

# 2007 Year-End Market Report

## *The Speed Limit of Real Estate*

By Dave Phillips, CEO  
Charlottesville Area Association of REALTORS®

If you've ever driven on Interstate 95, you may have noticed that traffic often moves much faster than the posted limit. You are almost forced to go along with the flow of cars zooming at 75 to 80 miles per hour. Then, just when you are getting used to speed-reading the road signs, the traffic slows back down to 65 for some unknown reason. Suddenly, you feel as though you are going in slow motion, even though you are still moving at a good clip. That same feeling is what we all felt from the local real estate market in 2007.

By historic standards, 2007 will go down as the 4<sup>th</sup>-best year for real estate sales in our area. That is not a "slow market," but it sure felt like it after zooming along at 80 miles per hour for the last three years. To be sure 2007 was a very interesting year in real estate – troubling in many ways – and anything but ordinary.

### **Overview**

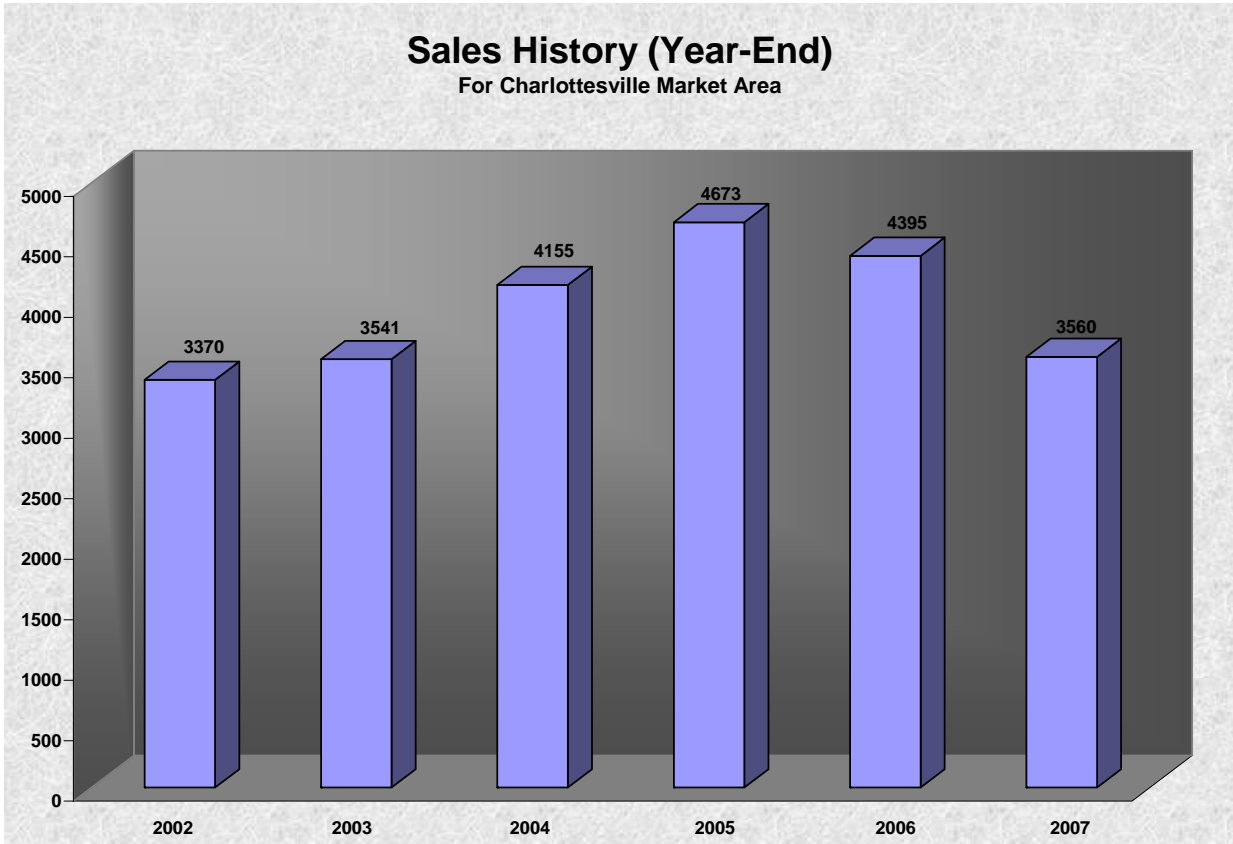
We entered January at just under 70 miles per hour and maintained that pace until July. Through the middle of the year, we were tracking sales very similar to the record market of 2004. Then the national mortgage crisis put the brakes on the real estate market, and we slowed down to 55 for the rest of the year. By the end of the year, we were back up to 60, but the second half slow-down pulled numbers back in line with sales from 2003. At the time, 2003 was a record year and was the last year we experienced what could be considered a normal speed limit. Starting in 2004, we moved over to the fast lane and accelerated to dangerous speeds – until the market hit the brakes in 2007.

