

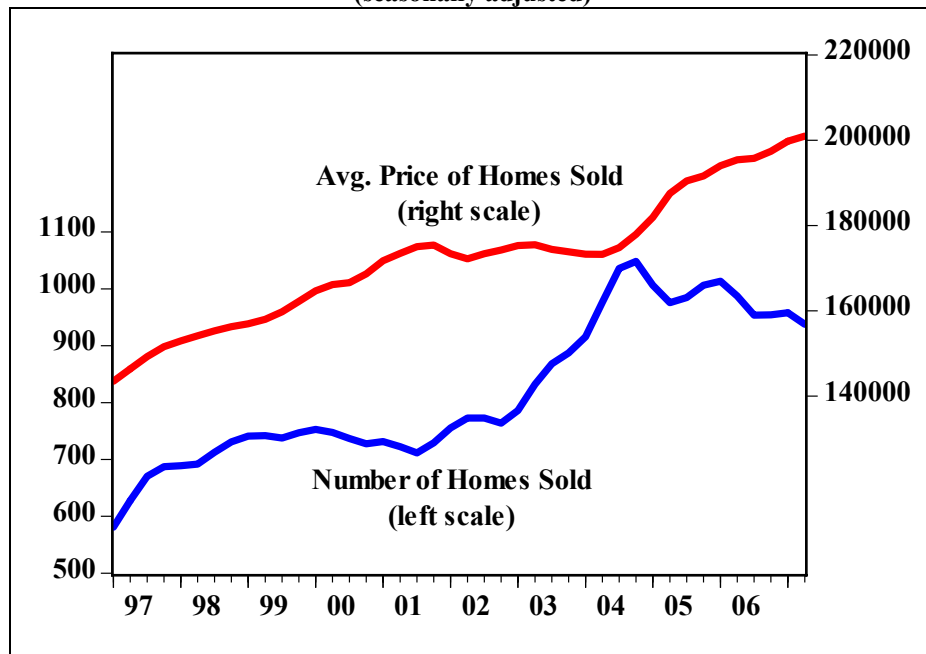
The Forsyth County Housing Report, 2007.2

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 938 in the 2nd quarter of 2007 after adjustment for seasonal variation. The number sold was down -2.2 percent compared to the level of sales recorded in the 1st quarter, and it was off -5.0 percent from the number sold during the 2nd quarter one year ago.

Nationally, the pace of existing home sales has fallen -10.3 percent over the past 12 months.¹ Median home prices are down -1.8 percent across the nation and -0.5 percent in the South.

Number of Existing Homes Sold, 1997.1 – 2007.2
(seasonally adjusted)



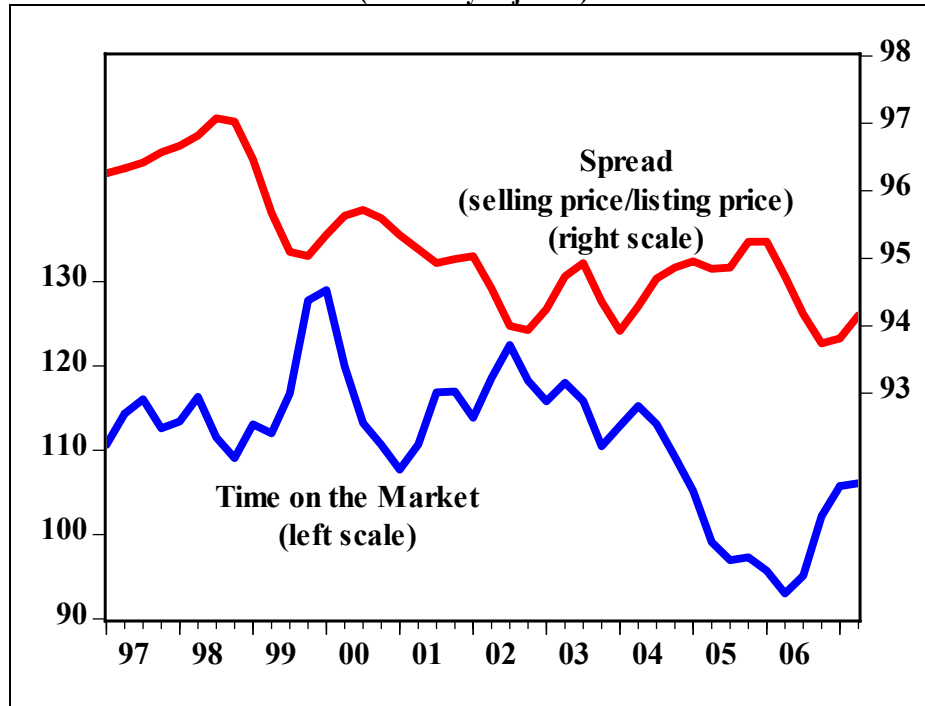
At the end of the 2nd quarter of 2007, the inventory of homes on the market was 2,795, or 2.4 times the number of homes sold in the 2nd quarter. At the current sales pace, it will take 7.2 months to exhaust the existing inventory. The number of homes offered for sale was up 6.0 percent from what it was at the end of the 2nd quarter of last year.

