

October 2009
Harrisonburg & Rockingham County
Real Estate Market Report

November 9, 2009

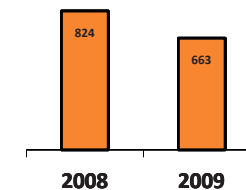
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HOME SALES REPORT

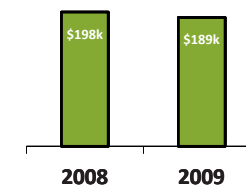
Harrisonburg & Rockingham County

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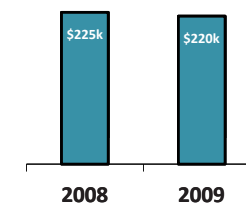
# Home Sales	2008	2009	% Change
October ---	62	62	0.00%
Year To Date ▼	824	663	-19.54%



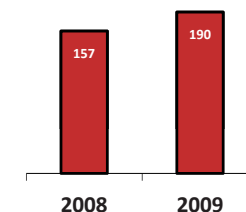
Median Sales Price	2008	2009	% Change
October ▼	\$197,000	\$184,748	-6.22%
Year To Date ▼	\$197,900	\$190,000	-3.99%



Average Sales Price	2008	2009	% Change
October ▼	\$226,057	\$205,617	-9.04%
Year To Date ▼	\$223,881	\$218,155	-2.56%



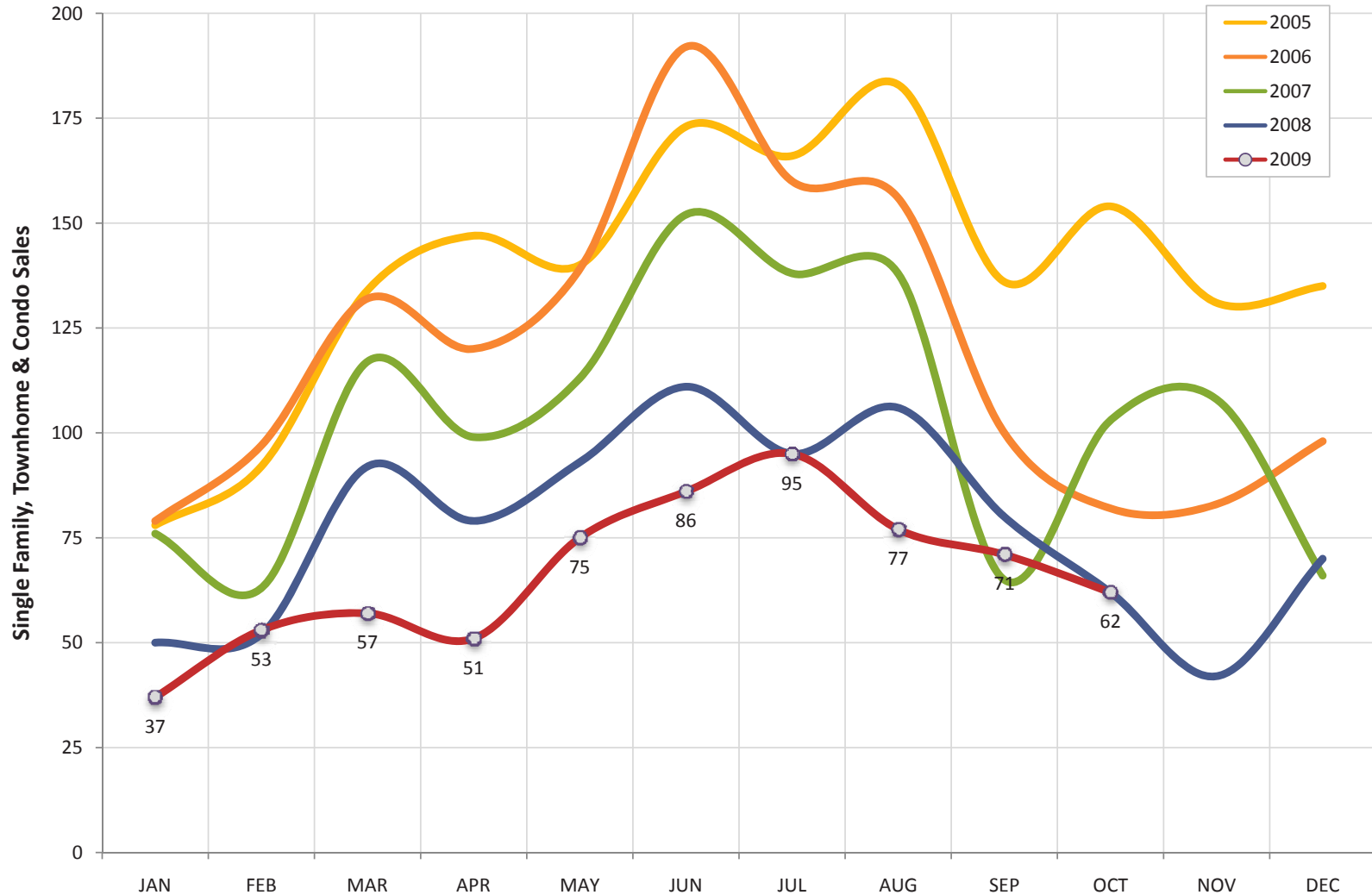
Average Days on Market	2008	2009	% Change
October ▲	123	163	32.52%
Year To Date ▲	165	187	13.33%



Perhaps our local real estate market is starting to pick up a bit of steam, or perhaps we're seeing more closings as a result of the \$8,000 tax credit and historic low rates. Either way, despite sales being off 20% this year compared to last year, there were as many home sales in October 2009 as there were in October 2008. This increase

in sales volume, however, may have been in response to more flexible sellers. The median sales price has fallen 4% year-to-date, and the average sales price has fallen 2.5% year-to-date. Though declines, these are tremendously small shifts compared to most other real estate markets in Virginia and the country as a whole.

