

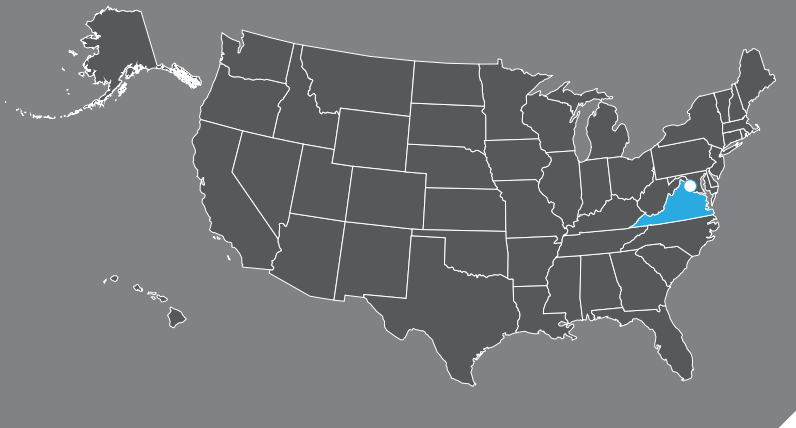
HUD PD&R Housing Market Profiles

Northern Virginia, Virginia



Quick Facts About Northern Virginia

- Current sales market conditions: slightly tight but easing
- Current apartment market conditions: balanced
- Northern Virginia is home to the headquarters of 11 companies on the Fortune 500 list. As of 2022, the largest of these companies, based on annual revenue, are Freddie Mac and General Dynamics, which are numbers 56 and 94 on the Fortune 500 list, with annual revenues of \$65.9 and \$38.5 billion, respectively.



Alexandria, Virginia

By Joseph Shinn | As of January 1, 2023

Overview

Northern Virginia is coterminous with the Virginia portion of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (hereafter, Washington metropolitan area). It consists of 11 counties (Arlington, Clarke, Culpeper, Fairfax, Fauquier, Loudoun, Prince William, Rappahannock, Spotsylvania, Stafford, and Warren) and six independent cities (Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park) in the northern portion of Virginia. By May 2022, the economy of Northern Virginia fully recovered all the jobs lost because of the COVID-19 global pandemic during March and April 2020. During the fourth quarter of 2022, payrolls increased in all 11 nonfarm sectors, and a combined 64 percent of the net job gains were in the leisure and hospitality, the education and health services, and the professional and business services sectors.

- As of January 1, 2023, the population of Northern Virginia is estimated at 3.11 million, representing an average increase of 17,600, or 0.6 percent, annually since 2020 (U.S. Census Bureau decennial census count). By comparison, from 2013 to 2020, the population increased by an average of 30,050, or 1.0 percent, annually.

continued on page 2



PD&R

continued from page 1

- The slower population growth since 2020 is due to a combination of lower levels of net natural change and net out-migration from the area. Since 2020, net natural change in Northern Virginia has averaged 17,850 people annually, down from an average of 25,050 people annually from 2013 to 2020, whereas net out-migration since 2020 has averaged 250 people annually compared with net in-migration from 2013 to 2020, which averaged 5,000 people annually.

Economic Conditions

During the fourth quarter of 2022, nonfarm payrolls in Northern Virginia increased on a year-over-year basis for the seventh consecutive quarter. Additionally, the current level of nonfarm payrolls in Northern Virginia is 24,700 jobs, or 1.6 percent, above the previous peak of 1.54 million jobs during the fourth quarter of 2019.

