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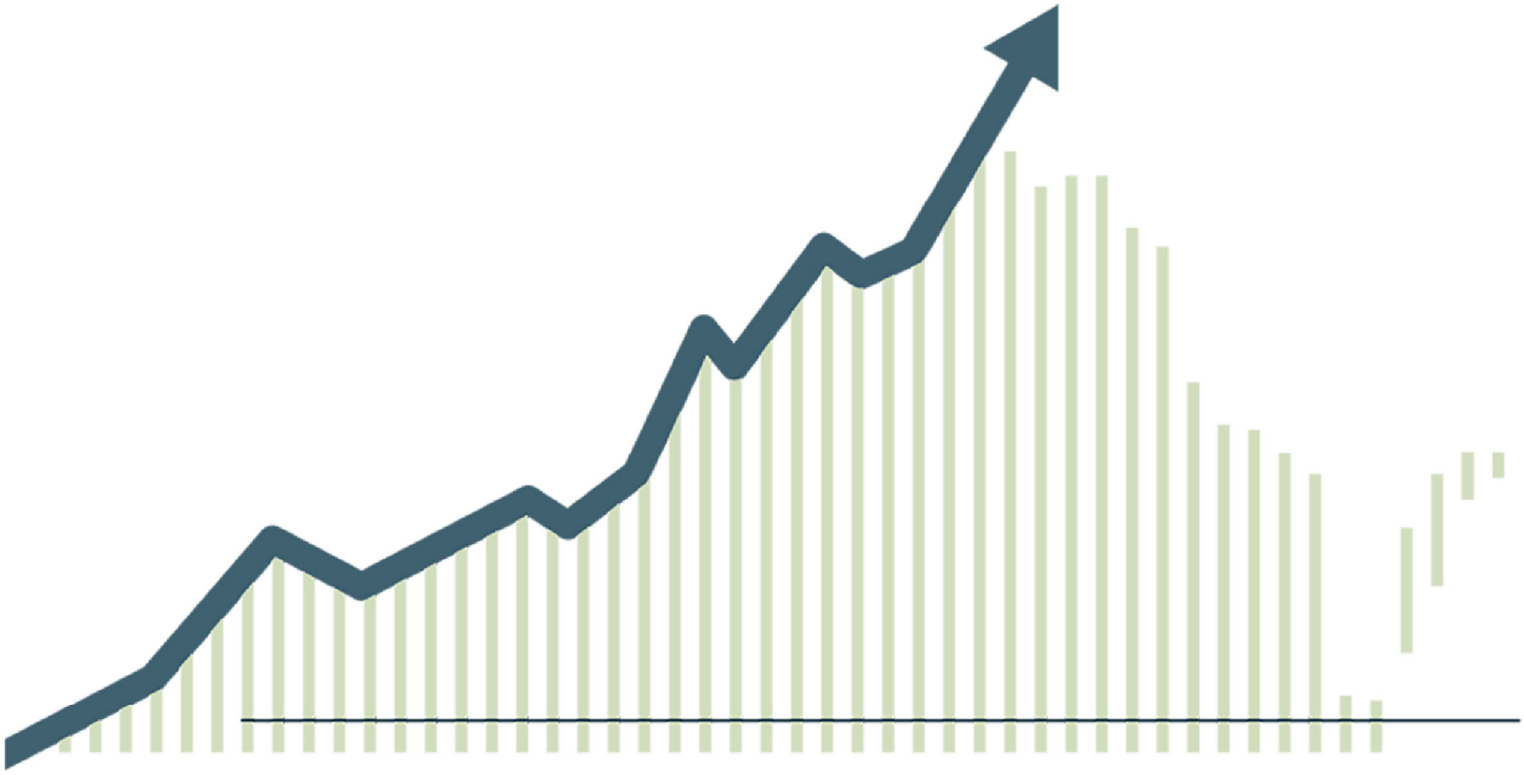


CVRMLS CENTRAL VIRGINIA MLS
HOME SALES REPORT

CUSTOM REPORT PREPARED BY
VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

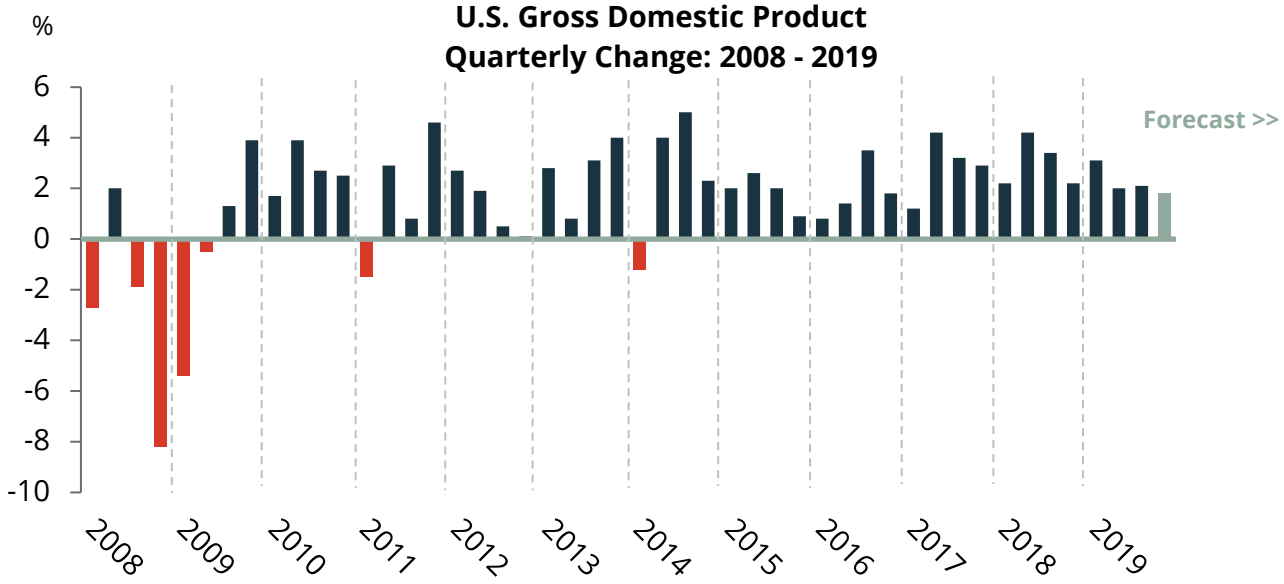
4th Quarter 2019

National Economic Overview

The nation's economy continued to perform well in 2019. The capital markets have been the brightest factor for stock investors. Job growth has been positive, although moderating slightly from 2018. The unemployment rate is at lows last seen in the boom times of the late 1980s. And the housing market continues to be strong, aided by the lowering of interest rates in the fall. The holiday season saw retail sales advancing – up a healthy 5.8 percent from the 2018 season. But there are potential headwinds as the 2020 election year unfolds and the political turmoil continues. The Federal Reserve has signaled no changes to interest rates for a while, some of the trade issues have abated a bit, and the labor market is very tight which could hold back some economic growth and expansion. Since the recession ended in 2009, national economic growth has been on a healthy and steady upward trend. The consensus forecast is that the economy will continue its upward trend, but will likely be slower over the next couple of years.

- US Gross Domestic Product showed an increase of 2.1 percent in the third quarter of 2019. This reflects moderating economic growth from 2017 and 2018. The first quarter of 2019 was 3.1 percent growth, and that rate has now moderated in both second and third quarters.

