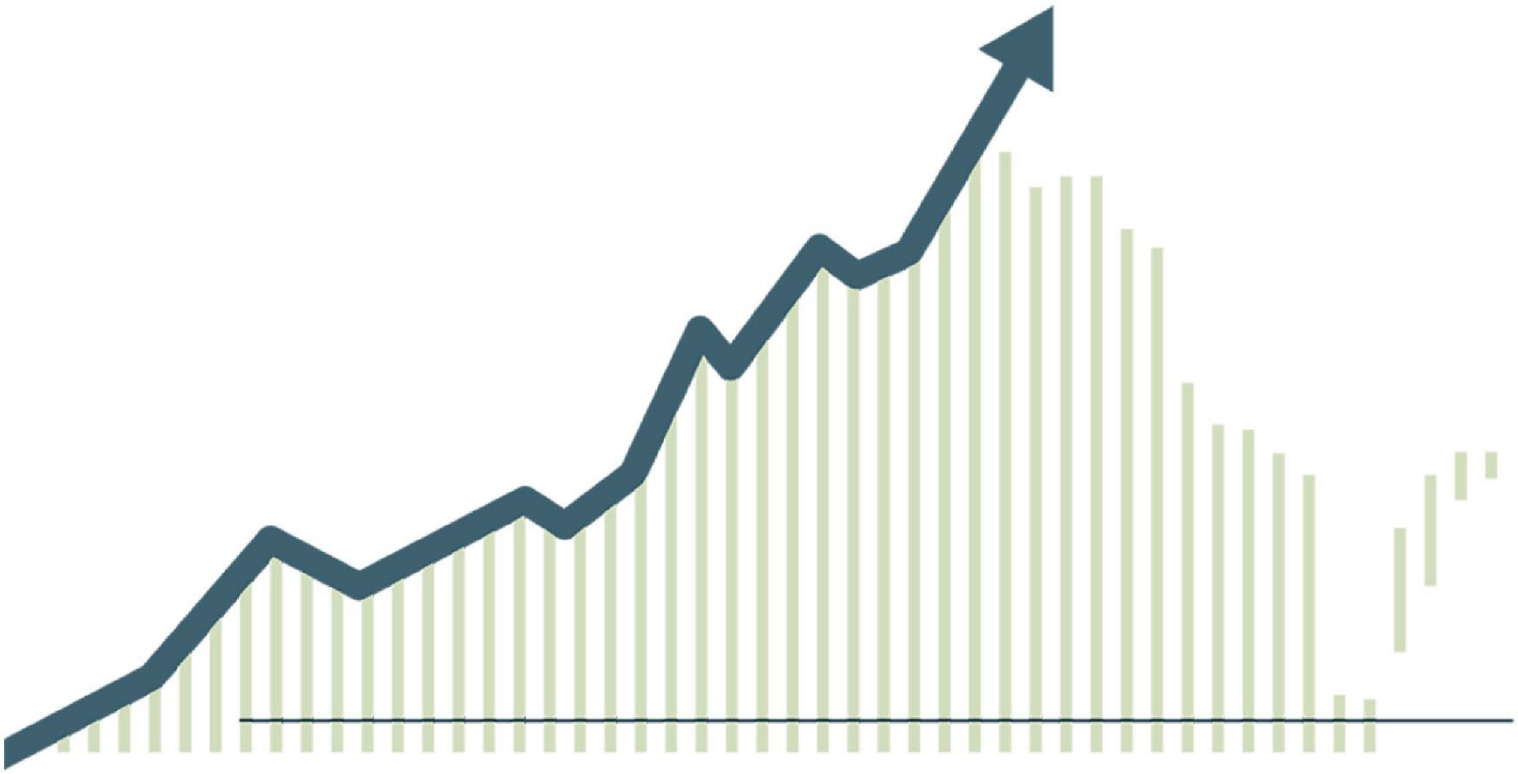
Virginia REALTORS®

CVRMLS



Virginia

HOME SALES REPORT

CUSTOM REPORT PREPARED FOR

CVRMLS

Analysis of the Central Virginia Area Housing Market

1st Quarter 2019

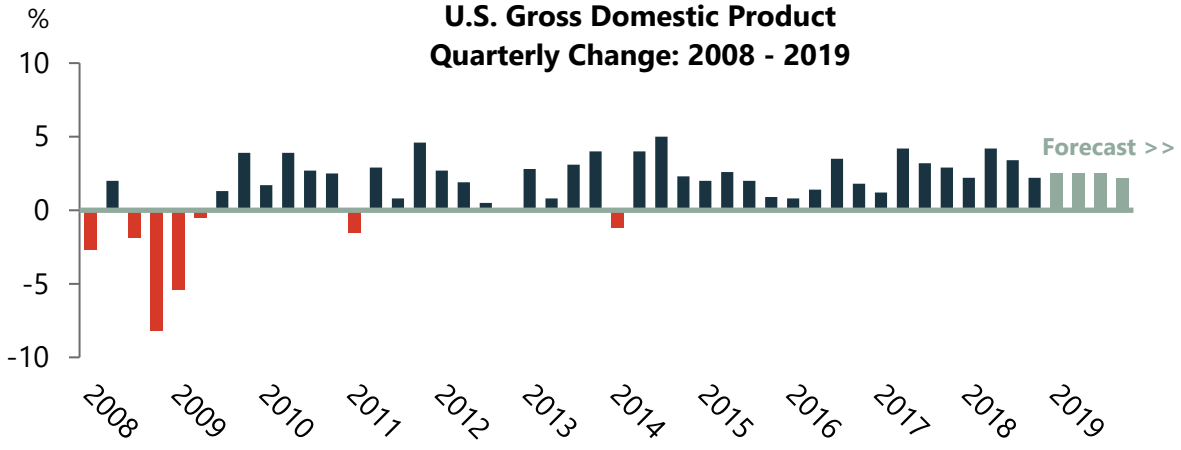
National Economic Overview

The first quarter of 2019 has seen the stock market mostly recovered from its significant fall in November and December of 2018, and the overall economy has continued on a moderate to slow growth track. There was concern that the late 2018 drop in the capital markets might cause some drag on the overall economy, but the recovery of the markets and the economic measures through March show continued growth in most sectors. The President of the Federal Open Market Committee in early April said "this period of slow growth isn't an aberration – it's the 'new normal" we should expect for the future." A week later he quoted that "the committee needs to tread carefully going forward to sustain the economic expansion." This latter quote is in regard to some concern about inflation and how the Committee can meet the inflation targets to maintain healthy economic growth.

An overview of key national indicators:

- US Gross Domestic Product hit its 2018 peak of 4.2 percent in the 2nd quarter, slowed to 3.4 percent in the 3rd quarter, and further slowed to 2.2 percent in the 4th quarter. Forecasts for 2019 are that growth on a quarterly basis will be mostly in the 2-2.5 percent range throughout the year.

