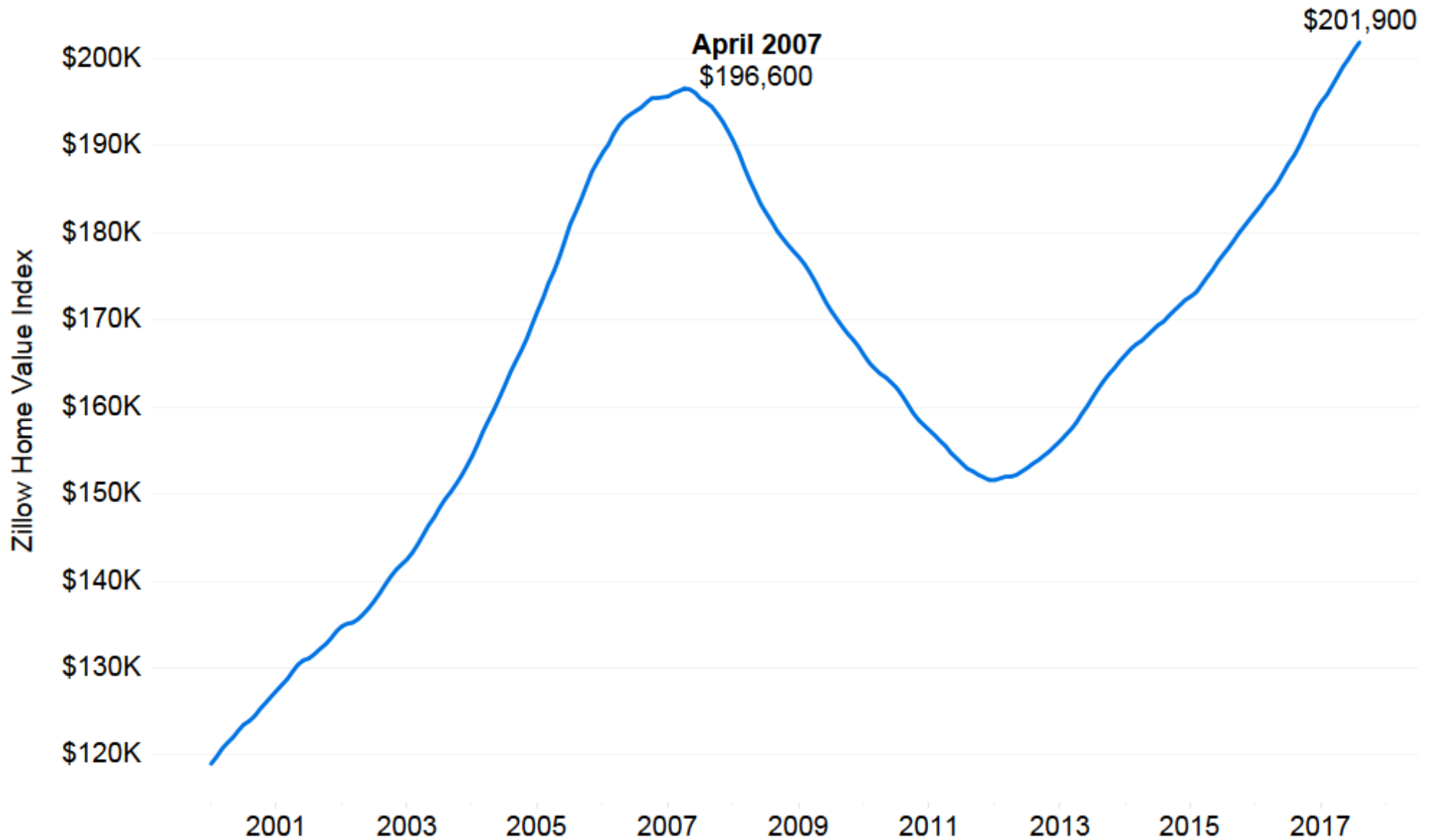


A photograph of a modern house at night, illuminated from within, with a blue semi-transparent overlay across the middle and a green triangle on the right side.

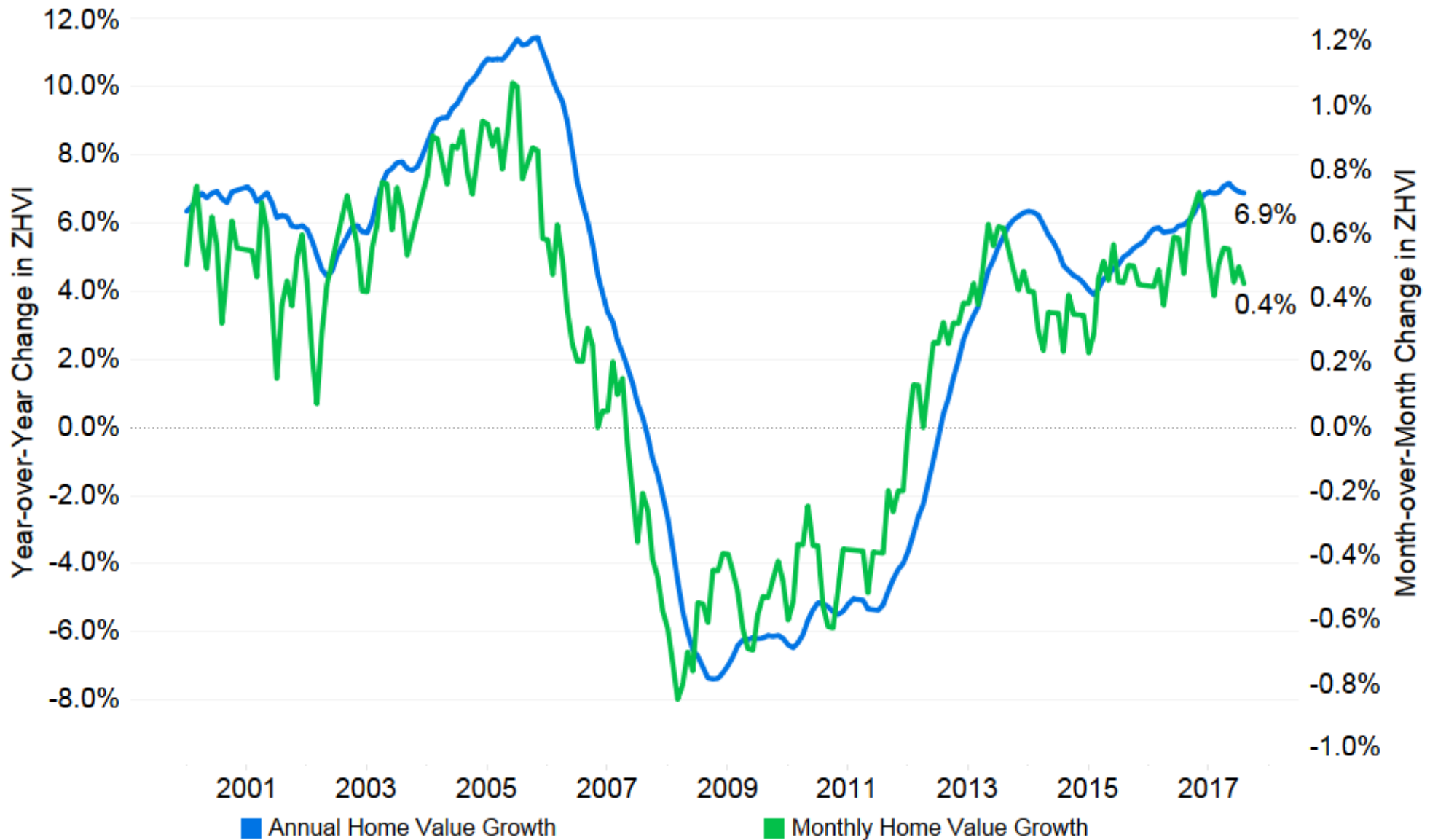
UNITED STATES AND VIRGINIA BEACH HOUSING MARKET OVERVIEW

Aaron Terrazas, Senior Economist

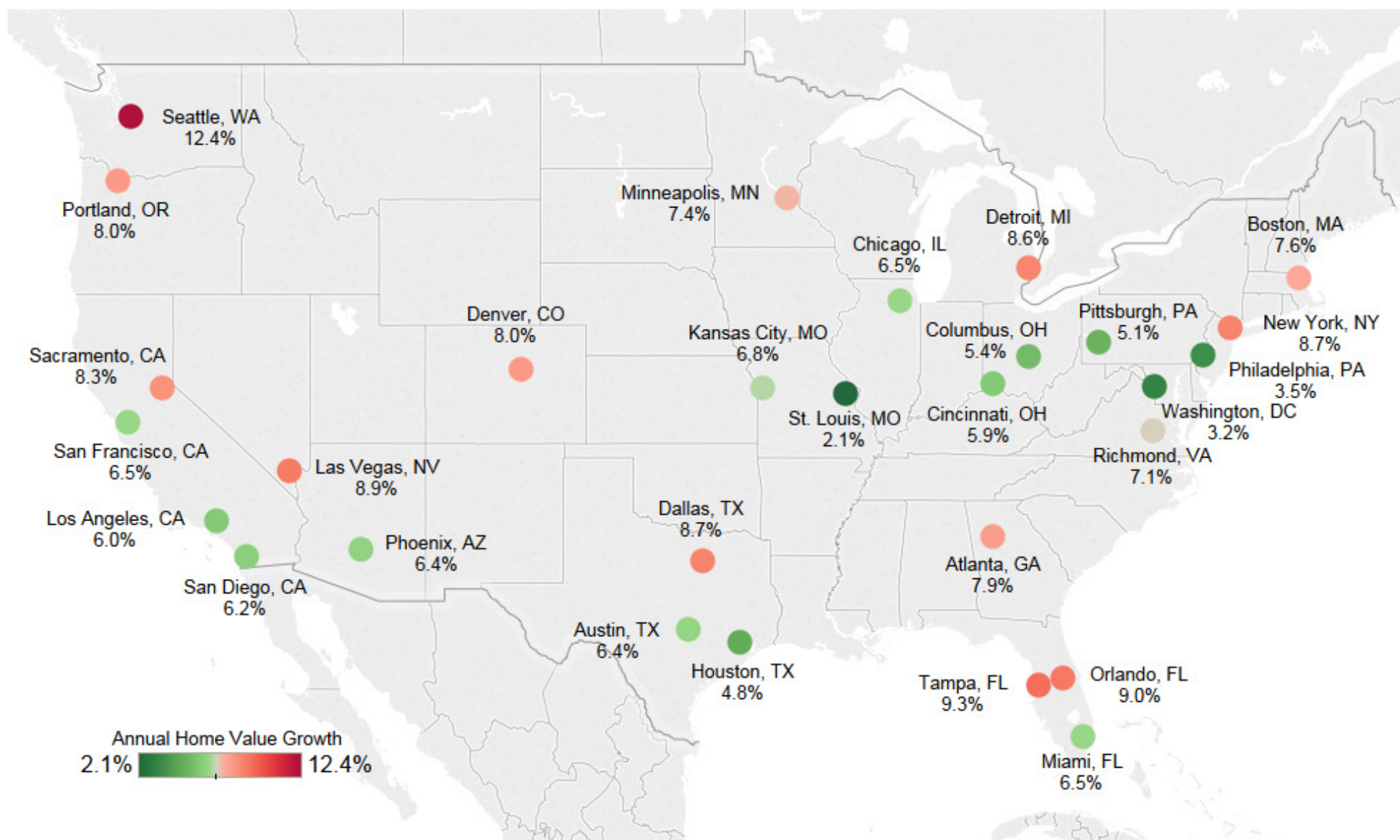
U.S. home values are now 3% above their pre-crisis peak



