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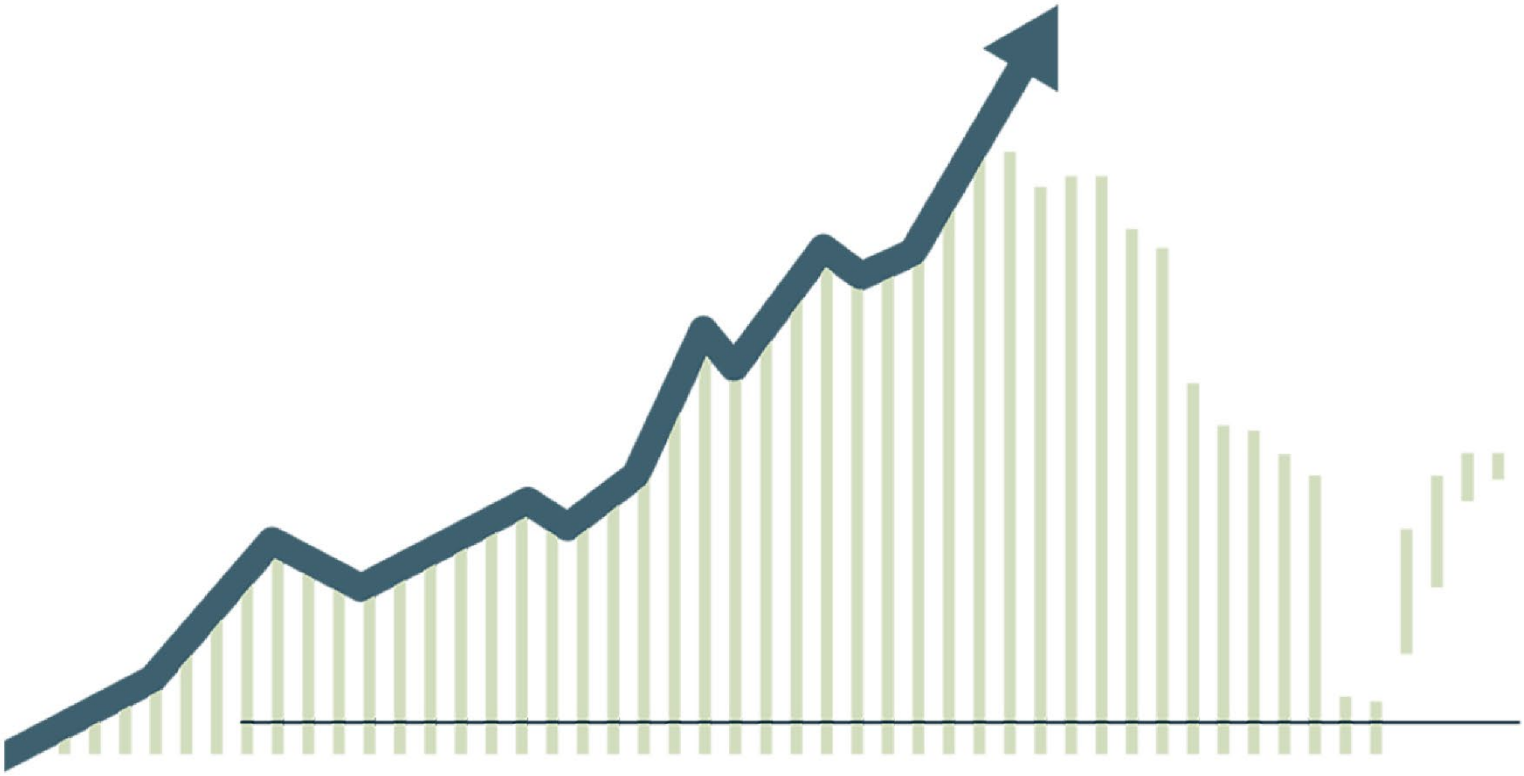


CVRMLSCENTRAL VIRGINIA MLS HOME SALES REPORT

CUSTOM REPORT PREPARED BY

VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

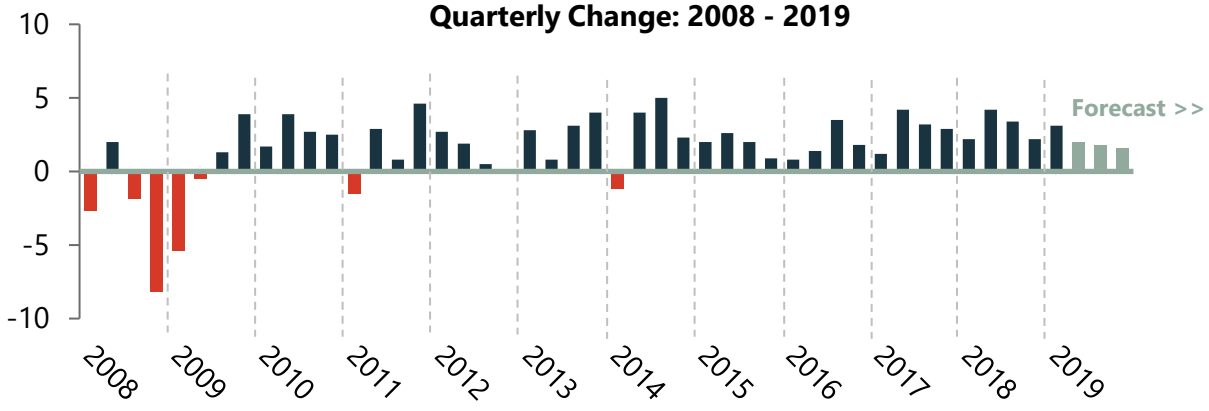
3rd Quarter 2019

National Economic Overview

As the 3rd quarter was coming to an end in September the Federal Open Market Committee cut interest rates again as had had been predicted during the summer months. While there are uncertainties about the economy caused by the nation's political situation and global geopolitical softening, there continues to be strength in labor market trends. The international trade situation continues to cause uncertainty for segments of the national economy, although the stock market values continue to perform well. There are some cautions from softening business investment and slight decline in consumer spending. These softening items in the economy may further convince the Federal Reserve to drop interest rates once again to shore up a slow-growing economy. An overview of key national indicators:

- US Gross Domestic Product showed an increase in 3.1 percent in the first quarter and softened to 2.0 percent in the second quarter. The projections for the 3rd and 4th quarters of the year are for growth slightly less that 2.0 percent. The represents some softening in the rate of economic growth for the next several months but most economic forecasters are predicting continued growth. The current forecasts looking ahead to early 2020 show continued GDP quarterly growth in the 1.5-2.0 percent level.

