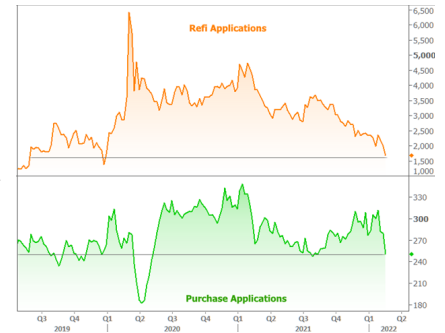


THE HOUSING MARKET: A REPRIEVE, BUT AT WHAT COST?

If you or anyone you know has attempted to move or purchase a home in the past two years, it's likely there is a story to tell. Maybe it was an incredible deal on a rental at the very beginning of the pandemic, a rock bottom mortgage rate at the end of 2020, a bidding war against 20 other offers, or homes going for 20% over asking after being on the market for just three days. The current housing market in Hampton Roads, and across the country, has been experiencing never-before-seen highs and lows.

However, there are a few signs that the housing market might be beginning to cool down, which holds some good news (and some bad) for those who are still trying to buy. A survey by the Mortgage Bankers Association (MBA) showed the U.S. mortgage applications plunged to their lowest level in more than two years for the week ending February 18, as rising mortgage rates dampened demand for loans to purchase and refinance homes. The MBA said its Market Composite Index, a measure of mortgage loan application volume, fell 13.1% on a seasonally adjusted basis from the prior week to the lowest level since December 2019 (figure on right). Mortgage applications are likely dropping out due to increased interest rates, meaning it is becoming more expensive to borrow money to purchase a home. In just the past two months alone, the 30-year fixed rate average mortgage rate increased by 11% from December 2021 to January 2022 and another 9% from January to February 2022. As the Federal Reserve signals increasing interest rates to combat inflation, mortgage rates may continue to rise, as shown in the figure below.



Source: Mortgage Bankers Association

30-Year Mortgage Rates



Source: Freddie Mac

Towards the end of 2021, the number of days a home in Hampton Roads was on the market before it was sold were at record lows in the mid-20s, while the median sales prices were at record highs of over \$300,000. Given the biggest fall in nationwide mortgage applications since April 2020, rising interest rates, low inventory and high purchasing prices, a small bright spot emerges for homebuyers who are competing with many others. With the signal of fewer people applying for mortgages, less competition is likely to follow, and with that homes may stay on the market for longer and home prices may begin to stabilize.

Hampton Roads Days on Market vs. Median Price

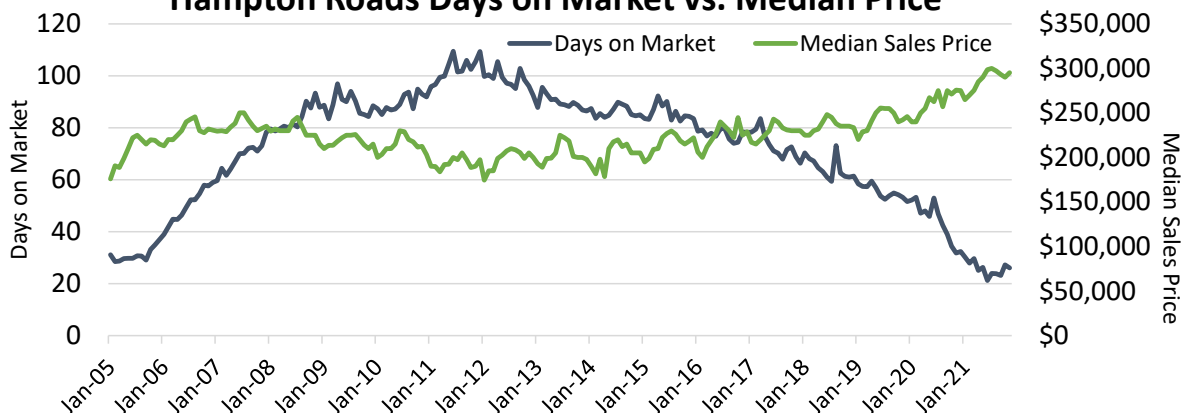
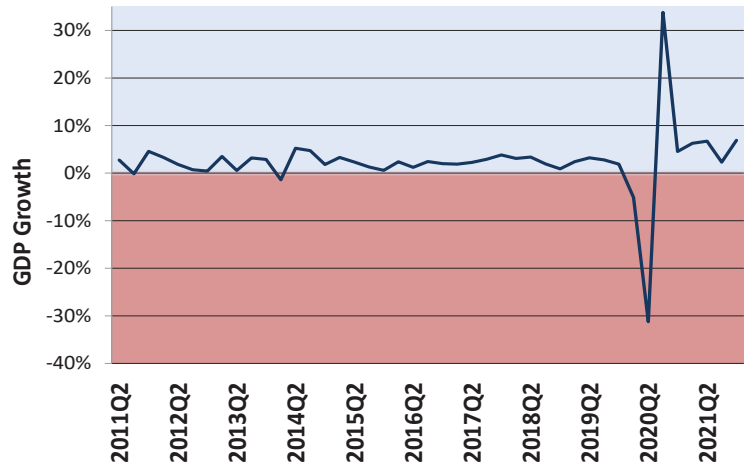


