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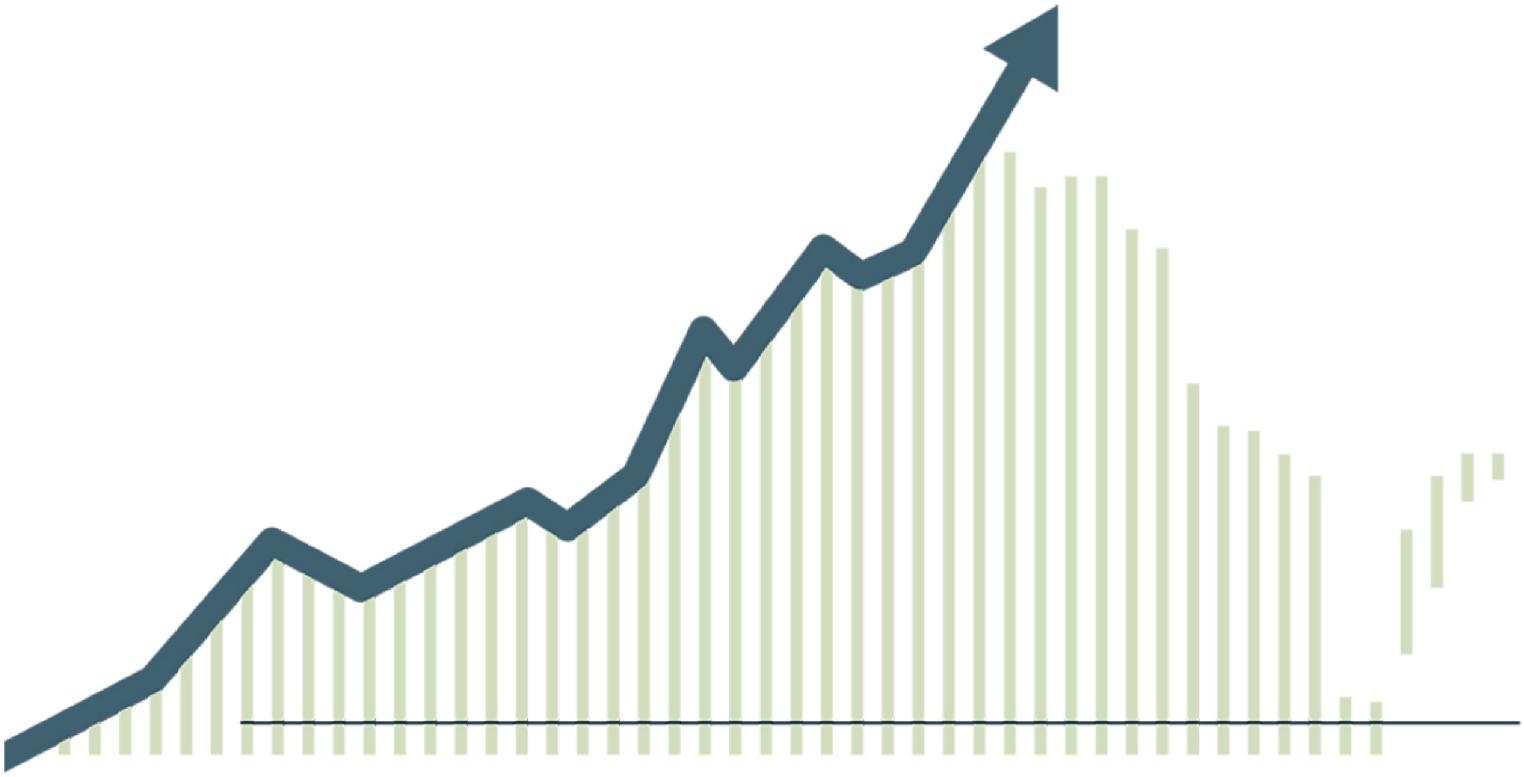


CVRMLS CENTRAL VIRGINIA MLS
HOME SALES REPORT

CUSTOM REPORT PREPARED BY
VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

4th Quarter 2020

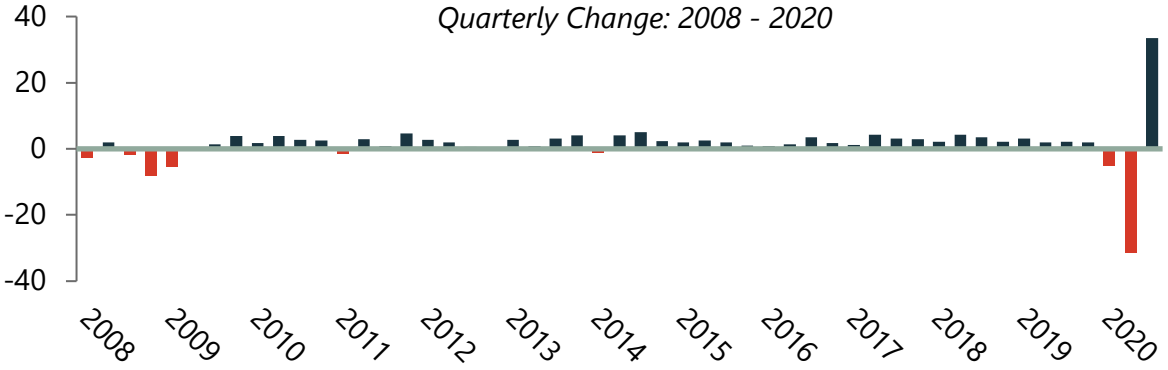
National Economic Overview

The U.S. economy bounced back significantly in the summer and into the fall, but the COVID-19 pandemic continues to be the key factor in determining the pace of economic recovery as a new year starts. A stimulus package will be a top priority in Congress as new leadership takes the reins, while the new President's plans and programs for vaccine distribution will be vital to getting people back to work and the economy achieving full recovery.

Two bright areas of the economy throughout the pandemic have been the housing market and the capital markets. The low interest rates and the increasing demand for housing have resulted in significant increases in sales and prices, with mortgage rates at record low levels. The stock market ended the year with healthy gains, despite the drops in economic measures; as investors believe that as soon as the pandemic is controlled, normal growth will return. And despite serious increases in COVID-19 cases and deaths through the fall and into 2021, GDP has gained most of what it lost in the spring/summer of 2020. The ISM indexes of manufacturing and services also show healthy gains over the last half of 2020.

- In the first quarter of 2020, Gross Domestic Product dropped 5.0% and fell much further in the second quarter with a drop of another 31.4%. But in the third quarter GDP bounced back with an increase of 33.4%.

