

Virginia

HOME SALES
REPORT

FEBRUARY 2020

Virginia Home Sales Report

February 2020

Summary

Economic Conditions

- In the first part of 2020, before the impacts of COVID-19, Virginia's economy had been performing well, adding 52,100 jobs.
- Going into March, consumer confidence remained high; however, it is likely these consumer confidence measures will fall this spring.
- The 30-year fixed-rate mortgage averaged 3.65% for the week ending March 19th, up from 3.36% from the previous week and up from the low of 3.29% in the week ending March 5th.

Housing Market Conditions

- There were 7,383 total sales statewide in February 2020, up 5.6% from a year ago. The numbers of home sales were up strongly in the Commonwealth's biggest markets, including the Northern, Central, and Hampton Roads regions.
- In February, the median sales price was \$292,000 statewide, up 8.3% year-over-year. The biggest increase in sales was among those with a closed price of between \$600,001 and \$800,000.
- At the end of February 2020, there was a total of 27,903 active listings across the Commonwealth, down 20.6% compared to the end of February 2019.

Virginia REALTORS® Market Report Key Takeaways

- The country is most likely headed toward an economic downturn, with the impacts of COVID-19 most acutely felt in the 2nd quarter of 2020.
- Low mortgage rates will provide a cushion to the housing market but will unlikely draw a significant number of new buyers into the market.
- Virginia's housing market is strong in the early part of 2020, with robust demand and low inventory. That strength will help mitigate potential impacts of COVID-19.
- The severity and duration of the impacts of COVID-19 are still uncertain. Sales activity likely will slow in the spring; however, the market can rebound in the second half of the year if efforts to mitigate the impacts are effective.

Summary of Virginia's Housing Market Trends & Conditions

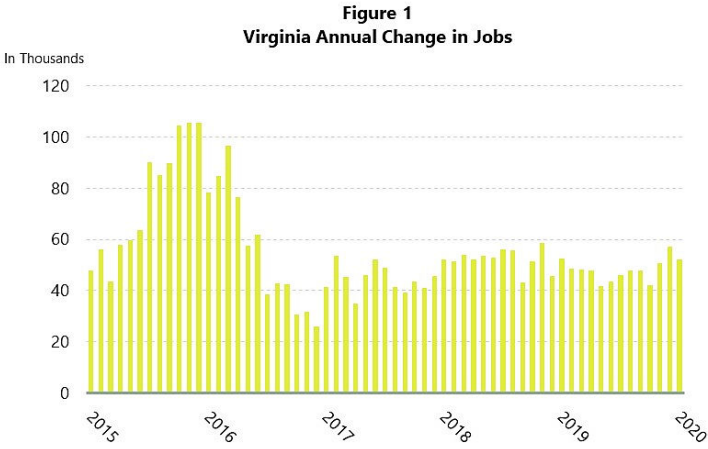
	Feb-19	Feb-20	Change	% Change	YTD 2019	YTD 2020	Change	% Change
Sales	6,589	6,718	129	2.0%	6,589	6,718	129	2.0%
Median Home Price (\$)	275,000	280,000	5,000	1.8%	275,000	280,000	5,000	1.8%
Sales Volume (\$ billions)	2.2	2.6	0.3	15.1%	2.2	2.6	0.3	15.1%
Average Days on Market	64	56	-8.0	-12.5%	64	56	-8.0	-12.5%
Pending Sales	8,287	8,003	-284	-3.4%	8,287	8,003	-284	-3.4%
New Listings	11,685	11,945	260	2.2%	11,685	11,945	260	2.2%
Active Listings (end of the month)*	38,792	28,539	-10,253	-26.4%	38,792	28,539	-10,253	-26.4%
Months of Supply*	3.8	2.7	-1.1	-29.1%	3.8	2.7	-1.1	-29.1%

Source: Virginia REALTORS®, data accessed March 16, 2020

*YTD figures are averages of month-end data over the year.

Economic Overview

Before the impacts of COVID-19, Virginia’s economy had been performing well. While there will undoubtedly be a slowdown in the U.S. and Virginia economies in the weeks to come, it is too early to predict the ultimate magnitude. Between January 2019 and January 2020 (the latest data available), Virginia added an estimated 52,100 new jobs. Over the past five years, the Commonwealth has added an average of 55,000 net new jobs.

