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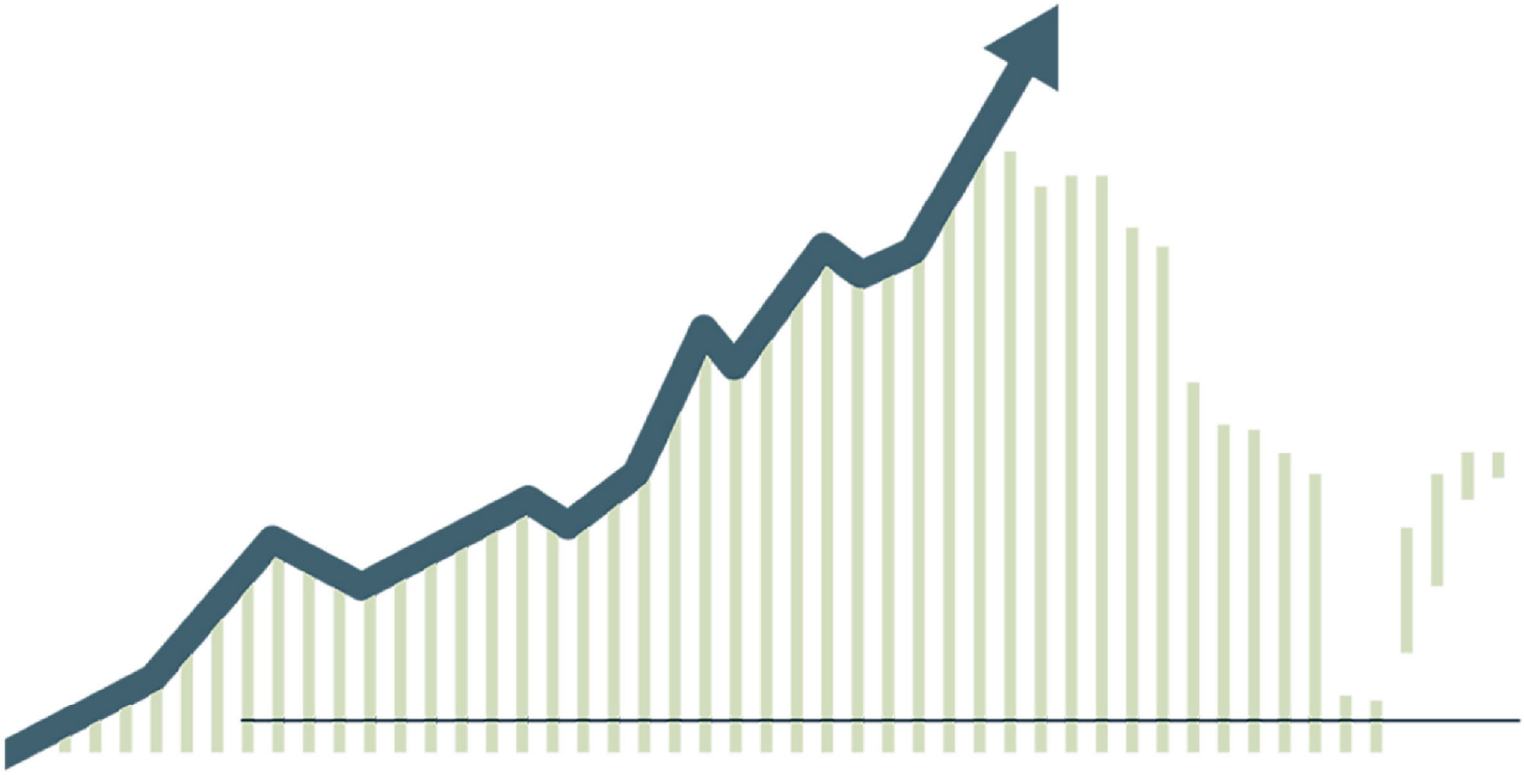


CVRMLS CENTRAL VIRGINIA MLS
HOME SALES REPORT

CUSTOM REPORT PREPARED BY
VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

2nd Quarter 2020

National Economic Overview

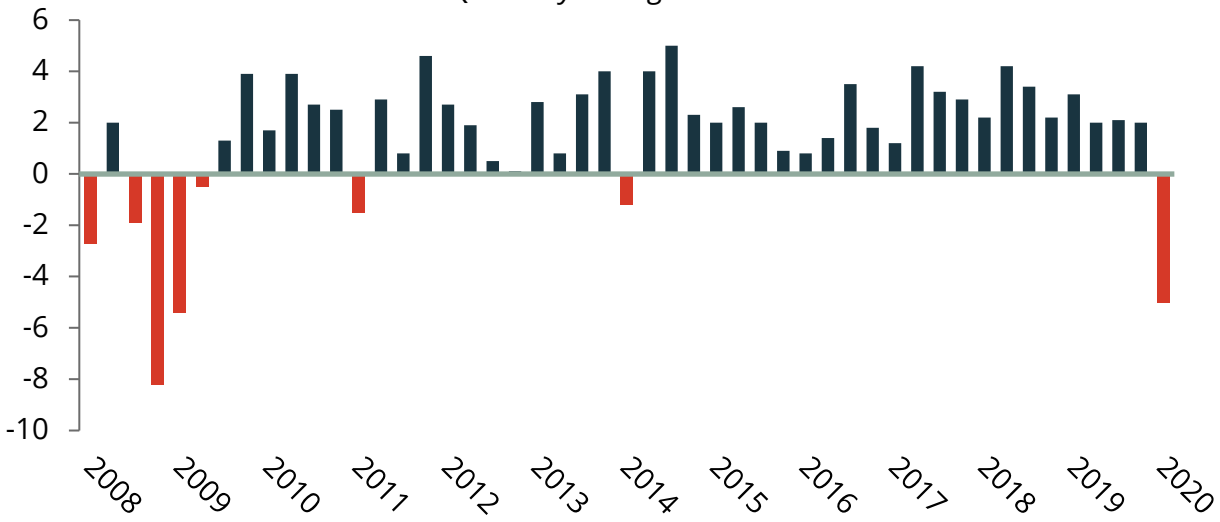
The U.S. economy is continuing to feel the effects of the coronavirus pandemic from March into the summer, with concerns regarding when the tide can be turned, and economic growth can begin the long climb back. There has been some rebound in a few elements of the economy which had severe declines in late Spring but some improvements at mid-summer. The equity markets and the housing market have rebounded and are not far from pre-March levels. It appears that investment in the stock markets is driven by the belief that once the virus is under control, business and corporations will start to hire back and will recover to pre-virus levels. The S&P 500 as of late July is not far below its all-time high.

The housing market dropped in the Spring with sales of new and existing homes declining through April but then turned upward in May and June. This has been helped by record low mortgage rates.

The stimulus package(s) being considered by Congress will play a key role in mitigating some of the negative economic impacts. Some of these relief measures will need to be continued and/or modified for longer than originally anticipated, as the virus trends do not show the abatement that had been hoped for earlier in the year. Gaining control of the virus is the key to when the overall economy will begin the return to "normal" growth.

- The economic effects were only beginning as the first quarter of 2020 ended, and Gross Domestic Product dropped 5.0% in the first quarter. That amount of decline was exceeded in two consecutive quarters in the last recession in 2008-2009. While parts of the economy dropped significantly and then got some rebound as summer began, it is likely that the economy in the second quarter will show a larger decline than the earlier recession and significantly so.