### **Homes Sold**

There were 3,560 homes sold in 2007, which was down 835 (-19%) from 2006. All local areas (Albemarle -19.8%, Charlottesville -17.7%, Fluvanna -22.4%, Greene -33.3%, Louisa -16.8%, and Nelson -25.5%) posted lower sales than the same period last year. Looking at the past six years (see chart below), our region has returned to a sales level just above 2003 – which was a record at the time.

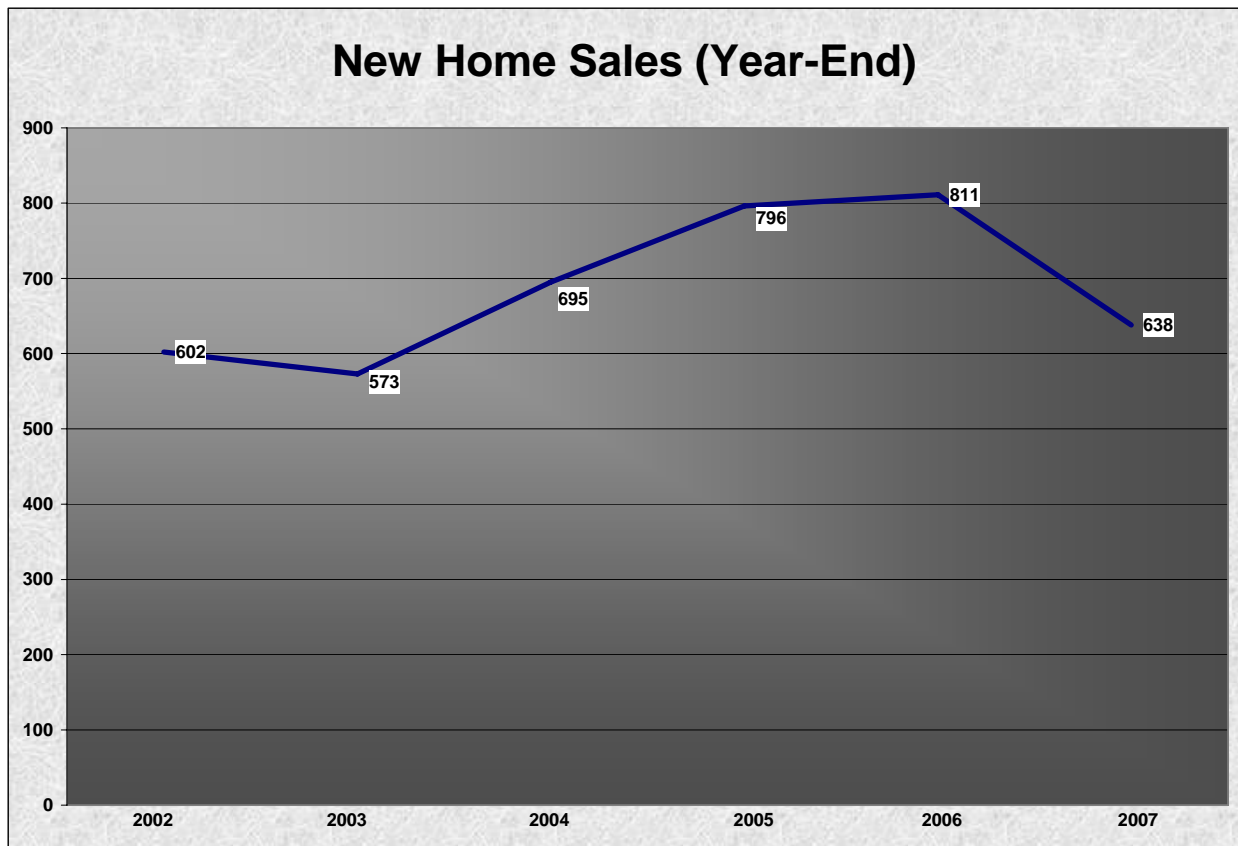
Year-End Sales						
County	2002	2003	2004	2005	2006	2007
Albemarle	1430	1509	1725	1973	1678	1346
Charlottesville	379	430	546	555	764	629
Fluvanna	587	558	657	639	523	406
Greene	260	256	305	309	291	197
Louisa	143	159	192	241	214	178
Nelson	333	360	374	399	259	193
<b>Area Total*</b>	<b>3370</b>	<b>3541</b>	<b>4155</b>	<b>4673</b>	<b>4395</b>	<b>3560</b>

