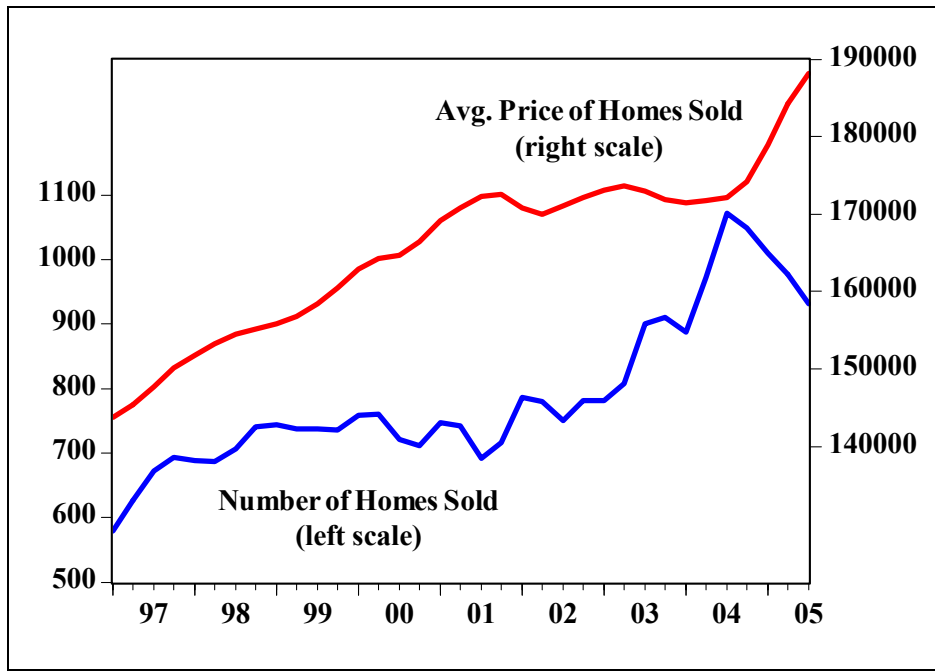


The Forsyth County Housing Report, 2005.3

Current Outlook

The number of existing, single-family homes sold in Forsyth County (including the City of Winston-Salem) totaled 931 in the 3rd quarter of 2005 after adjustment for seasonal variation. The number sold was down 4.8 percent compared to the level of sales recorded in the 2nd quarter, and it was off 13.2 percent from the number sold during the 3rd quarter one year ago.

Number of Existing Homes Sold, 1997.1 – 2005.3
(seasonally adjusted)

