Getting Real About Real Estate - The current state of housing

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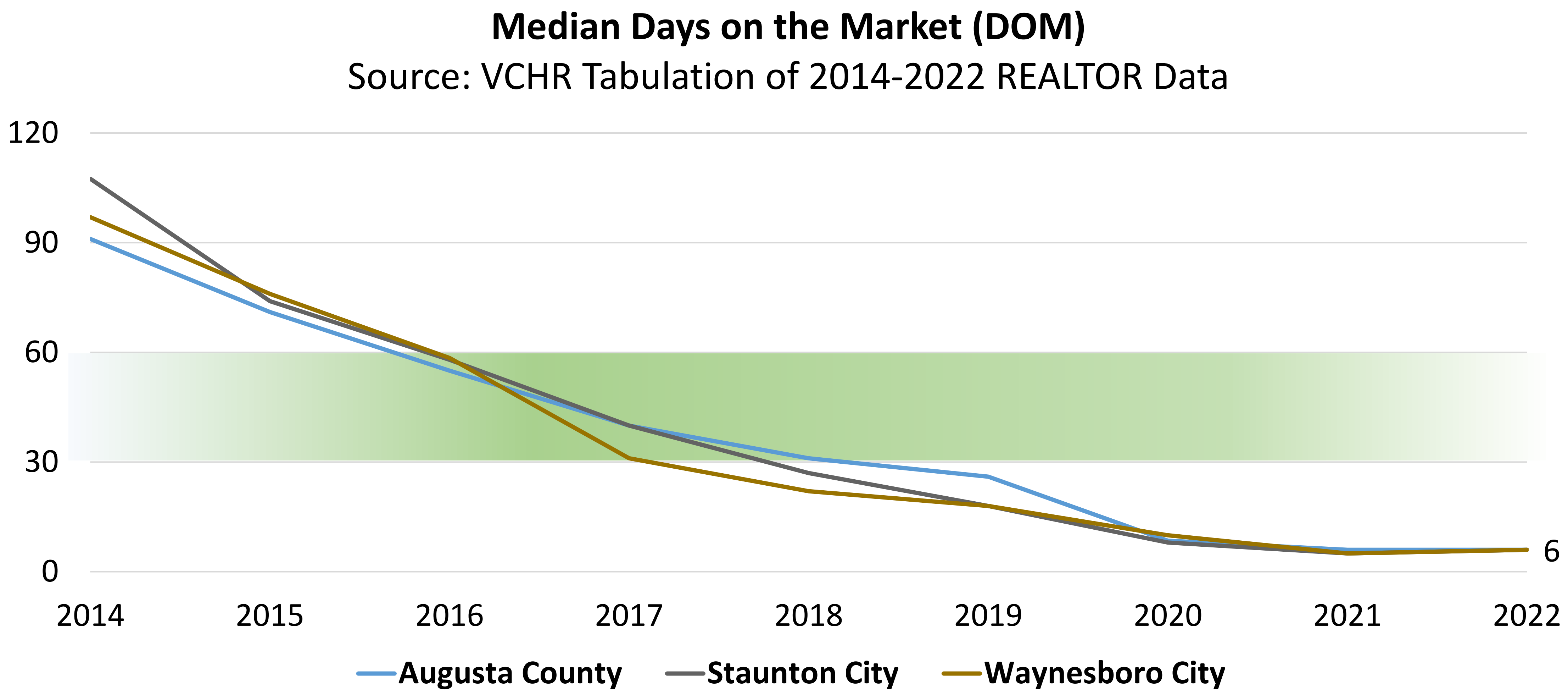
A tight market for buyers…



So what?

- Prices are rising
  - 2014-2022: 85% in Staunton, 79% in Waynesboro and 70% in Augusta County
  - Higher home sale prices are now accompanied by increased cost of living (inflation) and increased financing costs (interest rates)

  → fewer households can afford to buy (and will remain renters)
- The market is becoming more competitive
  - Buyers with cash (established households and investors) have an advantage
  - Buyers that need financing (especially unconventional financing) are being excluded

  → first-time homebuyers will begin to seek alternative markets

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A tight market for renters…

So what?

