

HUD PD&R Housing Market Profiles

Northern Virginia



Fredericksburg, Virginia

Quick Facts About Northern Virginia

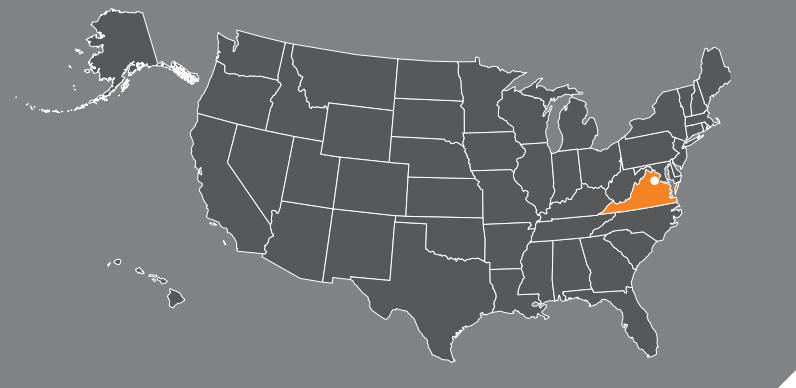
- Current sales market conditions: tight
- Current apartment market conditions: slightly soft
- Northern Virginia is the headquarters location for more than a dozen Fortune 500 companies, including the Federal Home Loan Mortgage Corporation (Freddie Mac), General Dynamics Corporation, Northrop Grumman Corp/DE, and Capital One Financial Corporation; payrolls in the professional and business services sector increased nearly 50 percent from 2000 to 2020. As a result of growth in high-paying jobs, Northern Virginia is one of the highest income areas in the nation.

By James Conner | As of June 1, 2021

Overview

Northern Virginia consists of the 11 counties and six independent cities in Virginia that are within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area. The federal government is the largest single employer in the metropolitan area; other leading industries include tourism, business services, higher education, and the military. The metropolitan area contains more than 70 colleges and universities plus several large military installations, including the Pentagon in Northern Virginia, all of which contribute to migration patterns. Changes in administrations of the federal government's executive branch also contribute to migration, and as a result, the population is relatively mobile. Net in-migration averaged about 11,200 people a year from 2010 to 2019, but its components—in- and out-migration—both averaged more than 270,000 people a year in the metropolitan area (American Community Survey [ACS] 1-year estimates). In addition, Northern Virginia has relatively high incomes, contributing to strong housing demand and high housing costs. Loudoun County, the city of Falls Church, and Fairfax County are the three highest income areas in the nation, with median household incomes of \$142,300, \$127,600, and \$124,800, respectively

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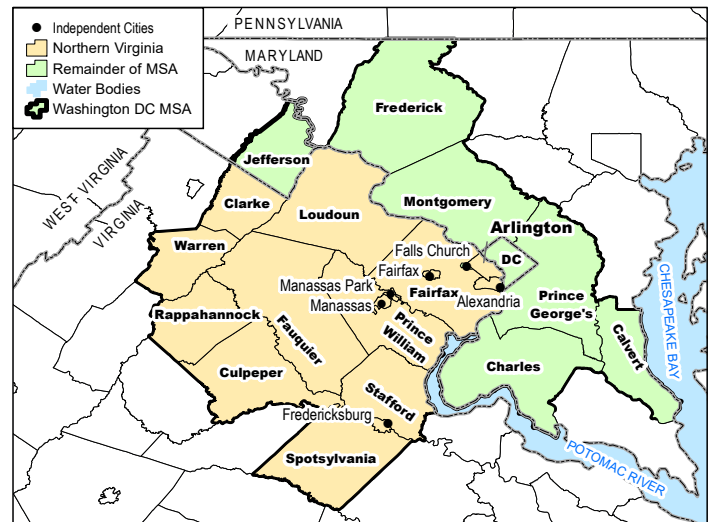


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(2015–2019 ACS 5-year estimates). Arlington, Stafford, and Prince William Counties and the independent cities of Alexandria and Fairfax are also ranked in the top 1 percent of highest income areas in the nation.

