



Harrisonburg & Rockingham County Real Estate Market Report

HarrisonburgHousing*today*.com

January 10, 2011

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

64 homes sold in December 2010, showing a 7.25% decline from December 2009 when 69 homes sold. 69 homes also sold in December 2008, and 66 homes sold in December 2007.

Home Values: December

Median sales prices increased 1% to \$167,333 between December 2009 and December 2010, and average sales prices increased 7%.

Days on Market: December

Homes sold in an average of 198 days in December 2010, a 6% increase over the 187 day average in December 2009, and a 3% increase over December 2008.

Foreclosures

270 trustee deeds were recorded in 2010, a 53% increase over 2009. This is a 214% increase over 2005 foreclosures, and a 382% increase over the 56 trustee sales recorded in 2000.

Inventory

Inventory levels have declined over the past six months. 787 residential properties are currently for sale, down from 846 one month ago, and from 1,015 six months ago in June 2010.

Pace of Home Sales: 2010

758 homes sold in 2010. This marks a 7% decline from 2009 when 818 homes sold, a 19% decline from 2008, and a 39% decline from home sales in 2007.

Home Values: 2010

Median sales prices declined 3% and average sales prices declined 2% when comparing 2010 home sales to 2009 home sales.

Days on Market: 2010

The length of time on the market for homes selling during 2010 (195 days) increased 4% since 2009 (187 days) and increase 16% since 2008 (168 days).

Supply

All price ranges still show an excess of housing supply, with 11 months under \$200k, 13 months between \$200k and \$300k, 15 months between 300k and \$400k, and 20 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

40 buyers committed to buy in December 2010, compared to 45 in December 2009, and 48 in December 2008. These 40 contracts are a decline from 60 buyers last month (Nov 2010).

Single Family Home Sales

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

Townhome Sales

203 townhomes sold in 2010, compared to a 2009 total of 253 townhomes. The median townhome sales price has decreased 5% over the past year from \$162k to \$155k.

Lot Sales

63 lots of less than an acre sold in 2010, compared to only 58 sales in 2009. Median lot sales prices have declined 8% to \$55,000 since 2009, and 45% since 2006.

Land Sales

27 parcels of land greater than an acre have sold at a median value of \$14,552 per acre in 2010, down 36% since the 42 sales shown in 2009.

HOME SALES REPORT

Harrisonburg & Rockingham County

January 10, 2011

# Home Sales	2007	2008	2009	2010	% Change ('09 - '10)
December	66	69	69	64	-7.25%
January - December	1,248	935	818	758	-7.33%

Median Sales Price	2007	2008	2009	2010	% Change ('09 - '10)
December	\$215,500	\$180,000	\$165,000	\$167,333	1.41%
January - December	\$195,100	\$195,000	\$186,000	\$180,000	-3.23%

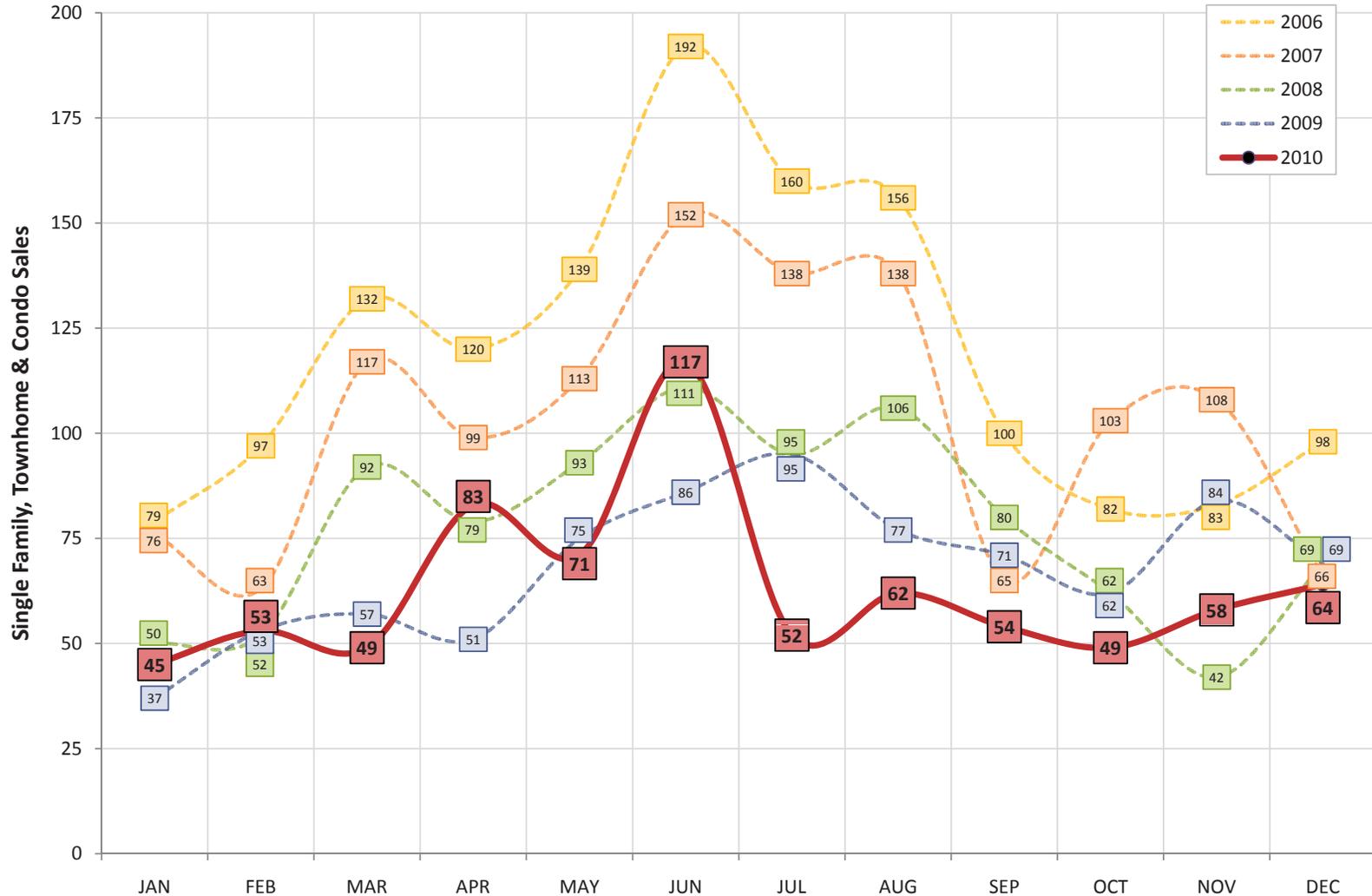
Average Sales Price	2007	2008	2009	2010	% Change ('09 - '10)
December	\$231,325	\$224,749	\$187,006	\$199,878	6.88%
January - December	\$224,394	\$223,608	\$214,115	\$208,990	-2.39%

Average Days on Market	2007	2008	2009	2010	% Change ('09 - '10)
December	147	192	187	198	5.88%
January - December	183	168	187	195	4.28%

The Harrisonburg and Rockingham County market witnessed another decline in sales pace in 2010, from 818 home sales in 2009 down to only 758 home sales in 2010. This decreased pace of sales was accompanied by a slight decline in median sales price (-3%) and a smaller decline in average sales price (-2%). Of note, December median

and average sales prices actually showed an improvement over last December with a 1.4% increase in median sales price and a 6.9% increase in average sales price. As can be expected in a slower market, the average days on market increased again in 2010 to an average of 195 days.

