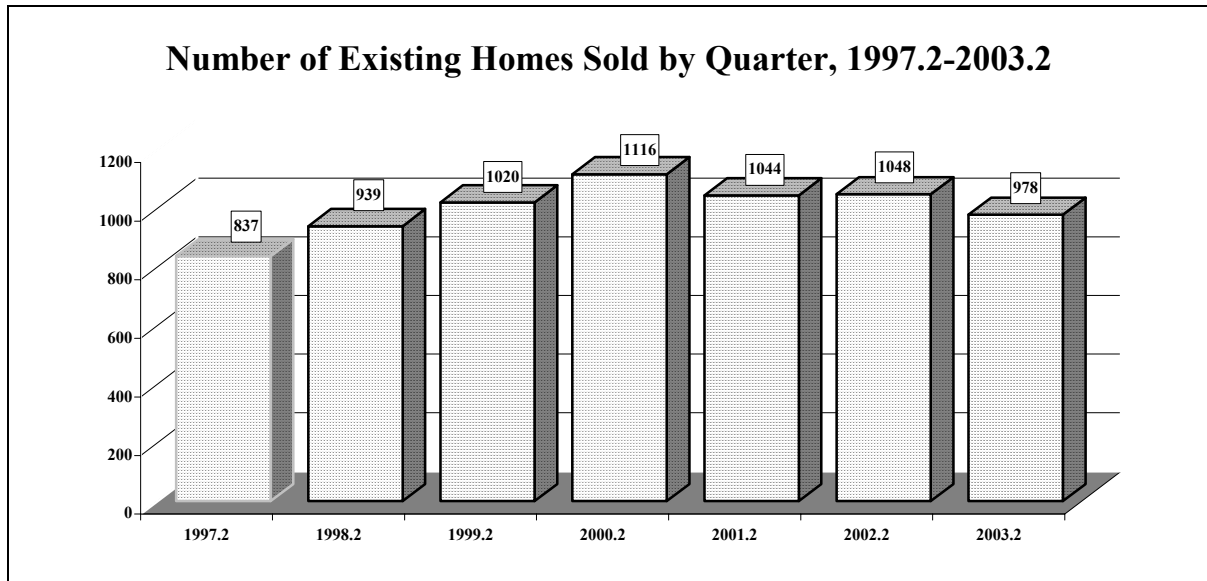


The Forsyth County Housing Report, 2003.2

Current Outlook

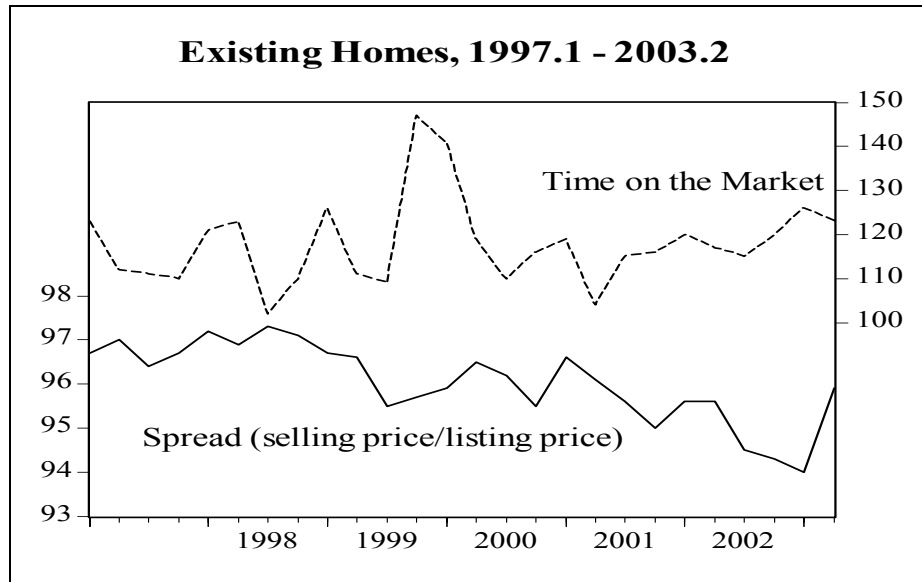
The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 978 in the 2nd quarter of 2003. The number sold was up 43.0 percent compared to the level of sales recorded in the 1st quarter, but it was 6.7 percent below the number sold during the 2nd quarter one year ago.



At the end of the 2nd quarter of 2003, the inventory of homes on the market was 2,119, or 2.2 times the number of homes sold in the second quarter. The number of existing homes offered for sale was up 8.3 percent from what it was at the end of the 1st quarter. The average time on the market for unsold homes was 115 days at the end of the 2nd quarter.

