



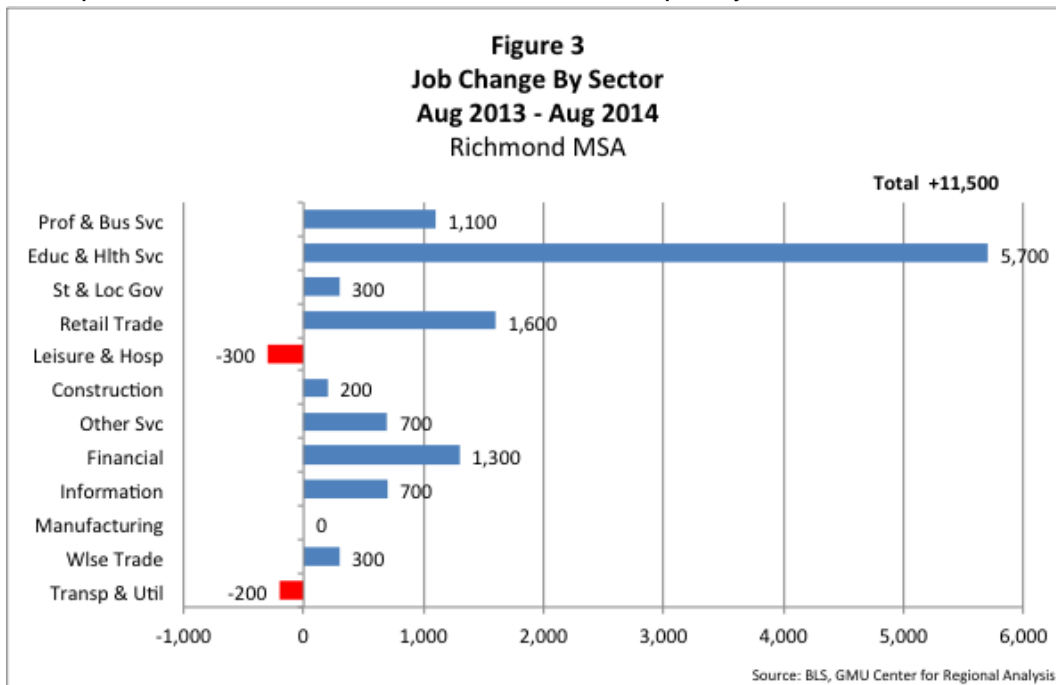
ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET

2014 3rd Quarter Report SUMMARY

Central Virginia Economic Trends

The economy in Central Virginia is performing very well, as the third quarter comes to a close and is performing as well as it has in several years. Job growth continues to be stronger than long-term trends; this is a good sign for the rest of the economy, including the region's housing market.

Almost all sectors in the region's economy are showing growth. For August 2013 to August 2014, the Education and Health Services sector is the leader with a growth of 5,700 jobs, followed by strong growth of more than 1,000 jobs in Professional and Business Services, Financial Services, and Retail Trade. The manufacturing sector is no longer losing jobs, and the only losses over the period were small losses in Transportation and Utilities and in Leisure and Hospitality.



