



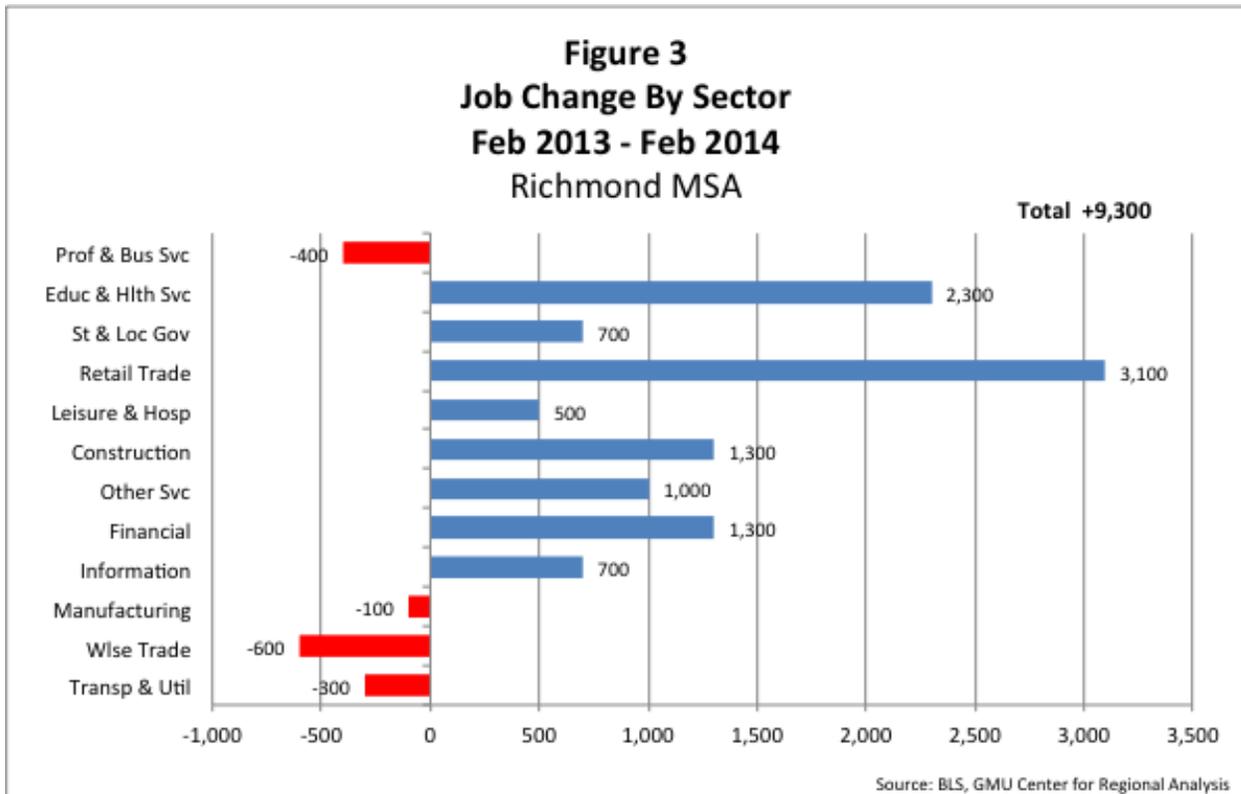
## 2014 1<sup>st</sup> Quarter Report Summary

### Central Virginia Economic Trends

Central Virginia’s economy reached a milestone in February as the job level exceeded its historical peak for February which was in 2007, indicating that the regional economy has regained all of the jobs lost in the recession. And since the recessionary bottom in February of 2010, the economy has added 43,000 jobs—a very strong improvement.

The continued improving job situation is also reflected in the unemployment rate which as of February was 5.5 percent, down from 6.1 percent in February 2013 and down from the February peak of 8.8 percent in 2010.

The growth in jobs and decline in unemployment along with the large improvement in the retail sector all point to a strong foundation for the region’s housing market in the spring and summer and going forward.

