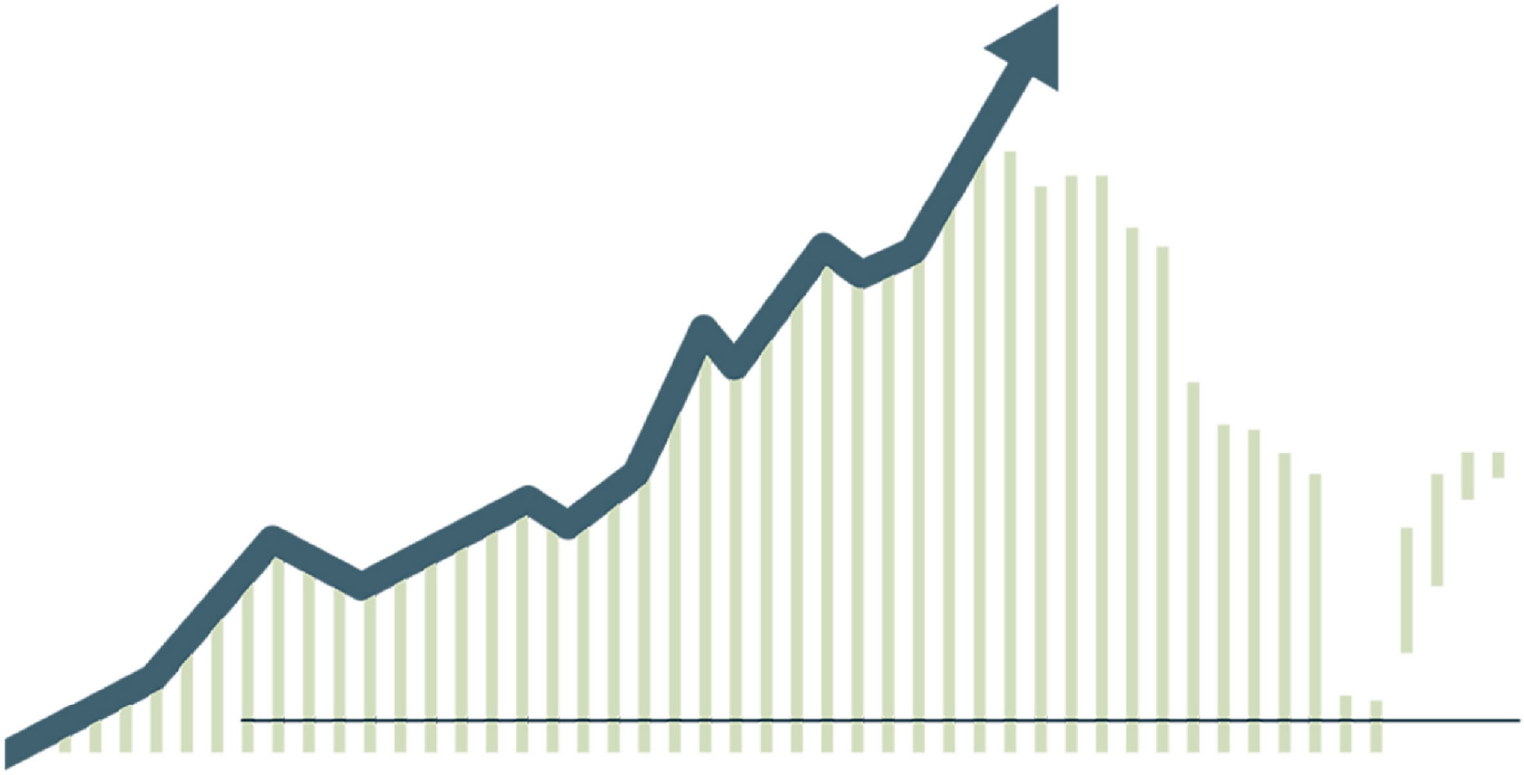
Virginia REALTORS®

CENTRAL VIRGINIA REGIONAL MULTIPLE LISTING SERVICE
CVR MLS



CVRMLS CENTRAL VIRGINIA MLS
HOME SALES REPORT

CUSTOM REPORT PREPARED BY
VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

3rd Quarter 2020

National Economic Overview

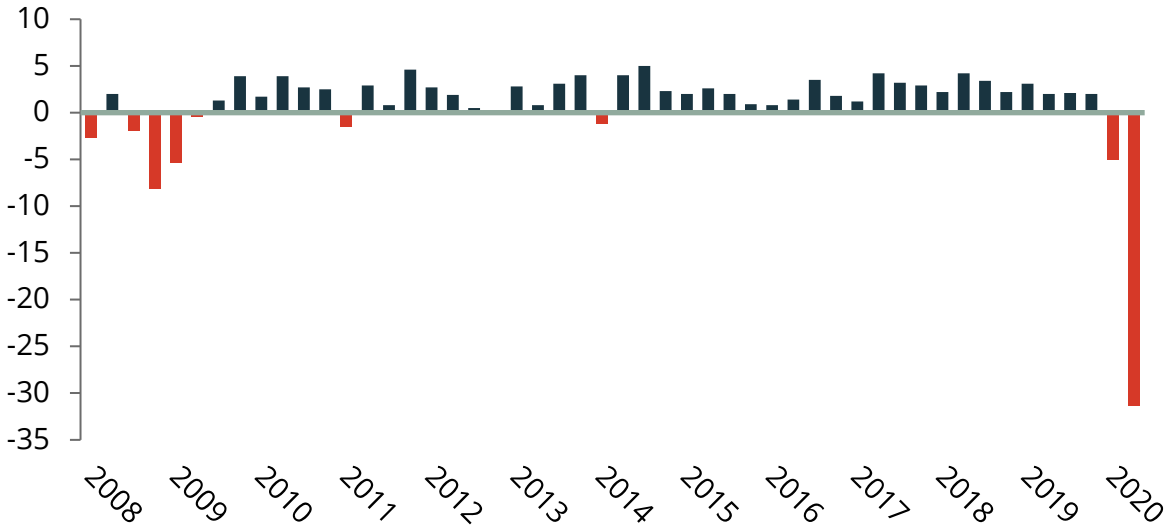
The U.S. economy has made some progress in rebounding from the April-May losses, but it has a long way to go to recover from the effects of the Pandemic. As the economy enters the last quarter of the year, there remain significant uncertainties regarding potential second waves of COVID-19, and the potential effects of the elections in early November. Jobs are down, GDP is down, unemployment is up, jobless claims continue at a high level. Nevertheless, each of the measures show some degree of recovery from the bottom that occurred in the Spring.

The pace of recovery from fall 2020 to get back to where the economy was prior to the on-going pandemic is difficult to predict. Consumers and businesses will likely be proceeding cautiously for some time, not sure of when the world is "normal" again. At the earliest that would be is sometime in 2021, and it would be best for all if it began early in the year. But that does not seem likely, given that it would take a new vaccine to be not only developed but fully distributed and available to all.

Two bright areas of the economy are the housing market and the stock market. The low interest rates and the increasing demand for housing are resulting in rising prices and low inventory, which is also leading to more construction. Both existing home sales and new home sales are at decade high levels.

- The economic effects were only beginning as the first quarter of 2020 ended, and Gross Domestic Product dropped 5.0% in the first quarter. In the second quarter the full effects of shutdowns were exhibited in most economic measures in dramatic downturns. The GDP in the second quarter was down 31.4 percent, almost four times as much of a drop as in the recession in 2008-9. In the summer, many of the economic sectors were opened back up and the third quarter is likely to have recovered a significant percentage of that.

