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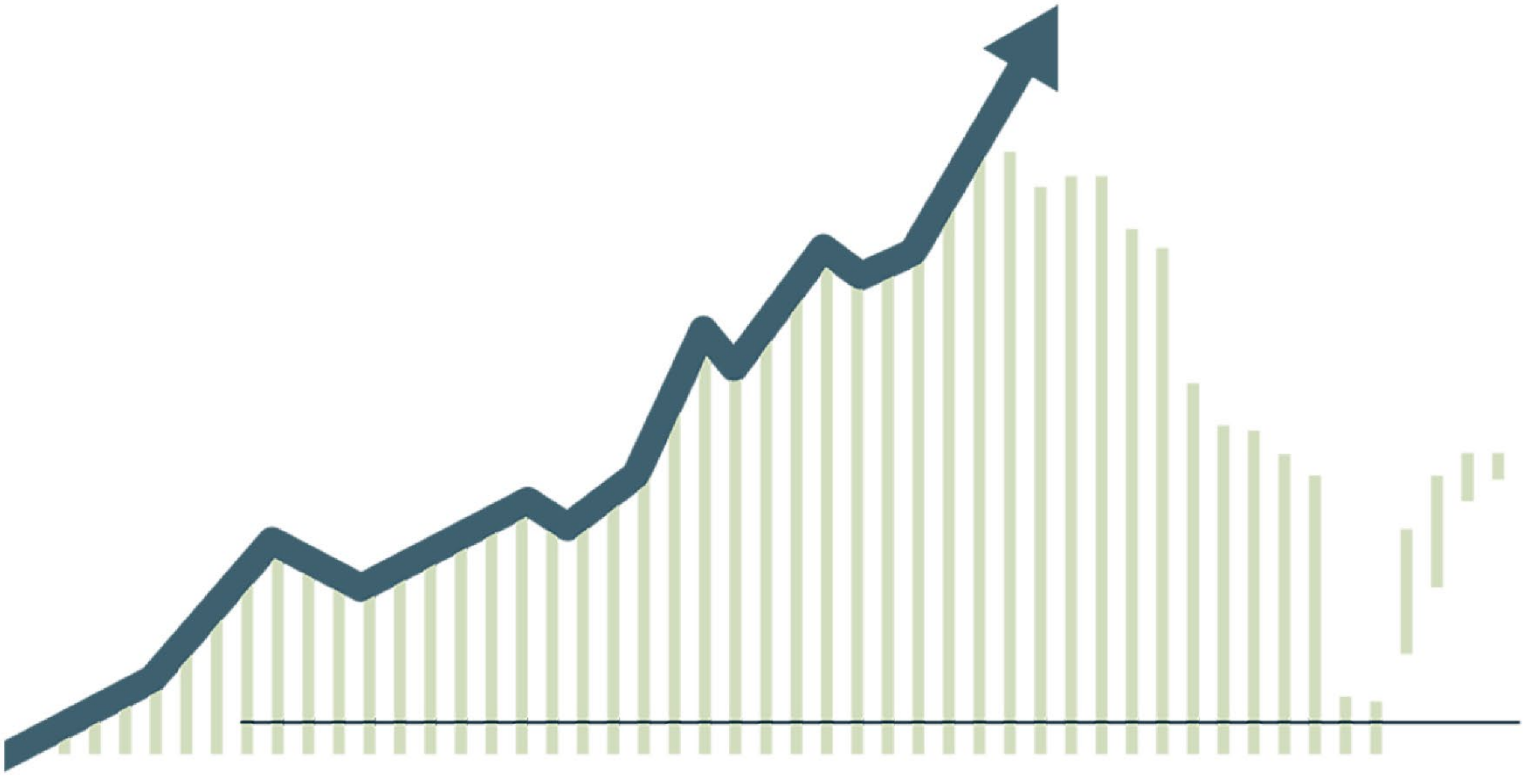


CVRMLSCENTRAL VIRGINIA MLS HOME SALES REPORT

CUSTOM REPORT PREPARED BY

VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

1st Quarter 2020

National Economic Overview

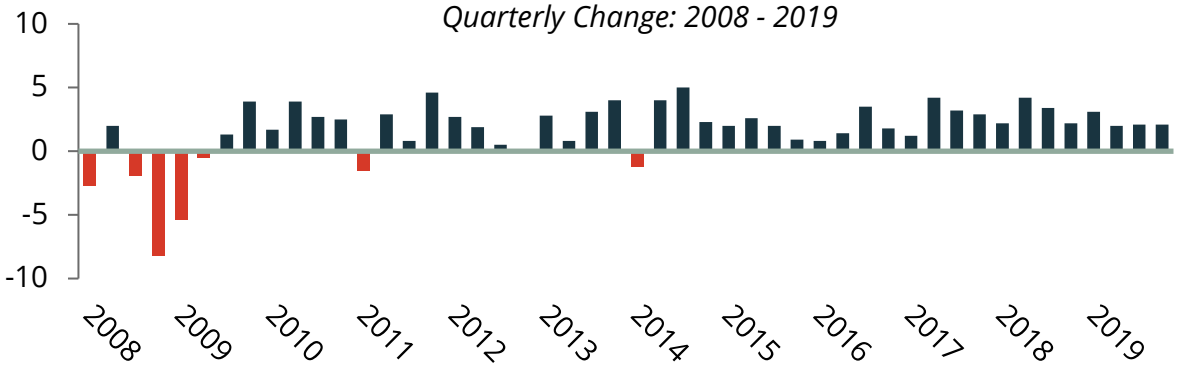
The U.S. economy is declining as the effects of the policies to deal with Covid-19 ripple through the various sectors. The country has had nine consecutive years of growth and expansion. While the economy was headed for a modest growth forecast for 2020, it is now subject to significant declines due to the economic impacts of dealing with the spread of the virus. There are unknowns ahead, and severe headwinds, but most forecasts indicate economic decline will be significant through the second and third quarters then turn upward as recovery begins.

The stimulus packages will play a key role in mitigating some of the negative economic impacts and helping to shorten what would otherwise be a more severe recession. All sectors of the economy will not be affected equally.

Current economic data are available only through the beginning of the effects from the virus measures. Those measures do not yet reflect what will happen through the second quarter of 2020. First quarter GDP change will not be released until the end of April, and it is expected that the first signs of decreasing growth will be seen. The fourth quarter of 2019 showed a modest growth of 2.1 percent, and marked ten consecutive years of annual GDP growth. There were only two quarters in that ten-year span that did not show growth. Job data for March show declines in jobs, and particularly in the leisure/hospitality services sector.

〉 The 4th quarter GDP was 2.1 percent and reflected a modest increase, and the annual GDP of 2.2 percent is down from 2017 and 2018.

