

Mid-Year Market Report

Market Stabilizes in First Six Months of 2007

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Mark Twain once said, "When we remember we are all mad, the mysteries disappear and life stands explained." He could have been talking about the real estate market over the past few years. After two years of insanity (irrational price increases and crazy sales numbers), the market appears to be leveling off at a rational level. As the charts and graphs below show, 2005 and 2006 were spikes in an otherwise steady market. The real estate market is now much easier to understand.

Overview of the Second Quarter

While the second quarter numbers for 2007 are down from last year's mid-year marks, they do show a strengthening real estate environment. Home prices appear to have stabilized, the glut of inventory of homes for sale has peaked, the average days on the market has dropped slightly, and home sales have picked up. There are still soft spots in the market, but overall this is the most balanced market in years. We are still in a "buyer's market," so buyers have a slight upper hand on sellers, but the pendulum is gently easing back to a nice equilibrium.

Homes Sold

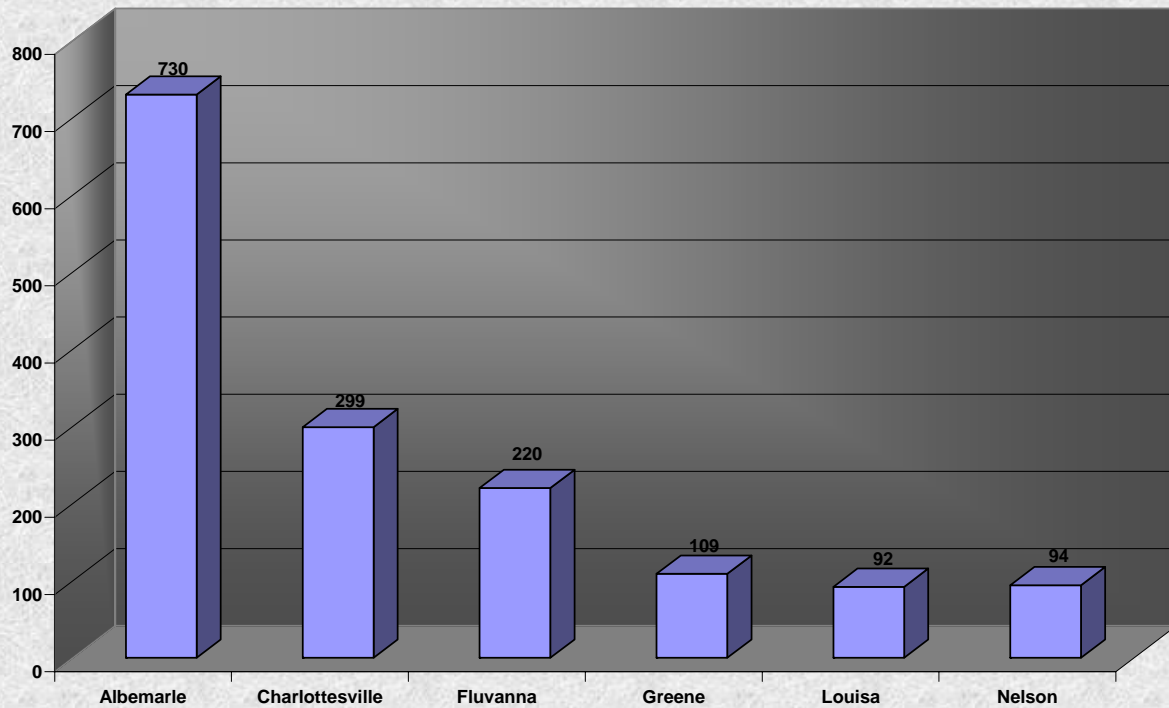
There were 1,882 homes sold in the first six months of 2007, which was down 385 (-17%) from last year. All local areas (Albemarle -13.3%, Charlottesville -33.7%, Fluvanna -18.5%, Greene -34.7%, Louisa -20.7, and Nelson -24.9%) posted lower sales than the same period last year. Looking at the past 6 years (see chart below), our region's core markets have returned to the sales levels of 2003, which was just prior to the crazy boom years of 2004-2006. Sales outside the core areas listed were strong, so the total market is closer to the impressive numbers we saw in 2004. It should be noted that the decline of sales in the city is a bit misleading. Last year the city condo market exploded and this year has returned to normal. That accounts for a large portion of the city's sales decline.

