



VIRGINIA Economy & Housing Market Recent Trends + Forecast

Ryan Price
Chief Economist
Virginia REALTORS®



Rising
Interest
Rates

Cooling
Demand

Soaring
Prices

Tight
Inventory

Supply
Chain
Issues

High
Inflation





ECONOMY

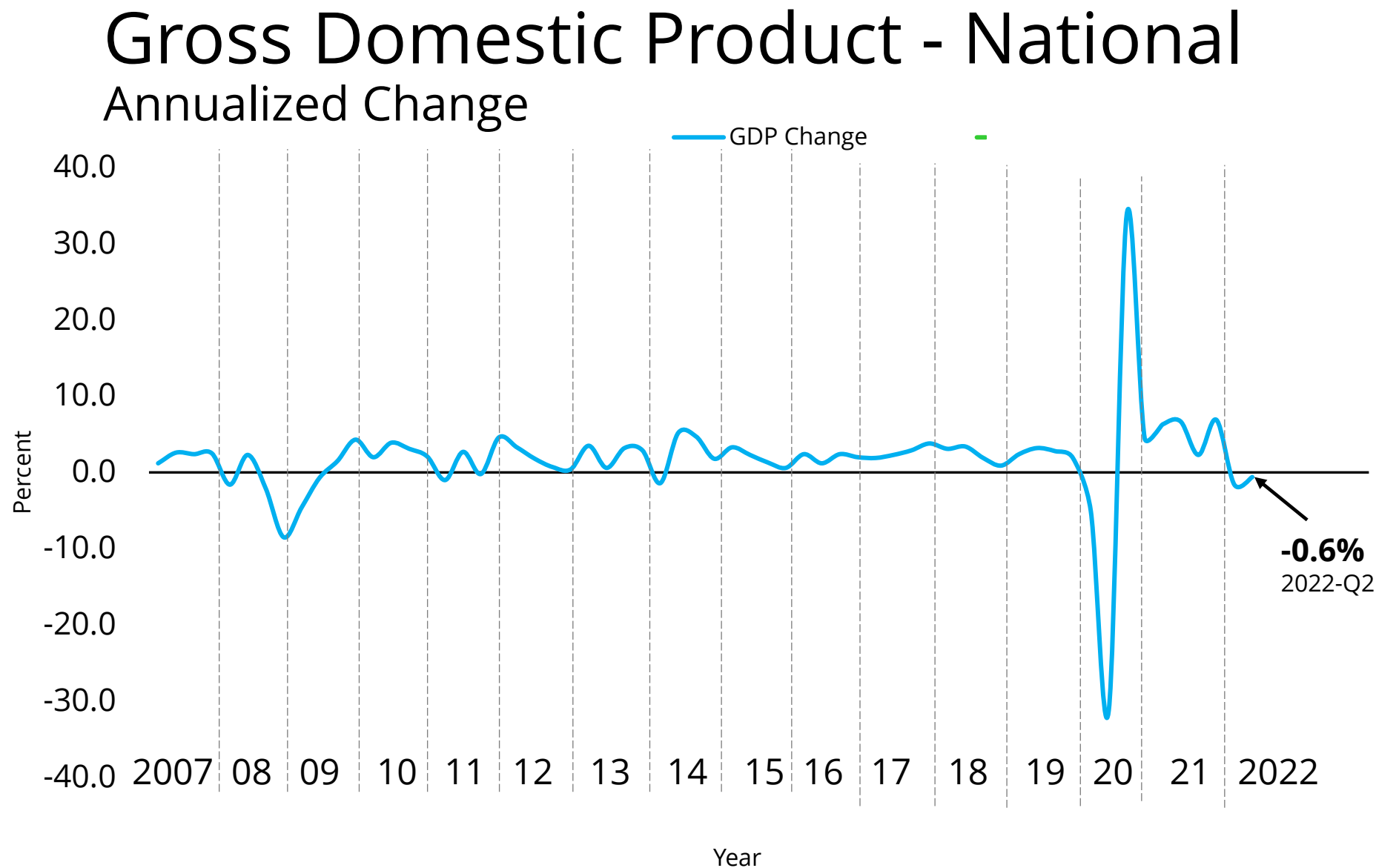


Key Takeaways

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



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

Key Takeaways

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

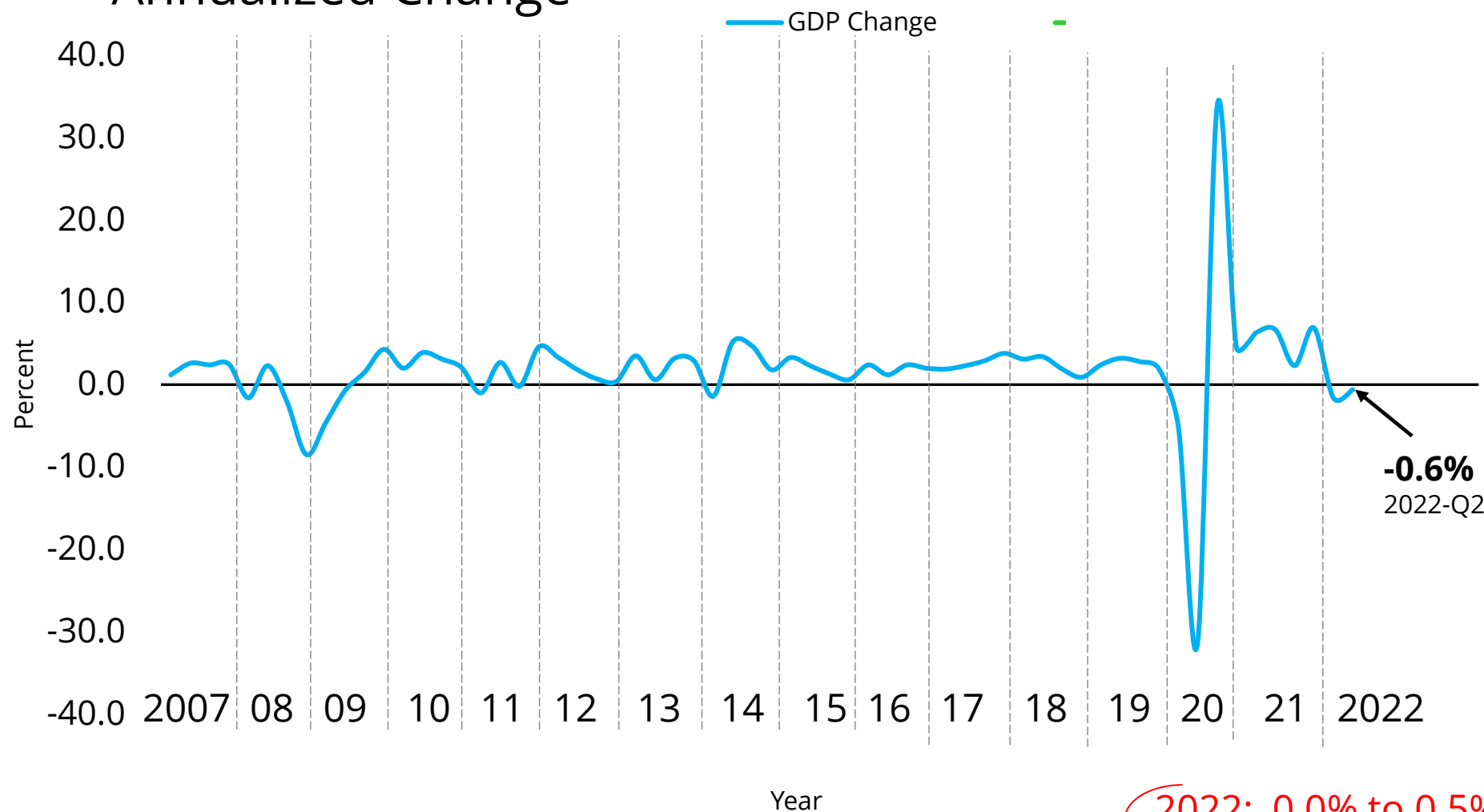
Strong growth led to overheated economy

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, FMOC