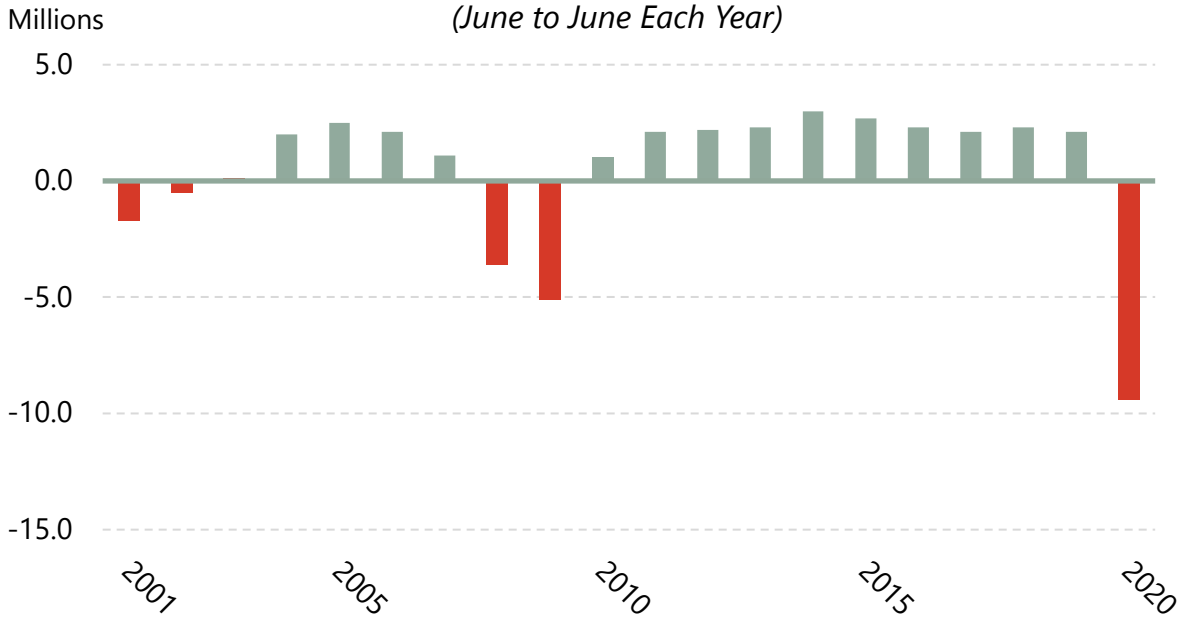
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2020



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. For the period from September 2019 to September 2020, job losses were down by 11.4 million. From the April 2020 low point of 19.9 million lost jobs, an upward trend emerged. By September eight million jobs were added back into the economy. That trend seems to have continued through late fall; but lurking on the horizon is the possibility of some additional shutdowns, as COVID-19 cases are on the rise and the country seems to be headed back into some constraints on economic activity. The rise in GDP has yet to bring back all the jobs; as of December 2020, the country has experienced a loss of 9.4 million jobs compared to a year prior. For context, the magnitude of current job losses is approximately the level that occurred in the recession of 2008-2010.

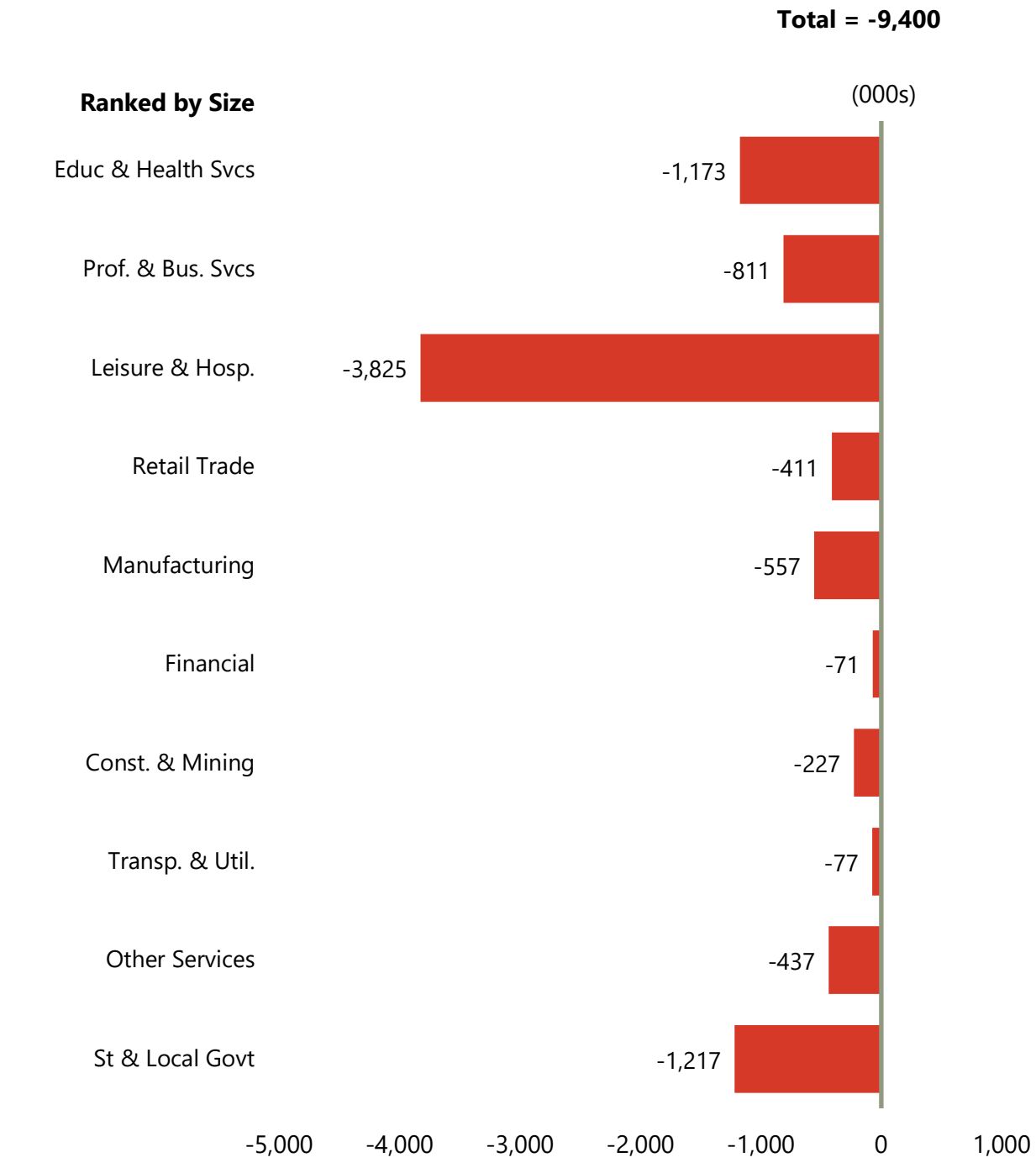
Figure 2
U.S. Annual Change in Jobs
(June to June Each Year)



Source: Bureau of Labor Statistics

› All private sector components of the economy have experienced large declines of jobs. The most significant negative impacts by far have been in the leisure and hospitality sector, which lost 3.8 million jobs from December 2019 to December 2020. That is more than 40 percent of all job losses. Other sectors that lost over a million jobs were State and Local Government, with a loss of 1.22 million jobs and Health and Education Services, with a loss of 1.17 million jobs.

