



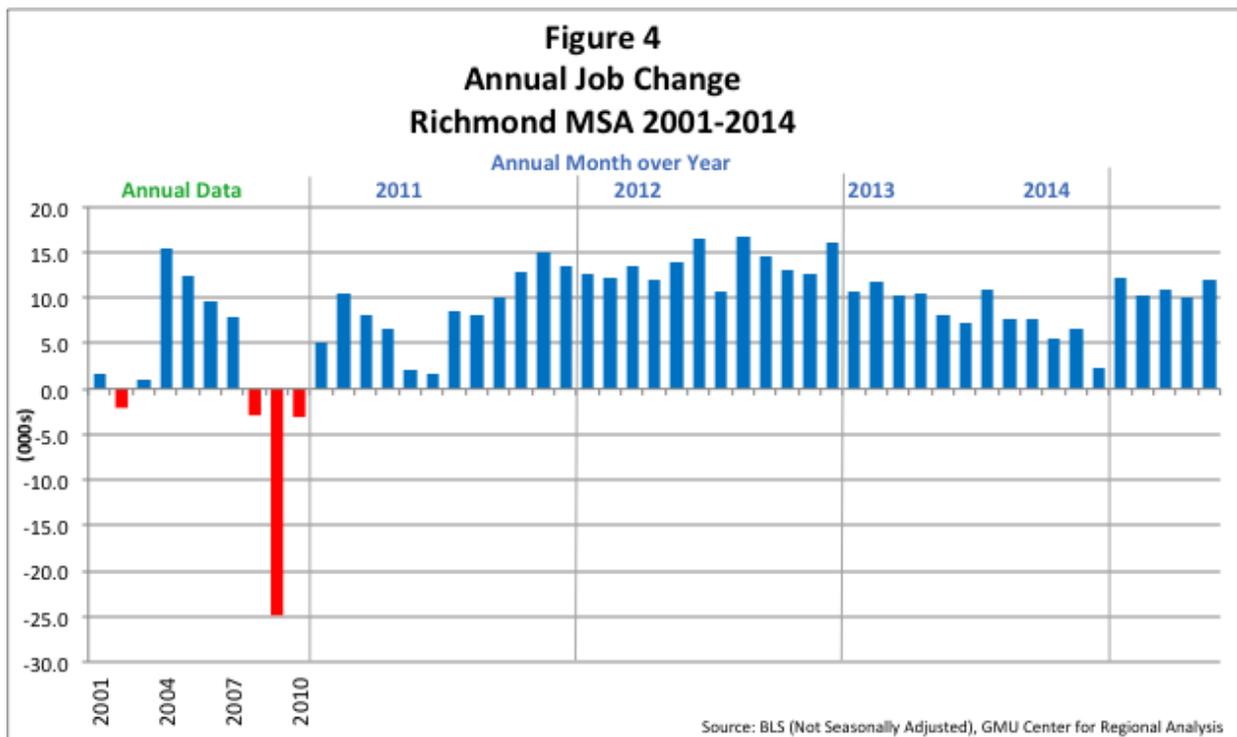
## ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET

### 2014 2<sup>nd</sup> Quarter Report SUMMARY

#### Central Virginia Economic Trends

The economy in Central Virginia is performing very well through mid-2014, and somewhat better than the rest of the country. Job growth continues to be stronger than long-term trends and this is a good sign for the rest of the economy including the region’s housing market.

Since 1990 the average annual job growth in the region has been 6,100 jobs per year. That level has been exceeded for the past three years coming out of the recession and the annual change from May 2013 to May 2014 was 12,000 – approximately double the long-term average annual growth.



Annual job growth has been positive for 48 consecutive months. The job level as of May was 8,000 higher than when the national recession started in December 2007, and since the region’s recession bottom in jobs occurred in February 2010, the region has grown by 57,000 jobs.

