

Virginia

HOME SALES
REPORT

AUGUST 2020

Virginia Home Sales Report

August 2020

Summary

Economic Conditions

- Virginia's economy continues to improve this summer, although the pace of job growth has slowed.
- Workers in the Leisure & Hospitality sector have been most vulnerable to job losses. Other important sectors of the economy, including the Construction and Professional & Technical Services, have been fairly resilient during the downturn.
- Consumer confidence plummeted in August, with growing concerns about the state of the economic recovery.
- Mortgage rates continue to be very low, with the 30-year fixed-rate mortgage rate below 3% for seven consecutive weeks.

Housing Market Conditions

- There were 13,745 home sales Statewide in August 2020, up 12.2% from a year ago.
- Home prices surged again in August, reflecting strong demand, limited supply, and low mortgage rates. In August, the median Statewide sales price was \$330,000, up 10.6% compared to August 2019.
- At the end of August, there were 12,293 pending sales Statewide, up 1,213, or 10.9%, compared to August 2019.
- There were 14,994 new listings brought to the market in August 2020, which is 397 more listings than August 2019, a 2.7% increase.
- At the end of August, there were 22,780 active listings, which is down nearly 16,000 compared to a year ago, a 41.2% decline.

Virginia REALTORS® Market Report Key Takeaways

- While there is uncertainty in the general economy, the State's housing market has continued to rebound strongly, exhibiting a "V-shaped" recovery.
- Historically low mortgage rates create a huge incentive for current homeowners to refinance. The surge in refinance activity is contributing to the lack of inventory across Virginia.
- Multiple offers and offers above list price have pushed prices up across the Commonwealth in high-cost markets with limited inventory, as well as in markets where prices have traditionally been lower.
- Working from home has made it easier for families to live in smaller communities, away from urban centers. It remains to be seen whether the "work-from-home" trend is a long-term shift that will have a permanent impact on housing preferences.

Summary of Virginia's Housing Market Trends & Conditions

	Aug-19	Aug-20	Change	% Change	YTD 2019	YTD 2020	Change	% Change
Sales	12,246	13,745	1,499	12.2%	86,969	86,471	-498	-0.6%
Median Home Price (\$)	298,500	330,000	31,500	10.6%	299,000	314,900	15,900	5.3%
Sales Volume (\$ billions)	4.4	5.5	1.1	25.5%	31.4	33.1	1.7	5.4%
Average Days on Market	45	39	-6.0	-13.3%	48	44	-4.1	-8.4%
Pending Sales	11,080	12,293	1,213	10.9%	91,933	89,103	-2,830	-3.1%
New Listings	14,597	14,994	397	2.7%	124,048	113,789	-10,259	-8.3%
Active Listings	38,733	22,780	-15,953	-41.2%	38,733	22,780	-15,953	-41.2%

Source: Virginia REALTORS®, data accessed September 15, 2020

Economic Overview

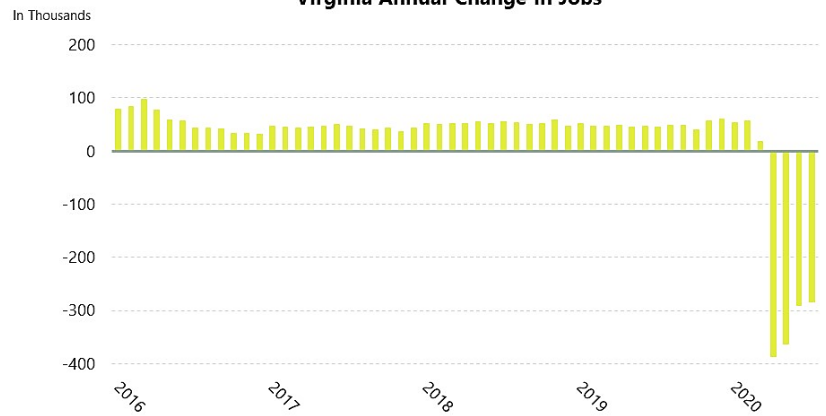
Nationally, economic conditions improved this summer. The U.S. economy added back jobs for four consecutive months; however, the pace of monthly job growth has slowed. The economy has gained back just a little more than half of the 22 million jobs lost this spring. The U.S. unemployment rate has fallen significantly, but at 8.4% it is still well above the recent long-term average.

Virginia's economy also improved this summer, with more than 113,000 jobs added back in May, June, and July. Despite the turnaround, monthly job growth has slowed and the economy still has 284,000 fewer jobs than a year ago. The Commonwealth added 9,300 jobs between June and July (the latest data available), after adding back 25,200 jobs in May and 78,700 jobs in June. Some of the slowdown in job growth is related to a re-surgence of COVID-19 cases in some parts of the state. The end of federal assistance, including the exhaustion of Payroll Protection Program (PPP) loans, also has led to more layoffs and furloughs even as other companies have been able to hire employees back.

The Leisure & Hospitality sector is still feeling the impact of COVID-19 and the downturn. In July, there were 91,300 fewer jobs in this sector, including restaurant, bar, and hotel jobs, compared to a year ago. The Retail Trade sector has 20,900 fewer jobs and the Health Care & Social Assistance sector is down 34,500 jobs compared to last year. The Government sector has been relatively resilient in Virginia through the early summer, but in July, there were 46,100 fewer Local Government jobs and 15,300 fewer State Government jobs compared to July 2019.

