RESIDENTIAL MARKET REVIEW

J. Van Rose, MIRM
President, New Homes Division

Rose & Womble REALTY COMPANY

RESIDENTIAL DATABANK

Real Estate Information Network, Inc.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>1.0%</td>
</tr>
<tr>
<td>Existing Home Closings</td>
<td>10.8%</td>
</tr>
<tr>
<td>Existing Home Avg Price</td>
<td>3.8%</td>
</tr>
<tr>
<td>New Home Closings</td>
<td>5.9%</td>
</tr>
<tr>
<td>New Home Avg Price</td>
<td>4.8%</td>
</tr>
<tr>
<td>Building Permits</td>
<td>4.7%</td>
</tr>
<tr>
<td>Interest Rates</td>
<td>1.0%</td>
</tr>
<tr>
<td>New Home Traffic</td>
<td>-9.7%</td>
</tr>
</tbody>
</table>
**Trulia Housing Barometer**

**Worst during recession**

- **Existing Home Sales, Excluding Distressed (NAR):**
  - 1 year ago: 51%
  - Latest: 79%

**% Back to normal**

- **Home Price Level (Trulia):**
  - 1 year ago: 16%
  - Latest: 71%

- **Delinquency + Foreclosure Rate (LPS):**
  - 1 year ago: 37%
  - Latest: 59%

- **New Construction Starts (Census):**
  - 1 year ago: 24%
  - Latest: 36%

- **Employment Rate 25-34 year olds (BLS):**
  - 1 year ago: 28%
  - Latest: 23%

**Recovery moving ahead unevenly**
<table>
<thead>
<tr>
<th>Category</th>
<th>Worst during recession</th>
<th>1 year ago</th>
<th>Latest</th>
<th>Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Home Sales, Excluding Distressed (NAR)</td>
<td>0%</td>
<td>25%</td>
<td>50%</td>
<td>75%</td>
</tr>
<tr>
<td>Home Price Level (TRULIA)</td>
<td></td>
<td>16%</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>Delinquency + Foreclosure rate (LPS)</td>
<td></td>
<td>37%</td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td>New Construction Starts (CENSUS)</td>
<td></td>
<td>24%</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Employment Rate 25-34 year olds (BLS)</td>
<td></td>
<td>28%</td>
<td></td>
<td>23%</td>
</tr>
</tbody>
</table>
Hampton Roads
Average Closing Prices

$0 $50,000 $100,000 $150,000 $200,000 $250,000 $300,000 $350,000 $400,000 $450,000


Existing Homes
New Construction
New Detached Homes are Smaller

- **2003**: 2,562 sf. $105/sf
- **2007**: 2,758 sf. $155/sf
- **2013**: 2,501 sf. $138/sf
THE GOOD

AND THE

BAD

UGGLY

 Kind of GREAT!
THE GOOD
Interest Rates are Still Low!

[Bar chart showing the 30-Yr Fixed interest rates from 1972 to 2012.]
A 1% Rise in Rates = 11% Drop in Buying Power

Max purchase price for below payment
$500,000

$450,000

$400,000

$350,000

$300,000

$250,000

$200,000

$150,000

$1,000 $1,200 $1,400 $1,600 $1,800 $2,000

Monthly P&I Payment (on 30 yr fxd. Does not including taxes, insurance, HOA)

Buyers’ View of Homes as a Financial Investment

<table>
<thead>
<tr>
<th></th>
<th>All Buyers</th>
<th>32 and younger</th>
<th>33 to 47</th>
<th>48 to 57</th>
<th>58 to 66</th>
<th>67 to 87</th>
<th>88 and older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good financial investment</td>
<td>78%</td>
<td>85%</td>
<td>79%</td>
<td>74%</td>
<td>74%</td>
<td>64%</td>
<td>50%</td>
</tr>
<tr>
<td>Better than stocks</td>
<td>46%</td>
<td>51%</td>
<td>45%</td>
<td>43%</td>
<td>44%</td>
<td>36%</td>
<td>17%</td>
</tr>
<tr>
<td>About as good as stocks</td>
<td>23%</td>
<td>25%</td>
<td>25%</td>
<td>24%</td>
<td>22%</td>
<td>20%</td>
<td>33%</td>
</tr>
<tr>
<td>Not as good as stocks</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
<td>7%</td>
<td>8%</td>
<td>8%</td>
<td>*</td>
</tr>
<tr>
<td>Not a good financial investment</td>
<td>6%</td>
<td>3%</td>
<td>6%</td>
<td>9%</td>
<td>8%</td>
<td>10%</td>
<td>17%</td>
</tr>
<tr>
<td>Don't know</td>
<td>16%</td>
<td>12%</td>
<td>15%</td>
<td>17%</td>
<td>18%</td>
<td>26%</td>
<td>33%</td>
</tr>
</tbody>
</table>

* Less than 1 percent
THE BAD

KIND OF
UNITED STATES CONSUMER SENTIMENT

Jan/13: 72.9
Jul/13: 76.4
Jan/14: 75.1

Jan/13: 82.7
Jul/13: 85.1
Jan/14: 82.5

SOURCE: WWW.TRADINGECONOMICS.COM | THOMSON REUTERS/UNIVERSITY OF MICHIGAN
THE GREAT
'Renter Nation' Just A Myth: 93% of Millennial Renters Plan To Buy A Home Someday

*Trulia
Percent of renters planning to buy a home in the next 2 Years!

- Dec '13: 30%–35%
- Nov '12: 30%–35%
- May '12: 25%–30%
- Jan '11: 20%–25%
## Primary Reasons for Buying a Home

<table>
<thead>
<tr>
<th>Reason</th>
<th>32 and Younger</th>
<th>33 to 47</th>
<th>48 to 57</th>
<th>58 to 66</th>
<th>67 to 87</th>
<th>88 and Older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire to own a Home of My Own</td>
<td>50%</td>
<td>32%</td>
<td>21%</td>
<td>14%</td>
<td>7%</td>
<td>*</td>
</tr>
<tr>
<td>Desire for Larger Home</td>
<td>9</td>
<td>17</td>
<td>9</td>
<td>7</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Job-related Relocation</td>
<td>6</td>
<td>13</td>
<td>13</td>
<td>8</td>
<td>*</td>
<td>9</td>
</tr>
<tr>
<td>Change in Family Situation</td>
<td>10</td>
<td>7</td>
<td>9</td>
<td>9</td>
<td>5</td>
<td>*</td>
</tr>
<tr>
<td>Desire to be Closer to Family</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>13</td>
<td>24</td>
<td>39</td>
</tr>
</tbody>
</table>

* Less than 1 percent
THE

CHALLENGE
2013 Top Community in Hampton Roads

Permits: 109 • Closings: 104

Avg Price: $288,983 • Revenue: $30,054,227