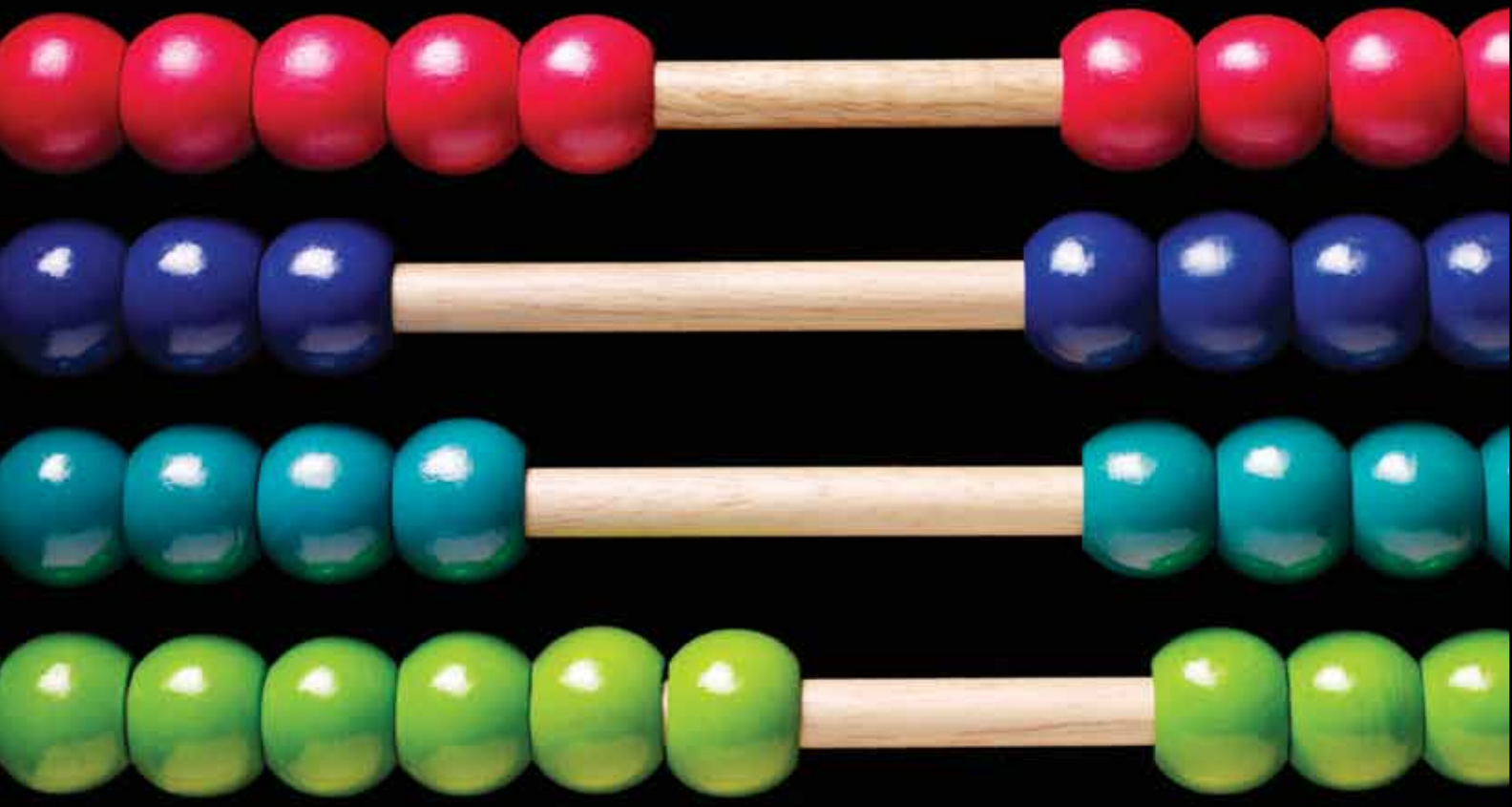


By the numbers

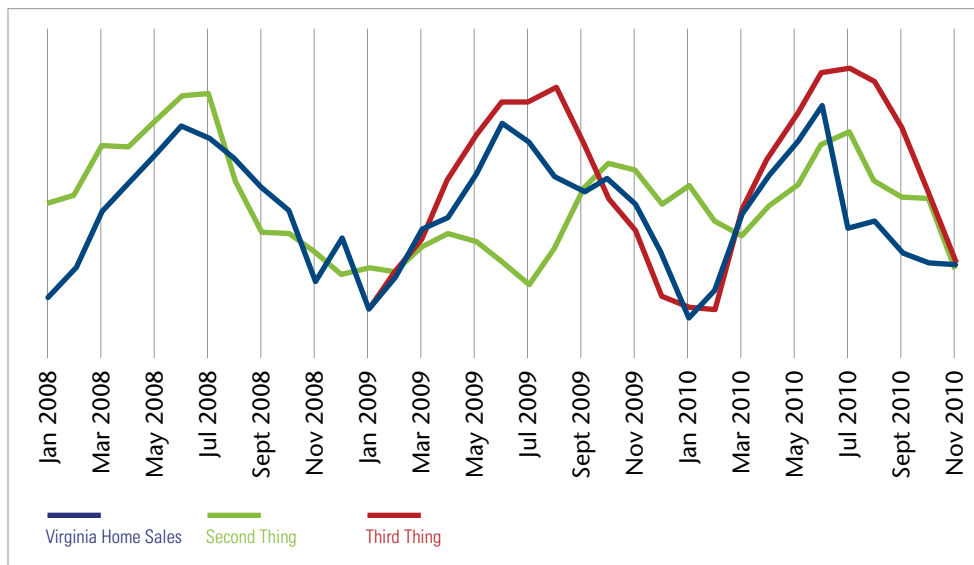
Andrew Kantor



Real estate is about numbers. Prices, rates, area, bedrooms, and of course, sales. There's nothing wrong with a good anecdote — or 10 — but our business is one like, say, baseball: Stories are fun, but you learn more by looking at the numbers than by listening to the tales.

That's why we compile them and ponder them, massage them and fret over them, and seek out the trends that will tell us that things are looking up.

Remember, though, to be careful about statistics. “Correlation does not imply causation,” the saying goes — in other words, statistics that seem related may not be. Take a look at this chart:



The **blue line** shows Virginia home sales from 2008 through 2010. With the exception of the green line's dip in July 2009, the other two are clearly related, right?

