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Harrisonburg & Rockingham County Real Estate Market Report

HarrisonburgHousing*today*.com

August 8, 2011



An analysis of real estate activity through July 31, 2011 provided courtesy of Scott P. Rogers, Associate Broker, Coldwell Banker Funkhouser Realtors

Executive Summary

The summary below is based on residential sales in Harrisonburg and Rockingham County as reflected in the HRAR MLS.

Pace of Home Sales: July

77 homes sold in July 2011, showing a 48% increase from July 2010 when 52 homes sold -- but a 19% decrease from July 2009 when 95 homes sold.

Home Values: July

The median sales price stayed constant at \$200,000 between July 2010 and July 2011, and the average sales price increased 8%.

Days on Market: July

Homes sold in an average of 230 days in July 2011, a significant increase from the 194 day average in July 2010 and the 198 day average in July 2009.

Foreclosures

118 trustee deeds have been recorded thus far in 2011 compared to 442 home sales reported through the HRAR MLS. At this pace, foreclosures will likely decrease in 2011.

Inventory

Inventory levels rose slightly in July 2011 to 882 residential properties for sale, up from 872 one month ago, but down from 1,010 one year ago, in July 2010.

Pace of Home Sales: Year to Date

442 homes sold thus far in 2011. This marks only a 6% decline from the 2010 year to date when 470 homes had sold, and a 3% increase as compared to 2009 year to date.

Home Values: Year to Date

Median sales prices declined 8% and average sales prices declined 5% when comparing 2011 year to date to 2010 year to date.

Days on Market: Year to Date

The length of time on the market for homes selling thus far in 2011 (214 days) increased 12% since 2010 year to date when the average was 191 days on market.

Supply

All price ranges still show an excess of housing supply, with 12 months under \$200k, 16 months between \$200k and \$300k, 18 months between 300k and \$400k, and 26 months above \$400k.

Price Per Square Foot

Median price per square foot of single family homes has stayed relatively steady at \$103/sf in the 2nd quarter of 2011 as compared to \$101/sf in the 1st quarter of 2011.

Buyer Activity

84 buyers committed to buy in July 2011, compared to 74 in July 2010, and 68 in July 2009. These 84 contracts are a 14% increase over the 74 contracts in July 2010.

Single Family Home Sales

343 single family homes sold thus far in 2011, compared to a 2010 total of 555 homes. The median sales price has decreased to \$185,000.

Townhome Sales

99 townhomes sold thus far in 2011, compared to a 2010 total of 203 townhomes. The median townhome sales price has decreased to \$140,500 thus far in 2011.

Lot Sales

42 lots of less than an acre sold thus far in 2011, compared to a 2010 total of 63 lots. Median lot sales prices have held steady at \$55,000 over the past year.

Land Sales

29 parcels of land greater than an acre sold thus far in 2011 compared to 27 land sales during all of 2010. This marks a 84% decline from the high of 168 sales in 2005.

HOME SALES REPORT

Harrisonburg & Rockingham County

August 8, 2011

# Home Sales	2008	2009	2010	2011	% Change ('10 - '11)
July	95	95	52	77	48.08%
Year-To-Date	576	454	470	442	-5.96%

Median Sales Price	2008	2009	2010	2011	% Change ('10 - '11)
July	\$204,900	\$185,000	\$200,000	\$200,000	0.00%
Year-To-Date	\$199,350	\$188,650	\$183,950	\$169,900	-7.64%

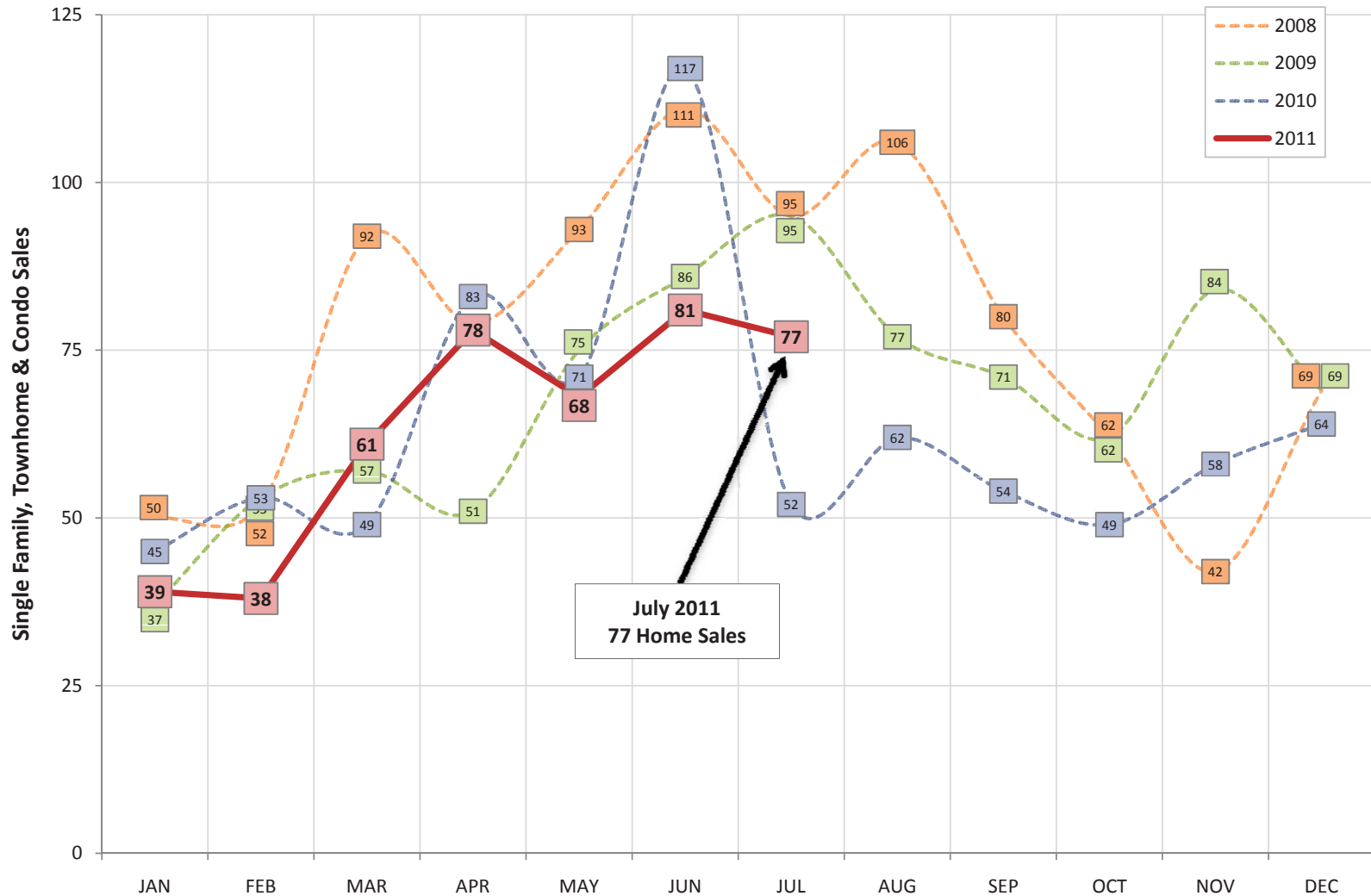
Average Sales Price	2008	2009	2010	2011	% Change ('10 - '11)
July	\$227,276	\$216,213	\$213,225	\$224,063	5.08%
Year-To-Date	\$223,306	\$220,909	\$211,532	\$200,470	-5.23%

Average Days on Market	2008	2009	2010	2011	% Change ('10 - '11)
July	171	198	194	230	18.56%
Year-To-Date	162	191	191	214	12.04%

Home sales soared in July 2011 (77 sales) compared to July 2010 (52 sales), showing a 48% improvement -- and the July median sales price (\$200,000) has neither increased nor decreased over the past year. The pace of home sales this year to date (442 sales) is just 6% slower than last year (470 sales), which is an indicator of stability

in the market, as home sales were buoyed last year by the federal home buyer tax credit. Despite a recovering sales pace, and potentially steadying sales prices, the length of time it takes to sell a home continues to increase, with an average of 214 days on market thus far this year.

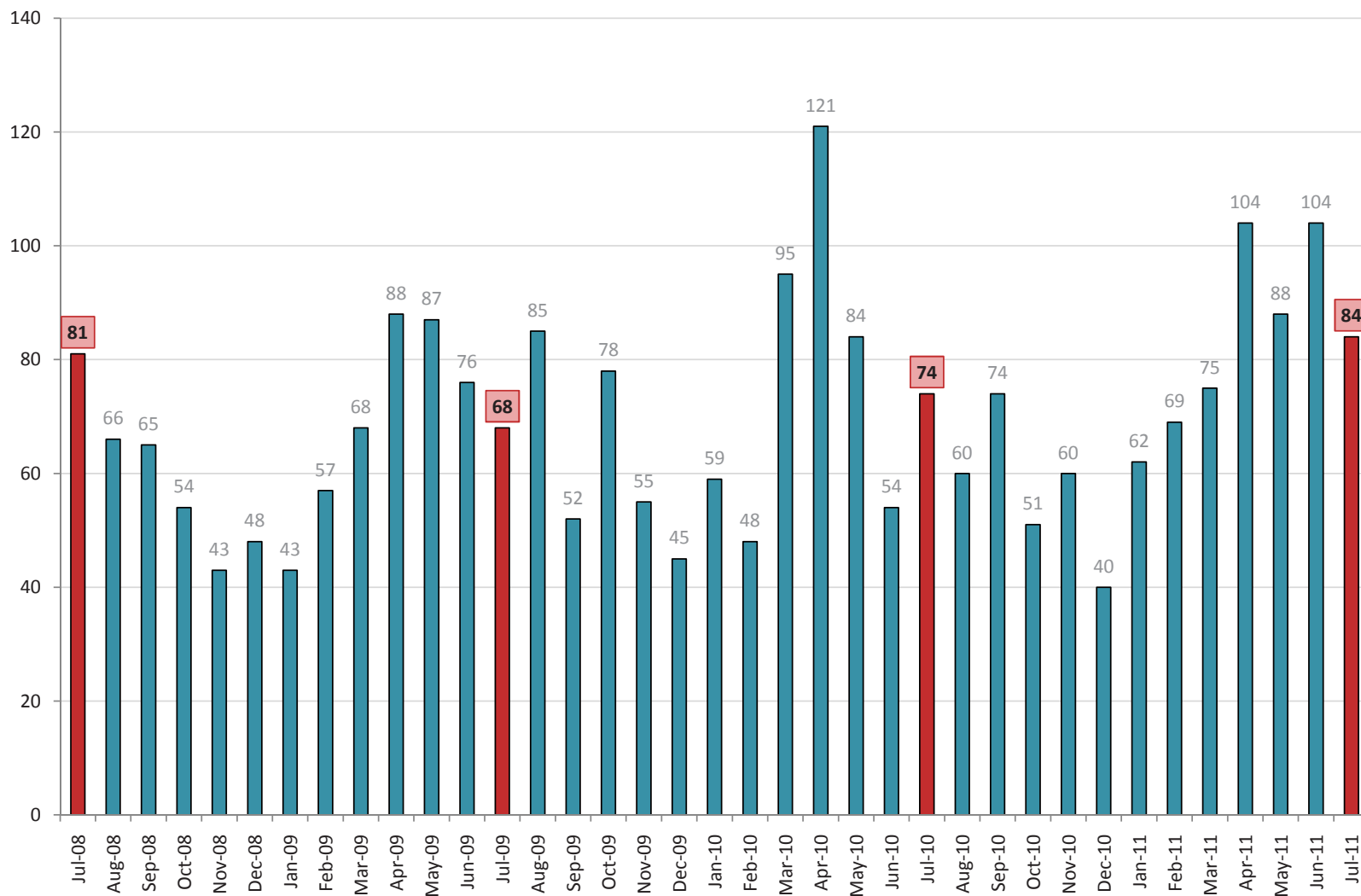
Harrisonburg & Rockingham County Month-By-Month Home Sales History



July 2011 home sales (77) showed a marked improvement over July 2010 (52) -- though last year's slow July sales were largely a result of the 117 home sales in June 2010. If we ignore the timing of those sales, we'll note that June-July home sales this year (158) are only slightly lower than June-July sales last year (169). The market

still has plenty of time this year to show further improvement as compared to 2010, as August through December home sales during 2010 were quite sluggish. In some ways, this year's monthly sales trends are more likely to follow 2009 sales than 2010 sales due to the impact of last year's federal home buyer tax credit.

