COMPREHENSIVE HOUSING MARKET ANALYSIS

Northern Virginia, Virginia

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of January 1, 2023

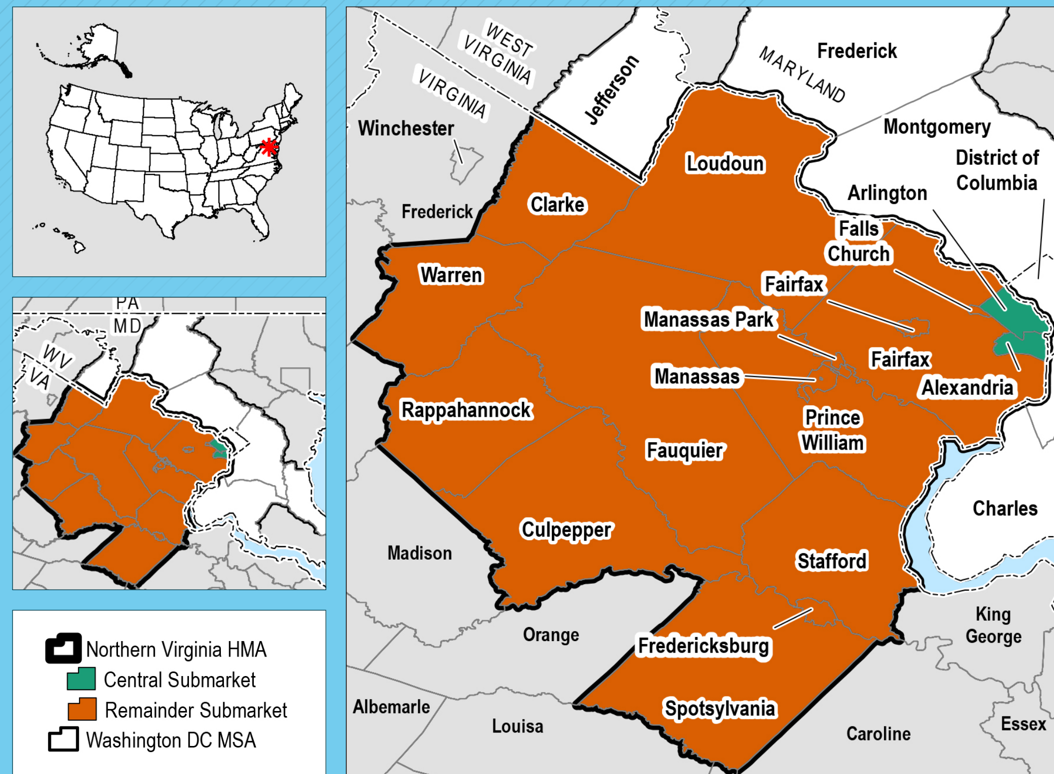
Executive Summary

Housing Market Area Description

The Northern Virginia Housing Market Area (HMA) is coterminous with the Virginia portion of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA). The HMA consists of 11 counties (Arlington, Clarke, Culpeper, Fairfax, Fauquier, Loudoun, Prince William, Rappahannock, Spotsylvania, Stafford, and Warren) and 6 independent cities (Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park) in the northern portion of Virginia. For purposes of this analysis, the HMA is divided into two submarkets. The Central submarket consists of the city of Alexandria and Arlington County, and the Suburban submarket is made up of the remaining 15 counties and independent cities.

The current population of the HMA is estimated at 3.11 million.

The HMA is home to the headquarters of 11 companies on the Fortune 500 list. Based on annual revenue, the largest of these companies are the Federal Home Loan Mortgage Corporation (Freddie Mac) and General Dynamics, which are ranked 56 and 94 on the Fortune 500 list and have annual revenues of $65.9 billion and $38.5 billion, respectively.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Expanding: During 2022, nonfarm payrolls averaged 1.53 million, representing an increase of 38,500 jobs, or 2.6 percent, compared with 2021.

Nonfarm payrolls in the Northern Virginia HMA increased during the past 2 years, and all jobs lost during March and April 2020 as a result of the COVID-19 global pandemic have been fully recovered. During 2022, nonfarm payrolls were up or unchanged in 10 of 11 sectors. The leisure and hospitality and the transportation and utilities sectors—which increased by 14,900 and 6,100 jobs, or 12.0 and 13.2 percent, respectively—led job growth. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 2.2 percent annually.

Sales Market

Slightly Tight, but Easing: In December 2022, the HMA had 0.9 month of available for-sale housing inventory, up from a 0.5-month inventory in December 2021.

The current sales vacancy rate in the HMA is estimated at 1.2 percent, down from the 1.5-percent rate in 2010. During 2022, new and existing home sales declined 25 percent compared with a 12-percent increase during the same period a year earlier (Bright MLS, Inc.). During the past year, the average sales price of new and existing homes was up 8 percent to $666,600, an all-time high. During the next 3 years, demand is estimated for 14,775 new homes; the 2,760 homes under construction will satisfy a portion of that demand. Approximately 92 percent of the demand for new homes in the HMA is in the Suburban submarket.

Rental Market

Balanced: The overall rental vacancy rate is estimated at 6.0 percent, up from 5.6 percent in 2010.

Conditions in the apartment market are also balanced, unchanged compared with 2010. During the fourth quarter of 2022, the apartment vacancy rate was 6.4 percent, up from 6.0 percent during the fourth quarter of 2021, and the average apartment rent rose 3 percent to $2,082 (CoStar Group). During the forecast period, demand is estimated for 15,800 new rental units, with approximately 62 percent of the demand in the Suburban submarket. The 11,600 rental units currently under construction in the HMA will satisfy a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units			Rental Units		
	Northern Virginia HMA Total	Central Submarket	Suburban Submarket	Northern Virginia HMA Total	Central Submarket	Suburban Submarket
Total Demand	14,775	1,175	13,600	15,800	5,975	9,825
Under Construction	2,760	110	2,650	11,600	5,600	6,000

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2023. The forecast period is January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Economic Conditions

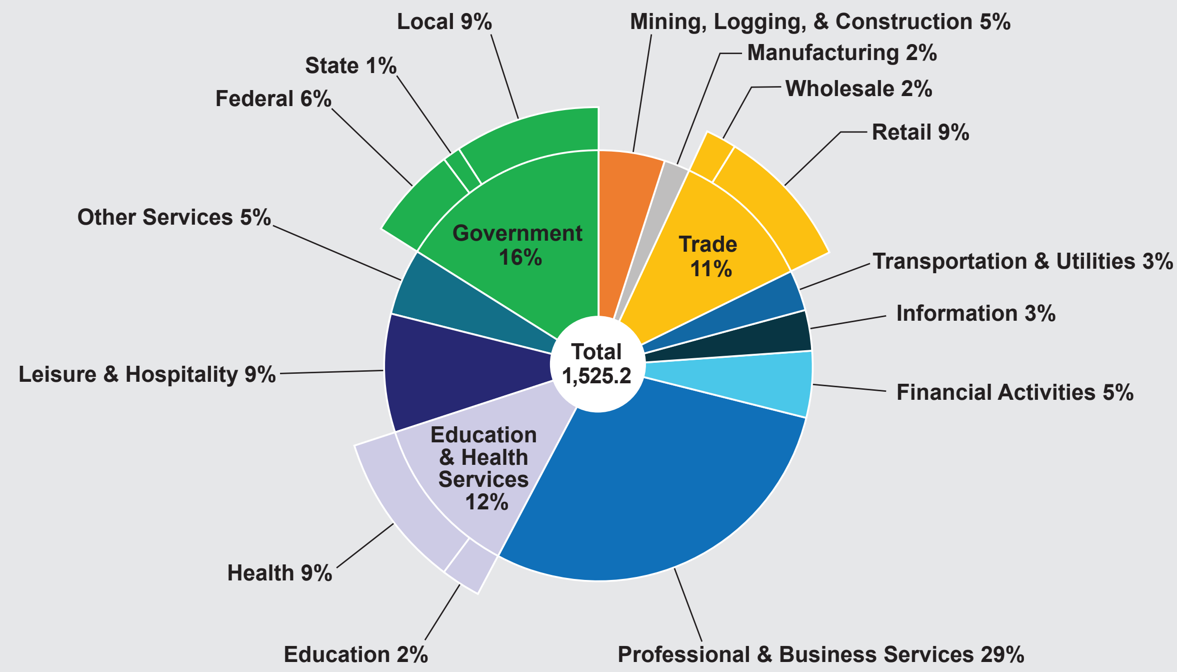
Largest Sector: Professional and Business Services

Nonfarm payrolls in the Northern Virginia HMA increased during the past 2 years compared with a decline during 2020.

Primary Local Economic Factors

The professional and business services sector is the largest in the HMA, accounting for approximately 29 percent of all nonfarm payrolls (Figure 1). Additionally, the sector includes 6 of the 10 largest private-sector employers in the HMA, including Deloitte Touche Tohmatsu LLC and Leidos Holdings, Inc., the second and third largest employers in the HMA, respectively, with 16,050 and 16,000 employees (Table 1). Many of these firms provide services to the Federal government through contracts. In 2022, 11 of the 500 largest companies in the United States, based on annual revenue, had headquarters in the HMA, up from 9 companies in 2010 (*Fortune*). Additionally, Amazon.com, Inc. will open a second headquarters (hereafter, Amazon HQ2) in the Crystal City neighborhood in Arlington County. Construction of the first phase of the headquarters is expected to be completed in 2023, and more than 5,000 employees have already been hired as of 2022. The second phase of the headquarters was originally planned to begin by the end of 2023, but the company recently announced that construction has

Figure 1. Share of Nonfarm Payroll Jobs in the Northern Virginia HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2022.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Private-Sector Employers in the Northern Virginia HMA

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
Booz Allen Hamilton Holding Corporation	Professional & Business Services	13,500
General Dynamics Corp.	Manufacturing	11,500
Amazon.com, Inc.	Transportation & Utilities	11,400
Capital One Financial Corp.	Financial Activities	10,500
Accenture	Professional & Business Services	9,600
Guidehouse Inc.	Professional & Business Services	9,100
Peraton Corp.	Professional & Business Services	5,675

Notes: Excludes local school districts. The count for Amazon.com, Inc. includes employees who work at the company's headquarters in the HMA, which are in the professional and business services sector.
Source: *Washington Business Journal*, 2022

been delayed for a yet-to-be-determined length of time. A total of 25,000 employees are expected at Amazon HQ2 when both phases are complete.

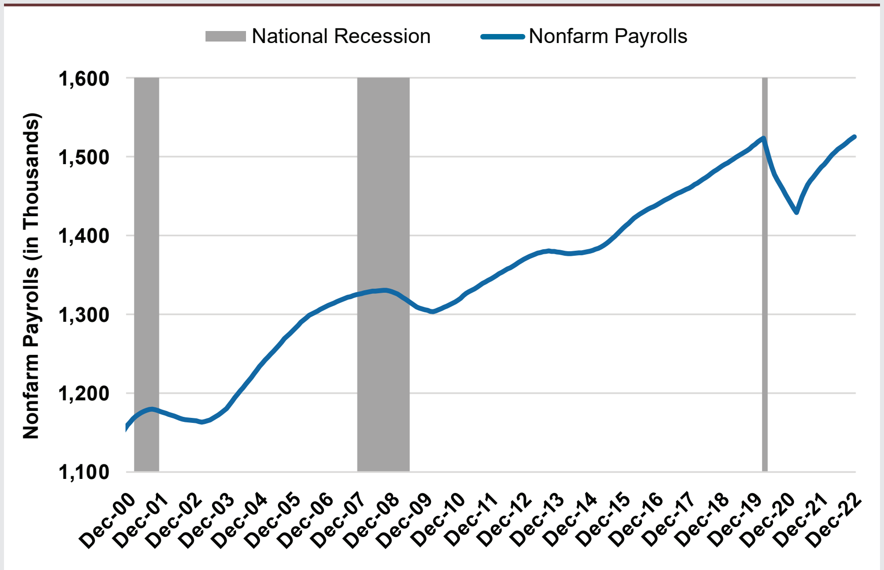
The government sector is also a major contributor to the economy of the HMA, largely due to a significant federal government presence. Nonfarm payrolls in the federal government subsector generally increased from 2001 through 2010, up by an average of 2,200 jobs, or 2.8 percent, annually. However, nonfarm payrolls in the subsector declined from 2011 through 2019, down by an average of 400 jobs, or 0.5 percent, annually. The decrease during this period was largely due to reduced hiring that resulted from the passage of the Budget Control Act of 2011, which imposed limits on discretionary spending through fiscal year 2021. During 2020 and 2021, nonfarm payrolls in the federal government subsector rose by an average of 1,500 jobs, or 1.7 percent, annually. This increase was partially attributed to a significant number of temporary workers being hired to conduct the 2020 Decennial Census.