Central Virginia Housing Market Conditions

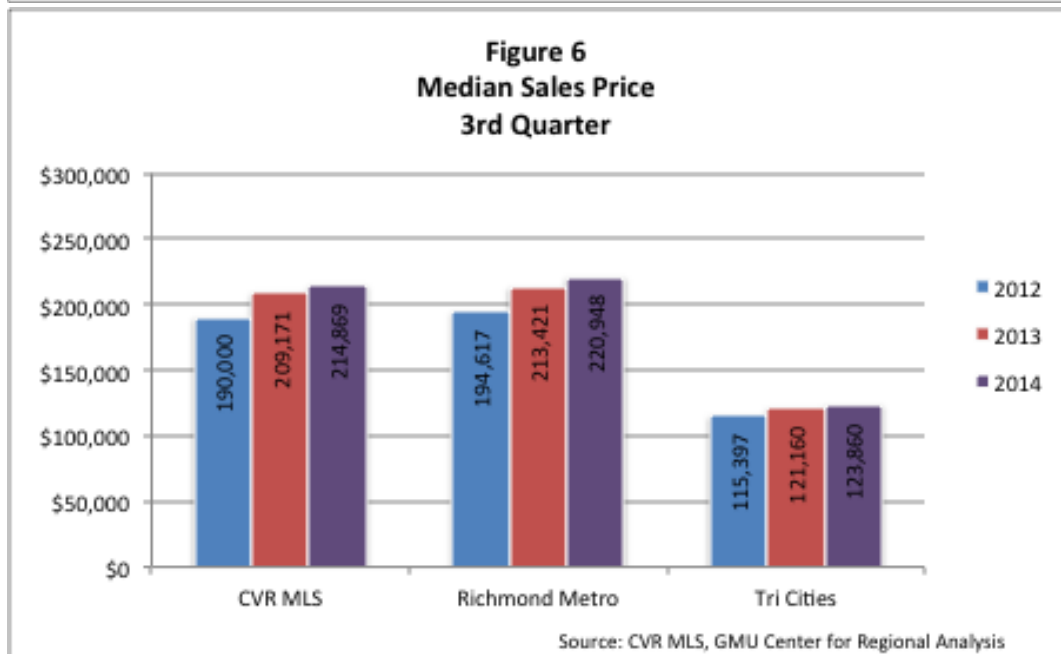
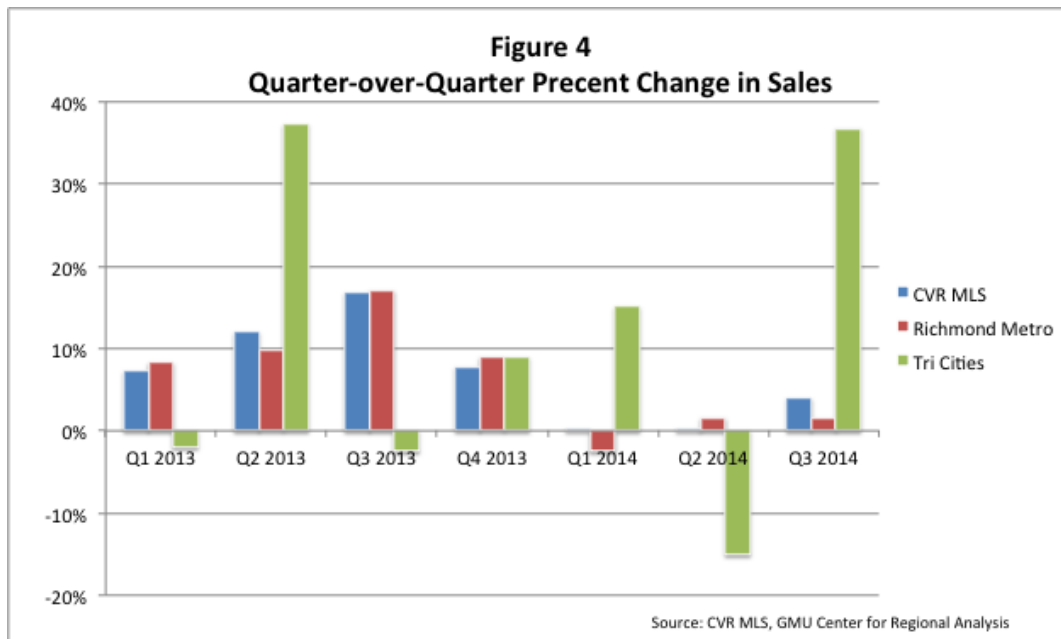
After a stagnant first half of the year, the Central Virginia housing market is showing signs of life in the third quarter. Sales and pending sales are up in most jurisdictions compared to last year, and sales prices continue to climb. Recent growth in active listings has waned this quarter, but the inventory of homes for sale has stabilized and is not declining as was the trend over the past couple years.

Home Sales and Prices

Sales growth has resumed in the Central Virginia Region after a sluggish first half of the year. There were 4,240 sales in the region as a whole in the third quarter, a 4 percent gain from the same period last year. Most of the growth is being driven by the Tri-Cities market, which rose a dramatic 37 percent from a year ago, a gain of 86 sales. Sales in the Richmond Metro market increased slightly, rising 1 percent from this time last year, a gain of 50 sales. Sales growth was fairly widespread around the region as a whole this quarter, with 11 of the 16 jurisdictions having more sales than last year.