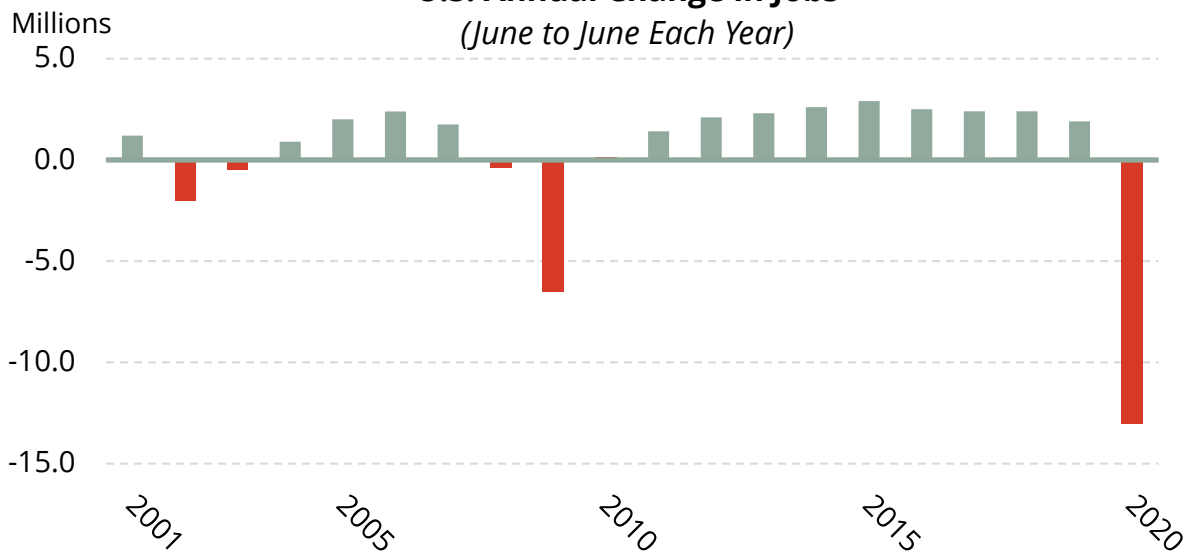
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2020



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

〉 Job data is available on a monthly basis and provides a clearer and more current picture of the economic effects of the pandemic. From June of 2019 to June of 2020, the nation lost 13.0 million jobs, almost twice the drop in jobs of the 2008-2009 recession.

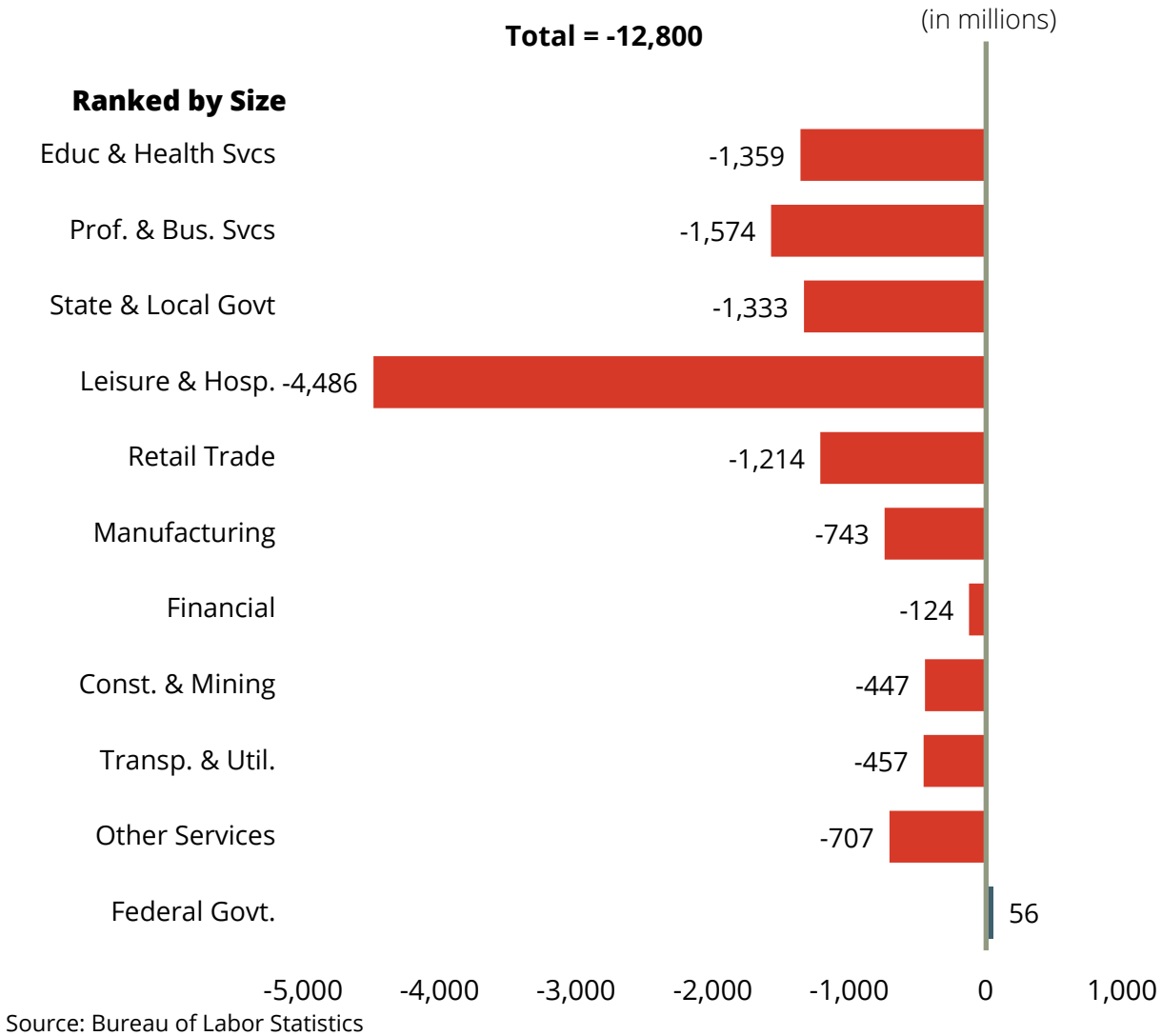
Figure 2
U.S. Annual Change in Jobs
(June to June Each Year)



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 almost 4.5 million jobs from June of 2019 to June of 2020. It is likely that the losses in that sector have continued well into the summer. There may have been some upturn in July, but the continuing upward trend of virus cases has resulted in cutbacks further into the summer.