Economic Periods of Significance

A Period of Strong Economic Growth: 2001 Through 2008

Nonfarm payrolls in the HMA increased from 2001 through 2008 at a relatively strong pace compared with the nation overall. During the 8-year period, nonfarm payrolls in the HMA were up by an average of 21,200 jobs, or 1.7 percent, annually. By comparison, nonfarm payrolls nationwide rose an average of 0.5 percent annually. Within the HMA, nearly 85 percent of the net increase was in the professional and business services, the government, and the education and health services sectors, which were up by averages of 8,800, 5,300, and 3,900 jobs, or 2.8, 2.7, and 3.6 percent, annually, respectively. Losses in the information and the manufacturing sectors—which declined by averages of 3,700 and 800 jobs, or 5.8 and 2.7 percent, annually, respectively—partially offset these gains. Figure 2 shows the 12-month average nonfarm payrolls in the HMA since 2000.

Figure 2. 12-Month Average Nonfarm Payrolls in the Northern Virginia HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The Impact of the Great Recession on the Northern Virginia HMA: 2009

Nonfarm payrolls in the HMA declined during 2009, but the impact of the Great Recession was less severe in the HMA than the nation overall, largely due to continued strong gains in the education and health services sector and the federal government subsector. During 2009, nonfarm payrolls in the HMA decreased by 22,800 jobs, or 1.7 percent, compared with a 4.3-percent decline nationwide. Nearly 85 percent of the net decrease was in the mining, logging, and construction and the wholesale and retail trade sectors, which declined by 10,700 and 8,600 jobs, or 13.3 and 5.0 percent, respectively. Gains in the education and health services sector and the federal government subsector—which increased by 4,400 and 3,800 jobs, or 3.5 and 4.7 percent, respectively—partially offset these losses.

Economic Recovery and Expansion: 2010 Through 2019

The economy of the HMA recovered from the Great Recession during 2010 and 2011 and expanded from 2012 through 2019, reaching a peak of 1.52 million jobs during 2019. During the 10-year period, nonfarm payrolls increased by an average of 21,000 jobs, or 1.5 percent, annually. Nonfarm payrolls were up in 10 of 11 sectors during this period, led by the professional and business services, the education and health services, and the leisure and hospitality sectors, which annually increased by averages of 6,900, 4,300, and 3,300 jobs, or 1.8, 2.9, and 2.5 percent, respectively. The only sector to lose jobs during this period was the information sector, which declined by an average of 400 jobs, or 0.9 percent, annually.

Job Losses During the COVID-19 Pandemic: 2020

The interventions taken in mid-March 2020 to slow the spread of COVID-19, including social distancing and the discouragement of nonessential travel, caused nonfarm payrolls in the HMA to decline by 159,000 jobs, or 10.5 percent (not seasonally adjusted), during March and April 2020. During 2020, the average level of nonfarm payrolls was down by 70,000 jobs, or 4.6 percent, compared with 2019. The most affected sectors were those heavily reliant on tourism and those dependent on in-person interactions.

During 2020, approximately 53 percent of the jobs lost in the HMA were in the leisure and hospitality sector, which decreased by 36,900 jobs, or 24.7 percent. Approximately 81 percent of the decline in the sector was in the accommodation and food services industry, which was down by 29,800 jobs, or 23.6 percent. Losses in the industry were largely attributed to a significant decline in tourism to the area because of international and domestic travel restrictions put in place to slow the spread of COVID-19. The average occupancy rate at hotels during 2020 in the HMA was 38.0 percent, down from 70.2 percent in 2019 (CoStar Group). Additional losses during 2020 were in the wholesale and retail trade and the education and health services sectors, which declined by 11,000 and 10,000 jobs, or 6.4 and 5.7 percent, respectively.

Strong Job Gains: 2021

Economic conditions in the HMA started to recover during 2021 as the restrictions to slow the spread of COVID-19 were phased out. During 2021, nonfarm payrolls in the HMA increased by 40,800 jobs, or 2.8 percent. During the year, the sectors that added the most jobs were generally the ones that lost the most jobs a year earlier. This shift occurred because many establishments in these sectors that were required to close or operate at a limited capacity during the early stages of the COVID-19 pandemic reopened or were allowed to remove their limited capacity requirements, or both.

More than 30 percent of the net job increase during 2021 was in the leisure and hospitality sector, which was up by 12,300 jobs, or 11.0 percent. Nonfarm payrolls in the food services and drinking places industry rose by 9,900 jobs, or 11.4 percent, accounting for more than 80 percent of the total jobs added in the leisure and hospitality sector. Gains in the industry were partially attributed to local capacity limits on indoor dining being mostly eliminated by mid-2021. Additional gains during the year were in the professional and business services, the wholesale and retail trade, and the education and health services sectors, which were up by 9,500, 6,400, and 6,000 jobs, or 2.2, 3.9, and 3.6 percent, respectively.

Current Conditions—Nonfarm Payrolls

The economy of the HMA fully recovered all jobs lost during March and April 2020 by May 2022, and the average level of nonfarm payrolls during the past year is at an all-time high. During 2022, nonfarm payrolls in the HMA increased by 38,500 jobs, or 2.6 percent, to 1.53 million (Table 2), which is 0.6 percent higher than the average level of payrolls during 2019. During the past year, nonfarm payrolls were up or unchanged in 10 of 11 sectors, led by the leisure and hospitality sector, which increased by 14,900 jobs, or 12.0 percent. The gains in the sector were partially attributed to new restaurants opening throughout the HMA. During 2022, 3.3 percent of all available restaurant space in the HMA was vacant, which was down from 5.9 percent during 2021 and is the lowest vacancy rate in 15 years (CoStar Group). Despite the recent gains, however, the current level of nonfarm payrolls in the leisure and hospitality sector is 9,700 jobs, or 6.5 percent, below the level during 2019, which is partially attributed to a combination of relatively low tourism to the HMA since 2020 and fewer businesses holding in-person conferences since the start of the pandemic. During 2022, the average occupancy rate at hotels in the HMA was 63.0 percent, up from the average rates of 50.9 and 38.0 percent in 2021 and 2020, respectively, but it is 7.8 percentage points below the 70.8-percent average rate from 2015 through 2019.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Northern Virginia HMA, by Sector

	12 Months Ending December 2021	12 Months Ending December 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,486.7**	**1,525.2**	**38.5**	**2.6**
Goods-Producing Sectors	105.9	108.0	2.1	2.0
Mining, Logging, & Construction	79.3	81.4	2.1	2.6
Manufacturing	26.6	26.6	0.0	0.0
Service-Providing Sectors	1,380.8	1,417.2	36.4	2.6
Wholesale & Retail Trade	168.6	170.8	2.2	1.3
Transportation & Utilities	46.1	52.2	6.1	13.2
Information	42.4	44.8	2.4	5.7
Financial Activities	78.9	75.6	-3.3	-4.2
Professional & Business Services	436.6	439.4	2.8	0.6
Education & Health Services	170.7	176.0	5.3	3.1
Leisure & Hospitality	124.6	139.5	14.9	12.0
Other Services	72.1	73.6	1.5	2.1
Government	240.8	245.3	4.5	1.9

Notes: Based on 12-month averages through December 2021 and December 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Additional significant gains were in the transportation and utilities, the education and health services, and the government sectors, which increased by 6,100, 5,300, and 4,500 jobs, or 13.2, 3.1, and 1.9 percent, respectively. In the transportation and utilities sector, the increase was partially attributed to companies building distribution centers to speed up the delivery of products purchased online. During 2022, the HMA had 8.91 million square feet of space in distribution buildings, up 11 percent compared with 2021 (CoStar Group). Job gains in the education and health services sector occurred in both the healthcare and social assistance and the educational services sectors, which were up by 4,000 and 1,300 jobs, or 2.9 and 3.9 percent, respectively. The only sector to lose jobs was the financial activities sector, which was down by 3,300 jobs, or 4.2 percent.

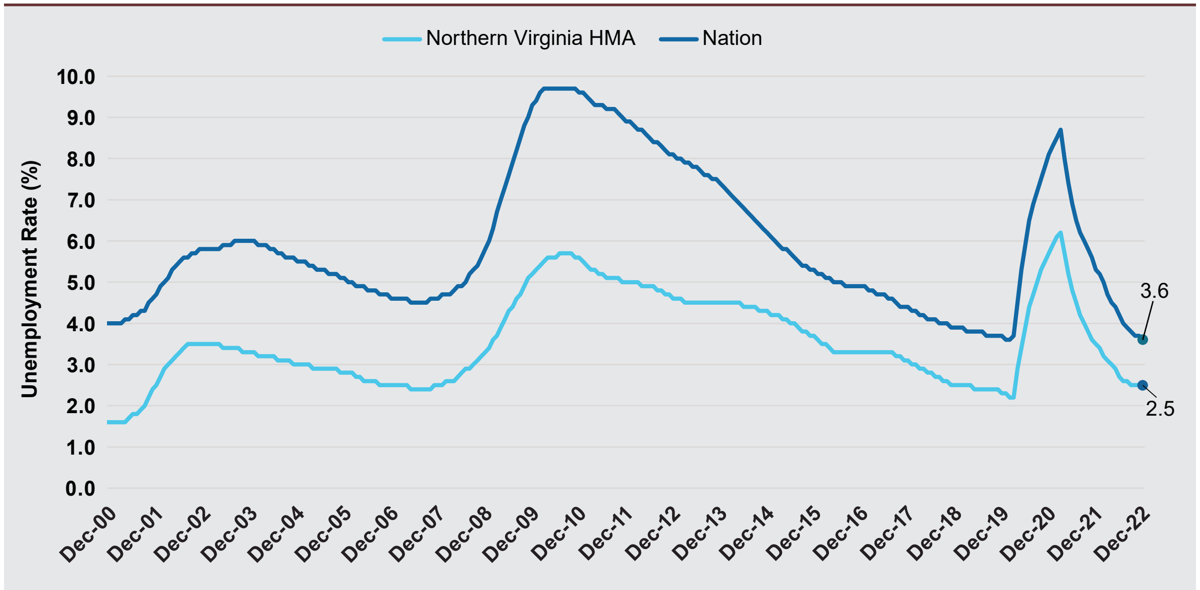
Current Conditions—Unemployment

Because of significant job gains, the unemployment rate in the HMA declined during the past 2 years. During 2022, the unemployment rate in the HMA averaged 2.5 percent (Figure 3), down from 3.5 percent during 2021 and significantly lower than the 5.7-percent rate during 2020, which was the highest rate in more than 20 years. The decline in the unemployment rate during the past year was due to a 2.6-percent increase in resident employment, which was stronger than the 1.5-percent rise in the labor force. The current rate in the HMA is lower than the rates in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the nation of 3.4 and 3.6 percent, respectively. In the Central and Suburban submarkets, the unemployment rates during 2022 averaged 2.2 and 2.5 percent, down from the average rates of 3.3 and 3.5 percent, respectively, during 2021.

Commuting Patterns

Many residents of the HMA work in other parts of the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA, especially in the District of Columbia. During 2019, approximately 28 percent of the working residents in the HMA, or approximately 492,700 residents, worked in other portions of the Washington-Arlington-Alexandria MSA, including 380,300 residents, or 22 percent, who worked in the District of Columbia (U.S. Census Bureau, OnTheMap). Of HMA residents commuting to the District of Columbia, the Central submarket was more notable, with approximately 30 percent of residents, or approximately 57,150, working in the District of Columbia. By comparison, in the Suburban submarket, less than 21 percent of residents, or approximately 323,100, worked in the District of Columbia.

Figure 3. 12-Month Average Unemployment Rate in the Northern Virginia HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Forecast

During the 3-year forecast period, the economy of the HMA is expected to continue to expand. Nonfarm payrolls are projected to increase an average of 2.2 percent annually during the next 3 years. Similar to prepandemic trends, job growth is expected to be strongest in the professional and business services sector. Construction of the first phase of Amazon HQ2 is expected to be complete by mid-2023, and the company is expected to add an unspecified number of jobs to the 5,000 that have already been created in anticipation of the opening of the first phase of the new headquarters. Strong job gains are also expected to continue in the leisure and hospitality industry, as tourism to the overall metropolitan area returns to prepandemic levels.

Population and Households

Current Population: 3.11 Million

Population growth in the Northern Virginia HMA has slowed since 2020 because of a significant reduction in the number of people moving into the HMA.

Population Trends

As of January 1, 2023, the population of the HMA is estimated at 3.11 million, representing an average annual increase of approximately 34,100, or 1.2 percent, since 2010 compared with an average annual gain of 51,925, or 2.2 percent, from 2000 to 2010 (Table 3). In response to the economy of the Washington-Arlington-Alexandria MSA significantly expanding, including strong job growth in the HMA, the population of the HMA increased at a rapid pace, averaging 3.2 percent each decade from 1950 through 2000. Additionally, the population of the HMA increased at a faster pace than the rest of the metropolitan area during this period, largely because the HMA has more developable land.

