Virginia REALTORS®

Virginia's Housing Market:

Current Trends and a Post-Pandemic Outlook

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Virginia Housing Commission

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Economic Trends

The U.S. Economy Shrank in 2020

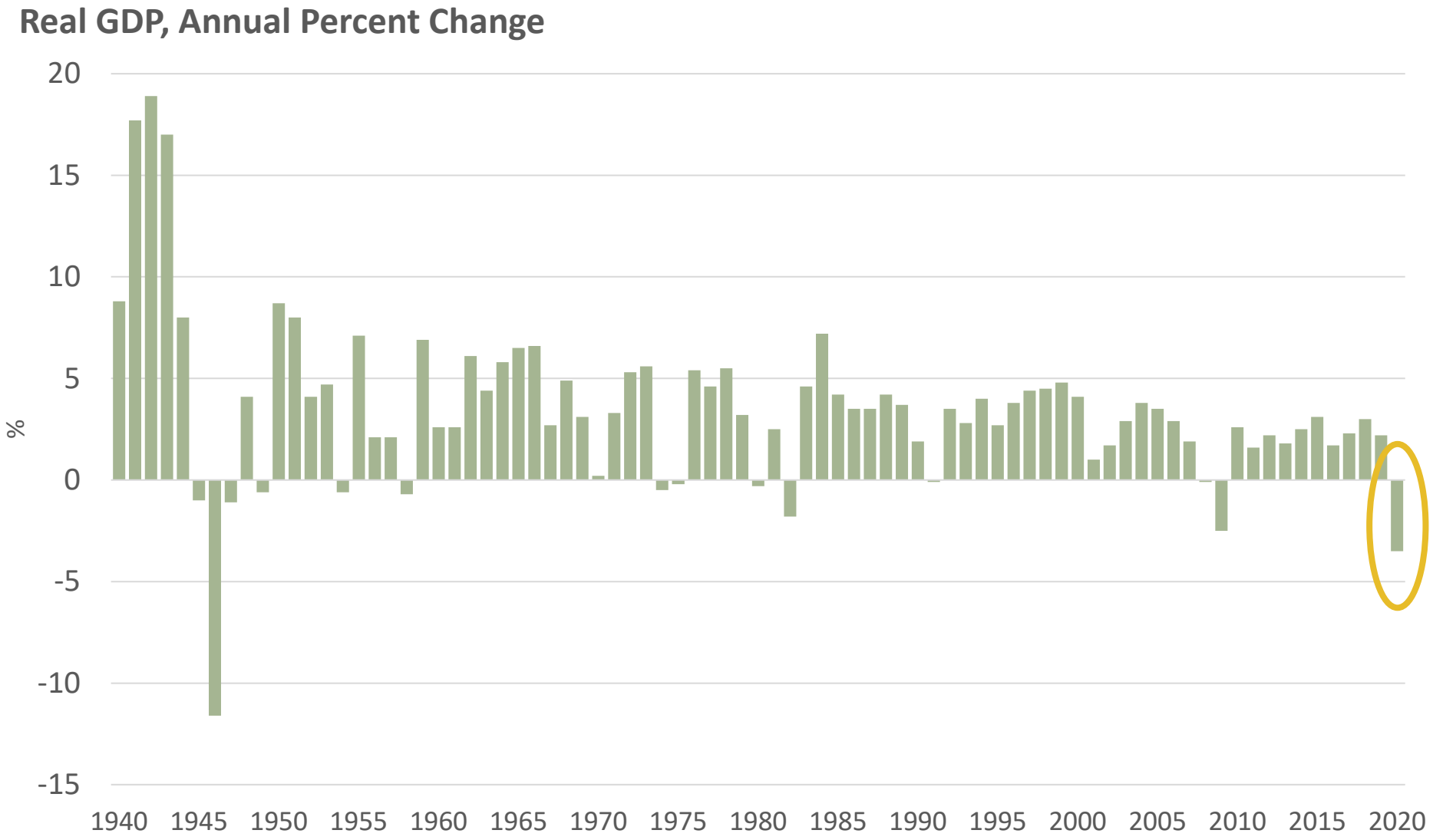
BIGGEST ANNUAL GDP DECLINES

1946: -11.6%
End of War Recession

2020: -3.5%
COVID-19 Recession

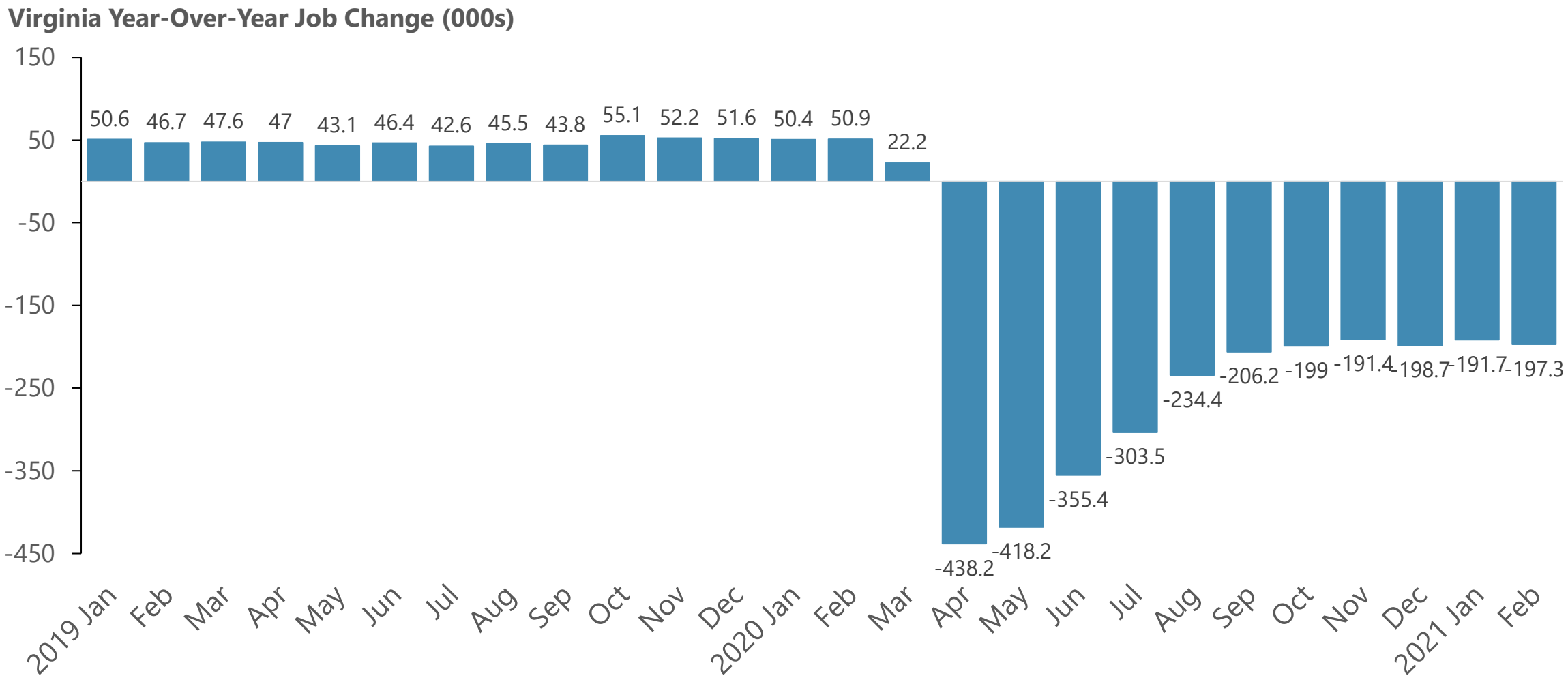
2009: -2.5%
Great Recession

1982: -1.8%
Energy Crisis Recession



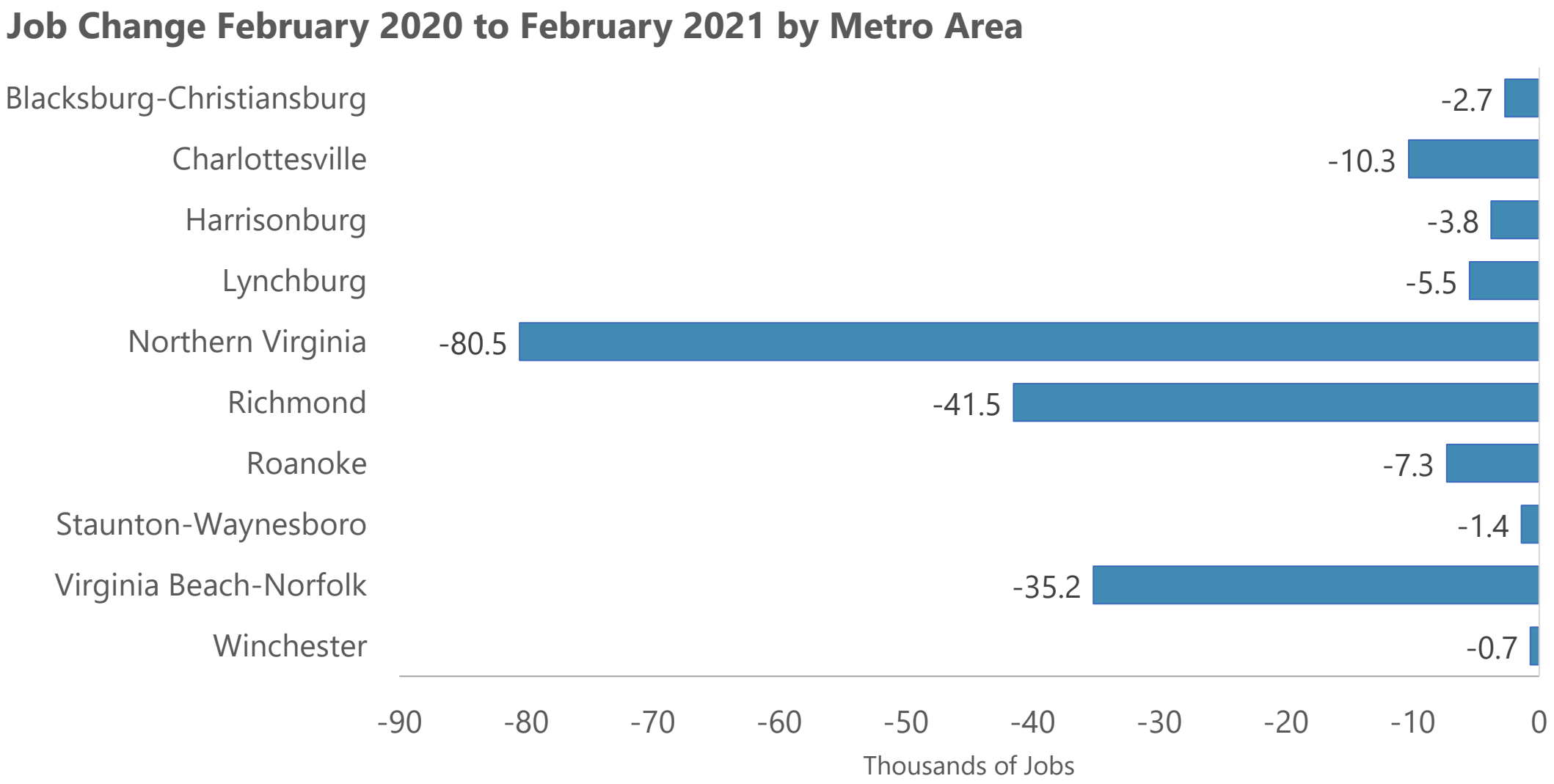
Source: U.S. Bureau of Economic Analysis

