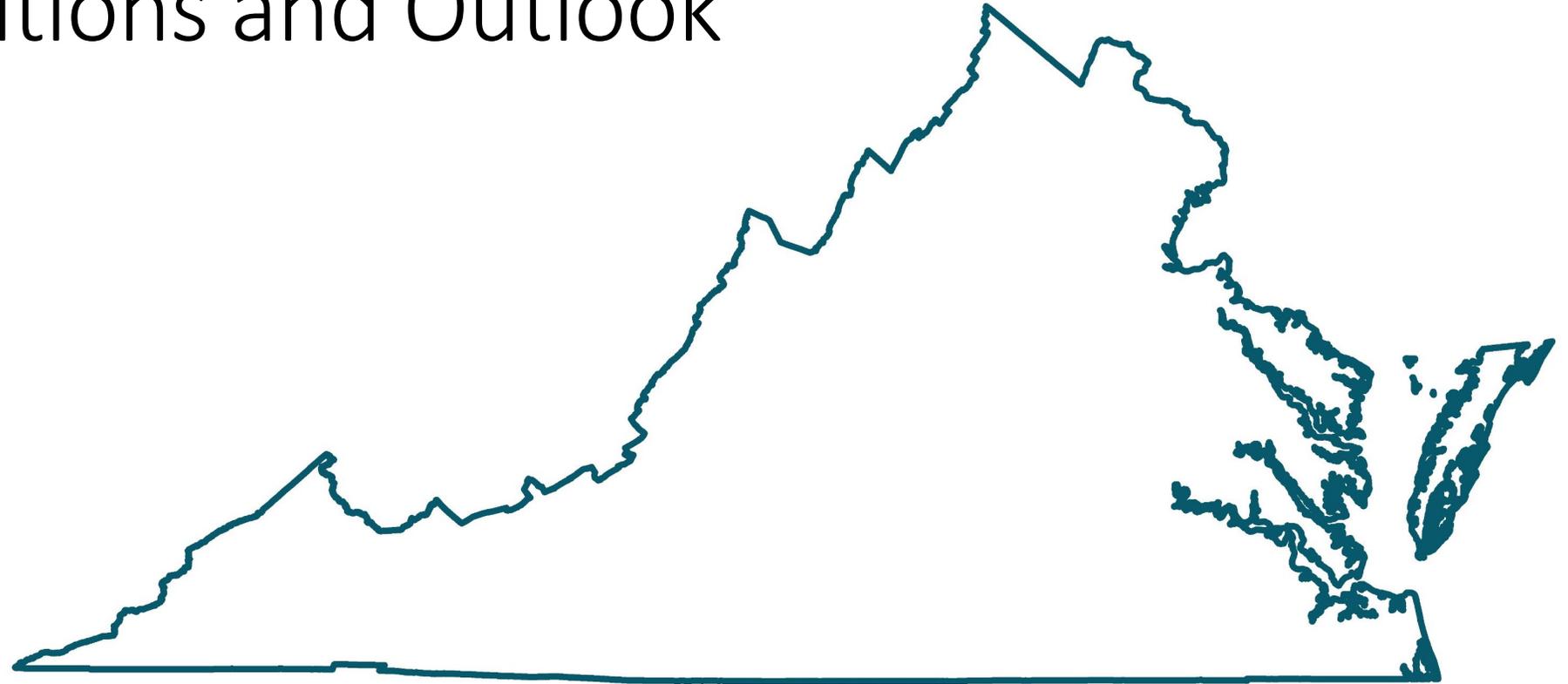


The Virginia Economy & Rental Housing Market: Current Conditions and Outlook



Ryan Price
Chief Economist
Virginia REALTORS®

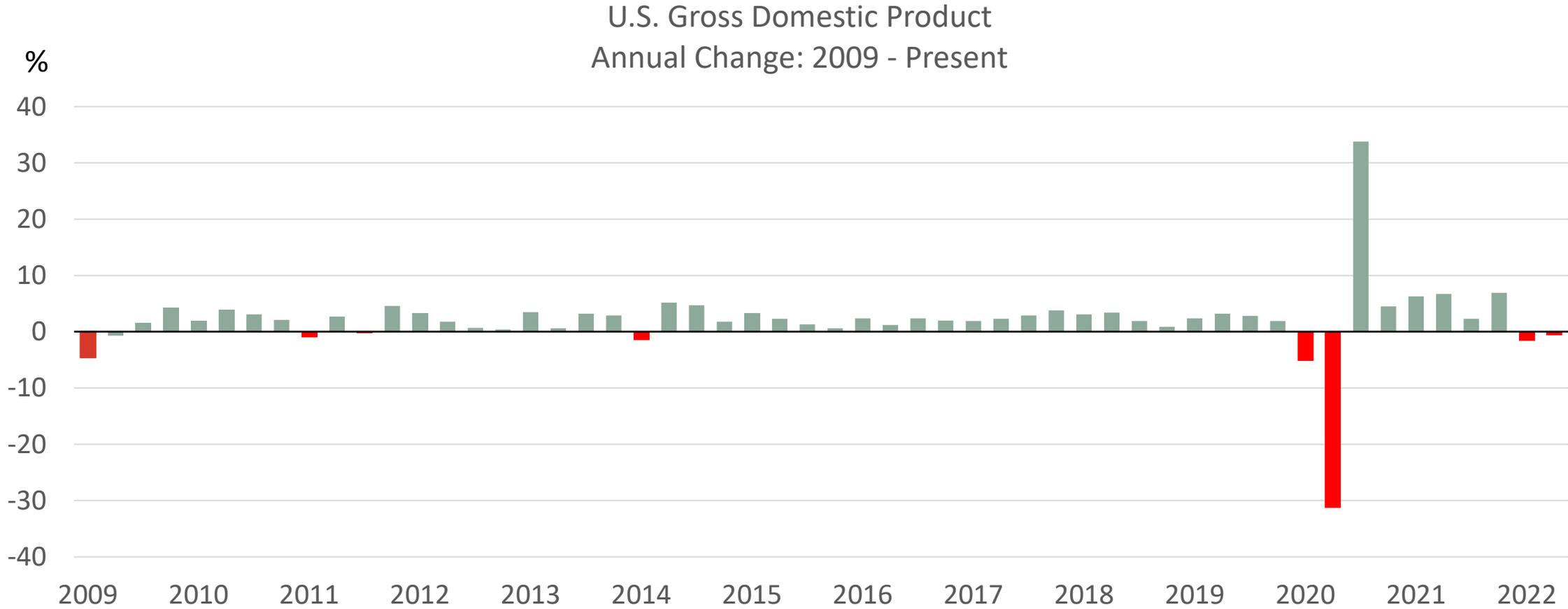


What we'll cover today

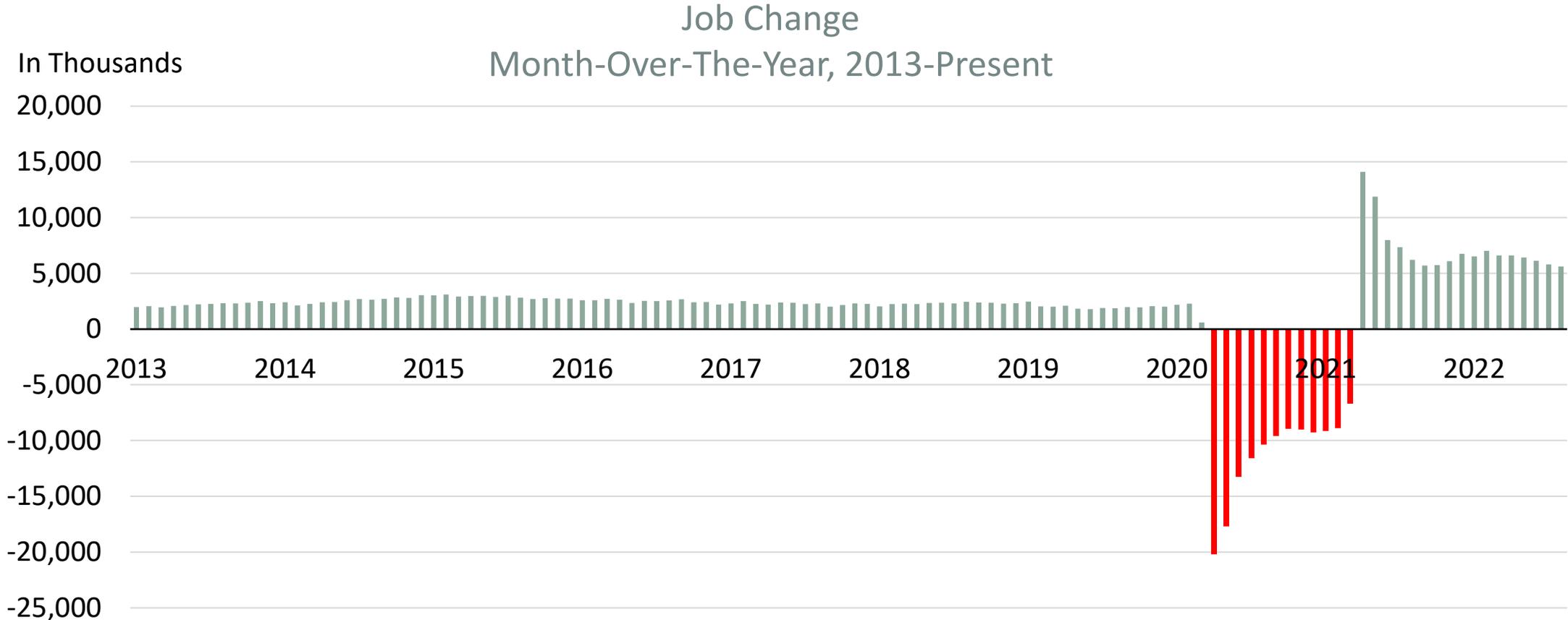
- Economic conditions
- Demographic shifts
- Rental housing stock overview
- Rental market trends
- Rental market outlook



