

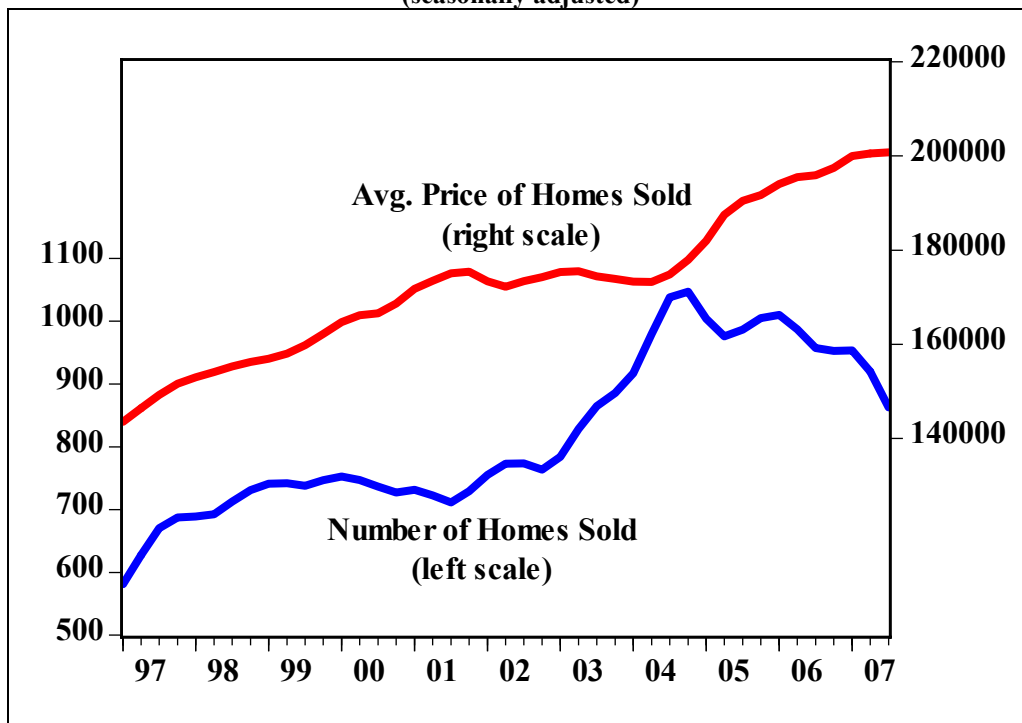
The Forsyth County Housing Report, 2007.3

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 862 in the 3rd quarter of 2007 after adjustment for seasonal variation. The number sold was down -6.3 percent compared to the level of sales recorded in the 2nd quarter, and it was off -9.9 percent from the number sold during the 3rd quarter one year ago.

Nationally, the pace of existing home sales has fallen -12.8 percent over the past 12 months.¹ Average home prices are down -0.3 percent across the nation and -0.9 percent in the South.

Number of Existing Homes Sold, 1997.1 – 2007.3
(seasonally adjusted)



At the end of the 3rd quarter of 2007, the inventory of homes on the market was 2,943, or 3.3 times the number of homes sold in the 3rd quarter. At the current sales pace, it will take 9.9 months to exhaust the existing inventory. The number of homes offered for sale was up 11.4 percent from what it was at the end of the 3rd quarter of last year.

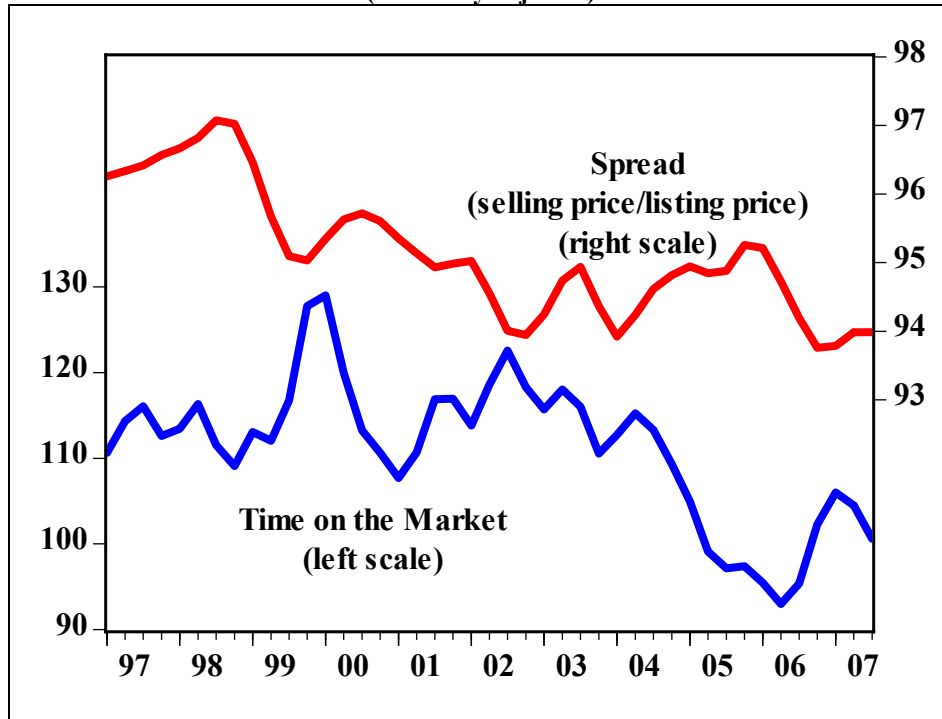
The price of the average home sold in the 3rd quarter was up 0.1 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$200,717. The average this quarter was 2.5 percent above the average recorded in the 3rd quarter of last year. Over the past year, consumer prices nationally have risen 2.3 percent, indicating that real home prices in Forsyth County have risen slightly.

