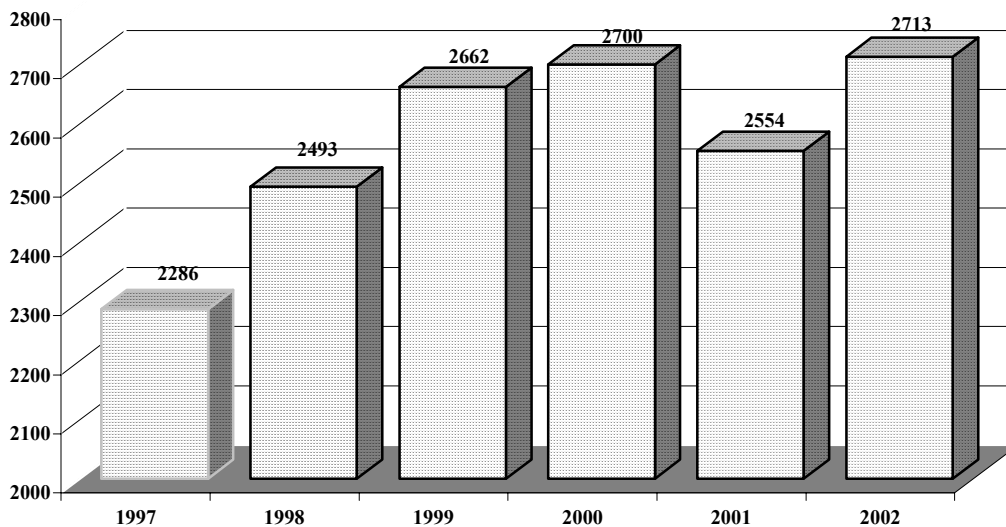


The Forsyth County Housing Report, 2002.4

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 803 in the 4th quarter of 2002. The number sold was off 6.8 percent compared to the level of sales recorded in the 3rd quarter but 20.8 percent above the number sold during the 4th quarter one year ago. During all of 2002, there were 2,713 sales of existing homes, or 6.2 percent more than in 2001.

Number of Existing Homes Sold

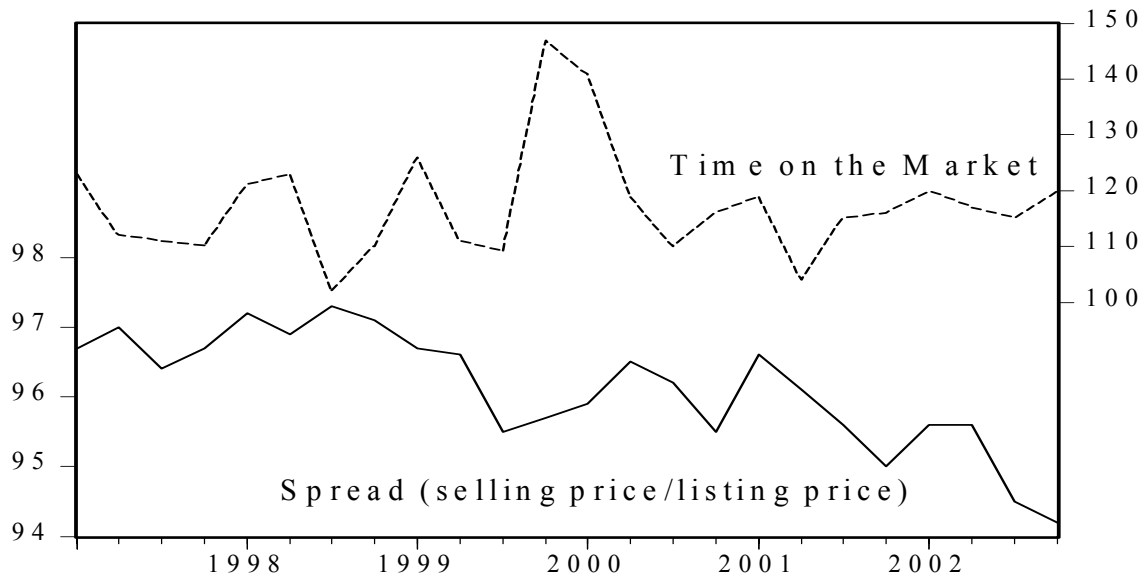


Despite the increase in the number of homes sold in 2002, the inventory of homes on the market remained high. At the end of the 4th quarter of 2001, there were 1,962 unsold homes, a number equal to 72 percent of the total number of homes sold in 2002. The median time on the market for unsold homes was 104 days at the end of 2002.

The price of the average home sold in the 4th quarter was down 1.2 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$167,746. The average this quarter was essentially unchanged from the average recorded in the 4th quarter of last year.

Other indicators of housing activity also suggested a weakening in the level of demand in the 4th quarter. The average time on the market for existing homes sold was 120 days, up 4.3 percent from the average in the 3rd quarter. The sale-list price spread, which shows the ratio of selling to listing price, was slightly lower at 94.3 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 agreeing to greater discounts from the initial listing price.

