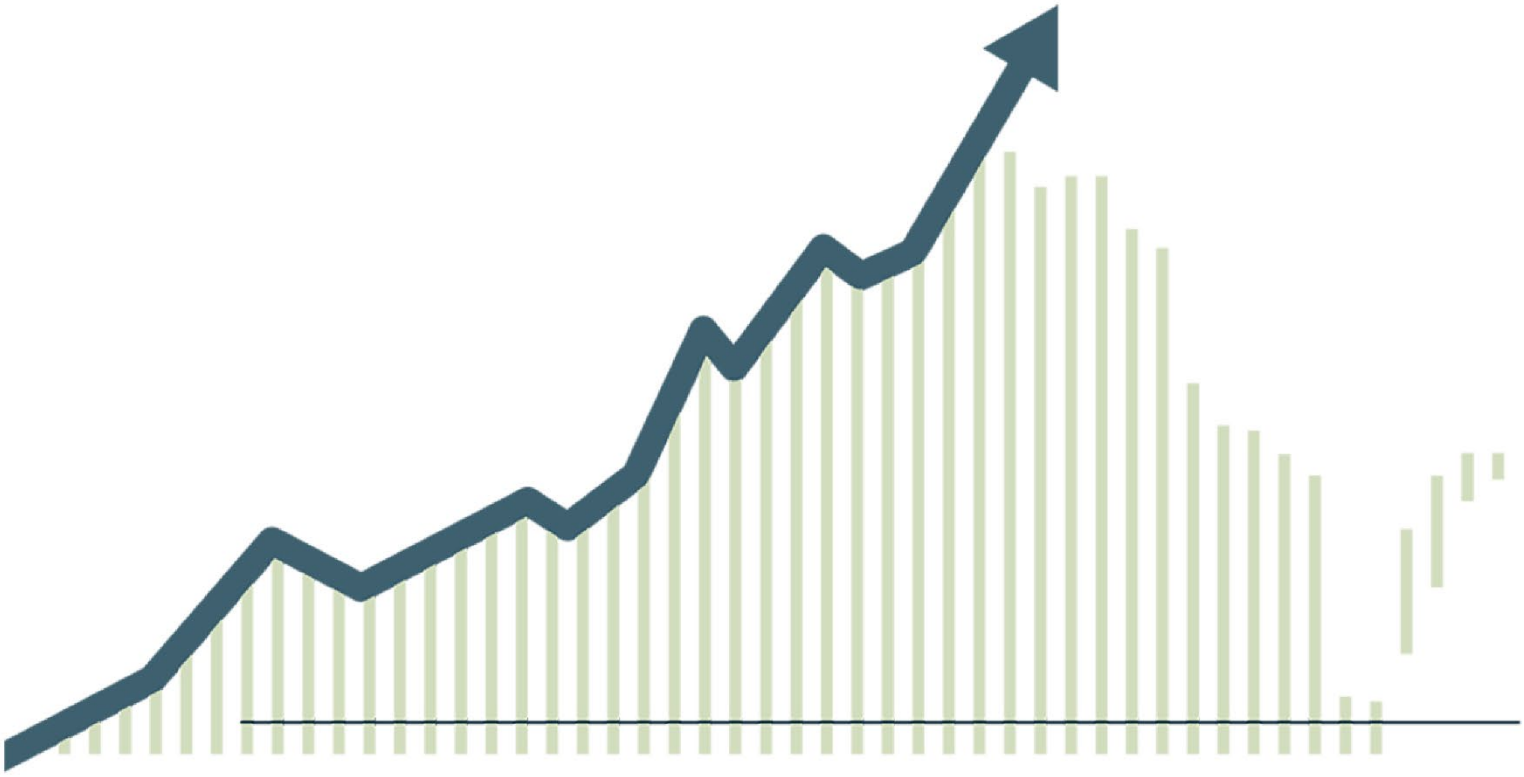
Virginia REALTORS®

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

Fourth Quarter 2021

Key Takeaways

Economic Conditions

- Economic conditions in Virginia continued to improve in the fourth quarter, with broad-based job gains and another drop in the unemployment rate. The employment picture also improved in the Richmond region, with the unemployment rate falling to below pre-pandemic levels.

- Despite steady economic progress, consumer confidence remains weak, as individuals and families face rising prices and a surge in COVID-19 cases. The measure of expectations of future economic conditions fell to a 16-month low in December 2021.

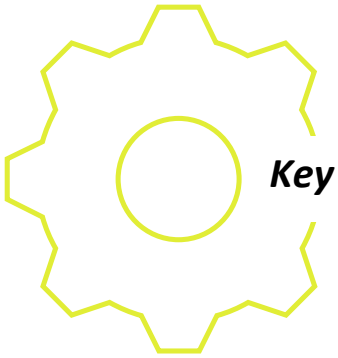
- Mortgage rates began to tick up at the end of 2021. Persistently high inflation will prompt the Federal Reserve to raise the federal funds rate in 2022, which will push mortgage rates even higher in the months to come.

Housing Market Conditions

- Sales activity moderated slightly this quarter in the Central Virginia market. There were 6,307 sales across the region in the fourth quarter, inching down less than 1% from a year ago.

- Price growth remains a big factor in the Central Virginia housing market. The fourth quarter median sales price was $320,000, which is up 8% compared to a year ago, a gain of 25,000.

- Supply remains tight in the region. There were 1,359 active listings in the Central Virginia footprint at the end of the fourth quarter, down 31% from a year ago.