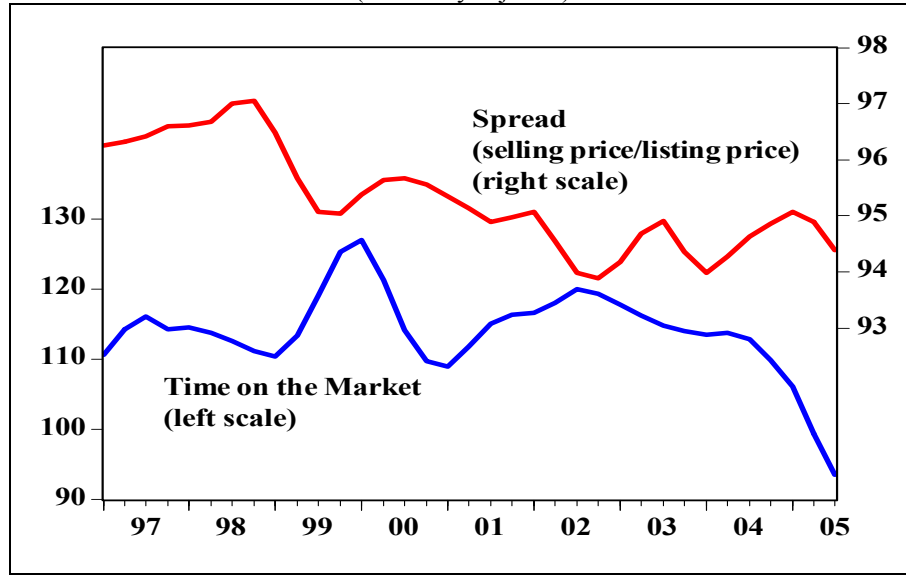


At the end of the 3rd quarter of 2005, the inventory of homes on the market was 2,327, or 2.5 times the number of homes sold in the second quarter. The number of existing homes offered for sale was up 3.1 percent from what it was at the end of the 2nd quarter. The average time on the market for unsold homes was 104 days at the end of the 3rd quarter. The median time on the market was 81 days.

The price of the average home sold in the 3rd quarter was up 2.1 percent from the previous quarter. The average quality-adjusted price of an existing home in Forsyth County was \$188,146. The average this quarter was 9.3 percent above the average recorded in the 3rd quarter of last year.

Among other indicators of housing activity, the average time on the market for existing homes sold was 93 days, down 6.1 percent from the average in the 2nd quarter. The sale-list price spread, which shows the ratio of selling to listing price, was lower at 94.4 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 and is accepting slightly larger discounts from the initial listing price.

Existing Homes, 1997.1 – 2005.3
(seasonally adjusted)



Note: Seasonally adjusted data.

Housing affordability has been an important factor influencing housing demand over the past year. The affordability index dipped 0.2 percent this quarter chiefly because of the rise in prices. Since the 3rd quarter of 2004, the affordability index has slipped 4.4 percent.

Existing Home Sales Data, 2004.3 – 2005.3
(seasonally adjusted)

	2005.3	2005.1	2004.3	% Chg Last Qtr.	% Chg Last Yr.
Ave. Home Price	\$188,146	\$184,253	\$172,164	2.1%	9.3%
No. of Homes Sold	931	978	1,072	-4.8%	-13.2%
Time on Market (days)	93	99	113	-6.1%	-17.7%
Affordability Index	119.9	120.2	125.4	-0.2%	-4.4%
Spread: (sale price/list price)	94.4	94.9	94.6	-0.5%	-0.2%

The Neighborhood Distribution of Existing Home Sales

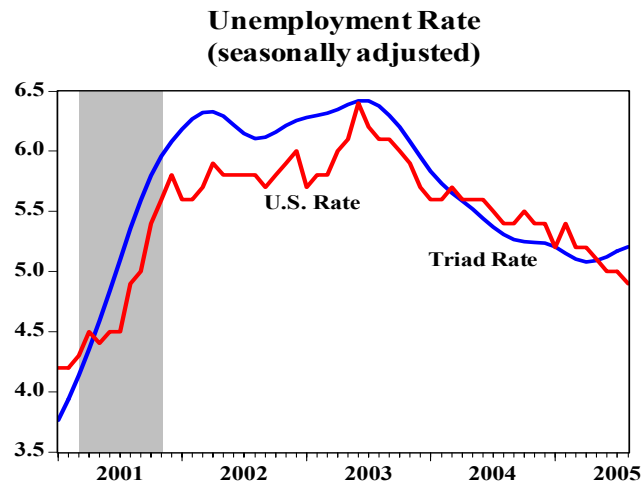
During the 3rd quarter, the largest number of sales of existing homes occurred in zip code 27284. This neighborhood encompassing the Kernersville area, had a total of 146 sales. It was followed by zip code 27106, in the northwestern, Bethania area, with 120 sales. The Forsyth Country Club area, zip code 27104, recorded the highest average price of homes sold, with sales of existing homes averaging \$317,266, on the basis of 102 sales.

