

October 2010 Harrisonburg & Rockingham County Real Estate Market Report

An Analysis of Real Estate Activity Through September 30, 2010

October 8, 2010

provided courtesy of
HarrisonburgHousing*today*.com
*and Scott P. Rogers, Associate Broker,
Coldwell Banker Funkhouser Realtors*

HOME SALES REPORT

Harrisonburg & Rockingham County

October 8, 2010

# Home Sales	2007	2008	2009	2010	% Change ('09 - '10)
September	65	80	72	54	-25.00%
January - September	971	762	603	586	-2.82%

Median Sales Price	2007	2008	2009	2010	% Change ('09 - '10)
September	\$202,500	\$199,942	\$204,500	\$170,200	-16.77%
January - September	\$195,000	\$197,900	\$190,000	\$180,000	-5.26%

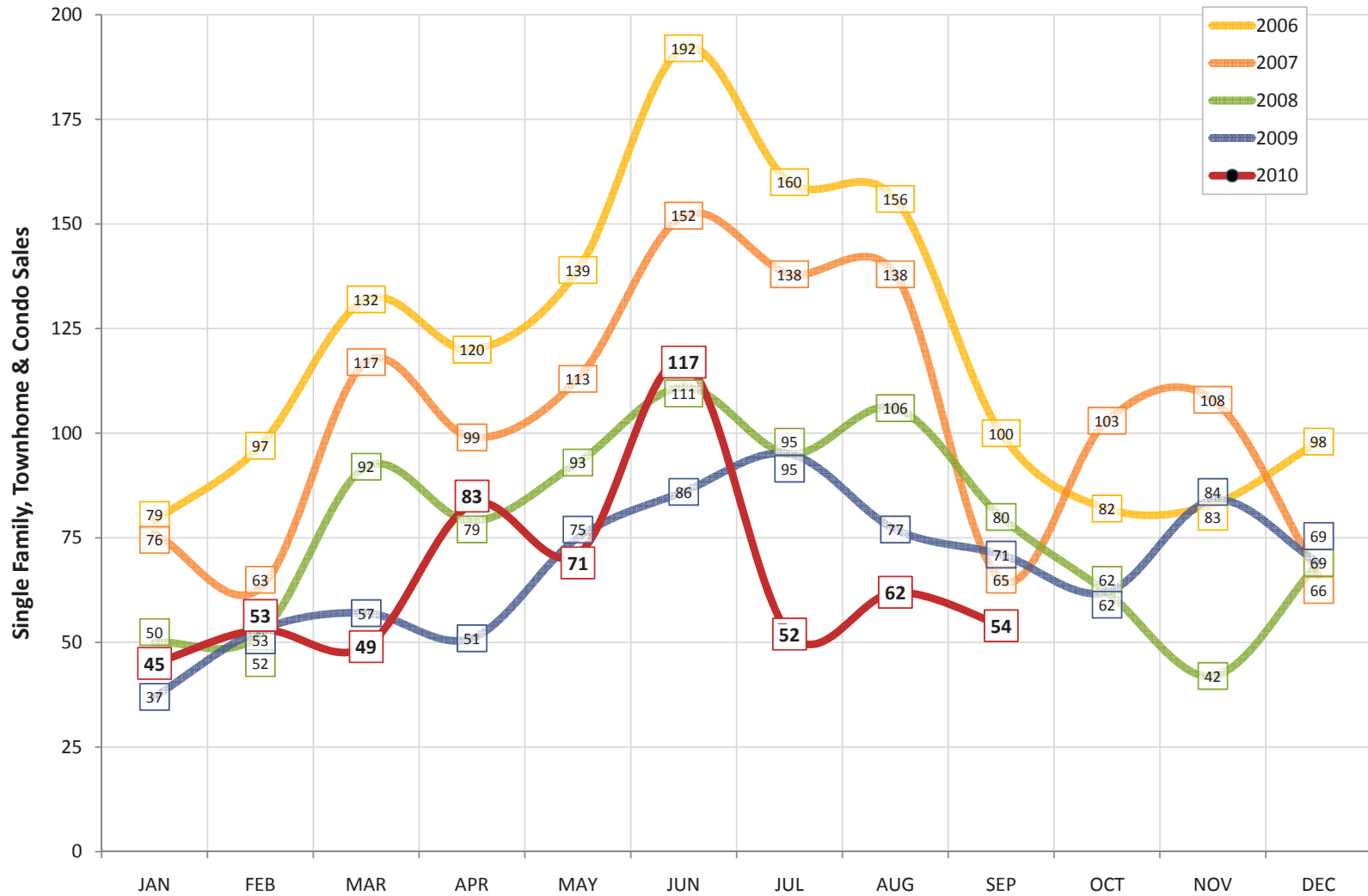
Average Sales Price	2007	2008	2009	2010	% Change ('09 - '10)
September	\$225,439	\$216,034	\$219,715	\$193,077	-12.12%
January - September	\$223,297	\$223,704	\$219,379	\$210,509	-4.04%

Average Days on Market	2007	2008	2009	2010	% Change ('09 - '10)
September	232	200	217	185	-14.75%
January - September	194	167	189	192	1.59%

The pace of home sales in Harrisonburg and Rockingham has fluctuated significantly over the past decade. In the first nine months of 2000, there were 595 home sales per the HRAR MLS. That figure (Jan-Sep) peaked at 1,249 home sales in 2005, and has been falling ever since. This year, at last, the slow down may be slowing down.

The 22% drop in sales pace between 2007 and 2008, was followed by a 21% drop in sales pace between 2008 and 2009. This year we see a mere 3% drop in sales pace as compared to 2009. Home values, however, continue to decline -- as declined by median sales price (-5%) and average sales price (-4%).

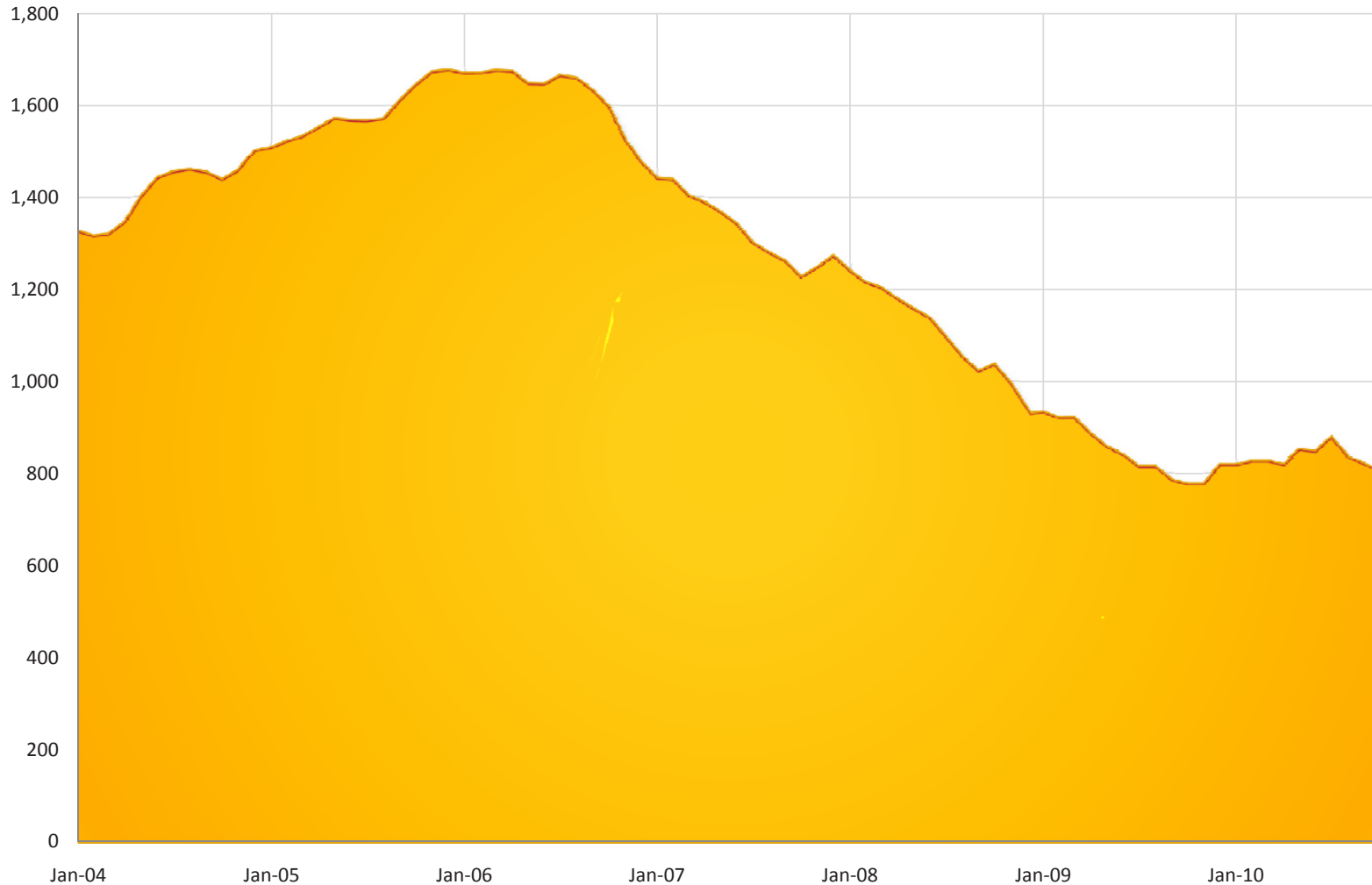
Harrisonburg & Rockingham County Month-By-Month Home Sales History



The home buyer tax credit undoubtedly affected our local housing market. Even if the tax credit didn't necessarily bring a significant number of new buyers into the market, the credits did affect the timing of home sales this year. Despite only a 3% decline in sales pace between 2009 and 2010 -- there has been a drastic difference

when looking at most of the individual months of 2010. July, August and September of 2010 have been quite slow compared to the same month in 2009 -- but those low sales figures were offset by the soaring home sales in April and June of 2010. Despite slow September sales, year to date sales continue to hover close to 2009.

