

#### 18TH ANNUAL

# ECONOMICSUMMIT

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# WELCOME



#### IDA DENNIS

DAAR 2024 PRESIDENT

# TODAY'S SPEAKERS







#### DR. LAWRENCE YUN

DR. LISA STURTEVANT

CHIEF ECONOMIST & SENIOR VICE PRESIDENT, RESEARCH, NAR CHIEF ECONOMIST BRIGHT MLS

#### BUDDY RIZER

EXECUTIVE DIRECTOR DEPARTMENT OF ECONOMIC DEVELOPMENT, LOUDOUN COUNTY



# **2023 REALTOR® AWARDS**

Thursday, April 11, 2024 4:00pm-7:00pm

**Applications Due March 13th** 







St. Patrick's Day





MARCH 14 FROM 4:00PM-6:00PM AT HARVEST GAP BREWERY 15485 PURCELLVILLE RD HILLSBORO, VA 20132

> DRINKS AND SNACKS INCLUDED MAKE SURE TO WEAR GREEN



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## EVENT SPONSOR

#### LAURIE MACNAUGHTON



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## DR. LAWRENCE YUN

CHIEF ECONOMIST & SENIOR VICE PRESIDENT, RESEARCH, NAR

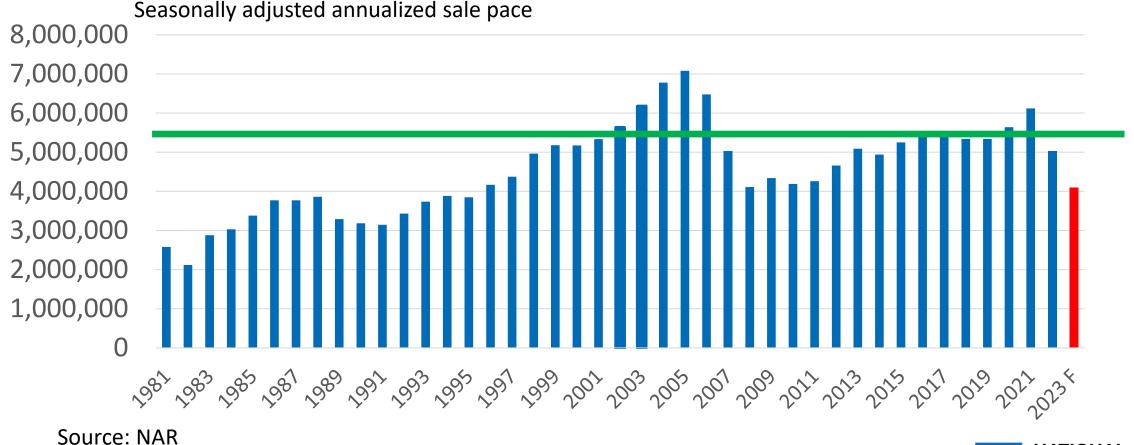


**Real Estate** Market Outlook Lawrence Yun, Ph.D. Chief Economist NAR

10

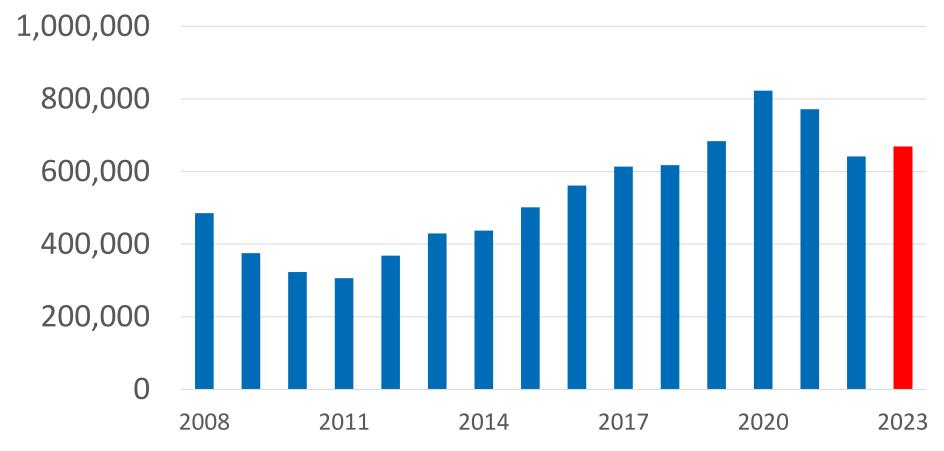


### Annual Existing Home Sales: 18% decline and 19% decline Worst Year since 1995





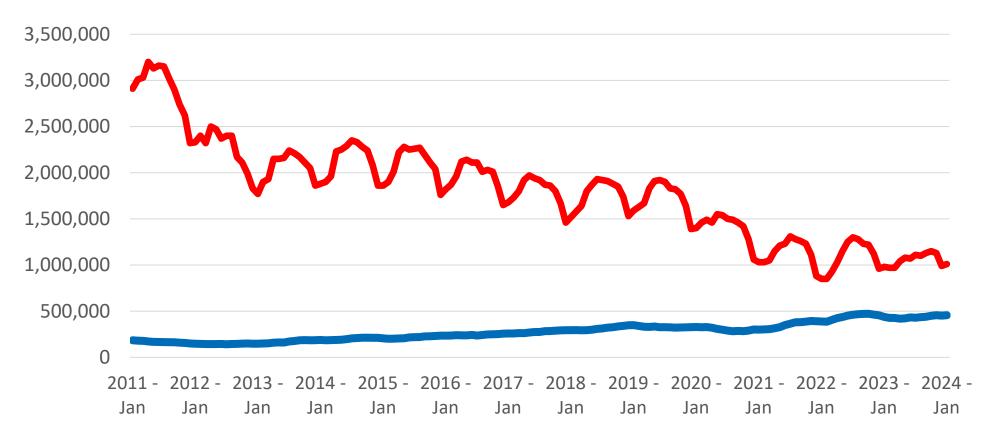
#### Annual New Home Sales 3<sup>rd</sup> best year since 2008 foreclosure year



Source: Census and HUD



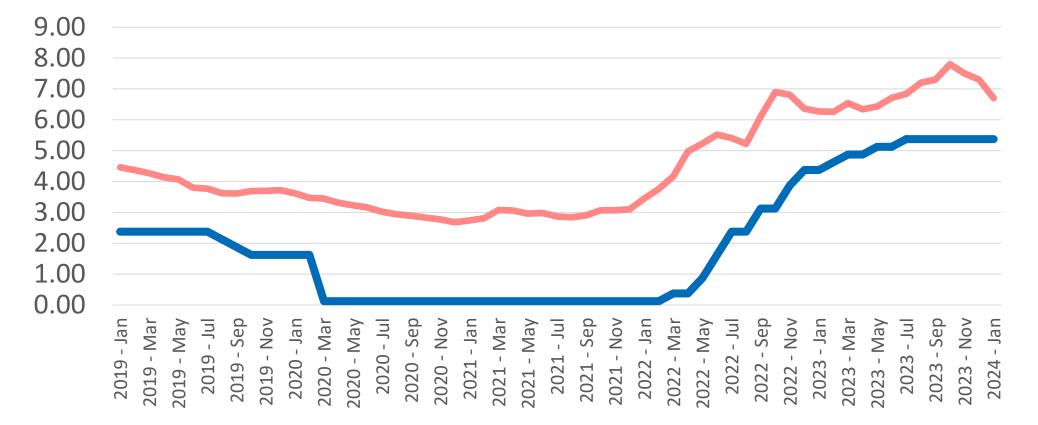
#### Inventory of Existing Homes Falling Inventory of New Homes Rising



Source: NAR



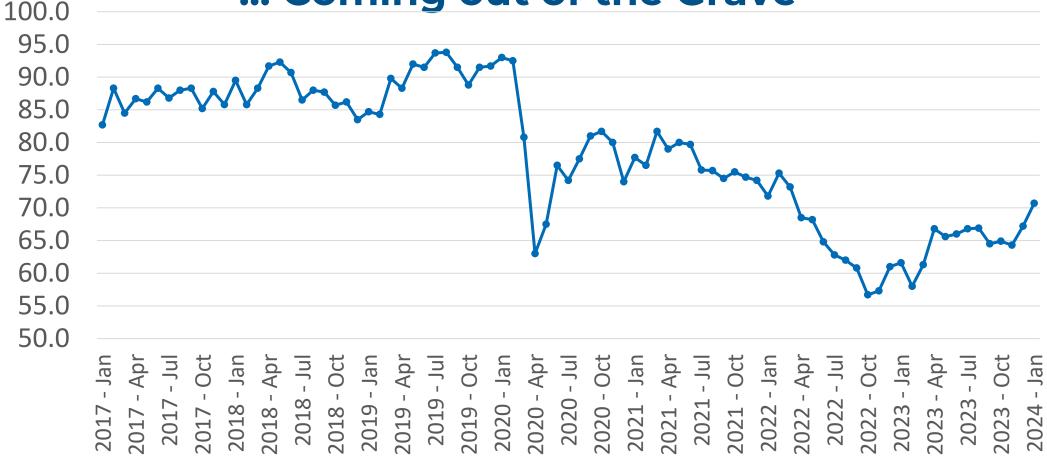
#### **30-year Mortgage and Fed Funds Rate ... Likely Peaked**



Source: U.S. Treasury and Federal Reserve



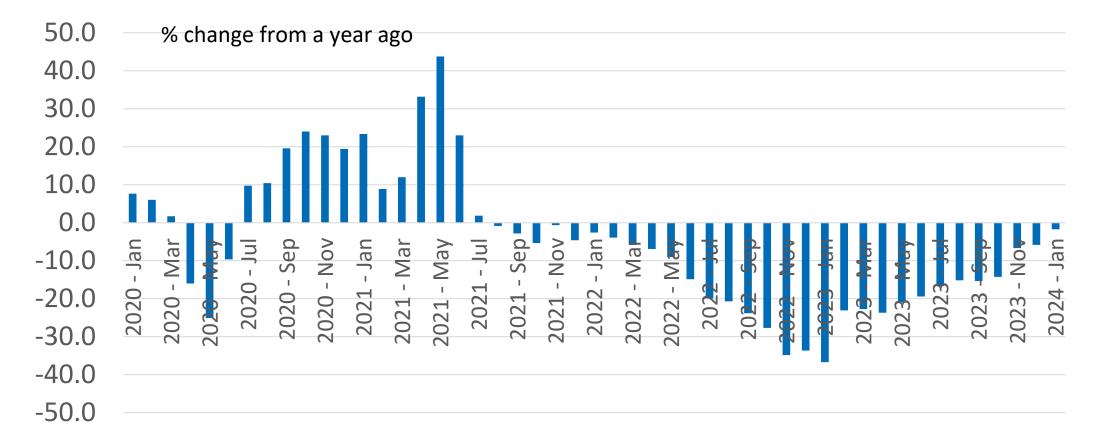
#### Fannie Mae Home Purchase Sentiment Index ... Coming out of the Grave



