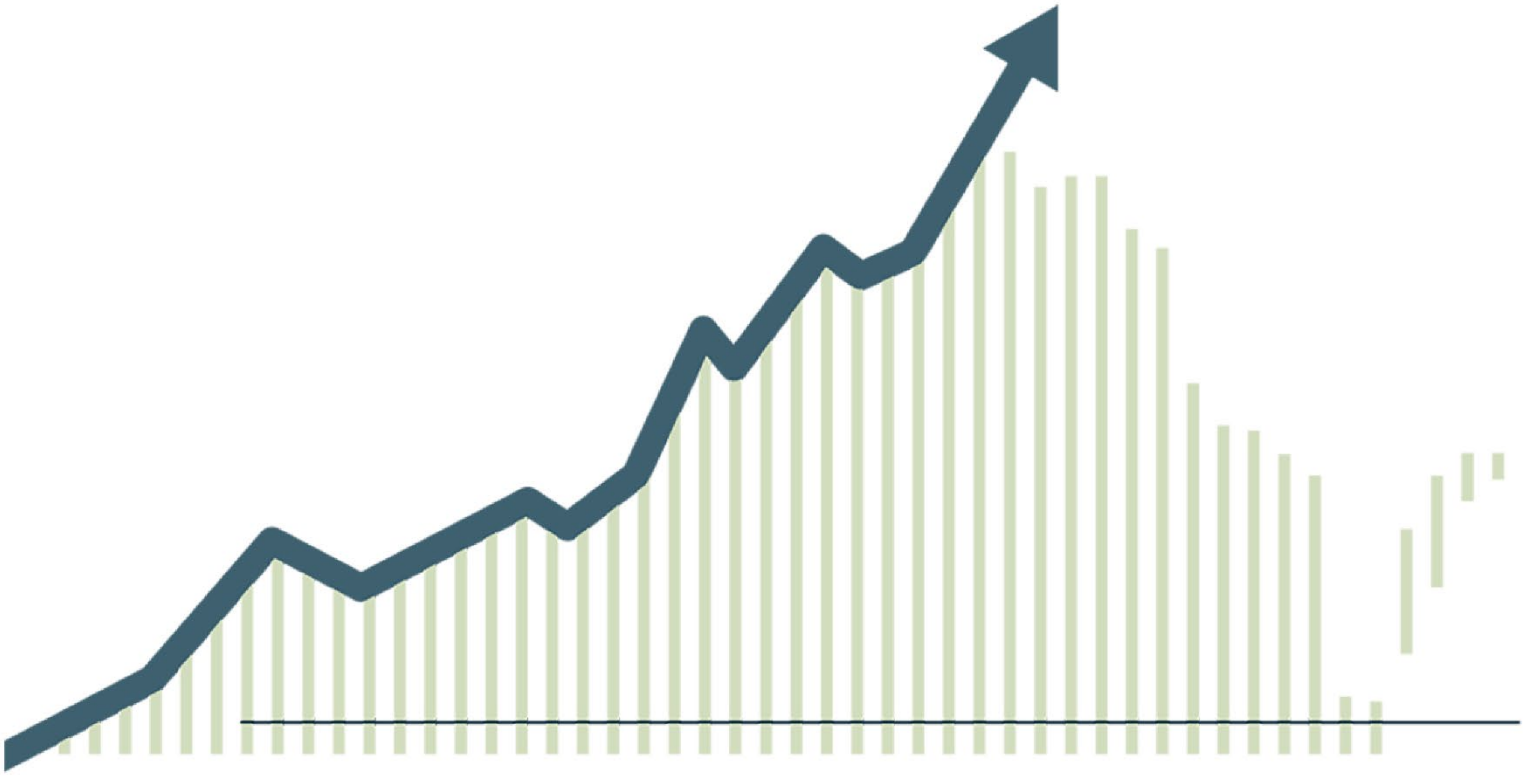
Virginia REALTORS®

CENTRAL VIRGINIA REGIONAL MULTIPLE LISTING SERVICE CVR MLS



CVRMLSCENTRAL VIRGINIA MLS HOME SALES REPORT

CUSTOM REPORT PREPARED BY

VIRGINIA REALTORS®

Analysis of the Central Virginia Area Housing Market

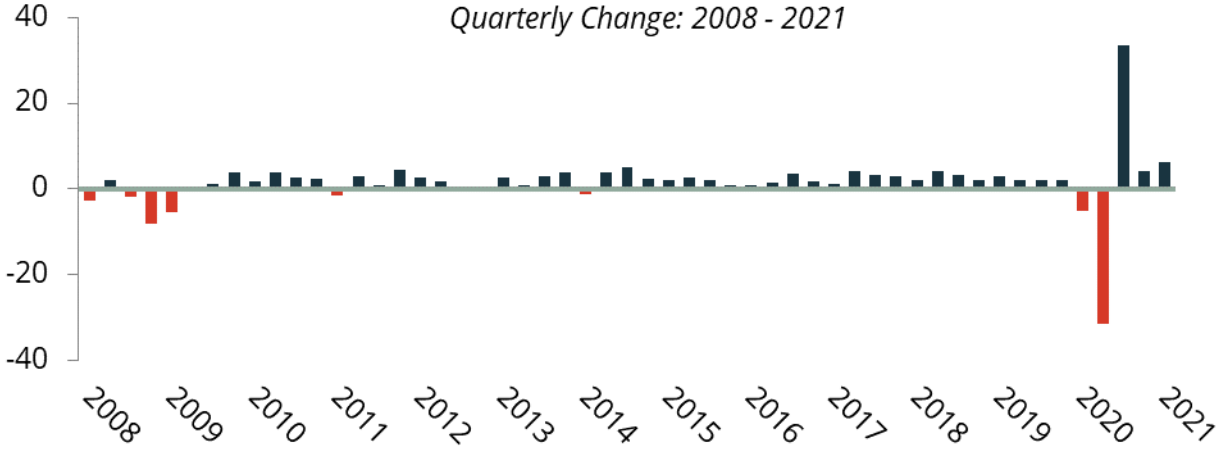
Second Quarter 2021

National Economic Overview

Following the availability of vaccinations for COVID-19 earlier in 2021 and the lifting of restrictions, a large degree of normality took hold in the second quarter and growth improved in the nation's economic conditions. Measures of GDP and jobs show rapid growth in most all economic measures. Jobs have recovered two-thirds of what was lost in 2020. Unemployment has dropped from its high in March 2020 of almost 15% to 5.9% as of June 2021. All major job sectors are now growing rapidly. The indexes of manufacturing and services are at all-time highs. The capital markets and the housing market--which were the rare positives during the pandemic--continue to perform well. The return has not been even across all measures. The effects of the pandemic may have caused some shifts and changes that would not have happened had the pandemic been avoided or mitigated sooner. Looking ahead, most economists expect conditions to continue to improve and over the next several months return mostly to continued economic growth--nationally as well as in the Central Virginia region. There is the threat that the delta variant may slow the recovery. The stimulus measures have had a very positive effect on economic conditions, and some of those will have longer term positive effects, especially if the infrastructure proposals are enacted.

- First Quarter Gross Domestic Product measured a 6.4% quarterly growth, two percentage points higher than the fourth quarter of 2020. GDP is forecasted to continue for the next few quarters in the three to four percent growth rate and would moderate more in 2022 to two to three percent growth rate.

