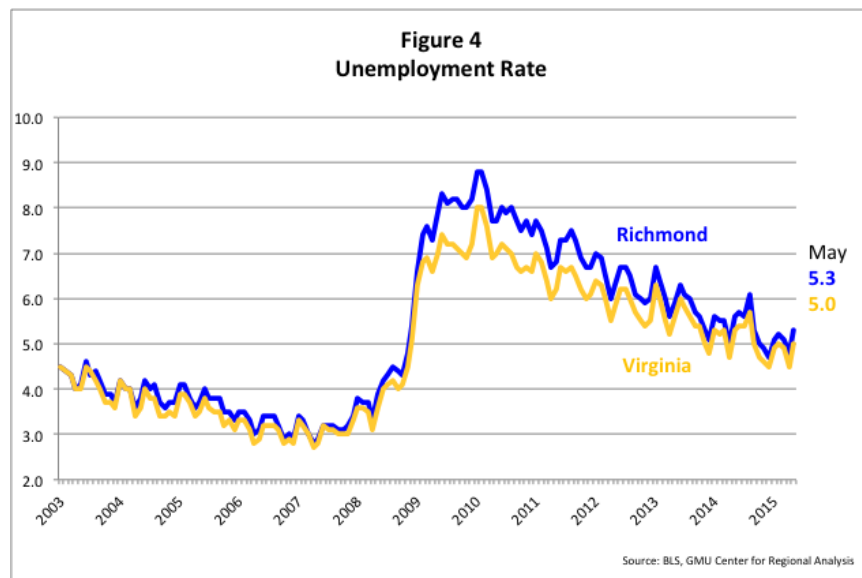


## ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET

### 2015 2<sup>nd</sup> Quarter Report Summary

#### Central Virginia Economic Trends

Central Virginia's economic performance reflects the positive measures at the national level, and is outperforming the national economy on a proportionate basis. Job growth in the region for the first five months of 2015 on an annualized basis shows an increase of 7,200 jobs. Paralleling the national unemployment picture, the region's unemployment rate continues to decline and in May was 5.3 Percent.



Economic growth at the national and regional levels along with a now healthy housing market, fairly low inventory, and flat mortgage rates all point to a continually improving regional housing market.

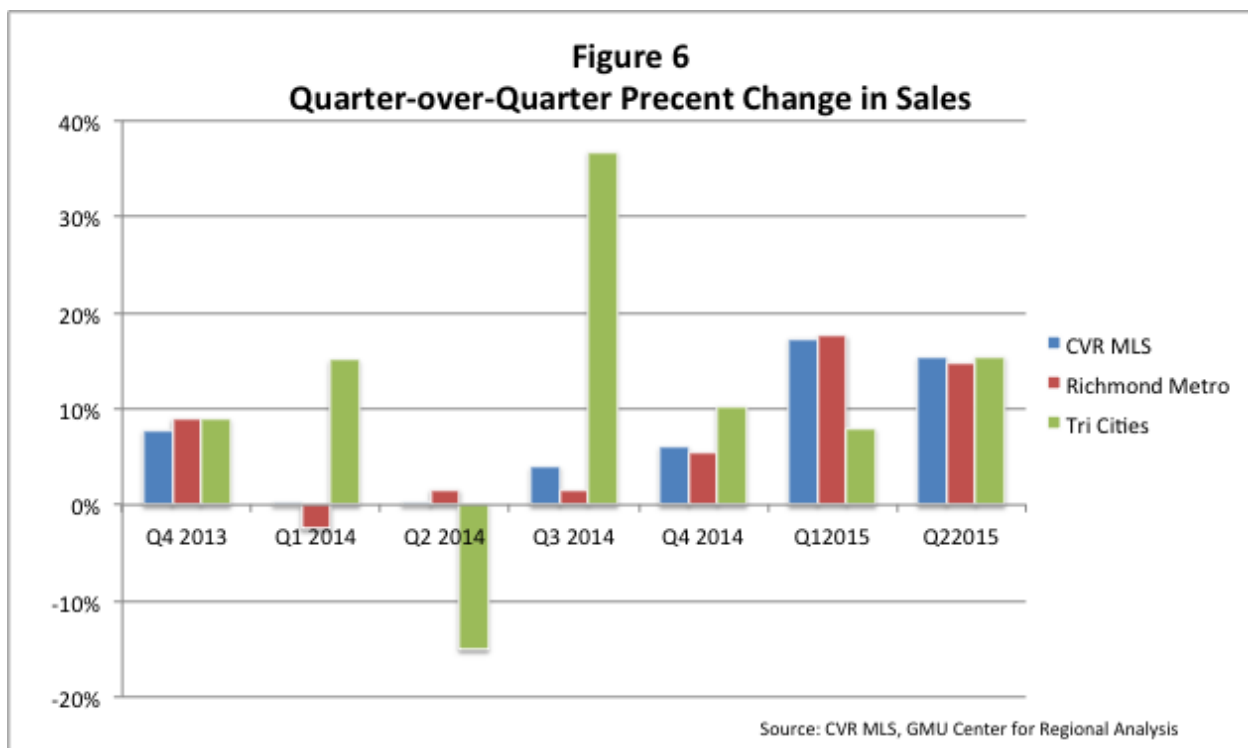
#### Central Virginia Housing Market Conditions