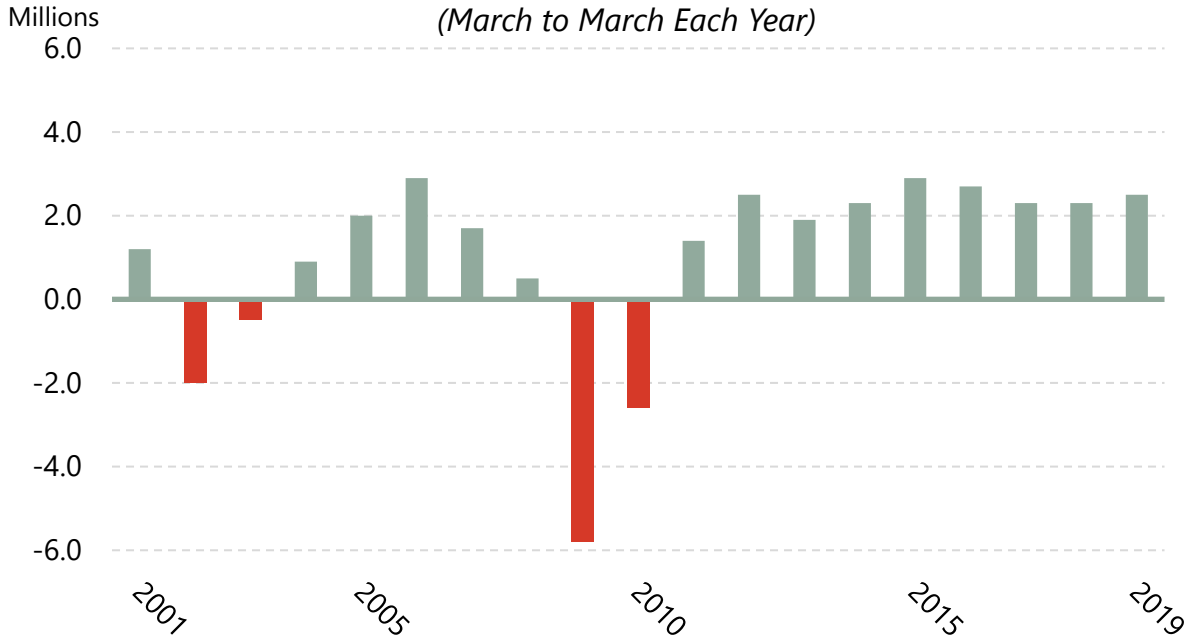
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2019



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

› Job growth and the labor market continue to perform well. Annual job growth continues to be in the 2.5-2.7 million new jobs per year which has been the range for the past eight years. The unemployment rate is flat at 3.8 percent. Initial unemployment claims continue to be very low, and are down to levels last seen in the late 1960s.

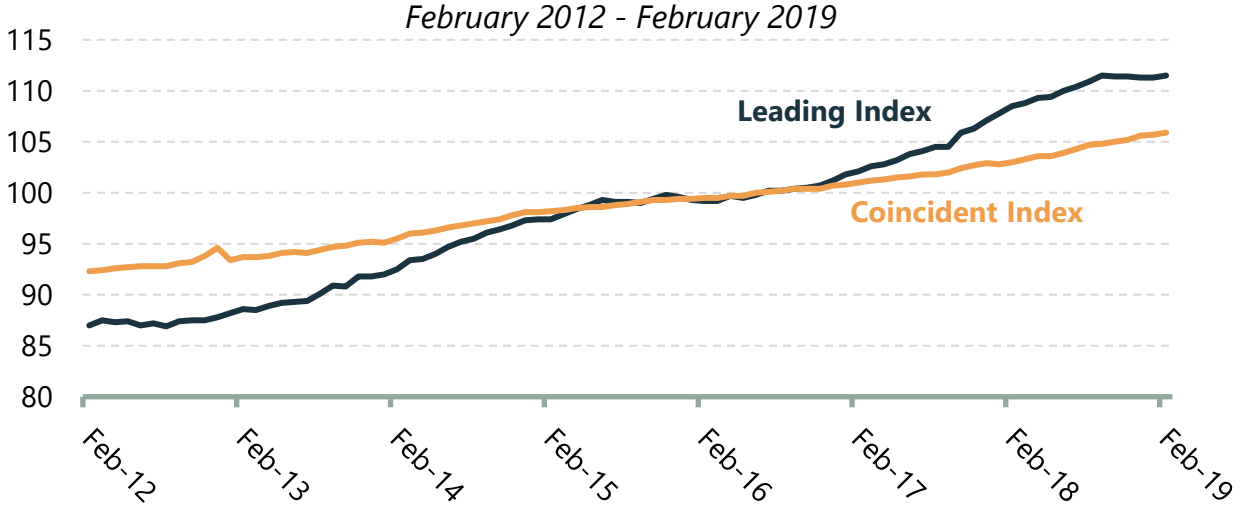
Figure 2
U.S. Annual Change in Jobs
(March to March Each Year)



Source: Bureau of Labor Statistics

› The Leading and Coincident Economic Indices continue to reflect the moderate growth conditions occurring and projected growth for several months ahead. The Coincident Index has been on a steady, slow increase since the recovery began in 2010. The Leading Index has been a little more variable in its predicted growth but has been fairly flat – but positive – since early fall of 2018.

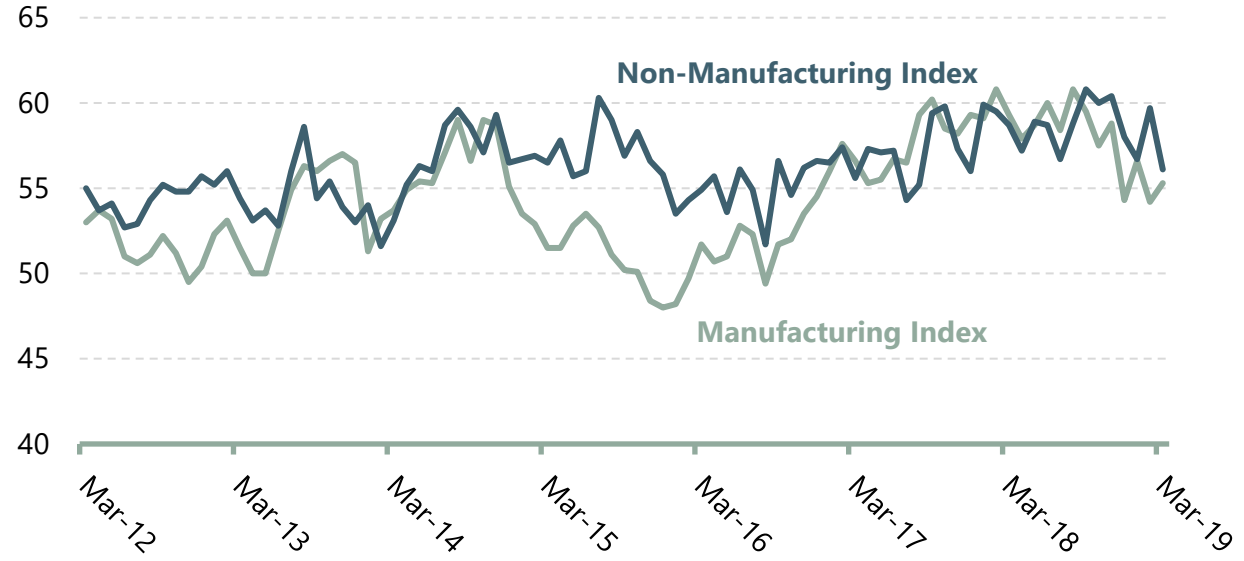
Figure 3
U.S. Coincident and Leading Indices
February 2012 - February 2019



Source: The Conference Board

〉 Both the Manufacturing and non-Manufacturing indices of The Institute of Supply Management continue to reflect expansion as they have been almost constantly since 2010. An index level above 50 indicates expansion, and with the exception of a couple of months in 2016 the Manufacturing Index has measured expansion and the Non-Manufacturing (Services) Index has been reflecting expansion for almost ten years.

