



# VIRGINIA Economy & Housing Market Recent Trends + Forecast

Ryan Price  
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Virginia REALTORS®



Rising  
Interest  
Rates

Cooling  
Demand

Soaring  
Prices

Tight  
Inventory

Supply  
Chain  
Issues

High  
Inflation





# ECONOMY



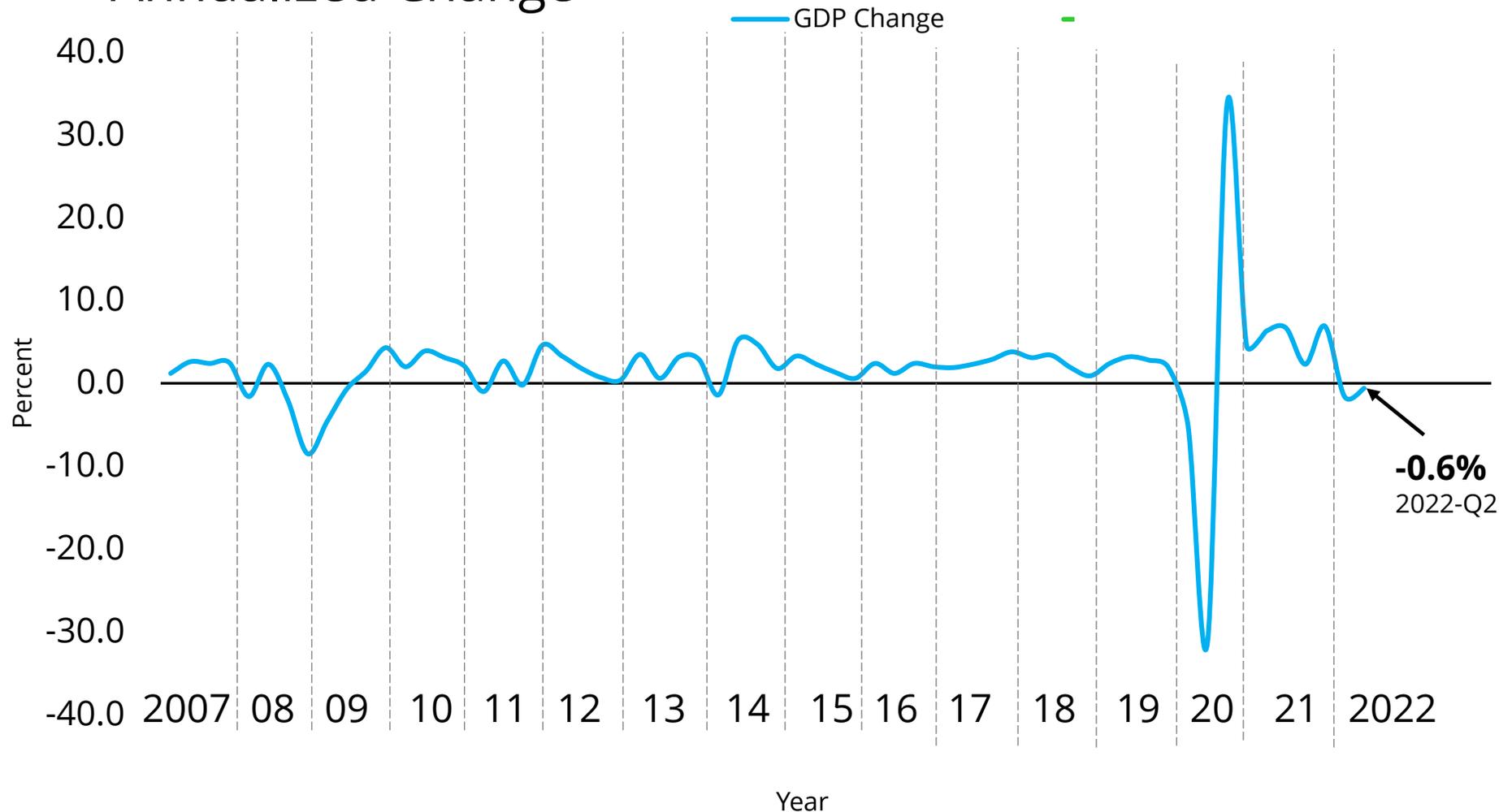
# Key Takeaways

After initial shock from pandemic, economy recovered rapidly in 2020 & 2021

Strong growth led to overheated economy

Economy now cooling, moderated 2 quarters in a row in 2022

# Gross Domestic Product - National Annualized Change



Source: U.S. Bureau of Economic Analysis, FMOOC

# Key Takeaways

After initial shock from pandemic, economy recovered rapidly in 2020 & 2021

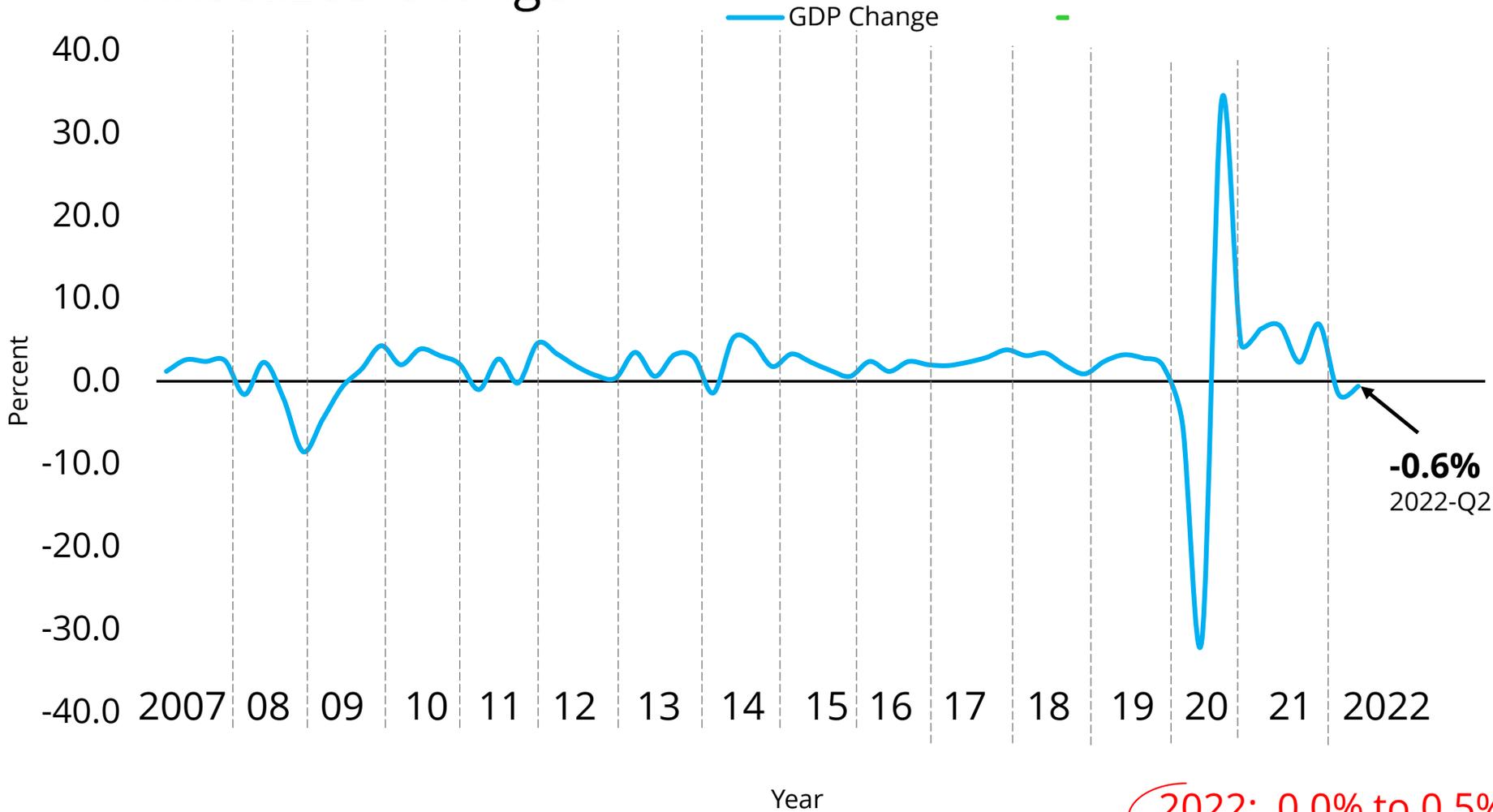
Strong growth led to overheated economy

Economy now cooling, moderated 2 quarters in a row in 2022

Federal Reserve sees sluggish conditions through next year, gradually improving after that