2007 Mid-Year Sales

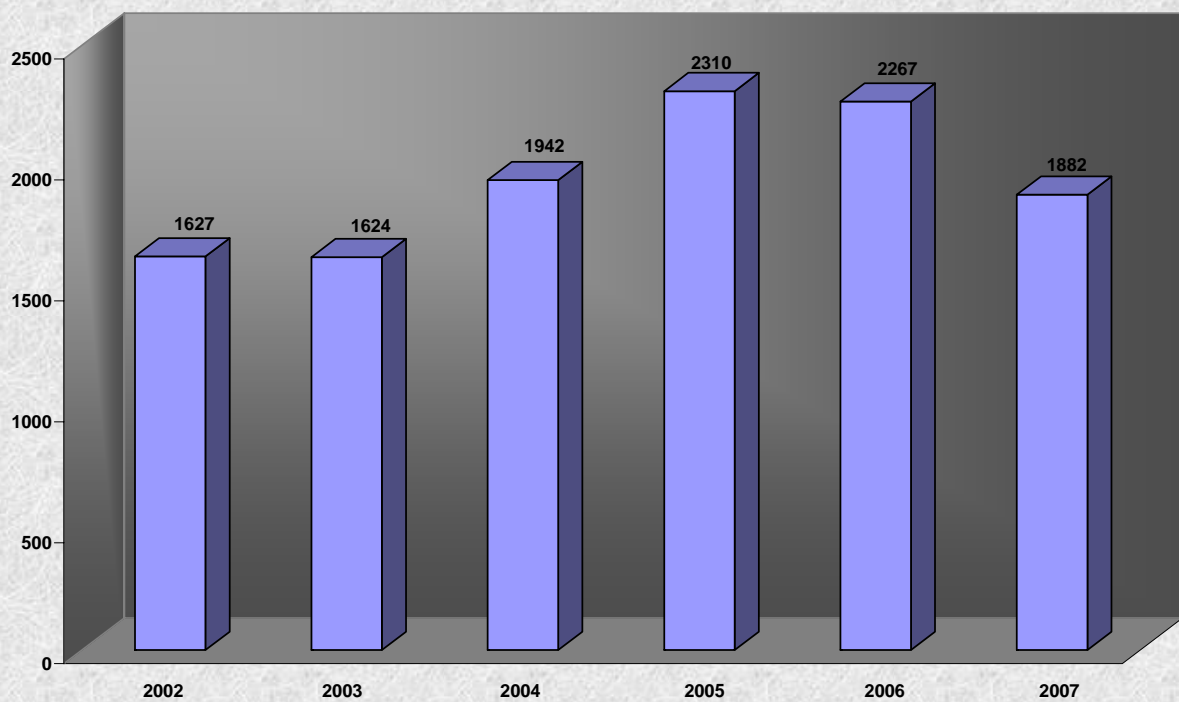
| Year to Date | | | | | | |
|---------------------|------|------|------|------|------|------|
| County | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Albemarle | 685 | 716 | 804 | 1007 | 842 | 730 |
| Charlottesville | 195 | 203 | 277 | 276 | 451 | 299 |
| Fluvanna | 290 | 235 | 333 | 315 | 270 | 220 |
| Greene | 136 | 123 | 146 | 146 | 167 | 109 |
| Louisa | 67 | 63 | 86 | 123 | 116 | 92 |
| Nelson | 142 | 166 | 160 | 184 | 125 | 94 |
| *Total Sales | 1627 | 1624 | 1942 | 2310 | 2267 | 1882 |