Buyer activity remained very strong in the Central Virginia Region housing market in the second quarter, with both sales and pending sales climbing at double-digit levels. Homes are selling faster, and at higher prices than last year; however, the inventory of active listing continues to diminish despite the healthy demand in the market.

### Home Sales and Prices

Following a strong first quarter, sales growth in the Central Virginia Region continued to surge mid-way through 2015. There were 4,923 sales in the region in the second quarter, 15% higher than this time last year, outpacing the second quarter 2014 by over 650 sales. This is the strongest start to a year in terms of sales growth since 2011.

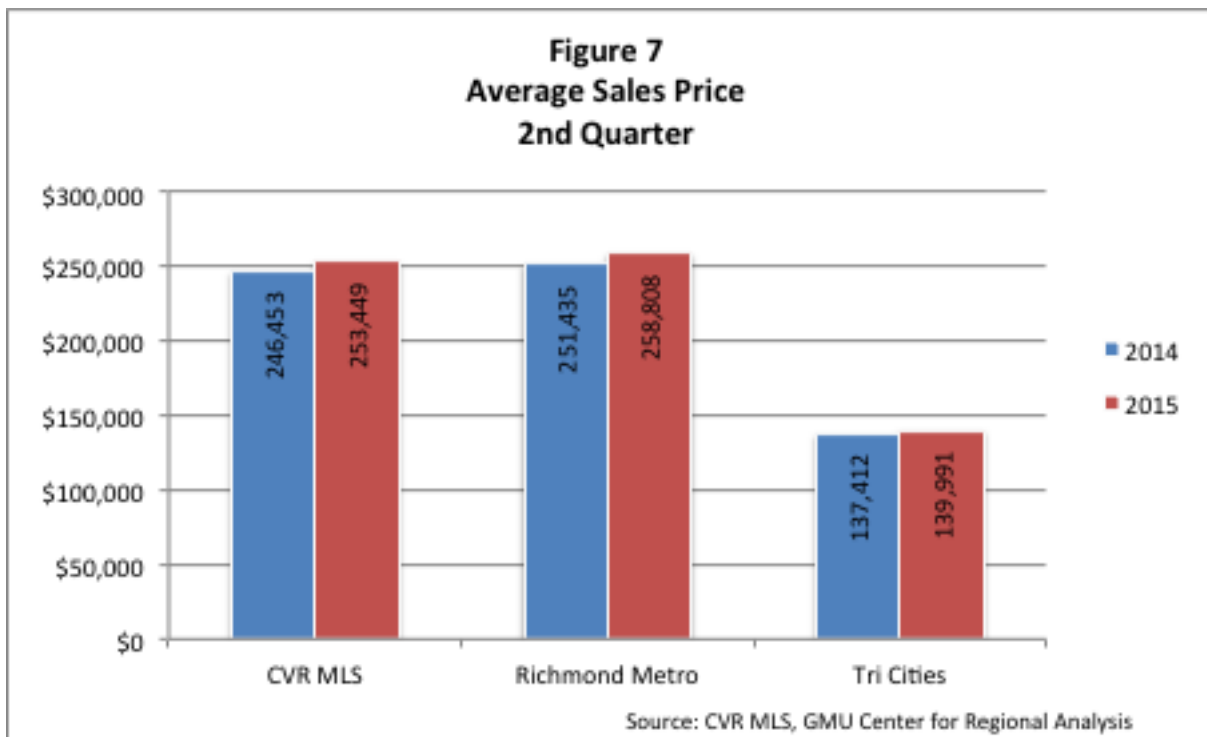
The sales momentum in the market continues to be seen throughout the region. For the first time since before the recession, sales growth occurred in all but 1 of the 16 jurisdictions. There were 4,187 sales in the Richmond Metro Area, and 307 sales in the Tri-Cities Area, an increase of 538 and 41 sales respectively, a 15 percent gain from last year for both sub-markets.

