

Governing Body Meeting

December 20, 2011

Governing Body Agenda Item 5: Richard Sanderson (City Assessor):
Forecast of 2012 Real Estate Assessments

[Slide 1] Forecast of 2012 Real Estate Assessments

City of Manassas Park



Forecast of 2012 Real Estate Assessments for FY 2012-2013

Introduction:

My brief presentation this evening will give the Governing body an idea of how real estate assessment may change for 2012 that will affect the fiscal year (FY) 2012-2013 budget for the City.

Presentation:

[Slide 2] How the Property Tax Base Changes

How the Property Tax Base Changes

1. Property appreciation or depreciation for each class of property to reflect changing market conditions
2. Changes in the state tax laws
3. Physical changes to property, such as new construction and development, or losses due to demolition, fire or similar damages
4. As a result of assessments being challenged as part of the assessment review and appeal process
5. Changes in the taxable status of property

- Of the various ways that the City's property tax base can change, property appreciation appears to be the primary reason that assessments will change for 2012.
- Improvements to existing residential properties (additions and renovations) are expected to add \$2.2 million to the City's tax base for FY 2013. Similar improvements added between \$1.4 and \$2.8 million to the City's tax base during FY 2009 through 2012.

Forecast

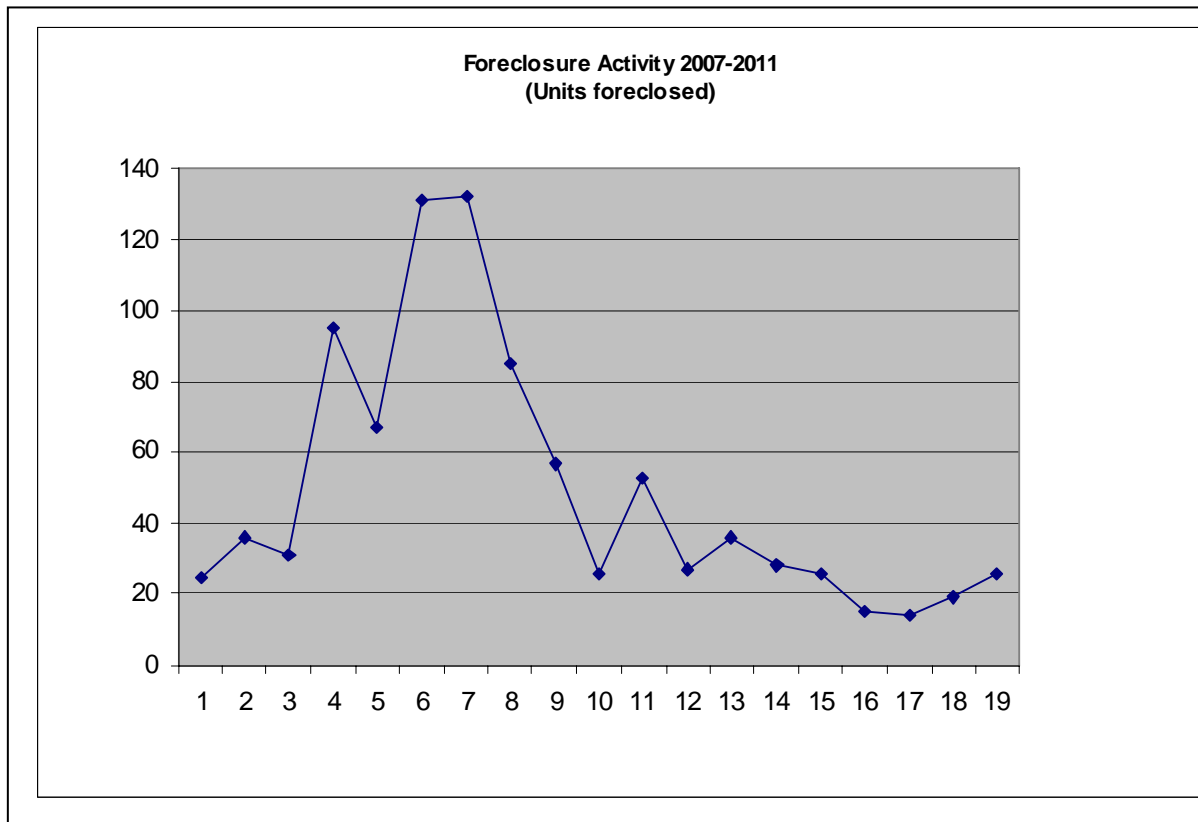
- Given what is known at the present time, the real estate tax base is expected to increase 3.5% (from the current total of \$1,101,342,900) for the 2012 assessments. The change in the real estate tax base takes into consideration revisions to the 2011 assessments that resulted from the assessment review and appeal process.

