

THE NEST REPORT

Charlottesville / Central Virginia Region

Q3 2011

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So, what is the new normal in the Central Virginia real estate market? Are we there, yet? Have we bottomed out? These are the big questions that we're looking to answer. The regional market is still in a slight decline. Overall, median prices are off from Q3 2010. In addition, Months of Inventory continues to creep ever-so-slightly higher. There is some very positive news, too. For example, the City of Charlottesville has been suffering through some sub-par quarters, but single family home sales are up 28.8% from Q3 2010.

So, let's get the big question out of the way: has the overall market bottomed out? We don't think so. Based on the fact that inventory levels are still high in just about every market segment and median prices continue to drop, we still think there is some downward movement in the market.

However, that's not the whole story. There are some positive signs out there. Year-over-year sales throughout the entire Charlottesville MSA held steady from Q3 2010. However, in City of Charlottesville and Albemarle County, total sales were actually up year-over-year. Digging a little deeper, single family sales in Charlottesville (up 28.8%) and Albemarle (up 3.5%) were also strong. Those are great signs and something that we can not ignore. Why? Because Charlottesville City and Albemarle County will inevitably lead the market recovery....specifically single family homes in those markets will ultimately be key to the recovery.

Interest rates continue to be at historical lows. However, even with 30-year fixed interest rates hovering around 4%, they haven't quite stimulated buyers to jump off their couches to buy homes. The general public seems to have accepted these low rates as 'the norm.' Ultimately, this could cause affordability problems when rates do rise to 5 or 6%.

Distressed sales (short sales and foreclosures) continue to have an impact in our market – mostly in the sub-\$500,000 price point. Unfortunately, it's difficult to track exactly what percentage of properties are distressed sales...but we can definitely say that they are impacting prices in a negative manner.

While total sales did hold steady in Q3, the number of potential buyers are down. We track overall lockbox openings in our market, which is an indication of how many times a buyer walks through the front door of a home for sale. Year-to-date home showings are down 8.9% year-to-date and each home on the market in Q3 averaged just 1.5 showings per month. These numbers do cause some concern for us as lockbox openings are an indicator of future contracts and sales.

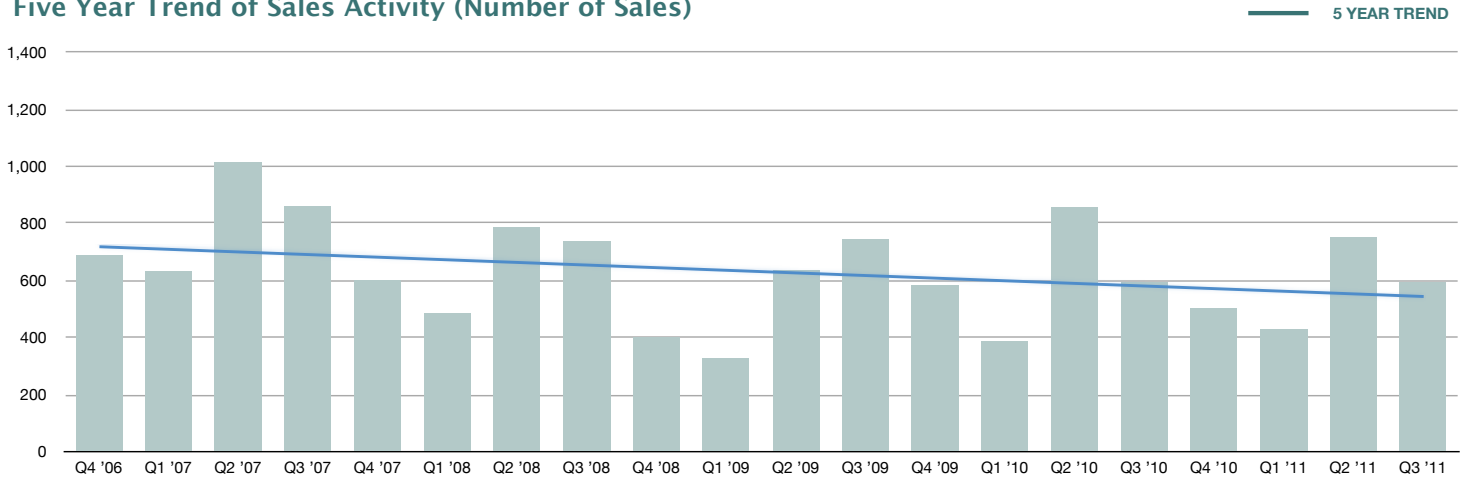
Signals continue to be mixed. If you are selling, your property must be pristine and priced right. If you are buying, make sure you have a reasonable time horizon for how long you will be in your new home.