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

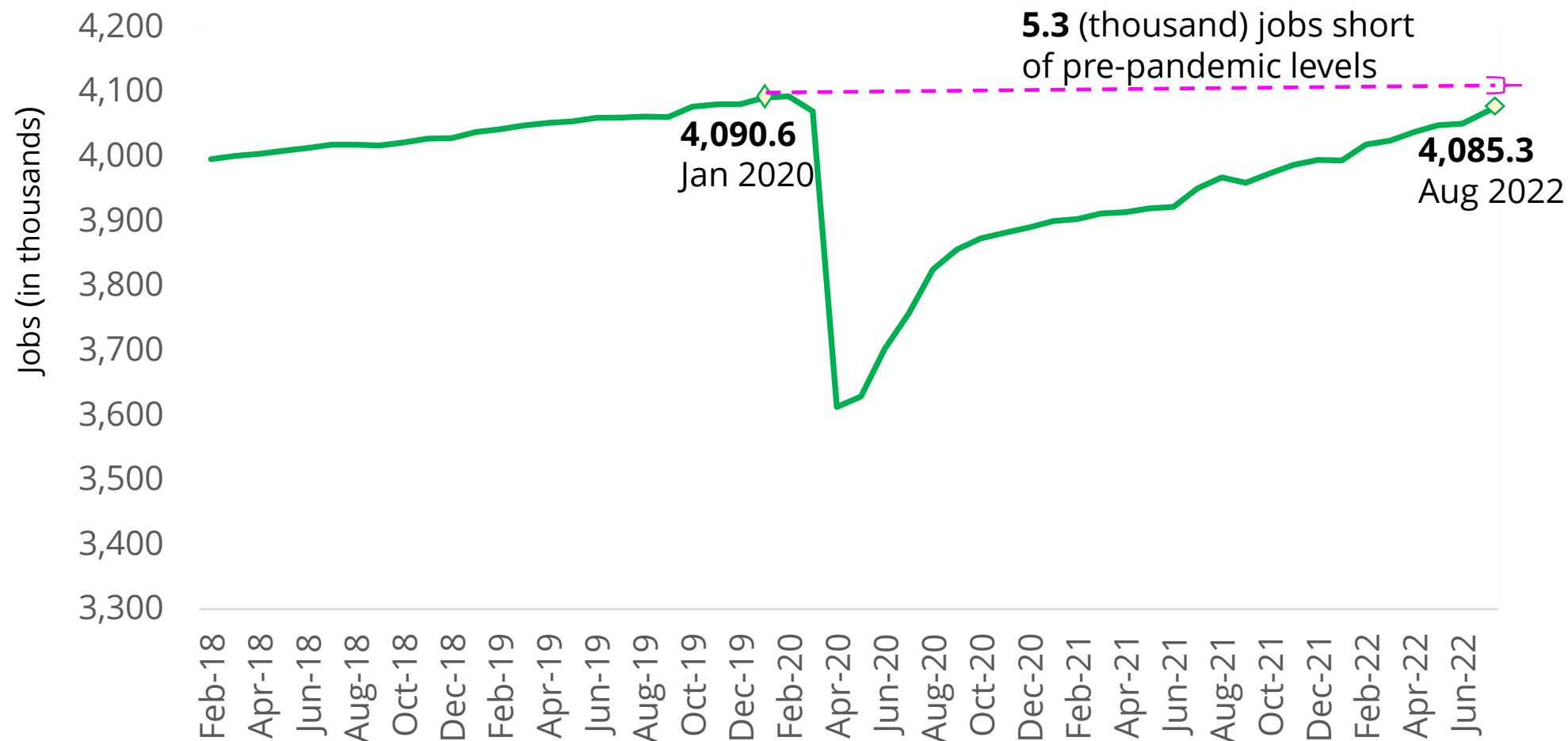
Since then, strong job recovery in many sectors

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

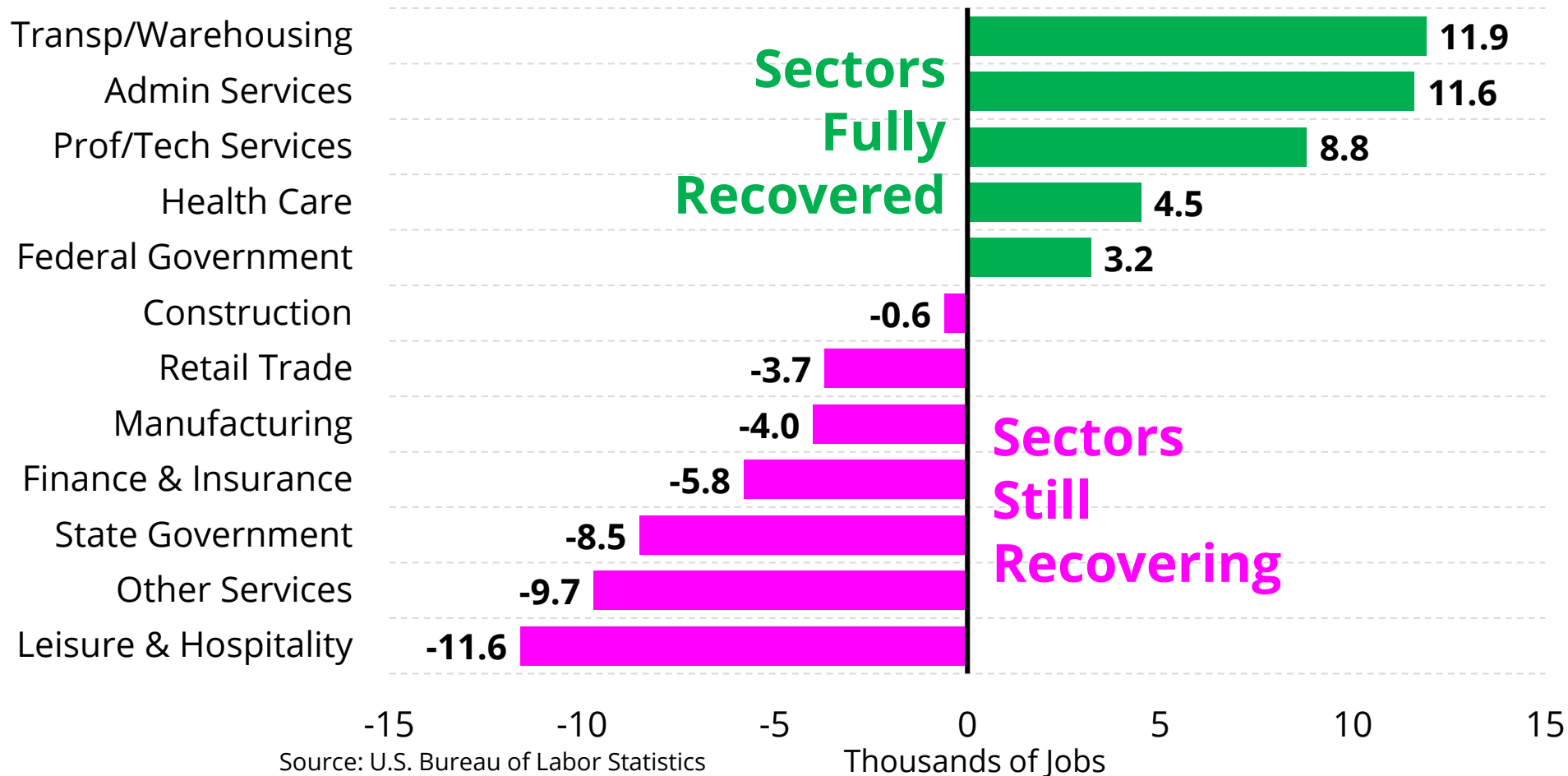
Rapid recovery, almost back to pre-pandemic levels



Source: U.S. Bureau of Labor Statistics

Job Recovery by Sector in Virginia

Virginia Employment by Sector
Aug 2022 Compared to Jan 2020



Key Takeaways

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

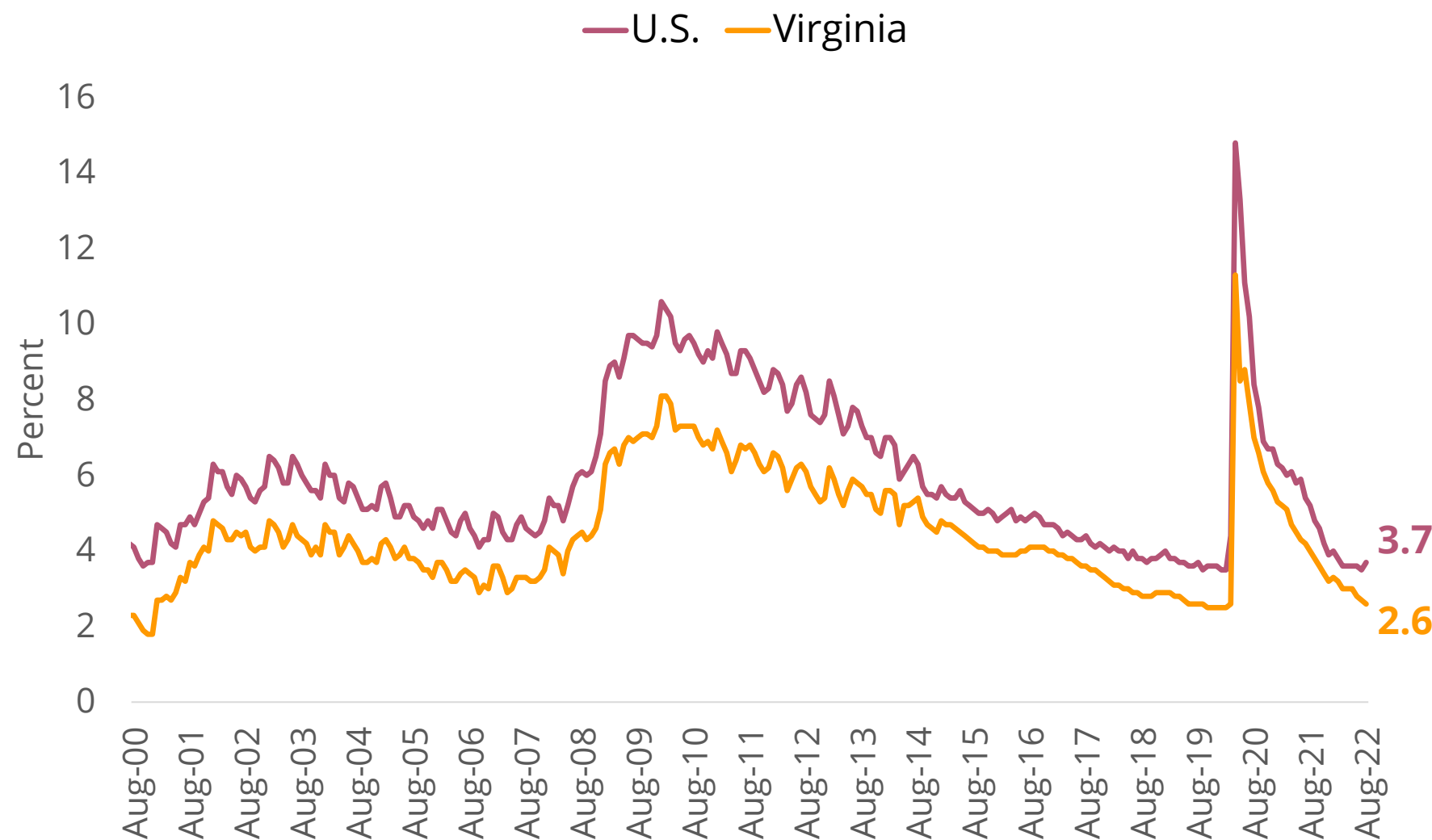
Unemployment in VA way down from 14.7% peak in April 2020

