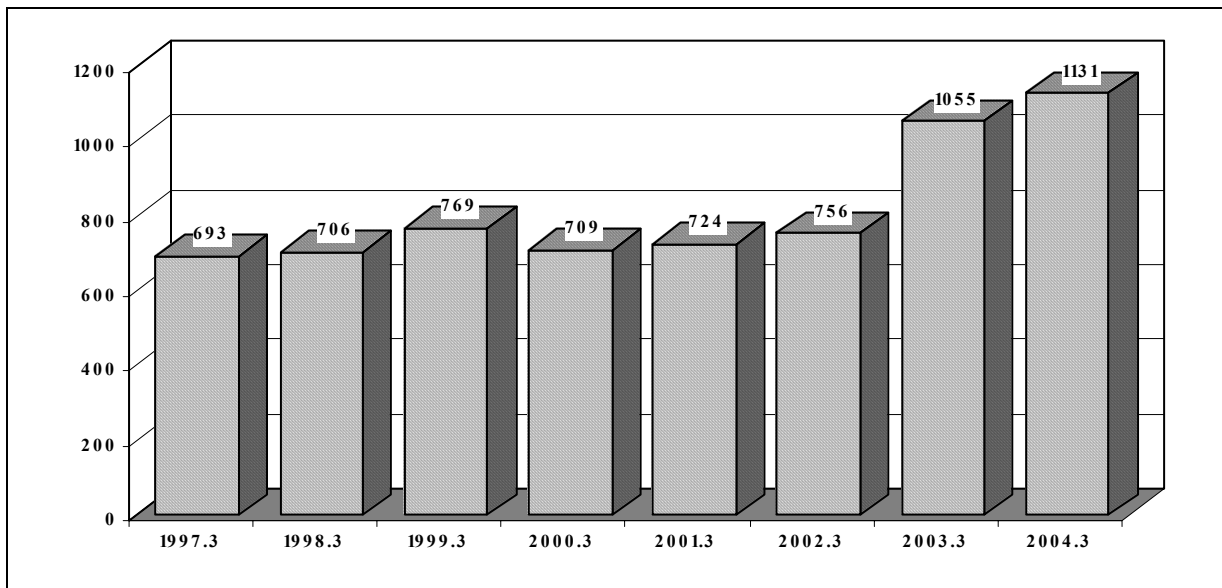


The Forsyth County Housing Report, 2004.3

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 1,131 in the 3rd quarter of 2004. The number sold was down 10.8 percent compared to the level of sales recorded in the 2nd quarter, but it was 7.2 percent higher than the number sold during the 3rd quarter one year ago.

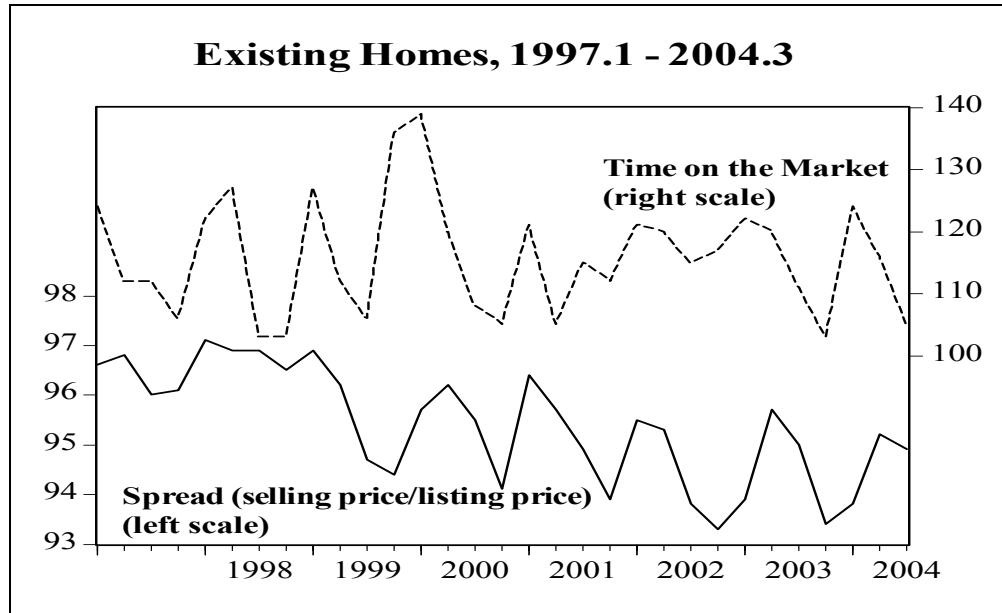
Number of Existing Homes Sold, 1997.3 – 2004.3



At the end of the 3rd quarter of 2004, the inventory of homes on the market was 2,691, or 2.4 times the number of homes sold in the third quarter. The number of existing homes offered for sale was down 3.7 percent from what it was at the end of the 2nd quarter. The average time on the market for unsold homes was 118 days at the end of the 3rd quarter.

The price of the average home sold in the 3rd quarter was off 0.1 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$175,522. The average this quarter was 1.6 percent above the average recorded in the 3rd quarter of last year.

