



ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET

2015 3rd Quarter Report

SUMMARY

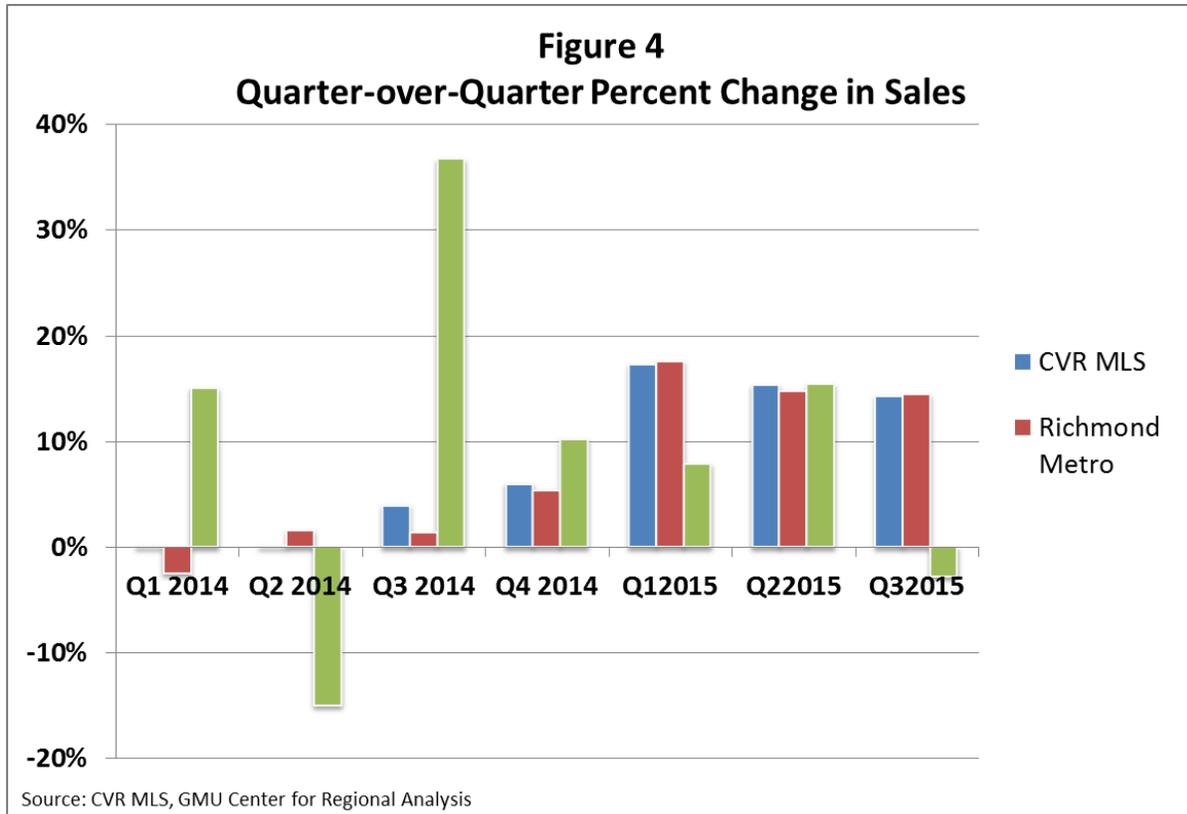
Central Virginia Housing Market Conditions

The Central Virginia Region housing market had a strong third quarter, with sales and pending sales continuing the climb at double-digit levels. Homes are selling faster, and average sales prices continue to inch upward, although have flattened in some areas. The inventory of active listings remains historically low, and continues to shrink.