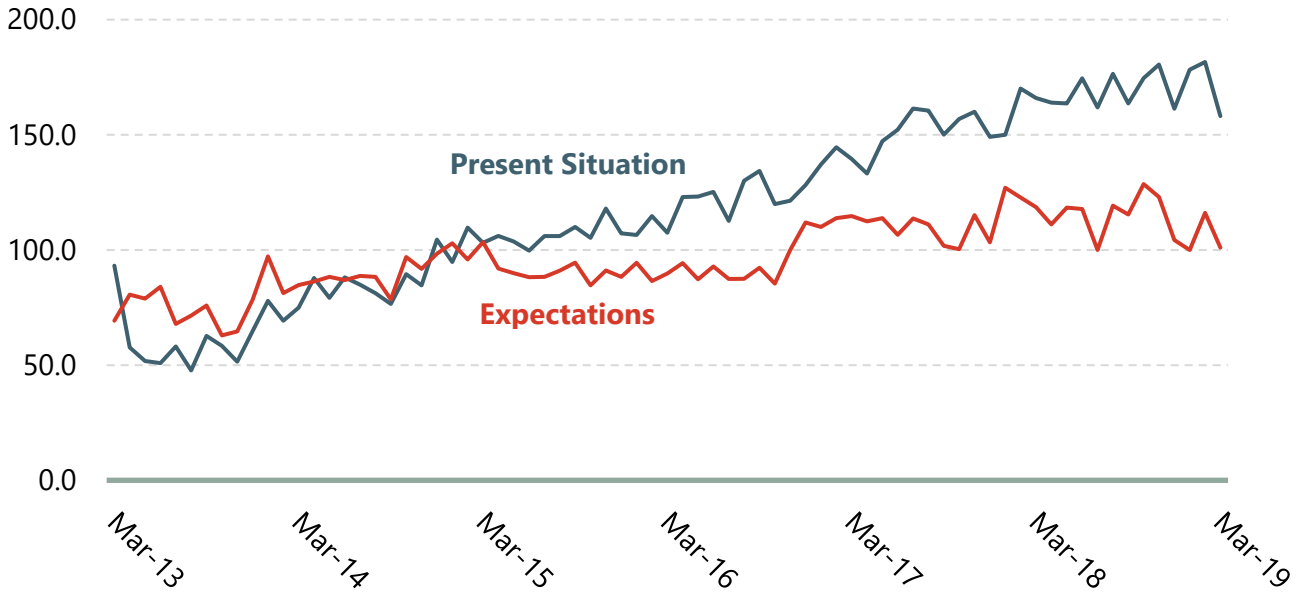
Figure 4
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Institute for Supply

› Consumer Confidence continues to reflect the positive economic conditions. The index on confidence in the present situation is very high, although it began to level off in mid-2018 and has dropped slightly for the last couple of months. Consumers' confidence in expectations for the future have hovered around the 100 level since 2016.

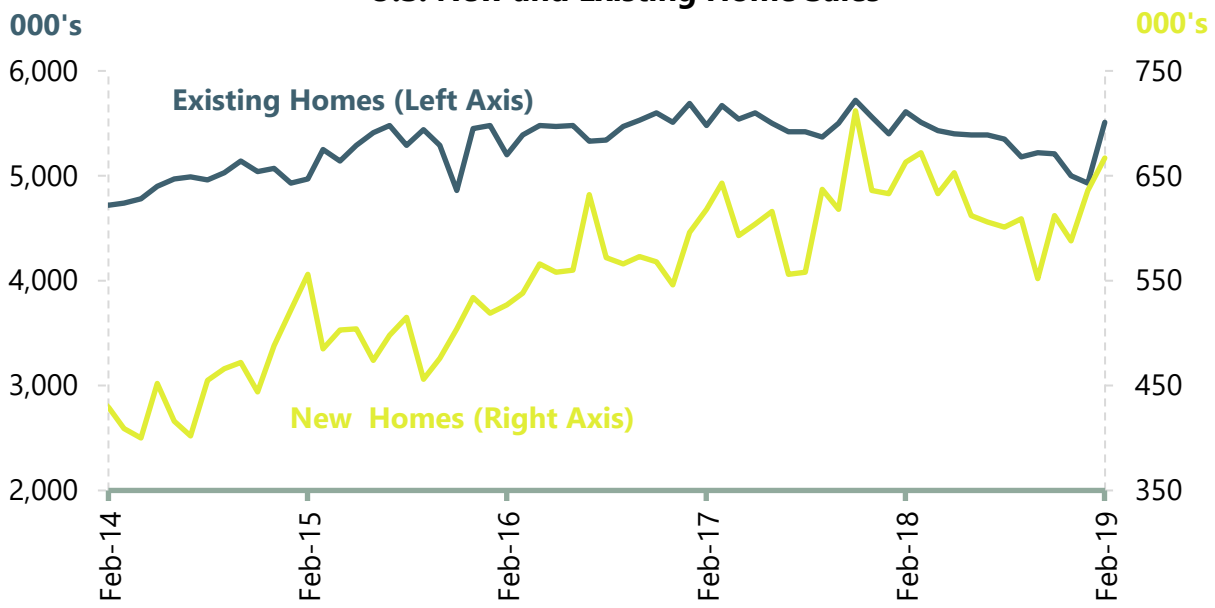
Figure 5
Consumer Confidence
South Atlantic Region



Source: The Conference Board

› The national housing market may be regaining some stability as prices are not increasing as fast. Sales have been up nationally for both new and existing homes, especially since November. Rates for 30-year mortgages are currently just above 4 percent and rising only slightly.