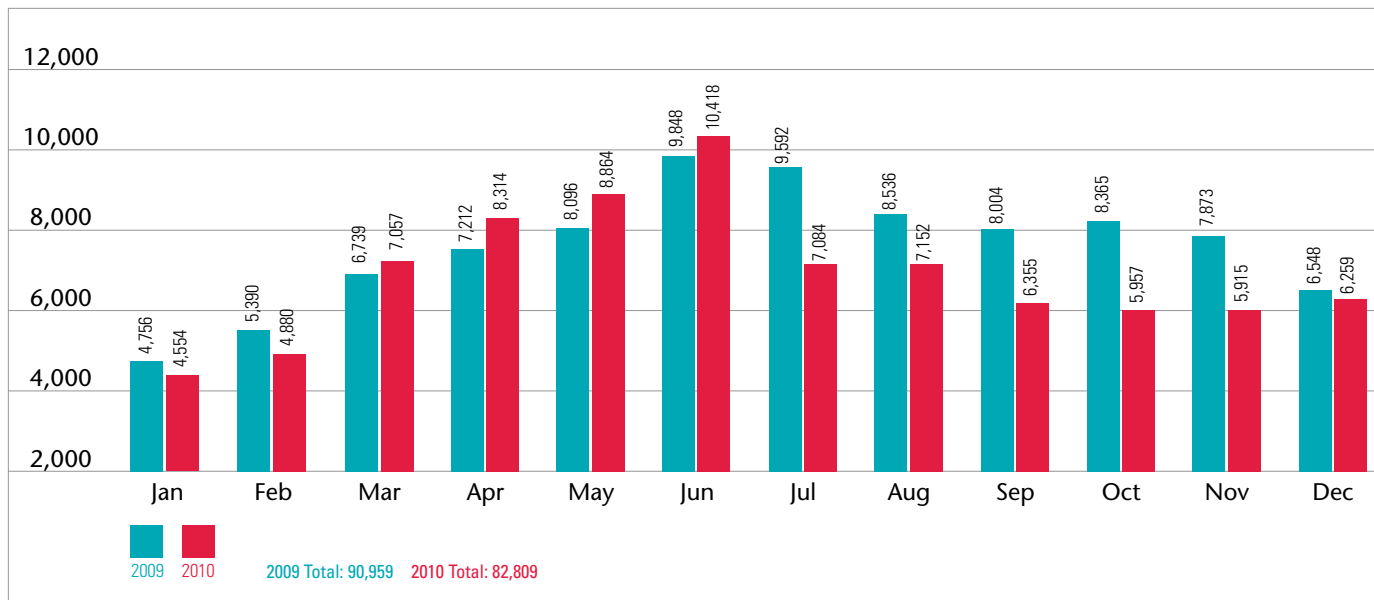
Or not. One of those lines shows changes in the price of orange juice. The other tracks Virginia's average temperature. In other words, maybe there's a connection, maybe there isn't. Don't jump to conclusions.



The most obvious stat when it comes to the real estate market is simply the number of units sold in a given month. (To keep the data manageable, unless otherwise noted the numbers represent single-family homes and condos.)

Going back five years (see the next page) shows the typical cyclic nature of the market — sales peaking in early summer and dropping through the winter. Of course, the overall trend was down since 2005, but a careful look — and, perhaps, some wishful thinking — shows that the downward slide appears to come to an end in October 2010.