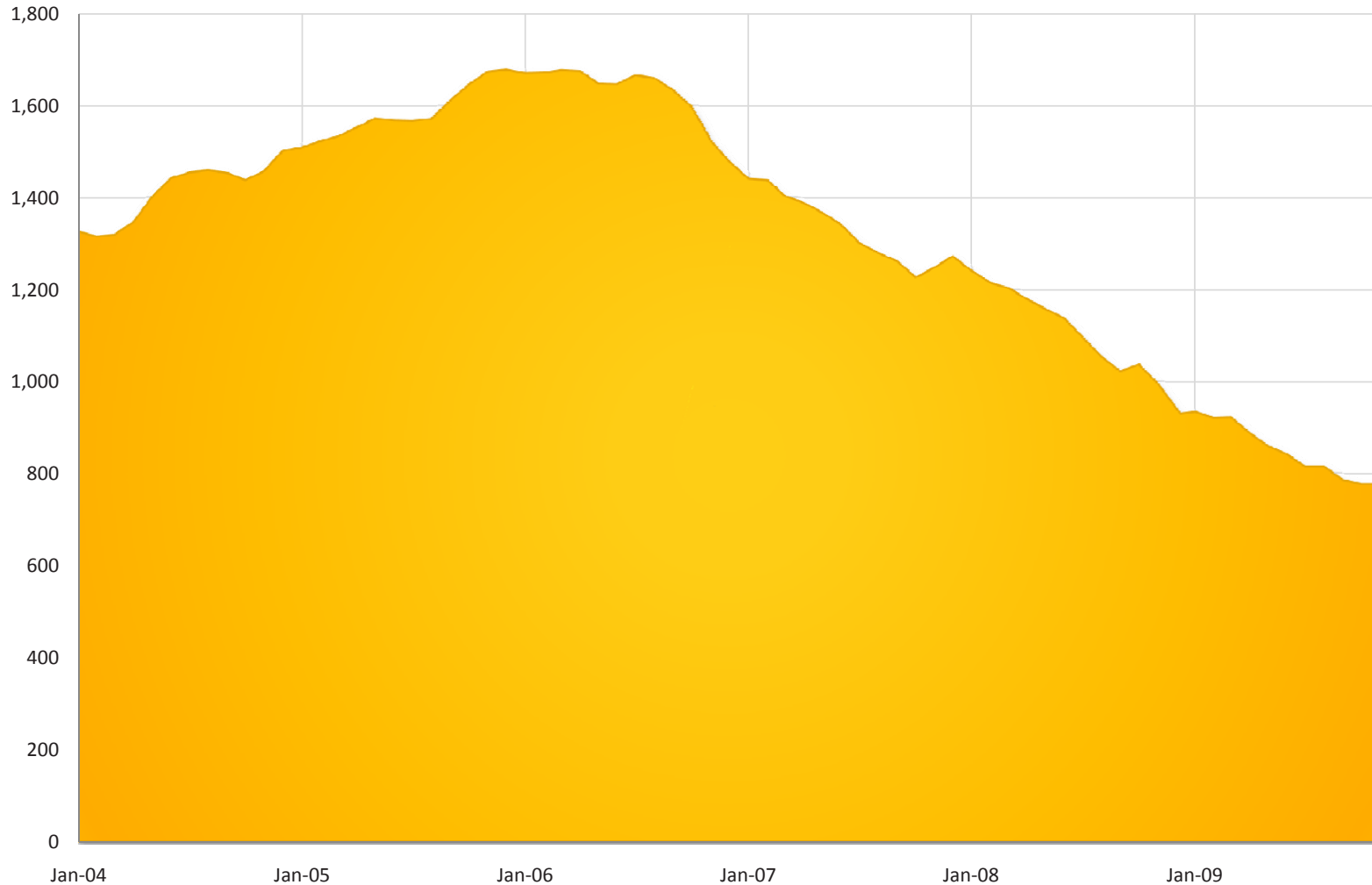
Harrisonburg & Rockingham County Month-By-Month Home Sales History



Real estate sales increase and decrease seasonally, and as we head into the winter, sales typically start to decline. This year was no different, with fewer home sales in October than in November, but since we matched the October 2008 sales pace in October 2009 (despite an overall 20% decline between 2008 and 2009), perhaps

we'll exceed the November 2008 pace this month. It wouldn't be too much of a surprise if we did, as the (second of three versions of the) tax credit was set to expire in October than in November, but since we matched the October 2008 sales pace in October 2009 (despite an overall 20% decline between 2008 and 2009), perhaps

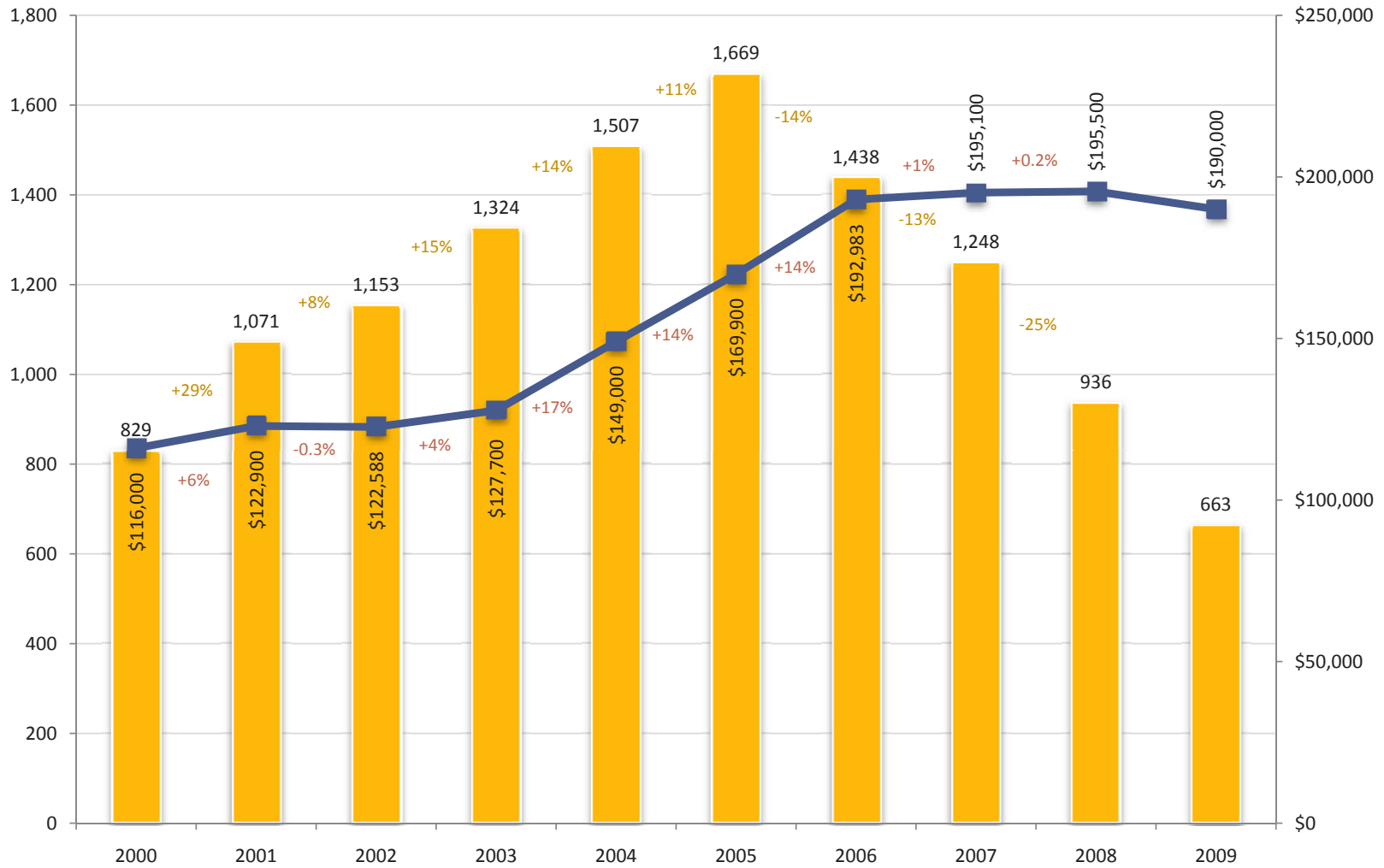
Harrisonburg & Rockingham County
Time-Adjusted Home Sales Trends :: All Homes
Sum of Preceding 12 Months



While it is only a small plateau, the long-term (time-adjusted) sales trends showing a leveling off over the past few months. This happened quite tangibly in October 2009 since there were 62 home sales, the same amount as took place in October 2008. This rolling twelve month sum of home sales shows us the bigger picture of the

momentum of the market. Hopefully we will continue to see stability in this market indicator as we move through the next six months --- perhaps aided by the first time buyer (\$8,000) and long term resident (\$6,500) tax credits.

