



# **Economic and Housing Data and Outlook VGFOA 2008 Fall Conference**

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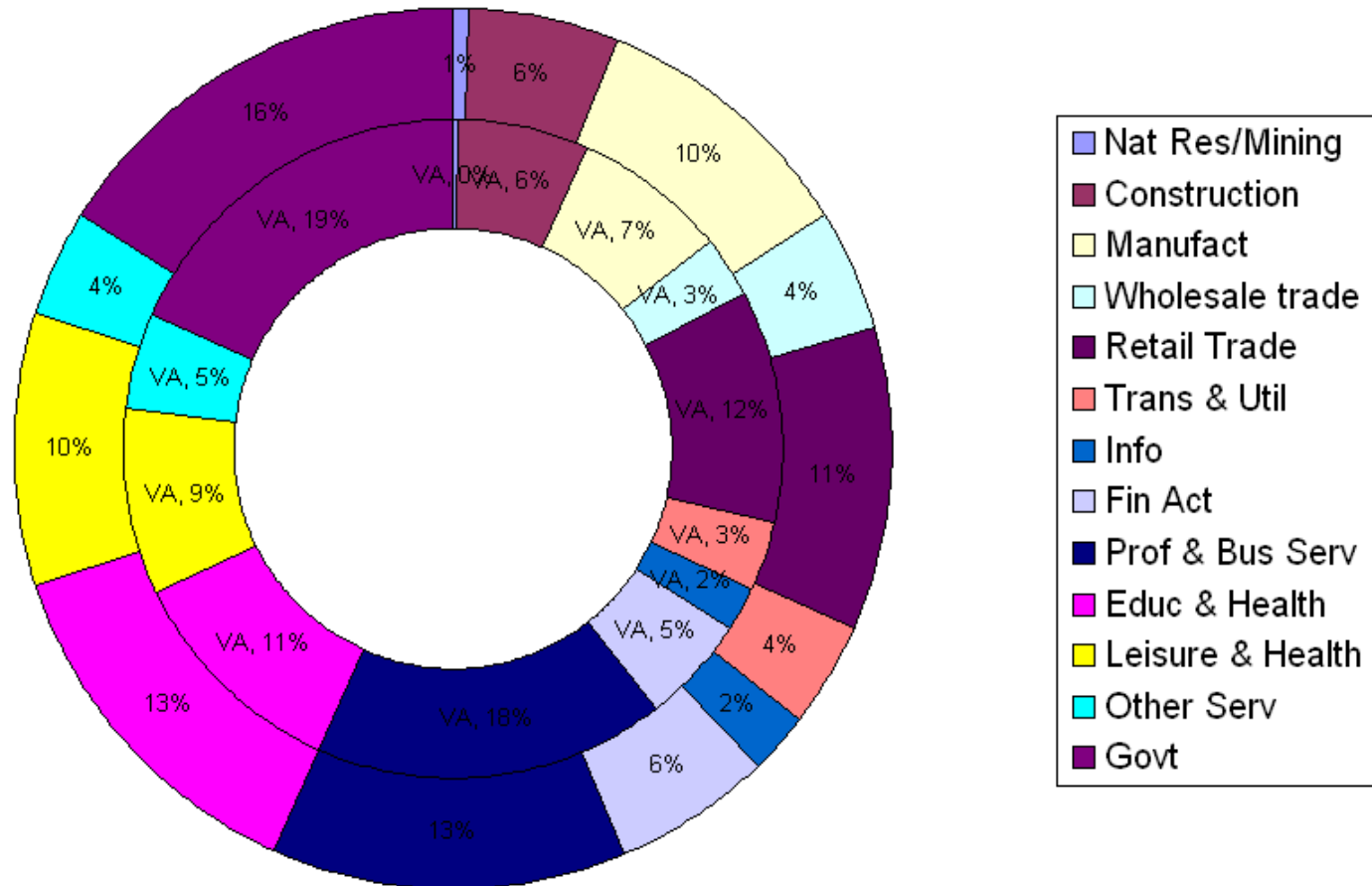
## Economic Pressures on Local Government Credits

- > Stagnant employment growth
- > Declining housing market and assessed valuation
- > Reduced property-related taxes, sales tax, and other revenue
- > Increased foreclosures
- > State reductions