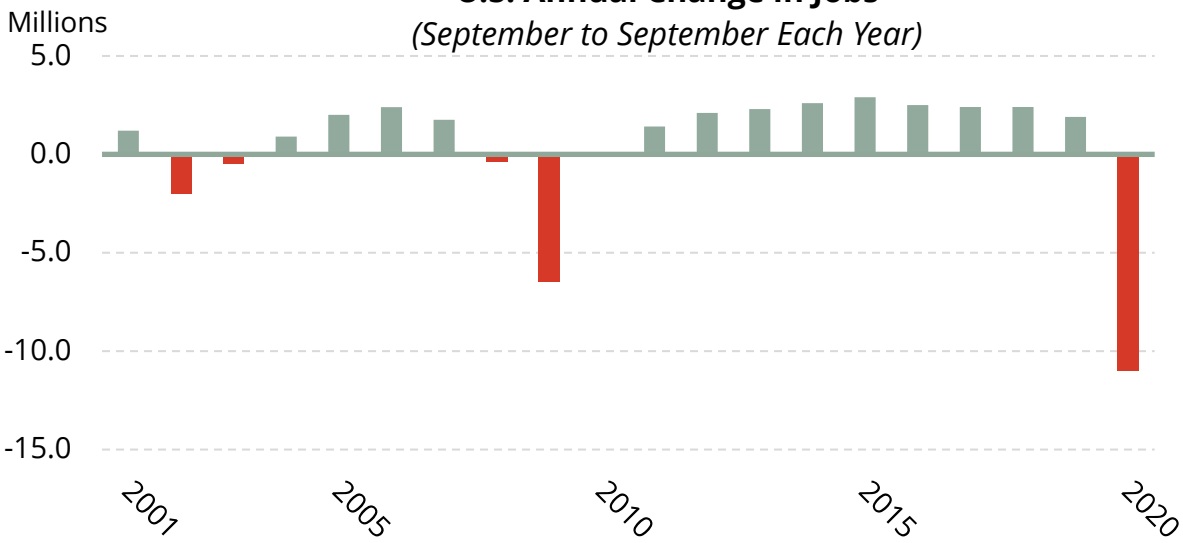
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2020



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

〉 Job data is available monthly and provides a clearer and more current picture of the partial recovery of the nation's economy. The data from September of 2019 to 2020 shows that job losses were down by 11.4 million. From the April bottom with jobs at 130.3 million, which was down 19.9 million jobs, by September 8 million jobs were added back into the economy. That trend seems to have continued through September, but lurking on the horizon is the possibility of some additional shutdowns as the COVID-19 cases are on the rise and the country appears to be headed back into some constraints on economic activity.

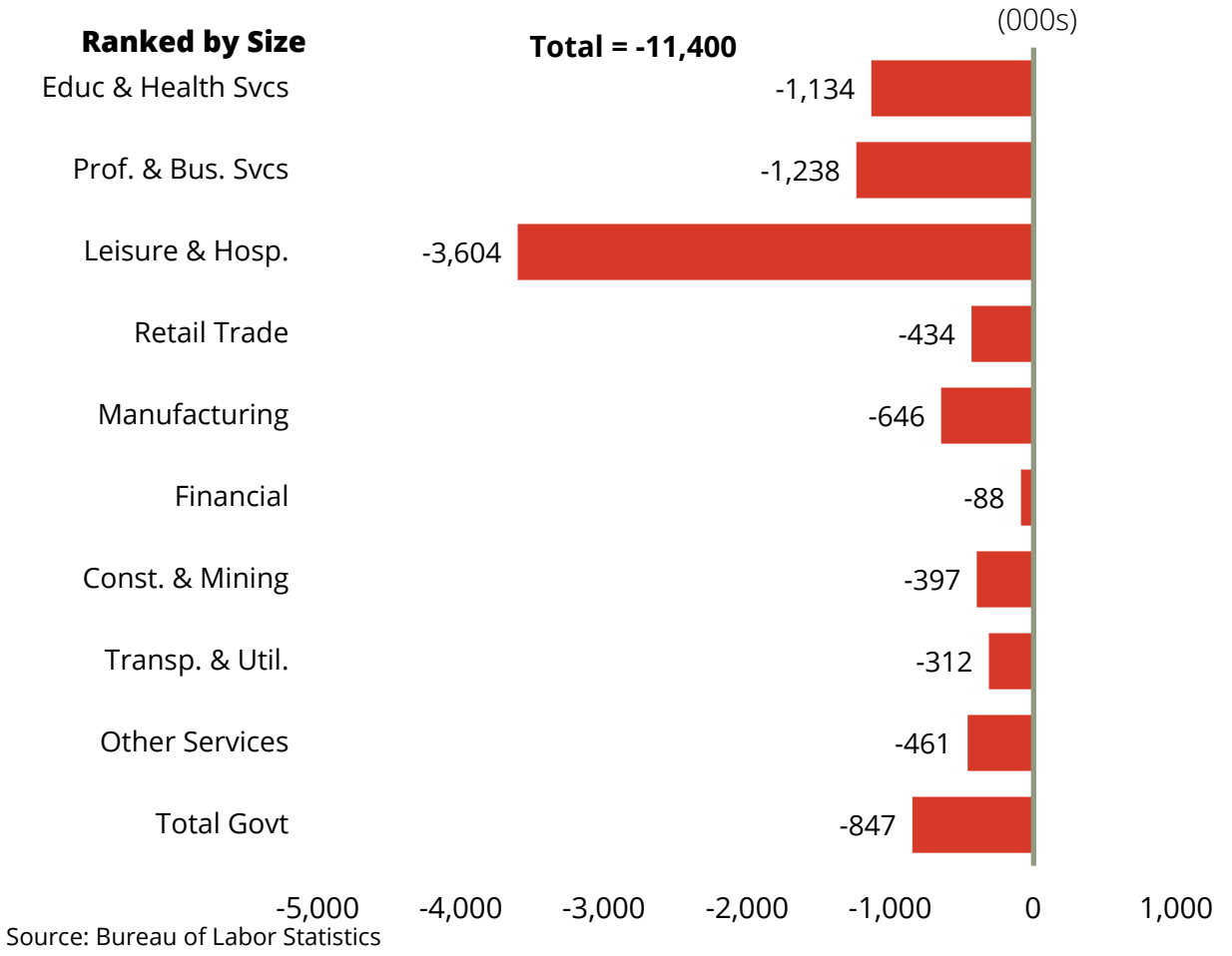
Figure 2
U.S. Annual Change in Jobs
(September to September Each Year)



Source: Bureau of Labor Statistics

〉 All private sectors of the economy have experienced large declines in jobs. The most significant negative impacts by far have been in the leisure and hospitality sector which dropped by 3.6 million jobs from September of 2019 to September of 2020. That is almost a third of all job losses. Other sectors with over a million lost jobs were Professional and Business Services and Health and Education Services. The Health sector losses were primarily in the areas of elective procedures, omitting regular checkups, and other health areas that could be put off until a later time. The leisure and hospitality sector has come back from its dramatic losses in April-May, but it will take a long time for the sector to fully recover.

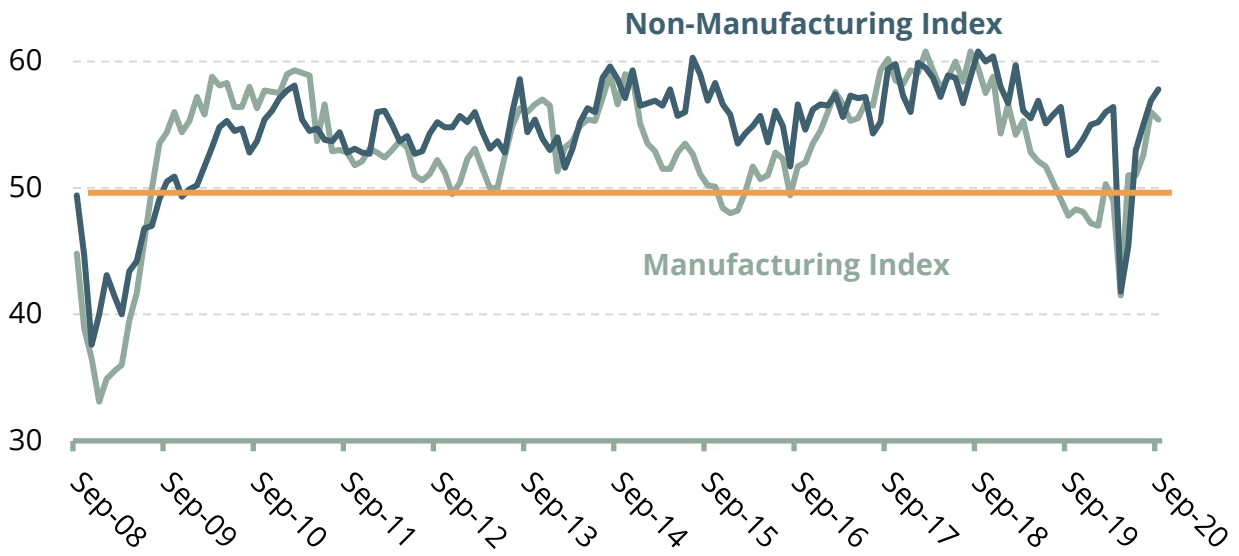
Figure 3
U.S. Payroll Job Change by Sector
Sep 2019 - Sep 2020



