

Virginia

HOME SALES REPORT

DECEMBER 2021

Virginia Home Sales Report

December 2021

Key Takeaways

- There were **12,043 home sales** in Virginia in December 2021, which is down 5.0% from last year at this time. Sales inched down 0.7% between November and December.
- Statewide, the median home sales price in December was **\$349,900**. The median home price rose 7.7% over the December 2020 median price.
- There was approximately **\$5.2 billion in sold volume** in Virginia in December. Total sold volume was up 2.6% compared to a year ago.
- Inventory continues to shrink in Virginia. At the end of December, there were **13,469 active listings** across the commonwealth, which is 24.2% lower than the supply level at the end of December 2020. Inventory fell by 17.1% between November and December.

December 2021 Housing Market Summary

	Dec-20	Dec-21	Change	% Change	YTD 2020	YTD 2021	Change	% Change
Sales	12,683	12,043	-640	-5.0%	140,039	154,340	14,301	10.2%
Median Sales Price (\$)	325,000	349,900	24,900	7.7%	320,000	350,000	30,000	9.4%
Sales Volume (\$ billions)	5.1	5.2	0.1	2.6%	54.6	66.8	12.1	22.2%
Average Days on Market	34	29	-6	-16.6%	41	25	-15	-37.8%
Pending Sales	9,013	7,431	-1,582	-17.6%	143,137	149,044	5,907	4.1%
New Listings	8,871	7,692	-1,179	-13.3%	165,620	172,966	7,346	4.4%
Active Listings (end of the month)	17,763	13,469	-4,294	-24.2%	17,763	13,469	-4,294	-24.2%
Months of Supply	1.5	1.0	-0.5	-31.4%	1.5	1.0	-0.5	-31.4%

Source: Virginia REALTORS®, data accessed January 15, 2022

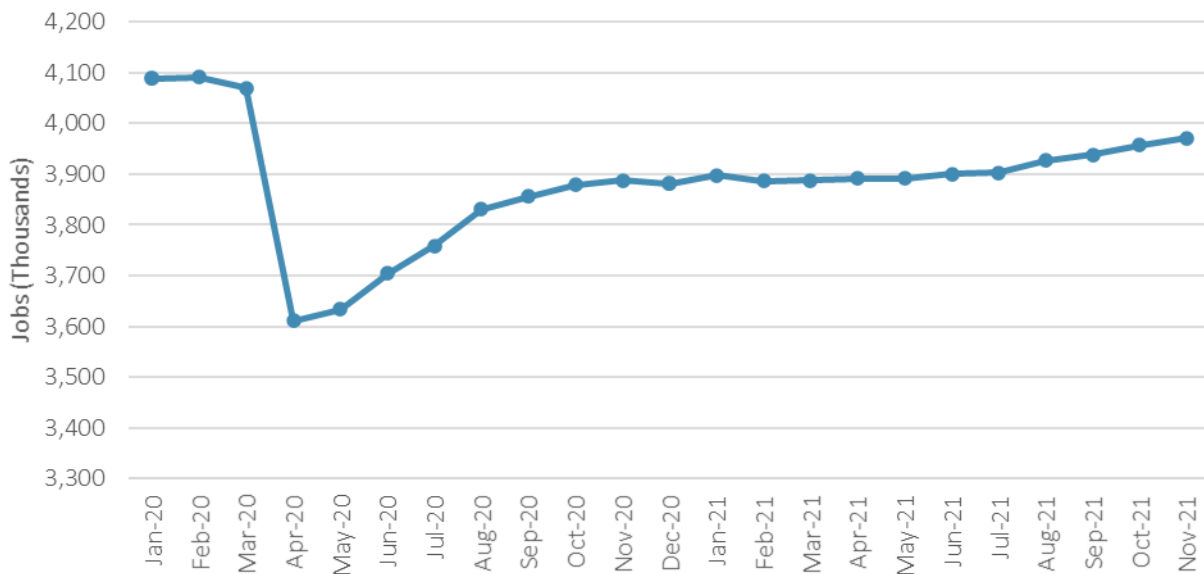
Economic Overview

Virginia's economy continued to improve steadily through the end of 2021. Despite concerns that the new COVID variants would stall progress, the economy has been demonstrating resiliency driven by strong consumer demand, rising vaccination rates, and pandemic fatigue. There have been six months of steady job growth in the state, with widespread economic improvements across Virginia's metro areas. The state's unemployment rate continues to fall and remains lower than the national rate. There are some risks to the state's economic recovery, including rising inflation and interest rates, but, in general, strong underlying fundamentals suggest on-going economic growth. Positive economic trends will support a strong housing market in Virginia in 2022.

Jobs

In November 2021, there were 3.97 million jobs in Virginia, which is an increase of 82,600 compared to a year ago and a gain of 13,600 jobs between October and November. Since May 2020, the state's economy has added back about 360,000 of the jobs lost during the downturn. While the number of jobs in the commonwealth is still 3% below where it was in early 2020, it is expected that by the end of 2022, the state's economy will be on solid footing and will have regained all of the jobs lost during the pandemic.

Figure 1. Total Jobs in Virginia (in thousands)



Source: U.S. Bureau of Labor Statistics, seasonally adjusted

Over the past year, most sectors of Virginia's economy have gained jobs. The biggest gain this past year has been in the Leisure & Hospitality sector, which added about 24,000 jobs between November 2020 and November 2021, a gain of 7%. Despite these gains, the Leisure & Hospitality sector, which includes restaurant, bar, and hotel workers, is still a long way from fully recovering from the pandemic-induced downturn.