Figure 6
U.S. New and Existing Home Sales



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

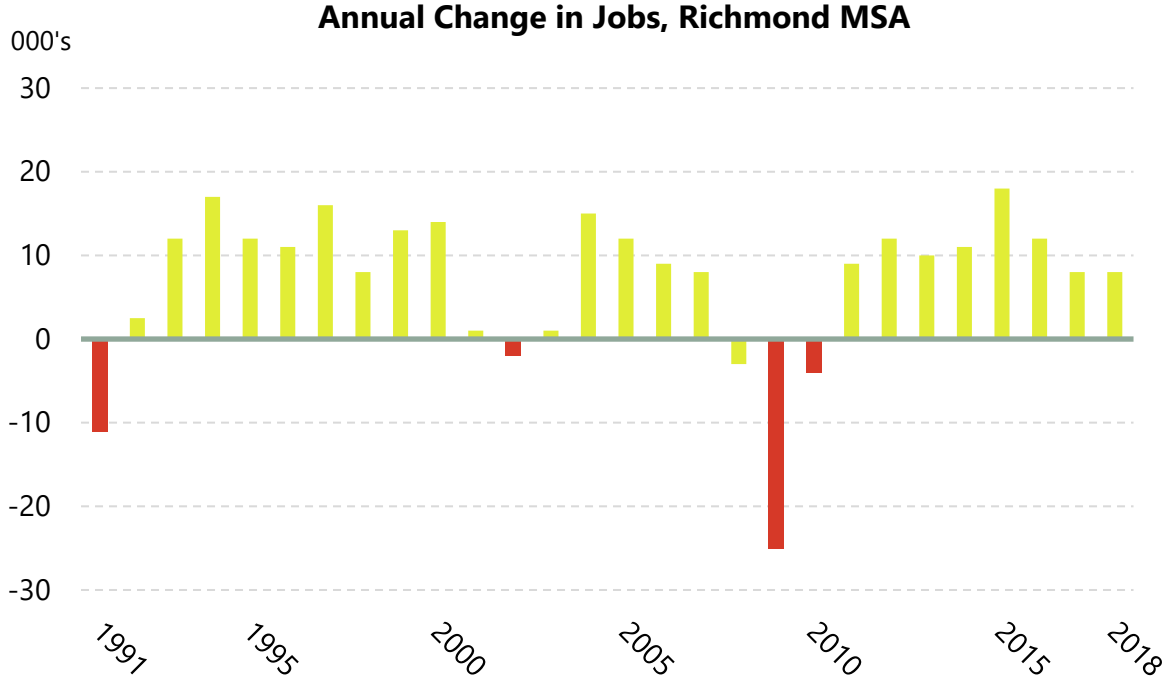
The picture for the national economy for the next several months is continued slow economic growth. The labor markets are doing especially well in maintaining momentum against what could have been head winds from the drop in capital markets. The rebound of capital markets since December has been a factor in the continued growth in jobs and the other measures of the national economy.

Central Virginia Economic Trends

The economy of Central Virginia continues a solid performance for the 8th consecutive year.

〉 For the past eight years the region has added an average of 11,000 jobs per year – a growth well above the long-term average of just under 7,000 jobs per year. The past two years, 2017 and 2018, have seen approximately 8,000 new jobs each year, which is somewhat slower but is a very healthy rate of growth.

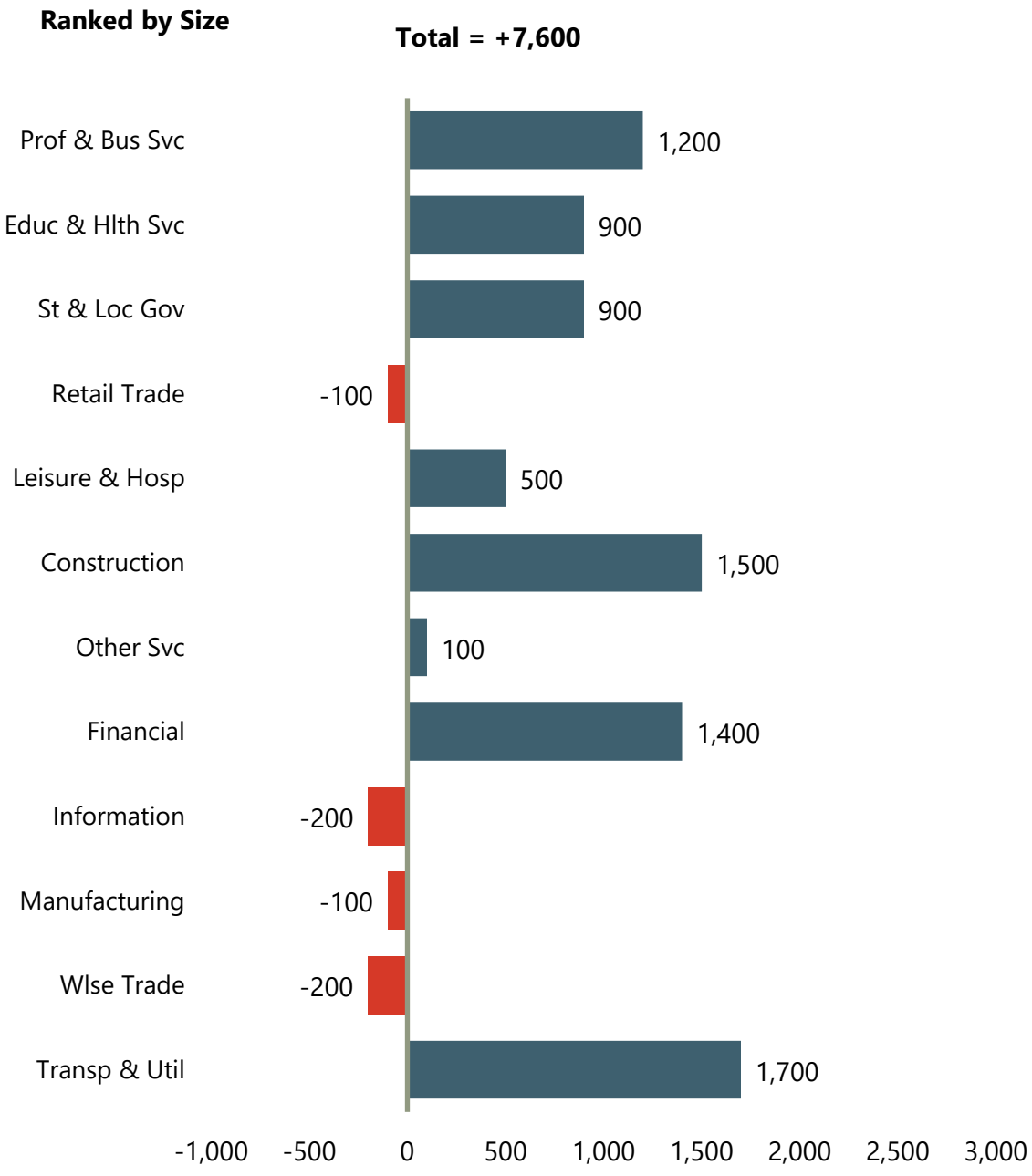
Figure 7
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

〉 Annual job growth in 2018 was spread across almost all sectors. The Trade sectors, Information, and Manufacturing were the only sectors that had losses in 2018 and those losses were very minimal. There was solid growth in Professional and Business Services, Education and Health Services, Financial Services, Construction and Transportation and Utilities.

