

CAAR Market Report

2009 First Quarter

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Where Are We Now?

The Charlottesville area real estate market improved in the first quarter compared to the 4th quarter of 2008, but still remains slow in terms of sales. The previous quarter will go down as one of the weakest real estate markets in history, so the improvement in the first quarter of 2009 is easy to understand, especially considering the seasonal upswing the market generally experiences this time of year.

Even if the market activity is somewhat seasonal and relative to a dismal 4th quarter in 2008, it feels great to see market activity again. Open houses are seeing a lot of traffic and the number of buyers “looking” right now is strong. We should see this activity transform the market numbers into something we can enjoy reading by the second quarter. The market will not rebound to 2008 levels for a few more quarters, but the activity and the number of pending sales are encouraging.

For the past several months, CAAR has explained that “the market is the market,” meaning that buyers and sellers have to understand the current conditions and not live in the past. This means that sellers have to accept that their home has probably decreased in market value and if they want to sell, they need to agree to a listing price that will attract buyers.

For buyers, the market has a few short-term opportunities to think about. First, interest rates, thanks to actions by the feds to shore up the financial markets, are very low right now. We do not know how long rates will stay this low. Second, first-time buyers can get an \$8,000 tax break if they close on a home by the end of November. If a buyer is interested in taking advantage of this incentive, they should not wait until the fall to start the process.

Buyers now have another market condition to be informed about – short sales and bank owned properties. A short sale is when the seller has to bring money to the closing table because the proceeds of the sale did not cover the outstanding mortgage(s). In some cases, the seller may not have the assets to cover the “short” and this would cause a distressed short sale situation. In such a case, the bank or mortgage company (and sometimes an investor) would have to approve the short sale. This third party approval can take weeks and even months to secure. Buyers need to understand this market condition and discuss options and opportunities with their buyer’s agent.

The Ups and Downs of Home Sales

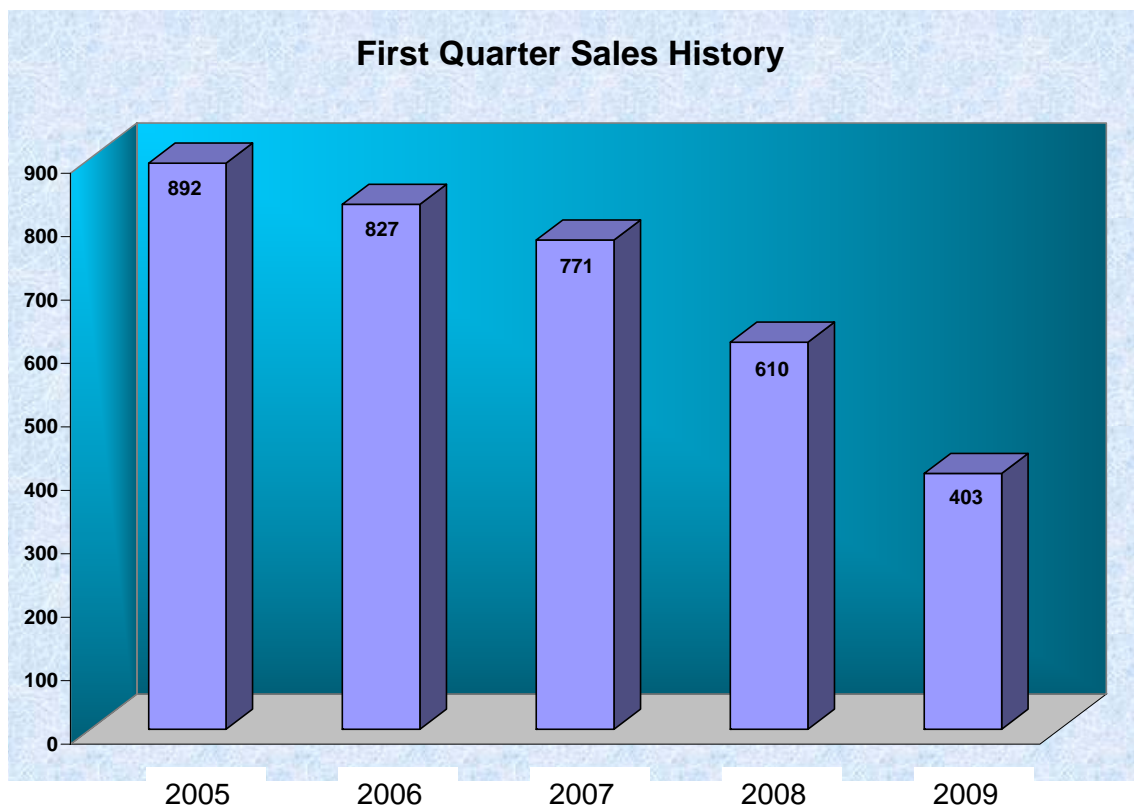
There were 403 homes sold in the Charlottesville area during the first three months of 2009, which was down 33.9% (-207 sales) from 2008. All local areas were down from last year: Albemarle -18.7%, Charlottesville -40%, Fluvanna -32.4%, Greene -50%, Louisa -59.6%, Nelson -51.2%, and Orange – 36.7%. Monthly 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 28.4% compared to last year.

