

THE NEST REPORT

Charlottesville / Central Virginia Region

Q1 2012

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Turning A Corner?

After the market that we've been suffering through over the past few years, we're very cautious to say that we're completely out of the woods. The scars of 2008, 2009, and 2010 are still too fresh to get overconfident this early. However, for the first time in years, we are finally seeing some consistently positive information flow from the trenches and from our spreadsheets. And while we don't quite have enough confidence to call 'the bottom' of the market quite yet, we're a lot closer than we were a year ago.

The positive news of the Charlottesville area real estate market comes in two forms: the news from the trenches and the news from the stat sheets. From the trenches, we're hearing of multiple offers, buyer confidence, feelings that homes are affordable again, and just an overall good vibe in the marketplace. Whereas it was not uncommon for a Sunday open house to have zero visitors in Spring Markets of the past, it's now not unheard of to have 10, 15 or even 25 people stroll through an open house. Are they all active buyers? No, of course not. But some are. The fact that they are out there looking is a move in the right direction and a sign that consumer confidence is starting to bounce back.

Our stat sheets are telling us good things, too. Most notably: sales are up and inventory is down. We've been talking for the last 3 years that inventory levels must go down in order for any type of recovery to occur. We also said that prices must come down in order to entice buyers back into the real estate market. From our peaks, we estimate that prices are down anywhere from 10-35% (depending on the price segment and location). So, with homes being more affordable, buyers feel much better about putting their hard-earned money into a home again.

Cutting straight to the point: Q1 2012 was the best Q1 for the Charlottesville MSA since 2007. Overall, there were 495 total sales across all sub-markets. Single family home sales were up 16% from Q1 2011. Attached and Condominium sales were up 11.6%. On top of that, inventory and Months of Inventory has come down. For the first time since 2007, Months of Inventory for single family and attached/condos is in the single digits: 9.25 months for detached and 9.2 for attached/condos. Both of those represent a double digit reduction in months of supply as compared to 2011.

Albemarle County and the City of Charlottesville both performed very well in Q1 2012. Albemarle (229 total sales) had its most Q1 sales since 2007 and Charlottesville (85) had its most Q1 sales since 2008. Contracts written in Albemarle during Q1 were up in all 3 categories: single family (+31.6%), attached (+9.3%), and condominiums (+22.2%). Condo contracts written in the City of Charlottesville were flat in Q1, while single family (54.84%) and attached (160%) contracts written both jumped significantly.

Overall, it seems as though our market is on a path to recovery. The historically low interest rates are definitely helping, but there are many other positive factors that are having an impact also. We'll definitely be keeping an eye on a few other key variables in the coming quarters, most notably: 1. How will the distressed sales (short sales and foreclosures) continue to affect values and buyer confidence? 2. With the Mortgage Interest Deduction potentially on the chopping block, how will that affect real estate values and demand? 3. Will the job market and other major economic indicators continue to improve and, in turn, help stabilize the real estate market?

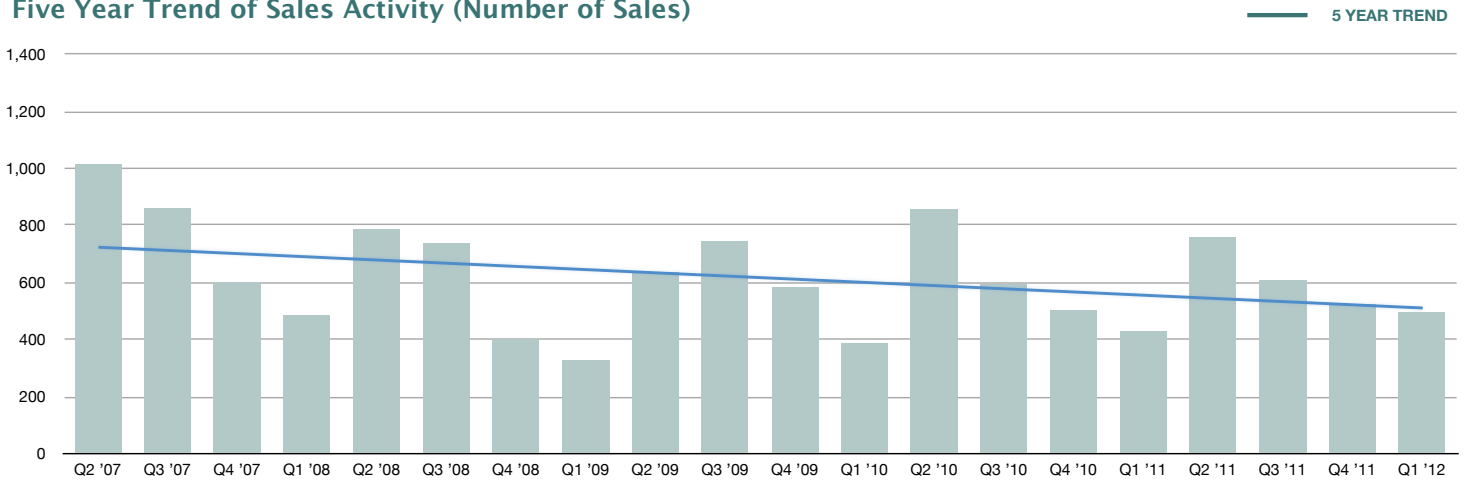
Stay tuned...