Key Trends Dashboard, Central Virginia

Economy

▼	**3.1%**	Is the Nov-2021 **unemployment rate** in the Richmond MSA, which is down from Oct-2021
▲	**3.45%**	Is the **30-year fixed-rate mortgage rate** during the second week of January 2022, which is up 0.66 percentage points from a year ago

Housing Market

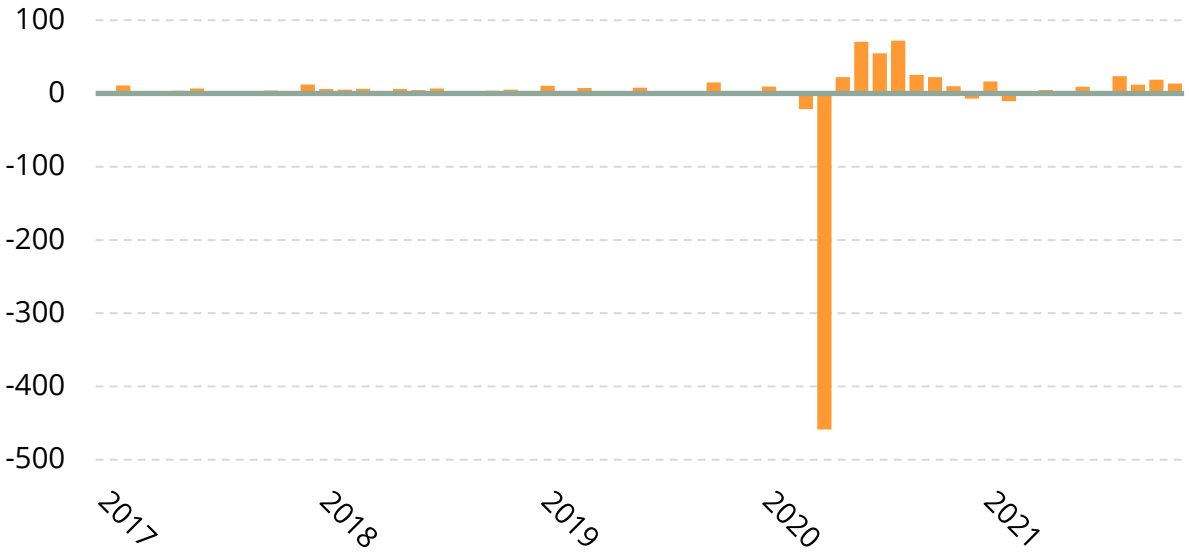
▼	**-54**	Fewer **home sales** in the Central Virginia region in Q4-2021 compared to last year
▲	**8%**	Percent change in **median sales price** in the Central Virginia region in Q4-2021 compared to a year ago
▼	**-121**	Fewer **pending sales** in the Central Virginia region in Q4-2021 compared to last year
▼	**-31%**	Percent change in **active listings** at the end of Q4-2021 in the Central Virginia market compared to a year ago
▼	**0.6**	**Months of supply** in the Central Virginia housing market in Q4-2021, which is down from a year ago

Economic Overview

Virginia's economy continued to improve steadily through the end of 2021. Despite concerns that the new COVID variants would stall progress, the economy has been demonstrating resiliency driven by strong consumer demand, rising vaccination rates, and pandemic fatigue. There have been six months of steady job growth in the state, with widespread economic improvements across Virginia's metro areas. The state's unemployment rate continues to fall and remains lower than the national rate. There are some risks to the state's economic recovery, including rising inflation and interest rates, but, in general, strong underlying fundamentals suggest on-going economic growth. Positive economic trends will support a strong housing market in Virginia in 2022.

In November 2021, there were 3.97 million jobs in Virginia, which is an increase of 82,600 compared to a year ago and a gain of 13,600 jobs between October and November. While the number of jobs in the commonwealth is still three percent below where it was in early 2020, it is expected that by the end of 2022, the state's economy will be on solid footing and will have regained all of the jobs lost during the pandemic.

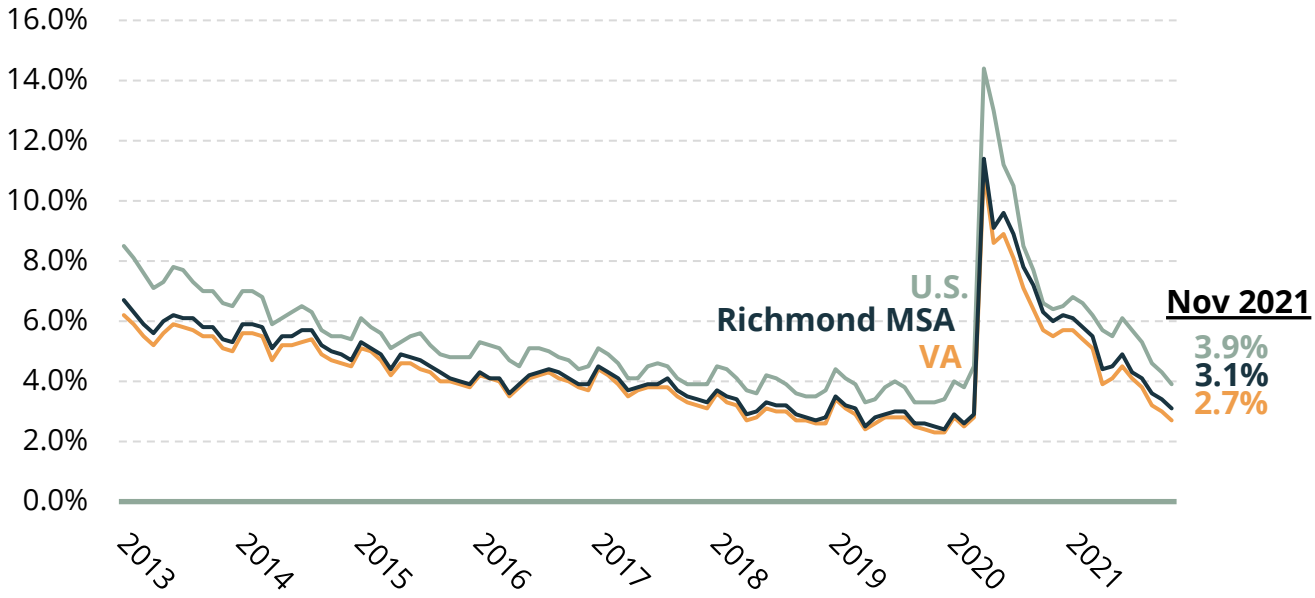
Figure 1
Virginia Month-to-Month Change in Jobs



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

The statewide unemployment rate was 3.4% (not seasonally adjusted) in November and has been steadily declining since the beginning of 2021. In the Richmond region, the unemployment rate fell to 3.1% in November, which is close to pre-pandemic levels.