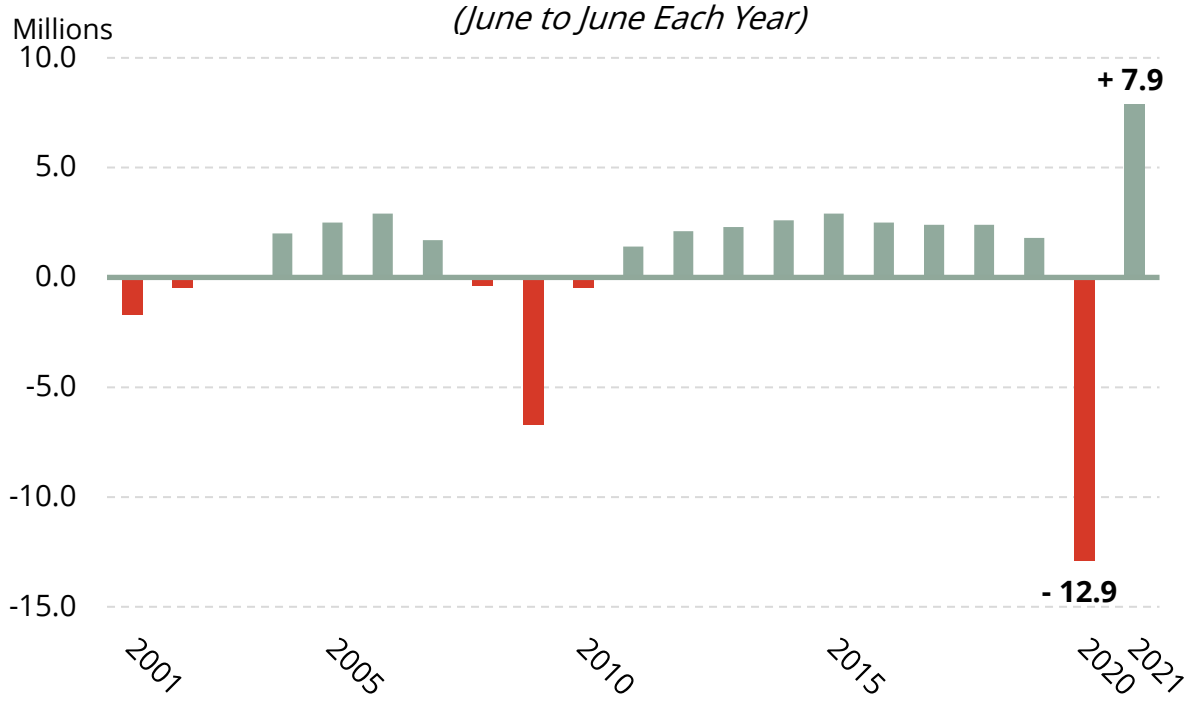
Figure 1
U.S. Gross Domestic Product
Quarterly Change: 2008 - 2021



Source: U.S. Bureau of Economic Analysis

› Jobs data as of June reflect solid growth as measured on a twelve-month basis with growth of just under eight million new jobs. While this is healthy growth, the economy has not yet recovered all the jobs lost in the pandemic. Growth is projected to continue increasing through the end of 2021. To get back to pre-pandemic job levels, the economy will need to add an additional five million jobs, which could take several more months and likely into 2022.

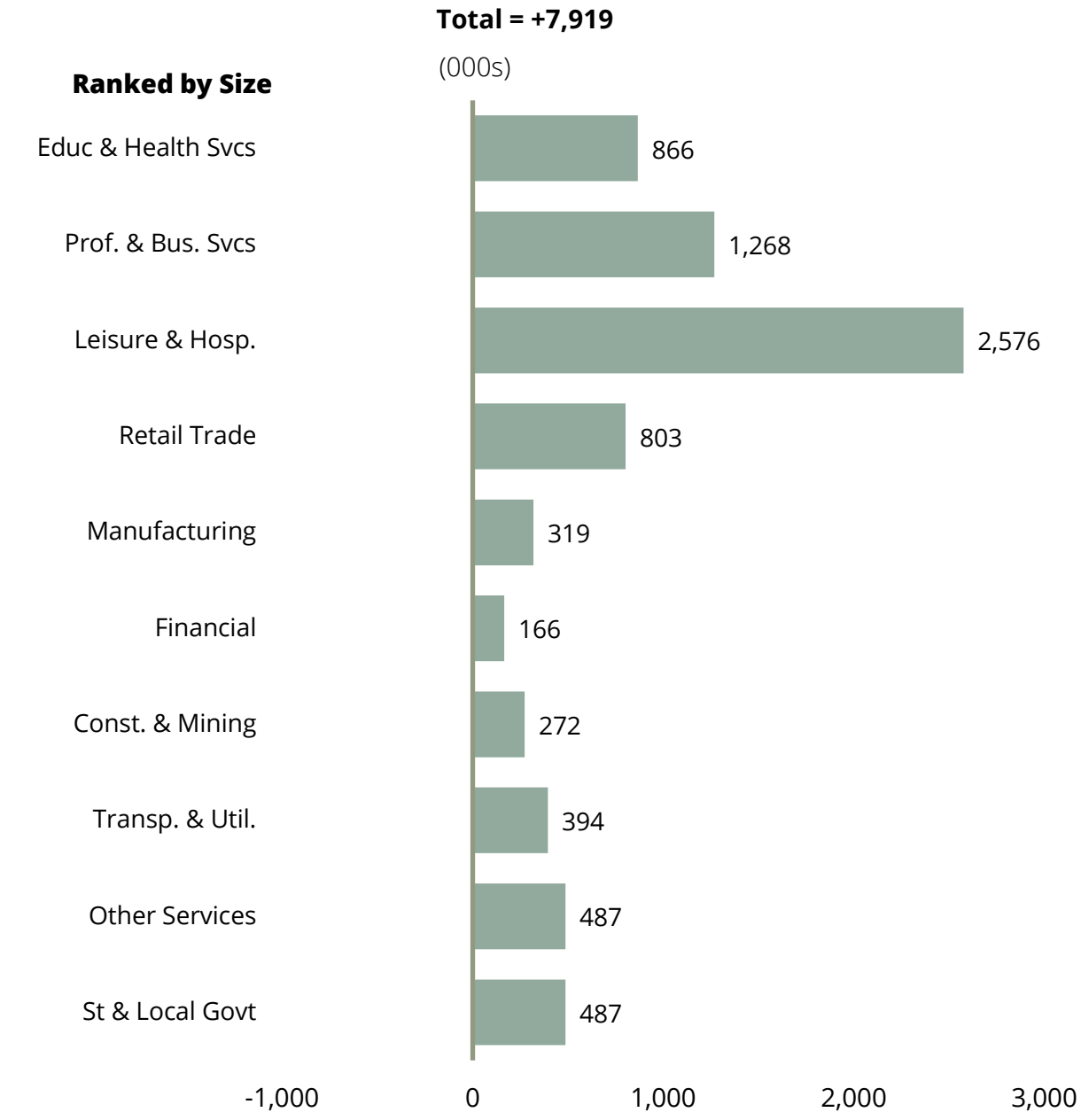
Figure 2
U.S. Annual Change in Jobs
(June to June Each Year)



Source: Bureau of Labor Statistics

› Through March all job sectors were in the red with significant losses; but that trend has reversed in all sectors as of June. The Leisure and Hospitality sector was the hardest hit during the pandemic; and it has added the most jobs for the 12 months of June 2020 to June 2021 with a growth of 2.6 million jobs. Strong growth has also occurred in the Professional and Business Services sector with 1.3 million jobs, Education and Health Services at 0.87 million jobs, and Retail Trade with growth of 0.80 million jobs.

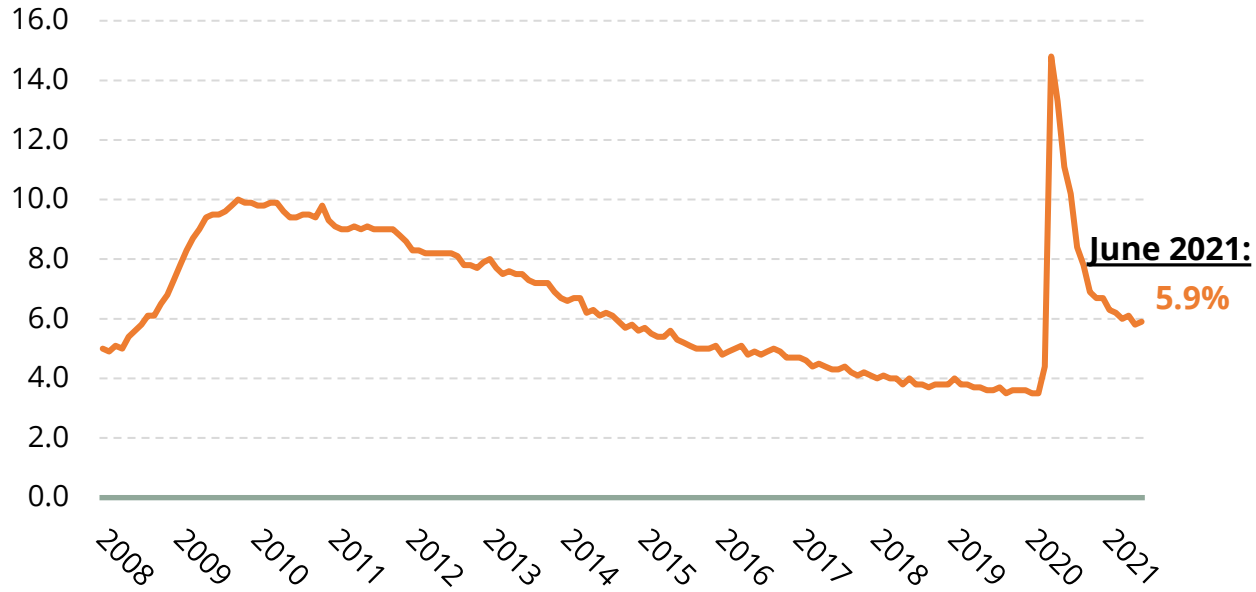
Figure 3
U.S. Payroll Job Change by Sector
Jun 2020 - Jun 2021



Source: Bureau of Labor Statistics

› The drop in the unemployment rate has continued in the second quarter and in June was 5.9% – the same level of unemployment as 2014. The recovery in unemployment has been much more rapid than the recovery following the recession of twelve years ago. That recession peaked at 10% and did not get back to less than 6 percent until mid-2014.