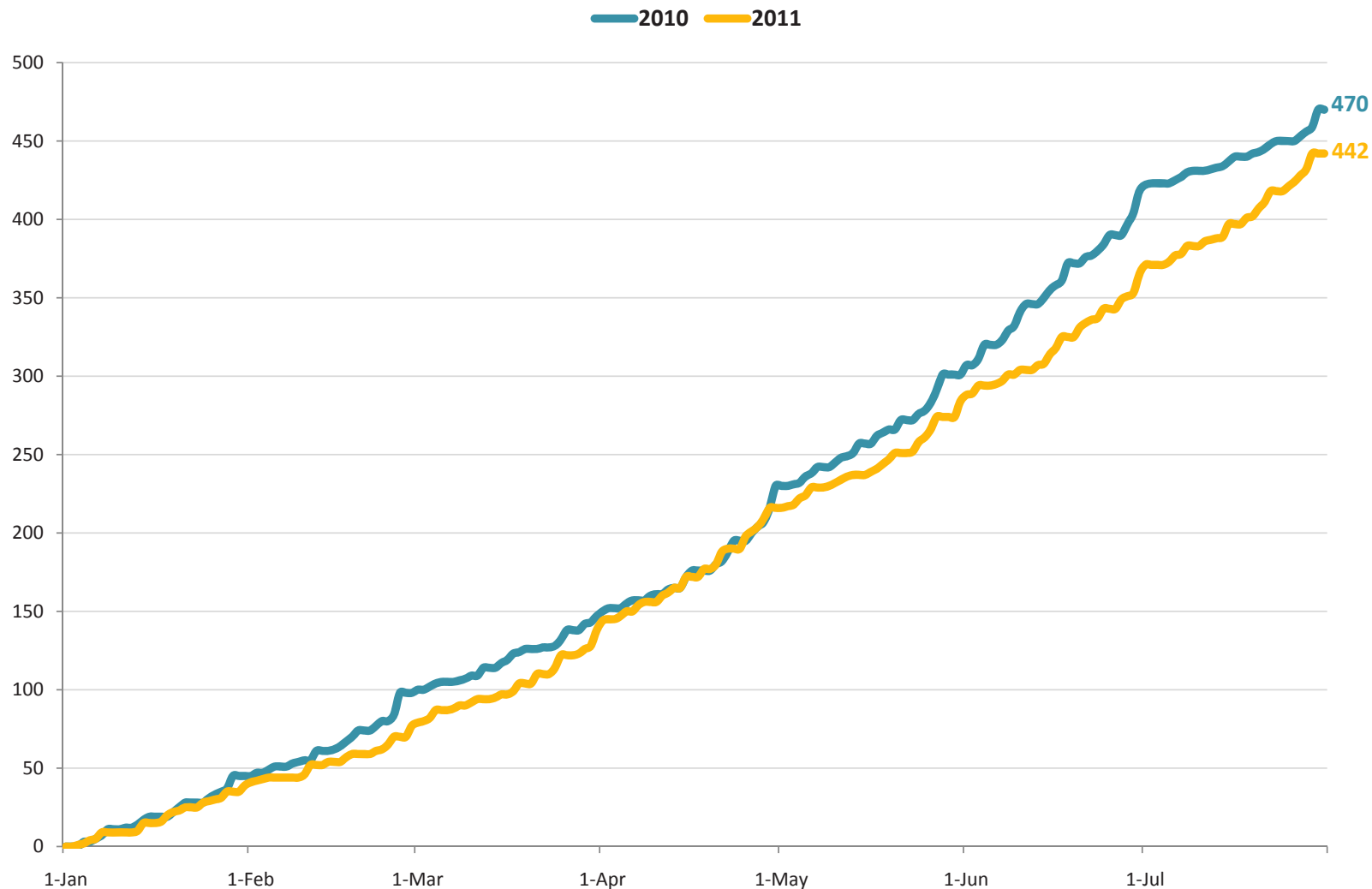
Harrisonburg & Rockingham County
Buyers Per Month Committing to Buy Properties



Home buyers were out in full force during July 2011, committing to buy more properties than any July over the past three years. While not summed up on the graph, there were only 535 contracts in the first seven months of 2010 as compared to 586 contracts written in the first seven months of 2011. The mere 6% drop in

the pace of year-to-date home sales combined with this 10% increase in year-to-date contracts should point to strong sales over the next several months. While all contracts do not lead to closings, this graph is often the best indicator of what we should expect to see in the market over the coming months.

Harrisonburg & Rockingham County
Daily Cumulative Residential Sales



This graph charts the ongoing battle between 2010 and 2011 as each line races towards December striving to be on top. Each data point on this graph shows the cumulative number of residential sales to date during each year. The 2011 market slowed (compared to 2010) starting in February, but by the first part of April, had

caught back up. The two trajectories split out again in May and the gap widened in June -- largely due to the federal home buyer tax credit. The gap started to close during July, and I believe we'll see it close quickly during August and September based on the number of contracts being signed in the past few months.

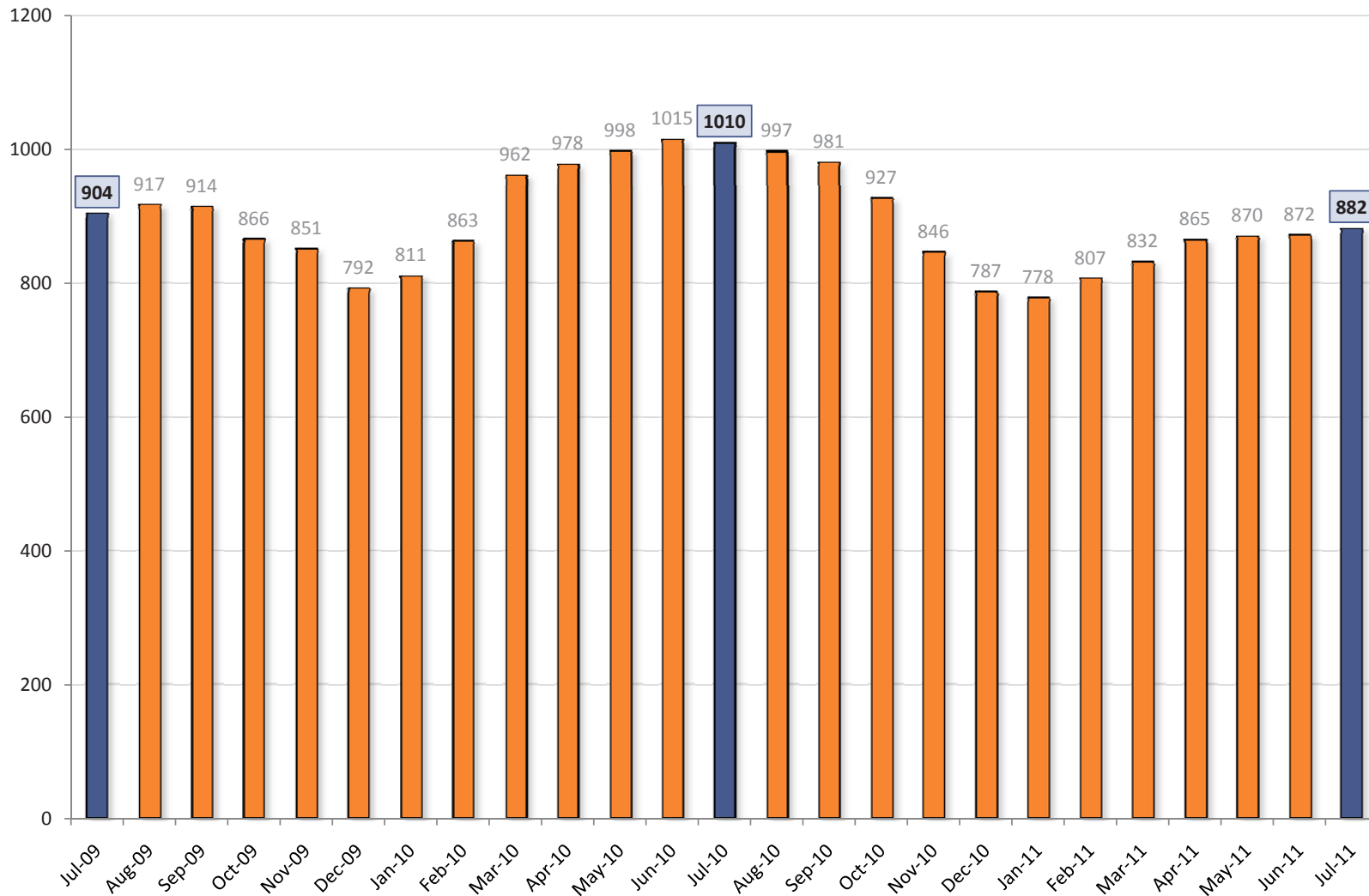
Harrisonburg & Rockingham County Monthly Cumulative Residential Sales



This graph shows the month by month cumulative count of residential sales in Harrisonburg and Rockingham County. You'll note that the 442 home sales in the first seven months of 2011 were very close to matching the first seven months of 2009 (454 home sales). It is also important to note how short each of the next three

months were last year (August, September, October). I suspect that monthly home sales in these same three months during 2011 will propel us beyond 2010 sales levels. This will be an encouraging indicator that we might (slowly) be returning to a more healthy real estate market.

