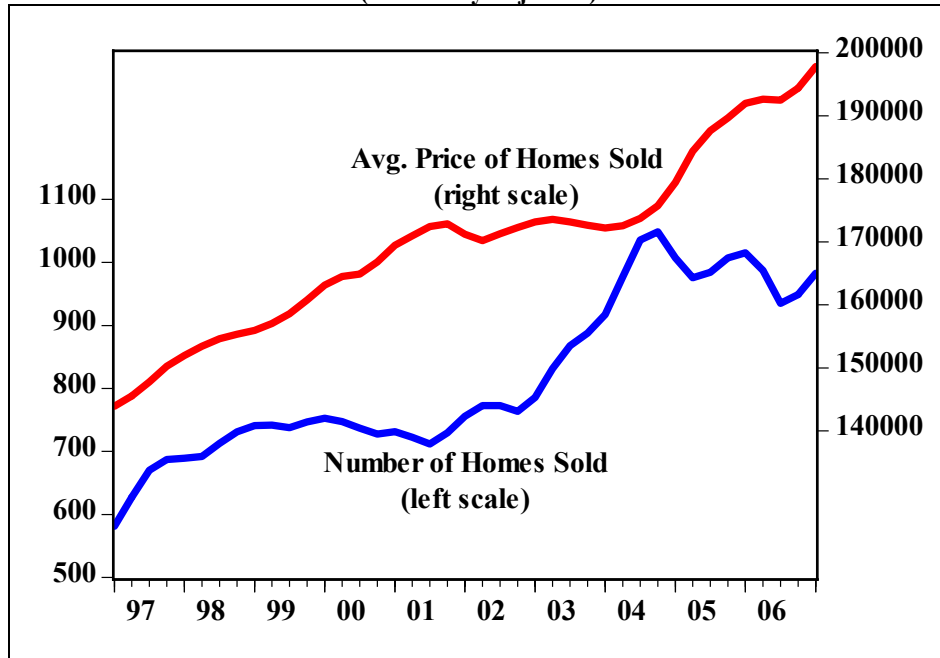


The Forsyth County Housing Report, 2007.1

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 983 in the 1st quarter of 2007 after adjustment for seasonal variation. The number sold was up 3.6 percent compared to the level of sales recorded in the 4th quarter, but it was down -3.2 percent from the number sold during the 1st quarter one year ago. Nationally, the pace of existing home sales has fallen -3.6 percent over the past 12 months.¹

Number of Existing Homes Sold, 1997.1 – 2007.1
(seasonally adjusted)



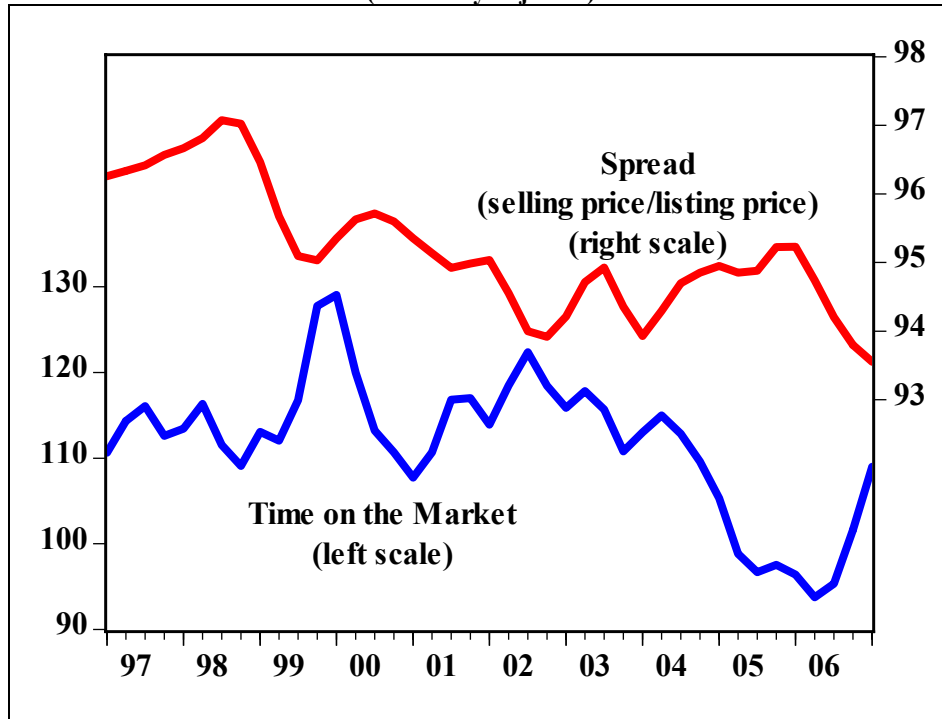
At the end of the 1st quarter of 2007, the inventory of homes on the market was 2,682, or 3.2 times the number of homes sold in the 1st quarter. At the current sales pace, it will take 9.6 months to exhaust the existing inventory. The number of homes offered for sale was up 7.6 percent from what it was at the end of the 1st quarter of last year.