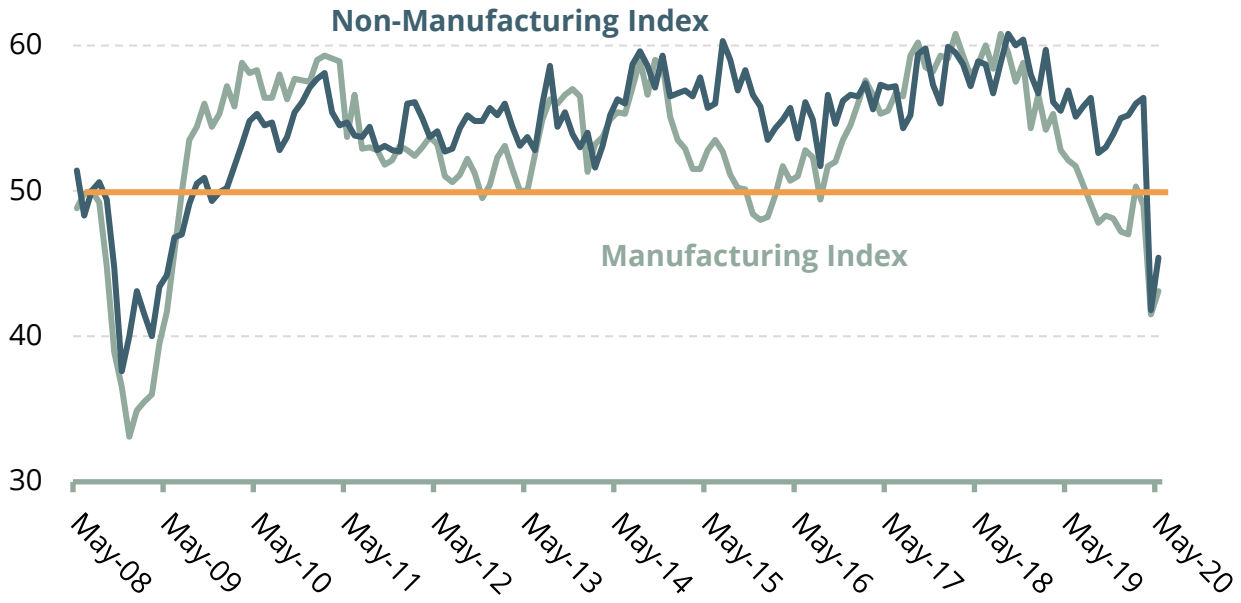
Figure 3
U.S. Payroll Job Change by Sector
Jun 2019 - Jun 2020



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 have rebounded to above the 50-point level which means expansion. Both indexes are back to almost the levels of pre-virus conditions.

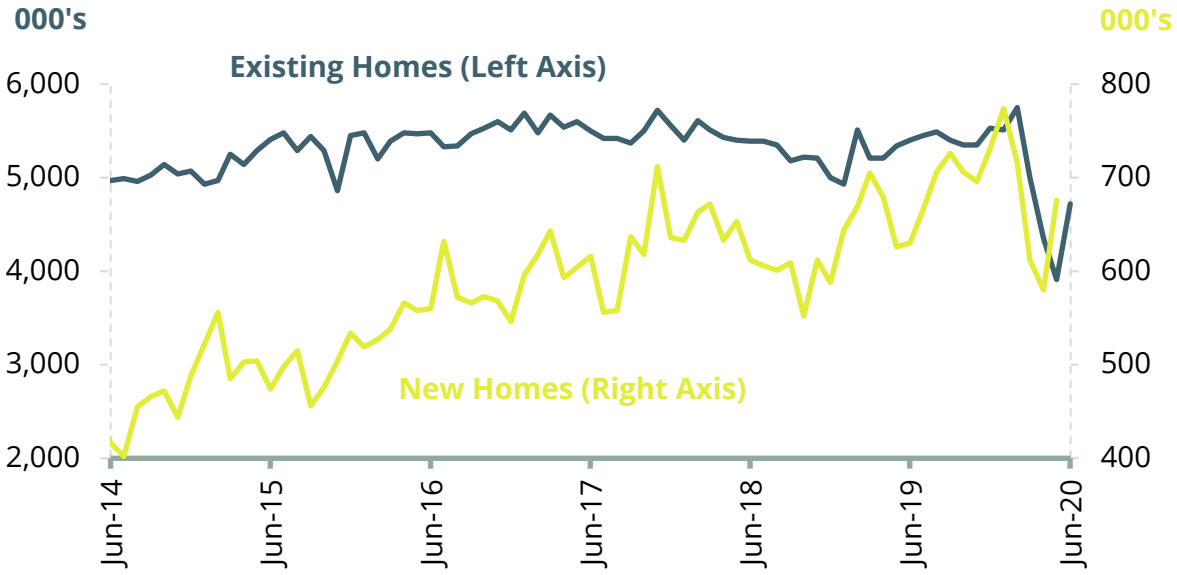
Figure 4
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Conference Board

〉 The national housing market may have experienced the least impact from the virus in economic terms. New and existing home sales both dropped significantly in April as buyers and sellers adjusted to social-distancing and uncertainties. But in May and June sales recovered substantially. This was also helped by the drops in interest rates. In mid-July the average rate on a 30-year mortgage dropped to 2.98%, the lowest in fifty years. Potential buyers not greatly affected by the situation economically took advantage of the drop in interest rates. Existing home sales in June were up 20.7% from May, and the median price of homes of all types was up 3.5% from June of 2019. New home sales have also bounced back. At 676,00 sales in May of 2020, new homes sold 12 % more than May of 2019.

Figure 5
U.S. New and Existing Home Sales



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

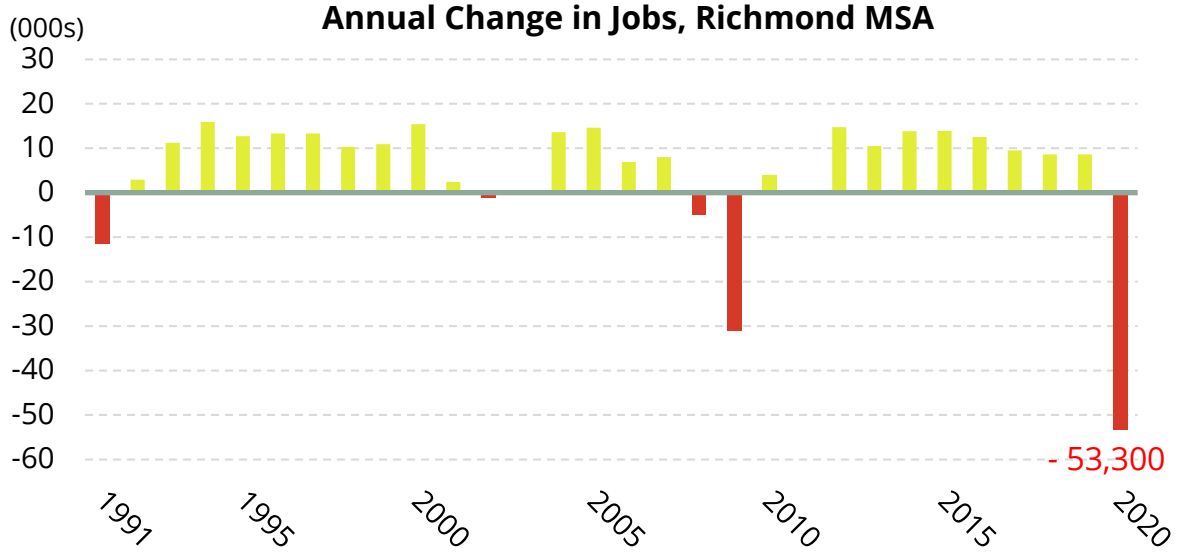
The nation's economy has been severely buffeted by the pandemic and will be in recession for some time ahead, depending on when the pandemic is brought under control. The "when" is an unknown. Forecasts by IHS in late Spring were that the 2020 GDP would decline 7.0 percent for 2020, and that the economy would not gain growth momentum until 2021. As the situation evolves over the next several months, the ability to make some reliable economic forecasts will improve significantly.

Central Virginia Economic Trends

The economy of Central Virginia is not immune to what is happening in 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 has lost 53,300 jobs, which is a loss of 7.7%.