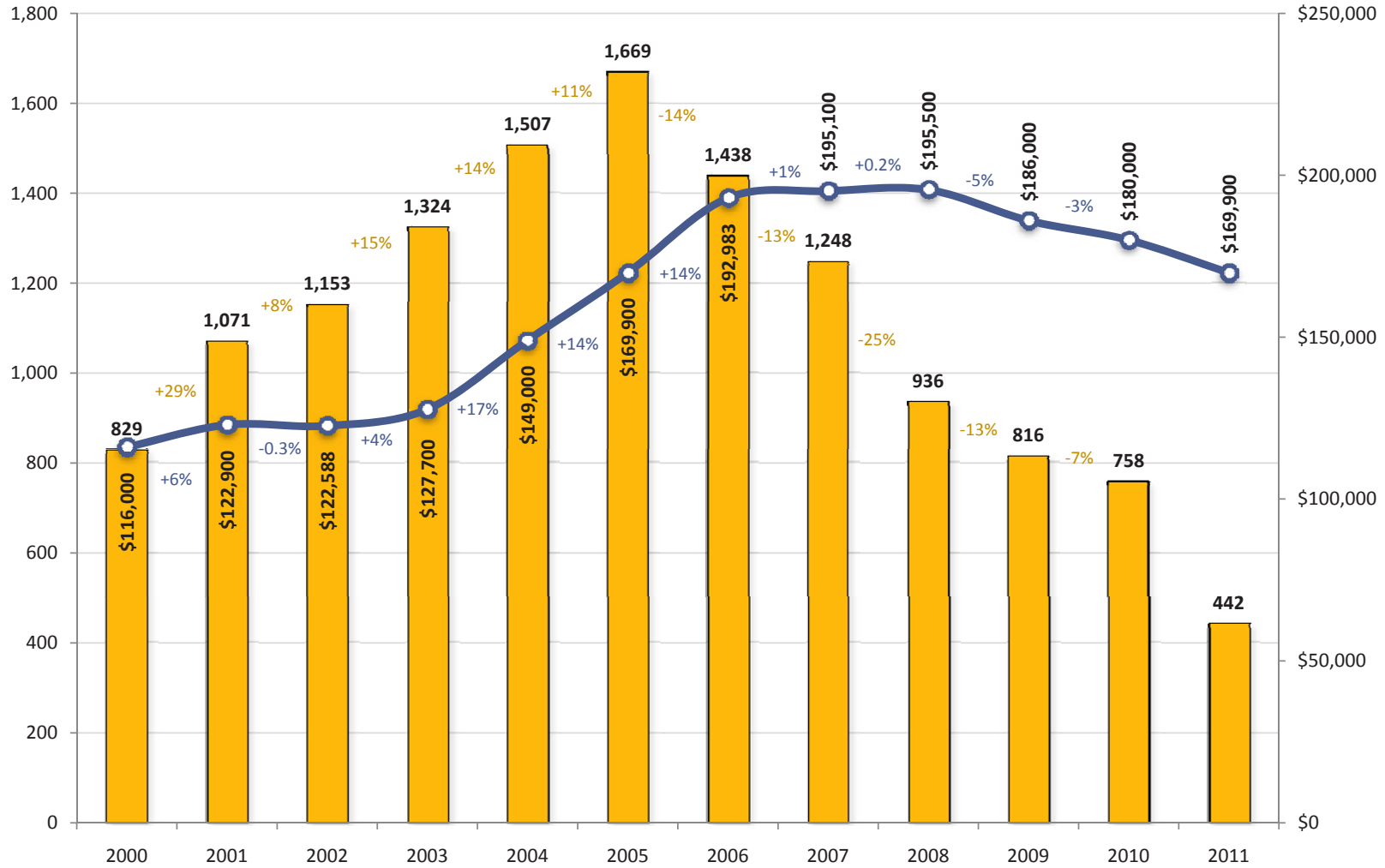
Harrisonburg & Rockingham County
Inventory Levels



Remarkably, inventory levels have not significantly climbed during the first seven months of 2011 --- with only a 13% increase in inventory between January 2011 and June 2011. Comparatively, we witnessed a 25% increase in inventory during the first seven months of last year. Perhaps the high inventory levels during the first half

of 2010 were hopeful sellers looking for a tax credit buyer. Whatever the reason, lower inventory levels help to provide greater balance in our housing market. Given the trends from the past several years, we should now start to see inventory levels decline as we continue through the remainder of 2011.

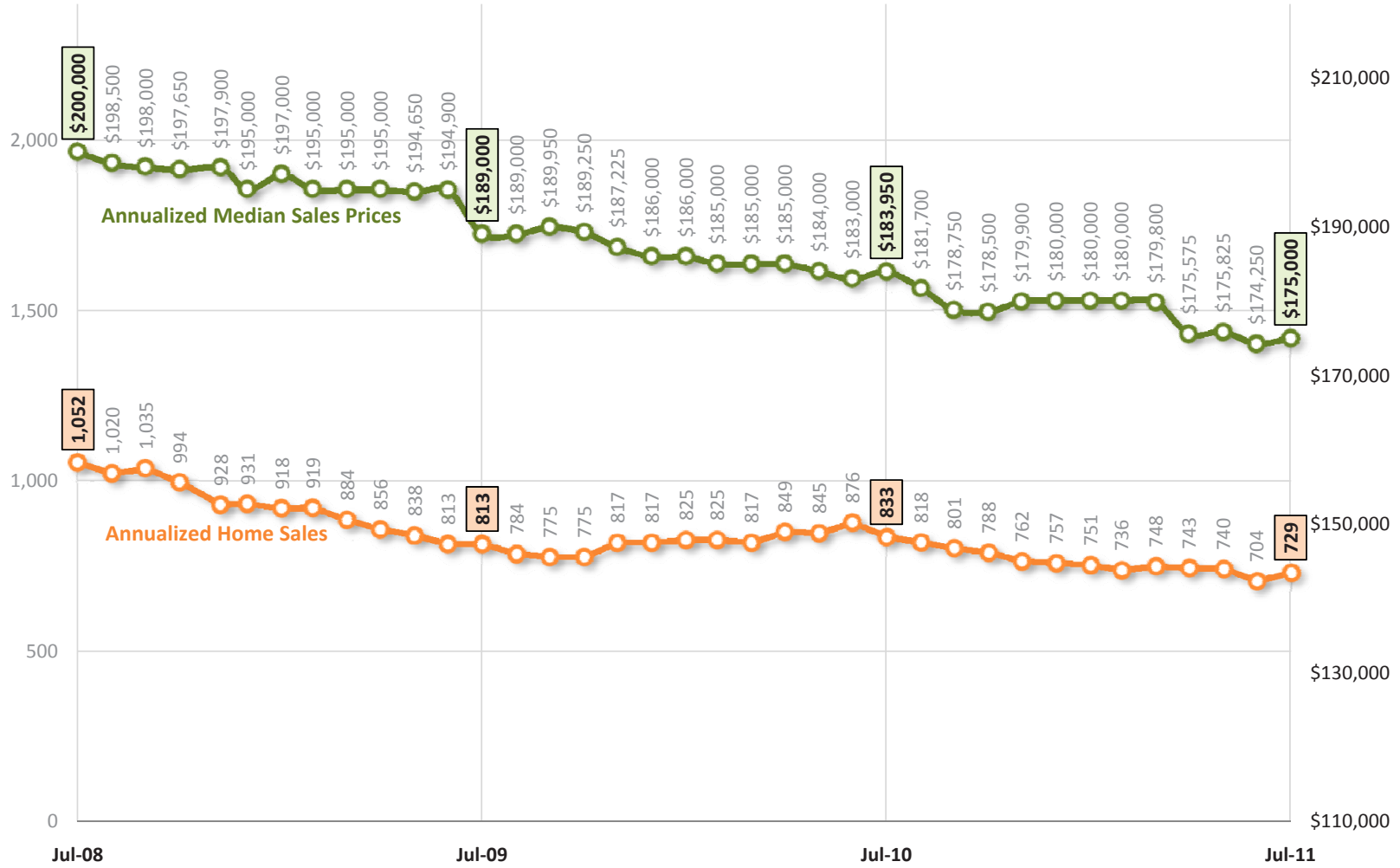
Harrisonburg & Rockingham County Home Sales & Price Trends Single Family Homes & Townhomes



This graph provides an overall indicator of the state of our housing market, showing both the number of homes being sold each year (since 2000) as well as changes in the median sales price during the same time period. If we do start to see a stabilization of the pace of home sales (at least 758 sales this year) we might then (likely the

following year) see a stabilization of home values as defined by median sales prices. Thus far, the decline in median sales price this year (-6%) is on par with the market adjustment we experienced between 2008 and 2009. The federal home buyer tax credit temporarily slowed this decline to -3% between 2009 and 2010.

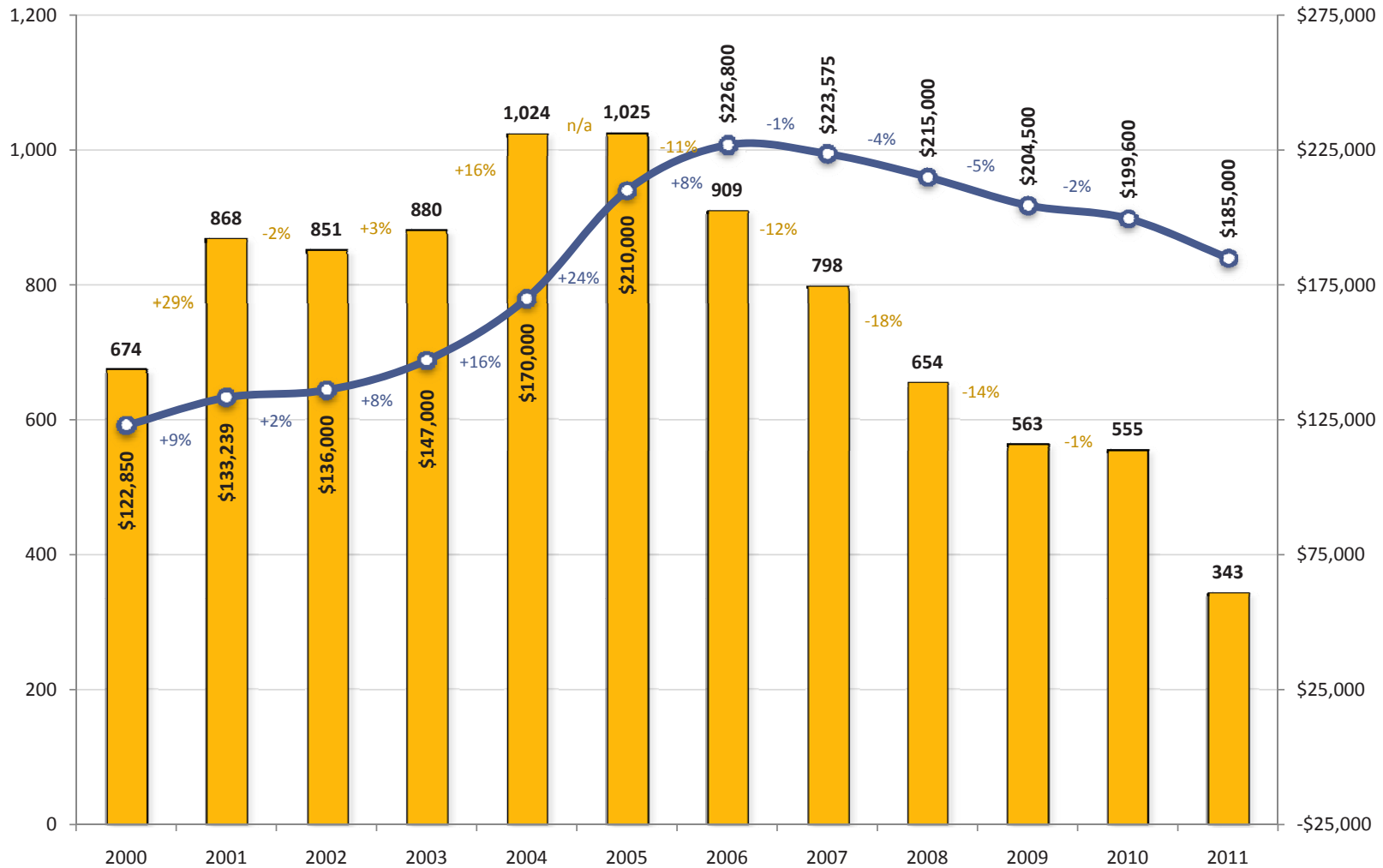
Harrisonburg & Rockingham County
Time-Adjusted Home Sales Trends :: All Homes
 # Home Sales, Median Sales Price in each 12 Month Period



This graph shows a rolling 12 months of the number of home sales in the Harrisonburg and Rockingham County area, as well as the median price of the homes that sold during these time frames. Each data point is showing one year's worth of home sales, which eliminates the volatility of evaluating sales figures on a month-by-

month basis. Over the past three years we have seen a 31% decline in annualized home sales and a 13% decline in median sales prices. It is interesting to note that the median sales price has been holding relatively steady between \$174,000 and \$175,000 over the past several months.