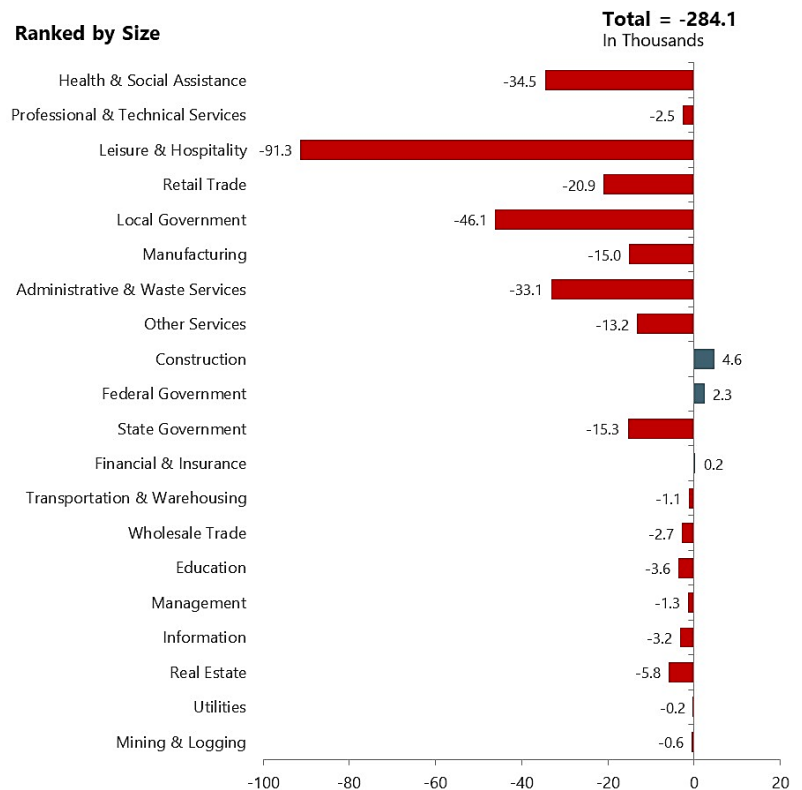
The Construction sector has been a bright spot during the downturn, and there have been only very modest losses in the State's 2nd largest economic sector, the Professional & Technical Services sector.

Figure 1
Virginia Annual Change in Jobs



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

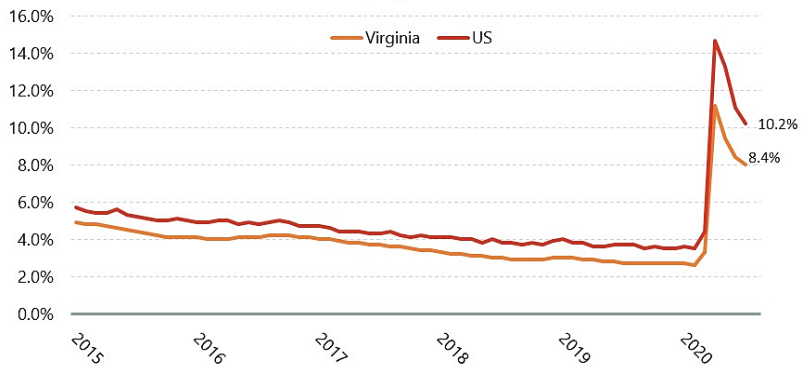
Figure 2
Virginia Job Change by Industry
July 2019 - July 2020



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

Economists are forecasting that the U.S. unemployment rate will reach 8% by the end of the year. (The August 2020 unemployment rate was 8.4%.) In Virginia, the unemployment rate already reached 8% in July, declining from 8.4% in June. While this represents an improvement over the past several months, and unemployment in Virginia is lower than in many other parts of the country, the unemployment rate remains elevated.

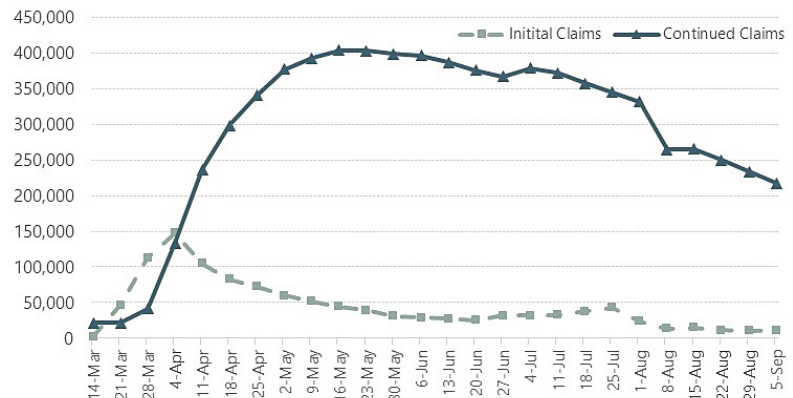
Figure 3
Unemployment Rate



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

Claims for unemployment benefits have declined. There were just 10,305 initial claims for benefits in the last week of August, a dramatic decline from the peak weekly initial claims of nearly 60,000 in early May and a steady decrease for six consecutive weeks. While new claims are down, there were still more than 230,000 Virginians receiving unemployment benefits at the end of August.

