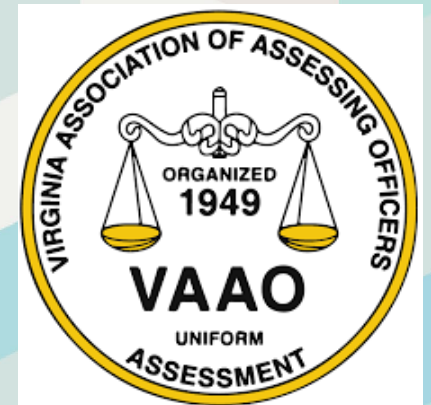


# State of the Commonwealth

## *Key Trends in Virginia's Economy, Housing Market, and Commercial Real Estate Market*

July 26, 2024

Ryan Price  
Chief Economist  
Virginia REALTORS®



The background features a complex financial chart with multiple data series. A prominent blue line shows a significant downward trend from the top left towards the bottom right. Other series in orange and yellow show more fluctuating patterns. The overall aesthetic is dark with greenish-blue highlights, suggesting a digital or data-driven environment.

# ECONOMIC TRENDS

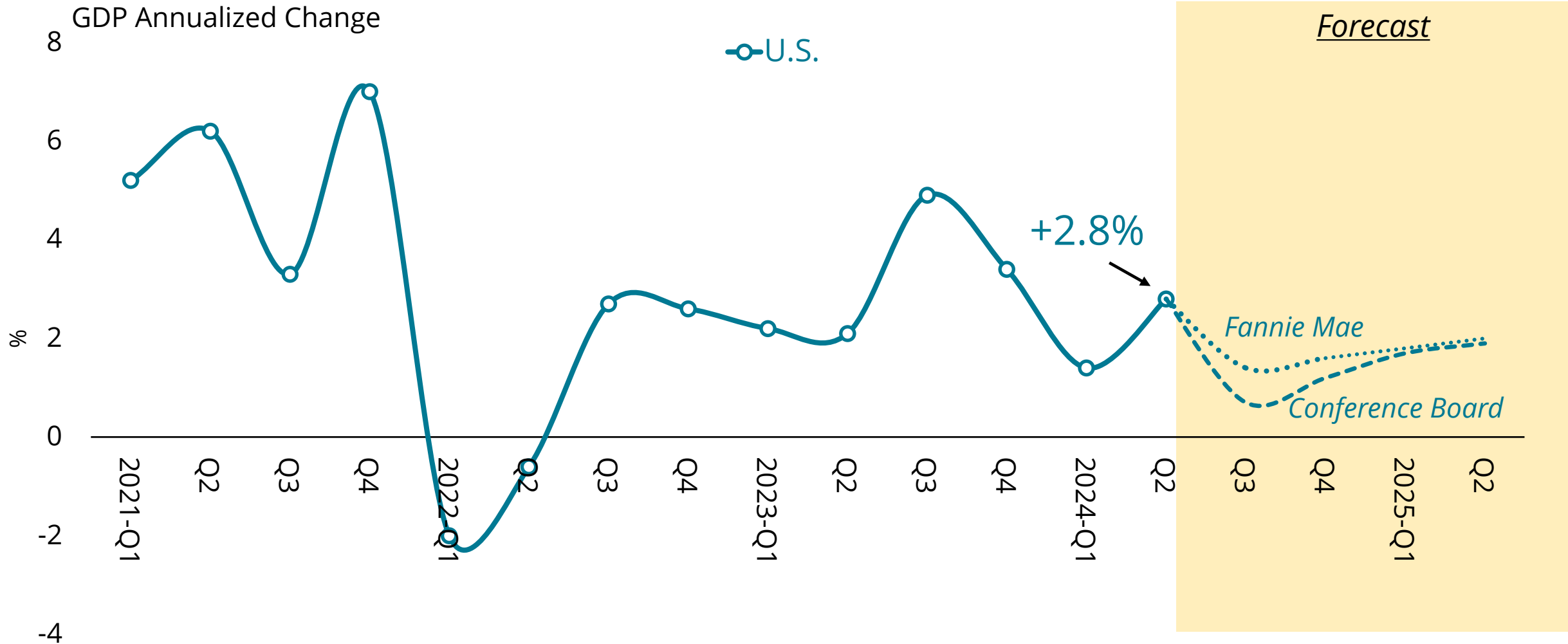
# *Economy*

2024



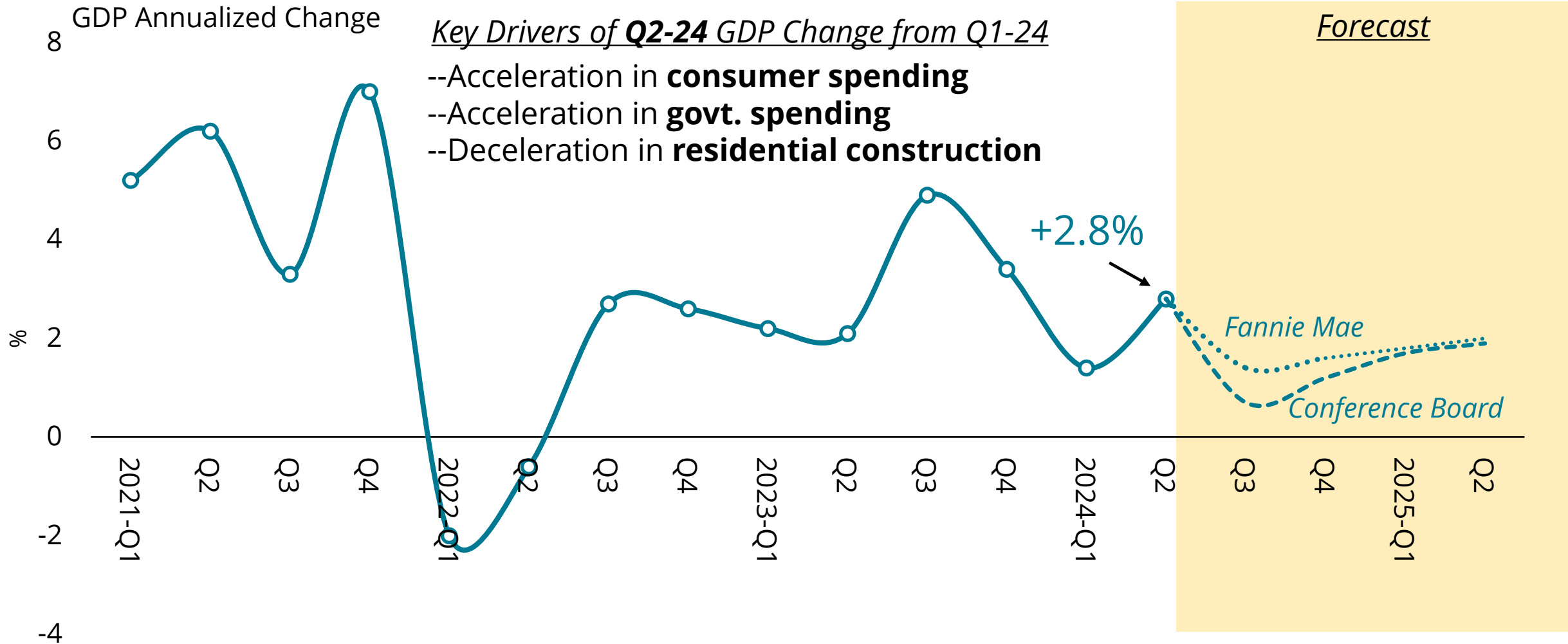
The economy still growing but the pace has slowed from late 2023 levels

# Gross Domestic Product - National



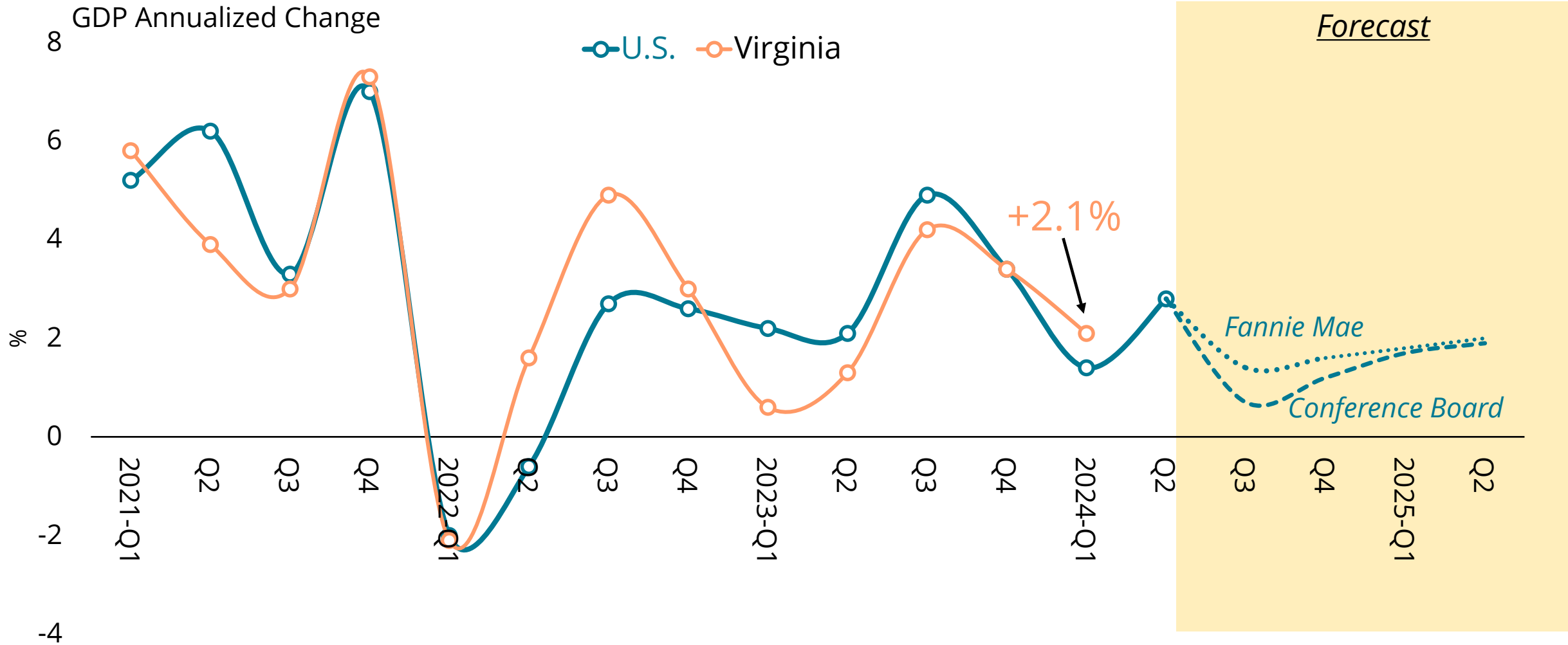
Source: U.S. Bureau of Economic Analysis (BEA), Fannie Mae, The Conference Board

# Gross Domestic Product - National



Source: U.S. Bureau of Economic Analysis (BEA), Fannie Mae, The Conference Board

# Gross Domestic Product – National & Virginia



Source: U.S. Bureau of Economic Analysis (BEA), Fannie Mae, The Conference Board

# Consumer Sentiment

*Consumers are more optimistic than last year but less so than a few months ago*

Index of Consumer Sentiment

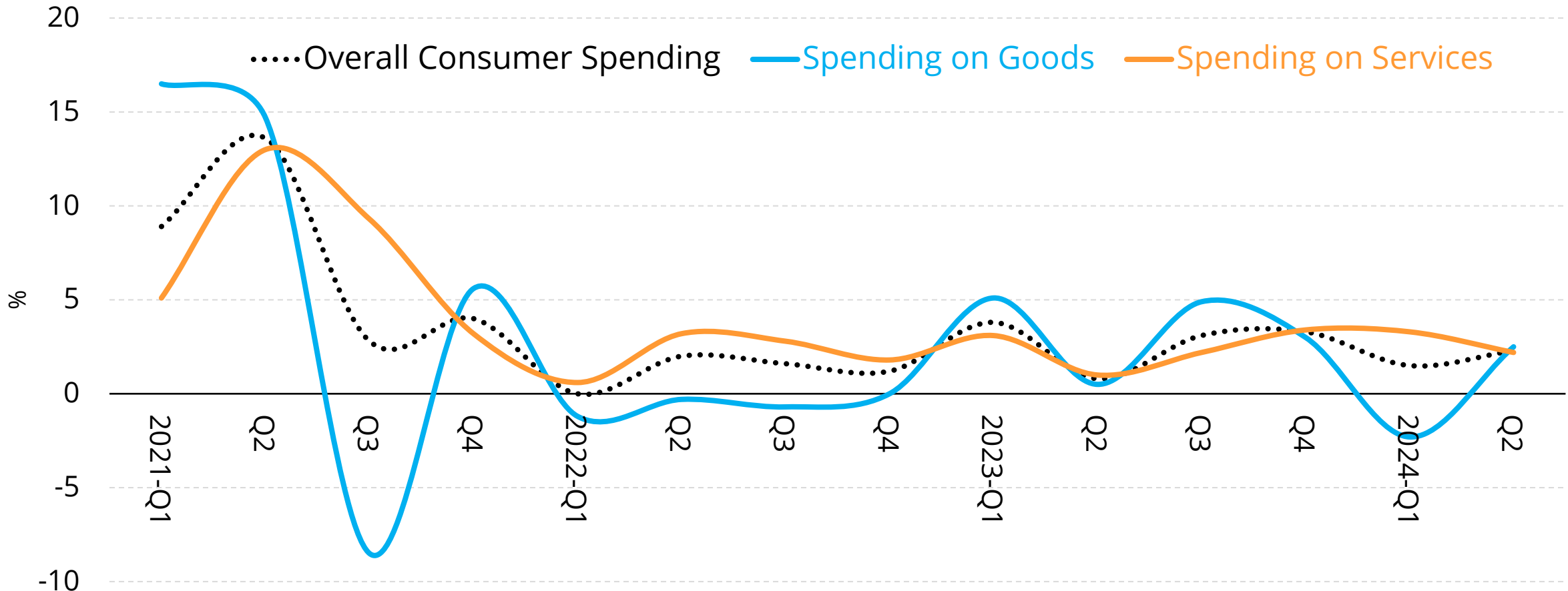


Source: University of Michigan

# Consumer Spending Trends

*Consumer spending has been resilient, but will it fade?*

Annualized Change

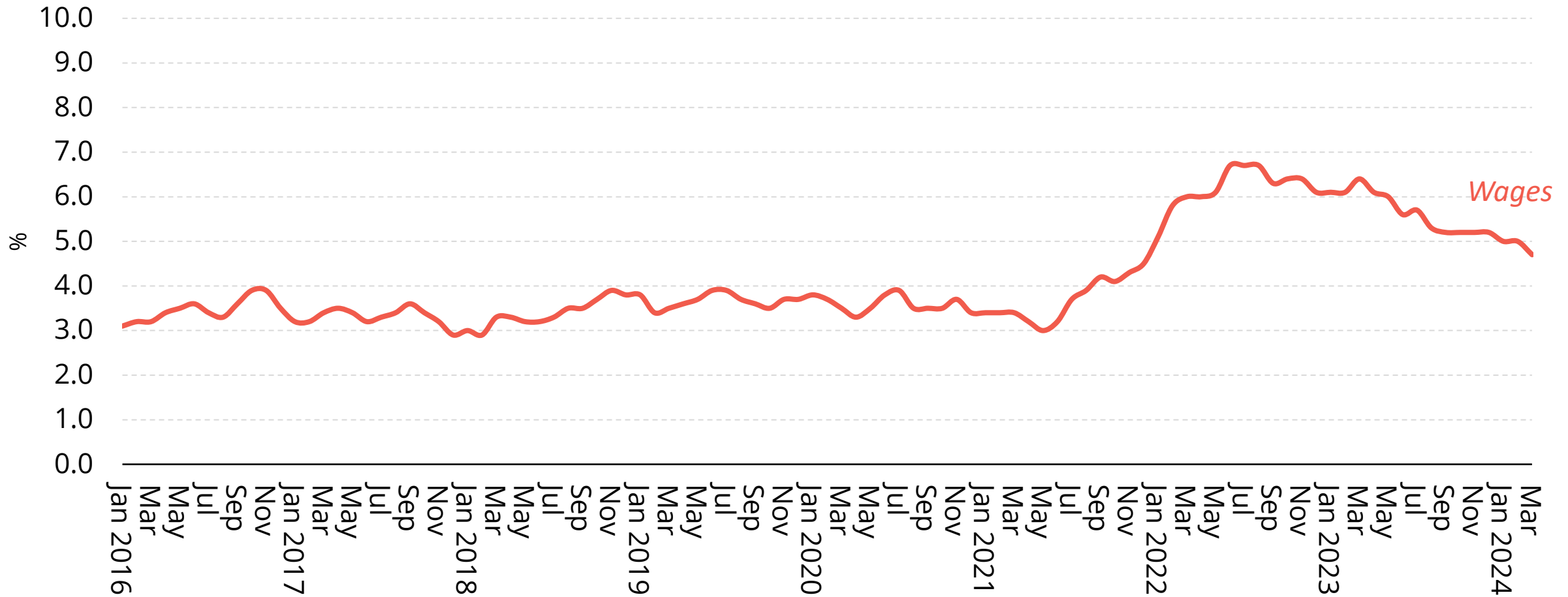




# Wage Trends

*Wage growth remains stronger than much of past decade, but starting to soften*

3-month moving average of median wage growth

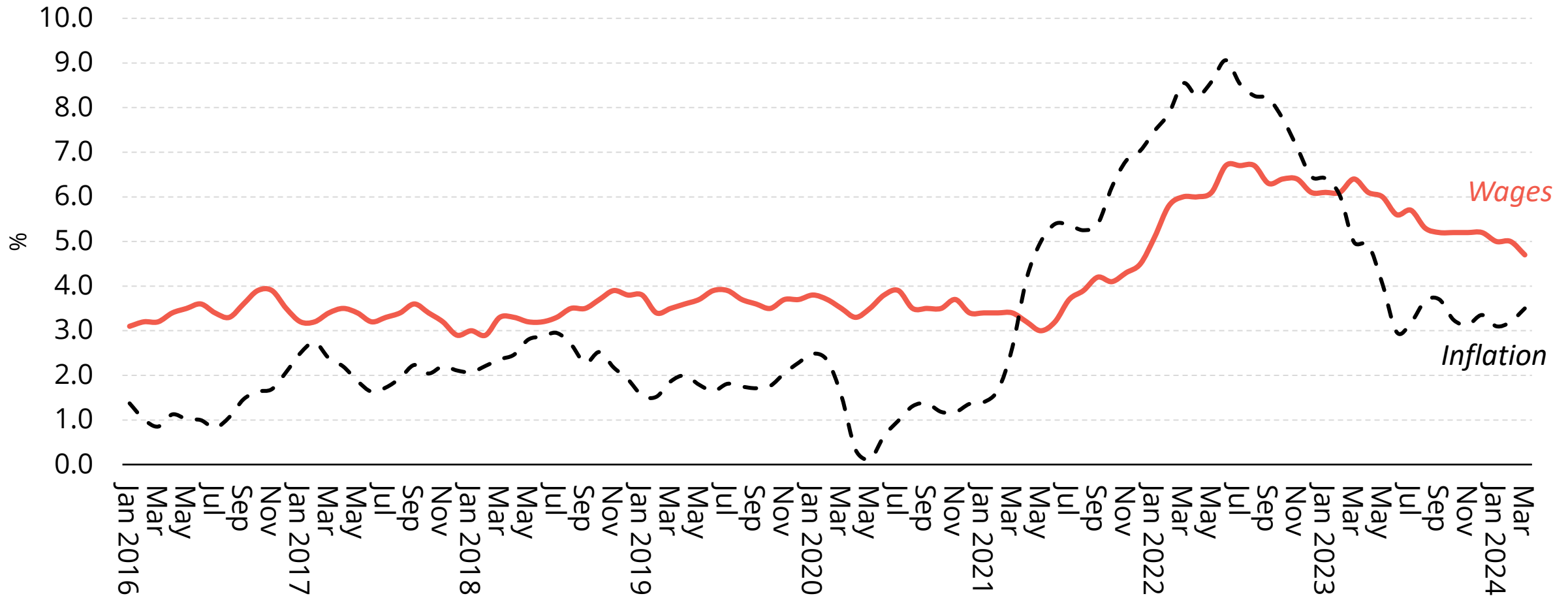


Source: Federal Reserve Bank of Atlanta

# Wage Trends

*Wage growth remains stronger than much of past decade, but starting to soften*

3-month moving average of median wage growth



Source: Federal Reserve Bank of Atlanta, Bureau of Labor Statistics

## *Job Market*

2024

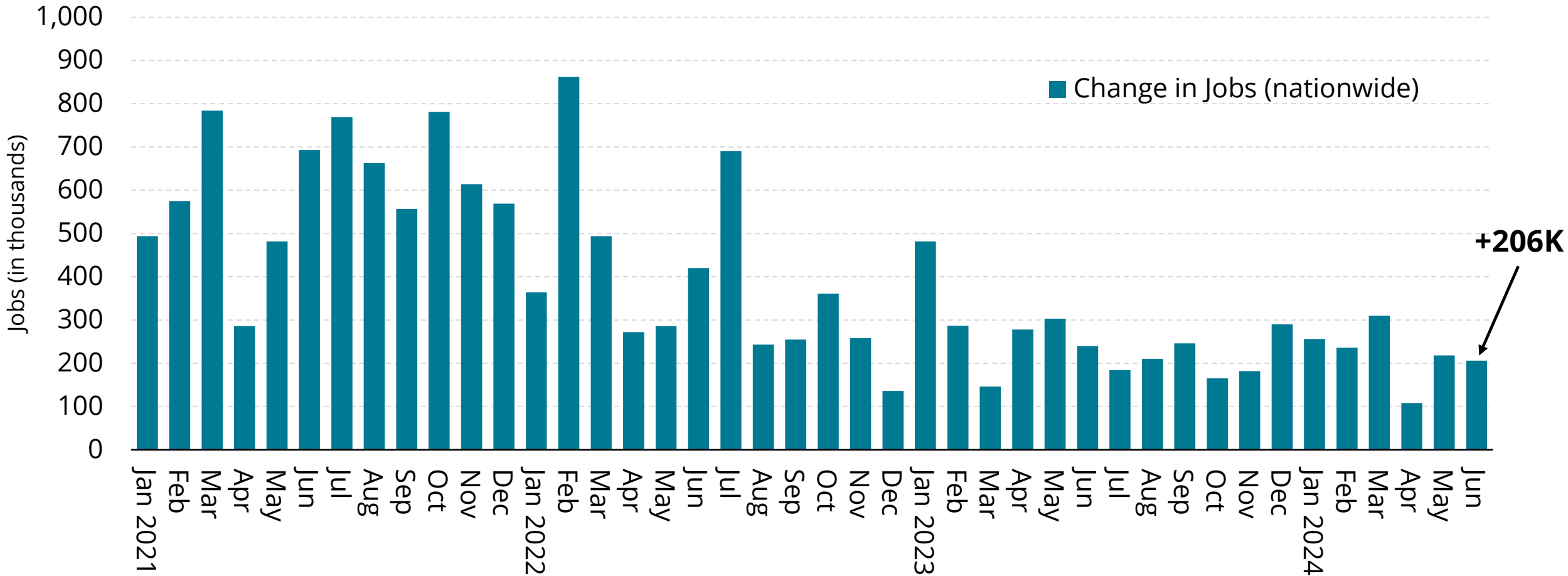


Job market remains resilient but is cooling. Virginia outpacing 2023 so far, and also outpacing peers to the south