The region’s unemployment rate has declined from its high of 8.8 percent in early 2010 to 5.6 percent in May 2014. Through the middle of 2014, all economic measures indicate a healthy backdrop for the region’s housing market. Forecasts for the national economy are for continued growth and economic growth is also expected for the regional area for the foreseeable future.

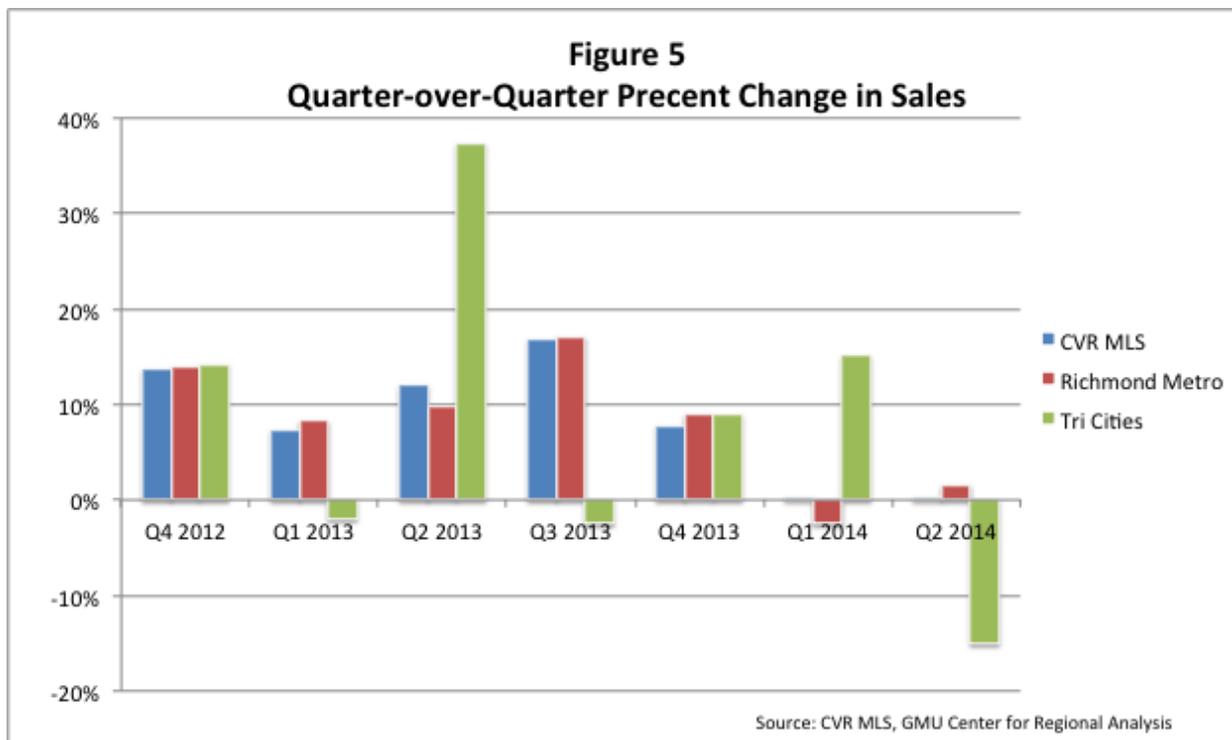
## Central Virginia Housing Market Conditions

While the weather improved in the second quarter, overall the housing market did not. Sales and pending sales remained flat in the Central Virginia Region, and some jurisdictions experienced declines. Even with the slowed sales activity, home prices continued to rise in many parts of the area which is likely attributable to the low inventory of homes for sale. The inventory of active listings continues to grow albeit slowly.

### Home Sales and Prices

Sales remained sluggish through much of the Central Virginia Region during the second quarter of 2014 relative to last year. Eleven of the sixteen jurisdictions in the region experienced flat or declining sales in the second quarter, the most since the second quarter of 2011, which is a clear indication that demand has weakened in the market. There were 4,269 sales in the Central Virginia Region as a whole, essentially unchanged from the 4,265 sales this time last year, a modest gain of 0.1 percent. Sales in the Richmond Metro Area rose slightly, up 2 percent from a year ago, a gain of 57 sales. After a relatively strong first quarter, sales in the Tri-Cities fell 15 percent in the second quarter, with 47 fewer sales than last year.