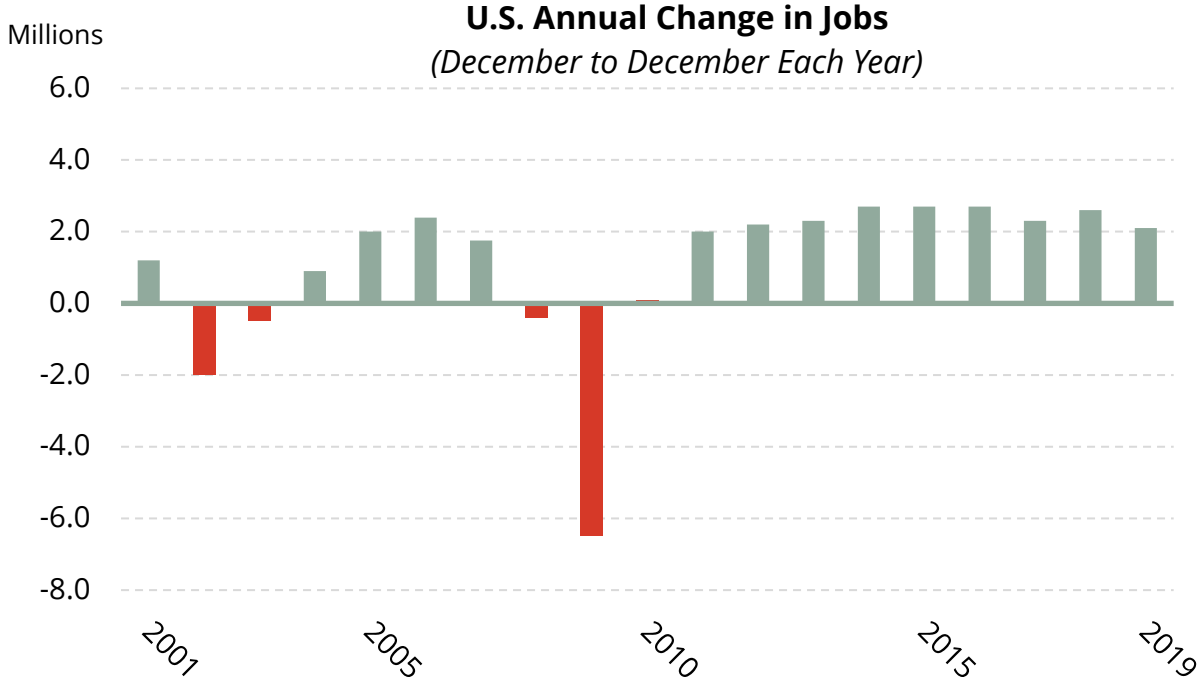
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2019



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

〉 Job growth and the labor market in general continue to show healthy growth, with some moderating. From December 2018-2019, the economy added 2.1 million jobs. This is down from 2.6 million in 2018. This moderation may reflect the other trends of low unemployment and increases in wages as the labor is tight and some economic sectors cannot recruit enough workers to meet demand. Initial unemployment claims have been well below the equilibrium level of 300,000 for the past five years. The December U.S. unemployment rate of 3.5 percent is lower than it had been since 1969, half a century ago.

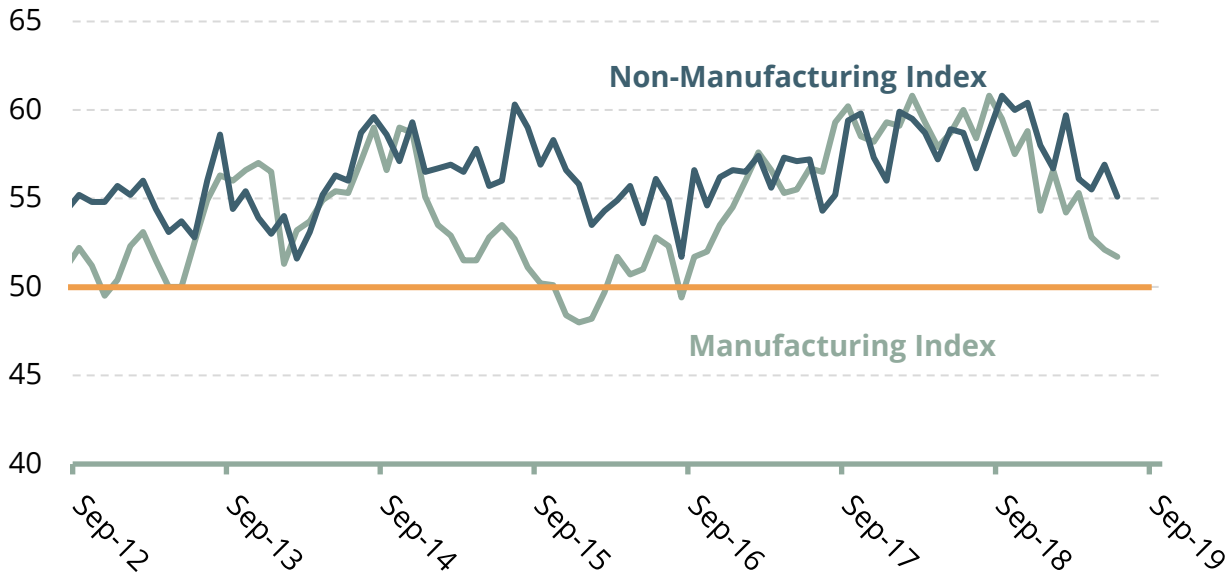
Figure 2
U.S. Annual Change in Jobs
(December to December Each Year)



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. As of December, the index was at 55.0. It was 56.4 in August and then dipped to 53.0 in October and has gone back up to the 55.0 level. The Manufacturing Index declined, however, to below the 50-expansion measure in August and has continued slight declines each month through December. 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.

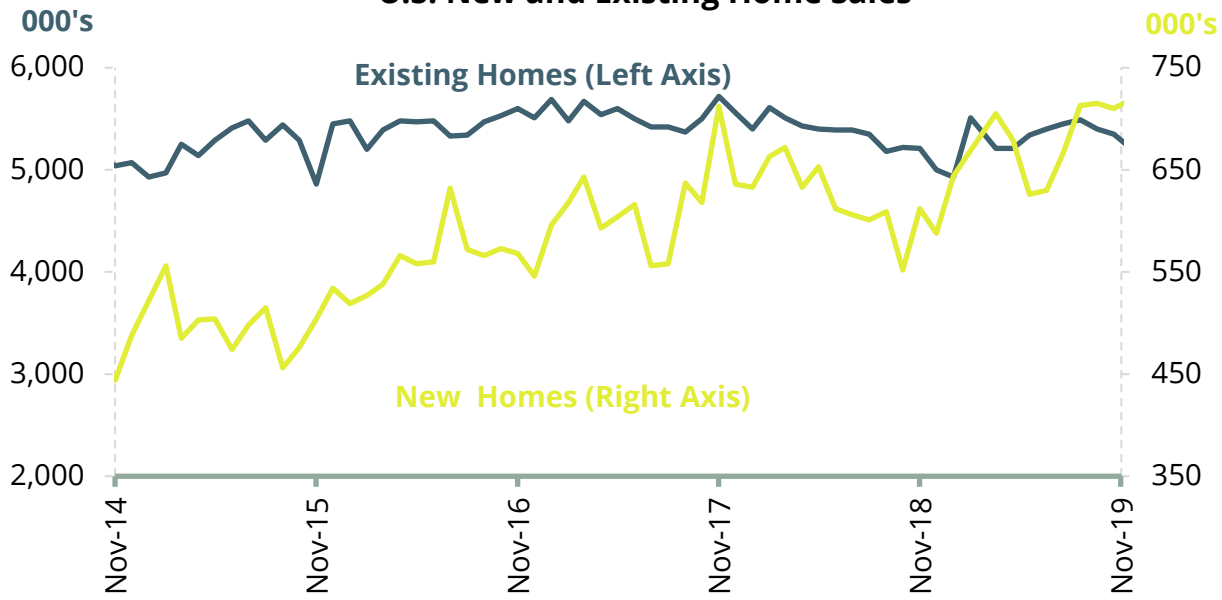
Figure 3
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Institute for Supply Management

› The national housing market continues to perform fairly well. Growth in wages and continued fairly low mortgage rates have been factors in the market performance. Existing home sales have generally been on a slow upward trend since the Spring of 2019. New home sales declined slightly through the spring and summer but rebounded in the last quarter of 2019.