**includes sales outside the counties listed*

2007 Mid-Year Sales

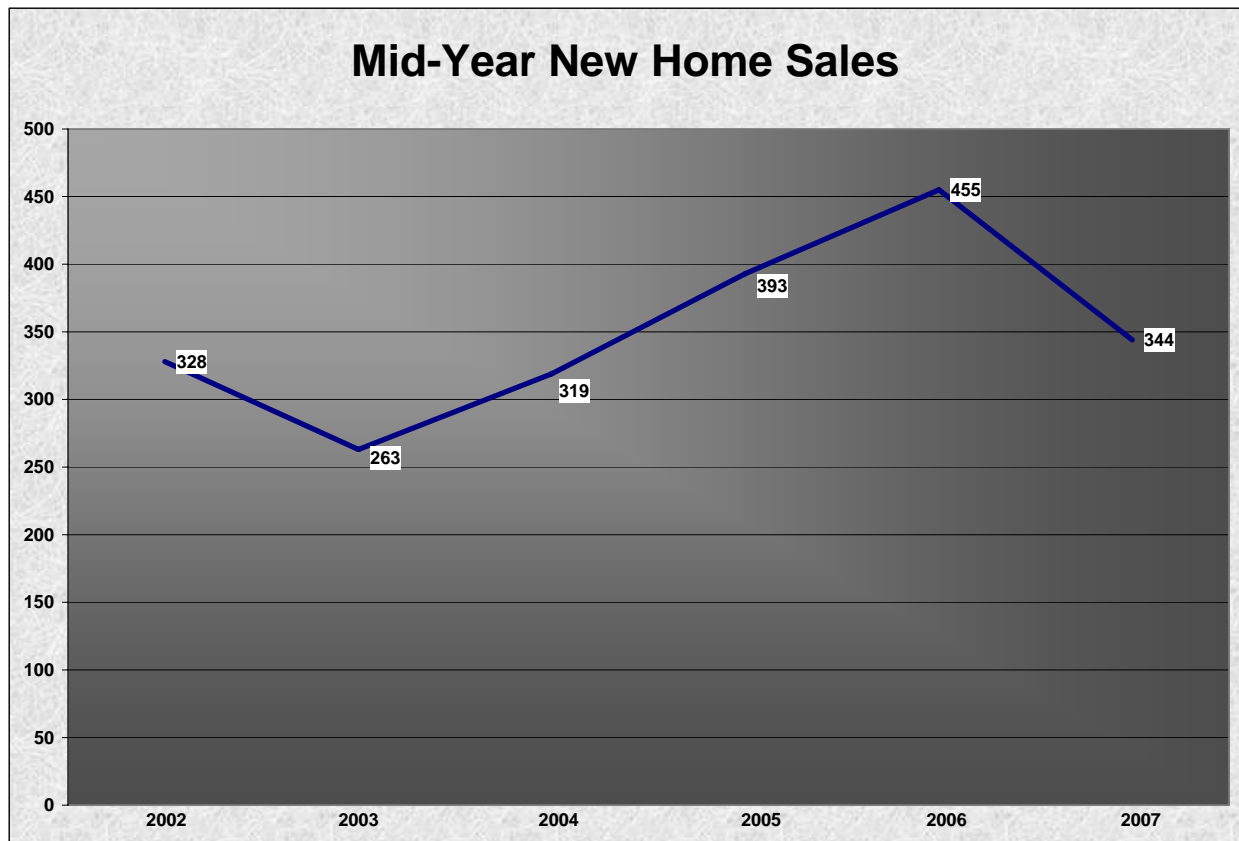


Mid-Year Sales History For Charlottesville Market Area



New Construction

New to the CAAR market report this year 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 now finally showing signs of recovery.



Median Sales Price

The mid-year median price numbers are the best example of a market nearing balance. Overall, the median home price for the area increased \$4,000. That is by far the smallest mid-year jump in prices in the last 6 years, but it does demonstrate a reversal of the market from the 9% decline in prices in the first quarter report.