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Central Virginia/Charlottesville MSA Market Snapshot

Overall sales in the Charlottesville MSA held steady as compared to Q3 2010 (594 total sales vs. 593). This is good news, especially after the large drop in sales from Q2 2010 to Q2 2011. Yet while total sales were the same, median prices in all categories continue to fall. This shouldn't come as a surprise to anyone, though, since we've seen a steady decline in prices for the last several quarters. The downward trend line of sales also continues. Even though sales were even with as compared to last year, we are down significantly over the last 5 years. Total Q3 sales since 2006 are as follows: 1069, 862, 738, 744, 594, and now 593.

Five Year Trend of Sales Activity (Number of Sales)



Single family home sales in the Charlottesville MSA dropped ever-so-slightly, down 1.6%. Along the same lines, months of inventory for single family homes increased about 1.5% up to over 15 months. This number is still extremely high and causes some concern that prices will most likely continue to fall in the coming months. The median prices of single family homes declined about 4.2% to \$273,000. Attached and condominium sales were actually up year-over-year, bouncing just over 4.1%. We attribute this to sellers reducing their listing prices (which are down 16.1% from Q3 2010) and, therefore, median sales price dropped 11.2%. This continues the theme that if median prices drop significantly, there is a very strong chance that sales will increase. On a negative note, months of inventory for attached and condominiums have jumped recently up to over 15 months, a 39.8% increase from Q3 2010.

MSA (Albemarle, Charlottesville, Fluvanna, Greene, Louisa, and Nelson)

Single Family		Average List Price	Average Sale Price	Median Sale Price	Price per Square Foot	Avg Days on Market	Total Sales	Total Inventory	Months of Inventory
	Q3 2011	\$345,882	\$329,638	\$273,000	\$135.00	96	439	1817	15.26
	Change	-5.3%	-5.0%	-4.2%	-9.4%	-5.9%	-1.6%	-8.5%	1.5%
	Q3 2010	\$365,357	\$347,000	\$285,000	\$149.00	102	446	1985	15.03
	Change	-5.0%	-3.9%	-4.7%	-5.1%	-10.5%	-19.2%	6.0%	19.6%
Q3 2009	\$384,508	\$360,942	\$299,157	\$157.00	114	552	1873	12.57	

