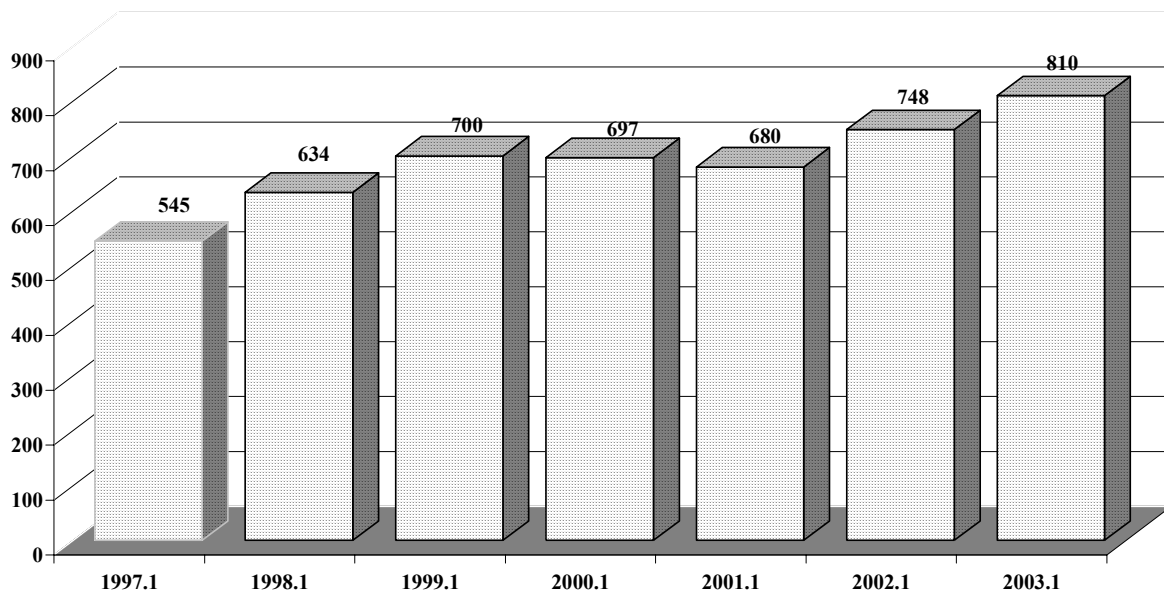


The Forsyth County Housing Report, 2003.1

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 810 in the 1st quarter of 2003. The number sold was up 0.9 percent compared to the level of sales recorded in the 4th quarter, and it was 8.3 percent above the number sold during the 1st quarter one year ago.