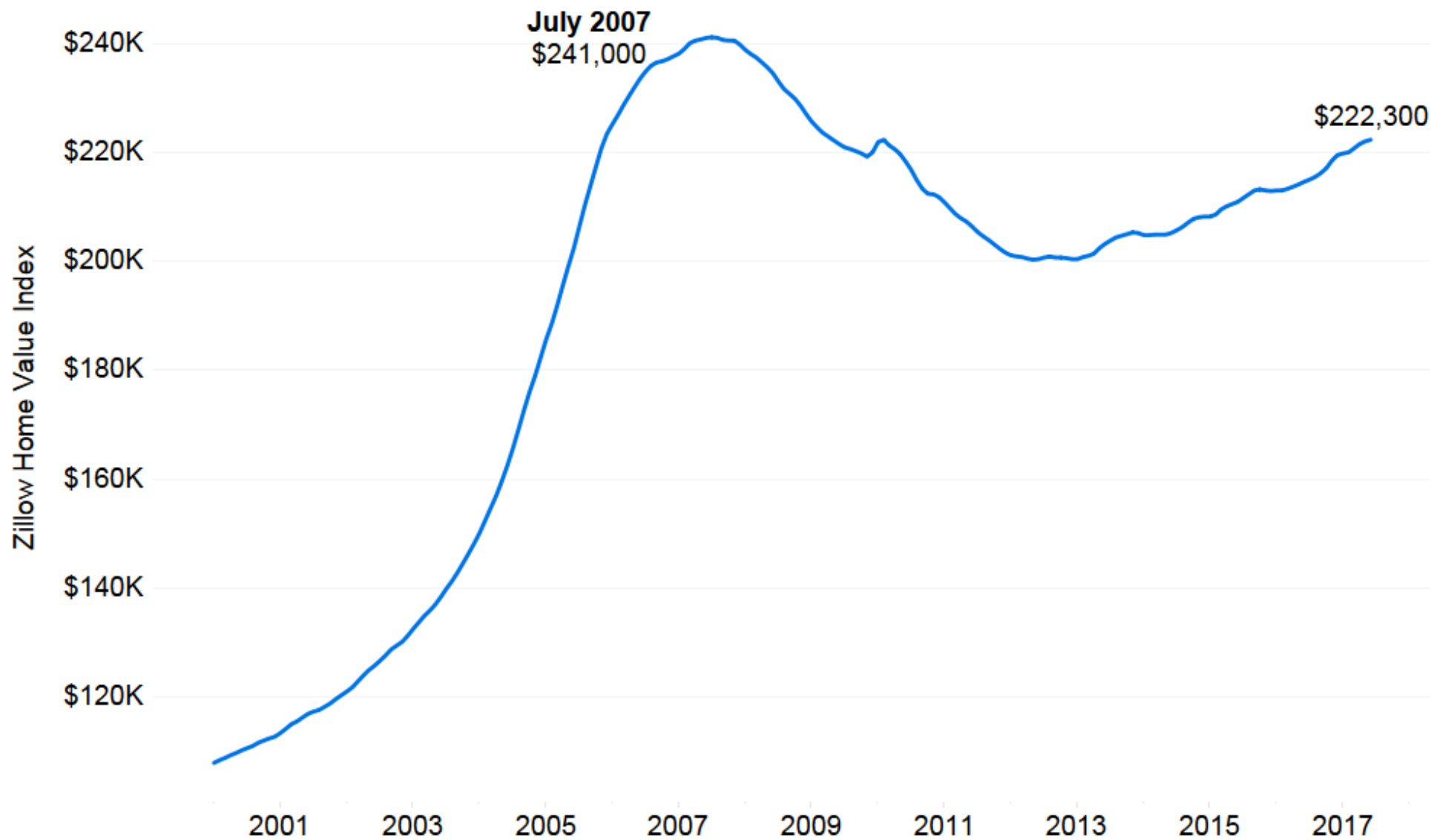
Appreciation has been steady around 7% YoY



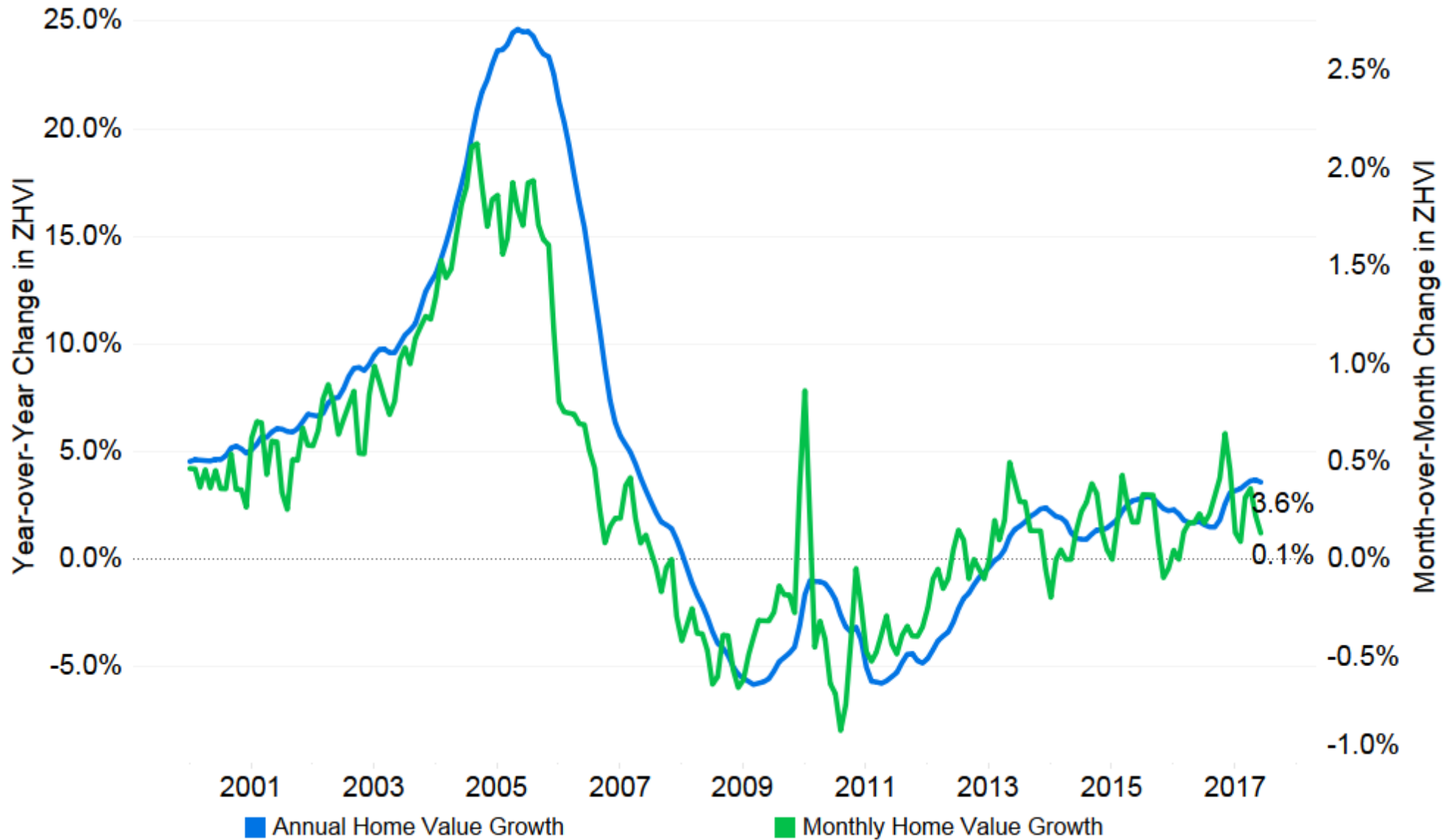
Appreciation strongest in the Northwest and Southeast



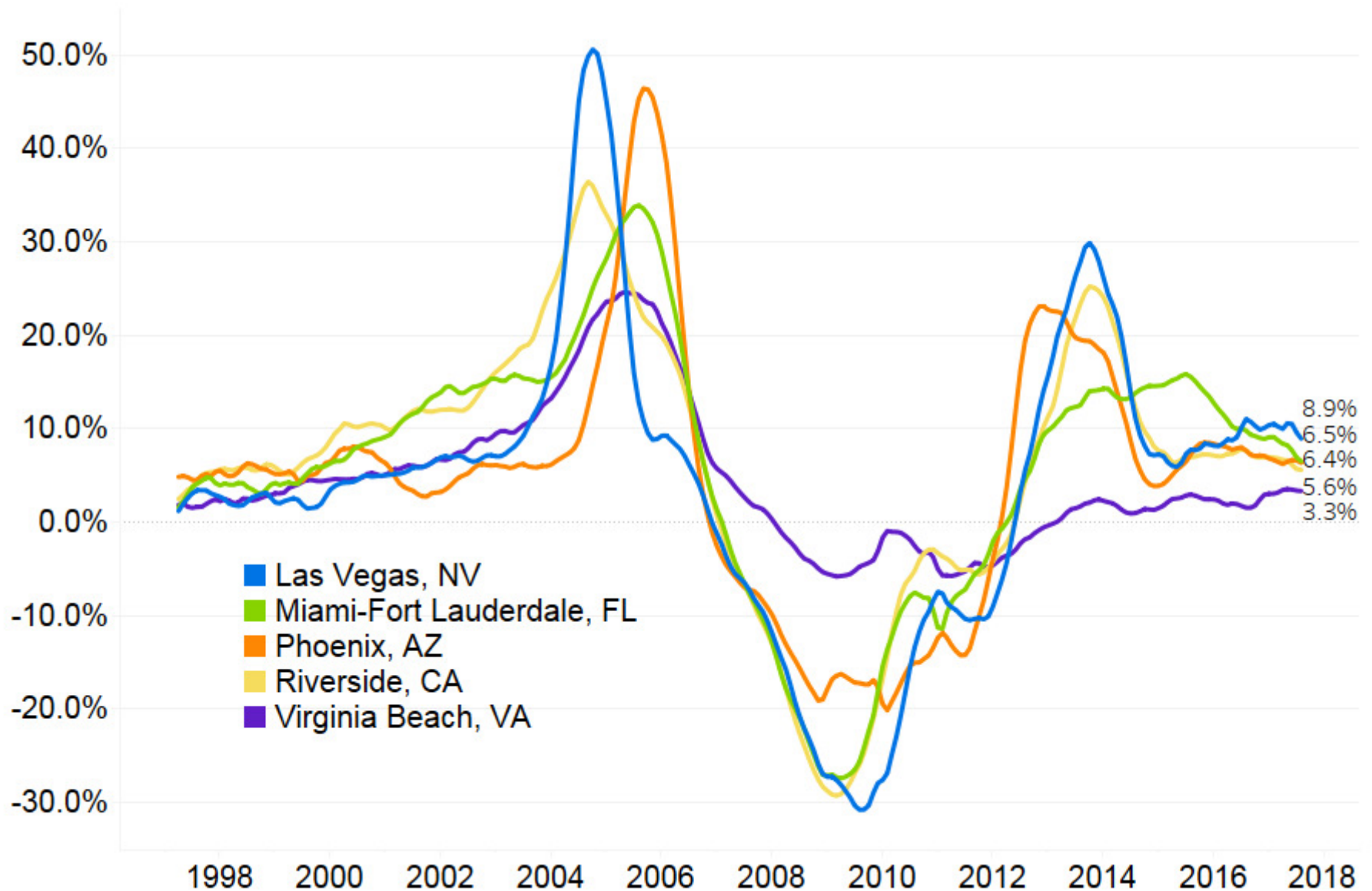
In the Virginia Beach region, home values are still 8% below the pre-crisis peak