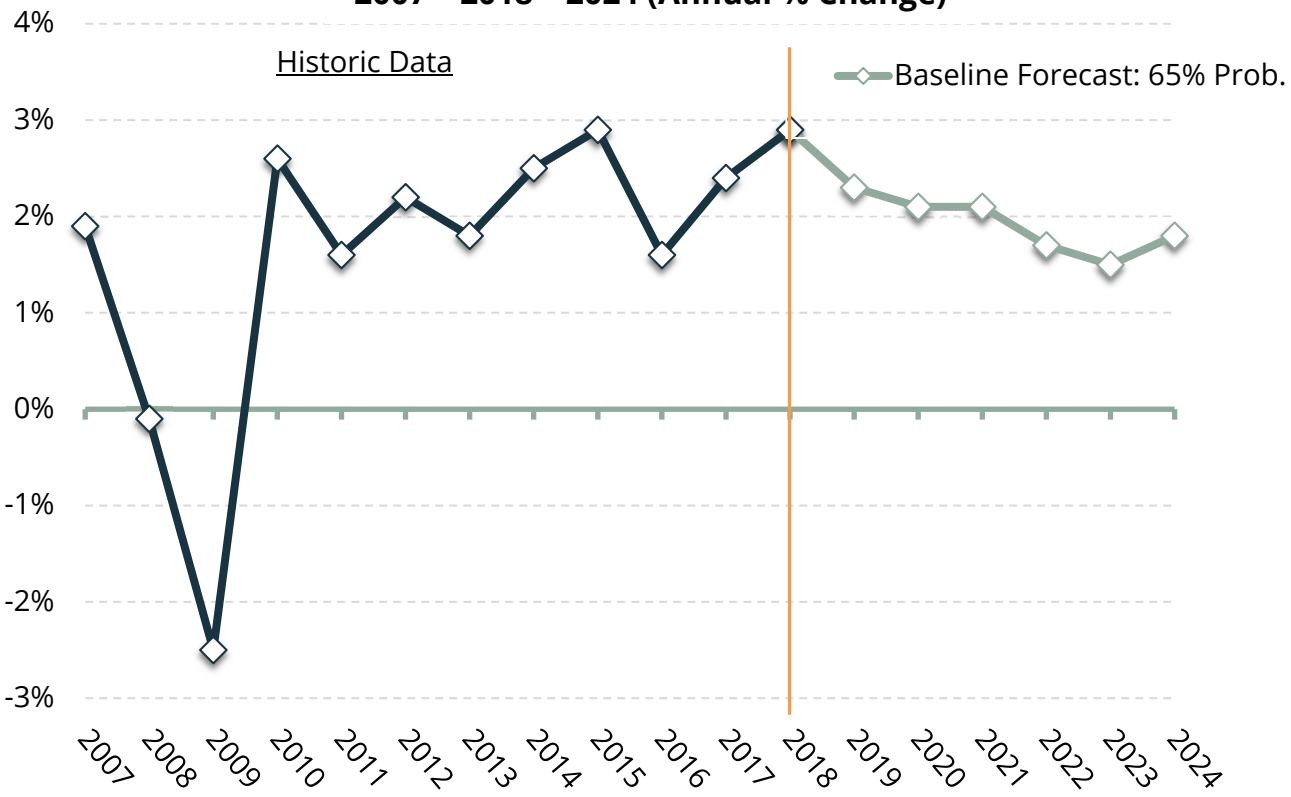
Figure 4
U.S. New and Existing Home Sales



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 well into 2020 – slower growth but continued growth. Looking long term at the economic prospects, IHS January Market Forecast for 2020 is for an annual growth in GDP of about 2 per cent per year from 2019 through 2024 (65% probability).

Figure 5
US GDP
2007 – 2018 – 2024 (Annual % Change)

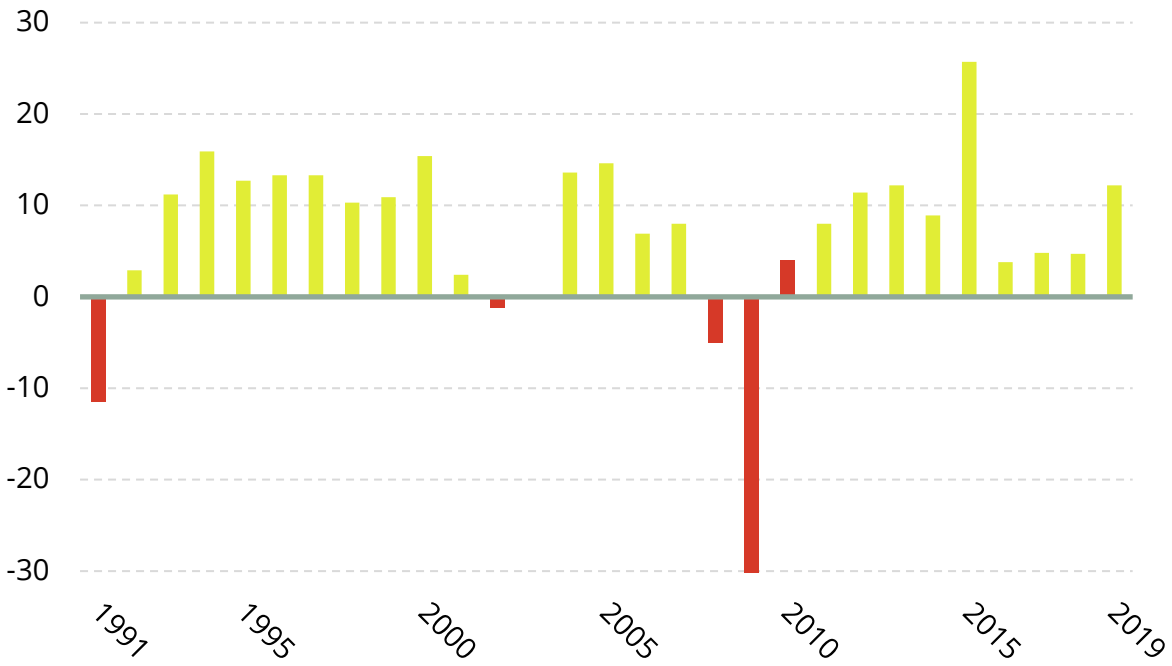


Source: IHS Economics

Central Virginia Economic Trends

› The economy of central Virginia continues to show moderate growth and has experienced ten consecutive years of job growth. Growth was robust following 2010, moderated somewhat to long-term average annual increases 2016-2018, and shows a bump upward for the past year with a growth of 12,200 jobs from November 2018-November 2019.