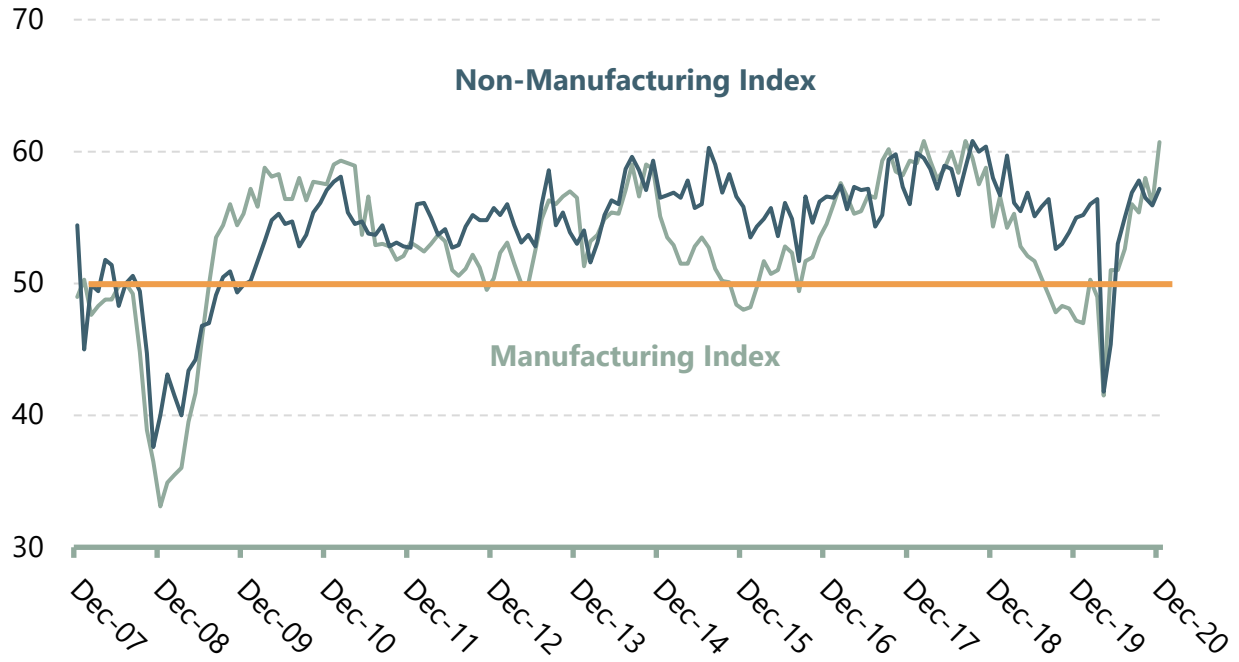
Figure 3
U.S. Payroll Job Change by Sector
Dec 2019 - Dec 2020



Bureau of Labor Statistics

〉 As measured by the Institute for Supply Management, manufacturing and non-manufacturing (services) sectors have shown sizeable bounce-backs since the summer and early fall. This may be due to many companies adapting and adjusting operations to enable business continuity. Activity levels in both of those sectors – which represent a sizeable portion of economic activity – are at levels equal to or slightly above the indexes of the past four years.

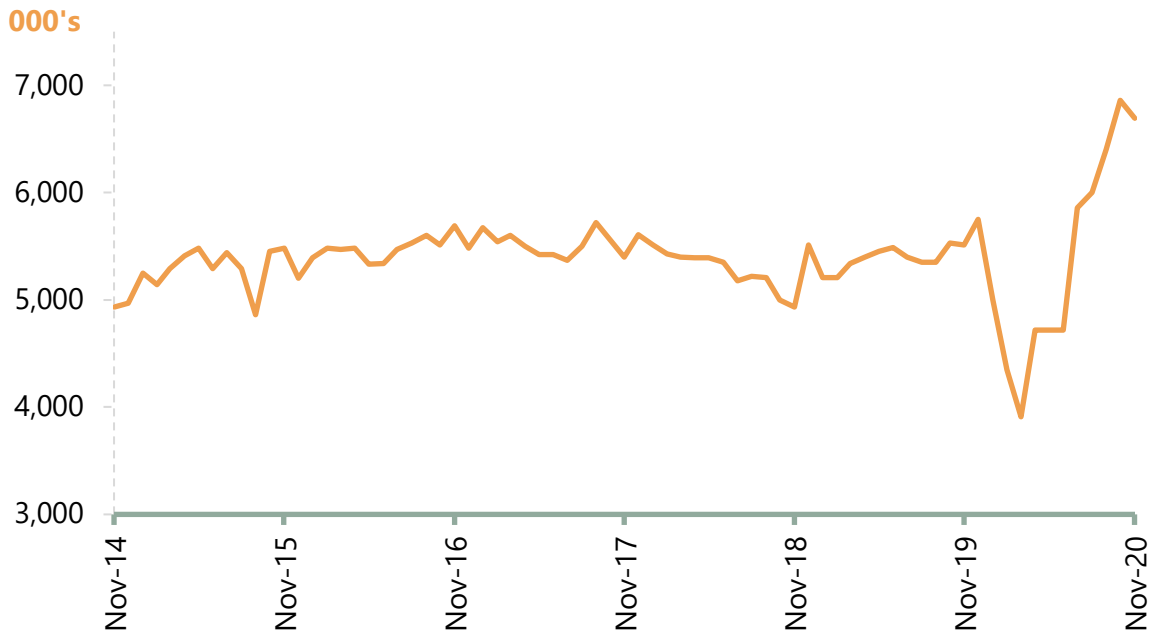
Figure 4
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Conference Board

› The national housing market was a generally positive element in the nation's economy in 2020. Very low interest rates have supported not only a surge in refinancing, but also purchasing of homes and building of new homes. The level of existing home sales has generally been in the annual rate of 5 million for the last several years. When the pandemic started in the early spring of 2020, sales plummeted to a rate of slightly under 4 million home sales. Then as interest rates dropped further, sales surged to well above 5 million nationally; and in late summer and fall went above 6 million sales. As of November, annual sales of existing homes were at 6.69 million, which is an increase of 25.8% from November 2019. Prices have soared as well, an increase of 14.6% in November 2020 compared to November 2019. In the year ahead, interest rates are not expected to rise much; however, as conditions improve in the summer and fall, it is likely that there will be some increase in rates.

Figure 5
U.S. Existing Home Sales



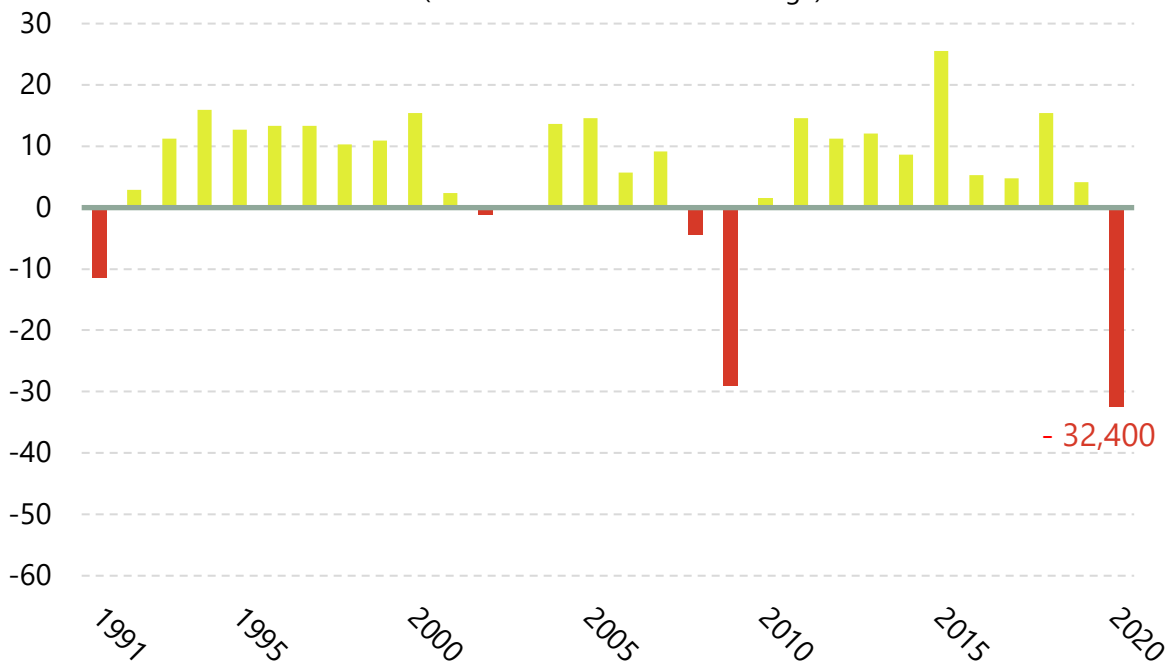
Source: U.S Census Bureau, National Association of Realtors

The economy of Central Virginia has endured the conditions better than most but has had significant drops in some sectors.

