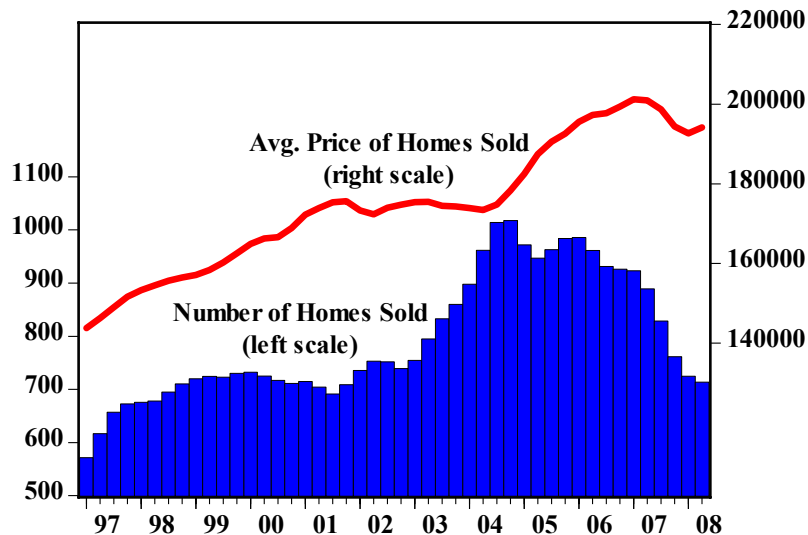


The Forsyth County Housing Report, 2008.2

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 713 in the 2nd quarter of 2008 after adjustment for seasonal variation. The number sold was down -1.7 percent compared to the level of sales recorded in the 1st quarter, and it was off -19.8 percent from the number sold during the 2nd quarter one year ago.

Number of Existing Homes Sold, 1997.1 – 2008.2
(seasonally adjusted)



At the end of the 2nd quarter of 2008, the inventory of homes on the market was 2,905, or 3.2 times the number of homes sold in the 2nd 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 3.9 percent from what it was at the end of the 2nd quarter of last year.

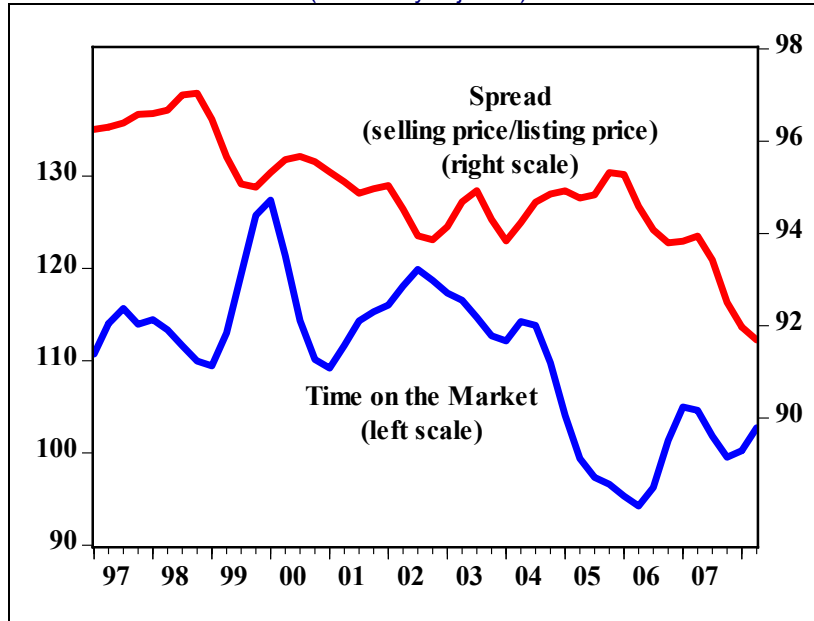
The price of the average home sold in the 2nd quarter was higher by 0.8 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$194,172. The average this quarter was -3.4 percent below the average recorded in the 2nd quarter of last year. Over the past year, consumer prices nationally have risen 3.8 percent, indicating that real home prices in Forsyth County have fallen.