Figure 2
Unemployment Rate

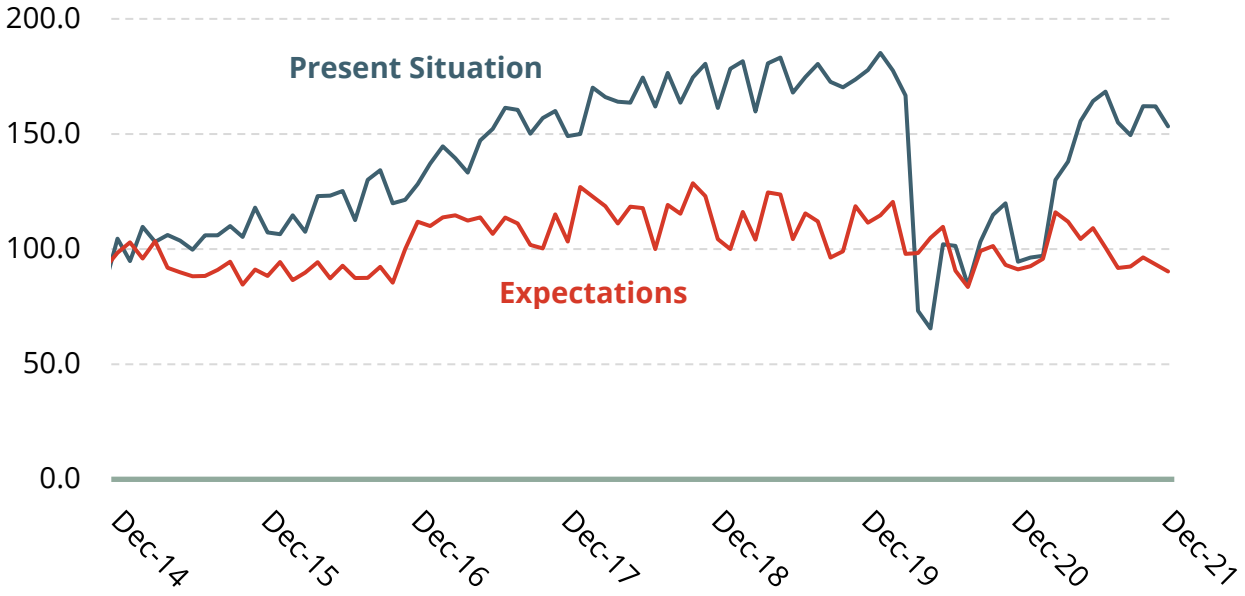


Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

Despite improvements in the job market, individuals and families are still cautious as they deal with high inflation and the COVID-19 omicron variant. In December 2021, consumers' confidence in the present economic situation dipped slightly, falling to 153.3 from 162 in November. The future outlook remained pessimistic in December, with the measure of expected future economic conditions at 90.3, down from 93.3 a month earlier. (A consumer confidence index above 100 indicates people are feeling more optimistic about economic conditions.) Consumer confidence about future economic conditions is the lowest it has been since August 2020.

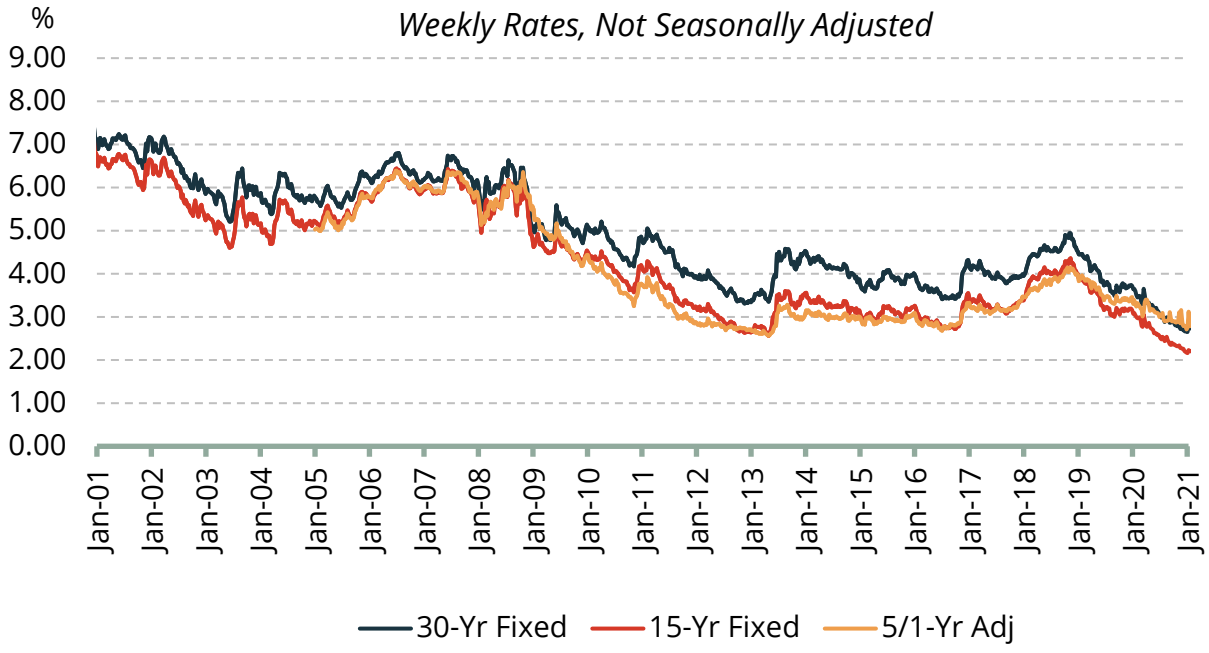
As 2021 ended, mortgage rates began to tick up slightly. At the end of December, the average rate on a 30-year fixed-rate mortgage hit 3.11%. The Federal Reserve has announced they anticipate raising the federal funds rate three times in 2022, which will lead to a further rise in mortgage rates over the coming year. Mortgage rates will stay low by historic standards, however, and will likely remain below 4% through the end of 2022.