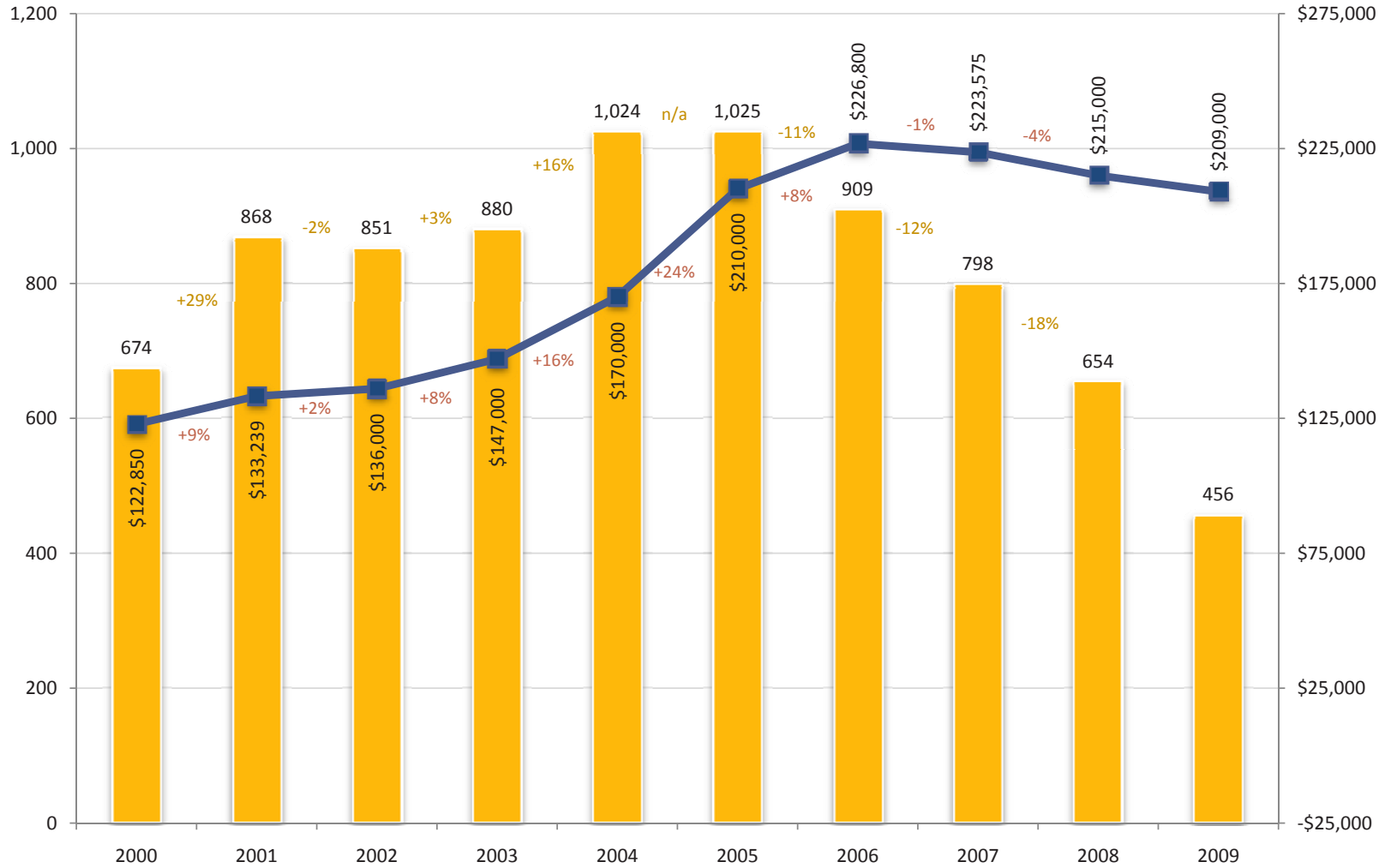
Harrisonburg & Rockingham County
Home Sales & Price Trends
 Single Family Homes & Townhomes



This graph provides excellent overall insight into the performance of the residential real estate market in Harrisonburg and Rockingham County. We see, via the yellow bars, that the pace of home sales will likely again show a decline when 2009 draws to a close, though we are not likely to see another 25% decline as we experienced

between 2007 and 2008. The median sales price, shown with the blue line, continues to stay relatively stable, though with a slight decrease when comparing 2008 and 2009. This decrease is actually a bit larger when considering the changes in the context of moderate year to year inflation.

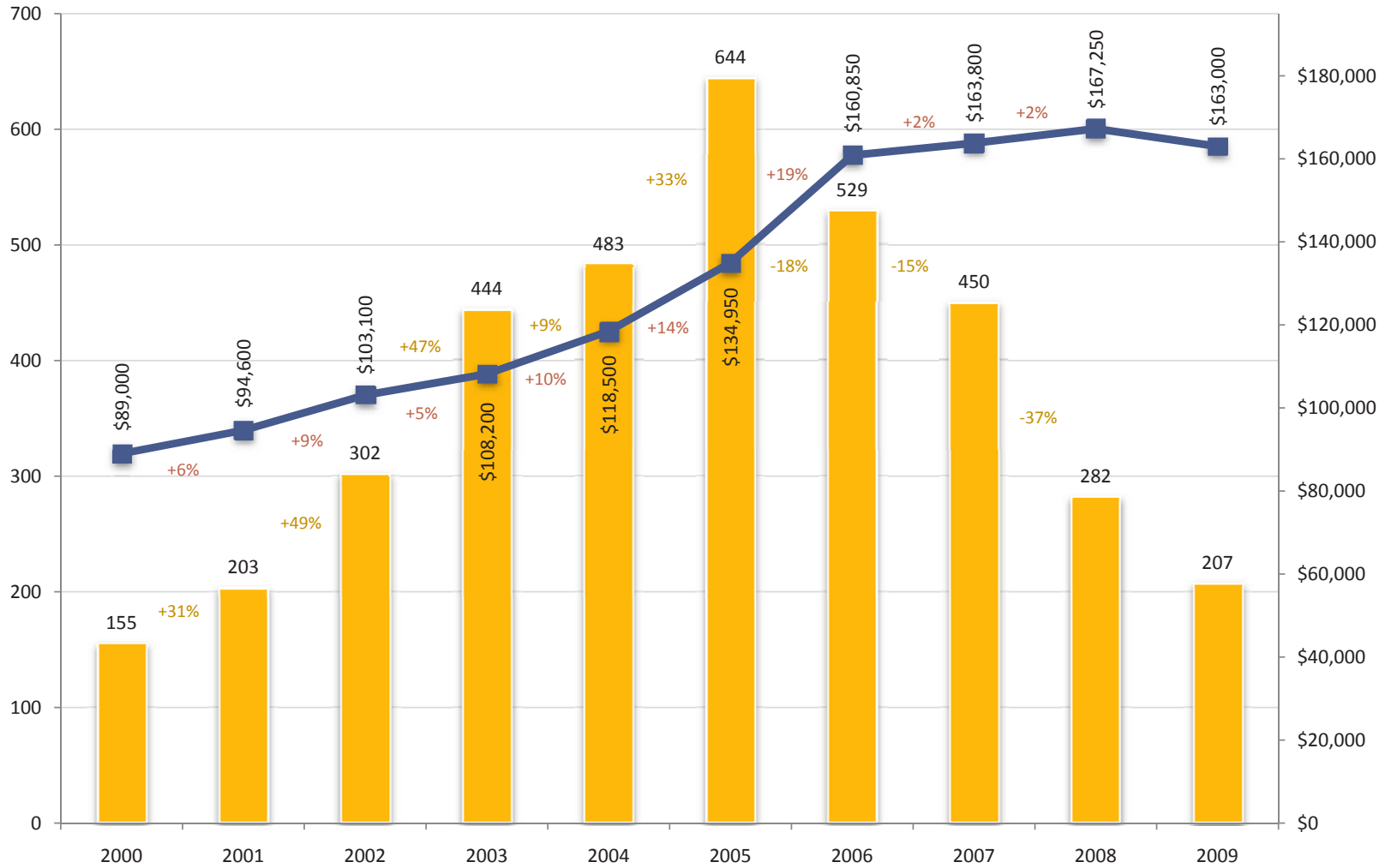
Harrisonburg & Rockingham County
Home Sales & Price Trends
 Single Family Homes