U.S. Gross Domestic Product

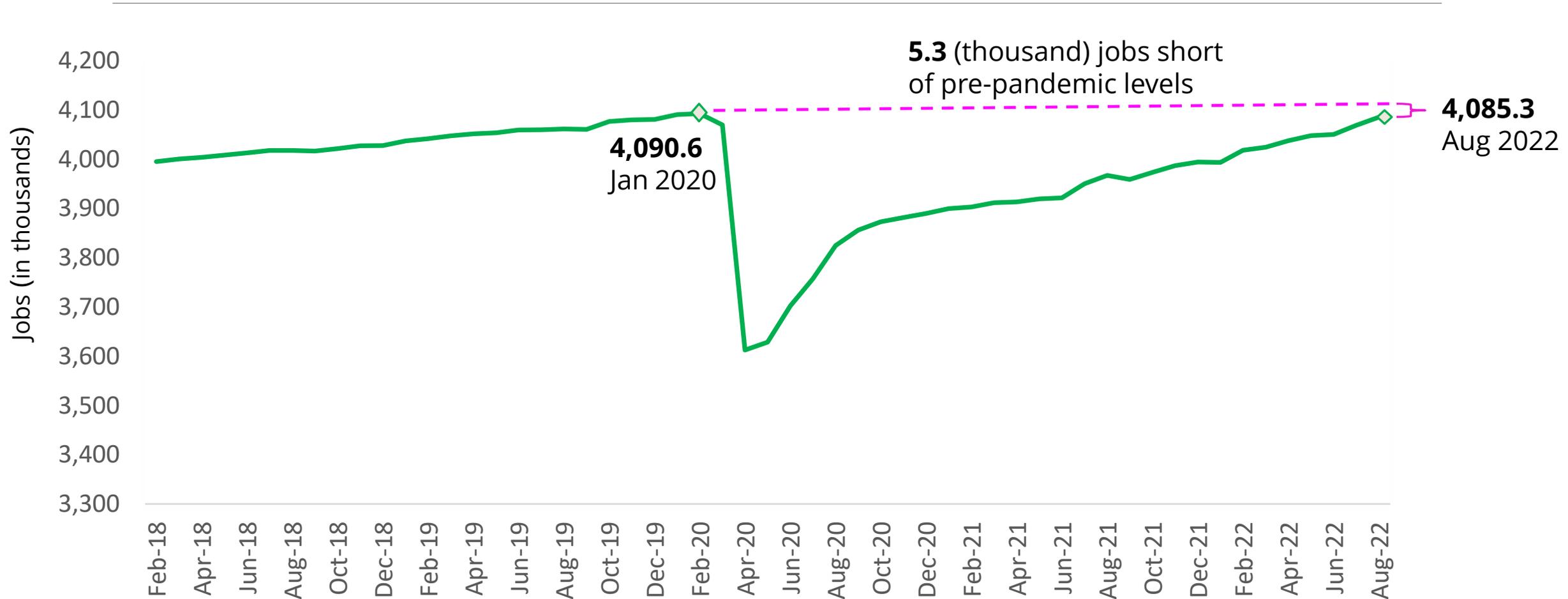


U.S. Job Growth



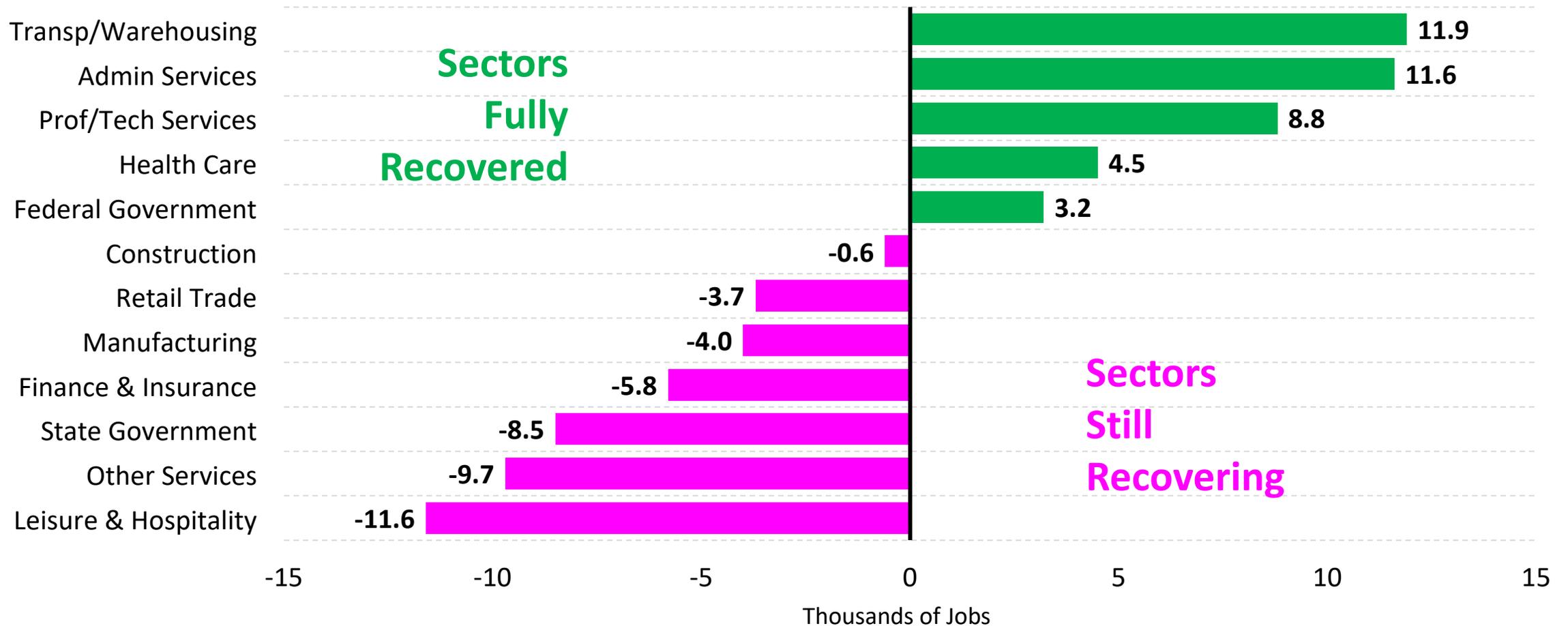
Total Jobs in Virginia

Rapid recovery, almost back to pre-pandemic levels

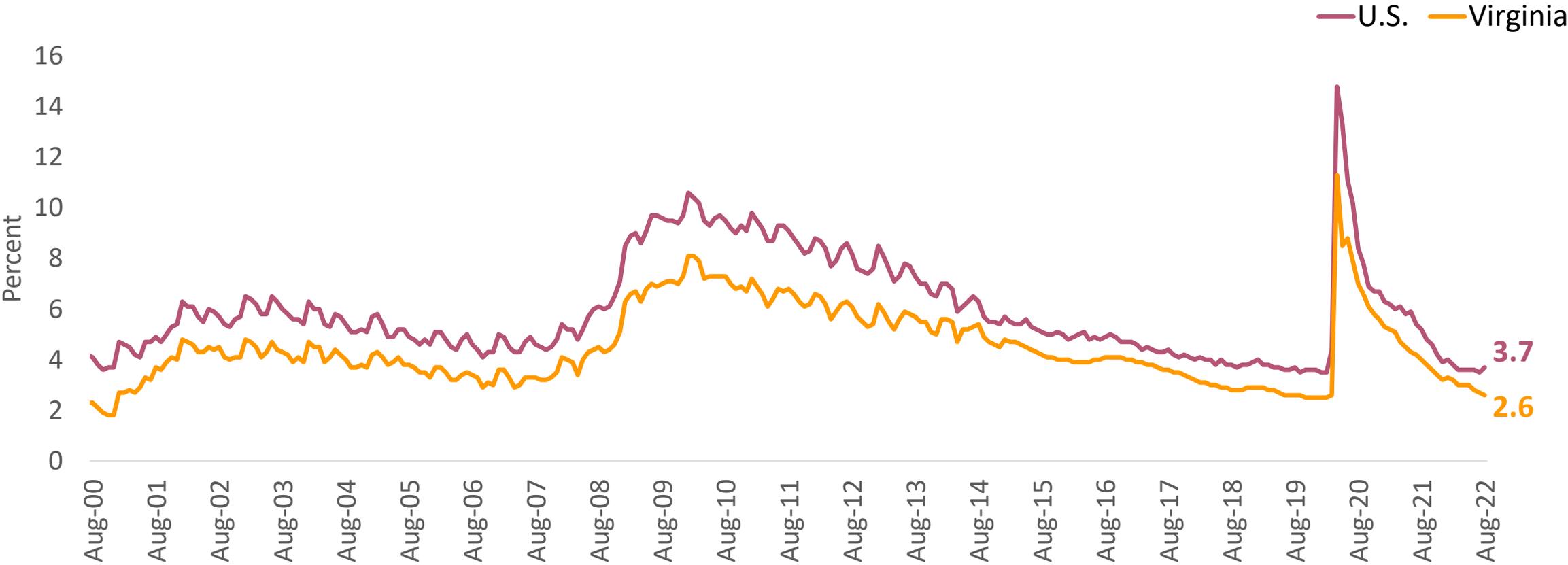


Job Recovery by Sector in Virginia

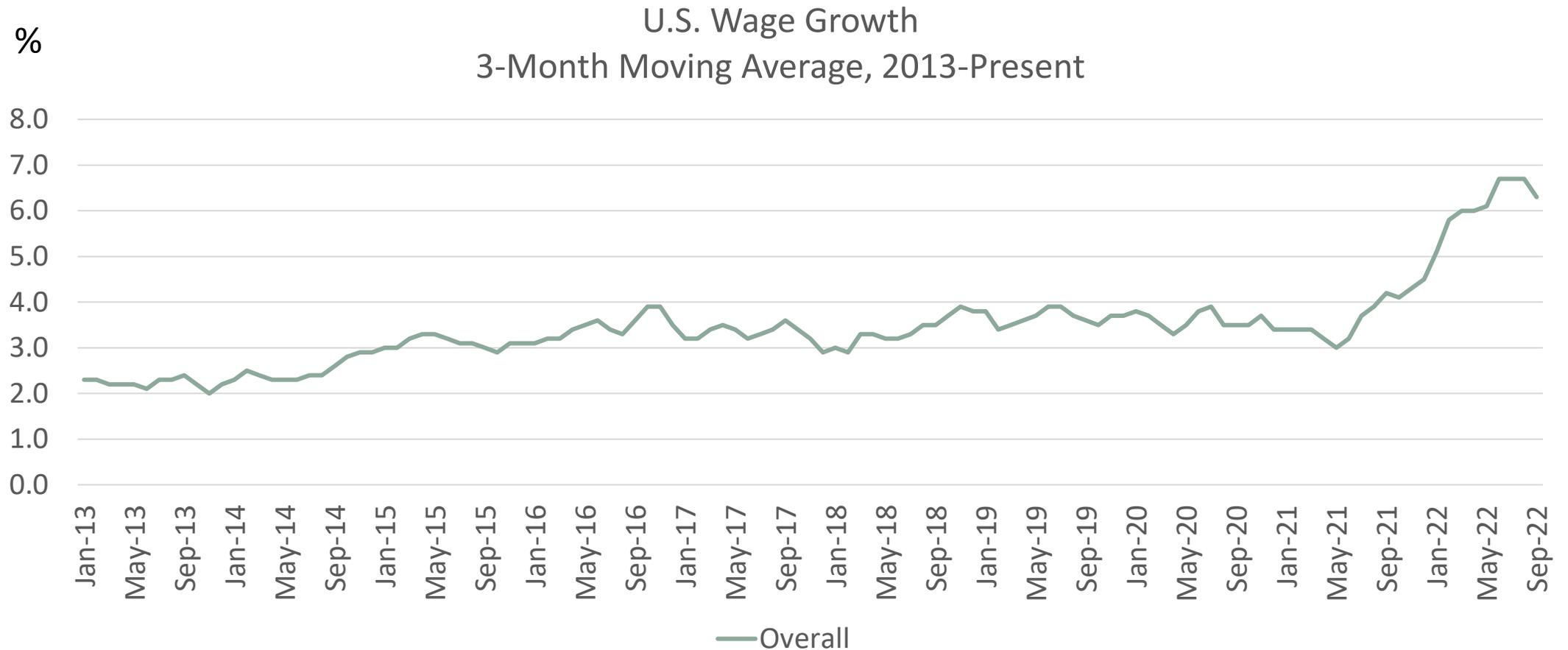
Virginia Employment by Sector
Aug 2022 Compared to Jan 2020



