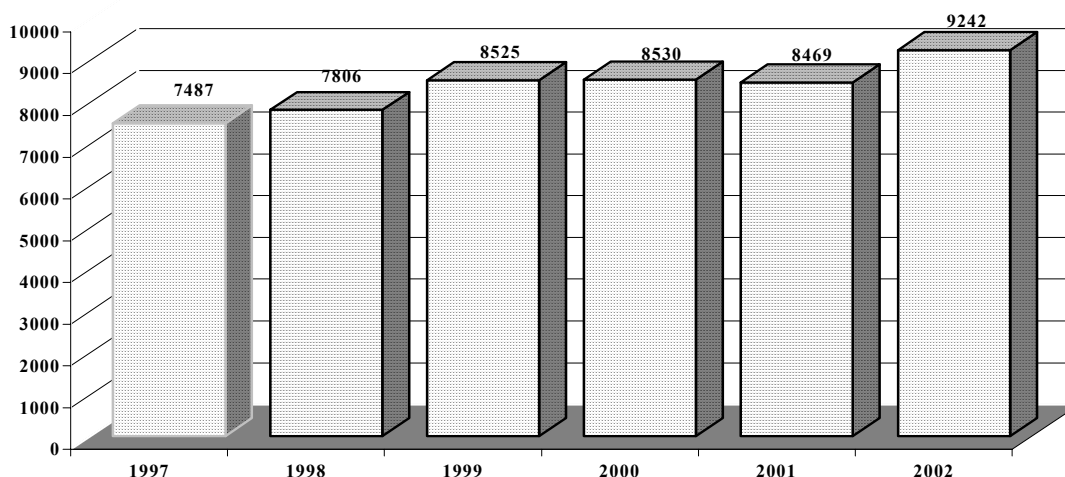


The Triad Housing Report, 2002.4

Current Outlook

The number of existing, single-family homes sold in the Triad totaled 2,245 in the 4th quarter of 2002.¹ The number sold was off 8.3 percent compared to the level of sales recorded in the 3rd quarter but 20.0 percent above the number sold during the 4th quarter one year ago. During all of 2002, there were 9,242 sales of existing homes, or 9.1 percent more than in 2001.

Number of Existing Homes Sold



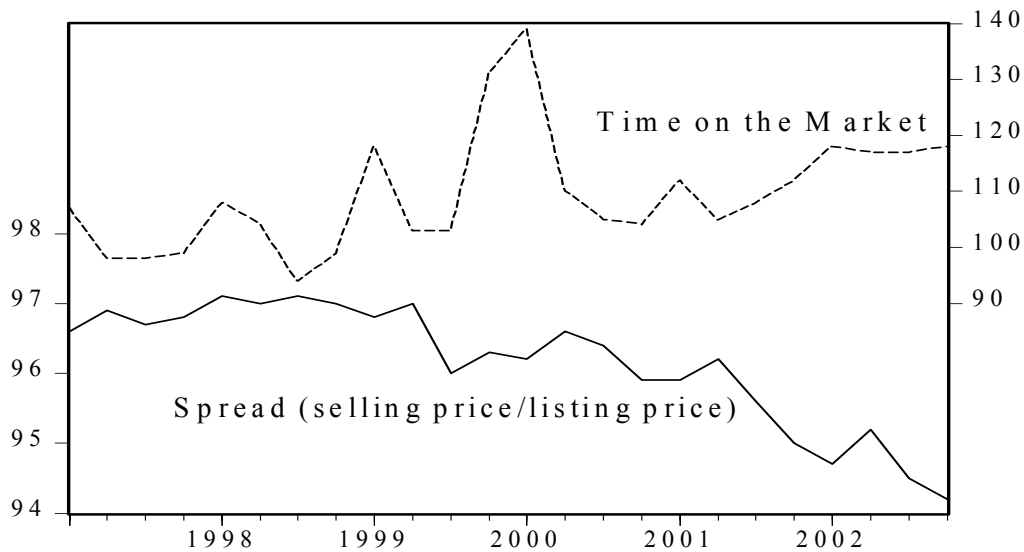
Despite the increase in the number of homes sold in 2002, the inventory of homes on the market remained high. At the end of the 4th quarter of 2001, there were 6,060 unsold homes, a number equal to 66 percent of the total number of homes sold in 2002. The median time on the market for unsold homes was 104 days at the end of 2002.