- Rents are rising
  - Nominal rents rose 40% 2010-2021
  - Real rents began to rise in 2022

  → Investors have an incentive to flip homes for rental (impacting the already tight for-sale market)
- The market is becoming more competitive
  - Renters must compete for units by accepting worse conditions and poorer management, rather than landlords competing for renters with upgrades and better management

  → Investment in rental properties is not incentivized (threatening housing stock conditions)

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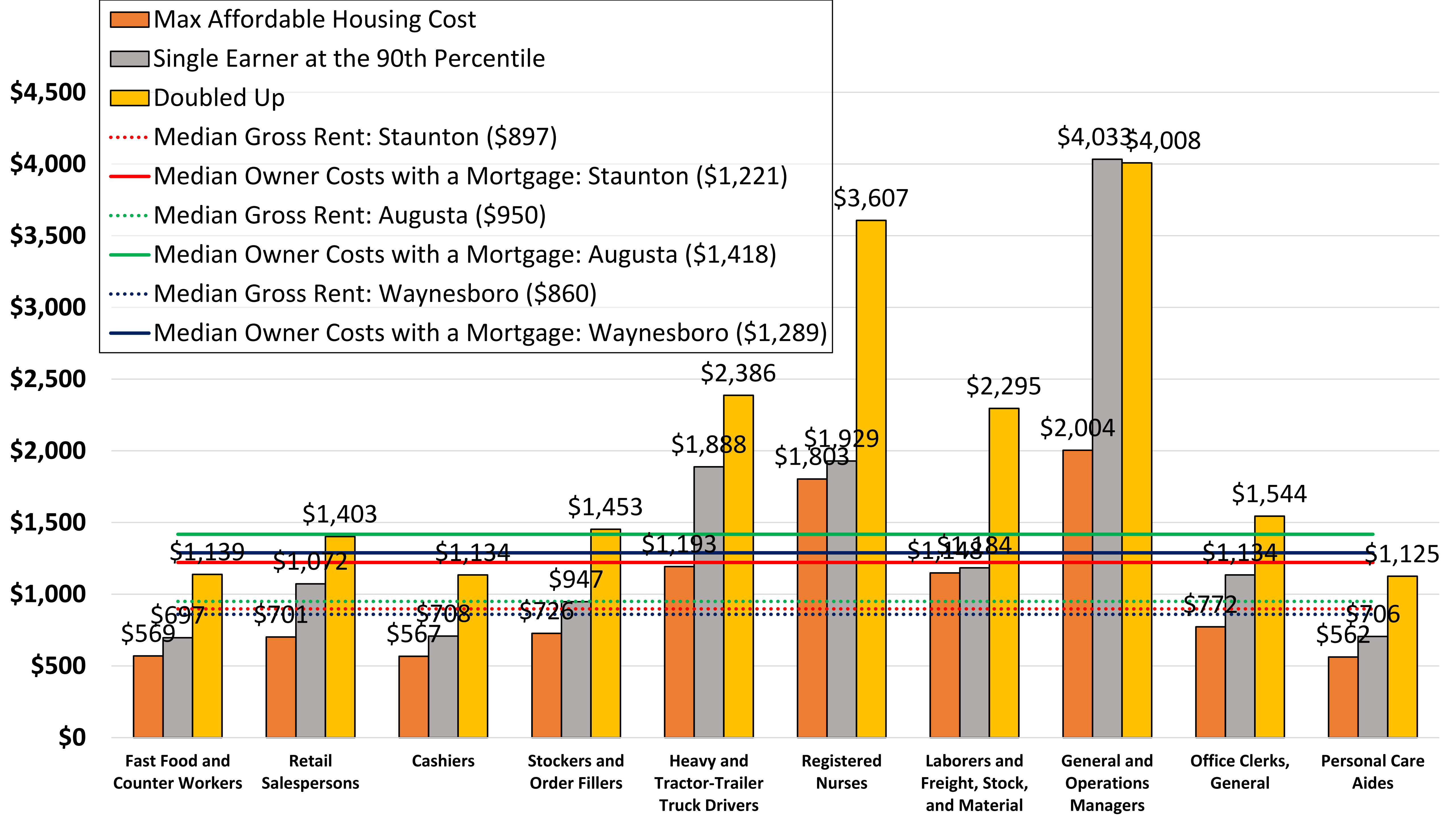
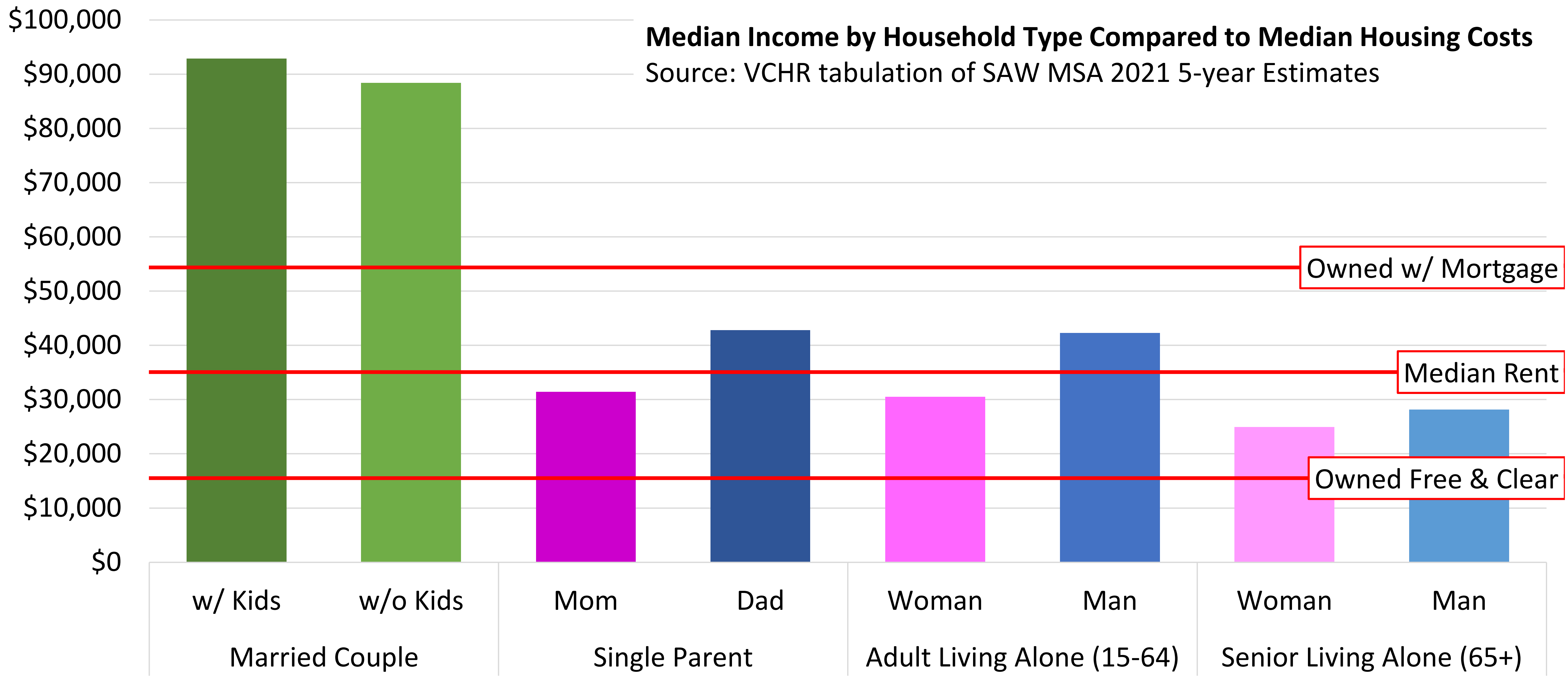
Market conditions make it harder to attract and retain workers

- Most households in SAW (70%) are working. [The remainder are likely to be retired, 29% receive retirement income]
- Workers earning at the median in 5 of the top 10 occupations by employment would need housing costs less than $800 per month in order to avoid cost-burden
- Workers earning at the median in 3 out of 10 would need housing costs less than $600 a month.
- Fast food workers, cashiers, and personal care aides will likely struggle to afford housing without sharing housing costs even when earning in the 90th percentile.