The Professional & Technical Services sector has also expanded in Virginia, adding about 14,600 new jobs over the past year. This sector, which includes high-wage jobs, a large share of home buyers, and a relatively stable outlook, has been growing steadily throughout the COVID-19 pandemic and continues to lead the state's economic growth.

Another growth industry has been the Transportation & Warehousing sector, which added about 6,800 jobs over the past year. A surge in e-commerce has fueled demand for truck drivers, warehouse workers, and others involved in moving goods. There are now 11% more Transportation & Warehousing jobs in Virginia than there were prior to the pandemic.

Nearly all metro areas in the state had job gains over the past year. The one exception is the Richmond region, which is down about 2,900 jobs in November 2021 compared to November 2020. In Virginia Beach, a total of 4,300 jobs were added over the past year. The Northern Virginia region added 50,600 jobs and is back to 98% of pre-pandemic employment levels. Some smaller metros, including Blacksburg, Staunton, and Winchester, have added back all of the jobs lost during the downturn. Local economic conditions should continue to improve in 2022.

Unemployment

The statewide unemployment rate was 3.4% in November and has been steadily declining since the beginning of 2021. Virginia's unemployment rate has been consistently lower than the U.S. unemployment rate throughout the pandemic.

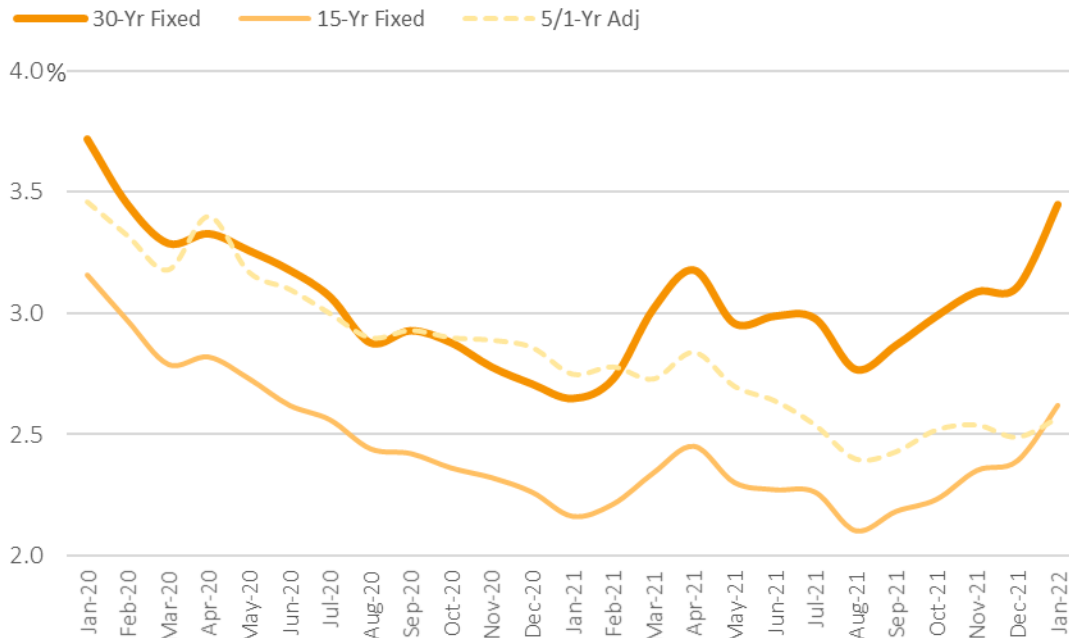
While unemployment has been falling, there is still a lot of churn in the labor force. Nationally, record numbers of people have left jobs, looking for higher wages, more flexible schedules, or different opportunities. Some have left the labor force altogether. In Virginia, the labor force participation rate in November was 63%, which is more than three percentage points lower than before the pandemic hit.

Mortgage Rates

After a year of mortgage rates below 3%, rates have finally started to rise. In December 2021, the average 30-year fixed rate mortgage rate hit 3.1%. In early 2022, rates continued to rise, reaching 3.45% in the middle of January.

The Federal Reserve has indicated plans to raise the federal funds rate in 2022, which will lead to modest, but steady, increases in mortgage rates over the year. While rates will rise, the levels will still be low by historic standards.

