

Virginia

HOME SALES
REPORT

MARCH 2020

Virginia Home Sales Report

Updated April 28, 2020

March 2020

Summary

Economic Conditions

- In the first part of 2020, before the impacts of COVID-19, Virginia's economy had been performing well, adding 63,400 jobs in February.
- However, unemployment has spiked, with more than 400,000 Virginians applying for unemployment benefits in March.
- In March, consumers' confidence about future economic conditions dipped into pessimistic territory.
- Mortgage rates were quite volatile in March, as a result of actions by the Federal Reserve and the escalating economic crisis.

Housing Market Conditions

- There were 10,512 total sales statewide in March 2020, up 8.0% from a year ago. Home sales were up strongly in the Commonwealth's biggest markets, including the Northern, Central and Hampton Roads regions.
- In March, the median sales price was \$305,000 statewide, up 8.7% year-over-year. Compared to a year ago, there were more sales in higher price ranges, particularly among homes priced \$800,001 or above.
- Pending sales were down 11.6% in March, reflecting the looming economic and market slowdown
- At the end of March 2020, there was a total of 29,113 active listings throughout Virginia, down more than 7,000 compared to the end of March 2019.

Virginia Realtors® Market Report Key Takeaways

- Virginia and the rest of the country are in the midst of an unprecedented public health crisis, which is leading to a significant economic downturn.
- Challenges with mortgage liquidity have led to higher rates and stricter lending standards for some borrowers.
- Strong sales and price growth in March were tempered by a drop in pending sales and a slowdown in new listings.
- Strong economic fundamentals in Virginia should help the Commonwealth weather the COVID-19 pandemic better than some other places

Summary of Virginia's Housing Market Trends & Conditions

	Mar-19	Mar-20	Change	% Change	YTD 2019	YTD 2020	Change	% Change
Sales	9,736	10,512	776	8.0%	23,617	25,223	1,606	6.8%
Median Home Price (\$)	280,700	305,000	24,300	8.7%	277,000	290,000	13,000	4.7%
Sales Volume (\$ billions)	3.4	3.9	0.6	16.4%	8.0	9.1	1.1	13.5%
Average Days on Market	56	47	-9.0	-16.1%	61	53	-8.0	-13.1%
Pending Sales	12,334	10,909	-1,425	-11.6%	29,901	29,694	-207	-0.7%
New Listings	17,116	16,096	-1,020	-6.0%	41,262	40,992	-270	-0.7%
Active Listings (end of the month)*	36,531	29,113	-7,418	-20.3%	36,823	28,518	-8,305	-22.6%
Months of Supply*	3.6	2.7	-0.9	-24.8%	3.6	2.7	-0.9	-24.8%

Source: Virginia REALTORS®, data updated April 28, 2020.

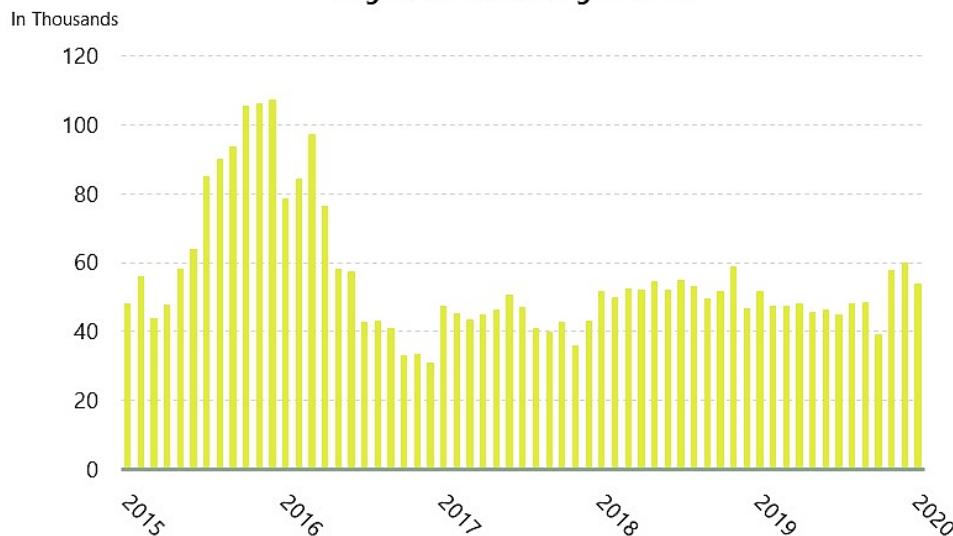
*YTD figures are averages of month-end data over the year.