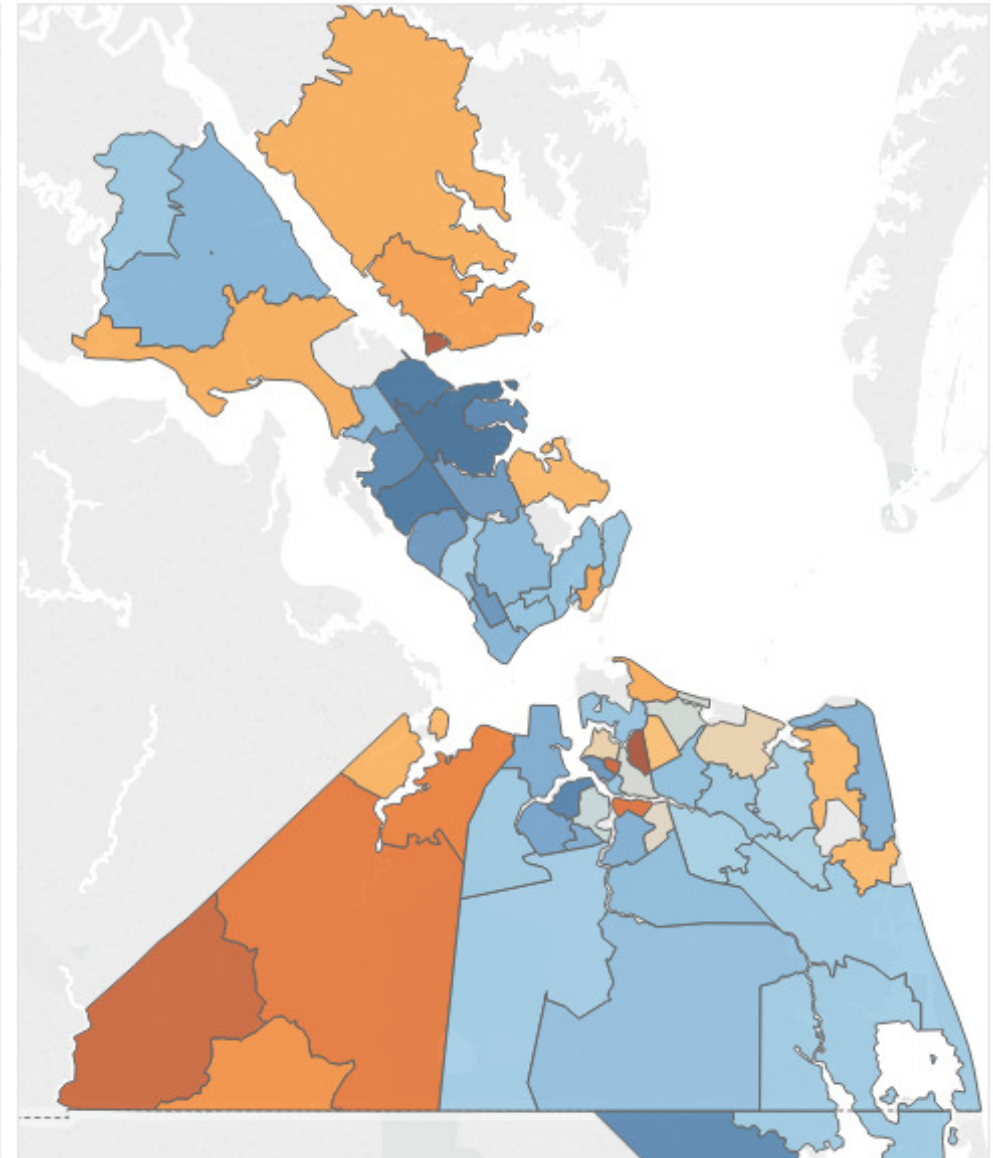
The mid-2000s bubble was particularly exaggerated in the Virginia Beach region



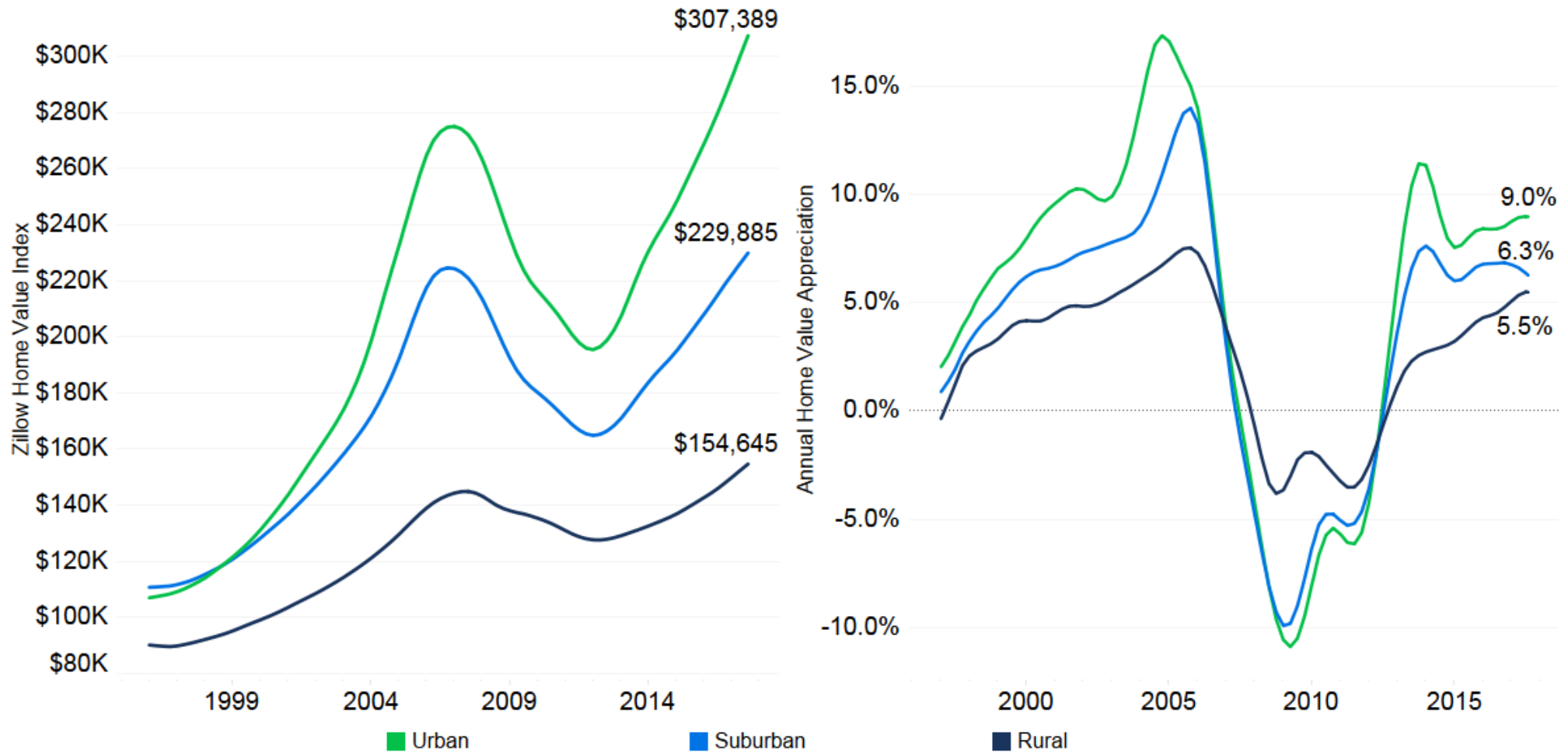
Though not as exaggerated as in the worst markets