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Central Virginia/Charlottesville MSA Market Snapshot

While the overall five year trend for the MSA trends downward, year-over-year sales are on the rise. Total Q1 sales for the Charlottesville MSA totaled 495 in 2012 – a nice increase from the 430 in 2011, 388 in 2010, and 326 in 2009. Sales of single family homes and attached/condos were up in Q1. Single family home sales bounced upwards 16%, while attached/condos increased a healthy 11.6%. In addition, Days on Market continues to creep downward – down to 114 days for single family homes and 126 days for attached/condos.

Five Year Trend of Sales Activity (Number of Sales)



Median prices in Q1 were mixed. Single family home prices in the MSA were down just over 4% while attached and condos actually showed a 6% increase from Q1 2011. However, the most eye-catching statistics are the Inventory Levels and Months of Inventory. For the first time since 2008, Months of Inventory is back in the single digit range: single family inventory is 9.25 months (down 34%) and attached/condo is 9.2 (down 12.8%). Total inventory is also down across the board: down 8.1% for single family homes and 11% for attached and condos. Inventory levels have been a major problem over the last few years and it looks as though levels are starting to shift to more normal levels. This is very good news.

MSA (Albemarle, Charlottesville, Fluvanna, Greene, Louisa, and Nelson)

| Single Family | | Average List Price | Average Sale Price | Median Sale Price | Price per Square Foot | Avg Days on Market | Total Sales | Total Inventory | Months of Inventory |
|---------------|-----------|--------------------|--------------------|-------------------|-----------------------|--------------------|-------------|-----------------|---------------------|
| | Q1 2012 | \$318,804 | \$303,357 | \$254,250 | \$123.00 | 114 | 370 | 1546 | 9.25 |
| | Change | -10.5% | -9.3% | -4.1% | -12.1% | -11.6% | 16.0% | -8.1% | -34.0% |
| | Q1 2011 | \$356,218 | \$334,278 | \$265,000 | \$140.00 | 129 | 319 | 1683 | 14.02 |
| | Change | -1.2% | -1.8% | -4.5% | 0.7% | -1.5% | 11.5% | -4.2% | -9.7% |
| Q1 2010 | \$360,679 | \$340,471 | \$277,500 | \$139.00 | 131 | 286 | 1756 | 15.53 | |