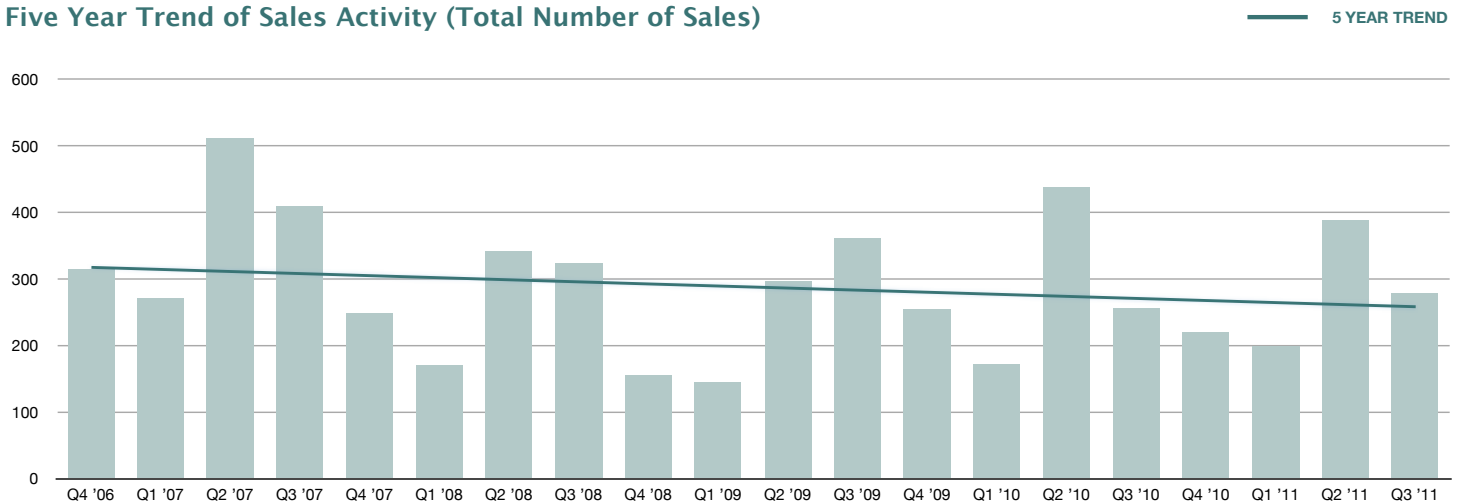
Attached / Condo		Average List Price	Average Sale Price	Median Sale Price	Price per Square Foot	Avg Days on Market	Total Sales	Total Inventory	Months of Inventory
	Q3 2011	\$208,214	\$199,185	\$186,950	\$144.00	114	154	505	15.78
	Change	-16.1%	-17.6%	-11.2%	11.6%	-9.5%	4.1%	-6.8%	39.8%
	Q3 2010	\$248,121	\$241,782	\$210,601	\$129.00	126	148	542	11.29
	Change	3.6%	3.8%	-1.6%	-14.0%	32.6%	-22.9%	-14.5%	-23.4%
Q3 2009	\$239,527	\$232,885	\$214,000	\$150.00	95	192	634	14.74	

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Albemarle County Market Snapshot

Albemarle County total year-over-year home sales were up, increasing from 256 to 278. Sales were actually up slightly in all three categories – single family, attached, and condominiums. Surprisingly, median price for single family homes were up 7.4% – a strong showing for a category that is still struggling with high inventory levels. Yet, the average price of single family homes was down 6.4%. A deeper look at this shows that we had an increase in more upper end properties sold during Q3 2011, thus shifting the numbers a bit. However, this strength in upper priced properties is a positive signal for the Albemarle County real estate market.

Five Year Trend of Sales Activity (Total Number of Sales)



Attached homes and condominiums were actually the strongest performers in the County in Q3. Attached sales were up almost 17%, while condominium sales jumped over 23%. In each case, median prices were lower than Q3 2010. However there are more positive trends. Take a look at the contracts written: attached and condominium contracts written were up 90.7% and 64.7%, respectively, as compared to Q3 2010. This serves as a bright spot and provides a ray of hope for the coming months. Single family contracts written were also up, but only by 1.8%.

Single Family		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Avg \$ PSF	Total Sales #
	Q3 2011	439,077	421,119	365,000	81	\$151	177
Change	-6.9%	-5.7%	5.6%	-29.6%	4.9%	-31.9%	
Q2 2011	471,520	446,375	345,750	115	\$144	260	
Q3 2011	439,077	421,119	365,000	81	\$151	177	
Change	-7.2%	-6.4%	7.4%	-12.0%	-7.9%	3.5%	
Q3 2010	473,247	449,690	340,000	92	\$164	171	

Attached		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Avg \$ PSF	Total Sales #
	Q3 2011	230,241	223,542	219,500	106	\$130	69
Change	-0.6%	-2.9%	-6.4%	43.2%	0.8%	-20.7%	
Q2 2011	231,655	230,235	234,500	74	\$129	87	
Q3 2011	230,241	223,542	219,500	106	\$130	69	
Change	-7.1%	-9.0%	-2.5%	-1.9%	4.0%	16.9%	
Q3 2010	247,801	245,777	225,175	108	\$125	59	