Figure 4
Virginia Unemployment Claims

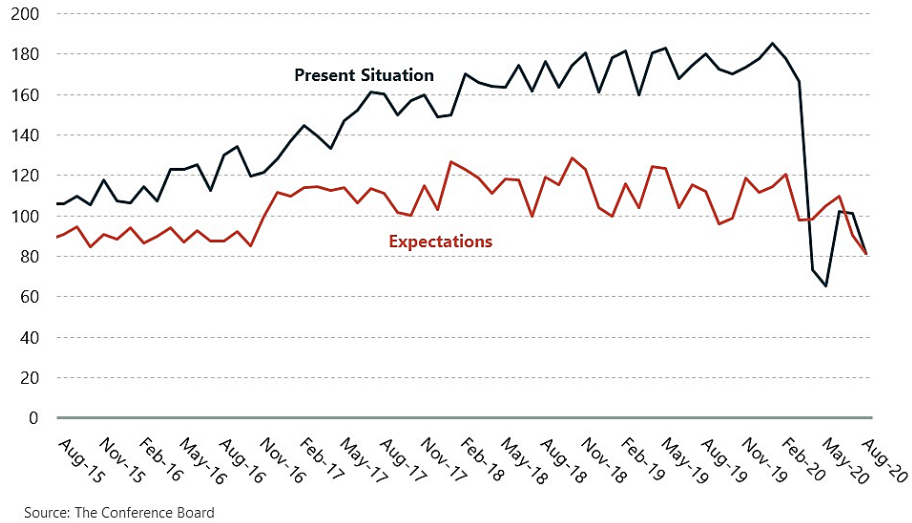


Source: Virginia Employment Commission, Not Seasonally Adjusted

Heading into September, workers in the Accommodation & Food Services sector remain most vulnerable to unemployment. Nearly one out of four workers receiving unemployment benefits was employed in this sector, most typically as restaurant, bar, and hotel workers. The Retail sector has also been hard hit by the downturn, and 13% of unemployed individuals in Virginia had been employed in Retail Trade jobs. Health Care and Social Assistance workers, including many medical and health office workers, along with Administrative and Waste Services (i.e., janitorial) employees also comprise relatively large shares of unemployed workers in Virginia.

In the last week of July, expanded federal unemployment benefits came to an end, which meant that unemployed individuals lost the \$600 per week in extra benefits they had been receiving. The Trump administration has proposed a new round of funding for enhanced federal unemployment benefits totaling \$300 per week, but the rollout of the program has been challenging and funding is being exhausted quickly.

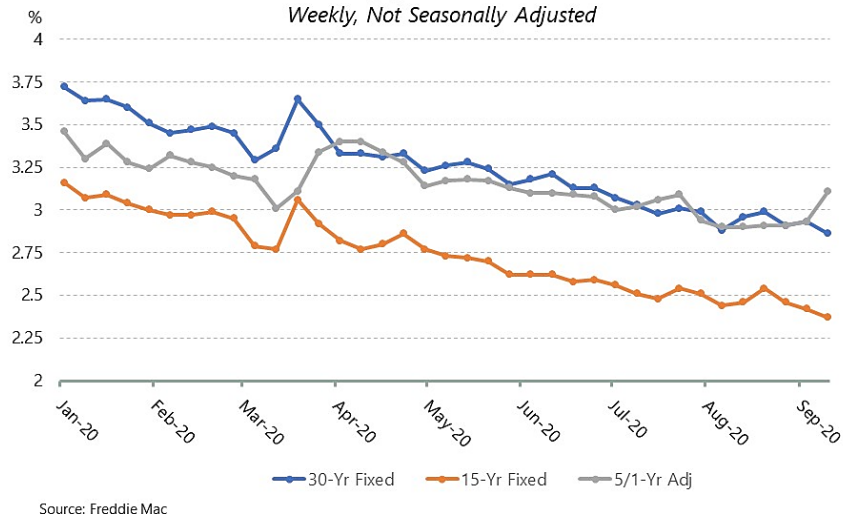
Figure 5
Consumer Confidence
South Atlantic Region



Federal assistance in the form of PPP loans and enhanced unemployment benefits helped to buoy consumer confidence earlier this summer; however, uncertainty has grown, and measures of consumer confidence plummeted in August. A consumer confidence index of 100 or more indicates individuals feel optimistic about economic conditions. In August, the present consumer confidence index fell to 81.2 while the measure of expectations fell to 81.3. These are the lowest consumer confidence measures since the summer of 2014.

Historically low mortgage rates have continued to spur refinance and purchase activity. The average 30-year fixed rate mortgage rate has been below 3% for seven consecutive weeks. There is no evidence that rates will tick up, and refinance and purchase applications have been strong over the

Figure 6
Mortgage Interest Rates
Weekly, Not Seasonally Adjusted



summer. Refinances account for nearly two-thirds of the mortgage applications in August as existing homeowners look to capitalize on the attractive rates.

Housing Market Overview

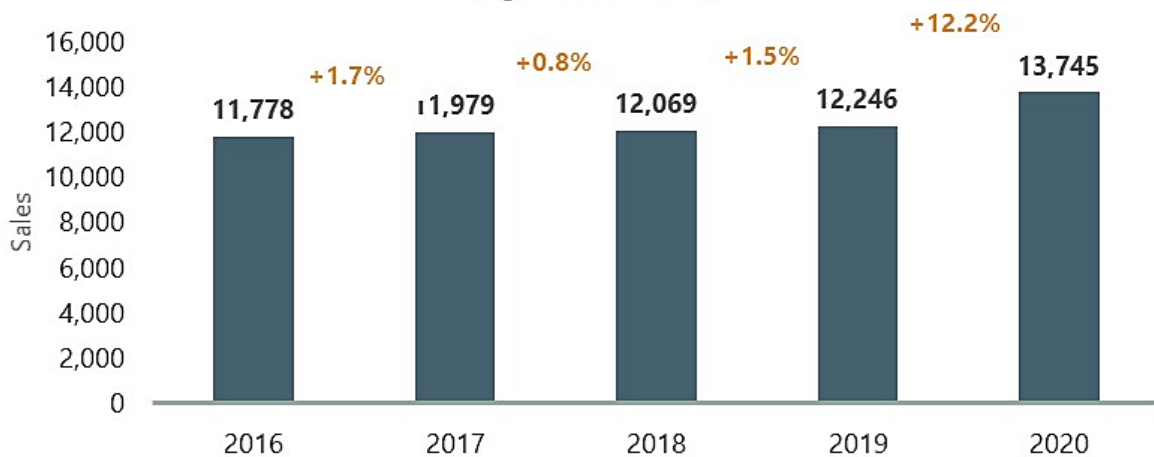
Home sales activity that was paused this spring was unleashed over the summer. Buyers returned in force, driving up both closed sales and pending sales. The spring market has, indeed, been shifted into the summer. New listings have also increased this summer, although the number of new listings has been far outpaced by the number of homes going under contract.

