

**Third Quarter Market Report**  
*Challenges, Opportunities, and Surprises, Oh My!*

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 Charlottesville Area Association of REALTORS®

Someone named Anonymous once said, "Many an opportunity is lost because a man is out looking for four-leaf clovers." That quote seems to sum up the real estate market – buyers seem to be looking for some sort of incredible deal when great opportunity is right in front of them. The slow pace of sales in the Charlottesville area real estate market is somewhat surprising given the “buyer’s market” we are experiencing. Buyers do not need a four-leaf clover to have luck in purchasing a home right now. Sellers, on the other hand, face a significant challenge.

There are some understandable “excuses” as to why buyers are hesitating – over-hyped mortgage crisis, trouble selling their existing house, waiting for the market to “bottom out” – but this market report will show the best time to buy is NOW! Ben Franklin said “time is money” and the longer you wait, the more money you are leaving on the table.

**Overview Through the Third Quarter**

The current real estate market is much more complex and variable than past years. The defining measure of this market is not the slower pace of sales; rather, the most dominating factor is the record level of homes for sale. As of early October, we have almost 3,500 homes listed “for sale” in the CAAR MLS system – three times the inventory level of three years ago. High inventory levels have kept the prices low, “Days on Market” high, and sellers reaching for Maalox.

**Homes Sold**

There were 2,875 homes sold in the first nine months of 2007, which was down 647 (-18.4%) from last year. All local areas (Albemarle -17.8%, Charlottesville -25.6%, Fluvanna -21.5%, Greene -34.7%, Louisa -18.5%, and Nelson -21.5%) posted lower sales than the same period last year. Looking at the past 6 years (see chart below), our region has returned to a sales level just above 2003 – which was a record at the time.

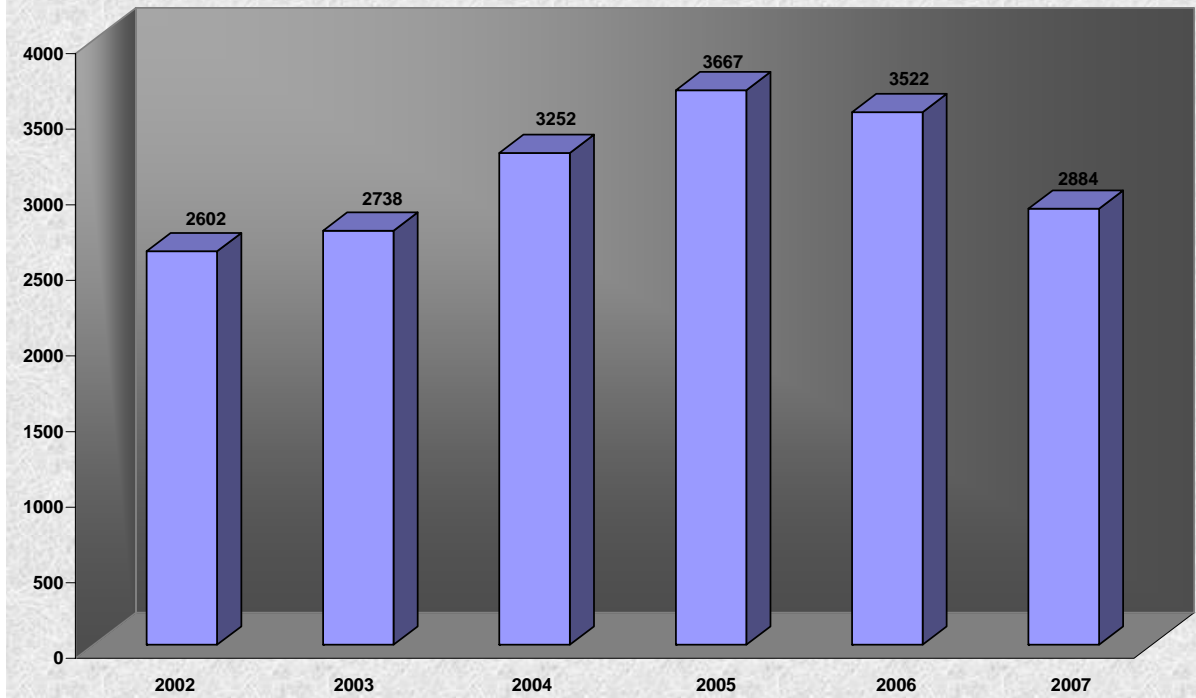
**2007 Sales (thru September)**

Year to Date						
County	2002	2003	2004	2005	2006	2007
Albemarle	1119	1184	1367	1585	1363	1124
Charlottesville	309	333	434	439	667	497
Fluvanna	451	420	527	505	423	333
Greene	200	214	238	238	236	154
Louisa	109	118	138	184	168	138
Nelson	241	270	288	299	181	142
<b>*Area Total</b>	<b>2602</b>	<b>2738</b>	<b>3252</b>	<b>3667</b>	<b>3522</b>	<b>2884</b>