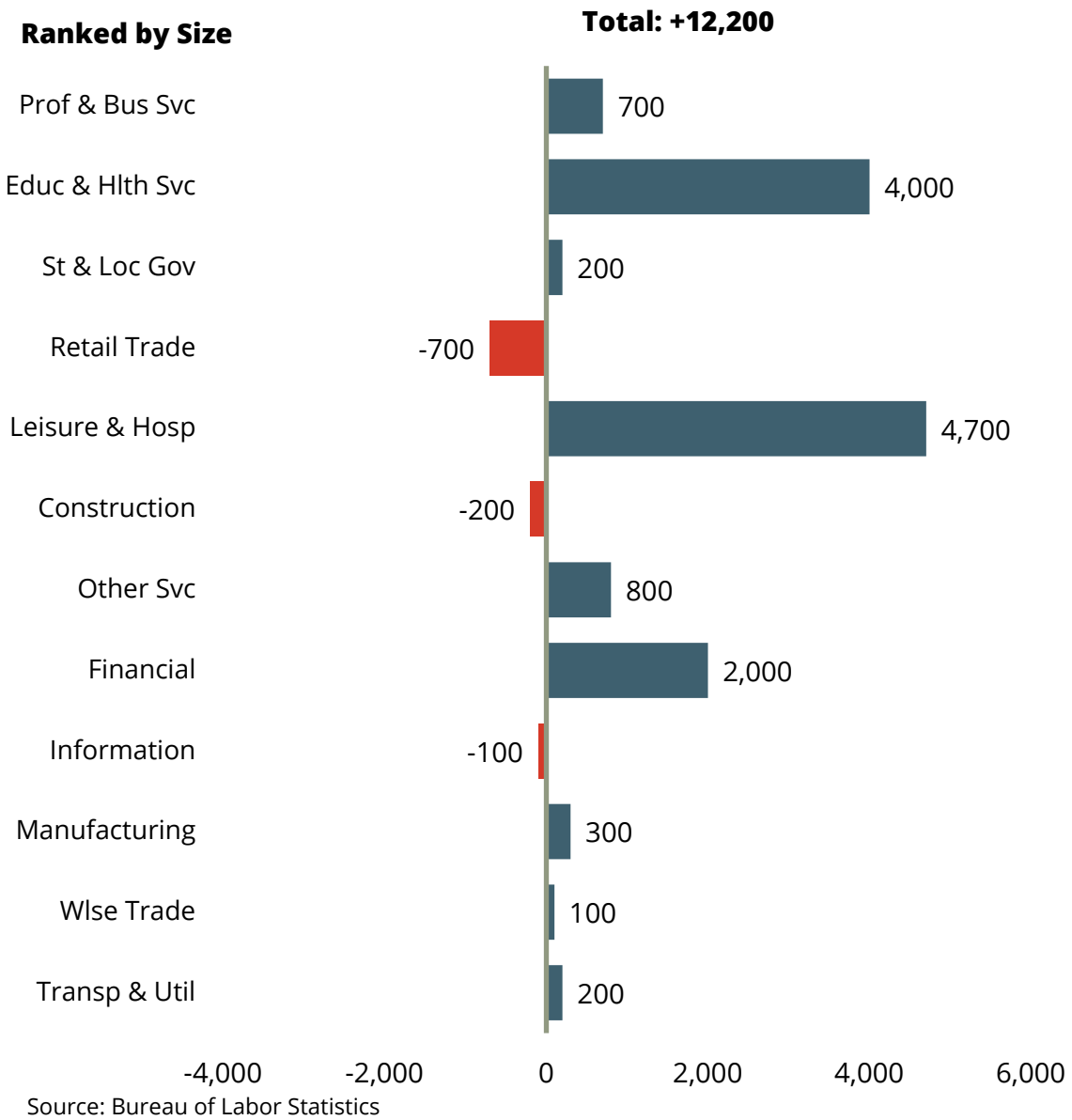
Figure 6
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

› The job growth of 12,200 over the past twelve months was led by healthy growth in three sectors: Leisure and Hospitality Services, Education and Health Services, and Financial Services. Retail Trade continues to show losses of jobs, although more moderate losses than earlier in 2019. Retail jobs have been on a downward trend nationally and in most urban regions in 2019.

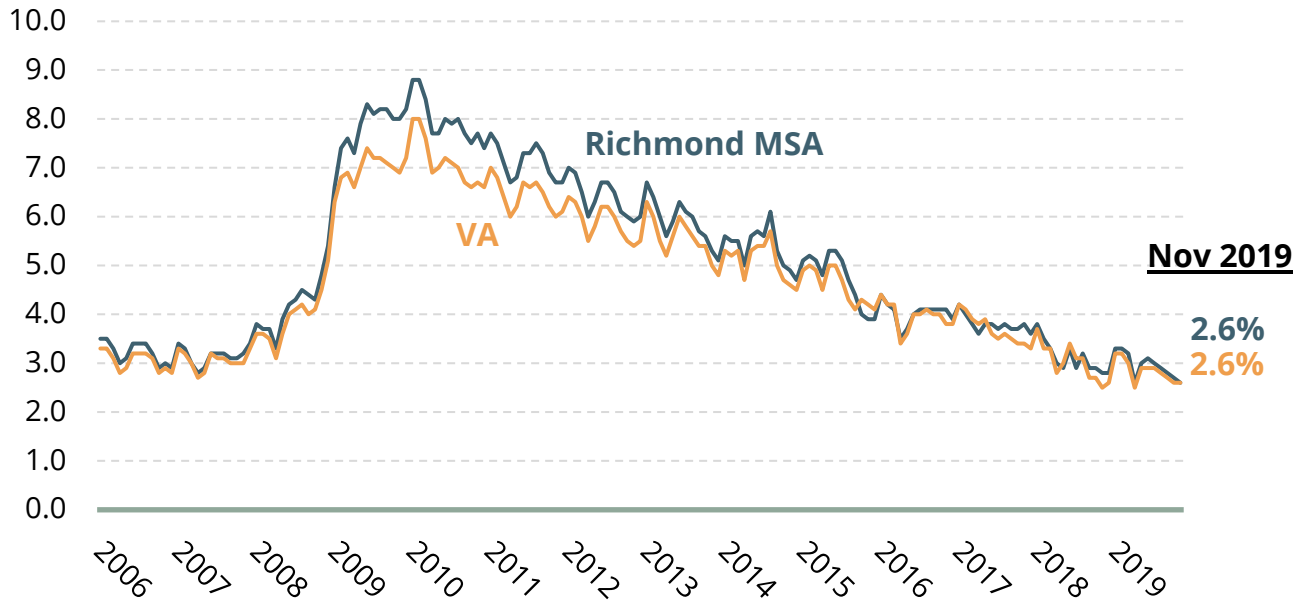
Figure 7
Job Change by Industry
Richmond MSA
Nov. 2018 to Nov. 2019



Source: Bureau of Labor Statistics

› Unemployment continues its long drop from almost nine percent during the recession to 2.6 percent as of November. This November rate is the same as that of the Commonwealth, and it is unlikely that the rate would go any lower. The unemployment rate for the region is now lower than it was prior to the 2008 recession (the rate was a low of 2.7 percent in early 2007).

