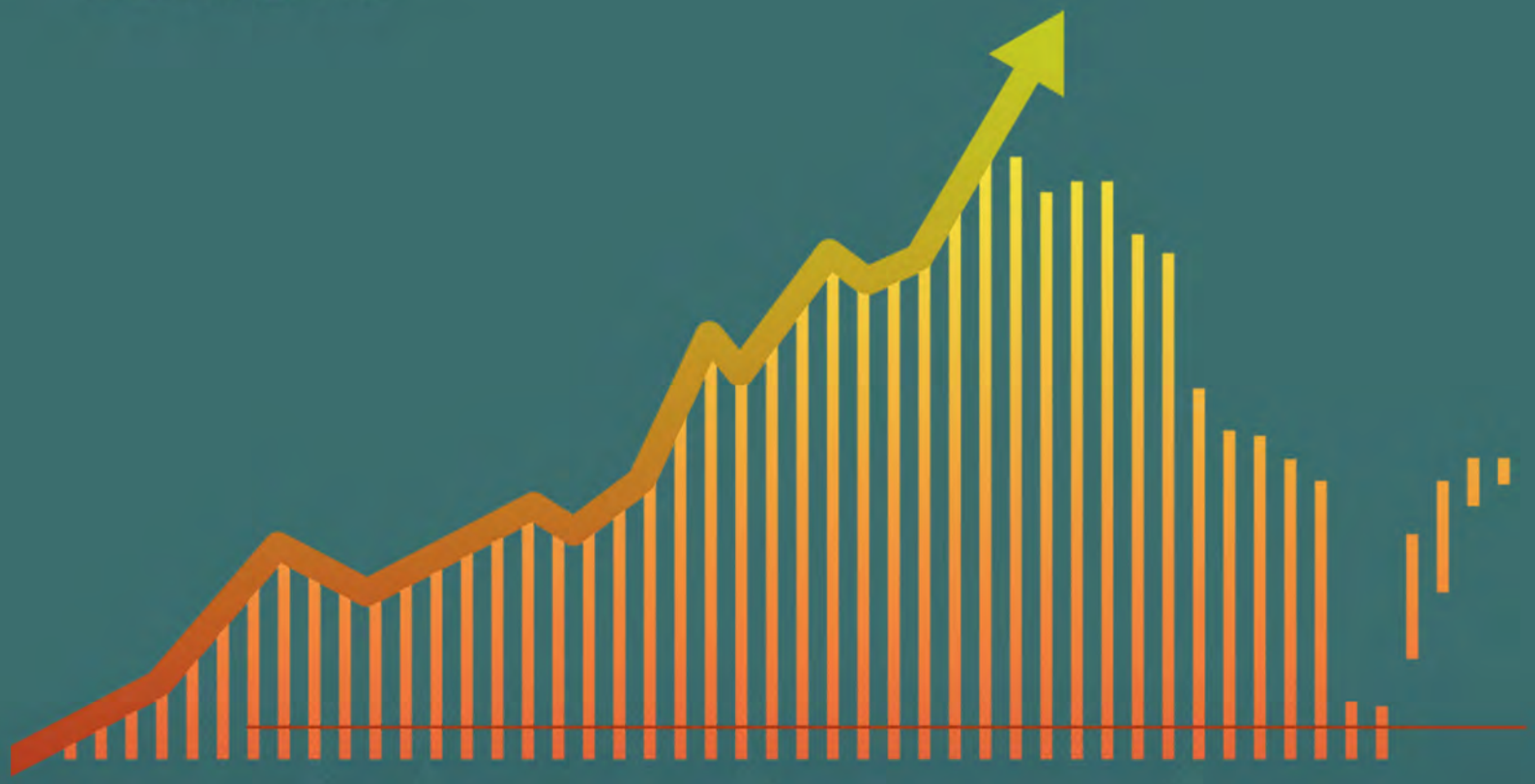
Virginia REALTORS®



Virginia

HOME SALES REPORT

SEPTEMBER 2020

Virginia Home Sales Report

September 2020

Summary

Economic Conditions

- The economic recovery continues, though conditions have been uneven. Homeowners and higher-income households are faring better during the recovery than are renters and lower-wage workers.
- There have been four consecutive months of job gains in Virginia, with strong job growth in the Construction and Government sectors.
- Consumer confidence rebounded in September, after plummeting in August amidst concerns about the economy and prospects for additional federal assistance.
- Mortgage rates have remained low, with the 30-year fixed-rate mortgage rate below 3% for 11 consecutive weeks.

Housing Market Conditions

- There were 13,346 home sales Statewide in September 2020, up a remarkable 32.5% from a year ago.
- Strong demand, limited inventory, and low mortgage rates have led to a surge in home prices. The Statewide median sales price was $329,900 in September, up 12.7% from a year ago.
- At the end of September, there were 11,829 pending sales Statewide, up 1,841, or 18.4%, compared to September 2019.
- There were 15,244 new listings brought to the market in September 2020, which is 1,764 more listings than September 2019, a 13.1% increase.
- There were 22,535 active listings on the market at the end of September, which is 15,320 fewer compared to a year ago, a 40.5% decline.

Virginia REALTORS® Market Report Key Takeaways

- COVID-19 and the recession have disrupted the typical housing market cycle. The spring market shifted into the summer, and fall sales activity is expected to be much busier than in a typical year.
- The residential real estate market has been leading the economic recovery, with a strong rebound in sales activity and a surge in sold volume.
- Low mortgage rates are expected well into 2021, providing an incentive for both home purchases and refinancing.
- Despite low rates, rising home prices are renewing concerns about affordability. Many moderate-income households and first-time homebuyers may be pushed out of the market by increasing prices.