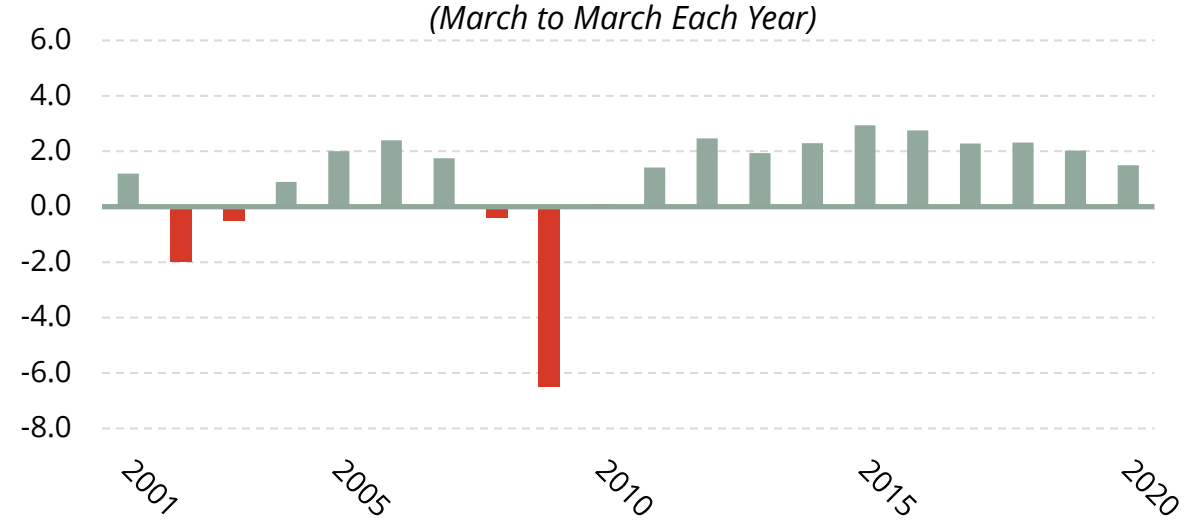
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2019



Source: U.S. Bureau of Economic Analysis

› Annual job growth showed a modest slowdown as the growth of 1.5 million jobs from March 2019 to March of 2020 was the lowest annual gain in jobs since 2010.

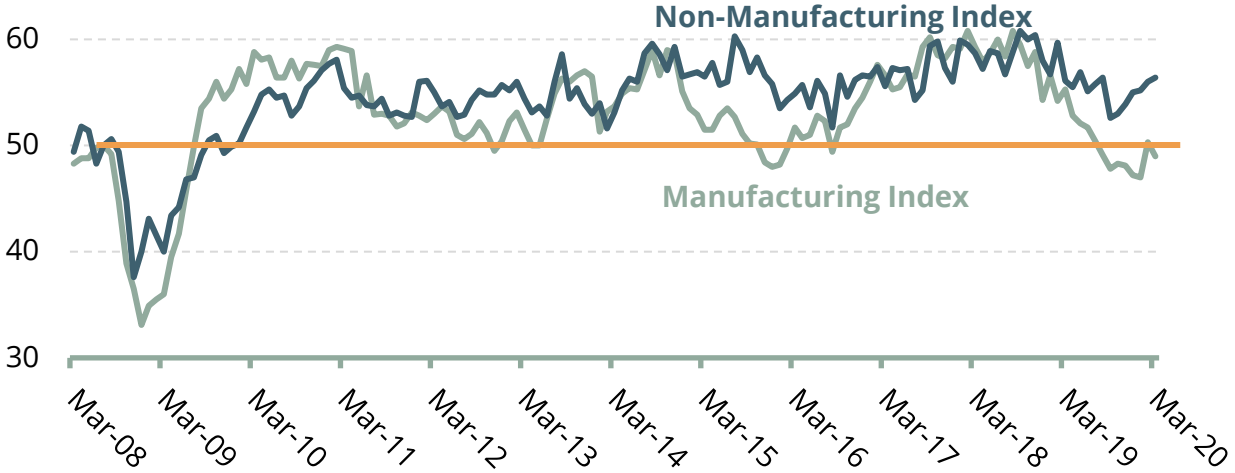
Figure 2
U.S. Annual Change in Jobs
(March to March Each Year)



Source: Bureau of Labor Statistics

› Other measures, such as the manufacturing and non-manufacturing (services) sectors showed continued expansion in the non-manufacturing sectors and a neutral reading for manufacturing as 2019 came to a close.

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

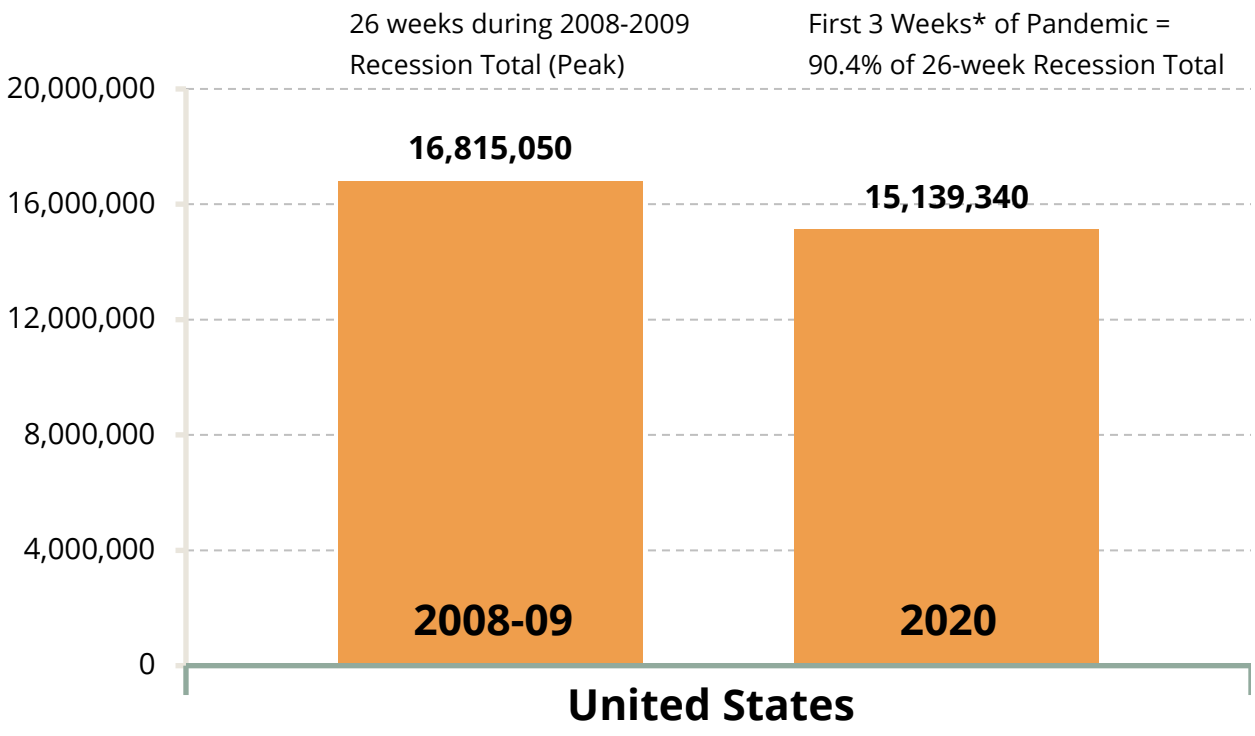


Source: The Conference Board

But the winds have shifted significantly, as the country fights the battle of gaining a measure of control over the spread of the virus. It appears from the health forecasts that the measures that have been taken are at the initial stages of beginning to turn the tide, with most forecasters seeing a peak of cases in the June-August period. Before that occurs, and before restrictions begin to be lifted, the economy is going to suffer.

