



# Virginia

HOME SALES  
REPORT

2018 **YEAR-END EDITION**

# Virginia Homes Sales Report

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## December 2018 + Year-End

### Summary

#### Economic Conditions

Economic conditions—including job growth, unemployment, wage growth and consumer confidence—are critical determinants of the health of the housing market in Virginia. In 2018, job growth in Virginia was strong, with Northern Virginia accounting for about two-thirds of the gains. The statewide unemployment rate is lower than the national unemployment rate and has continued to fall. Wages have begun to increase broadly across the labor force.

Mortgage rates increased slightly in 2018, though they remain at historically low levels. Fears of interest rate increases have moderated since late last year, as the Fed has given signs of patience in terms of raising the Federal funds rate.

Despite uncertainties that linger over the Fed's potential actions and political turbulence, national and state economic conditions have remained solid and suggest a stable housing market in Virginia.

#### Housing Market Conditions

Sales activity in the state slowed modestly in 2018, with the most notable declines towards the end of the year. The Southside, Shenandoah Valley, and Central Virginia regions saw the biggest drops in home sales at the end of 2018, while Northern Virginia experienced the smallest declines in sales.

#### Virginia Realtors® Market Report Key Takeaways

Economic fundamentals were sound in 2018.

Sales declined modestly in 2018 but price growth remained steady.

Inventories are increasing but supply remains tight in many markets.

Interest rates will rise in the months ahead, but only modestly.

In 2019, expect a solid housing market in Virginia with steady sales

While the pace of sales activity was down in 2018, home prices continued to rise. The consistent price growth is driven by a combination of factors including the low inventory, strong job growth in the state, historically low unemployment, and rising consumer confidence.

There is some evidence of potential increase in inventories. Over the second half of 2018, there were five consecutive months where the the inventory of homes for sale in Virginia increased relative to the same month a year prior.

## **Outlook**

Continued job and wage growth will promote demand for homeownership and a steady housing market in Virginia in 2019. Economic gains across the state will be uneven, however, and local markets where economic fundamentals are the strongest will continue to be the tightest housing markets.

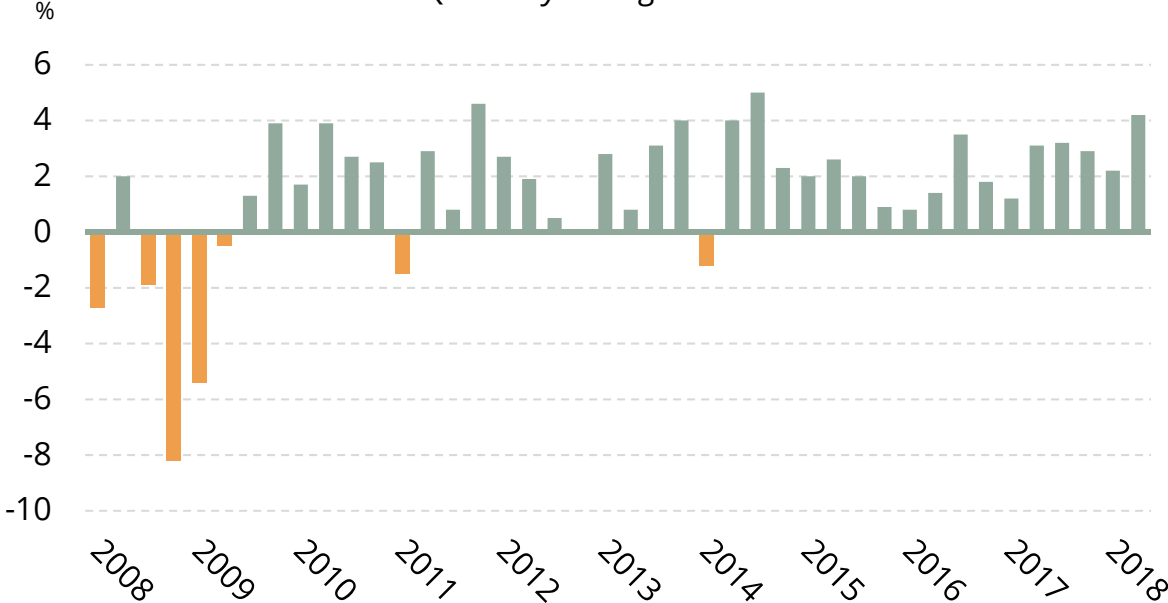
There are signs that interest rates will increase only modestly in 2019, despite concerns last year that the Fed was targeting multiple rate increases this year. Even modest increases in interest rates can have an impact on housing affordability; recent increases in housing inventory might help dampen price growth somewhat by providing more options for buyers.

Even as economic fundamentals continue to be positive, uncertainty persists with respect to federal and state policy decisions. It is important to continue to watch the legislative activity at the federal and state; however, the 2019 outlook for the overall Virginia housing market is positive.

# Economic Overview

National economic conditions remained positive in 2018, with steady economic expansion and broad wage growth nationally. U.S. Gross Domestic Product (GDP), a measure of the overall productivity and health of the U.S. economy, has increased for 17 consecutive quarters. Job growth continues to be strong; in 2018, the nation added about 220,000 new jobs each month, surpassing the pace of job growth in 2016 and 2017. While wage growth had remained elusive for years following the Great Recession (which ended officially in 2009), there have been recent positive signs, with average hourly earnings increasing by 3.2% in 2018.

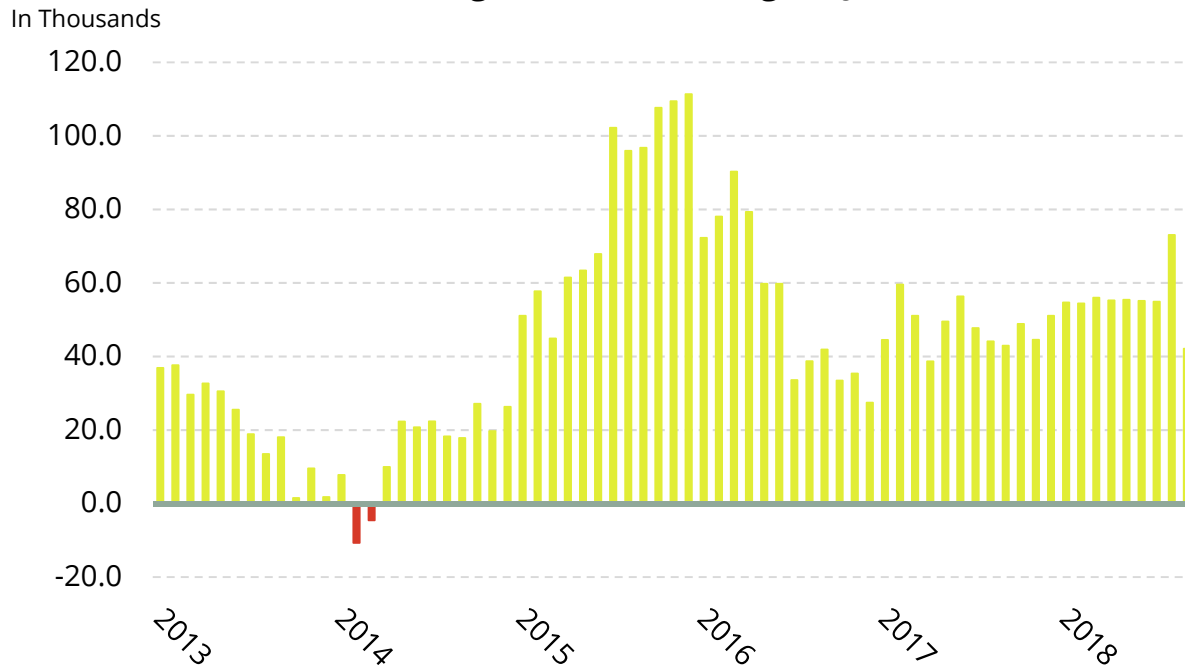
**Figure 1**  
**U.S. Gross Domestic Product**  
*Quarterly Change: 2008 - 2018*