Source: Fannie Mae

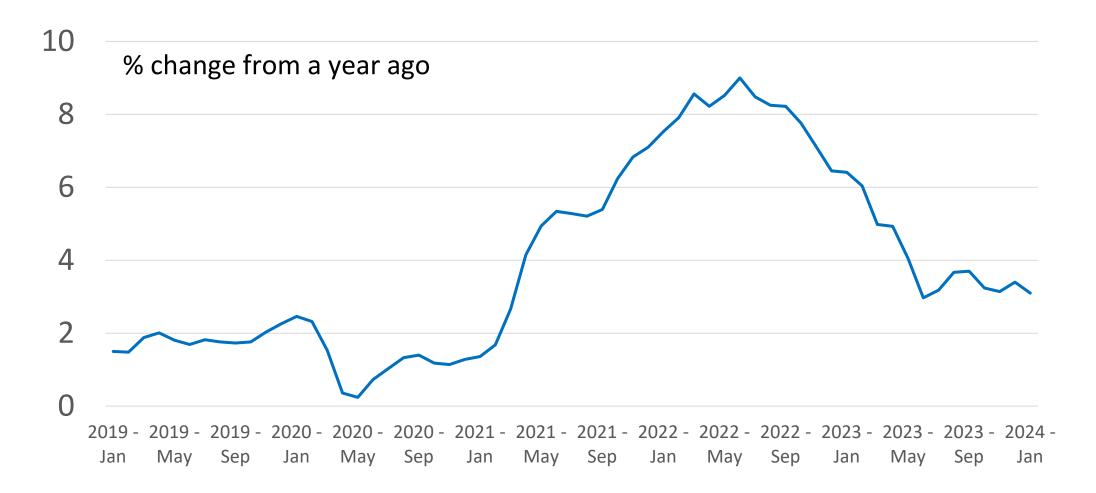


## **Existing Home Sales ... Ready to Turn Higher**





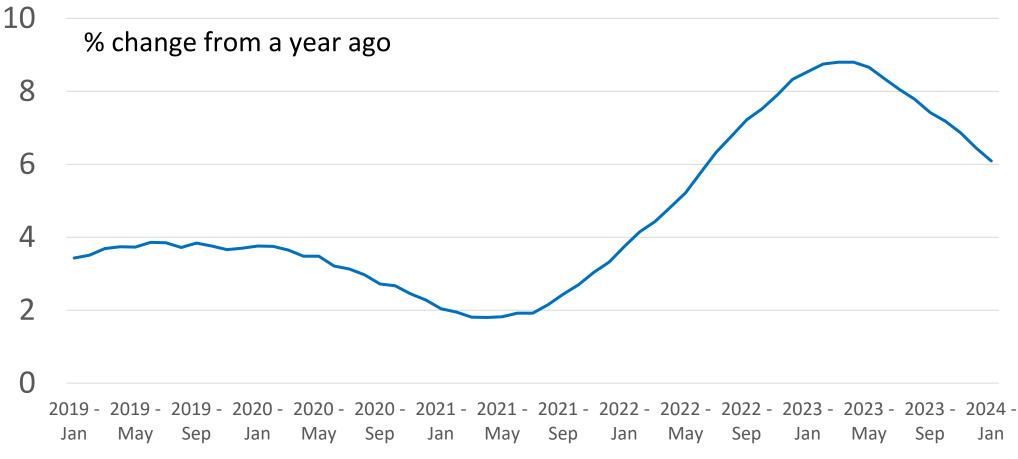
#### **CPI ... 3.1% in January ... Not yet 2%**



Source: BLS



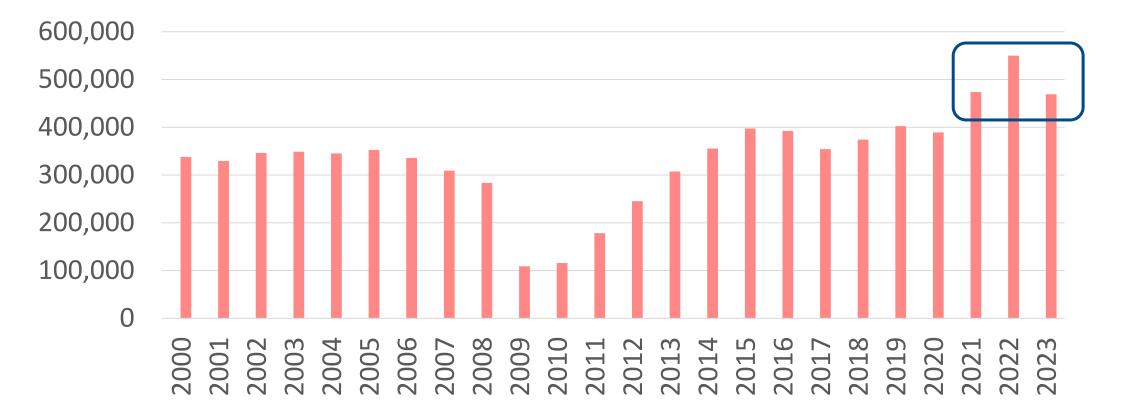
#### Rent Component CPI ... 6.1% in January ... Not yet 2%





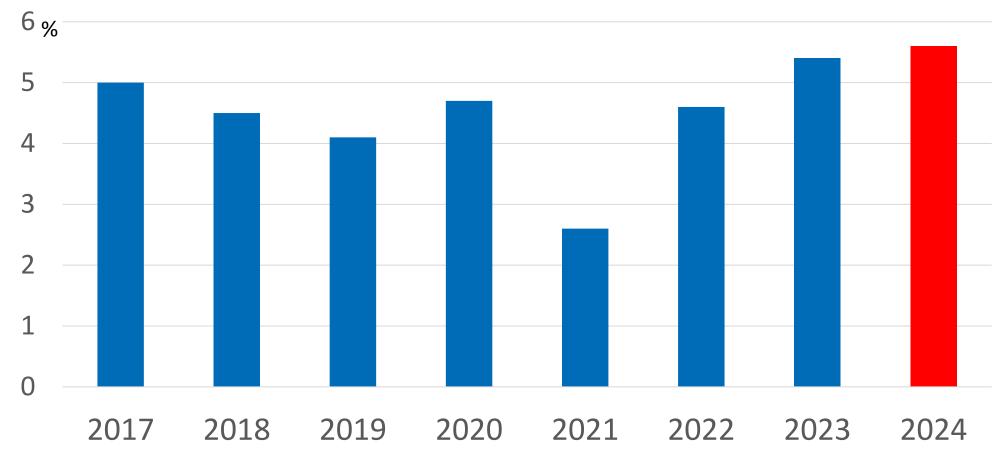


#### Annual Apartment Construction at 40-year Highs for three years ... Why has Rent Not Calmed Down?



Source: Census/HUD

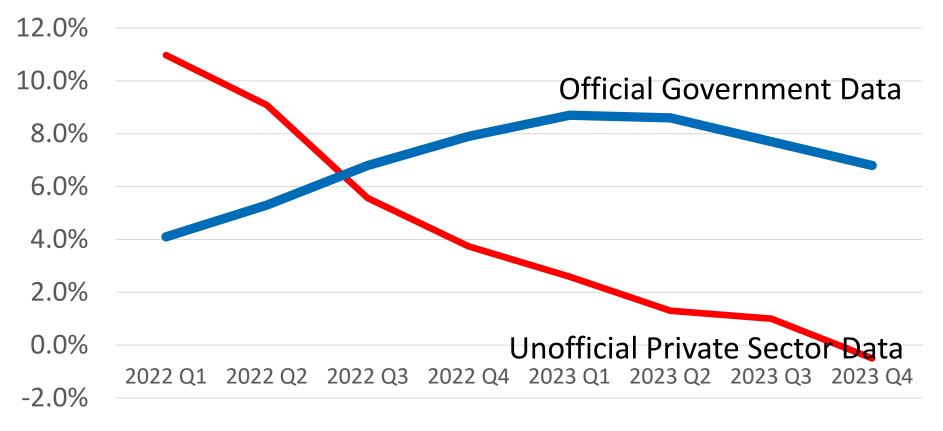
#### **Private Sector Data on Apartment Vacancy Rate**