*\*includes sales outside the counties listed*



**New Construction**

It is important to note that many “new” homes are not included in CAAR MLS statistics. It is very common for a buyer to contact a builder directly to custom build a home. With that said, the historical perspective of the pace of new home sales gives us a reasonably good picture of the market for new construction. As the chart below shows, new home sales followed the same path as the overall market in 2007. The number of sales in this category ended the year just above the 2003 level.



### Median Sales Price

It may come as a surprise to some that the median price of homes in our area actually increased in 2007. Do not be fooled by this number... the general price of homes was down in 2007 from the previous year. The median prices posted below are the middle of the market of properties that sold. Simply put, this is the median of what buyers were willing to pay and not a true reflection of individual home prices. It is probably safe to assume that a steady, year-to-year increase in the median price is a good sign, but it does not necessarily mean prices are up.

If you have been actively buying and selling real estate in the last 12 months, you have seen prices shrink. There are two statistics that give us a glimpse of the price declines – average price and price per square foot – but neither is an exact science. The “average” price of homes that sold in 2007 dropped \$12,000, and the price per square foot (see details below) also declined in 2007.

The only way to know what your home will sell for is to have a REALTOR® or appraiser prepare a comparative market analysis (CMA) for your property. This market is changing very quickly and to be up-to-date, you need to do a CMA every two weeks. Pricing a property correctly is the best way to sell it!

One number in the chart below that jumps out is Charlottesville’s median price, which was up a whopping 16.7%. Before all you city dwellers get excited, there are a few explanations. First, the city had a lot of modestly priced condos sell in 2006, which lowered the median price. Second, there was a significant amount of new construction in the city in 2007 with price tags from \$300,000 to \$500,000. Finally, 135 fewer homes sold this year, which makes the middle of the