Figure: Dark blue line represents the monthly average number of days a house has been on the market before it is sold, green line represents the median monthly sales price for a home in Hampton Roads. Source: REIN, HRPDC.

GDP, ANNUALIZED GROWTH RATE (Q) SOURCE: BUREAU OF ECONOMIC ANALYSIS, HRPDC

	Q4 2020	Q4 2021	Trend
United States	4.5%	6.9%	▲

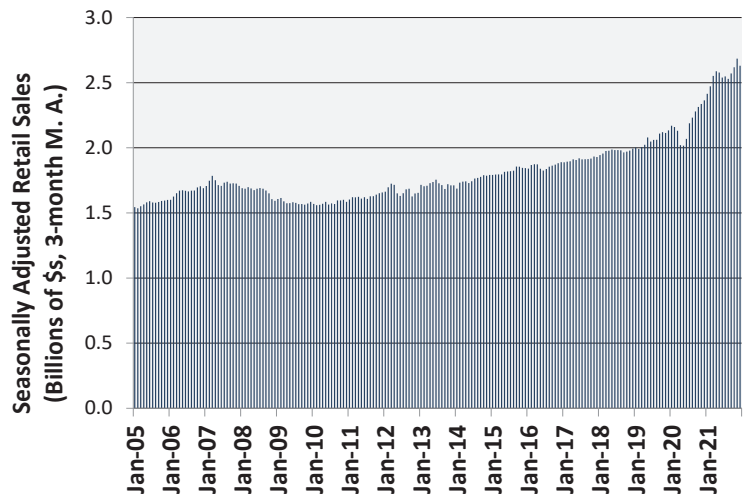
GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP increased 6.9% in Q4 2021, reflecting a strong holiday season despite supply chain issues. Q4 growth was driven strongly by a 5% increase in inventory investment. This is a promising sign, indicating confidence among businesses that they will be able to sell their stock as they rebuild their inventory. This is the second-largest quarterly contribution to GDP from private inventory since 1987.



RETAIL SALES, SEASONALLY ADJUSTED (3 MONTH M.A) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

	Nov '21	Dec '21	Trend
Hampton Roads	\$2.68B	\$2.63B	▼
Virginia	\$13.9B	\$13.96B	▲