The price of the average home sold in the 2nd quarter was up 0.6 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$200,964. The average this quarter was 2.8 percent above the average recorded in the 2nd quarter of last year. Over the past year, consumer prices nationally have risen 2.7 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 106.1 days, up 0.3 percent from the average in the 1st quarter. The sale-list price spread, which shows the ratio of selling to listing price, was slightly higher at 94.2 percent, indicating a modest 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 May, 2006 to May, 2007.

Existing Homes, 1997.1 – 2007.2
(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index was down -4.5 percent this quarter, and, since the 2nd quarter of 2006, the affordability index has slipped -1.2 percent.

Existing Home Sales Data

	2007.2	2007.1	2006.2	% Chg Last Qtr.	% Chg Last Yr.
Seasonally Adjusted:					
Adj. Ave. Home Price	\$200,964	\$199,759	\$195,400	0.6%	2.8%
No. of Homes Sold	938	958	987	-2.2%	-5.0%
Time on Market (days)	106.1	105.8	93.0	0.3%	14.1%
Spread: (sale price/list price)	94.2	93.8	94.7	0.4%	-0.6%
Seasonally Unadjusted:					
Ave. Home Price	\$187,093	\$191,164	\$182,866	-2.1%	2.3%
No. of Homes Sold	1,156	835	1,219	38.4%	-5.2%
< \$150K	544	469	627	16.0%	-13.2%
\$150K - \$349K	501	293	501	71.0%	0.0%
\$350K & Over	111	73	91	52.1%	22.0%
Inventory, end of qtr.	2,795	2,682	2,637	4.2%	6.0%
Inventory/Sales	2.4	3.2	2.2	-24.7%	11.8%
Affordability Index	90.9	95.2	92.0	-4.5%	-1.2%

The Neighborhood Distribution of Existing Home Sales

During the 2nd quarter, the largest number of sales of existing homes occurred in zip code 27127, which lies in the southwest section of the city along Highway 150. This area had a total of 167 sales. It was followed by zip code 27284 which includes the Kernersville area with 163 sales. The Forsyth Country Club area, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$367,514, on the basis of 95 sales. The highest ratio inventory to sales was in zip code 27105 where the inventory to sales ratio was 3.7. At the current sales pace, it will take 11.1 months to exhaust the exiting inventory in this neighborhood. Zip code 27105 is located in the northern part of the city between Highways 52 and 311.

