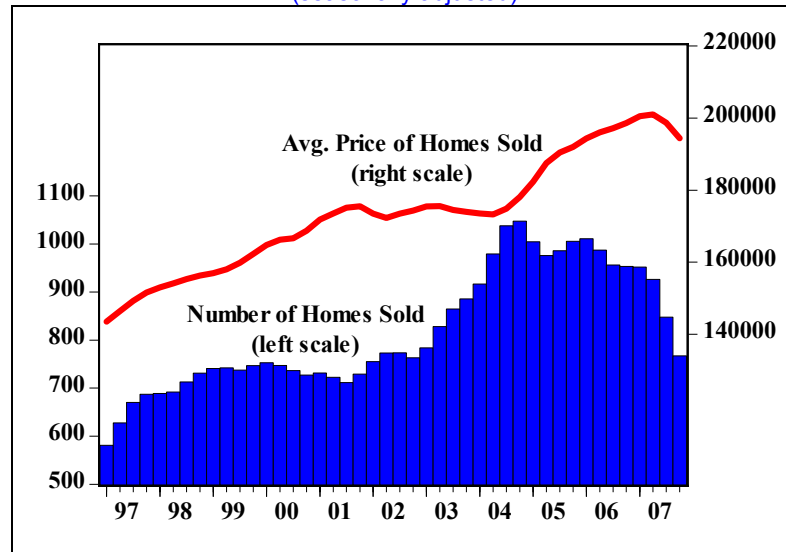


The Forsyth County Housing Report, 2007.4

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 767 in the 4th quarter of 2007 after adjustment for seasonal variation. The number sold was down -9.4 percent compared to the level of sales recorded in the 3rd quarter, and it was off -19.5 percent from the number sold during the 4th quarter one year ago.

Number of Existing Homes Sold, 1997.1 – 2007.4
(seasonally adjusted)



At the end of the 4th quarter of 2007, the inventory of homes on the market was 2,613, or 4.1 times the number of homes sold in the 4th quarter. At the current sales pace, it will take 12.3 months to exhaust the existing inventory. The number of homes offered for sale was up 10.9 percent from what it was at the end of the 4th quarter of last year.

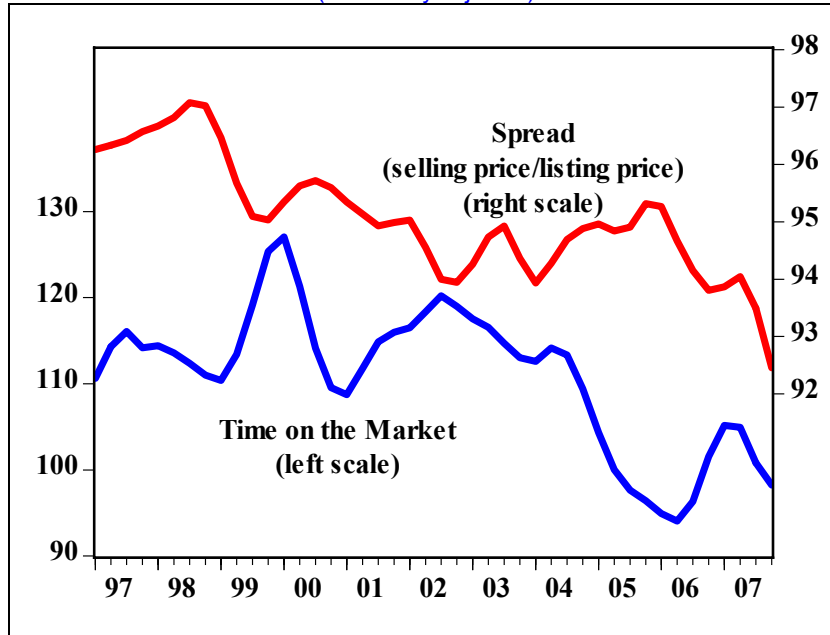
The price of the average home sold in the 4th quarter was lower by -2.2 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$194,939. The average this quarter was -2.1 percent below the average recorded in the 4th quarter of last year. Over the past year, consumer prices nationally have risen 3.7 percent, indicating that real home prices in Forsyth County have fallen.