Nationally, the pace of existing home sales has fallen -15.2 percent over the past 12 months.¹ Average home prices are down -6.8 percent across the nation and -4.6 percent in the South. The national inventory of unsold homes is up 1.9 percent over the past 12 months and will take 10.4 months to sell at the existing pace of sales.

Among other indicators of housing activity, the average time on the market for existing homes sold was 102.7 days, up 2.4 percent from the average in the 1st quarter. The sale-list price spread, which shows the ratio of selling to listing price, was lower at 91.7 percent, indicating a rise in the level of discounting in the market. Over the past year, time on the market has fallen, and the spread has declined, suggesting that the average home seller needs less time to sell a home but is accepting higher discounts from the initial listing price.

¹ This percentage is calculated from May 2007 to May 2008 using National Association of Realtors® data.

Existing Homes, 1997.1 – 2008.2
(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index was down -5.1 percent this quarter, but, since the 2nd quarter of 2007, the affordability index has risen 7.5 percent because of lower prices.

Existing Home Sales Data

	2008.2	2008.1	2007.2	% Chg Last Qtr.	% Chg Last Yr.
<i>Seasonally Adjusted</i>					
Adj. Ave. Home Price	\$194,172	\$192,659	\$200,921	0.8%	-3.4%
No. of Homes Sold	713	725	889	-1.7%	-19.8%
Time on Market (days)	102.7	100.3	104.6	2.4%	-1.8%
Spread: (sale price/list price)	91.7	92.0	93.9	-0.3%	-2.3%
Consumer Price Index (CPI-U)	214.4	212.8	206.6	0.8%	3.8%
<i>Not Seasonally Adjusted</i>					
Ave. Home Price	\$205,161	\$190,447	\$209,257	7.7%	-2.0%
No. of Homes Sold	906	631	1,119	43.6%	-19.0%
< \$75K	85	88	100	-3.4%	-15.0%
\$75K - \$149K	332	269	444	23.4%	-25.2%
\$150K - \$299K	373	200	424	86.5%	-12.0%
\$300K - \$499K	88	52	106	69.2%	-17.0%
\$500K & Over	28	22	45	27.3%	-37.8%
Inventory, end of qtr.	2,905	2,862	2,795	1.5%	3.9%
Inventory/Sales	3.2	4.5	2.5	-29.3%	28.4%
Affordability Index	105.9	111.6	98.5	-5.1%	7.5%

The Neighborhood Distribution of Existing Home Sales

During the 2nd 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 135 sales. It was followed by zip code 27127 which is located in the southwestern section of the city along Peters Creek Parkway with 124 sales. Zip code 27104 in the western section of the city around Country Club Drive recorded the highest average price of homes sold, with sales of existing homes averaging \$317,195 on the basis of 80 sales. It was followed by zip code 27023 (the Lewisville area) averaging \$309,113 on the basis of 40 sales.

The highest ratio inventory to sales was in zip code 27050 where the inventory to sales ratio was 8.8. At the current sales pace, it will take 26.4 months to exhaust the exiting inventory in this neighborhood. It was followed by zip code 27040 where it will take 14.4 months to move all the currently available homes. Zip code 27050 is located north of the city west of Highway 52, while zip code 27040 is northwest astride Reynolda Road.