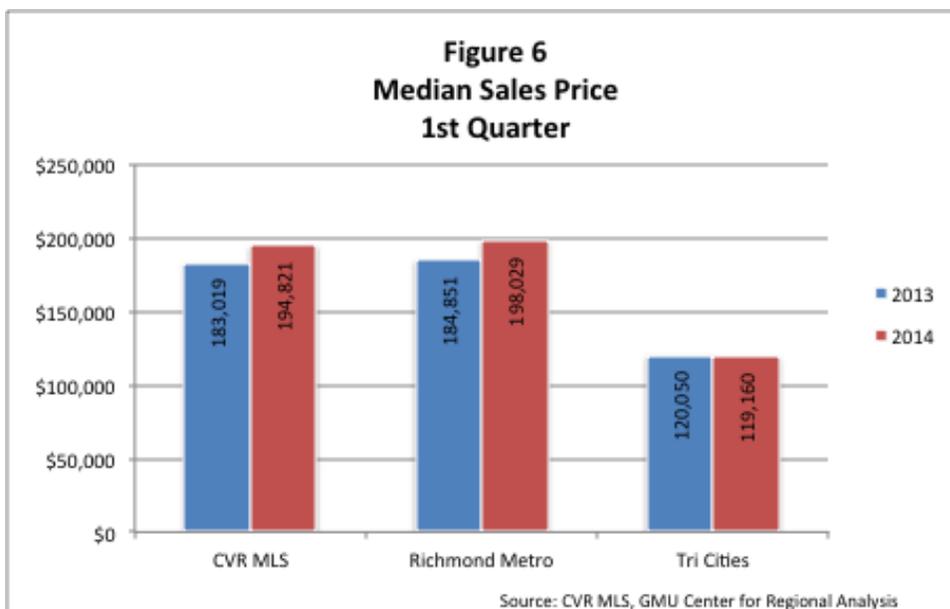
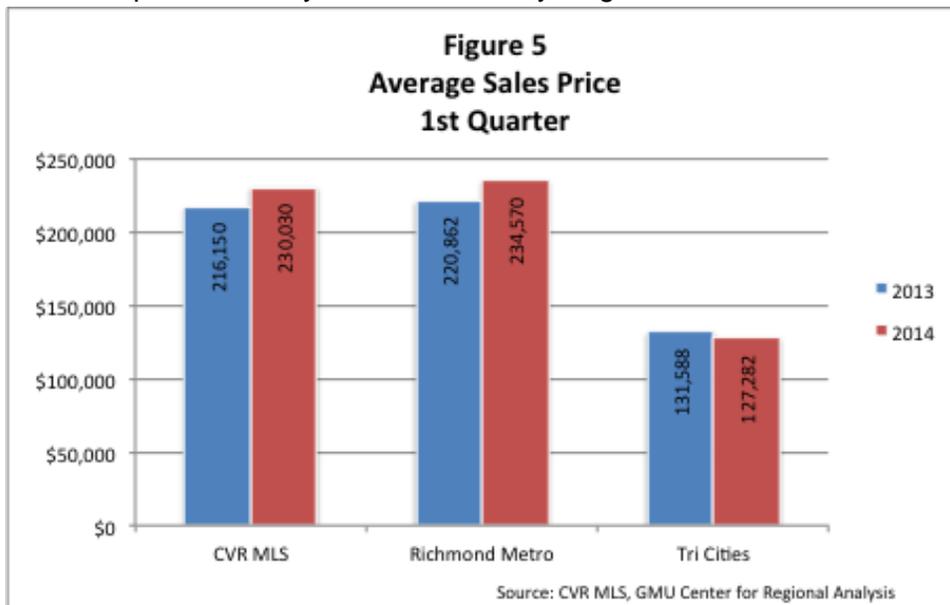


## Central Virginia Housing Market Conditions

The Central Virginia housing market had a slow first quarter, likely attributable to the harsh winter weather. Sales growth had been trending upward in the region; but sales stalled in the first quarter, and many jurisdictions experienced a decline in sales from last year. Despite the sluggish sales, home prices continued to climb throughout the region, which should further improve seller confidence and help increase the historically low inventory of active listings.

