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COMMISSION UPDATES

The first Virginia Housing Commission meeting of the interim was held April 16th at 2:00 p.m.

At the meeting, a representative from the Virginia Association of Realtors provided brief comments followed by a presentation from Lisa Sturtevant, Chief Economist for Bright MLS. Sturtevant presented on the recent real estate settlement and the impact on the Virginia housing market. She also provided an overview on the state of the housing market and housing affordability in Virginia. The presentation provided data on a wide range of housing affordability discussion topics including charts showing that while mortgage rates are not particularly high by historic standards, higher home prices are making affordability more challenging in the current market. Sturtevant's presentation is available on the Commission's website (<https://vhc.virginia.gov/>).

Riley Keenan, Professor of Law at the University of Richmond's School of Law, presented on the constitutional implications of affordable housing on religious property. He discussed the religion clauses in the First Amendment, religious exemptions from generally applicable laws, and how these issues relate to the Faith in Housing for the Commonwealth Act, (Hashmi 233, 2024) as the Commission discusses potential legislation during the interim.

The first meeting of the Accessory Dwelling Unit (ADU) Workgroup was held on May 20th. At the meeting, Commission Policy Analyst Jesseca Hoff shared research about the nine states that have passed statewide legislation broadly allowing ADUs as a permitted use. In each state, there is a lack of evidence proving that ADUs are *affordable* housing, but evidence shows ADUs are proven to increase housing stock. The research also showed that generating an income is the largest motivating factor among homeowners interested in building an ADU.

Next, Rockingham and Chesterfield counties presented on their local ADU ordinances and how those ordinances have impacted construction in their counties. While each county had vastly different ordinances in place, they both allowed for the construction of ADUs based on their county's needs and preferences and both experienced ADU construction over the last few years. The workgroup members will continue to work on this topic throughout the interim.

Several articles have covered the ADU workgroup's efforts. Those articles are available in the "Press," tab on the Commission website.

The Commission held two meetings on June 5th. First the Local Land Use and Community Living Workgroup met in the morning to discuss the topics of managed conservation landscaping in property owners' associations, entering adjoining property for repair and maintenance, and existing blight tools to promote housing access.

The Affordable Housing and Landlord Tenant Law Workgroup met in the afternoon and discussed flood disclosures, disclosures related to fly-over zones, and affordable housing on religious property. All of the presentations from the June 5th meetings are available on the Commission's website.

2024 Workgroups

Local Land Use and Community Living
Next Meeting: August 20th, 10:00 a.m.

Affordable Housing and Landlord Tenant Law
Next Meeting: September 4th, 10:00 a.m.

Accessory Dwelling Unit Workgroup

Fed Holds Rates Steady, Cut Coming Late 2024

The Federal Reserve announced on Wednesday, June 12th that its key interest rate will remain unchanged, 5.25% to 5.5%, and signaled that one cut is expected before the end of this year.

New forecasts indicate that inflation remains on track to head back to the Federal Reserve's 2% goal. While inflation has eased slightly over this year, it remains elevated.

Additionally the Federal Reserve indicated that if projections on inflation hold, future cuts may lead to an interest rate of 4.1% by the end of 2025.

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U.S. Housing Starts

Mixed Results with Housing Starts in April, Permits Fall, and Completions Rise

Total housing starts were up in April 2024 by 5.7% compared to March 2024, but down .6% compared to April 2023. Single-family housing starts, which account for the bulk of homebuilding, slipped .4% from April to March. Despite the slowdown, starts were 17.7% above the same month a year prior. Housing starts for projects with five units or more soared 31.4% from March to April 2024 to a rate of 322,000 units in April 2024. However, multi-family starts dropped almost 33% in April 2024 compared to April 2023. This is attributed by experts to the large number of apartment buildings already completed, easing apartment rent growth.

Housing permits in April 2024 were 3% below the March 2024 rate and 2% below the April 2023 rate.

Housing completions in April 2024 were at a seasonally adjusted annual rate of 1,623,000. Completions rose 8.6% above the March 2024 estimate and 14.6% above the April 2024 rate.

The rise in mortgage rates in April and the first week of May led homebuilders to express concerns about recent regulations requiring the Department of Housing and Urban Development and the Department of Agriculture to insure mortgage for new single-family homes only if they are built to the 2021 International Energy Conservation Code. Homebuilder confidence dropped. However, experts believe the recent dip in mortgage rates in May will help builders increase the pace of home construction in the next few months. The National Association of Home Builders also expects multifamily starts will continue to decline while the pace of completions remains elevated.