Units Sold Statewide 2009 and 2010, by Month



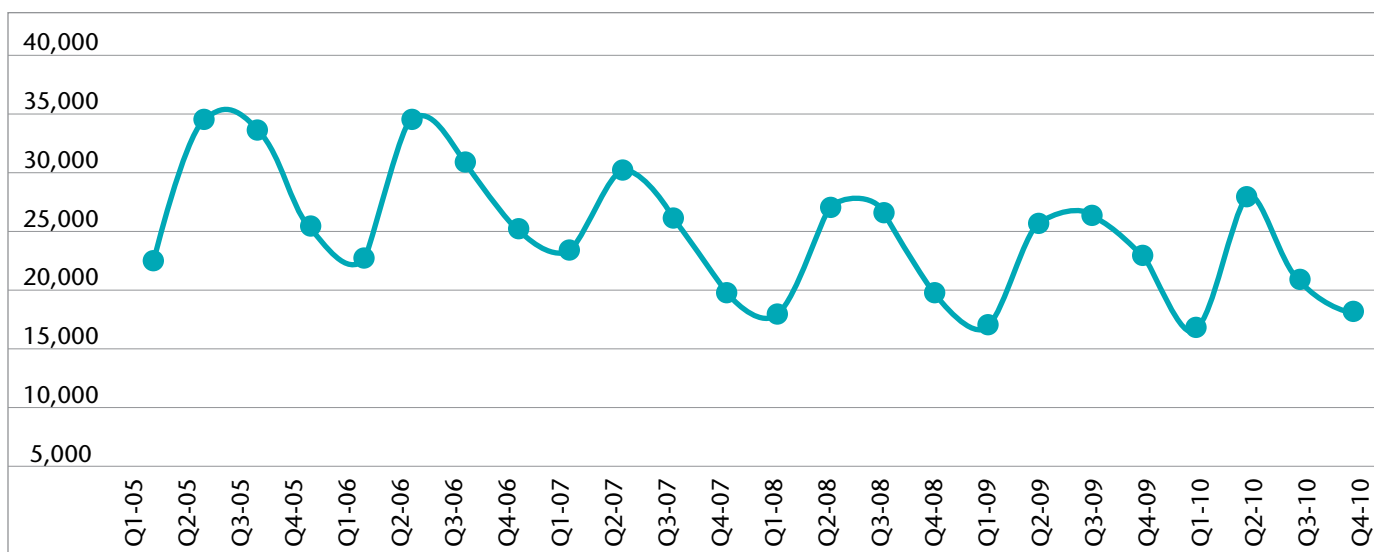
You might also notice how much higher sales were at the end of 2009 (compared to 2010). Credit the first-timer home buyers' tax credit, which helped push demand. And blame the tax credit — rather, its expiration — for the sudden drop in July 2010.

Don't discount the weather, though. Blizzards in January and February

2010 hurt demand, while warmer temperatures in March caused a bump — at least, so goes the theory.

Economists predict that, absent artificial stimulation, Virginia's market will begin to stabilize this year, although sales may continue to lag behind 2010 levels during the first half of the year.

Units Sold Statewide 2005-2010, by Quarter



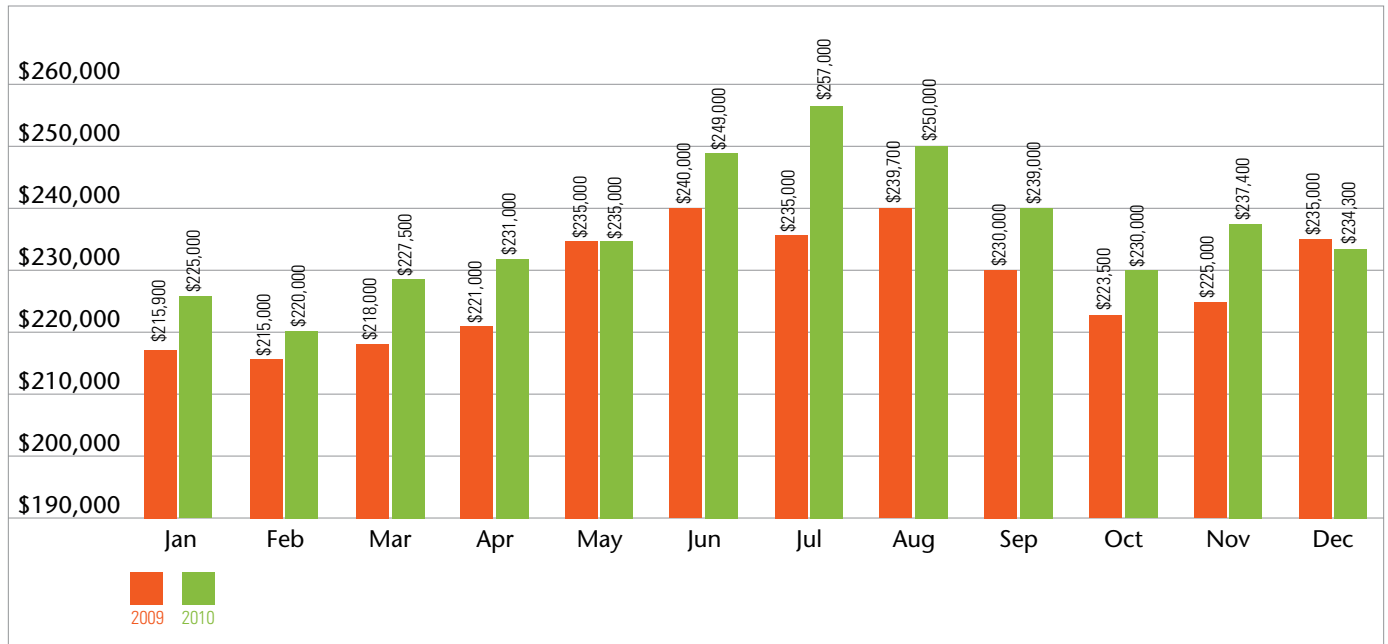


The median price of a Virginia home is, generally, on the rise. In the fourth quarter, for example, it was about 4% above the same period in 2009.

