

1st Quarter Market Report

A New Report for a New Market

By Dave Phillips, CEO
Charlottesville Area Association of REALTORS®

The real estate market is often compared to a roller coaster ride because it tends to go up and down repeatedly over time. While the Charlottesville area real estate market is subject to the normal ups and downs of a free market, our area does not offer the adrenalin rush most roller coaster fans enjoy. The Charlottesville area real estate market is like the old Scooby-Doo Kid's Roller Coaster (now called Taxi Jam) at Kings Dominion – small “ups” and small “downs.” If you want to get a real thrill from your real estate investments, go to Northern Virginia where the swings in the market resemble a ride on the Rebel Yell Roller Coaster.

The Charlottesville market can be described as “insulated” because our overall economy is more stable thanks to the presence of the University of Virginia. Since UVA is not generally subject to the economic swings associated with businesses, our local economy (and the housing market) is not subject to the same fluctuations as other areas that have more broad-based economies. As an example, the Fredericksburg housing market saw median housing prices increase \$57,000 in 2005 while our area only increased \$30,000. On the other hand, Fredericksburg saw the median price drop \$21,000 in 2006 while the Charlottesville area went up \$18,900.

To highlight the historical swings in the market over several years, we have re-formatted the CAAR Market Report for 2007. We went back six years to see where the market was in 2002 and to see the historical “blip” in the market in 2005. Our hope is that this linear view of the market data will help keep this current downturn in the market in perspective. If you have any feedback on this new report, please let us know.

Overview of the First Quarter

While the first quarter numbers for 2007 are down from last year's first quarter, they do show a rebound from the 4th quarter of 2006. Based on local and national statistics, the market appears to have hit bottom late last year and is heading in a positive direction. Some counties in the Charlottesville area showed price increases, while others posted lower median prices than last year. This was the first quarter in several years to show an overall decrease in the median price of homes. Also, this was the first quarter in many years to post an average days on market over 100 days. We have been expecting a price decrease and a higher DOM for several months and it finally showed up in the statistics.

Homes Sold

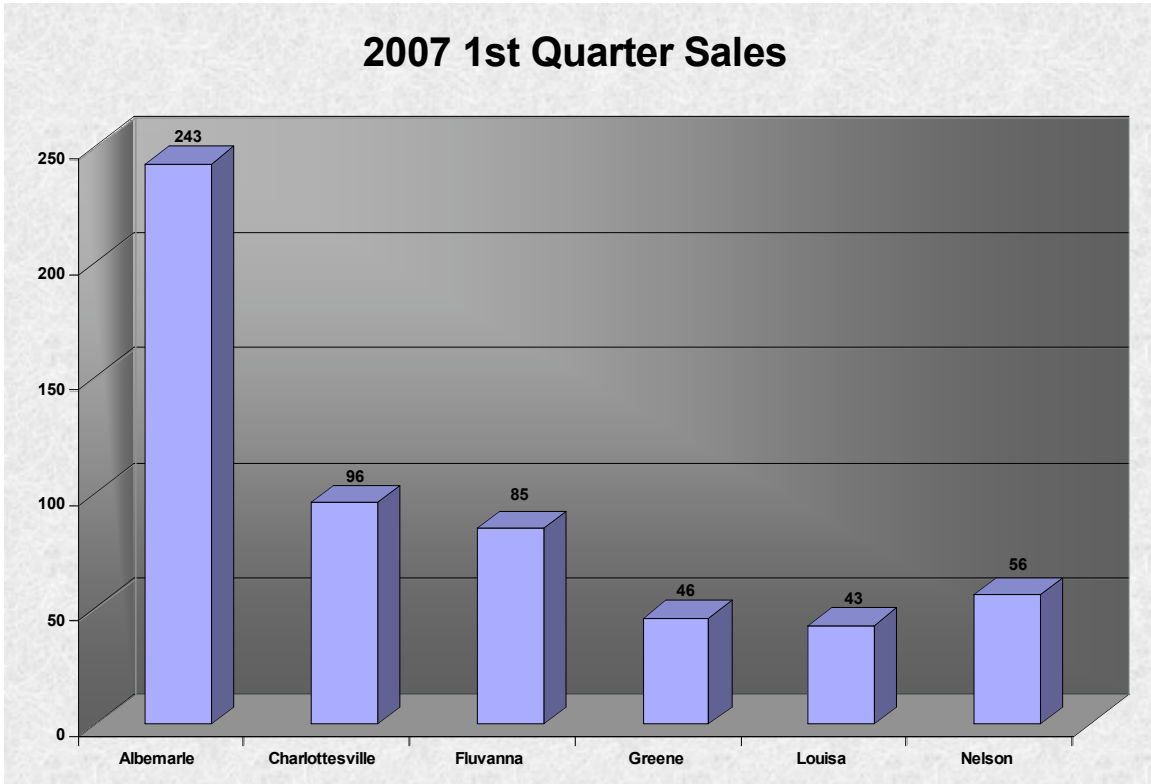
There were 706 homes sold in the first quarter of 2007 which was down 115 (-15%) from last year. All local areas (Albemarle -62, Charlottesville -35, Fluvanna -9, Greene -26, Louisa -2, and Nelson -5) posted lower sales than the same period last year. Looking at the past 6 years (see chart below), we have returned to the sales levels of

