



ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET

2013 3rd Quarter Report

By

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National Economic Overview

The national economy's improvement in mid-2013 continued into the summer but some indicators moderated, perhaps due to the increased uncertainty from the political discussions over the debt ceiling and the Federal budget. Nevertheless, many indicators continue to point to growth and the trends in equity markets through early Fall indicated that most investors believe the Federal budget issues will get resolved. The agreement reached in late October removes the uncertainties for another few months and should allow the economy to regain its upward momentum through the end of the year.

Key economic factors in the third quarter:

- In September both the Manufacturing Index and the Services (non-Manufacturing) Index were well above 50 meaning that both major categories of the economy are continuing to expand.
- Nationally, unemployment has declined to 7.3% and job growth has continued at a pace of annual increases of 2.2 million. All sectors continue to show growth except Federal government employment. When Federal data sources are up and running again following the shutdown, there may be some evidence of the shutdown; although most economic impacts of the shutdown are likely to be interim bumps that will return to trend growth (e.g., delayed consumer spending decisions). The latest numbers available for initial unemployment claims (in August) showed some modest increases over the low levels of the summer.
- The Leading Economic index was up 0.7 points in August, indicating a modest slowing of the growth rate of the overall economy.

- Through the end of summer, both new and existing home sales continued to show improvement. Mortgage rates inched up in early fall and data for the latter part of the third quarter will likely reflect normal seasonal patterns of some slowing into the fall and winter. Prices continue to rise in most markets around the country, and many markets are back to prices before the turndown in 2008-9.
- Consumer confidence indices were mixed in early fall as people's confidence in the economy of the next six months showed a drop from summer levels. This is evidence of uncertainties created by the national budget issues. Confidence will likely return to some degree with the mid-October agreement, but the confidence level of consumers probably will not rise back up to normally positive levels until there is a more solid and longer term resolution of Federal budget issues.

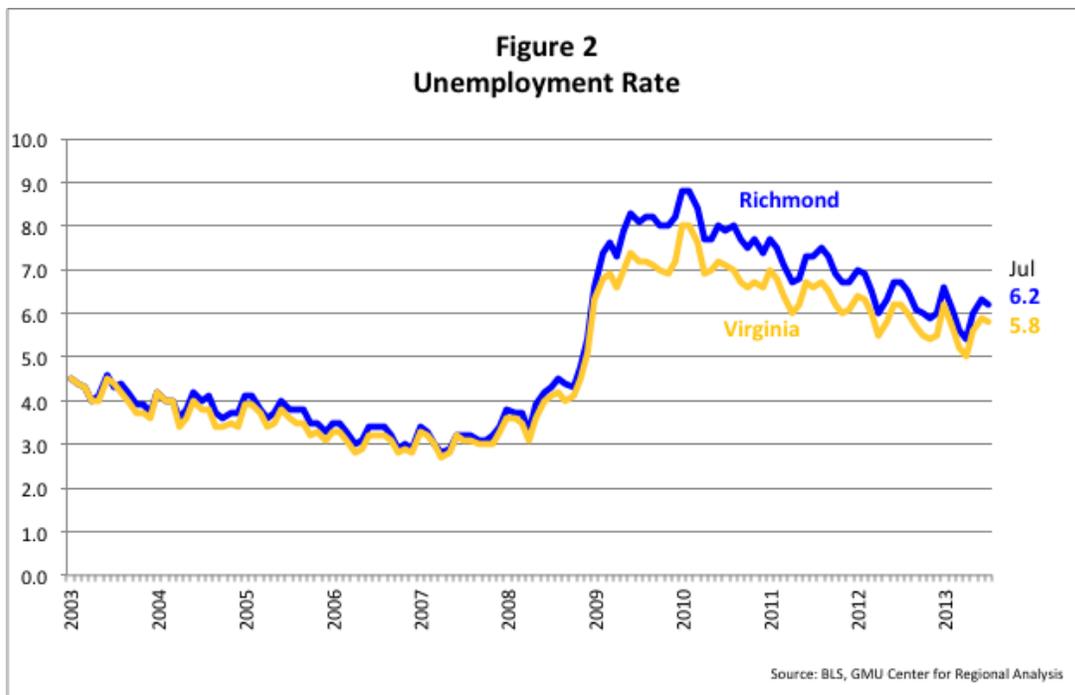
**Figure 1
National Indicators, 3Q 2013**

↑	Gross Domestic Product
↑	Manufacturing Index
↑	Services Index
↑	Payroll Jobs
↑	Initial Unemployment Claims
↓	Unemployment
↑	New Home Sales
↑	Existing Home Sales
↑	Leading Index
↔	Consumer Confidence

