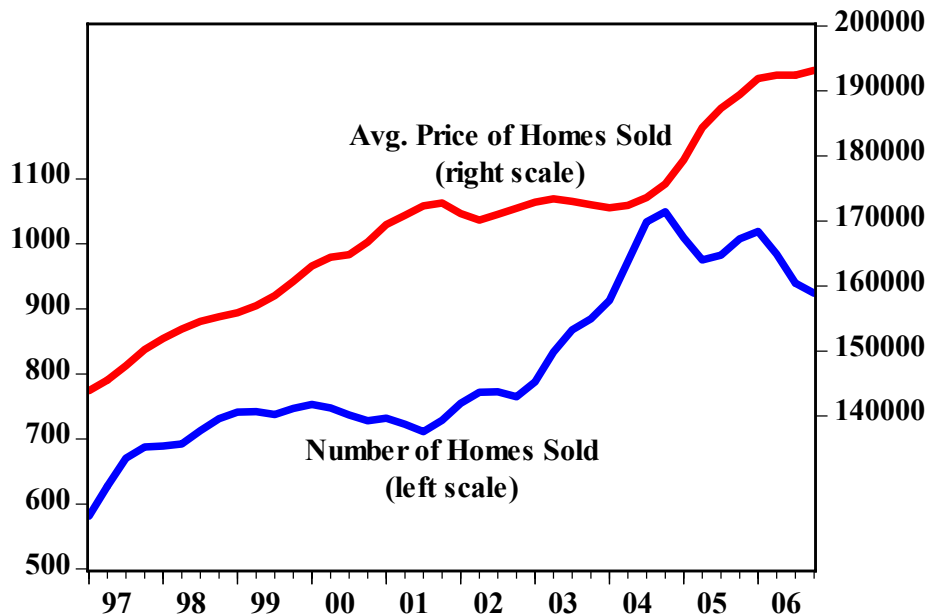


The Forsyth County Housing Report, 2006.4

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 924 in the 4th quarter of 2006 after adjustment for seasonal variation. The number sold was down -1.7 percent compared to the level of sales recorded in the 3rd quarter, and it was off -8.3 percent from the number sold during the 4th quarter one year ago. Nationally, the pace of existing home sales has fallen -10.7 percent over the past 12 months.¹

Number of Existing Homes Sold, 1997.1 – 2006.4
(seasonally adjusted)



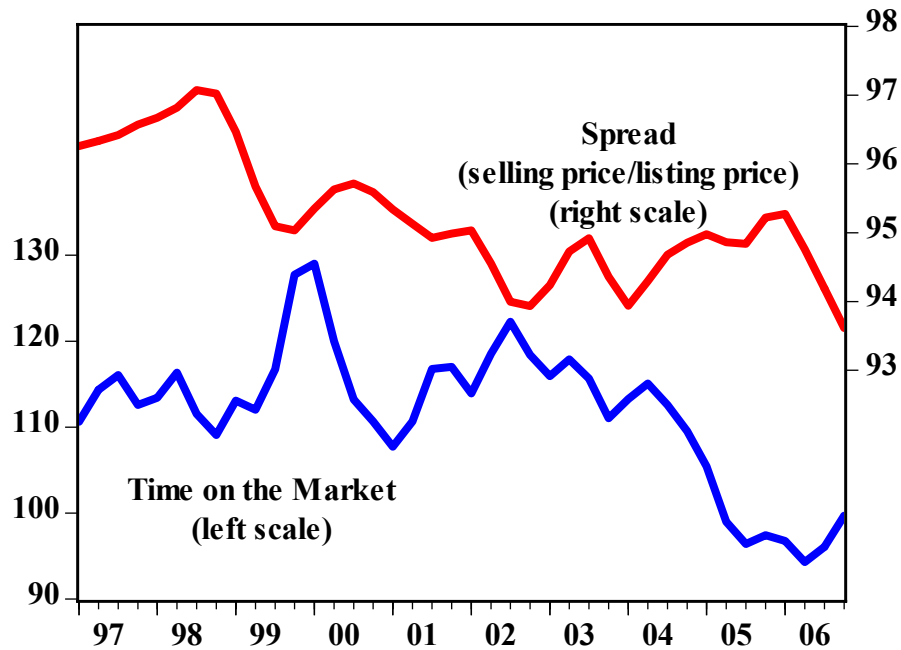
At the end of the 4th quarter of 2006, the inventory of homes on the market was 2,356, or 3.0 times the number of homes sold in the 4th quarter. At the current sales pace, it will take 9 months to exhaust the existing inventory. The number of homes offered for sale was down -26.6 percent from what it was at the end of the 4th quarter of last year.