The Neighborhood Distribution of Existing Home Sales, 2008.2

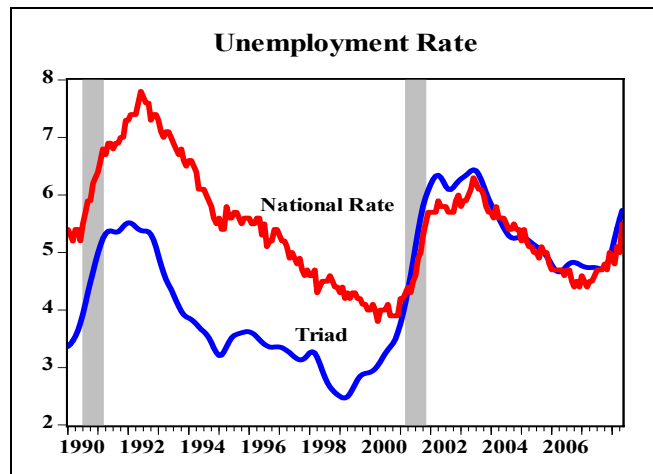
Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27009	< \$75K	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27009	\$75K - \$149K	3	\$136,067	95.8	93.3	12	4.0
27009	\$150K - \$299K	4	\$216,700	92.2	175.8	6	1.5
27009	\$300K - \$499K	n.a.	n.a.	n.a.	163.7	6	n.a.
27009	\$500K & Over	n.a.	n.a.	n.a.	228.0	3	n.a.
27009	Total	7	\$182,143	93.8	140.4	27	3.9
27012	< \$75K	n.a.	n.a.	n.a.	34.5	2	n.a.
27012	\$75K - \$149K	14	\$131,418	93.5	84.4	17	1.2
27012	\$150K - \$299K	49	\$208,357	96.5	118.4	125	2.6
27012	\$300K - \$499K	15	\$364,053	95.9	136.9	74	4.9
27012	\$500K & Over	1	\$559,900	102.4	220.2	33	33.0
27012	Total	79	\$228,735	95.9	117.2	251	3.2
27023	< \$75K	n.a.	n.a.	n.a.	44.0	1	n.a.
27023	\$75K - \$149K	6	\$125,942	84.1	107.2	13	2.2
27023	\$150K - \$299K	15	\$203,603	96.3	97.0	42	2.8
27023	\$300K - \$499K	14	\$397,132	97.6	118.8	51	3.6
27023	\$500K & Over	5	\$598,993	99.9	211.4	28	5.6
27023	Total	40	\$309,113	95.4	120.5	135	3.4
27040	< \$75K	1	\$54,900	91.7	7.0	n.a.	n.a.
27040	\$75K - \$149K	5	\$117,890	91.2	143.2	21	4.2
27040	\$150K - \$299K	14	\$206,556	93.4	145.7	70	5.0
27040	\$300K - \$499K	4	\$426,500	98.2	161.0	25	6.3
27040	\$500K & Over	2	\$809,700	99.3	172.1	10	5.0
27040	Total	26	\$263,905	94.1	144.3	126	4.8
27045	< \$75K	1	\$70,000	70.1	43.0	n.a.	n.a.
27045	\$75K - \$149K	12	\$109,325	91.3	112.0	35	2.9
27045	\$150K - \$299K	10	\$204,620	91.4	164.1	39	3.9
27045	\$300K - \$499K	2	\$402,000	98.0	120.9	7	3.5
27045	\$500K & Over	n.a.	n.a.	n.a.	168.5	2	n.a.
27045	Total	25	\$169,284	91.0	130.8	83	3.3
27050	< \$75K	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27050	\$75K - \$149K	4	\$110,500	90.4	96.6	11	2.8
27050	\$150K - \$299K	n.a.	n.a.	n.a.	169.5	10	n.a.
27050	\$300K - \$499K	n.a.	n.a.	n.a.	94.7	7	n.a.
27050	\$500K & Over	n.a.	n.a.	n.a.	141.0	7	n.a.
27050	Total	4	\$110,500	90.4	96.6	35	8.8
27051	< \$75K	5	\$58,530	87.6	52.0	1	0.2
27051	\$75K - \$149K	6	\$107,150	93.5	77.4	27	4.5
27051	\$150K - \$299K	4	\$205,600	98.2	103.1	20	5.0
27051	\$300K - \$499K	1	\$365,000	81.1	85.0	1	1.0
27051	\$500K & Over	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27051	Total	16	\$132,684	92.1	76.4	49	3.1
27101	< \$75K	10	\$27,700	79.8	151.0	22	2.2
27101	\$75K - \$149K	6	\$120,167	95.8	98.2	36	6.0
27101	\$150K - \$299K	6	\$218,500	88.6	156.0	42	7.0
27101	\$300K - \$499K	4	\$405,750	89.3	137.2	6	1.5
27101	\$500K & Over	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27101	Total	26	\$151,231	87.0	137.8	106	4.1
27103	< \$75K	3	\$40,333	68.5	255.0	2	0.7
27103	\$75K - \$149K	47	\$126,377	93.4	104.4	95	2.0
27103	\$150K - \$299K	63	\$210,100	95.8	104.0	128	2.0
27103	\$300K - \$499K	6	\$325,270	94.3	127.8	16	2.7
27103	\$500K & Over	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27103	Total	119	\$178,560	94.1	109.2	241	2.0