# Gross Domestic Product - National Annualized Change



Source: U.S. Bureau of Economic Analysis, FMOOC

**FED  
FORECAST**

2022: 0.0% to 0.5%  
2023: -0.3% to 1.9%  
2024: 1.0% to 2.6%



# Key Takeaways

~450K Virginian's lost their jobs in Spring 2020

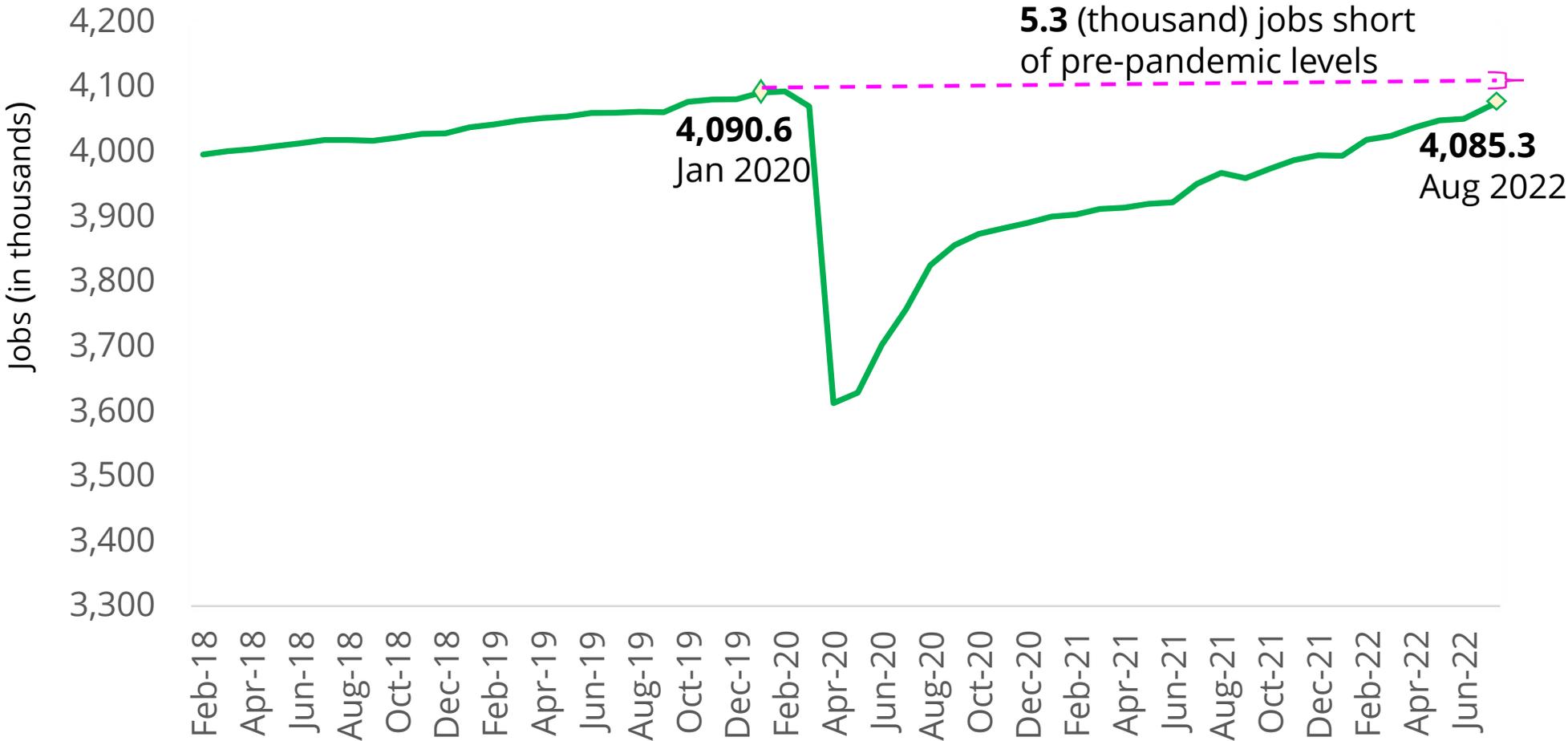
Since then, strong job recovery in many sectors

We're not there yet, but getting close to full recovery

On track to have pre-pandemic job levels by end of 2022

# Total Jobs in Virginia

Rapid recovery, almost back to pre-pandemic levels



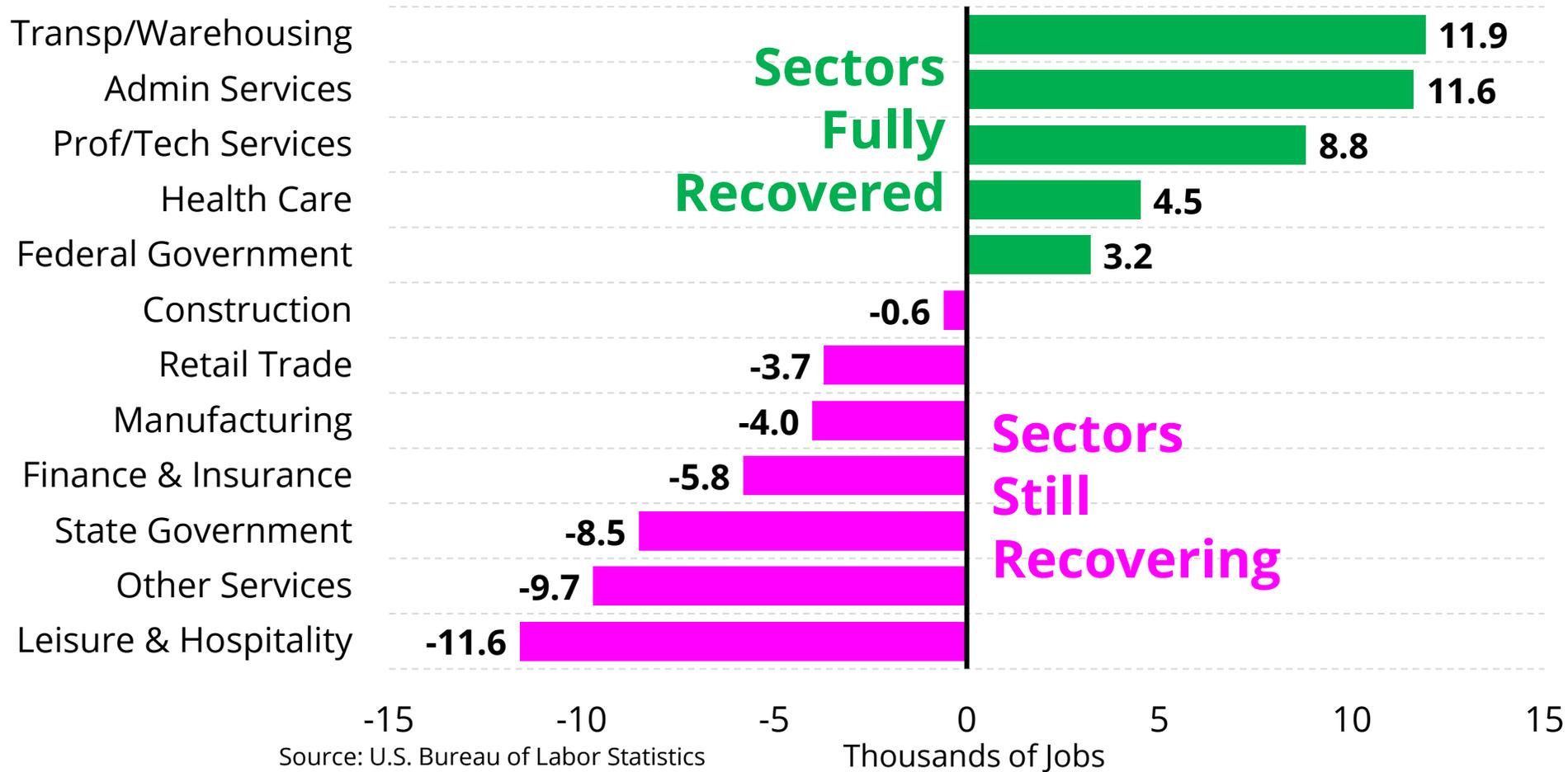
Source: U.S. Bureau of Labor Statistics



## Key Takeaways

# Job Recovery by Sector in Virginia

Virginia Employment by Sector  
Aug 2022 Compared to Jan 2020



Some sectors fully recovered

Many sectors are still recovering

Sectors that tend to have higher homeownership rates expanding

Sectors that tend to have lower homeownership rates still recovering

## Key Takeaways

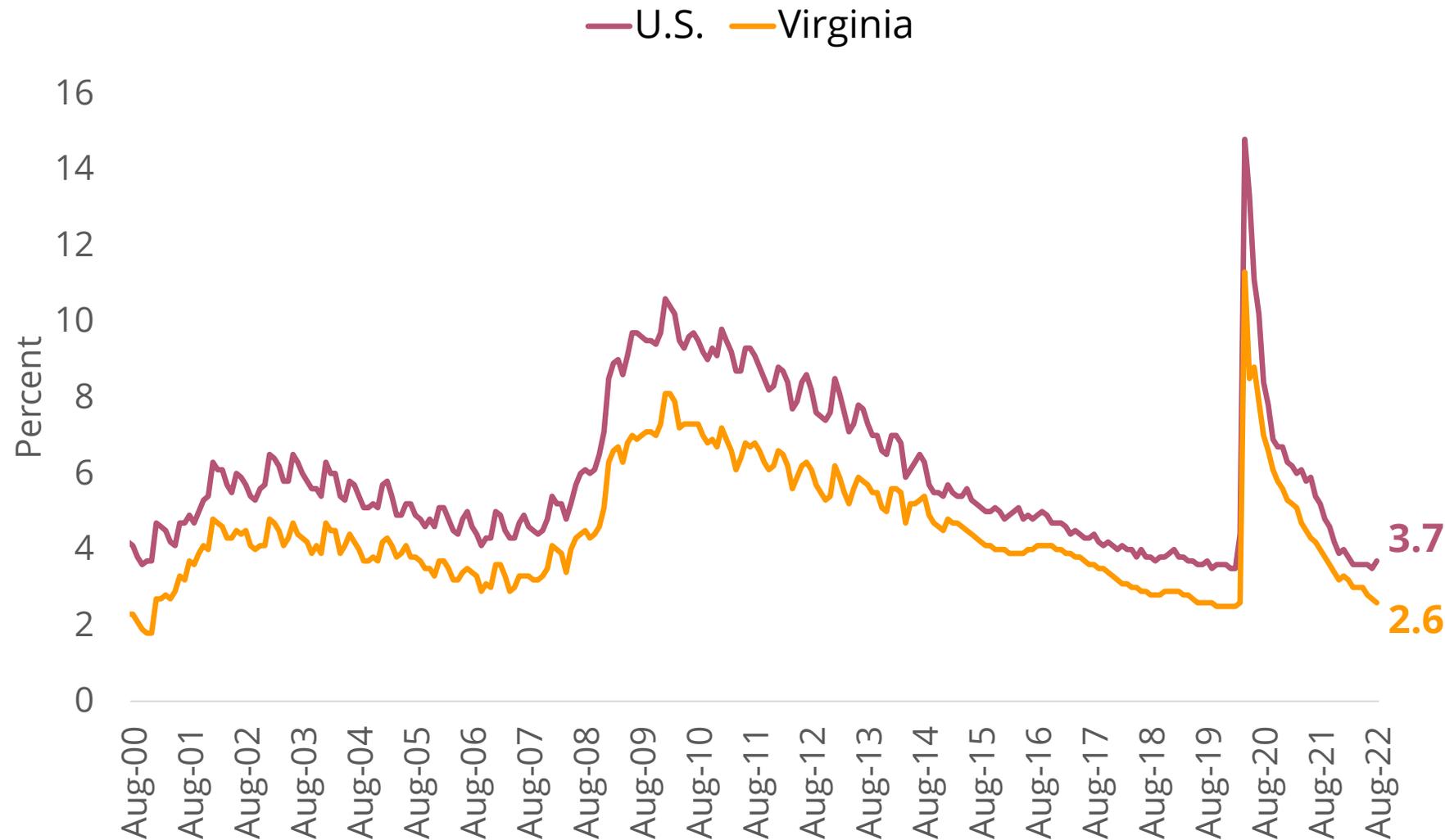
Unemployment in VA way down from 14.7% peak in April 2020