# Employment By Sector

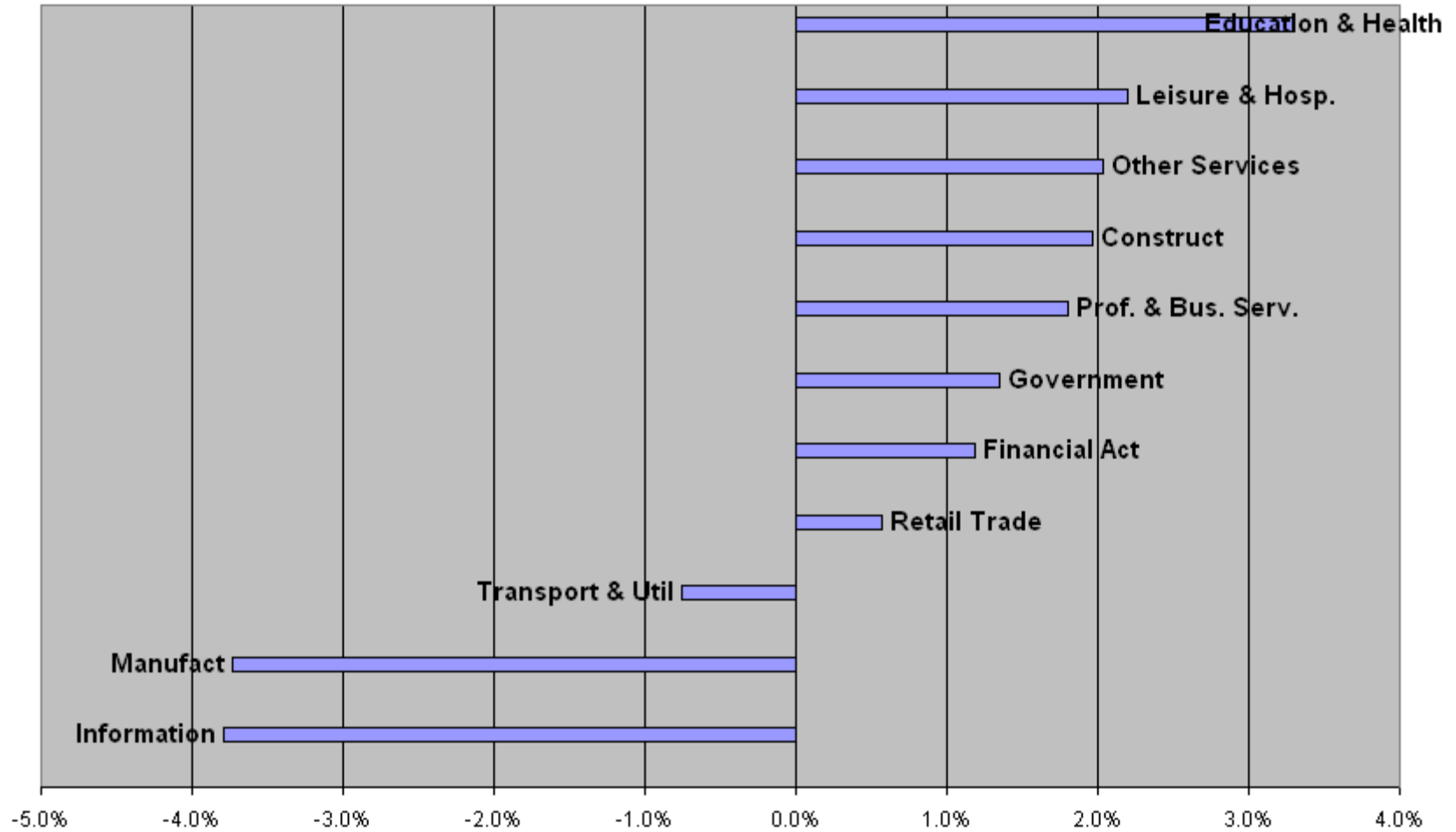
## Virginia vs. Nation. 2007





# Virginia Employment By Sector

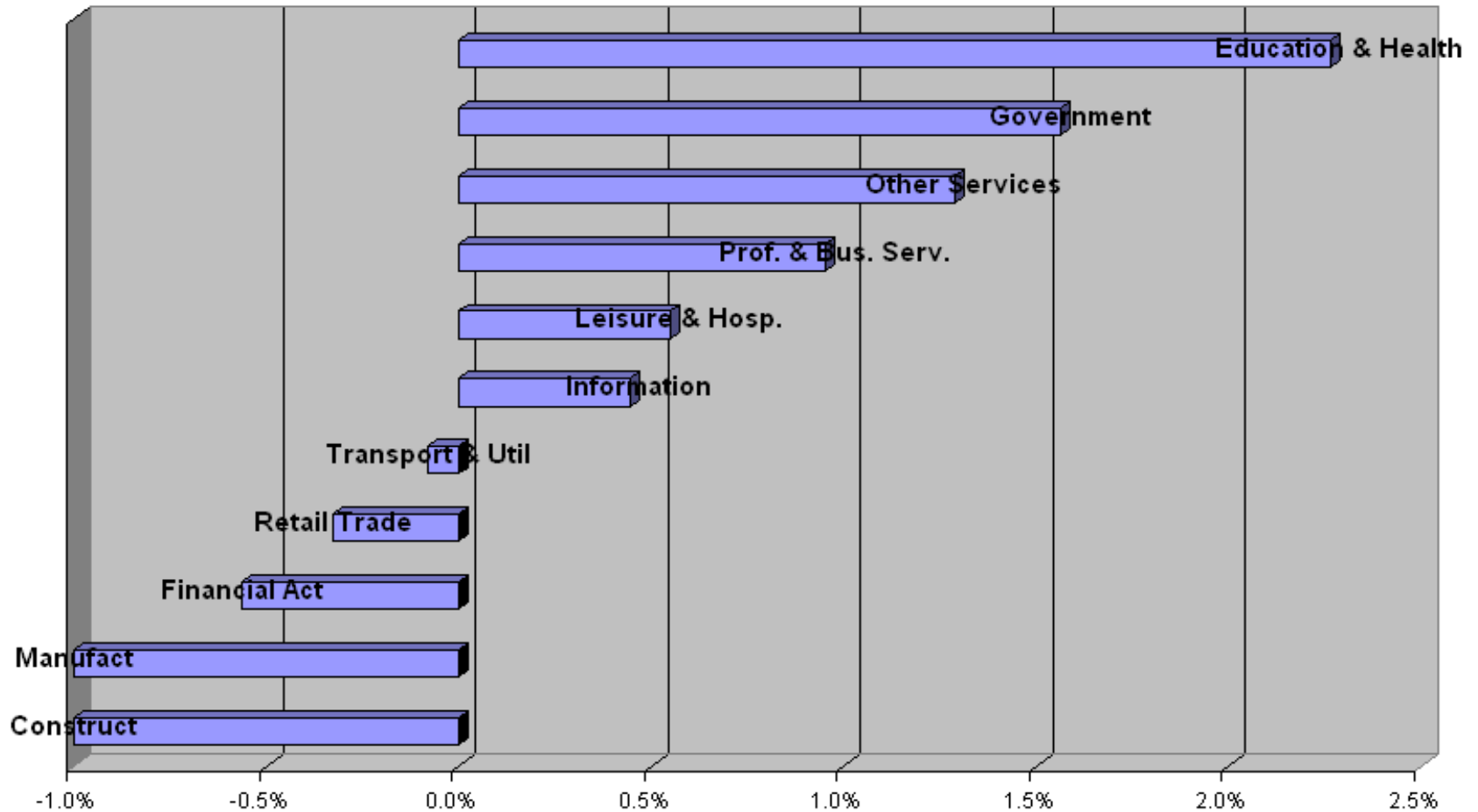
## % Change from 2000 - 2007





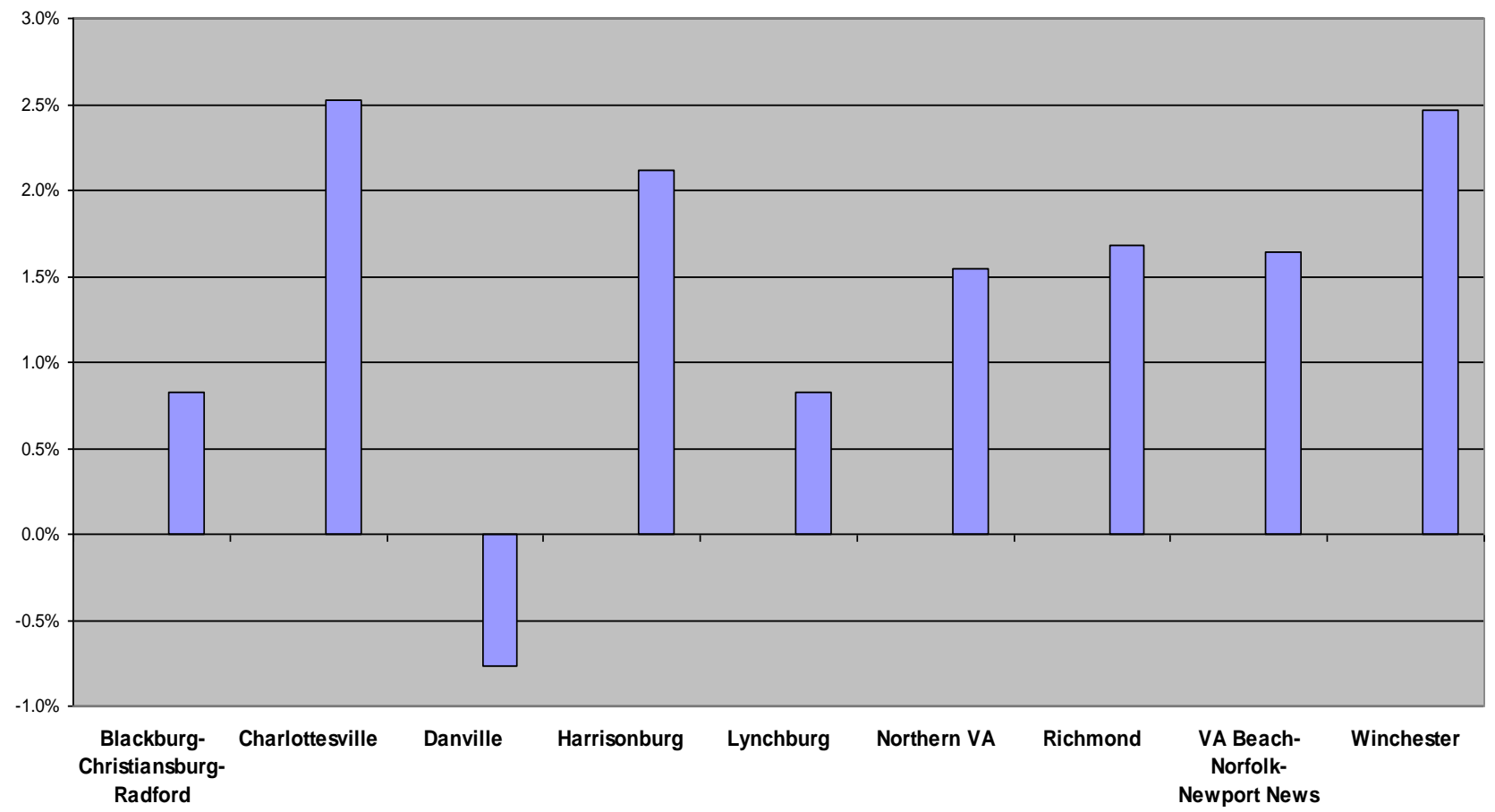