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	53	\$72,828	85.8	127.3	225	4.2
27104	< \$75K	3	\$64,982	86.0	113.0	1	0.3
27104	\$75K - \$149K	19	\$119,662	93.1	111.0	30	1.6
27104	\$150K - \$299K	29	\$232,119	92.7	114.3	59	2.0
27104	\$300K - \$499K	17	\$375,376	95.9	124.5	59	3.5
27104	\$500K & Over	12	\$816,188	95.1	176.1	57	4.8
27104	Total	80	\$317,195	93.6	124.9	206	2.6
27105	< \$75K	25	\$43,344	72.0	127.2	89	3.6
27105	\$75K - \$149K	25	\$108,287	91.2	134.1	124	5.0
27105	\$150K - \$299K	6	\$166,348	98.5	105.8	24	4.0
27105	\$300K - \$499K	n.a.	n.a.	n.a.	72.6	5	n.a.
27105	\$500K & Over	n.a.	n.a.	n.a.	229.0	1	n.a.
27105	Total	56	\$85,515	83.4	127.9	243	4.3
27106	< \$75K	7	\$54,843	73.4	49.6	7	1.0
27106	\$75K - \$149K	21	\$113,281	93.1	117.9	68	3.2
27106	\$150K - \$299K	45	\$225,131	94.7	122.8	119	2.6
27106	\$300K - \$499K	15	\$364,613	93.9	119.7	61	4.1
27106	\$500K & Over	8	\$674,625	95.6	179.5	64	8.0
27106	Total	96	\$247,499	92.7	120.6	319	3.3
27107	< \$75K	19	\$39,737	79.1	157.8	74	3.9
27107	\$75K - \$149K	35	\$108,113	90.0	136.4	136	3.9
27107	\$150K - \$299K	14	\$175,871	94.6	120.4	91	6.5
27107	\$300K - \$499K	n.a.	n.a.	n.a.	13.0	1	n.a.
27107	\$500K & Over	n.a.	n.a.	n.a.	382.3	3	n.a.
27107	Total	68	\$102,958	87.9	139.1	305	4.5
27127	< \$75K	8	\$49,650	76.6	87.2	26	3.3
27127	\$75K - \$149K	75	\$121,737	96.2	126.2	182	2.4
27127	\$150K - \$299K	41	\$178,355	96.6	144.1	111	2.7
27127	\$300K - \$499K	n.a.	n.a.	n.a.	53.0	2	n.a.
27127	\$500K & Over	n.a.	n.a.	n.a.	50.5	2	n.a.
27127	Total	124	\$135,807	95.1	129.6	323	2.6
27284	< \$75K	3	\$66,467	82.5	98.3	n.a.	n.a.
27284	\$75K - \$149K	50	\$125,424	94.8	100.1	95	1.9
27284	\$150K - \$299K	72	\$193,921	95.5	101.6	239	3.3
27284	\$300K - \$499K	10	\$342,550	90.7	131.2	72	7.2
27284	\$500K & Over	n.a.	n.a.	n.a.	137.0	8	n.a.
27284	Total	135	\$176,729	94.6	103.2	414	3.1

