

December 2009
Harrisonburg & Rockingham County
Real Estate Market Report

An Analysis of Real Estate Activity Through November 30, 2009

December 9, 2009

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

HOME SALES REPORT

Harrisonburg & Rockingham County

December 9, 2009

# Home Sales	2006	2007	2008	2009	% Change ('08-'09)
November ▲	83	108	42	82	95.24%
Year To Date ▼	1,340	1,182	866	746	-13.86%

Median Sales Price	2006	2007	2008	2009	% Change ('08-'09)
November ▼	\$213,550	\$193,975	\$189,750	\$178,623	-5.86%
Year To Date ▼	\$191,923	\$195,000	\$197,000	\$187,950	-4.59%

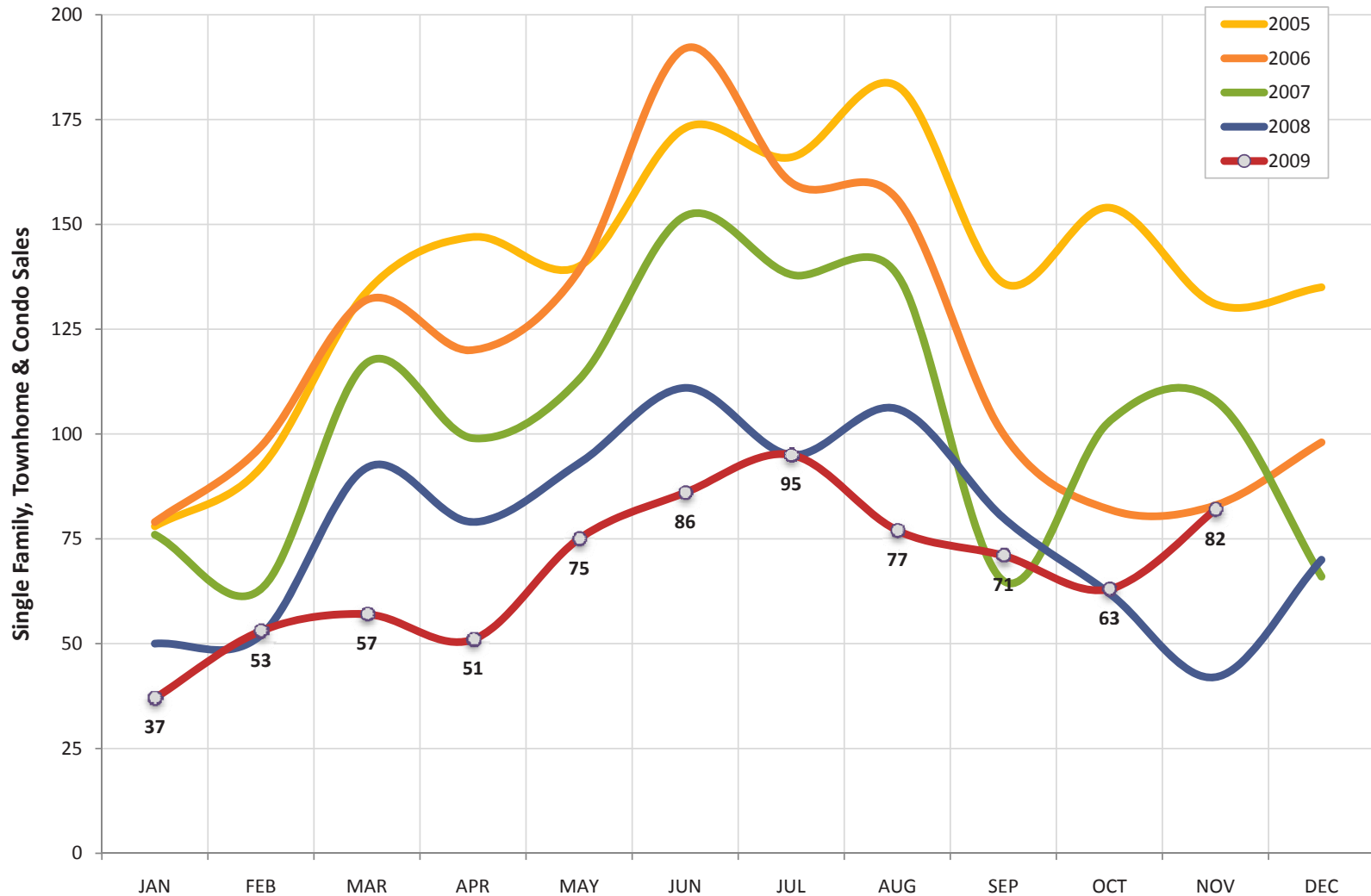
Average Sales Price	2006	2007	2008	2009	% Change ('08-'09)
November ▼	\$224,878	\$233,496	\$216,388	\$206,425	-4.60%
Year To Date ▼	\$221,645	\$224,007	\$223,518	\$216,797	-3.01%

Average Days on Market	2006	2007	2008	2009	% Change ('08-'09)
November ▲	162	142	176	187	6.25%
Year To Date ▲	136	178	166	187	12.65%

Home sales soared in November 2009, showing a 95% increase over last November. Indeed, in the context of a year-to-date 14% drop in home sales, the high number of home sales in the month of November was a bit unexpected. As can be seen above, November 2009 sales nearly matched November 2006 sales, though year-to-date

figures are still lower. Home values have declined slightly over the past year, with a 4.59% decline in median sales price, and a 3.01% decline in average sales price. Average days on market hasn't changed significantly over the past several years, though it is significantly higher than in 2006.

