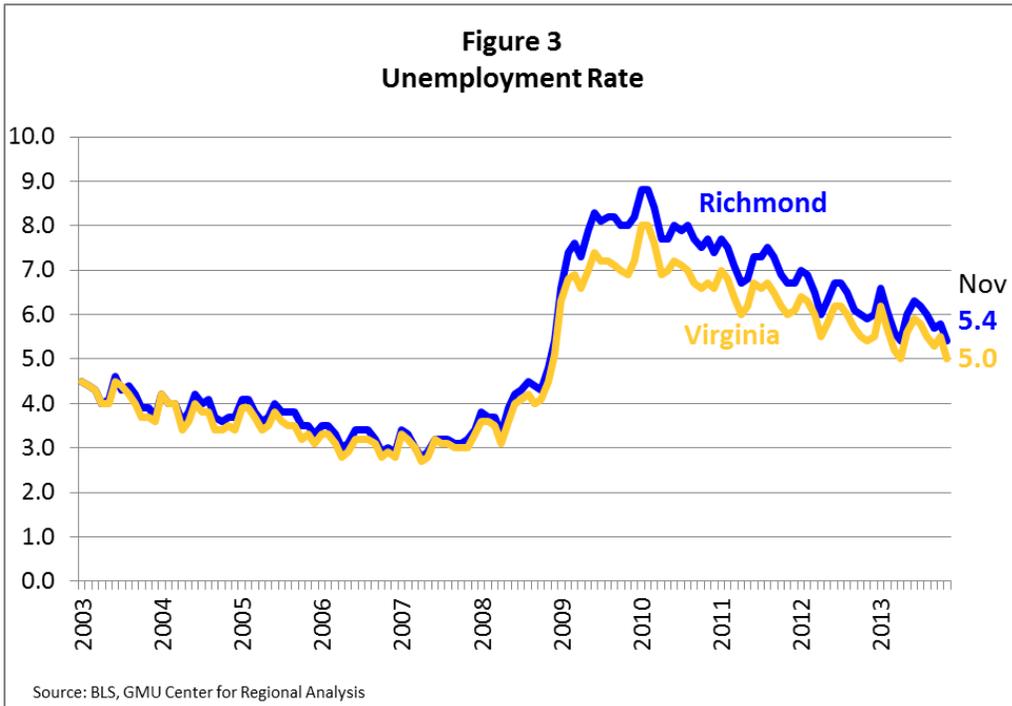


Central Virginia Regional MLS

2013 Annual and 4th Quarter Central Virginia Housing Market Report Summary



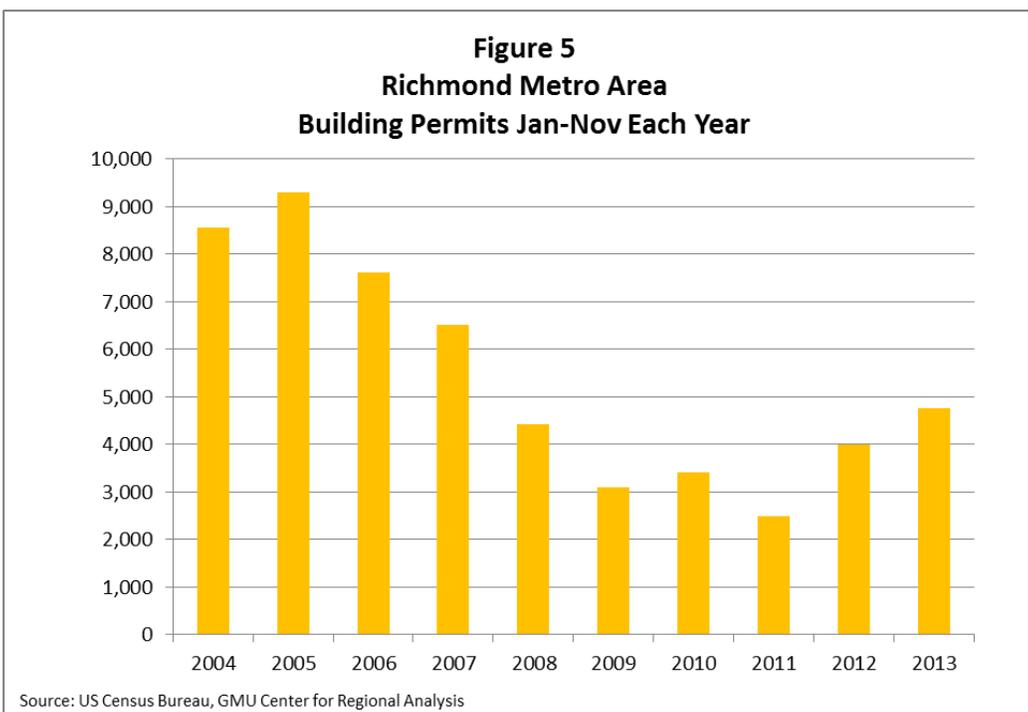
Central Virginia Economic Trends

Central Virginia's economy has fared better than the nation's, as its unemployment rate has been lower and as its job growth rate has been higher. The unemployment rate peaked at 8.1 percent in 2009, well below the national peak of 10.0 percent. Since that regional peak in the unemployment rate, conditions have gradually improved and as of November the unemployment rate was 5.4 percent for the Richmond

metro area. That is a decline from 5.9 percent in 2012, 6.5 percent in 2011 and from 7.5 percent in 2010.

The improving unemployment rate is resulting from the job growth in the region, which has been higher than the long-term average for three consecutive years. Over the past 23 years, the region has added an average of 6,000 jobs per year, and the past three years have seen growth of 8,500, 12,500, and 7,900 respectively for 2011, 2012, and 2013.

