

## 4Q 2011 Annual and 4<sup>th</sup> Quarter CVR MLS Market Statistics Report Summary

### Economic Overview

National economic recovery in 2011 was slowed by a number of factors throughout the year, but as we enter 2012, the positive signs of national economic recovery are stronger than they were at the same time last year. For Central Virginia, 2012 should see more recovery from the local factors that have held the economy back. Declining unemployment, resumption of growth in cyclical sectors and getting through the foreclosure difficulties should result in modest growth overall in the local economy.

**Figure 3. Sales and Prices: 2009 and 2010**

	Sales			Median Prices (\$)			Average Prices (\$)		
	2010	2011	% Change	2010	2011	% Change	2010	2011	% Change
Central Virginia MLS	10,793	11,148	3.3%	195,000	179,950	-7.7%	227,959	213,422	-6.1%
Richmond Metro	8,994	9,376	4.2%	199,925	184,975	-7.5%	234,188	217,361	-6.9%
Tri Cities	854	778	-8.9%	130,000	112,150	-13.7%	137,196	132,876	-3.2%

Source: CVR MLS, GMU Center for Regional Analysis

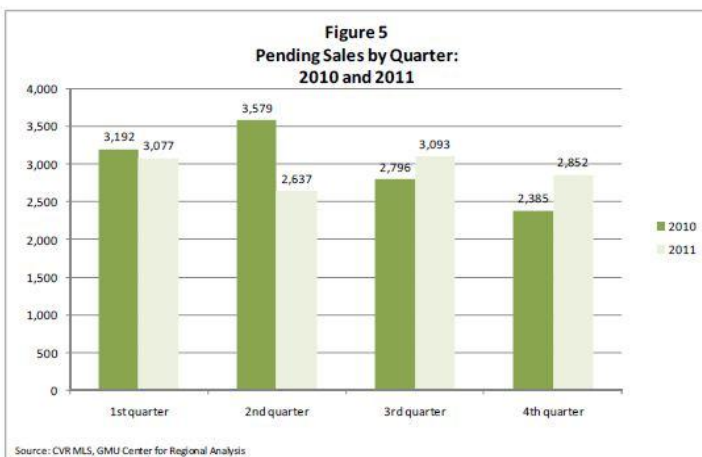
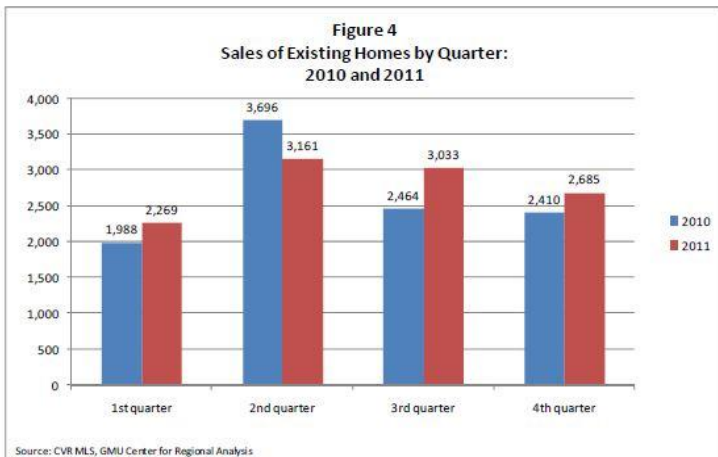
### Current Market Conditions

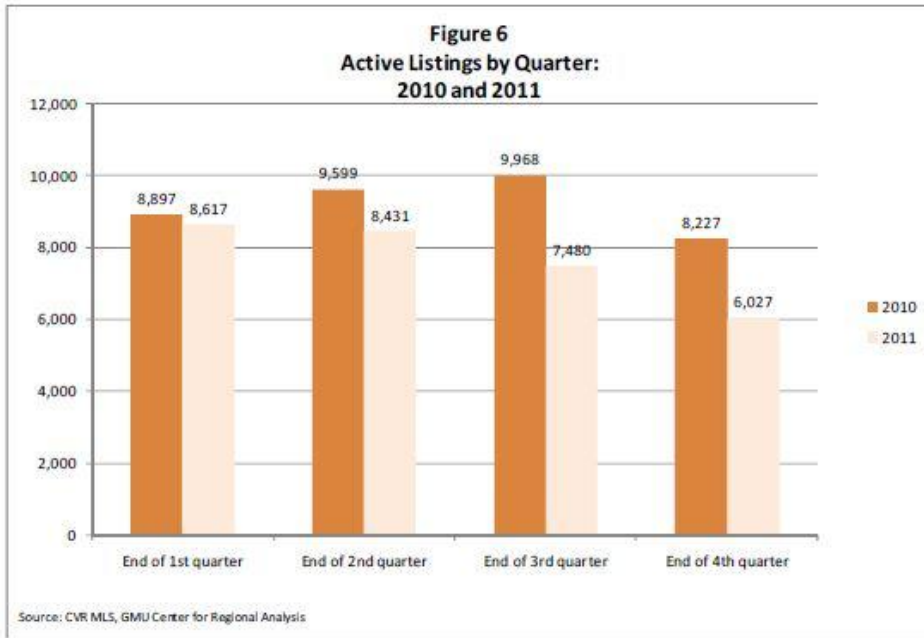
The inventory of distressed sales put downward pressure on prices but is being drawn down in many markets. There were positive signs for the Central Virginia housing market in the 4<sup>th</sup> quarter of 2011 when the numbers of pendings and sales were up. Given that there was no artificial stimulus in the market (i.e. no Federal homebuyer tax credit), the

region's 2011 housing market showed notable resiliency. Some promising signs in the market, along with potential improvements to the local economy, suggest that 2012 will be a better year than 2011. The Central Virginia area housing market is heading in the right direction, with price stability and modest price appreciation in the year ahead.