Source: U.S. Bureau of Economic Analysis

Strong national economic conditions are reflected in Virginia, as well. The Virginia economy rebounded strongly after the Great Recession. However, job growth fell off in 2014, largely as a result of cuts in federal government spending which impacted both government employees and contractors. But the economy rebounded again in 2015, and since 2016 there has been steady economic growth. Virginia added an average of 52,000 each year over the past three years.

**Figure 2**  
**Virginia Annual Change in Jobs**

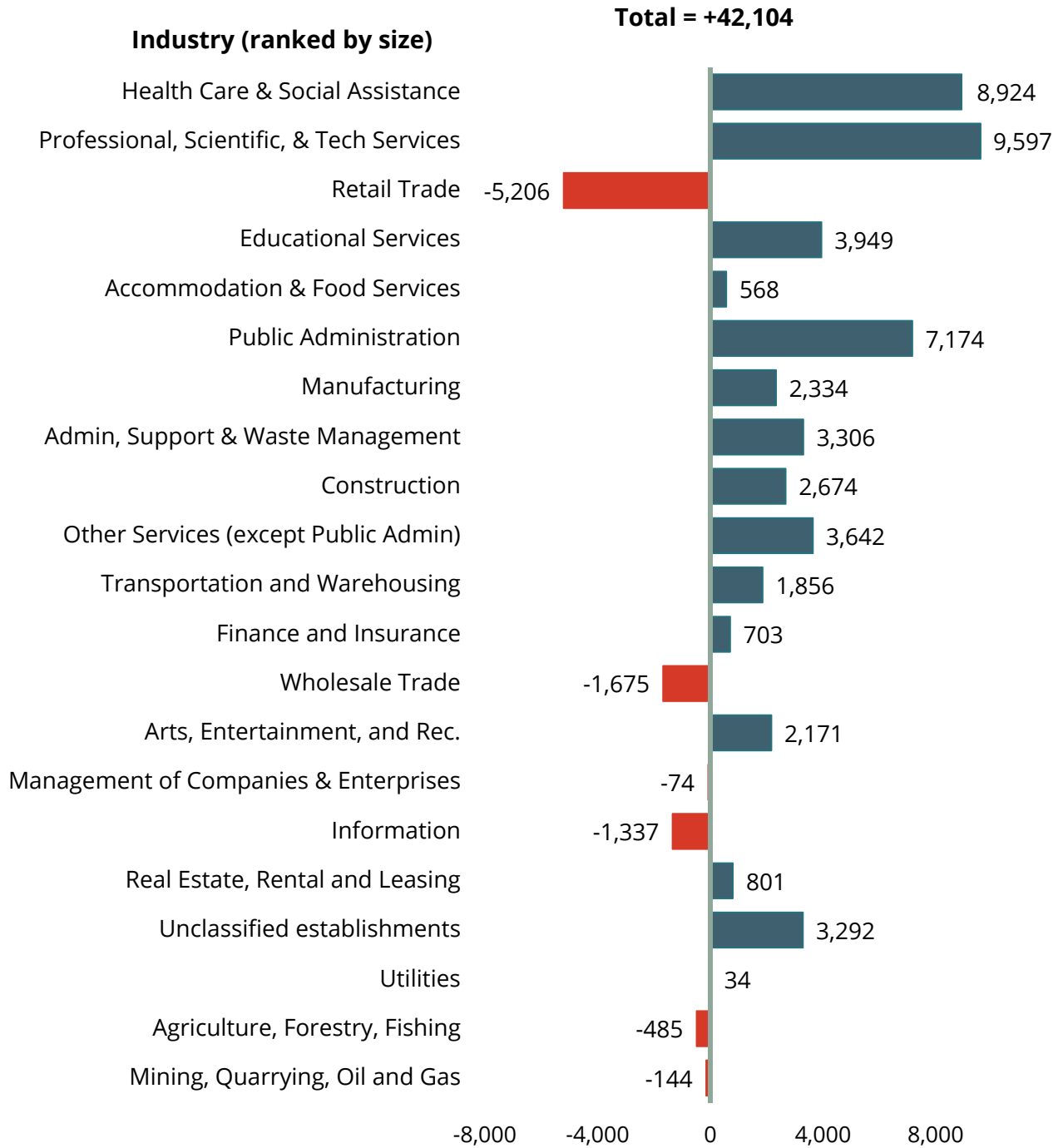


Source: Virginia Employment Commission, Quarterly Census of Employment and Wages

Job growth in Virginia has been driven primarily by growth in the Northern Virginia region. In 2018, about two-thirds of new jobs in Virginia were in Northern Virginia. The West Central region of the state accounted for about 10% of the job growth, while the Central and Valley regions of the state accounted for about 6% of the state's job growth.

Between September 2017 and September 2018 (the latest data available), the state of Virginia added 42,104 jobs. The state added 8,924 new jobs in the Health Care & Social Assistance sector and 9,597 new jobs in the Professional, Scientific & Technical Services sector over that time period. There were also big gains in the Public Administration sector, which includes local, state and federal government workers. The state lost 5,206 Retail Trade jobs last year, which is part of an on-going trend in the state since 2016 and reflects a pattern seen in the broader U.S. economy.