Housing Starts Continue to Fall in May

Single and multi-family housing starts fell in May to their lowest point since June 2020. Overall housing starts fell 5.5% in May from the April estimate to a rate of 1.28 million units. Compared to May 2023 housing starts declined 19.3%. Most analysts credit the slow in starts to the high interest rate environment preventing many buyers from entering the market.

Single-family housing starts decreased to 5.2% from April and 1.7% below last May. Multi-family starts declined 6.6% to an annualized 295,000 pace, representing the slowest pace for multifamily construction since April 2020. As many industry experts predicted, multifamily development deceleration continues and will likely continue throughout this year. This is partly attributable to the already large number of apartment buildings that have been completed or will be completed.

Compared to May 2023, housing starts declined everywhere except the West, which saw a 2.6% increase. The sharpest decline was in the Northeast where combined single-family and multifamily starts were 22.2% lower.

Overall, permits decreased 3.8%, the slowest pace since June 2023.

Without the promise of declining interest rates, builder confidence fell and many developers appear to be scaling back on starting new projects.

According to Zillow, a real-estate marketplace company and property listings platform, inventory is increasing and total for-sale inventory is now up 22% up from this time last year.

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FEATURED ARTICLES

[Virginia REALTORS® April 2024 Report Finds Home Sales and Prices Are Increasing](#) (WFXR)

April in Virginia saw the largest increase in home sales since 2021. According to the Virginia Realtors, there was a 14.1% increase compared to April 2023 and they expect this trend to continue throughout the year.

The April Report also found that listings rose despite overall supply remaining low.

However, home prices have continued to increase throughout the state. The statewide median sales price rose to \$416,548 in April 2024, 6.5% from April 2023.

[Breaking it down: Virginia Receives \\$55 Million to Improve Affordable Housing Units](#) (Augusta Free Press)

The U.S. Department of Housing and Urban Development's capital fund program awarded Virginia more than \$55 million to improve affordable housing. The money will be used to renovate and modernize public housing in 26 Virginia communities. The Richmond Redevelopment & Housing Authority received \$14,365,691.

[A Unique Community Land Trust Making Homeownership Affordable in Richmond](#) (Next City)

Richmond's Maggie Walker Community Land Trust (MWCLT) is set to make its 100th home sale since its founding. With over 150 projects in their pipeline, MWCLT continues to receive praise throughout the country as the first community land trust to be combined with a land bank.

While the median sales price in Richmond is around \$385,000, MWCLT's median price is around \$165,000.

[These US Cities are Due for a Housing Price Drop, Real Estate Analysts Find](#) (WFXRTV)

High housing prices are expected to drop in at least a handful of U.S. cities. The cities with the highest probability of a price drop are mainly in the South, especially in Florida.

Nationwide, CoreLogic analysts predict the growth in year-over-year home prices will slow into 2025.

[Millennials and Gen-Z are Buying Homes Differently](#) (Virginia Realtors)

Due to low inventory and high interest rates, both Millennial and Gen-Z home-buyers have had to find different ways to purchase homes compared to previous generations. For example, many are unable to save enough money for a down payment and consider it a substantial barrier to buying a home. Family has been a key source of down payment funding for both generations.

Additionally, more Millennials and Gen-Z home-buyers have purchased homes as solo home buyers rather than married couples compared to previous generations. A report on generational trends by NAR found that 51% of Gen-Z buyers were single with 31% of them being female buyers.

[New Affordable Housing Development Coming to Henrico](#) (Bank of America Newsroom)

A new housing development broke ground in Henrico county on May 30th. The project is known as "The Helios," and features rent-restricted, solar-powered apartments. The units are restricted to those earning under 60% of the Area Median Income.

The \$54 million development cost is funded through a \$35 million construction loan from Bank of America and a \$23 million Low-Income Housing Tax Credit indirect equity investment. Additional financial partners include Virginia Housing and the Harrisonburg Redevelopment and Housing Authority.

The project is expected to be completed in 2025.

[Report Finds Racial Bias in Home Values, Displacement of Black Residents, Amid Crisis in Affordability and Discrimination](#) (HOME)

Housing Opportunities Made Equal of Virginia (HOME of VA) released a report highlighting racial bias in housing. The report highlights how decades of home devaluation have left Black neighborhoods more likely to experience displacement through rising housing costs.

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**Virginia
Housing
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Virginia Housing Commission

MID-SUMMER NEWSLETTER

Issue Six