Economic Overview

The COVID-19 outbreak is impacting both the U.S. and global economy. The extent and duration of the economic downturn is uncertain. But what is clear is that Virginia's economy was performing very well going into the current crisis. That relatively strong economic position will help Virginia's economy and housing market rebound once the the pandemic eases.

Between February 2019 and February 2020 (the latest data available), Virginia added an estimated 63,400 new jobs. While job growth has been strong for years, the pace of job growth accelerated in the Commonwealth during the first two months of 2020. Economic growth in Virginia has been broad-based, with job gains in the Health Care & Social Assistance, Professional & Technical Services, Construction and Leisure & Hospitality sectors.

Figure 1
Virginia Annual Change in Jobs



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

The unemployment rate in Virginia has been declining steadily for several years and has historically been below the U.S. rate. In February 2020, the State's unemployment rate was 2.6%, down from the rate in January and nearly a percentage point below the U.S. unemployment rate.

However, unemployment across the country has escalated dramatically as a result of COVID-19. During the four weeks between March 21 and April 11, more than 400,000 Virginians filed for unemployment benefits. The unprecedented spike in initial unemployment claims comes as businesses are laying off or furloughing workers as economic conditions worsen.

Workers in the Food Services industries (i.e. restaurants and bars) have been hardest hit by the first wave of job losses. Other hard-hit industries have been the Retail Trade, Construction and Administrative Support sectors. However, workers across economic sectors are feeling the financial impact.

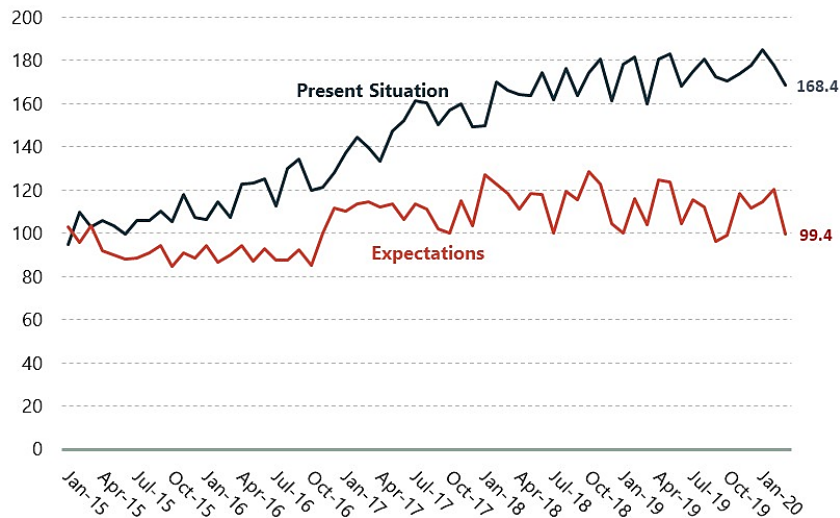
Figure 3
Weekly Initial Unemployment Claims
Through April 11, 2020
Virginia



Source: U.S. Department of Labor

Consumer confidence is strongly tied to economic conditions. Measures of consumer confidence can also help predict where the economy might be heading. Through February 2020, consumer confidence remained high in the South Atlantic region of the U.S. In March, consumers still felt confident about their current economic situations. However, there is growing evidence of economic uncertainty. The measure of confidence in future economic conditions fell to below 100 in March. Measures below 100 tend to indicate pessimism in economic conditions.