VA outperforming US unemployment rate

Labor force participation rate still recovering

Unemployment will likely rise in the coming year as economy weakens

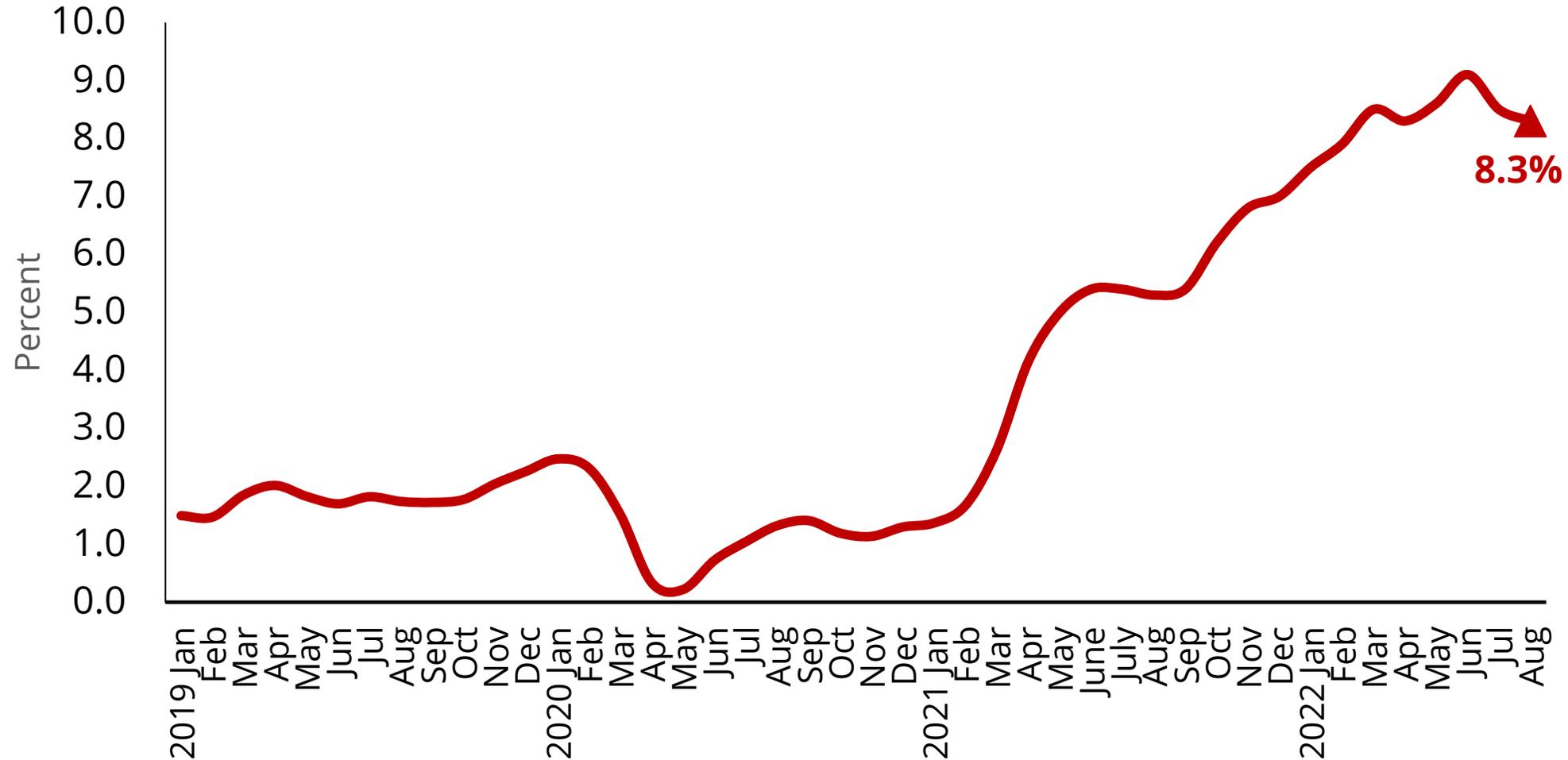
# Unemployment Rate



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

# Inflation Stubbornly High

Change in CPI-U



Source: Bureau of Labor Statistics, Fannie Mae, Mortgage Brokers Association

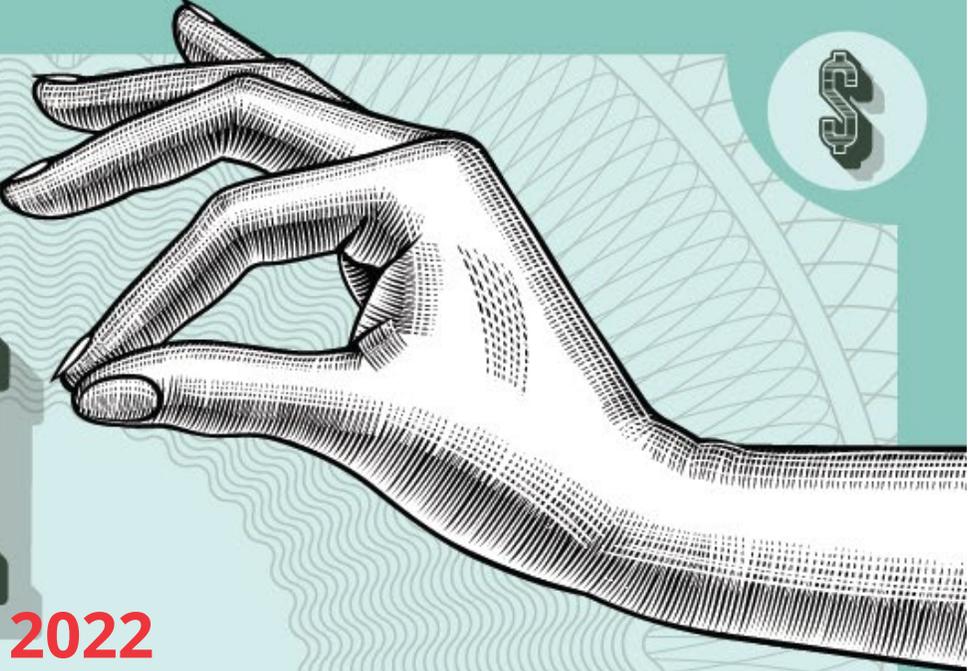
## Key Takeaways

Inflation lingering near 40-year high

Aug inflation came in higher than many expected

Federal Reserve target inflation is 2%

Inflation projected to reach near target level end of 2023 to 2024



# FEELING THE PINCH

**August 2022  
PRICE INCREASE  
FROM 1 YEAR AGO....**



GASOLINE	<b>+23.8%</b>
 USED VEHICLES	<b>+7.8%</b>
 NEW VEHICLES	<b>+10.1%</b>
 GROCERIES	<b>+13.5%</b>
 EATING OUT	<b>+8.0%</b>



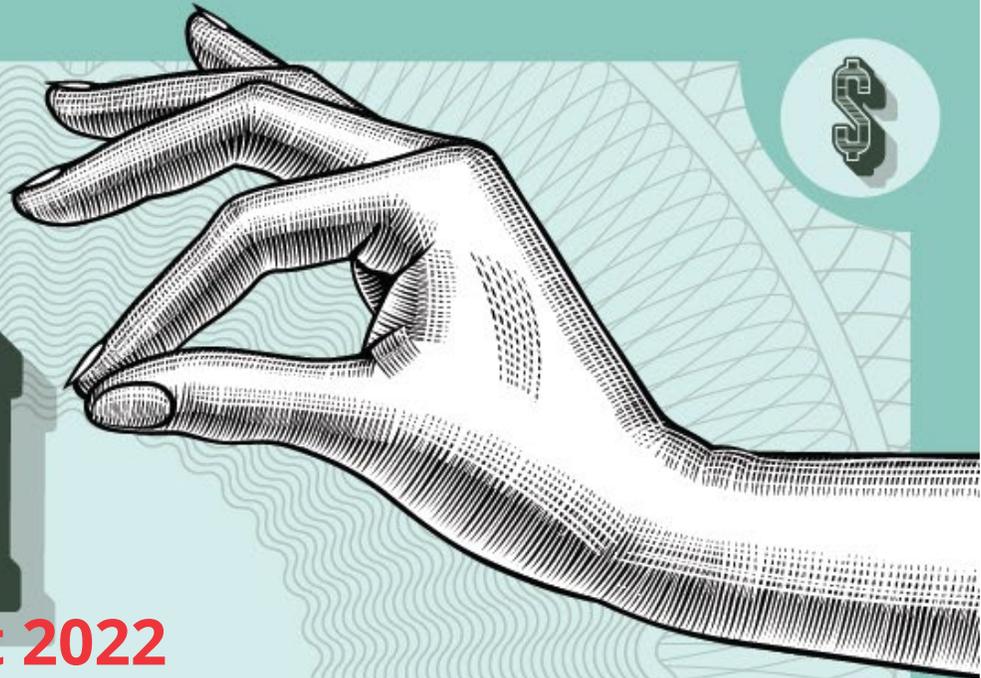
## Key Takeaways

Prices are up for just about everything

Budgets are much tighter than last year

Less room for housing payments in household budgets

# FEELING THE PINCH



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	EATING OUT	<b>+8.0%</b>

**May 2022**

		<b>+43.6%</b>
		<b>+22.7%</b>
		<b>+13.2%</b>
		<b>+10.8%</b>
		<b>+7.2%</b>

## **Key Takeaways**

Prices are up for just about everything

Budgets are much tighter than last year

Less room for housing payments in household budgets

Gas prices and vehicle prices have improved but remain elevated. Food prices are worse.