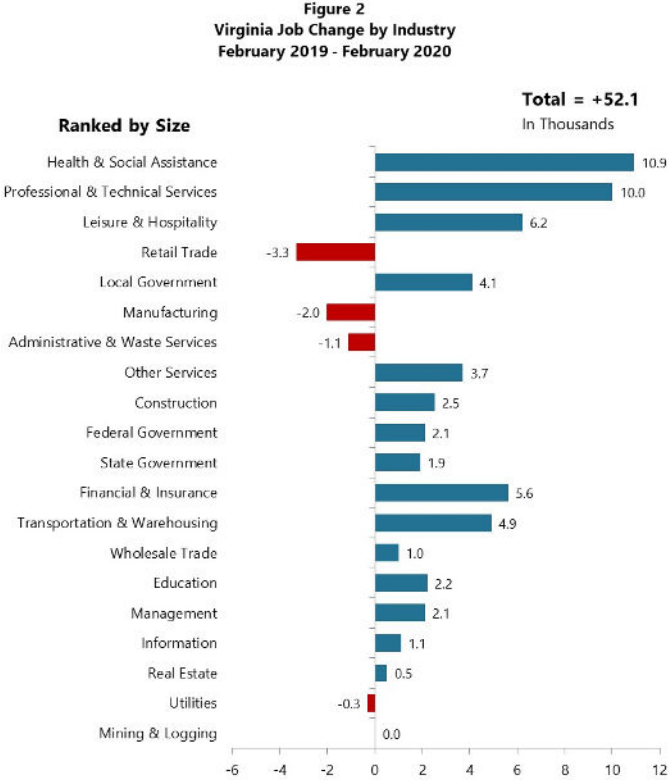


Source: U.S. Bureau of Labor Statistics Not Seasonally Adjusted

Job Change by Industry

In February, there was growth broadly across key sectors of the economy, including the Health Care & Social Assistance (+10,900 jobs), Professional & Technical Services (+10,000 jobs), and Leisure & Hospitality (+6,200 jobs) sectors. There were also strong gains in the Construction (+2,500 jobs) and Financial & Insurance (+5,600 jobs) sectors.

After steady gains for the past year, the Manufacturing sector experienced a dip in jobs, with about 2,000 fewer jobs in February 2020 compared to February 2019. The Retail Trade sector also has continued its long-term contraction.



Source: U.S. Bureau of Labor Statistics, Not Seasonally Adjusted

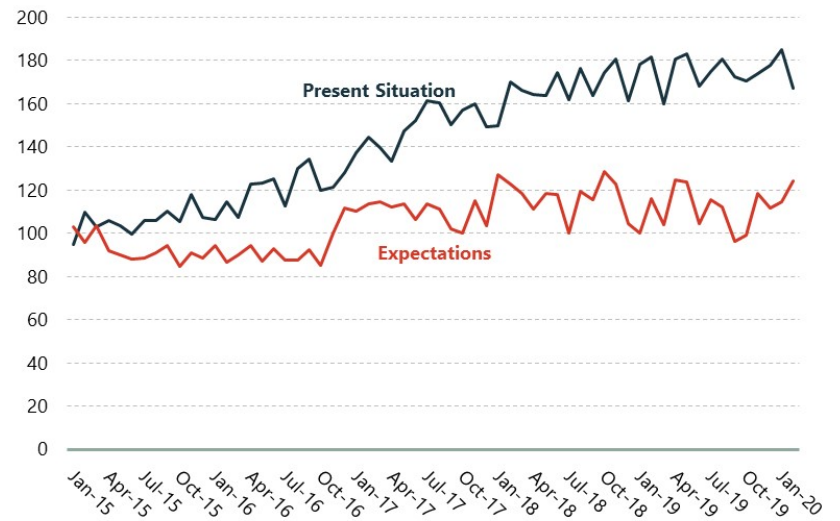
The unemployment rate rose slightly at the beginning of the year, but still remains very low relative to historic trends. The State's unemployment rate was 3.0% in January, up from 2.4% in December. Nationally, the unemployment rate hit 4.0% in January, an increase from 3.4% in December. We are likely to see the unemployment rate—both nationally and across Virginia—increase in the weeks ahead as the economic impact of COVID-19 is realized.

Figure 3
Unemployment Rate



Going into March, consumer confidence remained high; however, as more information on the impacts of COVID-19 are made available, we are expecting these consumer confidence measures to fall this spring. In February, the measure of confidence in current economic conditions was 167.1 while the future index was 124.3. Both measures are considerably above the 100 level, which tends to indicate consumers are optimistic about the economy.

Figure 4
Consumer Confidence
South Atlantic Region



Source: The Conference Board

Consumer confidence is very important to the performance of the housing market; however, consumer confidence can change quickly as news about the global, national, and local economic situations evolve.

On March 15th, the Federal Reserve cut the federal funds rate to 0% as a way to mitigate the economic impacts of COVID-19. The federal funds rate is a short-term interest rate, which does not directly impact the mortgage rate. The 30-year fixed mortgage rate is more directly impacted by long-term Treasury yields. Other factors, importantly capacity of lenders, also influences mortgage rates.

