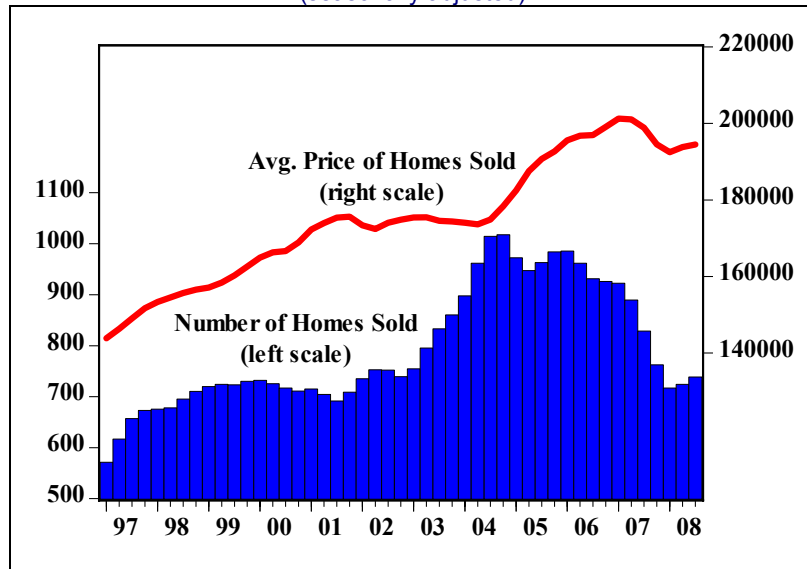


The Forsyth County Housing Report, 2008.3

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 739 in the 3rd quarter of 2008 after adjustment for seasonal variation. The number sold was up 2.0 percent compared to the level of sales recorded in the 2nd quarter, but it was off -10.9 percent from the number sold during the 3rd quarter one year ago.

Number of Existing Homes Sold, 1997.1 – 2008.3
(seasonally adjusted)



At the end of the 3rd quarter of 2008, the inventory of homes on the market was 2,838, or 3.7 times the number of homes sold in the 3rd quarter. At the current sales pace, it will take 11.2 months to exhaust the existing inventory. The number of homes offered for sale was down -3.6 percent from what it was at the end of the 3rd quarter of last year.

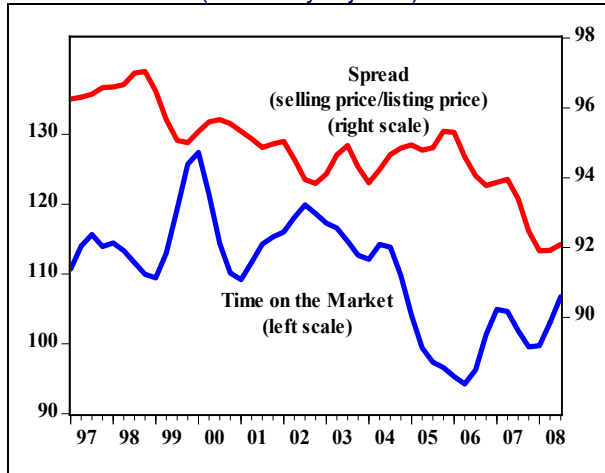
The price of the average home sold in the 3rd quarter was higher by 0.3 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$194,460. The average this quarter was down -2.2 percent below the average recorded in the 3rd quarter of last year. Over the past year, consumer prices nationally have risen 4.3 percent, indicating that real home prices in Forsyth County have fallen.

Nationally, the pace of existing home sales has fallen -10.7 percent over the past 12 months.¹ Average home prices are down -9.5 percent across the nation and -3.4 percent in the South. The national inventory of unsold homes is up 2.9 percent over the past 12 months and will take 10.4 months to sell at the existing pace of sales.