Source: CBRE/ULI and NAR Forecast



#### **Rents Strengthening or Softening?**



Source: BLS and CoStar



#### **Future Rent Growth should be Calmer**

#### **Future CPI should be Calmer**

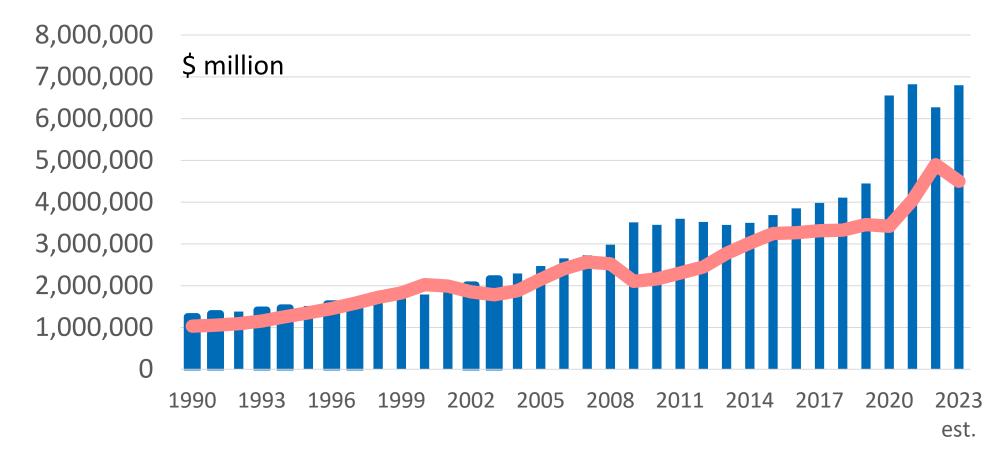
#### The Fed can cut interest rates

#### But

#### **Further Pivot could be limited by Budget Deficit**

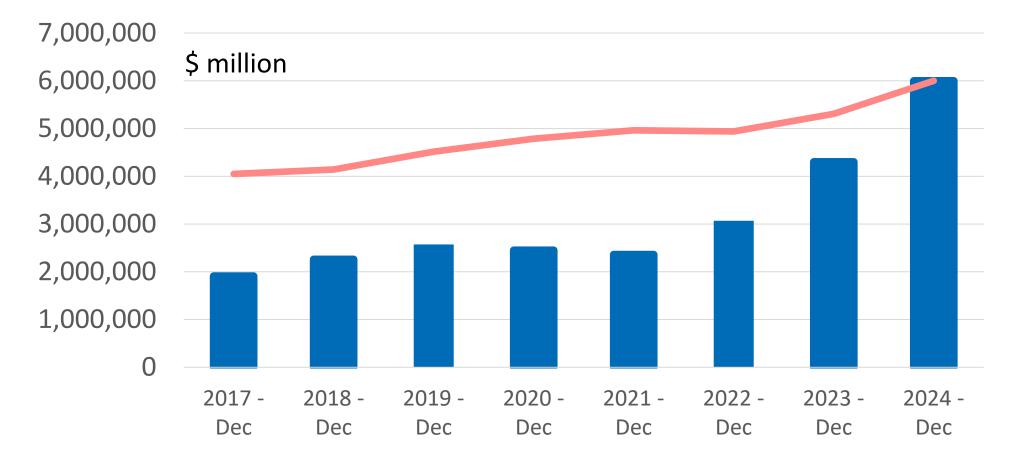


### Government Deficit Further Pressuring Rate Rise? Government Outlay > Tax Revenue



Source: Congressional Budget Office

### Interest Cost of Financing National Debt Soaring and matching National Defense Spending



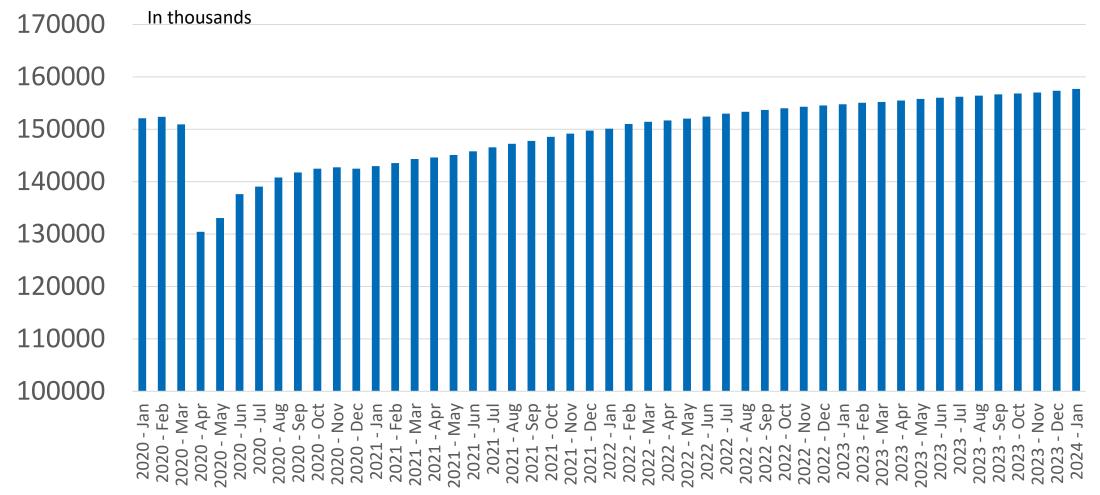


#### **Long-Term Real Estate Demand**

#### **Come from Jobs Jobs Jobs**



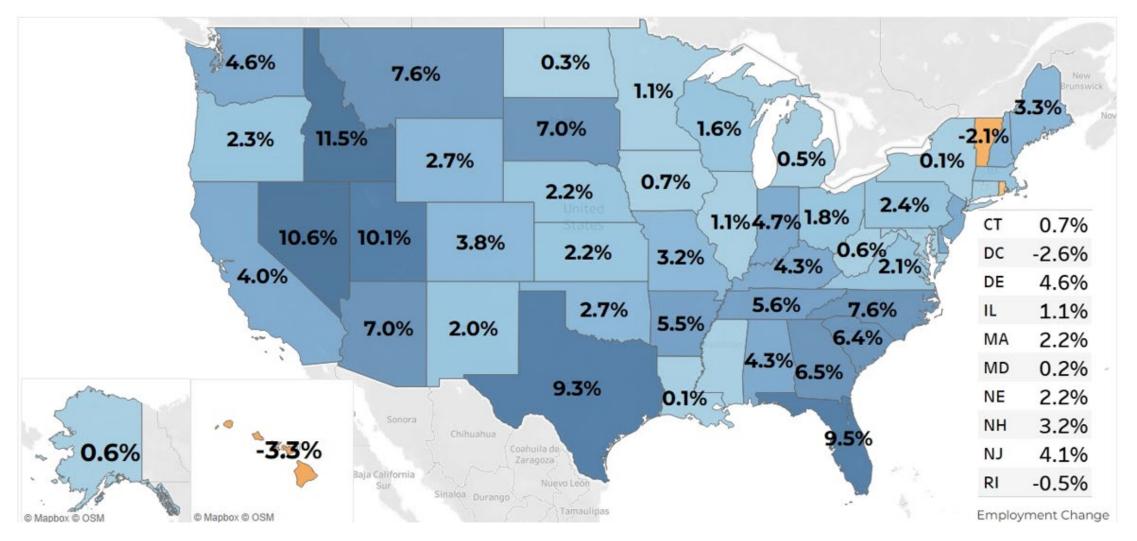
## Total Payroll Jobs 5 million more compared to pre-covid highs



Source: BLS



#### Job Gains Since Pre-Covid Record High Payroll Employment (% change from March 2020 to December 2023)



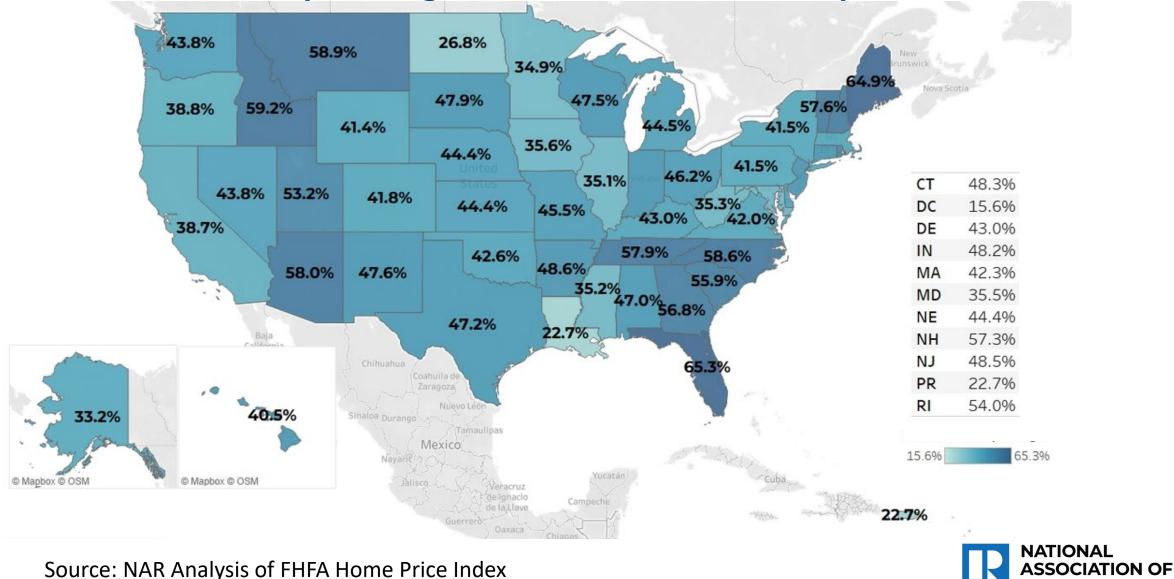
Source: NAR Analysis of BLS data



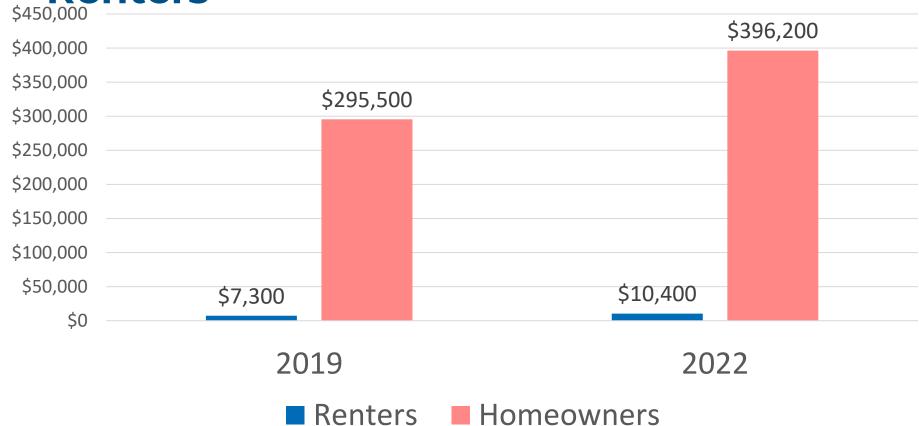
## **Homeowners are Smiling**



#### Home Price Appreciation since Covid Arrival (% change from 2020 Q1 to 2023 Q3)



#### Wealth Comparison between Owners and Renters



Source: Median Net Worth from Federal Reserve Survey of Consumer Finance



#### Forecast



## Mortgage Rates to Fall

**30-year Fixed Rate to be 6% to 7% by the early spring** 

- 1. Rents will calm down further ... Holds down CPI ... and allow the Fed to cut interest rates
- 2. Community banks are suffering from high interest rates
- 3. Spread with government bond with a return to normal

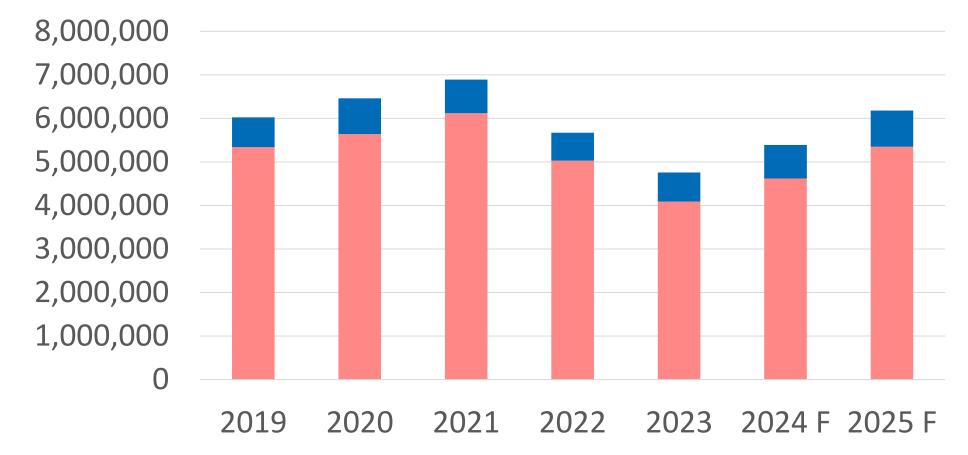


Pent-Up Delayed Sellers Cannot Wait Longer What happens over 2 years?