There has been a modest shift in the locations of sales activity in Virginia, which could be a preview of the movement of more homebuyers to suburban and rural markets. Working from home has made it easier for families to live in smaller communities, away from urban centers. However, it remains to be seen whether the “work-from-home” trend is a long-term shift that will have a permanent impact on housing preferences.

Sales

In August, there were 13,745 total sales Statewide, which is up 12.2% over last August. In most years, sales activity slows a bit in July and August, as families turn their attention to vacations and other events. This year, however, August was a very strong month for sales activity, continuing the rebound that began in June.

Figure 7
Home Sales, Virginia
August, 2016-2020



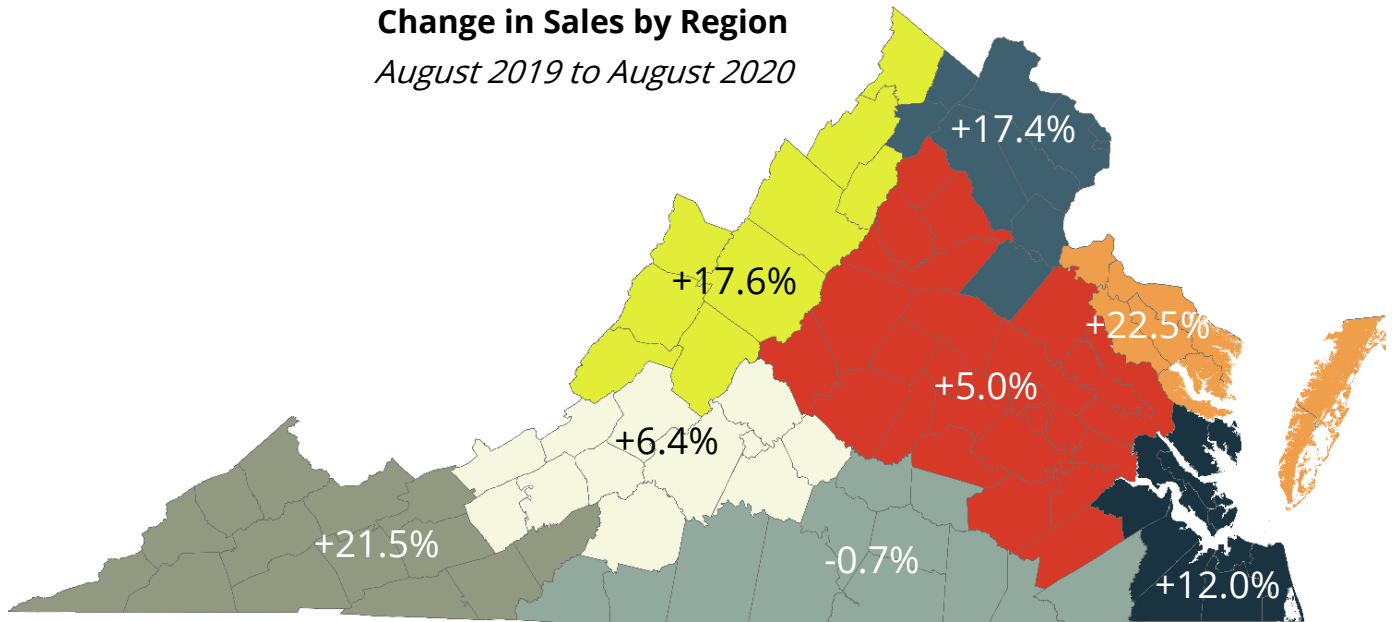
Source: Virginia REALTORS®, data accessed September 15, 2020

Home sales were up strongly in nearly all markets across the Commonwealth. Sales activity was up by more than 20% in the Eastern and Southwest regions. There were also surges in home sales in August in the Valley and Northern regions.

Trends in these larger regions mask a shift in sales to more suburban and rural markets this summer. The number of sales this summer in rural counties was 15% higher compared to last summer. By

comparison, sales were up 12% in suburban markets and up just 6% in urban communities. The ability to work from home, coupled with the concerns about COVID-19 in dense areas, may be pushing homebuyers to seek out smaller communities.