# Job Trends

*U.S. job growth continues but is cooling*

Monthly job change, U.S. (in thousands)

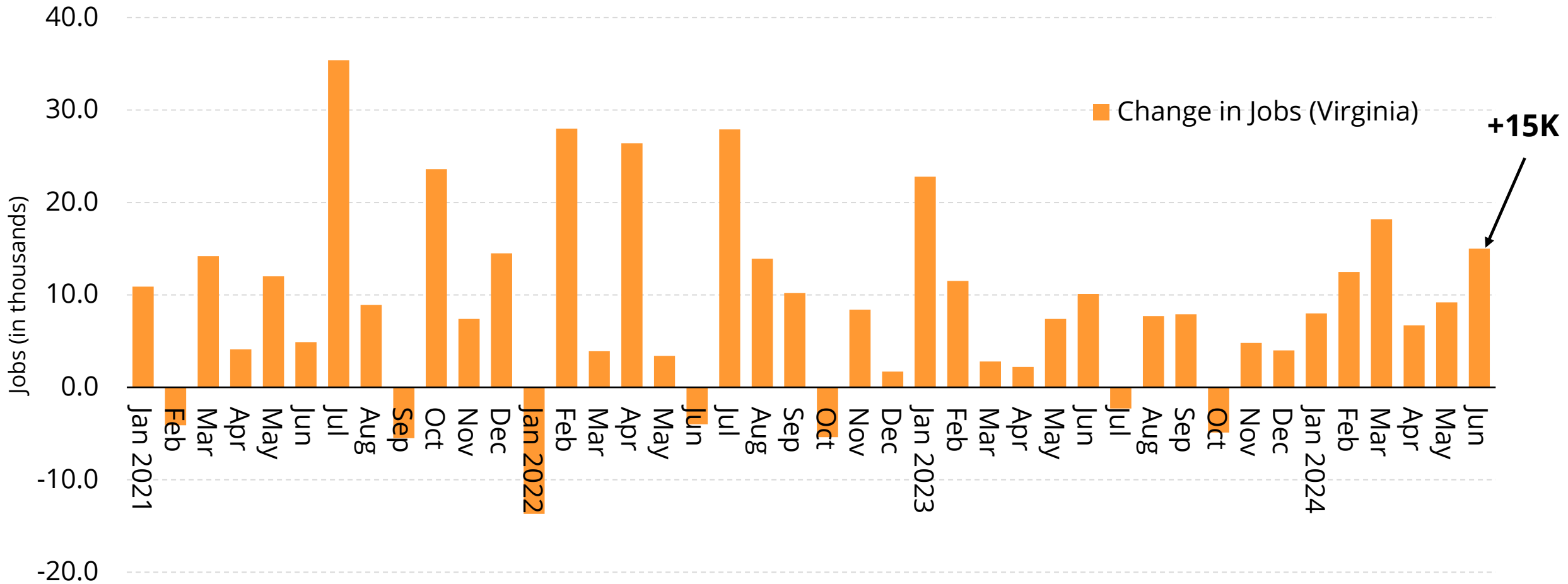


Source: U.S. Bureau of Labor Statistics, seasonally adjusted

# Job Trends

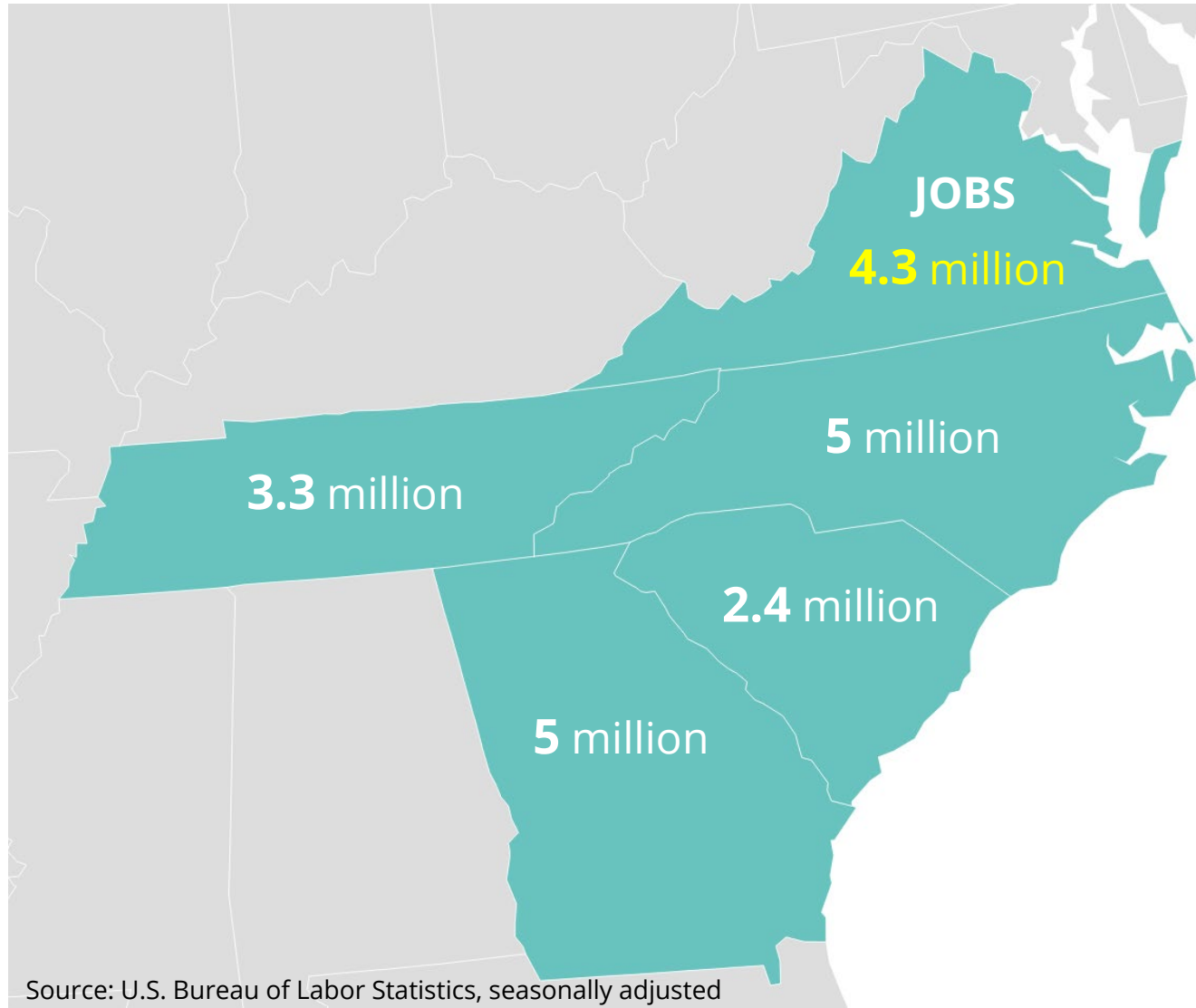
*Virginia's job-base continues to expand*

Monthly job change, Virginia (in thousands)



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

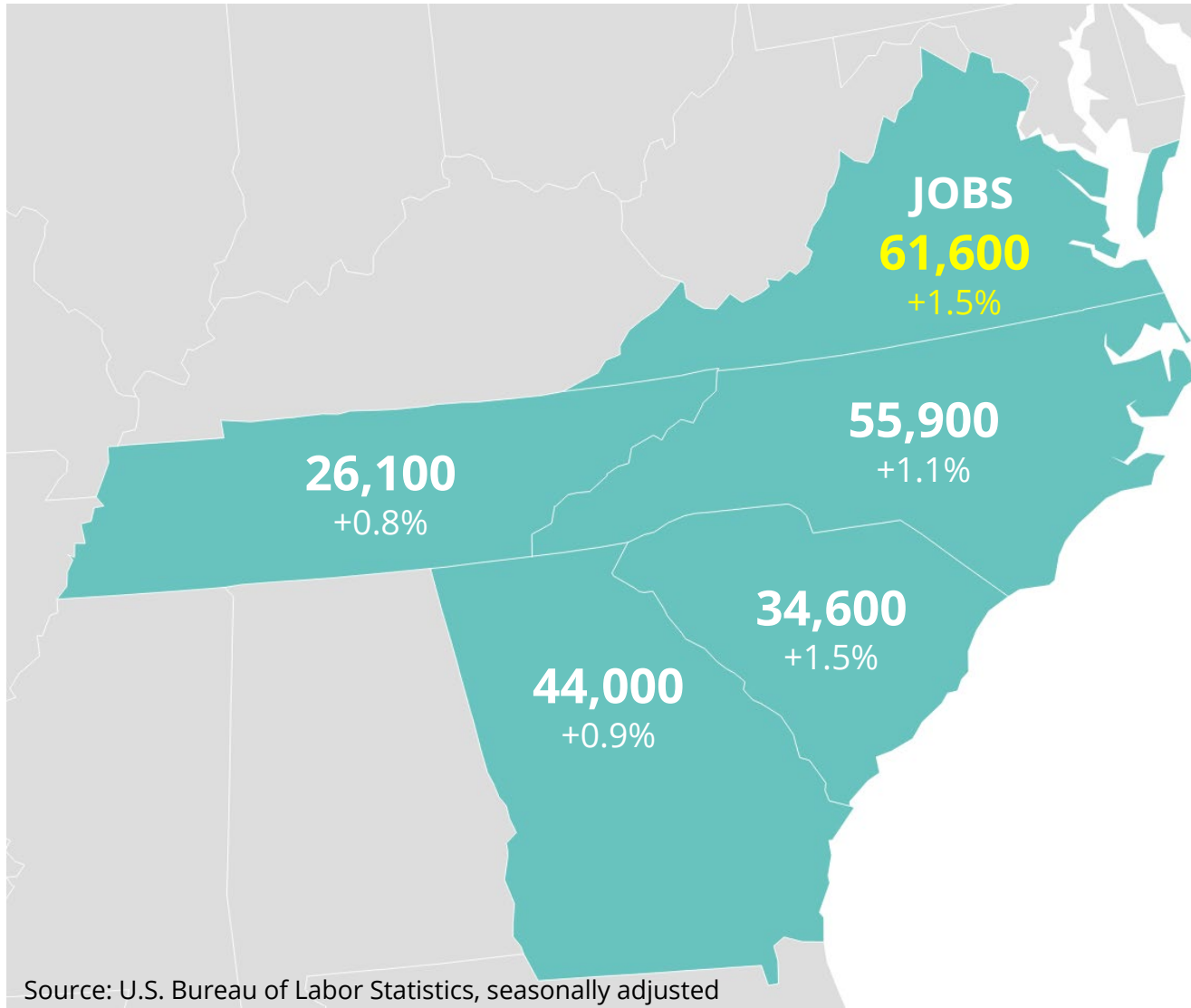
# Job Trends by State



**Total # of Jobs:**  
*June 2024*

# Job Trends by State

**Jobs Added So Far  
This Year:  
*YTD Jan-Jun 2024***

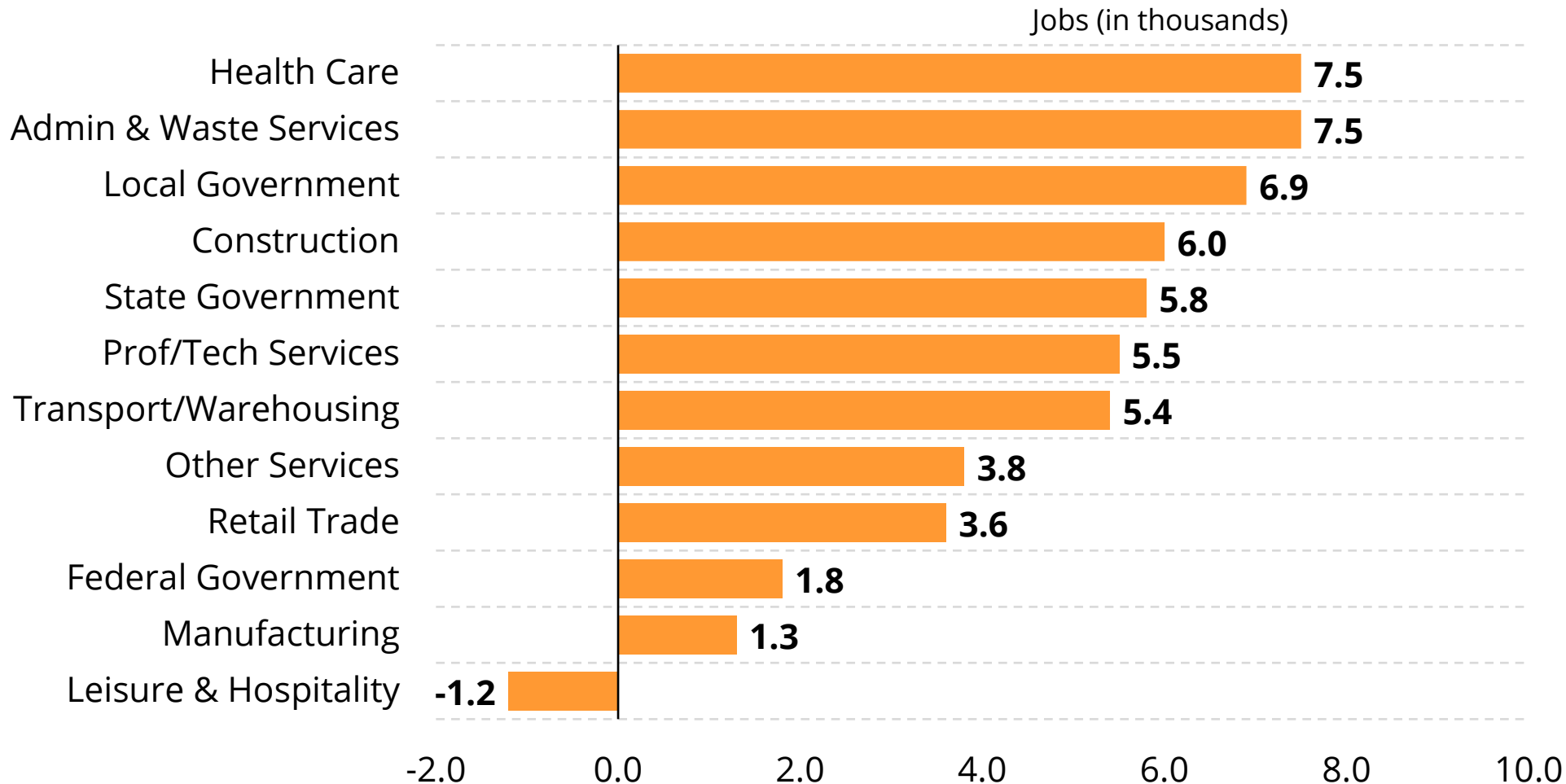


Source: U.S. Bureau of Labor Statistics, seasonally adjusted

# Job Change by Sector in Virginia

*Strong growth in Health Care & Admin/Waste Services sectors so far in 2024*

Job Change Jan 2024 to Jun 2024, Virginia (in thousands)



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



# Job Change by Metro Area in Virginia

*All of Virginia's metro areas are experiencing job growth*

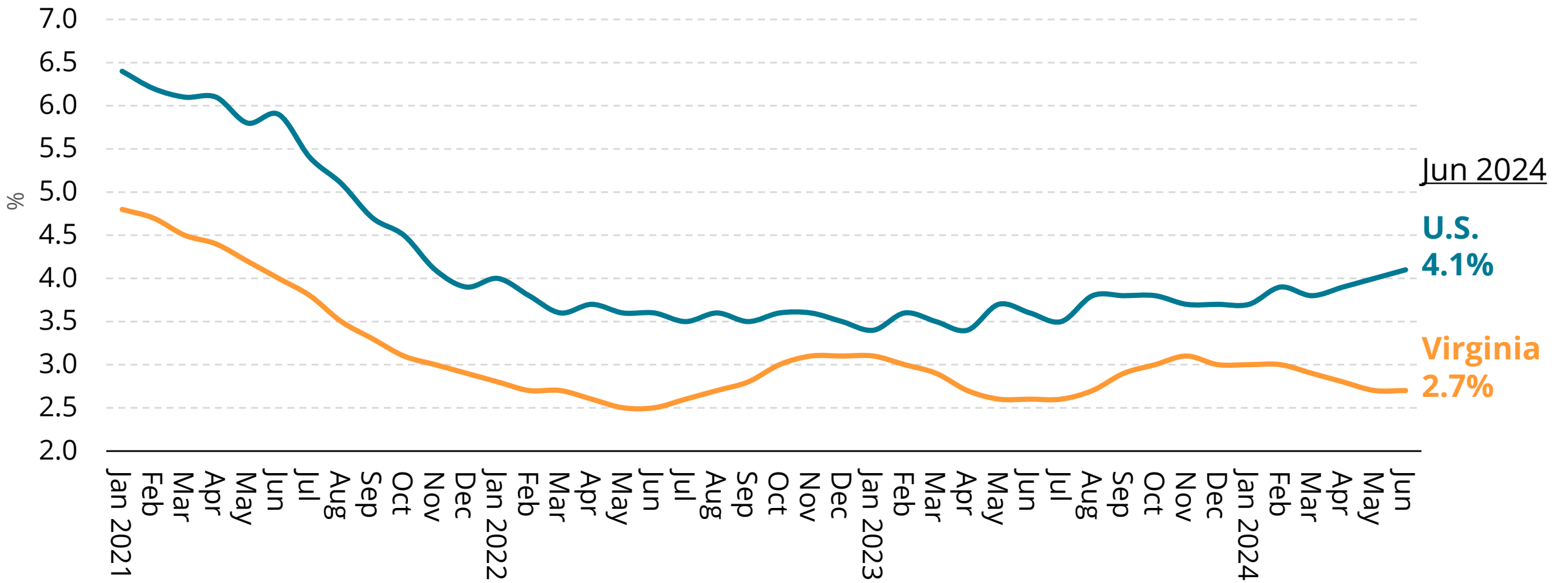
Job Change Jan 2024 to Jun 2024 by Metropolitan Statistical Area in Virginia

Metro Area	YTD Net Job Change	% Change
Charlottesville	3,100	+2.5%
Harrisonburg	1,400	+1.9%
Northern Virginia	29,200	+1.9%
Roanoke	2,300	+1.4%
Winchester	800	+1.1%
Richmond	7,800	+1.1%
Hampton Roads	8,000	+1.0%
Lynchburg	900	+0.9%
Blacksburg	300	+0.4%

# Unemployment Rate

*Labor market continues to be tight, unemployment very low*

Unemployment Rate (%)

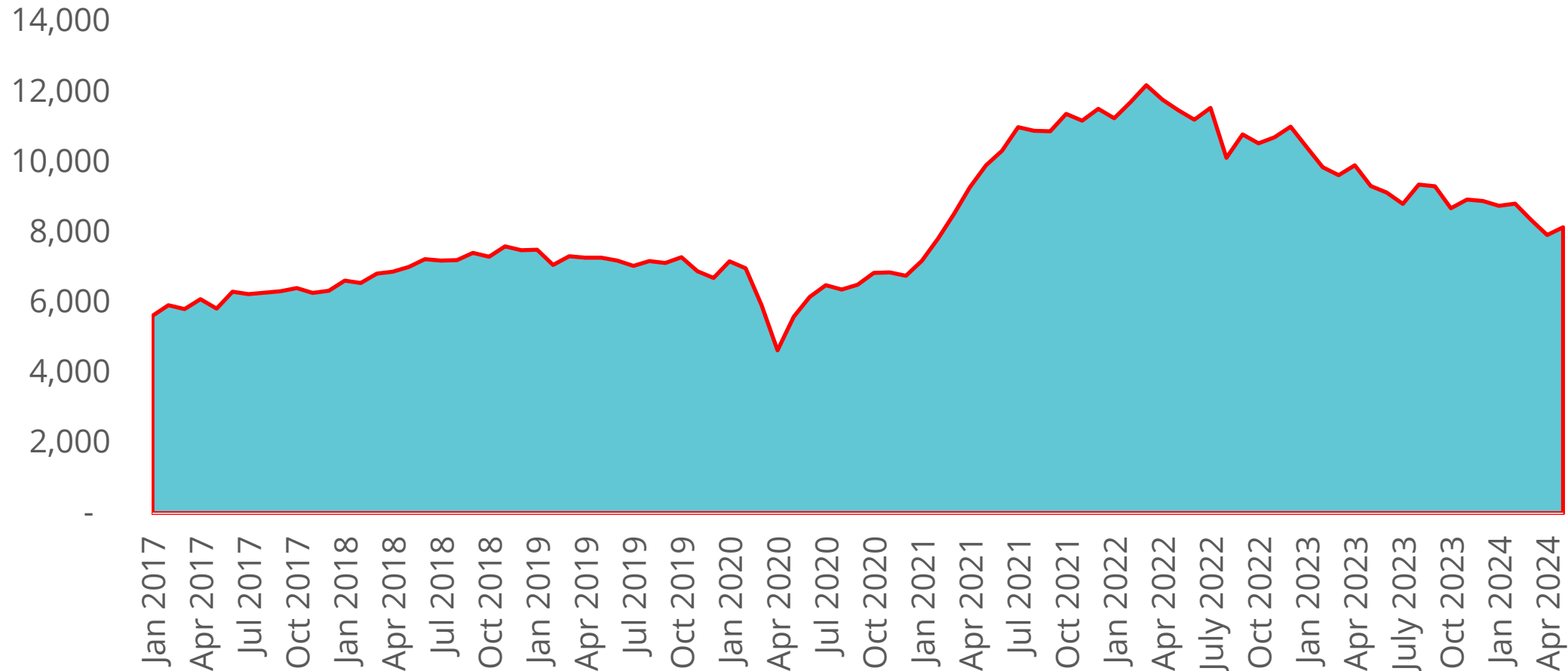


Source: U.S. Bureau of Labor Statistics, seasonally adjusted

# Job Openings

*The level of job openings in the U.S. continues to be higher than pre-2020*

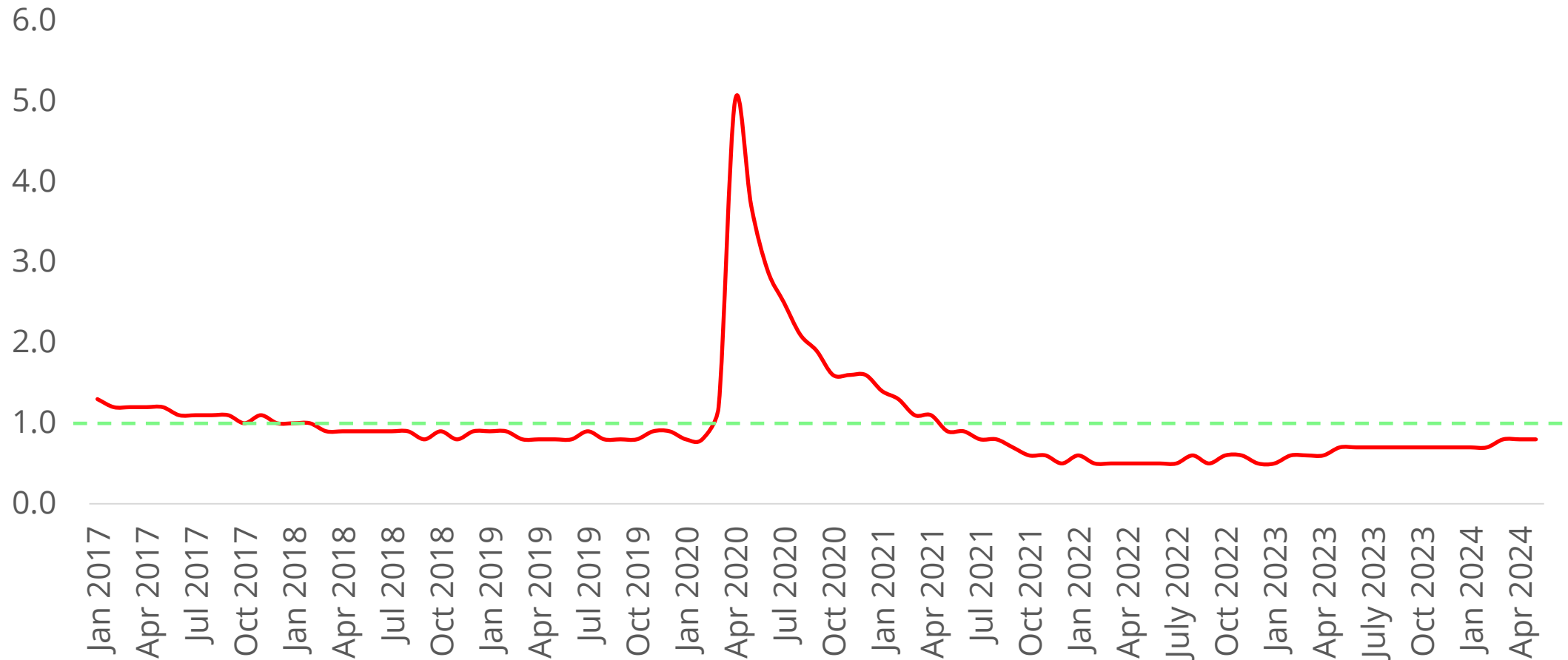
Monthly job openings, U.S. (in thousands)



