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Third Quarter Market Report for Central Virginia

Inclusive of the City of Charlottesville and Albemarle, Fluvanna, Greene and Nelson Counties

State of the Market

Where we are

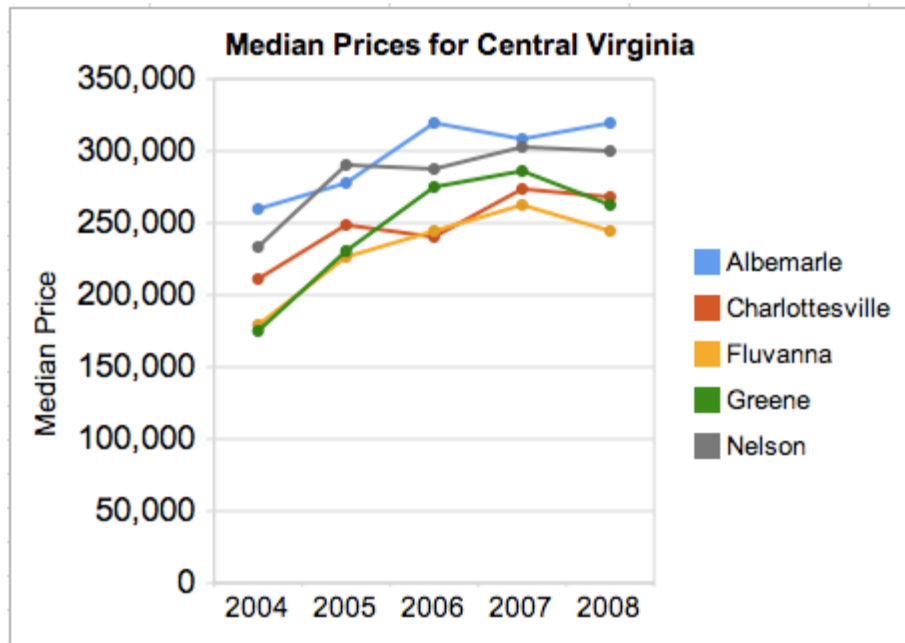
We're at an interesting time in this market, with many factors working against the Charlottesville area real estate market. Among those factors are national interests, with one common theme - Uncertainty. The state of Fannie Mae and Freddie Mac, the weakness of the dollar, hurricanes' impact on oil, not to mention the oil speculators - and oil impacts consumers' pocketbooks, psychology and buying (and selling) decisions.

My advice from last Quarter remains the same -

From a seller's perspective - if you don't have to sell right now, seriously consider not selling.

From a buyer's perspective - do your due diligence; it very well might be worth buying right now.

For many of the homes in the region, we are at 2006 price levels.



2008

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	726	\$341,195,034	\$469,966	112	\$320,100
05 Charlottesville	421	\$127,840,773	\$303,660	118	\$268,318
08 Fluvanna	226	\$61,021,895	\$270,008	127	\$245,000
10 Greene	116	\$31,639,082	\$272,751	110	\$262,450
13 Nelson	104	\$35,151,197	\$337,992	140	\$300,000
Total	1,593	\$596,847,981	\$374,669	117	1,395,868

2007

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	1,112	\$438,972,813	\$394,760	88	\$308,095
05 Charlottesville	469	\$143,799,881	\$306,610	68	\$273,600
08 Fluvanna	323	\$90,710,091	\$280,836	86	\$262,000
10 Greene	148	\$45,192,790	\$305,357	91	\$285,625
13 Nelson	132	\$45,518,335	\$344,836	106	\$302,500
Total	2,184	\$764,193,910	\$349,906	85	1,431,820

2006

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	1,265	\$508,053,793	\$401,624	61	\$319,000
05 Charlottesville	633	\$172,418,556	\$272,383	53	\$239,900
08 Fluvanna	391	\$106,411,002	\$272,151	71	\$245,000
10 Greene	212	\$65,706,707	\$309,937	77	\$274,500
13 Nelson	168	\$56,544,640	\$336,575	86	\$287,000
Total	2,669	\$909,134,698	\$340,627	64	1,365,400

