



# Trends in the Virginia Housing Market

## Third Quarter 2008 Report

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### Highlights

- Amid the national financial uncertainties and news about the economy and stock markets, the Virginia economy and housing market are out-performing the country and it is expected that the state's economy will continue to have moderate growth in spite of the national economic turbulence.
- After nearly a year of market slowdowns and home price depreciation, the housing market in the Commonwealth of Virginia exhibited signs of strength in the 3<sup>rd</sup> quarter of 2008. Sales activity was down only slightly in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007. Statewide, prices were up 1.4 percent over the year.
- Much of the increased sales activity in 3<sup>rd</sup> quarter 2008 occurred in Northern Virginia markets, where a strong economy and drastic price drops continue to attract buyers.
- Prices in many markets outside of Northern Virginia have risen slightly in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007. A notable slowdown in new construction across the state in the first eight months of 2008 will put additional upward pressure on prices.

### Economic Overview, Third Quarter 2008

There is much turmoil and uncertainty in the national and global economies as of the end of the 3<sup>rd</sup> quarter. The financial markets have been buffeted by the mortgage and credit crises, and central banks and the US government are implementing several measures to help stabilize the situation. It is now much more likely that the US economy has been/is in recession, although it would not be officially declared for several more months.

Virginia, however, is experiencing better economic conditions than most of the country. The unemployment rate is significantly less than the U.S. rate, and jobs continue to be created in the Commonwealth.



## **National Economic Backdrop**

GDP had a very weak 0.9 percent increase in the 1<sup>st</sup> quarter of 2008 – an increase that beat most economists' expectations - and this was followed by 2.8% growth in the second quarter as the economic stimulus package increased consumer spending. Estimates for the rest of 2008 and early 2009 are that GDP will fall into negative territory as several key national economic indicators are pointing to economic contraction:

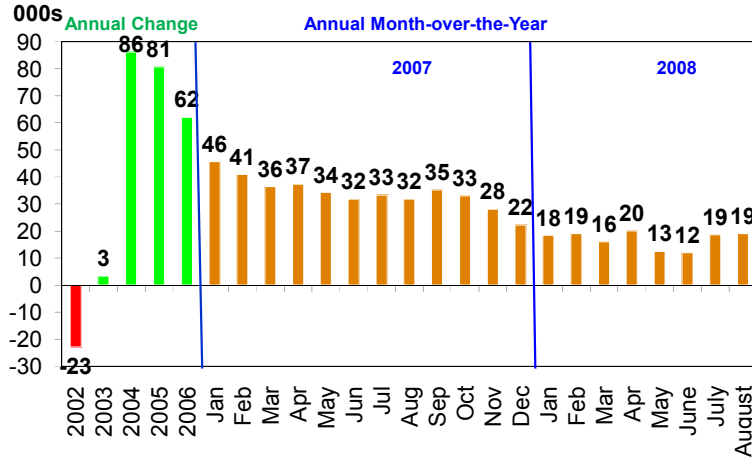
- The U.S. Leading Index – which projects the economic performance 6-9 months ahead - has been negative for eleven consecutive months and in July and August the Coincident Index (which measures current economic performance) fell into negative territory.
- Housing continues to be a drag on the economy with both new and existing home sales in a negative trend, prices near all-time percent annual declines, and information on foreclosures indicating continued serious problems in several housing markets.
- Consumer confidence indices have declined and this has been reflected in retail sales which declined in September.
- National annual job change turned negative in June for the first time since November 2003. Eighteen months ago the nation was growing at an annual average increase of 2.13 million. For the twelve month period of September 2007- September 2008 the national economy lost almost 600,000 jobs and the unemployment rate rose to 6.1 percent.
- Oil prices are the positive measure as prices have dropped almost in half from their peak in the summer. Slowing economic conditions have lessened demand such that the oil market has returned to more normal market behavior. This trend will be important for the winter months ahead as consumers will not be as affected by energy prices as would have been the case if oil prices continued at unusually high levels.

