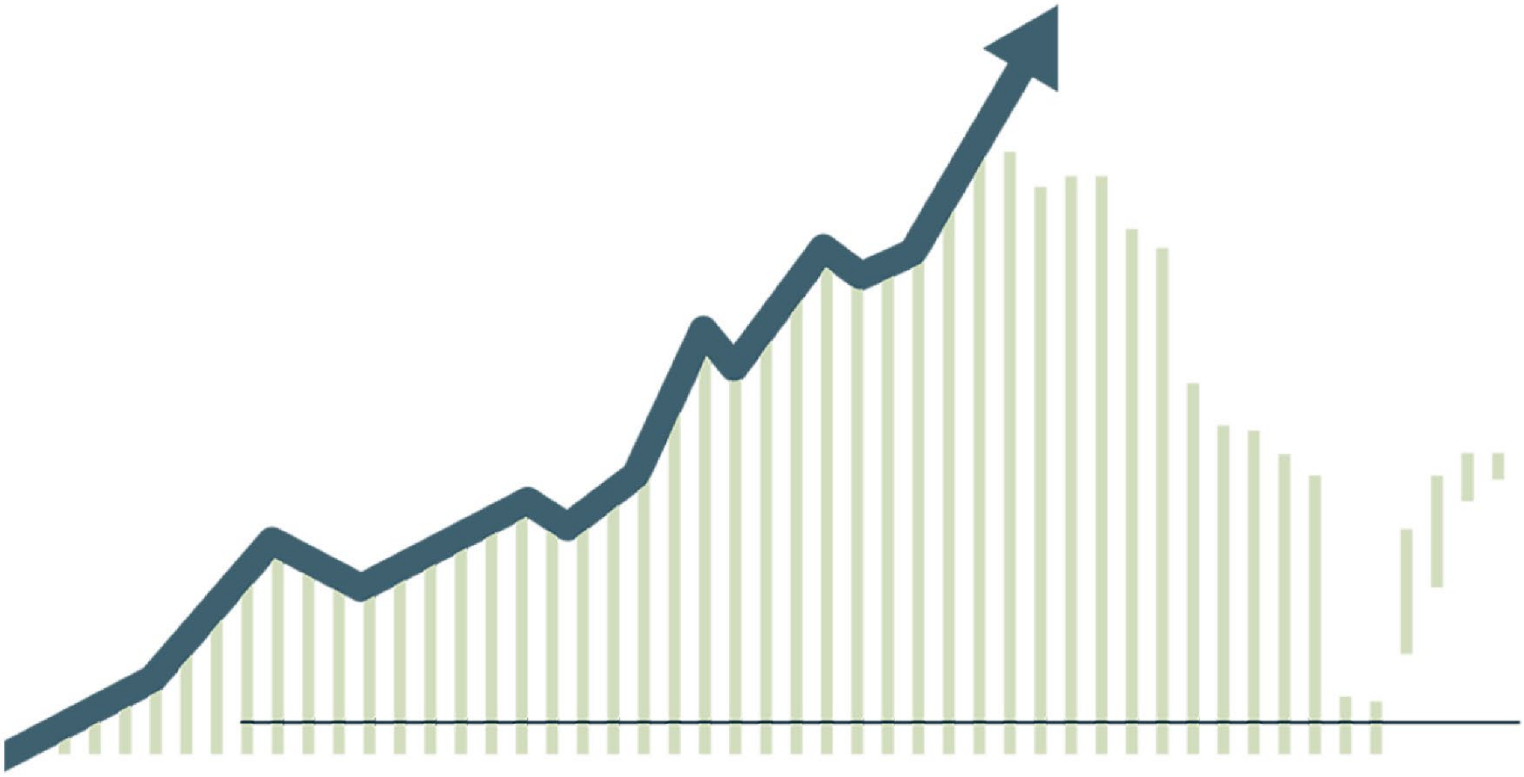
Virginia REALTORS®

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 Economy & Housing Market

Third Quarter 2021

Key Takeaways

Economic Conditions

- In the third quarter of 2021, while economic conditions remained positive, there was a slowdown in job growth in Virginia. Unemployment in the Richmond region continues to fall. Local economic conditions should improve further over the next few months.

- Consumer confidence has fallen amidst renewed uncertainties about the Delta variant. Individuals, families, and businesses have been re-thinking plans that seemed more certain earlier this year.

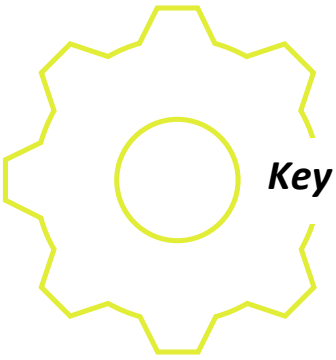
- Mortgage rates remain at historically low levels, but an improving economy will lead to moderate increases in the average 30-year fixed-rate mortgage rate.

Housing Market Conditions

- There were 7,107 homes sold in the Central Virginia region during the third quarter, a 6% increase from last year.

- Home prices continued to rise in the Central Virginia market. The third quarter median sales price was $323,930, which is up 12% compared to a year ago, a gain of nearly $34,000.

- Inventory continues to shrink in the Central Virginia footprint. At the end of the third quarter, there were 2,230 active listings across Central Virginia, 16% fewer listings than this time last year.