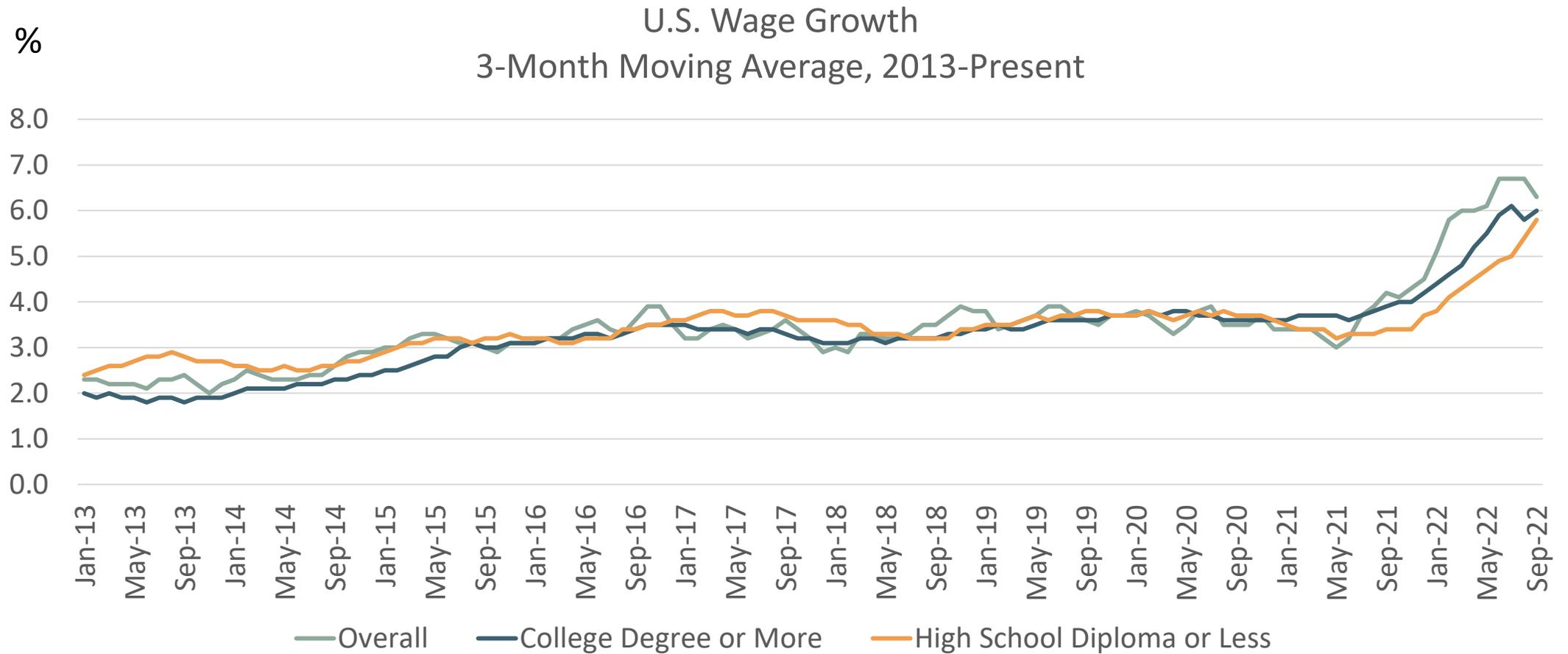
Unemployment Rate



Wage Growth



Wage Growth



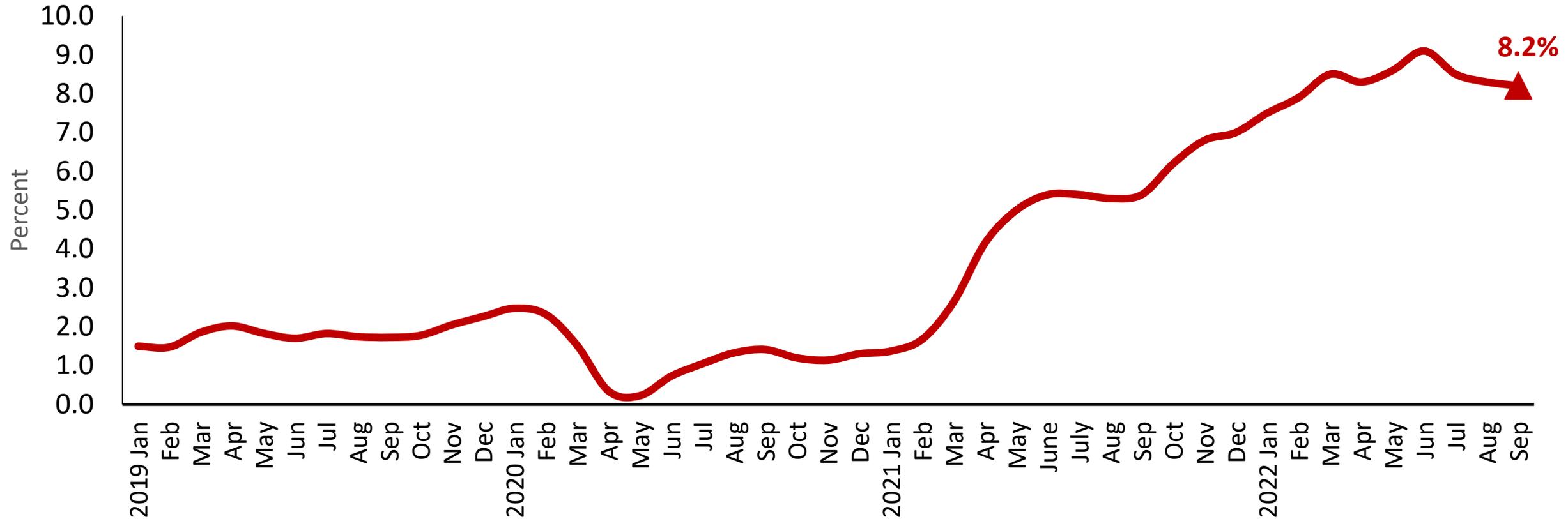
Income Growth

Change in Median Household Income 2010 to 2020

US	+25.2%	Northern Virginia	+24.2%
VA	+24.4%	Richmond	+23.8%
		Hampton Roads	+18.8%
		Charlottesville	+32.8%
		Roanoke	+20.0%
		Bristol	+23.7%

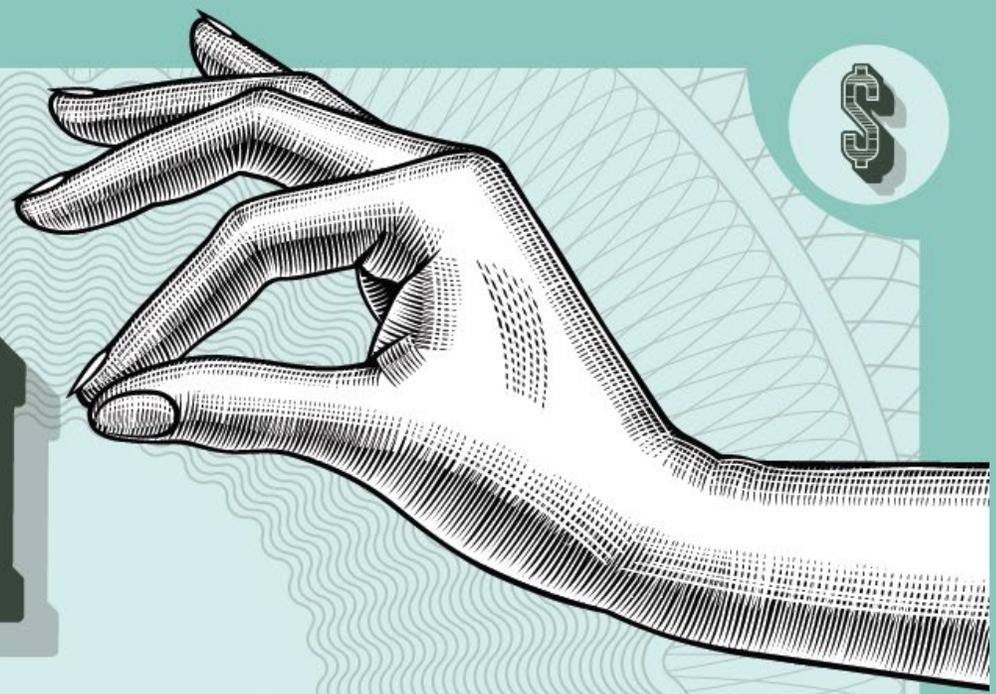
Inflation Stubbornly High

Change in CPI-U





FEELING THE PINCH



September 2022

PRICE INCREASE FROM 1 YEAR AGO....



GASOLINE **+18.2%**



USED VEHICLES **+7.2%**



NEW VEHICLES **+9.4%**



GROCERIES **+13.0%**

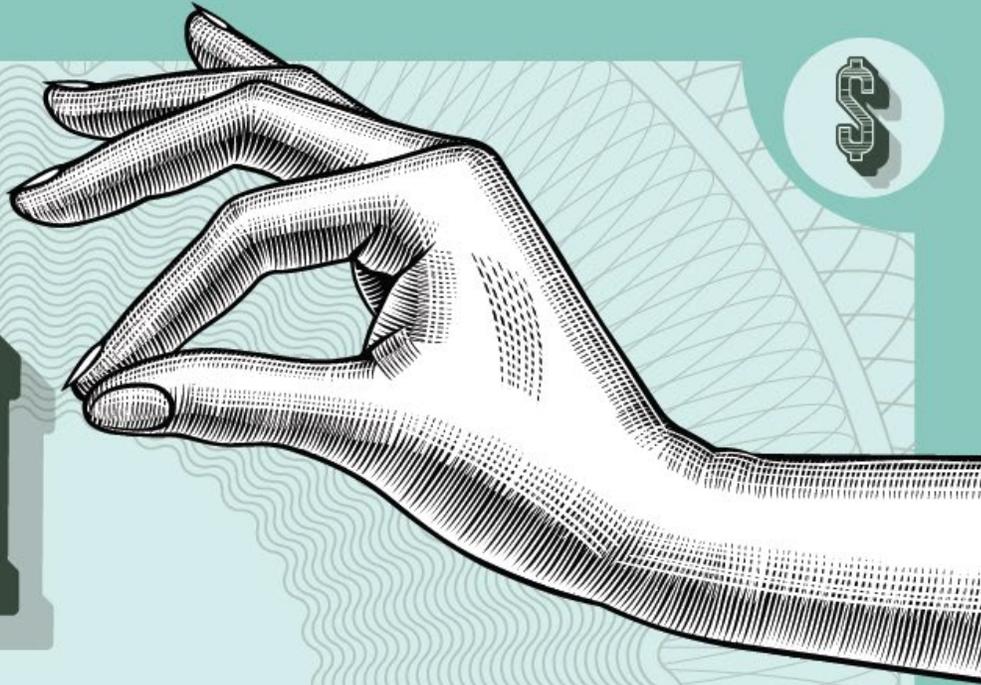


EATING OUT **+8.5%**





FEELING THE PINCH



September 2022

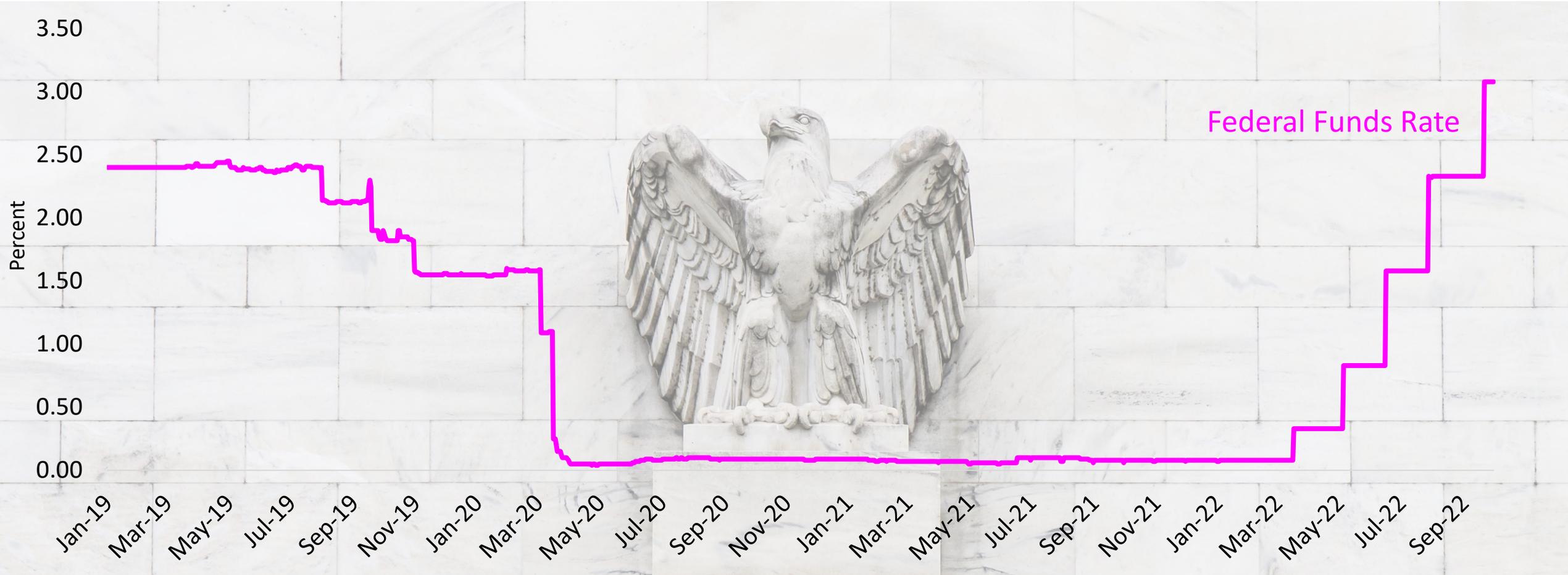
PRICE INCREASE FROM 1 YEAR AGO....