〉 Overall, there were 32,400 jobs lost in the region between November 2019 and November 2020. That represents almost 5% of total jobs in the region and is about the same amount of loss that the region experienced in the recession of 2008-2010.

Figure 6
Annual Change in Jobs, Richmond MSA

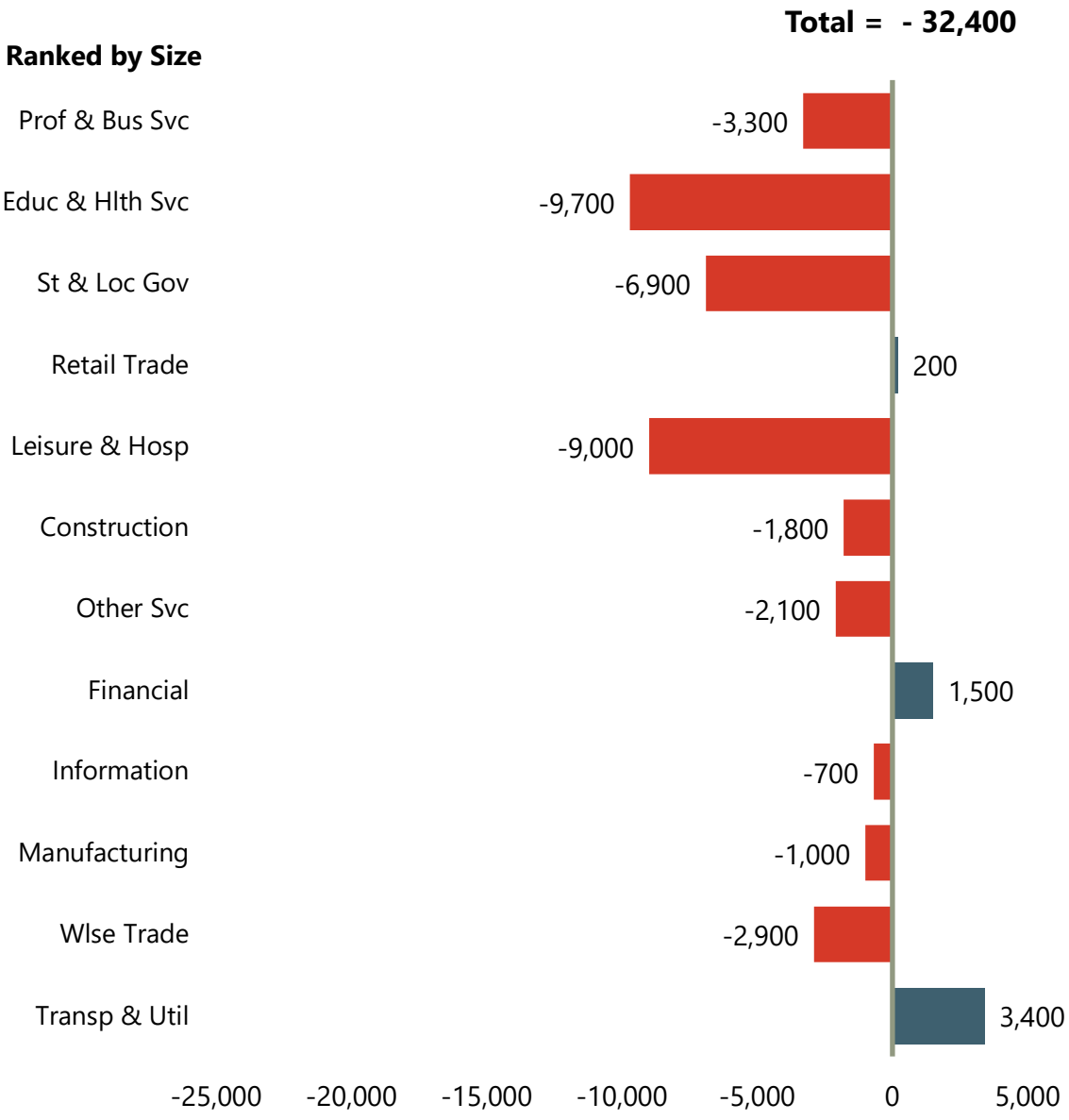
(November to November Change)



Source: Bureau of Labor Statistics

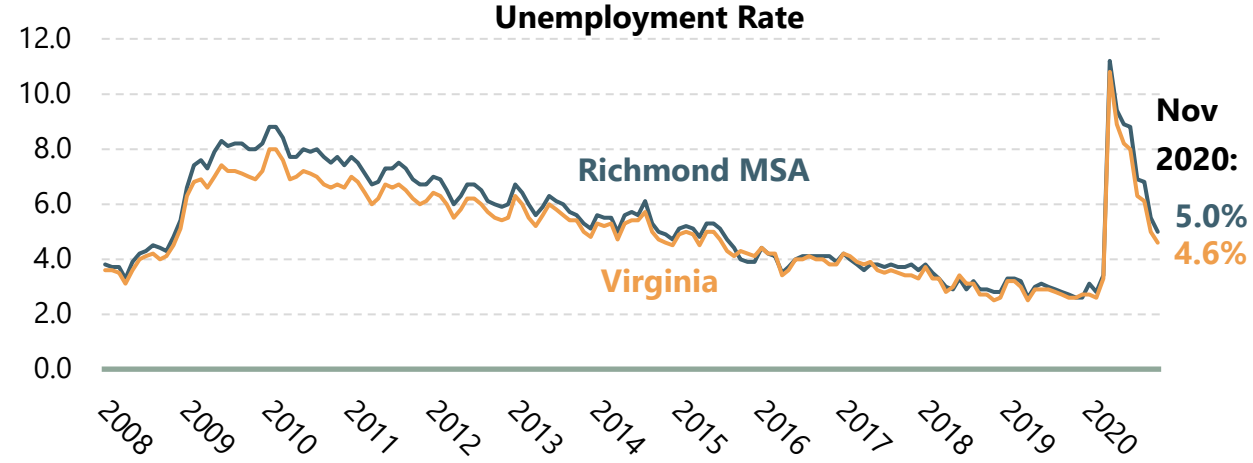
〉 The Central Virginia region has had significant job losses in the Leisure and Hospitality Services and the Health and Education sectors. Those two sectors account for almost 60% of the region's job losses. The sector with the third most losses is State and Local Government. The Transportation/Utilities sector and the Financial Services sector actually had job gains since the beginning of the pandemic.

Figure 7
Job Change by Industry
Richmond MSA
Nov 2019 to Nov 2020



› The region's unemployment rate rose above 11% last spring and has improved substantially since then. As of November, the region's unemployment rate had improved to 5.0%. That is a lower unemployment rate than the region experienced in 2009-2012.

