

## CAAR Market Report

### 2009 Mid-Year

Published by the Charlottesville Area Association of REALTORS®

#### Where Are We Now?

The pace of home purchases in the Charlottesville area continues to improve from the dismal 4<sup>th</sup> quarter of 2008, but sales lag well behind compared to last year. The sale of homes has been increasing month to month for six months in a row. The steady improvement is easy to predict with the seasonal upswing the market naturally experiences this time of year, but based on pending sales in the MLS, we may continue to see sales increase beyond the seasonal selling season. For the first time in many months, the number of contracts in June was up from the previous year. It will be interesting to see if this trend continues.

Fueling these homes sales is the significant decrease in real estate prices. This report will detail some statistics that indicate that home prices have fallen steeply (20% or more) and this has resulted in an increase in sales. There is some evidence that sellers are starting to embrace the current market environment and price their home accordingly. The average Days on Market (DOM) has been dropping in recent months, and the median time a property takes to sell is now only 75 days. That indicates that many homes – likely the ones priced correctly – are selling quickly.

#### Mid-Year Home Sales

There were 1131 homes sold in the Charlottesville area during the first six months of 2009, which was down 28% (-440 sales) from 2008. After the 1<sup>st</sup> quarter, annualized sales were down 33.9%, which demonstrates the 2<sup>nd</sup> quarter improvement. All local areas were down from last year: Albemarle -15.6%, Charlottesville -35.2%, Fluvanna -34.7%, Greene -24.5%, Louisa -38.4%, Nelson -39%, and Orange – 47.1%. Monthly sales for the region have improved slightly each month since November 2008, but much of that can be attributed to seasonal swings.

Sales in the Central Valley region were generated from the Greater Augusta MLS, which has more complete data on the Valley market than the CAAR MLS. Sales were down in the Valley by 25.5 % compared to last year.

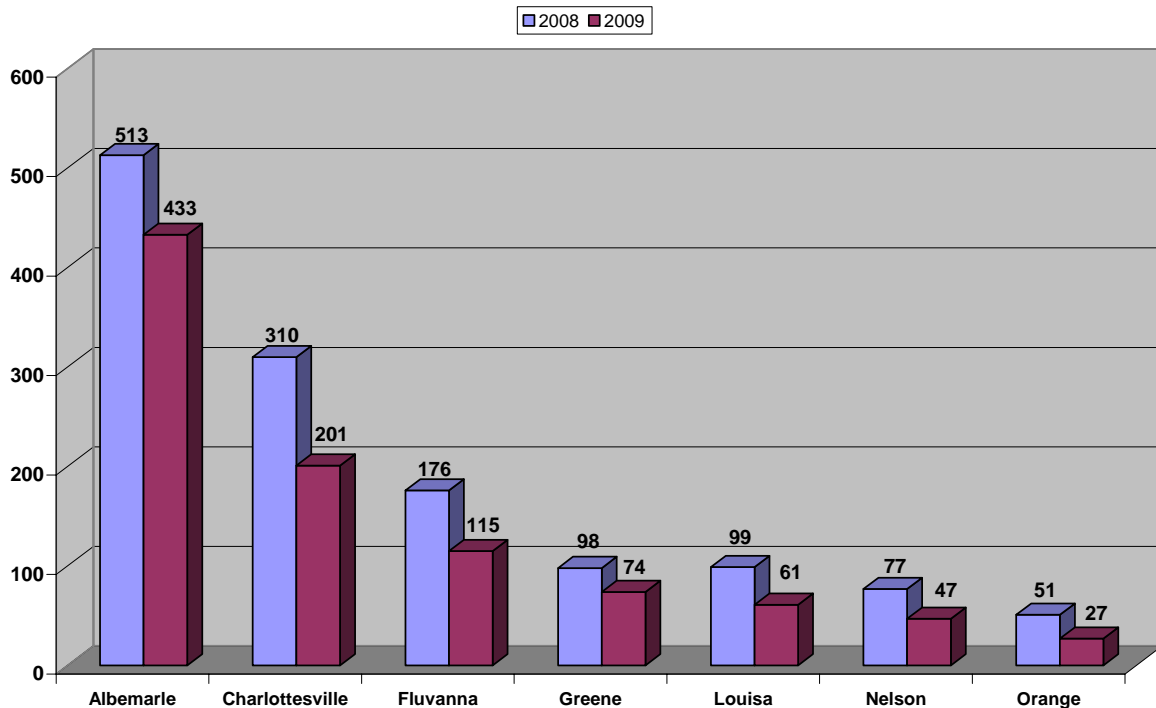
### Mid-Year Sales

Year to Date (thru June)					
County	2005	2006	2007	2008	2009
Albemarle	1007	843	783	513	433
Charlottesville	276	450	326	310	201
Fluvanna	315	270	226	176	115
Greene	146	168	116	98	74
Louisa	123	120	102	99	61
Nelson	184	125	96	77	47
Orange	65	59	63	51	27
<b>*Area Total</b>	<b>2311</b>	<b>2280</b>	<b>2016</b>	<b>1571</b>	<b>1131</b>
<b>**Central Valley</b>				<b>529</b>	<b>394</b>