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

It was a very strong year in the Central Virginia[1] housing market. Total homes sales in 2021 outpaced 2020, and prices rose significantly across the region. This demand caused the already low supply to become even tighter, leaving buyers with limited options. By the end of 2021, there was less than one month of supply in the Central Virginia housing market. Most of the market growth occurred in the first half of 2021. The market moderated in the second half of the year.

Sales

The Central Virginia housing market had another record-breaking year in 2021. Following a very busy market in 2020, sales activity in 2021 continued to surge for the first half of the year, propelling sales totals higher than 2020. There were 25,120 total home sales in the Central Virginia region in 2021, which is 1,949 more sales than 2020, representing an 8.4% annual increase. Once again, both the Richmond Metro Area[2] and the Tri-Cities Area[3] saw strong market growth in 2021 with 7.0% and 15.5% more sales respectively, compared to the 2020 totals.

Figure 5: Annual Sales and Price Changes, 2020 - 2021

	Sales			Median Price ($)			Average Prices ($)		
	2020	2021	% Change	2020	2021	% Change	2020	2021	% Change
Central Virginia MLS	23,171	25,120	8.4%	$280,000	$315,000	12.5%	$319,894	$355,415	11.1%
Richmond Metro	17,979	19,239	7.0%	$292,000	$325,000	11.3%	$329,689	$366,629	11.2%
Tri Cities	1,775	2,050	15.5%	$180,900	$207,000	14.4%	$188,050	$215,345	14.5%

Source: Virginia REALTORS®, data accessed January 15, 2022

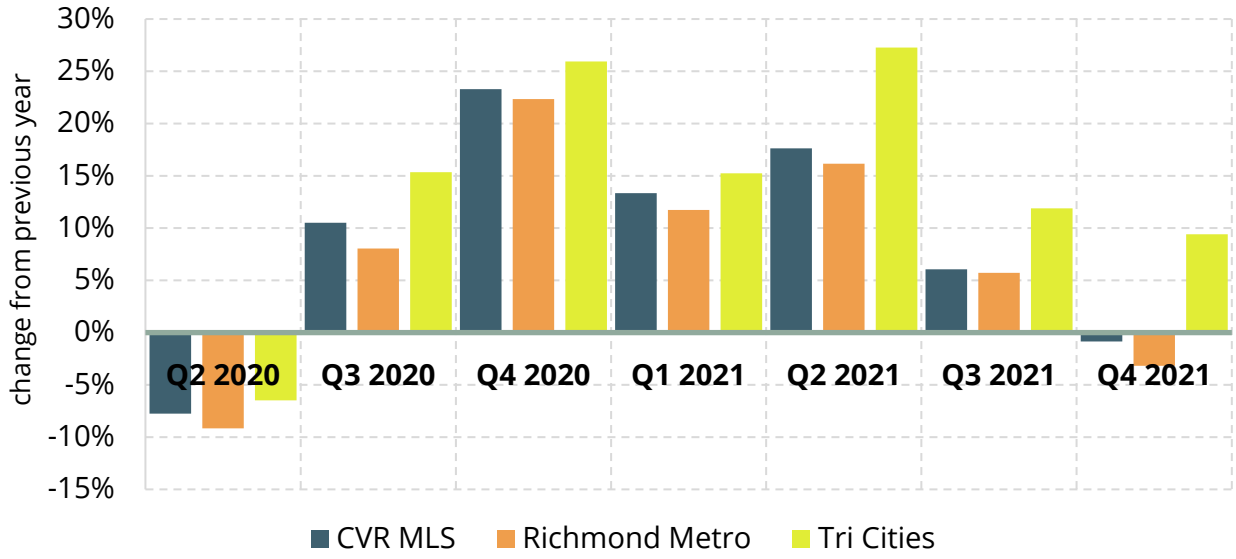
[1]The Central Virginia region includes: Counties of Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, Louisa, Powhatan, New Kent, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg, Richmond

[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

There were 6,307 home sales across the Central Virginia footprint during the fourth quarter of 2021, 54 fewer sales than the fourth quarter a year ago, inching down less than 1%. Although it is quite modest, this quarter's decline represents the first quarterly slowdown in sales since the start of the pandemic. Despite the small drop, current fourth quarter sales totals are still well above pre-pandemic levels; up 22% from the fourth quarter of 2019. It's also important to keep it in context with the unusually busy fourth quarter in 2020. At the local level, the region's largest markets are experiencing the slowdown this quarter. Many of the smaller outlying markets continue to have sales growth compared to a year ago. Statewide, the number of home sales in the fourth quarter was down 3% compared to a year ago and was 26% higher than fourth quarter 2019 sales totals.

Figure 5
Percent Change in Home Sales



Source: Virginia REALTORS®, data accessed January 15, 2022

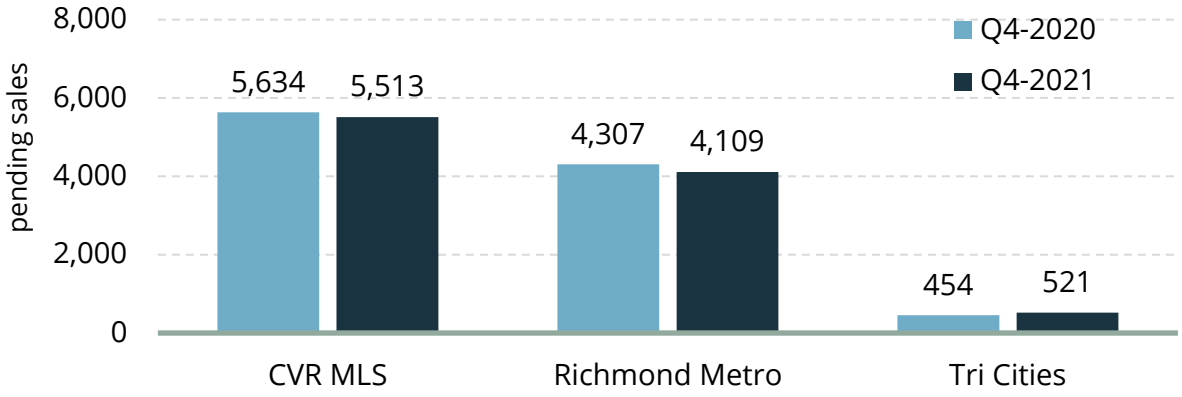
Sales activity in the Richmond Metro Area housing market moderated in recent months. There were 4,781 sales in the Richmond Metro Area in the fourth quarter, 157 fewer sales than last year, which is a 3% decrease. The cooldown was felt in all local markets in the Richmond Metro Area. Both Chesterfield County and Hanover County had fewer sales than the fourth quarter of 2020, down 8% and 4%, respectively. Sales activity was essentially flat in Henrico County (+1%), and Richmond (+0.3%).