Existing Homes, 1997.1 - 2002.4



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 4th quarter, reflecting the continuing decline in mortgage rates. Since the 4th quarter of last year, the affordability index has risen 9.6 percent.

Existing Home Sales Data, 2002.4 - 2001.4

	2002.4	2002.3	2001.4	% Chg Last Qtr.	% Chg Last Yr.
<i>Existing Homes:</i>					
Ave. Home Price	\$167,746	\$169,763	\$167,760	-1.2%	0.0%
No. of Homes Sold	803	862	665	-6.8%	20.8%
Time on Market (days)	120	115	116	4.3%	3.4%
Affordability Index	124.5	118.9	113.6	4.7%	9.6%
Spread: (sale price/list price)	94.3	94.5	95.0	-0.2%	-0.7%

The Neighborhood Distribution of Existing Home Sales

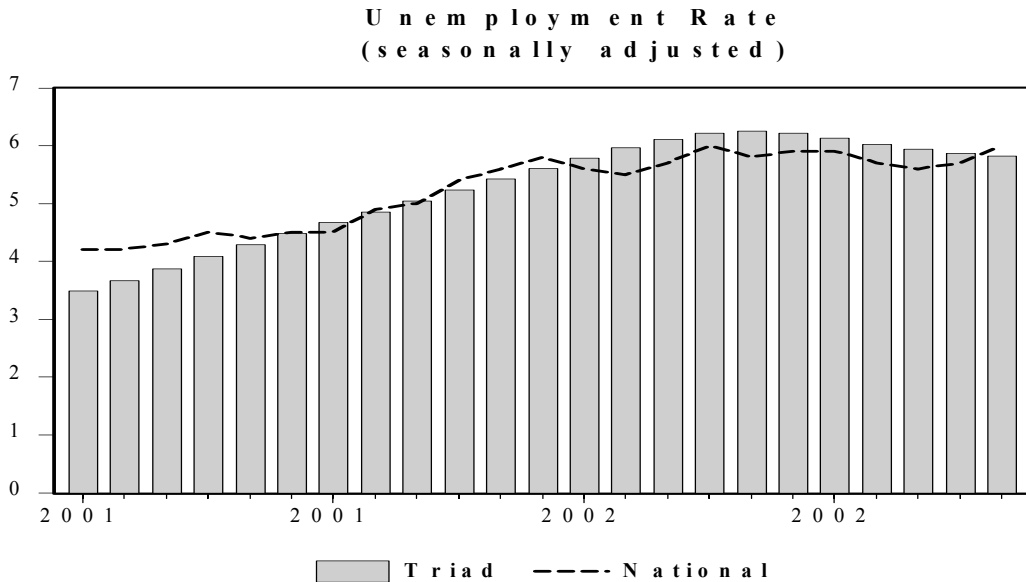
During the 4th quarter, the largest number of sales of existing homes occurred in zip code 27284. This neighborhood, which takes in the Kernersville area of eastern Forsyth County, had a total of 134 sales. It was followed by zip code 27106, which encompasses the northwestern area of Winston-Salem, and by zip code 27104, which includes the western area of Winston-Salem. These two neighborhoods had 111 and 81 sales respectively. The western area of Winston-Salem, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$260,737.

The Neighborhood Distribution of Existing Home Sales, 2002.4

<u>Zip Code</u>	<u>No. Sales</u>	<u>Ave. Price</u>	<u>Spread</u>	<u>TOM</u>
27009	4	\$133,700	95.4	141
27012	70	\$231,200	95.5	113
27023	41	\$203,043	95.5	128
27040	33	\$153,720	93.1	196
27045	11	\$145,373	94.7	88
27050	3	\$78,467	89.5	73
27051	12	\$106,892	90.7	86
27101	24	\$95,561	89.2	66
27103	77	\$127,597	94.7	114
27103	77	\$127,597	94.7	114
27104	81	\$260,737	93.9	109
27105	63	\$78,152	90.5	105
27106	111	\$196,421	94.5	130
27107	68	\$100,219	93.4	130
27127	71	\$111,457	95.9	121
27284	134	\$167,682	96.1	125

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region remained sluggish in the 4th quarter. The seasonally adjusted rate of unemployment was 5.8 percent in November 2002, up 0.4 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 6.0 percent, up 0.4 percentage points from the figure a year ago.

