



ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET

2012 Annual and 4th Quarter Report Summary

Central Virginia Economic Trends

Central Virginia's economy has generally paralleled the national trends, although starting from generally better economic conditions overall. The region's unemployment rate peaked at 8.1 percent in 2009, well below the national peak of 10.0 percent. Since that regional peak in the unemployment rate, conditions have gradually improved and as of November the unemployment rate was 5.9 percent for the Richmond metro area. That is a decline from 6.5 percent in 2011 and from 7.5 percent in 2010.

This improvement in the unemployment rate is accompanied by improvement in the job market. The region has been experiencing job growth for 29 consecutive months.

Central Virginia Housing Market Conditions

The Central Virginia housing market demonstrated real and sustained improvement in 2012, with strong demand leading to increased sales activity each quarter, prices gaining traction and year-over-year price appreciation for the first time since the housing recovery began. Market improvements were seen across the Central Virginia region in 2012. Relatively strong sales in the \$300,000+ segment suggest that the foreclosure and short sale inventories are being worked through. Inventories are at historically low levels, which will lead to continued price growth, but also to potential slowdowns in sales as would-be buyers face fewer choices.

Home Sales

Regional sales activity was up 15 percent in 2012 compared to 2011, with increases across the Central Virginia area. In 2012, there were about 12,800 homes sold, compared to 11,100 in 2011. The number of sales in each quarter of 2012 was higher than the same quarter of the prior year, reflecting increasing demand, and continuing a trend that began in the second half of 2011. An increase in the number of homes sold is a result of sustained job growth in the region and generally increasing consumer confidence.



Sales and Prices: 2011 and 2012

	Sales			Median Prices (\$)			Average Prices (\$)		
	2011	2012	% Change	2011	2012	% Change	2011	2012	% Change
Central Virginia MLS	11,148	12,803	14.8%	179,950	184,950	2.8%	213,422	219,164	2.7%
Richmond Metro	9,376	10,819	15.4%	184,975	189,950	2.7%	217,361	224,835	3.4%
Tri Cities	778	896	15.2%	112,150	115,190	2.7%	132,876	125,590	-5.5%

Source: CVR MLS, GMU Center for Regional Analysis

In the 4th quarter of 2012, there was a total of 3,052 sales in the Central Virginia region, up 14 percent over the 4th quarter of 2011. Sales activity was up by 14 percent in both the Richmond Metro and Tri Cities markets. In some local jurisdictions, sales were up by even more. For example, in Hanover County, the 259 sales in the 4th quarter of 2012 reflect an increase of 19 percent over 4th quarter 2011. The number of 4th quarter sales in Colonial Heights was double the number last year.

Home Prices

Home prices were up in 2012 for the first time since the housing bust, with both median and average sales prices up almost three percent annually in the Central Virginia market. In 2012, the median sales price in the region was \$184,950, up from \$179,950 in 2011, an increase of 2.8 percent.¹ The average sales price also rose about three percent, from \$213,422 in 2011 to \$219,164 in 2012.

Prices were up in the 2nd, 3rd, and 4th quarters of 2012, with the biggest bump at the end of the year. Median prices in the Central Virginia region were up seven percent in the 4th quarter of 2012, compared to the 4th quarter of 2011. Average prices were up nine percent.

Price growth was driven by robust improvements in the City of Richmond where the median sale price in the 4th quarter of 2012 was 37 percent higher than the year before. In the Richmond Metro Area overall, the median sales price in the 4th quarter of 2012 was \$190,308 and the average price was \$229,436. Median prices in the Richmond Metro Area were up 11 percent and average prices were up 12 percent compared to the 4th quarter of 2011. In the Tri Cities area, the median price edged up four percent in the 4th quarter compared to the 4th quarter of 2011. The average price was down, due to an inflated average price in Prince George County (driven by an outlier sale) in the 4th quarter of 2011.

¹ The median price is the price at which half the homes sold for more and half sold for less.



The price improvements observed in the region reflect steady price growth. Average prices in the region have been up in eight out of the last 11 months. One indicator of the push up in sales prices is the increase in the number of homes sold for \$300,000 or more. A slightly greater share of homes sold in 2012 was in the higher price ranges compared to 2011. About 21 percent of sales in 2012 sold for \$300,000 or more. A little less than a quarter sold for between \$200,000 and \$299,999 and 37 percent sold for between \$100,000 and \$199,999. Just 18 percent of sales were for less than \$100,000. The share of sales in the lower price ranges has dropped slightly from 2011, and likely reflects the working through of the foreclosure inventory in many neighborhoods.

Pending Sales

There were 2,416 new contracts in the Richmond Metro Area in the 4th quarter of 2012, a three percent increase over the 4th quarter of 2011. In the Tri Cities Area, pending sales were up nine percent in the 4th quarter of 2012 to 224.

Active Listings

In the 4th quarter of 2012, the number of active listings was down 12 percent across the Central Virginia region. There were 5,332 active listings at the end of 2012, compared to 6,027 at the end of 2011.

Inventories are down throughout the region. In the Richmond Metro Area, there were 3,817 active listings at the end of 2012, down 14 percent from the end of 2011. In the Tri Cities Area, there were 700 homes listed for sale at the end of 2012, down just two percent from the year before. Inventories are being drawn down more quickly in Henrico County (down 22 percent) and the City of Richmond (down 18 percent.)

Outlook for 2013

Over the year ahead, the Central Virginia housing market will experience continued steady improvement. The increases in sales activity and the price appreciation seen in 2012 were driven by improving economic conditions, rising consumer confidence, a slight loosening of the mortgage market and the working through of the foreclosure and short sale inventory. Despite the uncertainties around the Federal budget, taxes, and sequestration, the Central Virginia market ended 2012 on an up note.

While economic uncertainty will persist—at least until the spring—overall economic conditions in the Richmond area remain good and will lead to sustained demand for housing in the region. There may, in fact, be increased urgency on the part of would-be buyers as they see prices rise and interest rates continuing to be at historically low levels.



The new qualified mortgage rules announced by the Consumer Finance Protection Bureau explicitly stated income, asset and debt requirements for “qualified mortgages.” While these requirements may leave out of the market some potential buyers, they largely codified changes already being undertaken in the lending industry and add certainty to the lending process, which is a positive for both buyers and sellers.

The biggest factor that could slow sales activity (though keep prices rising) is the lack of inventory. Buyers may stay out of the market if they see few choices. Potential sellers, on the other hand, should see this spring as an opportunity to list their homes, as demand is strong.