### Home Sales and Prices

Sales growth stagnated through much of the Central Virginia Region during the first quarter of 2014 compared to last year. An unusually long and harsh winter weather season likely played a



role in the sluggish sales numbers. There were 2,633 sales in the first quarter in the Central Virginia Region, essentially unchanged from the 2,630 sales in the same period last year. Sales in the Richmond Metro Area declined slightly, falling 2 percent from the previous year, a drop of 55 sales. The Tri-Cities area was the only sub-region to see a rise in sales compared to last year. There were 229 sales in the Tri-Cities area in the first quarter, a 15 percent increase from this time last year. At the jurisdiction level, Petersburg led the entire Central Virginia Region in sales growth, up 38 percent from the first quarter last year, a gain of 15 sales. Hanover County led the Richmond Metro Area in sales growth, rising 16 percent from this time last year, an increase of 33 sales. Sales in Henrico and Chesterfield Counties declined 7 percent and 8 percent respectively. This is the first decline for these jurisdictions since the fourth quarter of 2012, which illustrates how much influence winter weather can have on the market.

Despite sluggish sales this quarter, home prices continue to climb in much of the region. The low inventory of active listings remains a factor and continues to put upward pressure on home prices. The average sales price in the Central Virginia Region in the first quarter was \$230,030, up 6 percent from the same period last year, a gain of nearly \$14,000. The median sales price for the region also rose 6 percent from this quarter last year, climbing to \$194,821. Region-wide, prices have been increasing steadily for nearly two years. The Richmond Metro Area in particular has seen a robust price recovery, with growth for eight consecutive quarters, three of which were in double digits. The median sales price in the Richmond Metro Area in the first quarter was \$198,029, up 7 percent from last year. Sales prices in the Tri-Cities area have been more volatile, but have been trending upward overall as the inventory of foreclosures and short sales continues to subside. The median sales price in the Tri-Cities area in the first quarter was \$119,160, a modest 1 percent drop from the same period last year.

At the local level, sales prices are following a similar pattern. Twelve of the sixteen jurisdictions in the region had higher median sales prices than the same quarter a year ago. Of the larger jurisdictions, Henrico and Chesterfield counties experienced the sharpest median sales price gains, both rising 10 percent from last year to \$197,250 and \$200,000 respectively. Colonial Heights had the steepest decline, with the median sales price falling 10 percent from the first quarter last year to \$123,151. The median sales price in Hanover County dropped 2 percent from the first quarter of last year, the first price decline for the county in over a year and a half.

Signs of the sluggish winter are also evident in the days-on-market data. After much improvement during 2013, the average-days-on market in the Central Virginia Region for the first quarter is up to 72 days, the same level as this time last year. While this metric tends to rise in the winter, the overall downward trend appears to be slowing. This could be reflective of loosening demand as the inventory of homes for sale remains historically low.

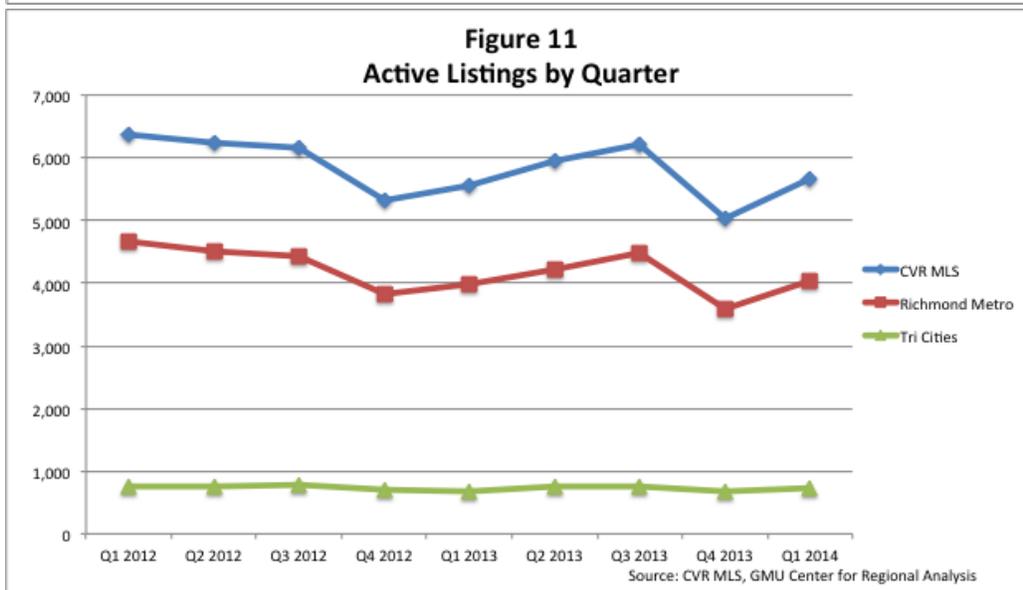
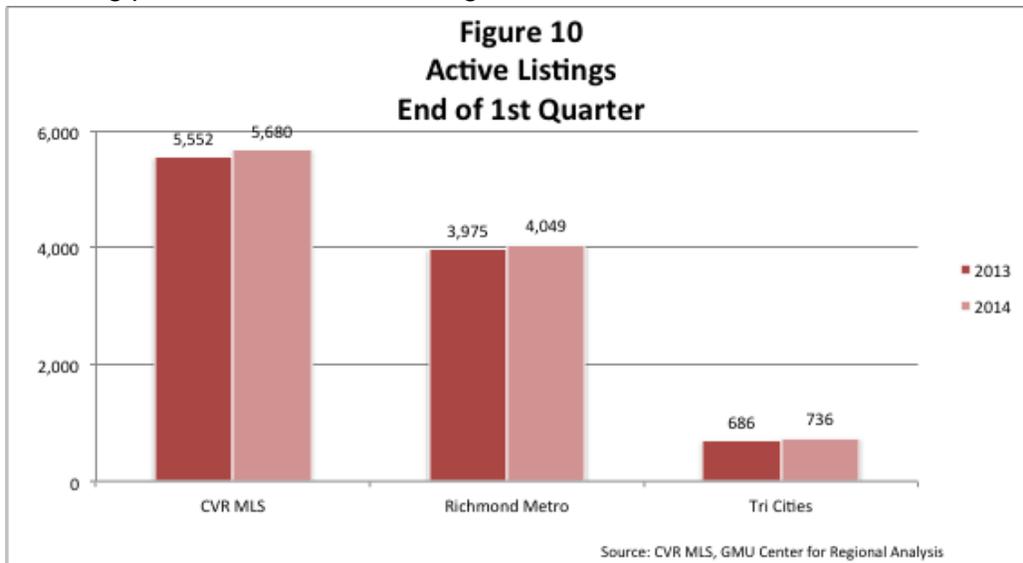
### ***Pending Sales***

