

December 2010
Harrisonburg & Rockingham County
Real Estate Market Report

An Analysis of Real Estate Activity Through November 30, 2010

December 8, 2010

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

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: November

56 homes sold in November 2010, showing a 33% decline from November 2009 when 84 homes sold. 42 homes also sold in November 2008, and 108 homes sold in November 2007.

Home Values: November

Median sales prices increased 10% to \$194,700 between November 2009 and November 2010, and average sales prices increased 8%.

Days on Market: November

Homes sold in an average of 214 days in November 2010, a 14% increase over the 187 day average in November 2009, and a 22% increase over November 2008.

Foreclosures

256 trustee deeds have been recorded thus far in 2010, a 45% increase over 2009 with another month to go. This is also a 357% increase over the 56 trustee sales recorded in 2000.

Inventory

Inventory levels remain high but are on the decline. 846 residential properties are currently for sale, down from 927 one month ago, and from 1,015 in June 2010.

Pace of Home Sales: YTD

692 homes sold between January and November 2010. This marks an 8% decline from 2009 when 749 homes had sold in the same time frame, and a 20% decline from 2008.

Home Values: YTD

Median and average sales prices have declined 3% when comparing 2010 home sales (YTD) to 2009 home sales.

Days on Market: YTD

The length of time on the market for homes selling between January and November 2010 (195 days) increased 4% since last year during the same time frame (187 days).

Supply

All price ranges still show an excess of housing supply, with 11 months under \$200k, 16 months between \$200k and \$300k, 17 months between 300k and \$400k, and 21 months above \$400k.

Price Per Square Foot

Median price per square foot of single family homes has increased from \$108/sf in the 3rd quarter of 2010 to \$115/sf in the 4th quarter.

Buyer Activity

60 buyers committed to buy in November 2010, compared to 55 in November 2009, and 43 in November 2008. These 60 contracts is up from 51 buyers last month (October 2010).

Single Family Home Sales

510 single family homes have sold thus far in 2010, compared to a 2009 total of 563 homes. The median sales price has decreased only 2%.

Townhome Sales

182 townhomes have sold thus far in 2010, compared to a 2009 total of 253 townhomes. The median townhome sales price has decreased 4% over the past year.

Lot Sales

58 lots of less than an acre have sold in 2010, compared to the same number in all of 2009. Median lot sales prices have declined 8% to \$55,000 since last year, and 45% since 2006.

Land Sales

24 parcels of land greater than an acre have sold at a median value of \$13,957 per acre in 2010, down 43% since the 42 sales shown in 2009.

HOME SALES REPORT

Harrisonburg & Rockingham County

December 8, 2010

# Home Sales	2007	2008	2009	2010	% Change ('09 - '10)
November	108	42	84	56	-33.33%
January - November	1,182	866	749	692	-7.61%

Median Sales Price	2007	2008	2009	2010	% Change ('09 - '10)
November	\$193,975	\$189,750	\$177,000	\$194,700	10.00%
January - November	\$195,000	\$197,000	\$187,900	\$182,200	-3.03%

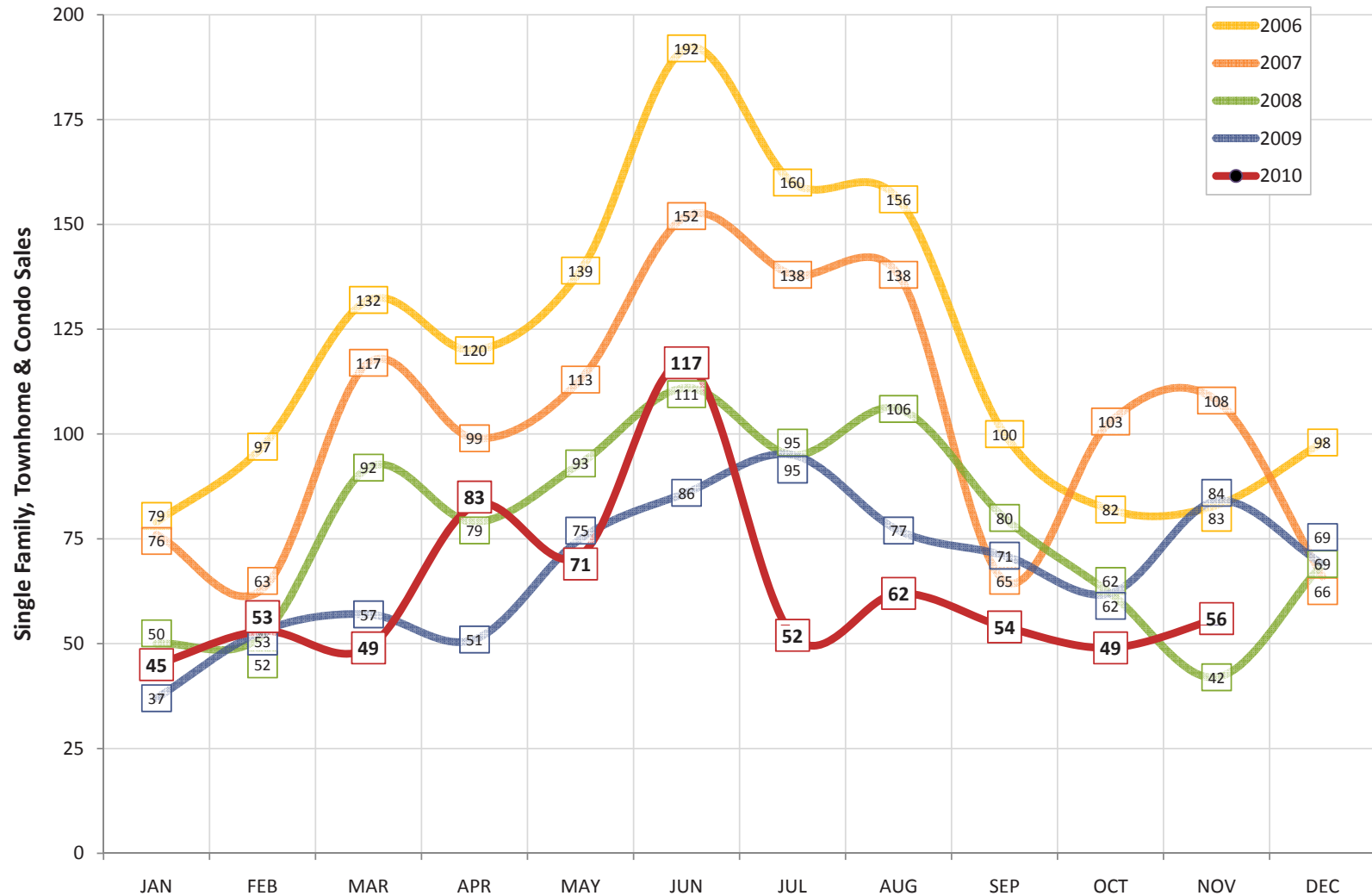
Average Sales Price	2007	2008	2009	2010	% Change ('09 - '10)
November	\$233,496	\$216,388	\$204,866	\$222,025	8.38%
January - November	\$224,007	\$223,518	\$216,612	\$210,164	-2.98%

Average Days on Market	2007	2008	2009	2010	% Change ('09 - '10)
November	142	176	187	214	14.44%
January - November	185	166	187	195	4.28%

Our market witnessed a 33% drop in sales between November 2009 and November 2010 --- but this was mainly a rush of buyers last November who wanted to close before the home buyer tax credit deadline. Median and average sales prices seemed to shoot up in November 2010 as compared to November 2009 --- but the lower than

expected median and average sales price last November were the result of many of the tax credit buyers purchasing townhomes or other lower priced properties. The year to date numbers can be a bit more helpful, where we see that the pace of sales continues to decline (-8%) and values are decline more gradually (-3%).