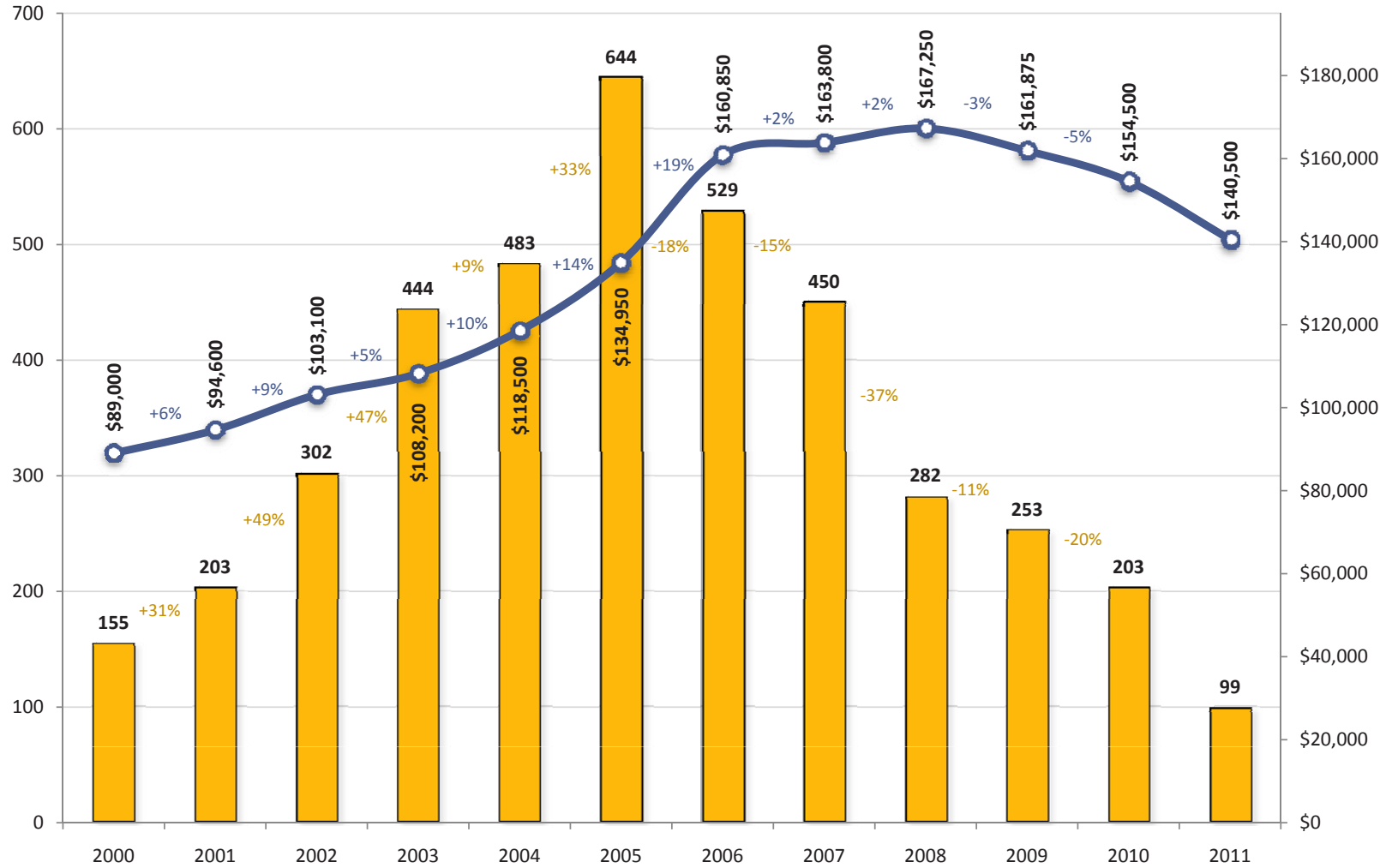
Harrisonburg & Rockingham County
Home Sales & Price Trends
 Single Family Homes



The single family home market in Harrisonburg and Rockingham County seems (in some ways) to be recovering quite nicely compared to the overall market. A full 555 detached single family homes sold in 2010 compared to 563 in 2009 -- this represents only a 1% decline in market pace. Based on year to date sales, we are likely to see an

increase in the number of single family homes sold in 2011 (as compared to 2010). Despite this forthcoming stability in the pace of single family home sales, we are continuing to see a decline in median sales price (-7%) thus far in 2011.

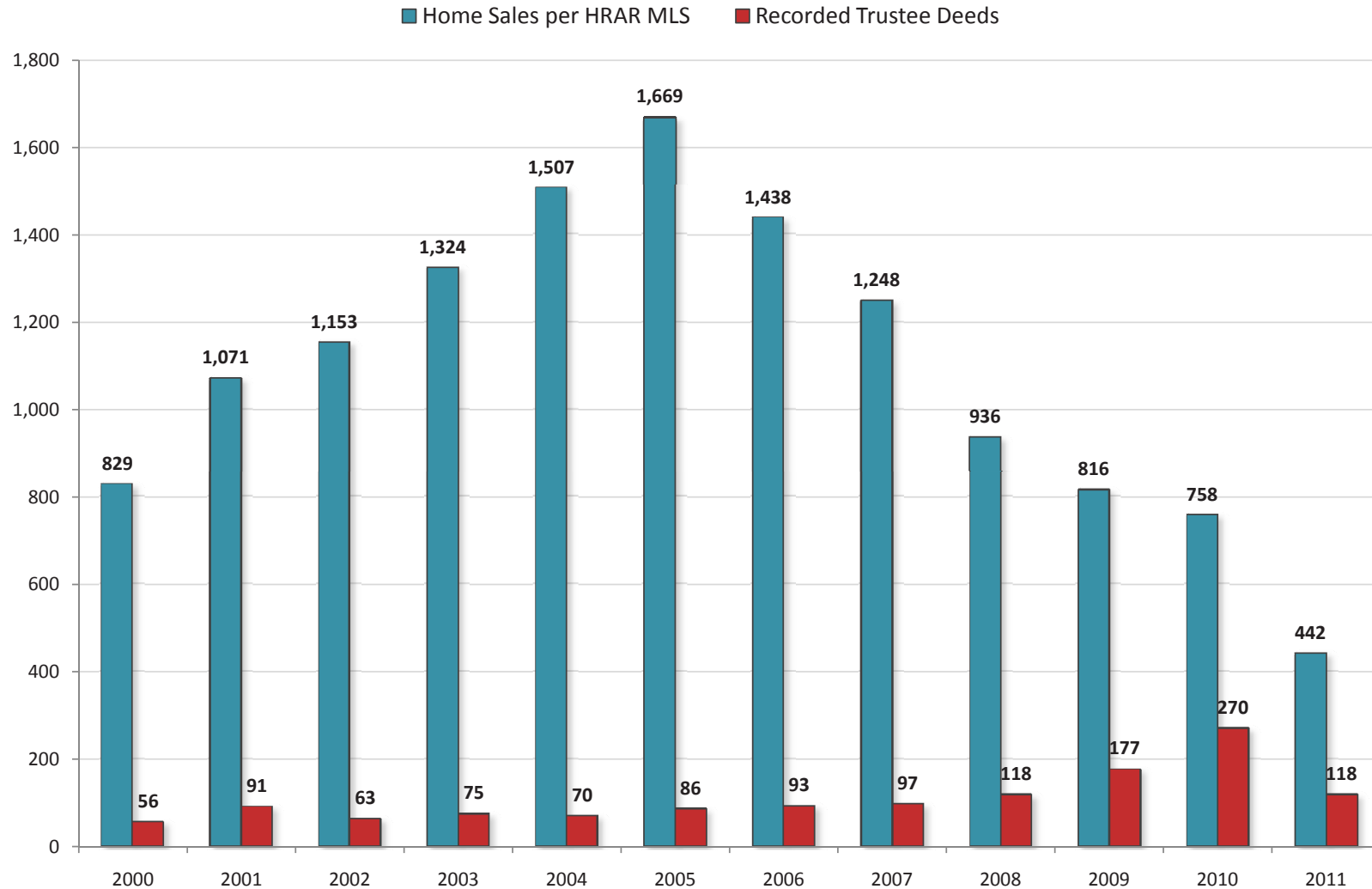
Harrisonburg & Rockingham County Home Sales & Price Trends Townhomes



Even if the single family home market may be stabilizing, the townhouse market is still having difficulty finding a balance. There will likely be another (modest) decline in the number of townhomes selling in 2011, and the median sales price is continuing to fall rather quickly (-9%). At this point, the median sales price of

townhomes is down to only \$140,500 which is a retreat to sales prices in late 2005. The big difference, however, is that in 2005 there were 644 townhome sales, as compared to a probable 170 townhome sales in 2011.

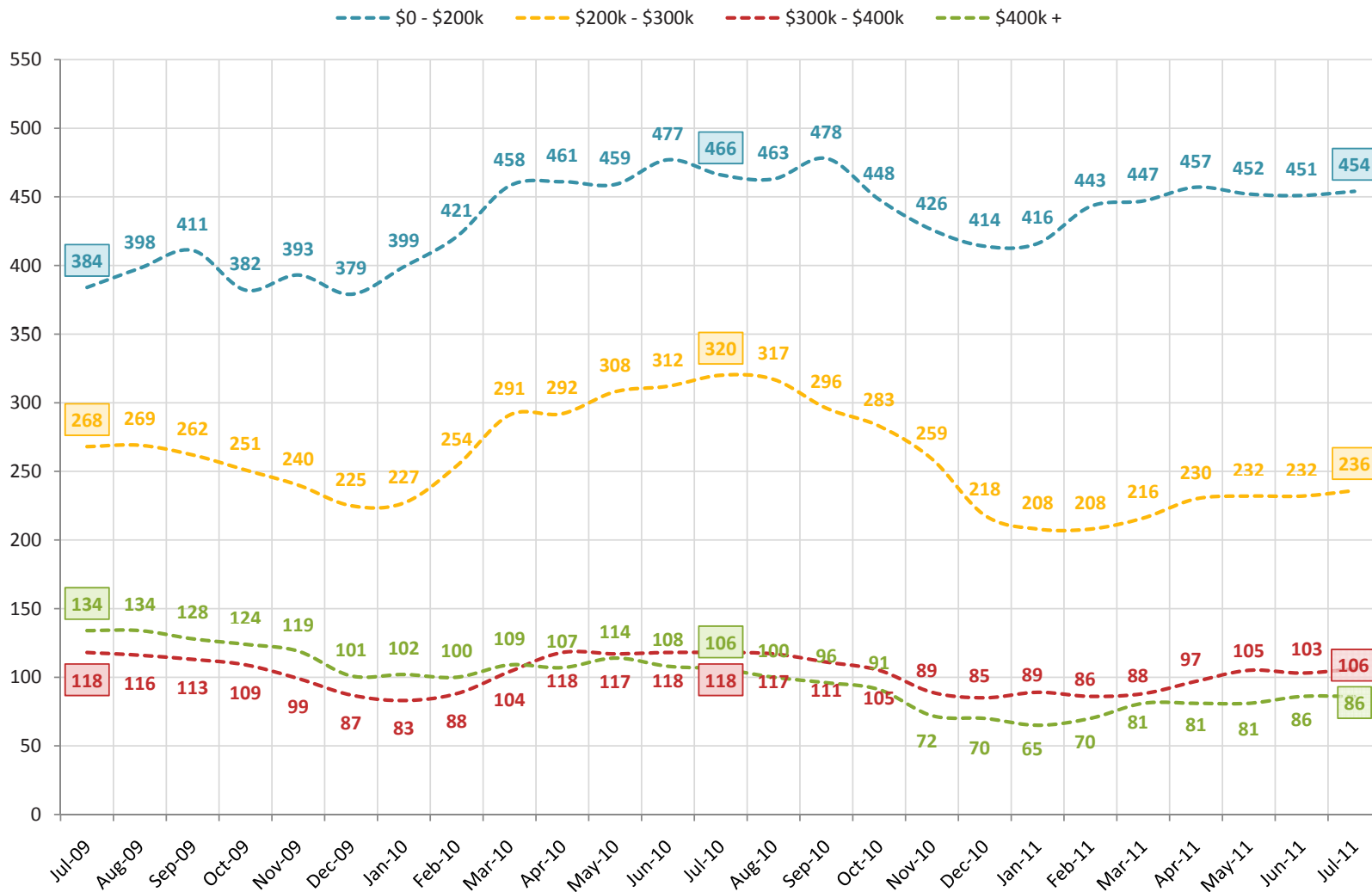
Harrisonburg & Rockingham County Home Sales vs. Trustee Sales



The graph above is a comparison of two imprecise measures -- but the comparison can still be helpful. The blue bars show the number of home sales recorded in the HRAR MLS -- this does not include private sales (without a Realtor), nor any new home sales directly from a builder. The red bars show the number of Trustee Deeds

recorded during each of the past 10+ years. Some of these foreclosed properties (270 in 2010) then show up in the blue bar when they are listed and then sold as bank owned properties. This year's ratio (3.7 home sales per trustee deed) is a much healthier ratio than last year (2.8 home sales per trustee deed).