Figure 2. Mortgage Rates



Source: Freddie Mac

Housing Market Overview

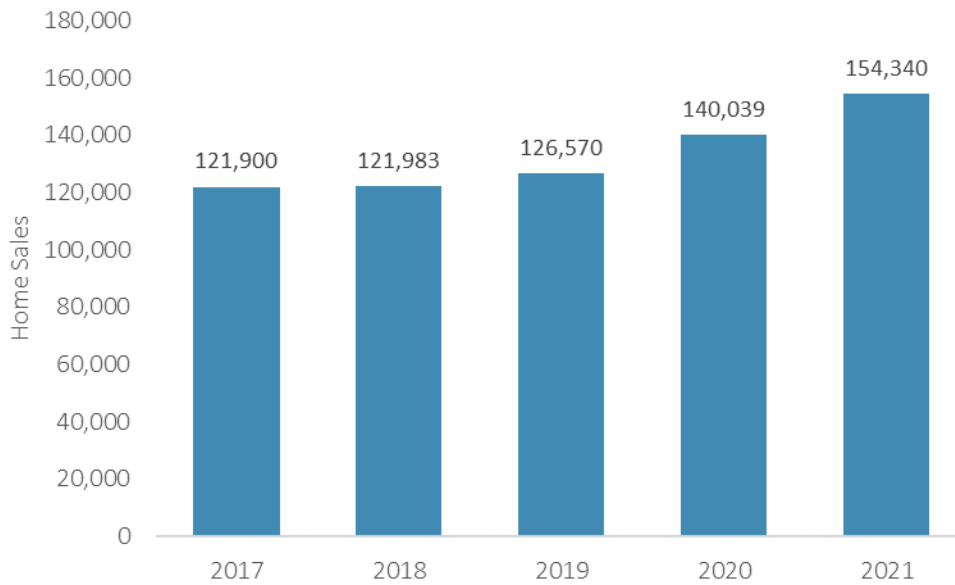
Overall, 2021 was a very strong year for Virginia’s housing market. Sales activity surged during the first half of the year and prices rose rapidly, which drove up the sold dollar volume to record levels. The growth began to moderate starting in the fall, and this pattern continued through the end of the year. The inventory shortage remains a big challenge for housing markets across the state, and the strong demand in 2021 led to an even tighter and more competitive market than before. Activity in December mirrored recent months during the fall, with moderating sales and shrinking inventory, but price growth remained relatively solid.

Sales

In 2021, there were 154,340 total annual home sales across Virginia, a 10.2% surge from the annual total in 2020, which is 14,301 more sales. Most of the year-over-year growth in sales activity occurred in the first half of 2021. Sales slowed down through most of the fall market compared to last year. The strongest growth this year occurred in the state’s more urban and suburban markets, including Hampton Roads, the Richmond region, and Northern Virginia. Some local markets in the Shenandoah Valley and parts of the Northern Neck had fewer sales overall in 2021 compared to 2020.

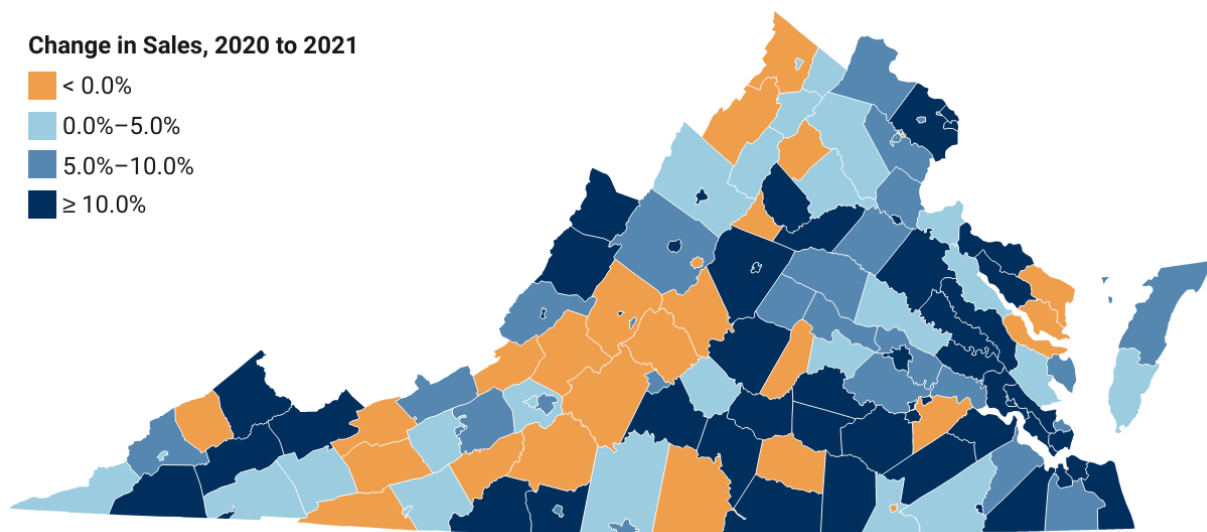
There were 12,043 sales in December statewide, 640 fewer sales than a year ago, a 5.0% decline. This is the third drop in sales activity in the last four months. While there has been some moderation in the market, it is important to keep it in context with the unusually busy market last December.