The 30-year fixed-rate mortgage averaged 3.65% for the week ending March 19th, up from 3.36% from the previous week and up from the low of 3.29% in the week ending March 5th. Mortgage rates will probably continue to decline as a result of continued downward movement in the 10-year Treasury yield, as well as the purchase of mortgage-backed securities (MBS) by the Federal Reserve.

Low mortgage rates tend to be a positive for the housing market, making it relatively less expensive to borrow for a home purchase. However, the main factor that has been keeping potential home buyers out of the market has been an insufficient supply of homes. In addition, economic uncertainties will also be front of mind of potential buyers and sellers in the weeks to come. So, while low mortgage rates will continue to be a positive for the market, there are other economic factors that will be important to take into account.

Figure 5
Mortgage Interest Rates
Weekly, Not Seasonally Adjusted

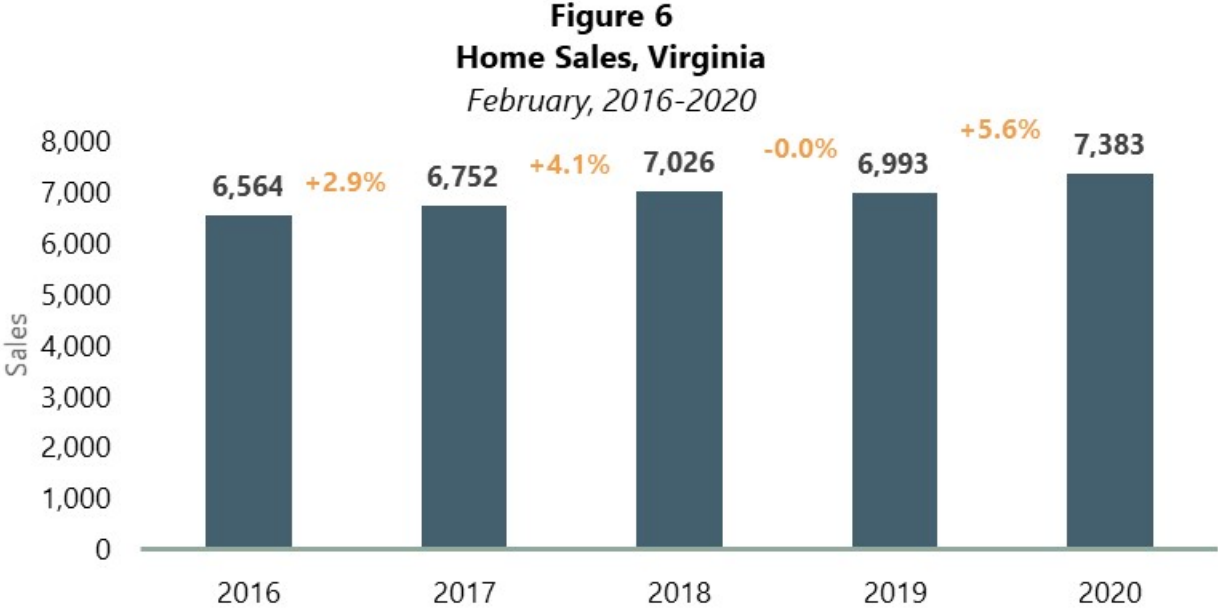


Source: Freddie Mac

Housing Market Overview

Sales

As we begin to watch potential impacts of COVID-19, data from February indicate that the housing market has been strong in the first part of 2020. There were 7,383 total sales statewide in February 2020, up 5.6% from a year ago.