Sales were up in every quarter of 2011 compared to 2010 except the 2<sup>nd</sup> quarter. Recall that the 2<sup>nd</sup> quarter of 2010 was the period during which the Federal homebuyer tax credit expired, causing people to push purchases earlier and inflating the 2<sup>nd</sup> quarter 2010 sales numbers.

Pending sales figures have often been a leading indicator of sales activity. The level of pending sales activity is also a measure of buyer intent or demand, which can signal improvement in the market. Pending sales in the Central Virginia region were up 20 percent in the 4<sup>th</sup> quarter of 2011 compared to the 4<sup>th</sup> quarter of 2010.

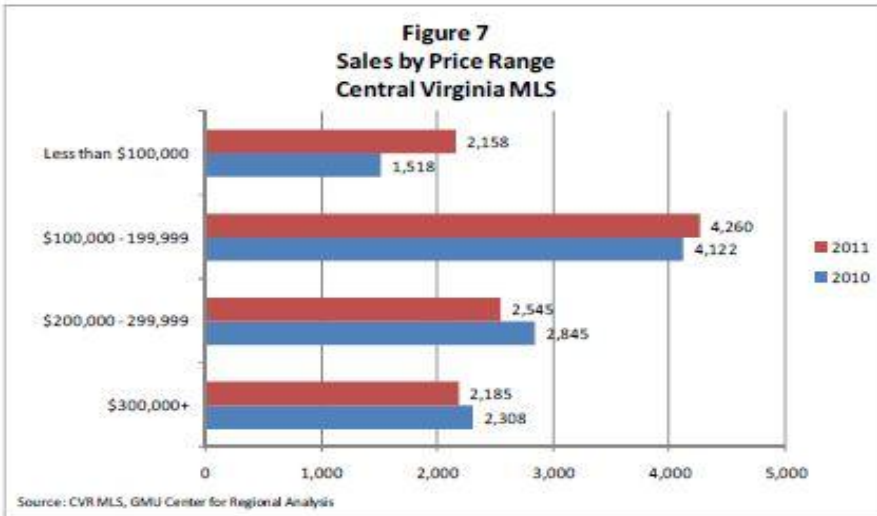




The year end 2011 inventory was down 27 percent from the inventory at the end of 2010. The number of active listings was down throughout the region, with a decline in inventories of 29 percent in the Richmond Metro area and a 23 percent decline in the Tri Cities area.

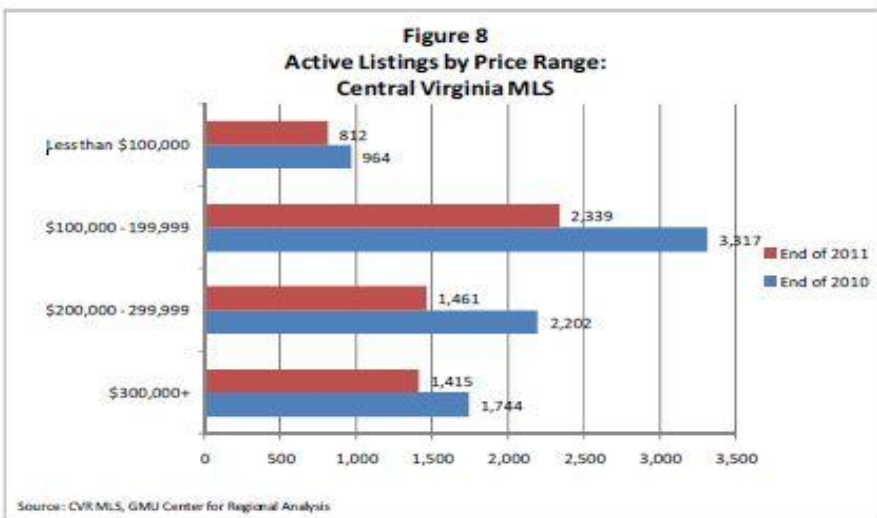
### Outlook for 2012

The outlook for 2012 is that the improving unemployment and job trends in the Central Virginia region will begin to accelerate and contribute to an improving economic performance. An improving economy in conjunction with low mortgage rates, reduction of foreclosures and their impacts, and the release of pent up demand, should lead to improvements in the Central Virginia housing market as the year progresses. However, prices may continue to fall in some local markets – particularly in the Tri Cities area – as the inventory of distressed properties is worked through.



Lower priced distressed properties, including foreclosures and short sales, are being sold and taken out of the inventory, which is important for market stabilization and recovery in the year to come. Short sales, which are making up a larger share of lower priced homes for sale, have started to move through the sales process more quickly, as real estate professionals, lenders, buyers, and sellers all have more knowledge about how the process works.

In 2012, in addition to looking at the inventories of foreclosures and short sales in the market, it will be important to get a better understanding of the length of time between when a contract is signed and when—or if—a final sale is recorded. If the homes can move more quickly to closing, that will be a sign that the market is working better for buyers and sellers. Difficulty getting financing has been the root cause of a delay between contract and closing. Buyers should find it somewhat easier to secure a home loan in 2012, but lenders will still require excellent credit, extensive income and asset



documentation, and a down payment of five, ten or even 20 percent.

Improvements in the Central Virginia region will be uneven across jurisdictions and neighborhoods. In some places where there has been an uptick in sales activity, like in the city of Richmond and Henrico County, the local market will continue to improve and prices will stabilize and perhaps rise by the end of the year. In other markets, particularly in the Tri Cities area, there is a possibility of price stabilization later in the year as distressed properties are taken off the market and buyers and sellers feel more confident about the national and local economy.