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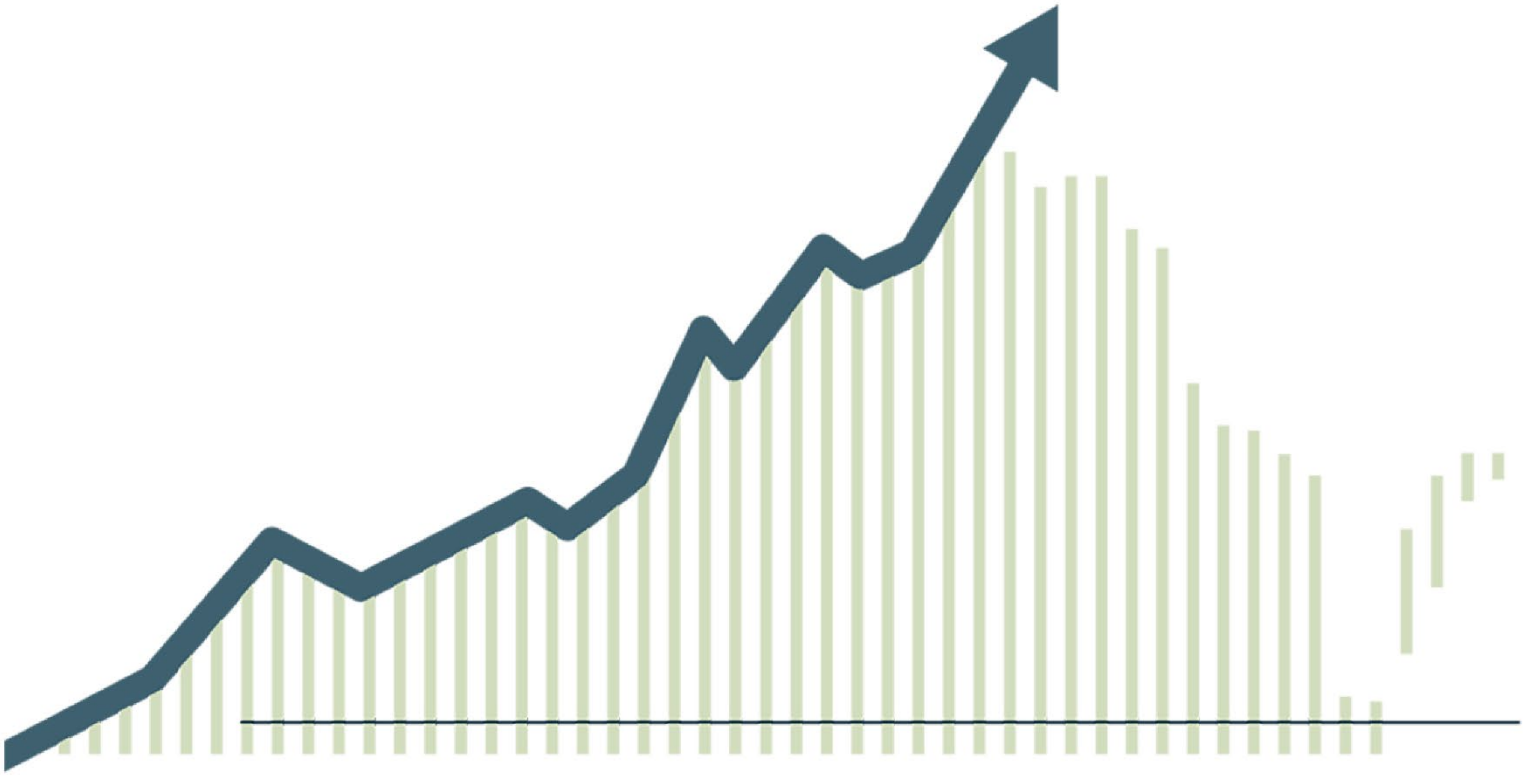


CVRMLSCENTRAL VIRGINIA MLS HOME SALES REPORT

CUSTOM REPORT PREPARED BY

VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

First Quarter 2021

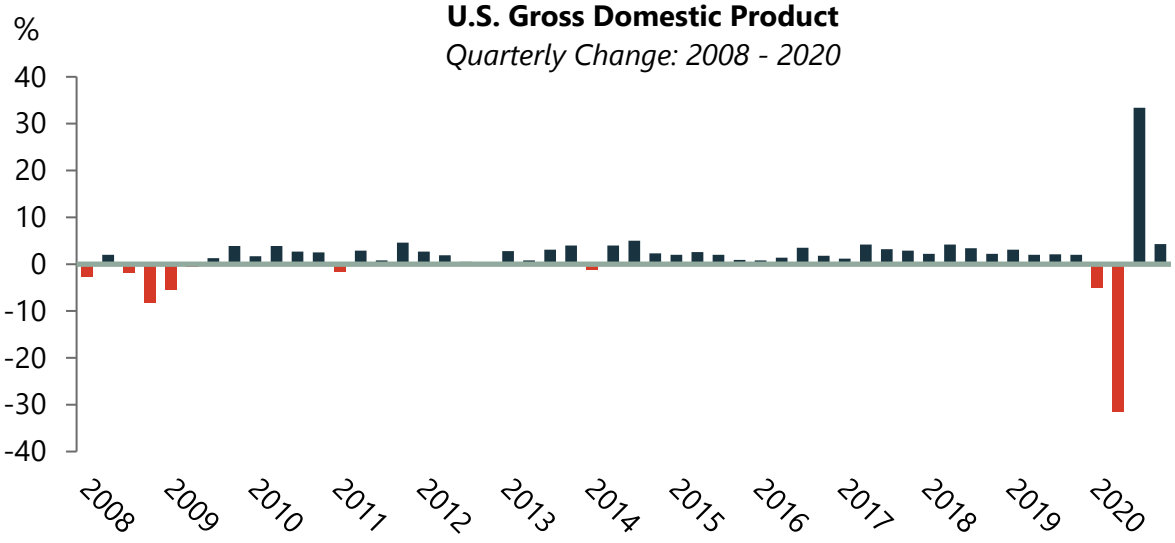
National Economic Overview

As the first quarter has ended, the economic rebound from the pandemic has increased and is forecast to continue to do so throughout 2021 and into 2022. Gross Domestic Product is forecast to increase between 3% to 4% this year, before moderating very slightly the following year. The unemployment rate as of March had dropped to 6.0%, which reflects a much faster recovery than the recession a decade ago when unemployment peaked at 10% in 2010 and did not return to the 6% level for three years.

A continuation is expected of the two bright areas of the economy throughout the pandemic: the housing market and the capital markets. The record low interest rates and the increasing demand for housing have resulted in significant increases in sales and price levels. The demand for housing has pushed prices higher and increased the building of new housing. The stock market indices reached all-time highs in mid-April. The ISM indexes of manufacturing and services also show healthy gains and reflect growth and expansion higher than the last 15 years.

〉 Gross Domestic Product has not totally recovered but is increasing at a fast pace as consumers are spending more, traveling more, and in general returning to more normal conditions.