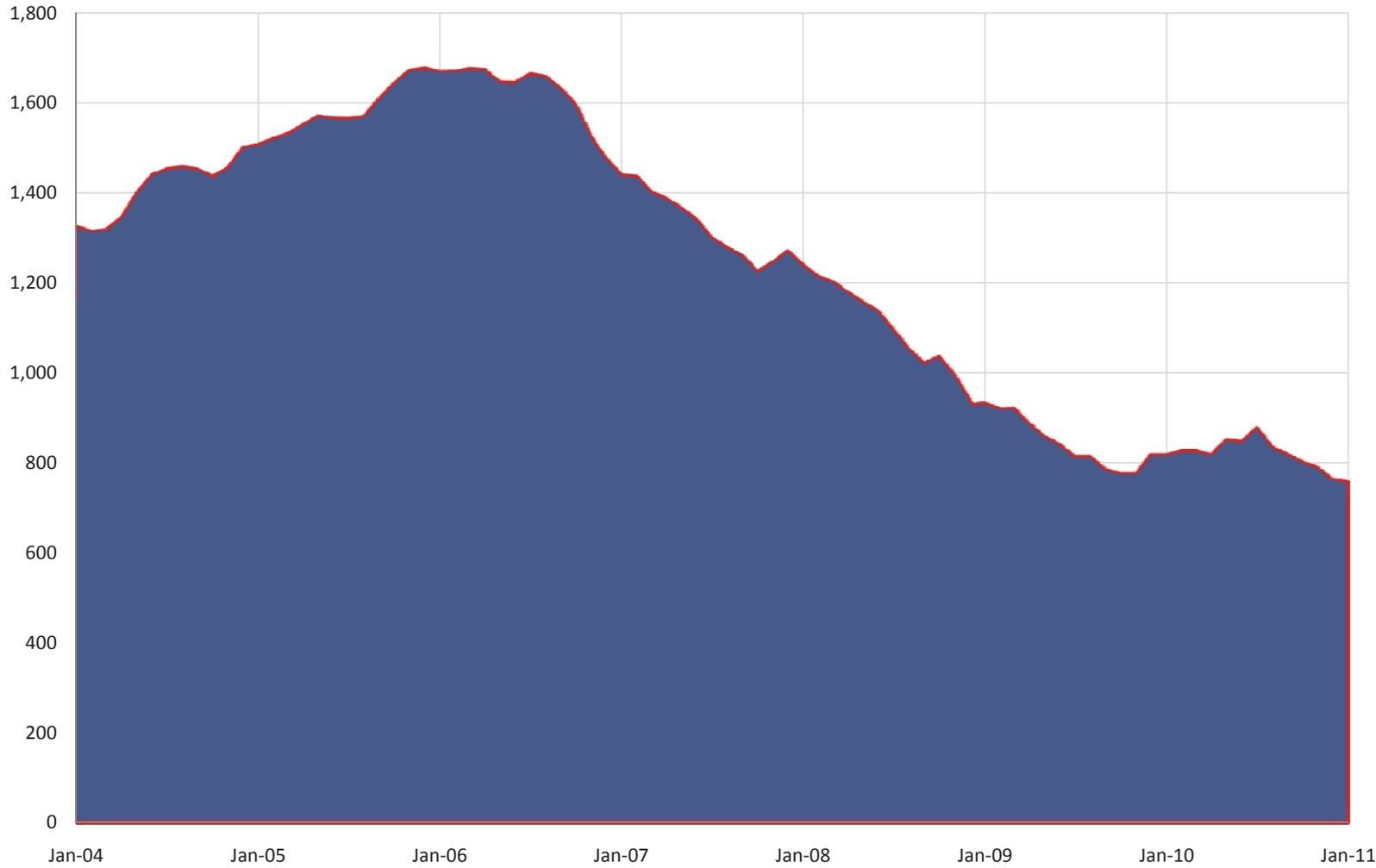
Harrisonburg & Rockingham County Month-By-Month Home Sales History



What a series of highs and lows we witnessed this year in the Harrisonburg and Rockingham County real estate market! During 7 of the 12 months of 2010 the market witnessed the slowest such months in recent history (Mar, May, Jul, Aug, Sep, Oct, Dec) -- but April and June brought significant spikes in market activity, likely

related to the expiration of the home buyer tax credit. In the end, the 2010 market (red line above) showed a 7% decrease in sales activity as compared to the 2009 market (blue line above). January and February of 2011 will likely be slow sales months if the past several years are any indication of the future.

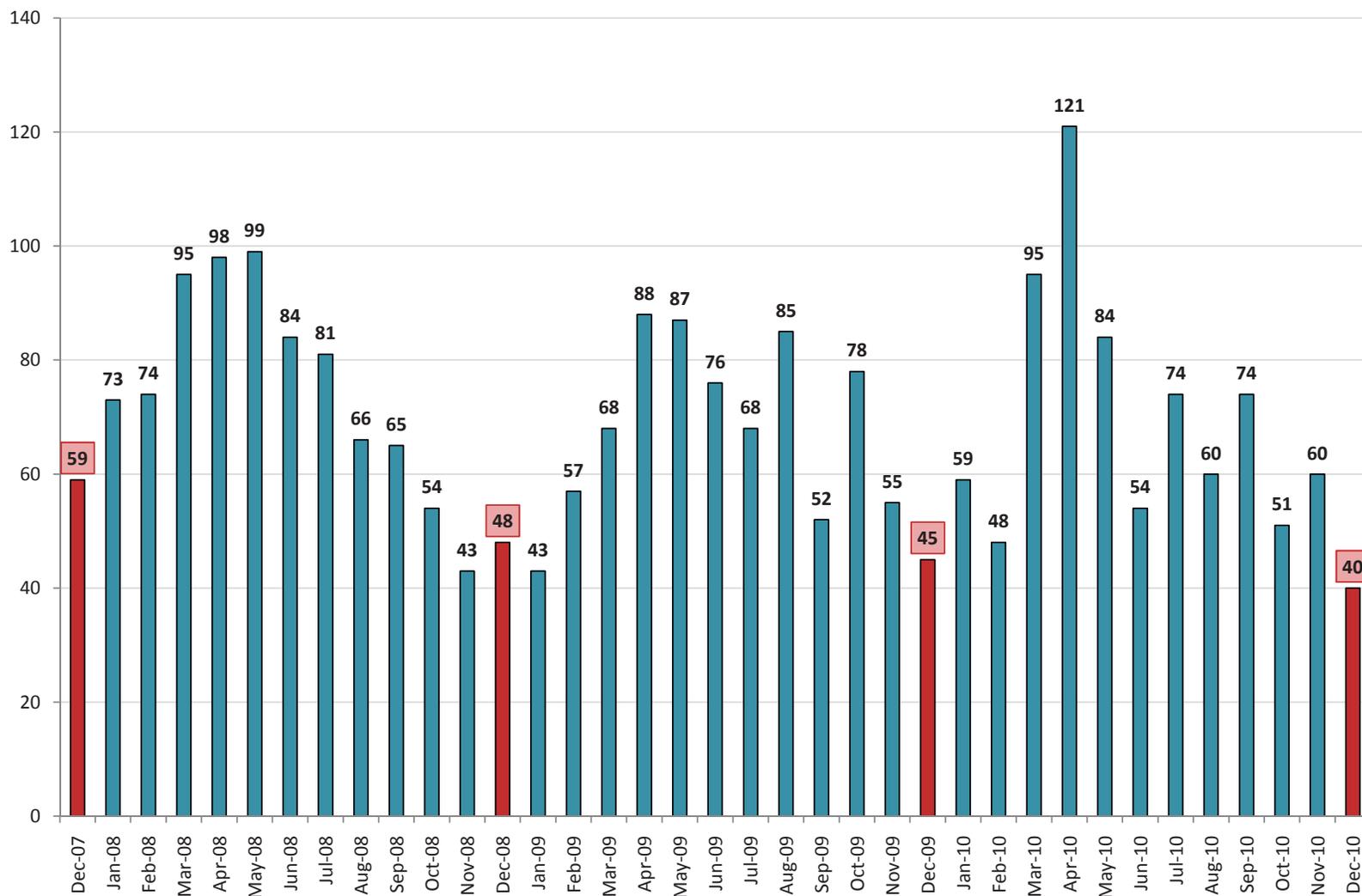
Harrisonburg & Rockingham County
Time-Adjusted Home Sales Trends :: All Homes
Sum of Preceding 12 Months



The home buyer tax credit worked --- for a short while. This graph shows a rolling 12 months of home sales for the Harrisonburg and Rockingham County area. Each data point includes 12 months of sales, which eliminates the volatility of evaluating sales figures on a month-by-month basis. After market activity crested in 2006, the

pace of home sales declined steadily all the way into 2009 when the home buyer tax credit was introduced. The local market then saw a steady increase in home sales through the middle of 2010 before the annualized pace of sales again started to decline. The tax credit provided a boost, but it was temporary.

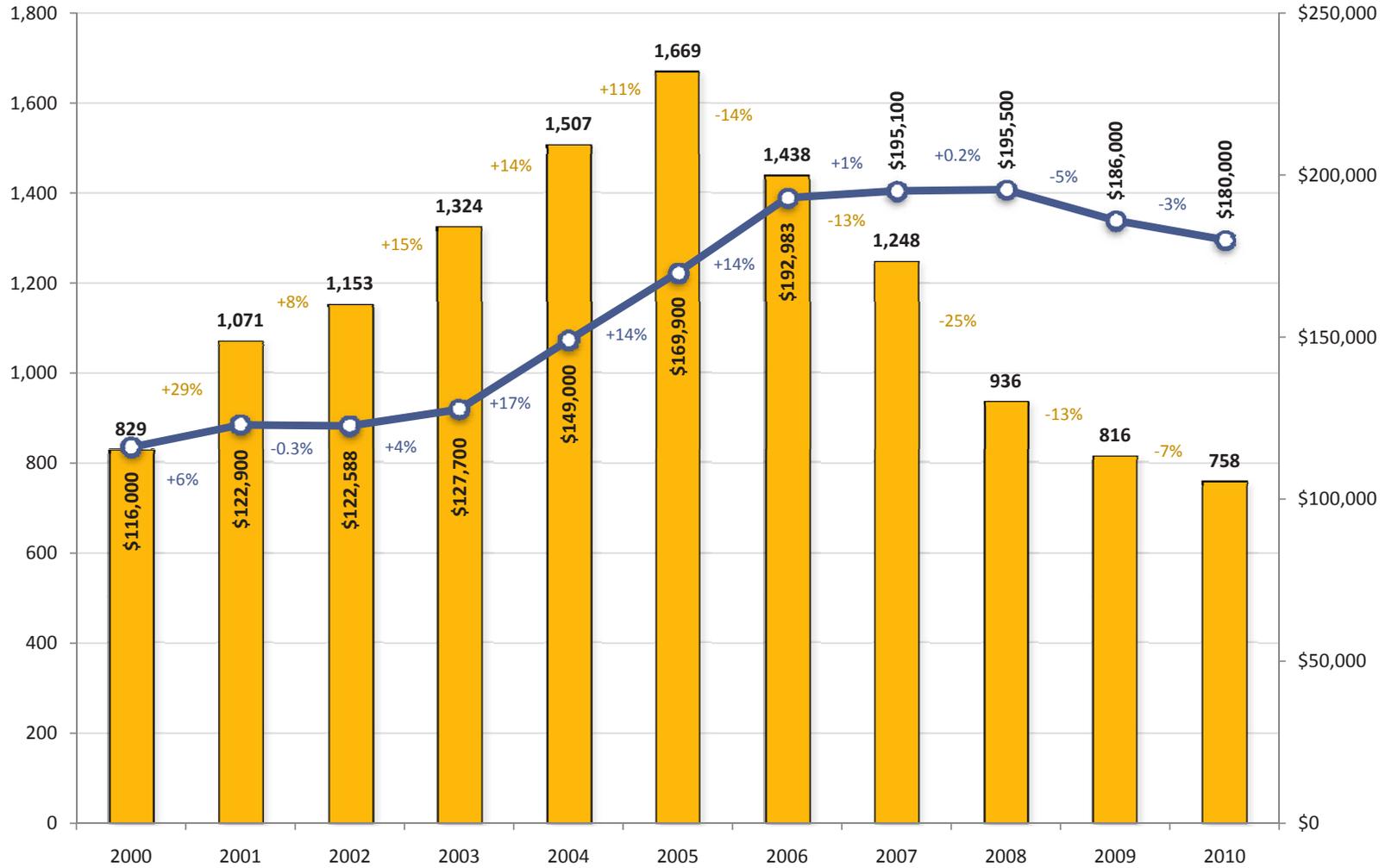
Harrisonburg & Rockingham County
Buyers Per Month Committing to Buy Properties