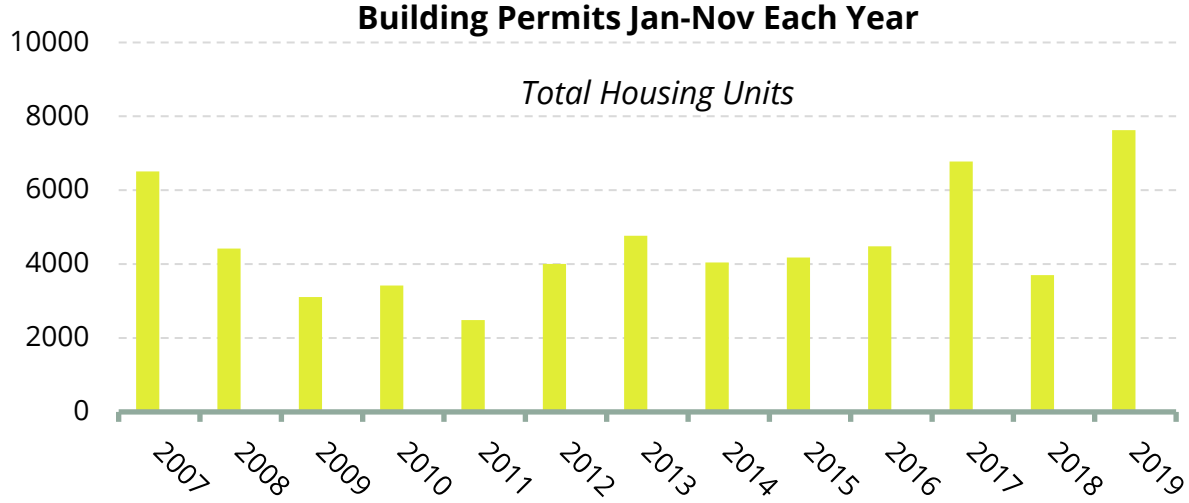
Figure 8
Unemployment Rate



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

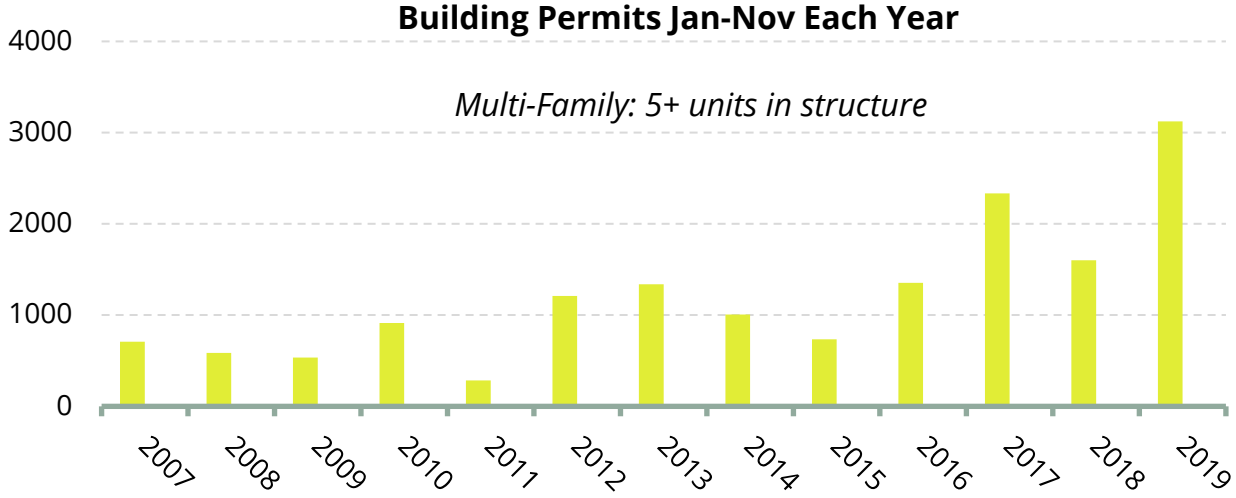
› Another measure of the region's healthy economy is the increase in building permits for new housing. There were more new permits issued in 2019 (Jan-Nov) than in 2007, the year before the recession started. Permits in 2017 and 2019 surpassed the growth in 2007, and 2019 has seen the most permits issued (7600 new units). The overall increase in building permits has been spurred in the past three years by the increases in buildings containing 5 or more individual units. The level of these kinds of buildings has increased significantly in past three years. From 2007 to 2016, there were 41,000 total building permits issued for the region, with 21 percent being multi-family buildings. Over the past three years, there were 18,000 total permits with 7,000 being multi-family – 39 percent of total units. These statistics reflect a clear change in the makeup of the Central Virginia housing market

Figure 9
Richmond MSA
Building Permits Jan-Nov Each Year



Source: US Census Bureau

Figure 10
Richmond MSA
Building Permits Jan-Nov Each Year



Source: US Census Bureau

The Central Virginia economy continues to perform very well and 2019 saw above average job growth heading into the new year. It is likely this moderate economic growth will continue and may well outperform the national economy. The foundation for the region's housing market remains strong, and the market will likely continue strong, especially with continued low mortgage rates and job growth.

Housing Market Overview

The Central Virginia housing market[1] had a strong year in 2019 overall. Sales activity increased 3 out of 4 quarters, prices consistently rose in the region, and homes are selling faster on average. In terms of sales activity, the 4th quarter was the strongest of the year, and while market indicators were mostly positive this quarter, it is important to note that the market activity in the 4th quarter of 2018 was likely impacted by the Federal Government shutdown that began in December 2018 and continued through most of January 2019, which could overstate the year-over-year growth occurring now in the 4th quarter of 2019. Many Federal workers live in the Central Virginia market footprint, so the uncertainty created by the shutdown could have been a major factor in homebuying decisions at the end of 2018.

Sales

Sales activity picked up overall this year in the Central Virginia housing market. There were 21,527 sales in 2019 throughout the region, 677 more than 2018, a 3.2% increase. The Richmond Metro Area[2] market had a strong year in terms of sales, with 4.5% more total transactions in 2019 compared to 2018, a gain of 732 sales. Sales activity in the Tri-Cities Area[3] market was flat, there were 3 additional sales overall in 2019.

Figure 11: Annual Sales and Price Changes, 2018 - 2019

	Sales			Median Price ($)			Average Prices ($)		
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change
Central Virginia MLS	20,850	21,527	3.2%	$247,000	$259,950	5.2%	$282,582	$293,824	4.0%
Richmond Metro	16,214	16,946	4.5%	$255,000	$267,000	4.7%	$289,309	$300,749	4.0%
Tri Cities	1,611	1,614	0.2%	$150,000	$163,250	8.8%	$156,290	$172,135	10.1%

Source: Virginia REALTORS®, data accessed January 17, 2020

[1]The Central Virginia region includes: Caroline County, Charles City County, Chesterfield County, Colonial Heights City, Dinwiddie County, Goochland County, Hanover County, Henrico County, Hopewell City, King William County, Louisa County, New Kent County, Petersburg City, Powhatan County, Prince George County, and Richmond City

[2]The Richmond Metro Area includes: Chesterfield County, Hanover County, Henrico County, and Richmond City

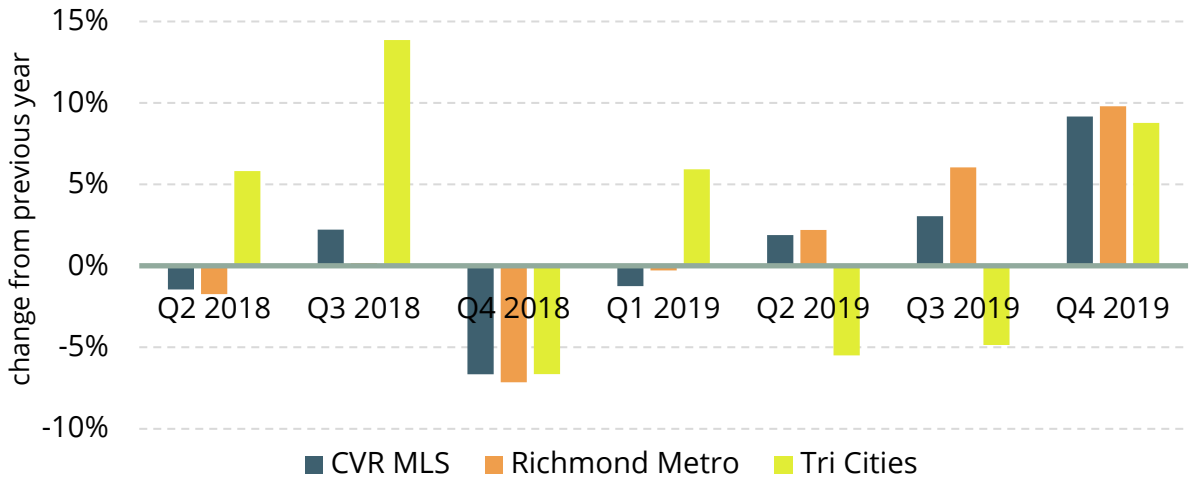
[3]The Tri-Cities Area includes: Colonial Heights City, Dinwiddie County, Hopewell City, Petersburg City, and Prince George County

From a quarterly perspective, sales activity continues to trend upward in the Central Virginia regional housing market. There were 5,159 sales in the 4th quarter, which is 9% more than a year ago, an increase of 433 sales transactions. This is the largest influx of sales of any quarter in the past 2 years. The increased sales activity occurred throughout the region, 14 of the 16 jurisdictions in the Central Virginia footprint had more sales in the 4th quarter compared to last year.

Of the total sales in the region, 4,036 were in the Richmond Metro Area, which is 360 more sales than last year, representing a 10% gain. All local markets in the Richmond Metro Area had more sales. The fastest growth occurred in Hanover County, up 25% from last year, an increase of 88 sales. Both Chesterfield County and the City of Richmond also had strong sales growth, jumping 12% and 14% respectively from the 4th quarter last year. Sales activity in Henrico County, remained relatively flat in the 4th quarter, inching up 1% from last year, a gain of 6 sales.

After slowing down in the spring and summer, sales are on the rise in the Tri-Cities Area housing market. There were 397 sales in the 4th quarter, a 9% increase from a year ago, a gain of 32 sales. For the first time in more than 3 years, all jurisdictions in the Tri-Cities market had sales growth this quarter. Most of the sales growth in the 4th quarter occurred in Dinwiddie County, which had 17% more sales than this time last year, an increase of 11 sales transactions. Following 4 straight quarters of sluggish sales, the Petersburg market had 9 more sales in 4th quarter than last year, a 12% jump.