Single family homes continue to show a moderate decline in median sales price, as shown by the blue line in this graph. We have now seen an overall decline of 7.8% between 2006 and 2009 year-to-date. This averages out to an approximate 2.5% decline per year during this time frame. This decline is unfortunate for home owners,

but is quite mild within the context of sales price and value declines seen in most other parts of Virginia and the nation as a whole. The pace of single family homes also continues to slow, with only 456 home sales thus far this year, as compared to the total of 654 sales in 2008.

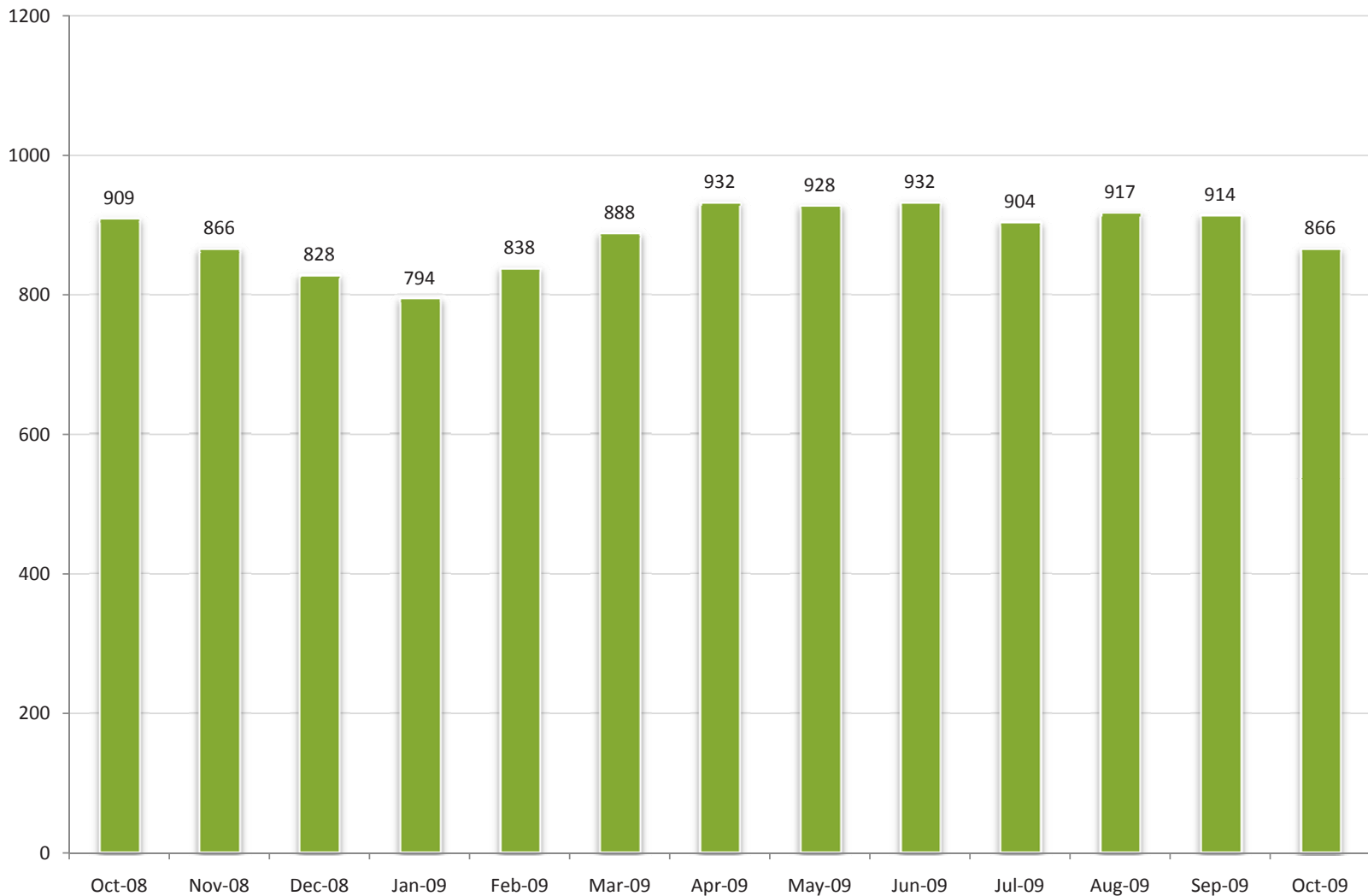
Harrisonburg & Rockingham County Home Sales & Price Trends Townhomes



Between 2006 and 2008, townhomes in Harrisonburg and Rockingham County managed to escape the general sales price declines seen in the overall residential market. However, it appears that there will be a small downward shift in this median home price by the time 2009 comes to a close. Thankfully, however, there has been a

relatively small year-to-year shift in the number of townhomes in 2009 compared to 2008. This is in contrast to the staggering 37% decline in townhome sales between 2007 and 2008. This smaller decrease (in 2009) may be related to the \$8,000 tax credit for first time home buyers, as many first time buyers purchase townhomes.