The regional economic improvements are also seen in the future housing expectations picture as building



permits are clearly on the rise. Based on data through November, building permits were higher in 2013 than in the last five years, or the highest number of permits in any year since 2007.

Central Virginia Housing Market Conditions

The Central Virginia housing market continued to trend in a positive direction in 2013. At the region level, sales activity rose every quarter compared to 2012. Median and Average sales prices in

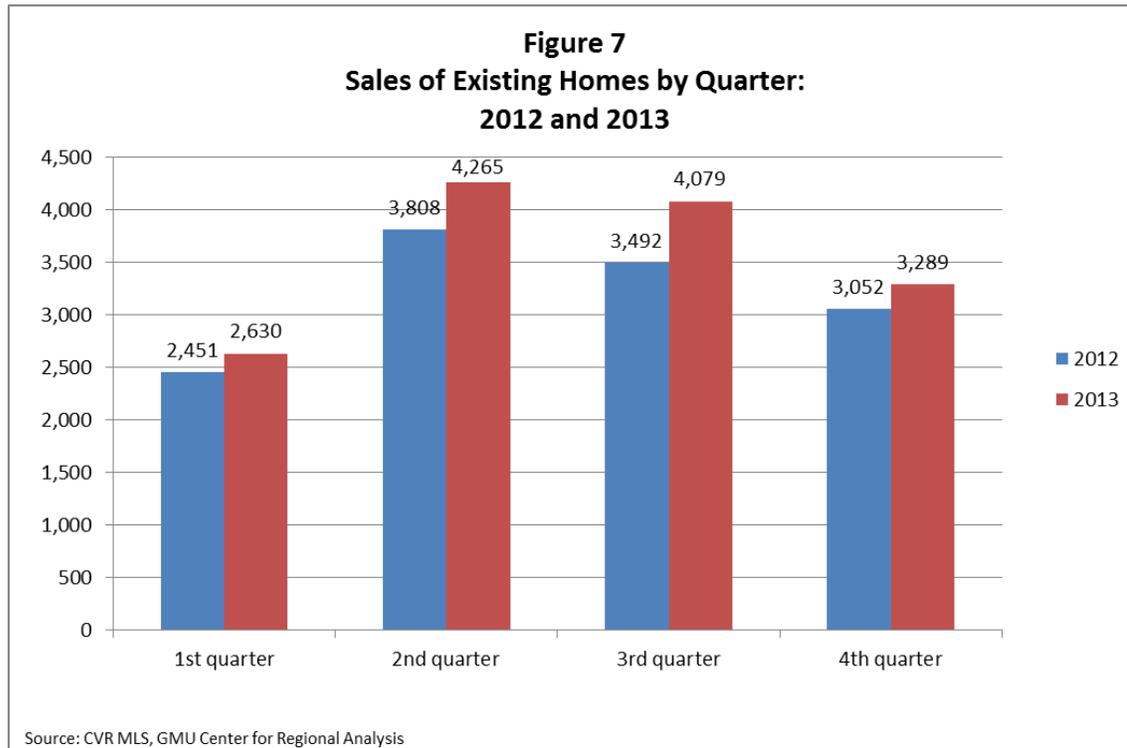
most parts of the region continued to appreciate, and pending sales remained on an upward trajectory. While inventories remain at historically low levels, active listings began to show signs of stabilization in 2013, and indication that sellers are becoming increasingly confident in the market.