Number of Existing Homes Sold

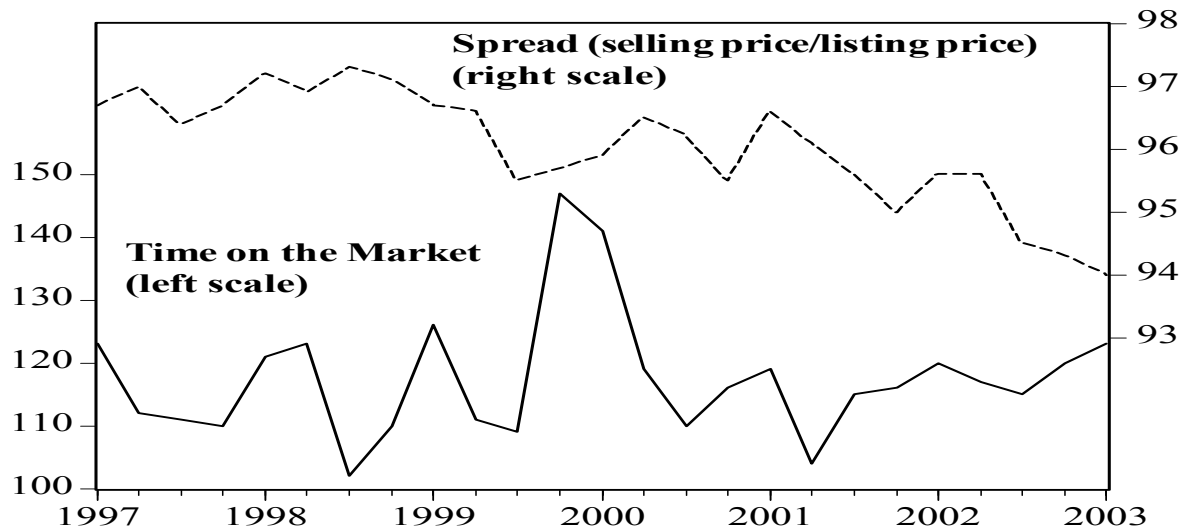


The inventory of homes available for sale rose during the 1st quarter of 2003. There were 2,903 homes on the market at the end of the 1st quarter, up from 1,957 homes for sale at the end of last year. The median time on the market for unsold homes was 84 days during the first 1st quarter of 2003, down -19.2 percent from the 4th quarter of 2002.

The price of the average home sold in the 1st quarter was down -1.4 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$165,586. The average this quarter was -3.0 percent below the average recorded in the 1st quarter of last year.

Other indicators of housing activity also suggested a weakening in the level of demand in the 1st quarter. The average time on the market for existing homes sold was 123 days, up 2.5 percent from the average in the 4th quarter. The sale-list price spread, which shows the ratio of selling to listing price, was slightly lower at 94.0 percent, indicating an increase in the level of discounting in the market. Over the past year, time on the market has remained above 115 days and the spread has fallen, suggesting that the average home seller needs almost 4 months to sell a home and is accepting a greater discount from the initial listing price.

Existing Homes, 1997.1 - 2003.1



The improvement in housing affordability has been an important factor stimulating housing demand over the past year. The affordability index, which tracks the income-payment ratio, was higher in the 1st quarter, reflecting the continuing decline in mortgage rates. Since the 1st quarter of last year, the affordability index has risen 18.9 percent.

Existing Home Sales Data, 2003.1 – 2002.1

	<u>2003.1</u>	<u>2002.4</u>	<u>2002.1</u>	<u>Last Qtr.</u>	<u>Last Yr.</u>
<i>Existing Homes:</i>					
Ave. Home Price	\$165,586	\$167,904	\$170,677	-1.4%	-3.0%
No. of Homes Sold	810	803	748	0.9%	8.3%
Time on Market (days)	123	120	120	2.5%	2.5%
Affordability Index	126.4	124.4	106.3	1.6%	18.9%
Spread: (sale price/list price)	94.0	94.3	95.6	-0.3%	-1.7%

The Neighborhood Distribution of Existing Home Sales

During the 1st quarter, the largest number of sales of existing homes occurred in zip code 27284. This neighborhood, which takes in the Kernersville area of eastern Forsyth County, had a total of 116 sales. It was followed by zip code 27104, which encompasses the Forsyth Country Club area of western Winston-Salem, and by zip code 27106, which includes the Reynolda Road area of northwestern Winston-Salem. These two neighborhoods had 113 and 101 sales respectively. The Forsyth Country Club area of Winston-Salem, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$229,899.

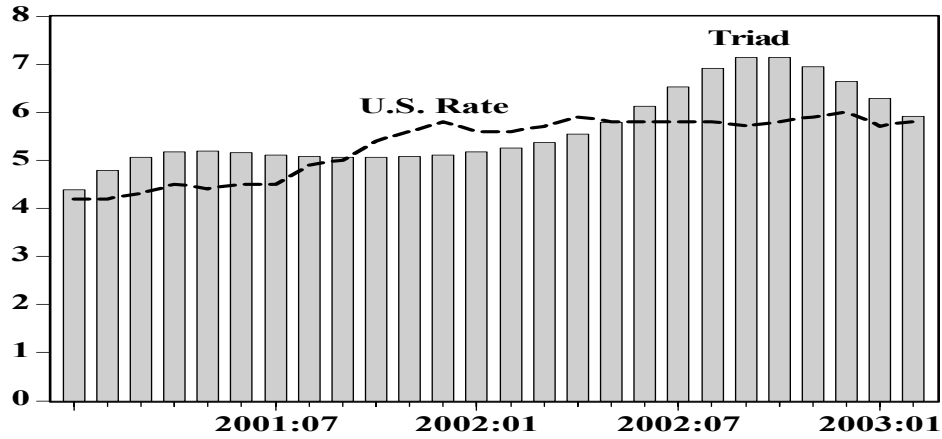
The Neighborhood Distribution of Existing Home Sales, 2003.1

