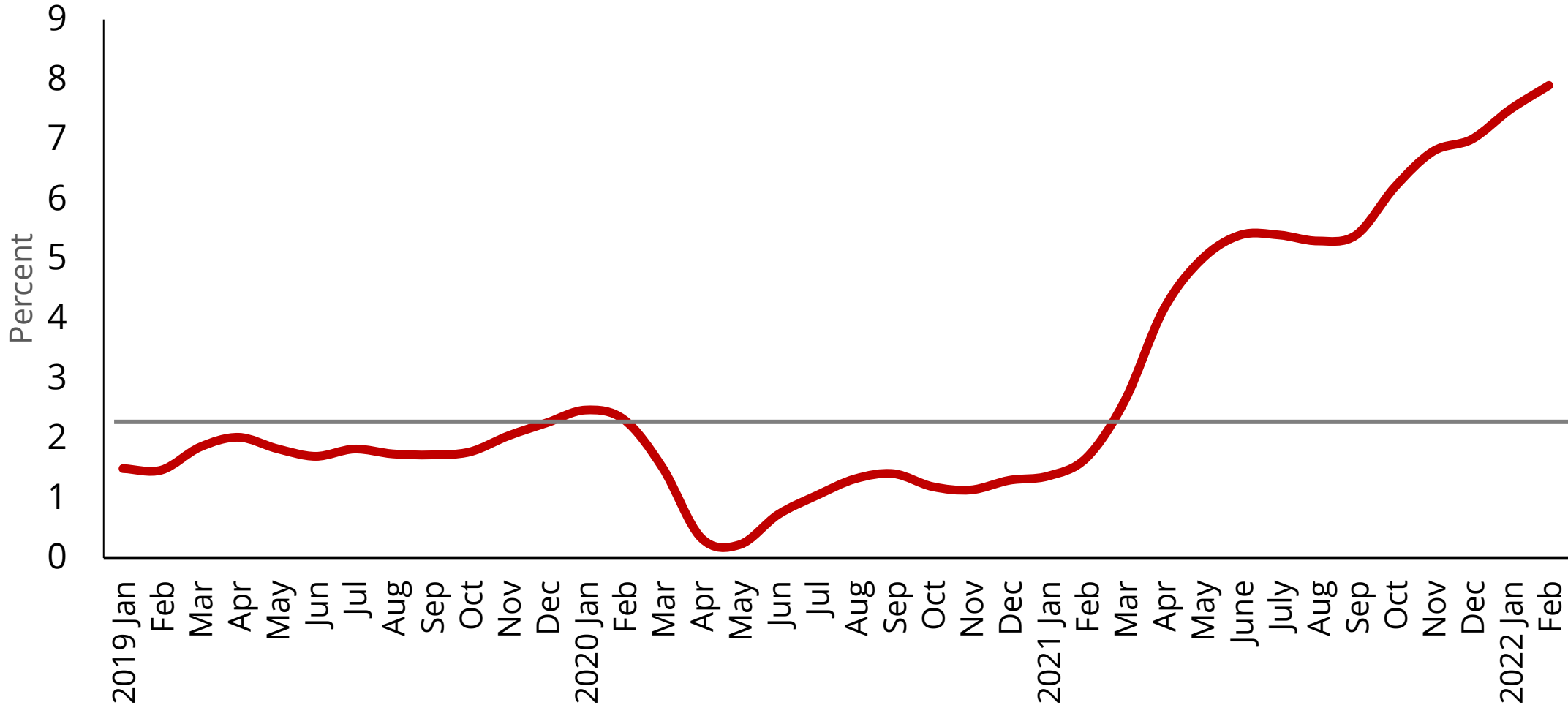


Consumer Sentiment



Inflation

Change in CPI-U



Source: Bureau of Labor Statistics

Housing Market Trends



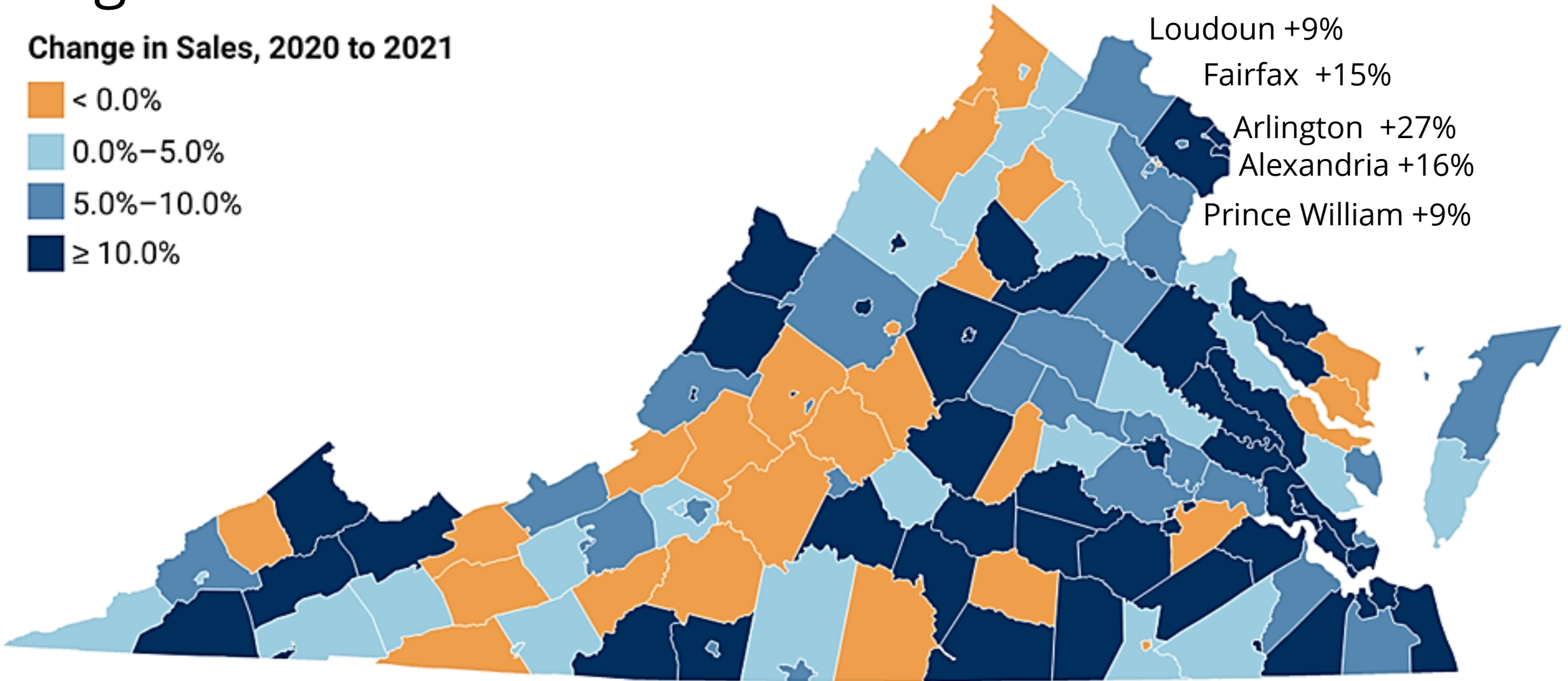
Record-breaking housing market activity

PWAR		
	2021	Change 2020 to 2021
Sales	10,247	+9%
Median Price	\$450K	+11%
Average Days on Market	11	-6 days
Months of Supply (year end)	0.2	-.01 months
Sold Volume (\$ in billions)	\$5.1	+22.5%

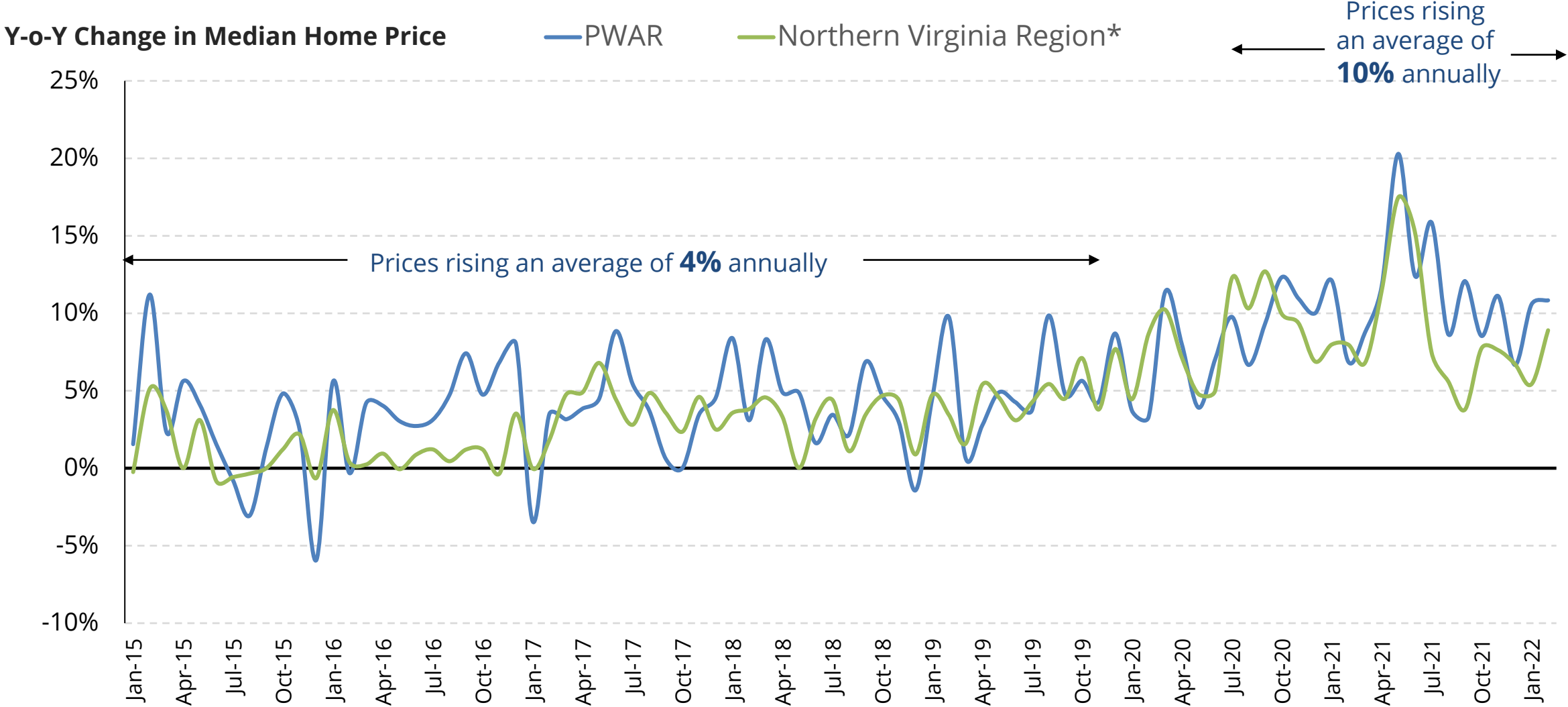
Northern VA Region*	
2021	Change 2020 to 2021
47,223	+14%
\$570K	+9%
16	-4 days
0.5	-0.4 months
\$24.9	+24%