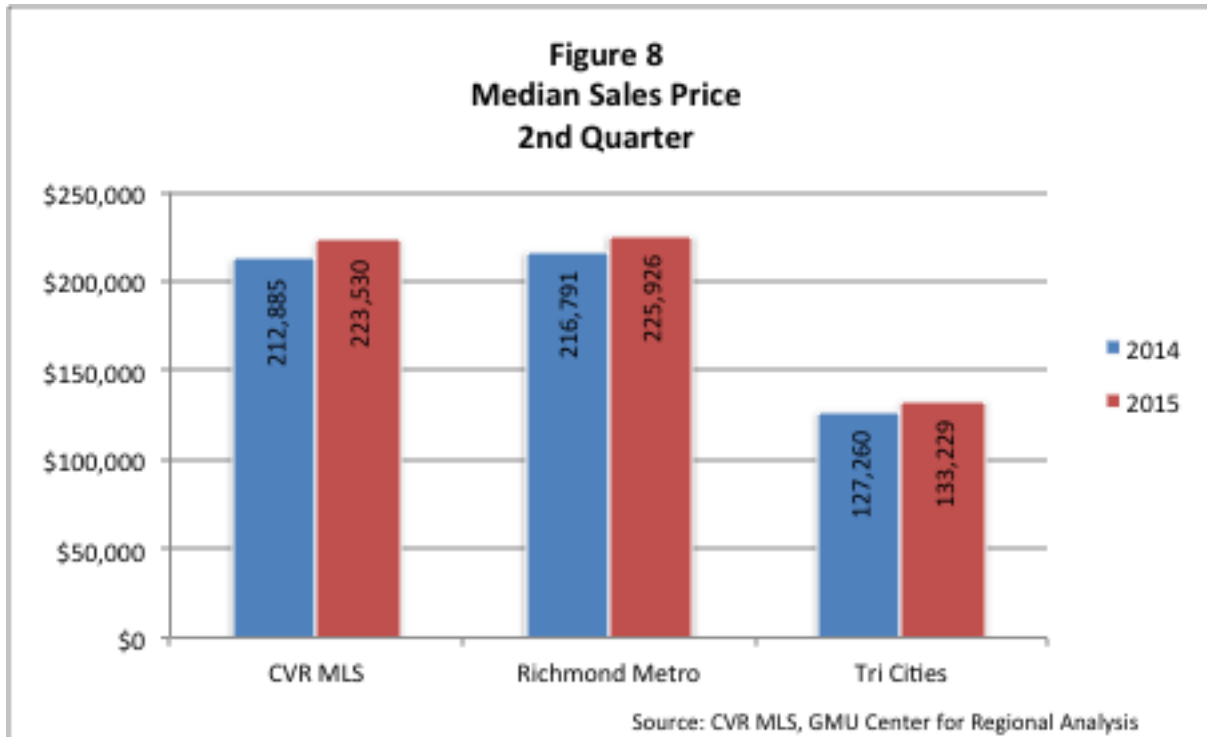


Sales prices in the region have been rising at a steady pace since the second quarter of 2012. This pattern continues to hold halfway through 2015. The average sales price in the Central Virginia Region in the second quarter was \$253,449, up 3 percent from last year, a gain of nearly \$7,000. At \$223,530 the median sales price also increased in the region, up 5 percent

from a year ago, a gain of over \$10,000. The price growth is occurring throughout the area with homes in 10 of the 16 jurisdictions selling at higher prices than the same quarter a year ago. The average sales price in the Richmond Metro Area was \$258,808 in the second quarter, 3 percent higher than last year. The average sales price in the Tri-Cities Area was \$139,991, up 2 percent from last year.

At the local level Chesterfield County led the Richmond Metro Area in average sales price growth, up 6 percent from last year to \$253,114. Notably, at \$245,524, the average sales price in the City of Richmond remained essentially unchanged for the first time in a year and a half. At \$145,885, Colonial Heights led the Tri-Cities Area in sales price gains, up 11 percent from the second quarter of 2014.

