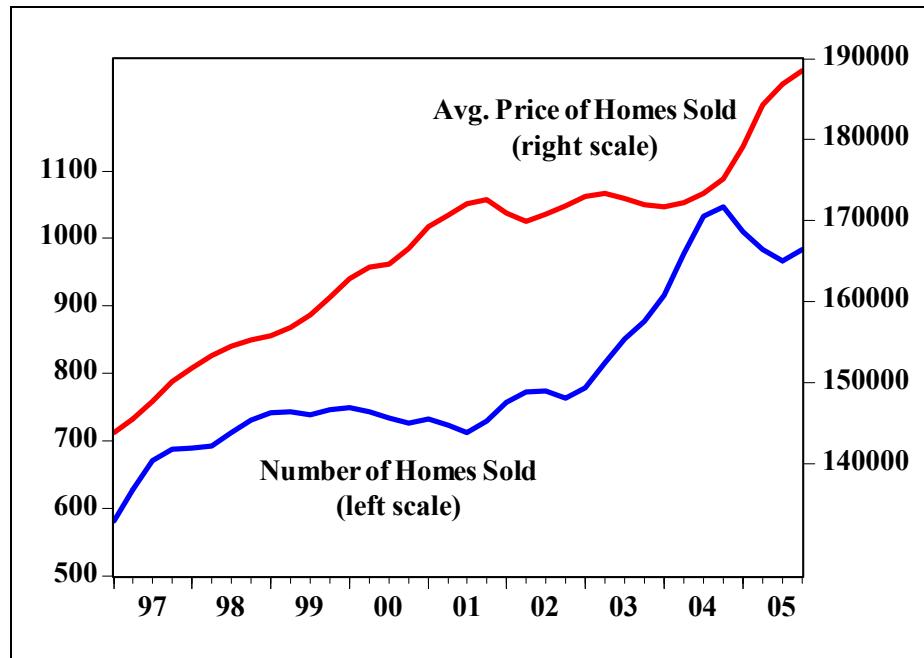


The Forsyth County Housing Report, 2005.4

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 983 in the 4th quarter of 2005 after adjustment for seasonal variation. The number sold was up 1.8 percent compared to the level of sales recorded in the 3rd quarter, but it was off 6.2 percent from the number sold during the 4th quarter one year ago.

Number of Existing Homes Sold, 1997.1 – 2005.4
(seasonally adjusted)

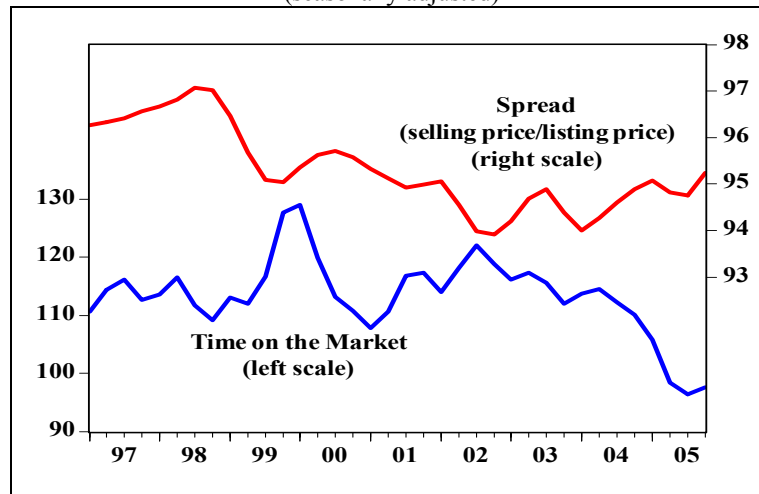


At the end of the 4th quarter of 2005, the inventory of homes on the market was 3,208, or 3.6 times the number of homes sold in the 3rd quarter. The number of existing homes offered for sale was up 32.1 percent from what it was at the end of the 4th quarter of last year.

The price of the average home sold in the 4th quarter was up 0.9 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$188,501. The average this quarter was 7.7 percent above the average recorded in the 4th quarter of last year.

Among other indicators of housing activity, the average time on the market for existing homes sold was 97.5 days, up 1.1 percent from the average in the 3rd quarter. The sale-list price spread, which shows the ratio of selling to listing price, was higher at 95.2 percent, indicating a fall in the level of discounting in the market. Over the past year, time on the market has fallen, and the spread has increased, suggesting that the average home seller needs less time to sell a home and is accepting slightly lower discounts from the initial listing price.

Existing Homes, 1997.1 – 2005.4
(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index dipped 4.7 percent this quarter chiefly because of the rise in mortgage rates. Since the 4th quarter of 2004, the affordability index has dipped 11.4 percent.