There were 547 sales in the Tri-Cities Area housing market in the fourth quarter, 47 more sales than a year ago, which is a 9% increase. Most of the additional sales this quarter

occurred in Colonial Heights (+24%), Dinwiddie County (+13%), and Hopewell (+13%). Sales activity slowdown in Prince George County in the fourth quarter compared to a year ago (-8%).

Pending sales activity moderated in the region this quarter, the second straight decline, which signals that closed sales numbers could cool down in the coming months. There were 5,513 pending sales across the Central Virginia market, 121 fewer than a year ago, inching down 2%. The slowdown in pending sales is occurring in both large and small markets around the region.

Figure 6
Pending Sales, Fourth Quarter



Source: Virginia REALTORS®, data accessed January 15, 2022

There were 4,109 pending sales in the Richmond Metro Area in the fourth quarter, down 5% from this time last year, which is a decrease of 198 pending sales. The sharpest slowdown occurred in Hanover County (-15%), and pending sales were also down in Chesterfield County (-8%). Pending sales were essentially flat in both Henrico County and Richmond, inching up 1% in both localities compared to the fourth quarter of 2020.

The Tri-Cities Area housing market continues to see more pending sales than last year. There were 521 pending sales in the area in the fourth quarter, 67 more pending sales than a year ago, which is a 15% jump. Most of the additional pending sales this quarter were in Hopewell (+26%), Colonial Heights (+24%), and Petersburg (+19%). There were 85 pending sales in Prince George County, 3 fewer than a year ago, which is a 3% decline. This is the third decrease in pending sales in the last four quarters in the county.

Prices

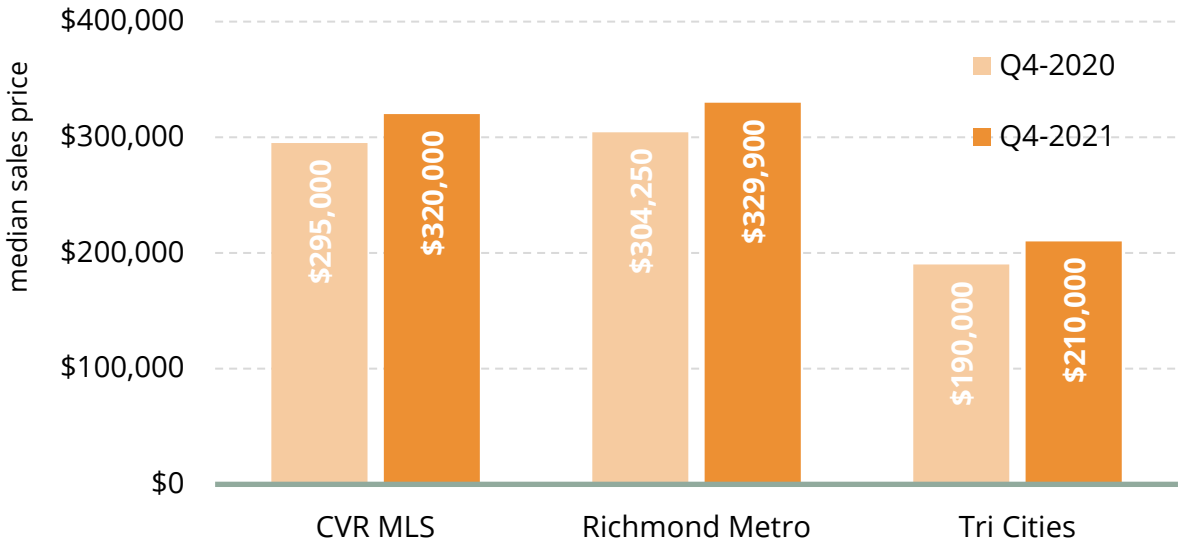
Home prices in the Central Virginia region surged in 2021, as demand remained strong, and inventory dried up, putting upward pressure on prices. The 2021 annual median sales price in the region was $315,000, which is $35,000 higher than the 2020 annual median price, representing a 12.5% jump. Home prices surged at a double-digit rate in three of the four quarters in 2021, which is the first time this has occurred in years, clearly showing just how competitive the housing market is in the area.

The median sales price in the Central Virginia region during the fourth quarter of 2021 was $320,000, up 8% from a year ago, which is a gain of $25,000. The average sales price also rose 8% from a year ago to $362,538, a gain of more than $26,000. The tight supply of homes available and strong buyers demand is fueling the price growth. Price growth was strong in most local markets in the region, climbing in 15 of the 16 jurisdictions in the footprint. Statewide, the fourth quarter median sales price was $350,000 and is also up 6% compared to a year ago.

Even with fewer sales, prices in the Richmond Metro Area market continue to climb. The fourth quarter median sales price in the area was $329,900, up 8% from last year, a gain of $25,650. All local markets in the Richmond Metro Area had price growth this quarter. The largest jump was in Chesterfield County (+11%) and Hanover County (+10%). The median sales price in Henrico County rose 8% from the fourth quarter of 2020, a $22,000 gain. The fourth quarter median sales price in Richmond was up $10,000 from a year ago (+3%).