<u>Zip Code</u>	<u>No. Sales</u>	<u>Ave. Price</u>	<u>Spread</u>	<u>TOM</u>
27009	8	\$145,228	98	133
27012	59	\$199,835	96	142
27019	2	\$130,950	85	303
27021	1	\$79,600	87	130
27023	30	\$164,328	96	121
27040	27	\$173,331	96	186
27045	13	\$147,238	96	166
27050	3	\$115,767	96	131
27051	7	\$60,000	90	83
27052	1	\$70,000	92	111
27101	29	\$117,720	91	114
27103	88	\$125,640	97	116
27104	113	\$229,899	95	105
27105	57	\$56,389	85	94
27106	101	\$199,555	94	128
27107	77	\$87,798	94	94
27127	77	\$106,684	95	124
27265	1	\$142,500	95	72
27284	116	\$166,621	95	144

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region remained sluggish in the 1st quarter. The seasonally adjusted rate of unemployment was 5.9 percent in February 2003, up 0.6 percentage points from the figure one year ago. The rise in the unemployment rate reflects the slow pace of regional economic activity over the past year. The national unemployment rate was 5.8 percent, up 0.2 percentage points from the figure a year ago.

Unemployment Rate (seasonally adjusted)

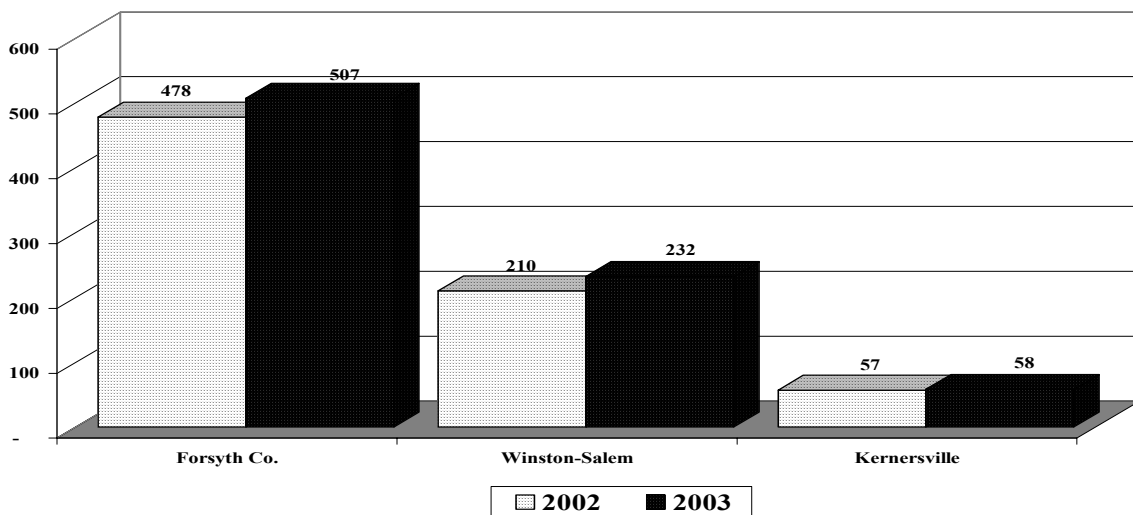


The number of persons employed in the Triad over the past 12 months ending February 2003 declined 1.2 percent, providing a further indicator of the sluggish pace of regional economic activity. Employment in the manufacturing sector fell 2.9 percent over the same 12-month period.

Consumer spending in the Triad has been growing slowly. Retail sales adjusted for price-level changes, rose 0.7 percent over the 12 months ending February 2003. In comparison, the growth in real spending nationally was off 0.2 percent.