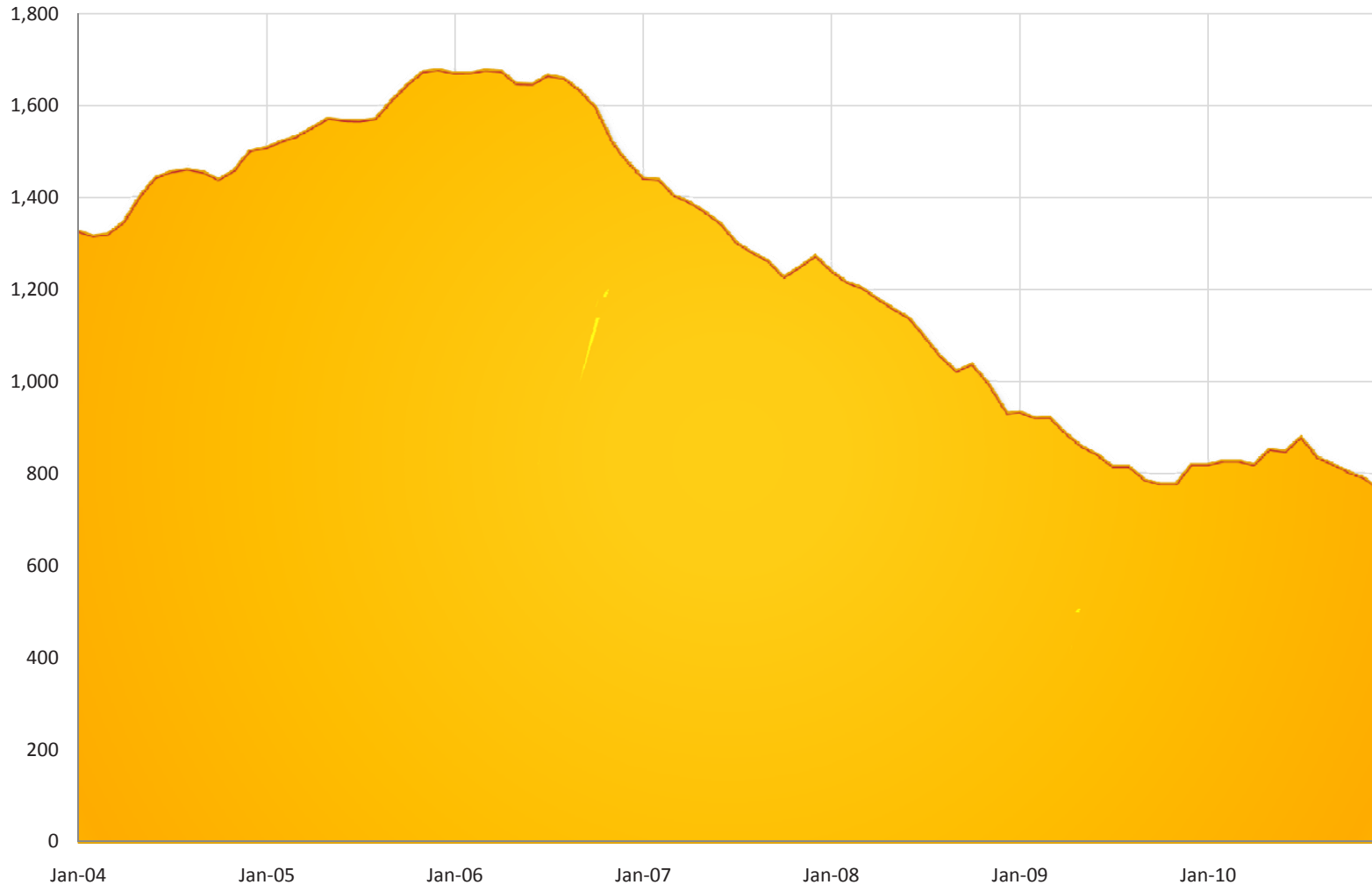
Harrisonburg & Rockingham County Month-By-Month Home Sales History



Here's a bright spot in this report -- November 2010 home sales were not the lowest November home sales on record. Back in November 2008, we saw fewer home sales than this November. The increase in home sales between October 2010 and November 2010 is also a positive sign, as there were some who believed we'd

see sales continue to decline through November and December. The past three Decembers have been quite predictable with 66 - 69 home sales per year. Can our market hold up to that standard? I predict that we'll see somewhere between 48 and 58 home sales in December -- I will be surprised if we hit 66 or 69.

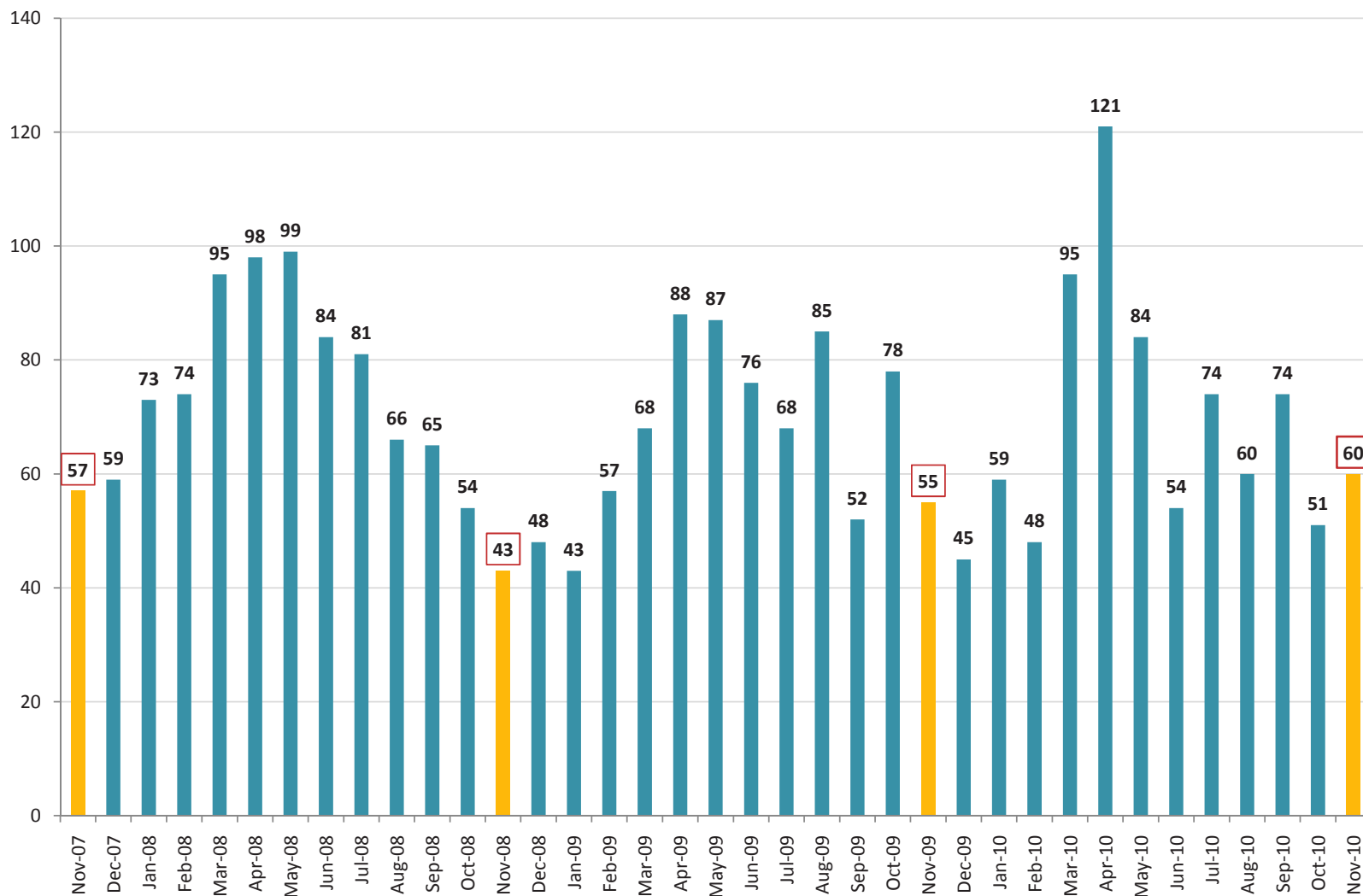
Harrisonburg & Rockingham County
Time-Adjusted Home Sales Trends :: All Homes
Sum of Preceding 12 Months



Since home sales fluctuate up and down from month to month, it's important to look at longer term trends. Each data point on this graph reflects the sum of 12 months of home sales -- thus including each month and season of the year. The pace of home sales increased dramatically between 2004 and 2006, and then declined

all the way through late 2009. The local market started to move upward with some momentum between late 2009 and mid 2010 before starting to falter for the last several months. This temporary turn-around followed by a continued decline may very well have been the result of the home buyer tax credit on our local market.