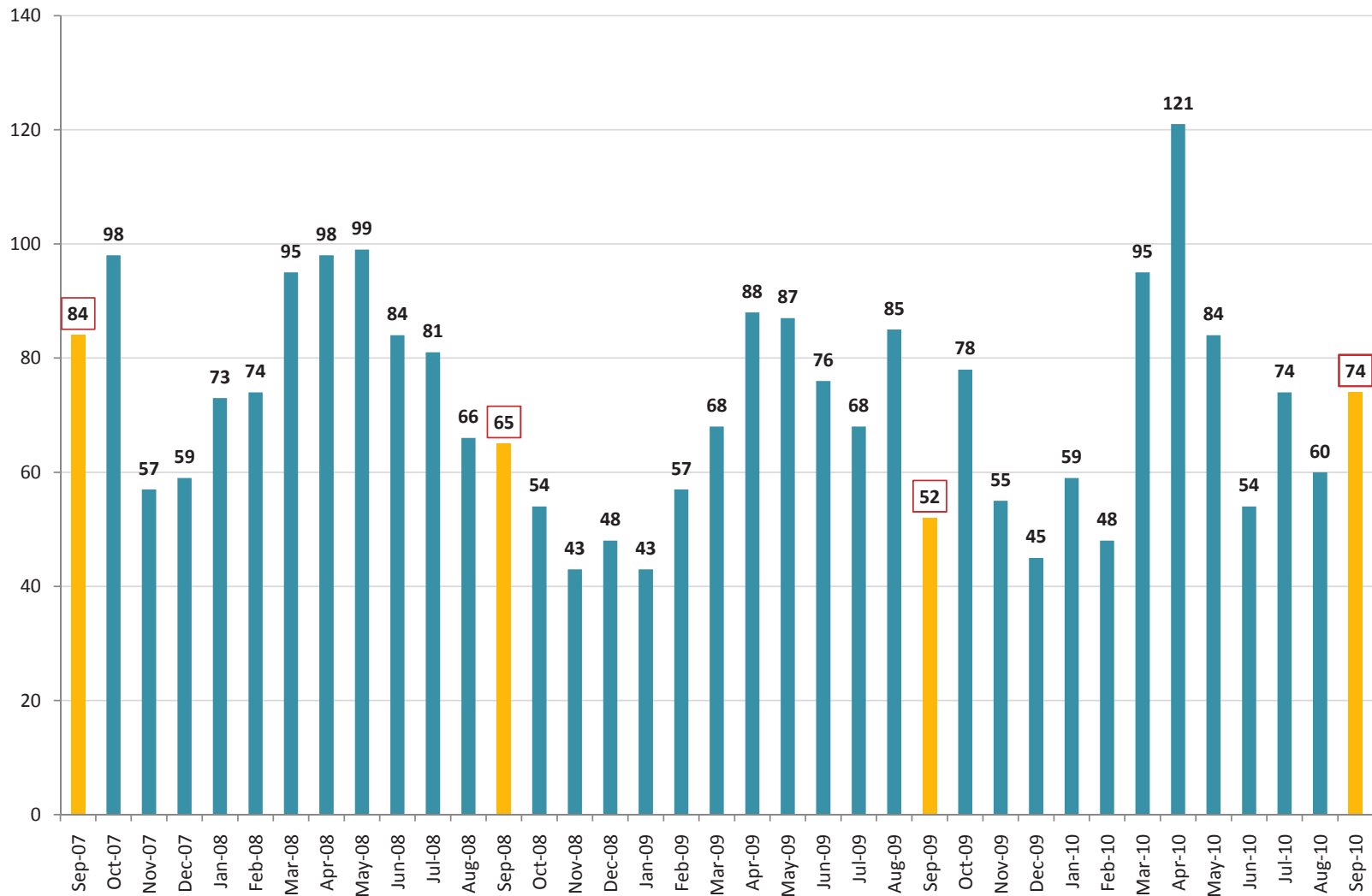
Harrisonburg & Rockingham County
Time-Adjusted Home Sales Trends :: All Homes
Sum of Preceding 12 Months



Each data point in the graph above shows the number of sales in a twelve month period, thus accounting for all seasons (and months) of the year. This graph can provide the most well rounded look at changes in sales pace, even though sometimes it takes several months for a new trend to appear. Throughout the first half of 2010,

this well rounded index was showing a gradual strengthening of the local housing market, as measured by the number of home sales. Over the past few months, however, this metric has declined, largely because of the end of the home buyer tax credit. This indicator could/should/might level out as we close out the year.

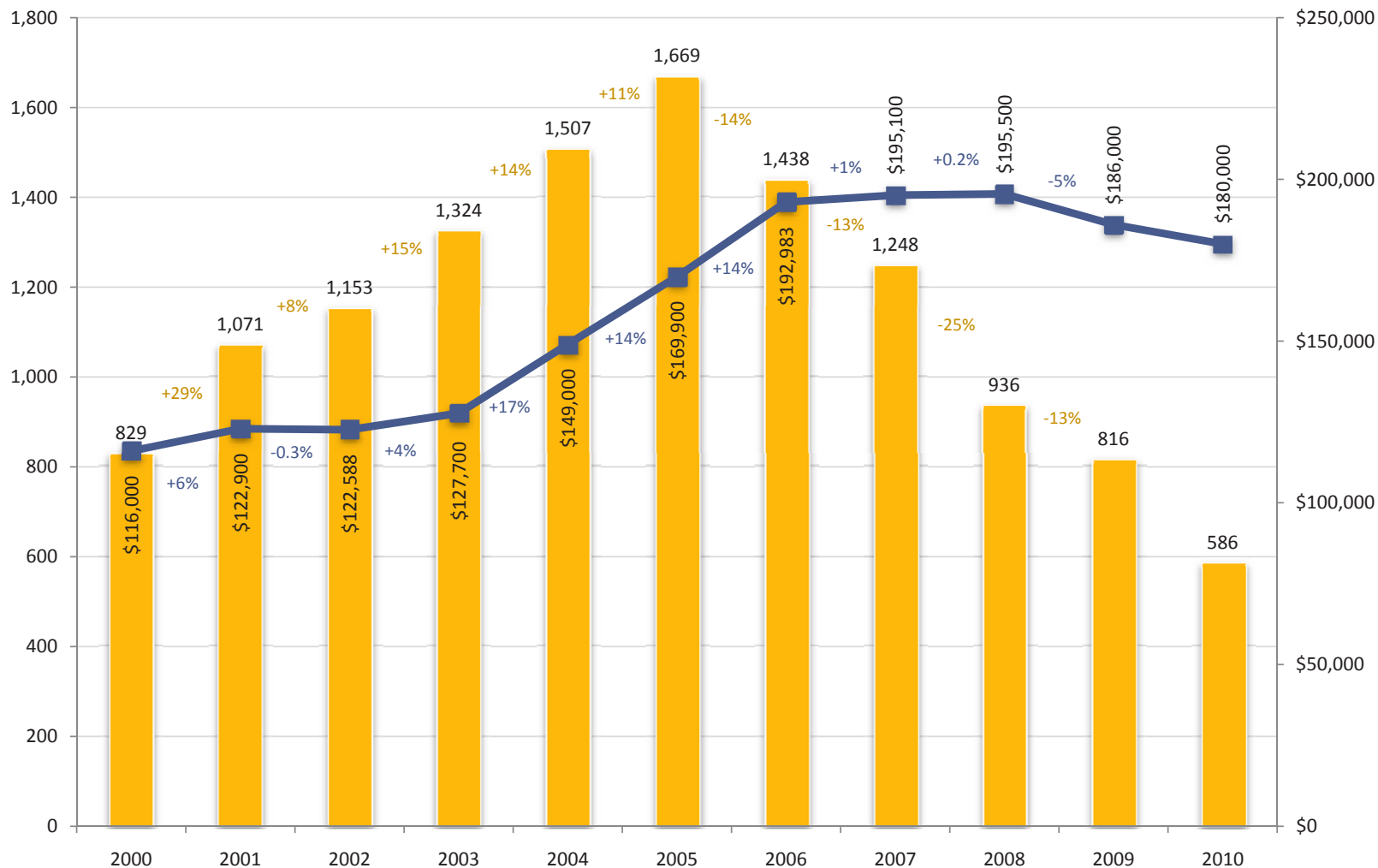
Harrisonburg & Rockingham County
Buyers Per Month Committing to Buy Properties



This graph examines trends in buyers committing to buy properties. This graph shows the number of properties that are marked “under contract” in the Harrisonburg / Rockingham MLS each month. Some of these contracts may fall through, so this graph will help us to predict sales activity, but it won’t always be a perfect indicator.

Despite a slow month of closings in September, buyers were coming back out of the shadows. The buyers that contracted on 74 properties in September 2010 exceeded September contract figures for September 2008 and September 2009. This is likely indicative of a stronger fourth quarter of 2010 than seen in 2009.

