



JANUARY 2013 Harrisonburg & Rockingham County Real Estate Market Report



*An analysis of real estate activity through December 31, 2012
provided courtesy of Scott P. Rogers, Funkhouser Real Estate Group*



Custom-built home w/ full stone exterior in private location 9186BlackRockRoad.com

Executive Summary

The summary below is based on residential sales in Harrisonburg and Rockingham County as reflected in the HRAR MLS.

Pace of Home Sales: December

56 homes sold in December 2012, showing a 29% decline over December 2011 when 79 homes sold -- and a 12% increase from December 2010 when 64 homes sold.

Home Values: December

Median sales prices increased 5.94% and average sales prices decreased 3.83% when comparing December 2012 to December 2011.

Days on Market: December

Homes sold in an average of 213 days in December 2012, a 3% increase from 206 days in December 2011 and an 8% increase from the 198 day average in December 2010.

Foreclosures

252 trustee deeds were recorded in 2012 compared to 864 home sales reported through the HRAR MLS.

Inventory

Inventory levels declined during December 2012 to 572 residential properties currently for sale, down from 619 one month ago, and down from 672 one year ago.

Pace of Home Sales: Year to Date

864 homes during 2012. This is a 8.8% increase from 2011 when 794 homes had sold, and a 14% increase as compared to 2010 when 758 homes sold during the entire year.

Home Values: Year to Date

Median sales prices increased 0.57% and average sales prices declined 0.81% when comparing 2012 values to 2011.

Days on Market: Year to Date

The length of time on the market for homes selling in 2012 (218 days) increased 3% since 2011 when the average was 208 days on the market.

Supply

All price ranges still show an excess of housing supply, with 7 months under \$200k, 8 months between \$200k and \$300k, 8 months between 300k and \$400k, and 33 months above \$400k.

Price Per Square Foot

Median price per square foot of single family homes has increased to \$108/sf in the 4th quarter of 2012, as compared to \$102/sf in the 3rd quarter of 2012.

Buyer Activity

69 buyers committed to buy in December 2012, compared to 56 in December 2011 -- which is a 23% increase.

Single Family Home Sales

641 single family homes sold in 2012, compared to a total of 622 in 2011. The median sales price has increased to \$196,000.

Townhouse Sales

223 townhouses sold in 2012, compared to a 2011 total of 169 townhomes. The median townhome sales price has declined to \$134,995 in 2012 from \$144,000 in 2011.

Lot Sales

61 lots of less than an acre sold in 2012, compared to a 2011 total of 60 lots. Median lot sales prices have risen to \$56,875 from \$54,500 during 2011.

Land Sales

47 parcels of land greater than an acre sold in 2012 compared to 47 land sales during all of 2011. The median price per acre has decreased to \$14,981 in 2012.

Editorial Note: In November 2012, a single buyer purchased 22 University Place condominiums for \$33K/condo from a single seller. These 22 sales were entered into the HRAR MLS as 22 separate transactions instead of as one multi-family or commercial transaction. While entering this single transaction as 22 separate sales is misleading, and skews our understanding of trends in the Harrisonburg and Rockingham County residential real estate market, these 22 sales are included in the analysis in this housing market report as of this issue.

HOME SALES REPORT

Harrisonburg & Rockingham County

January 9, 2013

# Home Sales	2009	2010	2011	2012	% Change ('11 - '12)
December	69	64	79	56	-29.11%
Year-To-Date	818	758	794	864	8.82%

Median Sales Price	2009	2010	2011	2012	% Change ('11 - '12)
December	\$165,000	\$167,333	\$169,900	\$180,000	5.94%
Year-To-Date	\$186,000	\$180,000	\$174,000	\$175,000	0.57%

Average Sales Price	2009	2010	2011	2012	% Change ('11 - '12)
December	\$187,006	\$199,878	\$187,406	\$194,578	3.83%
Year-To-Date	\$214,115	\$208,990	\$195,068	\$193,484	-0.81%

Average Days on Market	2009	2010	2011	2012	% Change ('11 - '12)
December	187	198	206	213	3.40%
Year-To-Date	188	195	208	218	4.81%

Home Sales Increased, Prices Stable. With a full year of data in and accounted for, the Harrisonburg and Rockingham County residential real estate market showed an overall 9% increase in the pace of sales as compared to 2011, and a modest 1% increase in median sales prices. After many years of declining sales price, it is a

welcome sight to finally see more buyers in the market. In fact, there were more home buyers in 2012 than any of the previous three years. If December's median sales price (up 6% between Dec 2011 and Dec 2012) is any indication, we may finally also start to see modest increases in home values in 2013.

HOME SALES REPORT :: BY AREA

# Home Sales	City of Harrisonburg			Rockingham County		
	2011	2012	% Change	2011	2012	% Change
December	19	19	0.00%	60	37	-38.33%
Year-To-Date	266	325	22.18%	528	539	2.08%

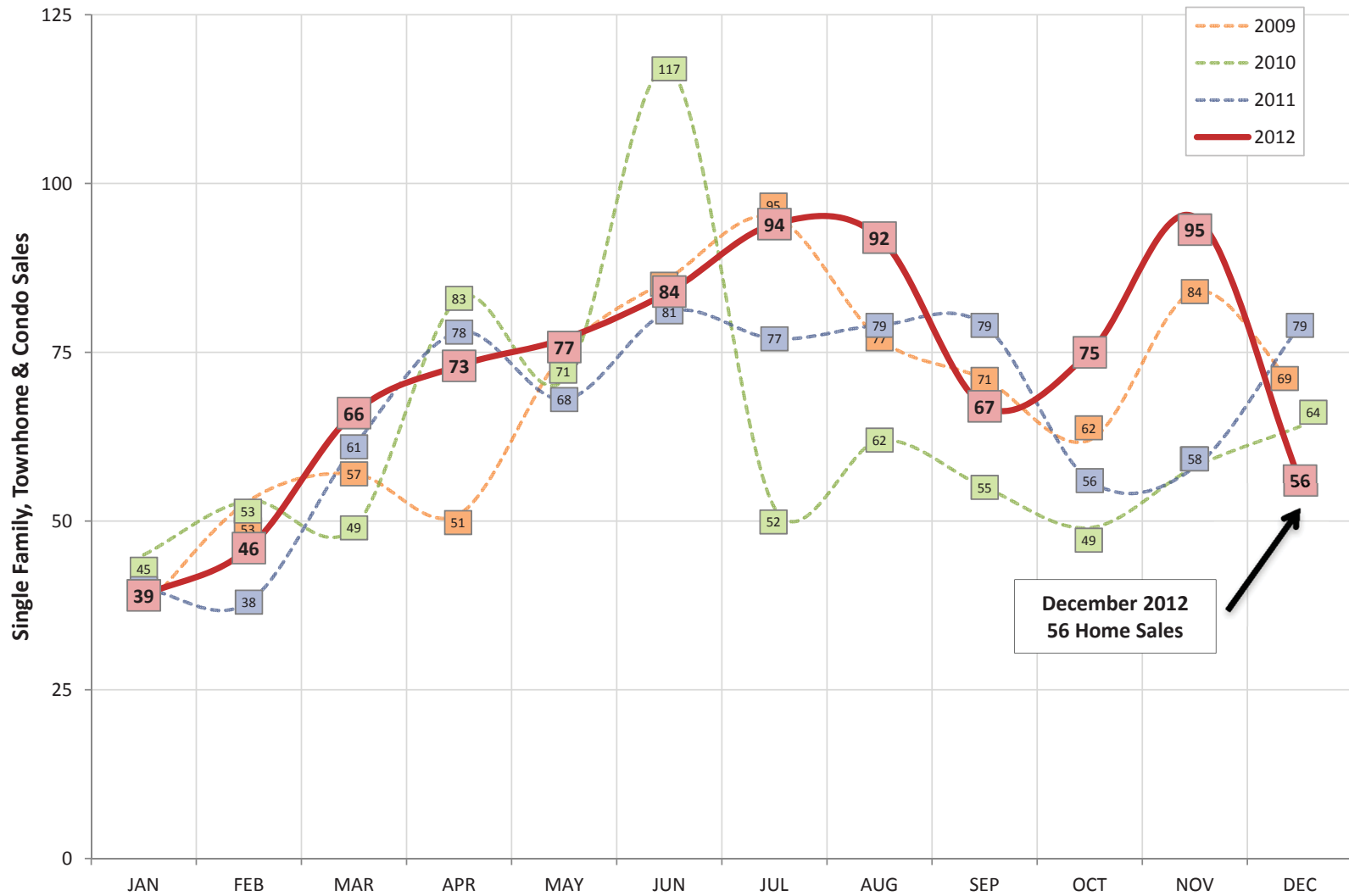
Median Sales Price	City of Harrisonburg			Rockingham County		
	2011	2012	% Change	2011	2012	% Change
December	\$165,000	\$179,000	8.48%	\$171,450	\$199,000	16.07%
Year-To-Date	\$164,413	\$157,500	-4.20%	\$180,250	\$191,565	6.28%

Average Days on Market	City of Harrisonburg			Rockingham County		
	2011	2012	% Change	2011	2012	% Change
December	184	233	26.63%	213	203	-4.69%
Year-To-Date	217	225	3.69%	204	213	4.41%

Sales stronger in the City, Prices stronger in the County. The data tables above explores overall sales trends of properties in the City of Harrisonburg as compared to Rockingham County. Don't mind the drastic swings when only comparing one month of data, as the sample size is quite small -- pay more attention to the YTD

changes in the metrics noted above. For example, the County has seen an increase (+6.28%) in year-to-date median sales price over the past year, while the City has seen a decline (-4.20%) in the same metric. The rate of increase in sales, however, is stronger in the City (+22.18%) as compared to the County (+2.08%).

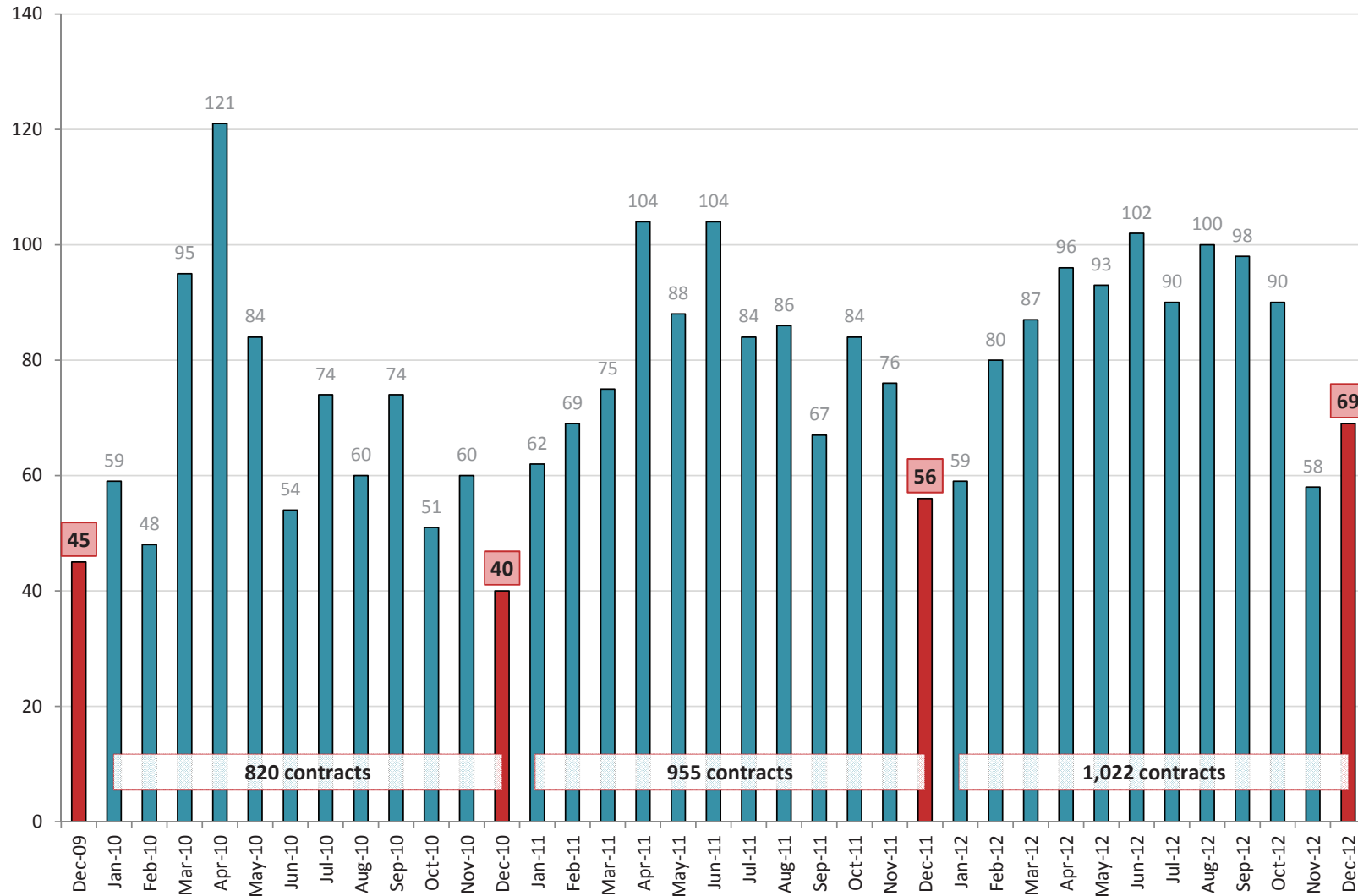
Harrisonburg & Rockingham County Month-By-Month Home Sales History



Sales strong in 2012, though not very predictable. There were several months in 2012 that showed great gains over the same month during 2011, such as February (+21%), July (+22%), October (+34%) and November (+64%) --- and then there are months such as December, where sales fell 29% as compared to last January. The

good news is that the year, overall, shows an 8.8% improvement over 2011. Of note, the high sales count in November was related to 22 low price rental properties purchased by a single buyer from a single seller.