The Neighborhood Distribution of Existing Home Sales, 2007.2

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27012	< \$150K	8	\$120,406	97.3	69.3	12	1.5
27012	\$150K - \$349K	73	\$231,977	96.2	90.4	154	2.1
27012	\$350K & Over	18	\$437,171	99.7	130.4	64	3.6
27012	Total	99	\$260,269	96.9	95.9	230	2.3
27023	< \$150K	10	\$119,690	90.3	73.4	9	0.9
27023	\$150K - \$349K	24	\$209,256	97.2	85.1	51	2.1
27023	\$350K & Over	10	\$657,440	96.0	144.9	38	3.8
27023	Total	44	\$290,760	95.4	96.0	98	2.2
27040	< \$150K	11	\$122,223	92.7	70.5	28	2.5
27040	\$150K - \$349K	19	\$212,695	96.5	105.2	68	3.6
27040	\$350K & Over	5	\$384,560	98.7	143.0	25	5.0
27040	Total	35	\$153,876	81.5	99.7	121	3.5
27045	< \$150K	17	\$121,041	97.2	100.3	29	1.7
27045	\$150K - \$349K	7	\$176,071	97.6	103.9	45	6.4
27045	\$350K & Over	0	n.a.	n.a.	208.3	3	n.a.
27045	Total	24	\$137,092	97.3	101.4	77	3.2
27051	< \$150K	12	\$119,467	95.5	78.3	16	1.3
27051	\$150K - \$349K	8	\$195,550	94.2	125.4	22	2.8
27051	\$350K & Over	0	n.a.	n.a.	208.3	3	n.a.
27051	Total	20	\$149,900	95.0	97.1	41	2.1
27101	< \$150K	38	\$90,941	90.0	117.6	51	1.3
27101	\$150K - \$349K	5	\$249,760	96.8	96.1	63	12.6
27101	\$350K & Over	0	n.a.	n.a.	208.3	5	2.5
27101	Total	43	\$109,408	90.8	115.1	119	2.8
27103	< \$150K	63	\$121,111	96.6	94.9	109	1.7
27103	\$150K - \$349K	67	\$203,765	96.3	106.6	154	2.3
27103	\$350K & Over	1	\$400,000	88.9	122.1	9	9.0
27103	Total	131	\$162,460	95.7	100.2	272	2.1
27104	< \$150K	18	\$111,517	92.8	119.3	35	1.9
27104	\$150K - \$349K	43	\$240,447	96.0	91.5	98	2.3
27104	\$350K & Over	34	\$663,745	93.7	147.5	76	2.2
27104	Total	95	\$367,514	94.6	116.8	209	2.2
27105	< \$150K	62	\$74,494	87.3	108.0	218	3.5
27105	\$150K - \$349K	5	\$163,450	98.0	135.0	29	5.8
27105	\$350K & Over	0	n.a.	n.a.	134.7	3	n.a.
27105	Total	67	\$81,133	88.1	110.0	250	3.7

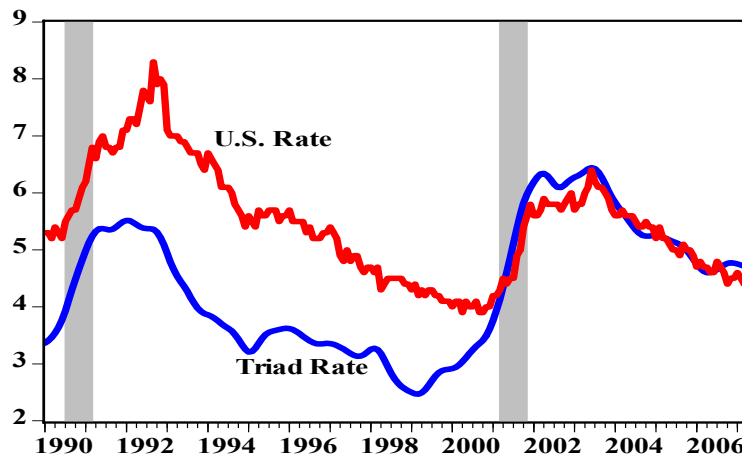
The Neighborhood Distribution of Existing Home Sales, continued

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27106	< \$150K	34	\$119,038	96.1	115.6	75	2.2
27106	\$150K - \$349K	70	\$211,069	96.0	125.2	134	1.9
27106	\$350K & Over	33	\$510,908	97.0	138.7	80	2.4
27106	Total	137	\$260,453	96.3	126.1	289	2.1
27107	< \$150K	95	\$95,407	92.8	118.0	242	2.5
27107	\$150K - \$349K	16	\$175,398	98.9	104.5	75	4.7
27107	\$350K & Over	1	\$409,900	97.4	197.6	5	5.0
27107	Total	112	\$105,982	92.8	115.0	218	1.9
27127	< \$150K	114	\$114,510	96.0	107.9	184	1.6
27127	\$150K - \$349K	53	\$182,084	97.1	118.4	131	2.5
27127	\$350K & Over	0	n.a.	n.a.	n.a.	n.a.	n.a.
27127	Total	167	\$135,956	96.4	111.2	218	1.3
27284	< \$150K	46	\$123,523	95.1	90.8	82	1.8
27284	\$150K - \$349K	109	\$209,063	96.9	92.9	235	2.2
27284	\$350K & Over	8	\$402,888	101.8	152.3	41	5.1
27284	Total	163	\$194,435	96.6	95.2	358	2.2

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region improved modestly during the 2nd quarter.² The seasonally adjusted rate of unemployment in the Triad was 4.7 percent in May, unchanged from the revised figure for April. The national unemployment rate was 4.5 percent, also unchanged from last month.