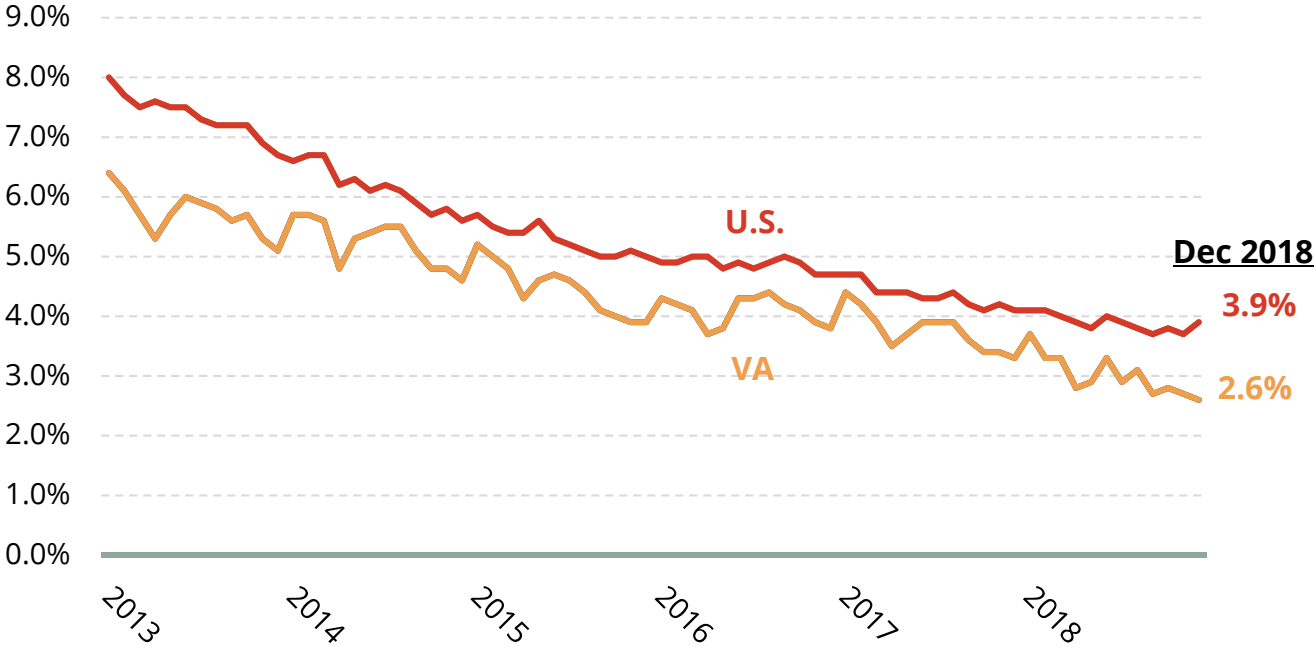
**Figure 3**  
**Job Change by Industry**  
*September 2017 - September 2018*



Source: Virginia Employment Commission, Quarterly Census of Employment and Wages

The statewide unemployment rate has continued to decline steadily. In December 2018, Virginia’s unemployment rate was just 2.6%, compared to 3.9% for the U.S. The historically low unemployment rate in the state reflects strong job growth and a very tight labor supply. Demand for high-skilled workers is particularly acute, though unemployment rates remain low across most industries.

**Figure 4**  
**Unemployment Rate**



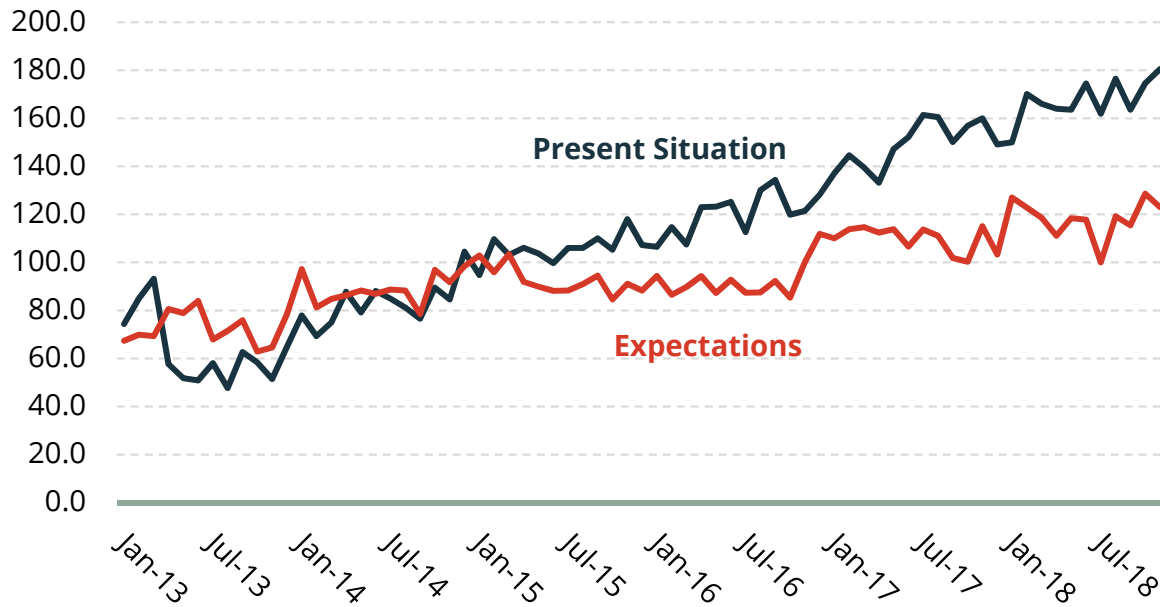
Source: U.S. Bureau of Labor Statistics, Virginia Employment Commission, Local Area Unemployment Statistics

Overall, economic indicators in the state remained positive in 2018, with steady job growth broadly across industry sectors, substantial growth in the high-wage Professional, Scientific and Technical services sector, and historically low unemployment rates. A constraint on the state’s economic growth is a lack of available labor which has been exacerbated by recent increases in the numbers of working-age people moving out of the state, particularly out of Northern Virginia.

Positive national and regional economic conditions nationally have led to increased consumer confidence. According to the Consumer Confidence Index for the South Atlantic region (which includes Virginia), confidence about present economic conditions has been steadily on the rise. Since the middle of 2015, the present conditions index has been above

100, which indicates confidence in the current economy. The future conditions index indicates that people feel somewhat less certain as they look ahead. However, the future index has also been above 100 since the end of 2016 and continues to rise. Therefore, these consumer confidence indices generally indicate confidence in the economy.