The price of the average home sold in the 1st quarter was up 1.8 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$197,818. The average this quarter was 3.0 percent above the average recorded in the 1st quarter of last year. Over the past year, consumer prices nationally have risen 2.4 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 109.0 days, up 6.9 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 93.6 percent, indicating a modest rise in the level of discounting in the 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.

¹ This percentage is calculated from Feb. 2006 to Feb. 2007.

Existing Homes, 1997.1 – 2007.1
(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index was unchanged this quarter, but, since the 1st quarter of 2006, the affordability index has gained 4.1 percent.

Existing Home Sales Data, 2007.1 – 2006.1

	2007.1	2006.4	2006.1	% Chg Last Qtr.	% Chg Last Yr.
<i>Seasonally Adjusted</i>					
Adj. Ave. Home Price	\$197,818	\$194,367	\$191,998	1.8%	3.0%
No. of Homes Sold	983	949	1015	3.6%	-3.2%
Time on Market (days)	109.0	102.0	96.0	6.9%	13.5%
Spread: (sale price/list price)	93.6	93.8	95.2	-0.2%	-1.7%
<i>Seasonally Unadjusted</i>					
Ave. Home Price	\$187,093	\$191,164	\$182,866	-2.1%	2.3%
No. of Homes Sold	835	787	877	6.1%	-4.8%
< \$150K	469	433	493	8.3%	-4.9%
\$150K - \$349K	293	296	329	-1.0%	-10.9%
\$350K & Over	73	58	55	25.9%	32.7%
Inventory, end of qtr.	2,682	2,356	2,492	13.8%	7.6%
Inventory/Sales	3.2	3.0	2.8	7.3%	13.0%
Affordability Index	100.0	100.0	96.1	0.0%	4.1%

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 area which includes Kernersville had a total of 130 sales. It was followed by zip code 27127 which includes the Waughtown area southwest of city with 98 sales. The Forsyth Country Club area, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$305,571, on the basis of 56 sales. The highest ratio inventory to sales was in zip code 27040 where the inventory to sales ratio was 4.0. At the current sales pace, it will take 12.0 months to exhaust the exiting inventory in this neighborhood. Zip code 27040 is located in the northwest part of the county encompassing the Bethania area.