Figure 6. Sales and Prices: 2012 and 2013

							Sales			Median Prices (\$)			Average Prices (\$)		
							2012	2013	% Change	2012	2013	% Change	2012	2013	% Change
Central Virginia MLS							12,803	14,263	11.4%	184,950	198,000	7.1%	219,164	233,962	6.8%
Richmond Metro							10,819	12,045	11.3%	189,950	206,000	8.4%	224,835	239,059	6.3%
Tri Cities	896	991	10.6%	115,190	122,500	6.3%	125,590	130,070	3.6%						

Source: CVR MLS, GMU Center for Regional Analysis

There were 3,289 sales in the 4th quarter of 2013 in the Central Virginia region, up 8 percent from the same

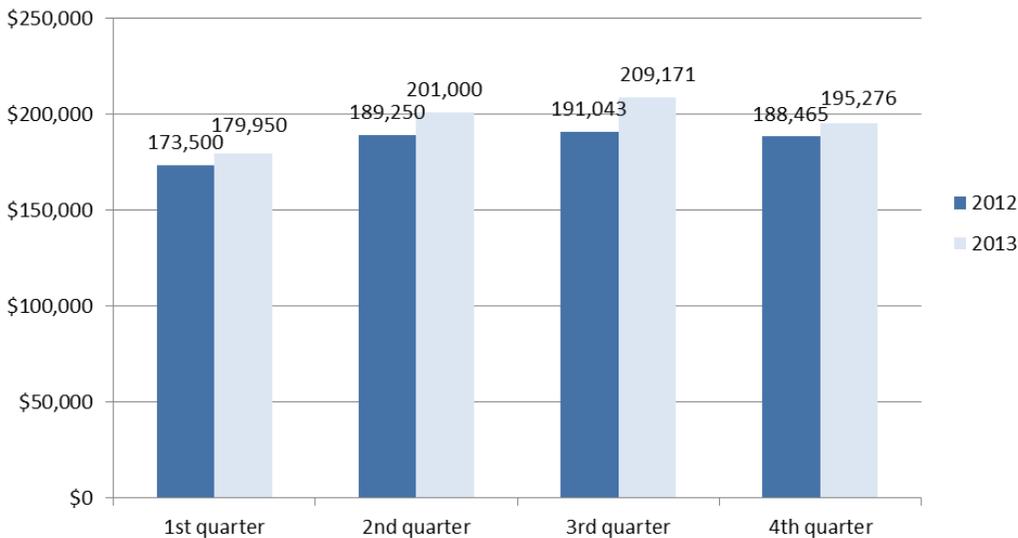


period last year. The Richmond Metro and Tri-Cities areas also had more sales in the 4th quarter, both rising 9 percent from last year. At the jurisdiction level, the City of Richmond had 533 sales in the 4th quarter, up 12 percent from last year, a gain of 58 contracts. Sales in Hanover County remained relatively flat, rising a modest 1 percent from the 4th quarter of 2012.