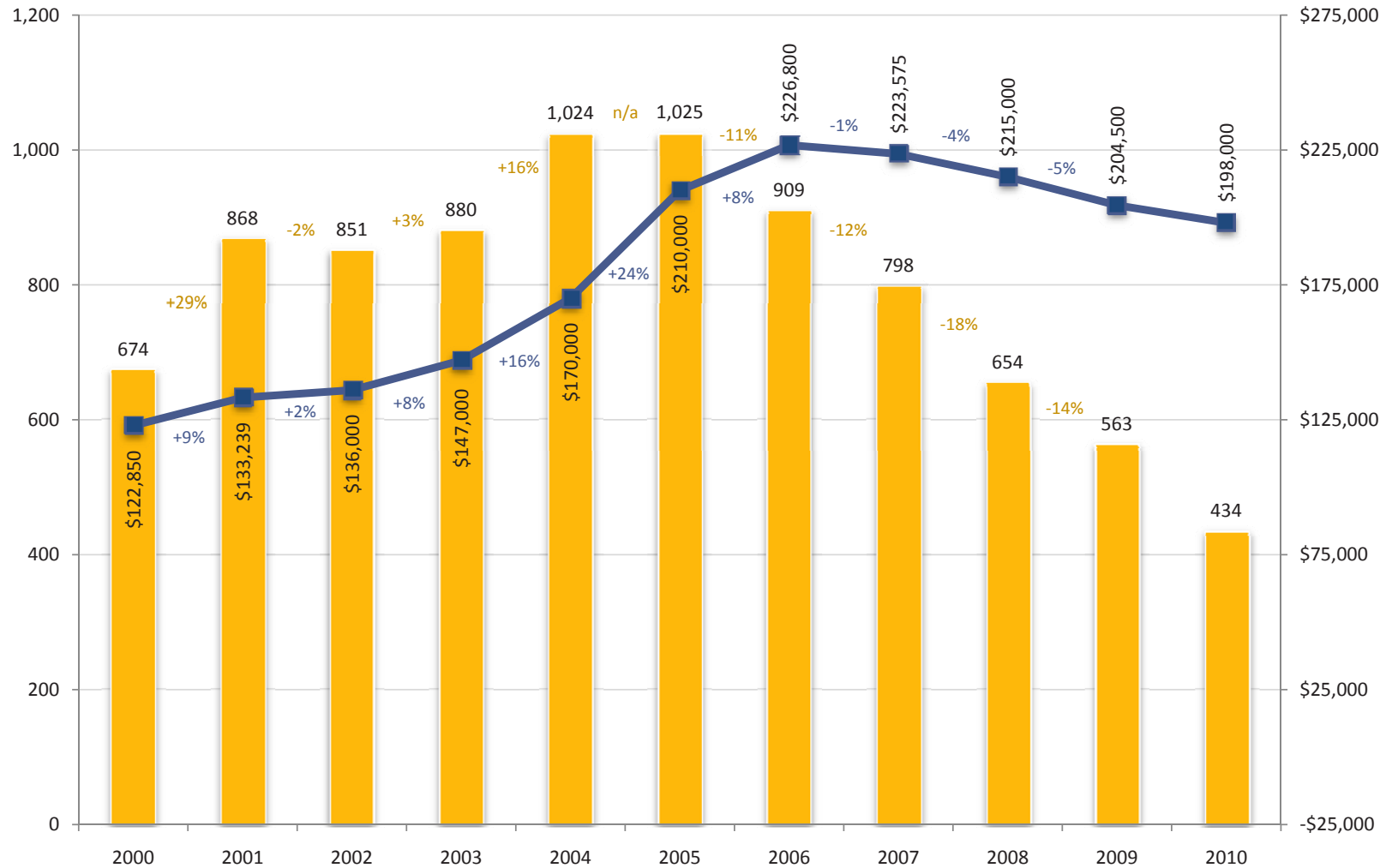
Harrisonburg & Rockingham County Home Sales & Price Trends Single Family Homes & Townhomes



This graph depicts the overall picture of how the Harrisonburg and Rockingham County real estate markets have performed over the past 10 years. After a steady increase in the number of homes selling for many years (2000-2005), the number of closings then declined for the second half of the decade (2006-2010). Home

values have passed through three stages: moderate appreciation (2000-2003), rapid appreciation (2003-2006) and finally a period of a slow decline (2007-2010). While homeowners would prefer for home values be increasing again, it may be another year before we see that take place, after the number of home sales has leveled off.

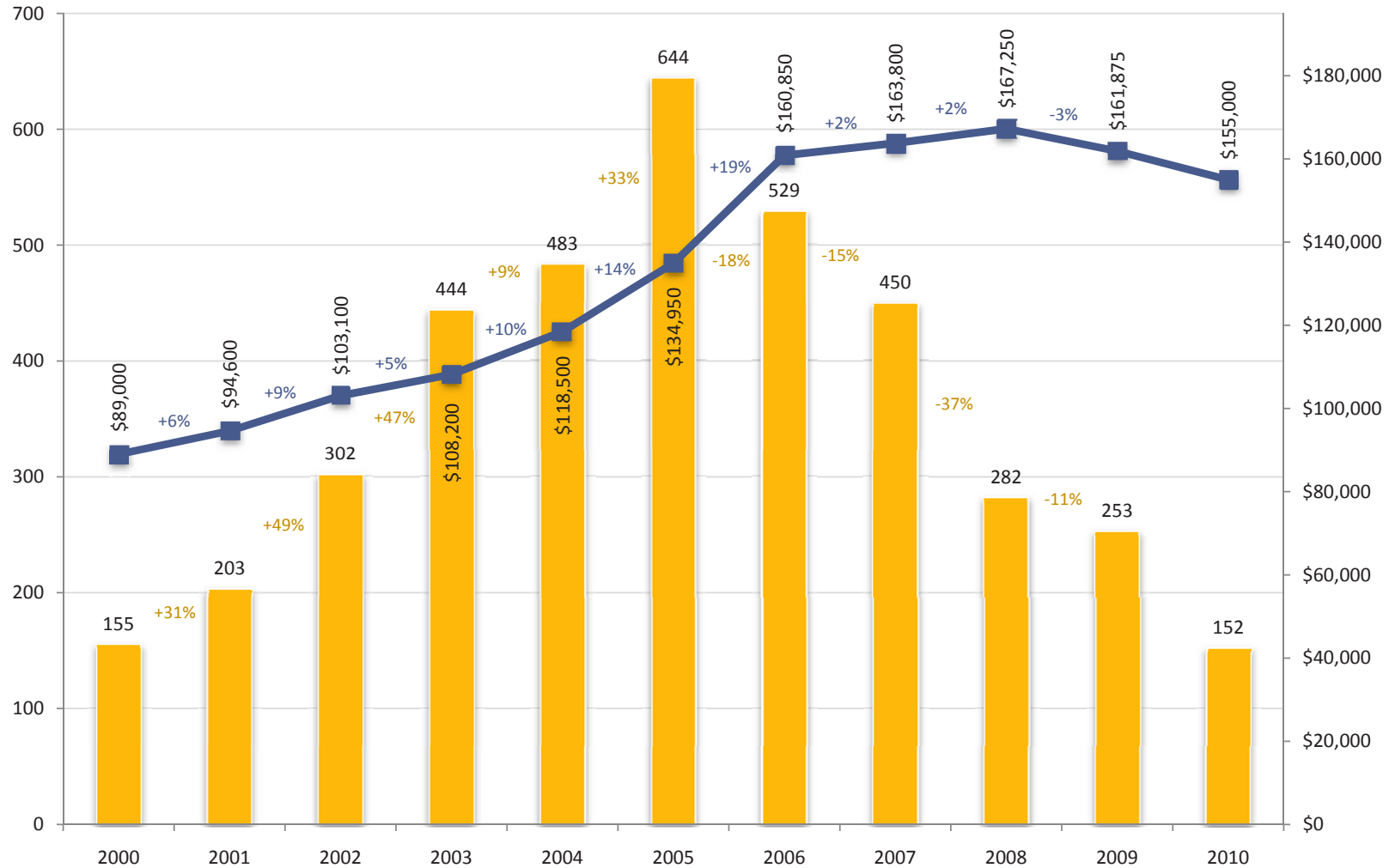
Harrisonburg & Rockingham County Home Sales & Price Trends Single Family Homes



The prior graph showed overall market activity, including condos, townhomes and single family homes. This graph only measures the performance of single family homes, which have declined in value (per median sales prices) more quickly over the past several years. In fact, median sales prices of single family homes in Harrisonburg

and Rockingham County have declined 12.7% since 2006. It seems plausible that either in 2010 or 2011, the number of single family home sales will stabilize, which should then lead to a stabilization in home values another 6 to 18 months after sales volume stabilizes.