Buyers seem to have taken a break in December 2010, as the number of buyers contracting on homes this past month was the lowest December contract figure seen in the recent past. Furthermore, the 40 lonely buyers who committed to property in December 2010 represented the smallest number of monthly buyers committing

to property during the past three years. Perhaps the late winter and early spring market of 2011 will start to breathe new life into the real estate market, however January and February closings are likely to be few and far between based on the small number of buyers contracting on homes in December 2010.

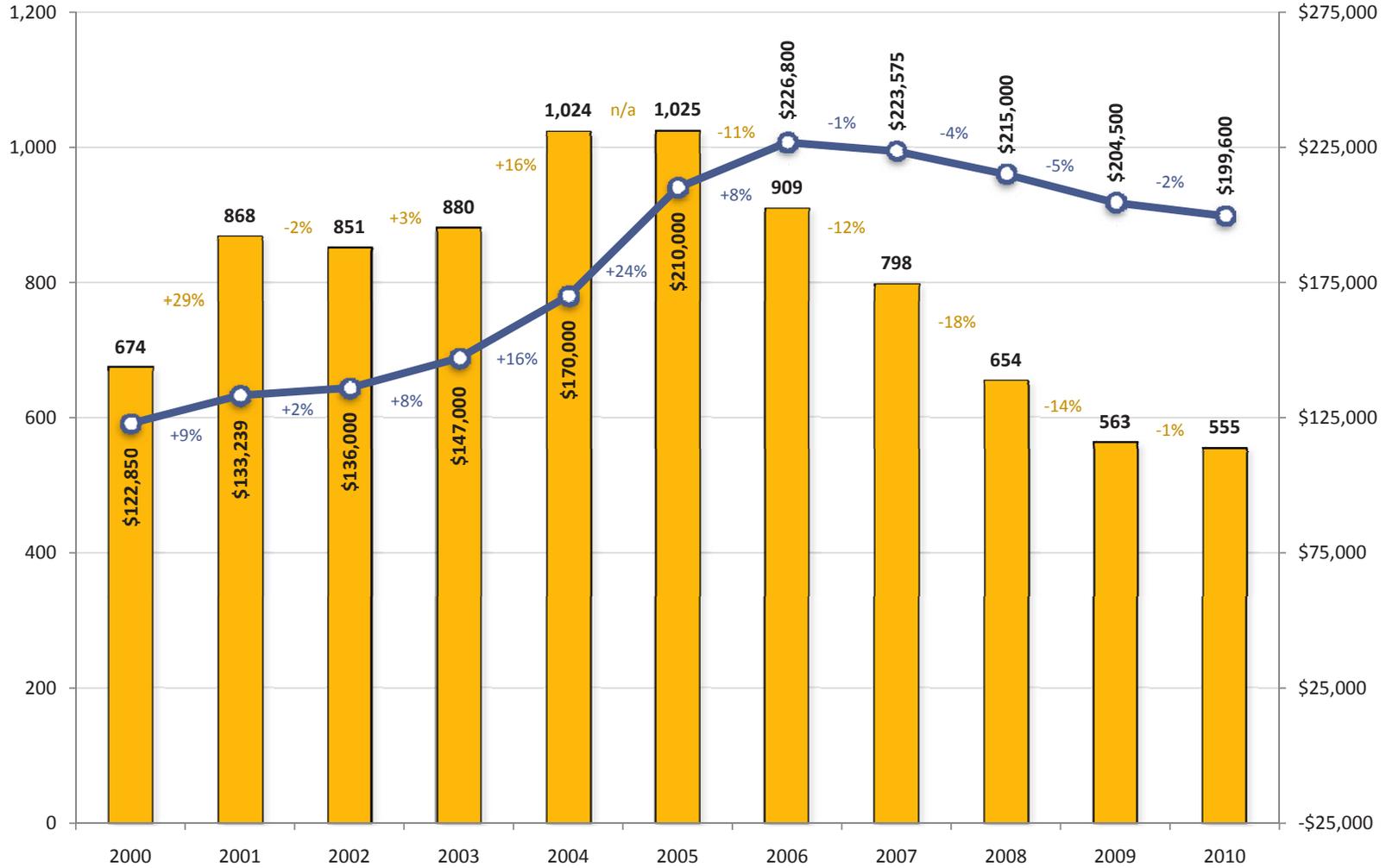
Harrisonburg & Rockingham County
Home Sales & Price Trends
 Single Family Homes & Townhomes



As 2010 has now come to a close, we can examine another full year of data --- and it seems that the Harrisonburg and Rockingham County real estate market may be headed back in a healthier direction. After four years of double digit declines in market activity (-14%, -13%, -25%, -13%) the local market only declined by 7% during

2010. Furthermore, median home values only dropped by 3% when comparing 2009 and 2010 -- a bit less than the 5% decline between 2008 and 2009. If we were to see prolonged declines in median home values in this area, I believe we would have seen a 5% or greater decline median home values in 2010.

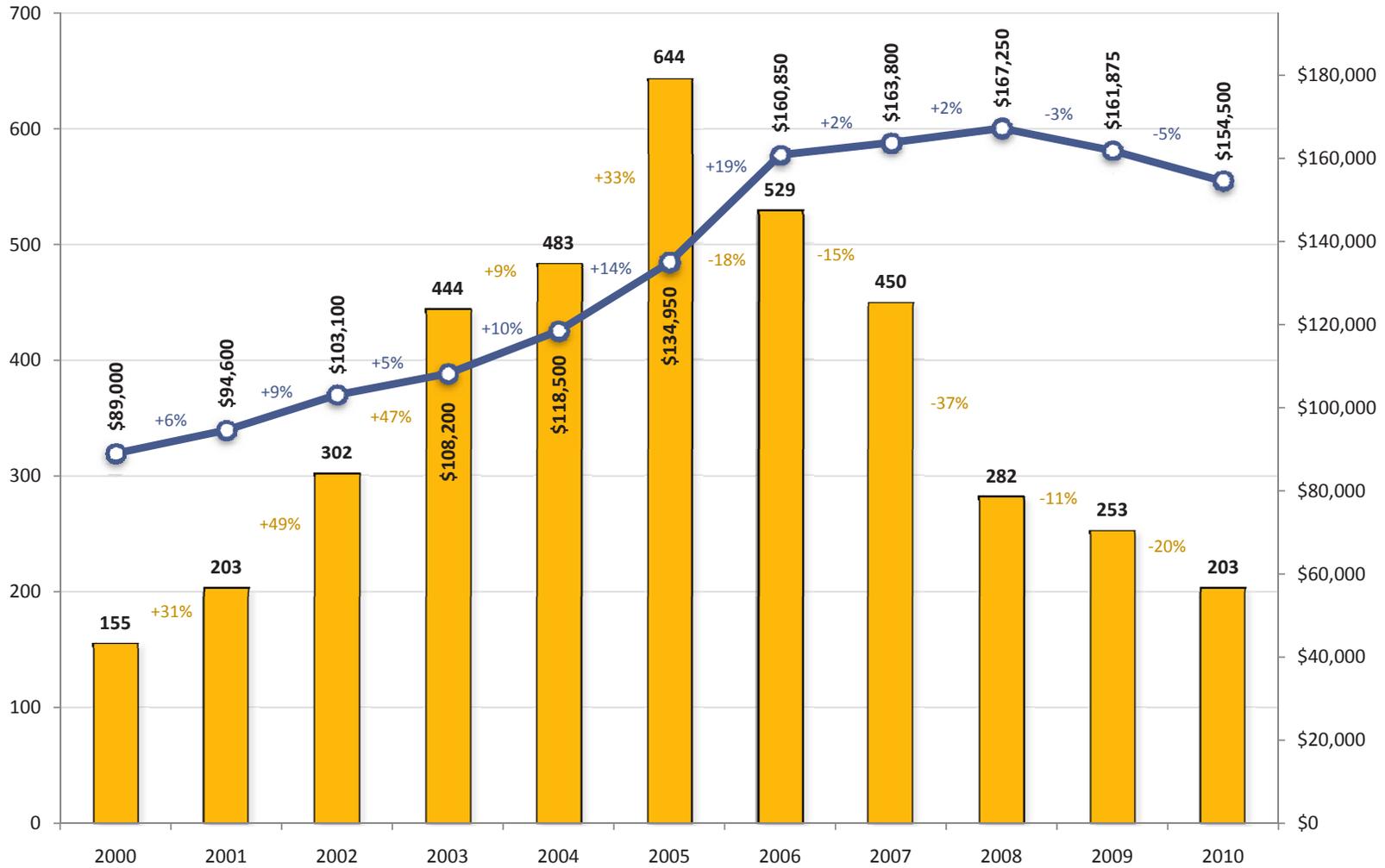
Harrisonburg & Rockingham County Home Sales & Price Trends Single Family Homes