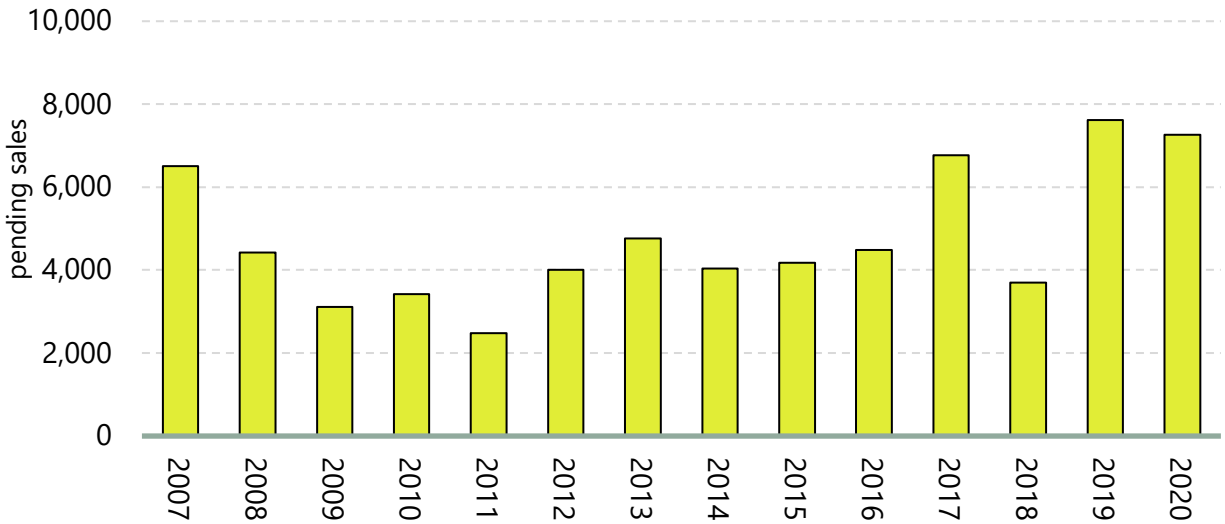
Figure 8
Unemployment Rate



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

〉 Reflecting the good conditions in the housing market regionally, building permits are only slightly down in 2020 compared to 2019.

Figure 9
Building Permits Jan-Nov Each Year, Richmond MSA
(Total Housing Units)



Housing Market Overview

The Central Virginia housing market[1] experienced significant growth over the past year. Even with the pandemic-related slowdown in the spring, the total sales activity in 2020 far outpaced 2019. Most of the growth occurred in the 2nd half of the year, a reflection of pent-up demand in the market. In addition, sales prices are surging in the region, which is largely being driven by increased buyer activity and the tight inventory of homes listed for sale. The inventory in the Central Virginia footprint continues to shrink rapidly, and there is now only one month of supply in the region's housing market.

Sales

It was a very busy year overall in the Central Virginia housing market. There were 23,171 total sales in 2020 throughout the region, an increase of 1,644 sales compared to 2019, which represents a 7.6% gain. Both the Richmond Metro Area[2] and the Tri-Cities Area[3] saw significant market growth with 6.1% and 10% more sales respectively, compared to the 2019 totals.

Figure 10: Annual Sales and Price Changes, 2019 - 2020

	Sales			Median Price ($)			Average Prices ($)		
	2019	2020	% Change	2019	2020	% Change	2019	2020	% Change
Central Virginia MLS	21,527	23,171	7.6%	$259,950	$280,000	7.7%	$293,824	$319,894	8.9%
Richmond Metro	16,946	17,979	6.1%	$267,000	$292,000	9.4%	$300,749	$329,689	9.6%
Tri Cities	1,614	1,775	10.0%	$163,250	$180,900	10.8%	$172,135	$188,050	9.2%

Source: Virginia REALTORS®, data accessed January 15, 2021

[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

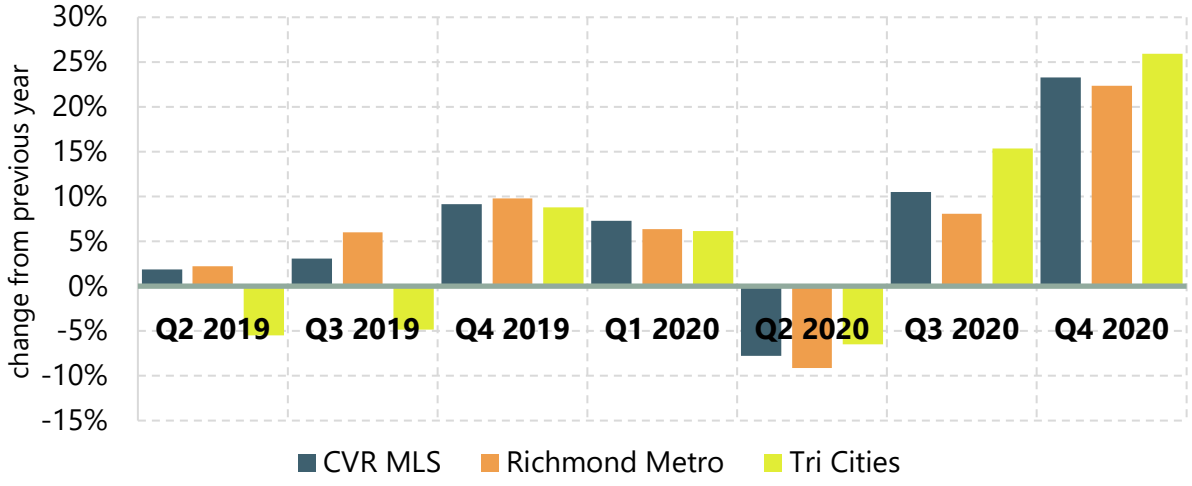
[3]The Tri-Cities Area includes: Counties of Dinwiddie, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg

The 4th quarter was by far the busiest quarter in 2020 for the Central Virginia housing market. There were 6,361 sales overall in the 4th quarter, a 23% surge from last year, which is an increase of 1,202 sales. This is the largest increase in sales activity of any quarter in more than five years. The strong growth in the 4th quarter is a continuation of the pent-up demand from earlier in the year. The sales growth occurred in nearly all of the local markets (15 of 16 jurisdictions) and occurred in all 3 months of the 4th quarter. The number of home sales statewide was up 28% in the 4th quarter compared to a year ago.

There were 4,938 sales in the Richmond Metro Area during the 4th quarter, an additional 902 sales compared to this time last year, which is a 22% jump. All local markets in the Richmond Metro Area had double-digit sales growth this quarter. The strongest gains occurred in Chesterfield County where there were 2,061 sales in the 4th quarter, 466 more than last year, representing a 29% increase. The Henrico County housing market also had a large influx of activity this quarter; 213 more sales than last year, which is an 18% gain.

There were 500 homes sold in the Tri-Cities Area during the 4th quarter, a 26% increase from last year, which is 103 more sales. Similar to the Richmond Metro Area, all local markets in the Tri-Cities Area had double-digit sales growth this quarter. The City of Petersburg had the largest gain with 122 total sales, an increase of 36 sales from the 4th quarter last year, representing a 42% surge. The City of Hopewell and Prince George County also had notable market growth this quarter with 23 and 20 more sales respectively, compared to last year.