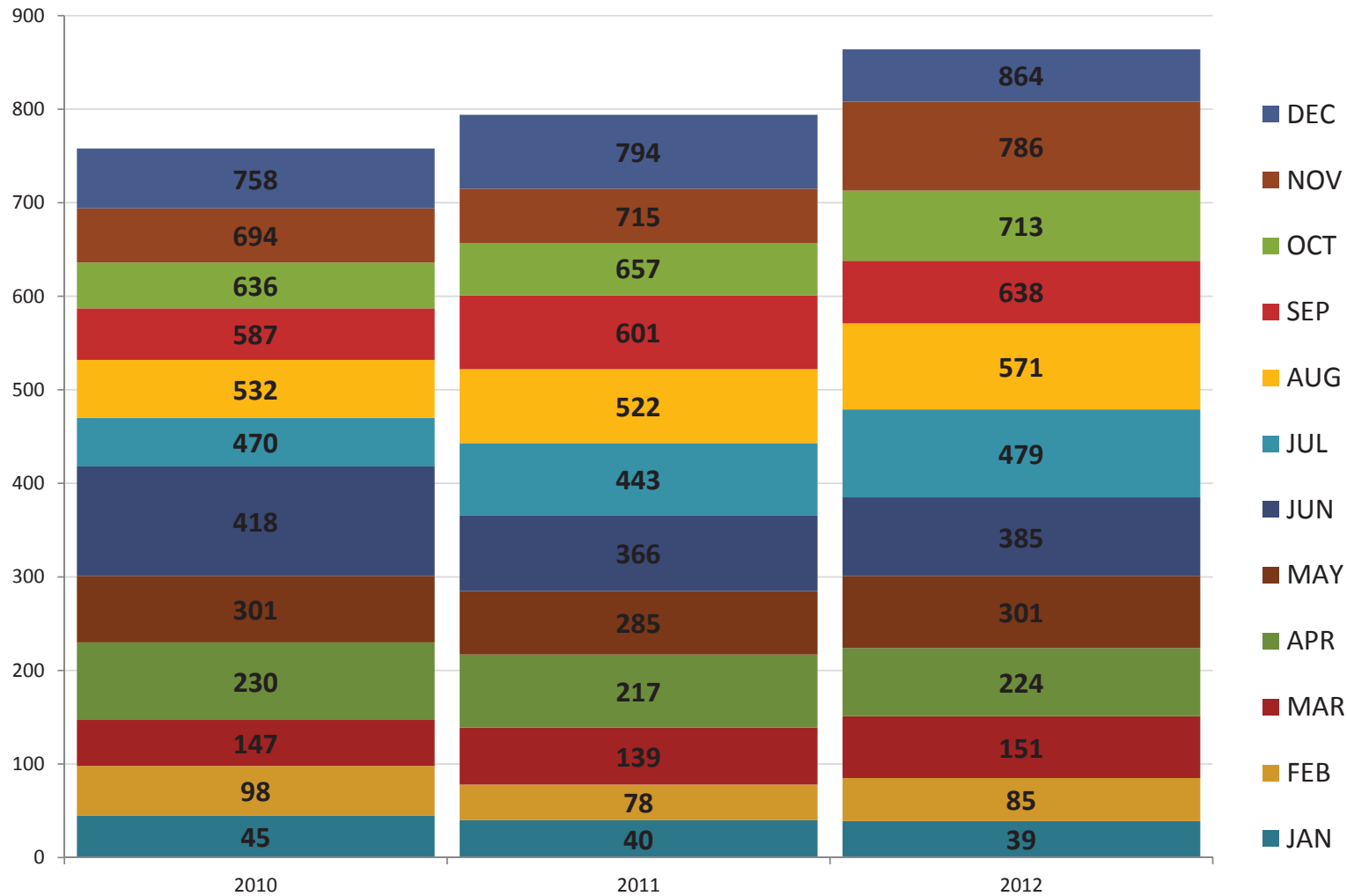
Harrisonburg & Rockingham County
Buyers Per Month Committing to Buy Properties



Contracts up 23% YOY in December 2012. After a slow month of contract writing during November, buyers got back to work in December, with 69 signed contracts reflected per MLS data. This marks a 23% improvement over last December, and a startling high as compared to any of the previous three Decembers. When looking

at buyer activity as an annualized rate, there has been a 7% increase in buyer activity over the past year (1,022 up from 955) and a 25% increase between 2010 and 2012. This strong buyer activity in December suggests we will see a strong month of closings in January 2013.

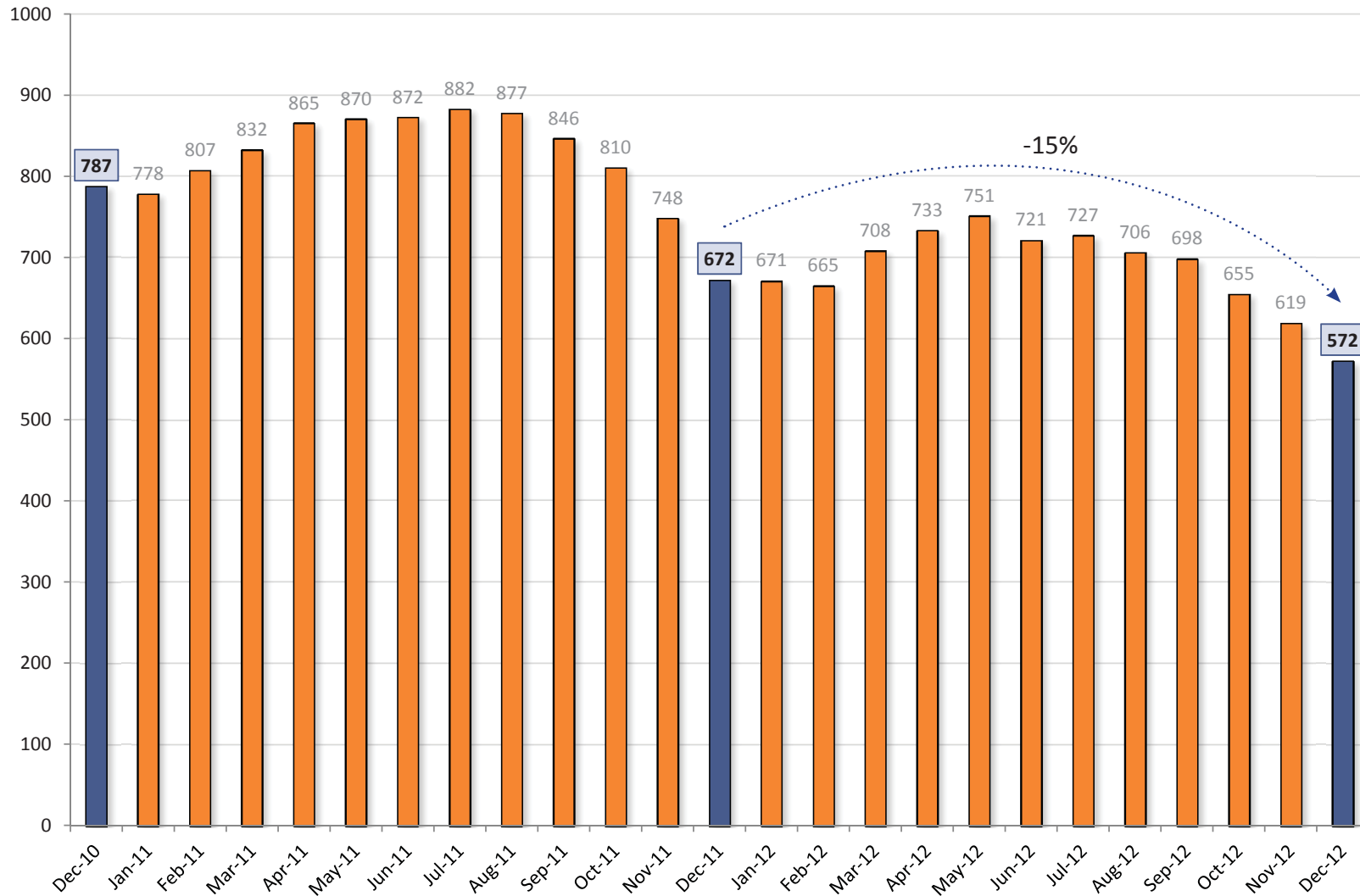
Harrisonburg & Rockingham County Monthly Cumulative Residential Sales



2012 finishes out strong, despite slow December sales. This graph shows the month by month cumulative count of residential sales in Harrisonburg and Rockingham County. Last year's home sales (794) exceeded 2010 home sales (758), and this year went even further with a total of 864 sales. It can again be seen here that there

are some strong months of home between March and August --- though the other months of the year don't lag too far behind in contributing to the year's overall sales.

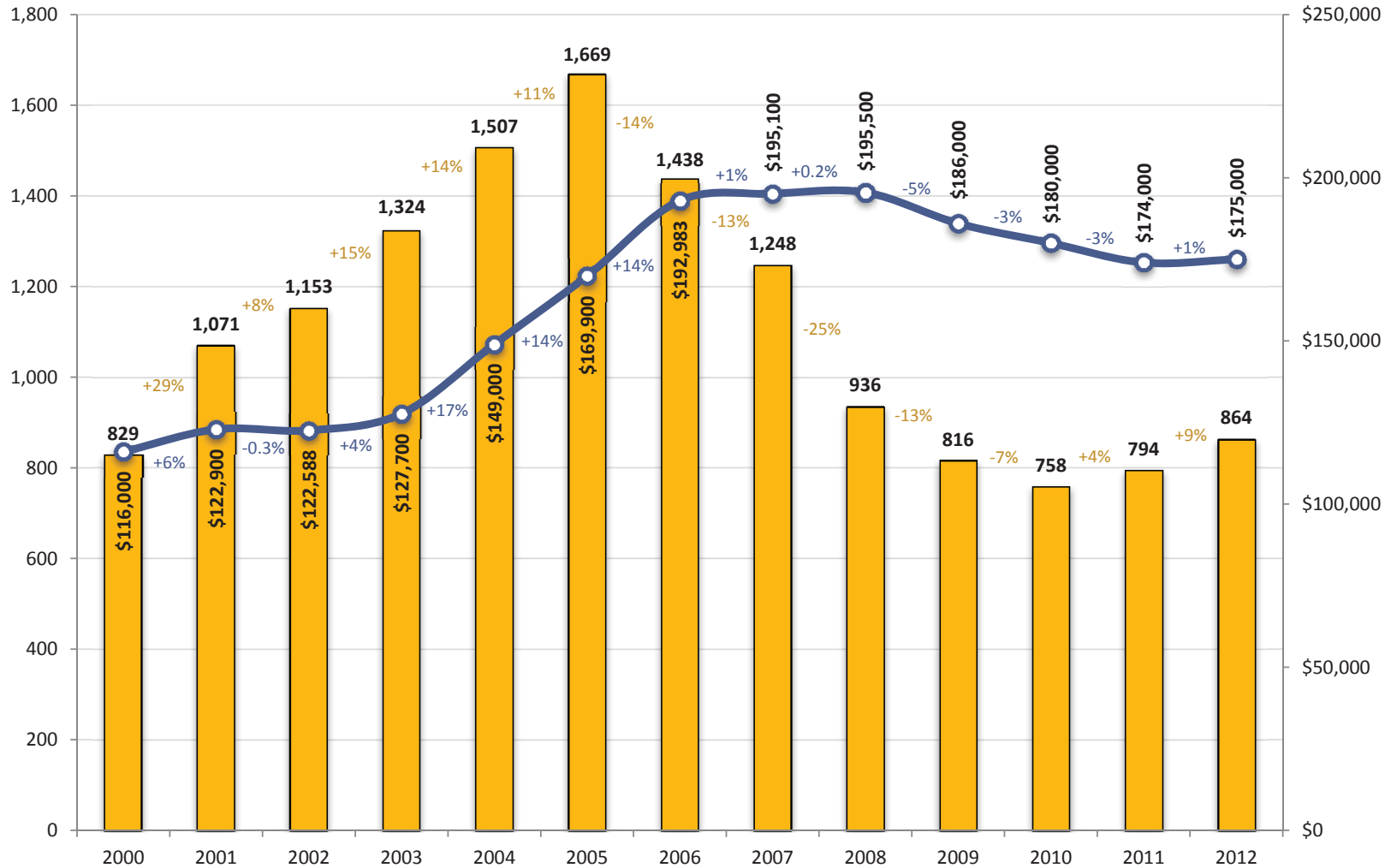
Harrisonburg & Rockingham County
Inventory Levels