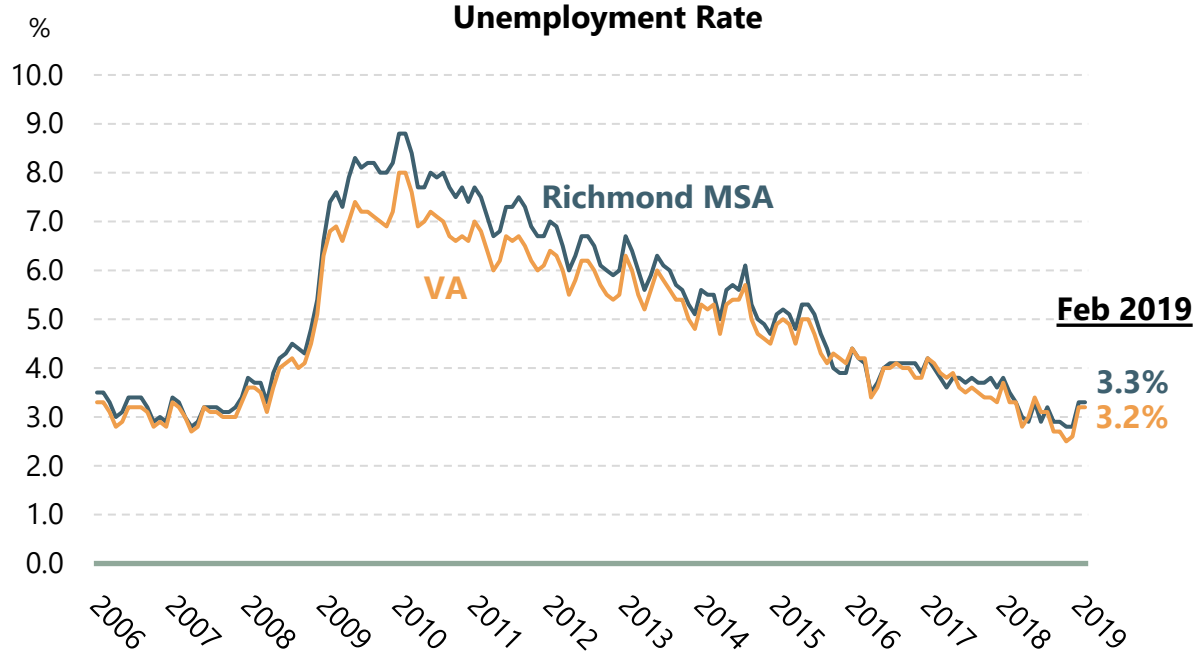
Figure 8
Job Change by Industry
Richmond MSA
2017 to 2018



Source: Bureau of Labor Statistics

› Paralleling the growth in jobs has been continued decline in the region's unemployment rate, which for several months has been at unemployment levels last seen in the early 2000s prior to the recession. The unemployment rate dipped below three percent in November and December, but has increased to 3.2 percent in February.

Figure 9
Unemployment Rate



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

The Central Virginia economy has had solid growth for eight years and will likely continue that performance in 2019. There has been broad growth across most sectors contributing to a healthy economy in the region.

Housing Market Overview

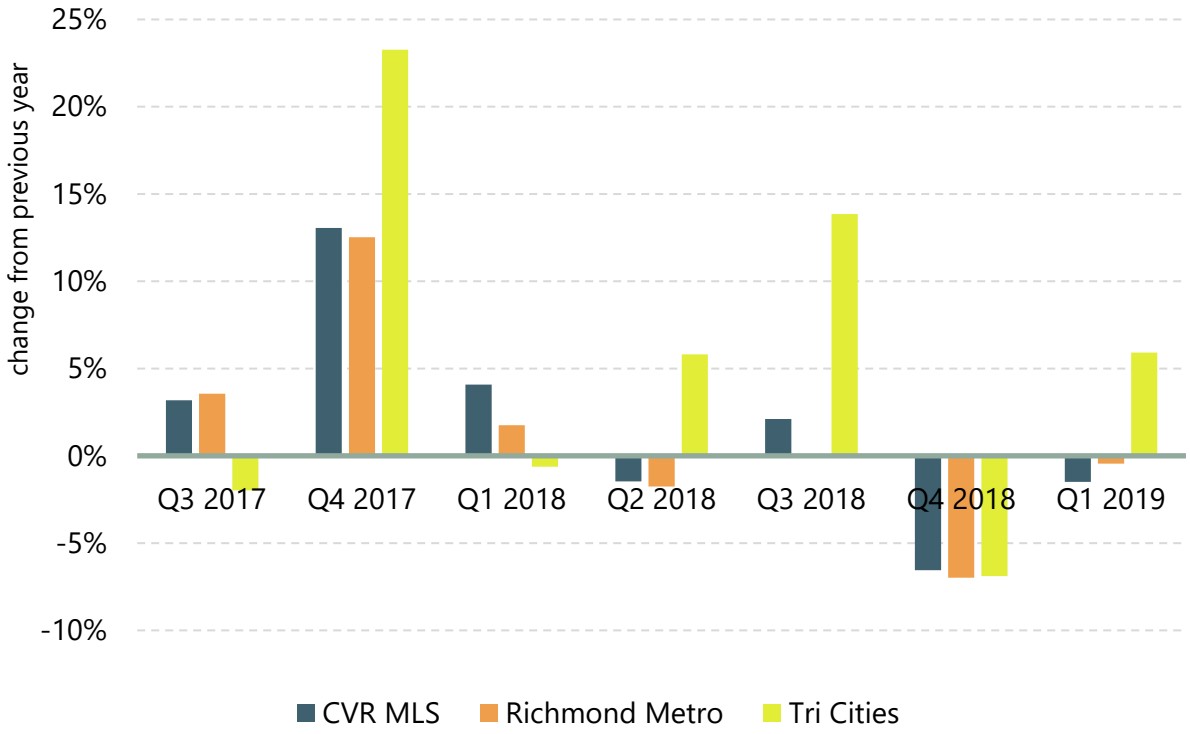
The housing market in Central Virginia continues to show subtle signs of slowing down; however, the strong regional economy will likely keep buyers active in the market as the year progresses. After falling last quarter, sales activity was relatively flat in the region compared to a year ago. Similar sales trends have occurred in other housing markets around the state with slowed sales activity in recent quarters. While sales have flattened, home prices continue to climb steadily. Both the median and average sales prices in the Central Virginia region increased in the 1st quarter, a reflection of the tight supply of listings available on the market for buyers. After expanding a little at the end of 2018, the inventory of active listings continued a downward trend in the 1st quarter throughout the region and many local markets had sharp declines. At the end of the 1st quarter there was only 2.5 months of supply of active listings on the market in the region. The average days on market remained flat in the 1st quarter. This metric had been consistently declining for several years, and will need to be monitored to determine if a new trend is emerging in the coming months.

Sales

After declining at the end of 2018, sales activity in the Central Virginia region was relatively flat during the start of 2019. There were 4,016 sales in the region in the 1st quarter of 2019, which is 61 fewer sales than a year ago, a modest 1% decline. Sales have been falling in several regional housing markets around the state, evidence of softening demand in some areas.

The sluggish sales activity is occurring throughout the region, with 11 of the 16 jurisdictions having fewer sales in the 1st quarter than last year. There were 3,124 sales in the Richmond Metro Area in the 1st quarter, 14 fewer transactions than the same period last year, a less than 1% reduction. Despite the flat sales at the metro level, the City of Richmond and Chesterfield County had an increase in sales this quarter, rising 9% and 1% respectively. There were 979 sales in Henrico County, which is 41 fewer than the 1st quarter of last year, a 4% drop. While much of the region had declining sales, the Tri-Cities Area saw an uptick in sales in the 1st quarter. There were 340 sales in the Tri-Cities, a 6% gain over this time last year, an increase of 19 sales. The City of Colonial Heights led the Tri-Cities market in terms of sales growth, surging 37% from a year ago, an increase of 18 sales. The City of Petersburg had the sharpest decline in sales, falling 22% in the 1st quarter of 2019, a drop of 19 sales.

