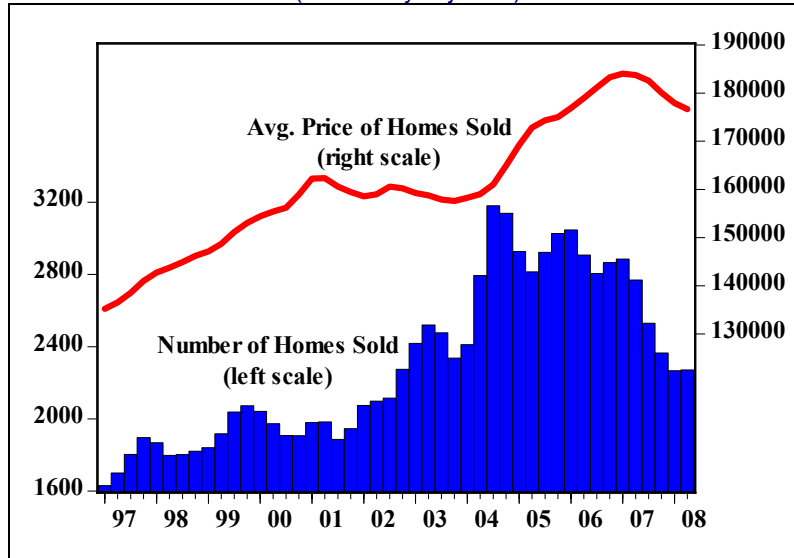


The Triad Housing Report, 2008.2

Current Outlook

The number of existing, single-family homes sold in the Triad totaled 2,271 in the 2nd quarter of 2008, after adjustment for seasonal variation.¹ The number sold was up 0.2 percent compared to the level of sales recorded in the 1st quarter, but it was -18.0 percent below the number sold during the 2nd quarter one year ago.

Number and Prices of Existing Homes Sold, 1997.1 – 2008.2
(seasonally adjusted)



At the end of the 2nd quarter of 2008, the inventory of homes on the market was 9,408, or 3.4 times the number of homes sold in the 2nd quarter. At the current sales pace, it will take 10.2 months to exhaust the existing inventory. The number of existing homes offered for sale was down -1.5 percent from what it was at the end of the 1st quarter, but it was 0.5 percent higher than at the end of the 2nd quarter one year ago.

The price of the average home sold in the 2nd quarter was off -0.7 percent from the previous quarter. The average quality-adjusted price of an existing home in the Triad was \$176,704. The average this quarter was down -3.8 percent from the average recorded in the 2nd quarter of last year. Over the past year, consumer prices nationally have risen 3.8 percent, indicating that real home prices in the Triad have declined.

Nationally, the pace of existing home sales has fallen -15.2 percent over the past 12 months.² Average home prices are down -6.8 percent across the nation and -4.6 percent in the South. The national inventory of unsold homes is up 1.9 percent over the past 12 months and will take 10.4 months to sell at the existing pace of sales.

Among other indicators of housing activity, the average time on the market for existing homes sold was 106.8 days, up 2.4 percent from the average in the 1st quarter. The sale-list price spread, which shows the ratio of selling to listing price, was lower at 91.4 percent, indicating a rise in the level of discounting in the

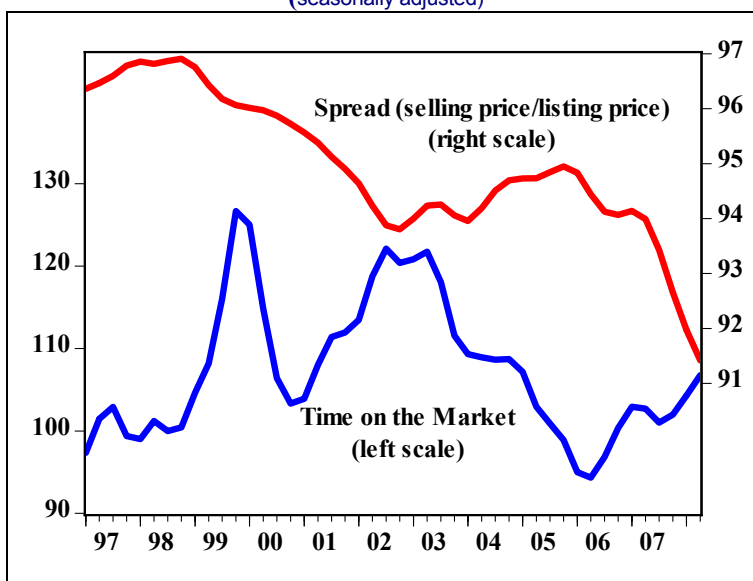
¹ The Triad is defined as an eight-county area that is composed of Alamance, Davie, Forsyth, Guilford, Randolph, Rockingham, Stokes, and Yadkin. The Triad is located in the north central area of North Carolina.