VA outperforming US unemployment rate

Labor force participation rate still recovering

Unemployment will likely rise in the coming year as economy weakens

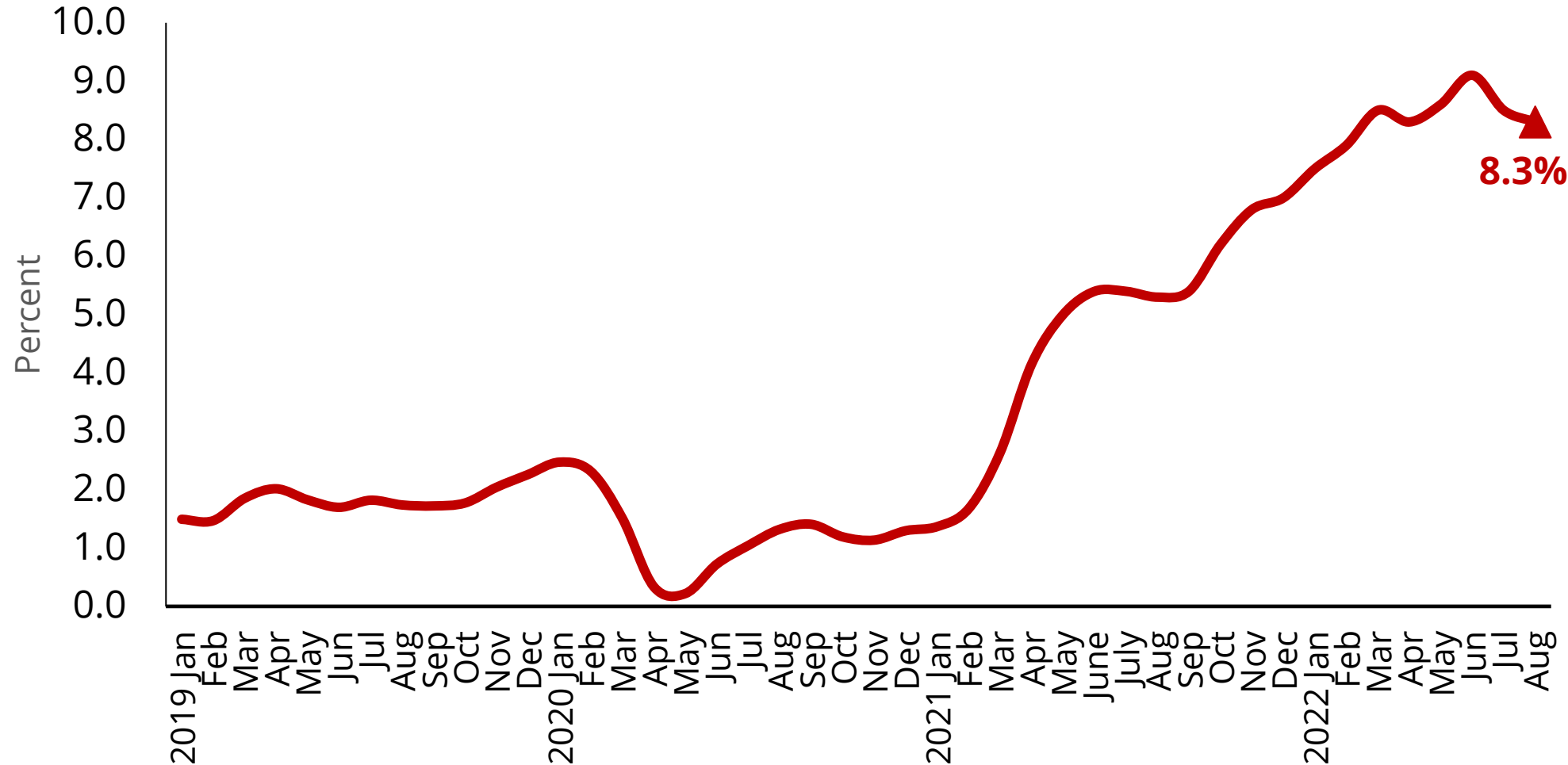
Unemployment Rate



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 **+23.8%**



USED VEHICLES **+7.8%**



NEW VEHICLES **+10.1%**



GROCERIES **+13.5%**



EATING OUT **+8.0%**



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

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

	GASOLINE	+23.8%
	USED VEHICLES	+7.8%
	NEW VEHICLES	+10.1%
	GROCERIES	+13.5%
	EATING OUT	+8.0%

May 2022

+43.6%

+22.7%

+13.2%

+10.8%

+7.2%

Key Takeaways

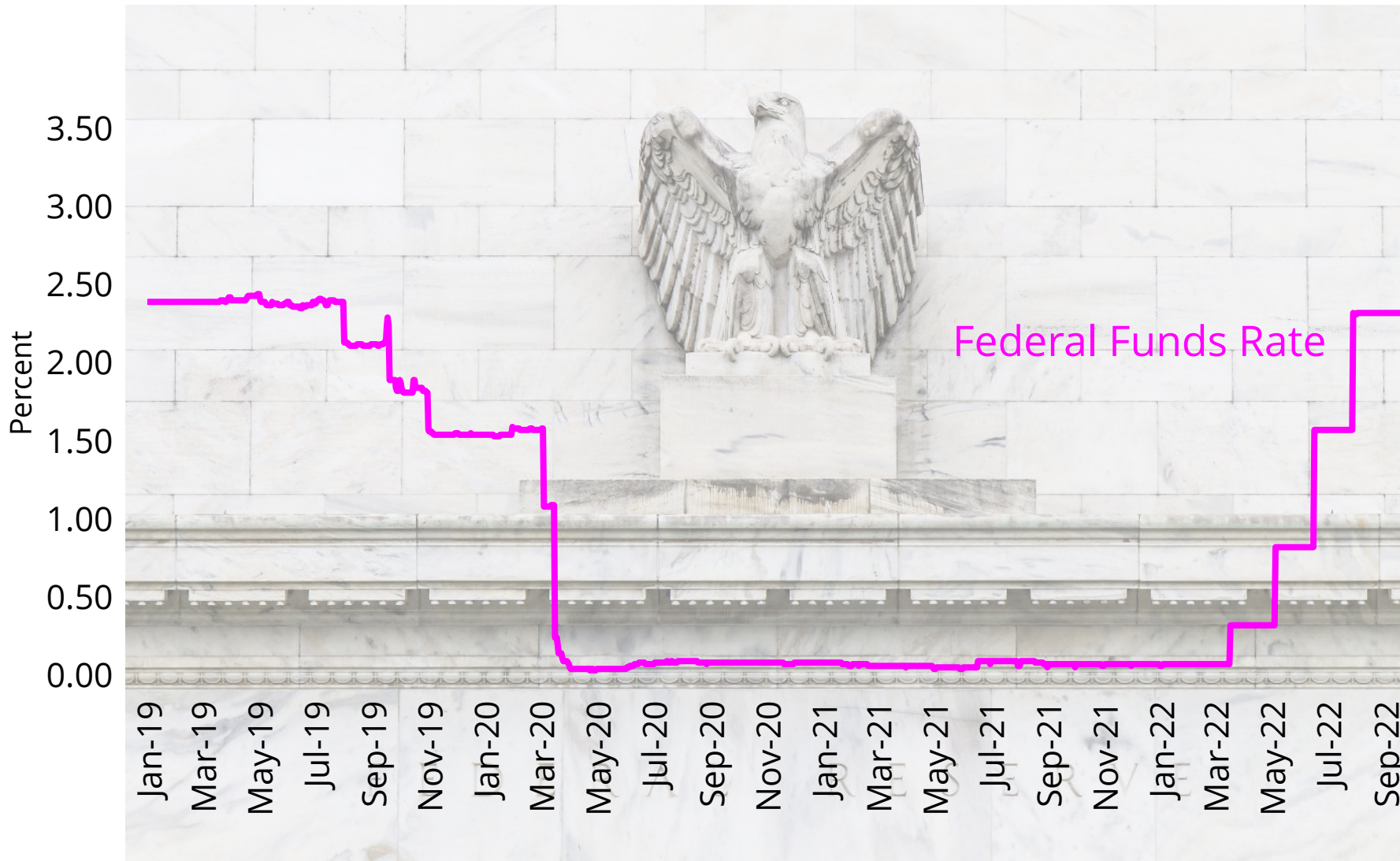
Prices are up for just about everything