**Figure 5**  
**Consumer Confidence**  
**South Atlantic Region**



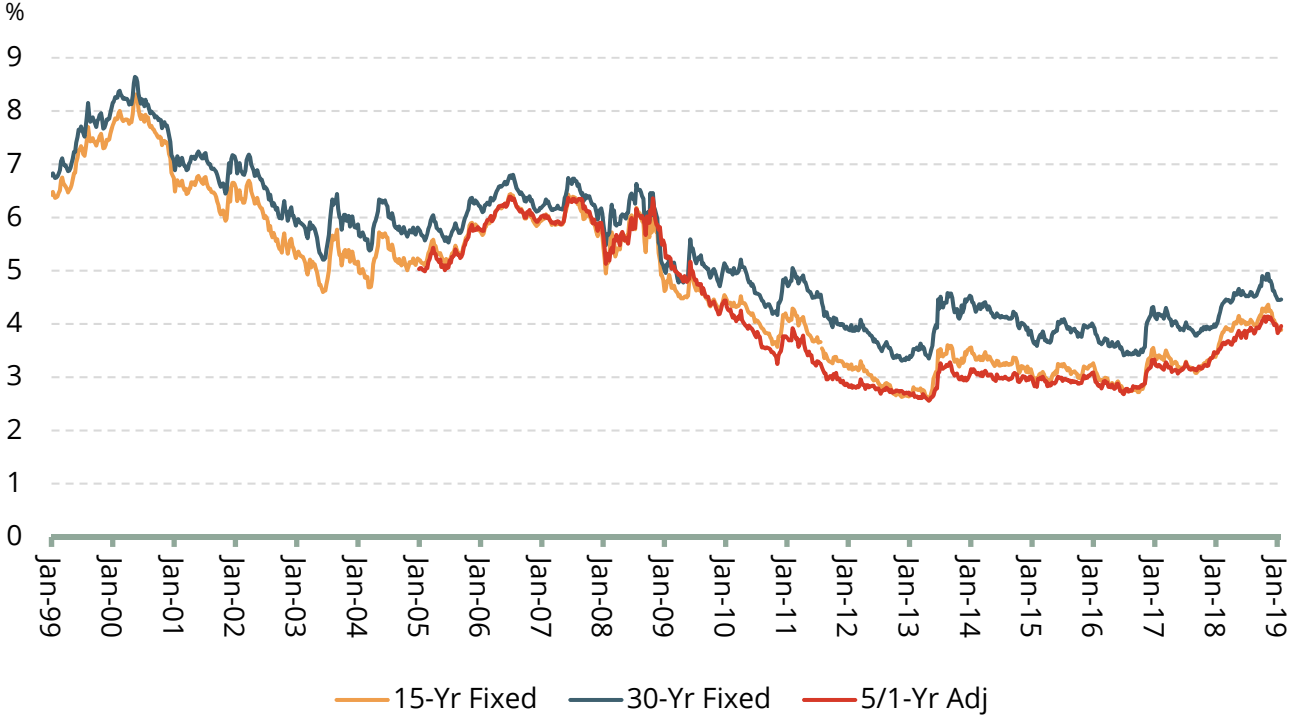
Source: The Conference Board

Fears of interest rate increases have moderated since late last year, as the Fed has given signs of patience in terms of raising the Federal funds rate. Mortgage rates increased slightly in 2018, though they remain at historically low levels. In December 2018, the 30-year fixed mortgage rate averaged 4.64%, declining to just under 4.5% in January 2019. By comparison, over the past 20 years, the 30-year fixed mortgage rate has averaged 5.36%, peaking at over 8% in late 1999 and early 2000.

Therefore, despite concerns about rising interest rates, economic fundamentals in Virginia suggest continued strength in the housing market.



**Figure 6**  
**Mortgage Interest Rates**  
*Weekly, Not Seasonally Adjusted*



Source: Federal Reserve Bank of St. Louis

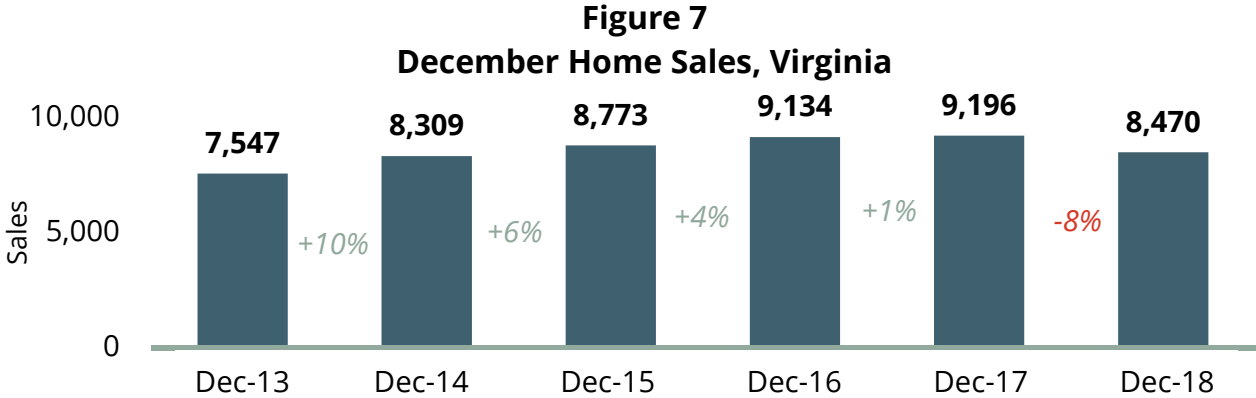
# Housing Market Overview

Sales activity in Virginia slowed down in 2018 after several years of growth. In 2018, there were 122,451 closed sales statewide, down from 122,814 in 2017, a modest 0.3% decline. December was one of the most notable months of decline of the year and all regions in the state had fewer sales than 12 months prior. Despite the slower pace in the market, home prices continue to rise at the state-level and in many of the regions, which is evidence of buyer confidence in the economy, robust job growth in the state, and the low supply of homes listed for sale. While inventories remain low, there was indication of a change in this trend through much of 2018. Active listings inched up in the latter half of the year, a marked change after several years of declines.

## Sales

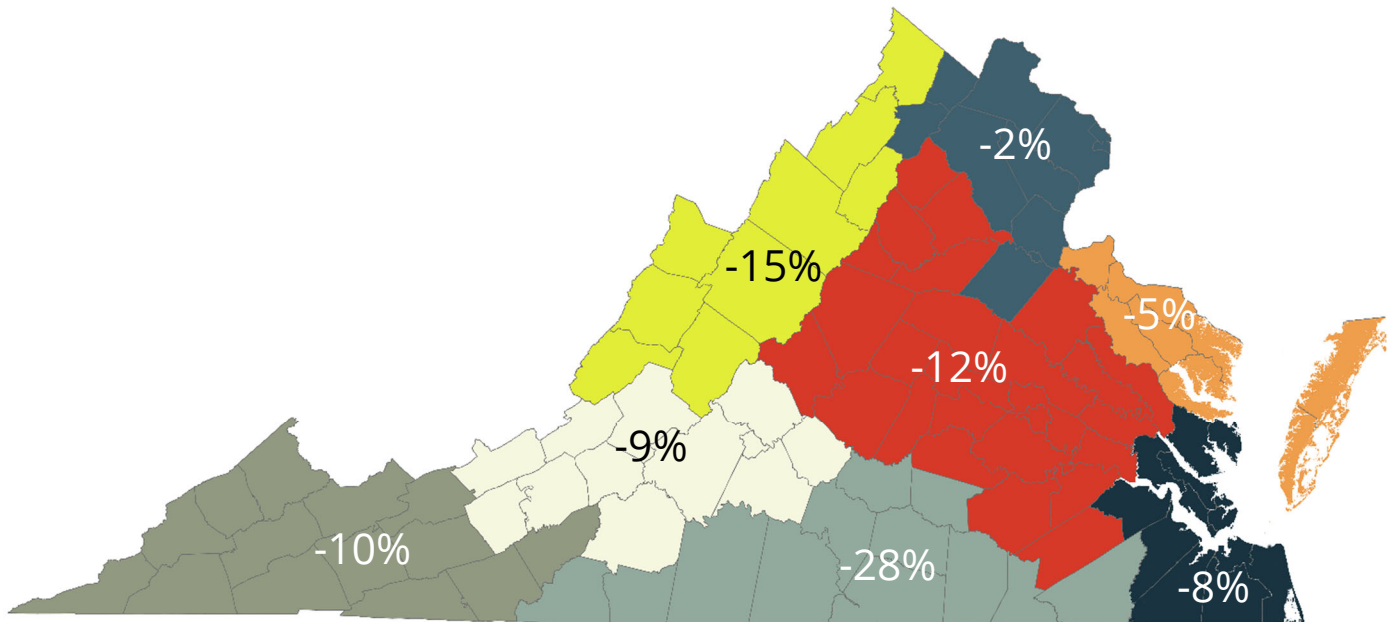
Sluggish sales continued in December 2018 relative to last year, a trend that has been occurring at the state-level now for four consecutive months. There were 8,470 sales statewide in December 2018, 8% fewer than the same time a year ago, a decline of 726 sales. This is one of the sharpest declines in monthly home sales for the state in 2018. The largest decline occurred in September when sales fell 10% from the previous year. The falling sales occurred in all regions of the state in December. The Southside region had the largest drop in sales compared to last year, falling 28% from the December 2017 level, a decline of 59 sales. Northern Virginia had the smallest decline of the regions with 2% fewer sales than this time last year, a drop of 73 sales.

