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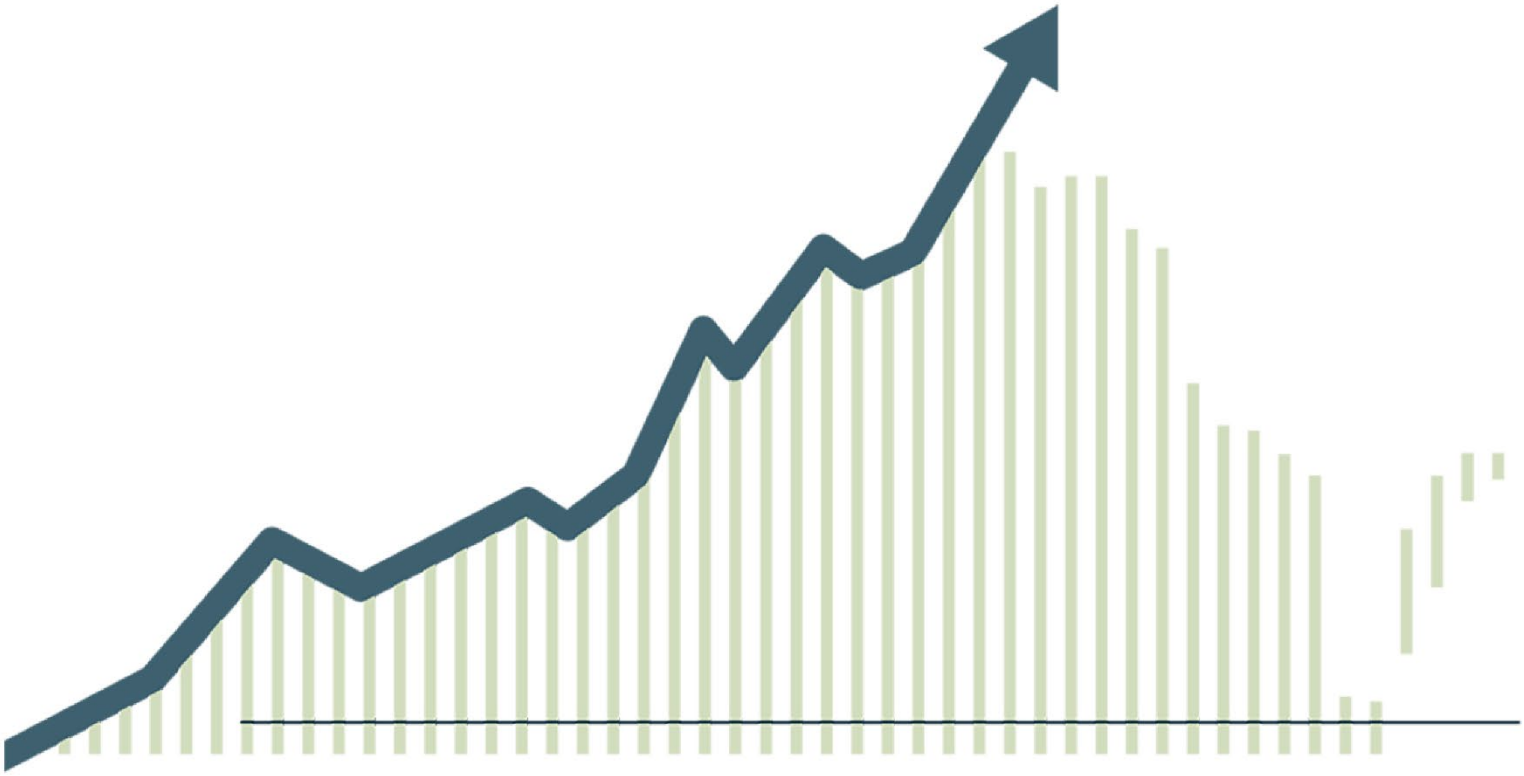


CVRMLSCENTRAL VIRGINIA MLS HOME SALES REPORT

CUSTOM REPORT PREPARED BY

VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

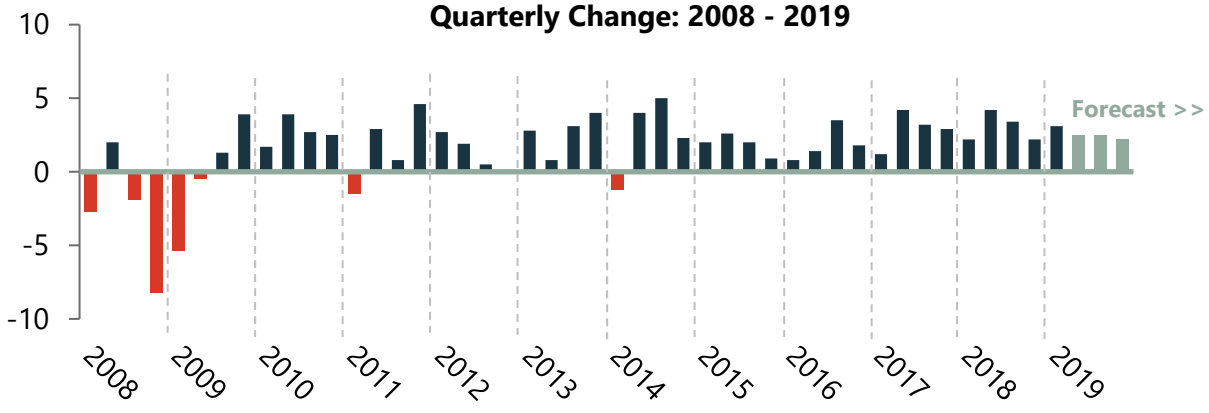
2nd Quarter 2019

National Economic Overview

At the close of the second quarter of 2019, the economy continued its moderate growth and much of the focus of economic conditions for the last half of the year center on the likelihood that the Fed will cut interest rates. Now early in the second half of the year, there continues to be concerns about trade issues and the performance of the global economy and its potential impacts on the U.S. economy. The capital markets continue to perform well with the key indices reaching all-time highs, and corporate earnings reports indicating somewhat higher than expected results. It seems very likely that the Fed will cut interest rates before the end of the third quarter due to the continuing issues about trade and the global economy. The interest rate cuts would provide support for continuing moderate growth in the US economy. An overview of key national indicators:

- US Gross Domestic Product in the first quarter of 2019 showed quarterly change of 3.1% following a 2.2% growth rate in the last quarter of 2018. IHS Economics forecasts growth of 2.2-2.5% for quarters 2-4 of 2019. These rates reflect more moderate growth in 2019 than in the previous year.