The price of the average home sold in the 2nd quarter was up 6.1 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$178,285. The average this quarter was 2.8 percent above the average recorded in the 2nd quarter of last year.

Other indicators of housing activity also suggested a strengthening in the level of demand in the 2nd quarter. The average time on the market for existing homes sold was 118 days, down 2.5 percent from the average in the 1st quarter. The sale-list price spread, which shows the ratio of selling to listing price, was slightly higher at 95.9 percent, indicating a decrease in the level of discounting in the market. Over the past year, time on the market has remained above 117 days and the spread has risen slightly, suggesting that the average home seller needs almost 4 months to sell a home but is not accepting a greater discount from the initial listing price.



The improvement in housing affordability has been an important factor stimulating housing demand over the past year. Since the 2nd quarter of last year, the affordability index, which tracks the income-payment ratio, has risen 11.4 percent. However, during the 2nd quarter the affordability index was below the level of the 1st quarter, reflecting the rise in housing prices.

Existing Home Sales Data, 2003.2 – 2002.2					
				% Chg	% Chg
	2003.2	2003.1	2002.2	Last Qtr.	Last Yr.
<i>Existing Homes:</i>					
Ave. Home Price	\$178,285	\$168,064	\$173,468	6.1%	2.8%
No. of Homes Sold	978	684	1,048	43.0%	-6.7%
Time on Market (days)	118	121	117	-2.5%	0.9%
Affordability Index	122.9	125.9	110.2	-2.4%	11.4%
Spread: (sale price/list price)	95.9	94.0	95.6	2.0%	0.3%

The Neighborhood Distribution of Existing Home Sales

During the 2nd 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 145 sales. It was followed by zip code 27103, which encompasses the Hanes Mall area of southwestern Winston-Salem, and by zip code 27127, which includes the area around Highway 150 in southern Winston-Salem. These two neighborhoods had 119 and 114 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 \$258,517.

The Neighborhood Distribution of Existing Home Sales, 2003.2

<u>Zip Code</u>	<u>No. Sales</u>	<u>Ave. Price</u>	<u>Spread</u>	<u>TOM</u>
27009	13	132,567	97.9	121
27012	102	206,283	97.4	102
27019	2	205,650	88.7	168
27023	58	202,097	97.2	127
27040	35	166,859	95.5	188
27045	24	121,933	95.8	126
27050	9	105,936	92.2	106
27051	8	106,938	98.0	95
27052	1	229,500	96.0	91
27101	26	105,908	91.9	112
27103	119	141,680	96.7	97
27104	81	258,517	94.9	86
27105	51	77,892	92.6	97
27106	104	236,348	96.1	120
27107	85	104,683	94.8	119
27127	114	112,920	96.7	135
27284	145	165,783	96.3	138

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region remained sluggish in the 2nd quarter. The seasonally adjusted rate of unemployment was 5.2 percent in May 2003, down 0.6 percentage points from the figure one year ago. The national unemployment rate was 6.1 percent, up 0.3 percentage points from the figure a year ago.

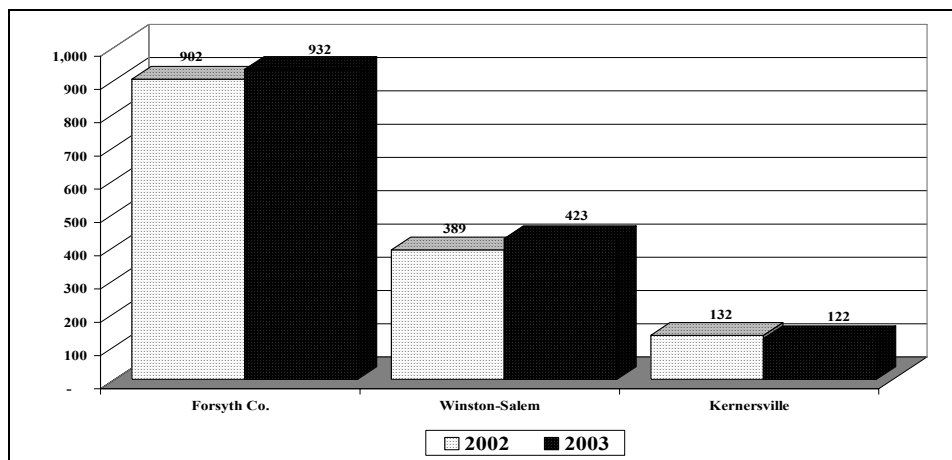


The number of persons employed in the Triad over the past 12 months ending May 2003 declined 0.7 percent, providing a strong indicator of the sluggish pace of regional economic activity. Employment in the manufacturing sector fell 1.3 percent over the same 12-month period.