Home Sales and Prices

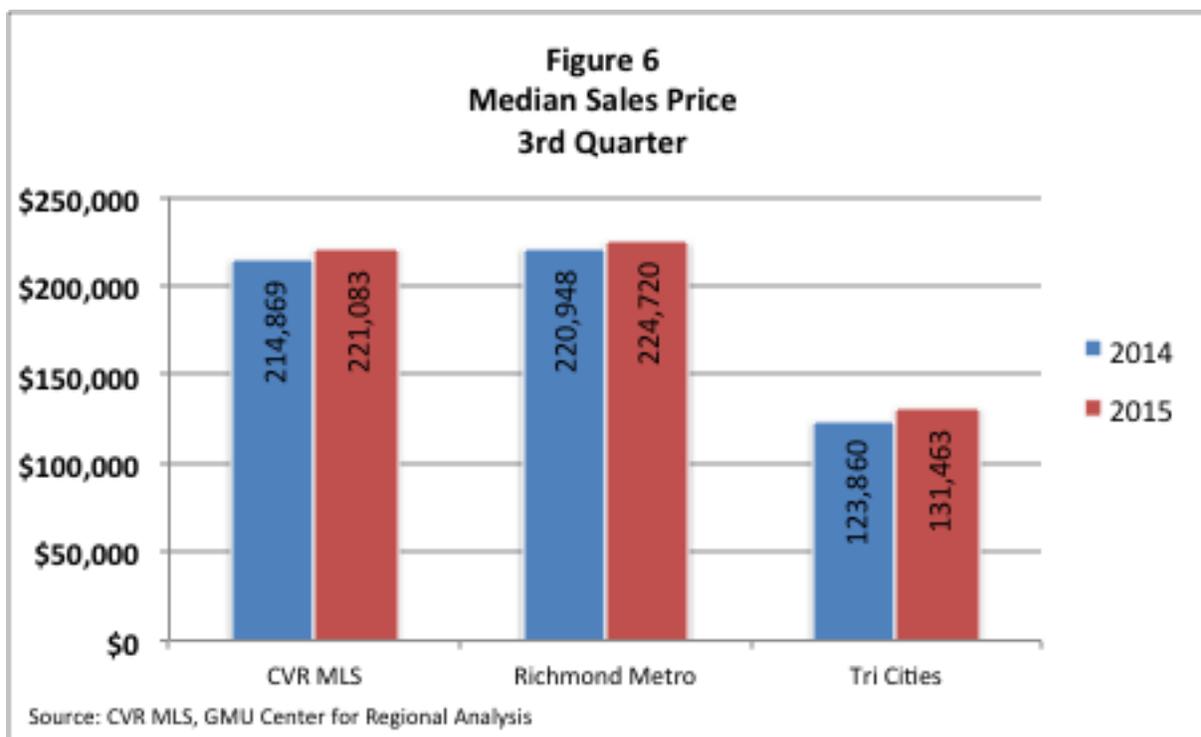
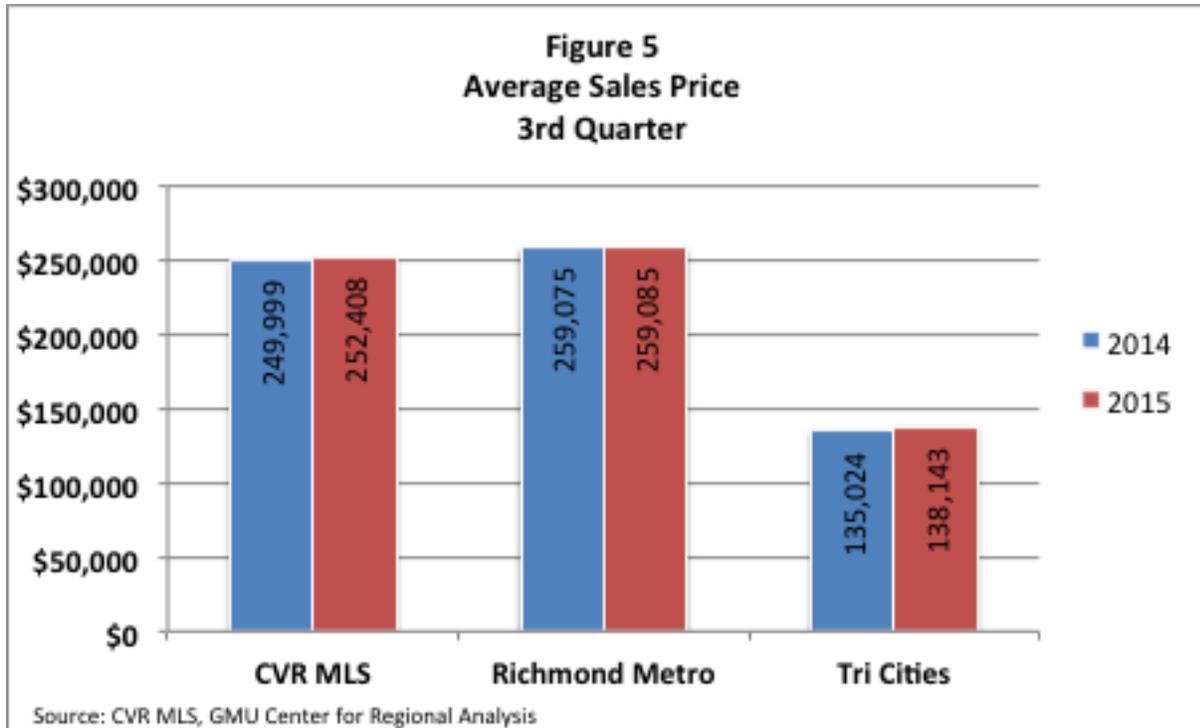
Sales activity in the Central Virginia region housing market continued to surge through the end of the summer, as the third quarter came to a close. There were 4,848 sales in the region in the third quarter, 14% higher than a year ago, outpacing the third quarter of 2014 by 608 sales. The region has had double-digit sales growth every quarter so far in 2015, the strongest growth year since before the recession. A number of economic trends are likely helping to stimulate the housing market in the region including continued low interest rates, low unemployment, and steady job growth for much of the year. These factors are contributing to confidence in the market and are keeping both buyers and sellers active.