# Unemployed Persons Per Job Opening

*There are more job openings than unemployed workers, signals tight labor market*

Unemployed Persons Per Job Opening Ratio



# *Inflation*

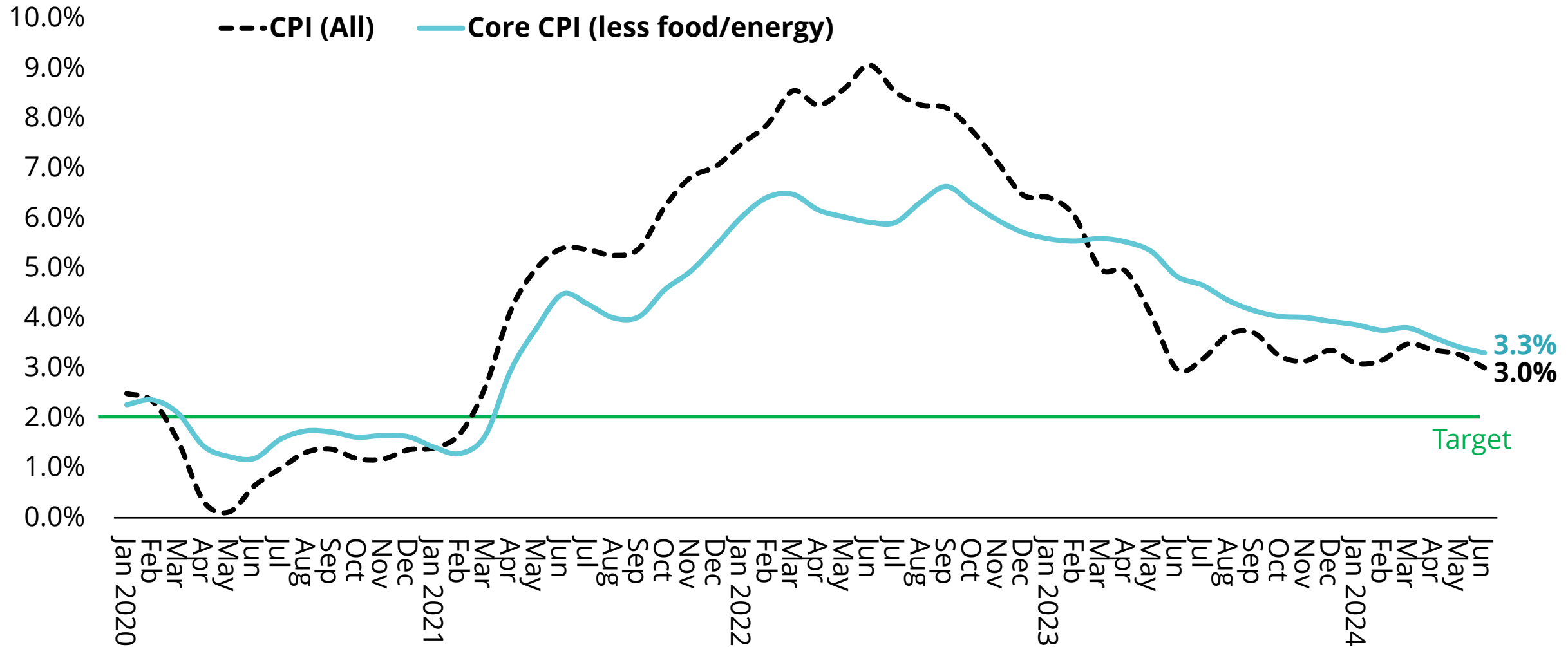
2024



Inflation is still hovering above the target level but is drifting down. Conditions for a potential Fed Funds rate cut have improved

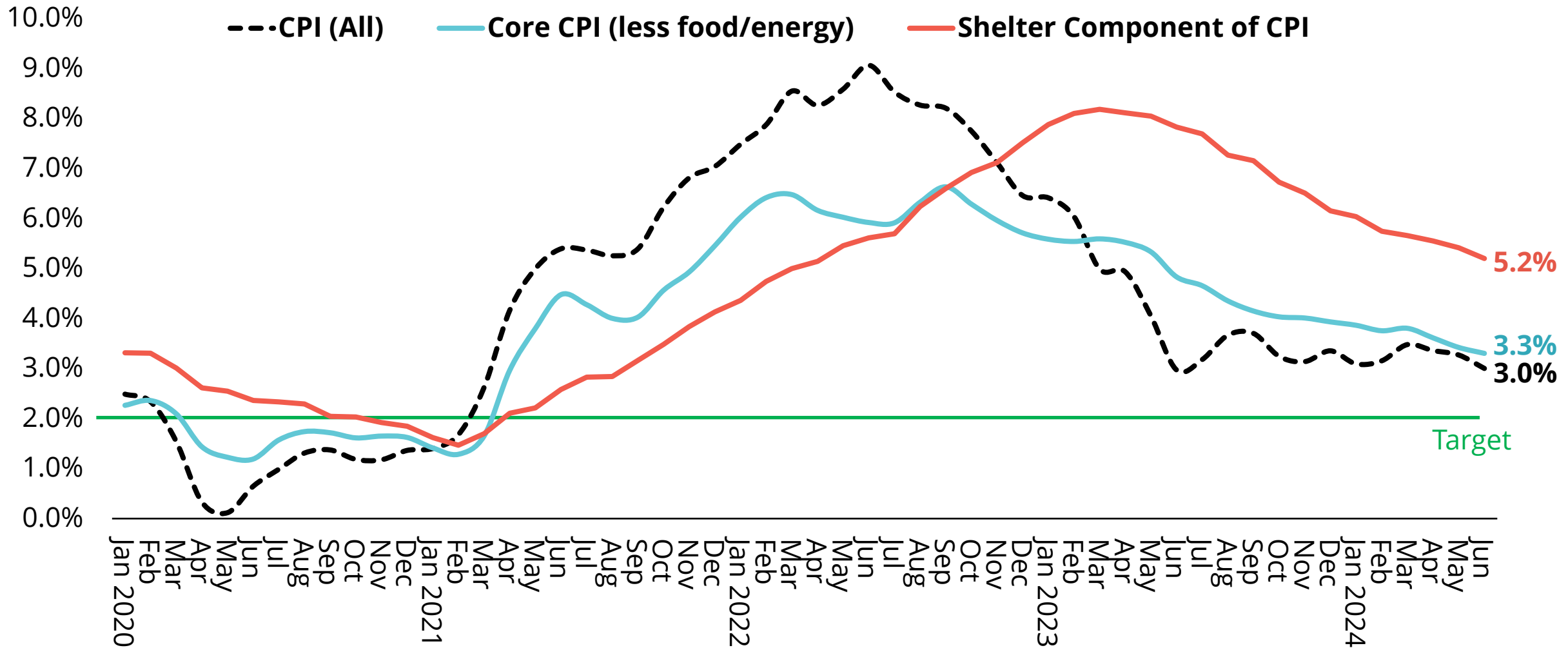
# Inflation Rate

*Inflation is still hovering above the target level, but drifting down*



# Inflation Rate

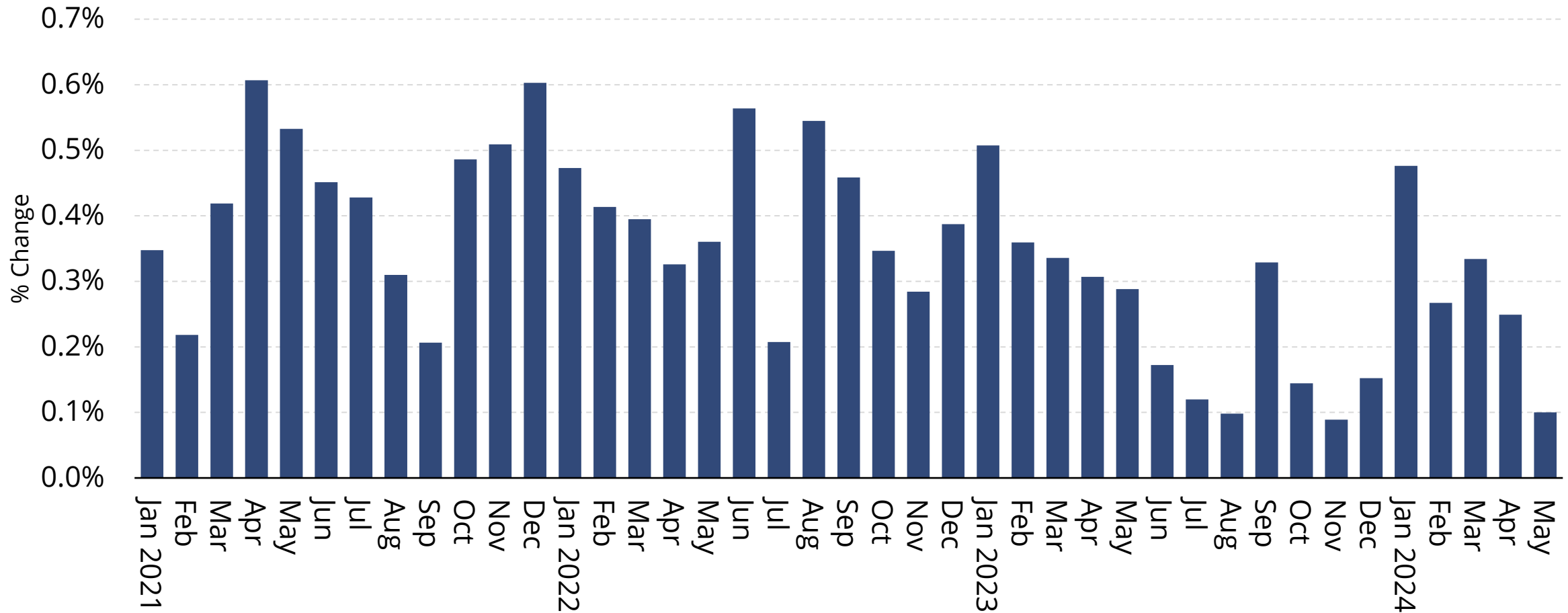
*Inflation is still hovering above the target level, but drifting down*



# Core Personal Consumption Expenditures Index

*Core PCE Index moderated recently, signals inflationary pressures easing*

Month-over-Month % Change

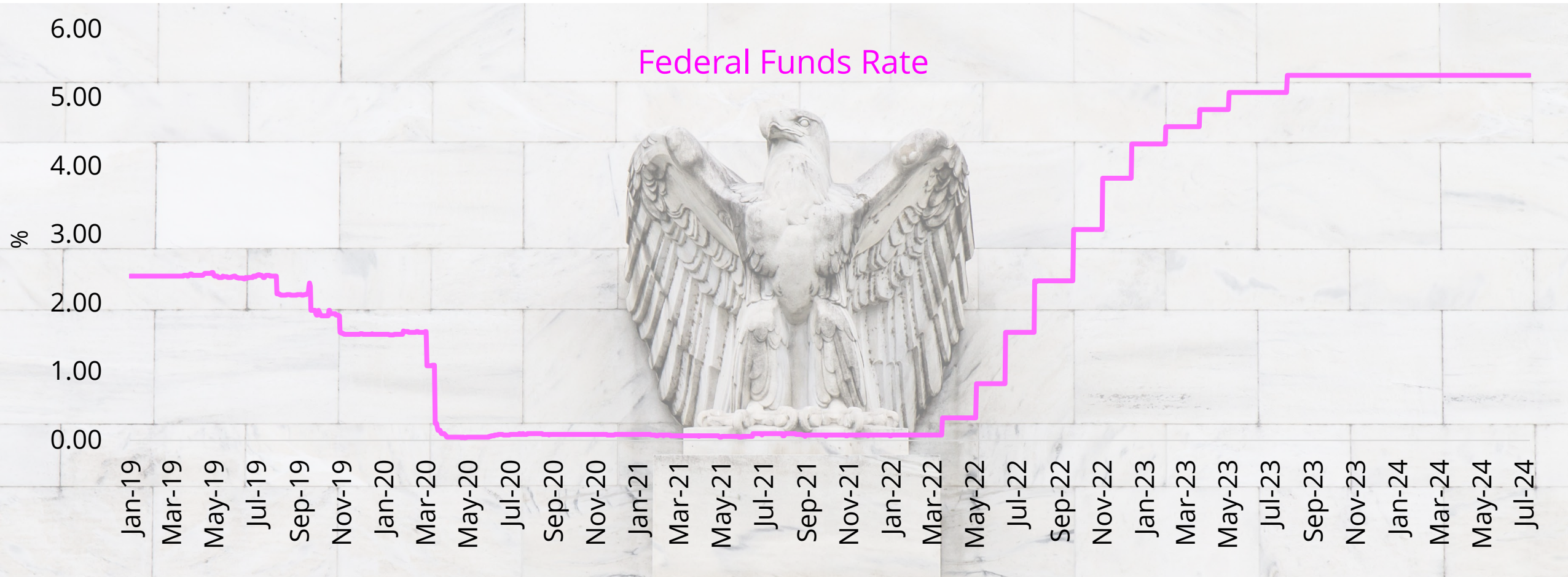


Source: U.S. Bureau of Economic Analysis, seasonally adjusted



# Federal Funds Rate

*Fed has held rates firm since July 2023, rate cuts on the table for 2024, but when?*



An aerial photograph of a large crowd of people walking on a paved surface. A network of white lines connects various points across the scene, with small orange dots at the nodes. The overall color palette is cool, with blues and greys, and some warmer tones from the people's clothing and shadows. The text 'POPULATION TRENDS' is overlaid in a bright green, outlined font.

# POPULATION TRENDS

## *Population Trends*

post-2020

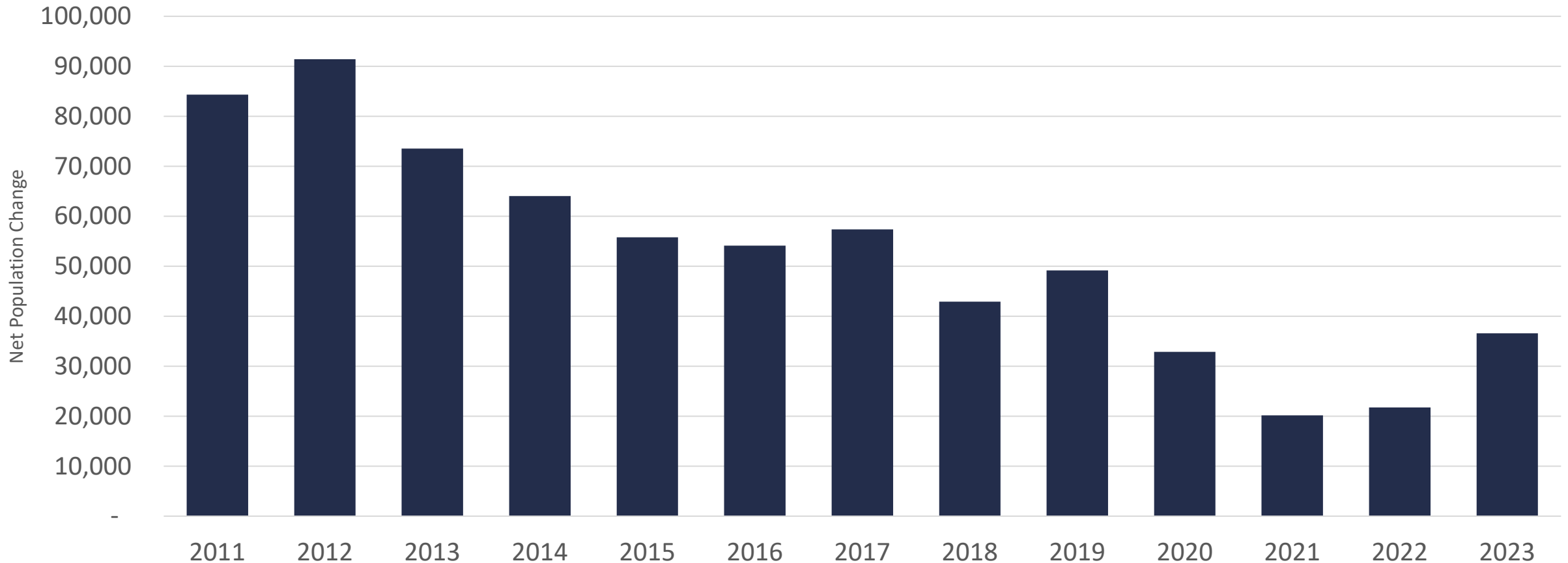


Virginia's population is growing, but very slowly. There has been an increase in migration to rural parts of the state

# Annual Population Change

*Virginia's population is still growing, albeit slowly*

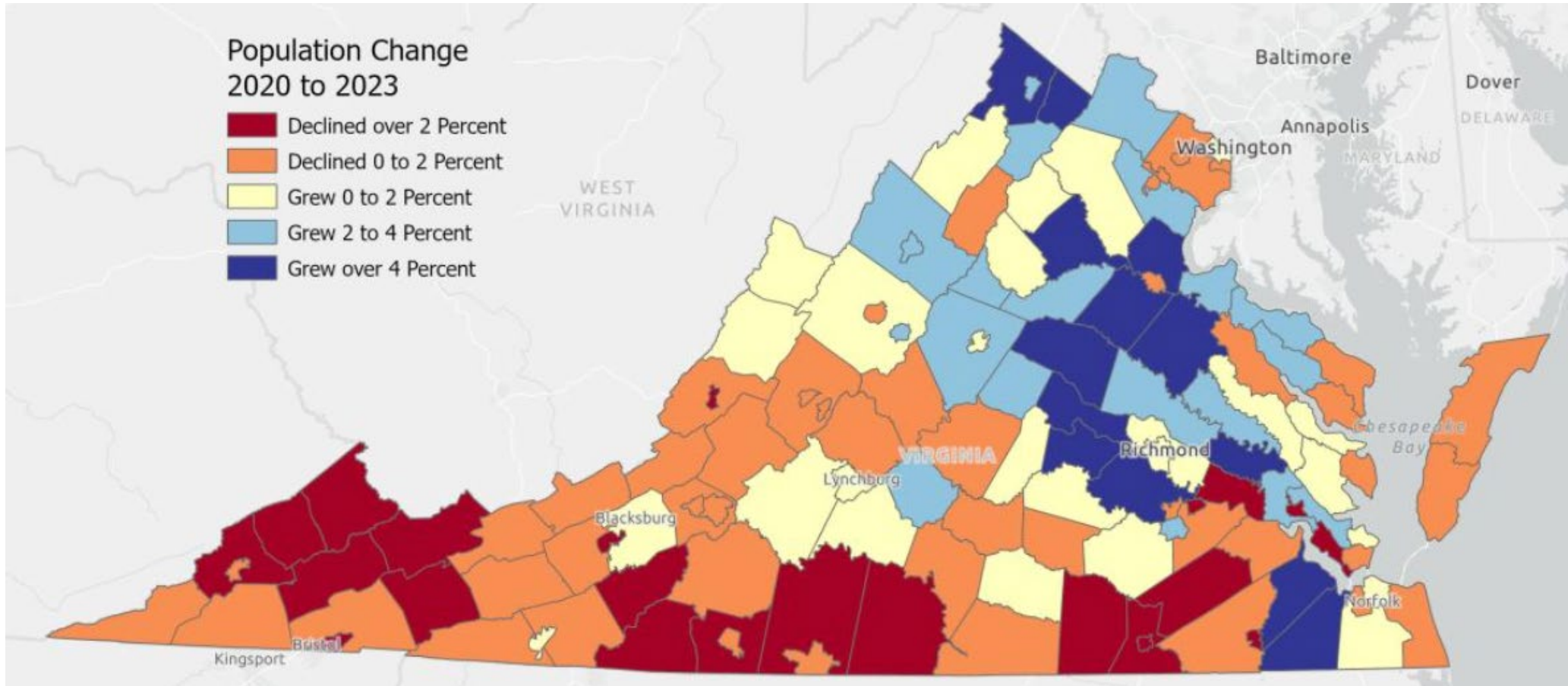
## Virginia Annual Net Population Change



# Overall Population Change 2020 to 2023

*Strongest overall growth occurring in outer suburbs and exurbs*

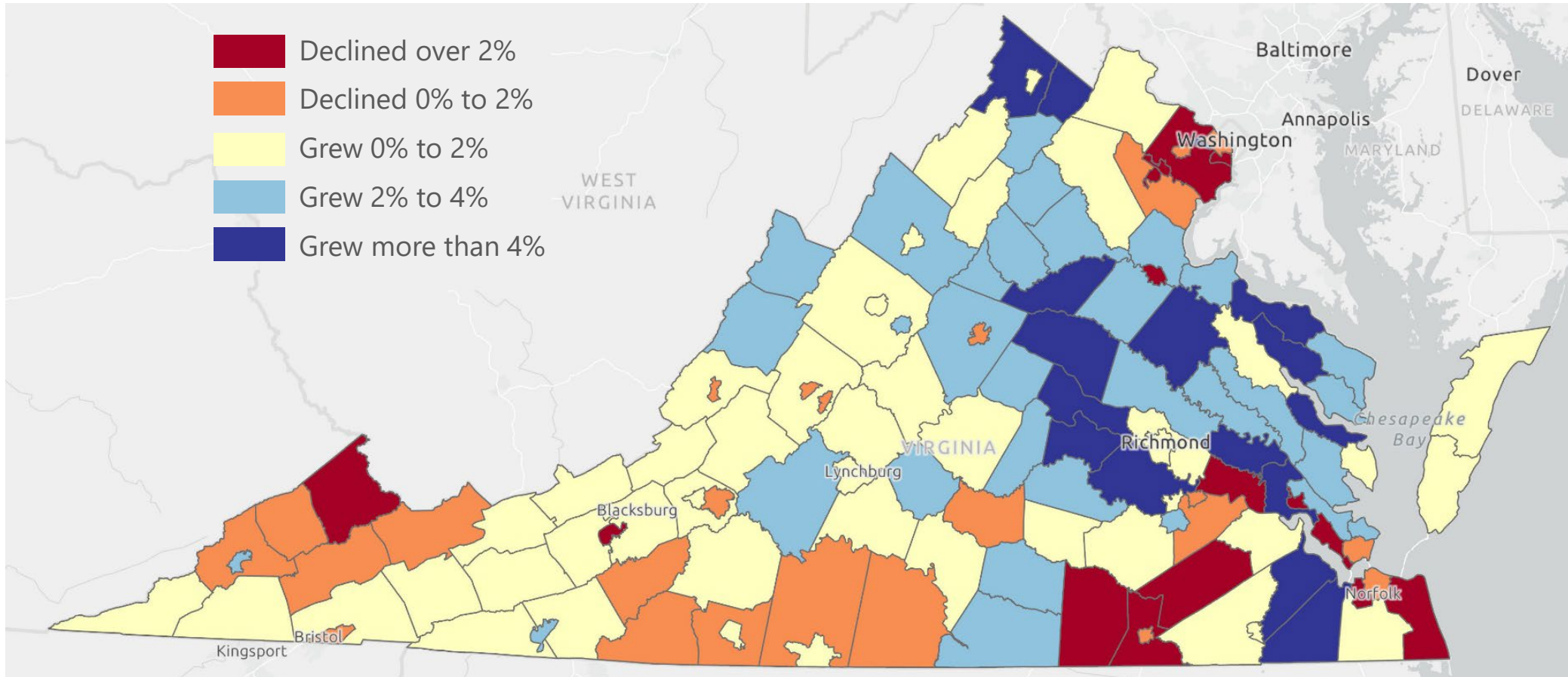
## Overall Population % Change by County/City, 2020 to 2023



