

## ANALYSIS OF THE CENTRAL VIRGINIA AREA HOUSING MARKET

### 2012 Second Quarter Report Summary

#### Economic Overview

Most significantly for the housing market, economic measures are better than they have been in five years, and there is light at the end of the tunnel for the housing market recovery. Most measures of the U.S. economy showed improvement in the first half of 2012. The first quarter was generally stronger than the second quarter as some economic indicators showed slower pace of improvement in the late spring and early summer. However, the modestly growing economy in 2012 has not had significant headwinds as in 2011. In addition, the national housing market has been showing signs of recovery.

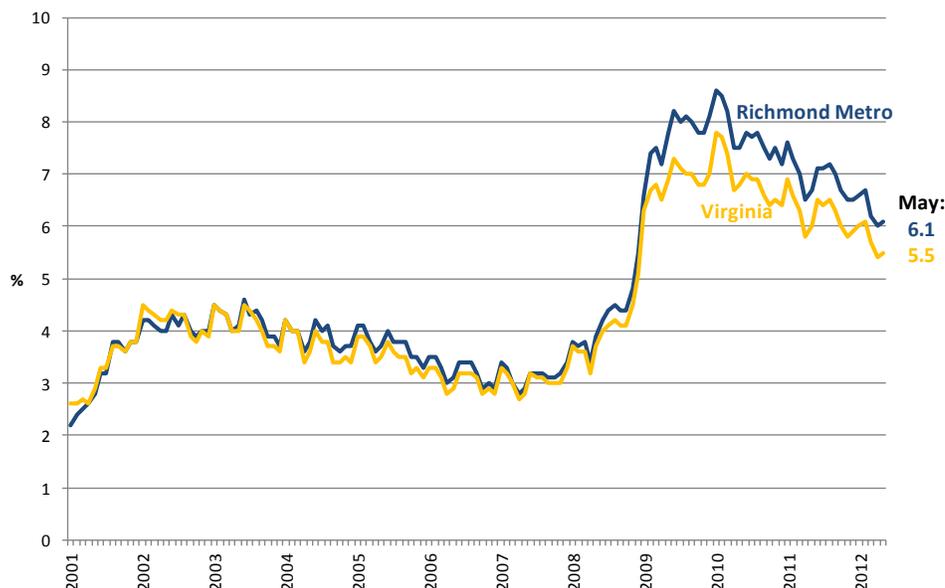
The Central Virginia region is experiencing continued positive economic signs—some better than the U.S.—and improvements are also evident in the region’s housing market, as well.

#### Central Virginia Economic Trends

The Central Virginia region’s economy has also shown signs of continuing improvement through the first half of the year and the improving economy is supporting recovery in the region’s housing market. Payroll jobs in the region have been growing since June 2010 –now almost two years of job growth. From May 2011 to May

2012, the region added 3,200 jobs.

**Figure 2  
Unemployment Rate**



The region’s unemployment rate has been falling for 2 ½ years and in May was 6.1%—down from the peak of 8.6% and the lowest unemployment rate since the fall of 2008.

The outlook is that these improving economic trends will continue to benefit the region’s housing market. Job gains, lower unemployment, increased consumer spending and retail sales will all provide impetus to increasing housing

