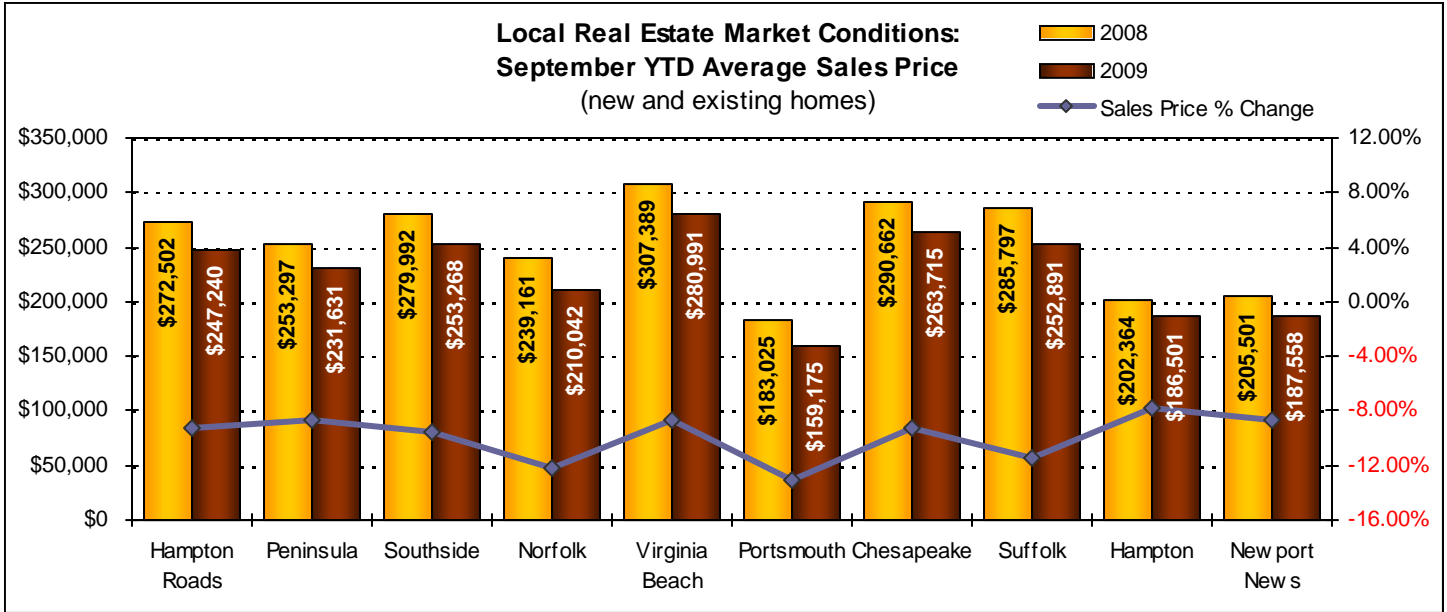


## Regional and National Housing Market

### Hampton Roads Real Estate Market Conditions

The following pages provide a detailed look at the Regional, Norfolk and National housing markets. The information included looks at the sale of existing and new homes, foreclosure filings, time on the market, and other measures of the market's health such as the Housing Market Index, Housing Opportunity Index, housing starts and new and existing home inventory.



September year-to-date (YTD), the seven cities of Hampton Roads all followed a similar trend of decline with respect to average home prices. However, as compared to earlier in the year, these declines appear to be moderating. As compared to the same time period last year, the average price of homes year-to-date (new and existing) declined 9.3 percent for the region. The decline was slightly larger for the Southside (-9.5%) than it was for the Peninsula (-8.6%). This is an improvement from the year-to-date decline in August of 9.6 percent.

The number of homes sold YTD fell 8.1 percent, from 14,542 to 13,362 and the time it took to sell a home, as measured by average days on the market, increased from 84 days to 92 days. The decline in home sales has been somewhat higher on the Peninsula (-13.5 percent) as compared to the Southside (-5.5%). Homes are also selling significantly faster on the Southside with an average market time of 87 days as compared to 105 days.