## **Virginia Economic Trends**

Virginia's economy continues to perform generally well despite the national situation, although the state's economy is moderating. A major factor in moderating job growth is the effects of the slowdown in the housing market. Following robust job growth years of 2004-2006, job growth moderated to +34,200 in 2007 and in 2008 is growing at an annualized rate of 17,000 through August. The rate of job creation appeared to moderate further in May and June, but in July and August jobs were added at an annualized rate of 19,000 per year



## Annual Job Change Virginia



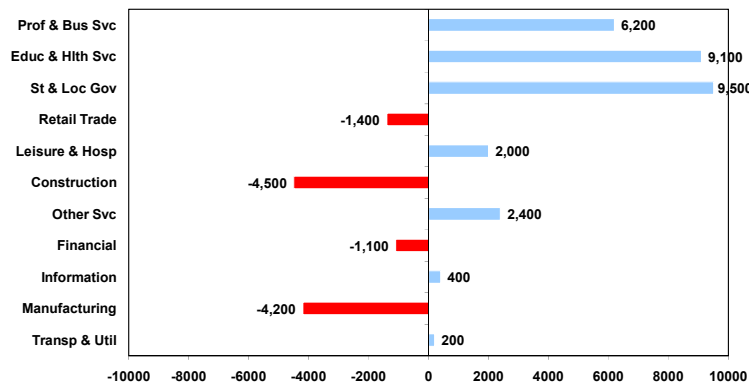
Source: BLS, GMU Center for Regional Analysis

Job growth continues to be very healthy in the services sectors and in state and local government. Sectors affected by the housing market slow down are construction, finance and real estate, and retail trade. All three sectors are contracting significantly. The Construction and Finance/Real Estate sectors are directly related to the housing downturn, while part of the retail trade decline is related to the national consumer confidence situation as well as lower sales due to fewer house refinancing.

## August 2007 – August 2008 Job Change By Sector - Virginia

(000s)

Total = 19,000



Source: BLS and GMU Center for Regional Analysis

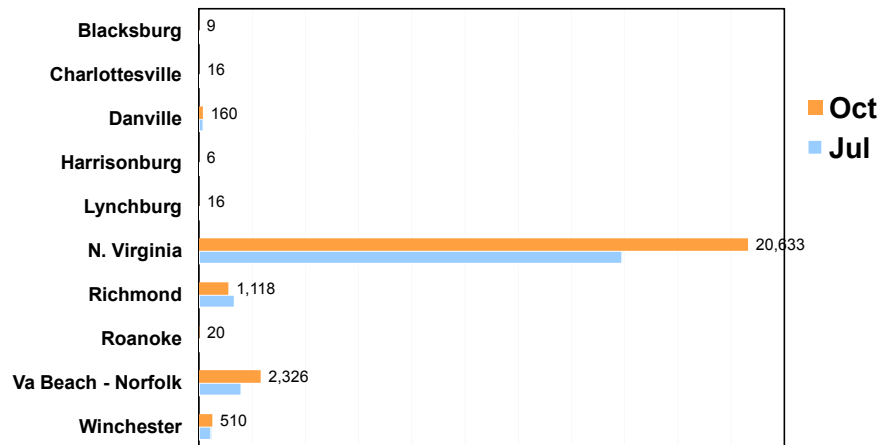


## Foreclosures in Virginia

The foreclosure issue is a major one at the national level, and Virginia has not avoided the issue. However, the foreclosure problem is concentrated in the three largest metro areas of Northern Virginia, Tidewater and Richmond, and Northern Virginia is clearly experiencing the worst of this problem. As of October, 81 percent of foreclosure activity in the state was concentrated in Northern Virginia. Other metropolitan areas of the state have experienced very little of the foreclosure problem.

From the chart below it is easily seen that the majority of foreclosures in the state are concentrated in Northern Virginia, and that in Northern Virginia and Tidewater foreclosures edged higher in October as compared to July. The Richmond metropolitan area has seen a decline in foreclosure activity since July. It is expected that the foreclosure problem will abate somewhat near the end of 2008 as the sub-prime mortgage resets begin to decline.