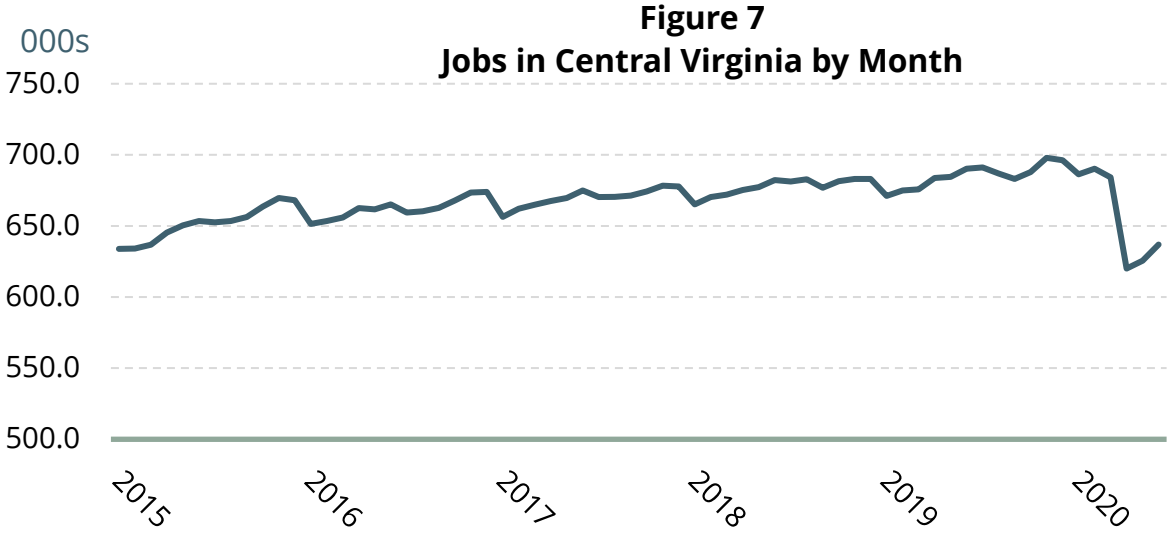
Figure 6
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

〉 The total jobs in the region in June are approximately at the same level as early 2015. The annual loss from June of 2019-2020 is not quite double the loss in the last recession.

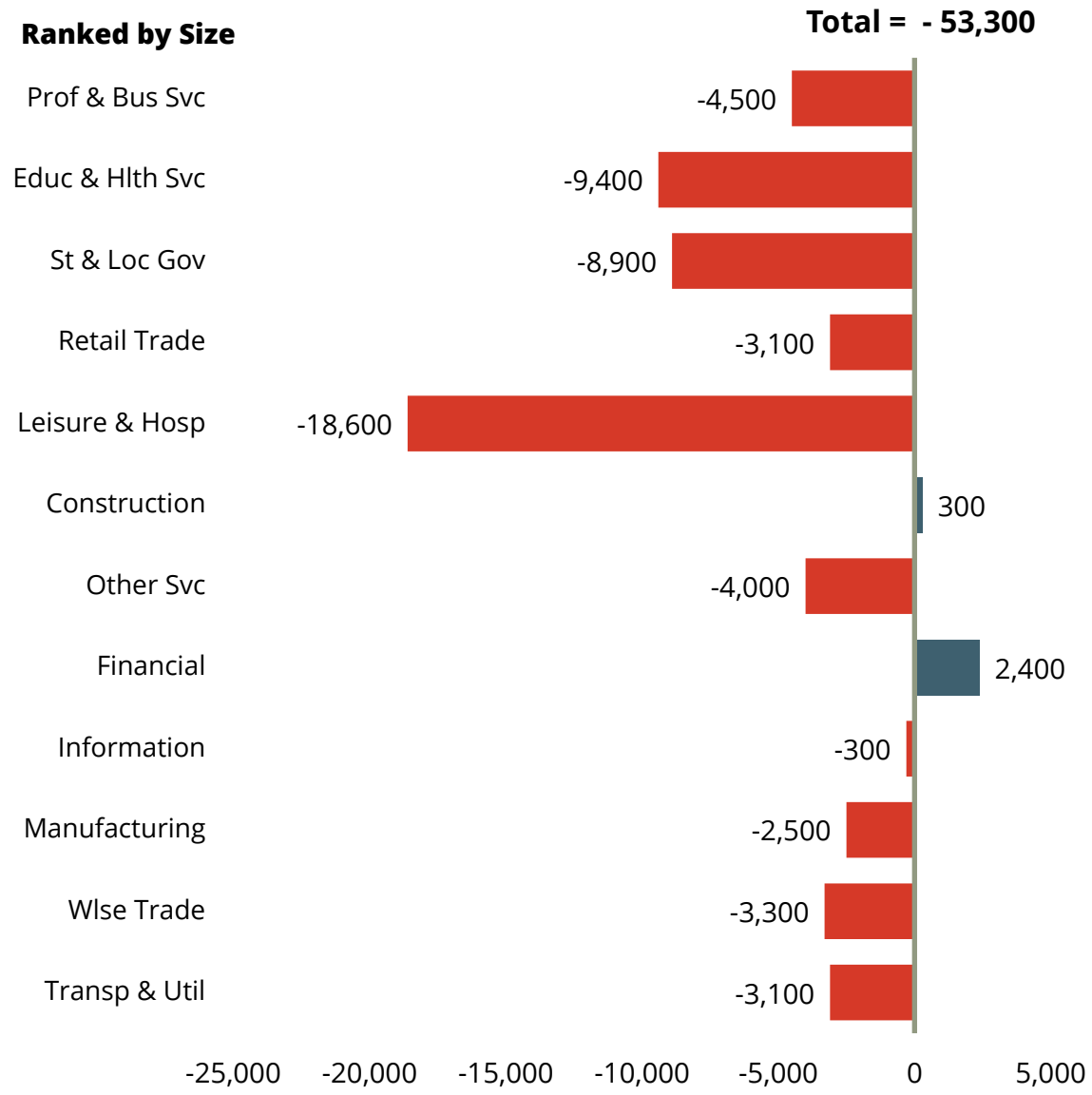
Figure 7
Jobs in Central Virginia by Month



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

〉 Similar to the national job effects, 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. A loss of 26.6 percent. There were also sizeable losses in Education and Health services (-9,400), State and Local Government (-8,900).

