

Economic, Demographic & Housing Market Update

Virginia Housing Commission

August 22, 2023



Weldon Cooper Center
for Public Service
Demographics Research Group

Hamilton Lombard, Weldon Cooper Center UVA

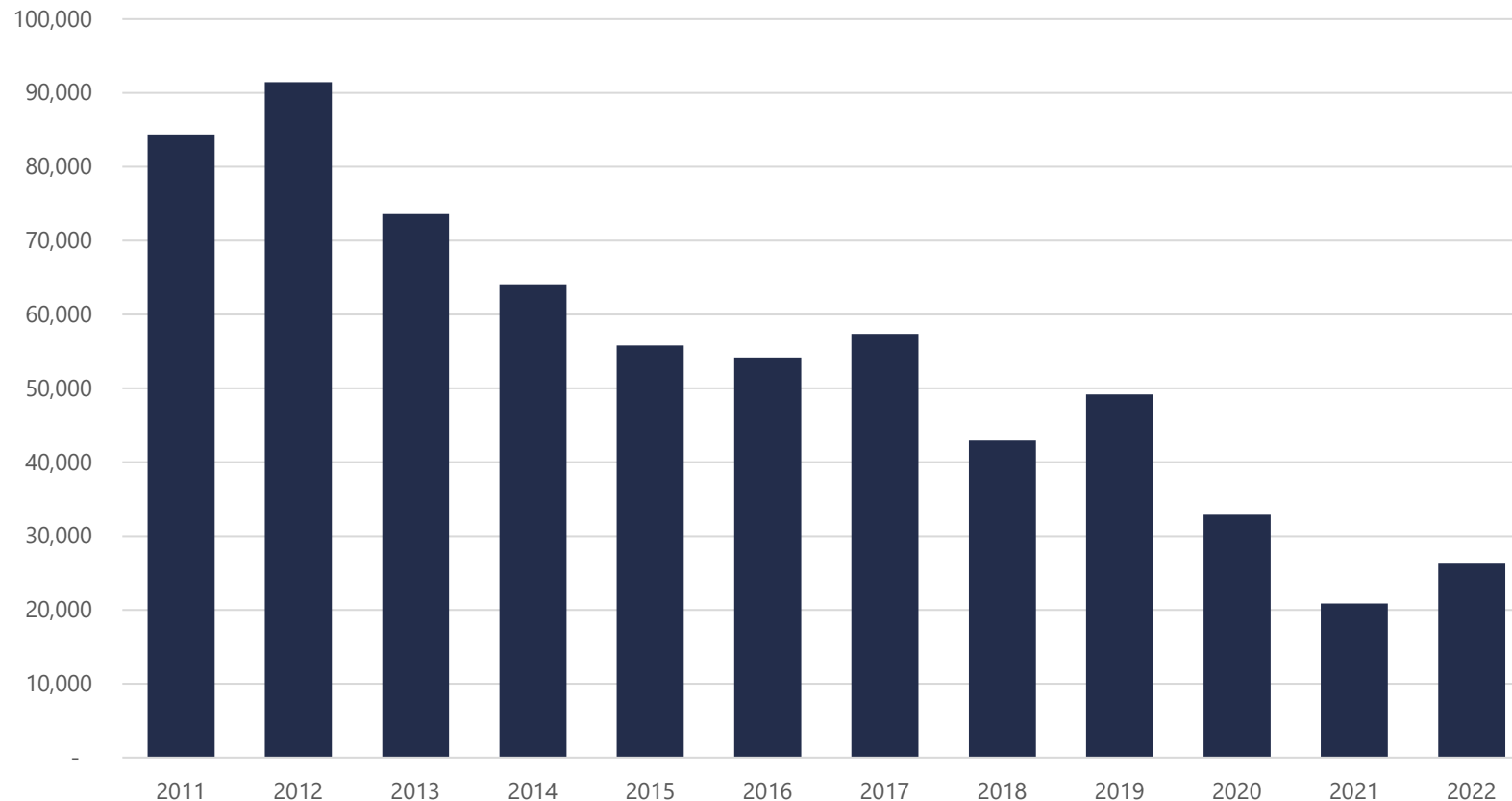


Ryan Price, Virginia REALTORS®



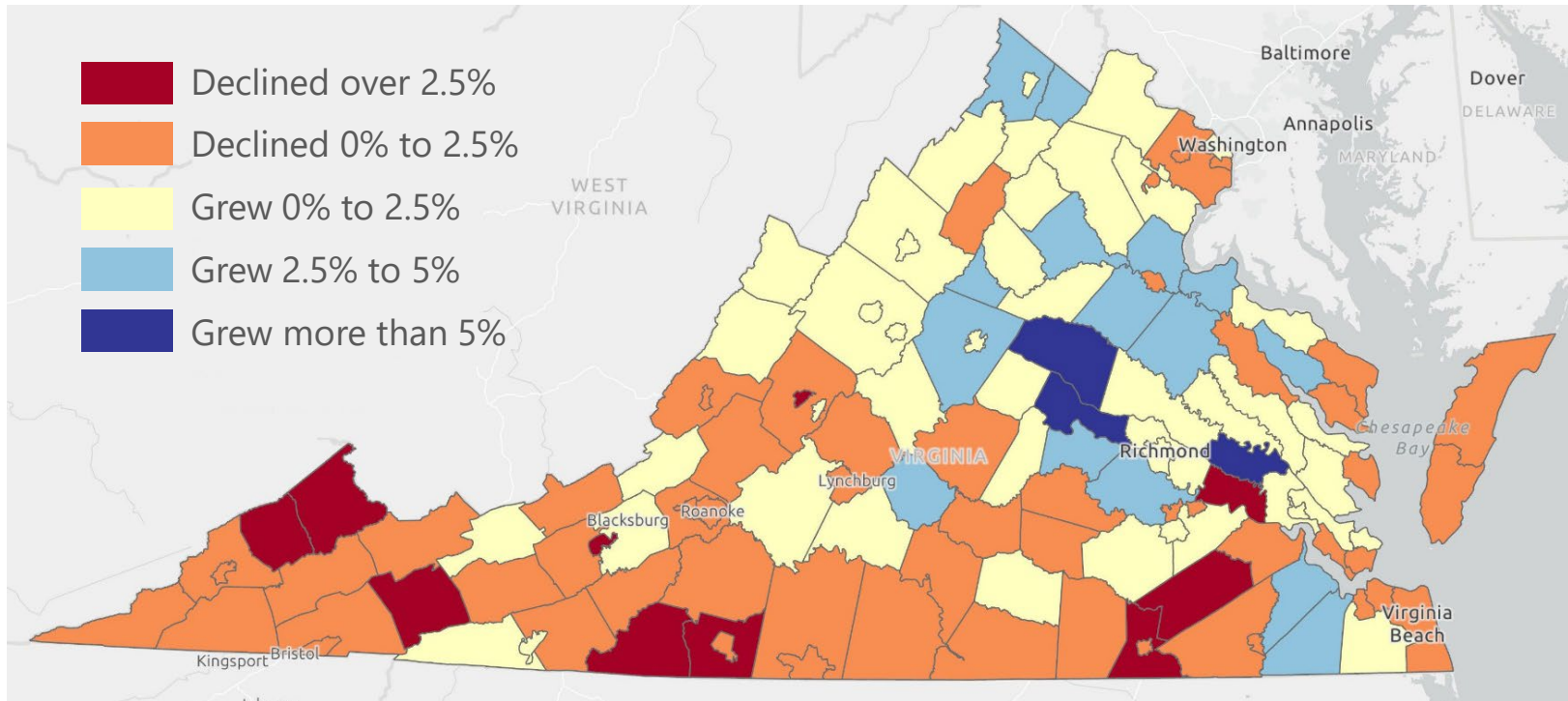
POPULATION TRENDS

• Virginia Annual Population Change



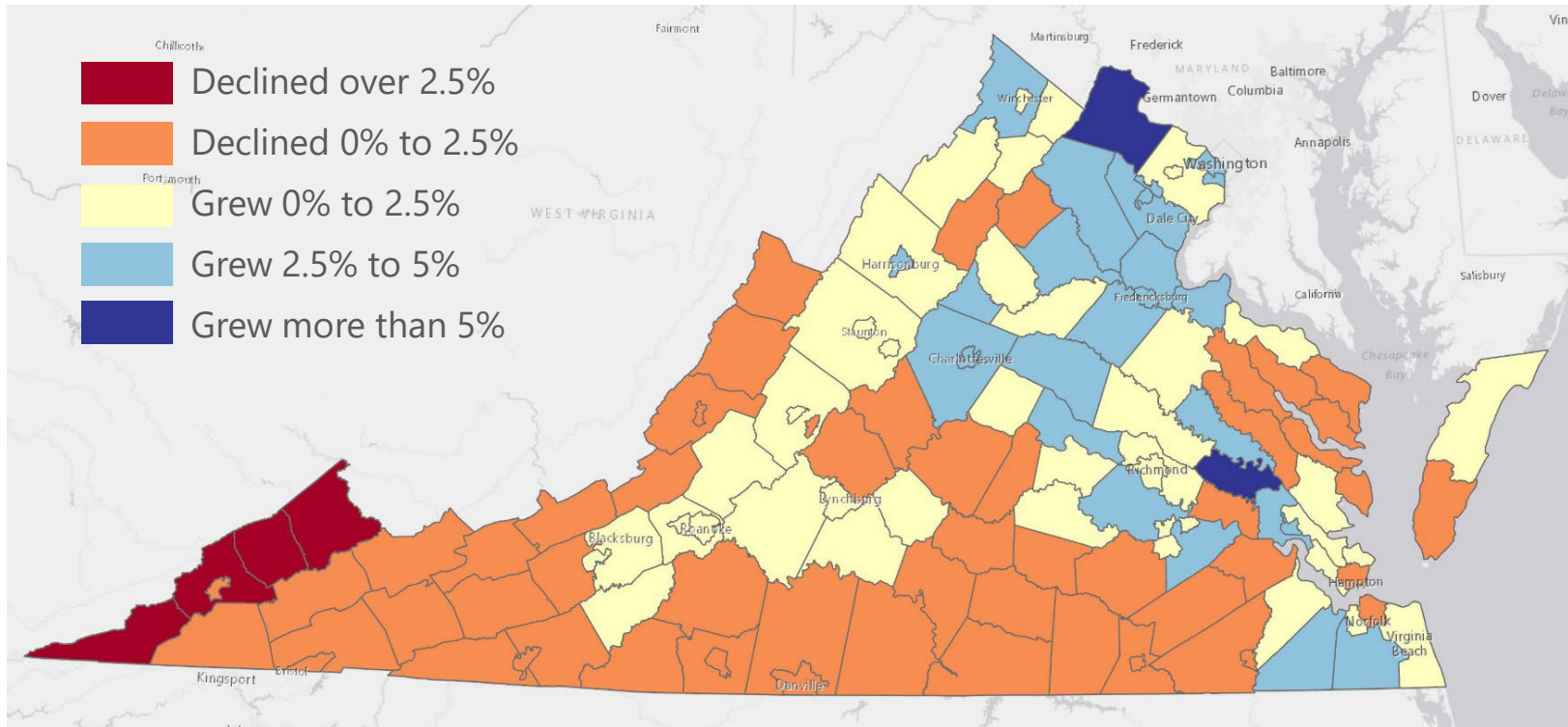
- Virginia's population growth rebounded slightly in 2022.
- Over the past decade, Virginia's population has grown at its slowest rate in a century.

- Population Change
Between 2020 and 2022



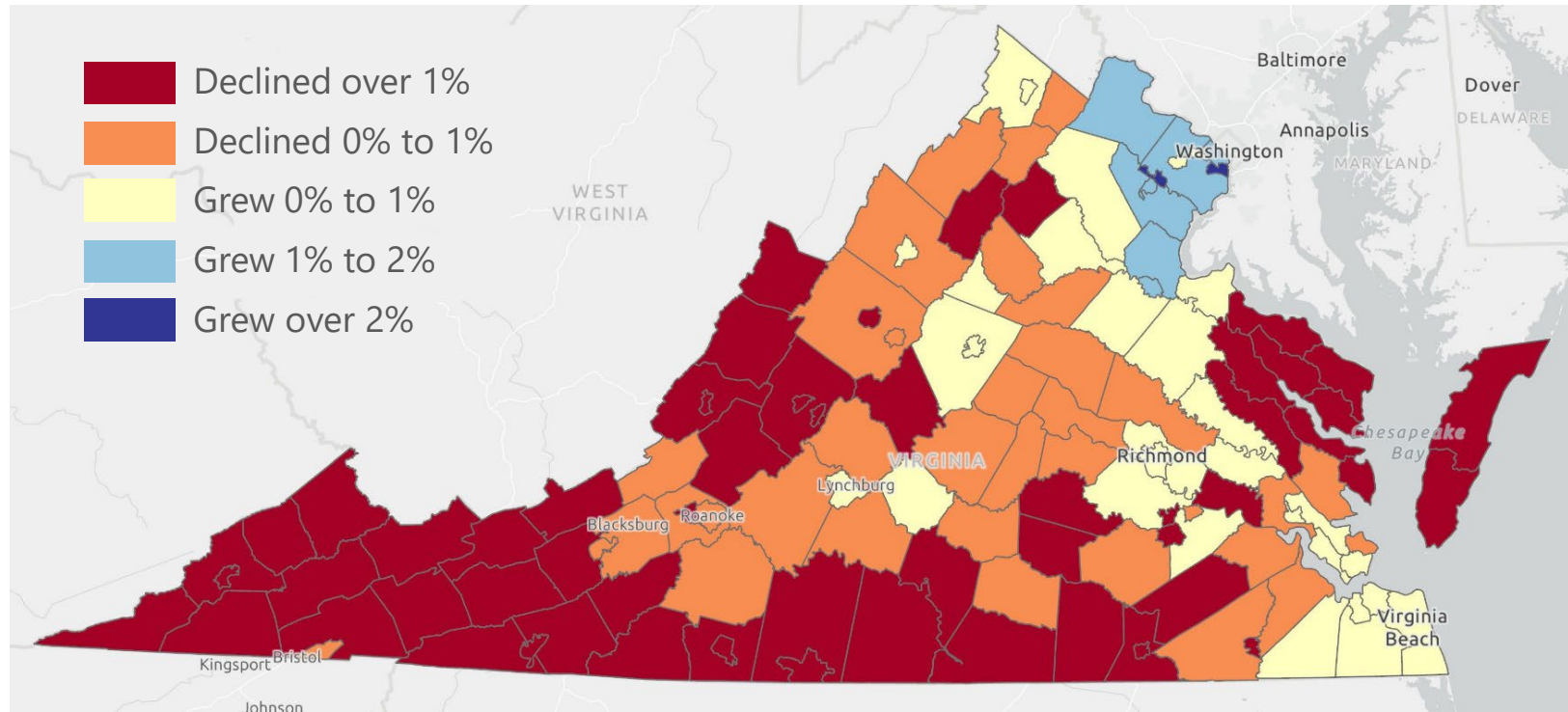
- Since 2020, growth has shifted to the edges of Virginia's large metro areas.
- The Richmond Metro has added the most new residents since 2020, while much of rural Virginia continues to decline.

- Population Change during the 2010s
Two Year Average



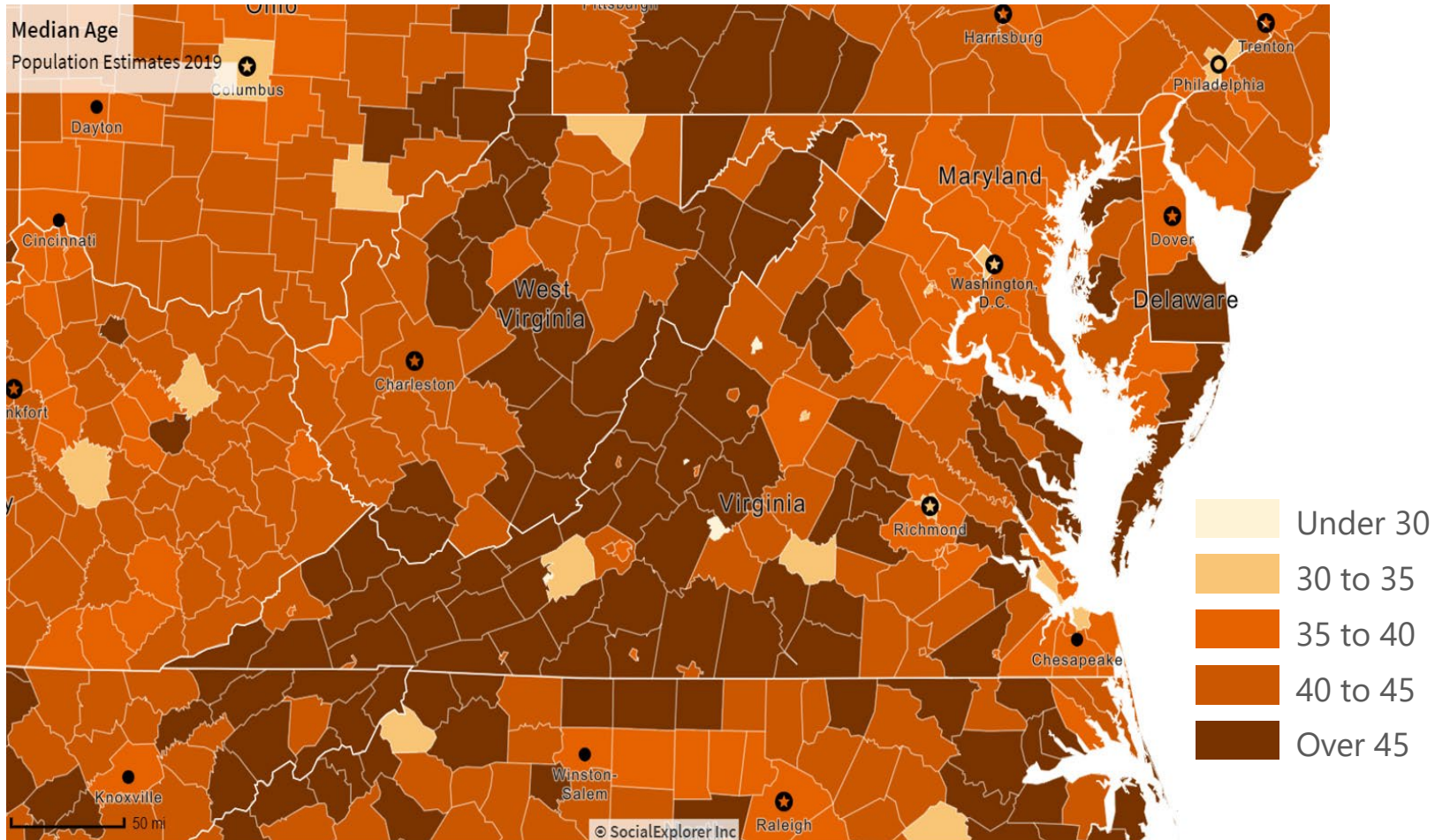
- Current population change patterns are somewhat similar to those seen during the 2010s.
- One noticeable change is that now some of Virginia's largest localities are losing population.

- Change in Population
Due to Natural Increase



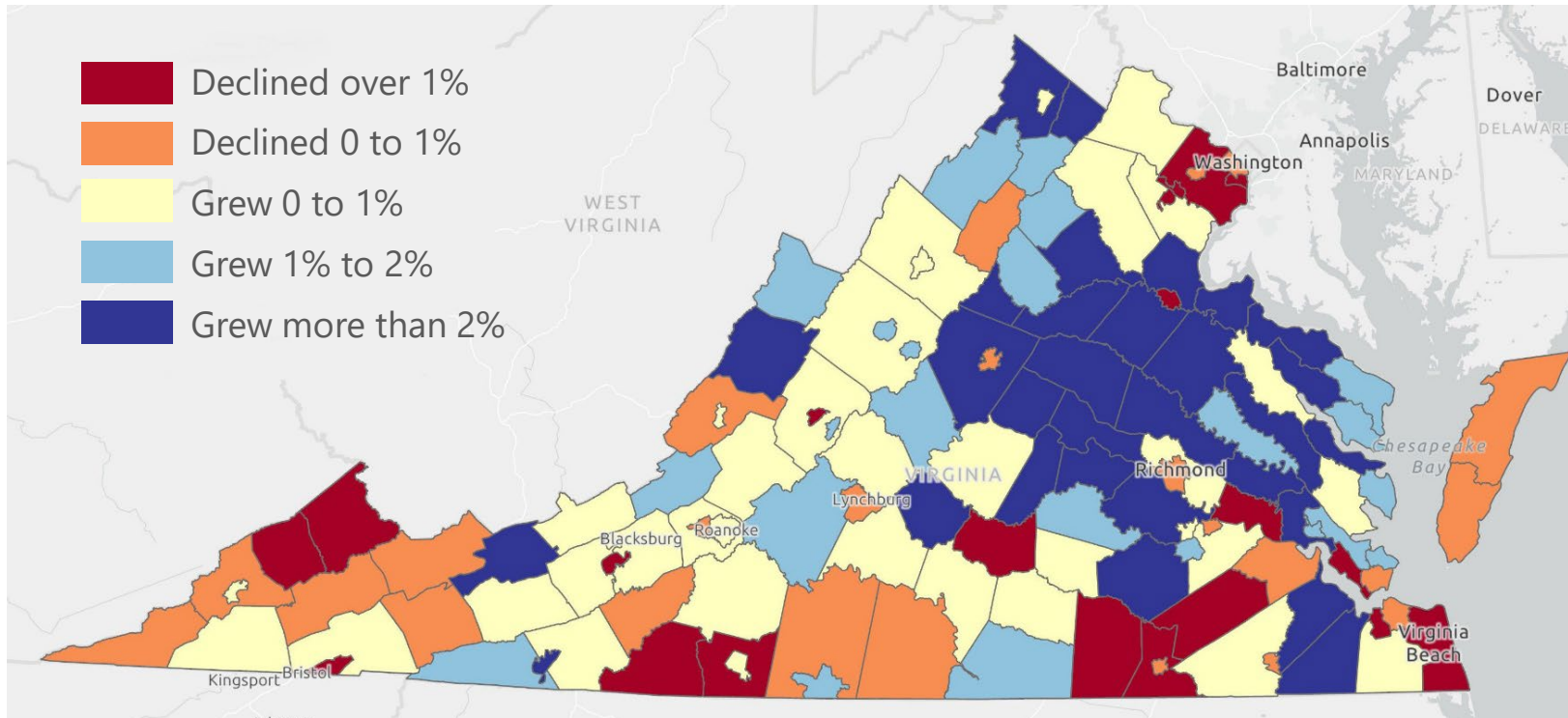
- In 2021, 77 of Virginia's 95 counties had more deaths than births, making population growth more difficult.
- Before the pandemic, the parts of Virginia outside the Urban Crescent already had 4,500 more deaths than births annually.

• Median Age, 2019



- In recent decades, Virginia's regions have aged at very different rates.
- Household sizes are shrinking in older counties, often boosting housing demand even as their populations decline.