The single family home market in Harrisonburg and Rockingham County seems to be recovering quite nicely compared to the overall market. A full 555 detached single family homes sold in 2010 compared to 563 in 2009 -- this represents only a 1% decline in market pace. Furthermore, the median sales price is not dropping as

quickly as it had in past years. After a 4% decline in median sales prices (2007 to 2008) and a 5% decline (2008 to 2009) the detached single family home market only saw a 2% decline in median sales price between 2009 and 2010.

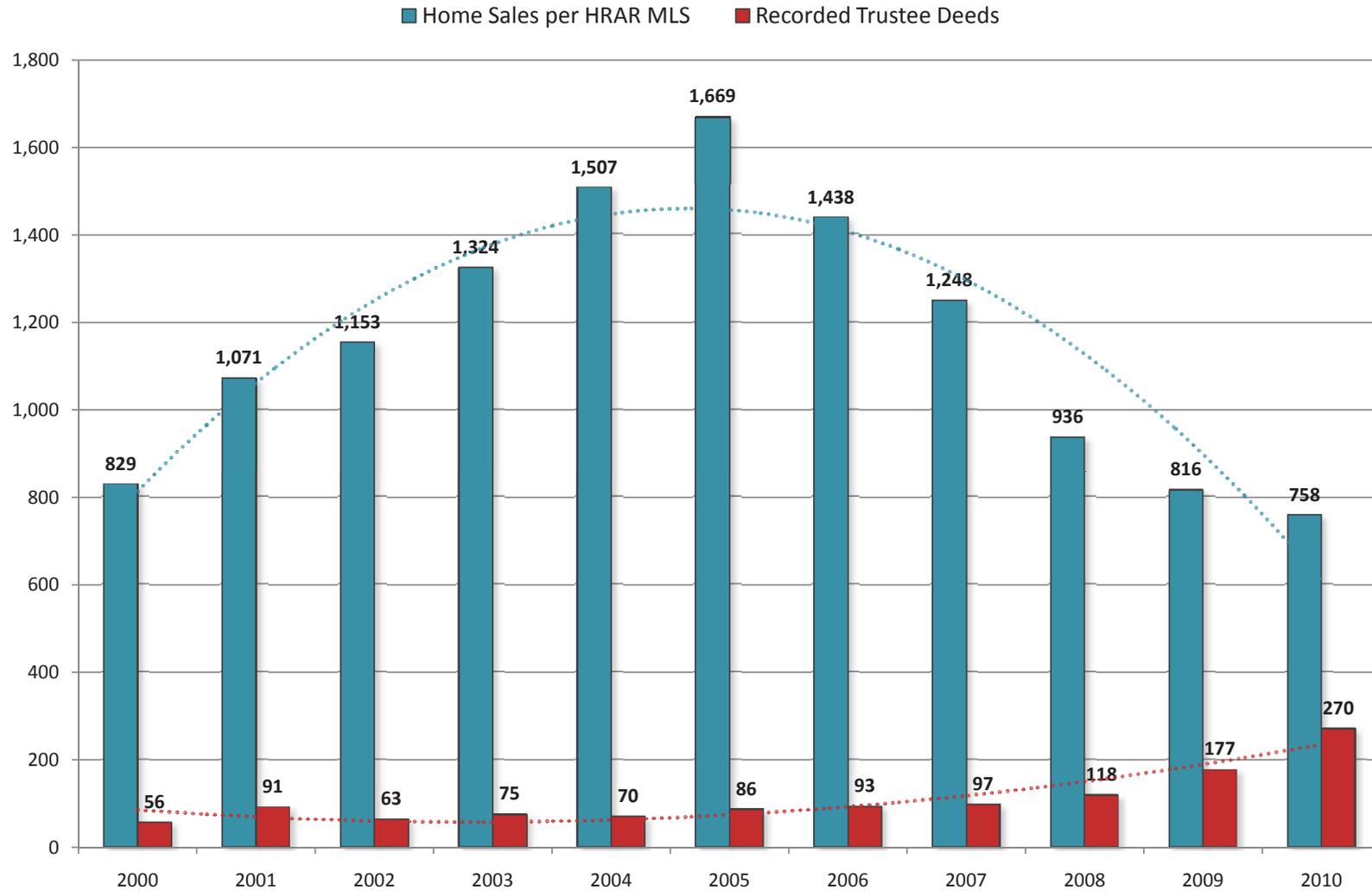
Harrisonburg & Rockingham County Home Sales & Price Trends Townhomes



The townhouse market continues to falter. Fewer and fewer townhomes are selling -- with an additional 20% drop in sales activity in 2010 compared to 2009. This led to a modest decline in median sales price as well (-5%) which was a bigger drop than the prior year's change (-3%). Townhome sales are now a far cry from the exuberant

years of 2003 through 2007 when over 400 townhomes sold per year. Many of those townhomes were purchased as investment properties, or by buyers who would have only been living in the townhome for a short period of time. Both such categories of buyers are now sitting on the sideline.

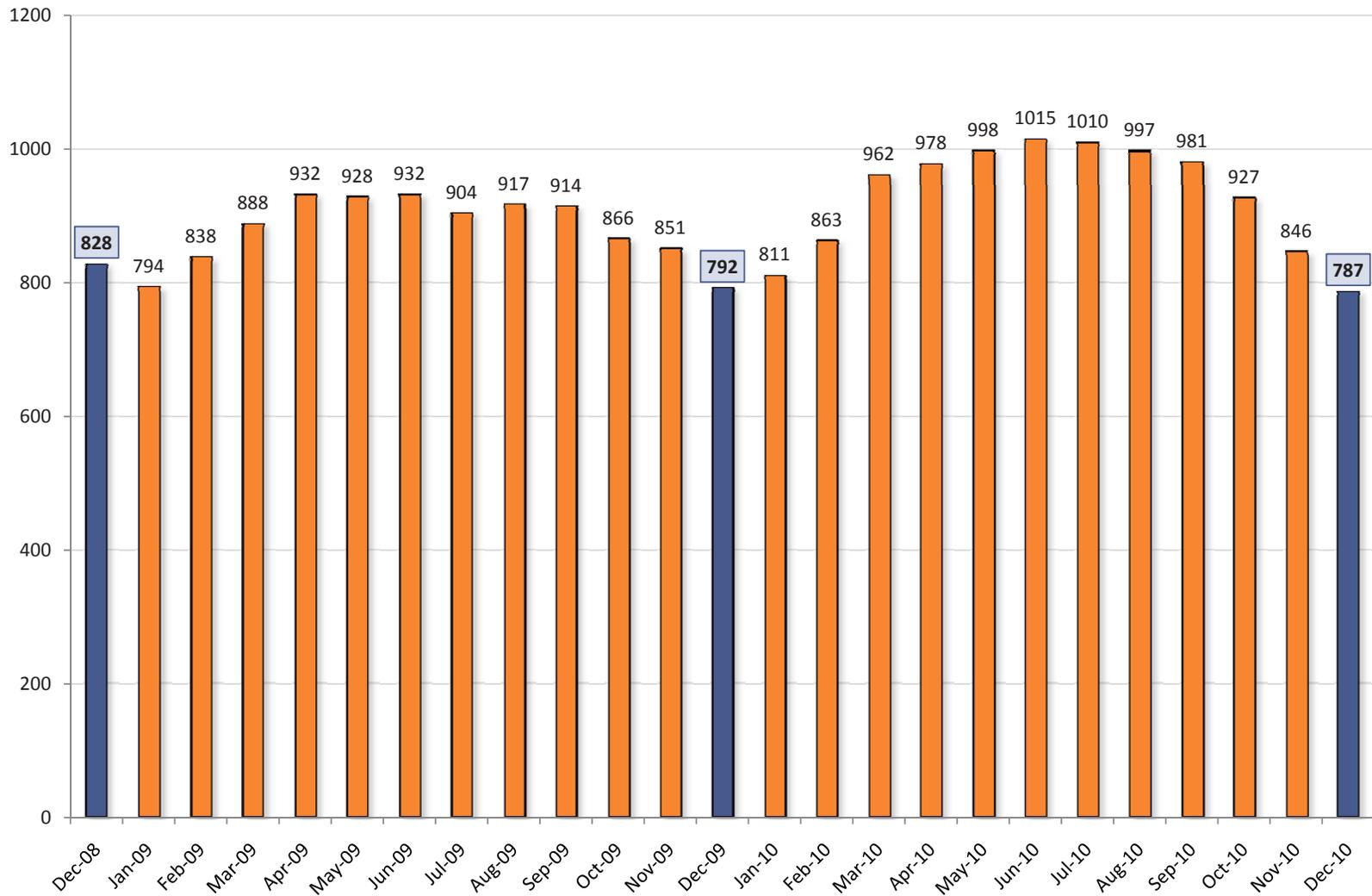
Harrisonburg & Rockingham County Home Sales vs. Trustee Sales



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 26% of all home sales.