Virginia Employment



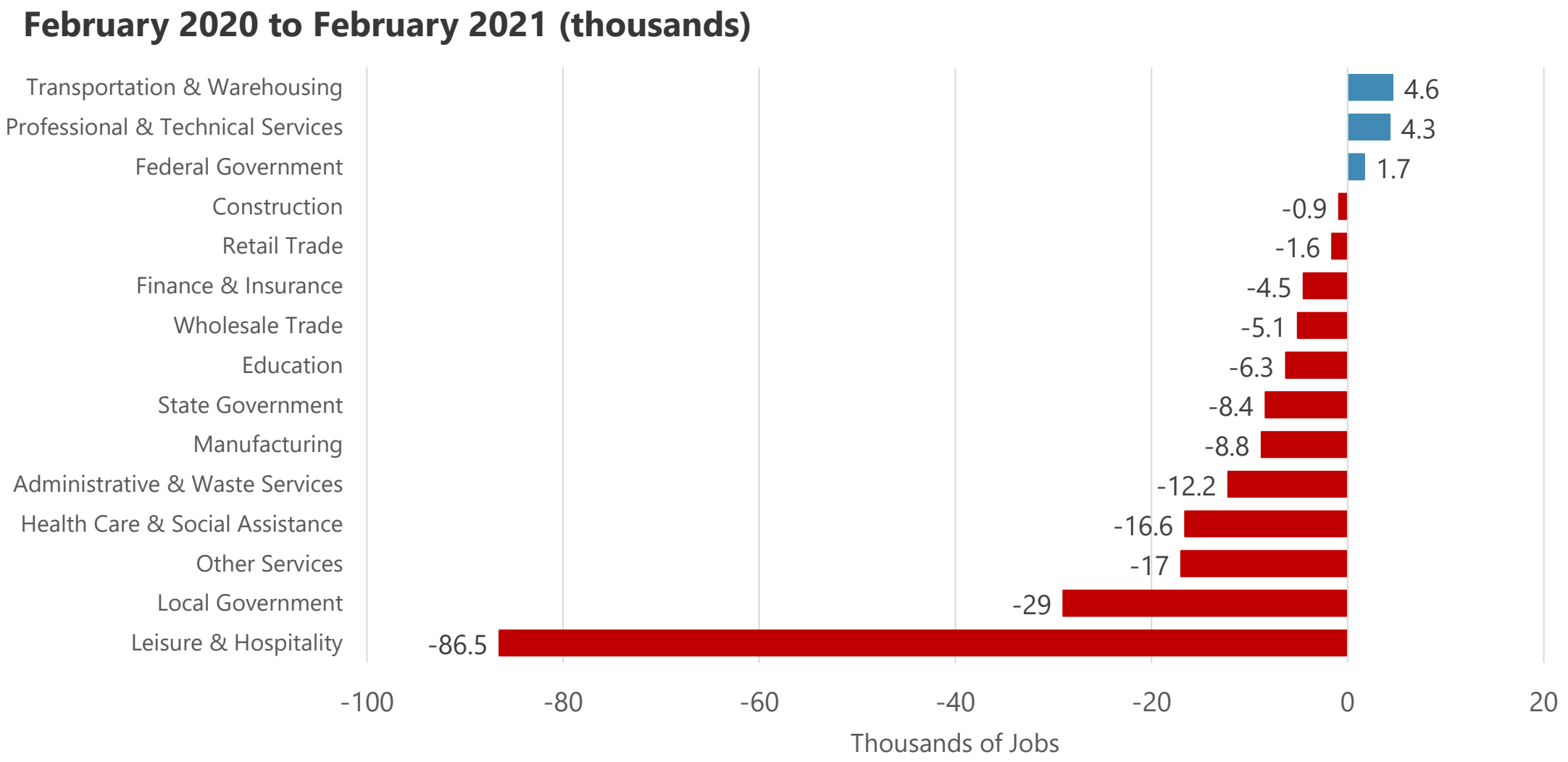
Source: U.S. Bureau of Labor Statistics, seasonally adjusted

Regional Employment



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

Virginia Employment Change by Sector



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

Housing Market Trends

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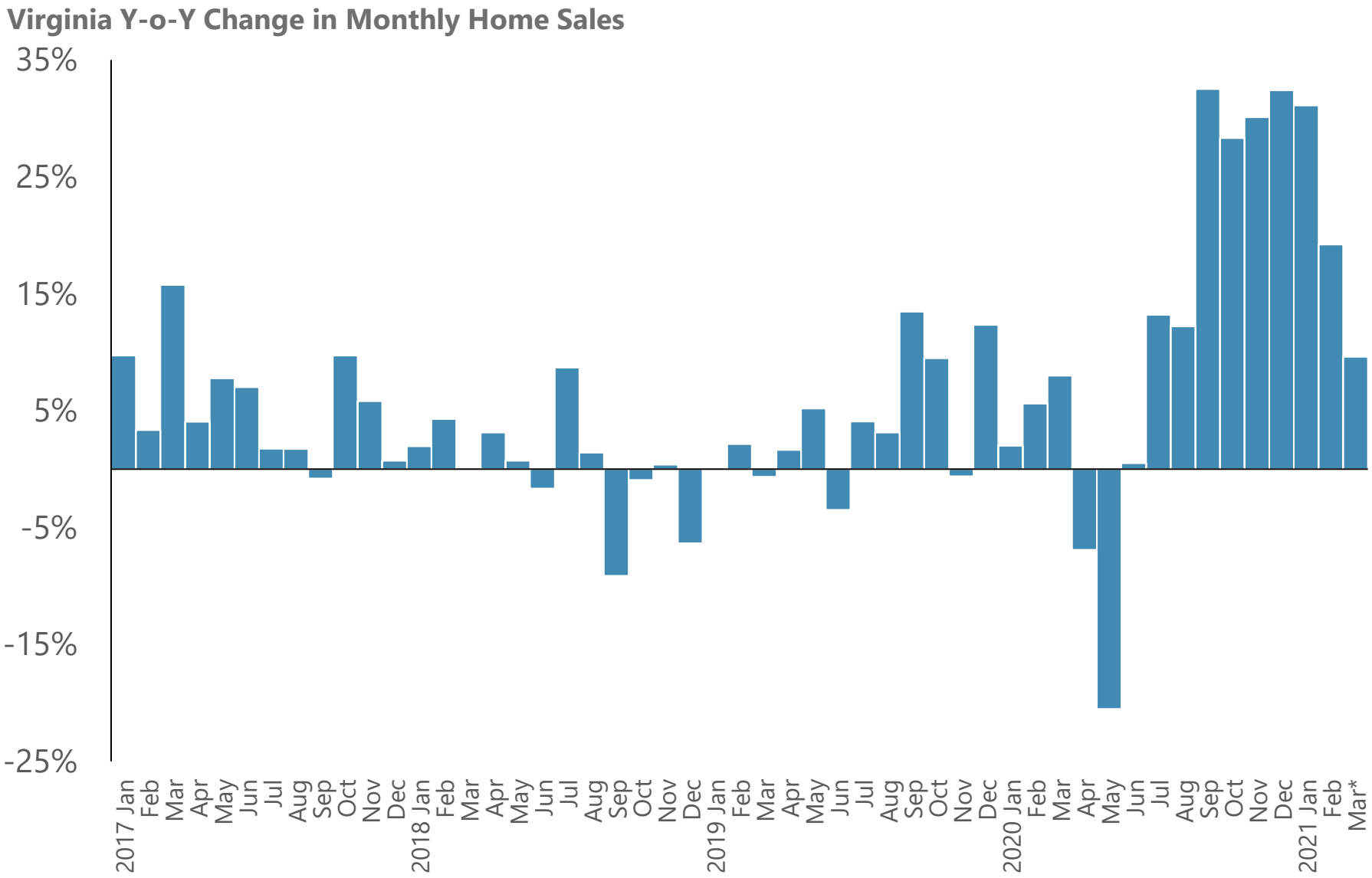
Home Sales

Statewide home sales surged in the 2nd half of 2020.

In March 2021*, sales were up 9.6% compared to a year ago.

Sales have been strong across Virginia, with especially robust sales in some smaller and rural markets.



Source: Virginia REALTORS® *preliminary

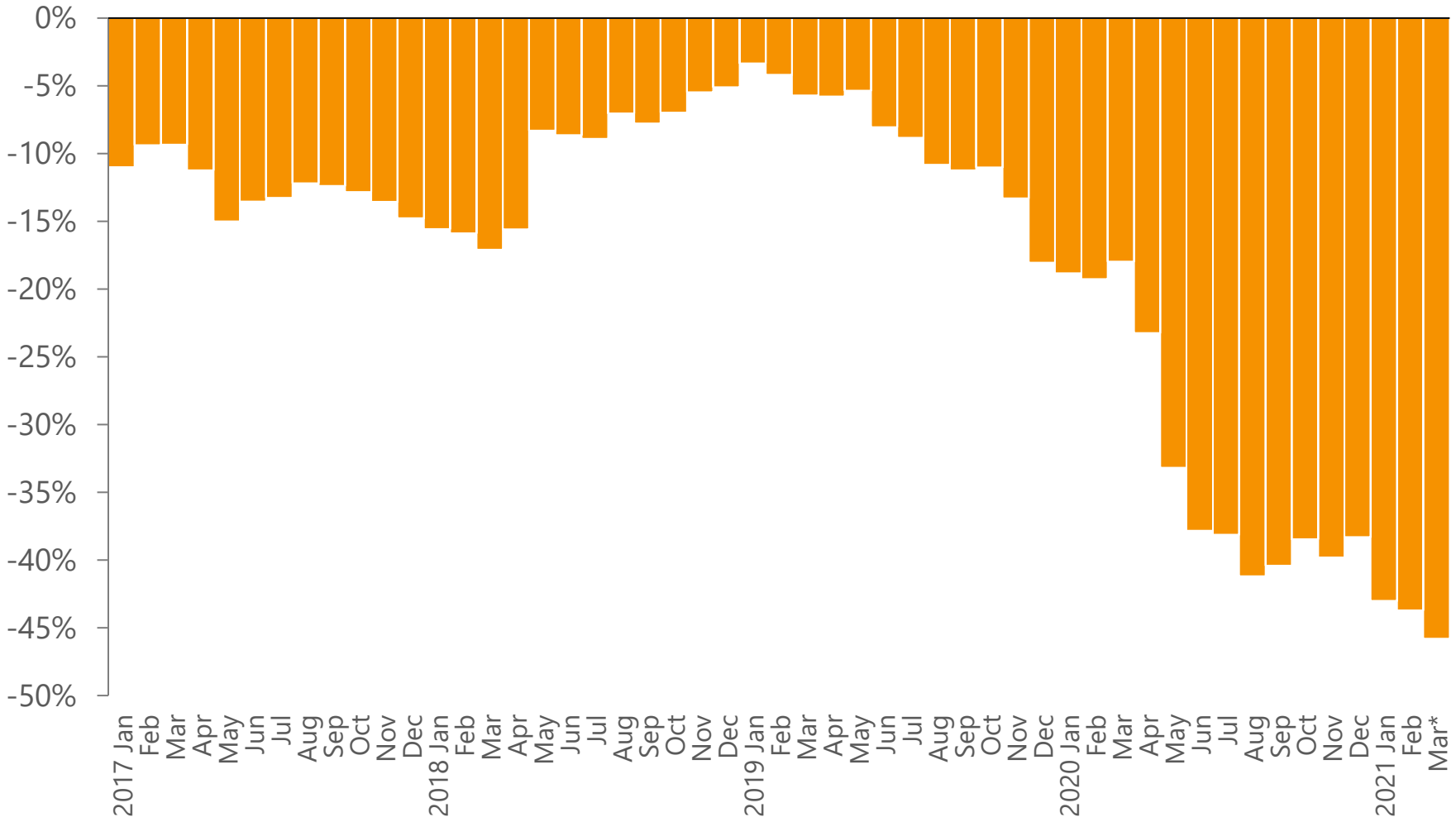
Inventory

A lack of supply is the biggest constraint on the housing market.

At the end of March 2021*, there were about 15,800 active listings statewide, down 45.8% compared to a year earlier.

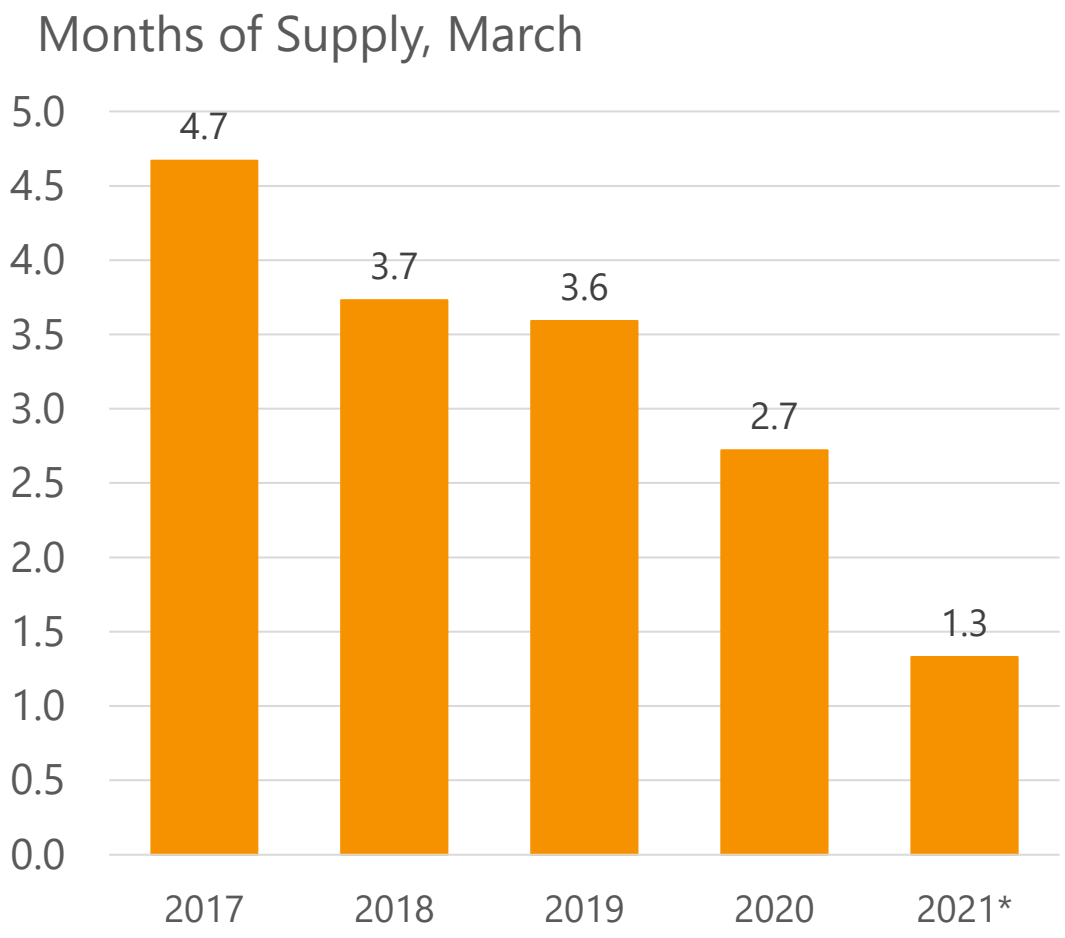
Inventory is at a third of what it was five years ago.