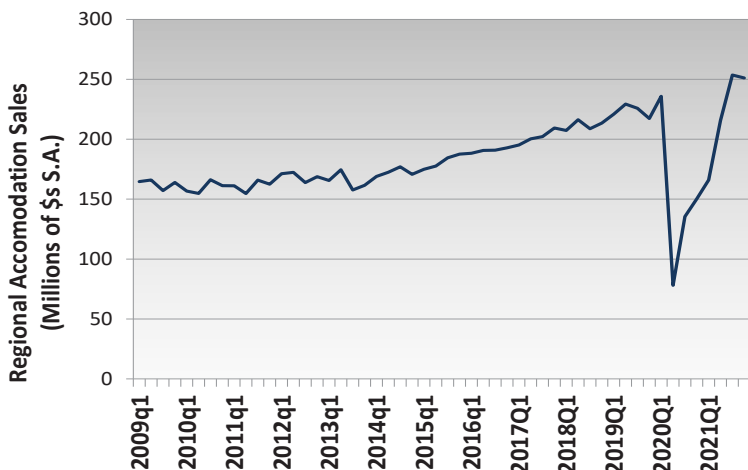
Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. When seasonally adjusted and averaged over 3 months, December shows the first month of declining sales since the summer months. Unadjusted, Dec 2021 shows only a 2.5% increase over Dec 2020, but a nearly 17% increase over Dec 2019. Retail sales are continuing to rise long-term as consumers spend more on goods and inflation drives up prices.



ESTIMATED HOTEL REVENUE, SEASONALLY ADJUSTED (Q) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

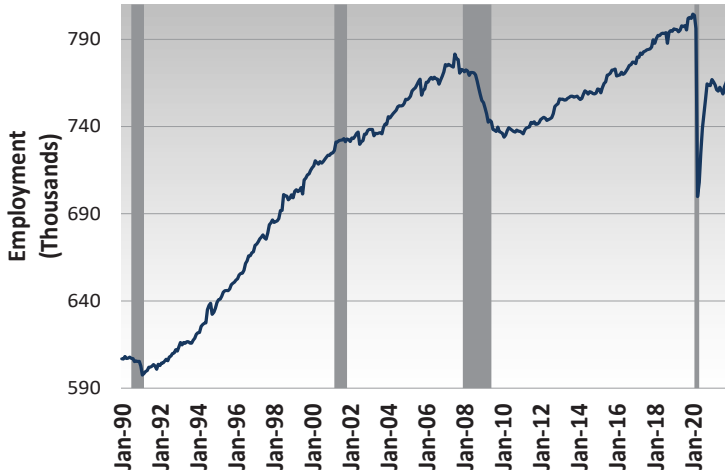
	Q4 2020	Q4 2021	Trend
Hampton Roads	\$150M	\$251M	▲
Virginia	\$490M	\$870M	▲

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. When seasonally adjusted, Q4 2021 hotel revenue once again saw improvement from the historic lows realized in Q2 2020 due to pandemic-related closures, however at lower levels than the preceding quarter. Hotel revenue in Q4 2021 represented nearly 70% increase over the previous year, but a roughly 1% decrease from Q3 2021.

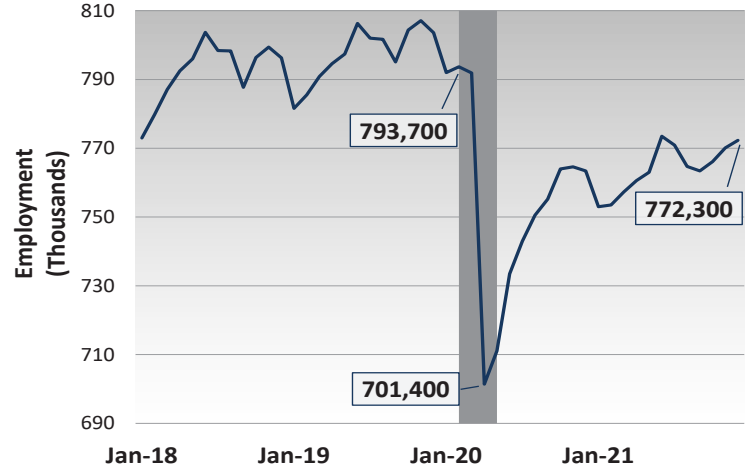


CIVILIAN PAYROLL EMPLOYMENT (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