*\*includes sales outside the counties listed*

*\*\*numbers courtesy of the Greater Augusta MLS*

## Mid-Year Sales



### Have Home Prices Slipped?

Based on the data from the CAAR MLS, we believe that the numbers clearly show a significant decrease in home prices. The median prices listed below are the middle of the market of properties that sold. Simply put, this is an indication of what buyers were willing/able to pay and is not a true reflection of individual home prices. It is probably safe to assume that a steady, year-to-year decrease in the median price is a good indication that prices are going down, but it is not an exact measurement.

We believe the number displays below provide compelling evidence that our local real estate market has experienced a noteworthy drop in home prices. The CAAR market reports have been discussing this trend since the Fall of 2007, but this report finally shows clear evidence of the decline. The one caveat that we need to make is that part of this median price decline is a reflection of an increase in home sales in the lower price ranges. Of the 719 homes that sold in the 2<sup>nd</sup> quarter, 509 were sold for \$300,000 or less. This surge in the lower end of the market will naturally pull the median price down.

Each property is affected differently by this price decline. The only way to know what your home will sell for is to have a REALTOR<sup>®</sup> or appraiser prepare a comparative market analysis (CMA) for your property. This market is changing very quickly and to be up-to-date, you need to do a CMA every two weeks. Pricing a property correctly is the best way to sell it!

Overall, the median home price (including attached homes) declined \$22,900 (-8.5%) compared to the first half of last year. All areas covered in this report showed a decline. Median prices for other locales include: Albemarle (-9.4%), Charlottesville (-6.8%), Fluvanna (-19.6%), Greene (-3.4%), Louisa (-20.8%), Nelson (-6.7%), Orange (-29.7%) and the Valley (-8%).