Source: Bureau of Labor Statistics

〉 Other measures, such as the manufacturing and non-manufacturing (services) sectors showed some sizeable bounce-backs in the summer. This may be due to many companies adapting and adjusting to operations to enable business continuity. Both the manufacturing and non-manufacturing indexes dropped approximately 20% through April but both indexes are back into expanding operations. Yet to comeback, however, are the numbers of jobs that support those activities.

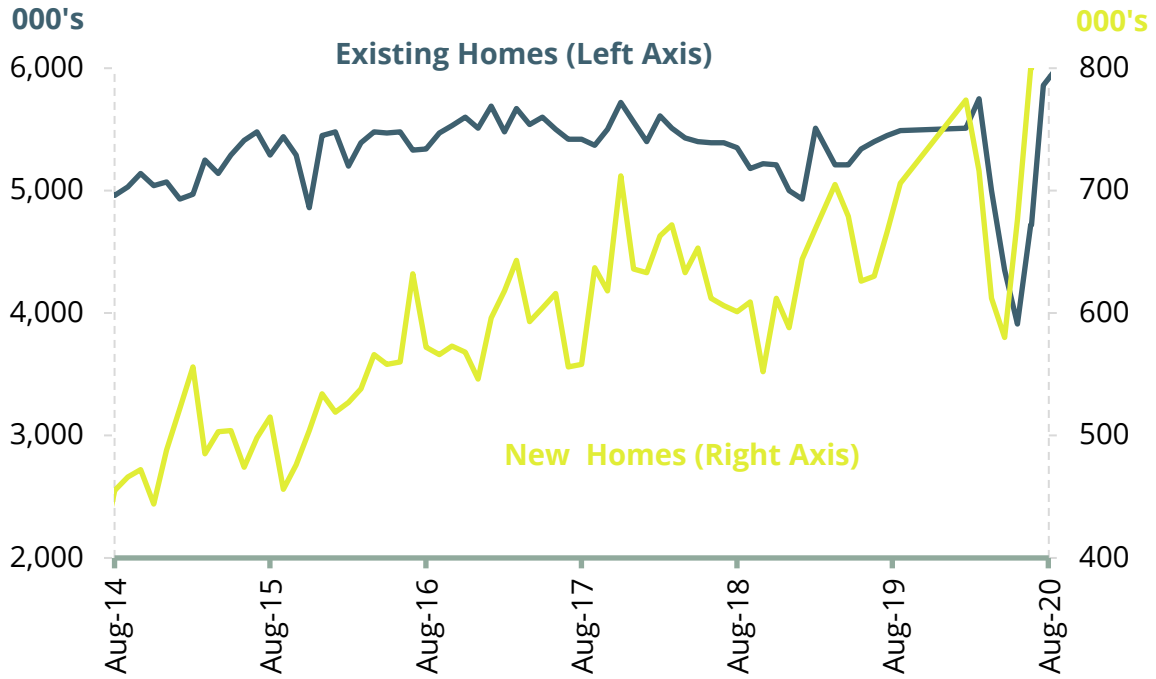
Figure 4
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Conference Board

〉 The national housing market is one of the two bright spots in the nation's economy and may have experienced the least impact from the virus in economic terms. The very low interest rates have supported not only a surge in refinancing but also purchasing of homes and building of new homes. New home sales reached the 700,000 annual rate last winter, and in the pandemic months have soared – to over 1,000,000 new home sales in August. Existing home sales reached the 6.0 million mark in July and likely above that in August. Home prices are rising significantly – up 11.4% from August 2019, and the average days on the market nationally is now in the 20s. Inventories are low, and materials and construction costs are rising rapidly because of the demand. Over time, the demand for homes will begin to reflect the increased demand for housing in areas where work-from-home will be easier to come by.

Figure 5
U.S. New and Existing Home Sales



Source: U.S Census Bureau, National Association of Realtors

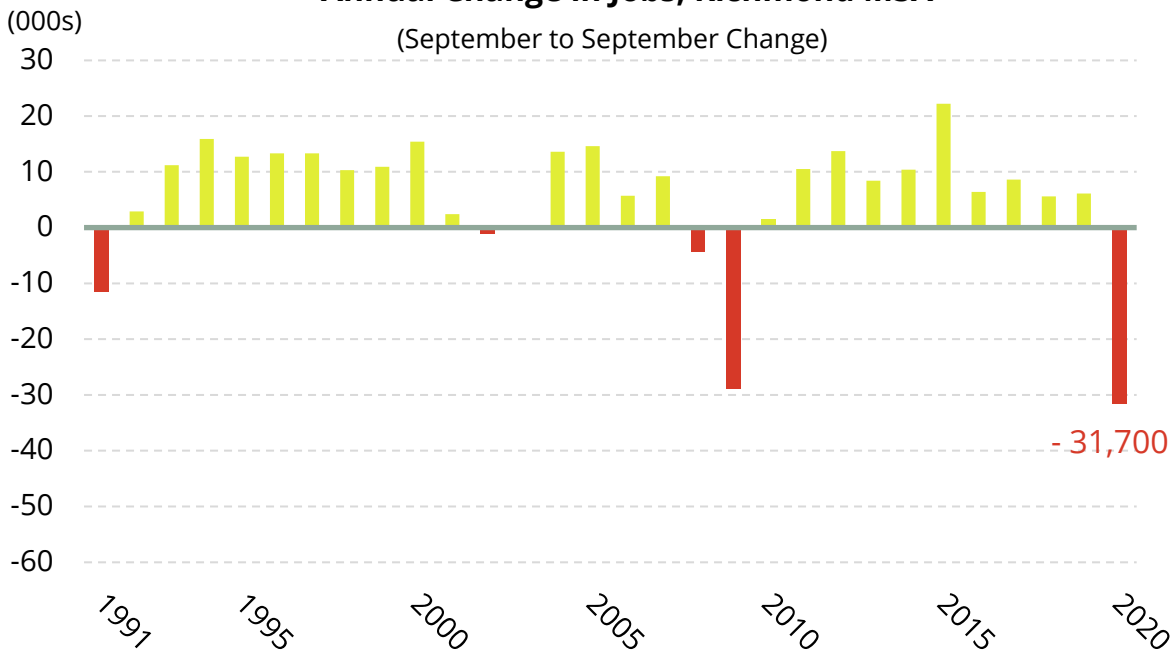
Clearly the nation's economy will continue to be restrained by the pandemic and will be in recession for some time ahead. Many scenarios are at play on when the country will be back from all the losses. It is likely that recovery will not be able to bring back all the losses until there is a vaccine that works and gets fully distributed to the nation's population. Most experts forecast that timetable as mid-2021 at the earliest, which would project full recovery likely in the second half 2021 and the first half of 2022. There are many unknowns and uncertainties yet to play out in this very difficult time for the nation and its economy.