*\*includes sales outside the counties listed*

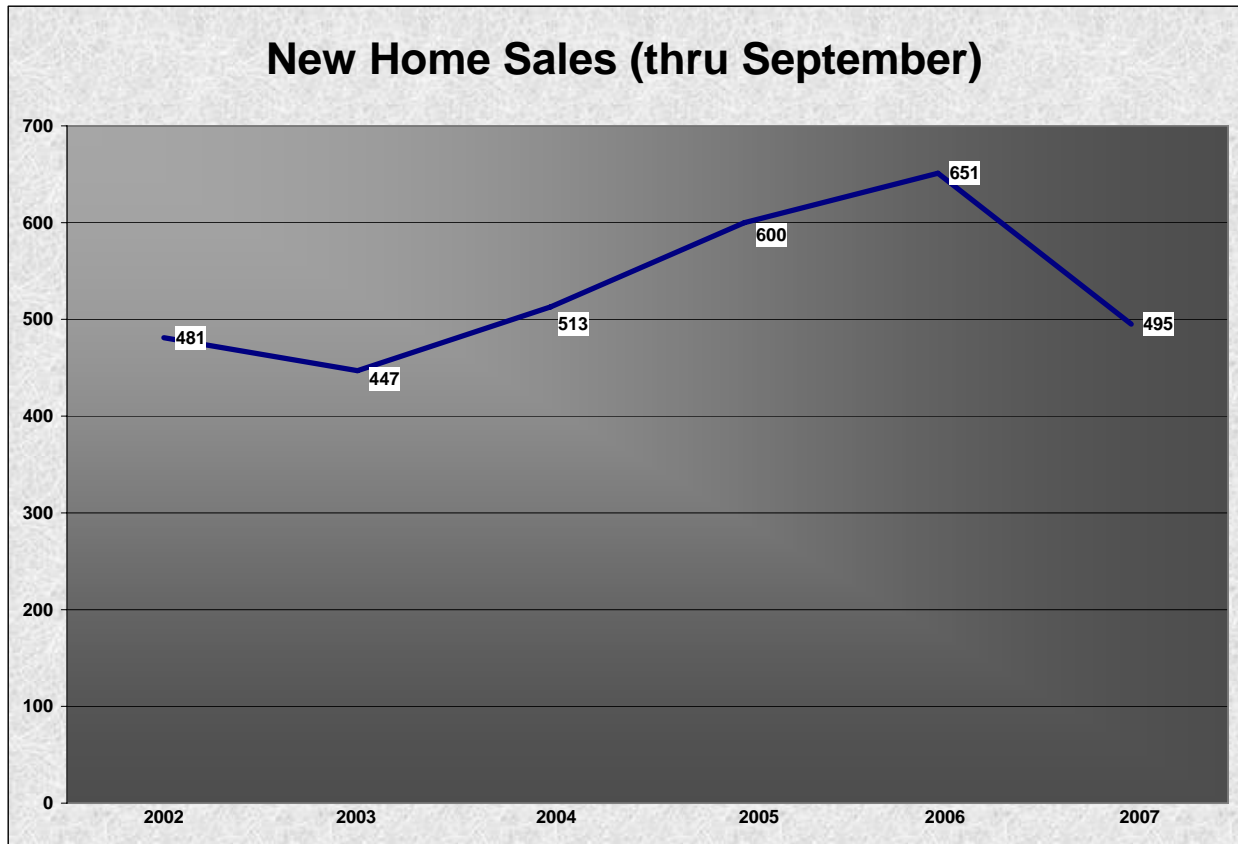
## Sales History (thru September)

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. If the record traffic of home shoppers at the recent Blue Ridge Home Builders’ Parade of Homes is any indication, new homes sales are poised to make a recovery.



### Median Sales Price

It may come as a surprise to some that the median price of homes in our area actually increased in the first three months of the year. Remarkably, Charlottesville's median price was up a whopping 17.2%. Before all you city dwellers get excited, there are a few explanations. First, the city had a lot of modestly priced condos sell last year, which lowered the median price. Second, there has been a significant amount of new construction in the city this year with price tags from \$300,000 to \$500,000. Finally, 25% fewer homes sold this year, which makes the middle of the market (otherwise known as the median price) more susceptible to dramatic change. It would be a mistake to assume that real home prices went up 17% in the city.