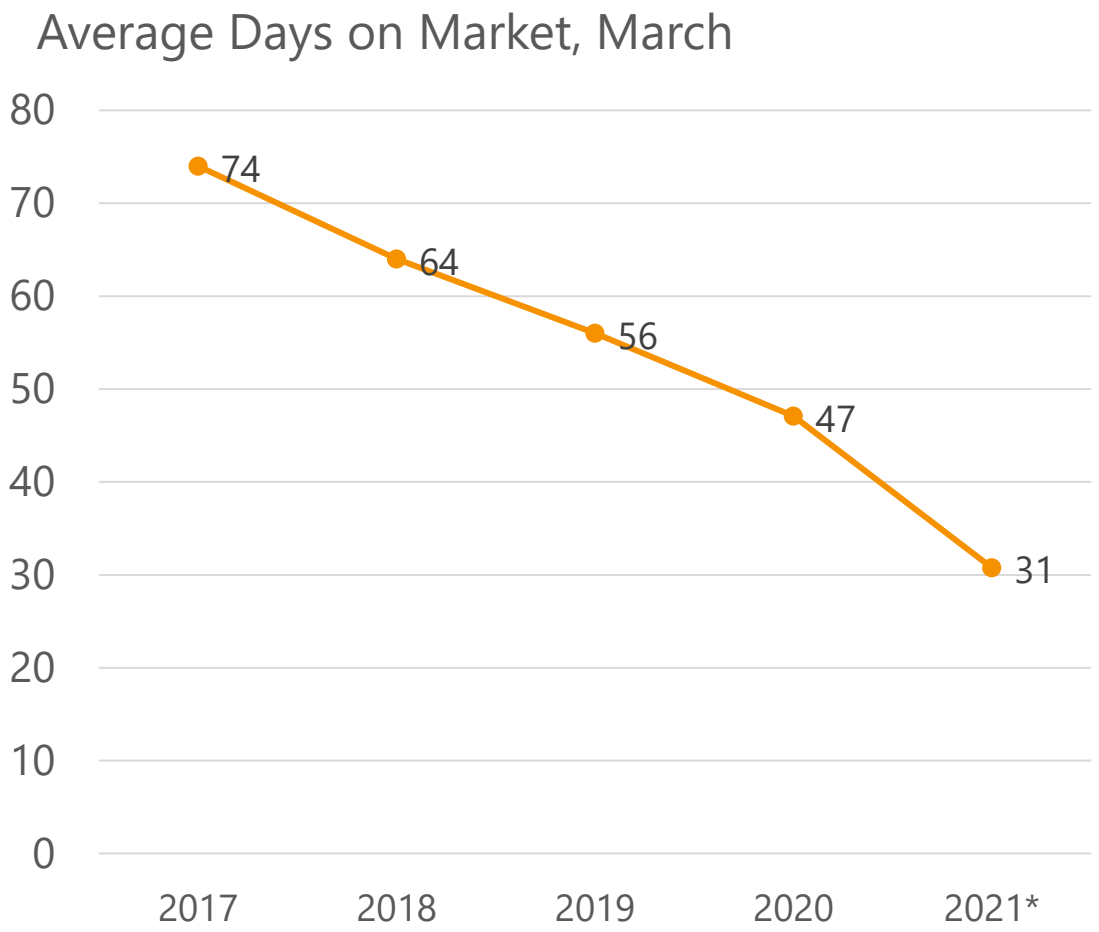
Virginia Y-o-Y Change in Monthly Active Listings



Source: Virginia REALTORS® *preliminary

Inventory





Source: Virginia REALTORS®

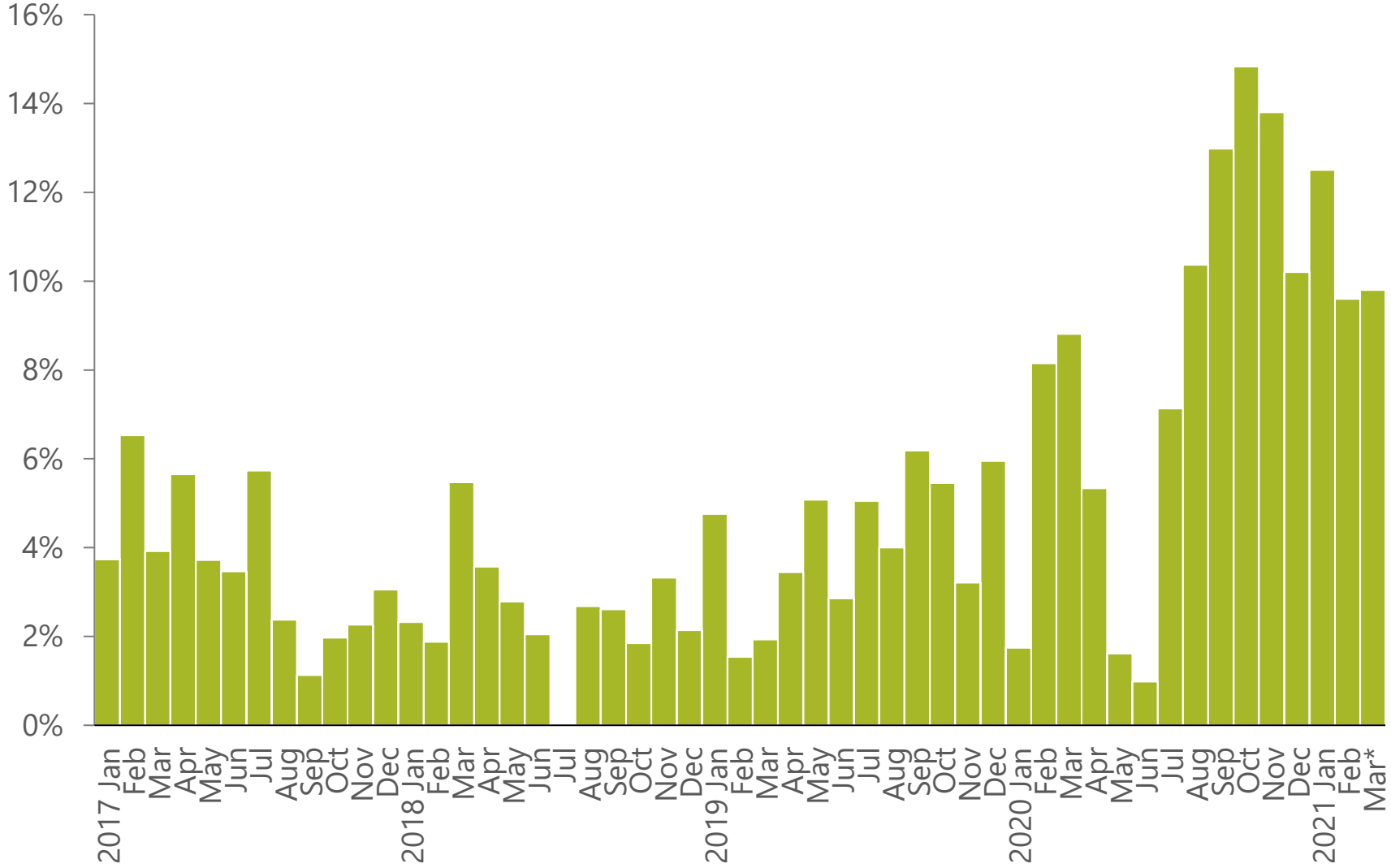
Home Prices

Strong demand and low supply have fueled double-digit price growth.

In Virginia, the median sales price was $335,000 in March 2021,* up 9.8% compared to a year earlier.

Rising prices are making it harder for many would-be buyers, especially first-time buyers.

Virginia Y-o-Y Change in Monthly Median Home Price

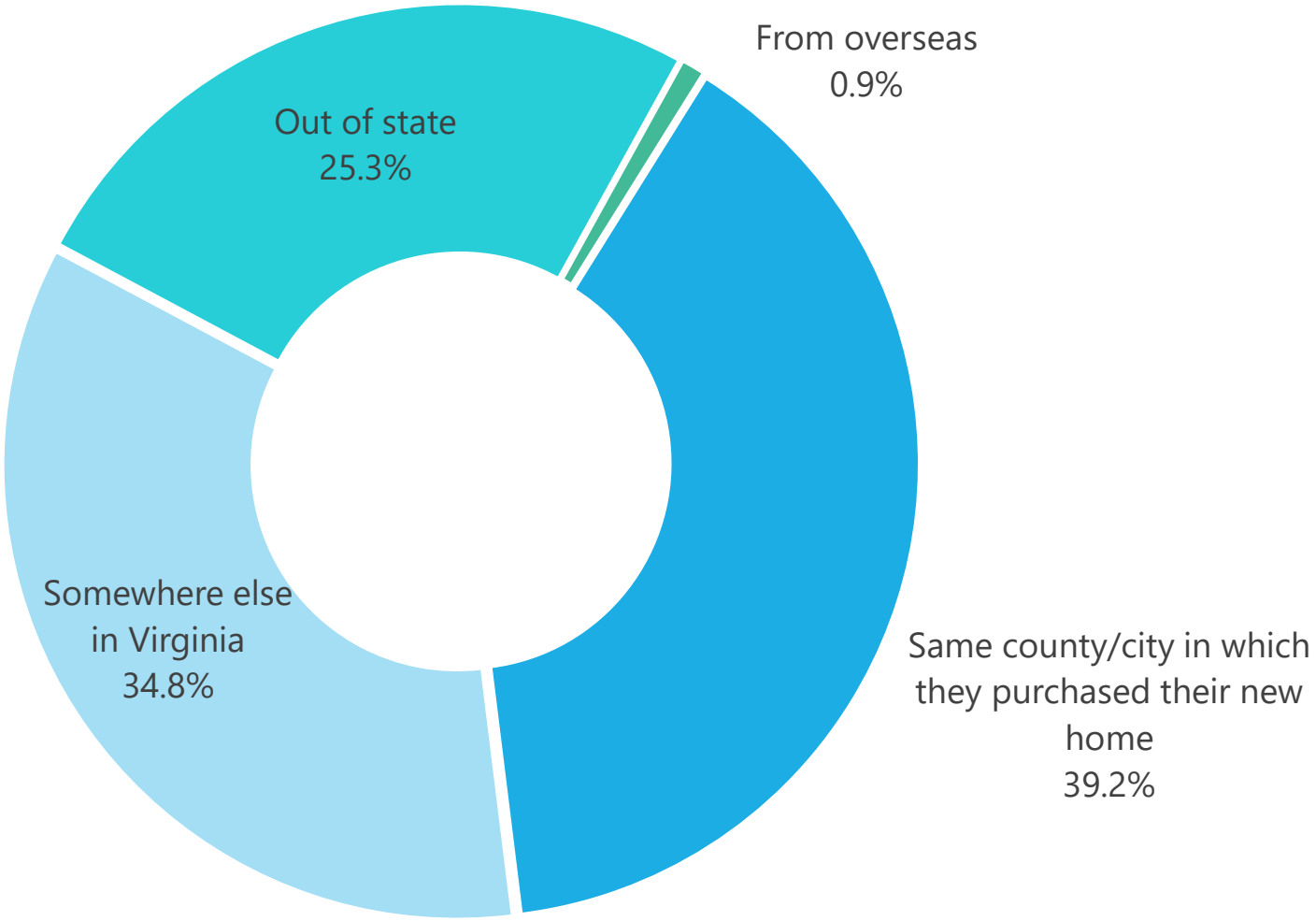


Source: Virginia REALTORS®

Where Are Buyers Moving From?