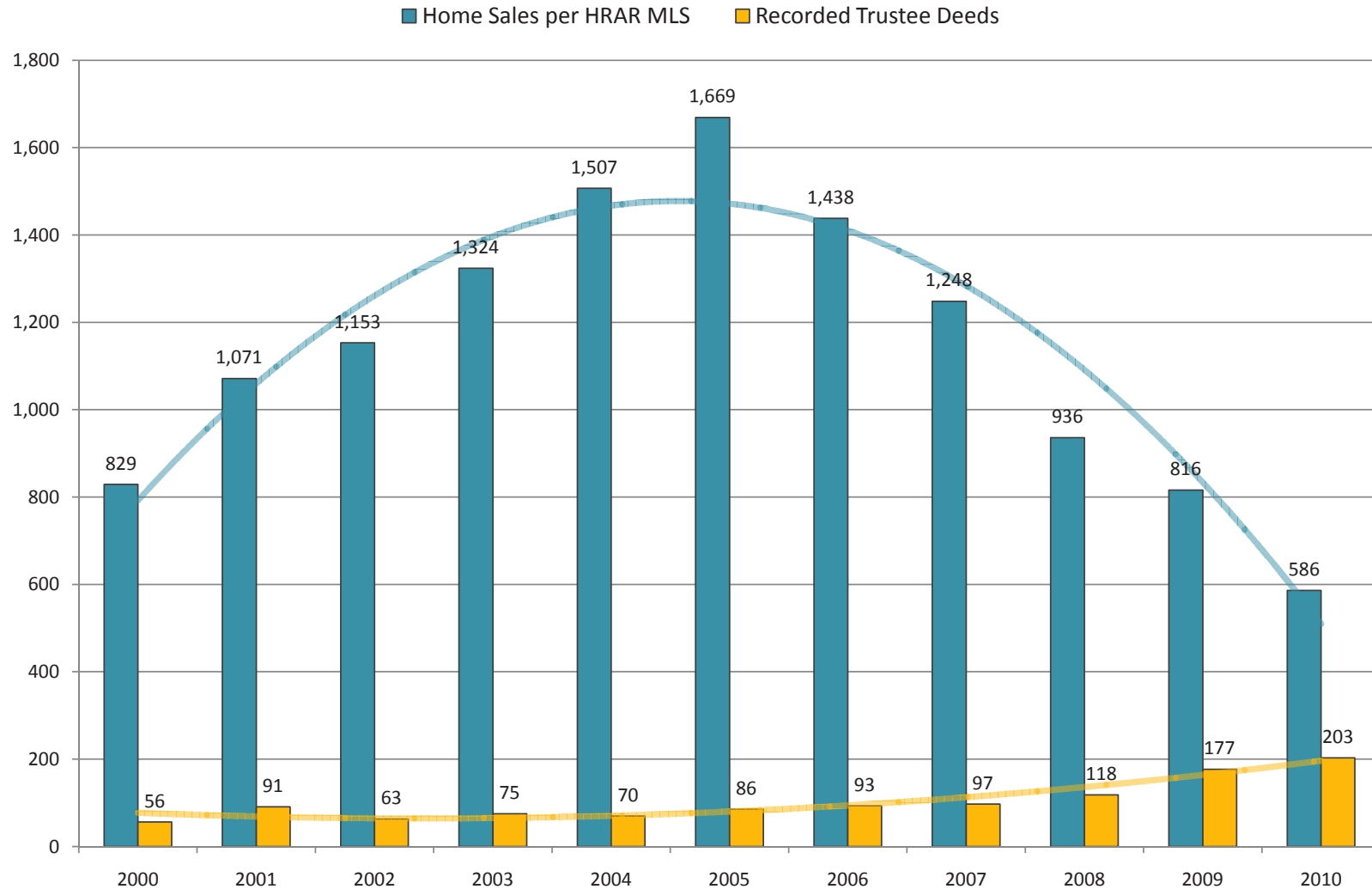
Harrisonburg & Rockingham County Home Sales & Price Trends Townhomes



The townhouse market has been quite turbulent over the past decade. After a glorious increase in median sales prices from a mere \$90,000 to a soaring \$167,000, values have now slipped 7% over the past two years, back down to \$155,000. Of note, this is still a 75% increase in values over the decade, which shows overall

strength in the market. The sharp decline in townhome sales, from 644 in 2005 down to only 152 thus far this year, is likely due to many prospective buyers deciding to rent a townhome instead, and at the same time a departure of many investors who had been purchasing townhomes as investment properties.

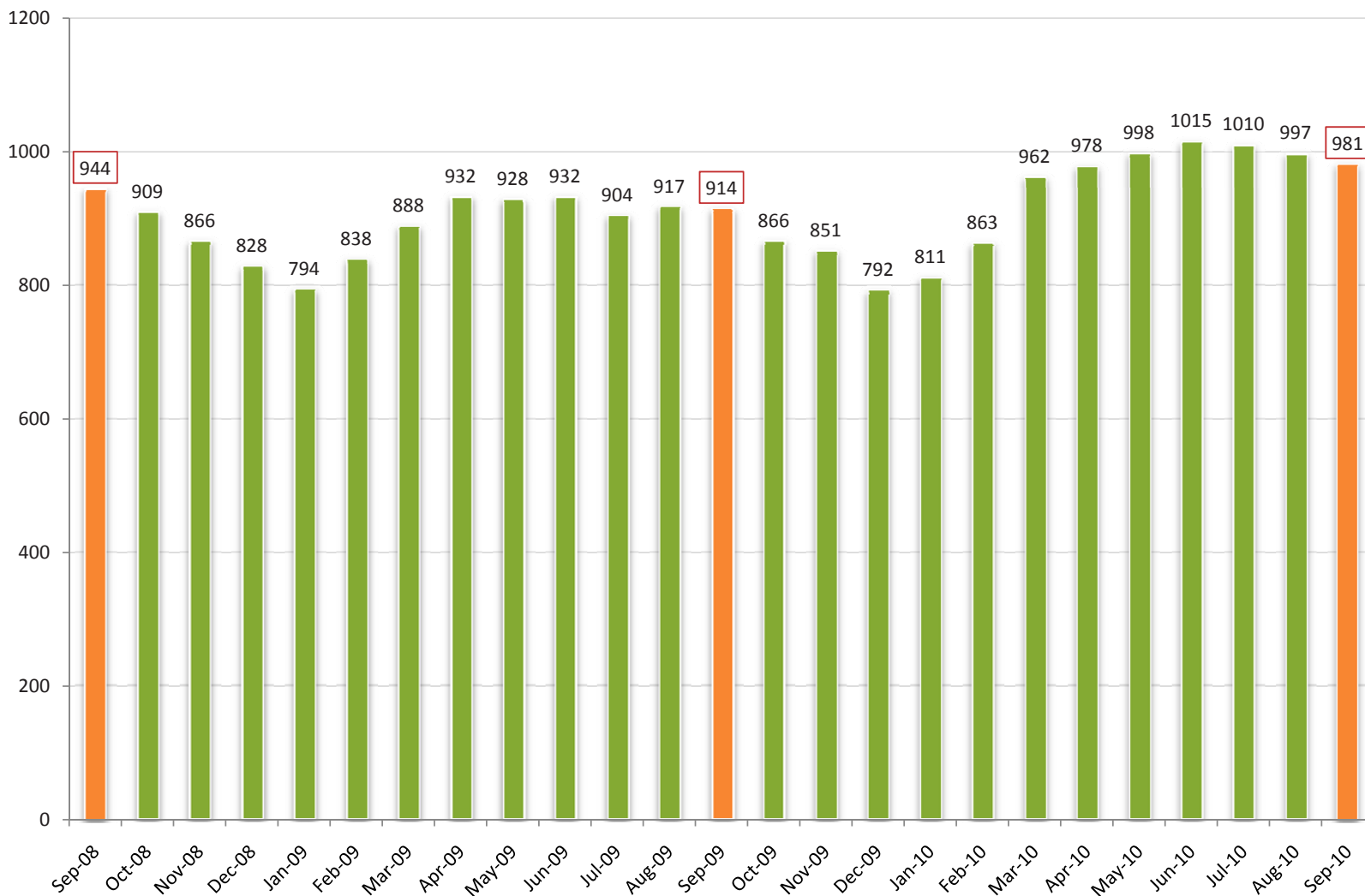
Harrisonburg & Rockingham County Home Sales vs. Trustee Sales



The graph above is a comparison of two imprecise measures -- but the comparison can still be helpful. The blue bars show the number of home sales recorded in the HRAR MLS -- this does not include private sales (sans Realtor), and some new home sales. The yellow bars show the number of Trustee Deeds recorded during each of

the past 10+ years. Some of these foreclosed properties (203 in 2010) then show up in the blue bar when they are listed and then sold as bank owned properties. It would seem that foreclosures have increased nearly four-fold over the past ten years, and now make up somewhere between 15% and 26% of all home sales.

