

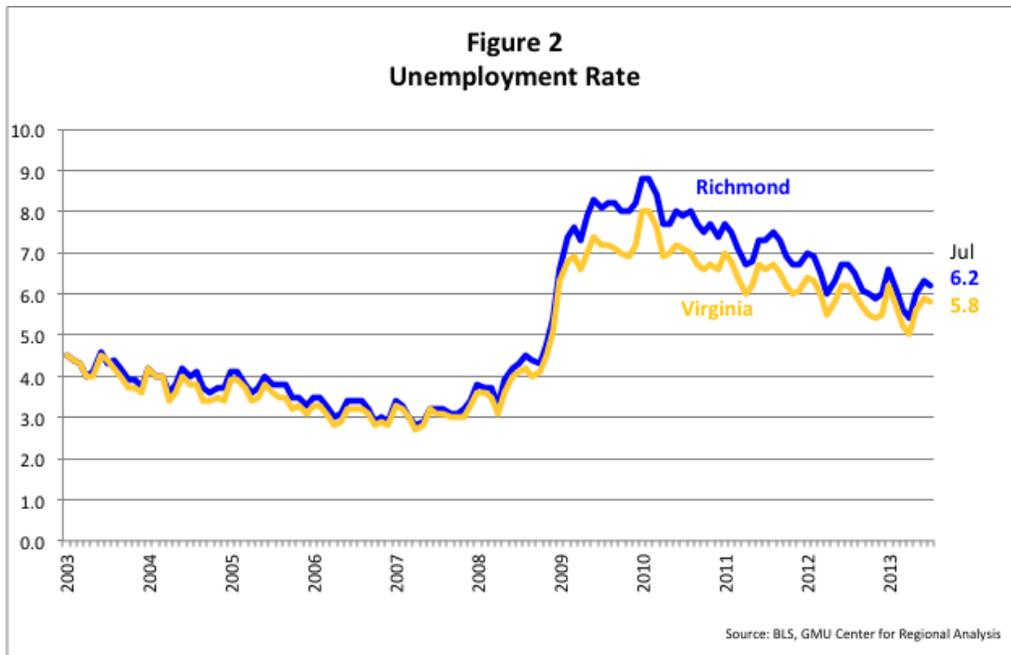


## ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET 2013 3<sup>rd</sup> Quarter Report SUMMARY

### 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.



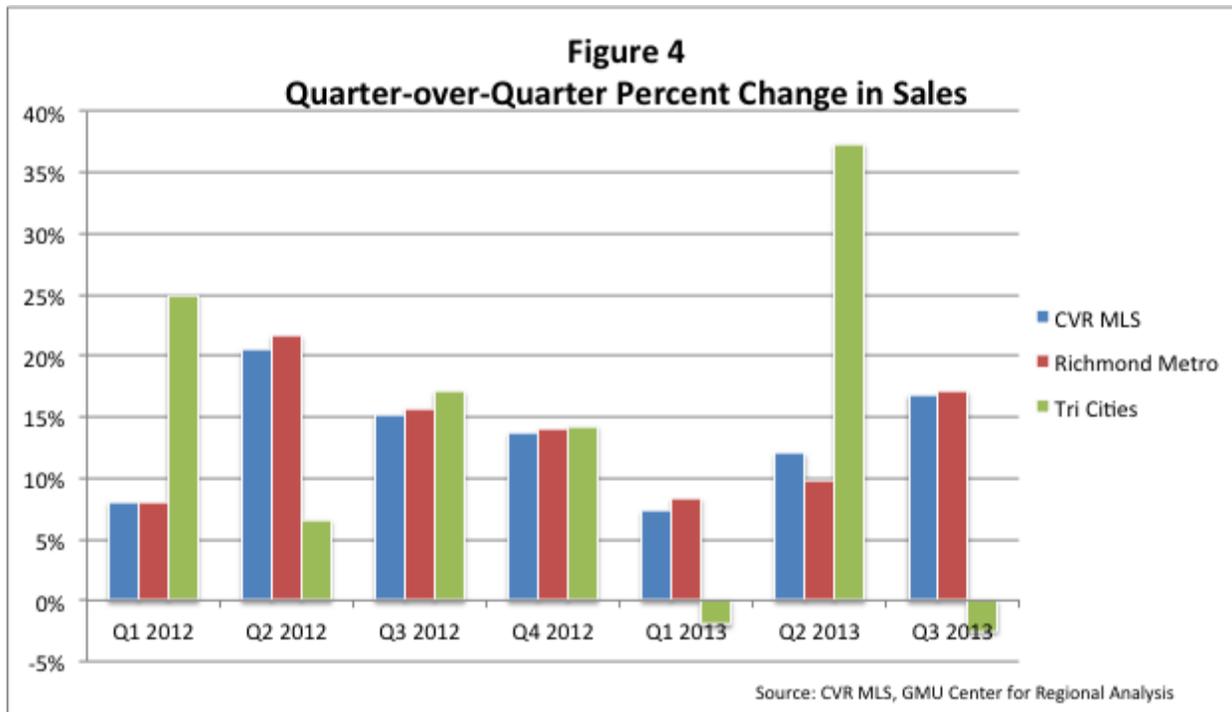
### Central Virginia Area Housing Market