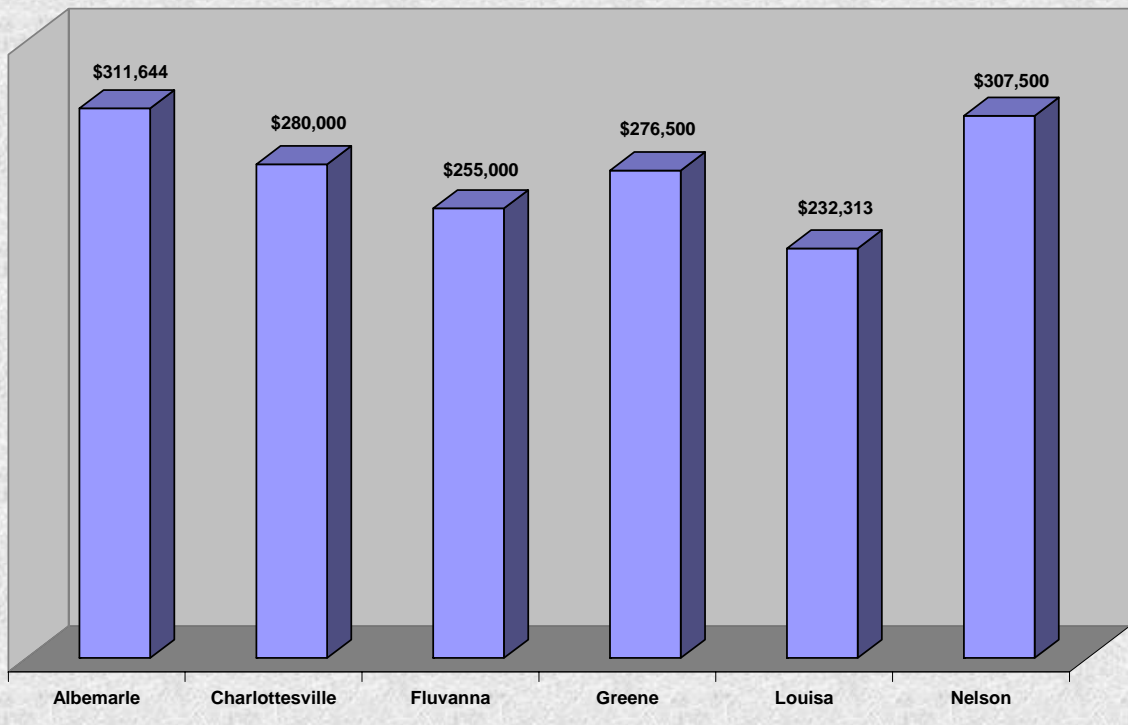
Overall, the median price rose \$5,100 (+1.9%). Albemarle (-1.8%) and Louisa (-0.8%) were down slightly, but all other areas were up after three quarters. Other area increases were modest – Fluvanna (+4.7%), Greene (+1.9%), Nelson (+3.4%).