2005

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	1,442	\$586,313,675	\$406,598	52	\$277,650
05 Charlottesville	405	\$114,103,485	\$281,737	55	\$247,950
08 Fluvanna	451	\$116,084,204	\$257,393	60	\$225,900
10 Greene	215	\$53,648,928	\$249,530	56	\$230,000
13 Nelson	264	\$86,094,313	\$326,115	72	\$290,000
Total	2,777	\$956,244,605	\$344,344	56	1,271,500

2004

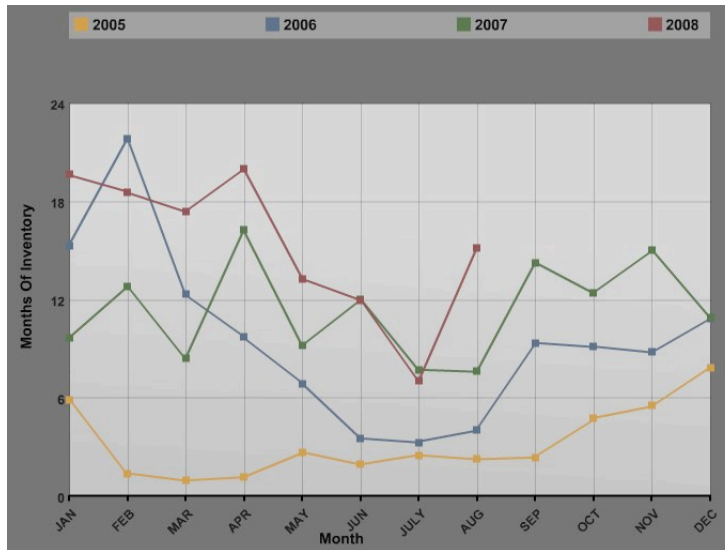
Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	1,231	\$443,129,351	\$359,975	72	\$259,900
05 Charlottesville	396	\$98,366,818	\$248,401	124	\$210,500
08 Fluvanna	484	\$95,432,868	\$197,175	64	\$179,000
10 Greene	213	\$42,595,610	\$199,979	87	\$175,000
13 Nelson	245	\$64,749,320	\$264,283	102	\$234,000
Total	2,569	\$744,273,967	\$289,713	83	1,058,400

Condos

CHARLOTTESVILLE AND ALBEMARLE

99% of the condos in the Central Virginia region are located in Charlottesville and Albemarle.

The Condo market is bifurcated. New construction condos in the downtown market, while seeing waning prices, are not seeing the dramatic returns to 2004 price levels as are many of the condo conversion developments.



Inventory Levels of Condos are increasing dramatically right now, somewhat in line with trends from the past few years. However, I expect that next year is going to bring a boom in the number of 5/1 ARMs resetting and this is going to impact the condo market significantly - as many of the purchasers in this segment were either first-time or seasoned investors or first-time homebuyers hoping and expecting to sell and trade up or rent and hold onto the unit when or before their ARMS reset. We're back at price levels from the first round of sales in many of these developments, which does not bode well.

For example - in 2004, 120 condos were sold in Charlottesville/Albemarle; 86 were built prior to 2000 - a reasonably good indicator that 86 of those 120 units were conversions. In the first three quarters of 2008, 162 condos have sold; 97 of which were built prior to 2000.

I would not be surprised if we see one or more of these revert to apartments in 2009.

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	76	\$14,473,090	\$190,435	118	\$163,975
05 Charlottesville	86	\$23,959,920	\$278,604	106	\$201,000
08 Fluvanna	2	\$650,000	\$325,000	87	\$325,000
13 Nelson	27	\$6,115,000	\$226,481	153	\$215,000
Total	191	\$45,198,010	\$236,639	117	904,975

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	158	\$32,181,193	\$203,678	91	\$169,950
05 Charlottesville	105	\$20,667,485	\$196,833	65	\$189,800
13 Nelson	35	\$9,368,500	\$267,671	140	\$234,700
Total	298	\$62,217,178	\$208,782	87	594,450