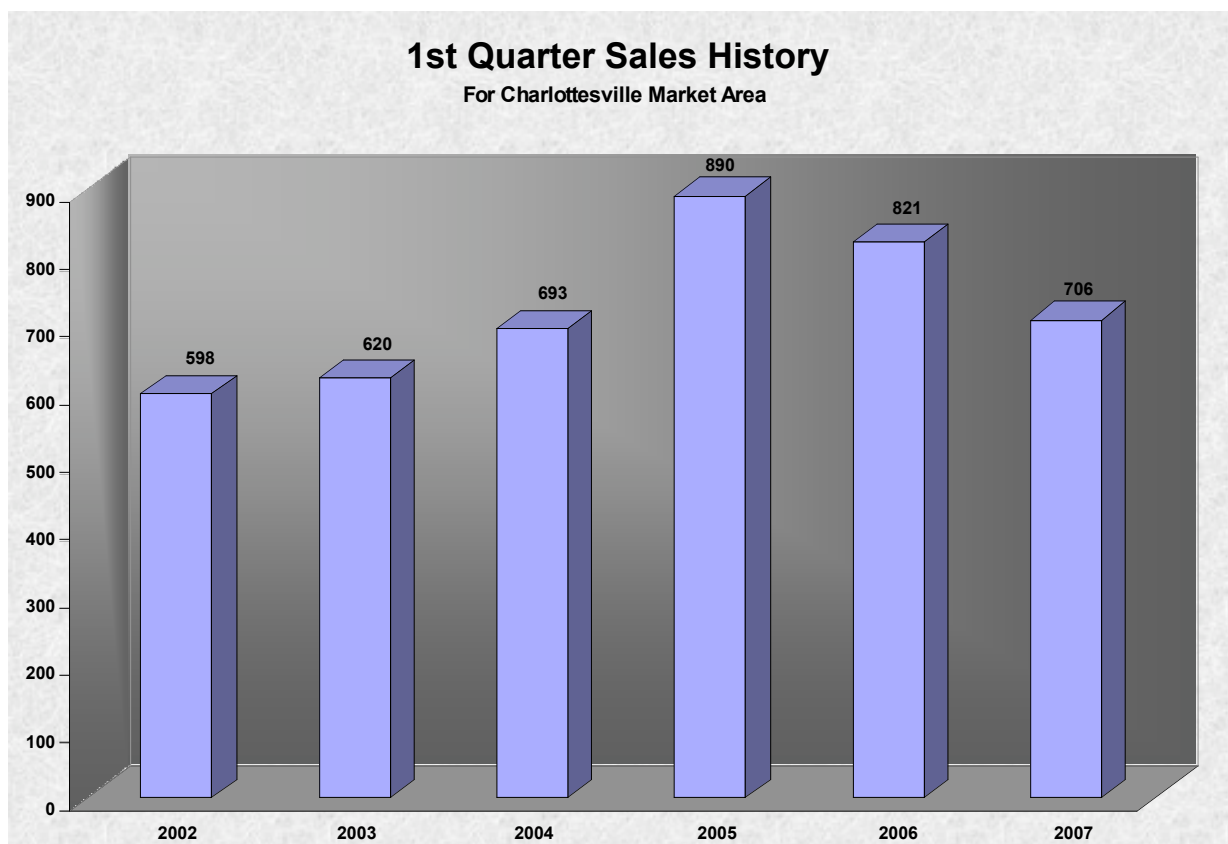
2003 which was just prior to the crazy boom years of 2004-2006. Albemarle led the way with 255 sales (down 16.4%) while Charlottesville remained the second largest market with 99 sales (down 24.4%). The other primary market areas were Fluvanna down 8.5%, Greene down 34.7%, Louisa down 4.4%, and Nelson down 8.2%.