Population growth continued to be strong in the HMA during the 2000s and early 2010s. From 2000 to 2008, the population increased by an average of 48,600, or 2.1 percent, annually, and net in-migration averaged 21,850 people annually (U.S. Census Bureau population estimates as of July 1; Figure 4). In response to stronger economic conditions in the HMA relative to the nation overall, net in-migration increased to an average of 33,150 people annually from 2008 to 2013, causing population growth to accelerate to an annual average of 60,400 people, or 2.3 percent. However, net in-migration significantly slowed to an average of 5,000 people annually from 2013 to 2020, and population growth slowed to an average of 30,050 people, or 1.0 percent, annually. The

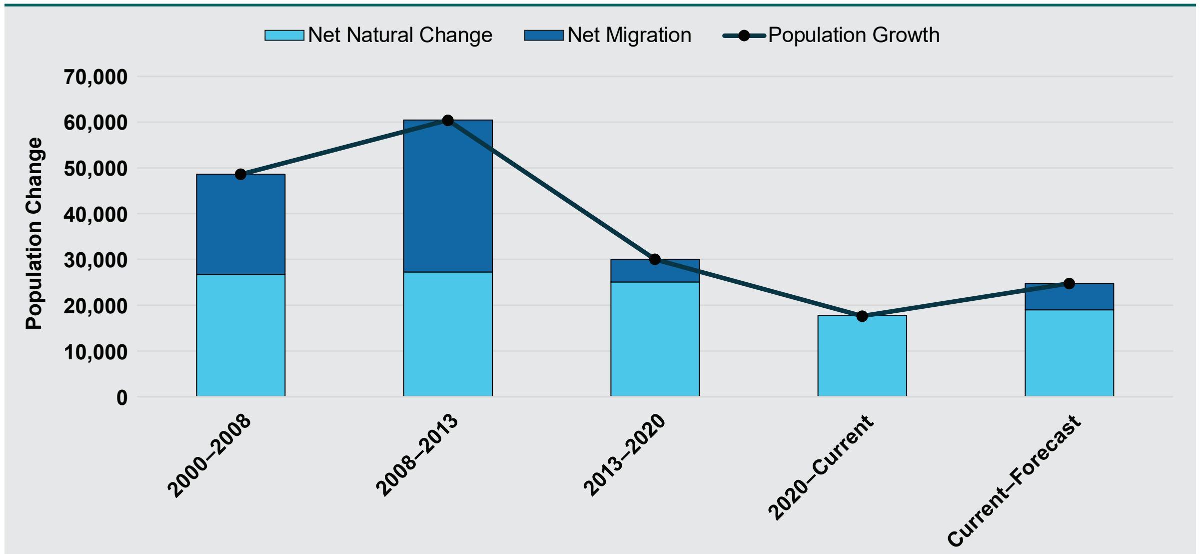
Table 3. Northern Virginia HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	2,677,141	3,112,600	3,186,500
	Average Annual Change	51,925	34,100	24,750
	Percentage Change	2.2	1.2	0.8

Household Quick Facts		2010	Current	Forecast
	Households	979,380	1,124,150	1,151,000
	Average Annual Change	17,700	11,350	8,825
	Percentage Change	2.0	1.1	0.8

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2023) to January 1, 2026.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 4. Components of Population Change in the Northern Virginia HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (January 1, 2023) to January 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

lower levels of net in-migration during this period were partially attributed to significant reductions in hiring in the federal government subsector, especially in the District of Columbia, reducing net in-migration throughout the Washington-Arlington-Alexandria MSA.

Since 2020, net out-migration has averaged 250 people annually and caused population growth to slow to an average of 17,600 people, or 0.6 percent, annually. Out-migration since 2020 was partially attributed to employers, including the federal government, expanding their work-from-home policies. These new policies resulted in fewer people moving into the HMA for work and more people relocating from the HMA to more suburban areas, where housing options are more affordable.

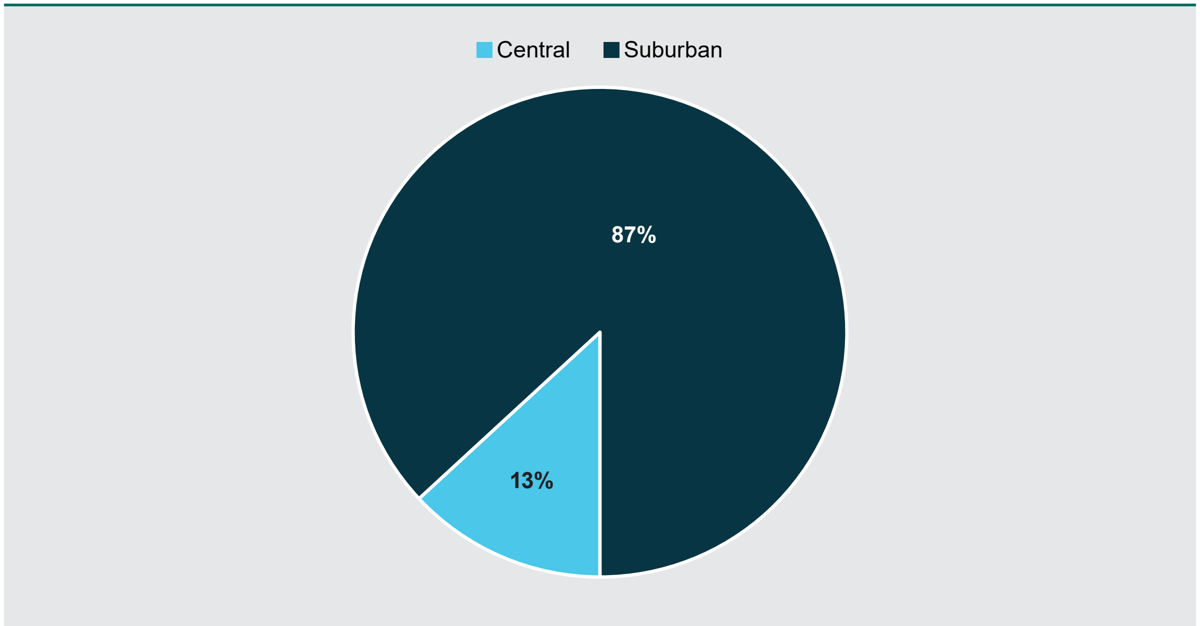
Net Natural Change

Net natural change in the HMA was relatively steady from 2000 to 2016, averaging 26,900 people annually before slowing each year from 2016 to 2021. From 2016 to 2019, net natural change slowed by an average of 1,400, or 5.5 percent, annually due to a combination of increasing resident deaths and decreasing resident births. During the period, resident deaths in the HMA rose by an average of 470, or 3.3 percent, annually, whereas resident births declined by an average of 930, or 2.4 percent, annually. From 2019 to 2021, net natural change slowed further, declining by an average of 3,375, or 16.1 percent, annually to approximately 16,000 people during the period from July 2020 to July 2021, which was the lowest total in more than 20 years. The accelerated rate of decline during this period was largely due to COVID-19-related deaths. Since July 2021, however, as more residents received the COVID-19 vaccine, the number of deaths attributed to COVID-19 has declined significantly, causing net natural change to increase 19 percent to an estimated average of 19,000 people annually.

Central Submarket

The population of the Central submarket is currently estimated at approximately 407,600, accounting for 13 percent of the total population in the HMA (Figure 5). Population growth in the submarket has been limited, relative to the Suburban submarket, partially because of a lack of developable land preventing growth. This limited growth was especially notable during the early 2000s, when strong demand existed for owner housing, especially for single-family homes and townhomes, which were built at a strong pace in the Suburban submarket. Because of the lack of available homes to purchase, net out-migration from the Central submarket averaged 3,700 people annually from 2000 to 2006, which caused the population to decline by

Figure 5. Current Population in the Northern Virginia HMA, by Submarket



Source: Estimates by the analyst

an annual average of 300, or 0.1 percent. From 2006 to 2013, however, net in-migration was strong, which averaged 4,425 people annually and caused the population to increase by an average of 8,325, or 2.5 percent, annually. In addition to a decline in demand for owner housing after the bursting of the housing market bubble, net in-migration during this period was largely due to people being drawn to the submarket by the residential and commercial development along the Washington Metropolitan Area Transit Authority (known as Metro) orange rail line.

Similar to the HMA overall, fewer people moved into the Central submarket from 2013 to 2020. During this period, net out-migration averaged 530 people annually, and population growth slowed to an average of 3,550 people, or 0.9 percent, annually. Since 2020, however, net in-migration has resumed, averaging 450 people annually. However, population growth slowed slightly to an average of 3,450 people, or 0.9 percent, annually because of a significant slowdown in net natural change more than offsetting the stronger growth from net in-migration. Since 2020, net natural change has averaged 3,000 people annually, down 26 percent from the average of 4,075 people annually from 2013 to 2020.

Suburban Submarket

The population of the Suburban submarket is currently estimated at approximately 2.71 million, accounting for 87 percent of the total population in the HMA. Population trends in the submarket were similar to those of the HMA as a whole, because fluctuations in migration trends in the submarket generally coincided with changes in the HMA. From 2000 to 2008, the population of the submarket increased by an average of 47,200, or 2.4 percent, annually, and net in-migration averaged 23,950 people annually. Net in-migration increased to an average of 28,200 people annually from 2008 to 2013, causing population growth to accelerate to an annual average of 51,450 people, or 2.2 percent. From 2013 to 2020, the population continued to increase but at a slower pace of 26,500, or 1.0 percent, annually because of lower levels of net in-migration, which averaged 5,500 people annually. Similar to the HMA overall, net out-migration in the submarket since 2020, which has averaged 650 people annually, has caused population growth to slow to an average of 14,150 people, or 0.5 percent, annually.

Household Trends

Household growth trends in the HMA and both submarkets have been similar to population growth trends. An estimated 1.12 million households currently reside in the HMA, and 193,850 and 930,300 households currently reside in the Central and Suburban submarkets, respectively. Since 2010, the number of households in the HMA has increased by an average of 11,350, or 1.1 percent, annually. By comparison, from 2000 to 2010, the number of households increased by an average of 17,700, or 2.0 percent, annually. The number of households in the Central and Suburban submarkets has annually increased by averages of 2,175 and 9,175, or 1.2 and 1.1 percent, respectively, since 2010. By comparison, from 2000 to 2010, the number of households in the submarkets annually increased by averages of 1,800 and 15,900 households, or 1.1 and 2.2 percent, respectively.

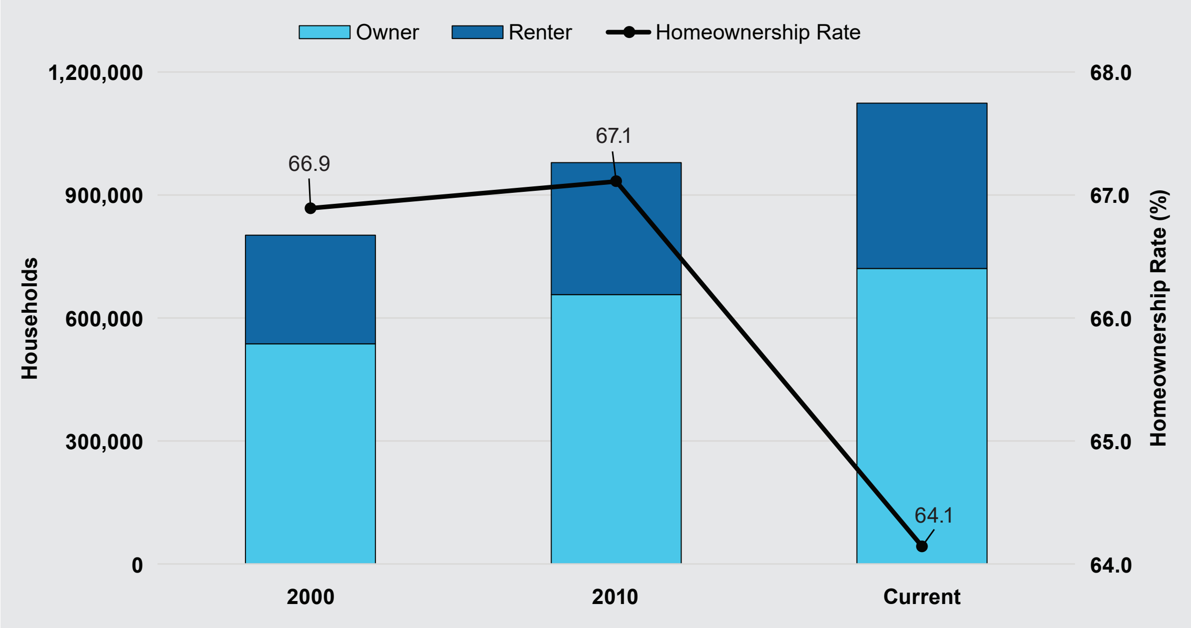
The current homeownership rate in the HMA is estimated at 64.1 percent, down from 67.1 percent in 2010 (Figure 6). In the Central and Suburban submarkets, the homeownership rates are currently estimated at 40.4 and 69.1 percent, down from 43.3 and 72.0 percent in 2010, respectively. The lower homeownership rate in the Central submarket is partially attributed to the submarket historically being a more desirable destination for young professionals, many of whom are renters; those residents are attracted to the submarket because of lower rents relative to the District of Columbia and access to 14 Metro train stops. The Suburban submarket had only six Metro train stops prior to 2014, which made the submarket less attractive to renters who worked in either the Central submarket or the District of Columbia. However, the Silver Line of the Metro system opened in 2014 and has added 12 Metro train stops in the submarket, the last of which was completed in late 2022. Because of this expansion, demand for renter units has strengthened in the submarket, and approximately 51 percent of the net increase in households since 2010 has been for renter households, up significantly from 30 percent of all households from 2000 to 2010.