- The current population in Northern Virginia is estimated at 3.06 million, an increase of about 34,750, or 1.2 percent, a year since 2010. From 2010 to 2013, the population grew by about 54,600, or 2.0 percent, a year, but since 2013, the population growth has slowed to about 26,550, or 0.9 percent, a year.
- From 2010 to 2013, when job growth was strong, net in-migration to Northern Virginia averaged about 26,300 people a year, but when job growth slowed from 2013 to 2017, net in-migration declined to 7,050 people a year (Census Bureau estimates as of July 1 each year). Migration turned negative in the past 4 years, with net out-migration averaging about 2,700 people a year since 2017, partly because of restrictions on international in-migration, particularly during the pandemic. International in-migration accounted for 25 percent of total in-migration to Northern Virginia in 2019 (ACS 1-year estimates).
- Net natural change (resident births minus resident deaths) averaged about 27,100 people a year from 2010 to 2016

but has decreased to fewer than 23,000 people a year since 2016. Births averaged about 40,000 a year from 2010 to 2016 but declined to fewer than 38,000 a year since 2016, and deaths increased from 12,900 a year from 2010 to 2016 to 15,200 a year since 2016. Both trends reflect, in part, an aging population. COVID-19 also led to more than 11,000 excess deaths in Northern Virginia from March 2020 through May 2021 (U.S. Centers for Disease Control and Prevention).



Economic Conditions

The economy in Northern Virginia weakened in 2020 due to the impact of measures taken to limit the spread of COVID-19. During March and April 2020, nonfarm payrolls fell by 168,500 jobs, or 11.1 percent, compared with February 2020 (not seasonally adjusted); this decline included a loss of 71,600 jobs, or nearly 50 percent, in the leisure and hospitality sector. The industries hardest hit during the pandemic included travel and tourism, health care (especially nonessential medical procedures), and other industries involving in-person contact, such as personal services and retail trade. The economy began to rebound strongly in June 2020, and in the 3 months ending May 2021, nonfarm payrolls were up by 51,100 jobs, or 3.6 percent, compared with the same period a year earlier; however, nonfarm payrolls remained 61,200 jobs, or 4.0 percent, below their previous peak of 1.53 million jobs in the 3 months ending February 2020. During the 4 years preceding the pandemic (from February 2016 to February 2020), nonfarm payroll growth averaged about 27,900 jobs, or 1.8 percent, a year. The labor market in Northern Virginia was tight before the economic downturn, with the unemployment rate averaging 2.0 percent during the 3 months ending February 2020, but the rate rose to 10.1 percent in April 2020 and has gradually declined in the past 12 months. The unemployment rate

averaged 3.9 percent in the 3 months ending May 2021, down from 6.7 percent during the same period a year earlier.

- The pandemic led to layoffs at many hotels, restaurants, and travel businesses, including 455 jobs at Dulles Airport cargo handler Swissport International AG; nearly 600 jobs at two Ritz-Carlton hotels in Northern Virginia; and nearly 1,300 jobs at Northern Virginia locations of Bonefish Grill, Carrabba’s Italian Grill, and Outback Steakhouse (Virginia Employment Commission WARN Notices). Of the 71,600 leisure and hospitality sector jobs lost early in the pandemic, however, nearly 46,000 jobs were regained by May 2021 (not seasonally adjusted).
- Northern Virginia outperformed the overall Washington-Arlington-Alexandria, DC-VA-MD-WV metropolitan area and the nation during the economic downturn and subsequent recovery. The 11.1-percent decline in nonfarm payrolls in Northern Virginia in the first 2 months of the pandemic was less severe than the 11.6-percent decline in the metropolitan area and the 13.7-percent decline nationally. Although nonfarm payrolls in Northern Virginia in the 3 months ending May 2021 were 4.0 percent below the prepandemic level,

continued on page 3



continued from page 2

Compared with the early months of the pandemic, payrolls were up in most nonfarm job sectors during the 3 months ending May 2021.

	3 Months Ending		Year-Over-Year Change	
	May 2020 (Thousands)	May 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,413.0	1,464.1	51.1	3.6
Goods-Producing Sectors	103.4	109.4	6.0	5.8
Mining, Logging, & Construction	77.9	82.1	4.2	5.4
Manufacturing	25.4	27.3	1.9	7.5
Service-Providing Sectors	1,309.7	1,354.7	45.0	3.4
Wholesale & Retail Trade	153.2	165.0	11.8	7.7
Transportation & Utilities	44.3	43.3	-1.0	-2.3
Information	40.6	41.0	0.4	1.0
Financial Activities	77.7	76.5	-1.2	-1.5
Professional & Business Services	423.7	431.7	8.0	1.9
Education & Health Services	160.4	168.4	8.0	5.0
Leisure & Hospitality	98.3	115.0	16.7	17.0
Other Services	67.3	69.8	2.5	3.7
Government	244.1	244.1	0.0	0.0
Unemployment Rate	6.7%	3.9%		