1st Quarter Home Sales					
County	2005	2006	2007	2008	2009
Albemarle	368	305	271	171	139
Charlottesville	107	131	112	110	66
Fluvanna	120	94	91	71	48
Greene	58	72	51	40	20
Louisa	41	47	49	52	21
Nelson	85	61	59	41	20
Orange	32	22	24	30	19
Area Total	892	827	771	610	403
Staunton-Augusta			238	215	154

**includes sales outside the counties listed*

***numbers courtesy of the Greater Augusta MLS*



Have Home Prices Slipped?

Most would agree that local home prices have slipped from their high in 2006, but each area—and arguably each property—is distinct. Although the area median price of homes is an important statistic, you should not compare a change in the median price of homes that sold with an actual increase or 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 to pay and is not a true reflection of individual home prices. It is probably safe to assume that a steady, year-to-year increase in the median price is a good sign, but it does not necessarily mean prices are up and vice versa if the median price decreases.

The only way to know what your home will sell for is to have a REALTOR® 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 \$21,500 (-7.8%) compared to the first quarter last year. Greene (+10.7%) and Nelson (+8.8%) were the only markets to show an increase in median price, with all other areas showing declines. Median prices for other locales include: Albemarle (-13.4%), Charlottesville (-6.6%), Fluvanna (-17.2%), Louisa (-14%), and Orange (-5.8%), and the Valley (-8.7%).

First Quarter Median Prices					
County	2005	2006	2007	2008	2009
Albemarle	\$239,950	\$344,400	\$289,000	\$335,000	\$290,000
Charlottesville	\$225,000	\$274,000	\$249,500	\$281,250	\$262,810
Fluvanna	\$205,950	\$245,000	\$253,000	\$242,000	\$200,450
Greene	\$192,500	\$294,975	\$314,900	\$262,500	\$290,500
Louisa	\$189,000	\$212,000	\$238,000	\$254,500	\$218,825
Nelson	\$280,500	\$339,000	\$249,000	\$285,000	\$309,950
Orange	\$191,250	\$280,750	\$321,525	\$245,000	\$161,400
Area Median	\$225,000	\$289,900	\$262,500	\$274,500	\$253,000
Central Valley			\$215,000	\$199,997	\$182,589

**includes sales outside the counties listed*

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

Inventory Remains Too High

The inventory of homes for sale in the Charlottesville area increased significantly during the 1st quarter after being in retreat for the previous 6 months. This increase in inventory is typical during the first part of the year, but was not needed given that the market already had too many homes for sale. Having this excess of inventory is the most significant problem 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 3,608 homes on the market, compared to 3,673 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 \$298,000, which is just about where we were last year. The average DOM (days on market) of these homes is 155 days, which is a few days more than last year. Housing affordability is the positive aspect of this market. There are 894 homes for sale under \$200,000 with an average DOM of 132. There are 275 homes currently on the market priced at a million dollars or more with an average DOM of 231.

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 1st quarter which showed a higher average market time than the first quarter 2008. Although the increase was only a modest 2 days, it still supports 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 2006.