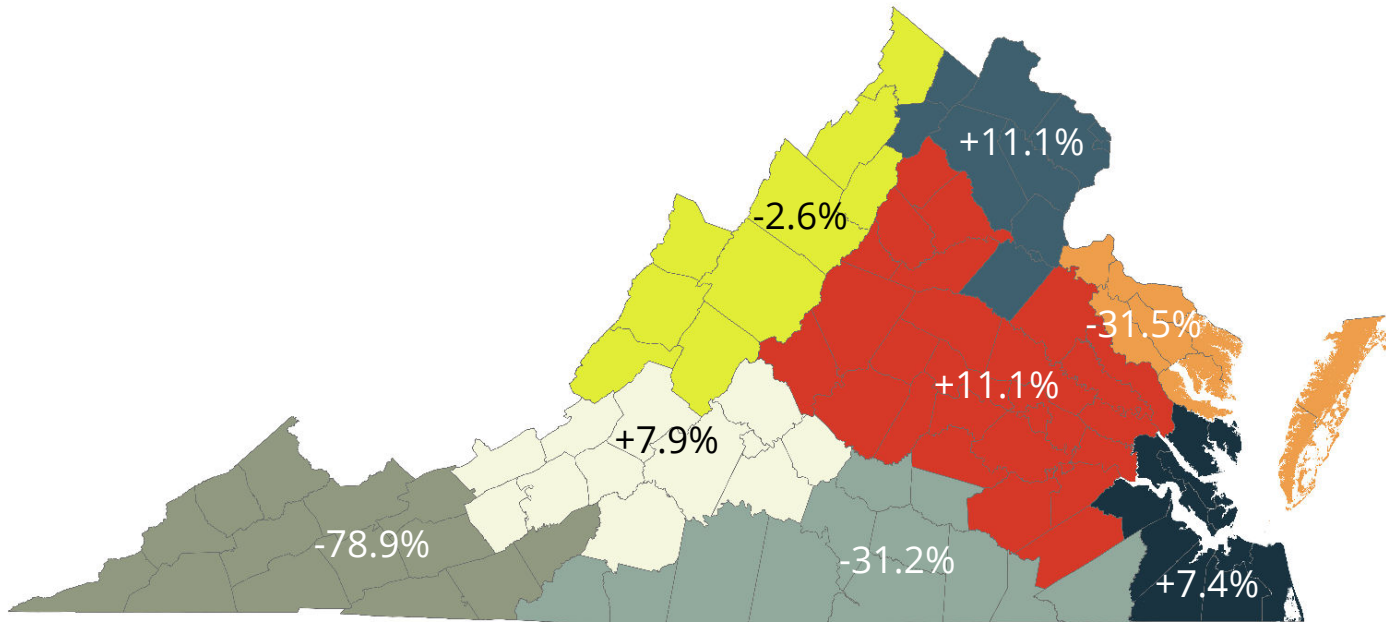


Source: Virginia REALTORS®, data accessed March 16, 2020

The numbers of home sales were up strongly in the Commonwealth’s biggest markets. Sales were up 11.1% in both the Northern and Central Virginia markets, and the increase was 7.4% in Hampton Roads. The strong sales growth in the Northern region is particularly noteworthy since sales have been trending flat in recent months. However, some of the impact in Northern Virginia reflects the slower sales activity in February 2019 as a result of the Federal government shutdown.

Sales activity was down in the Eastern, Southside, and Southwest regions. In smaller markets, this type of monthly sales fluctuating is not atypical. However, sales activity has been slower in these smaller markets for several months in a row.

Figure 7
Change in Sales by Region
February 2019 to February 2020



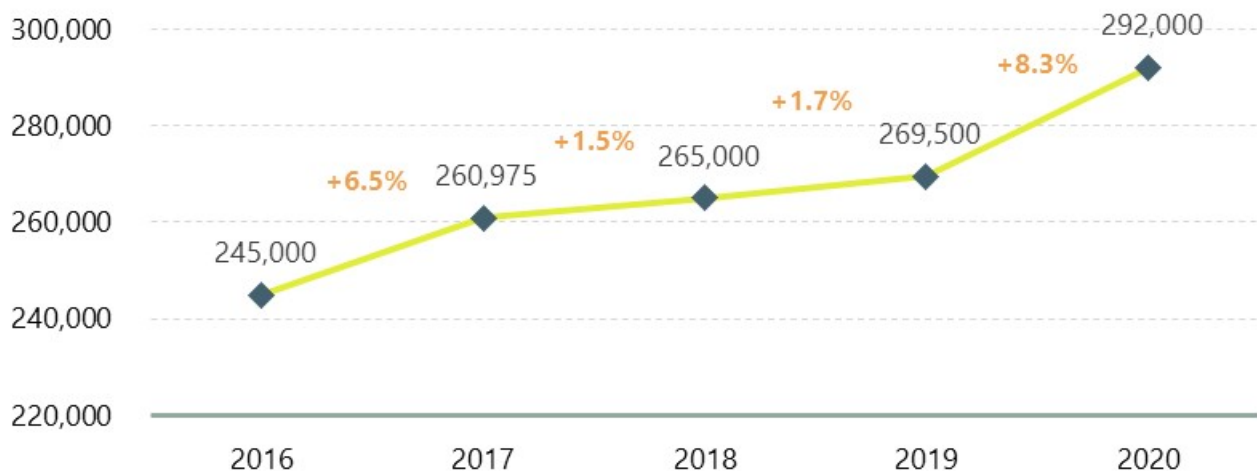
<i>Region</i>	<i>Feb-19</i>	<i>Feb-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>% Change</i>
Central	1,477	1,641	11.1%	2,910	3,188	9.6%
Eastern	149	102	-31.5%	273	217	-20.5%
Hampton Roads	1,821	1,955	7.4%	3,406	3,614	6.1%
Northern	2,323	2,582	11.1%	4,818	4,865	1.0%
Southside	138	95	-31.2%	312	220	-29.5%
Southwest	123	26	-78.9%	217	77	-64.5%
Valley	389	379	-2.6%	724	819	13.1%
West Central	557	601	7.9%	1,065	1,190	11.7%