- 7 million new-born babies
- 3 million marriages
- 1.5 million divorces
- 7 million turn 65 years old
- 4 million deaths
- 5 million net new jobs
- 50 million job switches



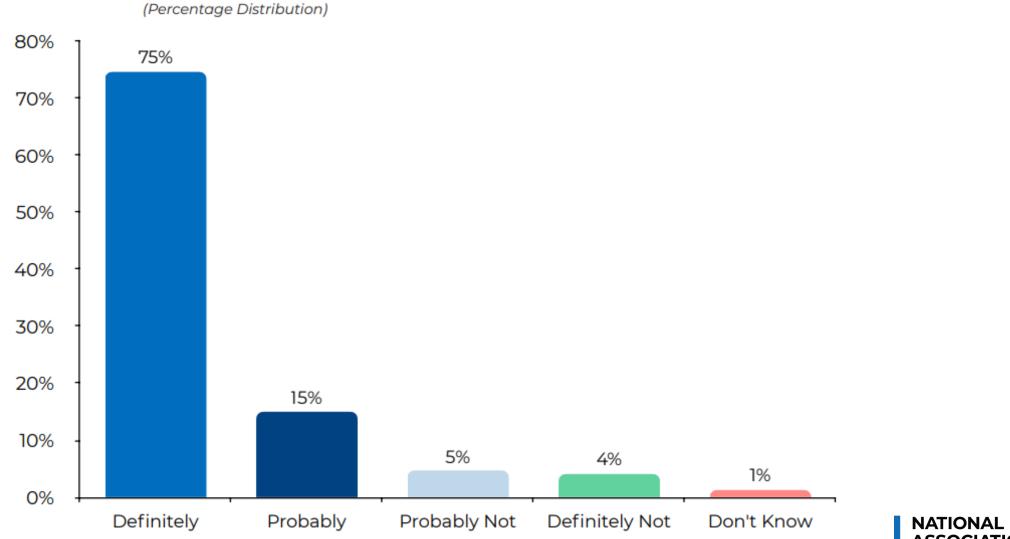
#### Total Home Sales: Rising the next two years ... to 2019 precovid levels



Source: NAR forecast and HUD



#### Would Homebuyer Use the Same Agent Again or Recommend to Others?



ASSOCIATION OF REALTORS®

# **Thank You !**



# DR. LISA STURTEVANT

CHIEF ECONOMIST BRIGHT MLS



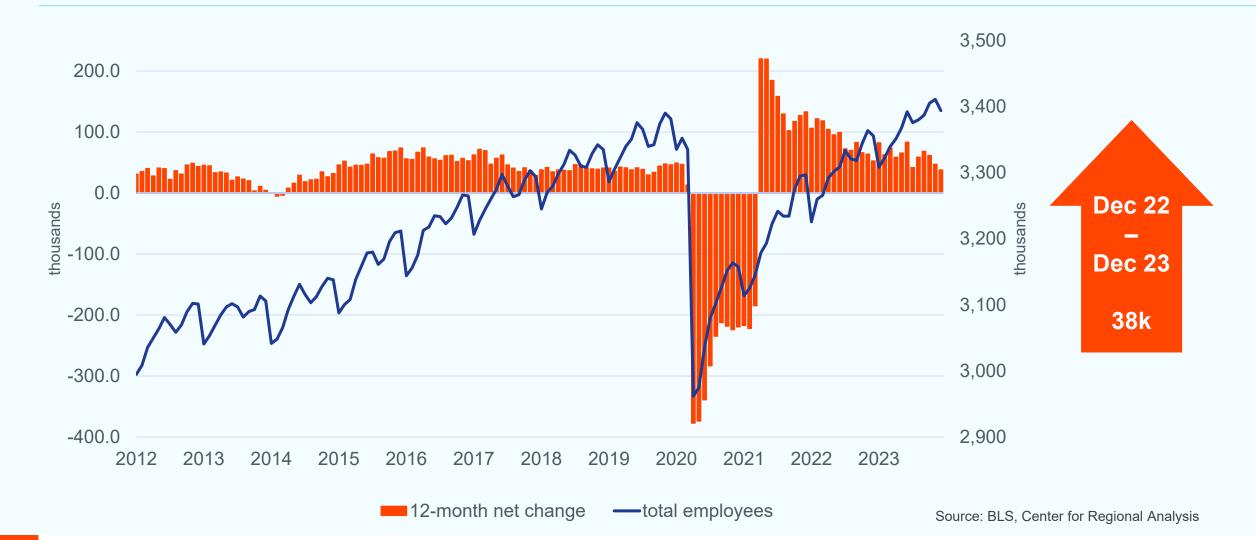


#### 2024 Housing Market Outlook Loudoun County and the Washington DC Metro

Dulles Area Association of REALTORS<sup>®</sup> Economic Summit March 6, 2024



### Washington DC metro area employment



### Job growth in Northern Virginia has outpaced DC/Suburban Maryland



#### b\_

40

### Working from home is here to stay...for some, in some places



Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.

#### Working from home more common in larger metros

#### Share of Workers Regularly Working from Home, 2021

Metro Area	WFH Share		
San Francisco	35%		
San Jose	35%		
Washington DC	33%		
Austin	32%		
Raleigh	31%		
Seattle	31%		
Denver	28%		
Portland	27%		
Boston	27%		
Minneapolis	26%		

Metro Area	WFH Share		
Memphis	12%		
New Orleans	12%		
Oklahoma City	12%		
Las Vegas	12%		
Riverside	14%		
Virginia Beach	14%		
Buffalo	14%		
Louisville	15%		
Houston	15%		
San Antonio	16%		

Source: 2021 ACS Based on 50 largest MSAs

### Regional economy drives WFH share Most common for Professional Services Sector

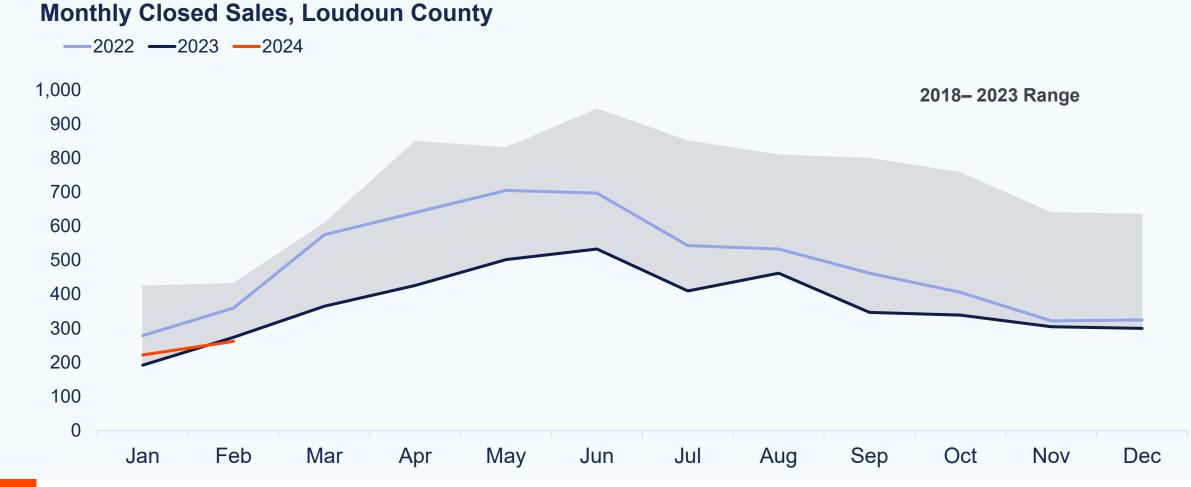
#### Share of Workers Regularly Working from Home, 2021

Metro Area	WFH Share	Top Industry*		Metro Area	WFH Share	Top Indus
San Francisco	35%	Prof Svcs		Memphis	12%	Transp
San Jose	35%	Prof Svcs		New Orleans	12%	Acc & Food
Washington DC	33%	Govt		Oklahoma City	12%	Govt
Austin	32%	Mgmt		Las Vegas	12%	Arts & En
Raleigh	31%	Prof Svcs		Riverside	14%	Transp
Seattle	31%	Prof Svcs		Virginia Beach	14%	Govt
Denver	28%	Info		Buffalo	14%	Educ Svc
Portland	27%	Manuf		Louisville	15%	Transp
Boston	27%	Prof Svcs		Houston	15%	Mgmt
Minneapolis	26%	Mgmt		San Antonio	16%	Mgmt