Figure 11
Percent Change in Home Sales



Source: Virginia REALTORS®, data accessed January 15, 2021

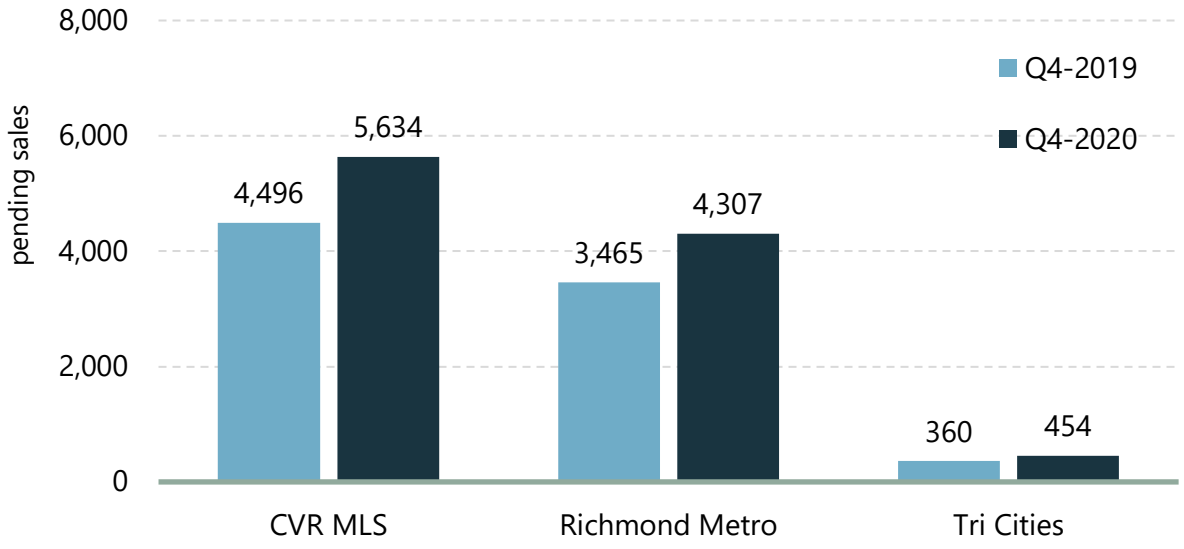
Pending sales are also surging in the Central Virginia region, which signals the market growth will likely continue in the coming months. There were 5,634 pending sales during the 4th quarter in the region, a 25% spike from last year, which is 1,138 more pending sales. Pending sales in the

Central Virginia market have been trending up for seven straight quarters, but the pace has accelerated significantly in recent quarters. The pending sales growth occurred in all local markets in the region this quarter (16 of 16 jurisdictions).

There were 4,307 pending sales in the Richmond Metro Area during the 4th quarter, a 24% increase from last year, which is 842 more pending sales. Hanover County had the largest percentage gain with 52% more pending sales than last year, an increase of 176. There were 796 pending sales in the City of Richmond in the 4th quarter, 58 more than last year, which is an 8% gain.

There were 454 pending sales in the Tri-Cities Area in the 4th quarter, which is 94 more pending sales than last year, representing a 26% increase. The City of Colonial Heights had the largest influx of pending sales with 24 more than last year, a 47% surge. Dinwiddie County also had a large increase, with 22 more pending sales than last year, a 37% gain.

Figure 12
Pending Sales, 4th Quarter



Source: Virginia REALTORS®, data accessed January 15, 2021

Prices

In addition to surging sales, consistent and strong price growth was another big story in the 2020 market in Central Virginia. The 2020 annual median sales price in the region was $280,000, which is more than $20,000 higher than the 2019 median sales price, representing a 7.7% gain. Home

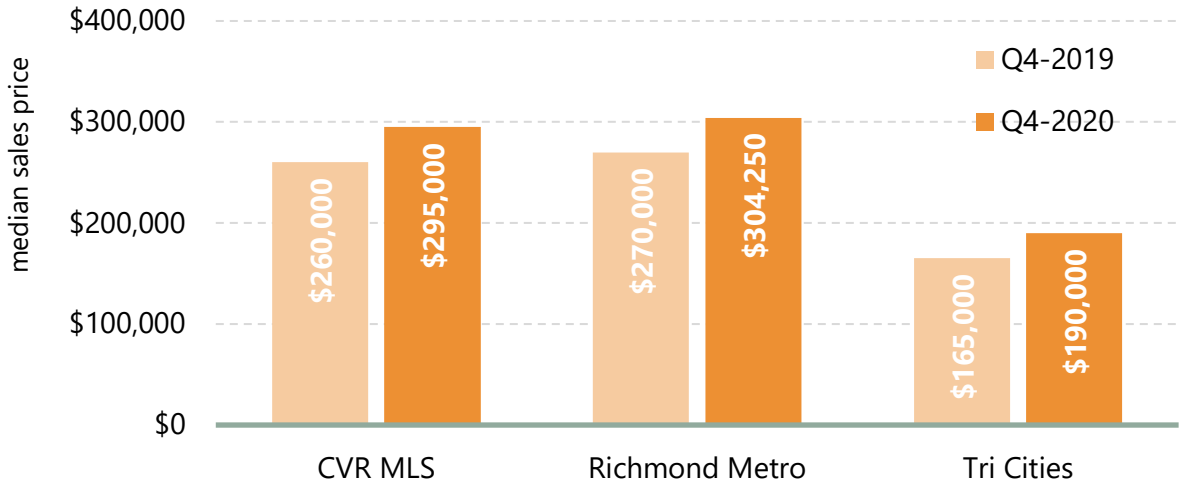
prices climbed in all four quarters of 2020, with the strongest growth occurring at the end of the year. The upward price trends reflect the strong buyer activity in the market as well as the shrinking supply of homes listed for sale.

The 4th quarter median sales price in the Central Virginia footprint was $295,000, which is $35,000 higher than a year ago, a 13% price gain. This is the largest price increase of any quarter in more than five years in the area. Home prices rose in nearly all corners of the region, with 15 of the 16 jurisdictions having higher median sales prices compared to last year. The statewide median sales price in the 4th quarter was $329,000, an 11% increase from a year earlier.

At $304,250 the 4th quarter median sales price in the Richmond Metro Area rose 13% from a year ago, which is a gain of $34,250. The City of Richmond had by far the largest price gains this quarter in the metro area. The 4th quarter median sales price in the City was $315,000, a $60,000 spike from last year, which is a 24% gain. The median sales price in Chesterfield County climbed 12% from last year, a $32,000 increase.

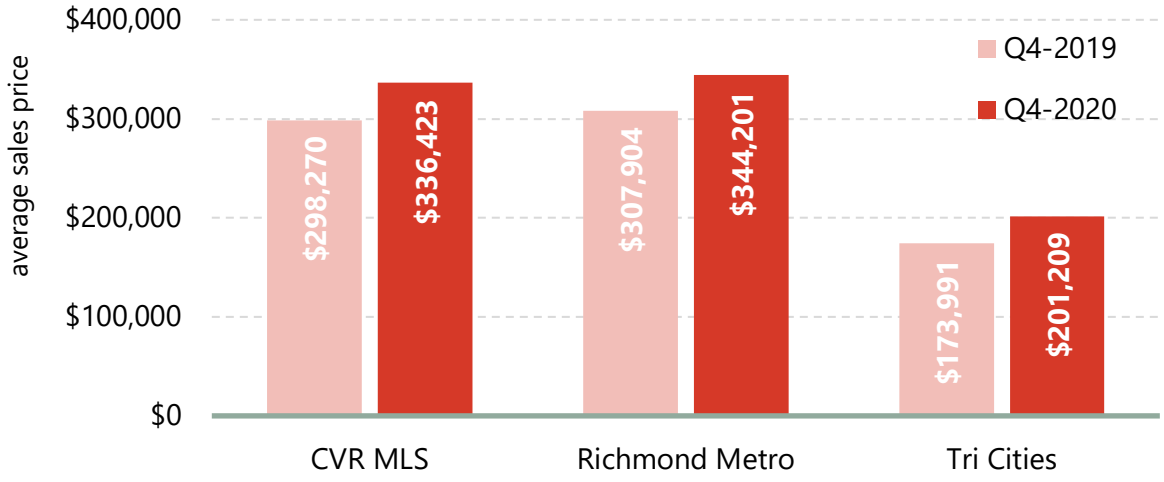
The 4th quarter median sales price in the Tri-Cities Area was $190,000, rising 15% from last year, a $25,000 price gain. The City of Hopewell had the strongest median sales price growth in the Tri-Cities market, climbing 29% from last year to $195,000, a $36,000 jump in price.