During the fourth quarter of 2022 —

- Nonfarm payrolls in Northern Virginia averaged 1.56 million jobs, representing an increase of 45,500 jobs, or 3.0 percent, compared with the fourth quarter of 2021, when nonfarm payrolls rose 3.8 percent compared with the same period a year earlier. By comparison, during the fourth quarter of 2020, nonfarm payrolls declined by 75,700 jobs, or 4.9 percent, compared with the fourth quarter of 2019.
- The largest gain was in the leisure and hospitality sector, which increased by 10,500 jobs, or 8.2 percent, compared with the fourth quarter of 2021. New restaurants opening throughout Northern Virginia partially contributed to gains in the sector. During 2022, 3.3 percent of all available restaurant space in Northern Virginia was vacant, down from 5.9 percent during 2021 and the lowest vacancy rate in 15 years (CoStar Group).
- Additional significant gains were in the education and health services and the professional and business services sectors, which increased by 9,700 and 9,000 jobs, or 5.5 and 2.0 percent, respectively. Approximately 88 percent of the increase in the education and health services sector was in the healthcare and social assistance subsector, which was up by 8,500 jobs, or 6.0 percent. Medical facilities continuing to fill positions vacated during the COVID-19 pandemic largely contributed to gains in the subsector.
- The unemployment rate in Northern Virginia averaged 2.4 percent, unchanged from the fourth quarter of 2021 but

continued on page 3

Nonfarm payrolls in Northern Virginia were up in all nonfarm payroll sectors during the fourth quarter of 2022.

	Fourth Quarter		Year-Over-Year Change	
	2021 (Thousands)	2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,514.4	1,559.9	45.5	3.0
Goods-Producing Sectors	107.5	111.6	4.1	3.8
Mining, Logging, & Construction	80.5	83.5	3.0	3.7
Manufacturing	26.9	28.1	1.2	4.5
Service-Providing Sectors	1,407.0	1,448.3	41.3	2.9
Wholesale & Retail Trade	171.2	171.7	0.5	0.3
Transportation & Utilities	48.1	49.3	1.2	2.5
Information	43.5	45.9	2.4	5.5
Financial Activities	80.4	80.6	0.2	0.2
Professional & Business Services	441.0	450.0	9.0	2.0
Education & Health Services	175.8	185.5	9.7	5.5
Leisure & Hospitality	128.7	139.2	10.5	8.2
Other Services	73.4	76.0	2.6	3.5
Government	244.8	250.0	5.2	2.1
Unemployment Rate	2.4%	2.4%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

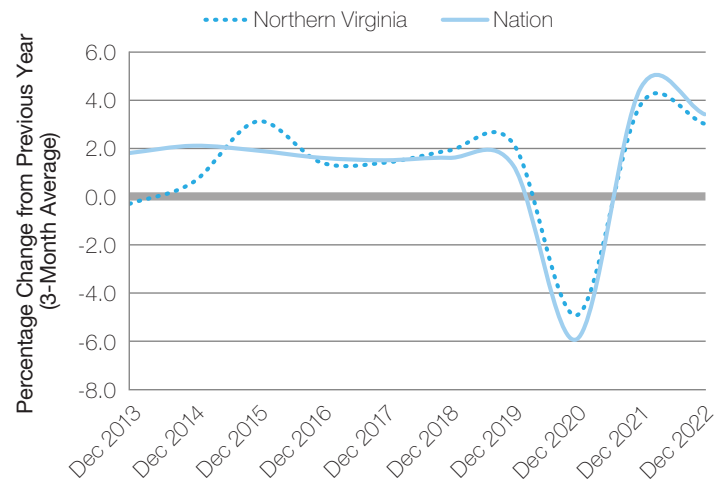


continued from page 2

down from the 4.6-percent rate during the fourth quarter of 2020, which was the highest fourth-quarter rate since 2012. The current rate in Northern Virginia is lower than the national rate of 3.3 percent.

Because a significant number of major companies have headquarters in the area, the professional and business services sector, which includes employees at company headquarters, is the largest sector in Northern Virginia, accounting for 29 percent of all nonfarm payrolls. The sector includes Deloitte Touche Tohmatsu LLC and Leidos Holdings, Inc., the second and third largest private-sector employers in Northern Virginia, with 16,050 and 16,000 employees, respectively. In addition, Amazon.com, Inc. will open a second headquarters (hereafter, Amazon HQ2) in the Crystal City neighborhood in Arlington County, with construction of the first phase expected to be complete in 2023. As of 2022, Amazon HQ2 hired more than 5,000 employees. Construction of the second phase of the headquarters was originally to begin by the end of 2023, but the company recently announced that construction has been delayed for a yet-to-be-determined length of time. Amazon HQ2 will employ an expected 25,000 workers when both phases are complete.

Nonfarm payrolls in Northern Virginia increased during the past 2 years, although the rate of growth slowed during the past year.