Regional Home Sales

Change in Sales, 2020 to 2021



Regional Home Prices

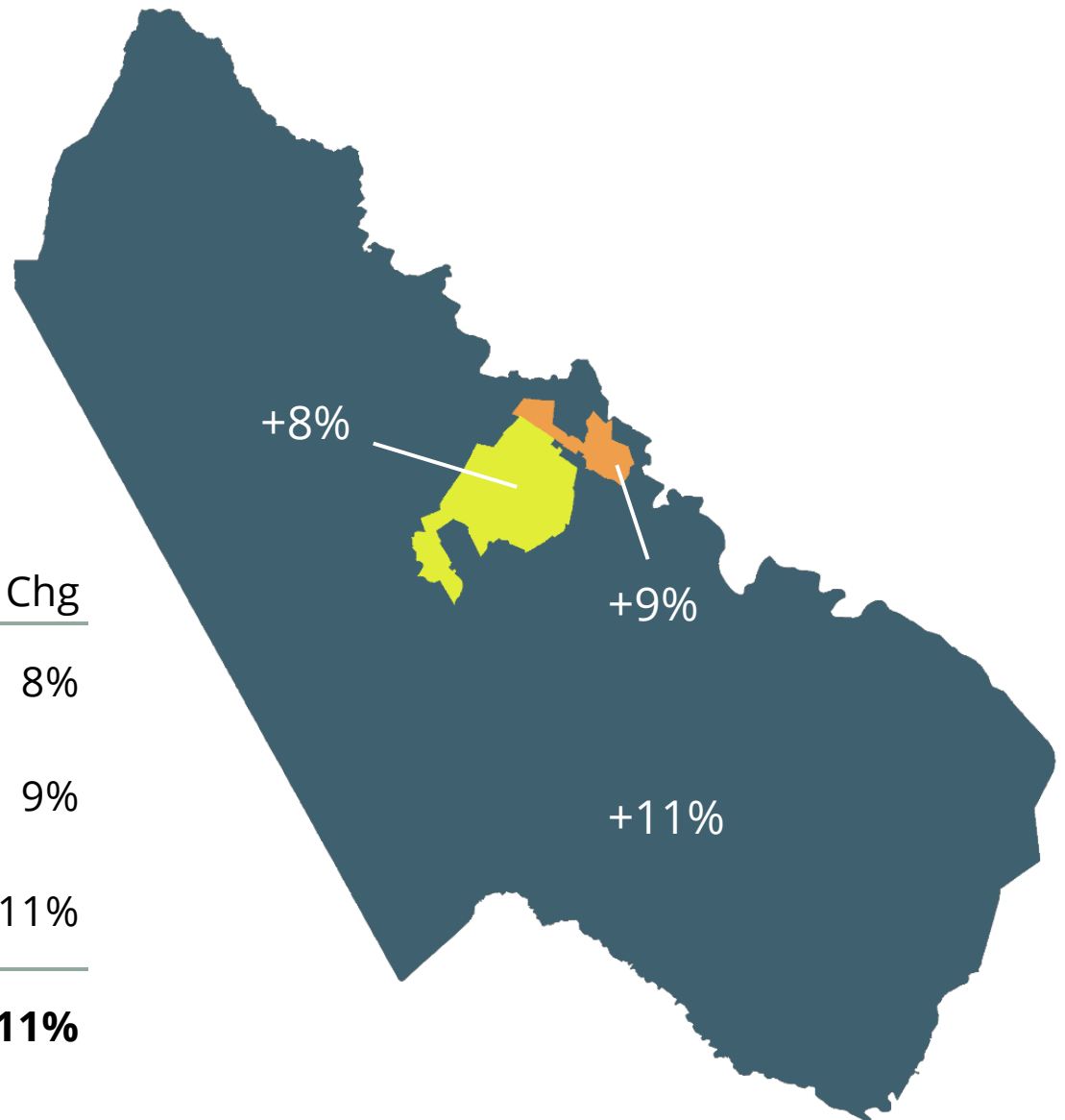


Source: Virginia REALTORS® *Includes Alexandria, Arlington County, Fairfax County, Fairfax City, Falls Church, Fauquier County, Loudoun County, Manassas, Manassas Park, Prince William County

Change in Median Home Price, 2020 to 2021, Local Markets

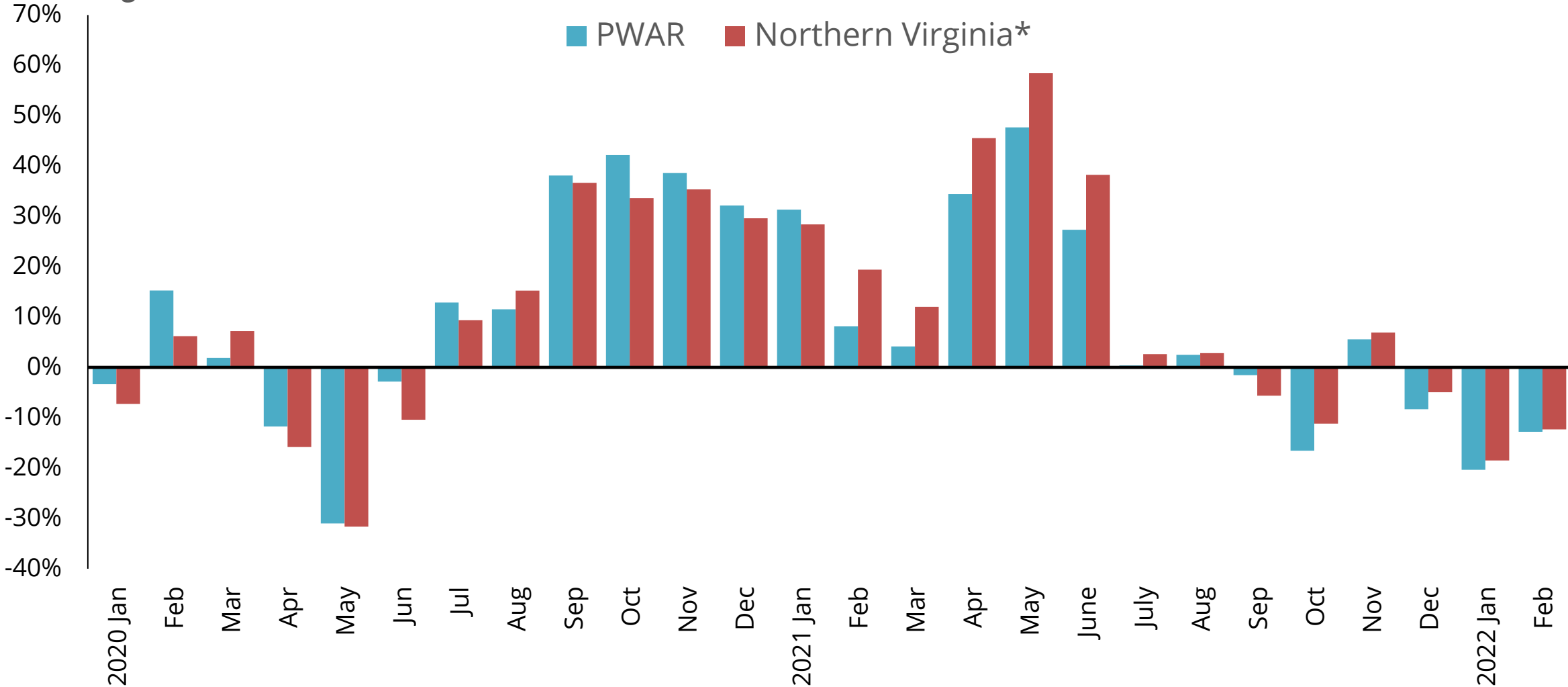
Median Sales Price

<i>Jurisdiction</i>	2020	2021	% Chg
Manassas	\$343,000	\$371,000	8%
Manassas Park	\$335,000	\$365,000	9%
Prince William County	\$415,000	\$460,000	11%
PWAR	\$407,000	\$450,000	11%