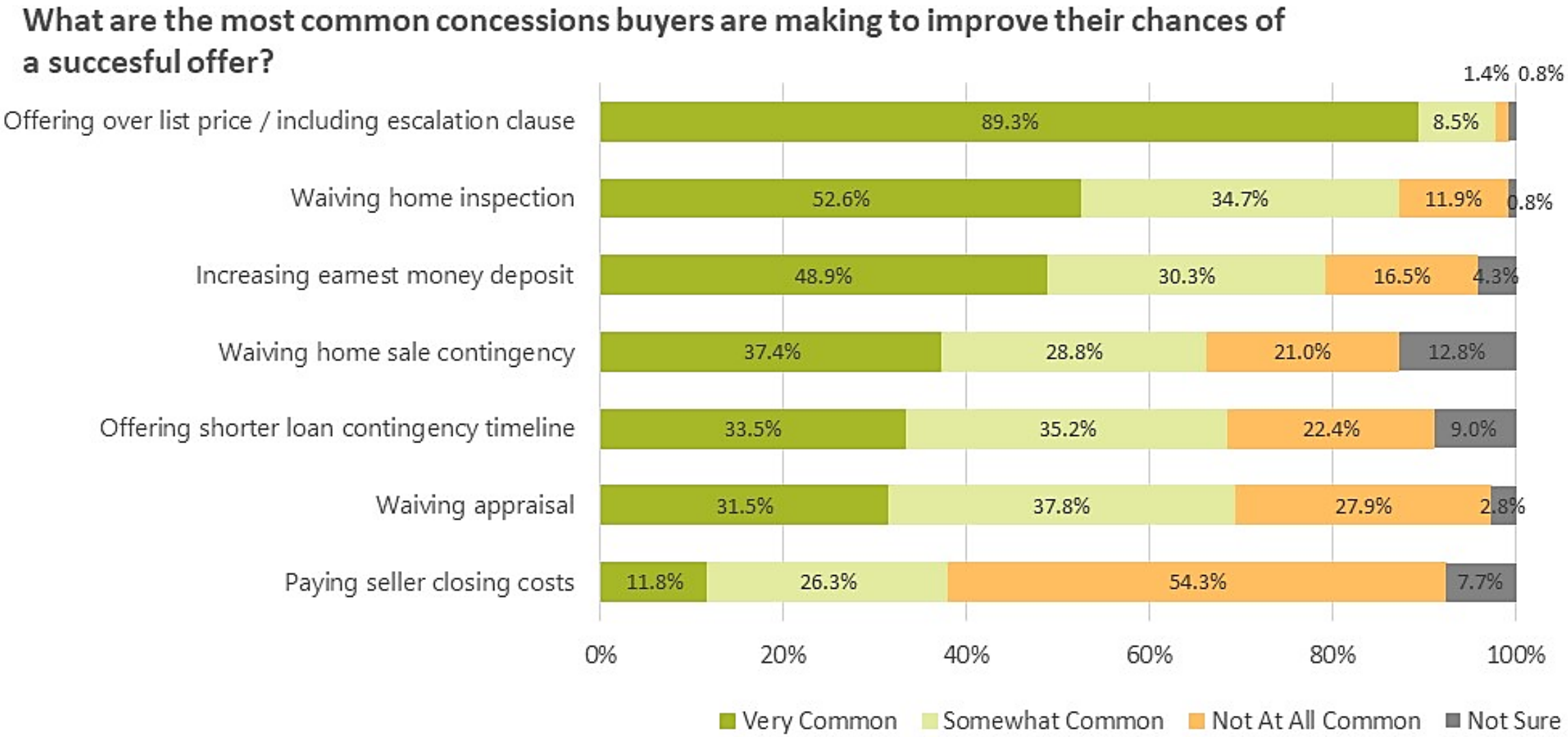
In some markets, buyers from out of state and from higher-income parts of Virginia have pushed home prices beyond what is affordable for many local families.

The biggest share of homebuyers, however, moves locally.



Source: Virginia REALTORS® Flash Survey, February 25-28, 2021

Home Buyer Compromises and Concessions



Source: Virginia REALTORS® Flash Survey, March 25-28 2021

How COVID-19 Has Changed the Housing Market?

How COVID-19 Has Changed the Housing Market in Virginia?

Residential real estate was a driver of the economy

Mortgage rates fell to historic lows

Home equity has surged

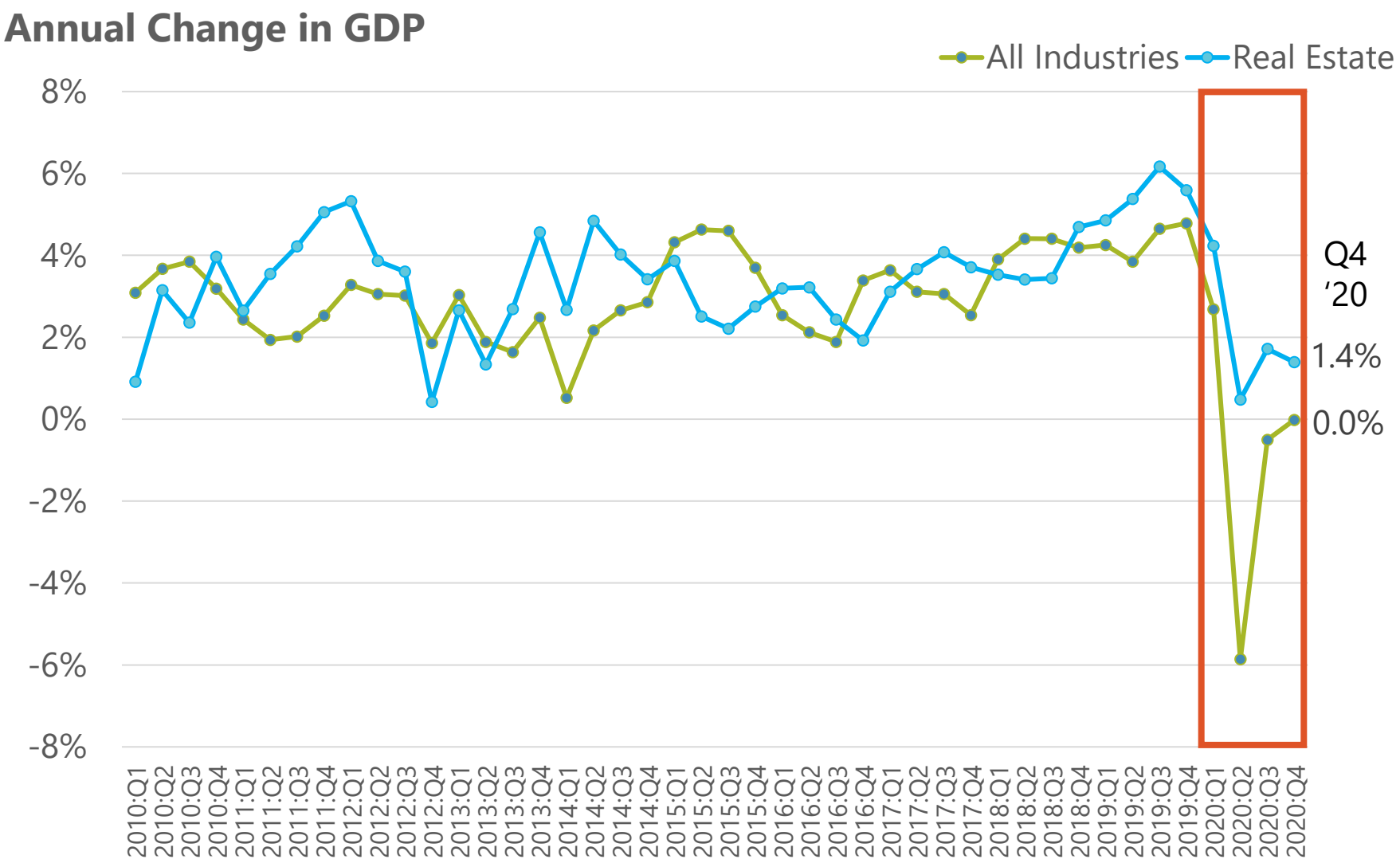
Economic and racial disparities widened

Virginia GDP

The Real Estate industry in Virginia typically accounts for about 15% of total state GDP.

During the COVID-19 pandemic, the Real Estate segment of the economy continued to grow year-over-year.

Between Q4 2019 and Q4 2020, the statewide economy was flat, but the Real Estate sector was up by 1.4%.



Source: U.S. Bureau of Economic Analysis

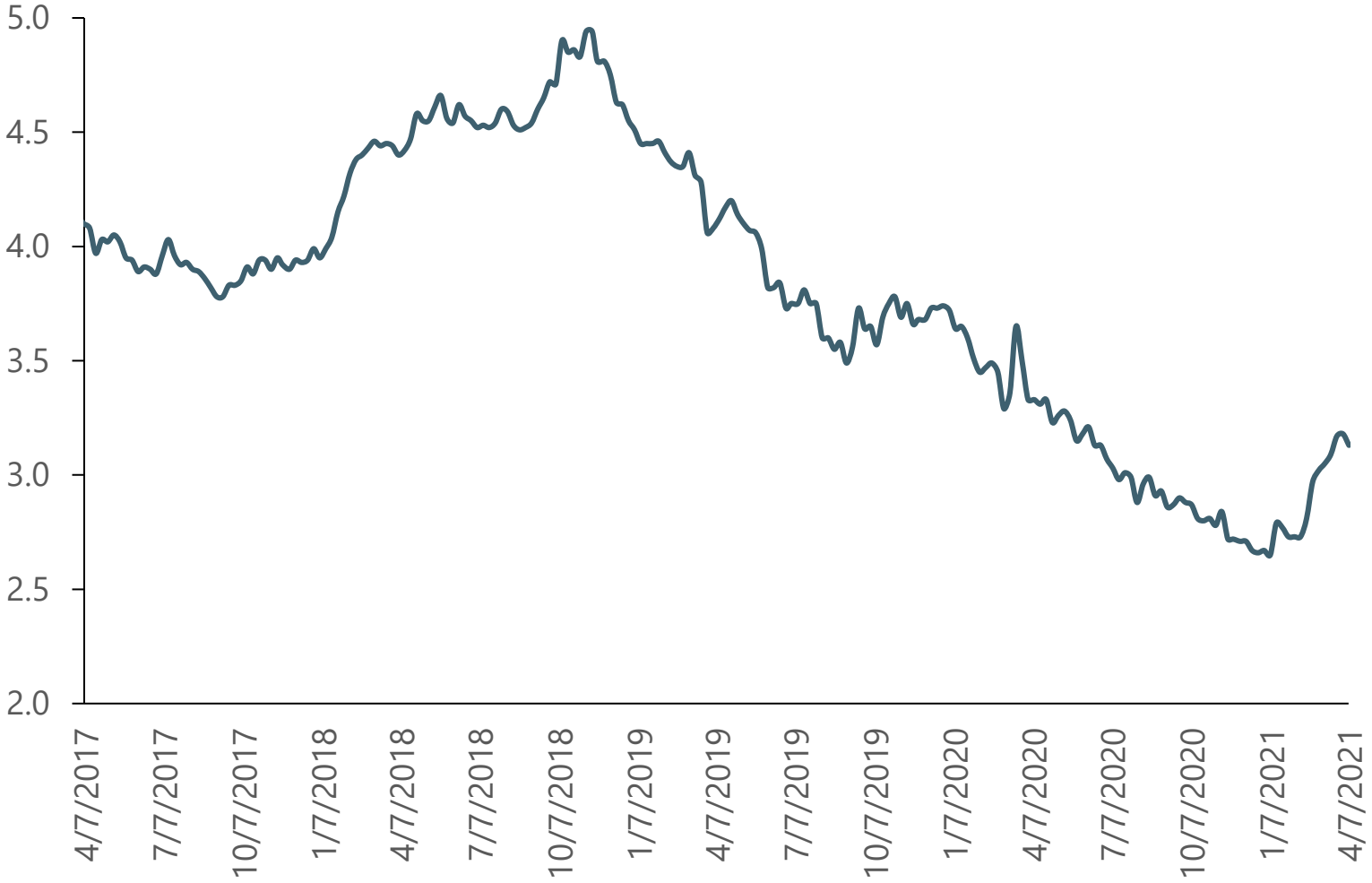
Mortgage Rates

Actions by the Federal Reserve to mitigate the impact of the recession pushed interest rates to historically low levels.