As it has for much of the year, the Richmond Metro market is driving most of the region's sales growth. There were 4,052 sales in the Richmond Metro Area, up 14% from the same quarter last year, a gain of 512 sales. Within the Richmond Metro Area market, Chesterfield, Hanover, and Henrico counties all had strong sales gains this quarter, rising 20%, 17%, and 17% respectively from this time last year. Sales in the City of Richmond declined slightly, falling 2% from the third quarter of 2014, the first drop in sales for the city in five quarters. The Tri-Cities market also had a decline in sales this quarter, the first drop in over a year. There were 311 sales in the Tri-Cities area, down 3 percent from this time last year, a decline of 9 sales. Within this sub-market, Colonial Heights and Dinwiddie County had a rise in sales, up 7% and 10% respectively from the third quarter of 2014. Overall, home sales in the region continue to climb, with 12 of the 16 jurisdictions having more sales than a year ago.

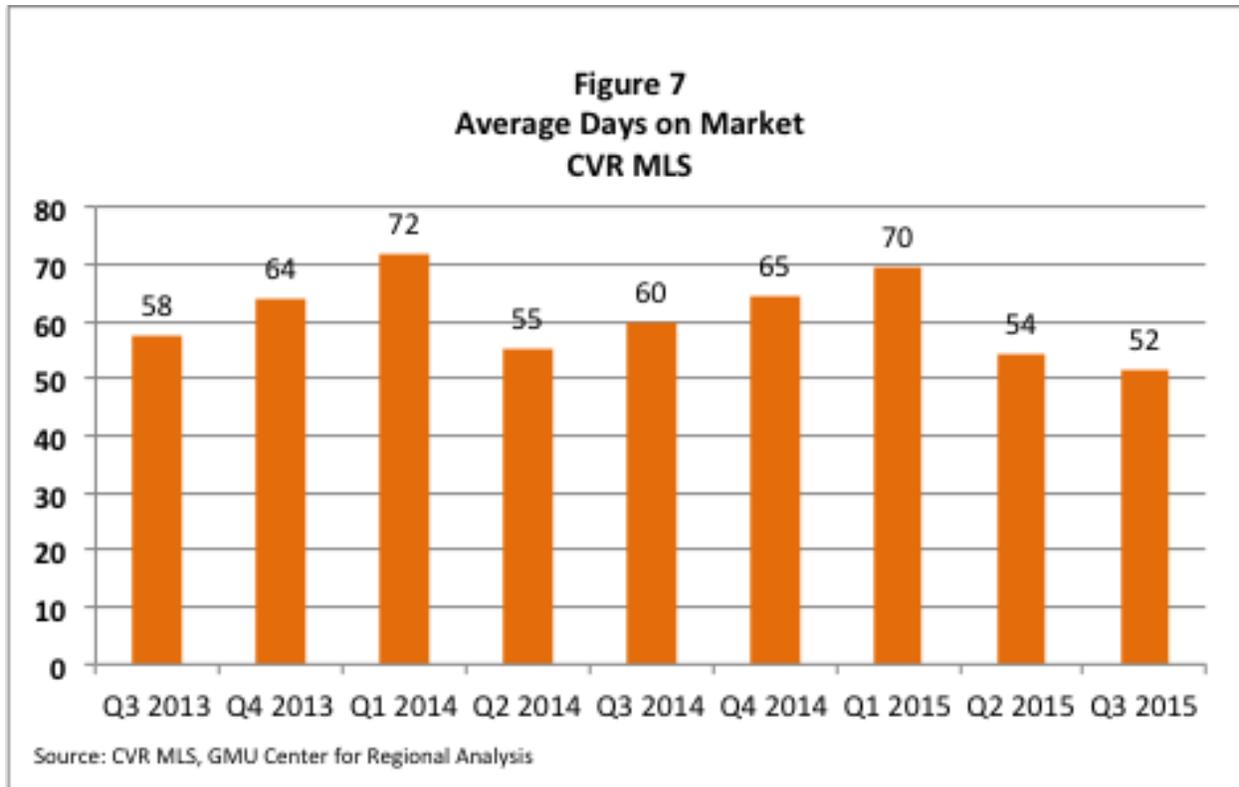


Sales prices inched higher in the region in the third quarter, but the growth has slowed from its multi-year upward trend. The average sales price in the Central Virginia Region in the third