Each of the Hampton Roads cities appears to be fairing relatively well in one area while doing somewhat more poorly in another area. For instance, Norfolk has seen a relatively larger drop in average home prices but has seen a relatively smaller drop in the number of sales and a smaller increase in the time to sell a home. On a bright note, price declines, increase in market time and decrease in sales all appear to be moderating as the nation appears to be moving into a recovery.

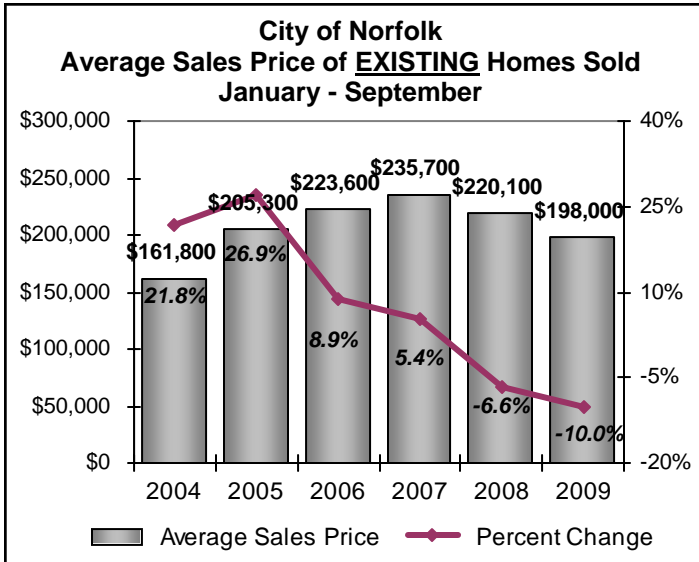
September Year-to-Date	Sales Price % Change	Units Sold		Average Days on Market	
		2009	2008	2009	2008
Hampton Roads	-9.3%	13,362	14,542	92	84
Peninsula	-8.6%	3,531	4,082	105	90
Southside	-9.5%	9,629	10,193	87	80
<b>Norfolk</b>	<b>-12.2%</b>	<b>1,462</b>	<b>1,579</b>	<b>90</b>	<b>82</b>
Virginia Beach	-8.6%	4,145	4,424	80	72
Portsmouth	-13.0%	733	827	97	76
Chesapeake	-9.3%	2,064	2,078	84	83
Suffolk	-11.5%	859	860	93	96
Hampton	-7.8%	1,107	972	91	78
Newport News	-8.7%	1,390	1,304	93	76

## Norfolk Housing Market

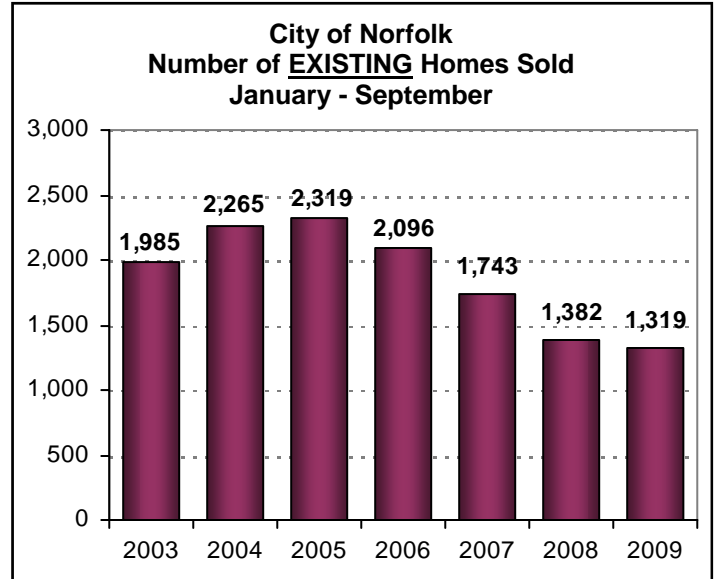
### Existing Home Sales

Year-to-date through September, the average sales price of existing homes sold in Norfolk fell to \$198,000, a 10 percent decrease from last year's average sales price. Both existing detached and attached homes saw a decline in their average sales price.