Central Virginia Economic Trends

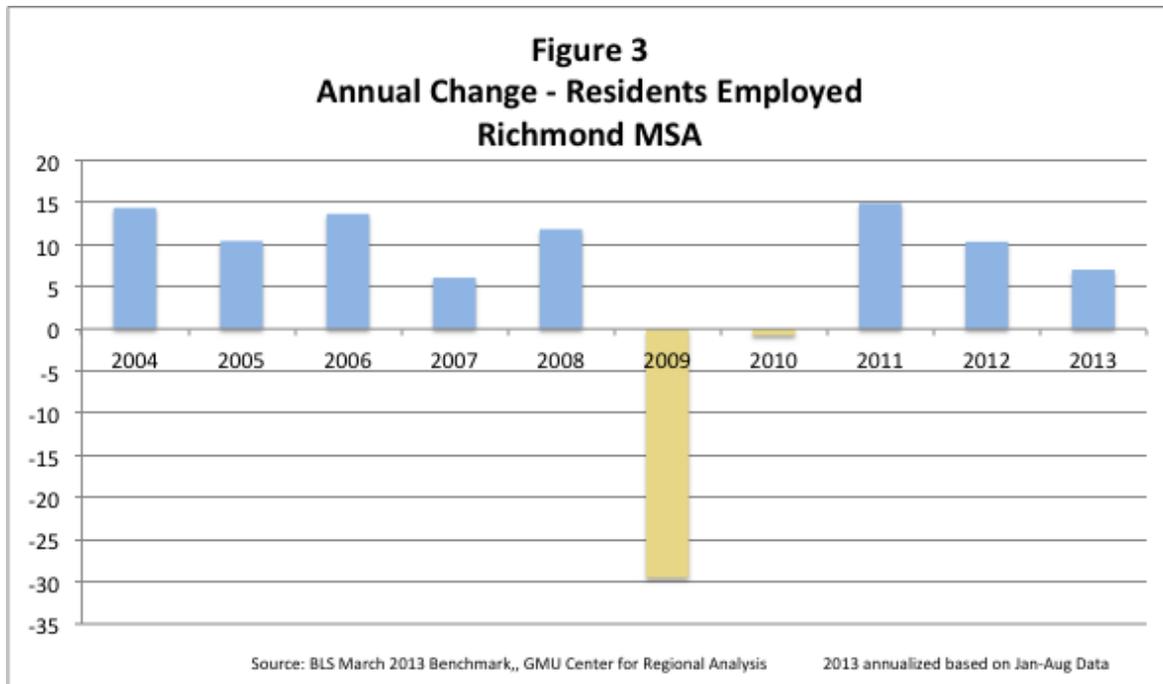
The regional economy continues to show improving conditions into the second half of the year, as measured by payroll jobs and the unemployment rate. For all of 2012 and the first half of 2013, the job growth rate in the region exceeded the long-term average annual rate. This robust job growth is pushing down the unemployment rate and providing a continued solid good foundation for the housing market. Annualized job levels through August show a growth of 8,100 jobs compared to 2012, with minor job losses in only three sectors. Growth continues very positively in construction, retail trade, financial services, education and health services, and leisure and hospitality services.

The unemployment rate has dropped to 6.2 percent from a high of 8.8 percent in early 2010, and is down by 0.5 percentage points from 2012.



Another measure of the employment picture is counts of “Residents Employed” which includes not only payroll jobs but also self-employed and part-time workers. This economic measure also shows healthy increases since the recession, and in raw numbers shows that the increases in residents employed over the past three years is greater than the losses that were incurred in the recession. The data for 2013 shows a moderation in growth level, which indicates that the

labor market is now tightening. It also likely reflects a normal recovery condition, which is that as the economy improves more self-employed and part-timers are brought on as full time payroll employees.



Uncertainty remains at the national level and there will be effects from the continuing sequestration, but the regional economy is relatively healthy and should sustain growth for the foreseeable months ahead. Unemployment levels should continue to drop, and economic conditions would portend a moderately healthy retail sector through the end of year holiday season.