〉 One current measure that is available on a weekly basis is initial claims for unemployment. Figure 4 shows that initial claims in the first three weeks of the pandemic had 90% of claims as in the 26 weeks of the 2008-9 recession. That is a huge blow to the economy to have that many of the labor force out of work in such a short period of time. Many of those laid off will be receiving benefits and also about half the population will be receiving stimulus checks.

Figure 4
New Unemployment Insurance Claims

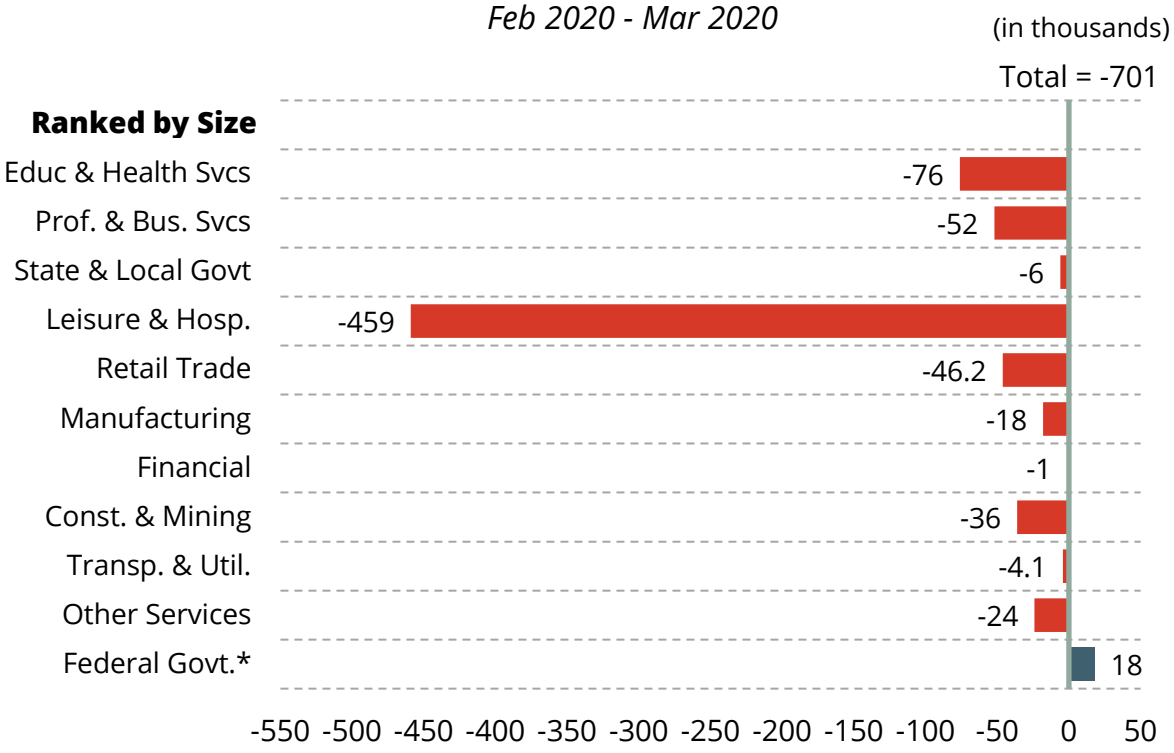


*= March 15 – April 8

Sources: US Department of Employment Services; The Stephen S. Fuller Institute at the Schar School, GMU

› US payroll jobs for February 2019 to February 2020 reflect the sectors of the economy being most affected, and its clearly in the Leisure and Hospitality sector which includes tourism, hotels, restaurants, athletic events, etc. Total jobs in the February 2019 to February 2020 period declined by 701,000 jobs and that sector accounted for 66 % of the job loss.

Figure 5
U.S. Payroll Job Change by Sector
Feb 2020 - Mar 2020



Sources: US Department of Employment Services; The Stephen S. Fuller Institute at the Schar School, GMU
*includes temporary Census workers

Economists are running models to forecast the near-term future of the US economy. There is probably a wider range of possibilities than in normal economic times due to the uncertainties of when the pandemic is sufficiently under control such that normal activities can resume. Most economists are assuming the measures to fight the pandemic will begin to be removed in the June-August period. They forecast improvements in the economy beginning after that--in the third and fourth quarters of the year.

IHS forecasts as of early April are predicting a decline in GDP of 7.0 percent and a peak unemployment of 10.3 percent in 2020. The economy really gains momentum in 2021 with a 10.1 percent increase in GDP and unemployment dropping back to 6.0 percent. Deloitte,

in analyzing the housing market, projects 30-year mortgage rates dropping to 3.6 percent in 2020 and 3.4 percent in 2021, and not rising until 4.2 percent in 2023.

FORECASTS

	2019	2020	2021	2022	2023
Gross Domestic Product Change	2.3%	-7.0%	10.1%	2.2%	1.2%
Unemployment Rate	3.5%	10.3%	6.0%	3.7%	3.7%
30-Year Mortgage Rate	3.9%	3.6%	3.4%	3.4%	4.2%