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 24,750, or 0.8 percent, annually, reaching 3.19 million by January 1, 2026. Population growth is expected to be relatively steady during all 3 years of the forecast period. In the Central and Suburban submarkets, the populations are expected to increase by averages of 4,300 and 20,450, or 1.0 and 0.7 percent, respectively.

During the next 3 years, the number of households in the HMA is expected to increase at a similar pace as the population, up by an average of 8,825, or 0.8 percent, annually, reaching approximately 1.15 million households. In the Central and Suburban submarkets, the number of households is estimated to increase by averages of 1,925 and 6,900, or 1.0 and 0.7 percent, annually to 199,600 and 951,000 households, respectively.

Figure 6. Households by Tenure and Homeownership Rate in the Northern Virginia HMA



Note: The current date is January 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Sales Market—Northern Virginia HMA

Market Conditions: Slightly Tight, but Easing

New and existing home sales in the Northern Virginia HMA declined significantly during the past year compared with strong increases during the previous 2 years.

Current Conditions and Recent Trends

The sales housing market in the HMA is slightly tight compared with tight conditions during the previous 2 years. The vacancy rate is estimated at 1.2 percent (Table 4), down from 1.5 percent in 2010. In December 2022, the HMA had 0.9 month of available for-sale housing inventory, up from 0.5 month of inventory in December 2021 (Bright MLS, Inc.). Sales market conditions tightened throughout the HMA during 2020 and 2021, largely because of a surge in homebuying in response to low mortgage interest rates. However, the interest rate increased significantly during the past year, which has caused home sales to plummet and sales market conditions to ease. During 2022, the average annual interest rate for 30-year fixed-rate mortgages was 5.3 percent, up significantly from the average 3.0-percent rate during 2020 and 2021 (Freddie Mac). By comparison, from 2015 through 2019, the average annual rate ranged from a low of 3.7 percent in 2016 to a high of 4.5 percent in 2018.

Table 4. Home Sales Quick Facts in the Northern Virginia HMA

		Northern Virginia HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.2%	NA
	Months of Inventory	0.9	2.0
	Total Home Sales	42,350	6,379,000
	1-Year Change	-25%	-19%
	New Home Sales Price	$964,900	$660,300
	1-Year Change	12%	14%
	Existing Home Sales Price	$640,300	$429,500
	1-Year Change	7%	9%
	Mortgage Delinquency Rate	0.6%	1.2%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2022; and months of inventory and mortgage delinquency data are as of December 2022. The current date is January 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and home sales—Bright MLS, Inc.; home sales prices—Redfin, a national real estate brokerage; national months of inventory—CoreLogic, Inc.; national home sales and prices—Zonda

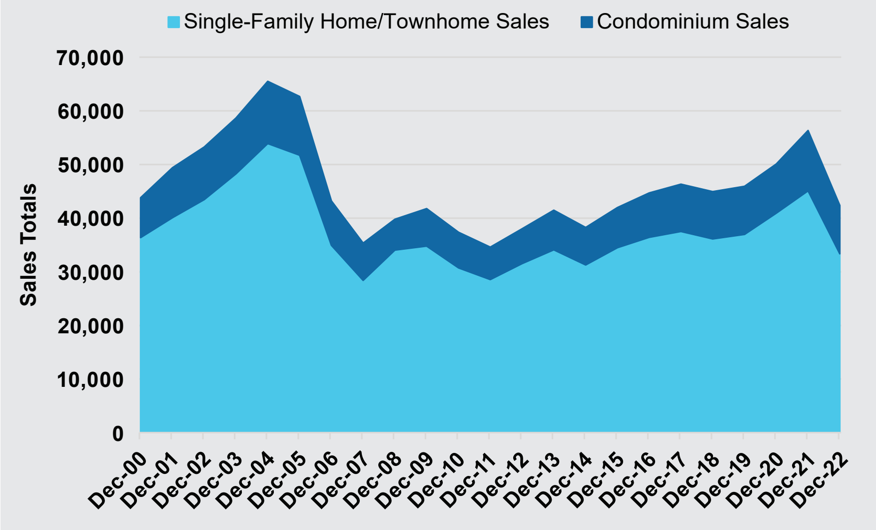
Seriously Delinquent Mortgages and Real Estate Owned Properties

In November 2022, 0.6 percent of home loans in the HMA were seriously delinquent or in real estate owned (REO) status, down from 1.6 percent in November 2021 (CoreLogic, Inc.). The rate increased from 0.6 percent in March 2020 to 3.9 percent in August 2020 because of a more than seven-fold increase in the number of home loans that were 90 or more days delinquent. The delinquency rate increase during this period was largely attributed to households being unable to make mortgage payments because of elevated unemployment rates and the availability of mortgage forbearance opportunities. As the economy continued adding jobs and the unemployment rate declined, more households caught up on mortgage payments. As a result, the number of home loans that are 90 or more days delinquent has decreased 85 percent since September 2020, and the rate of homes that are seriously delinquent or in REO status declined in each of the past 27 months. The current rate of home loans that are seriously delinquent or in REO status in the HMA is less than the 1.2-percent rate in both the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the nation.

Home Sales

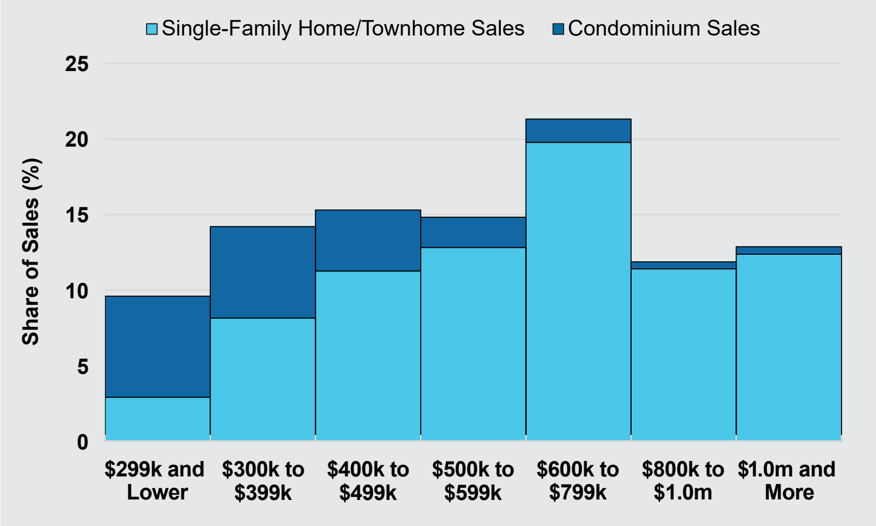
In response to rising interest rates, sales of new and existing homes (including single-family homes, townhomes, and condominiums) declined significantly during the past year compared with strong increases during the previous 2 years. During 2022, approximately 42,350 new and existing homes sold, representing a decrease of 14,000, or 25 percent, compared with the 56,350 homes sold during 2021, which was the highest level in more than 15 years. By comparison, home sales increased an average of 11 percent annually during 2020 and 2021. Figure 7 shows the 12-month sales totals by unit type in the HMA since 2000, and Figure 8 shows the share of home sales by price range during 2022.

Figure 7. 12-Month Sales Totals by Type in the Northern Virginia HMA



Source: Bright MLS, Inc.

Figure 8. Share of Overall Sales by Price Range During 2022 in the Northern Virginia HMA

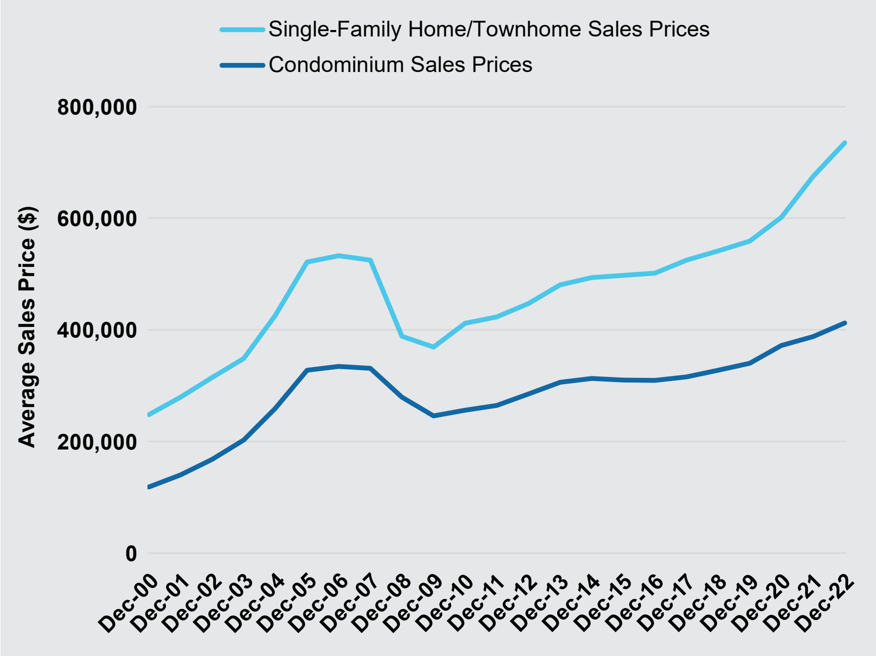


Source: Bright MLS, Inc.

Home Sales Prices

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 the HMA have had higher sales prices than the original listing prices, 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, an all-time high (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. Figure 9 shows the 12-month average sales price by unit type in the HMA since 2000.

Figure 9. 12-Month Average Sales Price by Type of Sale in the Northern Virginia HMA

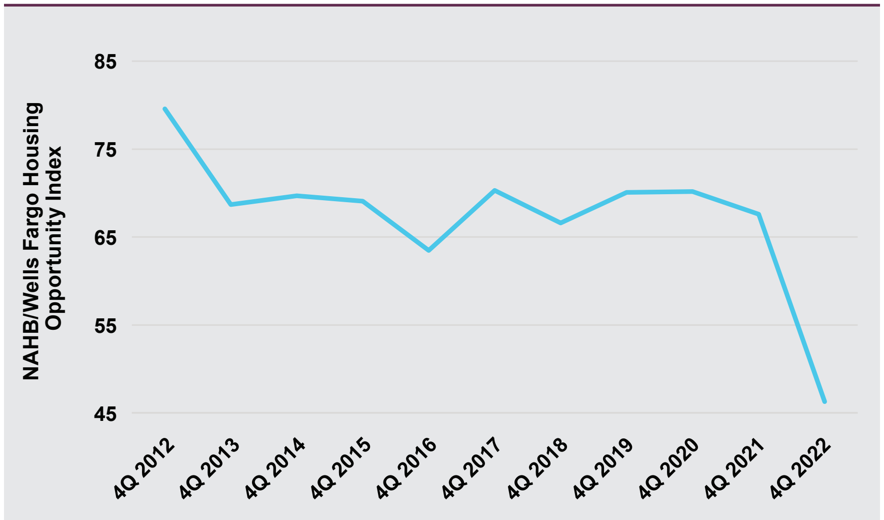


Source: Bright MLS, Inc.

Housing Affordability

Homeownership in the HMA is generally expensive, and the affordability of owning a home declined significantly during the past year because of a strong rise in mortgage interest rates. In the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division, the median income increased 14 percent during the past year, which outpaced the 8-percent rise in the median sales price (National Association of Home Builders [NAHB]). However, the average interest rate for a 30-year fixed-rate mortgage increased from 3.2 percent during the fourth quarter of 2021 to 6.8 percent during the fourth quarter of 2022, causing the monthly cost of owning a recently purchased home to increase at a faster pace than monthly income. The NAHB/Wells Fargo Housing Opportunity Index for the metropolitan division, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 46.3 during the fourth quarter of 2022, down significantly from 67.6 during the fourth quarter of 2021 and from 70.2 during the fourth quarter of 2020 (Figure 10).

Figure 10. Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division Housing Opportunity Index



4Q = fourth quarter. NAHB = National Association of Home Builders.
Source: NAHB/Wells Fargo

Forecast

During the 3-year forecast period, demand is estimated for 14,775 new homes (Table 5). The 2,760 homes under construction will satisfy some of that demand. Demand is expected to be relatively low during the first year of the forecast period because of elevated mortgage interest rates, but demand is expected to accelerate during the second and third years, because the mortgage rates are anticipated to decline.