Source: U.S. Bureau of Labor Statistics

Largest Private Sector Employees in Northern Virginia

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Inova Health System	Education & Health Services	20,000
Deloitte Touche Tohmatsu LLC	Professional & Business Services	16,050
Leidos Holdings, Inc.	Professional & Business Services	16,000

Note: Excludes local school districts.

Source: Washington Business Journal, 2022

Sales Market Conditions

The sales housing market in Northern Virginia is slightly tight compared with tight conditions during 2020 and 2021. The sales vacancy rate is estimated at 1.2 percent, down from 1.5 percent in 2010, when conditions were also slightly tight. In December 2022, Northern Virginia had a 0.9-month supply of for-sale housing available, up from a 0.5-month supply in December 2021 (Bright MLS, Inc.). Sales market conditions have eased during the past year because of a significant decrease in home sales, largely in response to a sharp increase in mortgage interest rates. During 2022, the average annual interest rate of a 30-year fixed-rate mortgage was 5.3 percent, up significantly from the average 3.0-percent rate during 2020 and 2021 (Freddie Mac).

During 2022, approximately 42,350 new and existing single-family homes, townhomes, and condominiums sold, representing a decrease of 14,000 homes, or 25 percent, compared with the number of homes sold during 2021

(Bright MLS, Inc.). By comparison, home sales increased an average of 11 percent annually during 2020 and 2021. Competition for homes among potential homebuyers was strong during the past 3 years in response to low levels of available for-sale inventory, resulting in a significant rise in the average sales price. Since 2020, approximately 48 percent of all homes in Northern Virginia had a sales price higher than the original listing price, which was double the 24-percent rate during the previous 5 years (Redfin, a national real estate brokerage). During 2022, the average sales price of new and existing homes rose 8 percent to \$666,600 (Bright MLS, Inc.). The average sales price has increased an average of 9 percent annually since 2020 compared with an average annual 2-percent rise from 2015 through 2019.

In December 2022, 0.6 percent of home loans in Northern Virginia were seriously delinquent or in real estate owned (REO) status, down from 1.4 percent in December 2021 (CoreLogic, Inc.).

continued on page 4

continued from page 3

The rate increased from 0.6 percent in March 2020 to 3.9 percent in August 2020 due to a more than seven-fold increase in the number of home loans that were 90 or more days delinquent. Households unable to make mortgage payments because of elevated unemployment rates largely contributed to the rate increase during this period. As the economy recovered jobs and the unemployment rate declined, more households caught up on payments. As a result, the number of home loans that are 90 or more days delinquent has decreased 86 percent since September 2020, and the rate of home loans that are seriously delinquent or in REO status declined in each of the past 28 months. The current rate of home loans that are seriously delinquent or in REO status in Northern Virginia is lower than the nationwide rate of 1.2 percent.

During 2022—

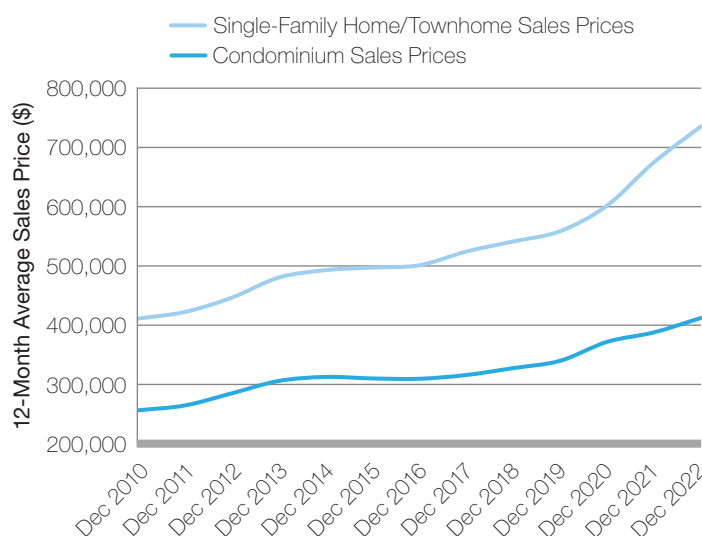
- Approximately 33,350 new and existing single-family homes and townhomes were sold in Northern Virginia, representing a decrease of 11,750 homes, or 26 percent, compared with 2021 (Bright MLS, Inc.). By comparison, home sales increased by an average of 4,050 homes, or 10 percent, annually during the previous 2 years.
- The average sales price of new and existing single-family homes and townhomes increased 9 percent to \$735,200. The average sales price has increased an average of 10 percent annually since 2020 compared with an average annual 3-percent rise from 2014 through 2019.
- Approximately 9,000 new and existing condominiums were sold, down by 2,250 units, or 20 percent, compared

