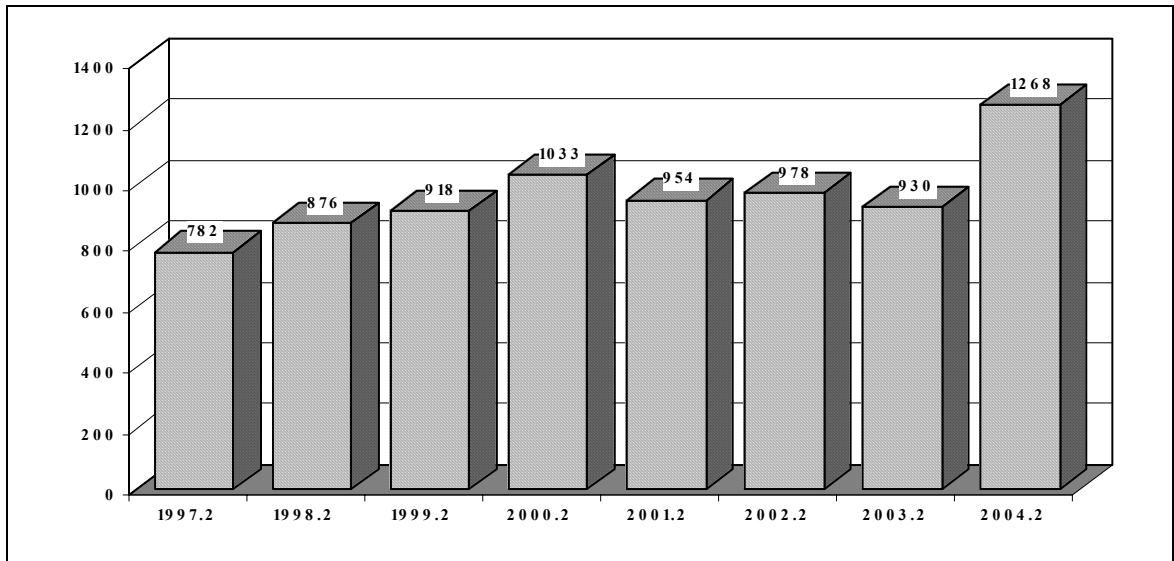


The Forsyth County Housing Report, 2004.2

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 1,268 in the 2nd quarter of 2004. The number sold was up 85.4 percent compared to the level of sales recorded in the 1st quarter, and it was 36.3 percent higher than the number sold during the 2nd quarter one year ago.

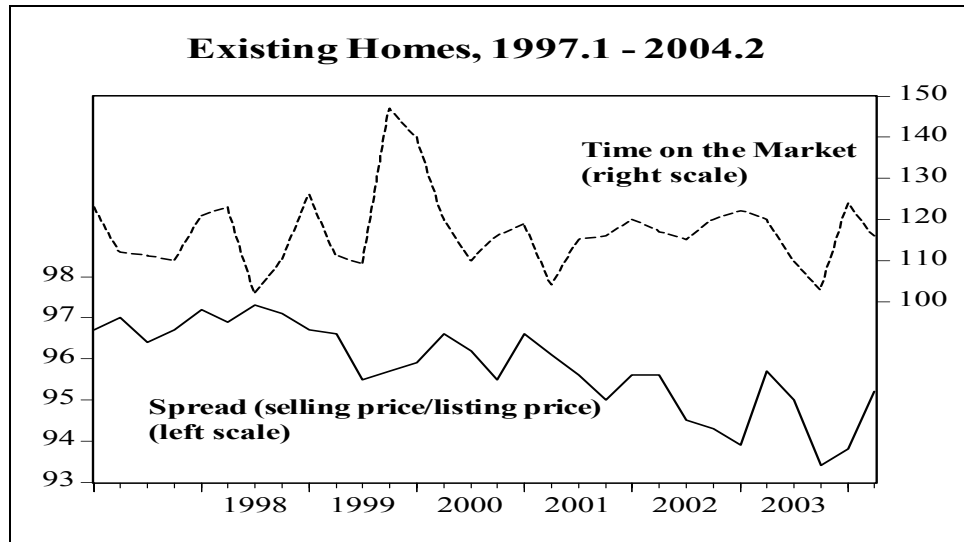
Number of Existing Homes Sold, 1997.2 – 2004.2



At the end of the 2nd quarter of 2004, the inventory of homes on the market was 2,793, or 2.2 times the number of homes sold in the third quarter. The number of existing homes offered for sale rose 21.9 percent from what it was at the end of the 1st quarter. The average time on the market for unsold homes was 111 days at the end of the 2nd quarter.