Nationally, the pace of existing home sales has fallen -20.0 percent over the past 12 months.¹ Average home prices are down -3.3 percent across the nation and -2.5 percent in the South. The national inventory of unsold homes is up 12.3 percent over the past 12 months and will take 10.3 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 98.2 days, down -2.6 percent from the average in the 3rd quarter. The sale-list price spread, which shows the ratio of selling to listing price, was lower at 92.5 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 November 2006 to November 2007 using National Association of Realtors® data.

Existing Homes, 1997.1 – 2007.4
(seasonally adjusted)



Housing affordability has been an important factor influencing housing demand over the past year. The affordability index was up 6.7 percent this quarter, and, since the 4th quarter of 2006, the affordability index has risen 5.7 percent.

Existing Home Sales Data

	2007.4	2007.3	2006.4	% Chg Last Qtr.	% Chg Last Yr.
<i>Seasonally Adjusted</i>					
Adj. Ave. Home Price	\$194,393	\$198,668	\$198,582	-2.2%	-2.1%
No. of Homes Sold	767	847	953	-9.4%	-19.5%
Time on Market (days)	98.2	100.8	101.6	-2.6%	-3.3%
Spread: (sale price/list price)	92.5	93.5	93.8	-1.1%	-1.4%
Consumer Price Index (CPI-U)	209.7	208	202.2	0.8%	3.7%
<i>Not Seasonally Adjusted</i>					
Ave. Home Price	\$167,829	\$196,272	\$175,966	-14.5%	-4.6%
No. of Homes Sold	640	888	787	-27.9%	-18.7%
< \$150K	361	431	433	-16.2%	-16.6%
\$150K - \$349K	232	377	296	-38.5%	-21.6%
\$350K & Over	47	80	58	-41.3%	-19.0%
Inventory, end of qtr.	2,613	2,943	2,356	-11.2%	10.9%
Inventory/Sales	4.1	3.3	3.0	23.2%	36.4%
Affordability Index	105.7	99.1	100.0	6.7%	5.7%

The Neighborhood Distribution of Existing Home Sales

During the 4th 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 75 sales. It was followed by zip code 27105 which is located in the northern section of the city with 71 sales. The Bethabara area in the northwest section of the county, zip code 27106, recorded the highest average price of homes sold, with sales of existing homes averaging \$375,363, on the basis of 65 sales. The highest ratio inventory to sales was in zip code 27051 where the inventory to sales ratio was 4.9. At the current sales pace, it will take 14.7 months to exhaust the exiting inventory in this neighborhood. Zip code 27051 is located in the northeast part of the county along and to the west of Highways 158.