Regional Home Sales

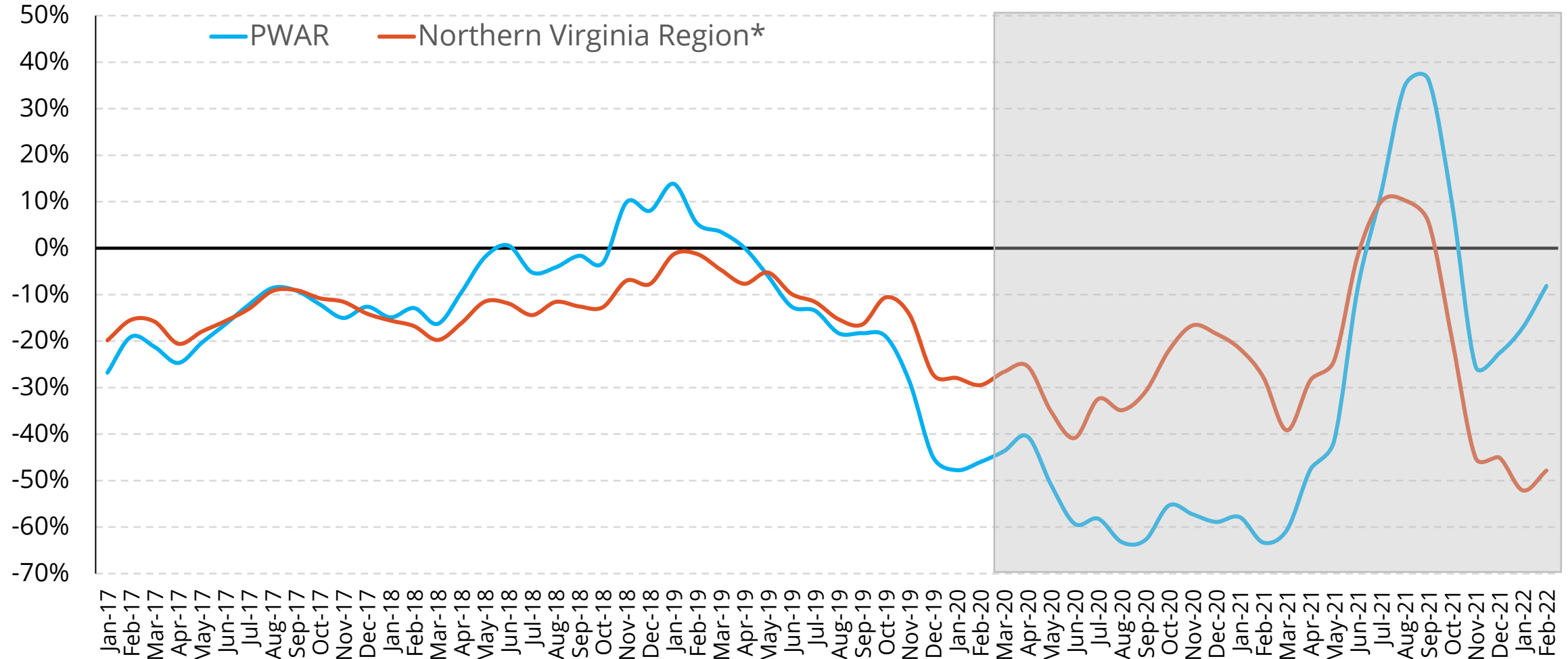
Y-o-Y Change in Home Sales



Source: Virginia REALTORS® *Includes Alexandria, Arlington County, Fairfax County, Fairfax City, Falls Church, Fauquier County, Loudoun County, Manassas, Manassas Park, Prince William County

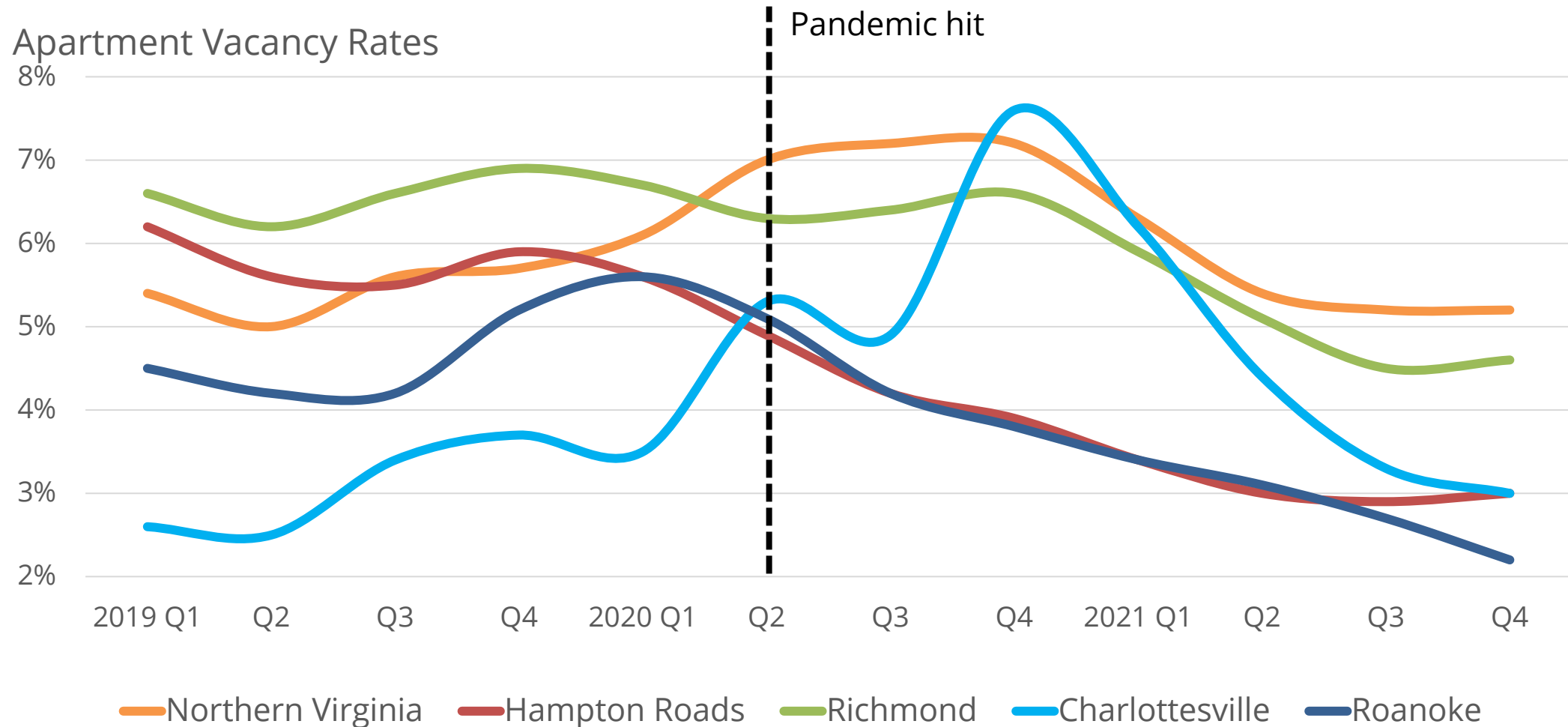
Regional Inventory

Y-o-Y Change in Month-End Inventory



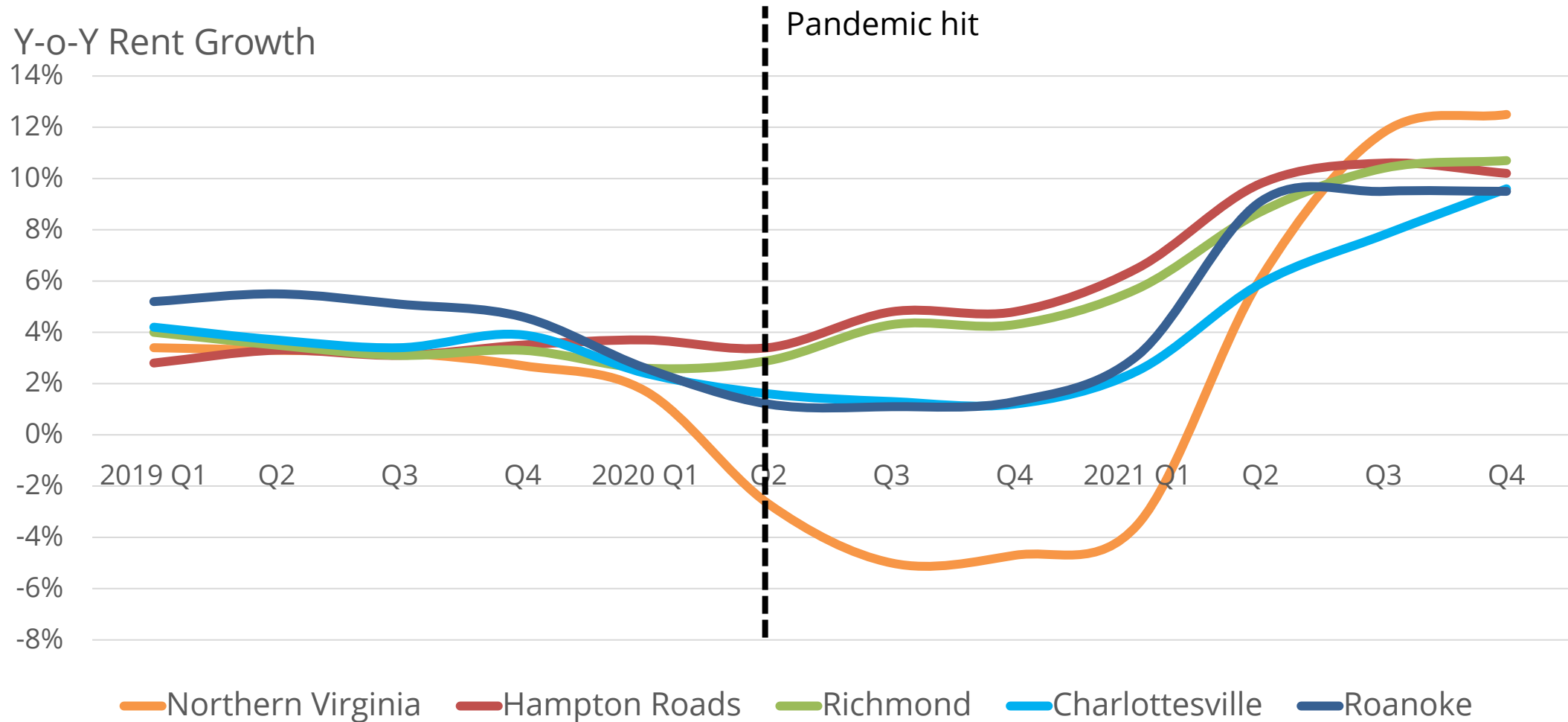
Apartment Markets

Occupancy held pretty firm during the pandemic



Apartment Markets

Rents dipped in some markets in 2020 but are rebounding quickly



Impact of COVID-19 on Smaller Landlords

Size of Landlord Portfolio	Share Receiving <90% Charged Yearly Rent		Share Receiving <50% Charged Yearly Rent	
	2019	2020	2019	2020
Small (own 1-5 units)	11%	34%	4%	10%
Mid-Sized (own 6-19 units)	12%	44%	2%	8%
Large (own 20+ units)	7%	50%	-	3%