HISTORICAL TREND, SEASONALLY ADJUSTED



3-YEAR, NOT SEASONALLY ADJUSTED



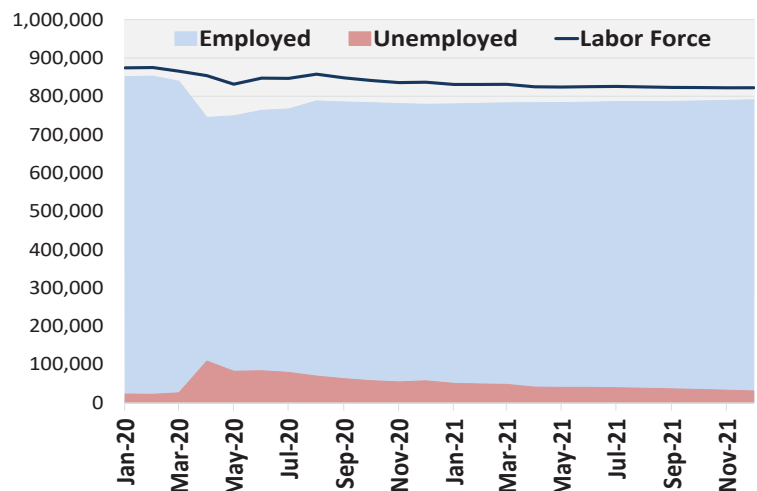
(seasonally adjusted)	Dec 2020	Nov 2021	Dec 2021	YoY % Change	MoM Trend
Hampton Roads	763,400	768,700	772,800	1.23%	▲
Virginia	3,881,000	3,976,000	3,988,000	2.76%	▲
United States	142,503,000	148,752,000	148,951,000	4.52%	▲

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. According to data from the Bureau of Labor Statistics, Hampton Roads employment (seasonally adjusted) increased by 0.53% from November to December 2021, the fourth month in a row of increases. Unadjusted employment levels also increased from the previous month for the third consecutive month. In Hampton Roads, year-over-year growth is recorded at 1.23%, a sign that winter of 2021 fared much better than 2020, despite COVID surges both years. Compared to the rest of Virginia and the US however, Hampton Roads is lagging in annual employment growth. Total payroll employment in the region remains roughly 4% below pre-COVID highs.

LABOR FORCE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Labor Force	Emp	Unemp	LF Trend
Nov 2021	822,208	789,268	32,940	▼
Dec 2021	822,189	791,074	31,115	

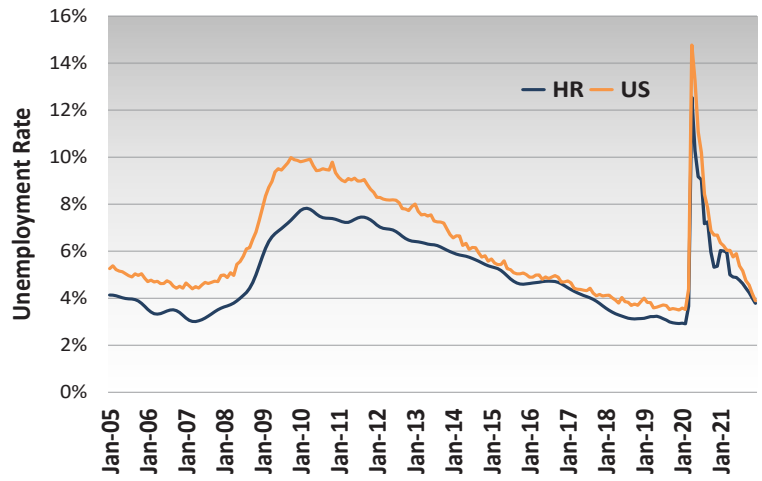
Labor Force: An economy's labor force is defined as those who are either employed or actively seeking work, and the breakdown of the labor force is often used in conjunction with the unemployment rate to offer some perspective into the true state of the economy. As outlined in the main article, the region's labor force has been slowly declining since the onset of the pandemic and currently sits nearly 5% below January 2020 levels.