2007 1st Quarter Sales

County	2002	2003	2004	2005	2006	2007
Albemarle	235	263	286	368	305	255
Charlottesville	73	65	91	106	131	99
Fluvanna	98	82	119	120	94	86
Greene	56	55	46	58	72	47
Louisa	25	23	29	41	45	43
Nelson	75	82	72	85	61	56
Total*	598	620	693	890	821	706

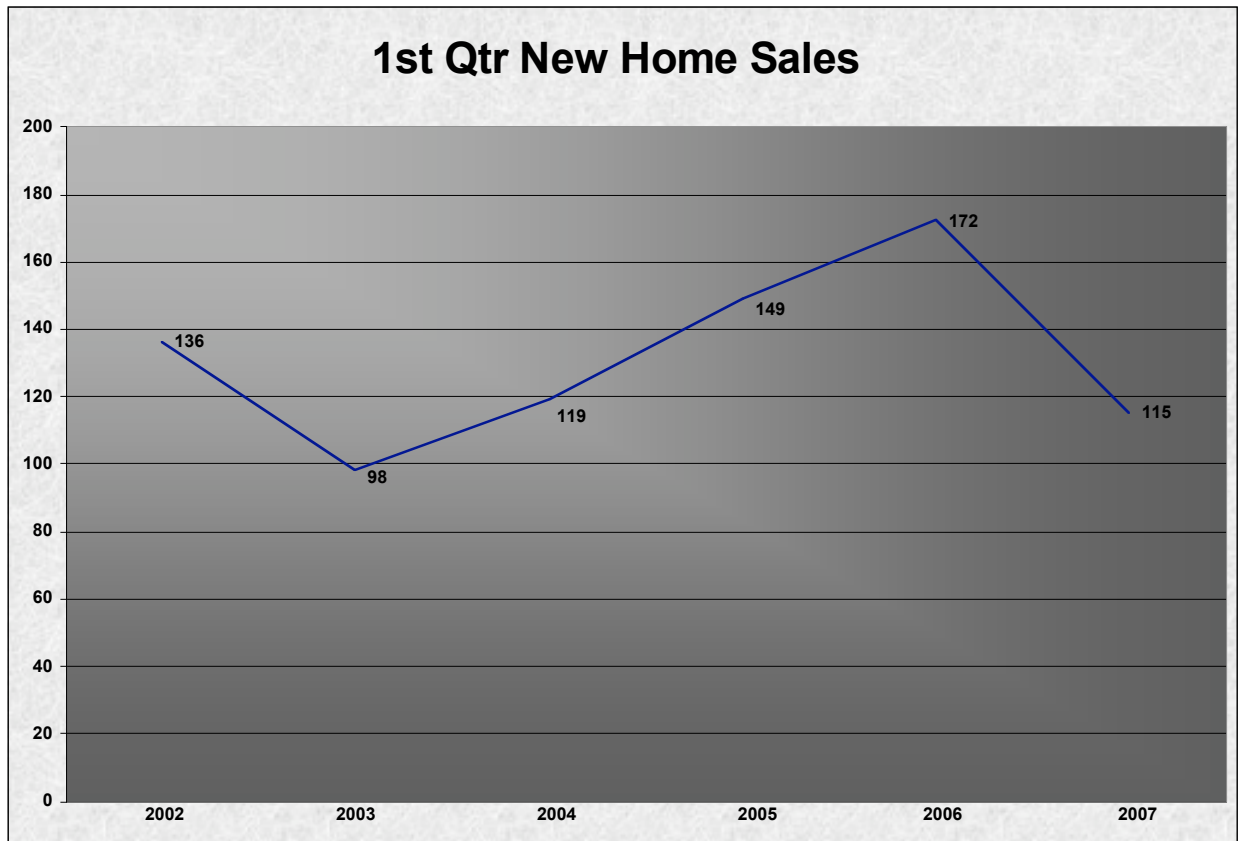
*includes sales outside the counties listed