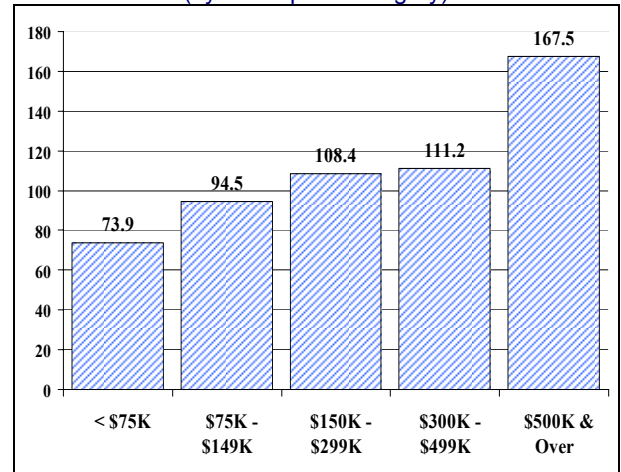
Among other indicators of housing activity, the average time on the market for existing homes sold was 106.7 days, up 3.6 percent from the average in the 2nd quarter. The sale-list price spread, which shows the ratio of selling to listing price, was higher at 92.1 percent, indicating a decline in the 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 August 2007 to August 2008 using National Association of Realtors® data.

Existing Homes, 1997.1 – 2008.3
(seasonally adjusted)



Time on the Market
(by home price category)



The time on the market is higher for higher priced homes. For homes in the highest price category (\$500,000 and above), average time on the market is 168 days. For the lowest price category (less than \$75,000), average time on the market is just 74 days.

Housing affordability has been an important factor influencing housing demand over the past year. The affordability index was down -2.0 percent this quarter, but, since the 3rd quarter of 2007, the affordability index has risen 4.8 percent because of lower prices.

Existing Home Sales Data

	2008.3	2008.2	2007.3	% Chg Last Qtr.	% Chg Last Yr.
Seasonally Adjusted					
Adj. Ave. Home Price	\$194,460	\$193,793	\$198,845	0.3%	-2.2%
No. of Homes Sold	739	724	829	2.0%	-10.9%
Time on Market (days)	106.7	103.0	101.9	3.6%	4.8%
Spread: (sale price/list price)	92.1	91.9	93.4	0.2%	-1.4%
Consumer Price Index (CPI-U)	215.4	212.8	206.6	1.2%	4.3%
Not Seasonally Adjusted					
Ave. Home Price	\$179,887	\$190,838	\$197,336	-5.7%	-8.8%
No. of Homes Sold	763	906	867	-15.8%	-12.0%
< \$75K	108	85	93	27.1%	16.1%
\$75K - \$149K	315	332	338	-5.1%	-6.8%
\$150K - \$299K	249	373	316	-33.2%	-21.2%
\$300K - \$499K	64	88	82	-27.3%	-22.0%
\$500K & Over	27	28	38	-3.6%	-28.9%
Inventory, end of qtr.	2,838	2,905	2,943	-2.3%	-3.6%
Inventory/Sales	3.7	3.2	3.4	16.0%	9.6%
Affordability Index	104.0	106.1	99.2	-2.0%	4.8%

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 111 sales. It was followed by zip code 27127 which is located in the southwestern section of the city along Peters Creek Parkway with 94 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 \$364,554 on the basis of 62 sales. It was followed by zip code 27009 (the Belews Creek area) averaging \$316,400 on the basis of 4 sales.

The highest ratio inventory to sales was in zip code 27009 where the inventory to sales ratio was 6.0. At the current sales pace, it will take 18.0 months to exhaust the exiting inventory in this neighborhood. It was followed by zip code 27050 where it will take 14.6 months to move all the currently available homes. Zip code 27050 is located north of the city west of Highway 52.