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



Source: U.S. Bureau of Economic Analysis

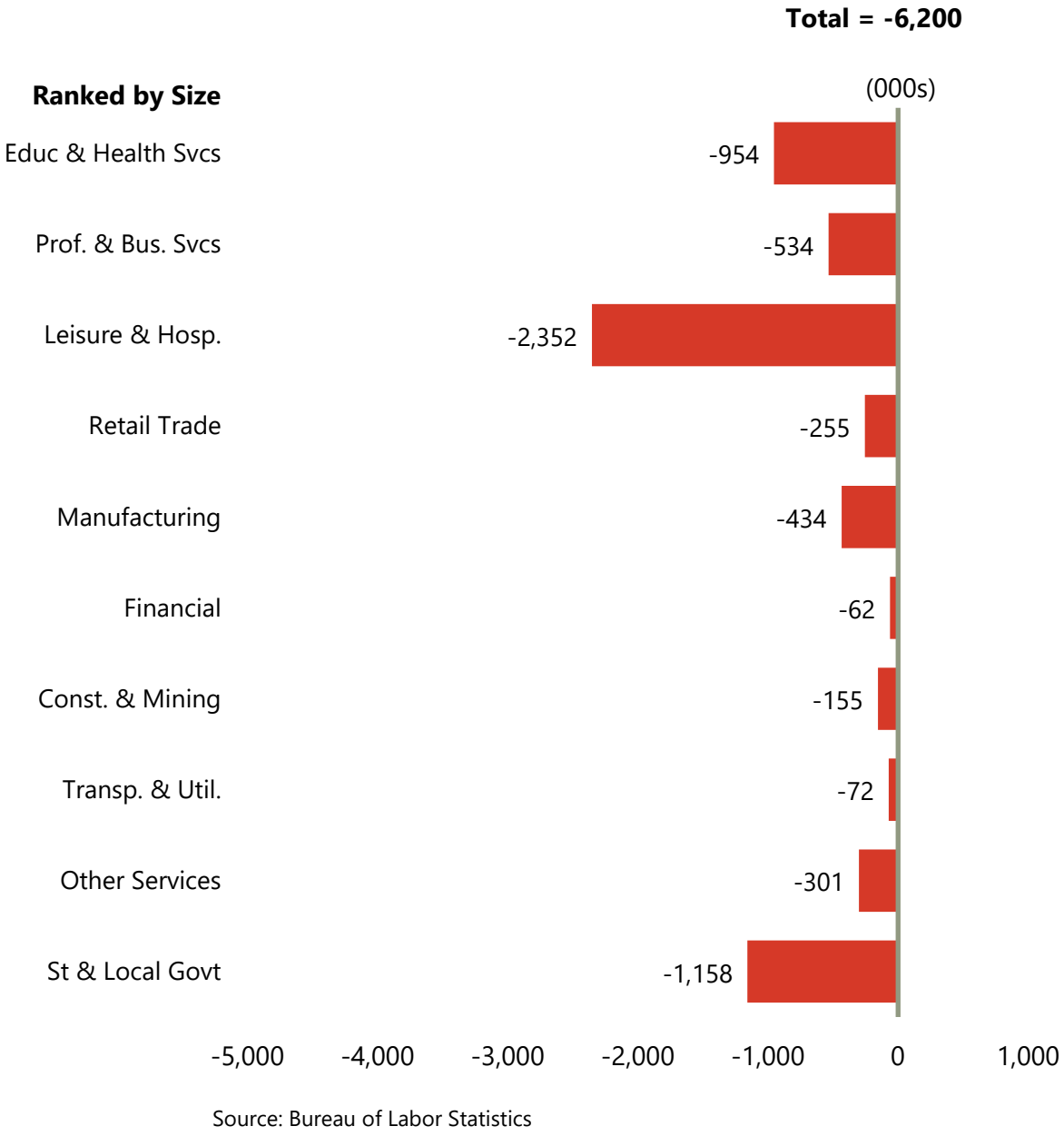
〉 Job data as of March show that there is a distance to go before job levels will be back to normal levels. As of March, the total number of jobs in the US was 6.4 million less than in March of 2020 when the pandemic began. That is comparable to the job loss in the 2009-10 recession. Forecasts are that the recovery in 2021 will be far stronger than the recovery a decade ago.

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

Source: Bureau of Labor Statistics

〉 All major job sectors in the nation's economy are still in the red as of March. The hardest hit sector continues to be Leisure and Hospitality, followed by state and local government employment. The stimulus package enacted earlier in the year should result in significant employment gains in the next few months. Some sectors and parts of the country are experiencing labor force shortages. As of March, most sectors have rebounded significantly from job losses through the end of 2020. The Leisure and Hospitality sector has added over one million jobs since the end of 2020, 1/3 of the loss experienced.

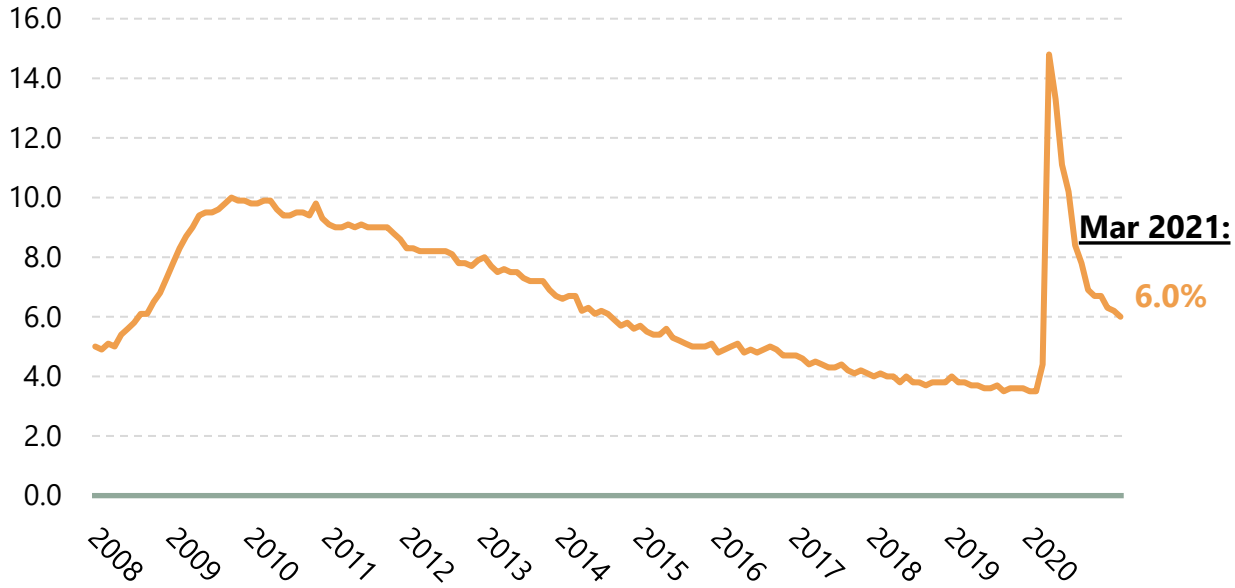
Figure 3
U.S. Payroll Job Change by Sector
Mar 2020 - Mar 2021



Source: Bureau of Labor Statistics

› The accelerating recovery from the pandemic is evidenced by the rapid drop in the unemployment rate, which has gone down from a high of 14.8% in April 2020 to 6.0% eleven months later.