New Construction

New to the CAAR market report is a look at the number of new homes that were sold through the CAAR MLS system. It is important to note that many “new” homes are not included in this statistic. It is very common for a buyer to contact a builder directly to custom build a home. As a rule, new home statistics tend to lag behind the rest of the market as far as trends are concerned. New home sales peaked in 2006, a year after the overall market. New construction, both locally and nationally, slowed dramatically in mid 2006 and is not showing signs of recovery even though the real estate market is rebounding.



Median Sales Price

Perhaps the most telling statistic in this report is the decrease in the median sales price for the entire market (-\$26,500, -9.2%). This marks the first quarter the overall median price has declined in many years. The decrease in median sales price is directly related to the roller-coaster effect described above. Fortunately, the Charlottesville area has seen only a minor decline compared to other parts of the state and country.

In addition, it is important to note that statistics for home prices naturally lag behind the market reality. Since a home that goes under contract today may not “close” for months, the median price figures we see in this report are reflective of properties that went under contract in the 4th quarter of 2006. Since inventory levels remain high (see below), we can expect prices to remain soft for the near future. No serious decline is expected. There is evidence that the market hit the bottom late last year and that the worst may be over. Due to the lag in median price statistics, we may show prices down through the mid-year report, but the should rebound in the last two quarters of 2007.

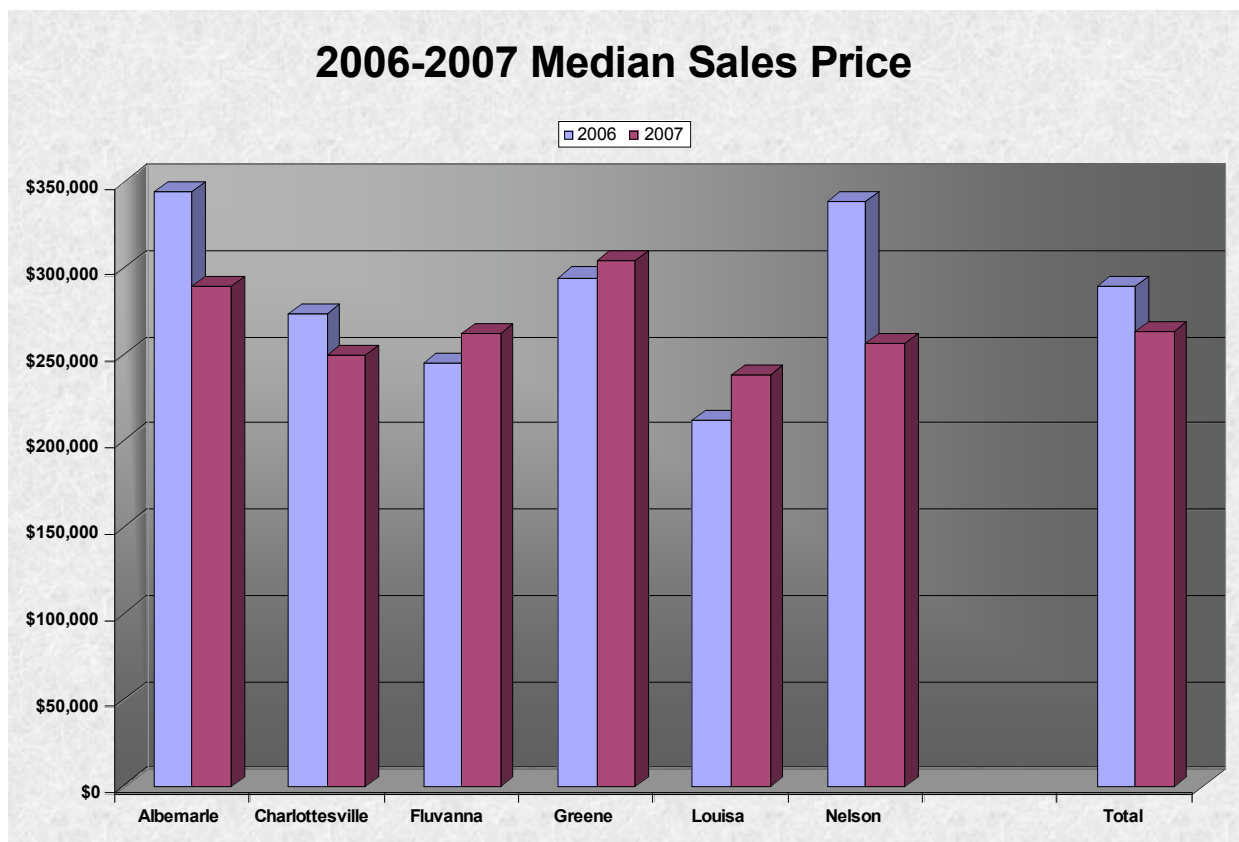
Some counties in our area did show a price increase in the first quarter report. Louisa led the way with a \$26,000 (12.3%) increase. Fluvanna (+\$17,650, +7.2%) and Greene (+\$9,925, +3.4%) also showed increases in median price. Nelson showed the largest drop (-\$82,000, -24.2%) followed by Albemarle (-\$54,450, -13.2%) and Charlottesville (-\$24,000, -8.8%).