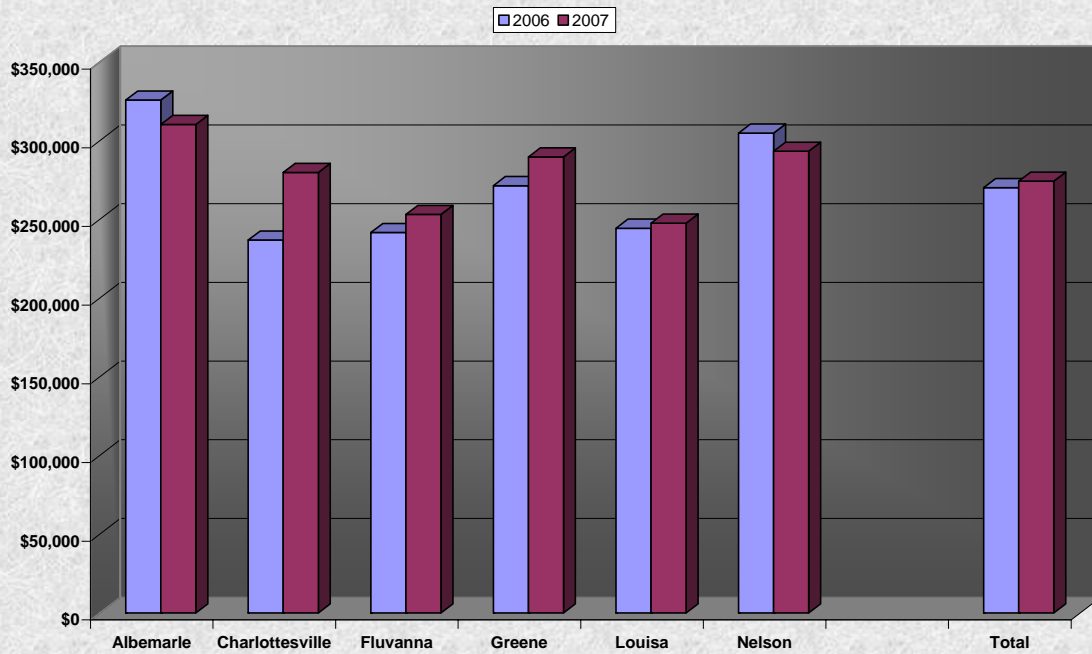
Only Albemarle (-\$15,000, -4.8 %) and Nelson (-\$11,500, -3.8%) showed a decrease in prices for the first six months. Charlottesville led the way with a whopping \$43,000 (18.1%) increase, but as discussed earlier in this report, that is a reflection of the spike in condo sales in 2006. The lower-priced condo sales in the city last year kept the median price lower than reality. Other areas that showed an increase included Fluvanna (+\$11,398, +4.7%), Greene (+\$18,270, +6.7%), and Louisa (+\$3,210, +1.3%).

Mid-Year Median Sales Prices

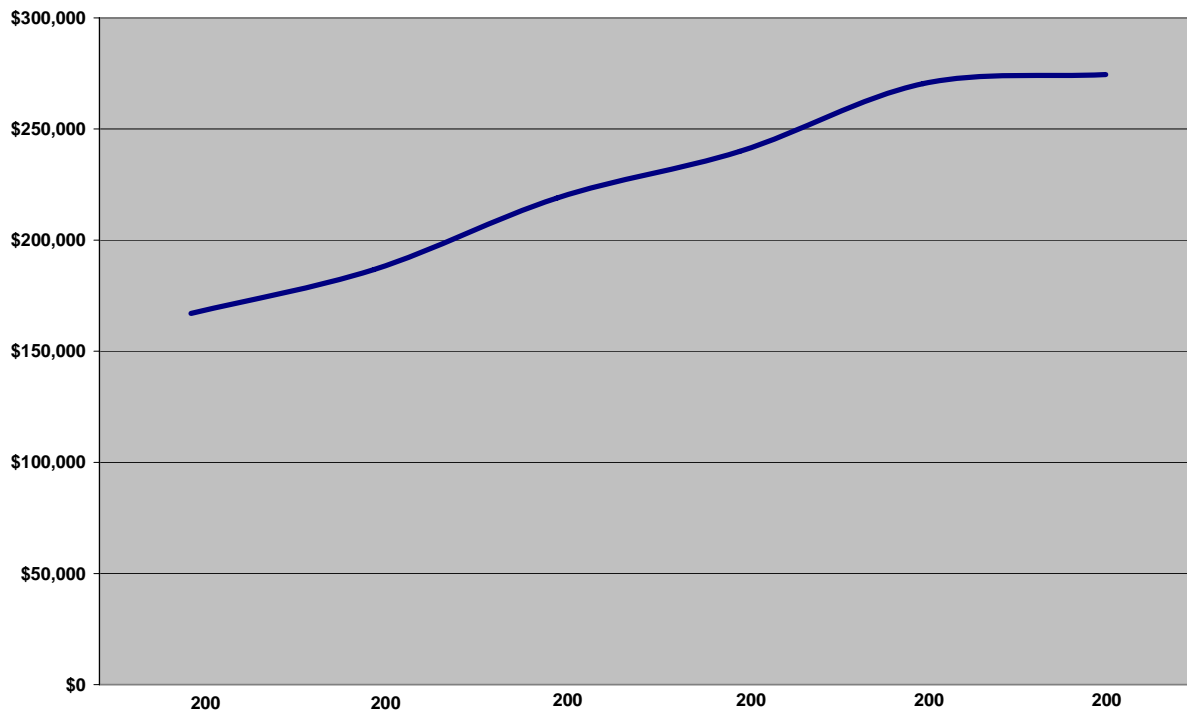
| County | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Albemarle | \$219,950 | \$241,196 | \$265,000 | \$264,900 | \$326,000 | \$310,500 |
| Charlottesville | \$142,800 | \$172,000 | \$205,000 | \$240,500 | \$237,000 | \$280,000 |
| Fluvanna | \$135,000 | \$155,000 | \$170,600 | \$220,000 | \$241,852 | \$253,250 |
| Greene | \$135,500 | \$156,900 | \$169,950 | \$217,250 | \$271,630 | \$289,900 |
| Louisa | \$137,000 | \$144,300 | \$164,500 | \$196,926 | \$244,550 | \$247,760 |
| Nelson | \$154,000 | \$154,250 | \$234,500 | \$270,750 | \$305,000 | \$293,500 |
| *Area Median | \$167,000 | \$186,750 | \$218,950 | \$240,000 | \$270,324 | \$274,450 |