# Migration Population Change 2020 to 2023

*More people are moving to rural areas in Virginia*

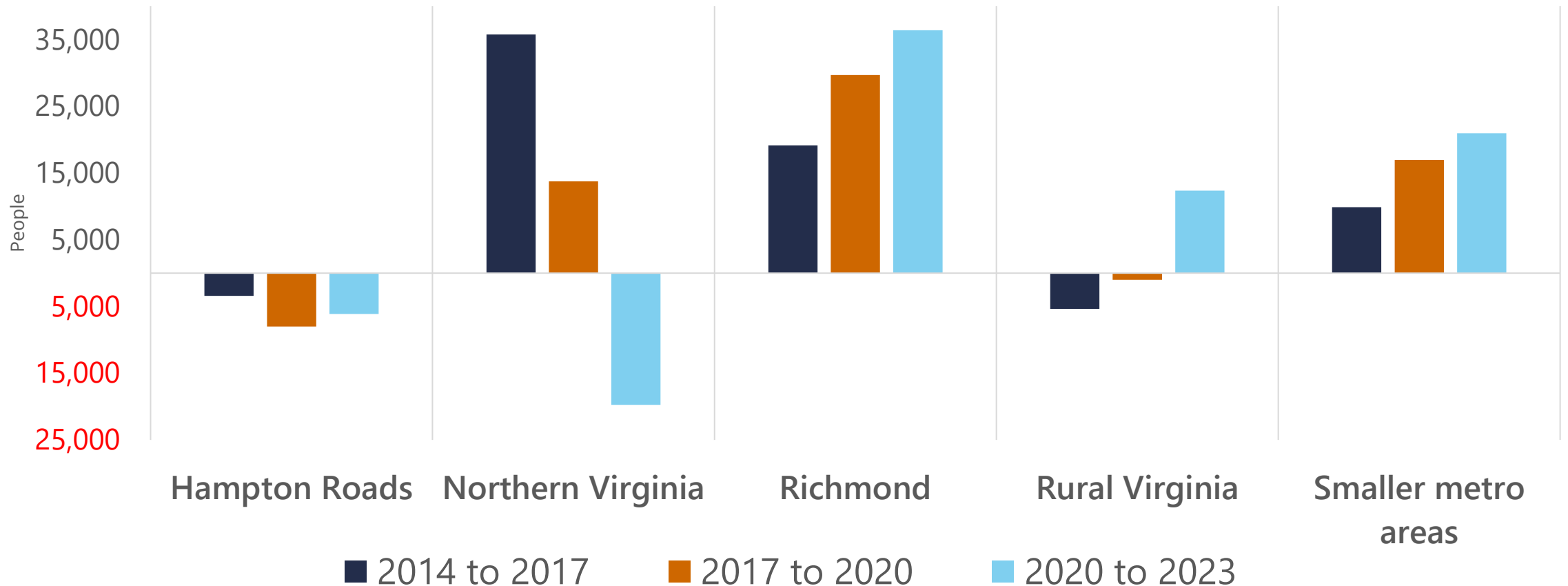
## Migration Population % Change by County/City, 2020 to 2023



# Net Migration by Region

*The pandemic accelerated pre-existing migration trends*

## Net Migration Population Change by Region





# HOUSING MARKET TRENDS



# *Mortgage Rates*

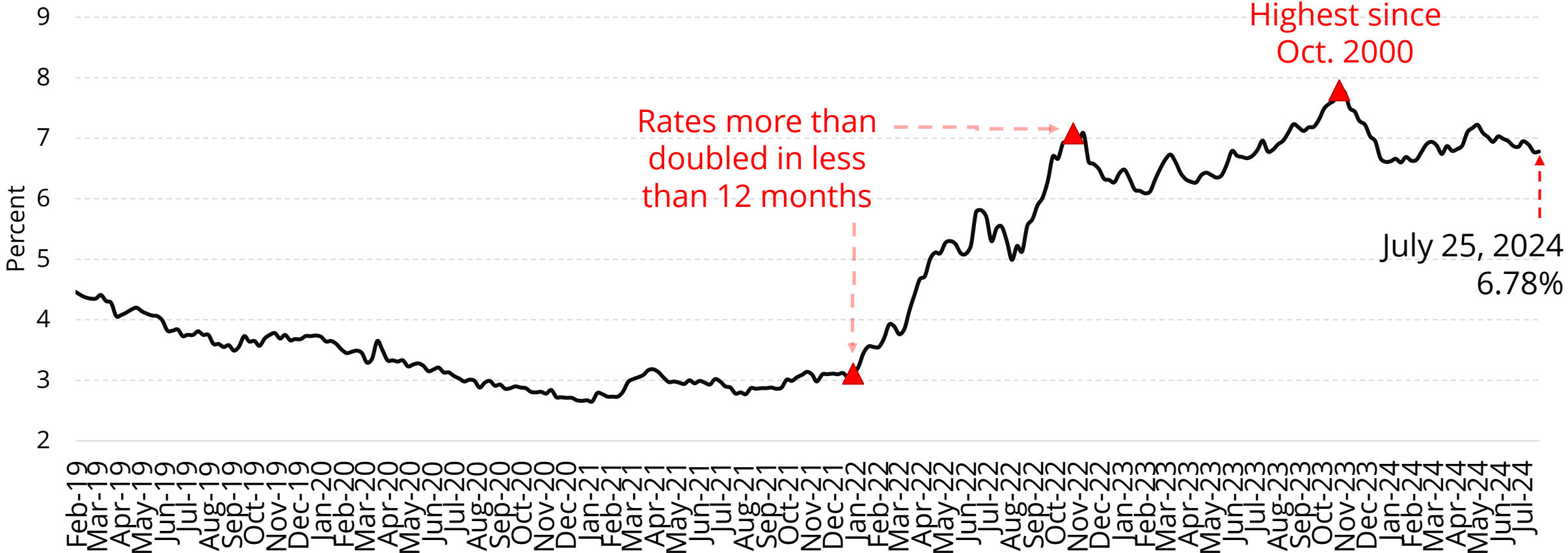
2024



Mortgage rates have not improved so far in 2024, hovering in the high 6% to low 7% range for much of the year.

# Mortgage Rate Trends

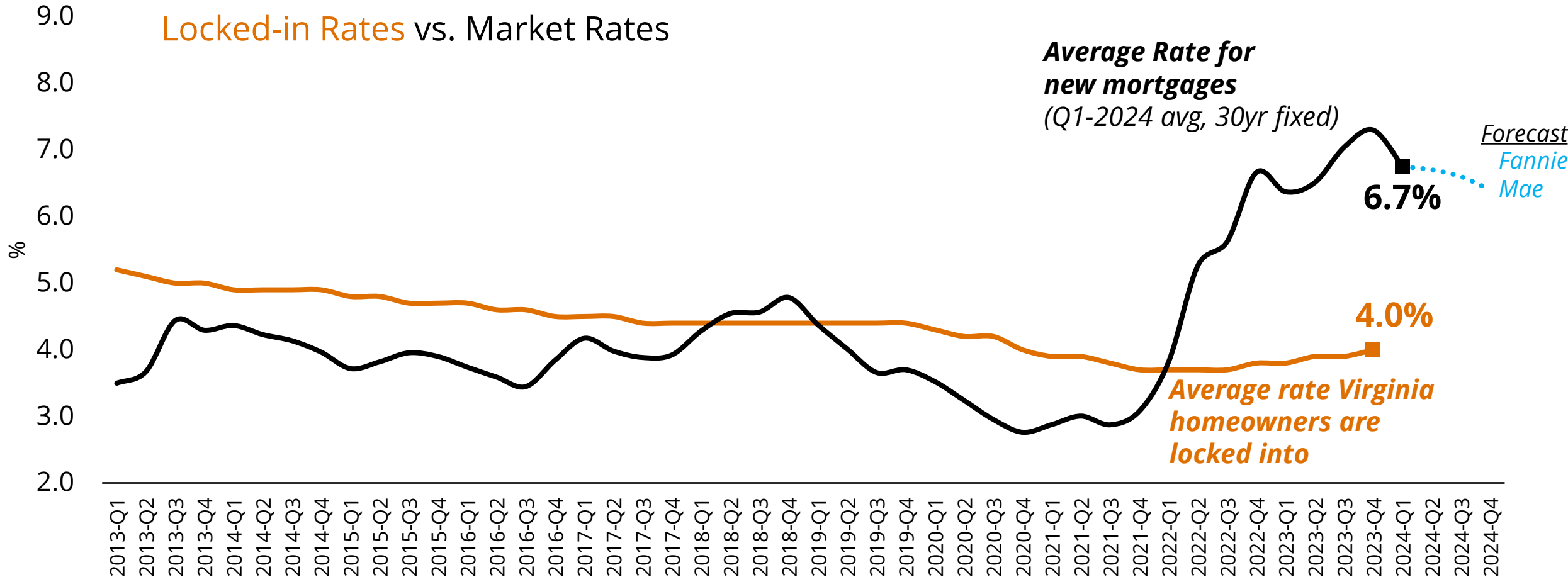
30-Year Fixed Rate Mortgage Rate (weekly average)



Source: Freddie Mac

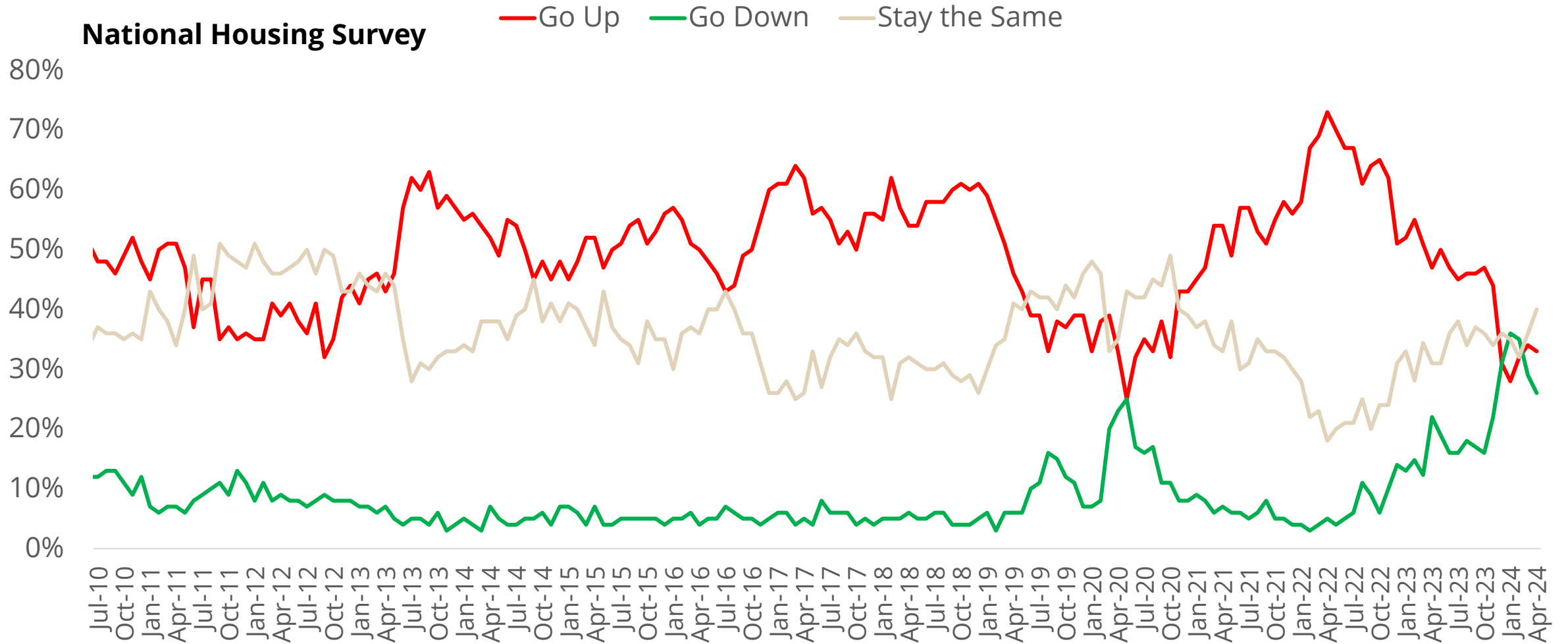
# Lock-in Effect Keeping Sellers on the Sidelines

*If rates trend downward lock-in effect could loosen due to pent-up demand*



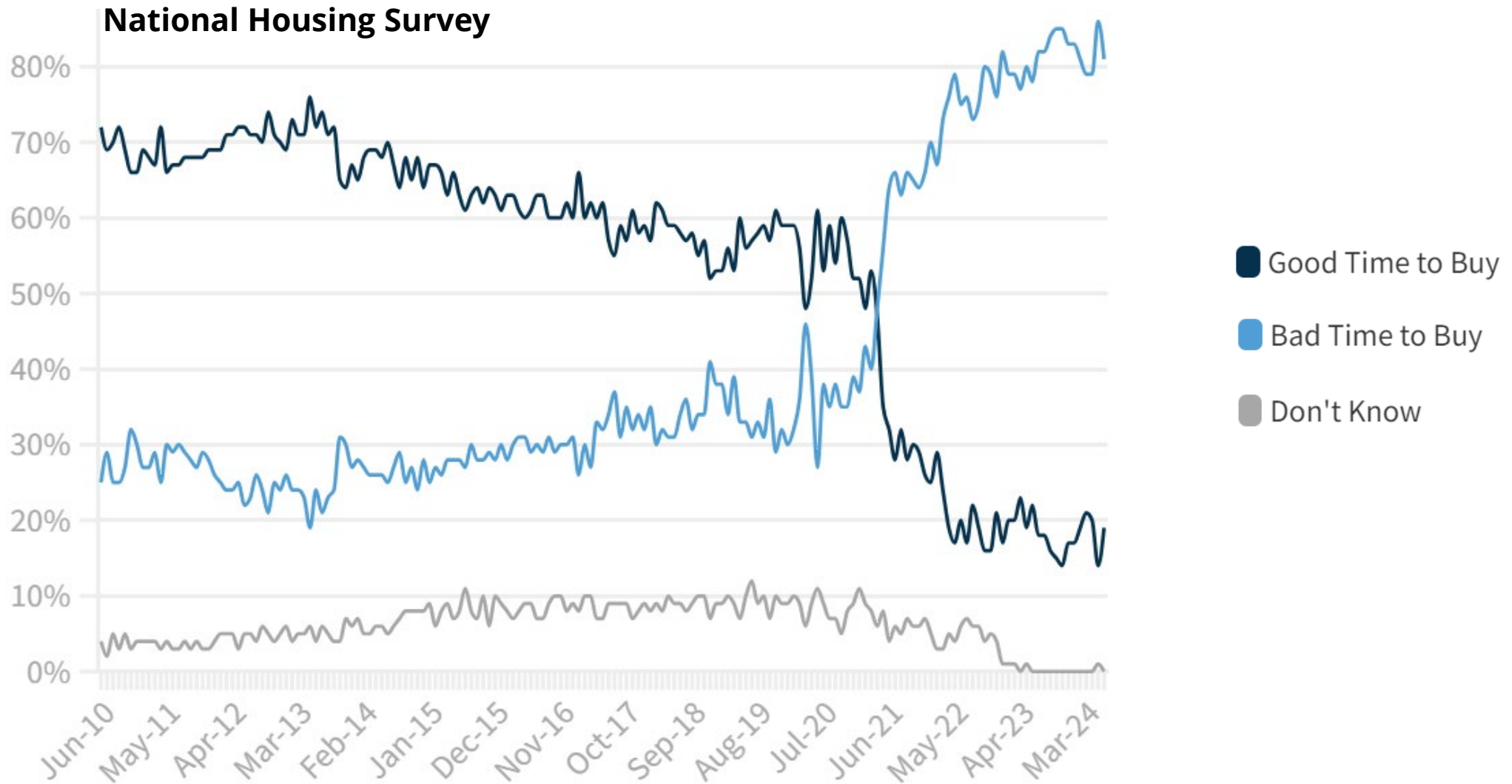
# Consumer Sentiment About Mortgage Rates

Share of respondents expecting rates to go down in the next 12 months was at survey high levels at the start of 2024 but has gone down since then.



# Home Buying Sentiment Near All Time Lows

*Affordability concerns driving these trends, if mortgage rates improve sentiment will likely improve*



## *Market Inventory*

2024

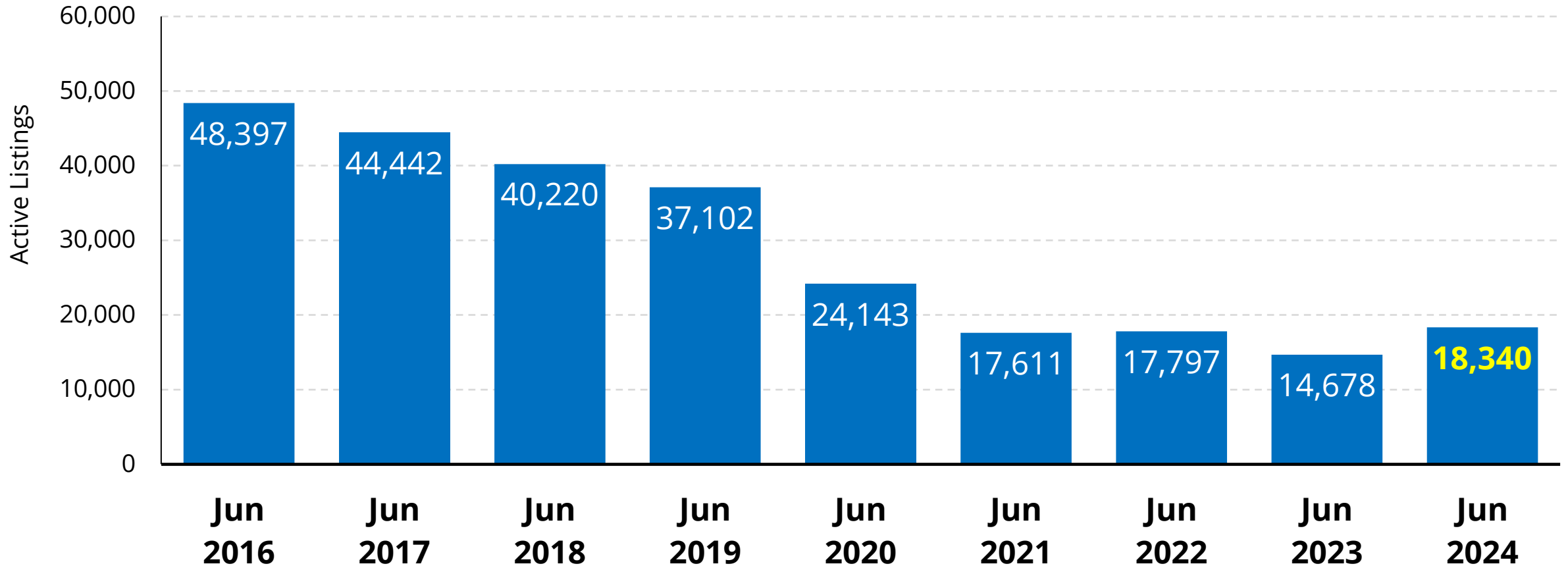


More listings so far this year, but overall conditions remain tight in many local areas. Supply/demand imbalance remains a major factor in Virginia's housing market

# Historically Low Inventory Persists

*But inventory conditions are expanding in most parts of Virginia*

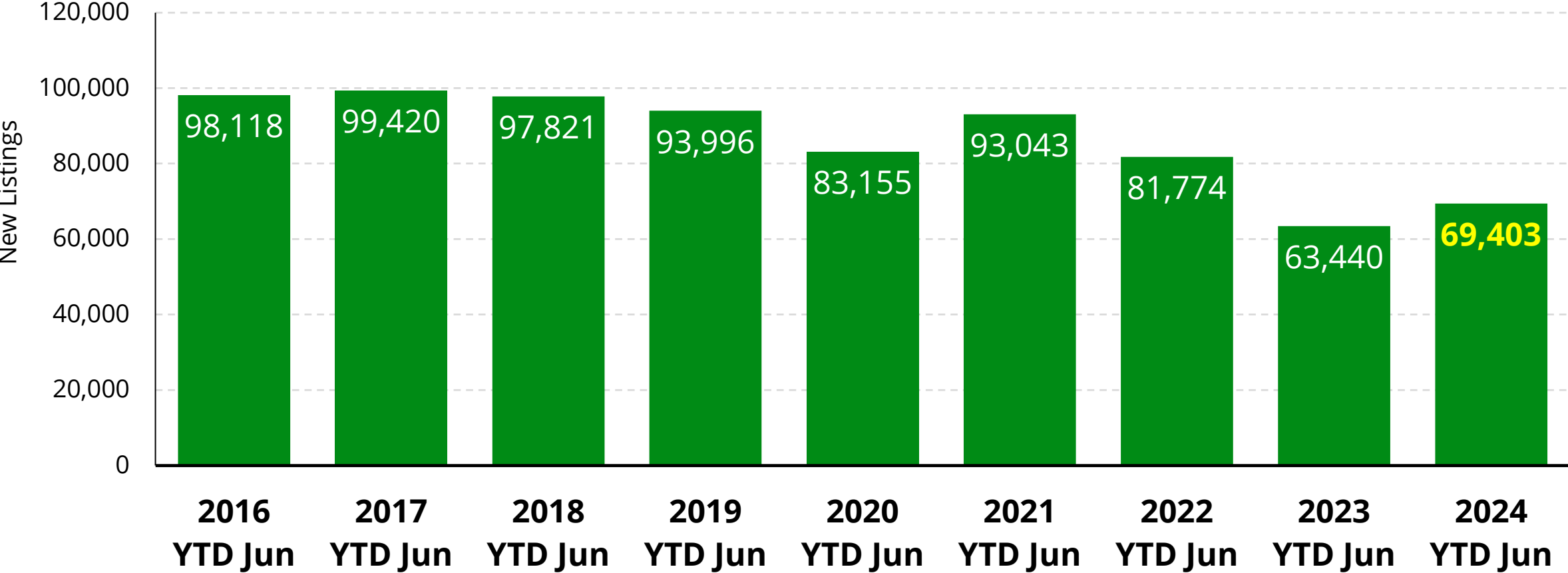
**Active Listings, Statewide (end of Jun.)**