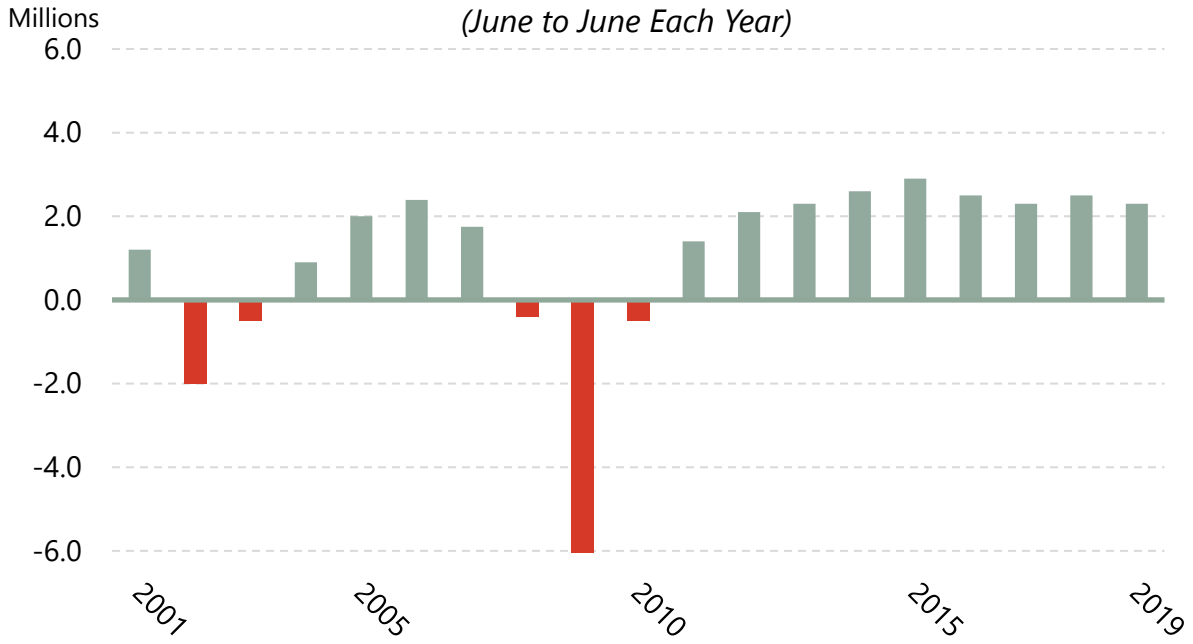
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2019



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

〉 Job growth and the labor market continue the trends of the past eight consecutive years. From June of 2018 to June of 2019, the U.S. added 2.3 million jobs, down slightly from the 2018 growth of 2.5 million. The peak was in 2015 when the national economy added 2.9 million jobs. Since the end of the recession in 2010, the U.S. economy has added 20.9 million new jobs.

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

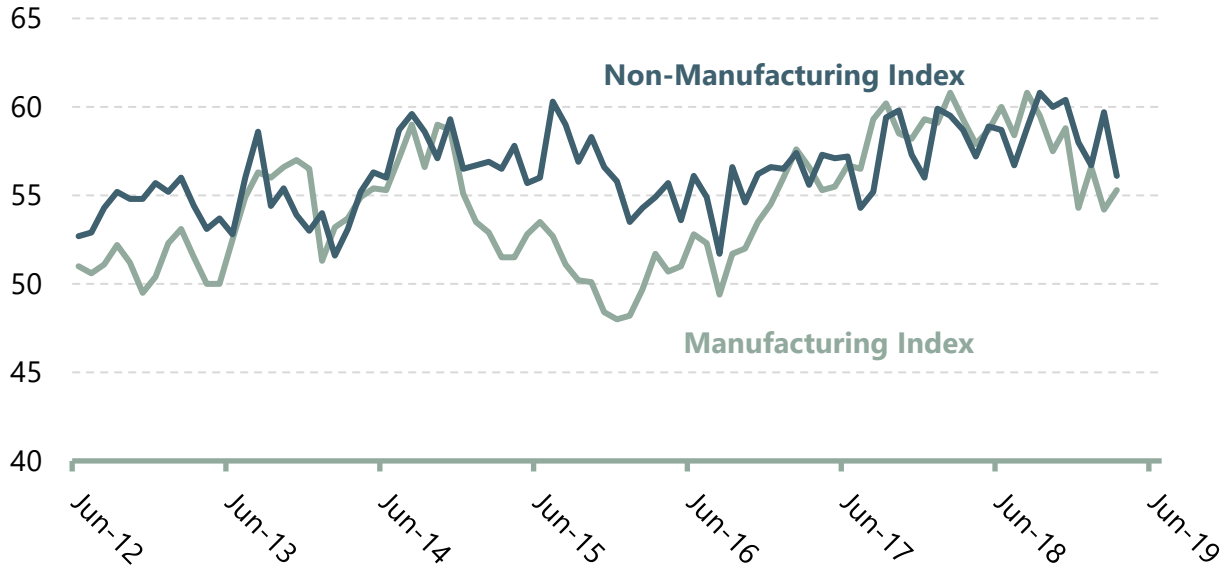


Source: Bureau of Labor Statistics

〉 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. In June the Leading Index was at 111.5, a 0.3 percent decline, following no change in May. The drop in June was the first decline in six months and was attributed to weaknesses in new orders in manufacturing and in housing.

〉 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. Both indices have trended moderately downward for the last few months, but still remain above the 50-level indicating expansion. Since late summer of 2018 until June 2019, the Non-Manufacturing index has declined from 60.8 to 55.1, while the Manufacturing Index has measured the decline in the growth from 60.8 to 51.7

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



Source: The Institute for Supply Management

〉 The national housing market continues to perform fairly well, although price increases continue to outpace increases in income, indicating an affordability issue in some markets. Existing home sales have been above the 5 million level since 2013 and have been relatively level over that 6-year period. New home sales have been more volatile, with a long slow trend upward, although dropping from a peak annual rate of 705,000 in March to 626,000 in May.