Figure 3. Virginia Home Sales, Annual Total



Source: Virginia REALTORS®, data accessed January 15, 2022

Figure 4. County/City Home Sales, Annual Change



Source: Virginia REALTORS®, data accessed January 15, 2022

Home Prices

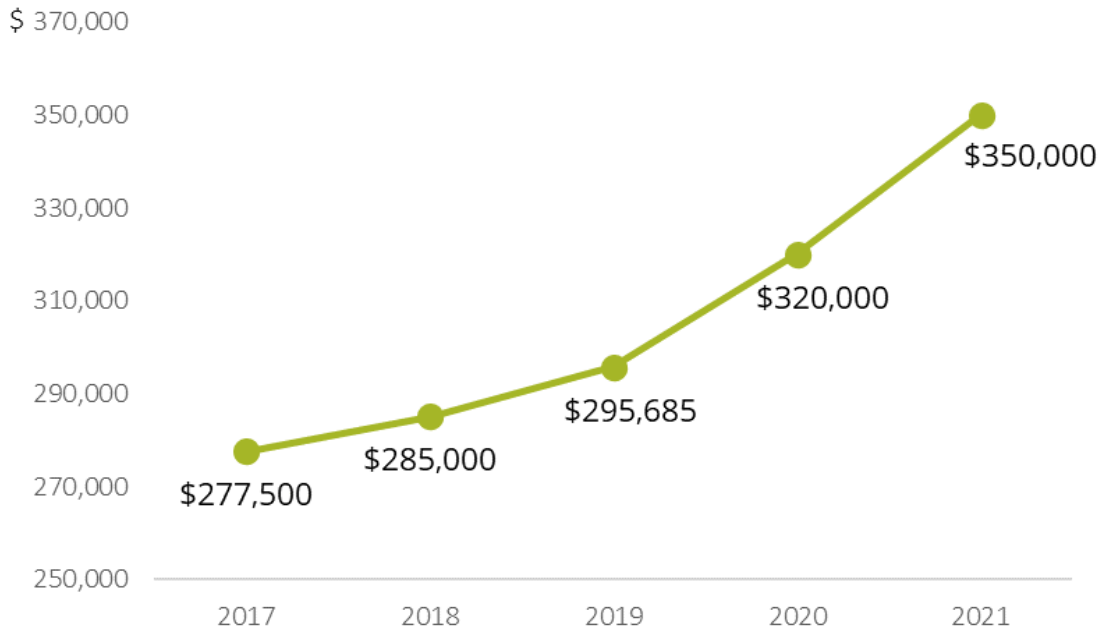
There was rapid price growth across much of Virginia during 2021. The 2021 annual median sales price in the state was \$350,000, a \$30,000 jump from last year, which is a 9.4% increase. This is the largest annual price gain the state has had in years. The strong price growth in 2021 was fueled by very low mortgage interest rates, record sales activity, and the tight inventory of homes available on the market. These factors were prevalent across the state and led to double-digit price growth in most local markets.

In December, the statewide median sales price was \$349,900, up 7.7% from a year ago, which is a gain of nearly \$25,000. The median sales price in Virginia is now about \$53,000 higher than it was in December 2019, before the pandemic began.

The statewide average sold-to-list price ratio in December was 100.4%, which indicates that on average, homes that sold this month in Virginia closed at a price that was 0.4% higher than the seller's asking price. This month marks the eleventh consecutive month the statewide average sold-to-list price ratio exceeded 100%, a reflection of the tightness of the market and strong buyer demand.

Upward pressure on home prices continues to impact all price segments of the market. The highest average sold-to-list price ratio was 101.9%, which was for homes in the \$600,001 to \$800,000 range. Homes selling for \$200,000 or less was the only market segment that had an average sold-to-list price ratio below 100%. Homes in this price range closed at 99.0% of the seller's asking price, on average.

Figure 5. Median Home Price (\$), Annual



Source: Virginia REALTORS®, data accessed January, 2022

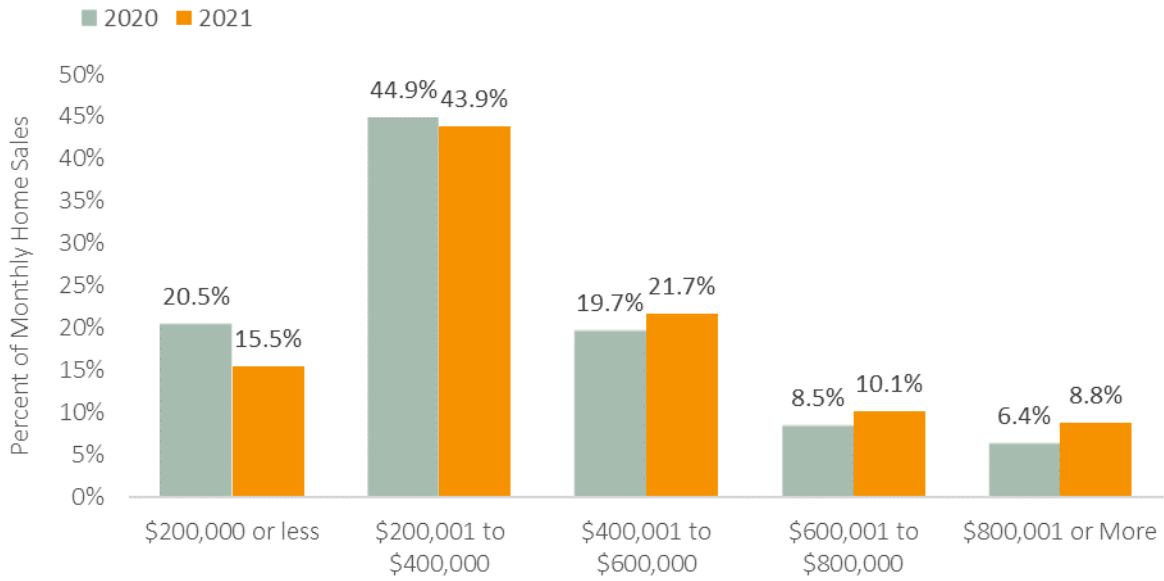
Figure 6. Average Sold-to-List Price Ratio, Annual 2021

Price Range	Ratio
\$200,000 or less	99.0%
\$200,001 to \$400,000	101.3%
\$400,001 to \$600,000	101.8%
\$600,001 to \$800,000	101.9%
\$800,001 or More	101.6%
All price levels	101.1%