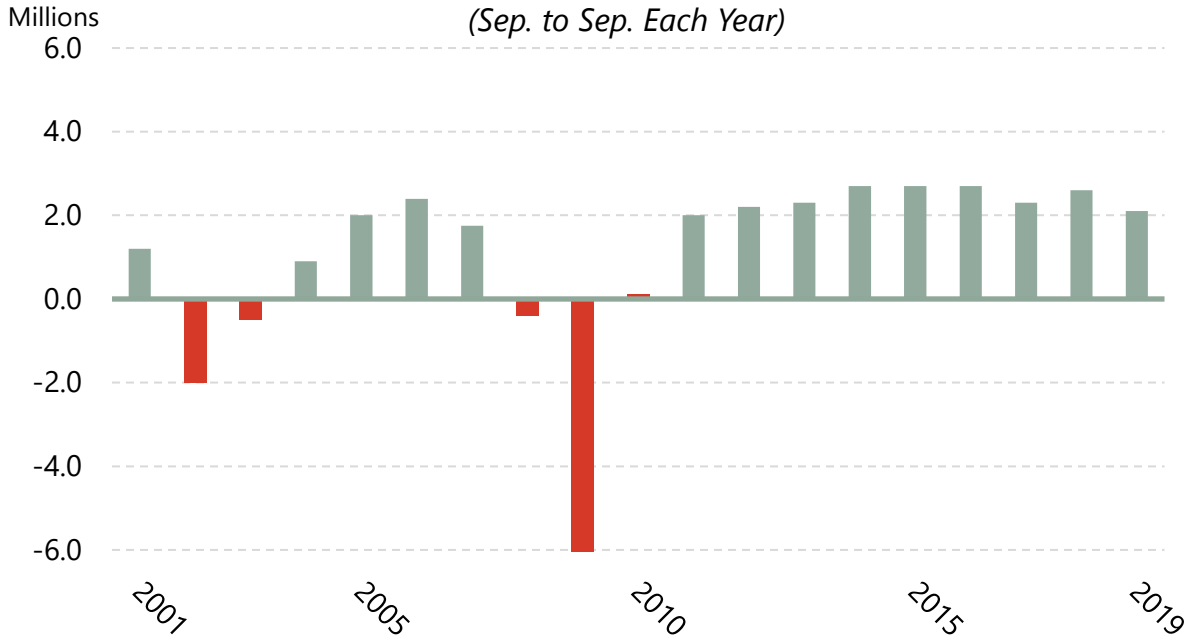
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2019



Source: U.S. Bureau of Economic Analysis, IHS Economics

〉 Job growth and the labor market in general continue to show healthy growth. The economy added 2.6 million jobs in 2018 and moderated to 2.1 million in 2019. Initial unemployment claims in early October were just above 200,000 and has been below the equilibrium level of 300,000 since last 2014. Approximately half of the job growth in the past year was in Professional and Business Services Sector (437,000 jobs) and the Health and Education Services Sector (617,000 jobs). The unemployment level continues to be very low and many employers are having difficulty finding workers. In some sectors the shortage of workers has been related to immigration caps.

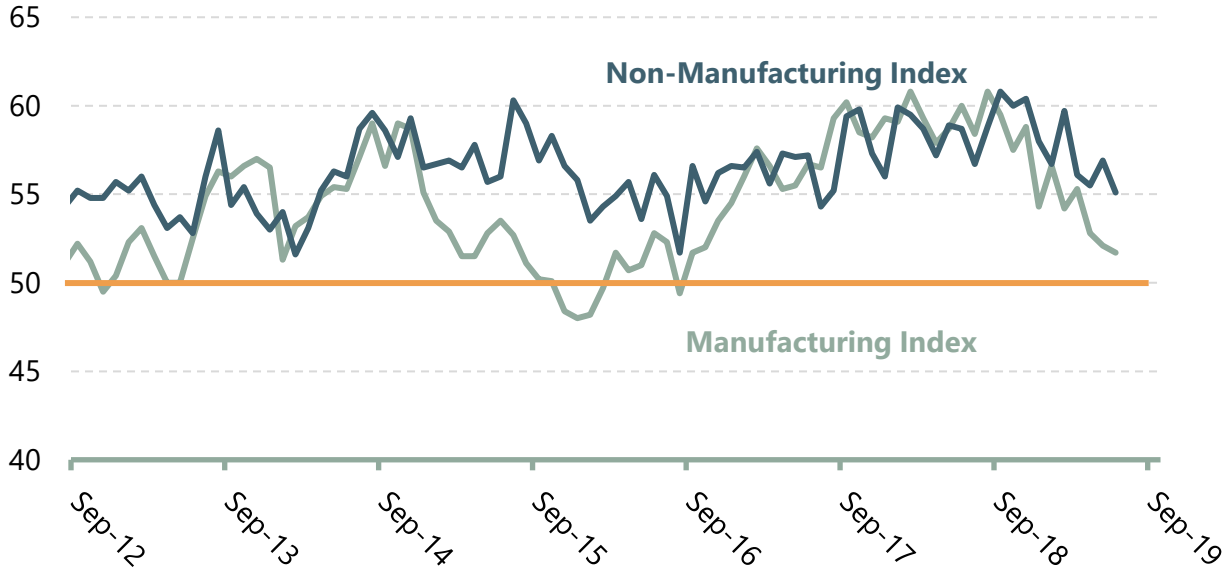
Figure 2
U.S. Annual Change in Jobs
(Sep. to Sep. Each Year)



Source: Bureau of Labor Statistics

〉 The non-Manufacturing index of The Institute of Supply Management continues to reflect expansion and has been expanding since 2010 with an index above 50. However, the Manufacturing Index declined to 49.1 in August and to 47.8 in September. An index below 50 means that the sector is contracting. This is related to the trade wars as manufacturers have had to adjust to price changes and to shortages in their supply chains related to the tariffs.