# Virginia Employment By Sector

## % Change from August 2007 – August 2008





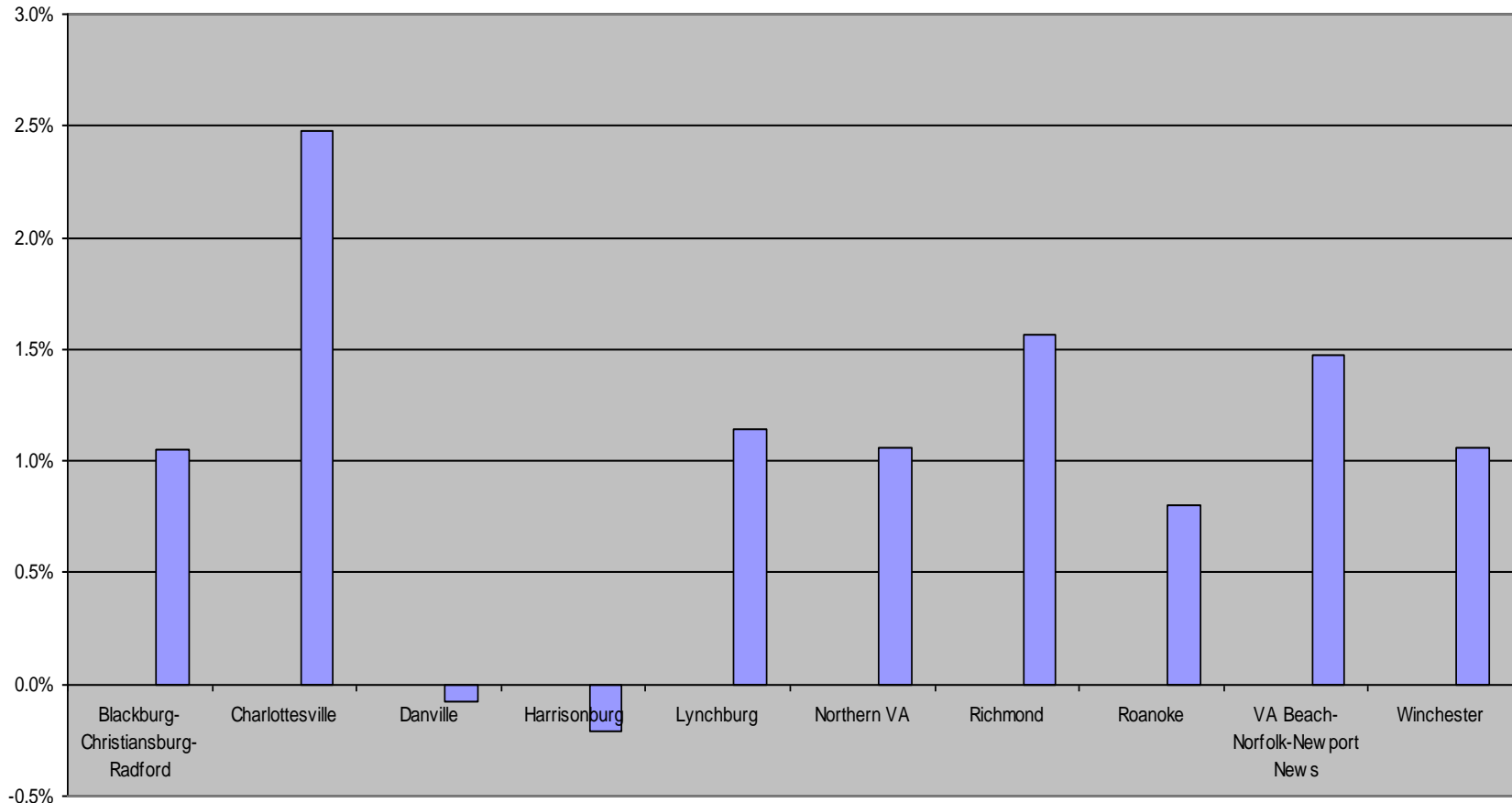
# Compound Average Annual Growth in Employment 2000-2007 by MSA