# More sellers are listing their homes for sale

*Much needed supply in the market for buyers, but inventory conditions remain tight*

## New Listings, Statewide (YTD Jun)

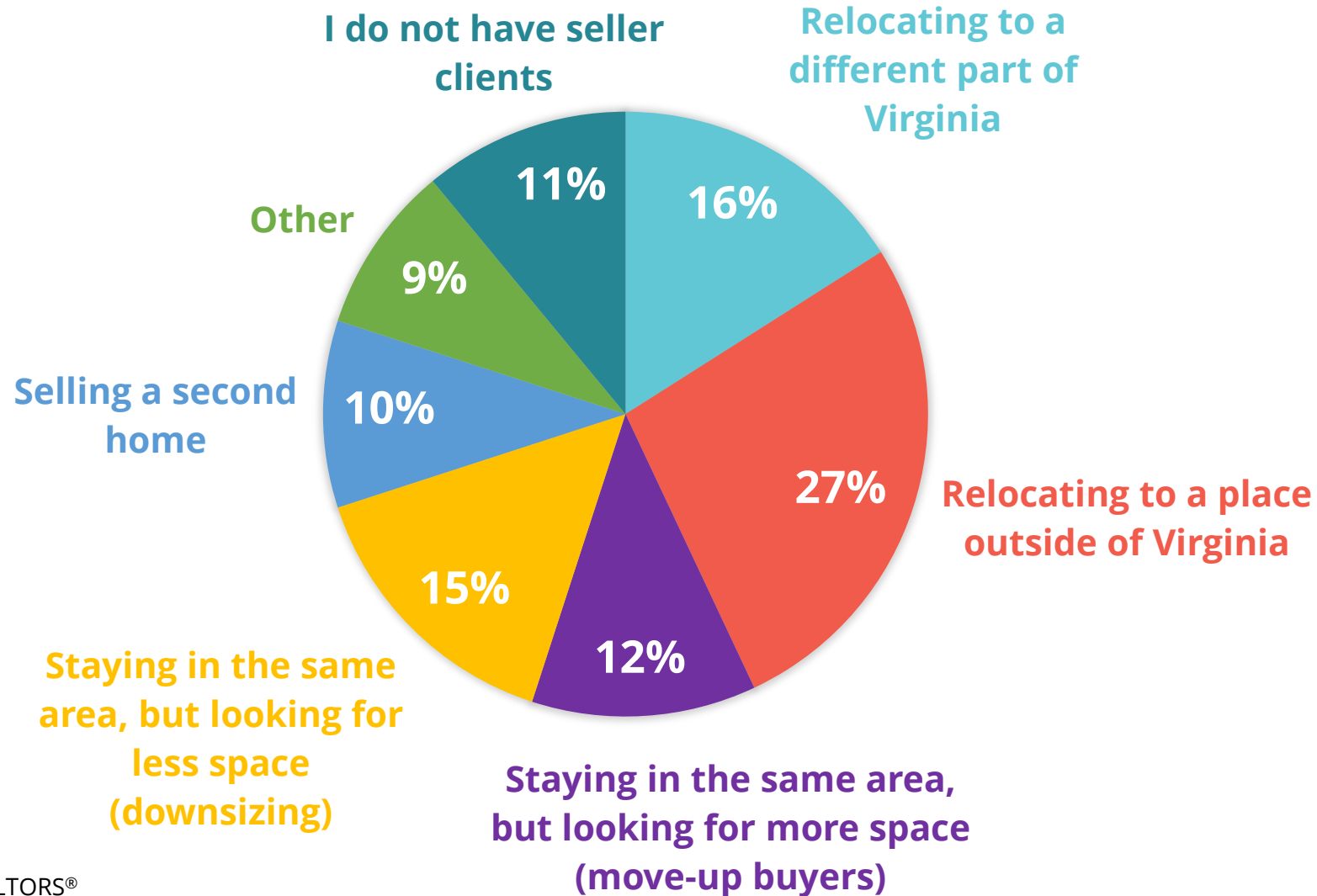


Source: Virginia REALTORS®



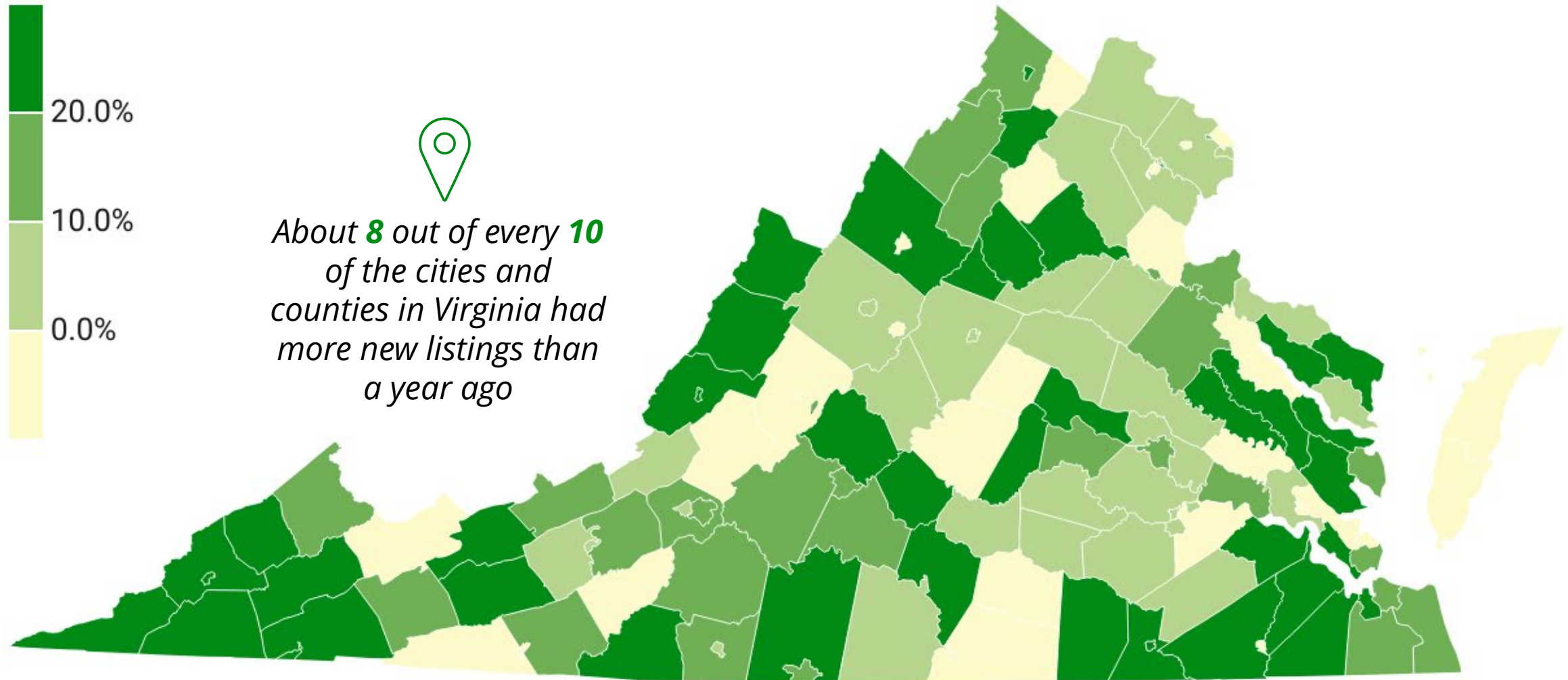
# Virginia REALTORS Flash Survey Results – June 2024

*What was the most common reason sellers listed their homes?*



# More new listings in most local markets

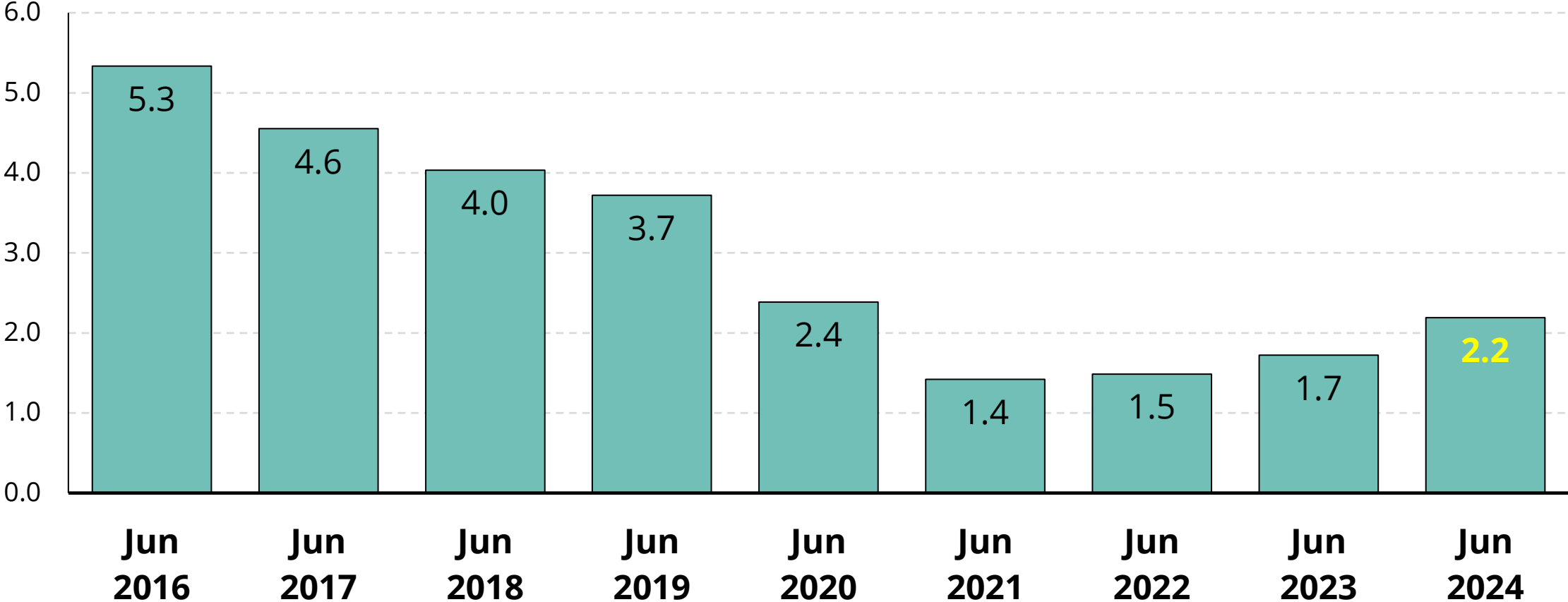
*Change in New Listings Listings – YTD Jun 2023 vs. YTD Jun 2024*



# Months of supply increasing across the state

*But still an unbalanced market, more demand than available supply*

**Months of supply, Jun.**



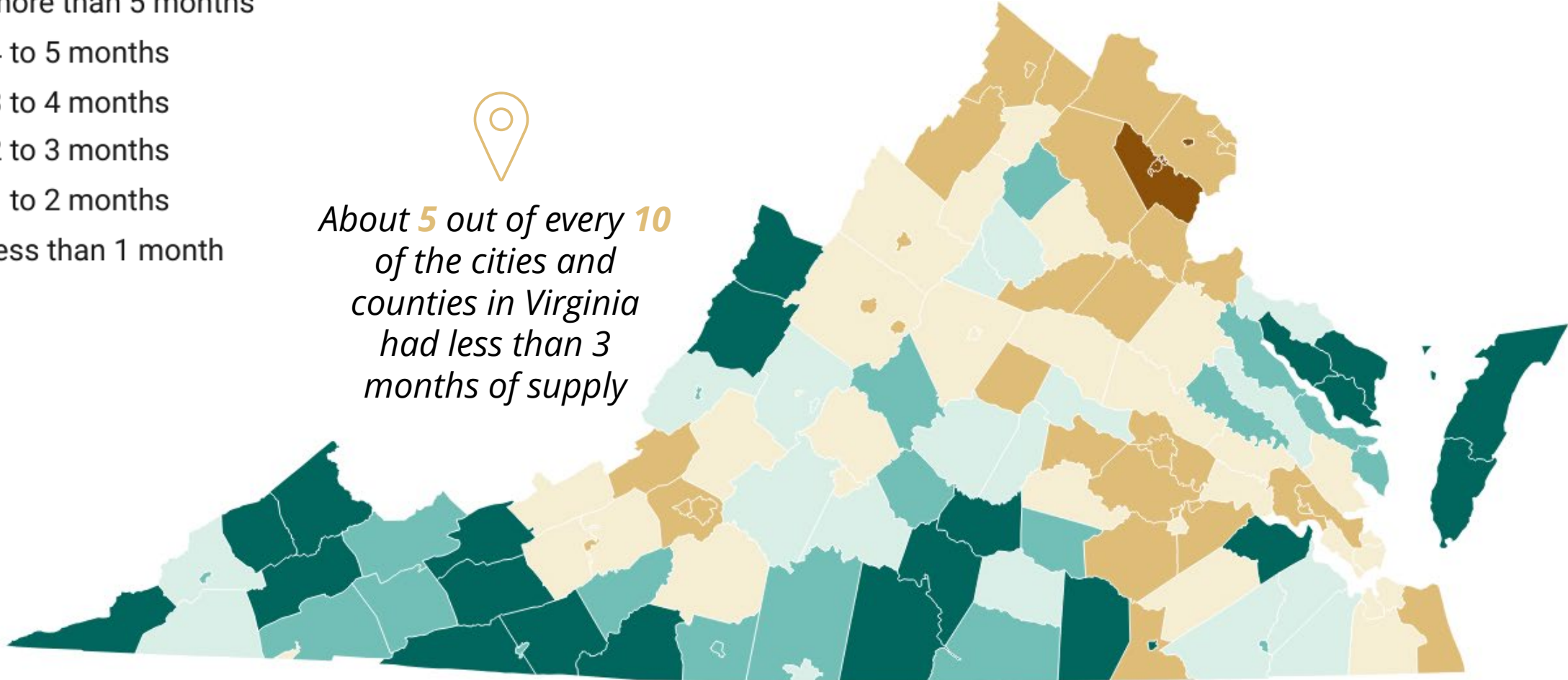
# Months of supply still tight in most local markets

*Months of Supply – Jun. 2024*

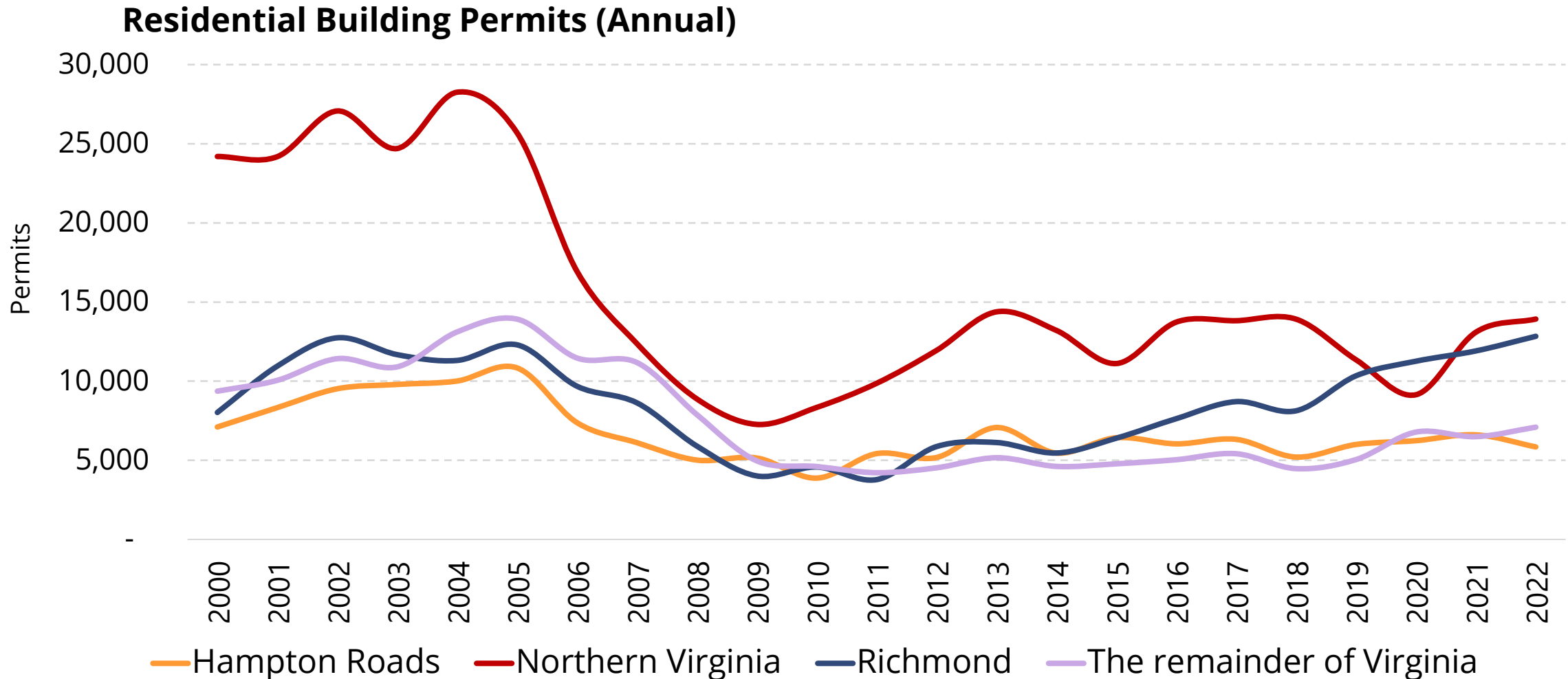
- more than 5 months
- 4 to 5 months
- 3 to 4 months
- 2 to 3 months
- 1 to 2 months
- less than 1 month



*About 5 out of every 10 of the cities and counties in Virginia had less than 3 months of supply*



# New Construction Not Keeping Pace with Demand



Source: U.S. Census Bureau, Weldon Cooper Center UVA

## *Home Sales*

2024

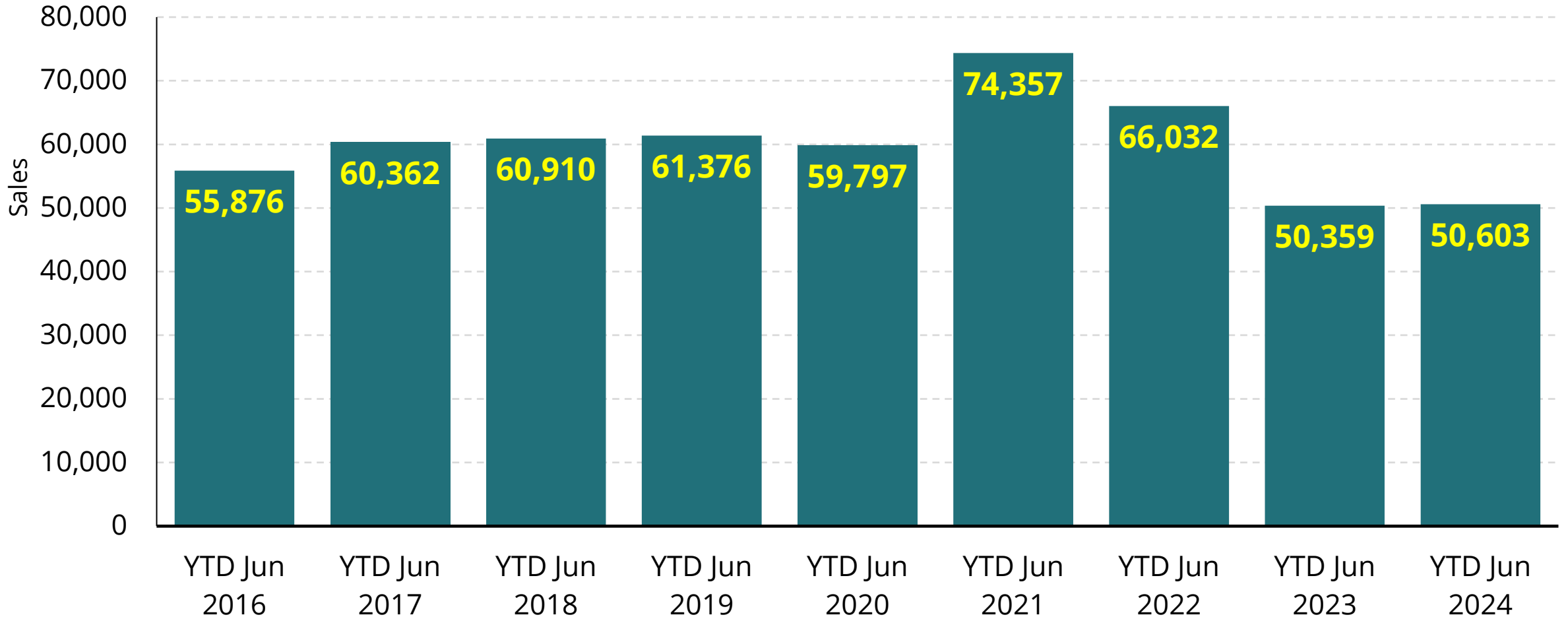


The 2024 market is outpacing the 2023 market, but slow sales activity compared to average levels. Driven by low supply and stubborn mortgage rates.