The price of the average home sold in the 2nd quarter was up 2.1 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$175,683. The average this quarter was 1.7 percent below the average recorded in the 2nd quarter of last year.

Among other indicators of housing activity, the average time on the market for existing homes sold was 116 days, down 6.5 percent from the average in the 1st quarter. The sale-list price spread, which shows the ratio of selling to listing price, was higher at 95.2 percent, indicating a decline in the level of discounting in the market. Over the past year, time on the market has fallen, but the spread has been declined, suggesting that the average home seller needs less time to sell a home but is accepting larger discounts from the initial listing price.



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index declined 8.4 percent this quarter chiefly because of the rise in mortgage rates. Since the 2nd quarter of 2003, the affordability index has dipped 7.8 percent because of the increase in mortgage rates.

Existing Home Sales Data, 2003.2 – 2004.2

	<u>2004.2</u>	<u>2004.1</u>	<u>2003.2</u>	<u>% Chg</u> <u>Last Qtr.</u>	<u>% Chg</u> <u>Last Yr.</u>
<i>Existing Homes:</i>					
Ave. Home Price	\$175,683	\$172,026	\$178,801	2.1%	-1.7%
No. of Homes Sold	1,268	684	930	85.4%	36.3%
Time on Market (days)	116	124	120	-6.5%	-3.3%
Affordability Index	112.9	123.2	122.5	-8.4%	-7.8%
Spread: (sale price/list price)	95.2	93.8	96.0	1.5%	-0.8%

The Neighborhood Distribution of Existing Home Sales

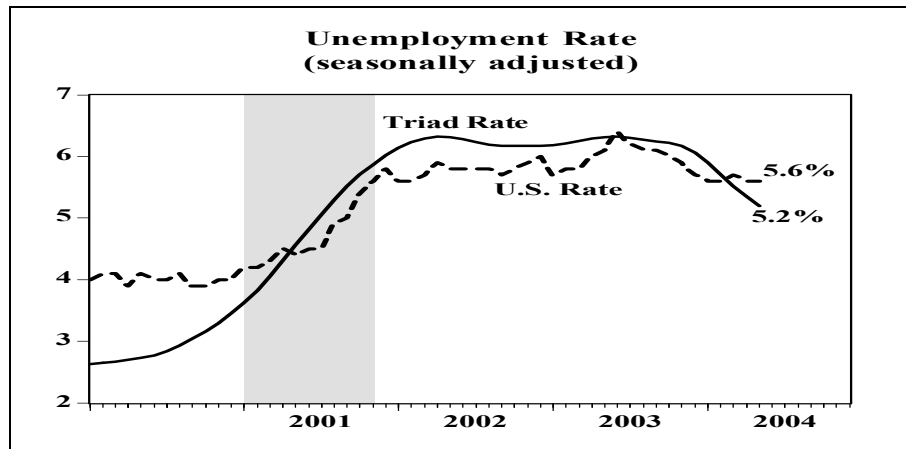
During the 2nd quarter, the largest number of sales of existing homes occurred in zip code 27127. This neighborhood, in southern Forsyth County, had a total of 180 sales. It was followed by zip code 27284, which encompasses the Kernersville area, and by zip code 27106, which includes the Bethania area in the northwestern part of the county along Highway 67. These two neighborhoods had 165 and 160 sales respectively. The Forsyth Country Club area, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$226,704.