# Virginia Employment by MSA

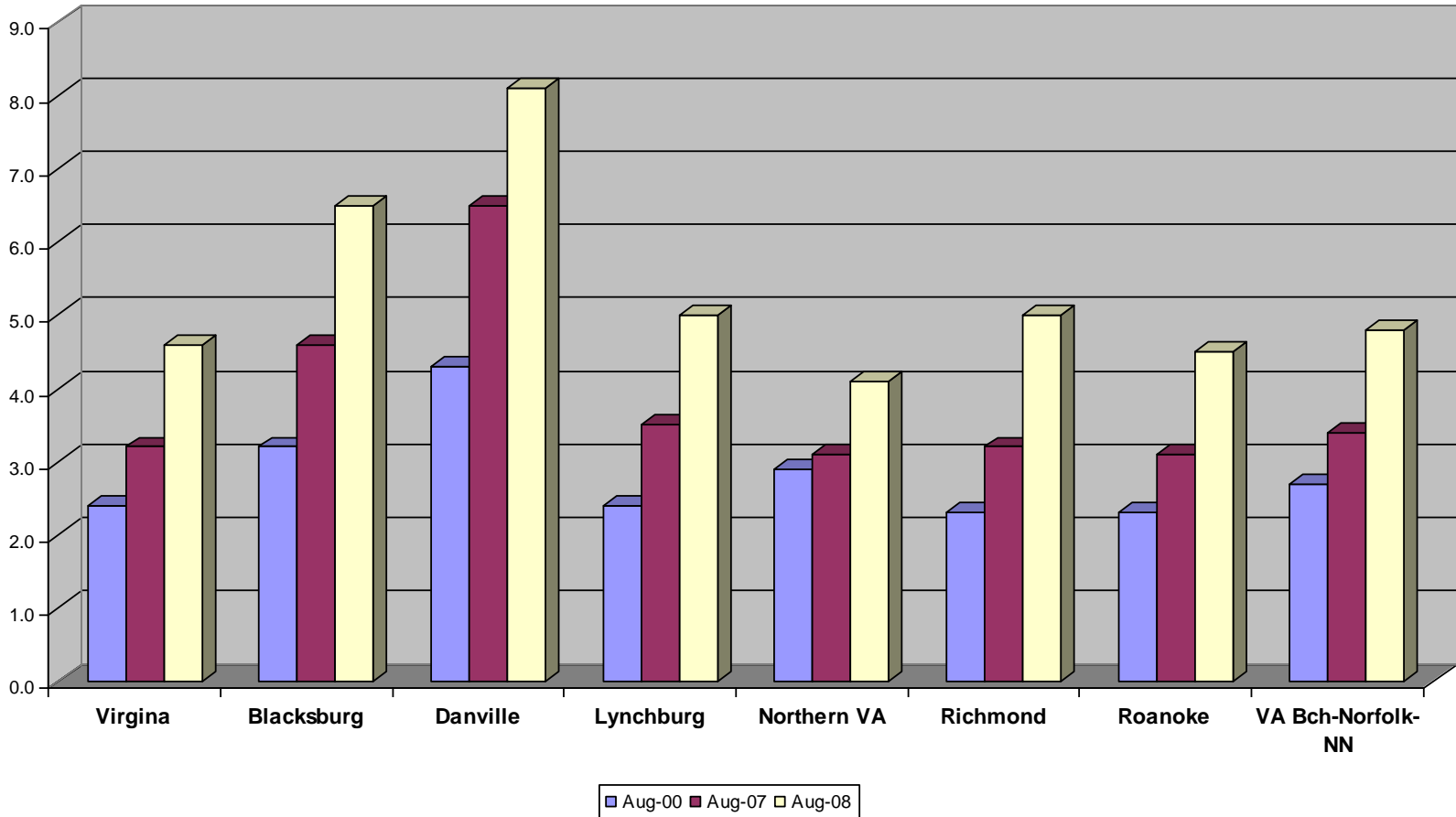
## % Change from August 2007 - August 2008