Summary of Virginia's Housing Market Trends & Conditions

	Sep-19	Sep-20	Change	% Change	YTD 2019	YTD 2020	Change	% Change
Sales	10,070	13,346	3,276	32.5%	97,258	99,817	2,559	2.6%
Median Home Price ($)	292,745	329,900	37,155	12.7%	298,500	315,000	16,500	5.5%
Sales Volume ($ billions)	3.6	5.4	1.8	51.5%	35.0	38.5	3.4	9.8%
Average Days on Market	48	37	-11.0	-22.9%	48	43	-4.8	-10.1%
Pending Sales	9,988	11,829	1,841	18.4%	101,941	100,932	-1,009	-1.0%
New Listings	13,480	15,244	1,764	13.1%	137,512	129,033	-8,479	-6.2%
Active Listings	37,855	22,535	-15,320	-40.5%	37,855	22,535	-15,320	-40.5%

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

Economic Overview

The national economy continues to improve, but there are some signs that the recovery has slowed. The U.S. economy gained jobs for five consecutive months and the national unemployment rate fell to 7.9% in September. At the same time, however, there are growing concerns about the rise in the number of permanent job losses and a growing number of individuals who are leaving the labor force. Economic uncertainty likely will characterize the recovery through 2020 and into 2021.

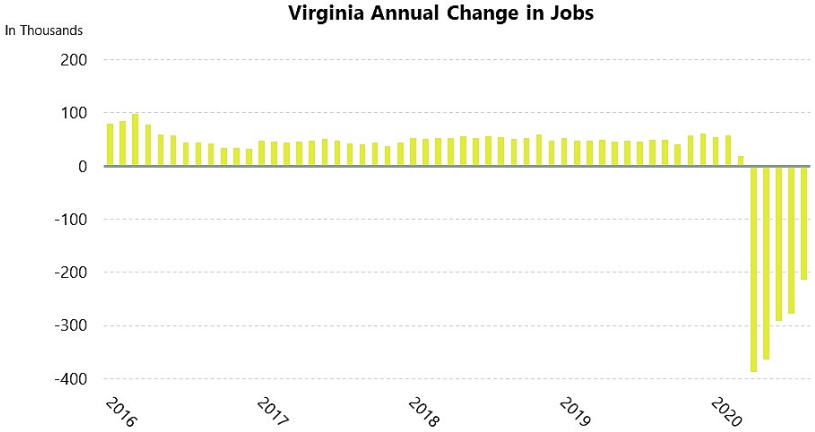
Economic conditions in Virginia are somewhat better than they are nationally. The Commonwealth has added jobs consistently for four consecutive months, with 68,000 jobs gained in August. The Statewide unenmployment rate in August was 6.1%, while the national rate was 8.4%. The surge in job growth in August is partially due to hiring for the beginning of the school year. Gains in September will likely be lower.

Even with these gains, there are still about 212,000 fewer jobs in Virginia this year compared to a year ago. Full recovery of the jobs lost this spring is still a long way off.

The Leisure & Hospitality sector is still feeling the impact of COVID-19 and the downturn. In August, there were 83,000 fewer jobs in this sector than there were a year ago. The Health Care & Social Assistance sector is down 36,500 jobs compared to a year ago, and there are 30,100 fewer Administrative & Waste Services jobs.

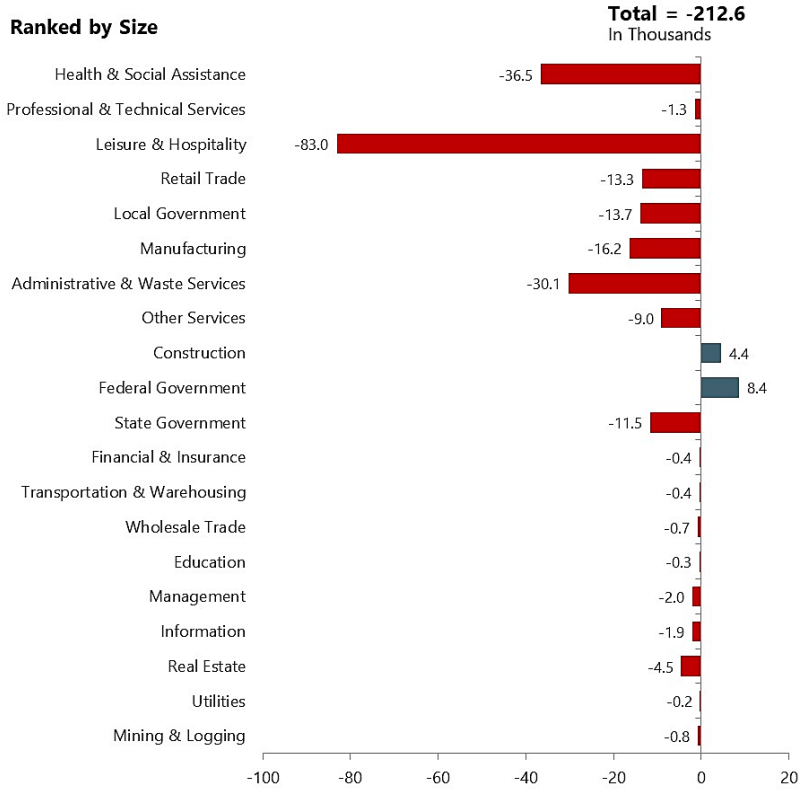
The Construction sector has been a bright spot during the downturn, with an additional 4,400 jobs in August. The State's 2nd largest sector, the Professional & Technical Services sector, is down just 1,300 jobs compared to a year ago. The realtively large increase in jobs in the Federal Government sector is related to hiring for the Census.