The Neighborhood Distribution of Existing Home Sales, 2007.4

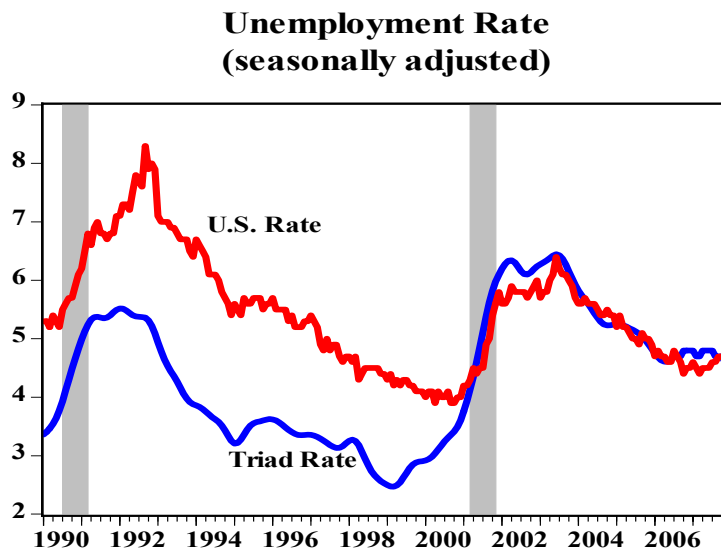
Zip	Price Range	No. Sales	Ave. Price	Spread	TOM	Inventory End of Qtr.	Inv./Sales
27009	< \$150K	3	\$120,933	91.5	63.3	4	1.3
27009	\$150K - \$349K	3	\$180,667	94.8	133.9	9	3.0
27009	\$350K & Over	0	n.a.	n.a.	n.a.	8	n.a.
27009	Total	6	\$150,800	93.1	98.6	21	3.5
27012	< \$150K	11	\$117,618	91.7	75.7	15	1.4
27012	\$150K - \$349K	35	\$238,991	92.8	123.9	139	4.0
27012	\$350K & Over	10	\$466,690	96.4	171.5	64	6.4
27012	Total	56	\$255,811	93.2	123.0	218	3.9
27023	< \$150K	6	\$133,833	94.6	116.1	8	1.3
27023	\$150K - \$349K	16	\$224,019	94.3	97.7	49	3.1
27023	\$350K & Over	4	\$416,975	96.8	147.9	53	13.3
27023	Total	26	\$232,892	94.8	109.7	110	4.2
27040	< \$150K	13	\$120,400	85.6	134.3	17	1.3
27040	\$150K - \$349K	12	\$183,292	95.7	173.1	60	5.0
27040	\$350K & Over	2	\$435,750	99.4	166.2	22	11.0
27040	Total	27	\$139,433	83.8	153.9	99	3.7
27045	< \$150K	13	\$111,137	93.9	135.4	26	2.0
27045	\$150K - \$349K	5	\$184,200	87.2	158.5	53	10.6
27045	\$350K & Over	1	\$555,000	97.5	166.6	5	5.0
27045	Total	19	\$124,515	87.2	134.4	84	4.4
27050	< \$150K	6	\$90,750	90.2	65.9	8	1.3
27050	\$150K - \$349K	1	\$320,000	80.2	120.4	12	12.0
27050	\$350K & Over	1	\$800,000	88.9	226.8	12	12.0
27050	Total	8	\$108,063	77.7	92.8	32	4.0
27051	< \$150K	9	\$93,789	87.2	88.4	17	1.9
27051	\$150K - \$349K	0	n.a.	n.a.	137.4	19	n.a.
27051	\$350K & Over	0	n.a.	n.a.	66.5	8	n.a.
27051	Total	9	\$93,789	87.2	88.4	44	4.9
27101	< \$150K	24	\$65,638	85.2	110.3	63	2.6
27101	\$150K - \$349K	5	\$239,400	86.2	168.8	46	9.2
27101	\$350K & Over	0	n.a.	n.a.	207.6	16	n.a.
27101	Total	29	\$95,597	85.4	120.4	125	4.3
27103	< \$150K	33	\$111,324	91.2	137.0	107	3.2
27103	\$150K - \$349K	34	\$192,106	95.0	138.8	112	3.3
27103	\$350K & Over	0	n.a.	n.a.	175.1	8	n.a.
27103	Total	67	\$152,318	93.1	137.9	227	3.4
27104	< \$150K	21	\$116,450	92.3	133.4	24	1.1
27104	\$150K - \$349K	29	\$236,247	90.5	123.3	78	2.7
27104	\$350K & Over	14	\$491,786	94.1	153.4	64	4.6
27104	Total	64	\$252,838	91.9	133.2	166	2.6