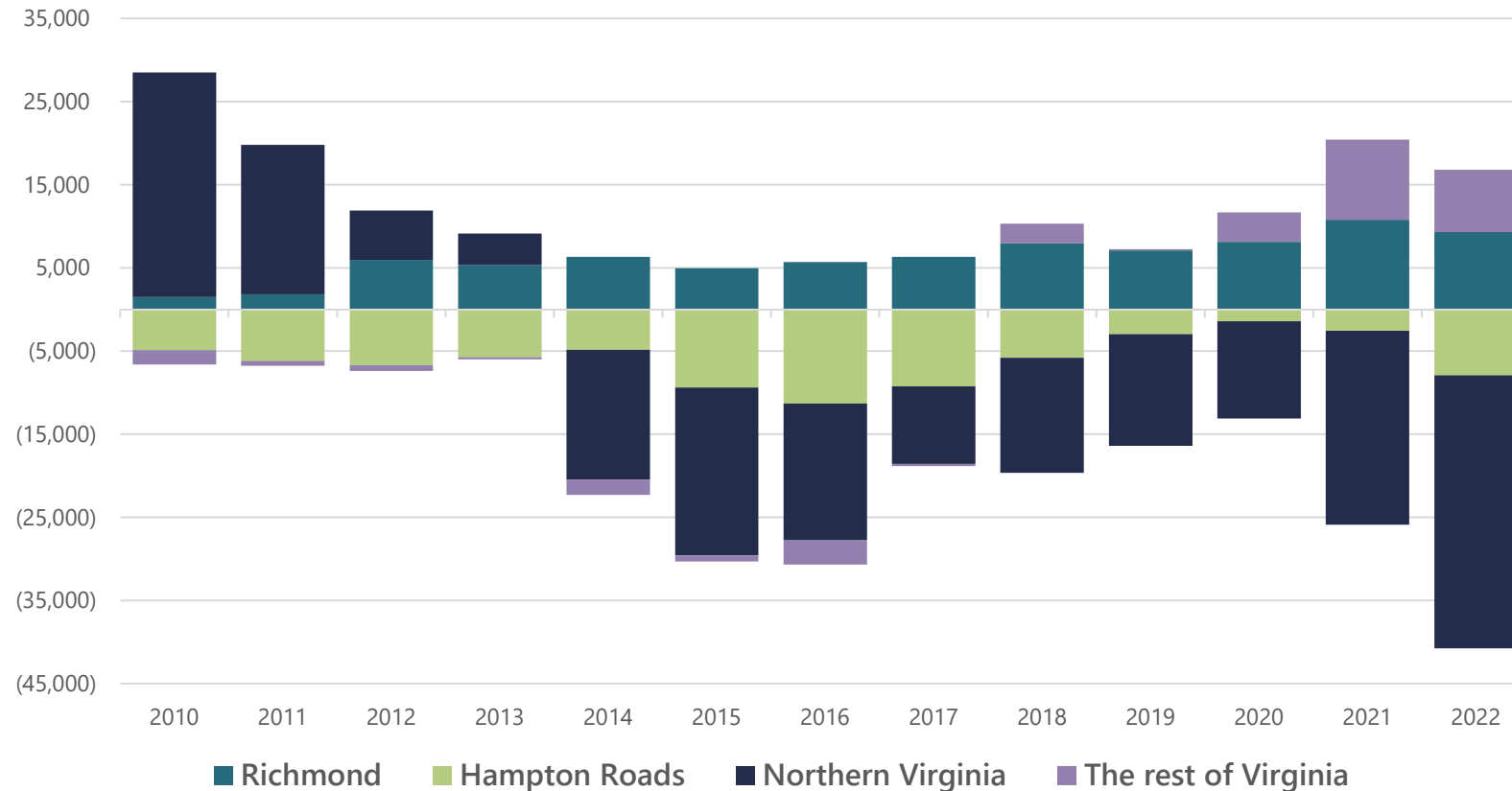
- Change from Migration
Between 2020 and 2022



- The large number of Covid related deaths has partially masked the influx of new residents into Virginia suburban and rural counties since 2020.

• Domestic Migration in Virginia

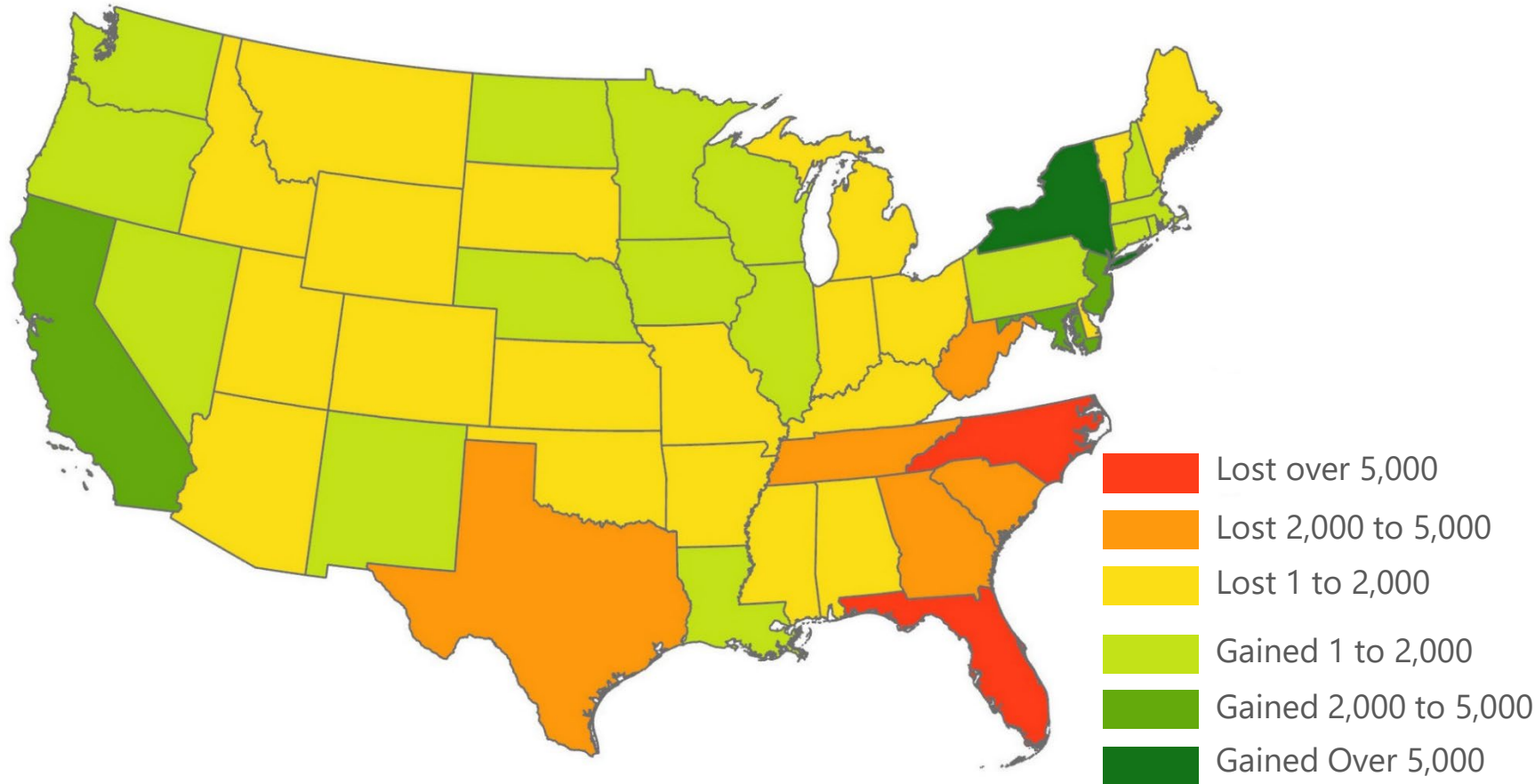
By Region



- Out-migration from Hampton Roads and Northern Virginia is the main reason Virginia's population growth has slowed.
- The Richmond area, as well as Virginia smaller metros and rural areas are attracting more new residents than a decade ago.

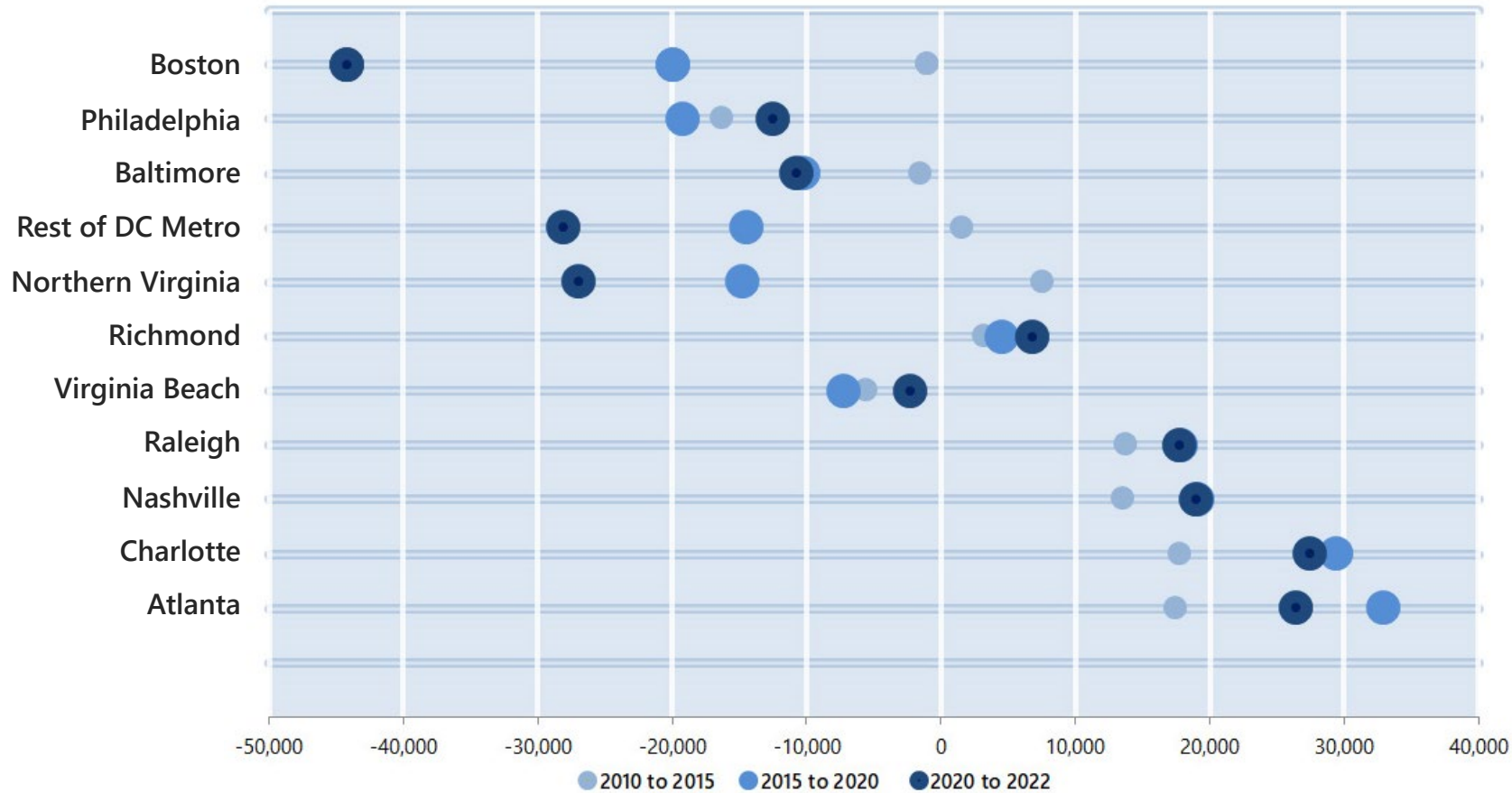
• Virginia Net-Migration between States

2020 to 2021



- In 2021, Virginia lost over 32,000 residents to other states in the South.
- Virginia has continued to attract new residents from some Northern and West Coast states, particularly those with a relatively high cost of living.

- Annual Domestic Migration
By Metro Area



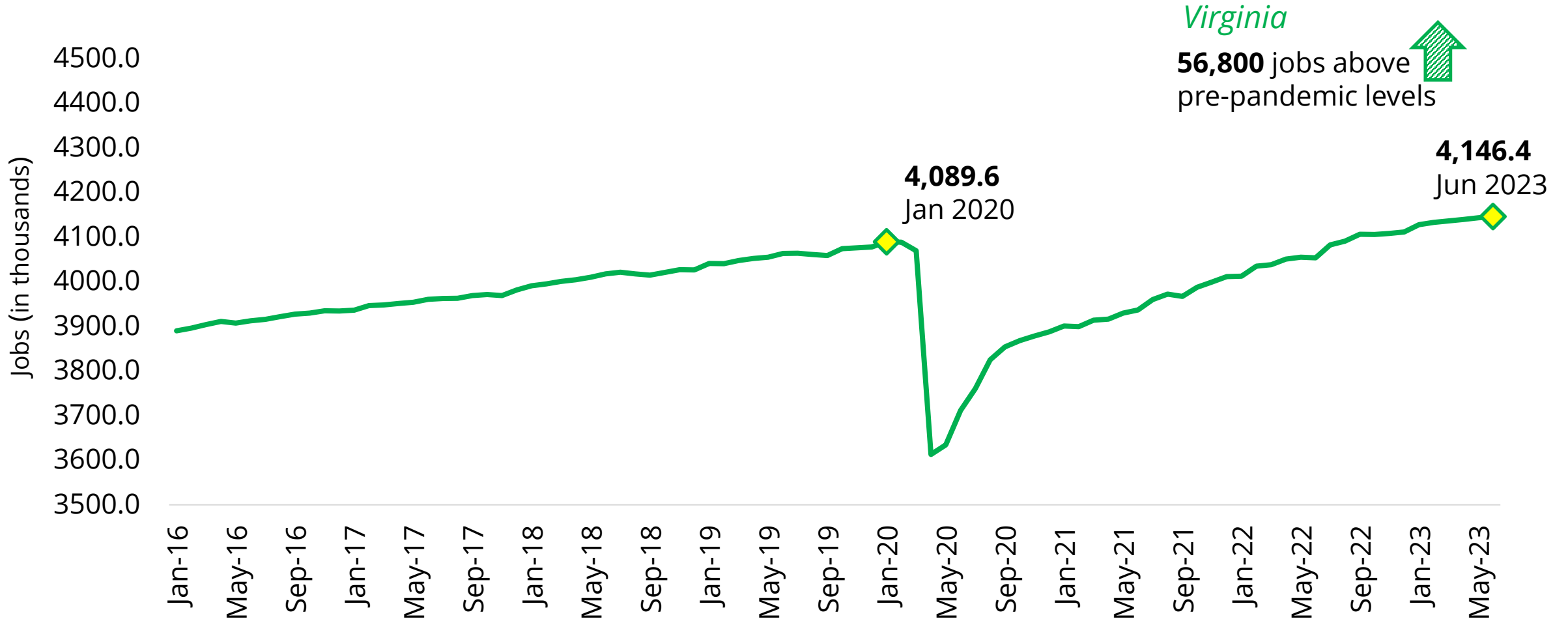
- Since 2020, migration trends have continued to follow a north to south pattern seen in recent decades.
- More affordable metro areas have tended to attract more residents since 2020.

The background of the slide is a dark green gradient with a complex financial candlestick chart overlaid. The chart features multiple data series in shades of blue and orange, with various moving averages and trend lines. The overall aesthetic is professional and data-driven.

EMPLOYMENT & LABOR MARKET

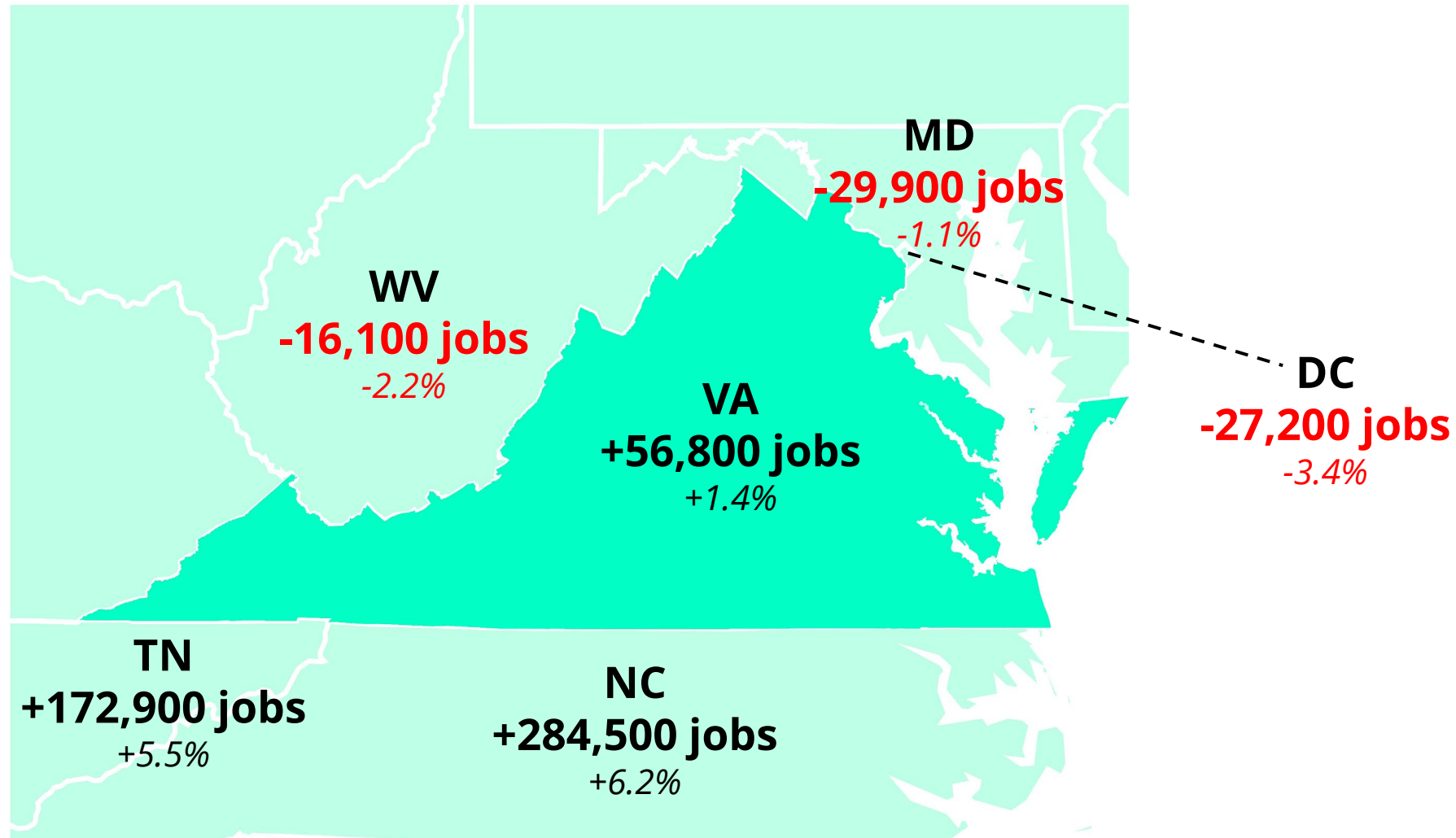
Total Jobs in Virginia

Rapid recovery, above pre-pandemic levels



Job Recovery VA & Neighbors

June 2023 compared to January 2020



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

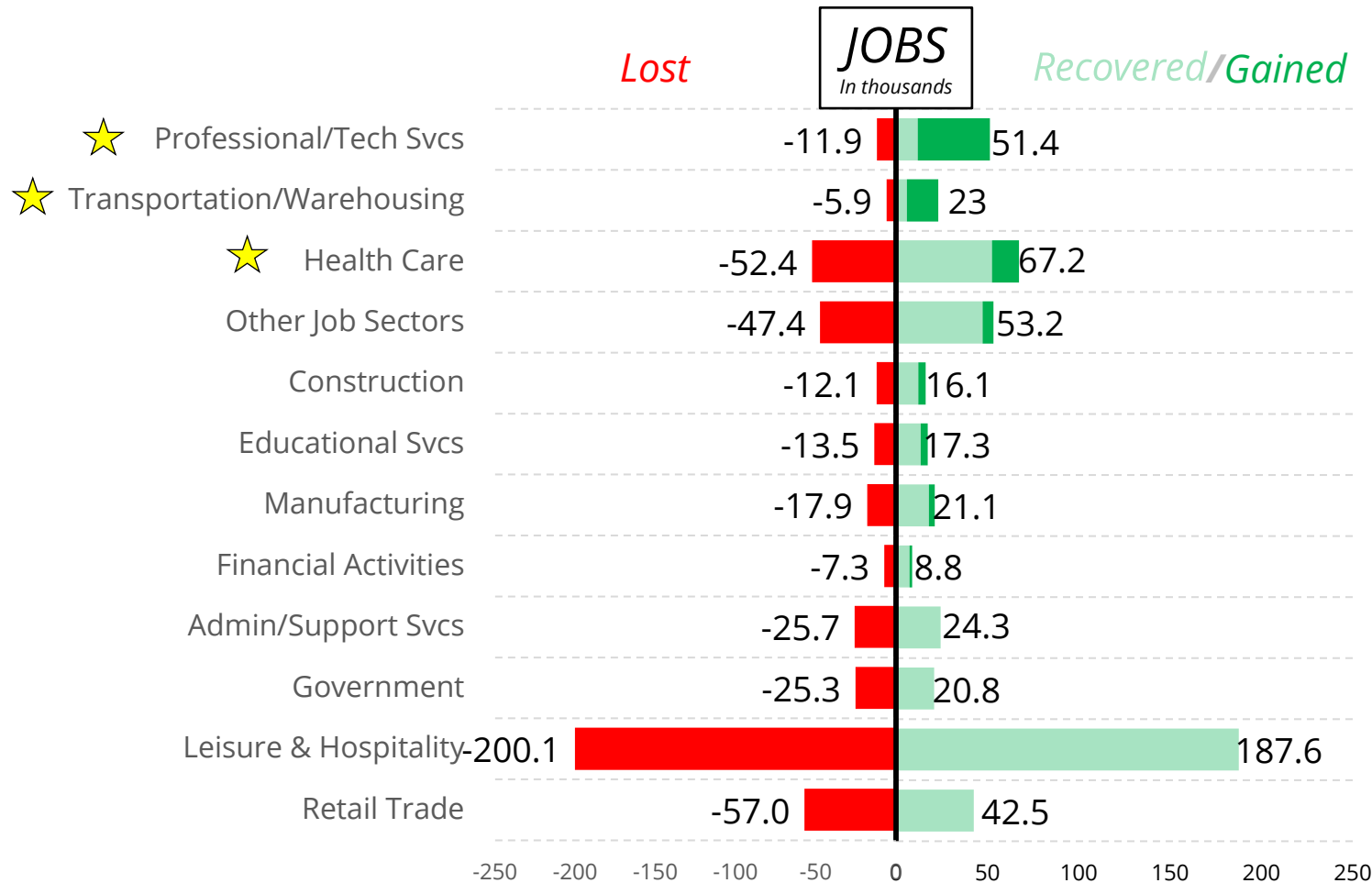
All MSA Region's in Virginia have Recovered Jobs

June 2023 compared to January 2020

Job Recovery by MSA in Virginia

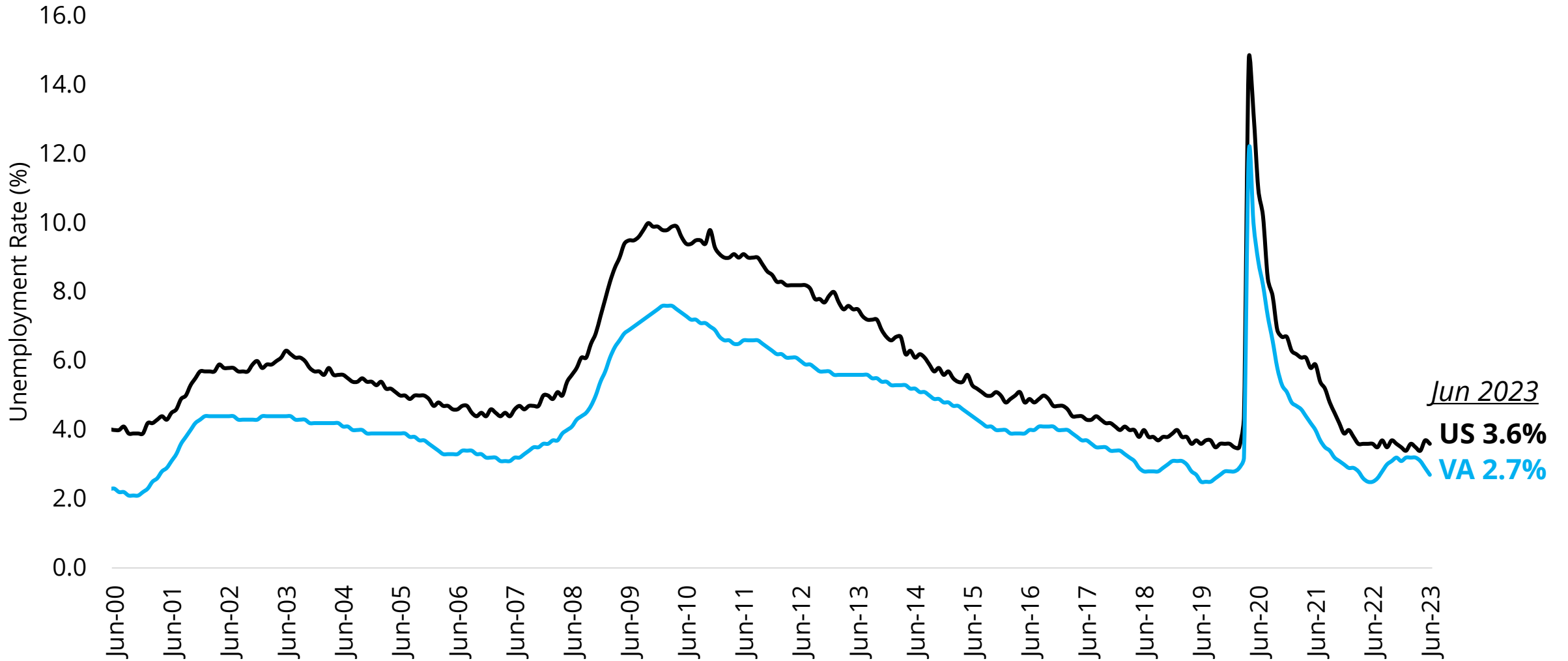
MSA	Net Job Change	% Change
Winchester	4,900	7.4%
Northern Virginia	64,200	4.2%
Richmond	26,200	3.8%
Blacksburg	2,100	2.8%
Roanoke	4,200	2.6%
Virginia Beach	15,000	1.9%
Charlottesville	2,000	1.7%
Harrisonburg	700	1.0%
Lynchburg	200	0.2%

