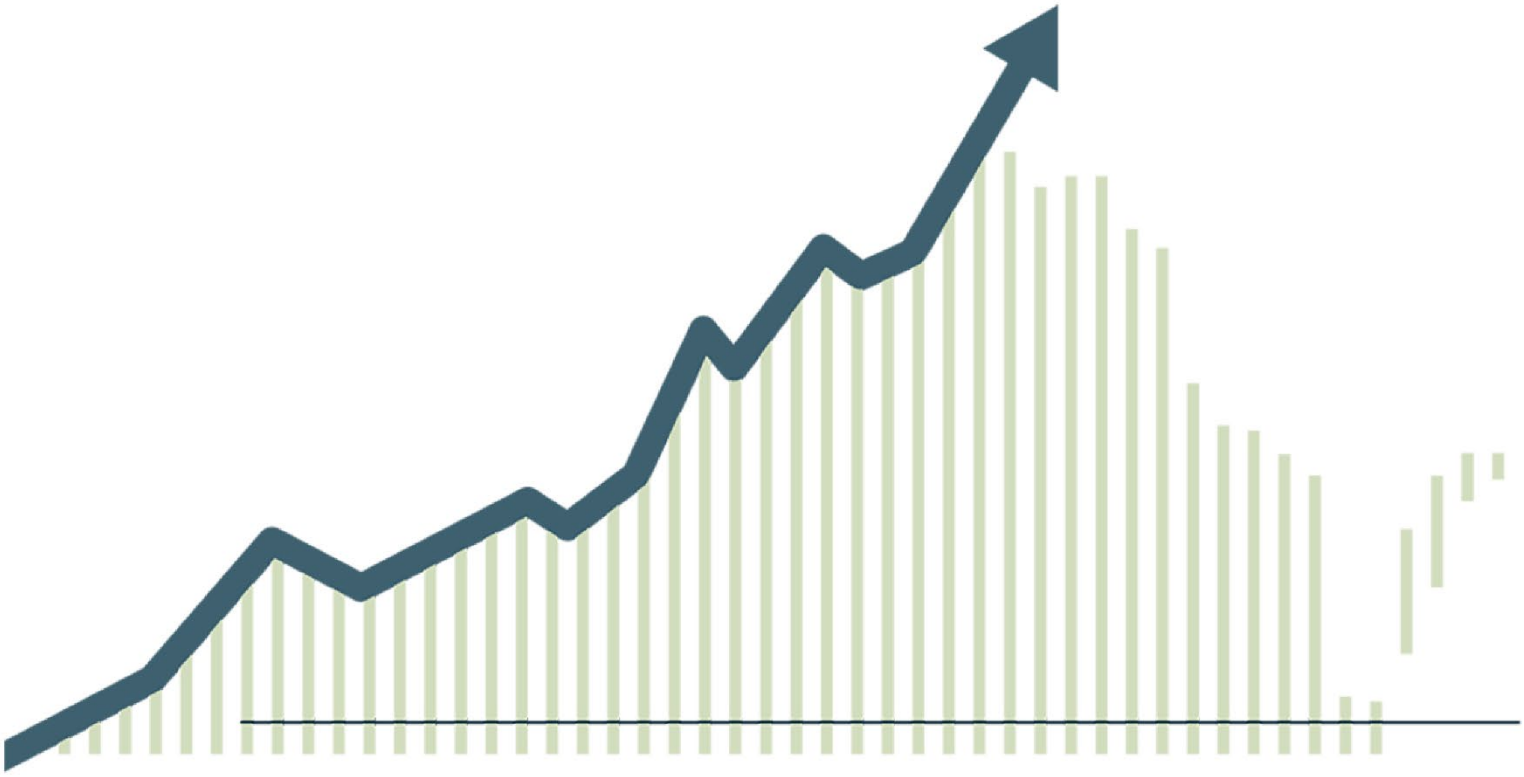
Virginia REALTORS®

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 2022

Key Takeaways

Economic Conditions

- Virginia's job market slowed down recently. The state had about 2,200 fewer jobs in November, compared to October. Despite this dip, the overall job base in the state is now about 4,500 jobs above pre-pandemic levels, reflecting a robust job recovery over the last couple years.

- The unemployment rate remains very low but inched up for the first time in nearly two years. In November, the unemployment rate was 3.0% in Virginia, and in the Richmond MSA the unemployment rate was 3.2%, both are up from a year ago.

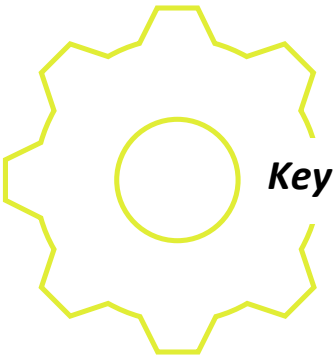
- Mortgage rates have started to stabilize and trend downward. In the third week of January 2023, the average rate on a 30-year fixed mortgage was 6.15%, which is down from around 7% a few months ago.

Housing Market Conditions

- There were 4,367 homes sold in the Central Virginia region in the fourth quarter of 2022, which is a 31% reduction in sales from this time last year, or 1,940 fewer sales. The market has been slowing down in the Central Virginia footprint for the entirety of 2022.

- Home prices continue rise through much of the area. At $347,000, the fourth quarter median sales price in the Central Virginia market climbed 8% from the fourth quarter last year, a gain of $27,000.

- The supply of active listings is growing rapidly in the region. There were 2,401 active listings on the market at the end of the fourth quarter across Central Virginia, 1,042 more listings than a year ago, a 77% supply jump.