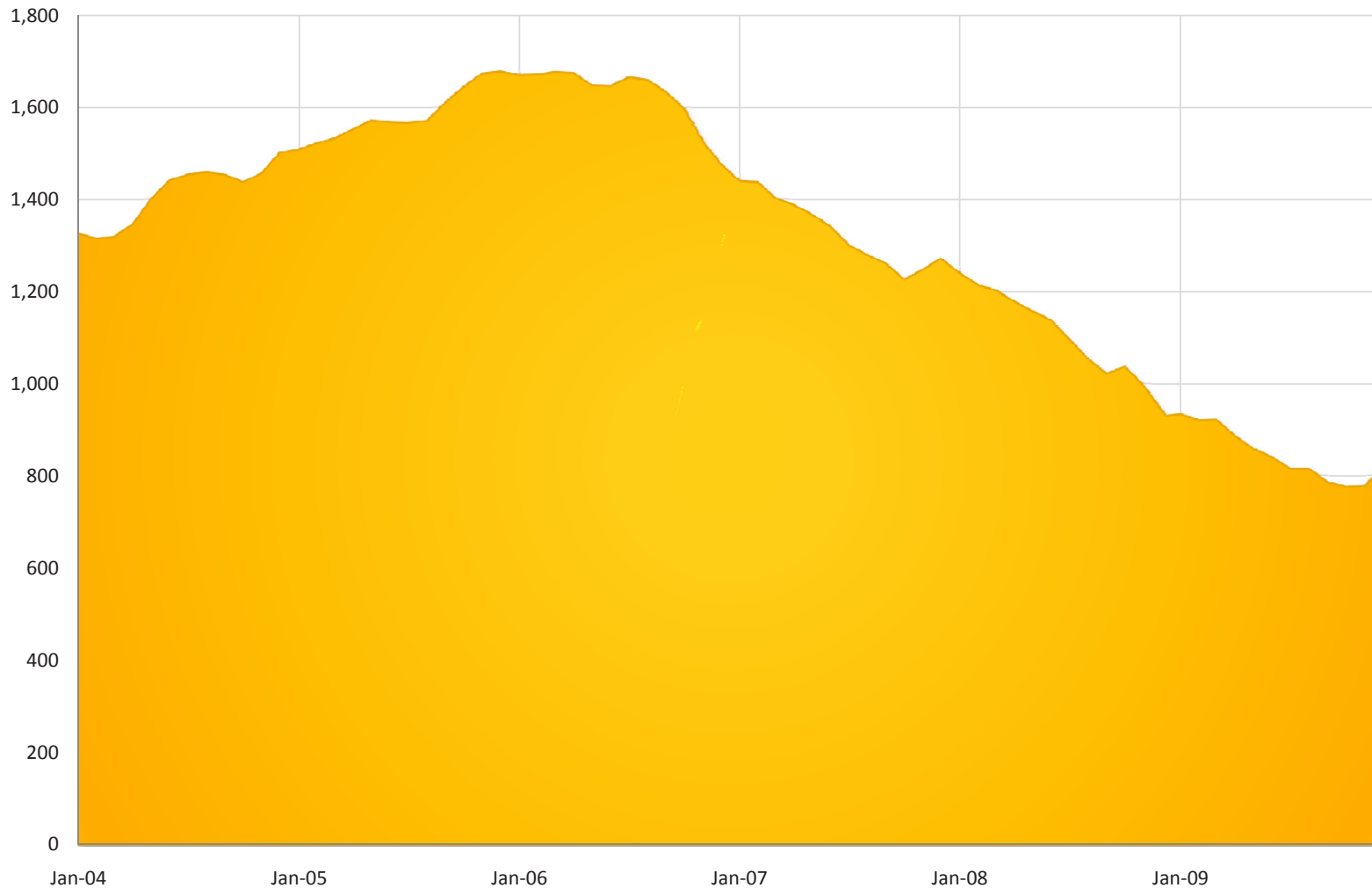
Harrisonburg & Rockingham County Month-By-Month Home Sales History



Remarkably, the number of home sales in November 2009 surpassed every other month this year other than June and July! This is likely in part due to the first time buyer tax credit that was originally slated to expire in November, but has now been extended through next June 30th (if a property is under contract by April 30th). We

did see a similar increase in home sales during the October and November time period back in 2007, though home sales then fell sharply in December 2007 and stayed quite low through January and February 2008. Hopefully the extended tax credit will keep sales and market activity strong in the months to come.

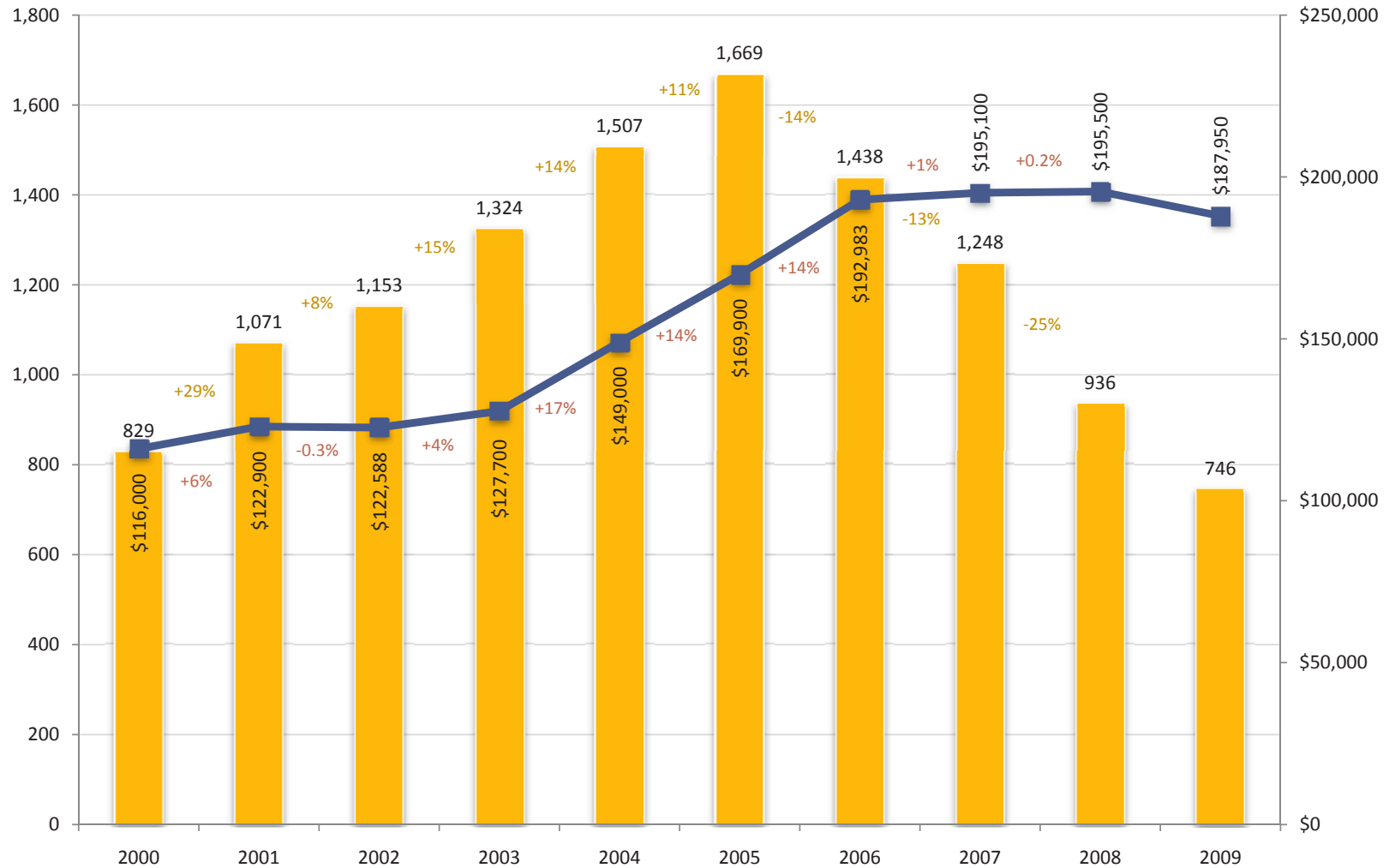
Harrisonburg & Rockingham County
Time-Adjusted Home Sales Trends :: All Homes
Sum of Preceding 12 Months