Source: Virginia REALTORS®, data accessed January 15, 2022

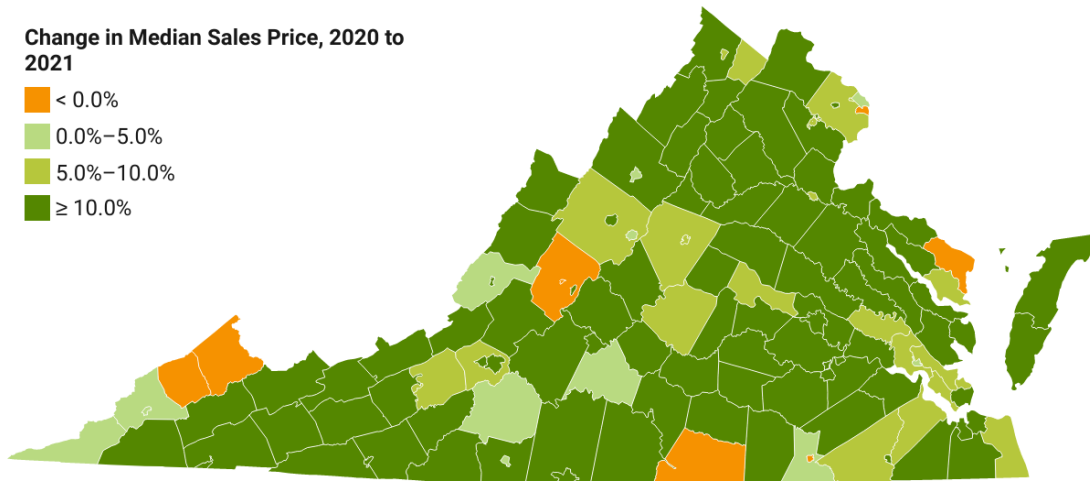
About 43.9% of all homes sold in Virginia in 2021 were in the \$200,001 to \$400,000 price range, making it the largest price segment statewide last year. The second largest price segment last year was \$400,001 to \$600,000, which represents about 21.7% of all sales in 2021. Upward pressure on home prices Virginia has been strong and consistent for much of the past several years, but it intensified in 2021. Homes selling for \$800,001 or more had the sharpest growth in total sales, going from 6.4% of all sales in 2020 to 8.8% of all sales in 2021.

Figure 7. Sales by Price Range, Annual 2020 and 2021



Source: Virginia REALTORS®, data accessed January 15, 2022

Figure 8. County/City Median Home Sales Price, Annual Change



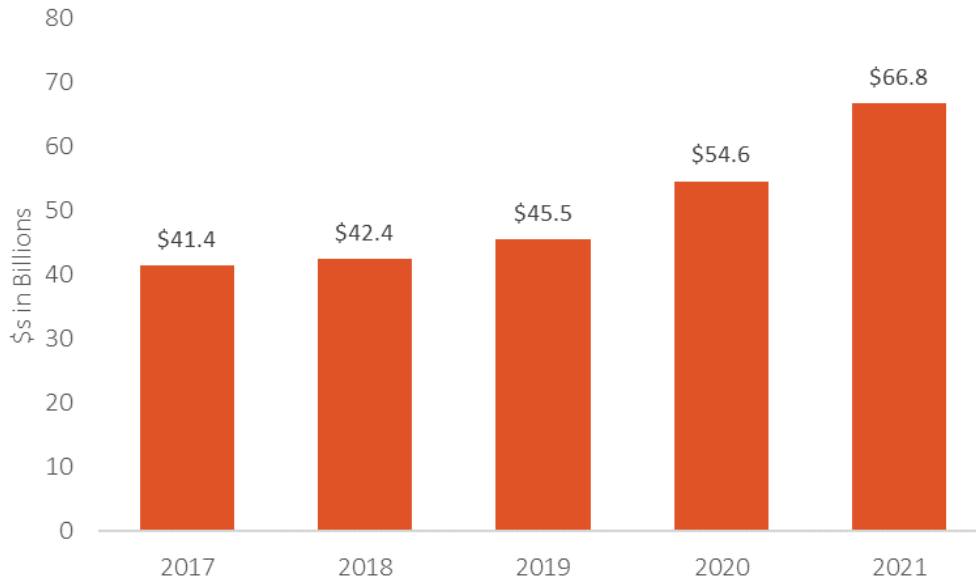
Source: Virginia REALTORS®, data accessed January 15, 2022

Sold Volume

Driven by climbing prices and strong demand, sold dollar volume swelled to record levels in 2021. There was about \$66.8 billion of total sold volume throughout Virginia in 2021, a 22.2% increase from the total sold volume in 2020, an increase of about \$12.1 billion through the course of the entire year.

While sales activity moderated in December, solid price growth pushed the sold dollar volume higher than the prior year. In December, there was approximately \$5.2 billion of sold volume in the commonwealth, up 2.6% from a year ago.