May 2022

	GASOLINE +18.2%	+43.6%
	USED VEHICLES +7.2%	+22.7%
	NEW VEHICLES +9.4%	+13.2%
	GROCERIES +13.0%	+10.8%
	EATING OUT +8.5%	+7.2%

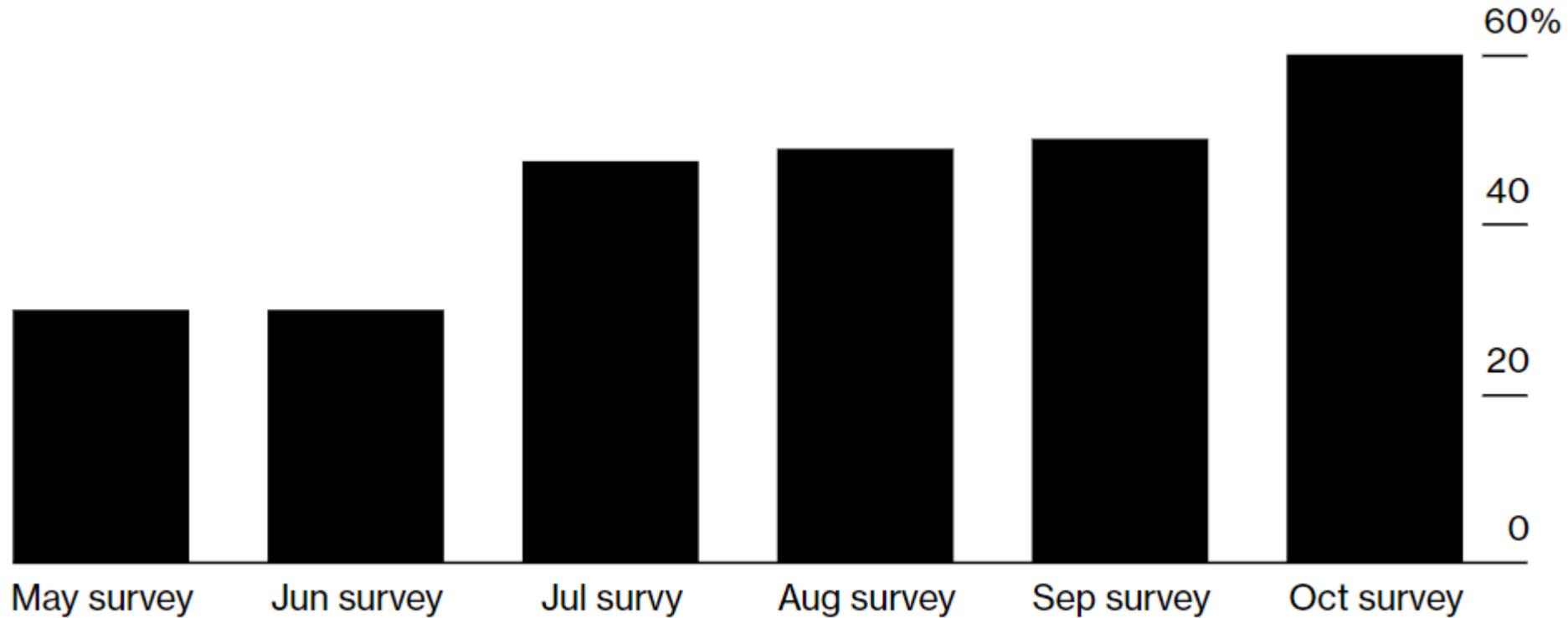


Inflation and the Fed's Response



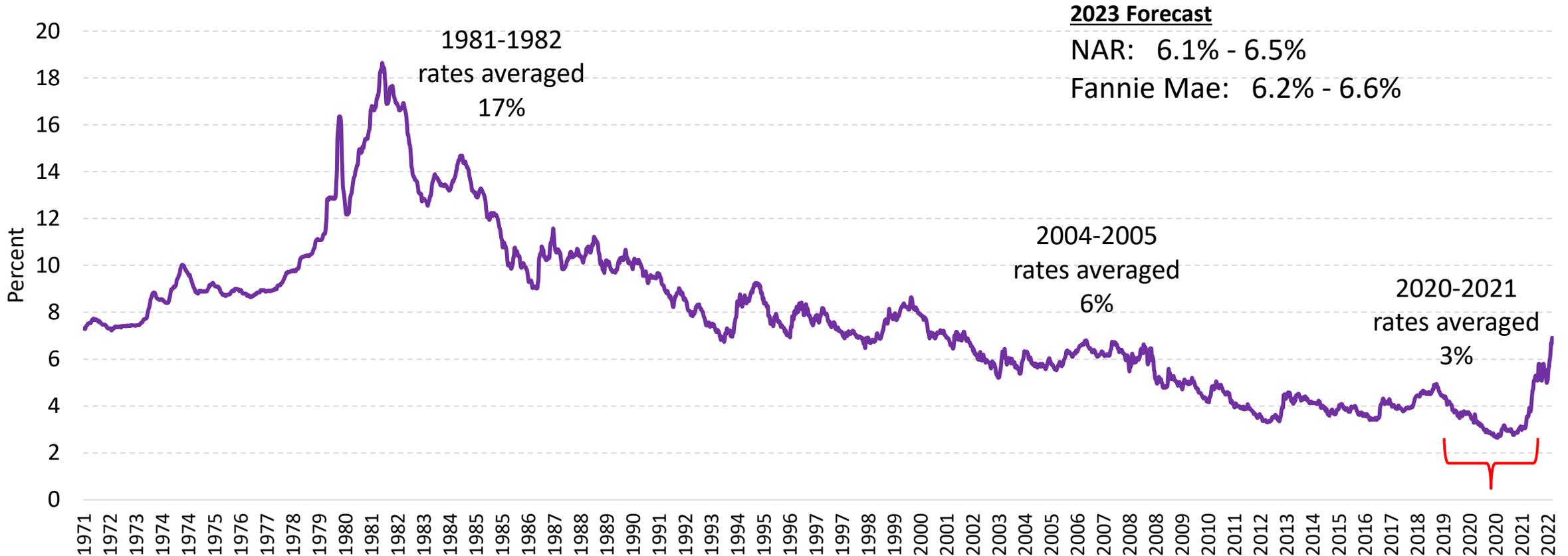
Will Rate Hikes Trigger Recession?

■ Odds of recession



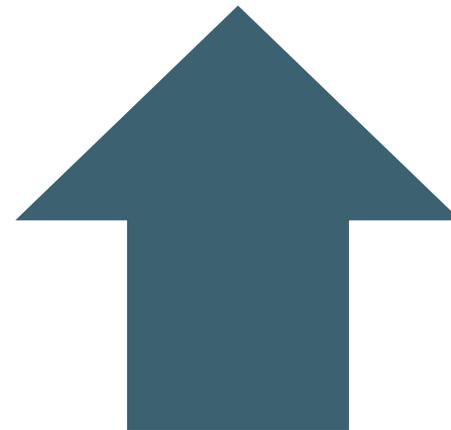
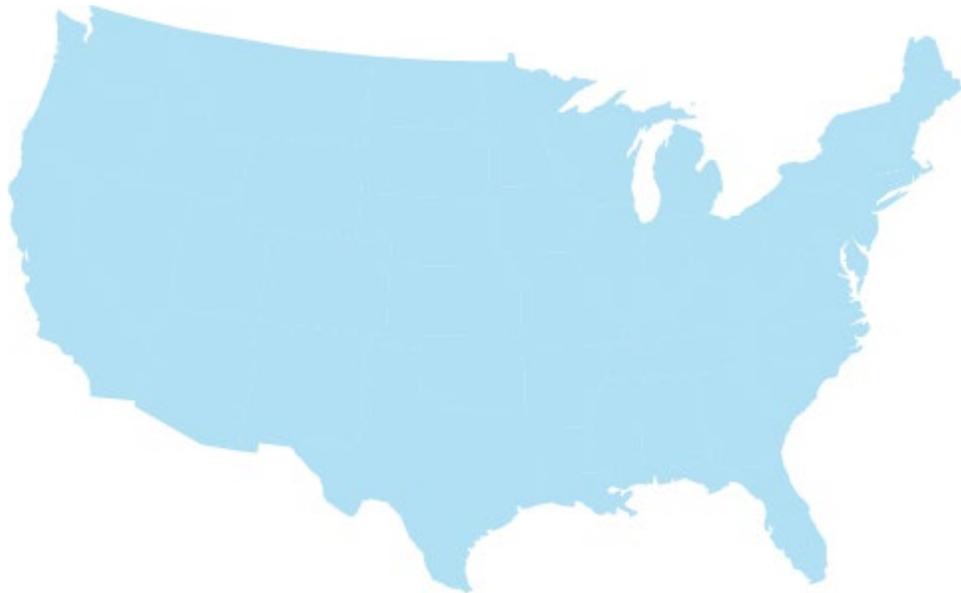
Long-Term Mortgage Rates

30-Year Fixed Rate Mortgage Rate (weekly average)



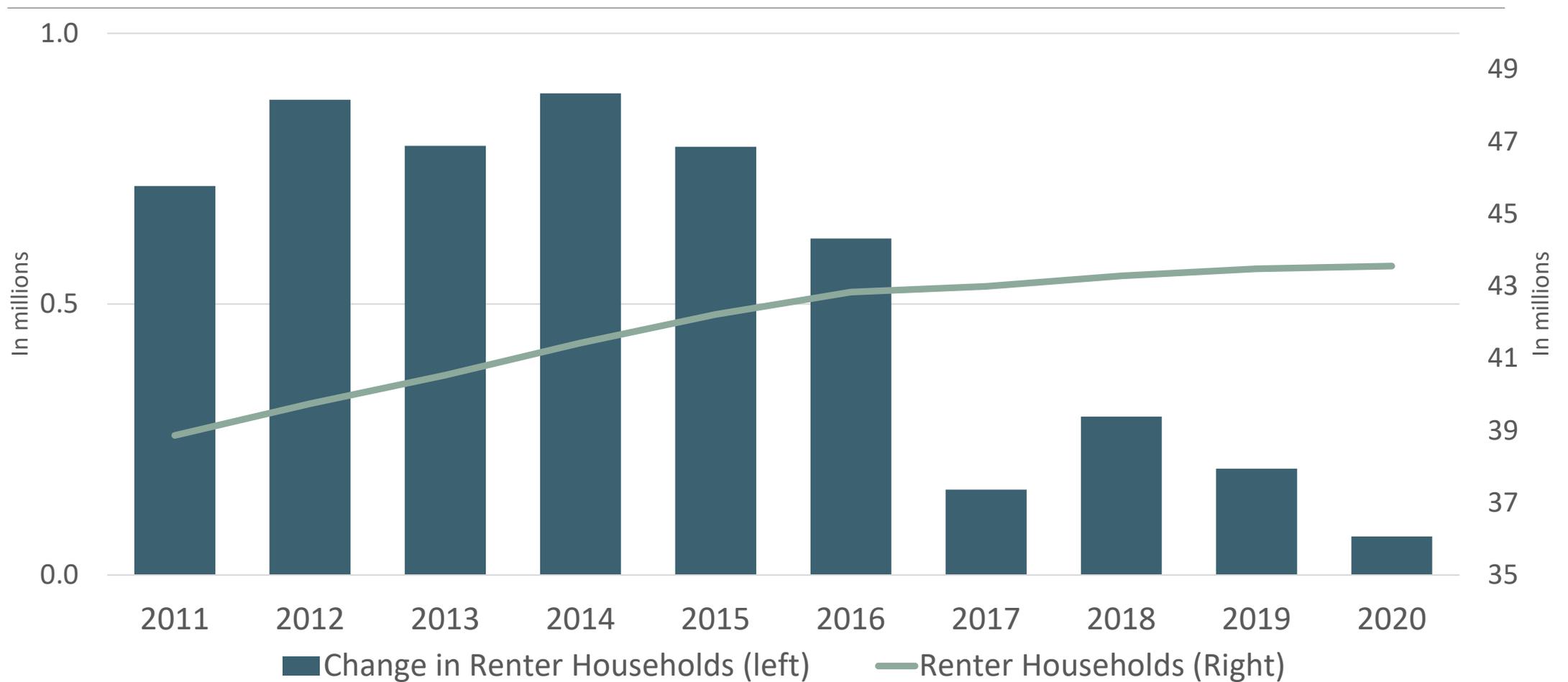
2010: 38.1 million renters

2020: 43.6 million renters



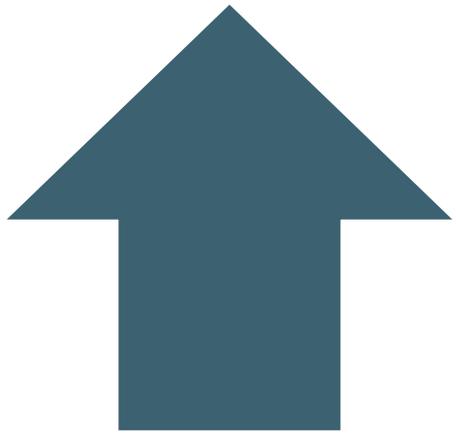
14.2%

Renter Households – U.S.