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



Source: U.S. Federal Reserve Board

Federal Reserve controls Federal Funds Rate

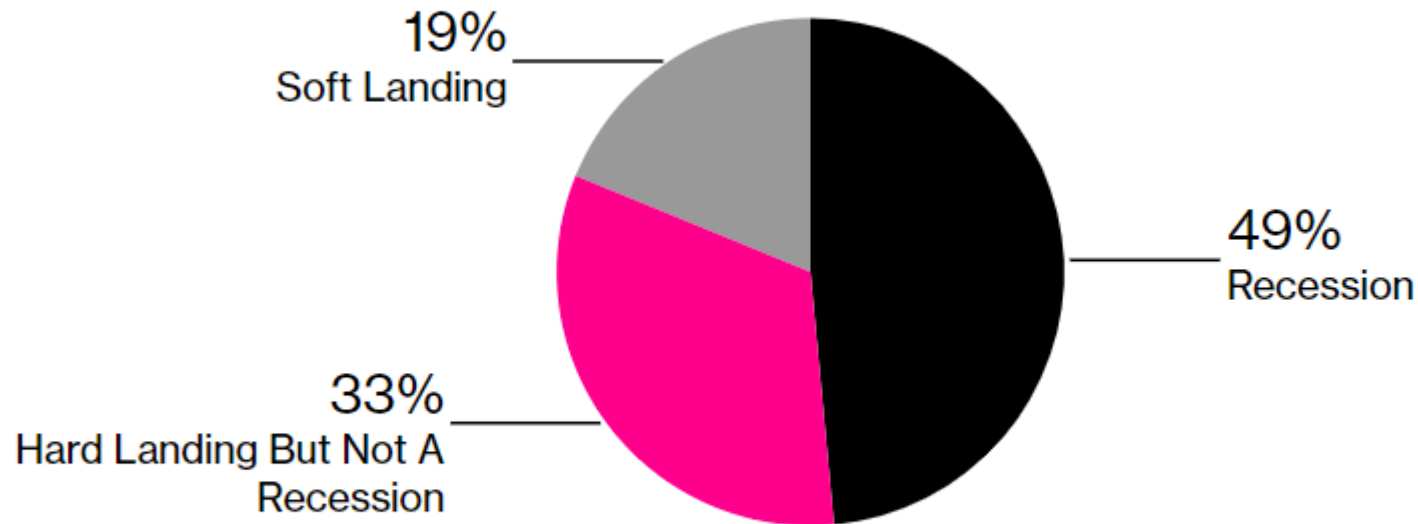
Rate banks use to loan money to each other

2022 = most aggressive increases since early 1980s

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

Will Rate Hikes Trigger Recession?

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



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



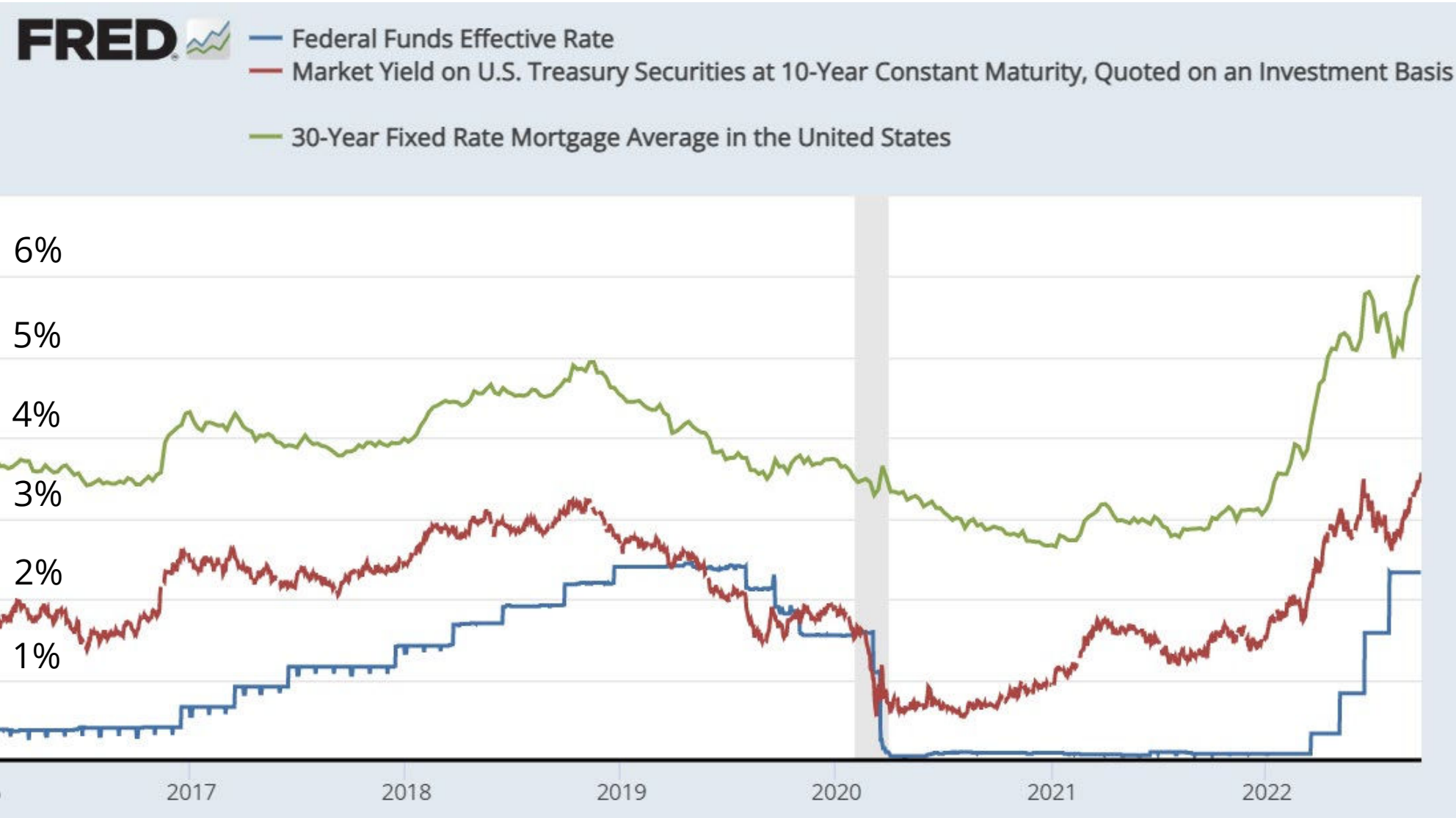
Key Takeaways

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

Impact on Mortgage Rates



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

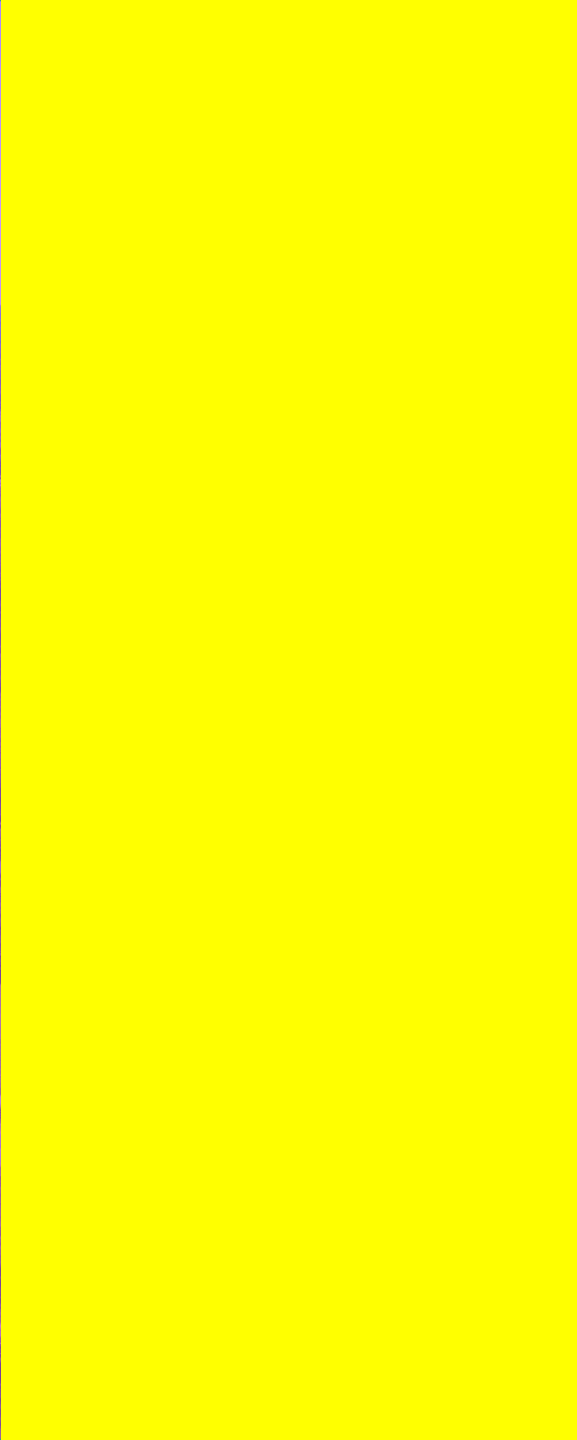
Many lenders have already priced in expected rate hikes