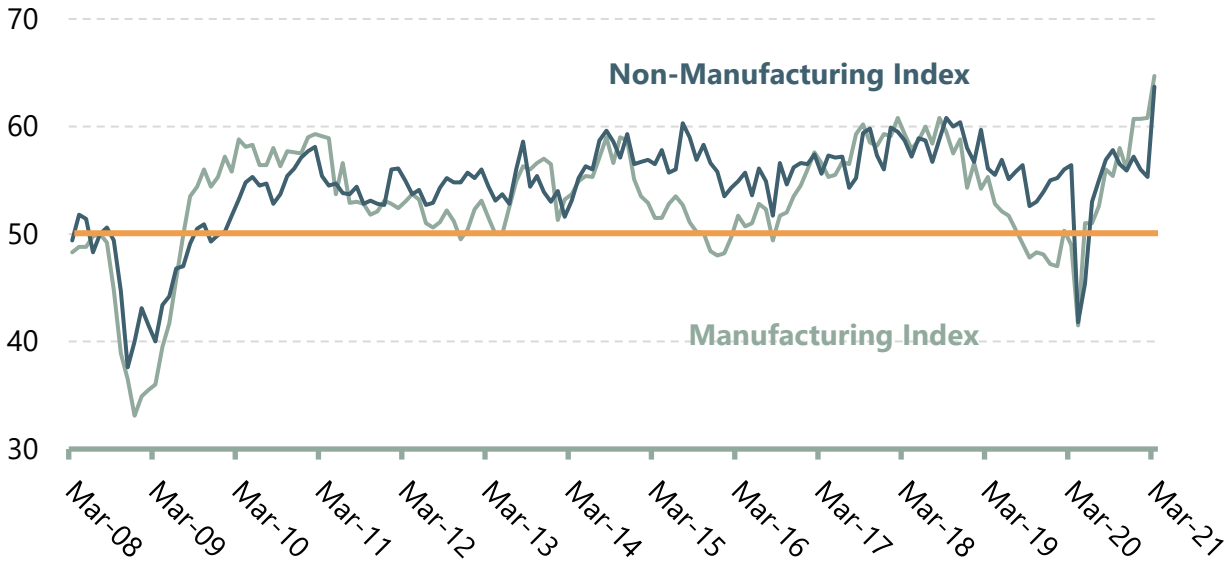
Figure 4
U.S. Unemployment Rate



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

› As measured by Institute for Supply Management, manufacturing and non-manufacturing (services) sectors have shown record bounce-backs since the summer and early fall of 2020. Economic expansion for the indices is measured as being above 50.0, and both indices are far above that level. The March Manufacturing Index was 64.7, and the Services Index was 63.7, which is its all-time high.

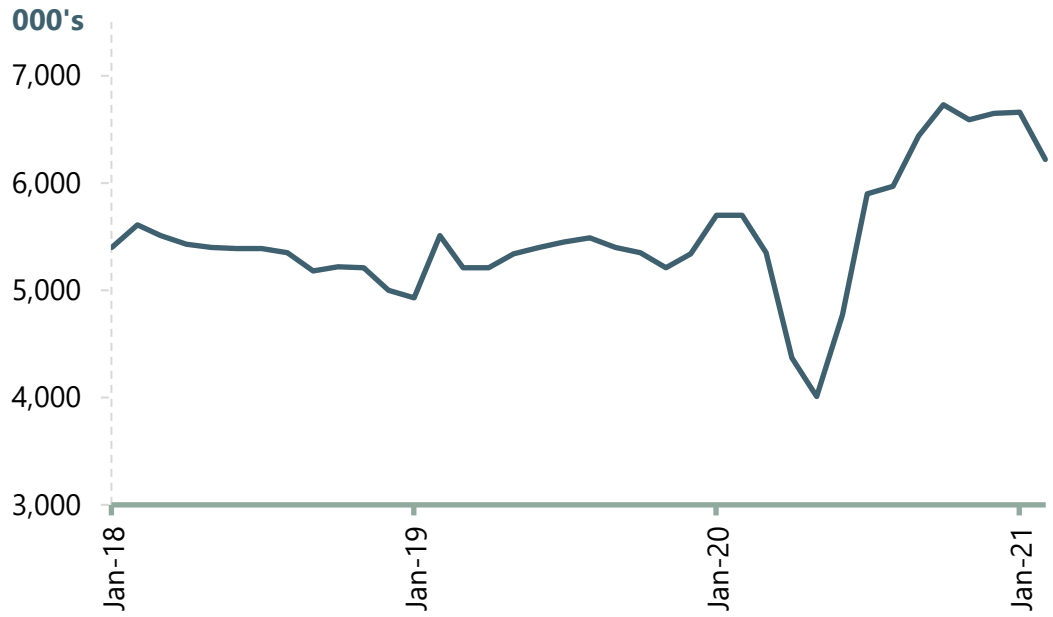
Figure 5
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Conference Board

〉 The housing market was very different from many of the economic measures of the past year. While many jobs and other measures were suffering from the pandemic, the housing market boomed. Over the past few years prior to 2020 existing home sales were fairly steady in the 5 to 5 ½ million annual sales range. When the pandemic hit, existing sales fell to 4.0 million for the month of May; and then sales accelerated, peaking at 6.7 million in October. In addition to the number of sales, prices also increased. From the February 2020 average price of $270,400 to an average price in February of 2021 of $313,000, an increase 15.8% increase.

Figure 6
U.S., Existing Home Sales



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

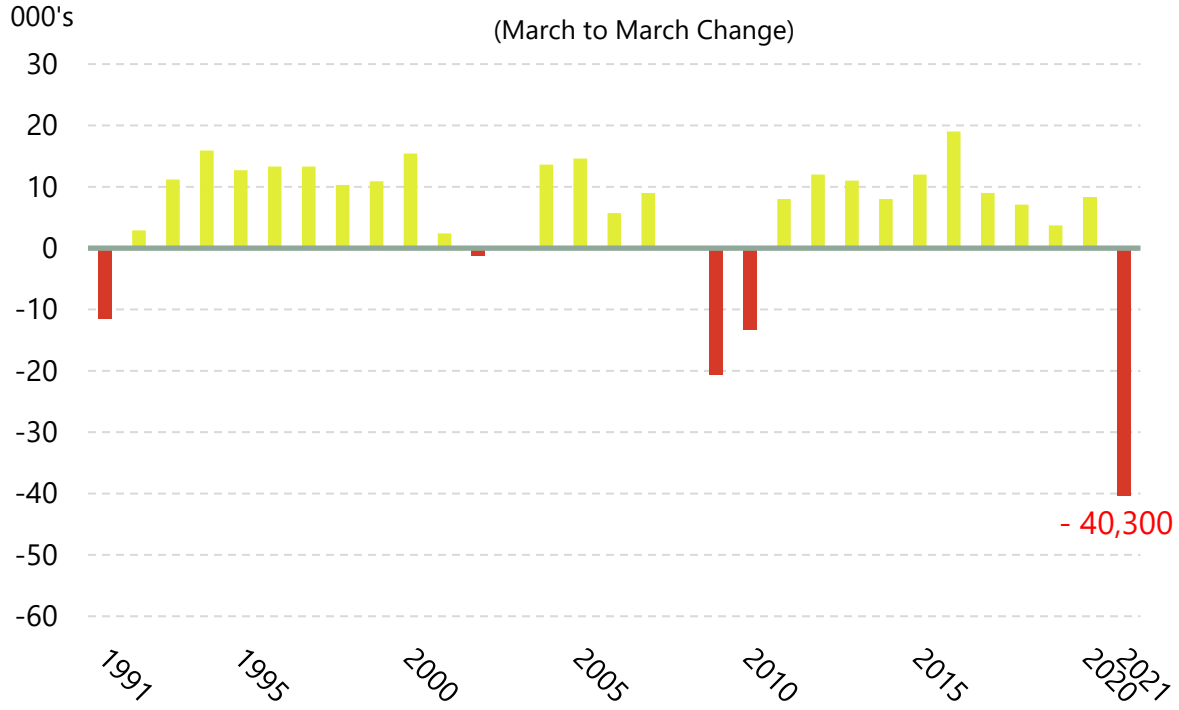
The rapid deployment of vaccines through the first four months of 2021 and the stimulus package enacted have given the national economy a real boost and promise for the year ahead. While the stock market and housing market fared very well through the pandemic, all sectors of the economy are now rapidly headed for recovery. The infrastructure legislation being proposed could add to that impetus for the national economic growth.

Central Virginia Economic Trends

The economy of Central Virginia is also beginning to recover from economic losses caused by the pandemic.