**Unemployment Rate
(seasonally adjusted)**

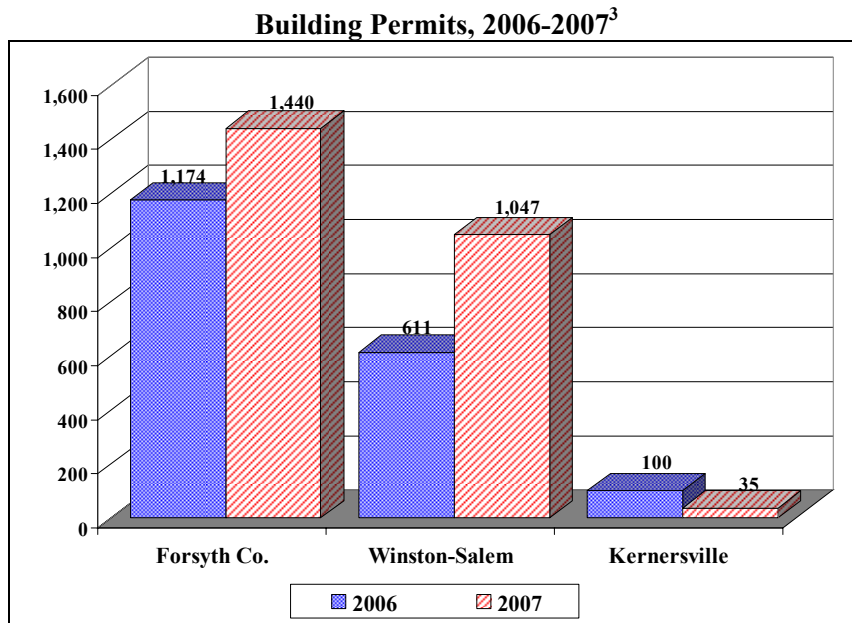


Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was up 0.1 percent in May. Over the past 12 months, employment has gained 1.2 percent. For the nation as a whole, employment also was up 0.1 percent in May. Over the past 12 months, national employment has risen 1.4 percent.

Planned single-family residential construction increased strongly during the 2nd quarter. Residential building permits (which reflect plans for future construction) were jumped 22.7 percent in Forsyth County as a whole during the first 5 months of 2007 compared to the same period in 2006. Permits rose 71.4 percent in Winston-

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.

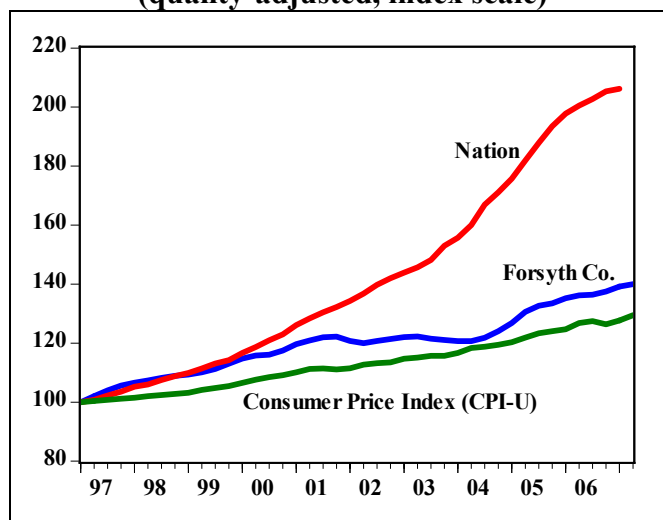
Salem but were down -65.0 percent in Kernersville.



Longer-Term Trends

Since the 2nd 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 2.4 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 7.3 percent annual rate from 1997.1 through the 1st quarter of 2007, 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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