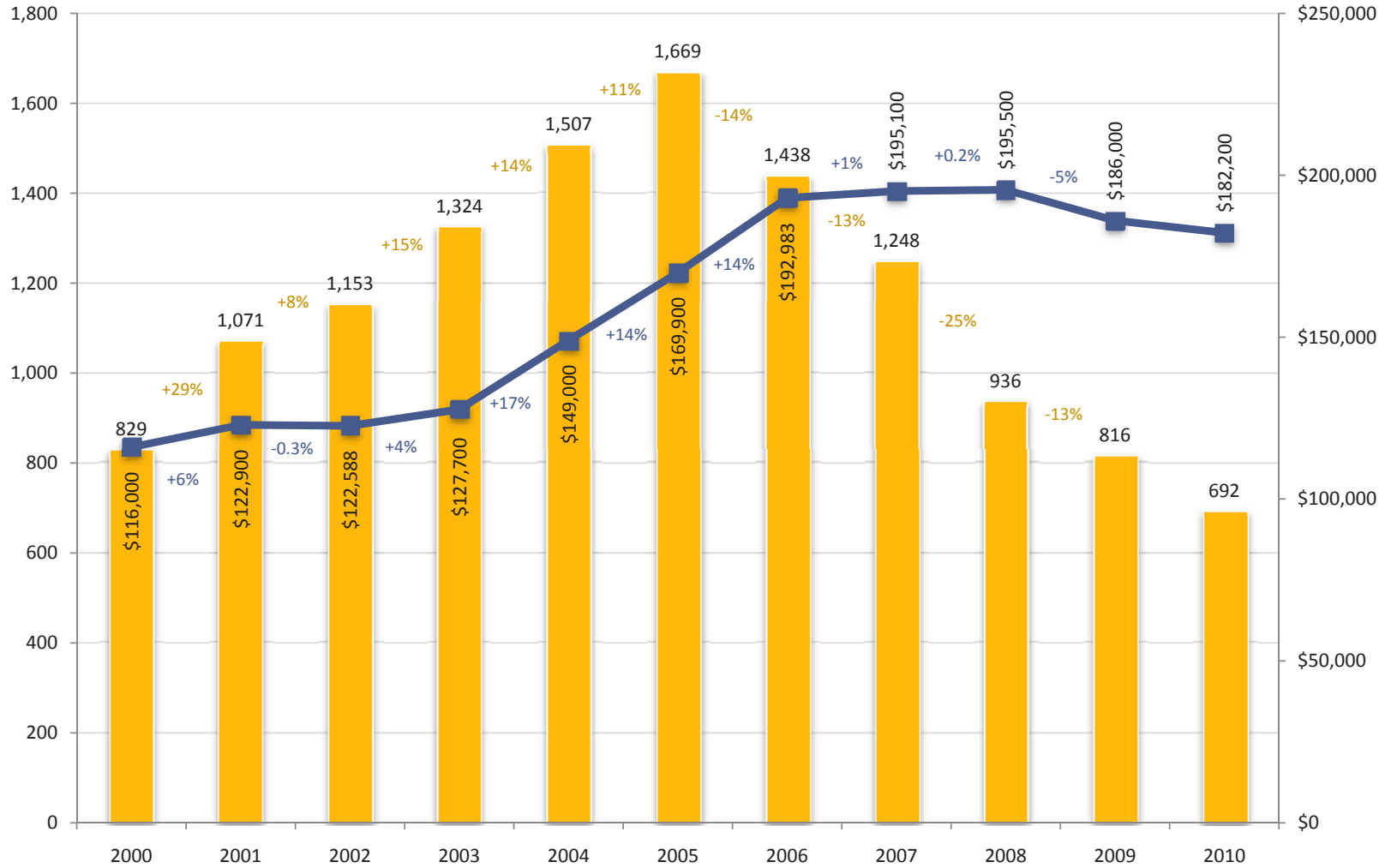
Harrisonburg & Rockingham County
Buyers Per Month Committing to Buy Properties



Never in the past three years have there been so many buyers writing contracts in November! Indeed, the buyer activity in our market --- as measured by properties switching from active to under contract --- hasn't been this strong in November for several years. This is also a good sign as we look forward to December and January

closings. Last year December showed a decline in properties going under contract (55 to 45), though the previous two years showed an increase. Given the slow year of home sales we have experienced in 2010, perhaps we'll still see vigorous buyer activity through the end of the year.

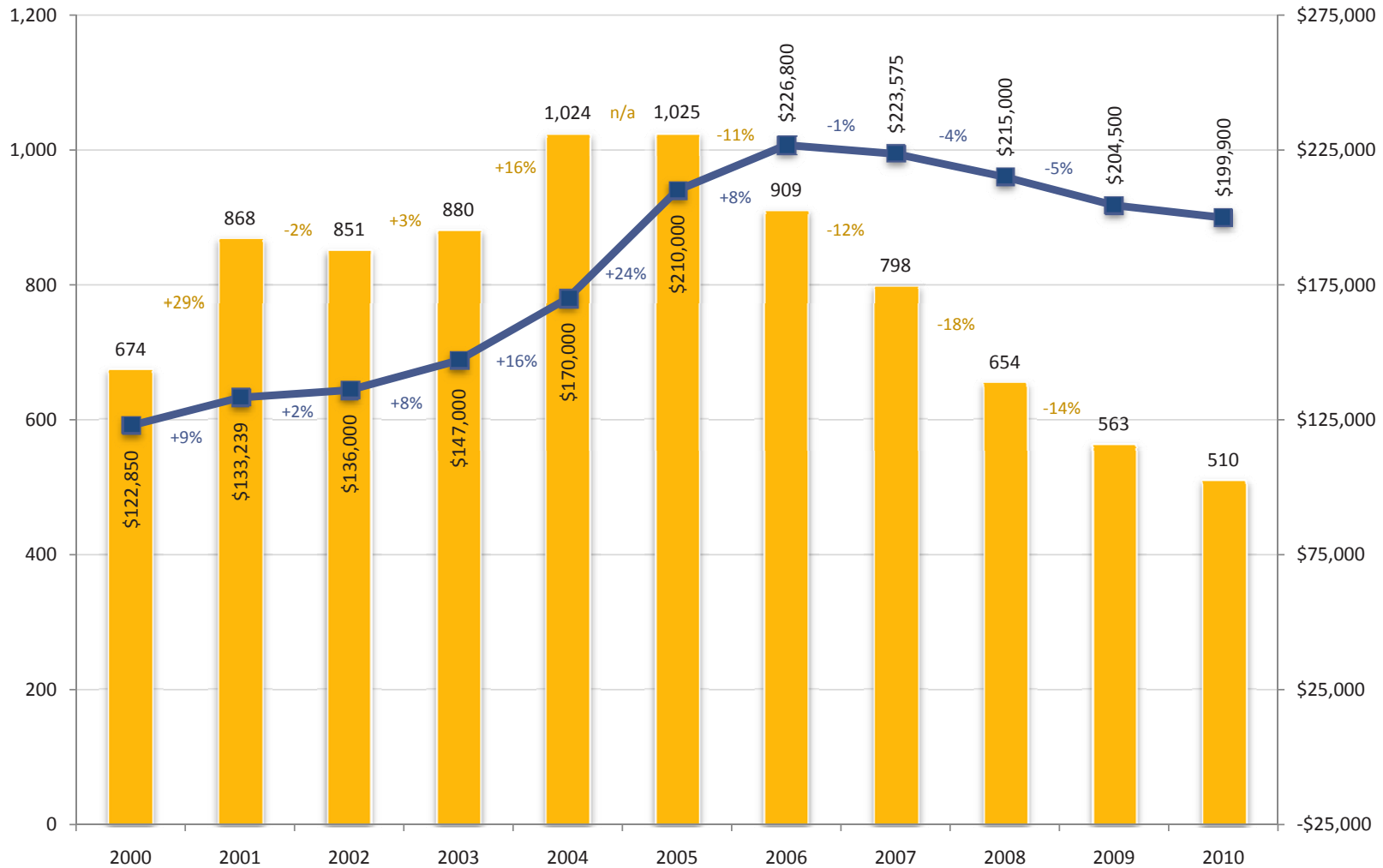
Harrisonburg & Rockingham County Home Sales & Price Trends Single Family Homes & Townhomes



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.

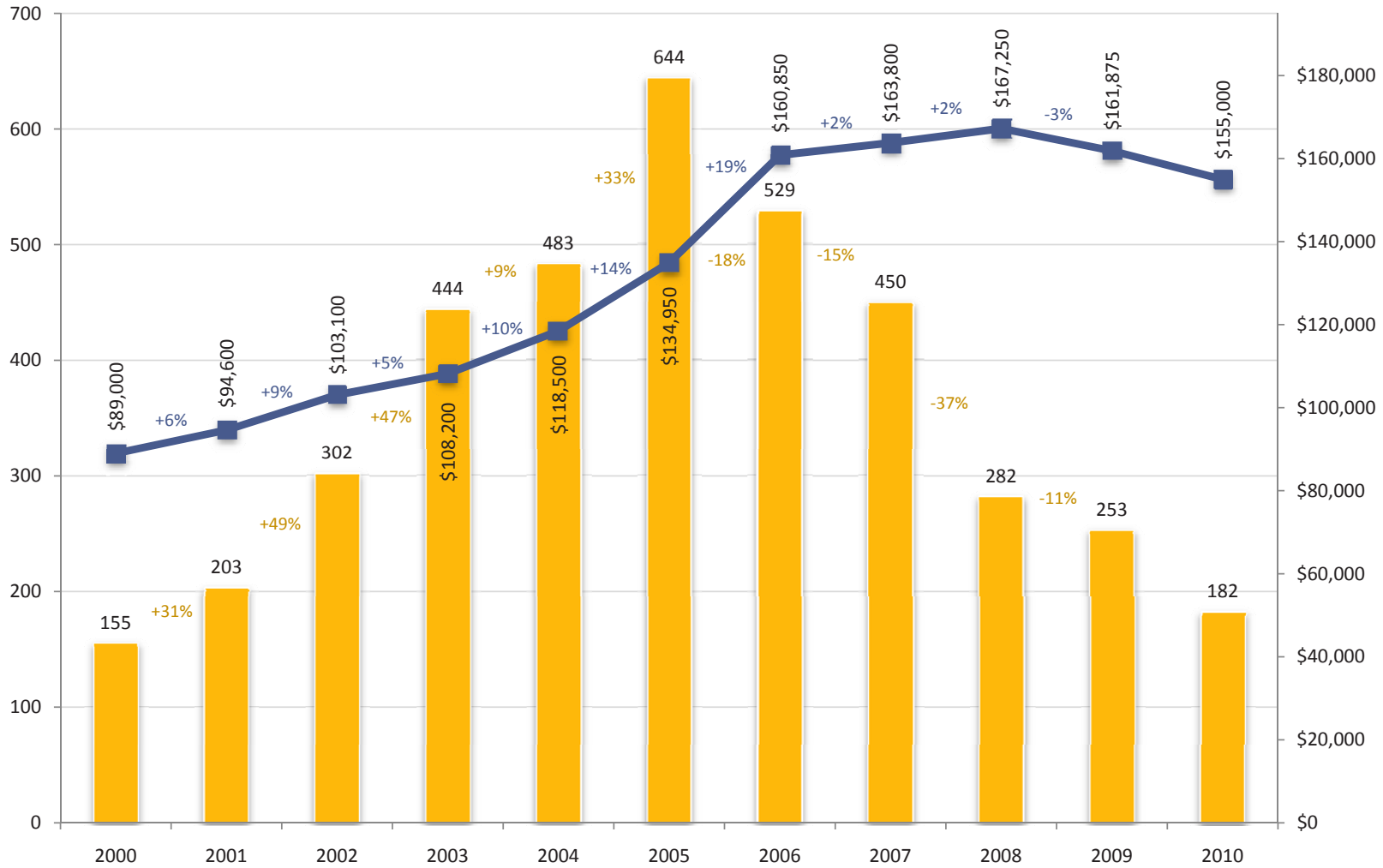
Harrisonburg & Rockingham County Home Sales & Price Trends Single Family Homes