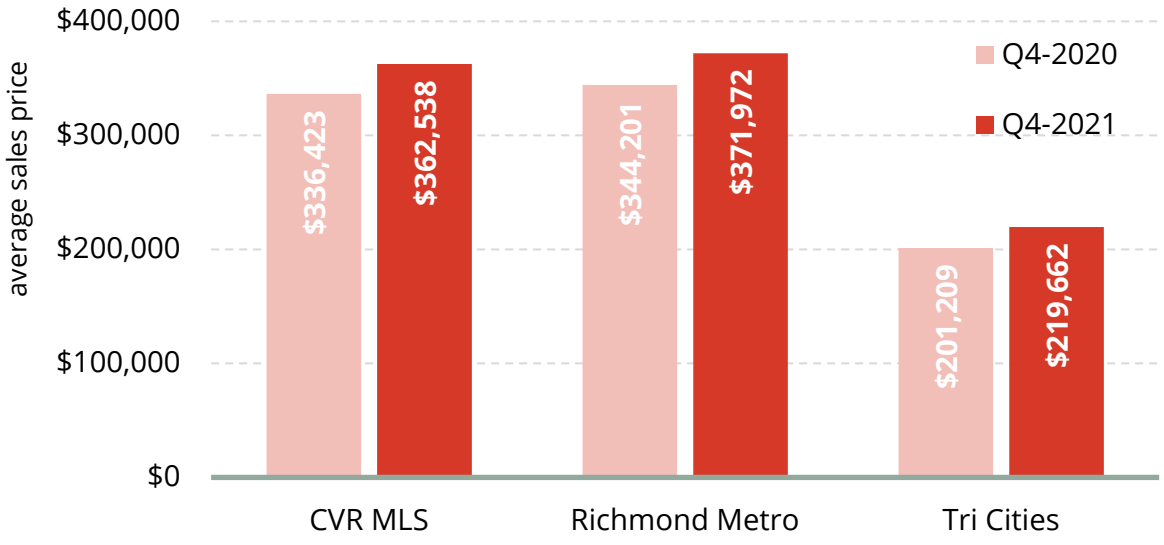
The Tri-Cities market continues to have some of the region's strongest price growth. The fourth quarter median sales in the area was $210,000, up 11% from a year ago, a gain of $20,000. The median sales price in the Tri-Cities market has increased at a double-digit rate for six consecutive quarters. The price growth was widespread in the Tri-Cities footprint. The median sales price rose 17% in Petersburg compared to the fourth quarter of 2020, and rose 13% in both Colonial Heights and Hopewell.

Figure 7
Median Sales Price, Fourth Quarter



Source: Virginia REALTORS®, data accessed January 15, 2022

Figure 8
Average Sales Price, Fourth Quarter

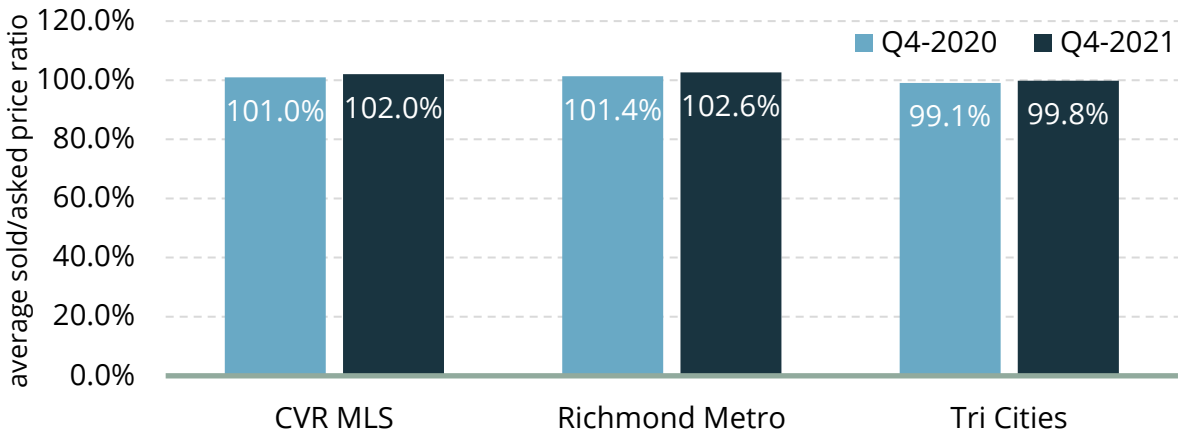


Source: Virginia REALTORS®, data accessed January 15, 2022

The Central Virginia housing market is becoming increasingly competitive. In the fourth quarter 12 of the 16 local markets in the region had an average sold to ask price ratio exceeding 100%, which means most homes sold in the region are selling above their asking price. On average, homes that sold in the region during the fourth quarter sold for 102.0%

of the asking price, up from 101.0% last year. Within the region, at 102.6%, the fourth quarter average sold to ask price ratio in the Richmond Metro Area climbed up from 101.4% a year ago. In the Tri-Cities area, this metric rose to 99.8% in the fourth quarter, up from 99.1% last year.