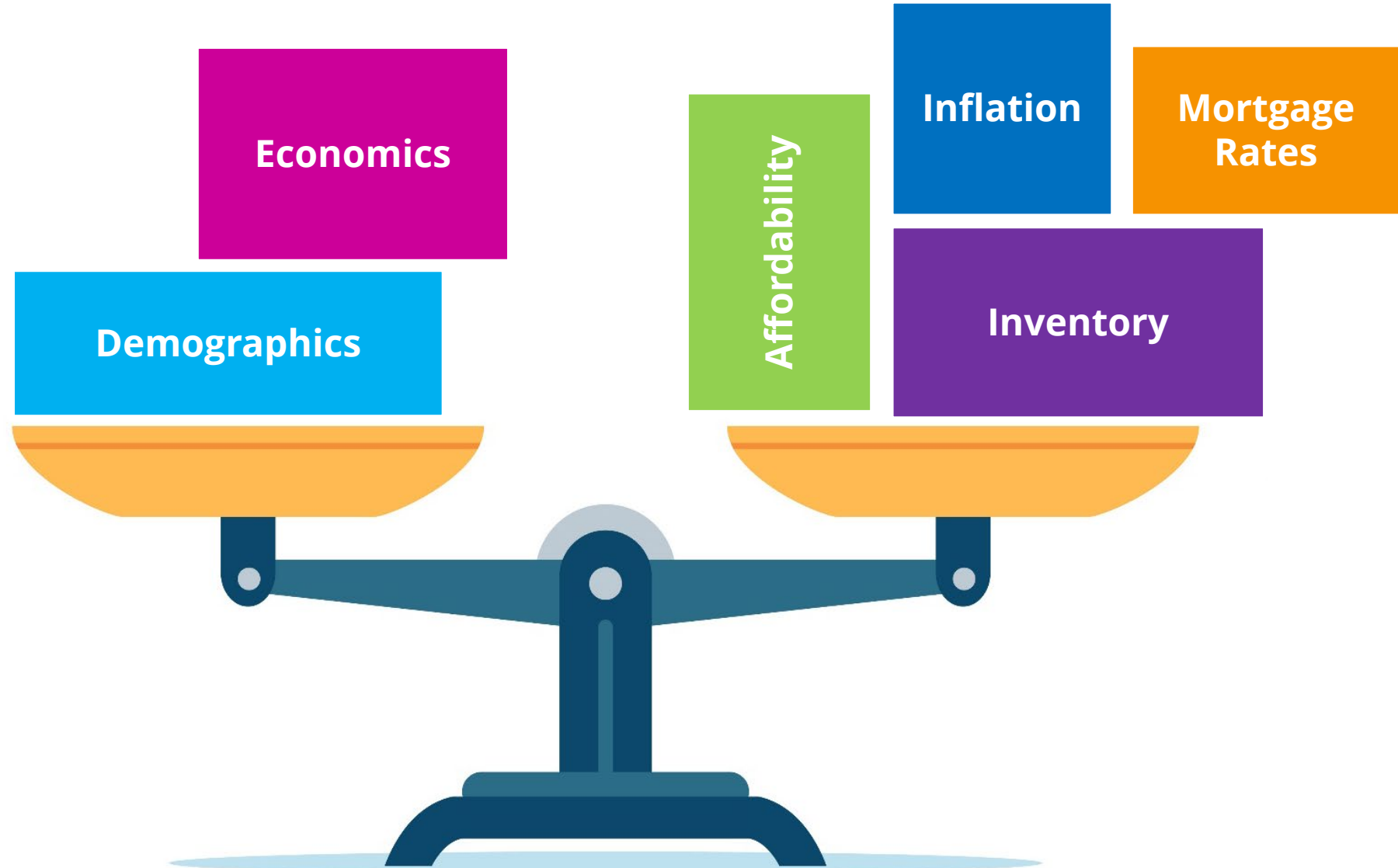
Impact of COVID-19 on Smaller Landlords

Year	Missed Mortgage, Utility, and/or Property Tax Payment	Deferred Maintenance	Listed Property for Sale
2019	4%	5%	3%
2020	19%	31%	13%

Outlook for 2022

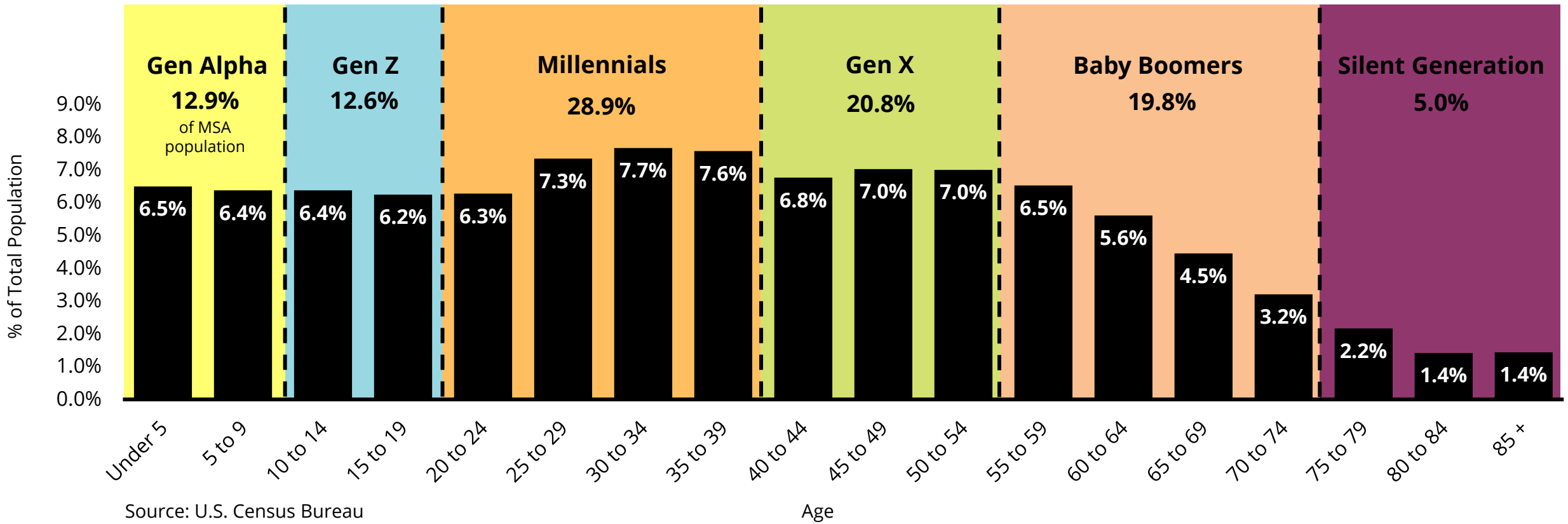


What will tip the scales in the 2022 housing market?



Age Distribution in Washington MSA, 2019

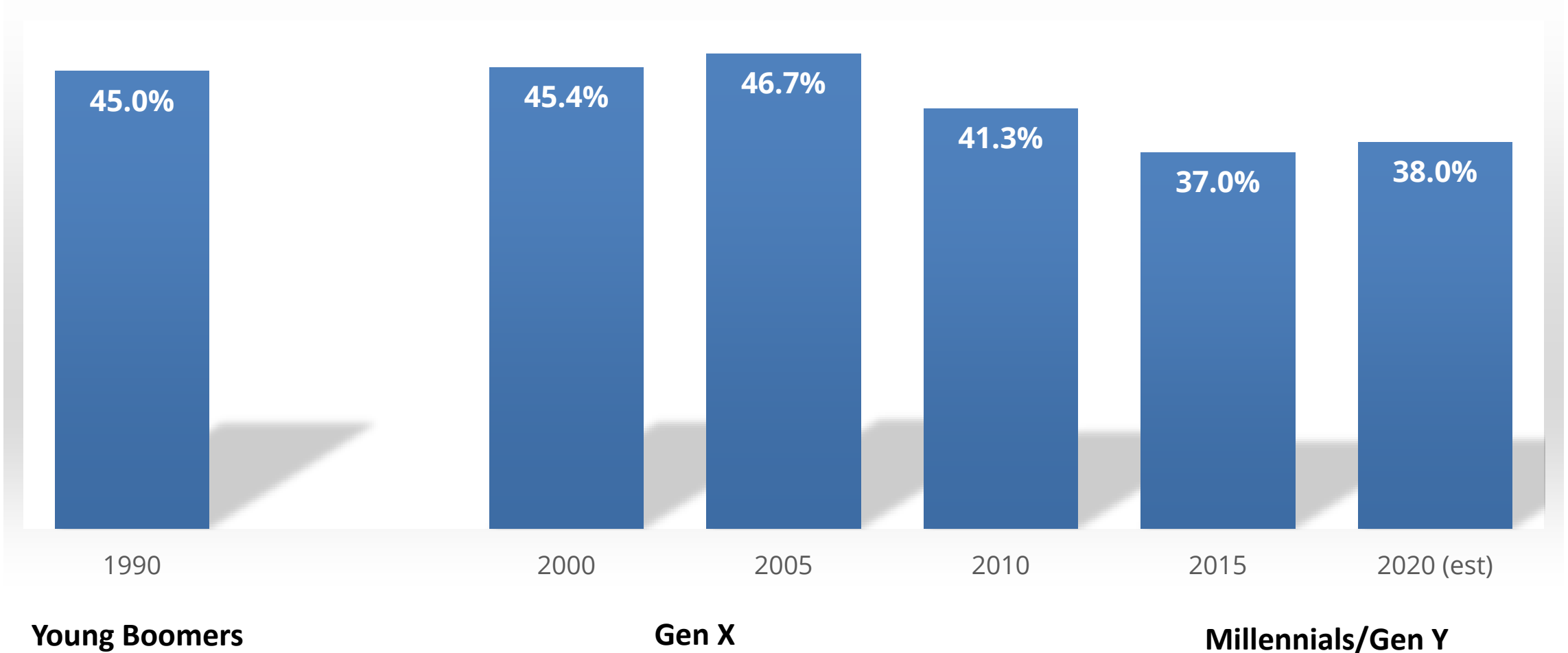
Note: Generation age ranges are approximate