Annual Median Sales Price for the 1st Quarter

County	2002	2003	2004	2005	2006	2007
Albemarle	\$218,500	\$230,590	\$264,850	\$239,950	\$344,400	\$289,950
Charlottesville	\$130,000	\$168,000	\$183,500	\$225,000	\$274,000	\$250,000
Fluvanna	\$131,625	\$150,000	\$167,500	\$205,950	\$245,000	\$262,650
Greene	\$148,500	\$157,000	\$160,975	\$192,500	\$294,975	\$304,900
Louisa	\$120,000	\$197,195	\$150,000	\$189,000	\$212,000	\$238,000
Nelson	\$155,500	\$149,000	\$232,500	\$280,500	\$339,000	\$257,000
Total*	\$164,000	\$183,500	\$209,500	\$225,000	\$289,900	\$263,350

*includes sales outside the counties listed

2006-2007 Median Sales Price



Inventory of Homes for Sale

The inventory of homes for sale in the Charlottesville area has been a key factor in the local market for the past several years. Inventory levels are generally a good indication of where home prices are going. In the early part of the decade we saw extremely low inventory levels of around 4 or 5 months of supply. This caused home prices to soar as buyers were forced to make aggressive offers to purchase the home they wanted. Today, we have slightly over 11 months supply of homes on the market, which is more than adequate. We are just entering the peak selling season, so a high inventory is good for the marketplace. Buyers will have plenty of properties to choose from and prices should be stable. In other words, we are still in a “buyers market.”

Currently we have just over 3100 homes on the market and the median price of these homes is \$339,000. The average days on the market of these homes is 112 days, so we can probably expect future market reports to show further increases in DOM averages. There are 418 homes for sale under \$200,000 and 210 priced at a million dollars or more.

Day on Market (DOM)

As discussed, the current high inventories have a significant effect on DOM. The DOM for the entire market was 109 days, which is up 29 days from last year. There were wide variations between local areas that ranged from 153 DOM for Louisa to just 76 for Charlottesville. Other areas include Albemarle (118), Fluvanna (108), Greene (98), and Nelson (123).