quarter was \$252,408, up 1% from a year ago, a gain of \$2,400. At \$221,083 the median sales price in the region also rose, up 3% from the third quarter last year, a gain of \$6,200. The steady price growth continues to occur through most of the region with 10 of the 16 jurisdictions having higher sales prices than last year. The average sales price in the Tri-Cities area was \$138,143 in the third quarter, up 2% from this time last year, a gain of \$3,100.

At the local level Hanover County led the Richmond Metro area in average sales price gains, up 5% from last year to \$274,667. Both the City of Richmond and Henrico County had a drop in average sales price, falling 5% and 3% respectively compared to last year. This is the first sales price drop for these jurisdictions in nearly two years. At \$207,071, Prince George County led the Tri-Cities Area in average sales price gains, up 13 percent from the same time last year. Dinwiddie County was the only jurisdiction in the Tri-Cities area to have a lower average sales price than last year, falling 20% to \$141,588

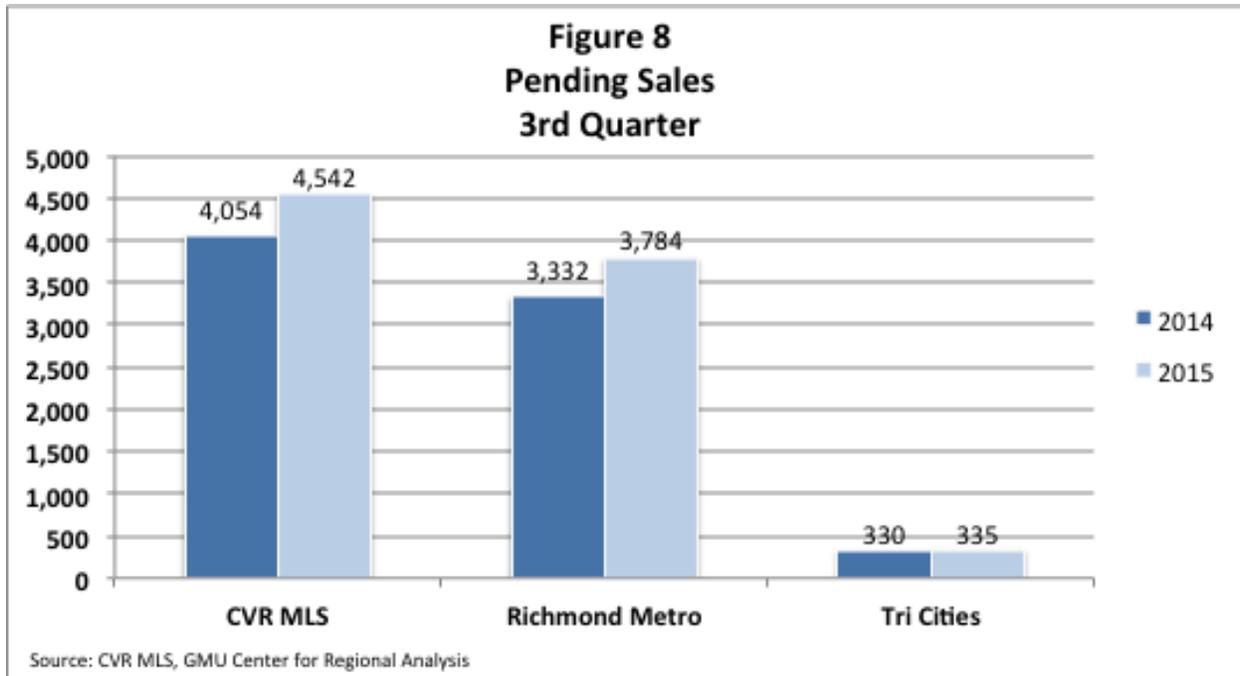


On average, homes are selling eight days faster in the Central Virginia region compared to the same quarter last year.