Among other indicators of housing activity, the average time on the market for existing homes sold was 100.6 days, down -3.7 percent from the average in the 2nd quarter. The sale-list price spread, which shows the ratio of selling to listing price, was unchanged at 94.0 percent, indicating no change in the level of discounting in the

¹ This percentage is calculated from August 2006 to August 2007 using data from the National Assn. of Realtors®.

market. Over the past year, time on the market has risen, and the spread has declined, suggesting that the average home seller needs more time to sell a home and is accepting higher discounts from the initial listing price.

Existing Homes, 1997.1 – 2007.3
(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index was down -0.5 percent this quarter, and, since the 3rd quarter of 2006, the affordability index has slipped -0.1 percent.

Existing Home Sales Data

	2007.3	2007.2	2006.3	% Chg Last Qtr.	% Chg Last Yr.
Seasonally Adjusted:					
Adj. Ave. Home Price	\$200,717	\$200,511	\$195,885	0.1%	2.5%
No. of Homes Sold	862	920	957	-6.3%	-9.9%
Time on Market (days)	100.6	104.5	95.4	-3.7%	5.5%
Spread: (sale price/list price)	94.0	94.0	94.2	0.0%	-0.2%
Seasonally Unadjusted					
Ave. Home Price	\$187,093	\$191,164	\$182,866	-2.1%	2.3%
No. of Homes Sold	888	1,156	996	-23.2%	-10.8%
< \$150K	431	544	544	-20.8%	-20.8%
\$150K - \$349K	377	501	385	-24.8%	-2.1%
\$350K & Over	80	111	67	-27.9%	19.4%
Inventory, end of qtr.	2,943	2,795	2,643	5.3%	11.4%
Inventory/Sales	3.3	2.4	2.7	37.1%	24.9%
Affordability Index	92.5	93.0	92.6	-0.5%	-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 27284, which includes the Kernersville area in eastern Forsyth County. This area had a total of 131 sales. It was followed by zip code 27106 which includes the Bethabara area in northwest Winston-Salem with 115 sales. The Forsyth Country Club area, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$339,646, on the basis of 87 sales. The highest ratio inventory to sales was in zip code 27105 where the inventory to sales ratio was 5.3. At the current sales pace, it will take 15.9 months to exhaust the exiting inventory in this neighborhood. Zip code 27105 is located in the northern part of the city along and to the east of Highway 52.