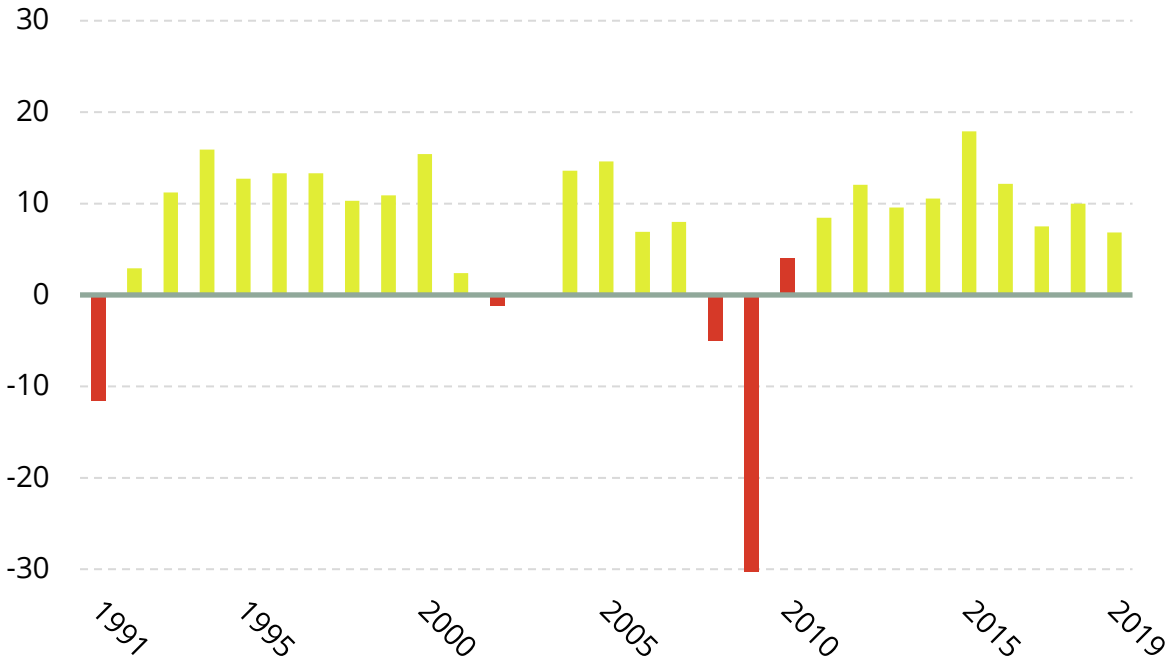
The high-performing economy the country has enjoyed since 2010 has come to an end and economic conditions for the next several months are times to be endured as the pandemic is overcome and the economy starts to turn around. Some sectors are being affected more than others and some parts of the labor force will be greatly affected. Much more about the impacts of the pandemic on the economy will be known at mid-year.

Central Virginia Economic Trends

The economy of Central Virginia continued to show moderate growth through 2019. As of this report, data is only available through February of 2020 which precedes the implementation of social distancing to fight the spread of the virus.

- Annual job data shows that the region added 6800 jobs in 2019 – which is equal to its long-term average.

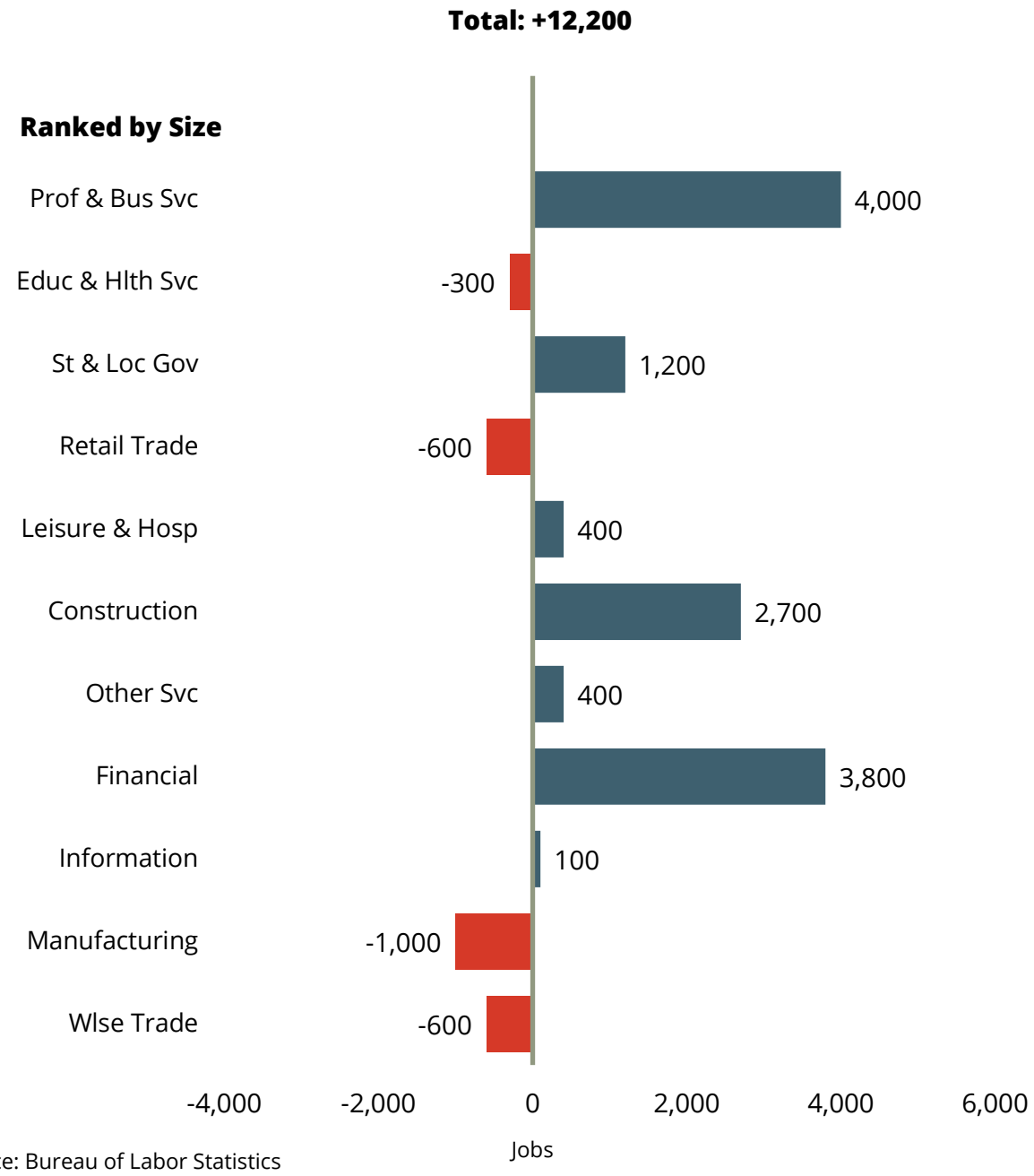
Figure 6
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

〉 For the 12-month period of February 2019 to February 2020, the region added 12,200 jobs which does not yet reflect the slowdown due to the effects of fighting the pandemic which began in March. Professional Services, Financial Services, Construction, State and Local Government were sectors leading job growth over the 12-month period of February 2019 – February 2020.