Virginia's Job Growth Concentrated in 3 Sectors



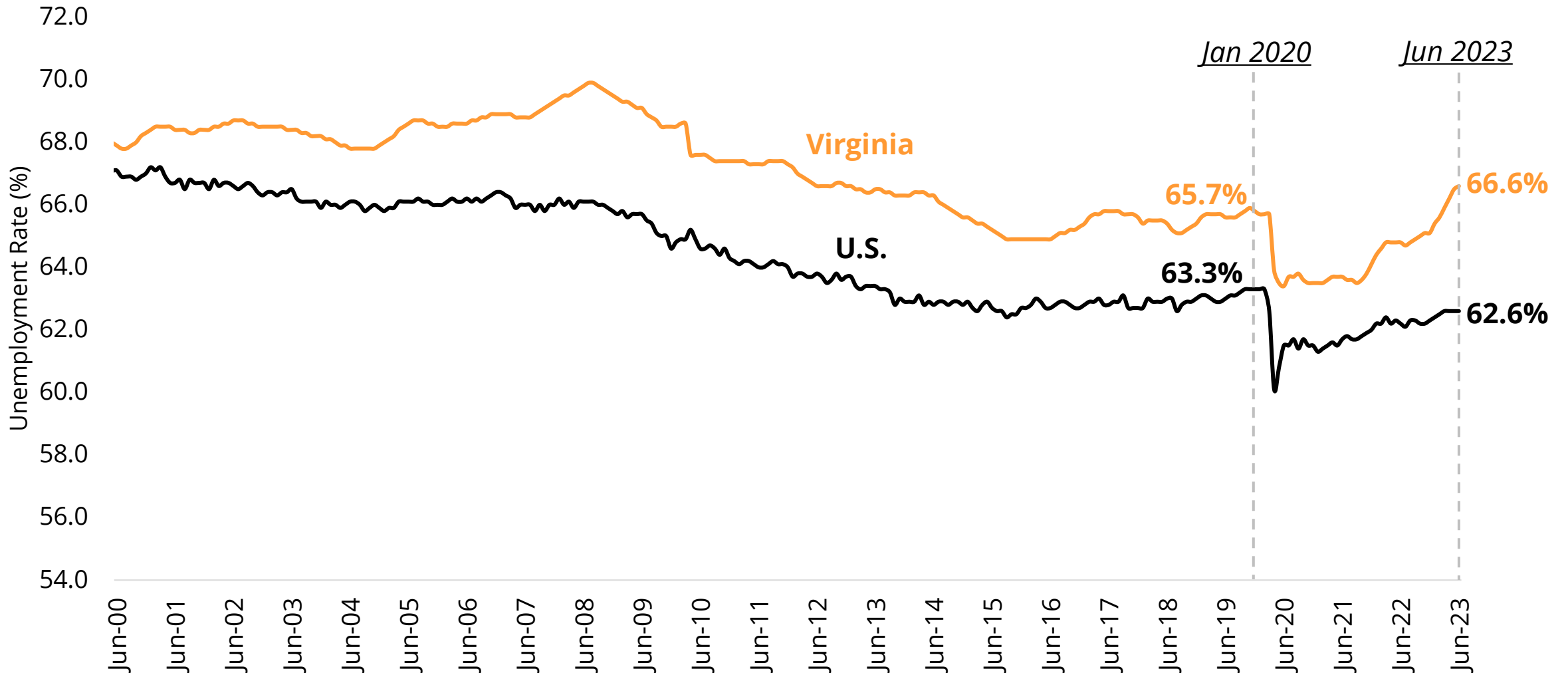
Source: U.S. Bureau of Labor Statistics, seasonally adjusted

Unemployment Rate



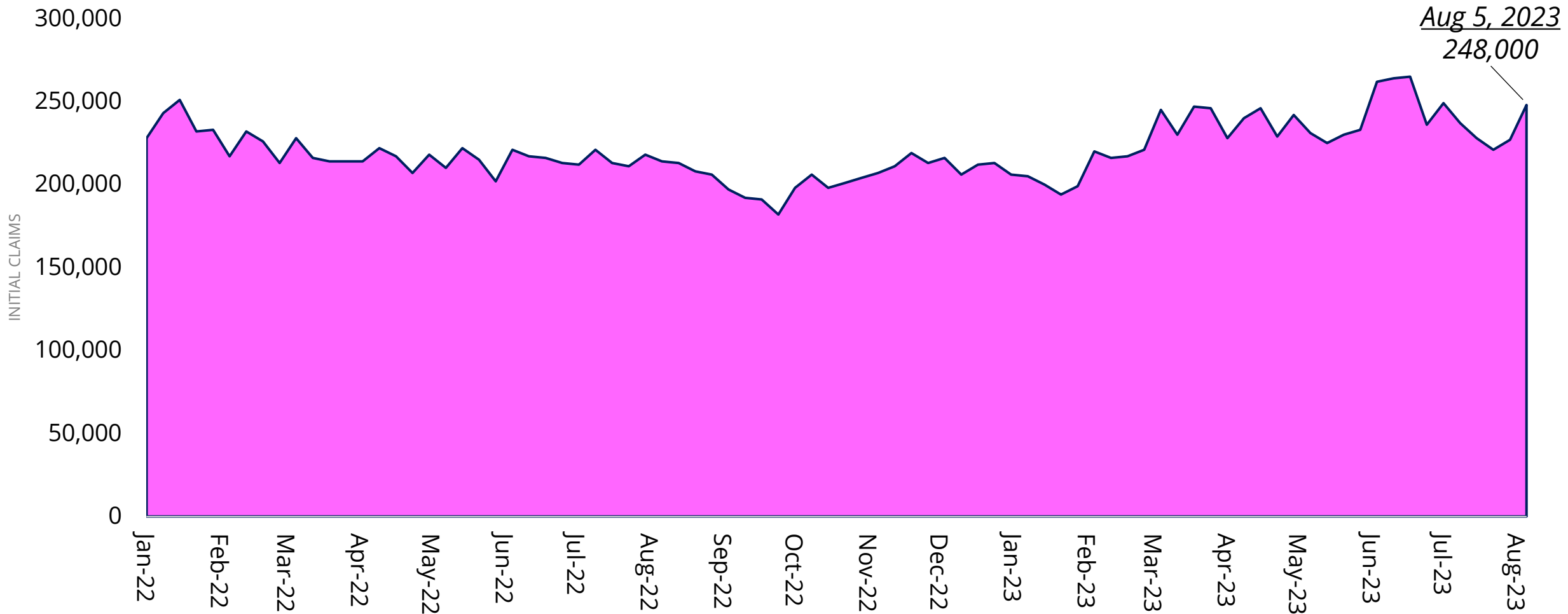
Source: U.S. Bureau of Labor Statistics, seasonally adjusted

Labor Force Participation Rate



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

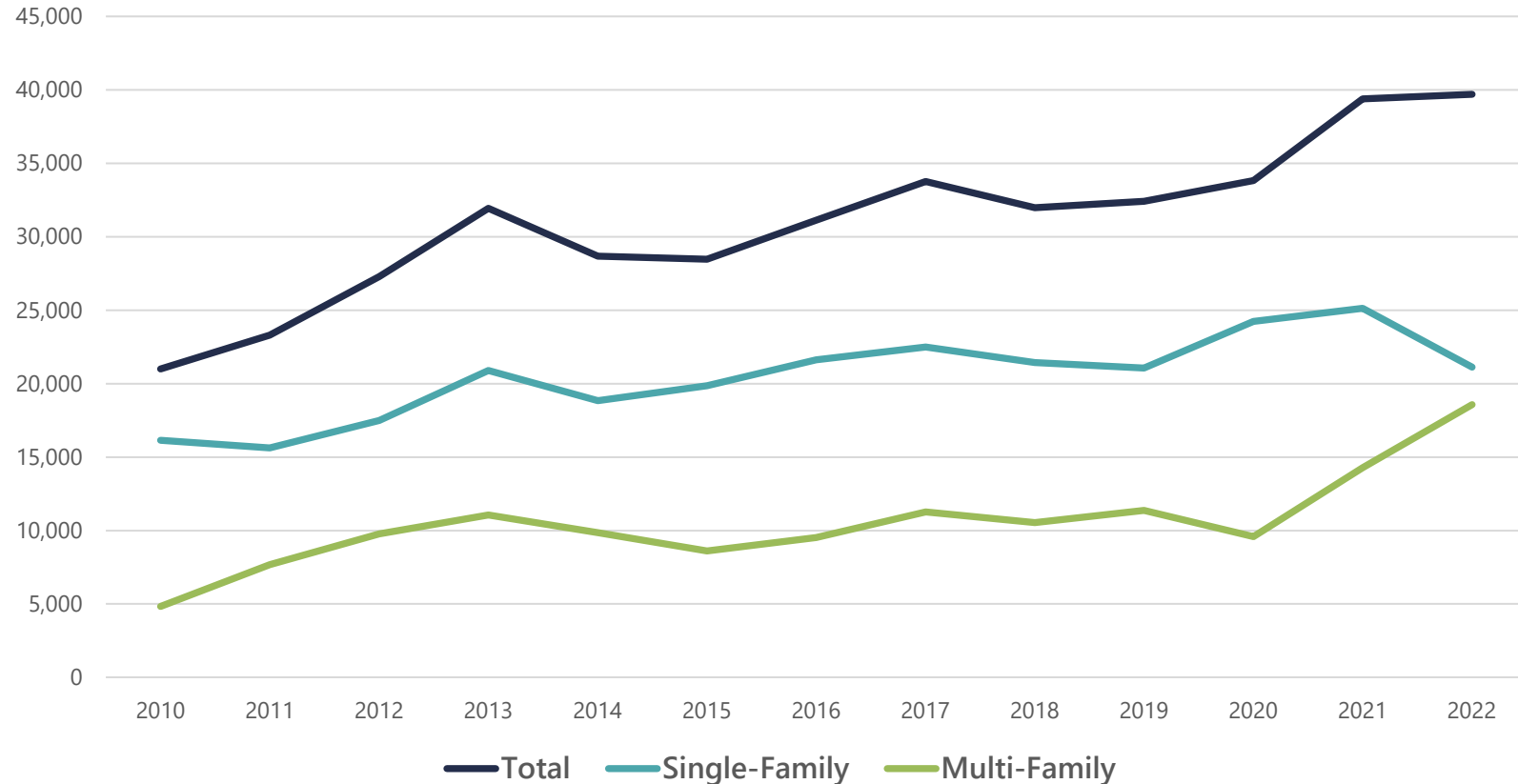
Initial Claims for Unemployment Insurance, U.S.





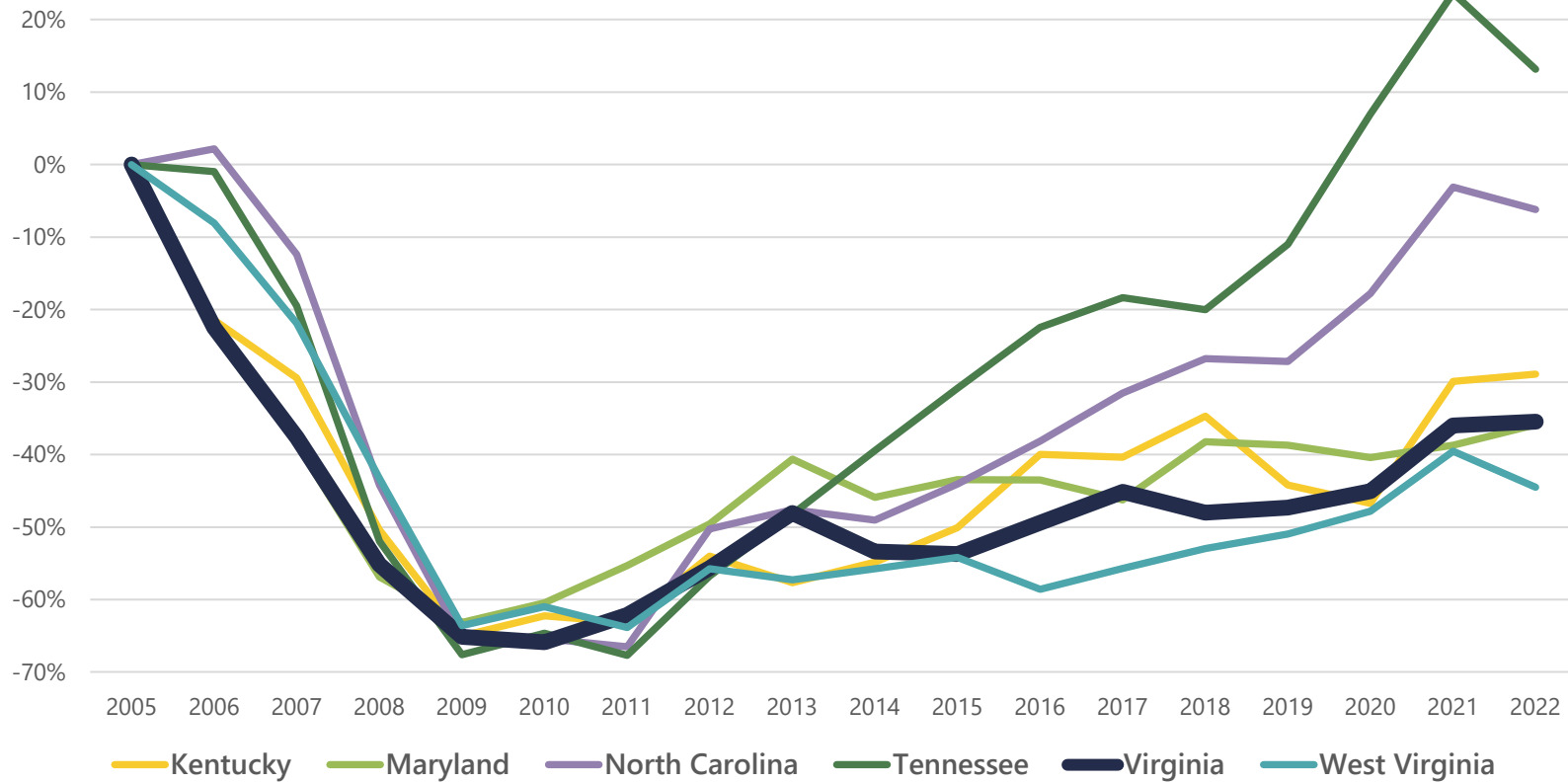
CONSTRUCTION LABOR & ACTIVITY

- New Homes in Virginia
Permitted by Type



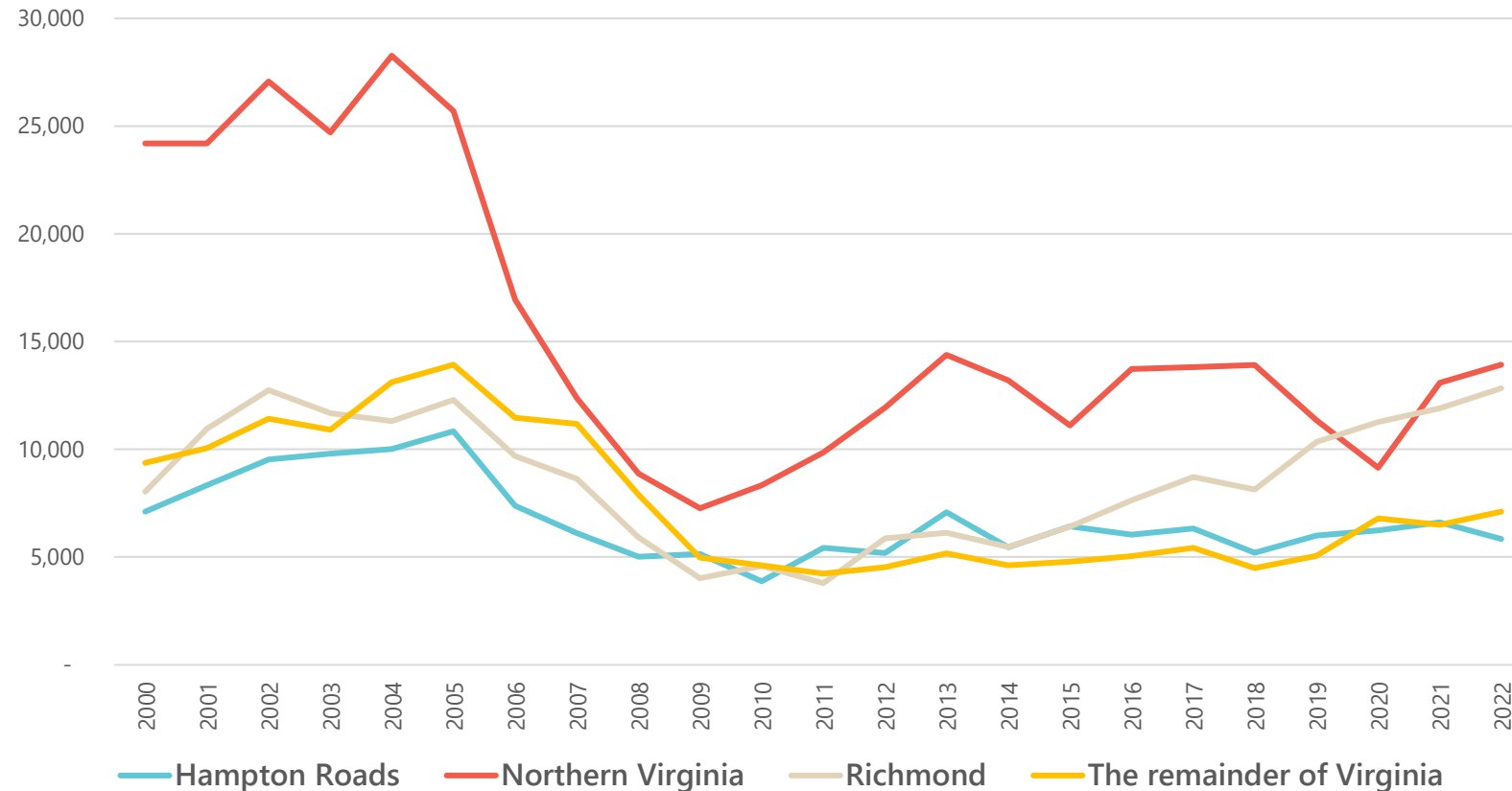
- New home construction in Virginia continued to grow in 2022.
- Most of Virginia's recovery in home construction since 2010 has been driven by apartment construction.

• Change in New Home Construction Since 2005



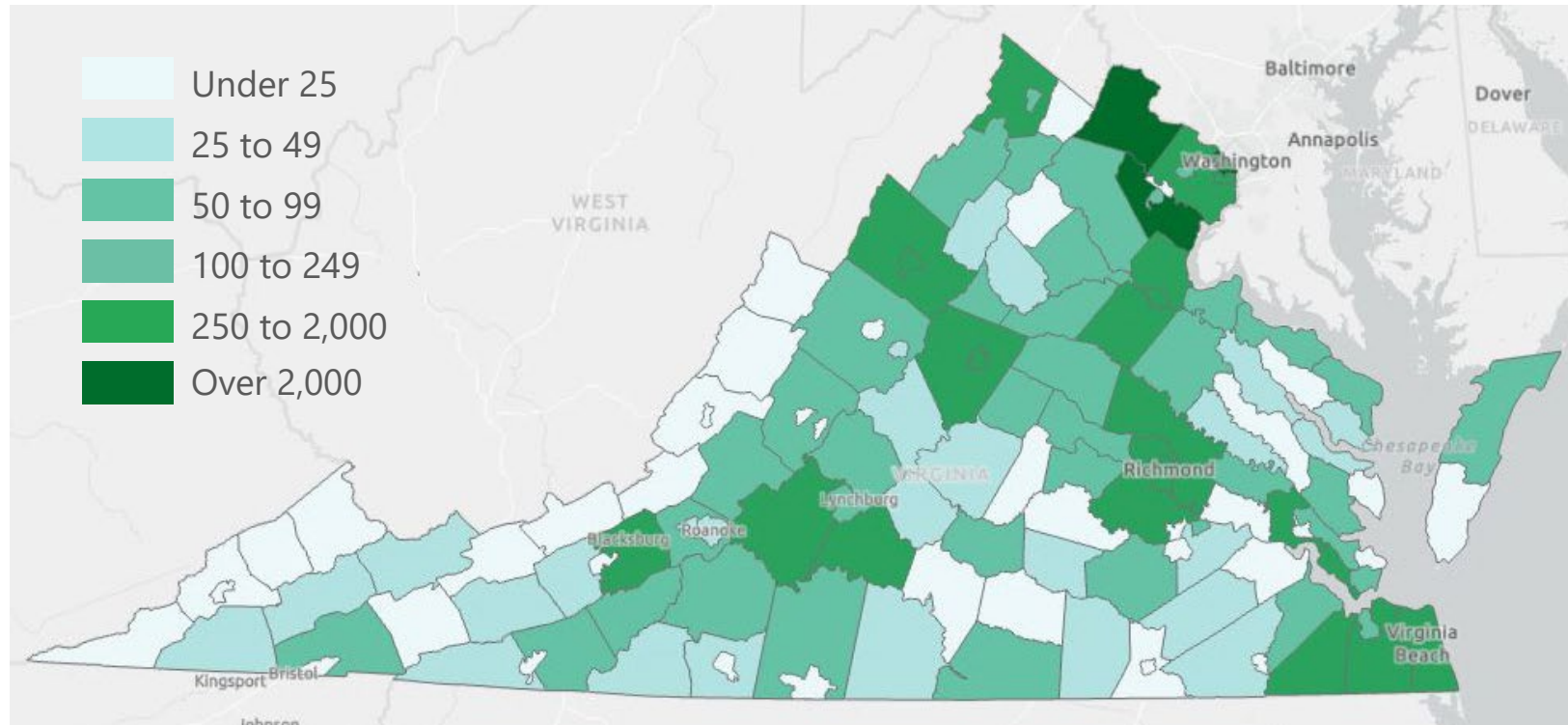
- New home construction in Virginia has rebounded more slowly than in the U.S. as a whole.
- States to the south of Virginia have experienced stronger growth in construction since 2010.

- **New Residential Units Permitted for Construction**



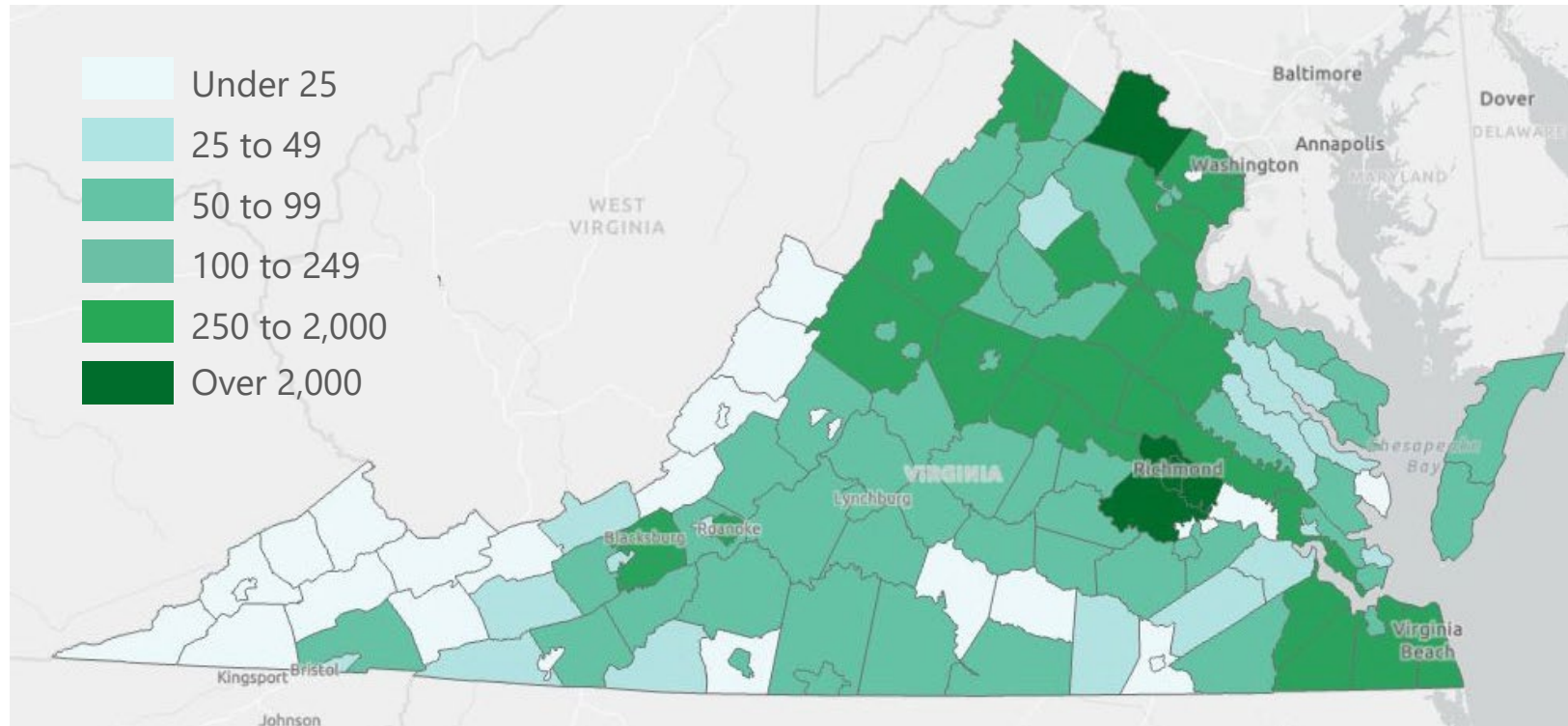
- New home construction has not recovered in Northern Virginia over the past decade.
- In 2022, a record number of new homes were built in the Richmond Metro Area.