The Neighborhood Distribution of Existing Home Sales, 2007.3

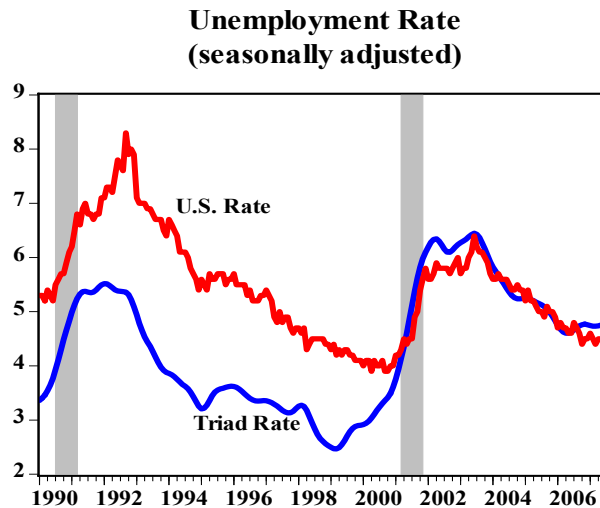
Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27012	< \$150K	10	\$131,080	95.7	95.4	7	0.7
27012	\$150K - \$349K	52	\$248,710	95.2	95.0	163	3.1
27012	\$350K & Over	12	\$484,000	94.9	159.1	75	6.3
27012	Total	74	\$270,969	95.2	105.5	245	3.3
27023	< \$150K	10	\$119,690	90.3	73.4	9	0.9
27023	\$150K - \$349K	11	\$122,036	94.2	58.9	9	0.8
27023	\$350K & Over	26	\$209,596	95.9	105.2	51	2.0
27023	Total	47	\$169,974	94.3	87.6	69	1.1
27040	< \$150K	7	\$115,414	95.1	116.1	29	4.1
27040	\$150K - \$349K	15	\$231,507	95.3	139.6	82	5.5
27040	\$350K & Over	4	\$559,363	95.3	172.7	23	5.8
27040	Total	26	\$164,635	80.6	138.4	134	5.2
27045	< \$150K	12	\$116,883	93.8	115.3	23	1.9
27045	\$150K - \$349K	7	\$173,629	95.7	128.9	61	8.7
27045	\$350K & Over	0	n.a.	n.a.	n.a.	7	n.a.
27045	Total	19	\$137,789	94.5	120.3	91	4.8
27050	< \$150K	8	\$88,441	87.8	84.9	10	1.3
27050	\$150K - \$349K	3	\$181,833	79.1	149.1	10	3.3
27050	\$350K & Over	1	\$630,000	107.1	252.5	10	10.0
27050	Total	12	\$104,419	78.3	114.9	30	2.5
27051	< \$150K	6	\$81,565	95.8	77.1	21	3.5
27051	\$150K - \$349K	5	\$193,660	96.8	143.4	27	5.4
27051	\$350K & Over	0	n.a.	n.a.	56.5	2	n.a.
27051	Total	11	\$132,517	96.2	107.3	50	4.5
27101	< \$150K	27	\$71,683	88.2	119.7	69	2.6
27101	\$150K - \$349K	10	\$224,900	91.4	126.3	71	7.1
27101	\$350K & Over	0	n.a.	n.a.	135.9	16	n.a.
27101	Total	37	\$113,093	89.0	121.5	156	4.2
27103	< \$150K	42	\$124,613	93.1	114.7	117	2.8
27103	\$150K - \$349K	36	\$194,360	95.0	114.0	156	4.3
27103	\$350K & Over	0	n.a.	n.a.	127.0	9	n.a.
27103	Total	78	\$156,804	94.0	114.4	282	3.6
27104	< \$150K	22	\$110,536	93.2	117.1	34	1.5
27104	\$150K - \$349K	44	\$239,744	94.8	111.5	106	2.4
27104	\$350K & Over	21	\$788,983	92.7	178.5	70	3.3
27104	Total	87	\$339,646	93.9	129.1	210	2.4

The Neighborhood Distribution of Existing Home Sales, continued

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27105	< \$150K	55	\$78,979	83.8	116.7	274	5.0
27105	\$150K - \$349K	3	\$192,600	98.0	144.6	31	10.3
27105	\$350K & Over	0	n.a.	n.a.	268.0	2	n.a.
27105	Total	58	\$84,856	84.6	118.1	307	5.3
27106	< \$150K	36	\$116,941	91.5	121.0	80	2.2
27106	\$150K - \$349K	56	\$217,450	95.4	126.1	137	2.4
27106	\$350K & Over	23	\$493,365	97.4	163.8	76	3.3
27106	Total	115	\$241,169	94.6	132.1	293	2.5
27107	< \$150K	65	\$91,583	91.3	132.7	217	3.3
27107	\$150K - \$349K	17	\$189,537	96.0	103.3	84	4.9
27107	\$350K & Over	0	n.a.	n.a.	230.3	6	n.a.
27107	Total	82	\$111,891	92.3	126.6	218	2.7
27127	< \$150K	74	\$105,781	93.4	99.2	190	2.6
27127	\$150K - \$349K	21	\$179,698	96.4	124.8	127	6.0
27127	\$350K & Over	0	n.a.	n.a.	205.0	2	n.a.
27127	Total	95	\$122,121	94.0	104.9	218	2.3
27284	< \$150K	46	\$128,626	96.4	102.7	66	1.4
27284	\$150K - \$349K	78	\$207,598	96.9	111.4	252	3.2
27284	\$350K & Over	7	\$461,971	97.5	148.2	48	6.9
27284	Total	131	\$193,460	96.7	110.3	366	2.8

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region improved modestly during the 3rd quarter.² The seasonally adjusted rate of unemployment in the Triad was 4.8 percent in August, unchanged from the revised figure for the second quarter. The national unemployment rate was 4.6 percent, up 0.1 percentage points from last quarter.