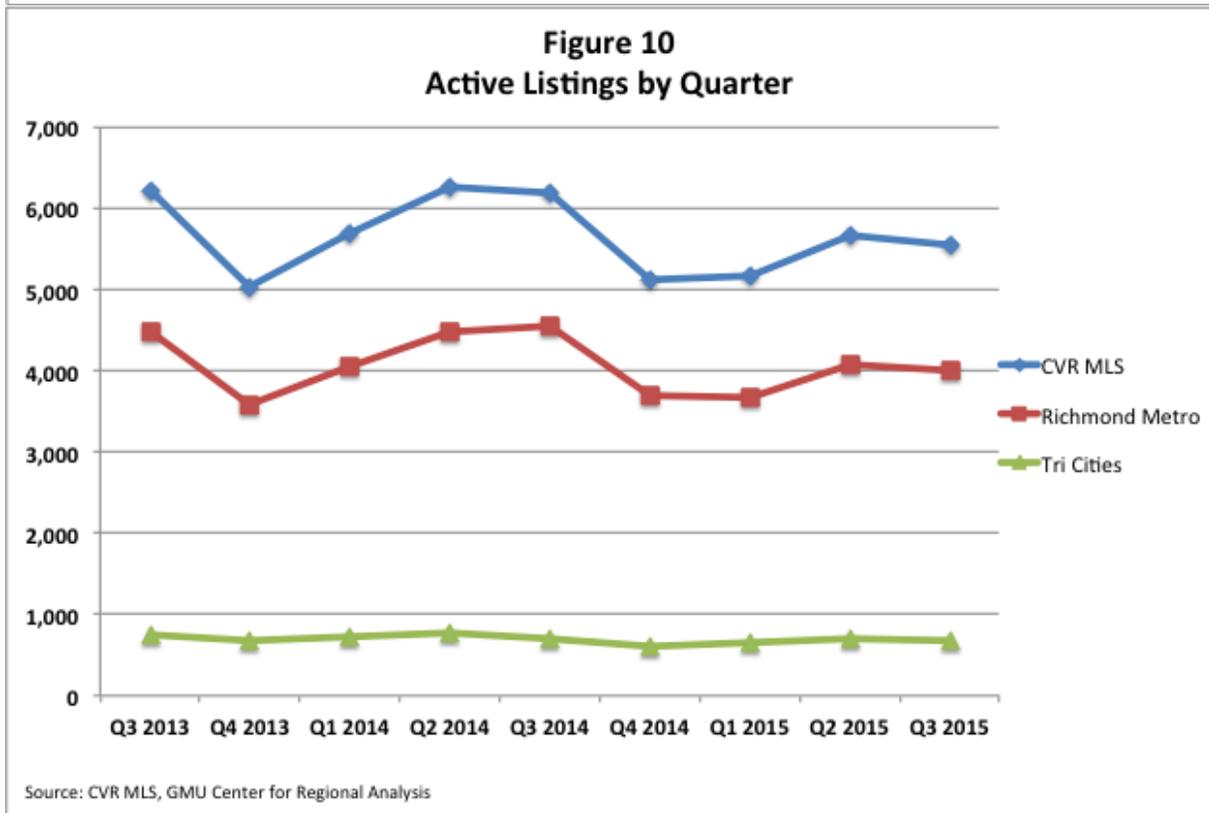
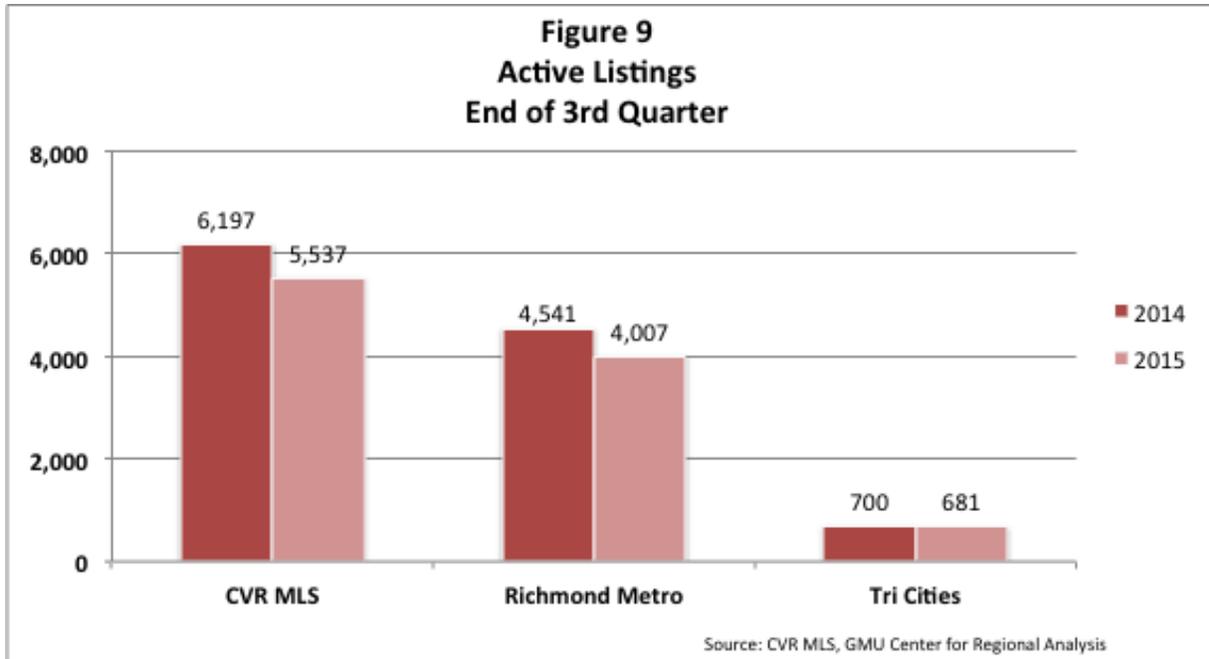
Pending Sales