Low rates fueled a surged in both purchase activity, as well as refinance activity.

Despite a recent uptick, mortgage rates should remain in the low 3's throughout 2021 as the economy continues to recover.

Weekly Average 30-Year Fixed-Rate Mortgage Interest Rate (%), Not Seasonally Adjusted



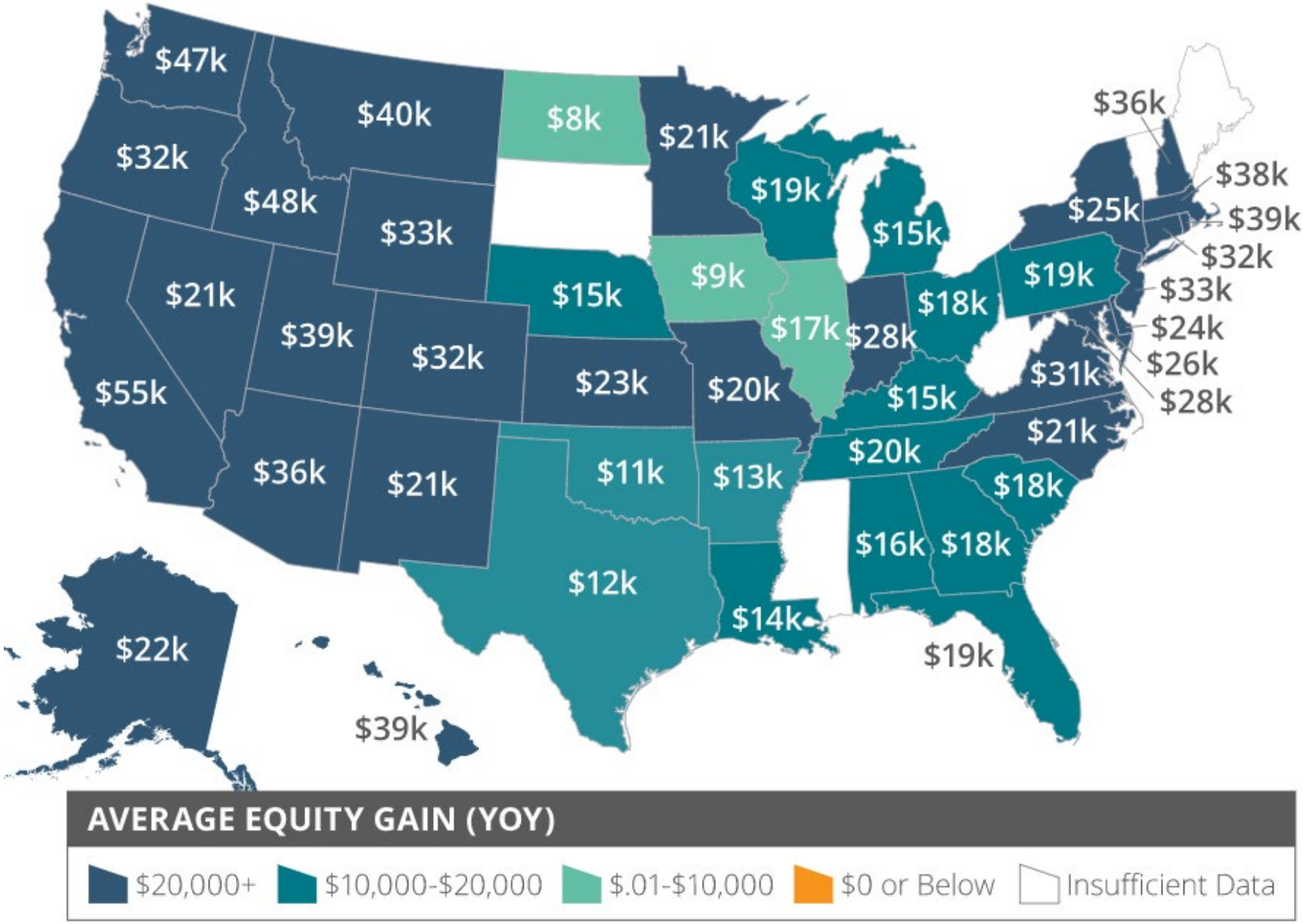
Source: Freddie Mac

Housing Equity

In Q4 2020, total housing equity grew by 16.2% compared to Q4 2019. Total “tappable equity” reached a record high of $7.3 trillion.

In Virginia, the average equity gain at the end of 2020 was $31,000, above the national average.

Growth in housing equity reduces risk of homeowners being “under water.”



Source: Core Logic

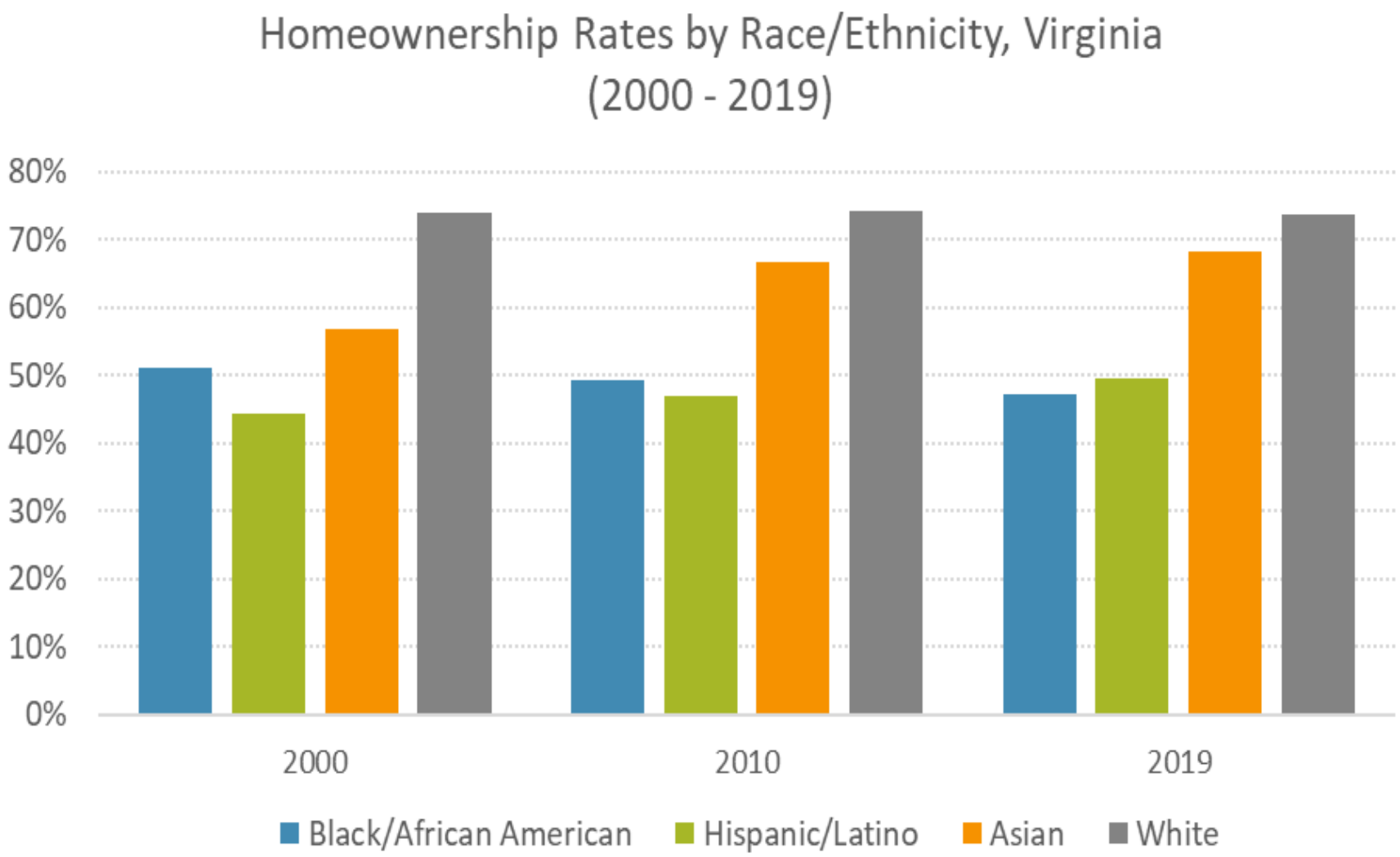
Economic & Racial Disparities

The Black-White homeownership gap in Virginia has widened over the past two decades.

Non-white mortgage applicants are more likely to be rejected, even after accounting for income.

Non-white homebuyers pay higher mortgage rates.

Non-white homeowners receive lower appraisals.



Source: U.S. Census Bureau

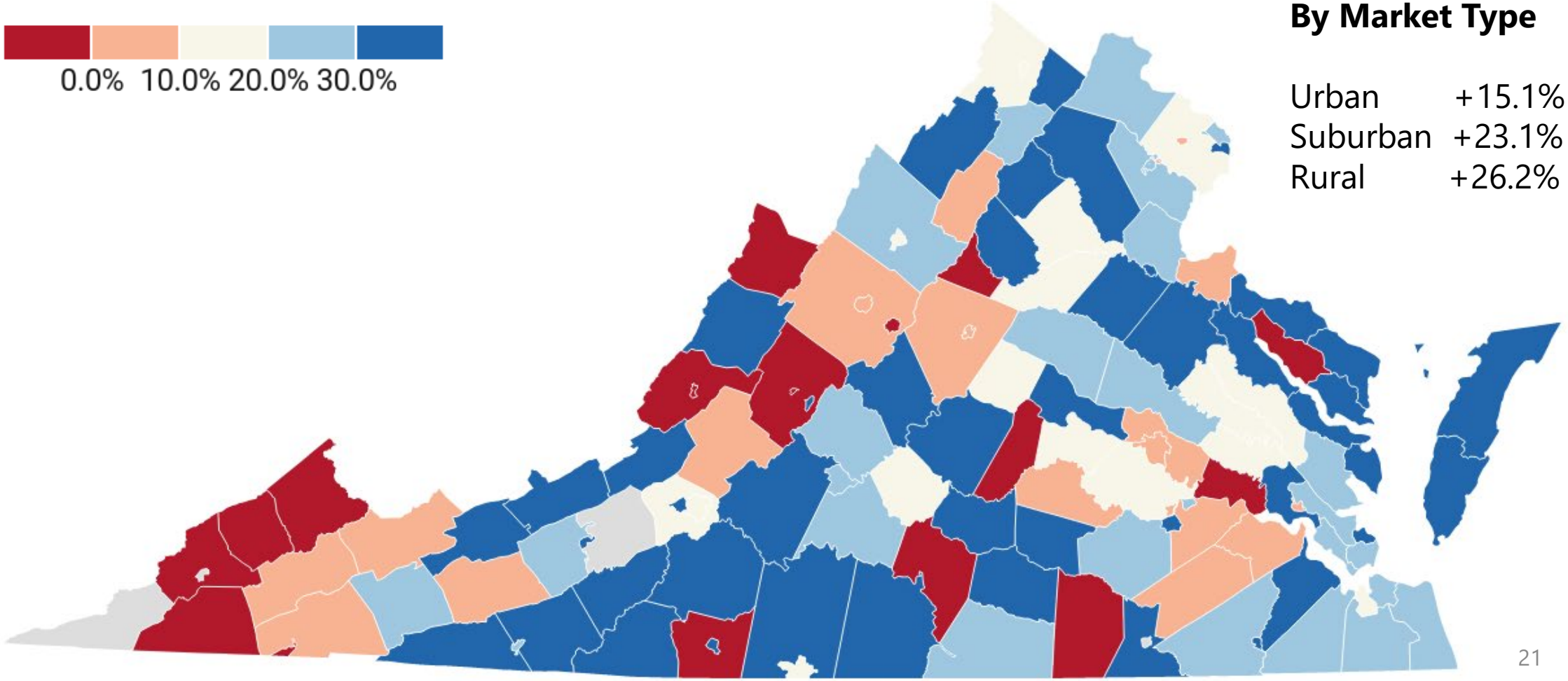
Outlook

The Post-Pandemic Housing Market in Virginia

Hybrid Work Transition

Increase in Home Sales in Some Rural Markets, But Demand Was Widespread Across the State