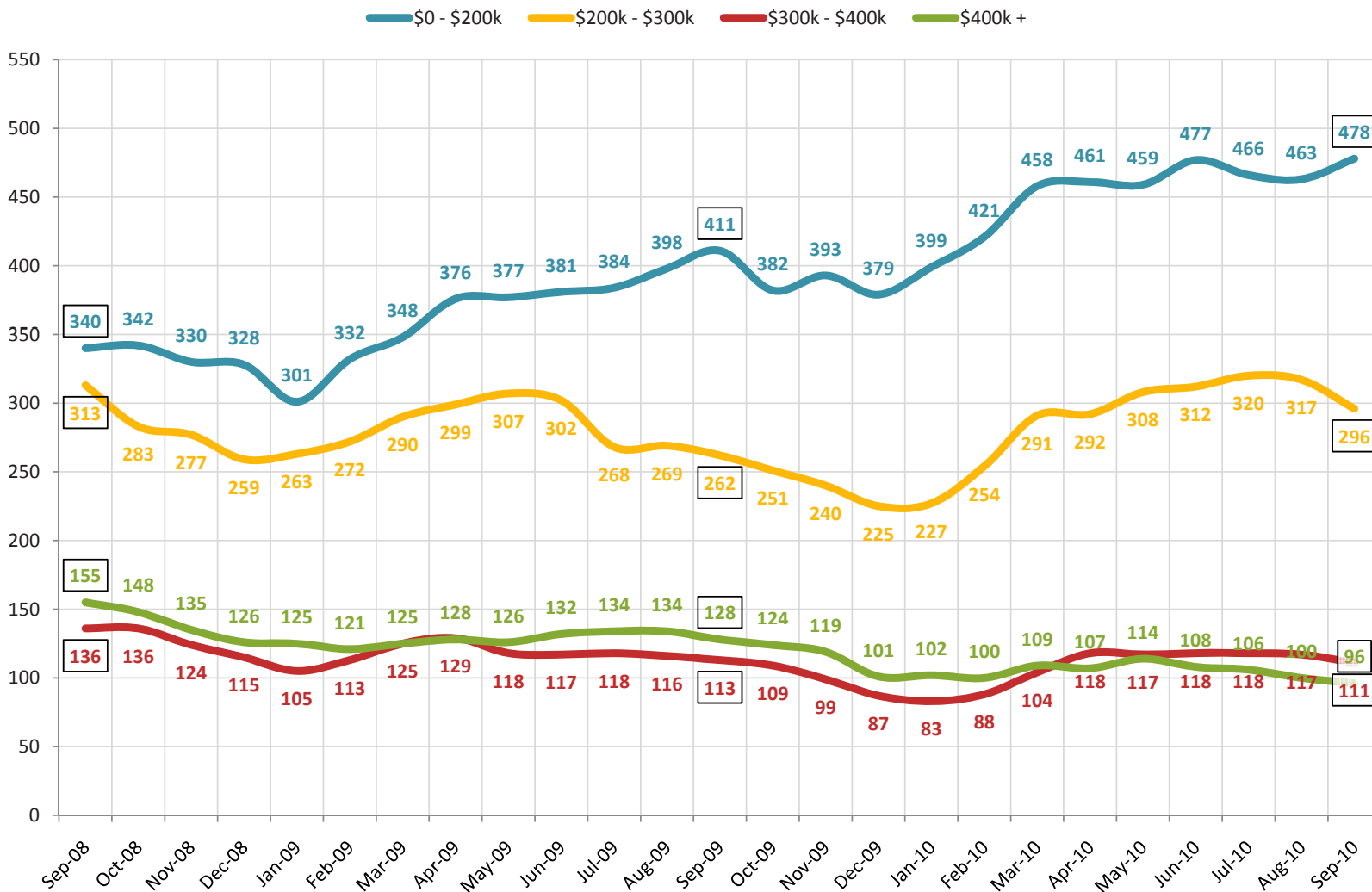
Harrisonburg & Rockingham County
Inventory Levels



The number of homes for sale in Harrisonburg and Rockingham County has fluctuated between 800 and 950 for most of the past two years. The past six months, however, have shown remarkably high inventory levels -- peaking at 1,015 homes for sale in May 2010. Overall inventory levels have declined for the past three months, and

it is reasonable to assume that they will continue to do so as we enter the fall and winter months, as is a typical trend seen each year. It will be interesting to see what takes place in the spring, however, as we may see another record created as many homeowners try once again to sell their home.

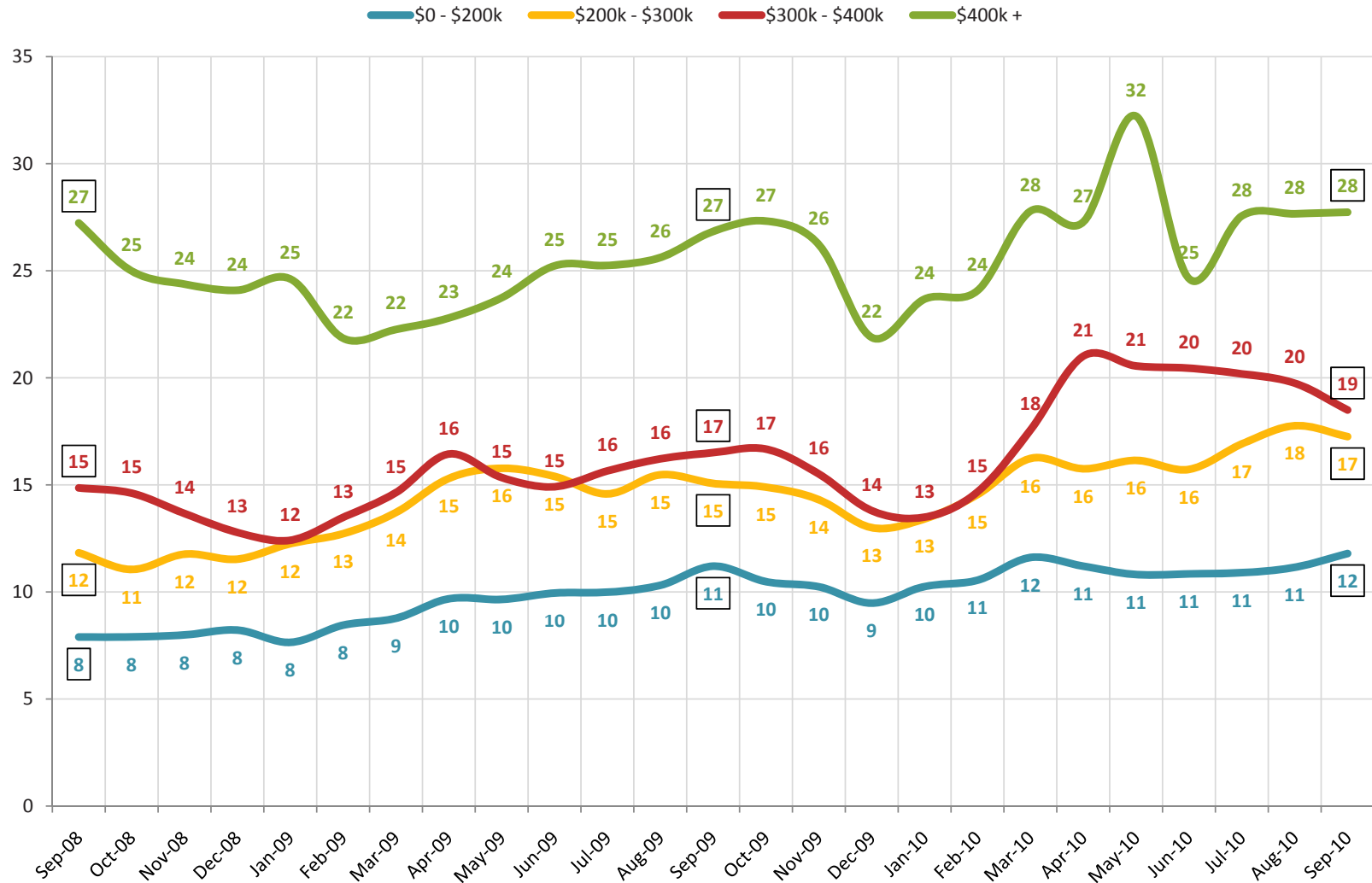
Harrisonburg & Rockingham County Inventory Levels by Price Range



While overall inventory levels have increased over the past two years, the same is not true in all price ranges. The \$400k+ price range, for example, has seen a 38% decline in inventory from 151 homes for sale in August 2008 to only 96 homes or sale at the present time. Inventory levels of homes between \$300k and \$400k have

also shown a decrease over the past two years. This phenomenon is likely a result of fewer and fewer builders engaging in speculative building, as had been occurring en masse during the “boom years” in the local and national housing markets. There continue to be more and more properties for sale under \$200,000.

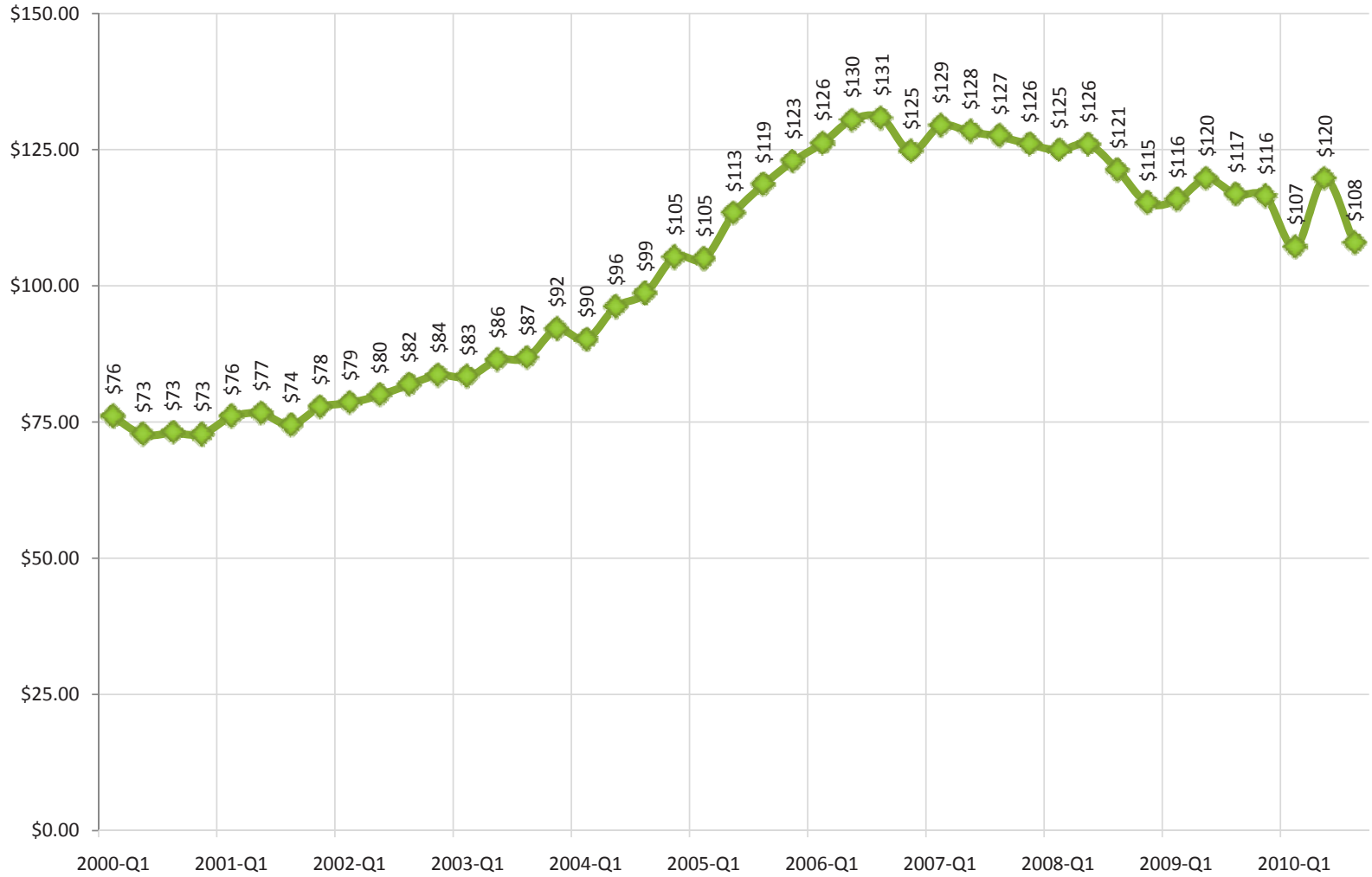
Harrisonburg & Rockingham County Housing Supply Trends by Price Range