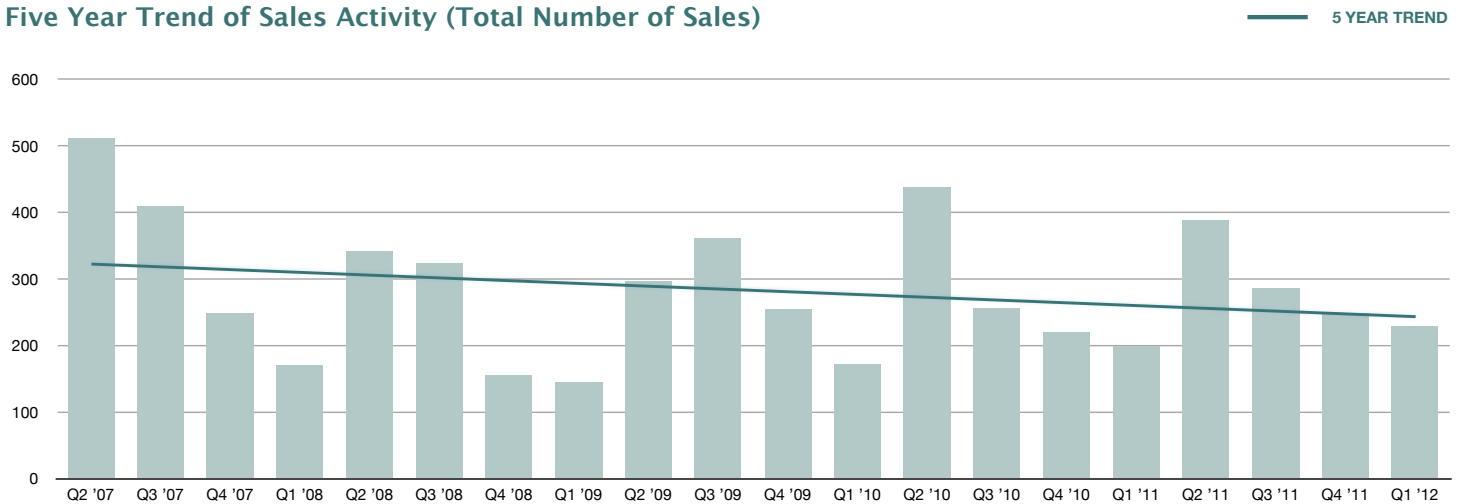
| Attached / Condo | | Average List Price | Average Sale Price | Median Sale Price | Price per Square Foot | Avg Days on Market | Total Sales | Total Inventory | Months of Inventory |
|------------------|-----------|--------------------|--------------------|-------------------|-----------------------|--------------------|-------------|-----------------|---------------------|
| | Q1 2012 | \$217,276 | \$212,329 | \$202,500 | \$128.00 | 126 | 125 | 460 | 9.2 |
| | Change | -1.9% | -0.3% | 6.6% | -5.2% | -10.6% | 11.6% | -11.0% | -12.8% |
| | Q1 2011 | \$221,533 | \$212,898 | \$189,950 | \$135.00 | 141 | 112 | 517 | 10.55 |
| | Change | -3.2% | -1.8% | -2.3% | -6.3% | 11.0% | 9.8% | -12.4% | -17.7% |
| Q1 2010 | \$228,907 | \$216,783 | \$194,425 | \$144.00 | 127 | 102 | 590 | 12.82 | |

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Albemarle County Market Snapshot

Sales across Albemarle County were up across the board in Q1 2012. Total sales tallied in at 229 – the most Q1 sales since 2007. So, even though the Albemarle County five year trend line is negative (below), there is reason to think that could shift at some point later this year. Single family home sales were up 10.8% (from 130 to 144), attached home sales were up 9.4% (53 to 58), and condominiums increased 62.5% (16 to 26). While sales were up across all categories, median prices were mixed: single family home prices are up 10.1%, attached up 20.9%, and condominiums down 2.5%.

Five Year Trend of Sales Activity (Total Number of Sales)



Contracts Written in Q1 – typically an indicator of future sales – were up across all categories also. Single family (up 31.6%), attached (9.3%), and condominiums (up 22.2%) all saw healthy gains from Q1 2011. Overall inventory levels in Albemarle County were also improved. Months of Inventory for all properties fell from 14.06 in March 2011 to 9.38 in March 2012. In addition, total homes for sale also fell slightly from 1069 to 1051 homes.

| Single Family | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Avg \$ PSF | Total Sales # |
|---------------|---------|--------------------|--------------------|-------------------|--------------------|------------|---------------|
| | Q1 2012 | 433,448 | 411,751 | 343,500 | 99 | \$147 | 144 |
| Change | -4.2% | -3.8% | 0.3% | -16.8% | -3.9% | -12.2% | |
| Q4 2011 | 452,328 | 427,972 | 342,500 | 119 | \$153 | 164 | |
| Q1 2012 | 433,448 | 411,751 | 343,500 | 99 | \$147 | 144 | |
| Change | -8.2% | -6.4% | 10.1% | -33.1% | -2.0% | 10.8% | |
| Q1 2011 | 472,281 | 439,882 | 312,000 | 148 | \$150 | 130 | |

| Attached | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Avg \$ PSF | Total Sales # |
|----------|---------|--------------------|--------------------|-------------------|--------------------|------------|---------------|
| | Q1 2012 | 241,575 | 241,114 | 238,227 | 93 | \$130 | 58 |
| Change | -6.1% | -6.1% | 3.6% | 32.9% | 9.2% | -12.1% | |
| Q4 2011 | 257,392 | 256,715 | 230,000 | 70 | \$119 | 66 | |
| Q1 2012 | 241,575 | 241,114 | 238,227 | 93 | \$130 | 58 | |
| Change | 13.2% | 16.9% | 20.9% | -24.4% | 4.0% | 9.4% | |
| Q1 2011 | 213,475 | 206,299 | 197,000 | 123 | \$125 | 53 | |