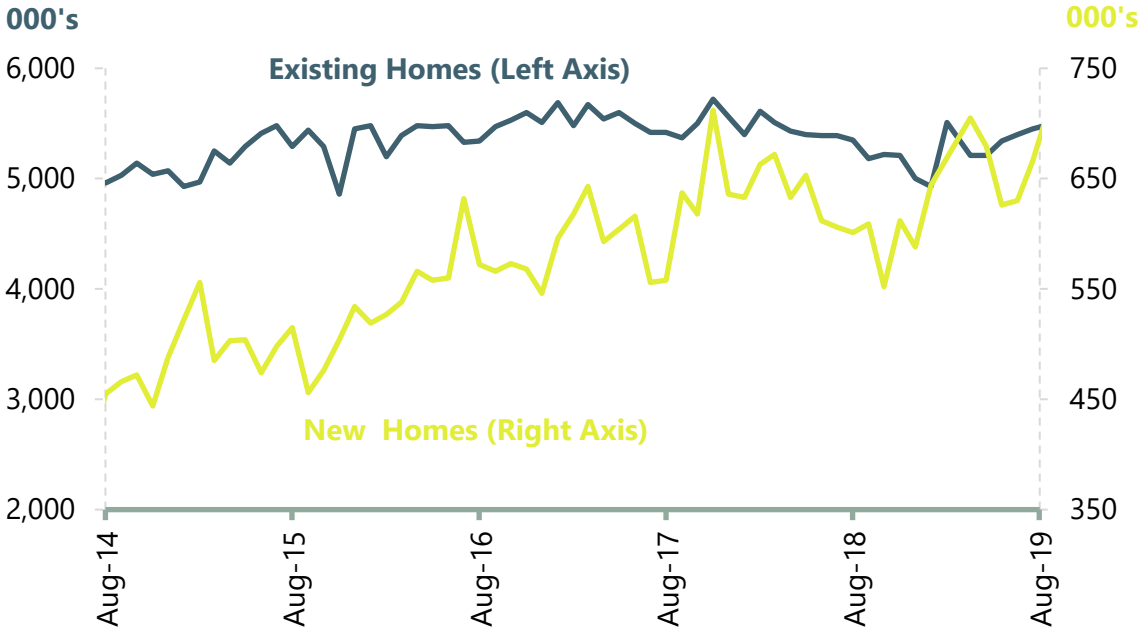
Figure 3
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Institute for Supply Management

〉 The national housing market continues to perform fairly well, aided by the lower mortgage rates that have been declining for several months in line with the lowering of rates by the Fed. Existing home sales were up in August for the 2nd consecutive month. This was the strongest month in almost a year and a half, and reflects the low mortgage rates and strong employment and rising wages. Home prices continue to rise and there have been slight drops in inventory which have probably moderated home sales. New home sales have been up and at 713,000 units in August were the highest since 2007 before the recession.

Figure 4
U.S. New and Existing Home Sales



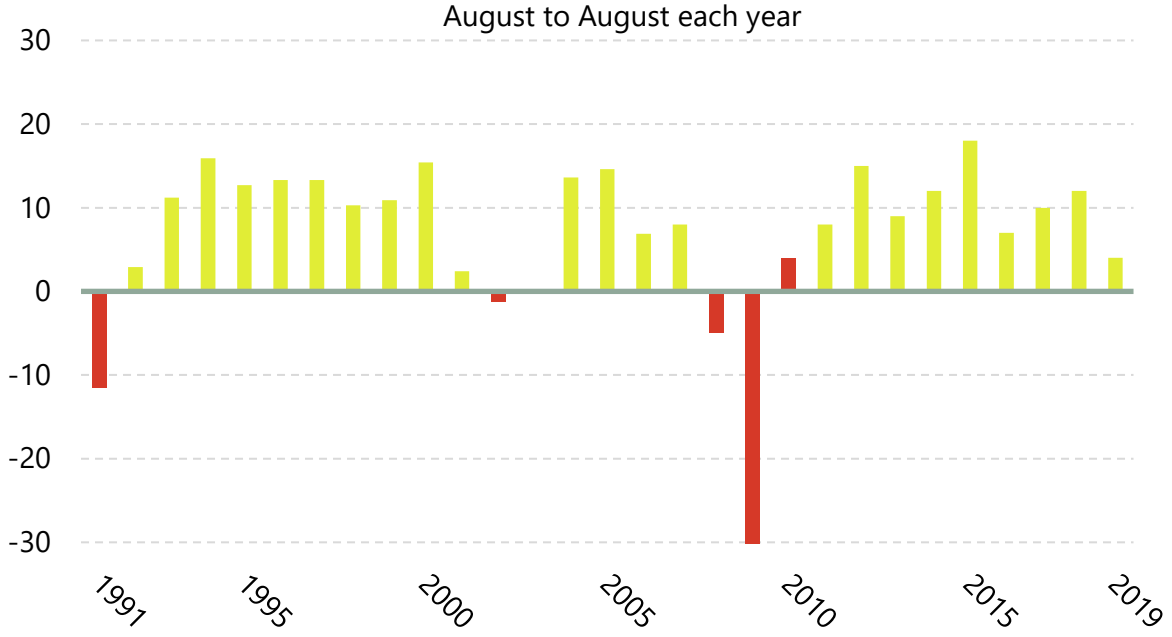
Source: U.S Census Bureau, National Association of REALTORS®

The forecast for the next several months is for a U.S. economy slowing down due to the headwinds of trade wars and political uncertainties. Most economists see this trend continuing into 2020 – slower growth but continued growth.

Central Virginia Economic Trends

〉 The economy of Central Virginia continues to show moderate growth and for the past year may be reflecting the trends at the national level. Job Growth has positive on an August-August basis for ten years. The annual growth for the twelve months from August of 2018 to August of 2019 was 4400 jobs, which is the least growth of that ten years, but not significantly below the annual average for past 30 years. That lower growth level may also be a reflection of some seasonal differences.