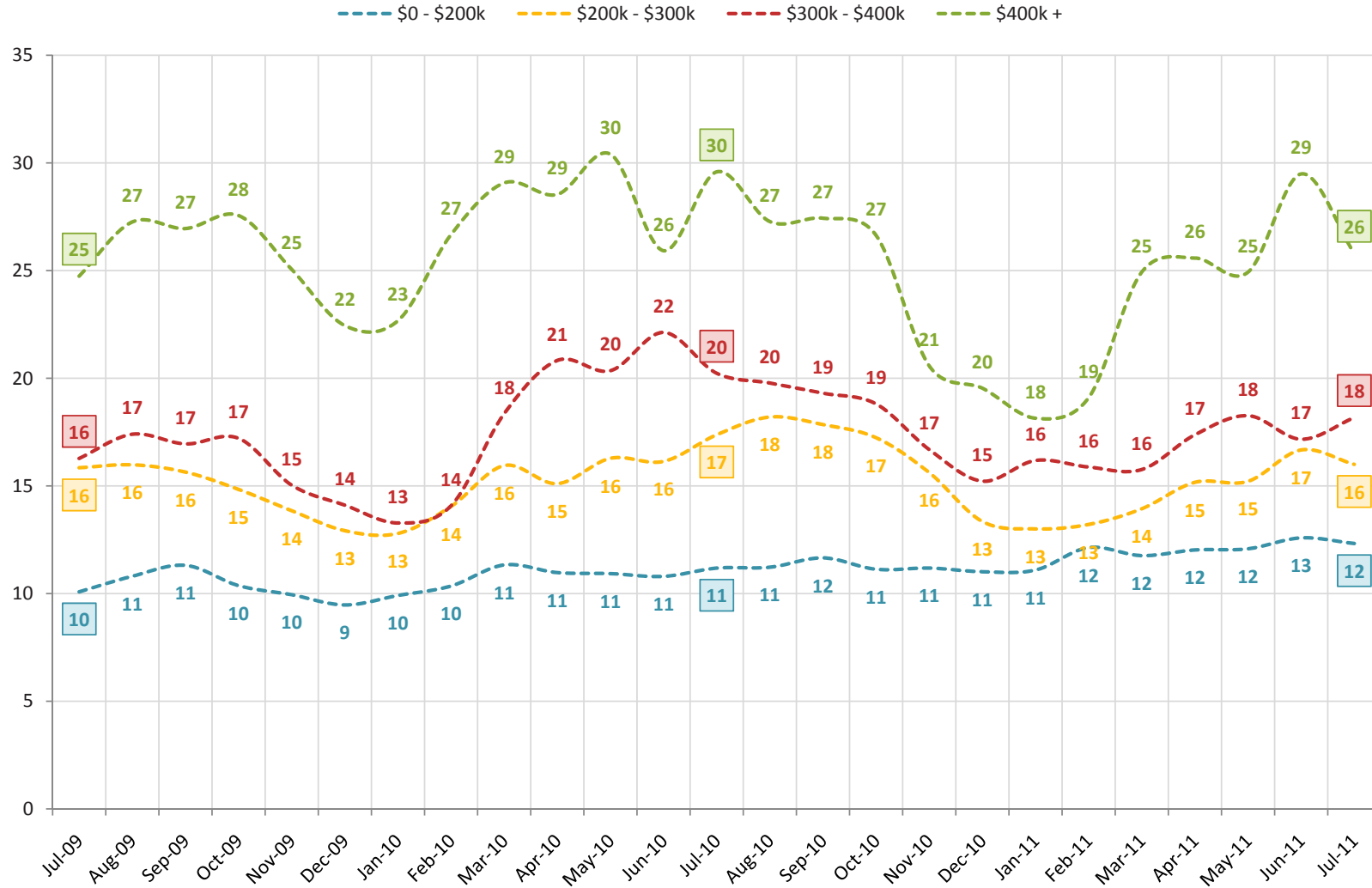
Harrisonburg & Rockingham County Inventory Levels by Price Range



While overall inventory levels have increased over the past two years, the same is not true in all price ranges. The \$400k+ price range, for example, has seen an impressive 36% decline in inventory from 134 homes for sale in July 2009 to only 86 homes for sale today. Inventory levels of homes between \$300k and \$400k have also shown a

decrease over the past two years. This phenomenon is likely a result of fewer and fewer builders engaging in speculative building, as had been occurring en masse during the “boom years” in the local and national housing markets. There continue to be very high inventory levels of properties for sale under \$200,000.

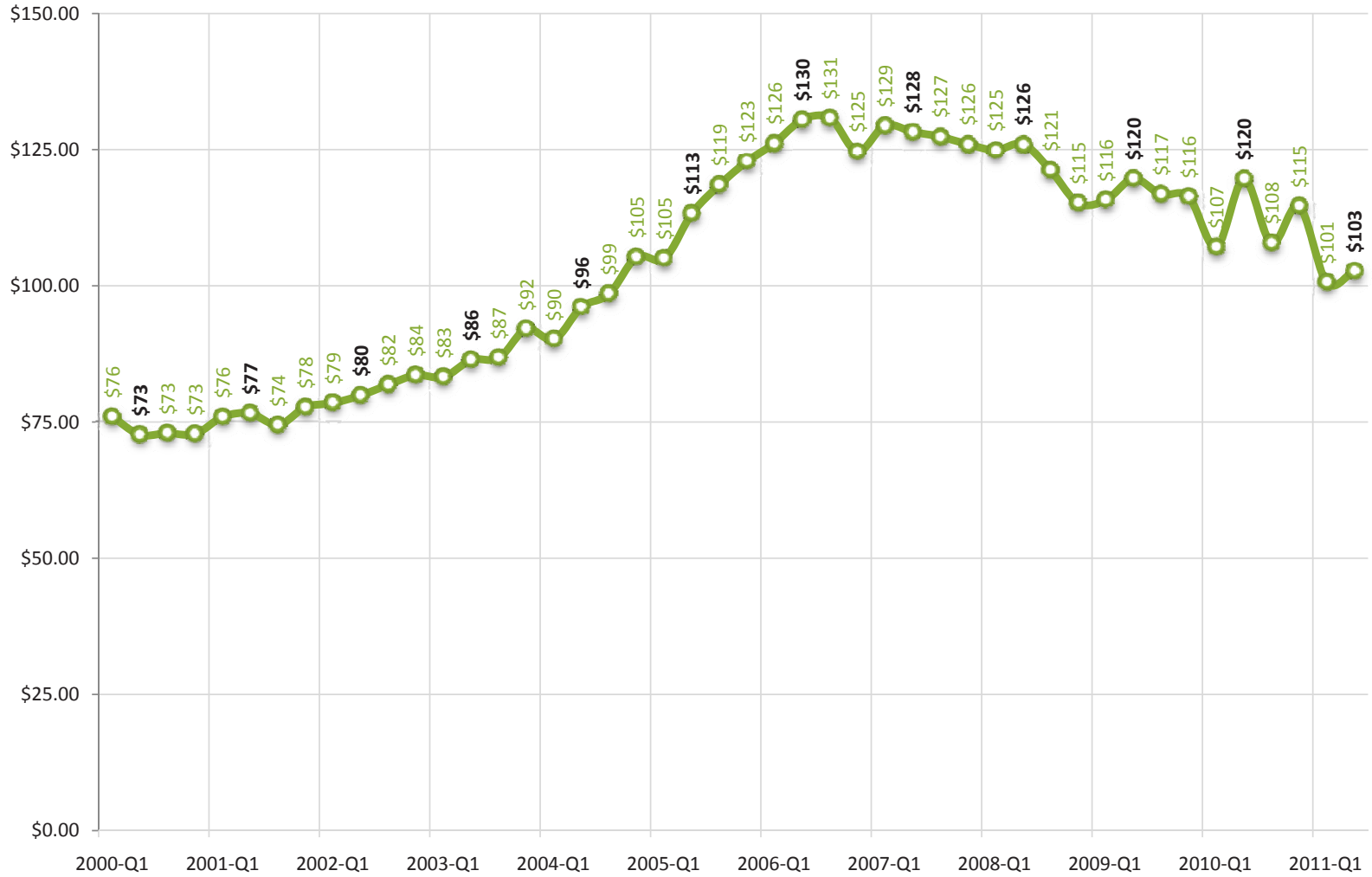
Harrisonburg & Rockingham County Housing Supply Trends by Price Range



With so many homes on the market (lots of sellers) and so few home sales (not so many buyers), there are very high levels of supply in our local real estate market. The graph above illustrates that it would take 12 months to sell all of the homes currently for sale under \$200k if the same number of buyers bought each month

as have been buying (on average) over the past 12 months. This supply metric gets even more extreme as the price range increases. Of note, after several months of healthier supply metrics in the \$400k+ market, the number of months of supply has increased yet again to more than two years of homes for sale.

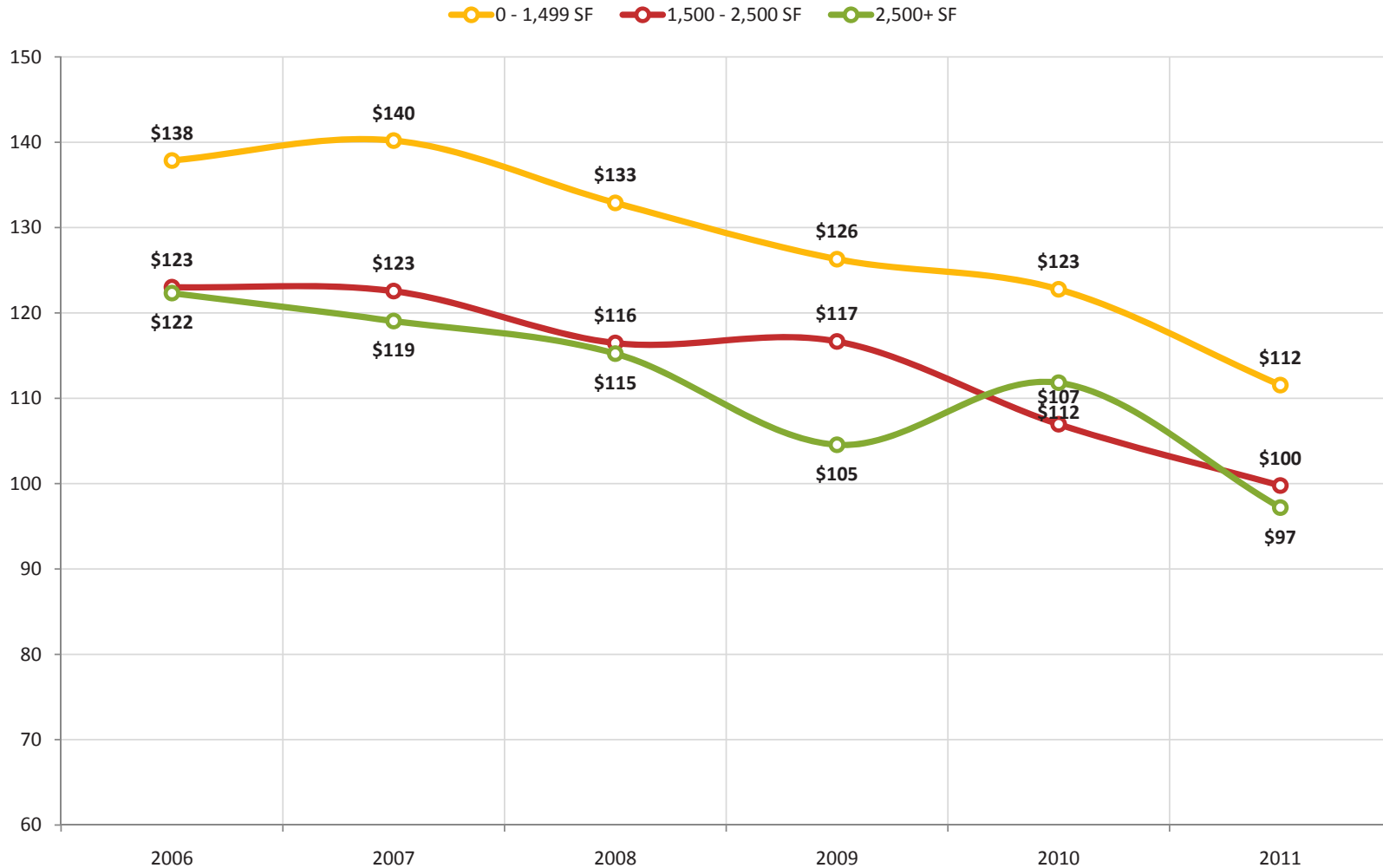
Harrisonburg & Rockingham County
Median Price Per Square Foot Trends
 Single Family Homes