Upward pressure, and fluctuations likely

Mortgage rates likely to edge down moderately next year

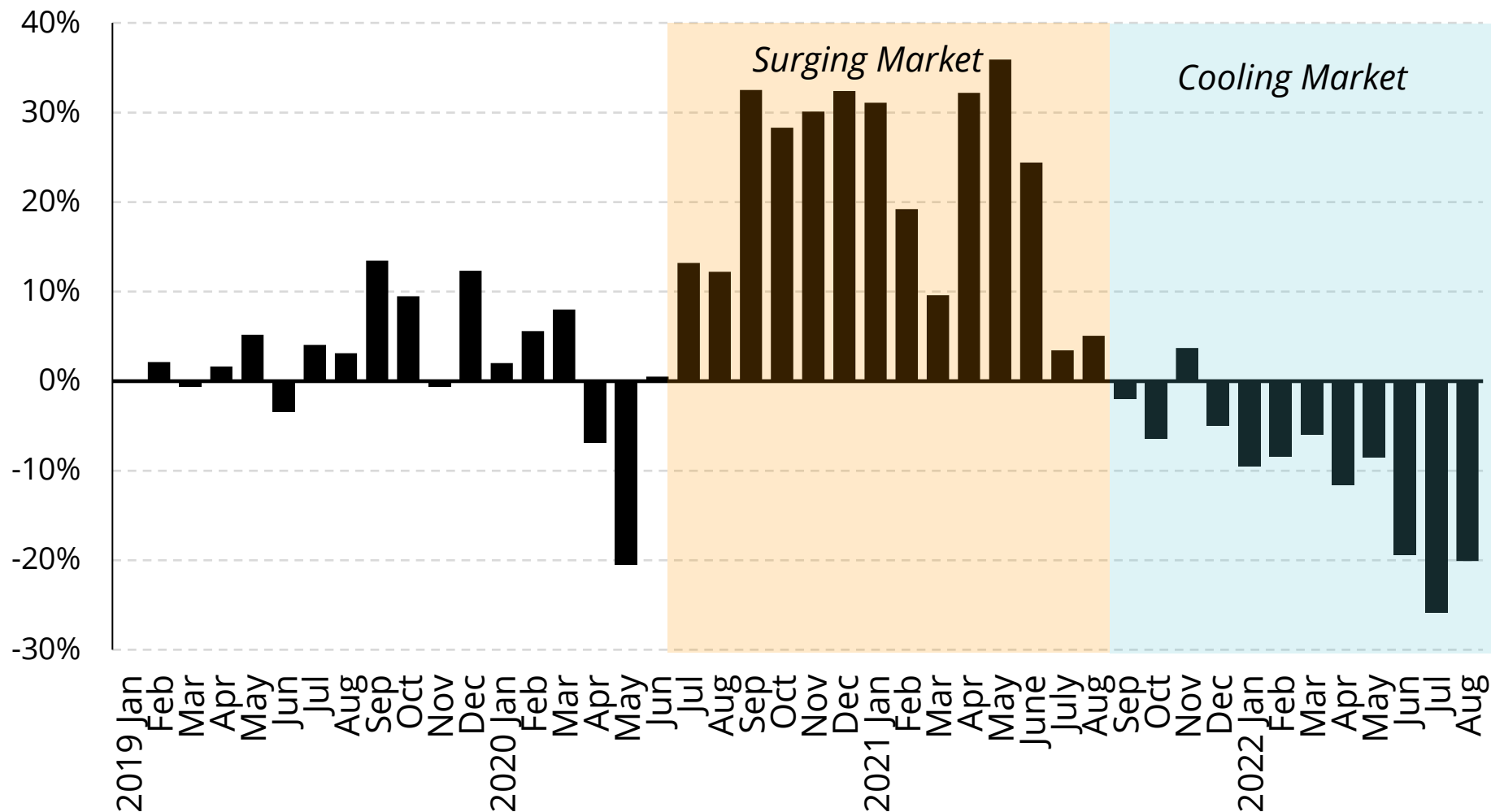


HOUSING MARKET



Virginia Home Sales

Y-o-Y Change in Monthly Home Sales



Source: Virginia REALTORS®



Key Takeaways

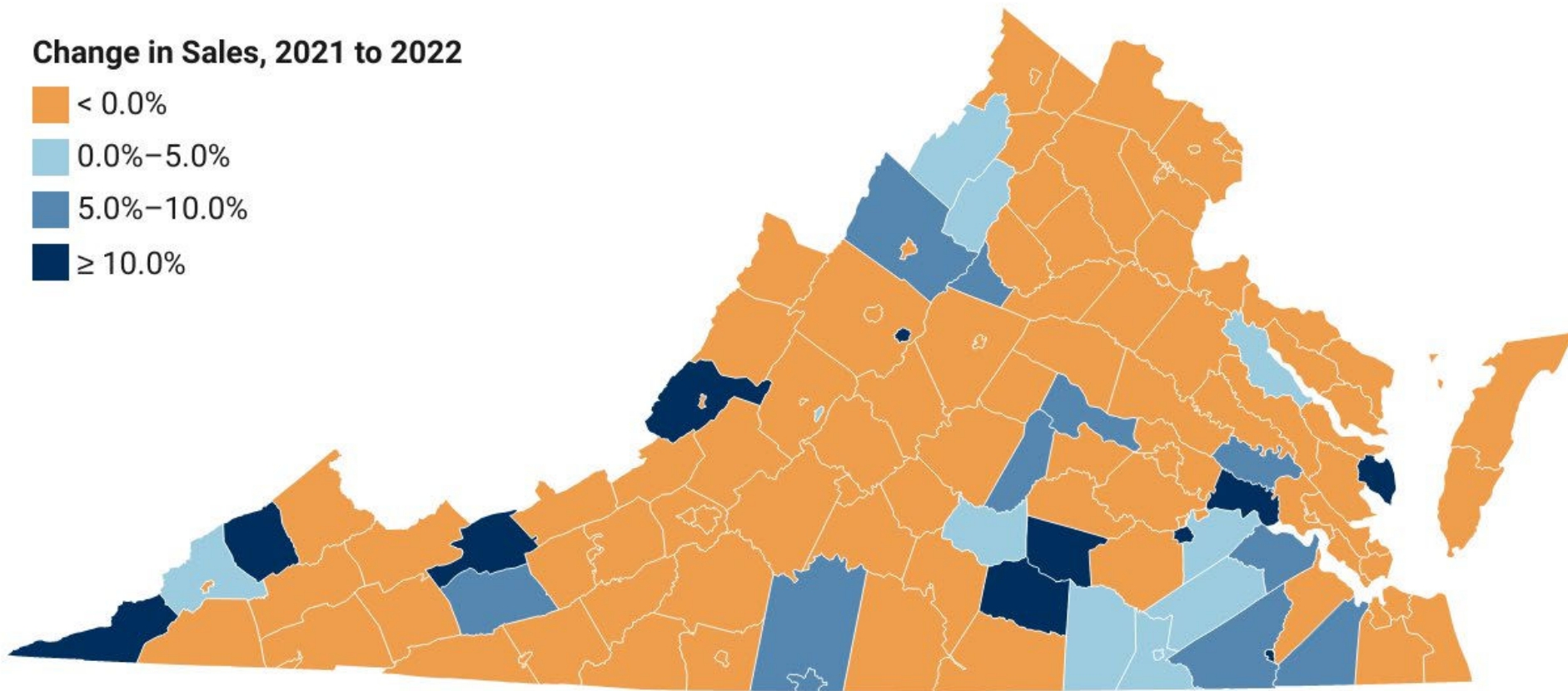
Market cooling for the past year

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)