Economic Trends in the Piedmont Triad

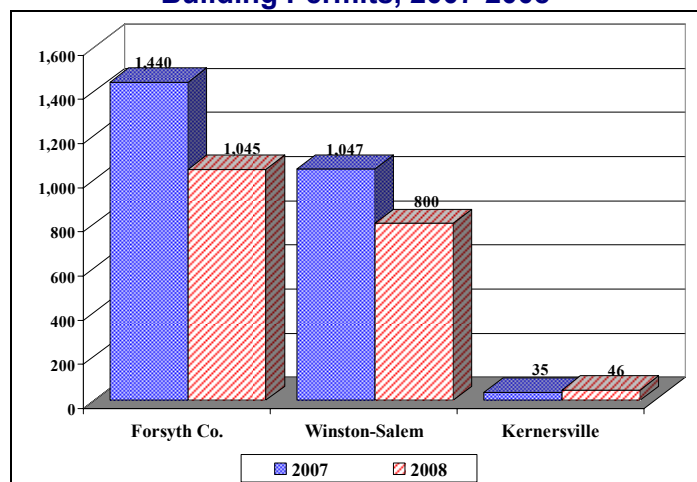
Economic conditions in the eight-county Piedmont Triad region deteriorated during the 2nd quarter.² The seasonally adjusted rate of unemployment in the Triad was 5.7 percent in May, up 0.1 percentage points from the revised figure for April. The national unemployment rate was 5.5 percent, up 0.5 percentage points from last month.



Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was flat in May. Over the past 12 months, employment has gained 1.1 percent. For the nation as a whole, employment also was essentially unchanged in May. Over the past 12 months, national employment has risen 0.2 percent.

Planned residential construction declined during the 2nd quarter. Residential building permits (which reflect plans for future construction) were off -27.4 percent in Forsyth County as a whole during the first 5 months of 2008 compared to the same period in 2007. Permits dropped -23.6 percent in Winston-Salem but gained 31.4 percent in Kernersville. Employment in the construction section is down -1.8 percent across the Triad over the past year.

Building Permits, 2007-2008³



The number of real estate foreclosures in June was up 22.6 percent in the Triad during the past 12 months. Foreclosures were up 25.9 percent in Forsyth County during the same period. Over the past 12 months, there were 9,185 foreclosures in the Triad and 2,194 in Forsyth County.

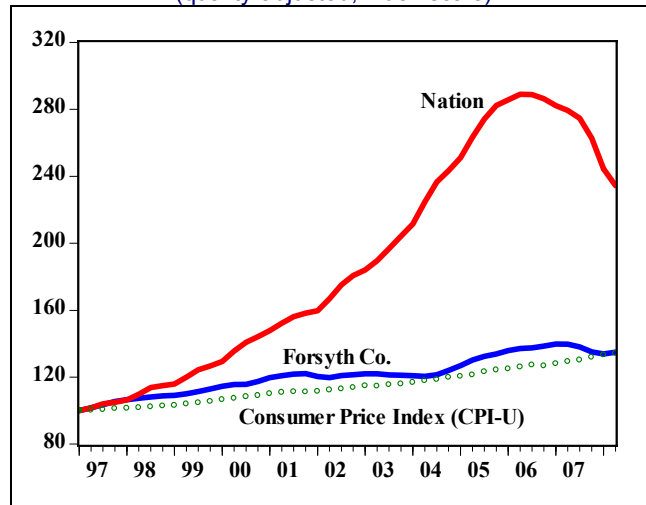
² The Triad is defined as the eight-county area that is composed of the Burlington MSA, the Greensboro/High Point MSA, and the Winston-Salem MSA.

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

Longer-Term Trends

Since the first quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 2.7 percent, slightly ahead of the consumer price index (CPI) which has increased an average of 2.6 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 2nd quarter of 2008, according to the S&P Case-Shiller 10-City Home Price Index. Over the past year, the Case-Shiller Index has fallen -16.1 percent, while prices in Forsyth County are down -3.4 percent.

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



In 2007, the average existing home that was sold had 1,969 square feet of floor space. It was 1.4 stories high, had 2.2 bathrooms, 1.9 garage parking spaces, and 1.0 fireplaces. The average age of existing homes sold was 28 years. Sixty-four percent of exiting homes sold were in the city limits of Winston-Salem.

Characteristics of Existing Homes Sold, 2007

Square Footage	1,969
Floors	1.4
Baths	2.2
Garage Spaces	1.9
Fireplace	1.0
Age	28
In the City of Winston-Salem	64%
Number Sold	3,519

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 Triad MLS by Dr. G. Donald Jud, *Jud & Associates*, 722 Rollingwood Drive, Greensboro, NC 27410 - 6165. Phone: 336-294-3655; Email: GDonaldJud@JudAssociates.com.