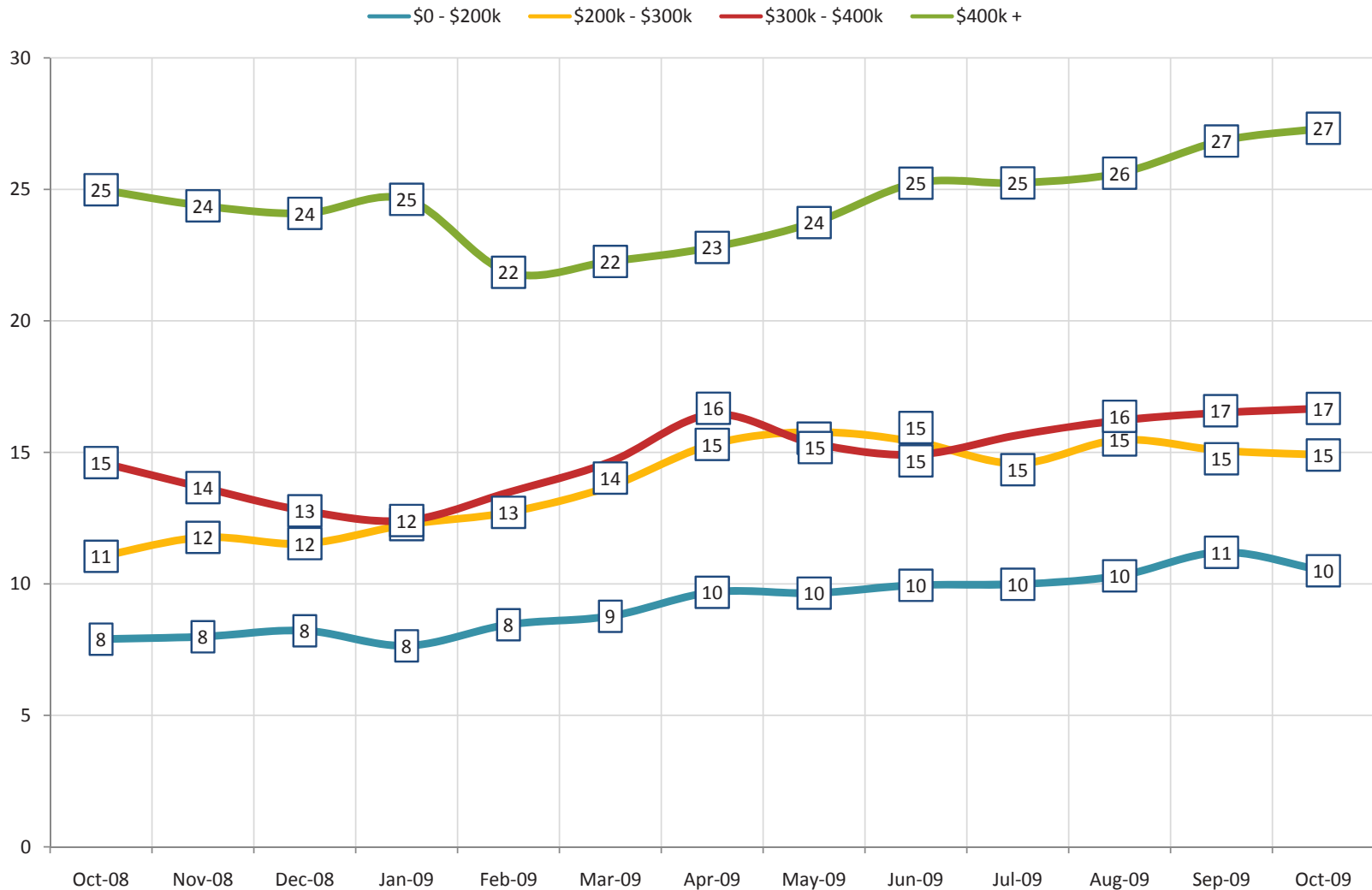
Harrisonburg & Rockingham County Inventory Levels



While our local market still has an excess of supply of homes for sale (as shown on the next page), we do still see a decline in overall inventory levels when comparing October 2009 to October 2008. Ultimately, however, we will need to see more of a decline to return to a closer balance between buyers and sellers. If last year's

trend is any indication, we should continue to see declines in inventory as we move through November, December and January -- as many homeowners decide to take their homes off the market during this time frame. This will mean (perhaps only marginally) fewer choices for buyers.

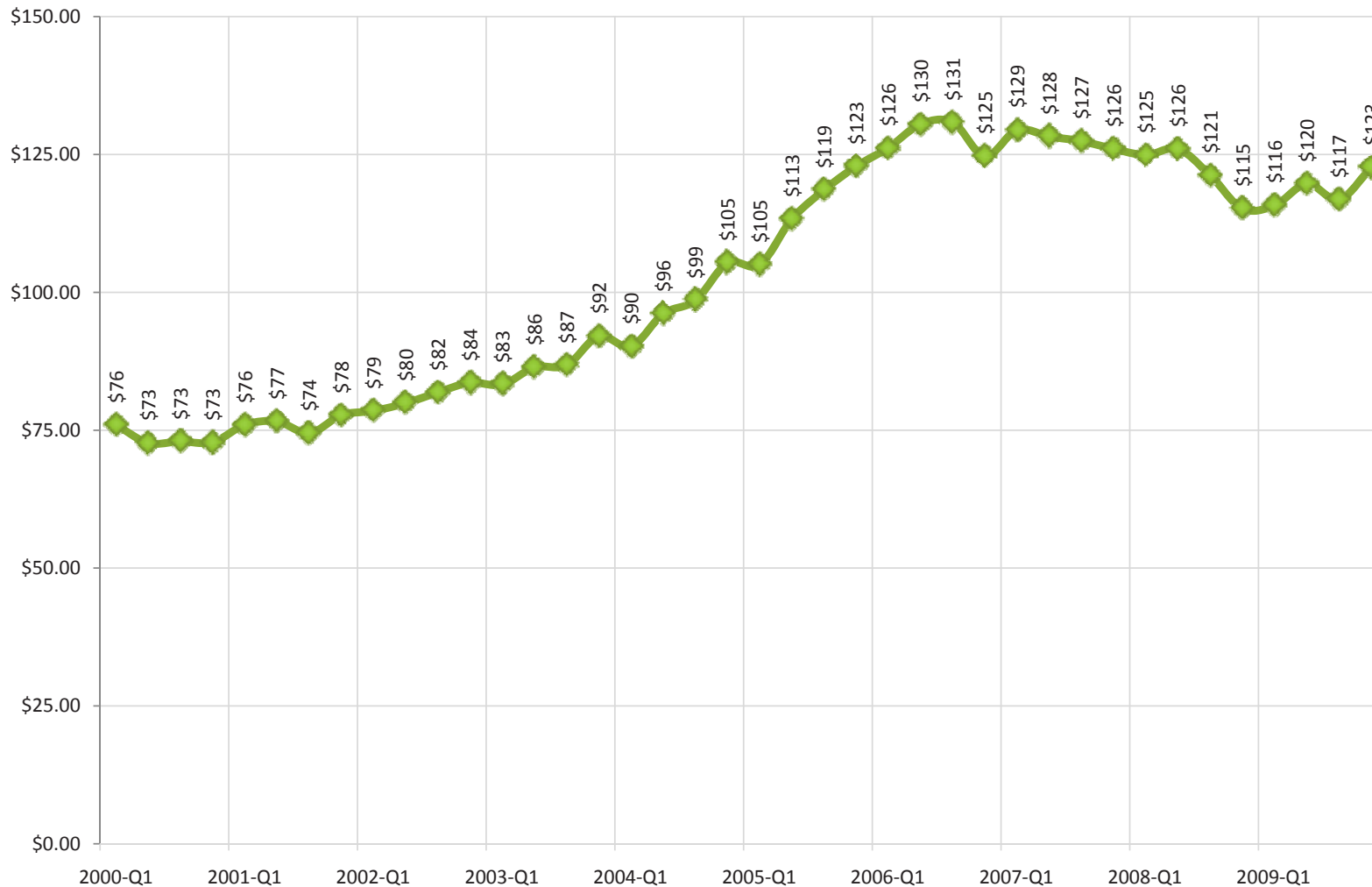
Harrisonburg & Rockingham County Housing Supply Trends by Price Range



The supply levels shown above are calculated by comparing the number of homes currently on the market with the average number sold per month over the past year. This graph examines supply trends in several different price ranges, and as becomes quickly evident, the balance between buyers and sellers differs drastically

depending on the price range of the subject property. The lowest priced market segment (below \$200,000) continues to have the healthiest balance between buyers and sellers. The most serious imbalance is in the \$400k+ price range where supply levels exceed two years.