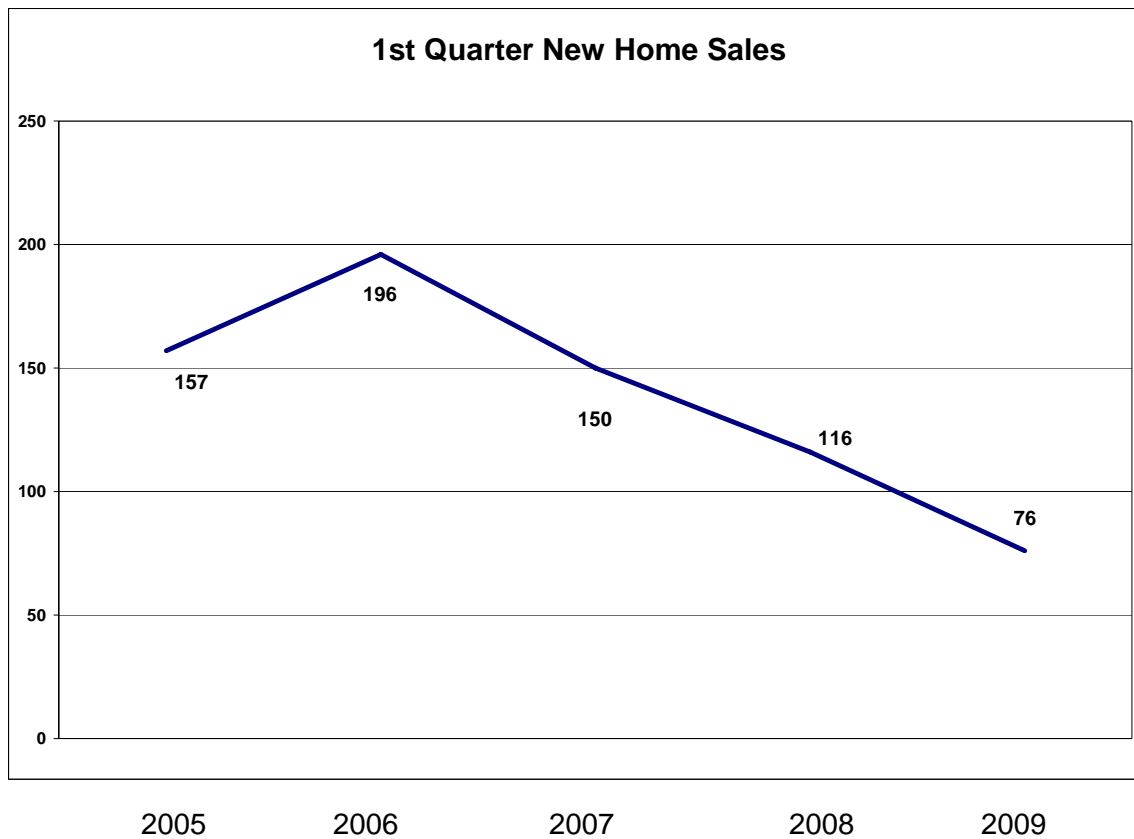
1st Quarter Average Days on Market					
County	2005	2006	2007	2008	2009
Albemarle	64	70	116	135	113
Charlottesville	72	62	75	141	167
Fluvanna	70	79	108	135	127
Greene	67	76	99	90	92
Louisa	114	119	158	110	70
Nelson	73	83	118	152	164
Orange	89	83	95	125	163
Area Average	75	80	107	132	134
Central Valley			126	143	144

**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.



Price Per Square Foot (Finished)

Looking at the average price per square foot of finished space in homes that have sold is interesting, but should not be relied on as a scientific number. The averages in this section of the report include the cost of the land, which varies greatly based on location and amenities. A lot at Wintergreen with fantastic views of the Valley costs much more than a lot in other parts of Nelson. With that said, the numbers in this section reflect a general sense of the cost of housing in the areas listed and price trends over time. As expected, the average costs per square foot have decreased in every area covered in this report.