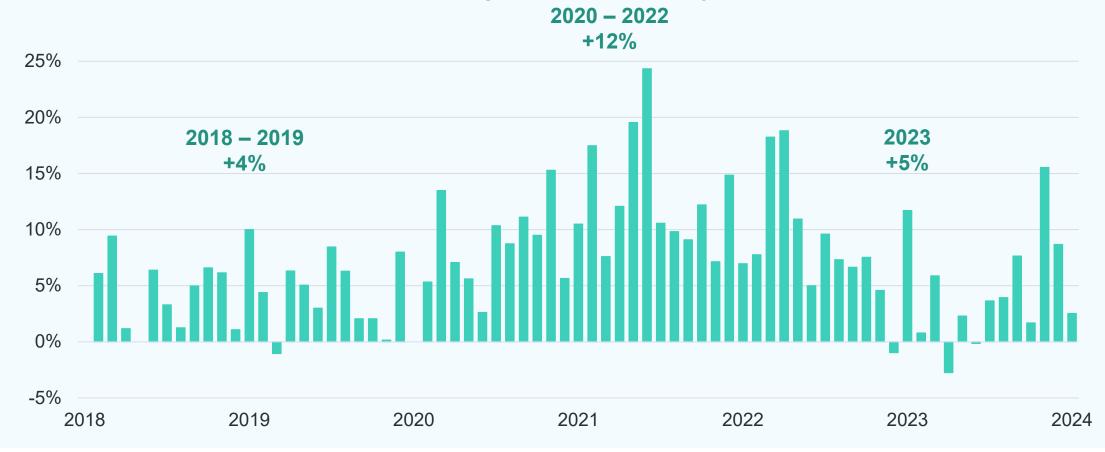
Source: 2021 ACS Based on 50 largest MSAs \*LQ industry analysis

# Local Housing Market Trends

### Sales have been at record lows in Loudoun County



### Despite fewer sales and higher rates, home prices have been rising



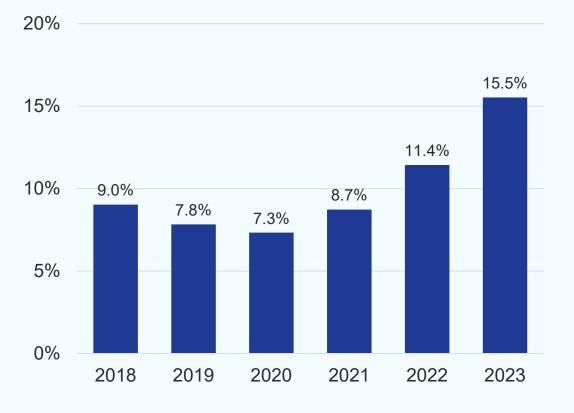
#### Median Home Price, Year-over-Year Change, Loudoun County

### Home prices up faster in Loudoun County than in other parts of the region

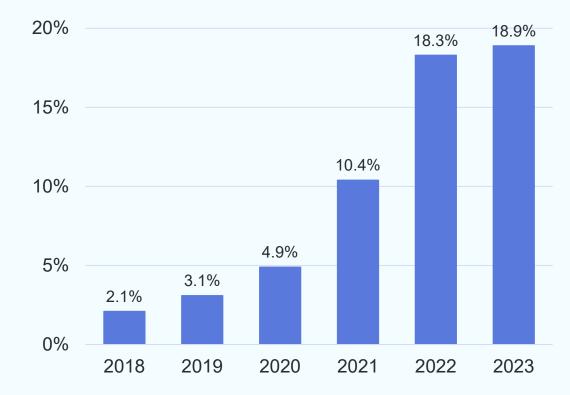


### Cash sales, \$1M+ home sales increased significantly

#### Loudoun County Share of Home Sales, All Cash



#### Loudoun County Share of Home Sales, \$1 Million+



### Age-restricted homes are a growing share of the Loudoun County market



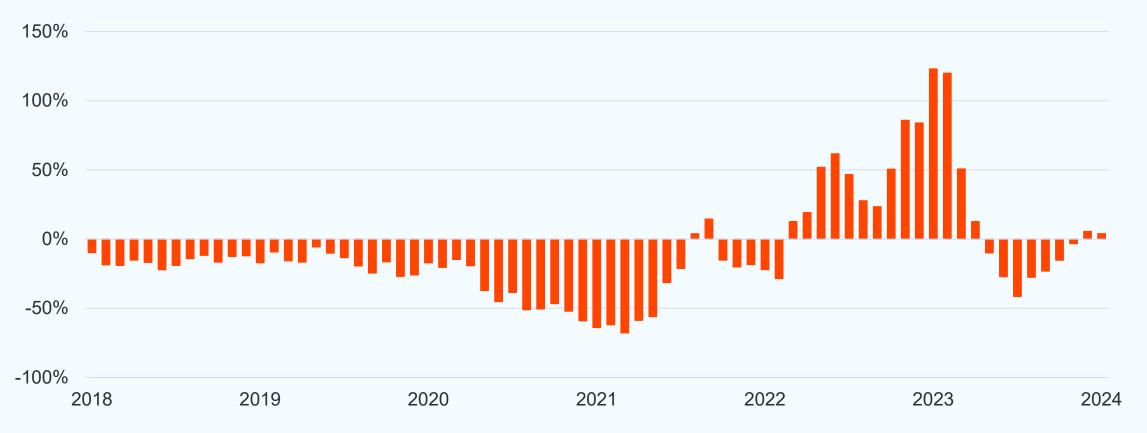
Share of Home Sales, Age Restricted

1 out of 5 of Loudoun County <u>active listings</u> are age-restricted properties