Wouldn't it be remarkable if we start to see an increase in this long term view of home sales activity? This graph shows a normalized trend of home sales activity by plotting a running 12 month sum of home sales. That is to say that the most recent data point shows home sales for December 2008 through November 2009, the prior

data point shows November 2008 through October 2009, etc. There have been a few other upticks in this measure amidst the steady decline we have seen since 2006, thus the next few months of data will be very instructive as to whether we are seeing a shift in momentum in the local real estate market.

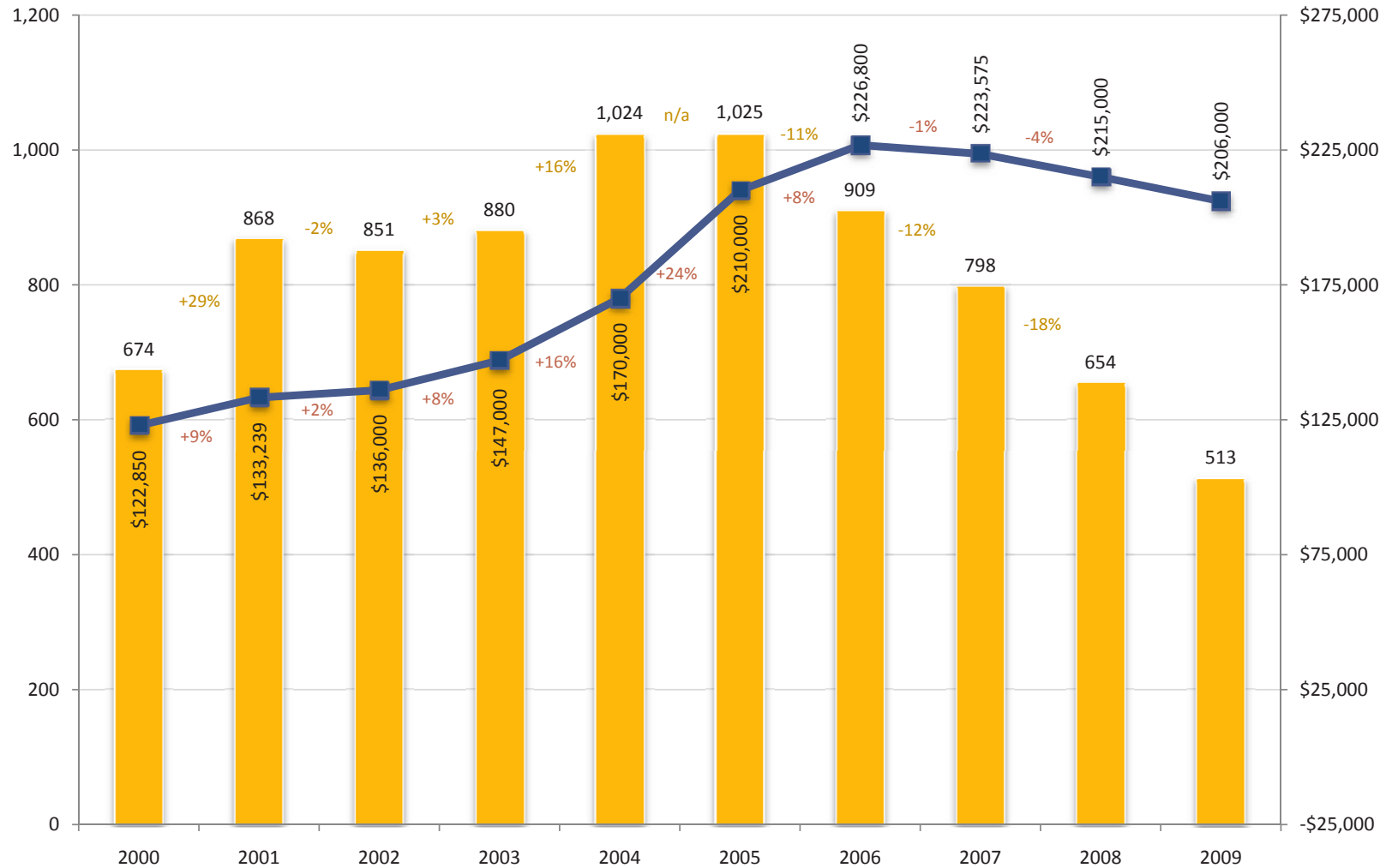
Harrisonburg & Rockingham County
Home Sales & Price Trends
 Single Family Homes & Townhomes



This graph provides 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 has declined steadily since 2005, though the final decline between 2008 and 2009 will be much more gentle than the 25% decline between

2007 and 2008. Home values are shown with a blue line, marking year to year changes in the median sales price. This year we will likely see the first decline in this value since the 0.3% decline between 2001 and 2002.