Existing Home Sales Data, 2004.3 – 2005.4
(seasonally adjusted)

	2005.4	2005.1	2004.4	% Chg Last Qtr.	% Chg Last Yr.
<i>Seasonally Adjusted</i>					
Adj. Ave. Home Price	\$188,501	\$186,853	\$175,093	0.9%	7.7%
No. of Homes Sold	983	966	1,048	1.8%	-6.2%
Time on Market (days)	97.5	96.4	110.1	1.1%	-11.4%
Spread: (sale price/list price)	95.2	94.8	94.9	0.4%	0.3%
<i>Unadjusted</i>					
Adj. Ave. Home Price	\$156,081	\$178,971	\$150,825	-12.8%	3.5%
No. of Homes Sold	880	955	868	-7.9%	1.4%
< \$150K	543	498	561	9.0%	-3.2%
\$150K - \$349K	295	382	268	-22.8%	10.1%
\$350K & Over	42	75	39	-44.0%	7.7%
Inventory, end of qtr.	3,208	2,326	2,428	37.9%	32.1%
Inventory/Sales	3.6	2.4	2.8	49.7%	30.3%
Affordability Index	115.7	121.3	130.6	-4.7%	-11.4%

The Neighborhood Distribution of Existing Home Sales

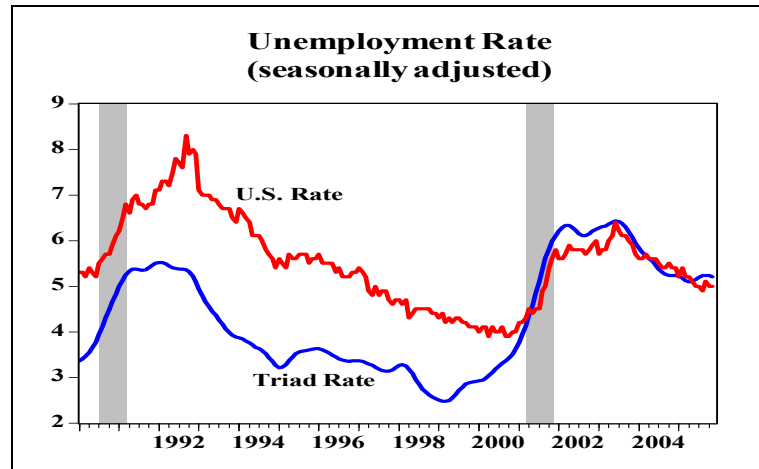
During the 4th quarter, the largest number of sales of existing homes occurred in zip code 27106. This neighborhood encompassing the northwestern, Bethania area, had a total of 109 sales. It was followed by zip code 27103 in southern Forsyth County and zip code 27284 encompassing Kernersville, each with 104 sales. The Forsyth Country Club area, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$220,913, on the basis of 94 sales.

The Neighborhood Distribution of Existing Home Sales, 2005.4

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27012	< \$150K	17	\$122,300	96.1	120.5	22	1.3
27012	\$150K - \$349K	49	\$217,018	95.6	103.4	205	4.2
27012	\$350K & Over	7	\$471,871	100.2	172.9	43	6.1
27012	Total	73	\$219,399	96.2	114.0	270	3.7
27103	< \$150K	70	\$108,578	94.0	100.2	153	2.2
27103	\$150K - \$349K	34	\$195,440	95.8	77.4	149	4.4
27103	\$350K & Over	n.a.	n.a.	n.a.	n.a.	5	n.a.
27103	Total	104	\$136,975	94.6	92.7	307	3.0
27104	< \$150K	48	\$98,404	93.3	142.0	59	1.2
27104	\$150K - \$349K	31	\$230,582	96.0	72.2	71	2.3
27104	\$350K & Over	15	\$592,960	84.7	123.3	72	4.8
27104	Total	94	\$220,913	92.8	116.0	202	2.1
27105	< \$150K	71	\$76,764	91.4	93.7	252	3.5
27105	\$150K - \$349K	4	\$162,975	92.4	125.5	36	9.0
27105	\$350K & Over	n.a.	n.a.	n.a.	n.a.	1	n.a.
27105	Total	75	\$81,362	91.5	95.4	289	3.9
27106	< \$150K	50	\$103,563	94.1	87.0	118	2.4
27106	\$150K - \$349K	47	\$216,440	96.3	90.3	164	3.5
27106	\$350K & Over	12	\$527,700	96.4	56.0	71	5.9
27106	Total	109	\$198,929	95.3	85.0	353	3.2
27107	< \$150K	62	\$84,703	91.5	86.9	294	4.7
27107	\$150K - \$349K	8	\$188,206	94.6	117.3	100	12.5
27107	\$350K & Over	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27107	Total	70	\$96,532	91.9	90.3	394	5.6
27127	< \$150K	73	\$103,662	95.5	98.9	288	3.9
27127	\$150K - \$349K	10	\$170,920	97.4	137.9	98	9.8
27127	\$350K & Over	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27127	Total	83	\$111,765	95.7	103.6	386	4.7
27284	< \$150K	44	\$111,355	95.5	80.0	143	3.3
27284	\$150K - \$349K	58	\$194,722	96.9	99.2	246	4.2
27284	\$350K & Over	2	\$389,800	91.4	58.0	22	11.0
27284	Total	104	\$163,203	96.2	90.2	411	4.0