The price of the average home sold in the 4th quarter was up 0.4 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$193,156. The average this quarter was 2.0 percent above the average recorded in the 4th quarter of last year. Over the past year, consumer prices nationally have risen 1.8 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 99.7 days, up 3.8 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 93.6 percent, indicating a modest rise 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 Nov. 2005 to Nov. 2006.

Existing Homes, 1997.1 – 2006.4
(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index rose 3.0 percent this quarter, and, since the 4th quarter of 2005, the affordability index has gained a modest 0.5 percent.

Existing Home Sales Data, 2006.4 – 2005.4

	2006.4	2006.3	2005.4	% Chg Last Qtr.	% Chg Last Yr.
<i>Seasonally Adjusted</i>					
Adj. Ave. Home Price	\$193,156	\$192,427	\$189,453	0.4%	2.0%
No. of Homes Sold	924	940	1008	-1.7%	-8.3%
Time on Market (days)	99.7	96.1	97.4	3.8%	2.3%
Spread: (sale price/list price)	93.6	94.2	95.2	-0.6%	-1.7%
<i>Seasonally Adjusted</i>					
Adj. Ave. Home Price	\$187,093	\$191,164	\$182,866	-2.1%	2.3%
No. of Homes Sold	787	996	880	-21.0%	-10.6%
< \$150K	433	544	543	-20.4%	-20.3%
\$150K - \$349K	296	385	295	-23.1%	0.3%
\$350K & Over	58	67	42	-13.4%	38.1%
Inventory, end of qtr.	2,356	2,643	3,208	-10.9%	-26.6%
Inventory/Sales	3.0	2.7	3.6	12.8%	-17.9%
Affordability Index	111.4	108.2	110.8	3.0%	0.5%

The Neighborhood Distribution of Existing Home Sales

During the 4th quarter, the largest number of sales of existing homes occurred in zip code 27284. This area which includes Kernersville had a total of 129 sales. It was followed by zip code 27103 which lies southwest of city with 86 sales. The Forsyth Country Club area, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$325,811, on the basis of 74 sales. The highest ratio inventory to sales was in zip code 27040 where the inventory to sales ratio was 5.4. At the current sales pace, it will take 16.2 months to exhaust the exiting inventory in this neighborhood. Zip code 27040 is located in the northwest part of the county in the Bethania area.