with a 23-percent rise during 2021. Despite the recent decline, however, the current level of sales is 6 percent higher than the average of 8,475 condominiums sold annually from 2015 through 2019.

- The average sales price of new and existing condominiums was \$412,300, representing an increase of 6 percent

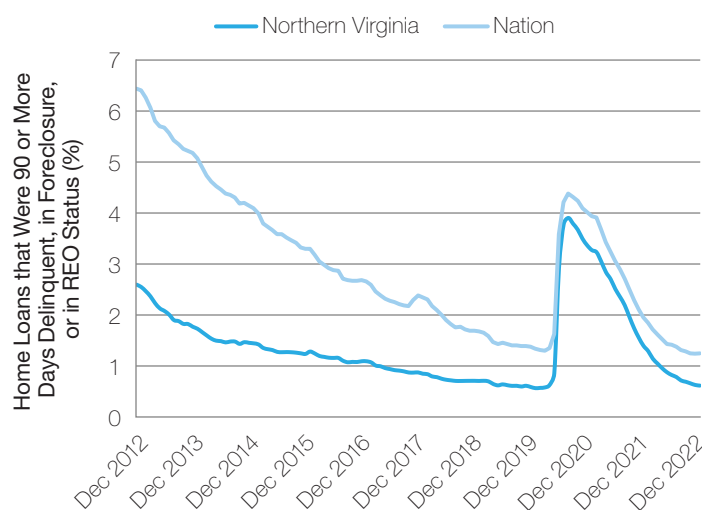
continued on page 5

The average sales prices of single-family homes, townhomes, and condominiums in Northern Virginia have generally increased since 2010.



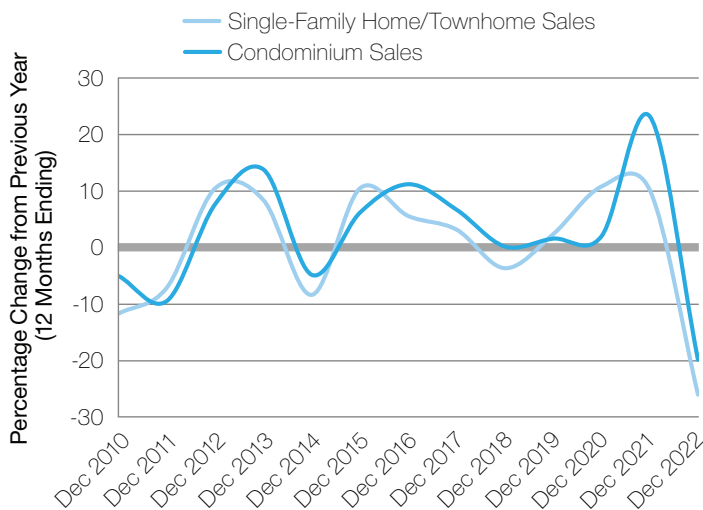
Note: Includes new and existing homes.
Source: Bright MLS, Inc.

The rate of seriously delinquent mortgages and REO properties in Northern Virginia increased significantly from April through August 2020 but has steadily declined since September 2020.



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

Sales of single-family homes, townhomes, and condominiums in Northern Virginia decreased significantly during the past year compared with strong increases a year earlier.



Note: Includes new and existing homes.
Source: Bright MLS, Inc.