Inventory levels continue to decline. The declines in median sales price seen over the past several years are partly due to the imbalance in the market between the number of sellers (too many) and the number of buyers (too few). With an increasing sales pace (see page 3) and inventory declining (see above) we are slowly

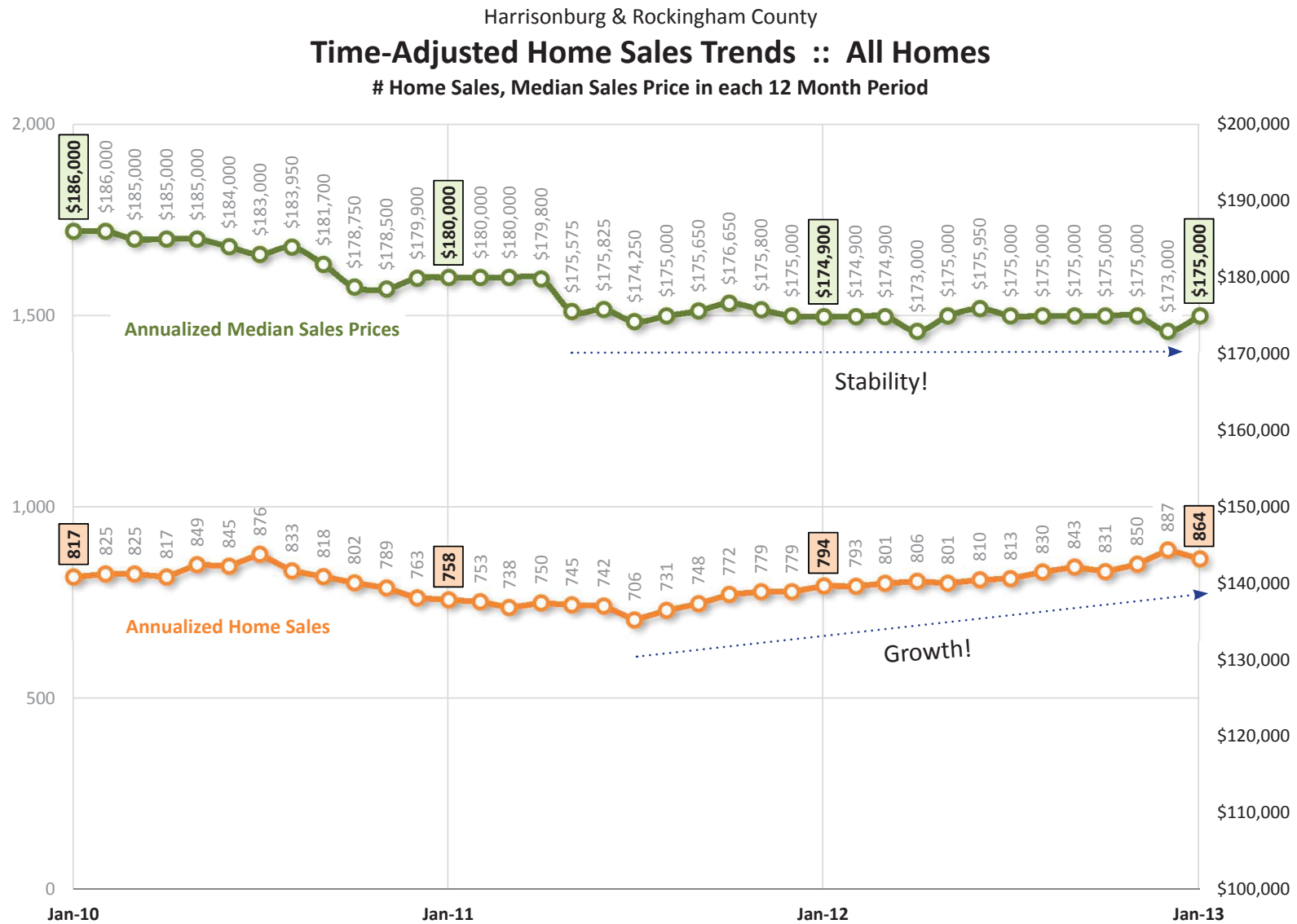
but steadily moving towards a more balanced market. We have now seen a 15% decline in inventory over the past 12 months, and an overall 27% decline over the past 24 months. We are likely to see inventory levels continue to taper off over the next several months.

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



Buyer activity increasing; home prices steady. This graph provides an overall indicator of the state of our housing market, showing both the number of homes being sold each year since 2000 (yellow bars) as well as changes in the median sales price during the same time period (blue line). After five years of declines in

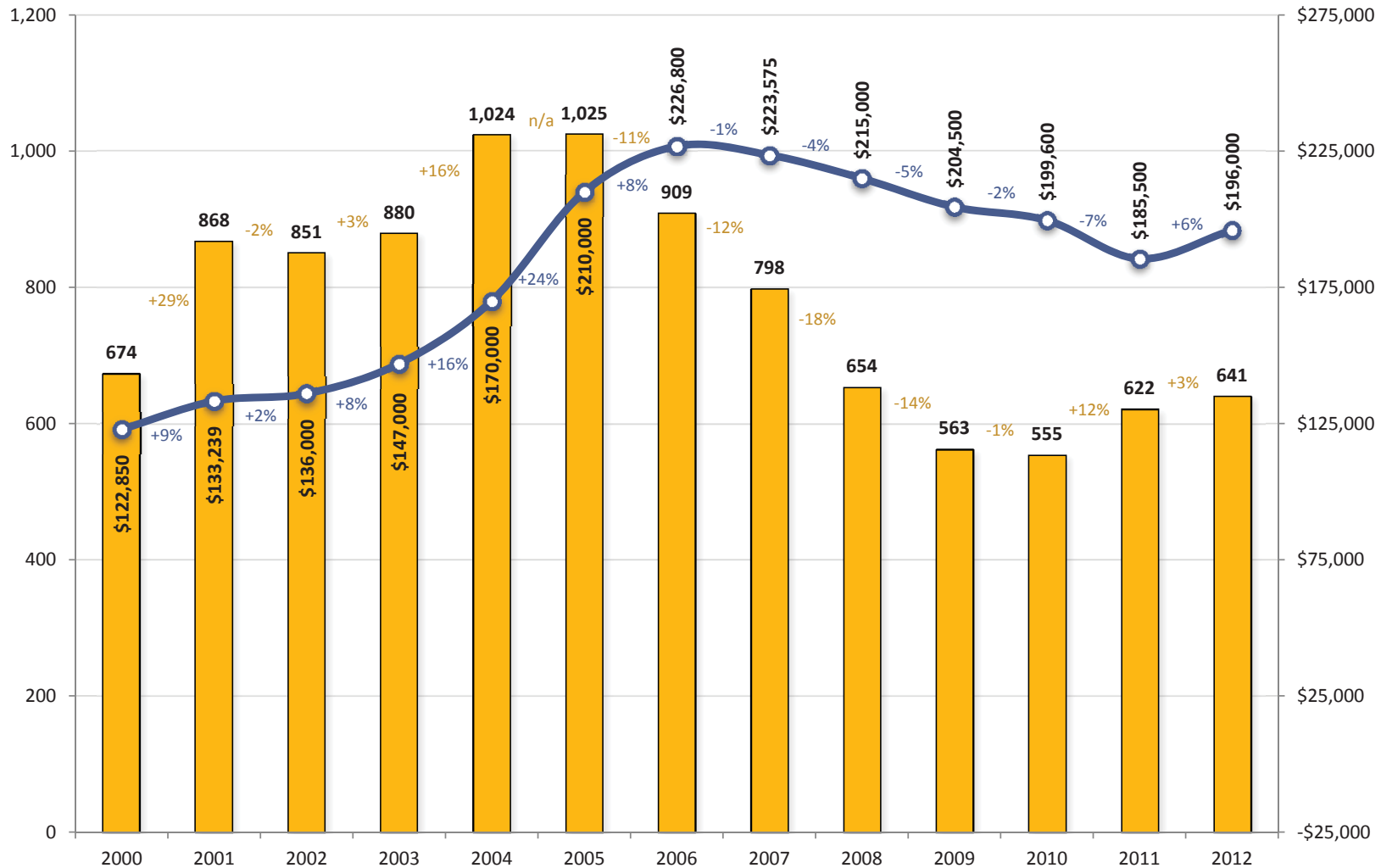
home sales (2005-2010) the pace finally picked up in 2011 with a 4% year-over-year increase, and 2012 showed even stronger growth (+9%). Home values (as measured by median price) have also increased (slightly) this year to \$175,000, up from last year's median price of \$174,000.



Increasing sales pace; stable sales prices. This graph shows a rolling 12 months of the number of home sales in the Harrisonburg and Rockingham County area, as well as the median price of the homes that sold during these time frames. Each data point is showing one year's worth of home sales, which eliminates the volatility of

evaluating sales figures on a month-by-month basis. The annualized pace of home sales continues to climb (up to 864 now from 706 just 18 months ago) and median sales prices continue to stay steadily around \$175,000 --- where they have been for almost two years now.

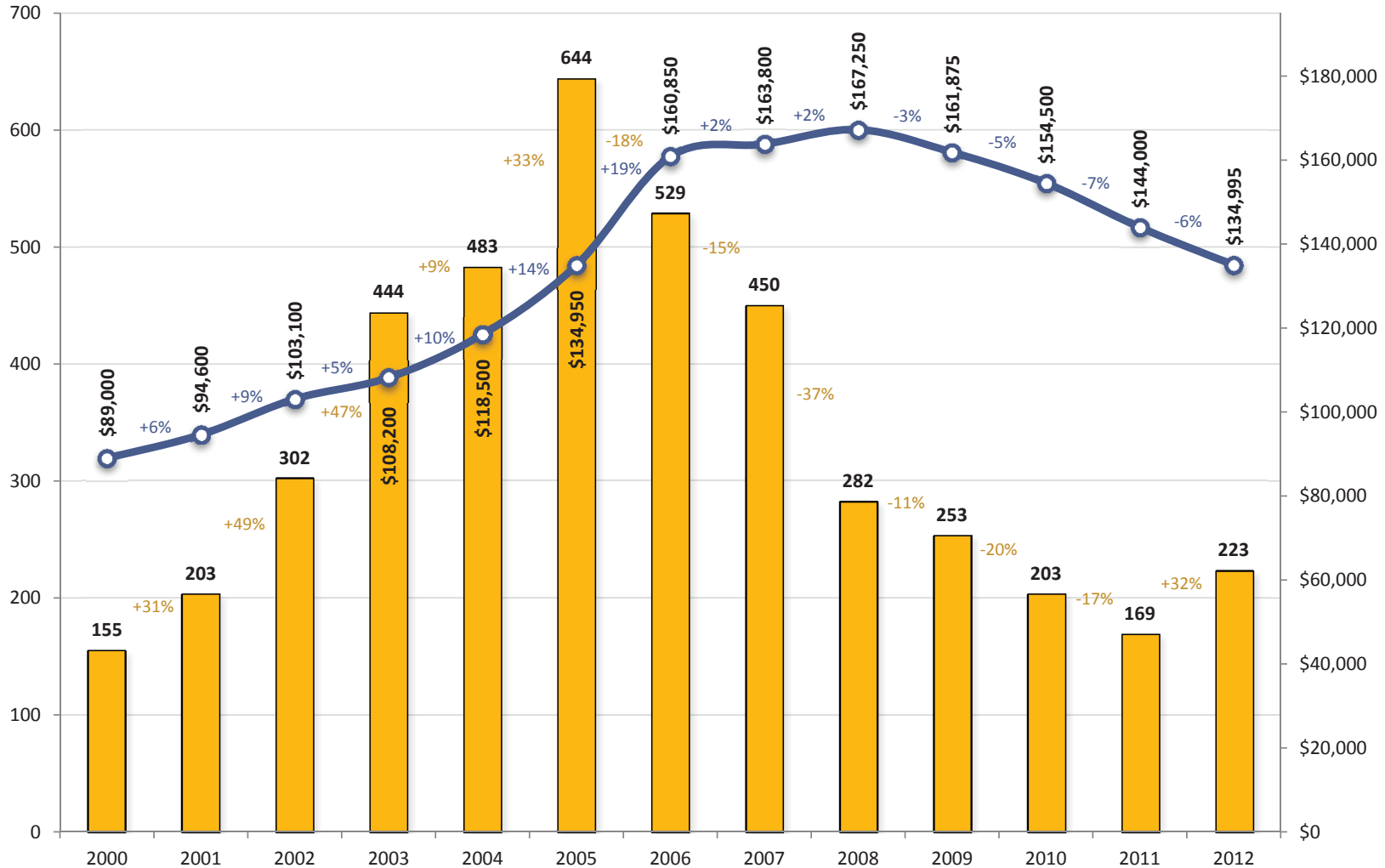
Harrisonburg & Rockingham County
Home Sales & Price Trends
 Single Family Homes



Prices of single family homes increase. The single family home market in Harrisonburg and Rockingham County seems to be recovering quite nicely compared to the overall market. Last year, the pace of home sales in the single family home market increased by 12% -- nearing 2008 sales levels with 622 sales -- and with 641

single family home sales in 2012, we have seen an additional 3% increase in buyer activity. Median prices of single family homes have also increased over the past year, up 6% to \$196,000.