The Neighborhood Distribution of Existing Home Sales, 2006.4

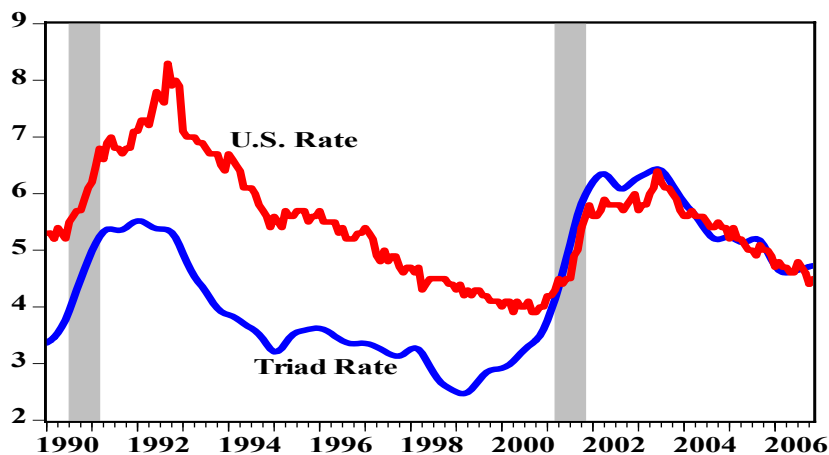
Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27012	< \$150K	9	\$125,886	94.2	125.7	7	0.8
27012	\$150K - \$349K	42	\$236,638	95.4	143.3	124	3.0
27012	\$350K & Over	6	\$474,000	93.7	136.3	57	9.5
27012	Total	57	\$244,136	95.0	139.8	188	3.3
27023	< \$150K	10	\$124,395	97.4	107.1	13	1.3
27023	\$150K - \$349K	20	\$224,402	96.8	96.7	45	2.3
27023	\$350K & Over	5	\$521,400	94.2	167.6	27	5.4
27023	Total	35	\$238,257	96.6	109.8	85	2.4
27040	< \$150K	8	\$121,863	93.9	109.1	14	1.8
27040	\$150K - \$349K	8	\$187,425	94.8	131.9	43	5.4
27040	\$350K & Over	0	n.a.	n.a.	152.2	29	n.a.
27040	Total	16	\$154,644	94.4	120.5	86	5.4
27045	< \$150K	13	\$100,846	88.6	106.6	26	2.0
27045	\$150K - \$349K	4	\$172,125	95.6	138.0	23	5.8
27045	\$350K & Over	0	n.a.	n.a.	162.7	3	n.a.
27045	Total	17	\$117,618	90.2	114.0	52	3.1
27051	< \$150K	6	\$122,367	95.8	98.0	28	4.7
27051	\$150K - \$349K	6	\$217,067	94.9	284.5	21	3.5
27051	\$350K & Over	0	n.a.	n.a.	208.3	3	n.a.
27051	Total	12	\$169,717	95.3	191.2	52	4.3
27101	< \$150K	26	\$67,288	80.3	114.4	55	2.1
27101	\$150K - \$349K	5	\$273,000	94.3	190.3	27	5.4
27101	\$350K & Over	2	\$527,500	92.2	181.3	9	4.5
27101	Total	33	\$94,378	77.5	119.0	91	2.8
27103	< \$150K	53	\$119,544	91.6	129.6	89	1.7
27103	\$150K - \$349K	32	\$192,030	95.8	137.8	114	3.6
27103	\$350K & Over	1	\$396,000	100.0	203.0	5	5.0
27103	Total	86	\$149,730	93.3	133.5	208	2.4
27104	< \$150K	15	\$116,299	93.7	142.9	24	1.6
27104	\$150K - \$349K	38	\$262,420	92.5	122.1	71	1.9
27104	\$350K & Over	21	\$590,171	95.4	181.6	55	2.6
27104	Total	74	\$325,811	93.6	143.2	150	2.0
27105	< \$150K	71	\$71,769	84.9	119.5	169	2.4
27105	\$150K - \$349K	1	\$150,000	100.0	142.8	27	27.0
27105	\$350K & Over	0	n.a.	n.a.	134.7	3	n.a.
27105	Total	72	\$72,855	85.1	119.8	199	2.8

Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27106	< \$150K	27	\$118,363	95.8	107.3	64	2.4
27106	\$150K - \$349K	33	\$198,258	94.5	153.4	132	4.0
27106	\$350K & Over	15	\$555,400	93.1	153.8	76	5.1
27106	Total	75	\$240,924	94.7	136.9	272	3.6
27107	< \$150K	71	\$87,284	90.3	105.3	226	3.2
27107	\$150K - \$349K	8	\$191,000	97.5	131.4	71	8.9
27107	\$350K & Over	0	n.a.	n.a.	94.0	7	n.a.
27107	Total	79	\$97,787	91.0	107.9	218	2.8
27127	< \$150K	69	\$110,684	93.4	119.1	169	2.4
27127	\$150K - \$349K	14	\$187,800	95.2	133.7	117	8.4
27127	\$350K & Over	1	\$710,000	94.7	152.0	2	2.0
27127	Total	82	\$94,498	93.1	116.2	288	3.5
27284	< \$150K	41	\$113,115	94.4	89.8	69	1.7
27284	\$150K - \$349K	81	\$203,496	96.6	125.6	202	2.5
27284	\$350K & Over	7	\$457,100	95.1	137.2	39	5.6
27284	Total	129	\$188,532	95.8	114.8	310	2.4

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region improved modestly during the 4th quarter.² The seasonally adjusted rate of unemployment in the Triad was 4.7 percent in November, unchanged from the revised figure for October. The national unemployment rate was 4.5 percent, up 0.1 percentage points from last month.