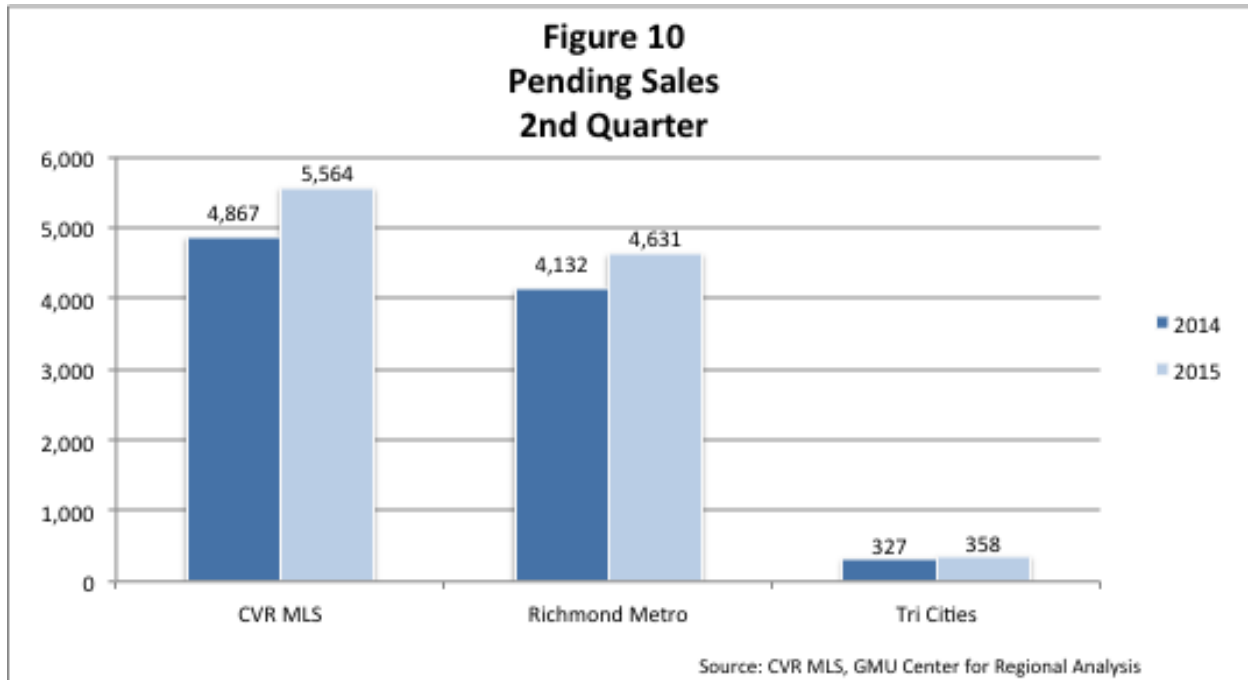




On average, homes are selling a day faster in the Central Virginia Region compared to the same quarter last year. This metric continues to trend downward, which is reflective of the low inventory of homes for sale and steady growth in buyer demand.

### ***Pending Sales***

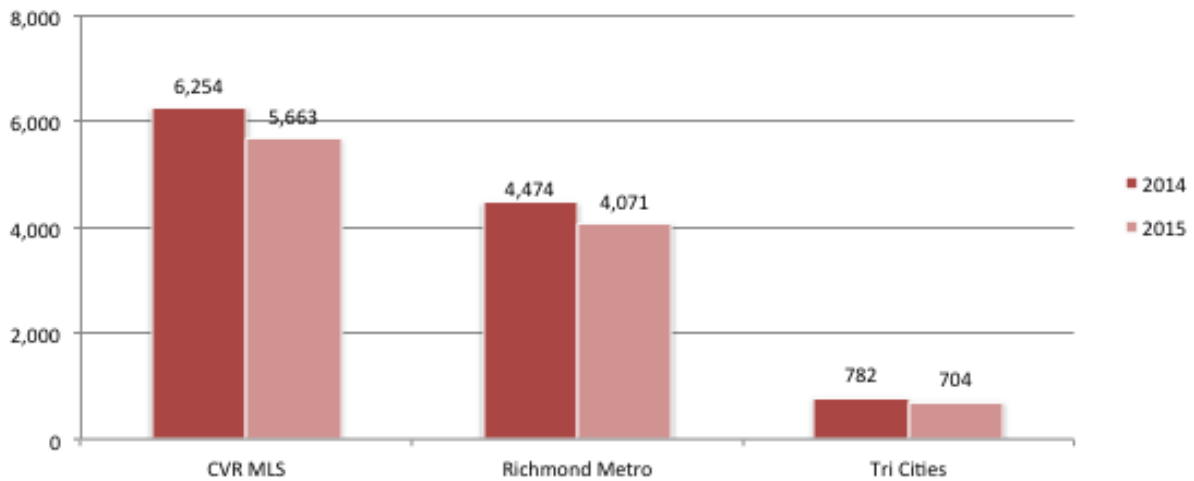
Similar to the sales numbers, pending sales in the Central Virginia Region continued to grow as the first half of the year came to a close. After a 21 percent gain in the first quarter this year, pending sales in the region increased 14 percent in the second quarter relative to last year. By comparison, pending sales in the first and second quarters of 2014 fell 5 and 1 percent respectively. The rise in pending sales demonstrates active buyer demand and confidence in the market. There were 5,564 new contracts signed in the region in the second quarter, up 14 percent from last year, a gain of 697 contracts. The rise in pending sales occurred throughout the region with all but one jurisdiction having more new contracts than last year. The Richmond Metro Area had 4,631 pending sales, up 12 percent from a year ago. The Tri-Cities Area had 358 pending sales in the second quarter, rising 9 percent from last year.