# Inflation and the Fed's Response



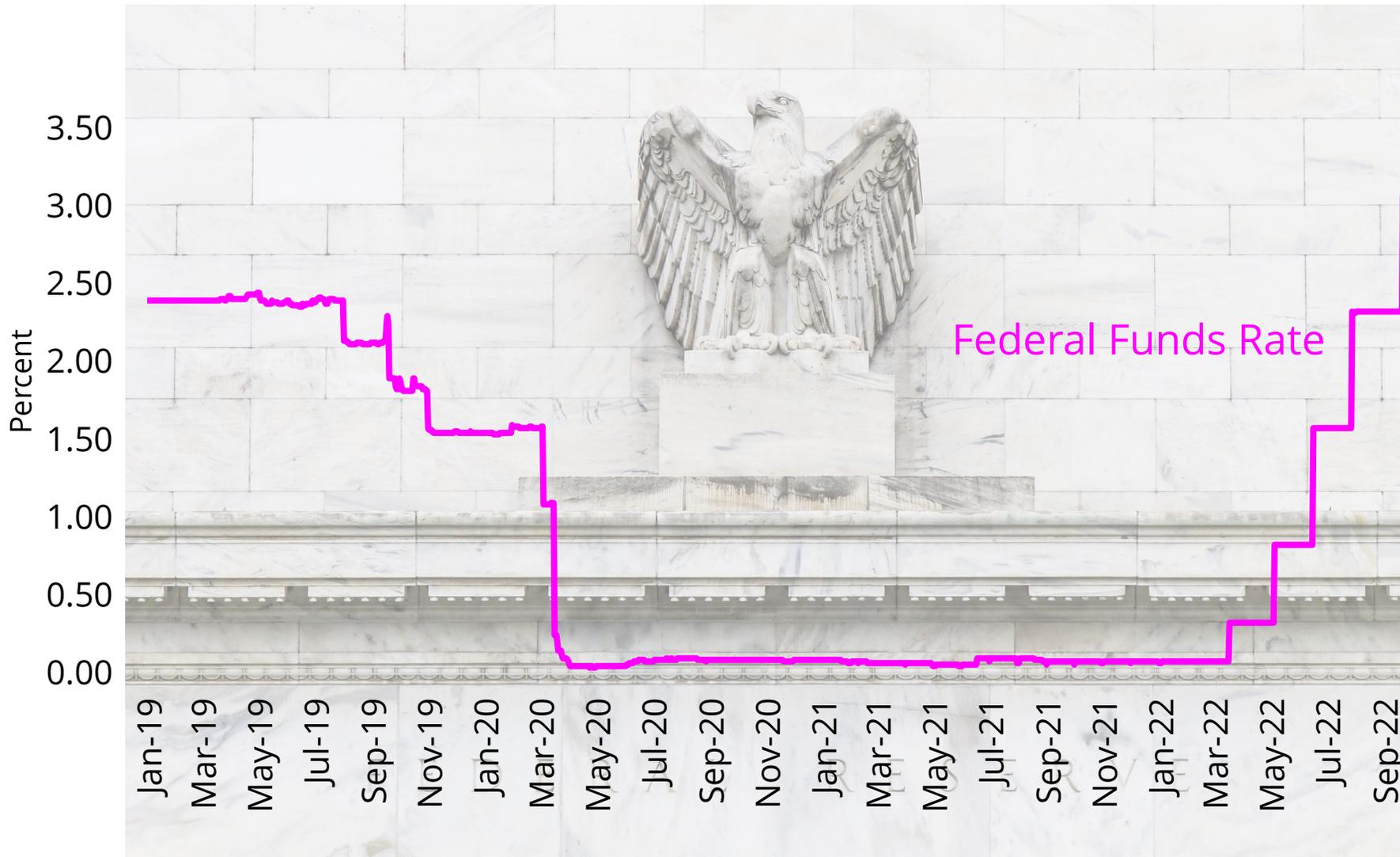
## Key Takeaways

Federal Reserve controls Federal Funds Rate

Rate banks use to loan money to each other

2022 = most aggressive increases since early 1980s

Raising Fed Funds Rate slows lending, spending, and overall economic activity



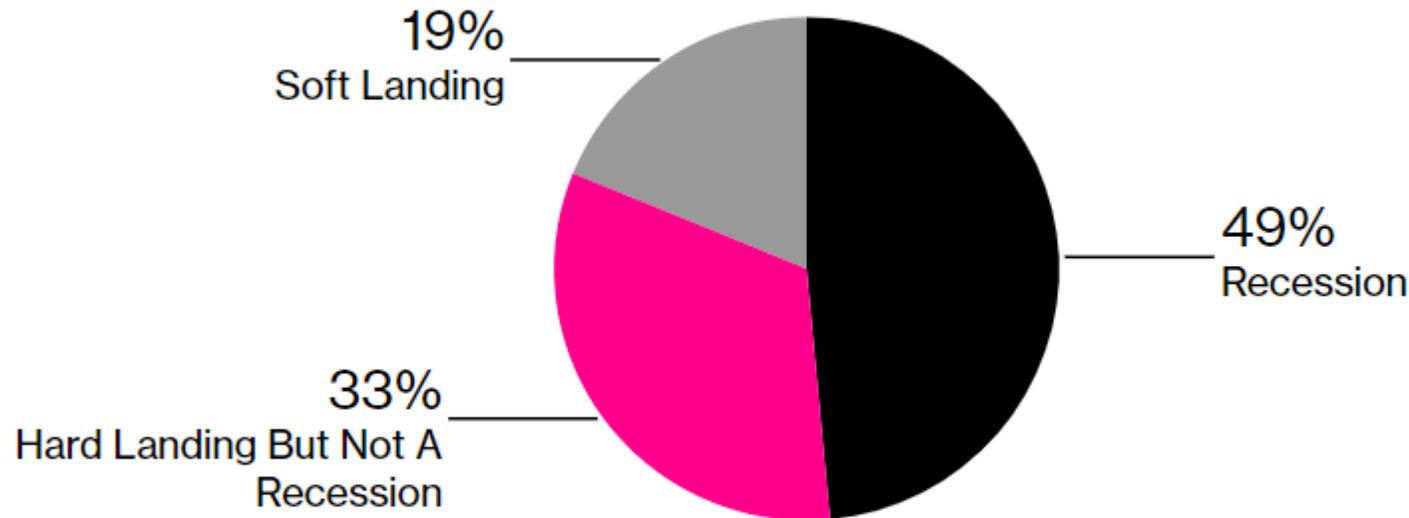
Source: U.S. Federal Reserve Board

# Will Rate Hikes Trigger Recession?



## Key Takeaways

Economists see a hard landing, with a formal recession or period with zero or negative growth



Much higher probability now of a recession than start of this year

Soft landing for the economy becoming less likely

Most project a recession is on the way in 2023

Bloomberg News survey of economists September 9-14  
Economists were asked if US would have a recession in the next 24 months. Hard landing is defined as zero or negative growth for a time but not an officially declared recession.