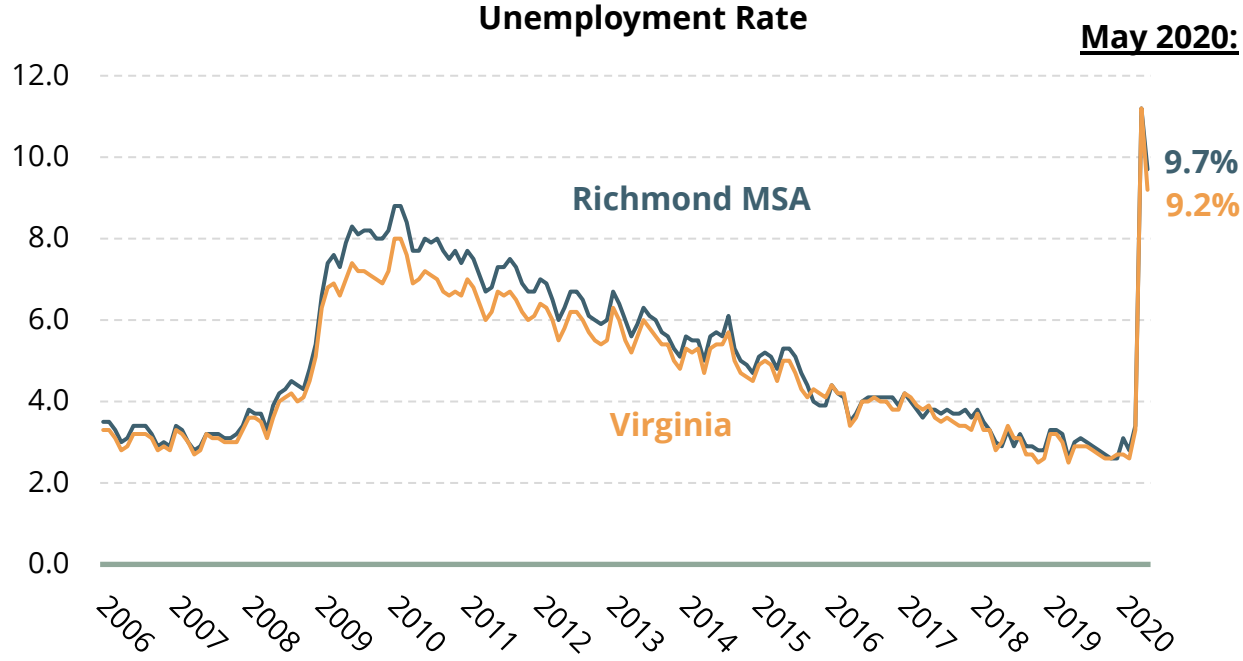
Figure 8
Job Change by Industry
Richmond MSA
Jun 2019 to Jun 2020



Source: Bureau of Labor Statistics

› The unemployment rate in the Richmond MSA rose up to just over 11% in April and dropped back to 9.7% in May.

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 as a whole has fared better than most states in the number of cases and deaths due to the virus. 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 will endure the situation as inventories continue to be low and interest rates are at record low levels.

Housing Market Overview

The impact of COVID-19 on housing markets around Virginia continues to be monitored. While spring sales numbers in the Central Virginia[1] housing market reflect a slowdown, there was some evidence towards the end of the quarter that activity is starting to pick back up. The inventory of active listings has been shrinking consistently over the past five years in the region, but the current pandemic has accelerated this trend, and active listings fell sharply this quarter. The tight supply of homes continues to put upward pressure on homes prices in local markets throughout Central Virginia.

Sales

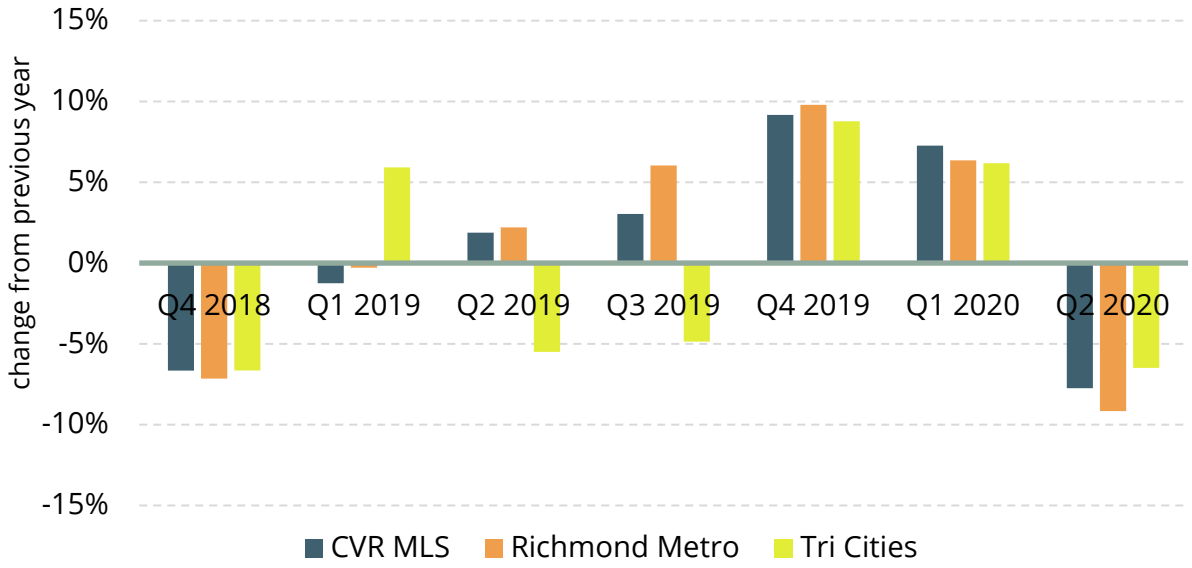
Sales activity slowed down in the Central Virginia housing market in the spring. There were 5,797 sales throughout the region in the 2nd quarter, which is 487 fewer sales than a year ago, an 8% decline. This is the first slowdown in sales for the Central Virginia housing market in over a year and reflects uncertainty in the market from the COVID-19 pandemic. The market slowdown occurred throughout the region, with 9 of the 16 jurisdictions in the CVRMLS footprint having fewer sales this quarter compared to last year. While the quarterly sales totals (cumulative sales in April, May and June) were sluggish compared to last spring, it's important to note that many local housing markets in Central Virginia had an increase in sales activity in June, which is a signal that market activity is trending back up for the summer in some local areas.

Home sales in the Richmond Metro Area[2] also declined this quarter. There were 4,511 sales overall in the Richmond Metro Area housing market, 455 fewer sales than last year, representing a 9% decline. Within the local markets, Chesterfield County and Henrico County had the largest drops, with 193 and 190 fewer sales respectively compared to a year ago. The City of Richmond had 115 fewer sales in the 2nd quarter compared to last year, a 12% decrease. Hanover County was the only bright spot this quarter in the Richmond Metro Area housing market this quarter, with a 9% increase in sales activity compared to last year, 43 additional sales.

Similar to the other areas in the Central Virginia region, sales in the Tri-Cities Area[3] also slowed down this quarter. There were 418 sales in the Tri-Cities housing market in the 2nd quarter, a 6% dip from last year, which is 29 fewer sales. Prince George County had the largest market slowdown with 15 fewer sales than last year, a 13% decline. The cities of Colonial Heights and Hopewell each had 7 fewer sales in the 2nd quarter compared to last year. The only local market to have an uptick in sales activity in the spring was the City of Petersburg, which had 3 more sales than this time last year, a 3% increase.