From an annual sales perspective, the State housing market has slowed down relative to last year. There were 122,451 total homes sold in Virginia in 2018, 363 fewer than the 2017 total, a 0.3% decline. Despite the modest drop in sales compared to last year, the overall sales totals for the state are over 24,000 more than four years ago.



Source: REdatum

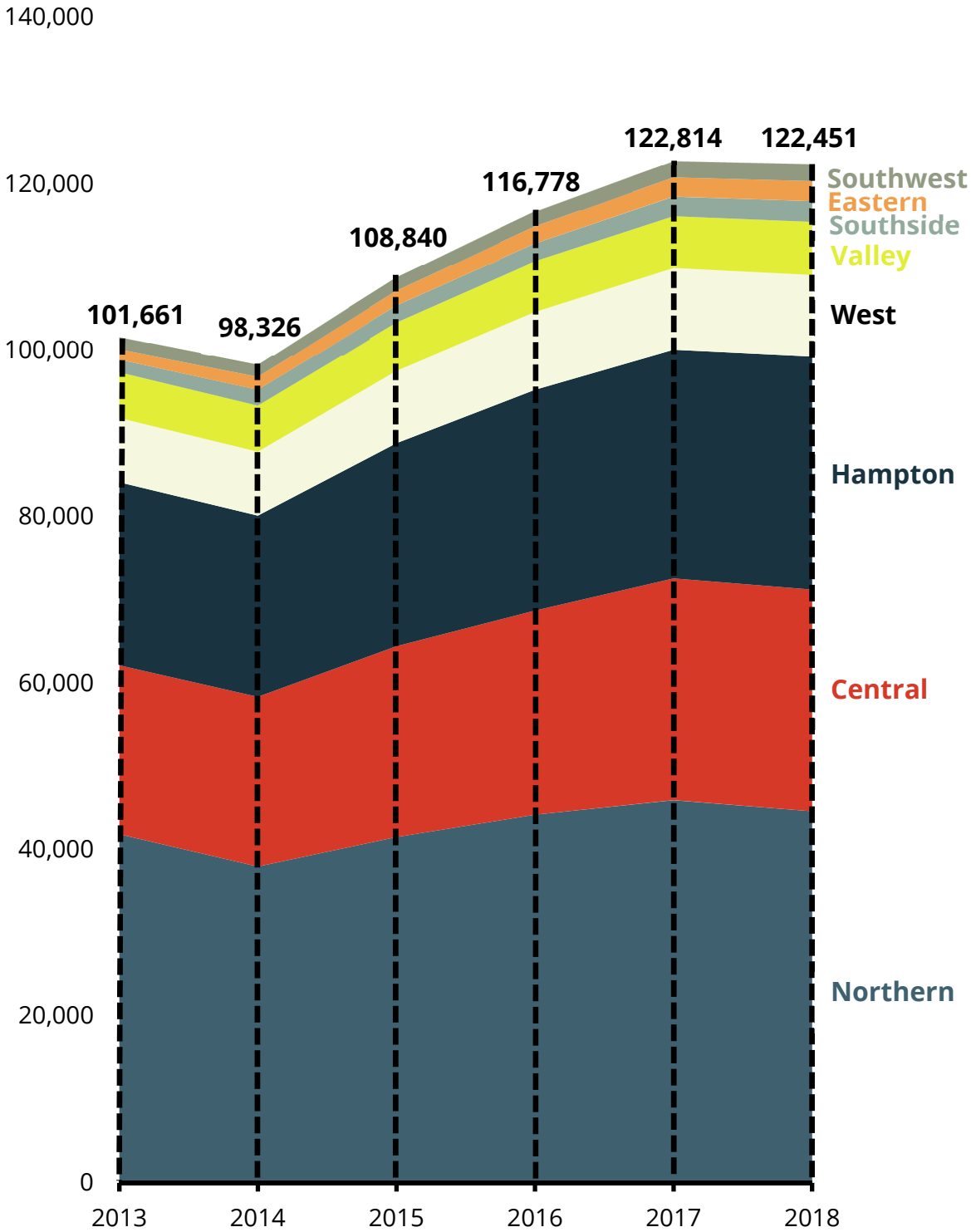
**Figure 8**  
**Change in Sales by Region**  
*December 2017 to December 2018*



<i>Region</i>	<i>Dec-17</i>	<i>Dec-18</i>	<i>% Change</i>
Central	2,147	1,887	-12%
Eastern	177	169	-5%
Hampton	2,165	1,986	-8%
Northern	3,171	3,098	-2%
Southside	209	150	-28%
Southwest	145	130	-10%
Valley	502	428	-15%
West	680	622	-9%
<b>All of Virginia</b>	<b>9,196</b>	<b>8,470</b>	<b>-8%</b>

Source: REdatum

**Figure 9**  
**Statewide Annual Sales, Virginia**  
 2013-2018



Source: REdatum

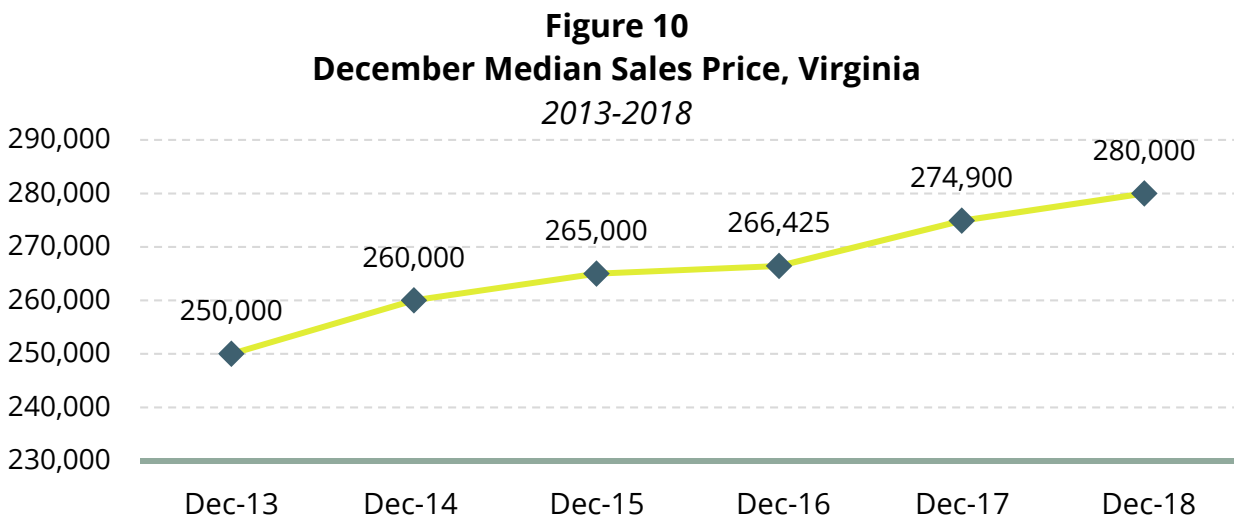
## Sales Prices

While there were fewer sales in Virginia in December, home prices continue to rise in many areas of the state, a trend that has been occurring for about a half of a decade. The consistent price growth is likely being driven by a combination of factors including the low inventory of active listings available, strong job growth in the state, historically low unemployment, and rising consumer confidence; all of which lead to continued buyer demand in Virginia's regional housing markets.