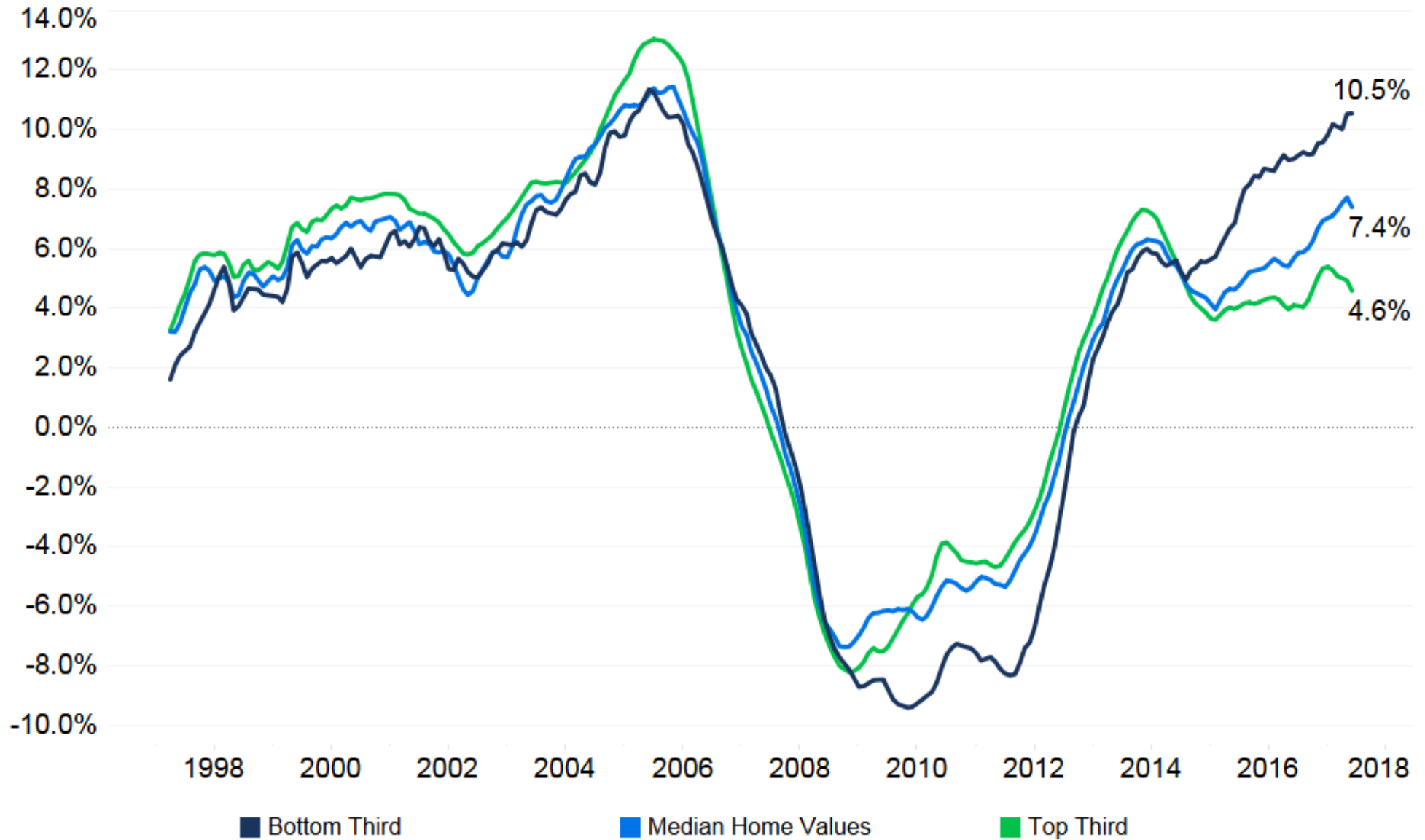
8



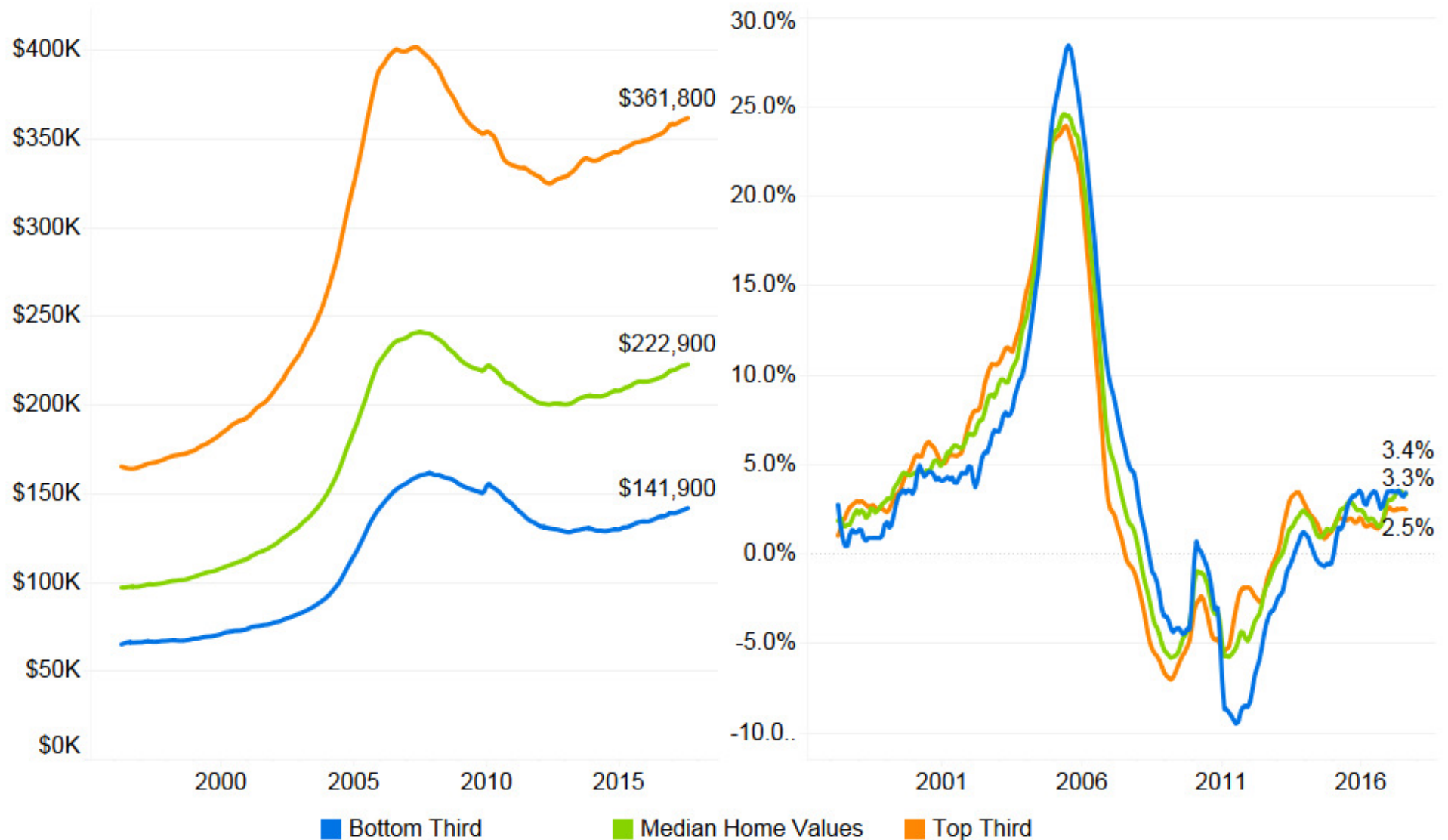
Urban homes have been appreciating faster than suburban and rural homes



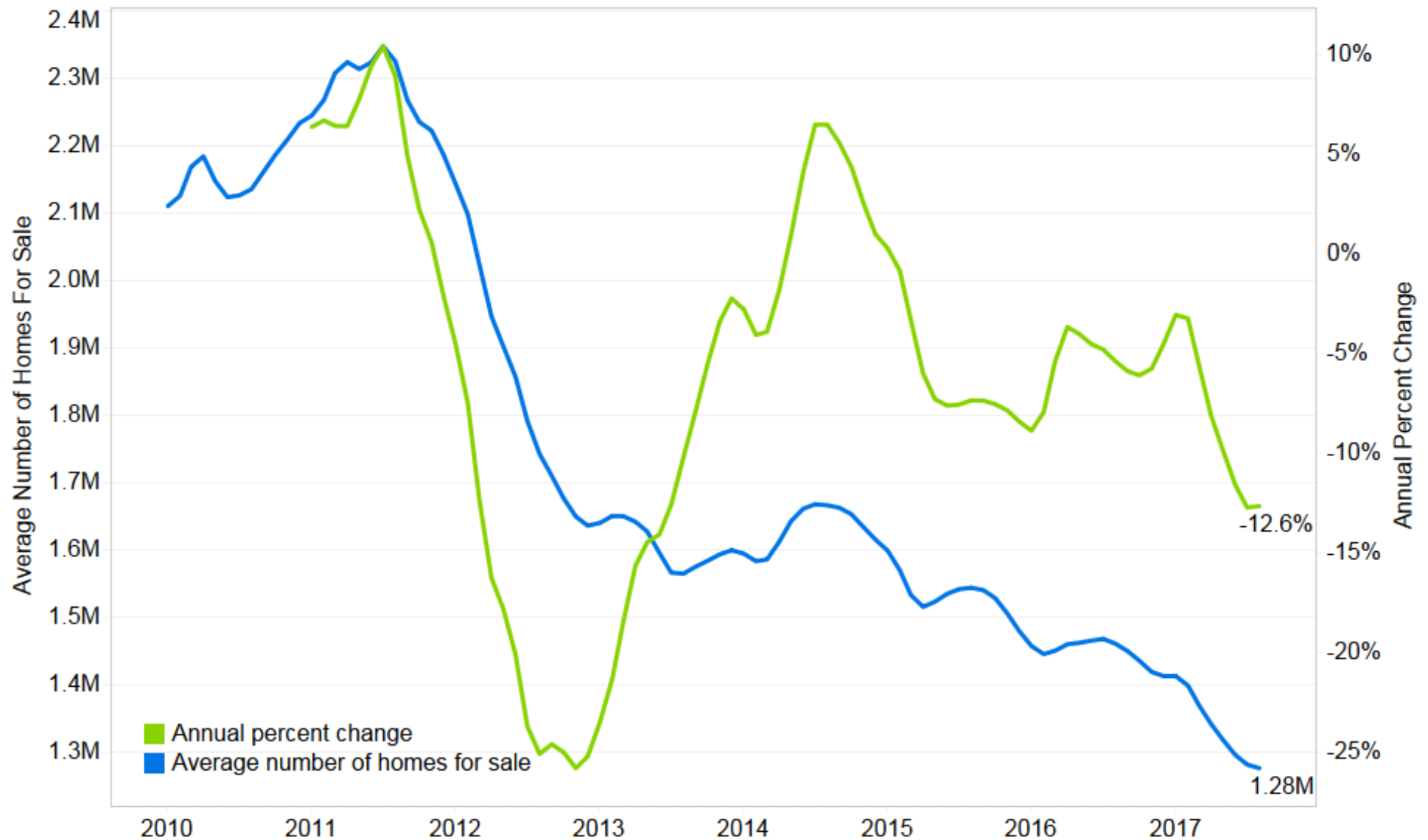
Appreciation in the bottom third of the market has outpaced the top third of the market nationwide



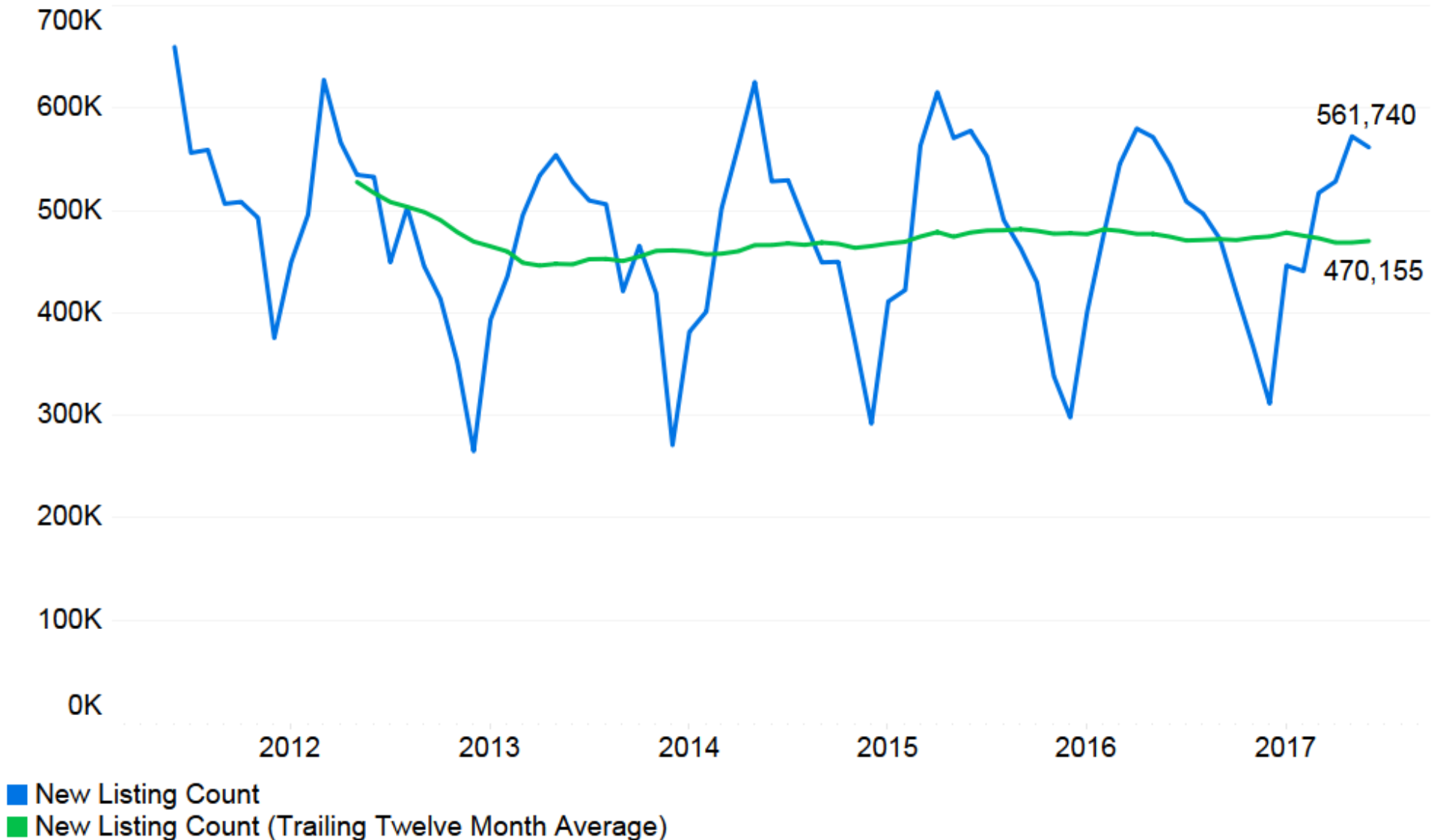
The gap between the top and the bottom of the market is more muted in the Virginia Beach region



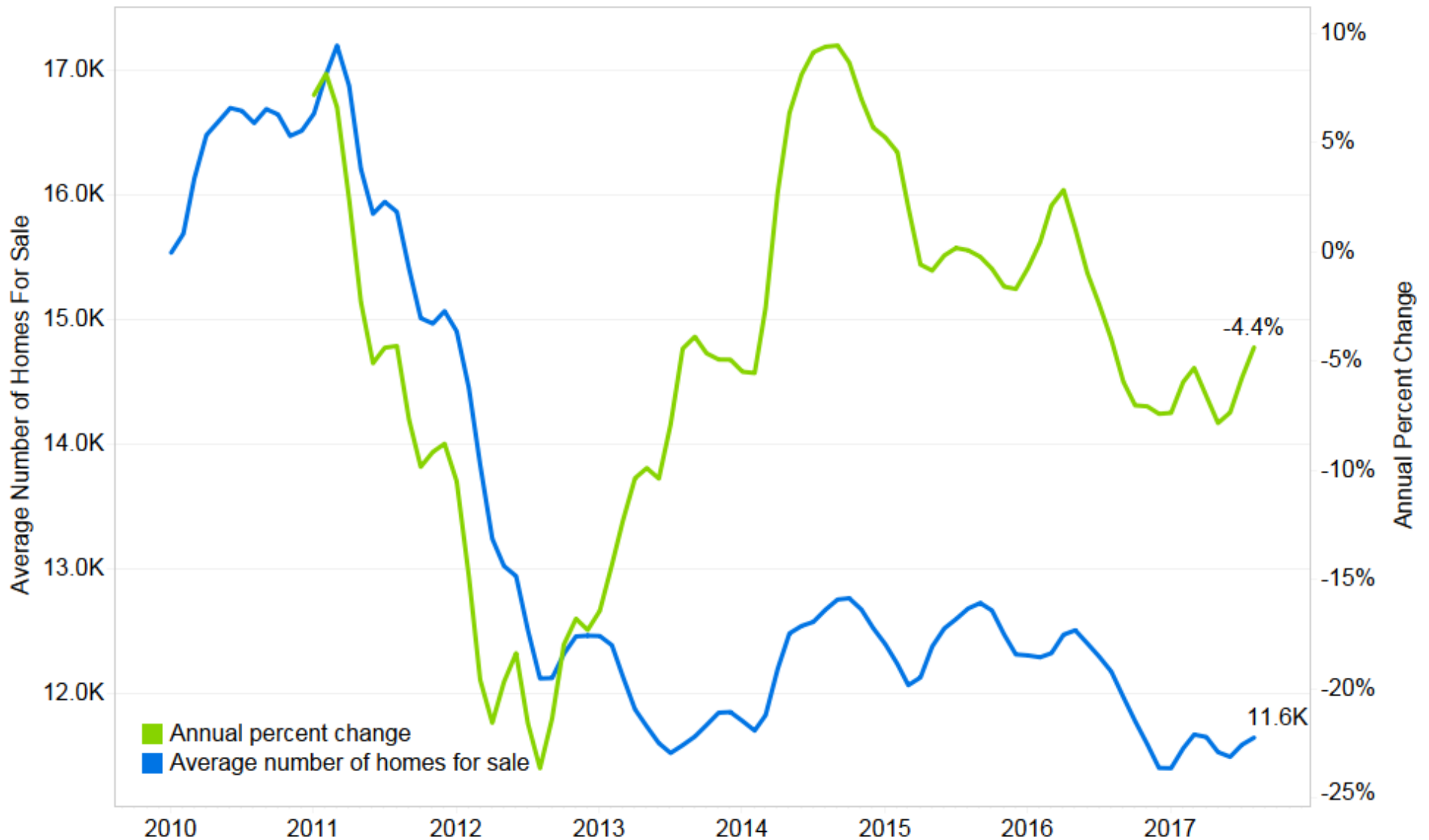
Inventory has been steadily declining since 2014