In addition to monitoring home values by overall median sales prices in our market, it can be insightful to examine the median price per square foot of homes that are selling. The graph above shows the median price per square foot of all single family homes sold over the past 10+ years. The value trend captured by this graph is quite

similar to the trend shown in the single family home median sales price over the same time period, which validates that assumed set of changes in home values. The second and fourth quarters of 2010 were apparently great times to sell a single family home, as there were quick blips upward in this metric.

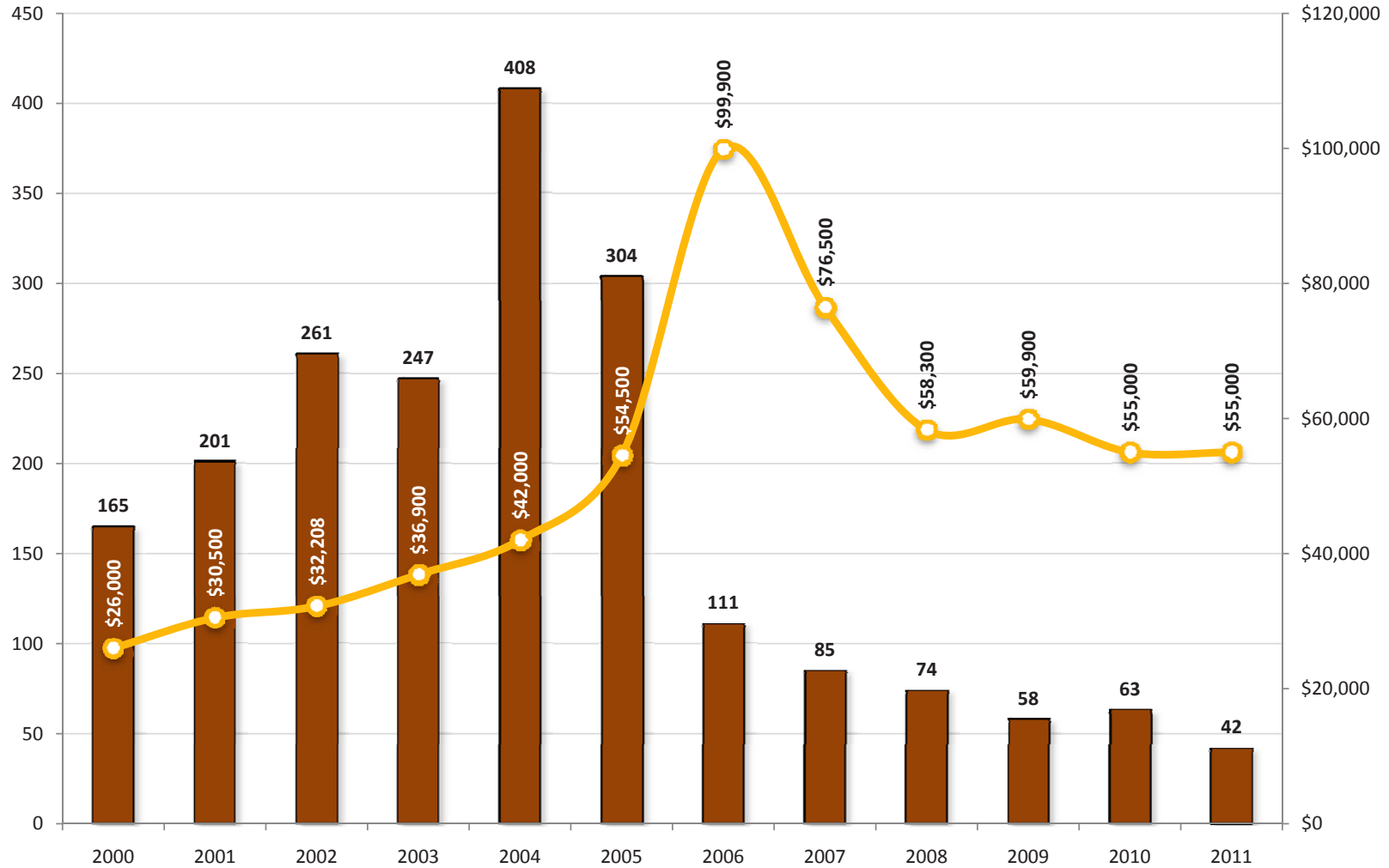
Harrisonburg & Rockingham County
Median Price Per Square Foot by Home Size
 Single Family Homes



Price per square foot of single family homes certainly varies for many reasons, including the age, location, lot size and structural characteristics of each home sold. However, there are some similarities in homes of a similar size. This graph illustrates that the median price per square foot of larger homes (2500+ SF) is a good bit lower

(\$97/SF) than homes that offer less than 1500 SF (\$112/SF). These values cannot be used as an absolute standard against which the value of any home can be measured, but they can provide some helpful guidance when trying to determine the value of a home that is for sale, or may be for sale in the near future.

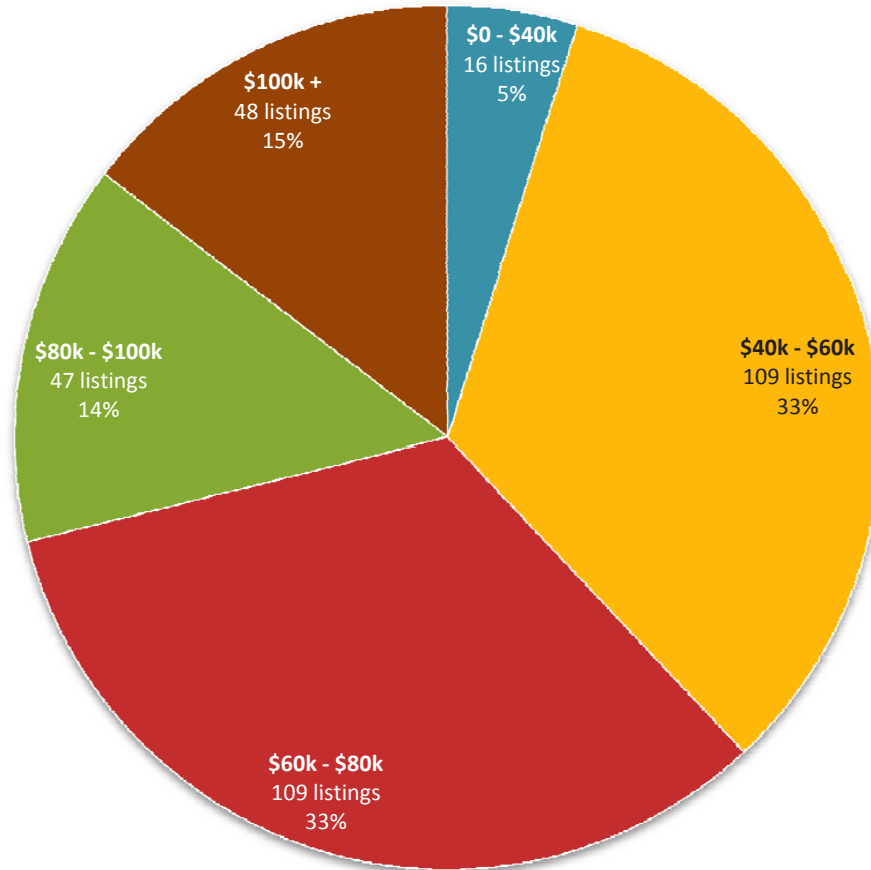
Harrisonburg & Rockingham County
Lot Sales & Median Prices
 less than 1 acre



While the pace of sales of lots that are smaller than an acre have plummeted since 2004 (-85% between 2004 and 2010), they finally may have stabilized. In 2009, there were 58 lot sales of less than an acre --- and there were 63 lot sales in 2010, finally showing an increase in this category of sales. Thus far in 2011, we are seeing a

healthy continuation of this trend, with 42 lot sales -- at this pace, we may see a strong increase in lot sales comparing 2011 to 2010. Furthermore, the median sales price of these lots under one acre seems to have steadied right around \$55,000.

Harrisonburg & Rockingham County
Price Distribution of Active Lot Inventory
less than 1 acre