The annual median sales price for Virginia has been increasing at a steady 2% to 3% annual rate for the past four years, a sign of the market growth that has been occurring as well as the upward pressure on prices caused by the shrinking inventory of active listings. The annual median sales price in Virginia was \$285,000 in 2018, approximately 3% higher than 2017.

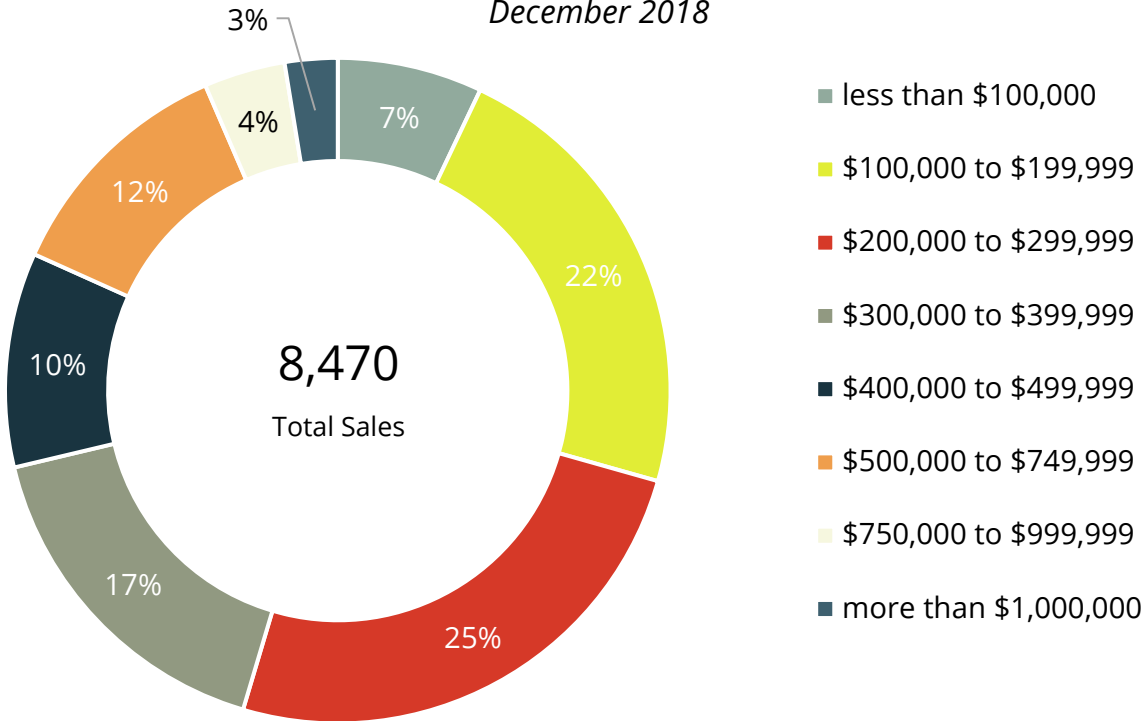
The median sales price for the state was \$280,000 in December 2018, 2% higher than this same month the year before, a gain of over \$5,000. Price gains are occurring throughout much of the Commonwealth. Southwest Virginia had the fastest price growth in December with the median price climbing 29% from a year prior, a gain of over \$31,000 for that region. Sales price growth also occurred in the state's largest market, Northern Virginia, where median sales prices climbed 2% from last year, a gain of \$9,000. Southside was the only region to experience a notable decline in median sales price, falling 23% from a year ago, a drop of nearly \$27,000. The median sales price in Hampton Roads and the Central region remained essentially flat in December compared to last year.

More than half (55%) of all homes sold in Virginia in December had sales prices below \$300,000. Nearly one out of every five (18%) homes sold closed at \$500,000 or higher.