2010: 926K renters

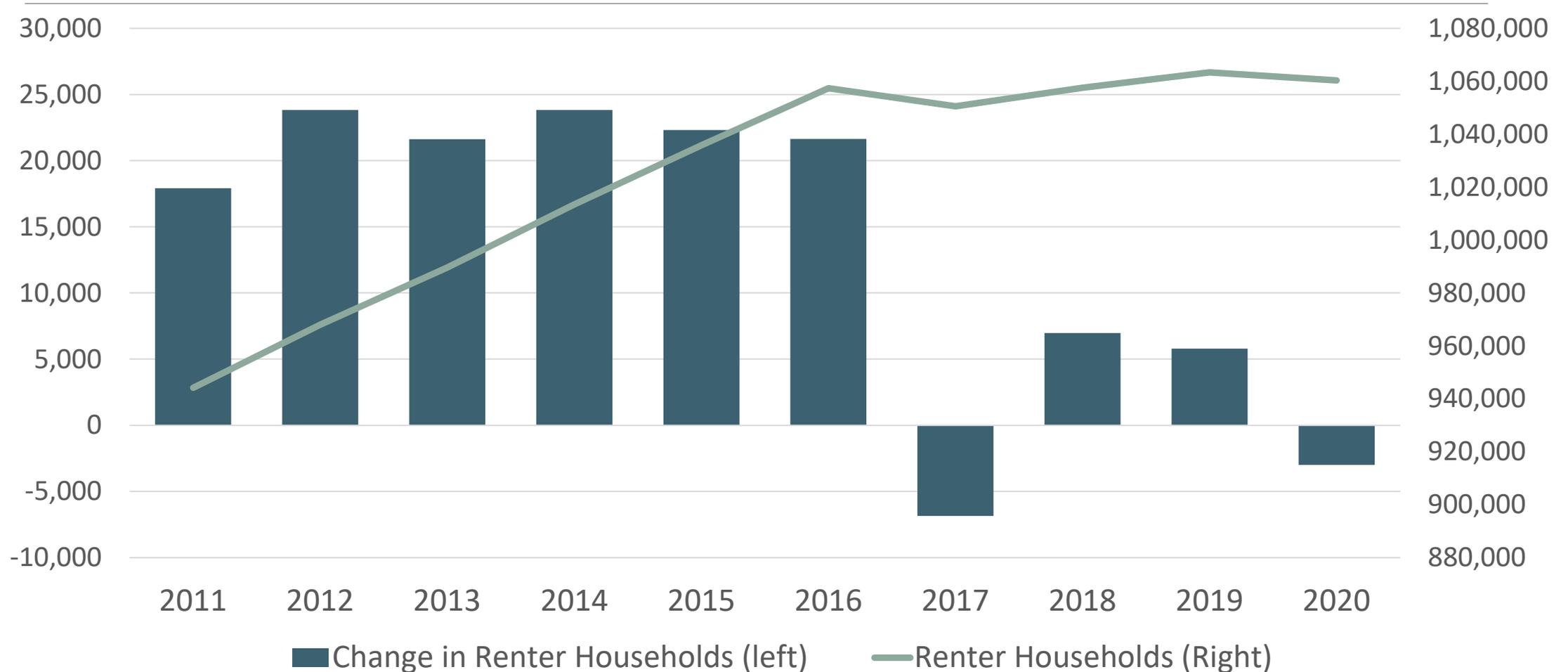
2020: 1.06 million renters



14.5%



Renter Households – Virginia



What Will Shape Housing Demand in Virginia?

Economic Factors: job growth, looming recession, affordability challenges

Demographic Factors: population growth, Gen Z, Millennials, Gen X'ers, Baby Boomers

State & Local Policy: land use & zoning, other regulations, NIMBYism

Renters Across All Age Groups

In Virginia...

60% of 25 to 34 year olds

39% of 35 to 44 year olds

28% of 45 to 54 year olds

22% of 55 to 64 year olds

19% of 65+ year olds

are renters.

Renters Across All Age Groups

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60% of 25 to 34 year olds

39% of 35 to 44 year olds

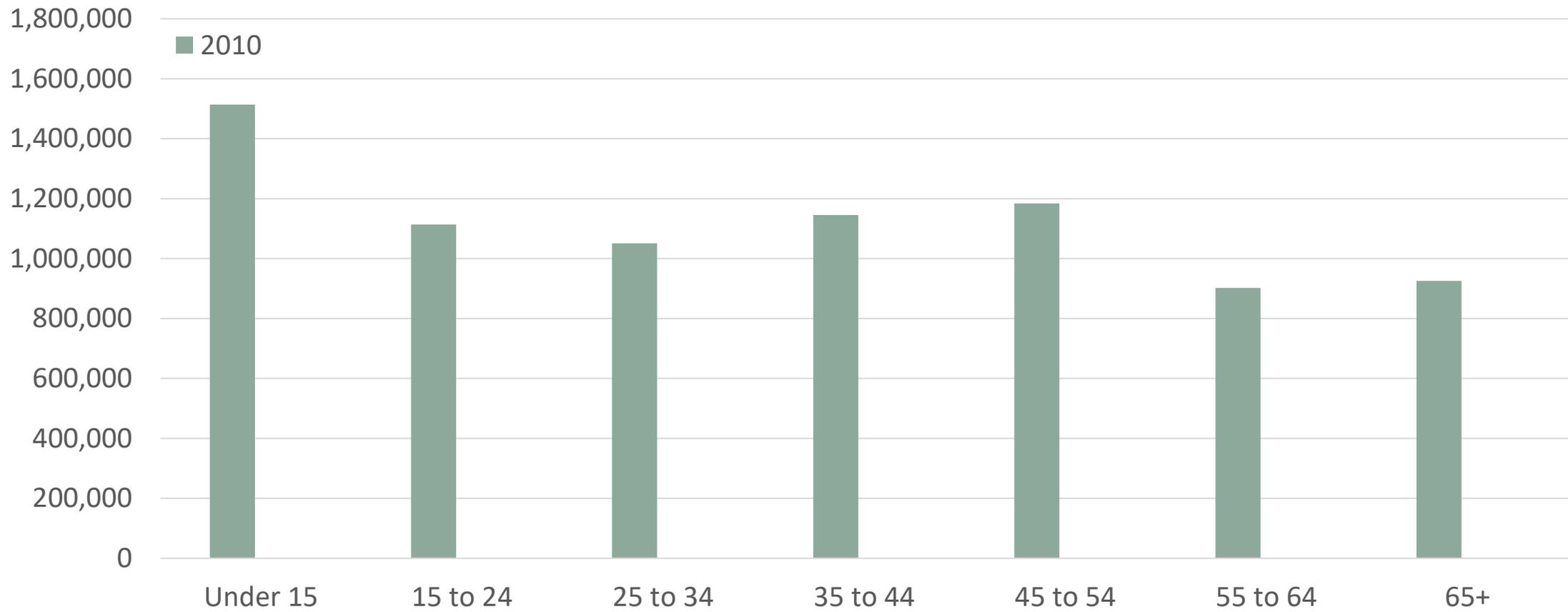
28% of 45 to 54 year olds

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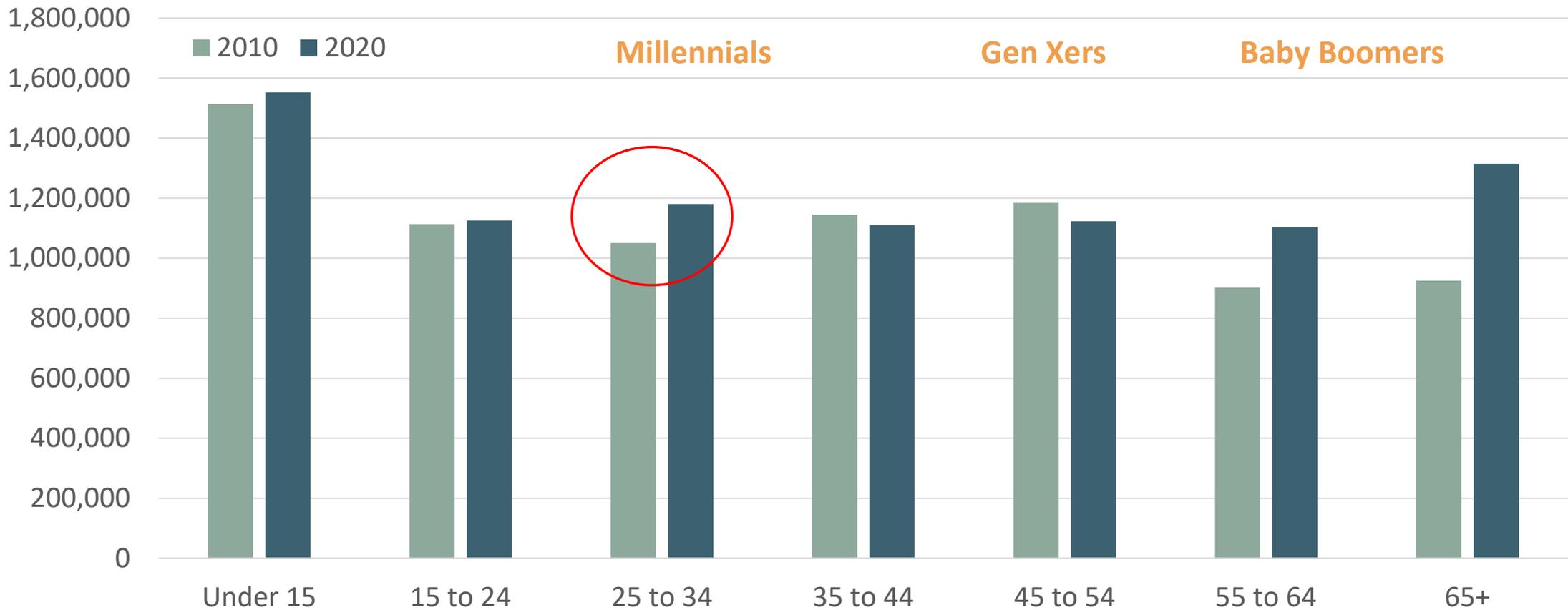
19% of 65+ year olds

are renters.

Shifting Age Distribution in Virginia



Shifting Age Distribution in Virginia



Household Type

In Virginia...

35% of families with children

47% of non-family household

are renters.

Types of Rental Housing in Virginia

279,500 single family detached homes (2021)



down 3.7% from 2019

117,500 townhomes



down 1.4% from 2019

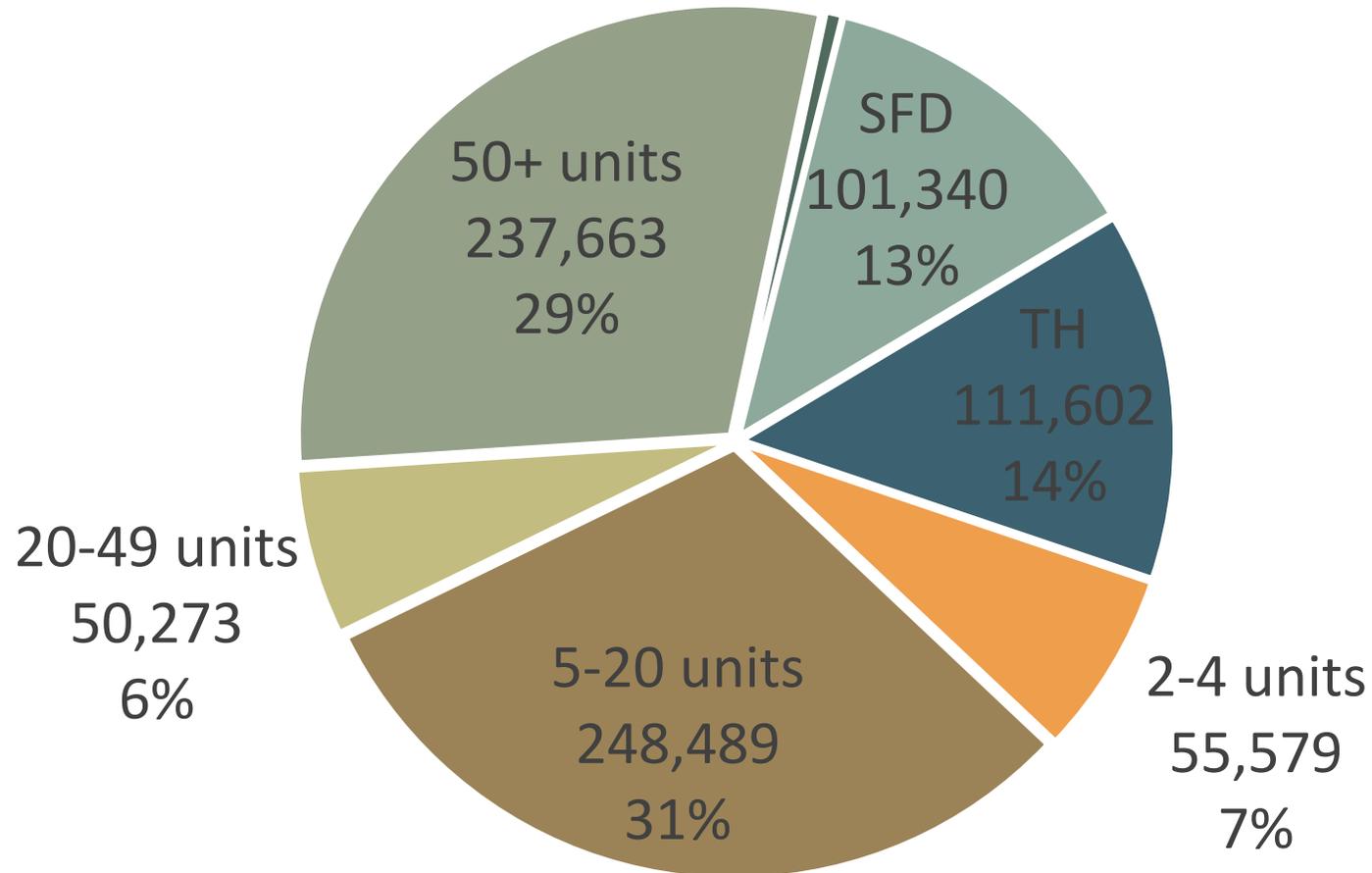
Types of Rental Housing in Virginia

642,000 multifamily homes (2021)