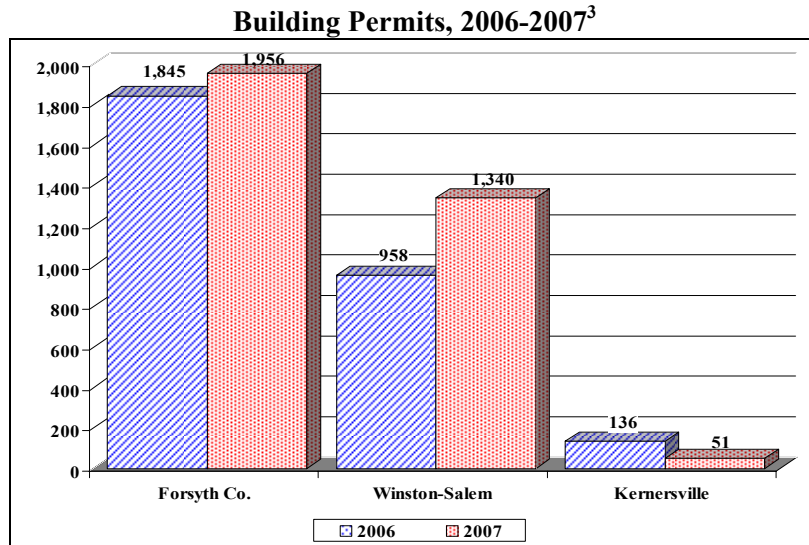


Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was up 0.2 percent in August. Over the past 12 months, employment has gained 1.7 percent. For the nation as a whole, employment

² The Triad is defined as the eight-county area that is composed of the Burlington MSA, the Greensboro/High Point MSA, and the Winston-Salem MSA.

was essentially unchanged in August. Over the past 12 months, national employment has risen 1.2 percent.

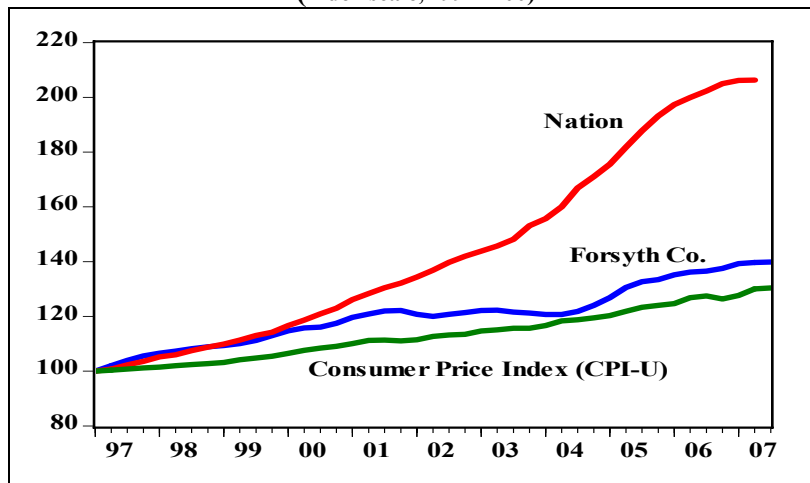
Planned single-family residential construction increased during the 3rd quarter. Residential building permits (which reflect plans for future construction) were increased 6.0 percent in Forsyth County as a whole during the first 8 months of 2007 compared to the same period in 2006. Permits rose 39.9 percent in Winston-Salem but were down -62.5 percent in Kernersville.



Longer-Term Trends

Since the first quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 3.3 percent, outpacing the consumer price index (CPI) which has increased an average of 2.5 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 7.1 percent annual rate from 1997.1 through the 2nd quarter of 2007, according to the Office of Federal Housing Enterprise Oversight (OFHEO).

Existing Housing Prices in Forsyth County and the Nation
(index scale, 1997=100)



³ Figures reflect year-to-date totals through August.

In 2006, the average existing home that was sold had 1,918 square feet of floor space. It was 1.3 stories high, had 2.2 bathrooms, 1.4 garage parking spaces, and 1.0 fireplaces. The average age of existing homes sold was 27 years. Sixty-five percent of exiting homes sold were in the city limits of Winston-Salem.

Characteristics of Existing Homes Sold, 2006

Square Footage	1,918
Floors	1.3
Baths	2.2
Garage Spaces	1.4
Fireplace	1.0
Age	27
In the City of Winston-Salem	65%
Number Sold	3,879

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.

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