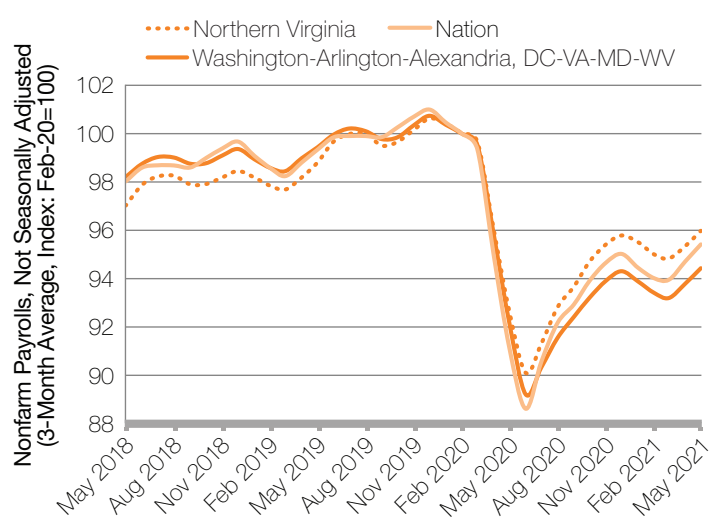
Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

payrolls in the metropolitan area and the nation were 5.6 and 4.6 percent, respectively, below their February 2020 levels (not seasonally adjusted).

- Professional and business services is the largest sector in Northern Virginia, accounting for 29 percent of nonfarm payrolls. In March and April 2020, payrolls in the sector fell by 9,000 jobs, or 2.1 percent, compared with February 2020, the smallest percentage decrease among all sectors in Northern Virginia, and the subsequent growth was strong, with sector payrolls surpassing their prepandemic peak by the fourth quarter of 2020. During the 3 months ending May 2021, professional and business services payrolls averaged 431,700 jobs, about 2,400 jobs, or 0.6 percent, above their prerecession peak during the 3 months ending February 2020.

In 2019, Amazon.com, Inc. selected a site in Northern Virginia as the location of its second corporate headquarters (aka Amazon HQ2), which is anticipated to create 25,000 local jobs eventually. In May 2021, the company announced plans to hire 1,900 more workers in Arlington, in addition to the 1,600 workers previously hired. As part of its expansion in the area, Amazon is constructing two 22-story buildings, with nearly 1.5 million square feet of office space, and is planning a 35-story headquarters building, dubbed “The Helix”; those projects total \$580 million in construction spending (McGraw-Hill construction pipeline database). Other major commercial projects in Northern Virginia include a \$187

The economy in Northern Virginia outperformed the metropolitan area and the nation during the past 12 months.



Note: Three-month average nonfarm payrolls (non-seasonally adjusted), indexed to February 2020—the last month before the recession.
Source: U.S. Bureau of Labor Statistics

million, 625,000-square-foot high-rise office building for Capital One Financial Corporation, now underway in Tysons Corner. Also, in March 2021, Google LLC announced a \$600 million expansion

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continued from page 3

of its data center in Loudoun County. Projects such as those have contributed to payroll growth in the mining, logging, and construction sector. In the 3 months ending May 2021, payrolls in the sector were up by 4,200 jobs, or 5.4 percent, from the same period a year earlier, and sector payrolls were nearly 2,700 jobs, or 3.4 percent, above their prepandemic level during the 3 months ending February 2020.