1st Quarter Price Per Square Foot					
County	2005	2006	2007	2008	2009
Albemarle	155	173	174	176	155
Charlottesville	172	186	186	193	159
Fluvanna	121	141	135	137	122
Greene	133	148	157	147	134
Louisa	122	146	142	153	114
Nelson	193	232	206	197	176
Orange	133	175	195	129	110
Area Average	150	169	166	163	140
Central Valley			131	121	117

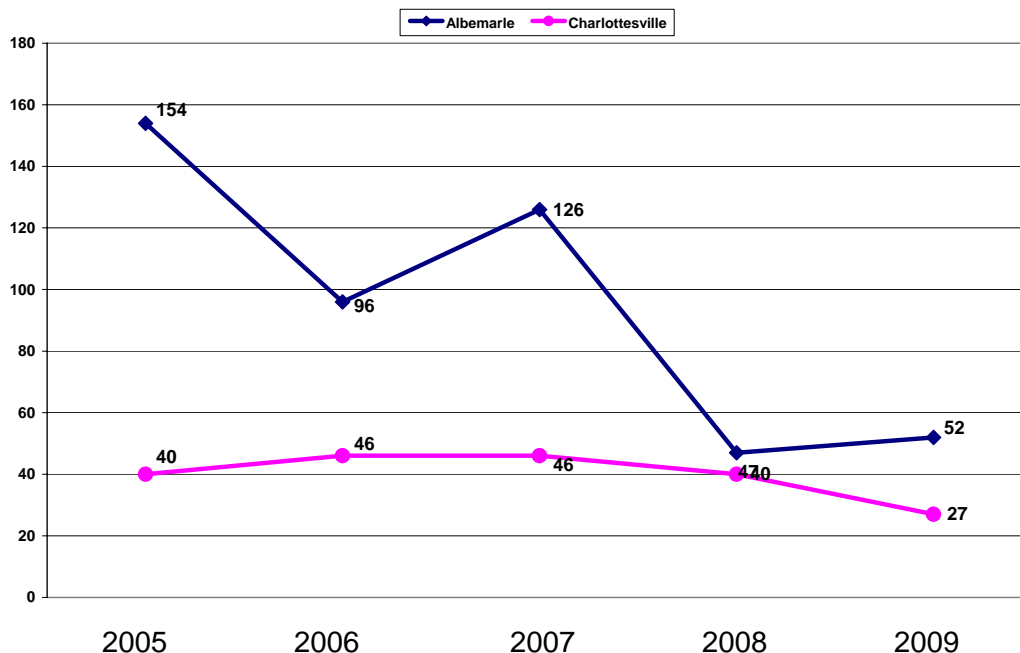
*includes sales outside the counties listed

**based on CAAR MLS data

Condos and Townhomes

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. Charlottesville attached home sales are down 32.5%, while Albemarle sales edged up 10.6% 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 454 listed for sale in Charlottesville and Albemarle, but this number decreased slightly from 2008. This over-supply is presented in the 167 average DOM for the attached properties currently on the market. The median price of an attached home is \$215,700.

Condo and Townhome Sales



Conclusions and Predictions

Although the 1st quarter of 2009 will not go down in history as one of the best real estate markets, there was a lot to smile about. Most REALTORS® are happy to be busy again and as buyers and sellers gradually adjust to the current market, more and more sales will show up in these quarterly reports. We should see a slow, but steady improvement in the number of sales for the balance of the year. By the 4th quarter of 2009 we will likely see a year-to-year sales improvement, but only because the 4th quarter of 2008 was so bad it will be hard not to beat.

Improving market conditions are a welcomed relief to almost everyone, but there are still some significant issues to work through before we can consider the market to be healed. Most troubling is the glut of inventory of homes for sale that has existed for the past few years. In addition, an increasing percentage of these homes for sale are bank owned as a result of a foreclosure, or subject to a distressed short sale. Such properties can often be purchased for an attractive price, but the complications involved are an impediment.

The most important factor in the housing market and the overall economy is consumer confidence. Now that the housing stimulus package is in place and credit markets are starting to function again, we can expect consumer confidence to gradually improve. As the consumer becomes more optimistic, the housing market will see the results. We could still hit another economic speed bump, but based on what we know and on the numbers in this report, there are signs that the consumer is starting to feel comfortable again. Only time will tell if we are really heading in the right direction, but that is better than *knowing* we are heading in the *wrong* direction.

This Quarterly Market Report is produced by the Charlottesville Area Association of REALTORS® 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, or contact your REALTOR®.