Figure 6
U.S. New and Existing Home Sales

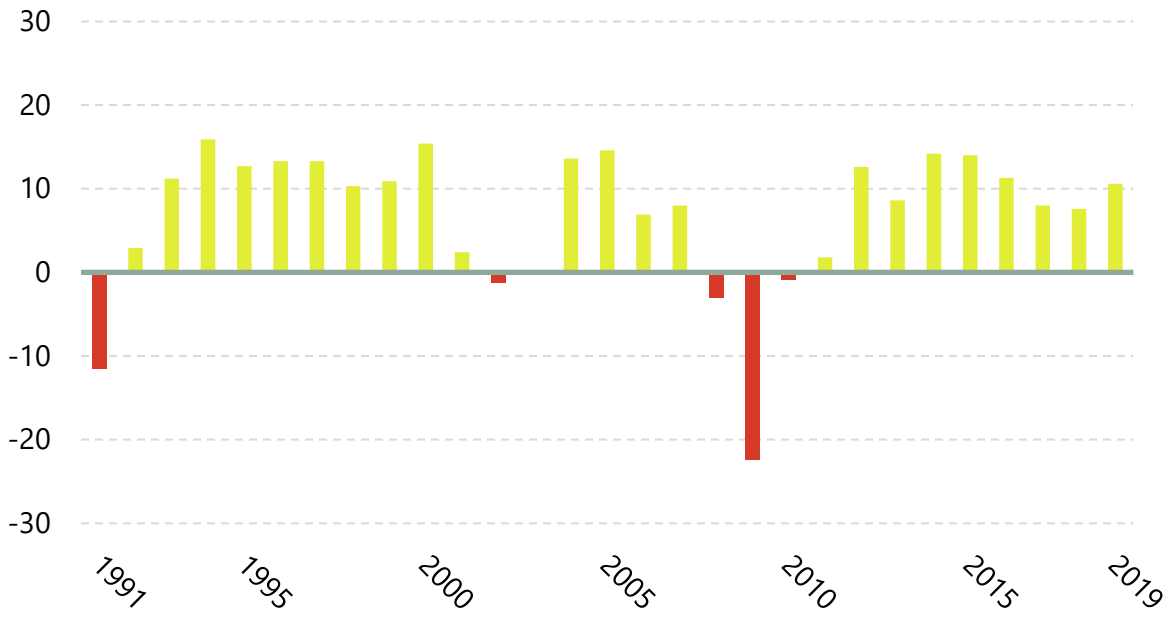
- The national housing market may be regaining some stability as prices are not increasing as fast. Sales have been up nationally for both new and existing homes, especially since November. Rates for 30-year mortgages are currently just above 4 percent and rising only slightly.

The picture for the national economy for the last half of 2019 is continued slow and moderate economic growth. Concerns remain about the potential impacts of the trade issues and the global economic conditions. The projected cuts in interest rates by The Federal Reserve would be aimed at easing the negative effects of those two concerns to support continued economic expansion in the U.S.

Central Virginia Economic Trends

〉 The economy of Central Virginia continues to show moderate growth across most measures. Job growth has been positive for nine consecutive years, adding 90,000 jobs since the recession ended. Annual growth peaked in 2014 and 2015 at 14,000 new jobs each year, and since 2015 has moderated. The annual growth for the twelve months from May of 2018 to May of 2019 was 10,600 jobs, which is 60 percent above the average growth over the past 29 years.

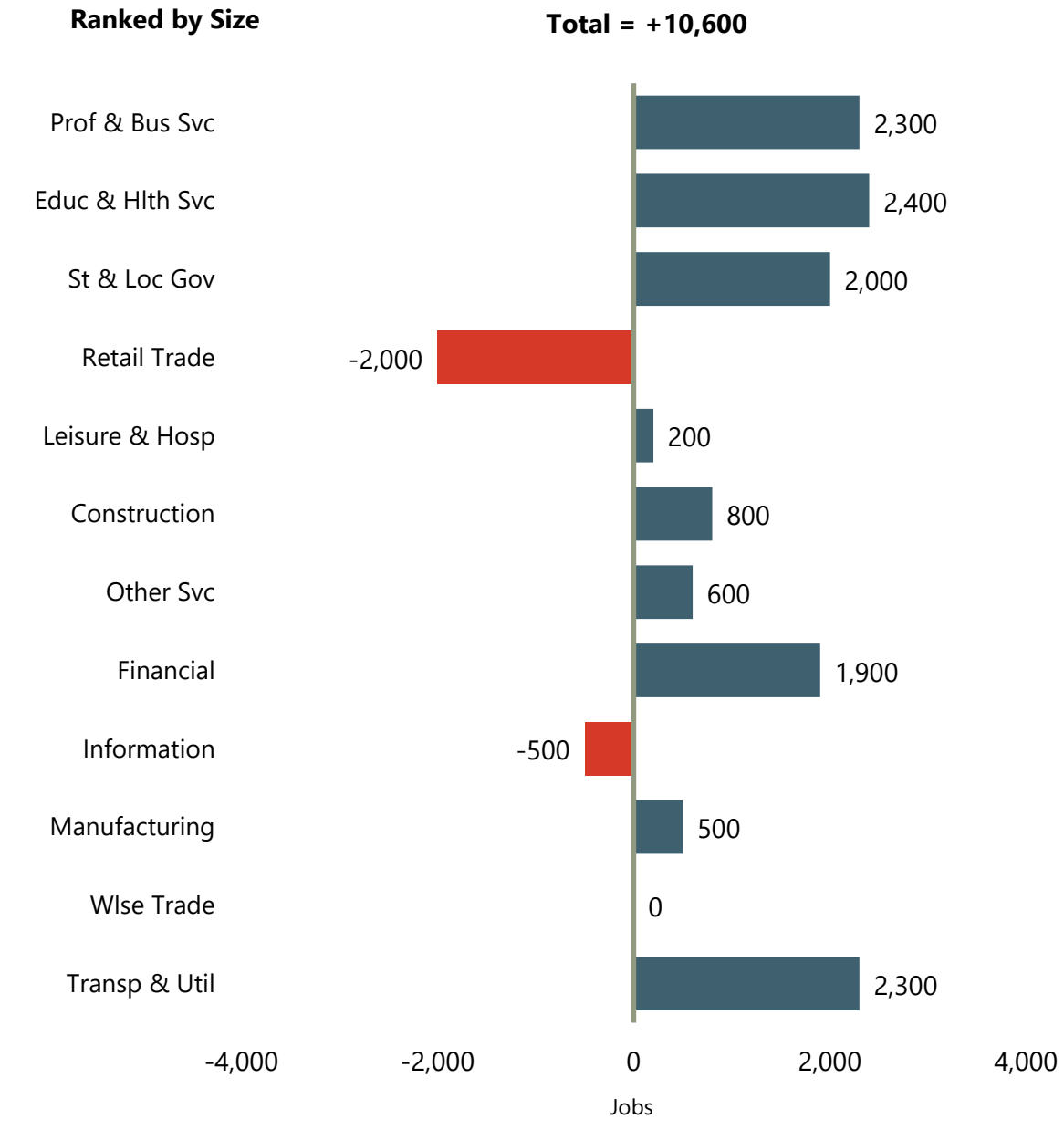
Figure 7
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