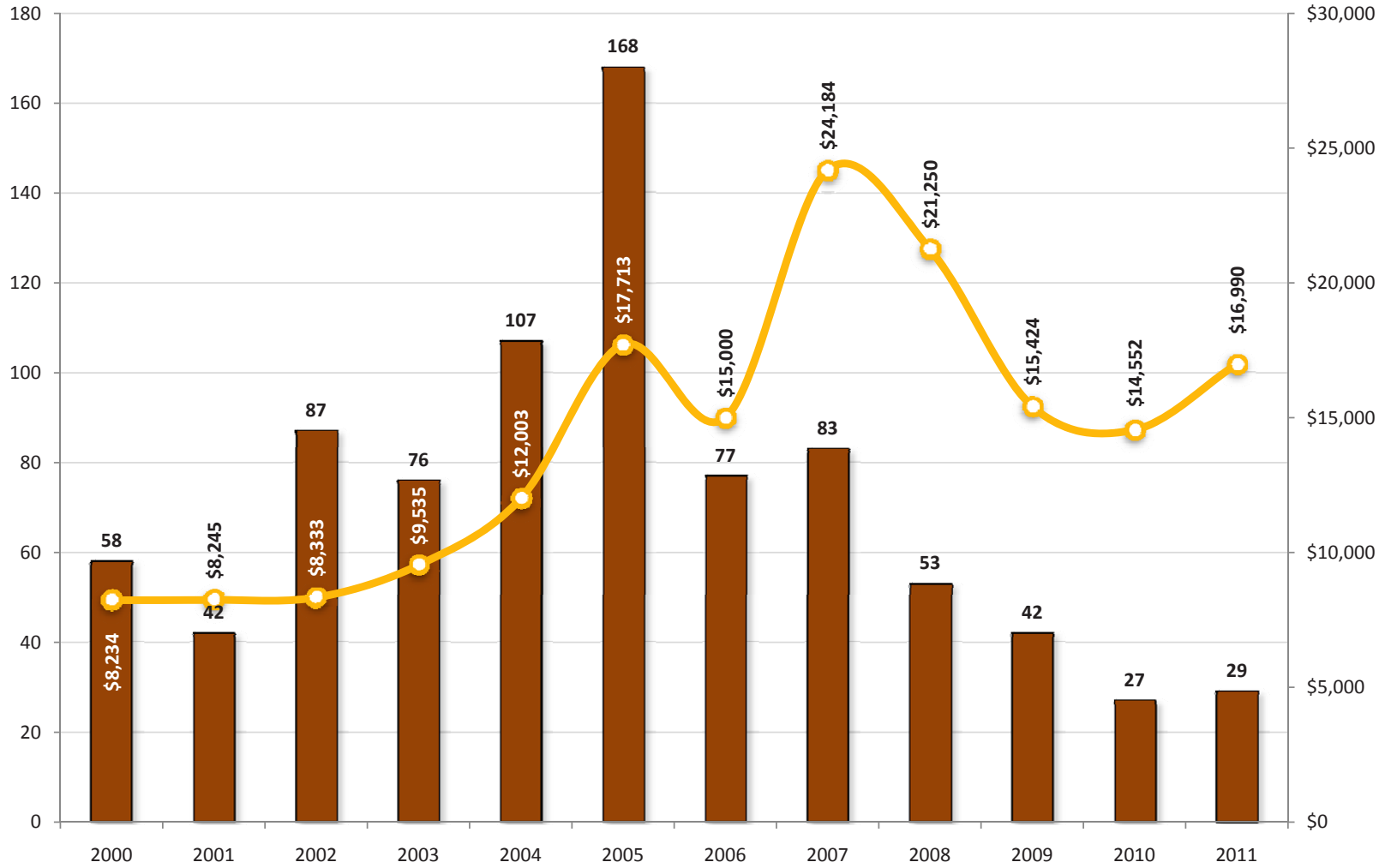


329 Active Lot Listings; Median List Price: \$70,000

Despite the fact that only 63 lots (of less than an acre) sold in all of 2010, there are an amazing 329 lots currently for sale. Furthermore, despite the fact that the median sales price of lots is hovering around \$55,000, the median list price of the 329 lots for sale is currently \$70,000. Given last year's 63 lot sales, if no other lots

were listed for sale, it would take over five years to sell all of the lots currently listed for sale. As you can see above, 62% of the lots currently listed for sale are priced above \$60,000 --- thus most sellers are have offering prices much higher than the 2011 median sales price of \$55,000.

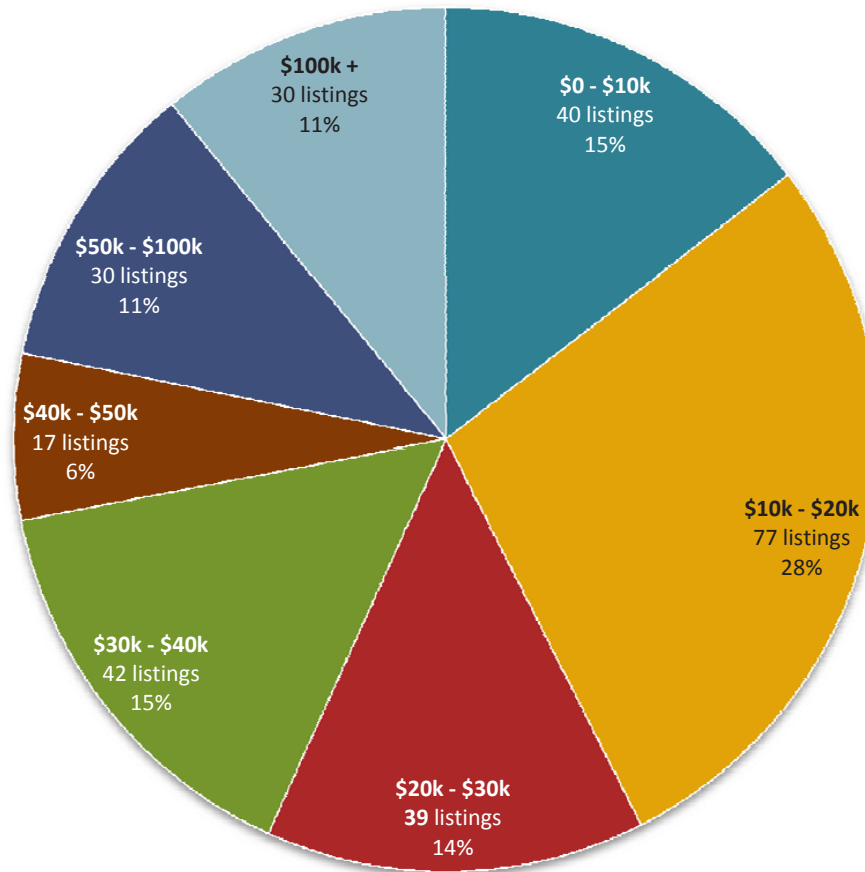
Harrisonburg & Rockingham County
Land Sales & Median Price Per Acre
 1 acre or more



Parcels of land larger than one acre in Harrisonburg or Rockingham County are selling quite quickly this year as compared to last year. During all of 2010, only 27 such land sales were recorded in the HRAR MLS, but we have already seen 29 sales during the first seven months of 2011. This increase in the pace of sales is very likely causing

the increase in median price per acre that has been experienced over the past year. Parcels were selling at a median of \$14,552 per acre last year, and thus far in 2011 they have been selling at a median of \$16,990 per acre.

Harrisonburg & Rockingham County
Price/Acre Distribution of Active Land Inventory
1 acre or more

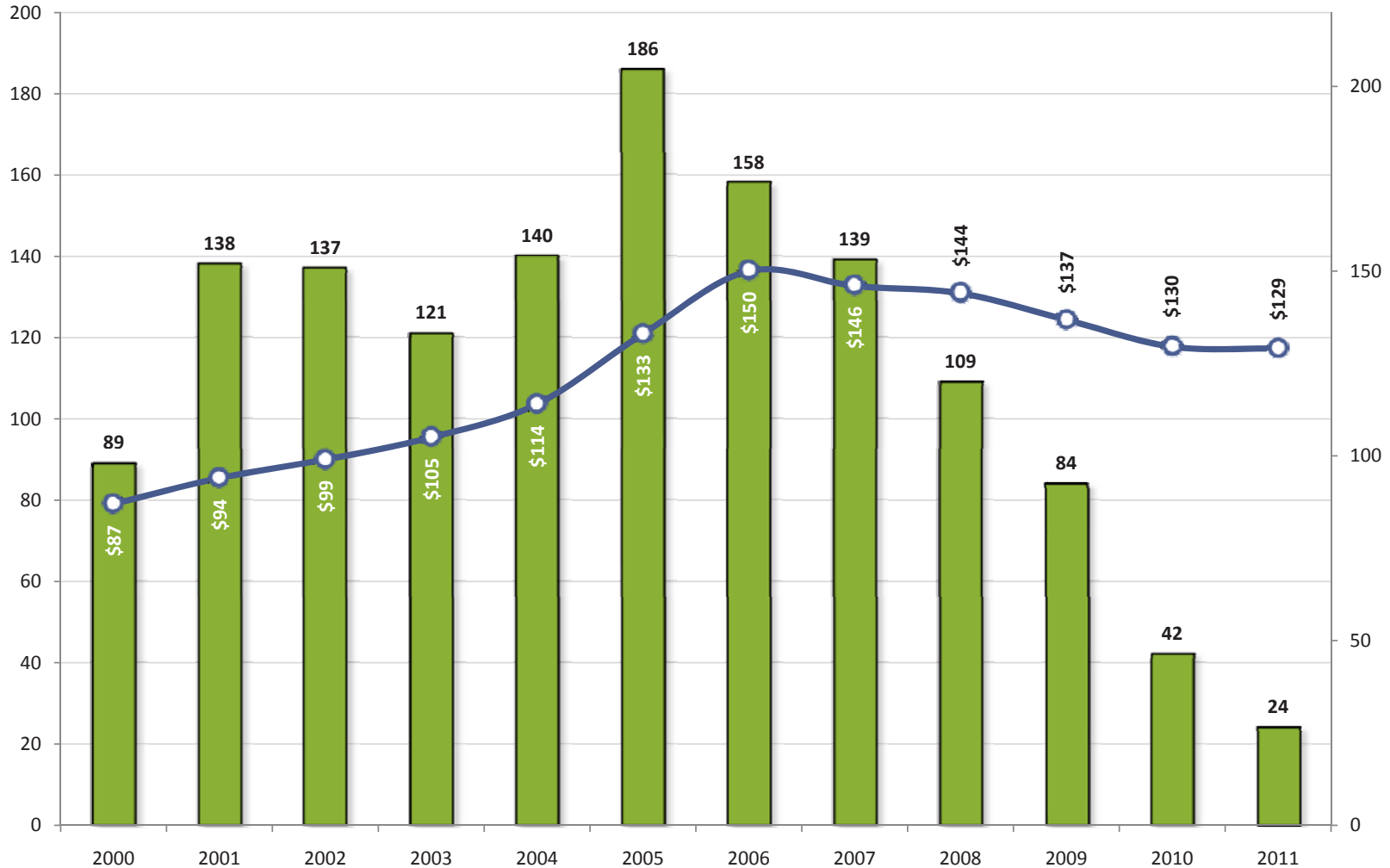


275 Active Land Listing; Median List Price: \$24,474 / Acre

Despite the fact that only 27 parcels of land (of one acre or more) sold in all of 2010, there are an amazing 275 parcels of land currently for sale. Furthermore, despite the fact that the median sales price of land is hovering around \$17,000 per acre, the median list price of the 275 parcels for sale is currently \$24,474 per acre. Given last

year's 27 land sales, if no other land is listed for sale, it would take over ten years to sell all of the parcels of land currently listed for sale. As you can see above, the vast majority of land listed for sale is listed at median prices per acre well above the median sales price per acre.

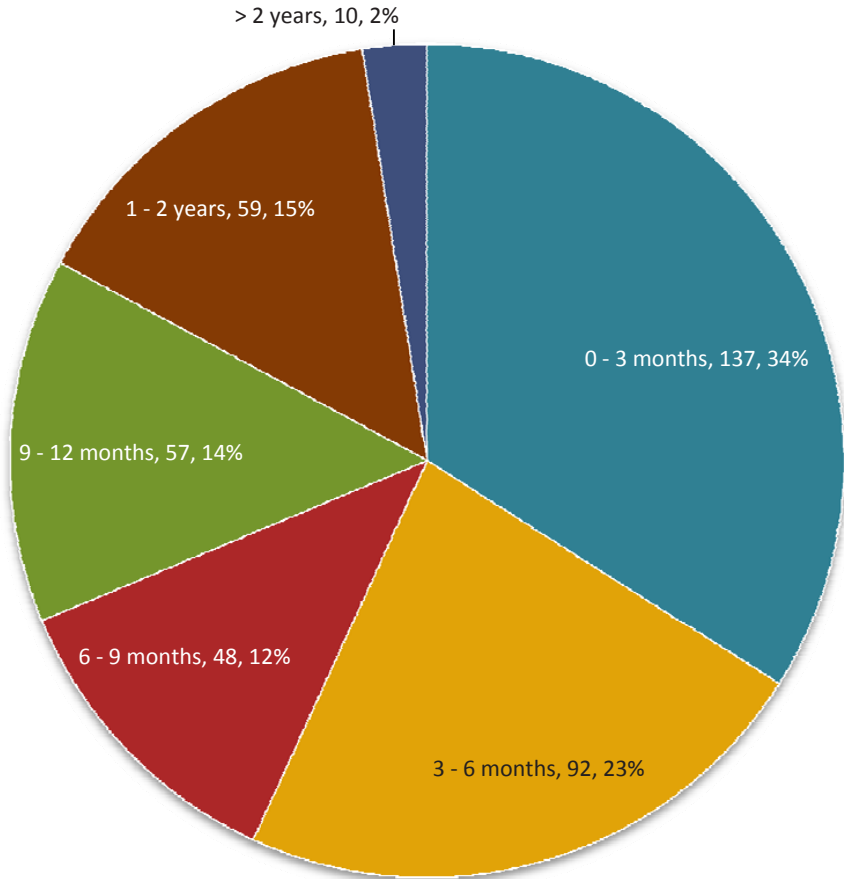
Harrisonburg & Rockingham County
New Construction Single Family Home Sales Trends
 Number of Sales, Median Price Per Square Foot