# Unemployment Growth

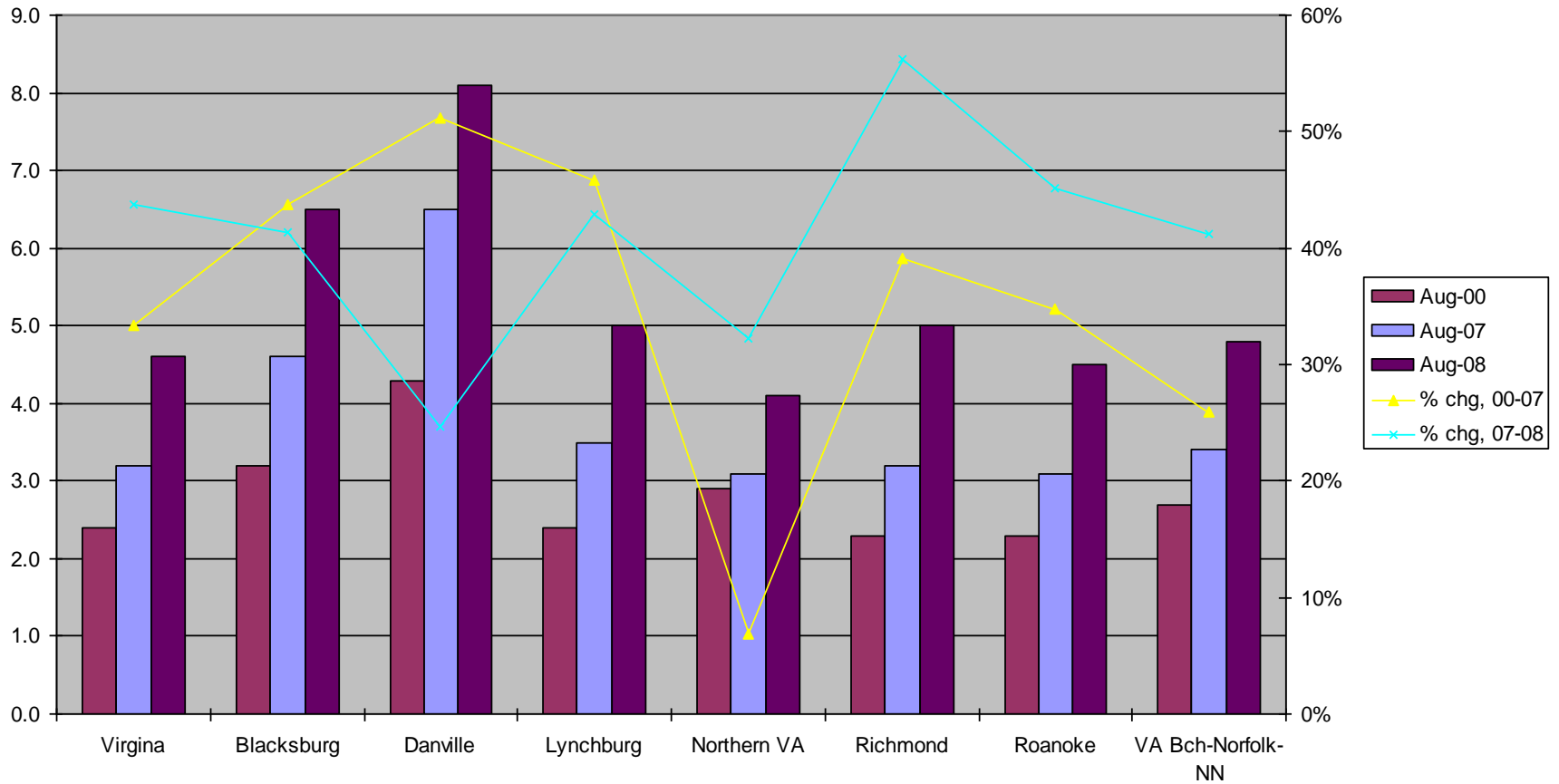
## August 2000, 2007 & 2008





# Unemployment Growth and Percent Increase

## August 2000, 2007 & 2008



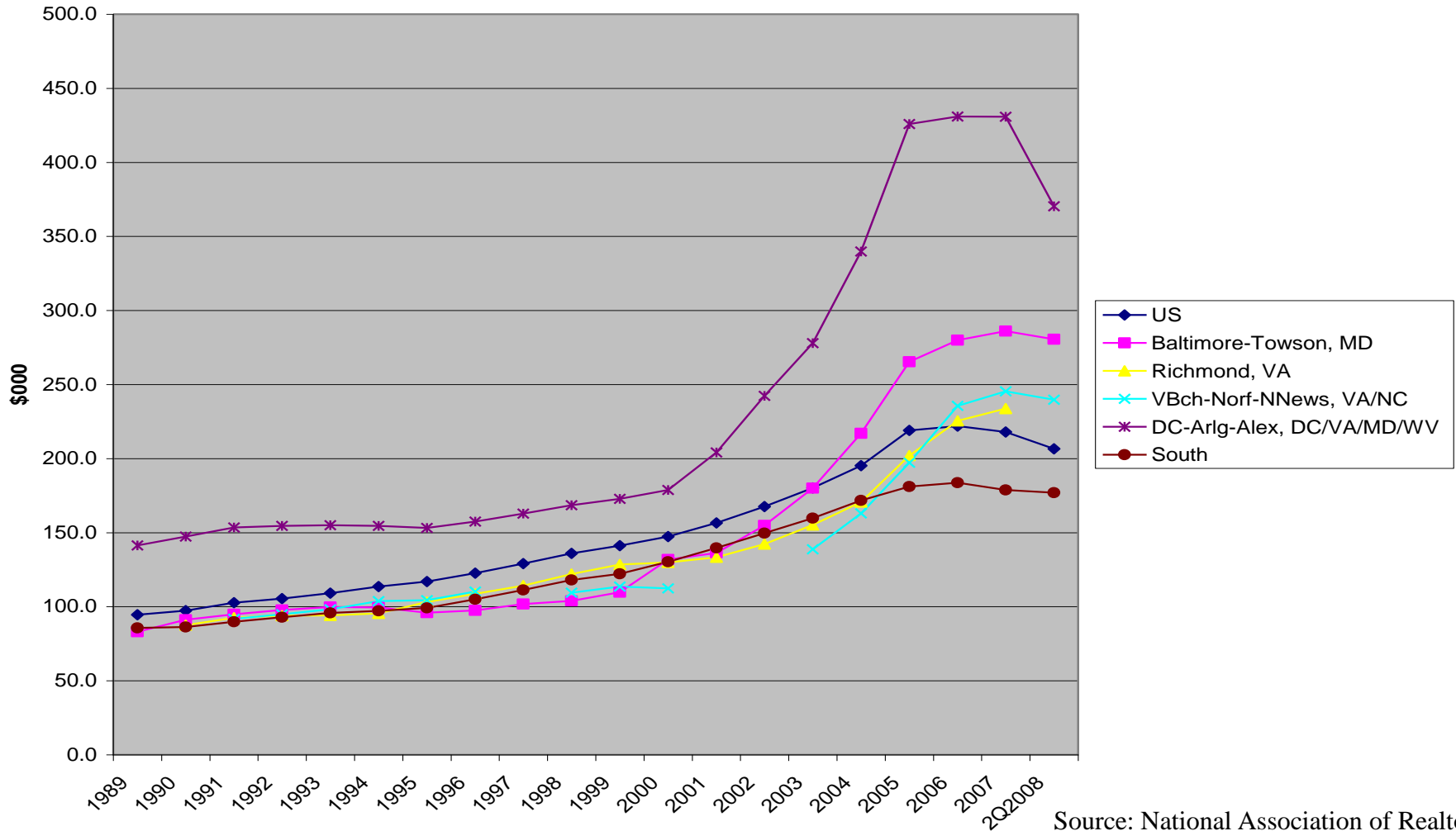


## Housing Background

- > Nationally, prices increased an average of 56% between 2000 Q2 and 2006 Q2 (designated as the pricing peak)
- > Many MSAs saw much higher increases during this period
- > Subsequently, national median home price declined 9% from 2006 Q2 to 2008 Q2