Figure 1
Virginia Annual Change in Jobs



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

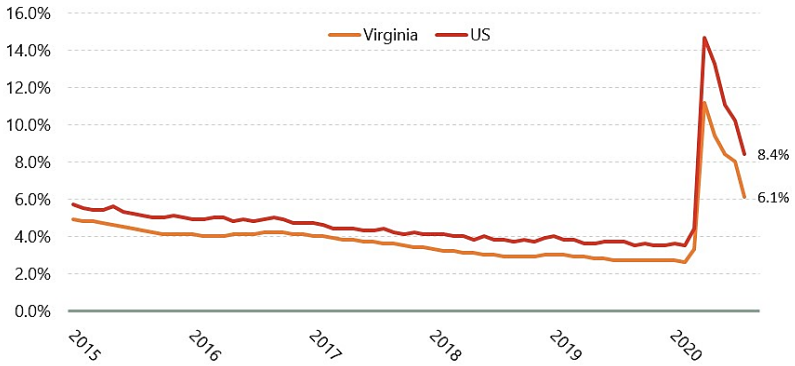
Figure 2
Virginia Job Change by Industry
August 2019 - August 2020



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

While the unemployment rate is falling both nationally and in Virginia, there are also signs that an increasing number of people are leaving the workforce altogether. People exiting the labor force include those deciding to retire early, others who have become discouraged about their propsects for finding a job, and parents—most often mothers—leaving jobs to care for children who are attending school from home. This trend will contribute to the uncertain and relatively long recovery period that many economists are predicting.

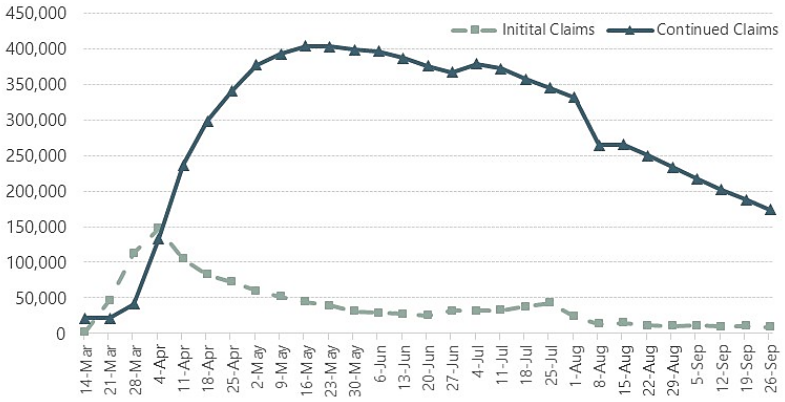
Figure 3
Unemployment Rate



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

Claims for unemployment benefits have declined in Virginia. In the week ending September 26, there were just 9,377 initial claims for unemployment benefits, which is far below the peak in early April, but still elevated compared to pre-COVID-19 levels. At the end of September, there were still more than 170,000 Virginians who were receiving unemployment assistance.

Figure 4
Virginia Unemployment Claims



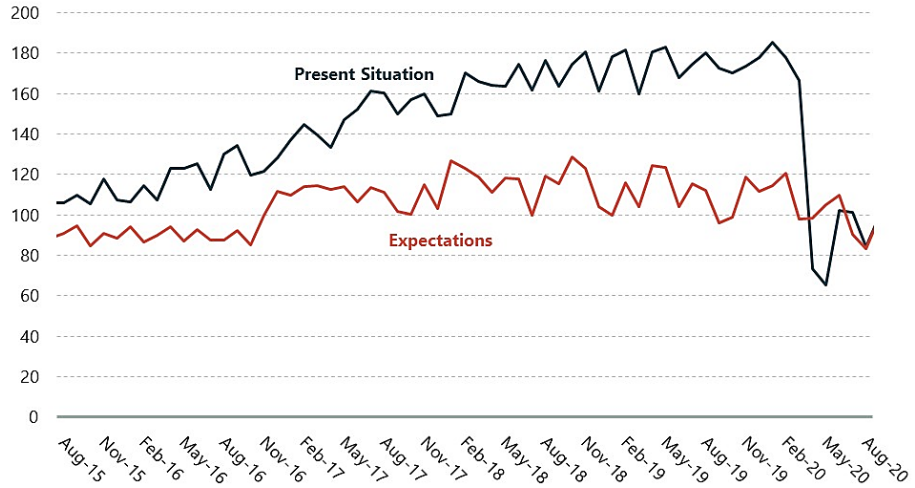
Source: Virginia Employment Commission, Not Seasonally Adjusted

About one out of five workers receiving unemployment benefits were employed in the Accommodation & Food Services sector, including many restaurant, bar, and hotel workers. The Retail sector, Health Care & Social Assistance workers, and Administrative & Waste Services (i.e., janitorial) workers also continue to be disproportionately hard-hit by job loss. Workers in other sectors have been relatively more insulated from the economic downturn. Rates of unemployment in white collar sectors, including Professional & Technical Services, Finance, and Government, have remained relatively low.

Improvements in economic conditions are not being felt equally by all individuals and families. Some economists are calling the current economic recovery a “K-shaped” recovery, which means some individuals are seeing conditions improve (the upper “arm” of the K), while others continue to face precarious economic situations (the lower “arm” of the K). In general, workers in lower-wage jobs, renters, and non-White residents have been harder hit by the economic downturn than have higher-wage workers, homeowners, and White residents.

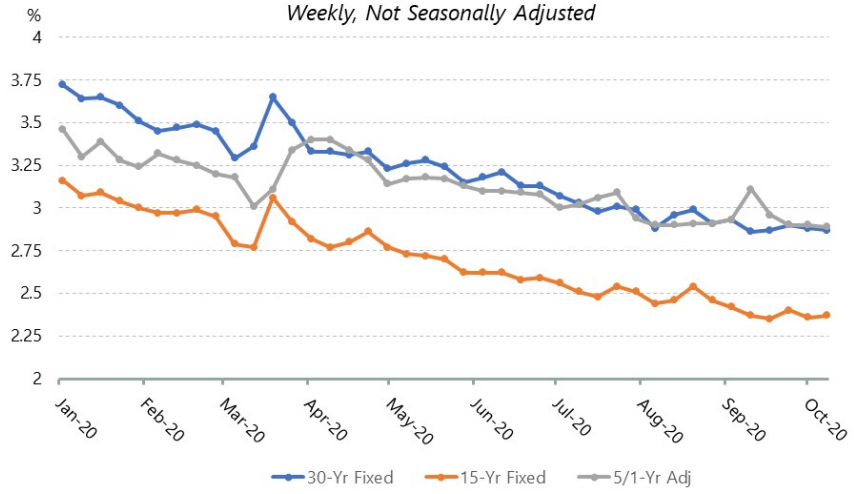
Meaures of consumer confidence reflect the ongoing uncertainty in the recovery. The consumer confidence indices plummeted in August before rebounding somewhat in September. The measure of confidence in the present economic situation was 99.6, and the future consumer confidence index was 98.8 in September. A consumer confidence index of 100 or more indicates individuals feel optimistic about economic conditions.