Consumer spending in the Triad also has been sluggish. Retail sales adjusted for price-level changes, dipped 0.9 percent over the 12 months ending May 2003. In comparison, the growth in real spending nationally was up 3.0 percent.

The weakness in the regional economy was not reflected in the pace of planned building activity over the year. Single-family residential building permits (which reflect plans for future construction) were up 3.3 percent in Forsyth County as a whole during the first 5 months of 2003 compared to 2002. Permits rose 8.7 percent in Winston-Salem but fell 7.6 percent in Kernersville.

Building Permits, 2001-2003¹

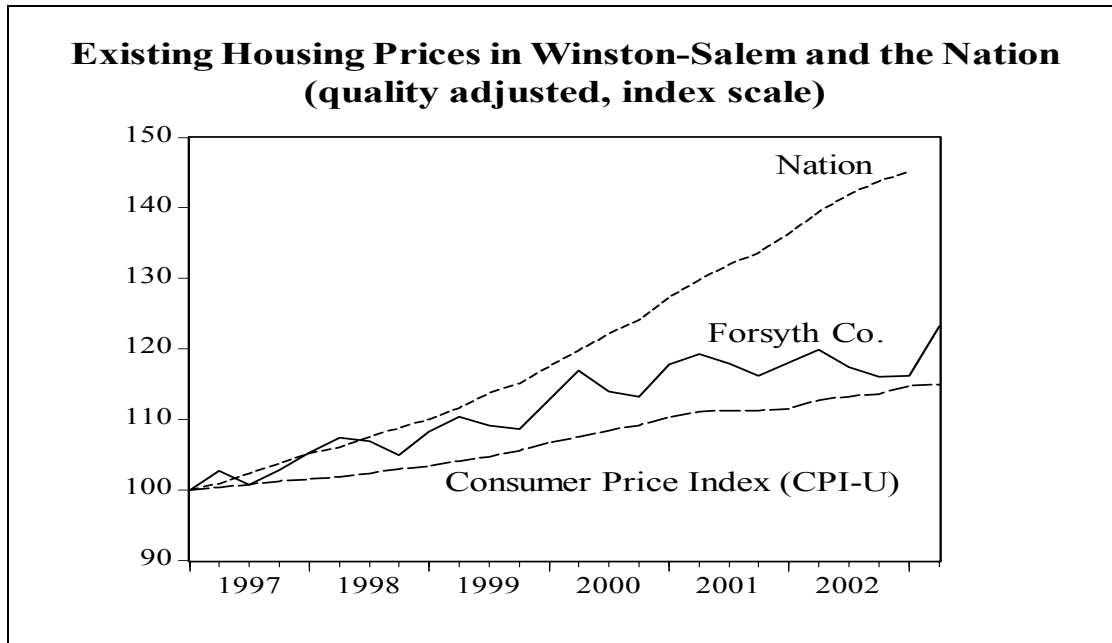


Longer-Term Trends

Since the 2nd quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 3.4 percent, outpacing the consumer price index (CPI), which has increased an average of 2.2 percent

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

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 1st quarter of 2002, according to the Office of Federal Housing Enterprise Oversight (OFHEO).



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

Date	Number Sold	Adjusted Sales Price	TOM	Spread
1997.1	545	144,690	85.6	97.0
1997.2	837	148,501	77.7	97.0
1997.3	779	145,686	84.9	97.2
1997.4	670	148,819	85.8	96.9
1998.1	634	152,286	89.2	97.0
1998.2	939	155,332	92.0	97.5
1998.3	808	154,661	81.2	96.8
1998.4	746	151,703	79.0	96.7
1999.1	700	156,670	104.2	97.3
1999.2	1020	159,607	89.5	97.2
1999.3	891	157,918	99.4	97.1
1999.4	751	157,125	108.5	96.6
2000.1	697	163,219	131.8	97.0
2000.2	1116	169,239	87.0	97.4
2000.3	837	164,869	82.1	96.8
2000.4	747	163,721	81.5	96.6
2001.1	680	170,357	90.0	96.1
2001.2	1044	172,558	88.8	97.3
2001.3	845	170,546	90.9	95.7
2001.4	665	168,007	103.3	94.7
2002.1	748	170,715	110	94.5
2002.2	1048	173,468	108.5	95.2
2002.3	862	169,928	107.5	94.9
2002.4	803	167,948	110.4	94.6
2003.1	810	168,064	121	93.9
2003.2	978	178,285	118	95.9