Figure 4
Consumer Confidence
South Atlantic Region



Source: The Conference Board

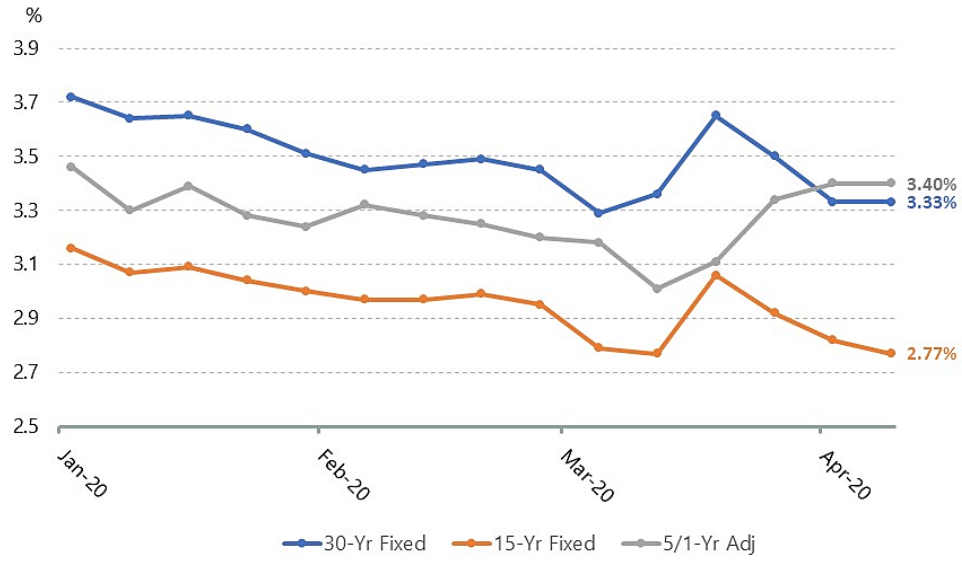
As a result of the COVID-19 pandemic, the Federal government has taken several steps designed to help lower interest rates and to mitigate the impact on families and businesses. However, given the way the mortgage market operates, some of these actions also have had unintended consequences.

Beginning in mid-March, the Federal Reserve began buying Mortgage Backed Securities (MBS) in order to lower mortgage rates. The actions by the Federal Reserve did, indeed, lower rates, briefly. However, there are many other factors driving rates, including demand in the secondary market, servicing value (i.e. the income the servicer receives for managing payment collections, tax and insurance payments, etc.) and the overall credit quality of the loan. Mortgage rates have been incredibly volatile, and borrowers may have trouble locking in a rate or may find rates higher than they expected.

In addition, there are growing concerns about liquidity in the mortgage market. One result has been a tightening of lending requirements, including increased credit score and downpayment requirements, and additional employment verifications.

The 30-year fixed-rate mortgage averaged 3.33% for the week ending April 9th, lower than the rate two weeks earlier, but about the same as the rate a month earlier. Even with the increased volatility, rates remain about three-quarters of a percentage point lower than last year at this time.