Figure 9. Sold Dollar Volume, Annual Total

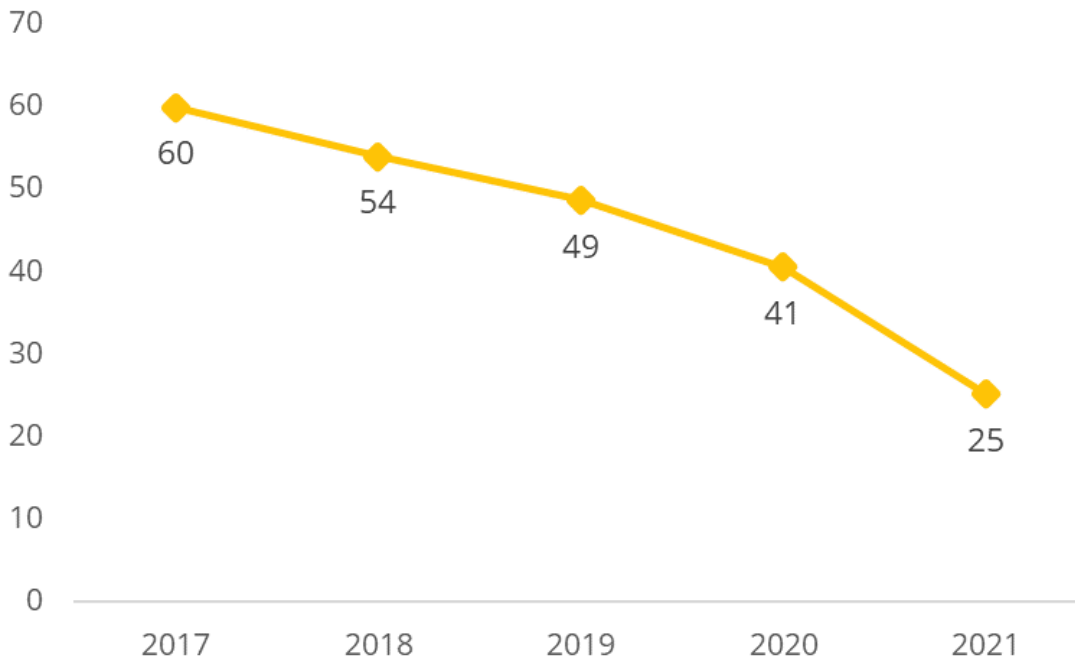


Source: Virginia REALTORS®, data accessed January 15, 2022

Days on Market

The 2021 housing market was very competitive around Virginia. The average days on market for the entire year in 2021 was just 25 days, which is more than two weeks faster (-16 days) than the average days on market in 2020. The low supply and strong demand for housing in many local markets is causing homes to sell faster, on average, a trend that accelerated in 2021. The December average days on market statewide was 29 days, down from 34 days this time last year.

Figure 10. Average Days on Market, Annual

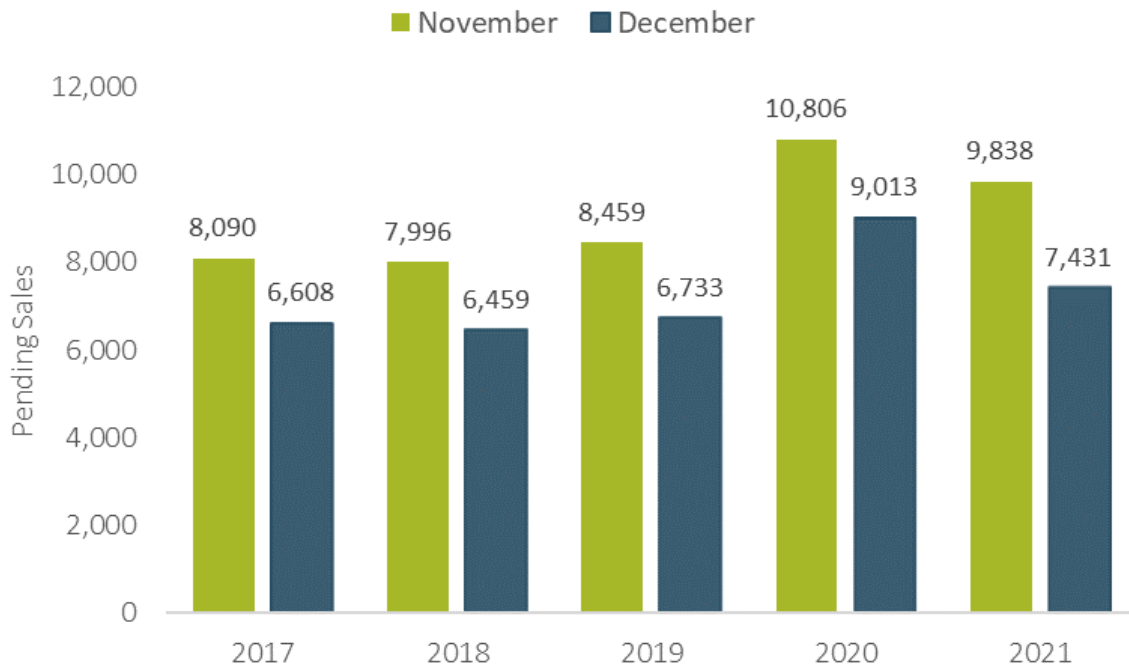


Source: Virginia REALTORS®, data accessed January 15, 2022

Pending Sales

Pending sales, or homes that went under contract in the month, can provide a preview of future home sales activity. There were 7,431 pending sales at the end of December, a 17.6% drop from last December, or 1,582 fewer pending sales. Pending sales activity has been slowing down compared to the prior year for six straight months, evidence of softening demand in some local markets. Pending sales in December were down 24.5% from November, but this is a typical seasonal change as the market often slows during the winter holidays.

