



## **ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET 2015 1<sup>st</sup> Quarter Report SUMMARY**

### **Central Virginia Housing Market Conditions**

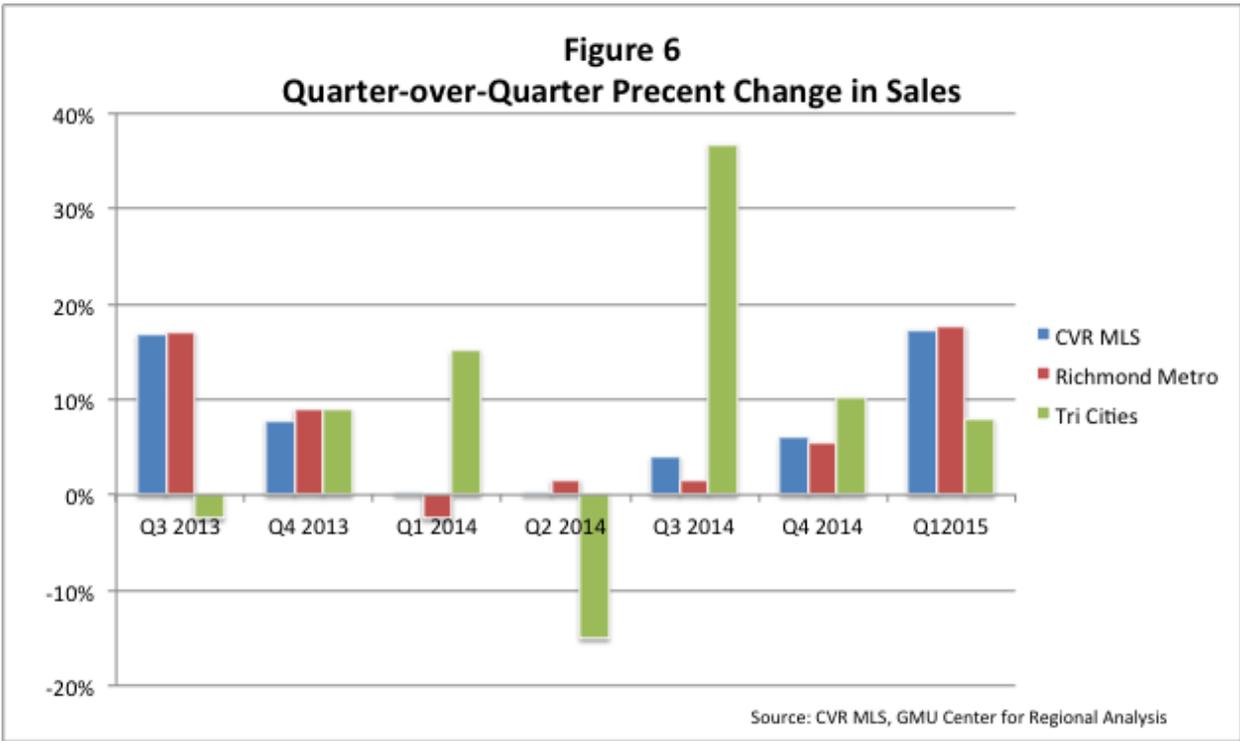
The Central Virginia housing market had its busiest 1<sup>st</sup> quarter in three years in terms of buyer activity. Both sales and pending sales surged compared to last year's levels. Sales prices throughout the region also continued to climb, evidence of the low inventory of active listings and growing demand in the market. Despite healthy demand and rising prices, the number of active listings in the region fell compared to last year.

### ***Home Sales and Prices***

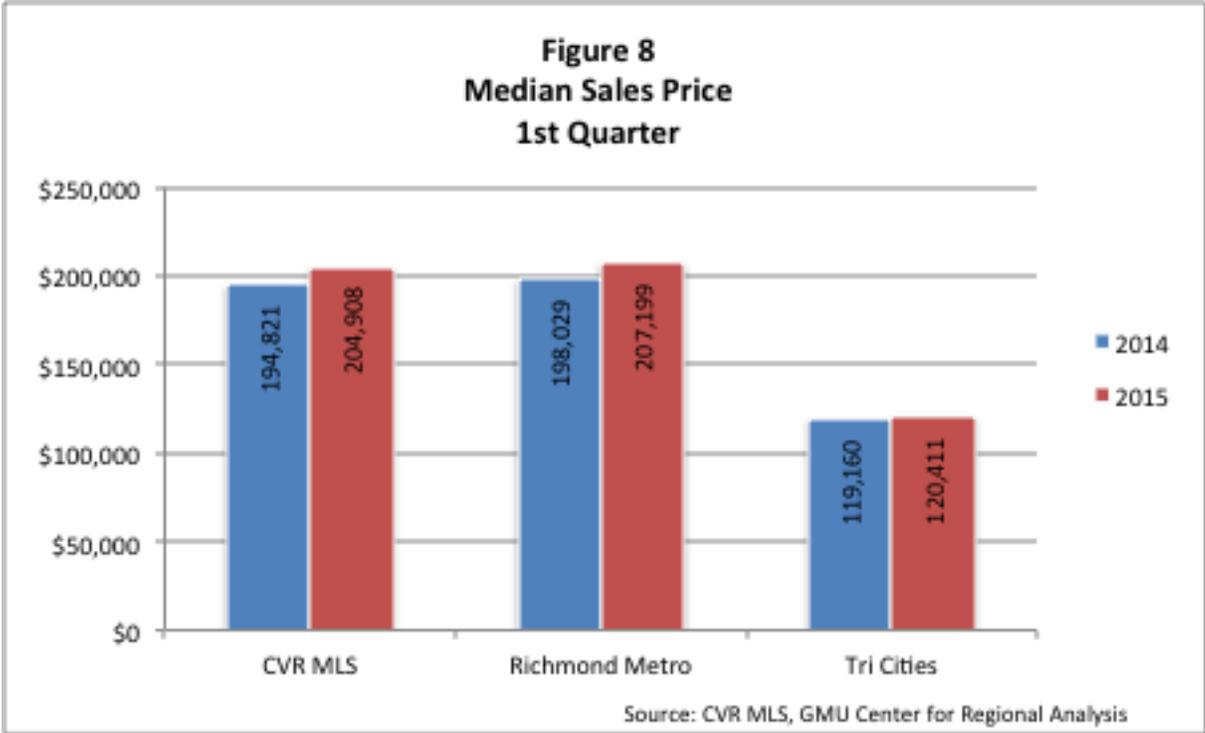
Double-digit sales growth is back in the region's housing market for the first time in a year and a half. There were 3,089 sales in the Central Virginia Region in the first quarter of 2015, 17 percent higher than this time last year, and the sharpest increase since the third quarter of 2013. Interest rates remain low for the time being, which could be enticing to potential buyers. Also, the region's economy continues to strengthen as evidenced by low unemployment and job growth, factors that directly influence the housing market.