Table 5. Demand for New Sales Units in the Northern Virginia HMA During the Forecast Period

	Sales Units
Demand	14,775 Units
Under Construction	2,760 Units

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Sales Market—Central Submarket

Current Conditions and Recent Trends

The sales housing market in the Central submarket is slightly tight, although conditions eased during the past year. The vacancy rate is estimated at 0.8 percent (Table 6), down from 1.4 percent in 2010. In December 2022, the

Table 6. Home Sales Quick Facts in the Central Submarket

		Central Submarket	Northern Virginia HMA
Home Sales Quick Facts	**Vacancy Rate**	0.8%	1.2%
	Months of Inventory	0.9	0.9
	Total Home Sales	5,400	42,350
	1-Year Change	-20%	-25%
	New Home Sales Price	$1,738,000	$964,900
	1-Year Change	2%	12%
	Existing Home Sales Price	$698,100	$640,300
	1-Year Change	0%	7%
	Mortgage Delinquency Rate	0.4%	0.6%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2022; and months of inventory and mortgage delinquency data are as of November 2022. The current date is January 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and home sales—Bright MLS, Inc.; home sales prices—Redfin, a national real estate brokerage

submarket had 0.9 month of available for-sale housing inventory, up slightly from 0.7 month of inventory in December 2021 (Bright MLS, Inc.). Sales market conditions were slightly tight in 2000 but transitioned into balanced from 2000 through 2006 because of strong net out-migration from the submarket. From 2007 through 2013, however, conditions transitioned back to slightly tight because of a combination of strong net in-migration and limited sales construction activity, and conditions stayed slightly tight from 2014 through 2019. Similar to the HMA overall, conditions in the submarket tightened during 2020 and 2021 but eased during the past year.

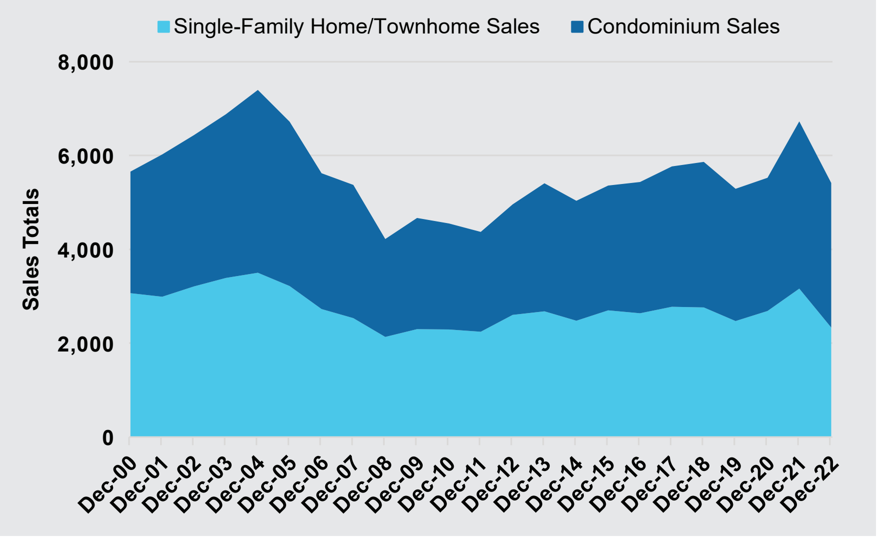
Seriously Delinquent Mortgages and Real Estate Owned Properties

The rate of seriously delinquent home loans and REO properties in the Central submarket is the lower of the two submarkets, although the trends in the rate are similar to the HMA overall. In November 2022, 0.4 percent of home loans in the Central submarket were seriously delinquent or had transitioned into REO status, down from 1.0 percent in November 2021 (CoreLogic, Inc.). The rate increased from 0.2 percent in March 2020 to 2.1 percent in August 2020, but it has decreased or been relatively unchanged every month since September 2020.

Single-Family Home and Townhome Sales

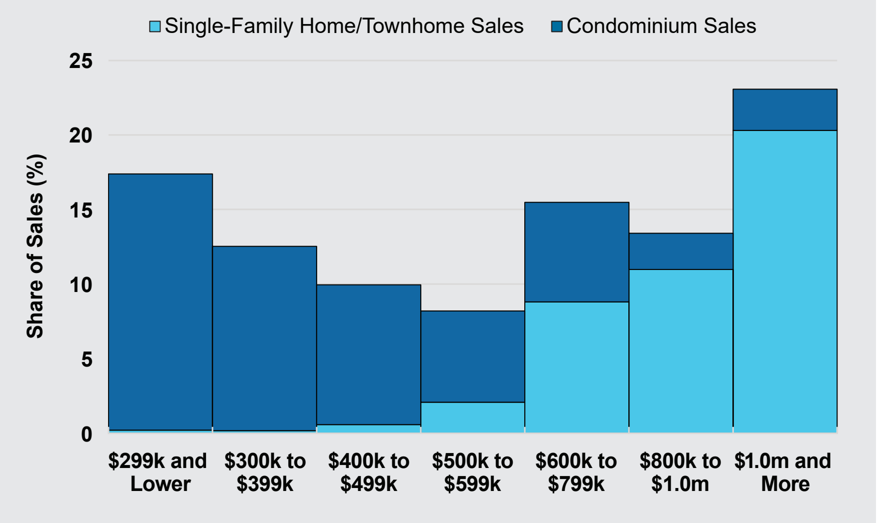
Sales of new and existing single-family homes and townhomes declined significantly during the past year compared with strong increases during the previous 2 years. During 2022, approximately 2,325 new and existing single-family homes and townhomes were sold, representing a decrease of 830 homes, or 26 percent, compared with 2021 (Bright MLS, Inc.). By comparison, home sales increased an average of 13 percent annually during 2020 and 2021, following an average annual 1-percent decline from 2014 through 2019. Additionally, with the recent decline, the current level of sales is at the lowest level in more than 10 years and is 12 percent below the average of 2,650 homes sold annually from 2014 through 2019. Figure 11 shows the 12-month sales totals by unit type in the submarket since 2000, and Figure 12 shows the share of home sales by price range during 2022.

Figure 11. 12-Month Sales Totals by Type in the Central Submarket



Source: Bright MLS, Inc.

Figure 12. Share of Overall Sales by Price Range During 2022 in the Central Submarket



Source: Bright MLS, Inc.

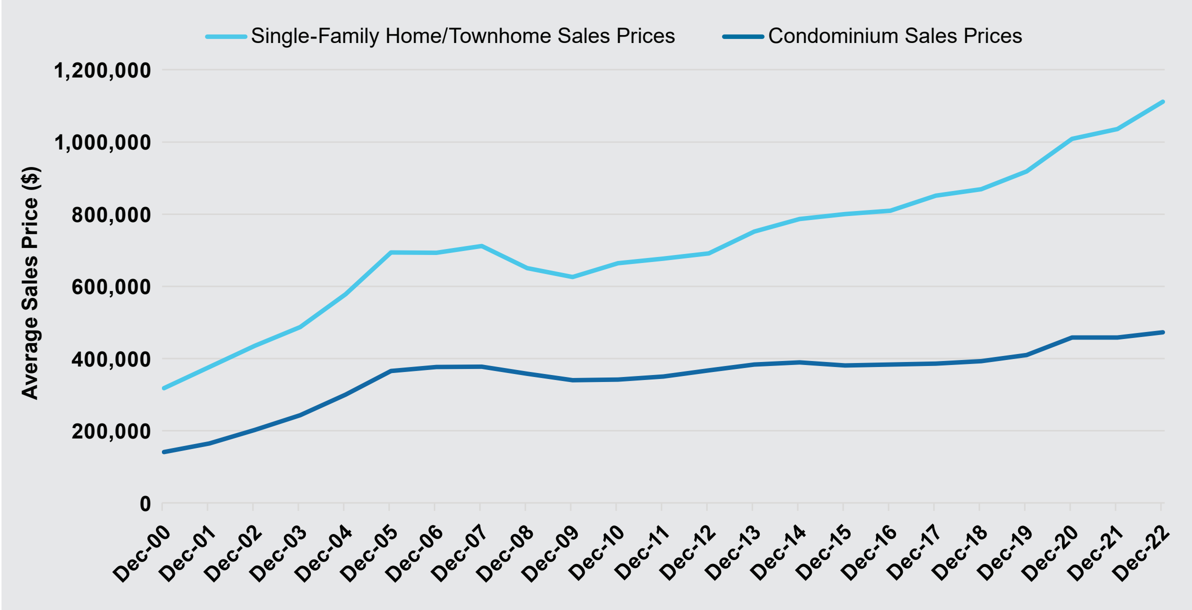
Condominium Sales

Sales of new and existing condominiums declined during the past year compared with a surge a year ago. However, the current level of sales is above prepandemic levels, because the demand for lower-priced condominiums is relatively high. During 2022, approximately 3,075 new and existing condominiums sold, down by 490 units, or 14 percent, compared with a 26-percent rise during 2021. Despite the recent decline, however, the current level of sales is 7-percent higher than the average of 2,875 condominiums sold annually from 2015 through 2019.

Sales Prices

In response to a limited number of homes available for sale, the average sales price of new and existing single-family homes and townhomes in the Central submarket has increased at a strong pace since 2020. During 2022, the average sales price of new and existing single-family homes and townhomes increased 7 percent to $1.11 million. Since 2020, the average sales price has increased an average of 7 percent annually compared with an average annual 4-percent rise from 2010 through 2019. In addition, the current average price is an all-time high and is 78-percent higher than the average price of $626,100 in 2009, the lowest price since 2008. Figure 13 shows the average annual sales price by unit type in the submarket since 2000.

Figure 13. 12-Month Average Sales Price by Type of Sale in the Central Submarket



Source: Bright MLS, Inc.

The average sales price of new and existing condominiums increased or remained relatively unchanged in 12 of the past 13 years, and the current average price is also at an all-time high. During 2022, the average sales price of new and existing condominiums was $472,500, representing an increase of 3 percent compared with 2021. The average sales price has increased an average of 3 percent annually since 2010 compared with an average annual 5-percent decline during 2008 and 2009.

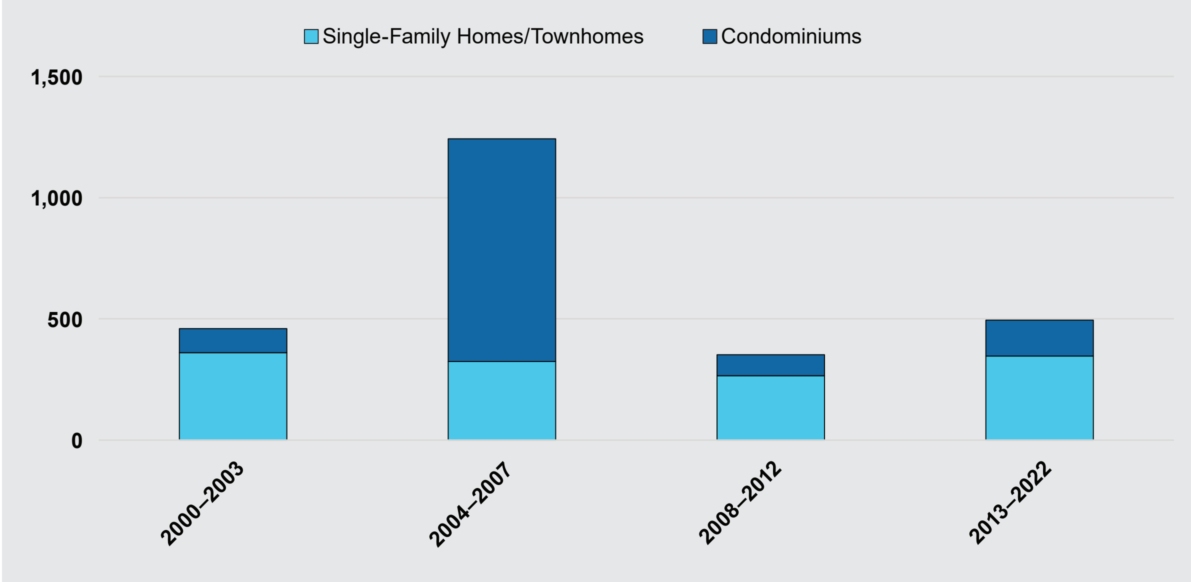
Sales Construction Activity

Sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted (see building permits), was limited during the past 15 years, which is partially attributed to a lack of developable land in the submarket. Additionally, in response to increased interest rates reducing the number of homes sold, sales construction activity slowed during the past year. From 2013 through 2022, an average of 490 sales units were permitted annually (Figure 14). Permitting activity during this period was up 40 percent from the average of 350 sales units permitted annually from 2008 through 2012, but permitting was down 61 percent compared with the average of 1,250 sales units permitted annually from 2004 through 2007. During 2022, approximately 230 sales units were permitted, down 43 percent compared with the number of sales units permitted during 2021 (preliminary data, with adjustments by the analyst).

New Construction

Because developable land is relatively limited in the Central submarket, new construction of sales units occurs primarily in townhome and condominium developments. Single-family construction consist mainly of replacements for older homes on existing lots. Recent construction includes The Towns, which is a 41-unit townhome community that was completed in mid-2022 in the city of Alexandria. Prices for the newly constructed three- and four-bedroom townhomes in this community start at $1.40 and $1.50 million, respectively. Also, in the city of Alexandria, The Residences is a 122-unit condominium community that was completed in early 2022. Prices for the one-, two-, and three-bedroom units in this community start at $550,000, $900,000, and $1.5 million, respectively. In Arlington County, construction of the Pierce condominium community was completed in mid-2021, with prices for the two-bedroom units starting at $995,000 for units without a den and $1.50 million for units with a den.