### Foreclosures Virginia Metropolitan Areas July 15 and Oct 15, 2008



Source: RealtyTrac, GMU Center for Regional Analysis



## Housing Market Trends

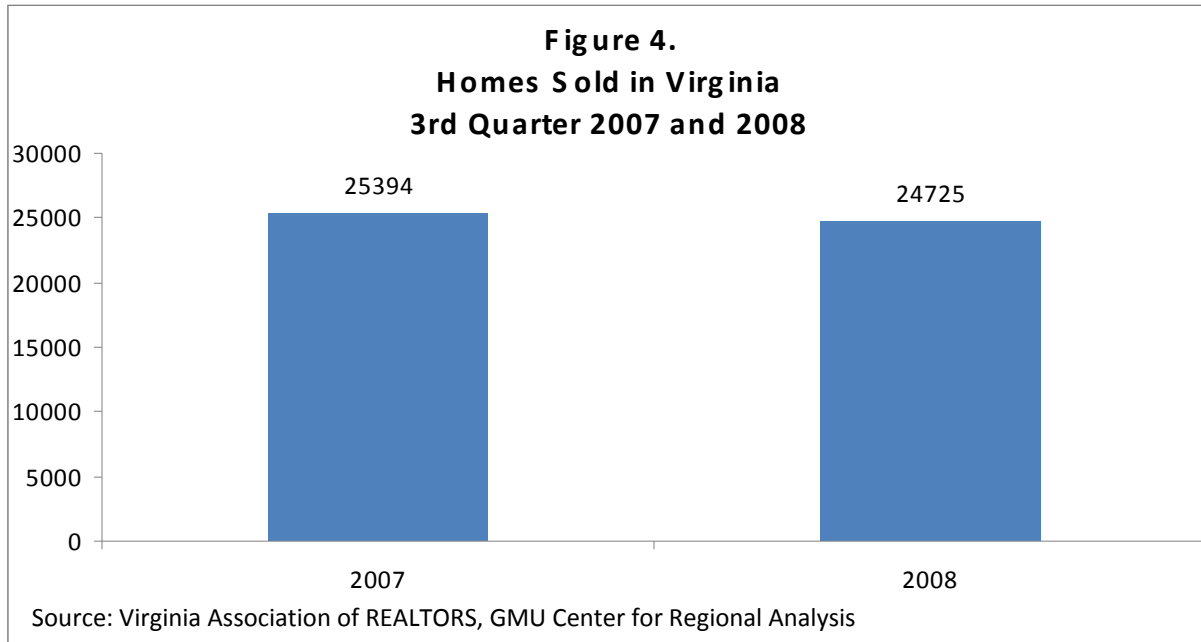
In the 3<sup>rd</sup> quarter of 2008, a total of 24,725 homes were sold according to the reporting local area REALTOR associations. The average sold price of an existing home sold in Virginia in 3<sup>rd</sup> quarter of 2008 was \$305,004 while the median sold price was \$233,667.<sup>1</sup>

In an atmosphere of uncertain economic conditions, the state's housing market in the 3<sup>rd</sup> quarter of 2008 fared fairly well compared with the 3<sup>rd</sup> quarter of 2007. The total number of homes sold was down only 4.6 percent in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007. The median sale price in Virginia was actually up by 1.4 percent in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007. These generally positive trends in Virginia are occurring even as many other parts of the country continue to see dramatic declines in housing market activity.

Sales activity was strong in many of the Northern Virginia markets. For example, the number of homes sold in the 3<sup>rd</sup> quarter of 2008 in the Northern Virginia association (including Fairfax and Arlington counties and the city of Alexandria) was up 14.5 percent compared with the 3<sup>rd</sup> quarter of 2007. In the Blue Ridge and Dulles areas, the numbers of 3<sup>rd</sup> quarter sales were up 27.3 percent and 10.3 percent, respectively. The biggest increase in sales, however, was in the Prince William market (which includes Prince William county and the cities of Manassas and Manassas Park.) There were more than 3,100 homes sold in Prince William in the 3<sup>rd</sup> quarter of 2008, an increase of 144.6 percent over the 3<sup>rd</sup> quarter of 2007. Much of the sales activity in Prince William county and the cities of Manassas and Manassas Park can be attributed to the large supply of foreclosed properties and short sales and the continued downward pressure on prices.