Home Sales - 2nd Half of the Year
Percent change, 2019 to 2020

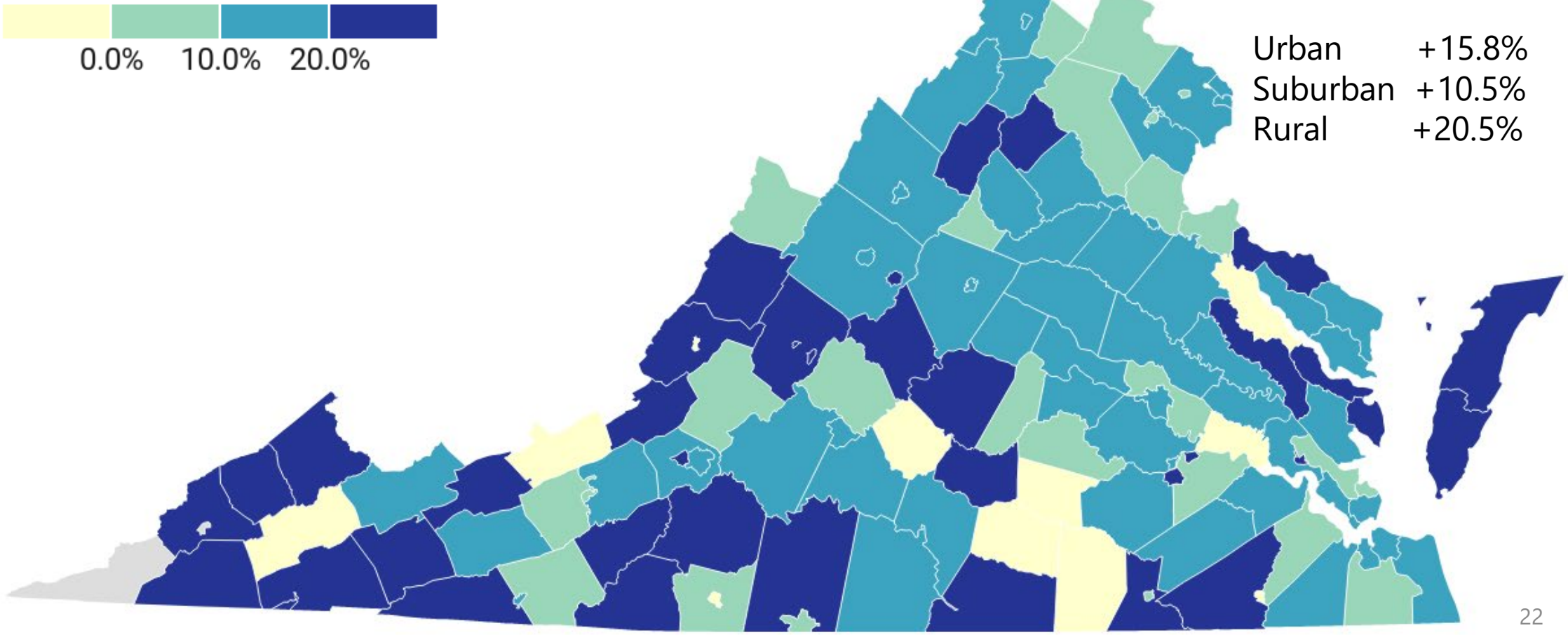


Avg. Percent Change In Home Sales By Market Type

Urban	+15.1%
Suburban	+23.1%
Rural	+26.2%

Median Home Prices Rising Faster in Rural Markets

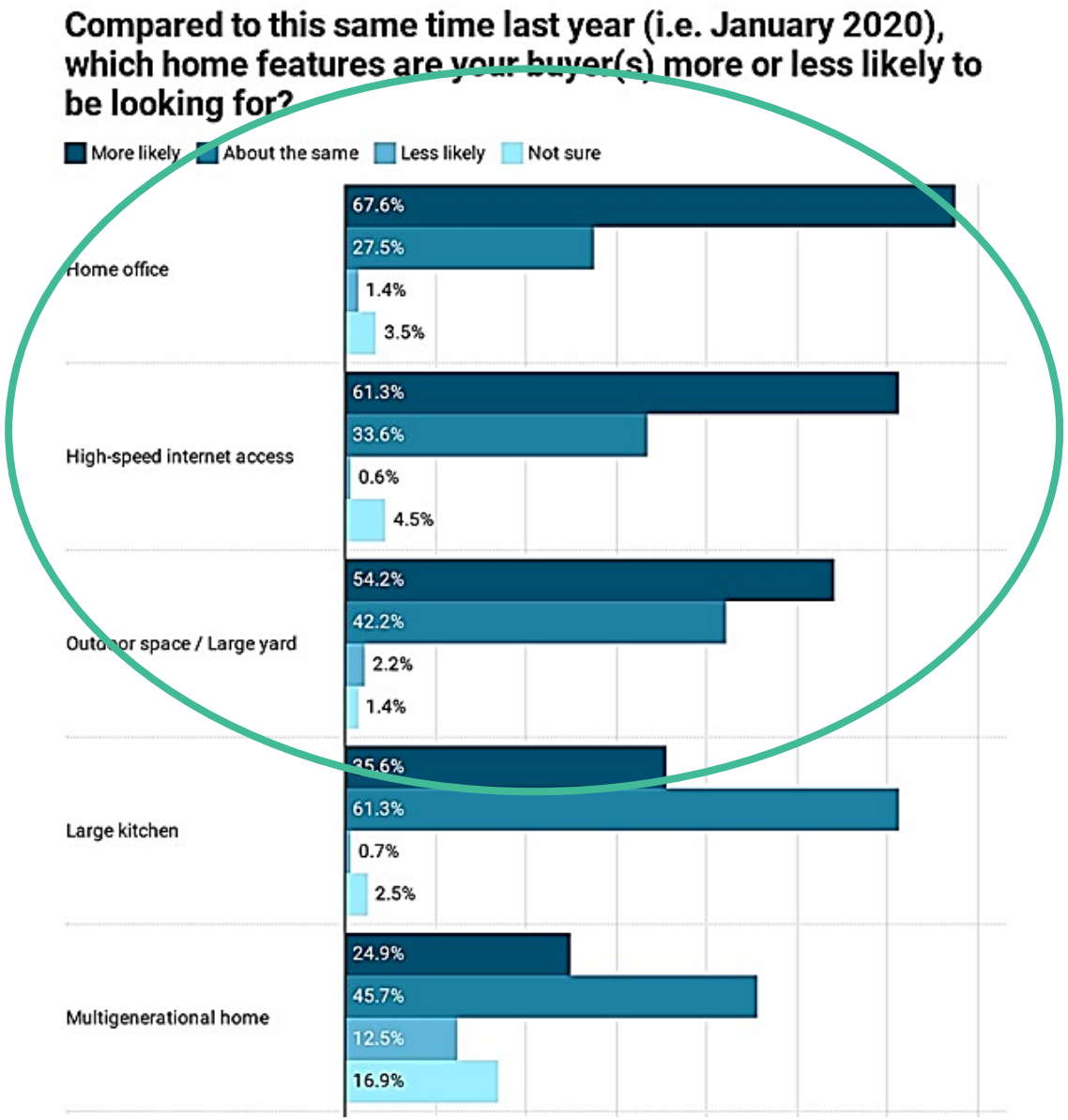
Median Sales Price - 2nd Half of the Year
Percent change, 2019 to 2020

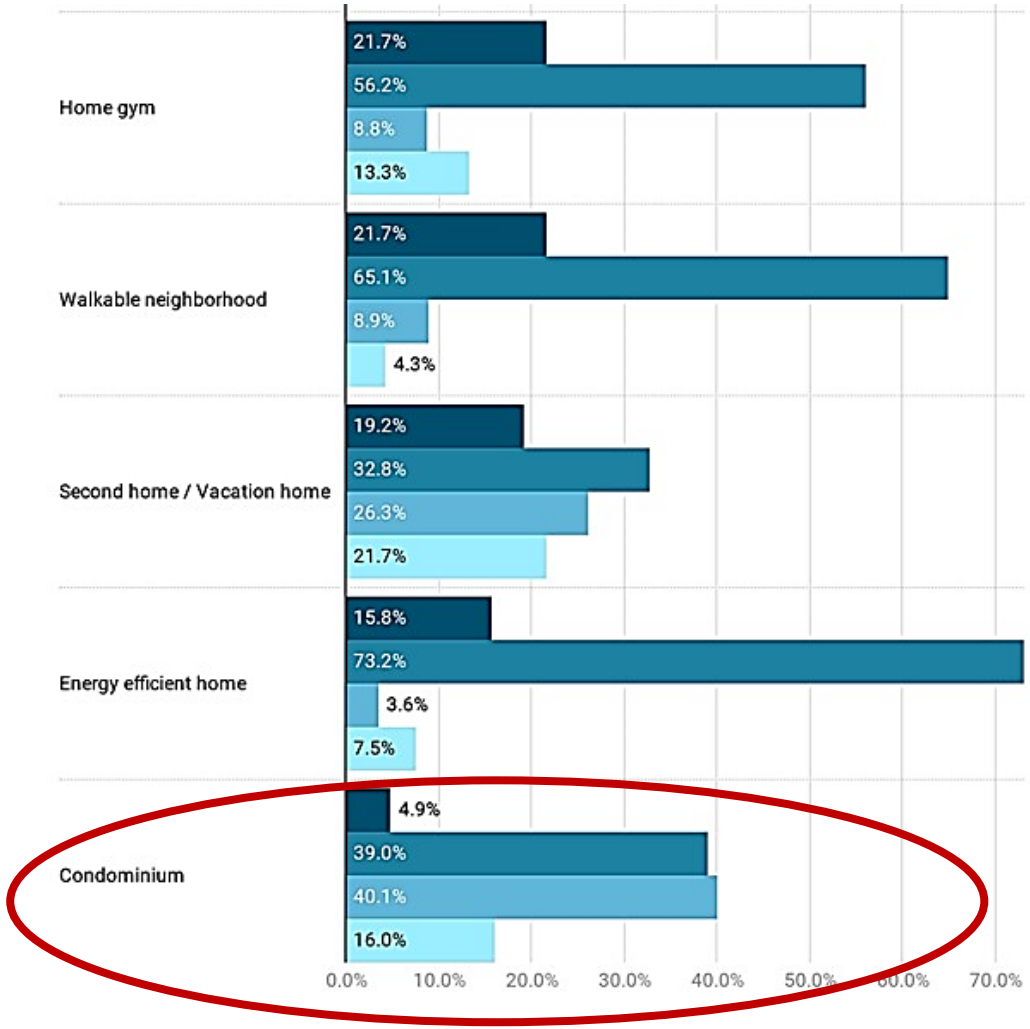


Avg. Percent Change Median Home Price By Market Type

Urban	+15.8%
Suburban	+10.5%
Rural	+20.5%

What Buyers are Looking for in 2021?