Figure 14. Annual Sales Permitting Activity in the Central Submarket



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

Forecast

During the 3-year forecast period, demand is estimated for 1,175 new single-family homes, townhomes, and condominiums (Table 7). The 110 homes under construction will satisfy some of that demand. As with the HMA overall, demand is expected to increase each year of the forecast period. Similar to recent trends, demand is expected to be strongest for townhomes and condominiums.

Table 7. Demand for New Sales Units in the Central Submarket During the Forecast Period

	Sales Units
Demand	1,175 Units
Under Construction	110 Units

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Sales Market—Suburban Submarket

Current Conditions and Recent Trends

The sales housing market in the Suburban submarket is slightly tight, and conditions eased during the past year. The vacancy rate is estimated at 1.3 percent (Table 8), down from 1.5 percent in 2010. In December 2022, the submarket had 0.8 month of available for-sale housing inventory, up from 0.4 month of inventory in December 2021 (Bright MLS, Inc.). Sales market conditions in the submarket were generally slightly tight from 2000 through 2019, with low levels of available for-sale housing inventory. However, as with the Central submarket, conditions tightened during 2020 and 2021 before transitioning back to slightly tight during the past year.

Table 8. Home Sales Quick Facts in the Suburban Submarket

Home Sales Quick Facts		Suburban Submarket	Northern Virginia HMA
	Vacancy Rate	1.3%	1.2%
	Months of Inventory	0.8	0.9
	Total Home Sales	36,950	42,350
	1-Year Change	-26%	-25%
	New Home Sales Price	$902,000	$964,900
	1-Year Change	12%	12%
	Existing Home Sales Price	$631,700	$640,300
	1-Year Change	8%	7%
	Mortgage Delinquency Rate	0.7%	0.6%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2022; and months of inventory and mortgage delinquency data are as of November 2022. The current date is January 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and home sales—Bright MLS, Inc.; home sales prices—Redfin, a national real estate brokerage

Seriously Delinquent Mortgages and Real Estate Owned Properties

The rate of seriously delinquent home loans and REO properties in the Suburban submarket has shown similar trends as the Central Submarket. In November 2022, 0.7 percent of home loans in the Suburban submarket were seriously delinquent or had transitioned into REO status, down from 1.6 percent in November 2020 (CoreLogic, Inc.). The rate increased from 1.0 percent in March 2020 to 3.9 percent in August 2020 but has decreased or been relatively unchanged every month since September 2020.

Single-Family Home and Townhome Sales

As with the Central submarket, sales of new and existing single-family homes and townhomes in the Suburban submarket declined significantly during the past year compared with strong increases during the previous 2 years. During 2022, approximately 31,000 new and existing single-family homes and townhomes sold, representing a decrease of 10,900 homes, or 26 percent, compared with 2021 (Bright MLS, Inc.). By comparison, home sales increased an average of 10 percent annually during 2020 and 2021, which was approximately five times the average annual 2-percent rise from 2014 through 2019. The current level of sales is down 5 percent compared with the average of 32,650 homes sold annually from 2014 through 2019, but it is 18 percent higher than the 20-year low of 26,300 homes sold during 2011. Figure 15 shows the 12-month sales totals by unit type in the submarket since 2000, and Figure 16 shows the share of home sales by price range during 2022.

Condominium Sales

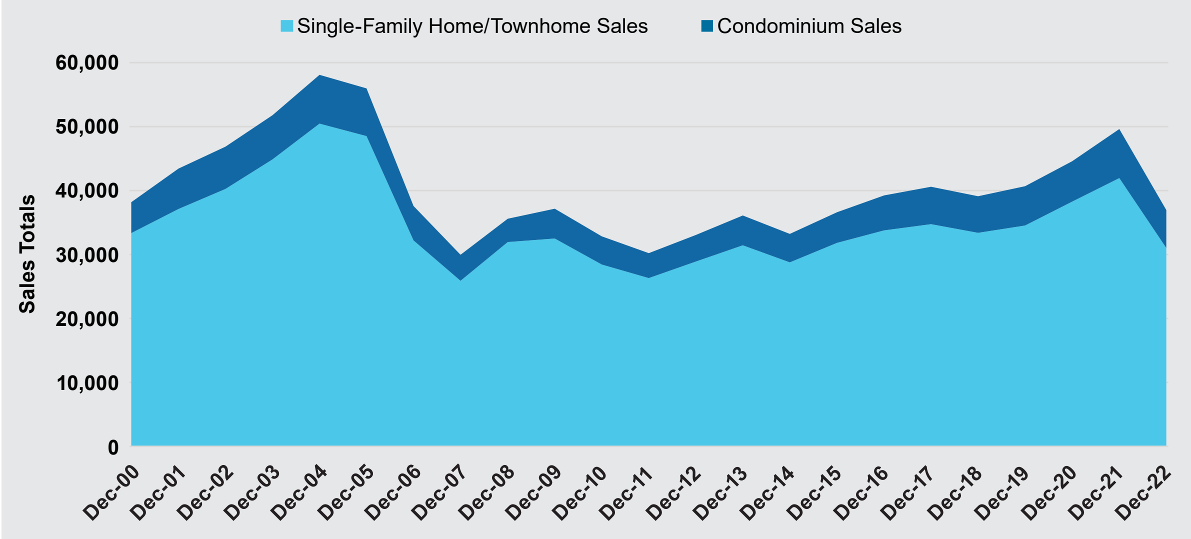
Sales of new and existing condominiums in the submarket declined significantly during the past year. During 2022, approximately 5,925 new and existing condominiums sold, down by 1,750 units, or 23 percent, compared with a 22-percent increase during 2021. By comparison, condominium sales rose an average of 6 percent annually from 2015 through 2020. Similar to the Central submarket, condominium sales are relatively high compared with prepandemic levels. The current level of sales is up 2 percent compared with the average of 5,800 units sold annually from 2016 through 2019, and it is 52 percent higher than the 3,900 condominiums sold during 2011, which was the lowest level since 2008.

Sales Prices

As with the Central submarket, the average sales price of new and existing single-family homes and townhomes has surged during the past 3 years. During 2022, the average sales price of new and existing single-family homes and townhomes increased 9 percent to $706,900, an all-time high. 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. Figure 17 shows the average annual sales price by unit type in the submarket since 2000.

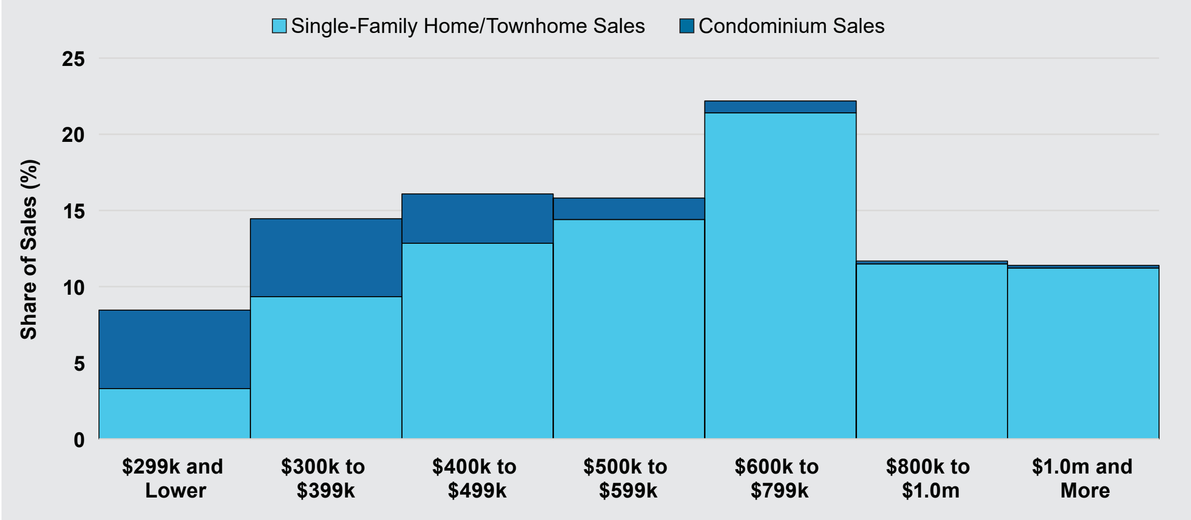
The average sales price of condominiums rose in each of the past 13 years, including an accelerated

Figure 15. 12-Month Sales Totals by Type in the Suburban Submarket



Source: Bright MLS, Inc.

Figure 16. Share of Sales by Price Range During 2022 in the Suburban Submarket



Source: Bright MLS, Inc.

rate of increase during the past 3 years. During 2022, the average sales price of new and existing condominiums increased 7 percent to $380,900, unchanged from the average annual 7-percent rise during the previous 2 years. By comparison, the average sales price increased an average of 5 percent annually from 2010 through 2019.

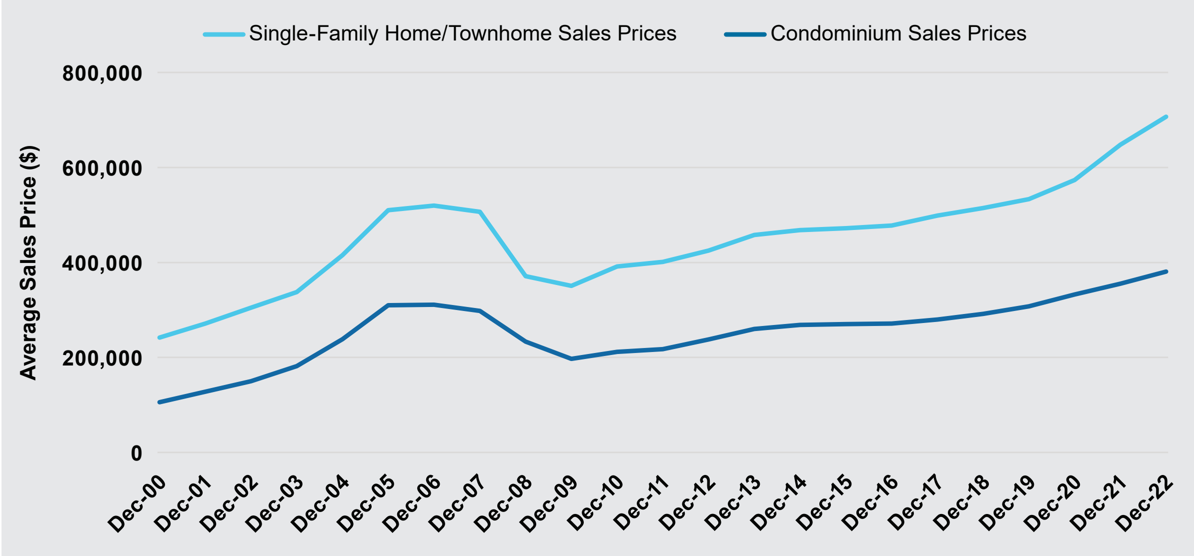
Sales Construction Activity

Sales construction activity slowed during the past year, and sales construction activity in the submarket is below the levels during the early 2000s, when home sales were strongest. From 2013 through 2022, an average of 7,675 sales units were permitted annually (Figure 18). Sales permitting activity during this period is up 32 percent compared with the average of 5,825 sales units permitted annually from 2008 through 2012, but permitting is down 57 percent compared with the average of 17,700 sales units permitted annually from 2000 through 2007. During 2022, approximately 6,400 sales units were permitted, down 13 percent compared with the number of sales units permitted a year ago (preliminary data, with adjustments by the analyst).

New Construction

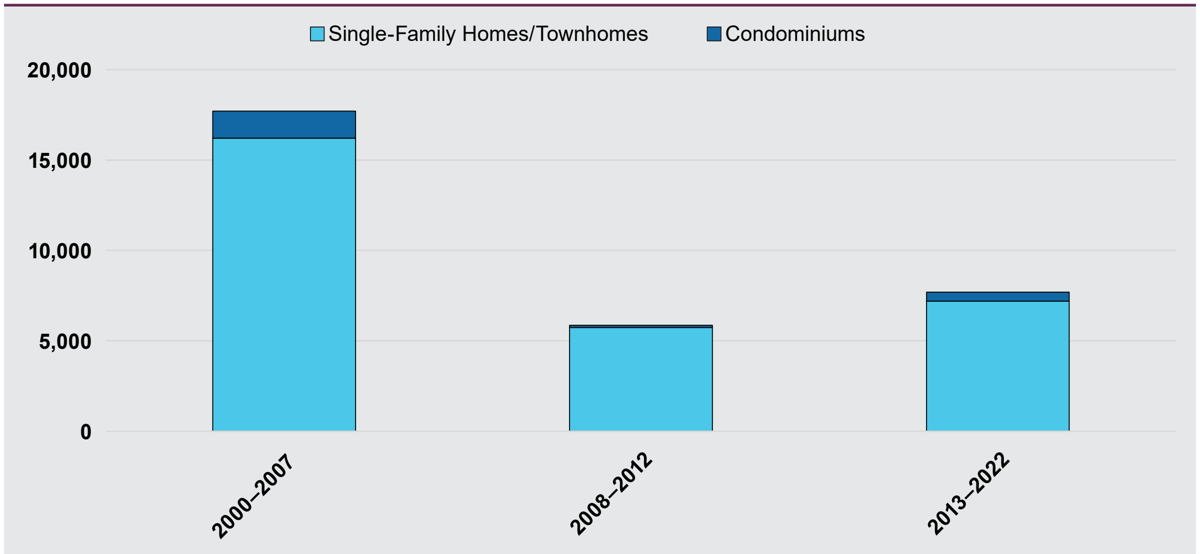
Unlike the Central submarket, developable land is abundant in the Suburban submarket, and construction of new sales units comprises a combination of single-family homes, townhomes, and condominiums. Recent construction activity includes Arden, a single-family home community currently under construction in Fairfax County.