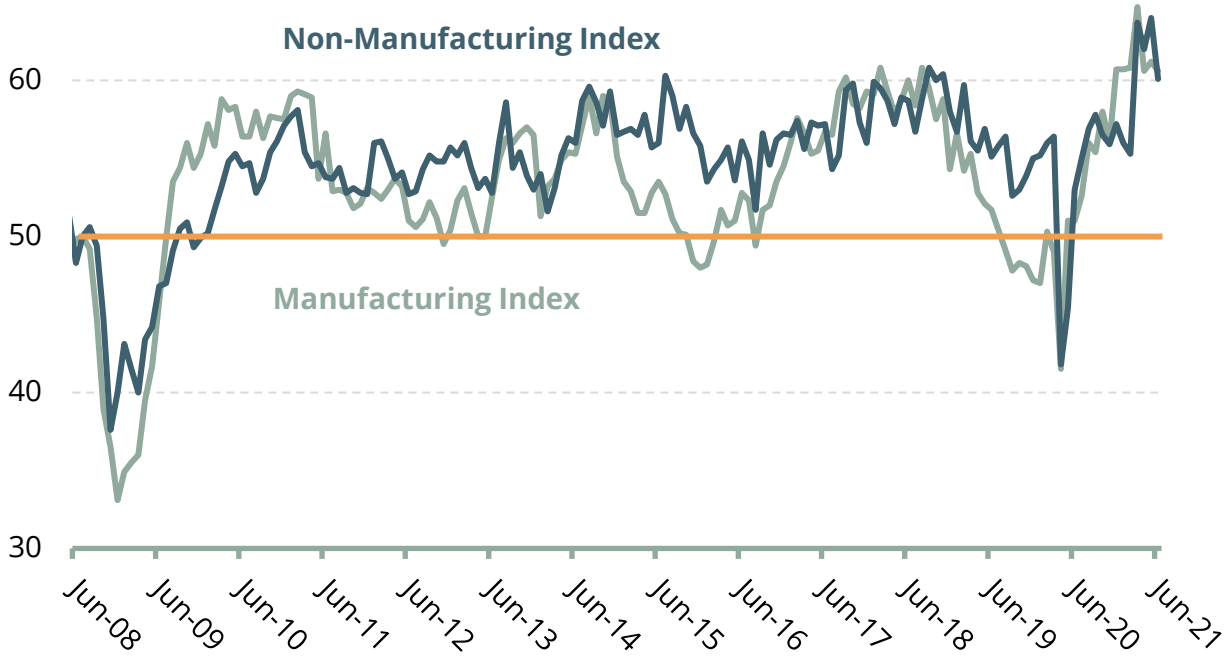
Figure 4
U.S. Unemployment Rate



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

〉 As measured by the Institute for Supply Management, manufacturing and non-manufacturing (services) sectors have shown record bounce-backs since drops in the Spring of 2020. The June Manufacturing index was at 60.6% and is the thirteenth consecutive month of economic expansion in manufacturing. Similarly, the Services Index in June was at 60.1%, which is a moderation of the all-time high measure of 64.0% in May of this year.

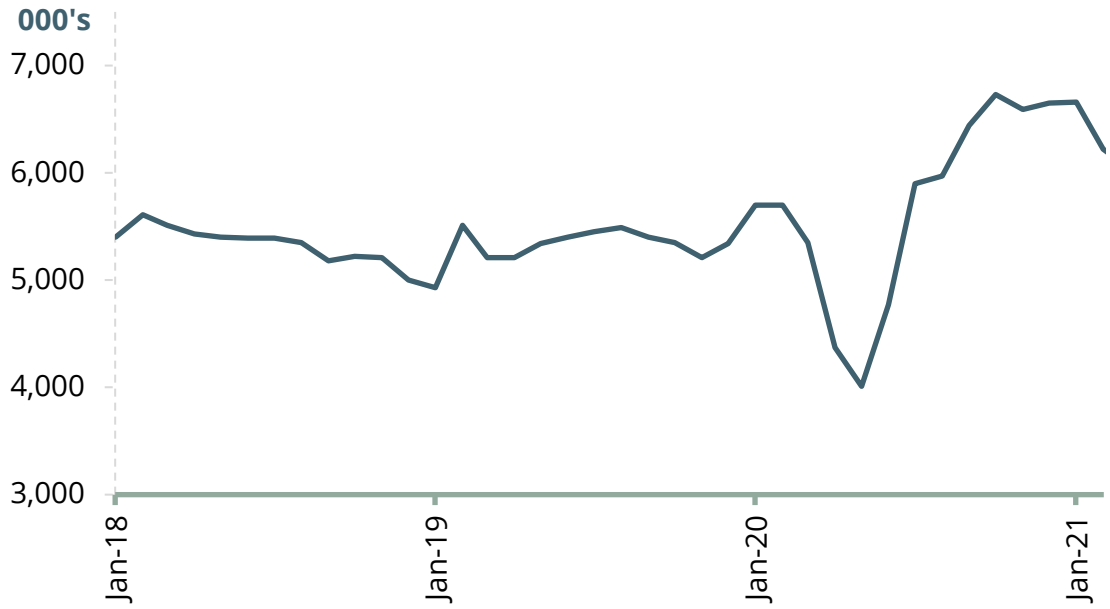
Figure 5
Institute for Supply Management
Manufacturing and Non-Manufacturing Indicies



Source: The Institute for Supply Management

› While many jobs and other measures were suffering from the pandemic, the housing market boomed; and it continues to perform well. The lack of more inventory has resulted in existing-home sales declining for four consecutive months through May. The national level of days on market was a remarkably low 17 days in May, and median housing prices (all types) has seen a record increase of 23.6% from May 2020 to May 2021. Lawrence Yun, Chief Economist of the National Association of REALTORS®, anticipates improvement in the supply situation which would give buyers more options and help moderate price increases.

Figure 6
U.S. New and Existing Home Sales



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

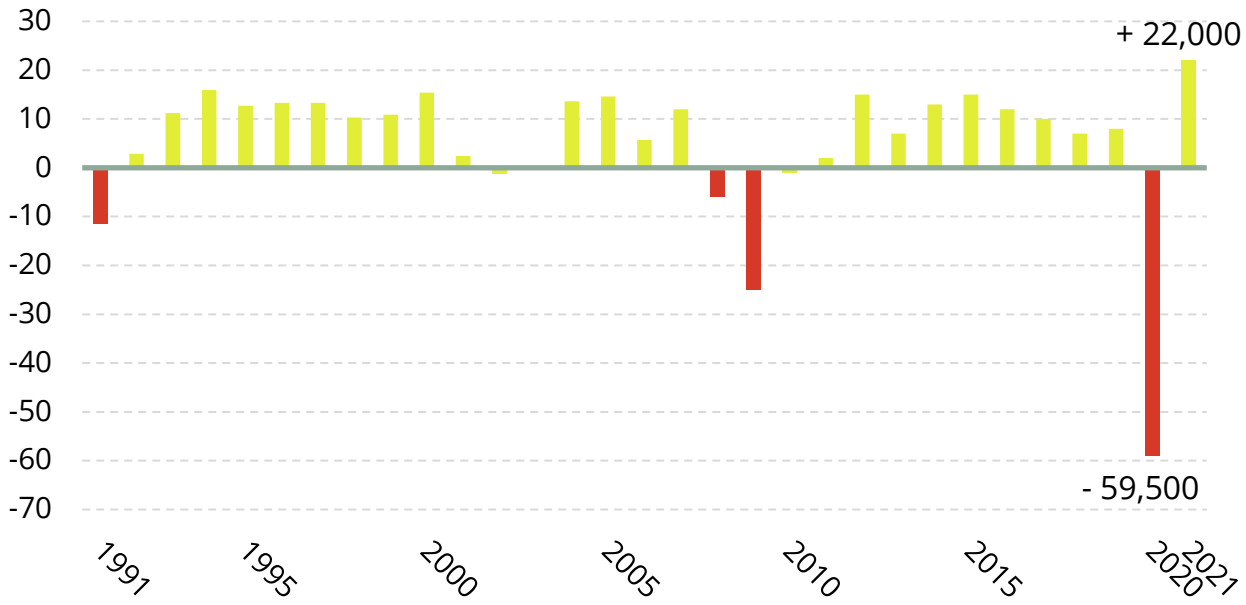
New cases of Covid have started to climb at mid-summer with the delta variant mutation of the virus and this may put a damper on the rate at which the nation will be in full recovery from the pandemic. There will likely be some moderation of economic conditions, if this situation becomes more serious and state and local governments return to precautionary measures to prevent more spread. The stimulus measures enacted by Congress have had significant positive effects on the economic recovery. Additional actions, such as the infrastructure efforts could further help the overall economic conditions.

