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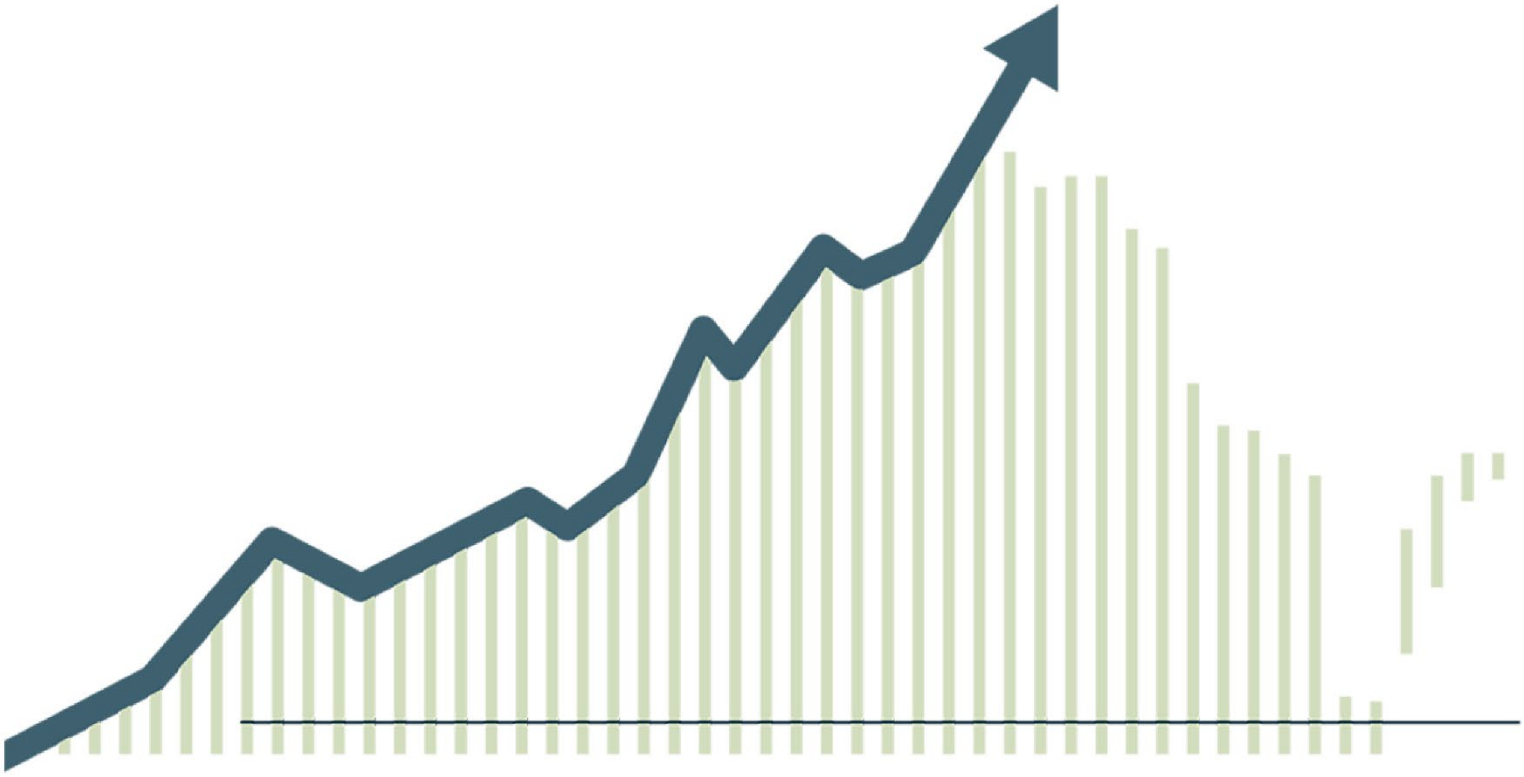
CENTRAL VIRGINIA REGIONAL MULTIPLE LISTING SERVICE CVR MLS



CVRMLSCENTRAL VIRGINIA MLS HOME SALES REPORT

CUSTOM REPORT PREPARED BY

VIRGINIA REALTORS®

Analysis of the Central Virginia Area Economy & Housing Market

Third Quarter 2022

Key Takeaways

Economic Conditions

- Virginia's job market continues to expand. The state added 16,700 jobs between July and August and is now only about 5,300 jobs short of pre-pandemic levels. Most of the growth continues to be in the Leisure and Hospitality sector.

- The unemployment rate remains very low. In August, the unemployment rate was 3.2% in Virginia, and was 3.5% in the Richmond MSA region, both are down from a year ago.

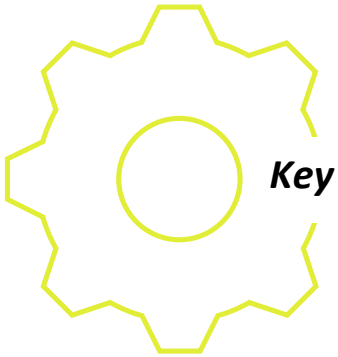
- Mortgage rates climbed rapidly over the past month. In the second week of October, the average rate on a 30-year fixed mortgage rose to 6.92%, up from 6.02% a month ago.

Housing Market Conditions

- There were 5,865 home sales in the Central Virginia region during the third quarter of 2022. This is 1,242 fewer sales than this time last year, which is a 17% drop. The market has been slowing down in the region for four straight quarters.

- Home prices continue to climb in the region. The third quarter median sales price in the Central Virginia market was $356,000, rising 10% from a year ago, which is a surge of about $32,000.