Figure 5
Mortgage Interest Rates
Weekly, Not Seasonally Adjusted



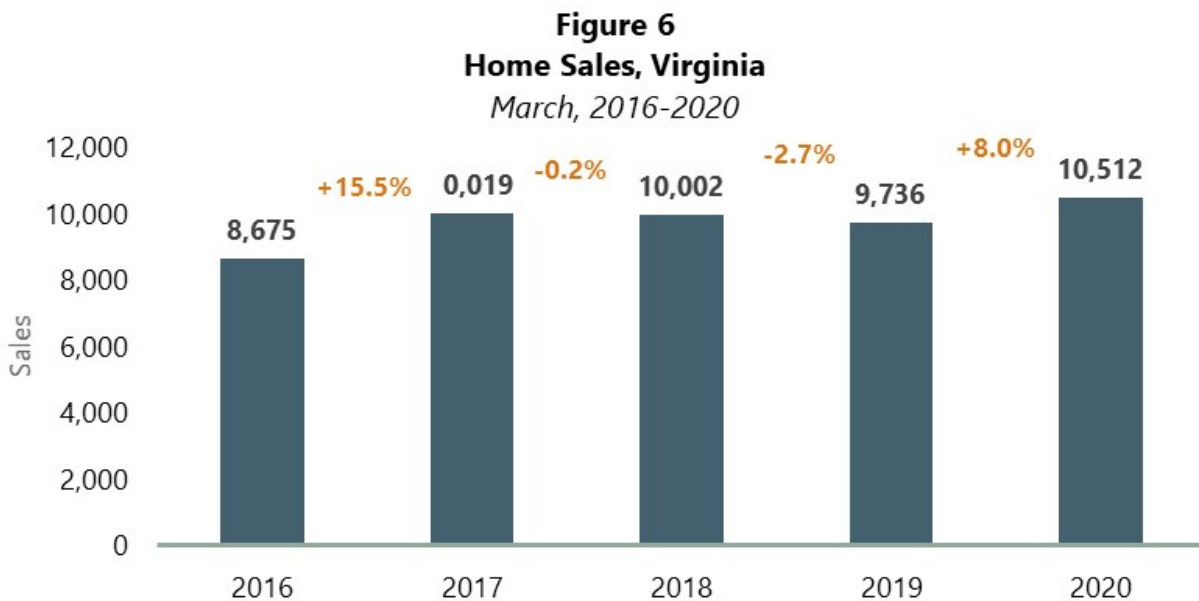
Source: Freddie Mac

Housing Market Overview

Heading into spring, Virginia's housing market was fast paced, with strong demand and low inventory. Most of the housing market data for March do not reflect negative impacts of COVID-19. However, there are some early signs to indicate a slowdown is on the way.

Sales

The number of closed sales was up in March, reflecting strong underlying fundamentals in the market early this year. There were 10,512 total home sales statewide, which is up 8.0% from March 2019. There is typically a bump in sales in March, which usually defines the beginning of the spring housing market. This year was no different, with an uptick in sales between February and March of 30%.

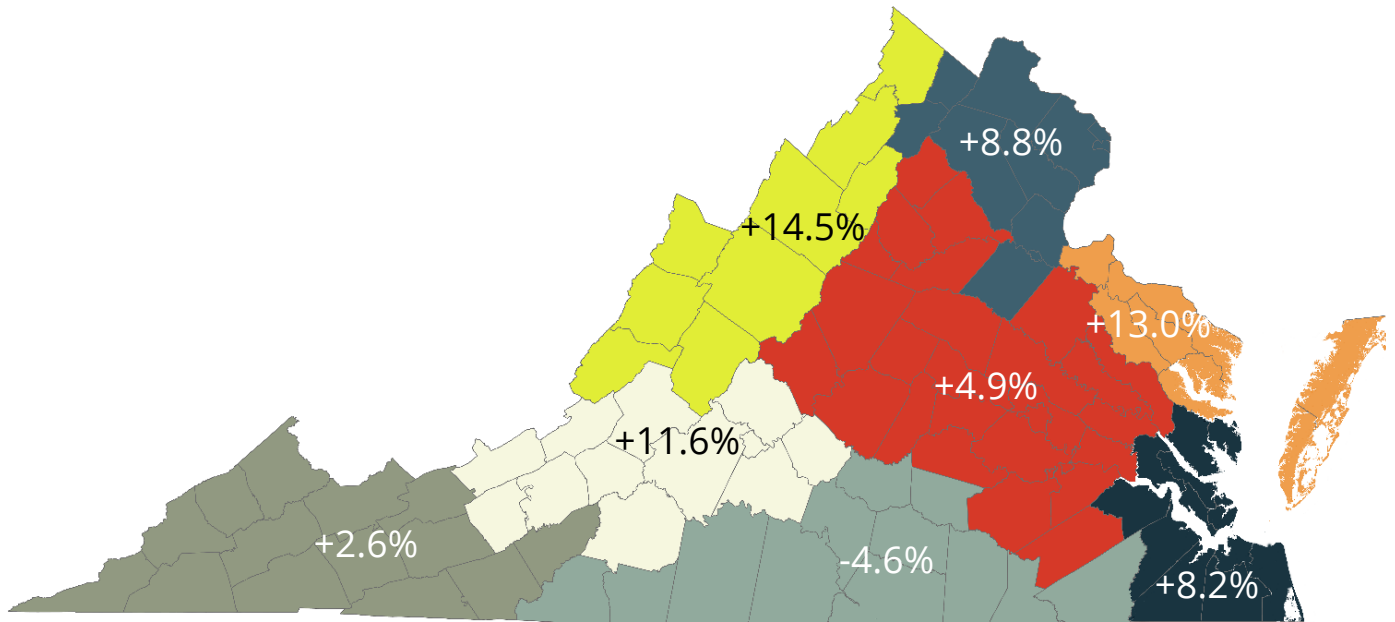


Source: Virginia REALTORS®, data updated April 28, 2020

March sales were up strongly in the Commonwealth's biggest markets, reflecting strong demand in early 2020. The relatively large bump in sales is also a result of slightly lower sales in March 2019, when the Federal government shutdown had slowed new contracts on homes. The number of sales in the Northern region was up 8.8% in March. In the Hampton Roads region, sales were up 8.2%, and in the Central Virginia region, sales increased by 4.9% between March 2019 and March 2020.