› The most recent data available for jobs in the region reflects the depth of the economic impact of the economy as the most recent data is for the month of March, which shows a decline of 40,300 jobs since March of 2020, a loss of 5.8% of the region's jobs.

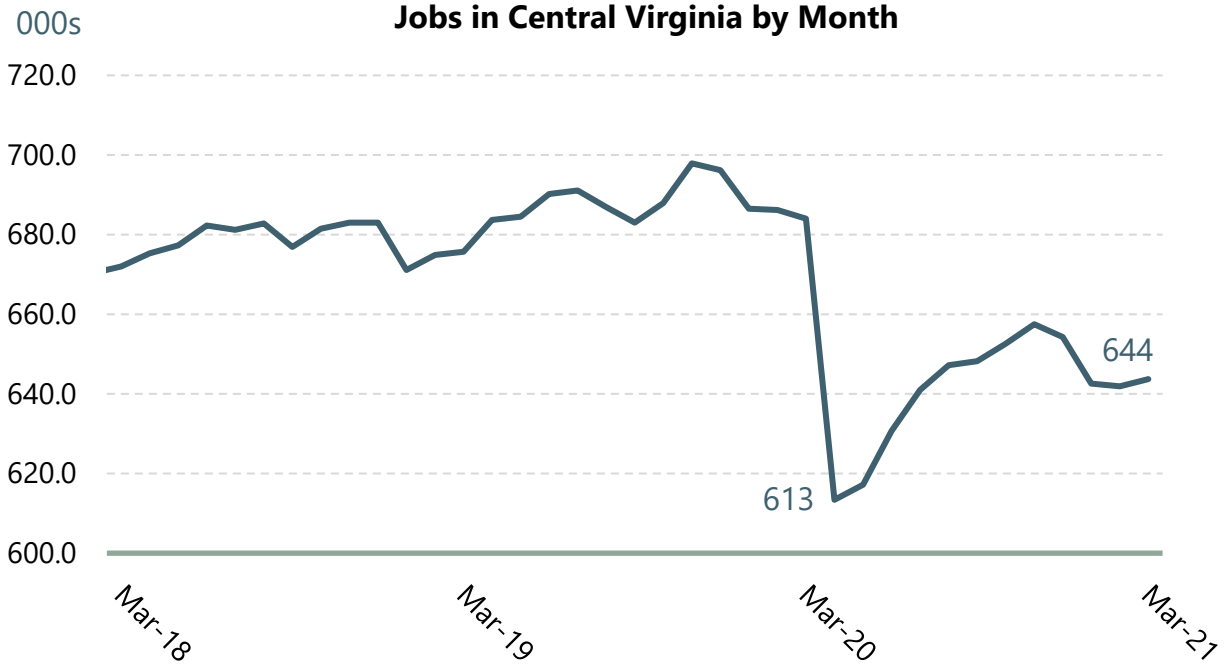
Figure 7
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

› The loss of jobs in the region has begun to improve and recover as the first quarter of 2021 ended. Since the large job losses in 2020 from last February to March of this year (-68,000 jobs), the region has now recovered 31,000 of those lost jobs.

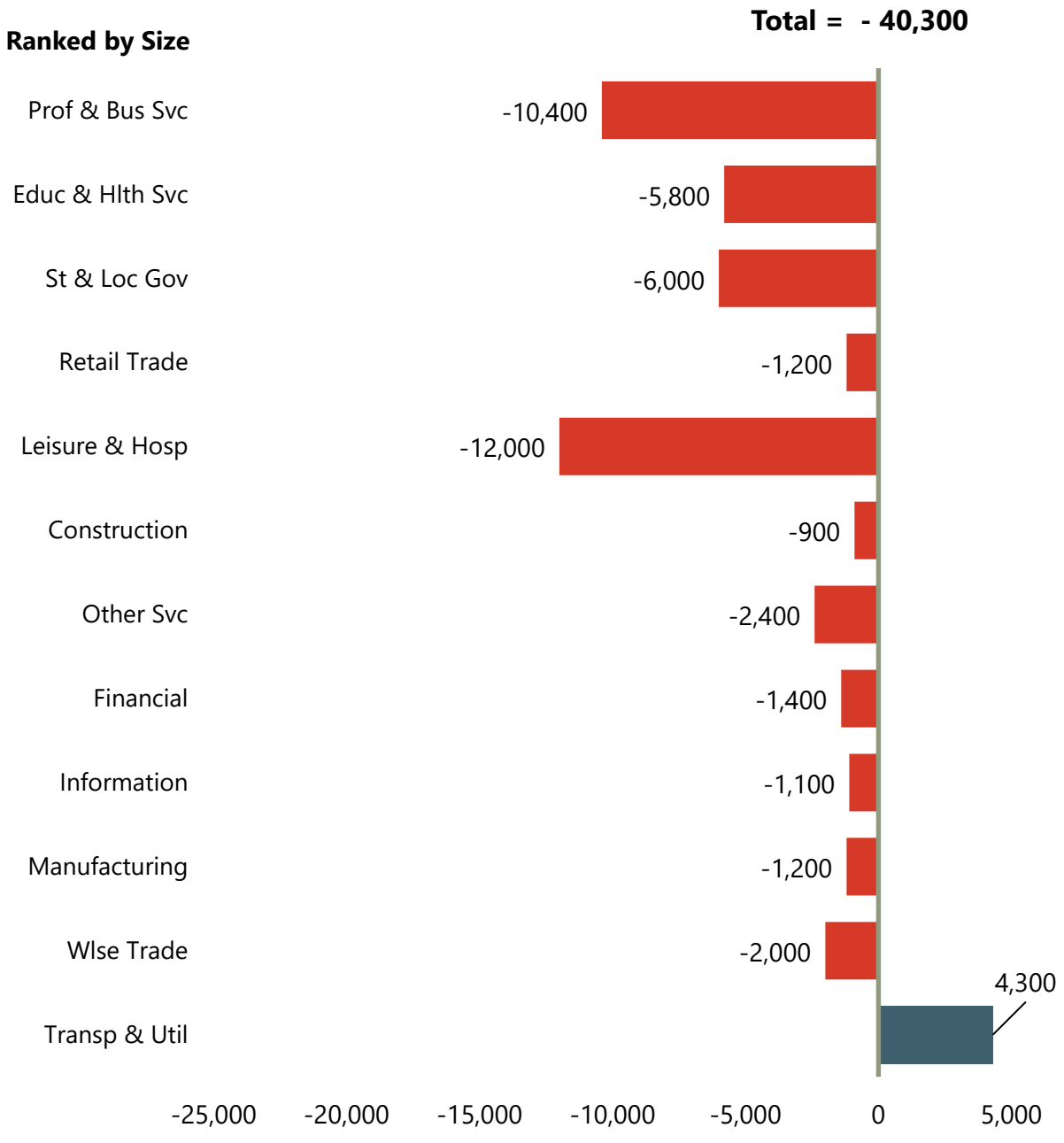
Figure 8
Jobs in Central Virginia by Month



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

〉 The recovery of those jobs should accelerate as the COVID-19 restrictions continue to abate and the Federal stimulus gains traction. The sector with the largest loss of jobs in the region is the Leisure and Hospitality sector, followed by the Professional and Business services sector. The region has actually added jobs in the Transportation and Utilities sector, and over the next few months the region's sectors should show significant recovery.