- New Homes Permitted for Construction
In 2012



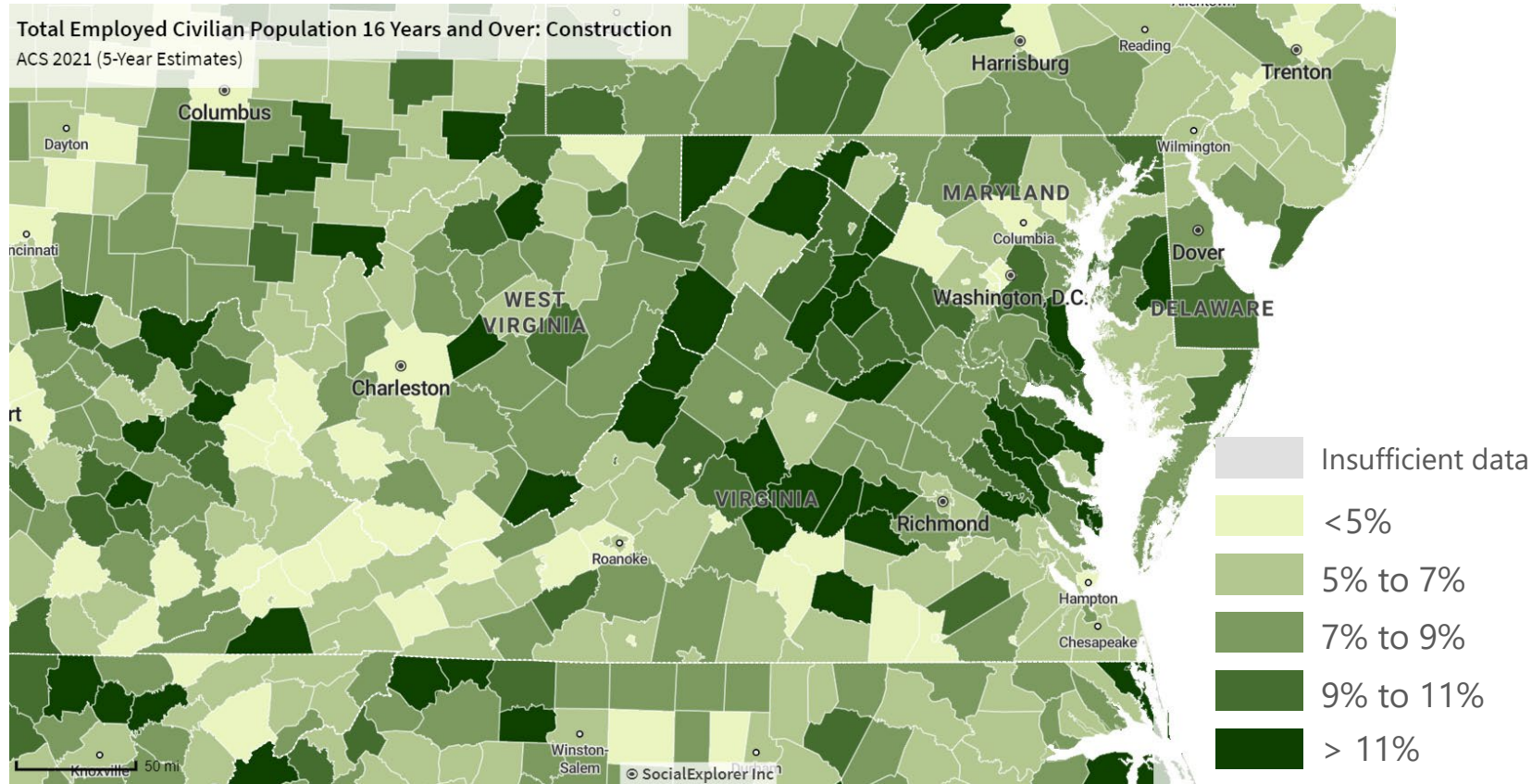
- During the early 2010s, new home construction was concentrated in Virginia's largest localities.

- New Homes Permitted for Construction
In 2022



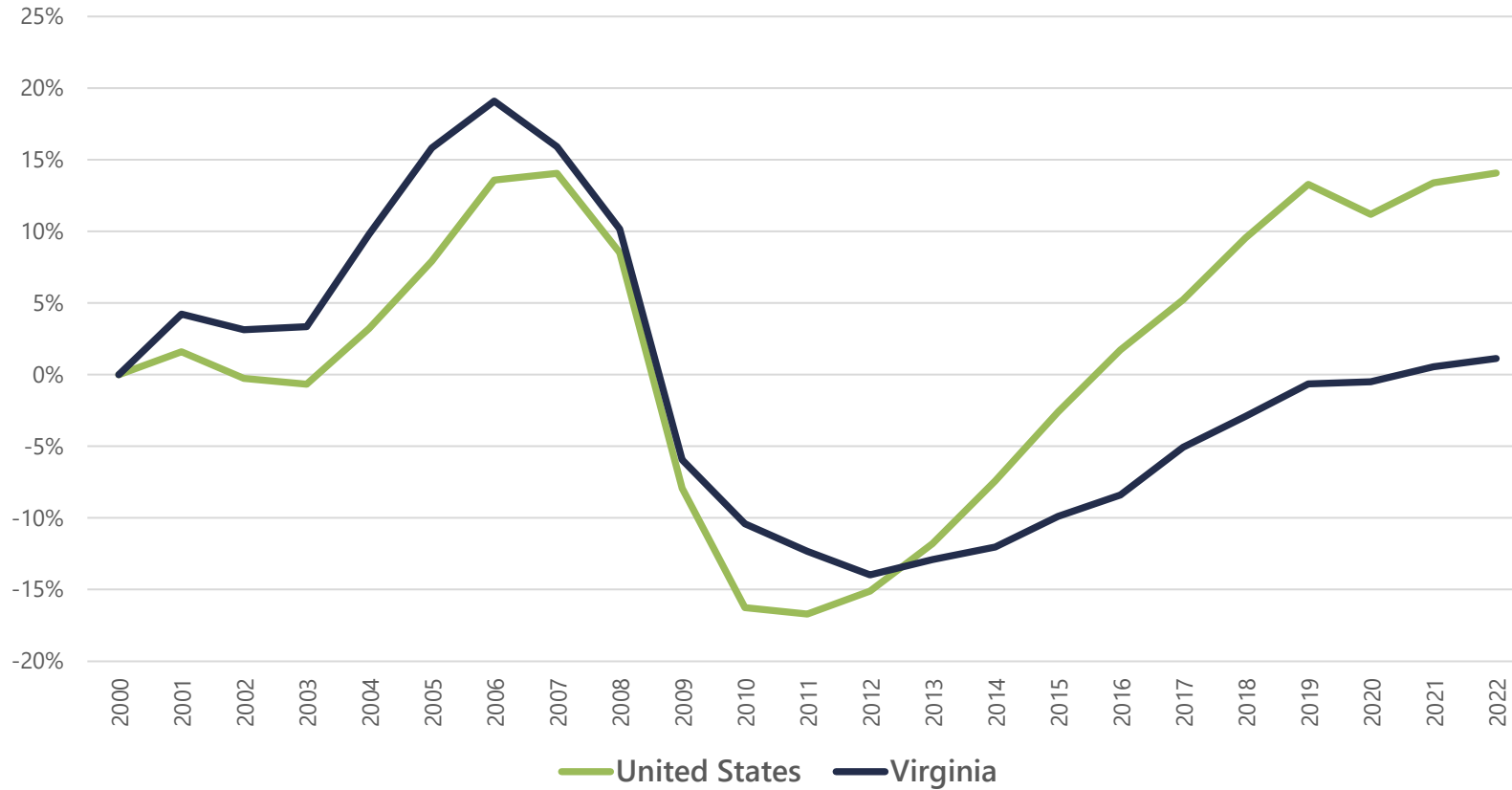
- In recent years, new home construction has increased in smaller counties, particularly in Central and Southside Virginia.

- Percent Employed in Construction
Civilian Population, 16 years and over



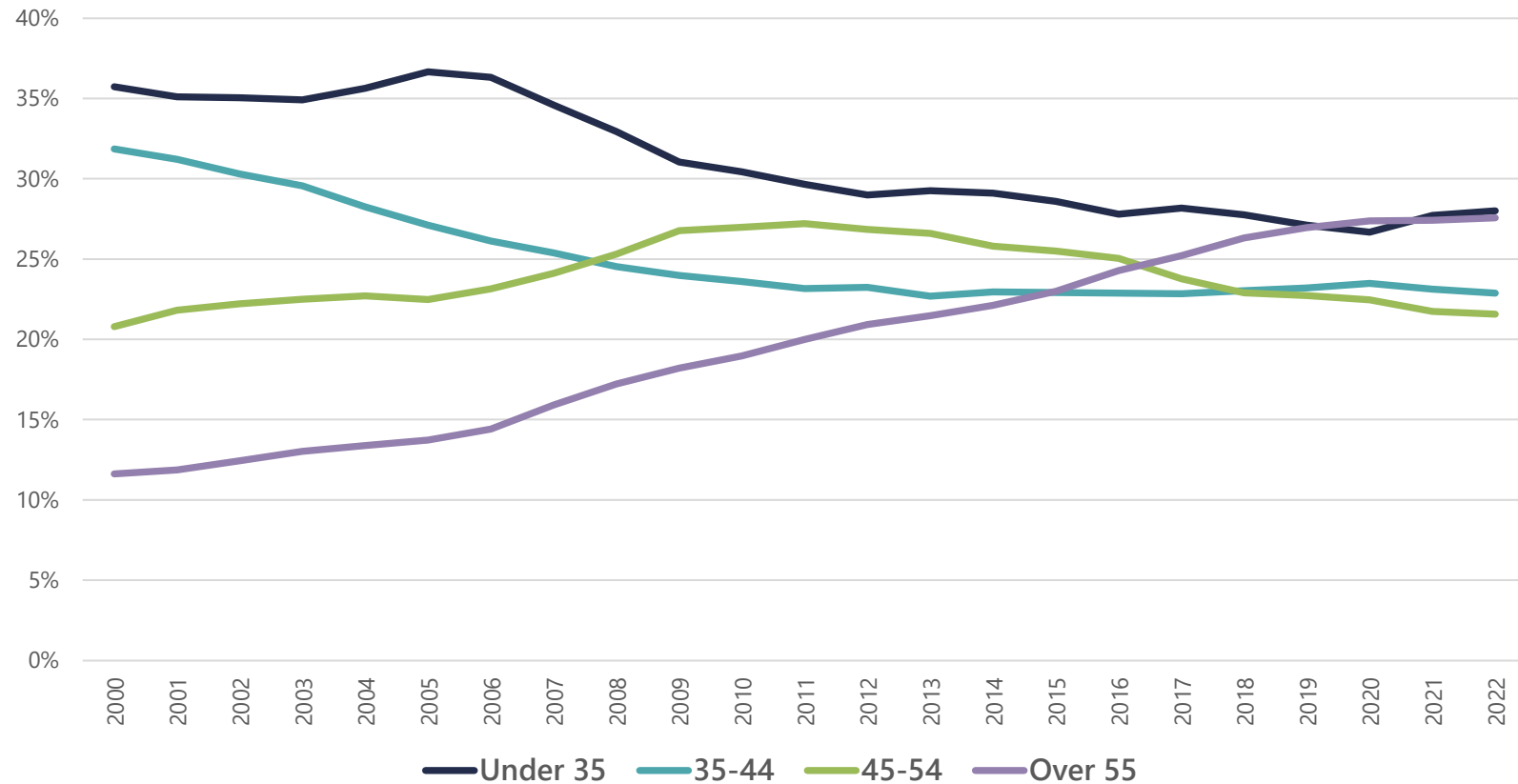
- Construction workers are disproportionately concentrated on the edges of Virginia's metro areas, helping support the growth in new home construction.

- Employment in Construction
Change since 2000



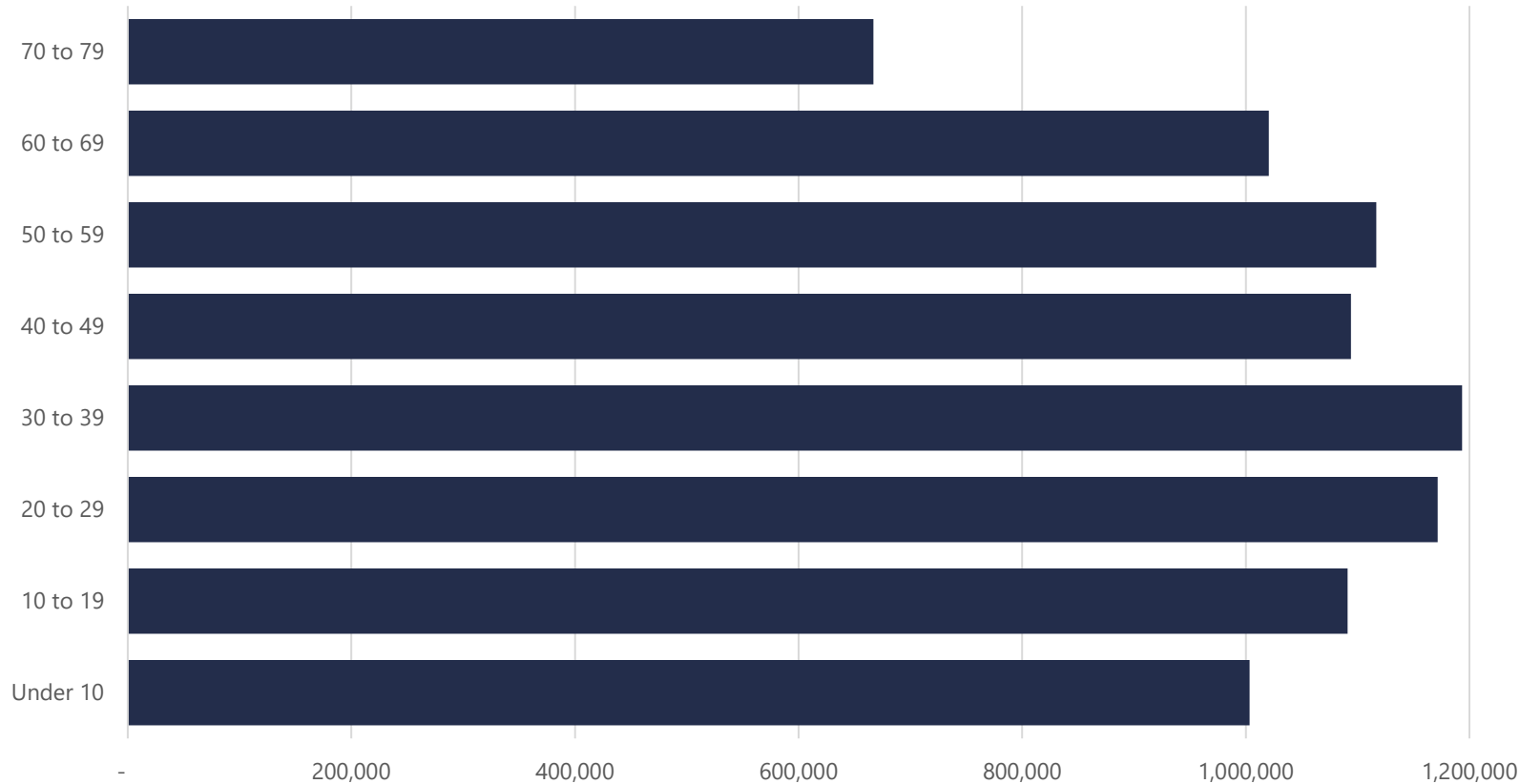
- Since the Great Recession, construction employment in Virginia has rebounded more slowly than in the U.S. as a whole.

- Employed in Residential Construction
Virginians by Age



- Virginia's growth in construction workers has primarily been driven by older workers staying in the industry longer.
- In 2022, there were nearly as many construction workers in Virginia over 55 than under 35.

- Virginia Population
By Age in 2022



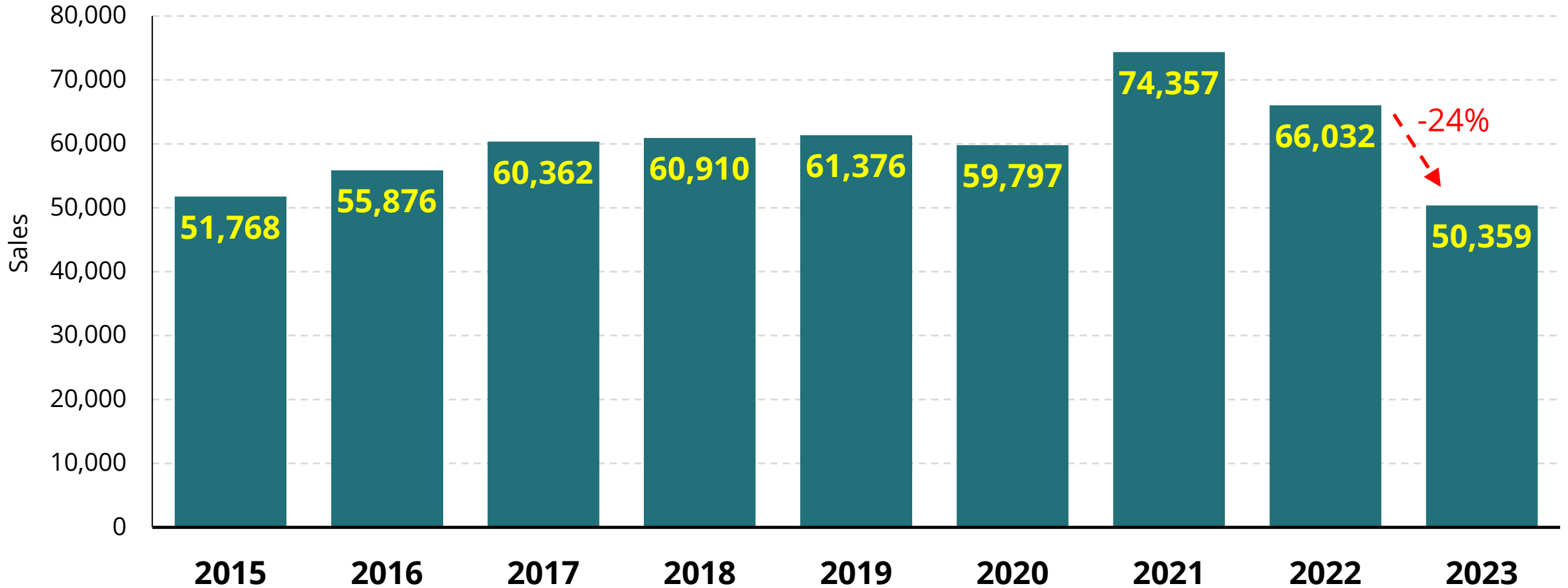
- Virginia's aging population is tightening its labor force, making it more difficult for its construction industry to grow.
- In 2022, Virginia had close to as many residents turning 65 as turning 18.



HOUSING MARKET TRENDS

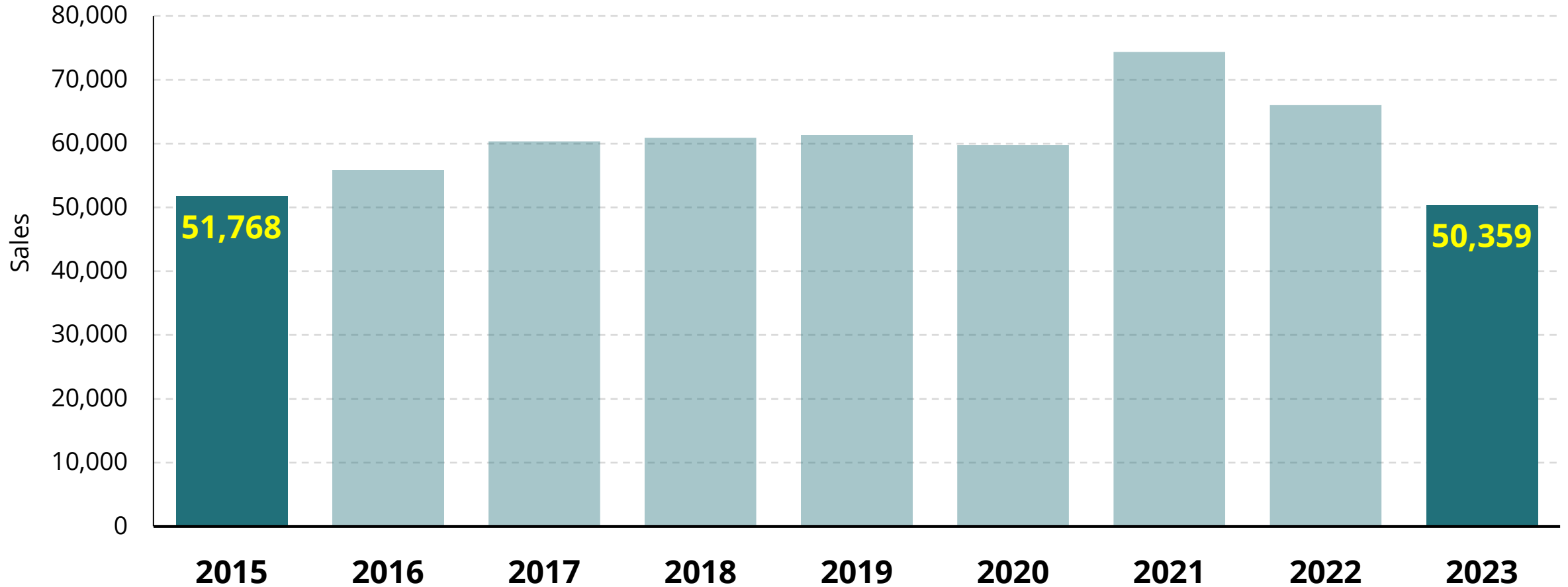
Mid-Year Home Sales – Virginia (Jan – Jun)

Statewide Home Sales



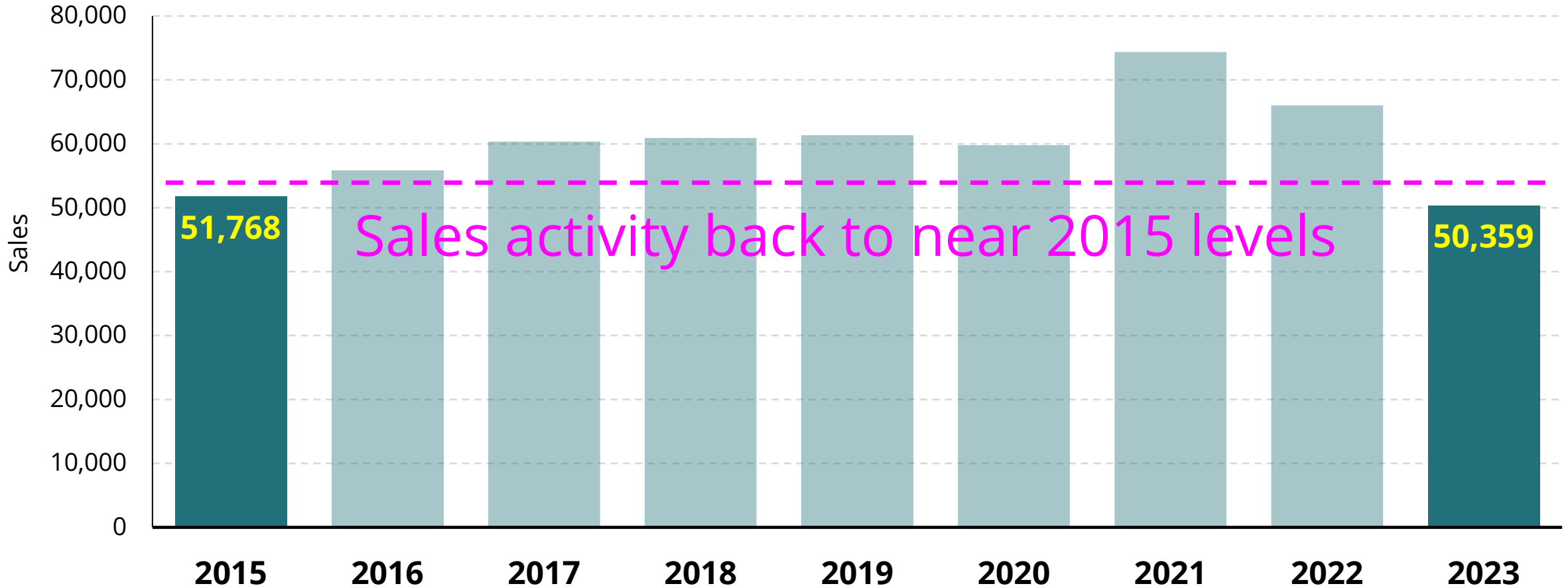
Mid-Year Home Sales – Virginia (Jan – Jun)