Demographics

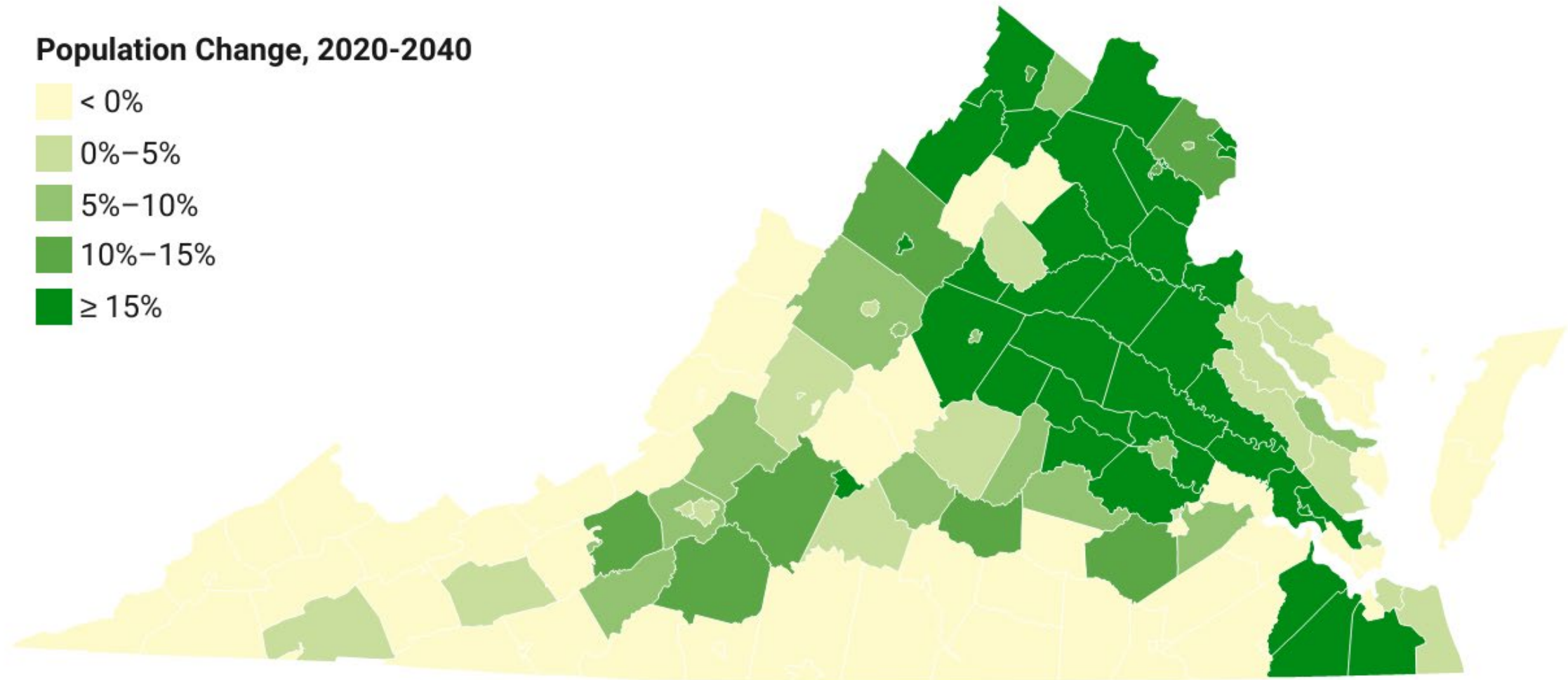
Homeownership rates among Millennials remain relatively low