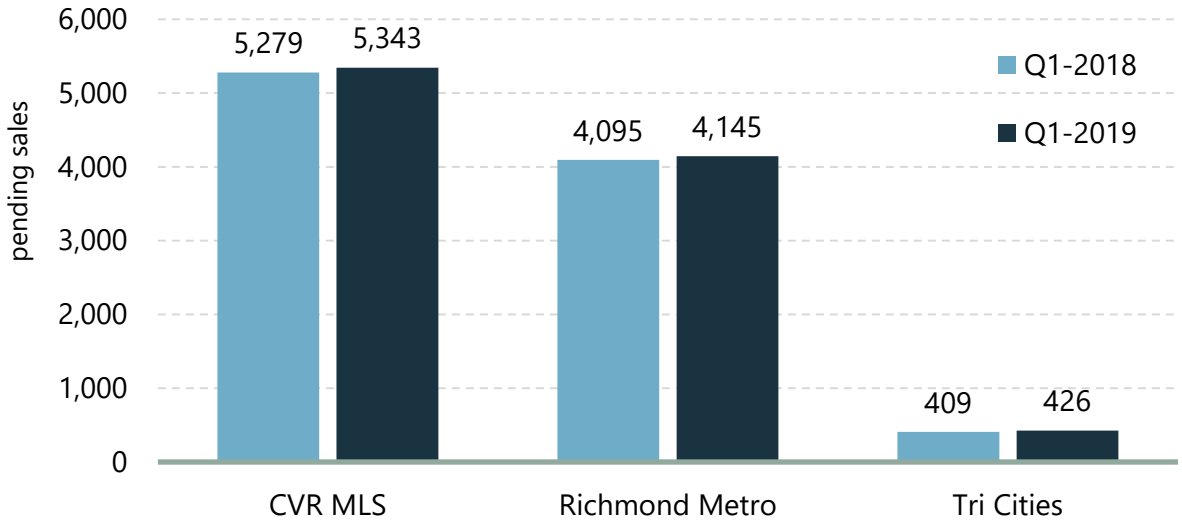
Figure 10
Percent Change in Sales



Source: REdatum, data accessed April 20, 2019

Similar to closed sales, pending sales in the Central Virginia region remained relatively flat in the 1st quarter of 2019. There were 5,343 pending sales in the 1st quarter, up 1% from a year ago, an increase of 64 pending sales. The Richmond Metro Area also had modest growth in pending sales, up 1% from the 1st quarter of last year to 4,145, a gain of 50 pending sales. Except for Chesterfield County, all jurisdictions in the Richmond Metro Area market had more pending sales in the 1st quarter compared to last year. Pending sales in the Tri-Cities Area rose 4% from a year ago to 426, an increase of 17 pending sales. The City of Hopewell had the fastest growth in pending sales, climbing 38% from a year ago, a gain of 28 pending sales. Prince George's county had the largest decline in pending sales in the Tri-Cities market, falling 20%, 23 fewer pending sales than last year.

Figure 11
Pending Sales, 1st Quarter



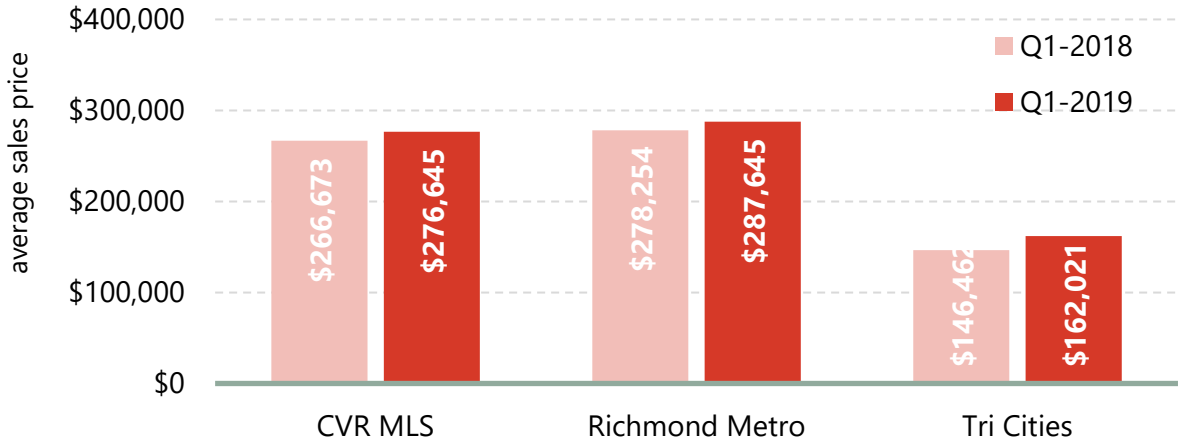
Source: REdatum, data accessed April 20, 2019

Prices

Despite the decline in sales transactions, home prices continue to climb in most parts of the Central Virginia region, a reflection of the tight inventory of active listings and continued buyer demand in the market. At $276,645, the 1st quarter average sales price in the region rose 4% from a year ago, an increase of nearly $10,000. The median sales price in the region also increased, rising 3% to $242,700 in the 1st quarter, a gain of $6,700.

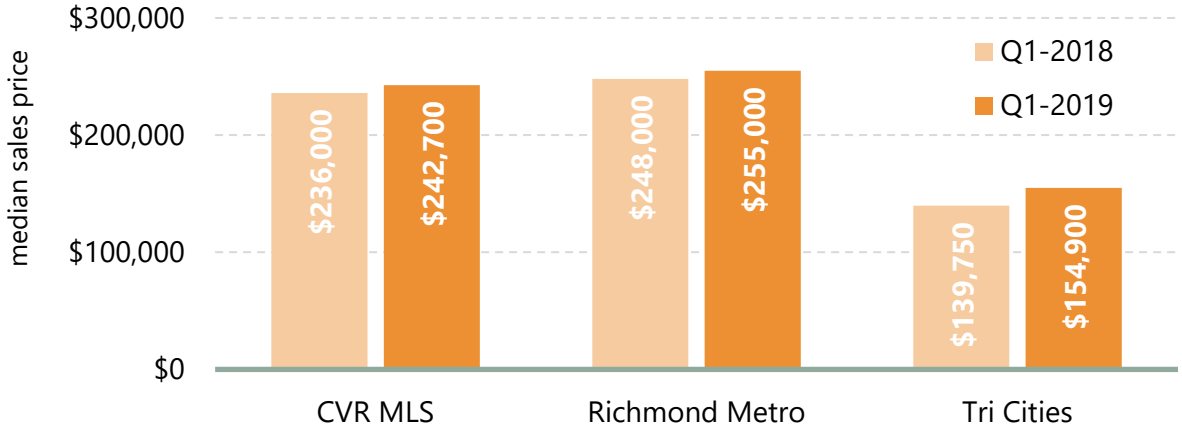
The price growth continues to occur in most local markets in the region, with 12 of the 16 jurisdictions having a higher median sales price in the 1st quarter compared to last year. At $287,645 the 1st quarter average sales price in the Richmond Metro Area is up 3% from a year ago, a gain of over $9,000. Similar to sales growth, the City of Richmond led all jurisdictions in the Richmond Metro Area in terms of price growth. The average sales price in the City of Richmond in the 1st quarter was $267,972, up 9% from last year, more than $22,000 higher. The average sales price in Hanover County and Henrico County also rose in the 1st quarter, climbing 3% and 7% respectively. The average sales price in the Tri-Cities market increased at a double-digit rate from the 1st quarter of last year. At $162,021, the average sales price in the Tri-Cities Area climbed 11% from a year ago, a gain of almost $16,000. Within the Tri-Cities Area, the City of Hopewell had the sharpest average sales price growth, rising 26% from a year ago to $132,826, a gain of more than $27,000 to the average price.