Source: Virginia REALTORS®, data accessed March 16, 2019

Home Prices

Home prices have been steadily on the rise in Virginia for several years. In February, prices jumped 8.3% year-over-year, with an increase from \$269,500 in February 2019 to \$292,000 in February 2020. The upward trend in prices is driven by strong demand in the State, coupled with low and declining inventories. In many markets across the Commonwealth, prices have reached back to peak prices experienced in 2005 and 2006. However, there are no signs of a housing bubble, but rather prices are reflecting fundamentals in local markets.

Figure 8
Median Sale Price, Virginia
February, 2016-2020



Source: Virginia REALTORS®, data accessed March 16, 2020

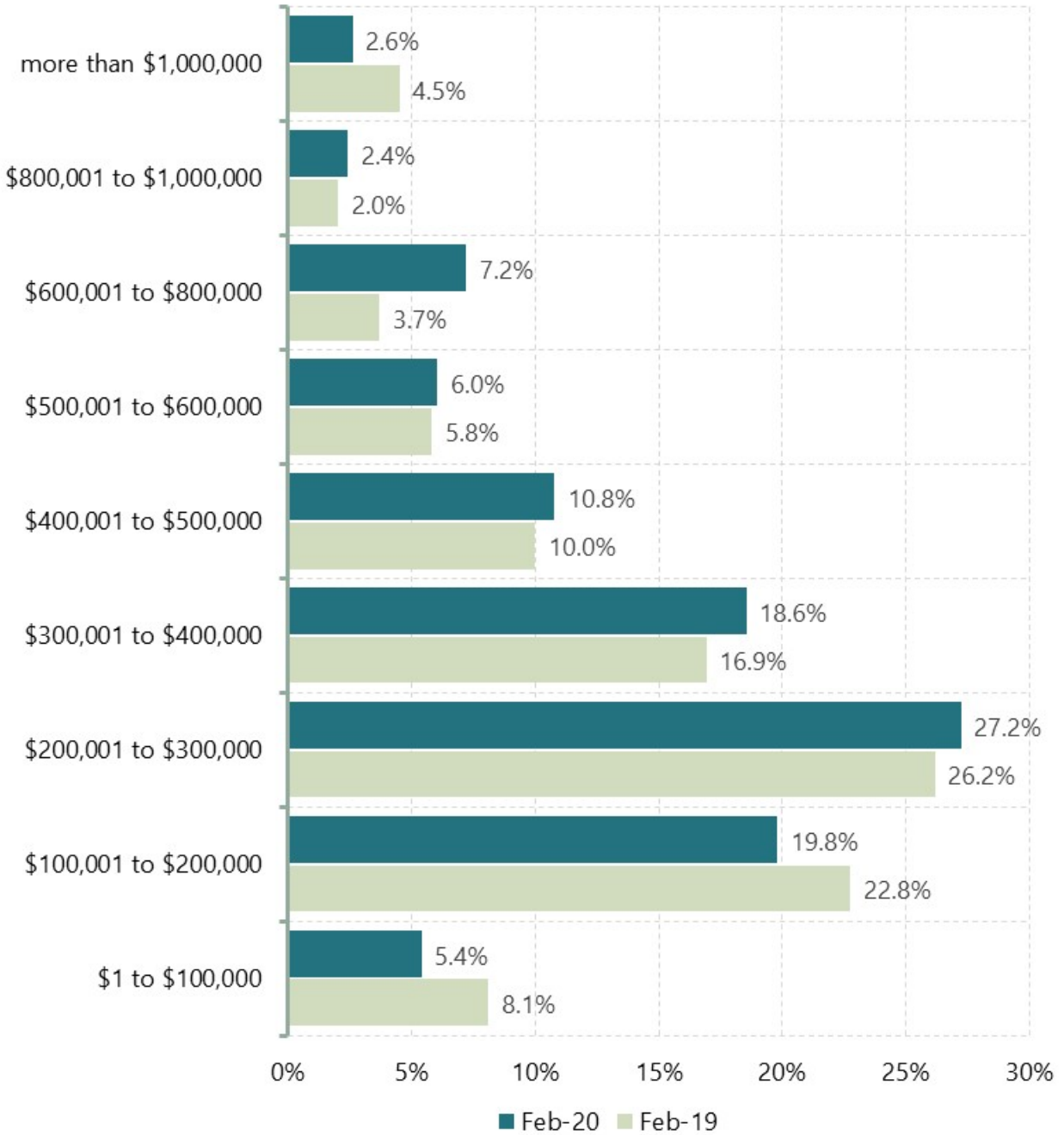
A quarter (25.2%) of homes sold in Virginia in February 2020 sold for \$200,000 or less. There have been steady declines in homes sold in this lower price level. Between February 2019 and February 2020, the number of homes sold for \$200,000 or less declined by 15.5% even as the overall number of sales increased by 5.6%.