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.

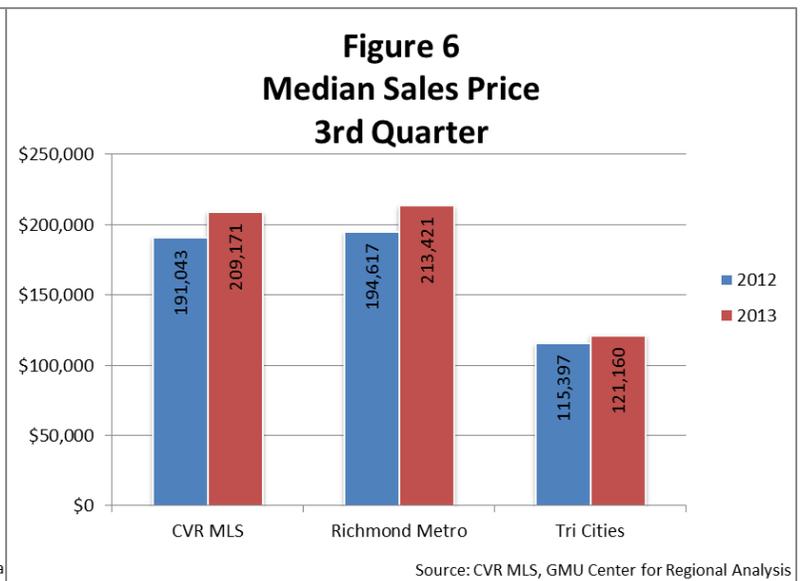
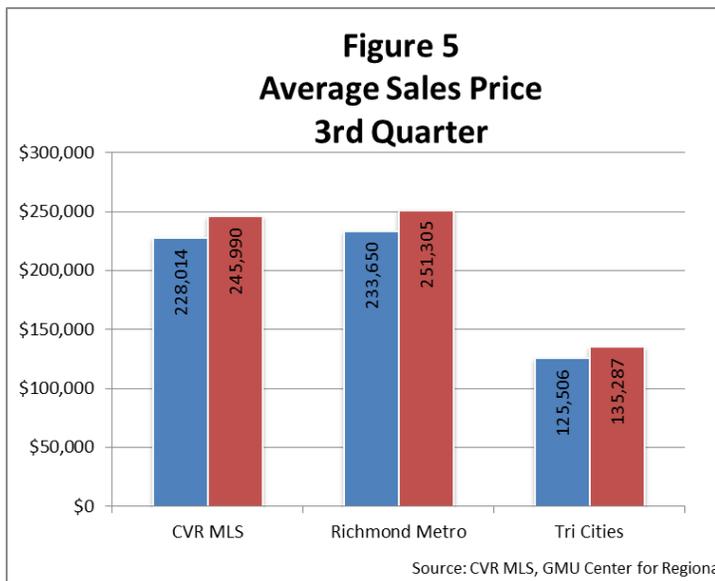
### Home Sales and Prices

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.