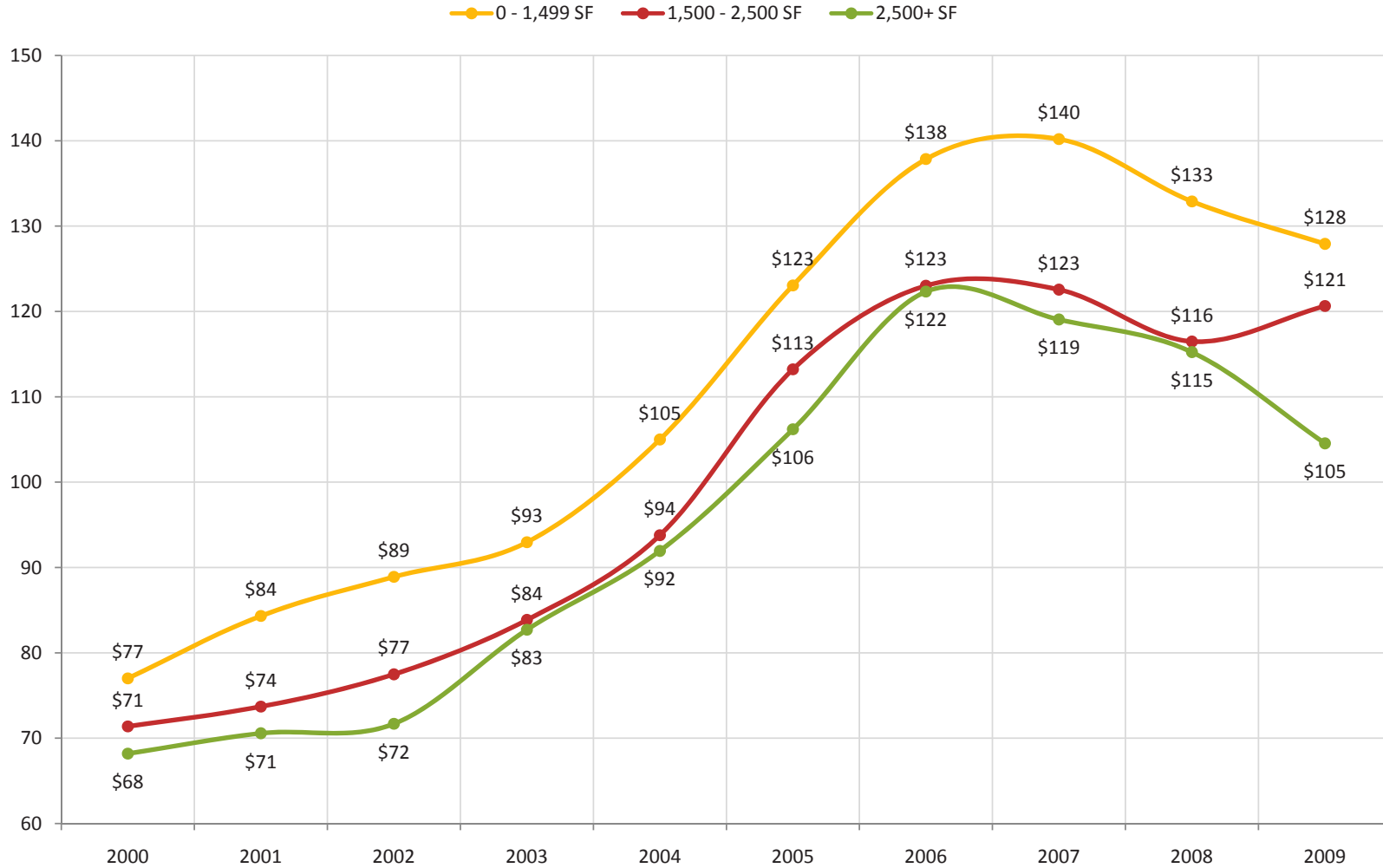
Harrisonburg & Rockingham County Median Price Per Square Foot Trends Single Family Homes



Another measurement of value over time is shown in the median price per square foot of single family homes sold in Harrisonburg and Rockingham County -- pictured above. As can be seen, this value has gradually shifted down since 2006, as we saw in the median sales price of single family homes during this same time period. This

is not an absolute guide on what to expect to pay for a house in today's market, since this median value includes new homes, very old homes, homes with and without basements and garages, and many other variations of homes that could affect the oversimplified value judgement of price per square foot.

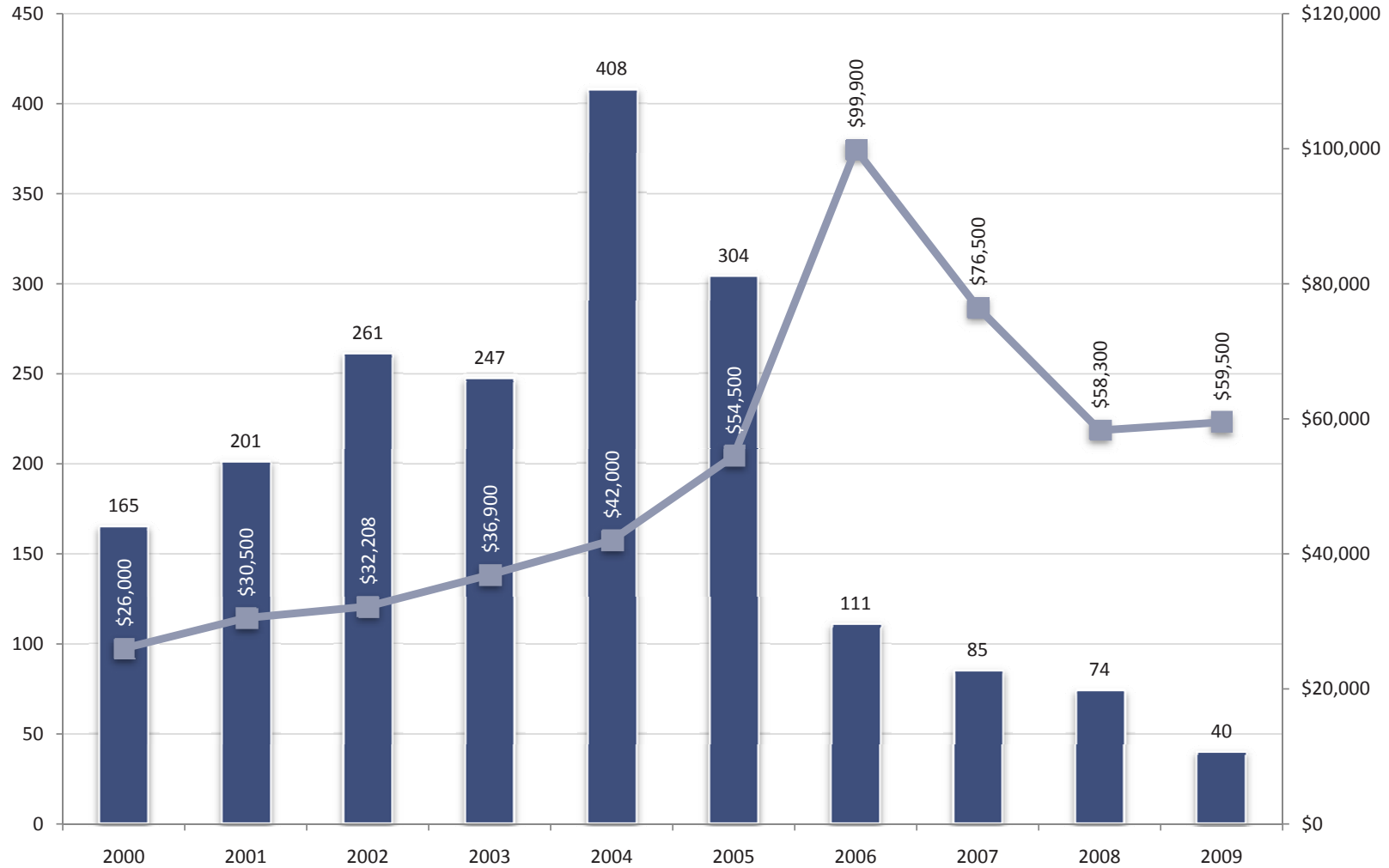
Harrisonburg & Rockingham County
Median Price Per Square Foot by Home Size
 Single Family Homes