Key Trends Dashboard, Central Virginia

Economy

▼	**4.1%**	Is the Aug-2021 **unemployment rate** in the Richmond MSA, which is down from Jul-2021
▲	**3.01%**	Is the **30-year fixed-rate mortgage rate** during the last week of September 2021, which is up from a year ago

Housing Market

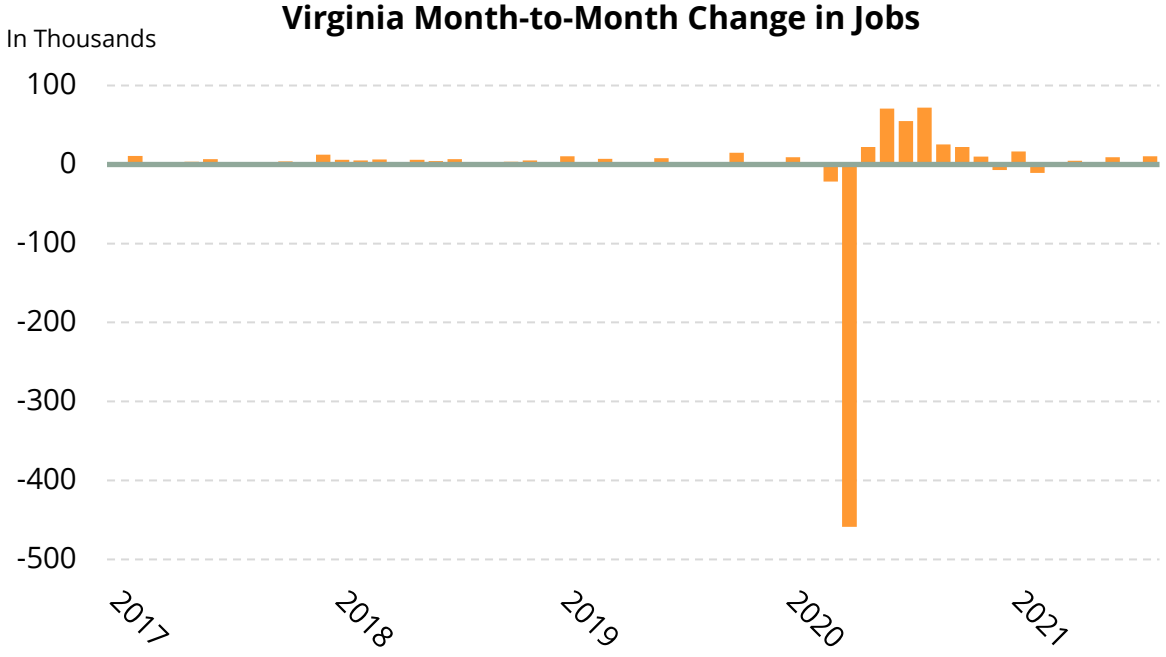
▲	**406**	More **home sales** in the Central Virginia region in Q3-2021 compared to last year
▲	**12%**	Percent change in **median sales price** in the Central Virginia region in Q3-2021 compared to a year ago
▼	**-500**	Fewer **pending sales** in the Central Virginia region in Q3-2021 compared to last year
▼	**-16%**	Percent change in **active listings** at the end of Q3-2021 in the Central Virginia market compared to a year ago
▼	**1.1**	**Months of supply** in the Central Virginia housing market in Q3-2021, which is down from a year ago

Economic Overview

Virginia's economy continues to improve, though the Delta variant has taken the wind out of its sails. The growing uncertainty over the summer and into the fall has eroded consumer confidence and has led businesses to re-think opening decisions. Despite the uncertainty, it is expected that the state's economy will continue to expand throughout the rest of 2021 and growth will accelerate in 2022.

In August 2021, there was a total of 3.91 million jobs in Virginia, which is up 82,500 jobs from a year ago. Job growth has been steady, but the pace of the economic recovery has slowed. There are still about 175,000 fewer jobs in Virginia than there were before the pandemic. It is projected that the state will not re-gain all of the jobs lost during the pandemic and the recession until at least the end of 2022.

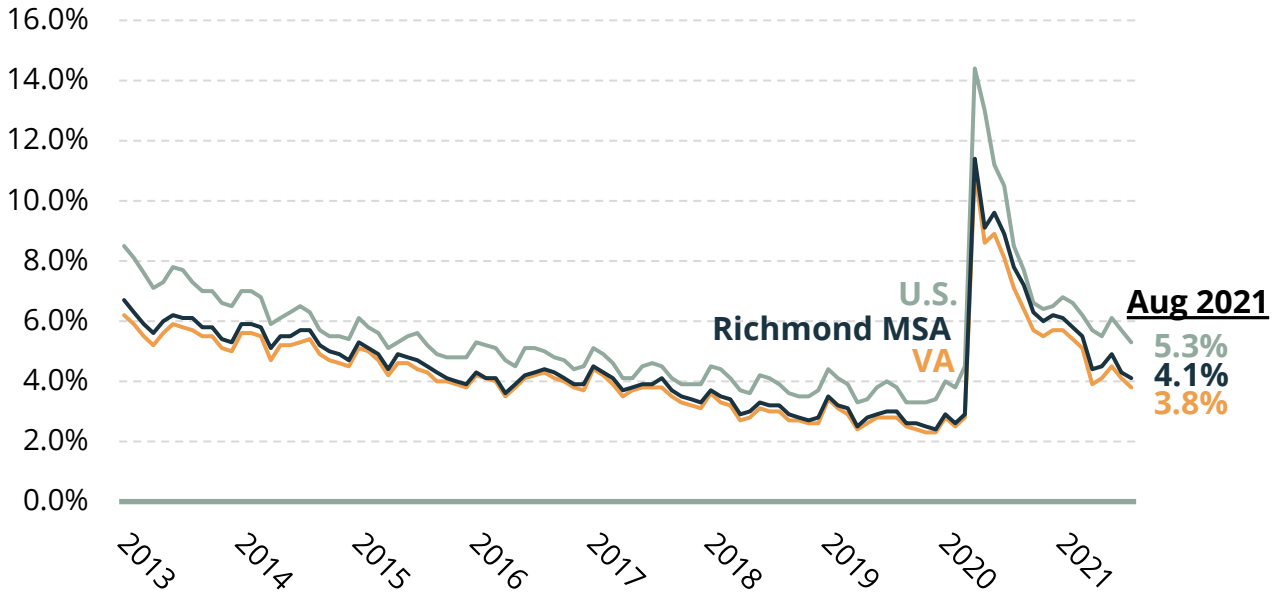
Figure 1
Virginia Month-to-Month Change in Jobs



Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted

The statewide unemployment rate was 3.8% in August 2021 and has been falling steadily for the past 18 months. The unemployment rate in the Richmond region was 4.1% in August 2021, down from 4.3% a month earlier. Like the rest of the state, the region's economy has been impacted by the rise of the Delta variant, but economic conditions should improve in the weeks and months to come.