Despite the weakness in the regional economy, the pace of planned building activity has increased over the year. Single-family residential building permits, which reflect plans for future construction, were up 18.6 percent in Forsyth County as a whole. Permits increased 10.5 percent in Winston-Salem and 1.8 percent in Kernersville.

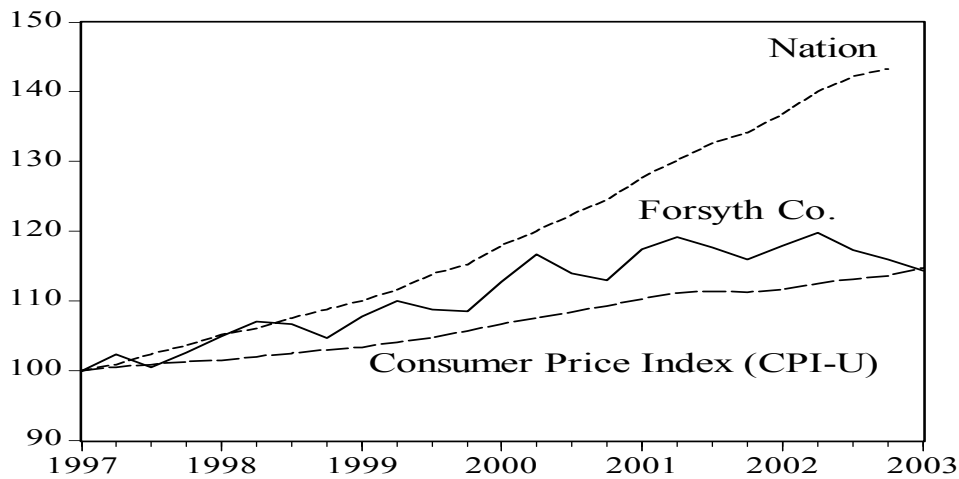
Building Permits, 2001-2003



Longer-Term Trends

Since the 1st quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 2.3 percent, matching the consumer price index (CPI), which also has increased an average of 2.3 percent annually. The appreciation of housing prices in Forsyth County has lagged the rise in housing prices nationally. For the nation as a whole, existing home prices have risen at a 6.3 percent annual rate through the 4th quarter of 2002, according to the Office of Federal Housing Enterprise Oversight (OFHEO).

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



In 2002, the average existing home that was sold had 1,981 square feet of floor space. It was 1.3 stories high, had 2.3 bathrooms, 1.4 garage parking spaces, and 1.0 fireplaces. The average age of existing homes sold was 22.7 years. Sixty-one percent of exiting homes sold were in the city limits of Winston-Salem.

Characteristics of Home Sold, 2002

	Existing
Square Footage	1,981
Floors	1.3
Baths	2.3
Garage Spaces	1.4
Fireplace	1.0
Age	22.7
In the City of Winston-Salem	61%
Number Sold	2,713

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 <<mailto:Juddon@uncg.edu>> and Sharon P. Puryear, AICP, Community Research Associates, Inc.

Historical Data, 1997 - 2003

	Number	Adjusted		
Date	Sold	Price	TOM	Spread
1997.1	545	144690	123	96.7
1997.2	837	148043	112	97.0
1997.3	779	145391	111	96.4
1997.4	670	148434	110	96.7
1998.1	634	151835	121	97.2
1998.2	939	154800	123	96.9
1998.3	808	154369	102	97.3
1998.4	746	151301	110	97.1
1999.1	700	155939	126	96.7
1999.2	1020	159121	111	96.6
1999.3	891	157383	109	95.5
1999.4	751	156954	147	95.7
2000.1	697	163027	141	95.9
2000.2	1116	168844	119	96.5
2000.3	837	164803	110	96.2
2000.4	747	163415	116	95.5
2001.1	680	169868	119	96.6
2001.2	1044	172310	104	96.1
2001.3	845	170246	115	95.6
2001.4	665	167760	116	95.0
2002.1	748	170677	120	95.6
2002.2	1048	173154	117	95.6
2002.3	862	169763	115	94.5
2002.4	803	167904	120	94.3
2003.1	810	165586	123	94.0