² This percentage is calculated from February 2007 to February 2008 using National Assn. of Realtors® data.

market. Over the past year, time on the market has risen, and the spread has declined, indicating that the average home seller needs more time to sell a home and is accepting larger discounts from the initial listing price.

Existing Homes, 1997.1 – 2008.2

(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index, which tracks the income-payment ratio, slipped -4.0 percent this quarter. Since the 2nd quarter of last year, the affordability index has risen 7.1 percent because of lower home prices.

Existing Home Sales Data

	2008.2	2008.1	2007.2	% Chg Last Qtr.	% Chg Last Yr.
Seasonally Adjusted					
Adj. Ave. Home Price	\$176,704	\$177,934	\$183,754	-0.7%	-3.8%
No. of Homes Sold	2,271	2,266	2,769	0.2%	-18.0%
Time on Market (days)	106.8	104.3	102.7	2.4%	4.0%
Spread: (sale price/list price)	91.4	92.0	94.0	-0.7%	-2.8%
Consumer Price Index (CPI-U)	214.4	212.8	206.6	0.8%	3.8%
Not Seasonally Adjusted					
Ave. Home Price	\$176,953	\$173,529	\$173,529	2.0%	2.0%
No. of Homes Sold	2,774	1,920	3,213	44.5%	-13.7%
< \$75K	375	266	337	41.0%	11.3%
\$75K - \$149K	978	761	1,212	28.5%	-19.3%
\$150K - \$299K	1,037	645	1,204	60.8%	-13.9%
\$300K - \$499K	291	196	343	48.5%	-15.2%
\$500K & Over	93	52	117	78.8%	-20.5%
Inventory, end of qtr.	9,408	9,549	9,364	-1.5%	0.5%
Inventory/Sales	3.4	5.0	2.9	-31.8%	16.4%
Affordability Index	103.5	107.9	96.7	-4.0%	7.1%

The County Distribution of Existing Home Sales

During the 2nd quarter, the largest number of sales of existing homes occurred in Guilford County, which recorded a total of 1,206 sales. It was followed by Forsyth County with 906 sales. Davie County recorded the highest average price for homes sold at \$207,406. The highest inventory-to-sales ratio was recorded in Randolph and Stokes Counties with ratios of 4.5. At the current sales pace, it will take 13.5 months to exhaust the current inventory of existing homes in these counties.

The inventory/sales ratios are higher in the higher price category of homes, indicating that higher-priced homes are selling more slowly throughout the Triad area. The largest number of homes currently selling for \$500,000 or more is in Guilford County with 362 homes in this category. It is followed by Forsyth County with 223 homes in the highest price category.

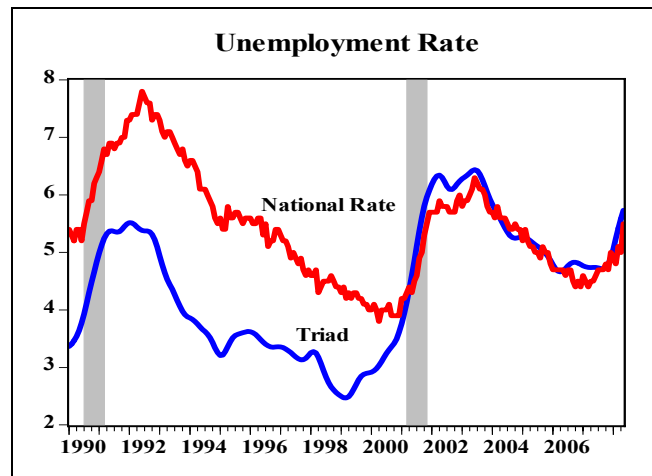
County Distribution of Existing Home Sales, 2008.2