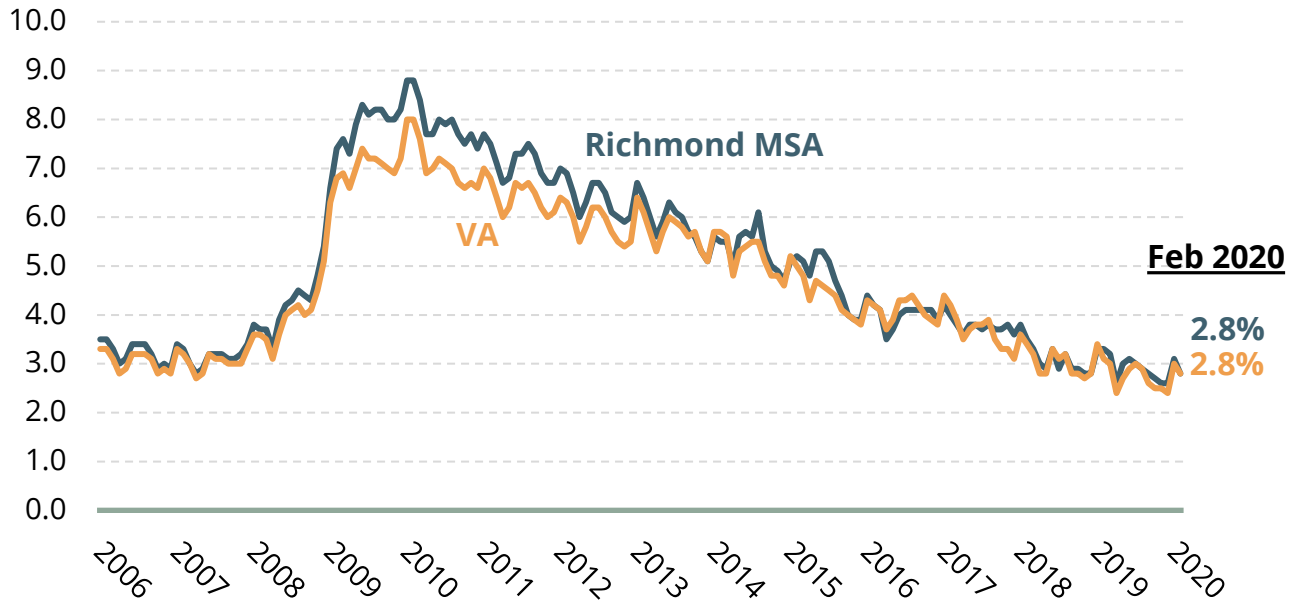
Figure 7
Job Change by Industry
Richmond MSA
Feb. 2019 to Feb. 2020



Source: Bureau of Labor Statistics

› The unemployment rate was also doing very well through February with both the region and the Commonwealth having rates under 3 percent.

Figure 9
Unemployment Rate



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

The region's economy has been as sound as any in the country but is also going to feel significant impacts – especially in the restaurant/hotel/event areas of the economy.

Housing Market Overview

The Central Virginia[1] housing market is off to a strong start in 2020; however, it is important to note that the 1st quarter data do not reflect impacts of the COVID-19 pandemic. Sales activity increased in the 1st quarter, and home prices rose in most areas. Homes are selling faster on average in many parts of the region, which reflects the consistent demand in the market and the low inventory of homes available. The number of active listings declined significantly this quarter, down 18% from the 1st quarter of last year.

Sales

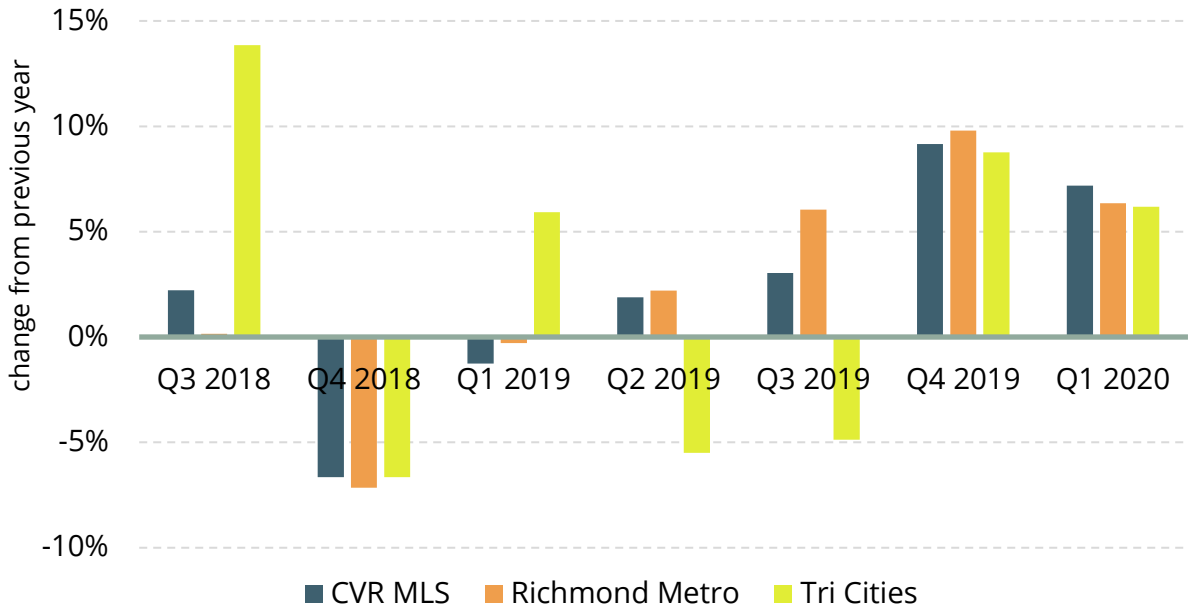
Sales activity continues to expand in the Central Virginia housing market. There were 4,309 sales overall in the 1st quarter, 289 more than last year, a 7% increase. The number of sales has been trending up in the region for four consecutive quarters. The sales gains are widespread--12 of the 16 jurisdictions in the CVRMLS footprint had more sales in the 1st quarter than last year.

Sales in the Richmond Metro Area[2] are increasing, a trend that has occurred for 4 straight quarters. There were 3,332 sales overall in the Richmond Metro Area in the 1st quarter, a 6% gain from last year, 199 more sales. Most of the additional sales were in Hanover and Henrico Counties, with 17% and 10% more sales respectively. The City of Richmond was the only jurisdiction in the Richmond Metro Area market to have fewer sales in the 1st quarter. There were 633 sales in the City in the 1st quarter, 11 fewer than last year, a 2% decline.

Sales in the Tri-Cities Area[3] are also expanding. There were 361 sales overall in the Tri-Cities market in the 1st quarter, which is 21 more sales than last year, representing a 6% gain. Sales have increased for 2 consecutive quarters in the Tri-Cities market compared to the prior year. Most of the sales growth occurred in Prince George County and the City of Petersburg, which had 25% and 17% more sales respectively in the 1st quarter compared to a year ago. Sales activity in the cities of Colonial Heights and Hopewell declined in the 1st quarter, falling 17% and 5% respectively compared to a year ago.