Central Virginia Economic Trends

The economy of Central Virginia is not immune to what is happening in the rest of the country. The data for the region reflect similar changes in the economy with significant drops in jobs and the effects of those losses.

〉 As of June, the region had lost 53,300 jobs, but three months later in September there have been 22,000 jobs added back into the region's economy.

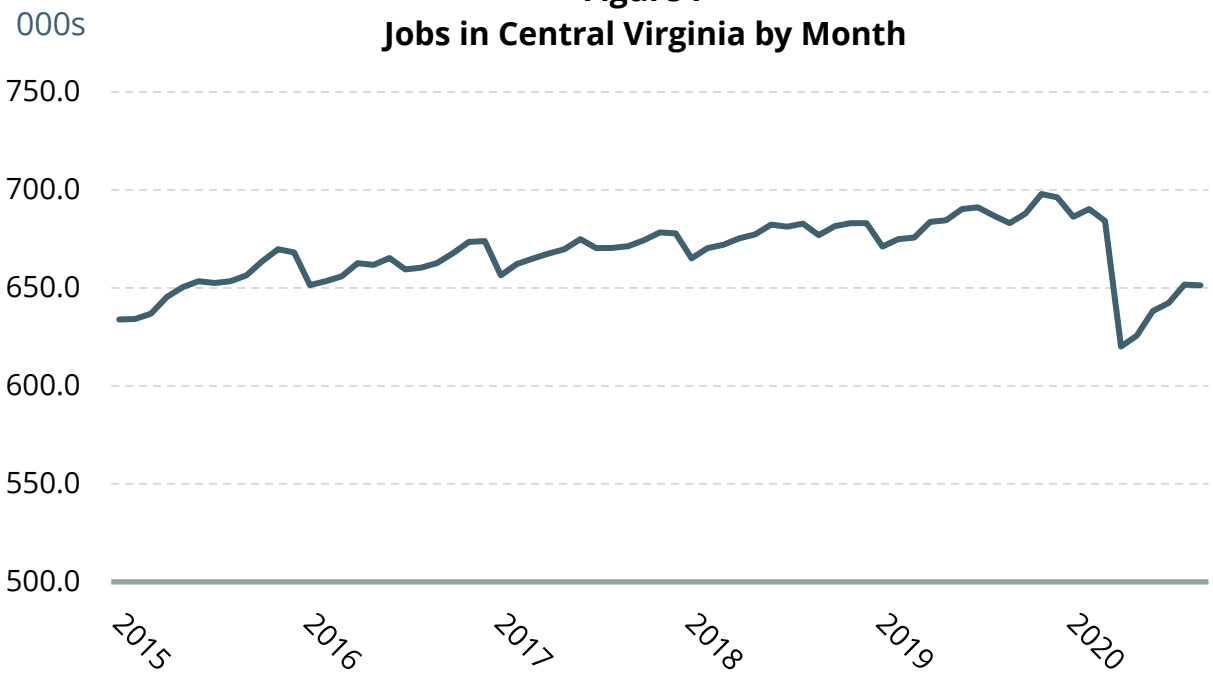
Figure 6
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

〉 From September 2019 to September 2020, the total job loss was at 31,700 jobs. This is only slightly more than the job loss in the 2008-9 recession. It is likely, however, that recovering all the lost jobs will take a little longer than the recovery of ten years ago. The sudden nature of the drop in economic activity has displaced many workers and getting all that labor force back in the right place will take some time. And a lot will depend on the status of the pandemic.

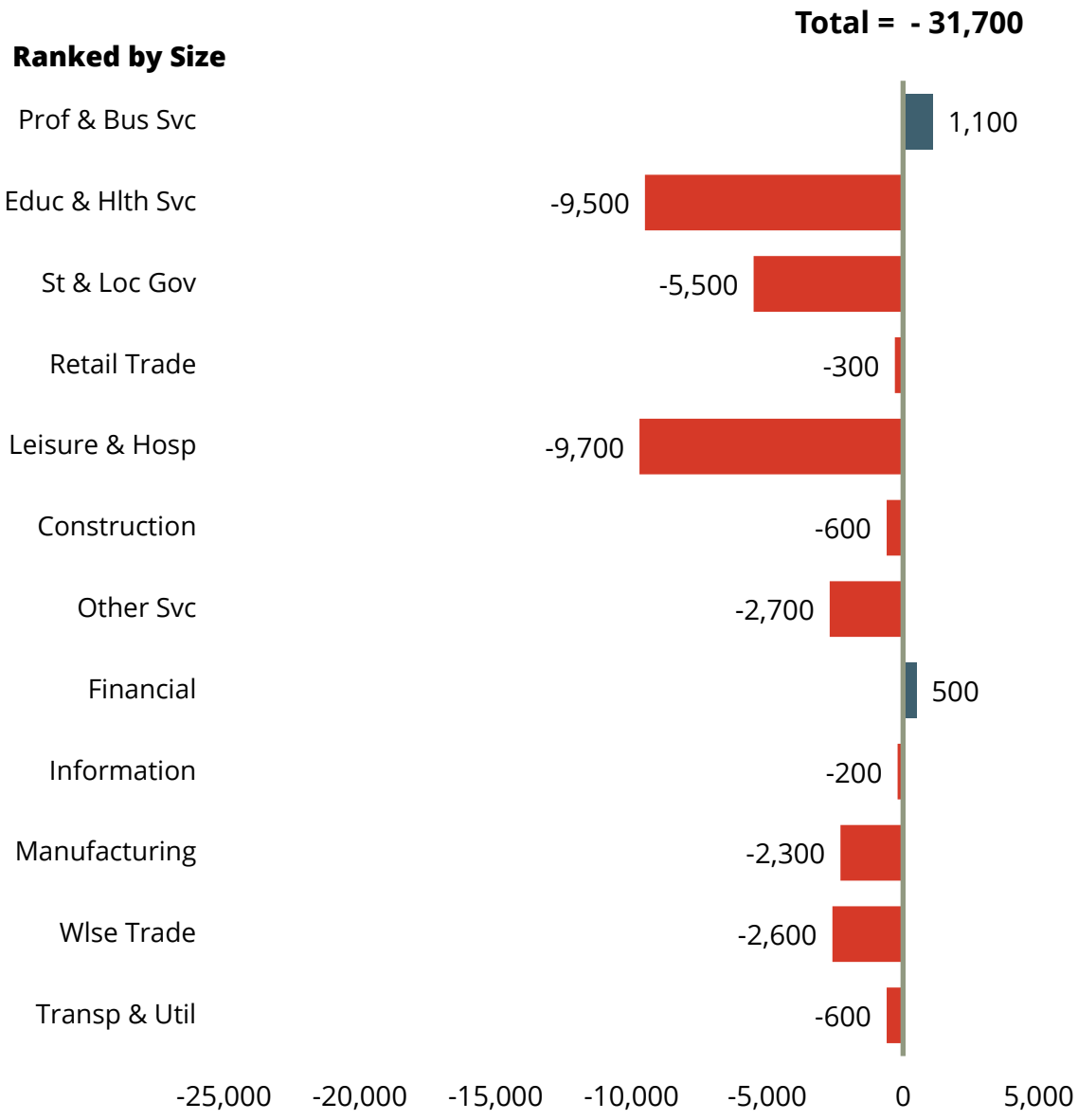
Figure 7
Jobs in Central Virginia by Month



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

› The Central Virginia region has had the most significant loss in the Leisure and Hospitality sector, having a drop of 18,600 jobs since June of 2019. But the loss in that sector as of September is only 9,700 – a good recovery given the situation. The other sector with almost as many losses is the Health sector with a loss of 9,500 jobs which is due to the elective type health services. The sector with third most job losses is State and Local Government. The other economic sectors' losses are fairly moderate compared to those three sectors. Professional and Business Services and Financial Services have experienced growth in jobs over the past twelve months of September 2019 to September 2020.