Central Virginia Economic Trends

The economy of Central Virginia is also showing signs of recovery from economic losses caused by the pandemic.

〉 Job growth in Central Virginia reflects the national economic job picture as the past twelve months have registered a growth of 22,000 jobs since June of 2020.

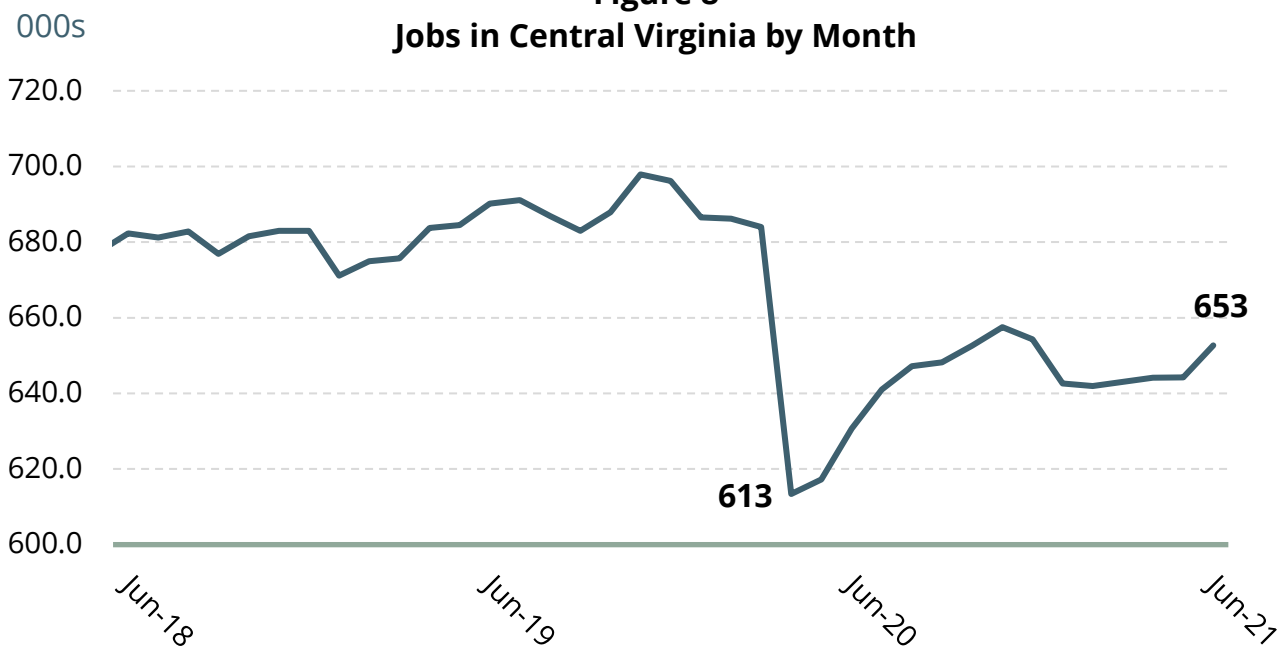
Figure 7
Annual Change in Jobs, Richmond MSA



Source: Bureau of Labor Statistics

› That increase in jobs has not yet led to a return to the levels of total jobs in the region but is rapidly on the way to getting back to those levels. In the Spring of 2020 the region dropped from 680,000 jobs to a level of 613,000, and has now grown back to a level of 653,000 jobs--more than half-way back.

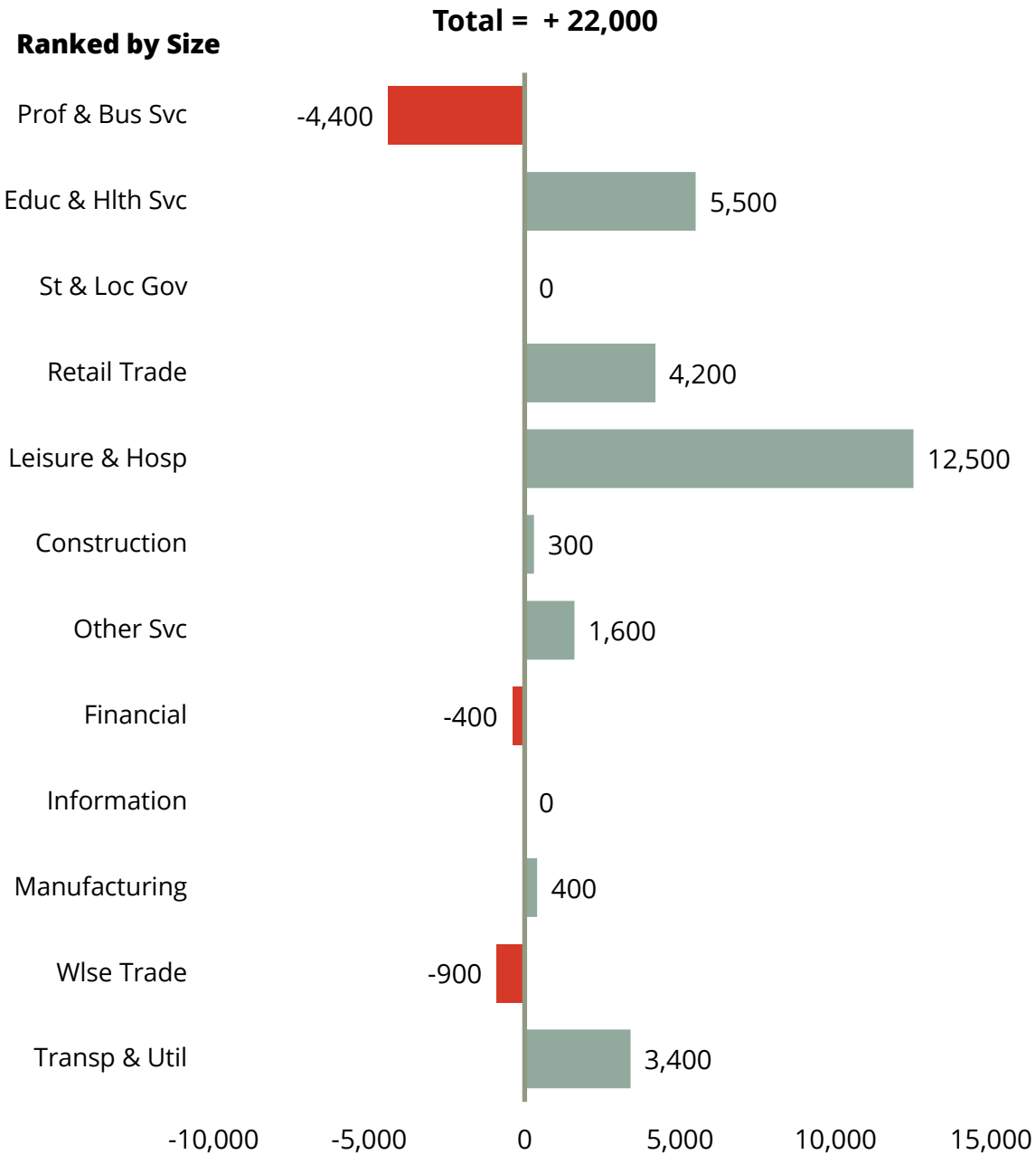
Figure 8
Jobs in Central Virginia by Month



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

› As of March 2021, almost all job sectors in the Central Virginia region were in job loss territory, but as of June the region's addition of 22,000 jobs since June of 2020 reflect growth in almost all sectors. The largest growth increase was in the sector that lost the most jobs in 2020, with Leisure and Hospitality adding 12,500 jobs from June of 2020 to June of 2021. Large growth also occurred in Education and Health Services (+5,500 jobs) and Retail Trade (+4,200 jobs).