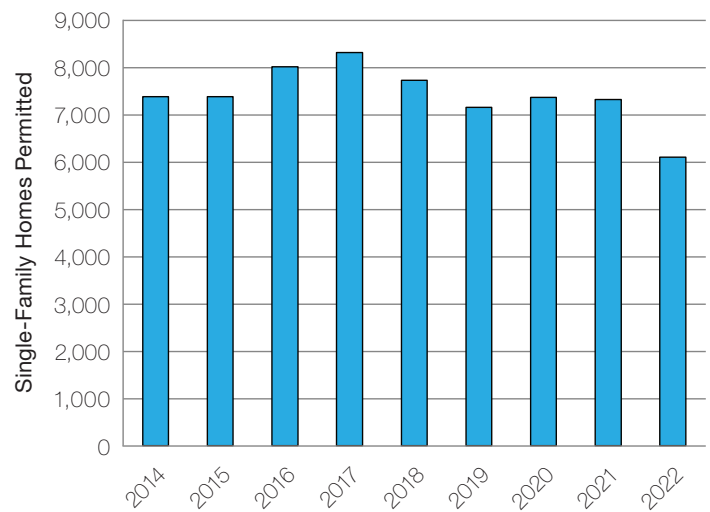
continued from page 4

compared with 2021. The average sales price has increased an average of 4 percent annually since 2010.

In response to a strong decline in the number of homes sold, single-family construction activity in Northern Virginia, as measured by the number of homes permitted, slowed during the past year compared with elevated activity during the previous 10 years.

- During 2022, single-family home construction activity in Northern Virginia totaled 6,100 homes (preliminary data, with adjustments by the analyst), representing a decrease of approximately 1,225 homes, or 17 percent, compared with 2021.
- From 2012 through 2021, an average of approximately 7,600 single-family homes were permitted annually. Homebuilding activity during this period increased 32 percent compared with the average of 5,750 homes permitted annually from 2008 through 2011.
- Since 2015, an average of 740 condominium units have been permitted annually, nearly 5 times the average of 150 condominium units permitted annually from 2009 through 2014. Recent condominium developments include The Residences, a 122-unit community completed in early 2022 in the city of Alexandria. Prices for these one-, two-, and three-bedroom units start at \$550,000, \$900,000, and \$1.5 million, respectively.

Single-family homebuilding activity in Northern Virginia slowed during the past year.



Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2021—final data; 2022—preliminary data and estimates by the analyst

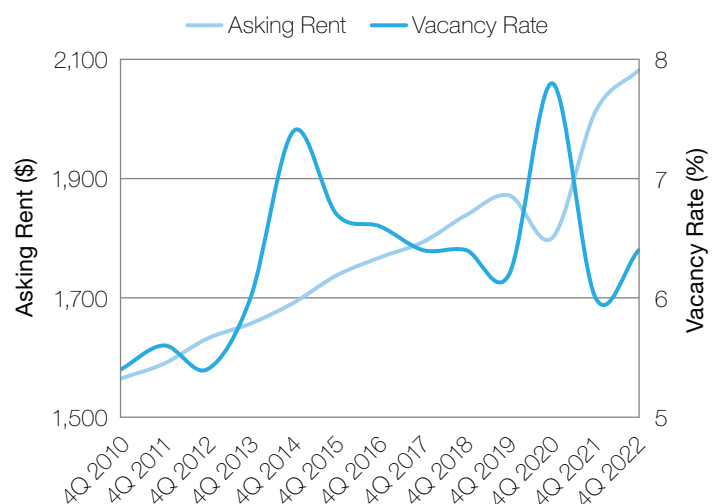
Apartment Market Conditions

Apartment market conditions in Northern Virginia are currently balanced, and have generally been balanced since 2010, which is largely attributed to a steady stream of new apartment units coming on line and being absorbed at a strong pace.

During the fourth quarter of 2022—

- The apartment vacancy rate in Northern Virginia was 6.4 percent, up from 6.0 percent during the fourth quarter of 2021 (CoStar Group). Since 2010, the fourth-quarter vacancy rate has exceeded 5.0 percent each year, ranging from lows of 5.4 percent during 2010 and 2012 to a high of 7.8 percent during 2020.
- Apartment vacancy rates increased from a year earlier in 17 of the 26 CoStar Group-defined market areas (hereafter, market areas) that make up Northern Virginia, led by the Tysons Corner and Woodbridge/I-95 Corridor market areas, where vacancy rates were up 5.0 and 4.8 percentage points to 12.0 and 9.0 percent, respectively. In the National Landing market area, where Amazon HQ2 is currently being constructed, the apartment vacancy rate was 8.3 percent,

During the past year, the apartment vacancy rate and average rent in Northern Virginia increased.



