The Impact of COVID-19 on the Charlottesville Area Housing Market: Current Conditions & Outlook

September 25, 2020

Lisa Sturtevant, PhD
Chief Economist, Virginia REALTORS®
Key Trends & Outlook
Factors Affecting Virginia’s Housing Market

“K-shaped” recovery is benefitting some over others; homeowners better positioned than renters currently.

Interest rates will stay low, making purchase and refinancing attractive, benefiting homeowners.

Home sales activity rebounded strongly but inventory remains a constraint & affordability is a challenge.

Longer-term shift in housing preferences expected at the margins.
Economic Trends
U.S. Employment - Up for 4 Consecutive Months

Pace of job growth has slowed; unemployment rate expected to hit 8% by year end

Virginia Employment - Up for 4 Consecutive Months

Unemployment rate hit 6.1% in August

Virginia Job Change – July to August 2020

Biggest gains were in Local Govt; ramp up for the start of the school year

Source: U.S. Bureau of Labor Statistics
The number of weekly initial claims for unemployment benefits remained relatively flat in the week ending August 29. About 233,000 Virginians were receiving continued unemployment benefits, which is down from a week ago.

Virginia Unemployment Claims – Steady Declines

In mid-September, about 186,000 Virginia were receiving unemployment benefits.

Source: U.S. Department of Labor, Not Seasonally Adjusted
Charlottesville Metro Area – Added Back Half Jobs Lost

*Unemployment rate was 7.6% in July*

Unemployment Has Fallen in the Charlottesville Area

In mid-September, unemployment remains elevated

Source: U.S. Department of Labor, Not Seasonally Adjusted
Consumer Confidence Plummeted in August
The Present Index fell to 81.2; the Expectations Index fell to 81.3

Source: The Conference Board
Housing Market Trends
Why Has the Housing Market Been So Resilient?

*V-shaped recovery in the housing market*

Job losses have been concentrated in a few sectors where workers are mostly renters.

Mortgage rates have been at historically low levels.

1. Pre-COVID housing demand was strong – and will continue to be.
Home Sales Rebounded Strongly This Summer

Virginia Monthly Homes Sales

Charlottesville Area Monthly Homes Sales

Source: Virginia REALTORS®
The COVID-19 Pandemic Slowed Spring Home Sales

The spring market has shifted to the summer; buyers have returned to the market

Spring Home Sales
March, April, May

-10.2%

Summer Home Sales
June, July, August

+6.5%

2020 compared to 2019
Inventory – Supply Remains a Major Constraint

Source: Virginia REALTORS®
Monthly New Listings

*Sellers have returned to some markets*

Source: Virginia REALTORS®
Gap Between New Listings and Sales + Pendings

Each month, there are more homes sold or under contract than there are new listings

Charlottesville Area
Inventory Gap =
(Sales + Pending Sales) Minus New Listings

Jan: 85
Feb: 68
Mar: 145
Apr: 205
May: 326
Jun: 454
Jul: 448
Aug: 406

2020

Source: Virginia REALTORS®
Pending Sales – Indicate Fall Sales will be Up

Virginia Pending Sales, End of the Month

Charlottesville Area Pending Sales, End of the Month

Source: Virginia REALTORS®
Home Prices Are on the Rise

The statewide median home price was $330,000, up 10.4% from a year ago

Source: Virginia REALTORS®
Median Home Prices

Strong demand, restricted supply, and low mortgage rates are driving prices

Charlottesville
- 2019: $345,000
- 2020: $385,500

Aug '20 +11.7%

Albemarle
- 2019: $368,935
- 2020: $433,000

Aug '20 +17.4%

Fluvanna
- 2019: $235,209
- 2020: $247,500

Aug '20 +5.2%

Greene
- 2019: $254,335
- 2020: $299,900

Aug '20 +17.9%

Nelson
- 2019: $212,500
- 2020: $232,000

Aug '20 +9.2%

Louisa
- 2019: $241,000
- 2020: $274,950

Aug '20 +14.1%

Source: Virginia REALTORS®
Demand is Strong in the Charlottesville Area Across Price Points