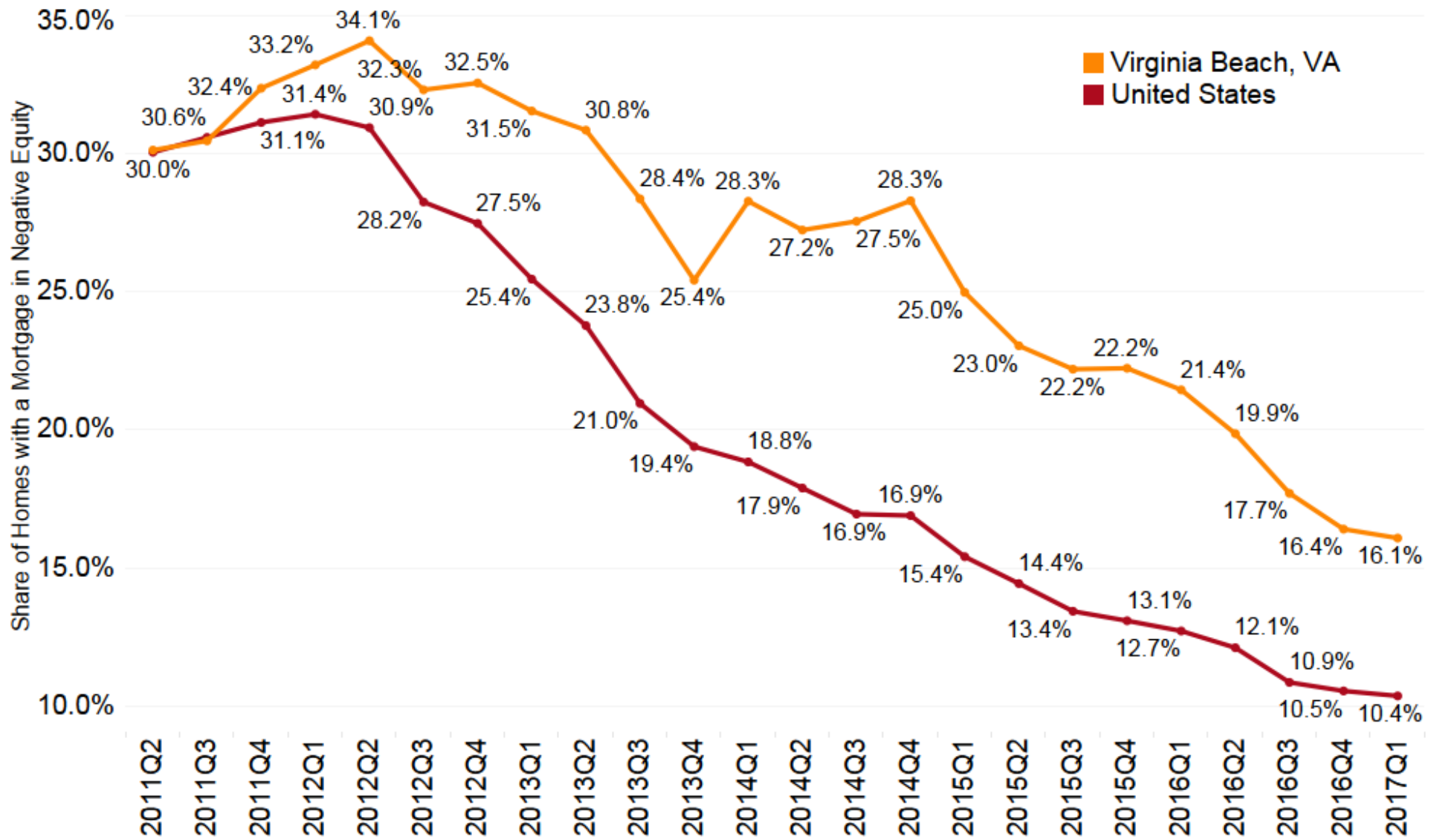
It's easy to blame a lack of listings for tight inventory, but listings have been holding steady



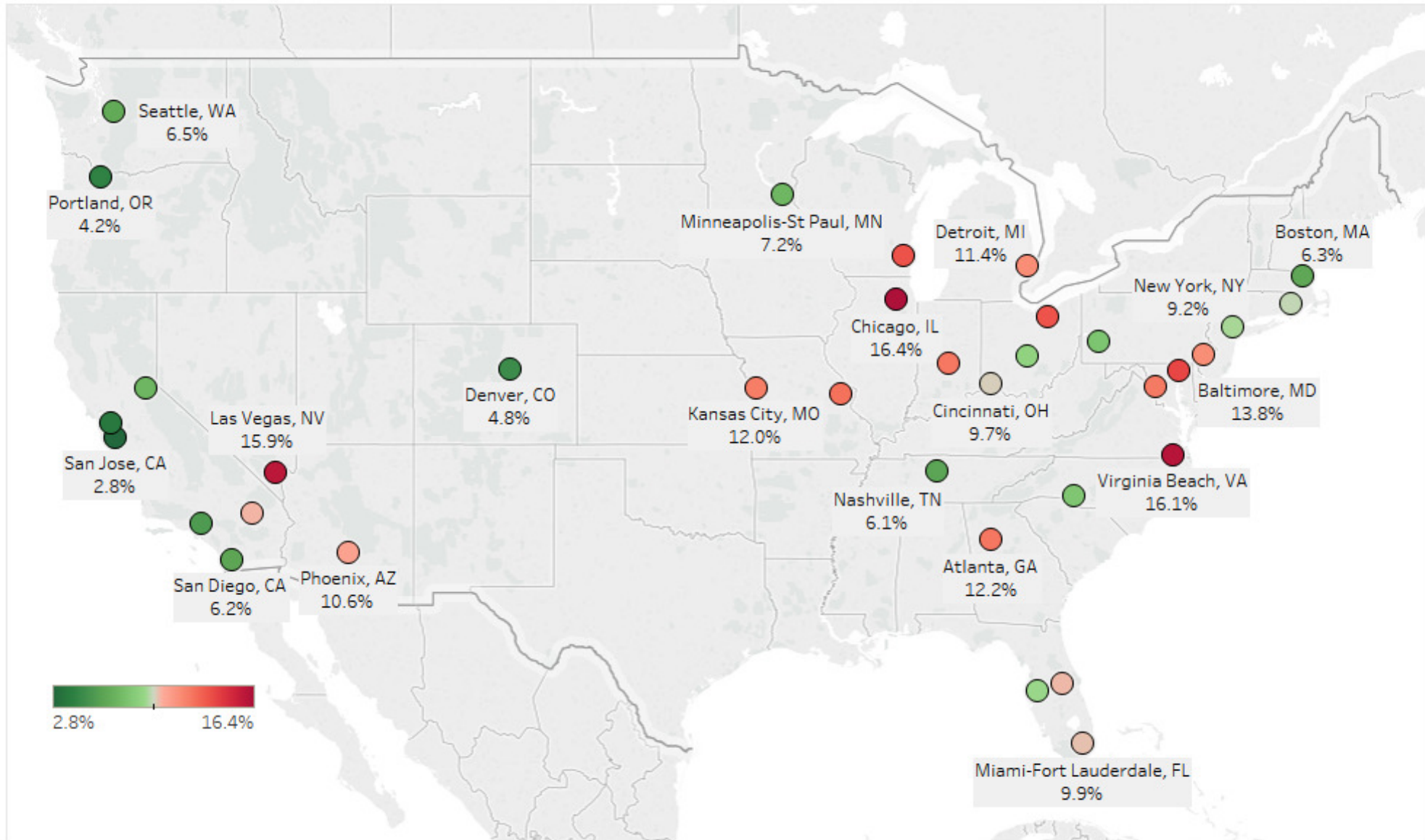
Virginia Beach area inventory is down, but not as dramatically as nationwide trend



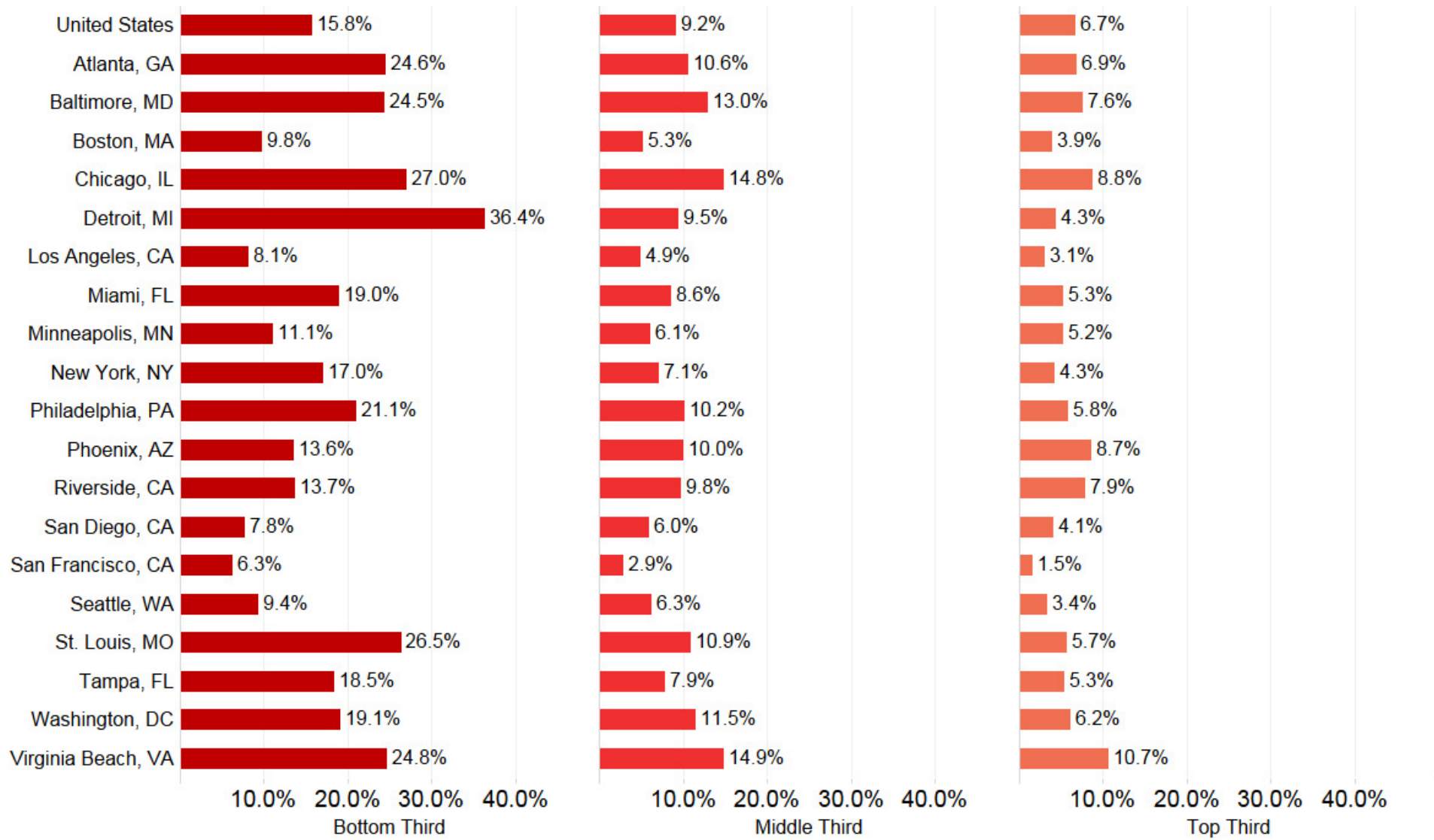
The share of mortgage borrowers in negative equity has recovered steadily since the bust