- Inventory continues to build up in the Central Virginia housing market. There were 2,581 active listings on the market at the end of the third quarter throughout the region, 351 more listings than a year ago, a 16% increase.



Key Trends Dashboard, Central Virginia

Economy

▼	**3.5%**	Is the Aug-2022 **unemployment rate** in the Richmond MSA, which is down from Aug-2021
▲	**6.92%**	Is the **30-year fixed-rate mortgage rate** during the second week of October 2022, which is up 3.87 percentage points from a year ago

Housing Market

▼	**-1,242**	Fewer **home sales** in the Central Virginia region in Q3-2022 compared to last year
▲	**10%**	Percent change in **median sales price** in the Central Virginia region in Q3-2022 compared to a year ago
▼	**-1,492**	Fewer **pending sales** in the Central Virginia region in Q3-2022 compared to last year
▲	**16%**	Percent change in **active listings** at the end of Q3-2022 in the Central Virginia market compared to a year ago
▲	**1.3**	**Months of supply** in the Central Virginia housing market in Q3-2022, which is up from a year ago

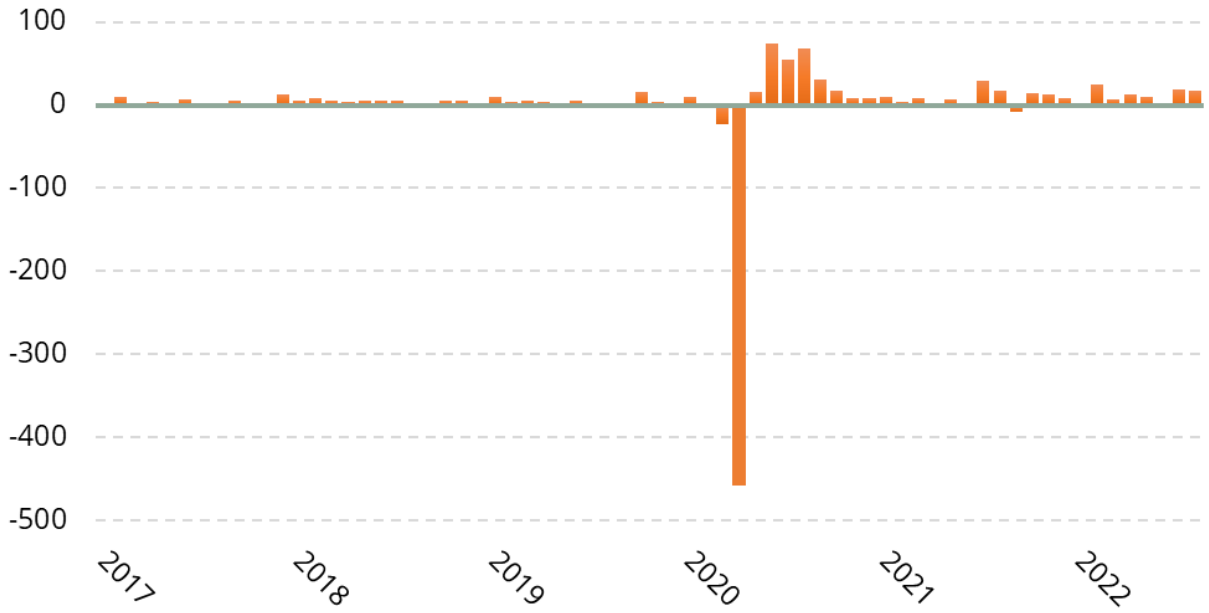
Economic Overview

Economic conditions are worsening as high inflation continues to be a significant factor. The labor market remains relatively strong in Virginia as there are more jobs in the economy and unemployment continues to be very low. Mortgag rates are climbing which is cooling housing markets across Virginia.

Jobs

There were 4.09 million jobs throughout Virginia in August 2022, an increase of about 16,700 jobs from July 2022. Virginia's economy is nearly back to pre-pandemic job levels, just 5,300 jobs shy of the January 2020 totals. The state's job recovery has been robust, more than 472,000 jobs have been added back since April 2020. Most of the job growth in Virginia this year continues to be in the Leisure & Hospitality sector and the Health & Social Assistance sector. Depsite the strong gains this year in the Leisure & Hospitality, this sector is still down compared to pre-pandemic levels. The sharpest decrease in jobs this month was in the Finance & Insurance sector.