### Median Sales Prices (thru September)

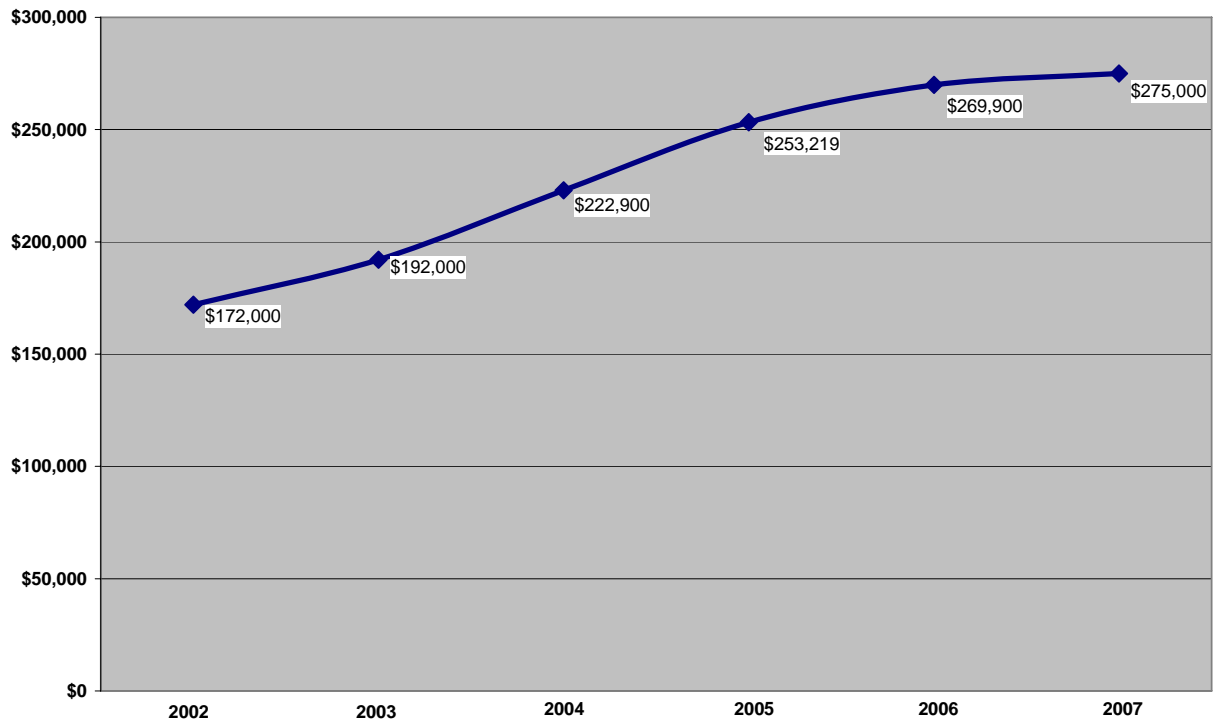
County	2002	2003	2004	2005	2006	2007
<b>Albemarle</b>	\$224,900	\$250,000	\$260,000	\$282,600	\$317,000	\$311,644
<b>Charlottesville</b>	\$155,500	\$175,000	\$214,250	\$247,950	\$239,000	\$280,000
<b>Fluvanna</b>	\$140,900	\$162,525	\$180,000	\$228,300	\$242,900	\$255,000
<b>Greene</b>	\$138,950	\$162,675	\$175,250	\$232,429	\$271,315	\$276,500
<b>Louisa</b>	\$137,000	\$149,975	\$175,000	\$204,153	\$234,481	\$232,313
<b>Nelson</b>	\$145,000	\$169,000	\$234,500	\$297,000	\$297,500	\$307,500
<b>Area Median</b>	\$172,000	\$192,000	\$222,900	\$253,219	\$269,900	\$275,000

*\*includes sales outside the counties listed*

### Median Price by County



## Median Sales Price (Entire Area)



### Days on Market (DOM)

The high inventory of homes for sale has created a “tale of two cities” for DOM. Homes that have sold this year, sold quickly, but many homes have been on the market much longer than the average. The median DOM for homes that sold through the 3<sup>rd</sup> quarter is just 59 days. By contrast, the median for homes on the market is 110 days. A third of the homes still on the market have been there for more than 150 days and a quarter of the homes for sale right now have been on the market more than 200 days. There are many reasons for this dichotomy of DOM, but the main reason is probably price. The axiom in the real estate industry is, “Any home will sell quickly if it is priced correctly.”

### Days on Market (Average thru September)

County	2002	2003	2004	2005	2006	2007
<b>Albemarle</b>	70	72	70	52	62	90
<b>Charlottesville</b>	41	43	121	53	54	71
<b>Fluvanna</b>	73	69	62	58	74	87
<b>Greene</b>	71	69	85	60	77	92
<b>Louisa</b>	101	106	87	93	87	138
<b>Nelson</b>	135	97	97	70	86	109
<b>*Area Average</b>	77	75	82	62	70	92

*\*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 a 20-month supply of homes on the market, which is very high and possibly a record. We are just entering a quieter selling season with the holidays approaching, so we will likely see a continuation of high inventory into the spring. First-time buyers, who don't have a home to sell, have an extraordinary opportunity in this market.