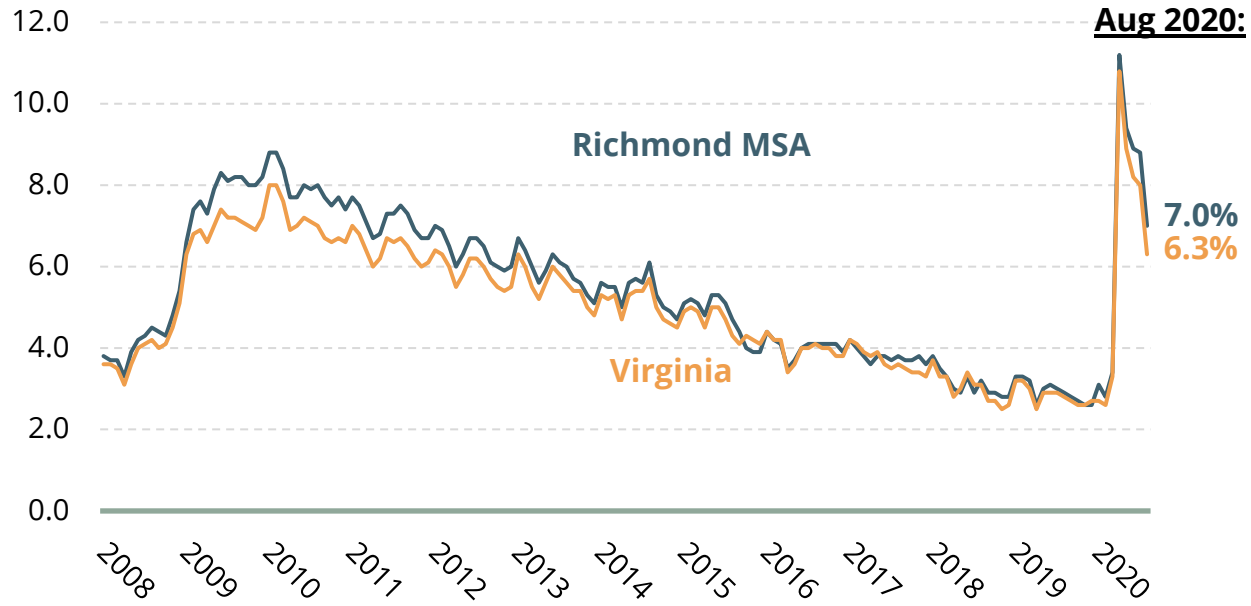
Figure 8
Job Change by Industry
Richmond MSA
Sep 2019 to Sep 2020



Source: U.S. Bureau of Labor Statistics

› The unemployment rate in the Richmond MSA rose up to just over 11 percent in April and has dropped back to 7.0 percent in August.

Figure 9
Unemployment Rate



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

The Central Virginia economy has been severely impacted by the pandemic, but not as much as many metropolitan areas. Virginia has fared better than most states in the number of cases and deaths due to the virus. The region's economic sectors have rebounded fairly well. If that trend continues, the region's economy will be better able to return to more normal conditions in the months ahead. The housing market is in an expansion mode with low interest rates, low inventories, and high demand.

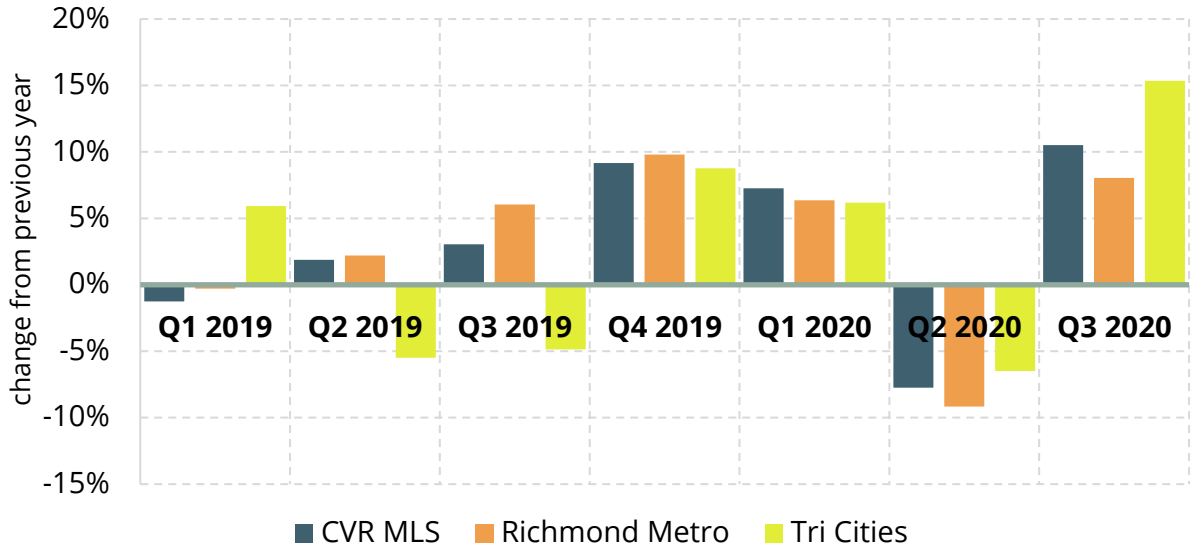
Housing Market Overview

The Central Virginia housing market had a busy summer. Sales activity surged in most local areas in the 3rd quarter, and home prices are climbing throughout the region. The jump in activity this quarter reflects pent-up demand from the market slowdown that occurred in the early months of the on-going pandemic. The shortage of homes that are available in the market continues to be a major factor in the Central Virginia region. The inventory of active listings is shrinking rapidly to the point that there is now only 1.5 months of supply in the Central Virginia market, the lowest level of any quarter in more than 5 years.

Sales

The housing market through much of the Central Virginia region bounced back in the summer following a slowdown in the spring. There were 6,701 total sales during the 3rd quarter in the region, an 11% increase from last year, which is an influx of 637 sales. The strong growth in sales activity this summer likely reflects some buyers who have resumed their home searches following a pause in the early months of the on-going pandemic. The total number of sales statewide jumped up 17% in the 3rd quarter compared to last year, which reflects a widespread rebound in housing markets around the Commonwealth. The increase in sales was fairly widespread in the region this quarter, occurring in 12 of the 16 local jurisdictions in the CVRMLS footprint.

Figure 10
Percent Change in Home Sales



Source: Virginia REALTORS®, data accessed October 15, 2020

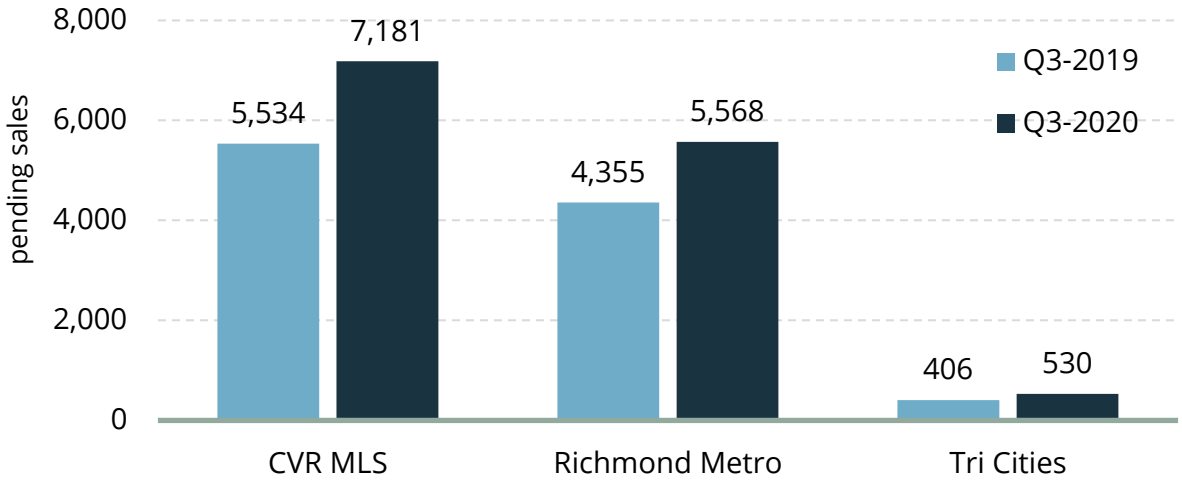
[1]The Central Virginia region includes: Counties of Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, Louisa, Powhatan, New Kent, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg, Richmond

There were 5,198 sales in the Richmond Metro Area[2] in the 3rd quarter, an 8% increase from a year ago, which is 387 more sales. Chesterfield County led the local markets in the Richmond Metro Area in sales growth, with 2,158 sales this summer, 231 more than last year (+12%). Hanover County and the City of Richmond housing markets also experienced an increase in activity over the summer, with 25% and 5% more sales respectively. Henrico County was the only local market to have a modest decline in sales, inching down 1% from the 3rd quarter last year, a decrease of 19 sales. While sales were down in Henrico overall for the summer (which covers the months of July, August, and September), it's important to note that sales increased in September, which signals a busy fall market could be underway in the County.