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

Figure 10
Percent Change in Sales



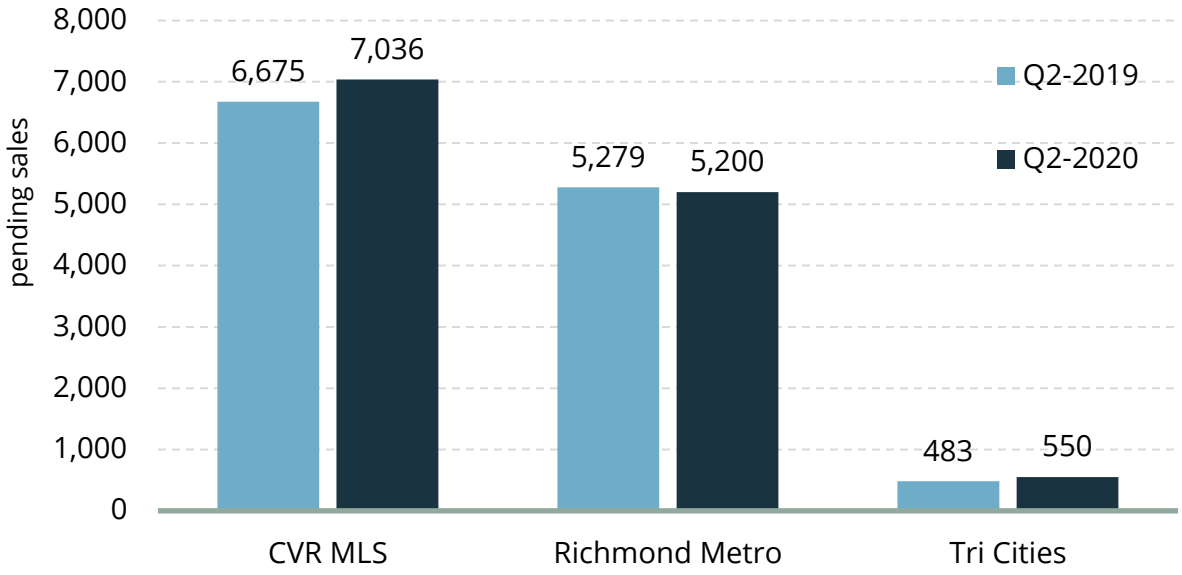
Source: Virginia REALTORS®, data accessed July 17, 2020

While the market uncertainty caused by COVID-19 slowed down closed sales this quarter, the pent-up demand from those slower months is now driving up pending sales activity. There were 7,036 pending sales overall in the Central Virginia region during the 2nd quarter, a 5% increase from a year ago, which is 361 additional pending sales. Interestingly all of the pending sale growth at the region-level occurred in June, which is a positive sign for the summer housing market. Pending sales declined in April and May in the region compared to last year.

Pending sales are increasing throughout the region, 13 of the 16 local markets had more pending sales in the 2nd quarter compared to last year. Notably, all 16 jurisdictions in the Central Virginia region had pending sales growth in June, many at double-digit rates.

There were 5,200 pending sales in the Richmond Metro Area in the 2nd quarter, a modest 1% decline from last year, a decrease of 79 pending sales. Similar to other areas in the region, June pending sales are up in the Richmond Metro Area housing market. Within the Richmond Metro Area, Hanover County had the largest growth in pending sales, up 10% from the 2nd quarter last year. Henrico County and the City of Richmond had 5% and 7% fewer pending sales each for the quarter. There were 550 pending sales in the Tri-Cities market in the 2nd quarter, a 14% jump from last year, which is 67 additional pending sales. At the local level, Dinwiddie County and the City of Petersburg had the largest growth in pending sales, up 27% and 26% respectively from last spring.

Figure 11
Pending Sales, 2nd Quarter



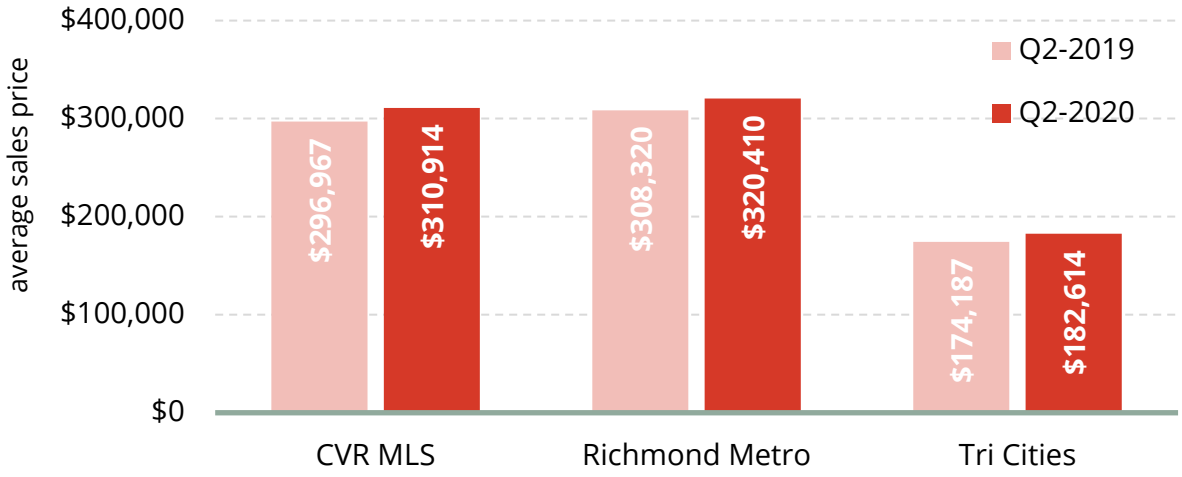
Source: Virginia REALTORS®, data accessed July 17, 2020

Prices

Despite the slowdown in closed sales this quarter, home prices continue to climb in the Central Virginia Housing Market. At $275,000, the 2nd quarter median sales price increased by nearly $13,000 from a year ago, a 5% gain. The average sales price in the region also rose 5% this quarter, climbing to $310,914, an increase of about $14,000 from last year. While buyer activity declined through much of the 2nd quarter amid the pandemic, those that were actively looking for homes in the market continued to have limited options. The inventory of listings continues to plummet in the region which puts upward pressure on home prices.

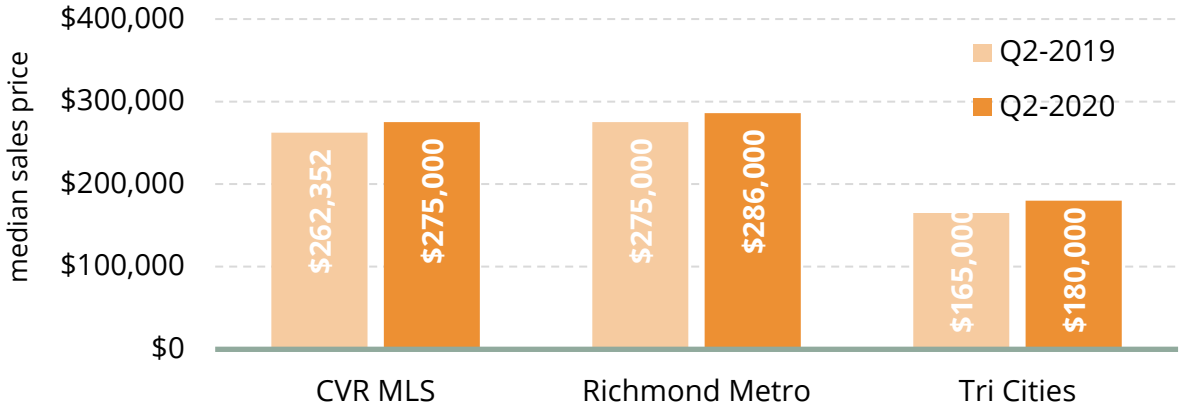
The price growth is occurring throughout the region with 14 of the 16 local markets having a higher median sales price this quarter compared to last spring. At $286,000, the 2nd quarter median sales price in the Richmond Metro Area is up 4% from last year, a gain of $11,000. All local markets within the Richmond Metro Area had price growth this quarter led by the City of Richmond with a 10% gain to the median sales price—an increase of $25,000. The Tri-Cities Area housing market also had price growth this quarter. At $180,000, the 2nd quarter median sales price in the Tri-Cities market was up 9% from a year ago, a $15,000 gain. Within the local markets in the Tri-Cities Area, the City of Hopewell had the strongest price growth, surging up 18% from last year, a gain of $22,750 to the median sales price.