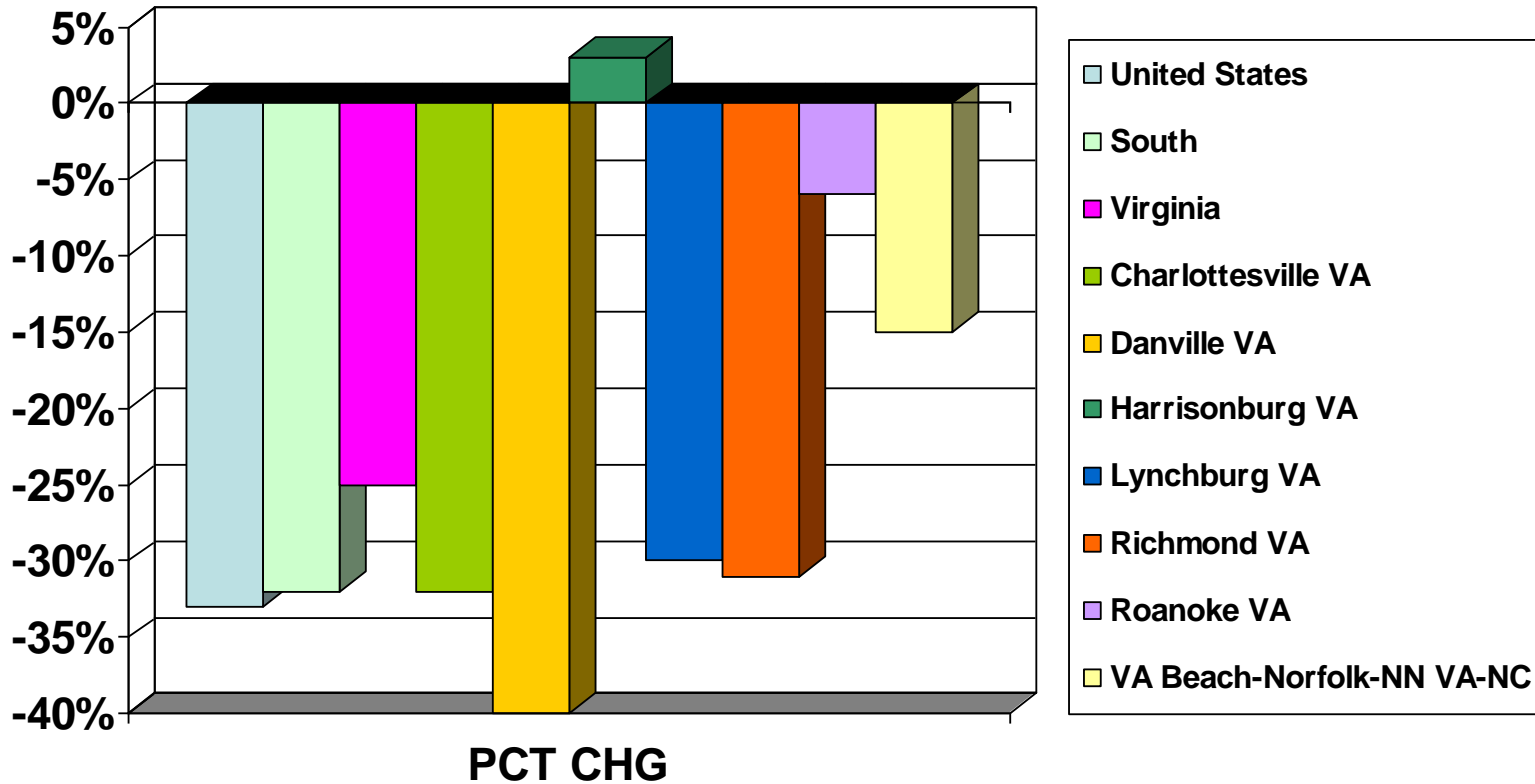
# Median Single Family Home Prices



Source: National Association of Realtors



## Percent Change in Building Permits - 2007-2008\*

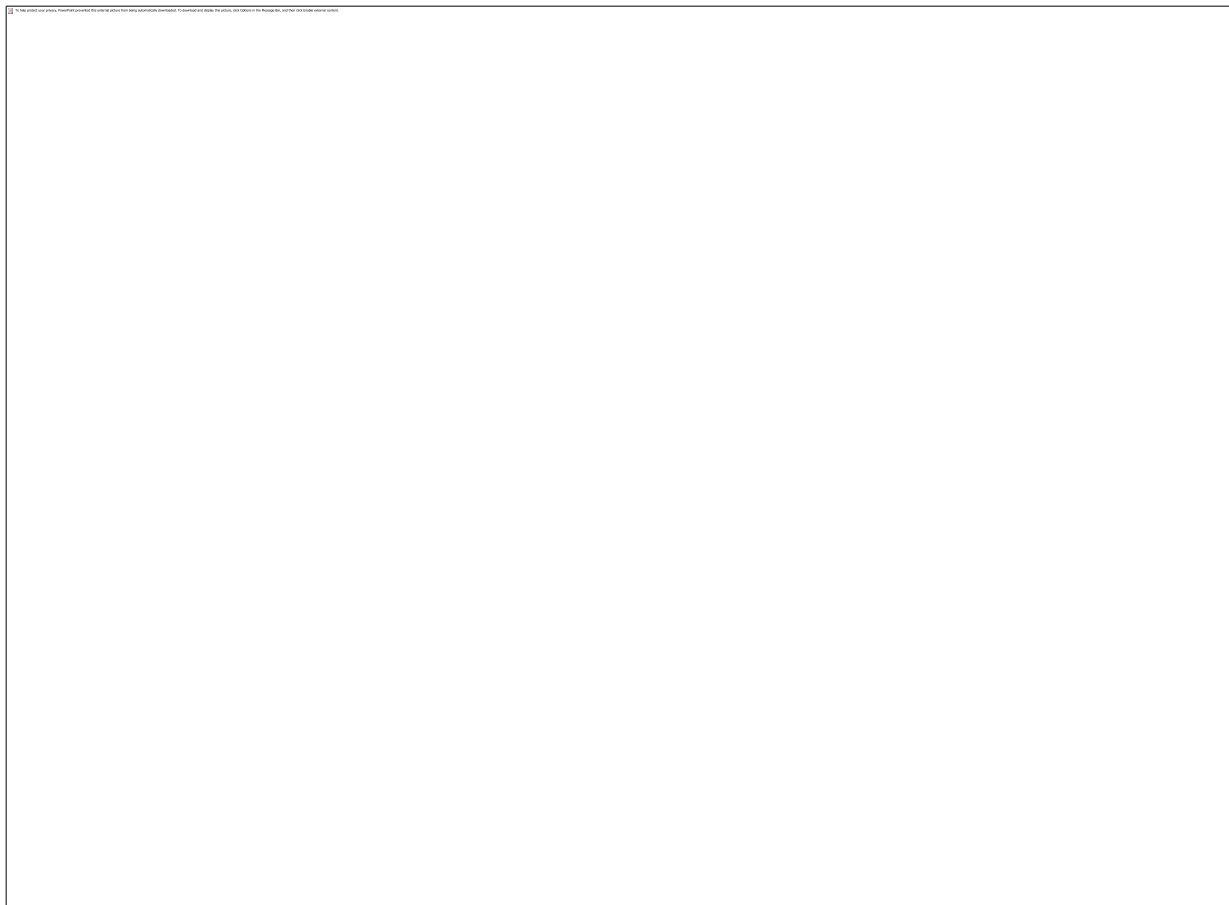


\* Through August

Source: National Association of Homebuilders  
Courtesy of: HousingEconomics.com



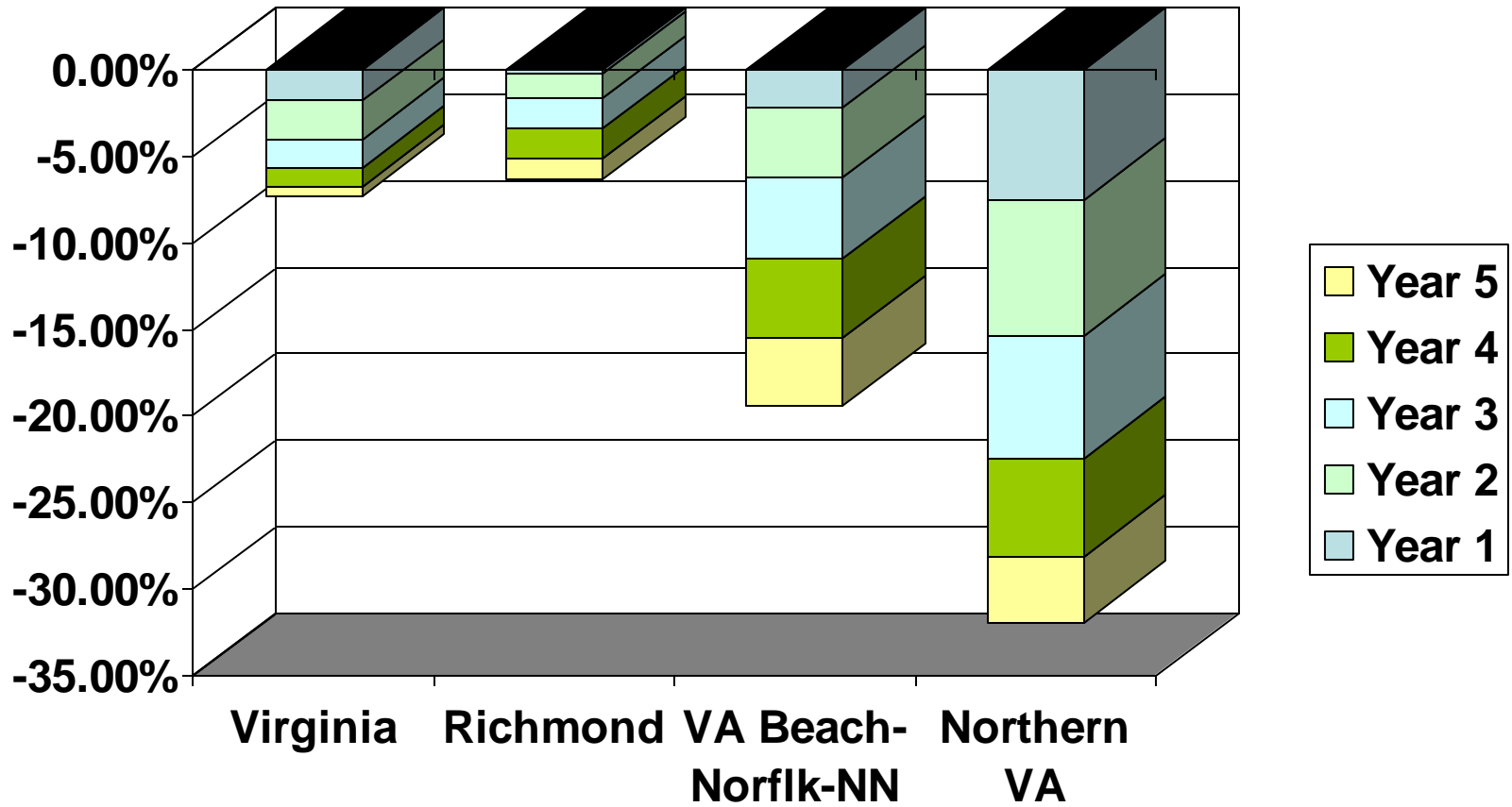
# Virginia Housing



Source: Global Insight



## Nominal Home Price Forecasts



Source: UFA (University Financial Associates)