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<sup>1</sup> The average price is the arithmetic average of all prices of homes sold. The median price is the middle price of all homes sold—that is, half of the homes sold for more than the median and half sold for less.

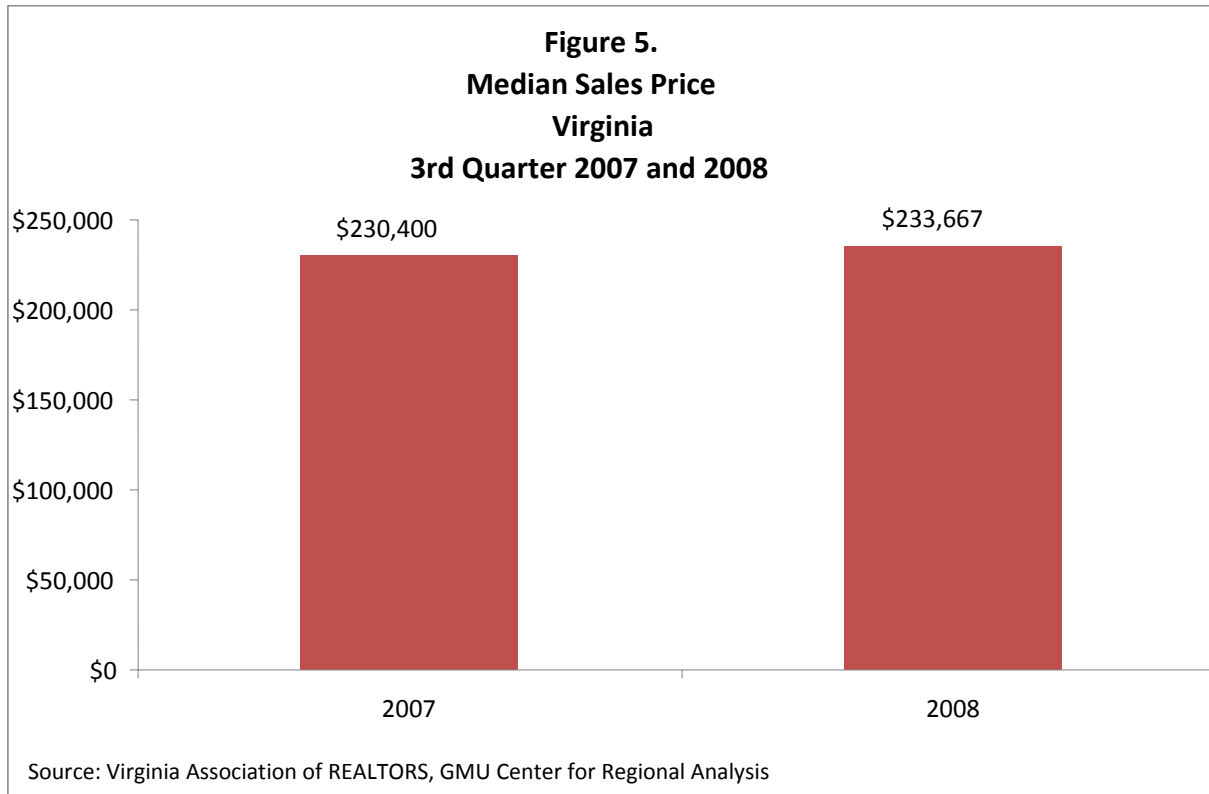


Sales were up in other parts of the state, as well. For example, Lexington/Buena Vista, Chesapeake Bay and Rivers, and the Greater Piedmont area all experienced upticks in sales activity in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007.