The Neighborhood Distribution of Existing Home Sales, 2004.2

Zip Code	No. Sales	Ave. Price	Spread	TOM
27012	130	\$201,595	97.2	131
27023	42	\$214,534	97.0	84
27040	44	\$158,461	97.4	109
27101	33	\$101,445	92.9	83
27103	149	\$133,095	95.1	96
27104	131	\$226,704	95.5	103
27105	80	\$84,385	91.8	102
27106	160	\$205,568	94.9	107
27107	105	\$96,459	93.2	122
27127	180	\$107,061	95.1	137
27284	165	\$163,438	96.4	135

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region improved during in the 2nd quarter. The seasonally adjusted rate of unemployment was 5.2 percent in May 2004, down 1.1 percentage points from the May 2003. The national unemployment rate in May was 5.6 percent.

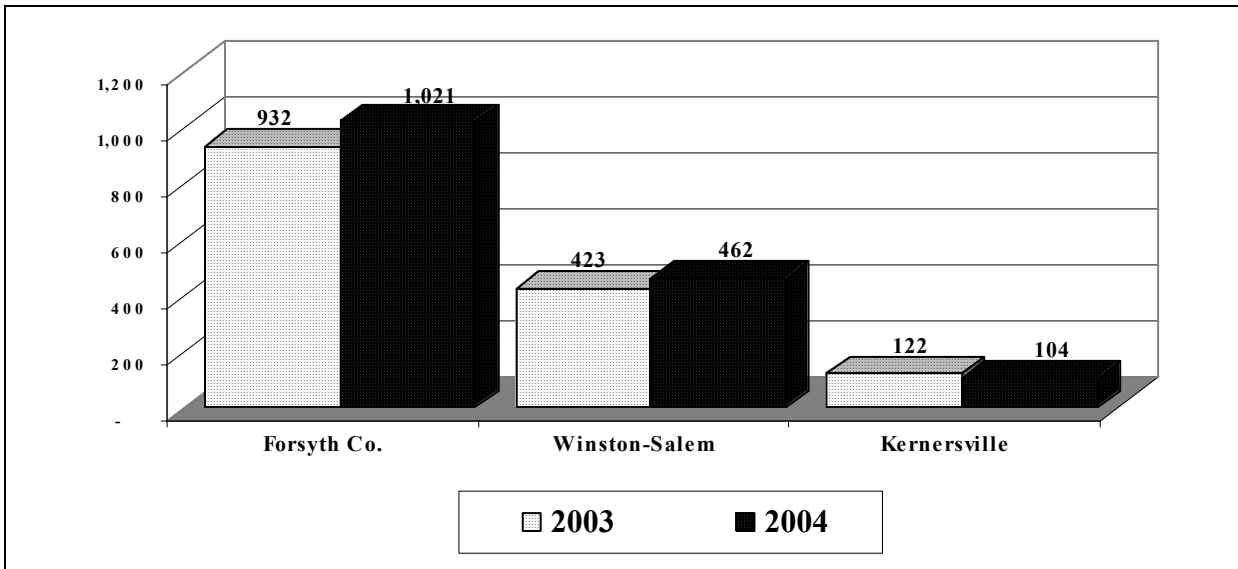


The number of persons employed in the Triad has dropped by 2,900 (0.5 percent) since May 2003, providing a clear indicator of the sluggish pace of regional economic activity. Employment in the manufacturing sector has shown little change, but the average workweek and average weekly earning moved up in the 2nd quarter.

Consumer spending in the Triad, adjusted for price level change, has remained essentially flat over the past 12 months. In comparison, real spending nationally was up 5.8 percent over the same period.