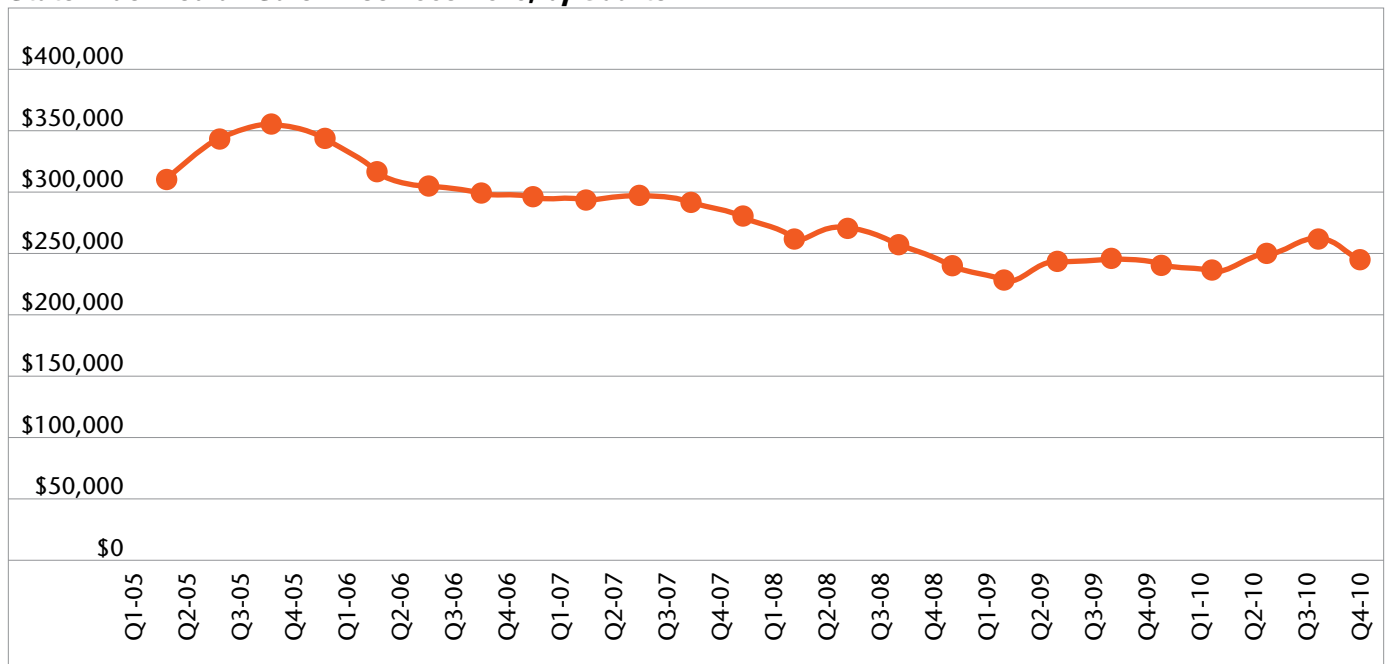
In general, sale price tracks sales — up in the summer, down in the winter.

Looking at the data going back to 2005 (lower chart) gives a clearer long-term picture, including an almost textbook bubble in 2005 when the median price statewide was almost 50% higher than today.