Key Trends Dashboard, Central Virginia

Economy

▲	**3.2%**	Is the Nov-2022 **unemployment rate** in the Richmond MSA, which is up from Nov-2021
▲	**6.15%**	Is the **30-year fixed-rate mortgage rate** during the third week of January 2023, which is up 2.59 percentage points from a year ago

Housing Market

▼	**-1,940**	Fewer **home sales** in the Central Virginia region in Q4-2022 compared to last year
▲	**8%**	Percent change in **median sales price** in the Central Virginia region in Q4-2022 compared to a year ago
▼	**-1,937**	Fewer **pending sales** in the Central Virginia region in Q4-2022 compared to last year
▲	**16%**	Percent change in **active listings** at the end of Q4-2022 in the Central Virginia market compared to a year ago
▲	**1.4**	**Months of supply** in the Central Virginia housing market in Q4-2022, which is up from a year ago

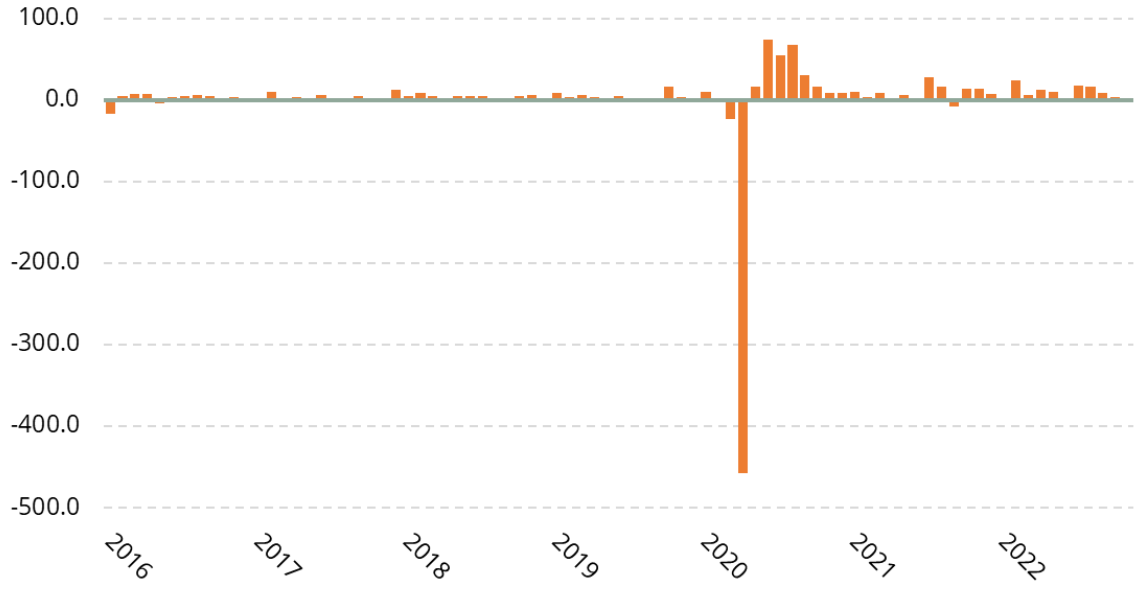
Economic Overview

Inflation remains elevated but appears to be easing, trending down for several months. Despite the economic headwinds, the job base is growing and unemployment remains very low across Virginia. Mortgage rates have been relatively stable and trending downward over the last couple of months.

Jobs

There were 4.10 million jobs throughout Virginia in November 2022, a decrease of about 2,200 jobs from October 2022. Virginia's economy is now back to pre-pandemic jobs levels, there are now about 4,500 more jobs statewide than there were in January 2020. The strongest growth sector continues to be Leisure & Hospitality. There were about 28,400 additional Leisure & Hospitality jobs than November of last year. Most of these additional hospitality jobs were in Accomodation & Food Services (+19,000 jobs). There were 24,500 more Health & Social Assistance jobs compared to a year ago, and about 8,800 more education jobs in the state's economy. The only sectors that lost jobs this month compared to November of last year were Finance & Insurance (-4,500 jobs), Retail Trade (-1,700 jobs), and Real Estate (-200 jobs).