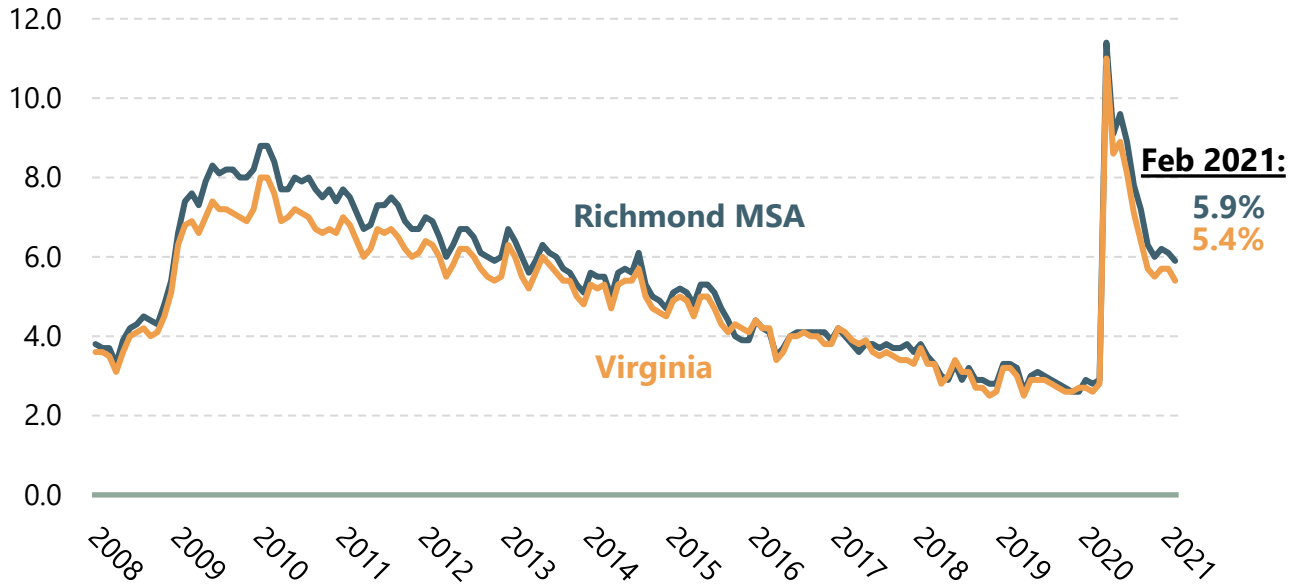
Figure 9
Job Change by Industry
Richmond MSA
Mar 2020 to Mar 2021



Source: Bureau of Labor Statistics

› The region's unemployment rate rose above 11% last spring – not as high as the unemployment rate of the U.S. Nevertheless, as of February the region's unemployment rate had improved to 5.9%, and that will likely continue to decline.

Figure 10
Unemployment Rate



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

The Central Virginia economy has begun to recover along with the rest of the country. If this trajectory continues through the spring, most of the losses the region has experienced will be overcome later in 2021. The housing market is expected to remain strong through this year. And while there may be some inflation and pressure for interest rate increases, so far, the Fed has not projected rate increases before the end of the year.

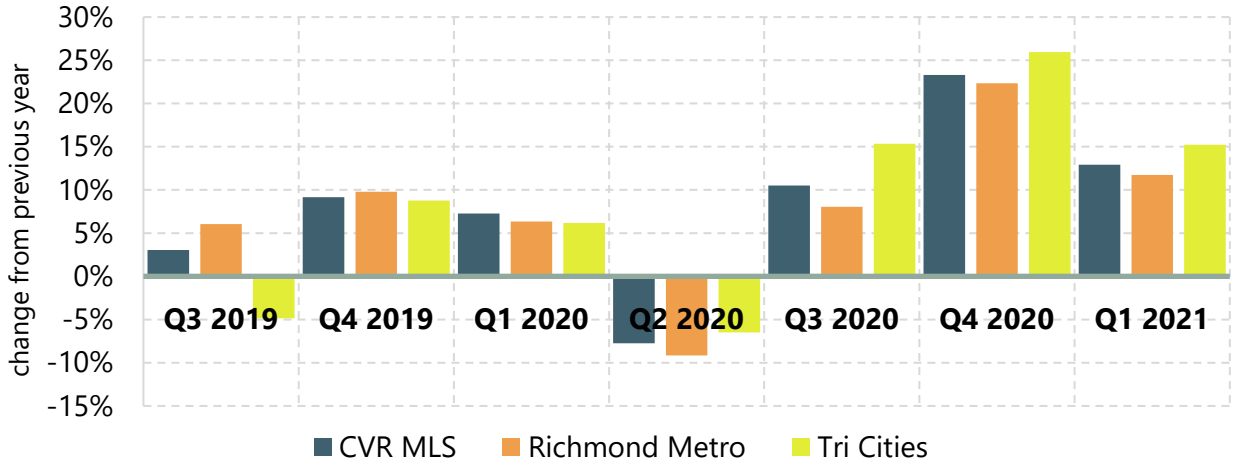
Housing Market Overview

The Central Virginia[1] housing market continues to show signs of growth. Sales are outpacing last year's levels in most local areas, and home prices are climbing rapidly. As market activity continues to expand and the inventory continues to shrink, homes across the region are selling much faster on average compared to prior years.

Sales

Sales activity continues to outpace last year in the Central Virginia regional housing market. There were 4,869 sales across the area during the first quarter, a 13% increase from a year ago, which is an influx of 557 sales. Other than the pandemic-related slowdown in the spring of 2020, home sales have been trending up in the region consistently over the past two years, a trend that has accelerated significantly over the past three quarters, as pent-up demand and attractive interest rates have fueled the market. The sales growth is widespread across the region,13 of the 16 jurisdictions in the CVRMLS footprint had more sales in the first quarter than last year. Similar trends are occurring in many parts of the commonwealth. Overall, there were 29,128 home sales in Virginia in the first quarter, a 19% increase from the first quarter of 2020.

Figure 11
Percent Change in Home Sales



Source: Virginia REALTORS®, data accessed April 14, 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

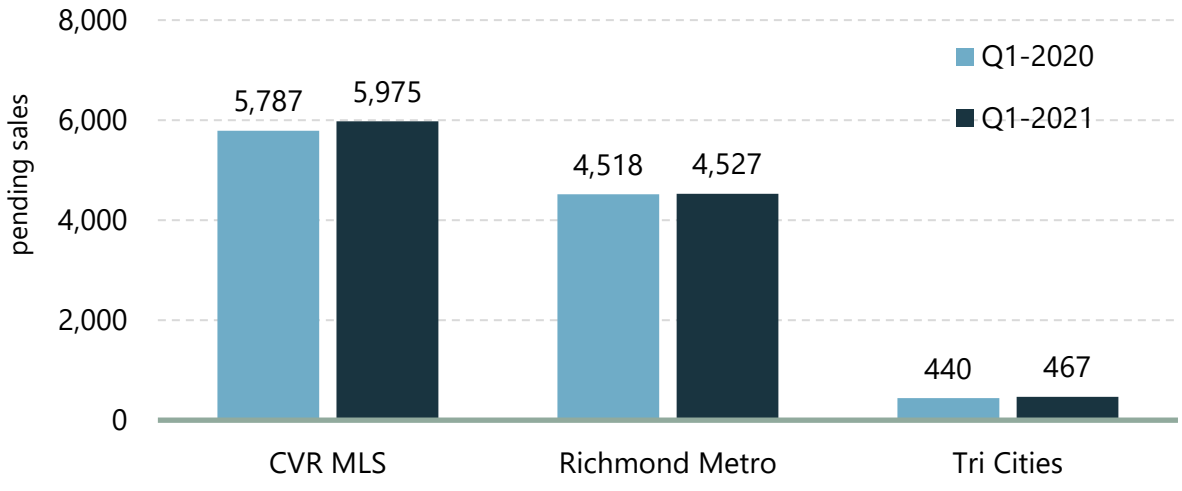
The Richmond Metro Area[2] housing market continues to be busy. There were 3,723 sales in the area in the first quarter, 391 more sales than last year, representing a 12% increase. All local

markets in the Richmond Metro Area had more sales this quarter than last year. Most of the additional sales occurred in Chesterfield County, which saw an 18% spike in activity, a gain of 237 sales from a year ago. Sales activity was also strong in the City of Richmond. There were 728 sales in the city in the first quarter, a 15% increase from last year, which is 95 additional sales. Sales in Henrico County were relatively flat from last year, inching up 1%, which is 12 more sales than the first quarter of 2020.