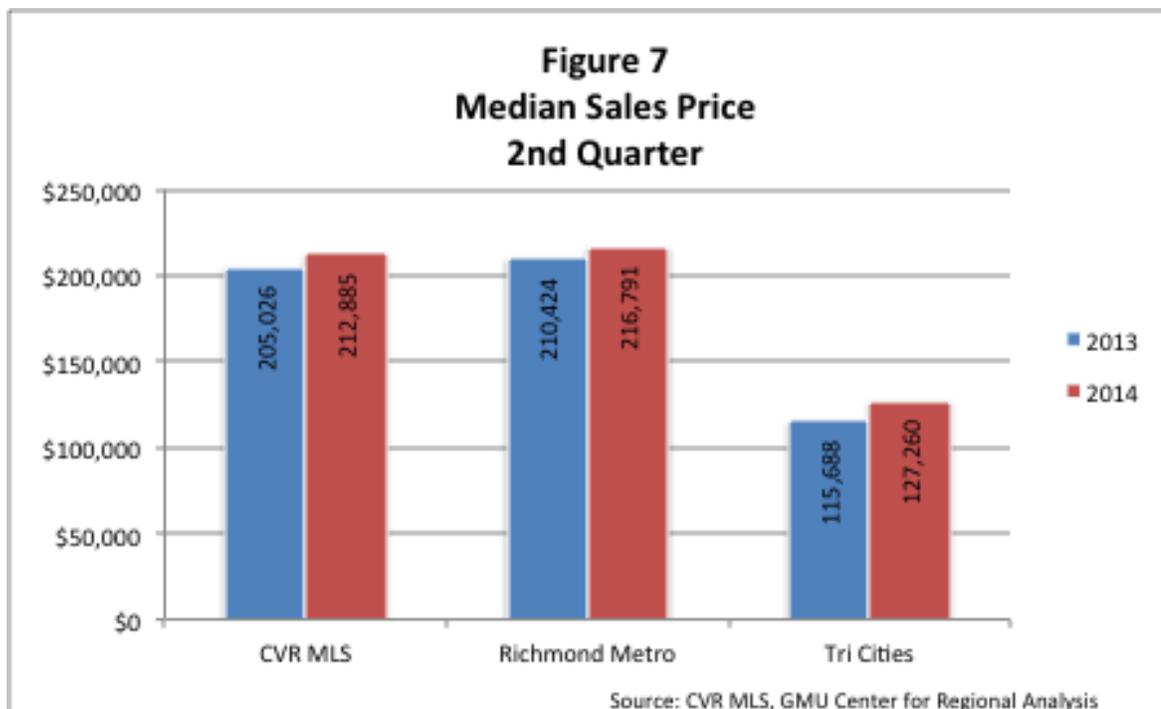
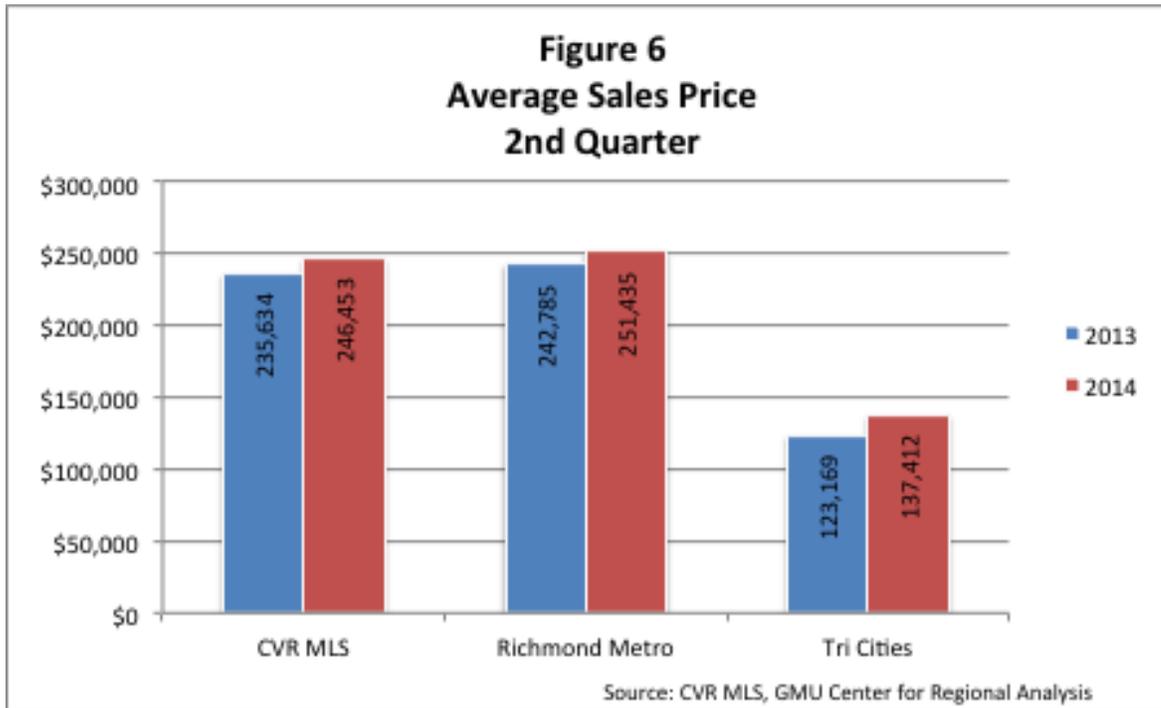
At the jurisdiction level Charles City County led the region in sales growth, up 44 percent from the second quarter last year, a gain of 4 sales. Chesterfield County was the only jurisdiction in the Richmond Metro Area to have an up-tick in sales, rising 7 percent from this time last year, an increase of 94 sales. Sales in Henrico and the City of Richmond fell 3 percent and 1 percent respectively.