The price of the average home sold in the 4th quarter was down 2.5 percent from the previous quarter. The average quality-adjusted price of an existing home in the Triad was \$154,321. The average this quarter was down 1.4 percent 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 118 days, up 0.9 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 94.1 percent, indicating an increase in the level of discounting in the market. Over the past year, time on the market has increased and the spread has fallen, suggesting that the average home seller needs more time to sell a home and is agreeing to greater discounts from the initial listing price.

¹ The Triad is defined as the eight-county Greensboro/High Point/Winston-Salem MSA. The eight counties are: Alamance, Davidson, Davie, Forsyth, Guilford, Randolph, Stokes, and Yadkin. The Triad is located in the north central area of North Carolina.

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 and average home prices. Since the 4th quarter of last year, the affordability index has risen 11.1 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 | \$154,321 | \$158,318 | \$156,473 | -2.5% | -1.4% |
| No. of Homes Sold | 2,245 | 2,448 | 1,871 | -8.3% | 20.0% |
| Time on Market (days) | 118 | 117 | 112 | 0.9% | 5.4% |
| Affordability Index | 127.1 | 119.8 | 114.4 | 6.1% | 11.1% |
| Spread: (sale price/list price) | 94.1 | 94.5 | 95.0 | -0.4% | -0.9% |

The County Distribution of Existing Home Sales

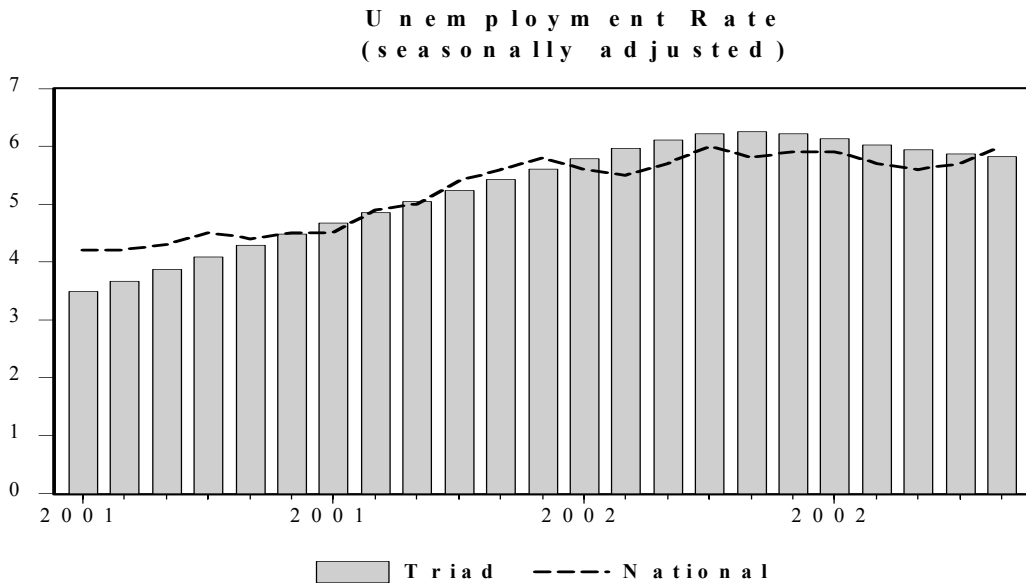
During the 4th quarter, the largest number of sales of existing homes occurred in Guilford County, which recorded a total of 1,027 homes sold. It was followed by Forsyth County with 803 sales and Davidson County with 160 sales. Davie County recorded the highest average price for homes sold at \$184,550.