## Price Income Ratio (PIR)

- > Indication of change in affordability by measuring median home price to average household income
- > Nationally, PIR increased 24% from the 1990's average to 2006 Q2
- > Nationally, PIR declined 17% from 2006 Q2 to 2008 Q2 to 1.93, nearly back to the 1990's average



## Price Equalization Calculation

- > Examines the amount by which single-family home prices would have to fall to equal the average of the 1990s PIRs, given current income levels
- > National home price equalization level is a 2.3% decrease
  - 2008 Q2 to 1990s average
- > Equalization calculation allows for a real growth factor (income)
- > One of many indicators to gauge uncertainty
- > Not a forecast of the extent of further corrections
- > But prices, PIR and changes in both vary significantly by region



## PIR: Single Family Homes

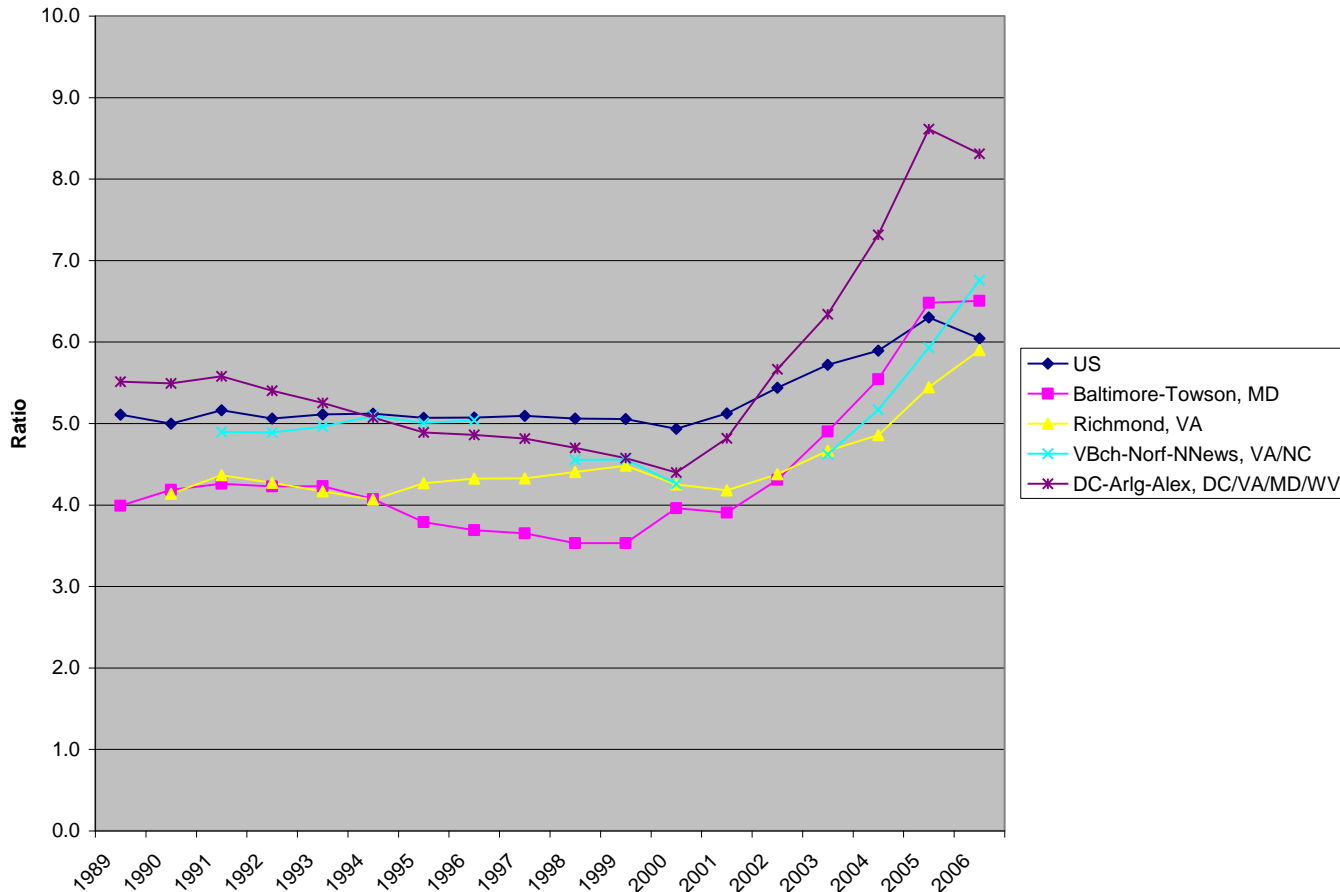
-----MSA-----  Name	-----PRICE:INCOME RATIO-----					2008.2 as % of Nation	-PRICE EQUALIZATION-  2008.2 Home Price vs. Average 1990s PIR
	Avg. 1990s	2006.2	2008.2	-% Change- 90s- 06.2- 06.2 08.2			
United States	1.89	2.34	1.93	24%	-17%	100%	-2.3%
South	1.80	2.09	1.79	16%	-14%	93%	0.5%
Baltimore-Towson, MD	1.46	2.54	2.28	74%	-10%	118%	-36.1%
Richmond, VA *	1.64	2.32	2.17	41%	-6%	112%	-24.5%
Virginia Beach-Norfolk-Newport News, VA-NC	1.77	2.51	2.34	42%	-7%	121%	-24.6%
Washington-Arlington-Alexandria, DC-VA-MD-WV	1.88	3.24	2.49	72%	-23%	129%	-24.6%

\*2007Q4 is the latest period available.

\*Price Equalization: Not a forecast  
Source: National Association of Realtors, Global Insight



