

2006 Year-End Market Report

Year Finishes as Second-Best Ever

By Dave Phillips, CAE RCE

If you come in second place, you get no respect. That's the American way; we cast aside the runner-up like yesterday's newspaper. We don't remember who came in second at the Kentucky Derby or the U.S. Open. The best is the best and the rest is the rest (pardon the grammar). With this in mind, we will likely forget the 2006 local real estate market in a few weeks and continue to wax nostalgically about the record-setting 2005 market.

With that in mind, let's take one last look at 2006 real estate market statistics for the Charlottesville area before we toss them in the recycle bin for second-placers. Even if 2006 did not become the seventh straight record year for real estate in our area, it was a very good year – especially for buyers. It was also a year of transition for the market and overall, the health of the market is better today than it was in 2005 - the inventory of homes for sale is now adequate (and then some) to meet demand, prices are increasing at sustainable rates, interest rates are very low, and the general economy is strong. All this sets up 2007 to be a great year, but first, let's take a last look at 2006.

According to figures from the CAAR Multiple Listing Service, 4,318 homes were sold in the Charlottesville market area (including the counties of Albemarle, Fluvanna, Greene, Louisa, and Nelson, and the City of Charlottesville) in 2006, compared to 4,663 in the previous year. (Note: total figures include all properties reported to the MLS, even if they were outside the main market areas.) For the year, the sale of residential real estate was down 7.4% from the sales record set last year.

Each quarter, CAAR publishes market statistics on the number of transactions closed, the number of listings that went under contract, the median sales price, the average days on market, price per square foot, and the number of new listings. These figures are tallied on a year-to-date basis every quarter and are compared to the same information from the previous year.

Transactions Closed

In the first half of the year, residential home sales were strong thanks to a major increase in condominium sales in the City of Charlottesville, but the market slowed down in the second half and cruised into second place in the record books. Year-end results by area are mixed (see chart) with Charlottesville showing the only increase in sales over the previous year. Charlottesville's increase in sales can be attributed to a 132% increase in condominium sales (155 sales in 2005 compared to 359 in 2006). Remarkably, condo sales accounted for 67% of all sales in the City.

Year-end 2006

Area	Total Sales	Compared to 2005	% Change
Albemarle	1563	-314	-17%
Charlottesville	601	+63	+11.6%
Fluvanna	509	-117	-18.3%
Greene	274	-20	-6.8%
Louisa	202	-24	-10.6%

Nelson	252	-129	-33.9%
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Under Contract

Properties that are “under contract” (or pending) are ones that have a ratified sales contract that has not yet closed. This is, of course, an important indicator of how the closed transaction market will perform in the coming months. The fourth quarter “under contract” figures for 2006 were down a modest 7.1% from the same period last year. For the quarter, 775 listings went “under contract” in 2006, compared to 974 during the same period last year. This should point the way to a moderate first quarter for 2007, but we’ll have to wait and see if the numbers surge for the busy spring market.

Median Sales Price

The median sales price is a better indicator of what the “average” home in our area sells for than is the average sales price. Our area is graced with many estates and homes that often sell for more than a million dollars. In 2006, for instance, 107 transactions were closed for over one million dollars. Such properties distort the average sales price figures dramatically. The median sales price, on the other hand, is the number that represents the middle of the market. 50% of the homes in our area sold for more than this price and 50% sold for less than this price. The median sales price for the entire market area in 2006 was \$274,900 which is \$18,900 more than the previous year’s figure. All local areas tracked in this report were up for the year (see area figures below).

2006 Area Prices

Area	Median Price	% Change
Albemarle	\$322,830	+13%
Charlottesville	\$259,000	+5%
Fluvanna	\$245,000	+7%
Greene	\$264,798	+13%
Louisa	\$228,175	+11%
Nelson	\$321,000	+7%

Days on Market (DOM)

It is no surprise that the average days a property stayed on the market increased in 2006. This is directly related to the significantly increased inventory of homes on the market. What was surprising is that the DOM average only increased a modest 16 days. The year-end average DOM for all sales reported in the Multiple Listing Service was just 76 days (compared to 60 last year). Louisa was the only local area to see a decrease in DOM (see area figures below).

2006 Average Days on the Market

Area	Days	Change
Albemarle	69	+20
Charlottesville	69	+7
Fluvanna	76	+10
Greene	81	+4

Louisa	84	-6
Nelson	84	+10

Listings/Inventory

One factor that affects the DOM statistic is inventory. If inventory is low, then there are fewer properties for buyers to consider and properties sell more quickly. CAAR tracks the number of new listings that come on the market each quarter to help us monitor the inventory of available homes. As of early January 2007, our database has 2,504 homes actively listed for sale. That is an increase of almost 1,000 more homes on the market than this time last year. We can expect around 250 homes to be purchased in January. That means that there are roughly 10 homes available in the entire market area for each buyer, which provides more than adequate choice. With inventory levels higher, we should see a continuation of DOM increases in the short term.

Price per Square Foot

This category helps us track the affordability of housing across jurisdictions in our area, but it is important to understand that this figure is not completely accurate. Each home is a different mix of land, location, style, and amenities and this figure does not take this soft data into account. CAAR considers this to be an interesting statistic, but not one that should be used too widely in comparing properties. In 2006, the most expensive area per square foot was Nelson at \$206 (up 3.2% from last year). The other areas were as follows: Albemarle \$185 (up 11.5%), Charlottesville \$195 (up 12.3%), Fluvanna \$141 (up 8.6%), Greene \$160 (up 15%), and Louisa \$150 (up 12.7%).

Conclusions and Forecasts

Although the real estate market in 2006 will soon be forgotten like the Seattle Seahawks (last year's loser in the Super Bowl), it was an important year of market transition. The year began with favorable conditions for sellers (commonly referred to as a seller's market) and transitioned into a buyer's market. It laid the groundwork for what we can expect in 2007, but otherwise, it was a year that will be easily forgotten.

So what can we expect in 2007? "Balance" is the word for the year. The 2007 real estate market will be a rare year where all the market forces are in equilibrium. Interest rates will stay low, sales will stay solid (but not spectacular), the supply of homes will level off to offer equal benefits to buyers and sellers, and area home prices will increase at a modest (but healthy) rate. In short, everyone will be satisfied; no one will be ecstatic. In the end, sales in 2007 will be slightly ahead of 2006 and will be the second-best total ever for the local market. That means 2007 will be the Casey Mears (2nd place at the Daytona 500) of real estate markets.

If you have any questions about these market statistics or other aspects of the local market, please visit www.caar.com or contact me at (434) 817-2393 or Dave@caar.com.