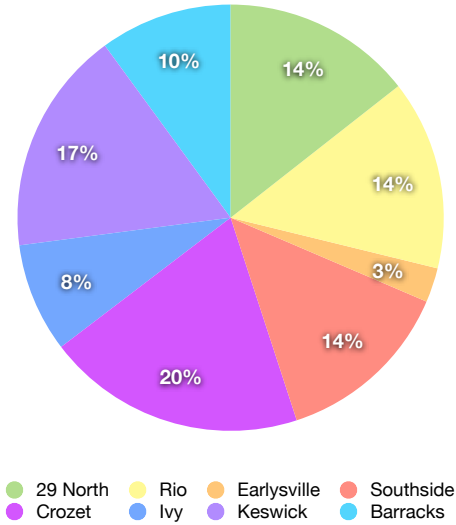
| Condos | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Avg \$ PSF | Total Sales # |
|---------|---------|--------------------|--------------------|-------------------|--------------------|------------|---------------|
| | Q1 2012 | 155,726 | 151,240 | 101,200 | 173 | \$110 | 26 |
| Change | 9.6% | 10.8% | -22.1% | 35.2% | 0.9% | 44.4% | |
| Q4 2011 | 142,022 | 136,544 | 129,900 | 128 | \$109 | 18 | |
| Q1 2012 | 155,726 | 151,240 | 101,200 | 173 | \$110 | 26 | |
| Change | 10.2% | 13.0% | -2.5% | -2.3% | -7.6% | 62.5% | |
| Q1 2011 | 141,281 | 133,867 | 103,750 | 177 | \$119 | 16 | |

Contracts Written

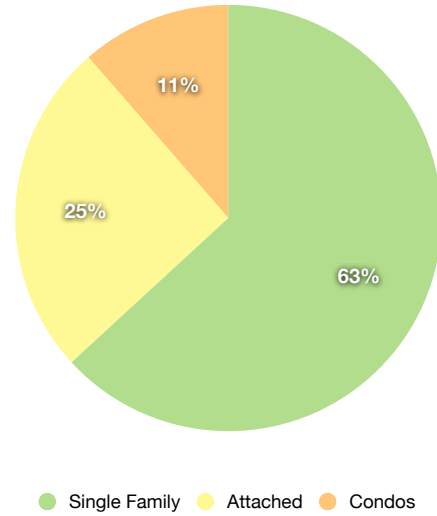
| | Q1 2011 | Q1 2012 | Change |
|---------------|---------|---------|--------|
| Single Family | 212 | 279 | 31.6% |
| Attached | 75 | 82 | 9.3% |
| Condos | 27 | 33 | 22.2% |

Albemarle County Market Snapshot (Part 2)