The Neighborhood Distribution of Existing Home Sales, 2008.3

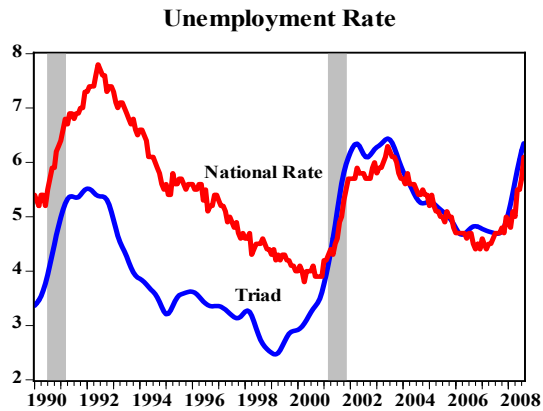
Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27009	< \$75K	0	n.a.	n.a.	n.a.	0	n.a.
27009	\$75K - \$149K	2	\$111,750	89.2	108.5	10	5.0
27009	\$150K - \$299K	0	n.a.	n.a.	173.3	3	n.a.
27009	\$300K - \$499K	1	\$417,100	93.8	156.4	8	8.0
27009	\$500K & Over	1	\$625,000	81.7	227.0	3	3.0
27009	Total	4	\$316,400	88.4	150.1	24	6.0
27012	< \$75K	1	\$61,500	88.0	31.0	3	3.0
27012	\$75K - \$149K	12	\$125,486	89.9	90.5	19	1.6
27012	\$150K - \$299K	36	\$222,086	94.4	119.2	121	3.4
27012	\$300K - \$499K	7	\$376,700	94.5	166.2	76	10.9
27012	\$500K & Over	4	\$605,725	94.1	200.3	33	8.3
27012	Total	60	\$242,679	91.9	122.4	252	4.2
27023	< \$75K	0	n.a.	n.a.	n.a.	0	n.a.
27023	\$75K - \$149K	12	\$124,454	94.2	109.3	12	1.0
27023	\$150K - \$299K	14	\$219,939	92.8	121.9	39	2.8
27023	\$300K - \$499K	6	\$374,660	96.6	137.0	49	8.2
27023	\$500K & Over	1	\$1,060,000	100.0	207.7	27	27.0
27023	Total	33	\$238,805	94.2	122.7	127	3.8
27040	< \$75K	0	n.a.	n.a.	n.a.	0	n.a.
27040	\$75K - \$149K	9	\$131,211	94.6	122.8	18	2.0
27040	\$150K - \$299K	14	\$210,941	92.7	149.8	68	4.9
27040	\$300K - \$499K	3	\$401,667	94.0	212.9	19	6.3
27040	\$500K & Over	0	n.a.	n.a.	169.4	7	n.a.
27040	Total	26	\$205,349	93.5	147.7	112	4.3
27045	< \$75K	0	n.a.	n.a.	19.0	1	n.a.
27045	\$75K - \$149K	14	\$121,435	89.3	115.8	28	2.0
27045	\$150K - \$299K	2	\$179,995	93.6	179.5	40	20.0
27045	\$300K - \$499K	1	\$345,900	94.8	254.7	3	3.0
27045	\$500K & Over	0	n.a.	n.a.	177.0	1	n.a.
27045	Total	17	\$141,529	90.1	131.5	73	4.3
27050	< \$75K	0	n.a.	n.a.	13.0	2	n.a.
27050	\$75K - \$149K	4	\$120,600	98.2	111.0	7	1.8
27050	\$150K - \$299K	3	\$204,000	94.6	163.6	12	4.0
27050	\$300K - \$499K	0	n.a.	n.a.	136.9	7	n.a.
27050	\$500K & Over	0	n.a.	n.a.	94.2	6	n.a.
27050	Total	7	\$156,343	96.7	133.5	34	4.9
27051	< \$75K	2	\$66,450	92.8	133.0	1	0.5
27051	\$75K - \$149K	5	\$104,620	88.6	118.7	18	3.6
27051	\$150K - \$299K	3	\$207,558	94.4	94.7	22	7.3
27051	\$300K - \$499K	0	n.a.	n.a.	19.0	3	n.a.
27051	\$500K & Over	0	n.a.	n.a.	n.a.	0	n.a.
27051	Total	10	\$114,585	80.4	95.6	44	4.4
27101	< \$75K	11	\$41,173	79.1	138.6	16	1.5
27101	\$75K - \$149K	15	\$109,813	94.9	130.7	33	2.2
27101	\$150K - \$299K	6	\$194,862	94.2	182.5	32	5.3
27101	\$300K - \$499K	2	\$366,250	96.6	165.9	7	3.5
27101	\$500K & Over	0	n.a.	n.a.	63.0	1	n.a.
27101	Total	34	\$117,699	89.7	144.5	89	2.6
27103	< \$75K	5	\$56,220	84.5	143.5	4	0.8
27103	\$75K - \$149K	35	\$120,850	92.1	102.3	99	2.8
27103	\$150K - \$299K	31	\$193,648	93.9	121.5	109	3.5
27103	\$300K - \$499K	4	\$330,750	95.5	113.9	18	4.5
27103	\$500K & Over	0	n.a.	n.a.	26.0	1	n.a.
27103	Total	75	\$157,826	92.5	113.6	231	3.1