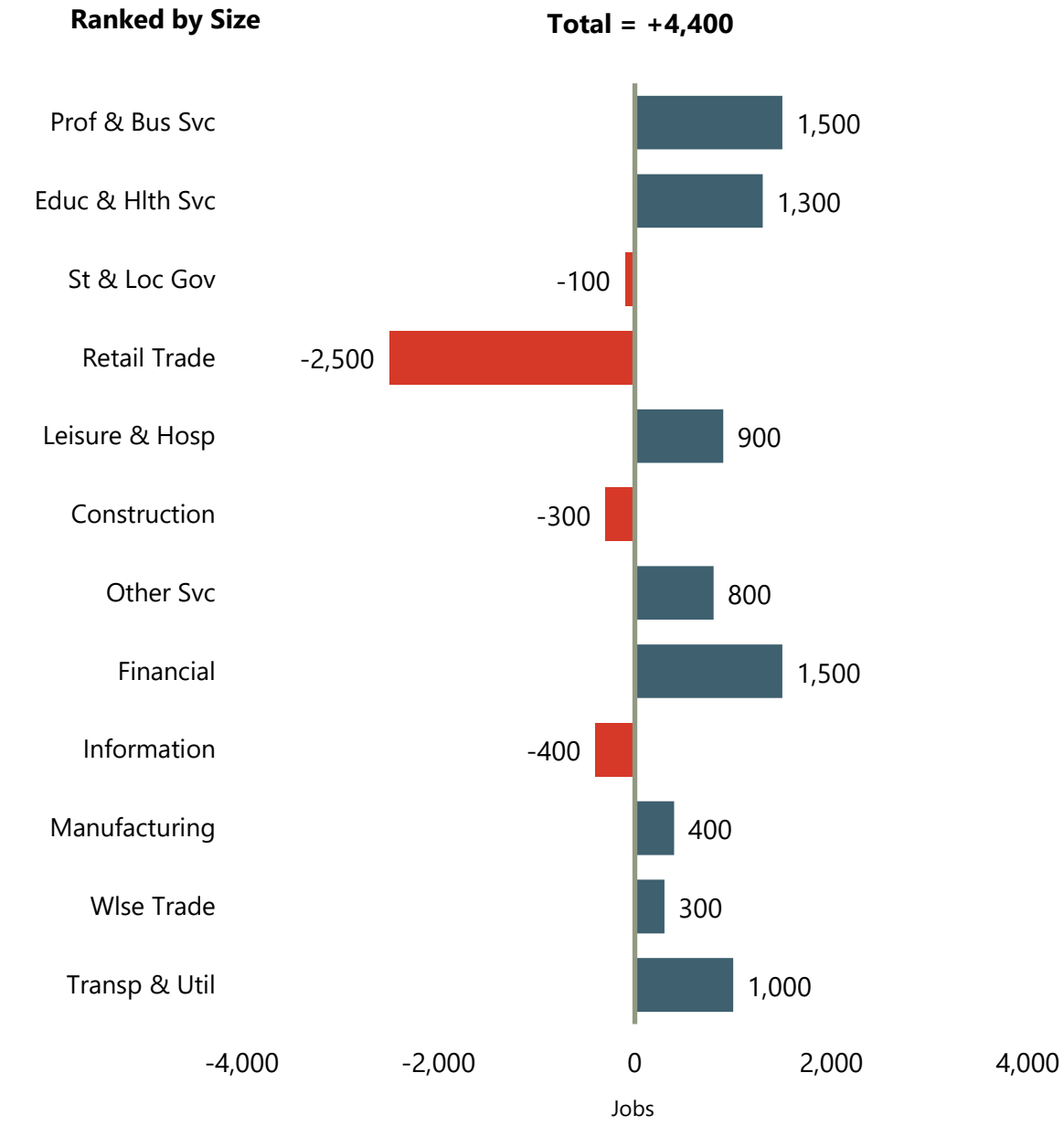
Figure 5
Annual Change in Jobs, Richmond MSA
August to August each year



Source: Bureau of Labor Statistics

〉 The job growth over the past twelve months was led by healthy growth in five sectors: Professional and Business Services, Education and Health Services, Financial Services, Transportation and Utilities, and Leisure and Hospitality Services. Retail Trade continues to show losses of jobs, which may be related to increased ecommerce.

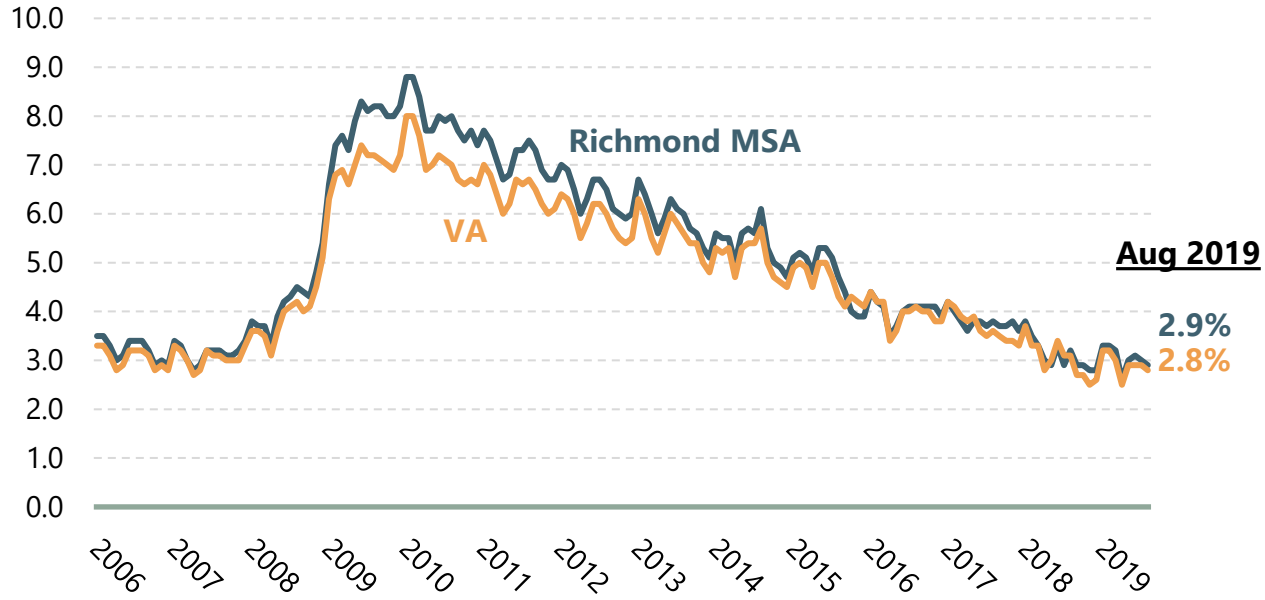
Figure 6
Job Change by Industry
Richmond MSA
August 2018 to August 2019



Source: Bureau of Labor Statistics

〉 Unemployment continues its long drop from almost nine percent during the recession to 2.9 percent as of August. This low rate of unemployment indicates that the Central Virginia area may be facing labor shortages in several sectors, which could be holding back overall economic growth in the region.

Figure 7
Unemployment Rate



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

The Central Virginia economy continues to perform very well although there has been some moderation in rate of growth over the past several months, similar to the national economy. It is likely this moderate economic growth will continue. However, the foundation for the housing market remains in place, especially with continued low mortgage rates.

Housing Market Overview

Housing market indicators in the Central Virginia region were generally positive in the 3rd quarter, following some moderation in market activity earlier in the year. There were more sales transactions in the region than a year ago, and home prices continue to climb throughout the area. The median sales price in the Central Virginia region rose $15,000 from last year, the largest increase in two years. The average days on market in the region continues to be relatively flat compared to last year, a trend that has occurred now for three consecutive quarters. The inventory of active listings continues to shrink throughout much of the region. There were 660 fewer active listings on the market at the end of the 3rd quarter in Central Virginia, the largest reduction of any quarter in 3 years. The low supply is putting upward pressure on home prices, as evidenced by consistent sale price growth through much of the region over the past several years.