Change in Sales, 2021 to 2022



Key Takeaways

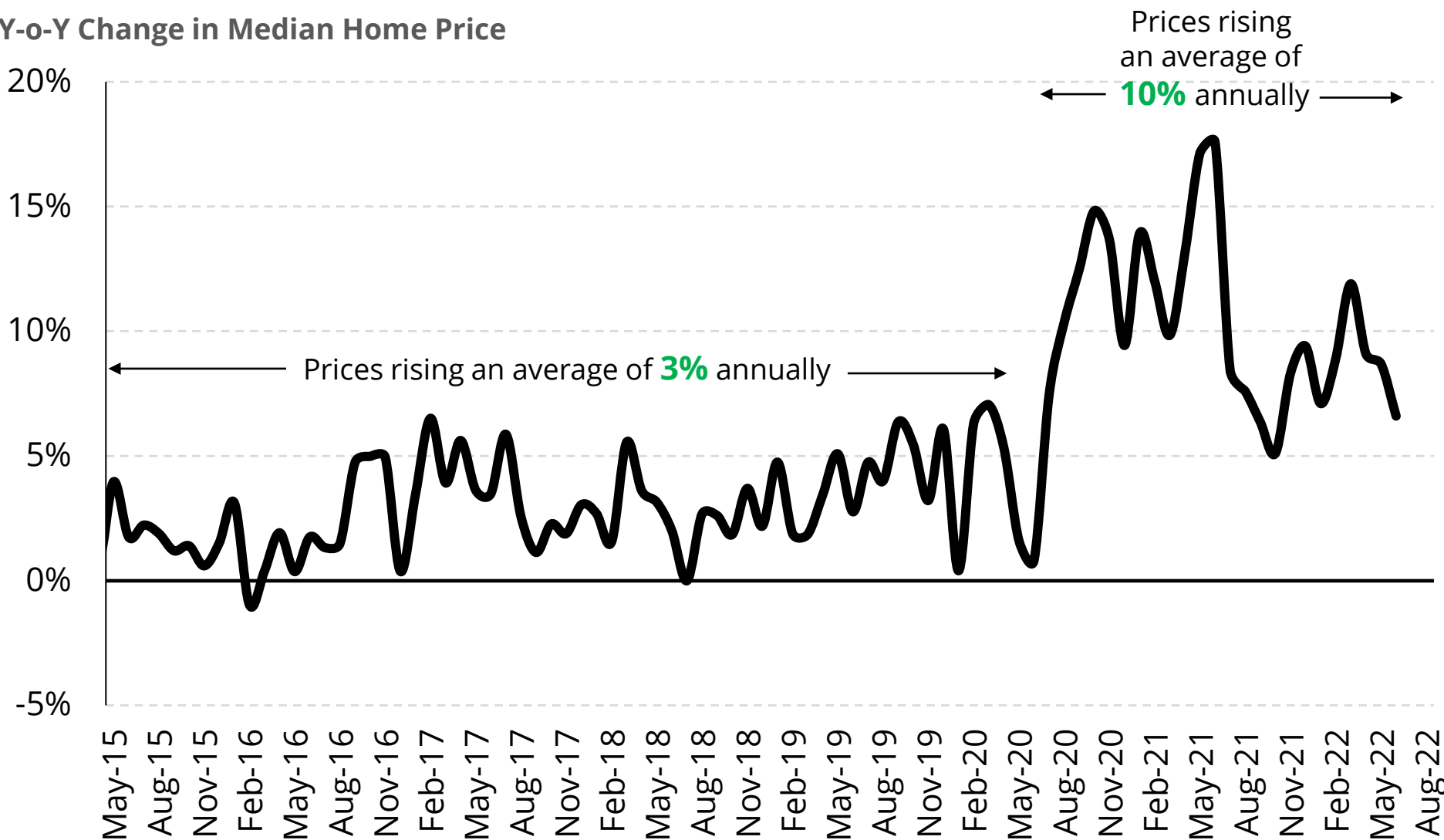
Slowdown occurring across most of VA

Sharpest drops in suburban/exurban and coastal markets

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

Virginia Home Prices

Y-o-Y Change in Median Home Price



Source: Virginia REALTORS®

Key Takeaways

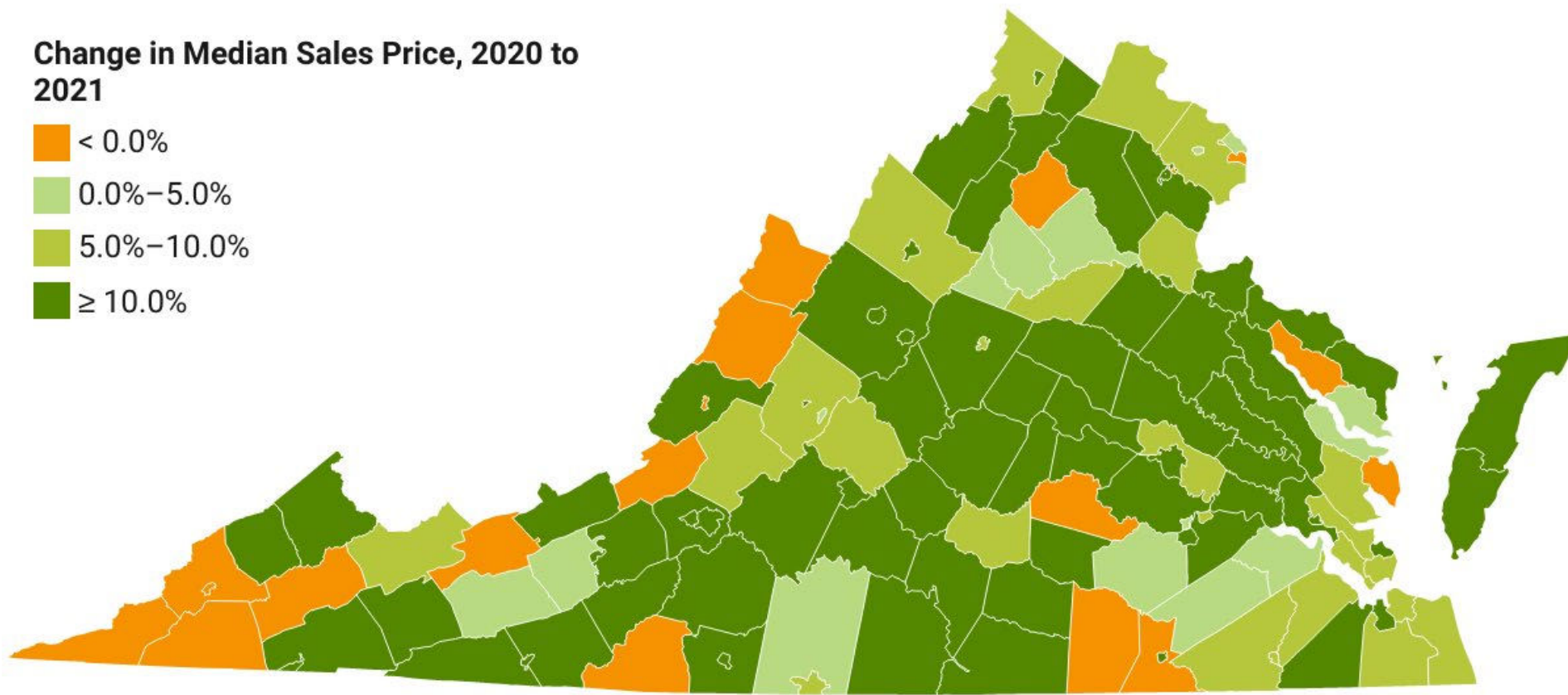
Despite significant slowdown in sales, price still climbing

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)

Change in Median Sales Price, 2020 to 2021



Key Takeaways

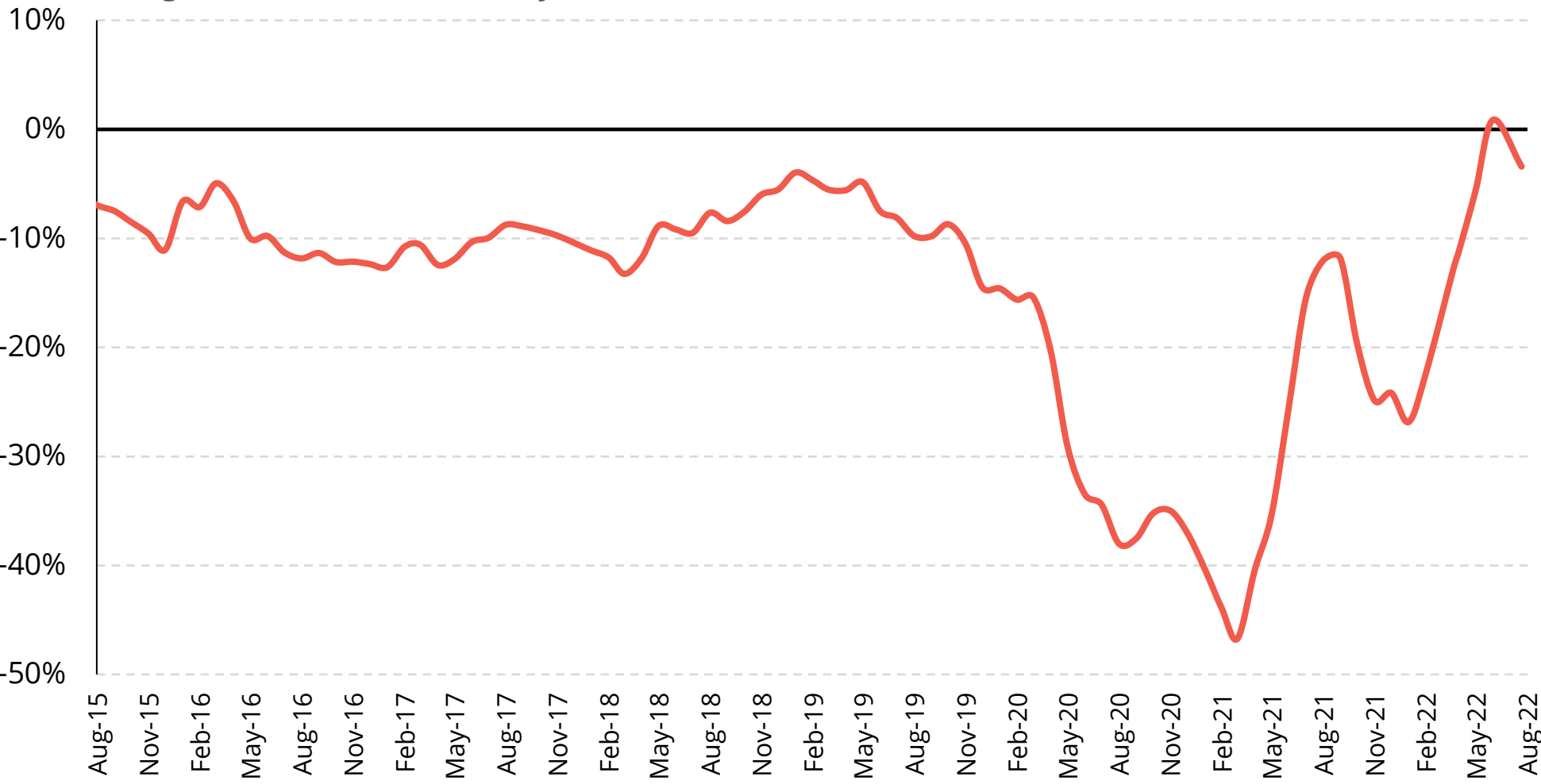
Double-digit price growth in many regions