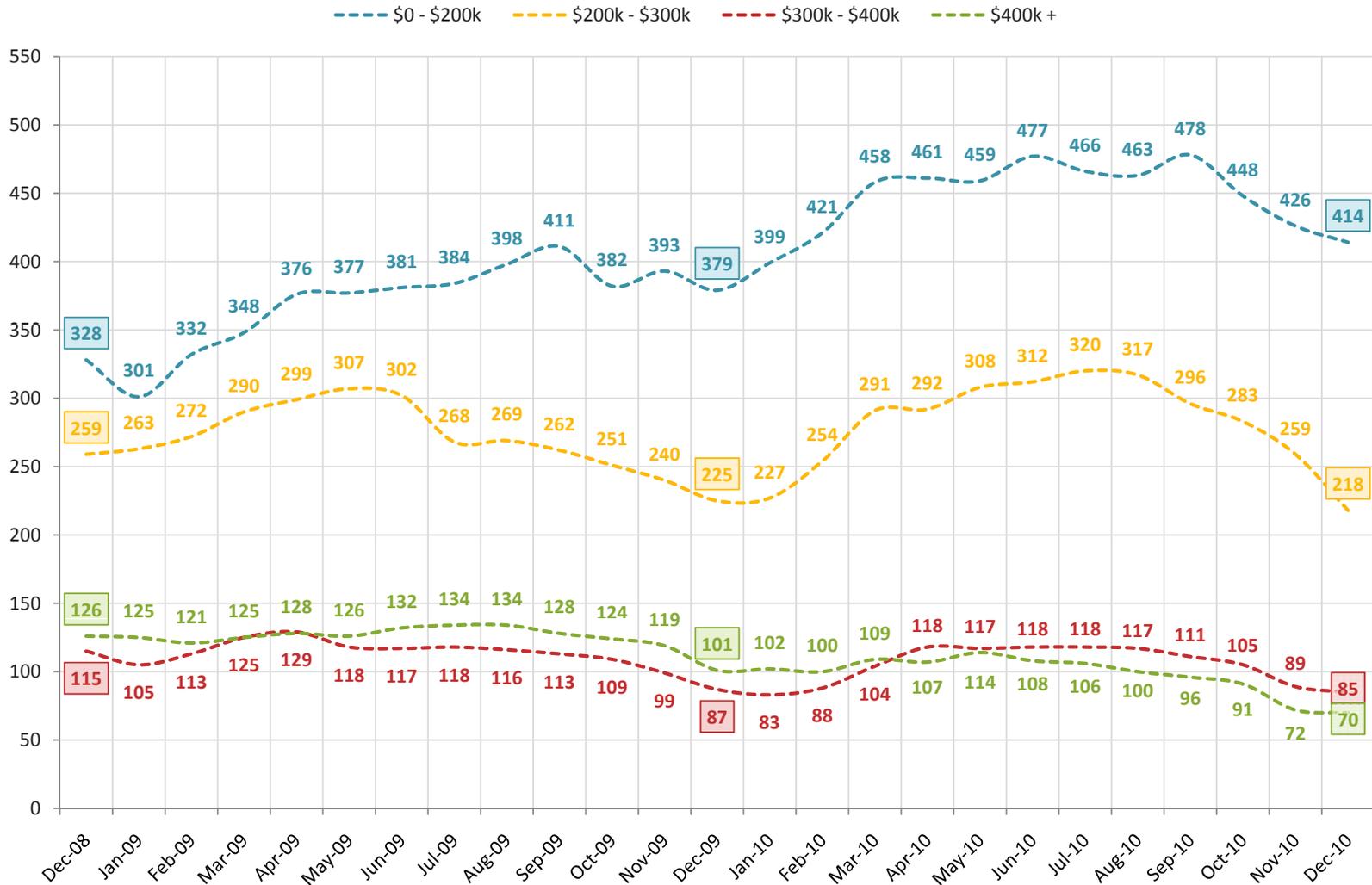
Harrisonburg & Rockingham County
Inventory Levels



After overall increases in housing inventory between 2009 and 2010 the local market is now experiencing a new low in housing inventory with only 787 properties for sale. This is, in fact, the lowest number of homes for sale anytime during the past two years. It will be interesting (and telling) to observe whether inventory again is given

a big boost during February, March and April. Our market would be healthier with fewer homes on the market, as this would help to level the playing field between buyers and sellers. That said, I do expect a spring rush of properties to hit the market in hopes that THIS will be the year to sell.

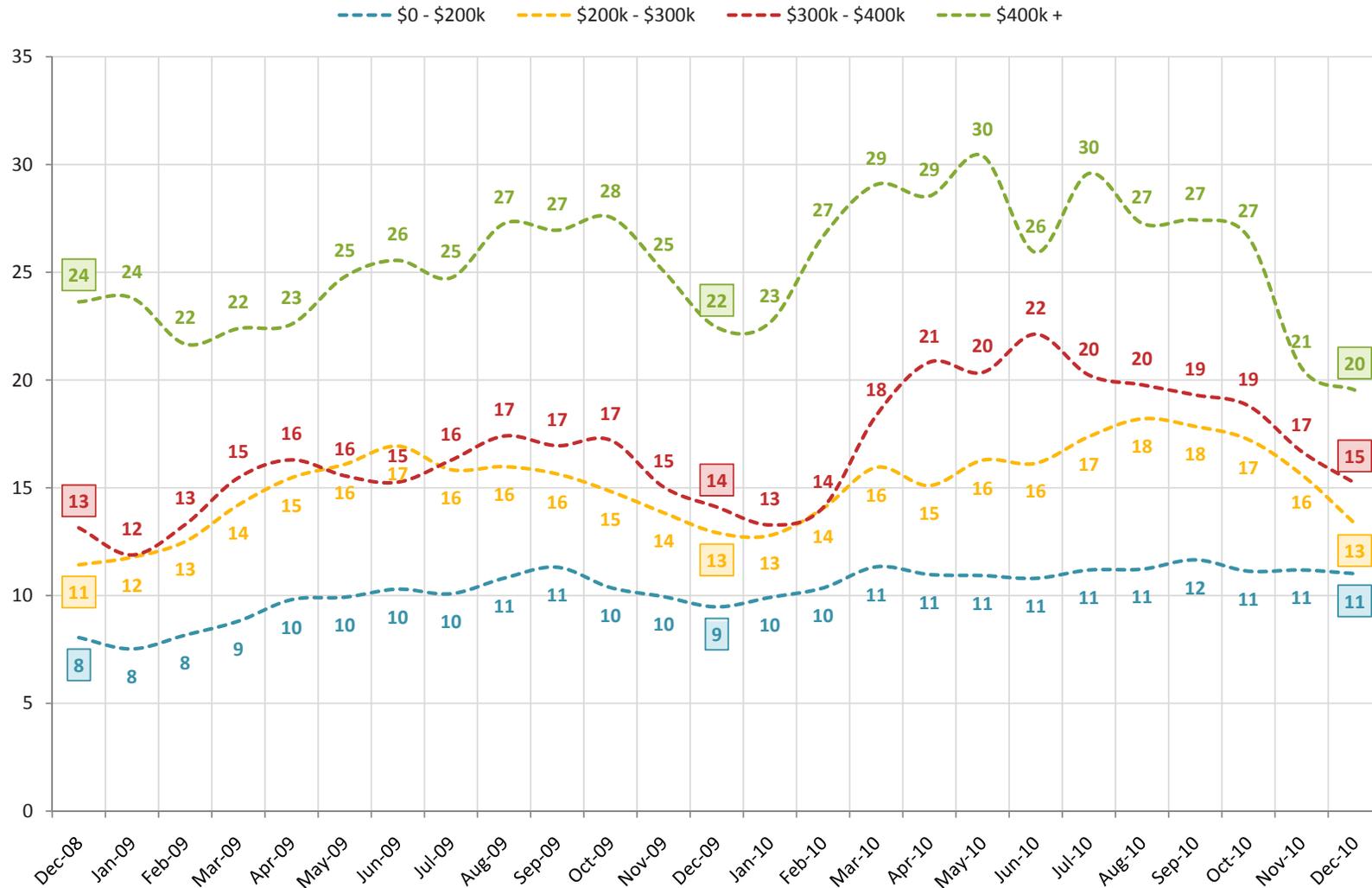
Harrisonburg & Rockingham County Inventory Levels by Price Range



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 44% decline in inventory from 126 homes for sale in November 2008 to only 70 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.