There were 416 sales in the Tri-Cities Area[3] market during the first quarter, 55 more sales than last year, which is a 15% increase. Nearly all local markets had sales growth this quarter in the Tri-Cities Area. Dinwiddie County had the largest influx of sales, up 48% from the first quarter last year, a gain of 30 sales. The cities of Colonial Heights and Petersburg also had a strong first quarter, with 18% and 17% more home sales than last year, respectively. Prince George County was the only local market in the Tri-Cities footprint to have a drop in sales activity this quarter. There were 81 sales in the county, 3 fewer sales than last year, which is a modest 4% decline.

After surging in the summer and fall of 2020, pending sales activity in the Central Virginia housing market was relatively flat in the first quarter of 2021. There were 5,975 pending sales overall in the region, inching up 3% from last year, which is an additional 188 pending sales. The weaker growth this quarter was largely driven by a slowdown in the Henrico County market, which is one of the region's largest housing markets. The county had 112 fewer pending sales in the first quarter compared to last year (-8%).

Figure 12
Pending Sales, First Quarter



Source: Virginia REALTORS®, data accessed April 14, 2021

The slowdown in Henrico County also kept the pending sales totals flat in the Richmond Metro Area market. There were 4,527 sales in the area during the first quarter, 9 more pending sales than a year ago, which is an increase of less than 1%. Despite the flat growth, some local market, such

[2] The Richmond Metro Area includes: Counties of Chesterfield, Henrico, Hanover, Goochland, and Powhatan, and the City of Richmond.
[3] The Tri-Cities Area includes: Counties of Dinwiddie, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg.

as Hanover County and the City of Richmond had solid pending sales growth this quarter, climbing 10% and 9%, respectively, from the first quarter last year.

There were 467 pending sales in the Tri-Cities market in the first quarter, 6% more than last year, which is a gain of 27 pending sales. At the local level, Dinwiddie County had the strongest quarter, with 22 more pending sales than last year, which is a 31% surge. The number of pending sales in Prince George County and the City of Colonial Heights were lower than the first quarter a year ago, falling 8% and 1%, respectively.

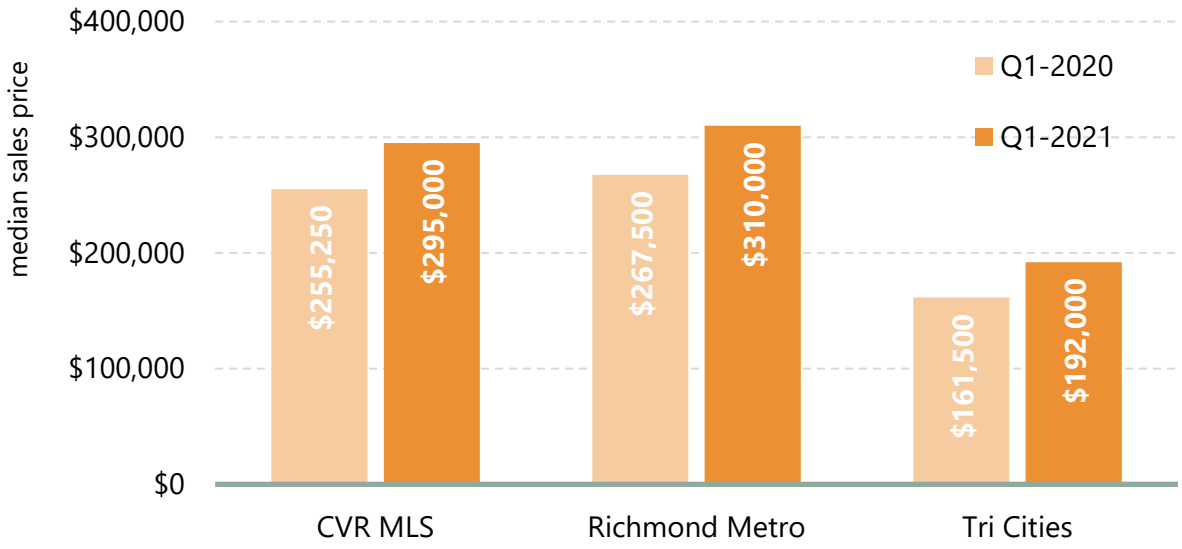
Prices

Sales prices continue to rise rapidly in Central Virginia, as the low supply is making the market increasingly competitive for buyers. At $295,000, the first quarter median sales price in the CVRMLS footprint was nearly $40,000 higher than it was at this time last year, representing a 16% price surge. All 16 local jurisdictions in the region area had price growth this quarter. In Virginia, the median sales price in the first quarter was $325,000, which was up 12% compared to the first quarter of 2020.

The median sales price in the Richmond Metro Area during the first quarter was $310,000, jumping up 16% from a year ago, a gain of $42,500. This is the largest median price increase the area has had in more than five years. The City of Richmond led all local markets in price growth, rising 24% from last year to $300,500, a gain of more than $58,000. The median sales price in both Hanover County and Henrico County rose 8% from last year, an increase of about $24,000 and $20,000, respectively compared to last year.

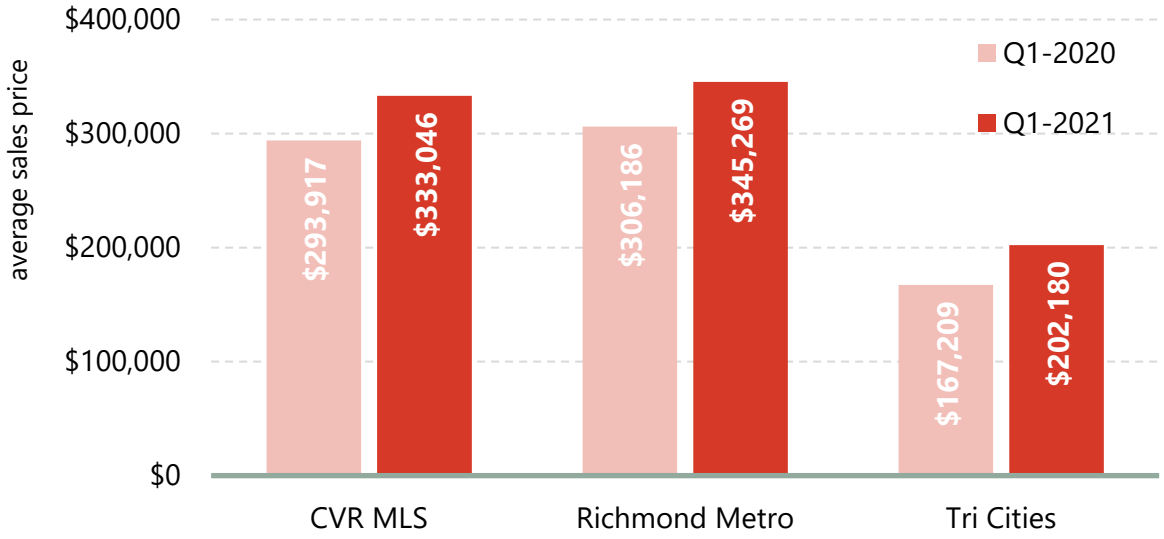
At $192,000, the first quarter median sales price in the Tri-Cities housing market rose 19% from a year ago, which is a gain of $30,500. Similar to the Richmond Metro Area, this is the largest median price increase the Tri-Cities Area has had in more than five years. The City of Hopewell had the largest price jump in the area this quarter. The median sales price in the city was $168,450 in the first quarter, a 39% spike from last year, a gain of nearly $47,000. The median sales price in the City of Colonial Heights climbed 16% from the first quarter last year, a gain of nearly $29,000.