Homeownership Rates, 25 to 34 Year Olds



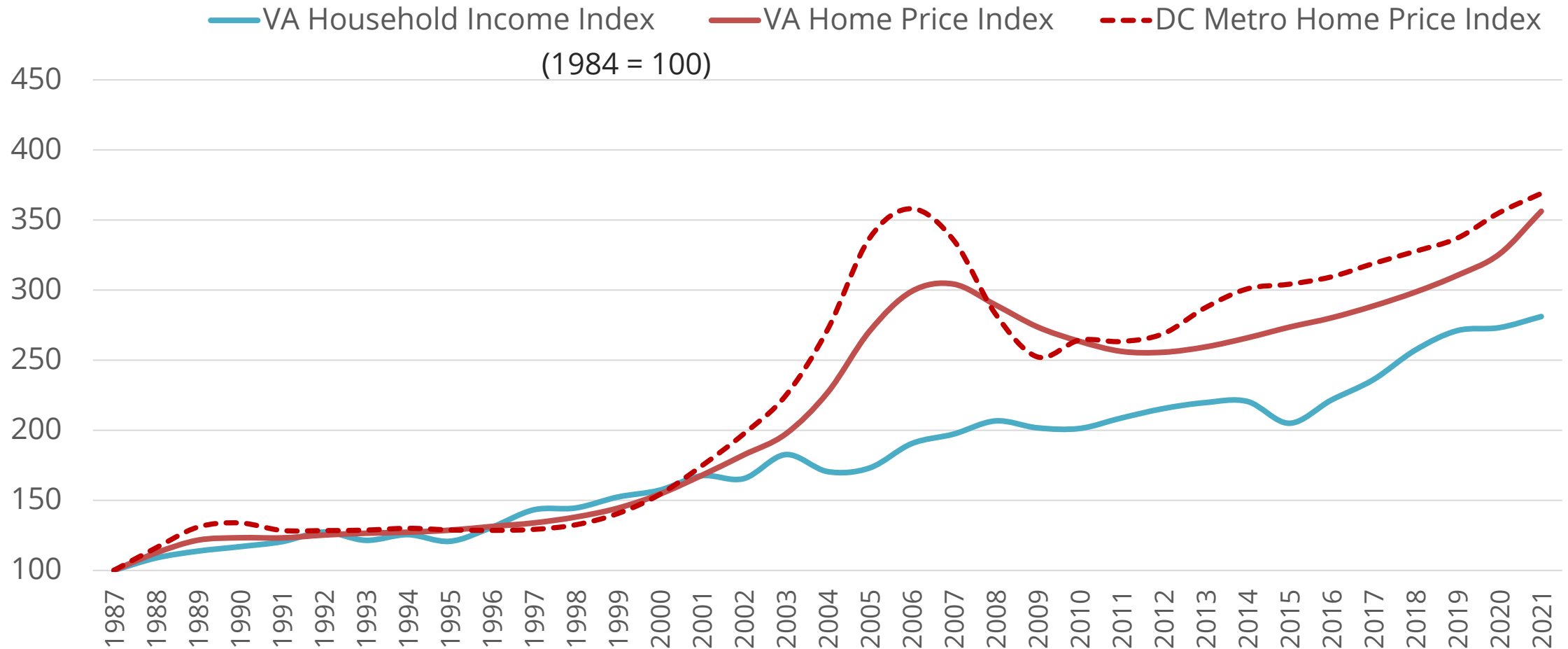
Demographics

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



Affordability

Home prices are rising much faster than incomes



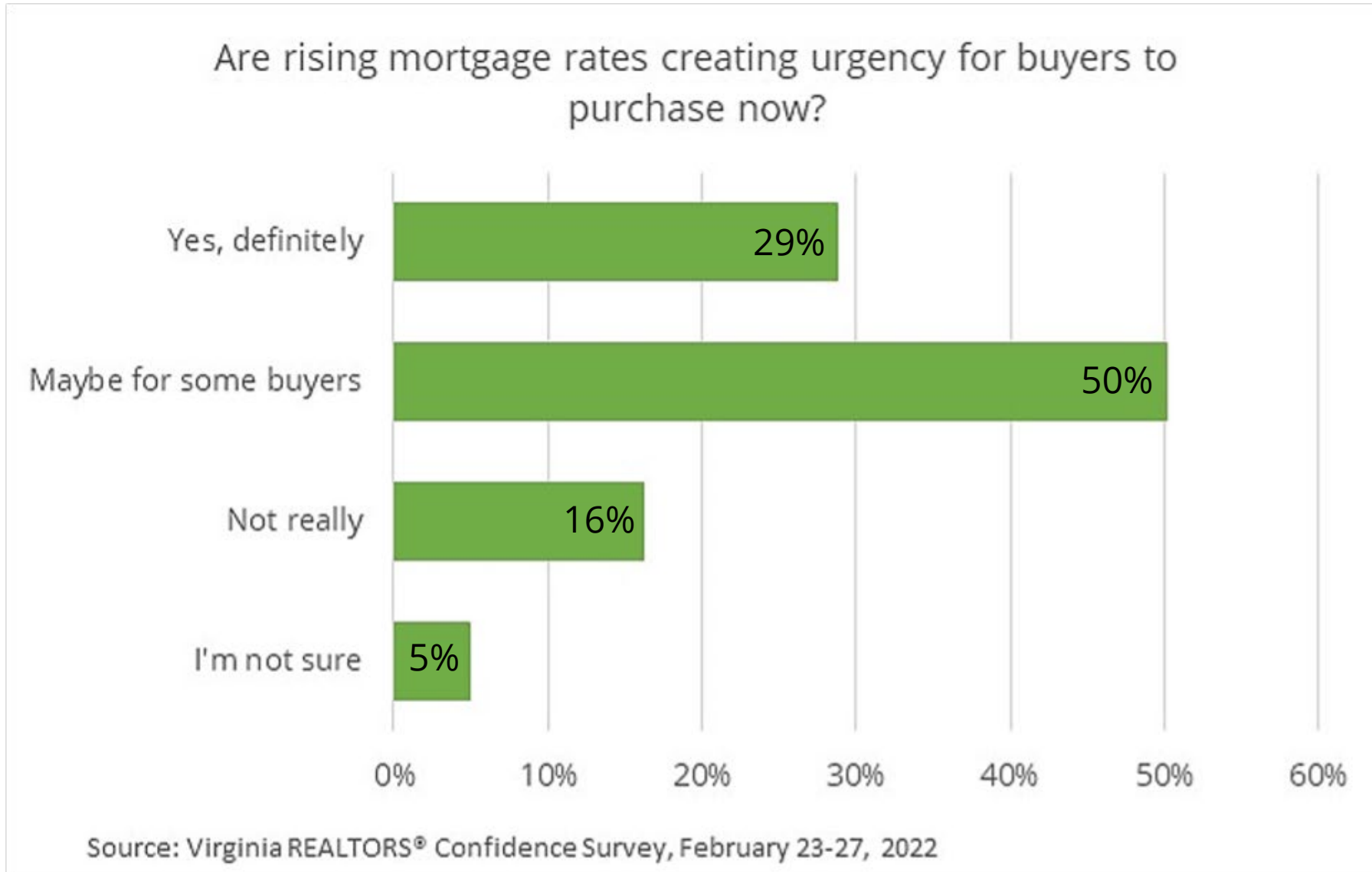
Rising prices and rising mortgage rates

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

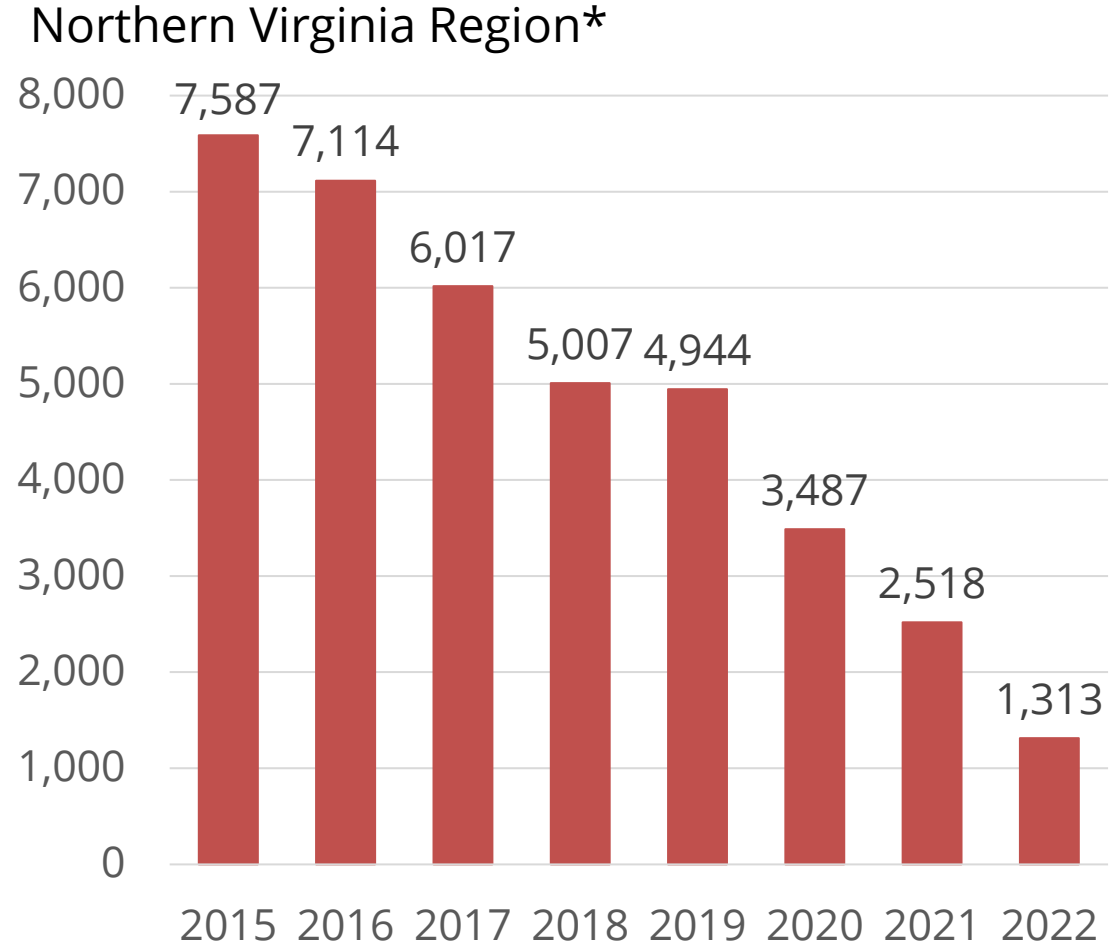
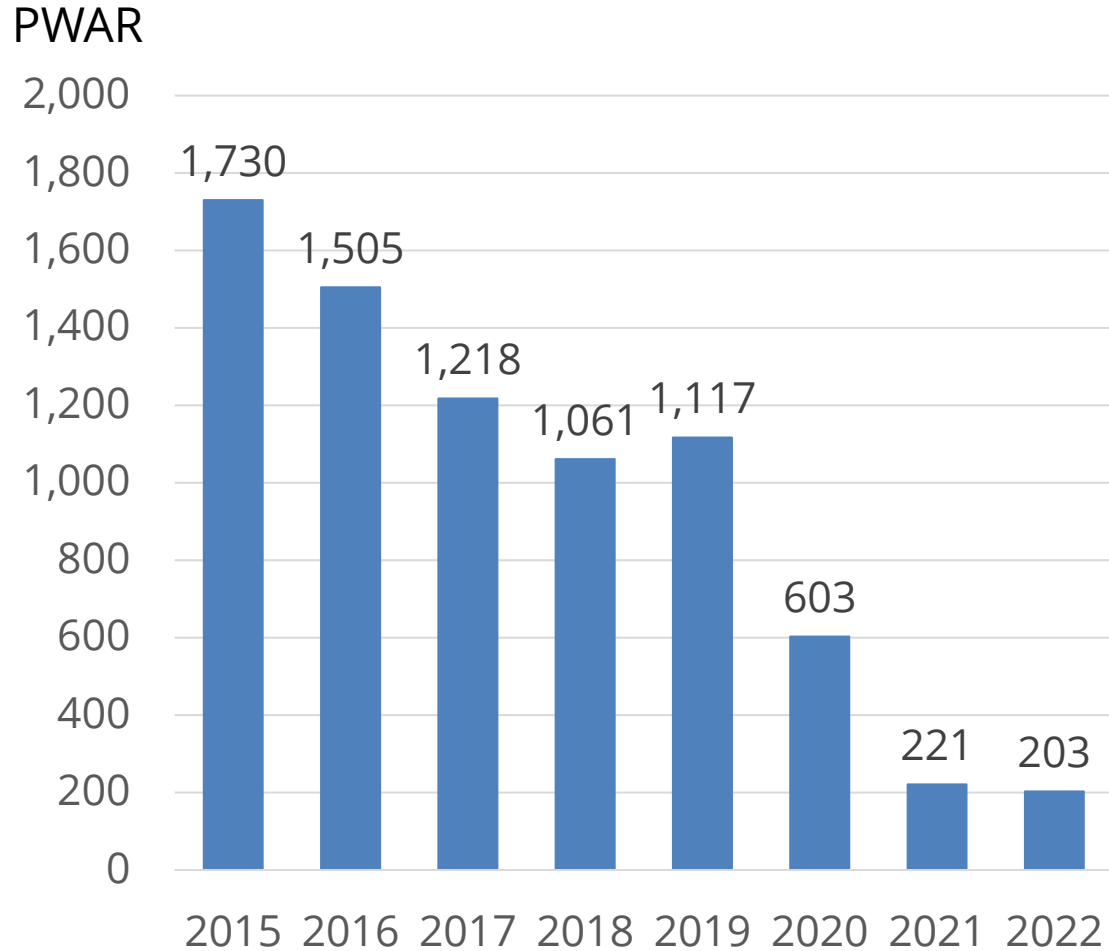
Source: Virginia REALTORS® Freddie Mac
 Assumes 5% down payment, 1.5% closing costs, and a 30-year fixed rate loan.
 Also assumes the total payment is no more than 28% of gross income.

What do REALTORS® think about interest rates?