There was double-digit growth in sales in the Eastern, Valley and West Central region; sales activity was down in the Southside region.

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



<i>Region</i>	<i>Mar-19</i>	<i>Mar-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>% Change</i>
Central	2,166	2,273	4.9%	5,088	5,466	7.4%
Eastern	185	209	13.0%	457	508	11.2%
Hampton Roads	2,329	2,520	8.2%	5,733	6,154	7.3%
Northern	3,447	3,750	8.8%	8,381	8,652	3.2%
Southside	218	208	-4.6%	528	558	5.7%
Southwest	151	155	2.6%	368	438	19.0%
Valley	456	522	14.5%	1,191	1,350	13.4%
West Central	784	875	11.6%	1,870	2,093	11.9%

Source: Virginia REALTORS®, data updated April 28, 2020

Home Prices

Across Virginia, home prices continue to rise. In March 2020, the median sales price statewide was \$305,000, an increase of 8.7% over the median sales price in March 2019. The upward trend in prices has been driven by strong demand through early 2020, 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; instead, March prices reflect fundamentals in local markets.

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



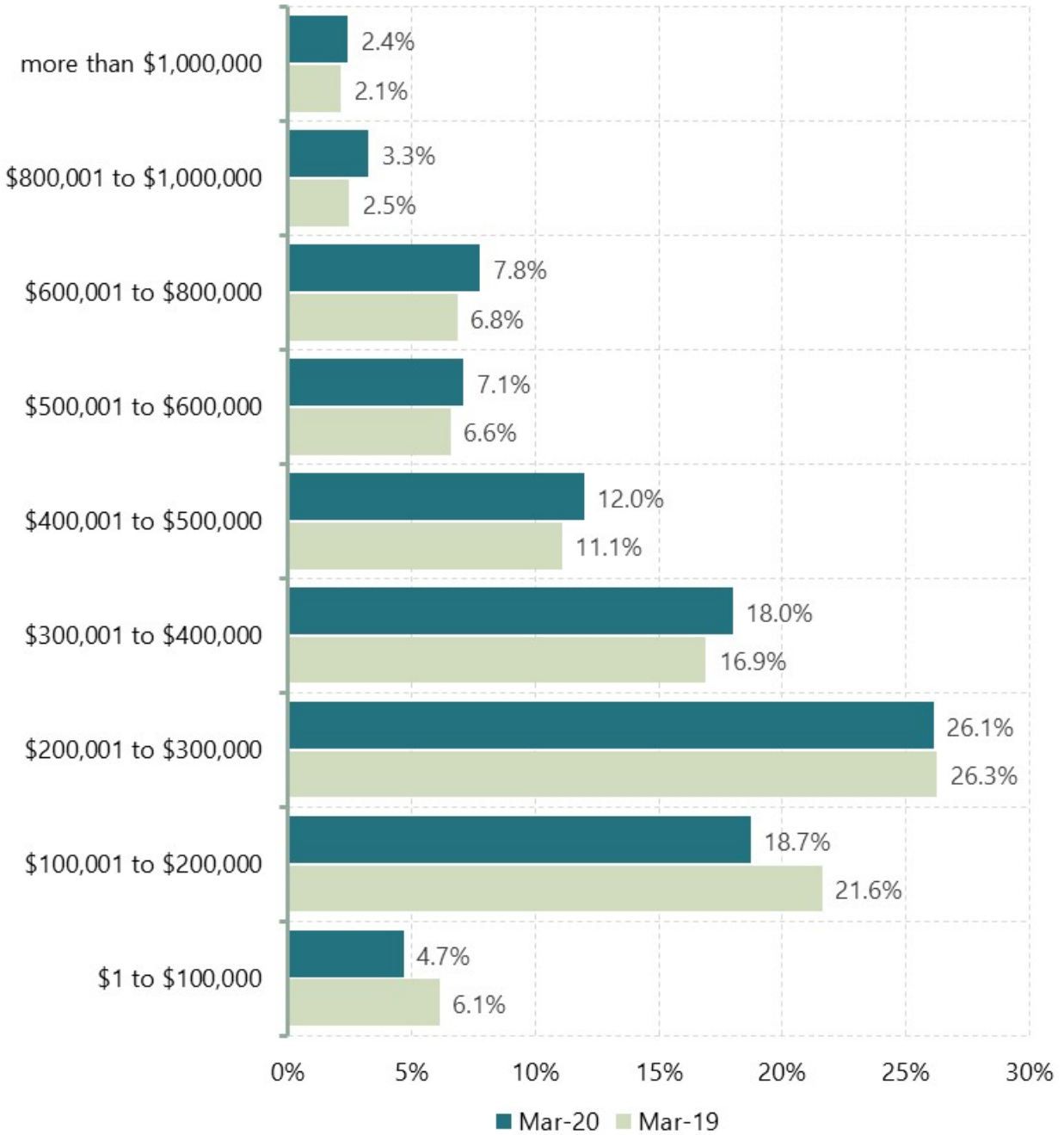
Source: Virginia REALTORS®, data updated April 28, 2020