〉 The job growth over the past twelve months was led by strong growth in five sectors: Professional and Business Services, Education and Health Services, Financial Services, Transportation and Utilities, and State and Local Government. Retail Trade saw the loss of 2,000 jobs, which may be attributed to seasonal factors and continued changes in online sales share of retail.

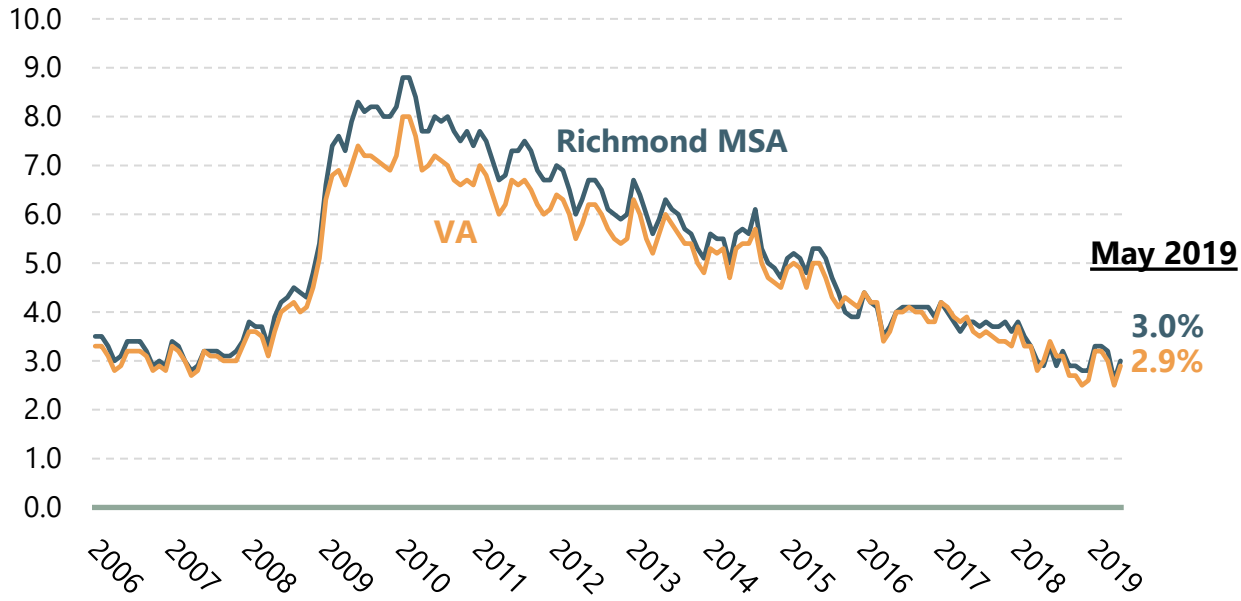
Figure 8
Job Change by Industry
Richmond MSA
June 2018 to June 2019



Source: Bureau of Labor Statistics

〉 Unemployment continues its long drop from almost nine percent during the recession to 3.0 percent as of May. This low rate of unemployment indicates that the Central Virginia area is probably facing labor shortages in several sectors. This may point to increasing in-migration to region to fill job vacancies and increasing demand for housing.

Figure 9
Unemployment Rate



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

The Central Virginia economy continues its solid performance and provides a strong foundation for a healthy housing market. Nevertheless, these continuing trends may point to an increased issue of housing affordability as demand outpaces supply and puts upward pressure on prices over time.

Housing Market Overview

The spring housing market in the Central Virginia region saw some key metrics, e.g., sold units, moderating; while others such as price levels continued to rise. Sales activity inched up this quarter compared to a year ago, though the pace of sales remains relatively flat, a trend that has been occurring in the market for over a year now. While closed sales rose a modest 2% in the region, pending sales climbed by 8%, a sign that sales could be stronger in the coming months. Despite the relatively flat sales growth over several quarters, home prices continue to push upward throughout the region, an indication that buyers remain active in the market, and that the low supply of active listings is playing a larger role in pricing in some local markets. The median sales price in the region rose by more than $12,000 compared to last year, which is the largest price gain since the summer of 2017. Homes are taking a little more than a month to sell on average in the Central Virginia region, which is the same as last year.

The big story in the market continues to be the declining inventory of active listings. Double-digit reductions resumed in many local markets, and there are nearly 600 fewer active listings on the market than this time last year. The low supply is putting upward pressure on home prices. At the end of the second quarter, there was only about two and a half months of supply in the regional housing market, indicating it is still very much a sellers' market in Central Virginia.