Home sales were slower in other parts of the state, however, the drops were much more moderate than was experienced in the first half of 2008. For example, in the Richmond Metro Area, the number of sales in the 3<sup>rd</sup> quarter of 2008 was down only 1.4 percent compared with the 3<sup>rd</sup> quarter of 2007. The number of sales in the Hampton Roads area was down 18.4 percent in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007. In Charlottesville, sales were down 35.1 percent.

While sales activity was down slightly, home prices were on the rise in the 3<sup>rd</sup> quarter of 2008. Across the state, the median sales price was up 1.4 percent in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007.<sup>2</sup> In the Charlottesville area, median home prices were up 6.0 percent in the 3<sup>rd</sup> quarter of 2008 compared with the 3<sup>rd</sup> quarter of 2007. Some smaller markets also experienced price increases in the 3<sup>rd</sup> quarter of 2008, including Chesapeake Bay and Rivers, Lynchburg, Southwest Virginia, and Harrisonburg-Rockingham.

<sup>2</sup> Average price data were not available for 3<sup>rd</sup> quarter 2007 so average price trends could not be made.



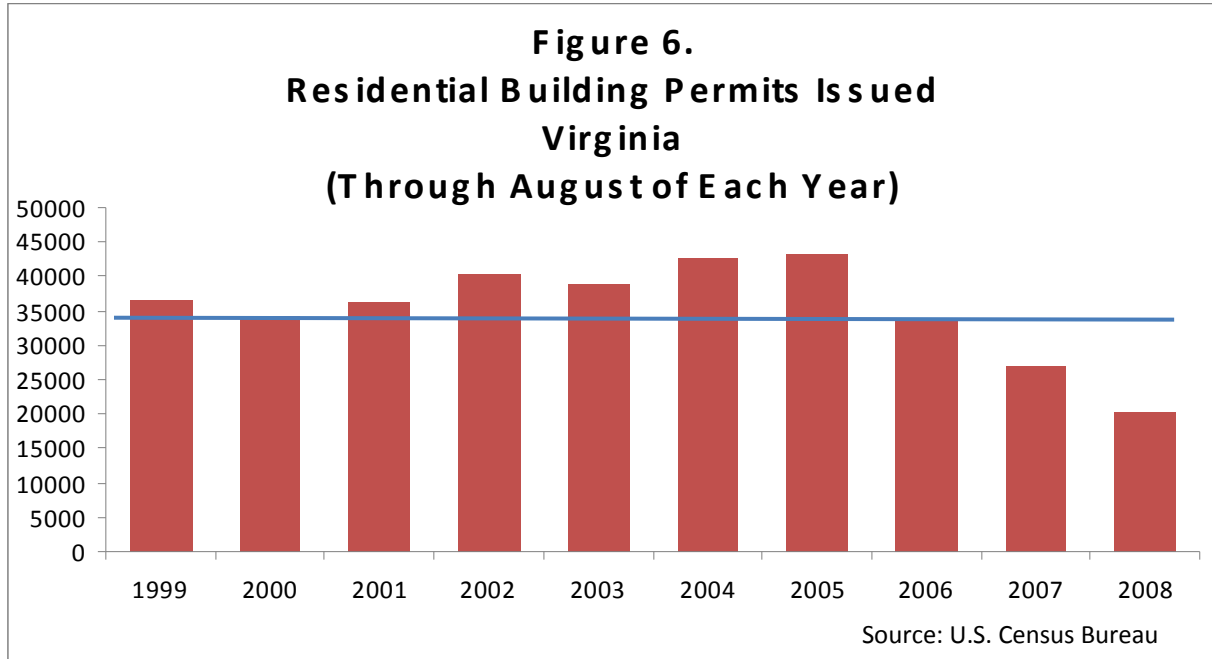
While the numbers of sales in Northern Virginia markets were up substantially in the 3<sup>rd</sup> quarter of 2008, prices continued to fall, in some case(s) dramatically. For example, in the Prince William area, where sales were dramatically increased in the 3<sup>rd</sup> quarter, median home prices were 42.2 percent lower compared with the 3<sup>rd</sup> quarter of 2007. Prices were down by 24.9 percent and 23.4 percent in the Blue Ridge and Dulles areas, respectively. In the NVAR region, prices continued to fall and were down 18.9 percent.