Compared to last March, there were far more higher-priced sales in March 2020. About a third (32.5%) of home sales in March 2020 had closed prices of more than \$400,000, compared to 29.1% of homes sold in March 2019. The biggest increase was among homes priced above \$800,000, with sales in this price range increasing by 31.0% between March 2019 and March 2020. Part of this shift is due to the markets in the State with the strongest growth in sales, particularly the Northern Virginia region, where home prices are higher.

Lower-priced homes declined as a share of home sales. In March 2020, 23.4% of home sales were priced at \$200,000 or less. In March 2019, that share was higher, at 27.7%.

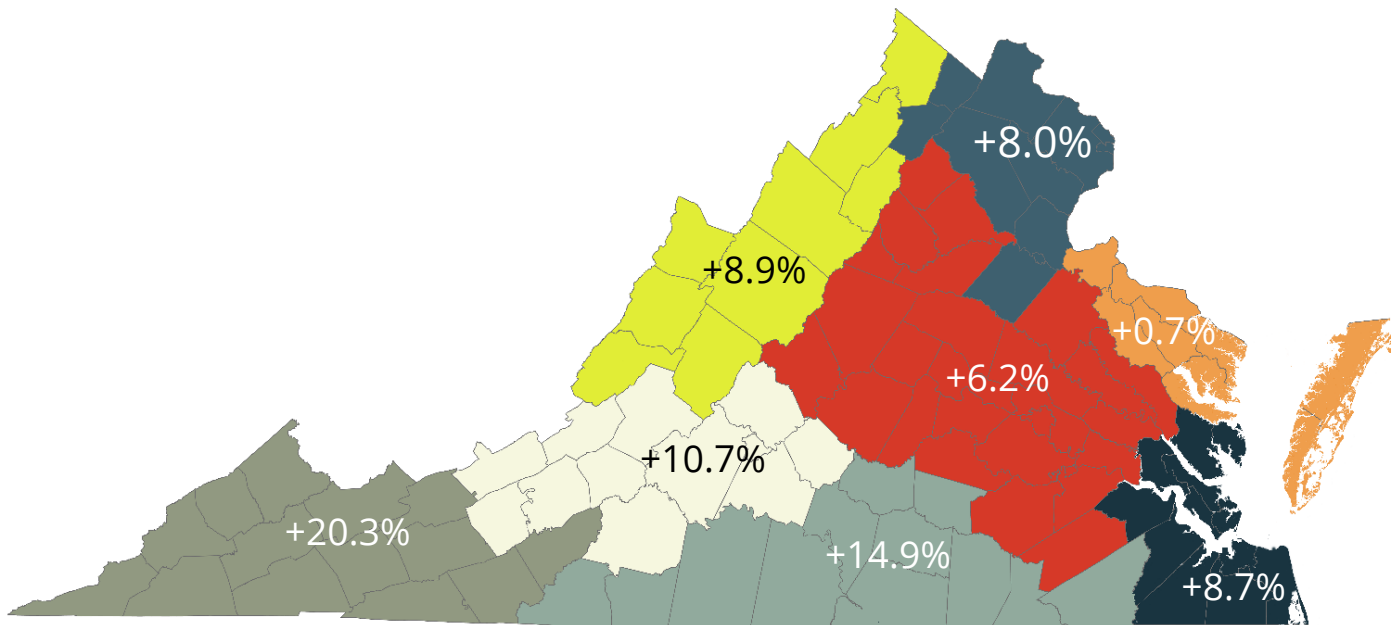
Home prices were up in most local markets across the State. The biggest gain was in the Southwest region (+20.3%). Other smaller markets also had double-digit price growth in March, including the West Central and Southside regions. Median sales prices increased by 8.7% in the Hampton Roads region, by 8.0% in the Northern region, and by 6.2% in the Central region.