Figure 13
Median Sales Price, First Quarter



Source: Virginia REALTORS®, data accessed April 14, 2021

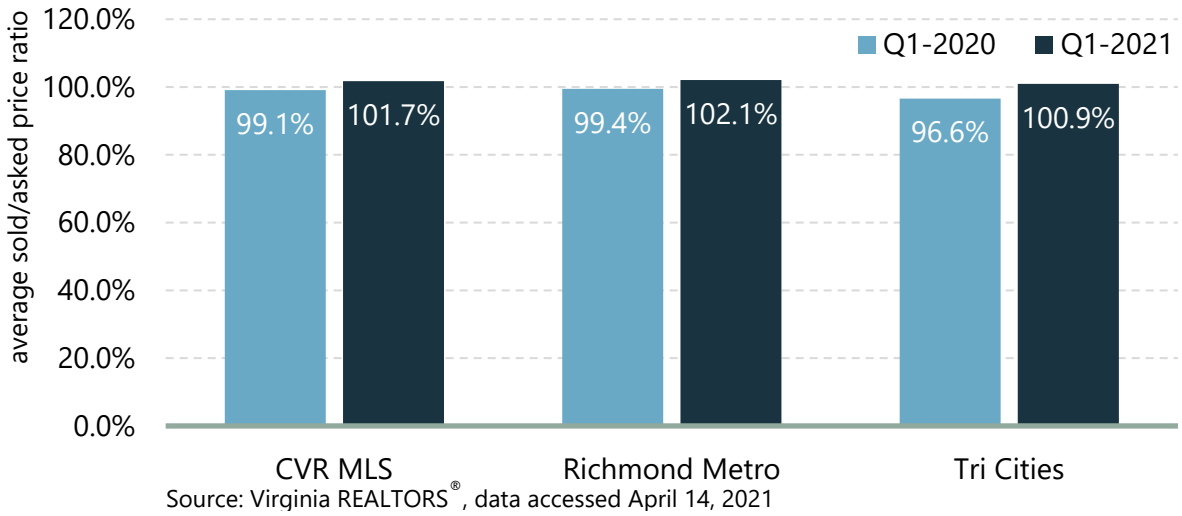
Figure 14
Average Sales Price, First Quarter



Source: Virginia REALTORS®, data accessed April 14, 2021

The significant price increases and shrinking inventory in the Central Virginia housing market is pushing up the average sold to ask price ratio to new highs. On average, homes that sold in the region during the first quarter sold for 101.7% of the asking price, up from 99.1% last year. Once again, this quarter represents the five year high for this metric as buyers are consistently needing to offer above asking price to successfully win bidding wars in many areas in the region. At 102.1%, the first quarter average sold to ask price ratio in the Richmond Metro Area climbed up from 99.4% a year ago. In the Tri-Cities market, this metric rose to 100.9% in the first quarter, up from 96.6% last year. This is the first time this metric exceeded 100% in the Tri-Cities market in more than five years.

Figure 15
Average Sold/Asked Price Ratio, First Quarter

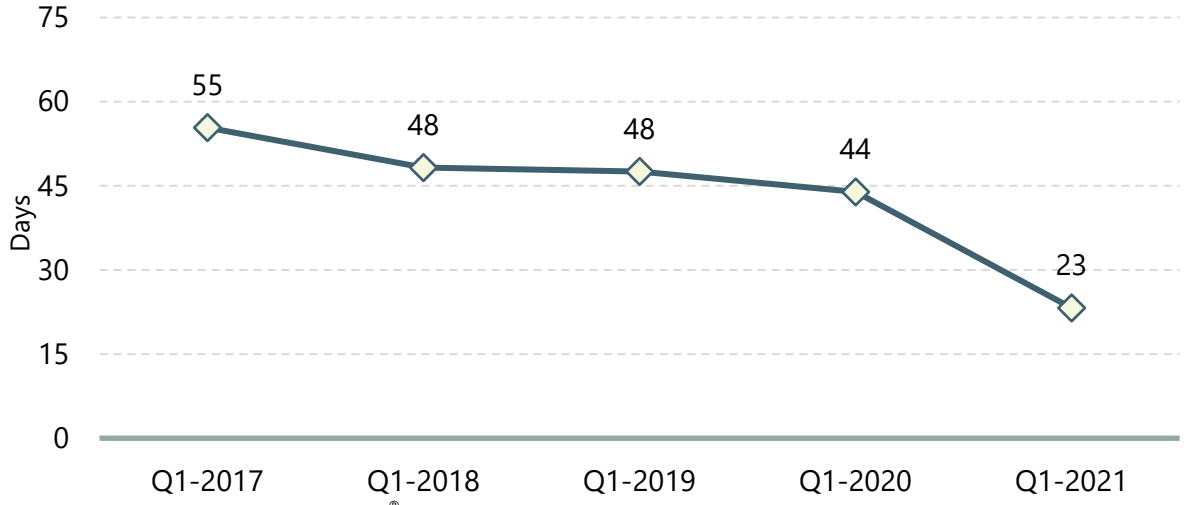


Source: Virginia REALTORS®, data accessed April 14, 2021

Days on Market

As supply continues to shrink, homes are selling much faster on average in the CVRMLS footprint. The average days on market during the first quarter in the region was 23 days, which is three weeks faster than last year (-21 days). The amount of time it takes to sell a home in the area has been trending down for years; the average days on market this quarter is about six weeks faster than in the first quarter five years ago. The average days on market in the Richmond Metro Area was 20 days in the first quarter, 20 days faster than last year. It took 27 days on average to sell a home in the Tri-Cities area in the first quarter, which is 27 days faster than last year. Statewide, the average days on market in the first quarter was 34 days, which is down from 53 days in the first quarter of 2020.