Figure 12
Average Sales Price, 2nd Quarter



Source: Virginia REALTORS®, data accessed July 17, 2020

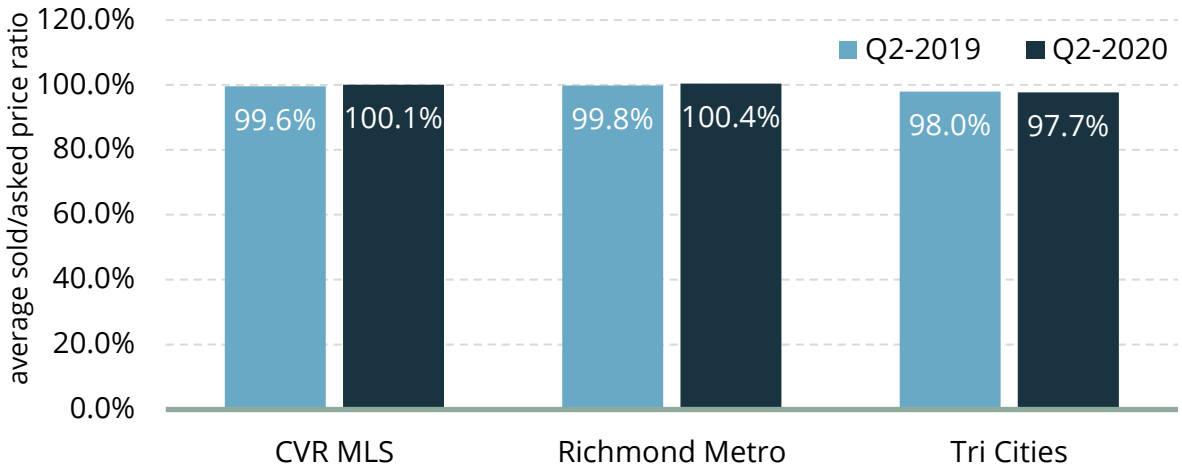
Figure 13
Median Sales Price, 2nd Quarter



Source: Virginia REALTORS®, data accessed July 17, 2020

The rising sales prices are also evident in the average sold to ask price ratio which continues to climb in the Central Virginia housing market. On average, homes that sold in the region in the 2nd quarter had a sales price that was 100.1% of the asking price, which is up from 99.6% at this time last year. This is the first time this metric has exceeded 100% in the region of any quarter in more than 5 years. Within the Richmond Metro Area, the average sold to ask price ratio increased from 99.8% last spring to 100.4% in the 2nd quarter this year. This metric declined slightly in the Tri-Cities Area housing market, falling to 97.7% in the 2nd quarter, down from 98.0% a year ago.

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

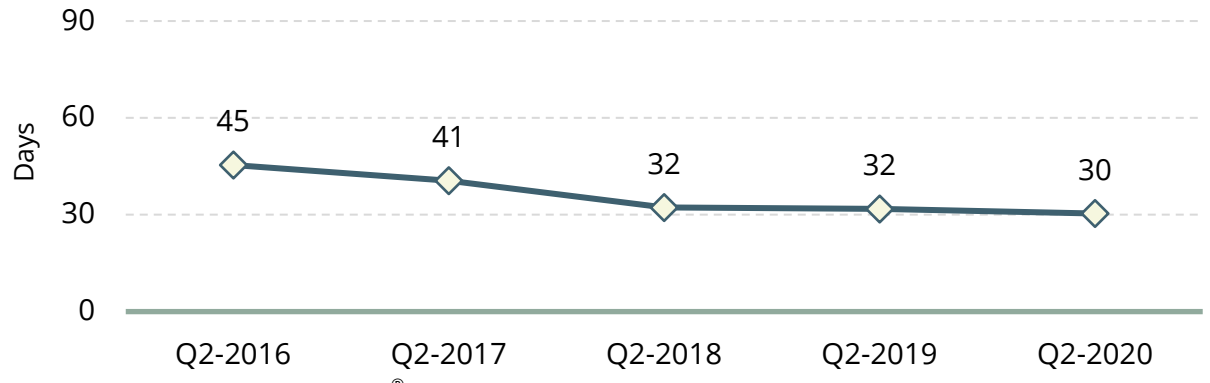


Source: Virginia REALTORS®, data accessed July 17, 2020

Days on Market

Homes that sold in the 2nd quarter in the Central Virginia region were on the market about 1 month on average (30 days), which is 1 day faster than a year ago. Homes have been selling faster in the region for many years as the inventory continues to decline. The average days on market in the Richmond Metro Area this quarter was 26 days, 2 days faster than the 2nd quarter of last year. At 43 days, the average days on market in the Tri-Cities Area housing market in the 2nd quarter is unchanged from a year ago.

Figure 15
2nd Quarter Average Days on Market, CVR MLS
2016-2020



Source: Virginia REALTORS®, data accessed July 17, 2020

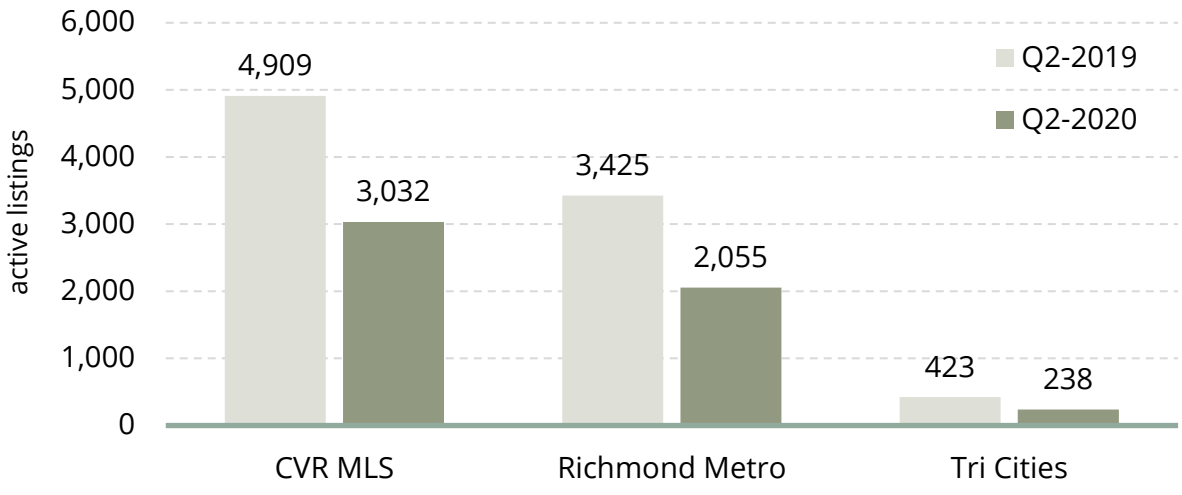
Inventory

While the full impact of COVID-19 on the housing market continues to be monitored, the direct impact on inventory is already quite evident. Housing markets throughout the Commonwealth experienced dramatic declines in active listings over the past several months as more would-be sellers continue to wait to see how the market responds to the pandemic.

At the end of the 2nd quarter, there were 3,032 active listings on the market in the CVRMLS footprint, which is 1,877 fewer active listings than a year ago, a 38% plunge. This is the largest drop in inventory in the Central Virginia regional housing market in over 5 years. The tight market supply is constraining sales activity in some local areas and continues to put upward pressure on home prices in the region. The overall inventory of active listings in Virginia at the end of the 2nd quarter was 39% lower than it was a year ago.