Figure 17. 12-Month Average Sales Price by Type of Sale in the Suburban Submarket



Source: Bright MLS, Inc.

Figure 18. Annual Sales Permitting Activity in the Suburban Submarket



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

Of the 103 planned homes at this community, 55 have been completed, 15 are currently under construction, and the remaining homes are expected to be built as they sell. Prices for the newly constructed four-, five-, and six-bedroom homes in this community start at $2.58, $2.63, and $2.93 million, respectively. In the city of Fairfax, construction is under way at The Beecher, a townhome community that will have 50 homes when complete. Prices for the three-bedroom, two-and-a-half-bathroom homes in this community start at $830,000. Condominium construction activity in the submarket includes the 101-unit Monarch, which is currently under construction in Fairfax County. Prices for the two- and three-bedroom units in this community start at $1.50 and $2.80 million, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 13,600 new single-family homes, townhomes, and condominiums (Table 9). The 2,650 homes under construction will satisfy some of that demand. Demand is expected to be strongest during the second and third years of the forecast period.

Table 9. Demand for New Sales Units in the Suburban Submarket During the Forecast Period

	Sales Units
Demand	13,600 Units
Under Construction	2,650 Units

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Rental Market

Rental Market—Northern Virginia HMA

Market Conditions: Balanced

> The overall rental market in the Northern Virginia HMA and in both submarkets is currently balanced.

Current Conditions and Recent Trends

The rental housing market in the HMA is currently balanced. The overall vacancy rate is estimated at 6.0 percent, up from 5.6 percent in 2010 (Table 10). During the 5-year period from 2017 through 2021, approximately 30 percent of all renter households lived in single-family homes, down from 33 percent during the 5-year period from 2006 through 2010 (American Community Survey [ACS] 5-year data). In addition, 5 percent of all renter-occupied units were in structures with two to four units, unchanged from 2006 through 2010. Multifamily buildings with five or more units, typically apartments, accounted for 64 percent of all occupied rental units from 2017 through 2021, up from 61 percent from 2006 through 2010.

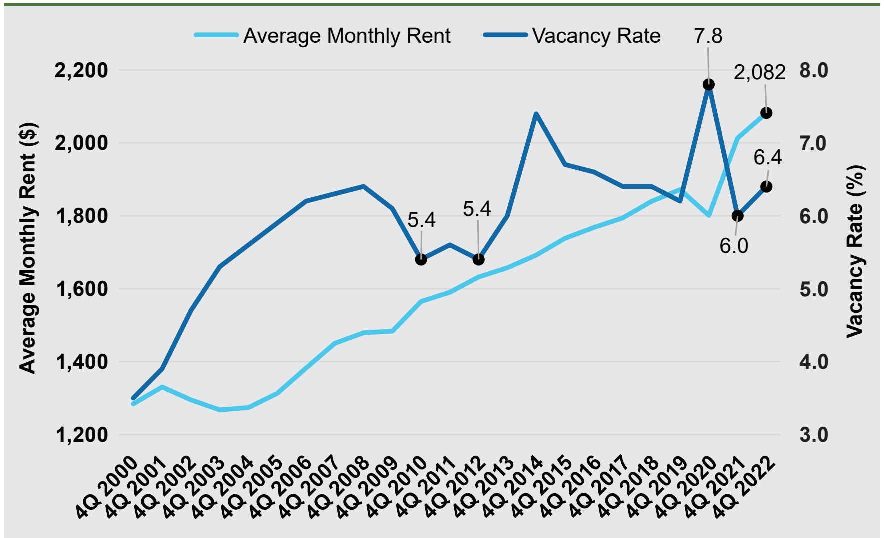
Conditions in the apartment market are currently balanced, unchanged compared with 2010. Apartment market conditions in the HMA generally have been balanced since 2010, although apartment vacancy rates have remained elevated, which is largely attributed to a steady stream of new apartment units coming on line, then being absorbed at a strong pace. During the fourth quarter of 2022, the apartment vacancy rate was 6.4 percent, up from 6.0 percent during the fourth quarter of 2021 (Figure 19; 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

Table 10. Rental and Apartment Market Quick Facts in the Northern Virginia HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.6	6.0
		2006–2010 (%)	2017–2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	33	30
	Multifamily (2–4 Units)	5	5
	Multifamily (5+ Units)	61	64
	Other (Including Mobile Homes)	1	1
Apartment Market Quick Facts		4Q 2022	YoY Change
	Apartment Vacancy Rate	6.4	0.4
	Average Rent	$2,082	3%
	Studio	$1,748	5%
	One-Bedroom	$1,890	3%
	Two-Bedroom	$2,246	3%
	Three-Bedroom	$2,637	4%

4Q = fourth quarter. YoY = year-over-year.
Notes: The current date is January 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 5-year data; apartment data—CoStar Group

Figure 19. Apartment Rents and Vacancy Rates in the Northern Virginia HMA



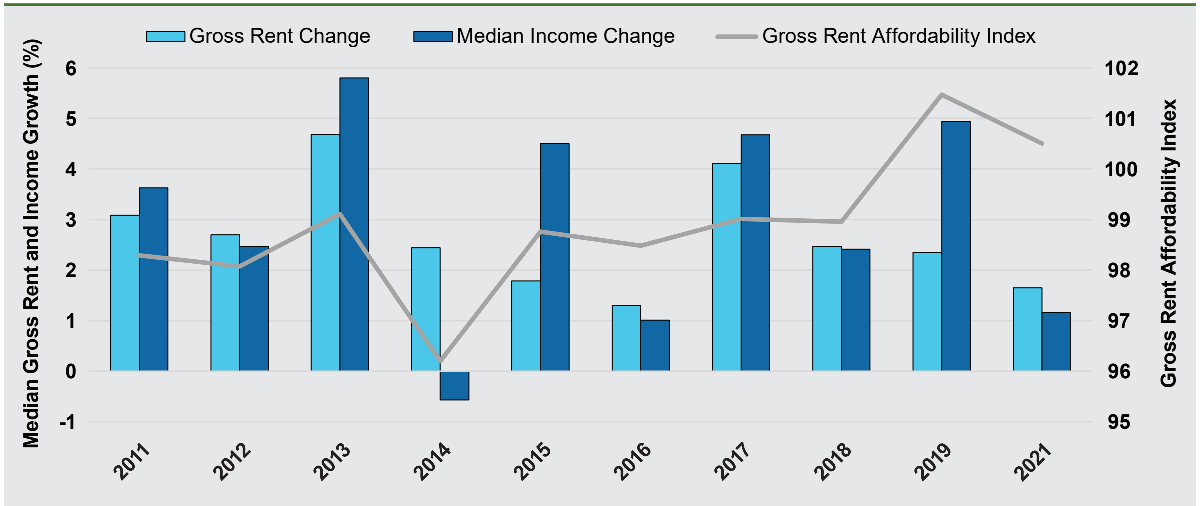
4Q = fourth quarter.
Note: The vacancy rates and average monthly rents are for market-rate and mixed (combined market-rate and affordable) general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Source: CoStar Group

2012 to a high of 7.8 percent during 2020. During the fourth quarter of 2022, the average apartment asking rent was $2,082, up 3 percent from the fourth quarter of 2021, when the average rent was up 12 percent compared with the same period a year earlier. During the fourth quarter of 2020, the average rent was down 4 percent compared with the same period a year earlier and compared with an average annual 2-percent increase from 2010 through 2019.

Housing Affordability: Rental

Rental housing in the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division is generally expensive, but it has become more affordable since 2015 due to stronger increases in the median income of renter households than in the median gross rent. In 2021, the median income of renter households was $70,594, representing an average increase of 3 percent annually from 2015 through 2021, which outpaced the average annual 2-percent rise in the median rent (ACS 1-year data). As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has trended upward. The index was 100.5 in 2021, up from 96.2 in 2014 (Figure 20). By comparison, the index nationwide was 94.3 in 2021, up from 92.1 in 2014.

Figure 20. Washington-Arlington-Alexandria Metropolitan Division Gross Rent Affordability Index



Notes: Rental affordability is for the larger Washington-Arlington-Alexandria Metropolitan Division. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure. Data for 2020 are not available.
Source: American Community Survey 1-year data

Forecast

During the 3-year forecast period, demand is estimated for 15,800 new rental units in the HMA (Table 11). Demand is expected to be relatively steady during the forecast period. However, new supply should be targeted to come on line during the third year of the forecast period, because the 11,600 units under construction will satisfy all demand during the first and second years.

Table. 11. Demand for New Rental Units in the Northern Virginia HMA During the Forecast Period

	Rental Units
Demand	15,800 Units
Under Construction	11,600 Units

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Rental Market—Central Submarket

Current Conditions and Recent Trends

The rental market in the Central submarket is currently balanced. The overall vacancy rate is estimated at 5.4 percent, unchanged from 2010 (Table 12). Conditions in the rental market were generally balanced from 2000 through 2019, followed by a softening of the market in 2020. At the onset of the pandemic, the rental market softened, partly because households were less likely to relocate to areas with higher population density like the submarket. However, rental market conditions transitioned to balanced during 2021 and 2022, largely because of more people moving into the submarket. During the 5-year period from 2017 through 2021, approximately 12 percent of all renter households lived in single-family homes, down from 14 percent during the 5-year period from 2006 through 2010 (ACS 5-year data). In addition, 6 percent of all renter-occupied units were in structures with two to four units, unchanged from 2006 through 2010. Multifamily buildings with five or more units, typically apartments, accounted for 82 percent of all occupied rental units from 2017 through 2021, up from 79 percent from 2006 through 2010. Strong apartment construction during the past decade shifted the rental stock away from single-family homes and toward buildings with five or more units.

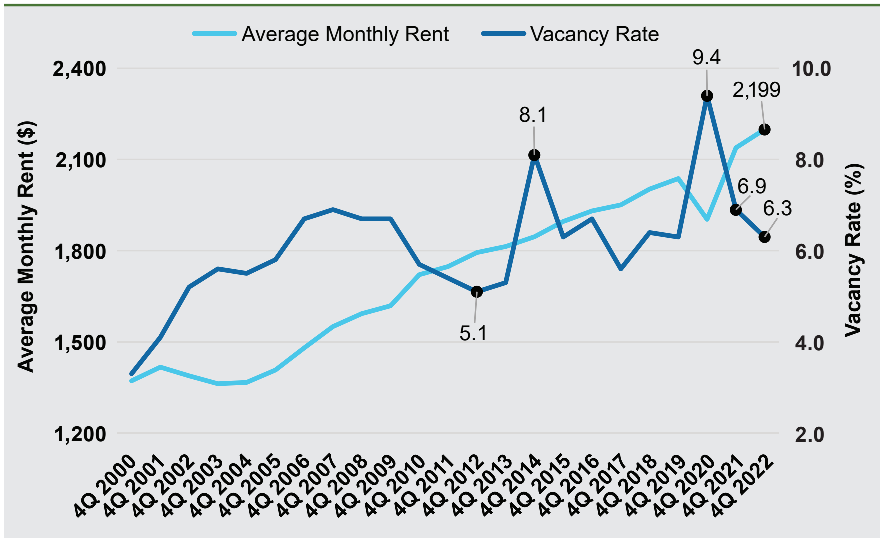
Conditions are also balanced in the apartment market, unchanged compared with 2010. During the fourth quarter of 2022, the apartment vacancy rate was 6.3 percent, down from 6.9 percent during the fourth quarter of 2021 and significantly less than the 9.4-percent rate during the fourth quarter of 2020, which was the highest fourth-quarter rate in more than 20 years (Figure 21; CoStar Group). By comparison, from 2010 through 2019, the fourth-quarter vacancy rate ranged from a low of 5.1 percent in 2012 to a high of 8.1 percent in 2014.

Table 12. Rental and Apartment Market Quick Facts in the Central Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.4	5.4
		2006–2010 (%)	2017–2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	14	12
	Multifamily (2–4 Units)	6	6
	Multifamily (5+ Units)	79	82
	Other (Including Mobile Homes)	1	0
Apartment Market Quick Facts		4Q 2022	YoY Change
	Apartment Vacancy Rate	6.3	-0.6
	Average Rent	$2,199	3%
	Studio	$1,712	4%
	One-Bedroom	$1,989	3%
	Two-Bedroom	$2,519	3%
	Three-Bedroom	$3,205	2%

4Q = fourth quarter. YoY = year-over-year.
Notes: The current date is January 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 5-year data; apartment data—CoStar Group

Figure 21. Apartment Rents and Vacancy Rates in the Central Submarket



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

During the fourth quarter of 2022, vacancy rates were down or relatively unchanged in five of the six CoStar Group-defined market areas (hereafter, market areas) that make up the submarket, led by a 5.2-percentage point decline to 6.4 percent in the Old Town/Potomac Yard market area in the city of Alexandria. The only market area in which the vacancy rate increased during the past year was the National Landing market area, where Amazon HQ2 is being constructed. During the fourth quarter of 2022, the apartment vacancy rate in the market area was 8.3 percent, up from 5.4 percent during the same period a year ago. However, the recent rise in the vacancy rate was due to a strong increase in the number of newly constructed apartment units coming on line. During 2022, approximately 1,125 market-rate apartment units were completed compared with an average of 470 units completed annually from 2015 through 2021.