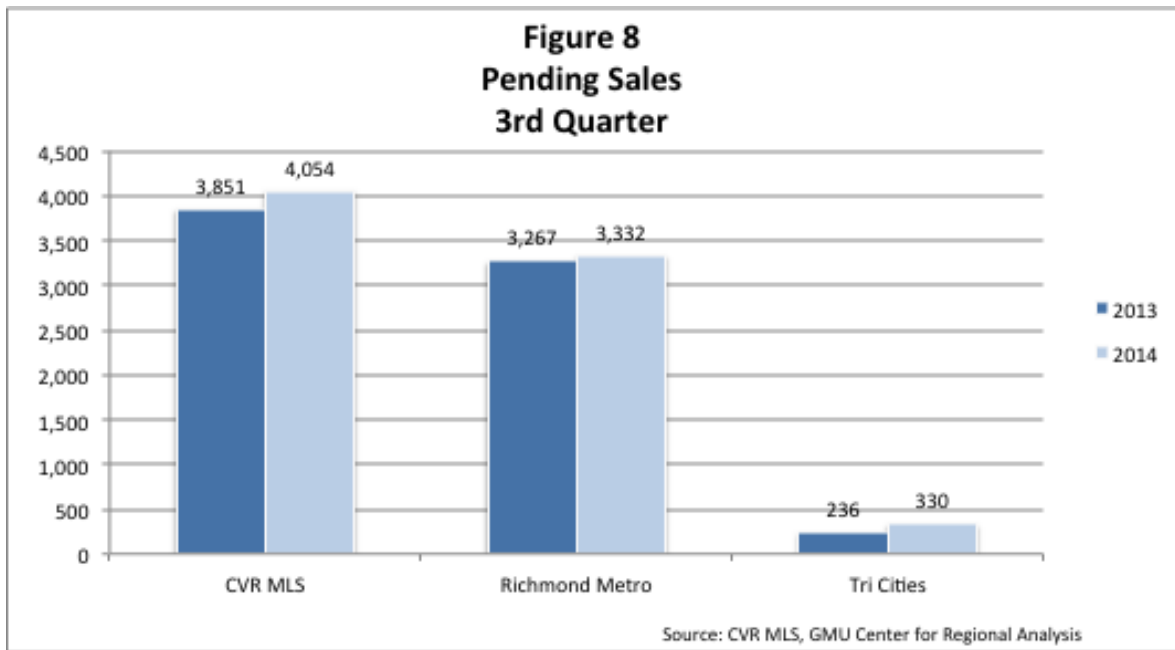
Home prices remain on a steady upward trajectory for most of the region, a reflection of the increased buyer demand, and continued low inventory of active listings. The average sales price in the Central Virginia Region was \$249,999 in the third quarter, a 2 percent increase from a year ago, a gain of approximately \$4,000. The Region's median sales price also increased from last year, up 3 percent, to \$214,869. While sales prices continue to rise for most of the region, the pace of growth has slowed which could be an indication of a stabilizing inventory of active listings. As shown in Figure 5 and Figure 6, average and median sales price growth for the third quarter from 2012 to 2013 was 8 and 9 percent respectively, higher than the 2013 to 2014 growth rates.

In the third quarter, nine of the sixteen jurisdictions in the region had higher median sales prices than a year ago. Within the Richmond Metro Area, the City of Richmond led in median sales price growth, up 6 percent to \$201,500, a gain of \$11,500. At \$67,300, Petersburg led the Tri-Cities market in median sales price growth, up 27 percent, a gain of nearly \$15,000.



Pending Sales

Positive signs are starting to show again for pending sales in the region. There were 4,054 pending sales in the third quarter, up 5 percent from a year ago. This is the first quarter-over-quarter increase for the region since the end of 2013. The Richmond Metro Area had 3,332 pending sales in the third quarter, up 2 percent from this time last year.



Active Listings

Following two straight quarters of growth, the inventory of active listings remained flat in the Central Virginia Region relative to last year. There were 6,197 active listings in the region at the end of the third quarter, a modest -0.4 percent drop from a year ago, a decrease of 23 listings. With 4,541 active listings, the Richmond Metro Area had a small increase in inventory, rising 1 percent from a year ago.