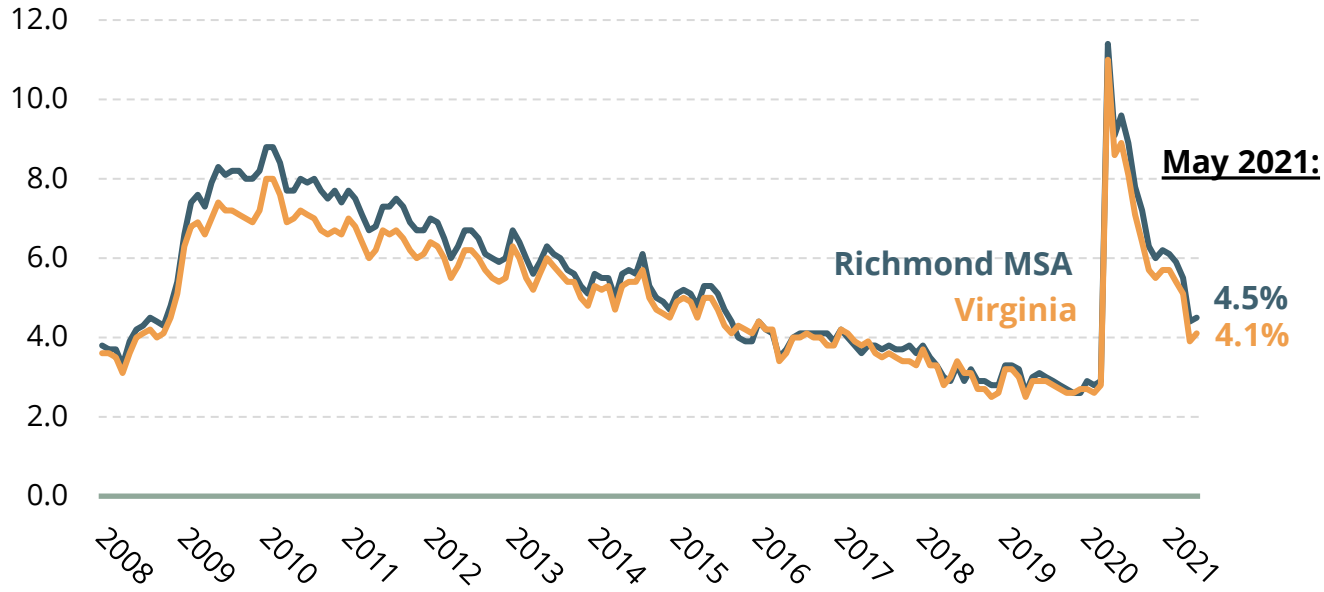
Figure 9
Job Change by Industry
Richmond MSA
Jun 2020 to Jun 2021



: Bureau of Labor Statistics

› The region's unemployment rate has also mostly recovered to pre-pandemic levels, falling to 4.5% in May of 2021.

Figure 10
Unemployment Rate



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

The Central Virginia economy has come a long way in a short period of time, recovering most of the economic loss of the pandemic in 2020. These growth trends are likely to continue, although the issue of the variant cases may make the length of the total recovery longer than it would have been otherwise.

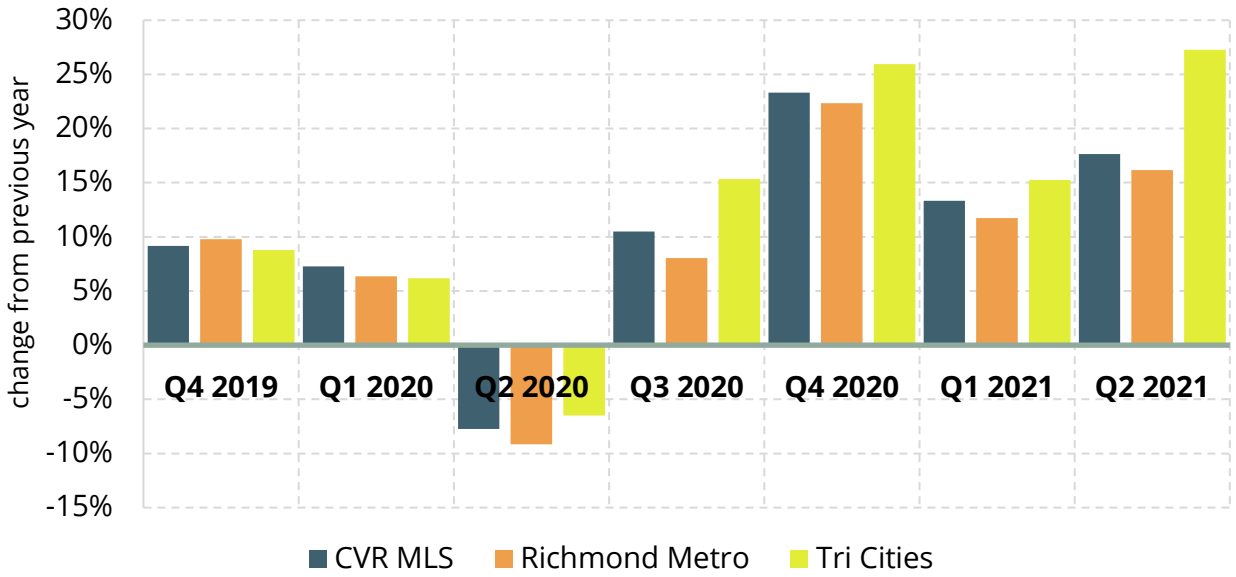
Housing Market Overview

It was a very busy spring in the Central Virginia housing market. Sales activity continues to surge and home prices are rising throughout the footprint. Homes are selling much faster compared to last year on average, and the inventory of active listings continues to get smaller in most local markets.

Sales

There were 6,819 sales across the CVRMLS footprint in the second quarter of 2021, which is 1,022 more sales than a year ago, representing an 18% surge. Sales activity increased all three months of the quarter (April through June) compared to last year. While the large spike in sales activity this quarter is somewhat attributable to the market slowdown last spring, sales this quarter in the region are also outpacing pre-pandemic levels; up 9% from the second quarter of 2019. The increased sales activity is occurring across the region with 15 of the 16 jurisdictions in the CVRMLS footprint having more sales in the second quarter than last year. Statewide, the number of home sales in the second quarter was up 30% compared to last year and is 16% higher than second quarter 2019 sales totals.

Figure 11
Percent Change in Home Sales



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

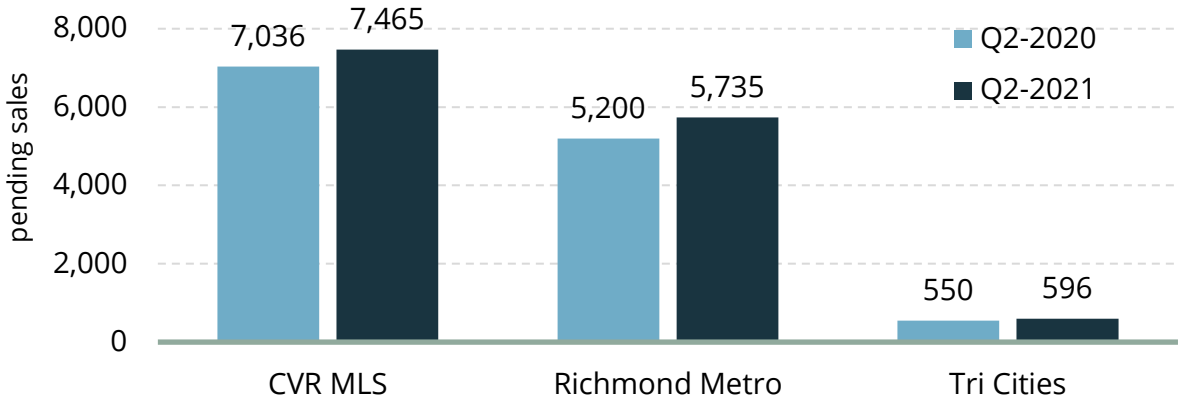
[1]The Central Virginia region includes: Counties of Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, Louisa, Powhatan, New Kent, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg, Richmond

Sales activity in the Richmond Metro Area[2] housing market continues to expand. There were 5,240 sales in the area during the second quarter, an influx of 729 sales from a year ago, which is a 16% increase. Similar to other parts of the region, the Richmond Metro Area housing market slowed down in the second quarter of last year in the early days of the pandemic. Sales in the Richmond Metro Area have now rebounded above pre-pandemic levels, rising 6% above total sales in the second quarter of 2019. All local markets in the area had more sales this quarter led by Chesterfield County, which had 344 more sales than the second quarter of last year, representing a 19% increase. Sales were up 17% in Hanover County, and up 15% in the City of Richmond. There were 1,494 sales in Henrico County in the second quarter, a 13% increase from last year.