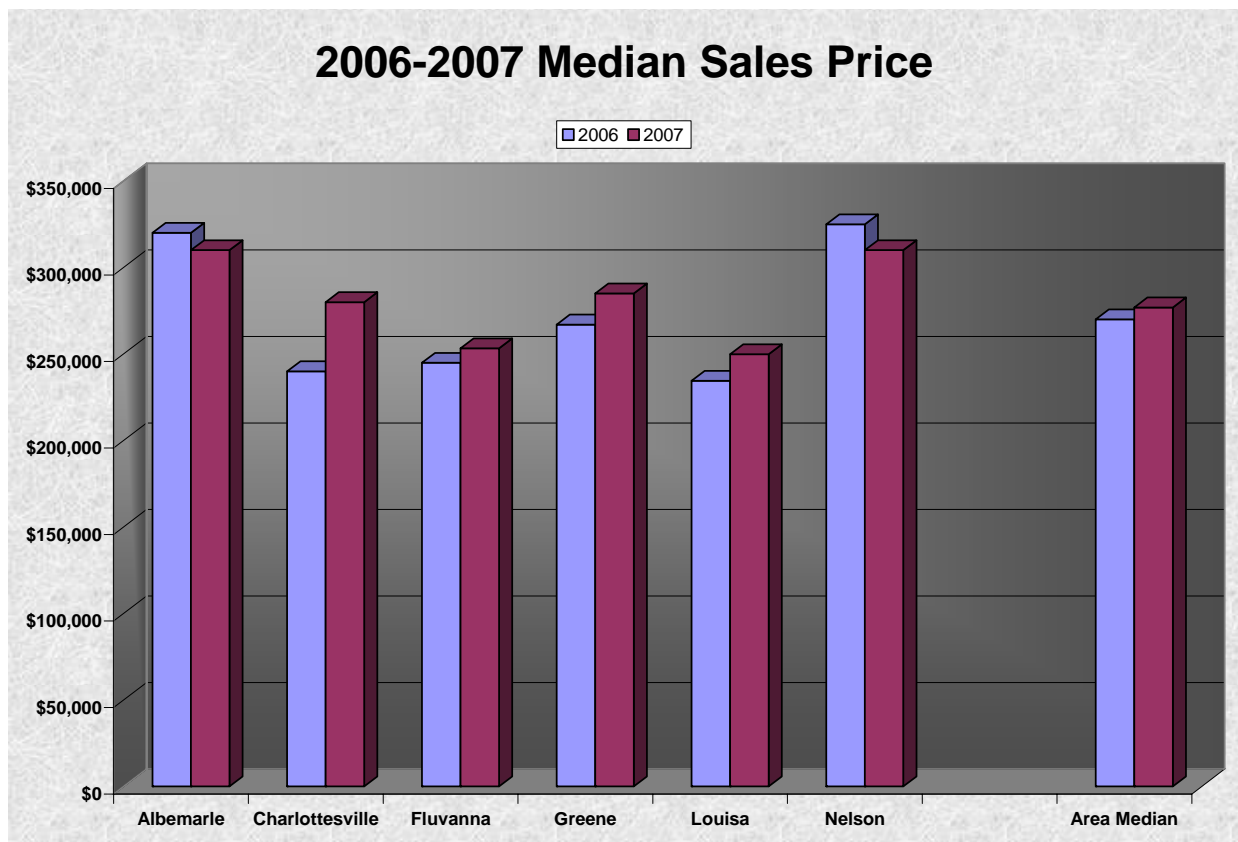
market (otherwise known as the median price) more susceptible to dramatic change. It would be a mistake to assume that real home prices went up 17% in the city.

Overall, the median price rose \$6,950 (+2.6%). Albemarle (-3.1%) and Nelson (-4.6%) were down slightly, but all other areas were up for the year. Other area increases were modest – Fluvanna (+3.4%), Greene (+6.7%), and Louisa (+6.5%).

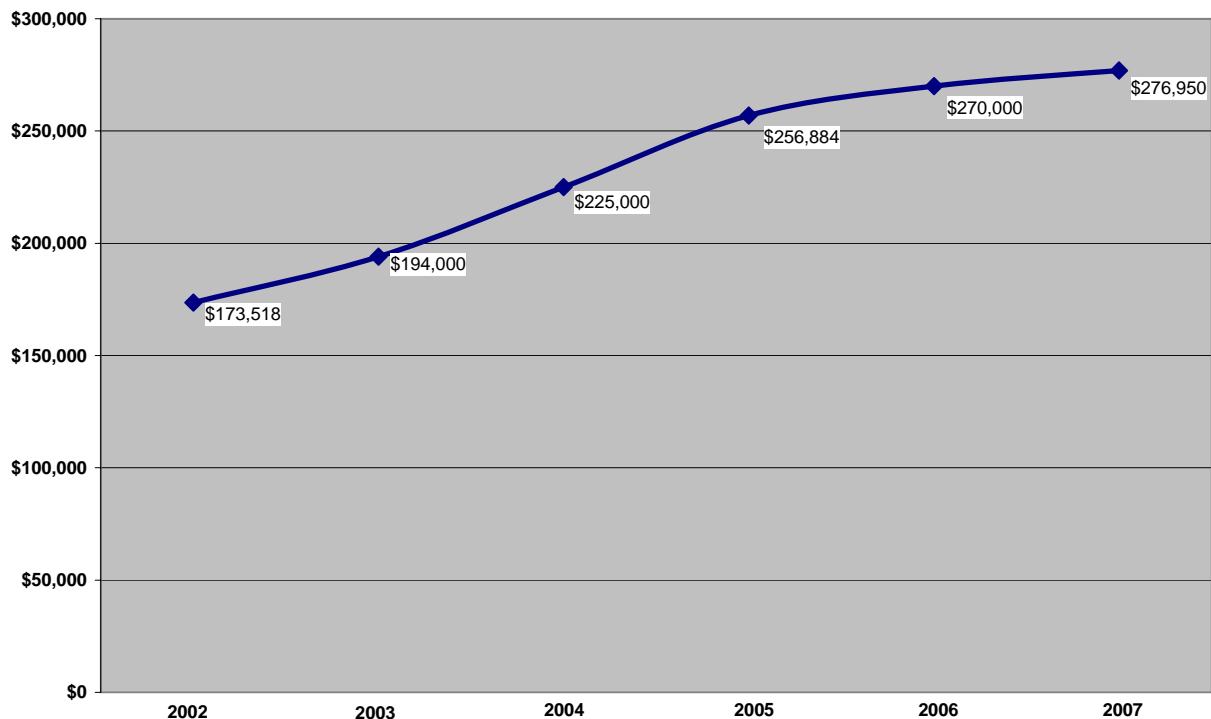
### Median Sales Prices (Year-end)