Figure 1
Virginia Month-to-Month Change in Jobs

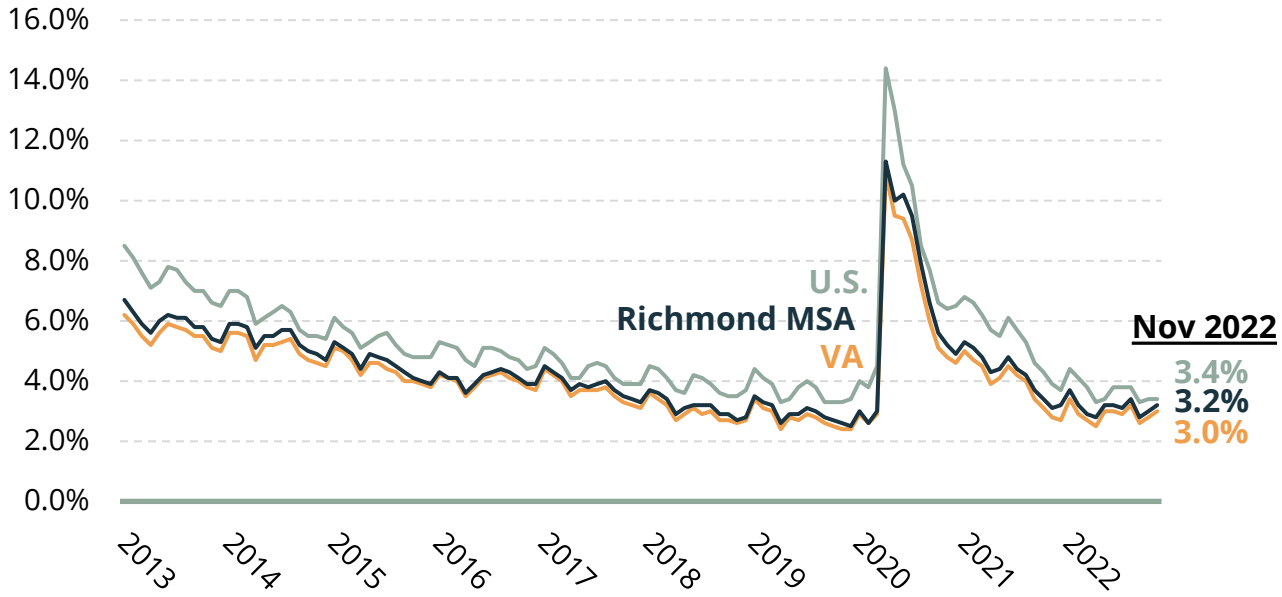


Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted

Unemployment

The unemployment rate in Virginia remains very low, but edged up. Statewide, the unepmloyment rate in November was 3.0% (not seasonally adjusted), up from 2.8% in November of last year. The unemployment rate in the Richmond MSA region is following a similar trajectory as the state but at a slightly higher level, rising from 3.1% in November 2021, to 3.2% in November 2022.

Figure 2
Unemployment Rate

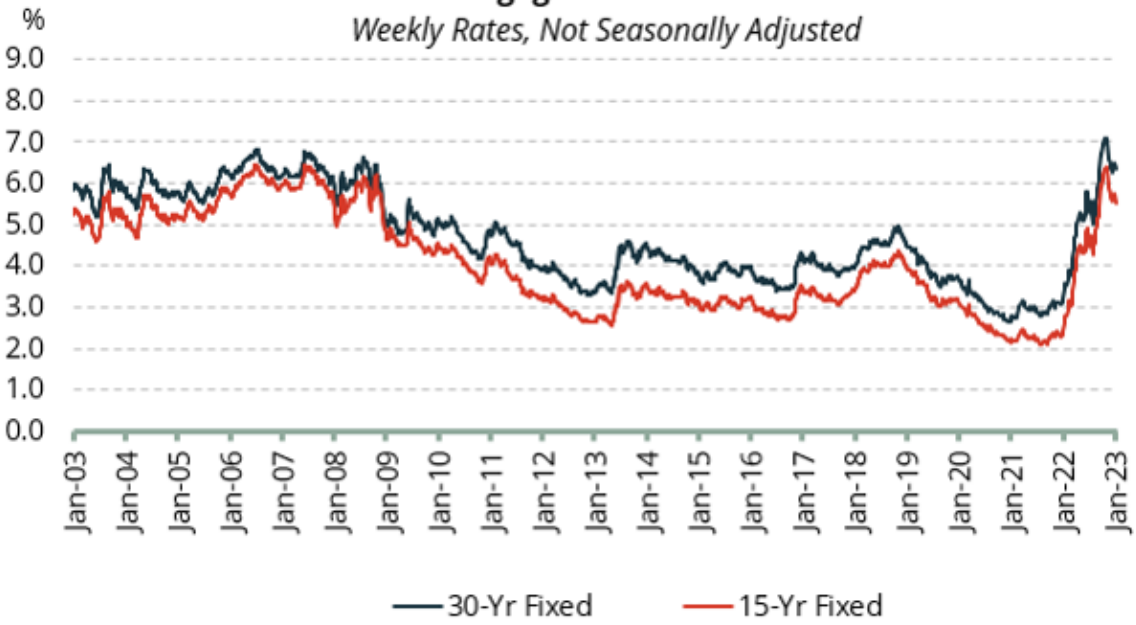


Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

Mortgage Rates

In the third week of January, the average rate on a 30-year fixed mortgage fell to 6.15%, down from 6.33% in the previous week, and down from above 7% three months ago. Mortgage rates have been trending downward over the last couple months which has provided some relief and stability in what has otherwise been a volatile year for interest rates.

Figure 3
Mortgage Interest Rates
Weekly Rates, Not Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis

Housing Market Overview

It was a sluggish year in the Central Virginia[1] housing market. Sales activity plummeted in 2022 compared to the prior year, and homes took longer to sell on average. Despite the cooling market, home prices continue to climb across most of the region as the inventory remains tight. Towards the end of 2022, the inventory of active listings started to build up as more buyers left the market amid rising mortgage interest rates.

Sales

The Central Virginia housing market slowed down significantly in 2022 compared to what was a historically busy 2021. There were a total of 21,094 homes sold across the region in 2022, which is 4,026 fewer sales than the 2021 total, a 16% decrease in sales activity regionwide. Sales activity slowed down all four quarters in 2022, though the rate of decline accelerated in the second half of the year. The sharp drop in activity coincided with the increase in interest rates in 2022. Similar sales trends occurred within region. The Richmond Metro area had 18.2% fewer sales in 2022 compared to 2021, and annual activity was down 5.6% in the Tri-Cities market.