The Neighborhood Distribution of Existing Home Sales, continued

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27104	< \$75K	0	n.a.	n.a.	46.7	3	n.a.
27104	\$75K - \$149K	14	\$116,486	92.1	111.7	31	2.2
27104	\$150K - \$299K	19	\$231,563	92.7	88.3	71	3.7
27104	\$300K - \$499K	16	\$379,656	94.0	138.4	57	3.6
27104	\$500K & Over	13	\$807,490	89.5	210.0	44	3.4
27104	Total	62	\$364,554	92.2	132.0	206	3.3
27105	< \$75K	37	\$41,506	82.9	135.7	95	2.6
27105	\$75K - \$149K	27	\$108,211	94.4	140.0	124	4.6
27105	\$150K - \$299K	1	\$160,000	86.5	94.3	29	29.0
27105	\$300K - \$499K	0	n.a.	n.a.	70.8	5	n.a.
27105	\$500K & Over	0	n.a.	n.a.	299.0	1	n.a.
27105	Total	65	\$71,037	87.8	136.9	254	3.9
27106	< \$75K	4	\$58,264	96.1	58.0	4	1.0
27106	\$75K - \$149K	35	\$119,268	94.1	134.7	71	2.0
27106	\$150K - \$299K	29	\$212,997	94.3	133.4	137	4.7
27106	\$300K - \$499K	11	\$382,455	92.1	125.0	58	5.3
27106	\$500K & Over	6	\$741,000	97.8	170.2	72	12.0
27106	Total	85	\$226,322	94.3	131.9	342	4.0
27107	< \$75K	31	\$44,688	83.6	153.1	77	2.5
27107	\$75K - \$149K	37	\$113,006	94.4	129.8	144	3.9
27107	\$150K - \$299K	6	\$164,025	95.1	122.4	78	13.0
27107	\$300K - \$499K	1	\$370,000	92.5	83.0	1	1.0
27107	\$500K & Over	0	n.a.	n.a.	45.5	4	n.a.
27107	Total	75	\$92,276	90.0	138.2	304	4.1
27127	< \$75K	15	\$54,390	83.0	116.9	24	1.6
27127	\$75K - \$149K	52	\$118,610	94.8	124.8	193	3.7
27127	\$150K - \$299K	24	\$178,002	93.7	143.5	91	3.8
27127	\$300K - \$499K	2	\$370,000	92.3	96.3	3	1.5
27127	\$500K & Over	1	\$540,000	90.0	60.5	2	2.0
27127	Total	94	\$133,358	92.5	127.0	313	3.3
27284	< \$75K	1	\$70,001	82.5	26.0	1	1.0
27284	\$75K - \$149K	39	\$125,022	94.3	100.7	105	2.7
27284	\$150K - \$299K	60	\$202,944	95.6	109.3	214	3.6
27284	\$300K - \$499K	10	\$342,850	94.0	138.2	64	6.4
27284	\$500K & Over	1	\$500,000	72.5	122.0	9	9.0
27284	Total	111	\$189,649	94.7	108.2	393	3.5