Statewide Home Sales



Mid-Year Home Sales – Virginia (Jan – Jun)

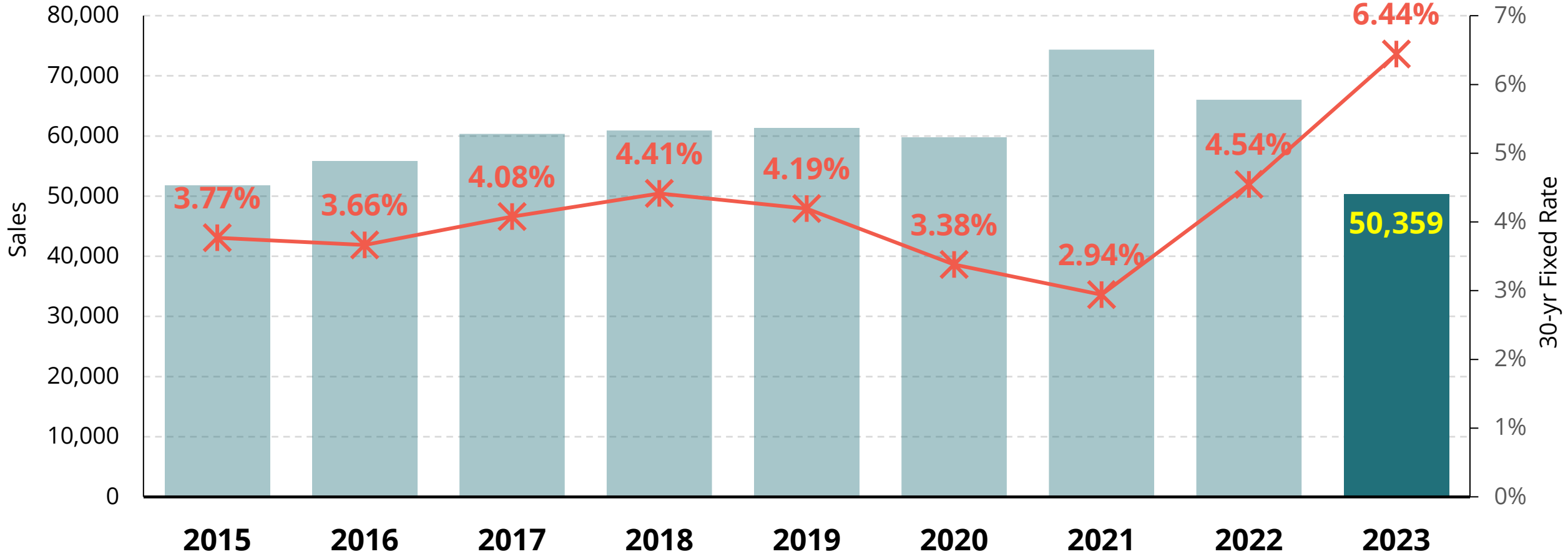
Statewide Home Sales



Mid-Year Home Sales – Virginia (Jan – Jun)

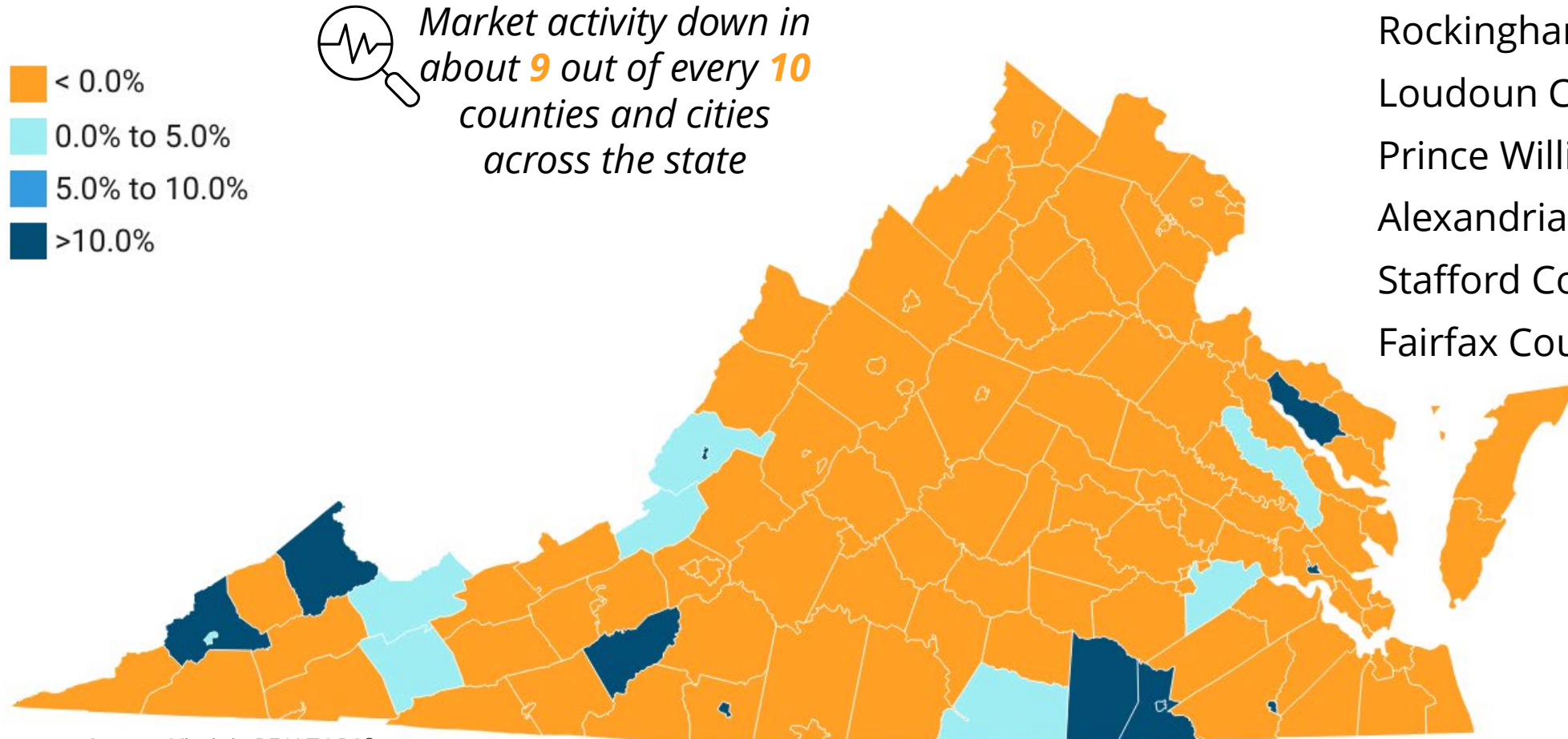
Statewide Home Sales

Average Interest Rate (Jan – Jun)



Markets Slowing Across the State

Change Home Sales – YTD June 2023 compared to YTD June 2022



Sharpest Slowdown*

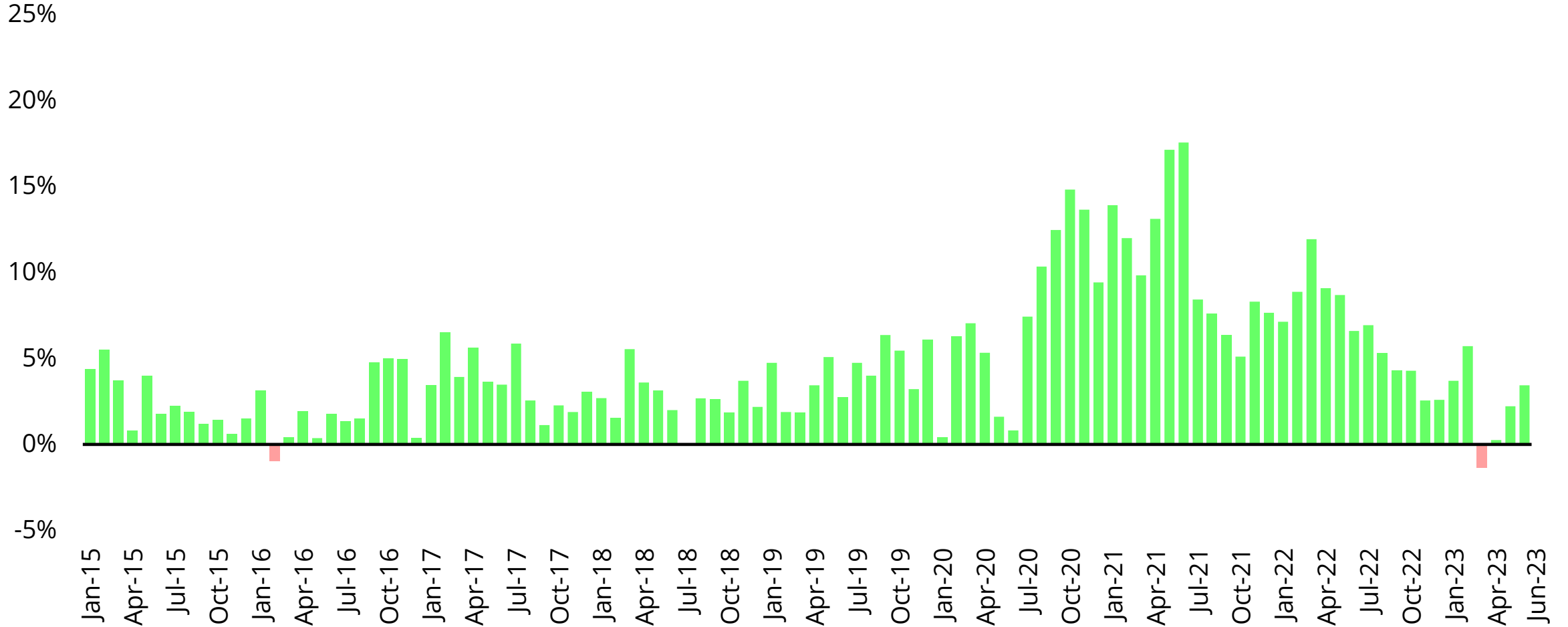
Spotsylvania County	-32.0%
Franklin County	-32.0%
Bedford County	-31.1%
Newport News	-29.7%
Rockingham County	-29.6%
Loudoun County	-29.5%
Prince William County	-29.5%
Alexandria	-29.1%
Stafford County	-28.8%
Fairfax County	-27.9%

Source: Virginia REALTORS®

*of counties/cities with 250 or more sales YTD June 2023

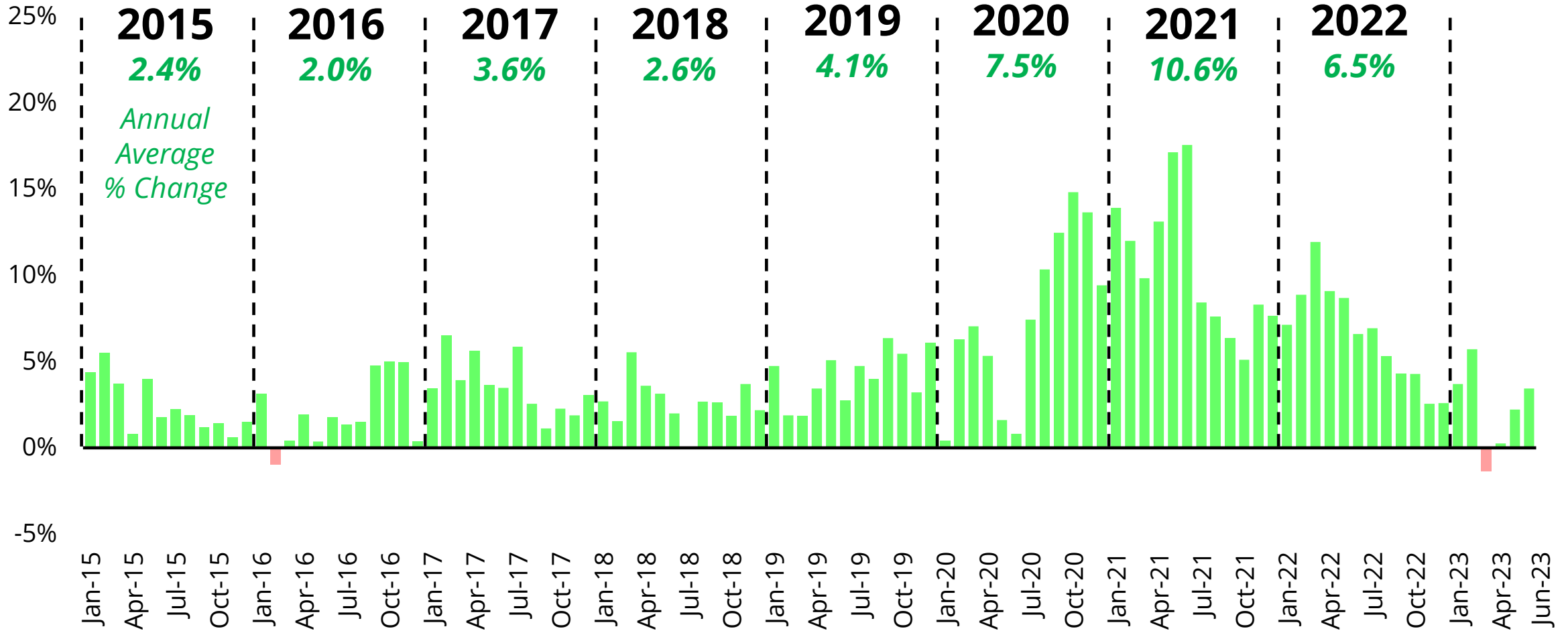
Home Price Trends – Virginia

Y-o-Y Change in Median Home Price



Home Price Trends – Virginia

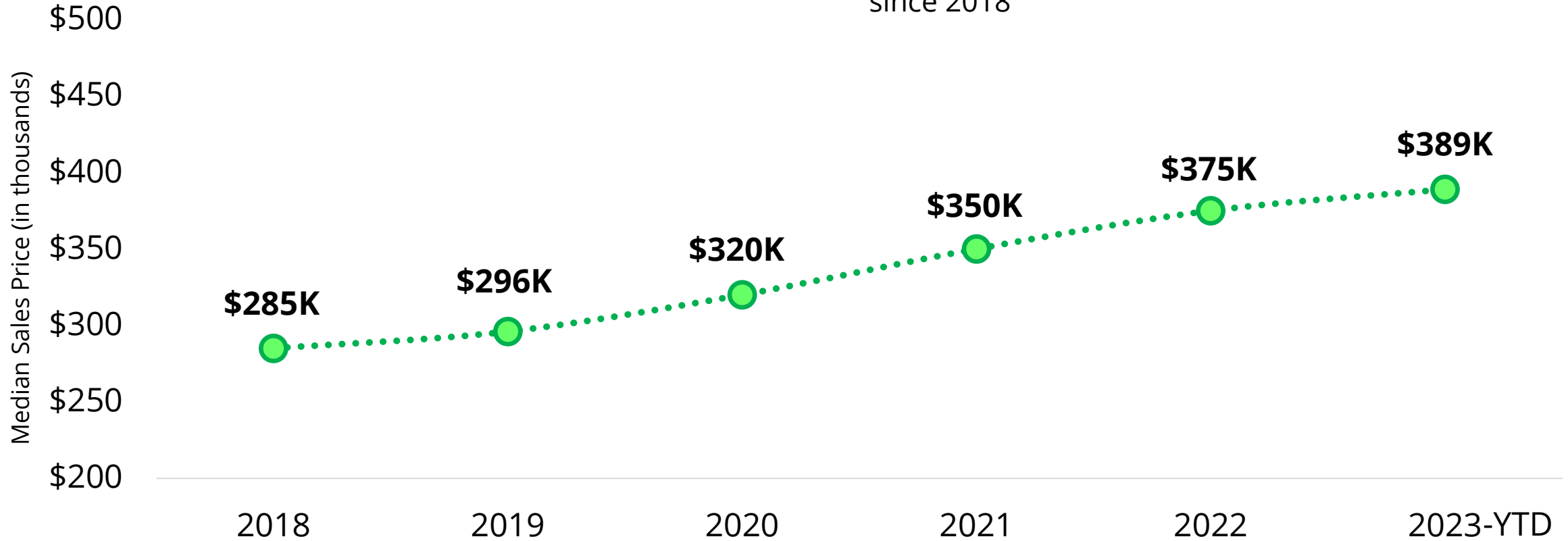
Y-o-Y Change in Median Home Price



Home Price Trends

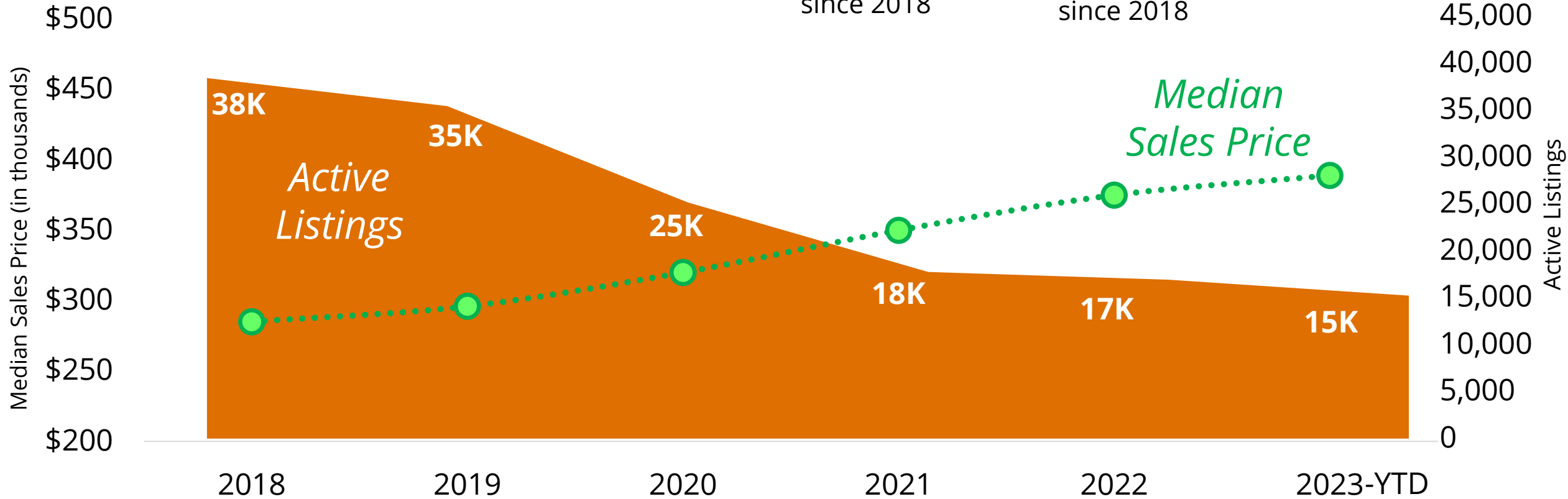
Prices are up
36%
since 2018

Annual Median Sales Price - Statewide



Home Price Trends

Annual Median Sales Price - Statewide



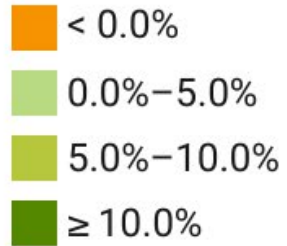
Prices are up
36%
since 2018

Inventory is down
-60%
since 2018

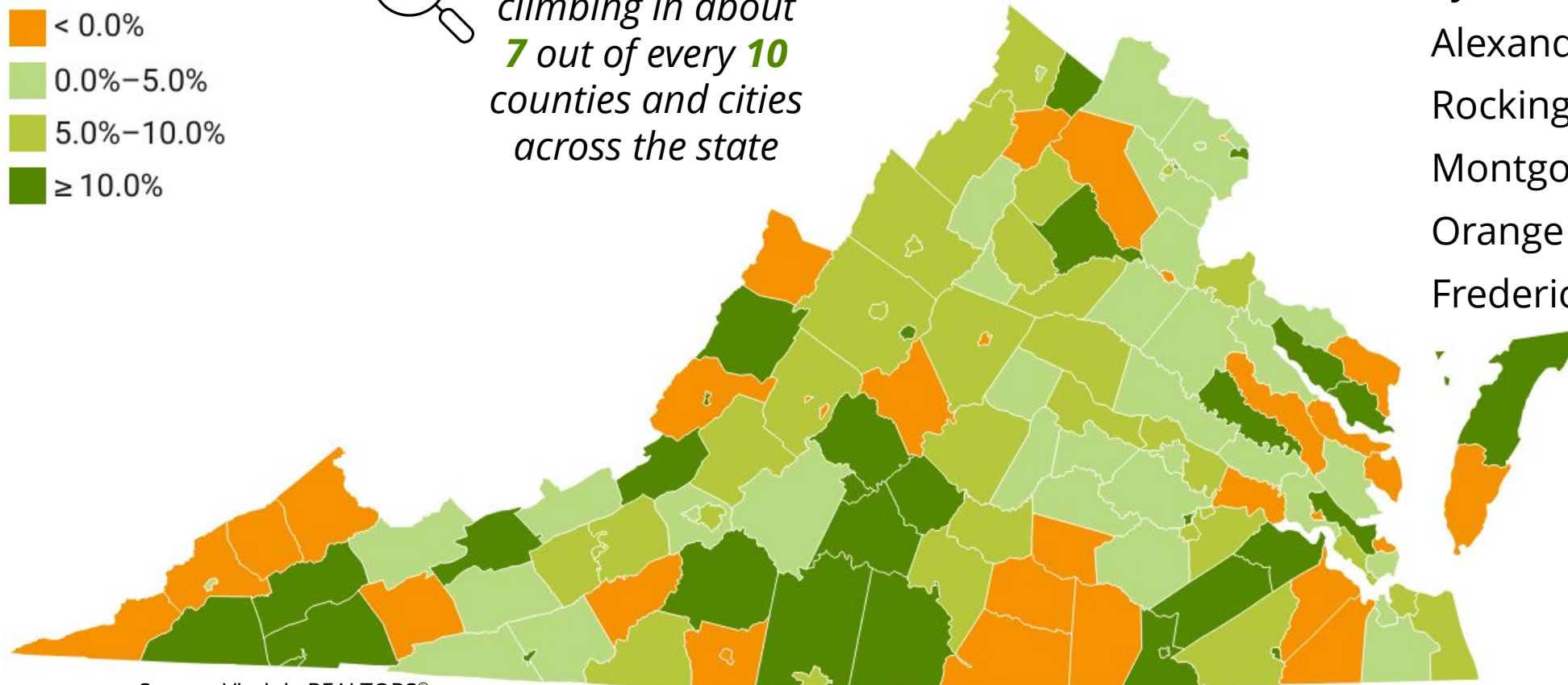
Average # of Active Listings Each Month

Prices Climbing in Most Local Markets

Change Median Sales Price – YTD June 2023 compared to YTD June 2022



*Home prices still climbing in about **7** out of every **10** counties and cities across the state*



Sharpest Price Growth*

Culpeper County	18.2%
Campbell County	14.9%
York County	14.7%
Franklin County	12.3%
Lynchburg	11.6%
Alexandria	11.2%
Rockingham County	9.7%
Montgomery County	9.7%
Orange County	8.6%
Frederick County	8.1%