Source: Bloomberg

# Impact on Mortgage Rates



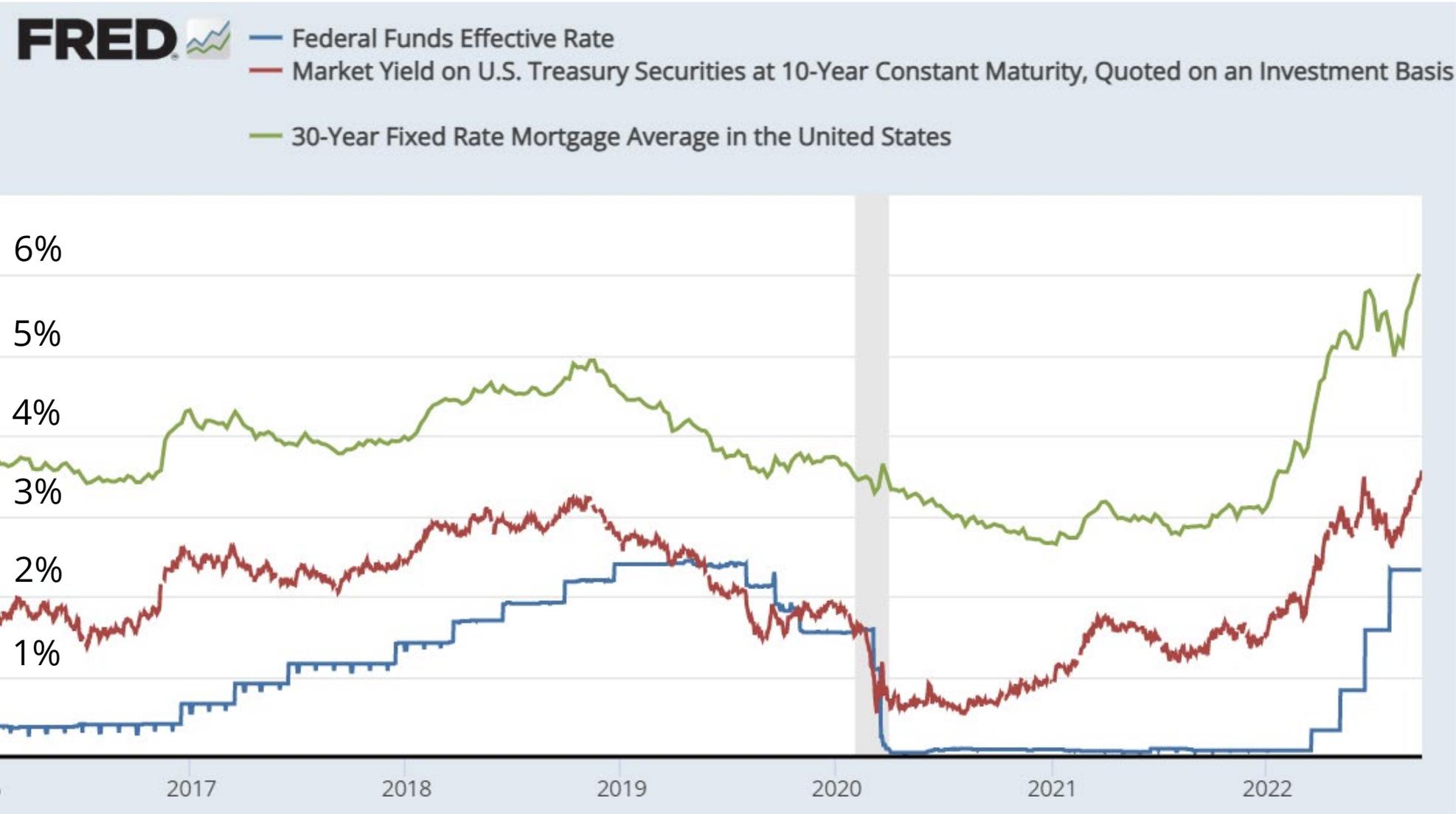
## Key Takeaways

30-yr fixed rate tends to follow 10-yr treasury, not Fed Funds Rate

Many lenders have already priced in expected rate hikes

Upward pressure, and fluctuations likely

Mortgage rates likely to edge down moderately next year

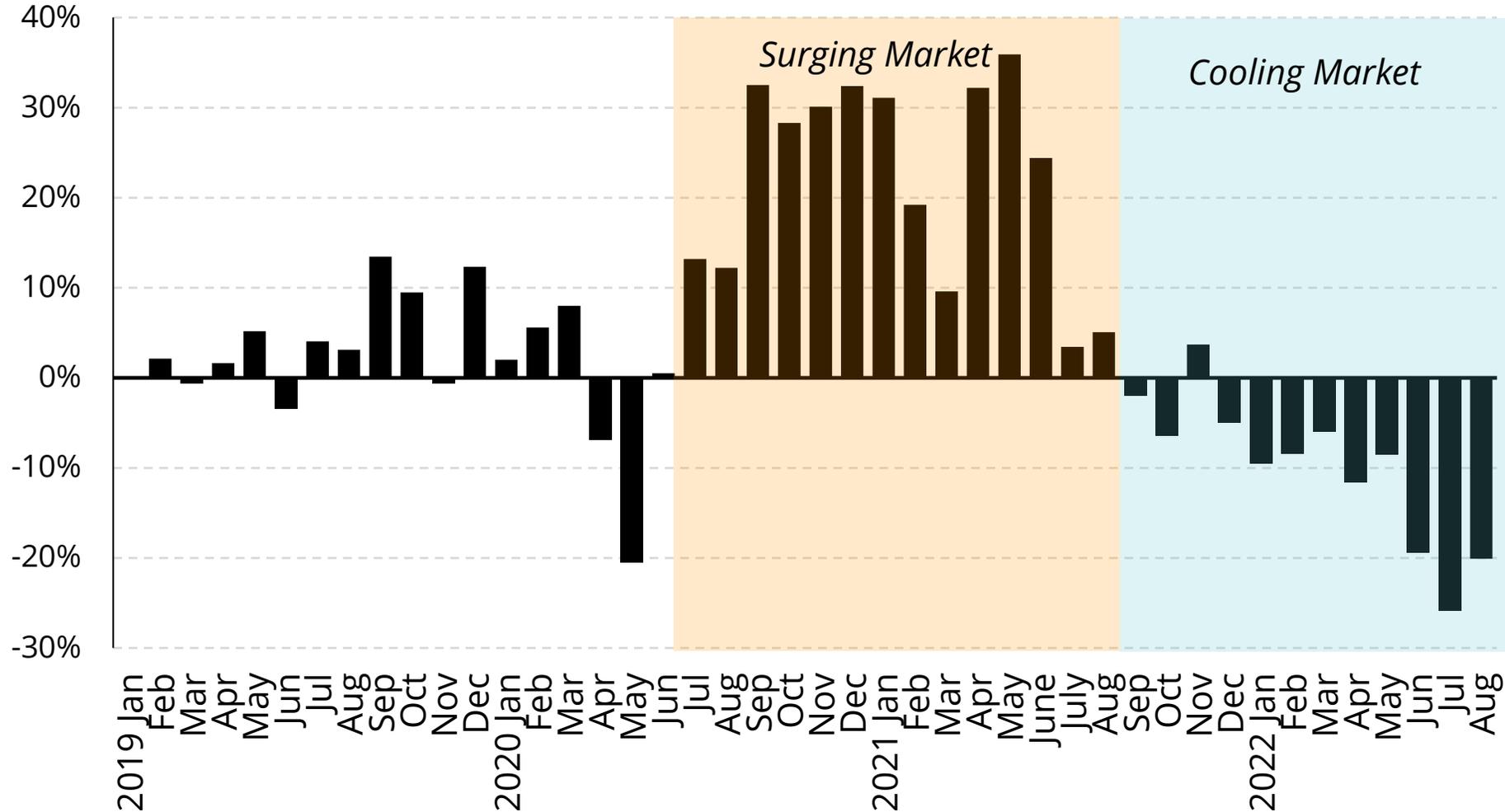




# HOUSING MARKET

# Virginia Home Sales

Y-o-Y Change in Monthly Home Sales



Source: Virginia REALTORS®

## Key Takeaways

Market cooling for the past year

Slowdown driven by rising mortgage rates, climbing prices, low supply.

VA on track for sharpest drop in sales activity in more than a decade

# 2022 Cooling Market- Homes Sales (Aug Year-to-Date)

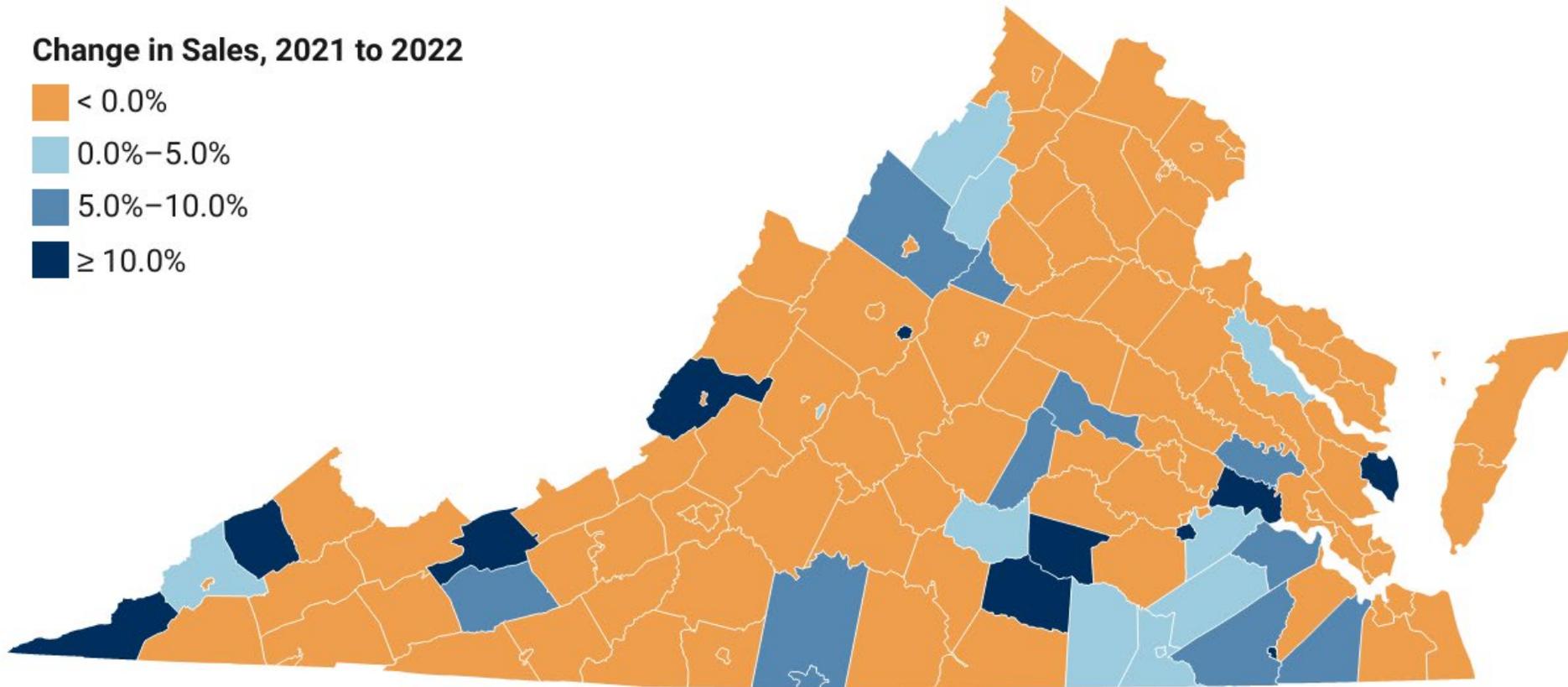
## Key Takeaways

Slowdown occurring across most of VA

Sharpest drops in suburban/exurban and coastal markets

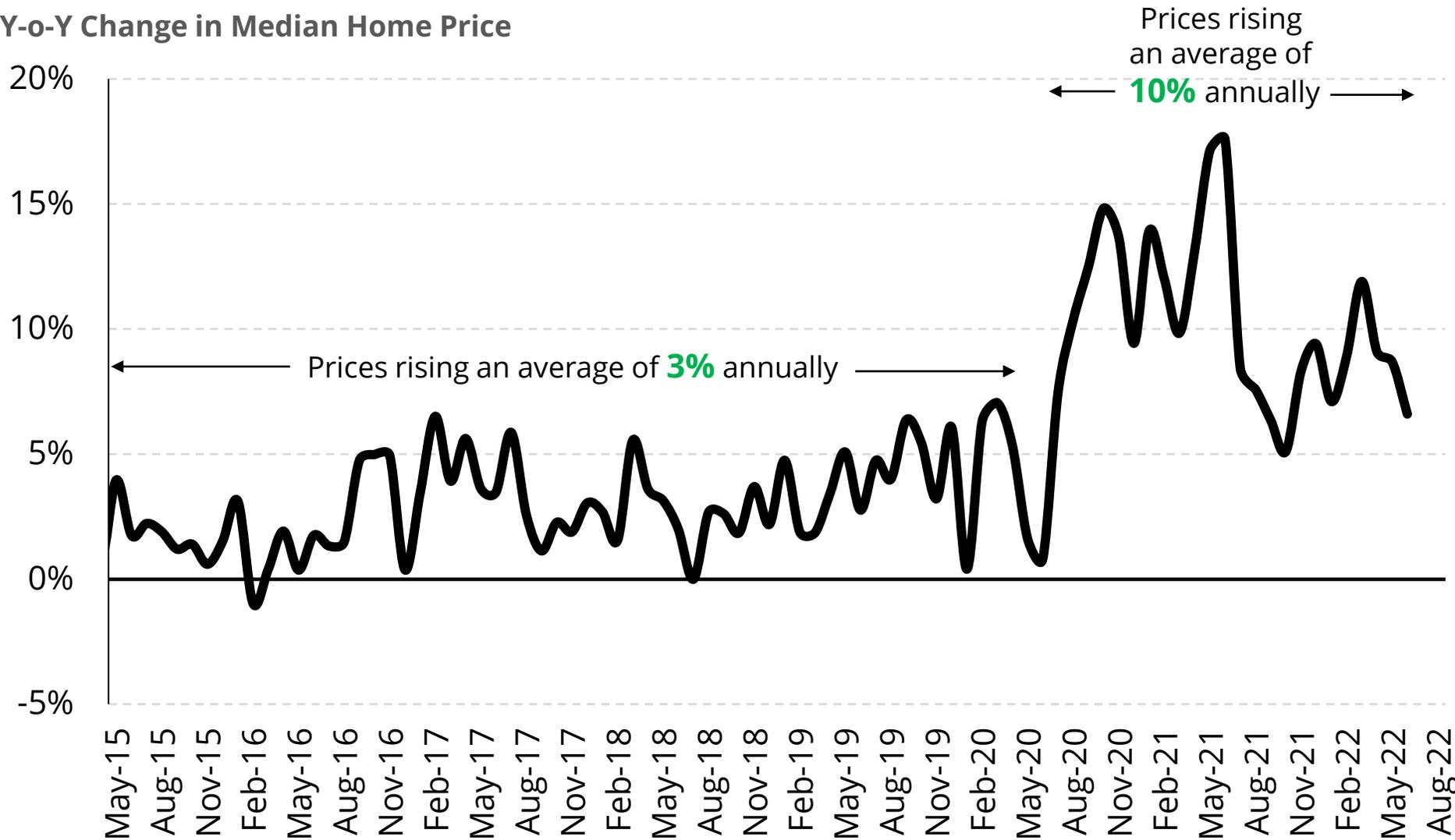
Some communities in southern and western VA continue to see sales growth