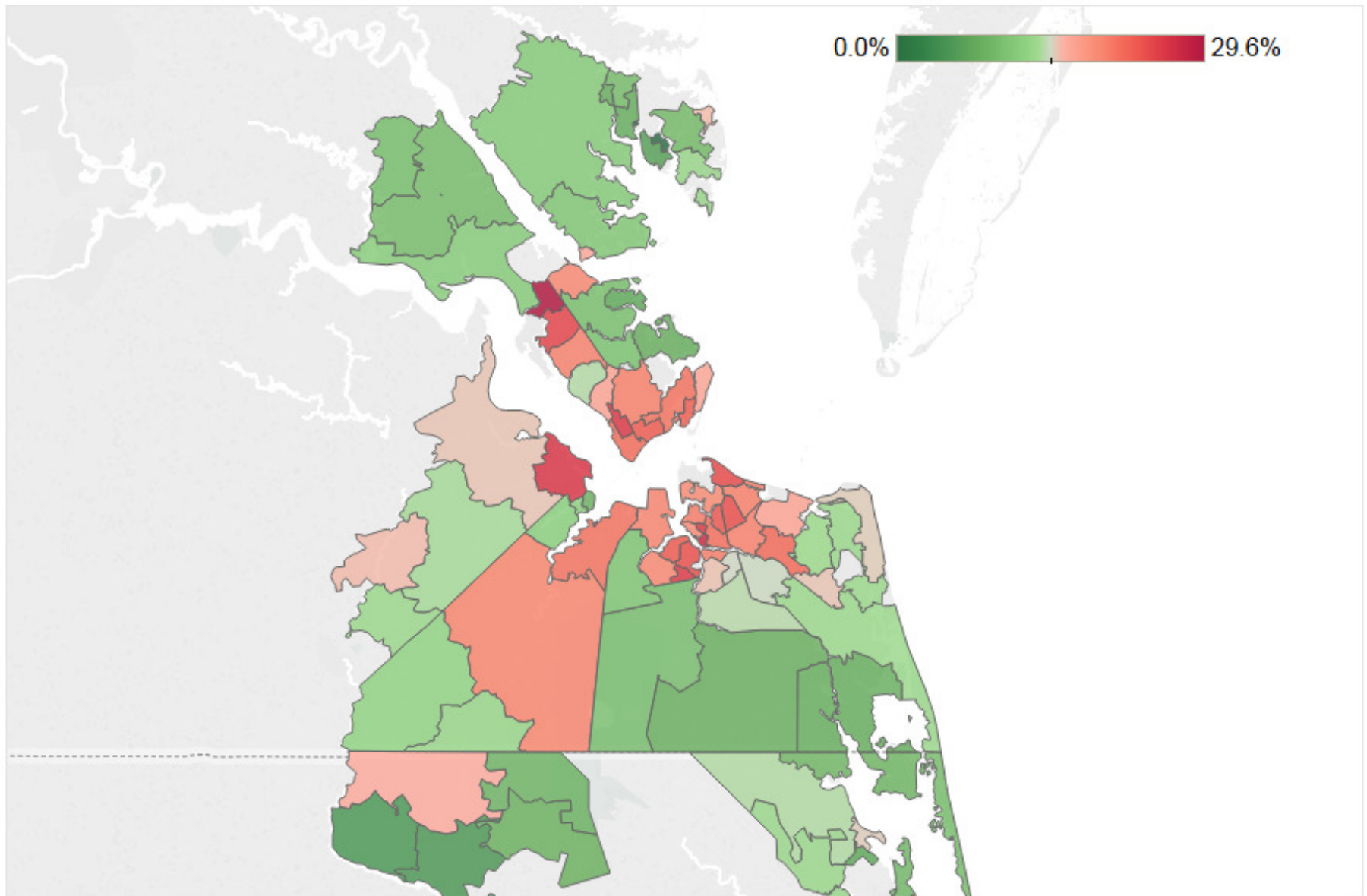
Pockets of negative equity remain



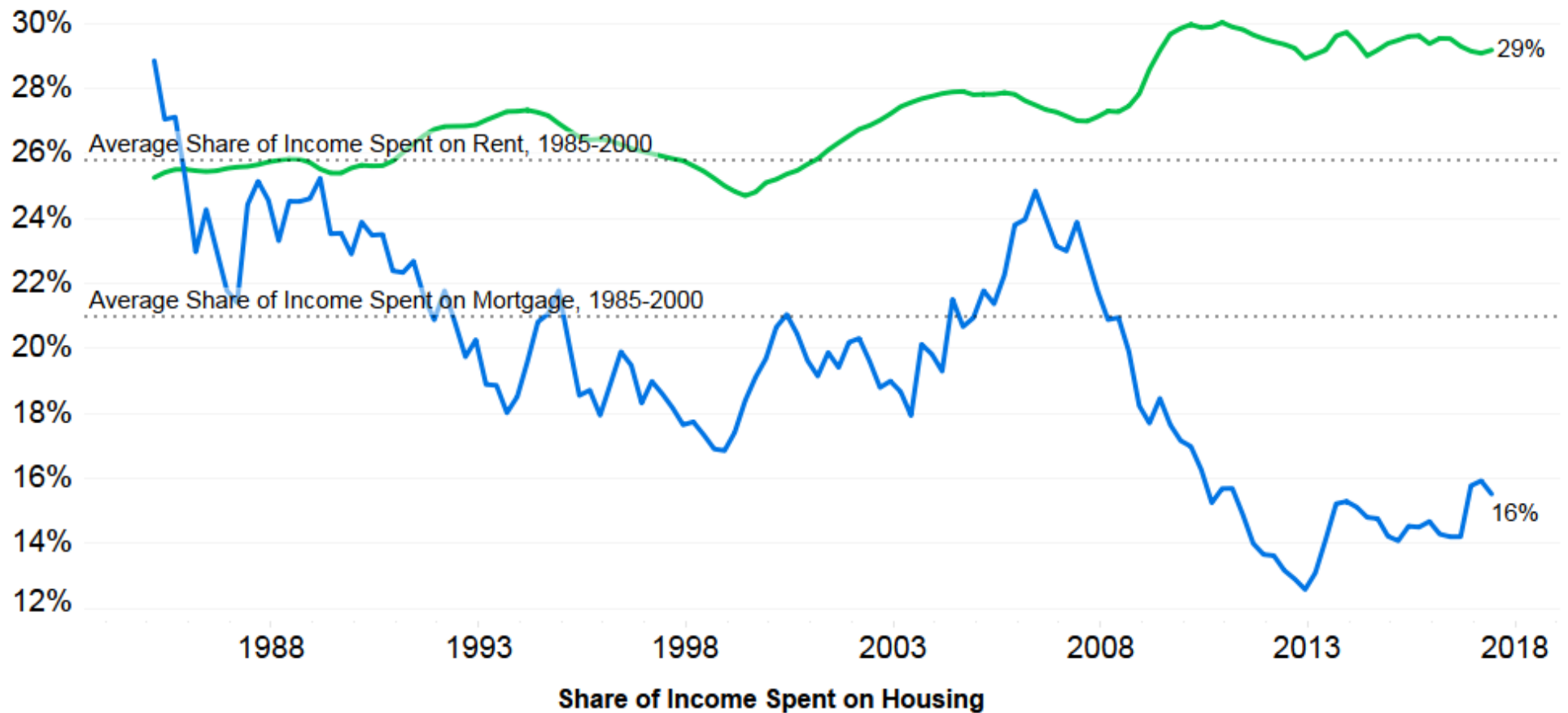
Negative equity rates are double in the bottom third of the market compared to the top third



Negative equity is highest in Norfolk and Hampton



Mortgages are affordable by historic standards



Average Share of
Income on Mortgage,
1985-2000

21%

Share of Income
Spent on Mortgage,
2017 Q2

16%

Forecasted at 5%
Rates

18%

Forecasted at 6%
Rates

20%

Forecasted at 7%

23%

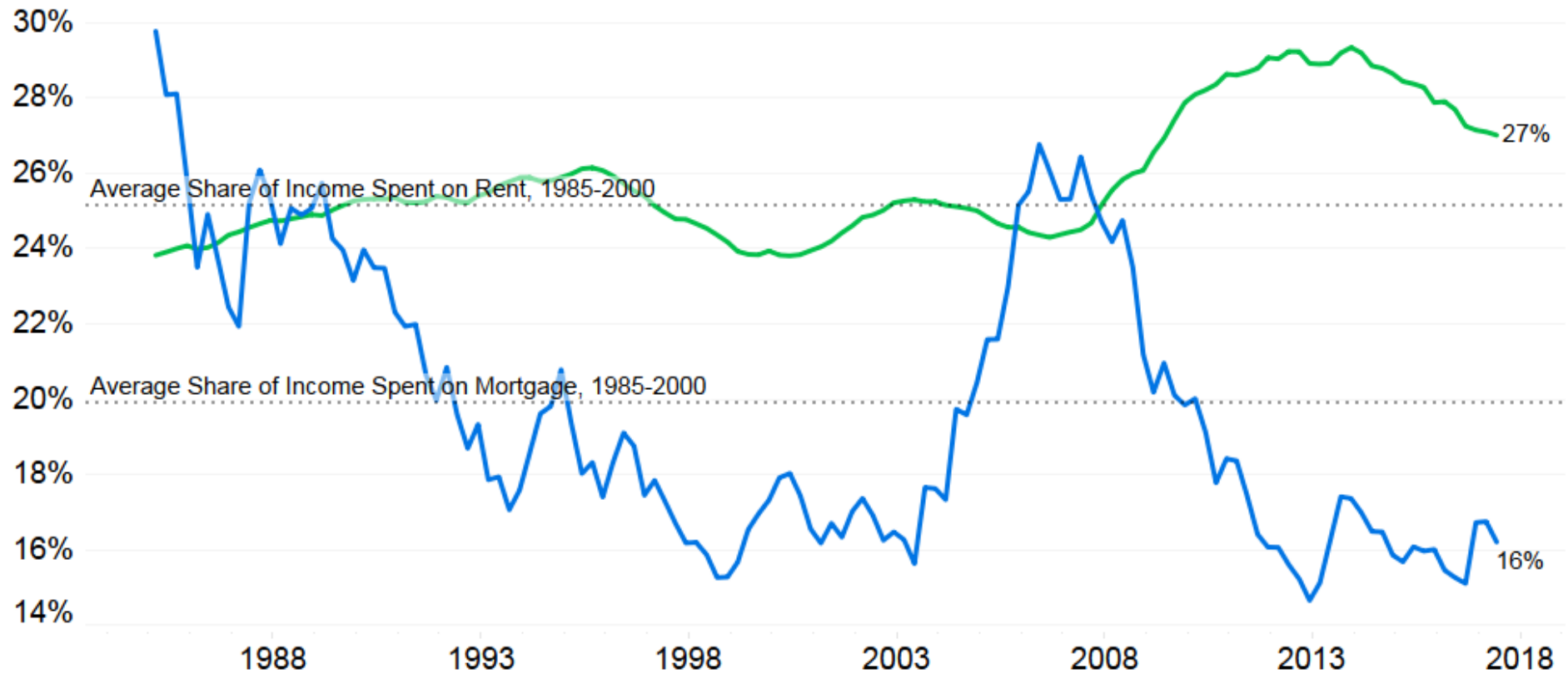
Rent Affordability,
1985 - 2000

26%

Rent Affordability,
2017 Q2

29%

Virginia Beach affordability is in line with or slightly better than the national average