Figure 13
Median Sales Price, 4th Quarter



Source: Virginia REALTORS®, data accessed January 15, 2021

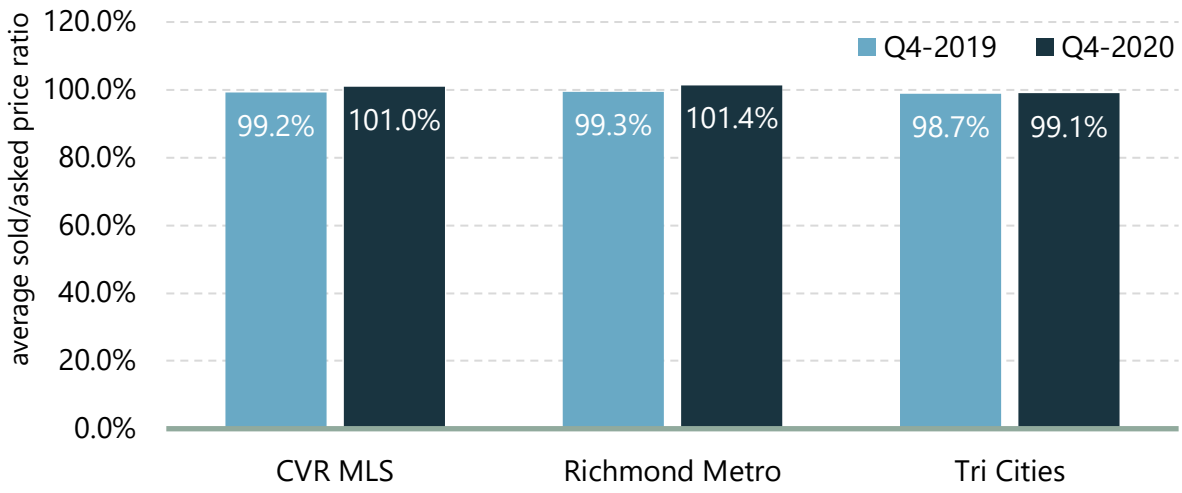
Figure 14
Average Sales Price, 4th Quarter



Source: Virginia REALTORS®, data accessed January 15, 2021

The surging prices and shrinking supply in the Central Virginia housing market continue to push up the average sold to ask price ratio. On average, homes that sold in the region during the 4th quarter sold for 101.0% of the asking price, up from 99.2% last year. Once again, this quarter represents the five year high for this metric. At 101.4%, the 4th quarter average sold to ask price ratio in the Richmond Metro Area climbed up from 99.3% a year ago. In the Tri-Cities market, this metric rose to 99.1% in the 4th quarter, up from 98.7% last year.

Figure 15
Average Sold/Asked Price Ratio, 4th Quarter

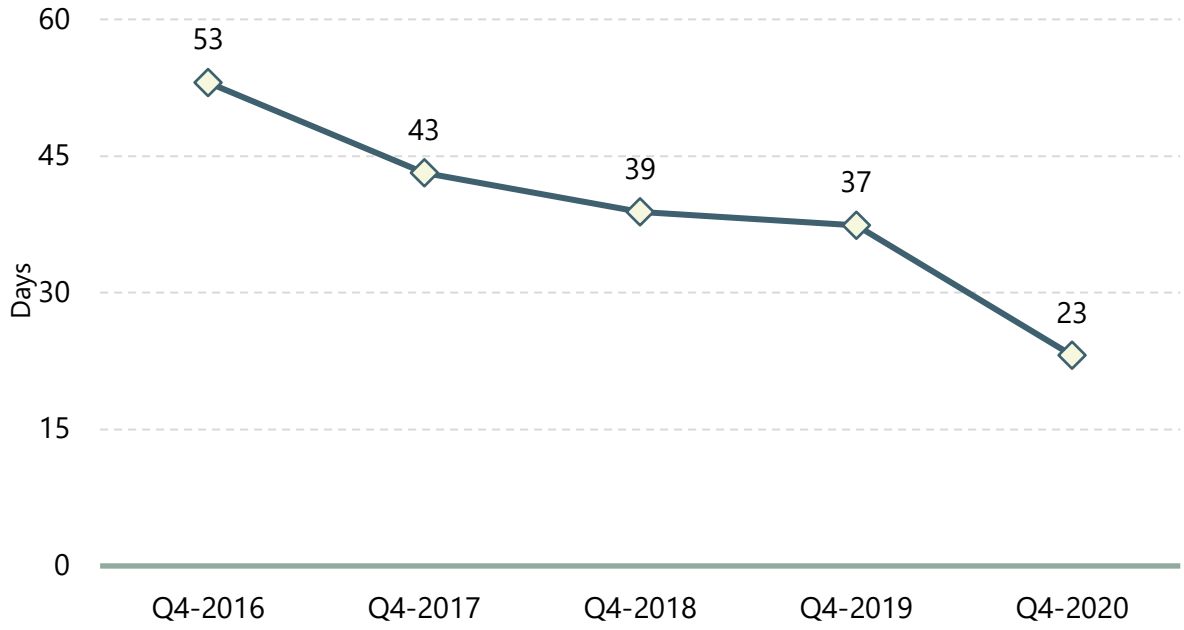


Source: Virginia REALTORS®, data accessed January 15, 2021

Days on Market

As more buyers enter the market and the inventory of homes listed for sale remains tight, homes are selling faster on average in nearly all parts of the Central Virginia region. It took about 3 weeks on average (23 days) for homes to sell in the region during the 4th quarter, which is 2 weeks faster than a year ago. This is the largest decrease in average days on market the region has had in more than 5 years. Similarly, homes sold in 3 weeks on average in the Richmond Metro Area (21 days), which is 2 weeks faster than last year. It took 26 days to sell a home on average in the Tri-Cities Area in the 4th quarter, which is 16 days faster than last year. Statewide, homes were on the market for an average of 33 days in the 4th quarter.

Figure 16
4th Quarter Average Days on Market, CVR MLS
2016-2019



Source: Virginia REALTORS®, data accessed January 15, 2021

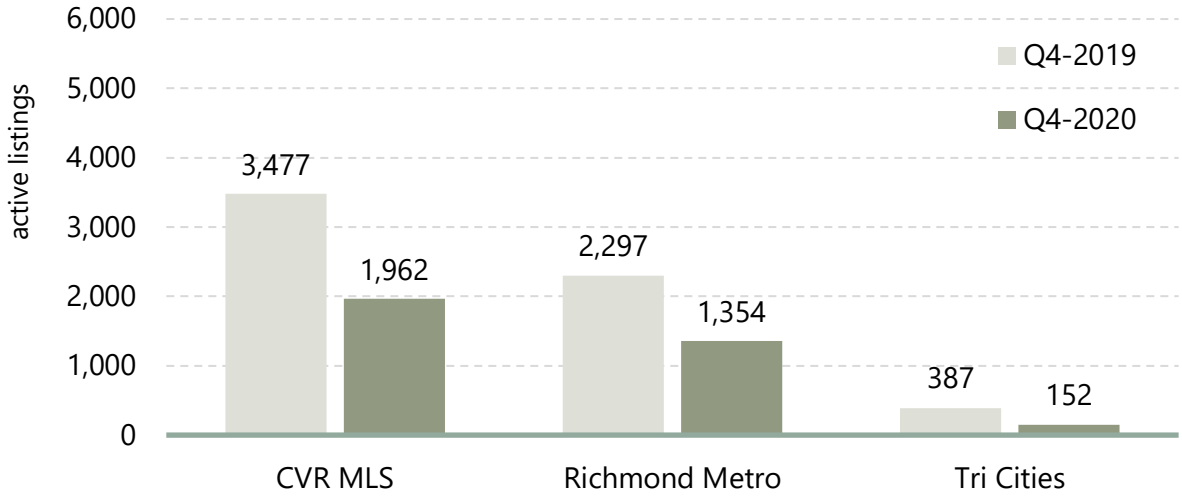
Inventory

The supply of homes for sale continues to shrink in the Central Virginia region. There were 1,962 active listings throughout the CVRMLS footprint at the end of the 4th quarter, a 44% reduction from last year, which is 1,515 fewer active listings. The inventory declines occurred in all 16 local markets in the area and reflect broader supply trends in many regions around the Commonwealth and beyond. At the end of the 4th quarter, there was a total of 17,537 listings Statewide, a drop of more than 38% from a year ago.