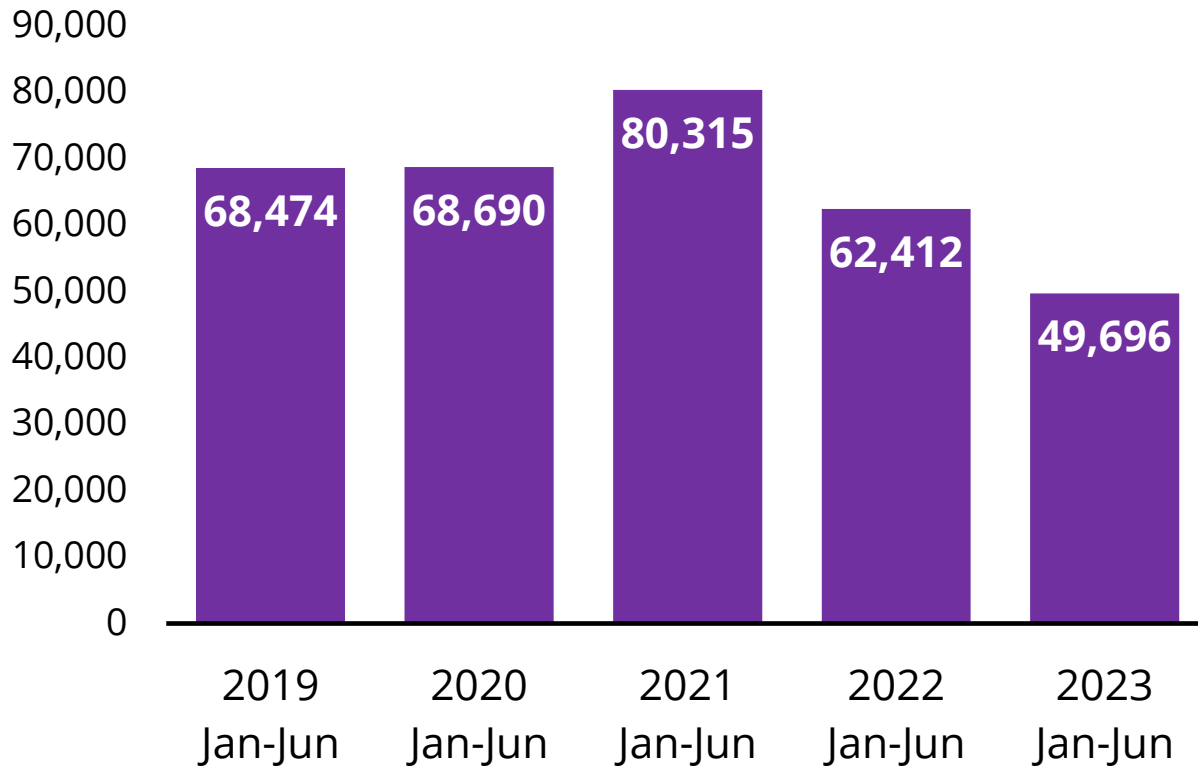
Source: Virginia REALTORS®

*of counties/cities with 250 or more sales YTD June 2023

Both Buyers and Sellers are Pulling Back

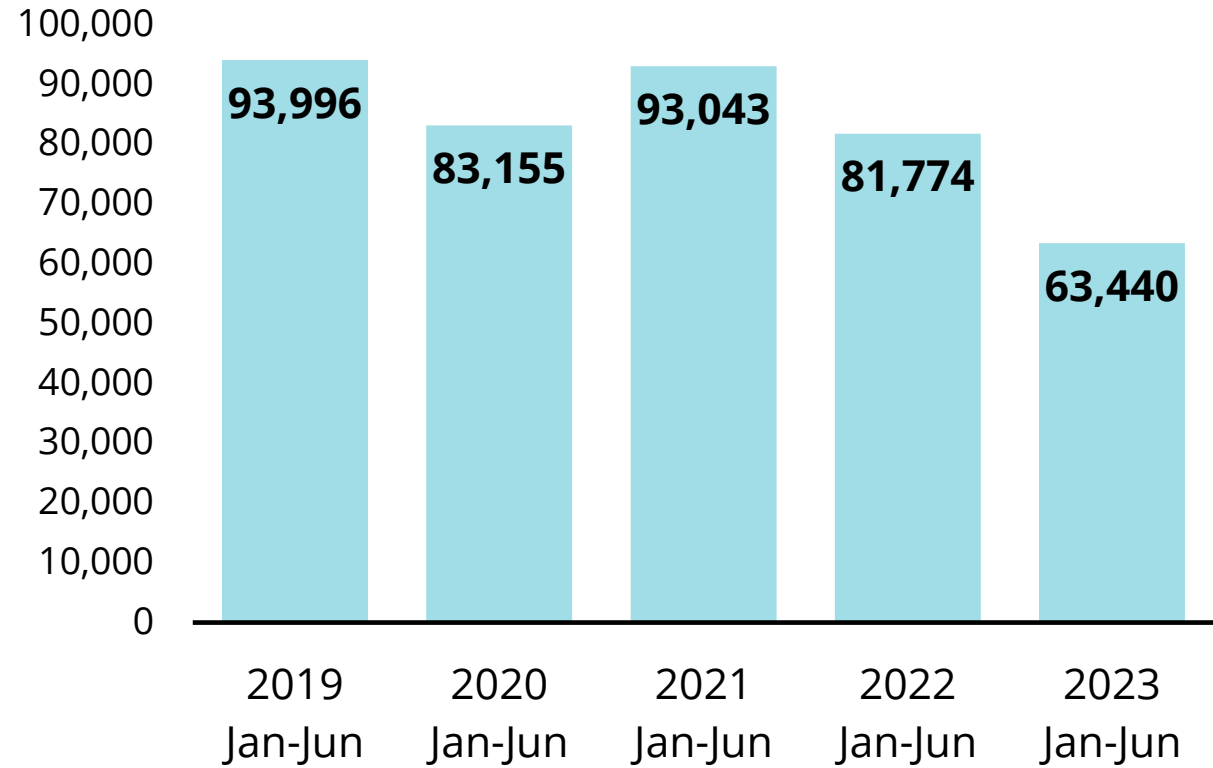
Buyers

New Pending Sales
Virginia



Sellers

New Listings
Virginia

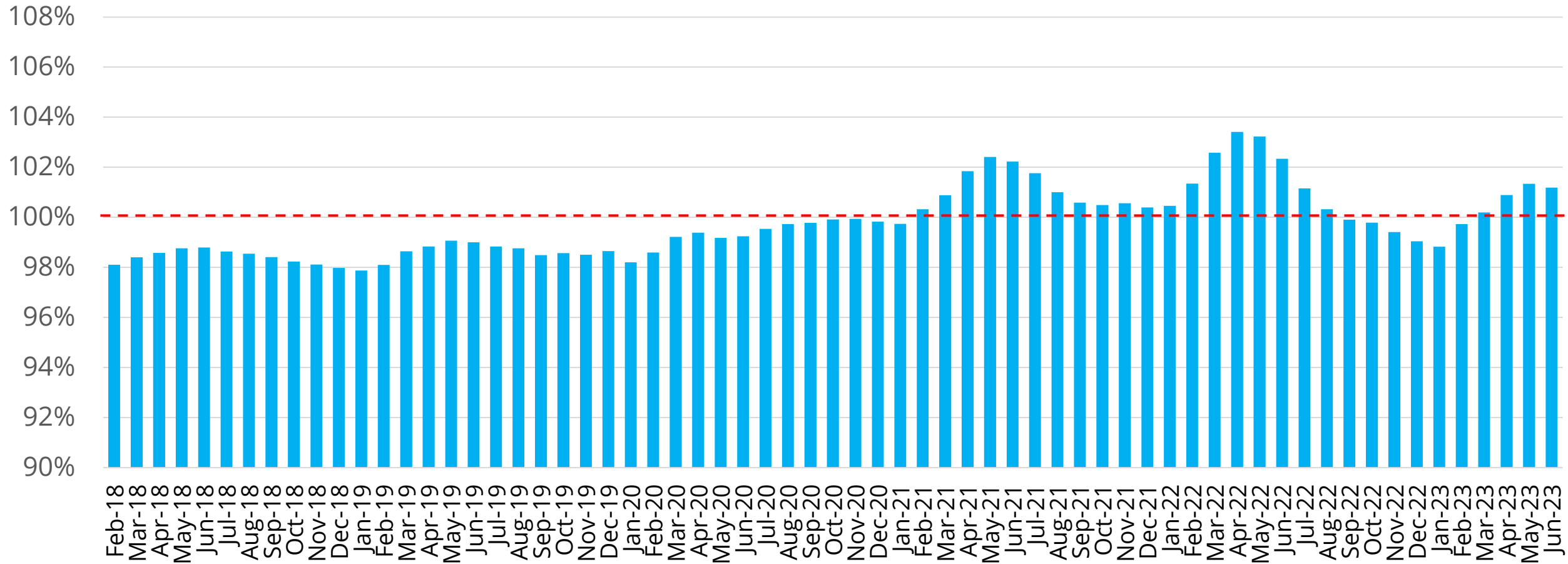


Source: Virginia REALTORS®

Despite Slowdown, Market Remains Competitive

Sellers are getting above asking price on average in Virginia

Average Sold to Ask Price Ratio, Statewide

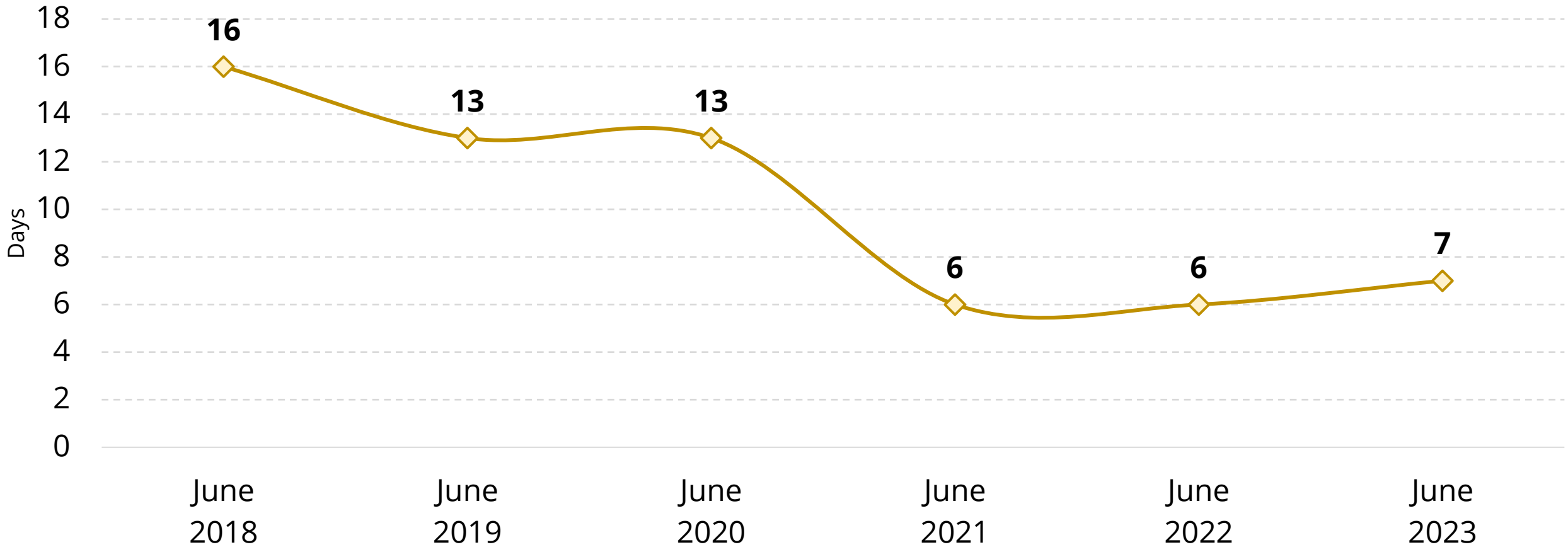


Source: Virginia REALTORS®

Despite Slowdown, Market Remains Competitive

Homes continue to sell quickly in Virginia

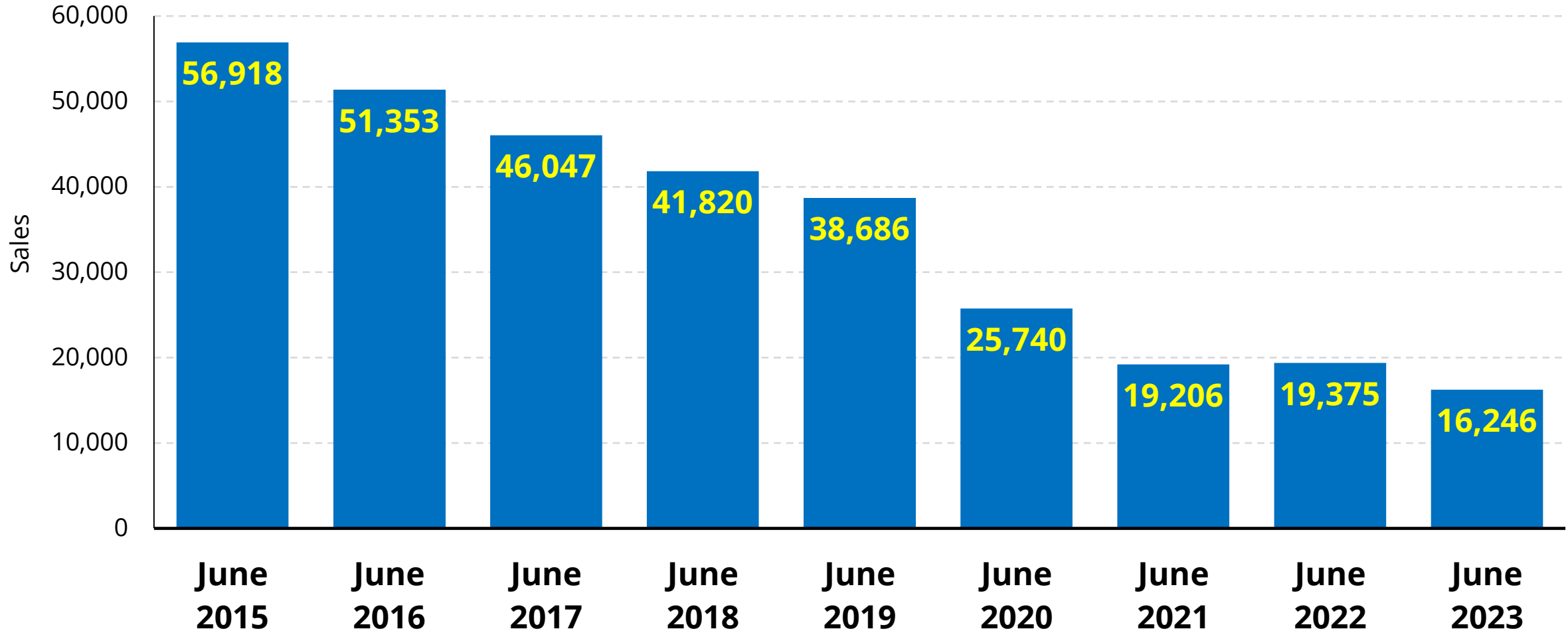
Median Days on Market, Statewide



Source: Virginia REALTORS®

Historically Low Inventory Levels Going Lower

Active Listings, Statewide (end of June)

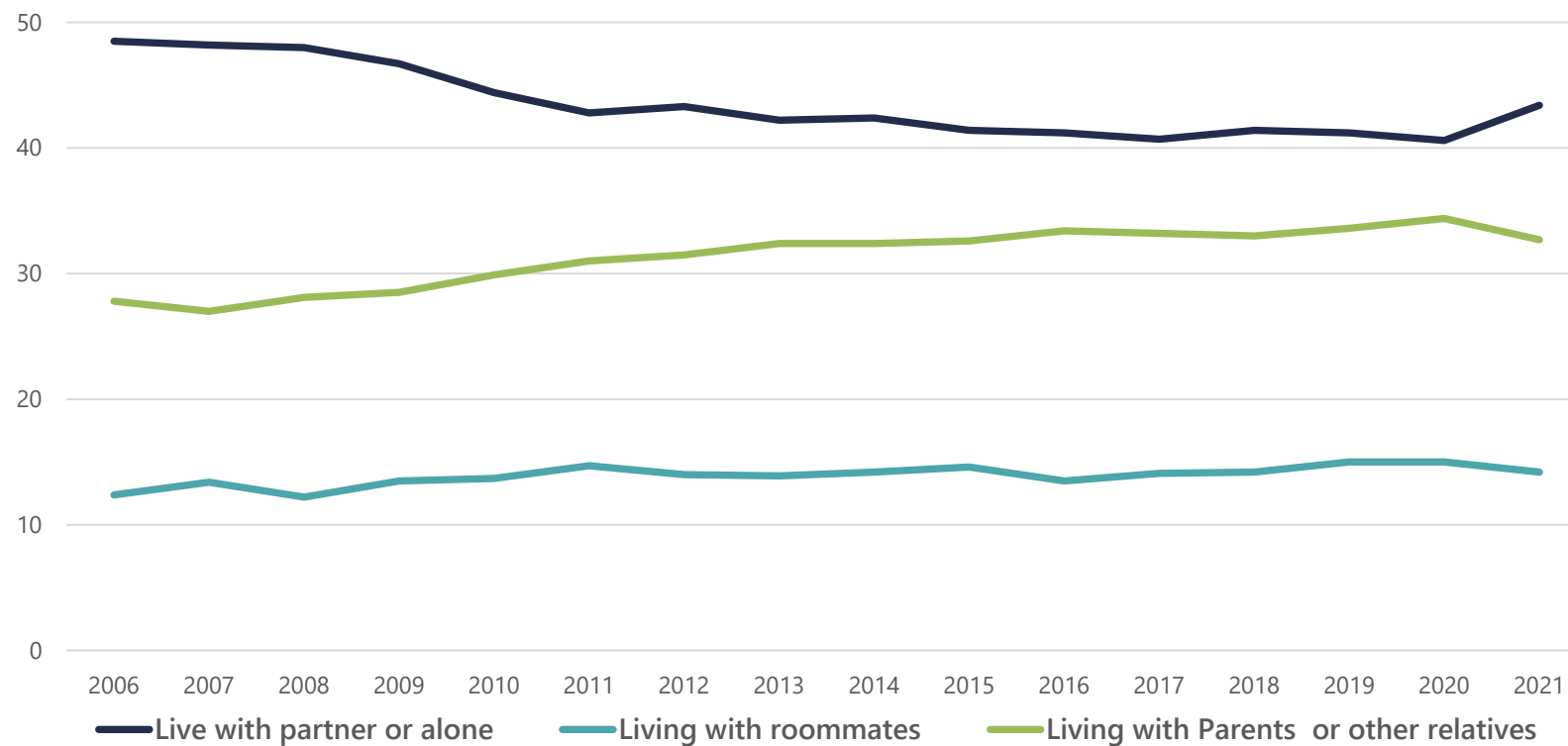




KEY DEMOGRAPHIC TRENDS

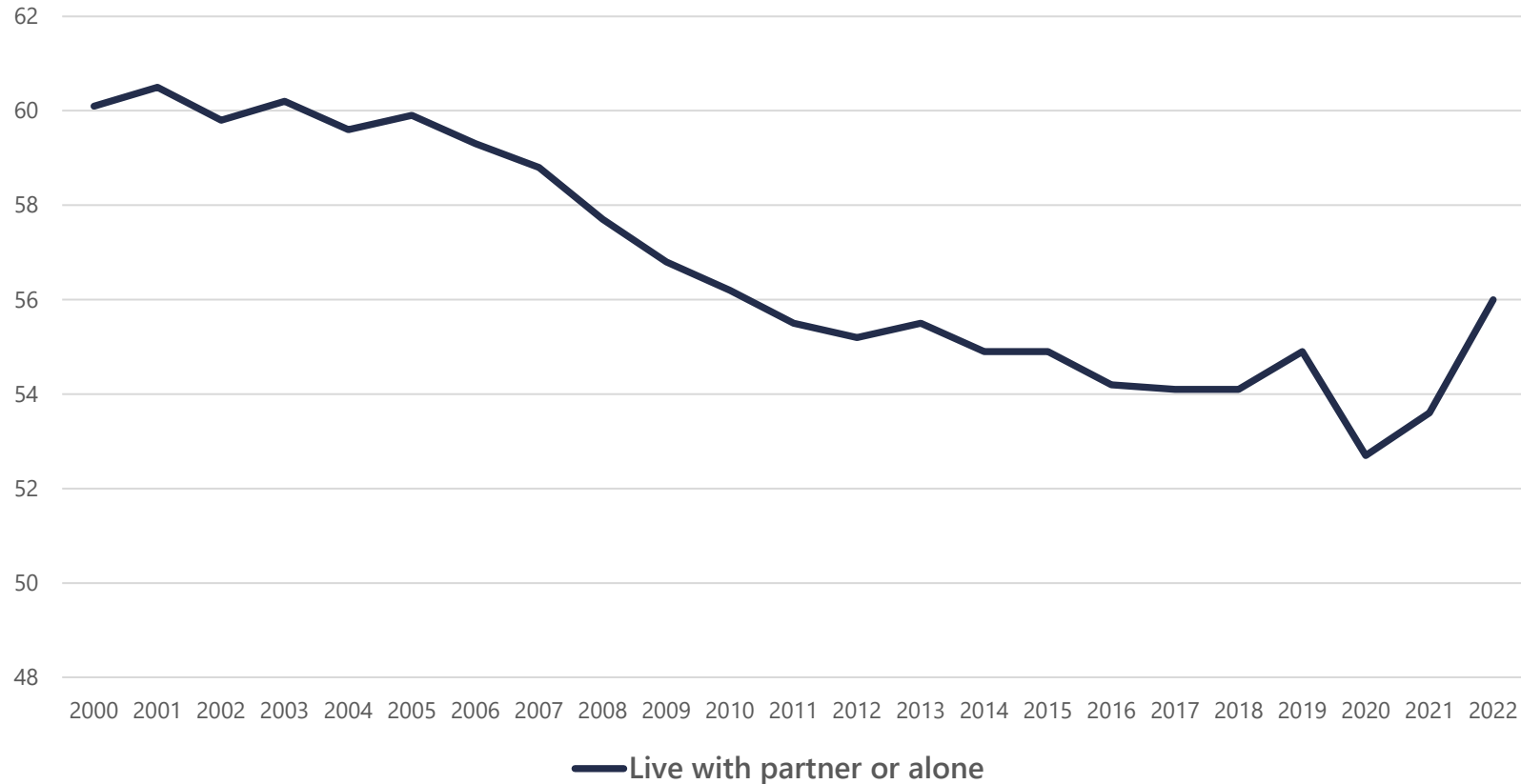
• Living Arrangements

Virginians, Ages 18 to 34



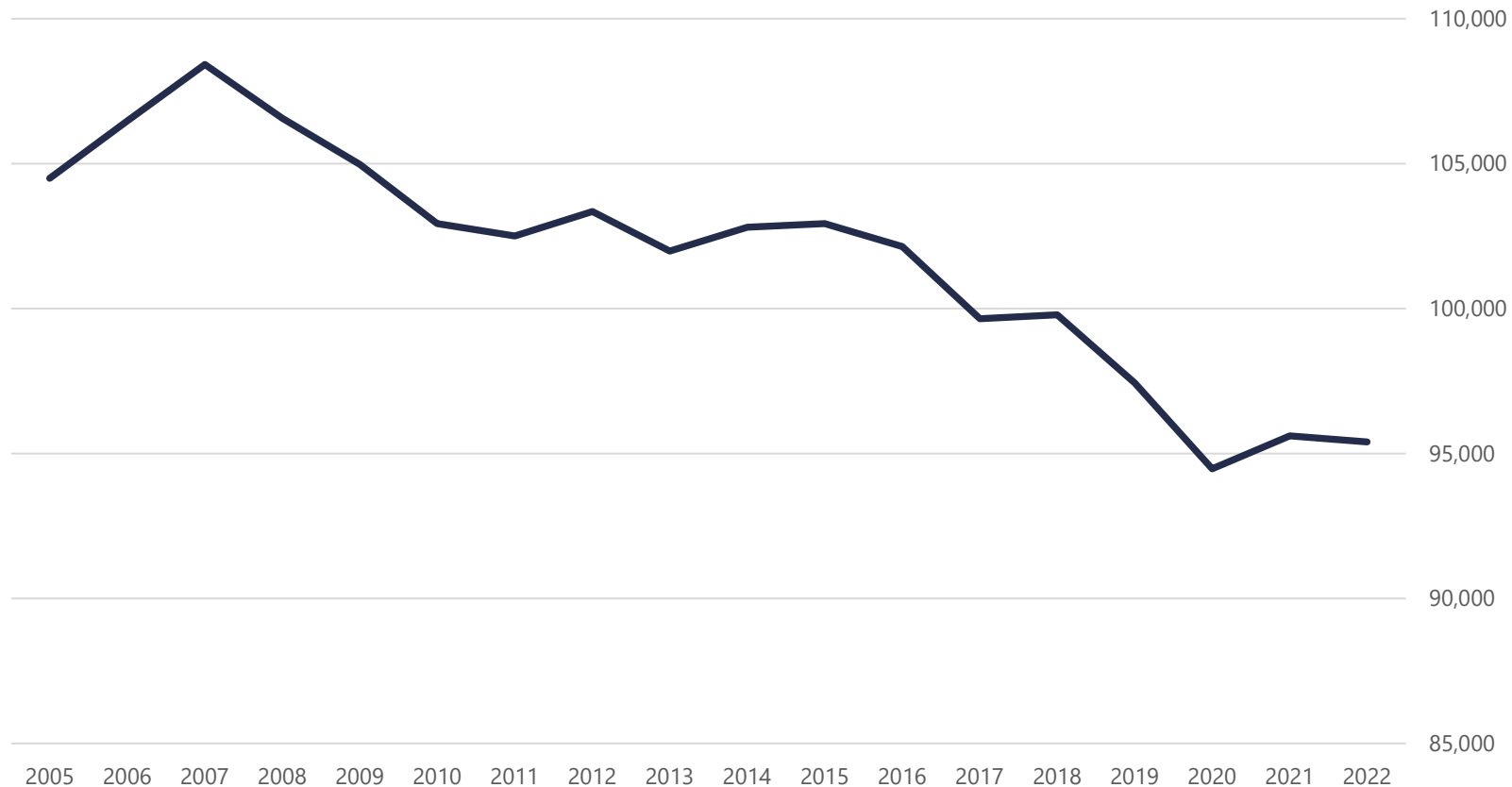
- After over a decade of decline in young adult Virginians living independently, an increasing number of young adults are now living with a partner or alone.