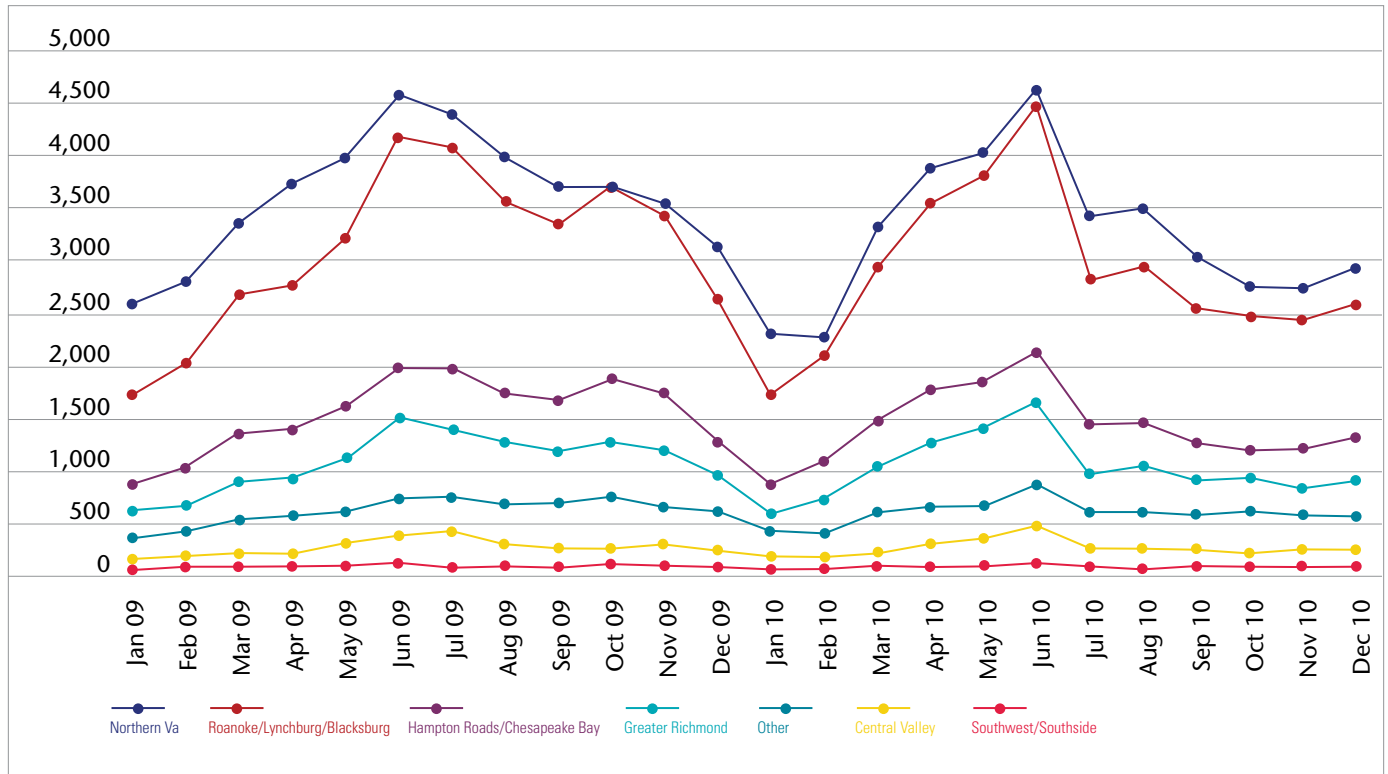
Statewide Median Sale Price 2009 and 2010, by Month



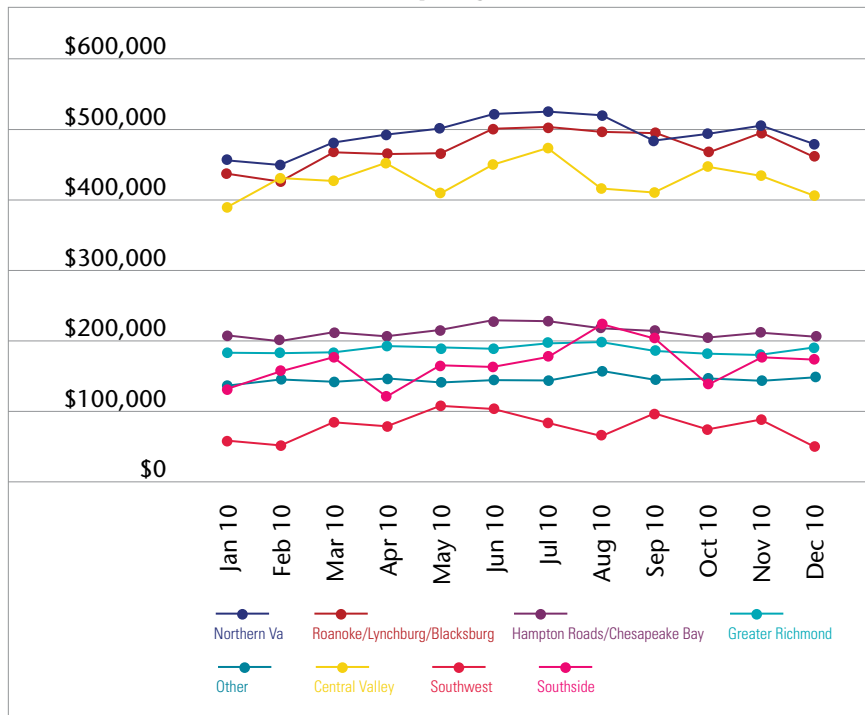
Statewide Median Sale Price 2005-2010, by Quarter



Units Sold 2009-2010, by Region



Median Sale Price 2009-2010, by Region



The up-and-down real estate economy was felt throughout the state, although it affected some regions more than others. The Central Valley region saw the lowest sales drop from 2009, while the Roanoke/Lynchburg/Blacksburg area saw the biggest decline in sales.

And while more homes were sold overall in the Virginia Beach-Norfolk-Newport News area, there was much more volatility as well.