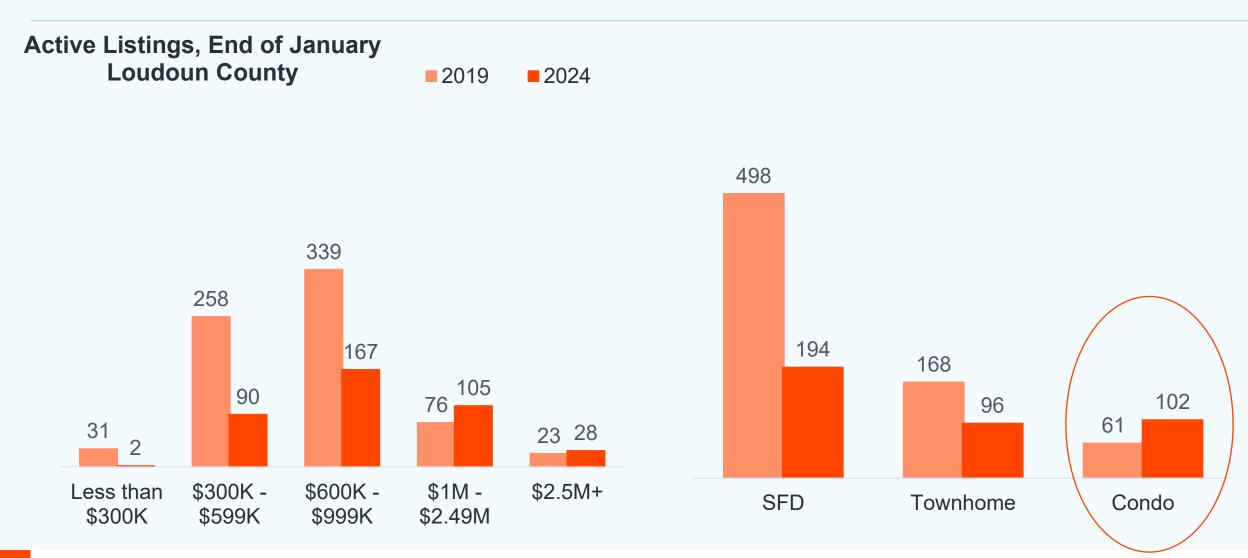


### Low inventory continues to be a constraint on the market

#### Active Listings (End of the Month), Y-o-Y Change, Loudoun County

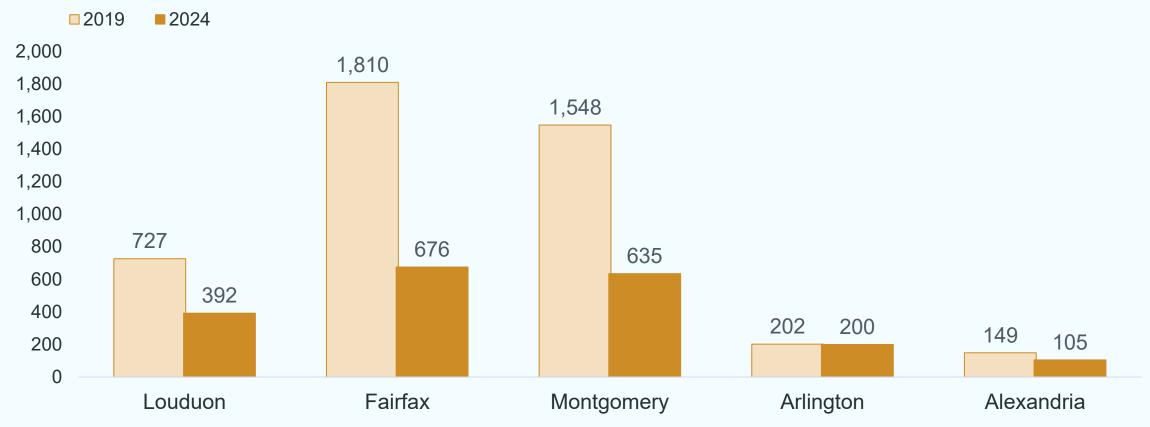


Inventory is severely limited across price levels



Inventory is down across the region Biggest deficits in biggest suburbs

#### Active Listings, End of January

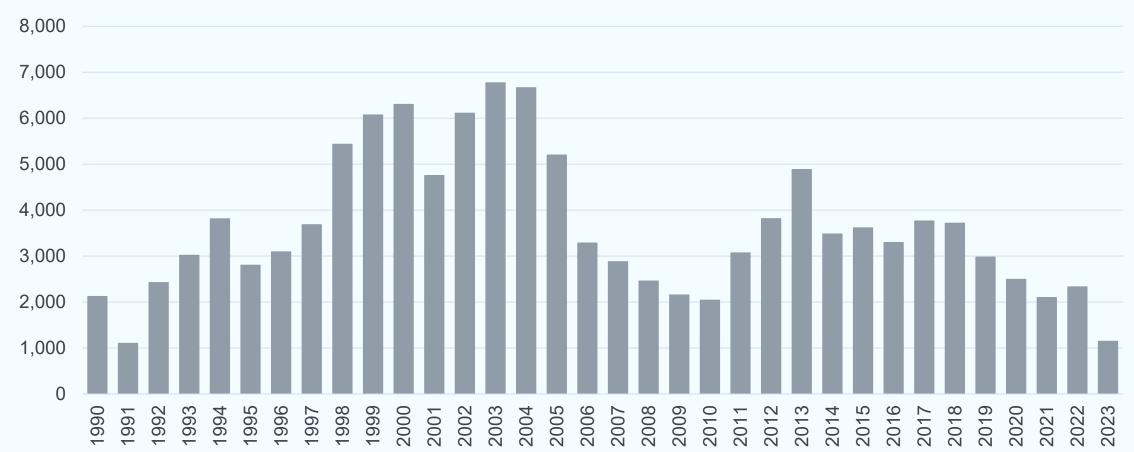


### New listing activity has been at a two-decade low but could be rising

#### Monthly New Listings, Loudoun County



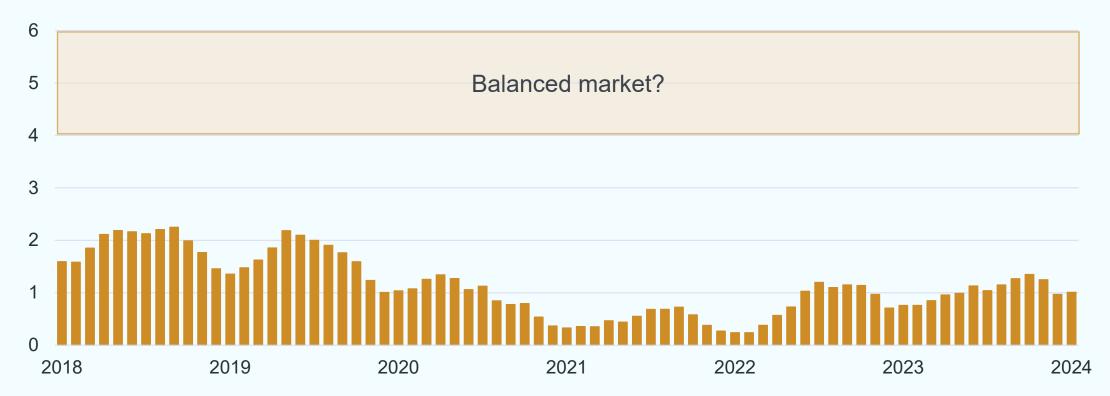
### New construction has eased in the past few years



#### Building Permits Issued for the Construction of New Housing Units, Loudoun County

### Loudoun County has not had a balanced market in years

#### Months of Supply, Loudoun County



# Outlook

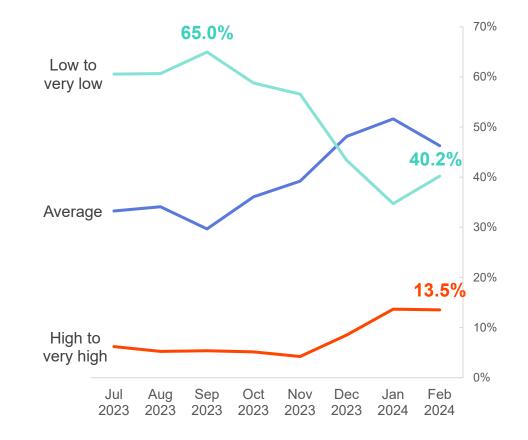
#### High Expectations for Buyer Activity Grow, Seller Outlook Less Optimistic

**Buyer and Seller Activity Over the Next Three Months** 

Buyer Outlook

70% **56.6%** 60% 50% Average 40% High to very high 30% Low to 20% very low 17.6% 10% 0% Feb Jul Oct Nov Dec Jan Aug Sep 2023 2023 2023 2023 2023 2023 2024 2024

Seller Outlook



### Mortgage Rate Outlook Expect rates to remain in the 6's in 2024



- Mortgage rates coming down, ending the year around 6%
- Strong local economy
  - Potential minor weaknesses in tech sector
- Persistence of work from home
  - Federal government remains a wild card

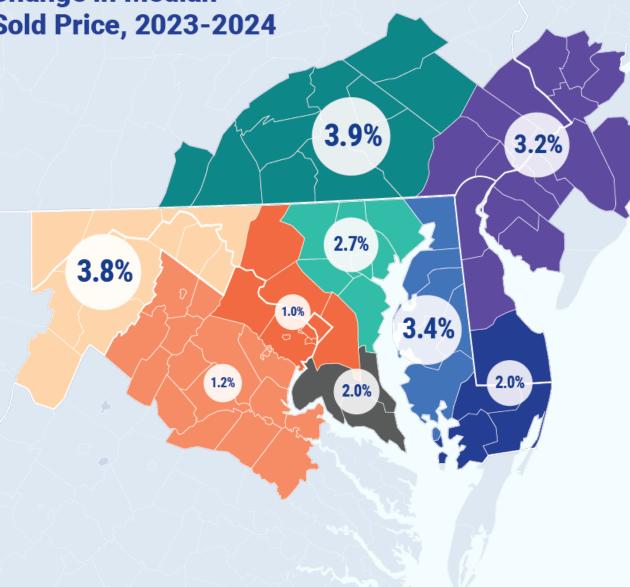
Risks

- Federal government shutdowns
- Presidential election
- Global conflicts

## 2024 Housing Market Outlook

Existing Home Sales	2024 Sales	Change from 2023	Year-End Inventory	2024 Inventory	Change from 2023
U.S.	4.6 million	+12.1%	U.S.	1.28 million	+7.6%
Bright MLS	239,300	+13.5%	Bright MLS	38,800	+9.3%
Philadelphia Metro	69,700	+12.6%	Philadelphia Metro	12,400	+10.7%
Baltimore Metro	34,100	+11.8%	Baltimore Metro	5,000	+11.1%
Washington, D.C. Metro	52,500	+11.2%	Washington, D.C. Metro	7,900	+8.2%

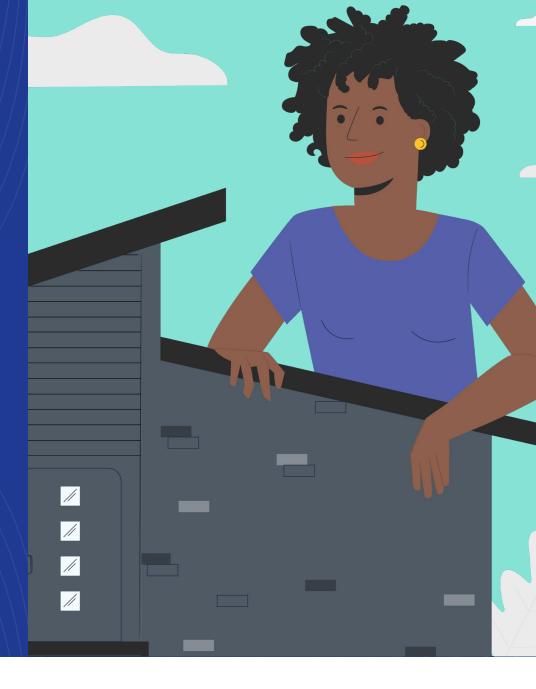
#### Change in Median Sold Price, 2023-2024



### **Home Prices Rising Across the Bright Service Area**

- MD/WV Panhandle
- **North Central Virginia**
- Washington, D.C., Metro Area
- **Central Pennsylvania**
- **Baltimore Metro Area**
- **Southern Maryland**
- **Maryland Eastern Shore**
- Philadelphia Metro Area
- Del/Mar Coastal

Thank you! Lisa Sturtevant Lisa.Sturtevant@brightmls.com



# BUDDY RIZER

EXECUTIVE DIRECTOR DEPARTMENT OF ECONOMIC DEVELOPMENT, LOUDOUN COUNTY





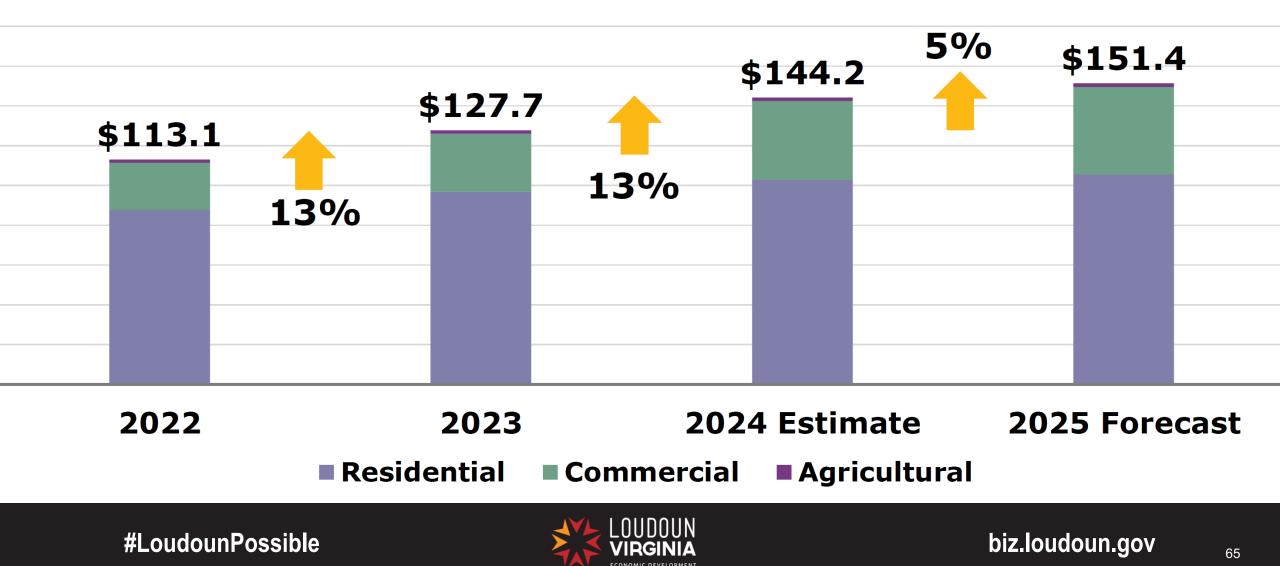
## Riding the Waves: How the Changing Economic Tides Impact Real Estate in Loudoun County