There were 1,354 homes for sale in the Richmond Metro Area at the end of the 4th quarter, a 41% drop in supply from last year, which is 943 fewer listings. Henrico County continues to experience the most dramatic inventory reductions, with less than half (-52%) the number of listings at this time last year, 309 fewer listings. Chesterfield County had a similar drop, with 48% fewer active listings at the end of the 4th quarter compared to last year, a reduction of 486 listings.

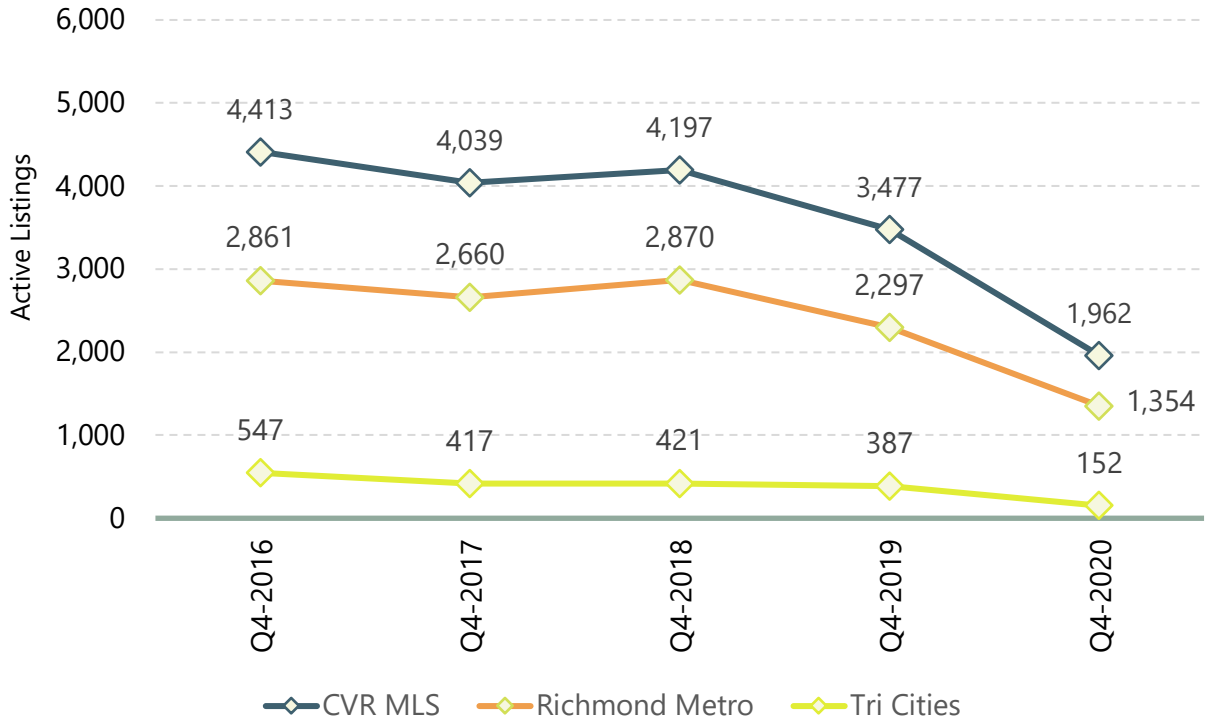
There were 152 active listings in the Tri-Cities Area at the end of the 4th quarter, 235 fewer listings than last year, representing a 61% plunge. The City of Petersburg had the largest decrease with 95 fewer active listings at the end of the 4th quarter compared to the prior year, a 67% drop in supply. Prince George County and the City of Hopewell also had significant inventory declines this quarter, each with 61% fewer active listings than a year ago.

Figure 17
Active Listings, 4th Quarter



Source: Virginia REALTORS®, data accessed January 15, 2021

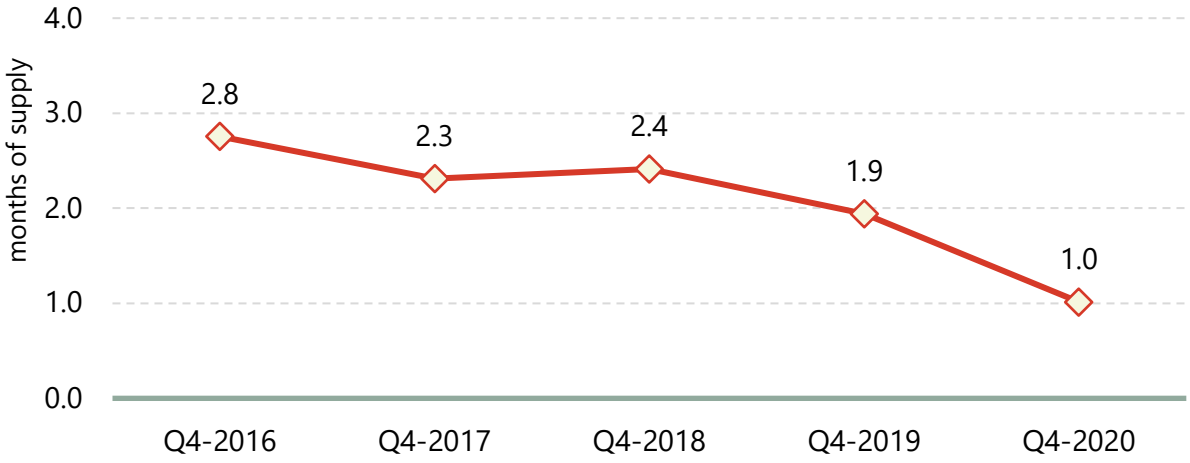
Figure 18
End of 4th Quarter Active Listings



Source: Virginia REALTORS®, data accessed January 15, 2021

The massive increase in sales activity and sharp reduction of active listings continues to push down the housing supply in the Central Virginia area to new lows. There was approximately one month of supply across the CVRMLS footprint at the end of the 4th quarter, down from 1.9 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.

Figure 19
End of 4th Quarter Months Supply, CVR MLS
2016-2019



Source: Virginia REALTORS®, data accessed January 15, 2021

Outlook

While the nation continues to recover from the uncertainty related to the ongoing pandemic, there have been some notable improvements to the economy in the second half of 2020, and the housing market reflects much of this growth. Overall, the Central Virginia Region has fared better than many metropolitan areas in terms of job losses and other economic measures; however, the economic recovery in the region is still underway. Much of this will largely depend on the pace at which widespread COVID-19 vaccination campaigns are rolled out, and the magnitude of federal economic stimulus packages that are negotiated and carried forward for disbursement. The Central Virginia housing market had a surge of activity to end 2020, with sales and prices reaching multiyear highs through many parts of the region. Much of the growth reflects pent-up demand from the slowdown earlier in the year and is also being driven by very low mortgage interest rates. The Federal Reserve has signaled that rates will remain low well into 2021 as the national economy continues to recover. This will provide attractive financing options for many buyers in the months ahead. The shrinking inventory continues to be a big story in the local housing market and could likely remain a significant factor throughout 2021, as competition among buyers remains high, and sales prices continue to rise above asking prices in many local markets.

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.