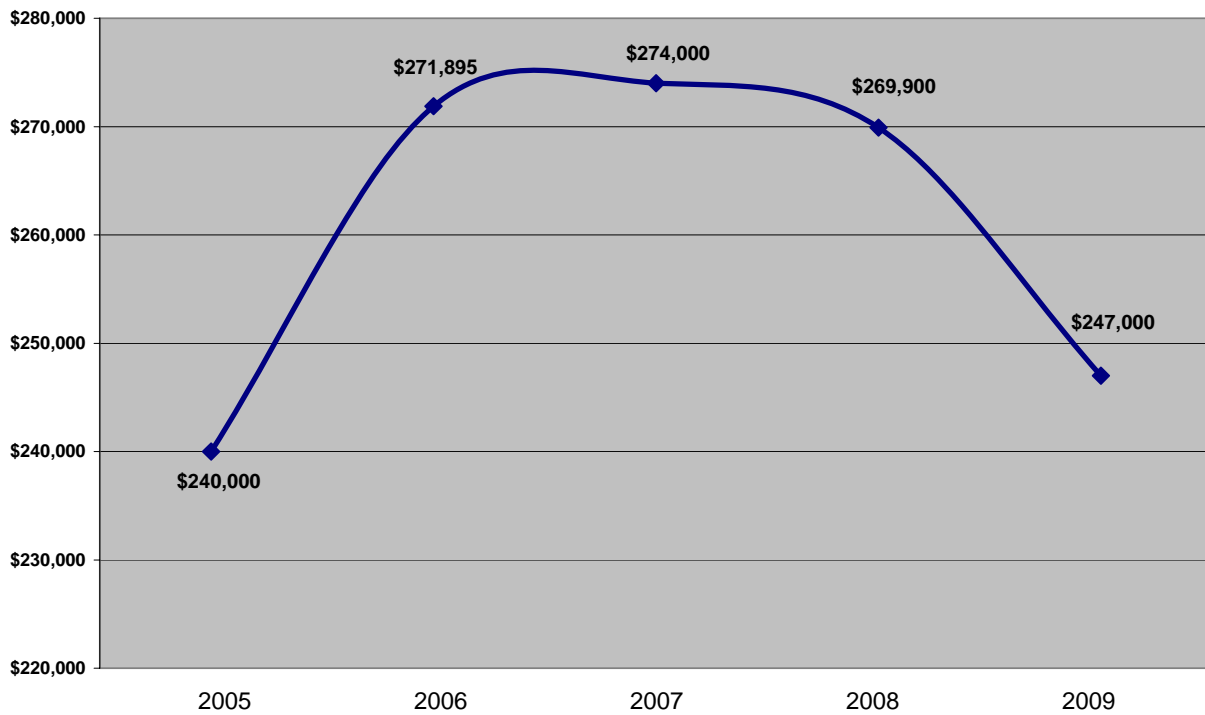
## Median Sales Prices

Year to Date (thru June)					
County	2005	2006	2007	2008	2009
<b>Albemarle</b>	\$264,900	\$325,000	\$309,900	\$310,733	\$281,440
<b>Charlottesville</b>	\$240,500	\$238,450	\$278,000	\$265,000	\$247,000
<b>Fluvanna</b>	\$220,000	\$241,852	\$253,000	\$250,000	\$201,000
<b>Greene</b>	\$217,250	\$272,815	\$291,300	\$258,750	\$250,000
<b>Louisa</b>	\$196,926	\$249,900	\$252,310	\$259,000	\$205,000
<b>Nelson</b>	\$270,750	\$305,000	\$293,500	\$300,000	\$280,000
<b>Orange</b>	\$210,000	\$275,000	\$285,000	\$229,700	\$161,400
<b>*Area Median</b>	\$240,000	\$271,895	\$274,000	\$269,900	\$247,000
<b>**Central Valley</b>				\$199,912	\$183,912

*\*includes sales outside the counties listed*

*\*\*numbers courtesy of the Greater Augusta MLS (note: these are average prices, not median)*

### Median Sales Price (Entire Area)



### Price Per Square Foot (Finished)

Another indicator that allows us to see the drop in home prices is a major drop in the price per square foot numbers. The average price per square foot of finished space in homes is not a scientific number, but a downward trend over the years clearly indicates a decrease in prices (and vice versa). According to the chart below, prices peaked in 2006 and have declined for the past three years. The \$18 per square foot drop in 2009 is by far the largest decline we have experienced in recent years.

### Price Per Finished Square Foot

Year to Date					
County	2005	2006	2007	2008	2009
Albemarle	158	176	176	171	154
Charlottesville	168	204	189	189	168
Fluvanna	125	143	141	134	119
Greene	135	155	155	147	132
Louisa	122	149	147	143	108
Nelson	191	214	210	191	171
Orange	131	169	181	135	113
*Area Average	151	173	167	161	143
**Central Valley				136	113

*\*includes sales outside the counties listed*

*\*\*based on CAAR MLS data*

### Inventory Heading in the Right Direction

The inventory of homes for sale in the Charlottesville area generally increases in the first half of the year, with many homes coming on the market for the spring selling season. The good news is that in 2009 we have seen the inventory of homes shrink – not enough, but it is heading in the right direction. Having this excess of inventory is causing many of the problems with our local housing market. Until we are able to reduce the number of homes for sale, we will continue to be in a strong buyer's market with soft home prices and very creative incentives. That's good for buyers, but it is not any better for the long-term housing market than the strong seller's market we experienced just a few years ago.

Currently, we have 3,602 homes on the market, compared to 3,761 at this time last year. This small decrease from last year is a positive sign, but we have a long way to go before we see appropriate inventory levels in the 2,000 to 2,500 range. The median price of homes currently for sale is \$299,000, which is \$9,900 less than last year. The average DOM (days on market) of these homes is 155 days, which is four days more than last year and 30 days more than homes that have sold. The most telling statistic related to homes currently on the market is that the average price per square foot is \$203 compared to \$143 for homes that have sold in the first 6 months of 2009.

Housing affordability is the positive aspect of this market. There are 871 homes for sale \$200,000 or less with an average DOM of 141 and an average price per square foot of \$143. There are 289 homes currently on the market priced at a million dollars or more with an average DOM of 226.

### Days on Market (DOM)

The average number of days a property is on the market is a great indicator of a housing market's strength. The average DOM for the Charlottesville area has been steadily increasing for the past several quarters. This trend continued in the 2<sup>nd</sup> quarter, but the increase was just 3 days more than 2008's mid-year number. Although the increase was only a modest 3 days, it still supports the fact that we have too many homes on the market for the amount of sales. Until we work the inventory of available homes down to a more manageable number, DOM will stay high. A balanced market should have a DOM of approximately 90, but we have not been in that range since 2007.