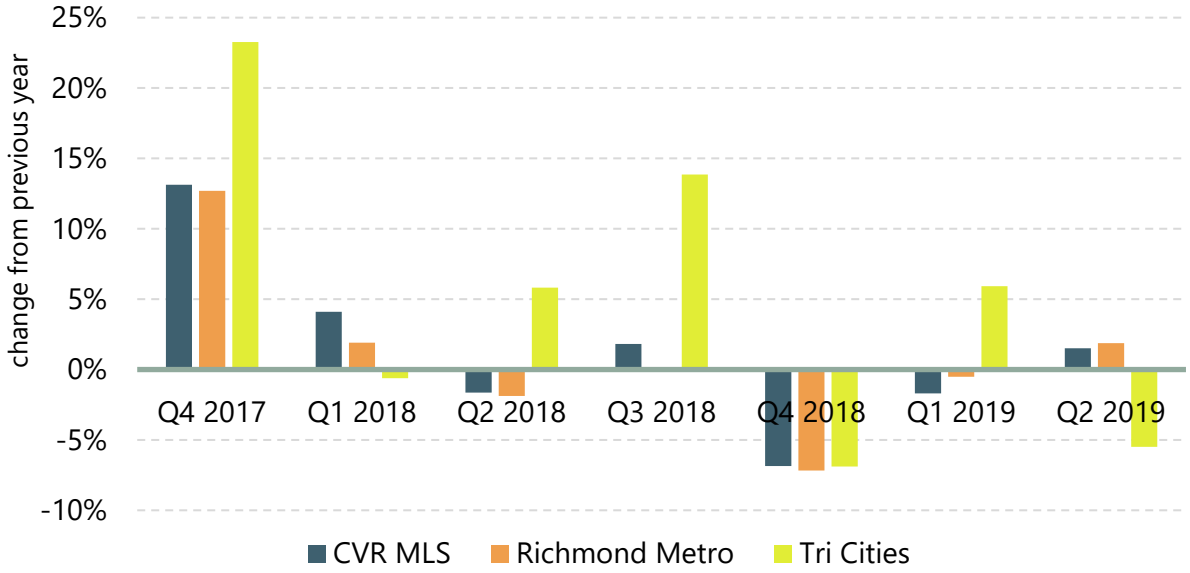
Sales

Sales activity in the Central Virginia region inched up in the 2nd quarter of 2019, after declining for two consecutive quarters. There were 6,265 sales across the region in this quarter, which is 93 more than a year ago, a 2% gain. The pace of sales has been flat or declining in the Central Virginia housing market for over a year, a possible sign of cooling demand in some local areas.

The pace of sales was slower or flat in 8 of the 16 jurisdictions in the region in the 2nd quarter, which is fewer than last quarter, indicating some local markets are starting to see sales growth this year. There were 4,950 sales in the Richmond Metro Area in the 2nd quarter, up 2% from a year ago, an increase of 91 sales. The growth in the Richmond Metro Area was primarily driven by the Chesterfield County market, where there were 2,004 sales in the 2nd quarter, 125 more than last year, representing a 7% gain. Sales in Henrico County, typically one of the region's largest markets, were essentially flat in the 2nd quarter compared to last year (+4 sales). Hanover County had the largest drop in sales in the Richmond Metro Area, with 35 fewer sales in the 2nd quarter, a 7% decline.

There were 447 sales in the Tri-Cities Area in the 2nd quarter, which is 26 fewer than a year ago, a 5% drop. Most of the sales drop within the Tri-Cities area occurred in Petersburg. There were 86 sales in Petersburg, a decline of 23 sales from last year, down 21%.

Figure 10
Percent Change in Sales

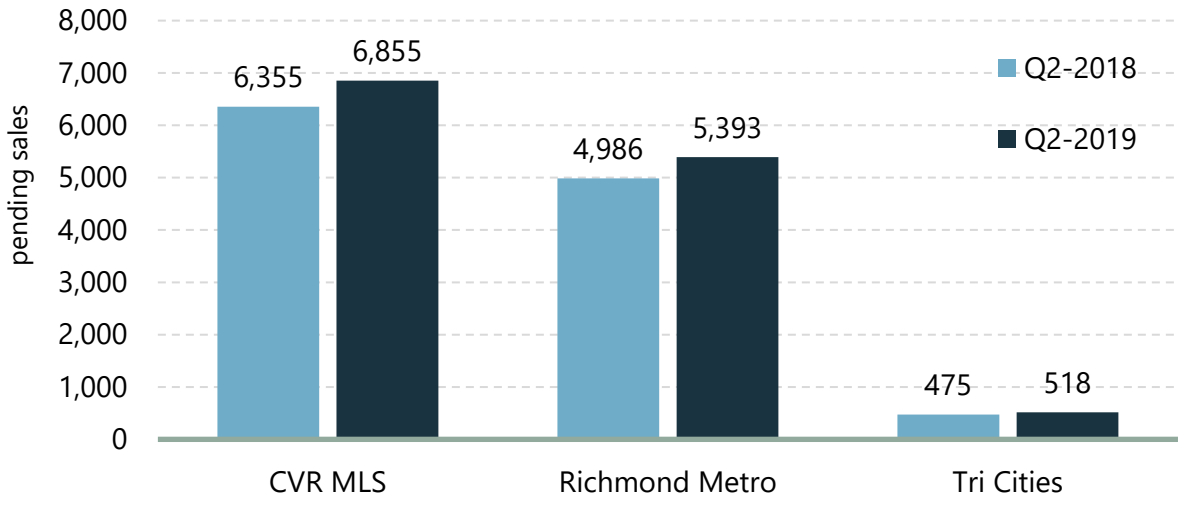


Source: Virginia REALTORS®, data accessed July 17, 2019

While sales transaction grew at a modest pace in the Central Virginia Region, the number of pending sales in the pipeline in the 2nd quarter rose faster. There were 6,855 pending sales across the region in the 2nd quarter, which is 500 more than a year ago, an 8% gain. Prior to this jump, pending sales had been trending down in the region since the beginning of 2018. Both the Richmond Metro Area and the Tri-Cities market had more pending sales in the 2nd quarter compared to last year, growing 8% and 9% respectively.

Within the Richmond Metro market, most of the pending sales growth occurred in Chesterfield and Henrico County with 157 and 118 more pending sales respectively compared to last year, an 8% gain for each jurisdiction. Within the Tri-Cities market, the pending sales growth occurred mostly in Prince George County and Dinwiddie County, up 35 and 22 pending sales respectively.