Sales Market Conditions

The home sales market in Northern Virginia is tight, reflecting a strong increase in demand for homeownership since the start of the pandemic. The number of active listings in May 2021 represented a 1.1-month supply of homes for sale in Northern Virginia, down slightly from a 1.2-month supply in May 2020 and down from a 1.5-month supply in February 2020, before the onset of the pandemic (CoreLogic, Inc.). The sales market had been gradually tightening in the 5 years before the pandemic, and by 2019, the market was already somewhat tight. From 2015 through 2019, existing home sales were relatively stable, averaging about 3,000 closings a month, but the active listings steadily declined, from an average of about 6,800 homes a month in 2015 to 4,300 homes a month in 2019. The available inventory declined from a 2.2-month average supply of homes for sale in 2015 to a 1.6-month average supply during 2019. Prices for existing homes in Northern Virginia in the 12 months ending May 2021 averaged about \$557,900, up 10.1 percent from a year earlier, and prices for new homes averaged \$687,100, up 8.0 percent from a year earlier (Zonda, with adjustments by the analyst). Despite the low supply of listings, existing home sales in the 12 months ending May 2021 were up 15 percent from a year earlier, to about 54,200 homes sold. New home sales were down 12 percent during the same period, to 5,550 homes sold, but that was partly due to a slowdown in housing construction in the early months of the pandemic, causing a lag in completions. Permitting of new single-family homes has rebounded strongly in recent months, but many of those homes are still under construction.

- New and existing single-family home sales in the 12 months ending May 2021 were up 6 percent from a year earlier, to about 30,700 homes sold, and attached sales (including condominiums and townhomes) were up 13 percent, to about 24,900 homes (Zonda, with adjustments by the analyst). Single-family demand strengthened in suburban areas, such as Clarke, Fauquier, Prince William, and

Largest Private Employers in Northern Virginia

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Inova Health System	Education and Health Services	18,000
General Dynamics Corporation	Manufacturing	13,750
Deloitte LLP	Professional and Business Services	12,800

Notes: Excludes government and local public school systems; includes employers located in Northern Virginia, but employment totals shown are for the entire Washington-Arlington-Alexandria, DC-VA-MD-WV metropolitan area.

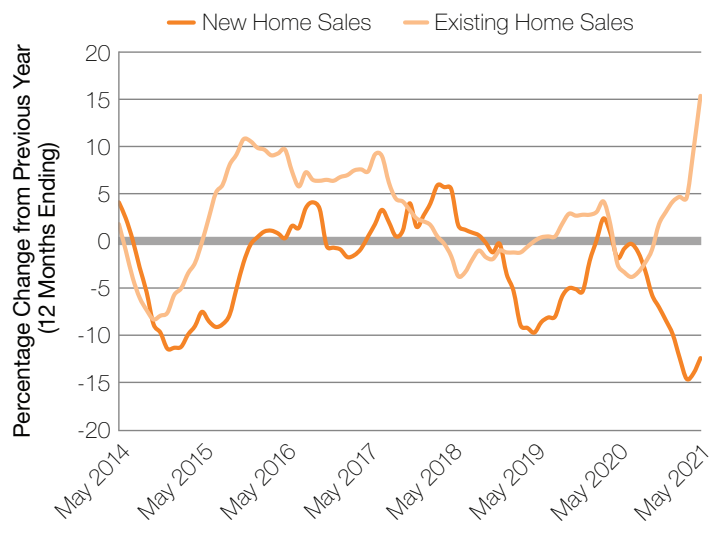
Source: Washington Business Journal's Book of Lists, 2020

Rappahannock Counties, where the combined sales were up 24 percent from a year earlier, to about 8,625 homes sold. Attached sales were up strongly in areas closer to the urban center, near the District of Columbia, such as Arlington and Fairfax Counties and the city of Alexandria, where sales increased 14 percent, to about 13,950 homes sold.

- Sales inventories fell sharply during the pandemic in outlying areas of Northern Virginia. In Clarke County, the listings declined from a 3.1-month supply for sale in February 2020 to a 1.1-month supply in May 2021; in Fauquier County, it fell from a 2.2- to a 1.2-month supply; and in Rappahannock County, it fell from a 5.5- to a 3.3-month supply (CoreLogic, Inc.).

continued on page 5

Existing home sales in Northern Virginia increased strongly in recent months, but new home sales fell significantly during the past year.



Note: Includes condominiums, townhomes, and single-family homes.

Source: Zonda, with adjustments by the analyst



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Conversely, in Arlington County, the inventory was up slightly, from a 1.1- to a 1.4-month supply, and in Alexandria, it rose from a 0.9- to a 1.1-month supply.