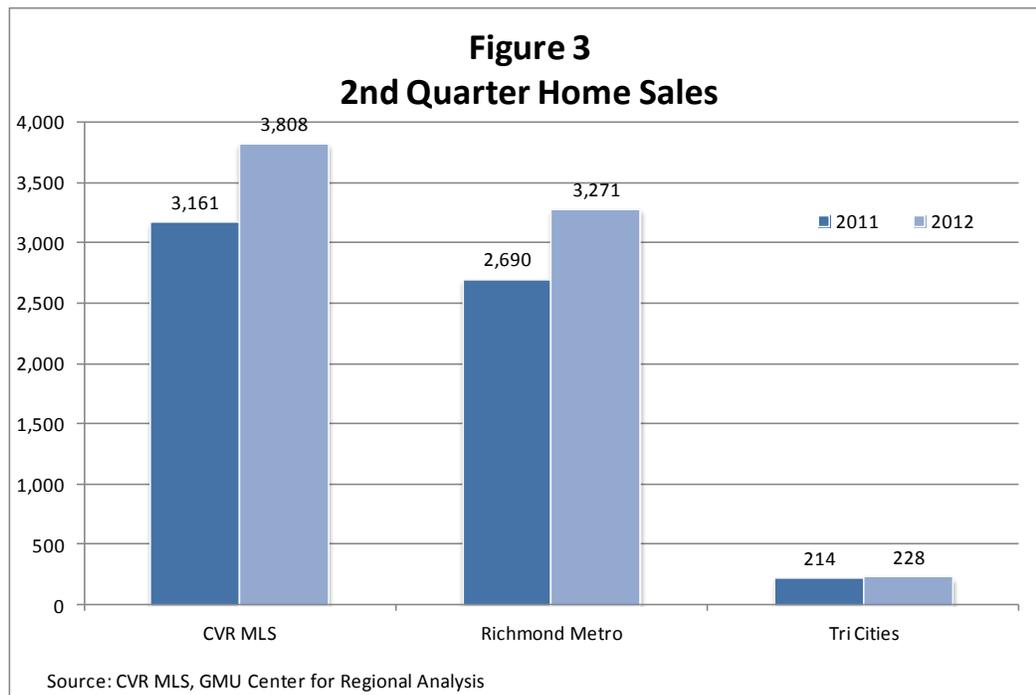
sales and rising prices. As in any recovery, however, there will be mixed economic signals at times along the way, and the national economic backdrop will be a factor. The continuing European financial situation will affect stock markets and investor confidence, as will uncertainty about the national elections and budget debates. It has generally been the case historically, however, that consumers make decisions based on their own immediate situations rather than larger global factors.

### Central Virginia Area Housing Market

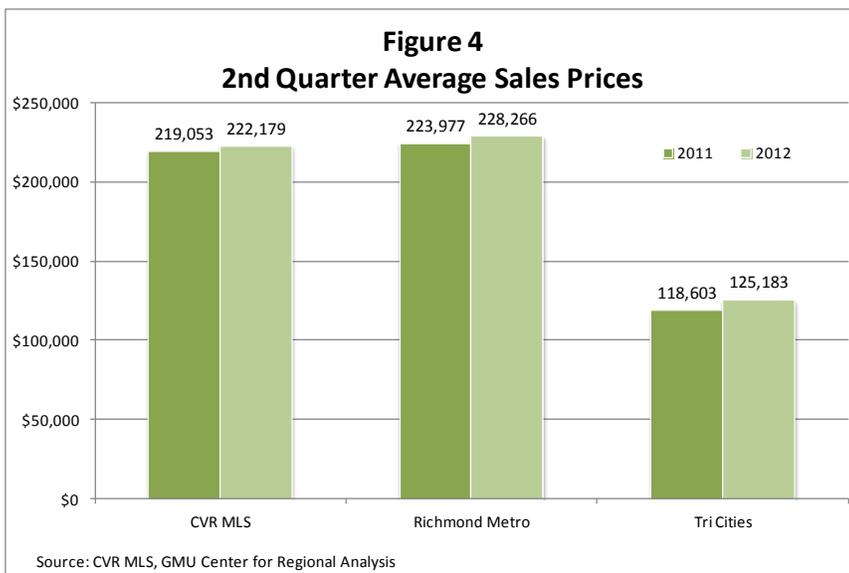
In the second quarter of 2012, the Central Virginia housing market continued on its steady path to recovery. Most importantly, sales and prices were up in jurisdictions that had been hardest hit by the foreclosure crisis, and improvements in the market are more widespread throughout the region.

### Home Sales and Prices

Sales activity has been strong in the Central Virginia area, with sales increasing for four consecutive quarters. Sales were particularly strong across the region in the second quarter of 2012. There was a total of 3,808 sales in the Central Virginia region in the second quarter of 2012, up 20% over the second quarter of 2011 and the highest level of quarterly sales activity since 2007. The strong sales in the region reflect a fundamental improvement and stabilization in the region's housing market.