Figure 2
Unemployment Rate

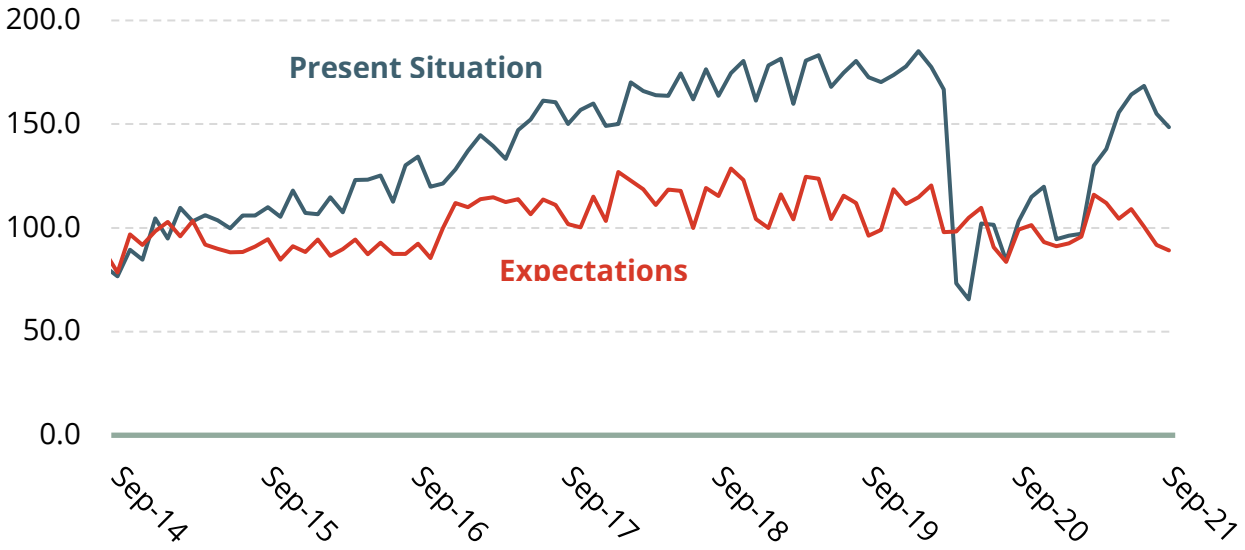


Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

The Delta variant has also impacted consumer confidence, as individuals and families are feeling more uncertain. In September 2021, the measure of confidence in the present economic situation was 148.5, down from nearly 170 earlier this summer. The measure of consumers' confidence in future economic conditions fell to 89.1 in September, after rising steadily throughout the late spring and early summer. A consumer confidence index above 100 indicates people are feeling more optimistic about economic conditions.

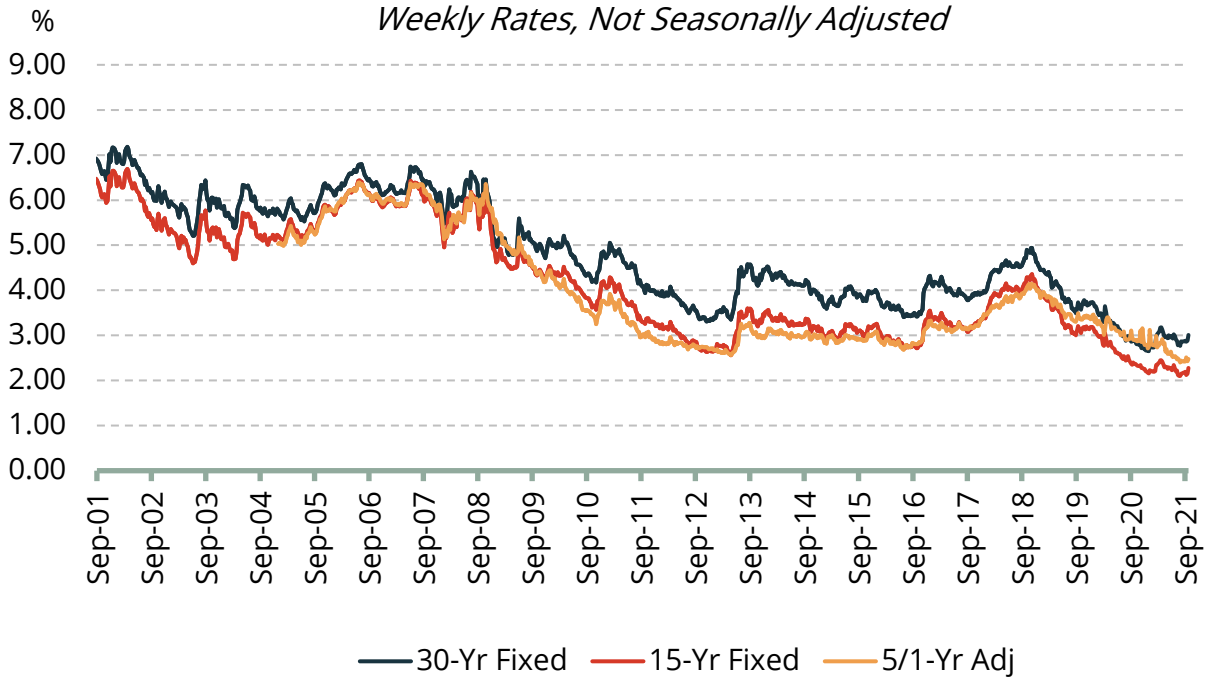
The average rate on a 30-year fixed-rate mortgage has consistently been below three percent for most of the past year. With an improving economy, mortgage rates have been rising slightly, though they still remain at historically low levels. At the end of September, the average 30-year fixed-rate mortgage rate had edged up to just above 3.0%. Rates are expected to rise modestly over the next few months but should remain below 3.5% throughout the end of the year.