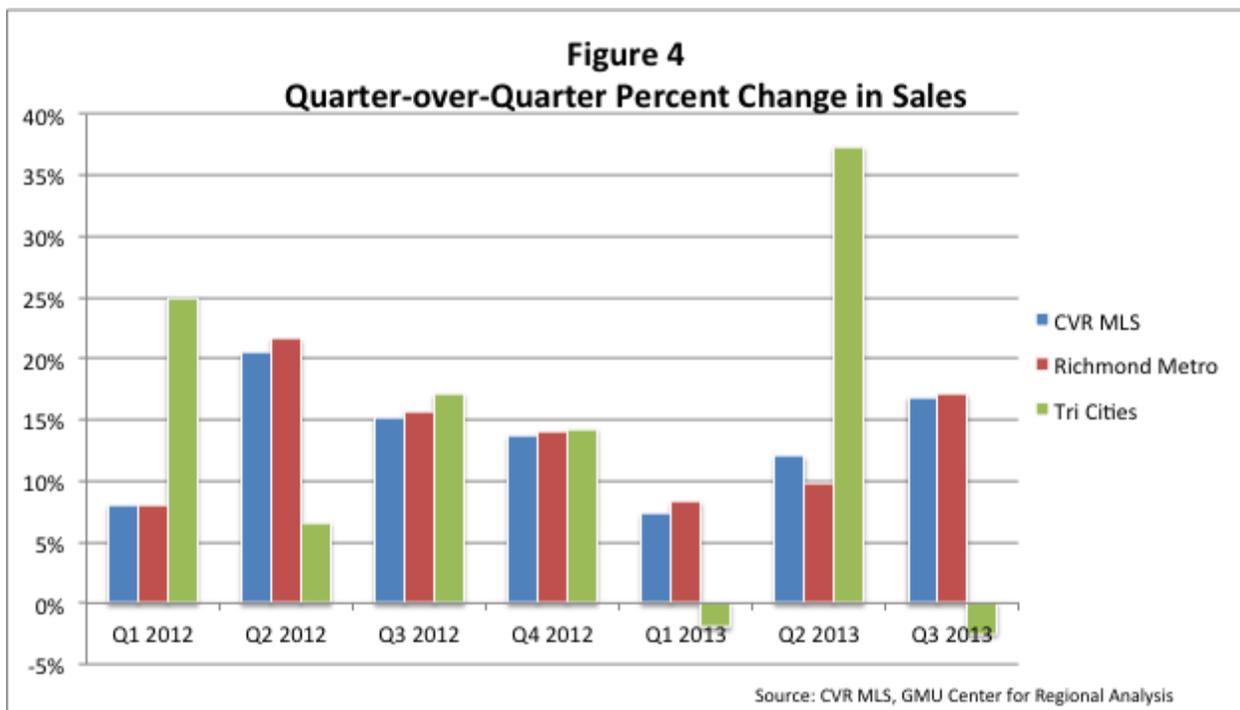
Central Virginia Area Housing Market

The Central Virginia Area housing market had a strong third quarter, posting gains in sales, prices, and pending sales relative to last year. Homes continue to sell faster, and sale prices inch closer to list prices, all of which bode well for sellers. The buyer market remains active as evidenced by the sales growth, but the low inventory of active listings could cause some to wait until more options are available. The healthy and growing job market in Central Virginia is a driving force in the overall momentum of the region's housing market. The improving

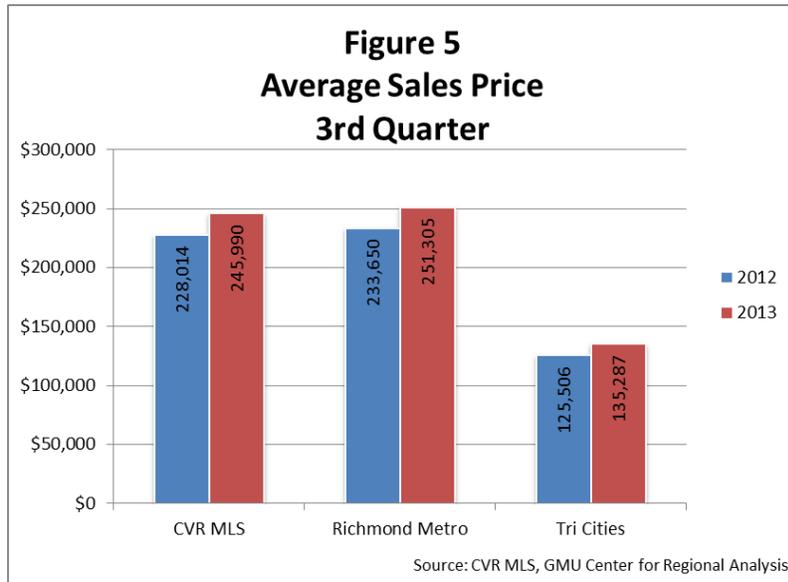
unemployment picture has also been a significant factor, as it increases mobility, and provides greater economic stability for both buyers and sellers.

Home Sales and Prices

Sales growth continued in the third quarter for much of the Central Virginia housing market, evidence that pent up demand remains a factor in the region. In the third quarter of 2013, there were 4,079 sales in the CVR MLS area, a 17 percent rise from the same period last year. The Richmond Metro Area had 3,490 sales in the third quarter, and also a 17 percent gain from the third quarter of 2012. This represents the strongest quarter-over-quarter growth for both CVR MLS and Richmond Metro in over a year. There were 234 sales in the Tri Cities area in the third quarter of 2013, a marginal 3 percent drop from this period last year. Thirteen of the sixteen jurisdictions included in CVR MLS posted quarter-over-quarter sales growth this period, led by King William County, up a dramatic 75 percent. Of the larger jurisdictions in the region, the City of Richmond continues to lead in sales growth, up 22 percent from the third quarter of 2012. Notably, all jurisdictions in the Richmond Metro Area had double-digit sales growth from this period last year.