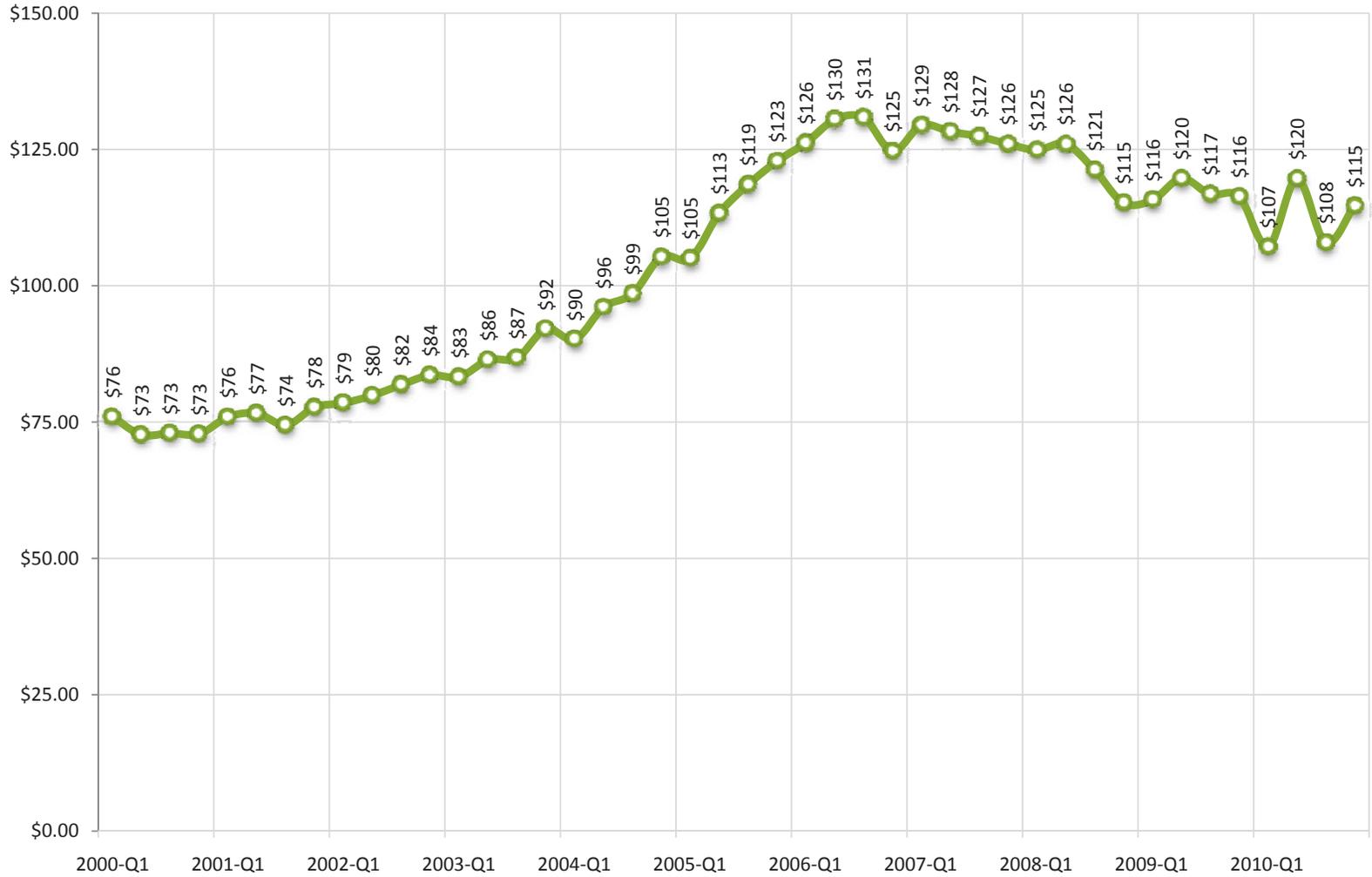
Harrisonburg & Rockingham County Housing Supply Trends by Price Range



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 several months --- largely because of a decline in the number of homes for sale in this price range.

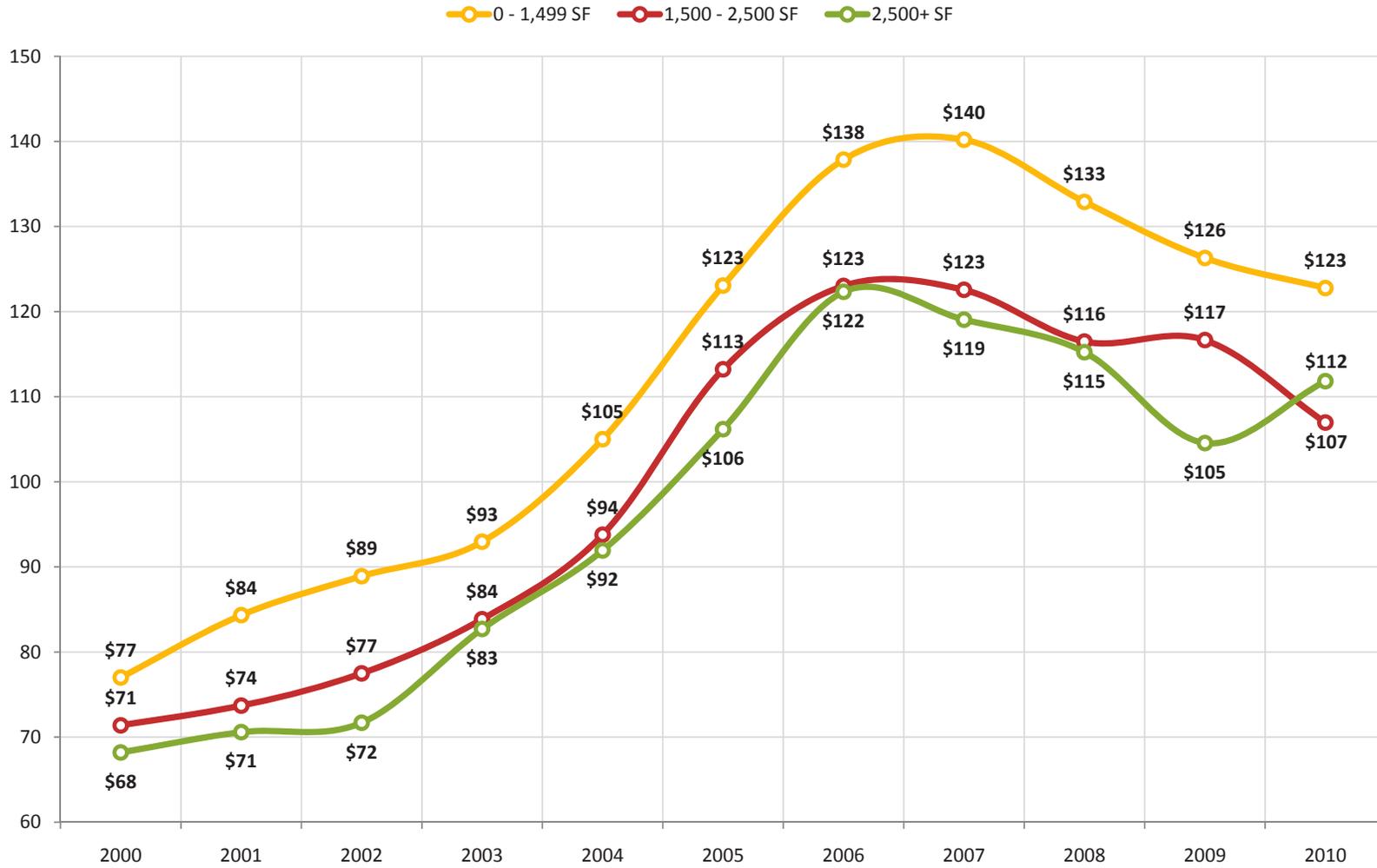
Harrisonburg & Rockingham County
Median Price Per Square Foot Trends
 Single Family Homes



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.