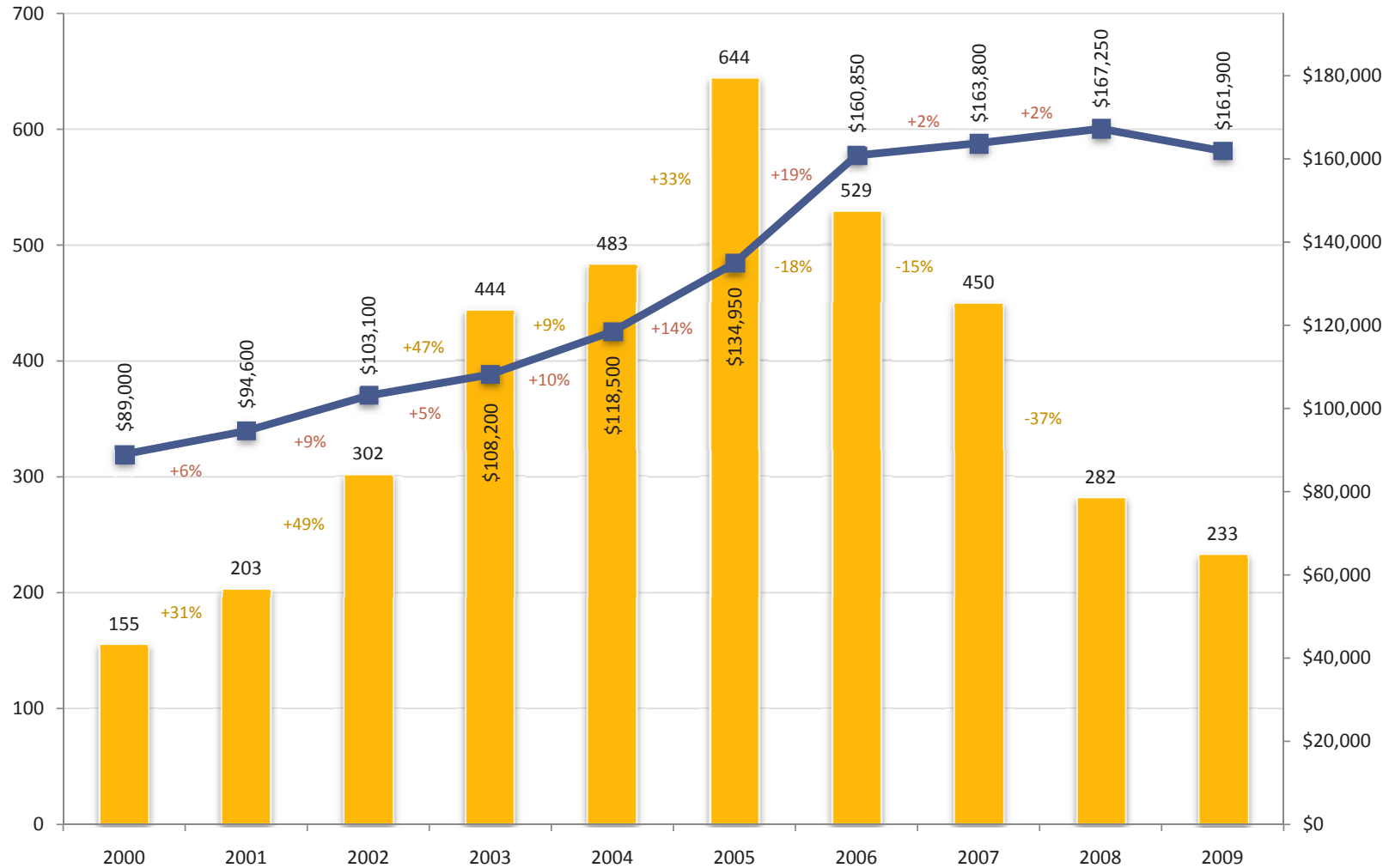
Harrisonburg & Rockingham County Home Sales & Price Trends Single Family Homes



Single family homes continue to show a moderate decline in median sales price, and will likely end this year with a 4% decline as we saw between 2008 and 2009. Furthermore, we will likely see another 15% to 18% decline in home sales between 2008 and 2009. Many statisticians and economists are surprised that home values

have not declined more significantly in our market, as the law of supply and demand would suggest that as the number of buyers dwindles, prices should also adjust downward. Our local market has seen almost a 50% decline in demand since 2005, but has barely seen a shift in home values at all.

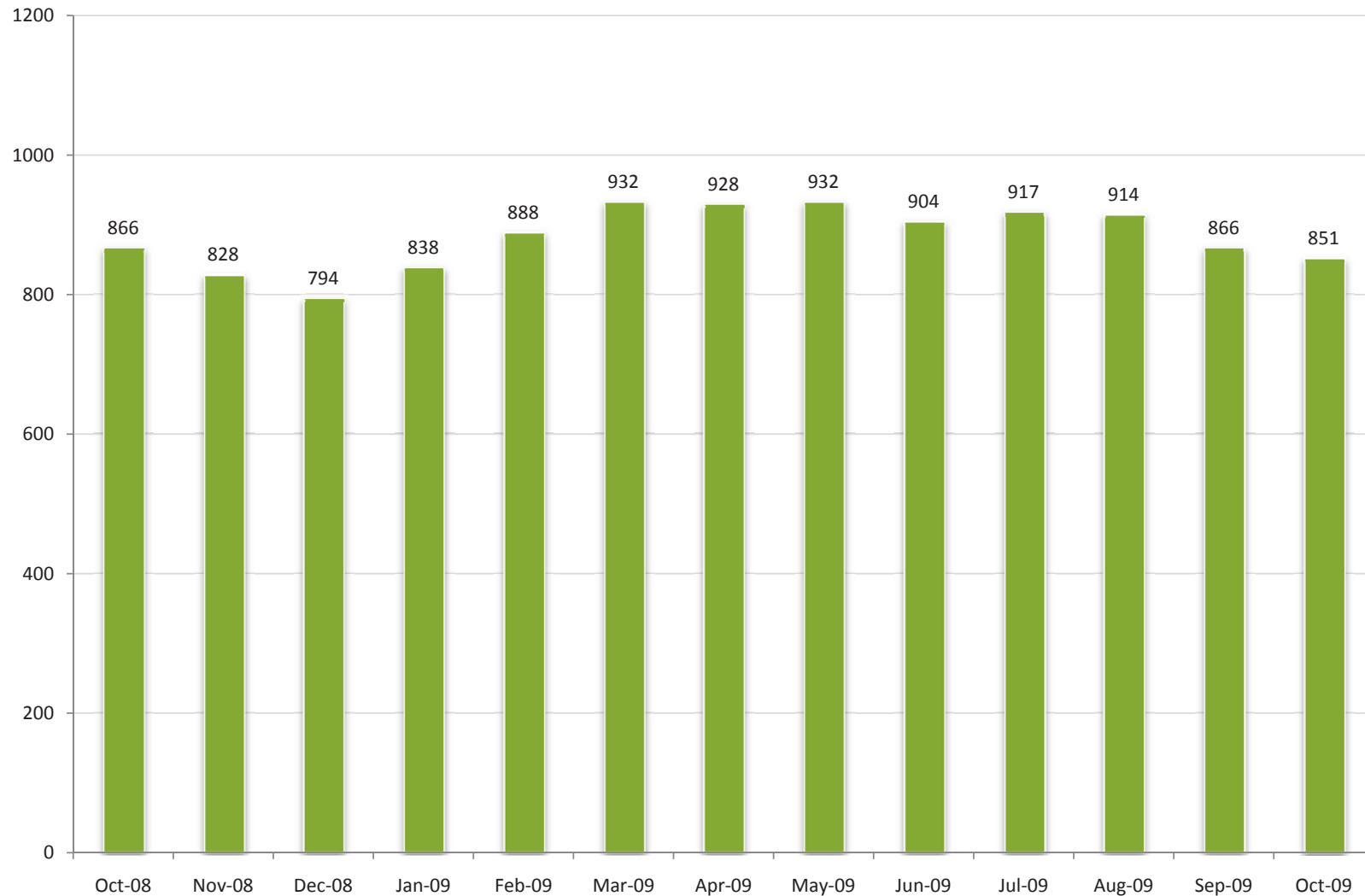
Harrisonburg & Rockingham County Home Sales & Price Trends Townhomes