Figure 9
Average Sold/Asked Price Ratio, Fourth Quarter

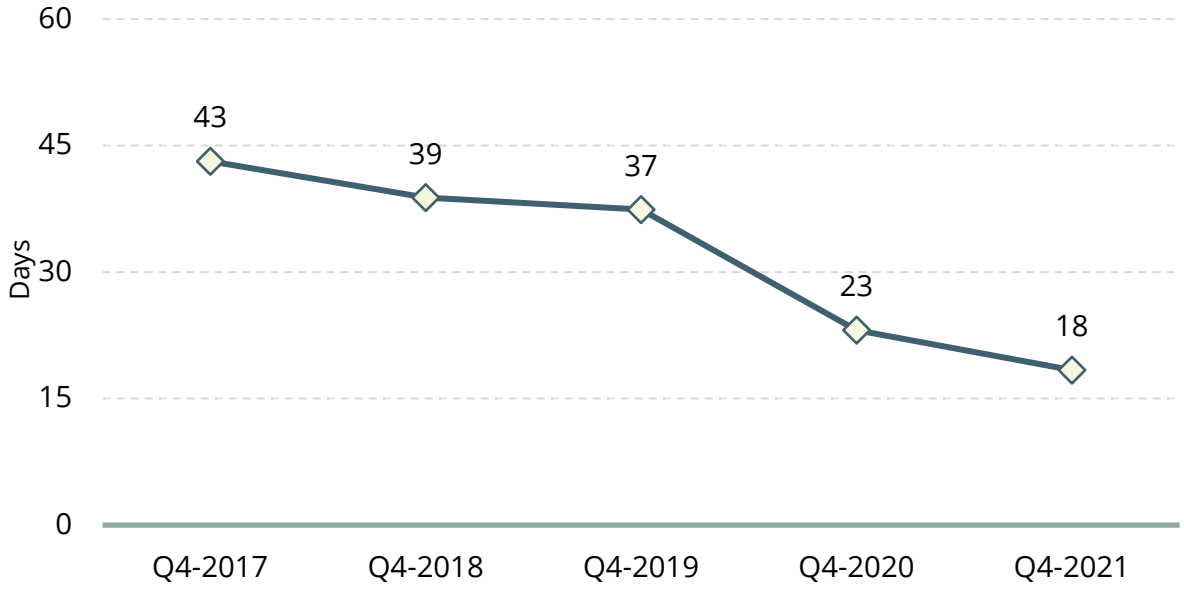


Source: Virginia REALTORS®, data accessed January 15, 2022

Days on Market

As inventory dwindles and buyers remain active, homes tend to sell faster. The average days on market in the Central Virginia region in the fourth quarter was 18 days, which is five days faster than a year ago. Homes that sold in the Richmond Metro Area in the fourth quarter were on the market an average of 16 days, down from 21 days a year ago. The average days on market in the Tri-Cities area was 18 days in the fourth quarter, which is a week faster than last year (-7 days). Statewide, homes sold in an average of 26 days in the fourth quarter, down from 34 days a year ago.

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



Source: Virginia REALTORS®, data accessed January 15, 2022

Inventory

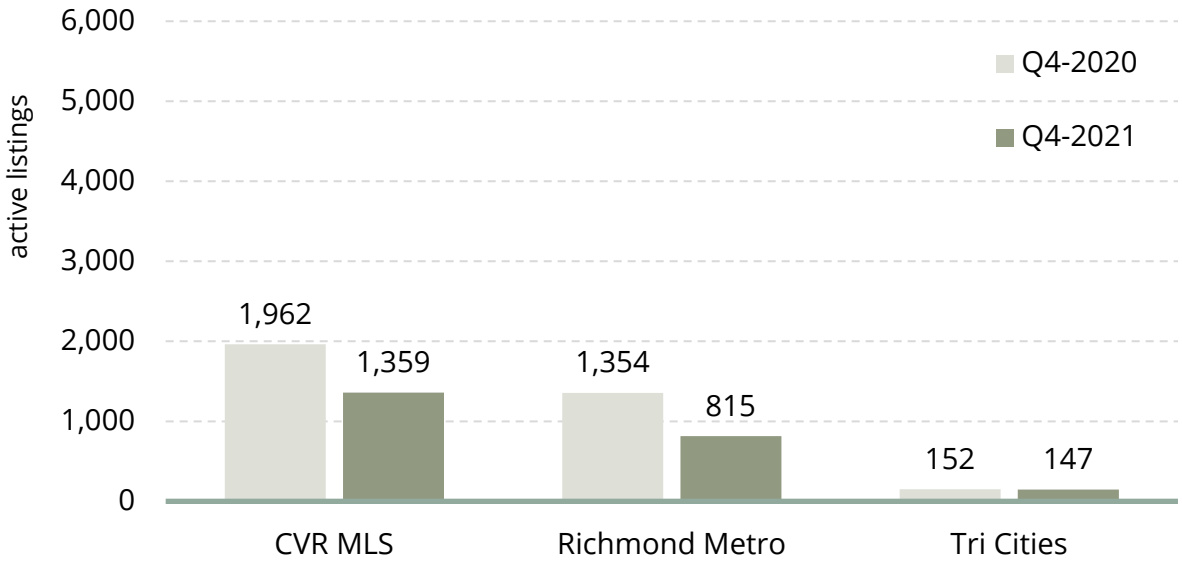
The Central Virginia housing market continues to tighten. There were 1,359 active listings in the region at the end of the fourth quarter, a 31% supply drop, which is a reduction of 603 active listings. The inventory in the Central Virginia market is about a third the level it was in the fourth quarter three years ago. The low supply continues to be the biggest factor in the Central Virginia market, as the pipeline of demand remains strong, but buyers have very few options to choose from, which could start to dampen sales activity in some local markets. Statewide, there was a total of 13,469 active listings at the end of the fourth quarter, which is about 4,300 fewer active listings than a year ago, a 24% drop.

There were 815 active listings in the Richmond Metro Area footprint at the end of the fourth quarter, 539 fewer listings than this time last year, which is a 40% drop. All local markets in the area had huge supply reductions, notably, Chesterfield County (-46%), Richmond (-38%), and Henrico County (-36%).

After a small increase last quarter, the inventory in the Tri-Cities market edged back down in the fourth quarter, albeit slightly. There were 147 active listings in the area at the end of the fourth quarter, 5 fewer listings than a year ago, which is a modest 3% drop. The Colonial