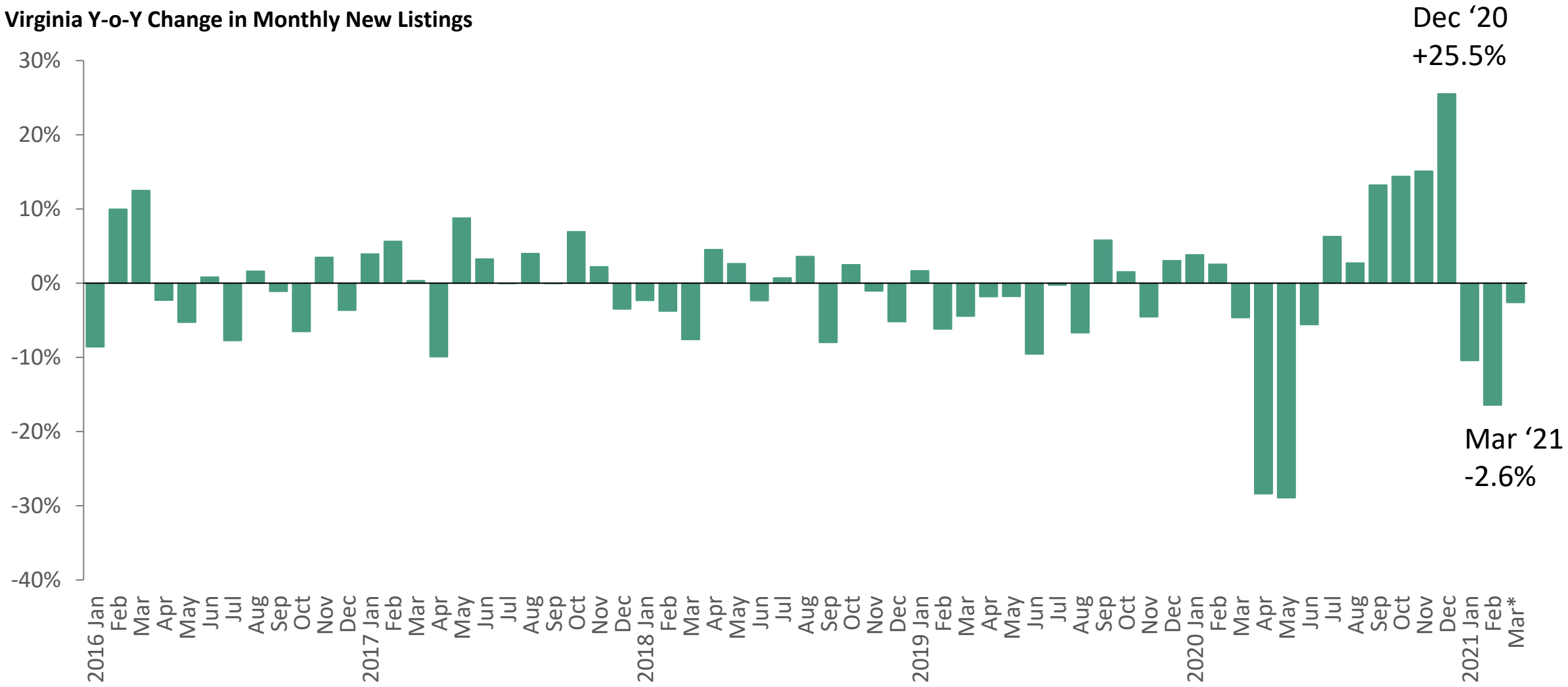




Source: Virginia REALTORS® Flash Survey January 21-24, 2021

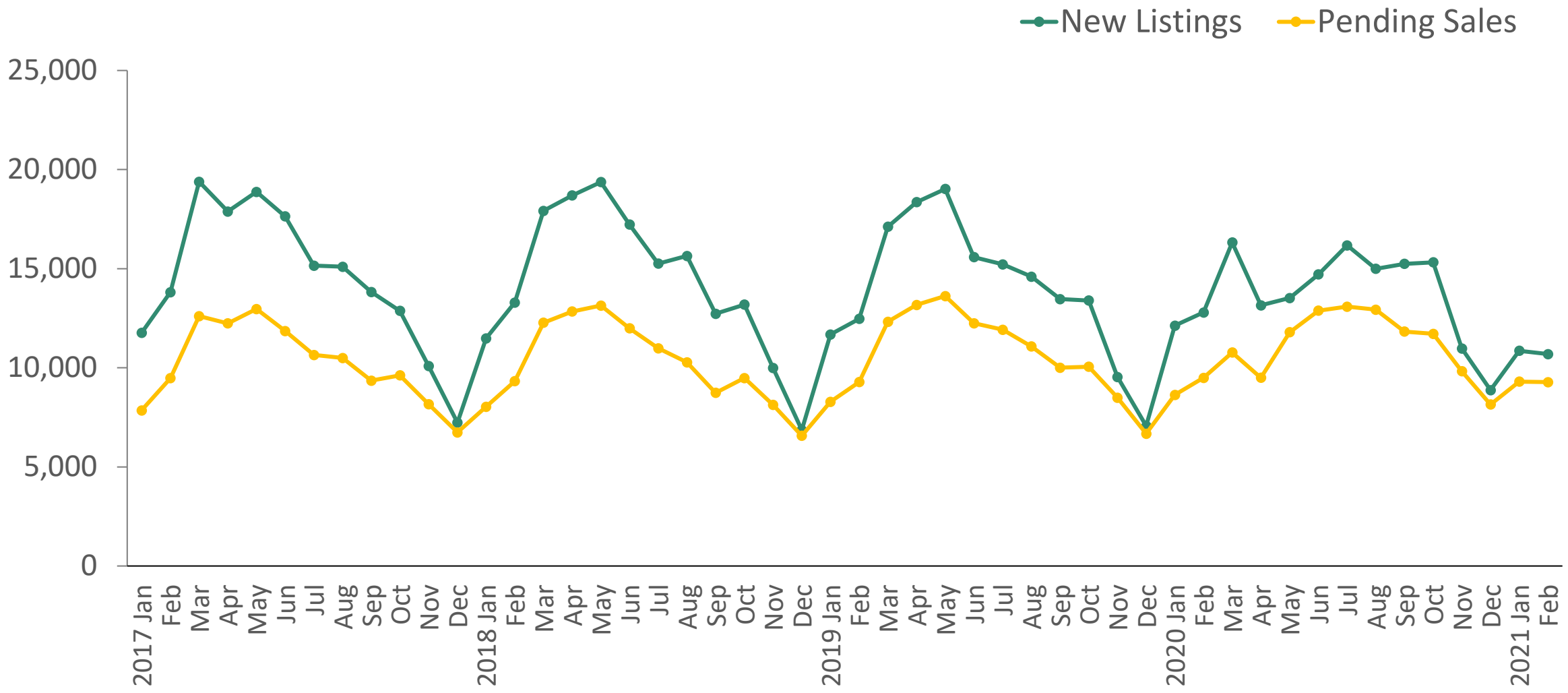
Inventory Remains Tight

New Listings



Source: Virginia REALTORS®

New Listings and Pending Sales

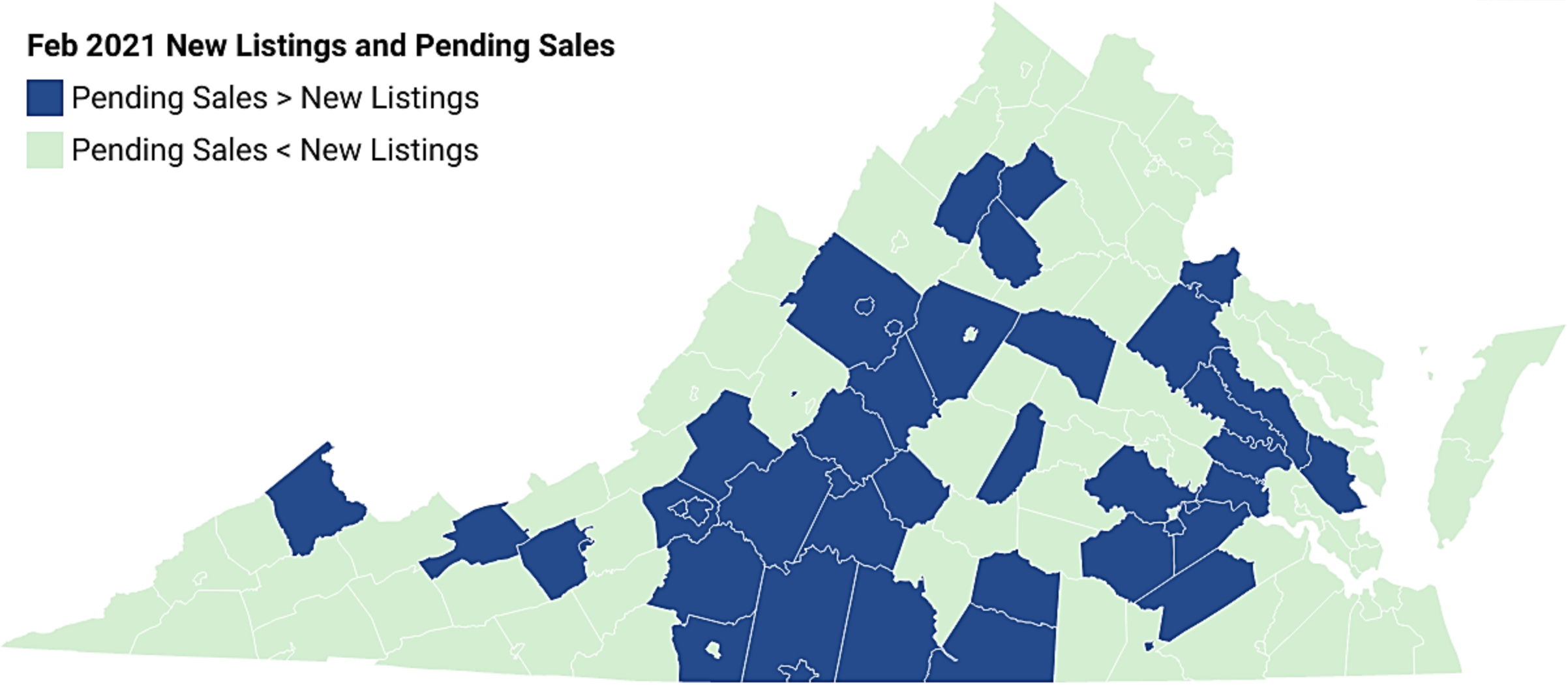


Source: Virginia REALTORS®

Feb 2021 New Listings and Pending Sales

Pending Sales > New Listings

Pending Sales < New Listings



Source: Virginia REALTORS®

Frustrated Buyers Leaving the Market

Home Buyer Compromises and Concessions

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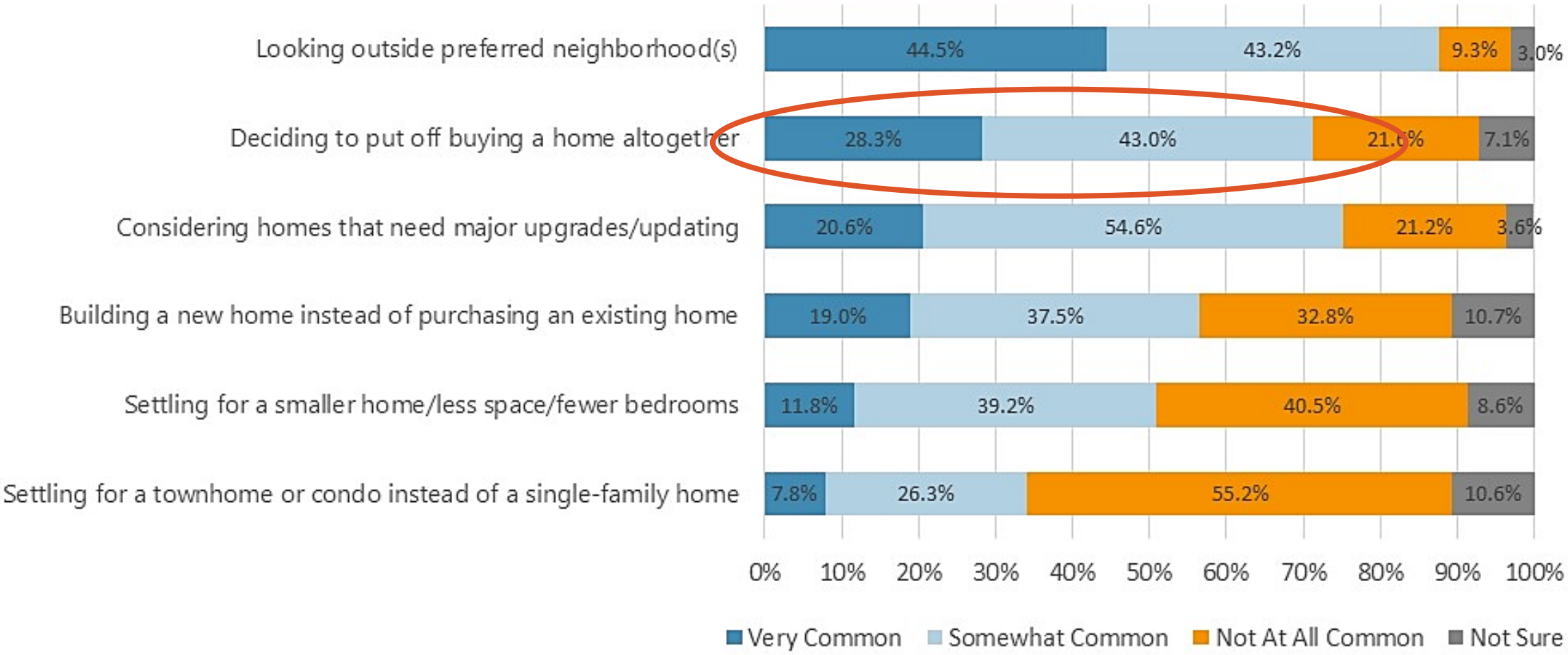
What are the most common compromises buyers are making in their home search?