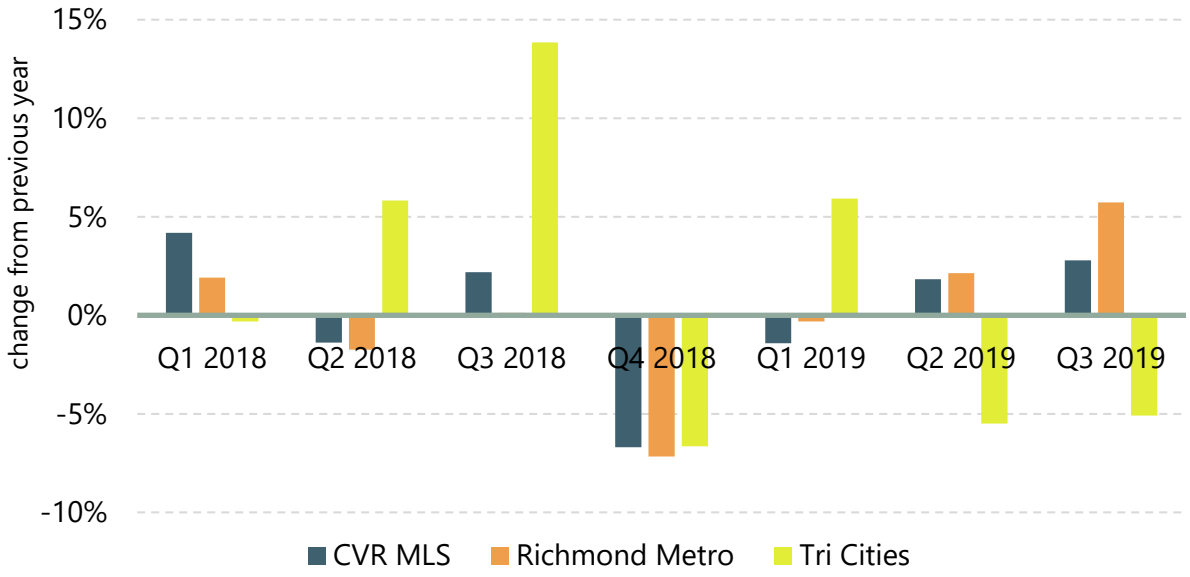
Sales

There continues to be more sales transactions in the Central Virginia region than a year ago. There were 6,050 sales during the 3rd quarter throughout the region, a 3% gain from last year, an increase of 164 sales. This quarter is the strongest sales growth for the region since the start of 2018. While there were more sales overall for the region, not all local markets in Central Virginia area are growing, only 7 of the 16 jurisdictions in region had sales growth in the 3rd quarter.

Nearly all of the region's sales growth this quarter occurred in the Richmond Metro Area market, where there were 4,797 sales, 260 additional transactions compared to the 3rd quarter last year, representing a 6% increase. Within the Richmond Metro Area, Henrico County led all jurisdictions in sales growth. There were 1,502 sales in the County, during the 3rd quarter, an 11% jump from a year ago, an additional 143 sales. This marks the largest surge in sales for Henrico County in two years. Hanover County was the only local market within the Richmond Metro Area to have fewer sales this quarter compared to last year. There were 517 sales in Hanover County, 16 less than last year, a 3% decline. After a sluggish start to the year, sales activity in the City of Richmond rose 9% in the 3rd quarter, an increase of 69 sales.

The Tri-Cities Area housing market continues to have slower sales activity. There were 429 sales in the Tri-Cities Area in the 3rd quarter, 23 fewer sales than a year ago, representing a 5% drop. Most of the decline in sales occurred in the City of Petersburg where there were 86 sales in the 3rd quarter, 14 fewer than last year, a 14% drop. Dinwiddie County was the only local market in the Tri-Cities Area to have sales growth this quarter. There were 74 sales in Dinwiddie County, 4 more sales than a year ago, which is a 6% increase.

Figure 8
Percent Change in Sales

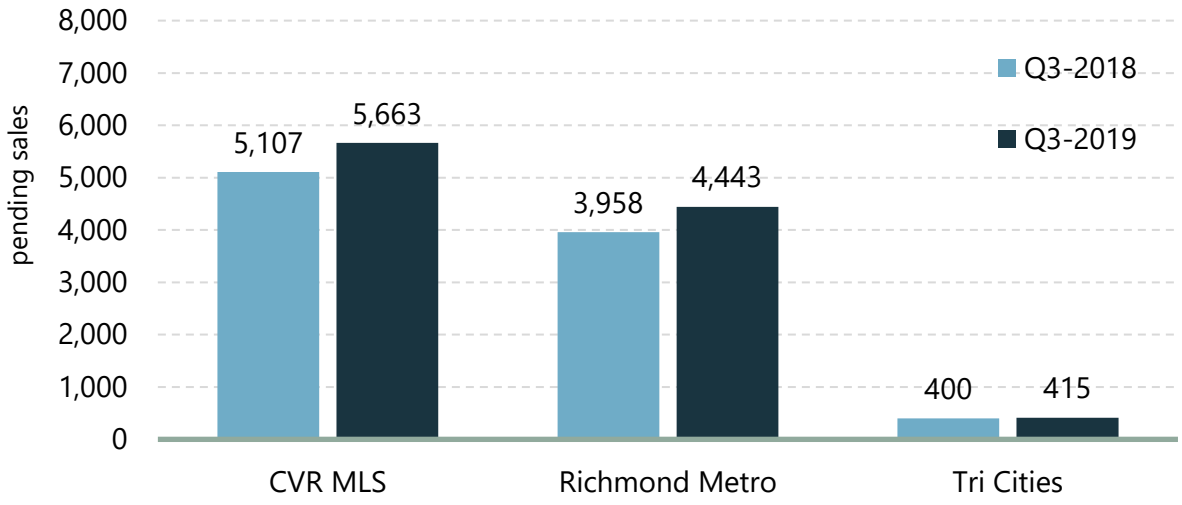


Source: Virginia REALTORS®, data accessed October 16, 2019

In addition to growth in closed sales transactions, the number of pending sales in the pipeline also increased. There were 5,663 pending sales in the Central Virginia Region in the 3rd quarter, which is 556 more than last year, representing an 11% gain. This is the largest influx of pending sales in the region in two years. This is the second quarter in a row of pending sales growth following a flat and declining trend that occurred for five consecutive quarters. Both the Richmond Metro Area and Tri-Cities Area markets had more pending sales this quarter compared to last year, climbing 12% and 4% respectively.