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.

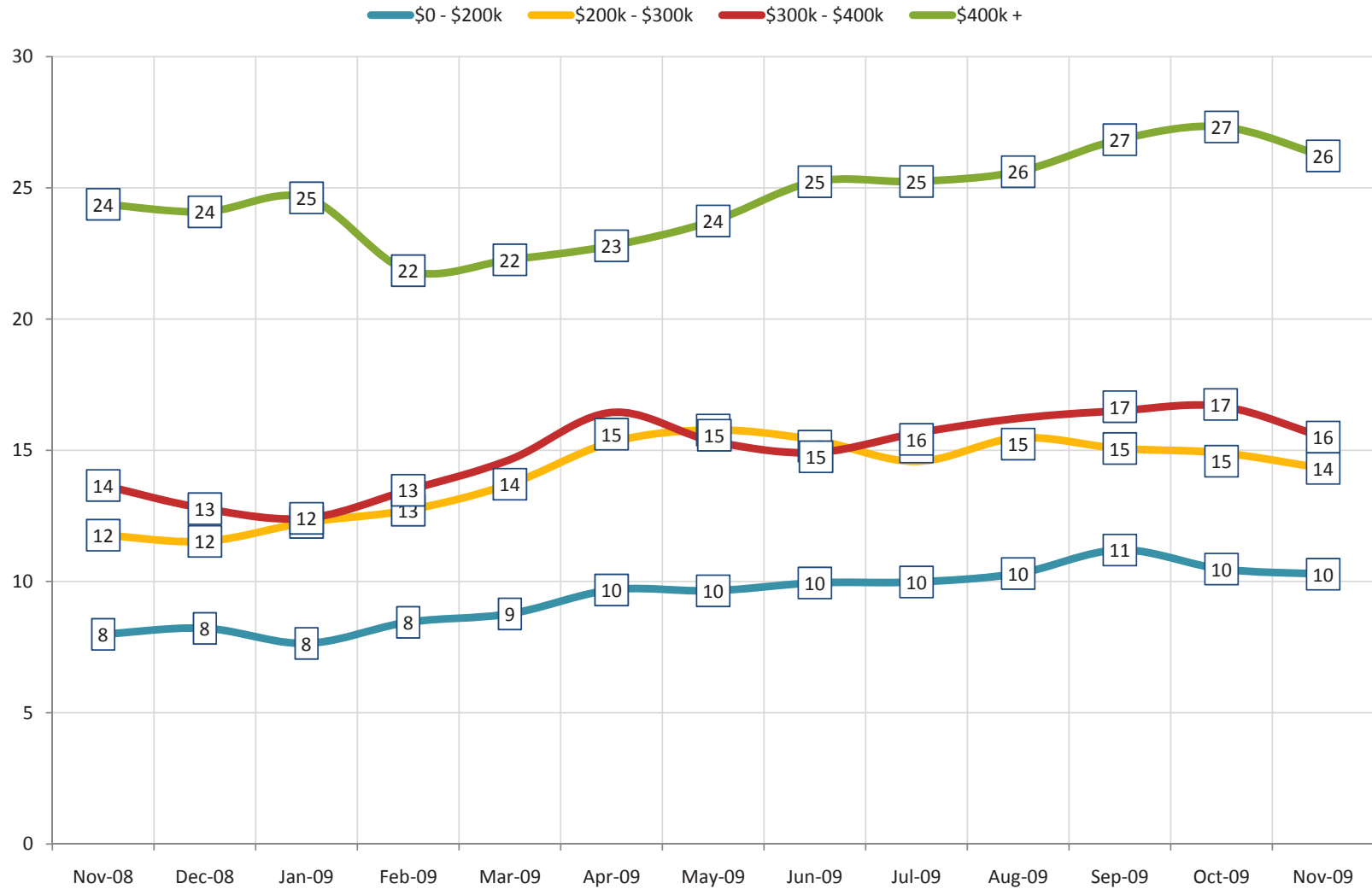
Harrisonburg & Rockingham County
Inventory Levels



While our local market still has an excess of supply of homes for sale (as shown on the next page of this report), we do still see a decline in overall inventory levels when comparing November 2009 to November 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 December -- as many homeowners decide to take their homes off the market during this time frame. This will mean (perhaps only marginally, and temporarily) that there will be fewer choices for buyers.