Figure 12
Average Sales Price, 1st Quarter



Source: REdatum, data accessed April 20, 2019

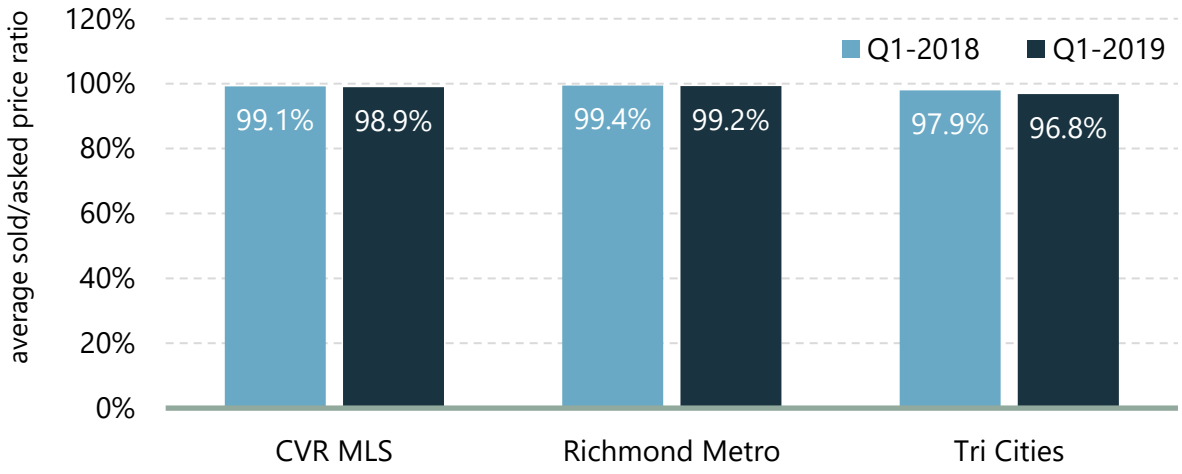
Figure 13
Median Sales Price, 1st Quarter



Source: REdatum, data accessed April 20, 2019

While both the median and average sales prices rose in the region, the average sold to ask price ratio fell slightly. On average, homes sold in the Central Virginia region during the 1st quarter had sales prices of approximately 98.9% of the asking price, which is down from 99.1% a year ago. Similar modest dips in this ratio occurred in the sub-regional markets of the Richmond Metro Area and the Tri-Cities Area. While this metric declined slightly, the ratio remains at an elevated level, largely due to the shrinking supply of listings available on the market.

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

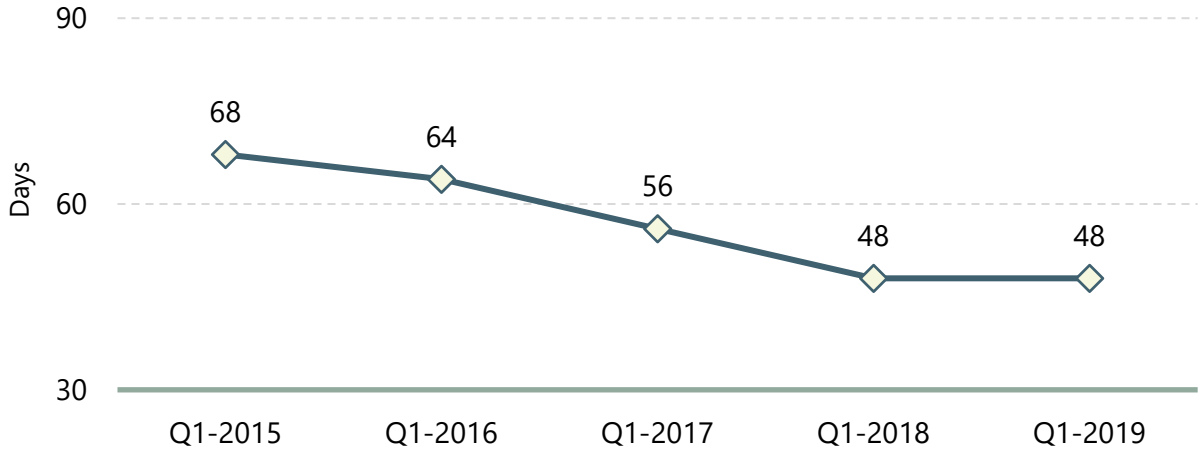


Source: REdatum, data accessed April 20, 2019

Days on Market

Homes sold in the 1st quarter in the Central Virginia region were on the market for an average of 48 days, which is unchanged from a year ago. Prior to this quarter, the average days on market had been trending down for several years, likely a result of the low inventory of homes available on the market.

Figure 15
1st Quarter Average Days on Market, CVR MLS
2015-2019



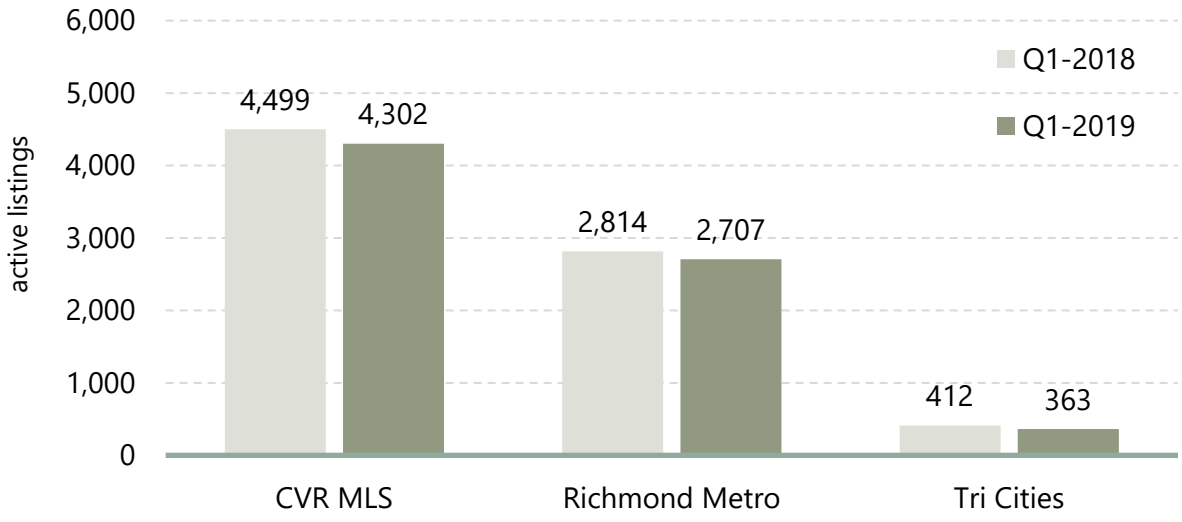
Source: REdatum, data accessed April 20, 2019

Inventory

The supply of active listings remains low in the Central Virginia region. After briefly expanding at the end of 2018, the inventory has resumed the multi-year declining trend. There were 4,302 active listings in the region at the end of the 1st quarter of 2019, 4% less than a year ago, a drop of 197 listings. The inventory of active listings has been shrinking in the region for more than 4 years, which is having an impact on price and the speed of sales in market.