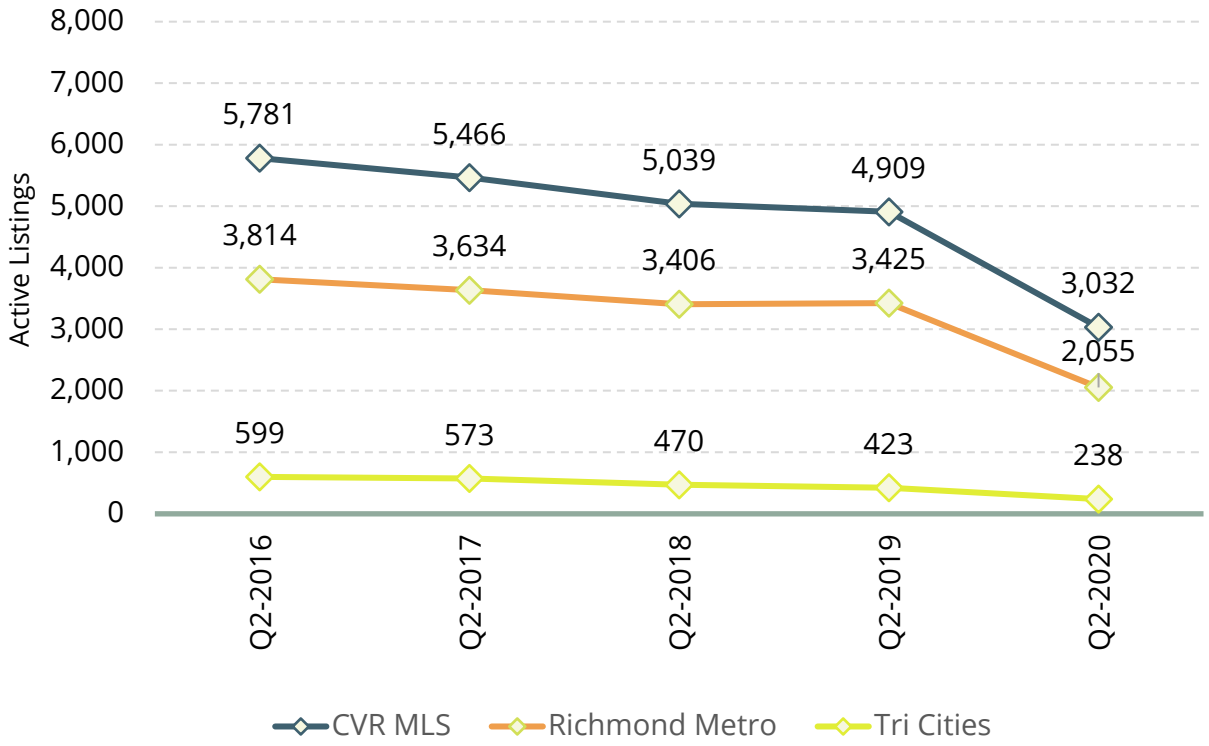
All 16 jurisdictions in the CVRMLS footprint had shrinking inventories this quarter. There were 2,055 active listings at the end of the 2nd quarter in the Richmond Metro Area, which is 1,370 fewer active listings than a year ago, a 40% drop. Henrico County had the largest inventory decline in the Richmond Metro Area. There were 465 active listings in the County at the end of the 2nd quarter, about half the number of active listings there were a year ago (-48%). There were 238 active listings on the market in the Tri-Cities Area at the end of the 2nd quarter, a 44% decrease from last year, 185 fewer active listings. The City of Colonial Heights and Prince George County had the largest reduction in supply this quarter, down 53% and 51%, respectively, from last year.

Figure 16
Active Listings, 2nd Quarter



Source: Virginia REALTORS®, data accessed July 17, 2020

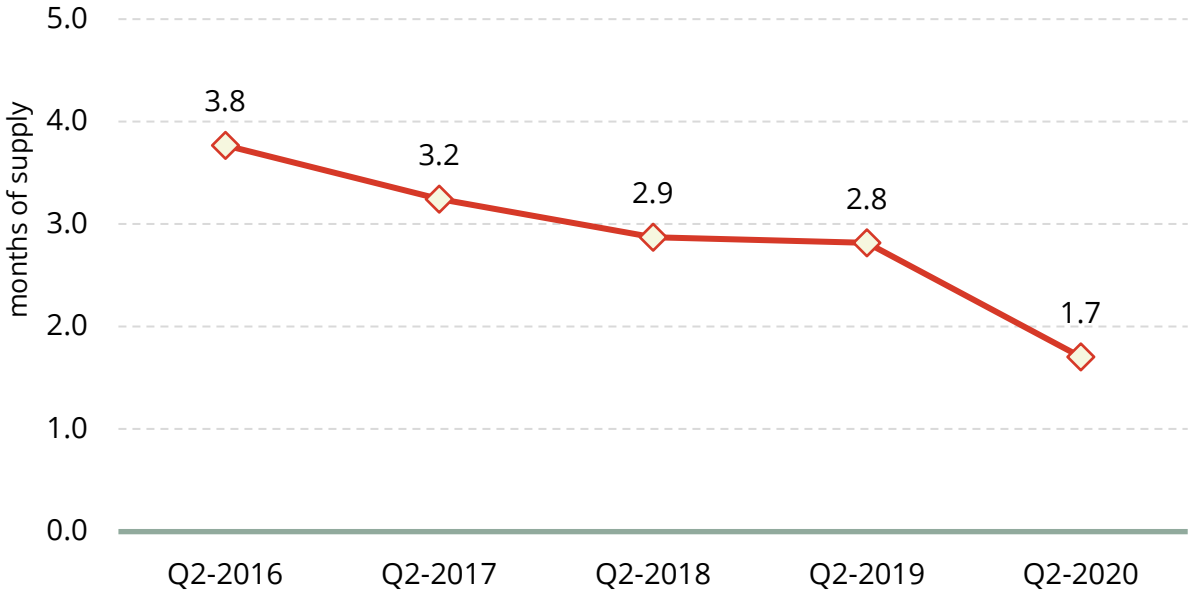
Figure 17
End of 2nd Quarter Active Listings



Source: Virginia REALTORS®, data accessed July 17, 2020

There was approximately 1.7 months of supply in the Central Virginia housing market at the end of the 2nd quarter, which is down from 2.8 months a year ago. The supply continues to be very low in the Central Virginia housing market and is playing a role in the rising prices in many local areas. 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
2016-2020



Source: Virginia REALTORS®, data accessed July 17, 2020

Outlook

The COVID-19 outbreak led to an unprecedented economic downturn in both the U.S. and in Virginia. But there is evidence that the economy is starting to turn around in some areas, and conditions should improve over time. The Central Virginia region experienced the same trends as much of the country during the spring months--thousands of job losses and rising unemployment. The timeline for economic recovery remains unknown; however, there are some positive signs coming out of the June housing data that signal what could be a relatively busy summer housing market in the region. The pent-up demand from early spring when housing markets slowed down considerably from the pandemic are now starting to be seen in rising sales numbers. It is likely this trend will continue throughout the summer. Record low mortgage rates have also driven a refinance boom and have helped sustain the for-sale market during the COVID-19 pandemic and economic downturn. Low rates will continue throughout 2020 and into 2021 which should provide attractive financing options for buyers that are active in the market.

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.