Figure 5
Consumer Confidence
South Atlantic Region



Source: The Conference Board

Figure 6
Mortgage Interest Rates
Weekly, Not Seasonally Adjusted



Source: Freddie Mac

Historically low mortgage rates have continued to spur refinance and purchase activity and sustain confidence in the for-sale housing market. The average 30-year fixed-rate mortgage rate has been below 3% for 11 consecutive weeks. The pace of mortgage applications slowed slightly at the end of the summer, likely due to the lack of inventory.

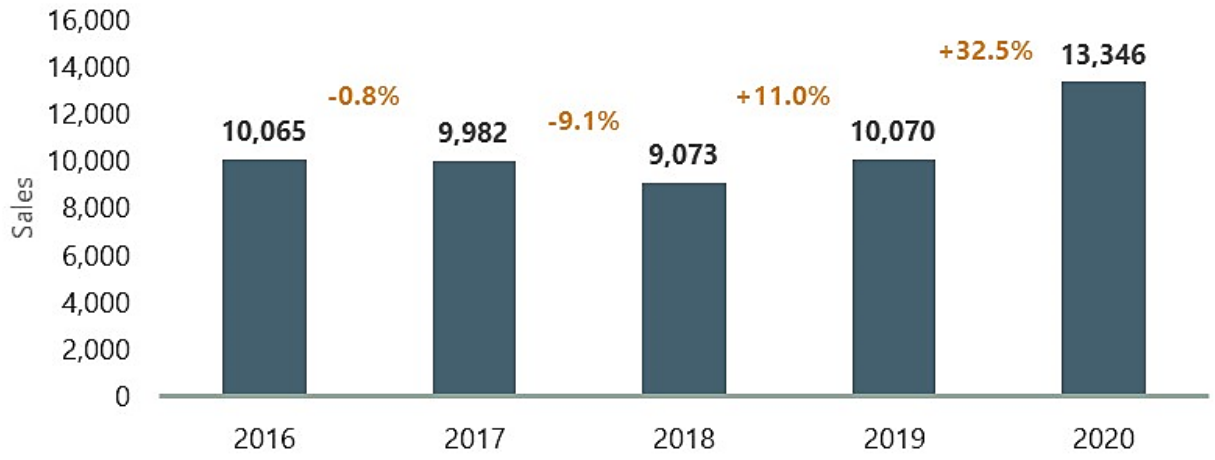
Housing Market Overview

In a typical year, home sales activity slows somewhat in September as children go back to school and families return from summer vacation. However, this year, those typical early fall milestones have been upended. As a result, the strong summer housing market surged ahead into September. Strong demand and low mortgage rates continue to fuel robust housing market activity. A lack of available inventory is the biggest constraint on the market this fall.

Sales

In September, there were 13,346 total sales Statewide, which is up an astounding 32.5% over last September. Last year, the pace of sales activity slowed dramatically between August and September. By comparison, this year, the number of closed sales in September was down by just 2.9% compared to August. Despite COVID-19 and the economic downturn, year-to-date home sales in Virginia are up 2.6% in 2020 compared to 2019.

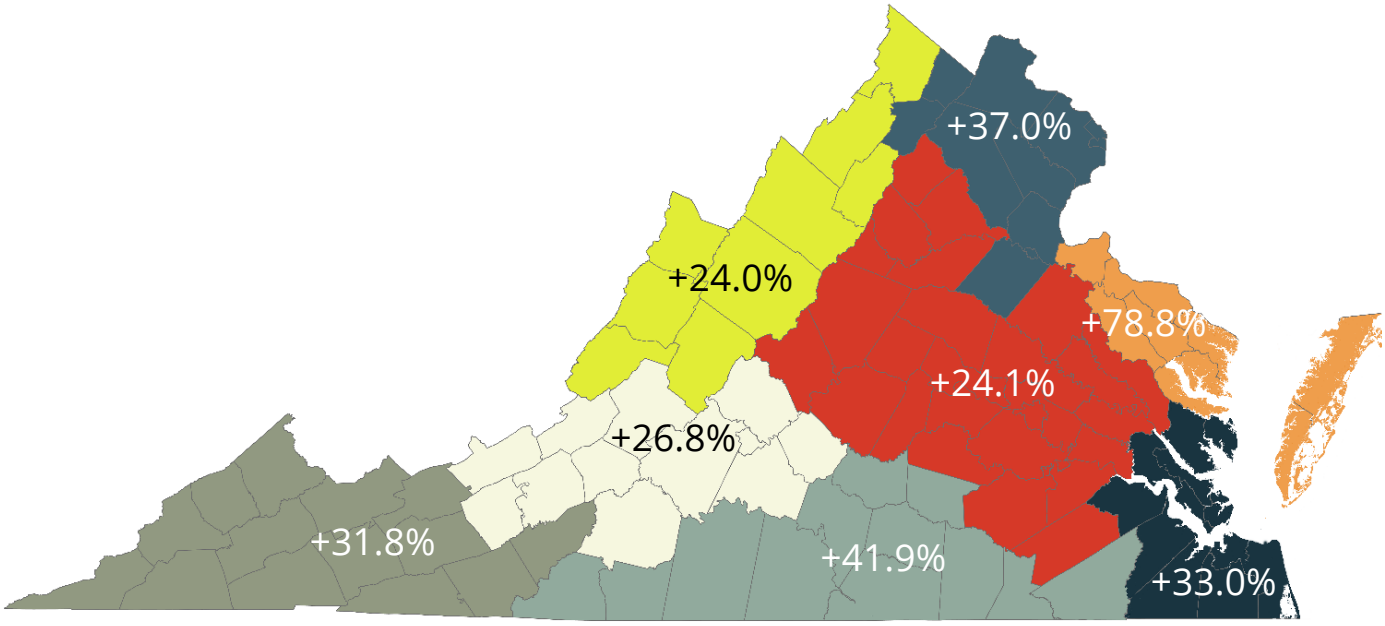
Figure 7
Home Sales, Virginia
September, 2016-2020