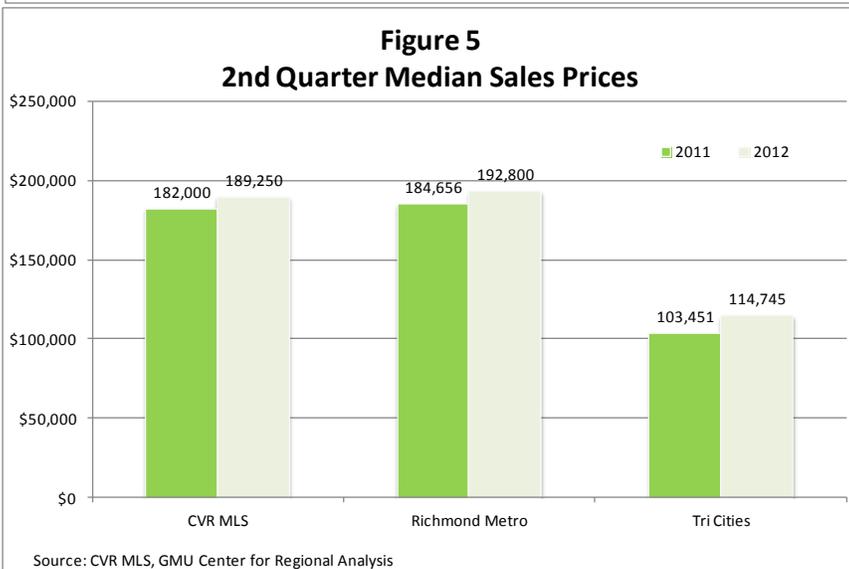


Prices have stabilized or are rising all across the Central Virginia region. The price growth across the region is a sign that jurisdictions have been working through their inventories of distressed properties. While there are still foreclosures and, to a greater extent, short sales in the inventory, they make up a smaller share of homes for sales and are putting less downward pressure on prices. There has been healthy price appreciation in some of the jurisdictions hardest hit by the foreclosure crisis which is a good sign that the region's housing market is on a sure path to recovery.



The average sold price in the Central Virginia region was \$222,179 in the second quarter of 2012, up one percent over the second quarter of 2011. The median price<sup>1</sup> was \$189,250, up four percent over the second quarter of last year.

Price growth in the Central Virginia region was led by Henrico County and the Tri Cities Area, particularly the city of Petersburg. Average prices in the Richmond Metro Area were up two percent in the second quarter of 2012, while median prices were up four percent. Average and median sales prices in Henrico County were up eight and seven percent, respectively.



The second quarter of 2012 marks the second consecutive quarter of price appreciation in the Tri Cities region. Average prices in the Tri Cities area were up six percent in the second quarter of 2012 compared to the second quarter of 2011. Median prices gained 11% over the year. The city of Petersburg led the price growth, with average prices up 22% and median prices up 17% in the second

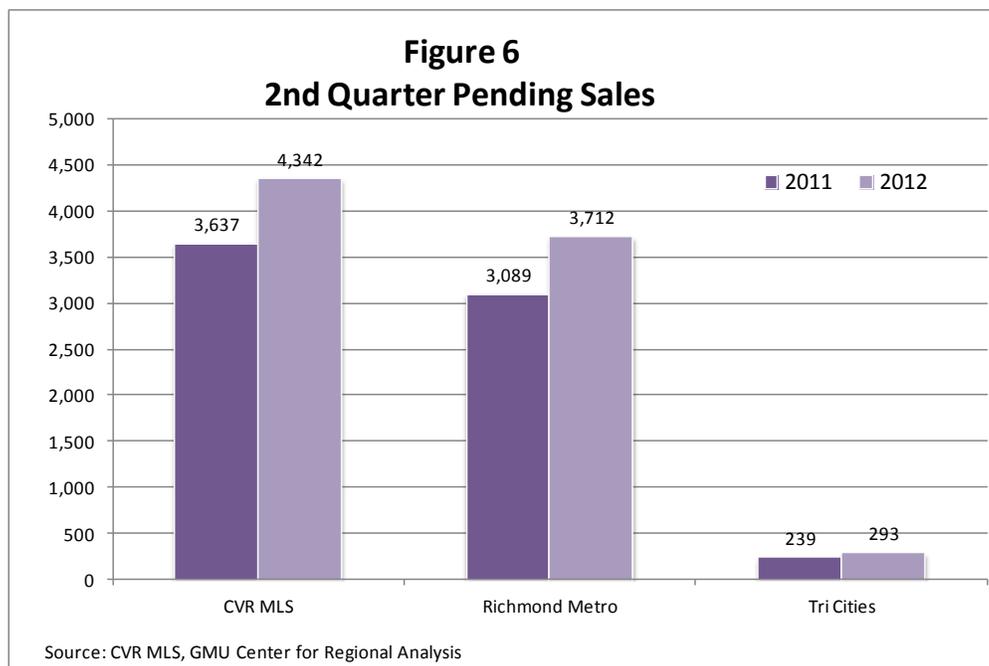
<sup>1</sup> The median price is the price at which half the homes sold for more and half sold for less.