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 11.9% 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.

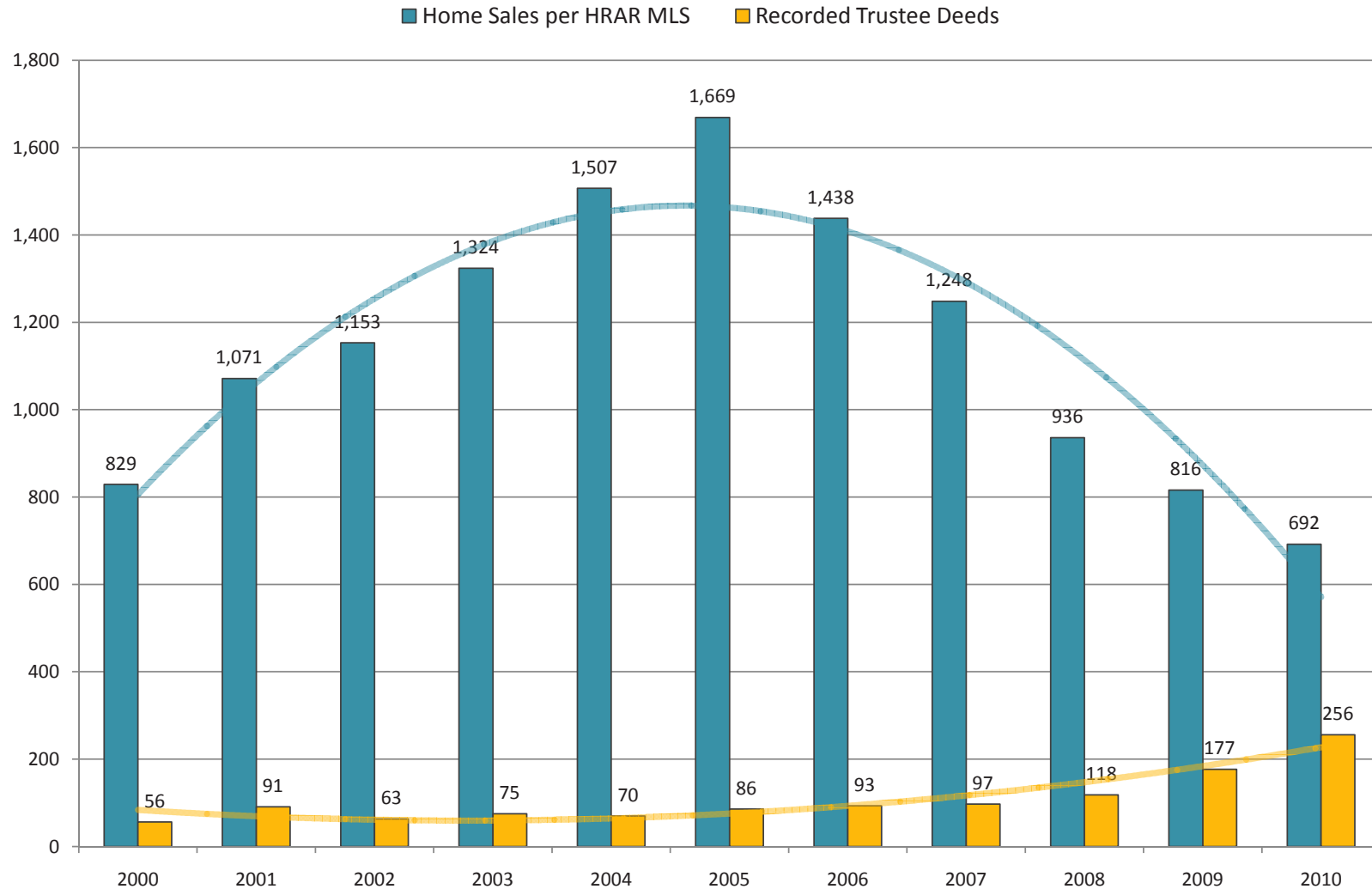
Harrisonburg & Rockingham County Home Sales & Price Trends Townhomes



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 182 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.

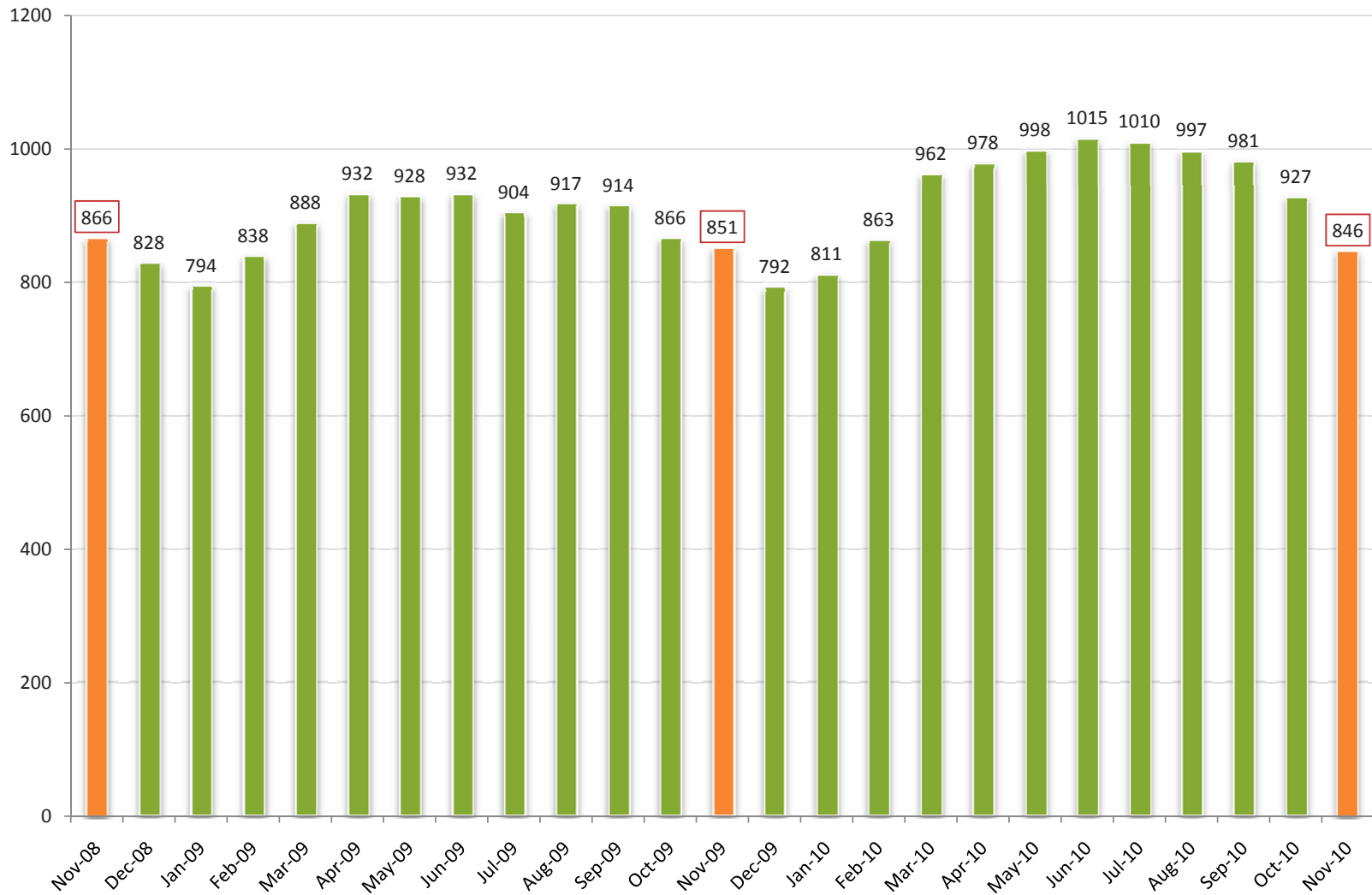
Harrisonburg & Rockingham County Home Sales vs. Trustee Sales



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 (without a 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 (256 in 2010) then show up in the blue bar when they are listed and then sold as bank owned properties. Foreclosures have increased four-fold over the past ten years, and now make up somewhere between 15% and 27% of all home sales.