Figure 8
Change in Sales by Region
August 2019 to August 2020



<i>Region</i>	<i>Aug-19</i>	<i>Aug-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>% Change</i>
Central	2,706	2,840	5.0%	18,783	18,699	-0.4%
Eastern	285	349	22.5%	1,589	1,914	20.5%
Hampton Roads	2,935	3,286	12.0%	20,203	21,342	5.6%
Northern	4,195	4,925	17.4%	31,927	30,940	-3.1%
Southside	270	268	-0.7%	1,696	1,740	2.6%
Southwest	209	254	21.5%	1,357	1,496	10.2%
Valley	635	747	17.6%	4,632	4,751	2.6%
West Central	1,010	1,075	6.4%	6,914	7,274	5.2%

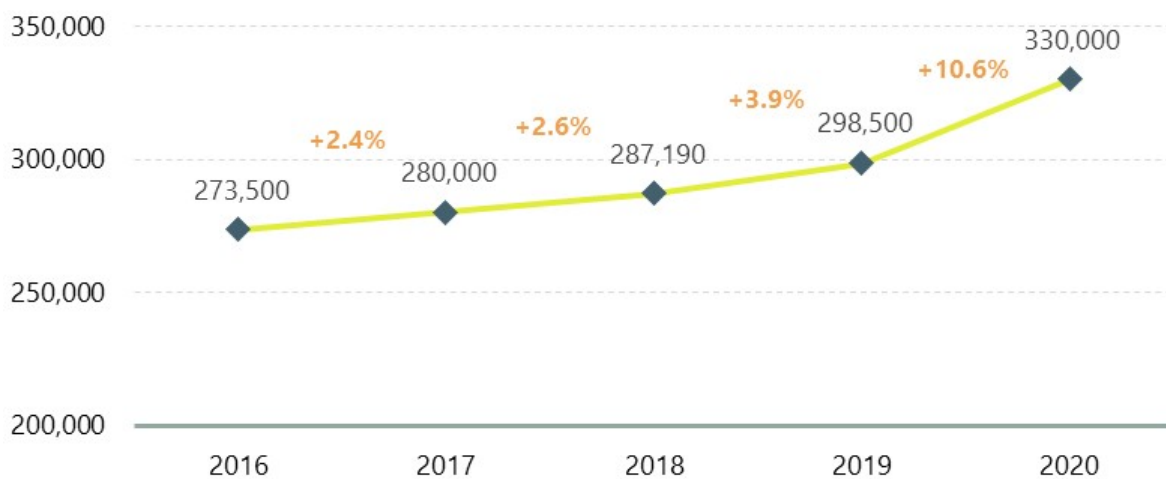
Source: Virginia REALTORS®, data accessed September 15, 2020

Home Prices

Home prices grew steadily even when the market slowed this spring. This summer, prices have surged as a result of strong demand, very limited inventory, and historically low interest rates. In August, the median home sales price statewide was \$330,000, up \$31,000 from a year ago, an increase of 10.6%.

On average, in August, the sold-to-list price ratio was 99.7, up from 99.5 in July and 99.2 in May and June. The majority of Virginia REALTORS® report that they are seeing multiple offers, price escalation above list price, or both.