Figure 1
Virginia Month-to-Month Change in Jobs

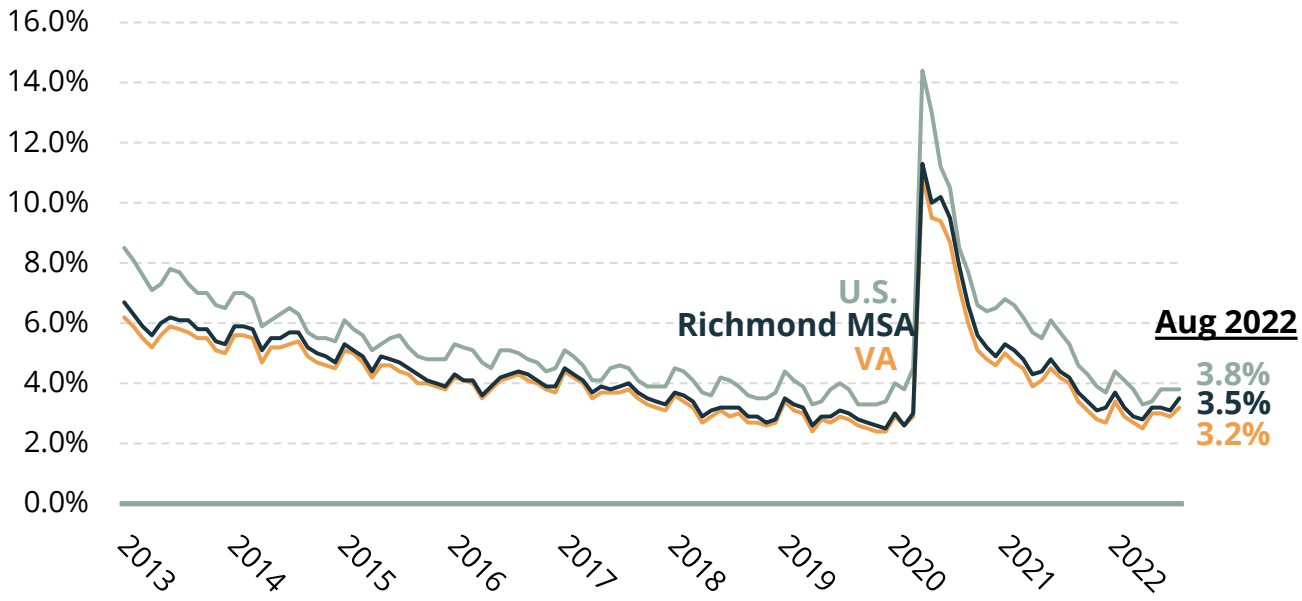


Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted

Unemployment

The unemployment rate in Virgina continues to be very low. The statewide unemployment rate was 3.2% in August 2022 (not seasonally adjusted), down from 4.0% from last August. In the Richmond Metro Area, the August unemployment rate was 3.5%, down from 4.2% a year ago.

Figure 2
Unemployment Rate



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

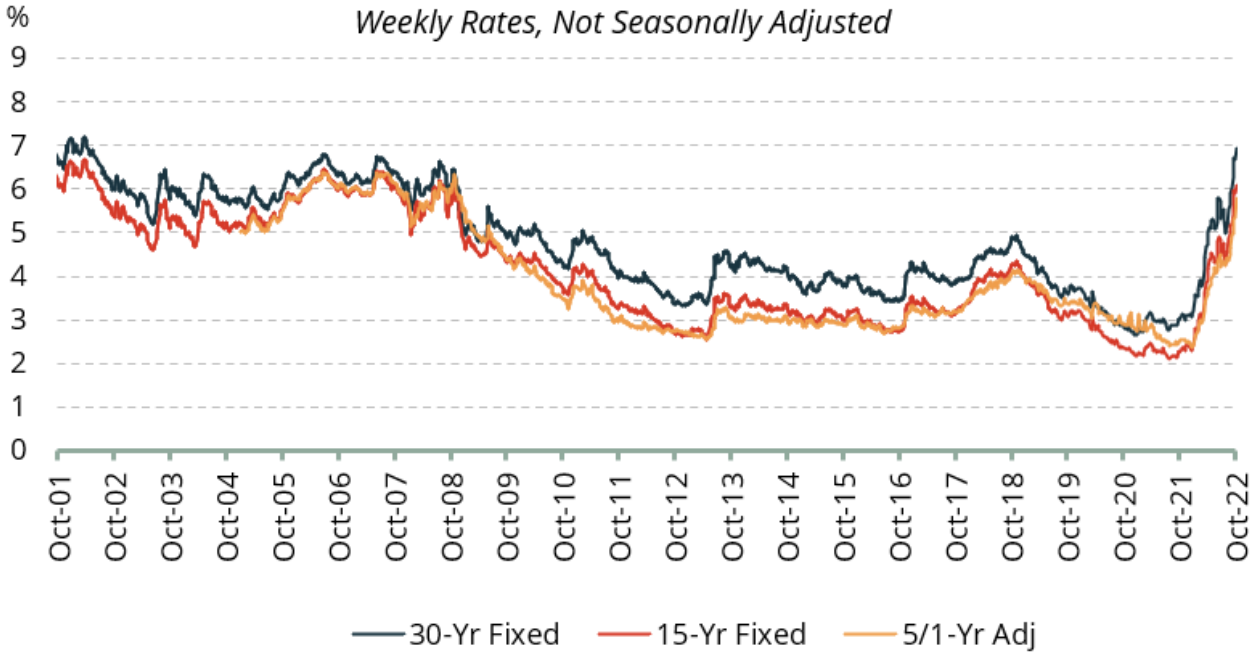
Mortgage Rates

In the second week in October, the average rate on a 30-year fixed mortgage rose to 6.92%. This is the highest the rate has been in more than two decades (since August 2001). Interest rates have soared in 2022 and as a result, the housing market has slowed down significantly. The 30-year fixed mortgage rate has more than doubled since the start of the year.