Expect to pay a bit more per square foot for smaller homes --- it has been that way for almost 10 years now. The graph above shows how median price per square foot varies based on the size of the house in question. Interestingly, the median price per square foot of mid-sized and large homes have remained relatively closely paired

over the past nine years, but have separated quite dramatically over the past year. Price per square foot of the largest homes in our market is now just over \$100 per square foot, while the median price per square foot of mid-sized homes is much closer to the overall median value for this metric.

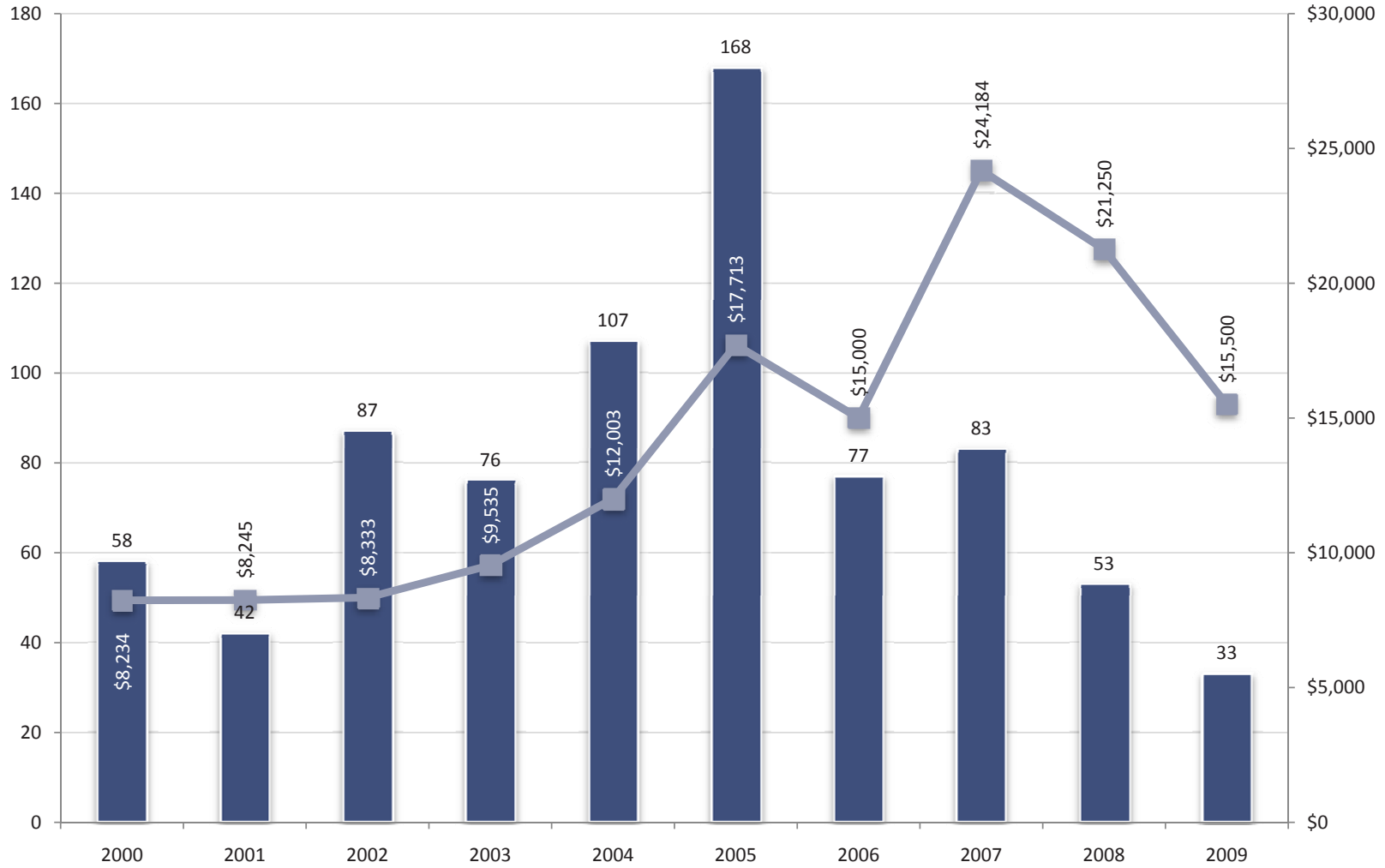
Harrisonburg & Rockingham County
Lot Sales & Median Prices
 less than 1 acre



The graph above illustrates the drastic decrease in lot sales that our local market has experienced over the past several years. With lot sizes smaller than one acre, most of these lots are in subdivisions, on public water and sewer. The main cause for this drastic decrease is that new construction has slowed -- most builders are no

longer buying building lots and building houses speculatively. Furthermore, many lot "end users" are no longer considering building, because of changing circumstances with their finances, or because of general economic and market uncertainties. The decrease in median lot prices is not surprising, given the large decrease in sales.

Harrisonburg & Rockingham County
Land Sales & Median Price Per Acre
 1 acre or more



Land sales of parcels larger than one acre have not decreased as significantly as small lot sales have. We continue to see a decline, but aside from the spike in land sales in 2005, there has always been quite a bit of variation in the number of land sales happening in a given year. Of note, however, the median price per acre of the

land that is selling has slipped tremendously over the past two years, from a high of \$24k per acre down to the current level of \$15k per acre. This is likely to slip a bit further if land sales continue to decline, or even if they continue to stay at their current low level.