With so many homes on the market (lots of sellers) and so few home sales (not so many buyers), there are very high levels of supply in our local real estate market. The graph above illustrates that it would take 12 months to sell all of the homes currently for sale under \$200k if the same number of buyers bought each month

as have been buying (on average) over the past 12 months. This supply metric gets even more extreme as the price range increases. It is interesting to note that the supply level of \$400k homes has remained relatively unchanged over the past two years despite the fact that inventory levels have declined during the same period.

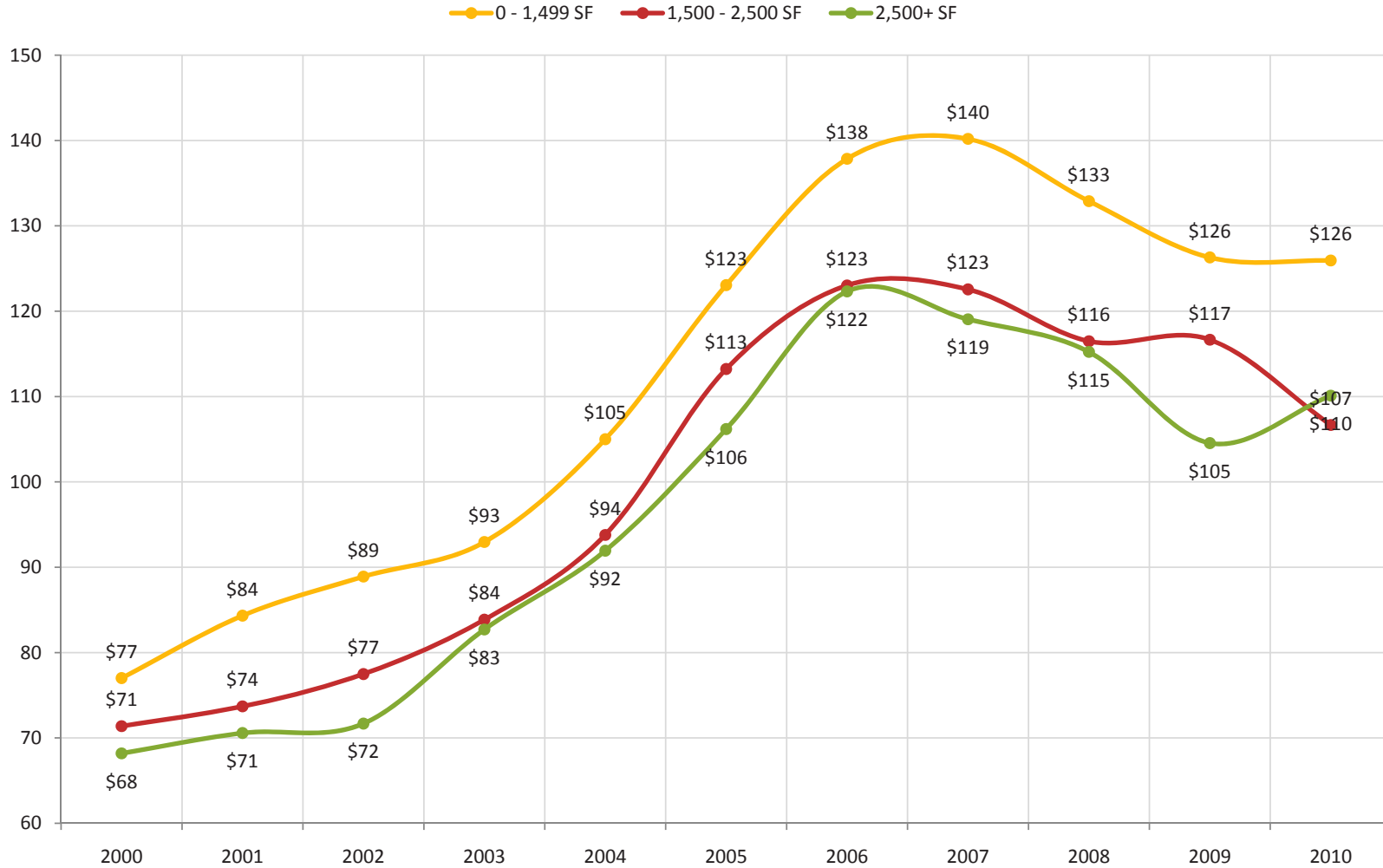
Harrisonburg & Rockingham County
Median Price Per Square Foot Trends
 Single Family Homes



In addition to monitoring home values by overall median sales prices in our market, it can be insightful to examine the median price per square foot of homes that are selling. The graph above shows the median price per square foot of all single family homes sold over the past 10+ years. The value trend captured by this graph is quite

similar to the trend shown in the single family home median sales price over the same time period, which validates that assumed set of changes in home values. The second quarter of 2010 was apparently a great time to sell a single family home, as there was a quick blip upwards in this metric.

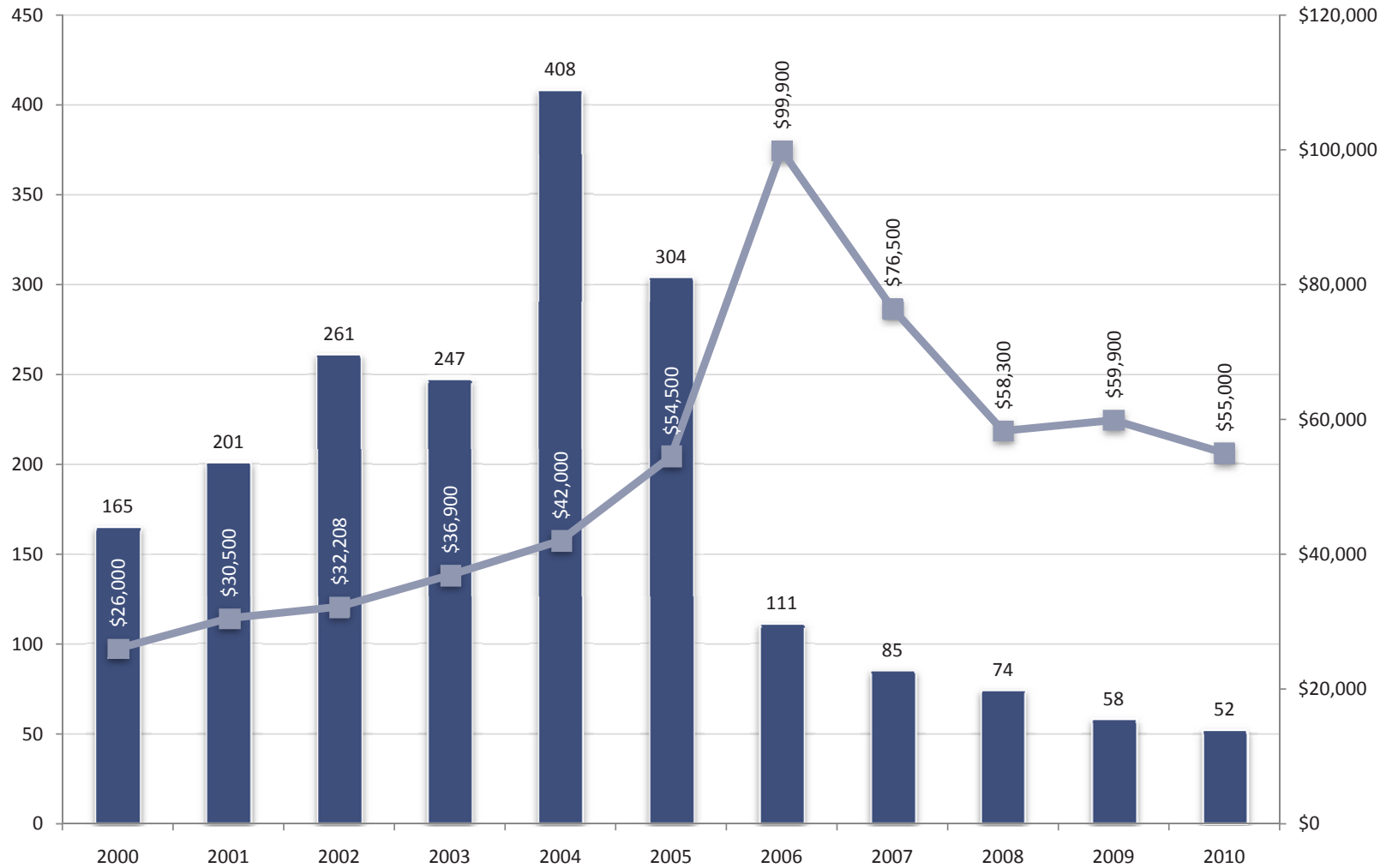
Harrisonburg & Rockingham County
Median Price Per Square Foot by Home Size
 Single Family Homes