Figure 11. Pending Sales, November and December



Source: Virginia REALTORS®, data accessed January 15, 2022

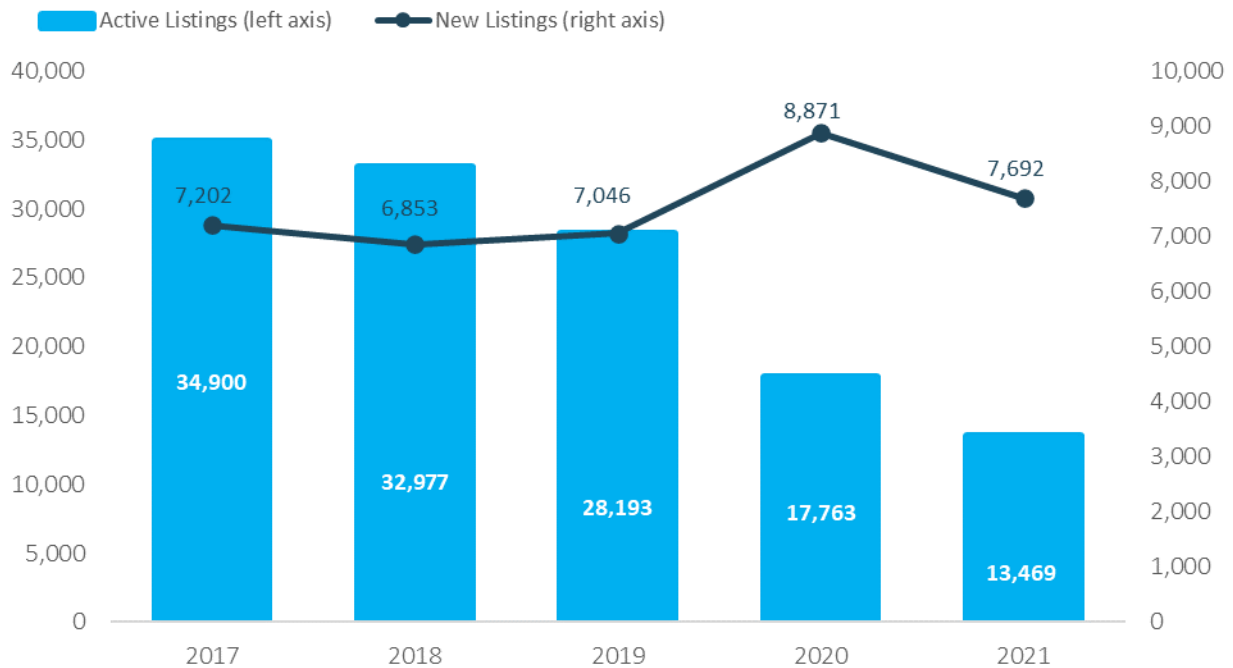
New Listings

Fewer homes are being listed on the market compared to last year. There were 7,692 new listings that came on the market in December across the entire state of Virginia, which is 1,179 fewer new listings than there were in December 2020, a 13.3% reduction. Earlier in 2021, new listings were on the rise, but that shifted starting in September, and new monthly listings have declined every month since then. It is possible that more listings will come on the market in the coming months as interest rates rise because many sellers who are thinking about listing their home may want to do it before rising rates dampen some of the demand in the market.

Active Listings

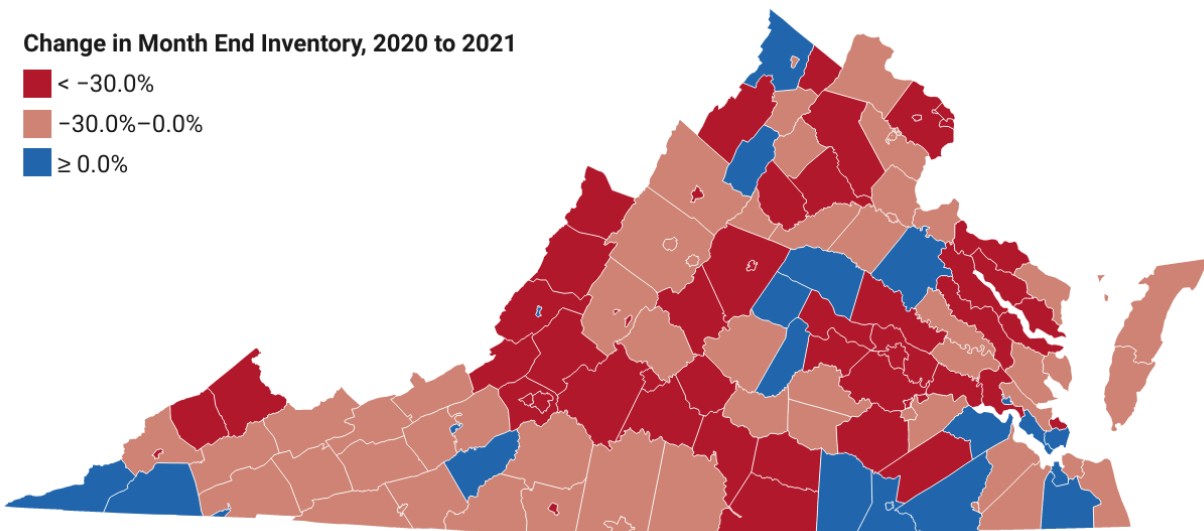
The inventory shortage continues to be a major challenge facing the Virginia housing market. There were just 13,469 active listings throughout the state at the end of December, a 24.2% drop from a year ago, which is nearly 4,300 fewer listings. The supply in the market has been shrinking for years, but this trend accelerated during the pandemic as demand surged. Active listings were down 17.1% from November, but this is a typical seasonal drop in inventory.