Condos		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Avg \$ PSF	Total Sales #
	Q3 2011	158,805	148,335	123,950	84	\$131	32
Change	9.7%	5.4%	-3.6%	27.3%	7.4%	0.0%	
Q2 2011	144,709	140,697	128,625	66	\$122	32	
Q3 2011	158,805	148,335	123,950	84	\$131	32	
Change	-33.0%	-33.4%	-9.4%	-51.7%	4.8%	23.1%	
Q3 2010	237,005	222,863	136,825	174	\$125	26	

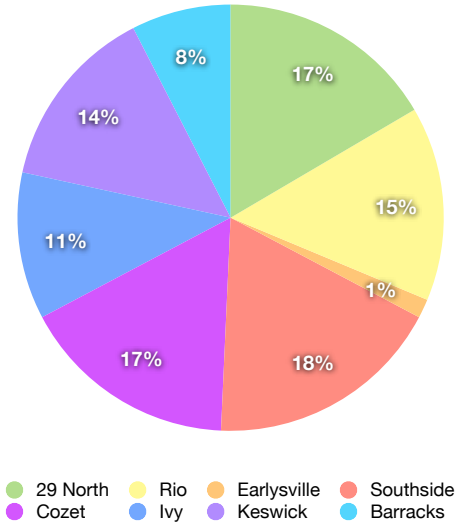
Contracts Written

	Q3 2010	Q3 2011	Change
Single Family	167	170	1.8%
Attached	43	82	90.7%
Condos	17	28	64.7%

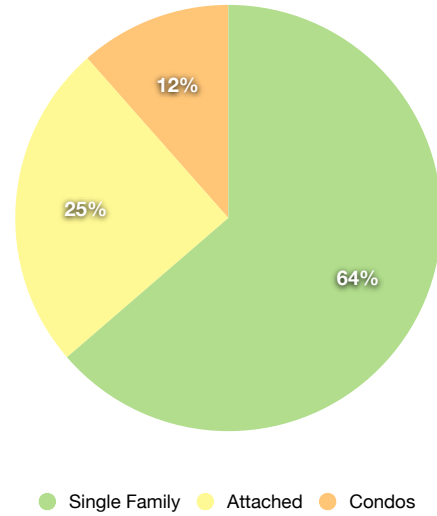
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Albemarle County Market Snapshot (Part 2)