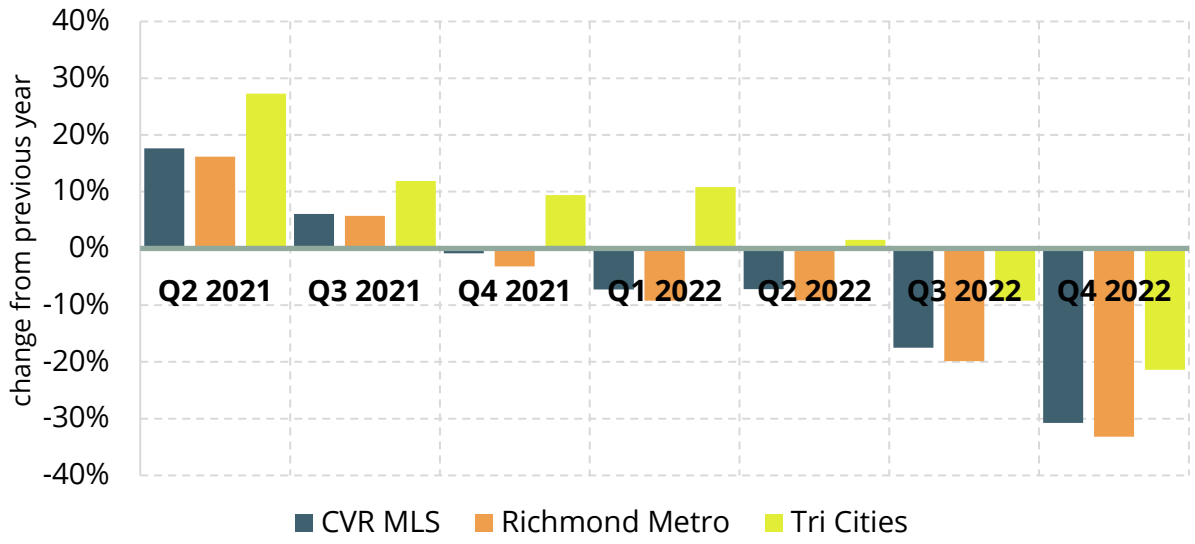
Figure 5: Annual Sales and Price Changes, 2021 - 2022

	Sales			Median Price ($)			Average Prices ($)		
	2021	2022	% Change	2021	2022	% Change	2021	2022	% Change
Central Virginia MLS	25,120	21,094	-16.0%	$315,000	$350,000	11.1%	$355,415	$399,610	12.4%
Richmond Metro	19,239	15,742	-18.2%	$325,000	$364,763	12.3%	$366,629	$414,486	13.1%
Tri Cities	2,050	1,935	-5.6%	$207,000	$225,000	8.7%	$215,345	$236,569	9.9%

Source: Virginia REALTORS®, data accessed January 15, 2023

Sales activity continues to cool down in across the Central Virginia housing market. There were 4,367 homes sold in the fourth quarter of 2022 regionwide. This is 1,940 fewer sales than the fourth quarter of 2021, representing a 31% decrease in sales. While this is the sharpest drop in sales the region has seen in years, it's important to keep it in context, as last year was an unusually busy year in the Central Virginia housing market. The current fourth quarter sales totals are now below where they were four years ago, in the fourth quarter of 2018. Sales slowed down all three months of the quarter, which covers October through December. Statewide, total home sales were down 35% from the fourth quarter a year ago. The slowdown was widespread this quarter, 15 of he 16 jurisdictions in Central Virginia had a decrease in sales in the fourth quarter compared to last year.

Figure 5
Percent Change in Home Sales



Source: Virginia REALTORS®, data accessed January 15, 2023

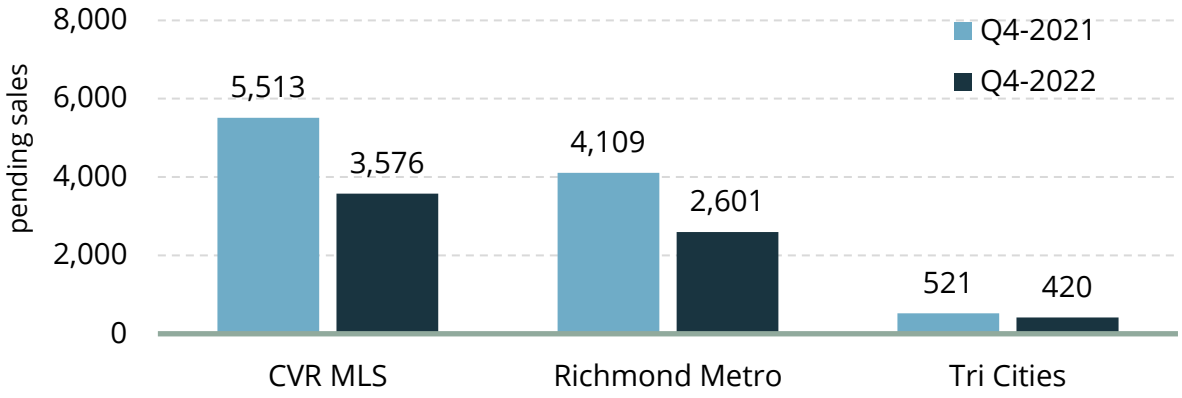
[1]The Central Virginia region includes Counties of Caroline, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, Louisa, Powhatan, New Kent, Prince George, and Cities of Colonial Heights, Hopewell, Petersburg, Richmond

In the Richmond Metro Area[2] there were 3,196 sales in the fourth quarter of 2022, 1,585 fewer sales than last year, representing a 33% drop. All local markets in the footprint had far fewer sales this quarter. The largest drop was in the Henrico County market. There were 543 fewer sales in the county, a 38% plunge compared to this time last year. Similar trends occurred in Chesterfield County, which had 572 fewer sales than the fourth quarter last year (-30%). Sales in Hanover County were down 35% and were down 31% in Richmond compared to the fourth quarter of last year.

Activity in the Tri-Cities Area[3] housing market was also way down from a year ago. There were 430 sales in the Tri-Cities footprint, 117 fewer sales than the fourth quarter last year, which is a 21% drop. The slowdown was pervasive across the Tri-Cities footprint, all local markets had a double-digit drop in sales. Prince George County had 32 fewer sales (-31%), and Colonial Heights had 25 fewer sales than the fourth quarter of last year (-28%). Sales activity was down 21% in Hopewell and fell 24% in Dinwiddie County.