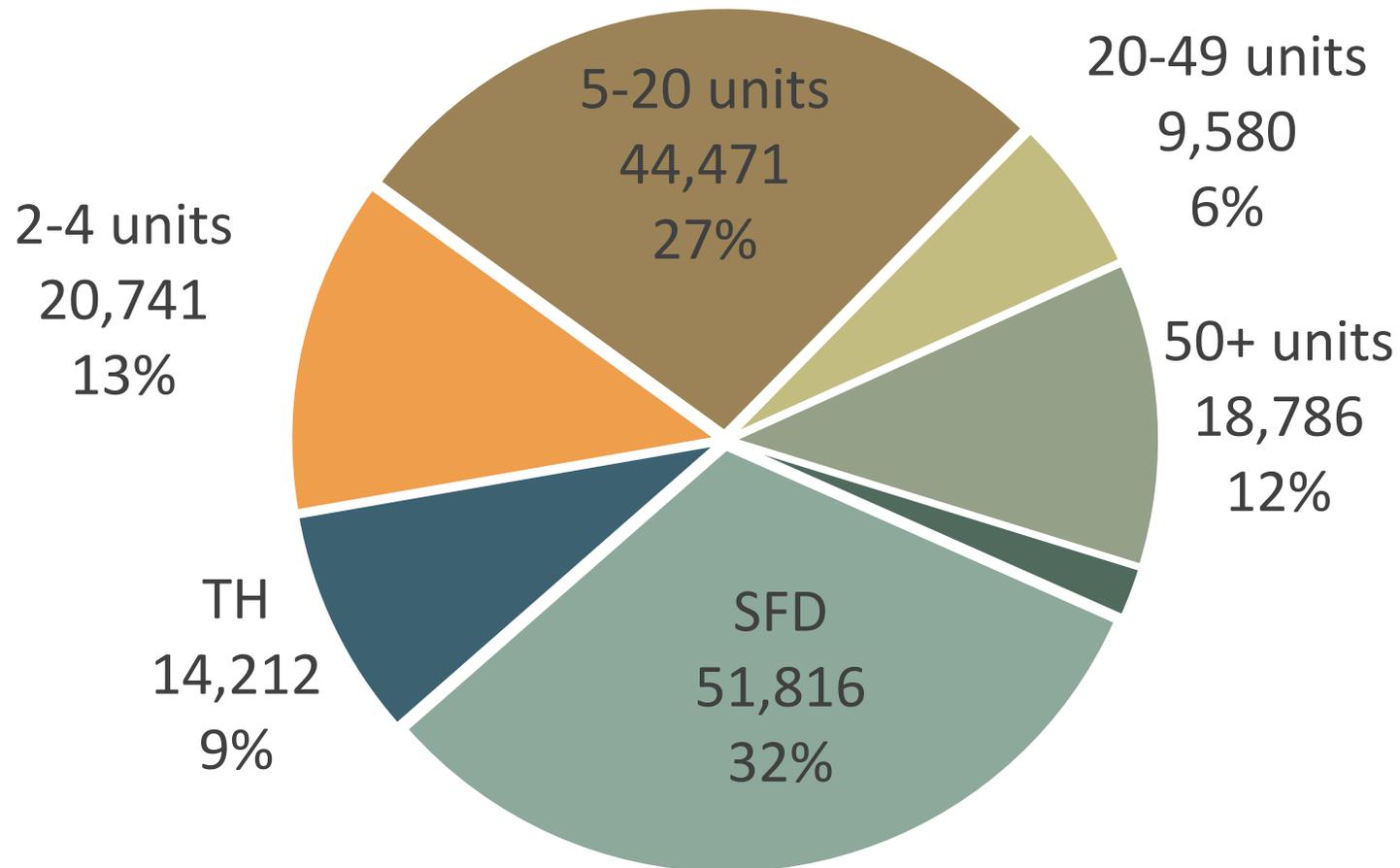


up 2.1% from 2019

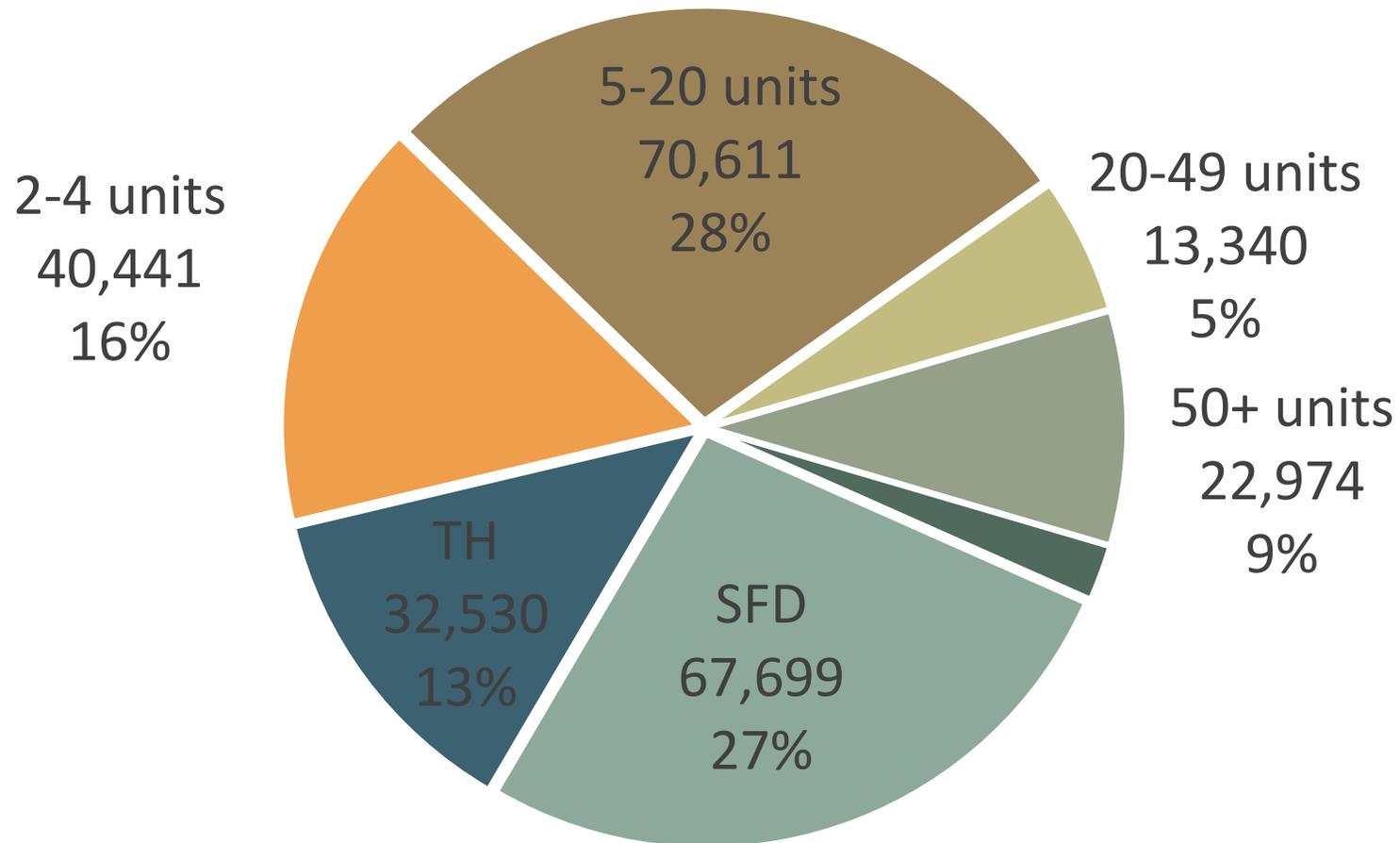
Types of Rental Housing – DC Metro



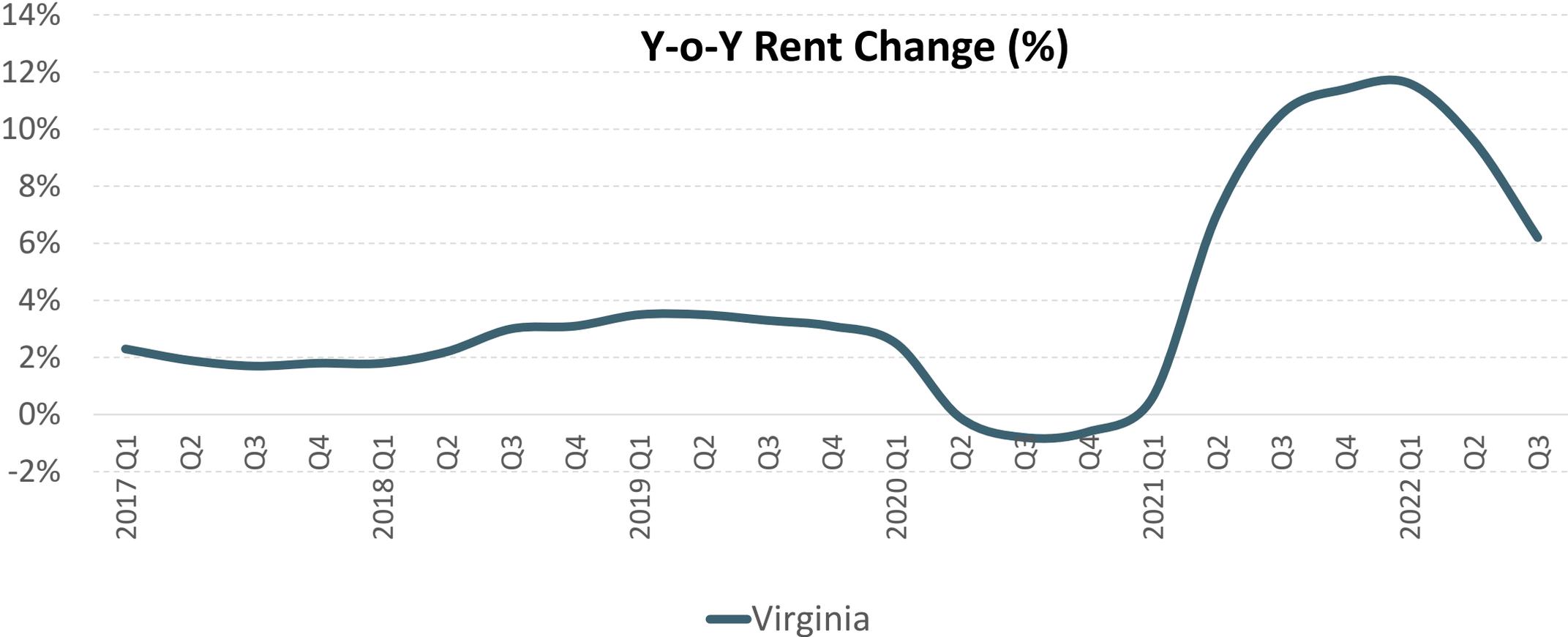
Types of Rental Housing – Richmond



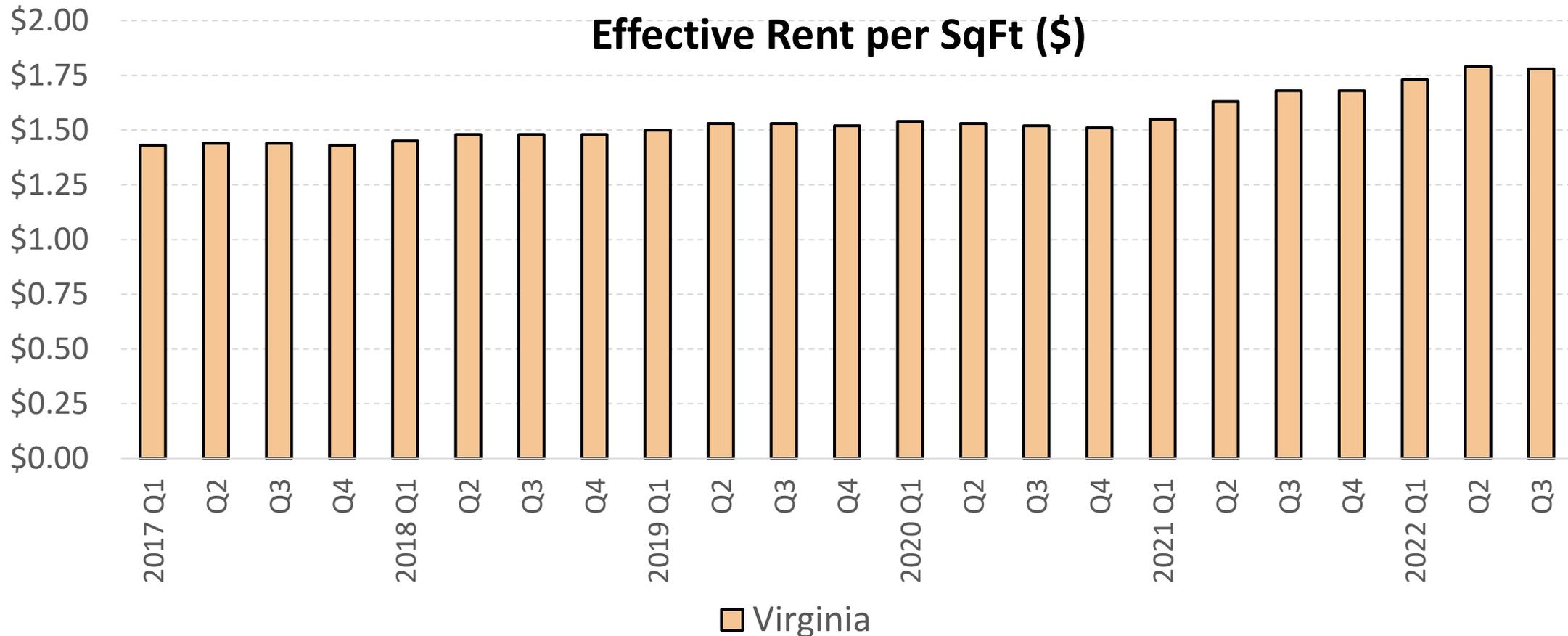
Types of Rental Housing – Hampton Roads



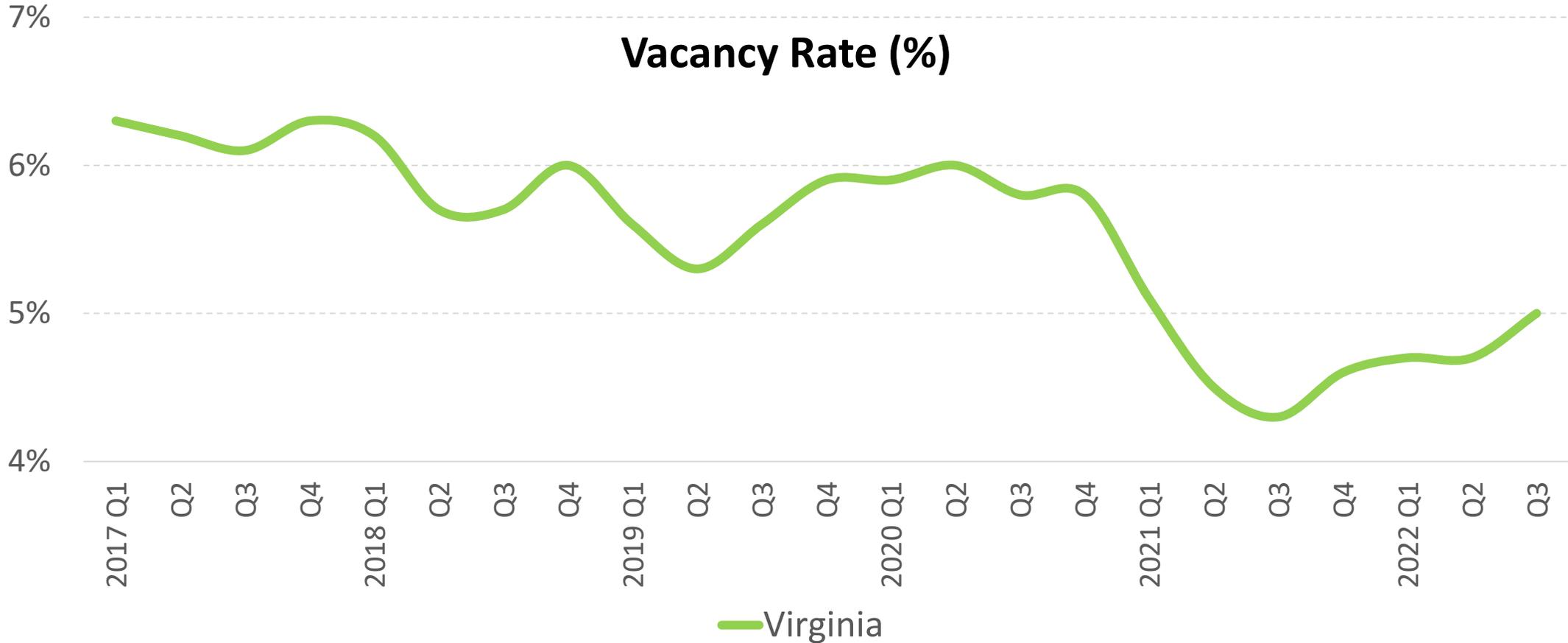
Rental Market Trends in Virginia



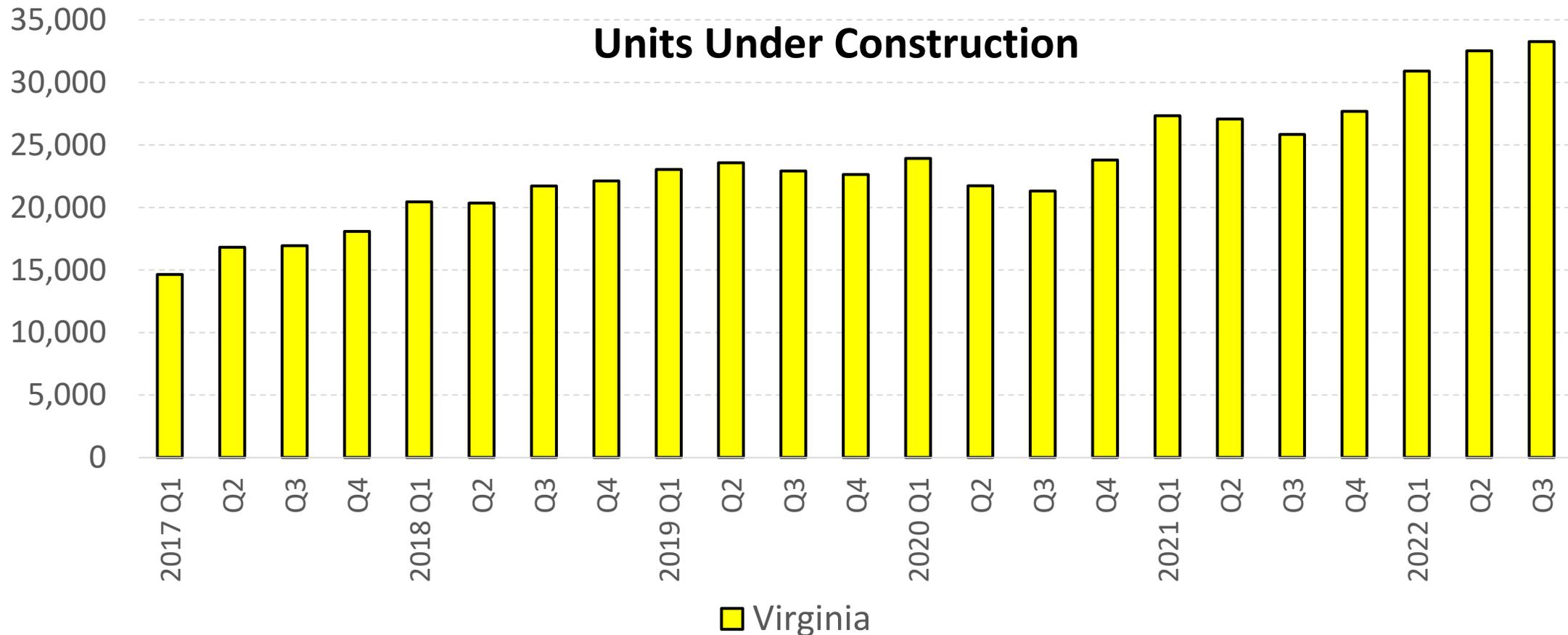
Rental Market Trends in Virginia



Rental Market Trends in Virginia

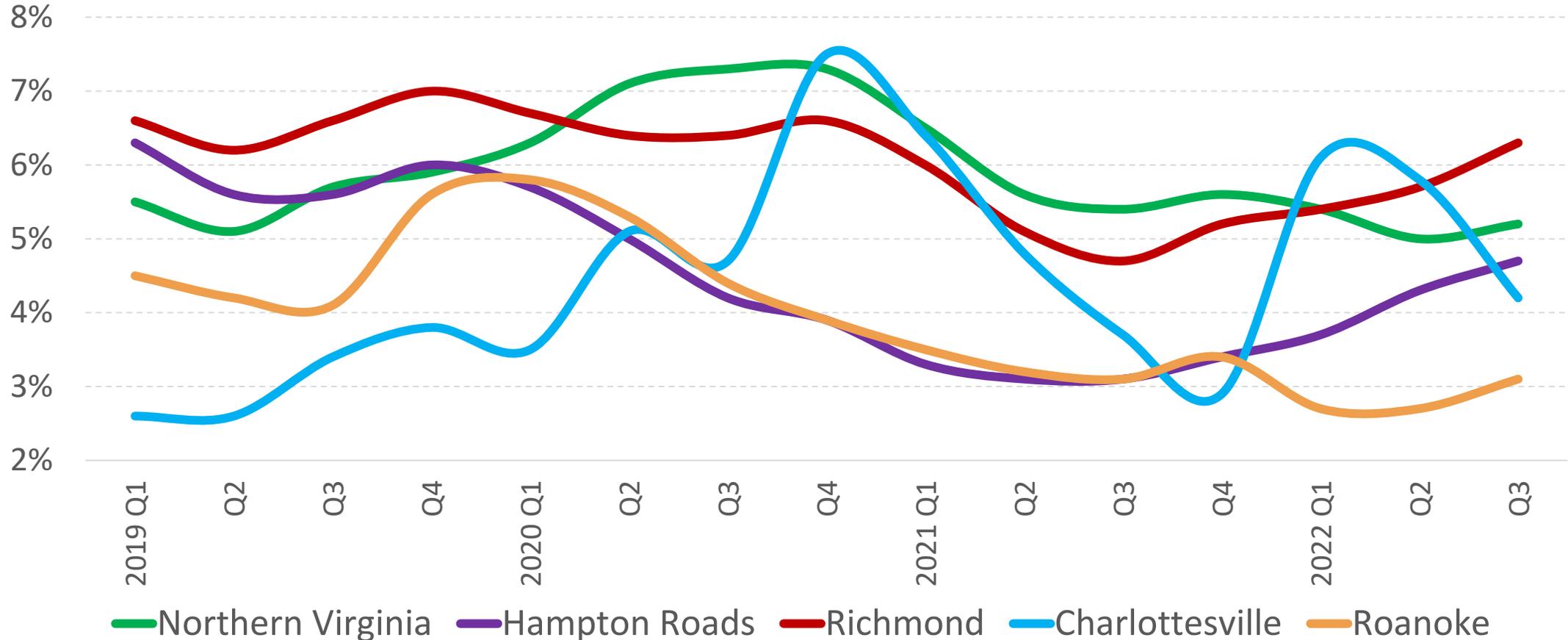


Rental Market Trends in Virginia



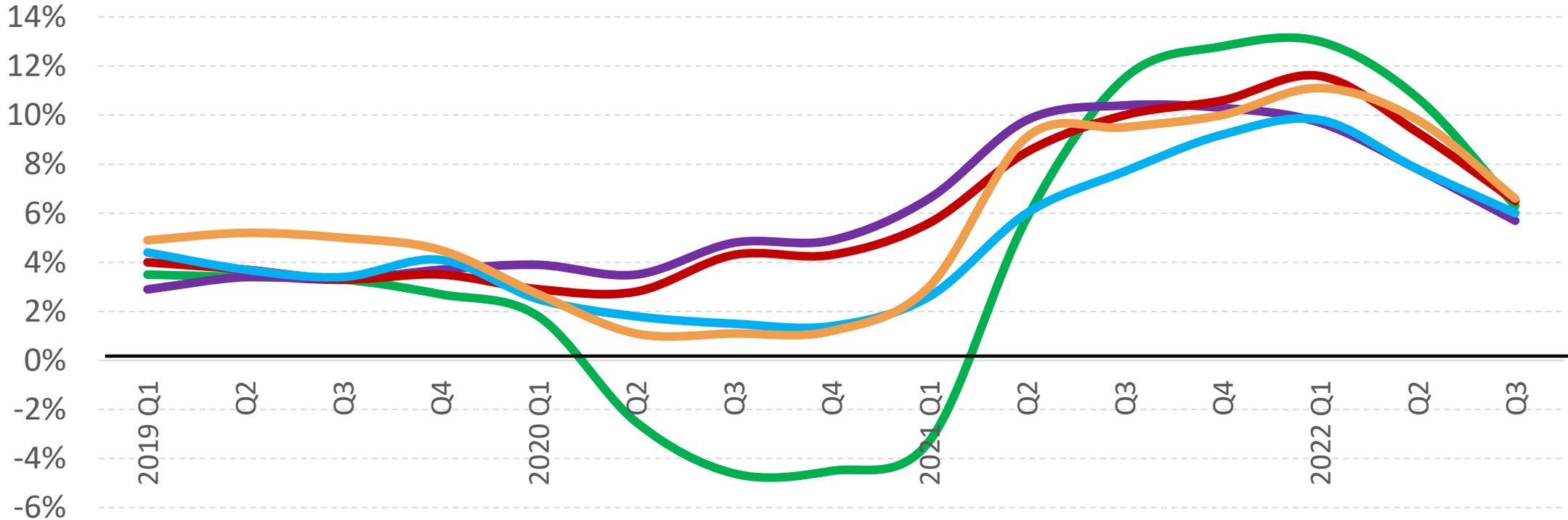
Vacancy Rates Around VA

Apartment Vacancy Rates



Rent Trends Around VA

Y-o-Y Rent Change



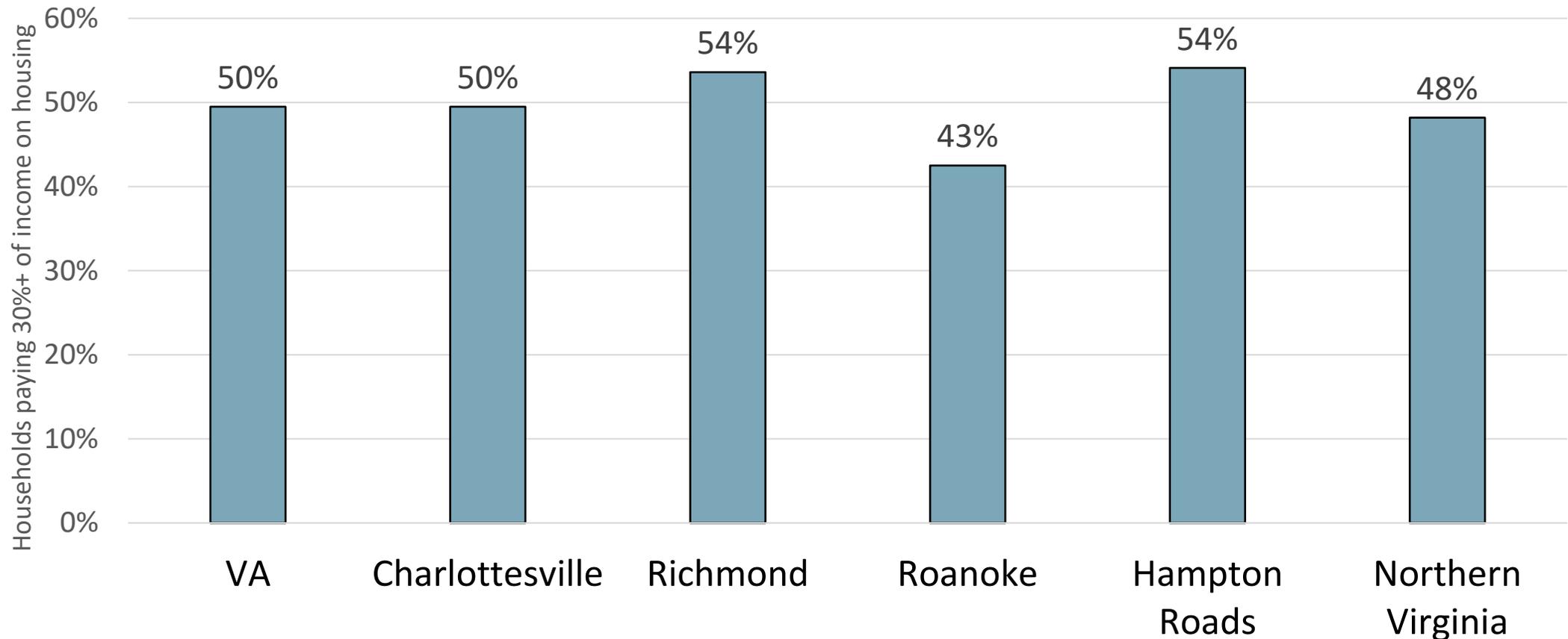
— Northern Virginia — Hampton Roads — Richmond — Charlottesville — Roanoke

Rent Trends by MSA 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	3-yr Change (2022 vs 2019)
Richmond	\$1,105	\$1,137	\$1,235	\$1,352	22.4%
Norfolk	\$1,068	\$1,106	\$1,215	\$1,305	22.2%
Roanoke	\$843	\$851	\$930	\$1,022	21.2%
Lynchburg	\$873	\$894	\$941	\$1,021	17.0%
Charlottesville	\$1,337	\$1,357	\$1,440	\$1,545	15.6%
Northern Virginia	\$1,802	\$1,755	\$1,857	\$2,057	14.2%
Harrisonburg	\$925	\$945	\$974	\$1,048	13.3%
Winchester	\$1,085	\$1,114	\$1,175	\$1,211	11.6%