County	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
Alamance	< \$75K	17	\$42,997	69.8	138.1	37	2.2
Alamance	\$75K - \$149K	26	\$123,766	95.2	148.4	94	3.6
Alamance	\$150K - \$299K	27	\$214,664	94.4	140.4	125	4.6
Alamance	\$300K - \$499K	8	\$356,988	96.7	161.1	37	4.6
Alamance	\$500K & Over	1	\$747,500	76.7	141.1	17	17.0
Alamance	Total	79	\$168,965	89.4	144.6	310	3.9
Davidson	< \$75K	37	\$48,876	78.8	169.2	107	2.9
Davidson	\$75K - \$149K	118	\$114,818	93.3	122.6	358	3.0
Davidson	\$150K - \$299K	81	\$204,832	93.0	159.5	391	4.8
Davidson	\$300K - \$499K	25	\$379,468	94.8	177.2	182	7.3
Davidson	\$500K & Over	7	\$569,786	92.2	175.7	69	9.9
Davidson	Total	268	\$169,491	91.3	146.6	1,107	4.1
Davie	< \$75K	11	\$41,591	80.8	262.6	14	1.3
Davie	\$75K - \$149K	27	\$111,563	94.3	128.5	73	2.7
Davie	\$150K - \$299K	42	\$202,372	92.8	151.4	146	3.5
Davie	\$300K - \$499K	17	\$389,518	94.6	158.5	100	5.9
Davie	\$500K & Over	4	\$589,213	93.5	174.5	55	13.8
Davie	Total	101	\$207,406	92.2	159.5	388	3.8
Forsyth	< \$75K	85	\$45,054	76.9	132.1	225	2.6
Forsyth	\$75K - \$149K	332	\$119,513	93.4	119.9	915	2.8
Forsyth	\$150K - \$299K	373	\$204,503	95.2	120.6	1142	3.1
Forsyth	\$300K - \$499K	88	\$372,118	94.8	127.9	400	4.5
Forsyth	\$500K & Over	28	\$727,340	96.7	186.8	223	8.0
Forsyth	Total	906	\$190,838	92.8	124.2	2,905	3.2
Guilford	< \$75K	180	\$49,455	82.6	169.9	383	2.1
Guilford	\$75K - \$149K	373	\$116,067	93.9	129.2	866	2.3
Guilford	\$150K - \$299K	458	\$209,827	95.2	123.1	1056	2.3
Guilford	\$300K - \$499K	142	\$380,665	94.3	131.9	539	3.8
Guilford	\$500K & Over	53	\$695,484	93.2	175.6	362	6.8
Guilford	Total	1,206	\$198,351	92.7	135.3	3,206	2.7
Randolph	< \$75K	24	\$48,250	82.5	140.9	43	1.8
Randolph	\$75K - \$149K	60	\$112,454	95.3	134.2	224	3.7
Randolph	\$150K - \$299K	40	\$198,322	96.4	128.9	231	5.8
Randolph	\$300K - \$499K	4	\$345,125	88.1	170.4	67	16.8
Randolph	\$500K & Over	n.a.	n.a.	n.a.	252.4	17	n.a.
Randolph	Total	128	\$134,521	93.0	134.9	582	4.5
Stokes	< \$75K	14	\$49,929	76.6	175.8	19	1.4
Stokes	\$75K - \$149K	29	\$108,523	92.6	146.6	90	3.1
Stokes	\$150K - \$299K	9	\$193,022	91.0	138.1	102	11.3
Stokes	\$300K - \$499K	4	\$353,875	88.5	191.2	34	8.5
Stokes	\$500K & Over	n.a.	n.a.	n.a.	204.8	6	n.a.
Stokes	Total	56	\$124,980	88.1	155.7	251	4.5
Yadkin	< \$75K	7	\$51,271	76.7	105.4	11	1.6
Yadkin	\$75K - \$149K	13	\$111,954	95.2	128.1	42	3.2
Yadkin	\$150K - \$299K	7	\$183,986	92.5	137.6	30	4.3
Yadkin	\$300K - \$499K	3	\$470,000	94.0	173.9	16	5.3
Yadkin	\$500K & Over	n.a.	n.a.	n.a.	137.8	4	n.a.
Yadkin	Total	30	\$150,407	90.1	129.6	103	3.4

Note: Data are not seasonally adjusted.

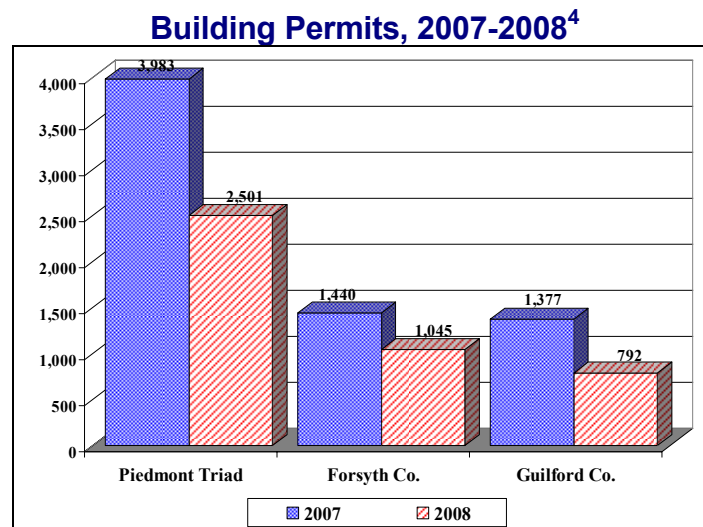
Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region deteriorated during the 2nd quarter.³ The seasonally adjusted rate of unemployment in the Triad was 5.7 percent in May, up 0.1 percentage points from the revised figure for April. The national unemployment rate was 5.5 percent, up 0.5 percentage points from last month.



Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was flat in May. Over the past 12 months, employment has gained 1.1 percent. For the nation as a whole, employment also was essentially unchanged in May. Over the past 12 months, national employment has risen 0.2 percent.

Planned residential construction declined during the 2nd quarter. Residential building permits (which reflect plans for future construction) were off -37.2 percent in Triad as a whole during the first 5 months of 2008 compared to the same period in 2007. Permits fell -27.4 percent in Forsyth County and -42.5 percent in Guilford County. Employment in the construction section is down -1.8 percent across the Triad over the past year.



The number of real estate foreclosures in June was up 22.6 percent in the Triad during the past 12 months. Foreclosures were up 25.9 percent in Forsyth County and 30.9 percent in Guilford County during the same period. Over the past 12 months, there were 9,185 foreclosures in the Triad.

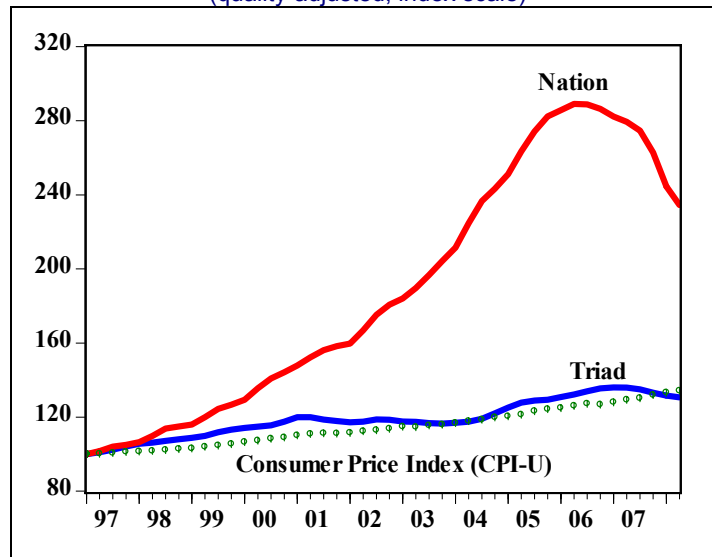
³ The Triad is defined as the eight-county area that is composed of the Burlington MSA, the Greensboro/High Point MSA, and the Winston-Salem MSA.

⁴ Figures reflect year-to-date totals through May.

Longer-Term Trends

Since the first quarter of 1997, existing home prices in the Triad have risen at an average annual rate of 2.4 percent, slightly less than the consumer price index (CPI) which has increased an average of 2.6 percent annually. The appreciation of housing prices in the Triad has lagged substantially the rise in housing prices nationally. For the nation as a whole, existing home prices have risen at a 7.6 percent annual rate from 1997.1 through the 2nd quarter of 2008, according to the S&P Case-Shiller 10-City Home Price Index. Over the past year, the Case-Shiller Index has fallen -16.1 percent, while prices in Triad are off -3.8 percent.

Existing Housing Prices in the Triad and the Nation (quality-adjusted, index scale)



In 2007, the average existing home that was sold in the Triad had 1,947 square feet of floor space. It was 1.4 stories high, had 2.2 bathrooms, 1.7 garage parking spaces, and 0.9 fireplaces. The average age of existing homes sold was 25 years. Guilford County accounted for 42.6 percent of recorded home sales, followed by Forsyth County with 32.4 percent of sales. A total of 10,859 homes were sold in the Triad in 2007.

Characteristics of Existing Homes Sold, 2007

Square Footage	1,947
Floors	1.4
Baths	2.2
Garage Spaces	1.7
Fireplaces	0.9
Age	25
Alamance	2.7%
Davidson	10.2%
Davie	3.1%
Forsyth	32.4%
Guilford	42.6%
Randolph	5.9%
Stokes	2.2%
Yadkin	0.9%
Number of Homes Sold	10,859

Methodology

The *Triad Housing Report* uses data from the Triad MLS to track the pace of housing activity in the Triad (the Greensboro/High Point/Winston-Salem, MSA). Average home price numbers reflect quality-adjusted averages. These averages are constructed using the multiple regression approach. Among the independent variables in the analysis are: neighborhood housing prices, square footage, number of baths, age, and other amenities of the structure. This approach to calculating quality-adjusted prices is discussed in: G. D. Jud & T. G. Seaks, "Sample Selection Bias in Estimating Housing Sales Prices," *Journal of Real Estate Research*, Vol. 9, No. 3, (1994), pp. 289-298.

The affordability index measures changes in the income-payment ratio. The loan payment is calculated as the monthly payment necessary to finance a 90 percent, 30-year loan on the average house price at prevailing interest rates. The income measure is average household income, as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. The sales-list price spread is the ratio of selling price to listing price.

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