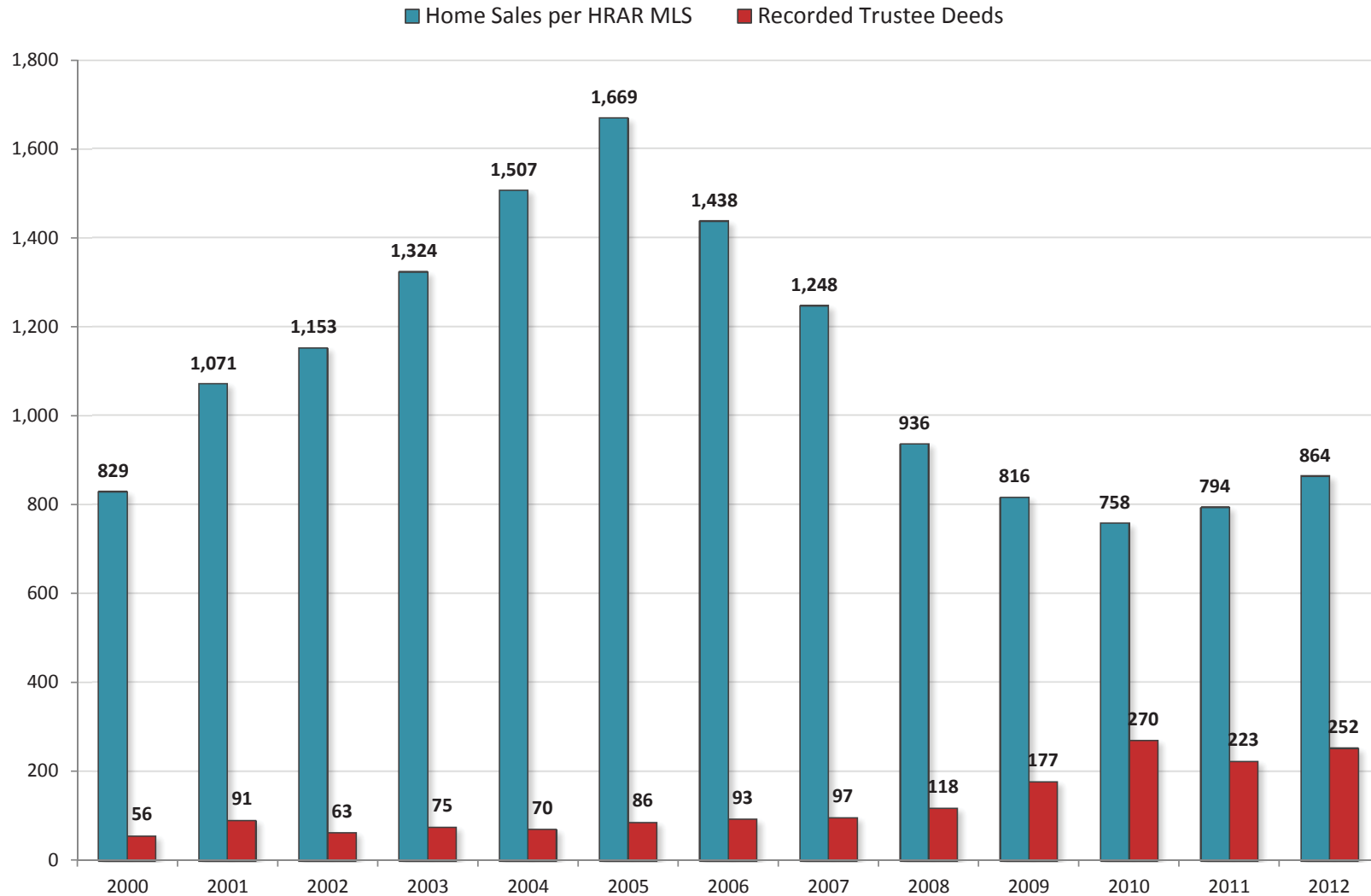
Harrisonburg & Rockingham County Home Sales & Price Trends Duplexes, Townhomes & Condos



Townhouse sales picking up pace (compared to last year). After six years of rapid declines in the pace of townhouse sales in Harrisonburg and Rockingham County, the pace of sales has finally rebounded. There was a sharp increase (+32%) in townhouse sales this year, which also includes duplexes and condos. This was, of

course, with a significant trade off on prices, which have continued to decline --- down 6% between 2011 and 2012. Hopefully with more buyers in the market (some of whom are investors) we will see townhouse prices starting to stabilize in 2013.

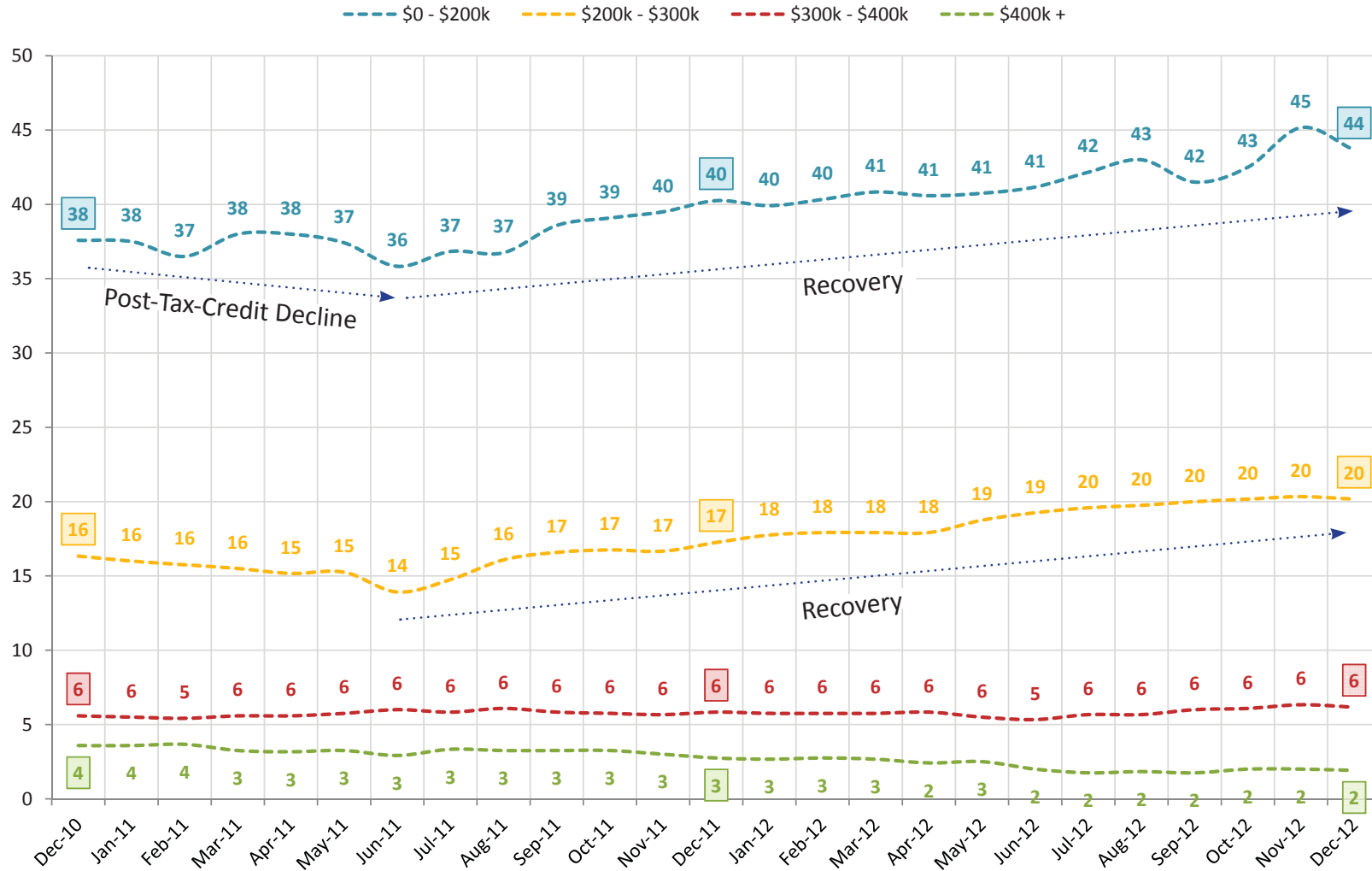
Harrisonburg & Rockingham County Home Sales vs. Trustee Sales



Foreclosures up (ever so slightly) from last year. 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 (without a Realtor), nor new home sales directly from a builder. The

red bars show the number of Trustee Deeds. Some foreclosed properties then show up again as REO properties. The foreclosure rate in 2012 is roughly the same as in 2011, as there were 3.6 times as many home sales as foreclosures during 2011 and 3.4 times as many home sales as foreclosures in 2012.

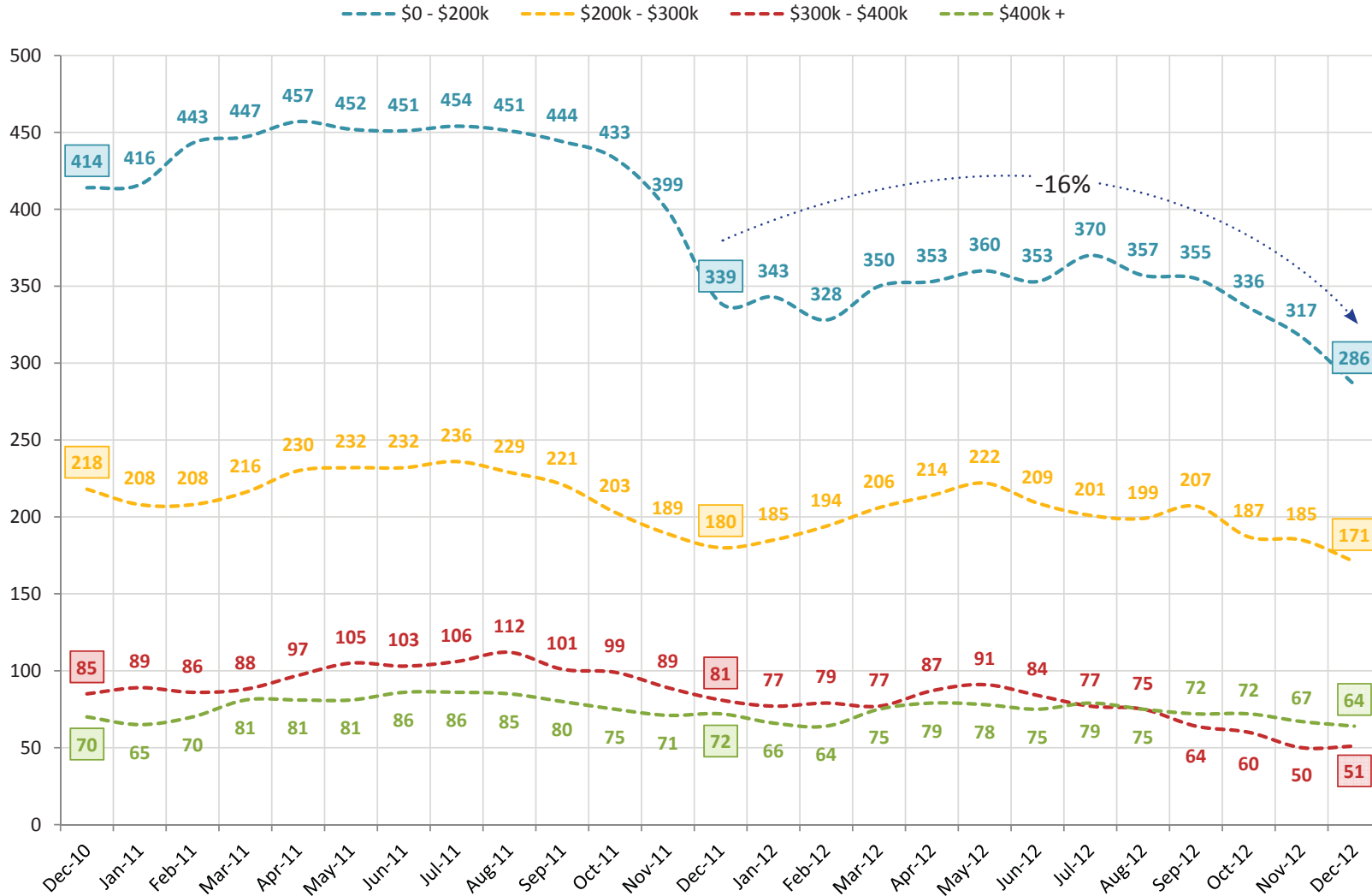
Harrisonburg & Rockingham County Home Sales by Price Range (Average of Past 12 Months)



Recovery more evident in lower price ranges. The pace of home sales in Harrisonburg and Rockingham County varies significantly based on price range. The graph above shows the average number of home sales per month (given a 12-month average) as we have passed through the past two

years. Home sales under \$200,000 have increased for the past year (and then some), as have sales between \$200,000 and \$300,000. The pace of home sales between \$300,000 and \$400,000 has been relatively steady, and the highest price range (\$400,000 and up) has seen slower sales over the past two years.