Strongest growth in Central Virginia and Eastern Virginia

Low supply keeping upward pressure on home prices

Inventory

Y-o-Y Change in Month-End Inventory



Source: Virginia REALTORS®

Key Takeaways

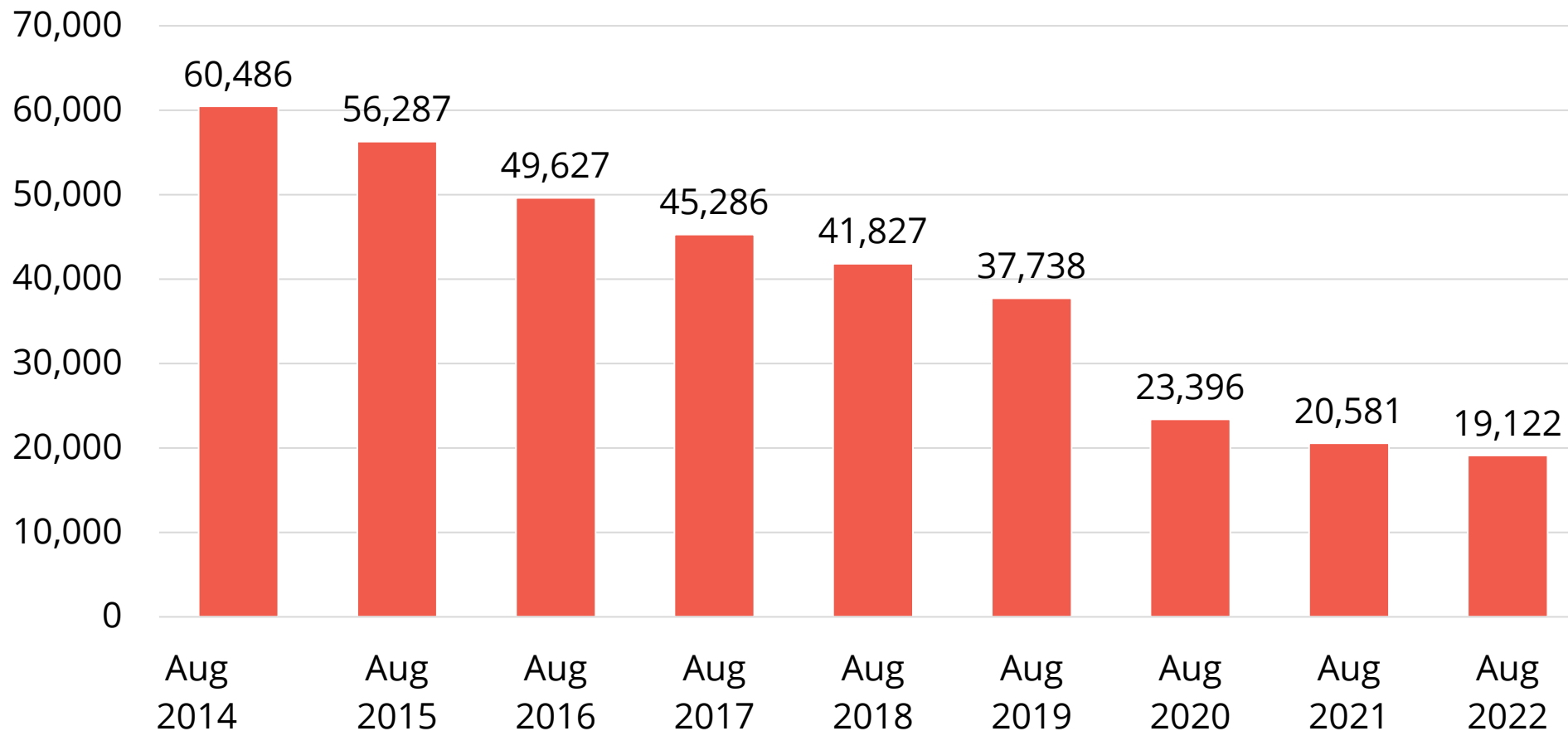
Supply of active listings shrinking slower as market cools

However, overall inventory remains tight

New listings falling sharply, signaling hesitancy from potential sellers

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)

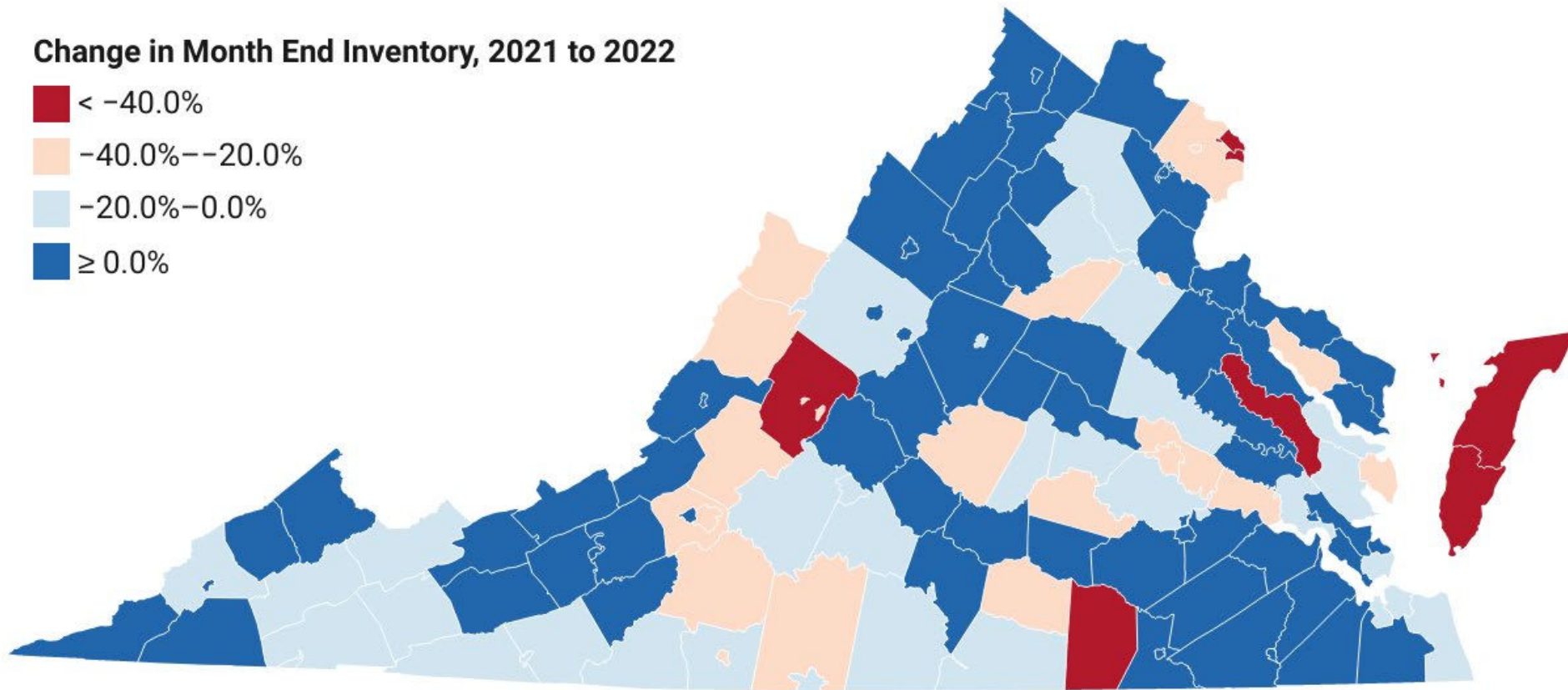


Supply is starting to build up in some local markets.