Among other indicators of housing activity, the average time on the market for existing homes sold was 105 days, down 9.5 percent from the average in the 2nd quarter. The sale-list price spread, which shows the ratio of selling to listing price, was lower at 94.9 percent, indicating a rise in the level of discounting in the market. Over the past year, time on the market has fallen, but the spread has slightly declined, suggesting that the average home seller needs less time to sell a home but is accepting somewhat larger discounts from the initial listing price.



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index rose 3.2 percent this quarter chiefly because of the decline in mortgage rates. Since the 3rd quarter of 2003, the affordability index has dipped 2.0 percent because of the increase in mortgage rates.

Existing Home Sales Data, 2003.3 – 2004.3

				% Chg	% Chg
	2004.3	2004.2	2003.3	Last Qtr.	Last Yr.
<i>Existing Homes:</i>					
Ave. Home Price	\$175,522	\$175,752	\$172,720	-0.1%	1.6%
No. of Homes Sold	1131	1268	1055	-10.8%	7.2%
Time on Market (days)	105	116	111	-9.5%	-5.4%
Affordability Index	116.5	112.9	118.9	3.2%	-2.0%
Spread: (sale price/list price)	94.9	95.2	95.0	-0.3%	-0.1%

The Neighborhood Distribution of Existing Home Sales

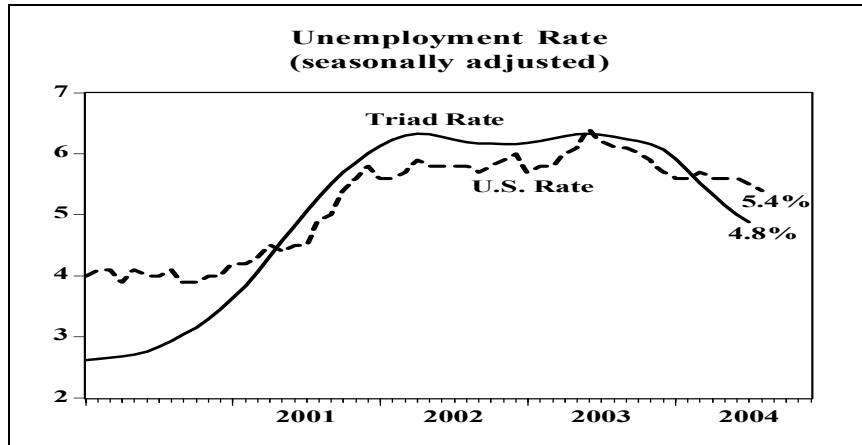
During the 3rd quarter, the largest number of sales of existing homes occurred in zip code 27106. This neighborhood, which includes the Bethania area in the northwestern part of the county along Highway 67, had a total of 167 sales. It was followed by zip code 27284, which encompasses the Kernersville area, with 162 sales. The Louisville area, zip code 27023, recorded the highest average price of homes sold, with sales of existing homes averaging \$278,854, on the basis of 53 sales. The second highest average price was recorded in the area of the Forsyth Country Club, zip code 27104, with homes there averaging \$274,308.

The Neighborhood Distribution of Existing Home Sales, 2004.3

Zip Code	No. Sales	Ave.		
		Price	Spread	TOM
27012	108	\$198,710	96.7	114
27023	53	\$278,854	96.3	98
27040	42	\$193,570	96.4	113
27045	22	\$126,982	91.7	124
27051	20	\$112,600	93.0	94
27101	42	\$102,530	89.9	113
27103	104	\$133,344	95.6	81
27104	134	\$274,308	95.7	84
27105	70	\$74,058	90.0	93
27106	167	\$216,963	95.7	98
27107	77	\$98,933	93.7	124
27127	109	\$110,938	95.2	120
27284	162	\$154,843	95.6	128

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region improved during in the 3rd quarter. The seasonally adjusted rate of unemployment was 4.8 percent in August 2004, down 1.5 percentage points from the August 2003. The national unemployment rate in August was 5.4 percent.