Figure 9
Median Sale Price, Virginia
August, 2016-2020

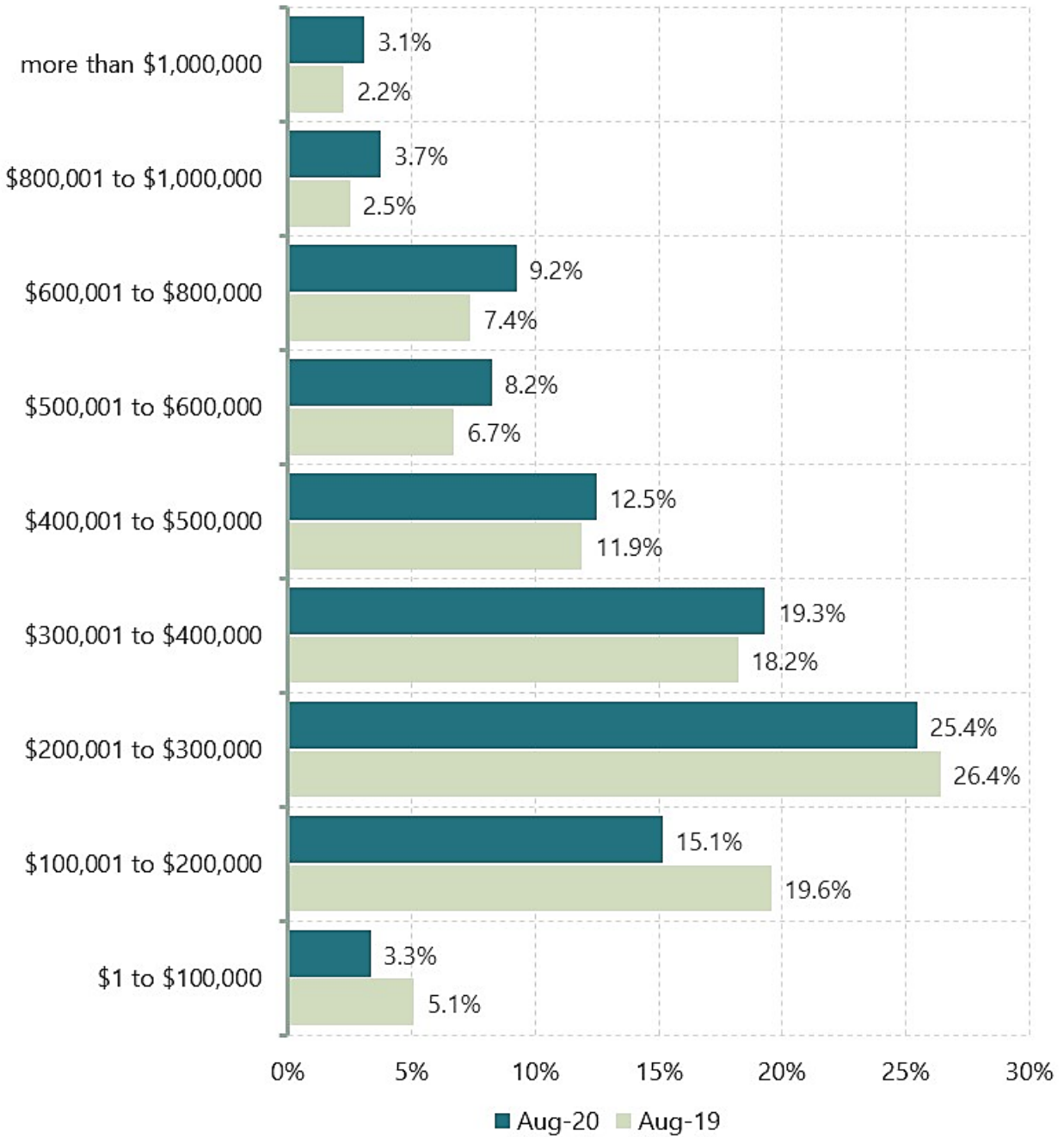


Source: Virginia REALTORS®, data accessed September 15, 2020

Homes priced below \$300,000 made up a smaller share of sales this August compared to last year—44% versus 51%. While there is strong demand for homes in this price range, the most robust segments of the market in August were at higher price points. Mid-level homes, those priced between \$300,000 and \$599,999, accounted for 40% of the market in August, and sold for above list price, on average. At the higher end, homes priced between \$600,000 and \$999,999, comprised 13% of home sales in August. On average, the sold-to-list price ratio was 100.3, indicating strong upward price pressure in this segment of the market.

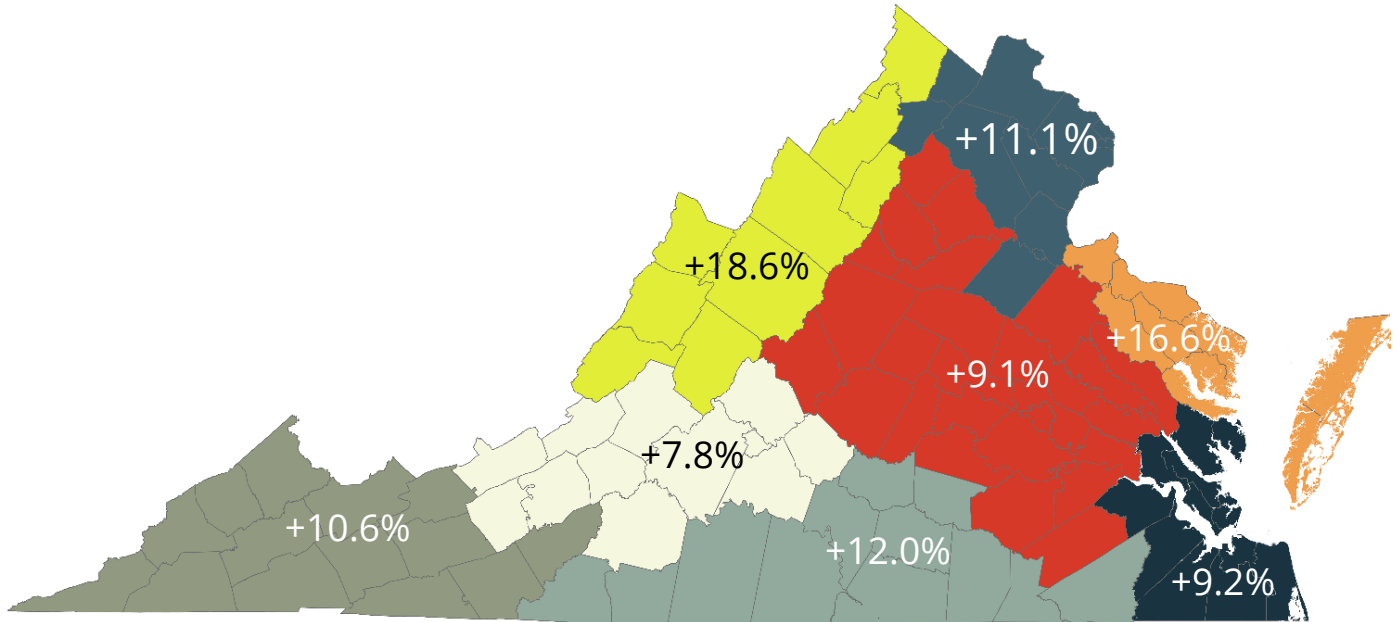
Prices were up at double-digit rates in most regions across Virginia. In August, the median home sales price was \$255,000 in the Valley region, up 18.6% compared to a year ago. In the Eastern region, the median sales price in August was \$282,727, which was a 16.6% increase over a year ago. Prices were also pushed up strongly in the state's Northern region, where the median sales price hit \$500,000, 11.1% higher than a year ago. There was also double-digit price growth in the Southside and Southwest regions.