Economic Trends in the Piedmont Triad

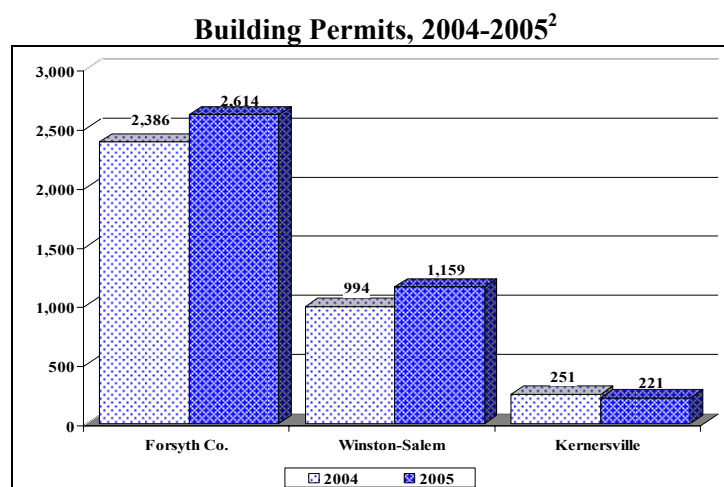
Economic conditions in the eight-county Piedmont Triad region improved in the 4th quarter.¹ The seasonally adjusted rate of unemployment in the Triad was 5.2 percent in November, unchanged from the revised figure for October. The national unemployment rate was 5.0 percent, also unchanged from October.



Total nonagricultural wage and salary employment in the Piedmont Triad rose 0.2 percent in November. Over the past 12 months, employment has gained 1.5 percent. For the nation as a whole, employment rose 0.2 percent in November. Over the past 12 months, national employment has risen 1.7 percent.

Seasonally adjusted consumer spending, as measured by retail sales, was up 0.2 percent in November, after correction for the change in consumer prices. Since November of 2004, real spending at the retail level has risen 5.0 percent. At the national level, real retail spending for November rose 0.8 percent, and national spending in real dollars has grown 2.7 percent over the past year.

Planned single-family residential construction rose during the 4th quarter. Residential building permits (which reflect plans for future construction) were up 9.6 percent in Forsyth County as a whole during the first 11 months of 2005 compared to the same period in 2004. Permits increased 16.6 percent in Winston-Salem, but declined 12.0 percent in Kernersville.

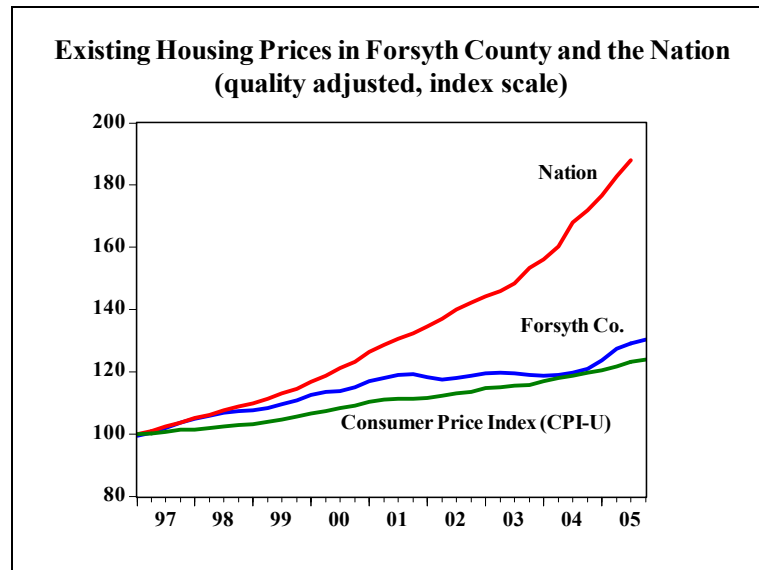


¹ The Triad is defined as the eight-county area that is composed of the Burlington MSA, the Greensboro/High Point MSA, and the Winston-Salem MSA.

² Figures reflect year-to-date totals through November.

Longer-Term Trends

Since the 3rd quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 2.7 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 7.7 percent annual rate from 1997.1 through the 3rd quarter of 2005, according to the Office of Federal Housing Enterprise Oversight (OFHEO).



In 2005, the average existing home that was sold had 1,929 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 26 years. Sixty-three percent of exiting homes sold were in the city limits of Winston-Salem.

Characteristics of Existing Homes Sold, 2005

Square Footage	1,929
Floors	1.3
Baths	2.2
Garage Spaces	1.4
Fireplace	1.0
Age	26
In the City of Winston-Salem	63%
Number Sold	3,961

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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