While interest rates have been trending up for most of 2022, the rate of increase was particularly sharp in the fourth quarter. This led to a dramatic slowdown in homes going under contract in Central Virginia. There were 3,576 pending sales across the region during the fourth quarter, 35% fewer pending sales than this time last year, which is 1,937 fewer contracts. All 16 local markets in the Central Virginia area had fewer pending sales this quarter.

Figure 6
Pending Sales, Fourth Quarter



Source: Virginia REALTORS®, data accessed January 15, 2023

[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 2,601 pending sales across the Richmond Metro market in the fourth quarter, a 37% plunge from last year's fourth quarter totals. All local markets had a significant reduction in contracts. The sharpest drop was in Chesterfield County (-39%) and Hanover County (-38%). Henrico County had a third fewer contracts than a year ago (-33%), and pending sales were down 37% in the Richmond market in the fourth quarter.

Pending sales fell in the Tri-Cities market as well, but the severity of the slowdown was not as intense. There were 420 pending sales across the Tri-Cities footprint, 101 fewer pending

sales than a year ago, which is 19% fewer pending sales. The largest decrease this quarter was in the Colonial Heights market (-33%), Hopewell (-30%), and Petersburg (-16%).

Prices

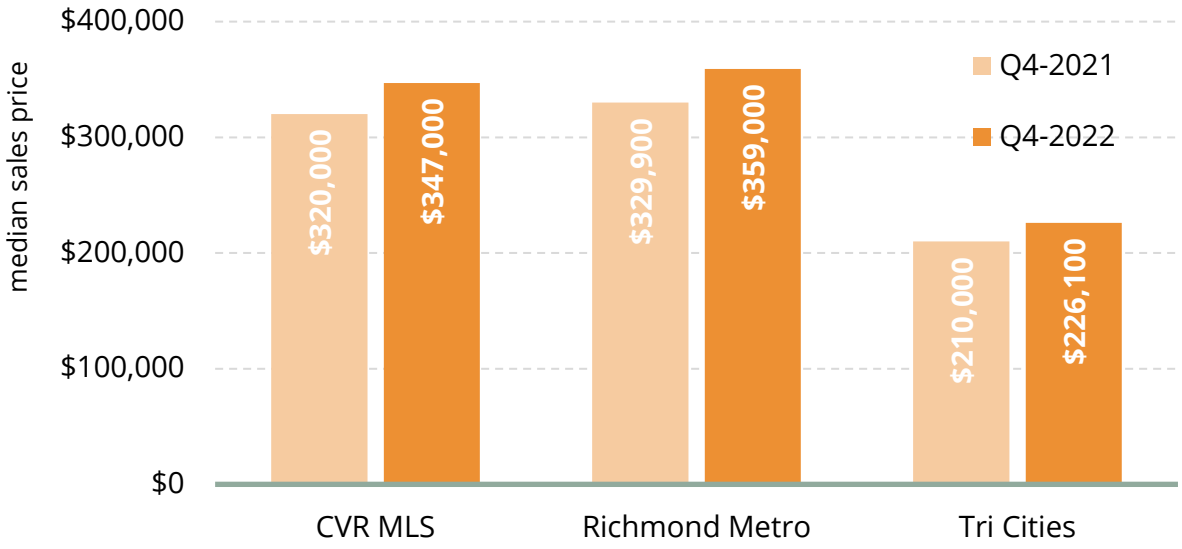
Even though sales activity was much slower in the Central Virginia market in 2022, home prices continued to climb. The annual median sales price regionwide was $350,000 in 2022, rising 11.1% from the 2021 annual median price of $315,000, a gain of $35,000. The tight inventory situation is keeping upward pressure on prices in most areas even with fewer buyers in the market. Price growth was consistently strong all four quarters this year, with the strongest growth occurring in the first half of 2022. The annual median sales price in the Richmond Metro Area market jumped up 12.3% from 2021, and the median price in the Tri-Cities area rose 8.7%.

From a quarterly perspective, the median sales price in Central Virginia during the fourth quarter of 2022 was $347,000. This is $27,000 higher than it was in the fourth quarter of 2021, representing an 8% price increase. Similarly, the average sales price in the region rose 11% to $401,046 during the fourth quarter, a $38,508 jump from last year. Home prices rose in all but two of the local markets in the region. Rising home prices in tandem with climbing interest rates through much of 2022 has cooled the market significantly and has deterred many potential buyers from entering the market and left many potential sellers hesitant to list their homes. Statewide, the fourth quarter median sales price was $362,500, climbing 3.6% from the fourth quarter last year.

At $359,000, the fourth quarter median sales in the Richmond Metro market climbed 9% from last year, a gain of about $29,000. The strongest price growth in the Richmond Metro footprint was in Hanover County, where the median sales price jumped 14% from the fourth quarter last year to $428,000, a gain of $53,000. The fourth quarter median sales price in Henrico County was $349,671, up 13% from a year ago. The median price in Chesterfield County rose 9%, and 3% in Richmond compared to the fourth quarter last year.