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

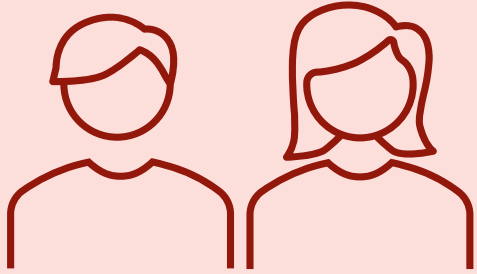
Rent is trending up in all MSA markets in Virginia

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

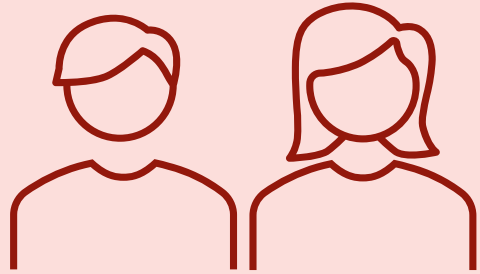


Household Income
\$87K per year

Max Housing Payment*
\$2,000 per month

Scenario 1: First-time buyers in Roanoke Area

AUG 2021



Household Income
\$87K per year

Max Housing Payment*
\$2,000 per month

INTEREST
RATE

2.85%

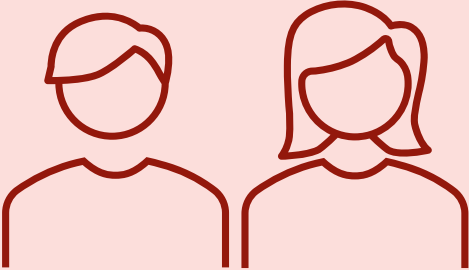
PURCHASING
POWER

\$420K

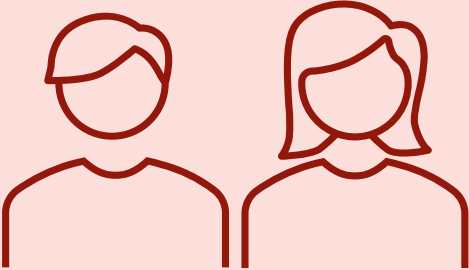
MEDIAN
PRICE
(SFD & TH/C)

\$249K

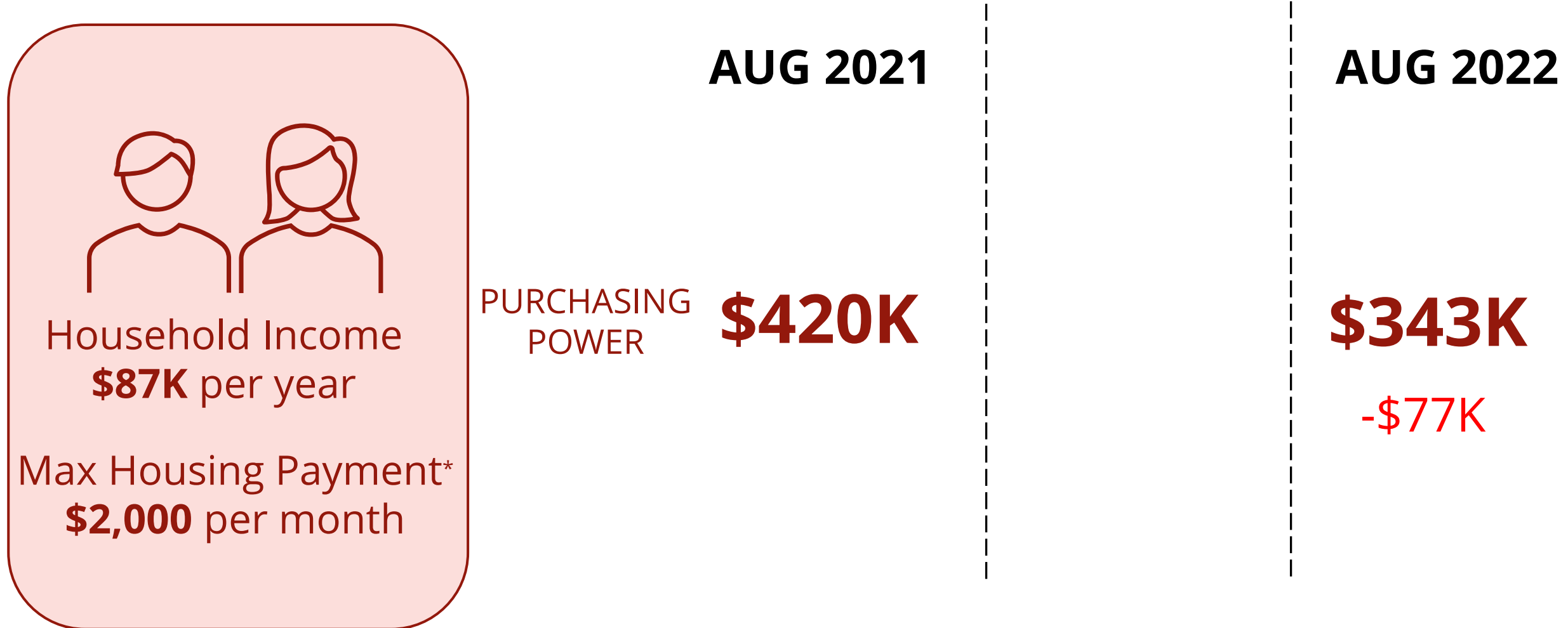
Scenario 1: First-time buyers in Roanoke Area

	AUG 2021	MAR 2022
 <p>Household Income \$87K per year</p> <p>Max Housing Payment* \$2,000 per month</p>	INTEREST RATE 2.85%	3.85%
	PURCHASING POWER \$420K	\$384K
	MEDIAN PRICE (SFD & TH/C) \$249K	\$260K

Scenario 1: First-time buyers in Roanoke Area

		AUG 2021	MAR 2022	AUG 2022
 <p>Household Income \$87K per year</p> <p>Max Housing Payment* \$2,000 per month</p>	INTEREST RATE	2.85%	3.85%	5.15%
	PURCHASING POWER	\$420K	\$384K	\$343K
	MEDIAN PRICE (SFD & TH/C)	\$249K	\$260K	\$290K

Scenario 1: First-time buyers in Roanoke Area



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

2.85%

PURCHASING
POWER

\$525K

MEDIAN
PRICE
(SFD)

\$325K

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	\$525K	\$480K
MEDIAN PRICE (SFD)	\$325K	\$327K

Scenario 2: Move up buyers in Hampton Roads

		AUG 2021	MAR 2022	AUG 2022
 <p>Household Income \$103K per year</p> <p>Max Housing Payment* \$2,500 per month</p>	INTEREST RATE	2.85%	3.85%	5.15%
	PURCHASING POWER	\$525K	\$480K	\$429K
	MEDIAN PRICE (SFD)	\$325K	\$327K	\$345K

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

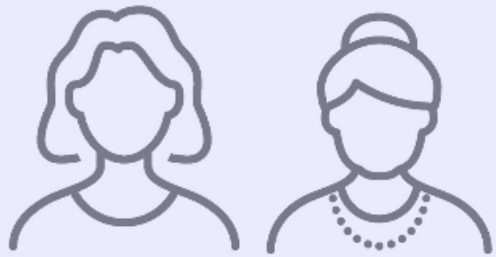
Scenario 3: Multigenerational buyers in Richmond



Household Income
\$60K per year

Max Housing Payment*
\$1,500 per month

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Household Income
\$60K per year

Max Housing Payment*
\$1,500 per month

AUG 2021

INTEREST
RATE

2.85%

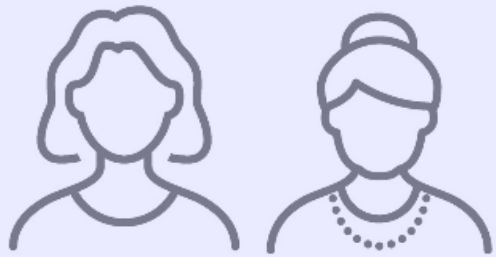
PURCHASING
POWER

\$315K

MEDIAN
PRICE
(TH/C)

\$280K

Scenario 3: Multigenerational buyers in Richmond



Household Income
\$60K per year

Max Housing Payment*
\$1,500 per month

INTEREST
RATE

AUG 2021

2.85%

MAR 2022

3.85%

PURCHASING
POWER

\$315K


\$288K

MEDIAN
PRICE
(TH/C)

\$280K

\$326K

Scenario 3: Multigenerational buyers in Richmond

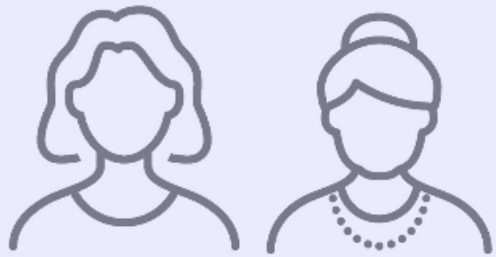


Household Income
\$60K per year

Max Housing Payment*
\$1,500 per month

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

Scenario 3: Multigenerational buyers in Richmond



Household Income
\$60K per year

Max Housing Payment*
\$1,500 per month

PURCHASING
POWER

AUG 2021

\$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

4th 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

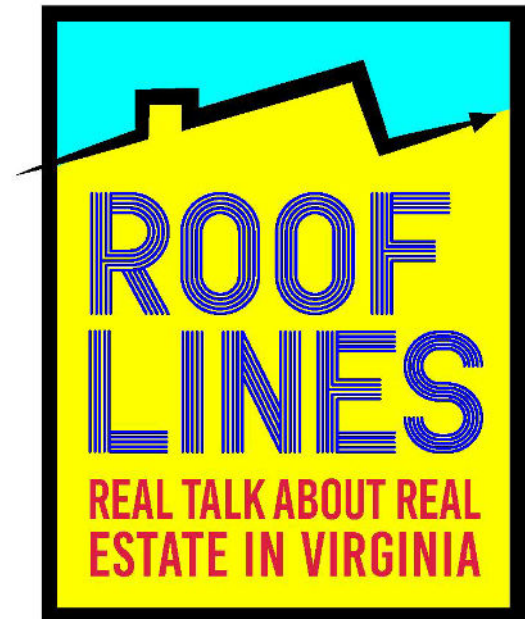
Unemployment **rising**

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3rd Thursday of the month



By the Numbers webinar
Quarterly



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Research staff
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We're here for you!

research@virginiarealtors.org

Ryan Price, Chief Economist

rprice@virginiarealtors.org

Dominique Fair, Research Associate

dfair@virginiarealtors.org

Abel Opoku-Adjei, Research Associate

aopoku-adjei@virginiarealtors.org