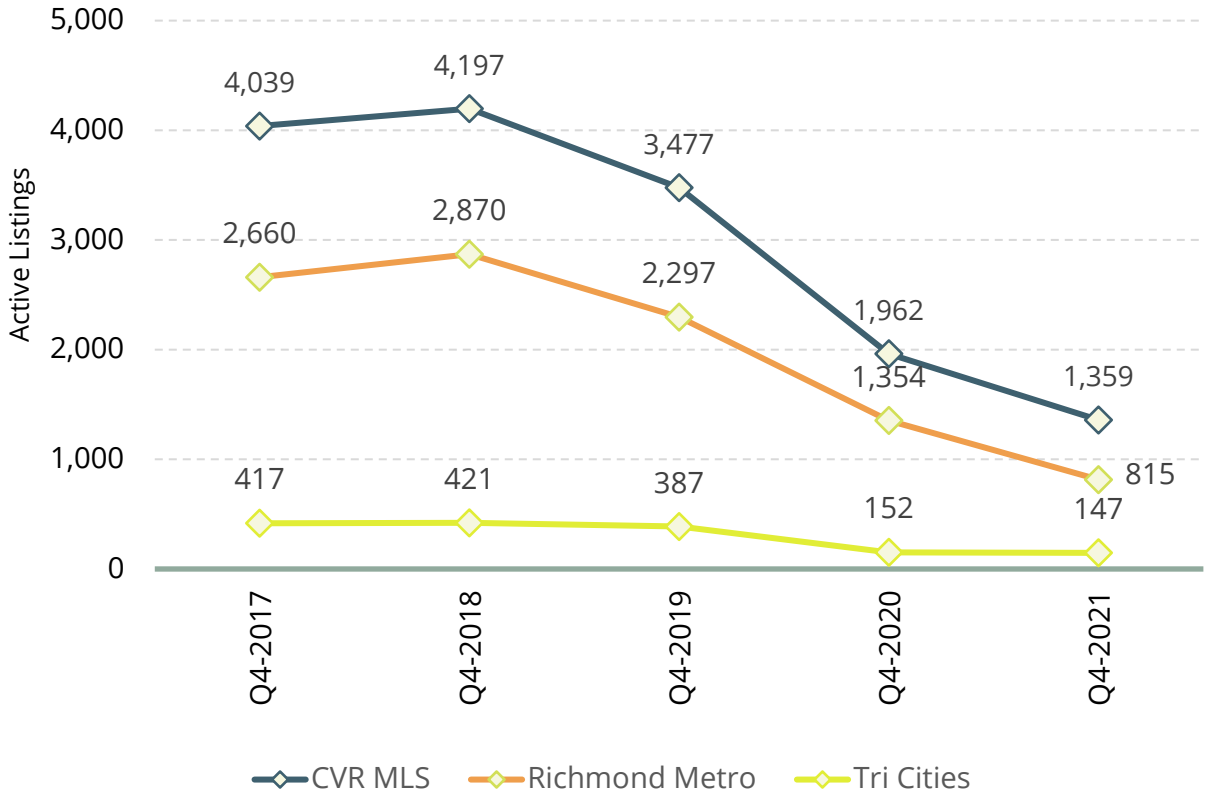
Heights housing market had 6 fewer listings at the end of the fourth quarter compared to last year, which is a 38% decline. Petersburg was the only local market in the Tri-Cities Area to have a significant increase in supply, with 14 additional active listings on the market compared to the end of the fourth quarter in 2020, which is a 30% increase, the sharpest supply jump in years.

Figure 11
Active Listings, Fourth Quarter



Source: Virginia REALTORS®, data accessed January 15, 2022

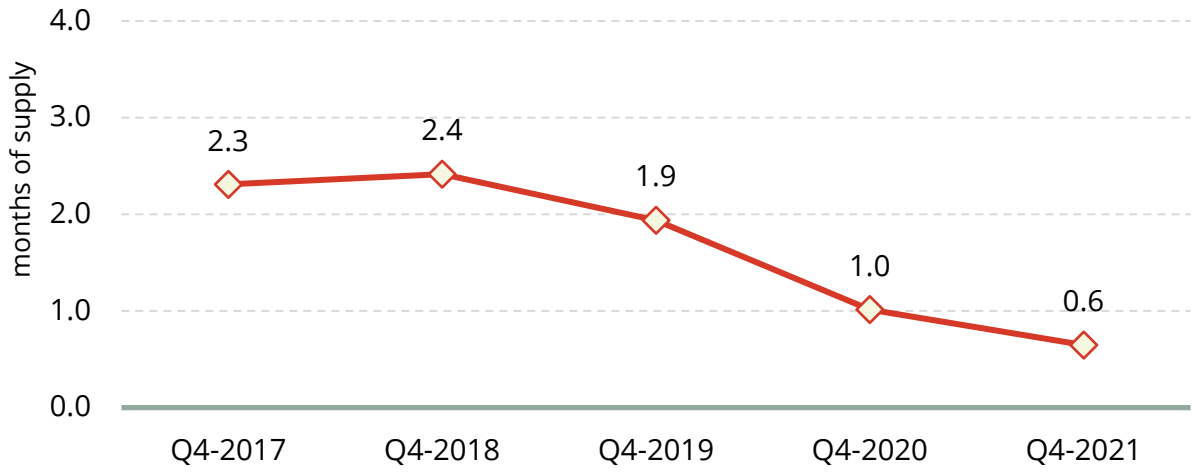
Figure 12
End of Fourth Quarter Active Listings



Source: Virginia REALTORS®, data accessed January 15, 2022

The inventory shortage coupled with a strong pipeline of buyers has brought the overall supply in Central Virginia market down to historically low levels. There was less than a month of supply across the entire Central Virginia footprint at the end of the fourth quarter, down from one month of supply 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 Fourth Quarter Months Supply, CVR MLS
2017-2021



Source: Virginia REALTORS®, data accessed January 15, 2022

Outlook

The last couple years have been unprecedented for housing markets all around Virginia, including the Central Virginia region. Record sales activity fueled by an array of factors such as historically low mortgage rates and the unique and sudden impact the pandemic had on the housing market played out in local markets big and small in the region. The demand was consistently strong even during the typically slower months, and the market lost its seasonality. It is likely that 2022 will be a bit different though, and many anticipate that sales activity will continue to moderate from the frantic pace of the prior year. Even with a little cooldown, it is likely the market will continue to be very busy, as the pipeline of buyers remains large. The region's job base continues to grow, and unemployment is nearly back down to pre-pandemic levels, all of which adds demand for housing. While the demand side of the market is solid, there continues to be growing concern about the supply side. Inventory levels are anemic in nearly all local markets in the Central Virginia footprint, and they continue to shrink. The severity of the shortage could start to impact the level of sales activity in some areas as buyers have very few options to choose from, and some may opt to pause their home search until more homes come on the market. Complicating this inventory shortage is the fact that prices are surging up, which leads to affordability challenges, particularly for the first-time homebuying segment of the market. Interest rates are also climbing as the Fed scales back it's pandemic-era intervention policies, and it is likely that rates will continue to rise gradually throughout 2022.

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.