The County Distribution of Existing Home Sales, 2002.4

| <u>County</u> | <u>No. Sales</u> | <u>Sales</u> | | |
|---------------|------------------|--------------|---------------|------------|
| | | <u>Price</u> | <u>Spread</u> | <u>TOM</u> |
| Alamance | 4 | \$53,093 | 96.4 | 136 |
| Davidson | 160 | \$134,595 | 94.4 | 133 |
| Davie | 82 | \$184,550 | 94.4 | 134 |
| Forsyth | 803 | \$162,767 | 94.3 | 120 |
| Guilford | 1027 | \$159,910 | 94.3 | 110 |
| Randolph | 107 | \$135,012 | 93.9 | 145 |
| Stokes | 54 | \$115,237 | 92.0 | 137 |
| Yadkin | 8 | \$129,925 | 92.8 | 97 |

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.

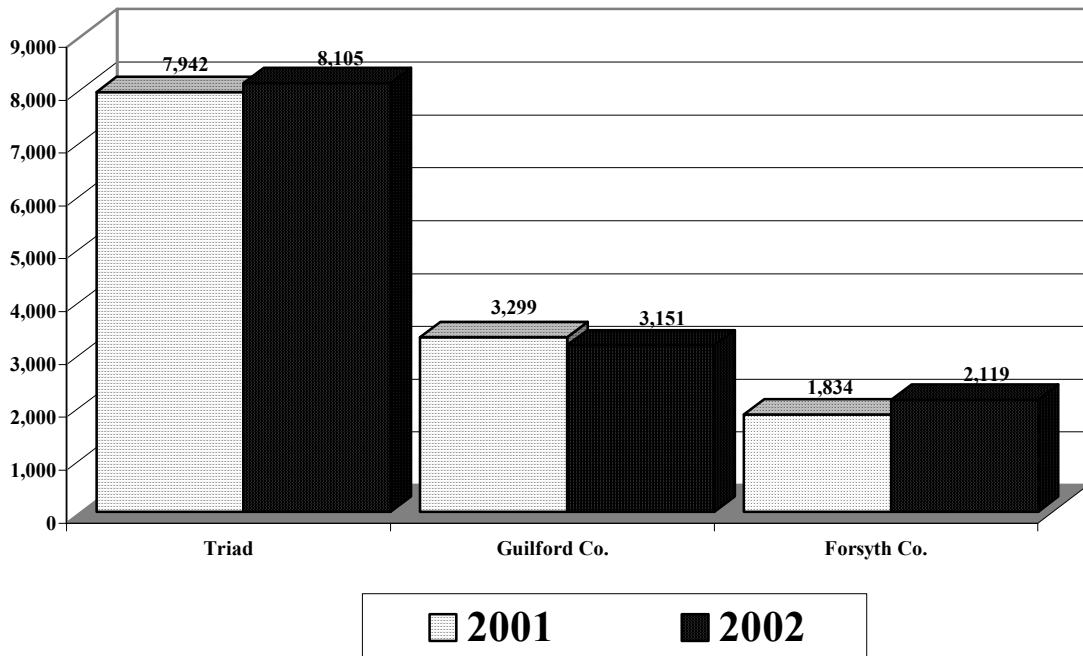


The number of persons employed in the Triad over the past 12 months ending November 2002 declined 0.7 percent, providing a further indicator of the sluggish pace of regional economic activity. Employment in the manufacturing sector slipped 0.1 percent over the same 12-month period.

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 2.1 percent in the Triad as a whole. Permits decreased 4.5 percent in Guilford County but jumped 15.5 percent in Forsyth County.