UNEMPLOYMENT RATE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Dec '20	Nov '21	Dec '21	Trend
Hampton Roads	5.36%	4.01%	3.78%	▼
Virginia	5.55%	3.42%	3.2%	▼
United States	6.69%	4.2%	3.89%	▼

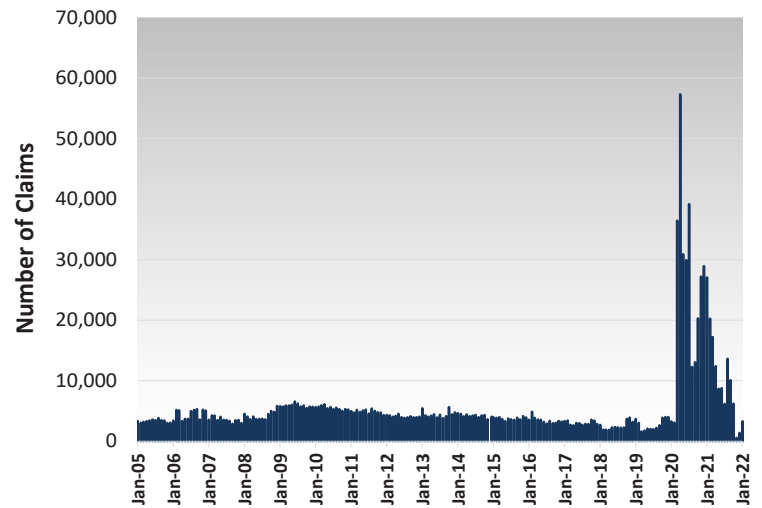
Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate decreased again to 3.78% in December 2021, reflected by a slight decrease in the labor force, increase in employment, and a decrease in the number of unemployed persons (all seasonally adjusted).



INITIAL UNEMPLOYMENT CLAIMS, SEASONALLY ADJUSTED (M) SOURCE: VIRGINIA DEPT OF LABOR, HRPDC

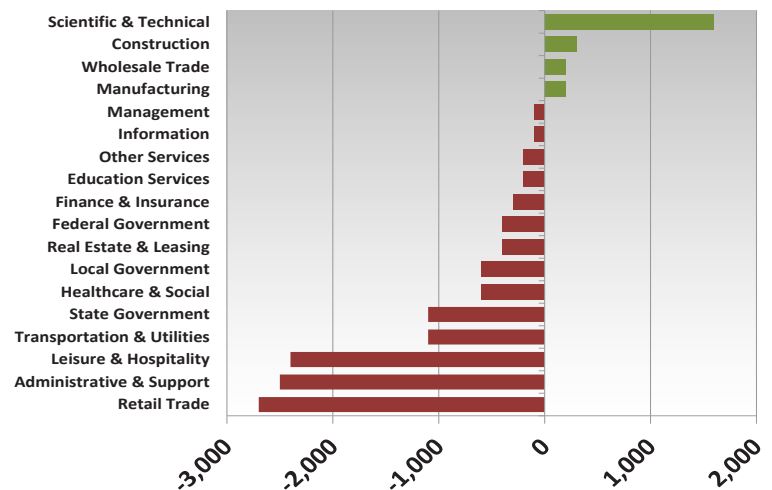
	Dec '21	Jan '22	Trend
Hampton Roads	1,387	3,300	▲
Virginia	15,936	9,017	▼

Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. In January 2022, initial unemployment claims increased significantly from the previous month, likely due to both impacts from the sudden surge in COVID due to the Omicron variant and a technical issue that has inaccurately low counts recorded for Nov and Dec 2021.