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

Home sales were up strongly across the Commonwealth. In the Eastern region, the number of home sales surged 78.8% in September 2020 compared to September 2019. Sales were also up strongly in the State's largest markets. The number of sales in September was up 37.0% in the Northern region. Sales were 33.0% higher in the Hampton Roads region and increased by 24.1% in the Central region.

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



Region	*Sep-19*	*Sep-20*	*% Change*	YTD *2019*	YTD *2020*	*% Change*
Central	2,235	2,774	24.1%	21,041	21,492	2.1%
Eastern	212	379	78.8%	1,811	2,297	26.8%
Hampton Roads	2,380	3,165	33.0%	22,608	24,551	8.6%
Northern	3,465	4,748	37.0%	35,504	35,759	0.7%
Southside	203	288	41.9%	1,905	2,042	7.2%
Southwest	192	253	31.8%	1,552	1,749	12.7%
Valley	576	714	24.0%	5,223	5,479	4.9%
West Central	805	1,021	26.8%	7,753	8,323	7.4%

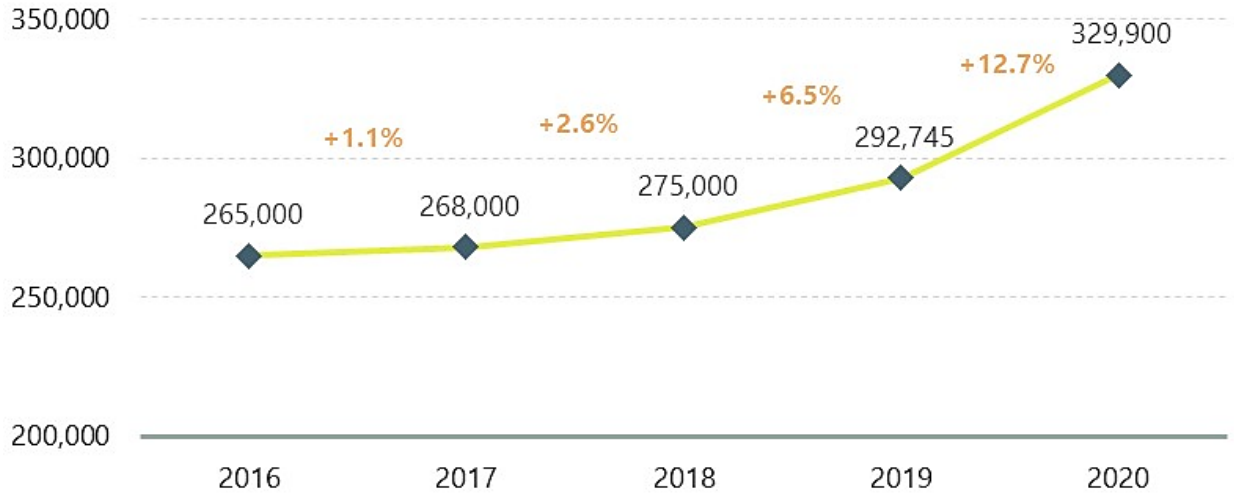
Source: Virginia REALTORS®, data accessed October 15, 2020

Home Prices

As a result of strong demand, limited inventory, and very low mortgage rates, home prices continue to surge in Virginia. In September, the median home sales price Statewide was $329,900, which is 12.7% higher than in September 2019. Year-to-date, home prices have risen by 5.5% compared to a year ago.

Rising home prices have increased concerns about housing affordability in many regions across Virginia. While low mortgage rates can make monthly payments more affordable, would-be homebuyers, particularly first-time buyers, have a harder time coming up with a down payment as home prices rise.