Figure 3

Mortgage Interest Rates

Weekly Rates, Not Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis

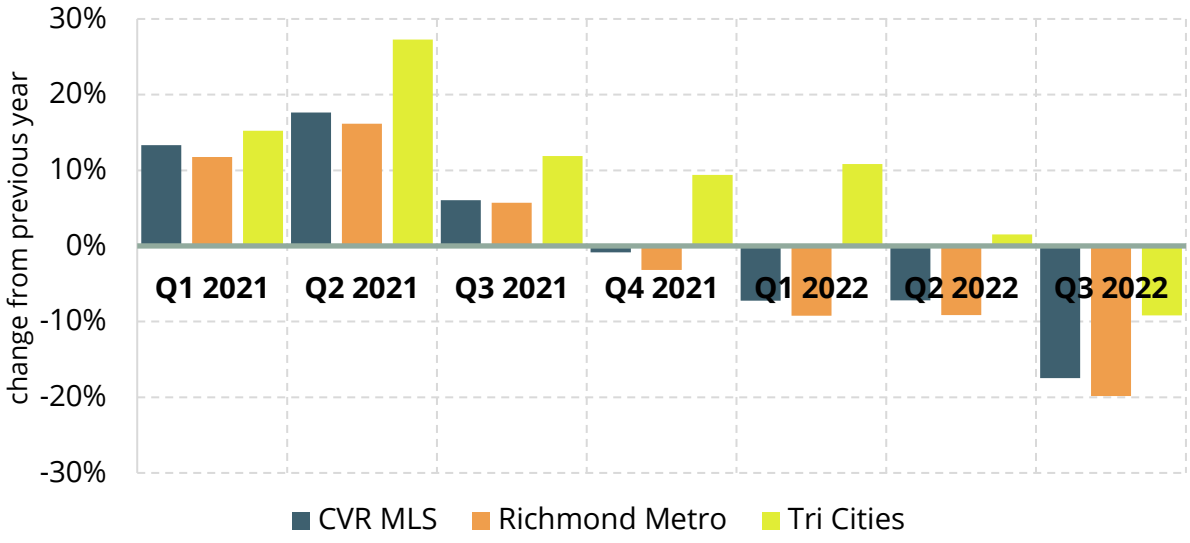
Housing Market Overview

The Central Virginia housing market continues to moderate. Sales were well below last year's third quarter level, as were pending sales. Despite the moderating market, home prices continue to trend up as the supply remains tight. Homes are taking slightly longer to sell than last year on average which signals a shift in the market. The inventory of active listings is growing in the region as sales activity slows, which is providing more options for buyers who are in the market.

Sales

For the third consecutive quarter, sales activity in the Central Virginia[1] housing market cooled from the busy pace a year ago. There were 5,865 homes sold across Central Virginia in the third quarter, 1,242 fewer sales than the same period last year, representing a 17% decrease. This quarter is the sharpest drop in sales the region has seen in years, as the market adjusts to the rising interest rates. Sales slowed down all three months of the quarter, which covers July through September. Statewide, total home sales were down 23.0% from the third quarter a year ago. At the local level, 13 of the 16 jurisdictions had a drop in sales activity this quarter, a reflection of how broadly the market slowdown is happening.

Figure 5
Percent Change in Home Sales



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

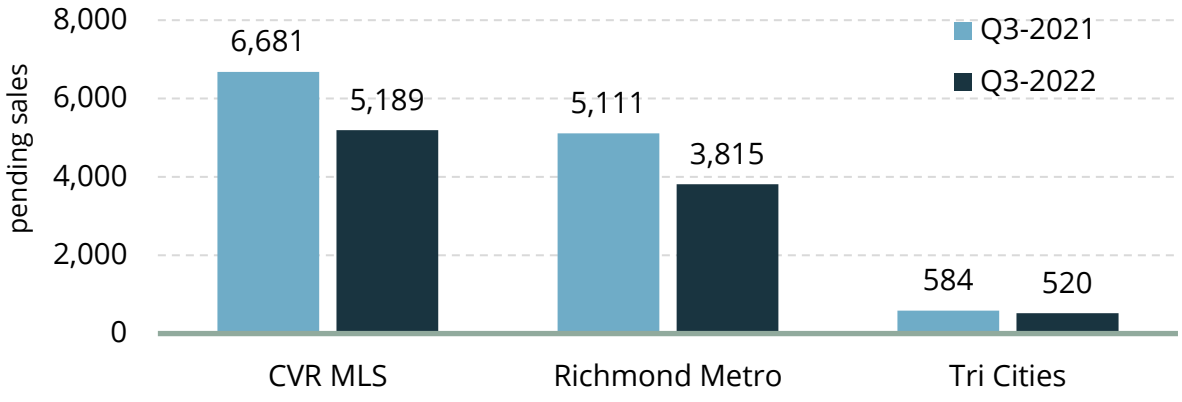
[1]The Central Virginia region includes Counties of Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, Louisa, Powhatan, New Kent, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg, Richmond

In the Richmond Metro Area[2] there were 4,405 sales during the third quarter of 2022. This is a 20% drop in activity from the previous year, or 1,090 fewer sales. All local markets in the footprint had a significant slowdown the sales this quarter. Chesterfield County had 438 fewer sales than the third quarter of last year (-20%), and Henrico County had 304 fewer sales (-19%). There were 199 fewer sales in the City of Richmond (-19%), and 149 fewer transactions in Hanover County (-25%).

For the first time since the pandemic hit in the spring of 2020, the Tri-Cities Area[3] housing market had fewer sales than the same quarter a year ago. There were 504 sales in the Tr-Cities footprint, 51 fewer sales than the third quarter last year, which is a 9% decline. The sharpest drop in sales was in the Colonial Heights market and the Hopewell market, which each had 30 fewer sales in the third quarter compared to a year ago, a 27% and 23% drop, respectively. Sales activity in Petersburg continues to increase, there were 10 more sales in the city than this time last year (+8%). Similar growth occurred in Prince George County, which had seven more sales than the third quarter last year (+7%).