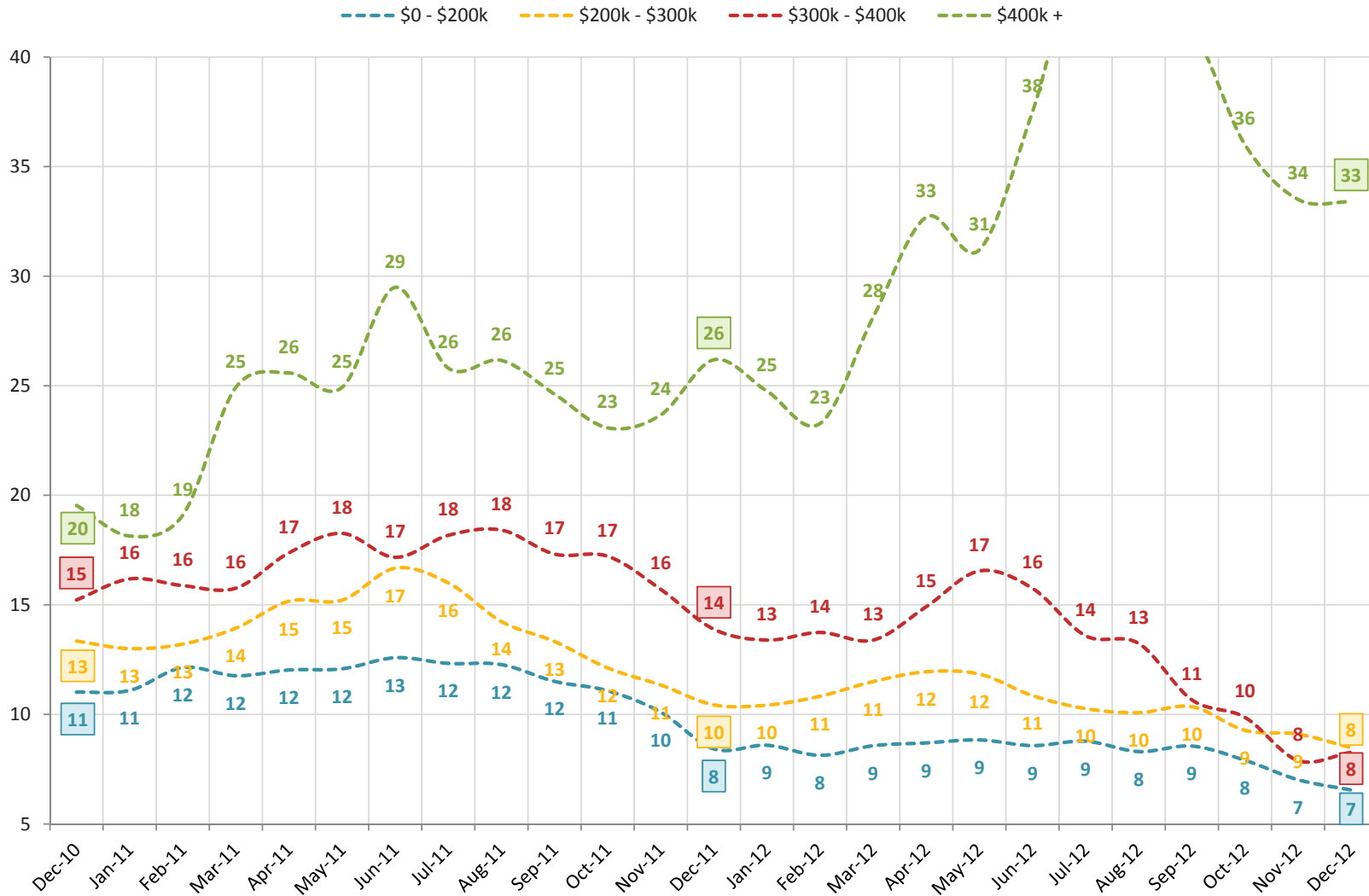
Harrisonburg & Rockingham County Inventory Levels by Price Range



Big drop in inventory in lowest price segment. Inventory levels have declined across the board over the past two years, but the changes have been quite different based on list prices. The most significant change has been in homes under \$200,000 -- just 12 months ago there were 339 such properties for sale, and today there are only

286 for sale -- this marks a 16% decline in inventory. These declines in inventory over the past two years are definitely making a difference in helping to return us to greater balance in the local housing market.

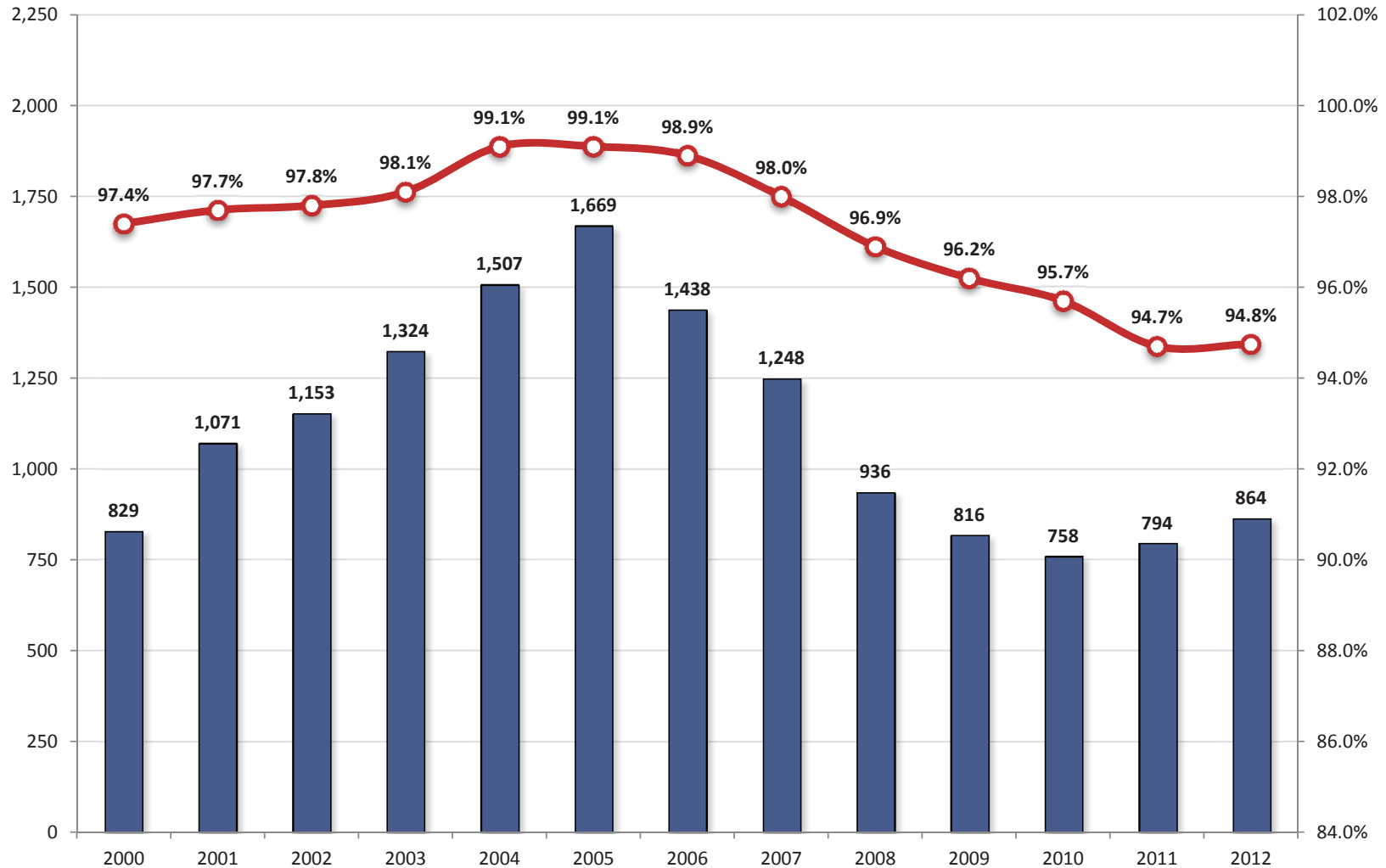
Harrisonburg & Rockingham County Months of Housing Supply by Price Range



Housing supply spikes in high price ranges. 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 33 months to sell all of the homes currently for sale over \$400K if the

same number of buyers bought each month as have been buying (on average) over the past 12 months. Many experts consider a six months supply of housing to be a balance between buyers and sellers in the market, and it is remarkable to note that we are finally starting to approach that balance in all but the highest price range.

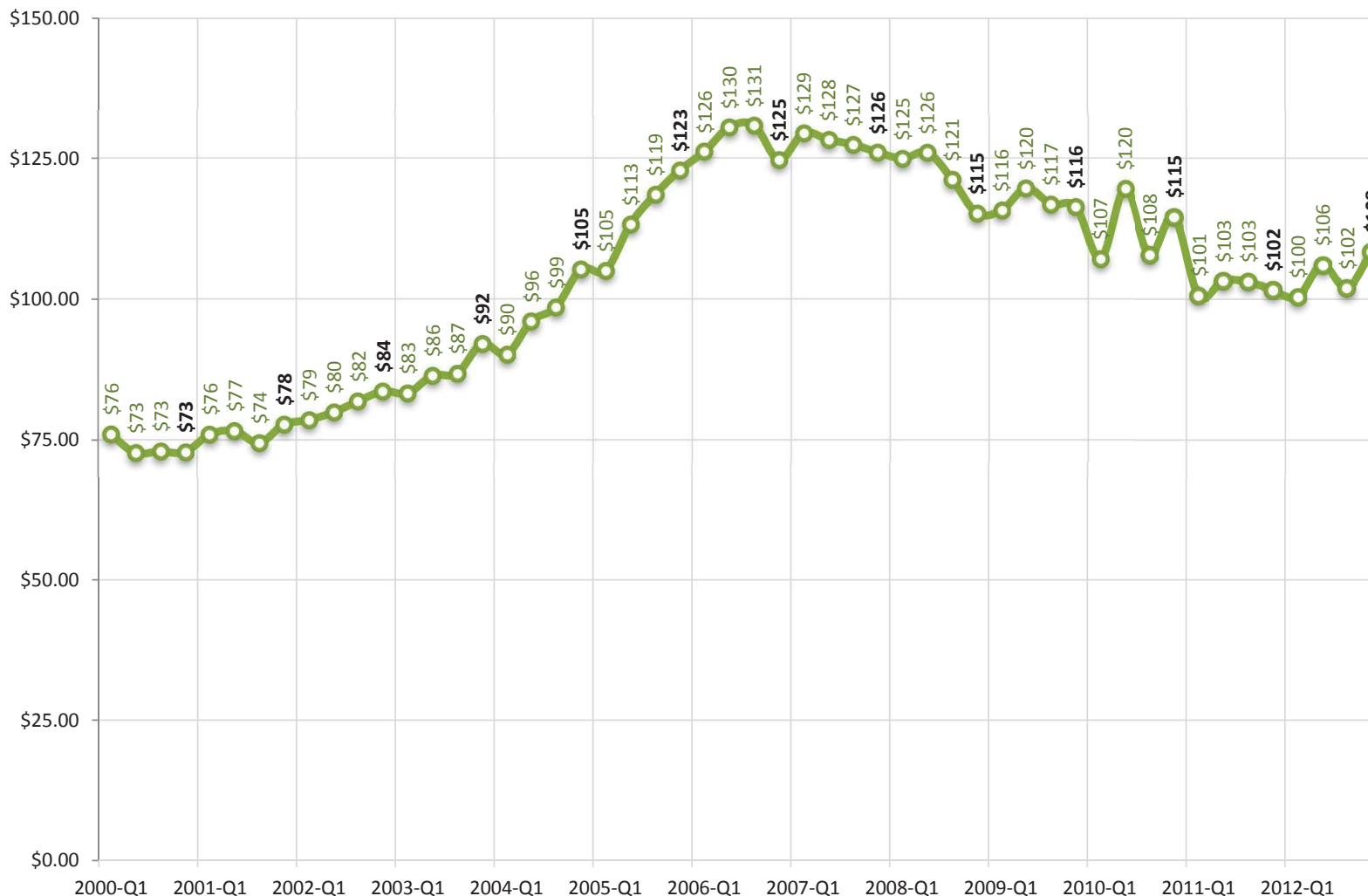
Harrisonburg & Rockingham County
List Price to Sales Price Ratio
 within the context of Home Sales Pace



Buyers experiencing slightly less flexibility on pricing. This graph shows the average list price to sales price ratio (red line) over the past 12+ years as compared to the overall pace of home sales. At the peak of the housing boom (2004-2006) sellers were able to obtain an average of 99% of their asking price --- up from an

average of 97.4% in 2000 before home sales started escalating. Last year may have offered the most flexibility for buyers --- with homes selling at an average of 94.7% of their asking prices --- this metric now shows a (tiny) improvement to 94.8% of the asking price for home sales during 2012.