Figure 12. Inventory, December



Source: Virginia REALTORS®, data accessed January 15, 2022
 Note: Active listings at the end of the month

Figure 13. Active Listings by County/City, End of December



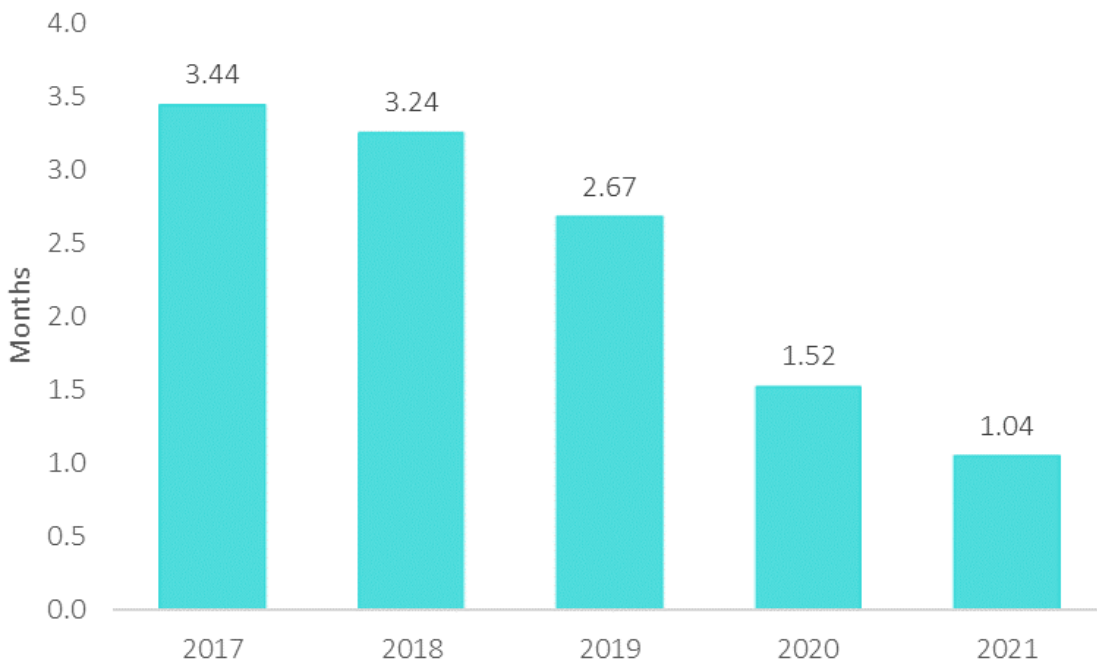
Source: Virginia REALTORS®, data accessed January 15, 2022

Inventory is falling all over Virginia, in both large and small markets. Among the larger markets, Fairfax County had less than half the inventory level it had in December a year ago (-54.2%). The inventory in the Richmond City market was down 44% from last December. The Roanoke Valley market also continued to tighten. The supply of active listings in Roanoke County was less than half of what it was last December (-56.7%), and inventory was down significantly in the cities of Roanoke (-46.9%) and Salem (-43.9%).

Hampton Roads was the only large local market to have an uptick in supply compared to the end of December 2020, notably Newport News (+13.7%), Portsmouth (+7.9%), and Chesapeake (+5.3%).

There was only 1.04 months of supply across Virginia at the end of December, which is down from 1.52 months of supply at the end of December 2020. 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. While historically, five or six months of supply has been indicative of a healthy housing market, we have not seen inventory at that level for more than five years in Virginia.

Figure 14. Months of Supply, December



Source: Virginia REALTORS®, data accessed January 15, 2022

Outlook

The 2021 housing market was unprecedented by many measures. There were record sales, volume, and price gains in local markets throughout Virginia. The surge in demand made the inventory even tighter than it was before, constraining the market, and leaving buyers with few options in an increasingly competitive market. As we look forward to 2022, the market may begin to look more like a “typical” market. However, some trends that have characterized the 2021 market, such as very low inventory, will continue to be a major factor around the commonwealth. Here’s a look at some predictions for Virginia’s housing market in 2022.

Forecasts for 2022:

- **Sales activity will be strong, but likely flatten out compared to 2021.** We've started to see sales activity cool in many markets around Virginia starting in the fall of 2021. Sales activity has lagged 2020 totals three of the last four months, reflecting softening demand in some areas. We expect this trend to continue as mortgage rates climb and supply remains very low. We are forecasting that the total sales in 2022 will be about the same level they were in 2021 (-0.1%). While this may sound like bad news, it's important to keep in mind that 2021 was a record-breaking year in Virginia's housing market, so if the market continues at the same pace or even a little less volume, it would still be a very busy year by historic measures.
- **Upward pressure on prices will continue, but the rate of growth will likely moderate.** Home prices rose about three times faster across Virginia in both 2020 and 2021 than they did each year from 2015 to 2019. It is likely this rapid price appreciation will moderate in 2022 to more typical levels as mortgage rates climb and directly impact the price points buyers can afford. We are forecasting a median sales price increase of 4.1% in 2022 statewide, which is less than half the rate it was in 2021 (+9.4%).
- **Interest rates will rise in 2022, but how high will they go, and how high is actually "high"?** Buyers enjoyed the lowest interest rates ever recorded for much of the 2020 and 2021 market, but this is changing now. Mortgage rates increased during the first two weeks of January 2022, and are likely to keep rising, albeit gradually. As the Federal Reserve winds down its pandemic-era intervention policies, particularly the bond purchasing program and near zero federal funds rate, it will put upward pressure on mortgage rates. We are forecasting that mortgage rates will climb steadily to around 4.0% by the end of 2022. While this is certainly higher than the sub-3% levels seen over the last couple years, they will still be lower than most of the preceding four decades.



The Virginia REALTORS® association is the largest professional trade association 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.