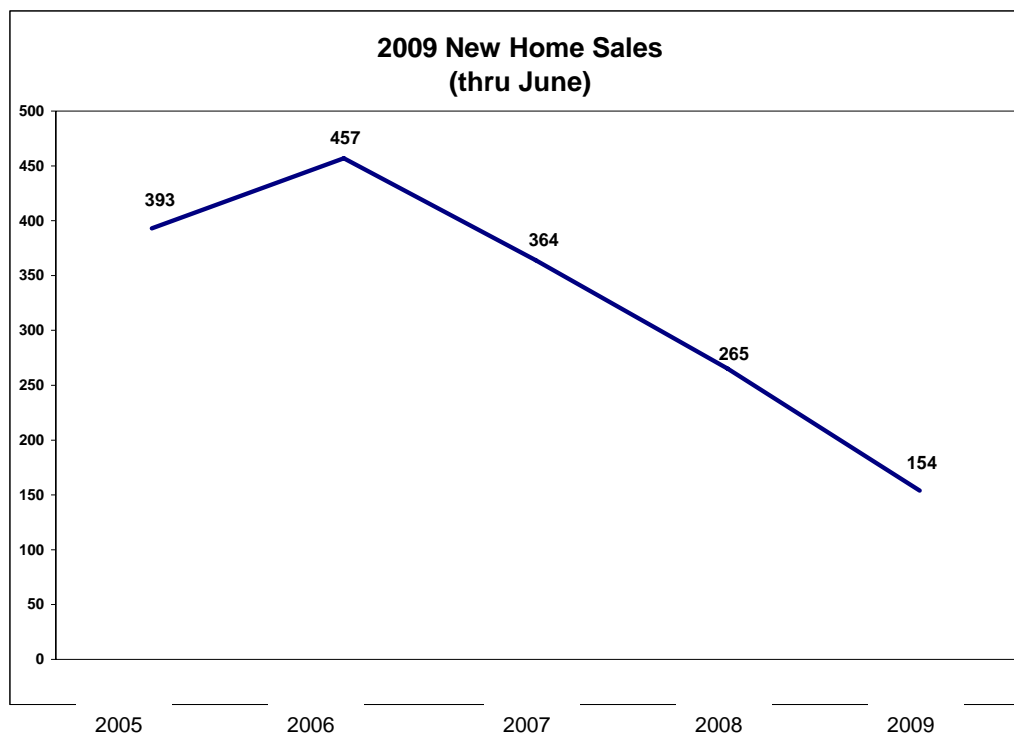
Average Days on Market (thru June)					
County	2005	2006	2007	2008	2009
Albemarle	55	59	91	114	107
Charlottesville	59	55	69	122	128
Fluvanna	64	69	86	128	132
Greene	54	85	94	93	97
Louisa	98	84	137	115	102
Nelson	72	82	113	163	165
Orange	79	76	111	140	152
*Area Average	64	69	92	122	125
**Central Valley				143	150