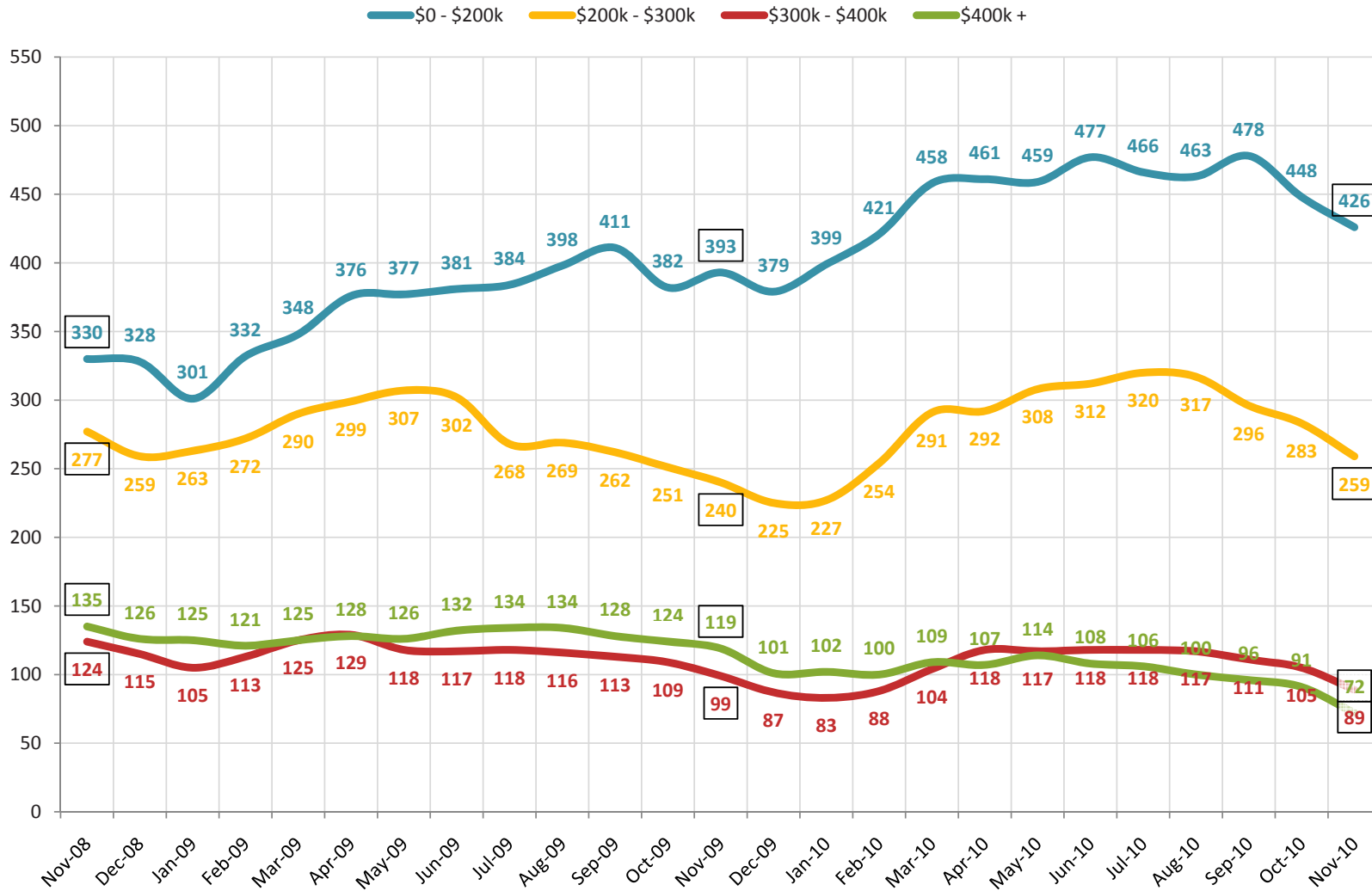
Harrisonburg & Rockingham County
Inventory Levels



Between the start of November and the start of December, a net of 81 homes have come off the market --- either having sold, or being withdrawn from the market. The yellow bars above show that we're seeing a decline in inventory over the past two years when considering November inventory levels. If this continues, the market

should continue to stabilize -- we will not see prices hold firm until the number of homes for sale has declined. If this December is similar to past Decembers, we should see yet another decline in inventory as we finish out the year.

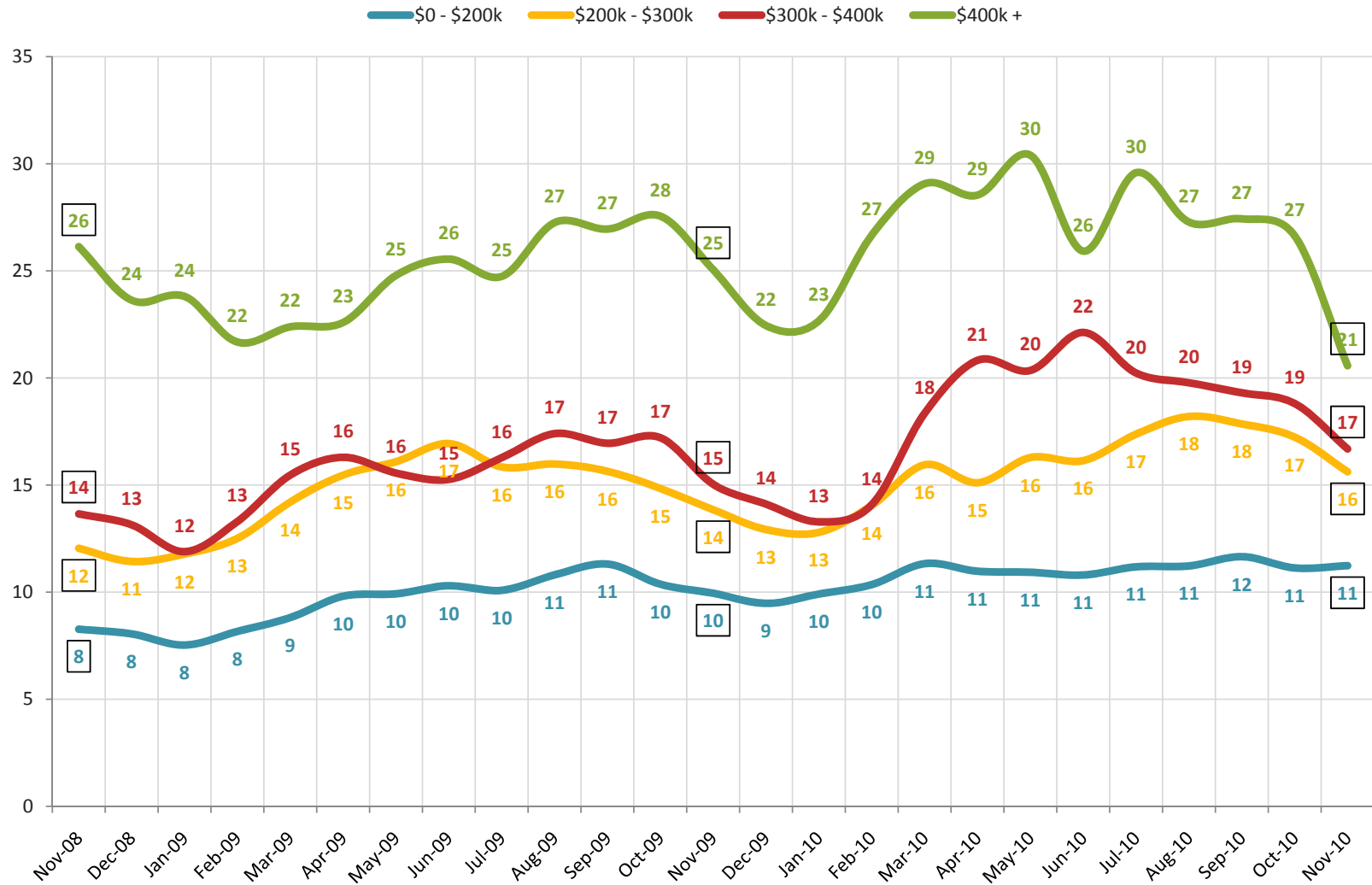
Harrisonburg & Rockingham County Inventory Levels by Price Range



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 an impressive 47% decline in inventory from 135 homes for sale in November 2008 to only 72 homes for sale today. 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.