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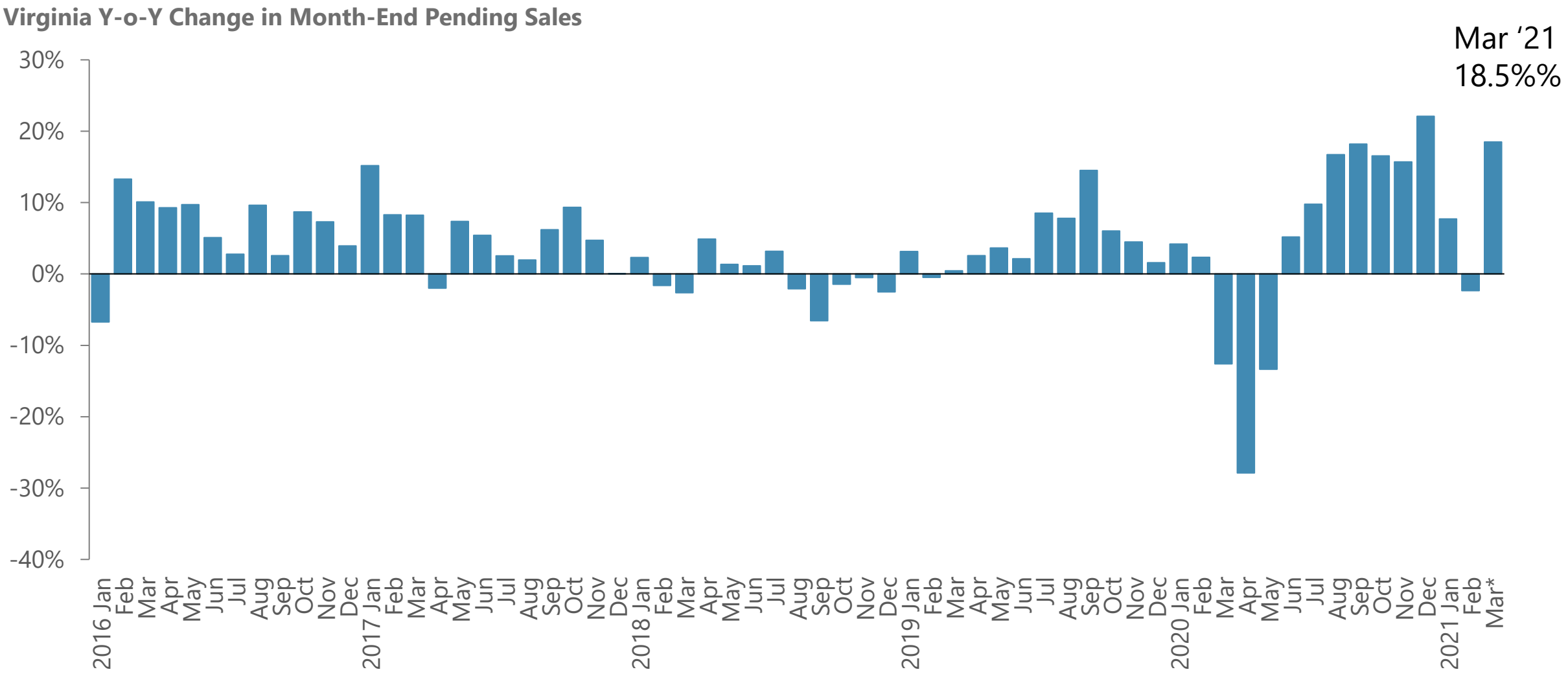
Pending Sales



Source: Virginia REALTORS®

Mortgage Rates Will Remain Low

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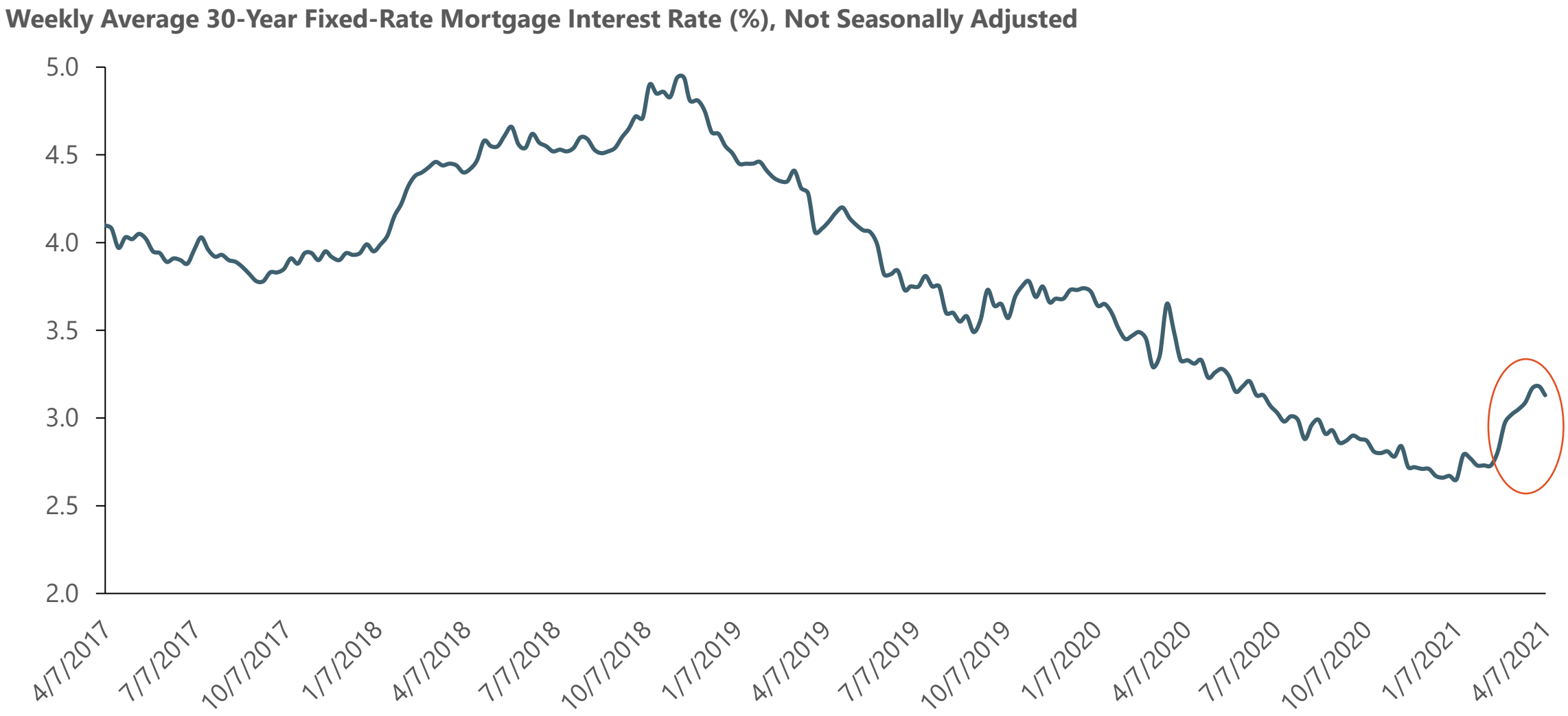
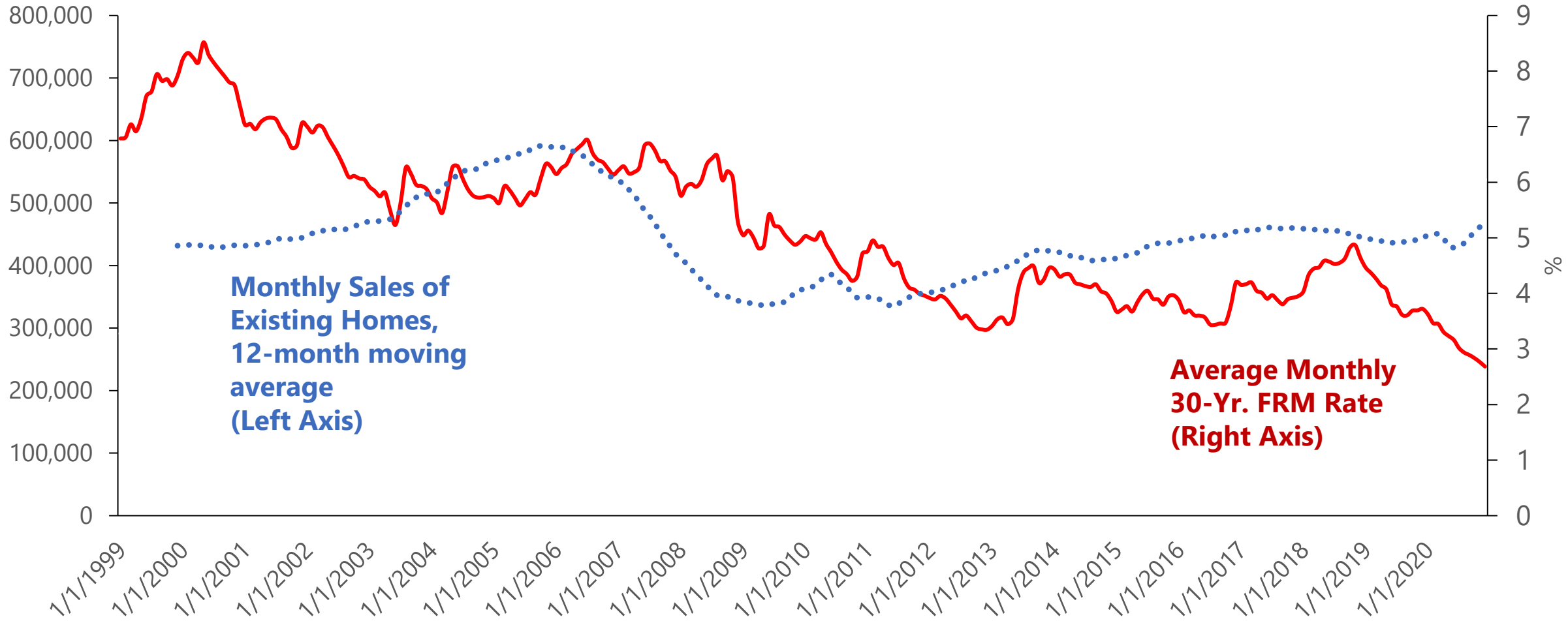
Mortgage Rates



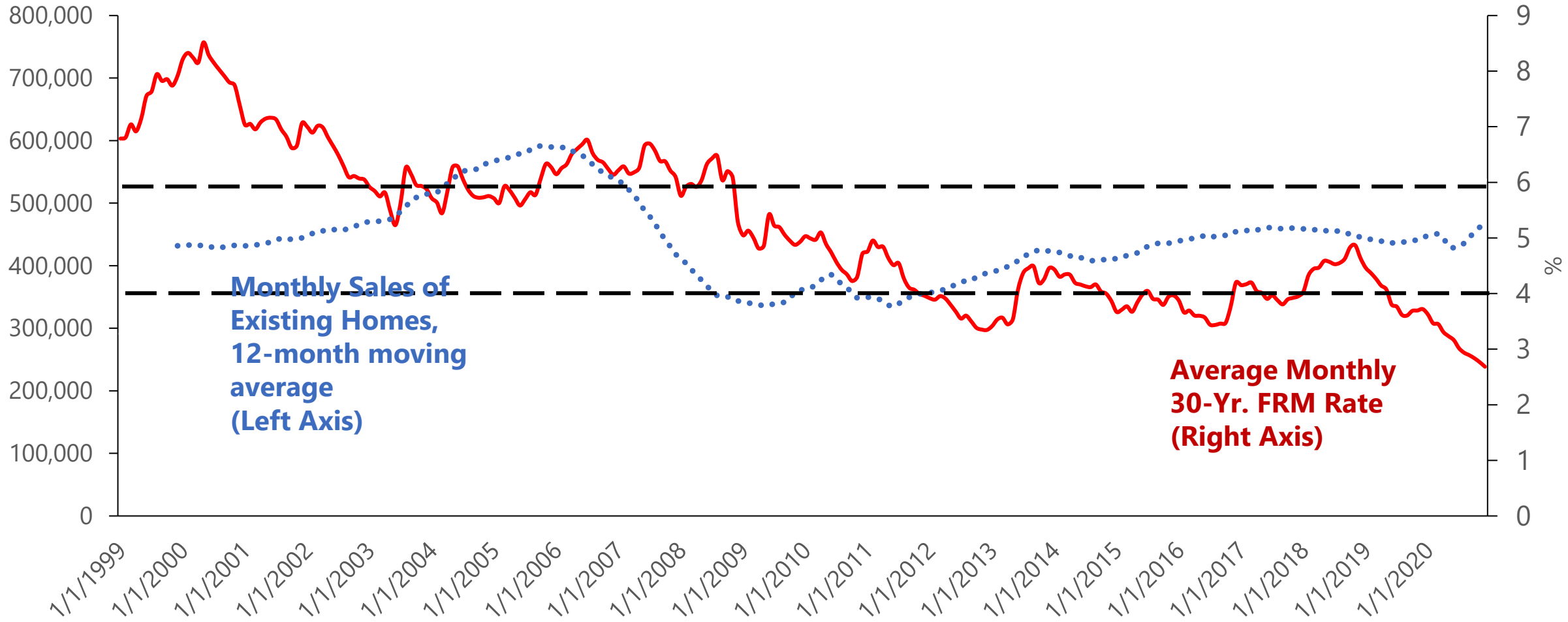
Source: Freddie Mac

Mortgage Rates and Home Sales Activity (National)



Source: Freddie Mac, NAR

Mortgage Rates and Home Sales Activity (National)



Source: Freddie Mac, NAR

Have Questions or Need More Info?

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