Year-to-date through September, the number of existing homes sold fell 4.6 percent or 63 homes, since reaching a peak in 2005. However, for the month of September alone, existing home sales increased by 20 homes (12.8 percent) compared to September 2008. The September increase was the third consecutive month of year-over-year growth in home sales. Sales of both detached and attached homes accounted for the September increase.



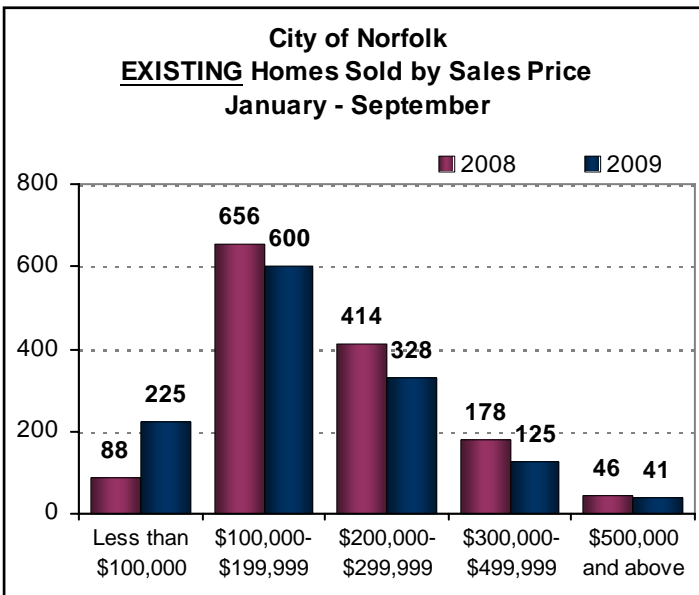
Source: Real Estate Information Network (REIN)



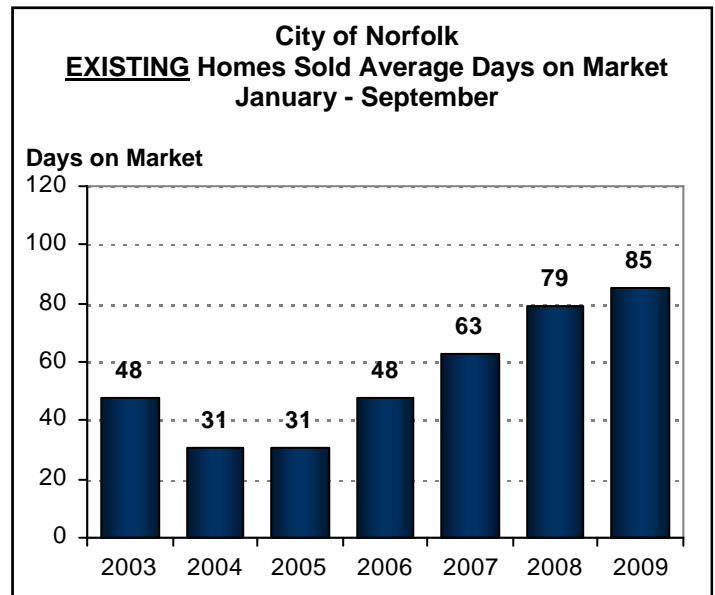
Source: Real Estate Information Network (REIN)

The number of existing homes sold under \$100,000 year-to-date through September more than doubled this year compared to last year. The majority of existing homes sold year-to-date were priced under \$300,000.

Existing homes sold in Norfolk continue to stay longer on the market on average compared to homes sold last year. The average days on market of existing homes sold in Norfolk year-to-date through September rose by about 6 days, from 79 days last year to 85 days this year.



Source: Real Estate Information Network (REIN)