Albemarle County Sales by Sub-Area

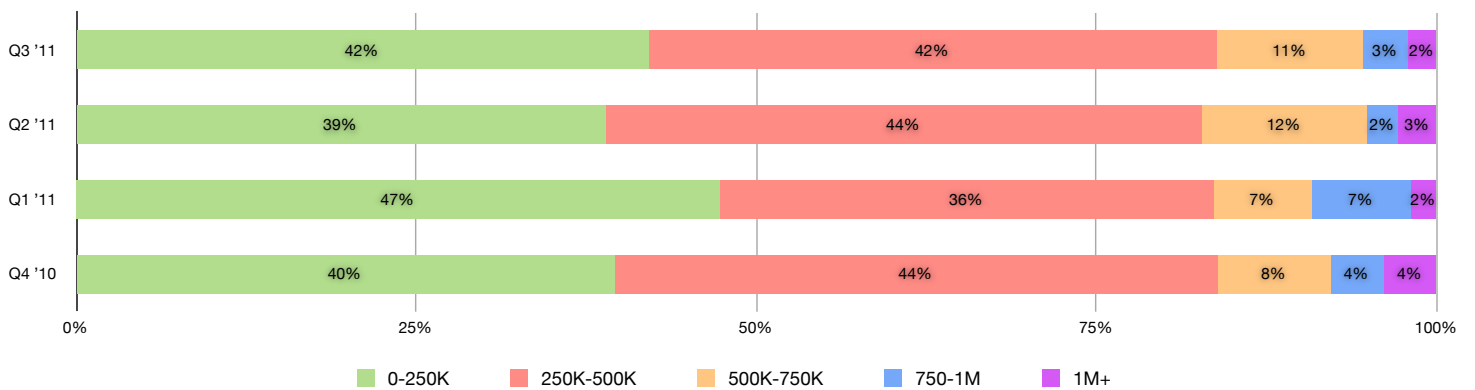


Albemarle County Sales by Type



Albemarle’s Southside area continues to garner the most sales. However, the Southside made up 22% of sales last quarter and dropped to 18% this past quarter. The Rio area (up to 15% from 12%) and Barracks (up to 8% from 6%) represent the largest increases from Q2 2011. Cozet, 29 North, and Ivy remained steady. In Q2, single family home sales comprised 70% of the market – that dropped to 64% as both condominiums and attached homes proved to be more popular in Q3. This is an interesting shift. We are seeing sellers of condominiums and attached homes becoming more aggressive with pricing. Thus, buyers are clearly seeing better values in these markets. If single family home sellers do shift and, in term, become more aggressive, then we fully expect home sales of single family homes to increase again. However, it doesn’t surprise us that single family median prices are up and total home sales are down relative to attached homes and condominiums in Albemarle.

Albemarle County Percent of Sales by Price Range

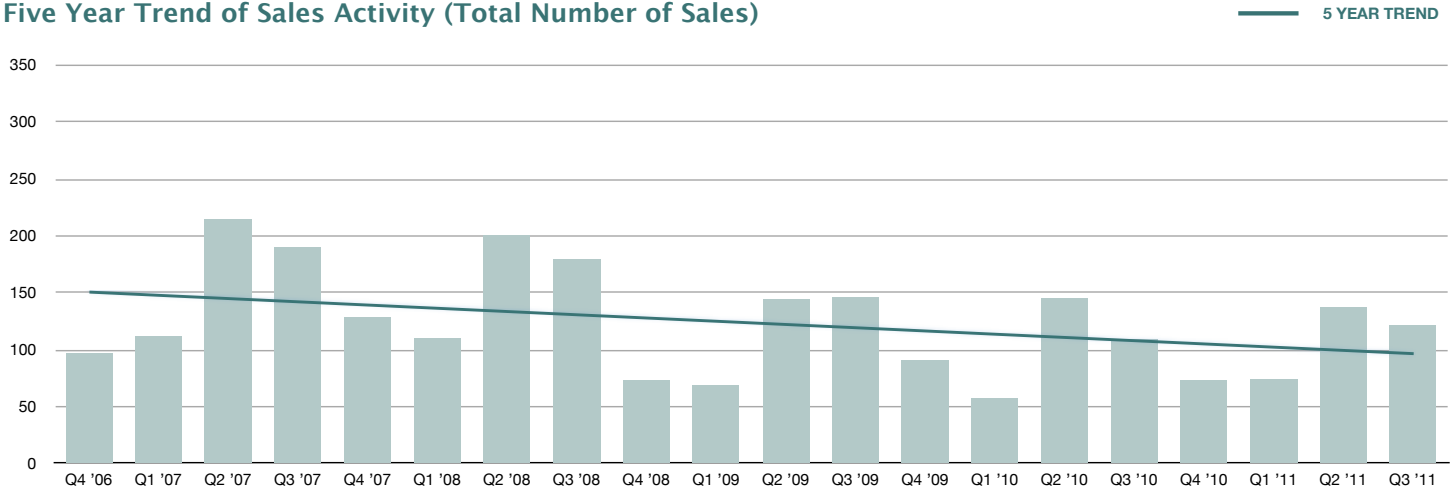


Home sale price distribution stayed on a fairly steady course in Albemarle County. 84% of all homes sold in Q3 2011 were under \$500,000. After a surge in higher priced homes during Q1 2011, the last 2 quarters have held steady with between 15% and 16% of all properties selling above \$500,000. The lack of fluctuation here serves as a positive sign that the market may be stabilizing. An unstable market is more likely to have big jumps and fluctuations from quarter-to-quarter.

Charlottesville City Market Snapshot

Sales in Charlottesville City have lagged for months. However, Q3 City sales marks the 2nd time in 3 quarters that we've seen year-over-year sales increases. So, the City may be starting its rebound. Why? Prices are starting to move down...even just a little. It's no secret that the City of Charlottesville is a very desirable spot to be...people WANT to live there. However, today's astute buyer has not seen the City real estate market as a good value. That may be beginning to change. That being said, single family home sales lead the way for Charlottesville in Q3, while condominiums lagged (condo sales were off by almost 25% from Q3 2010). This news bodes well for the City as it seeks to continue its rebound.