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	216	\$39,552,182	\$183,112	42	\$159,500
05 Charlottesville	245	\$50,367,850	\$205,583	36	\$179,900
08 Fluvanna	2	\$650,000	\$325,000	64	\$325,000
13 Nelson	58	\$15,252,250	\$262,970	85	\$248,250
Total	521	\$105,822,282	\$203,114	44	912,650

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	258	\$40,539,589	\$157,130	14	\$135,802
05 Charlottesville	58	\$13,611,728	\$234,685	75	\$241,795
13 Nelson	94	\$21,950,000	\$233,511	42	\$209,500
Total	410	\$76,101,317	\$185,613	29	587,097

Area	# of Sales	Total Sales	Avg Sales	DOM	Median
01 Albemarle	62	\$11,588,817	\$186,916	59	\$159,400
05 Charlottesville	37	\$6,437,173	\$173,978	773	\$175,900
08 Fluvanna	1	\$247,500	\$247,500	63	\$247,500
13 Nelson	92	\$17,075,600	\$185,604	58	\$162,750
Total	192	\$35,349,090	\$184,110	196	745,550

New Construction

Caveat

There is no reasonably efficient way to break new construction out of the numbers, so we are left with small samplings and aggregate data. Note that the below chart is indicative of only non-condo new construction .

Interestingly, the percentage of new construction sales has remained fairly consistent. However, prior to 2005, neither Ryan Homes nor K Hovnavian had presences in the Central Virginia Market, so these numbers are somewhat skewed toward inaccuracy. Either way, we won't know where we are today until at least July or September of next year.

Year	# of Sold	# New	% New
2008	1397	206	15%
2007	2492	456	18%
2006	2830	555	20%
2005	3300	604	18%
2004	3311	595	18%

The Good News is that building permits are down. As [Real Cville](#) noted -

Albemarle County released numbers for the first part of 2008. 266 building permits for new residential housing units were issued in the first six months of 2008. This puts 2008 on target to meet the lowest number, yearly, since 1990, when anybody started keeping tabs. The record lowest number was 569 in 1995. The highest was in 2003 with 1,720 permits issued.

Agent Update

Through 3rd Quarter 2008: 80 had more than ten sides, 223 had more than five sides, 654 had at least one, leaving about 450 with zero transactions

Through 3rd Quarter 2007: 121 had more than ten sides, 297 had more than five sides, 740 had at least one, leaving several hundred (which is historically normal) with zero transactions