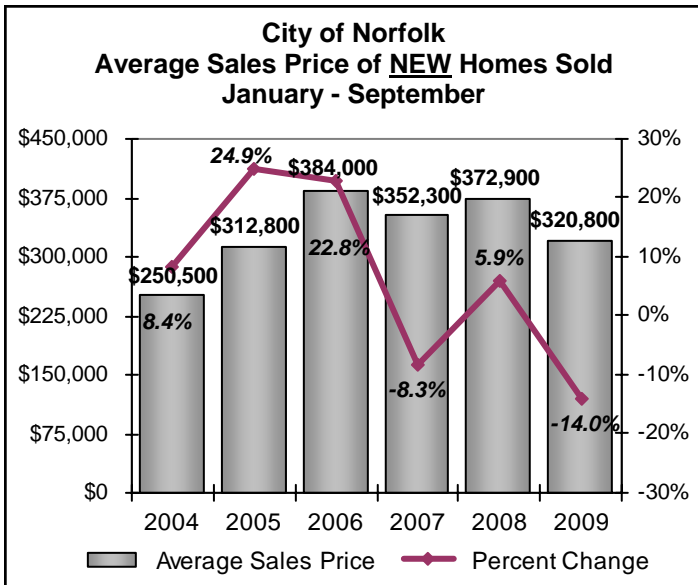


Source: Real Estate Information Network (REIN)

## Norfolk Housing Market (continued)

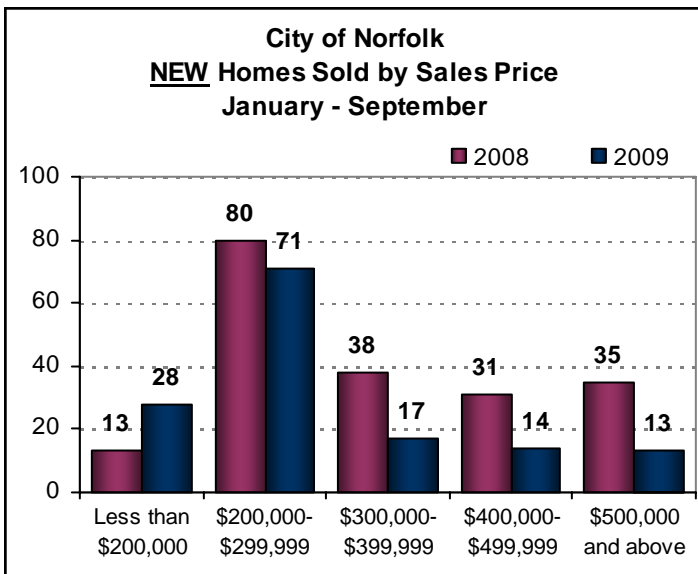
### New Home Sales

The average sales price of new homes sold in Norfolk fell 14 percent year-to-date through September, from \$372,900 last year to \$320,800 this year. Both detached and attached homes saw a decrease in the average sales price. For the month of September alone, the average sales price fell by 42.1 percent from August 2009. However, the average sales price in August was inflated by the sale of two homes for over \$1 million.



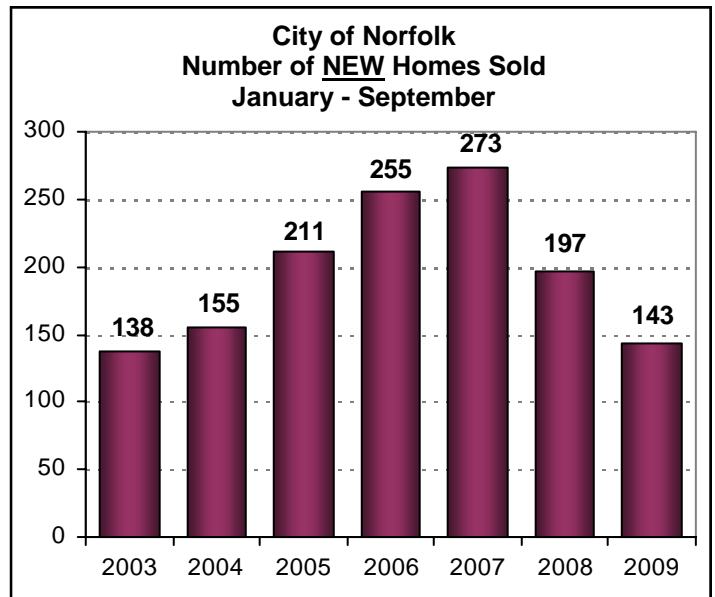
Source: Real Estate Information Network (REIN)

The number of new homes sold that were priced over \$300,000 declined significantly compared to last year.