In the 3<sup>rd</sup> quarter of 2008, there were 21,445 pending sales across the state. This number is virtually unchanged from the 2<sup>nd</sup> quarter of this year. Because pending sales tend to indicate closed sales in the next quarter, this trend implies that sales will improve the last quarter of this year.

In addition to relatively strong demand for housing and re-adjustment in many markets resulting from steep price declines, the housing market statewide will benefit from a slowdown in new home construction. According to recent media reports, new housing starts are at their lowest levels since the early 1990s. In Virginia, the situation is similar. Over the past decade, there has been an average of 35,400 new residential building permits issued in the first eight months of the year (January through August.) In 2008, there were only 20,307 new residential building



permits issued across the state. The slowdown in new home construction will reduce the supply of available housing and put slight upward pressure on home prices.



**VIRGINIA HOME SALES**

**HOMES SOLD THIRD QUARTER 2008 (Q3 '08)**

*These figures refer to home sales transactions (closed) in the specified quarter. Median and average sales prices are shown where available. Please visit [www.VARealtor.com](http://www.VARealtor.com) under the Research tab for more information.*

	Home Sales			Median Sales Price (\$)			Average Sales Price		
<b>LOCAL MULTIPLE LISTING SERVICES*</b>	<b>Q3 '08</b>	<b>Q3 '07</b>	<b>% chg.</b>	<b>Q3 '08</b>	<b>Q3 '07</b>	<b>% chg.</b>	<b>Q3 '08</b>	<b>Q3 '07</b>	<b>% chg.</b>
BLUE RIDGE	481	436	10.3%	\$201,441	\$268,381	-24.9%	\$230,441	n/a	n/a
CHARLOTTESVILLE AREA	**								
DAN RIVER REGION	185	997	-81.4%	\$93,003	\$97,428	-4.5%	\$107,285	n/a	n/a
DULLES AREA	1498	1177	27.3%	\$335,681	\$438,023	-23.4%	\$377,135	n/a	n/a
EASTERN SHORE	122	126	-3.2%	\$174,250	\$184,095	-5.3%	\$231,083	n/a	n/a
FREDERICKSBURG	1067	922	15.7%	\$249,522	\$309,795	-19.5%	\$273,100	n/a	n/a
GREATER PIEDMONT	445	373	19.3%	\$227,773	\$316,643	-28.1%	\$276,869	n/a	n/a
HARRISONBURG-ROCKINGHAM	280	353	-20.7%	\$199,900	\$199,282	0.3%	\$225,052	n/a	n/a
LEXINGTON/BUENA VISTA	56	33	69.7%	\$160,500	\$260,490	-38.4%	\$225,885	n/a	n/a
LYNCHBURG	594	723	-17.8%	\$156,897	\$154,341	1.7%	\$183,231	n/a	n/a
MARTINSVILLE-HENRY-PATRICK	126	161	-21.7%	\$79,950	\$89,688	-10.9%	\$104,523	n/a	n/a
MASSANUTTEN	109	166	-34.3%	\$190,397	\$227,434	-16.3%	\$196,281	n/a	n/a
CHESAPEAKE BAY & RIVERS	159	332	-52.1%	\$293,475	\$245,877	19.4%	\$320,865	n/a	n/a
NEW RIVER VALLEY	418	550	-24.0%	\$170,500	\$172,314	-1.1%	\$189,426	n/a	n/a
NORTHERN NECK	n/a	167	n/a	n/a	\$288,133	n/a	n/a	n/a	n/a
NORTHERN VIRGINIA	5319	4644	14.5%	\$380,157	\$468,922	-18.9%	\$457,089	n/a	n/a
PRINCE WILLIAM	3128	1279	144.6%	\$202,716	\$352,059	-42.4%	\$233,782	n/a	n/a
RICHMOND METRO	2668	2706	-1.4%	n/a	\$238,343	n/a	\$267,294	n/a	n/a
ROANOKE VALLEY	1019	1385	-26.4%	\$169,000	\$176,205	-4.1%	\$209,114	n/a	n/a
SOUTH CENTRAL	101	n/a	n/a	\$133,861	n/a	n/a	132357.9	n/a	n/a
SOUTHWEST VIRGINIA	280	331	-15.4%	\$124,545	\$123,699	0.7%	\$147,676	n/a	n/a
GREATER AUGUSTA	275	356	-22.8%	n/a	n/a	n/a	211820.5	n/a	n/a
HAMPTON/ ROADS/PENINSULA	5159	6323	-18.4%	\$235,923	\$243,278	-3.0%	\$271,914	n/a	n/a
WILLIAMSBURG	318	562	-43.4%	\$269,161	\$282,577	-4.7%	\$324,610	n/a	n/a
<b>TOTALS</b>	<b>24414</b>	<b>25394</b>	<b>-3.9%</b>	<b>\$232,601</b>	<b>\$230,400</b>	<b>1.0%</b>	<b>\$303,506</b>	<b>n/a</b>	<b>n/a</b>
*Most multiple listing services cover multiple jurisdictions. See <a href="http://www.VARealtor.com">www.VARealtor.com</a> for details.									
**See <a href="http://www.caar.com">www.caar.com</a> for Charlottesville area statistics.									
n/a Information not available.									
All information is deemed reliable but is not guaranteed.									