The biggest increase in sales was among those with a closed price of between \$600,001 and \$800,000. In February 2019, homes sold in this price range accounted for 3.7% of all sales during the month. In February 2020, the share had increased to 7.2% of all sales. Part of this shift is due to the markets in the State with the strongest growth in sales, namely in the Northern and Central regions of the State, where home prices are higher.

Home prices were up strongly in most regions across the State, though there was a lot of variation. In the Northern region, the median sales price was up 10.7% in February 2020

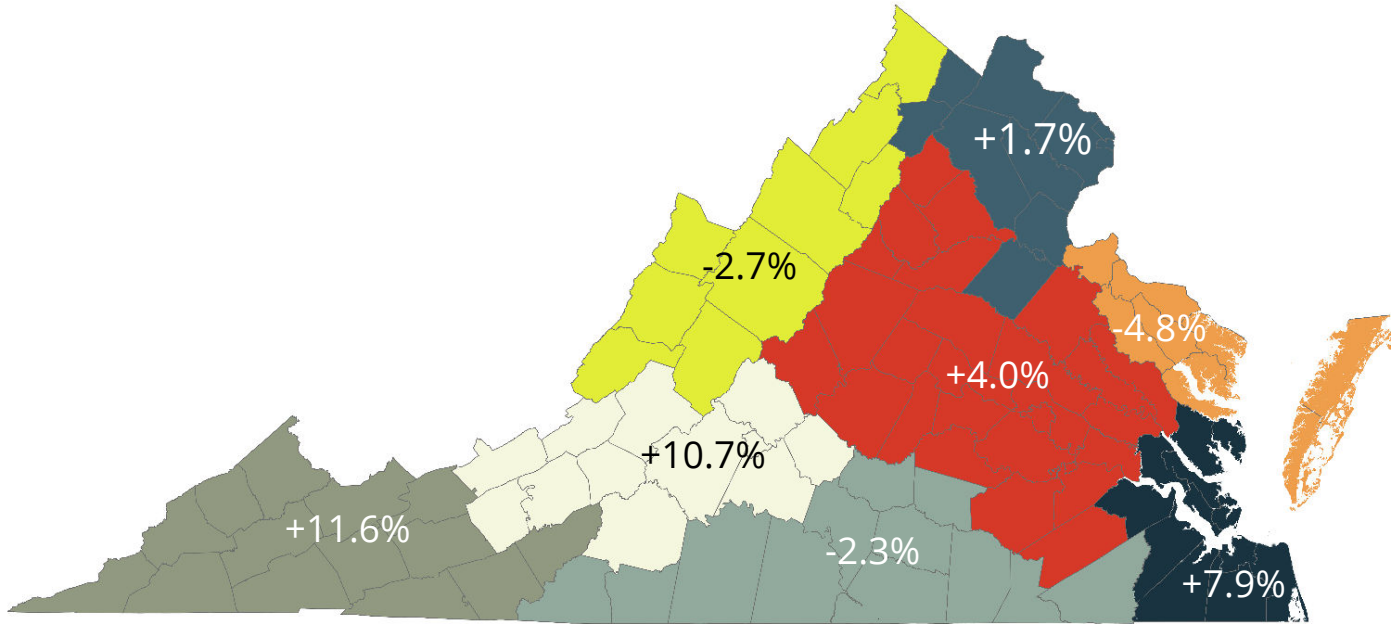
compared to February 2019. In the Central and Hampton Roads regions, the increases were 8.1% and 6.7%, respectively.