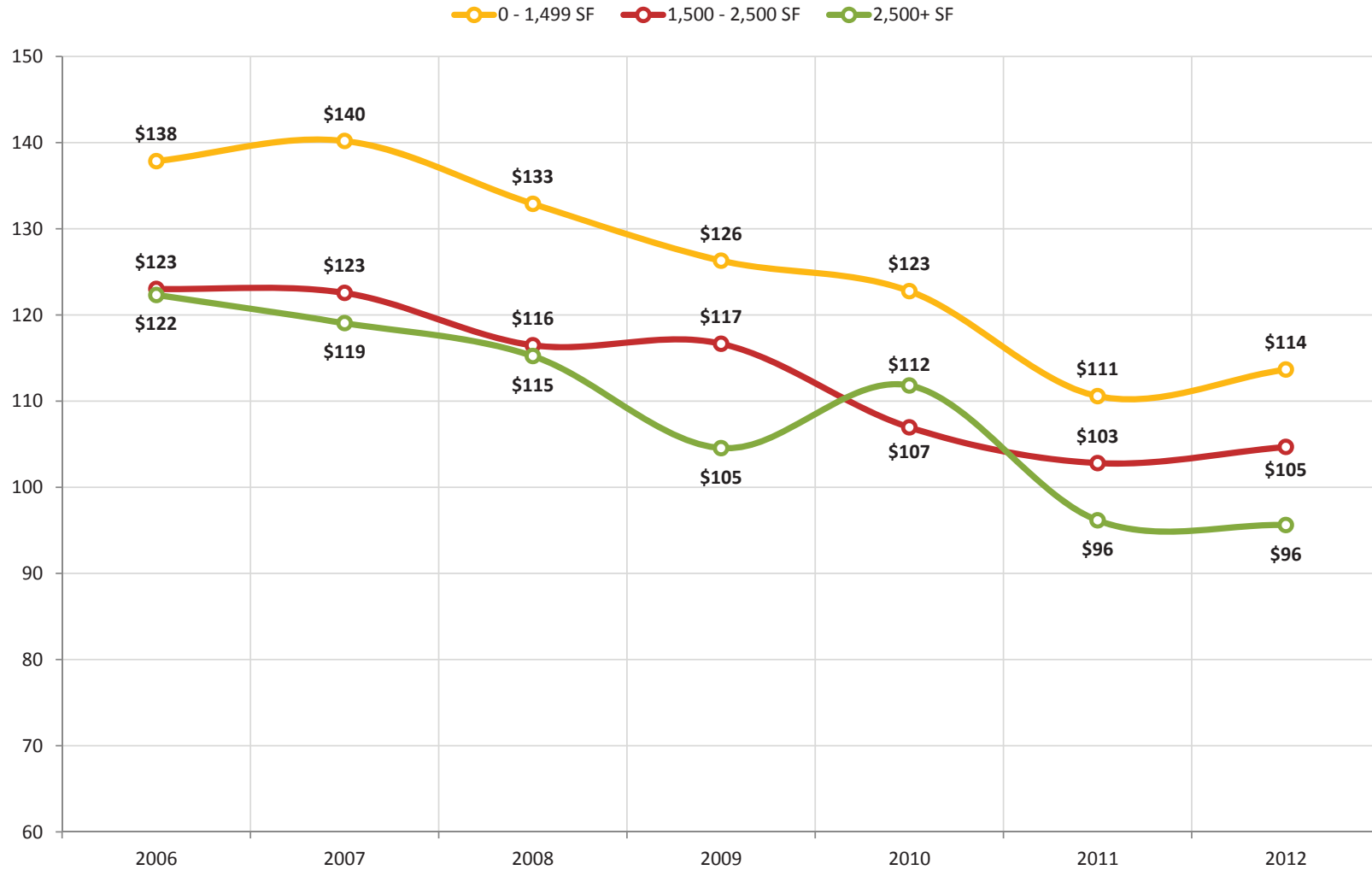
Harrisonburg & Rockingham County Median Price Per Square Foot Trends Single Family Homes



Price per square foot showing possible signs of stability. 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 during the same time, which validates that assumed set of changes in home values. Of late, however, the price per square foot has shown signs of stabilization.

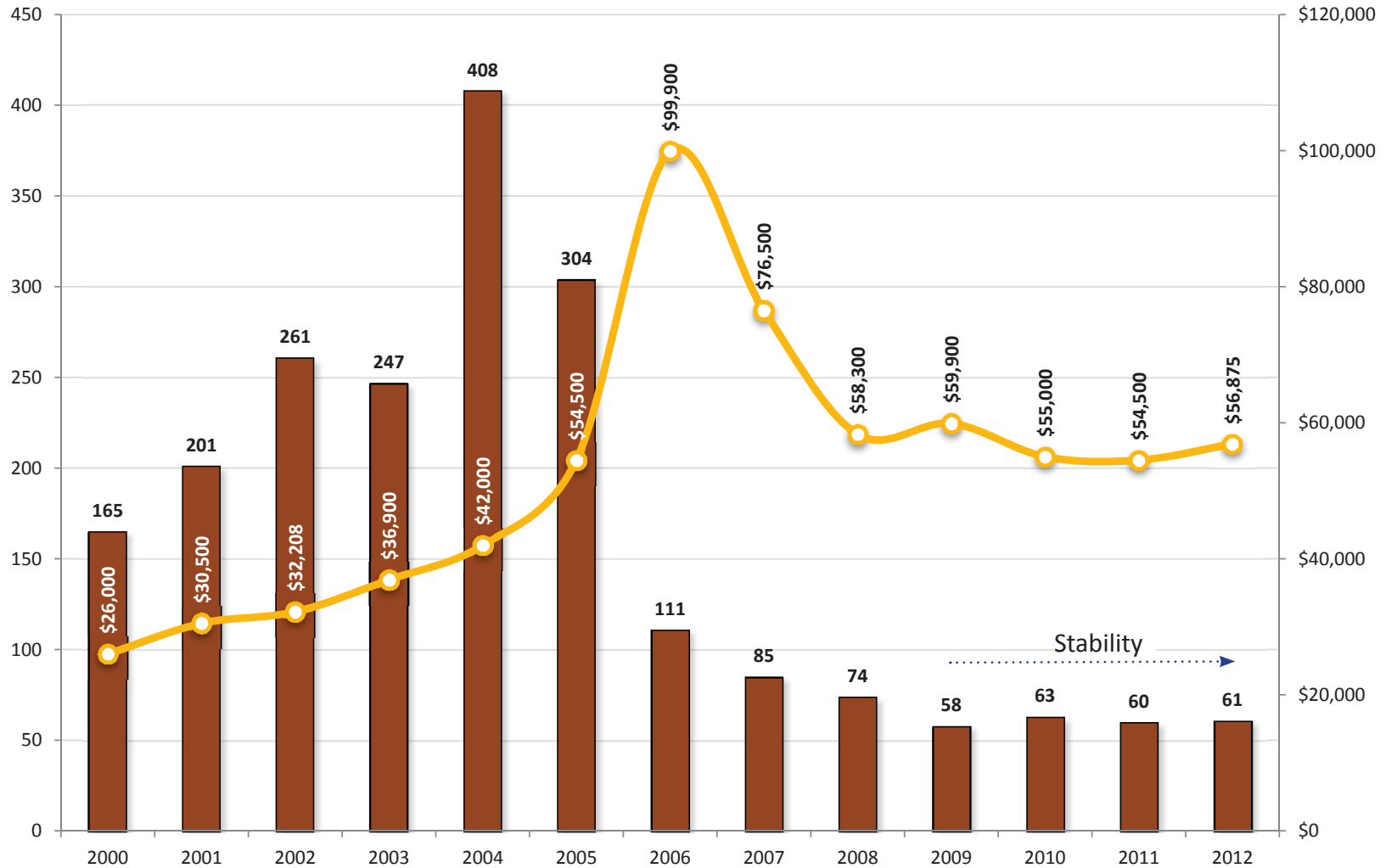
Harrisonburg & Rockingham County
Median Price Per Square Foot by Home Size
 Single Family Homes



Prices edge up in all price ranges. 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 (\$96/SF) than homes that offer less than 1500 SF (\$114/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.

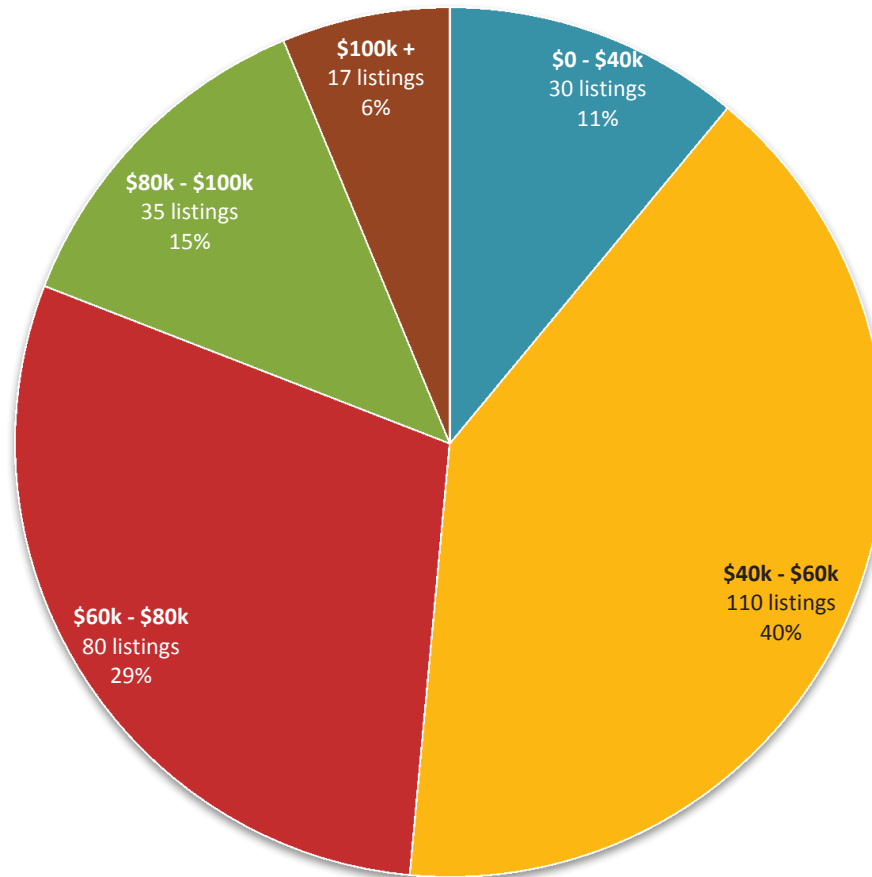
Harrisonburg & Rockingham County
Lot Sales & Median Prices
 less than 1 acre



Lot sales (< 1 acre) stabilizing. While the pace of sales of lots that are smaller than an acre have plummeted since 2004 (-85% between 2004 and 2010), they may have finally stabilized. We now see that there have been between 58 and 63 lot sales

(of less than an acre) for each of the past four years (2009-2012). The median sales price of these lots under one acre also appears to be stabilizing between \$55,000 and \$60,000.