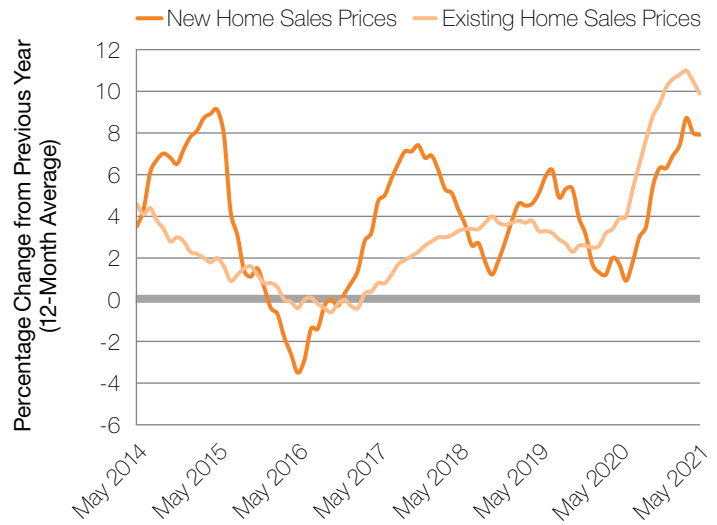
- New home sales were strongest in Fairfax, Loudoun, and Prince William Counties, where, combined, approximately 4,200 homes sold in the 12 months ending May 2021, accounting for 75 percent of the total in Northern Virginia (Zonda). New home prices in those areas averaged about \$781,300, up 6 percent from a year earlier. In more outlying areas, such as Clarke, Culpeper, Fauquier, Spotsylvania, Stafford, and Warren Counties, about 1,100 new homes sold, or 20 percent of the Northern Virginia total, despite those areas having a much lower average price of about \$457,100, which was up 5 percent from a year earlier.

Mortgage delinquencies in Northern Virginia have increased since the beginning of the pandemic due to a greater reliance on mortgage forbearance by homeowners. The rate of mortgages that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 2.7 percent in May 2021, up from 0.9 percent a year earlier and up from its recent low of 0.6 percent in February 2020 (CoreLogic, Inc.). The rate previously peaked in January 2010, at 5.7 percent, after the last recession but declined steadily during the subsequent 10 years. Because of forbearance, the number of home loans in foreclosure or REO status declined from about 600 in February 2020 to 340 in May 2021, or 44 percent; however, the number of seriously delinquent home loans increased nearly six-fold during the same period, from fewer than 2,200 mortgages in February 2020 to about 12,950 mortgages in May 2021.

Construction of new sales housing declined in the early months of the pandemic but strengthened significantly in recent months.

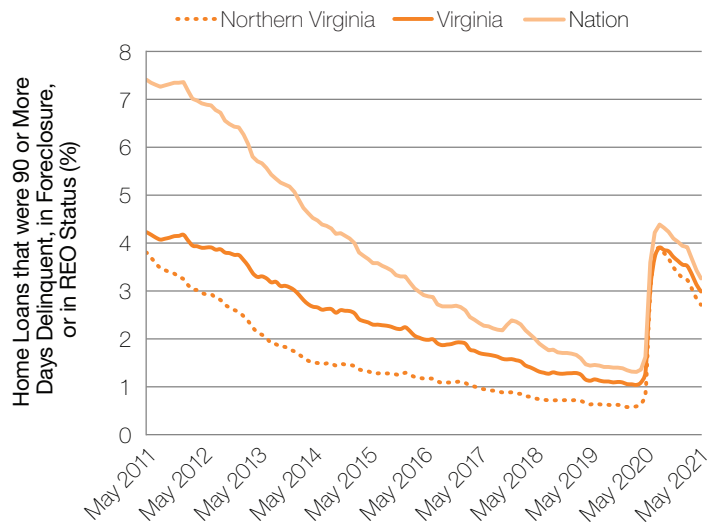
- During the 12 months ending May 2021, approximately 7,325 single-family homes were permitted in Northern Virginia, up 7 percent from 6,850 homes during the preceding 12 months. From April through August 2020, an average of about 560 single-family homes a month were permitted, down 13 percent from the corresponding period a year earlier, but from September 2020 through May 2021, an average of 1,125 homes were permitted monthly, up 14 percent from a year earlier.
- In the suburban areas of Stafford, Prince William, and Spotsylvania Counties, single-family permitting in the 12 months ending May 2021 was up 9, 10, and 30 percent from a year earlier, to about 995, 1,450, and 880 homes, respectively, but in Fairfax, Loudoun, and Arlington Counties, permitting declined 3, 4, and 18 percent, to about 1,075, 1,800, and 205 homes, respectively.