The Neighborhood Distribution of Existing Home Sales, 2007.1

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27012	< \$150K	6	\$134,650	97.0	78.3	10	1.7
27012	\$150K - \$349K	34	\$238,187	95.7	106.8	134	3.9
27012	\$350K & Over	16	\$523,145	97.4	125.3	68	4.3
27012	Total	56	\$308,510	96.3	109.0	212	3.8
27023	< \$150K	11	\$125,171	95.2	70.5	8	0.7
27023	\$150K - \$349K	16	\$217,900	95.9	84.4	49	3.1
27023	\$350K & Over	4	\$417,450	97.4	134.1	37	9.3
27023	Total	31	\$210,744	95.9	85.9	94	3.0
27040	< \$150K	8	\$125,163	95.5	147.2	16	2.0
27040	\$150K - \$349K	14	\$230,052	96.6	108.4	59	4.2
27040	\$350K & Over	4	\$412,000	98.9	203.2	29	7.3
27040	Total	26	\$162,386	81.4	134.9	104	4.0
27045	< \$150K	17	\$108,447	92.0	84.2	25	1.5
27045	\$150K - \$349K	2	\$189,000	97.0	126.4	27	13.5
27045	\$350K & Over	1	\$369,000	102.8	62.1	7	7.0
27045	Total	20	\$111,080	87.9	87.3	59	3.0
27051	< \$150K	11	\$118,018	93.9	100.9	20	1.8
27051	\$150K - \$349K	6	\$232,167	94.4	168.9	26	4.3
27051	\$350K & Over	0	n.a.	n.a.	208.3	3	n.a.
27051	Total	17	\$158,306	94.1	124.9	49	2.9
27101	< \$150K	27	\$83,115	91.5	91.8	57	2.1
27101	\$150K - \$349K	3	\$210,000	92.3	73.9	57	19.0
27101	\$350K & Over	2	\$460,500	94.9	245.4	5	2.5
27101	Total	32	\$89,816	85.9	84.4	119	3.7
27103	< \$150K	52	\$110,725	92.9	98.7	99	1.9
27103	\$150K - \$349K	34	\$228,989	95.9	103.5	143	4.2
27103	\$350K & Over	0	n.a.	n.a.	208.3	3	n.a.
27103	Total	86	\$157,481	94.1	100.6	245	2.8
27104	< \$150K	14	\$128,621	93.2	108.0	31	2.2
27104	\$150K - \$349K	26	\$218,802	93.5	90.7	97	3.7
27104	\$350K & Over	16	\$601,403	92.3	148.3	85	5.3
27104	Total	56	\$305,571	93.1	111.5	213	3.8
27105	< \$150K	77	\$86,196	90.3	109.8	180	2.3
27105	\$150K - \$349K	2	\$162,800	100.5	113.5	34	17.0
27105	\$350K & Over	0	n.a.	n.a.	134.7	3	n.a.
27105	Total	79	\$88,136	90.6	109.9	217	2.7
27106	< \$150K	35	\$108,245	90.3	100.6	67	1.9
27106	\$150K - \$349K	39	\$224,805	94.9	132.3	150	3.8
27106	\$350K & Over	15	\$507,407	96.2	128.8	89	5.9
27106	Total	89	\$226,596	93.3	119.3	306	3.4

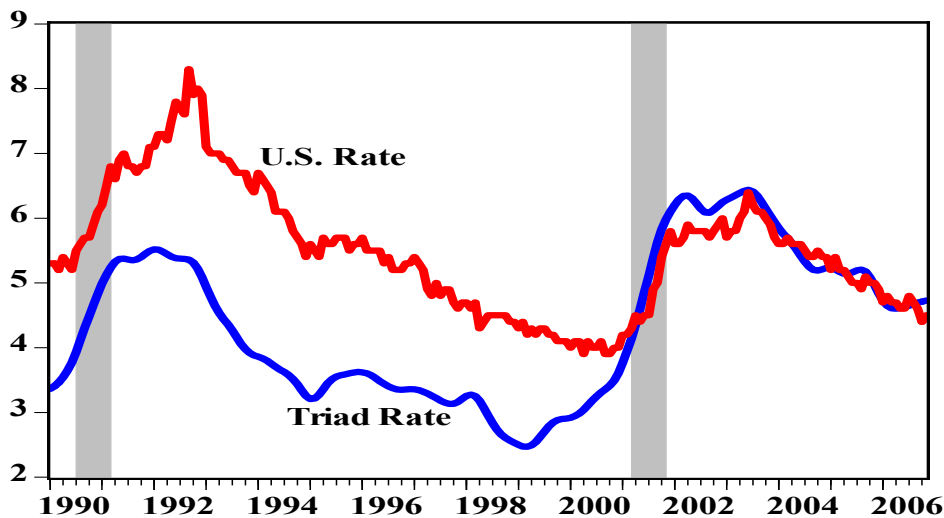
The Neighborhood Distribution of Existing Home Sales, continued