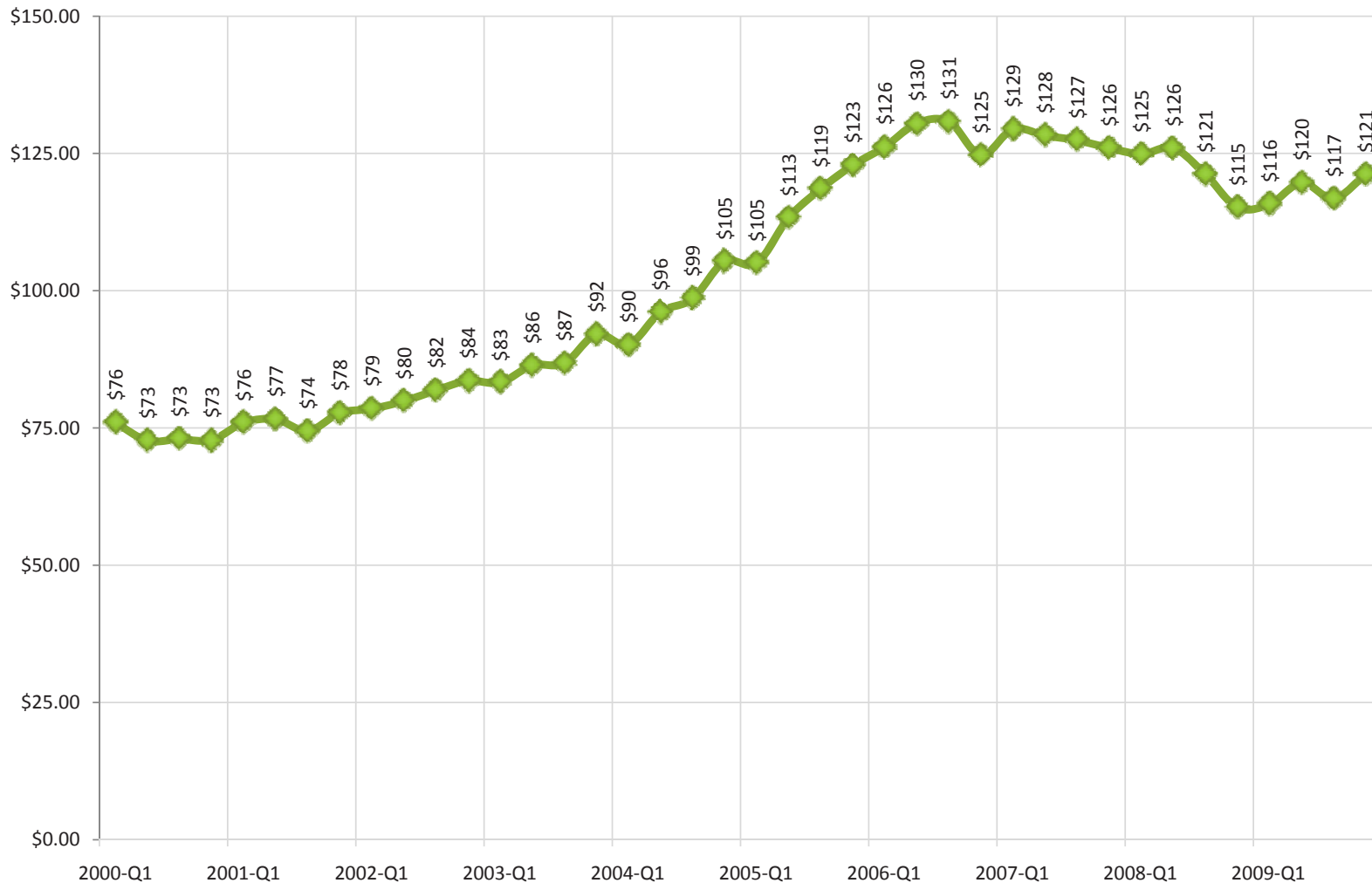
Harrisonburg & Rockingham County Housing Supply Trends by Price Range



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. This month showed a decline in housing supply (or absorption rate) for three of the four price ranges -- likely due to the large upswing in home sales in November.

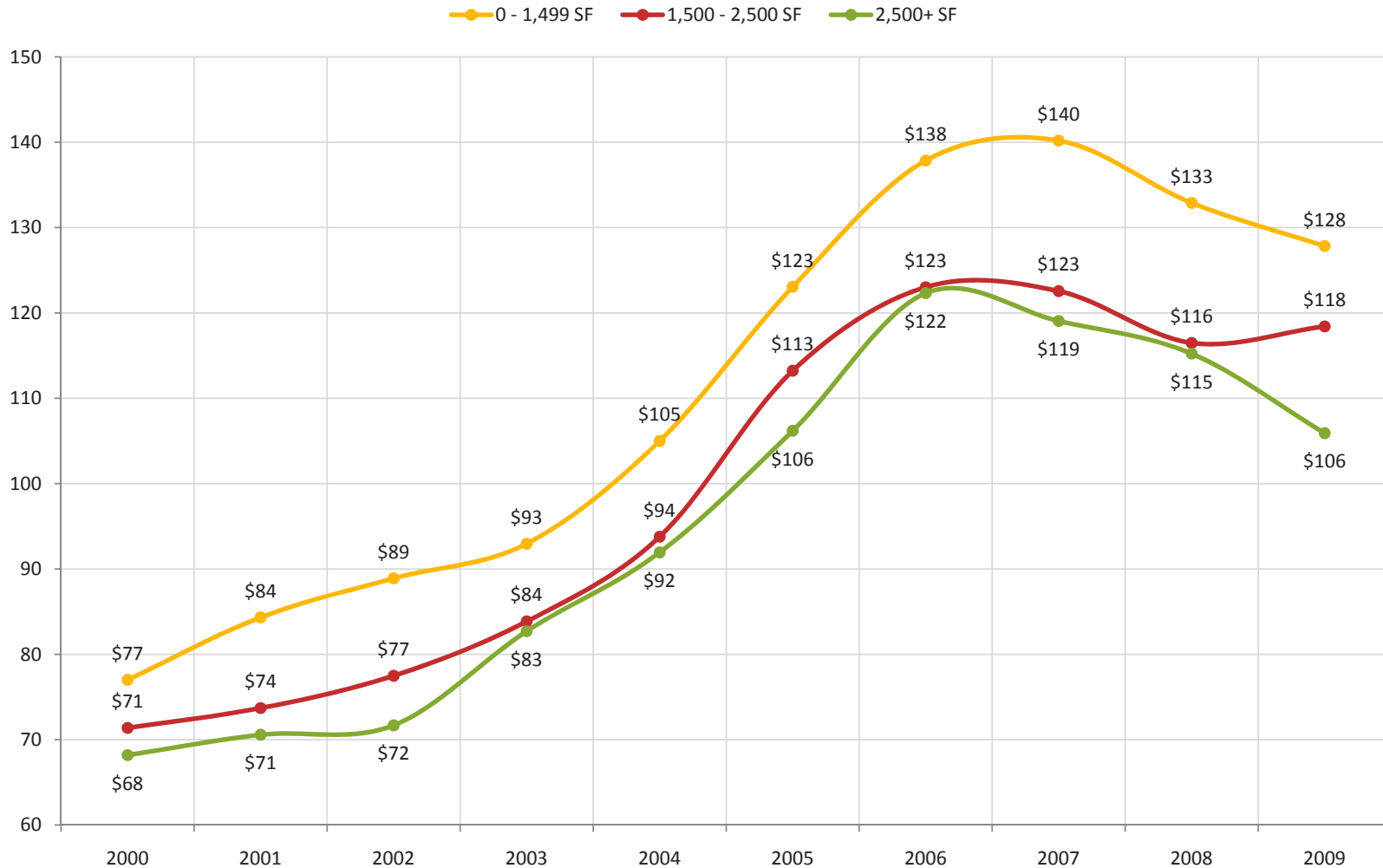
Harrisonburg & Rockingham County Median Price Per Square Foot Trends Single Family Homes