### Change in Sales, 2021 to 2022



# Virginia Home Prices

Y-o-Y Change in Median Home Price



Source: Virginia REALTORS®

## Key Takeaways

Despite significant slowdown in sales, price still climbing

3x faster price growth 2020 to now vs. 2015 to 2020

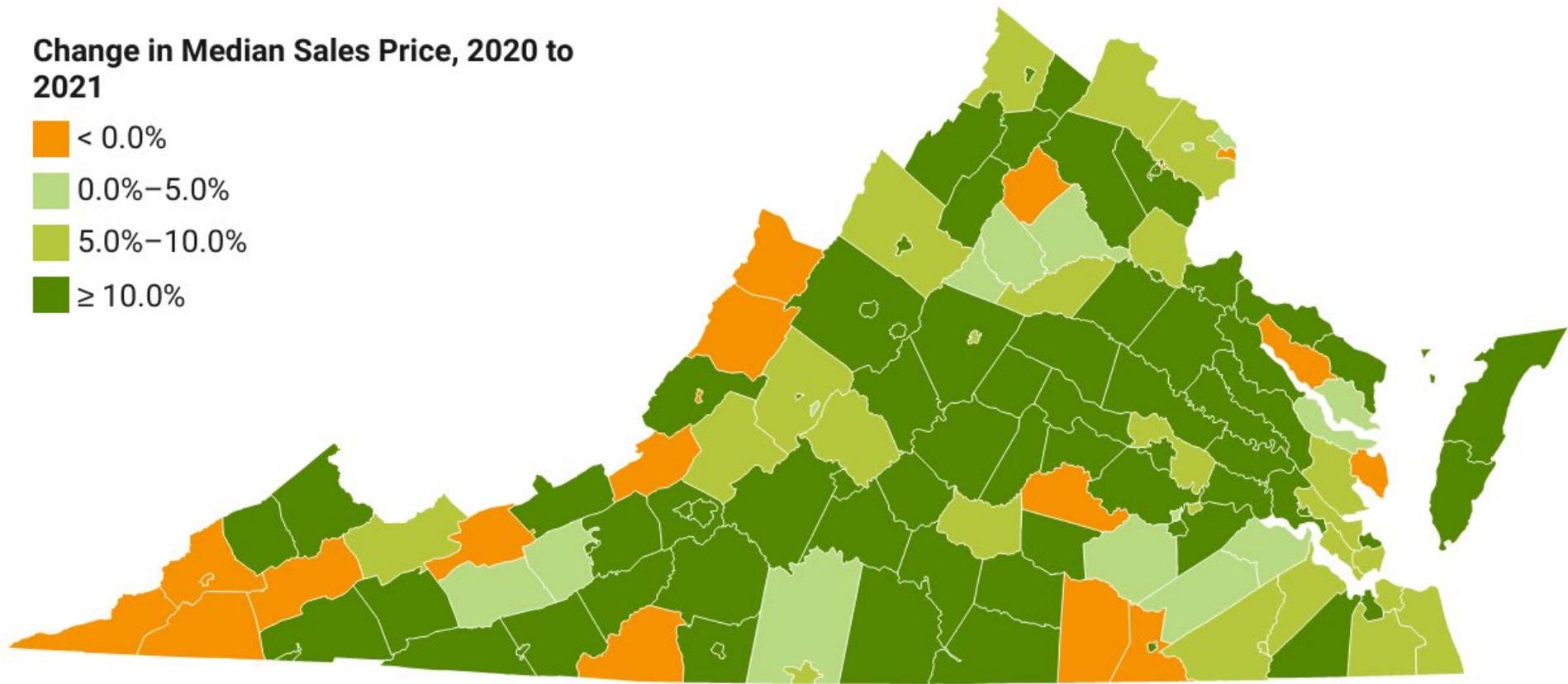
Low supply keeping upward pressure on home prices