The Tri-Cities Area[3] housing market also rebounded this summer. There were 496 sales in the Tri-Cities housing market during the 3rd quarter, a 15% jump from last year, a gain of 66 sales. The City of Peterburg had the strongest sales growth this quarter, with 123 sales, 37 more than last year, a 43% surge. The Dinwiddie County market also had a busy summer with 98 sales overall, 31% more than last year, an increase of 23 sales. Sales continue to be sluggish in the City of Colonial Heights and Prince George County, down 5% and 6% respectively compared to the 3rd quarter of last year.

In addition to more closed sales, pending sales activity is surging in the Central Virginia region, evidence of pent-up demand in the market from the slowdown earlier this year. There were 7,181 pending sales across the CVRMLS footprint, a 30% spike from a year ago, an increase of 1,647 pending sales. This is by far the largest surge in pending sales the region has had during any quarter in more than 5 years.

Figure 11
Pending Sales, 3rd Quarter



Source: Virginia REALTORS®, data accessed October 15, 2020

[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

The surge in pending sales is widespread in the Central Virginia housing market with 14 of the 16 local areas having large increases in pending sales this summer compared to last year. Notably all 14 growth areas had double-digit percentage gains in pending sales this summer.

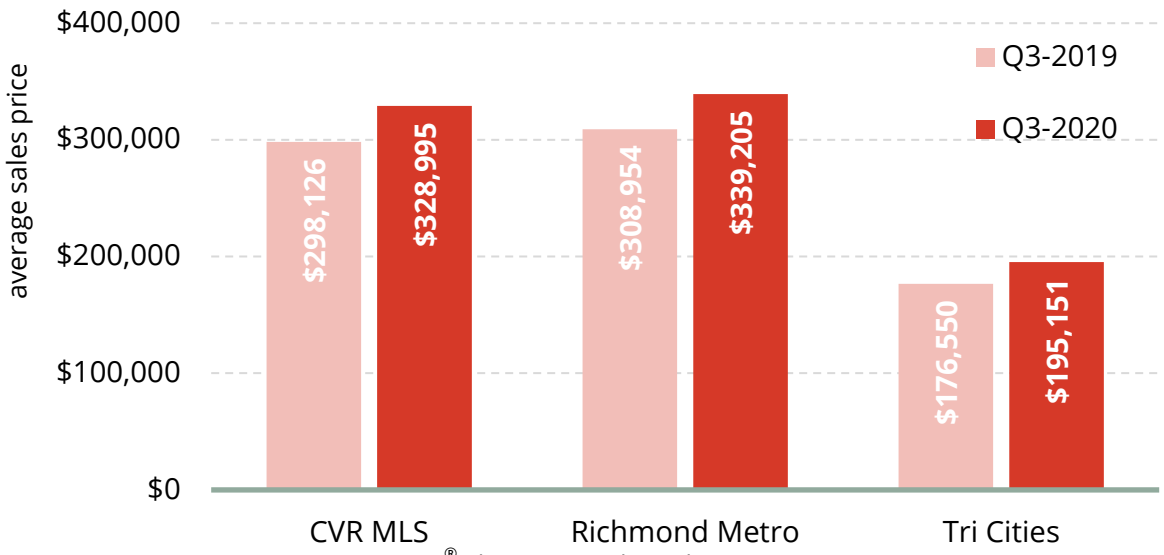
There were 5,568 pending sales in the Richmond Metro Area during the 3rd quarter, a 28% spike from last year, an increase of 1,213 pending sales. All local markets in the Richmond Metro Area had strong pending sales growth this quarter led by Hanover County (+40%) and Chesterfield County (+39%). There were 1,552 pending sales in Henrico County in the 3rd quarter, 176 more pending sales than last year, a 13% increase. There were 530 pending sales in the Tri-Cities market this quarter, 31% more than a year ago, an increase of 124. The City of Petersburg led the Tri-Cities area with 134 pending sales in the 3rd quarter, a 68% jump from last year. The City of Hopewell also had a large increase in pending sales in the 3rd quarter, up 26% from last year. The City of Colonial Heights was the only local market in the Tri-Cities region to have fewer pending sales this quarter, down 5%, or 4 fewer pending sales.

Prices

Home prices are rising throughout the entire Central Virginia region. At $290,000, the 3rd quarter median sales price rose 9% from this time last year, a gain of $25,000. The average sales price in the region was $328,995, 10% higher than last year, a gain of nearly $31,000. Prices have been climbing steadily for many years in the region, as buyers remain active in the market and the inventory of homes available continues to shrink. The median sales price in Central Virginia is now $71,000 higher than it was in the 3rd quarter 5 years ago.

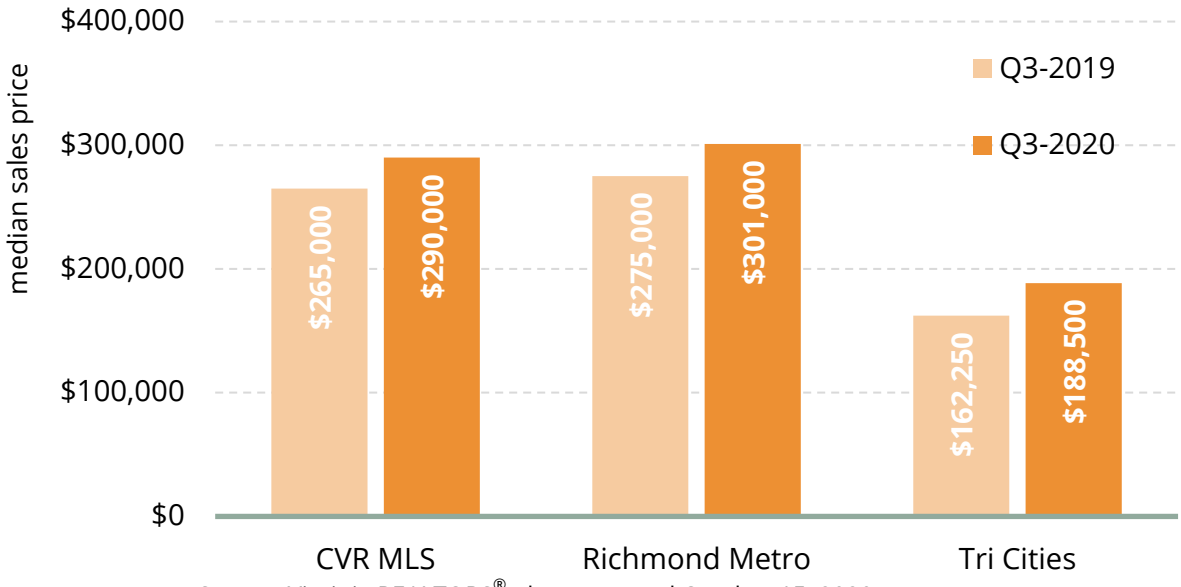
For the first time in more than 5 years, all 16 jurisdictions in the CVRMLS footprint had sales price growth this quarter compared to last year. The median sales price in the Richmond Metro Area was $301,000 in the 3rd quarter, up 9% from last year, a gain of $26,000. All local markets in the Richmond Metro Area had higher prices this quarter. The largest growth occurred in Hanover County (+14%), and the City of Richmond (+12%), up $43,050 and $31,255 respectively. At $188,500, the 3rd quarter median sales price in the Tri-Cities area housing market jumped up 16% from a year ago, a gain of $26,250. The cities of Hopewell and Petersburg had the largest price gains, up 21% and 25% respectively from last year. Price growth in the City of Colonial Heights was also strong this quarter, rising more than $30,000 from a year ago, an 18% increase.