Pending sales continue to follow the same trend as sales, surging for the third consecutive quarter. The Central Virginia Region had 4,542 new contracts signed in the third quarter, up 12% from a year ago, a gain of 488 contracts. The trend continues to hold across the region with 10 of the 16 jurisdictions having more signed contracts this quarter compared to last year. The Richmond Metro Area had 3,784 new contracts, up 14% from last year. Hanover County in particular had strong numbers, with 82 more contracts than last year, a 22% gain. Pending sales in the City of Richmond fell slightly, down 1% from last year, with 5 fewer contracts. There were 335 pending sales in the Tri-Cities Area, up 2% from the third quarter of 2014, a gain of 5 contracts. Colonial Heights led that market with 12 more contracts than a year ago, a gain of 24%.



Active Listings

The inventory of homes for sale in the region remains low, and continues to fall. There were 5,537 active listing at the end of the third quarter, down 11% from the same time last year. This is the sharpest decline in listings since the first quarter of 2013. The strong growth in sales and pending sales are leaving fewer properties on the market. Many sellers could also be waiting for sales prices to climb higher before listing their homes. The declining inventory is occurring throughout the region with 12 of the 16 jurisdictions having fewer listings than last year. There were 4,007 active listings in the Richmond Metro Area at the end of the quarter, down 12% from the third quarter of 2014, a drop of over 500 listings. Inventory in the City of Richmond is particularly low, falling 23% from last year to 682 listing, the lowest third quarter level since the housing boom of the mid 2000s. There were 681 active listings in the Tri-Cities Area, down 3 percent from a year ago.





Outlook

After three quarters, 2015 appears to be one of the strongest growth years for the Central Virginia region housing market since before the recession. Buyer confidence remains strong, with sales and pending sales surging at double-digit rates compared to last year. The Richmond Metro Area sub-market is driving most of the growth in the region; however, many jurisdictions outside of the metro area are experiencing growth as well.

While job gains have slowed--both nationally and locally--the overall economy remains strong, which bodes well for the region's housing market as the fourth quarter begins. Unemployment in the region continues to fall to some of the lowest levels seen since before the recession.

Previously, many believed the Federal Reserve would begin raising interest rates by the end of 2015; but now that timeline might be pushed into next year. The Fed announced in September that it does not have a specific target date for the rate hike, which would be its first since 2006. At this point, inflation in the economy remains low which is a key driver in the Fed's decision to delay a rate increase.

Average sales prices continue to rise through most of the region, but the price growth has slowed, and remains flat in some jurisdictions. At the same time, the inventory of homes for sale remains historically low. Flattening sales prices and a low supply of active listings could indicate that some potential buyers are waiting for more options to become available in the market before making a move. Nevertheless, demand remains strong as evidenced by continued sales growth, which will likely continue into the fall.