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



Source: Virginia REALTORS®, data updated April 28, 2020

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



<i>Region</i>	<i>Mar-19</i>	<i>Mar-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>% Change</i>
Central	259,000	275,000	6.2%	250,000	264,950	6.0%
Eastern	226,000	227,500	0.7%	216,000	219,000	1.4%
Hampton Roads	230,000	250,000	8.7%	228,375	242,987	6.4%
Northern	439,900	475,000	8.0%	429,990	454,948	5.8%
Southside	101,850	117,000	14.9%	113,500	112,250	-1.1%
Southwest	120,000	144,400	20.3%	127,250	138,900	9.2%
Valley	214,450	233,500	8.9%	209,900	225,000	7.2%
West Central	180,625	199,900	10.7%	178,700	195,000	9.1%

Source: Virginia REALTORS®, data updated April 28, 2020

Sold Volume

In March 2020, the total sold dollar volume in Virginia was \$3.91 billion, an increase of 16.4% 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
March, 2016-2020

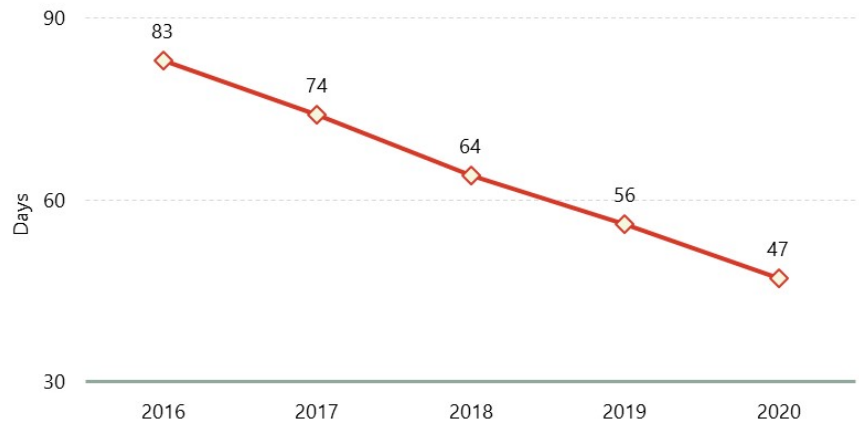


Source: Virginia REALTORS®, data updated April 28, 2020

Days on Market

Across Virginia, homes continue to sell much faster each month, which is another indicator of the strong demand and low supply early in 2020. In March 2020, homes sold in an average of 47 days statewide, which is 9 days faster than a year ago.

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



Source: Virginia REALTORS®, data updated April 28, 2020

Homes sold faster in all regions across the Commonwealth. On average, homes sold most quickly in the Northern part of Virginia (25 days), while it took longest for homes to sell in the Southwest region (178 days).

Figure 13
Change in Average Days on Market by
Region
March 2019 to March 2020

<i>Region</i>	<i>Mar-19</i>	<i>Mar-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>Change</i>
Central	52	45	-7	55	51	-3
Eastern	139	149	10	150	173	23
Hampton Roads	61	47	-14	63	53	-10
Northern	32	25	-7	39	31	-8
Southside	182	156	-26	185	149	-36
Southwest	153	178	25	174	174	0
Valley	74	73	-1	81	71	-10
West Central	72	60	-12	76	60	-16

Source: Virginia REALTORS®, data updated April 28, 2020

Pending Sales

Pending sales are the number of homes that went under contract in a given month but had not yet gone to closing. Trends in pending sales can be a leading indicator for future home sales one or two months out. March closed sales figures were strong and did not reflect the impact of COVID-19. Pending sales, on the other hand, can help understand how buyers and sellers are reacting to the stay-at-home order and the economic downturn.

At the end of March, there were 10,909 pending sales, down 1,425, or down 11.6%, compared to March 2019. March tends to be the start of the spring market, with significantly more homes going under contract than in February. However, this year, the number of pending sales in March was only slightly higher than the February pending sales number. The pending sales numbers will be closely watched to gauge the trajectory of the housing market in the midst of the COVID-19 outbreak.