Annual DOM for the 1st Quarter

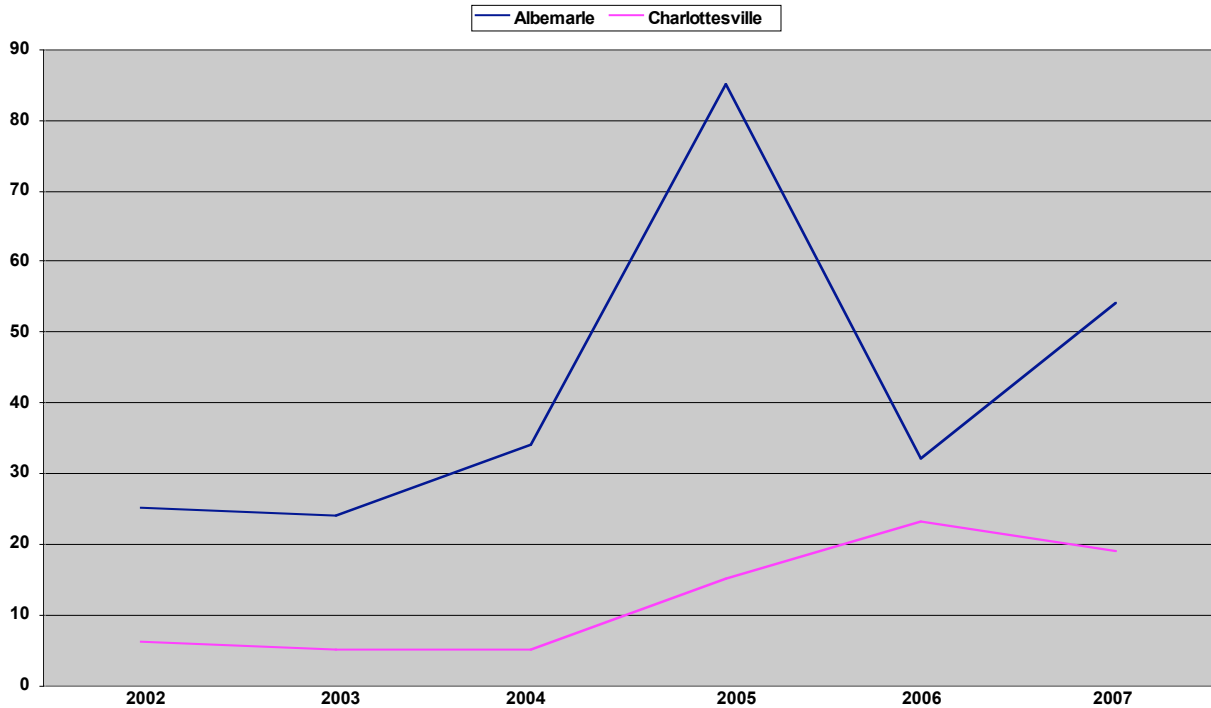
County	2002	2003	2004	2005	2006	2007
Albemarle	86	72	95	64	70	118
Charlottesville	65	69	65	73	62	76
Fluvanna	87	75	78	70	79	108
Greene	99	80	103	67	76	98
Louisa	76	105	103	114	120	153
Nelson	106	96	170	73	83	123
Market Average*	86	81	99	75	80	109

**includes sales outside the counties listed*

Condos and Townhomes

Over the past three years we have seen an explosion of condominiums and townhomes to help address our area's problems with affordable housing. Most of these attached homes are in Charlottesville and Albemarle, so this report covers only those areas. The charts below show the attached homes sold in the first quarter. The most interesting statistic is that attached homes are selling at a slower pace than detached homes. This would indicate that there is a surplus of inventory in condos and townhomes.

Condo and Townhome Sales



Conclusions

It is easy to look at the 1st quarter market stats and conclude that the market has been struggling. The good news is that evidence indicates the market may have hit bottom and is set for gradual, sustainable growth. There is no expectation that we will return to the unsustainable pace of the 2005 market, but we are looking for sales to grow at a reasonable rate for the remainder of the year.

The current “buyer’s market” should continue with solid inventory levels and soft prices. With interest rates remaining low, wages on the rise and the cost of homes lower, the affordability index for local homes should post its first improvement in several years. In fact, this is the best time to buy a home in at least a decade.

For more information on this report or the real estate market, visit www.caar.com or contact Dave Phillips, CEO of the Charlottesville Area Association of REALTORS®, at 434-917-2393 or Dave@caar.com.