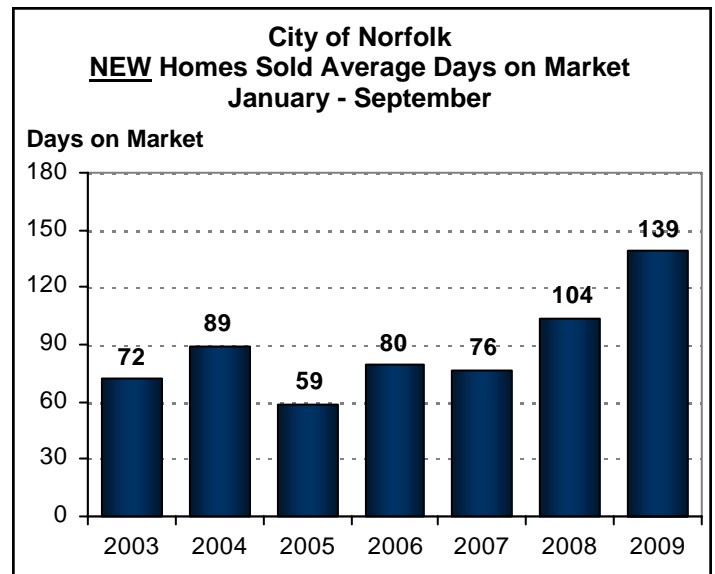
Source: Real Estate Information Network (REIN)

In 2009, the number of new homes sold in Norfolk year-to-date through September fell to 149 homes from 197 homes, a decrease of 54 homes (27.4 percent) over the same period last year. The decline was mainly due to sales of new attached homes, which declined 64.8 percent (or 79 homes). In contrast, sales of new detached homes rose 33.3 percent (or 25 homes).



Source: Real Estate Information Network (REIN)

Like existing homes sold, the average days on market of new homes sold also saw an increase in year-to-date through September. The average days on market of new homes sold increased by 35 days, from 104 days last year to 139 days this year.

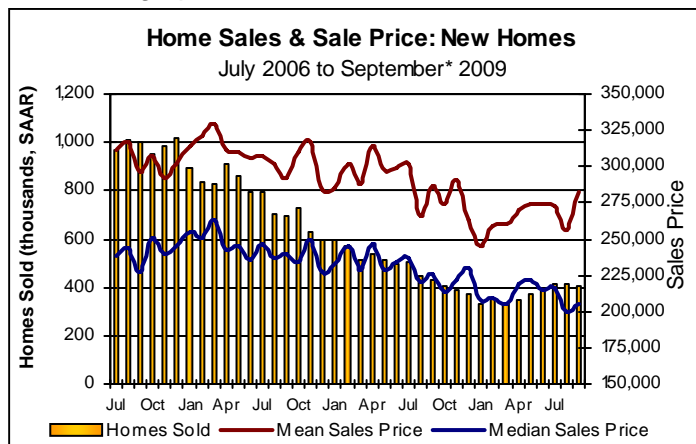
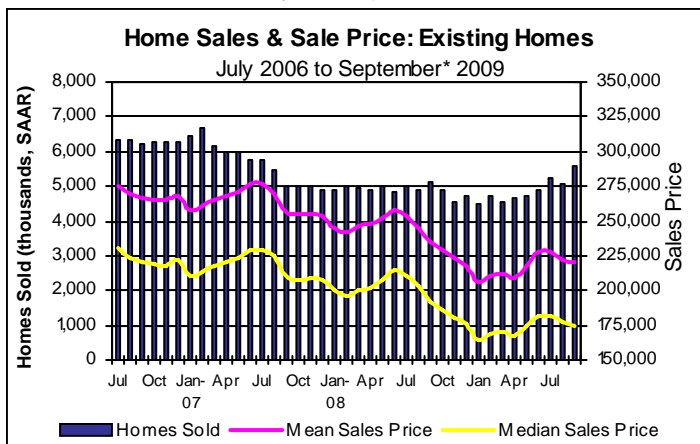


Source: Real Estate Information Network (REIN)

## National Housing Market

### Sale of Existing and New Homes

For the month of September the sale of **existing** homes rose strongly while the sale of **new** homes fell for the first time since March. Jumping 9.4 percent to a seasonally adjusted annual rate (SAAR) of 5.6 million, existing home sales are at their highest level in more than two years. Compared to September 2008, the sale of existing homes rose 9.2 percent. New homes fell to a rate of 402,000 for the month, a decline of 3.6 percent as compared to the August rate of 417,000. The average and median price of homes continues to be downwardly distorted by distressed properties that generally sell at a discount. The average price of existing homes sold nationally in September was \$219,800 while the average price of new homes was \$282,600.