# Virginia Home Sales

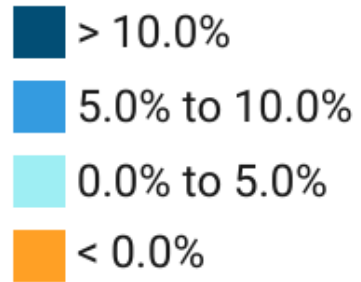
*Sales slightly outpacing last year but remain well below average*

## Statewide Home Sales, YTD May

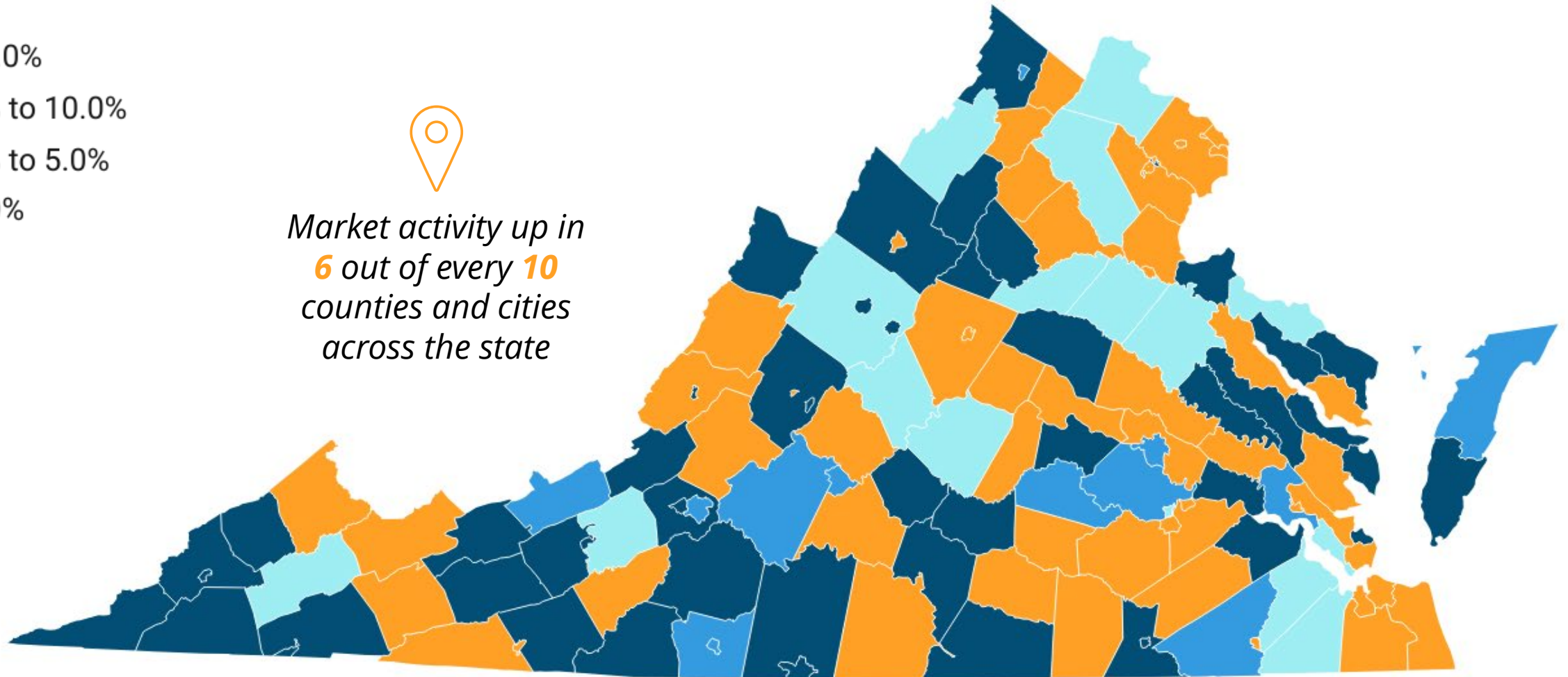


# Sales activity increasing in most local markets

Change in Home Sales – YTD Jun 2023 vs. YTD Jun 2024



*Market activity up in  
**6** out of every **10**  
counties and cities  
across the state*

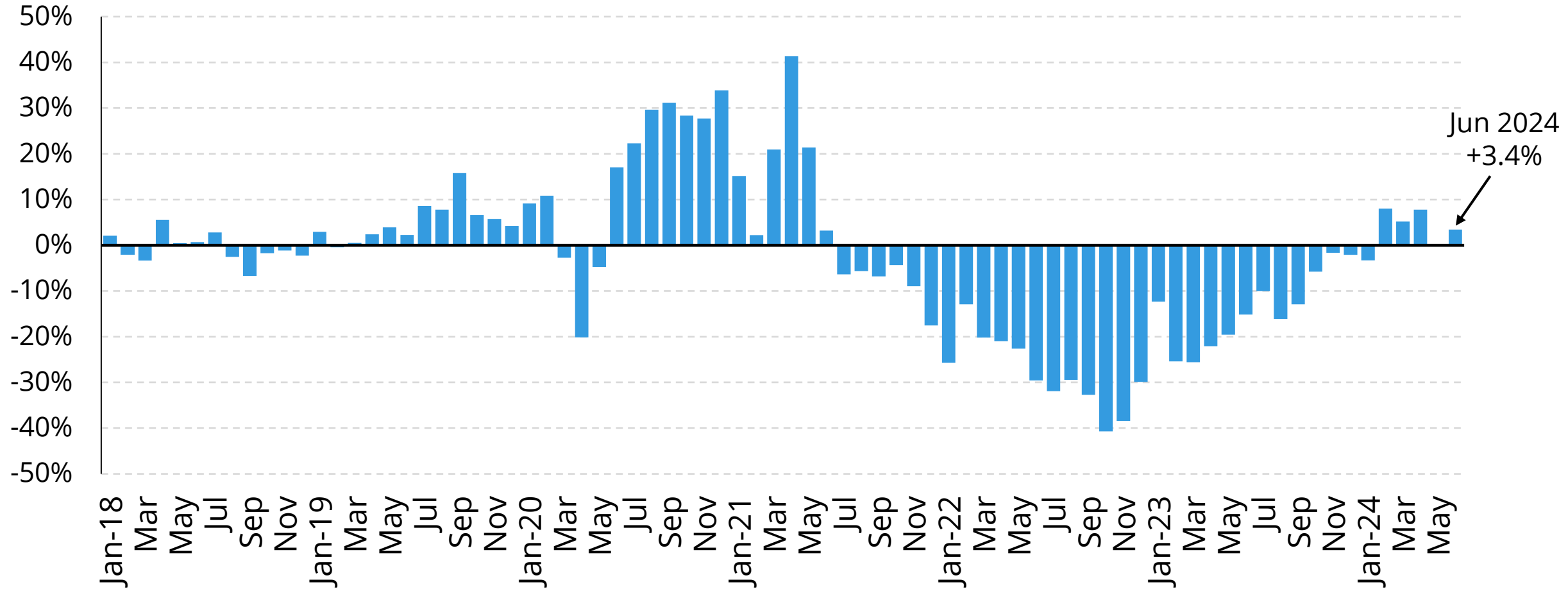




# Virginia Pending Sales

*Uptick in pending sales from last year but slow spring market overall*

## % Change from Prior Year, Pending Sales, Virginia (statewide)



## *Home Prices*

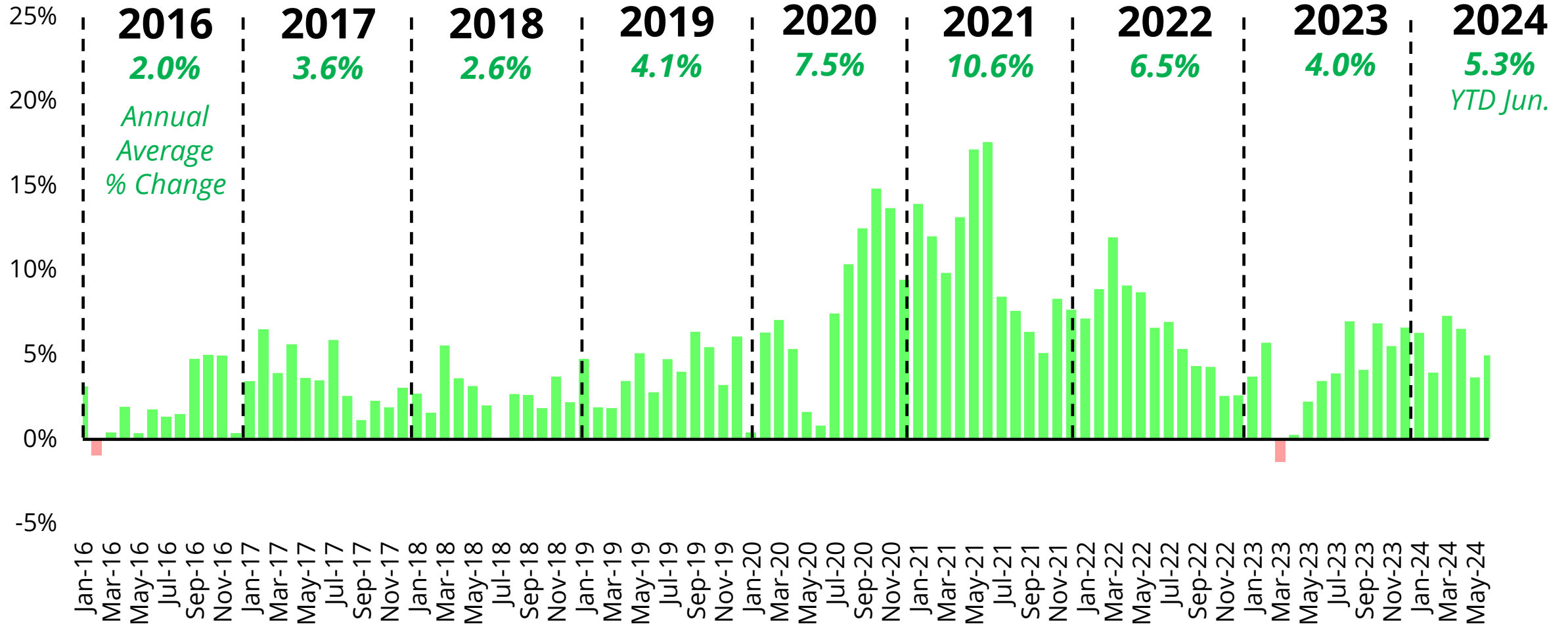
2024



Home prices still climbing so far this year. A robust pipeline of buyers are competing for a limited number of homes. Affordability challenges are worsening in some regions

# Home Price Trends – Virginia

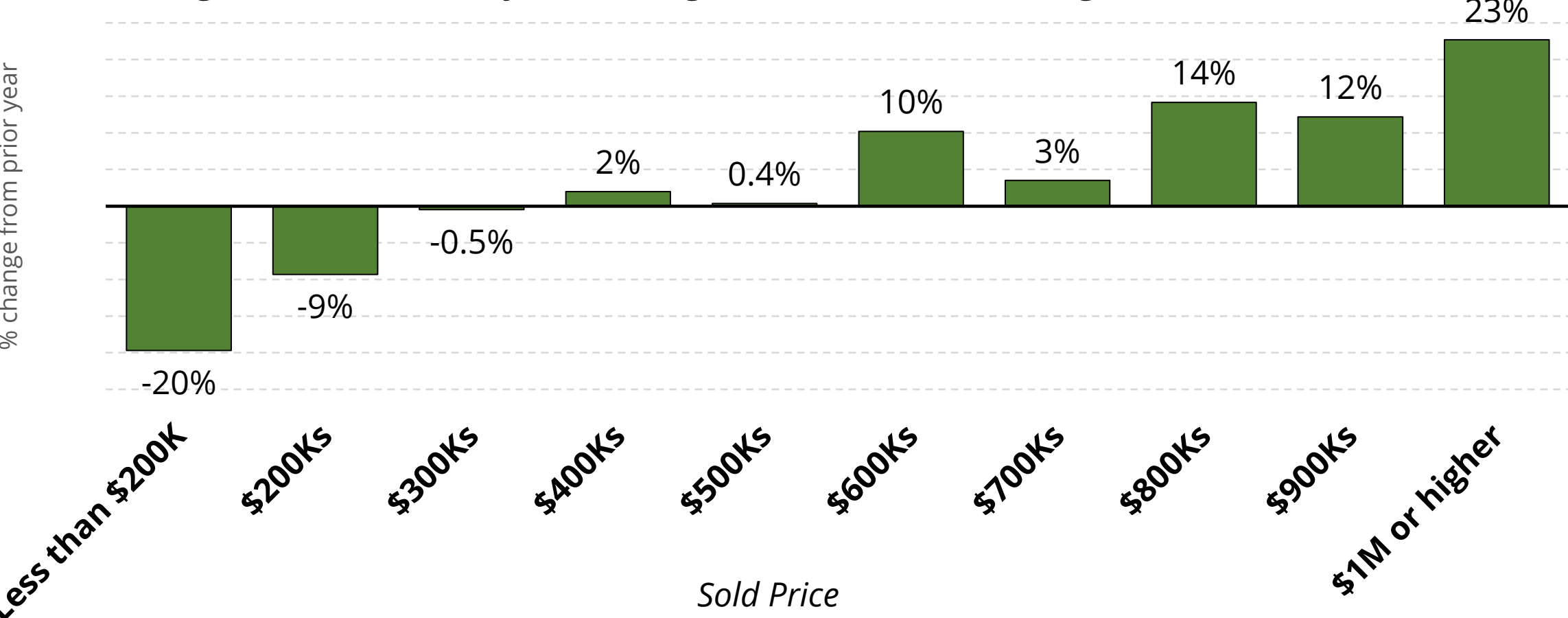
## Y-o-Y Change in Median Home Price



# Prices are Trending Higher

More homes selling on higher end of the price spectrum, biggest jump \$1M+ homes

**YoY % Change in Homes Sold by Price Range, YTD Jan-Jun 2024, Virginia**

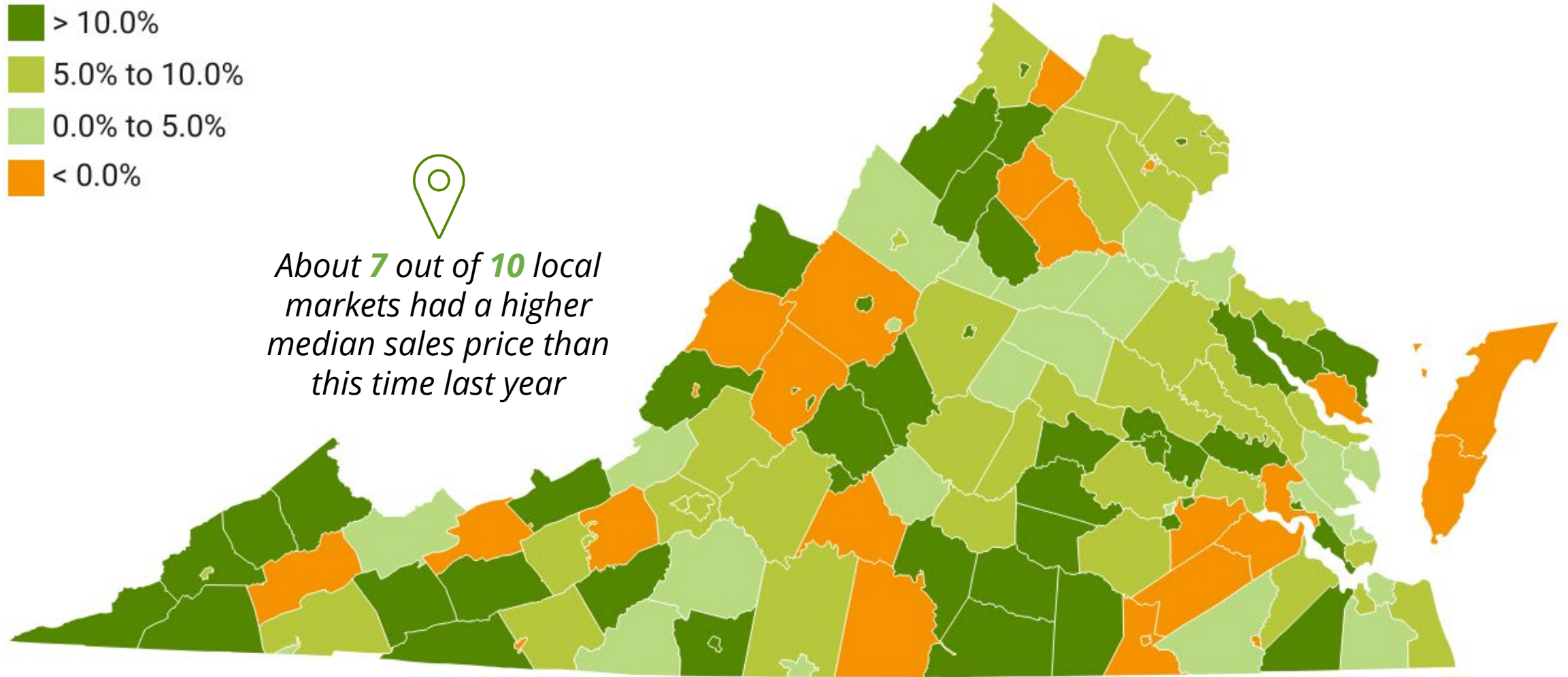


# Upward pressure on home prices across the state

Change in Median Sales Price – Jun 2023 vs. Jun 2024



*About 7 out of 10 local markets had a higher median sales price than this time last year*



# Younger buyers getting priced out of the market?

MSA	MEDIAN SALES PRICE (2023 ANNUAL)	ESTIMATED MONTHLY PAYMENT <sup>1</sup> ON MEDIAN- PRICED HOME	HOUSEHOLD INCOME NEEDED <sup>2</sup> TO AFFORD MONTHLY PAYMENT ON A MEDIAN-PRICED HOME	2023 ESTIMATED ANNUAL HOUSEHOLD INCOME <sup>3</sup> OF 25-44 YEAR OLDS
NORTHERN VIRGINIA	\$596,000	\$4,666	\$199,972	\$126,040
CHARLOTTESVILLE	\$449,900	\$3,522	\$150,943	\$103,177
WINCHESTER	\$396,678	\$3,105	\$133,072	\$94,861
HARRISONBURG	\$320,450	\$2,509	\$107,529	\$74,166
RICHMOND	\$366,234	\$2,867	\$122,870	\$90,913
HAMPTON ROADS	\$329,900	\$2,582	\$110,658	\$79,267
LYNCHBURG	\$279,900	\$2,191	\$93,900	\$70,641
BLACKSBURG	\$275,000	\$2,153	\$92,280	\$70,540
ROANOKE	\$276,000	\$2,161	\$92,615	\$77,210
VIRGINIA (STATEWIDE)	\$382,725	\$2,996	\$128,400	\$99,182

<sup>1</sup> Mortgage payment calculated using Fannie Mae Mortgage Calculator, assumes 10% downpayment, 1.25% property taxes, 0.75% homeowners' insurance, 6.74% interest rate on a 30-year fixed loan.

<sup>2</sup> Assumes mortgage payment is affordable at 28% of gross household income

<sup>3</sup> Median Household Income for 2023 estimated using annual wage growth rate from Atlanta Fed and applying it to the ACS 2022 Median Household Income

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

## Millennials

Starter home  
price-points

Smaller homes

Multigenerational  
homes



## Baby Boomers

Senior  
Communities

Smaller/single-  
level homes

Multigenerational  
homes

## *Market Competitiveness*

2024



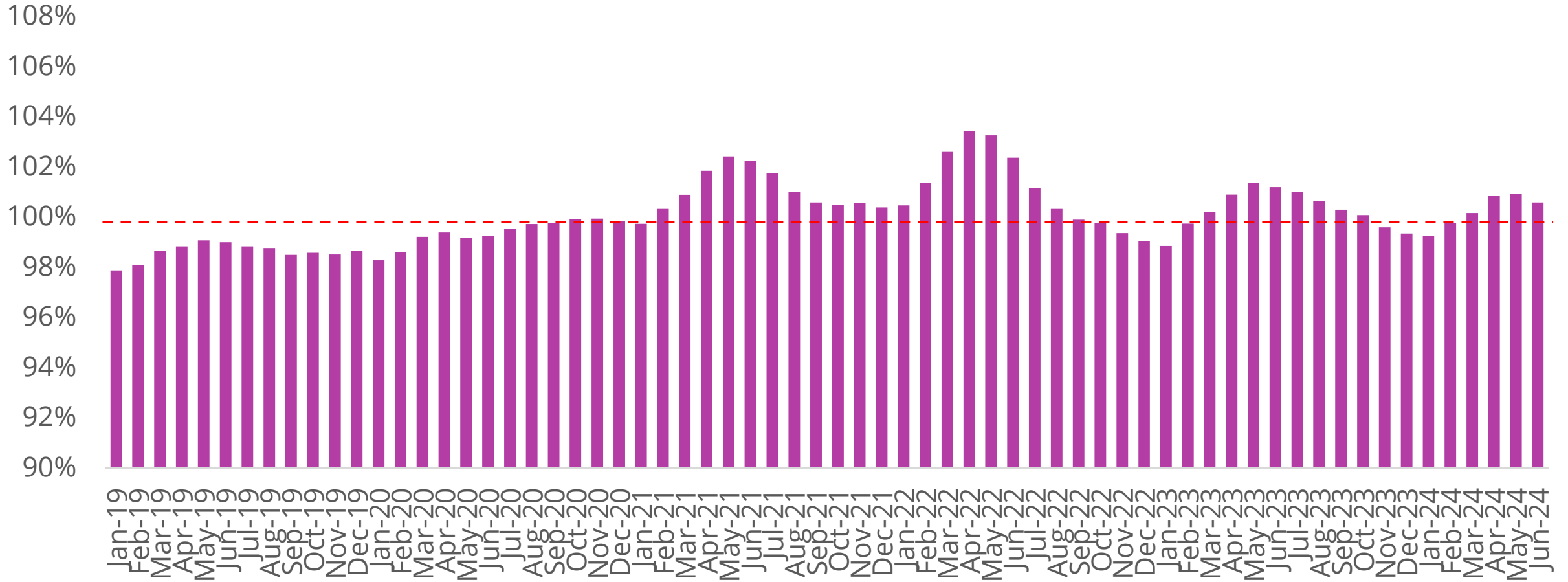
Conditions remain competitive in Virginia's housing market in 2024. Pent-up demand for housing + low supply = slow yet competitive market.