[Slide 3] Residential Property Transactions (history for first 9-months of 2007 through 2011)

Transfer Type	2007	2008	2009	2010	2011
Typical Sales	147	43	143	169	142
Foreclosures	92	330	138	94	59
REO Sales	21	285	212	52	35
Total	260	658	493	315	236

- The number of foreclosures that took place in the City declined 37%, from 94 during the first 9 months of calendar year (CY) 2010 to 59 foreclosures during the first 9 months of CY 2011. 330 foreclosures took place during the first 9 months of CY 2008.
- Bank-owned property sales in the City declined 33%, from 52 during the first 9 months of CY 2010 to 35 foreclosures during the first 9 months of CY 2011. 285 bank-owned property sales took place during the first 9 months of CY 2008.

[Slide 4] History of Foreclosure Activities 2007-2011



Slide 4 shows the foreclosure history in the City over the four and three-quarter years.

19 quarters are plotted from January 1, 2007 through September 30, 2011, showing the number of residential units foreclosed.

Quarters 1 - 4 = CY 2007

Quarters 5 - 8 = CY 2008

Quarters 9 - 12 = CY 2009

Quarters 13 -16 = CY 2010

Quarters 17 - 18 = CY 2011 (through Sept. 30, 2011)

- While foreclosures during the second and third quarters of 2011 are up slightly from the previous two quarters we expect that foreclosures for the full 2011 CY will be less than in 2010, and continue the downward trend.

[Slide 5] Residential Sales by Price Range (2007-2011)

Value Range	2007	2008	2009	2010	2011
Under \$100K	1	94	151	13	10
\$100 - 149.9K	1	266	170	75	44
\$150 - 199.9K	19	172	121	98	60
\$200 - 249.9K	62	115	40	61	29
\$250 - 299.9K	216	109	57	26	17
\$300 - 349.9K	116	84	32	26	5
\$350 - 399.9K	32	42	20	14	7
\$400K and over	67	22	4	6	5

- Slide number 5 shows the number of home sales during the first nine months of CYs 2007 – 2011 by sales price range. The most active sales price range for 2006 was \$300,000 to \$349,999.
- The most active sales price range for the majority of residential home sales declined rapidly from CY 2007 to CY 2008 before stabilizing and then moving upward in CY 2010.
- 51% of the homes (90 of the 177) that sold during the first nine months of 2011 were at sales prices above their 2011 assessed values. Because Virginia tax laws require assessments to reflect current market value, residential property assessments will need to increase for 2012.

[Slide 6] Area Real Estate Market

- Median sales prices for homes in Northern Virginia for September 2011 were 5.3% higher than the same month in 2010.
- The median sales price for residential property in Prince William County for September 2011 increased 5.6% over the same month in 2010.

[Slide 7] Area Real Estate Market (continued)

- The average number of days that homes were on the market in Prince William County was 54 days during the first 9 months of CY 2011. This compares to an average of 120 days on market during CY 2008.
- Prince William County was ranked first in the Commonwealth and third in the nation for job growth 2010-2011 by the Bureau of Labor Statistics.

Challenges

- This forecast considers residential property sales through September 30, 2010. Sales through December 31, 2010, will be considered before final assessments are determined for 2012.
- Shadow Inventory: Many real estate experts say that many banks have not placed foreclosed homes on the market that they took possession off up to nine months ago. If too much inventory is placed on the market at one time, prices will suffer. Many large banks and mortgage lenders are said to waiting for the outcome of lawsuits filed by states attorney generals claiming concerning foreclosure practices before proceeding with foreclosure claims.

[Slide 8] Next Update and Calendar

- February Governing Body meeting (real estate market activities through December 31, 2011)
- Mid-March report of actual assessments to Finance Director
- Mid-April assessment notices mailed to property owners