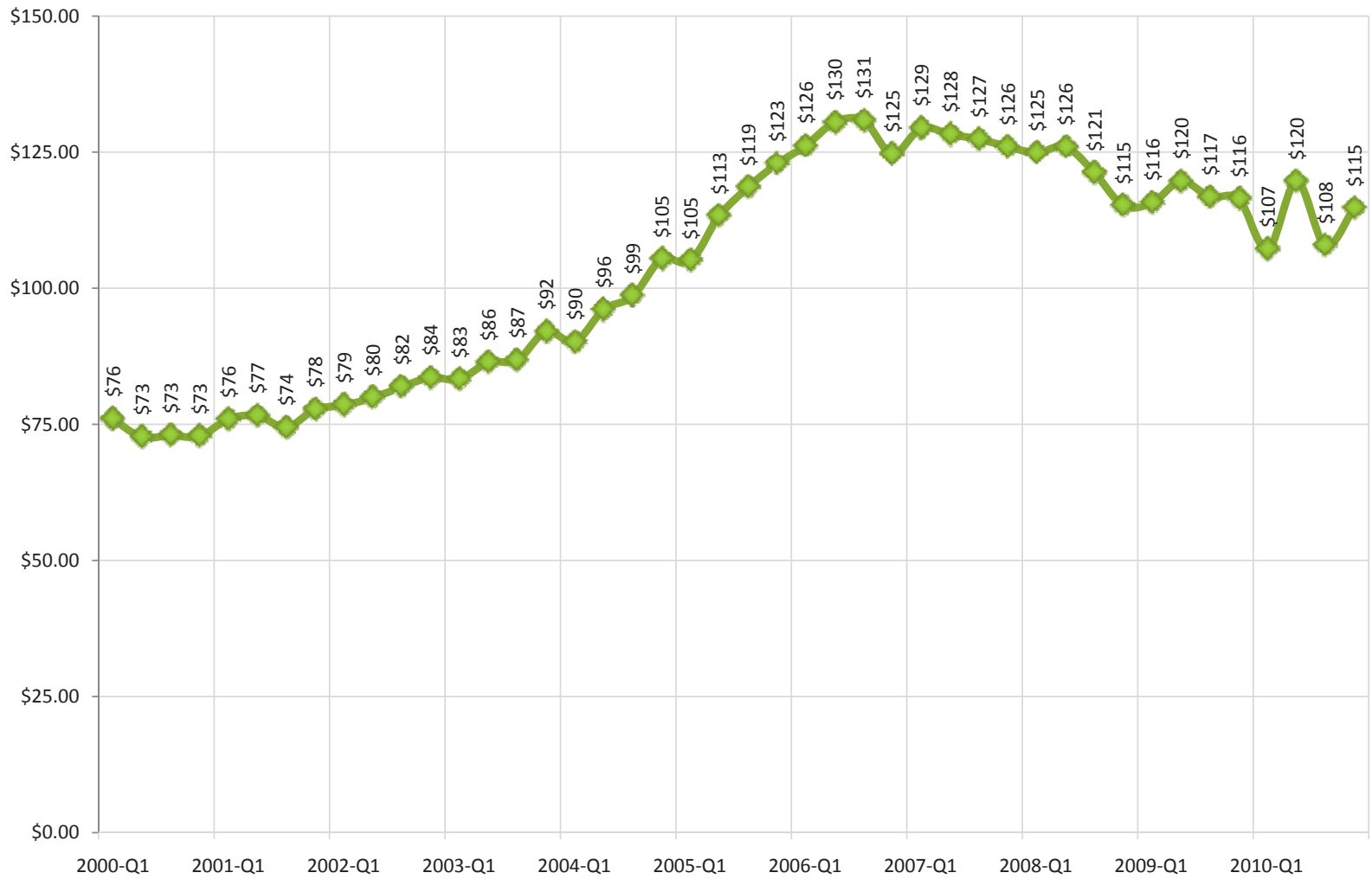
Harrisonburg & Rockingham County Housing Supply Trends by Price Range



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 11 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 dropped significantly over the past 30 days --- largely because of a decline in the number of homes for sale in this price range.

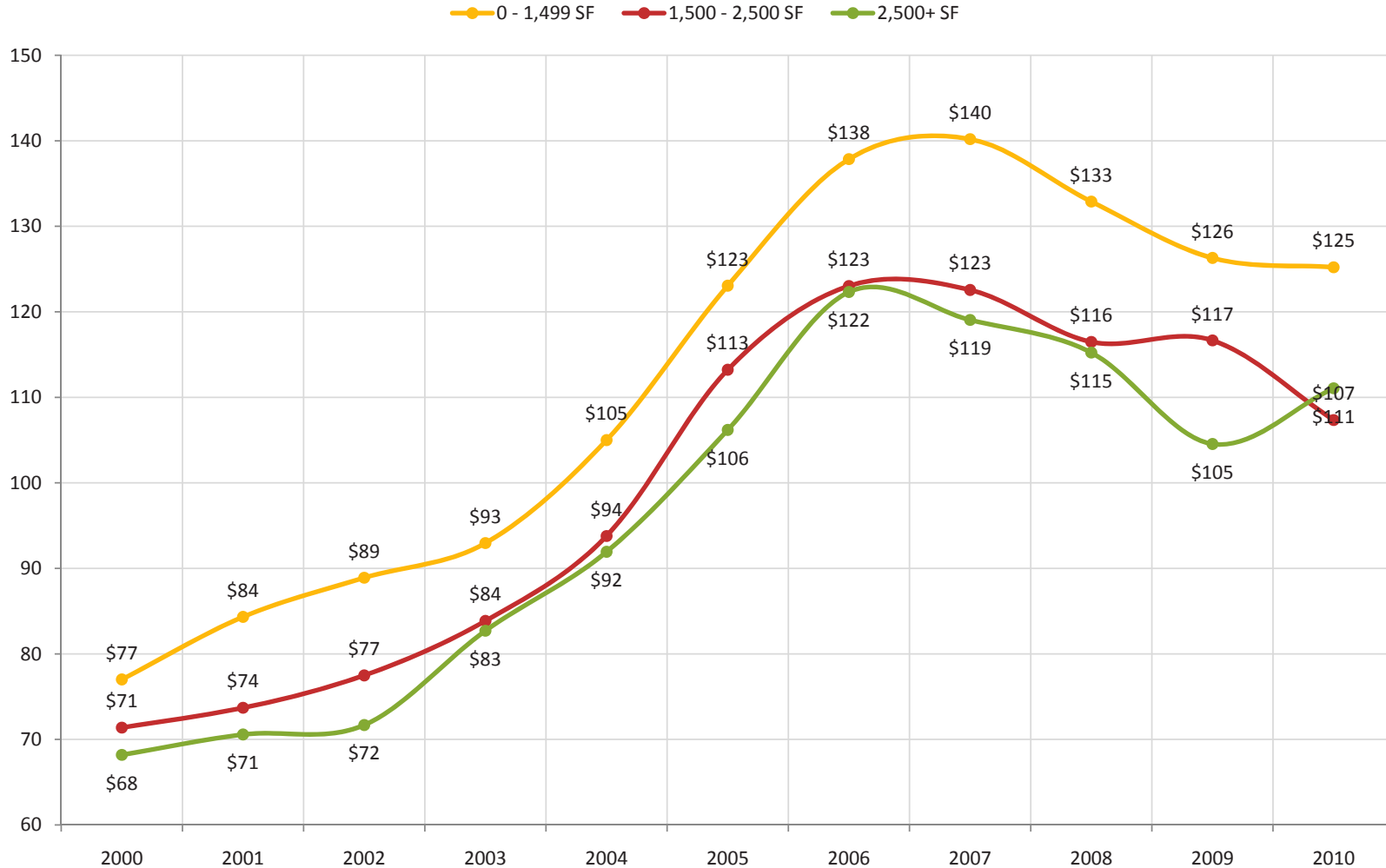
Harrisonburg & Rockingham County
Median Price Per Square Foot Trends
 Single Family Homes



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.