Harrisonburg & Rockingham County
Price Distribution of Active Lot Inventory
less than 1 acre

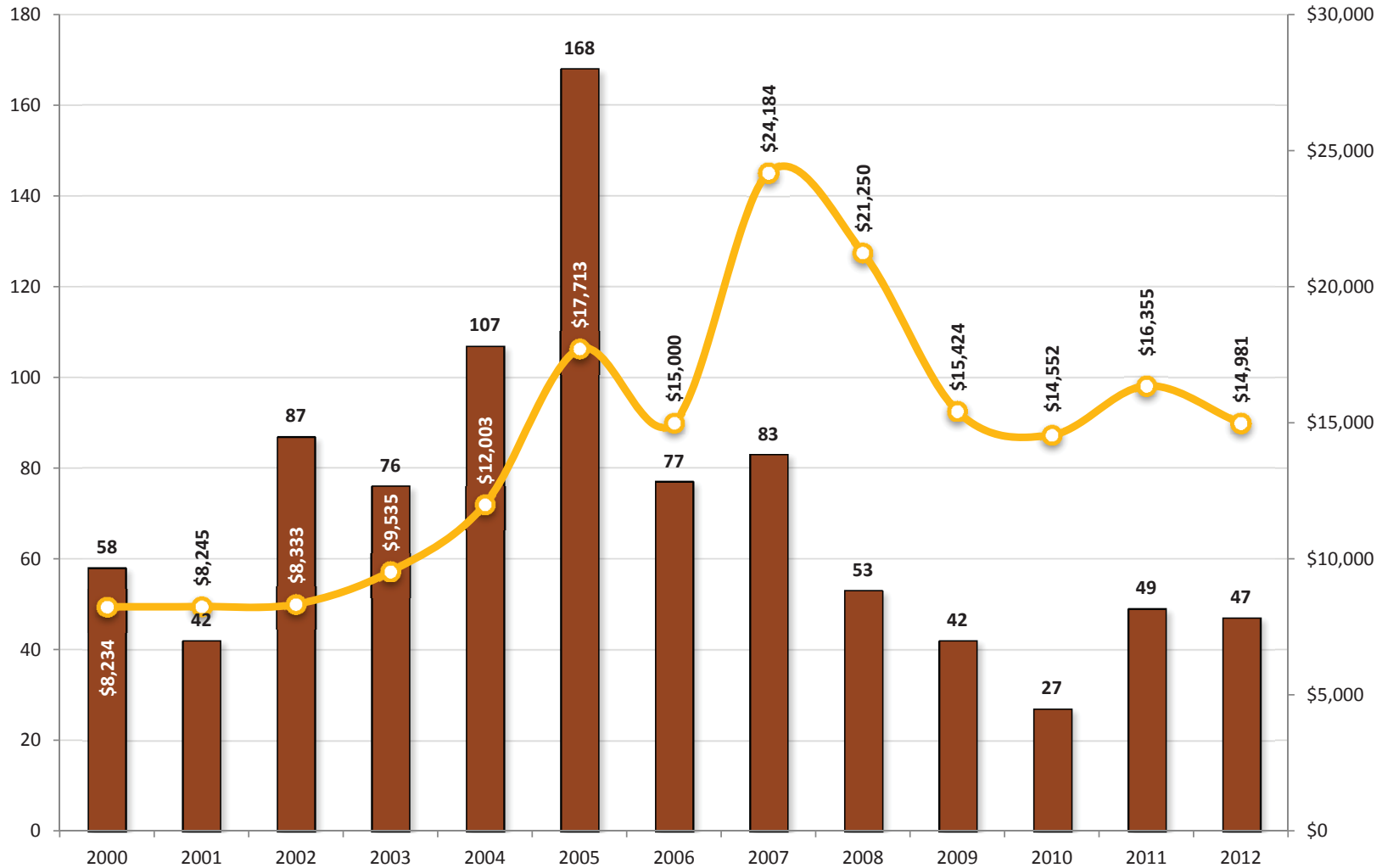


272 Active Lot Listings; Median List Price: \$60,000

Many (many) lots for sale. Despite the fact that only 61 lots (of less than an acre) sold in all of 2012, there are a remarkable 272 lots currently for sale. Some sanity exists in this listing market, however, as the median list price of lots for sale (\$60,000) is only slightly higher than the 2012 median sales price of \$56,875. Given

last year's 61 lot sales, if no other lots were listed for sale, it would take 4.5 years to sell all of the lots currently listed for sale. As you can see above, almost half of the lots currently listed for sale are priced above \$60,000 --- thus many sellers have offering prices higher than recent (2011, 2012) median sales prices.

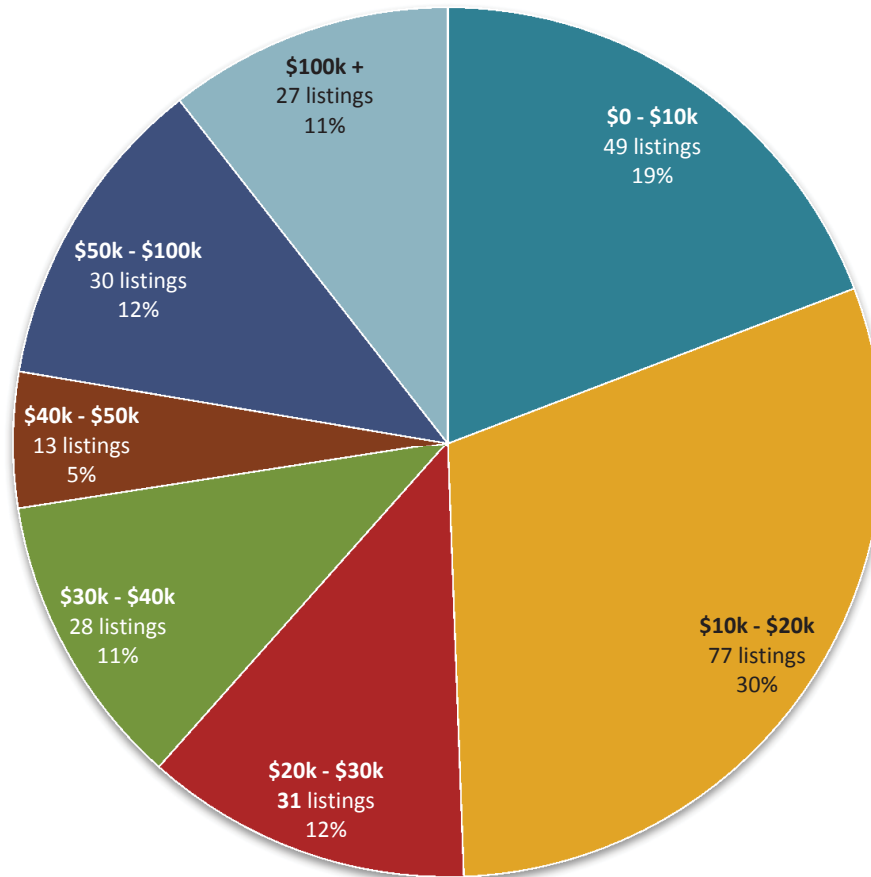
Harrisonburg & Rockingham County
Land Sales & Median Price Per Acre
 1 acre or more



Larger lot sales mostly stable between 2008 and 2012. Parcels of land larger than one acre in Harrisonburg or Rockingham County sold quite quickly in 2011 as compared to both 2010, but perhaps this was just continuing the trend of 42-53

lot sales per year seen between 2008 and 2012 (with the exception of 2010). The median price per acre of lots over 1 acre in size has fallen slightly over the past year to \$14,981.

Harrisonburg & Rockingham County
Price/Acre Distribution of Active Land Inventory
 1 acre or more

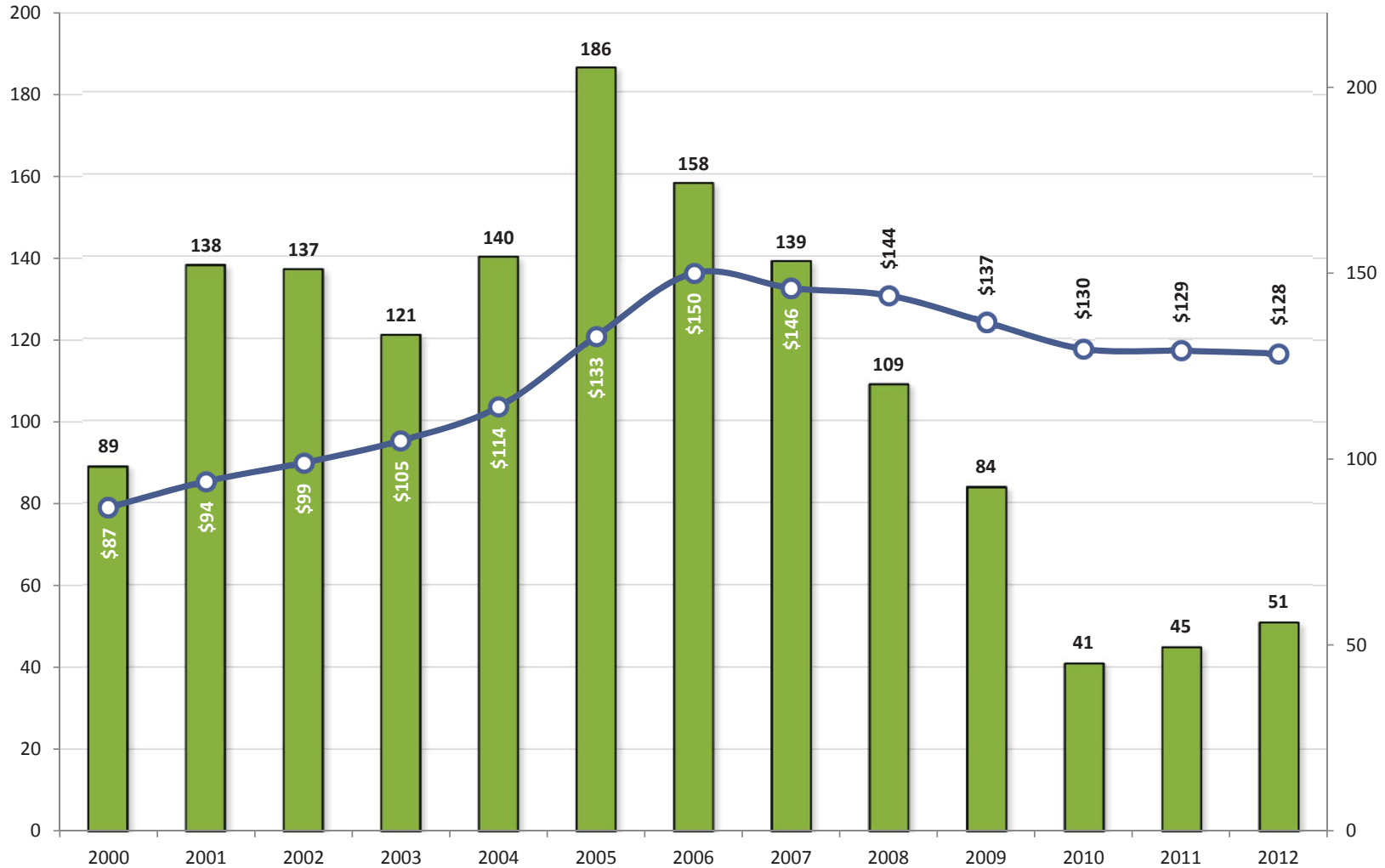


255 Active Land Listing; Median List Price: \$20,556 / Acre

High (really high) levels of lot inventory. Despite the fact that only 47 parcels of land (of one acre or more) sold in all of 2012, there are a remarkable 255 parcels of land currently for sale. Furthermore, despite the fact that the median sales price of land is hovering around \$15,000 per acre, the median list price of the 255 parcels

for sale is currently \$20,556 per acre. Given last year's 47 land sales, if no other land is listed for sale, it would take 5.4 years to sell all of the parcels of land currently listed for sale. As you can see above, the vast majority of land listed for sale is listed at median prices per acre well above the median sales price per acre.

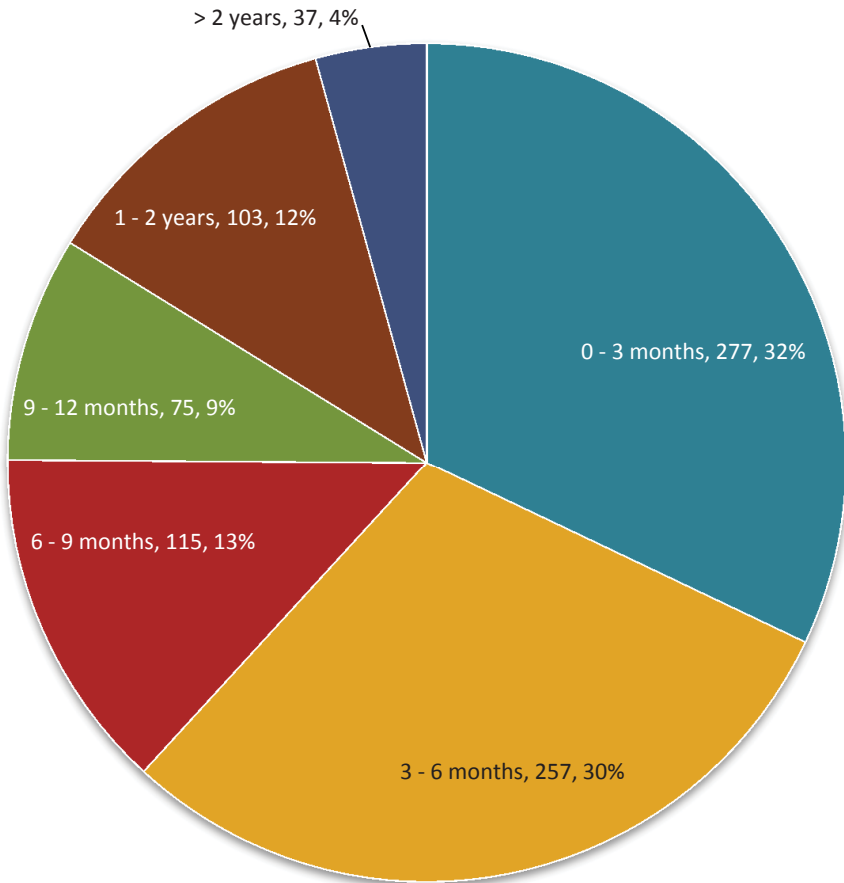
Harrisonburg & Rockingham County
New Construction Single Family Home Sales Trends
 Number of Sales, Median Price Per Square Foot



New home sales increasing, prices stable. New home builders experienced an increase in the pace of new home sales during 2011 and 2012 -- after a steady decline since 2005. These increases (41 to 45 to 51) in sales pace, however, still leave plenty of room for improvement. The median price per square foot has also