Sales prices for both new and existing homes increased strongly in the past year in Northern Virginia.



Note: Includes condominiums, townhomes, and single-family homes. Source: Zonda

The share of distressed mortgages increased during the pandemic, but the rate in Northern Virginia remained below the rates for the state and the nation.



REO = real estate owned. Source: CoreLogic, Inc.

- Single-family developments underway in Northern Virginia include Bearington, in northern Spotsylvania County, near Fredericksburg, with three- and four-bedroom homes ranging in size from about 1,900 to 3,800 square feet at prices

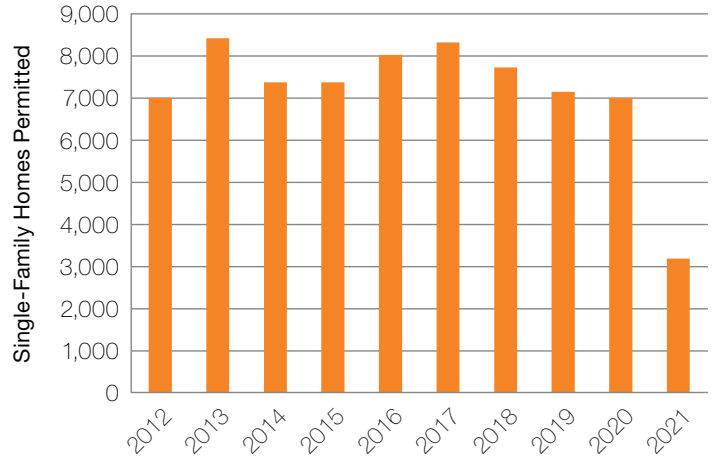
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ranging from \$525,000 to \$625,000; as of the first quarter of 2021, 7 of the 39 planned homes had been completed (Zonda). Laurel Hills Crossing, in southeast Fairfax County, has four-bedroom homes ranging in size from 2,700 to 3,900 square feet at prices ranging from \$985,000 to \$1.1 million; 15 of the 37 planned homes have been completed.

Single-family construction activity in Northern Virginia has been generally stable in the past 10 years, averaging more than 7,000 homes a year since 2012.

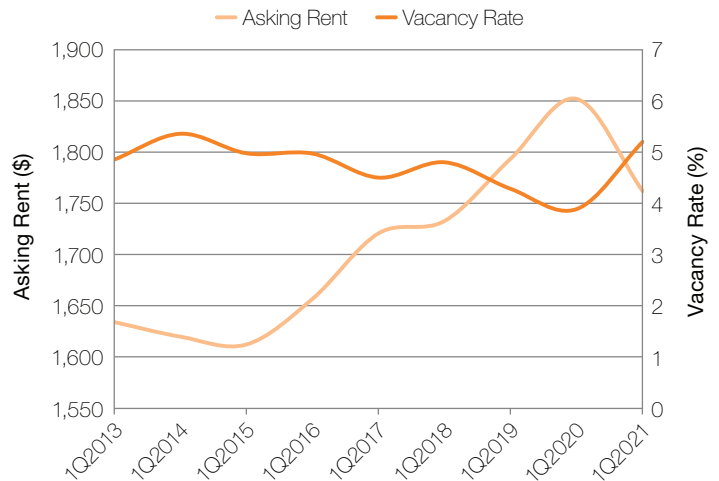


Note: Includes preliminary data from January 2020 through May 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

The apartment market in Northern Virginia is slightly soft, compared with balanced conditions a year ago. Demand weakened, in part, due to the increased desire for homeownership in the past year, which shifted some housing demand from the rental market to the sales market. In the first quarter of 2021, the apartment vacancy rate was 5.2 percent, up from 3.9 percent a year ago, and the average asking rent fell 5 percent from a year earlier, to \$1,762 (RealPage, Inc.). Concessions also increased, from an average of 0.5 percent of the asking rent in the first quarter of 2020 to 2.4 percent in the first quarter of 2021, causing the average effective rent to decline 7 percent, to \$1,719. Absorption of apartments slowed, causing vacancies to increase despite a decline in the number of units entering the market. Approximately 5,400 new units were completed during the 12 months ending May 2021, down from 6,500 units in the previous 12 months (McGraw-Hill construction pipeline database). Similar to the trend for single-family construction, permitting of multifamily units in Northern Virginia fell in the early months of the pandemic but increased strongly in recent months.