[1]The Central Virginia region includes: Counties of Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, Louisa, Powhatan, New Kent, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg, Richmond
[2]The Richmond Metro Area includes: Counties of Chesterfield, Hanover, Henrico, and the City of Richmond
[3]The Tri-Cities Area includes: Counties of Dinwiddie, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg

Figure 10
Percent Change in Sales

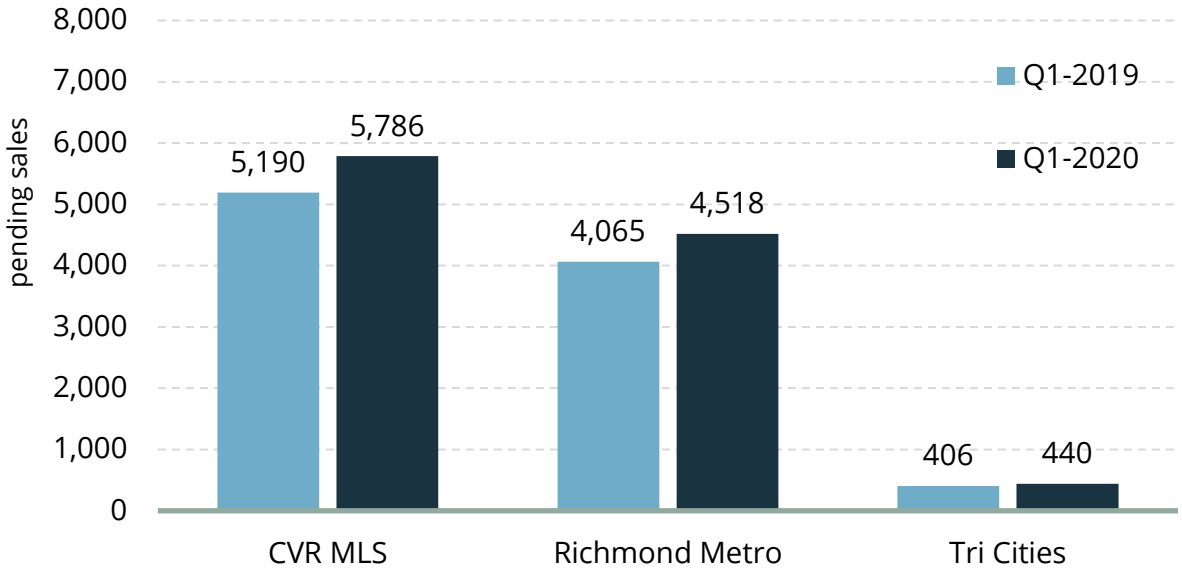


Source: Virginia REALTORS®, data accessed April 16, 2020

Pending sales continue to rise in the Central Virginia housing market. There were 5,786 pending sales in the 1st quarter, an 11% increase from last year, 596 additional pending sales. Pending sales have increased for four consecutive quarters in the region, evidence of strong buyer demand in the market. Pending sales increased throughout the region, all 16 jurisdictions in the Central Virginia region had more pending sales in the 1st quarter compared to last year. The Richmond Metro Area had 11% more pending sales in the 1st quarter, and the Tri-Cities Area had 8% more compared to a year ago. Pending sales activity has been trending up in both of these markets for four consecutive quarters.

Hanover and Chesterfield County had the strongest pending sales growth in the Richmond Metro Area this quarter, rising 21% and 17% respectively from last year. Within the Tri-Cities market, the City of Petersburg and Dinwiddie County had the largest gain, with 20% and 16% more pending sales respectively.

Figure 11
Pending Sales, 1st Quarter



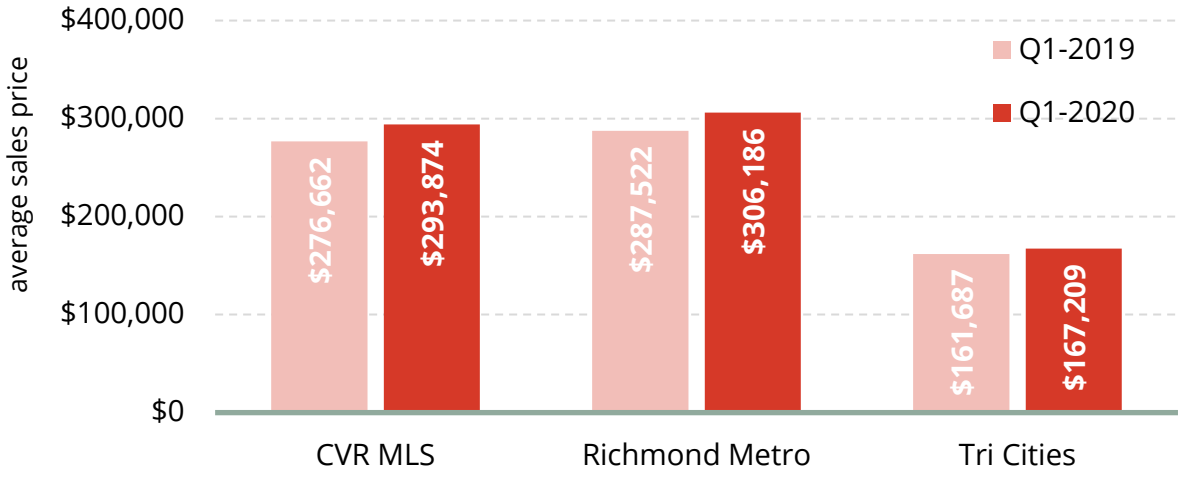
Source: Virginia REALTORS®, data accessed April 16, 2020

Prices

Home prices continue to climb in the Central Virginia housing market. At $255,000 the 1st quarter median sales price rose 5% from a year ago, a gain of $12,000. The average sales price in the region also increased, up 6% from last year to $293,874. Prices have been trending up in the region for several years and reflect strong buyer demand in the market and the shrinking inventory of active listings that are available. The 1st quarter median sales price in the region is now $50,000 higher than it was four years ago.

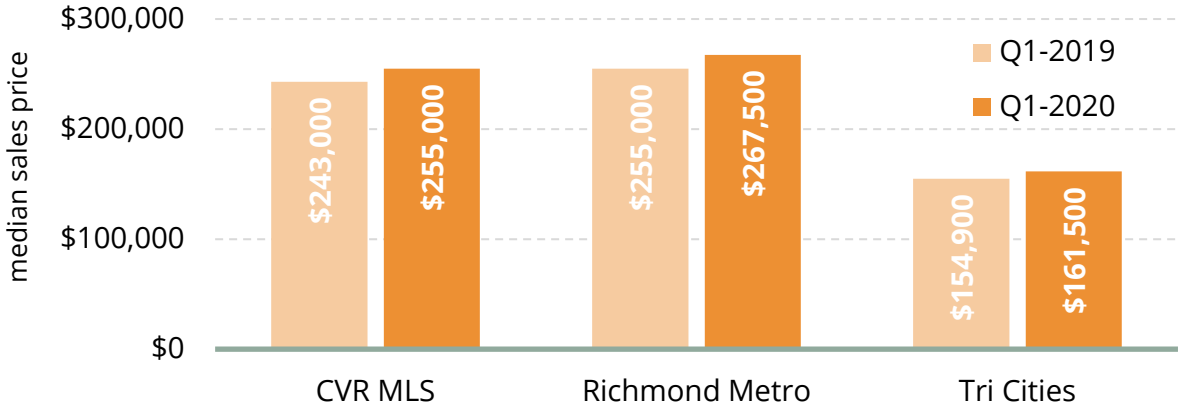
Prices are rising throughout the region, 14 of the 16 jurisdictions in the Central Virginia housing market had median sales price growth in the 1st quarter. At $267,500 the median sales price in the Richmond Metro Area climbed 5% from last year, a gain of $12,500. Hanover County had the strongest price gains in the Richmond Metro Area, rising 6% from the 1st quarter of last year, a gain of $18,5000. The 1st quarter median sales price in the Tri-Cities Area was $161,500, which is 4% higher than a year ago, a gain of $6,600. Dinwiddie County led the Tri-Cities market in price growth. The median sales price in Dinwiddie County jumped up 17% from the 1st quarter of last year to $199,500, a gain of nearly $30,000.