#LoudounPossible

biz.loudoun.gov

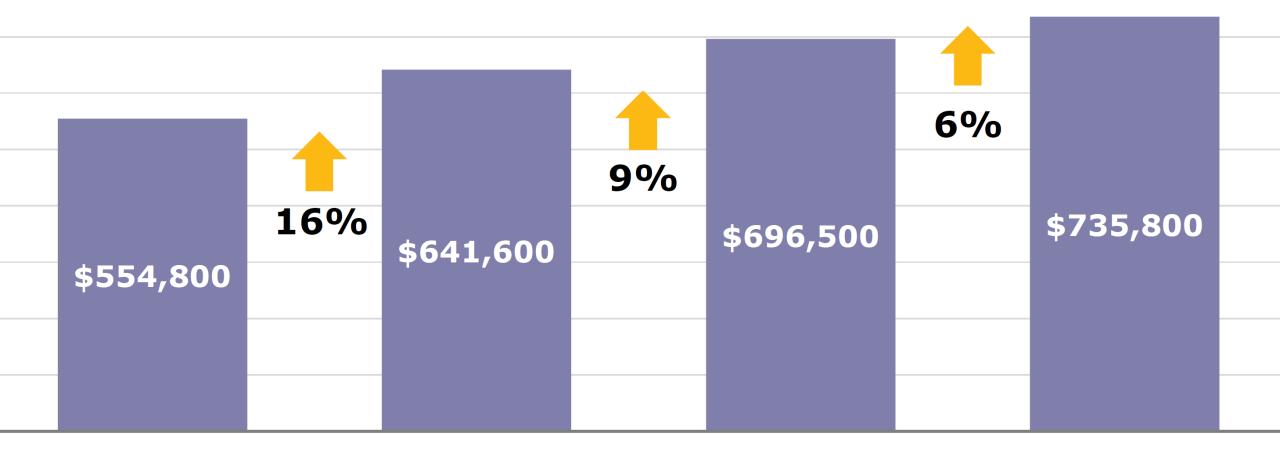
# TREND: INCREASE IN PROPERTY VALUE

LOUDOUN OVERALL TAX BASE, IN \$BILLIONS



# TREND: INCREASE IN HOME VALUES

(AVERAGE ASSESSED VALUE FOR LOUDOUN OVERALL)



2021

2022



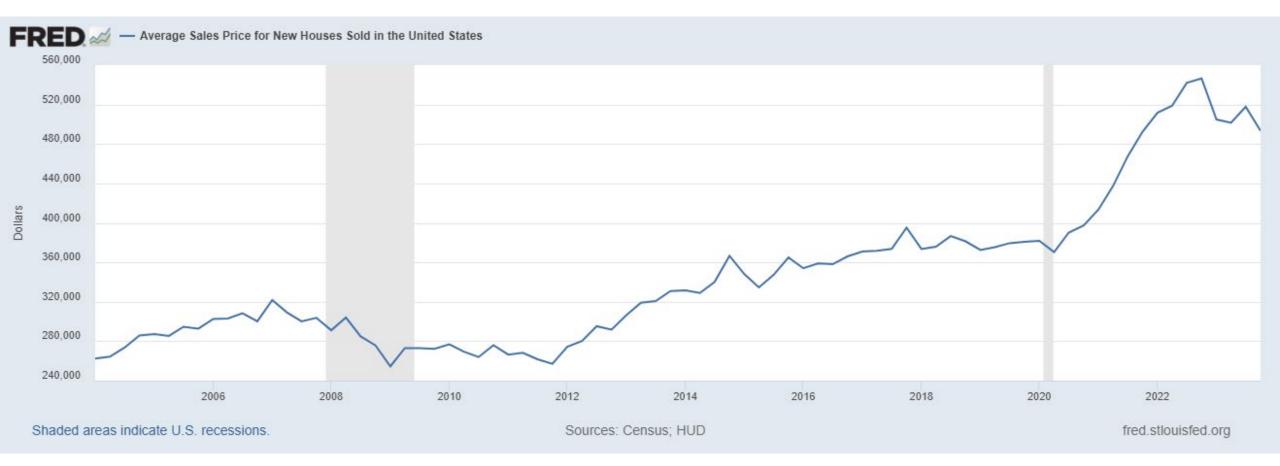
2024

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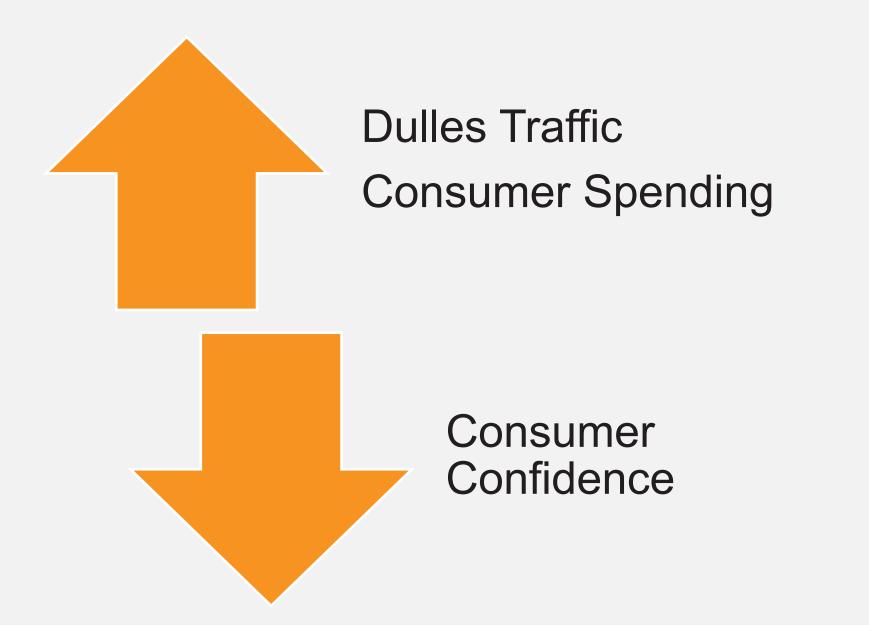


biz.loudoun.gov

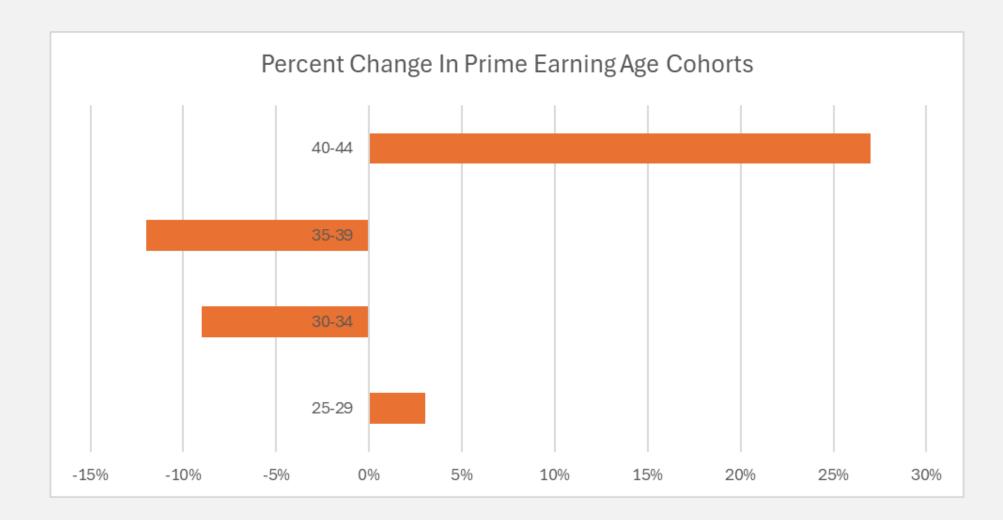
# **NATIONAL TRENDS**









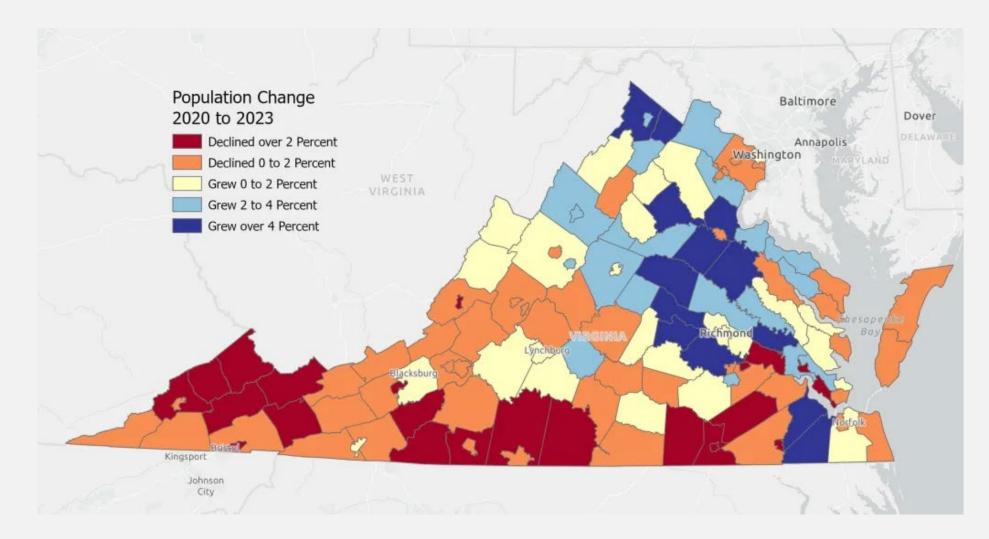


Courtesy of the GMU Center for Regional Analysis

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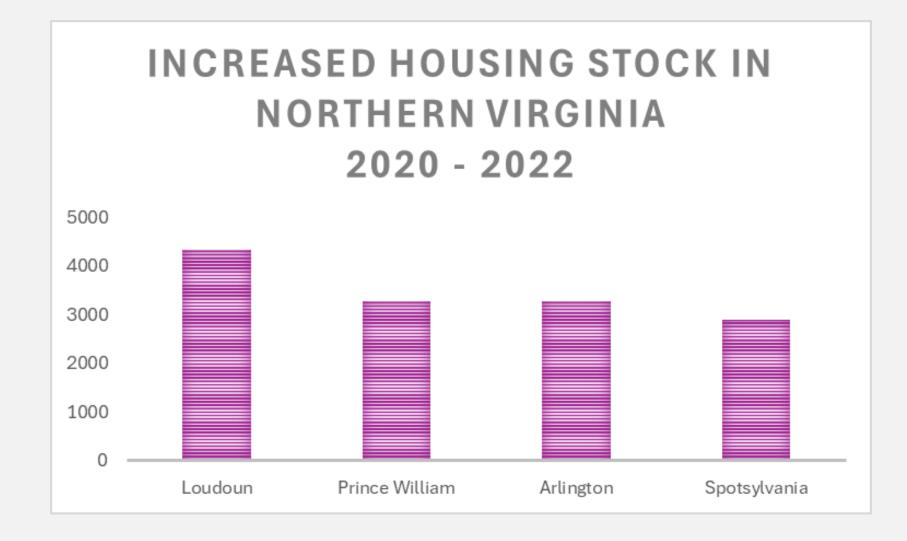




Courtesy of Weldon Cooper Center for Public Service, University of Virginia.