County	2002	2003	2004	2005	2006	2007
<b>Albemarle</b>	\$226,000	\$253,636	\$266,000	\$289,000	\$320,000	\$310,000
<b>Charlottesville</b>	\$155,500	\$175,950	\$219,500	\$249,000	\$240,000	\$280,000
<b>Fluvanna</b>	\$142,500	\$165,000	\$184,900	\$234,000	\$244,900	\$253,250
<b>Greene</b>	\$137,500	\$163,725	\$179,900	\$234,900	\$267,000	\$285,000
<b>Louisa</b>	\$137,000	\$149,900	\$174,450	\$205,900	\$234,481	\$249,810
<b>Nelson</b>	\$145,000	\$171,750	\$235,000	\$300,000	\$325,000	\$310,000
<b>Area Median*</b>	\$173,518	\$194,000	\$225,000	\$256,884	\$270,000	\$276,950

*\*includes sales outside the counties listed*



## Median Sales Price (Entire Area)



### 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. In 2005, we had fewer than 1,200 homes on the market in the CAAR MLS, and prices sped up. In 2007, we had over 3,000 homes on the market, and prices slowed down. There is a direct, inverse relationship between inventory and prices. The more homes we have on the market, the more pressure there is on sellers to keep prices down.

Currently, we have 3,072 homes on the market, compared to 2,504 at this time last year. The median price of these homes for sale is \$324,600. The average DOM (days on market) of these homes is 161 days. It is a great time for first-time buyers, because there are 556 homes for sale under \$200,000 with an average DOM of 151. There are 223 homes currently on the market priced at a million dollars or more with an average DOM of 202.

### Days on Market (DOM)

The high inventory of homes for sale in 2007 created a “tale of two cities” for DOM. Homes that sold in 2007 sold quickly, but many homes have been on the market much longer than the average DOM. The median DOM for homes that sold in 2007 was just 63 days (average was 96), whereas the median for homes currently on the market is 128 days. Almost 2,000 of the homes still on the market have been there for more than 150 days, and around 1,000 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.”