Notably, 10 of the 16 jurisdictions in the

Central Virginia Region had more sales in the 4th quarter of 2013 than the 4th quarter of 2012, an indication that health in the market extends throughout the region. The sharpest decline occurred in Petersburg, with sales down 22 percent from the 4th quarter of 2012.

Figure 8
Median Home Price by Quarter:
2012 and 2013



Source: CVR MLS, GMU Center for Regional Analysis

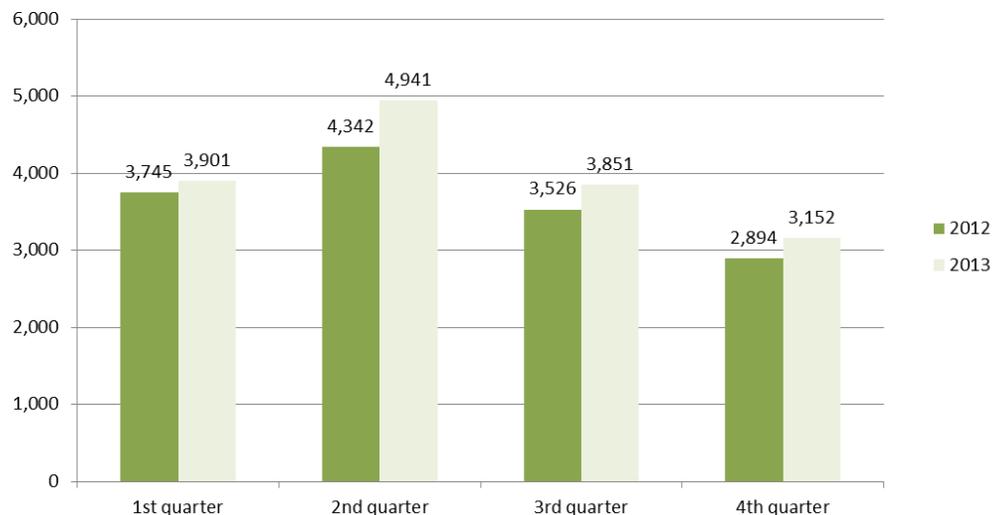
Home Prices

Home prices in the region climbed for the second year in a row. The annual median sales price in the Central Virginia market was \$198,000 in 2013, up 7.1 percent from 2012, a gain of over \$13,000.¹ Similarly, at \$233,962 the average sales price for the region rose 6.8 percent from 2012, a gain of nearly \$15,000. Price growth was sustained throughout the year, with gains in all four quarters for both the median and average sales price relative to last year. This is the first time price growth

occurred in all quarters since before the housing bust.

Price points within the Central Virginia Region continue to edge upward. Approximately 24 percent of all homes sold in 2013 went for \$300,000 or more, up from 21 percent in 2012. The proportion of homes that sold for less than \$100,000 declined, going from 18 percent in 2012 to 15 percent in 2013. This shift could indicate that fewer foreclosures and shortsales are occurring in the region. The proportion of homes sold between \$100,000 and \$299,000 remained unchanged from 2012 at roughly 61 percent.