Within the Richmond Metro Area market, pending sales surged in the areas two largest local markets, Henrico and Chesterfield counties, which had 14% and 13% additional pending sales respectively compared to the 3rd quarter a year ago. The cities of Colonial Heights and Petersburg led the Tri-Cities market in pending sales growth, rising 12% and 26% respectively from a year ago. All other jurisdictions in the Tri-Cities area had a decline in pending sales in the 3rd quarter. Pending sales growth occurred in all jurisdictions in the Richmond Metro Area this quarter.

Figure 9
Pending Sales, 3rd Quarter



Source: Virginia REALTORS®, data accessed October 16, 2019

Prices

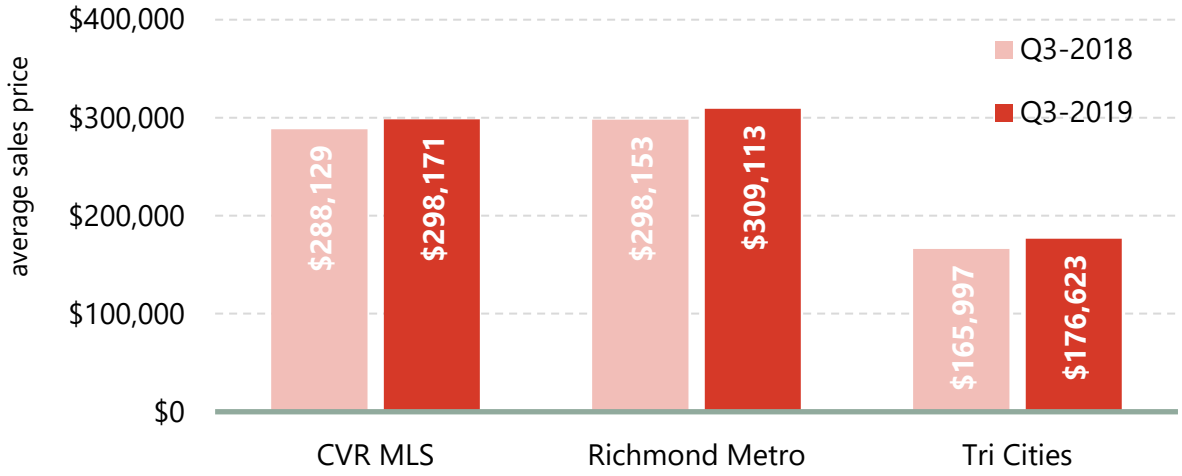
Home prices are climbing in most parts of the Central Virginia Region, a multi-year trend that is being driven by the low inventory of active listings on the market, and the continued buyer demand that has occurred from the strong economic conditions in the region and state more broadly over the past several years. At $298,171, the average sales price in Central Virginia rose more than $10,000 from the 3rd quarter of last year, a 3% gain. At $265,000, the 3rd quarter median sales price climbed even faster, rising 6% from a year ago, a gain of $15,000. This is the largest median sales price gain for the region since the summer of 2017.

Sales prices are rising in most local markets within the region, 12 of the 16 jurisdictions in Central Virginia had median sales price growth in the 3rd quarter. Average sales prices are also on the rise around the region. At $309,113 the 3rd quarter average sales price in the Richmond Metro Area market rose 4% from last year, an increase of nearly $11,000. The City of Richmond had the steepest price gain within the Richmond Metro Area. The average sales price in the City surged up nearly $21,000 from the 3rd quarter of last year, a 7% gain. Hanover county also had strong price gains this quarter, the average sales price in the County rose 4% to $327,769, a gain of $12,600 from last year.

Sales prices also increased within the Tri-Cities Area, however, several local markets in this area had price declines this quarter. Overall, the average sales price in the Tri-Cities area rose 6% from the 3rd quarter of last year, an increase of about $10,600. The Dinwiddie County had the fastest price growth in the Tri-Cities Area, with a $46,000 surge to the average sales price compared to a

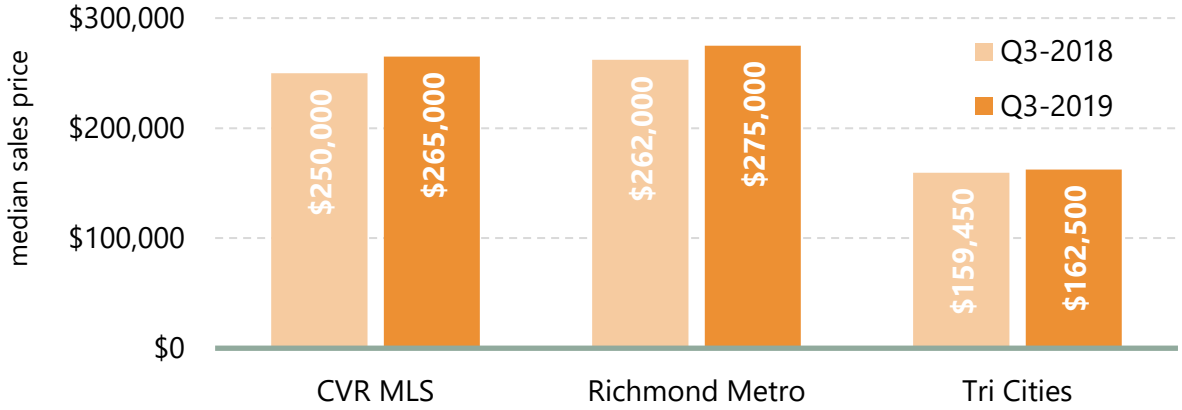
year ago, a 26% gain. The largest price drop in the Tri-Cities Area market occurred in the Prince George County, where the average sales price in the 3rd quarter declined by about $9,300 from last year, a 4% decrease.