EMPLOYMENT GROWTH BY INDUSTRY (DEC, YEAR-OVER-YEAR) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

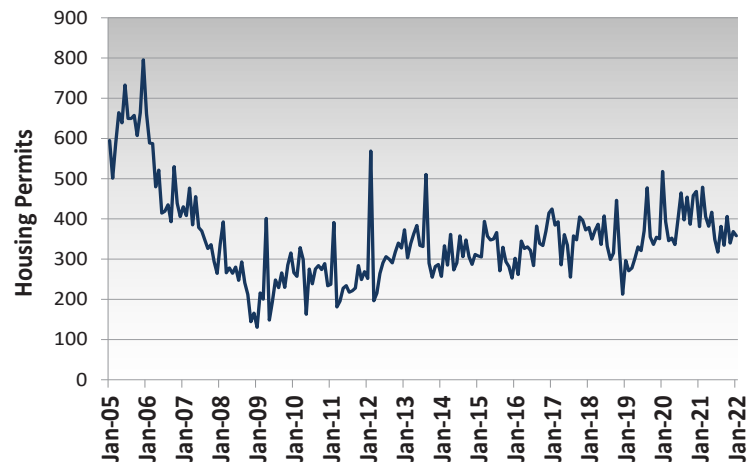
Employment Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. In December, the majority of Hampton Roads industries experienced a decrease in year-over-year employment compared to December 2020, when the economy was beginning to experience a winter surge of COVID. Most significant gains were Scientific & Technical, which added nearly 2,000 jobs compared to December 2020, followed by Construction and Wholesale Trade. Retail, Administrative & Support and Leisure & Hospitality realized the highest losses compared to 2020.



SINGLE FAMILY HOUSING PERMITS, SEASONALLY ADJUSTED (M) SOURCE: US CENSUS BUREAU, HRPDC

	Jan '21	Dec '21	Jan '22	Trend
Hampton Roads	381	369	358	▼

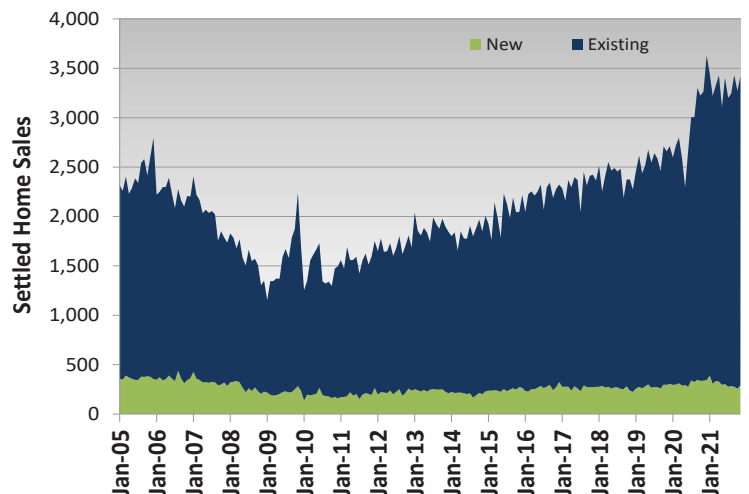
Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. When seasonally adjusted, there were 358 new construction permits issued for single family homes in January 2022. The data continues to show small variances month to month over the past year, but the trend is continuing to plateau. As the market continues to respond, the flattening trend may remain until the industry can increase capacity in response to increased demand.



NUMBER OF HOMES SOLD, SEASONALLY ADJUSTED (M) SOURCE: REIN, HRPDC

	Nov '20	Oct '21	Nov '21	Trend
Hampton Roads	3,266	3,271	3,417	▲

Home Sales: Settled home sales measure the level of transactions on the real estate market over time, and a healthy real estate market should have a consistent level of activity. Seasonally adjusted, existing home and total settled sales in November increased from October, remaining elevated with over 3,400 homes sold, but certainly the trend is showing a plateau. Unadjusted, total home sales have been declining for the past five months as the slow season is upon us, but are still elevated compared to 2019.



HOME PRICE INDEX, ALL TRANSACTIONS (Q) SOURCE: FEDERAL HOUSING FINANCING AGENCY, HRPDC

	Q4 2020	Q4 2021	Trend
Hampton Roads	130.7	149.6	▲
Virginia	132.6	151.4	▲
United States	141.8	167.1	▲

Home Price Index: The home price index measures the value of homes by evaluating changing price levels through repeated sales of properties. Hampton Roads' home prices increased, yet again, by 14.5% over the previous year in Q4 2021, slightly higher rate than the state and about 3.5 percentage points lower than the nation—still a record high. Regional housing values are now nearly 15% higher than the peak of the 2007 housing boom, but looks to be cresting ever so slowly.