Figure 11
Pending Sales, 2nd Quarter



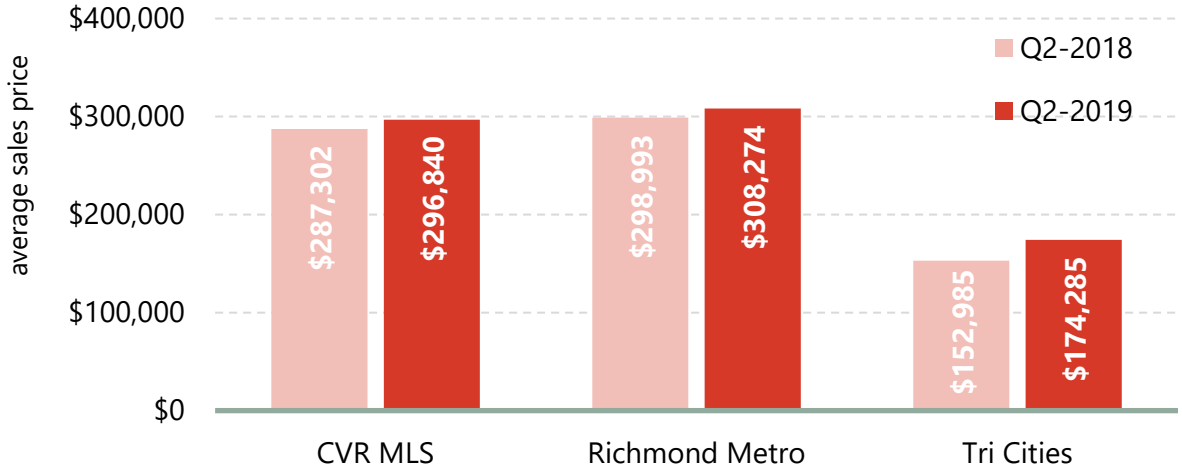
Source: Virginia REALTORS®, data accessed July 17, 2019

Prices

Home prices continue to climb the in the Central Virginia region amid relatively flat sales growth, an indication that the low supply of active listings remains a big factor in the market. At $296,840, the average sales price in the 2nd quarter is up more than $9,500, a 3% gain. The median sales price rose even faster, climbing 5% from the 2nd quarter last year to $262,203, a gain of over $12,000.

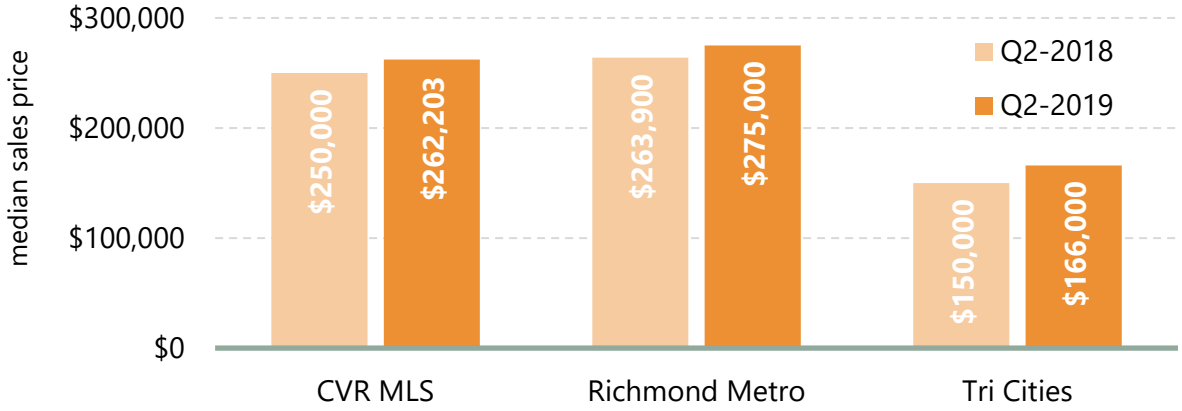
The sales price gains are occurring throughout the region with 12 of the 16 jurisdictions having a higher median sales price compared to this time last year. Similar trends are occurring with the average sales prices. At $308,274 the 2nd quarter average sales price in the Richmond Metro Area rose 3% from last year, a gain of more than $9,000. The fastest price growth within the Richmond Metro market occurred in Chesterfield County, where the average sales price jumped more than $18,000 over last year's level, to $303,738, representing a 6% gain. The average price in the City of Richmond rose to $306,994 in the 2nd quarter, up more than $9,300 from a year ago, a 3% gain. Prices are rising even faster in the Tri-Cities market. At $174,285, the average sales price in the Tri-Cities area surged 14% in the 2nd quarter compare to last year, a $21,000 jump. All jurisdictions in the Tri-Cities market had rising prices in the 2nd quarter led by Prince George County where the average sales price increased rapidly, up nearly $32,000 to $241,963, a 15% increase.

Figure 12
Average Sales Price, 2nd Quarter



Source: Virginia REALTORS®, data accessed July 17, 2019

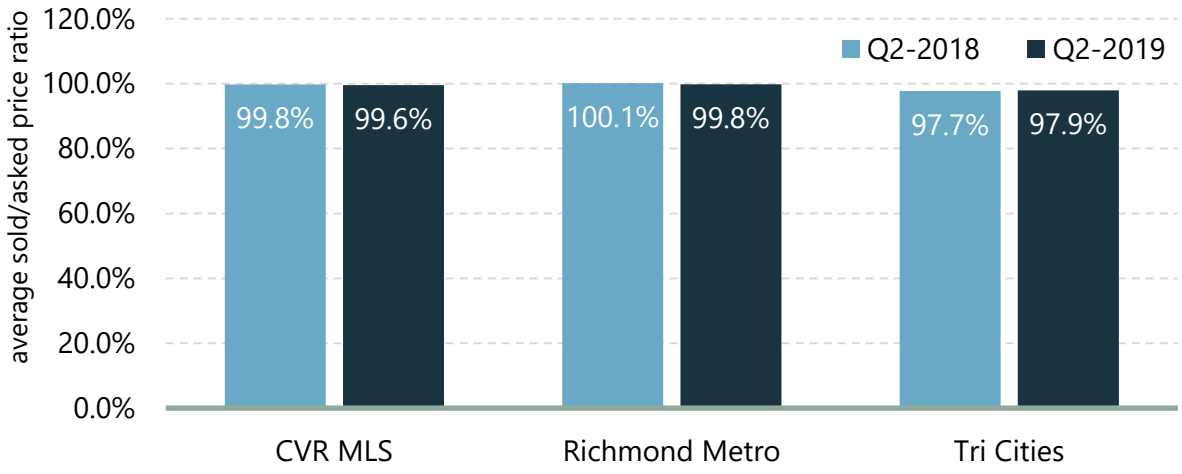
Figure 13
Median Sales Price, 2nd Quarter