Figure 12
Percent Change in Sales

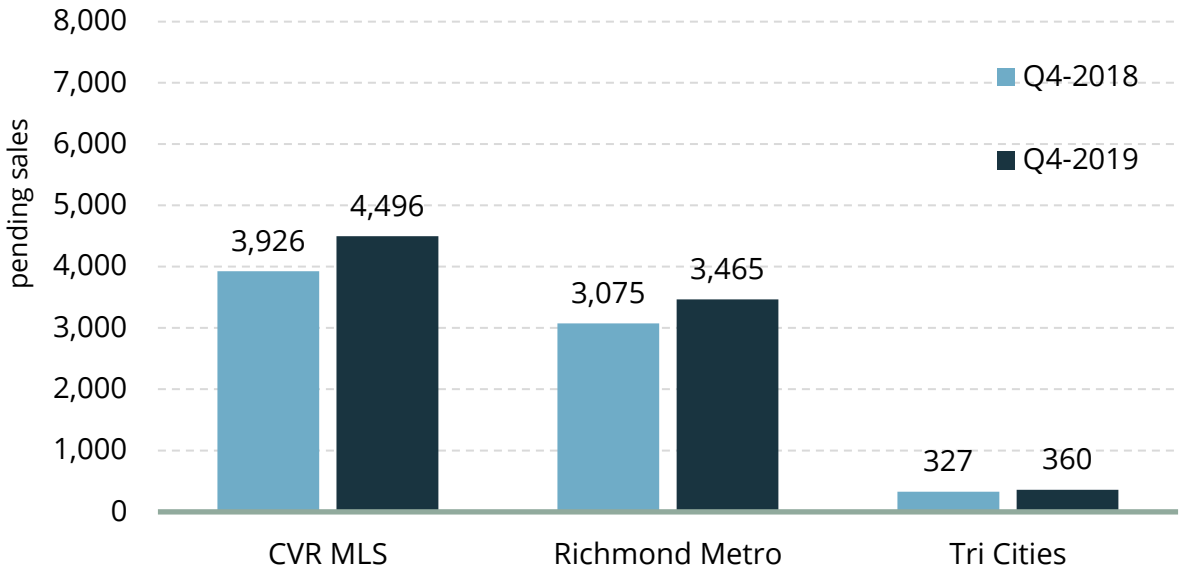


Source: Virginia REALTORS®, data accessed January 17, 2020

There was also a surge in pending sales in the Central Virginia region in the 4th quarter which bodes well market going into the new year. There were 4,496 pending sales in the 4th quarter across the region, a 15% gain from last year, an increase of 570 pending sales. This is the largest pending sale increase for the region in 3 years. Pending sales have now been trending up for 3 straight quarters in the region, evidence of increased demand occurring in many local markets in the area. Both the Richmond Metro and Tri-Cities Area markets had double-digit pending sales growth, rising 13% and 10% respectively in the 4th quarter compared to last year.

Within the Richmond Metro Area market, the City of Richmond had the largest pending sale growth, surging up 20% from the 4th quarter last year, an increase of 123 pending sales. This is the highest increase for the City in more than 4 years. Chesterfield County also had strong pending sales growth this quarter, climbing 13% from the 4th quarter last year, a gain of 162 pending sales. Within the Tri-Cities market, both Prince George County and the City of Petersburg had solid pending sales growth, climbing 18% and 17% respectively from last year, an increase of 13 pending sales both local markets.

Figure 13
Pending Sales, 4th Quarter



Source: Virginia REALTORS®, data accessed January 17, 2020

Prices

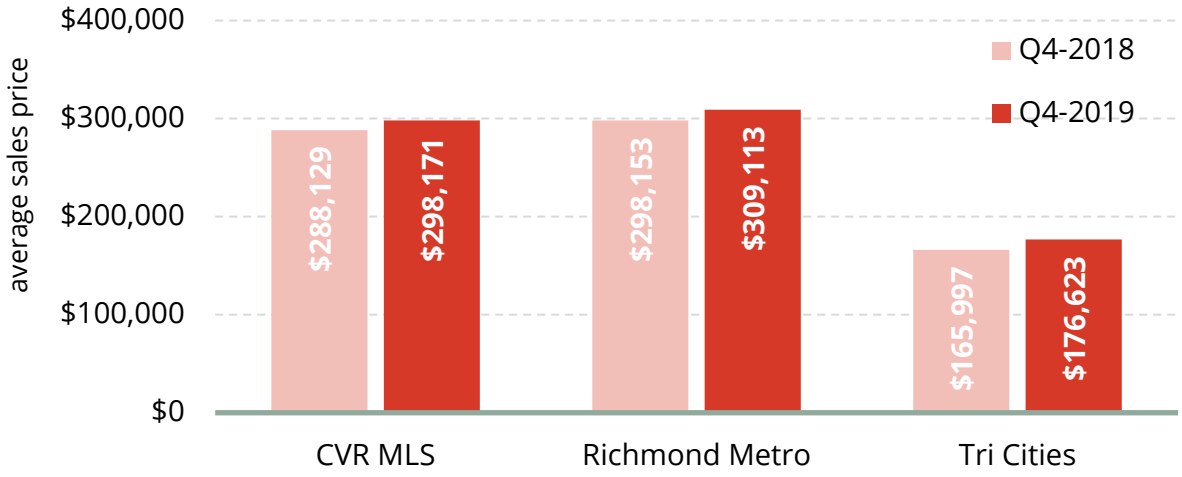
Price growth was a consistent theme in 2019 through much of the Central Virginia regional housing market. Prices rose all 4 quarters this year, and most local markets had price gains through much of the year. The 2019 annual median sales price was $259,950, which is nearly $13,000 higher than 2018, a 5.2% price gain. This outpaces the annual price growth last year for the region, which was 4.8%. Sales prices rose in both the Richmond Metro and Tri-Cities Area markets. The annual median sales price climbed $12,000 in the Richmond Metro area (+4.7%), and $13,250 in the Tri-Cities market (+8.8%).

As for the 4th quarter, homes prices continue to trend upward throughout the Central Virginia housing market, a reflection of strong demand and a tight inventory of active listings in many local markets. At $298,270, the 4th quarter average sales price in the region is up 5% from a year ago, an increase of $14,849. At $260,000, the 4th quarter median sales price rose 6% from last year, a gain of more than $15,000. This is the largest increase for the region in 2 years.

The price growth is occurring in most local markets in the region, 14 out of the 16 jurisdictions had median price growth in the 4th quarter. At $270,000, the 4th quarter median sales price in the Richmond Metro Area jumped up $17,500 from a year ago, representing a 7% gain. This is the largest price increase for the area more than 2 years. All local markets in the Richmond Metro Area had higher median sales prices this quarter. The City of Richmond in particular had a surge in sales prices, rising $41,000 higher than the 4th quarter last year to $255,000, a 19% jump. Hanover County also had a large price gain, the 4th quarter median sales price is more than $25,000 higher than it was last yare, a 9% increase.