Figure 3
Consumer Confidence
South Atlantic Region



Source: The Conference Board

Figure 4
Mortgage Interest Rates
Weekly Rates, Not Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis

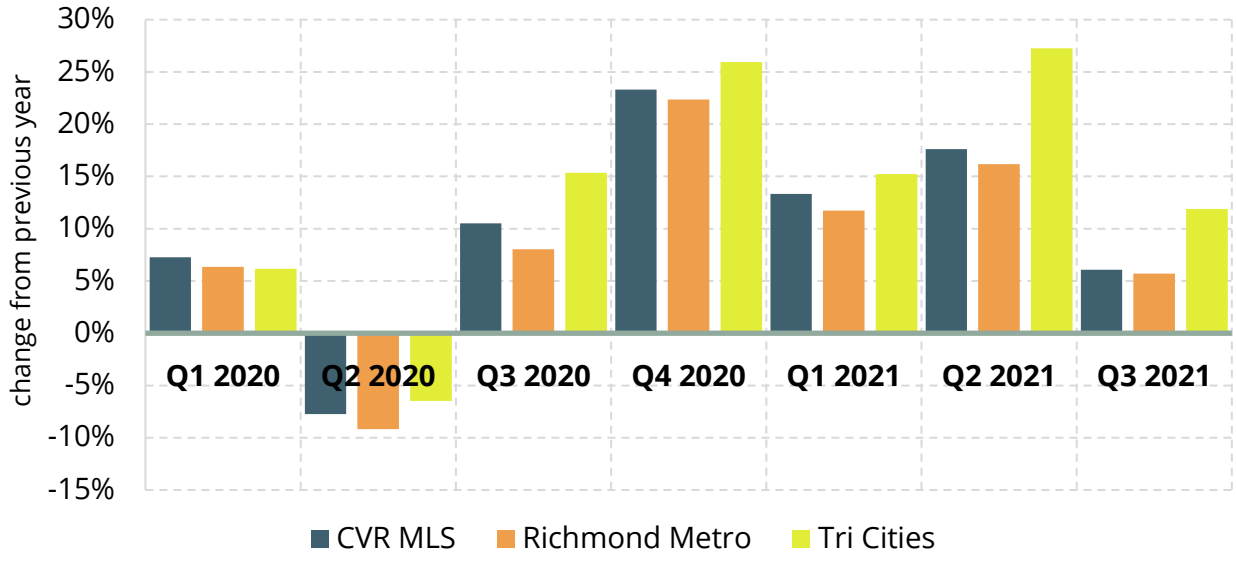
Housing Market Overview

Activity in the Central Virginia[1] housing market continues to be strong, though pending sales are down from a year ago, which could signal a slowdown on the horizon compared to the surging sales last year. Price growth was robust across all local markets in the region and homes continue to sell much faster than a year ago. Inventory in the region continues to shrink; but the rate of decline has moderated.

Sales

In the third quarter of 2021, there were 7,107 home sales throughout the Central Virginia region, a 6% increase from a year ago, which is 406 more sales. Regionwide, sales activity outpaced last year all three months of the third quarter (July through September). Central Virginia is one of only a handful of regional housing markets in the state that did not have a slowdown in sales activity this quarter. Sales in the region continue to be above pre-pandemic levels as well, up 17% from the third quarter of 2019. Sales growth in the region was widespread this quarter, 11 of the 16 local markets had more sales than a year ago.

Figure 5
Percent Change in Home Sales



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

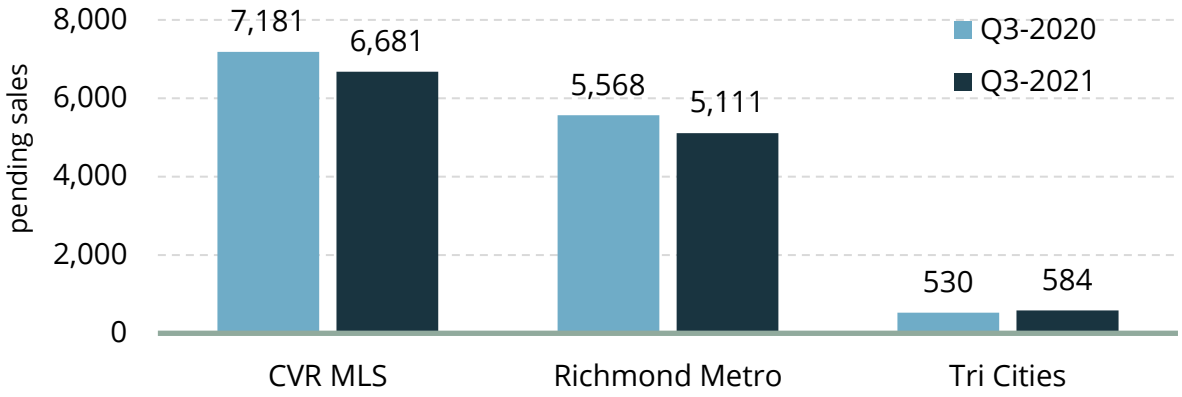
[1]The Central Virginia region includes: Counties of Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, Louisa, Powhatan, New Kent, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg, Richmond

Sales activity in the Richmond Metro Area[2] housing market continues to be robust in most localities. There were 5,495 sales in the Richmond Metro Area in the third quarter, 297 more sales than last year, representing a 6% increase. The City of Richmond led all local markets in growth, with 16% more sales than the third quarter of last year, an influx of 143 sales. Activity in the Henrico County market was also strong this quarter. There were 10% more sales in Henrico County in the third quarter compared to a year ago. Hanover County was the only local market to have a dip in sales activity, with 7% fewer sales than the third quarter of 2020, a decrease of 44 sales.