4Q = fourth quarter.

Note: The vacancy rates and average monthly rents are for market-rate and mixed (combined market-rate and affordable) general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.

Source: CoStar Group

continued on page 6

continued from page 5

up from the 5.4-percent rate during the fourth quarter of 2021. The recent rise is largely attributed to a surge in new apartment completions.

- The average apartment rent in Northern Virginia increased 3 percent to \$2,082 compared with the fourth quarter of 2021, when the average rent rose 12 percent compared with the same period a year earlier. By comparison, during the fourth quarter of 2020, the average rent declined 4 percent compared with the same period a year earlier, following an average annual 2-percent increase from 2010 through 2019.
- Within Northern Virginia, the average rent was up in all 26 market areas during the past year, led by 5-percent increases in the Dulles Greenway, Leesburg, and Manassas/Gainesville market areas. The highest rents in Northern Virginia were in the Ballston and Rosslyn market areas at \$2,575 and \$2,546, up 4 and 3 percent, respectively, compared with the fourth quarter of 2021. Both market areas are along the Orange Line of the Washington Metropolitan Area Transit Authority metro system in Arlington County.

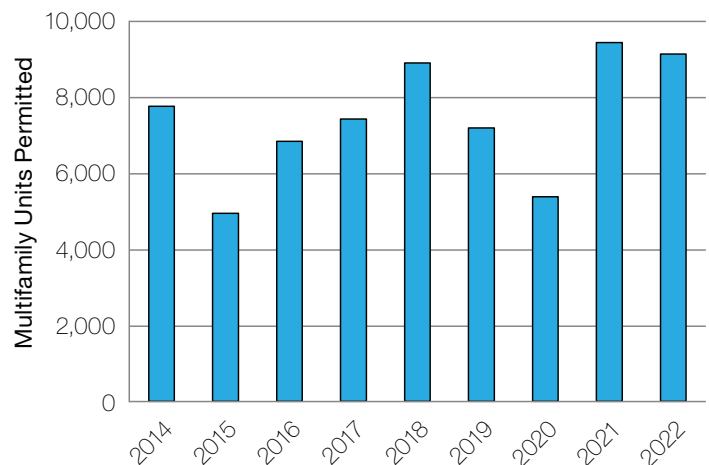
Multifamily construction activity, as measured by the number of units permitted, slowed slightly during the past year. However, multifamily homebuilding activity was elevated during the past 2 years, especially in the National Landing market area, in anticipation of an increase in the number of people moving to the market area to work at Amazon HQ2.

- During 2022, approximately 9,125 multifamily units were permitted (preliminary data, with adjustments by the analyst), down 3 percent compared with the number of units permitted during 2021. By comparison, during 2021, multifamily construction activity was up 75 percent compared with 2020.
- Since 2021, an average of approximately 9,275 multifamily units have been permitted annually, which is 37 percent higher than the average of 6,750 units permitted annually

from 2011 through 2020. By comparison, from 2007 through 2010, an average of 3,275 multifamily units were permitted annually.

- Since 2010, an estimated 93 percent of all multifamily units permitted have been for apartments, up significantly from 70 percent of all units permitted from 2000 through 2009.
- Recent apartment developments include the 306-unit Sage apartments, which was completed in late 2022 in the National Landing market area. Rents for one- and two-bedroom units at this community start at \$1,900 and \$2,900, respectively.
- In Fairfax County, the 411-unit Brentford at the Mile apartment community was completed in late 2022 in the Tysons Corner market area. Rents for studio, one-bedroom, two-bedroom, and three-bedroom units at this community start at \$1,775, \$1,925, \$2,600, and \$4,525, respectively.

Multifamily building activity in Northern Virginia was strong during the past 2 years.



Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2021—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Net Natural Change	Resident births minus resident deaths.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	The Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area includes all counties and independent cities in Northern Virginia, in addition to the District of Columbia, counties of Calvert, Charles, Frederick, Montgomery, and Prince George's in Maryland, and the county of Jefferson in West Virginia.