Figure 10
Sold Prices by Price Range, Virginia
August, 2020 and 2019



Source: Virginia REALTORS®, data accessed September 15, 2020

Figure 11
Change in Median Sales Price by Region
August 2019 to August 2020



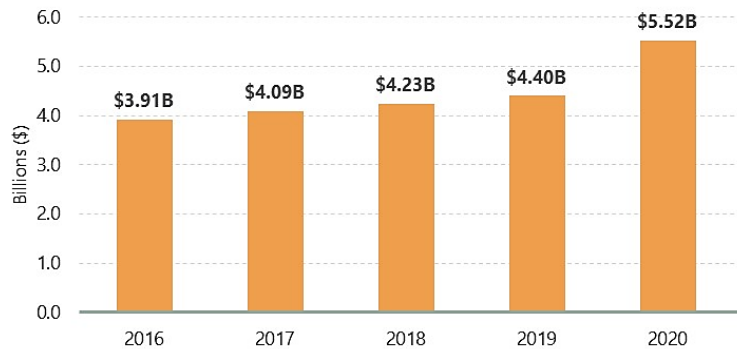
<i>Region</i>	<i>Aug-19</i>	<i>Aug-20</i>	<i>% Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>% Change</i>
Central	270,500	295,000	9.1%	265,000	280,000	5.7%
Eastern	242,400	282,727	16.6%	225,000	250,000	11.1%
Hampton Roads	250,000	273,000	9.2%	245,000	260,000	6.1%
Northern	450,000	500,000	11.1%	450,000	480,950	6.9%
Southside	125,000	140,000	12.0%	122,000	125,128	2.6%
Southwest	144,000	159,250	10.6%	135,000	144,200	6.8%
Valley	215,000	255,000	18.6%	219,000	240,000	9.6%
West Central	204,175	220,000	7.8%	190,000	207,000	8.9%

Source: Virginia REALTORS[®], data accessed September 15, 2020

Sold Volume

Sold volume totaled \$5.52 billion in August, which is more than 25% higher than last August. The surge in sold volume was driven by the significant increase in both sales and prices across the State. While sales have slowed modestly year-to-date, the steady price growth this spring and surges in prices this summer have led to a total of \$33.1 billion in total sold volume over the first eight months of the year, a 5.4% increase over the same period in 2019.

Figure 12
Sold Dollar Volume, Virginia
August, 2016-2020



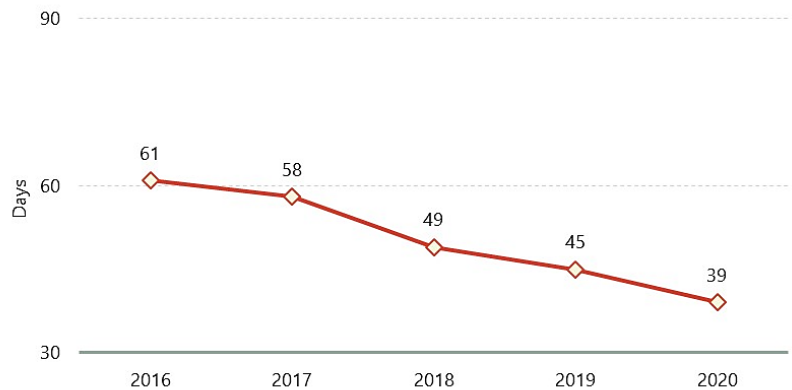
Source: Virginia REALTORS®, data updated September 15, 2020

Days on Market

Increased buyer activity, along with the limited inventory of homes for sale, led to another decline in the average length of time it took a home to sell. In August, homes sold in an average of 39 days in Virginia, which is down from 45 days during August 2019.

Mid-level homes, priced between \$300,000 and \$599,999, sold more quickly than homes in other price ranges, at 31 days, on average. Higher-end homes, priced between \$600,000 and \$999,999, sold in an average of 35 days. Luxury homes take the longest time to sell. In August, homes priced at \$1 million or above took an average of 76 days to sell.

Figure 13
Average Days on Market, Virginia
August, 2016-2020



Source: Virginia REALTORS®, data accessed September 15, 2020

There is a lot of variation in the average days on market data across the State. Homes sold most quickly in the Northern region, where the average days on market was 18 in August. The average days on market declined most quickly in the Hampton Roads region, from 49 days in August 2019 to 37 days in August 2020.

Figure 14
Change in Average Days on Market by
Region
August 2019 to August 2020

<i>Region</i>	<i>Aug-19</i>	<i>Aug-20</i>	<i>Change</i>	<i>YTD 2019</i>	<i>YTD 2020</i>	<i>Change</i>
Central	37	36	-2	41	41	-1
Eastern	135	142	7	140	154	14
Hampton Roads	49	37	-12	54	45	-9
Northern	27	18	-9	27	23	-4
Southside	136	171	36	163	156	-7
Southwest	140	150	11	156	158	2
Valley	66	55	-11	69	60	-9
West Central	49	47	-2	61	51	-10

Source: Virginia REALTORS[®], data accessed September 15, 2020. Figures have been rounded.

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. August pending sales figures suggest that the strong summer home sales figures will likely continue into the fall.

At the end of August, there were 12,293 pending sales Statewide, up 1,213, or 10.9%, compared to August 2019. The number of pending sales declined modestly (-6.1%) between July and August 2020, which is a somewhat smaller tail off than experienced in a typical year.