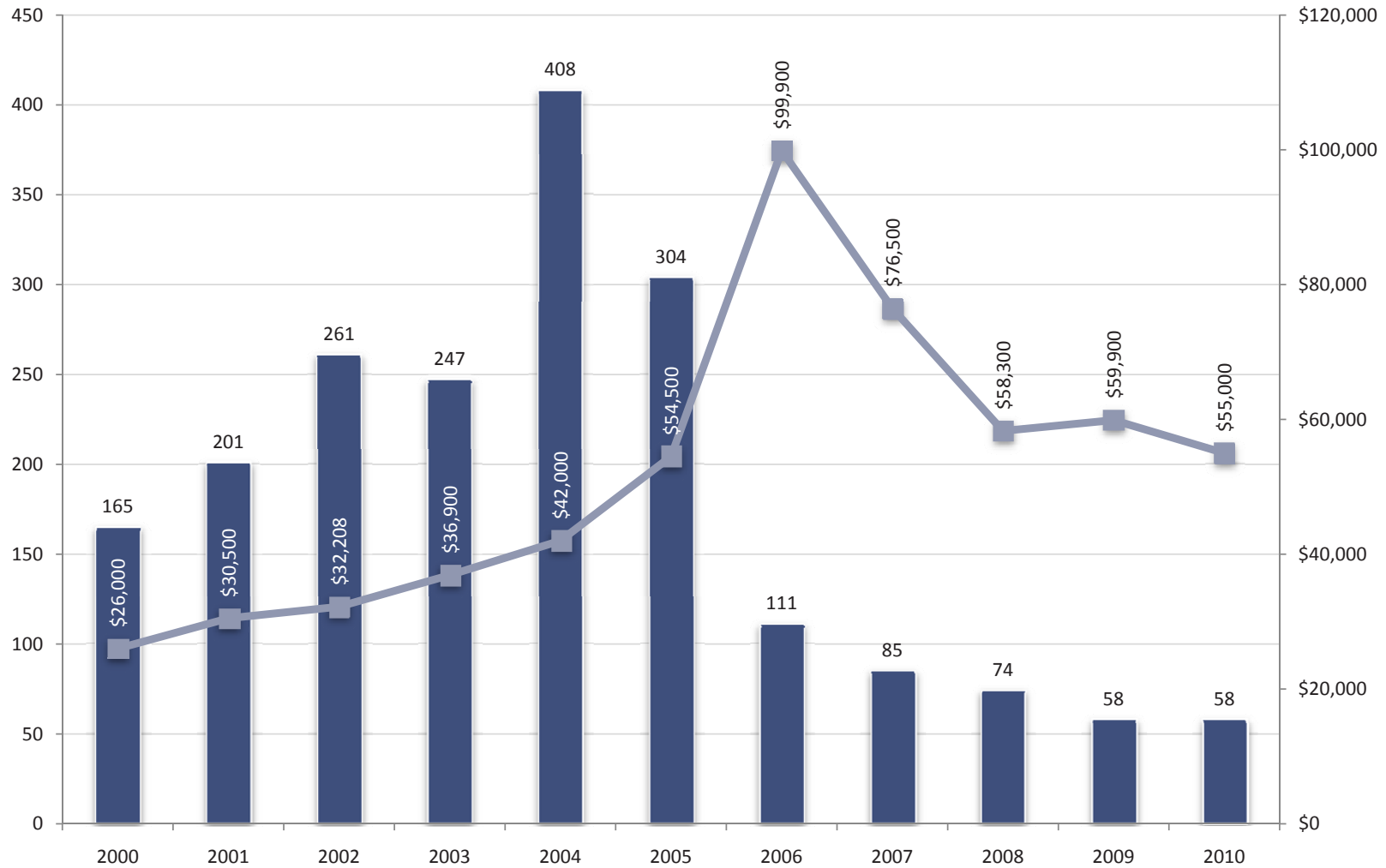
Harrisonburg & Rockingham County
Median Price Per Square Foot by Home Size
 Single Family Homes



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

($\$111/\text{SF}$) than homes that offer less than 1500 SF ($\$125/\text{SF}$). 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.

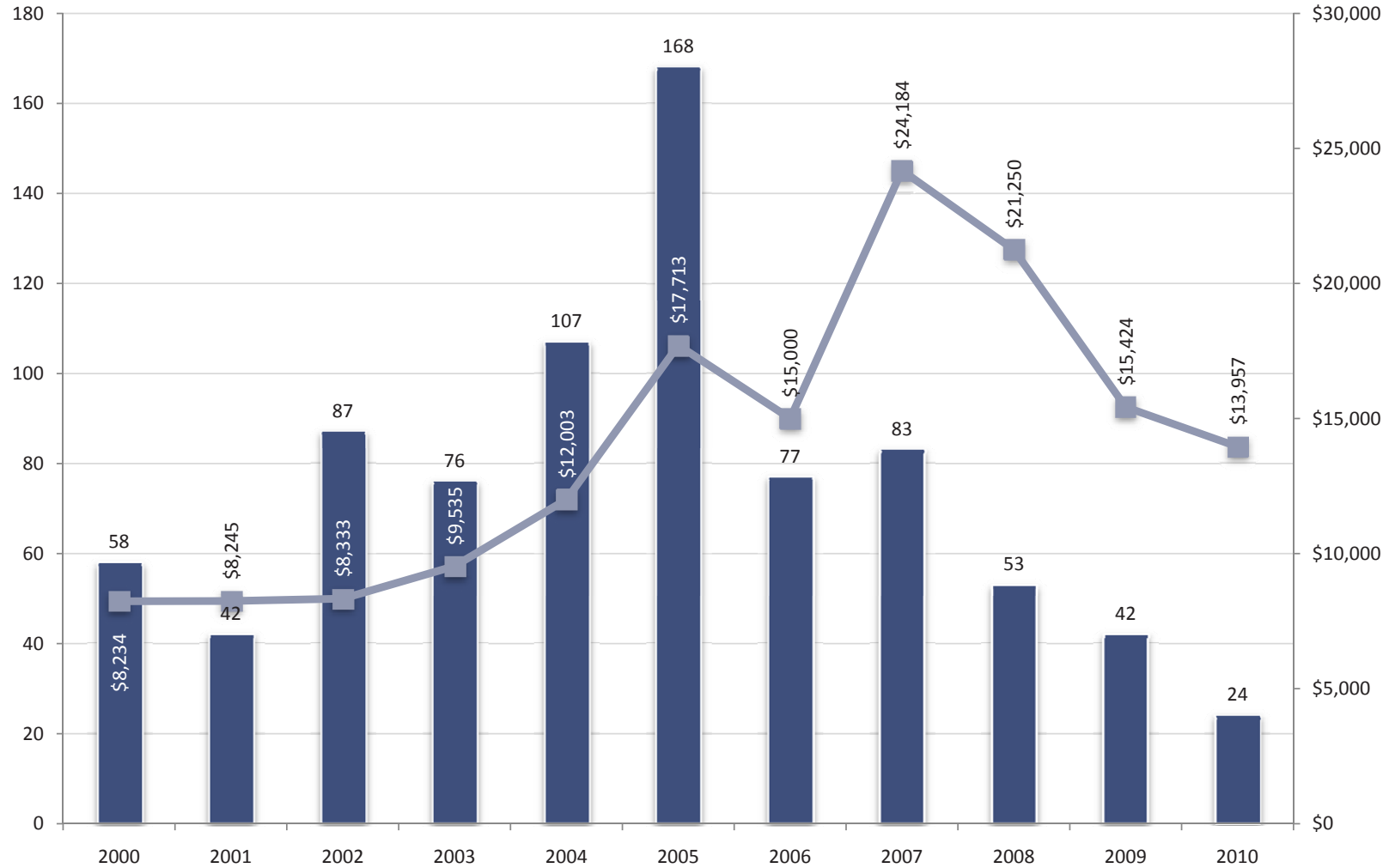
Harrisonburg & Rockingham County
Lot Sales & Median Prices
 less than 1 acre



While sales of lots that are smaller than an acre have plummeted since 2004, they have finally stabilized! In all 12 months of 2009, there were 58 lot sales of less than an acre --- and we have seen the same number in the first 11 months of 2010. 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. Furthermore, given the rapid price adjustment between 2006 and 2008, prices have remained relatively steady over the past three years.