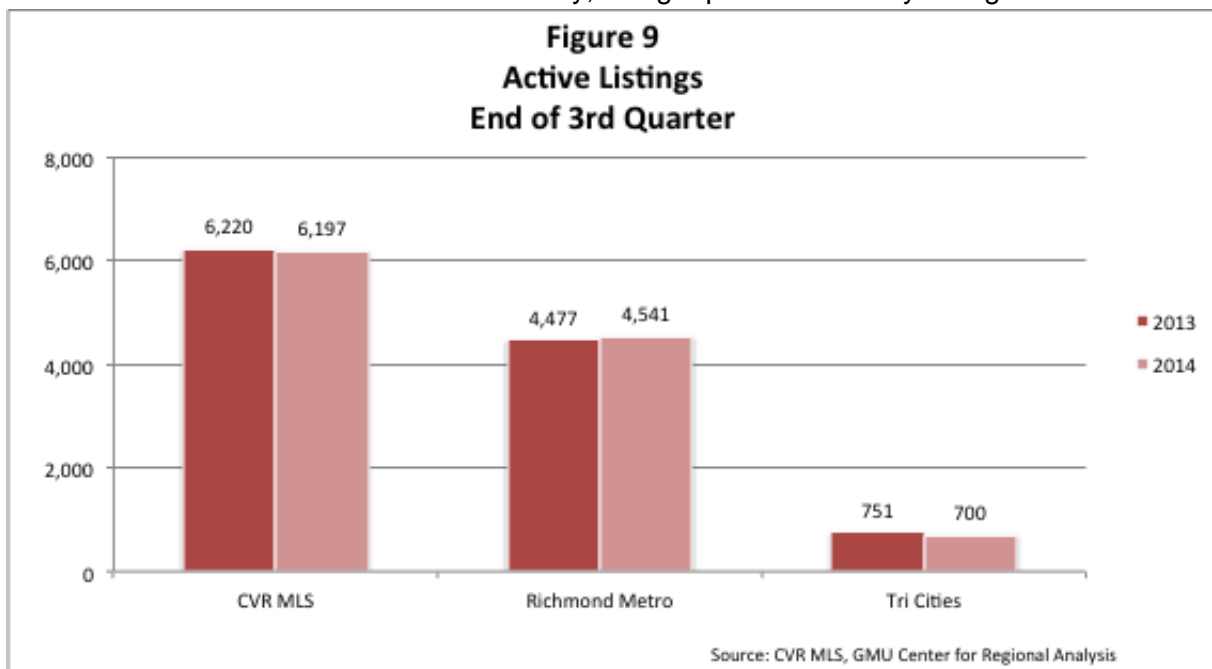
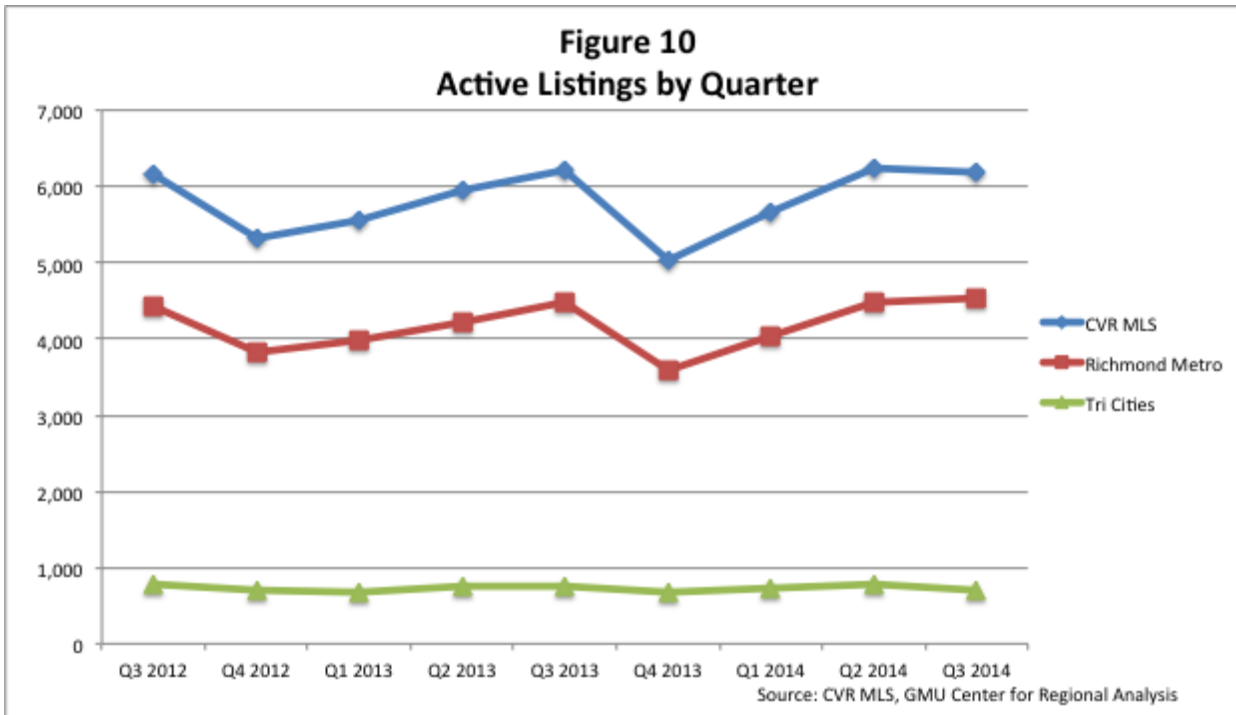


Figure 10
Active Listings by Quarter



Outlook

Following a lethargic first half of the year, the Central Virginia housing market has picked up steam in the third quarter of 2014. Sales and pending sales have increased from this time last year, and sales prices continue to climb, clear evidence that buyer demand is rising in the area. While the inventory of active listings has improved this year overall, it still remains low, and continues to play a role in not only the direction of prices, but also the general availability of homes that meet the needs of households in the market.

The major economic indicators in the region point towards growth and expansion of the economy, which bodes well for the area's housing market. The region continues to add jobs at a faster than average pace, and the unemployment rate is at its lowest level in years. These economic factors help improve confidence on both sides of the table, which will likely lead to continued steady growth for the region's housing market in the near-term.