Source: Virginia REALTORS®, data accessed July 17, 2019

Despite the rising sales prices, the average sold to ask price ratio inched downward. On average, homes sold in the region during the 2nd quarter were sold for approximately 99.6% of the asking price, which is down from 99.8% last year. A modest dip in this ratio also occurred in the Richmond Metro Area market which went from 100.1% in the 2nd quarter last year to 99.6% this year. The Tri-Cities market had a slight increase in the average sold to ask price ratio, climbing to 97.9% in the 2nd quarter.

Figure 14
Average Sold/Asked Price Ratio, 2nd Quarter

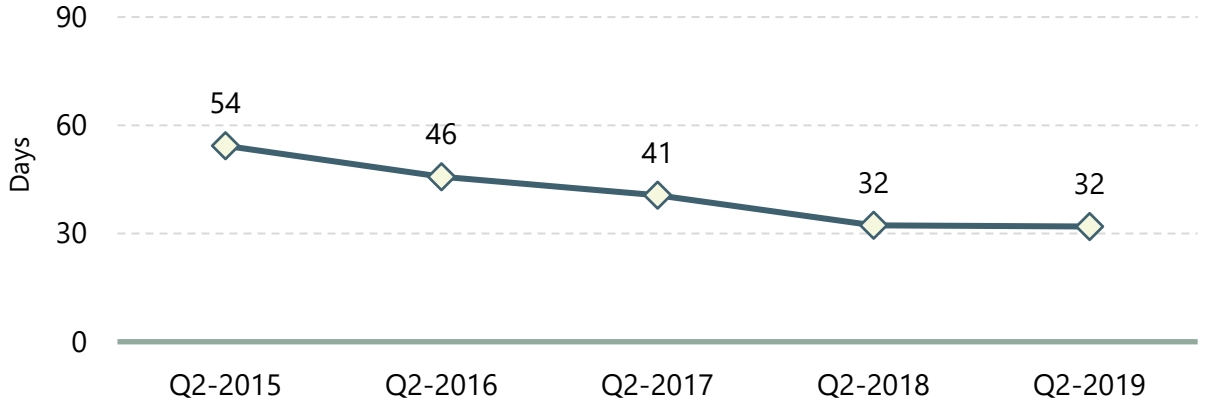


Source: Virginia REALTORS®, data accessed July 17, 2019

Days on Market

On average, homes sold in the 2nd quarter were on the market a bit over a month (32 days) in the Central Virginia region, which is unchanged from a year ago. After trending down consistently each quarter for several years, this is the second consecutive quarter with unchanged average days on market, which could be a signal of either cooling demand, or a mismatch on the types and prices of home listed for sale and the homes that are in demand from buyers in the market.

Figure 15
2nd Quarter Average Days on Market, CVR MLS
2015-2019



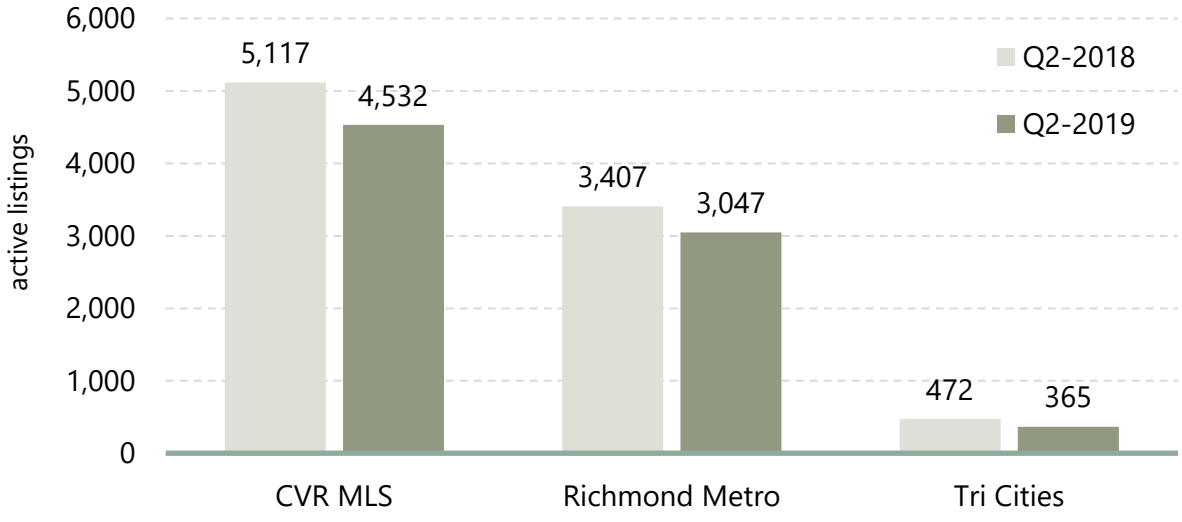
Source: Virginia REALTORS®, data accessed July 17, 2019

Inventory

The inventory of homes on the market continues to shrink in the Central Virginia region, a trend that has been consistent for many years and is occurring throughout the state and beyond. At the end of the 2nd quarter there were 4,532 active listings in the region, which is 11% fewer than a year ago, a drop of 585 active listings. The low supply of listings continues to drive up sales prices in the region.