*\*includes sales outside the counties listed*

*\*\*numbers courtesy of the Greater Augusta MLS*

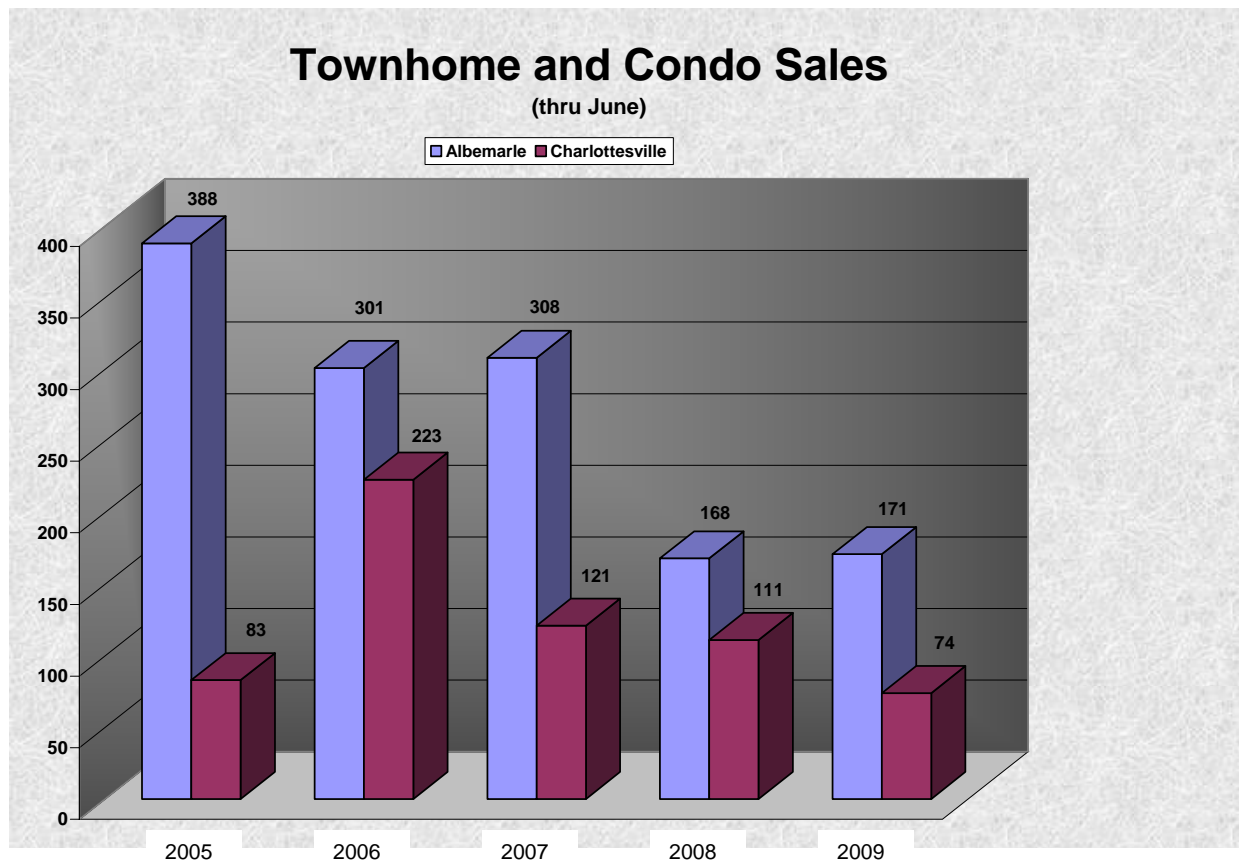
### New Construction Still Slow

It is important to note that many "new" homes are not included in CAAR MLS statistics. It is very common for a buyer to contact a builder directly to custom build a home. With that said, the historical perspective of the pace of new home sales gives us a reasonably good picture of the market for new construction. As the chart below shows, new home sales are still struggling and until the inventory of homes for sale declines, new construction will lag.



### Condos and Townhomes (Attached Homes)

The sale of attached homes is only reported in Charlottesville and Albemarle because very few properties in this category are located in other counties, except Nelson. Since the condos in Nelson are primarily in the Wintergreen Resort market, we have decided not to include them in this report. One of the more interesting numbers in this report is the small increase in the sale of attached homes in Albemarle that first showed up in the 2009 1<sup>st</sup> Quarter Market Report. Charlottesville attached home sales are down 33.3%, while Albemarle sales edged up 1.8% compared to 2008. The chart below shows the attached homes sold in 2009 compared to past years. Inventory levels of attached homes for sale are still high, with an average DOM of 174 for properties currently on the market. The median price of an attached home currently on the market is \$219,900. The median price for an attached home that sold in the first six months of 2009 is \$223,000 for Albemarle and \$239,388 for Charlottesville.



### Conclusions and Predictions

Although we have been recommending the need for sellers to reduce their prices under the current market conditions, evidence of these price reductions has not shown up until this quarterly report. There is a direct relation between lower prices and higher sales. As more and more sellers price their properties according to the current market, sales should continue to increase. Increased sales is not something we normally see in the second half of the year, but this year, fueled by realistic prices, low interest rates, tax credits, and pent-up demand, may be an exception. We should see a slow but steady improvement in the number of sales for the balance of the year.

By the 4<sup>th</sup> quarter of 2009, we will likely see a year-to-year sales improvement, but only because the 4<sup>th</sup> quarter of 2008 was so bad it will be hard not to beat. 2009 is slowly heading in a positive direction in terms of sales and inventory levels and we expect that trend to continue. We may see more evidence of price declines in future market reports as more and more sellers accept the reality of this market. Additional declines in prices are possible, but it will be hard to tell if these price drops are a result of more sellers finally pricing their properties based on the current market, or a real decline in home values. Only time, and future market reports, will reveal this to us.

This Quarterly Market Report is produced by the Charlottesville Area Association of REALTORS<sup>®</sup> using data from the CAAR MLS and the Greater Augusta MLS where noted. For more information on this report or the real estate market, pick up a copy of the CAAR *Real Estate Weekly*, visit [www.caar.com](http://www.caar.com), or contact your REALTOR<sup>®</sup>.