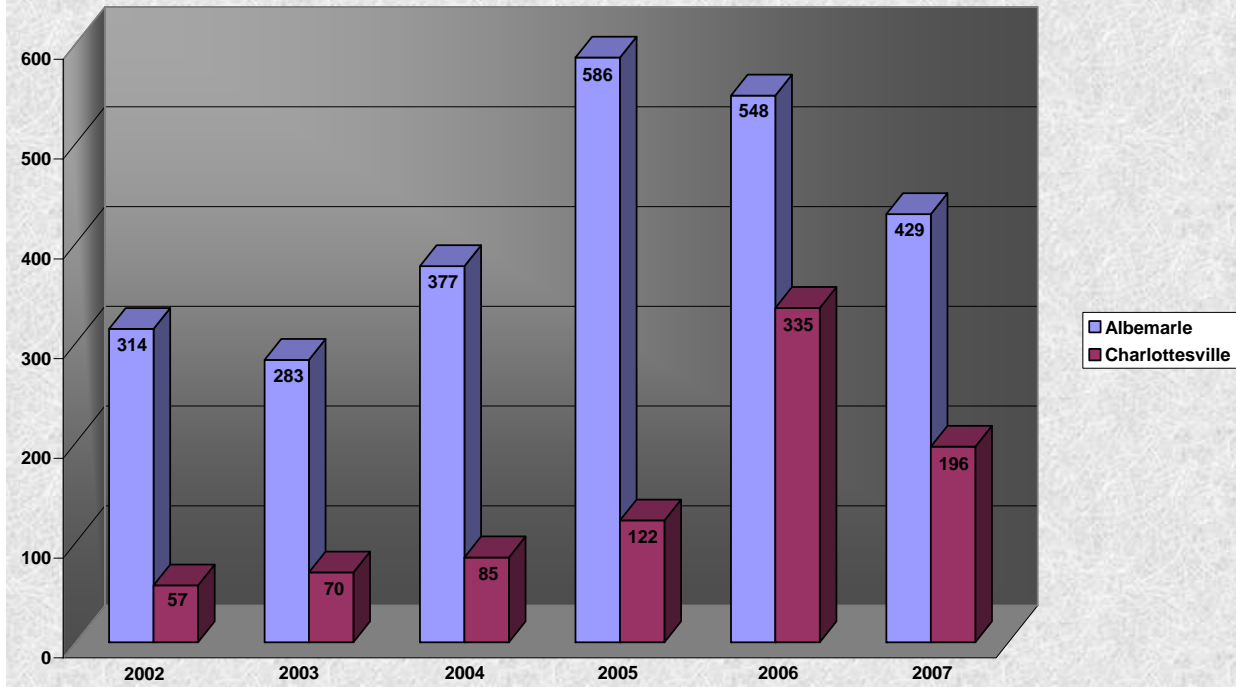
Currently, we have 3,471 homes on the market and the median price of these homes is \$329,000. The average DOM of these homes is 126 days. There are 588 homes for sale under \$200,000 with an average DOM of 120. There are 262 homes currently on the market priced at a million dollars or more with an average DOM of 154.

### **Condos and Townhomes**

The explosion of condominiums and townhomes in 2005 and 2006 appears to be over. Most sales of 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 nine months of 2007 compared to past years. Inventory levels of attached homes for sale are still high, with 438 listed for sale in Charlottesville and Albemarle. This over-supply is presented in the 151 average DOM for the attached properties currently on the market compared to the 125 days for detached homes in Charlottesville and Albemarle. The median price of an attached home is \$259,500, which is much lower than detached homes on the market.

## Townhome and Condo Sales

(thru September)



### 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 continue to 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 U.Va. 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
<b>Albemarle</b>	128	136	142	165	191	187
<b>Charlottesville</b>	101	154	128	200	205	213
<b>Fluvanna</b>	87	99	110	129	147	144
<b>Greene</b>	100	105	120	145	158	155
<b>Louisa</b>	94	100	113	133	152	148
<b>Nelson</b>	116	138	171	185	228	198
<b>Area Average</b>	111	122	130	156	174	174

## **Conclusions and Predictions**

The seasonal aspect of the Charlottesville area real estate market allows us to draw year-end conclusions based on the first three quarters. The balance of the year is the “slow” time for sales, so unless there is a dramatic real estate swing, the third quarter will be reflective of the year-end situation. That means we will end the year with the 4<sup>th</sup> highest year for sales reported to the CAAR MLS. Prices will continue to rise slowly and inventory will continue to be the big story in the market.

Sellers looking for a return to the sales pace of 2005 will be disappointed with my prediction for the future. I do not see inventory levels dropping to reasonable levels for the next 12 months (at least). That means sellers will be challenged by a lot of competition. Sellers will need to listen to the advice of their REALTOR® and price the property competitively. Buyers will continue to have extraordinary opportunities for the foreseeable future. With any luck, we may all be surprised by the strength and resiliency of the local real estate market by the time the spring market hits its stride.

For more information on this report or the real estate market, visit [www.caar.com](http://www.caar.com) or contact Dave Phillips, CEO of the Charlottesville Area Association of REALTORS®, at (434) 817-2393 or [Dave@caar.com](mailto:Dave@caar.com).

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