Home prices continue to inch upward in much of the region despite the sluggish sales numbers. The low inventory of active listings is still putting upward pressure on home prices, which could also be deterring some buyers from entering the market. The average sales price in the Central Virginia Region in the second quarter was \$246,453, up 5 percent from a year ago, a gain of nearly \$11,000. The median sales price for the region also increased, rising 4 percent from this time last year to \$212,885. Sales prices in the region have been rising steadily over the past couple of years, which has only recently helped improve seller confidence in the market as evidenced by the upward trend in active listings. Price gains have been the most consistent in the Richmond Metro Area, where the current median sales price of \$216,791 is approximately \$50,000 higher than

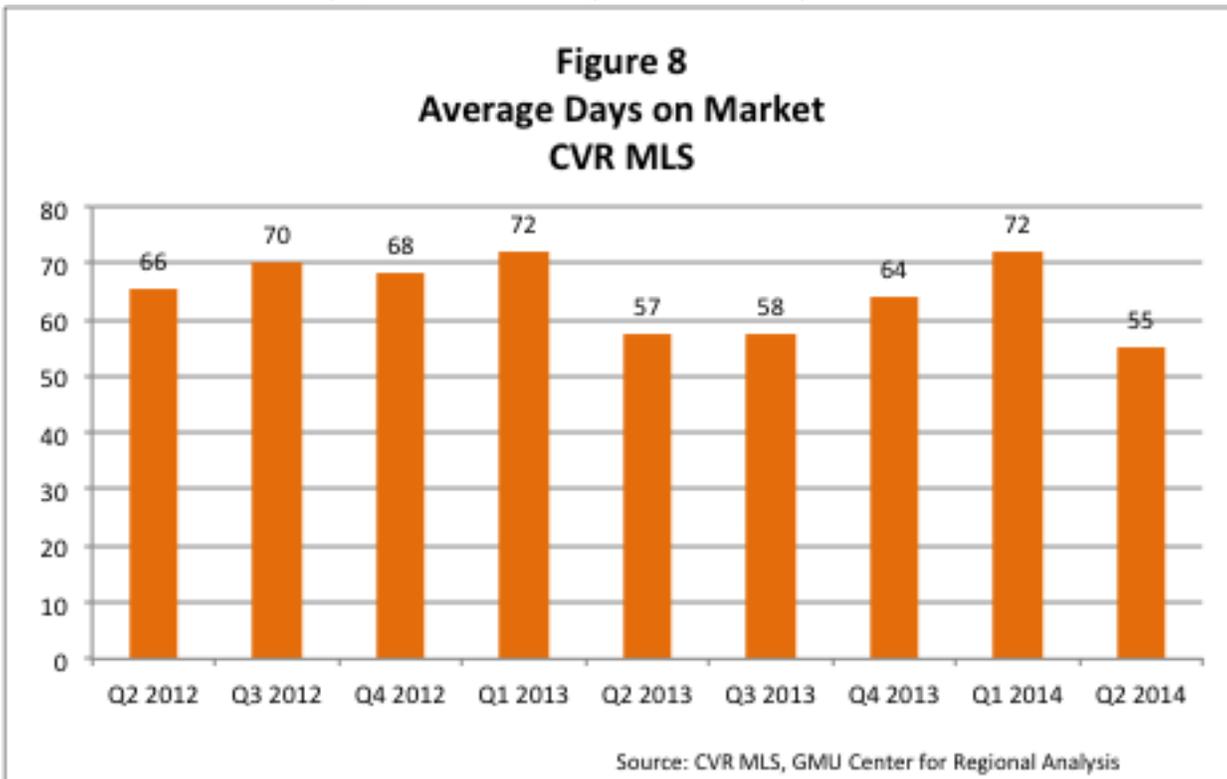
the trough-level in the first quarter of 2012. The Tri-Cities Area has seen less consistency in their price recovery, but has been trending upward as the number of short sales and foreclosures continue to fall. The median sales price in the Tri-Cities Area in the second quarter of 2014 was 127,260, up 10 percent from a year ago, a gain of approximately \$11,500.

At the jurisdiction level, Price George County led the region in median sales price growth, climbing 26 percent from the second quarter of 2013. Within the Richmond Metro Area, Hanover County led in median price growth, up 5 percent from this time last year to \$252,500. Petersburg City had the sharpest price drop in the region, with the median sales price falling 20 percent from a year ago to \$50,500.