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

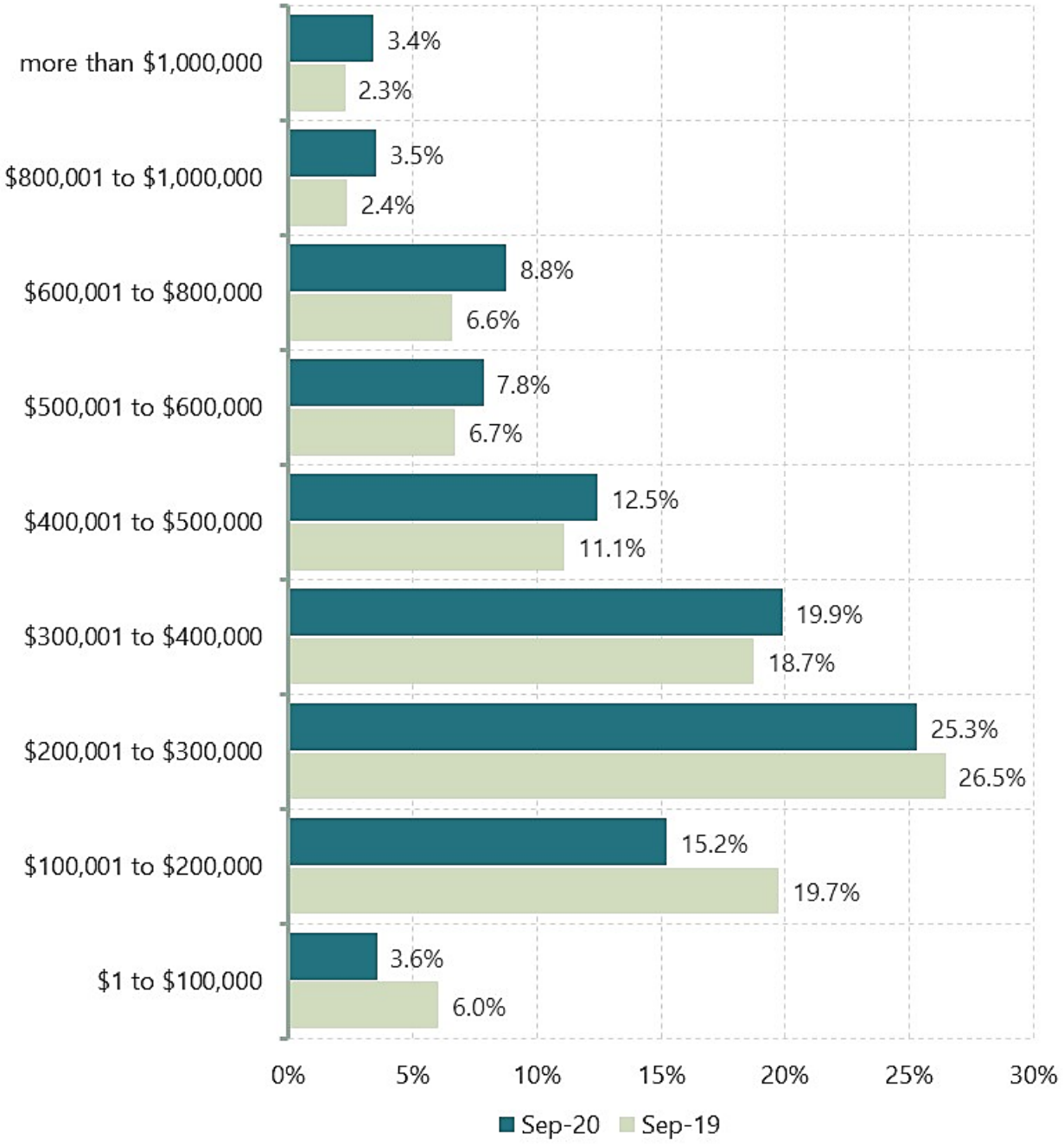


Source: Virginia REALTORS®, data accessed October 15, 2020

Homes priced under $300,000 make up a smaller share of home sales this year. In September 2020, 44.1% of all homes sold for under $300,000. By contrast, sales below $300,000 accounted for 52.2% of home sales in September 2019. Mid-level homes, those priced between $300,000 and $599,999, accounted for 40.2% of the market in September 2020, compared to 36.5% of September 2019 sales. At the higher end, homes priced between $600,000 and $999,999, comprised 12.3% of home sales in September 2020, compared to 9.0% of sales in September 2019.

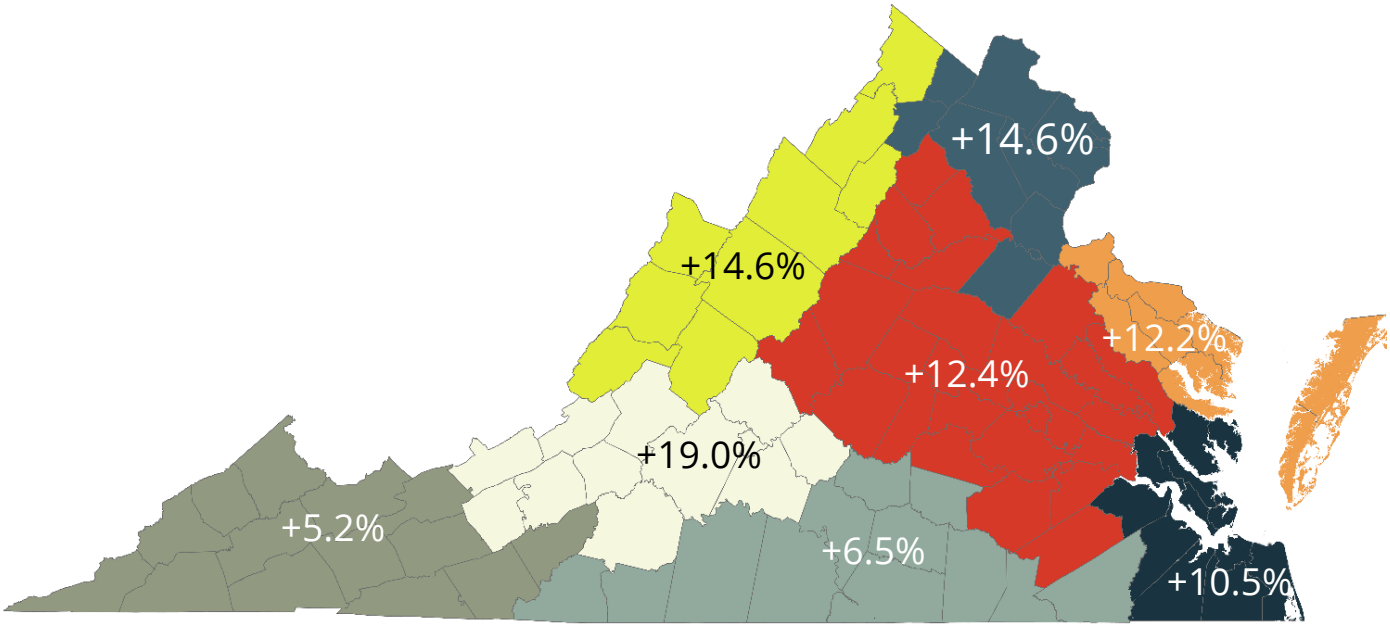
Prices were up at double-digit rates in most regions across Virginia, with the strongest price appreciation in the West Central region. In September, the median home sales price was $219,000 in the West Central region, up 19.0% compared to a year ago. The median sales price in September 2020 was $495,000 in the Northern region, an increase of 14.6% compared to a year ago. Median sales prices were up 12.4% and 10.5%, respectively, in the Central and Hampton Roads regions.