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27107	< \$150K	70	\$90,577	89.4	109.3	246	3.5
27107	\$150K - \$349K	22	\$180,532	97.2	95.0	64	2.9
27107	\$350K & Over	0	n.a.	n.a.	n.a.	n.a.	n.a.
27107	Total	92	\$112,088	91.3	105.9	218	2.4
27127	< \$150K	78	\$111,117	94.0	98.0	184	2.4
27127	\$150K - \$349K	20	\$186,212	97.1	119.1	146	7.3
27127	\$350K & Over	0	n.a.	n.a.	n.a.	n.a.	n.a.
27127	Total	98	\$126,443	94.6	102.3	218	2.2
27284	< \$150K	50	\$119,952	94.4	76.9	77	1.5
27284	\$150K - \$349K	66	\$200,728	96.8	116.6	208	3.2
27284	\$350K & Over	14	\$413,786	98.0	136.6	47	3.4
27284	Total	130	\$192,605	96.0	103.5	332	2.6

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region improved modestly during the 1st quarter.² The seasonally adjusted rate of unemployment in the Triad was 4.8 percent in February, unchanged from the revised figure for January. The national unemployment rate was 4.5 percent, down 0.1 percentage points from last month.

Unemployment Rate (seasonally adjusted)



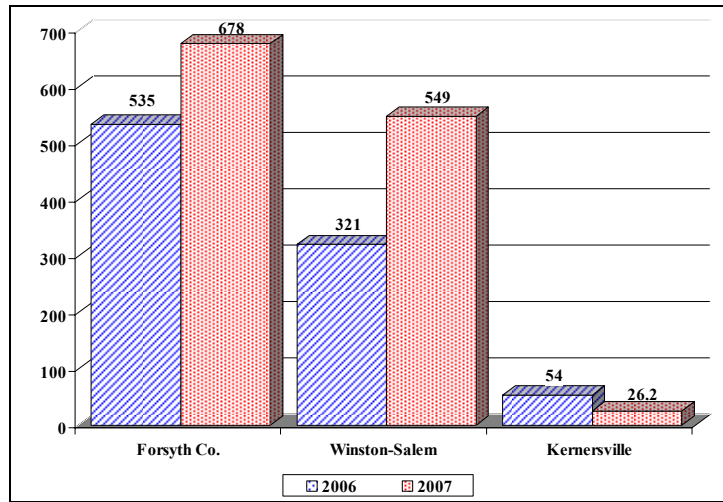
Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was up 0.1 percent in February. Over the past 12 months, employment has gained 1.4 percent. For the nation as a whole, employment was up 0.1 percent in February. Over the past 12 months, national employment has risen 1.5 percent.

Planned single-family residential construction was higher during the 1st quarter. Residential building permits (which reflect plans for future construction) were up 26.7 percent in Forsyth County as a whole during the first

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.

2 months of 2007 compared to the same period in 2006. Permits rose 71.0 percent in Winston-Salem but declined -51.5 percent in Kernersville.

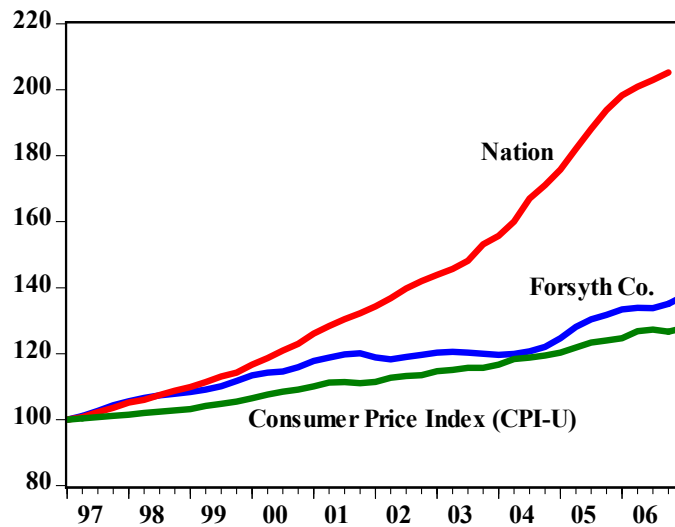
Building Permits, 2006-2007³



Longer-Term Trends

Since the 1st quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 3.2 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 7.6 percent annual rate from 1997.1 through the 4th quarter of 2006, according to the Office of Federal Housing Enterprise Oversight (OFHEO).

**Existing Housing Prices in Forsyth County and the Nation
(quality-adjusted, index scale)**



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

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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