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 downward 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.

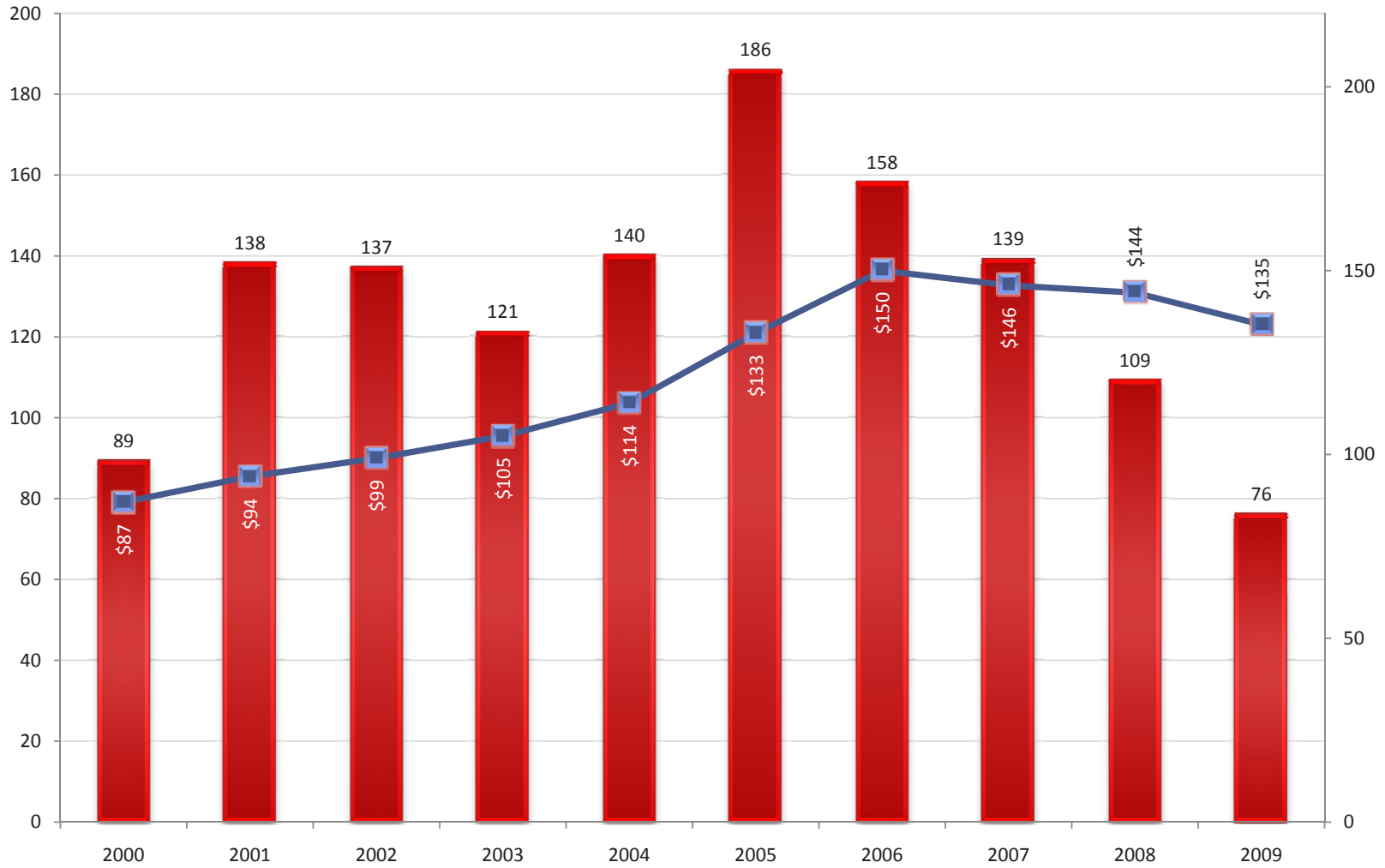
Harrisonburg & Rockingham County
Land Sales & Median Price Per Acre
 1 acre or more



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.