**Unemployment Rate
(seasonally adjusted)**

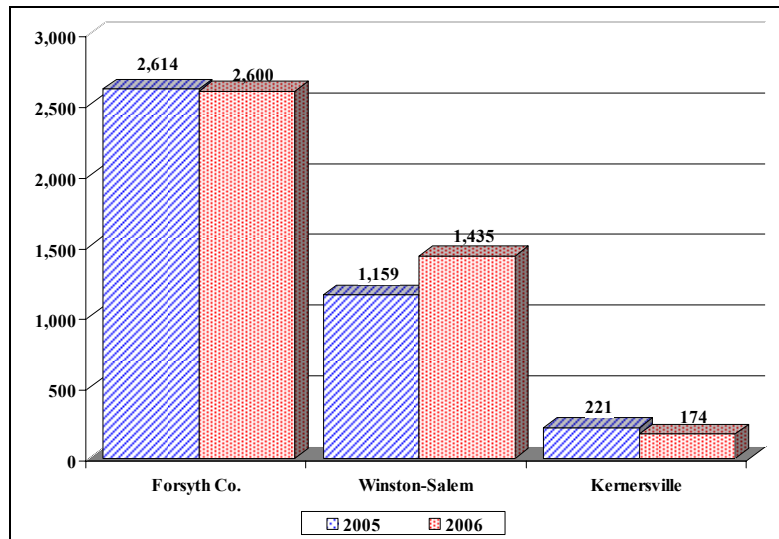


Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was up 0.1 percent in November. Over the past 12 months, employment has gained 0.7 percent. For the nation as a whole, employment was up 0.1 percent in November. Over the past 12 months, national employment has risen 1.3 percent.

Planned single-family residential construction was lower during the 4th quarter. Residential building permits (which reflect plans for future construction) were off -0.5 percent in Forsyth County as a whole during the first 11 months of 2006 compared to the same period in 2005. Permits rose 23.8 percent in Winston-Salem but declined -21.3 percent in Kernersville.

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.

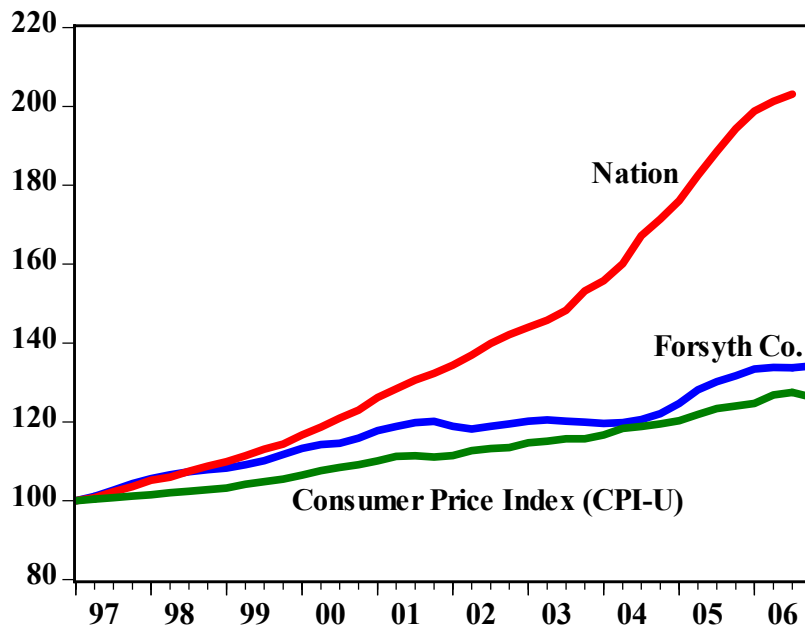
Building Permits, 2005-2006³



Longer-Term Trends

Since the 1st quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 3.1 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 7.5 percent annual rate from 1997.1 through the 3rd quarter of 2006, 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 November.

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.

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.