Max Affordable Housing Cost
Single Earner at the 90th Percentile
Doubled Up
Median Gross Rent: Staunton ($897)
Median Owner Costs with a Mortgage: Staunton ($1,221)
Median Gross Rent: Augusta ($950)
Median Owner Costs with a Mortgage: Augusta ($1,418)
Median Gross Rent: Waynesboro ($860)
Median Owner Costs with a Mortgage: Waynesboro ($1,289)
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
$569
$697
$1,139
$701
$1,072
$1,403
$567
$708
$1,134
$726
$947
$1,453
$1,193
$1,888
$2,386
$1,803
$1,929
$3,607
$1,148
$1,184
$2,295
$2,004
$4,033
$4,008
$772
$1,134
$1,544
$562
$706
$1,125
Fast Food and Counter Workers
Retail Salespersons
Cashiers
Stockers and Order Fillers
Heavy and Tractor-Trailer Truck Drivers
Registered Nurses
Laborers and Freight, Stock, and Material
General and Operations Managers
Office Clerks, General
Personal Care Aides

Current market conditions impact the most vulnerable first, and to the greatest extent



Current market conditions exacerbate housing insecurity

- More than 12,600 households in the Staunton-Augusta-Waynesboro region spend more than 30 percent of their income on housing and may need more affordable housing options.
  - □ Approximately 42% of the region’s households have low incomes
  - □ Approximately half of all low-income households throughout the SAW region are cost burdened and make up 85% of cost-burdened households.
  - □ Among low-income, cost-burdened households, 4,835 (47%) are severely cost-burdened and at-risk for homelessness.
  - □ 35% of cost-burdened households are seniors 65 or older.

What does the data mean for action?

Build more housing

- Market tightness (demand>supply) means more units can be absorbed throughout the SAW region
- SAW needs more units to balance the market and accommodate growth
- Increasing supply will help incentivize housing investments to compete for buyers and renters

Note: until the market is balanced increased wages can be absorbed by house prices and rents

What does the data mean for action?

Stabilize and anchor households

- Offer supports to cost-burdened owners to invest in their home and thereby preserve the existing housing stock.
- Increase diversity of unit type and cost
  - More small, attached units since 65% of households include only 1 or 2 people
  - Intentionally include those who are being excluded
    - Dedicate housing to low-income households (both rental and homeownership)
    - Ensure affordability so households can manage unexpected expenses and make investments in their future

Won't the market just adjust??

Well…

- Only a fraction of the market is being served by new building
- Industry capacity is small compared to demand and so, it's serving the markets and households where the highest return can be achieved
- Building has not "caught up" with demand over the 10+ years we've been hoping it would
  - We need more builders and subcontractors, but neither private finance or the government is offering capital to entrepreneurs in these fields
  - There's money to be made, but the risk of investing the little wealth households have seems like too much
    - Income gaps are growing and more homeowners are just getting by
    - Vulnerability is starting to impact entire communities
      - Local governments are struggling to balance costs to the community and residents need for complete security in their home values– after all, it's the little that they have
        - This paradox is further increasing vulnerability
          - Is this getting to small for you to read???

…no

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What then?

- The housing market connects all of us and is a social problem as much as an economic one (we are both the market and market failure)
- We'll have to pull together (community, industry and government) to stabilize our community members and the "American Dream."
  - We'll have to support creativity and change (YIMBY)
  - We'll have to demand and invest in action (political will and taxes, sorry no free riders)
  - We'll have to garner empathy and take risks (at least for a little while)

Questions?

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