There were 532 sales in the Tri-Cities Area[3] during the second quarter, a 27% spike from last year, which is an additional 114 sales. Sales in the tri-cities market are also outpacing pre-pandemic levels, up 19% from the second quarter of 2019. Within the local markets, the largest influx of sales this quarter occurred in the City of Petersburg, which had 132 sales in total this quarter, a 48% surge from the second quarter last year, an increase of 43 sales. Both Dinwiddie County and the City of Colonial Heights had 30% more sales than the second quarter last year, and sales in the City of Hopewell jumped up 29% from a year ago, an increase of 24 sales.

Pending sales activity increased this quarter overall in the Central Virginia region, however, some of the smaller markets had a slowdown in pending sales. There were 7,465 pending sales across the CVRMLS footprint in the second quarter, 429 more pending sales than a year ago, which is a 6% increase. Pending sales increased in April and May, but declined slightly (-1%) in June, compared to the prior year. Nine of the 16 local markets in the region had more pending sales during the second quarter than a year ago.

Figure 12
Pending Sales, Second Quarter



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

[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

There were 5,735 pending sales in the Richmond Metro Area in the second quarter, a 10% increase from last year, which is 535 more pending sales. The City of Richmond had the largest influx, with 16% more pending sales than the second quarter of last year, which is an additional 150 pending sales. Henrico County and Chesterfield County also had strong growth this quarter with 11% and 10% more pending sales, respectively, from this time last year. Pending sales activity in Hanover county was essentially flat this quarter, with just one additional pending sale than a year ago.

There were 596 pending sales in the Tri Cities Area market during the second quarter, an 8% increase from last year, which is 46 more pending sales. Pending sales have been trending up in the area now for nine consecutive quarters. The City of Petersburg led the local markets in the Tri-Cities Area with 171 pending sales this quarter, a 46% jump from the second quarter last year, which is an additional 54 pending sales. There were 130 pending sales in the City of Hopewell in the second quarter, 29 more pending sales than last year, representing a 29% increase. Prince George County and Dinwiddie County had fewer pending sales than last year, down 25% and 14%, respectively, from the second quarter of last year.

Prices

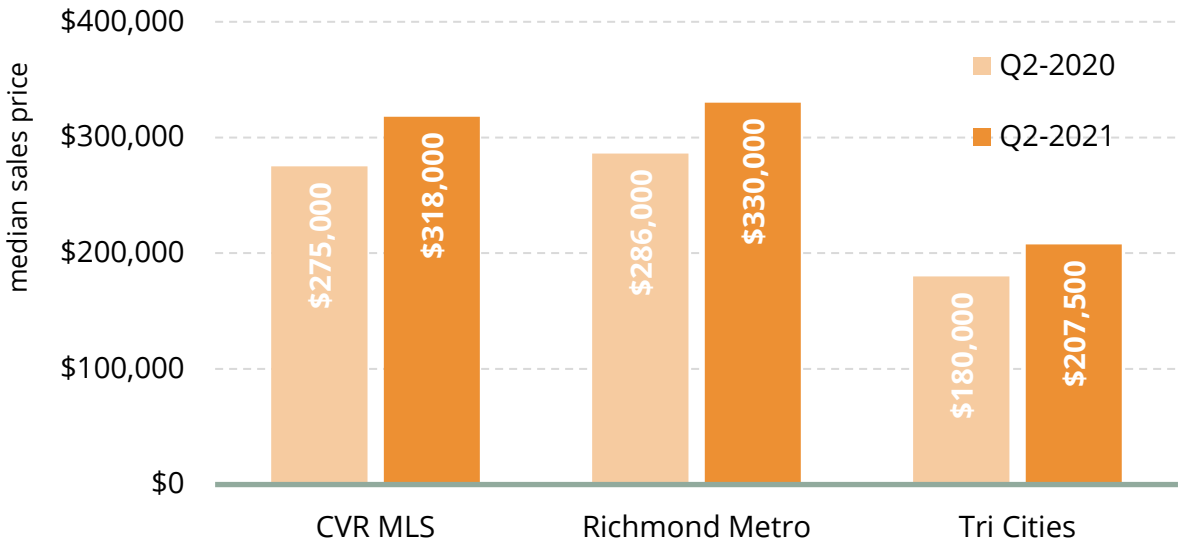
Home prices in the Central Virginia region are rising significantly. The second quarter median sales price in the area was $318,000, which is 16% higher than last year, a gain of $43,000. This is the largest median price increase the region has had in any quarter in more than five years. Similarly, the second quarter average sales price jumped up 15% from last year to $358,618, a $47,705 surge, also the largest average price jump in more than five years. Upward pressure on prices driven by shrinking inventory and active buyers has been consistent in the many parts of the CVRMLS market over the past several years. The second quarter median sales price in the region is now $92,000 higher than it was at this time five years ago. All 16 jurisdictions in the footprint had a higher median sales price in the second quarter compared to last year. Similar trends are occurring throughout the state. In the second quarter, the median sales price statewide was $365,000, up 16% compared to a year ago.

At $330,000, the second quarter median sales price in the Richmond Metro Area jumped up 15% from last year, which is a gain of $44,000. Similar to the Central Virginia region as a whole, this quarter represents the largest median price jump the Richmond Metro Area has had in more than five years. At the local level, Henrico County had the largest median sales price increase, surging up 18% to $321,000, a gain of nearly $50,000 from the second quarter

of last year. At $330,000, the second quarter median sales price in Chesterfield County was 17% higher than last year, an increase of nearly $49,000. The median sales price in the City of Richmond in the second quarter rose 11% from last year to $315,000, which is an increase of $30,000.

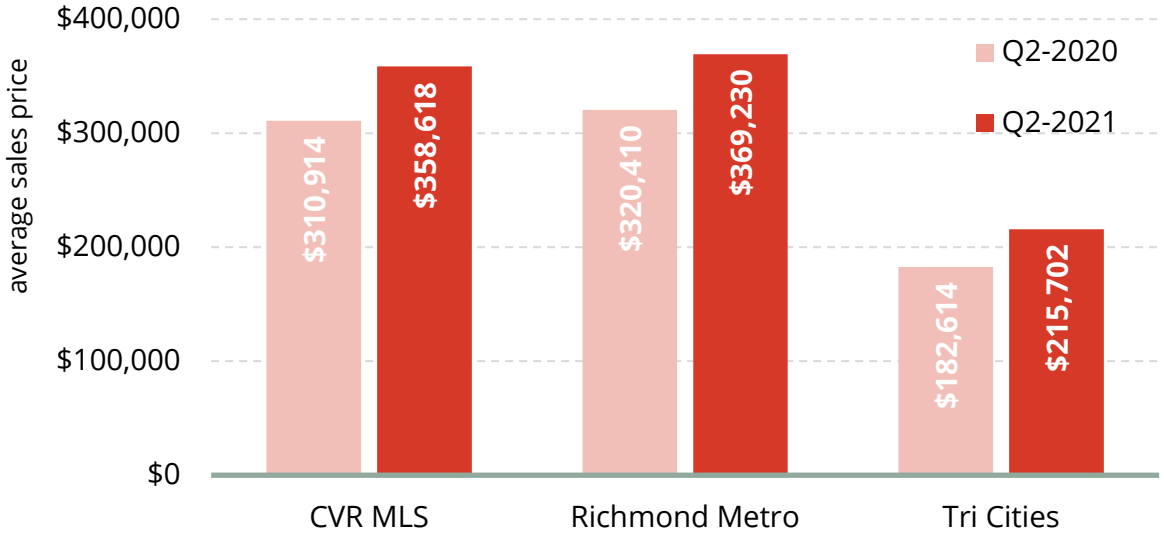
Home prices in the Tri-Cities Area market are also rising rapidly. The second quarter median sales price in the Tri-Cities Area was $207,500, a 15% increase from a year ago, which is a gain of $27,500. The strongest price growth this quarter occurred in the City of Colonial Heights, where the median sales price spiked up $57,500 from the second quarter of last year, representing a 35% gain. The median sales price in Dinwiddie County also rose sharply this quarter, up 21% from the second quarter last year, which is a $44,000 increase. At $175,000, the second quarter median sales price in the City of Hopewell was 17% higher than a year ago, which is a gain of more than $25,000.