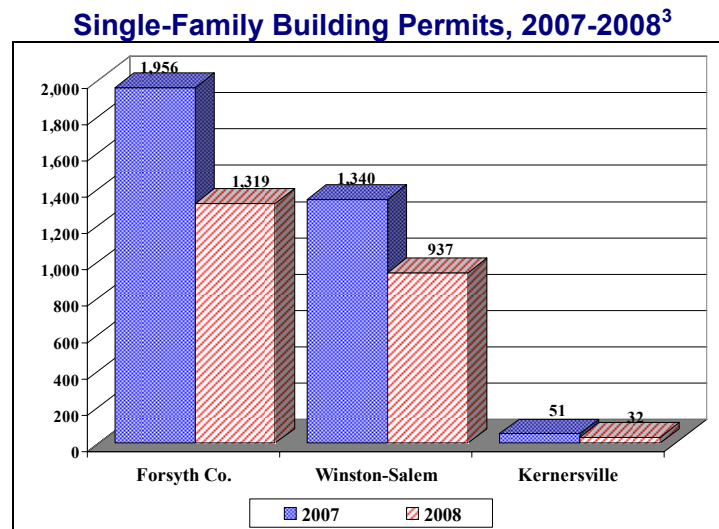
Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region deteriorated during the 3rd quarter.² The seasonally adjusted rate of unemployment in the Triad was 6.4 percent in August, up 0.2 percentage points from the revised figure for July. The national unemployment rate was 6.1 percent, up 0.4 percentage points from last month.



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 3.2 percent. For the nation as a whole, employment was down -0.1 percent in August. Over the past 12 months, national employment has fallen -0.2 percent.

Planned residential construction declined during the 3rd quarter. Single-family building permits (which reflect plans for future construction) were off -32.6 percent in Forsyth County as a whole during the first 8 months of 2008 compared to the same period in 2007. Permits dropped -30.1 percent in Winston-Salem and -37.3 percent in Kernersville. Employment in the construction section is down -1.8 percent across the Triad over the past year.



The number of real estate foreclosures in August was up 18.0 percent in the Triad during the past 12 months. Foreclosures were up 20.9 percent in Forsyth County during the same period. Over the past 12 months, there were 10,161 foreclosures in the Triad and 2,453 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 August.

Longer-Term Trends

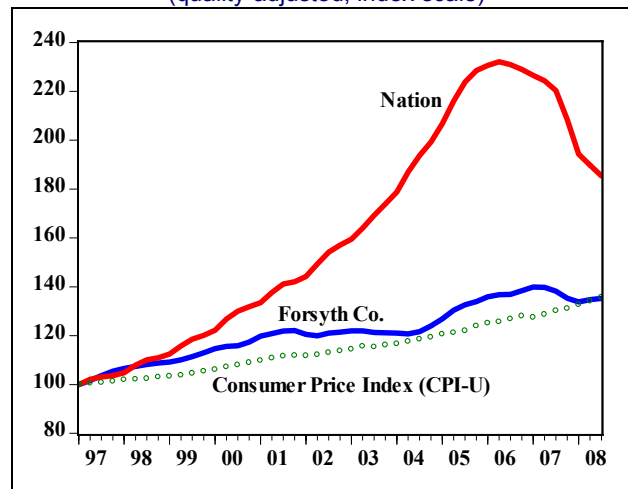
The population of the Triad totaled 1.46 million in 2007, growing at an average annual rate of 1.4 percent since 2000. Forsyth's County's population was 338,774 in 2007, rising 1.7 percent annually since 2000. The pace of population growth in the Triad accelerated in 2007, with population growing 1.7 percent from 2006 to 2007. The rate of population growth in Forsyth County also increased in 2007, growing more than twice as fast as the nation as a whole.

Population Change in the Triad & the Nation, 2007-2000

Area	Population 2007	Percent Change 2007-06	Percent Change 2007-00
Alamance County	145,360	2.4%	1.7%
Davidson County	156,530	1.1%	1.0%
Davie County	40,516	2.2%	2.4%
Forsyth County	338,774	2.1%	1.7%
Guilford County	465,931	2.2%	1.6%
Randolph County	140,145	1.1%	1.1%
Rockingham County	92,421	0.3%	0.1%
Stokes County	46,072	0.6%	0.5%
Yadkin County	37,797	0.5%	0.6%
Triad	1,463,546	1.7%	1.4%
North Carolina	9,061,032	2.2%	1.9%
United States	301,621,157	1.0%	1.1%

Since the first quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 2.6 percent, slightly less than the consumer price index (CPI) which has increased an average of 2.7 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 5.4 percent annual rate from 1997.1 through the 3rd 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 -15.8 percent, while prices in Forsyth County are down -2.2 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.

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