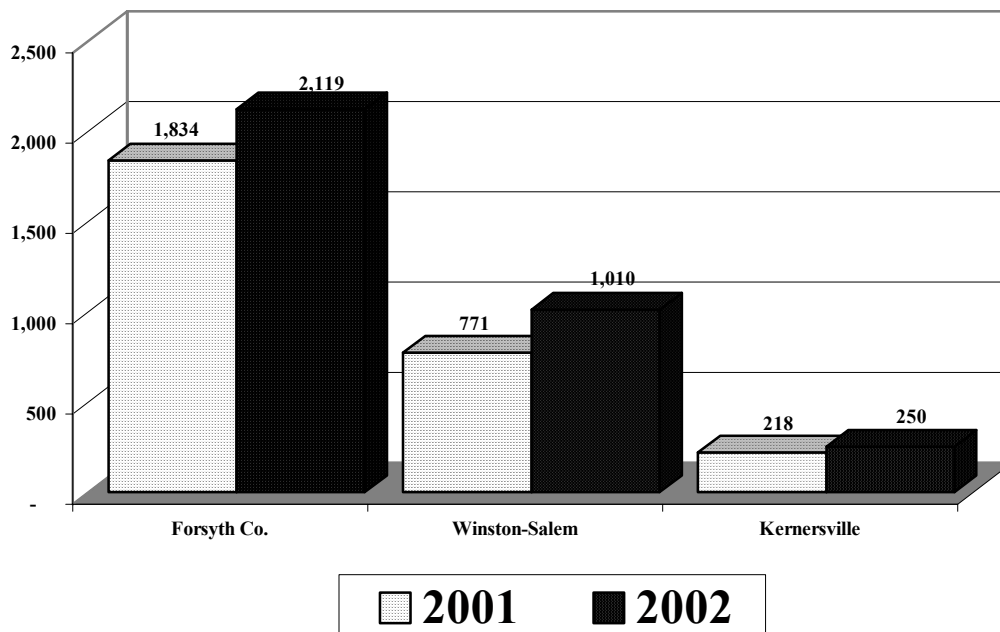


The number of persons employed in the Triad over the past 12 months ending November 2002 declined 0.7 percent, providing a further indicator of the sluggish pace of regional economic activity. Employment in the manufacturing sector slipped 0.1 percent over the same 12-month period.

Consumer spending in the Triad also has been weak. Retail sales adjusted for price-level changes, slipped 0.1 percent over the 12 months ending November 2002. In comparison, the growth in real spending nationally has been essentially flat.

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 15.5 percent in Forsyth County as a whole. Permits increased 31.0 percent in Winston-Salem and 14.7 percent in Kernersville.

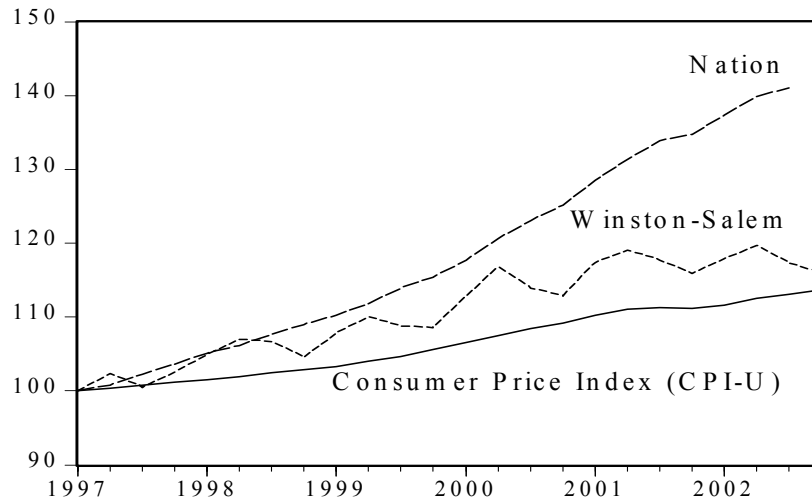
Building Permits, 2001-2002



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 above 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 the rise in housing prices nationally. For the nation as a whole, existing home prices have risen at a 5.8 percent annual rate through the 3rd 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

	<u>Existing</u>
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 - 2002

Date	Number Sold	Adjusted Price	TOM	Spread
1997:1	545	\$144,690	123	96.7
1997:2	837	\$148,043	112	97.0
1997:3	779	\$145,391	111	96.4
1997:4	670	\$148,434	110	96.7
1998:1	634	\$151,835	121	97.2
1998:2	939	\$154,800	123	96.9
1998:3	808	\$154,369	102	97.3
1998:4	746	\$151,301	110	97.1
1999:1	700	\$155,939	126	96.7
1999:2	1020	\$159,121	111	96.6
1999:3	891	\$157,383	109	95.5
1999:4	751	\$156,954	147	95.7
2000:1	697	\$163,027	141	95.9
2000:2	1116	\$168,844	119	96.5
2000:3	837	\$164,803	110	96.2
2000:4	747	\$163,415	116	95.5
2001:1	680	\$169,868	119	96.6
2001:2	1044	\$172,310	104	96.1
2001:3	845	\$170,246	115	95.6
2001:4	665	\$167,760	116	95.0
2002:1	748	\$170,585	120	95.6
2002:2	1048	\$173,154	117	95.6
2002:3	862	\$169,763	115	94.5
2002:4	803	\$167,746	120	94.2