### ***Active Listings***

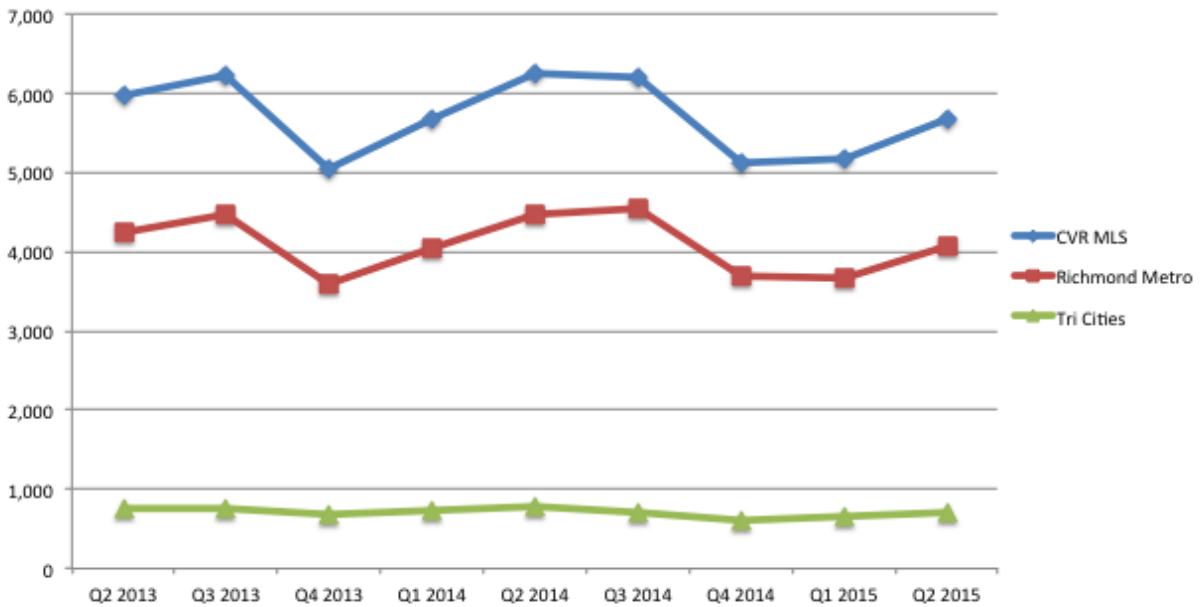
The inventory of homes for sale in the region continues to trend downward in 2015, after stabilizing for much of the previous year. There were 5,663 active listings at the end of the second quarter, 9 percent lower than the second quarter of 2014. There were 4,071 active listings in the Richmond Metro Area, down 9 percent from a year ago. There were 704 active listings in the Tri-Cities Area, down 10 percent from the second quarter of 2014.

**Figure 11**  
**Active Listings**  
**End of 2nd Quarter**



Source: CVR MLS, GMU Center for Regional Analysis

**Figure 12**  
**Active Listings by Quarter**



Source: CVR MLS, GMU Center for Regional Analysis



## ***Outlook***

The Central Virginia housing market is off to a strong start as the first half of the year comes to a close. Buyer confidence in the market has been notable with both sales and pending sales surging at double-digit rates relative to last year. This growth is occurring throughout the region, and for the first time in two years, both the Richmond Metro and Tri-Cities sub-markets experienced double-digit sales growth in the same quarter. Sales prices in the region continue a slow but steady climb, a trend that has now reached the three year mark.

The Federal Reserve Chair announced in July that plans to begin raising interest rates are still likely to occur this year; however, the timing of the increase remains unknown. Many believe that low oil prices and the impact of the strong dollar on imports have kept inflation down which is contributing to the delayed rate hike. The Fed also communicated that when the rate increase occurs it will most likely be gradual in nature. This provides a wider window of time for potential buyers to take advantage of historically low rates, which bodes well for the housing market going into the fall.

The Central Virginia Region continues to add jobs and unemployment is falling below national levels. If these trends hold in the region, they will also provide momentum for the housing market as the third quarter unfolds.

The inventory of active listings is falling in the region after stabilizing briefly in 2014. This could be a reflection of the sharp rise of pending sales, which takes properties off the market. If this trend continues and buyer demand remains strong, it's likely that sales prices will rise given the historically low supply of homes available.