As mortgage rates have risen rapidly in a short period of time, it's causing more buyers to push pause on their home search, which has led to fewer homes going under contract in the region. There were 5,189 pending sales across Central Virginia in the third quarter. This is a 22% reduction in contract activity from the third quarter of 2021, a decrease of 1,492 pending sales. Nearly all local markets are feeling the impact of the slowdown, 14 of the 16 jurisdictions in the CVRMLS footprint had a drop in pending sales this quarter compared to a year ago.

Figure 6
Pending Sales, Third Quarter



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

[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

Pending sales activity is way down in the Richmond Metro Area housing market. There were 3,815 pending sales in the area during the third quarter, a 25% decrease in contract activity from a year ago, which is 1,296 fewer pending sales. This represents the sharpest drop in contract activity in the region in more than seven years. Chesterfield County had 527 fewer pending sales than the third quarter last year (-25%), and Henrico County had 410 fewer contracts during the quarter (-26%). The sharpest percentage drop occurred in Hanover County, which had 35% fewer pending sales than the third quarter of last year (-203 pending sales). The City of Richmond had 156 fewer pending sales than this time last year (-17%).

There were 520 pending sales in the Tri-Cities market in the third quarter, 64 fewer pending sales than a year ago, which is an 11% decline. This is the second consecutive quarter that contract activity has moderated in the Tri-Cities market after what was a very busy couple of years. The sharpest drop by far was in Colonial Heights, which had 34 fewer pending sales than the third quarter of last year (-30%). Pending sales were down 16% in Hopewell, and down 4% in Petersburg. Dinwiddie County was the only local market in the region to have an uptick in contract activity, with four more pending sales than the third quarter a year ago (+4%).

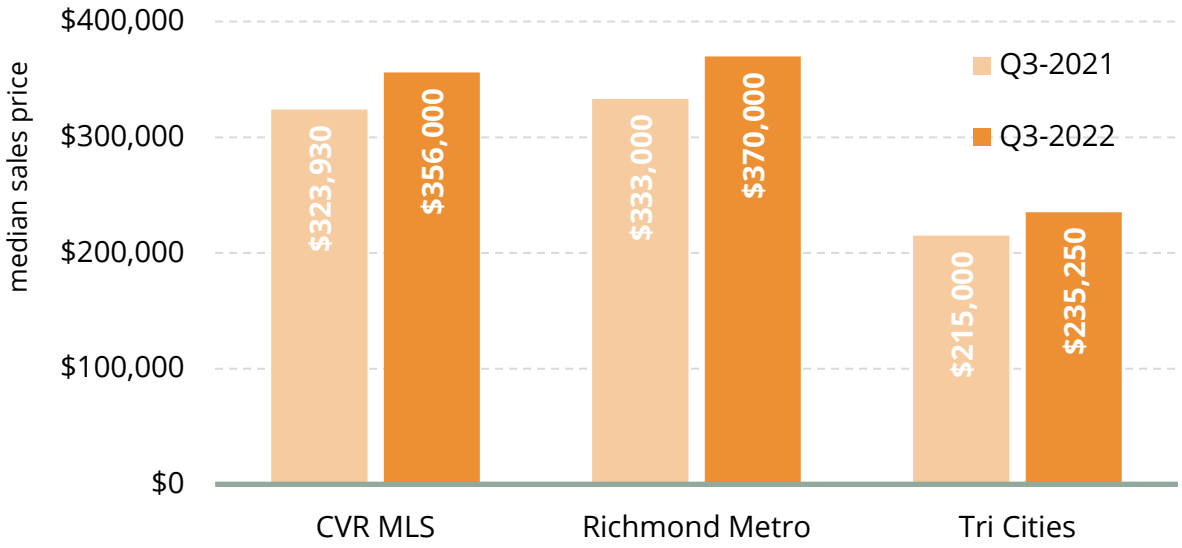
Prices

As market activity moderates, home prices continue to trend higher in the Central Virginia footprint. At $356,000, the third quarter median sales price in the region jumped up 10% from a year ago, a gain of more than $32,000. The median price in the region has increased at a double-digit rate for three consecutive quarters despite a sharp drop in closed and pending sales. Similarly, the average sales price in the Central Virginia market climbed 10% in the third quarter to $402,188, a gain of more than $37,500. The tight inventory is putting upward pressure on prices. Most local markets in the region had a surge in prices this quarter. Fourteen of the sixteen local markets in Central Virginia had median sales price growth in the third quarter. The statewide median sales price in the third quarter was $375,000, up 5.6% from a year ago.

The third quarter median sales price in the Richmond Metro Area was $370,000, an 11% jump from this time last year. This is a $37,000 increase to the median sales price. Price growth remains strong across the area. The sharpest growth occurred in Hanover County, which had an 18% surge to the median sales price compared to the third quarter a year ago. The median sales price in both Henrico County and Chesterfield County climbed 11% from the third quarter last year, a gain of $35,000, and $38,000, respectively. The median sales price in the City of Richmond was up 6% from a year ago, a $20,500 increase.