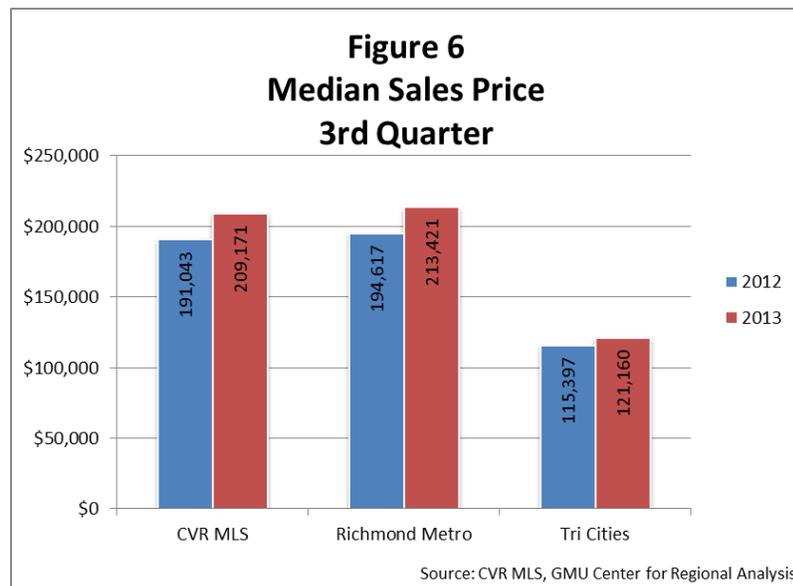


Average sale prices continue to climb through most of the Central Virginia housing market. The upward pressure is being driven by consistent sales growth coupled with the low inventory of homes for sale. The average sale price in the region was \$245,990 in the third quarter of 2013,



up 8 percent from the same quarter a year ago. The Richmond Metro and Tri Cities Areas also had average sale price gains of 8 percent, climbing to \$251,305 and \$135,287 respectively. At \$209,171, the median sale price for the CVR MLS is up 9 percent from the third quarter of 2012, a gain of over \$18,000.

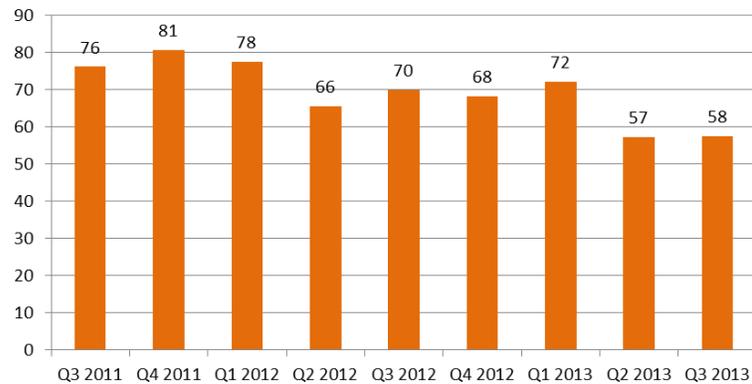
Within the region, Hanover County and the City of Richmond have seen consistent price growth over the past year. The median sales price in the City of Richmond for the third quarter was \$190,000, up 12 percent from the same quarter a year ago, and the fourth consecutive quarter of double-digit growth for the city. At \$257,000, the median sales price in Hanover County rose 15 percent from this time last year, a gain of over \$34,000. Goochland County had the highest median sale price in the region at \$310,000. The City of Petersburg had the lowest median sale price at \$52,825.



Homes sold faster in the Central Virginia region in the third quarter, which was a reflection of strong demand in the market. It could also be a result of fewer foreclosures and short sale properties, which can often stay on the market longer. In the third quarter, homes were on the market an average of 58 days in the CVR MLS region, down from 70 days this time last year. If the downward trend holds, it could entice more sellers to list their homes, which would help alleviate some of the inventory shortage.

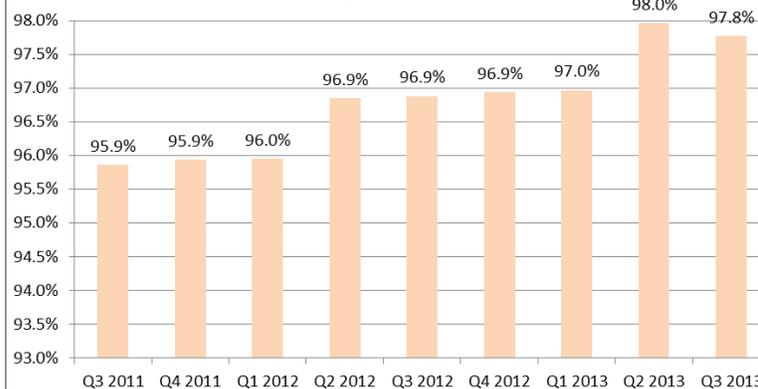
The average sold price to list price ratio for the Central Virginia region continues to climb relative to last year and is now 98 percent, up from 97 percent in the third quarter of 2012. The upward trend for this indicator suggests healthy demand and reasonable price expectations by sellers.