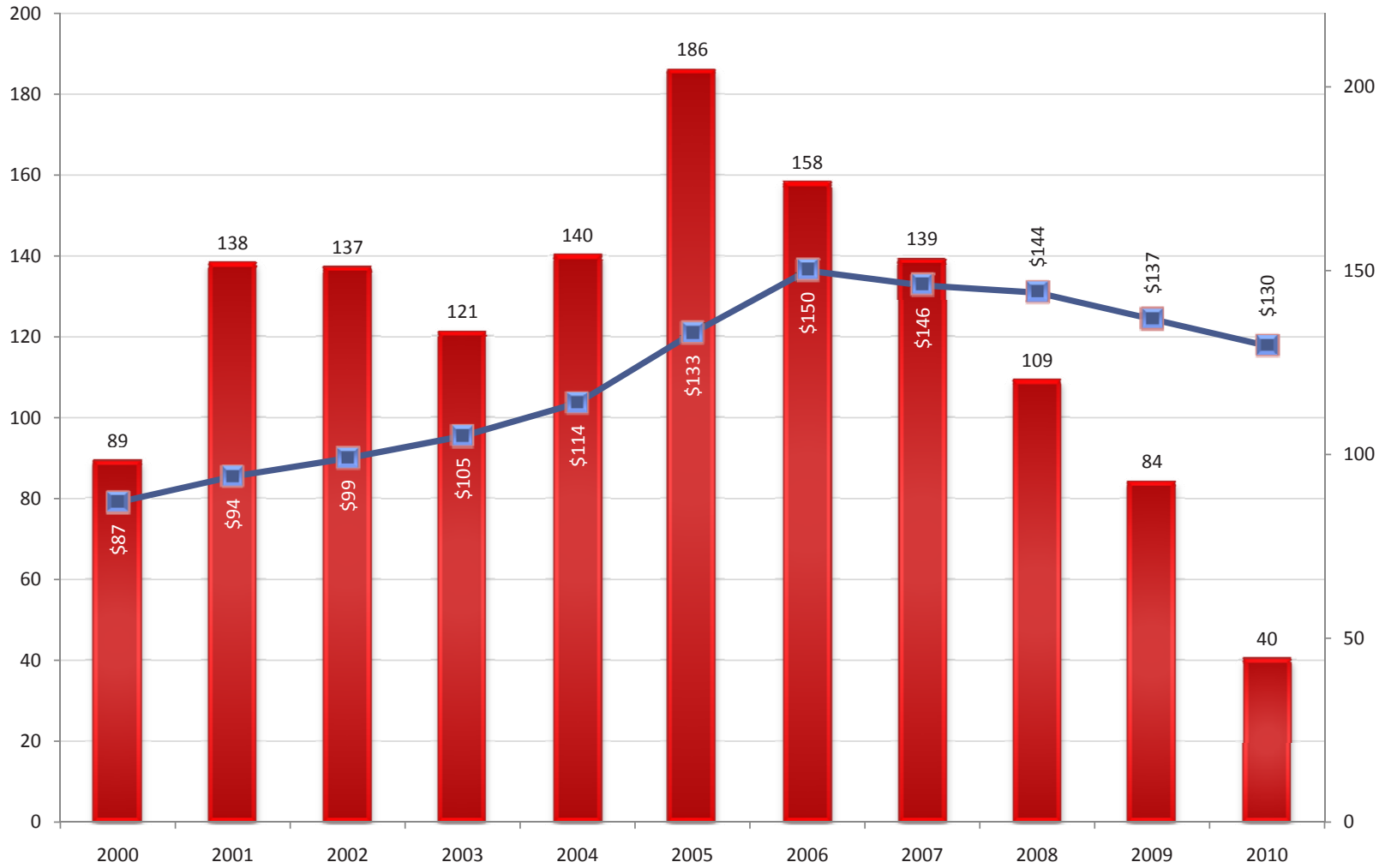
Harrisonburg & Rockingham County
Land Sales & Median Price Per Acre
 1 acre or more



If you are trying to sell a piece of land larger than on acre in Harrisonburg Rockingham County, you might be waiting for a while. Only 24 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 24 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.

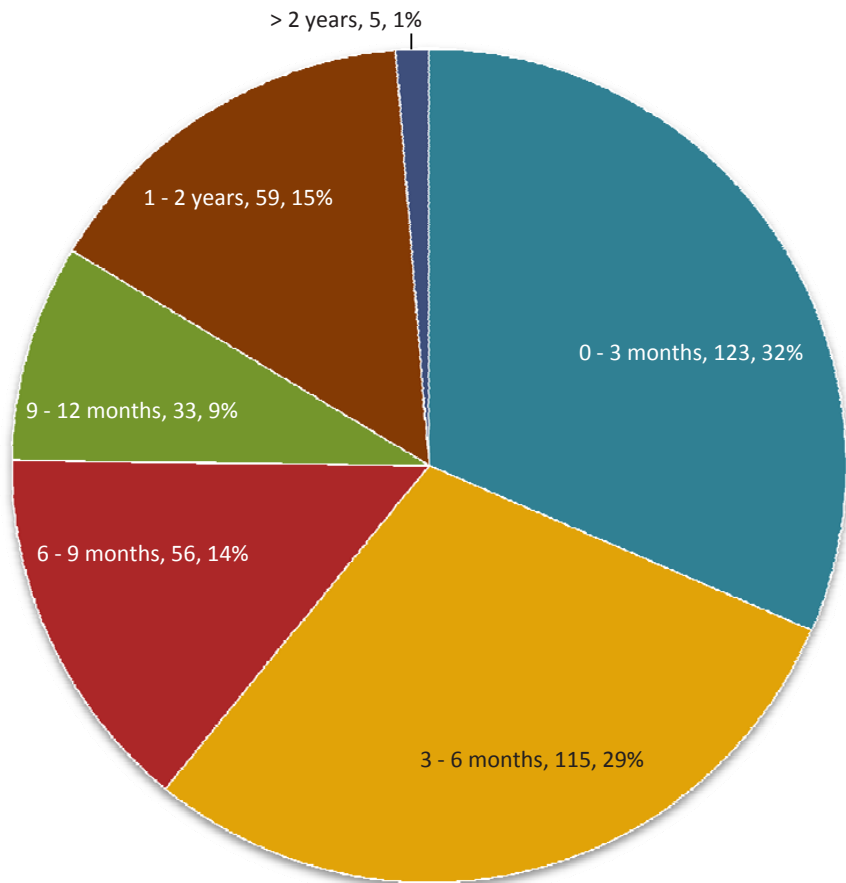
Harrisonburg & Rockingham County
New Construction Single Family Home Sales Trends
 Number of Sales, Median Price Per Square Foot



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 Jun '10 - Nov '10

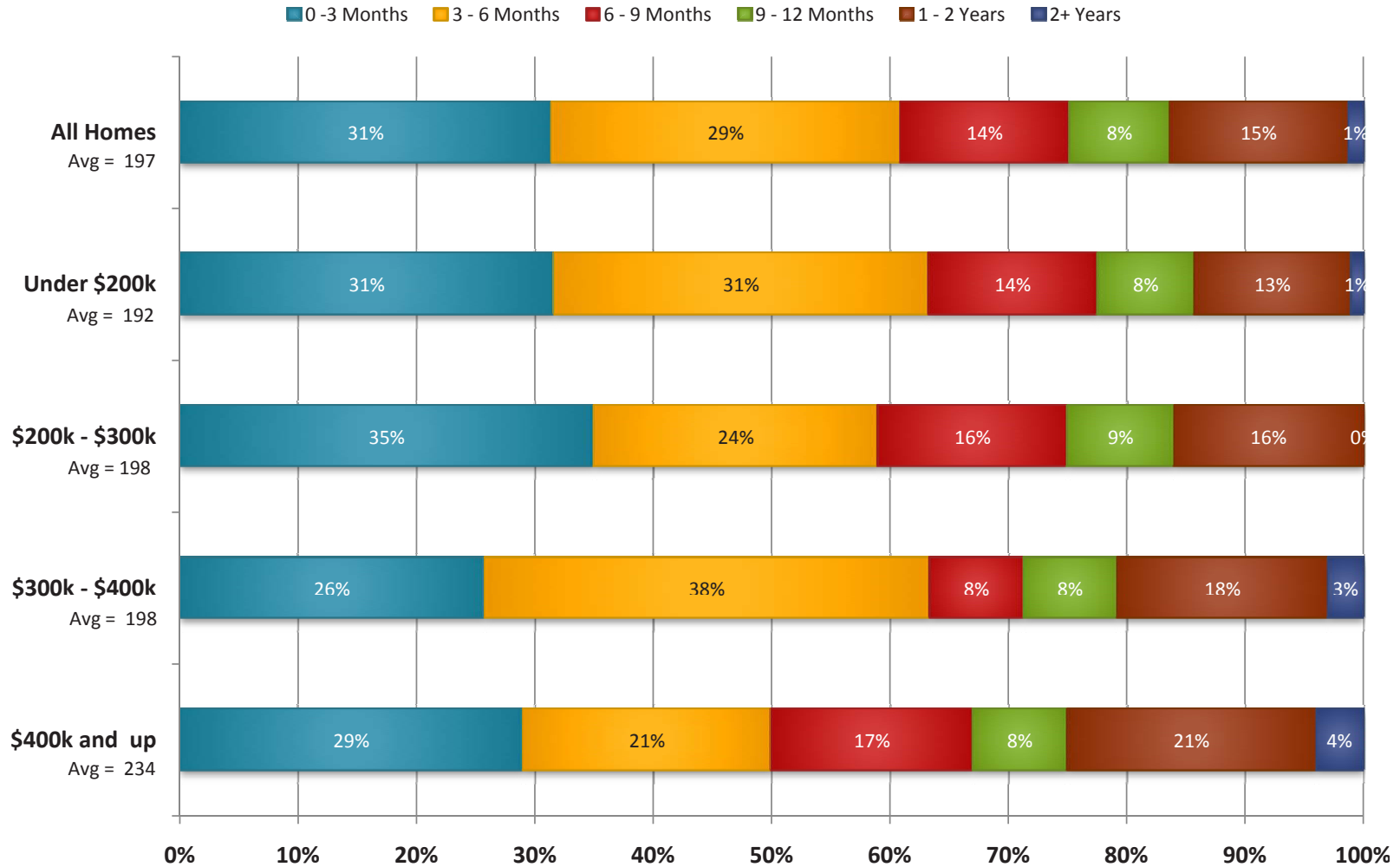


Average Days On Market: 197

Despite record inventory levels, and very few buyers being in the market, homes that are actually selling are selling rather readily. In fact, roughly 1 out of 3 homes that sell close 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 61% 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
 Jun '10 - Nov '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 35% of homes that sold between \$200,000 and \$300,000 sold in the first 90 days of being on the market, while only 26% of homes between \$300,000 and \$400,000 were able to sell in that

same time period. The average days on market for homes over \$400k (234 days) is also significantly higher than that of homes under \$200,000 (192 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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