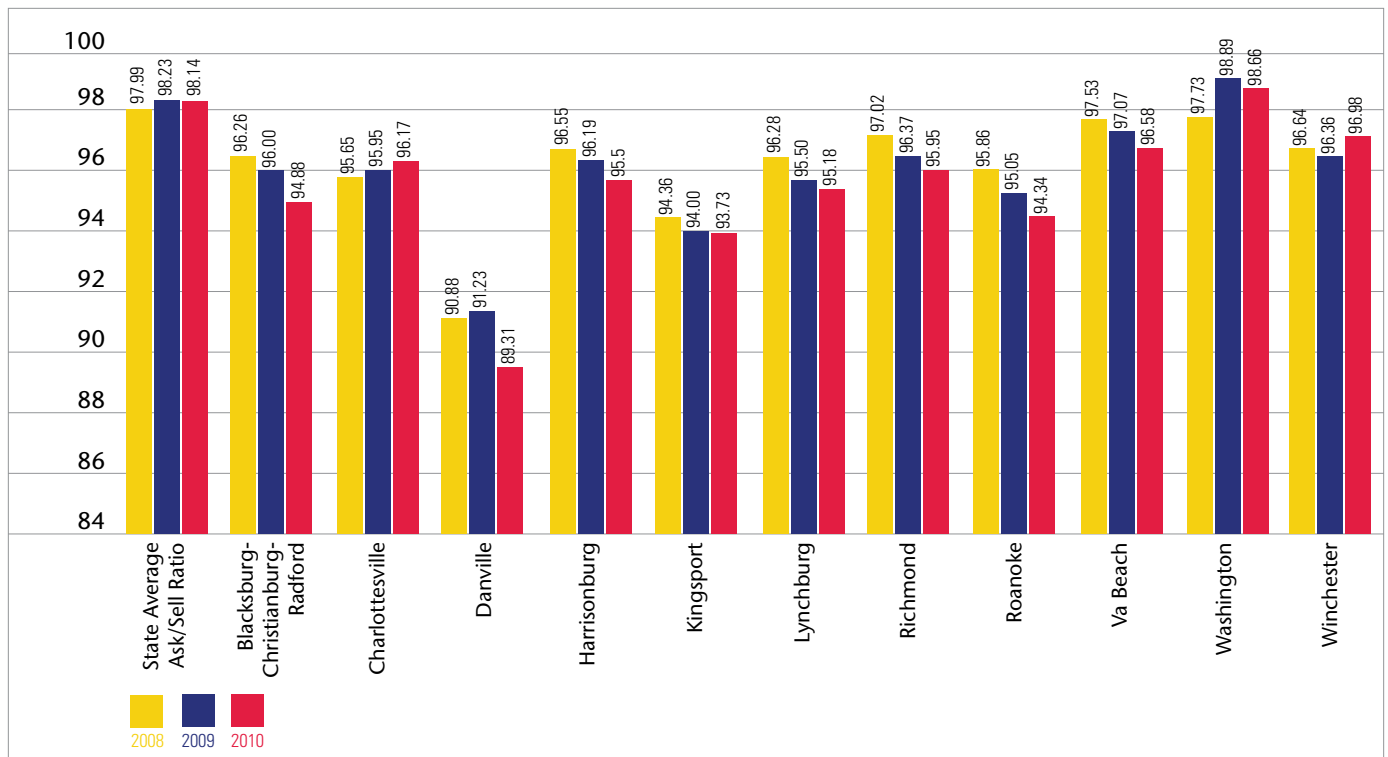


Realtors® are pretty good at knowing the right asking price for a home, so it's no surprise that the sale price is usually close to the asking price in terms of percentage. But a small percentage difference can still mean hundreds or thousands of dollars difference, so any trends are worth noting.

The ask/sold difference statewide tends to hover around 98%. But some areas (the Danville and Kingsport

regions, for example) see deeper discounts being given. And — while Charlottesville, Winchester, and Washington areas have seen the final sale price move closer to what's been asked, most of the rest of the state has seen the opposite as homeowners are willing to accept less. (Unfortunately, there's no way to know exactly what effect short sales and REOs have on these numbers.)

Sale Price vs. Asking Price 2008-2010, by Region



Foreclosures

Foreclosures across the state remained almost unchanged from 2009 to 2010, but that figure is misleading. Only the Northern Virginia region saw a decline in foreclosures, and the area's large stock of housing skewed the overall results. Most areas, in fact, saw an increase in foreclosures.