Figure 12
Average Sales Price, 3rd Quarter



Source: Virginia REALTORS®, data accessed October 15, 2020

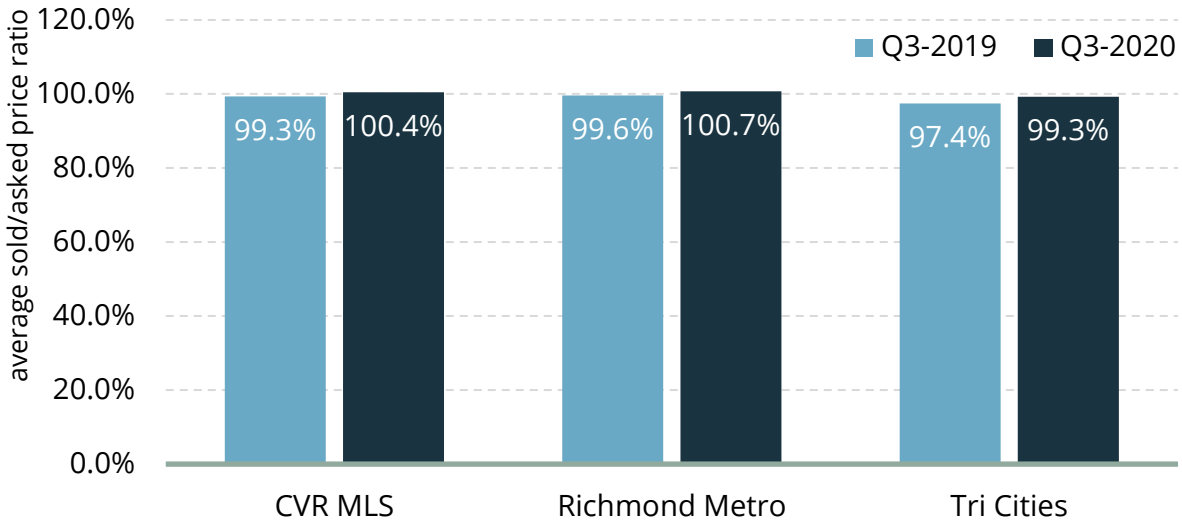
Figure 13
Median Sales Price, 3rd Quarter



Source: Virginia REALTORS®, data accessed October 15, 2020

The rising sales prices continue to push up the average sold to ask price ratio in the Central Virginia housing market. On average, homes that sold in the region during the 3rd quarter sold for 100.4% of the asking price, up from 99.3% a year ago. This represents the highest average sold to ask price ratio the region has had in more than 5 years. At 100.7%, the 3rd quarter average sold to ask price ratio in the Richmond Metro Area climbed up from 99.6% a year ago. In the Tri-Cities market, this metric rose to 99.3% in the 3rd quarter, up from 97.4% last year.

Figure 14
Average Sold/Asked Price Ratio, 3rd Quarter

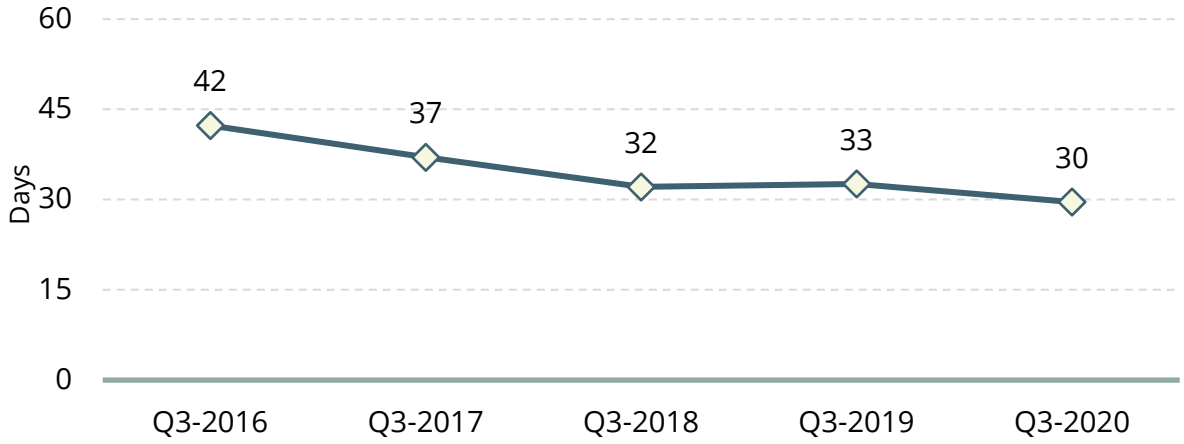


Source: Virginia REALTORS®, data accessed October 15, 2020

Days on Market

Homes continue to sell faster in the Central Virginia region. At 30 days, the 3rd quarter average days on market was 3 days faster than last year. Similar trends are occurring in most of the local markets. The average days on market during the 3rd quarter in the Richmond Metro Area was 26 days, also 3 days faster than last year. Homes sold in about a month on average (32 days) in the Tri-Cities market in the 3rd quarter, 12 days faster than this time last year. The consistency of these downward trends in days on market are largely driven by the low level of active listings that are available. Statewide, homes sold in 39 days, on average, during the 3rd quarter, which is 5 days faster than last year.

Figure 15
3rd Quarter Average Days on Market, CVR MLS
2016-2019



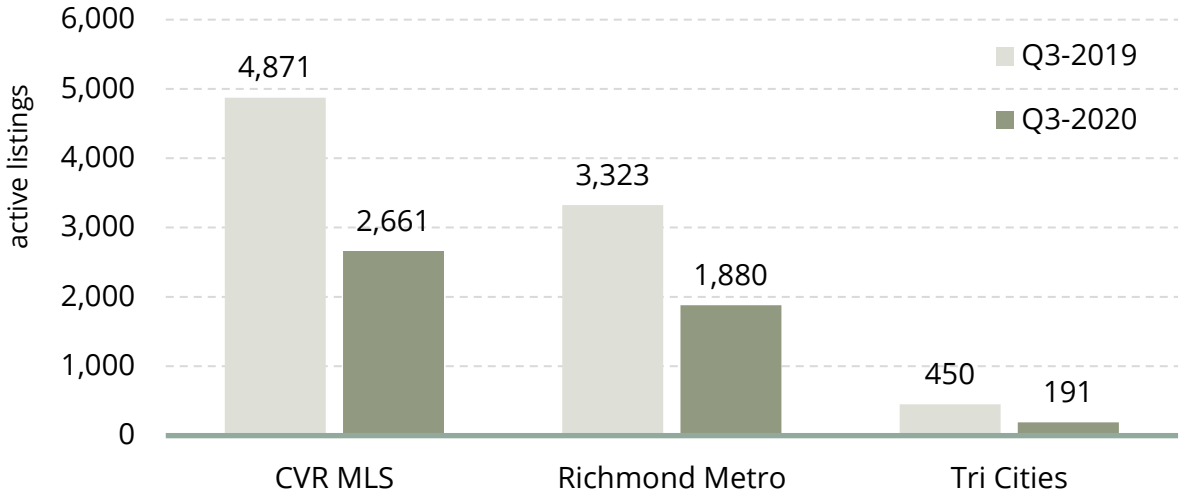
Source: Virginia REALTORS®, data accessed October 15, 2020

Inventory

The inventory shortage in the Central Virginia housing market is rapidly getting worse. There were 2,661 active listings on the market in the region at the end of the 3rd quarter, a 45% plunge from a year ago, a decline of 2,210 listings. The supply shrinkage is occurring throughout the region, all 16 jurisdictions had fewer active listings compared to last year. Similar inventory trends continue to occur in other regional housing markets across the Commonwealth. There is buyer demand in much of the Central Virginia market as evidenced by growing sales activity; however, the persistent shortage of active listings could be dampening sales totals in some local areas, if buyers in those markets are unable to find homes in their price range or homes that fit their needs. The overall supply of active listings in Virginia at the end of the 3rd quarter was 39% lower than it was last year.