Share of Income Spent on Housing

Average Share of
Income on Mortgage,
1985-2000

20%

Share of Income
Spent on Mortgage,
2017 Q2

16%

Forecasted at 5%
Rates

19%

Forecasted at 6%
Rates

21%

Forecasted at 7%

23%

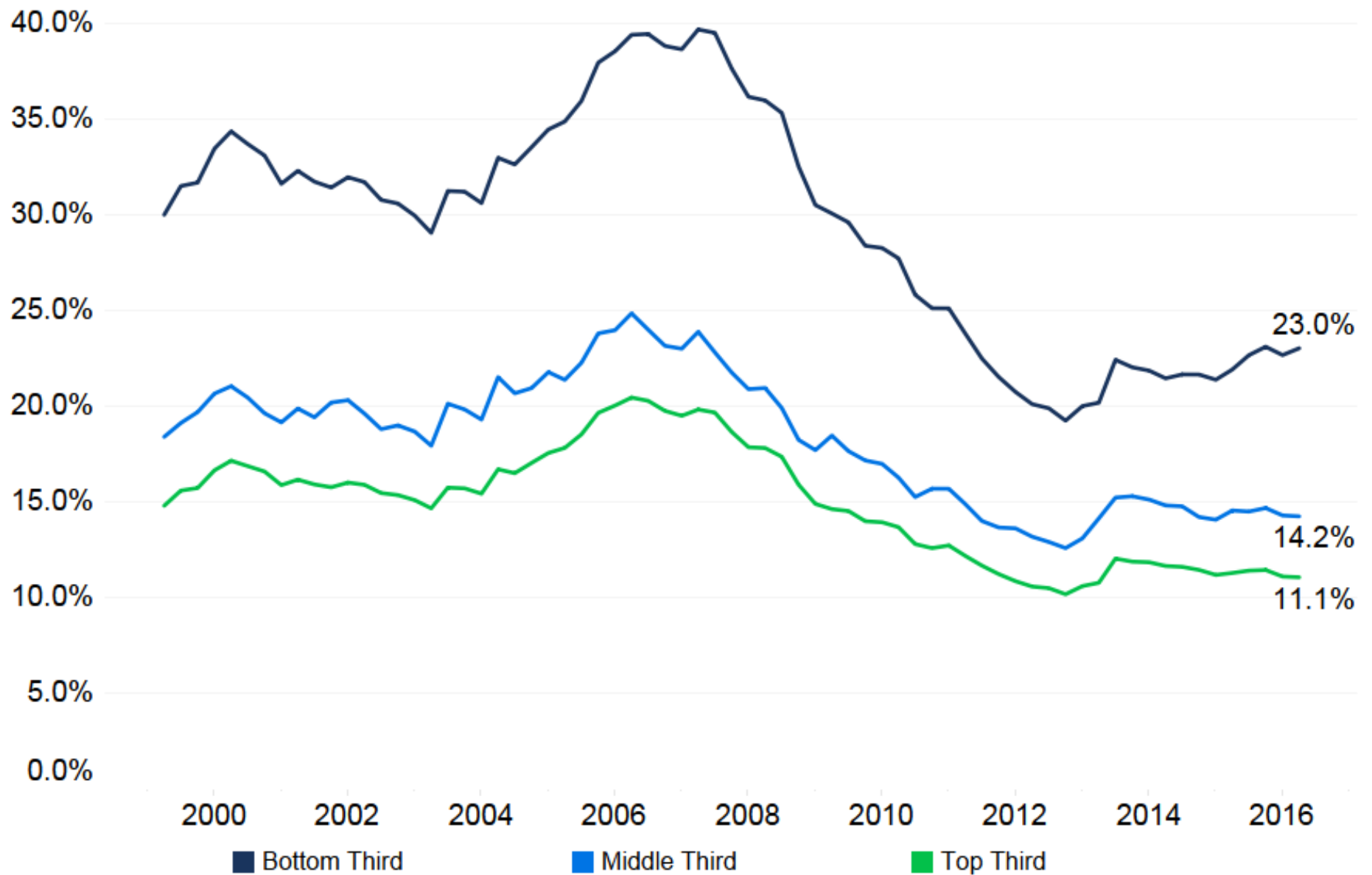
Rent Affordability,
1985 - 2000

25%

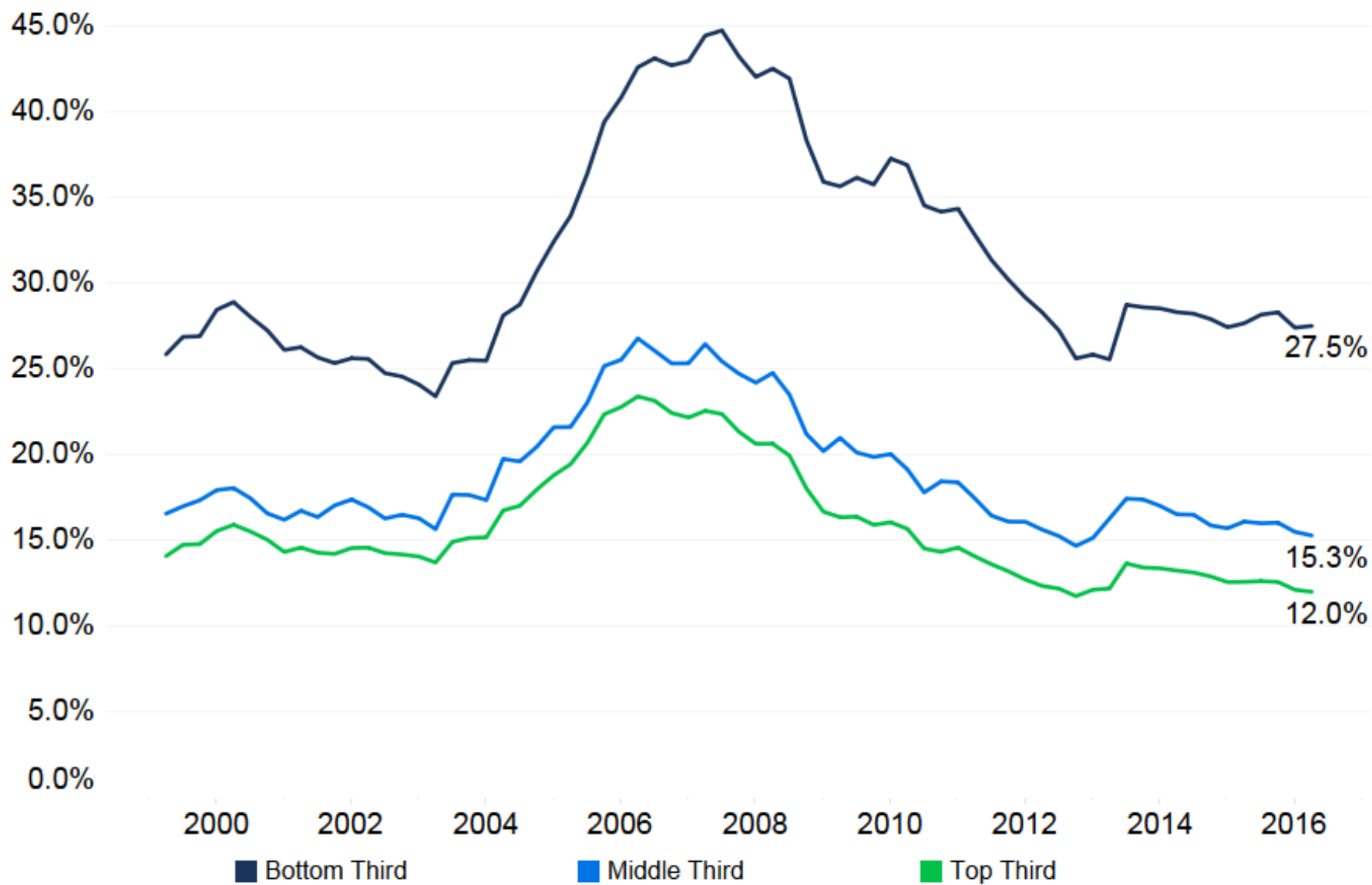
Rent Affordability,
2017 Q2

27%

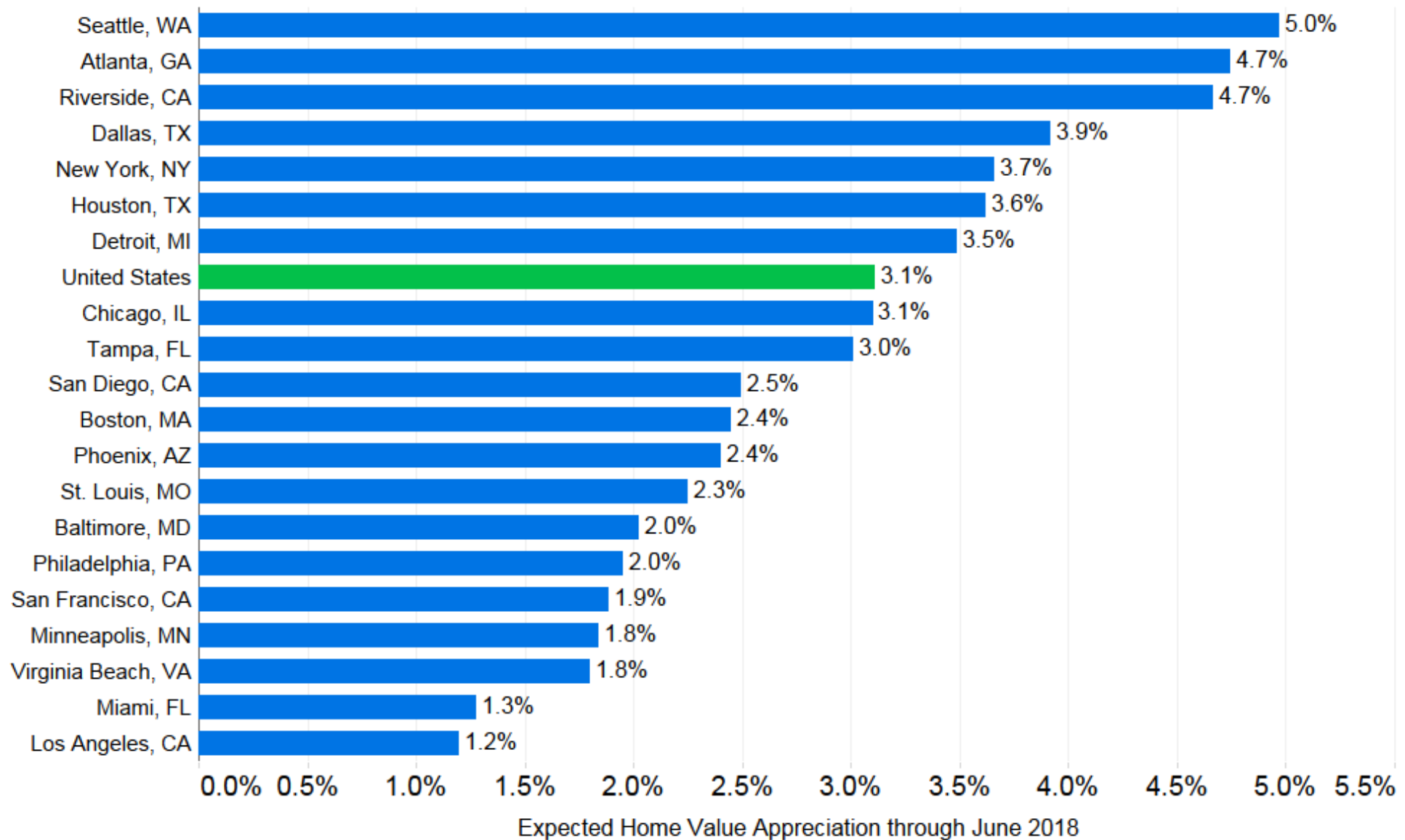
Share of income spent on mortgage by tier