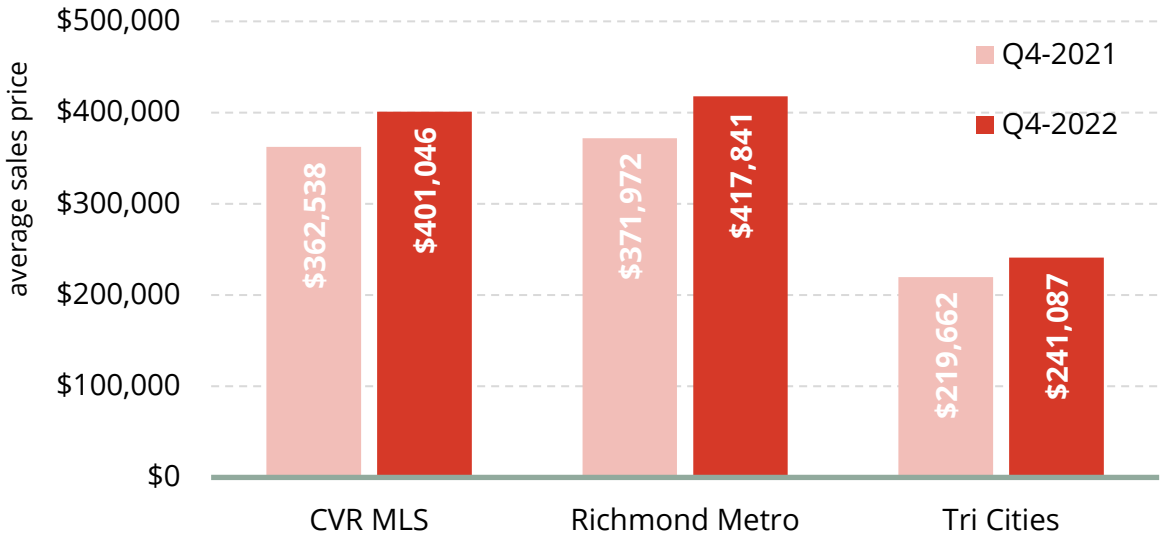
The median sales price in the Tri-Cities market was $226,100 in the fourth quarter, rising 8% from this time last year, a gain of about $16,000. The strongest price growth this quarter was in Petersburg, where the median price jumped up by nearly $39,000 to $193,950 (+25%). The median sales price in Prince George County climbed 19% from last year, and prices in Colonial heights were 11% higher than a year ago.

Figure 7
Median Sales Price, Fourth Quarter



Source: Virginia REALTORS®, data accessed January 15, 2023

Figure 8
Average Sales Price, Fourth Quarter

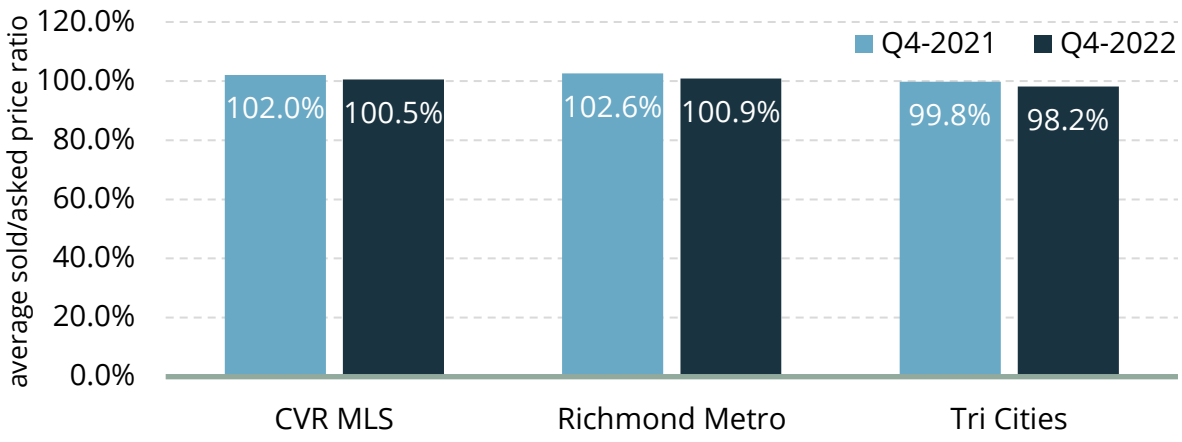


Source: Virginia REALTORS®, data accessed January 15, 2023

Intensity in the Central Virginia housing market continues to ease as gauged by the average sold to list price ratio. On average, homes that sold in the Central Virginia region during the fourth quarter closed at 100.5% of the asking price, which is down from 102.0% last year. This ratio has been trending down since peaking at 105.8% in the spring of 2022. Within the

region, at 100.9%, the fourth quarter average sold to ask price ratio in the Richmond Metro Area market fell from 102.6% a year ago. In the Tri-Cities area, this metric declined to 98.2% in the fourth quarter, down from 99.8% last year. These downward trends are occurring in most parts of Central Virginia. Just 6 of the 16 local markets had an average sold to list price ratio exceeding 100% in the fourth quarter. By comparison, 11 of the 16 were over 100% in the third quarter this year, a clear pivot in a relatively short amount of time.