Albemarle County Sales by Sub-Area

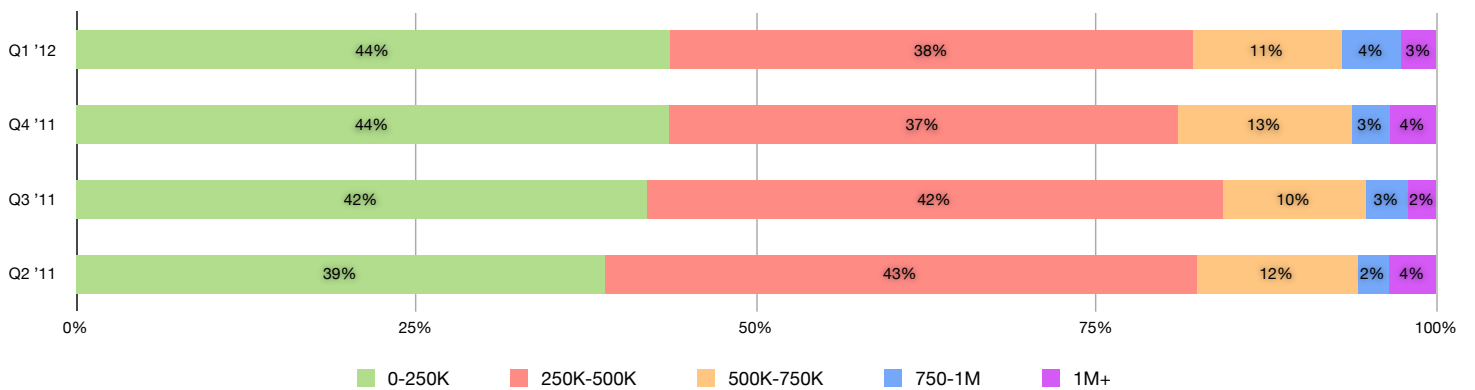


Albemarle County Sales by Type



Earlsville continues to be an area that is struggling a bit within Albemarle County. This past quarter, only 3% of sales were in Earlsville. However, we are hearing of more sales coming down the pipeline, so we'd expect this percentage to increase a little in Q2. Crozet had a strong Q1 with 20% of the total sales, taking the top spot previously held by Southside. Sales in the 29 North area jumped from 11% in Q4 2011 to 14% this past quarter. Once again, single family homes made up approximately 2 out of every 3 sales in Albemarle County: a trend that has held true for several quarters in a row.

Albemarle County Percent of Sales by Price Range

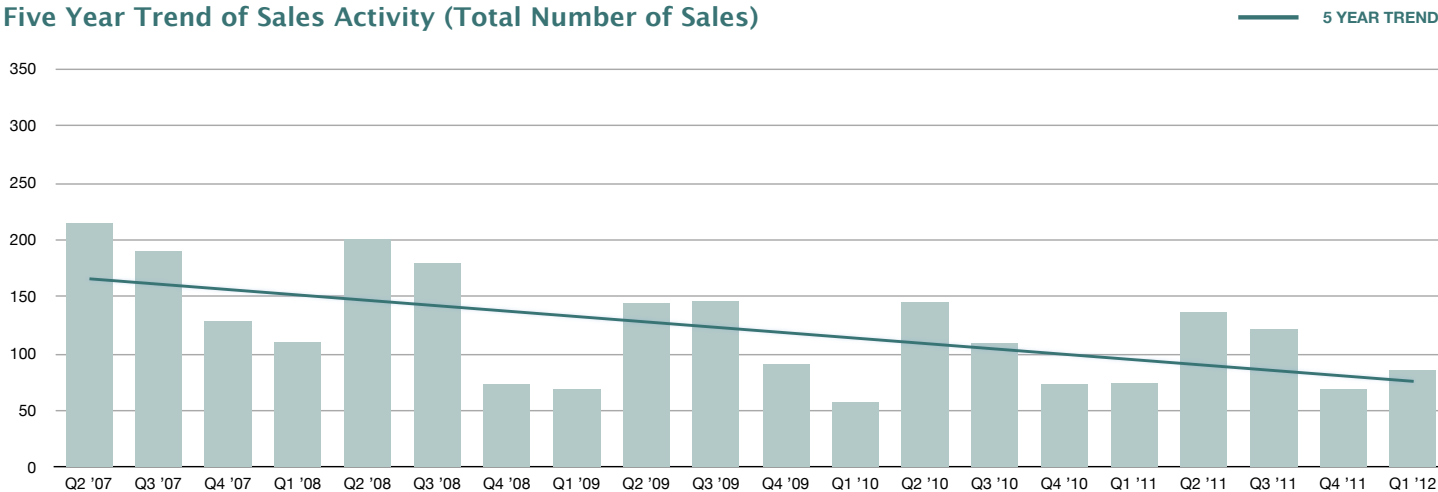


Home sale price distribution stayed fairly steady in Albemarle County. In Q1 2012, 82% of sales were at or below \$500,000. This stays in line with the previous three quarters. However, there is a slight trend towards more home sales in the sub-\$250,000 market. Sales in that price category have increased from 39% of the total market to 44% over the last two quarters. We expect this trend to continue as many homebuyers are not pushing their personal financial limits and are opting to 'buy conservatively' instead.

Charlottesville City Market Snapshot

The Charlottesville City real estate market has struggled mightily over the last 12–18 months. When other sub–markets were showing signs of recovery, City home sales were still lagging. However, the City market seems to have turned a corner. Total sales were up from 74 to 85. While condominium (26 to 20) and attached (8 to 6) sales were both down, single family home sales increased over 40% (from 42 to 59). The overall trend line for the City looks more pronounced than it does for Albemarle. This is due in part to the fact that 2008 was a much stronger year for sales in the City than in the County. The sales decline began much later in the City.