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	67	\$62,195	83.2	131.4	236	3.5
27105	\$150K - \$349K	3	\$172,600	98.0	100.8	33	11.0
27105	\$350K & Over	1	\$425,000	51.5	92.7	3	3.0
27105	Total	71	\$71,970	83.4	129.6	272	3.8
27106	< \$150K	29	\$227,000	94.0	154.8	108	3.7
27106	\$150K - \$349K	13	\$497,552	95.4	188.9	57	4.4
27106	\$350K & Over	23	\$493,365	97.4	163.8	76	3.3
27106	Total	65	\$375,363	95.5	164.8	241	3.7
27107	< \$150K	49	\$79,843	88.2	126.3	234	4.8
27107	\$150K - \$349K	6	\$181,333	94.8	119.1	81	13.5
27107	\$350K & Over	0	n.a.	n.a.	325.2	5	.
27107	Total	55	\$90,915	88.9	125.5	218	4.0
27127	< \$150K	59	\$111,868	92.9	124.2	170	2.9
27127	\$150K - \$349K	6	\$161,556	96.7	153.0	109	18.2
27127	\$350K & Over	0	n.a.	n.a.	298.0	2	.
27127	Total	65	\$116,454	93.3	126.9	218	3.4
27284	< \$150K	27	\$123,522	94.0	98.2	65	2.4
27284	\$150K - \$349K	47	\$209,916	95.1	124.3	227	4.8
27284	\$350K & Over	1	\$432,000	86.4	167.4	43	43.0
27284	Total	75	\$181,775	94.6	115.5	335	4.5

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 4.6 percent in November, down 0.1 percentage points from the revised figure for October. The national unemployment rate was 4.7 percent, unchanged from last month.