For example, while NoVA saw a

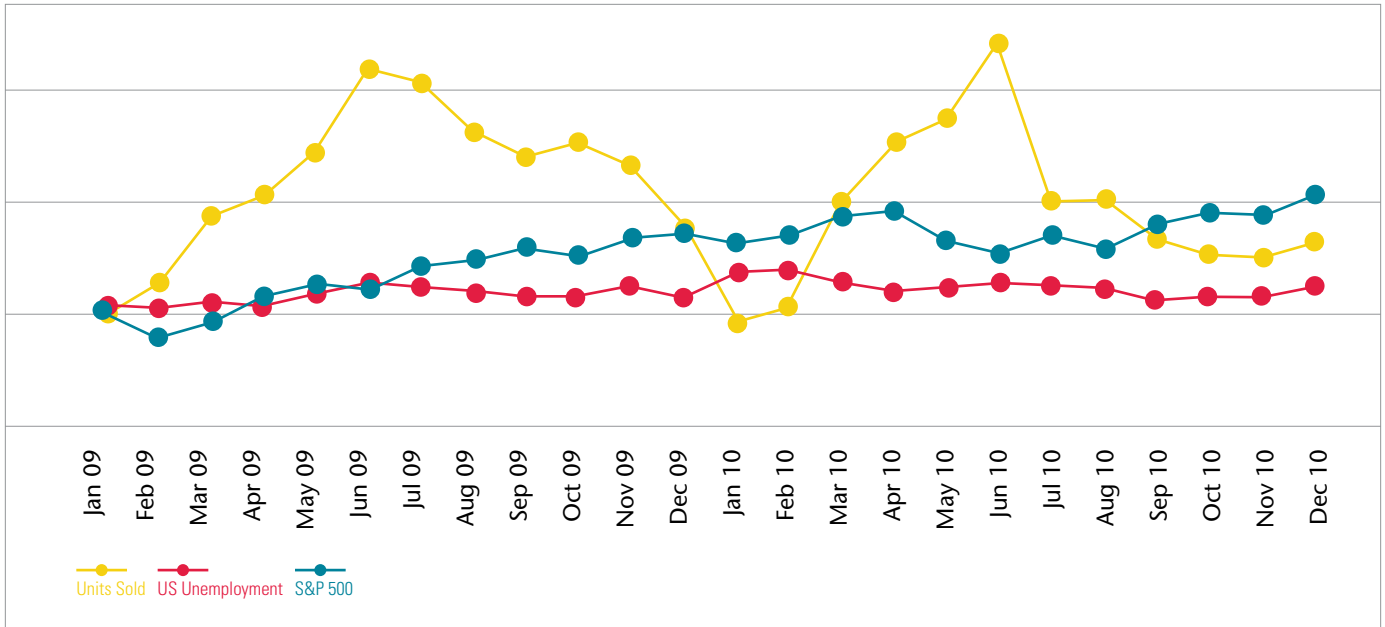
28.2% decline in Q4 foreclosures (compared to 2009), every other region saw an increase — 32.4% in the Central Valley, 45% in Southwest Virginia, and 71% in Southside. However, quarter to quarter (i.e., Q3 to Q4 2010), every region saw declines in foreclosures, from a 4% decrease in Hampton Roads-Chesapeake Bay to a 29% decrease in the Central Valley.



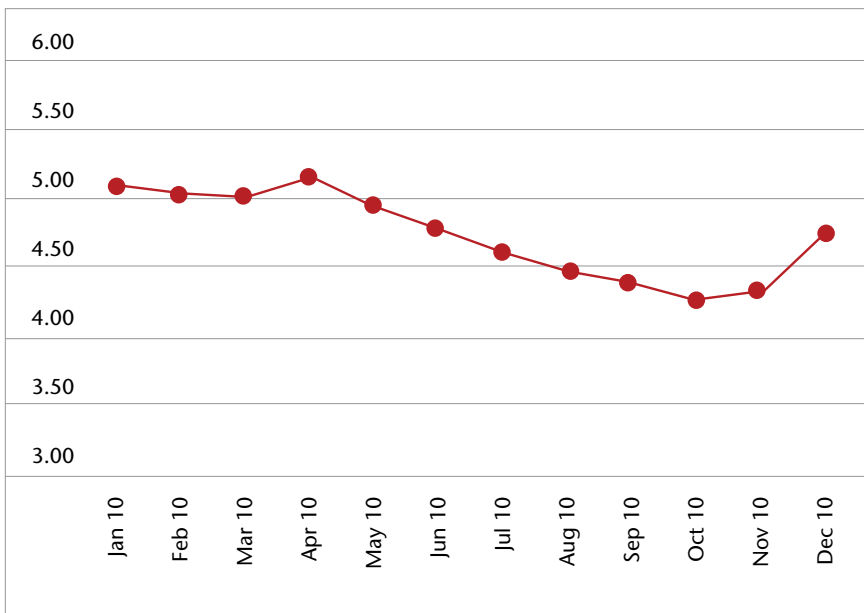
In 2009, the U.S. stock market began to recover from the previous year's declines. (It's risen about 10% since January 2009.) But the stock market's

fortune didn't extend to home sales, which continued to be buffeted by other forces, from economic forecasts to the often-unseasonable weather.

Virginia Home Sales and the U.S. Economy (scales mixed for comparison)



30-Year-Fixed Mortgage Rate 2010



* Taking into account people receiving unemployment *and* those who have exhausted their benefits but still seek full-time work.

Meanwhile, the U.S. unemployment rate began to decline from its high in January 2010, but remained above 13 percent almost all year,* while consumer confidence dipped in February, peaked in May, but otherwise remained fairly stable. Inflation, which started the year at about 2.7%, dropped sharply in July and didn't reach 1.5% until December.