Figure 10
Average Sales Price, 3rd Quarter



Source: Virginia REALTORS®, data accessed October 16, 2019

Figure 11
Median Sales Price, 3rd Quarter

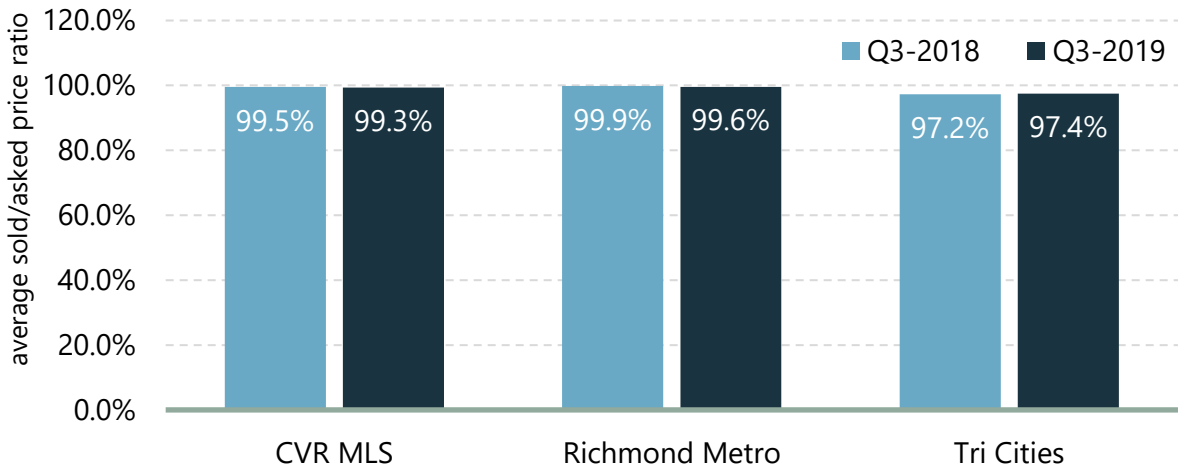


Source: Virginia REALTORS®, data accessed October 16, 2019

While sales prices are rising throughout the Central Virginia region, the average sold to ask price ratio was slightly lower this quarter. On average, homes that sold in the region during the 3rd quarter had a sales price that was 99.3% of the asking price, which is down from 99.5% a year ago.

A similar decline in this metric occurred in the Richmond Metro Area, where the ratio went from 99.9% in the 3rd quarter last year, to 99.6% this quarter. The average sold to ask price ratio rose in the Tri-Cities Area market this quarter, climbing to 97.4% in the 3rd quarter, up from 97.2% last year.

Figure 12
Average Sold/Asked Price Ratio, 3rd Quarter

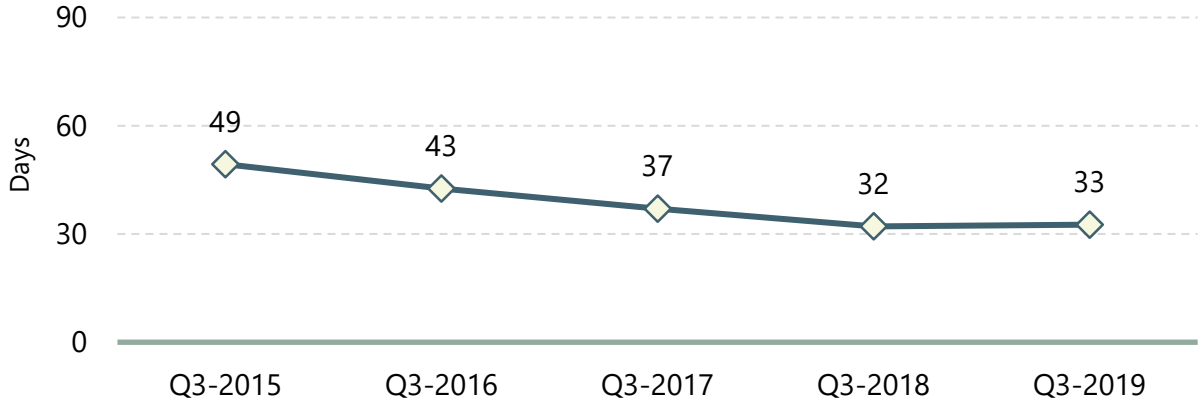


Source: Virginia REALTORS®, data accessed October 16, 2019

Days on Market

It took slightly longer on average to sell homes in the Central Virginia region during the 3rd quarter. The average days on market for the region was 33 days in the 3rd quarter, about 1 day longer than a year ago. This metric has been relatively flat now for three quarters in a row after a consistent downward trend for several years. The average days on market rose in both the Richmond Metro Area and Tri-Cities Area, rising 1 day and 9 days respectively. This is first time in over four years that both the Richmond Metro and Tri-Cities Area markets had a higher average days on market in the same quarter compared to the prior year.

Figure 13
3rd Quarter Average Days on Market, CVR MLS
2015-2019



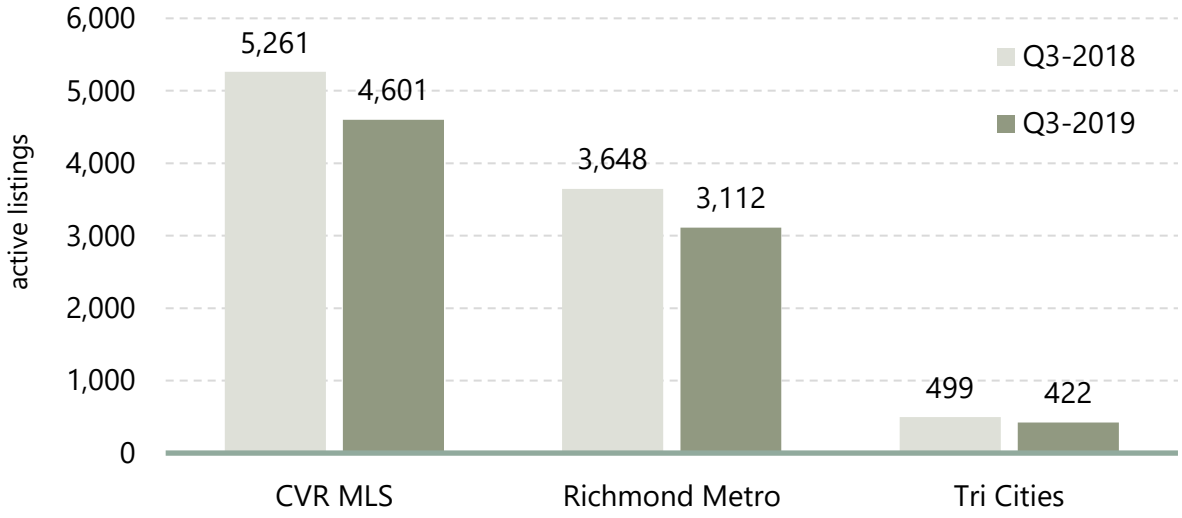
Source: Virginia REALTORS®, data accessed October 16, 2019

Inventory

The supply of active listings continues to decline in the Central Virginia region, a trend that is impacting housing markets throughout the state and has been consistent in this region for many years. At the end of the 3rd quarter there were 4,601 active listings on the market throughout Central Virginia, which is a 13% reduction from last year, a drop of 660 active listings.