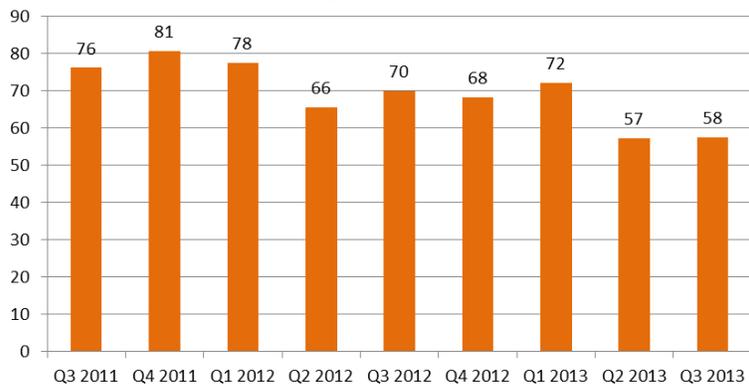


Within the region, Hanover County and the City of Richmond have seen consistent price growth over the past year. The median sales price in the City of Richmond for the third quarter was \$190,000, up 12 percent from the same quarter a year ago, and the fourth consecutive quarter of double-digit growth 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.

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.

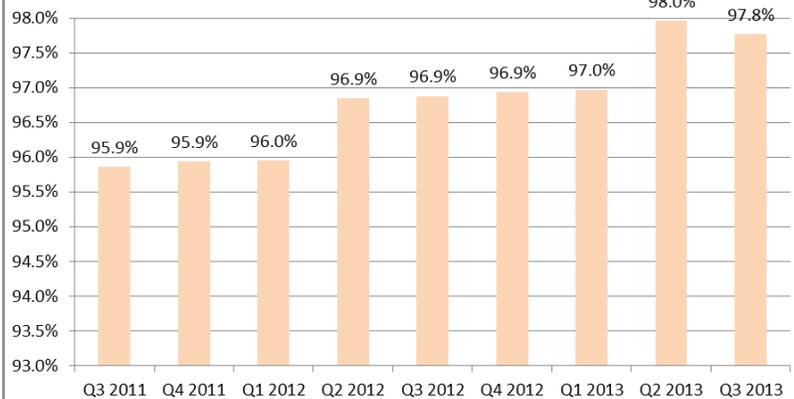
The average sold price to list price ratio for the Central Virginia region continues to climb relative to last year and is now 98 percent, up from 97 percent in the third quarter of 2012. The upward trend for this indicator suggests healthy demand and reasonable price expectations by sellers.

**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**

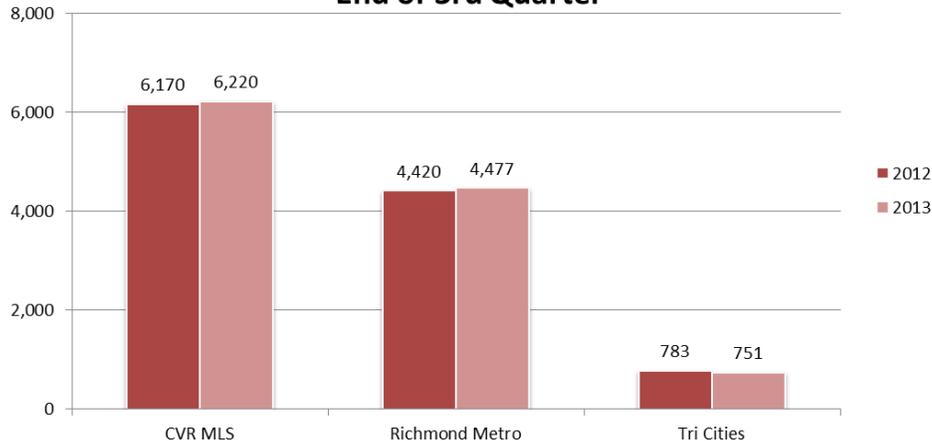


Source: CVR MLS, GMU Center for Regional Analysis

## 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.

**Figure 10**  
**Active Listings**  
**End of 3rd Quarter**



Source: CVR MLS, GMU Center for Regional Analysis

## Active Listings

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.

## **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.