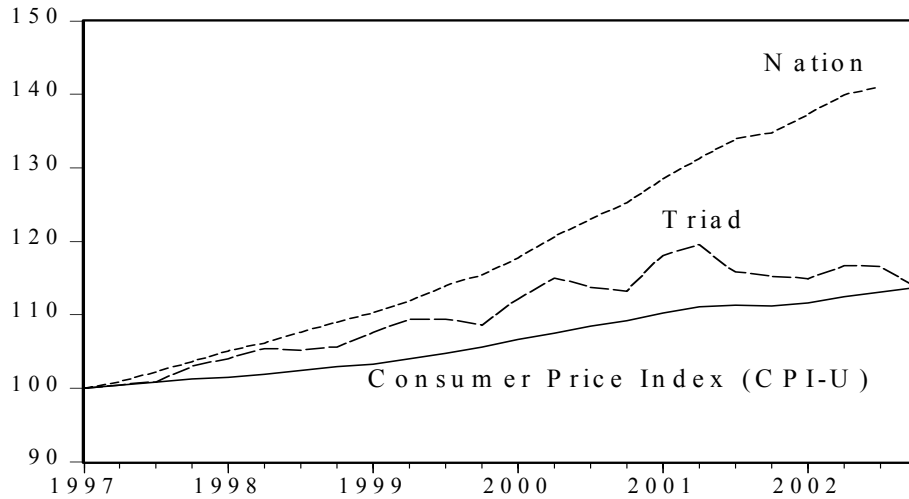
Building Permits, 2001-2002



Longer-Term Trends

Since the 1st quarter of 1997, existing home prices in the Triad have risen at an average annual rate of 2.2 percent, matching the consumer price index (CPI), which also has increased an average of 2.2 percent annually. The appreciation of housing prices in the Triad 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 Triad and the Nation
(quality adjusted, index scale)**



In 2002, the average existing home that was sold in the Triad had 1,927 square feet of floor space. It was 1.3 stories high, had 2.2 bathrooms, 1.3 garage parking spaces, and 0.9 fireplaces. The average age of existing homes sold was 21.7 years. Guilford County accounted for 42.5 percent of recorded home sales this quarter, followed by Forsyth County with 37.4 percent of sales.

Characteristics of Home Sold, 2002

| | |
|----------------------|-------|
| Square Footage | 1,927 |
| Floors | 1.3 |
| Baths | 2.2 |
| Garage Spaces | 1.3 |
| Fireplaces | 0.9 |
| Age | 21.7 |
| Alamance | 0.4% |
| Davidson | 8.7% |
| Davie | 3.8% |
| Forsyth | 37.4% |
| Guilford | 42.5% |
| Randolph | 4.5% |
| Stokes | 2.3% |
| Yadkin | 0.4% |
| Number of Homes Sold | 9.242 |

Methodology

The *Triad Housing Report* uses data from the Triad MLS to track the pace of housing activity in the Triad (the Greensboro/High Point/Winston-Salem, MSA). 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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Historical Data, 1997 - 2002

| Date | Number Sold | Adjusted Price | TOM | Spread |
|--------|-------------|----------------|-----|--------|
| 1997:1 | 1397 | 135856 | 107 | 96.6 |
| 1997:2 | 2114 | 136458 | 98 | 96.9 |
| 1997:3 | 2019 | 136928 | 98 | 96.7 |
| 1997:4 | 1957 | 139798 | 99 | 96.8 |
| 1998:1 | 1601 | 141234 | 108 | 97.1 |
| 1998:2 | 2229 | 143150 | 104 | 97.0 |
| 1998:3 | 2079 | 142972 | 94 | 97.1 |
| 1998:4 | 1897 | 143487 | 99 | 97.0 |
| 1999:1 | 1580 | 146150 | 118 | 96.8 |
| 1999:2 | 2463 | 148555 | 103 | 97.0 |
| 1999:3 | 2329 | 148604 | 103 | 96.0 |
| 1999:4 | 2153 | 147447 | 131 | 96.3 |
| 2000:1 | 1764 | 152325 | 139 | 96.2 |
| 2000:2 | 2589 | 156281 | 110 | 96.6 |
| 2000:3 | 2242 | 154519 | 105 | 96.4 |
| 2000:4 | 1935 | 153808 | 104 | 95.9 |
| 2001:1 | 1774 | 160351 | 112 | 95.9 |
| 2001:2 | 2569 | 162357 | 105 | 96.2 |
| 2001:3 | 2255 | 157317 | 108 | 95.6 |
| 2001:4 | 1871 | 156473 | 112 | 95.0 |
| 2002:1 | 1907 | 156129 | 118 | 94.7 |
| 2002:2 | 2642 | 158608 | 117 | 95.2 |
| 2002:3 | 2448 | 158318 | 117 | 94.5 |
| 2002:4 | 2245 | 154321 | 118 | 94.2 |