New home builders have certainly not been as busy this year as in the recent past. This graph illustrates changes in new (or almost new) single family home sales over the past decade. Remarkably, new home sales took a 50% drop in 2010 compared to 2009 -- though new home sales in 2011 may match last year's new home sales. It is

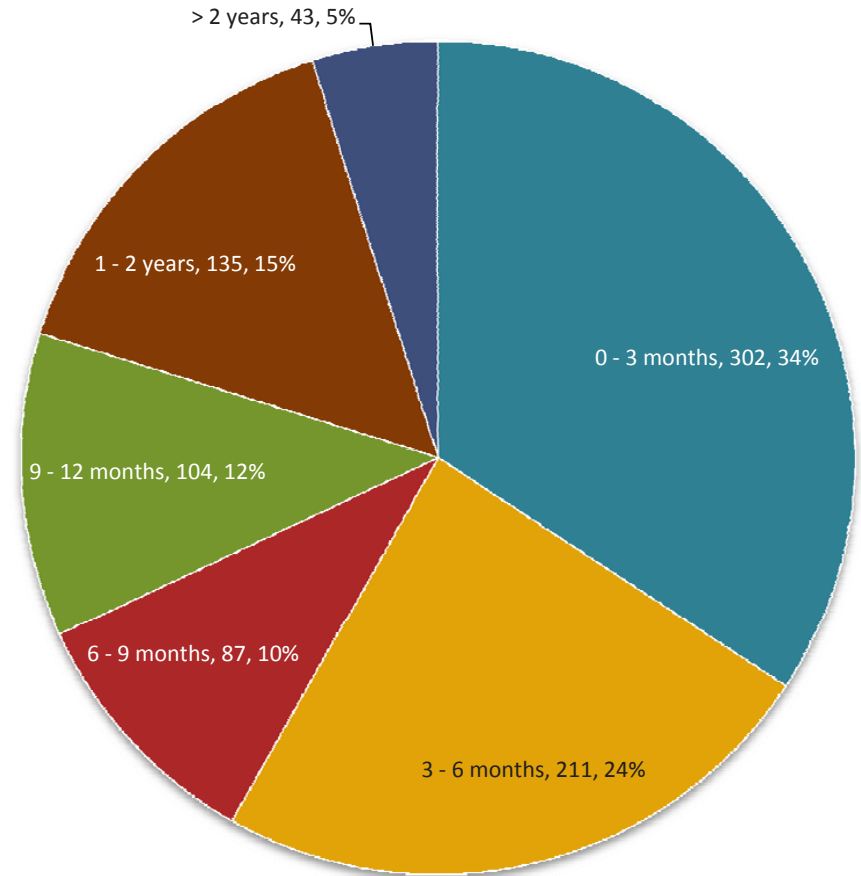
interesting to note that not only has the pace of new home sales started to stabilize, the median price per square foot is also showing some signs of steadying, with only a 1% decline between 2010 and 2011.

**Harrisonburg & Rockingham County
Days on Market Analysis
Residential Listings Sold Feb '11 - Jul '11**



Average Days On Market: 215

**Harrisonburg & Rockingham County
Days on Market Analysis
Active Listings**



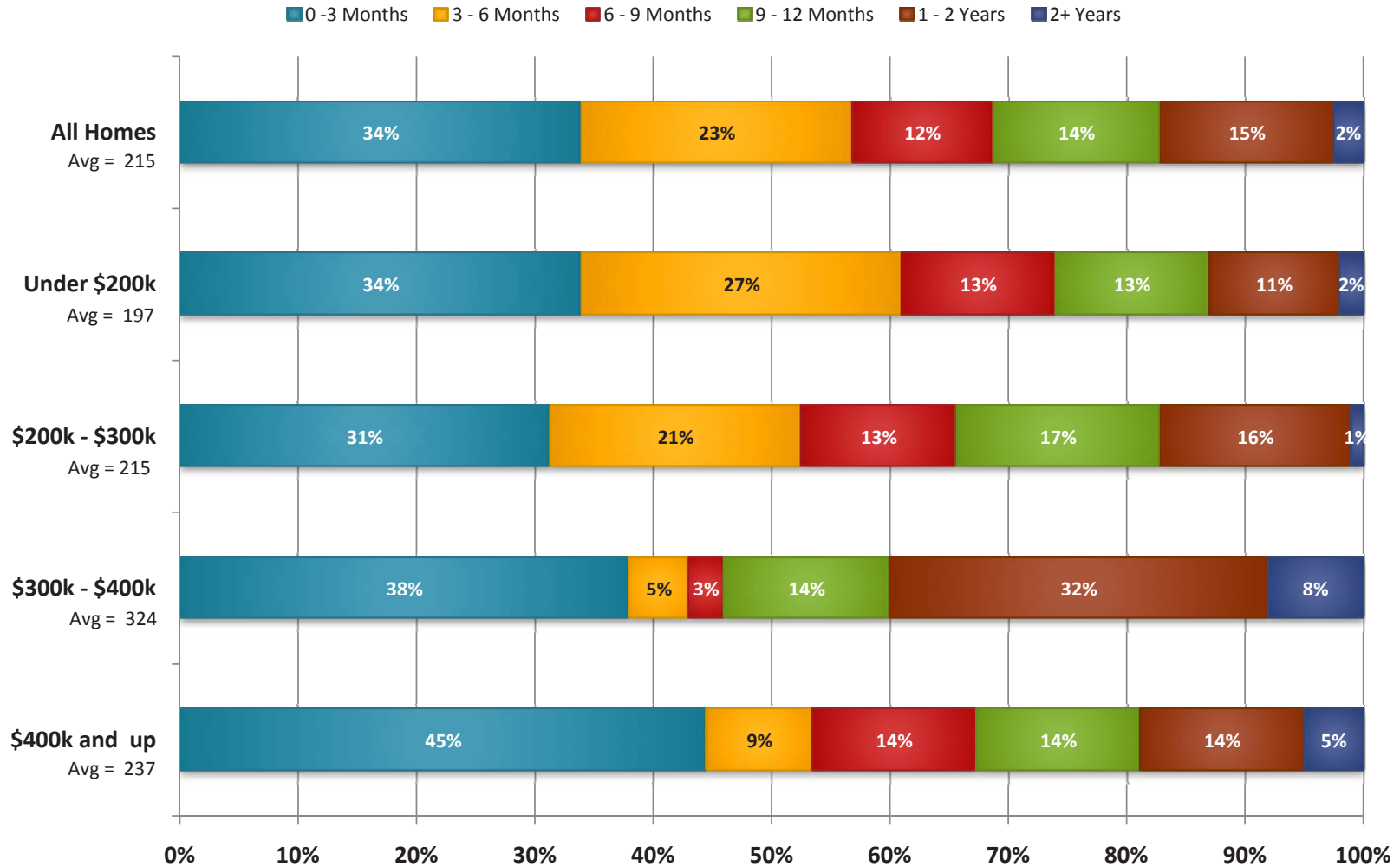
Average Days On Market: 233

Despite record inventory levels, and very few buyers being in the market, homes that are actually selling are selling rather quickly. In fact, 1 out of 3 homes that sells closes less than 90 days after being listed for sale. Include with that those that close in the next 90 days and we find that an amazing 57% of homes that sell have closed

within six months of first coming on the market. This is not, however accounting for the many, many homes that never sell -- that linger on the market, or are eventually removed from the market. The lesson to be learned here is the importance of pricing correctly from the start in order to sell in a reasonable time frame.

Harrisonburg & Rockingham County Days on Market Analysis by Price Range

Feb '11 - Jul '11



The time that it takes to sell a home in today's market varies quite significantly based on the price range of the home in question. For example, a full 61% of homes that sold under \$200,000 sold in the first 180 days of being on the market, while only 43% of homes between \$300,000 and \$400,000 were able to sell in that same time period.

The average days on market for homes over \$400k (237 days) is also significantly higher than that of homes under \$200,000 (197 days). Inventory (oversupply) and sales volume in each of these price ranges contributes directly to the variation in length of time on the market.

Average 30-Year Mortgage Interest Rate

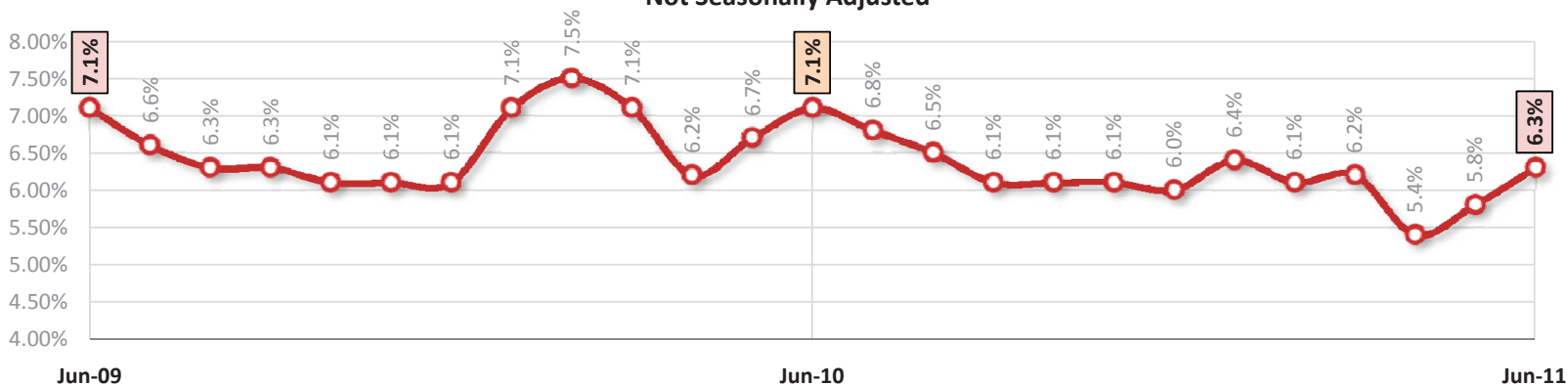
Source: Freddie Mac



Harrisonburg-Rockingham MSA

Unemployment Rate

Not Seasonally Adjusted



As shown in the top graph above, home buyers continue to find amazingly low interest rates on 30-year fixed rate mortgages, with the current average rate of 4.6% unchanged from one year ago. Despite the consistent warnings that we have heard about interest rates increasing, they have not been above 5% since early 2010. The

second graph above illustrates trends in the local unemployment rate -- which has increased over the past two months. Ignoring April and May of this year, the local unemployment rate has stayed rather steadily around 6.1% over the past eight months.

Scott P. Rogers, Associate Broker



Scott P. Rogers, an Associate Broker with Coldwell Banker Funkhouser Realtors, has built a successful real estate career around providing valuable market data, insight and analysis to buyers, sellers, investors and developers. From first time home buyers to builders and developers, Scott provides exceptional and comprehensive service before, during and after the real estate transaction.

Scott earned a B.A. and M.Ed. from James Madison University, providing him formal education in graphic design, management and counseling -- all of which he leverages on a daily basis to the benefit of his clients. Scott's graphic design and web development background allows him to create and leverage high caliber technology and marketing solutions.

In 2007, Scott began providing in depth analysis and insight into the local real estate market via his real estate blog, at HarrisonburgHousingToday.com.

In 2010, Scott was recognized by the Harrisonburg / Rockingham Association of Realtors as being in the top 1% of all area Realtors.

For more information, or with questions, contact:

SCOTT P. ROGERS, Associate Broker
540-578-0102 (mobile)
scott@HarrisonburgHousingToday.com



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Central Shenandoah Valley Property Search
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Monthly Real Estate Market Reports
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Harrisonburg & Rockingham County Trustee Sales
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