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THE FEDERAL RESERVE LOWERS INTEREST RATES HALF A POINT

On Wednesday, September 19th, the Federal Reserve Central Bank made the decision to cut interest rates by half a point, a larger cut than what was anticipated. This lowers the interest rates to about 4.9%, which is down from the two-decade high last summer. Federal Reserve officials credited this decision to inflation coming back down to their 2% goal and a desire to protect the job market as the unemployment rate increased to 4.2%. Interest rates are back down to 2023 levels, which were still considered historically high due to the Federal Reserve's attempt at fighting inflation after the pandemic. In 2025, Federal Reserve officials expect another full percentage point of rate cuts.

Despite the cut, the recovery of the housing market is expected to remain slow. The Federal Reserve does not set mortgage rates, but it does influence them. The majority of the adjustment in mortgage rates may have already been factored in due to recent rate cut expectations. Average mortgage rates are at 6.2%, down from the 7.8% peak seen last fall. According to the Mortgage Bankers Association, mortgage and refinancing activity have increased in anticipation of the Federal Reserve's interest rate cuts. New mortgage applications increased by 14% last week and refinancing applications rose 24% in that same week.

However, the shortage of available homes and high home prices continue to strain the market. Meaningful change is expected to take time. Sales have picked up but remain slow even with declining mortgage rates and a rise in inventory. High mortgage rates are just one aspect of today's challenging housing market.

SINGLE FAMILY STARTS RISE IN AUGUST, BUT SUSTAINED MOMENTUM IS UNLIKELY

Total housing starts in August were higher than expected due to an increase in single-family homebuilding. Single-family housing starts rose 15.8% in August from the July estimates and were up 5.2% from August of last year. Overall, housing starts increased by 9.6% to a rate of 1.365 million units, up 3.9% from last year. This August rebound was unexpected after July starts fell to a four year low.

Permits for future single-family building rose a modest 2.8%, but were down .5% from last year. The slight increase in August may suggest this momentum may not be sustainable.

Starts for multi-family projects dropped 6.7% from July to August. While single family housing starts have been up year-over-year in 12 of the last 14 months, multi-family starts have only been up two out of the last 14 months. Many economists credit this to a decline in demand for new multifamily projects; it has remained lower than the pace of development.

Experts suggest supply and affordability remain significant constraints that will likely not ease with the recent reduction in mortgage rates. However, many economists remain optimistic about the housing market as the 30-year mortgage rate continues to decline from 2023 highs.



NEW RESIDENTIAL CONSTRUCTION AUGUST 2024

Building Permits:	1,475,000
Housing Starts:	1,356,000
Housing Completions:	1,788,000
Next Release:	October 18, 2024

Seasonally Adjusted Annual Rate (SAAR)
Source: U.S. Census Bureau, HUD, September 18, 2024

Upcoming Meetings

- October 7th, 1:30 p.m.** - Special Workgroup on Local Government Actions Related to Comprehensive Plans
- November 26th, 10:00 a.m.** - Local Land Use and Community Living Workgroup
- November 26th, 1:00 p.m.** - Affordable Housing and Landlord/Tenant Law Workgroup
- December 17, 1:00 p.m.** - Full Commission Meeting

*All meetings will be held in Senate Room C, Room 311, General Assembly Building

FEATURED ARTICLES

[A Look at How Federal Plans Could Make The Costs of Housing More Affordable](#) (Virginia Mercury)

The Biden Administration has announced several policies with the goal of addressing the cost of housing. Some of the policies proposed involve rule changes and grants, while others require congressional action - such as a cap on rent increases from corporate landlords.

Vice President Kamala Harris, as part of her Presidential campaign, announced a policy to provide up to \$25,000 in down payment assistance to first time homeowners. As the country continues to struggle with housing affordability, political leaders are focusing more on housing.

[Housing Sales Report Sees Inventory Issues Improving](#) (CBS19 News)

The Virginia REALTORS® released a July 2024 Virginia Home Sales Report, finding that home sales across the Commonwealth went up 10.7% compared to July 2023. Additionally, inventory in Virginia has been expanding every month so far in 2024. However, the market remains competitive and tight and the median sales price of homes continues to climb.

[Northern Virginia Residents Feel Pressure To Pay High Rent, Mortgages](#) (Virginia Business)

Gallup and the nonprofit Greater Washington Community Foundation conducted a survey and found that 52% of D.C., Maryland, and Virginia residents polled were either "very worried," or "somewhat worried," about paying their rent or mortgage payments. That is a significant increase from 31% in 2020.

Additionally, the Northern Virginia residents surveyed were less likely to want housing for low-income households developed in their communities.

[Could This Right-To-Counsel Program For Evictions Become A Statewide Model?](#) (Virginia Mercury)

In its latest budget, Richmond allotted \$500,000 to a right-to-counsel (RTC) pilot program. The program provides a lawyer for a tenant facing eviction if they cannot afford one.

Some advocates believe Richmond's program can serve as a test case for establishing a similar program in other Virginia localities. While the pilot does not create a "right," to counsel, it expands representation in court and may lead to fewer evictions in Richmond.

[Applications open for Henrico's \\$60M Affordable Housing Trust Fund](#) (Henrico Citizen)

Henrico's new \$60 million Affordable Housing Trust fund is hoping to support the construction of around 150 affordable single-family homes in the county annually for the next five years.

The housing trust fund was established by the Henrico Board of Supervisors in May, and is available to nonprofit and for-profit builders and developers who meet certain criteria. Homebuyers eligible to purchase homes that have received funding through the program must earn between 60-120% of the Area Median Income.

[Virginia Affordable Housing Providers Hit By Inaccurate Tax Assessments](#) (Richmond Times Dispatch)

The Virginia Housing Commission heard discussion about legislation tightening language around assessments to ensure real estate taxes are applied correctly to affordable housing. The legislation was introduced by Delegate Carrie Coyner during the 2024 General Assembly and is supported by the Virginia Housing Alliance and additional non-profit organizations.

Powhatan County Commissioner of Revenue Jamie Timberlake told the Commission that getting information needed in order to conduct an income-approach assessment is a significant issue in instances where problems occur with assessing affordable housing for taxes.

[Expanded Lease Breaking Powers Floated for Victims of Sexual Assault in Virginia](#) (WVTF)

The Virginia Housing Commission is considering legislation to quicken the process of allowing victims of domestic violence, sexual assault, or stalking to break their leases. Senator Russet Perry recently presented a bill to the Commission's Affordable Housing Workgroup to strengthen the process and provide victims with more options.

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**Virginia
Housing
Commission**



Virginia Housing Commission

FALL NEWSLETTER

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