Figure 7
Average Days on Market
CVR MLS



Source: CVR MLS, GMU Center for Regional Analysis

Figure 8
Average Sales-to-List Price Ratio
CVR MLS

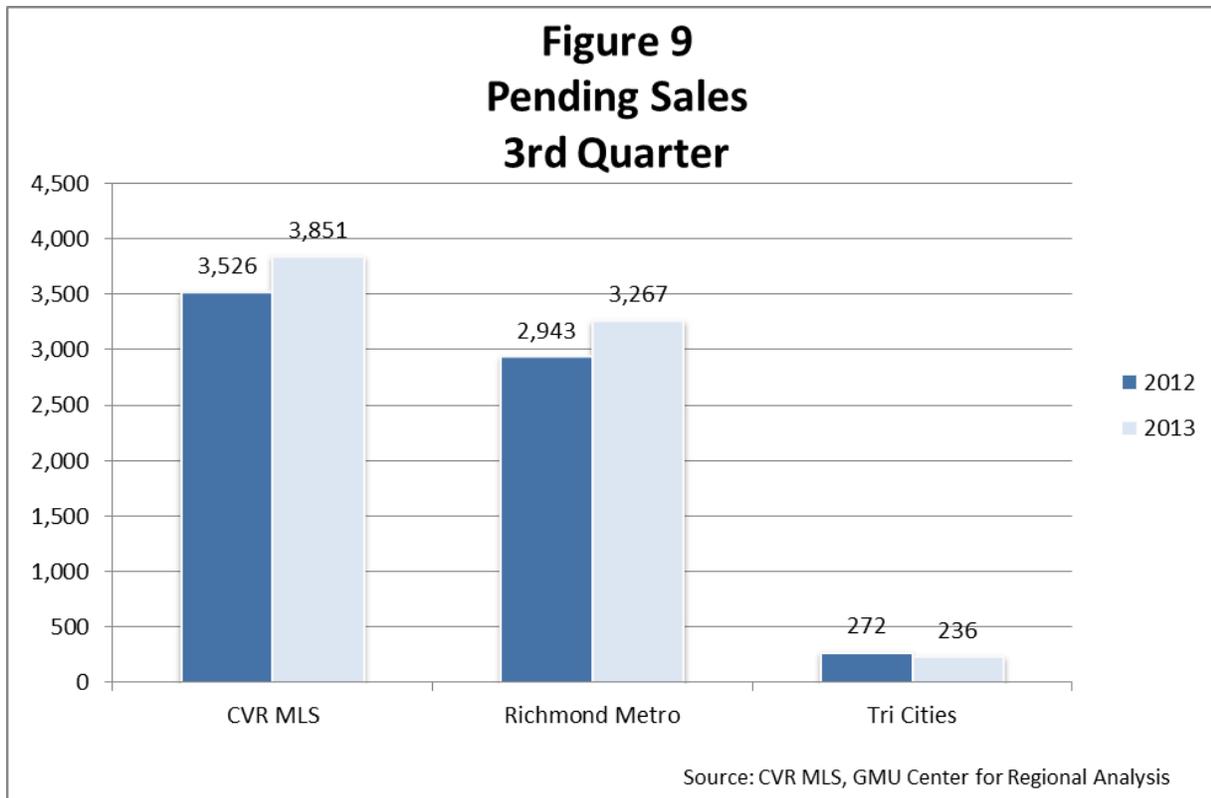


Source: CVR MLS, GMU Center for Regional Analysis

Pending Sales

Pending sales are up for the tenth consecutive quarter in the CVR MLS area, a clear indication that buyers remain active, and confident in the market. There were 3,851 pending sales in the region for the third quarter of 2013, up 9 percent from the same quarter a year ago. Of that total, the Richmond Metro Area had 3,267 pending contracts, an 11 percent increase from the third quarter 2012. There were 236 pending contracts in the Tri Cities area, a 13 percent

decline from the same period last year. This is the first quarter-over-quarter drop in pending sales for the Tri Cities area in two years, which could hint at softening demand. It could also be reflective of fewer foreclosure and short sale properties in the market, which likely caused some of the pending sales growth.