quarter of 2012 compared with the second quarter of 2011.

In the second quarter of 2012, home prices in the Central Virginia region are back to early 2009 levels and show positive signs that price growth will continue throughout the summer.

### Pending Sales

Pending sales have been up for the past four consecutive quarters. In the second quarter of 2012, there were 4,342 pending sales in the Central Virginia region, up from 3,627 in the second quarter of 2011, reflecting a 19% increase. There were 3,712 homes under contract in the Richmond Metro Area in the second quarter of 2012, a 20% increase over the second quarter of 2011. And second quarter pending sales totaled 293 in the Tri Cities Area, a level that was 23% higher than the second quarter of 2011.



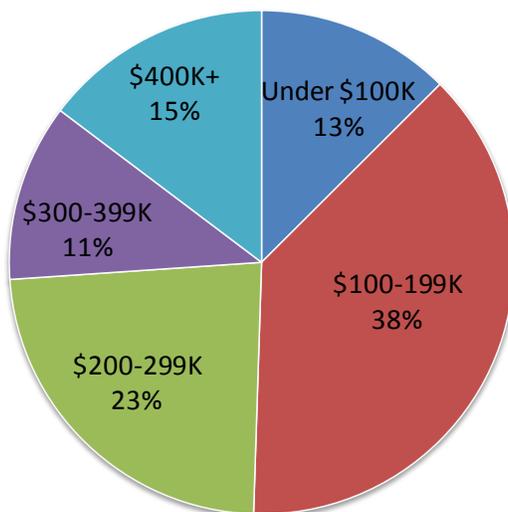
### Active Listings

A key factor driving price growth in the Central Virginia area is the very low—and falling—inventories across the region. At the end of the second quarter of 2012, the number of homes listed for sale in the Central Virginia region is 26% lower than the inventory at the end of the second quarter of 2011. There were 6,245 total listings active at the end of second quarter 2012.

Inventories were down across the region, with the number of active listings down 29% in the Richmond Metro Area and down 17% in the Tri Cities Area.

Overall, homes are being bought much more quickly in 2012 than they were in 2011. For example, in May 2012, the average days on market in the CVR MLS was 68, down from 77 days in May 2011. It took an average of 64 days to sell a home in the Richmond Metro Area in May 2012, and the average days on market in the Tri Cities Area was 79.

**Figure 8**  
**Active Listings-End of 2nd Quarter 2012**



Source: CVR MLS, GMU Center for Regional Analysis

## Outlook

As we enter the summer months, there are several reasons to be optimistic about the Central Virginia housing market. Sales activity is on the rise, prices are up across the region, and inventories are low. The downside risks which could slow, though not derail, the housing market recovery in the Central Virginia area, include uncertainty about the recovery of the national economy and the potential job cuts associated with Federal spending cuts.

- The Richmond Metro Area economy continues to show signs of improvement through the first half of the year, and the improving economy is supporting recovery of the housing market.
- Sales are up across the region. Homebuyers are acting more quickly, which is reflected in the falling average days on market and declining inventories.



- Inventories, particularly of lower priced homes, remain low. The low supply means prices will continue to rise.
- Price appreciation across the region is steady. The price growth is especially good news for areas hard hit by foreclosures

While uncertainty about national economic issues will continue to weigh on the minds of some potential buyers, the recovery will continue throughout 2012, albeit cautiously. The Central Virginia housing market seems to have weathered the downturn and is on a path towards sustainable recovery and a return to a more normal market.