- Living Arrangements
United States, Ages 18 to 34



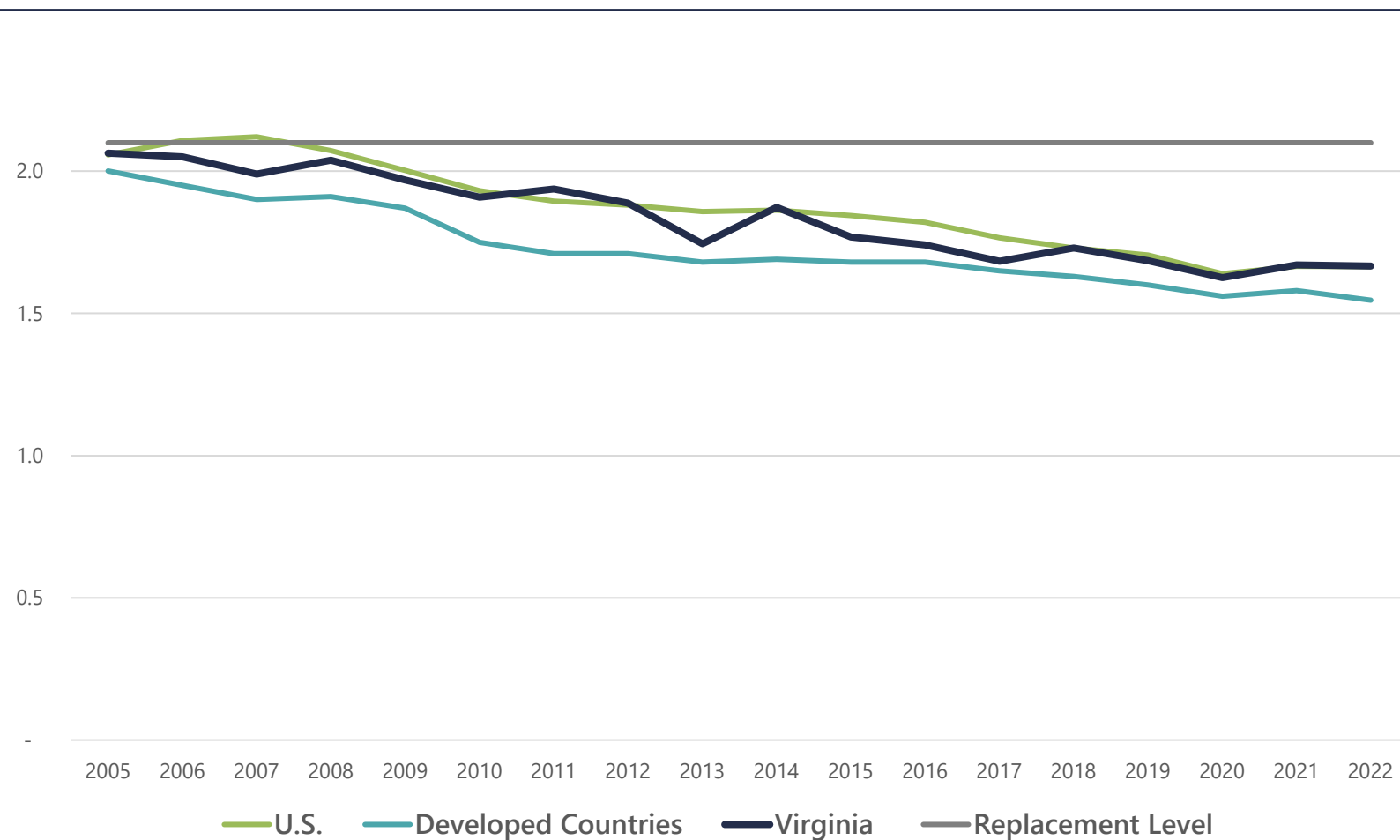
- Since the pandemic, the number of young adults living independently has grown rapidly across the U.S.

• Annual Births in Virginia



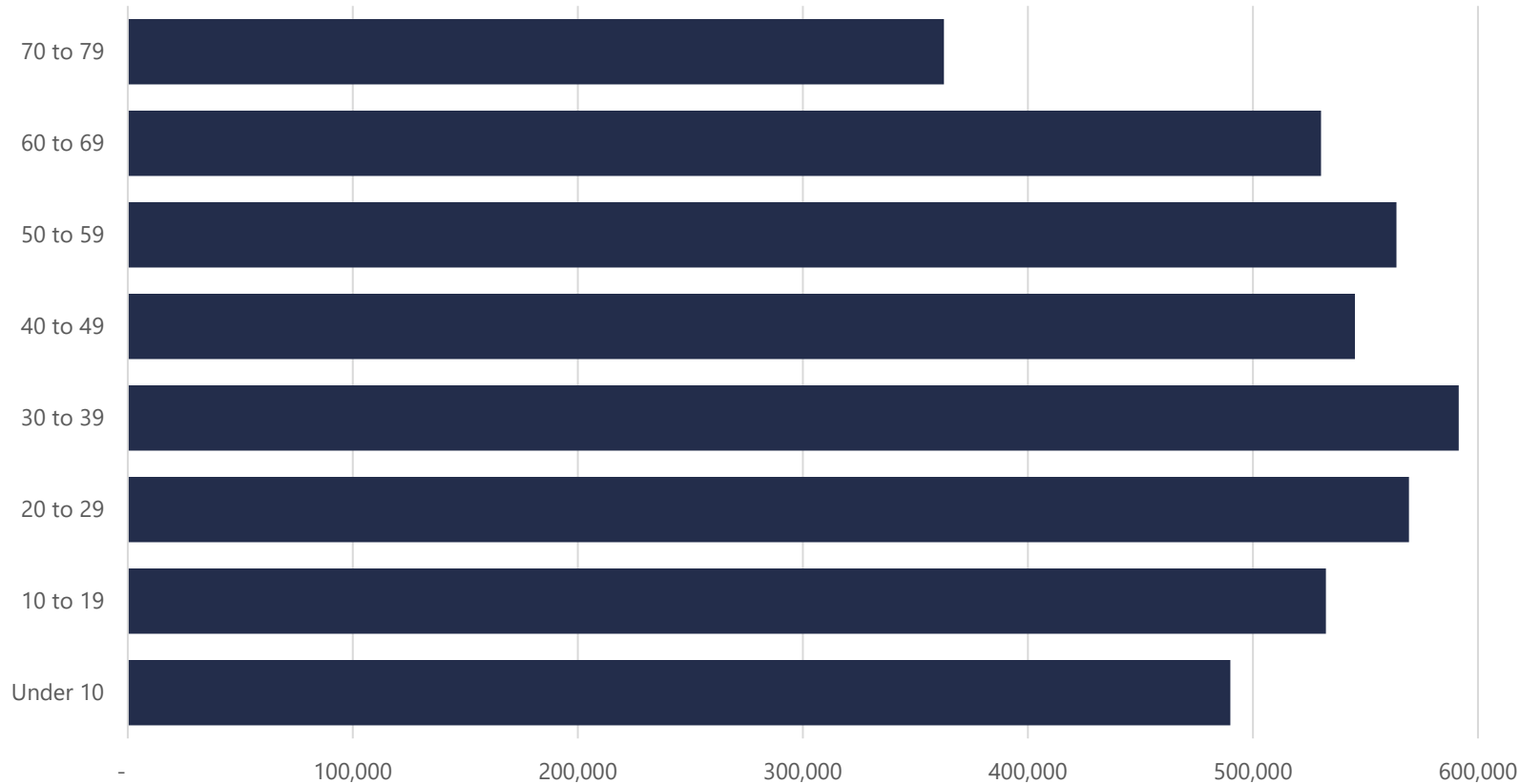
- The number of births in Virginia and the U.S. has been in decline since the late 2000s recession.
- Since the pandemic, birth rates have partially stabilized.

• Total Fertility Rate



- Over the last two decades, fertility rates have declined in the U.S. and most developed countries.
- Virginia, the U.S. and nearly all member countries of the OECD have birth rates below replacement level (2.1).

- Virginia Population
Female, by Age in 2022



- Millennials, so far, are having fewer children than their parents.
- Sustained low fertility rates risk pulling Virginia and many OECD countries into a cycle of population decline.

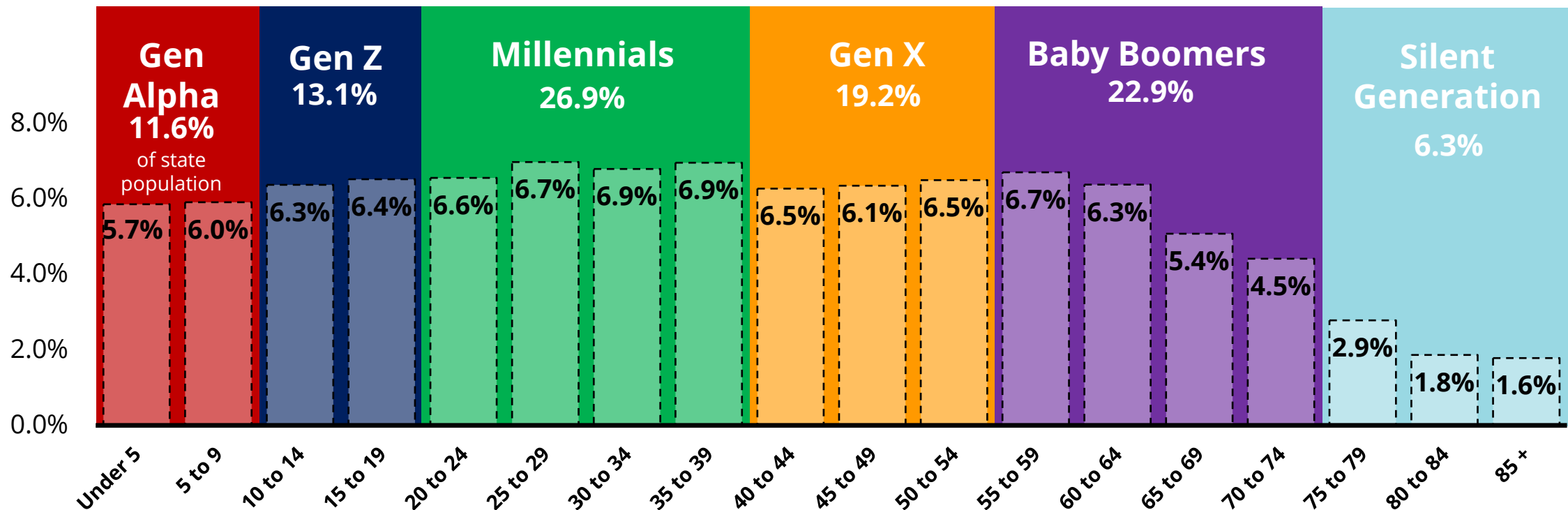


PENT-UP DEMAND FOR HOUSING

Underlying demographic forces will shape demand in the housing market in the coming decade

Age Profile of Virginia, 2021

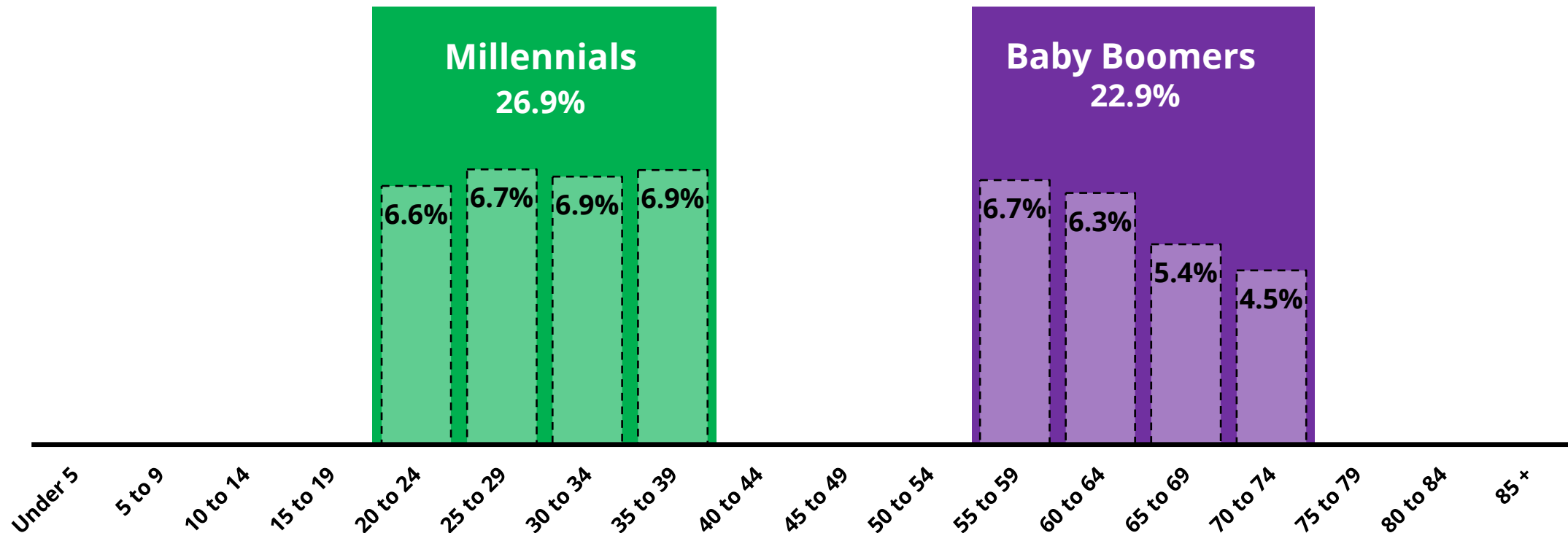
Note: Generation age ranges are approximate



Source: U.S. Census Bureau

Millennials and Baby Boomers make up half of Virginia's population

Note: Generation age ranges are approximate



Source: U.S. Census Bureau

Most Millennials are in the prime first-time homebuying age range

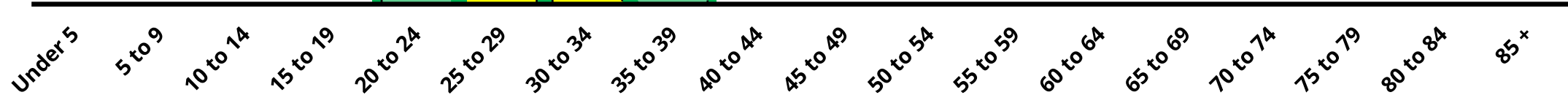
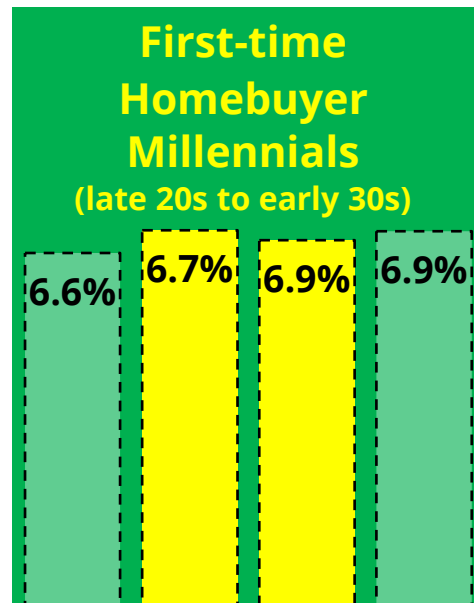
Note: Generation age ranges are approximate

Homeownership Rate
(at age 25 to 34)

Millennials = 43%

Gen X = 51%

Baby Boomers = 48%



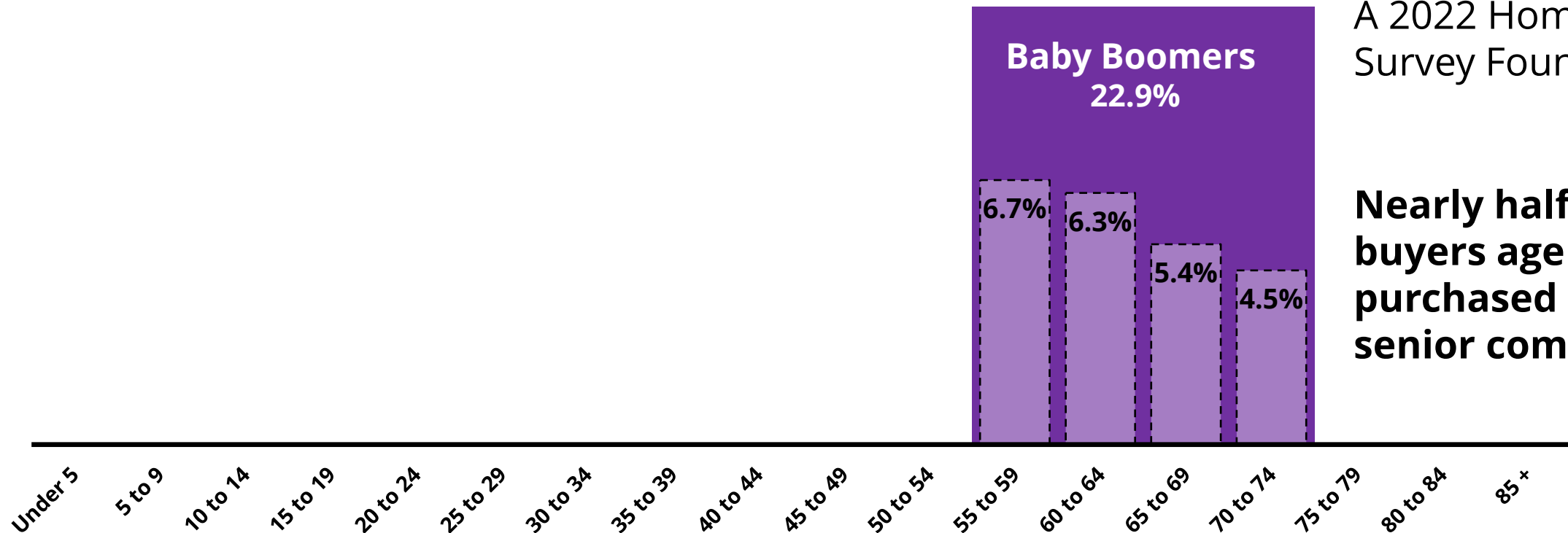
Source: U.S. Census Bureau

Many Boomers are aging in place, but changes are underway

Note: Generation age ranges are approximate

A 2022 Home Buyer Survey Found:

Nearly half of all buyers age 65+ purchased in a senior community



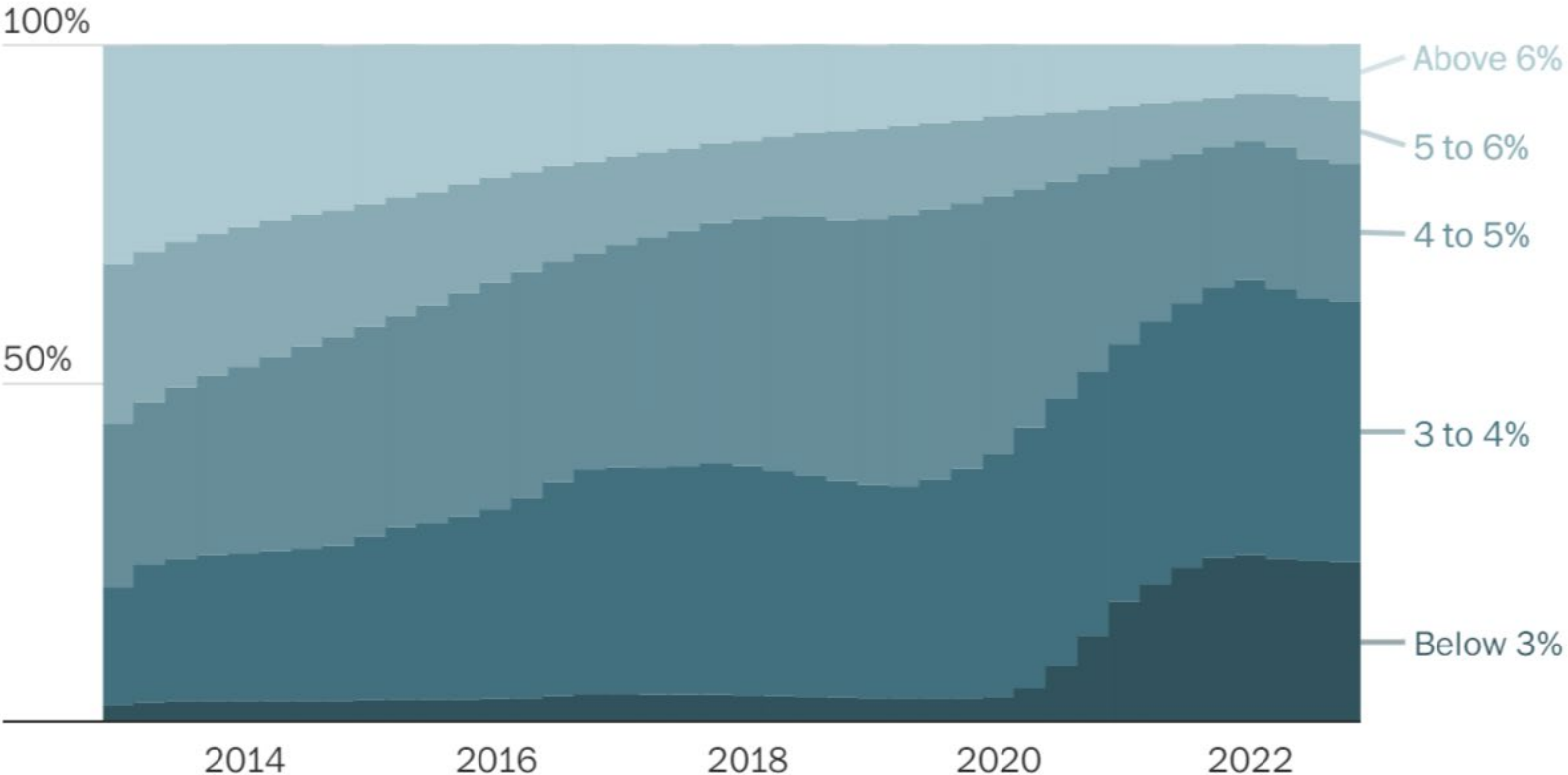
Millennials and Boomers Likely Competing for Same Homes in Tight Inventory Environment