*Entry- and mid-level homes are moving the most quickly*

<table>
<thead>
<tr>
<th>Price Range</th>
<th>2020 Sales Percentage</th>
<th>Avg DOM</th>
<th>MOS</th>
<th>Avg S-to-L Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry-Level (&lt;$300,000)</td>
<td>41.5% (down from 44% in Aug 2019)</td>
<td>59</td>
<td>1.4</td>
<td>98.1%</td>
</tr>
<tr>
<td>Mid-Level ($300,000 - $599,999)</td>
<td>44.8%</td>
<td>47</td>
<td>2.8</td>
<td>99.2%</td>
</tr>
<tr>
<td>Higher-End ($600,000 - $999,999)</td>
<td>10.1%</td>
<td>56</td>
<td>5.5</td>
<td>98.8%</td>
</tr>
<tr>
<td>Luxury ($1m+)</td>
<td>3.8%</td>
<td>338</td>
<td>14.5</td>
<td>96.4%</td>
</tr>
</tbody>
</table>
Nearly all Virginia REALTORS® are Seeing Multiple Offers

Biggest competition among entry-level and mid-level homes

In your recent transactions, have there been multiple offers on a home?
- Yes, across the board 53.5%
- Yes, for some property types 39.9%
- No 6.1%

In general, what price ranges are you seeing multiple offers on homes?
- Entry-level homes (less than $300,000) 77.2%
- Mid-level homes ($300,000 - $499,999) 62.8%
- Higher-priced homes ($500,000 - $799,999) 32.3%
- Luxury homes ($800,000 or higher) 12.0%
- Other 4.9%

Source: Virginia REALTORS® Survey of Members, August 27-30, 2020
n=859
Mortgage Interest Rates

The 30-year FRM rate was 2.93% in the week ending September 3.

The average 30-year FRM has been below 3% for 6 weeks.

Source: Freddie Mac

Updated 8/6/2020

Weekly Mortgage Interest Rates (%), Not Seasonally Adjusted

Source: Freddie Mac

Mortgage Rates

Avg. 30-year fixed rate mortgage rate below 3% for 8 consecutive weeks
Nationally Foreclosures Are Down

Extended ban on foreclosures & forbearance program has kept filings low to date

Residential Properties with Foreclosure Filings
January-to-June Each Year

Source: ATTOM Data Solutions

Source: Black Knight Mortgage Monitor
Access to Homeownership
The homeownership rate in Virginia has declined since 2005 but is above the U.S. rate.
The Black-White homeownership gap has increased since 2000.

The homeownership rate among Black households in Virginia was 47.7% in 2018. In 1968, when Congress passed the Fair Housing Act, the Black homeownership rate in Virginia was higher, at 52%.
African Americans have not benefited as much as Whites from homeownership.

According to national data, African Americans:

• Are far less likely than Whites to ever own a home.
• Buy their first home on average nine years later in life than Whites (and thus enjoy less appreciation in value).
• Are more likely to buy a home in a racially segregated area that does not appreciate as much.
• Often pay more interest or other costs for their home loan.
• Buy cheaper homes but have higher mortgage debt.

Source: PSID, Urban Institute
Black and Hispanic households have lower levels of housing wealth and other income and assets than White households.

On average, African Americans are older than Whites when they buy their first home. Even after accounting for the age of first home purchase, Black homeowners accumulate less housing wealth over their lifetimes compared to White homeowners.

Nationally, on average, Black and Hispanic households have significantly lower levels of home equity, overall net worth, household income, and liquid assets compared to White households.

Source: Survey of Consumer Finance and Urban Institute

Source: PSID and Urban Institute
Nationally, the Black-White wealth gap has widened in recent decades. Largely as a result of differences in homeownership and accumulation of housing equity, median family wealth of White households is much higher than for Black or Hispanic households.
Outlook
What’s ahead for 2020 and 2021?

- V-shaped housing market recovery
- K-Shaped economic recovery
  - Some benefitting, others falling behind
  - Widening inequalities

- Strong homeownership demand
- Low mortgage rates into 2021
  - Purchase/refinance activity up
  - Inventory negatively impacted
- More demand for smaller markets
  - More demand in Charlottesville area
- Housing affordability will remain a challenge
Thank You

Questions?

lsturtevant@virginiarealtors.org
@Lisa_Sturtevant