# 2022 Home Prices Still Climbing (Aug Year-to-Date)

## Key Takeaways

Change in Median Sales Price, 2020 to 2021

-  < 0.0%
-  0.0%–5.0%
-  5.0%–10.0%
-  ≥ 10.0%



Double-digit price growth in many regions

Strongest growth in Central Virginia and Eastern Virginia

Low supply keeping upward pressure on home prices

# Inventory

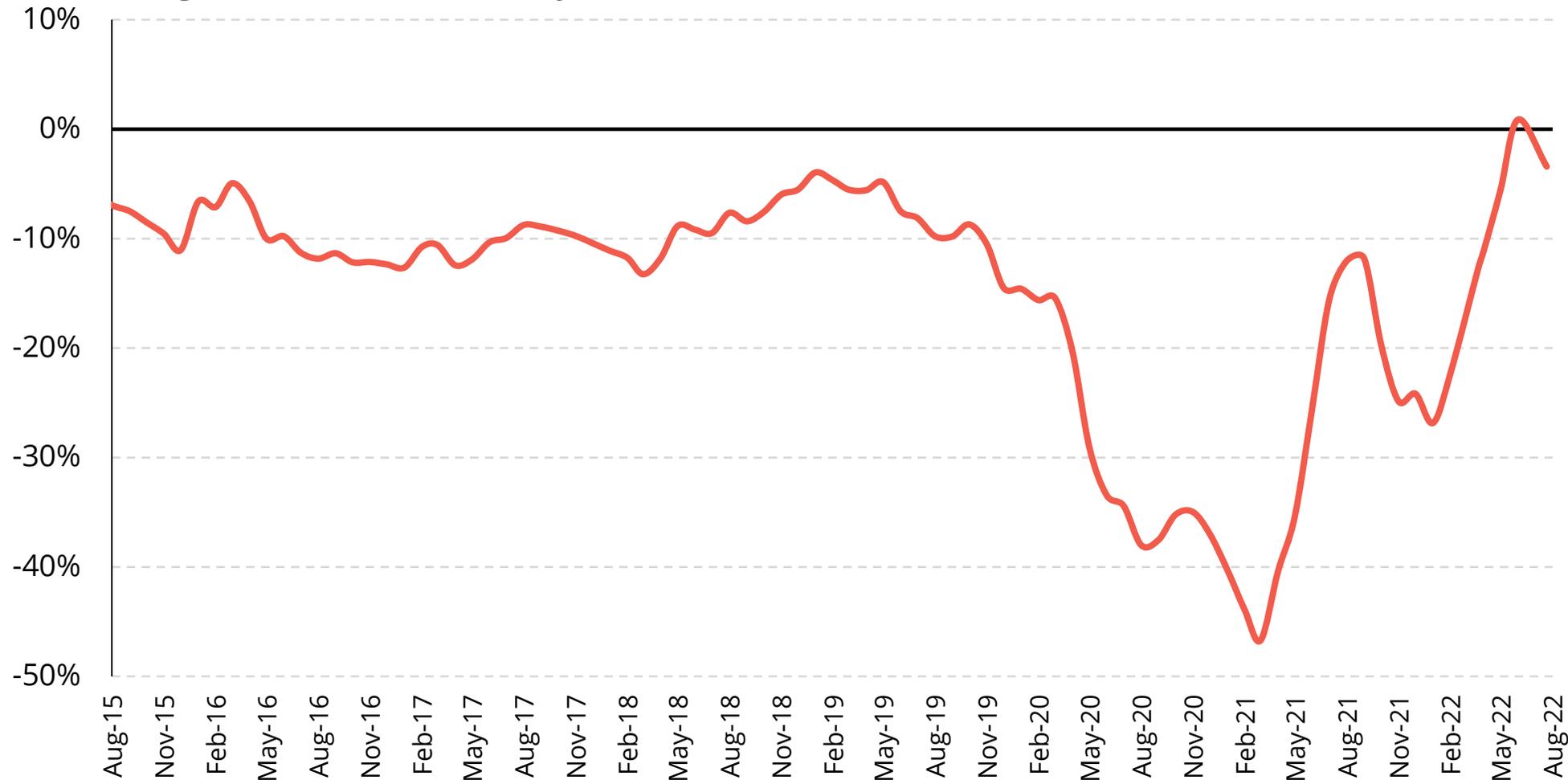
## Key Takeaways

Supply of active listings shrinking slower as market cools

However, overall inventory remains tight

New listings falling sharply, signaling hesitancy from potential sellers

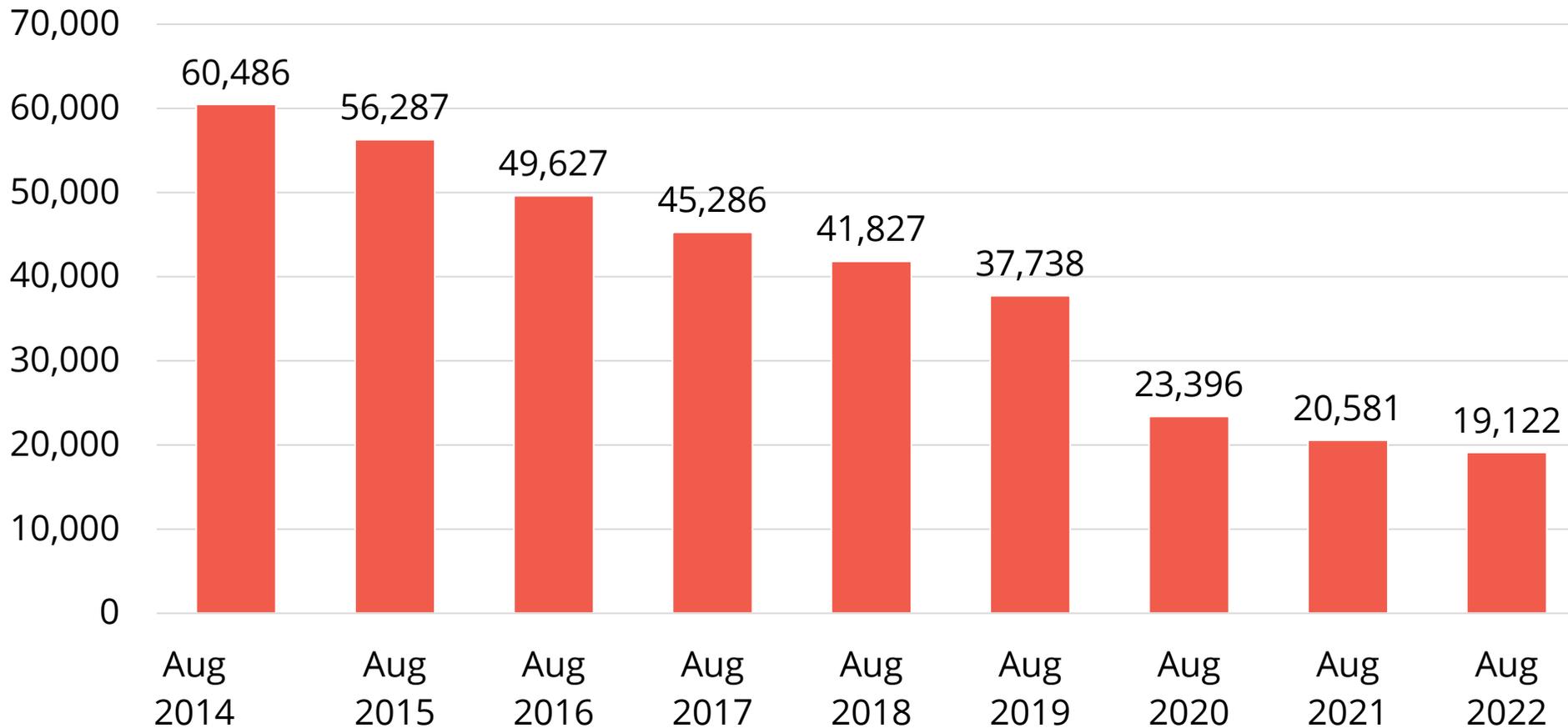
Y-o-Y Change in Month-End Inventory



Source: Virginia REALTORS®

# Virginia Inventory

Number of active listings  
End of August each year



Source: Virginia REALTORS®

## Key Takeaways

Inventory of active listings starting to plateau after many years shrinking

Overall supply level less than a third of what it was 8 yrs ago

Only 1.5 months of supply statewide

4 to 6 months of supply is indicative of a balanced market

# Inventory of Active Listings Increasing (end of Aug)

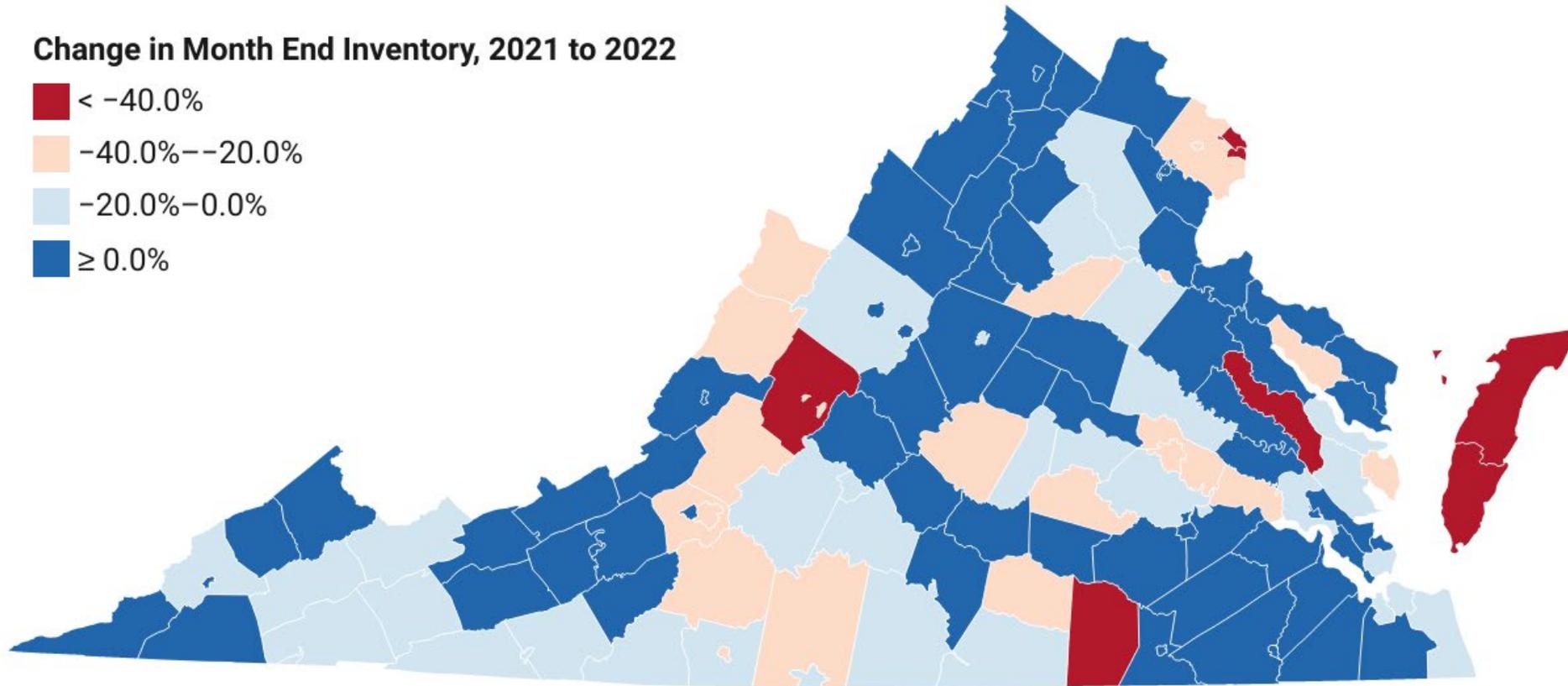
## Key Takeaways

Supply is starting to build up in some local markets.

Homes are staying on the market longer, and there are fewer pending sales

This is allowing for more options for buyers in the market

Change in Month End Inventory, 2021 to 2022



Source: Virginia REALTORS®

# Rent Trends by MSA in Virginia

## Key Takeaways

Rents continued to rise as homebuyers were priced out of the market

Effective Rent = Average rent adjusted for any concessions offered by the landlord

Rent is trending up in all MSA markets in Virginia

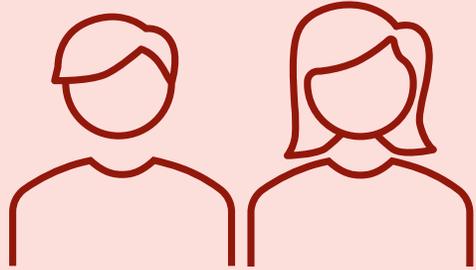
MSA	Q2 2019 Effective Rent per Unit	Q2 2020 Effective Rent per Unit	Q2 2021 Effective Rent per Unit	Q2 2022 Effective Rent per Unit
Blacksburg	\$1,062	\$1,116	\$1,116	\$1,135
Charlottesville	\$1,337	\$1,357	\$1,440	\$1,545
Harrisonburg	\$925	\$945	\$974	\$1,048
Lynchburg	\$873	\$894	\$941	\$1,021
Norfolk	\$1,068	\$1,106	\$1,215	\$1,305
Northern Virginia	\$1,802	\$1,755	\$1,857	\$2,057
Richmond	\$1,105	\$1,137	\$1,235	\$1,352
Roanoke	\$843	\$851	\$930	\$1,022
Winchester	\$1,085	\$1,114	\$1,175	\$1,211
State of Virginia	\$1,380	\$1,379	\$1,476	\$1,617



# IMPACT ON AFFORDABILITY



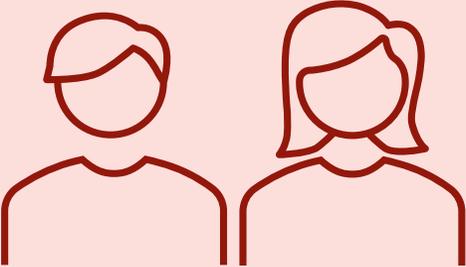
# Scenario 1: First-time buyers in Roanoke Area



Household Income  
**\$87K** per year

Max Housing Payment\*  
**\$2,000** per month

# Scenario 1: First-time buyers in Roanoke Area



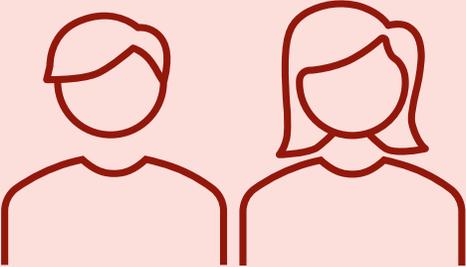
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**AUG 2021**