<b>VIRGINIA HOME SALES</b>			
<b>PENDING SALES THIRD QUARTER 2008 (Q3 '08)</b>			
<i>The number of pending sales denotes sale contracts signed during the specified quarter. These figures may not denote every transaction that has taken place. These contracts become "sold" at a later date, but not all pending contracts end</i>			
<b>Pending Sales</b>			
<b>LOCAL MULTIPLE LISTING SERVICES*</b>	<b>Q3 '08</b>	<b>Q3 '07</b>	<b>% chg.</b>
BLUE RIDGE	547	458	19.4%
CHARLOTTESVILLE AREA	**		
DAN RIVER REGION	91	131	-30.5%
DULLES AREA	1651	1045	58.0%
EASTERN SHORE	106	n/a	n/a
FREDERICKSBURG	1283	950	35.1%
GREATER PIEDMONT	563	429	31.2%
HARRISONBURG-ROCKINGHAM	n/a	341	n/a
LEXINGTON/BUENA VISTA	9	44	-79.5%
LYNCHBURG	612	963	-36.4%
MARTINSVILLE-HENRY-PATRICK	35	197	-82.2%
MASSANUTTEN	123	54	127.8%
CHESAPEAKE BAY & RIVERS	163	288	-43.4%
NEW RIVER VALLEY	341	350	-2.6%
NORTHERN NECK	n/a	57	n/a
NORTHERN VIRGINIA	5720	4520	26.5%
PRINCE WILLIAM	3894	1325	193.9%
RICHMOND METRO	2668	2706	-1.4%
ROANOKE VALLEY	1136	1385	-18.0%
SOUTH CENTRAL	231	n/a	n/a
SOUTHWEST VIRGINIA	227	257	-11.7%
GREATER AUGUSTA	142	145	-2.1%
HAMPTON/ ROADS/PENINSULA	5051	5223	-3.3%
WILLIAMSBURG	264	478	-44.8%
<b>TOTALS</b>	<b>21536</b>	<b>23210</b>	<b>-7.2%</b>
*Most multiple listing services cover multiple jurisdictions. See <a href="http://www.VARealtor.com">www.VARealtor.com</a> for details.			
**See <a href="http://www.caar.com">www.caar.com</a> for Charlottesville area statistics.			
n/a Information not available.			
All information is deemed reliable but is not guaranteed.			