\*Denotes preliminary estimate.

### Foreclosures

New foreclosure filings for the Nation, which include default notices, auction sale notices and bank repossessions, were reported on 343,638 properties in September according to RealtyTrac's U.S. Foreclosure Market Report. This is a 4.1 percent decline from August and a 29.2 percent increase over September 2008. Approximately 1 in every 372 U.S. households received a foreclosure filing during the month, down from 1 in every 357 households last month.

According to James Saccacio, CEO of RealtyTrac, "Repossession activity increased from the previous quarter...indicating that lenders may be starting to work through some of the pent-up foreclosure inventory caused by legislative delays, loan modification efforts and high volumes of distressed properties."

The Hampton Roads cities saw mixed results with regard to foreclosures for September with some following in line with the National trend of decreasing foreclosures and others seeing spikes. Norfolk fell into the latter category for the month after several months of consistent improvement throughout the spring and summer. Despite this rise, the rate of foreclosure for Norfolk, and for most of the other Hampton Roads cities, has consistently maintained a level well below the national level.

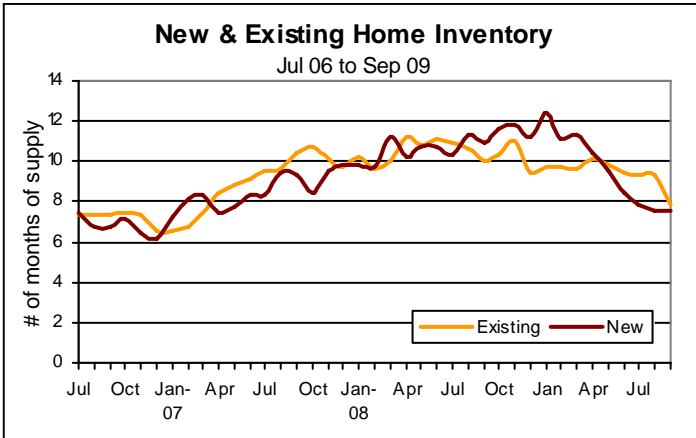
### U.S. Foreclosure Market—September 2009

	Rank*	Foreclosure Properties	1 in XX# of Households	Foreclosure Rate
<b>Norfolk</b>	<b>8</b>	<b>198</b>	<b>482</b>	<b>0.21%</b>
Chesapeake	12	121	678	0.15%
Hampton	18	75	798	0.13%
Newport News	14	107	732	0.14%
Portsmouth	13	107	399	0.25%
Suffolk	16	88	367	0.27%
Virginia Beach	4	264	661	0.15%
Richmond	7	205	459	0.22%
Prince William	2	806	166	0.60%
Fairfax	1	1,020	384	0.26%
Virginia	11	5,755	568	0.18%
Nation	n/a	343,638	372	0.27%

\*Rank is based on the number of foreclosure properties reported for the month. For the Cities it is their respective rank within Virginia. For the State, it is the rank within the nation as compared to the other states.

**Home Inventory**

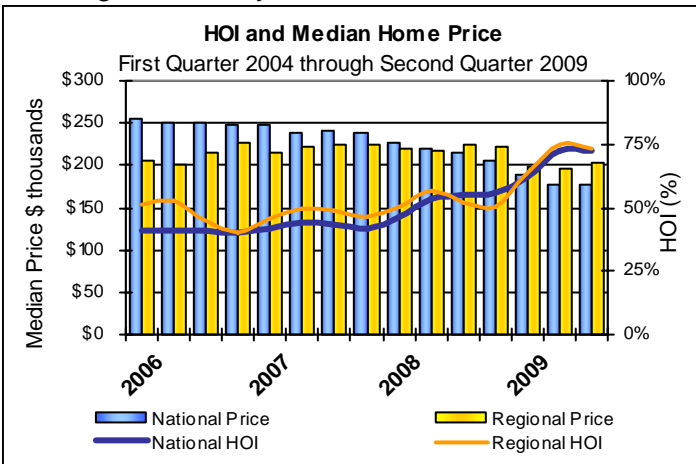
The September inventory of homes for sale at current sales rates was unchanged for new homes while declining for existing homes. September saw a 7.5 month supply of new homes (seasonally adjusted). The supply of existing homes fell to 7.8 months, down from 9.3 months in August. The decline of the past couple months is primarily tied to the first time homebuyers entering the market to take advantage of the tax credit.