New Listings

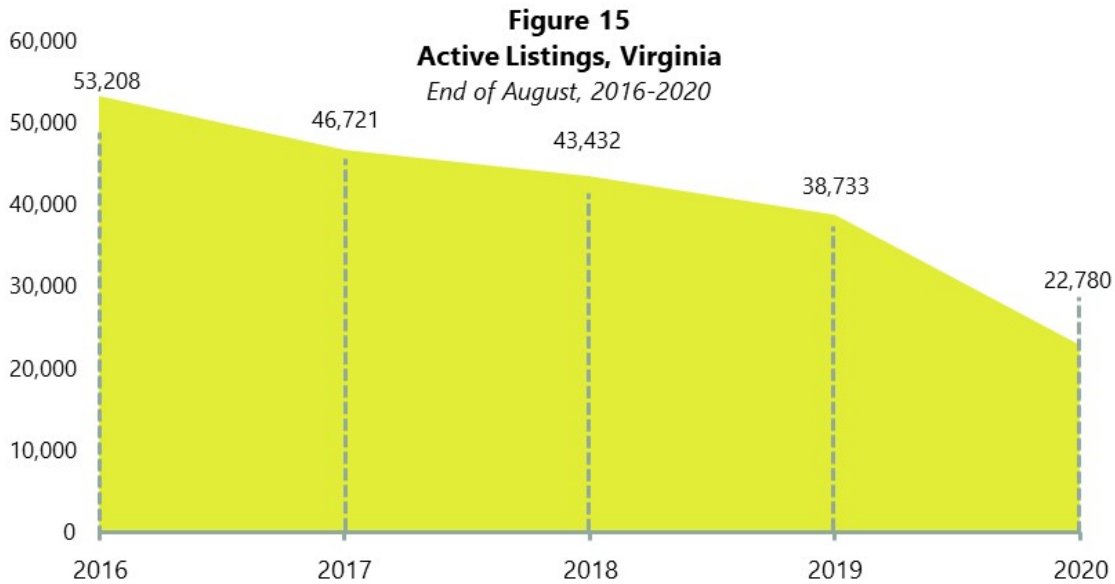
The number of new listings being brought to market is also an important gauge of the state of the housing market. New listings have begun to increase slightly as sellers are starting to return to the market. Despite a slight uptick in new listings, the number of closed and pending sales have far outpaced the number of new listings in recent months.

There were 14,994 new listings brought to the market in August 2020, which is 397 more listings than August 2019, a 2.7% increase. However, the number of closed sales and pending sales increased much faster in August, and inventories of homes for sale continue to be drawn down very quickly.

Active Listings

Supply has been on the decline for more than five years in Virginia. A lack of available inventory continues to be a significant constraint on the market. At the end of August, there were 22,780 active listings, which is down nearly 16,000 compared to a year ago, a 41.2% decline.

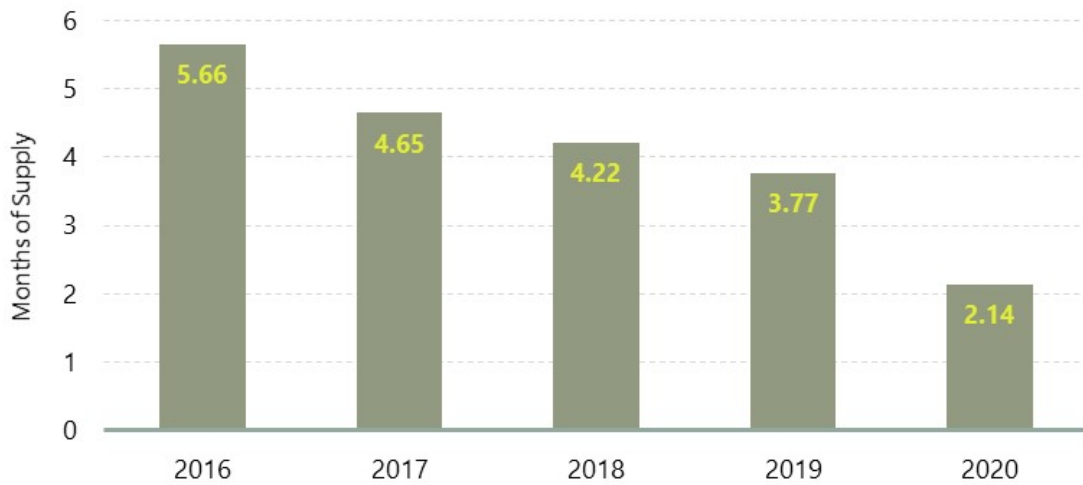
The persistent decline in inventory across the Commonwealth has been driven by demographic factors as a growing number of older homeowners has been remaining in their homes longer. A slowdown in new construction has also contributed to the inventory shortage. Low mortgage rates, which have been attractive for homebuyers, have led to a surge in refinance activity which has further locked down supply.



Source: Virginia REALTORS®, data accessed September 15, 2020

At the end of August 2020, there was an estimated 2.14 months of supply in Virginia, down from 3.77 months of supply at the end of August 2019. 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 remain strongly sellers' markets during COVID-19.

Figure 16
Months of Supply, Virginia
End of August, 2016-2020



Source: Virginia REALTORS®, data accessed September 15, 2020

Outlook

Virginia's housing market rebounded strongly this summer, and market activity in August suggests that the robust sales activity will continue into the fall. Demand for homeownership in Virginia is being driven by the large Millennial population that is entering their prime homebuying ages. In addition, despite the significant job losses in Virginia, a large subset of the population finds that their financial situations are better than before COVID-19 and are ready to buy a home.

Housing market conditions in the State are positive, and it is anticipated that the 3rd quarter will remain strong. A few factors likely will shape the market in the weeks and months to come:

- With the risks of new COVID-19 cases in the fall and into the winter, Virginia REALTORS® may need to be ready to put back into place the innovative business practices that were adopted this spring, including virtual outreach and social distancing measures.
- It is widely believed that mortgage rates will remain very low well into 2021. While low rates are a positive for homebuyers, the news that these rates are here to stay for a while could reduce the urgency on the part of some potential homebuyers.
- As more workers and employers make permanent their work-from-home situations, REALTORS® will see growing demand for suburban neighborhoods and small-town communities. Reliable high-speed internet will be an essential "must have" as buyers expand the geography of their home search.



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.