Five Year Trend of Sales Activity (Total Number of Sales)



While overall sales were up, median prices have taken a year-over-year hit. Median prices are down across all categories: Single family (–4.3%), attached (–26.2%), and condominiums (–26.3). The reduction in prices likely has had a positive impact on generating more sales. Future sales look bright in Charlottesville: contracts written are up significantly. While contracts written on condos were flat, single family (up over 54%) and attached (up 160%) are trending very positively.

| Single Family | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Avg \$ PSF | Total Sales # |
|---------------|---------|--------------------|--------------------|-------------------|--------------------|------------|---------------|
| | Q1 2012 | 296,424 | 282,165 | 246,500 | 98 | \$149 | 59 |
| Change | -9.1% | -7.2% | 1.6% | -10.9% | -10.2% | 13.5% | |
| Q4 2011 | 326,229 | 304,188 | 242,500 | 110 | \$166 | 52 | |
| Q1 2012 | 296,424 | 282,165 | 246,500 | 98 | \$149 | 59 | |
| Change | -0.9% | 0.2% | -4.3% | -3.0% | 0.0% | 40.5% | |
| Q1 2011 | 298,985 | 281,582 | 257,500 | 101 | \$149 | 42 | |

| Attached | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Avg \$ PSF | Total Sales # |
|----------|---------|--------------------|--------------------|-------------------|--------------------|------------|---------------|
| | Q1 2012 | 232,316 | 211,883 | 140,250 | 165 | \$109 | 6 |
| Change | 29.8% | 24.5% | -11.0% | 15.4% | 7.9% | 0.0% | |
| Q4 2011 | 178,963 | 170,250 | 157,500 | 143 | \$101 | 6 | |
| Q1 2012 | 232,316 | 211,883 | 140,250 | 165 | \$109 | 6 | |
| Change | 16.4% | 8.5% | -26.2% | 91.9% | 0.0% | -25.0% | |
| Q1 2011 | 199,625 | 195,362 | 190,000 | 86 | \$109 | 8 | |

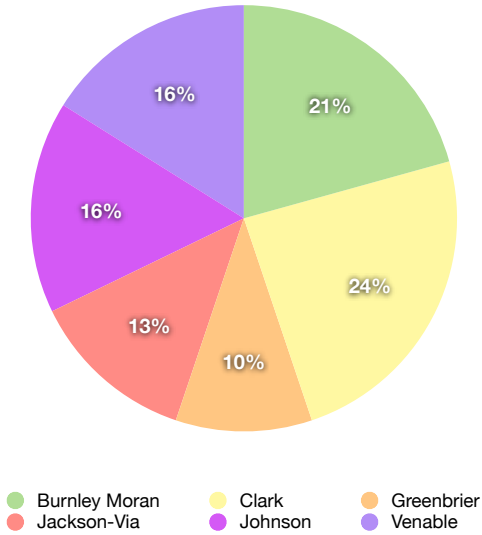
| Condos | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Avg \$ PSF | Total Sales # |
|---------|---------|--------------------|--------------------|-------------------|--------------------|------------|---------------|
| | Q1 2012 | 217,280 | 209,040 | 161,950 | 131 | \$196 | 20 |
| Change | 14.8% | 16.0% | 9.5% | 12.9% | -17.6% | 81.8% | |
| Q4 2011 | 189,204 | 180,279 | 147,900 | 116 | \$238 | 11 | |
| Q1 2012 | 217,280 | 209,040 | 161,950 | 131 | \$196 | 20 | |
| Change | -31.6% | -31.8% | -26.3% | -27.6% | 4.3% | -23.1% | |
| Q1 2011 | 317,458 | 306,605 | 219,657 | 181 | \$188 | 26 | |

Contracts Written

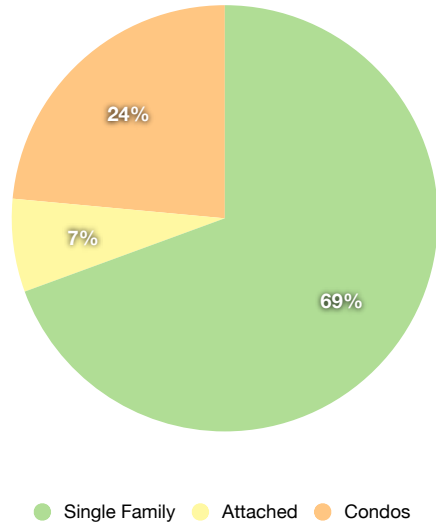
| | Q1 2011 | Q1 2012 | Change |
|---------------|---------|---------|---------|
| Single Family | 62 | 96 | 54.84% |
| Attached | 5 | 13 | 160.00% |
| Condos | 23 | 23 | 0.00% |

Charlottesville City Market Snapshot (Part 2)