Figure 13
Median Sales Price, Second Quarter



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

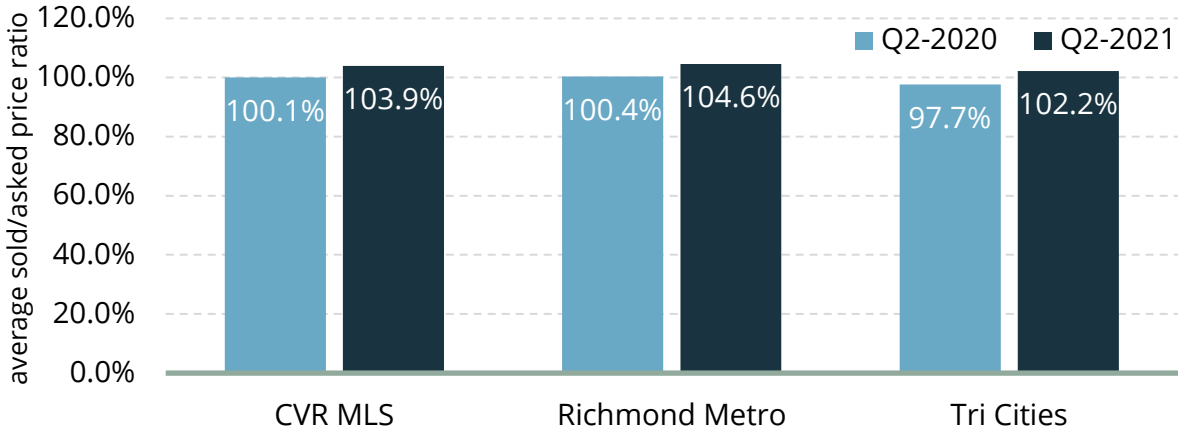
Figure 14
Average Sales Price, Second Quarter



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

As prices are surging up and the inventory is becoming scarcer in many local markets, the average sold to ask price ratio continues to trend up in the Central Virginia region. On average, homes that sold in the region during the second quarter sold for 103.9% of the asking price, up from 100.1% last year. Once again, this quarter represents the five-plus year high for this metric as bidding wars are increasingly common on homes for sale in local markets around the region. At 104.6%, the second quarter average sold to ask price ratio in the Richmond Metro Area rose from 100.4% a year ago. In the Tri-Cities area, this metric climbed to 102.2% in the second quarter, up from 97.7% last year.

Figure 15
Average Sold/Asked Price Ratio, Second Quarter

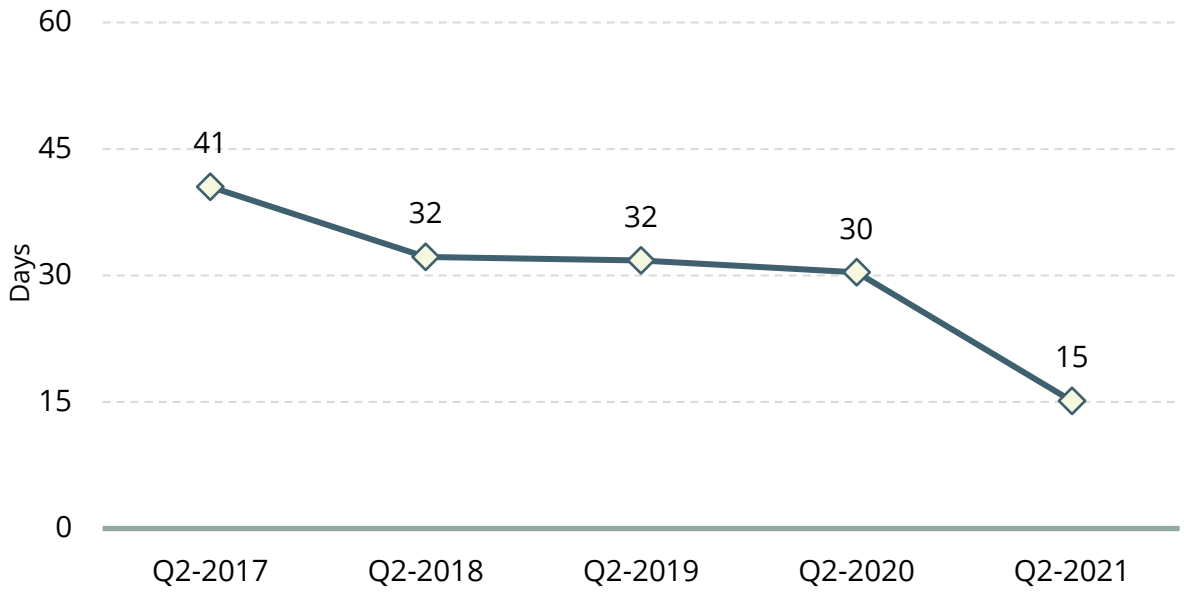


Source: Virginia REALTORS®, data accessed July 15, 2021

Days on Market

Homes in the Central Virginia market continue to sell faster than last year. Homes that sold in the second quarter in the region were on the market about two weeks on average (15 days), which is about two weeks faster than last year. The shrinking supply of homes listed for sale in the area is creating more competition among active buyers in the market, which is causing homes to sell faster, a trend that has been consistent over the past several years in the region. The average days on market in the Richmond Metro Area was 14 days in the second quarter, 12 days faster than last year. It took 14 days on average for homes to sell in the Tri-Cities area in the second quarter, which is about a month faster than last year (-29 days). Statewide, homes sold in an average of 22 days in the second quarter, down from 40 days a year ago.

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



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

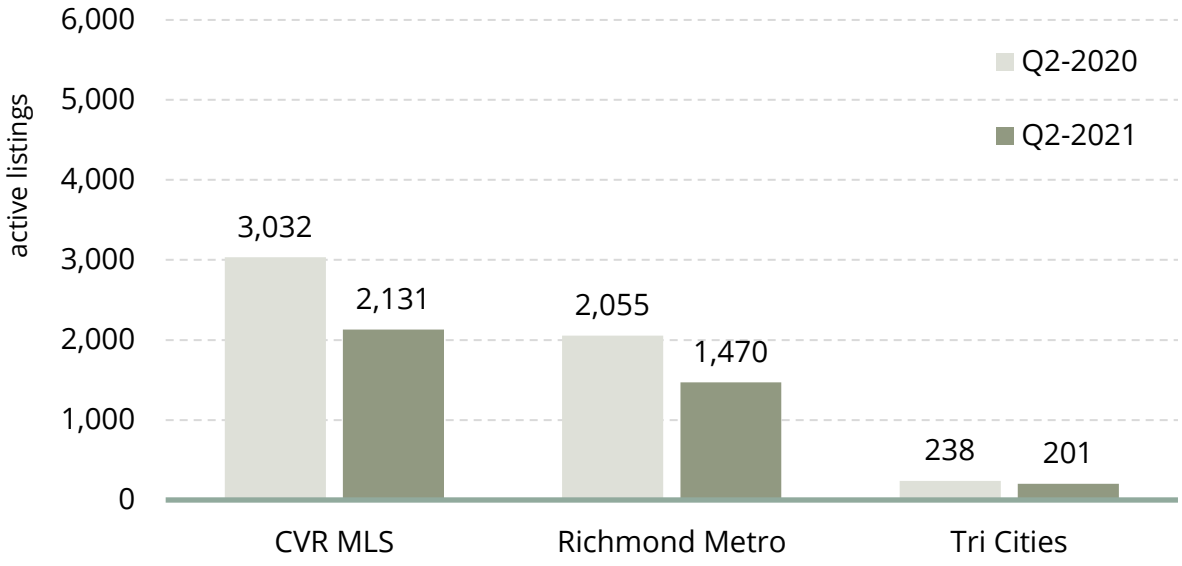
Inventory

Inventory continues to shrink in the Central Virginia housing market. There were 2,131 active listings in the region at the end of the second quarter, 30% fewer listings than were available last year, which is a reduction of 901 listings. The shrinking supply of homes available in the local markets throughout the region continues to be a factor for both buyers and sellers.

