Virginia Housing Commission VHC

SUMMER NEWSLETTER I

Issue 12

July 2025

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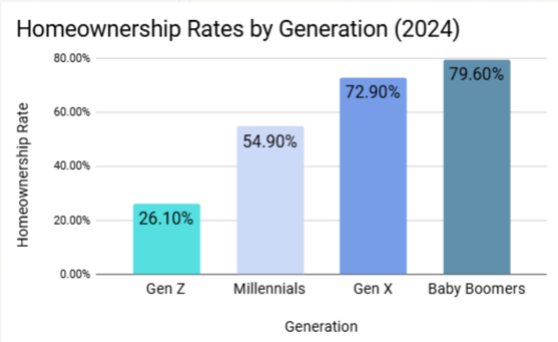
HOW YOUNGER GENERATIONS ARE NAVIGATING THE HOUSING MARKET

The desire to own a home among all age groups remains strong but, there is a generational divide in who is achieving homeownership. A 2024 Redfin report confirmed homeownership rates for Gen Z (26.1%) and Millennials (54.9%) flatlined in 2024. In contrast, older generations saw their homeownership rates climb, with Gen X reaching 72.9% and Baby Boomers reaching 79.6 percent.

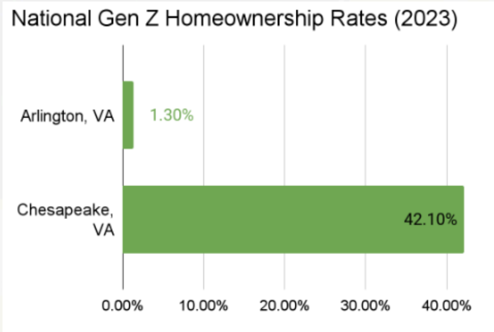


Data Source: Redfin

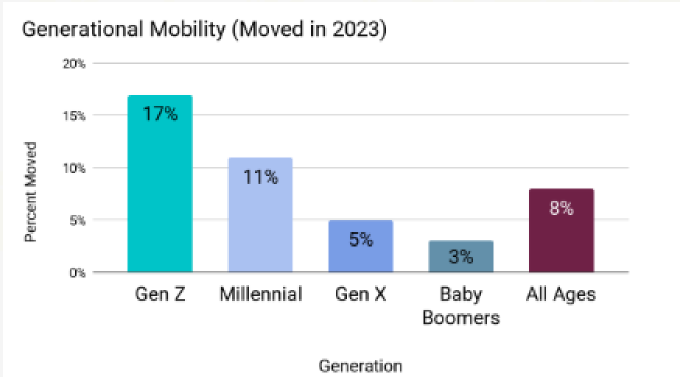
Despite this, younger generations are actively pursuing homeownership. Gen Z accounted for roughly one in four first-time homebuyer mortgages nationally in the first quarter of 2025. According to ICE Mortgage Monitor, buyers age 35 and under (encompassing Gen Z and younger Millennials) now account for more than half of all first-time homebuyer loans.

The homeownership rate however, is highly dependent on location. While Arlington, Virginia has the lowest Gen Z homeownership rate in the nation (1.3%), Chesapeake, Virginia boasts the highest (42.1%). This divergence is driven by the financial leap from renting to buying, which is far more manageable in Chesapeake than in the hyper-competitive Northern Virginia market.

In 2023, younger generations moved frequently, showing high rates of mobility especially in rental markets. Gen Z (17%) and Millennials (11%) were over three times more likely to move than Gen X at 5% and Baby Boomers at three percent. This rate, far exceeds the 8% average for all ages, according to the 2023 American Housing Survey.



Data Source: Today's Homeowner



Data Source: 2023 American Housing Survey

The search for affordability is fueling internal migration (within the Commonwealth) and reversing a long-standing trend of out-migration. Data from the Weldon Cooper Center at the University of Virginia shows that while Northern Virginia continues to see more residents leave than arrive, that outflow is now being offset by a surge of migration into Richmond and the state's smaller metro and rural areas.
This internal shift has allowed the Commonwealth to retain key segments of its Gen Z and Millennial workforce that it was previously losing. Before the pandemic, Virginia was a net attractor of young college graduates but was losing young adults without a degree, who were disproportionately impacted by the high cost of living. Post-pandemic, that trend has shifted: Virginia is now successfully attracting and retaining both college graduates and non-graduates alike, largely due to the growing economic opportunities and relative affordability in regions outside of Northern Virginia.