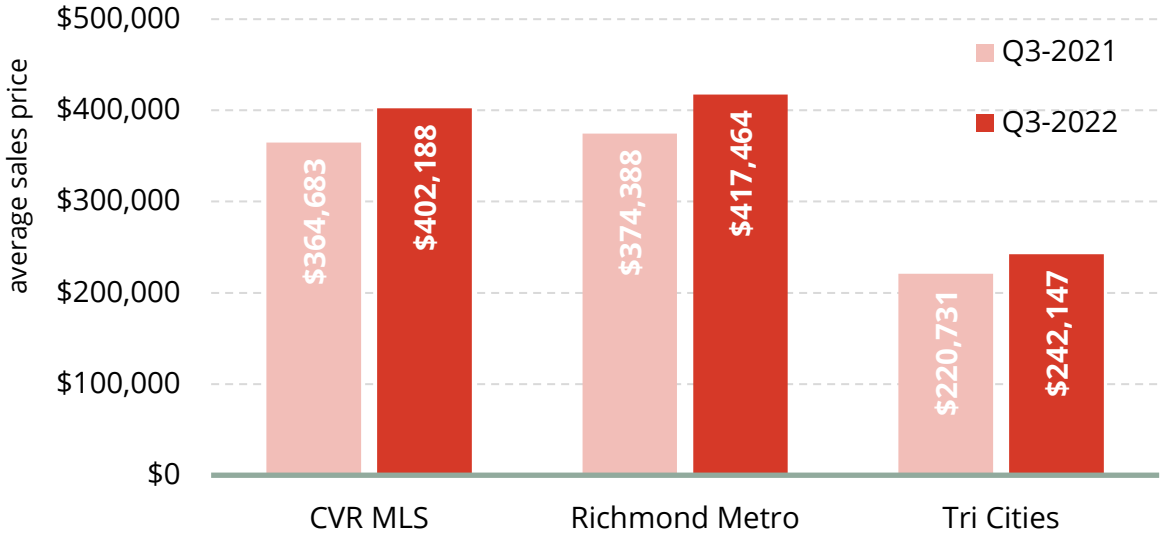
Prices continue to trend upward in the Tri-Cities housing market. At $235,250, the third quarter median sales price rose 9% from a year ago, which is a gain of $20,250. All local markets in the region continue to experience home price growth. The median sales price was up 9% in Hopewell, a gain of $16,000. Prices rose 7% in both Colonial Heights and Prince George County, a gain of $16,500 and $19,500, respectively. The median sales price in the Petersburg market was up by $7,200 compared to the third quarter of last year (+4%).

Figure 7
Median Sales Price, Third Quarter



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

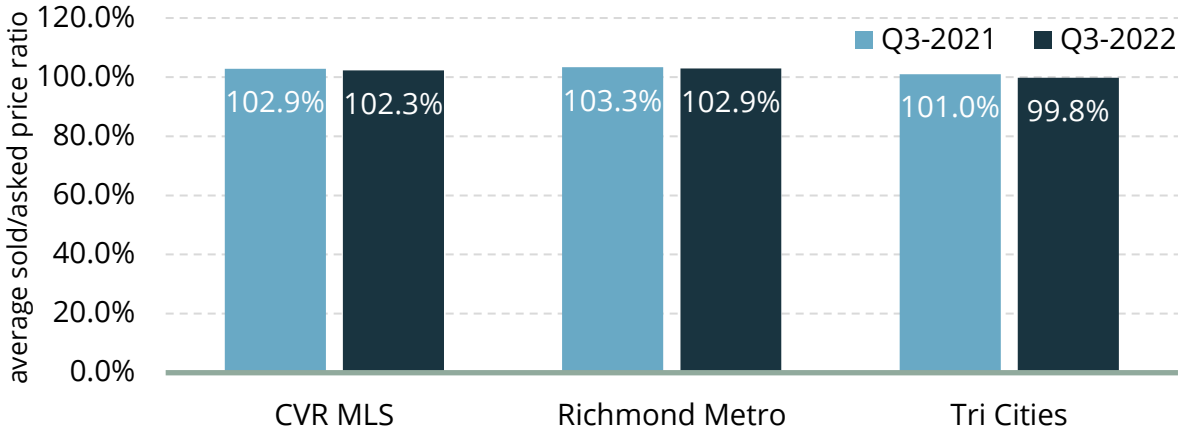
Figure 8
Average Sales Price, Third Quarter



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

As the housing market has cooled, competition in the market has started to ease. One measure of competition in the market is the average sold to ask price ratio. On average, homes that sold in the Central Virginia region during the third quarter closed at 102.3% of the asking price, which is down slightly from 102.9% last year. This is the first dip in this metric in three years. Within the region, at 102.9%, the third quarter average sold to ask price ratio in the Richmond Metro Area market fell from 103.3% a year ago. In the Tri-Cities area, this metric declined to 99.8% in the third quarter, down from 101.0% last year. While competition has eased somewhat, overall, the market remains competitive across the region, as 11 of 16 local markets in Central Virginia had sales price levels exceeding the asking price on average during the third quarter.