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Courtesy of the GMU Center for Regional Analysis

#### #LoudounPossible



# **NEXT STOP: LOUDOUN**



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# LOUDOUN'S NEW DEVELOPMENTS NEAR METRO

### 1 Rivana at Innovation Station



**④** Loudoun Station



### **2** Waterside



### **(5)** Grammercy District



### **③Silver District West**



### **6** Moorefield Station



### #LoudounPossible



# **TRANSIT-FOCUSED DEVELOPMENTS: RIVANA**

- Groundbreaking!
- Community Development Authority supports Rivana at Innovation Station
- Mixed-use development at the confluence of major transportation routes includes:
  - Destination retail village
  - 2.4 million square feet Class-A office
  - 350,000 square feet other commercial space
  - 2,700 residential units
  - 500-room hotel
  - Performing arts venue
  - Expansive public parks





# **Soaring Interest Rates!**



# **Record Low Occupancy!**

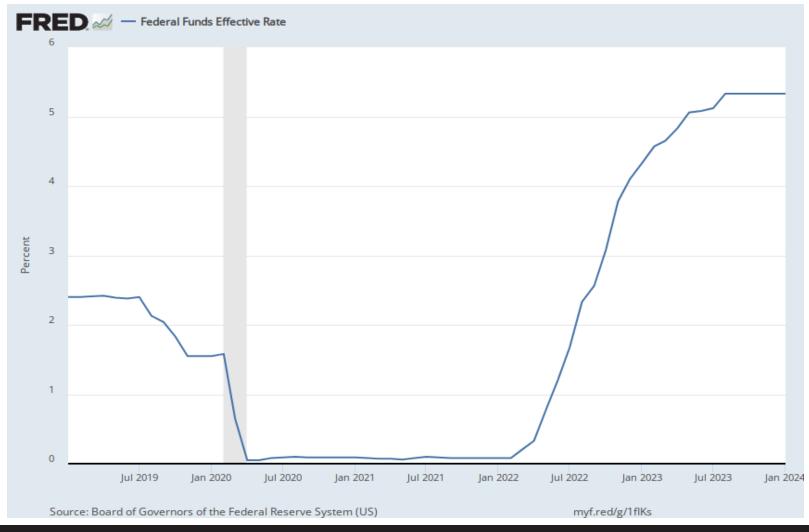
# **Plummeting Asset Values!**







# **INTEREST RATES**





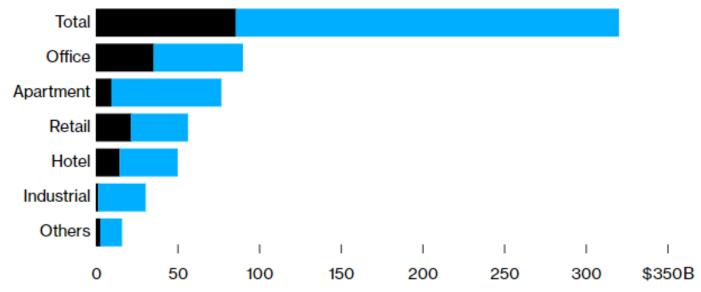


# **PLUMMETING VALUES**

### Offices Are the Most Distressed Property Type in the US

Cumulative value of troubled assets by type through the end of 2023

Outstanding distress (bankruptcy, default, tenant problems, other known issues)
Potential Distress (delinquent repayments, forbearance, leasing problems, etc.)



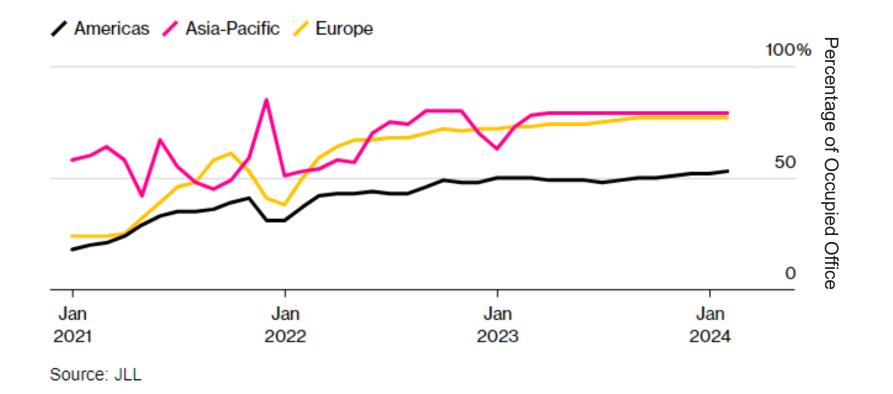
Source: MSCI Real Assets

Note:"Others" captures types not included in MSCI's standard volume statistics, such as self storage and manufactured housing



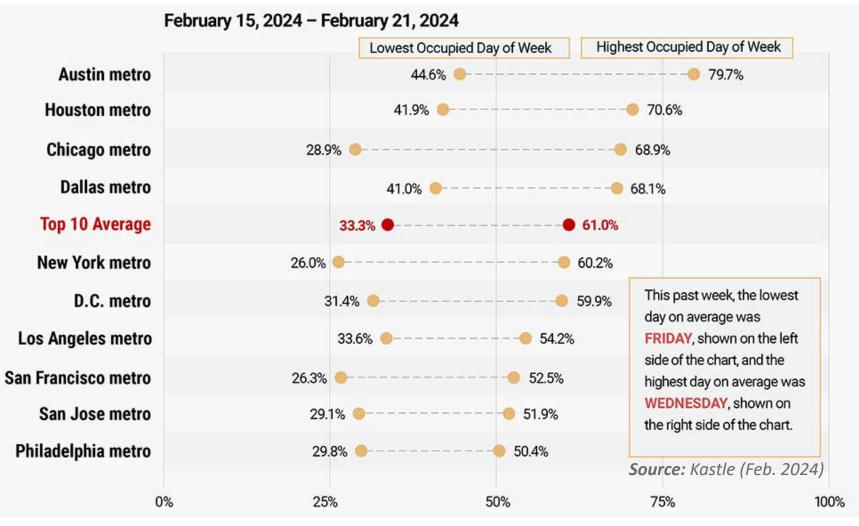


# **RETURN TO OFFICE IS LAGGING IN THE UNITED STATES**

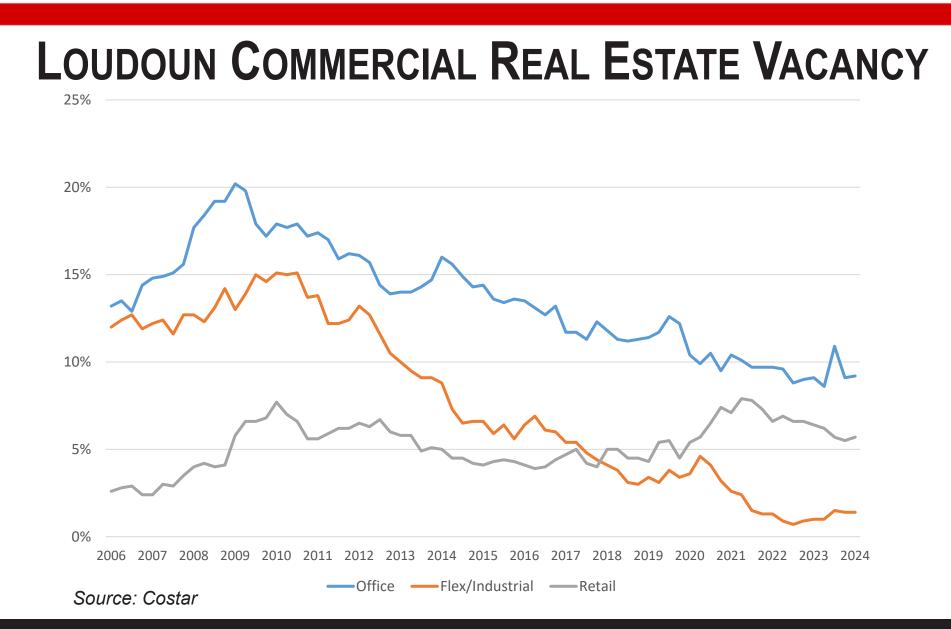




# **REDUCED OFFICE OCCUPANCY**







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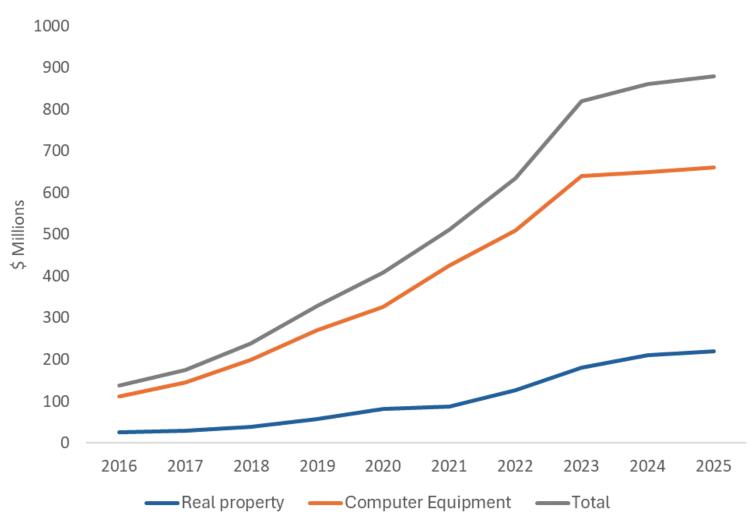
### Data Center Taxable Real Property



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## LOUDOUN COUNTY DATA CENTER TAX REVENUE



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In FY2012, Loudoun's tax rate was \$1.285 per \$100

By FY2024, Loudoun's tax rate was reduced to \$0.875 per \$100

That is a \$0.41 per \$100 tax reduction over 12 years!

At Loudoun's averaged assessed value of \$735,800, a homeowner saves about \$3,000 a year in taxes.



If we can help you in any way, please call Buddy Rizer at 703-777-0592 or email Buddy.Rizer@Loudoun.gov



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