Price per square foot of single family homes certainly varies for many reasons, including the age, location, lot size and structural characteristics of each home sold. However, there are some similarities in homes of a similar size. This graph illustrates that the median price per square foot of larger homes (2500+ SF) is a good bit lower

(\$107/SF) than homes that offer less than 1500 SF (\$126/SF). These values cannot be used as an absolute standard against which the value of any home can be measured, but they can provide some helpful guidance when trying to determine the value of a home that is for sale, or may be for sale in the near future.

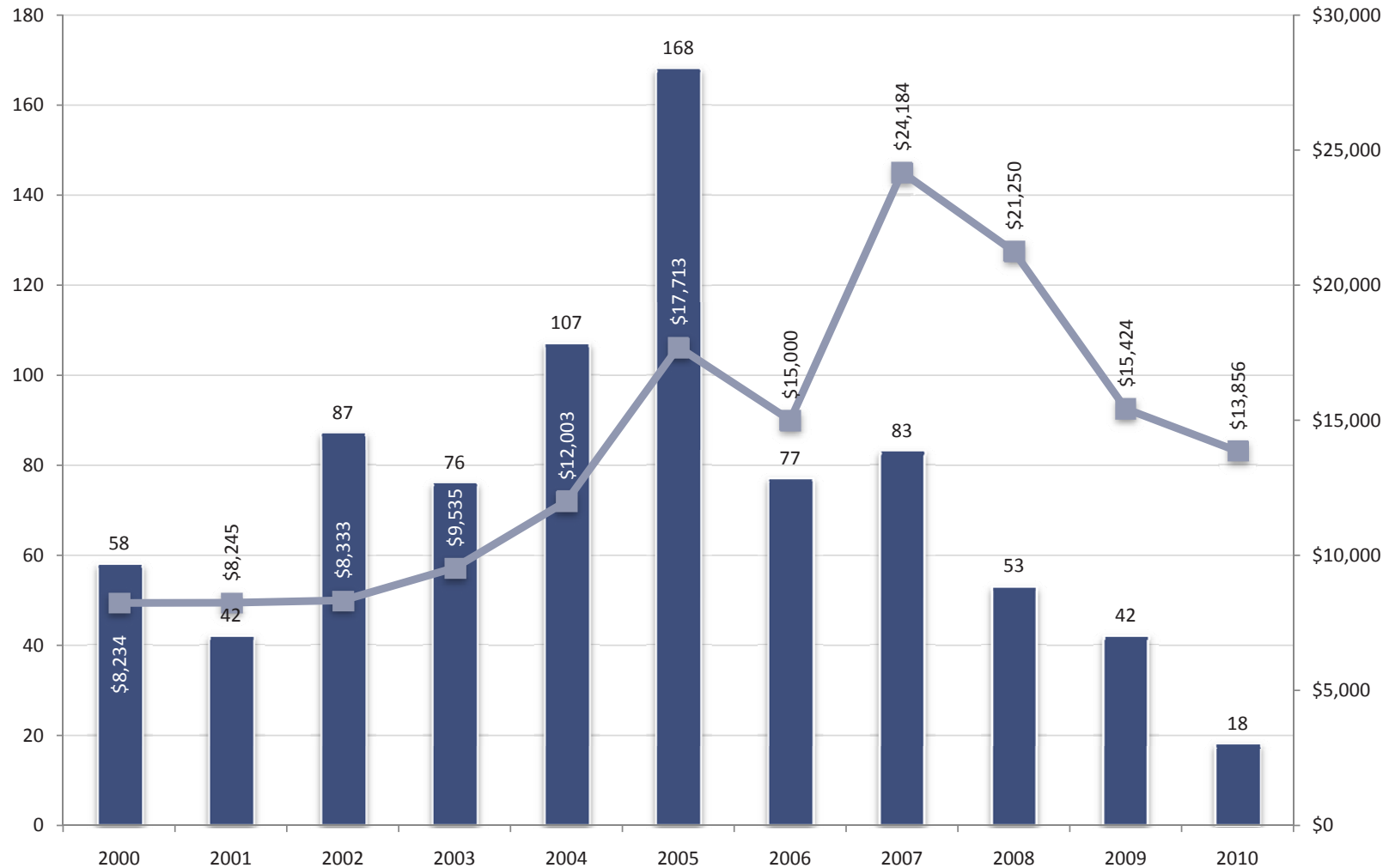
Harrisonburg & Rockingham County
Lot Sales & Median Prices
 less than 1 acre



If home sales have decreased over the past five years, the sale of lots have plummeted! 2004 was certainly a great year for developers, as 408 lots less than one acre sold in Harrisonburg and Rockingham County. That figure has declined all the way to a total of 58 lots last year, and this year we seem poised to exceed that figure. Despite the

pace of lot sales starting to slip drastically in 2005, the values of these lots did not show that same trend until two years later, in 2007. Indeed, the largest increase in median lot values (2005-2006) was during the time frame when the number of lot sales first started to drastically decline. Who could have known!?!

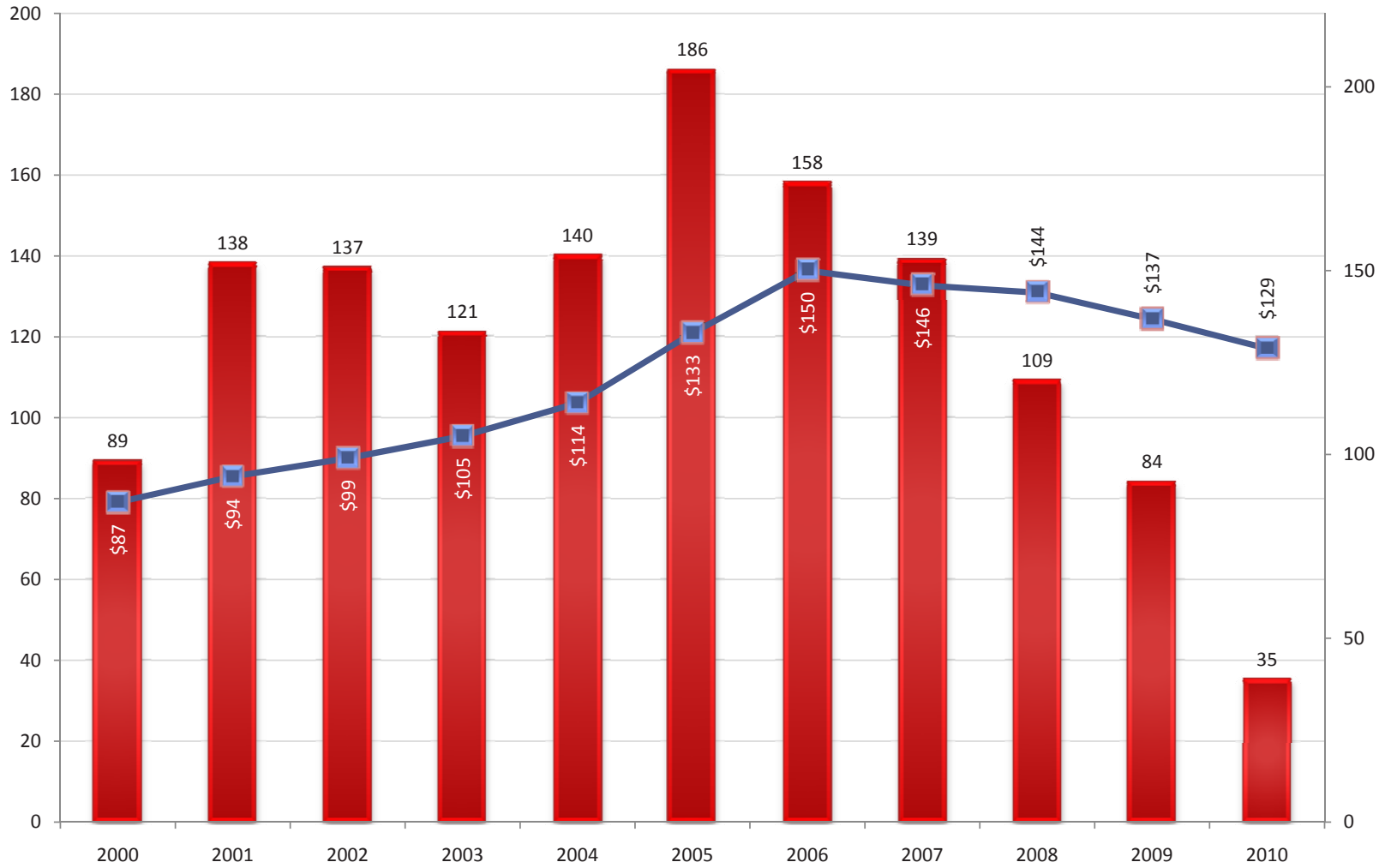
Harrisonburg & Rockingham County
Land Sales & Median Price Per Acre
 1 acre or more



If you are trying to sell a piece of land larger than on acre in Harrisonburg Rockingham County, you might be waiting or a while. Only 18 such transactions have been recorded in the HRAR MLS thus far in 2010, compared to a whopping 168 in 2005. As could be expected, the median price per acre has also fallen over the past several

years, as demand for such real estate decreased. Land was selling at a peak of \$24k per acre back in 2007, but the 18 sales thus far in 2010 show a median price of \$14k per acre. It is hard to believe that these land sales could decline much further.