**includes sales outside the counties listed*

2006-2007 Median Sales Price



Median Sales Price (Entire Area)



Days on Market (DOM)

Another sign that the real estate market is stabilizing is the slight decrease in the average days a home stays on the market before it sells. Currently the average DOM is 93 days, which is down from the first quarter pace of 109 days. Since 90 days is the benchmark for a balanced market, this is strong evidence that the market is leveling off.

Compared to last year's hot market, the 2007 DOM numbers are telling. Clearly the pace of sales in the Charlottesville area (and across the country) is much slower than the previous 5 years, but the market is showing signs of improvement. While 93 days may seem like a long time for a home to sell, it is not a bad average by historic standards. Properly priced homes are still selling very quickly in our region. This is reflected by the median time on the market of just 58 days.

Mid-Year Days on Market (Average)

| County | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Albemarle | 76 | 72 | 79 | 55 | 59 | 92 |
| Charlottesville | 46 | 44 | 66 | 59 | 55 | 70 |
| Fluvanna | 78 | 70 | 70 | 64 | 69 | 86 |
| Greene | 75 | 78 | 90 | 54 | 84 | 95 |
| Louisa | 94 | 117 | 96 | 98 | 82 | 138 |
| Nelson | 130 | 98 | 118 | 72 | 82 | 114 |
| *Total | 80 | 76 | 83 | 64 | 69 | 93 |

**includes sales outside the counties listed*

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.