Five Year Trend of Sales Activity (Total Number of Sales)



Due in large part to median sales prices in the City continuing to hover in the \$270,000 range for single family homes, single family home sales jumped 28.8% as compared to last year. Attached home sales stayed relatively steady (increasing from 10 to 11). Condominium sales suffered this last quarter after a several month run of impressive sales stats. Condo sales were not only off 24.2%, but median prices were off 34.7% and average prices were off 36.9%. Contracts written for single family and attached homes were steady last quarter. However, contracts written for condos were off by 33%. Keep a close eye on City condo sales moving forward as it looks like sales may continue to lag in Q4.

Single Family		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Avg \$ PSF	Total Sales #
	Q3 2011	366,322	341,038	270,000	91	\$153	85
Change	17.8%	15.3%	6.4%	-16.5%	4.1%	-7.6%	
Q2 2011	310,977	295,882	253,750	109	\$147	92	
Q3 2011	366,322	341,038	270,000	91	\$153	85	
Change	7.1%	4.8%	-2.4%	-21.6%	-11.6%	28.8%	
Q3 2010	341,880	325,287	276,500	116	\$173	66	

Attached		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Avg \$ PSF	Total Sales #
	Q3 2011	220,427	209,507	239,700	100	\$124	11
Change	9.8%	10.2%	27.3%	-29.1%	-1.6%	10.0%	
Q2 2011	200,820	190,080	188,250	141	\$126	10	
Q3 2011	220,427	209,507	239,700	100	\$124	11	
Change	17.8%	15.8%	30.6%	-53.5%	14.8%	10.0%	
Q3 2010	187,199	180,940	183,500	215	\$108	10	

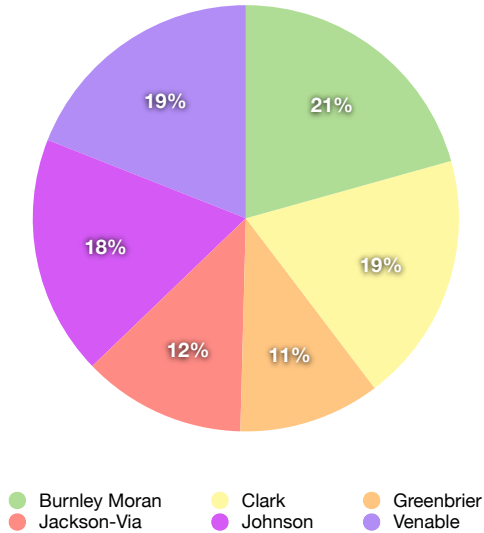
Condos		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Avg \$ PSF	Total Sales #
	Q3 2011	197,758	187,656	144,400	73	\$213	25
Change	-4.7%	-3.5%	-9.8%	-8.8%	3.4%	-24.2%	
Q2 2011	207,496	194,554	160,000	80	\$206	33	
Q3 2011	197,758	187,656	144,400	73	\$213	25	
Change	-33.8%	-36.9%	-34.7%	23.7%	51.1%	-24.2%	
Q3 2010	298,805	297,332	221,285	59	\$141	33	

Contracts Written

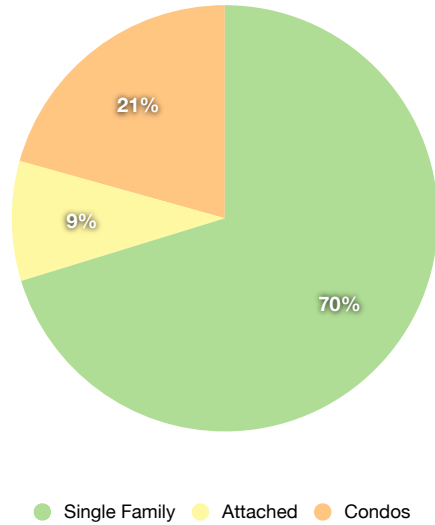
	Q3 2010	Q3 2011	Change
Single Family	62	63	1.61%
Attached	9	9	0.00%
Condos	27	18	-33.33%