Charlottesville City Sales by Elementary School Area

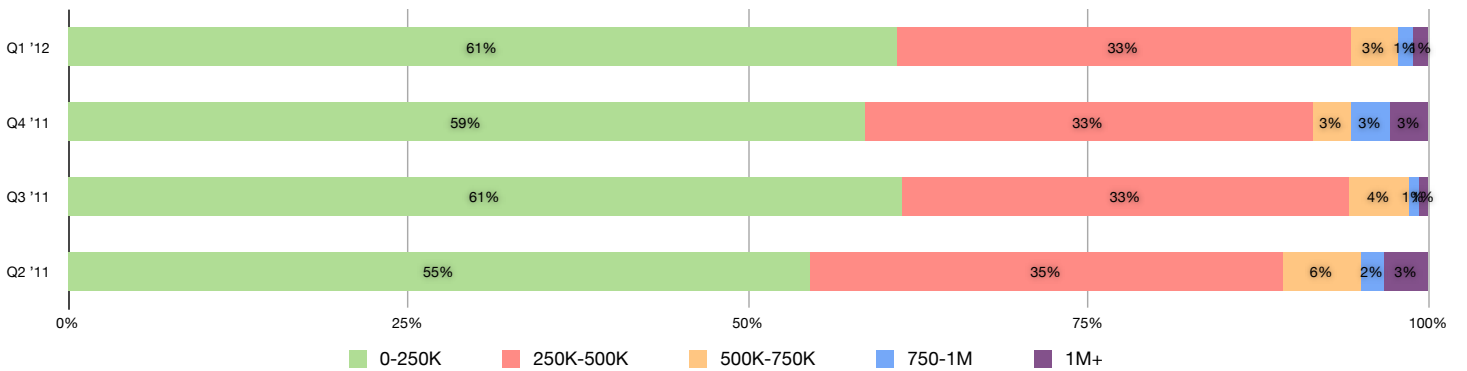


Charlottesville City Sales by Type



By school district, Clark continues to hold the top position in terms of number of sales. Sales in Venable dropped from 22% of the market to 16% in Q1. After a sluggish Q4 2011, sales in Burnley Moran jumped to 21% (from 13%) of the total City sales. In terms of property 'type', single family homes have, and continue to, dominate the Charlottesville market. Almost 7 out of every 10 sales in the City is a single family home. If the market continues to gain steam and new developments begin, this percentage may shift slightly towards more town homes.

Charlottesville City Percent of Sales by Price Range



The sub-\$250,000 market in the City continues to grow. Over the last year, there have been more and more sales in the under \$250k price category and that trend continued in Q1 where 61% of sales fit into that category. The upper end market in the City has stayed relatively steady. However, there were only 2 total sales above \$750,000 in Q1, which was down slightly from 4 in Q4 2011.

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Fluvanna County

| Overall | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Total Sales # | Total Inventory | Months of Inventory |
|---------|-----------|--------------------|--------------------|-------------------|--------------------|---------------|-----------------|---------------------|
| | Q1 2012 | \$214,188 | \$203,222 | \$180,000 | 123 | 66 | 290 | 10.74 |
| | Change | -13.9% | -14.5% | -14.3% | 26.8% | 50.0% | -11.6% | -34.5% |
| | Q1 2011 | \$248,825 | \$237,704 | \$210,000 | 97 | 44 | 328 | 16.4 |
| | Change | 11.4% | 8.8% | 5.1% | 2.1% | -22.8% | -8.9% | -13.4% |
| Q1 2010 | \$223,323 | \$218,520 | \$199,900 | 95 | 57 | 360 | 18.94 | |

Coming off of a great Q4 2011, Fluvanna had a very positive Q1 2012. Total sales this past quarter were up 50% from Q1 2011 (44 to 66) – this represents one of the biggest sales increases in the entire region. In other positive news: total inventory was down 11.6% and Months of Inventory fell from 16.4 to 10.74 months – a whopping 34.5% improvement. The sales increases did come at a bit of a cost: median prices fell 14.3% to \$180,000. Most of the Fluvanna news is good, though: especially when you take into account that contracts written were also up 12.5%. Looking forward, we'll be keeping an eye on the proposed 20% property tax hike in Fluvanna – if that passes, it could negatively impact sales and values in the Fluvanna real estate market.