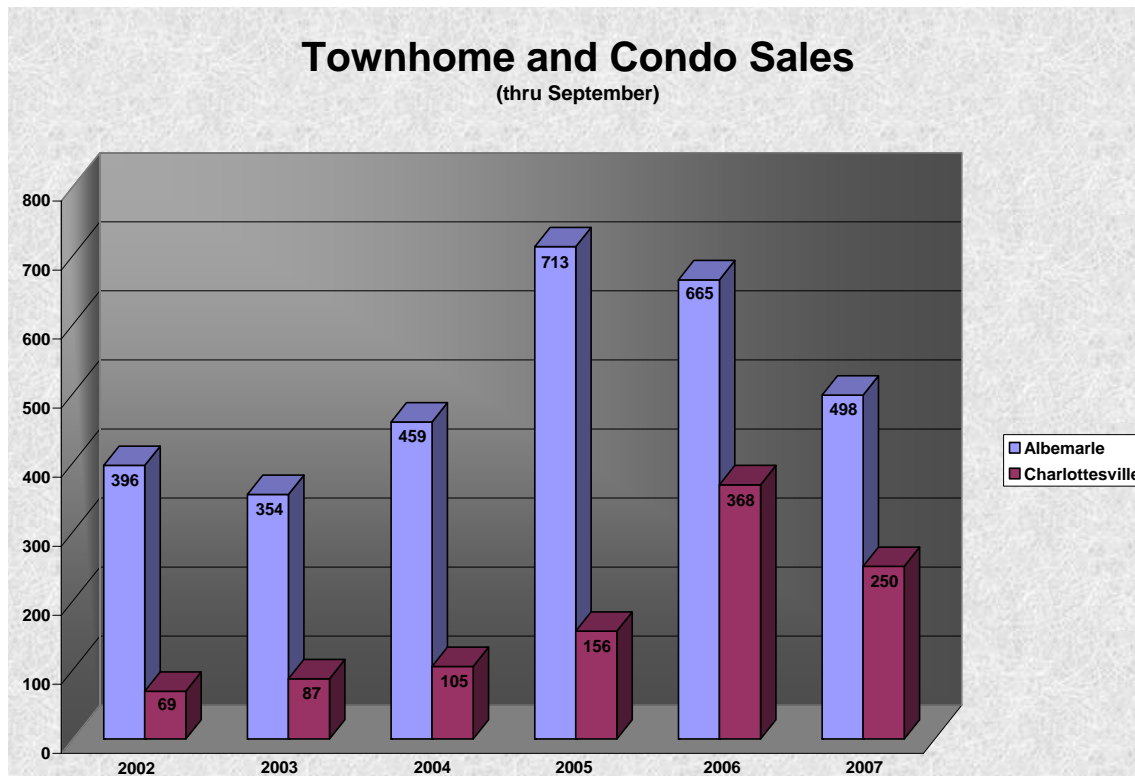
### Days on Market (Year-End)

County	2002	2003	2004	2005	2006	2007
Albemarle	70	72	69	53	69	93
Charlottesville	40	44	110	51	57	78
Fluvanna	72	71	63	60	75	90
Greene	73	67	80	59	79	95
Louisa	97	103	89	85	91	145
Nelson	137	97	97	71	86	111
<b>Area Average*</b>	78	75	81	62	75	96

*\*includes sales outside the counties listed*

### Condos and Townhomes

The explosion of condominiums and townhomes in 2005 and 2006 appears to be over, but condo sales are still well above historic averages. 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 2007 compared to past years. Inventory levels of attached homes for sale are still high, with 381 listed for sale in Charlottesville and Albemarle. This over-supply is presented in the 196 average DOM for the attached properties currently on the market, compared to the 174 days for detached homes in Charlottesville and Albemarle. The median price of an attached home is \$265,000, which is much lower than the \$375,000 for detached homes on the market.



### Price Per Square Foot (Finished)

Looking at the average price per square foot of finished space in homes that have sold 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. All areas showed a decrease in the average price per square foot. 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
Albemarle	118	131	144	165	178	175
Charlottesville	112	132	146	173	202	196
Fluvanna	90	101	110	130	142	140
Greene	96	103	117	140	155	152
Louisa	94	103	110	132	146	144
Nelson	117	137	166	207	212	209
Area Average*	109	123	136	158	171	168

*\*includes sales outside the counties listed*

### Conclusions and Predictions

As the numbers in this report show, the market in 2007 slowed down to below the suggested speed limit. As a whole, homes were probably moving just a few miles below the posted speed limit in 2007, but in the second half of the year it could be said that our transmission slipped a gear and we had to limp down the side of the road.

Conditions are still favorable for buyers – low interest rates, good prices, and a stable local economy – so it is not out of the question for the market to speed up for the always busy spring market. Anything could happen at this point, and the most important factor moving forward will be consumer confidence. It is a great time to buy (especially if you are a first-time home buyer), but we won't know for a few months if buyers will actually release their pent-up demand. Stay tuned for CAAR's 1<sup>st</sup> Quarter 2008 report to see if the market gets back in gear, or goes into the shop for repair.

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 981-8088, or [Dave@caar.com](mailto:Dave@caar.com).