Figure 16
First Quarter Average Days on Market, CVR MLS
2017-2021



Source: Virginia REALTORS®, data accessed April 14, 2021

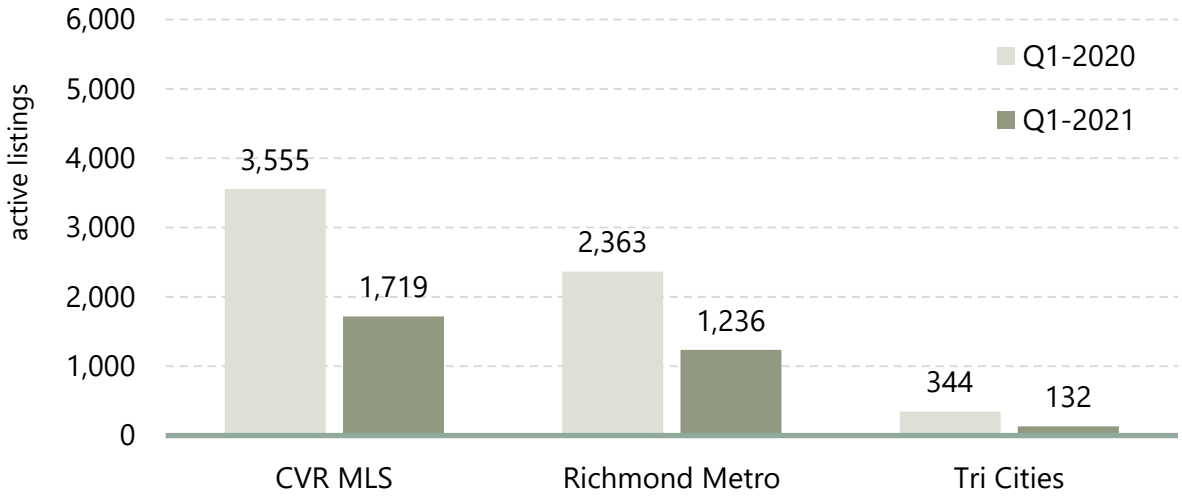
Inventory

The Central Virginia region is one of the most competitive housing markets in Virginia as the supply of active listings continues to shrink to historic lows. There were 1,719 active listings across the CVRMLS footprint at the end of the first quarter, less than half the number of listings available a year ago (-52%), a decline of 1,836 listings. All 16 localities in the region had significant inventory reductions this quarter compared to last year. The chronically low supply in the region reflects broader market trends both in other parts of Virginia and nationally. In Virginia, there was a total of 15,787 active listings at the end of the first quarter, which is down 46% compared to a year ago. Many would-be sellers are opting to renovate or expand their homes instead of selling. In other cases, homeowners are hesitant to sell their homes because price points have been rising rapidly, so buying another home to move into in a tight market makes less sense financially than staying put in their current home.

At the end of the first quarter there were 1,236 active listings in the Richmond Metro Area, 1,127 fewer listings than a year ago, representing a 48% reduction. All local markets in the area had steep inventory declines this quarter, most notably Henrico County, where the supply of listings was less than half the level it was a year ago (-52%).

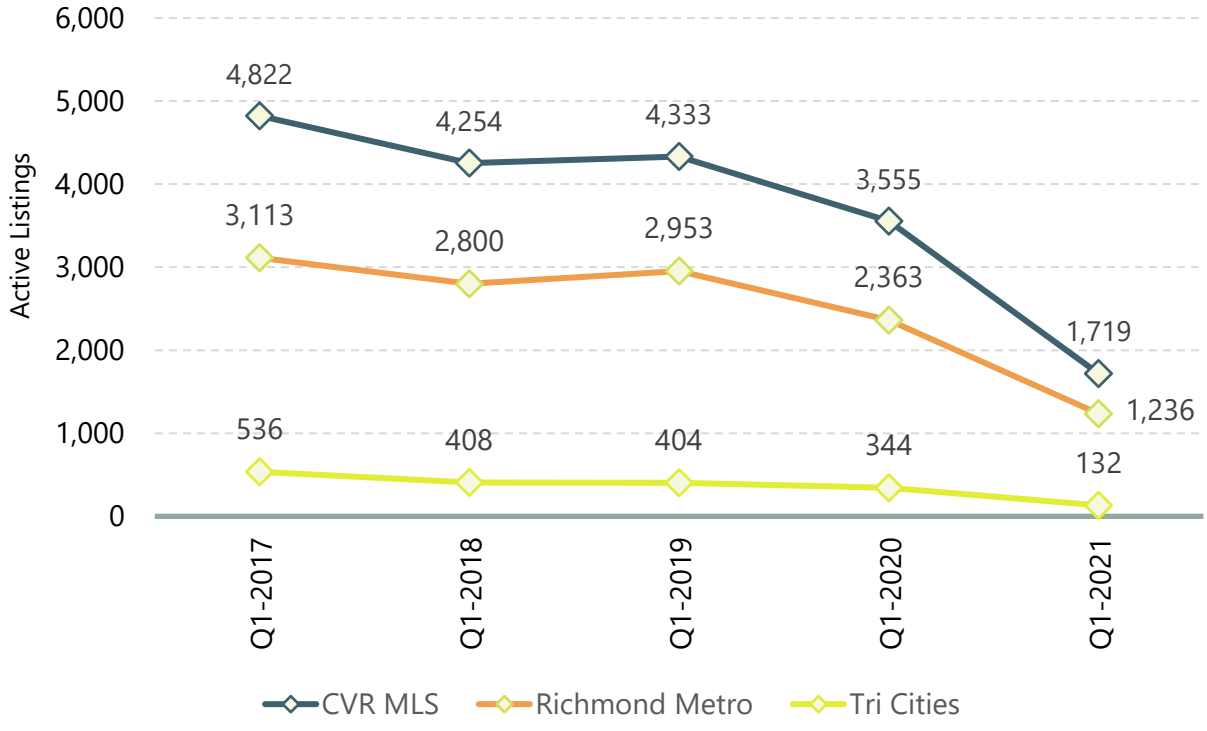
There were 132 active listings in the Tri-Cities Area at the end of the first quarter, 132 fewer listings than last year, which a 62% drop in supply. Prince George County had the most dramatic decrease with just 15 listings on the market at the end of the first quarter, 75% fewer listings than a year ago.

Figure 17
Active Listings, First Quarter



Source: Virginia REALTORS®, data accessed April 14, 2021

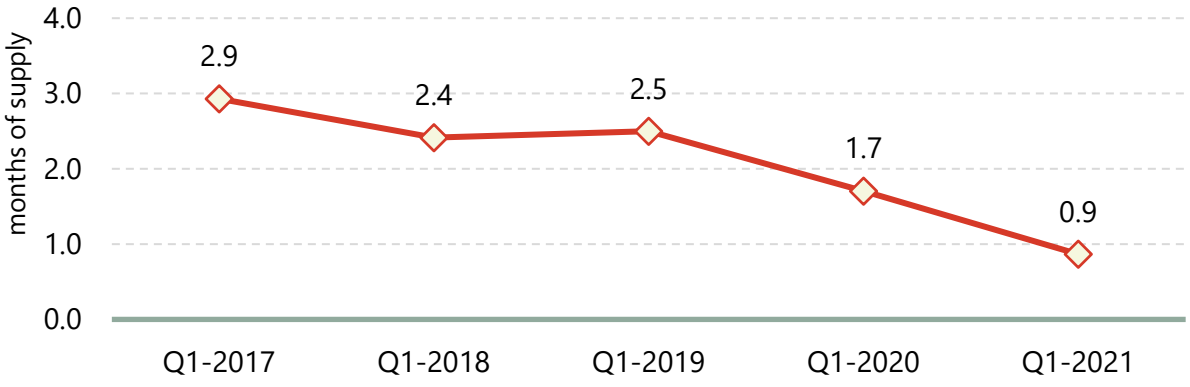
Figure 18
End of First Quarter Active Listings



Source: Virginia REALTORS®, data accessed April 14, 2021

As sales activity continues to surge and fewer and fewer active listings are on the market, the overall housing supply in the Central Virginia is becoming increasingly tight. There was less than a month of supply across the CVRMLS footprint at the end of the first quarter, down from 1.7 months a year ago. 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 First Quarter Months Supply, CVR MLS
2017-2021



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

Outlook

Similar to the country overall, the Central Virginia region is in the midst of a rapid economic recovery. While the job base is not yet back at pre-pandemic levels, thousands of jobs have been added to the economy in recent months, a trend that is expected to continue well into this year. As more and more people are finding employment in the region, the unemployment rate has fallen dramatically over the past year, another positive sign for the region's economy, and more specifically the housing market. Home sales are booming, and prices are soaring throughout the Central Virginia market. Much of this growth is reflective of pent-up demand that is now flowing through the market, and also attractive interest rates. The busy market continues to put a strain on the severe inventory shortage that has shown no signs of improving. It is possible that the very low supply of listings could dampen sales activity in some local markets in the coming months, as eager buyers are unable to find homes in their price range that meet their needs. There were some subtle signs of a looming market slowdown this quarter, as pending sales activity in the region's largest markets were either flat or declined from last year's level. Even if sales growth moderates somewhat in specific local markets, price levels are likely to remain steady or rising in the coming months.

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.