Some potential buyers, particularly first-time homebuyers, have trouble competing with other buyers due to rising prices and limited options. In addition, would-be sellers also are impacted by the low supply because there are fewer options of homes to move into after they sell their existing home, which is causing many to remain in their current homes. These trends are occurring both locally and all throughout the commonwealth. At the end of the second quarter, there was a total of 19,346 active listings on the market statewide, down 18% from a year ago.

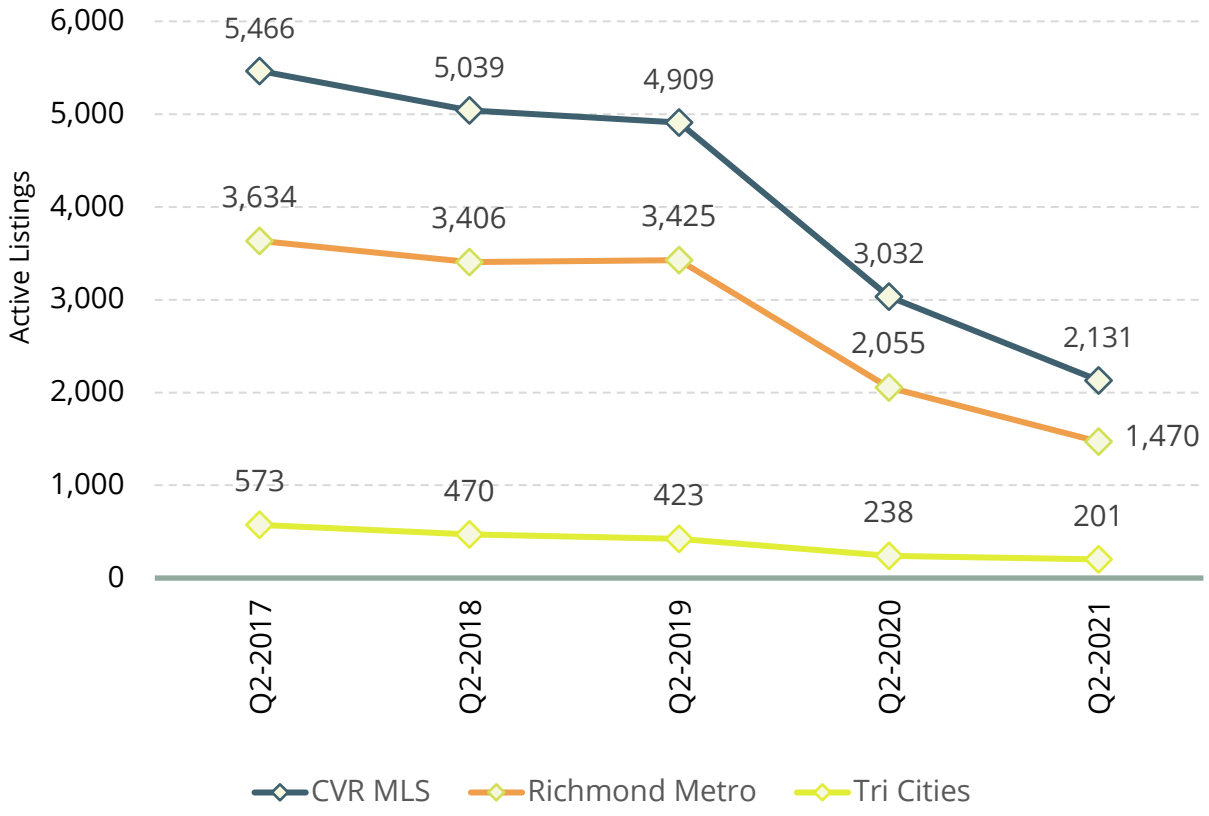
There were 1,470 active listings in the Richmond Metro Area at the end of the second quarter, 585 fewer listings than last year, representing a 28% reduction. The sharpest inventory decline occurred in Chesterfield County, where the number of active listings declined by 44% from the second quarter of last year. There were 201 active listings in the Tri-Cities Area at the end of the second quarter, down 16% from last year, which is a drop of 37 listings. Most of the inventory losses this quarter occurred in Prince George County, which had 16 fewer listings than a year ago, which is a 34% decline. The City of Colonial Heights was the only local market in the area to have an uptick in supply this quarter, with 6 more active listings than a year ago, which is a 23% increase.

Figure 17
Active Listings, Second Quarter



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

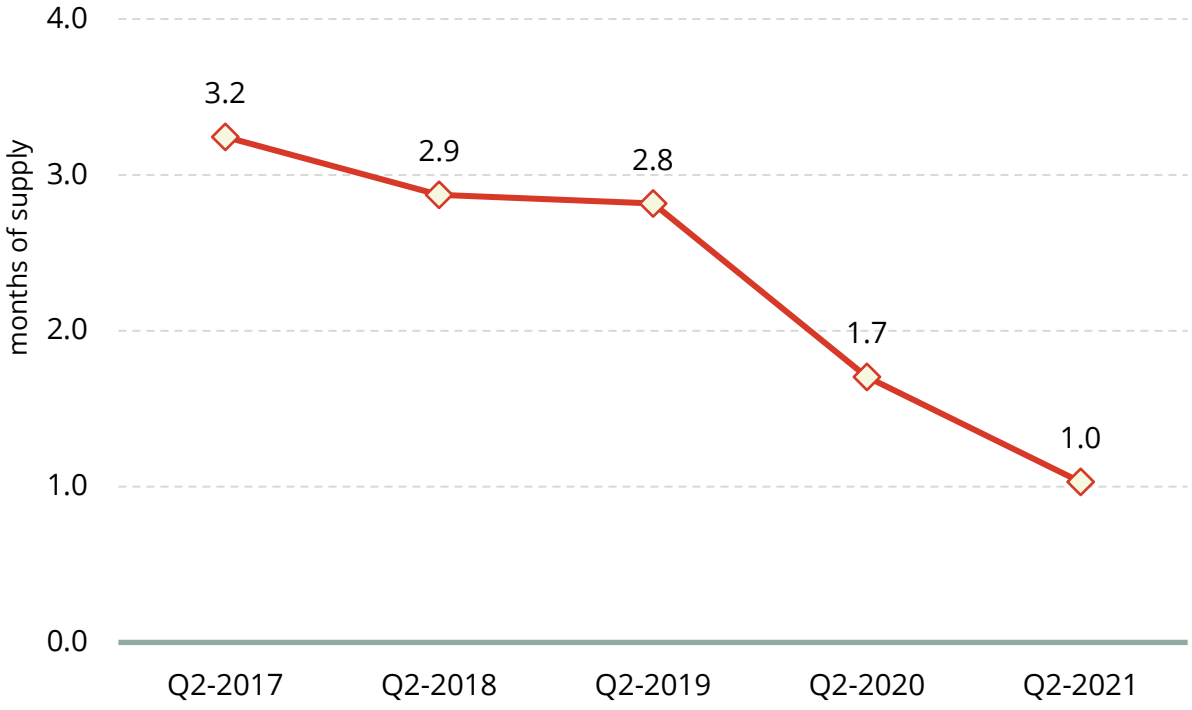
Figure 18
End of Second Quarter Active Listings



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

Sales have been accelerating over the last several quarters and the inventory of active listings continues to get smaller which is putting a strain on the housing supply in the Central Virginia region. There was about one month of supply across the CVRMLS footprint at the end of the second 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 Second Quarter Months Supply, CVR MLS
2017-2021



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

Outlook

The Central Virginia area housing market is well positioned for expansion in the coming months. Demand in the market, fueled by attractive interest rates, low unemployment, and significant job recovery in the region, is likely to remain strong. As evidenced by the spring market data, sales have fully rebounded from last year when the onset of the pandemic triggered a temporary market slowdown in the region, and sales are now outpacing pre-pandemic levels. Home prices across the entire Central Virginia footprint are rising rapidly, and this pattern is likely to continue until more supply is added to the market. It is unlikely that the inventory picture will improve much in the short-term, as competition in the market remains high, and new listings are sold at an increasingly fast rate, as evidenced by the lowest average days on market the region has had in years. While concern about inflation is growing, interest rates remain low, and are likely to remain below 3.5% through the end of the year, which will continue to provide buyers attractive financing options to help offset the rapid price growth occurring in the market.

Virginia REALTORS®

The Virginia REALTORS® association is one of the largest professional trade associations in Virginia, representing 35,000 REALTORS® engaged in the residential and commercial real estate business. The Virginia REALTORS® association serves as the advocate for homeownership and private property rights and represents the interests of real estate professionals and property owners in the Commonwealth of Virginia.

NOTE: The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict code of ethics.

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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.