Figure 9
Average Sold/Asked Price Ratio, Third Quarter

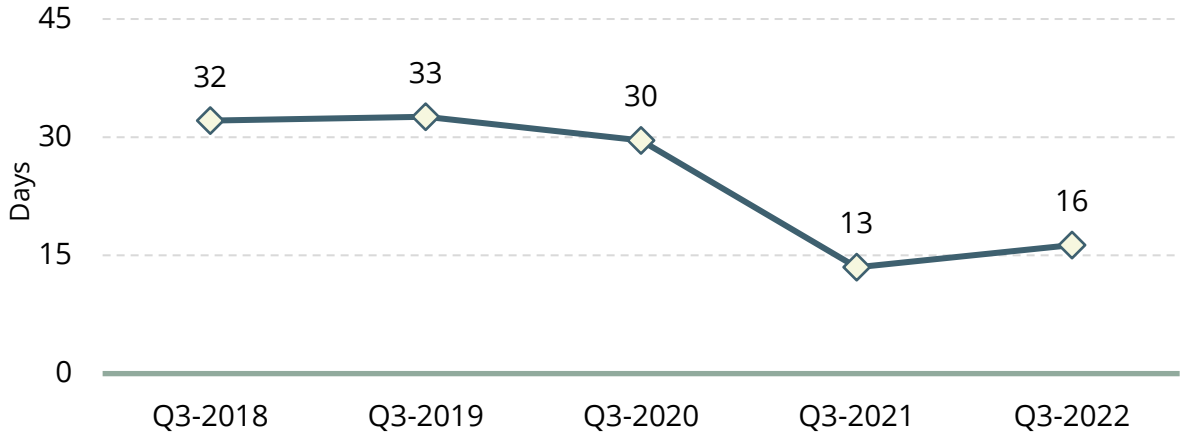


Source: Virginia REALTORS®, data accessed October 15, 2022

Days on Market

For the first time in three years, it took slightly longer to sell a home on average in the Central Virginia housing market. Homes that sold during the third quarter in the region were on the market 16 days on average, which is three days longer than a year ago. Homes are selling at a similar pace across the region. The average days on market in the Richmond Metro Area in the third quarter was 14 days, one day longer than last year. Homes were on the market 19 days average in the Tri-Cities footprint, three days longer than the third quarter of 2021. Statewide, the average days on market in the third quarter was 23 days, up from 21 days this time last year.

Figure 10
Third Quarter Average Days on Market, CVR MLS
2018-2022



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

Inventory

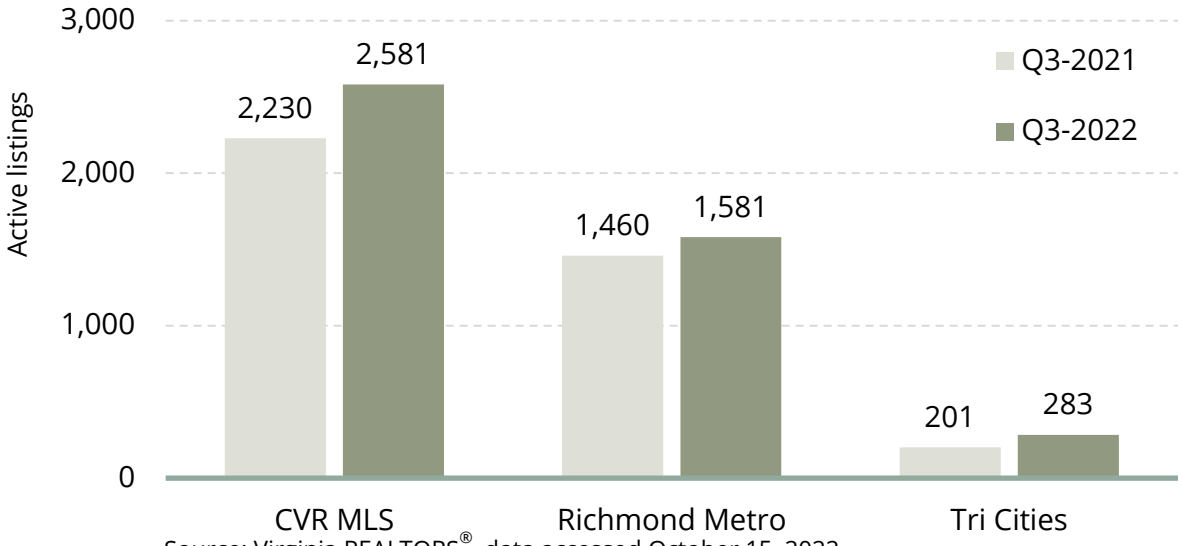
The supply of active listings in the Central Virginia housing market is building up as sales activity slows. There were 2,581 active listings on the market at the end of the third quarter, 351 more listings than a year ago, which is a 16% increase. This is the second straight quarter the inventory has grown, and it's the largest year-over-year supply increase the region has had in more than seven years. Most local markets in the region had an increase in active listings this quarter, 13 of the 16 jurisdictions in the CVRMLS footprint had more active listings at the end of the third quarter compared to last year. Across Virginia, there were 19,793 active listings at the end of the third quarter, a 2.9% decrease from last year, which is a reduction of 586 listings.

There were 1,581 active listings in the Richmond Metro Area market at the end of the third quarter, 121 more listings than a year ago, which is an 8% increase. Henrico County had 61 more listings than last year (+18%), and Chesterfield County had 62 additional listings (+12%). The City of Richmond had 14 more listings than the end of the third quarter a year ago (+4%). Hanover County was the only local market in the Richmond Metro Area to have a dip in supply, with 16 fewer active listings than a year ago (-5%).

Supply in the Tri-Cities market continues to increase rapidly. There were 283 active listings on the market in the area at the end of the third quarter, 82 more listing than last year, which is a 41% jump. This is the third straight quarter of double-digit supply growth in the region.