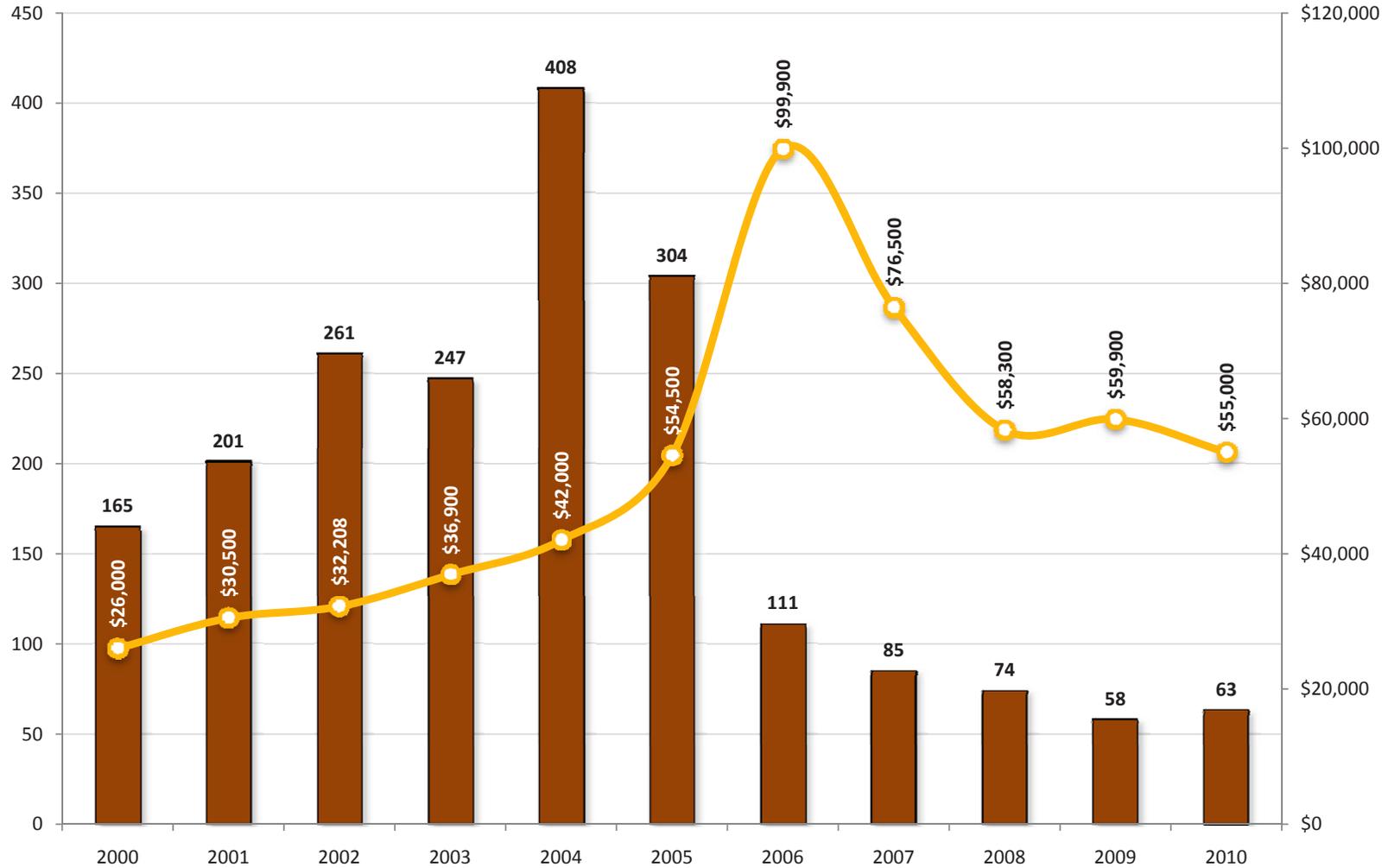
Harrisonburg & Rockingham County
Median Price Per Square Foot by Home Size
 Single Family Homes



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

($\$112/\text{SF}$) than homes that offer less than 1500 SF ($\$123/\text{SF}$). 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.

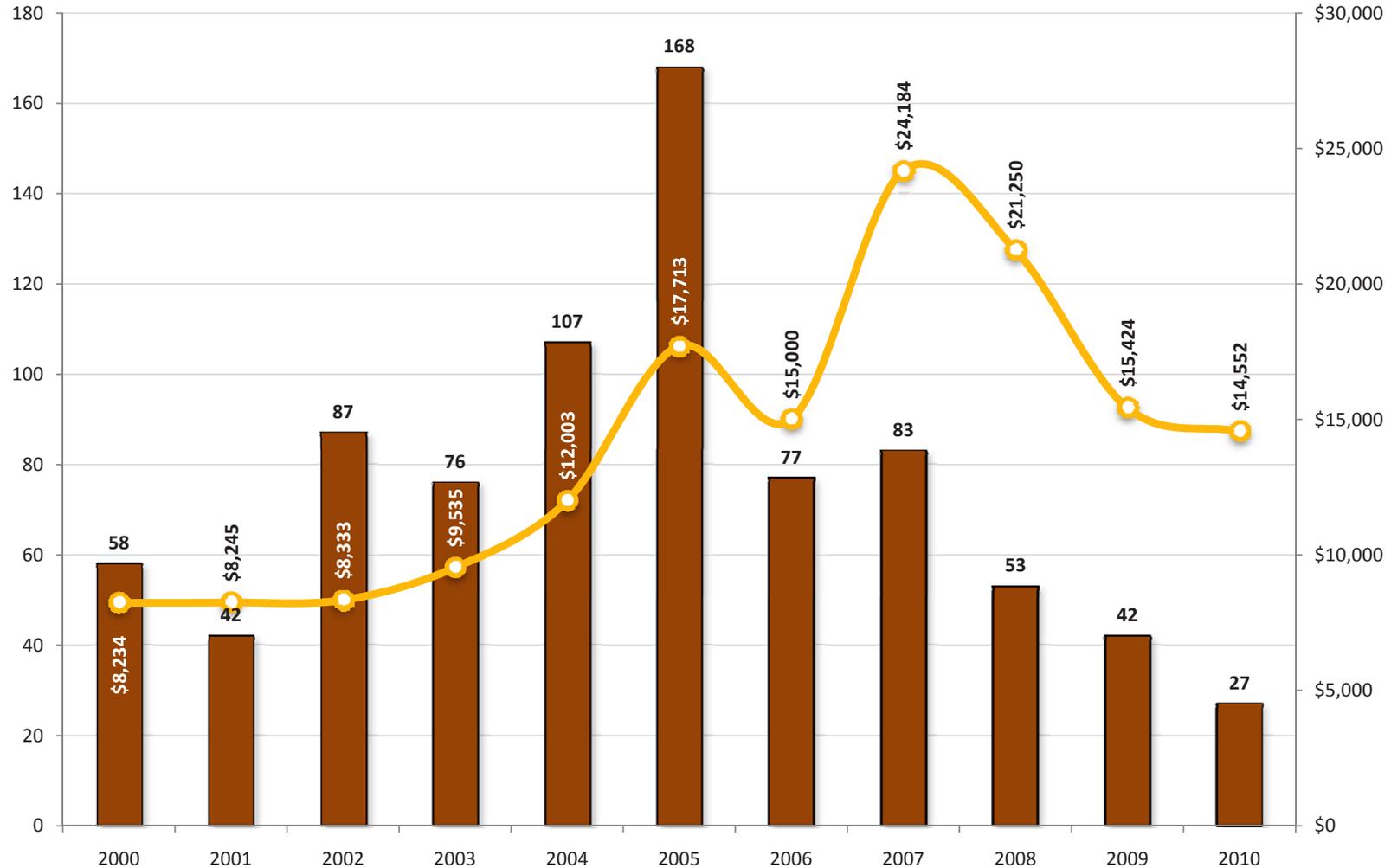
Harrisonburg & Rockingham County
Lot Sales & Median Prices
 less than 1 acre



While sales of lots that are smaller than an acre have plummeted since 2004, they have finally stabilized! In 2009, there were 58 lot sales of less than an acre --- and there were 63 lot sales in 2010, finally showing an increase in this category of sales. 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. We will likely need to see further improvement in the pace of lot sales before the median price would increase again.