Even in the Virginia Beach area, bottom tier affordability is stretched

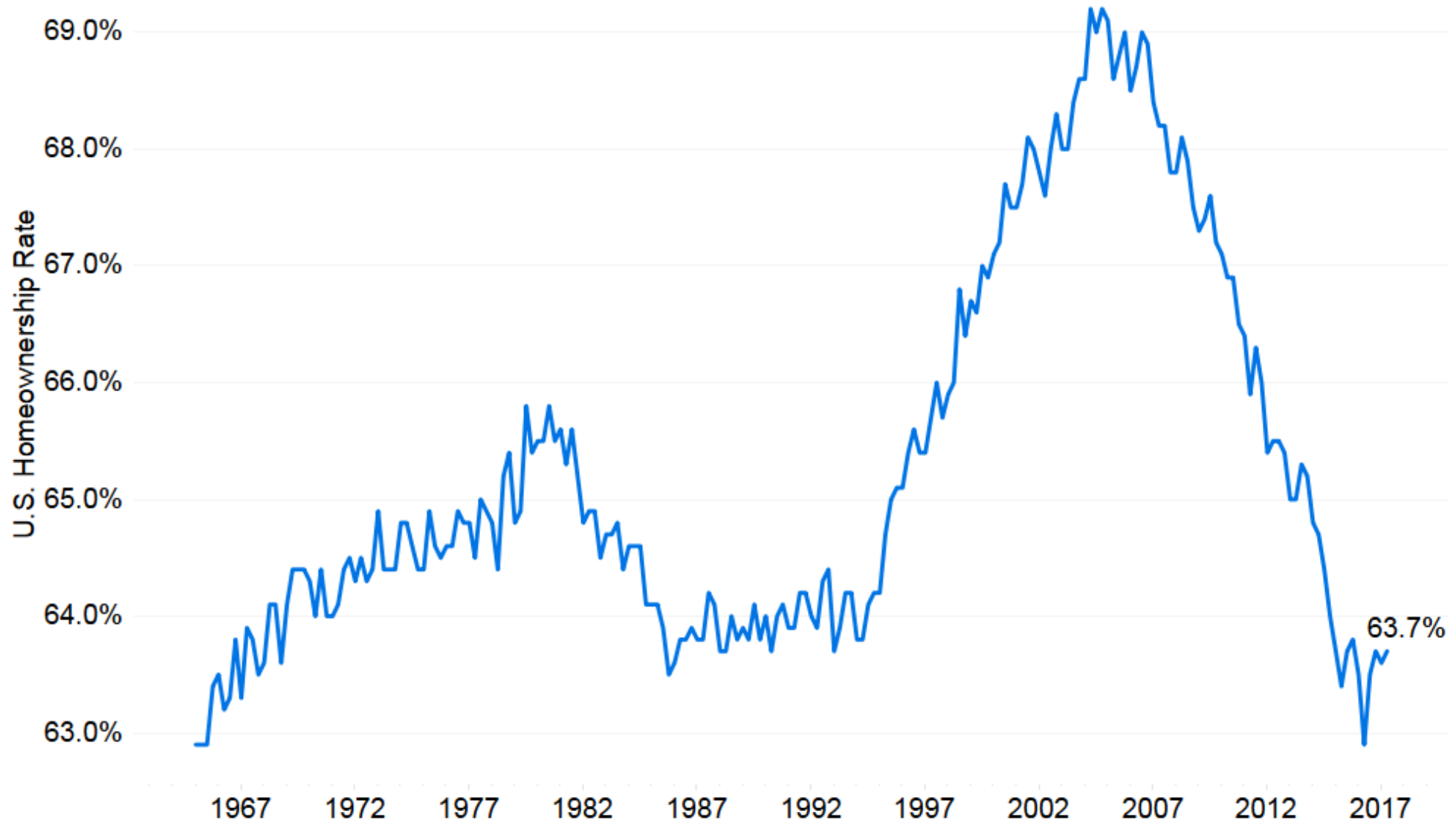


Home value appreciation expected to slow in 2018

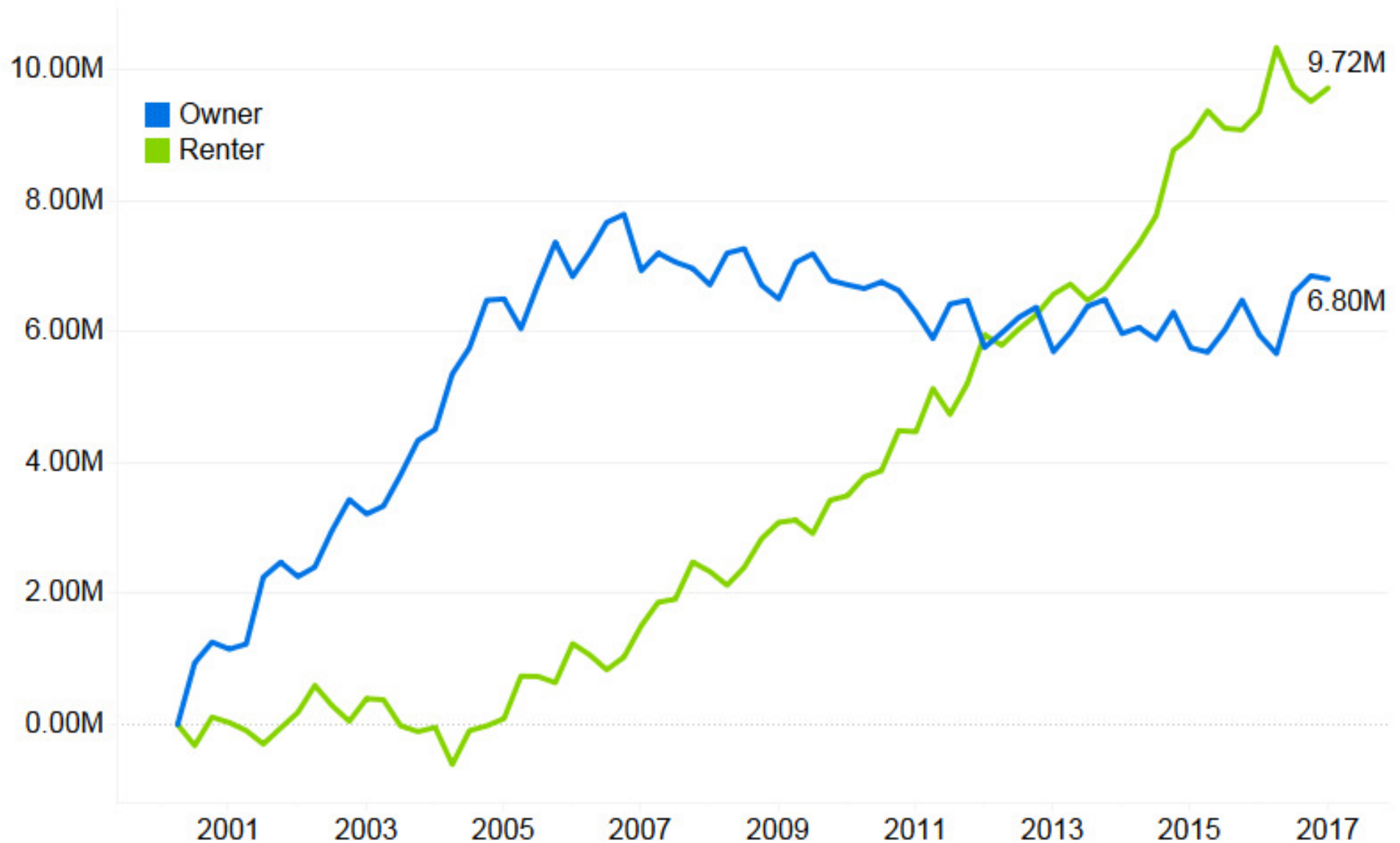


UNDERLYING DEMOGRAPHIC DRIVERS OF HOUSING TRENDS

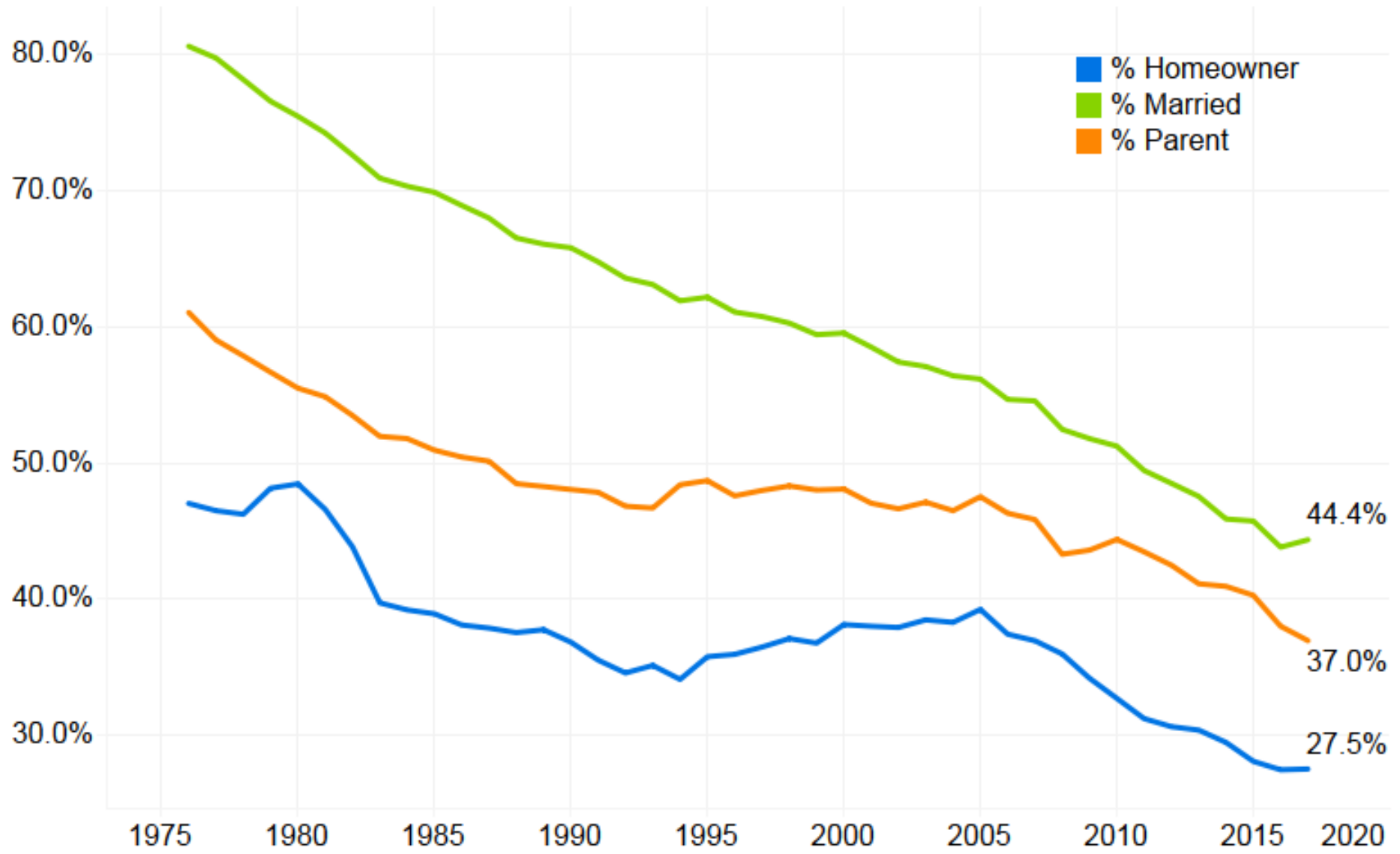
U.S. home values are now 3% above their pre-crisis peak



Household formation has been driven by renters, but 2017 has seen the fastest owner growth since 2009



Young adults are delaying a host of major life decisions, but the nesting of the Millennials is underway



Delaying homeownership does not mean they will forego homeownership

Owning a home is necessary to live The Good Life and The American Dream