Figure 9
Average Sold/Asked Price Ratio, Fourth Quarter

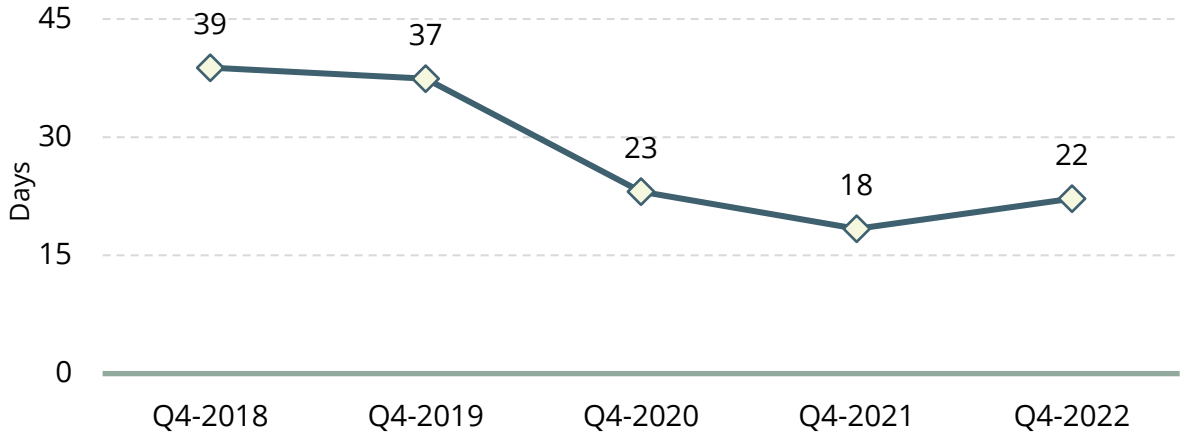


Source: Virginia REALTORS®, data accessed January 15, 2023

Days on Market

As market activity has slowed, it's taking longer on average to sell homes in Central Virginia. The average days on market in the region during the fourth quarter was 22 days, up from 18 days this time last year. This is the second straight quarter this metric has risen regionwide. Homes that sold in the Richmond Metro Area were on the market 20 days on average this quarter, up from 16 days in the fourth quarter last year. At 25 days, the average days on market in the Tri-Cities area was 6 days slower than a year ago. Statewide, the average days on market in the fourth quarter was 31 days, up from 27 days this time last year.

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



Source: Virginia REALTORS®, data accessed January 15, 2023

Inventory

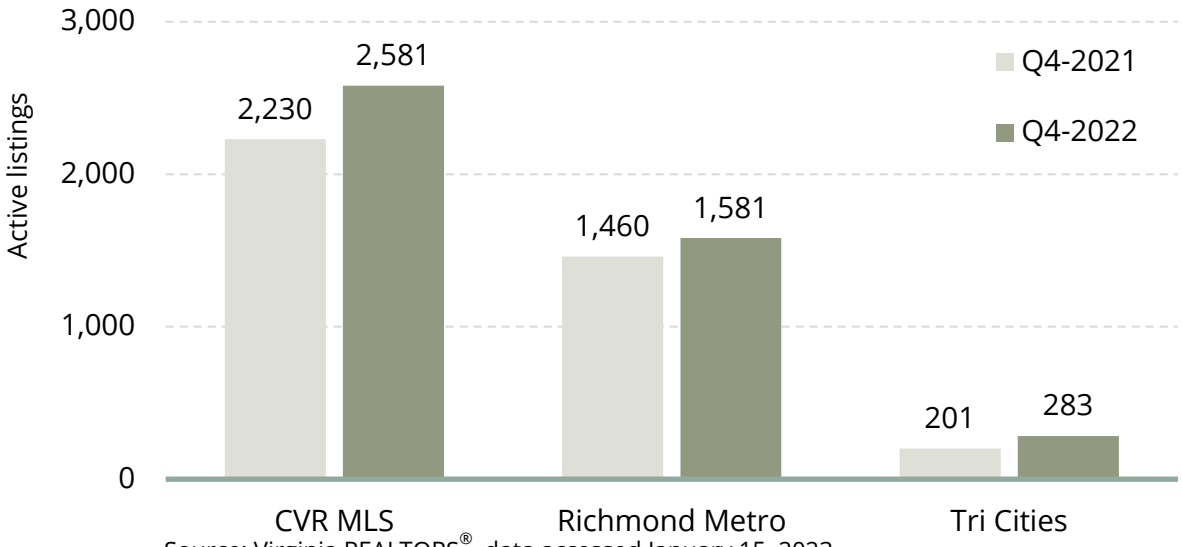
The inventory of active listings in Central Virginia rose sharply at the end of 2022 compared to the end of 2021. There were 2,401 active listings on the market at the end of the fourth quarter regionwide, 1,042 more listings than a year ago, which is a massive 77% supply increase. Overall inventory levels have been building up for three straight quarters, and this quarter is by far the strongest growth the area has seen in years. The growth in supply levels do not necessarily reflect that more new listings are coming on the market, rather, as interest rates rose over the course of 2022, sales activity slowed down, which is allowing existing active listings to stay on the market longer which is building up the inventory. These trends are taking place throughout the region, all 16 local jurisdictions had inventory growth, many of them with double the number active listings than were on the market at the end of the fourth quarter last year. There were 16,115 active listings throughout the Commonwealth at the end of the fourth quarter, a 19.6% increase from a year ago, which is an additional 2,646 listings.

There were 1,479 active listings in the Richmond Metro Area market at the end of the fourth quarter, 664 more active listings than this time last year, an 81% increase. Two of the local markets in the Richmond Metro Area had double the number of listings at the end of the fourth compared; active listings in Henrico County increased by 110% (198 more listings), and the inventory in Chesterfield County surged by 103% (295 more listings). The Richmond

market had 56% more listings than the fourth quarter of 2021, while Hanover County saw a 42% jump in active listings on the market.