Regional Inventory

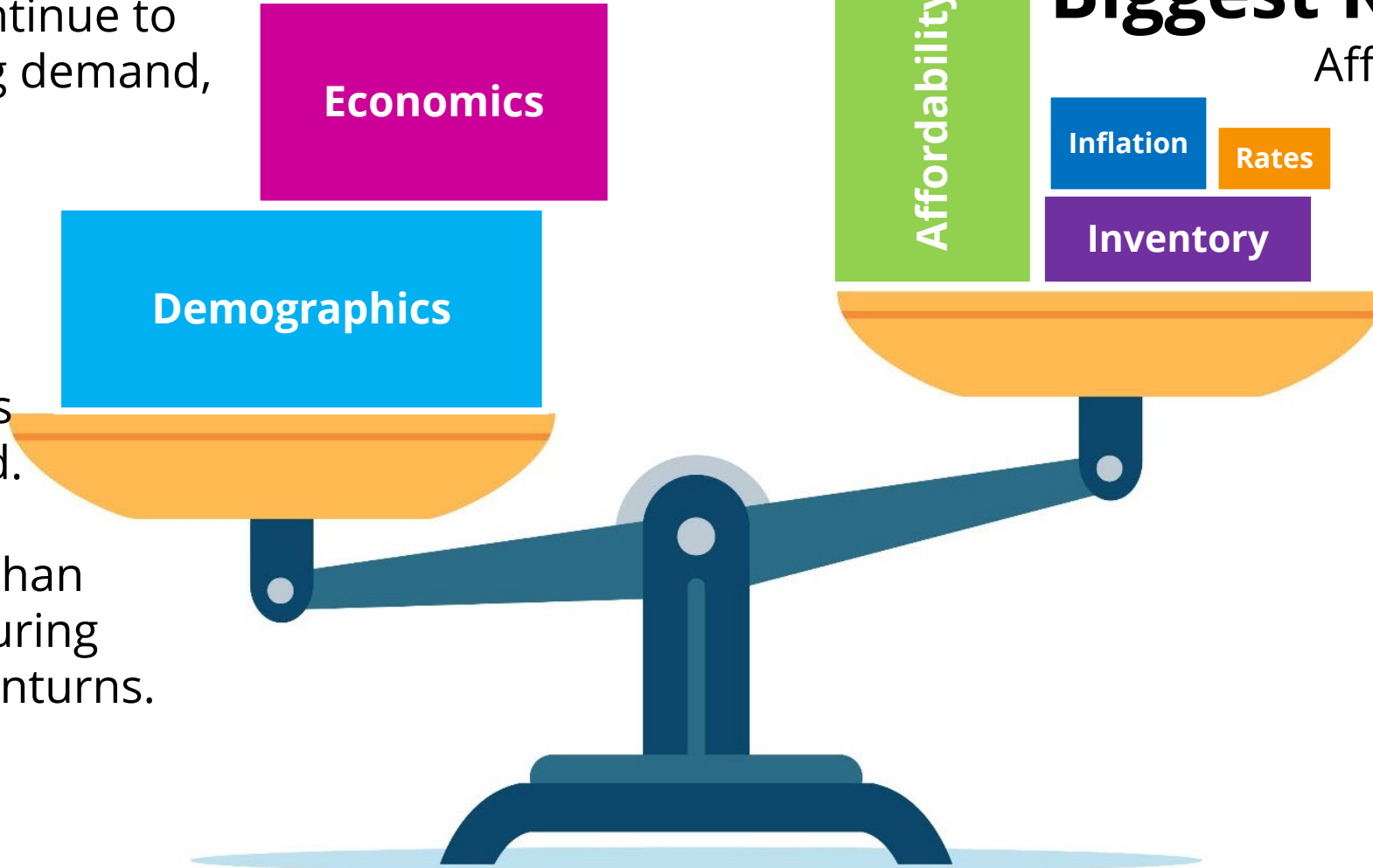
Number of active listings, end of February each year



Outlook for 2022

Economic and demographic factors will continue to support strong demand, outweighing potential challenges in the market.

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



Biggest Risks in 2022

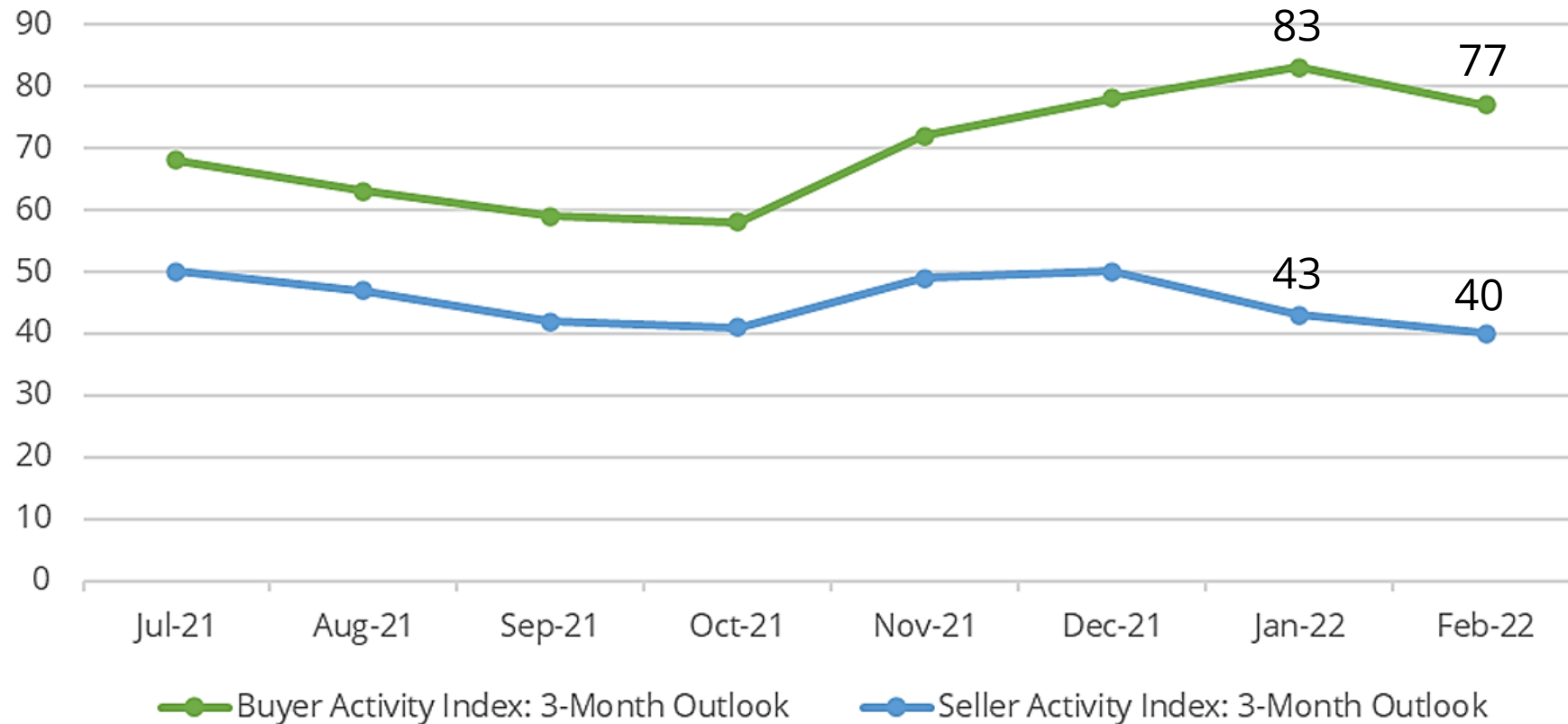
Affordability will be the biggest challenge in 2022, with buyers in many markets priced out.

Mortgage rates will rise (~4.5%).

Inventory will continue to be very tight.

What do REALTORS[®] think will happen in the months ahead?

Outlook for the Housing Market
Results from the Virginia REALTORS[®] Confidence Survey



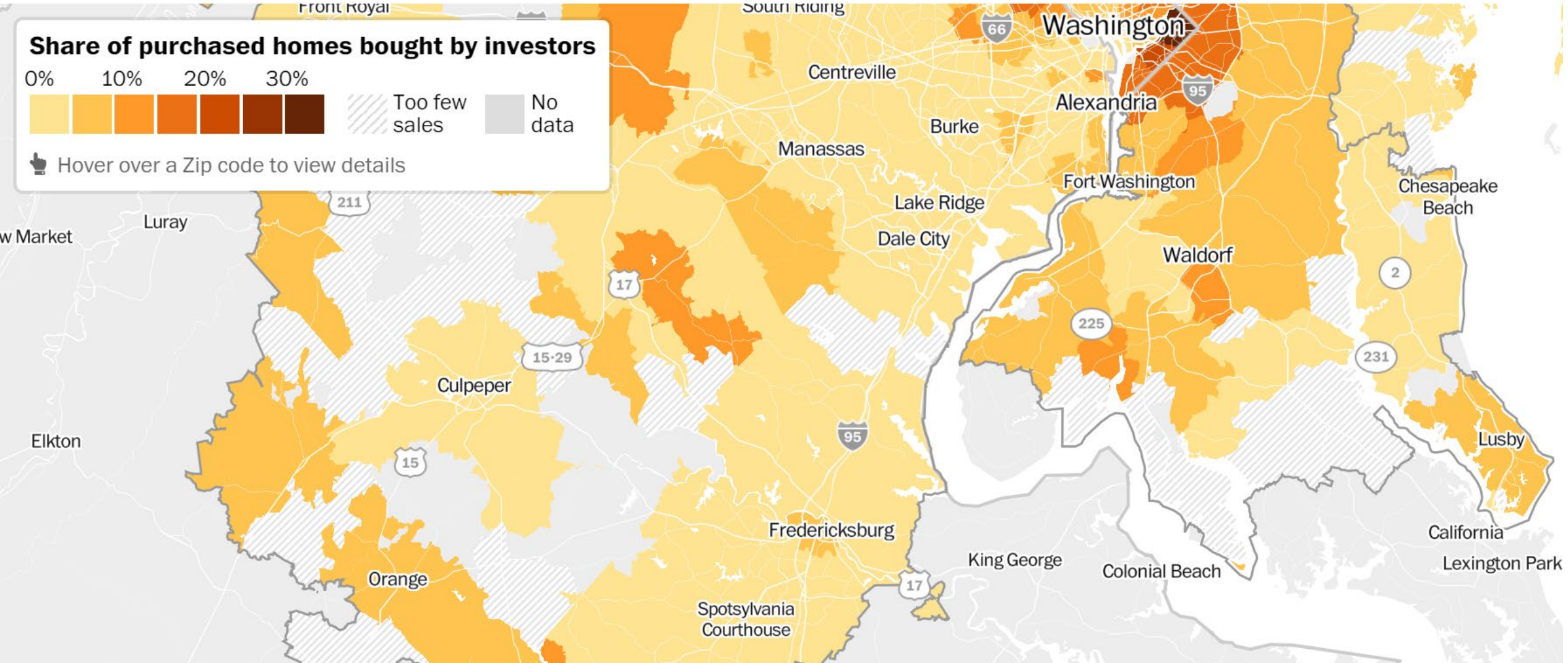
An index greater than 50 indicates more respondents expect future activity to be "strong" than expect future activity to be "weak".