INTEREST RATE	<b>2.85%</b>
PURCHASING POWER	<b>\$420K</b>
MEDIAN PRICE (SFD & TH/C)	<b>\$249K</b>

# Scenario 1: First-time buyers in Roanoke Area

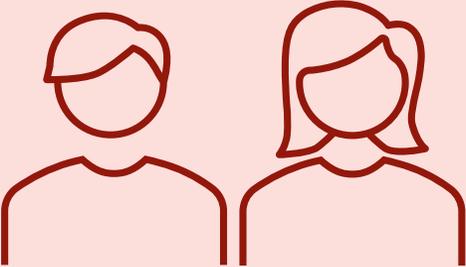


Household Income  
**\$87K** per year

Max Housing Payment\*  
**\$2,000** per month

	AUG 2021	MAR 2022
INTEREST RATE	2.85%	3.85%
PURCHASING POWER	<b>\$420K</b>	<b>\$384K</b>
MEDIAN PRICE (SFD & TH/C)	<b>\$249K</b>	<b>\$260K</b>

# Scenario 1: First-time buyers in Roanoke Area



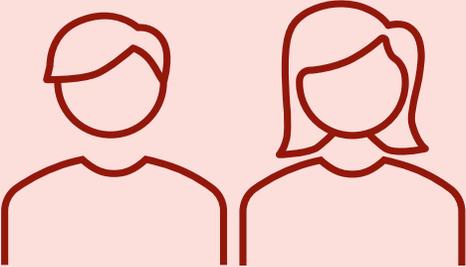
Household Income  
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Max Housing Payment\*  
**\$2,000** per month

	AUG 2021	MAR 2022	AUG 2022
INTEREST RATE	2.85%	3.85%	5.15%
PURCHASING POWER	<b>\$420K</b>	<b>\$384K</b>	<b>\$343K</b>
MEDIAN PRICE (SFD & TH/C)	<b>\$249K</b>	<b>\$260K</b>	<b>\$290K</b>

Sources: U.S. Census Bureau (American Community Survey), Virginia REALTORS®, Freddie Mac, Redfin  
 Note: Data rounded, Assumes 20% down payment, 1.25% property tax, 0.5% annual insurance premium

# Scenario 1: First-time buyers in Roanoke Area



Household Income  
**\$87K** per year

Max Housing Payment\*  
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**AUG 2021**

PURCHASING  
POWER

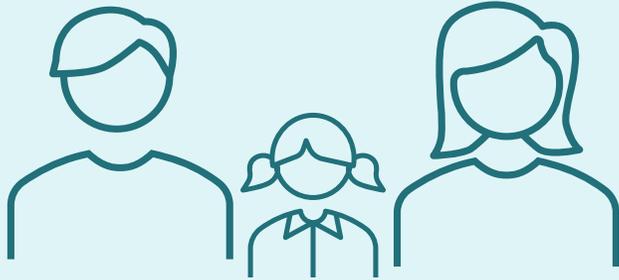
**\$420K**

**AUG 2022**

**\$343K**

**-\$77K**

# Scenario 2: Move up buyers in Hampton Roads



Household Income  
**\$103K** per year

Max Housing Payment\*  
**\$2,500** per month

# Scenario 2: Move up buyers in Hampton Roads

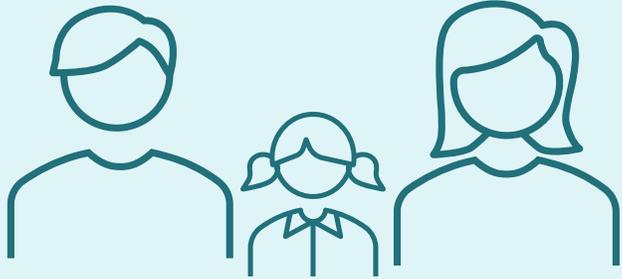
Household Income  
**\$103K** per year

Max Housing Payment\*  
**\$2,500** per month

**AUG 2021**

INTEREST RATE	<b>2.85%</b>
PURCHASING POWER	<b>\$525K</b>
MEDIAN PRICE (SFD)	<b>\$325K</b>

# Scenario 2: Move up buyers in Hampton Roads



Household Income  
**\$103K** per year

Max Housing Payment\*  
**\$2,500** per month

	AUG 2021	MAR 2022
INTEREST RATE	2.85%	3.85%
PURCHASING POWER	<b>\$525K</b>	<b>\$480K</b>
MEDIAN PRICE (SFD)	<b>\$325K</b>	<b>\$327K</b>

# Scenario 2: Move up buyers in Hampton Roads

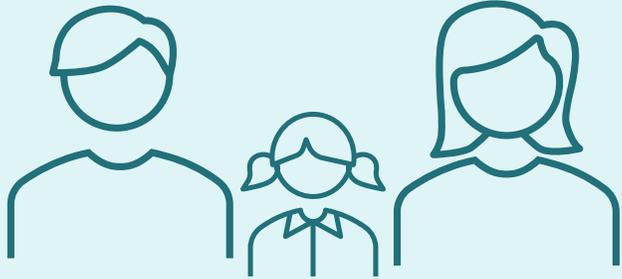


Household Income  
**\$103K** per year

Max Housing Payment\*  
**\$2,500** per month

	AUG 2021	MAR 2022	AUG 2022
INTEREST RATE	2.85%	3.85%	5.15%
PURCHASING POWER	<b>\$525K</b>	<b>\$480K</b>	<b>\$429K</b>
MEDIAN PRICE (SFD)	<b>\$325K</b>	<b>\$327K</b>	<b>\$345K</b>

# Scenario 2: Move up buyers in Hampton Roads



Household Income  
**\$103K** per year

Max Housing Payment\*  
**\$2,500** per month

PURCHASING  
POWER

**AUG 2021**

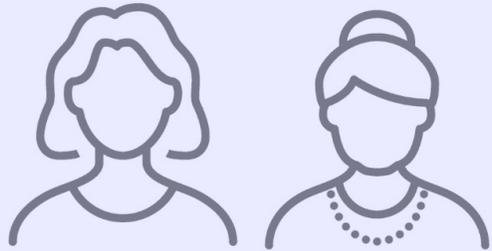
**\$525K**

**AUG 2022**

**\$429K**

**-\$96K**

# Scenario 3: Multigenerational buyers in Richmond



Household Income  
**\$60K** per year

Max Housing Payment\*  
**\$1,500** per month

# Scenario 3: Multigenerational buyers in Richmond



Household Income  
**\$60K** per year

Max Housing Payment\*  
**\$1,500** per month

**AUG 2021**

INTEREST RATE	<b>2.85%</b>
PURCHASING POWER	<b>\$315K</b>
MEDIAN PRICE (TH/C)	<b>\$280K</b>

# Scenario 3: Multigenerational buyers in Richmond



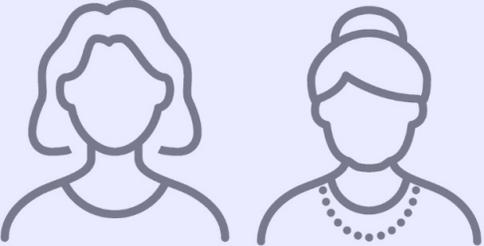
Household Income  
**\$60K** per year

Max Housing Payment\*  
**\$1,500** per month

	AUG 2021	MAR 2022
INTEREST RATE	2.85%	3.85%
PURCHASING POWER	<b>\$315K</b>	<b>\$288K</b>
MEDIAN PRICE (TH/C)	<b>\$280K</b>	<b>\$326K</b>

Sources: U.S. Census Bureau (American Community Survey), Virginia REALTORS®, Freddie Mac, Redfin  
 Note: Data rounded, Assumes 20% down payment, 1.25% property tax, 0.5% annual insurance premium

# Scenario 3: Multigenerational buyers in Richmond



Household Income  
**\$60K** per year

Max Housing Payment\*  
**\$1,500** per month

	AUG 2021	MAR 2022	AUG 2022
INTEREST RATE	2.85%	3.85%	5.15%
PURCHASING POWER	<b>\$315K</b>	<b>\$288K</b>	<b>\$257K</b>
MEDIAN PRICE (TH/C)	<b>\$280K</b>	<b>\$326K</b>	<b>\$326K</b>

Sources: U.S. Census Bureau (American Community Survey), Virginia REALTORS®, Freddie Mac, Redfin  
 Note: Data rounded, Assumes 20% down payment, 1.25% property tax, 0.5% annual insurance premium

# Scenario 3: Multigenerational buyers in Richmond



Household Income  
**\$60K** per year

Max Housing Payment\*  
**\$1,500** per month

**AUG 2021**

PURCHASING  
POWER

**\$315K**

**AUG 2022**

**\$257K**

**-\$58K**



# OUTLOOK

2022 & 2023

# Economic Outlook:

## Job Growth

Annual Change



2022: +3.0%  
+117K jobs

2023: +0.3%  
+13K jobs

## Unemployment Rate

4<sup>th</sup> quarter



2022: 2.8%

2023: 3.5%

# Housing Market Outlook:



## Home Sales

Annual Change

2022: -15.7%

2023: -2.5%



## Median Home Price

Annual Change

2022: +7.0%

2023: +2.9%



## New Housing Starts

Annual Change

2022: -3.1%

2023: -3.6%



## 30-Year Mortgage Rate

December average

2022: 5.95%

2023: 5.20%

It might feel like we're headed in the same direction, but it's important to keep in mind ...

# 2022 IS NOT 2008

**2022**

**Tight** credit standards

**Little** subprime lending

**Extremely low** inventory and constrained new construction

Unemployment **falling**



**2008**

**Loose** credit standards

**Extensive** subprime lending

**Abundant supply** and surges in new construction activity

Unemployment **rising**

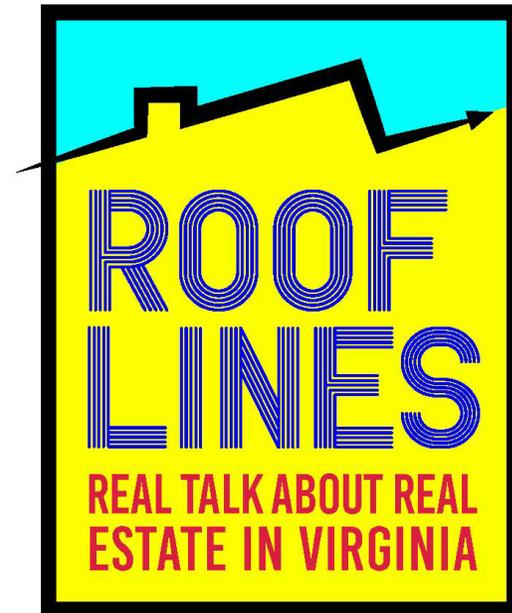


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By the Numbers webinar Quarterly



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