In response to declining vacancy rates, the average apartment rent in the Central submarket rose during the past 2 years. During the fourth quarter of 2022, the average apartment rent in the submarket was up 3 percent to $2,199 compared with a 12-percent increase a year ago (CoStar Group). By comparison, during the fourth quarter of 2020, the average rent declined 7 percent, largely attributed to a significant rise in the vacancy rate from the fourth quarter of 2019 to the fourth quarter of 2020. The average rent was up in all six market areas that comprise the submarket during the past year, ranging from a 1-percent rise in the Alexandria/I-395 market area to 4-percent increases in each of the Ballston, Old Town/Potomac Yard, and Outlying Arlington County market areas.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, was strong during the past 12 years. Additionally, construction activity accelerated 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. Since 2021, an average of 4,375 rental units have been permitted annually (Figure 22). Rental permitting activity is more than double the average of 2,175 units permitted annually from 2011 through 2020 and is more than three-and-a-half times the average of 1,200 units permitted annually from 2002 through 2010. During 2022, approximately 4,525 rental units were permitted, up 7 percent compared with the number of units permitted during 2021 (preliminary data, with adjustments by the analyst).

Figure 22. Annual Rental Permitting Activity in the Central Submarket

Note: Includes apartments and units intended for rental occupancy.
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

New Construction

Recent construction activity in the submarket has been strongest in the National Landing market area. Recent activity in the market area includes the 306-unit Sage apartments, which was completed in late 2022. Rents for the one- and two-bedroom units in this community start at $1,900 and $2,900, respectively. Additional construction activity in Arlington County includes 1500 Arlington, a 263-unit apartment community completed in early 2022 in the Rosslyn market area. Rents for the studio, one-bedroom, and two-bedroom units start at $1,575, $1,975, and $2,950, respectively. In the city of Alexandria, the 150-unit Easton at Carlyle Crossing was completed in mid-2022. Rents for these one-, two-, and three-bedroom units start at $2,200, $3,275, and $5,275, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 5,975 new rental units in the submarket (Table 13). As with the HMA overall, demand is expected to be relatively steady during the forecast period. However, new supply should be targeted to come on line during the third year of the forecast period, because the 5,600 units under construction will satisfy all demand during the first and second years.

Table 13. Demand for New Rental Units in the Central Submarket During the Forecast Period

Rental Units	
Demand	5,975 Units
Under Construction	5,600 Units

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Rental Market—Suburban Submarket

Current Conditions and Recent Trends

The rental market in the Suburban submarket is currently balanced. The overall vacancy rate is estimated at 6.2 percent, up from 5.6 percent in 2010 (Table 14). Rental market conditions were slightly tight in 2000, but they transitioned to balanced from 2001 through 2004 in response to a surge in apartment construction activity, and conditions have generally remained balanced since 2005. During the 5-year period from 2017 through 2021, approximately 38 percent of all renter households lived in single-family homes, down from 41 percent during the 5-year period from 2006 through 2010 (ACS 5-year data). In addition, 5 percent of all renter-occupied units were in structures with two to four units, unchanged from 2006 through 2010. Multifamily buildings with five or more units, typically apartments, accounted for 56 percent of all occupied rental units from 2017 through 2021, up slightly from 54 percent from 2006 through 2010.

Table 14. Rental and Apartment Market Quick Facts in the Suburban Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	5.6	6.2
		2006–2010 (%)	2017–2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	41	38
	Multifamily (2–4 Units)	5	5
	Multifamily (5+ Units)	54	56
	Other (Including Mobile Homes)	0	0
		4Q 2022	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	6.6	1.3
	Average Rent	$1,989	4%
	Studio	$1,828	6%
	One-Bedroom	$1,801	4%
	Two-Bedroom	$2,098	4%
	Three-Bedroom	$2,394	4%

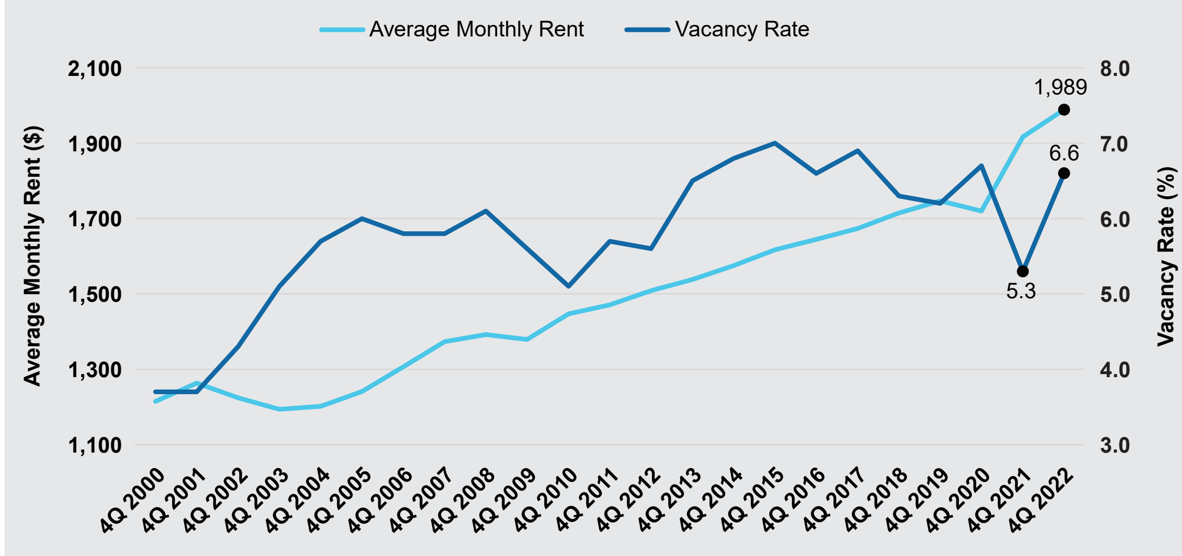
4Q = fourth quarter. YoY = year-over-year.
Notes: The current date is January 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 5-year data; apartment data—CoStar Group

Conditions in the apartment market, however, are slightly soft compared with balanced conditions in 2010. Apartment market conditions were balanced from 2000 through 2012, before transitioning to slightly soft from 2013 through 2015 in response to a surge in new market-rate apartment units coming on line. During the 3-year period, an average of 3,650 new apartment units were completed annually, up 92 percent compared with the average of 1,900 new market-rate apartment units coming on line annually from 2000 through 2012 (CoStar Group). Since 2016, market-rate apartment completions have slowed to an average of 2,675 units completed annually, and conditions have stayed slightly soft.

During the fourth quarter of 2022, the apartment vacancy rate was 6.6 percent, up from 5.3 percent during the fourth quarter of 2021 (Figure 23; CoStar Group). Since 2013, the fourth-quarter vacancy rate has exceeded 6.0 percent in all but one year. By comparison, the fourth-quarter rate was at or below 6.0 percent in 12 of 13 years from 2000 through 2012. During the fourth quarter of 2022, vacancy rates were up in 16 of the 20 market areas that make up the submarket, led by a 5.0-percentage point increase to 12.0 percent in the Tysons Corner market area and a 4.3-percentage point rise to 9.8 percent in the Fairfax City/Oakton market area.

During the fourth quarter of 2022, the average apartment rent in the submarket had increased by 4 percent to $1,989 from a year earlier

Figure 23. Apartment Rents and Vacancy Rates in the Suburban Submarket



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

compared with an 11-percent rise between the fourth quarter of 2020 and the fourth quarter of 2021 (CoStar Group). By comparison, the average rent rose an average of 2 percent annually from 2013 through 2020 compared with an average annual 3-percent increase from 2010 through 2012. Within the submarket, the average rent was up in all 20 market areas during the past year, led by 5-percent increases in the Dulles Greenway, Leesburg, and Manassas/Gainesville market areas.

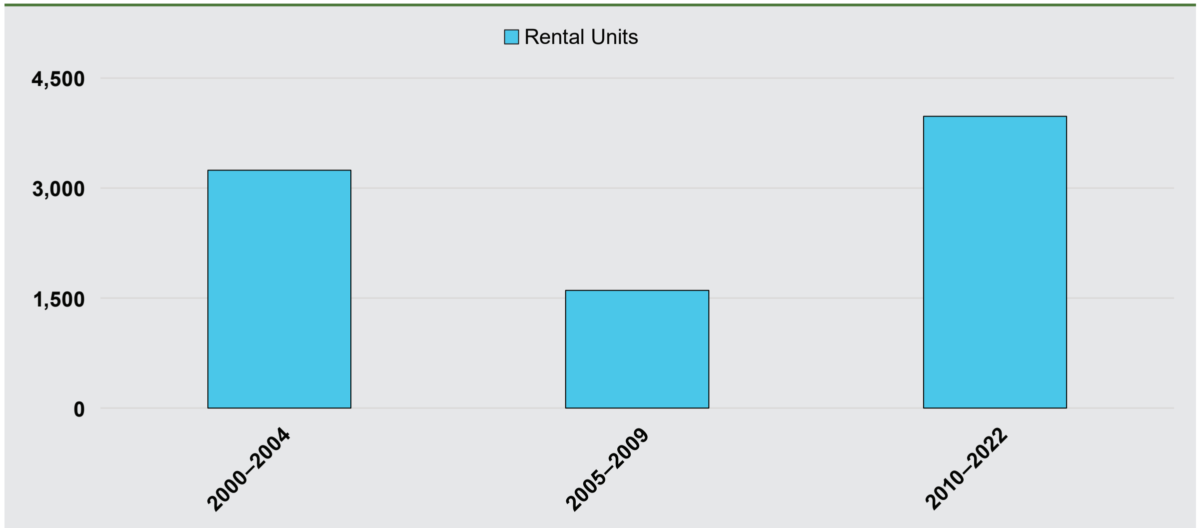
Rental Construction Activity

In response to newly constructed apartment units being absorbed at a steady pace, rental construction activity, as measured by the number of rental units permitted, has been strong during the past 13 years. However, construction activity slowed during the past year, largely attributed to rising vacancy rates at existing communities. Since 2010, an average of 3,975 rental units have been permitted annually (Figure 24), ranging from a low of 2,800 units permitted during 2020 to a high of 4,725 during 2021. The average annual permitting activity during the 13-year period is more than double the average of 1,600 units permitted annually from 2005 through 2009. During 2022, approximately 4,275 rental units were permitted, down 9 percent compared with the number permitted during 2021 (preliminary data, with adjustments by the analyst).

New Construction

Recent construction activity in the submarket has been strongest near Metro Silver Line stations, especially in Fairfax County. Recent activity in the county includes the 411-unit Brentford at the Mile, which was completed in late 2022 in the Tysons Corner market area. Rents for studio, one-bedroom, two-bedroom, and three-bedroom units in this community start at $1,775, $1,925, $2,600, and $4,525, respectively. In the Reston market area, which is also in Fairfax County, construction of the 344-unit Passport Apartments was completed in mid-2022. Rents for studio, one-bedroom, and two-bedroom units in this community start at $1,650, $1,900, and $2,625, respectively. Outside of Fairfax County, construction of the 318-unit Viridium apartment community in Prince William County was completed in late 2022. The average rents for these newly constructed one-, two-, and three-bedroom units are $1,925, $2,400, and $3,650, respectively.

Figure 24. Annual Rental Permitting Activity in the Suburban Submarket



Note: Includes apartments and units intended for rental occupancy.
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

Forecast

During the 3-year forecast period, demand is estimated for 9,825 new rental units in the submarket (Table 15). As with the Central submarket, demand is expected to be relatively steady during the forecast period. However, new supply should be targeted to enter the market during the second and third years of the forecast period, because the 6,000 units under construction will satisfy all demand during the first year.

Table 15. Demand for New Rental Units in the Suburban Submarket During the Forecast Period

	Rental Units
Demand	9,825 Units
Under Construction	6,000 Units

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area (HMA). 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.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distribution Buildings	Typically, large buildings, both single- and multi-tenant, used for the warehousing and distribution of inventory.
Fiscal Year	The federal government fiscal year runs from October 1 through September 30 of the following year.
Forecast Period	1/1/2023–1/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Rental Market	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area and metropolitan division definitions noted in this report are 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 Division includes all counties and independent cities in the HMA, in addition to the District of Columbia, counties of Calvert, Charles, and Prince George's in Maryland, and the county of Jefferson in West Virginia.
3.	The Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area is made up of all counties and independent cities in the metropolitan division of the same name in addition to the counties of Frederick and Montgomery in Maryland.

C. Additional Notes

1.	The National Association of Home Builders Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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