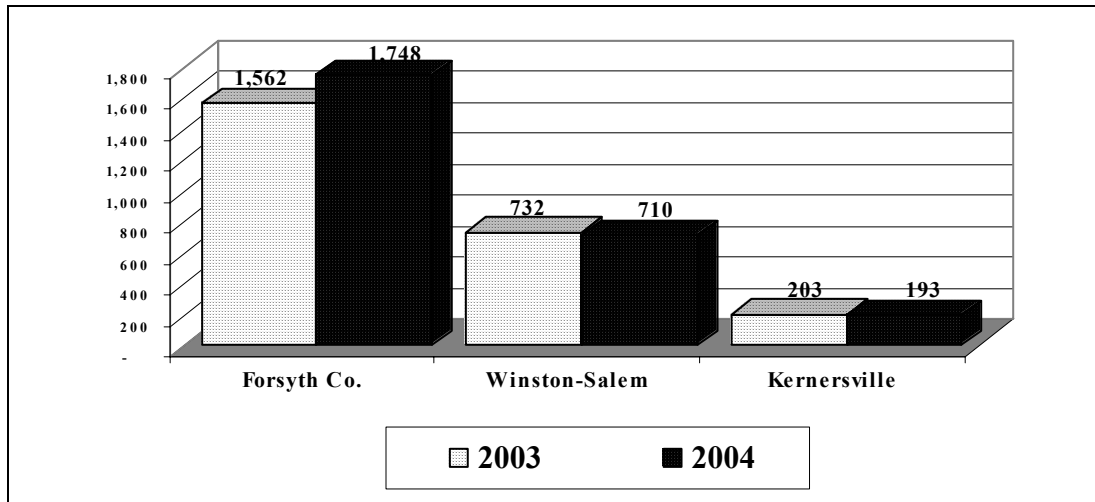


The number of persons employed in the Triad has dropped by 400 (0.1 percent) since August 2003, providing a clear indicator of the sluggish pace of regional economic activity. Employment in the goods-producing sector has fallen 2.9 percent over the past year, but the average workweek and average hourly earning have moved up.

Consumer spending in the Triad, adjusted for price level change, has risen 5.5 percent over the past 12 months. In comparison, real spending nationally was up 2.2 percent over the same period.

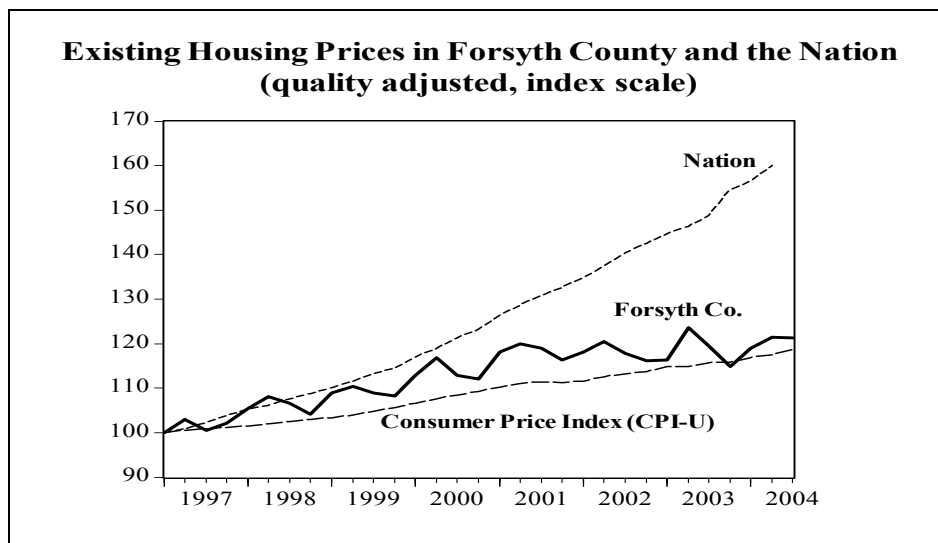
Planned residential construction increased during the 3rd quarter. Residential building permits (which reflect plans for future construction) were up 11.9 percent in Forsyth County as a whole during the first 8 months of 2004 compared to 2003. Permits declined 3.0 percent in Winston-Salem and 4.9 percent 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 2.6 percent, slightly ahead of the consumer price index (CPI), which has increased an average of 2.3 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 6.5 percent annual rate from 1997.1 through the 2nd quarter of 2004, according to the Office of Federal Housing Enterprise Oversight (OFHEO).



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

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 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, Community Research Associates, Inc.

Historical Data, 1997 – 2004

Date	Number Sold	Adjusted Price	TOM	Spread
1997.1	537	\$144,690	124	96.6
1997.2	782	\$148,870	112	96.8
1997.3	693	\$145,216	112	96.0
1997.4	551	\$147,676	106	96.1
1998.1	630	\$152,579	122	97.1
1998.2	876	\$156,425	127	96.9
1998.3	706	\$154,265	103	96.9
1998.4	601	\$150,672	103	96.5
1999.1	680	\$157,517	127	96.9
1999.2	918	\$159,790	112	96.2
1999.3	769	\$157,553	106	94.7
1999.4	586	\$156,664	136	94.4
2000.1	670	\$163,183	139	95.7
2000.2	1033	\$168,986	120	96.2
2000.3	709	\$163,226	108	95.5
2000.4	585	\$162,040	105	94.1
2001.1	658	\$171,050	121	96.4
2001.2	954	\$173,650	105	95.7
2001.3	724	\$172,096	115	94.9
2001.4	532	\$168,249	112	93.9
2002.1	732	\$170,867	121	95.5
2002.2	978	\$174,214	120	95.3
2002.3	756	\$170,382	115	93.8
2002.4	657	\$167,953	117	93.3
2003.1	677	\$168,308	122	93.9
2003.2	930	\$178,824	120	95.7
2003.3	1055	\$172,720	111	95.0
2003.4	761	\$166,242	103	93.4
2004.1	684	\$172,086	124	93.8
2004.2	1268	\$175,752	116	95.2
2004.3	1131	\$175,522	105	94.9