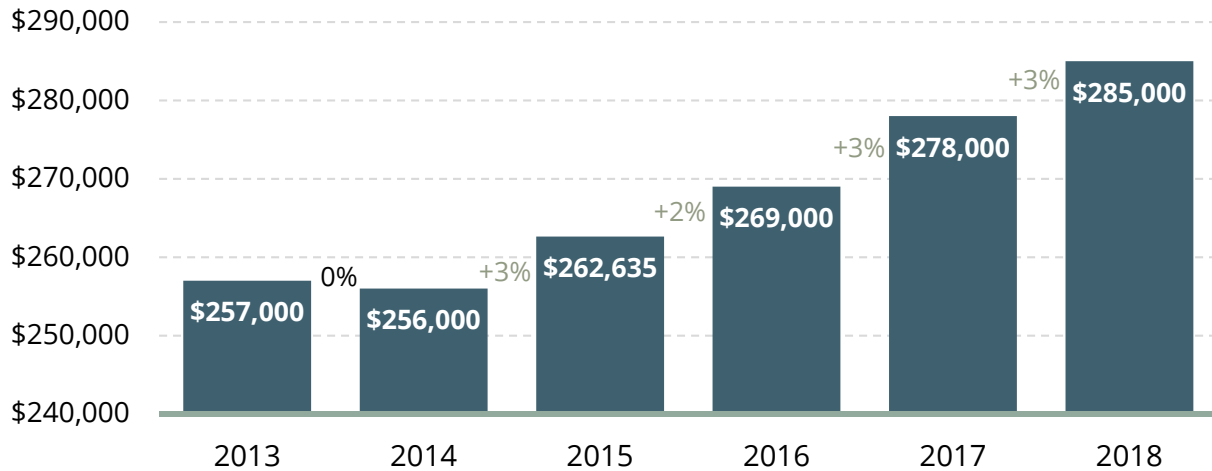
Source: REdatum

**Figure 11**  
**Sales by Price Range, Virginia**  
*December 2018*



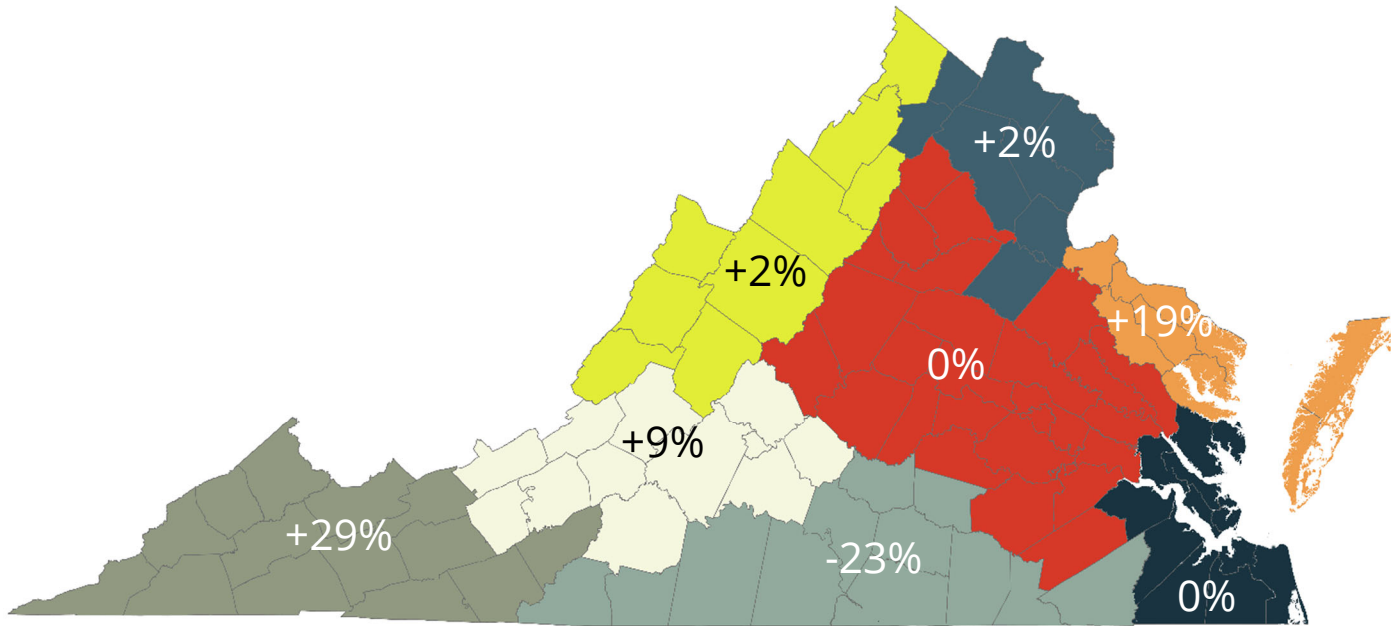
Source: REdatum

**Figure 12**  
**Annual Median Sales Price, Virginia**  
 2013-2018



Source: REdatum

**Figure 13**  
**Change in Median Sales Price by Region**  
*December 2017 to December 2018*



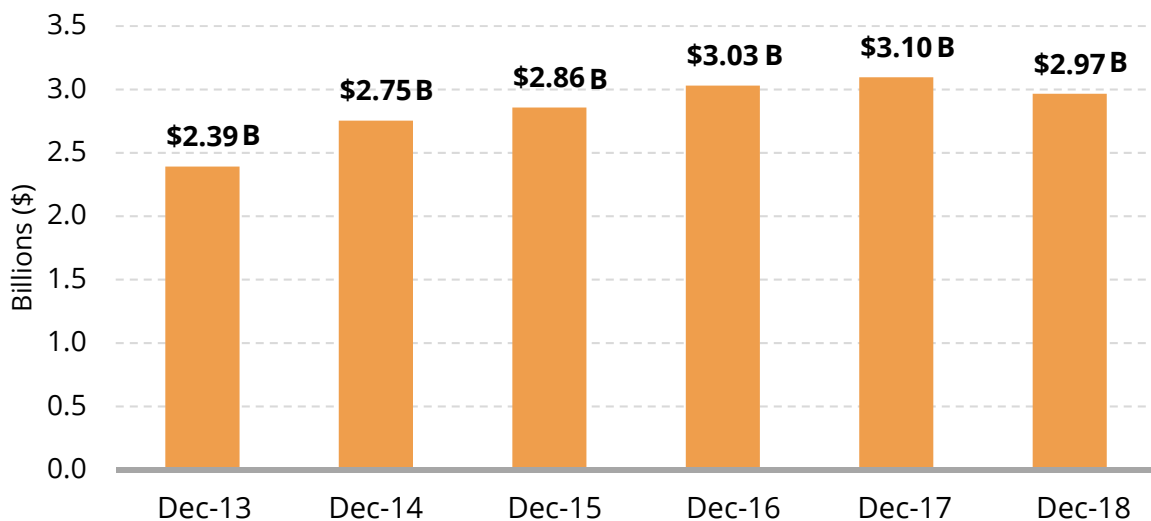
<i>Region</i>	<i>Dec-17</i>	<i>Dec-18</i>	<i>% Change</i>
Central	\$250,000	\$250,000	0%
Eastern	\$185,000	\$220,000	19%
Hampton	\$230,000	\$229,950	0%
Northern	\$421,000	\$430,000	2%
Southside	\$115,000	\$88,250	-23%
Southwest	\$108,250	\$139,850	29%
Valley	\$206,250	\$209,950	2%
West	\$165,000	\$179,950	9%
<b>All of Virginia</b>	<b>\$274,900</b>	<b>\$280,000</b>	<b>2%</b>

Source: REdatum

## Sold Volume

Even with the rise in sales prices in the many parts of the state, the decline in sales transactions led to a drop in total sold dollar volume in December relative to the year prior, the third month of a decline for this metric this year. The dollar volume sold in December 2018 was approximately \$2.97 billion, down 4% from a year ago. However, despite the December decline, the total annual sold volume for 2018 rose from 2017. There was approximately \$42.5 billion in total sales volume in 2018, up 2% from last year's total of \$41.8 billion.

**Figure 14**  
**December Sold Dollar Volume, Virginia**  
*2013-2018*



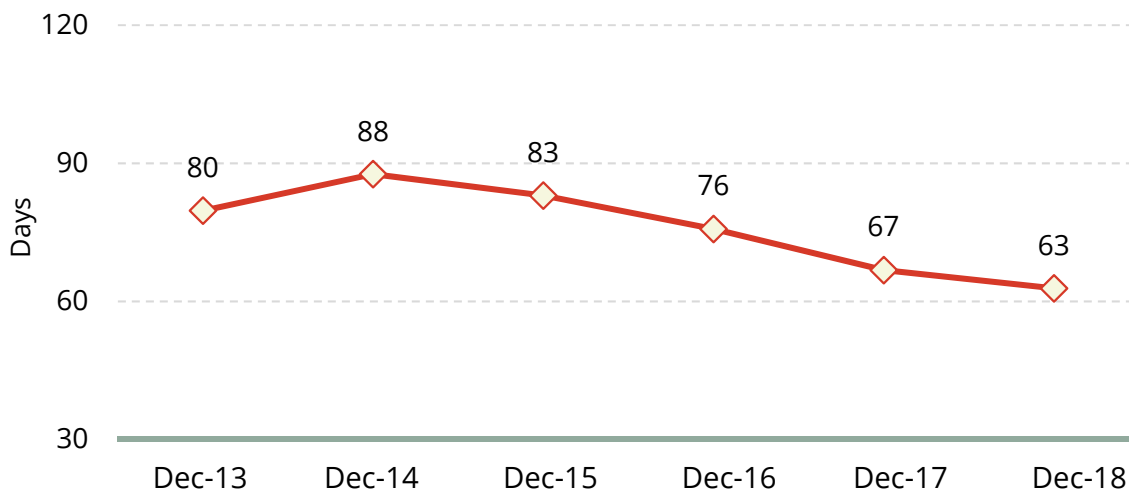
Source: REdata.com

## Days on Market

Homes continue to sell faster in Virginia, which is a result of the low supply of active listings available for purchase relative to the number of buyers in the market. On average, homes sold in 63 days in Virginia in December 2018, four days faster than a year prior. The average days on market has been declining steadily over the past four years; on average, homes are selling nearly a month (25 days) faster than they were in 2014.