Blacksburg	\$1,062	\$1,116	\$1,116	\$1,135	6.9%

Rental Affordability in Virginia

% of Renters that are Housing Cost Burdened (2021)



Housing Supply Challenges

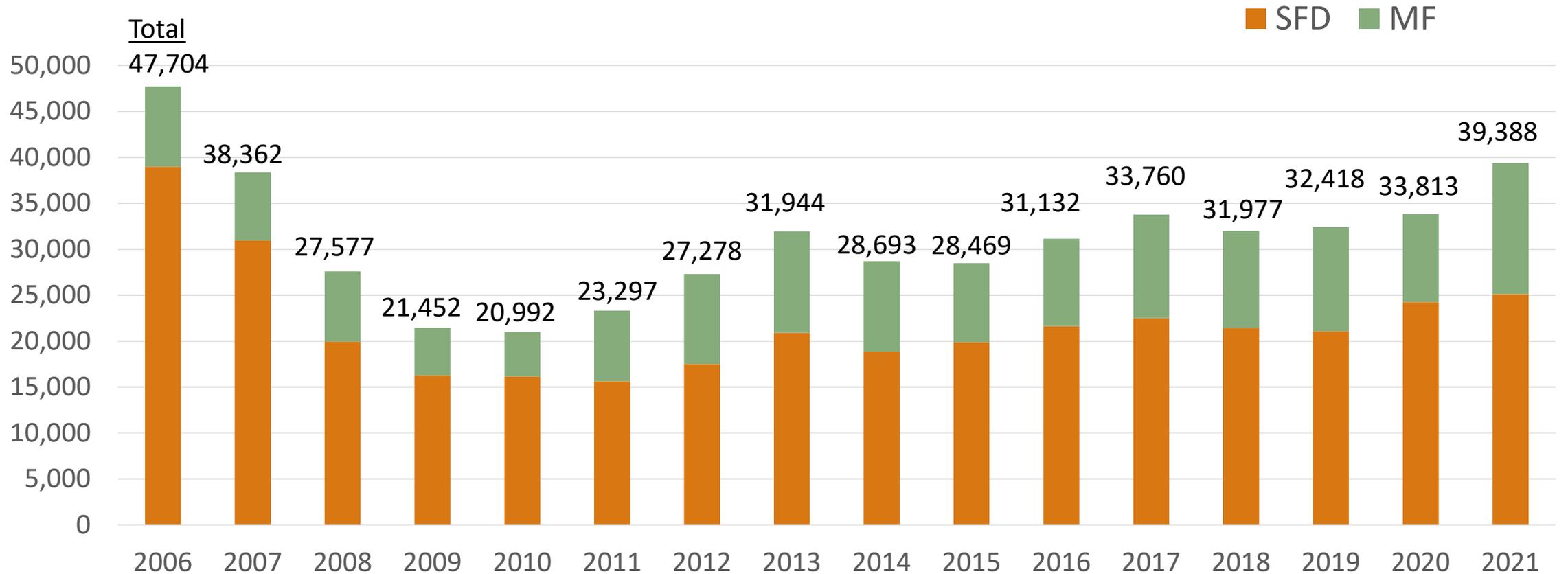
Housing affordability is a growing challenge—and much of this is being **driven by low supply**

Expensive land and rising **construction and labor costs**

State and local **regulations**, including zoning that limits the construction of wide range of housing types

Community opposition to new housing

New Residential Construction in Virginia



New Rental Construction Around VA



The Current
Richmond
Built 2021
Rents: \$1,295 - \$2,225

New Rental Construction Around VA

The Point on 38th
Norfolk
Built 2021
Rents: \$1,380 - \$2,123



New Rental Construction Around VA



Sage

Arlington

Built 2022

Rents: \$2,025 - \$3,380

Outlook for the Virginia Rental Market

1. Rental homes will continue to be in high demand

- ❖ Rising mortgage rates are pricing many out of homeownership market, opting to rent instead
- ❖ After plummeting in 2021, rental vacancy rates will slowly edge up
- ❖ Softening of rents in some high-cost submarkets as economy slows
- ❖ Slowdown in new high-end rental construction after existing pipeline built

Outlook for the Virginia Rental Market

2. Shifts in the rental stock will continue

- ❖ Demand increasing for larger rental homes (work from home office, room for families, roommates instead of solo living as economy worsens)
- ❖ Continued loss of small, garden apartments from the stock
- ❖ New, innovative housing models (e.g. tri- and four-plexes, accessory units, tiny houses)

Outlook for the Virginia Rental Market

3. Homeownership sought, but obstacles remain

- ❖ Millennials have a lot of debt, renting longer than prior generations
- ❖ Lack of inventory for first-time homebuyers
- ❖ Rising interest rates, rising prices, keeping many potential buyers on the sidelines

Outlook for the Virginia Rental Market

4. Increasing demand in suburbs

- ❖ SFD and TH rentals in suburbs will continue to be in demand as renters want more space
- ❖ More affordable markets sought after
- ❖ Aging of Millennials—marriage, children

Outlook for the Virginia Rental Market

5. Out-migration from high-cost areas in the state

- ❖ Competition with other states and regions for workers
- ❖ Quality of life is increasingly important
- ❖ Housing choice and affordability will be part of state and local economic development strategies



Questions/Discussion

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