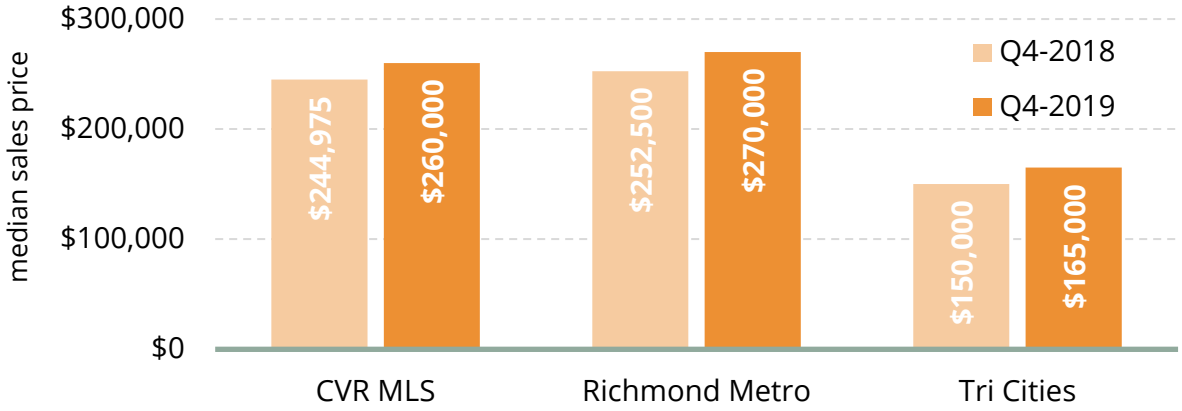
The Tri-Cities market also had strong price gains this quarter. At $165,000, the 4th quarter median sales price rose 10% from last year, a $15,000 gain. With the exception of Colonial Heights which had a modest dip in median price, all local markets in the Tri-Cities area large price gains in the 4th quarter. The largest increase occurred in Price George County, where the 4th quarter median sales price surged up $36,6000 from last year to $242,500, an 18% increase in price. The median price also increased by nearly $36,000 in Dinwiddie County, representing a 22% price increase for the local market there.

Figure 14
Average Sales Price, 4th Quarter



Source: Virginia REALTORS®, data accessed January 17, 2020

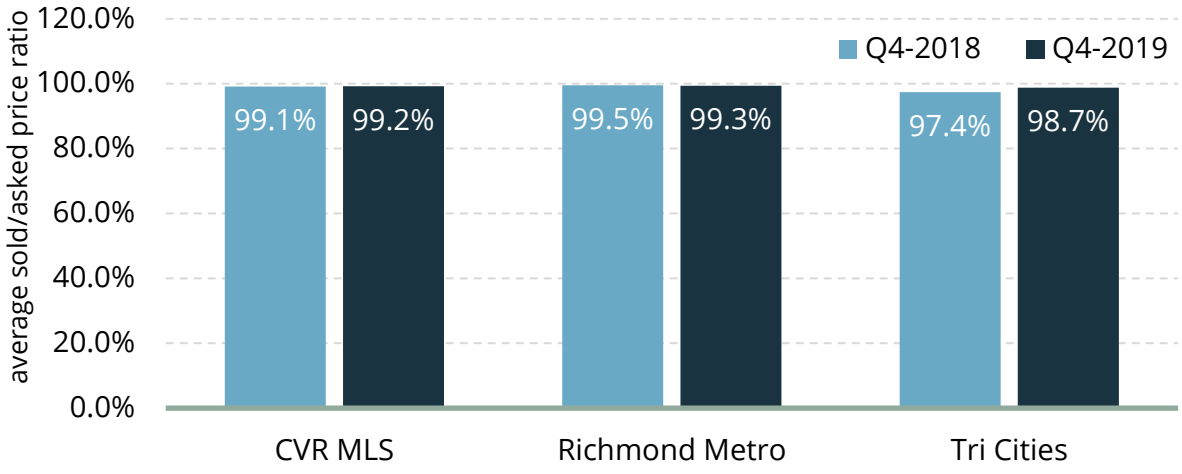
Figure 15
Median Sales Price, 4th Quarter



Source: Virginia REALTORS®, data accessed January 17, 2020

The rising sales prices are also bringing up the average sold to ask price ratio in the region. On average, homes that sold in the region during the 4th quarter had a sales price that was 99.2% of the asking price, which is up slightly from 99.1% a year ago. This metric declined the Richmond Metro Area, where the ratio went from 99.5% at this time last year, to 99.3% this quarter. The average sold to ask price ratio rose in the Tri-Cities Area market this quarter, climbing to 98.7% in the 4th quarter, up from 97.4% a year ago.

Figure 16
Average Sold/Asked Price Ratio, 4th Quarter

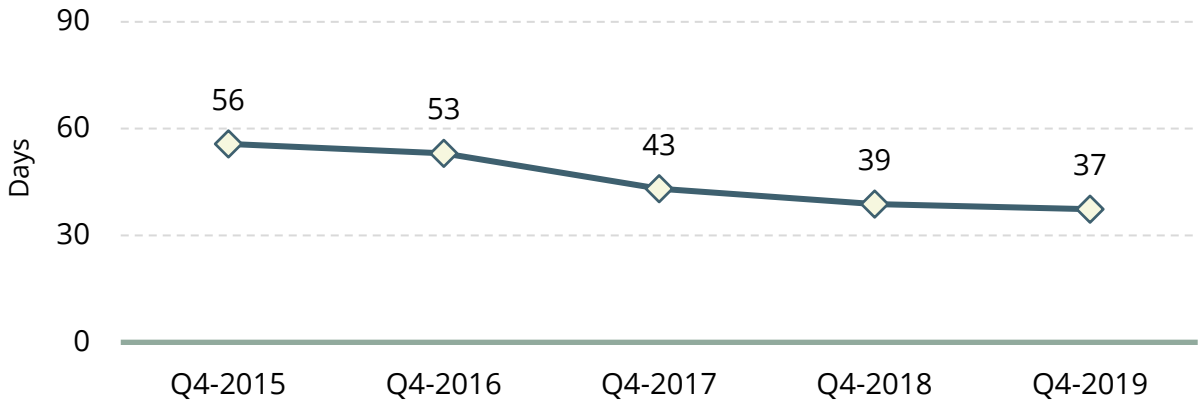


Source: Virginia REALTORS®, data accessed January 17, 2020

Days on Market

The average days on market in the Central Virginia region continues to be relatively flat. Homes that sold in the 4th quarter were on the market an average of 37 days, 2 days faster than a year ago. The average days on market has been flat for 4 consecutive quarters in the region. Similar trends have been occurring in the Richmond Metro market. The average days on market this quarter in the Richmond Metro area was 34 days, down 1 day from last year. Homes in the Tri-Cities market sold about a week faster on average in the 4th quarter compared to last year, going from 50 days last year, to 42 days this quarter.

Figure 17
4th Quarter Average Days on Market, CVR MLS
2015-2019



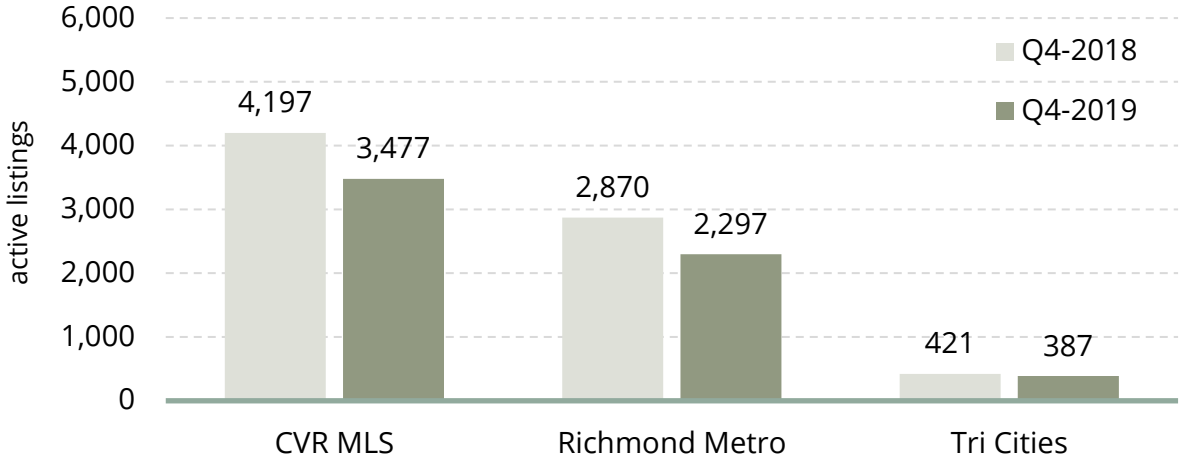
Source: Virginia REALTORS®, data accessed January 17, 2020

Inventory

The inventory of active listings continues to decline rapidly in the Central Virginia housing market. There were about 3,477 active listings on the market at the end of the 4th quarter, a 17% drop from a year ago, a reduction of 720 listings. Similar declines are occurring in other regions in the state. A wide range of factors could be leading to lower inventories, including retirees opting to remain in their homes instead of downsizing and families who recently refinanced with attractive rates deciding to renovate their existing home instead of moving. As the number of sales transactions continue to increase, the inventory of active listings is not being replaced at the same rate, which is causing the available inventory to shrink over time.