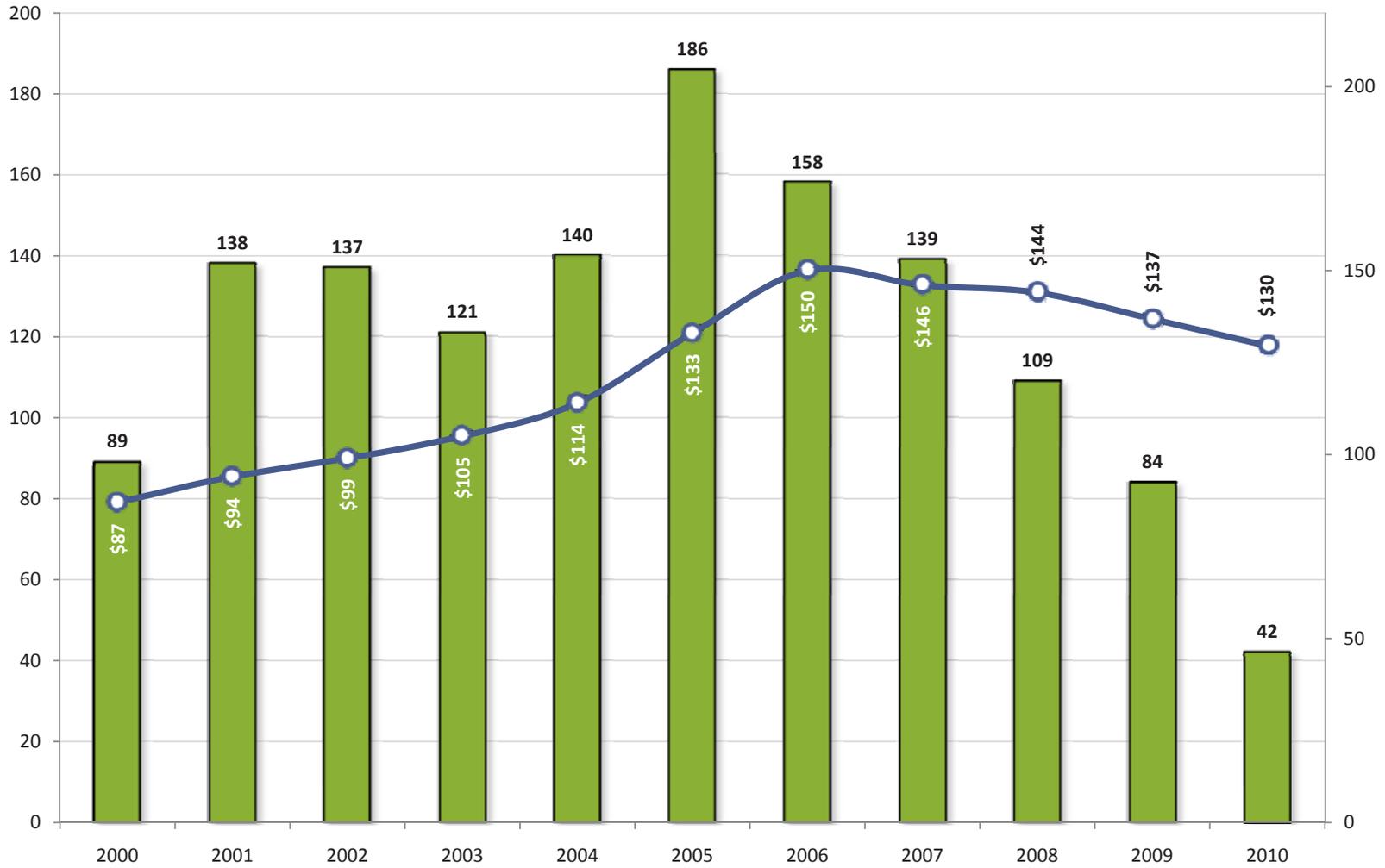
Harrisonburg & Rockingham County
Land Sales & Median Price Per Acre
 1 acre or more



If you are trying to sell a piece of land larger than one acre in Harrisonburg Rockingham County, you might be waiting for a while. Only 27 such transactions were recorded in the HRAR MLS 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 \$24,184 per acre back in 2007, but the 27 sales thus far in 2010 show a median price of \$14,552 per acre. It is hard to believe that these land sales could decline much further.

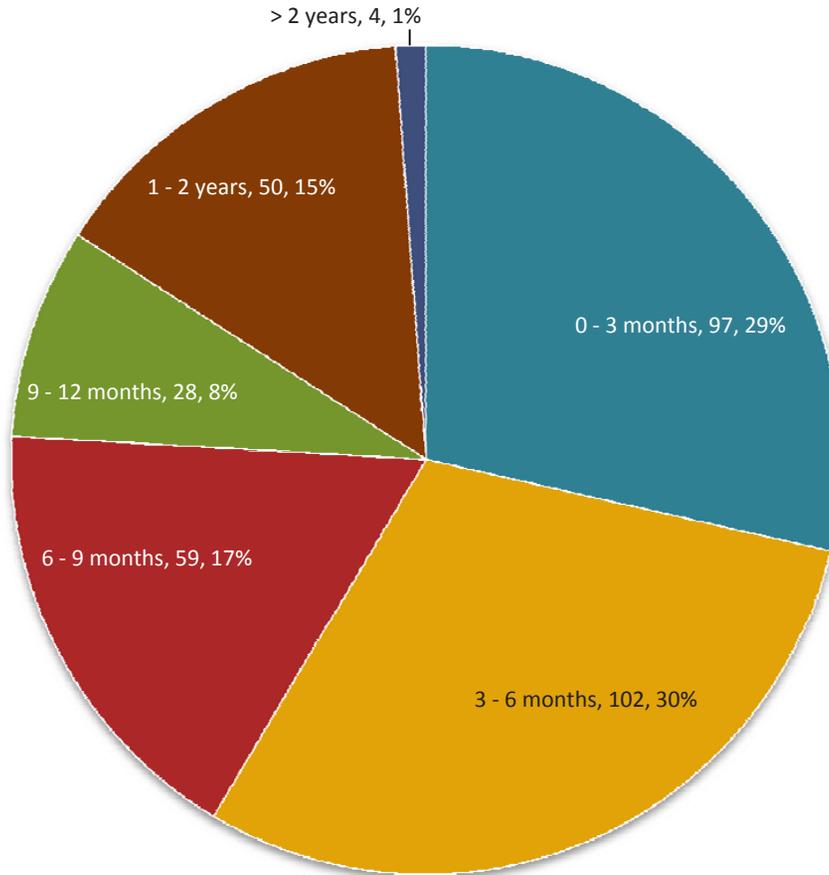
Harrisonburg & Rockingham County
New Construction Single Family Home Sales Trends
 Number of Sales, Median Price Per Square Foot



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. Remarkably, new home sales took a 50% drop in 2010 compared to 2009. 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. The question that remains in every builder's mind is when the market for new construction will return, even in any small measure.

Harrisonburg & Rockingham County Days on Market Analysis Residential Listings Sold Jul '10 - Dec '10

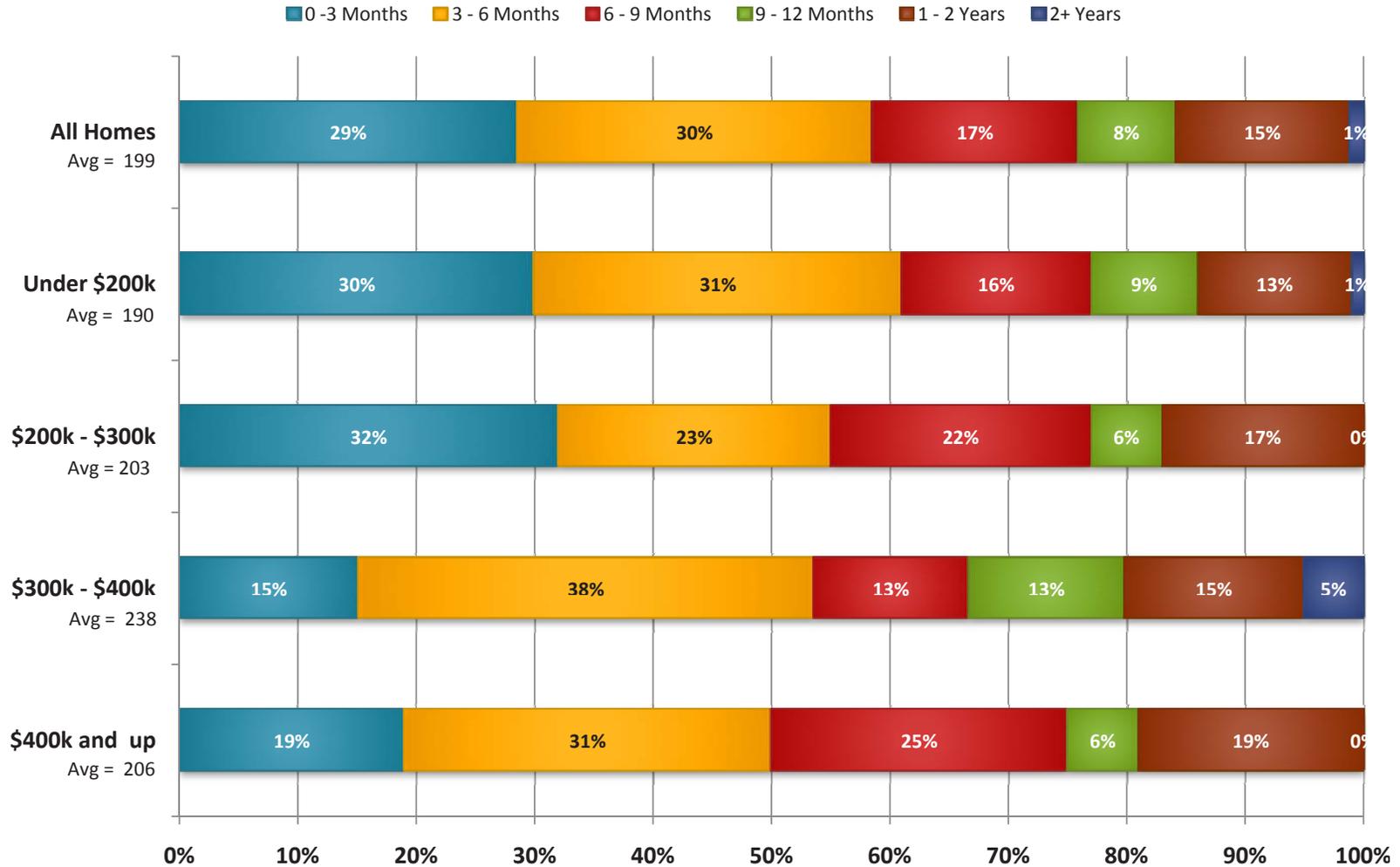


Average Days On Market: 199

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 59% 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
 Jul '10 - Dec '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 32% of homes that sold between \$200,000 and \$300,000 sold in the first 90 days of being on the market, while only 15% 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 (206 days) is also significantly higher than that of homes under \$200,000 (190 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.

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