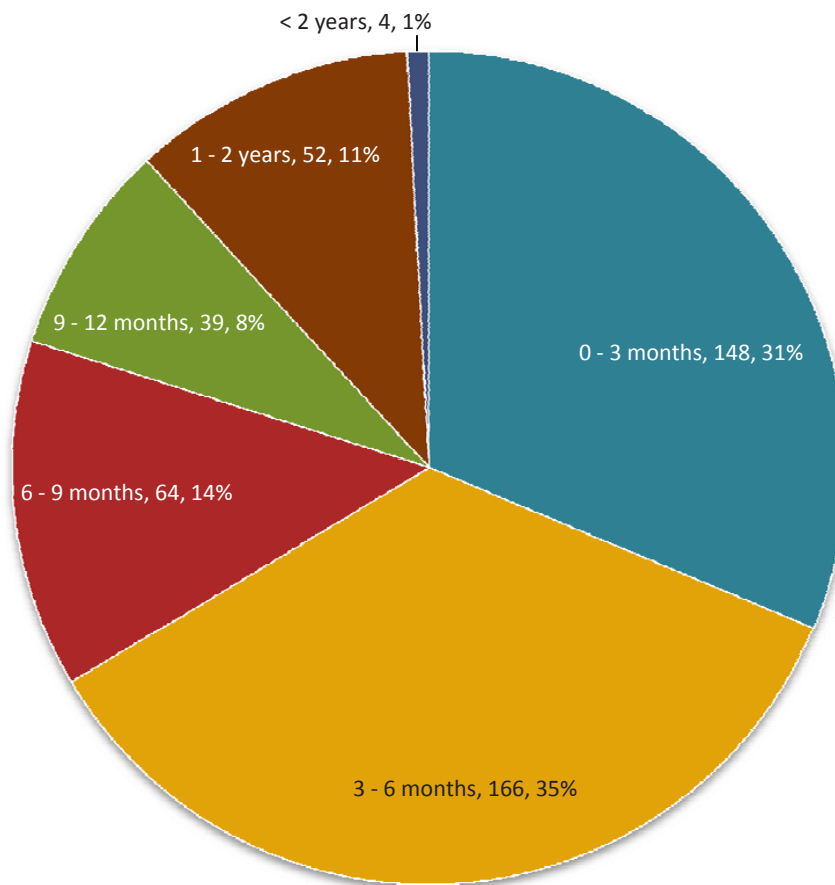
Harrisonburg & Rockingham County
New Construction Single Family Home Sales Trends
 Number of Sales, Median Price Per Square Foot



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. Please do bear in mind that this price per square foot includes the cost of the lot or land.

Harrisonburg & Rockingham County Days on Market Analysis Residential Listings Sold Jun '09 - Nov '09

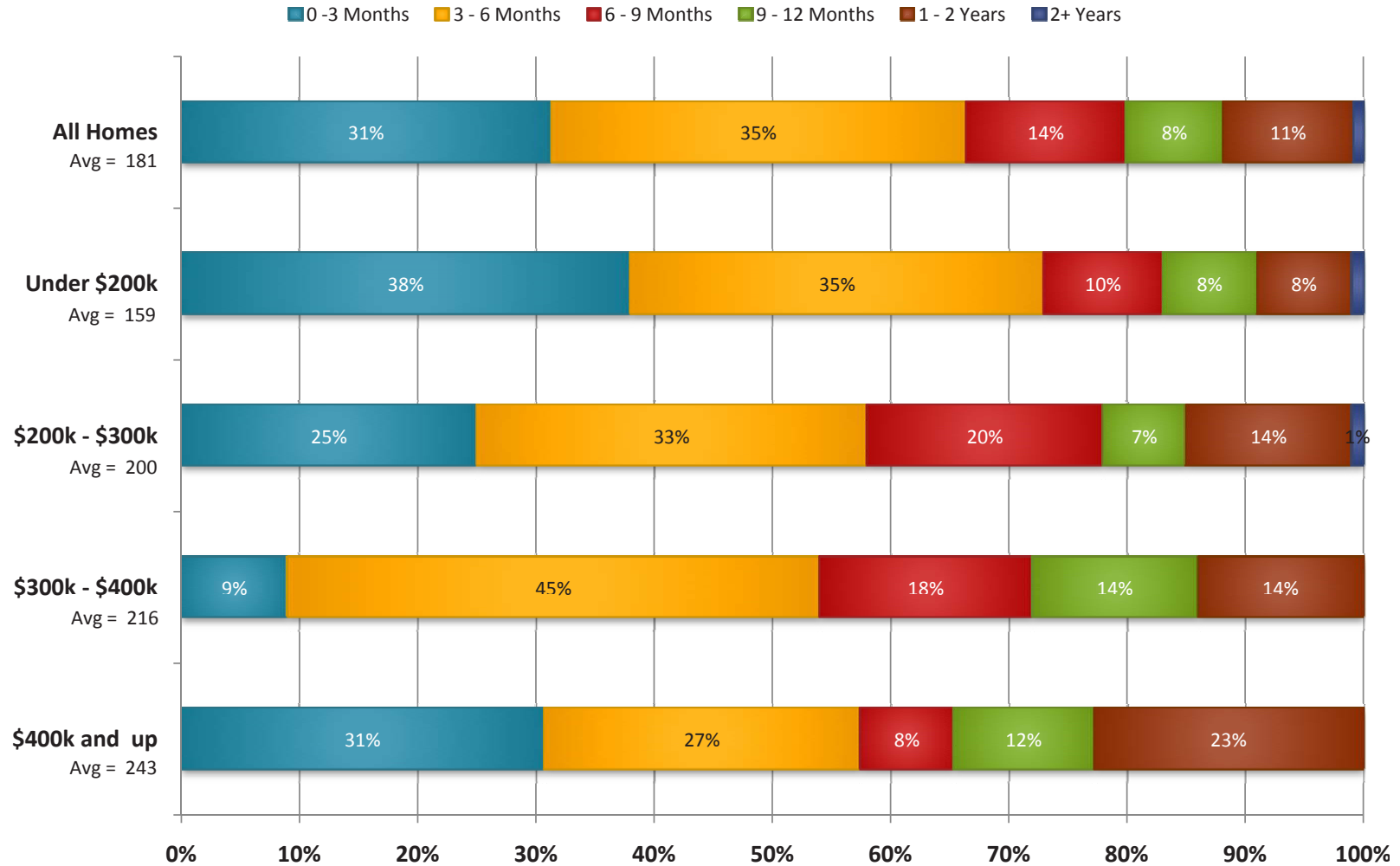


Average Days On Market: 181

Most homes that sell (66%) 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 31% 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
 June 2009 - November 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 9% 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 8% of homes that sold for less than \$200,000 took more than a year to sell, but a full 23% of homes priced over \$400,000 took over a year to sell. The average days on market for homes over \$400k (243 days) is a full 53% higher than that of homes under \$200,000 (159 days).