For the first time in three years, the level of pending sales decreased in the Central Virginia Region as compared to the previous year. There were 3,706 pending sales in the region in the first quarter, 5 percent lower than the same quarter a year ago. Winter weather likely played big role in keeping buyers at home. Pending sales declined in 9 of the 16 jurisdictions in the first quarter. The Richmond Metro Area had 3,107 pending sales, 5 percent lower than the first

quarter of 2013. There were 264 pending sales in the Tri-Cities area, an 8 percent drop from this time last year.

**Active Listings**

The inventory picture continues to improve in the Central Virginia Region, but still remains very low. There were 5,680 active listings at the end of the first quarter, up 2 percent from this time last year. This is the second inventory gain in three quarters for the region; a sign that the inventory is beginning to stabilize and sellers are becoming more confident in the market. The improvement is now occurring across the region, with 9 of 16 jurisdictions showing an increase in active listings. Colonial Heights led all jurisdictions in listing growth, rising 52 percent from a year ago, a gain of 35 listings. Of the larger jurisdictions, Hanover County had the biggest inventory gain, up 15 percent from the first quarter of 2013. As noted, despite small growth at the region-level, the inventory still remains historically low and continues to play a major role in the rising prices seen around the region.



## ***Outlook***

The Central Virginia housing market is coming off a slow quarter, but several indicators in the market, and the health of the region's economy point to a stronger spring. As the weather warms, it's likely that buyer activity will increase, and pent up demand in the market from winter will accelerate sales.

While it is possible that demand has weakened to some extent from rising home prices and lingering uncertainty in some job sectors, the overall economy in the Central Virginia Region continues to show signs of strength, which bodes well for the housing market going into the spring. Job growth remains consistent, and job losses from the Great Recession have now been fully replaced in the region. The unemployment rate continues to fall, and is now at a multi-year low. While the weather slowed down sales activity, prices continued to rise, which is another indication that buyers remain active in the market. It appears the long-standing decline of active listings has diminished and is now on an upward trajectory, albeit slowly. Additionally, interest rates dropped slightly during the first quarter, which is good news for the spring market if the trend holds.

All of these factors point to steady growth in the region's housing market as we approach spring. But it is important to note that the credit market remains tight; and it's likely that some of the pent up demand will have difficulty qualifying for loans, which could temper sales moderately.