At end of 2022, 62% of mortgage holders had a rate below 4%

More homeowners today have low mortgage rates

Percent of homeowners with each mortgage rate

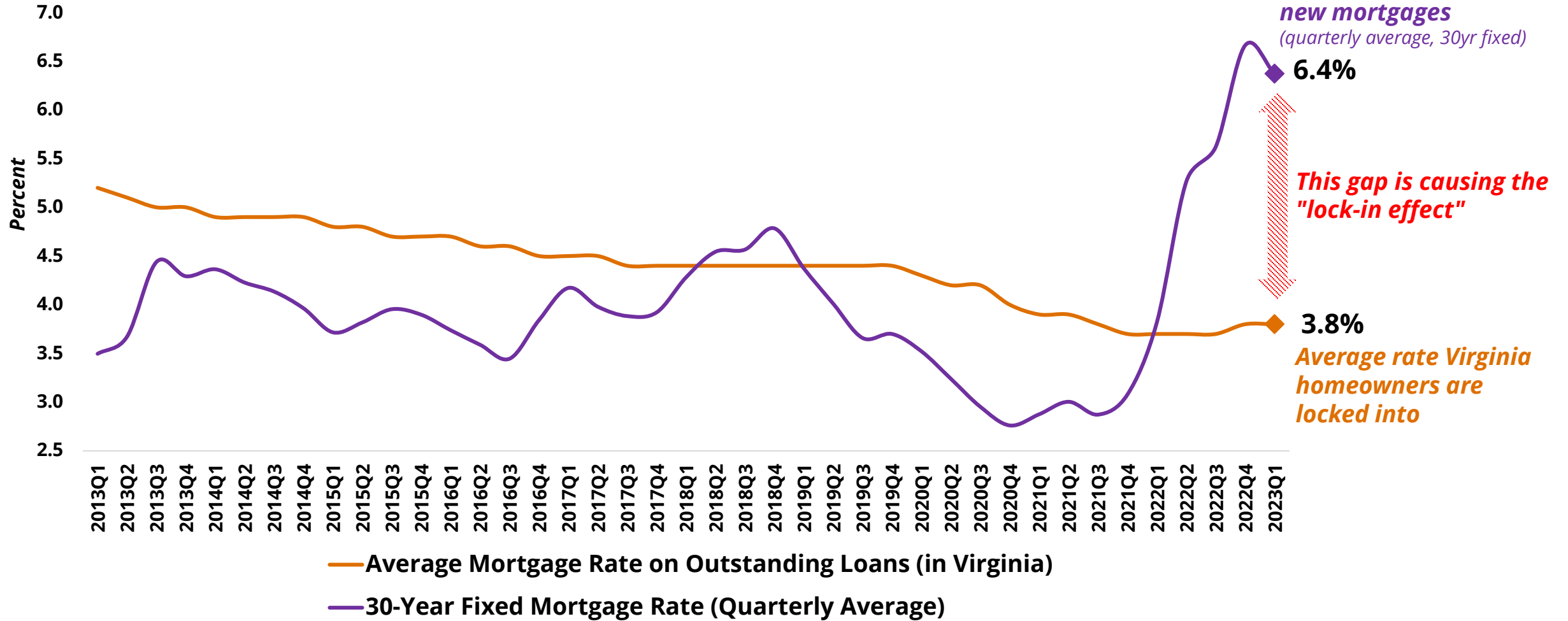


Source: Redfin

RACHEL SIEGEL / THE WASHINGTON POST

Lock-in Effect

Mortgage Rates on Outstanding Loans vs. Average Mortgage Market Rates



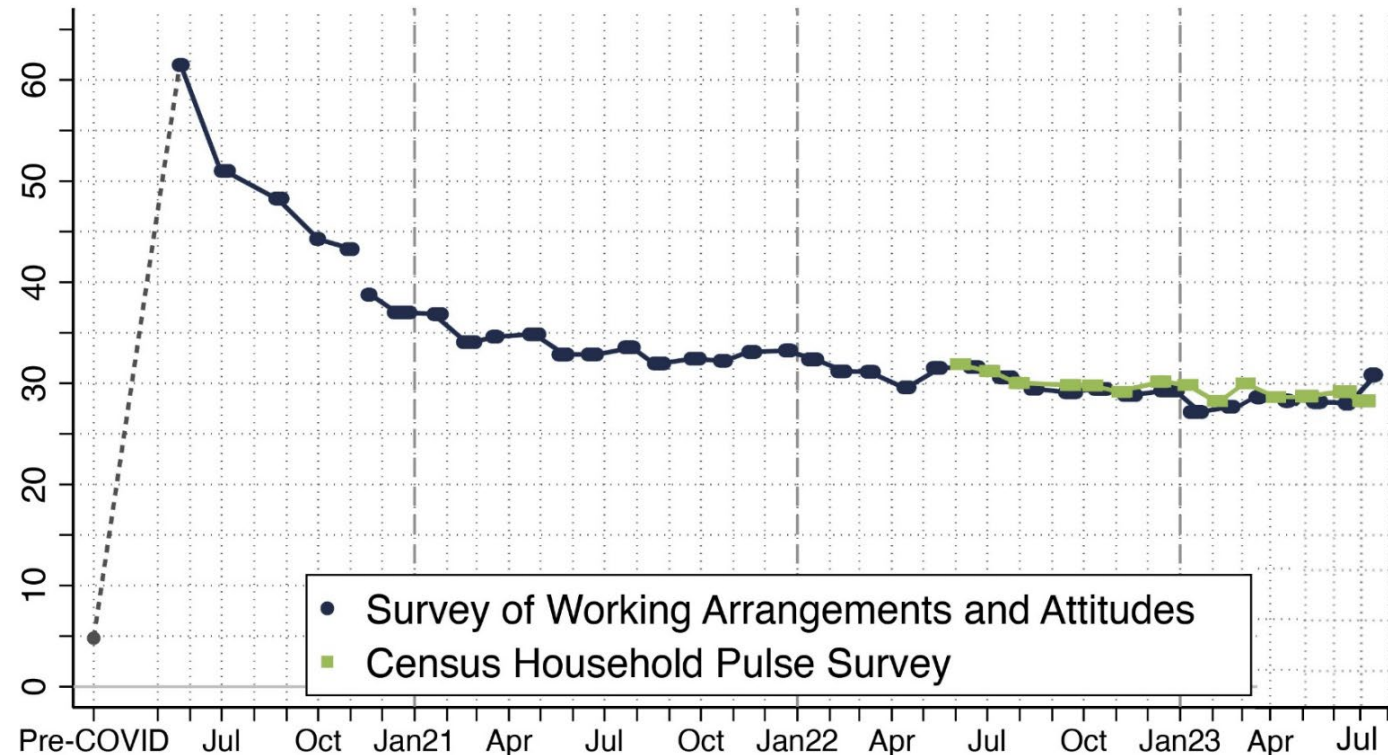
Many sellers/move-up buyers need their equity to make another home purchase

Sources of Downpayment	Virginia	Nationwide
Savings	48%	47%
Proceeds from sale of primary residence	33%	38%
Sale of stocks or bonds	6%	7%
Gift from relative or friend	8%	7%
401k/pension fund including a loan	3%	5%

A person is working on a laptop in a home office setting. The scene is dimly lit, with light coming from a window in the background. A smartphone is on the desk in the foreground. The text is overlaid on the image in a yellow, outlined font.

WFH-HYBRID WORKFORCE: IMPACTS TO HOUSING

Remote Work



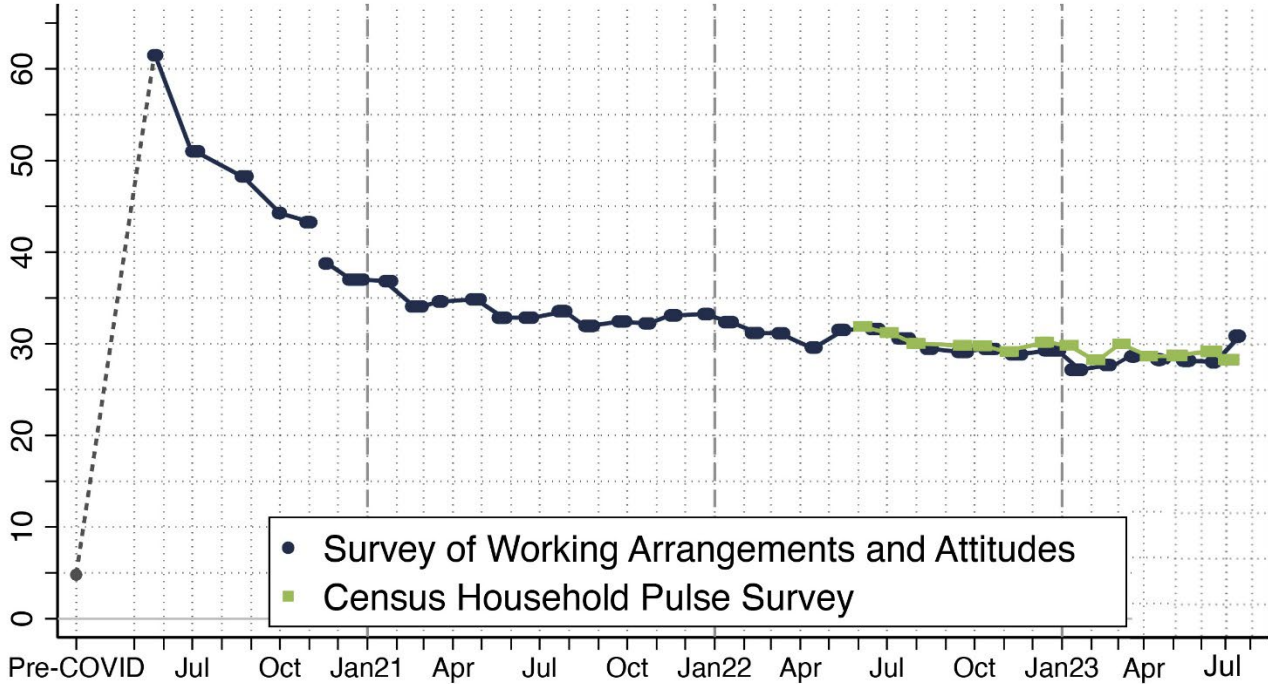
*Pre-COVID estimate taken from the 2017-2018 American Time Use Survey

*The break in the series in November 2020 reflects a change in the survey question.

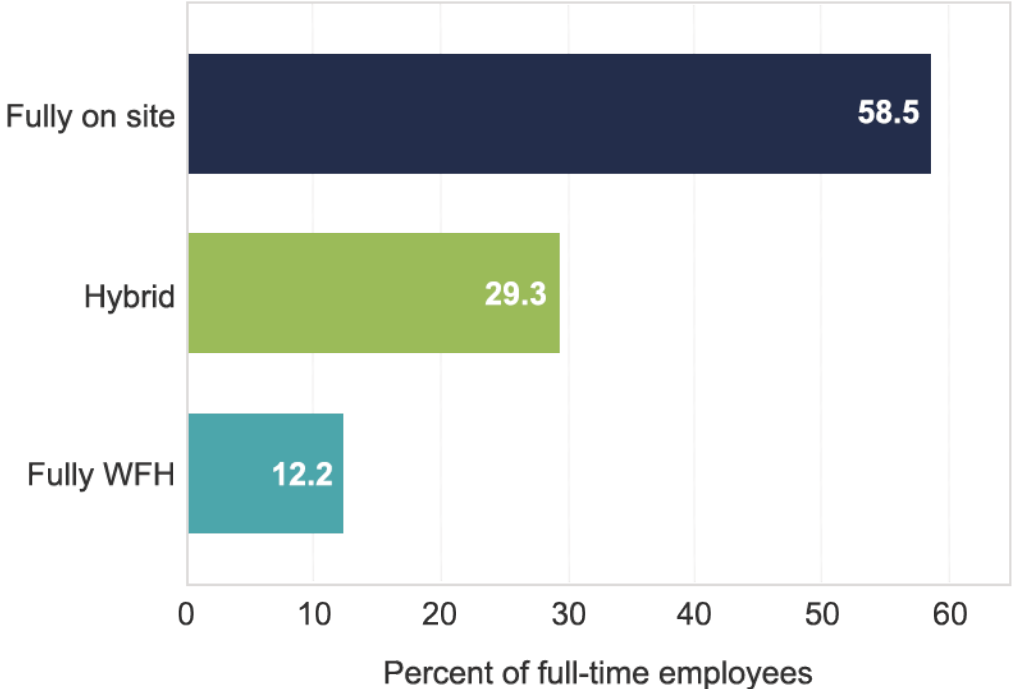
- The share of work being done outside the office has only declined slightly since early 2021.
- In July of 2023, remote work levels were nearly the same as in July of 2021.

- Percentage of Paid Full Days Worked from Home

Most remote workers occasionally go into the office



*Pre-COVID estimate taken from the 2017-2018 American Time Use Survey
 *The break in the series in November 2020 reflects a change in the survey question.



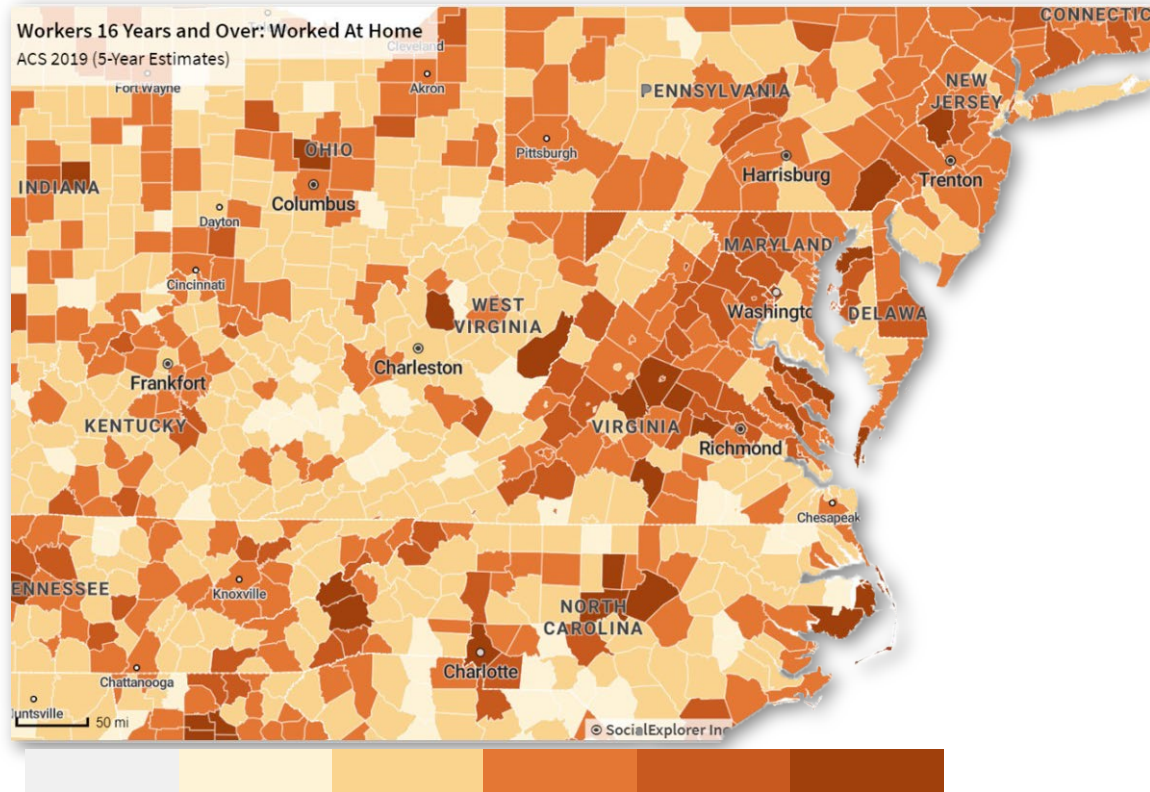
Percentage of Full Paid Days Worked from Home

Working Arrangements

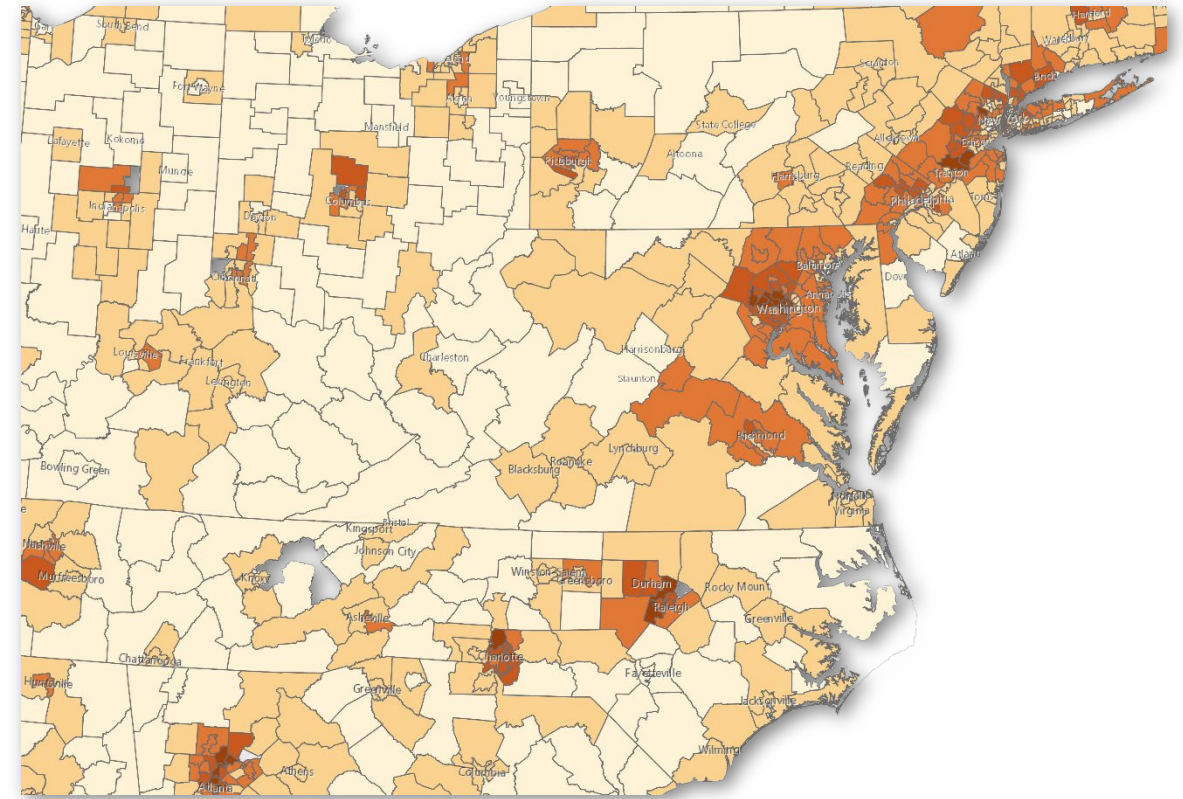
Unlike in 2019

Most remote workers live near their employers, for now.

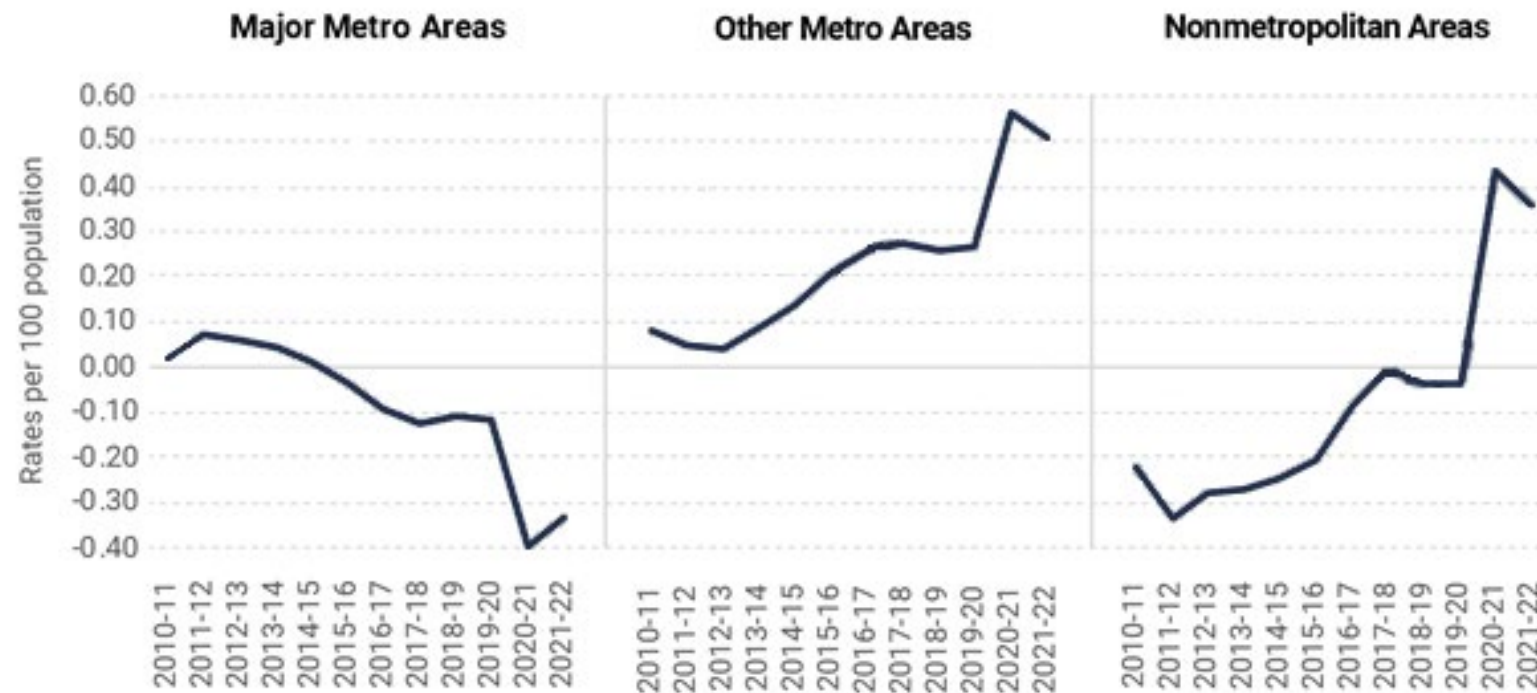
2019



2021



The Pandemic's Impact

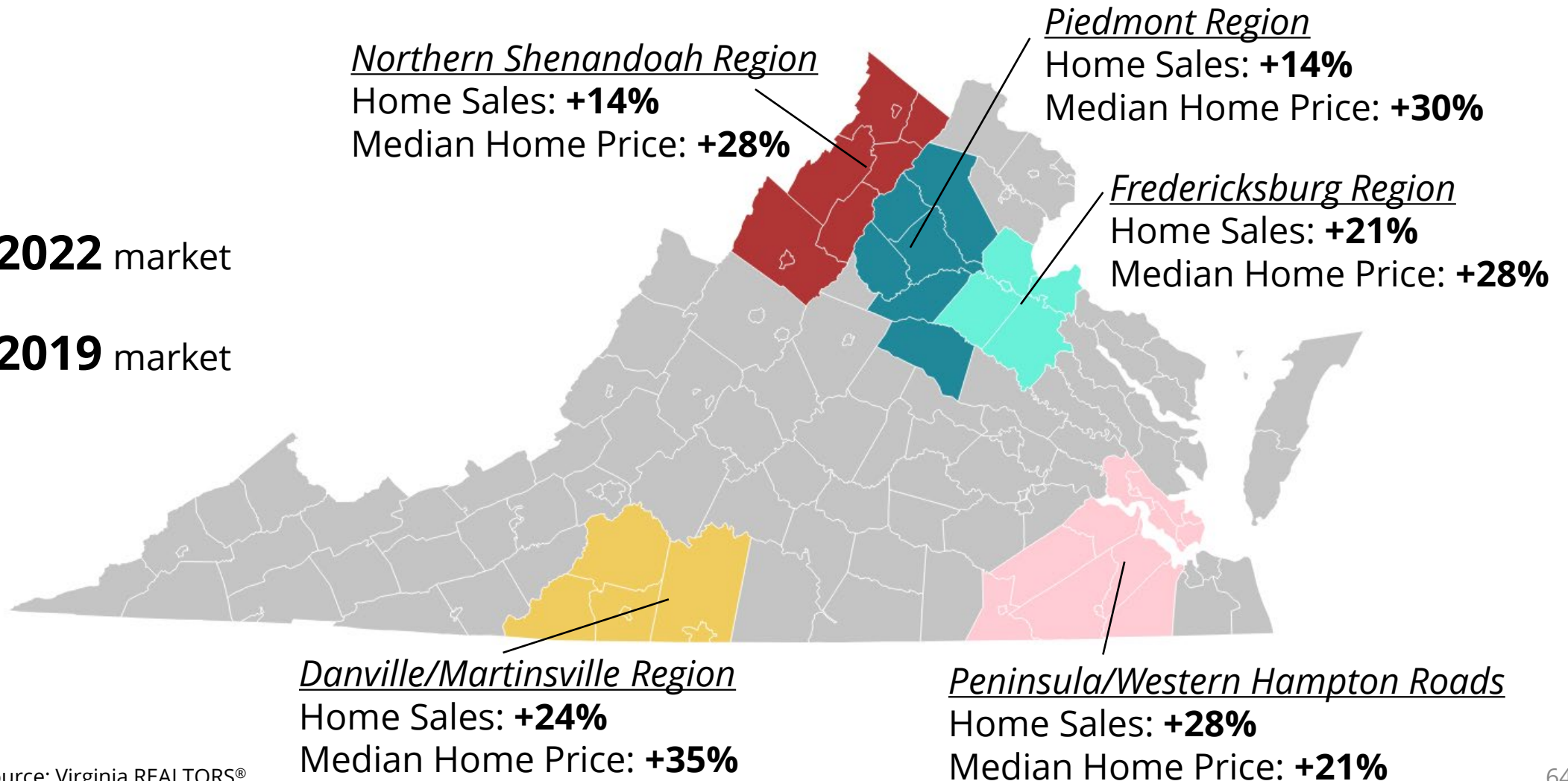


- The COVID-19 pandemic accelerated the shift to out-migration from large urban areas across the country to more affordable small metros and rural areas.

- Annual Net Migration in Metro and Non-Metro Areas (2010-2022)

Since 2020, exurbs/rural areas have strongest markets

2020-2022 market
vs.
2017-2019 market



Looking Ahead – Key Factors

Deterrents of Growth

Domestic out-migration
*Pace of population loss to other states
has sped up*

Housing affordability issues
Prices/rents up, mortgage rates up

Constrained housing supply
*“lock-in effect”, long-term
underproduction of new housing*

Drivers of Growth

Geographic distribution of
housing demand more balanced
Exurban and rural markets

Pent-up demand for housing
VA has a lot of Millennials & Seniors

High-skilled workforce
*VA has sought after labor pool, high
educational attainment*

Thanks for having us today!



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