Contracts Written

| Q1 2011 | Q1 2012 | Change |
|---------|---------|--------|
| 80 | 90 | 12.5% |

Greene County

| Overall | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Total Sales # | Total Inventory | Months of Inventory |
|---------|-----------|--------------------|--------------------|-------------------|--------------------|---------------|-----------------|---------------------|
| | Q1 2012 | \$215,624 | \$206,287 | \$190,000 | 106 | 49 | 255 | 10.2 |
| | Change | -12.5% | -14.4% | -21.6% | -13.1% | 28.9% | 14.9% | -21.8% |
| | Q1 2011 | \$246,305 | \$241,055 | \$242,287 | 122 | 38 | 222 | 13.05 |
| | Change | -17.9% | -17.8% | -8.7% | -5.4% | 18.8% | 4.2% | -14.2% |
| Q1 2010 | \$300,174 | \$293,301 | \$265,450 | 129 | 32 | 213 | 15.21 | |

Total Greene County sales improved for the 2nd straight Q1, with Q1 2012 sales tallying 49. This represents an increase of almost 29% year-over-year. Other indicators in Greene were mixed. Median prices fell 21.6% to \$190,000. Days on Market fell for the 2nd straight Q1 with an average DOM of 106. In terms of inventory: even though total inventory increased 14.9% to 255 total units, Months of Inventory fell 21.8% to 10.2 months. Based on the fact that contracts written in Q1 were down 20.3%, total sales may lag a bit in Q2 2012.

Contracts Written

| Q1 2011 | Q1 2012 | Change |
|---------|---------|--------|
| 69 | 55 | -20.3% |

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Louisa County

| Overall | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Total Sales # | Total Inventory | Months of Inventory |
|---------|-----------|--------------------|--------------------|-------------------|--------------------|---------------|-----------------|---------------------|
| | Q1 2012 | \$214,358 | \$221,302 | \$224,900 | 79 | 31 | 181 | 16.45 |
| | Change | 0.1% | 6.7% | 11.9% | -2.5% | 3.3% | -10.8% | -19.0% |
| | Q1 2011 | \$214,084 | \$207,445 | \$201,000 | 81 | 30 | 203 | 20.3 |
| | Change | -20.7% | -23.9% | -20.9% | -35.7% | 11.1% | -19.8% | -3.7% |
| Q1 2010 | \$270,023 | \$272,546 | \$254,000 | 126 | 27 | 253 | 21.08 | |

After an extremely positive Q4, Louisa experienced continued good news in Q1. Sales were up ever-so-slightly (3.3%). However, this is the 2nd straight Q1 of sales increases. Inventory and months of inventory continue to fall, which is great news for Louisa. Total inventory dropped 10.8% in March and Months of Inventory came down an additional 19% (16.45 months). Median prices even popped a bit: up 11.9% to \$224,900. However, contracts written fell slightly: down 13.1% from 84 to 73.

Contracts Written

| Q1 2011 | Q1 2012 | Change |
|---------|---------|--------|
| 84 | 73 | -13.1% |

Nelson County

| Overall | | Average List Price | Average Sale Price | Median Sale Price | Avg Days on Market | Total Sales # | Total Inventory | Months of Inventory |
|---------|-----------|--------------------|--------------------|-------------------|--------------------|---------------|-----------------|---------------------|
| | Q1 2012 | \$279,565 | \$252,591 | \$244,750 | 240 | 36 | 320 | 40 |
| | Change | -15.5% | -16.2% | -5.9% | 47.2% | -20.0% | -9.3% | 58.7% |
| | Q1 2011 | \$330,674 | \$301,499 | \$260,000 | 163 | 45 | 353 | 25.21 |
| | Change | 6.7% | 5.1% | 18.7% | -9.4% | 4.7% | -6.1% | 20.7% |
| Q1 2010 | \$310,046 | \$286,995 | \$219,000 | 180 | 43 | 376 | 20.88 | |

Nelson continues on its roller coaster ride. After some negative news about the financial health of Wintergreen Resort in Q1, it doesn't surprise us that sales numbers and statistics weren't pretty in Q1. Although median sales were only down 5.9% year-over-year, almost every other indicator was negative. Days on Market skyrocketed to 240 DOM (up 47.2%). Total sales dropped from 45 to 36 (a 20% drop). While inventory did come down about 9%, Months of Inventory jumped over 58% to a 40 month supply. That's by far the largest supply level in the Charlottesville MSA. Don't expect things to turn around in Nelson any time soon: contracts written were off almost 35% in Q1.

Contracts Written

| Q1 2011 | Q1 2012 | Change |
|---------|---------|--------|
| 49 | 32 | -34.7% |

*Some statistics in this report come courtesy of the Charlottesville Area MLS as of 4/15/12.