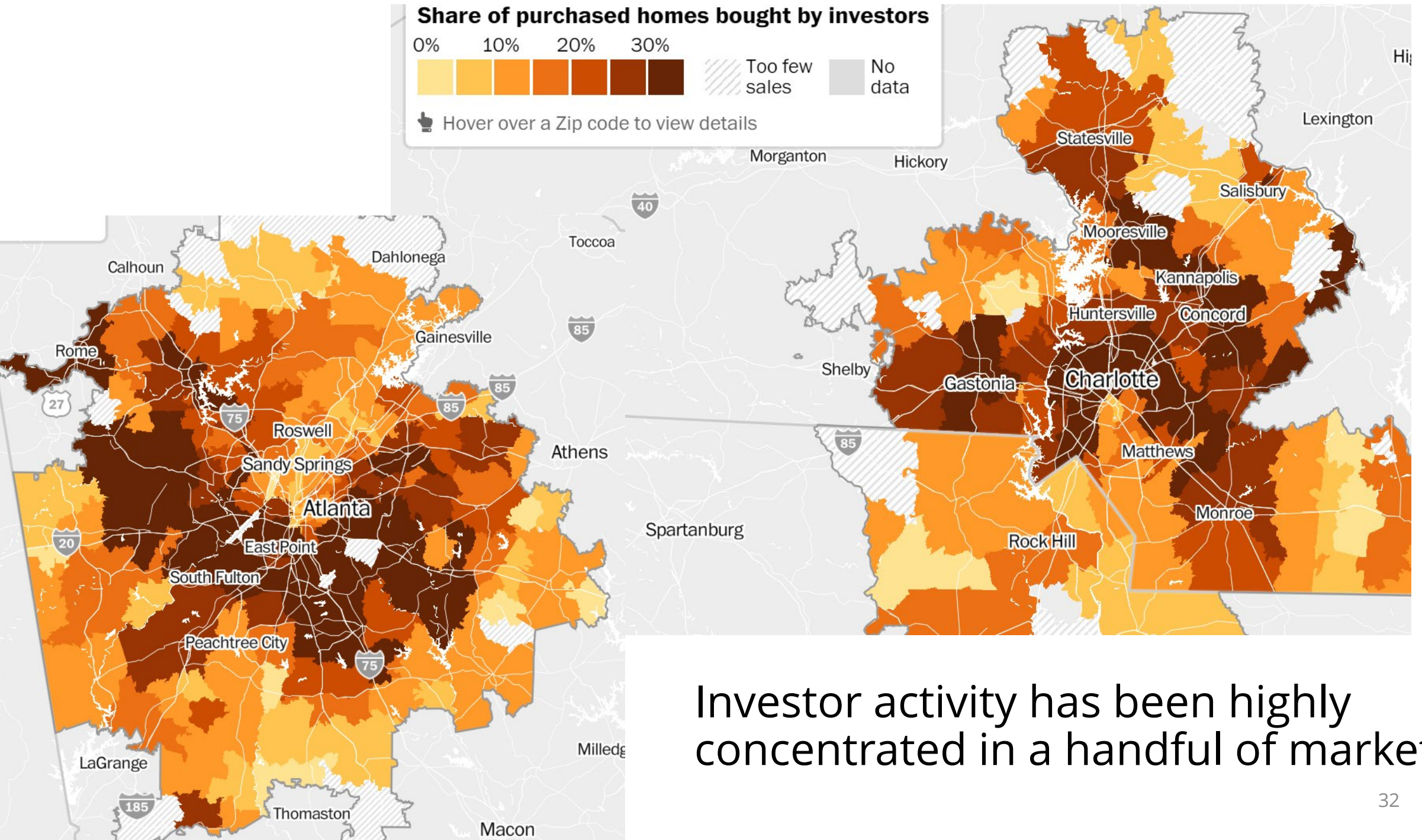
What we **don't** expect in 2022

- 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

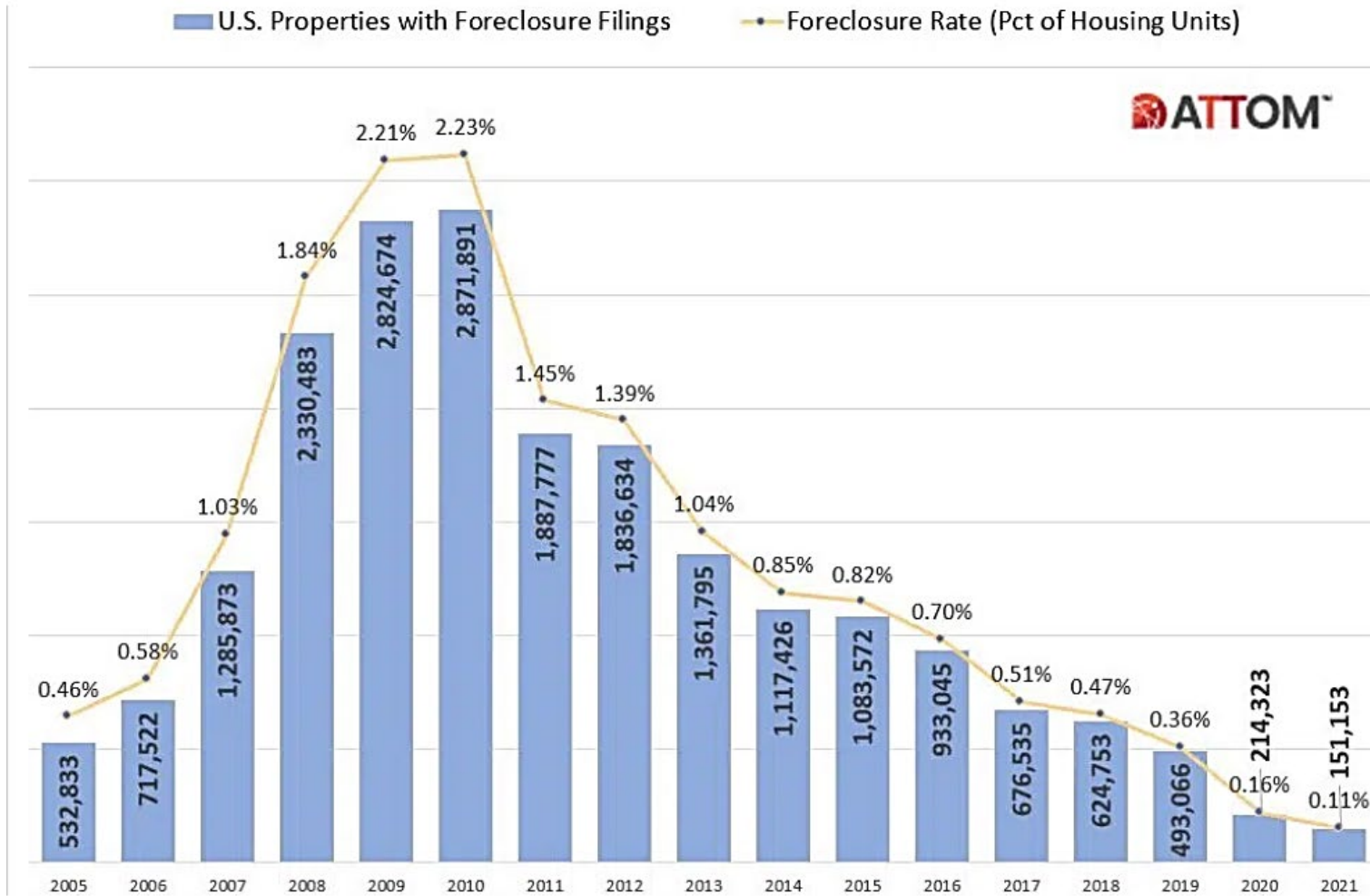
Northern Virginia (6%)





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

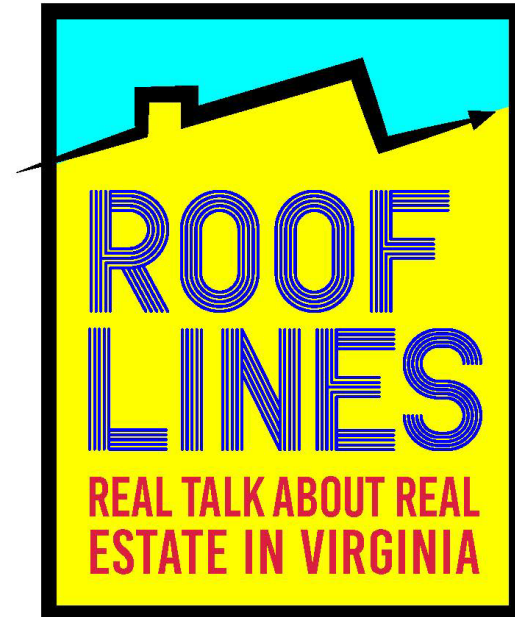
- Tight credit standards
- Little subprime lending
- Extremely low inventory and little new construction
- Unemployment falling

Looking for More Information?

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



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