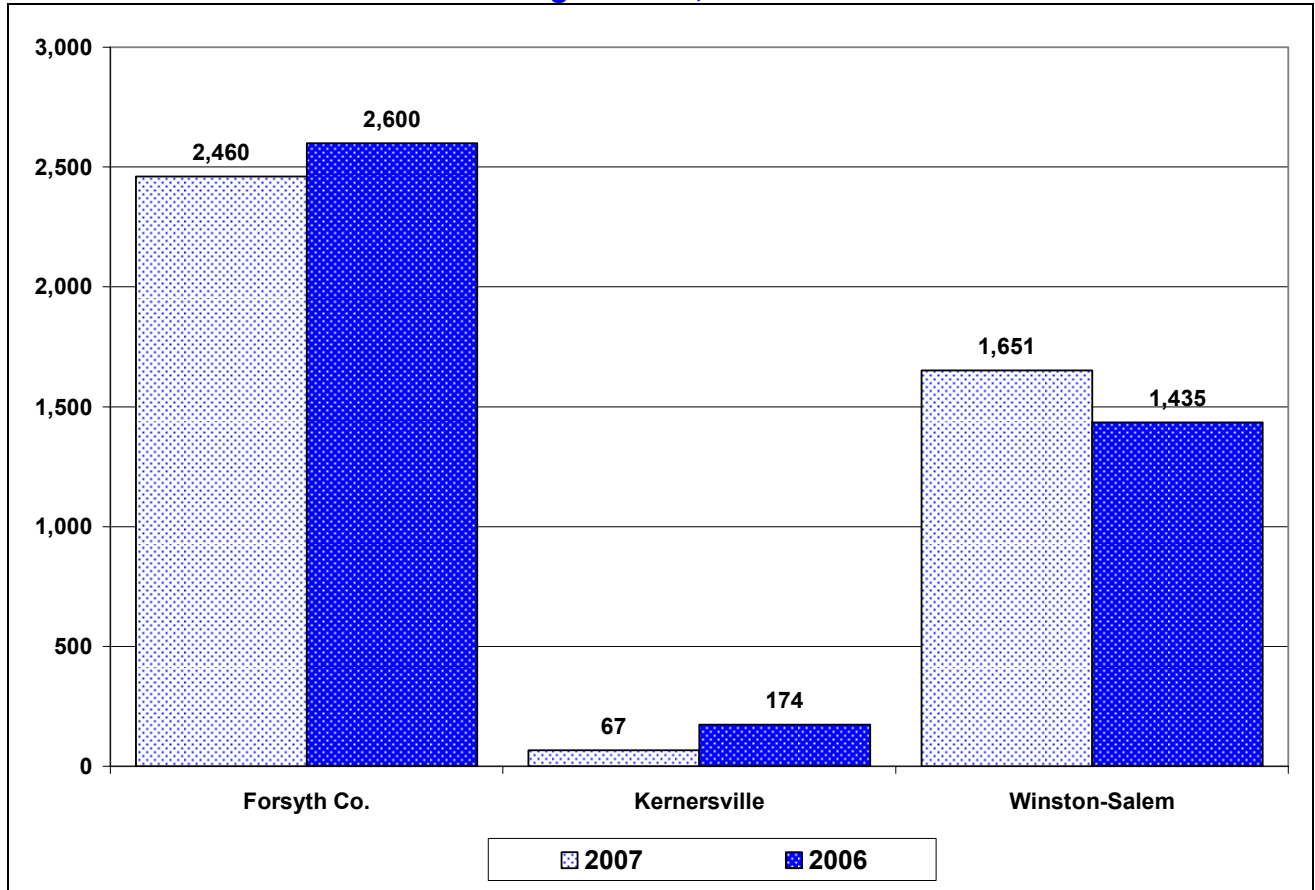


² The Triad is defined as the eight-county area that is composed of the Burlington MSA, the Greensboro/High Point MSA, and the Winston-Salem MSA.

Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was unchanged in November. Over the past 12 months, employment has gained 1.0 percent. For the nation as a whole, employment was higher by 0.1 percent in November. Over the past 12 months, national employment has risen 1.1 percent.

Planned single-family residential construction declined during the 4th quarter. Residential building permits (which reflect plans for future construction) were off -5.4 percent in Forsyth County as a whole during the first 11 months of 2007 compared to the same period in 2006. Permits dropped -61.5 percent in Kernersville but rose 15.1 percent in Winston-Salem.

Building Permits, 2007-2006³

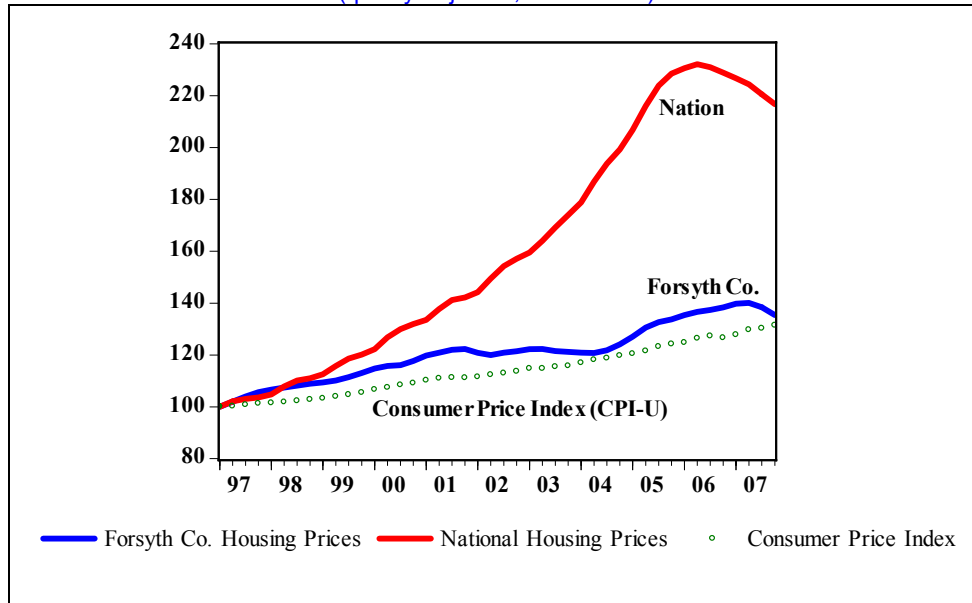


³ Figures reflect year-to-date totals through November.

Longer-Term Trends

Since the first quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 2.8 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 7.3 percent annual rate from 1997.1 through the 4th quarter of 2007, according to the S&P Case-Shiller 10-City Home Price Index. Over the past year, the Case-Shiller Index has fallen -5.4 percent, while prices in Forsyth county are down -2.1 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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