Charlottesville City Market Snapshot (Part 2)

Charlottesville City Sales by Elementary School Area

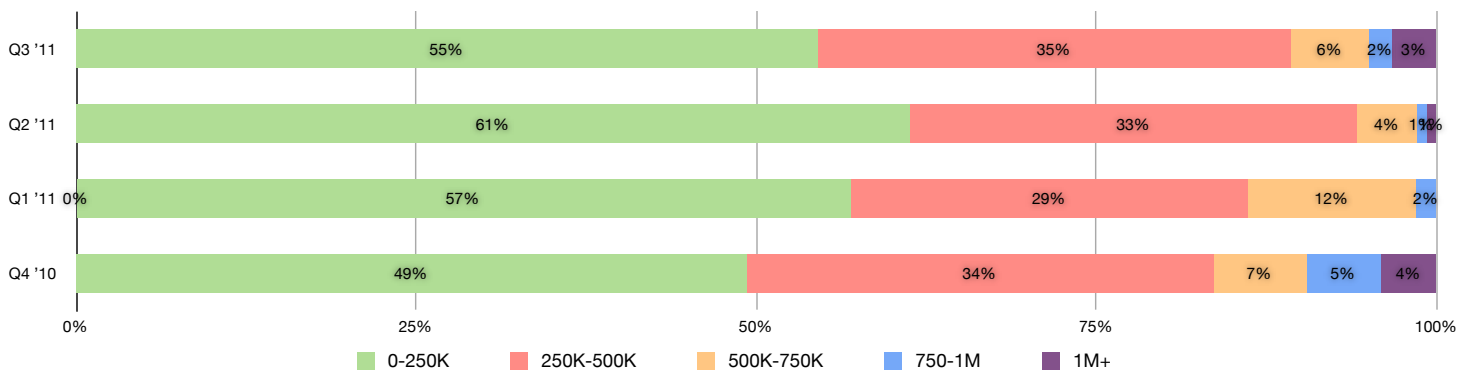


Charlottesville City Sales by Type



Sales in the different Charlottesville elementary school districts continued to be evenly distributed in Q3. Jackson-Via and Venable each saw increases in 'market share'. The distribution of sales type held relatively steady from Q2 to Q3. Single family home sales inched from 69% to 70% in Q3. However, condominium sales dropped from 25% to 21%. Once again, condominiums in the City of Charlottesville suffered in Q3. Attached homes increased from 6% of total sales in Q2 to 9% in Q3.

Charlottesville City Percent of Sales by Price Range



Want another sign that the Charlottesville City real estate market looks to be bouncing back slightly? Buyers are buying higher priced properties. Whereas Q2 saw 61% of sales below \$250,000, only 55% of sales were sub-\$250k in Q3. Also, as compared to Q2, 11% of sales were above \$500,000. In Q2, only 6% of sales were above \$500k. In addition, there were 4 properties that sold over \$1 million in Q3 – that equals the total number of million dollar City sales in the last three quarters combined. Several spectacular, upper-end City properties have recently come on the market so it will be interesting to see if high-end buyers continue to invest in the City during Q4.

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Fluvanna County

Overall		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Total Sales #	Total Inventory	Months of Inventory
	Q3 2011	\$239,058	\$223,892	\$203,750	121	68	327	25.15
	Change	0.1%	-4.5%	-0.6%	44.0%	-9.3%	-0.6%	83.6%
	Q3 2010	\$238,735	\$234,467	\$205,000	84	75	329	13.7
	Change	-8.3%	-7.0%	-2.4%	-25.0%	2.7%	8.9%	13.4%
Q3 2009	\$260,394	\$252,114	\$210,000	112	73	302	12.08	

Fluvanna suffered through a tough Q3 with sales down almost 10% and end-of-September months of inventory up to 25.15 months, an 83% increase over Q3 2010. Why did sales suffer? It's simple – list prices and median sale prices stayed flat. While days on market in most market segments has held relatively steady, Fluvanna DOM jumped 44% from 84 to 121 days. In addition, contracts written during the quarter were down almost 10%. With 25 months of inventory, Fluvanna will continue to suffer price declines. Sellers in this market must make sure that their property is not only pristine, but also priced well below the competition in order to attract buyers.