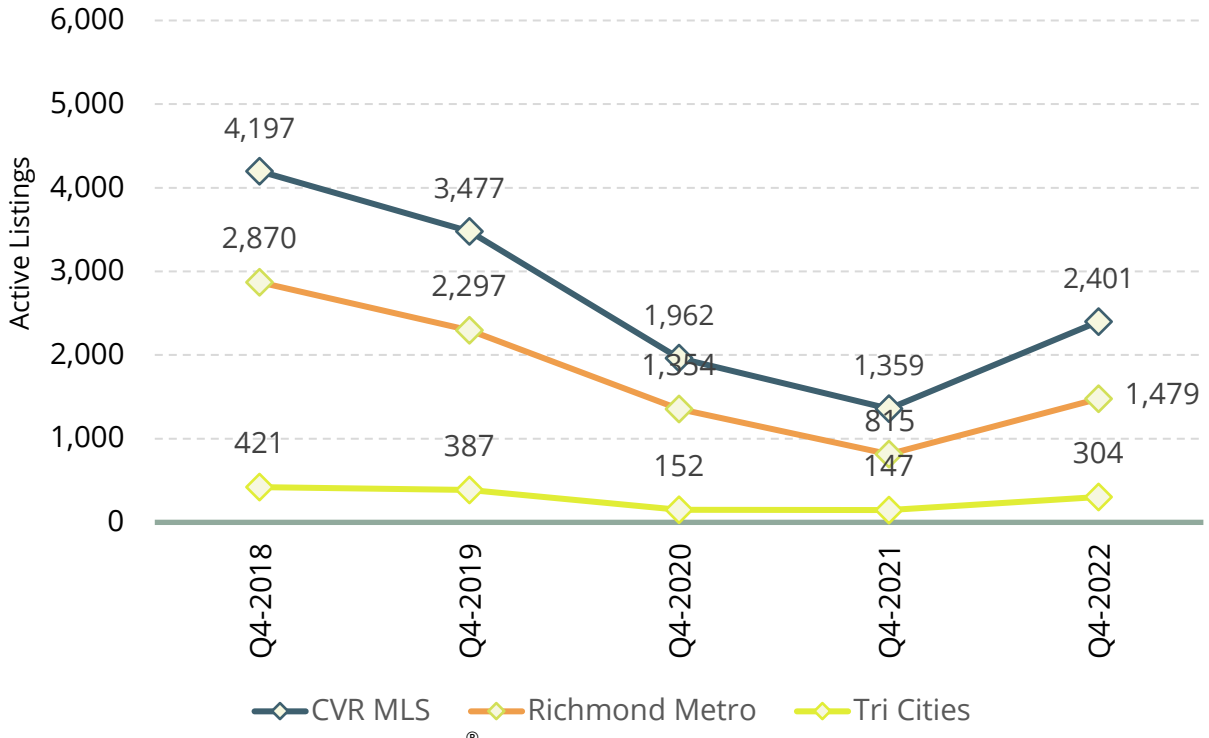
The number of active listings in the Tri-Cities market also rose sharply this quarter. There were 304 active listings in the area at the end of the fourth quarter, more than double the number of listings a year ago (+107%), and influx of 157 active listings. The sharpest inventory growth within the Tri-Cities market occurred in Hopewell, which had triple the number of listings compared to last year, +226%, which is 52 more listings. There were 14 more active listings in Colonial Heights (+140%), and 45 more active listings in the Petersburg market compared to the end of last year (+74%).

Figure 11
Active Listings, Fourth Quarter



Source: Virginia REALTORS®, data accessed January 15, 2023

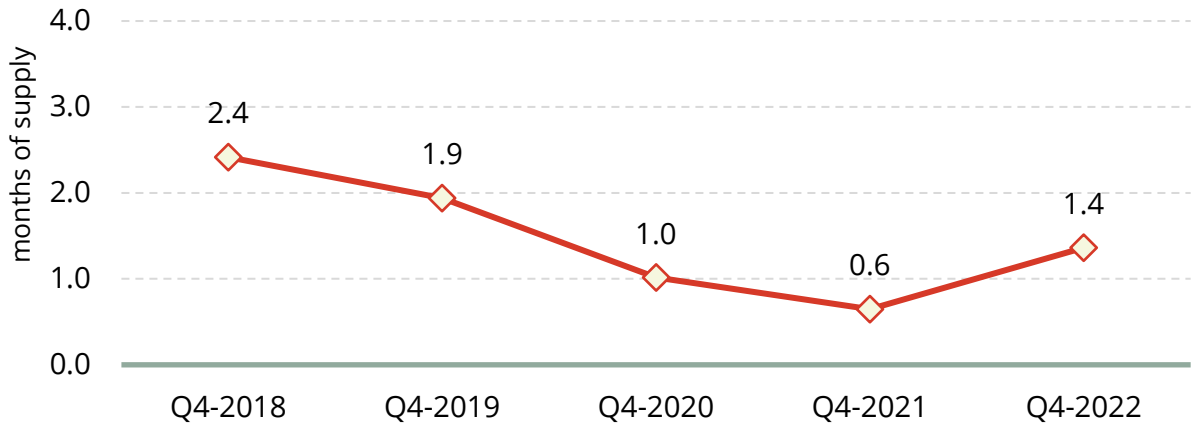
Figure 12
End of Fourth Quarter Active Listings



Source: Virginia REALTORS®, data accessed January 15, 2023

Supply levels are low in the Central Virginia region, but they continue to trend upward. There was about 1.4 months of supply across the CVRMLS footprint in the fourth quarter, which is up from just 0.6 months 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 Fourth Quarter Months Supply, CVR MLS
2018-2022



Source: Virginia REALTORS®, data accessed January 15, 2023

Outlook

Economic uncertainty continues on many fronts, though some hopeful signals have emerged recently. Inflation, while still elevated, appears to be retreating, and mortgage rates have been trending down for much of the past couple months. This has had a positive impact on the housing market, as home buyer sentiment appears to be improving, but it is still much lower than it was earlier in 2022. Virginia's job market is now back to pre-pandemic levels, but did experience it's first drop in jobs in nearly two years towards the end of 2022, and the unemployment rate edged up, signaling that the labor market could be loosening, and the impact of the aggressive actions of the Federal Reserve to slow down the economy could be taking hold.

Home sales in Central Virginia were sluggish for all of 2022 compared to the busy 2021 market, and this trend will likely continue in the coming months as buyers grapple with reduced purchasing power amid higher interest rates, and a chronically tight inventory of homes on the market. Many sellers are also likely hesitant to list their home in this market and lose ultra-low interest rates that many locked into in 2020 and 2021. Home prices continue to trend up, due to the limited inventory, but the price growth has moderated overall, and this trend will likely continue across the Central Virginia housing market in 2023.

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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.