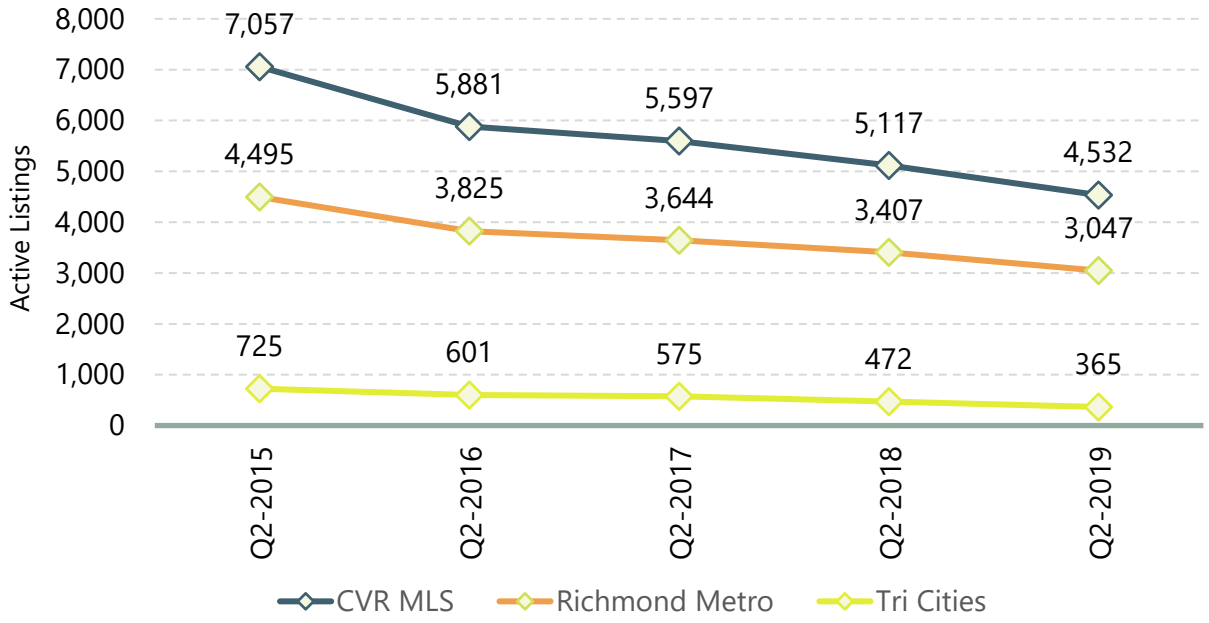
The supply of active listings is declining in local markets thorough the region; 12 of the 16 jurisdictions had a lower supply of active listings at the end of the 2nd quarter compared to last year. There were 3,047 active listings in the Richmond Metro Area at the end of the 2nd quarter, which is 360 fewer than last year, an 11% decline. The City of Richmond is the only market within the Richmond Metro Area to have an upward trend with active listings, climbing 2% from a year ago to 499 listings, a gain of 9. This is the fourth consecutive quarter of supply expansion in the City which is notable given the persistent declines throughout the Central Virginia region. There were 365 active listings in the Tri-Cities market at the end of the 2nd quarter, a 23% reduction from a year ago, 107 fewer active listings.

Figure 16
Active Listings, 2nd Quarter



Source: Virginia REALTORS®, data accessed July 17, 2019

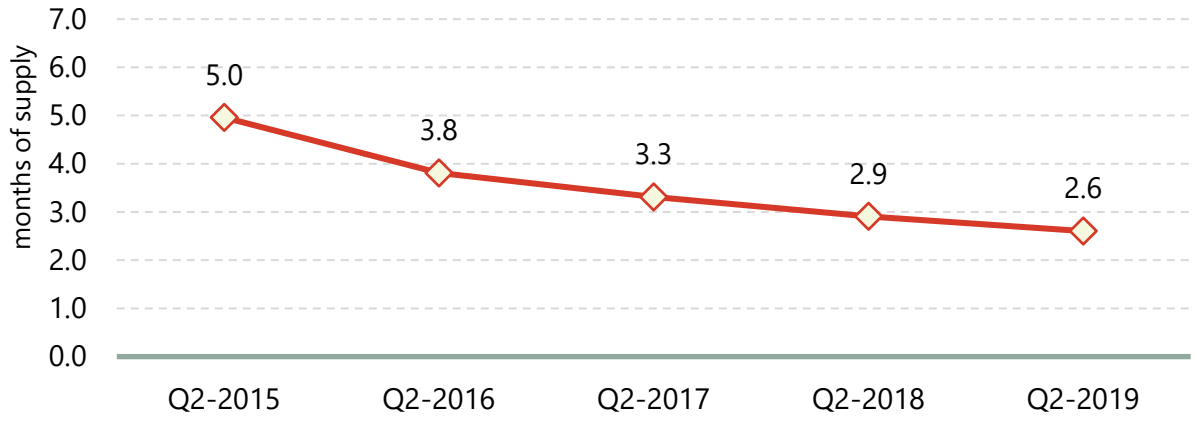
Figure 17
End of 2nd Quarter Active Listings



Source: Virginia REALTORS®, data accessed July 17, 2019

At the end of the 2nd quarter, there was approximately 2.6 months of supply in the Central Virginia housing market, which is down from 2.9 months in the same time 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 2nd Quarter Months Supply, CVR MLS
2015-2019



Source: Virginia REALTORS®, data accessed July 17, 2019

Outlook

With the summer market now underway in Central Virginia, trends from the first half of 2019 reflect continued demand in the market, though escalating prices and dwindling supply could be playing a role in the affordability of some local areas for many segments of the buyer market.

The number of sales has been relatively flat, and in some cases declining over the past year. A jump in pending sales in the 2nd quarter could indicate more sales growth in the coming months. As the supply of active listings continues to shrink in most parts of the region, it is likely that home prices will continue to push upward in the coming months.

The regional economy in Central Virginia is performing well. There are more jobs in the region, many of which are from well-paying sectors. The unemployment rate continues to be below the state and national level, and consumer confidence remains strong in the south Atlantic Region. These strong economic conditions fuel demand in the housing market, though rising prices and fewer options to choose from could be keeping some buyers on the sidelines and some would-be sellers in their current homes. The Federal Reserve has indicated it will be lowering interest rates this year, which will keep rates at historically low levels.

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.