Virginia Housing Commission Meetings in 2025

Tuesday July 15, 10:00 a.m. - **Full Commission**

Tuesday August 19, 10:00 a.m. - **Affordable Housing Solutions, Landlord/ Tenant & Real Estate Law Workgroup**

Tuesday August 19, 1:00 p.m. - **Neighborhood Transitions, Local Land Use and Community Living Workgroup**

Tuesday October 7, 10:00 a.m. - **Full Commission**

Thursday December 4, 10:00 a.m. - **Full Commission**

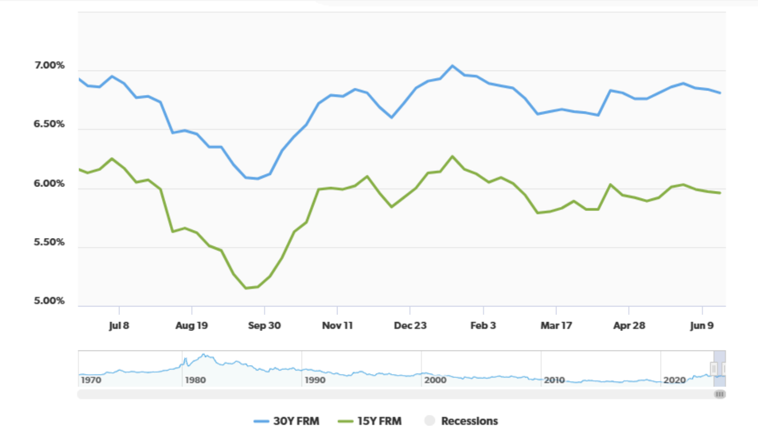
NEW RESIDENTIAL CONSTRUCTION ACTIVITY CONTINUES TO FALL IN MAY

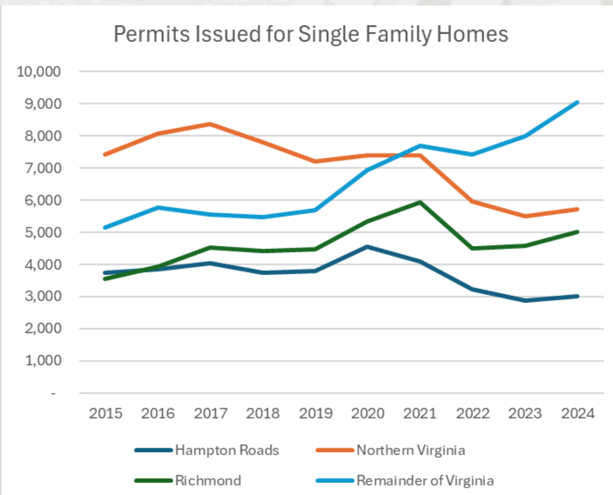
Combined single-family and multifamily U.S. housing starts decreased by 9.8% month-over-month in May of this year compared to the April 2025 estimates. Single-family housing starts increased just .4% while multifamily housing starts decreased by a significant 30.4 percent. This marks the weakest level since May 2020, which was in the early aftermath of the COVID-19 pandemic. Compared to May 2024, housing starts decreased by 4.6 percent.

On a regional and year-to-date basis, combined single-family and multifamily starts increased 21.1% in the Northeast and 10.8% in the Midwest, and decreased 6.8% in the South and 1.6% in the West.

Permitting of privately-owned housing units also decreased in May of this year, falling 2% below the April numbers and 1% below the May 2024 numbers. Both single-family and multifamily permitting decreased from April to May.

The National Association of Home Builders' builder sentiment index was reported at its lowest level since May 2012, citing economic uncertainty and persistently high mortgage rates as contributing factors.





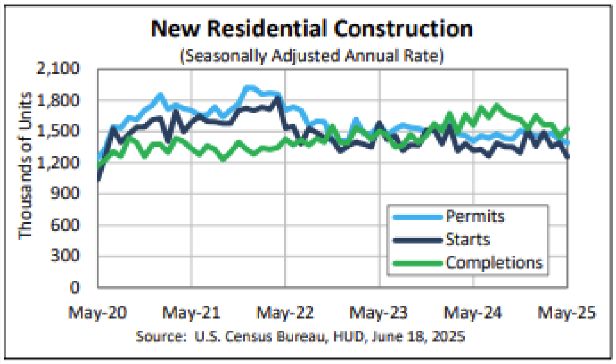
Data Source: Census Building Permit Survey;
Chart: Hamilton Lombard, Weldon Cooper Center for Public Service

NEW RESIDENTIAL CONSTRUCTION
MAY 2025

Building Permits:	**1,393,000**
Housing Starts:	**1,256,000**
Housing Completions:	**1,526,000**

Next Release: July 18, 2025

Seasonally Adjusted Annual Rate (SAAR)
Source: U.S. Census Bureau, HUD, June 18, 2025



INTEREST RATES AND MORTGAGE RATES

The Federal Reserve System Central Bank (The Federal Reserve) voted to hold interest rates steady for the fourth time this year during its June Federal Open Market Committee (FOMC) meeting. The rate was held at 4.5% marking the second consecutive meeting with no change.