There were 555 home sales in the Tri-Cities Area[3] in the third quarter, 59 more sales than this time last year, which is a 12% increase. The City of Colonial Heights had a 47% surge in sales activity, leading all local markets in growth in the Tri-Cities Area, with an influx of 35 sales compared to the third quarter of last year. The City of Hopewell also had a strong quarter with 29 more sales than last year, a 28% jump. Sales activity was unchanged from last year in the City of Petersburg, and Dinwiddie County had 7% fewer sales than the third quarter a year ago.

There were fewer pending sales in the Central Virginia region in the third quarter compared to a year ago, which is not surprising given the frenzied pace of growth in the market a year ago. Overall, there were 6,681 pending sales regionwide during the third quarter, 500 fewer pending sales than this time last year, representing a 7% decrease. This is the first year-over-year decline in pending sales activity in two and a half years. The slowdown occurred in most local markets in the region; 9 of the 16 jurisdictions had fewer pending sales than a year ago.

Figure 6
Pending Sales, Third Quarter



Source: Virginia REALTORS®, data accessed October 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 5,111 pending sales in the Richmond Metro Area during the third quarter, an 8% drop in activity from last year, which is 457 fewer pending sales. All local markets in the area had a slowdown in pending sales this quarter. Chesterfield County had the largest decline, with 326 fewer pending sales than a year ago, which is a 14% drop. Hanover County had 95 fewer pending sales than the third quarter of last year, which is also a 14% decline. Pending sales activity in Henrico County was essentially flat from a year ago, inching down less than 1%, or 3 fewer pending sales.

While many local areas had a slowdown in pending sales this quarter, the Tri-Cities Area housing market continues to see growth. There were 584 pending sales in the Tri-Cities Area in the third quarter, 54 more than last year, which is a 10% increase. Like closed sales activity, the City of Colonial Heights led the area in pending sales growth with 41 more pending sales than the third quarter of last year, a 56% surge. This is the largest influx of pending sales in the city in more than five years. There were 128 pending sales in the City of Hopewell in the third quarter, 16% more than last year, which is an influx of 18 pending sales.

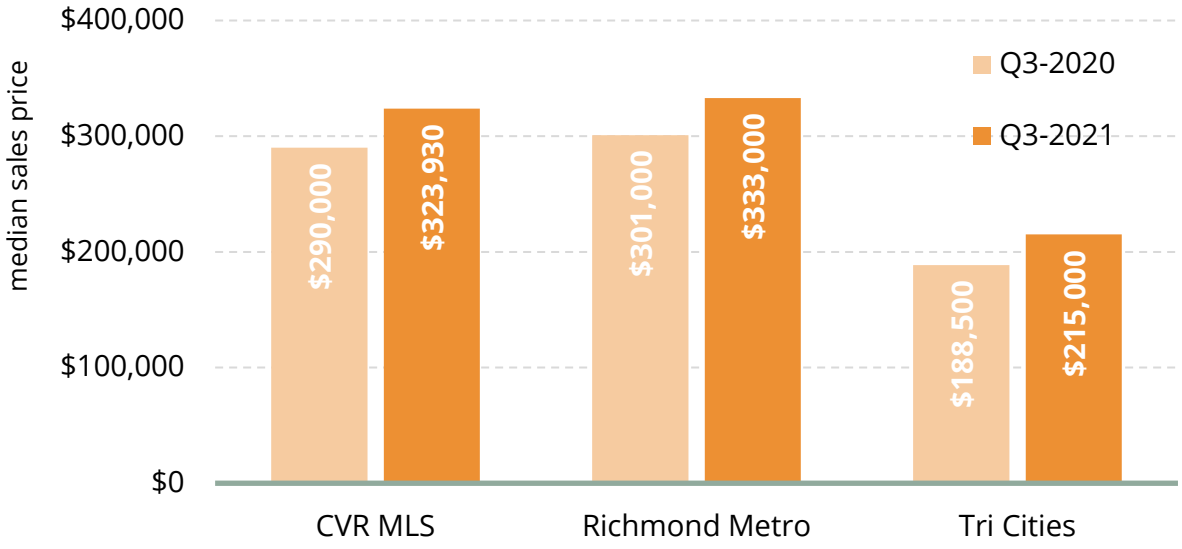
Prices

Price levels in the Central Virginia housing market continue to rise rapidly. The third quarter median sales price in the region was $323,930, climbing 12% from a year ago, which is a gain of nearly $34,000. The median price in the region has increased at a double-digit rate for four consecutive quarters and is nearly $100,000 higher than it was in the third quarter five years ago. The average sales price also reflects similar growth patterns. At $364,683, the third quarter average sales price in the Central Virginia market was 11% higher than last year, a gain of $35,688. The competitive market environment is playing a significant role in the rapid price growth, as buyers are scrambling for limited options and locking in attractive interest rates that make higher priced homes attainable for some. The rising price trends are occurring throughout the Central Virginia footprint; all 16 jurisdictions had a higher median sales price in the third quarter compared to last year, and most had a double-digit rate of growth.

The third quarter median sales price in the Richmond Metro Area market was $333,000, a $32,000 increase from last year, representing an 11% jump. The largest price growth was in Chesterfield County this quarter, where the median sales price climbed nearly $38,000 to $337,000, a 13% increase. The median sales price in the City of Richmond was $325,000, a 12% increase from the third quarter last year. Price growth was also strong in Henrico County, the median sales price rose 11% in the county from the third quarter last year to $320,000.