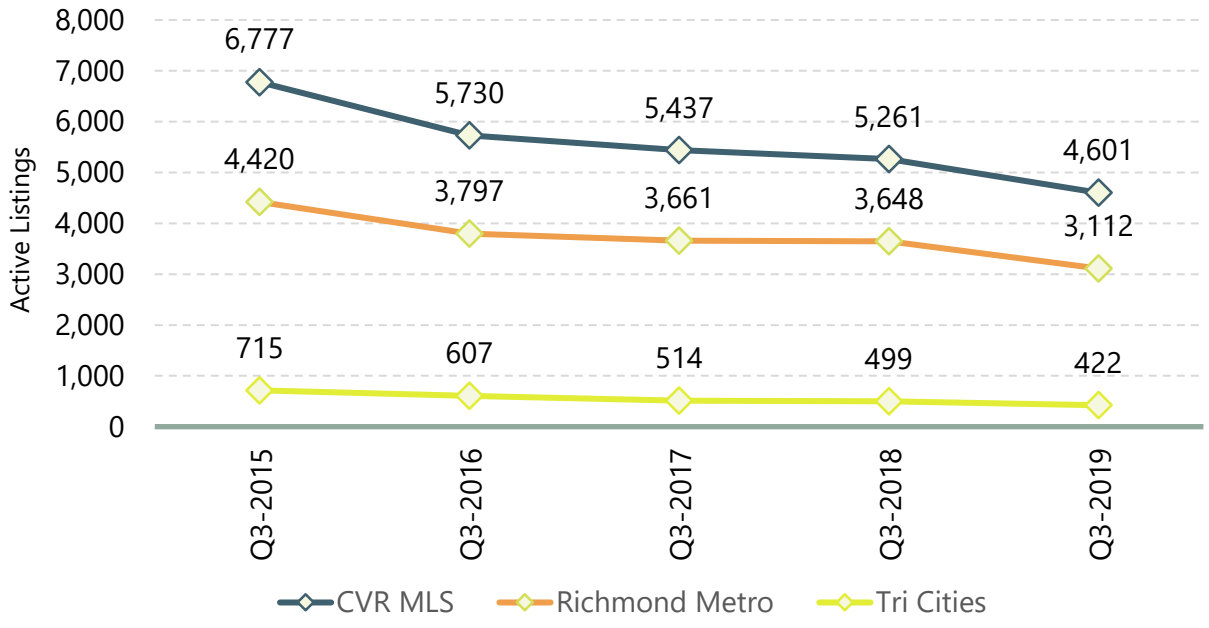
The inventory reduction is widespread in Central Virginia, 11 of the 16 jurisdictions in the region had a decline in active listings in the 3rd quarter. There were 3,112 active listings in the Richmond Metro Area at the end of the 3rd quarter, down 15% from a year ago, a decline of 536 active listings. A similar drop occurred in the Tri-Cities Area where there were 422 active listings on the market at the end of this quarter, a 15% lower supply than last year, a drop of 77 active listings. Within the Richmond Metro Area, both Chesterfield and Henrico counties had large declines in supply on the market, with 16% and 21% fewer active listings at the end of the 3rd quarter compared to last year. After expanding for the past year, the inventory of active listings in the City of Richmond declined in the 3rd quarter, falling 8% from a year ago, a drop of 46 active listings. Dinwiddie County had the largest active listing decline in the Tri-Cities Area, down 28% from last year, 25 fewer active listings.

Figure 14
Active Listings, 3rd Quarter



Source: Virginia REALTORS®, data accessed October 16, 2019

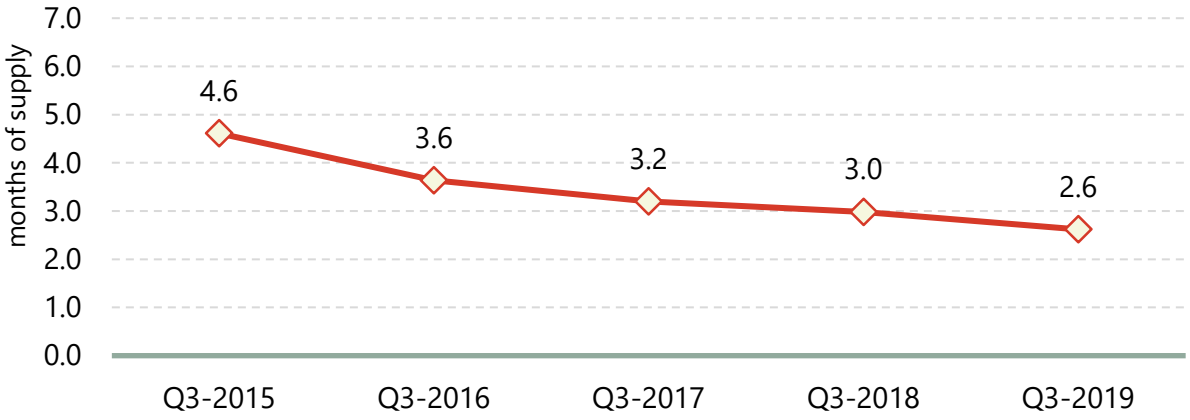
Figure 15
End of 2nd Quarter Active Listings



Source: Virginia REALTORS®, data accessed October 16, 2019

There was approximately 2.6 months of supply in the Central Virginia housing market at the end of the 3rd quarter, which is down from 3.0 months from a year ago. The months of supply is calculated by taking the average monthly sales over the preceding 12-month period and dividing it by inventory of active listings. In most housing markets a supply below 6 months tends to favor sellers rather than buyers.

Figure 16
End of 3rd Quarter Months Supply, CVR MLS
2015-2019



Source: Virginia REALTORS®, data accessed October 16, 2019

Outlook

The housing market in Central Virginia is showing signs of moderate but continued growth, which will likely remain the trajectory as the year comes to a close. There continues to be growth in sales transactions, and similar to last quarter, the bump in pending sales in the pipeline could translate to sales growth in the coming months. Prices continue to climb in many parts of the region, a trend that has been consistent for several years. As the inventory of active listings remains tight and buyers continue to enter the market, it is likely that prices will continue to rise in at least the near term. The regional economy is providing a solid foundation for the housing market, as more jobs are added to the region each month, and unemployment remains lower than the national level. These factors point to continued activity in the local housing markets. Interest rates remain historically low and could fall even lower, which should provide good financing options for qualified buyers who are interested in entering the market.

Virginia REALTORS®

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Data and analysis provided by Virginia REALTORS® Chief Economist, Lisa Sturtevant, PhD.

The numbers reported here are preliminary and based on current entries into multiple listing services. Over time, data may be adjusted slightly to reflect increased reporting. Information is sourced from multiple listing services across Virginia and is deemed reliable, but not guaranteed.