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



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

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



Region	*Sep-19*	*Sep-20*	*% Change*	YTD *2019*	YTD *2020*	*% Change*
Central	266,130	299,063	12.4%	265,000	284,300	7.3%
Eastern	249,500	280,000	12.2%	225,000	255,000	13.3%
Hampton Roads	248,905	275,000	10.5%	245,000	262,000	6.9%
Northern	432,000	495,000	14.6%	450,000	485,000	7.8%
Southside	120,000	127,750	6.5%	122,000	125,000	2.5%
Southwest	135,000	142,000	5.2%	135,000	144,000	6.7%
Valley	228,000	261,200	14.6%	219,900	243,400	10.7%
West Central	184,000	219,000	19.0%	189,950	209,600	10.3%

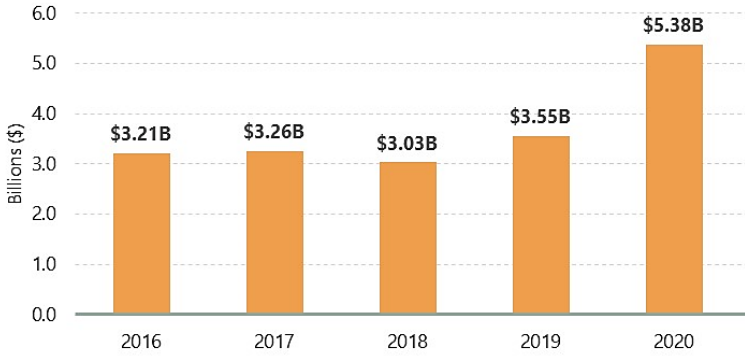
Source: Virginia REALTORS®, data accessed October 15, 2020

Sold Volume

As a result of the surge in closed sales, as well as the upward pressure on home prices, the total sold volume increased dramatically across the Commonwealth. In September, sold volume totaled $5.38 billion, and total sold volume was about $1.83 billion higher than in September 2019, reflecting an increase of 51.5%, year-over-year.

Year-to-date, there has been a total of $38.5 billion of volume, an increase of 9.8% over last year. Despite COVID-19 and the economic downturn, steady sales activity and rising home prices have driven significant growth in the total volume of residential real estate sold in 2020.

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



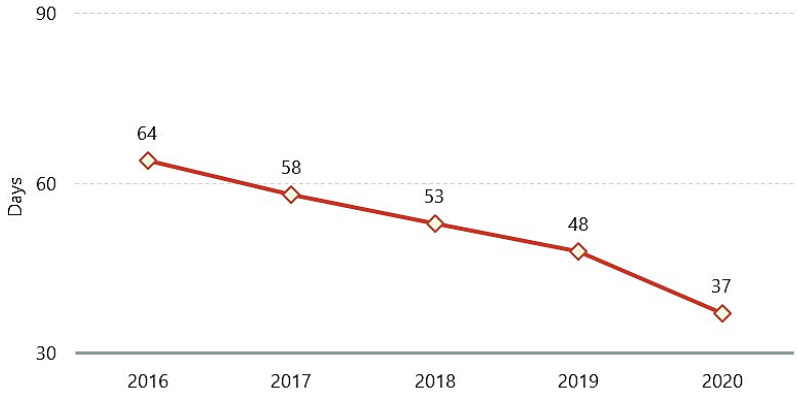
Source: Virginia REALTORS®, data updated October 15, 2020

Days on Market

Limited inventory and strong buyer demand have led to steady declines in the average days on market. Homebuyers, facing relatively few offerings in many local markets, have had to be prepared to act quickly to make an offer. Homes sold in an average of 37 days in September 2020, which is down from 48 days in September 2019.

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 19 in September. The average days on market declined most quickly in the Eastern region, from 159 days in September 2019 to 134 days in September 2020.

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



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

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

Region	*Sep-19*	*Sep-20*	*Change*	YTD *2019*	YTD *2020*	*Change*
Central	41	33	-8	41	40	-2
Eastern	159	134	-25	143	151	8
Hampton Roads	48	35	-13	53	43	-10
Northern	30	19	-11	28	22	-5
Southside	154	138	-16	162	154	-8
Southwest	134	142	7	153	156	3
Valley	60	56	-4	68	59	-9
West Central	50	38	-12	60	49	-10

Source: Virginia REALTORS®, data accessed October 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. September pending sales figures suggest that home sales will continue to be strong into the fall.

At the end of September, there were 11,829 pending sales Statewide, up 1,841, or 18.4%, compared to September 2019. The number of pending sales declined modestly (-3.8%) between August and September 2020, but this is a much smaller August-to-September decline than last year.

New Listings

While inventory still remains well below what is needed to fully meet demand, new listings have been up for the past few months. In September 2020, there were 15,244 new listings brought to market, which is 1,764 more new listings than there were in September 2019, a 13.1% increase. Last year, the number of new listings brought to market declined between August and September. This year, however, the number of September new listings increased 1.7% over the number of August new listings.

Active Listings

Supply has been on the decline for more than five years in Virginia. The long-term 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. In recent months, low mortgage rates have led to a surge in refinancing activity. As more homeowners refinance their mortgage, inventory will get even tighter. The lack of supply remains the biggest constraint on the performance of the State's housing market.

At the end of September, there were 22,535 active listings in Virginia, which is 15,320 fewer active listings than there were at the end of September 2019, a 40.5% drop.