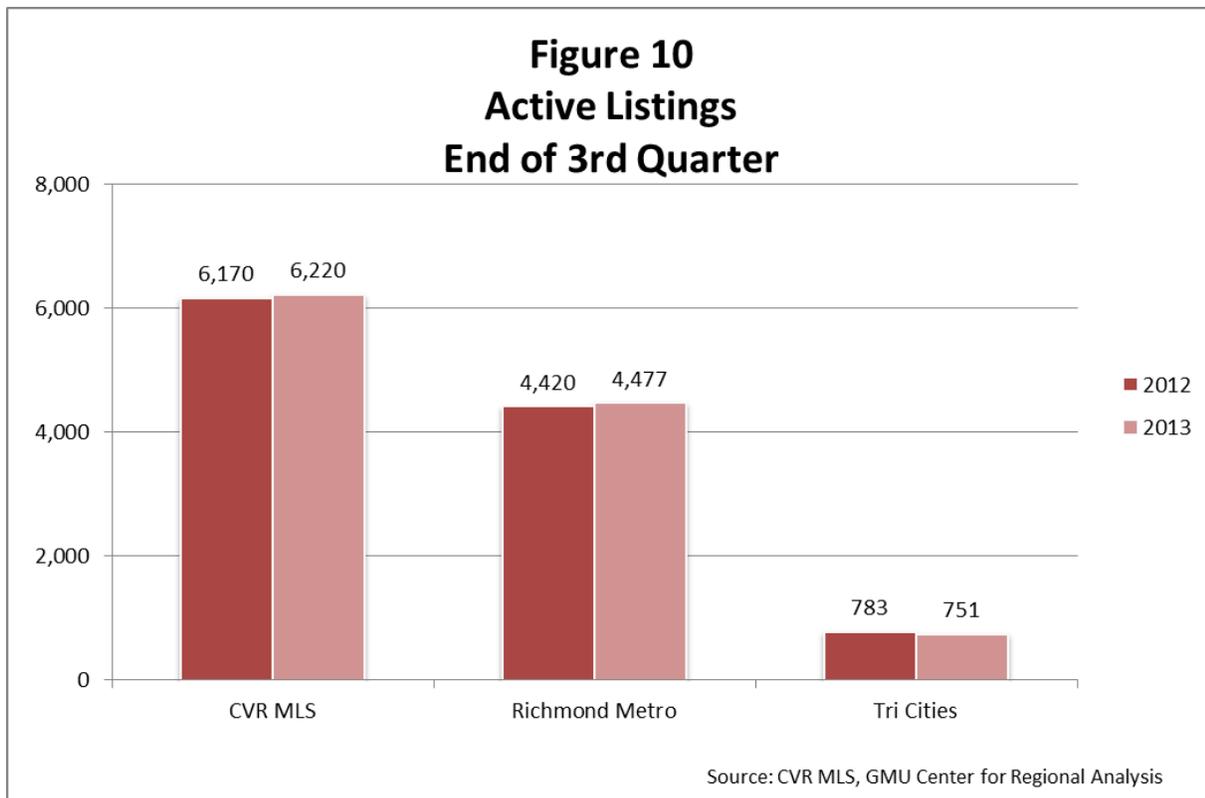


Active Listings

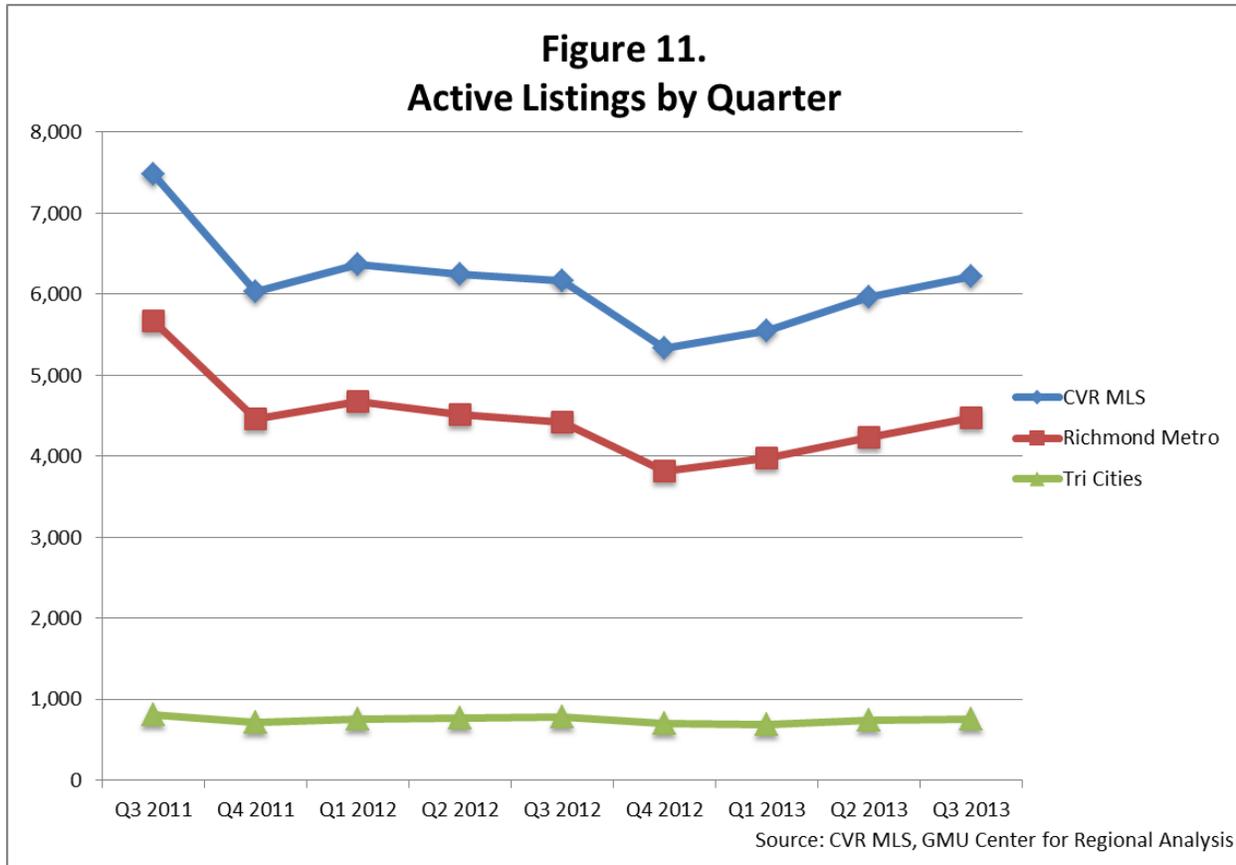
Active listings remain very low for the entire Central Virginia housing market. There are approximately 33 percent fewer listings than three years ago. The low supply of homes for sale continues to play a major role in the rising prices around the region. There are, however, some early signs of a changing pattern within the market. The consistent decline in listings appears to be tapering which could alleviate some of the upward pressure on home prices. There were 6,220 active listings at the end of the third quarter in the CVR MLS area, 1 percent higher than the same period last year, an increase of 50 listings. While the increase is small, it could be an inflection point. This is the first quarter-over-quarter rise in active listings since the third quarter of 2010. Additionally, the pace of decline in listings has been slowing over the past four