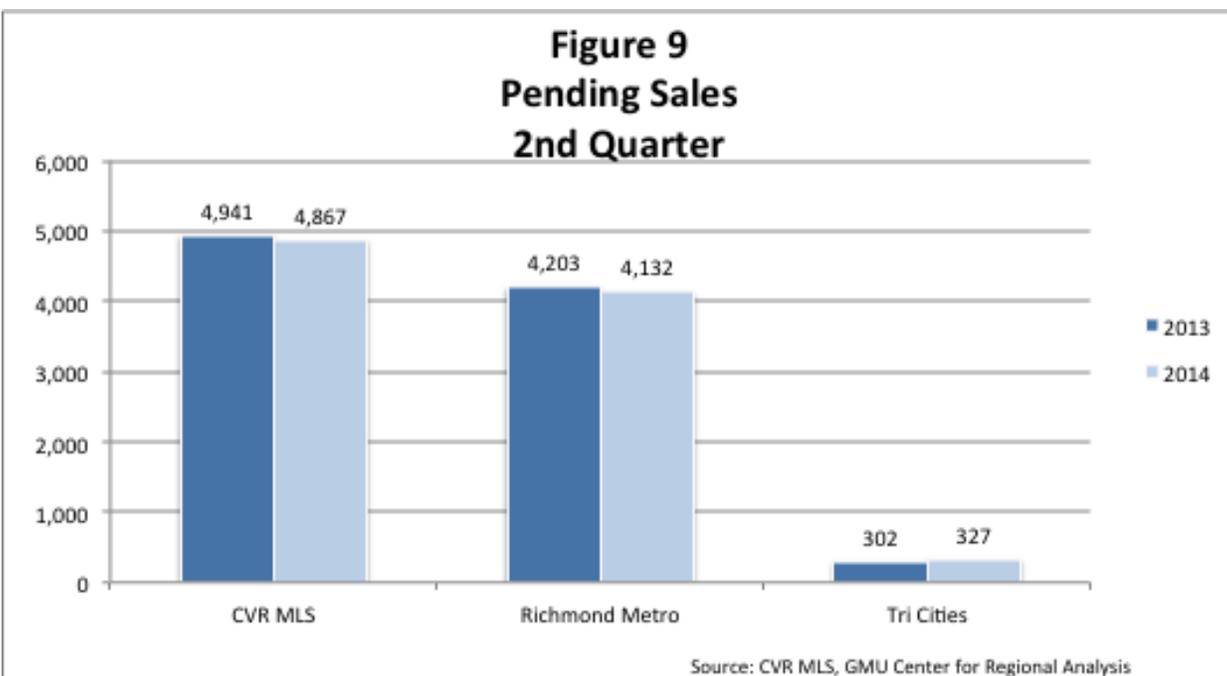
Even with the sluggish sales, homes are selling faster in the Central Virginia Region compared to this time last

year. The average days-on-market in the region for the second quarter was 55 days, down from 57 days a year ago. The same pattern holds within the region. The average day-on-market for the Richmond Metro Area in the second quarter was 51 days, down 1 day from this time last year. The average days-on-market in the Tri-Cities Area was 83 days, down from 90 days this time last year.