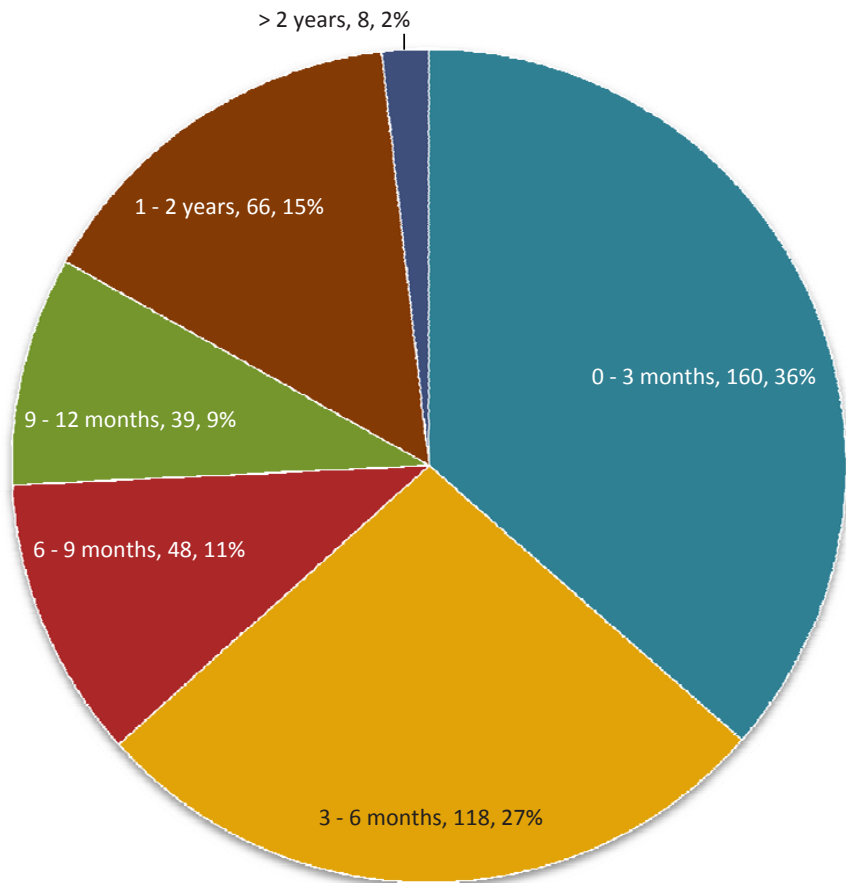
Harrisonburg & Rockingham County
New Construction Single Family Home Sales Trends
 Number of Sales, Median Price Per Square Foot



New home builders have certainly not been as busy this year as in the recent past. This graph illustrates changes in new (or almost new) single family home sales over the past decade. This year will likely show a total of less than 50 new homes having sold per the Harrisonburg and Rockingham MLS. This is a mere fraction of the peak

of 186 new single family home sales in 2005, and also still well below 120-140 new home sales, which could be viewed as a norm based on home sales between 2000 and 2004.

Harrisonburg & Rockingham County Days on Market Analysis Residential Listings Sold Apr '10 - Sep '10

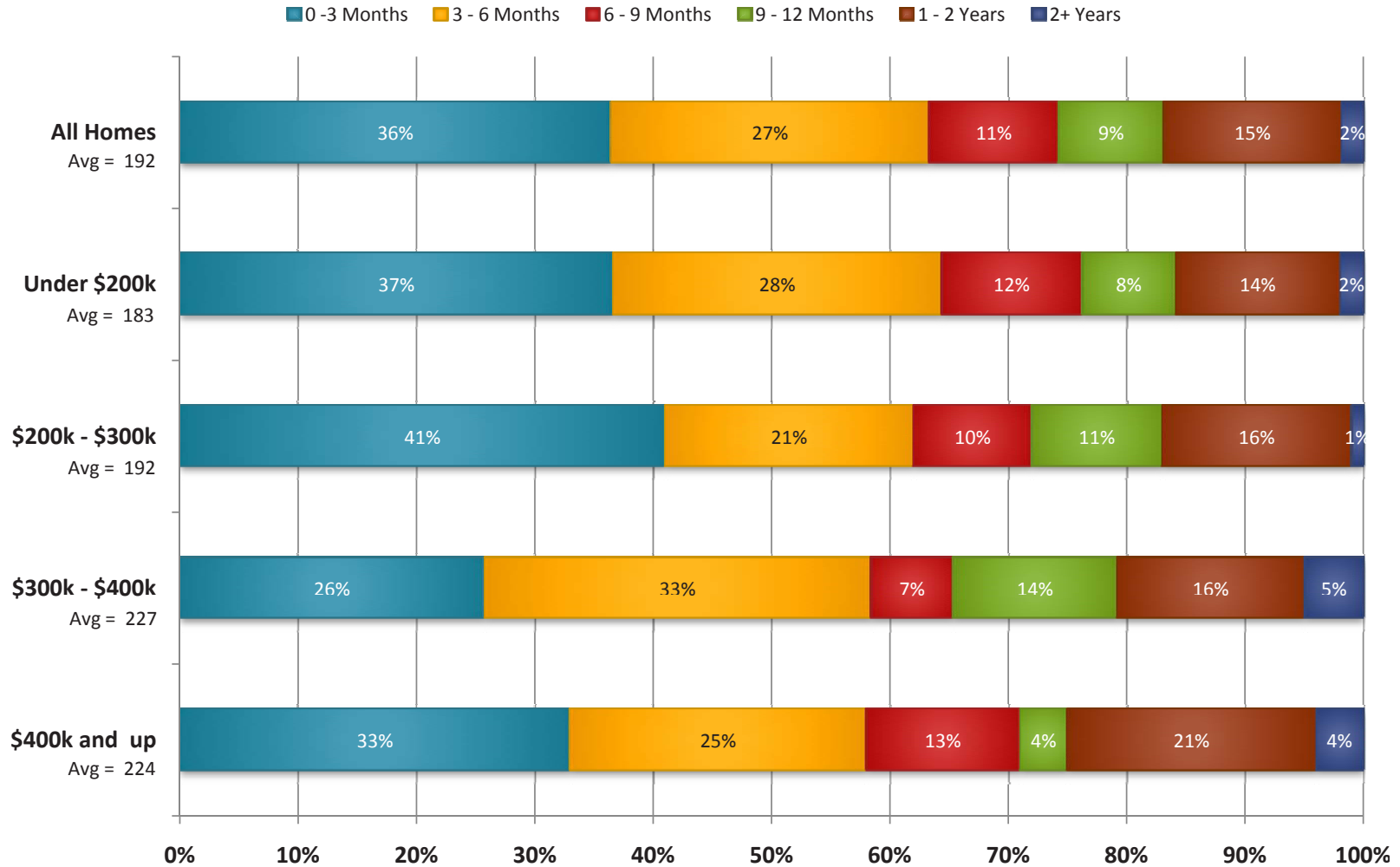


Average Days On Market: 192

Despite record inventory levels, and very few buyers being in the market, homes that are actually selling are selling rather readily. In fact, more than 1 out of 3 homes that sells closes less than 90 days after it is listed for sale. Include with that those that close in the next 90 days and we find that an amazing 63% of homes close within six

months of first coming on the market. This is not, however accounting for the many, many homes that never sell -- that linger on the market, or are eventually removed from the market by the owner. The lesson to be learned here is the importance of pricing correctly from the start in order to sell in a reasonable time frame.

Harrisonburg & Rockingham County
Days on Market Analysis by Price Range
 Apr '10 - Sep '10



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 37% of homes that sold for less than \$200,000 sold in the first 90 days of being on the market, while only 26% of homes above \$400,000 were able to sell in that same time period. The

average days on market for homes over \$400k (224 days) is also significantly higher than that of homes under \$200,000 (183 days). Inventory (oversupply) and sales volume in each of these price ranges contributes directly to the variation in length of time on the market.



Scott P. Rogers, an Associate Broker with Coldwell Banker Funkhouser Realtors, has built a successful real estate career around providing valuable market data, insight and analysis to buyers, sellers, investors and developers. From first time home buyers to builders and developers, Scott provides exceptional and comprehensive service before, during and after the real estate transaction.

Scott earned a B.A. and M.Ed. from James Madison University, providing him formal education in graphic design, management and counseling -- all of which he leverages on a daily basis to the benefit of his clients. Scott's graphic design and web development background allows him to create and leverage high caliber technology and marketing solutions.

In 2007, Scott began providing in depth analysis and insight into the local real estate market via his real estate blog, at HarrisonburgHousingToday.com.

For more information, or with questions, contact:

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