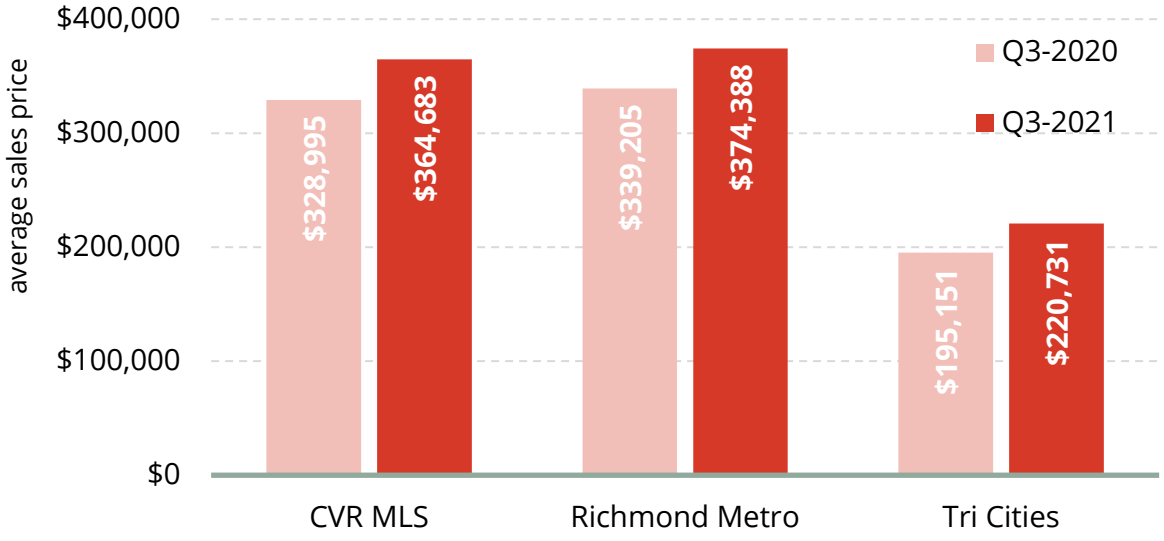
Prices in the Tri-Cities Area market are surging, all local markets in the area had double-digit median sales price growth this quarter. The third quarter median sales price in the Tri-Cities Area was $215,000, a 14% jump from last year, which is a gain of $26,500. Within the local markets, the City of Petersburg had the largest growth rate. The third quarter median sales price in the city was 25% higher than it was last year at this time, which is a gain of nearly $33,000. The median sales price in Dinwiddie County rose 16% from the third quarter of last year, and prices jumped up 15% in Prince George County.

Figure 7
Median Sales Price, Third Quarter



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

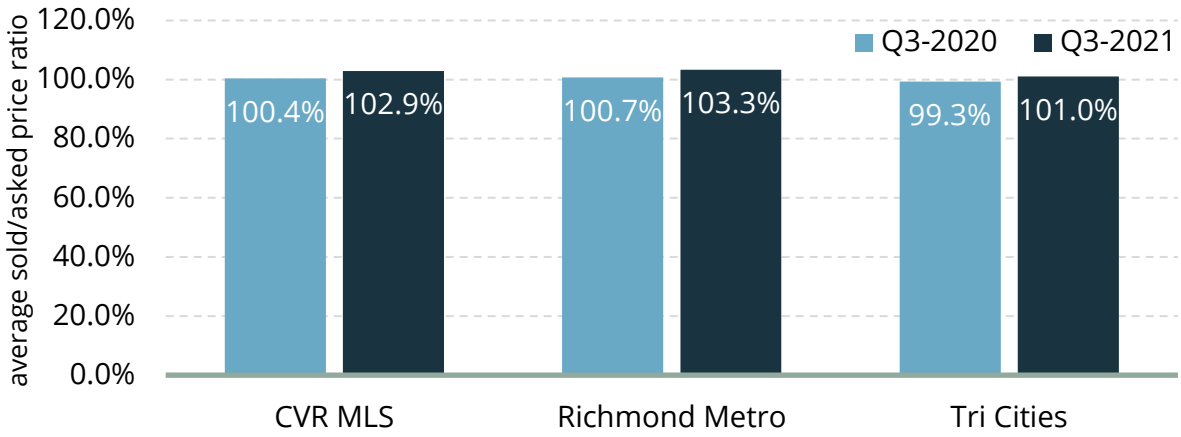
Figure 8
Average Sales Price, Third Quarter



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

The rapid price growth and competition among buyers in the region is clearly reflected in the data. The average sold to ask price ratio is above 100% in nearly all local markets; that is, most homes are selling above their listed price. On average, homes that sold in the region during the third quarter sold for 102.9% of the asking price, up from 100.4% last year. Within the region, at 103.3%, the third quarter average sold to ask price ratio in the Richmond Metro Area climbed up from 100.7% a year ago. In the Tri-Cities area, this metric rose to 101.0% in the third quarter, up from 99.3% last year.