Figure 9
Sold Prices by Price Range, Virginia
February, 2020 and 2019



Source: Virginia REALTORS®, data accessed February 16, 2020

Figure 10
Change in Median Sales Price by Region
February 2019 to February 2020



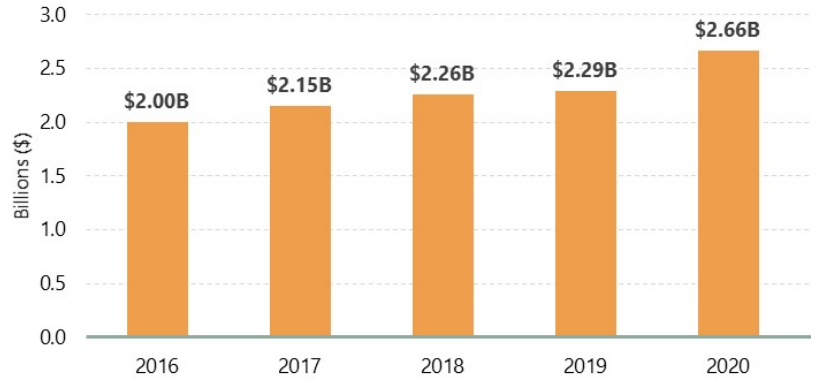
<i>Region</i>	<i>Feb-19</i>	<i>Feb-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>Change</i>
Central	58	54	-3	56	56	-1
Eastern	149	170	21	157	160	3
Hampton Roads	64	56	-8	65	58	-8
Northern	42	33	-8	44	36	-8
Southside	197	132	-65	188	133	-55
Southwest	203	116	-87	188	134	-54
Valley	84	75	-8	86	70	-15
West Central	77	61	-17	78	60	-18

Source: Virginia REALTORS®, data accessed March 16, 2019

Sold Volume

In February 2020, the total sold dollar volume in Virginia was \$2.66 billion, an increase of 16.2% over a year ago. There has been steady growth in sold dollar volume in the Commonwealth, largely driven by steady growth in both sales and median prices across Virginia. However, growth in total sold volume also reflects variations year-to-year in the local markets with the strongest sales activity. In particular, strong growth in the Northern regional market helped drive volume growth.

Figure 11
Sold Dollar Volume, Virginia
February, 2016-2020

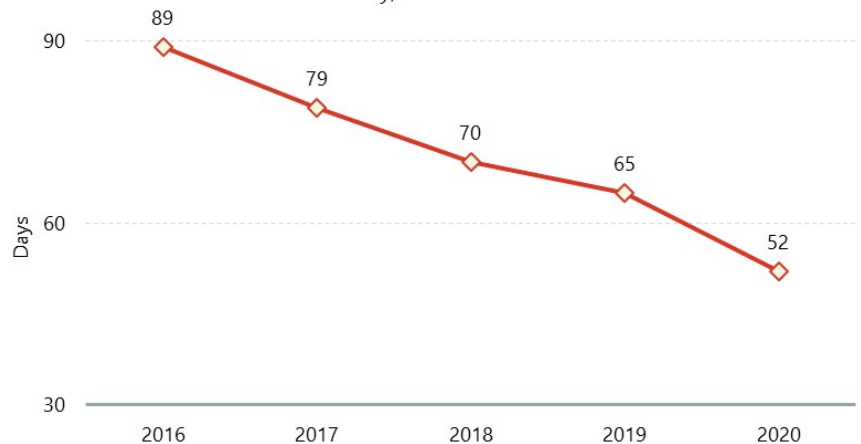


Source: Virginia REALTORS®, data accessed March 16, 2020

Days on Market

Homes in Virginia continue to sell more quickly, reflecting strong buyer demand. In February 2020, homes sold in an average of 52 days, down nearly two weeks from February 2019. By contrast, in February 2016, it took nearly three months, on average, to sell a home.

Figure 12
Average Days on Market, Virginia
February, 2016-2020



Source: Virginia REALTORS®, data accessed March 16, 2020

Homes sold faster in all regions across the Commonwealth, with the exception of the Eastern region.

Figure 13
Change in Average Days on Market by
Region

February 2019 to February 2020

<i>Region</i>	<i>Feb-19</i>	<i>Feb-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>Change</i>
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Source: Virginia REALTORS®, data accessed March 16, 2019

Pending Sales

Pending sales are the number of homes that went under contract in a given month but did not yet go to closing. Trends in pending sales can be a leading indicator for future home sales one or two months out. In February, there were 9,496 pending sales, up 216, or 2.3%, compared to February 2019. The pending sales numbers will be closely watched to gauge the trajectory of the housing market in the midst of COVID-19.