Contracts Written

Q3 2010	Q3 2011	Change
74	67	-9.5%

Greene County

Overall		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Total Sales #	Total Inventory	Months of Inventory
	Q3 2011	\$232,952	\$233,141	\$224,900	83	53	255	10.2
	Change	-8.8%	-7.7%	-10.0%	13.7%	0.0%	15.4%	-3.0%
	Q3 2010	\$255,549	\$252,471	\$250,000	73	53	221	10.52
	Change	-1.4%	-0.9%	-3.8%	-26.3%	-10.2%	17.6%	6.4%
Q3 2009	\$259,282	\$254,800	\$260,000	99	59	188	9.89	

Once again, Greene County sales continue to be strong. Looking purely at the numbers, Greene seems to be on the road to recovery. While total sales in Greene were flat year-over-year, prices continue to adjust downward. On the surface, dropping values may seem like a sign of a bad market. However, it's clear that Greene sellers are adjusting to the market quicker than most other areas and therefore are setting themselves up for a better chance of success. On the negative side for Greene, total inventory did increase about 15% from Q3 2010. In addition, contracts written in Q3 were down 20% – from 60 to 48. However, if job growth in Northern Albemarle and Greene continues and the Greene County months of inventory levels remain palatable, the Greene real estate market will be in decent shape.

Contracts Written

Q3 2010	Q3 2011	Change
60	48	-20.0%

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Louisa County

Overall		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Total Sales #	Total Inventory	Months of Inventory
	Q3 2011	\$240,268	\$232,279	\$189,250	105	46	166	13.83
	Change	-17.6%	-13.5%	-5.4%	-13.2%	-6.1%	-7.8%	-38.5%
	Q3 2010	\$291,701	\$268,635	\$200,000	121	49	180	22.5
	Change	17.7%	13.9%	-4.7%	-27.5%	-15.5%	-18.2%	84.1%
Q3 2009	\$247,893	\$235,760	\$209,900	167	58	220	12.22	

Louisa suffered through a tough Q3...and we're not talking about real estate. The devastating earthquake definitely affected Louisa and made its real estate problems take a backseat. In terms of real estate, Q3 was a mixed bag for Louisa: sales were down 6.1% and median prices were down 5.4%. However, inventory, months of inventory, and days on market all improved from Q3 2010. In addition, contracts written were up 3.4%. We will be sure to keep an eye on Louisa to see what long term impact the earthquake damage has on real estate values and to see if the market can bounce back from a tough last few years.

Contracts Written

Q3 2010	Q3 2011	Change
87	90	3.4%

Nelson County

Overall		Average List Price	Average Sale Price	Median Sale Price	Avg Days on Market	Total Sales #	Total Inventory	Months of Inventory
	Q3 2011	\$261,523	\$238,012	\$200,000	263	27	349	34.9
	Change	-24.1%	-25.4%	-26.4%	43.7%	-48.1%	-12.5%	57.5%
	Q3 2010	\$344,700	\$319,220	\$271,750	183	52	399	22.16
	Change	-7.2%	-6.9%	-13.7%	18.1%	13.0%	0.5%	-10.7%
Q3 2009	\$371,279	\$342,714	\$315,000	155	46	397	24.81	

The Nelson County real estate market can be described one way: unpredictable. As soon as Nelson has a good quarter of sales and looks to be on the road to improvement, something like this happens. What's 'this'? Well, sales were off 48.1%, months of inventory was up 57.5%, DOM was up 43.7% and median sales prices were down 26.4%. Oh yeah, and contracts written were off 23.7%. The ugliest stat of them all? 34.9 months of inventory. Ouch. Nelson, once again, looks to have a long road ahead of it. However, on the plus side, the tourism industry, the wine trail, and the newly-named 'Brew Ridge Trail' add some upside to Nelson. Until the second home market comes back, Nelson County real estate sales will continue to struggle.

Contracts Written

Q3 2010	Q3 2011	Change
59	45	-23.7%

*Some statistics in this report come courtesy of the Charlottesville Area MLS as of 10/15/11.