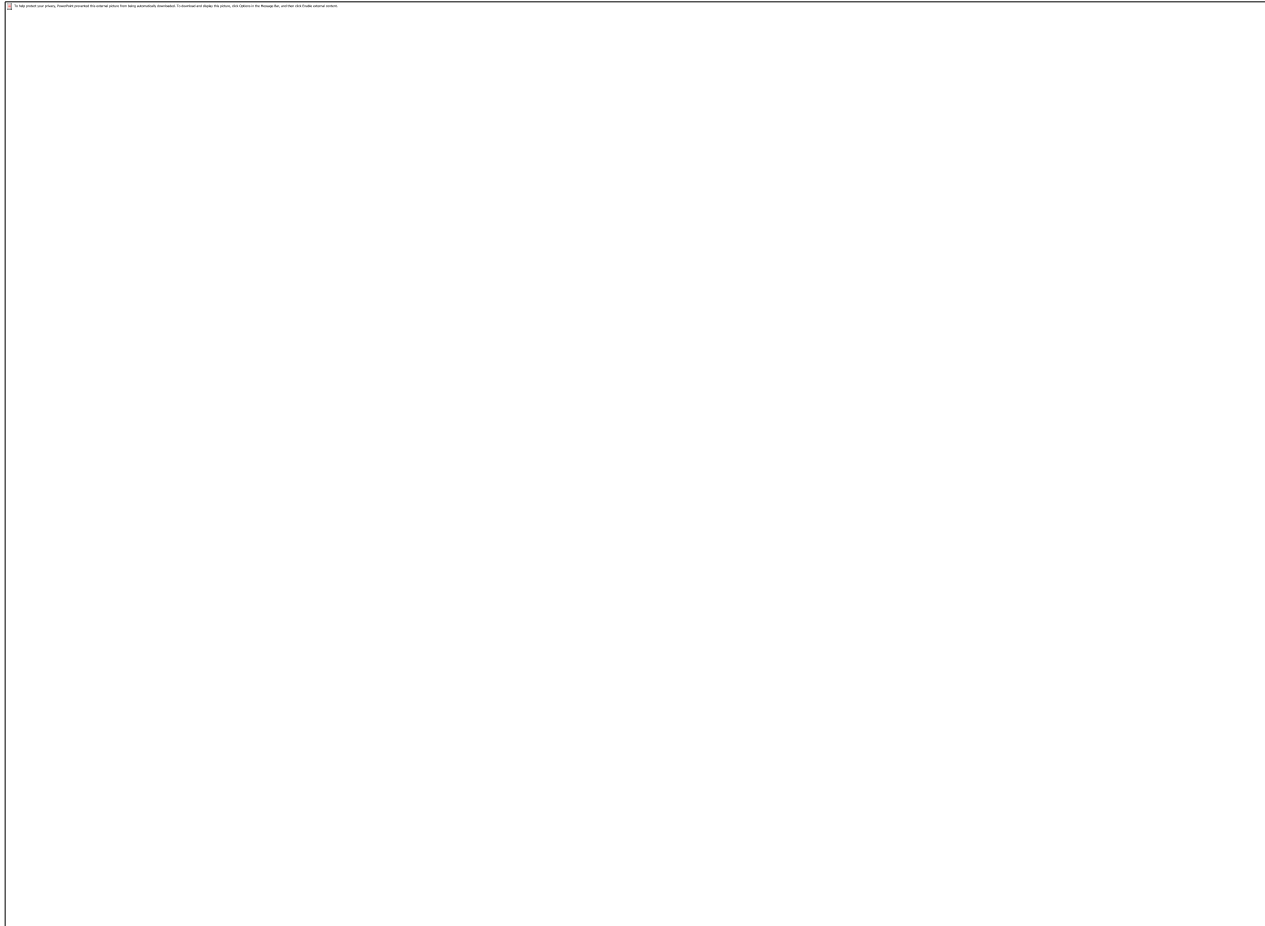
# Median Single Family Home Price to Per Capita Personal Income



Source: National Association of Realtors



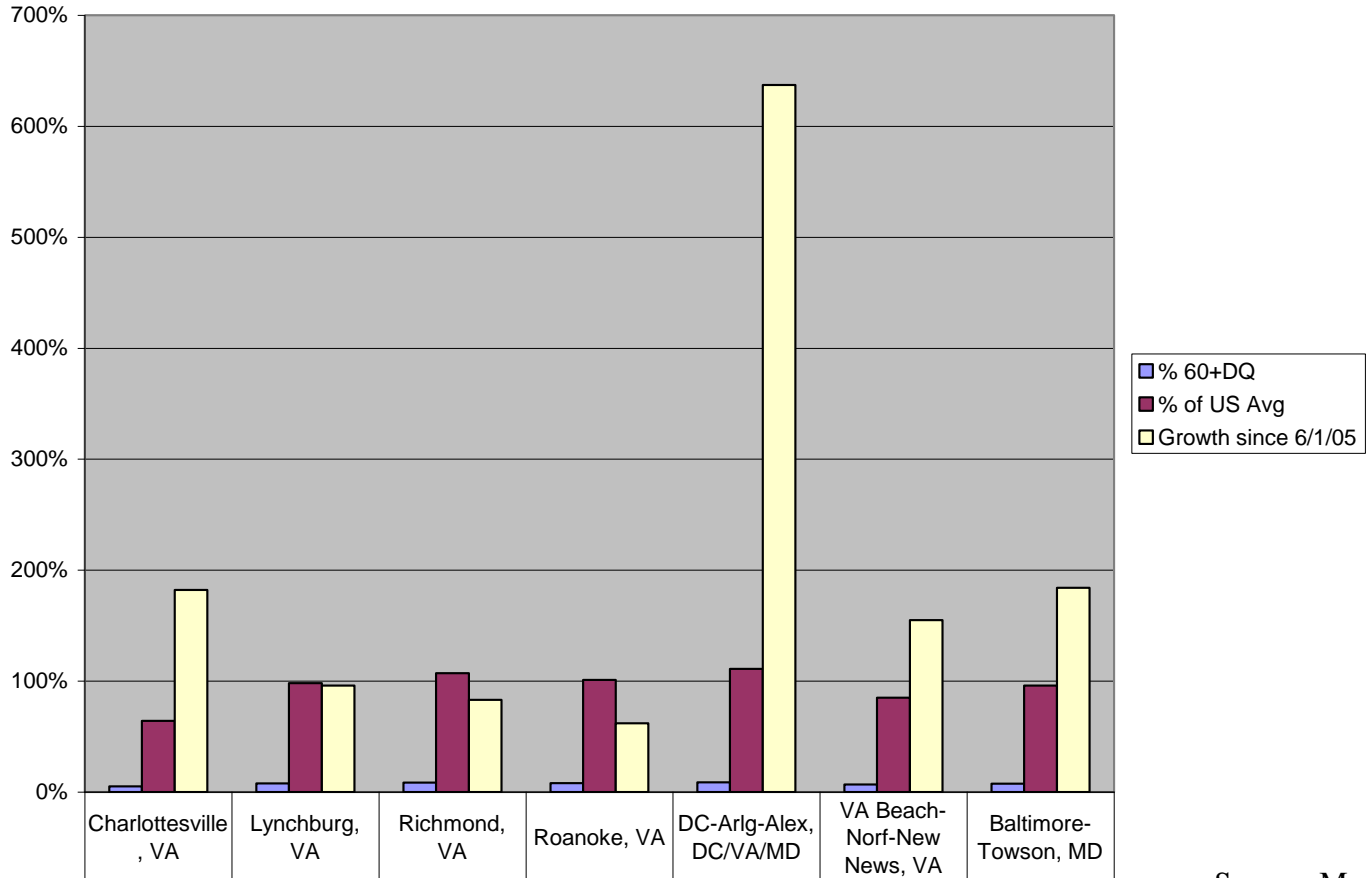
# Virginia Affordability



Source: Global Insight



# VA Loans Seriously Delinquent (60+ Days), 2Q2008



% 60+DQ	5%	8%	8%	8%	9%	7%	8%
% of US Avg	64%	98%	107%	101%	111%	85%	96%
Growth since 6/1/05	182%	96%	83%	62%	637%	155%	184%

Source: Mortgage Bankers Association



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