Sources: US Census Bureau and the National Association of Realtors, compiled by the Office of Budget and Management.

**Housing Opportunity Index (HOI)**

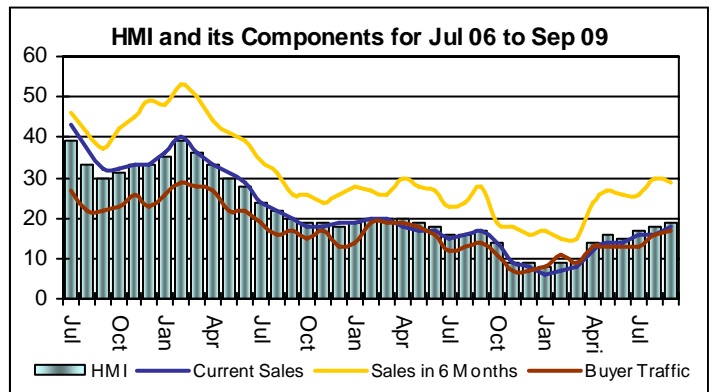
Nationally, homes continued to become more affordable during the second quarter of 2009. The HOI reading shows that 72.3 percent of all new and existing homes that were sold nationally were affordable to families earning the national median income. Hampton Roads is seeing a similar trend with 72.9 percent of homes sold considered affordable for those earning the median income. Declining home prices and near record low mortgage rates contributed to the increase in housing affordability.



Source: National Association of Home Builders, compiled by the Office of Budget and Management.

**Housing Market Index (HMI)**

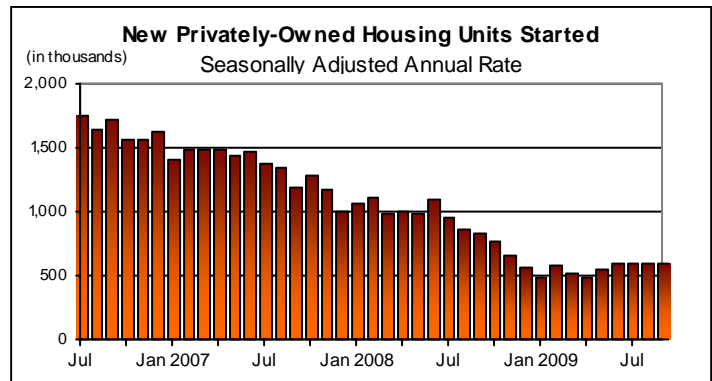
The HMI, a seasonally adjusted measure of builders' sentiment, rose for the third consecutive month. The index now stands at 19, its highest level in well over a year. This rating indicates that nearly two in 10 builders is optimistic about the market for single family homes. According to National Association of Home Builders' Chief Economist, David Crowe, "...builders are starting to see some glimmers of light at the end of the tunnel in terms of improving sales activity. However, the fact that the HMI component gauging sales expectations for the next six months slipped backward this month is a sign of their awareness that this is a very fragile recovery period and several major hurdles remain that could stifle the positive momentum."



Source: National Association of Home Builders. Compiled by the office of budget and Management.

**National Housing Starts**

The U.S. Census Bureau reported a 0.5 percent rise in privately-owned housing starts from a revised seasonally adjusted annual rate (SAAR) of 587,000 in August to 590,000 SAAR in September. This is the fourth month rates have held close to 590,000. As defined by the U.S. Census Bureau, housing starts data track the start of construction, considered to be when "excavations begin for the footings or foundations of a building."



Source: US Census Bureau. Compiled by the Office of Budget and Management.