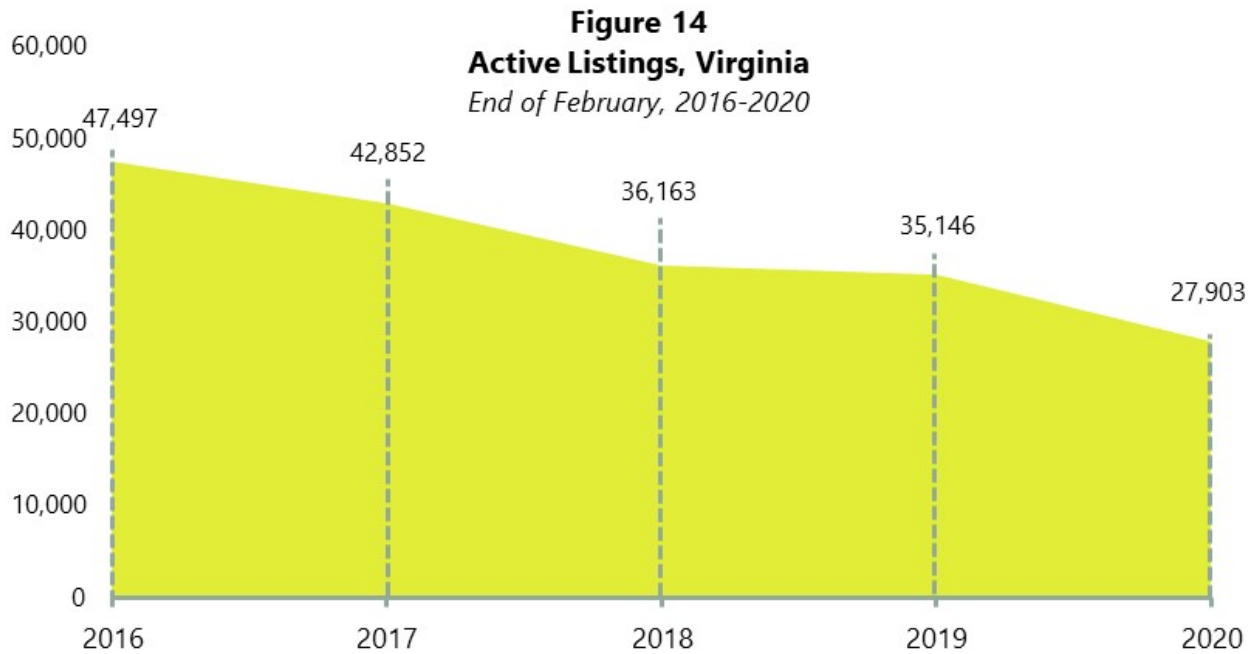
New Listings

New listings are critical for helping to expand options for would-be buyers. There were 12,789 new listings brought to the market in February 2020, which is 317, or 2.5% more, than what was added to the inventory in February 2019. Even as listings increase modestly, homes continue to sell even faster, which means that overall active inventories continue to fall.

Active Listings

The availability of homes for sale continues to fall at unprecedented rates, with no indications of a turnaround, or even a levelling off. The potential impact of COVID-19 remains to be seen, and right now it is not possible to predict which inventories will move in the coming weeks.

At the end of February 2020, there was a total of 27,903 active listings across the Commonwealth, down 20.6% compared to the end of February 2019. The available inventory at the end of February is just 58% of the level available five years ago, at the end of February 2016.



Source: Virginia REALTORS®, data accessed March 16, 2020

Figure 15
Months of Supply, Virginia
End of February, 2016-2020



Source: Virginia REALTORS®, data accessed March 16, 2020

The level of inventory, as measured by months of supply, has continued to fall. At the end of February 2020, there was an estimated 2.64 months of supply Statewide, though in some local markets, inventories are even tighter, with less than a month's supply. The months of supply statistic is calculated by taking the average monthly sales over the preceding 12-month period and dividing it by the inventory of active listings. Historically, a supply below five or six months has tended to favor sellers rather than buyers. While there are variations across the state, both in terms of inventory and months of supply, most markets continued to be very soundly sellers' markets.

Outlook

Indicators for Virginia's economy and housing market were all positive through February. This spring, however, as the impacts of COVID-19 are felt globally and across the U.S., the economy will likely enter into recession. Virginia has tended to be relatively insulated from economic downturns as a result of its reliance on the Federal government, but many workers, including those in the restaurant, retail, and hotel sectors, could be most adversely impacted.

The strength in local housing markets, fueled by strong demand, can help to cushion Virginia from a downturn in the housing market. While sales activity likely will slow in the spring, the market can rebound and regain those lost sales later in the year, if the current efforts to control the coronavirus are effective. In addition, there is unlikely to be a major negative impact on home prices this spring, as demand has been strong, and supply is limited.



The Virginia REALTORS® association is one of the largest professional trade associations in Virginia, representing 35,000 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.

NOTE: The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict code of ethics.

All inquiries regarding this report may be directed to:

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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.