**Figure 15**  
**December Average Days on Market, Virginia**  
2013-2018

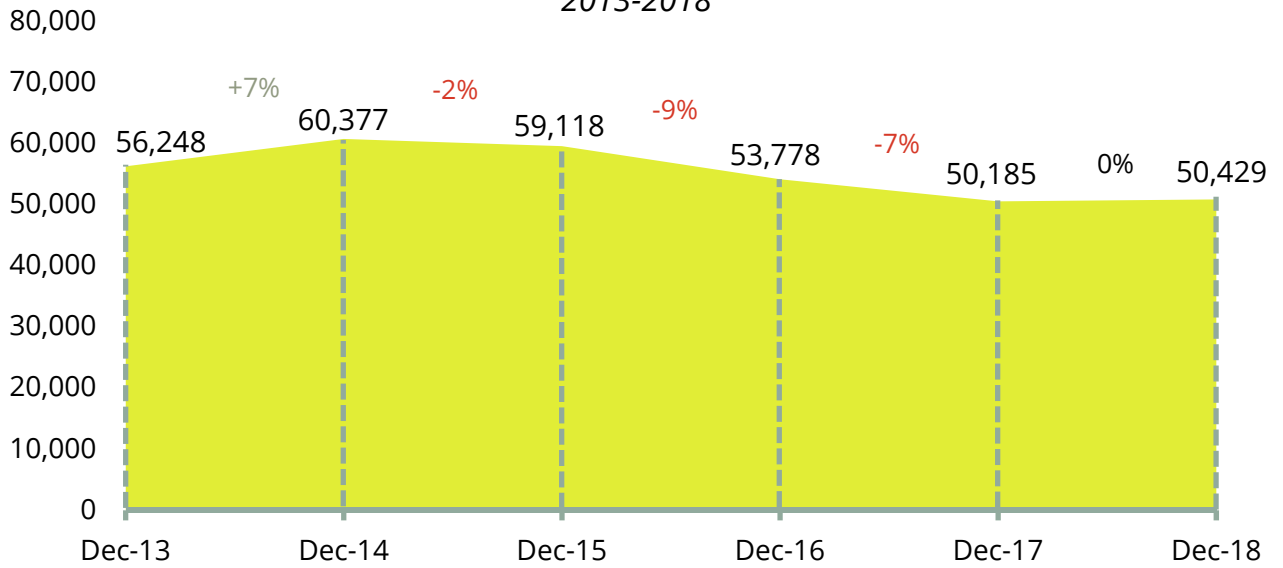


Source: REdatum

## Listings

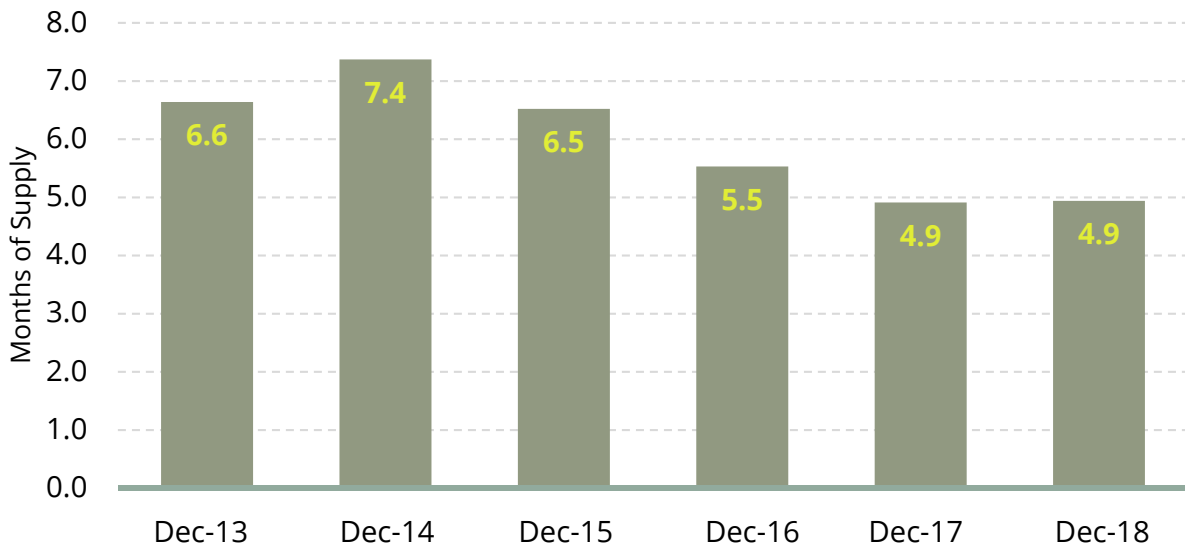
For the fifth consecutive month, the inventory of homes for sale in Virginia increased relative to a year ago. There were 50,429 active listings on the market at the end of December state-wide, 244 more than December 2017, an 0.5% gain. The supply of homes for sale has been trending up for much of the year, and while the growth has been modest, it is a notable departure from the shrinking inventory that has been in decline for several years. If the uptick in listings continues, it could potentially help alleviate some of the upward pressure on home prices. However, even while inventories have begun to increase over the past year, the overall inventory level for the state remains low compared to historical levels.

**Figure 16**  
**End of December Active Listing Inventory, Virginia**  
 2013-2018



Source: REdatum

**Figure 17**  
**Months of Supply (December), Virginia**  
 2014-2019



Source: REdatum

# Outlook

There are several key factors in assessing the future health of the state's housing market. Economic fundamentals—job and wage growth, in particular—are a critical determinant of the demand for housing in the state and for homeownership, in particular. Despite uncertainties about Fed actions and political chaos at the state and national level, it is likely that economic growth in the state of Virginia will continue to be strong in 2019. However, gains across the state will continue to be uneven, with Northern Virginia capturing the lion's share of job growth in the year to come. The major constraint to job growth in the state is a lack of labor. Recent trends in outmigration of the working age population raise concerns about the state's continued ability to attract and retain workers in all of its job markets.

In contrast to discussions in the fall of 2018, the Federal Reserve more recently has indicated that there will be a more patient approach to interest rate increases. It is unlikely that there will be multiple significant hikes in the Federal funds rate though it is very likely that the Fed will raise rates at least once in 2019. As a result, mortgage rates will rise in 2019, but it is unlikely that they will increase much beyond 5%.

The increase in inventories in the state means that would-be buyers have more choices. It may also mean that home price growth may moderate in 2019, though strong demand in particular submarkets will continue to push up prices.

The economic fundamentals continue to be positive; however, uncertainty remains with respect to federal and state policy decisions. It is unclear how much—if any—changes to the federal tax code will effect home buying and selling in Virginia in 2019. The impact might be delayed a year, as more consumers better understand how the changes affect the taxes they pay and what the relative benefits are of taking the new standard deduction versus itemizing deductions, including mortgage interest. Homeowners in high-cost local markets will also know how reductions in local property tax deductions impact their final federal tax liability. At the state level, there is legislation being debated about decoupling the new federal standard deduction from the state standard deduction, but no bill has been passed as of yet.

Therefore, while it is important to continue to watch the legislative activity at the federal and state, the outlook for the overall Virginia housing market will be positive in 2019. Local markets where economic fundamentals are the strongest will see the strongest market activity



The **Virginia REALTORS®** association is the largest professional trade association in Virginia, representing approximately 34,000 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.

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