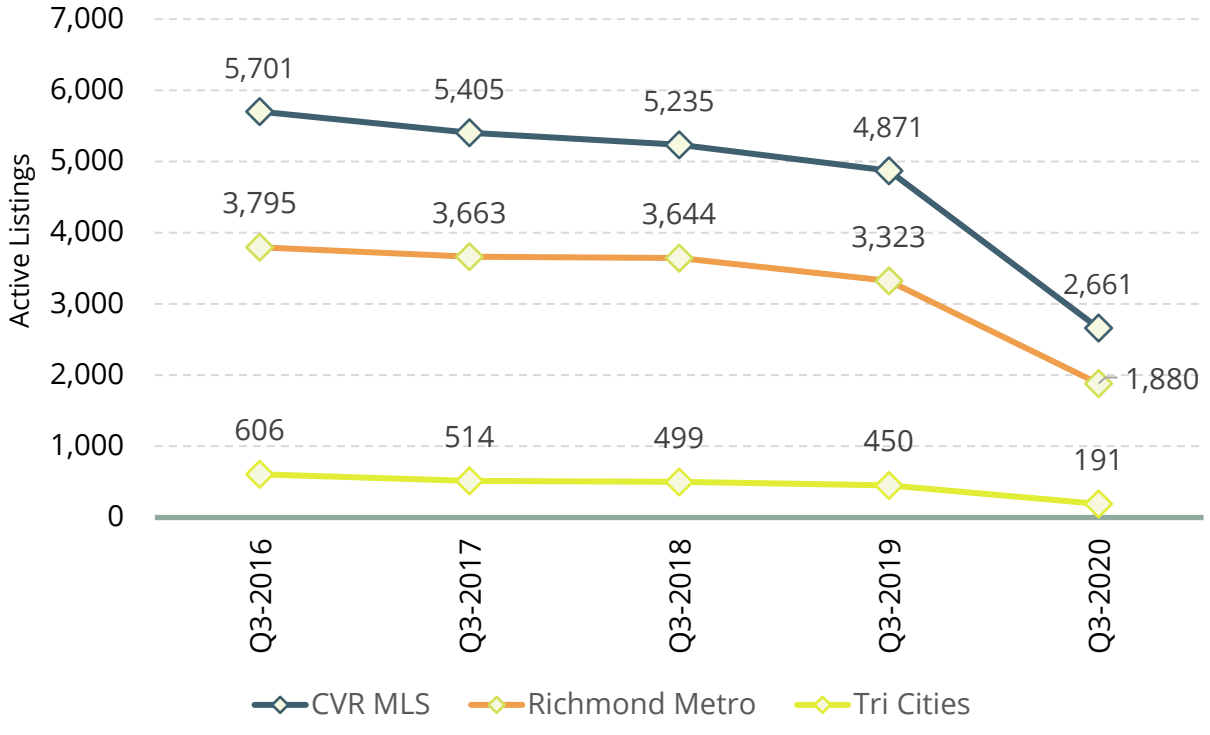
There were 1,880 active listings on the market in the Richmond Metro Area at the end of the 3rd quarter, down 43% from last year, a decrease of 1,443 listings. Henrico County saw the largest inventory reduction in the metro area. There were just 416 active listings on the market in the County at the end of the 3rd quarter, less than half (-52%) the number of listings as a year ago. With 732 active listings Chesterfield County also had only about a half of the inventory it had at this time last year, falling 48%. There were 191 active listings on the market in the Tri-Cities region at the end of the 3rd quarter, a reduction of 259 listings from a year ago, a 58% drop. All 5 of the local jurisdictions in the Tri-Cities area had their housing market inventory cut in half compared to last year. The City of Hopewell had the most dramatic decline, falling 63% from last year.

Figure 16
Active Listings, 3rd Quarter



Source: Virginia REALTORS®, data accessed October 15, 2020

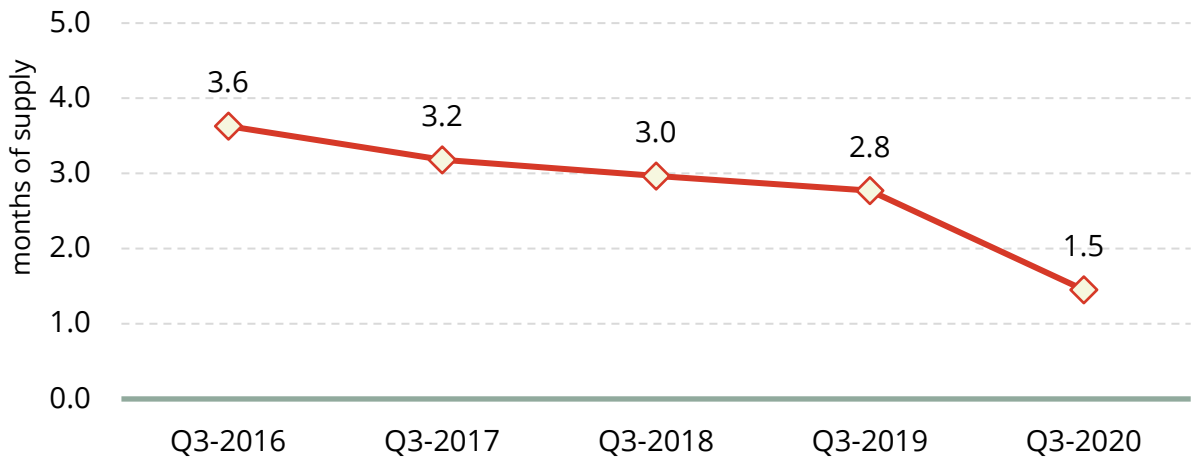
Figure 17
End of 3rd Quarter Active Listings



Source: Virginia REALTORS®, data accessed October 15, 2020

The surge in sales activity and sharp reduction of active listings continues to push down the housing supply in the Central Virginia area. There was approximately 1.5 months of supply across the CVRMLS footprint at the end of the 3rd quarter, down from 2.8 months last year. 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 3rd Quarter Months Supply, CVR MLS
2016-2019



Source: Virginia REALTORS®, data accessed October 15, 2020

Outlook

There continues to be many unknowns heading into the last quarter of 2020. From the election in early November, to the timing of some of the initial COVID-19 vaccines. The national, regional, and local economies continue to be impacted by multi-layered uncertainty. The Central Virginia regional economy lost thousands of jobs this year, and while some job recovery has occurred in the 3rd quarter, the unemployment rate is still more than double the rate it was a year ago. Despite all of the uncertainty, the housing market appears to be one of the bright spots both locally and beyond. Closed sales and pending sales are surging in the region, and prices continue to climb. This is largely being fueled by increasingly low mortgage interest rates, which are likely to remain so well into 2021, providing attractive financing options for those active in the housing market. The demand is high in most of the local housing markets in the region, and this should continue to drive up sales and prices. The inventory shortage will remain a major factor as the year comes to and end and will likely continue to push up prices and create a very competitive market for buyers.

Virginia REALTORS®

The Virginia REALTORS® association is one of the largest professional trade associations 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.

NOTE: The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict code of ethics.

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.