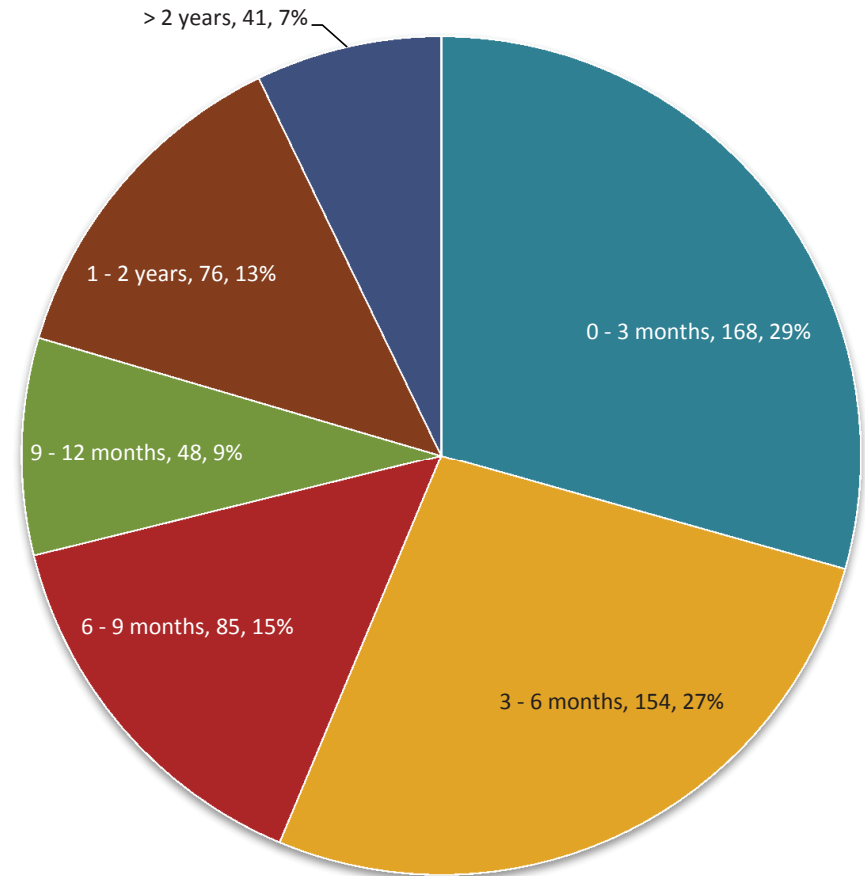
apparently stabilized around \$128/SF, down only slightly over the past two years. As the inventory of re-sale homes slims down, the sales of new homes should continue to increase.

Harrisonburg & Rockingham County Days on Market Analysis Residential Listings Sold in the Past 12 Months



Average Days On Market: 217

Harrisonburg & Rockingham County Days on Market Analysis Active Listings

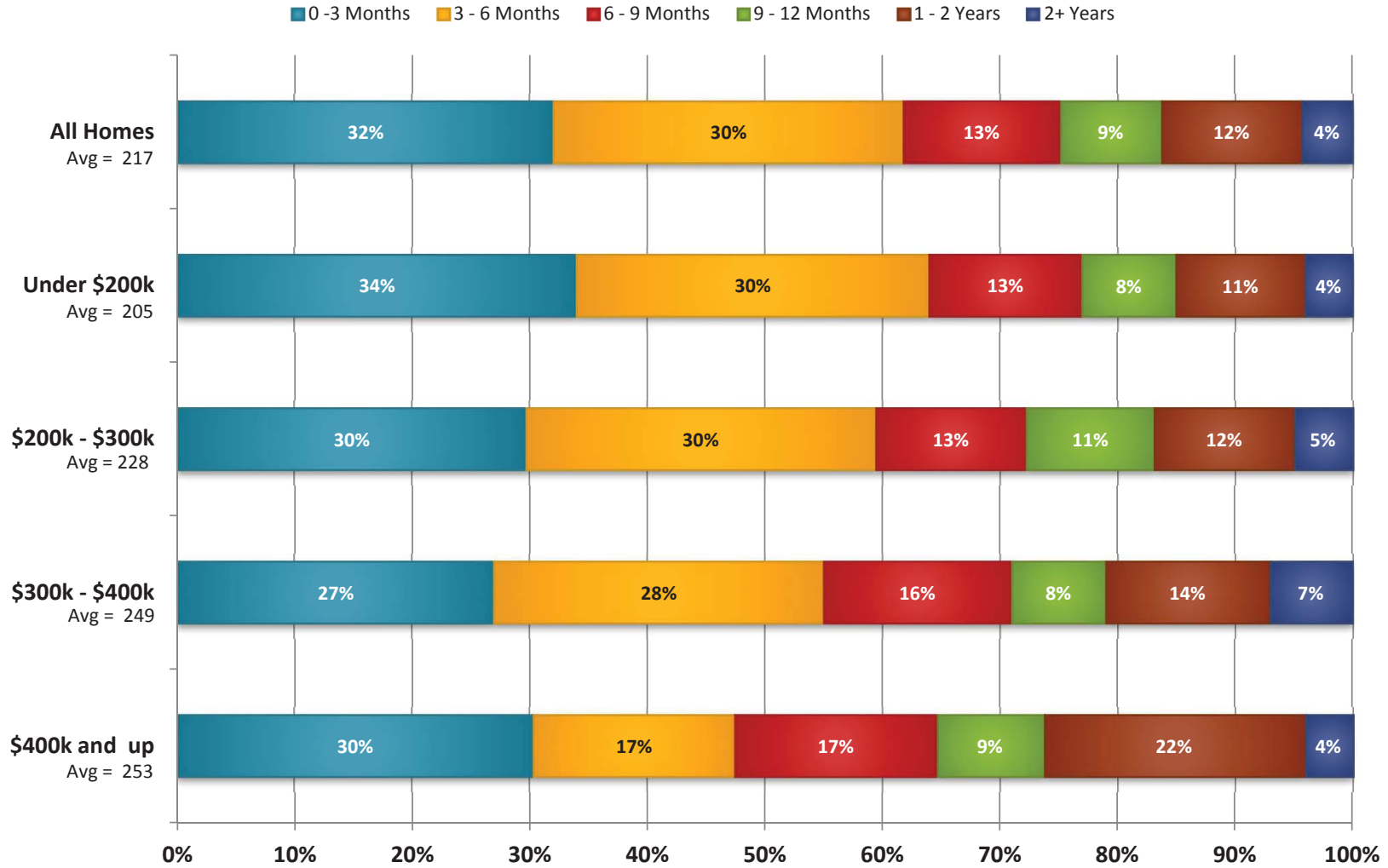


Average Days On Market: 247

Days on market relatively low amongst many homes that actually slow. Despite high inventory levels, and low numbers of buyers in the market, the homes that are actually selling are selling rather quickly. In fact, nearly 1 out of 3 homes (32%) that sells closes less than 90 days after being listed for sale. Include with that those

that close in the next 90 days and we find that an amazing 62% of homes that sell have closed within six months of first coming on the market. This is not, however accounting for the many homes that never sell -- that linger on the market, or are eventually taken off the market.

Harrisonburg & Rockingham County
Days on Market Analysis by Price Range
 Properties Sold in the Past 12 Months

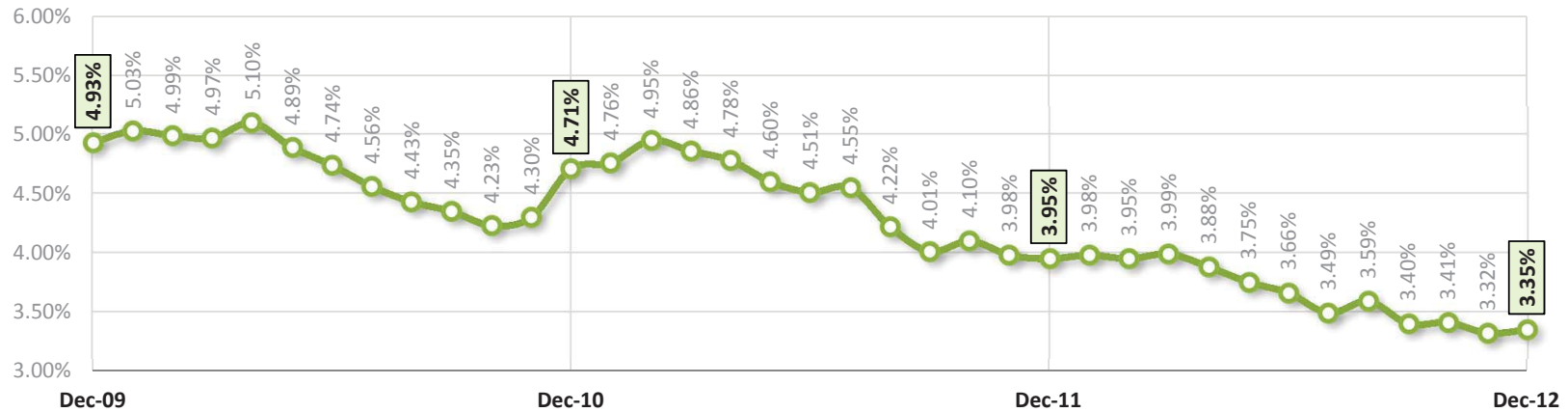


Sales pace varies by price range. The time that it takes to sell a home in today's market varies based on the price range of the home in question. For example, 64% of homes that sold under \$200K sold in the first six months of being on the

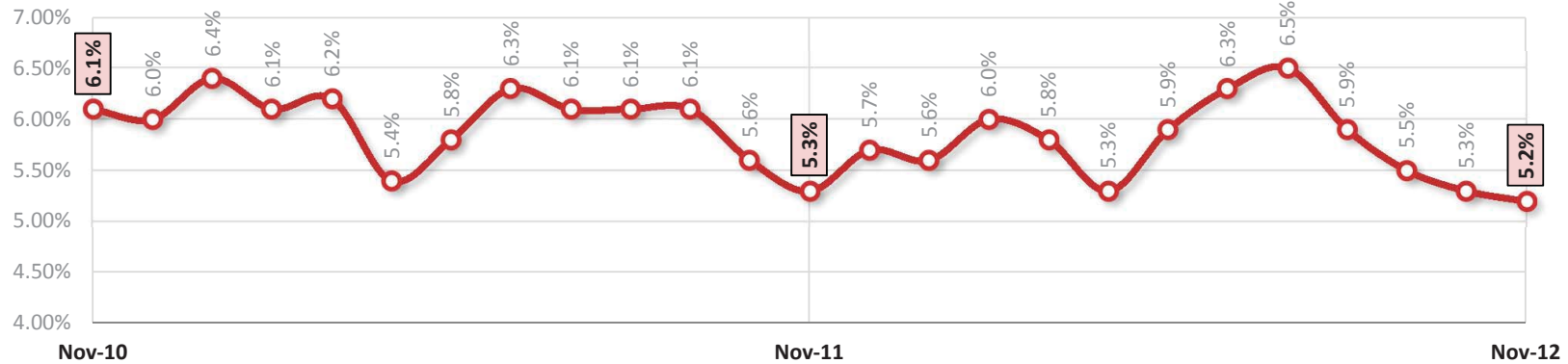
market, while only 47% of homes over \$400,000 were able to sell in that same time period.

Average 30-Year Fixed Mortgage Interest Rate

Source: Freddie Mac



Harrisonburg-Rockingham MSA Unemployment Rate Not Seasonally Adjusted



Mortgage rates, unemployment levels continue to decline. As shown in the top graph above, home buyers continue to find amazingly low interest rates on 30-year fixed rate mortgages. After a brief spike in August 2012, average interest rates are now back to their pattern of breaking all-time historic lows, with a current average of

3.35%, up only slightly from last month's 3.32%. The second graph above illustrates trends in the local unemployment rate -- which dropped yet again in November, down to 5.2% --- the lowest level on record in the past two years.

Scott P. Rogers, Associate Broker



Scott P. Rogers, an Associate Broker with Funkhouser Real Estate Group, 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 sellers of luxury homes and builder/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.

In both 2010 and 2011, Scott was recognized by the Harrisonburg / Rockingham Association of Realtors as being in the top 1% of all area Realtors.

For more information, or with questions, contact:

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Local Online Real Estate Resources

Central Shenandoah Valley Property Search
<http://www.ScottPRogers.com>

Monthly Real Estate Market Reports
<http://www.HarrisonburgHousingMarket.com>

Ongoing Housing Market Analysis & Commentary
<http://www.HarrisonburgHousingToday.com>

Comprehensive Data on Harrisonburg Townhouse Communities
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New Home Communities
<http://www.HarrisonburgNewHomes.com>

Trustee Sales in Harrisonburg & Rockingham County
<http://www.HarrisonburgForeclosures.com>

Bank Owned Properties in Harrisonburg & Rockingham
<http://www.HarrisonburgREO.com>

Potential Short Sales in Harrisonburg & Rockingham County
<http://www.HarrisonburgShortSales.com>

Owner Financed Properties in Harrisonburg & Rockingham County
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Lease/Purchase Properties in Harrisonburg & Rockingham County
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Property Transfers in Harrisonburg & Rockingham County
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