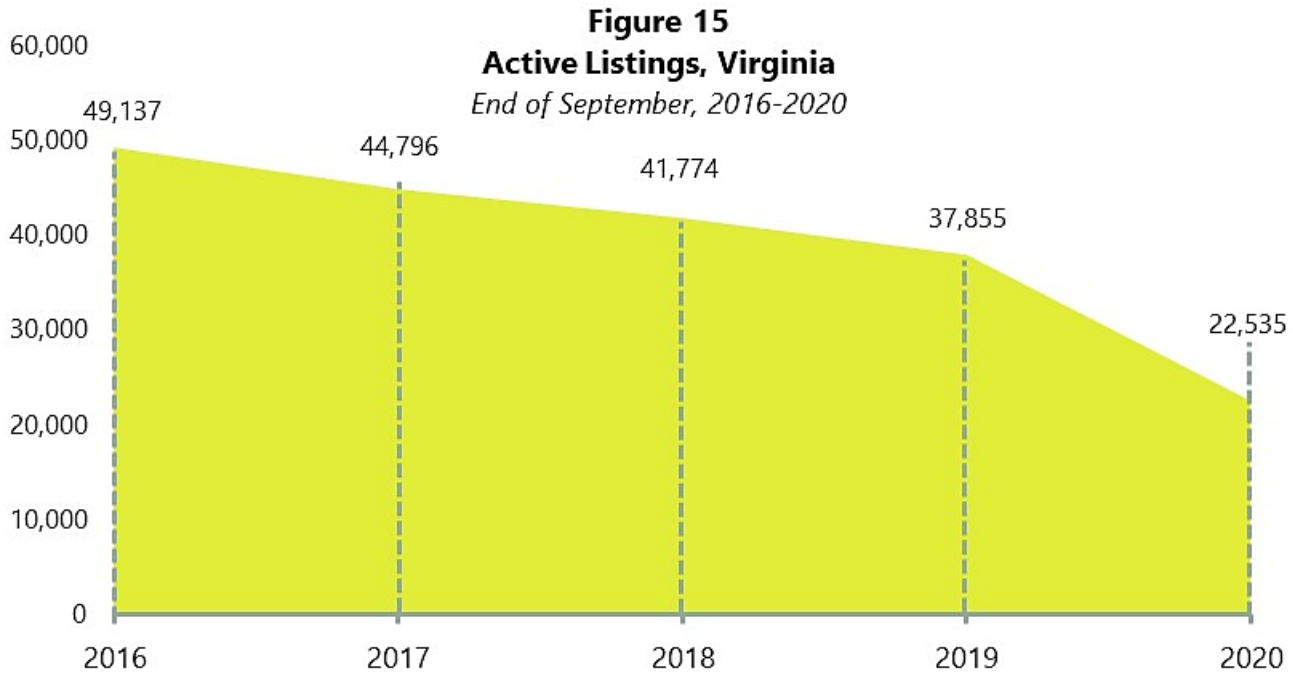
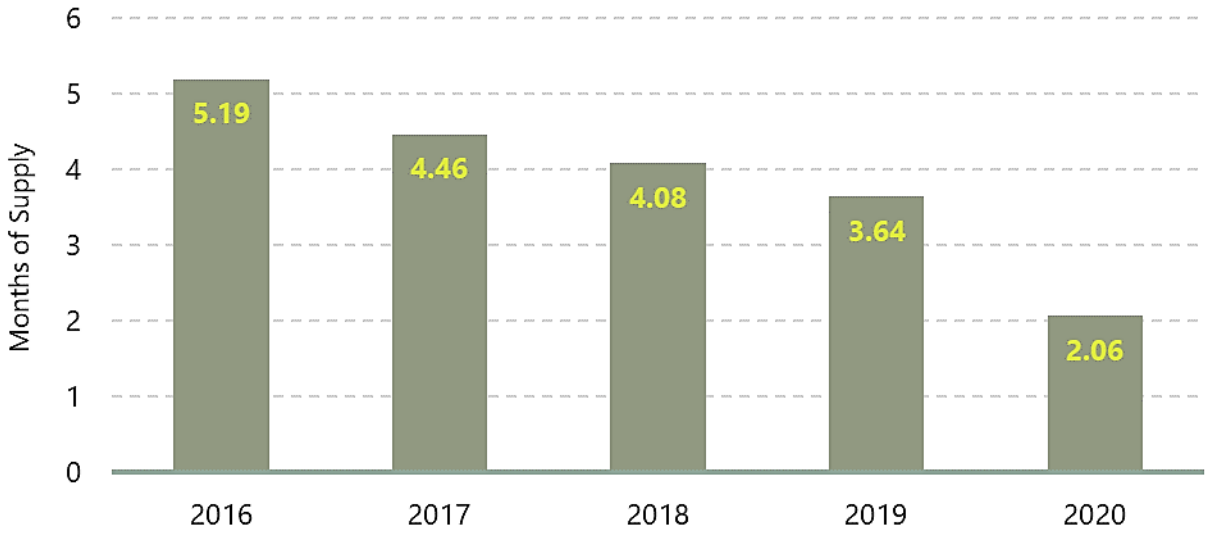


Figure 15
Active Listings, Virginia
End of September, 2016-2020

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

At the end of September 2020, there was an estimated 2.06 months of supply in Virginia, down from 3.64 months of supply at the end of September 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 September, 2016-2020



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

Outlook

Even as the overall economy faces uncertainty, Virginia's housing market has rebounded strongly, and the residential real estate sector has been leading the economic recovery. While the housing market is expected to stay solid through the end of 2020, several key factors will affect the State's housing market in the months to come:

- Improvement in economic conditions is benefitting some residents more than others. Higher-wage workers and homeowners have been better positioned financially during COVID-19 and the recession. A drawn-out recovery will mean that many individuals and families who have been most negatively impacted still face financial uncertainty. Those most at risk include lower-wage workers and renters.

- The longer the economic recovery remains uncertain, the more likely mortgage rates will remain low. Many economists are predicting that the economic recovery will slow in the 4th quarter of 2020 because the Federal government has failed to pass new COVID-19 stimulus legislation. Therefore, it is expected that mortgage rates will remain low well into 2021.

- As the housing market rebounds and prices surge, there are growing concerns about affordability. Many moderate-income households and first-time homebuyers may find themselves unable to afford to buy a home. While low rates make monthly payments lower, a severe lack of inventory has increased competition for homes. Buyers are having to bring more cash to closing, which can be a barrier to some would-be buyers.

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.