The apartment market in Northern Virginia eased in the past year, with a decline in the average rent and an increase in the vacancy rate.



1Q = first quarter. Source: RealPage, Inc.

- Apartment vacancies in the first quarter of 2021 were up from a year ago in 12 of the 15 RealPage, Inc.-defined submarkets, led by increases in Arlington County areas. Vacancies in the Crystal City, Columbia Pike, and North Arlington submarkets were up 3.5, 2.9, and 2.8 percentage

points, to 7.9, 5.9, and 6.4 percent, respectively. The asking rents in those submarkets declined 15, 8, and 12 percent, to \$1,959, \$1,715, and \$2,139, respectively. North Arlington and Crystal City have the highest rents of the 15 areas in Northern Virginia reported by RealPage, Inc.

continued on page 7



continued from page 6

- Concessions also increased the most in submarkets near the District of Columbia and the urban center, in Arlington County and the city of Alexandria. In the Crystal City, Central Alexandria, and North Arlington submarkets, concessions increased 6.3, 2.8, and 2.7 percentage points in the past year, causing the effective rents to decline 20, 6, and 14 percent, respectively.
- Vacancies declined or were unchanged from a year ago in more outlying areas, including the Fredericksburg, Manassas, and Woodbridge submarkets. Vacancies fell 1.1 and 0.2 percentage points in Fredericksburg and Manassas, to 2.6 and 3.2 percent, respectively, and were unchanged in Woodbridge, at 3.6 percent. Those submarkets are also the three lowest cost submarkets in Northern Virginia, with average rents in the first quarter of 2021 of \$1,475, \$1,520, and \$1,558, respectively—increases of 12, 2, and 5 percent, respectively, from a year earlier.

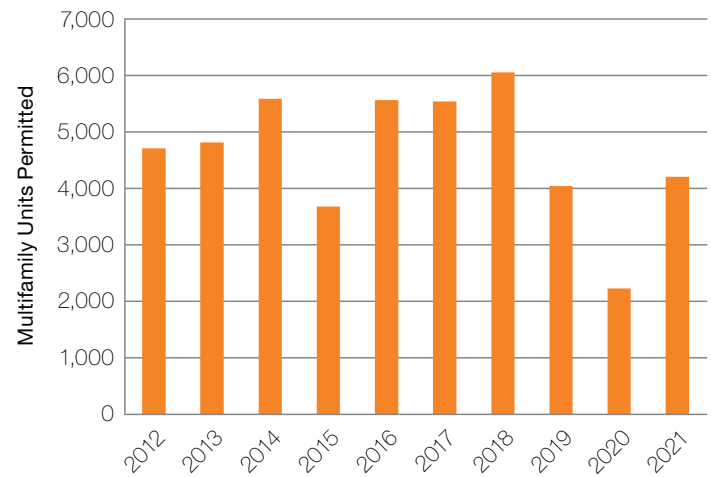
Multifamily construction activity declined in the spring and summer of 2020 but increased strongly in the early months of 2021, and multifamily permitting in the 12 months ending May 2021 was up significantly from a year earlier.

- During the 12 months ending May 2021, approximately 5,450 multifamily units were permitted in Northern Virginia, up 41 percent from the previous 12 months. From April through October 2020, multifamily permitting was down 66 percent from the same period a year earlier, to about 190 units a month, but permitting from January through May 2021 averaged more than 840 units a month, compared with fewer than 200 units a month during the same period a year earlier.
- The most active areas for multifamily construction were Arlington, Fairfax, and Prince William Counties, where

approximately 1,675, 975, and 905 units were permitted in the 12 months ending May 2021, increasing from about 500, 945, and 205 units in the previous 12 months. Multifamily construction declined 49 and 35 percent in Loudoun and Spotsylvania Counties, however, to about 395 and 595 units, respectively.

- The 431-unit Faraday Park apartments in Reston, in Fairfax County, was completed in early 2021; the rents currently range from \$1,812 for studios to \$3,885 for three-bedroom units. The 360-unit The Sur apartments in Arlington County, in the Potomac Yard neighborhood, opened in late 2020; the rents range from \$2,099 for studios to \$7,051 for three-bedroom units.

Multifamily construction activity fell sharply in the spring and summer of 2020 but has since rebounded.



Note: Includes preliminary data from January 2020 through May 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