# 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®

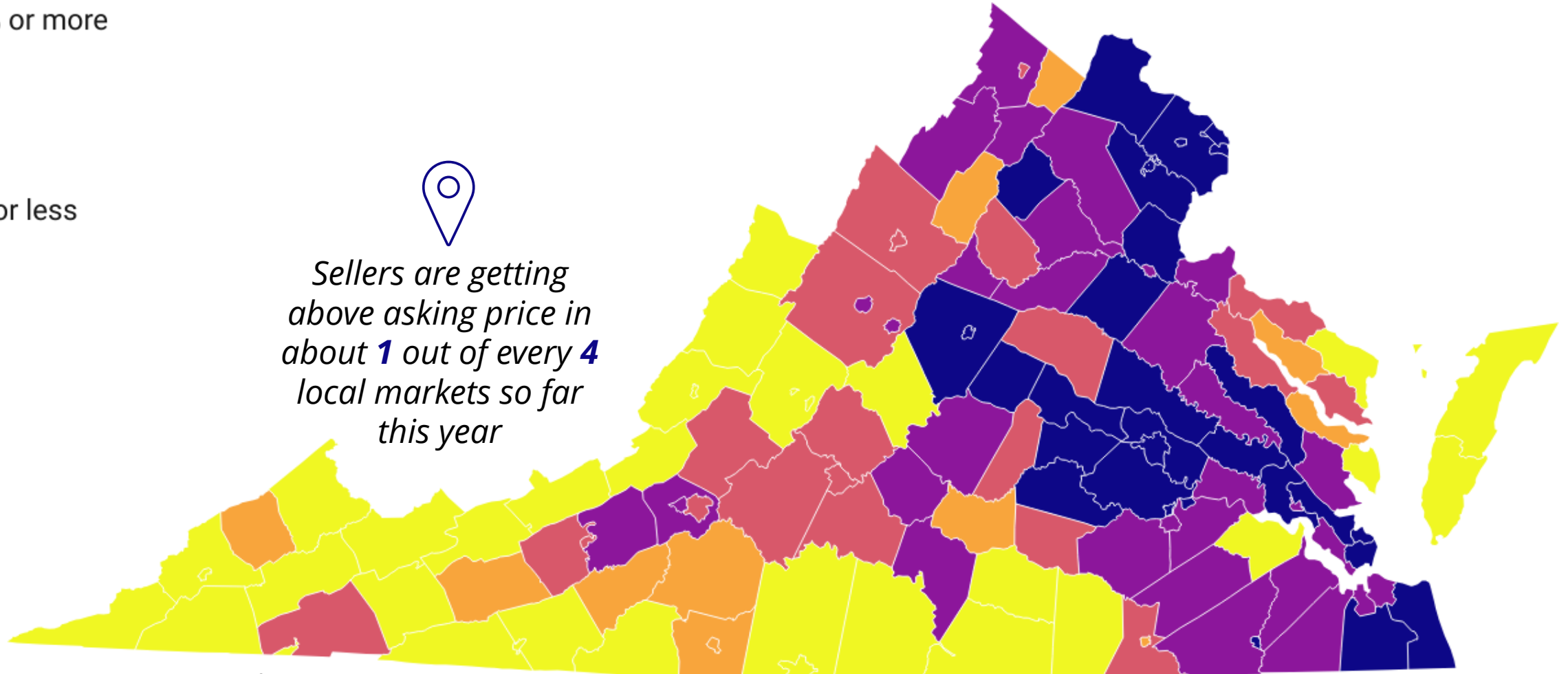
# Upward pressure on home prices across the state

Average Sold-to-List Price Ratio, YTD Jan-Jun 2024

- 100% or more
- 99%
- 98%
- 97%
- 96% or less



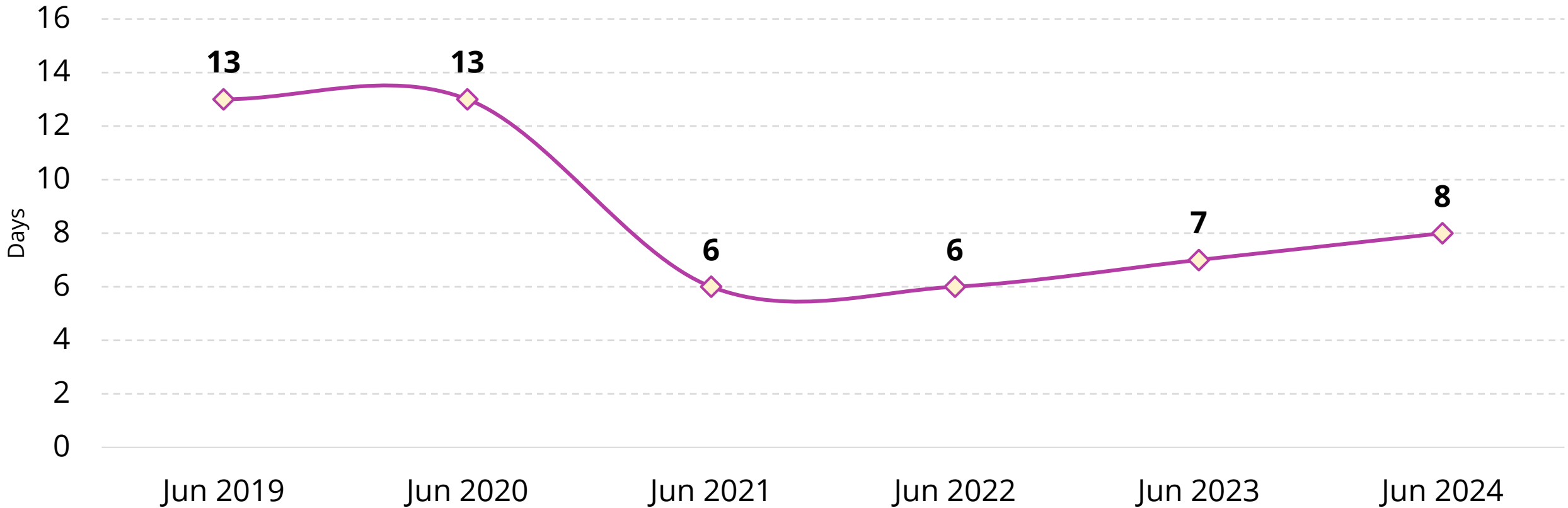
*Sellers are getting above asking price in about **1** out of every **4** local markets so far this year*



# Despite Slowdown, Market Remains Competitive

## Homes continue to sell quickly in Virginia

Median Days on Market Jun., Statewide



Source: Virginia REALTORS®



# VIRGINIA COMMERCIAL MARKET TRENDS

## *Office Market*

2024



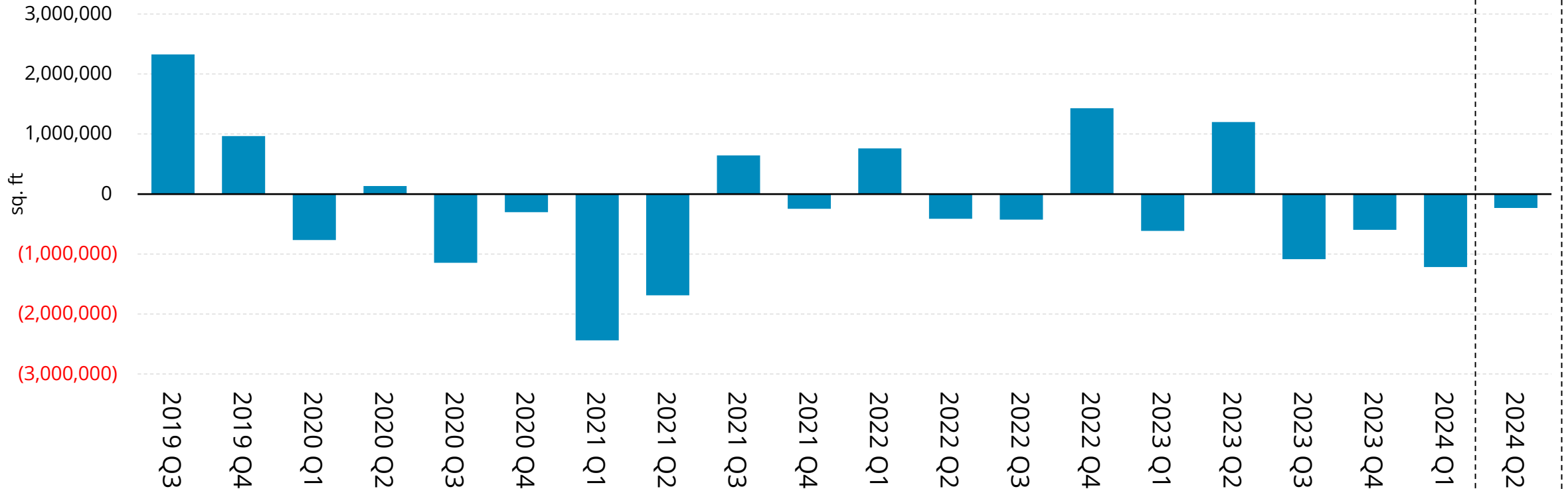
Office market continues to be sluggish so far in 2024. Net absorption negative, and vacancy climbing. Construction pipeline very low.

# Office Market Trends

*Absorption remains sluggish*

## **VIRGINIA** (Statewide)

### Office Net Absorption (sq. ft)

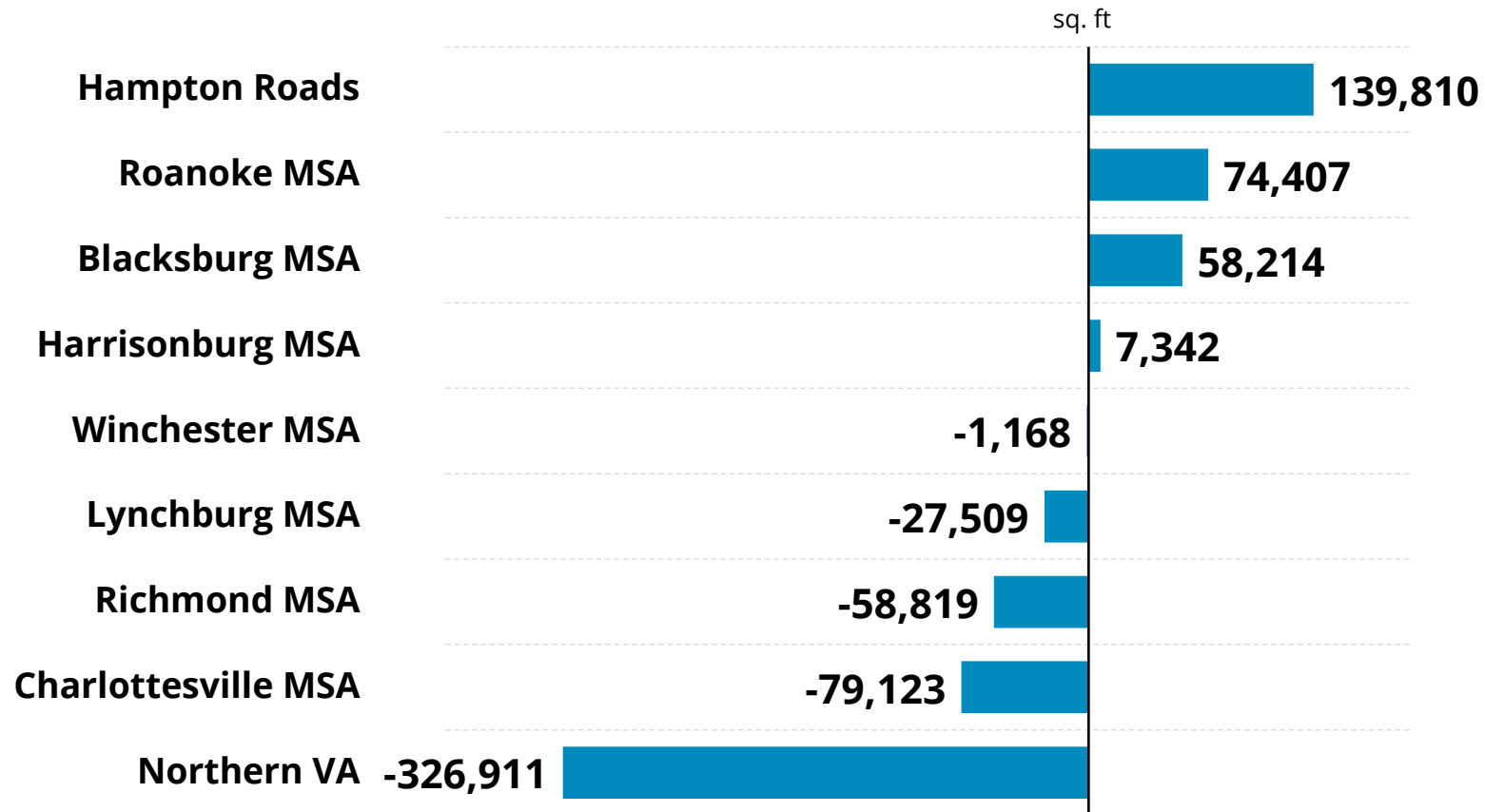


Source: CoStar

# Office Market Trends

*Weak demand across the state*

## Q2-2024 Office Net Absorption by Metro Area (sq ft)



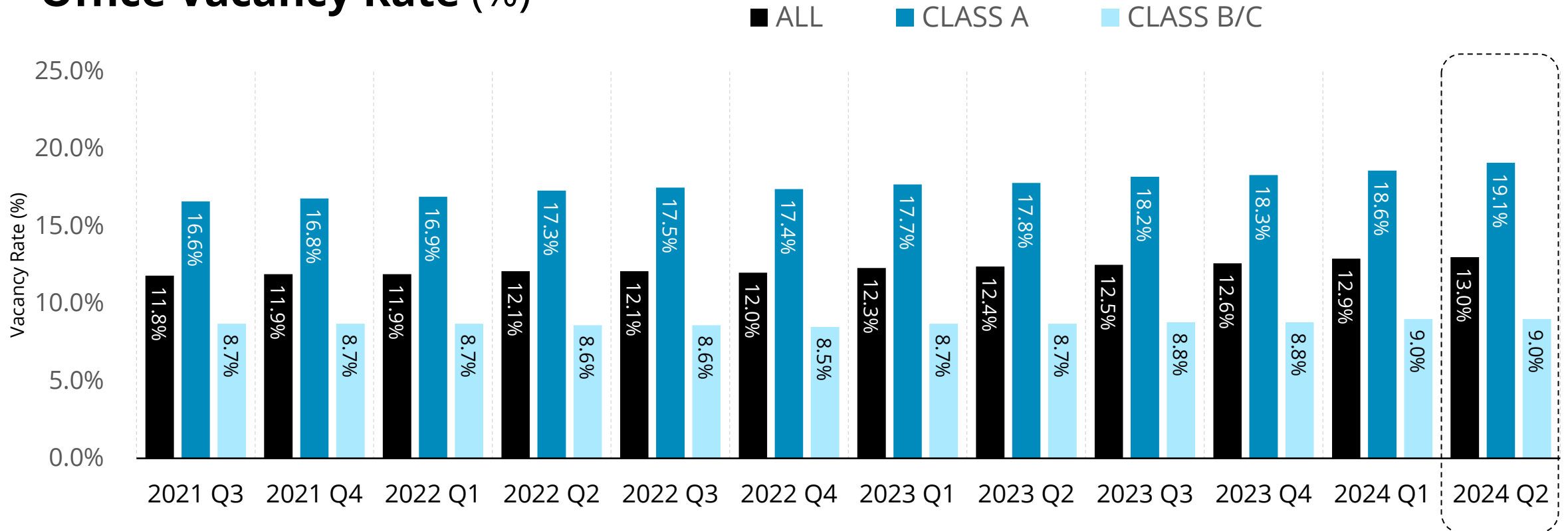
Source: CoStar

# Office Market Trends

*Vacancy is rising across building types*

## **VIRGINIA** (Statewide)

### Office Vacancy Rate (%)





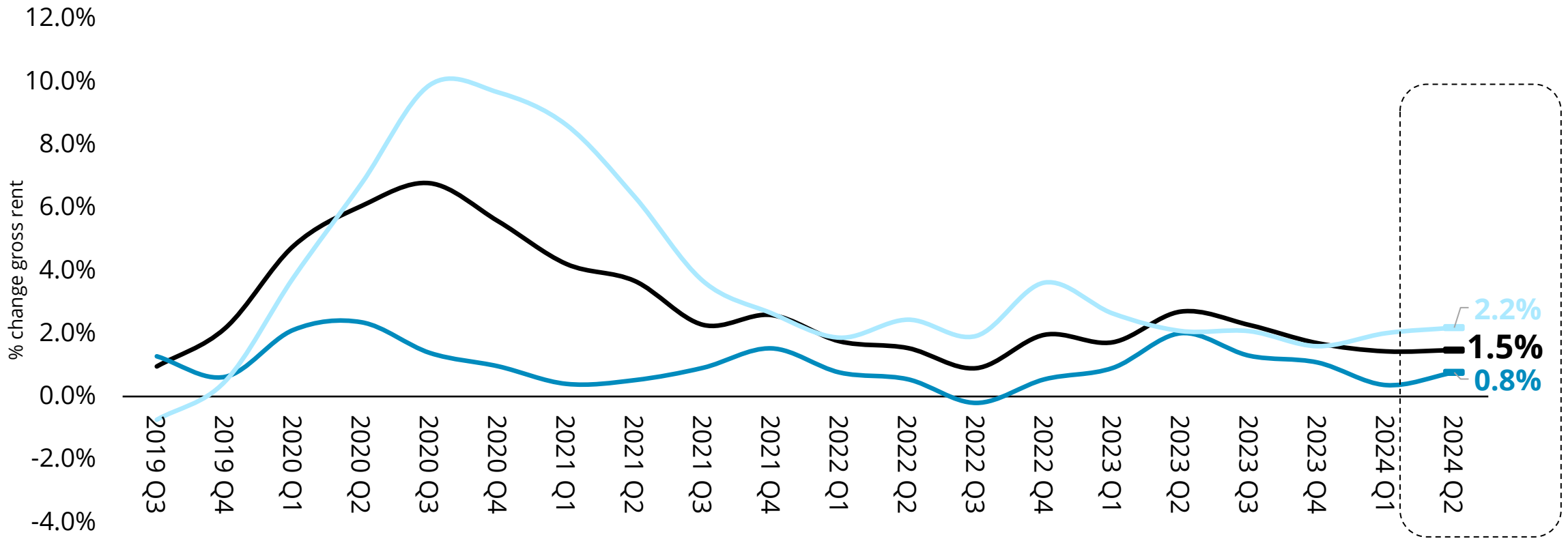
# Office Market Trends

*Rent levels have been relatively stable in recent quarters*

## **VIRGINIA** (Statewide)

### Office Gross Rent (YoY % Chg)

— ALL — CLASS A — CLASS B/C



# Office Market Trends

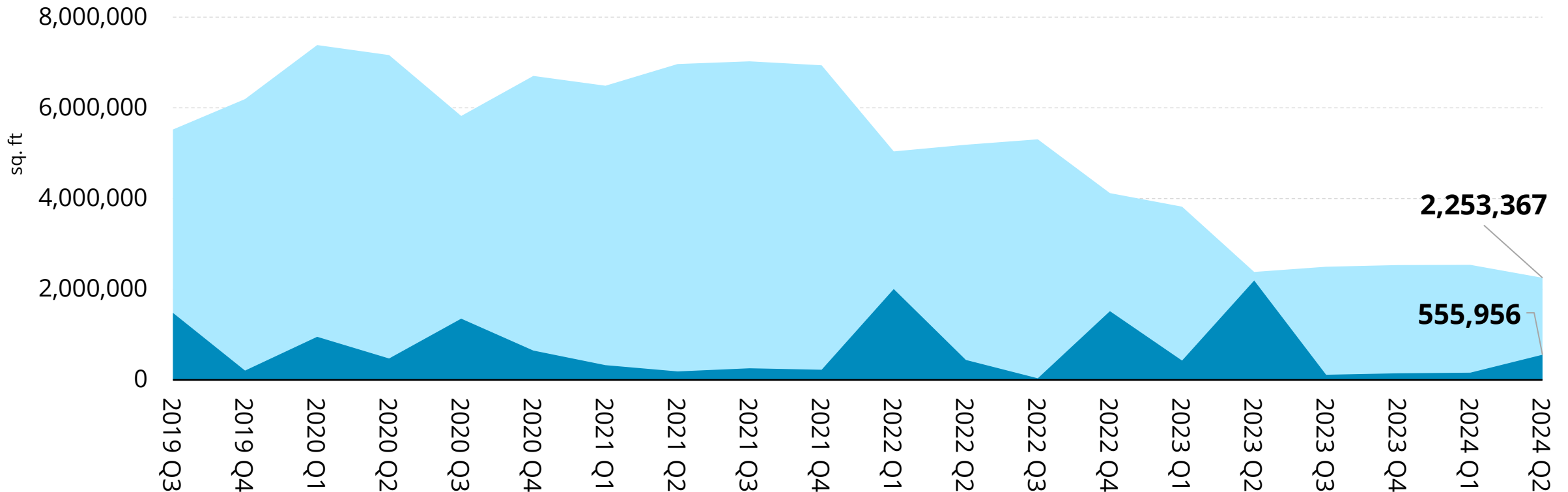
*Construction pipeline very low*

## **VIRGINIA** (Statewide)

### Office Construction/Deliveries (sq. ft)

Under Construction SF

Deliveries SF



## *Industrial Market*

2024



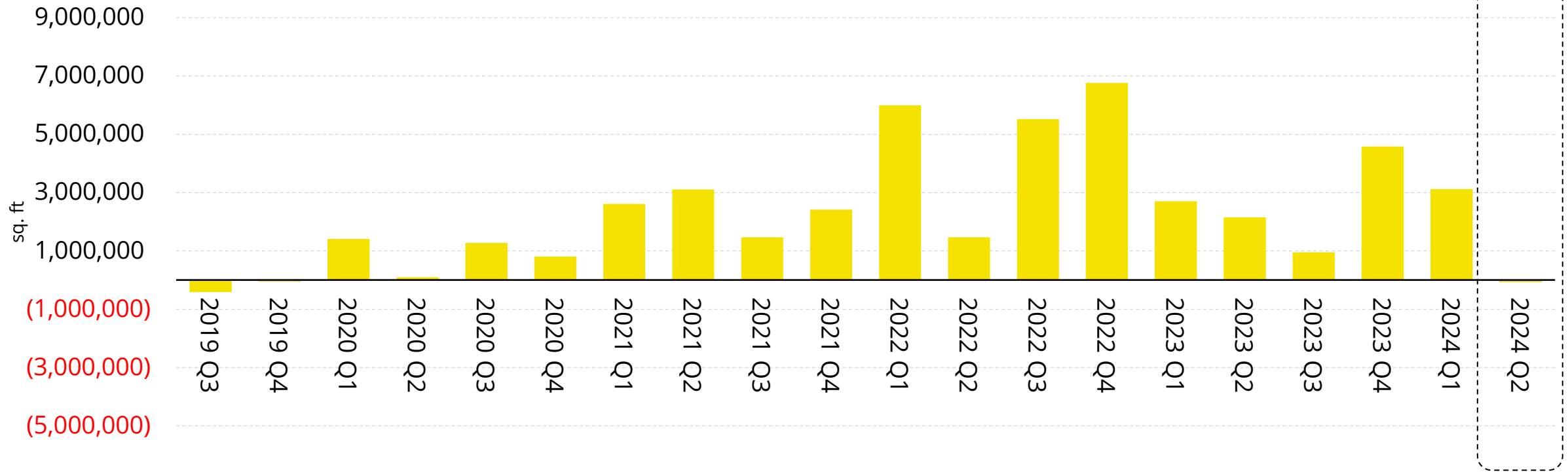
Industrial market remains robust, but the growth has moderated from last year. Rent levels climbing, driven by warehouses. Construction pipeline stable.