quarters. This is, perhaps, an indication that seller confidence is improving, fewer people are underwater on the mortgages, and more people are willing to list their homes.

Within the region, the Richmond Metro Area also had a 1 percent rise in active listings. There were 4,477 active listings at the end of the third quarter, a gain of 57 listings from the same period last year. The number of active listings in the Tri Cities Area continues to shrink, but at a much slower rate. There were 751 active listings in the Tri Cities Area, down 4 percent from last year, a drop of 32 listings. To put that in perspective, two years ago, listings declined by 226 in the third quarter compared to the previous year.



**Figure 11.
Active Listings by Quarter**



Outlook

The major economic and housing market indicators in Central Virginia are pointing towards moderate growth and increased stability in the coming months. Housing market measures such as sales and prices are trending back to levels seen before the market overheated and subsequently fell into recession.. Job growth in the region is trending upward, and the unemployment rate has dropped 2.6 percentage points since its recession peak three years ago.

Conditions appear ripe for increased seller activity, as prices continue to rise and homes are selling faster. Early evidence of this can be seen in the slight bump in active listings this quarter relative to the same time last year, the first inventory gain in three years. As Seller confidence improves and the inventory shortage alleviates, expect price growth to moderate, particularly in



the slower winter season. The uptick in new construction activity will also help improve the inventory situation.

Within the region, the Richmond Metro Area appears to have the most momentum going into the fourth quarter, with consistent double-digit gains in sales and median prices for most jurisdictions. There is some indication that demand could be softening in the Tri Cities housing market, as sales and pending sales both declined from the third quarter last year. However the drop in sales could actually reflect less foreclosed and short sale properties in the market, which could help stabilize the price points.

Residential Sales

County of City	Units Sold			Average Sales Price			Median Sales Price		
	Q3 2013	Q3 2012	% Chg.	Q3 2013	Q3 2012	% Chg.	Q3 2013	Q3 2012	% Chg.
Caroline	22	26	-15%	\$187,702	\$163,048	15%	\$160,450	\$148,750	8%
Charles City Co.	7	6	17%	\$88,621	\$290,800	-70%	\$105,000	\$215,000	-51%
Chesterfield	1237	1128	10%	\$238,366	\$229,422	4%	\$208,950	\$199,288	5%
Colonial Heights	31	54	-43%	\$149,003	\$134,482	11%	\$148,000	\$128,250	15%
Dinwiddie	49	43	14%	\$146,912	\$152,089	-3%	\$129,900	\$137,900	-6%
Goochland	68	54	26%	\$405,443	\$408,767	-1%	\$310,000	\$312,500	-1%
Hanover	395	284	39%	\$266,467	\$234,566	14%	\$257,000	\$222,750	15%
Henrico	1179	1013	16%	\$268,017	\$245,184	9%	\$217,000	\$195,000	11%
Hopewell	59	45	31%	\$110,768	\$101,839	9%	\$99,900	\$100,000	0%
King William	49	28	75%	\$171,654	\$182,591	-6%	\$164,000	\$150,000	9%
Louisa	39	24	63%	\$202,464	\$144,175	40%	\$184,800	\$135,000	37%
New Kent	65	59	10%	\$275,213	\$249,075	10%	\$239,950	\$234,800	2%
Petersburg	44	48	-8%	\$70,520	\$74,677	-6%	\$52,825	\$48,750	8%
Powhatan	105	74	42%	\$268,219	\$246,853	9%	\$227,000	\$215,500	5%
Prince George	51	50	2%	\$200,022	\$163,046	23%	\$180,000	\$160,000	13%
Richmond	679	556	22%	\$237,040	\$220,745	7%	\$190,000	\$170,075	12%
MLS TOTAL	4,079	3,492	17%	\$245,990	\$228,014	8%	\$209,171	\$191,043	9%
Chesterfield	1,237	1,128	10%	\$238,366	\$229,422	4%	\$208,950	\$199,288	5%
Hanover	395	284	39%	\$266,467	\$234,566	14%	\$257,000	\$222,750	15%
Henrico	1,179	1,013	16%	\$268,017	\$245,184	9%	\$217,000	\$195,000	11%
Richmond	679	556	22%	\$237,040	\$220,745	7%	\$190,000	\$170,075	12%
Richmond Metro TOTAL	3,490	2,981	17%	\$251,305	\$233,650	8%	\$213,421	\$194,617	10%
Colonial Heights	31	54	-43%	\$149,003	\$134,482	11%	\$148,000	\$128,250	15%
Dinwiddie	49	43	14%	\$146,912	\$152,089	-3%	\$129,900	\$137,900	-6%
Hopewell	59	45	31%	\$110,768	\$101,839	9%	\$99,900	\$100,000	0%
Petersburg	44	48	-8%	\$70,520	\$74,677	-6%	\$52,825	\$48,750	8%
Prince George	51	50	2%	\$200,022	\$163,046	23%	\$180,000	\$160,000	13%
Tri Cities TOTAL	234	240	-3%	\$135,287	\$125,506	8%	\$121,160	\$115,397	5%