Figure 12
Average Sales Price, 1st Quarter



Source: Virginia REALTORS®, data accessed April 16, 2020

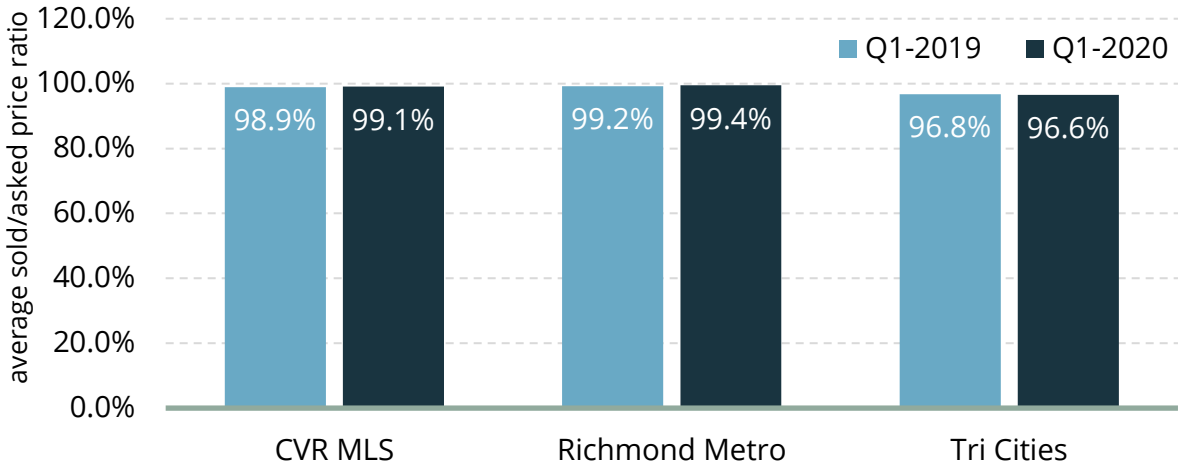
Figure 13
Median Sales Price, 1st Quarter



Source: Virginia REALTORS®, data accessed April 16, 2020

The price gains are bringing up the average sold to ask price ratio in the Central Virginia housing market. On average, homes that sold in the region in the 1st quarter had a sales price that was 99.1% of the asking price, which is up from 98.9% at this time last year. The average sold to ask price ratio increased from 99.2% to 99.4% in the Richmond Metro Area in the 1st quarter compared to last year. This metric declined slightly in the Tri-Cities Area housing market, falling to 96.6% in the 1st quarter, down from 96.8% a year ago.

Figure 14
Average Sold/Asked Price Ratio, 1st Quarter



Source: Virginia REALTORS®, data accessed April 16, 2020

Days on Market

Homes are selling faster on average in the Central Virginia housing market. The average days on market in the region during the 1st quarter was 44 days, which is 4 days lower than last year. Homes in the Richmond Metro Area sold in 40 days on average in the 1st quarter, 3 days faster than last year. The average days on market in the Tri-Cities Area was 53 days this quarter, also 3 days faster than the 1st quarter of last year. This metric has been trending down in the region for much of the past several years and reflects the tight inventory of active listings that are available to an increasing number of buyers in the market.

Figure 15
1st Quarter Average Days on Market, CVR MLS
2016-2020

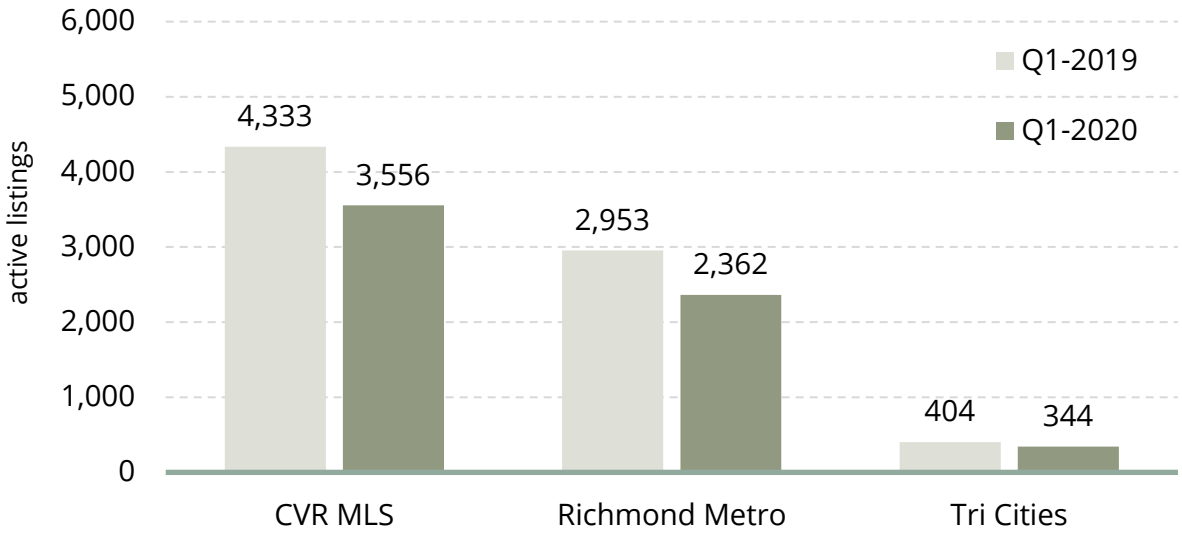
Source: Virginia REALTORS®, data accessed April 16, 2020

Inventory

The supply of active listings in the Central Virginia housing market continues to shrink. There were about 3,556 active listings on the market at the end of the 1st quarter, which is 18% lower than a year ago, a reduction of 777 active listings. The inventory in the region's housing market is now about 2/3 of the level it was in the 1st quarter 4 years ago. The inventory declines are occurring throughout the Central Virginia housing market; 11 of the 16 jurisdictions in the region had fewer active listings at the end of the 1st quarter compared to last year.