Figure 9
Average Sold/Asked Price Ratio, Third Quarter

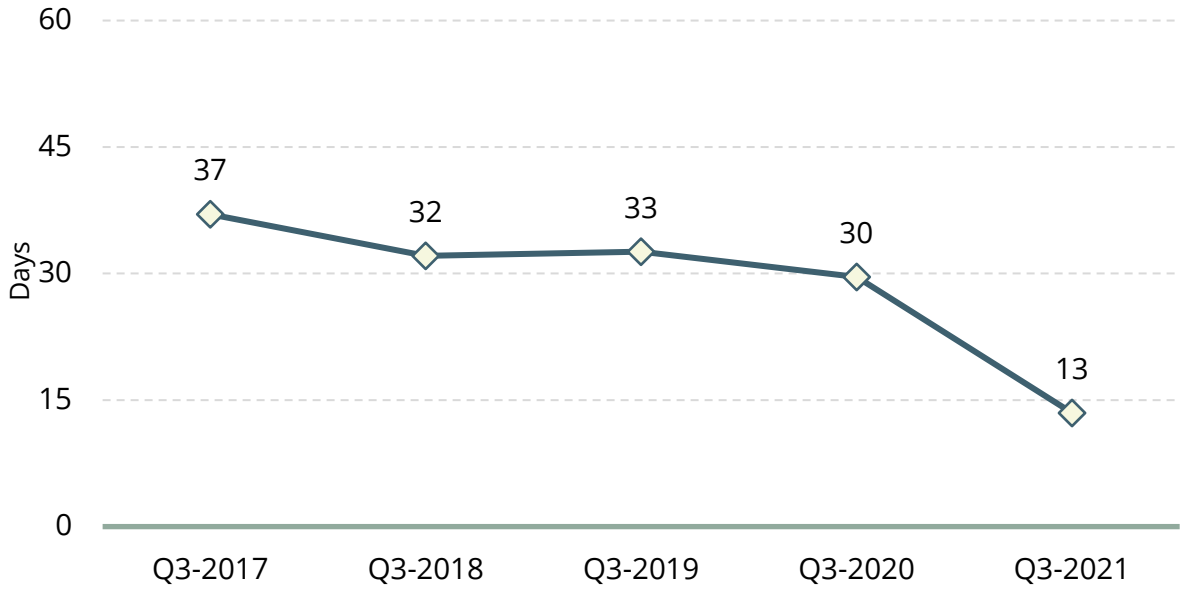


Source: Virginia REALTORS®, data accessed October 15, 2021

Days on Market

Homes are selling much faster on average in the Central Virginia region as activity in the market is strong and inventory is limited. Homes that sold in the region during the third quarter were on the market about two weeks on average (13 days), which is 17 days faster than last year. Homes have been selling faster each quarter for several years, but this is the lowest level in more than five years. The average days on market in the Richmond Metro Area during the third quarter was also 13 days, down from 26 days a year ago. Homes sold in 15 days on average in the Tri-Cities area market in the third quarter, down from 32 days last year. Statewide, homes sold in an average of 21 days in the third quarter, down from 39 days a year ago.

Figure 10
Third Quarter Average Days on Market, CVR MLS
2017-2021



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

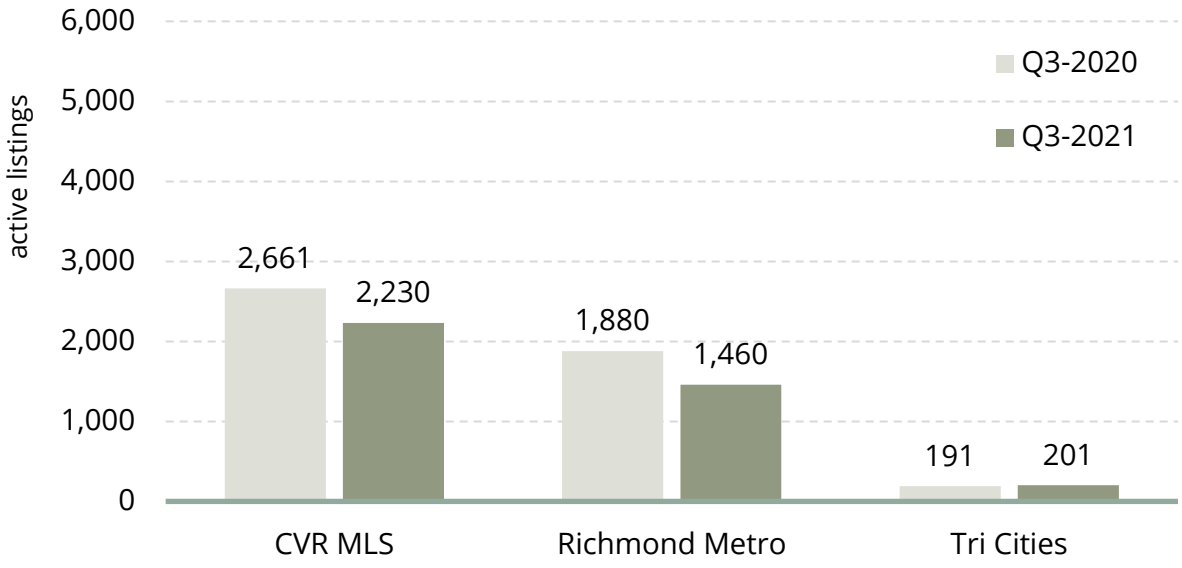
Inventory

Supply in the Central Virginia housing market continues to get smaller, though the rate of decline overall has moderated, and some local markets had more listings than last year. There were 2,230 active listings on the market across the Central footprint at the end of the third quarter, 431 fewer listings than last year, which is a 16% decrease. This is the smallest inventory drop in the region in about two years.

There were 1,460 active listings in the Richmond Metro Area market at the end of the third quarter, 22% fewer than a year ago, which is a reduction of 420 listings. The sharpest inventory reduction occurred in Chesterfield County. There were 512 active listings in the county at the end of the third quarter, 220 fewer than a year ago, which is a 30% drop. Henrico County had 82 fewer active listings than a year ago which is a 20% decrease.