The sales growth occurred throughout the region in the first quarter. There were 2,530 sales in the Richmond Metro Area, up 18 percent from the first quarter of 2014, an increase of over 450 sales. There were 247 sales in the Tri-Cities Area, an 8 percent increase from last year, a gain of 18 sales. At the local level, 12 of the 16 jurisdictions in the region had more sales than last year. King William County led all jurisdiction in sales growth, up 73 percent from this time last year, a gain of 22 sales. Notably, all jurisdictions in the Richmond Metro Area had sales growth from last year led by Henrico County which had 28 percent more sales than the first quarter of 2014, a gain of 192 sales. This is the sharpest gain for the County in three and a half years. Colonial Heights had the steepest drop in sales in the region, falling 24 percent from this time last year.

Prices continue to rise in the region, evidence of persistent buyer demand, and a historically low inventory of homes for sale. The average sales price in the Central Virginia Region in the first quarter was \$237,218, up 3 percent from a year ago, a gain of over \$7,000. At \$204,908 the median sales price in the region also rose from the first quarter of 2014, increasing 5 percent, a gain of over \$10,000. Prices climbed throughout the region; but were concentrated in the Richmond Metro Area, where all jurisdictions experienced a rise in both average and median sales prices. The average sales price in the Richmond Metro area during the first quarter was \$242,737, and the median sales price was \$207,199, an increase of 3 and 5 percent respectively. The average sales price in the Tri-Cities Area in the first quarter was \$130,254, up 2 percent from this period last year. The median sales price in the Tri-Cities Area was \$120,411, a 1 percent gain from the first quarter of 2014.



At the jurisdiction level, Caroline County led the region in sales price growth, with the average and median sales prices rising 28 percent from the first quarter of last year. Within the Richmond Metro Area, Hanover County had the sharpest price gains, with the average sales price up 6 percent, and the median sales price up 15 percent from a year ago.



On average, homes are selling 2 days faster in the Central Virginia Region compared to a year ago. While the average days-on-market rose from the previous quarter, this is typical for the winter season. The tight inventory of active listings is likely playing a role in the downward trend of this metric.

## ***Pending Sales***

Pending sales surged throughout the region in the first quarter of 2015, with 13 of the 16 jurisdictions having double-digit percentage gains compared to this time last year. There were 4,495 pending sales in the Central Virginia Region in the first quarter, up 21 percent from a year ago, the sharpest increase in over six years since before the housing bust and recession. With 3,764 pending sales, the Richmond Metro Area also had a 21 percent increase from last year, led by Henrico County which had a 31 percent spike in pending sales. There were 298 pending sales in the Tri-Cities Area, a 13 percent increase from the first quarter last year.

## ***Active Listings***

After several quarters of stabilization in 2014, the inventory of active listings declined in the first quarter of 2015. There were 5,169 active listings at the end of the first quarter, 9 percent below the inventory level a year ago. This is the sharpest decline for the region in two years. Several factors could be influencing this drop, including the noted surge in pending sales this quarter, which is taking active listings off the market. Additionally, some sellers could be waiting for prices to rise further before listing their properties; this could be particularly true for mortgages that remain underwater, which is a situation where the loan balance is higher than the market price of the house. The drop in active listings occurred throughout the region, only Caroline County, Louisa County, and Powhatan County had an inventory rise this quarter. There were 3,668 active listings in the Richmond Metro Area at the end of the first quarter, down 9 percent from this time last year. Active listings in the City of Richmond declined 25 percent from last year, the largest drop for the City since the 3<sup>rd</sup> quarter of 2012.

## ***Outlook***

The Central Virginia housing market has considerable momentum going into the historically busy spring selling season. Sales and pending sales had double-digit growth in the first quarter compared to last year, and sales prices continue to climb through most of the region.

It is likely that the healthy economic backdrop with strong job growth and low unemployment will continue to improve confidence in the region's housing market. It was widely believed that the Federal Reserve was going to raise interest rates as early as June of this year; however, after a relatively slow March jobs report at the national level, their timeframe has likely been pushed out to the fall. This might provide additional incentive for buyers on the fence to act before rates could potentially start rising.

After nearly a year of inventory stabilization, the number of active listings fell through most of the Central Virginia Region in the first quarter compared to last year. This could be attributed to the spike in pending sales, which take listings out of "active" status. It could also be reflective of sellers possibly waiting for prices to increase further. New home construction is also on the rise, which could help to offset the historically low inventory available.