Nationwide home sales showed a recovery toward the last half of the year, according to Lawrence Yun, NAR chief economist, but still remained below the 2009 pace. (For 2011, Yun predicted that "The recovery will likely continue as job growth gains momentum and rising rents encourage more renters into ownership while exceptional affordability conditions remain.")

Existing-home prices were slightly

below 2009 levels, perhaps because of a more distressed homes being on the market — 36% in December 2010 vs. 32% the year before. (Distressed homes typically sell for 10 to 15 percent below traditional homes.)

And real bargains continued to be had in the mortgage market. Despite a jump in December, rates for 30-year fixed loans remained among the lowest in history: 4.7% in December, part of trend that began in mid 2009.

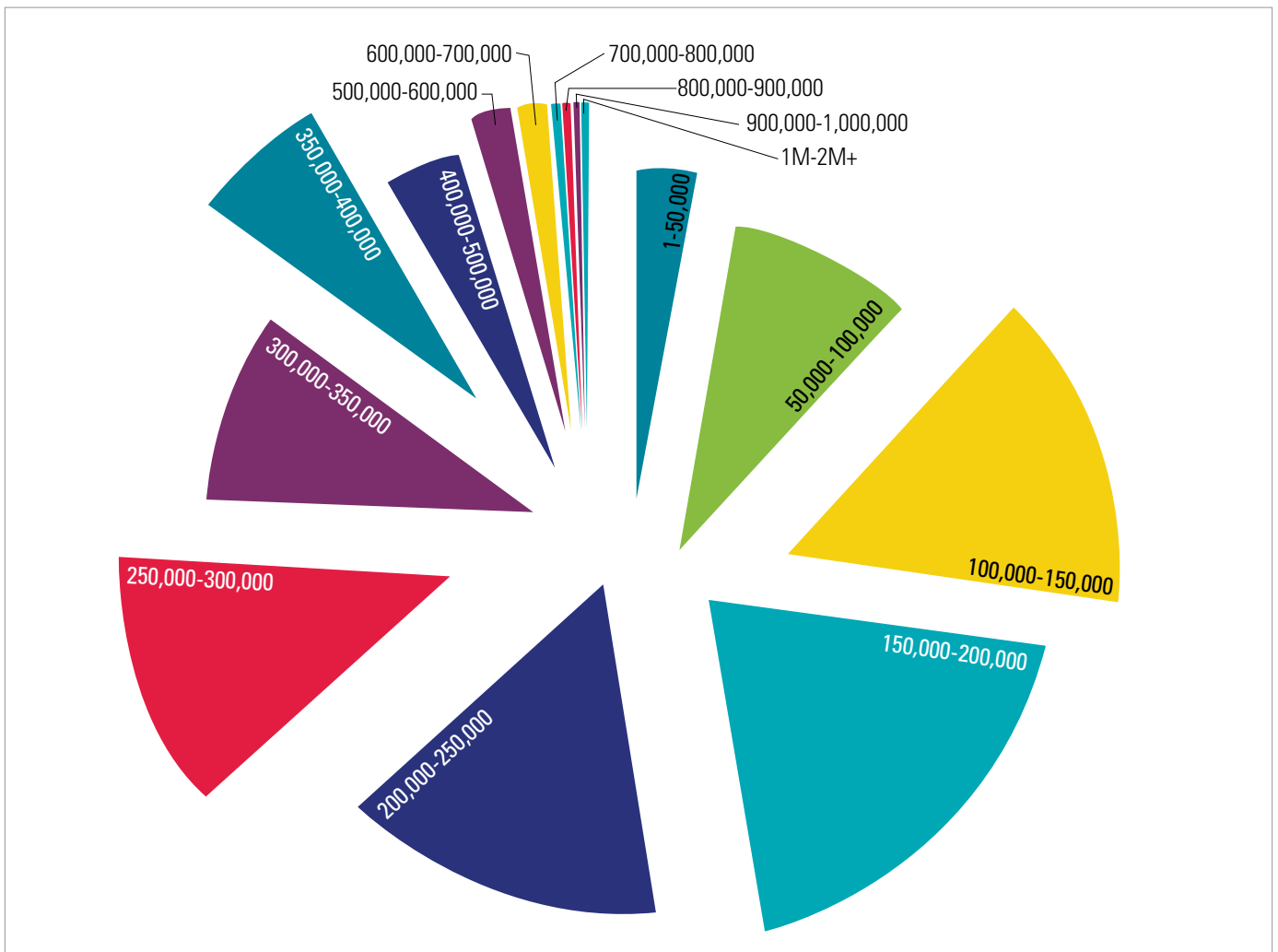


Finally, a quick look at property pricing.

Not surprisingly, homes costing between \$100,000 and \$300,000

make up the majority of sales, although plenty also sell in the tiers just below (\$50,000 to \$100,000) and just above (\$300,000 to \$400,000). ●

Market Share in 2010, by Price



Additional data for this story comes from the U.S. Bureau of Labor Statistics, Freddie Mac, Standard & Poor's, and the Conference Board.