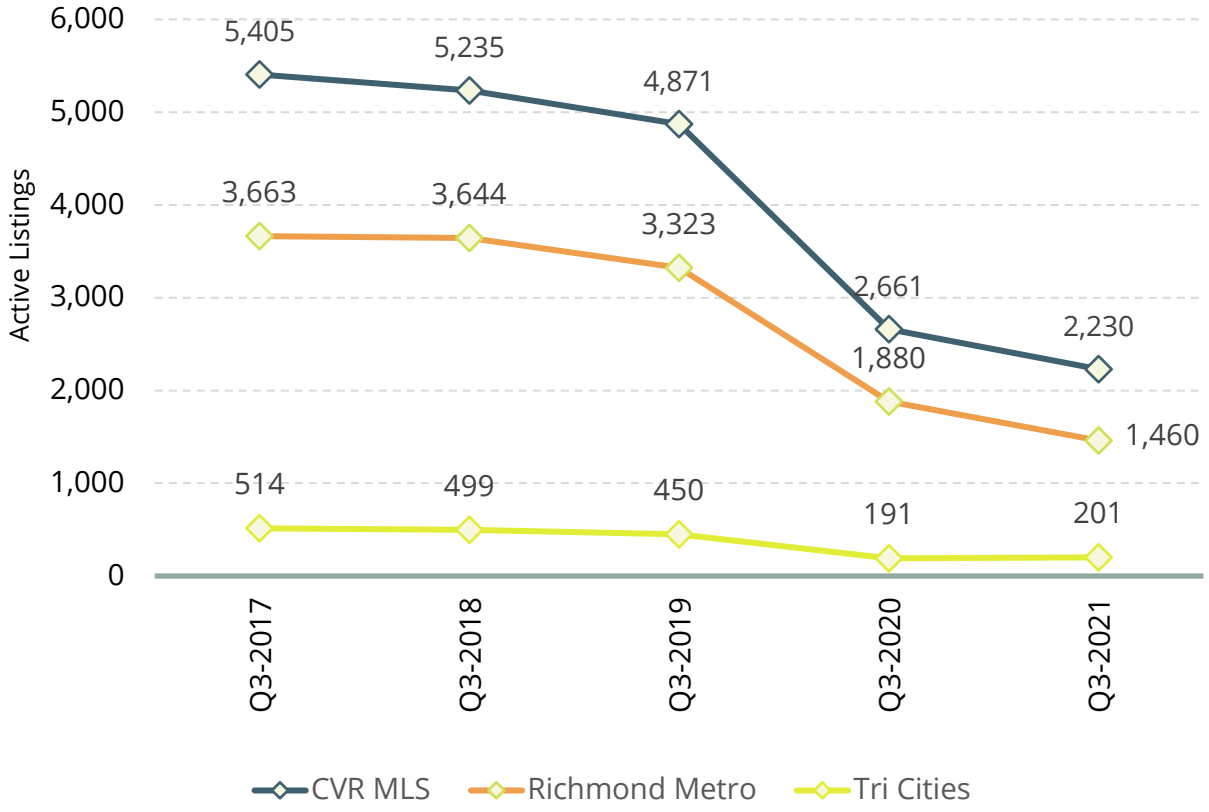
Supply in the Tri-Cities Area housing market had a modest uptick this quarter. There were 201 active listings in the area at the end of the third quarter, 10 more listings than a year ago, which is a 5% increase. This is the first inventory expansion for the Tri-Cities market in about three years.

Figure 11
Active Listings, Third Quarter



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

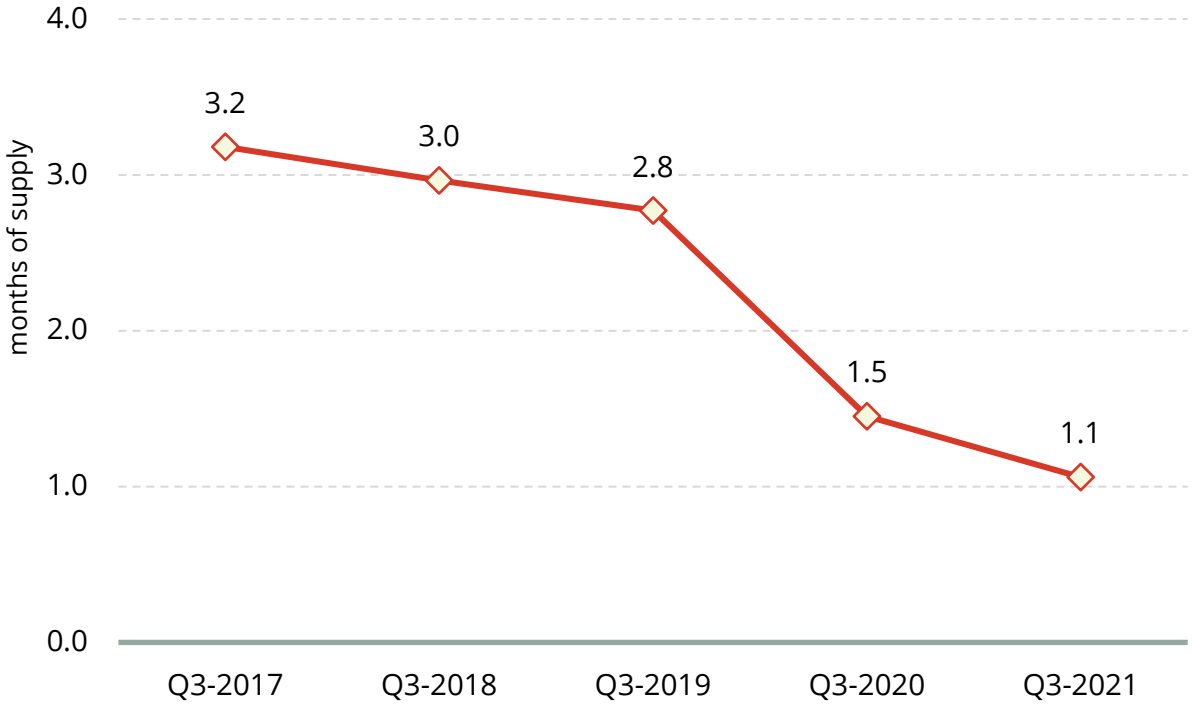
Figure 12
End of Third Quarter Active Listings



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

As sales activity has been strong and inventory levels are shrinking, the overall supply in the Central Virginia housing market continues to trend downward. There was just a little more than a month of supply across the Central Virginia footprint at the end of the third quarter, down from one and a half 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 13
End of Third Quarter Months Supply, CVR MLS
2017-2021



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

Outlook

As the fall market is underway in the Central Virginia region, signals from the housing data suggest a potential for moderating sales activity compared to last year's frenzied pace. Pending sales in the third quarter declined for the first time in a while, though it was partially due to the atypical market growth a year ago. The demand in the market remains strong, so while sales may return to more seasonal patterns, there will still be upward pressure on home prices in the coming months. This could cause some potential buyers to be priced out of the market, particularly first-time homebuyers. The inventory picture remains tight heading into the fall, and it is unlikely a large surge in listings will hit the market, though some local areas have started to see either moderating declines or small upticks in listings from a year ago. Interest rates are inching up but still remain historically low, which is good news for buyers 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.