New Listings

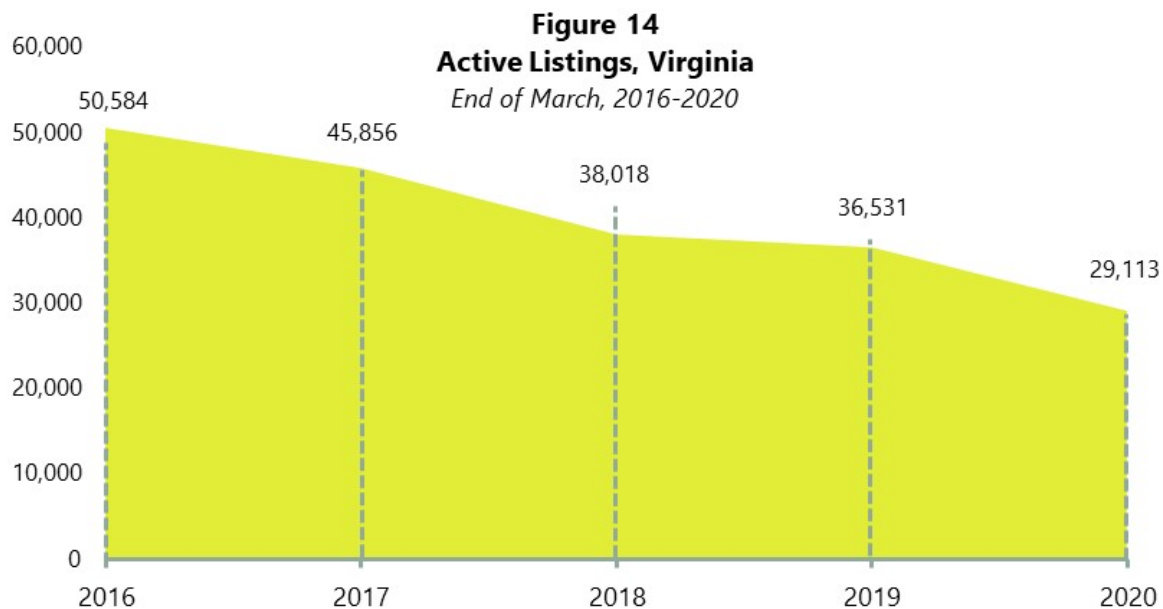
The number of new listings being brought to market is also an important gauge of the impact COVID-19 is having. In March 2020, there were 16,096 new listings brought to the market, which is 1,020 fewer than March 2019, or a decline of 6.0%. New listings had been up in February, although there has been a downward trend in new listings being brought to market over the past year, which has led to declining active industries.

More homes were withdrawn from the market this March than is true during a typical March market. Tracking the new listing data is also an important part of assessing the COVID-19 impact and the ultimate recovery.

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 increased number of listings withdrawn in March has led to a further decline in inventories. However, demand is also slowing, so right now it is not possible to predict which direction inventories will move in the coming weeks.

At the end of March 2020, there was a total of 29,113 active listings throughout Virginia, which is more than 7,000 fewer than a year ago, a decline of 20.3%.



Source: Virginia REALTORS®, data updated April 28, 2020

Strong buyer demand in early 2020 and fewer new listings has led to continued declines in the level of inventory as measured by months of supply. At the end of March 2020, there was an estimated 2.72 months of supply statewide. In some local markets, however, 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 soundly sellers' markets in March.

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



Source: Virginia REALTORS®, data updated April 28, 2020

Outlook

COVID-19 has had an unprecedented impact on economic activity, with historic job losses and business impacts. The Governor of Virginia has issued a stay-at-home order through June 10, which, along with the closure of schools across the Commonwealth, has dramatically changed the lives of individuals and families across Virginia.

Virginia's March housing market was relatively strong, at least as measured by closed sales and prices. Many REALTORS® note that they are still closing sales, often times with multiple offers. This strong market activity reflects the significant demand and low supply that has characterized local markets throughout Virginia for years.

However, it is likely that we will experience a significant slowdown in market activity in April, as more families are impacted by unemployment, the military stop-movement order is still in place, and the statewide stay-at-home directive remains in place. March pending sales numbers suggest that closed sales in April will be down by a third or more. However, there is no evidence to suggest that there will be a drop in home prices this spring.



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.