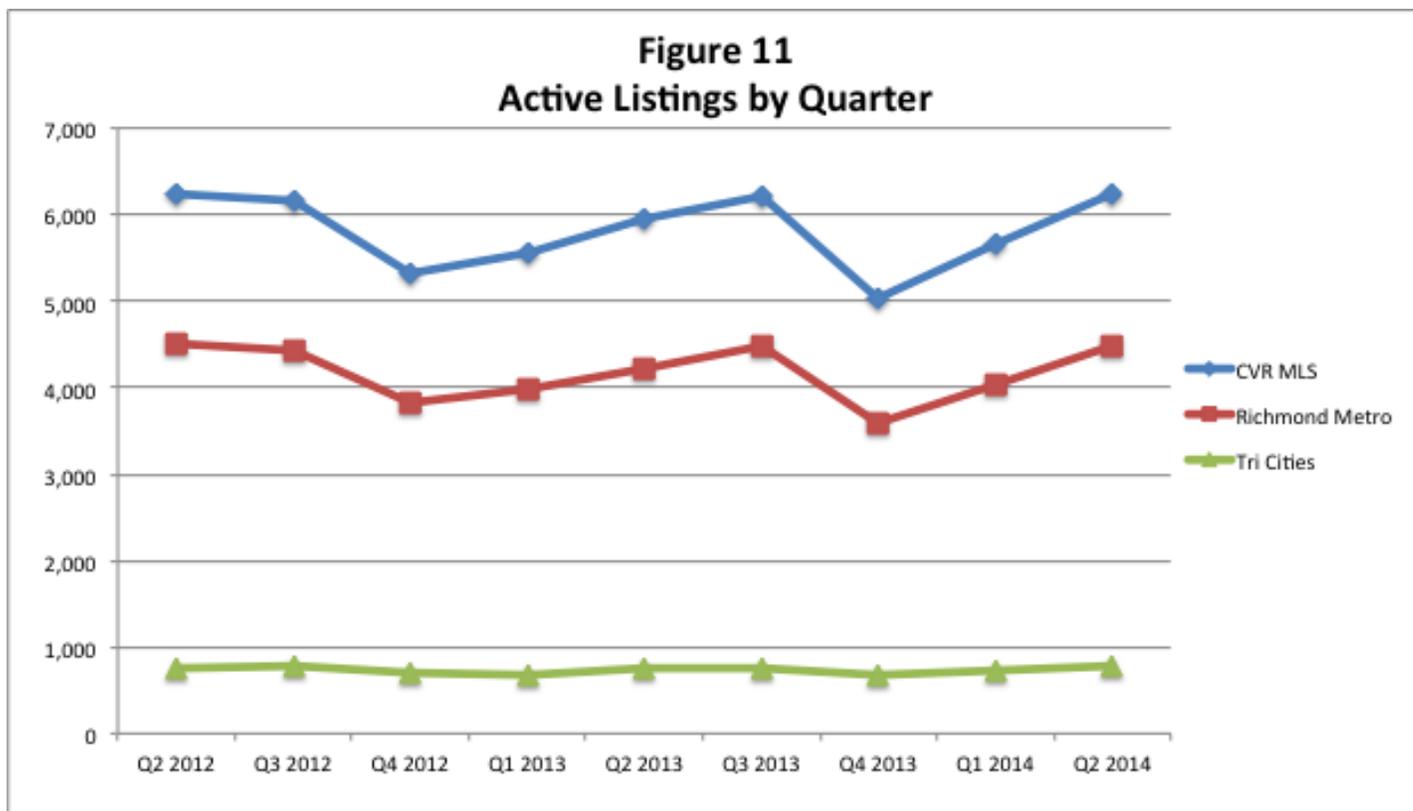
**Pending Sales**

As with closed sales, pending sales remained sluggish in the second quarter around the region. There were 4,867 pending sales in the Central Virginia Region in the second quarter, down 1 percent from a year ago, and the second consecutive quarter of year-over-year declines. Within the region, the Richmond Metro Area had 4,132 pending sales, down 2 percent from the second quarter of 2013. The Tri-Cities Area experienced a rise in pending sales activity, up 8 percent from this time last year to 327. Notably, the City of Richmond experienced its first decline in pending sales in three years, falling 10 percent from a year ago.



## Active Listings

The number of homes for sale in the Central Virginia Region continues to grow. There were 6,254 active listings at the end of the second quarter, up 5 percent from a year ago. This is the strongest inventory growth the region has seen since the third quarter of 2010, a clear indication that sellers are becoming more active in the market. The inventory is stabilizing across the region with 8 of the 16 jurisdictions showing growth in active listings in the second quarter relative to last year. Prince George County had the sharpest gain, up 33 percent from the second quarter of 2013, an increase of 44 listings. Within the Richmond Metro Area, Hanover County had the strongest inventory gain, rising 15 percent from last year, a gain of 79 listings. Despite the emerging upward trend in active listings, the overall inventory remains relatively low which continues to put upward pressure on prices around the region.



## Outlook

It's been a relatively slow first half of the year for the Central Virginia housing market. While the harsh winter played a role in the stagnated sales numbers in the first quarter, the continued sluggishness points to other issues that could be affecting sales. The inventory of active listings remains very low which can influence both sides of the table. Both buyers and sellers could be having trouble finding properties that meet their needs at their price points, which may be deterring some people from entering the market. Mortgage credit also remains tight, which could be further dampening potential sales. Rising home prices might also be playing a role in keeping some buyers on the sidelines.

Despite the slow housing market indicators, the overall health of the Central Virginia economy remains strong. Job growth continues to out-pace historic averages, and the unemployment rate continues to drop. As the inventory of active listing slowly builds, and the economy remains on a positive track, sales growth should resume in the region at a moderate pace.