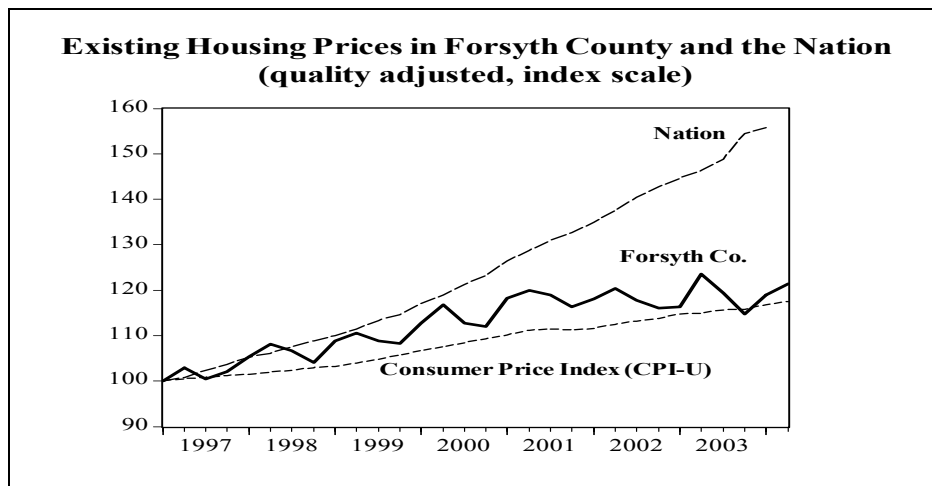
Planned residential construction increased during the 2nd quarter. Residential building permits (which reflect plans for future construction) were up 9.5 percent in Forsyth County as a whole during the first 5 months of 2004 compared to 2003. Permits rose 9.2 percent in Winston-Salem, but dipped 14.8 percent in Kernersville.

Building Permits, 2003-2004¹



Longer-Term Trends

Since the 1st quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 2.7 percent, slightly ahead of the consumer price index (CPI), which has increased an average of 2.2 percent annually. The appreciation of housing prices in Forsyth County has lagged substantially the rise in housing prices nationally. For the nation as a whole, existing home prices have risen at a 6.4 percent annual rate from 1997.1 through the 2nd quarter of 2004, according to the Office of Federal Housing Enterprise Oversight (OFHEO).



In 2003, the average existing home that was sold had 1,896 square feet of floor space. It was 1.3 stories high, had 2.2 bathrooms, 1.3 garage parking spaces, and 1.0 fireplaces. The average age of existing homes sold was 22.7

¹ Figures reflect year-to-date totals through February.

years. Sixty-three percent of exiting homes sold were in the city limits of Winston-Salem.

Characteristics of Existing Homes Sold, 2003

Square Footage	1,896
Floors	1.3
Baths	2.2
Garage Spaces	1.3
Fireplace	1.0
Age	22.7
In the City of Winston-Salem	63%
Number Sold	3,821

Methodology

The *Forsyth County Housing Report* uses data from the Triad MLS to track the pace of housing activity in Forsyth County. 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.

The *Forsyth County Housing Report* is compiled for the Winston-Salem Assn. of Realtors® by Dr. G. Donald Jud, Bryan School of Business & Economics, University of North Carolina at Greensboro, P.O. Box 26165, Greensboro, NC 27402 - 6165. Phone: 336-334-3091; FAX: 336-334-4141; Email: Juddon@uncg.edu and Sharon P. Puryear, AICP, Community Research Associates, Inc.

Historical Data, 1997 – 2004

Quarter	Number Sold	Adjusted Price	TOM	Spread
1997.1	537	144,690	123	96.7
1997.2	782	148,866	112	97.0
1997.3	693	145,222	111	96.4
1997.4	551	147,682	110	96.7
1998.1	630	152,573	121	97.2
1998.2	876	156,426	123	96.9
1998.3	706	154,285	102	97.3
1998.4	601	150,673	110	97.1
1999.1	680	157,509	126	96.7
1999.2	918	159,819	111	96.6
1999.3	769	157,561	109	95.5
1999.4	586	156,658	147	95.7
2000.1	670	163,173	140	95.9
2000.2	1033	168,989	120	96.6
2000.3	709	163,242	110	96.2
2000.4	585	162,027	116	95.5
2001.1	658	171,051	119	96.6
2001.2	954	173,673	104	96.1
2001.3	724	172,107	115	95.6
2001.4	532	168,218	116	95.0
2002.1	732	170,868	120	95.6
2002.2	978	174,200	117	95.6
2002.3	756	170,375	115	94.5
2002.4	657	167,919	120	94.3
2003.1	677	168,264	122	93.9
2003.2	930	178,801	120	95.7
2003.3	1055	172,675	110	95.0
2003.4	761	166,165	103	93.4
2004.1	684	172,026	124	93.8
2004.2	1268	175,683	116	95.2