For potential homebuyers, this means that mortgage rates are likely to keep hovering around the 7-percent mark for the foreseeable future. While the Federal Reserve does not directly set mortgage rates, the monetary policy decisions they make have a high impact on the mortgage market.

Overall, the Federal Reserve has signaled that it anticipates fewer rate cuts in the remainder of 2025 than projections indicated in 2024. Economists suggest the Federal Reserve is likely adopting a cautious approach as new federal policies are implemented and their economic impacts are assessed.

As of July 10th, the 30 year fixed-rate mortgage averaged 6.72 percent, according to Freddie Mac.

PERMITTING TRENDS IN VIRGINIA

According to data from the Census Building Permit Survey, after a dip in 2022 and 2023, permits for new single-family homes rebounded across most of Virginia in 2024, with the most significant growth occurring in areas outside of the major metropolitan centers.

FEATURED NEWS ARTICLES

Just 28% of Homes Are Selling Above Asking Price at the Lowest Springtime Level Since 2020 (Redfin)
June 12, 2025

According to data from Redfin, about 28% of U.S. homes are selling above the asking price, this is down from 32% a year earlier. Many experts are considering the trend in sale prices as a sign that the U.S. is shifting towards a buyers market. Additionally, pending home sales are down 1% year over year while listed inventory is rising.

How are Rental Markets Trending Across Virginia
(Virginia Realtors) June 17, 2025

As housing costs have continued to increase, rental market prices have also continued to rise. According to data from CoStar, the effective rent per unit in Virginia so far in 2025 is $1,820. This is 2.7% higher than the 2024 annual average rent of $1,772. All nine metro regions in Virginia have experienced increasing rent prices in 2025. On the supply side, inventory has gone up in most metro regions in Virginia in 2025 compared to 2024. This rising inventory trend is expected to flatten as multifamily construction activity lessens.

The Virginia Peninsula Sees a Worrying Rise in Homelessness, Exceeding State and National Rates
(13 News Now) May 16, 2025

The Virginia Peninsula Homelessness Study, commissioned by the city of Newport News, projects a 15% annual increase in the number of unhoused people in the region over the next three years. The report cited a lack of affordable housing as one of the primary causes of homelessness in the region. According to the report, around 2,000 people in the region experience homelessness each year. Those people experiencing homelessness are primarily located in Newport News and Hampton. The report also makes several recommendations to address homelessness, including long-term housing solutions.

Developer Eyes Moribund Plot Off Charlottesville's West Main for Student Housing
(The Daily Progress) June 24, 2025

Charlottesville's West Main Street is turning into a hub of upscale student housing as developers work to construct new projects. A Georgia based development firm is planning to convert a mostly vacant tract of land into a residential tower targeting University of Virginia students. The building is expected to contain 157 residential units with 257 enclosed parking spaces.

Secret listing? Banned? Why Zillow isn't showing you the whole market
(The Washington Post) June 25, 2025

Zillow's new policy requires publicly marketed listings to appear on an MLS within one business day or face a ban, sparking a lawsuit from Compass, which calls it an antitrust violation. Zillow argues the policy promotes transparency, while Compass claims it limits consumer choice. The debate highlights the tension between public and private real estate listings, according to experts.

Bristol Officials Look Toward a New Future for Virginia Intermont Property (Cardinal News)
July 1, 2025

A law passed in Virginia's 2025 General Assembly Session (SB 1476) provides a path for localities to take control of vacant and blighted properties. City leaders in Bristol are planning on using this newly created legal path to take control of the Virginia Intermont College property. Most of the buildings on the Intermont property were destroyed in a large fire in December 2024 and city officials have been unsuccessful in their attempts to have the owner of the property improve and secure the buildings. Once the property is controlled by the city, officials are expecting increased interest in the property from developers. The new law gives localities an opportunity to improve blighted and derelict properties.

How Empty Office Spaces Are Transforming in Northern Virginia (Northern Virginia Magazine)
June 10, 2025

In 2024 Arlington adopted an adaptive reuse policy that makes zoning approval for office-to-residential conversions easier for developers. That policy has led to the successful conversion of many previously vacant office spaces across the region.

Class of 2025 Won't Be Able to Afford to Buy a Home until 2034 (Yahoo Finance) May 8, 2025.

A study conducted by MortgageResearch.com suggests that the average new college graduate will not be able to afford to purchase a home until April 2034 - nearly a decade after graduation. This is being attributed to surging home prices, student loan debt, and entry-level salary trends. The analysis found that student loan debt delays home ownership by almost five years.

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