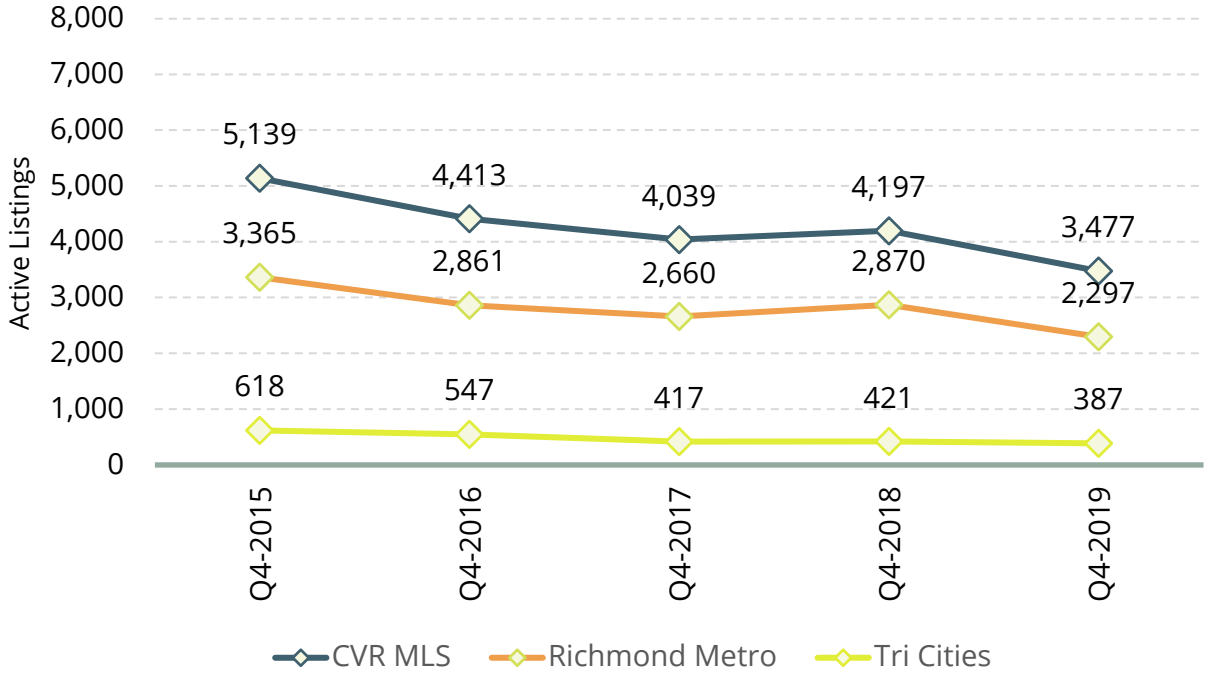
The supply of active listings in the Richmond Metro area fell by 20% in the 4th quarter, down to 2,297, a reduction of 573 listings compared to last year. Within the local markets, Chesterfield County had 265 fewer active listings at the end of the 4th quarter, a 21% plunge. There were 155 fewer active listings on the market in Henrico County at the end of this quarter, a 21% decline from the 4th quarter last year. The inventory continues to shrink in the Tri-Cities housing market, though the declines are not as dramatic. There were 387 active listings in the Tri-Cities area at the end of the 4th quarter, 34 fewer listings than last year, an 8% drop. The sharpest inventory decline at the local level in the Tri-Cities area occurred in the City of Hopewell this quarter, where there were 22 fewer active listings than last year, a 23% decrease. Two jurisdictions in the Tri-Cities area had an increase in active listings this quarter. The City of Petersburg had 12 additional active listings, and Dinwiddie County had 6 more active listings, a gain of 9% and 10% respectively over the supply level last year.

Figure 18
Active Listings, 4th Quarter



Source: Virginia REALTORS®, data accessed January 20, 2020

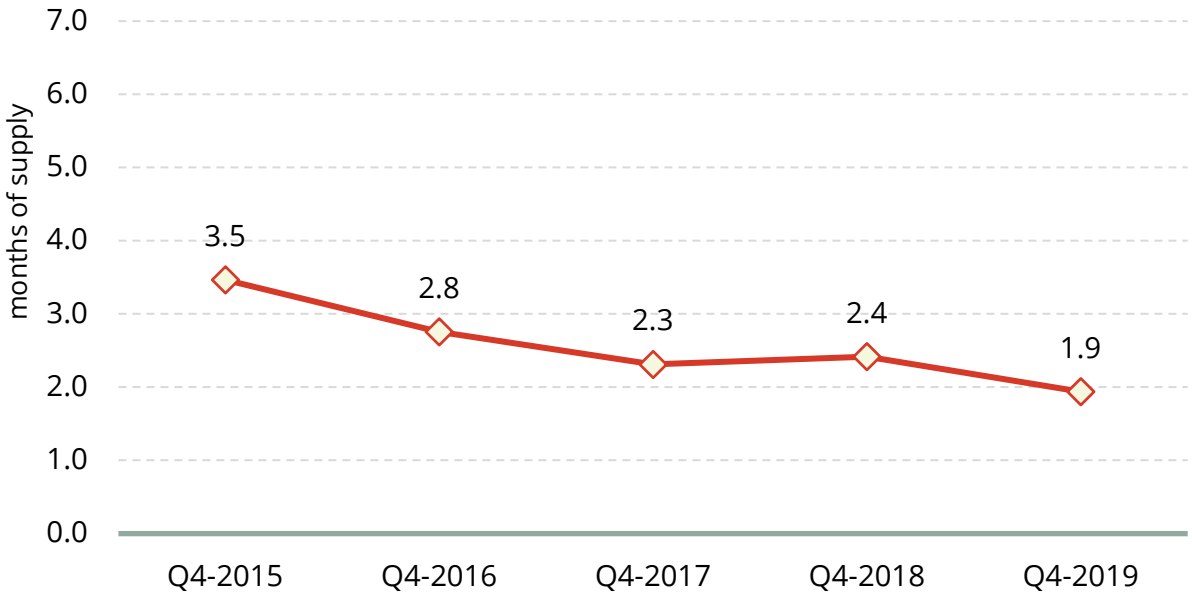
Figure 19
End of 4th Quarter Active Listings



Source: Virginia REALTORS®, data accessed January 20, 2020

There was about 1.9 months of supply in the Central Virginia housing market at the end of the 4th quarter, which is down from 2.4 months from a year ago. The supply level at this point is very low in the region and is reflected in the rising prices that are occurring in many local areas. 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 20
End of 4th Quarter Months Supply, CVR MLS
2015-2019



Source: Virginia REALTORS®, data accessed January 20, 2020

Outlook

The Central Virginia housing market has momentum going into 2020. The region continues to have an expanding job base and low unemployment, which provides fuel for the housing market. The consistent sales gains over the past year reflect the region's strong economic position. While sales activity is good for the market, the inventory trends will continue be a big factor in the coming year. As active listings become scarcer, it is likely that prices will continue to climb higher, creating affordability challenges in some localities and with some segments of the market, particularly first-time homebuyers. The good news is that interest rates are very low and are projected to remain steady in the coming months. The Federal Reserve announced in late January that rates will remain the same for at least the near-term. This should provide attractive financing options for buyers that are active in the housing market. In addition, the increase in building permit and housing construction activity in the region over the past year could help to add supply to the housing market over time, which could help alleviate the tight inventory in some local markets.

Virginia REALTORS®

The Virginia REALTORS® association is the largest professional trade association in Virginia, representing 35,000 REALTORS® engaged in the residential and commercial real estate business. The Virginia REALTORS® association serves as the advocate for homeownership and private property rights and represents the interests of real estate professionals and property owners in the Commonwealth of Virginia.

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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.