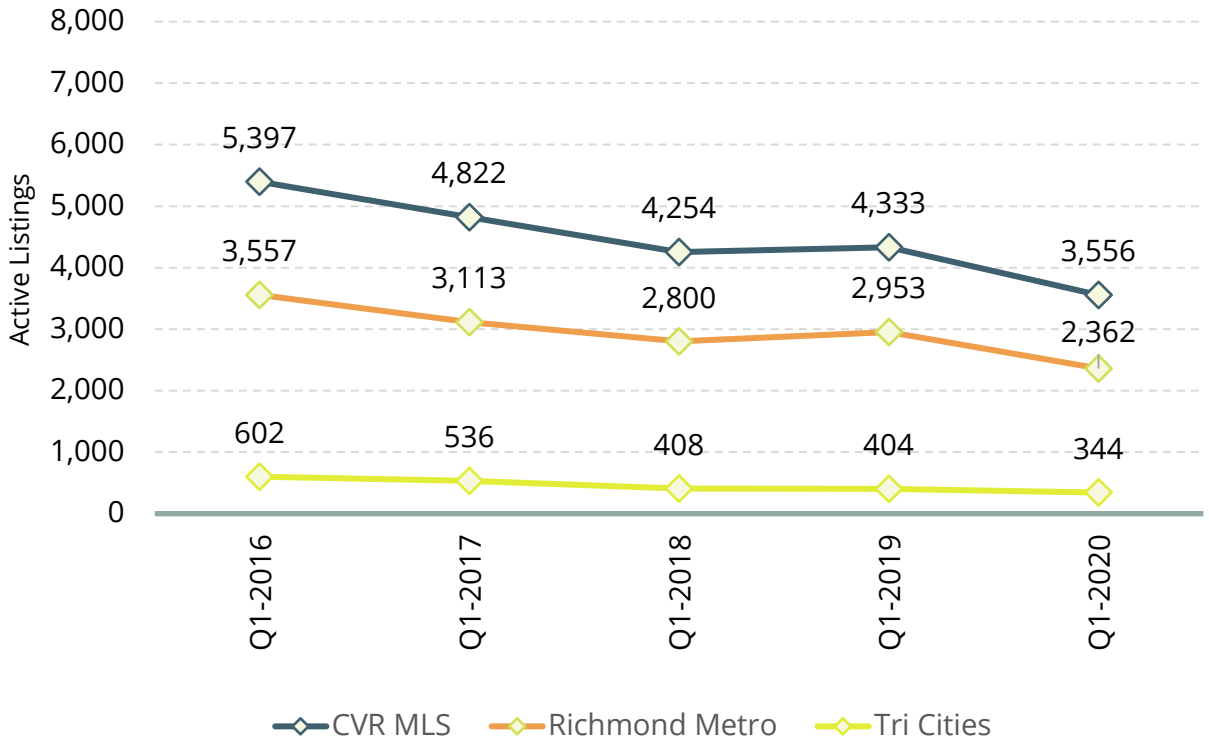
Within the local markets, there were about 2,362 active listings in the Richmond Metro Area, down 20% from last year, a loss of 591 active listings. Henrico County had the largest inventory decline in the Richmond Metro Area with 226 fewer active listings at the end of the 1st quarter compared to last year, a 28% drop. There were 344 active listings in the Tri-Cities housing market at the end of the 1st quarter, 60 fewer listings than last year, representing a 15% decline. Prince George County had the largest inventory decline, with 33 fewer active listings than last year at this time, a 35% decrease.

Figure 16
Active Listings, 1st Quarter



Source: Virginia REALTORS®, data accessed April 16, 2020

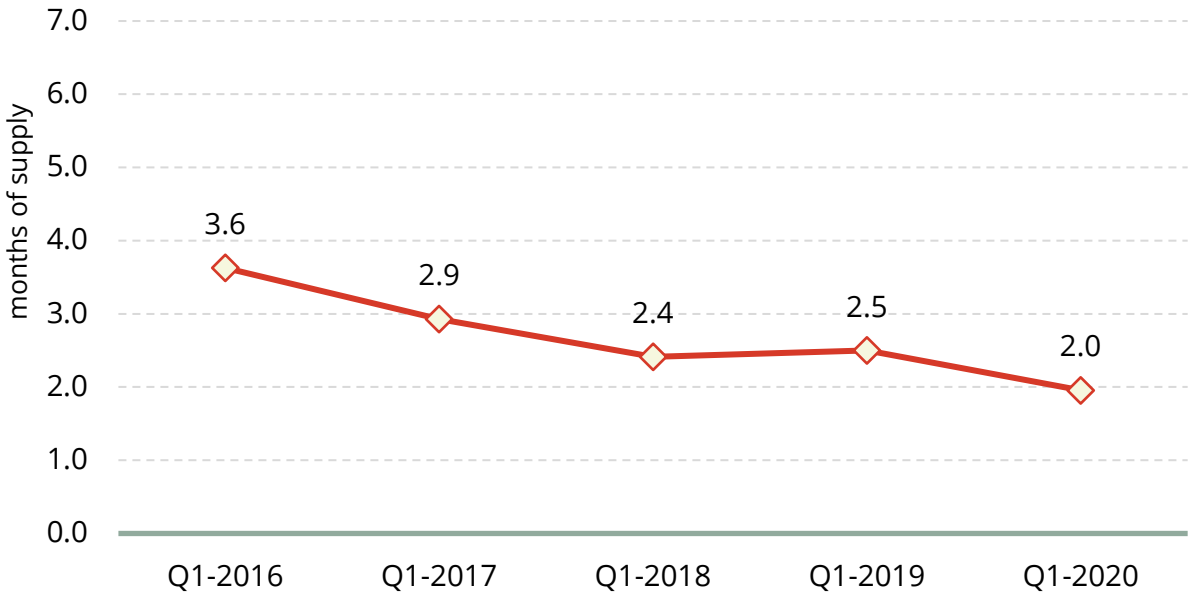
Figure 17
End of 1st Quarter Active Listings



Source: Virginia REALTORS®, data accessed April 16, 2020

There was approximately 2.0 months of supply in the Central Virginia housing market at the end of the 1st quarter, which is down from 2.5 months from last year. The supply level continues to be very low in the Central Virginia region and is playing a role in the rising prices in many local housing markets. 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 18
End of 1st Quarter Months Supply, CVR MLS
2016-2020



Source: Virginia REALTORS®, data accessed April 16, 2020

Outlook

Like the rest of the country and Virginia, the Central Virginia region is feeling the economic impact of COVID-19. The 1st quarter 2020 housing market data do not reflect the current economic situation. Between February and March, the U.S. lost thousands of jobs and millions of people applied for unemployment benefits. In Virginia, an estimated 400,000 people applied for unemployment benefits in March. Housing market activity will slow in the Central Virginia footprint in the 2nd quarter of 2020, though strong underlying fundamentals going into the coronavirus pandemic will help the region's market rebound. In addition, in response to the negative economic impacts of the COVID-19 pandemic, the Federal Reserve announced an emergency rate cut in March. It is expected that additional rate cuts could be on the way later in the year. This should provide attractive financing options through the rest of the year and beyond for buyers that are active in the housing market.

Virginia REALTORS®

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All inquiries regarding this report may be directed to:

Robin Spensieri
Virginia REALTORS® Vice President of Communications and Media Relations
rspensieri@virginiarealtors.org
804-622-7954

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.