Source: CVRMLS, GMU Center for Regional Analysis

\$310,000

Residential Analysis by Price Range

Date: July 2013

Area: MLS

Range	New Listings		Pending Sales		Sales	
	#	%	#	%	#	%
Less than \$100,000	206	13%	179	14%	183	12%
\$100,000-199,999	551	35%	436	33%	522	35%
\$200,000-299,999	418	26%	372	28%	378	25%
\$300,000-399,999	186	12%	168	13%	209	14%
\$400,000-499,999	100	6%	89	7%	90	6%
\$500,000-599,999	44	3%	45	3%	53	4%
\$600,000-699,999	34	2%	16	1%	18	1%
\$700,000-799,999	13	1%	12	1%	14	1%
\$800,000-899,999	11	1%	2	0%	9	1%
\$900,000-999,999	3	0%	3	0%	3	0%
\$1,000,000+	15	1%	2	0%	8	1%
Total	1581	100%	1324	100%	1487	100%
Average Price	\$253,403		\$241,722		\$247,903	
Median Price	\$209,950		\$213,278		\$210,000	
Sold Price as a Pct. Of List Price	n/a		n/a		97.8%	
Average Days on the Market	n/a		n/a		56	

Source: CVRMLS, GMU Center for Regional Analysis

Residential Analysis by Price Range

Date: August 2013

Area: MLS

Range	New Listings		Pending Sales		Sales	
	#	%	#	%	#	%
Less than \$100,000	124	11%	213	16%	183	13%
\$100,000-199,999	408	36%	456	35%	479	33%
\$200,000-299,999	309	27%	318	24%	389	27%
\$300,000-399,999	138	12%	157	12%	199	14%
\$400,000-499,999	70	6%	88	7%	85	6%
\$500,000-599,999	34	3%	38	3%	53	4%
\$600,000-699,999	20	2%	28	2%	23	2%
\$700,000-799,999	12	1%	13	1%	17	1%
\$800,000-899,999	5	0%	5	0%	4	0%
\$900,000-999,999	4	0%	1	0%	4	0%
\$1,000,000+	7	1%	3	0%	7	0%
Total	1131	100%	1320	100%	1443	100%
Average Price	\$254,054		\$239,456		\$248,911	
Median Price	\$214,000		\$199,950		\$212,000	
Sold Price as a Pct. Of List Price	n/a		n/a		97.6%	
Average Days on the Market	n/a		n/a		58	

Source: CVRMLS, GMU Center for Regional Analysis

Residential Analysis by Price Range

Date: September 2013

Area: MLS

Range	New Listings		Pending Sales		Sales	
	#	%	#	%	#	%
Less than \$100,000	189	13%	163	14%	155	13%
\$100,000-199,999	464	32%	474	39%	418	36%
\$200,000-299,999	380	26%	300	25%	279	24%
\$300,000-399,999	169	12%	129	11%	141	12%
\$400,000-499,999	92	6%	73	6%	81	7%
\$500,000-599,999	44	3%	21	2%	31	3%
\$600,000-699,999	41	3%	21	2%	25	2%
\$700,000-799,999	26	2%	13	1%	9	1%
\$800,000-899,999	4	0%	4	0%	4	0%
\$900,000-999,999	8	1%	3	0%	4	0%
\$1,000,000+	21	1%	6	0%	2	0%
Total	1438	100%	1207	100%	1149	100%
Average Price	\$276,982		\$237,017		\$239,844	
Median Price	\$218,944		\$195,000		\$200,000	
Sold Price as a Pct. Of List Price	n/a		n/a		97.9%	
Average Days on the Market	n/a		n/a		59	

Source: CVRMLS, GMU Center for Regional Analysis