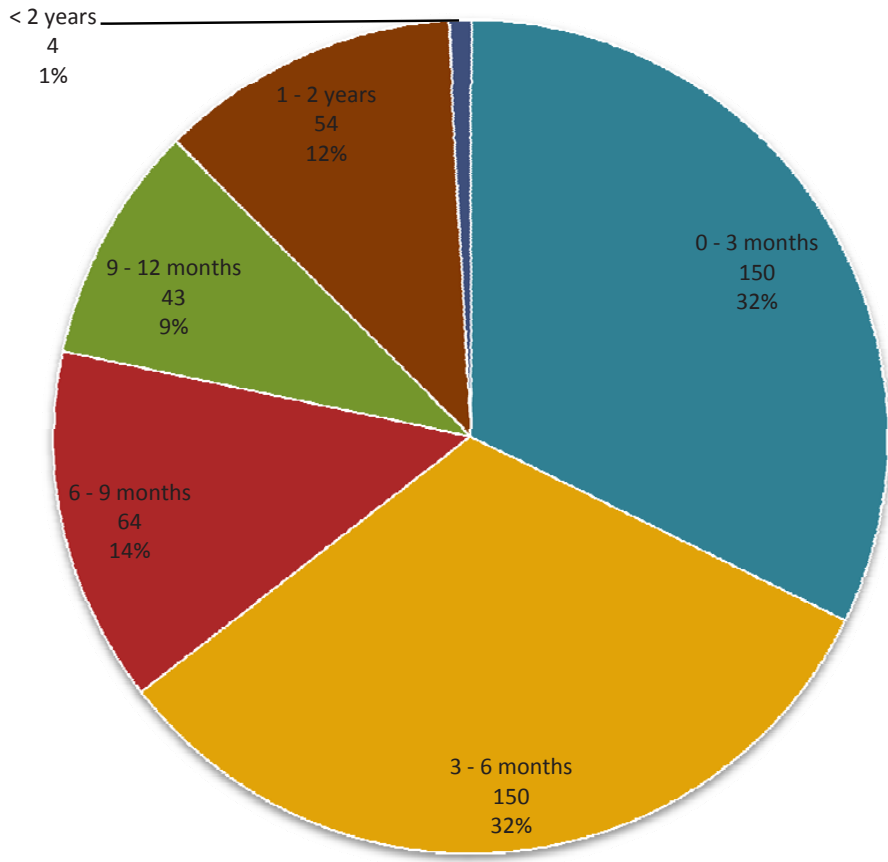
Harrisonburg & Rockingham County
New Construction Single Family Home Sales Trends
 Number of Sales, Median Price Per Square Foot



This graph isolates new or almost new single family homes that have sold for each of the past ten years. We have seen a steady decline in the number of new construction single family homes selling since 2005, but of note, the median price per square foot of these homes has not shifted as much as we might otherwise expect. While this

metric includes houses with significant variation in their characteristics (basement, garage, lot size), this price per square foot metric can likely be a helpful rule of thumb in discussing price per square foot or building costs with a builder.

Harrisonburg & Rockingham County Days on Market Analysis Residential Listings Sold May '09 - Oct '09

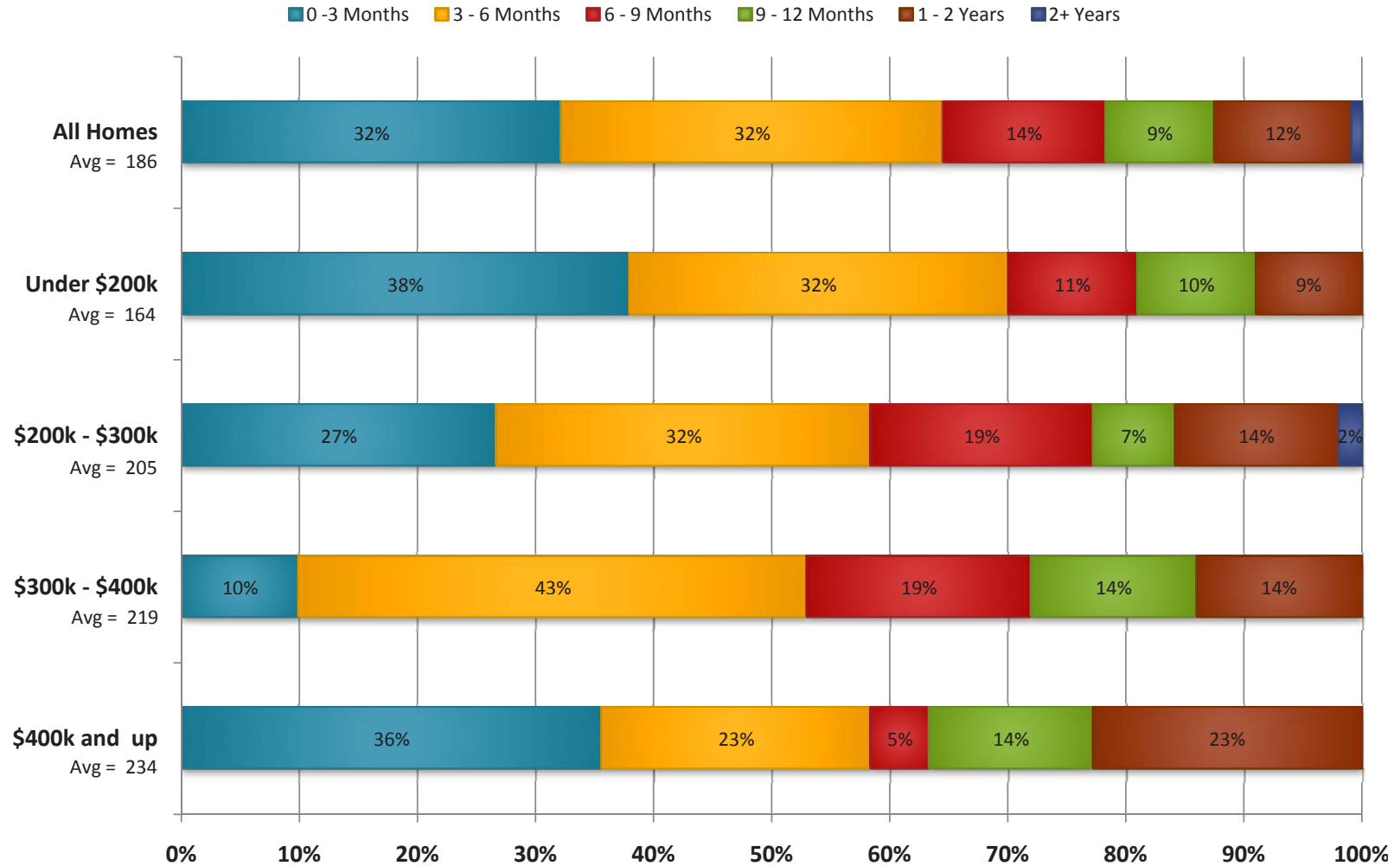


Average Days On Market: 186

Most homes that sell (64%) are selling (and closing) within six months of coming onto the market. This, of course, does not factor in the many (many) homes that languish on the market and do not sell -- leading to a higher average days on market statistic. Given that it typically takes 45 - 60 days to move from a ratified contract to

the closing table, it is quite remarkable that a full 32% of home sales in the past six months have taken place within 3 months of the date when those properties came on the market. This means that they were under contract within the first 30 or 45 days of being listed, which is likely a surprising figure for many hopeful sellers.

Harrisonburg & Rockingham County
Days on Market Analysis by Price Range
 May 2009 - October 2009



The time that it takes to sell a home in today's market varies quite significantly based on the price range of the home in question. For example, a full 38% of homes that sold for less than \$200,000 sold in the first 90 days of being on the market, while only 10% of homes between \$300,000 and \$400,000 were able to sell in that same

time period. On the other end of the spectrum, only 9% of homes that sold for less than \$200,000 took more than a year to sell, but a full 27% of homes priced over \$400,000 took over a year to sell. The average days on market for homes over \$400k (234 days) is 43% higher than that of homes under \$200,000 (164 days).