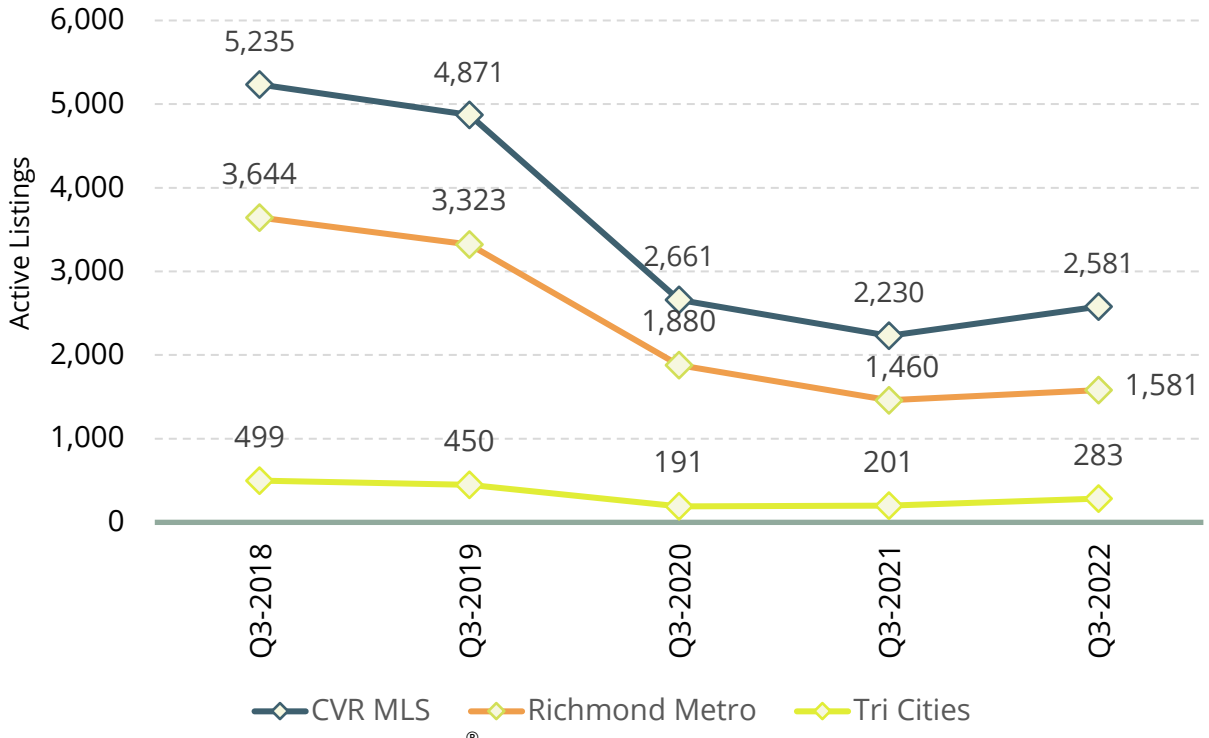
All local markets in the area had more listings than a year ago. The largest supply increase was in Petersburg which had 23 more listings than a year ago (+36%). Dinwiddie County had 19 more active listings (+56%), and Hopewell had 17 more listings than the third quarter last year (+40%).

Figure 11
Active Listings, Third Quarter



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

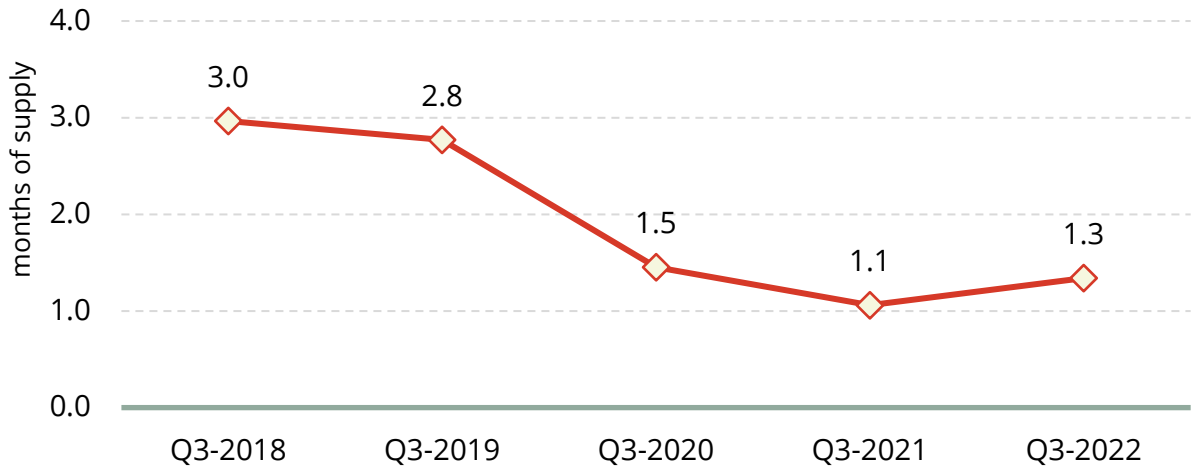
Figure 12
End of Third Quarter Active Listings



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

Supply levels are low in the Central Virginia region, but they continue to trend upward. There was about 1.3 months of supply across the CVRMLS footprint in the third quarter, which edged up from 1.0 month of supply 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
2018-2022



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

Outlook

As economic headwinds loom, activity in the Central Virginia housing market continues to moderate as we enter the fall and winter markets. The slowdown in sales activity has accelerated in markets across the region and pending sales are also slowing. Despite these moderating trends, home prices continue to rise in most local markets in Central Virginia, though the data suggests the upward pressure is easing. Average sold to list price ratios are down slightly, and average days on market is up. Bidding wars are less common, and many sellers are reducing list prices. This trend is likely to continue in the coming months as rising interest rates cool the market. The September inflation numbers came in higher than many expected despite aggressive action by the Federal Reserve to cool inflation. The persistently high inflation makes it very likely that more rate hikes are on the table at the Fed's upcoming November meeting. As the Federal Funds Rate rises, the cost of borrowing across the economy rises, which will slow down economic activity. As the market has cooled, the inventory in the Central Virginia region has started to build up. This will provide more options for buyers who are active in the market, and this trend is likely to continue 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.