Figure 10
Pending Sales by Quarter:
2012 and 2013



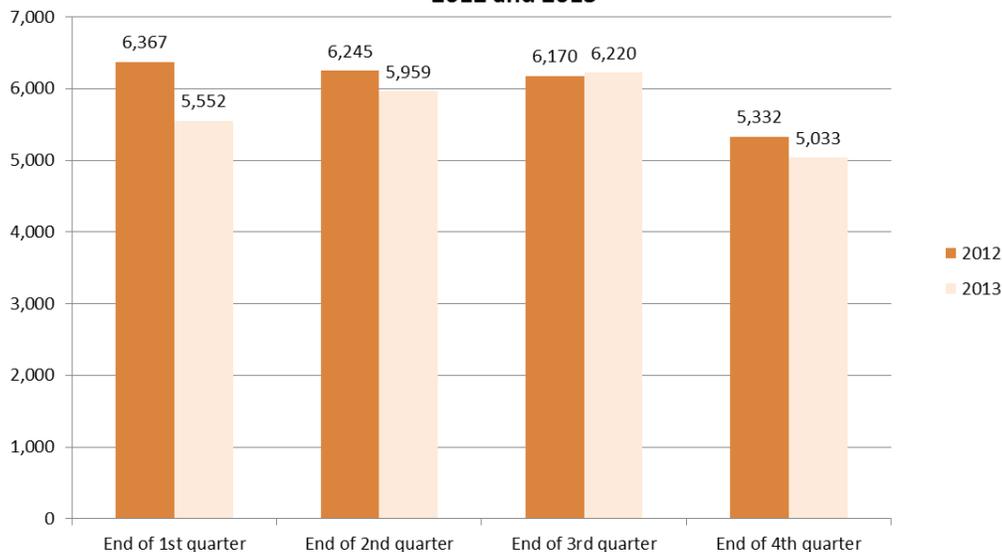
Source: CVR MLS, GMU Center for Regional Analysis

Pending Sales

Throughout 2013, the level of pending sales in the Central Virginia Region remained higher than the previous year, evidence of strong demand in the market. Despite the market disruption from the federal shutdown, 4th quarter pending sales outpaced last year's level by 258 contracts. There were 3,152 pending sales overall in the 4th quarter of 2013, 9 percent higher than the same period last year for the region.

¹ The median price is the price at which half the homes sold for more and half sold for less.

Figure 11
Active Listings by Quarter:
2012 and 2013



Source: CVR MLS, GMU Center for Regional Analysis

Active Listings

The inventory of homes for sale in the Central Virginia Region remained historically low in 2013, but the decline has stabilized compared to the dramatic drop off in recent years. For example, the sharpest decline in 2013 occurred in the 1st quarter, when active listings dropped 13 percent from the previous year, much slower than the 26 percent drop that occurred in the 1st quarter of 2012. There was actually a slight bump in the number of active listings in the 3rd

quarter of 2013 compared to the same period in 2012, the first inventory gain in 3 years for the region.

Outlook for 2014

The Central Virginia housing market appears to be in a strong position for steady improvement in 2014. Many of the key economic and housing market indicators have been positive over the past year. Job growth in the region has been consistent, the unemployment rate in the area continues to fall, and building permits are approaching pre-recession levels. The major housing market indicators such as sales, pending sales, and prices have also seen steady growth throughout the past year, an indication that demand remains strong the region's housing market going into the new year.

A major variable going into 2014 is the level of active listings in the market. Active listings are still decreasing at the region level, but at a much slower rate than in previous years. Median price growth has been consistent in the region for nearly two years now. These price gains have helped to improve seller confidence in the market, which is evidenced by the stabilizing inventory of homes for sale. Also, it's likely that the higher price points in many areas are capturing sellers that were waiting to get above water on their mortgages to list their homes. Expect the number of active listings to continue to stabilize and begin to trend upward as 2014 progresses.

As the inventory of homes for sale slowly expands, price gains could soften, but the overall health of the economy and consistent job growth will likely keep the market stimulated. In the short term, it will be interesting to see how the market responds to the federal shutdown uncertainty from the 4th quarter. It is possible that some buyers have decided to delay their decision until the spring market, when there are generally more homes to choose from. This could suppress momentum in the 1st quarter, but would likely taper as those uncertainties wane, as long as the employment picture remains positive.

Interest rates inched upward in 2013, a trend that is likely to continue for the foreseeable future. This will have an impact on the housing market, and could either deter or accelerate real estate decisions depending on individual circumstances. Over the long-term, interest rates tend to have little impact on prices. But over the short-term, and particularly if interest rates rise quickly, it could have a dampening effect on price points, as would-be buyers will have to adjust the loan amounts they are willing to take on given the higher rates.