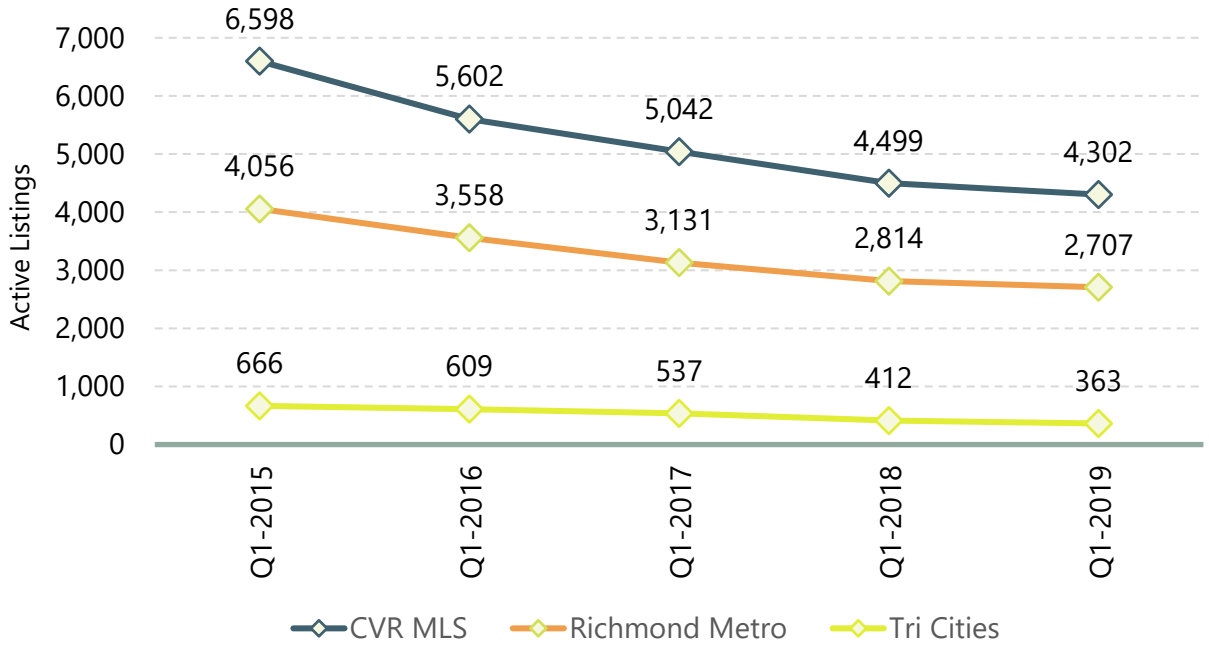
Nearly all jurisdictions in the region are experiencing low supply levels; 12 out of the 16 jurisdictions in the region had fewer active listings at the end of the 1st quarter. There were 2,707 active listings in the Richmond Metro Area, which is 107 less than the 1st quarter last year, representing a 4% drop. The City of Richmond was the only jurisdiction to have an uptick in listings, with 55 more active listings than last year, an 18% rise. All jurisdictions in the Tri-Cities market had fewer active listings than a year ago. At the end of the 1st quarter there were 363 active listings on the market in the Tri-Cities footprint, 49 fewer listings than a year ago, representing a 12% drop.

Figure 16
Active Listings, 1st Quarter



Source: REdatum, data accessed April 20, 2019

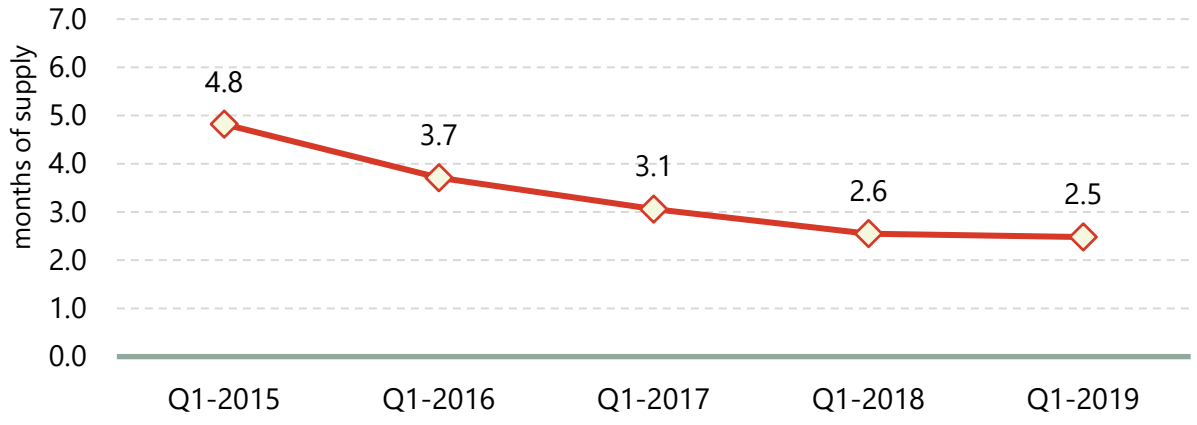
Figure 17
End of 1st Quarter Active Listings



Source: REdatum, data accessed April 20, 2019

At the end of the 1st quarter, there was approximately 2.5 months of supply in the Central Virginia region, which is down slightly from 2.6 months in the first quarter of 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 1st Quarter Months Supply, CVR MLS
2015-2019



Source: REdatum, data accessed April 20, 2019

Outlook

Looking ahead to the spring housing market in the Central Virginia region, several metrics point to moderate sales growth and continued upward pressure on home prices. The region's economy remains strong. Job growth has been consistent over several years, and many of the jobs being added to the economy are in well-paying sectors. The unemployment rate in the region is historically low and below the national average, and consumer confidence remains high.

Though home sales activity has moderated over the past 2 quarters compared to last year, the level of sales remains well above the prior few years. Home prices continue to increase, which reflects the low supply of active listings in the region and in the local markets. It is likely the inventory will continue to be constrained in the coming months. After steady interest rates hikes over the past couple years, the Federal Reserve has indicated it will cease additional rate hikes for now, which will keep mortgage interest rates at historically low levels. Potential homebuyers and sellers should expect rates to remain low, at least through the spring and into the summer.

The Virginia REALTORS® association is the largest professional trade association in Virginia, representing nearly 34,000 REALTORS® engaged in the residential and commercial real estate