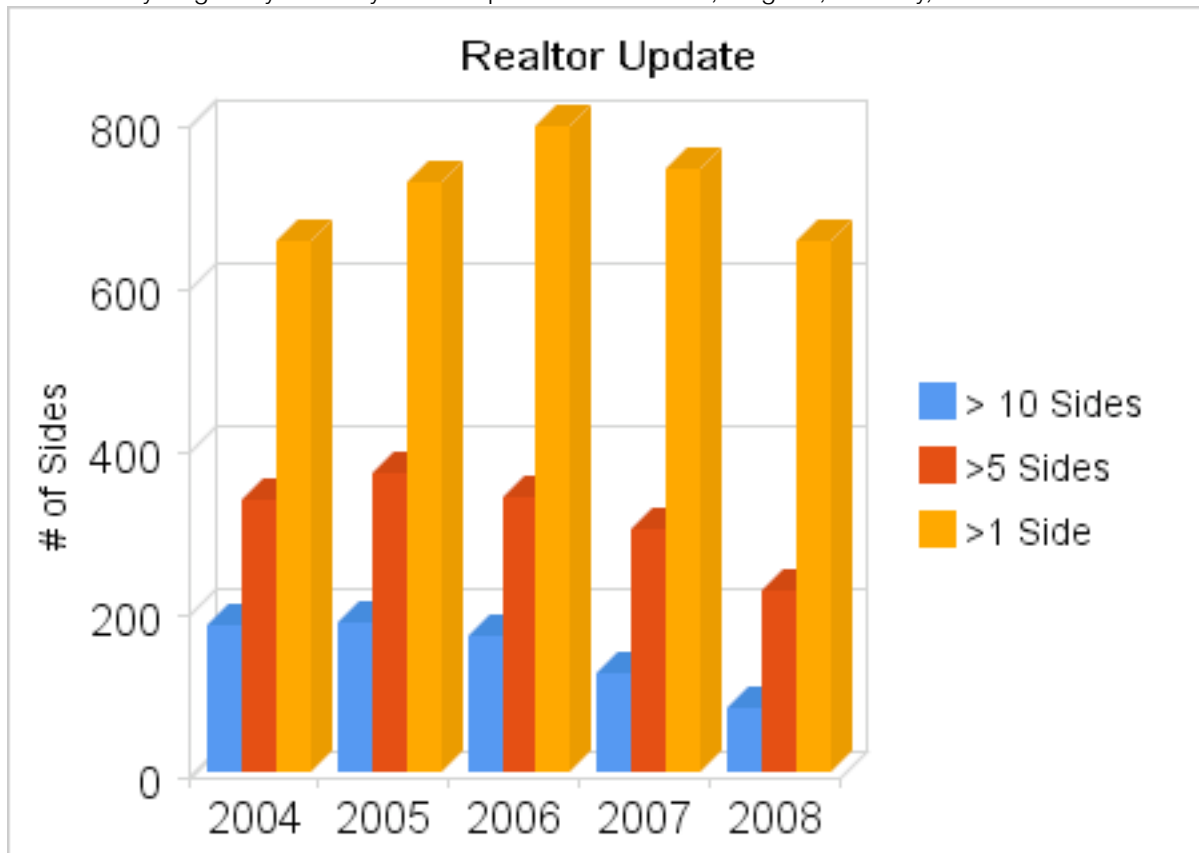
Through 3rd Quarter 2006: 166 had more than ten sides, 338 had more than five sides, 792 had at least one, leaving several hundred (which is historically normal) with zero transactions

Through 3rd Quarter 2005: 182 had more than ten sides, 368 had more than five sides, 723 had at least one, leaving several hundred Realtors (which is historically normal) with zero transactions

Through 3rd Quarter 2004: 180 had more than ten sides, 334 had more than five sides, 654 had at least one, leaving several hundred (again, which is historically normal) with zero transactions

What does this mean for a consumer?

Ask your prospective Realtor about his or her production for the past twelve months. Ask for references. In my opinion (and only my opinion - not that of any of the Realtor Boards or Committees on which I serve) - part-time Realtors do a disservice to the profession. There is no way that one can be up to date on all of the legal intricacies, market changes and trends, property and consumer trends without living and breathing the market every single day. Would you hire a part-time mechanic, surgeon, attorney, hair-dresser?



Where do we go from here?

We plan and we hope for no catastrophic events. We learn from this current cycle and plan to never do it again.

- If you are selling your home, price it **aggressively**.
- My prediction is that we will see a reduction in the Realtor ranks of at least 15%; personally I would like to see 30% fewer Realtors - there are too many of us who treat this profession as a hobby and a means by which to make a little bit of money on the side.
- There will be more flat-fee offerings by Realtors, more up-front fees (retainers), more demands made of Realtors by consumers.
- More builders will go out of business in the winter and spring, one large national builder may fold, and the market will be better for it.
- The Charlottesville market may stabilize in the Spring, but I do not see a return to "normalcy" (whatever that is) until 2010. But - I've been wrong before.
- I do not necessarily think we have seen the worst of the market - as noted in the [Real Cville interview](#) -

I'm a bit concerned, (and would be lying/blind if I said I wasn't) as I don't think our region has yet seen the full brunt of the short-term ARMS or the Alt-A resets/defaults/foreclosures. That being said, I don't see us being like Prince William, Loudoun, Miami or any of the other foreclosure hot-spots. I've written about foreclosures in the Charlottesville area a few times - [February](#), [April](#), and [May](#) of this year. The February foreclosure story is notable for the comments.

- I'd love to hire a Realtor to do these reports for me. If you know one or are one, please contact me.