# Industrial Market Trends

*Absorption slows following three strong years*

## **VIRGINIA** (Statewide)

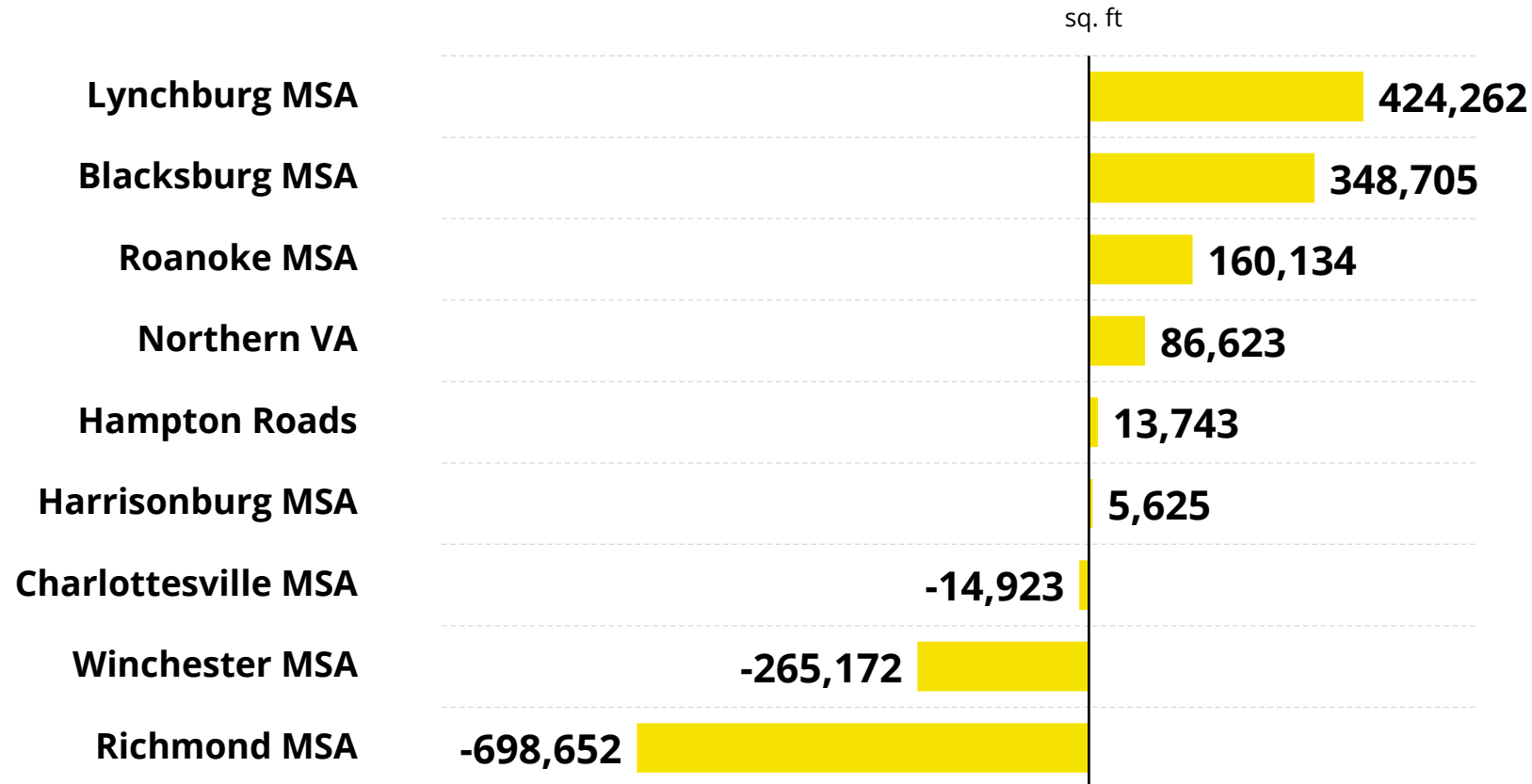
### Industrial Net Absorption (sq. ft)



# Industrial Market Trends

*Robust demand in some regions around the state, others cooling*

## Q2-2024 Industrial Net Absorption by Metro Area (sq ft)



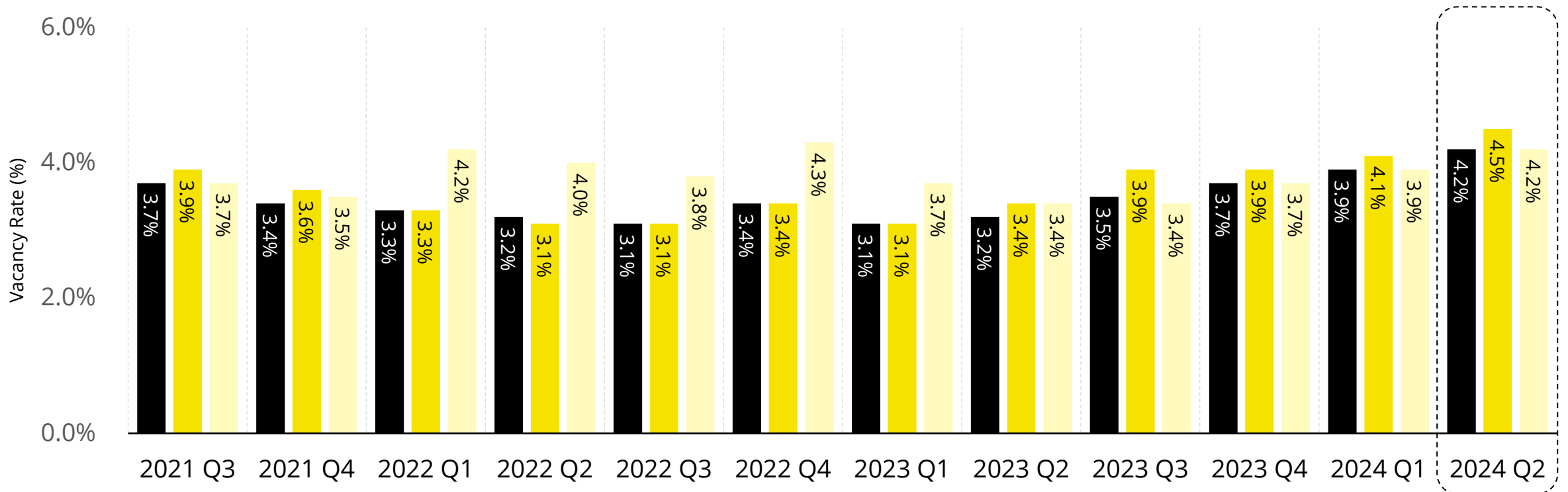
# Industrial Market Trends

*Vacancy is inching up but remains relatively low*

## **VIRGINIA** (Statewide)

### Industrial Vacancy Rate (%)

■ ALL ■ Distribution/Warehouse ■ Manufacturing

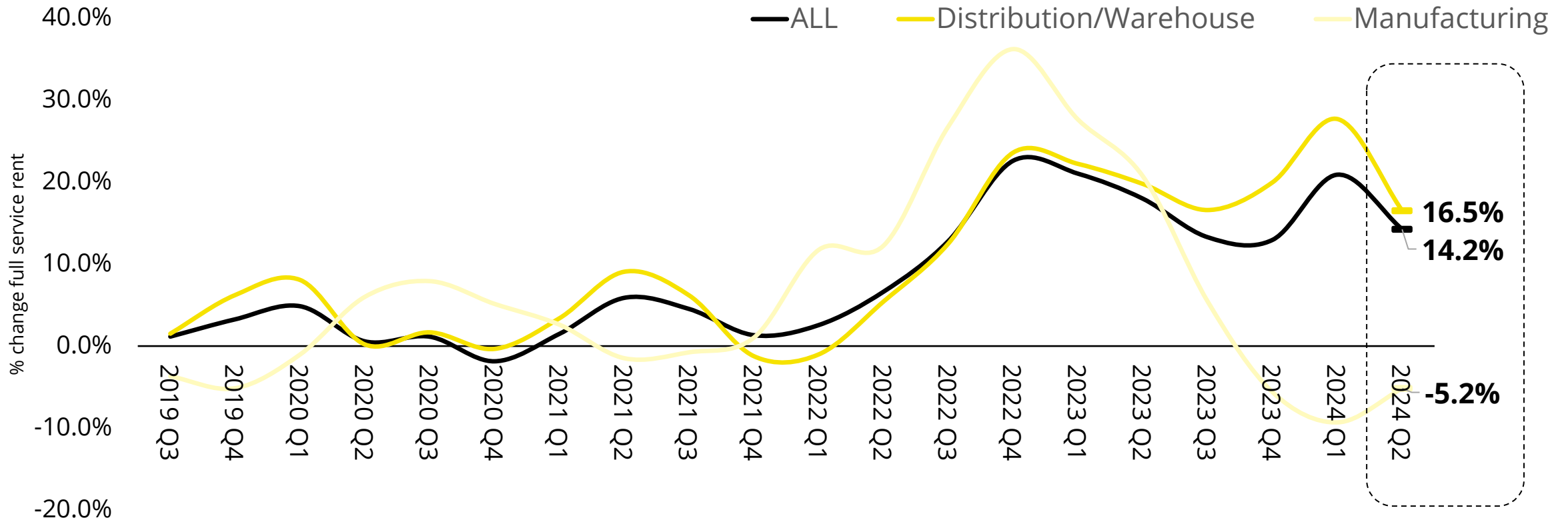


# Industrial Market Trends

*Rents for warehouses climbing, manufacturing rents soften*

## **VIRGINIA** (Statewide)

### Industrial Full Service Rent (YoY % Chg)

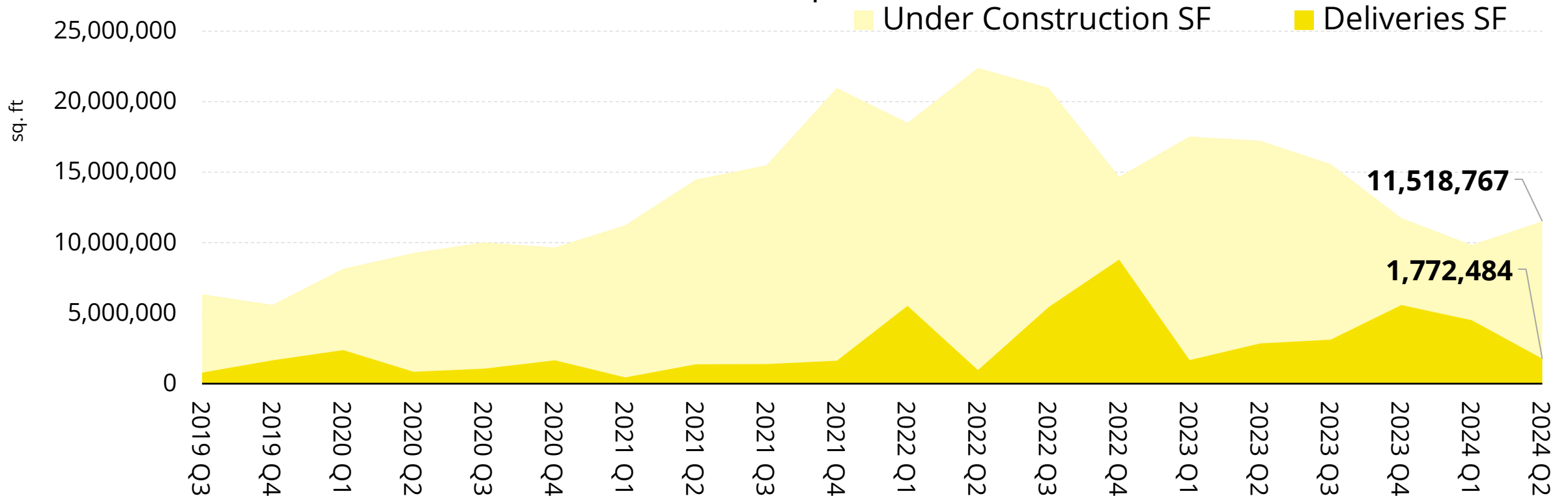


# Industrial Market Trends

*Construction pipeline still robust, but about half the level it was 2 years ago*

## **VIRGINIA** (Statewide)

### Industrial Construction/Deliveries (sq. ft)





## *Retail Market*

2024



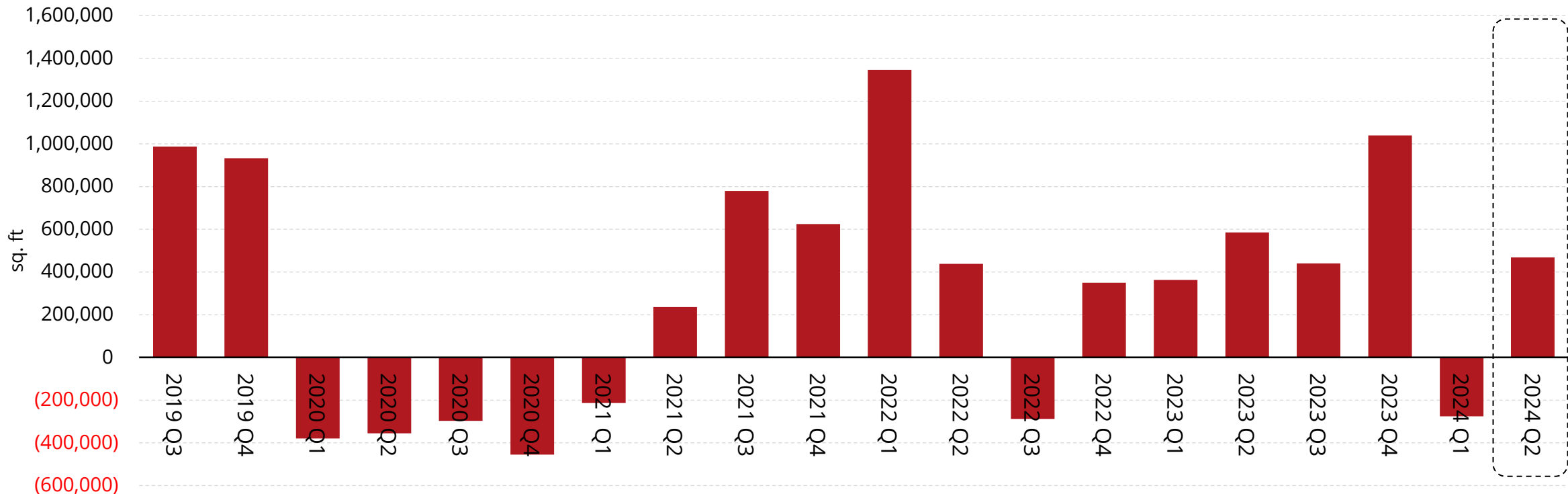
Retail market conditions have been resilient halfway through 2024. Vacancy rates are stable, and absorption is positive in most markets.

# Retail Market Trends

*Absorption dips to start 2024 but rebounded in Q2*

## **VIRGINIA** (Statewide)

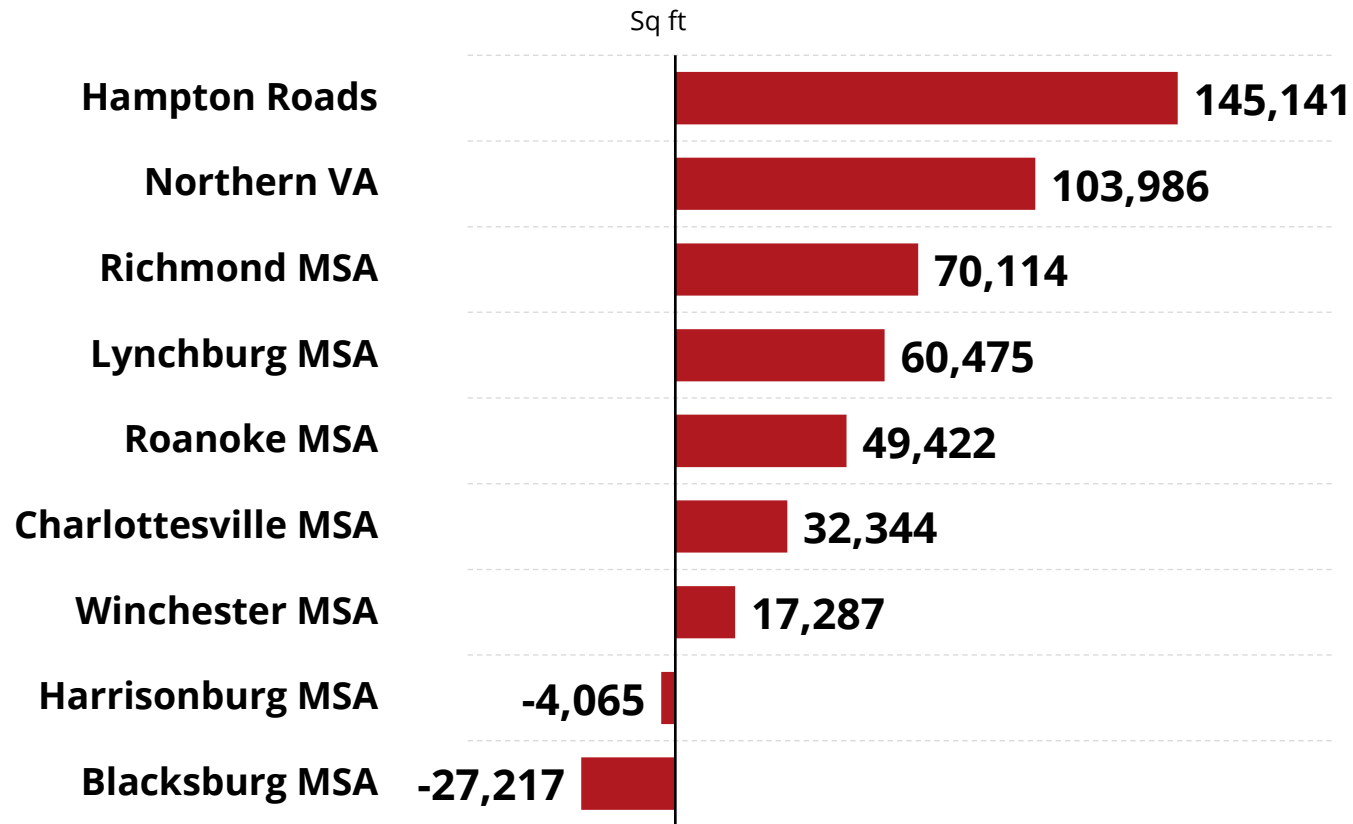
### **Retail Net Absorption** (sq. ft)



# Retail Market Trends

*Positive absorption in most metro markets last quarter*

## Q2-2024 Retail Net Absorption by Metro Area (sq ft)

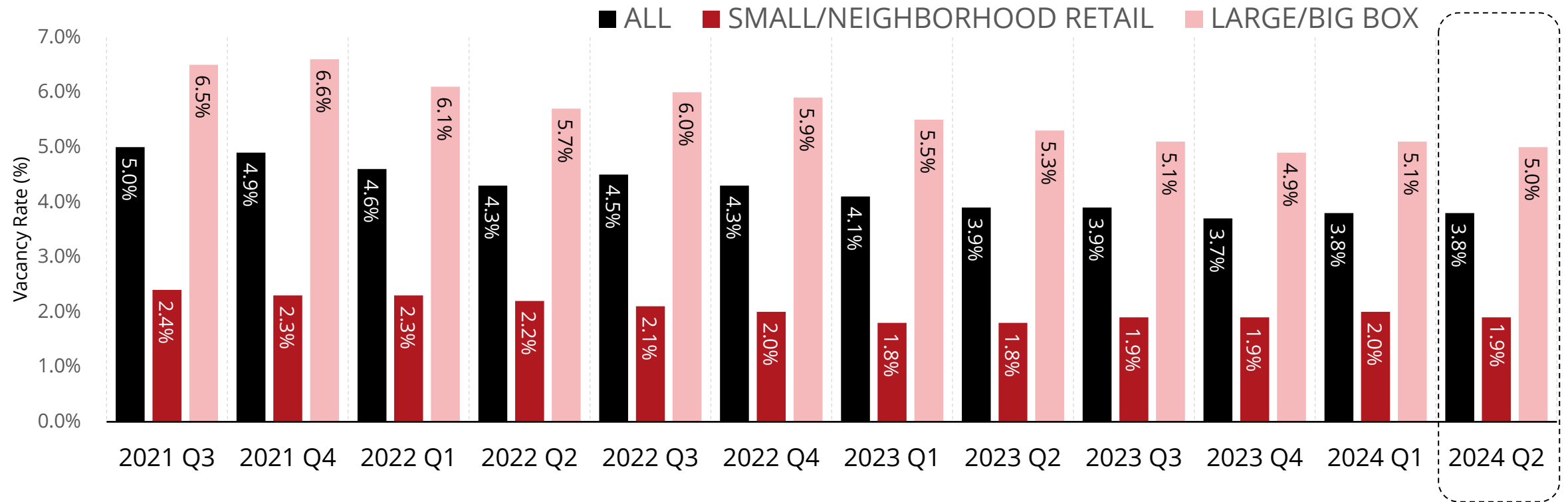


# Retail Market Trends

*Vacancy is tightening*

## **VIRGINIA** (Statewide)

### Retail Vacancy Rate (%)

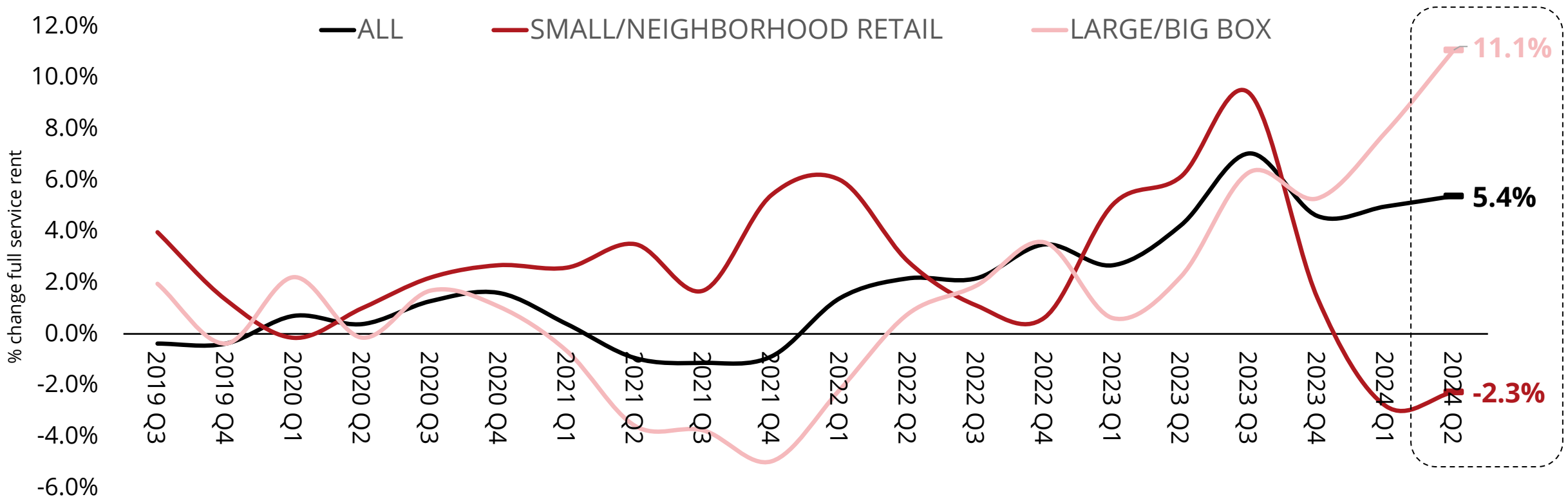


# Retail Market Trends

*Rents have softened for smaller retail space so far in 2024 after surging in 2023*

## **VIRGINIA** (Statewide)

### Retail Full Service Rent (YoY % change)

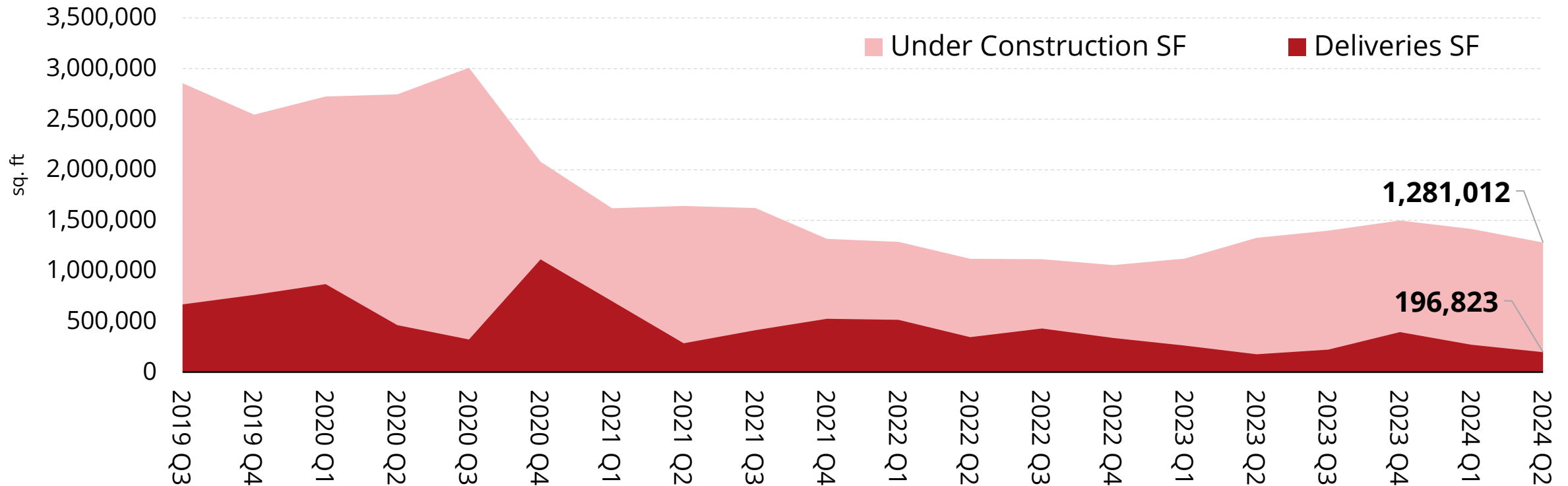


# Retail Market Trends

*Construction pipeline moderating*

## **VIRGINIA** (Statewide)

### Retail Construction/Deliveries (sq. ft)



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