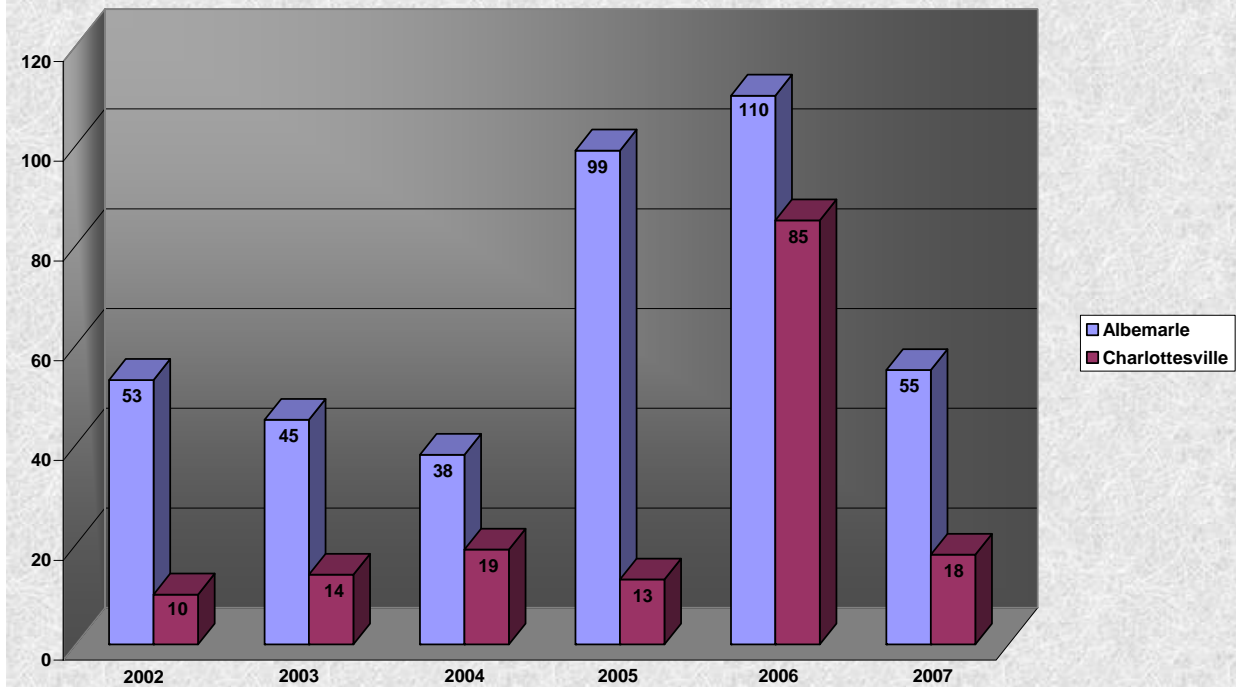
Today, we have slightly over 11 months supply of homes on the market, which is more than adequate. We are just entering the peak selling season, so a high inventory is good for the marketplace. Buyers will have plenty of properties to choose from and prices should be stable. In other words, we are still in a “buyers market.”

Currently we have just over 3,400 homes on the market and the median price of these homes is \$330,000. The average days on the market of these homes is 116 days. There are 513 homes for sale under \$200,000 with an average DOM of 105. There are 247 homes currently on the market priced at a million dollars or more with an average DOM of 146.

Condos and Townhomes

The explosion of condominiums and townhomes from 2005 and 2006 appears to be over. Attached homes are a very important part of the real estate market and the 2007 numbers show sales close to the historic averages. 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 six months of 2007 compared to past years. Inventory levels of attached homes for sale are still high, with 454 listed for sale in Charlottesville and Albemarle. The 127 average DOM for the attached properties currently on the market is slightly more than the 115 days for detached homes in Charlottesville and Albemarle. With several new attached projects currently under development, the inventory levels and DOM for these properties are both expected to rise during the second half of the year.

Townhome and Condo Sales



Price Per Square Foot (Finished)

Looking at the average price per square foot of finished space in homes is interesting, but should not be relied on as a scientific number. The averages in this section of the report include the cost of the land, which varies greatly based on location and amenities. A lot at Wintergreen with fantastic views of the valley costs much more than a lot in other parts of Nelson. With that said, the numbers in this section reflect the softening of prices we have seen in 2007. Nelson County, thanks to the large number of resort properties, has consistently led the way in price per square foot, with Charlottesville generally second. City homes are higher than other areas simply because they are located more conveniently to UVA and downtown. As the saying goes, there are three things that matter in real estate – location, location, and location.

Price Per Square Foot (Finished)

| County | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|------|------|------|------|------|------|
| Albemarle | 117 | 127 | 142 | 158 | 176 | 177 |
| Charlottesville | 108 | 126 | 144 | 169 | 205 | 190 |
| Fluvanna | 87 | 97 | 103 | 125 | 143 | 141 |
| Greene | 94 | 101 | 114 | 135 | 155 | 155 |
| Louisa | 94 | 101 | 109 | 122 | 149 | 145 |
| Nelson | 114 | 133 | 160 | 192 | 215 | 211 |
| Total | 107 | 119 | 132 | 152 | 173 | 168 |

Conclusions

The mid-year numbers clearly show that the real estate market is once again on the upswing. We hit bottom in late 2006 and have started a period of slow, sustainable growth. While gradual price increases and modest improvements in sales is not very exciting, it provides both buyers and sellers with a rational platform on which they can make wise buying and selling decisions. A more consistent market is a welcomed relief after the roller coaster over the past few years.

We are still in a “buyer’s market” due to the high inventory of homes for sale, but demand is high and properly priced homes are selling quickly. With interest rates remaining low and the overall economy strong, the real estate market should be in solid shape for the remainder of the year.

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.