The Neighborhood Distribution of Existing Home Sales, 2005.3

Zip Code	No. Sales	Avg. Price	Spread	TOM
27012	83	223,740	96.5	64
27023	44	204,772	96.0	66
27040	49	169,851	93.2	123
27051	15	100,000	84.5	95
27101	34	120,691	91.9	82
27103	103	150,282	95.1	76
27104	102	317,266	93.6	96
27105	79	80,719	90.0	102
27106	120	221,932	94.8	90
27107	65	103,526	95.0	98
27127	85	128,895	95.1	88
27284	146	185,885	96.8	101

Economic Trends in the Piedmont Triad

Economic conditions in the eight-county Piedmont Triad region improved in the 3rd quarter.¹ The seasonally adjusted rate of unemployment in the Triad was 5.2 percent in August, unchanged from the revised figure for July. The national unemployment rate was 4.9 percent, down 0.1 percentage points from July.



Total nonagricultural wage and salary employment in the Piedmont Triad rose 0.2 percent in August. Over the past 12 months, employment has gained 1.7 percent. For the nation as a whole, employment rose 0.1 percent in August. Over the past 12 months, national employment has risen 1.9 percent.

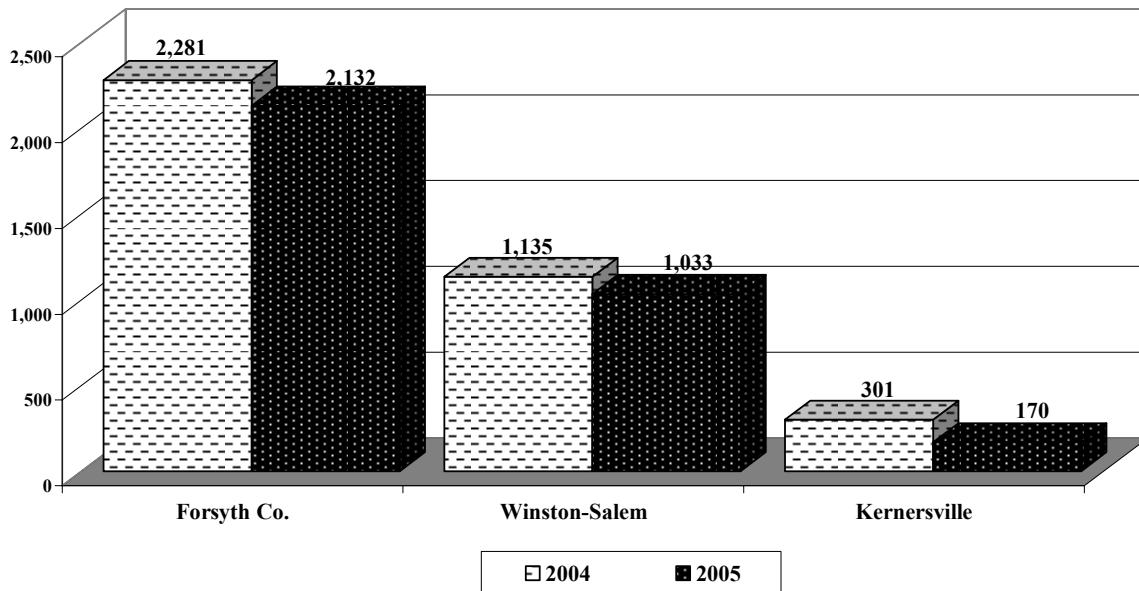
Seasonally adjusted consumer spending, as measured by retail sales, was up 1.1 percent this month, after correction for the change in consumer prices. Since August of 2004, real spending at the retail level has risen 8.3 percent. At the national level, real retail spending for August dipped 2.6 percent, but national spending in real

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.

dollars has grown 0.6 percent over the past year.

Planned residential construction declined during the 3rd quarter. Residential building permits (which reflect plans for future construction) were off 6.5 percent in Forsyth County as a whole during the first 8 months of 2005 compared to the same period in 2004. Permits dipped 9.0 percent in Winston-Salem and 43.5 percent in Kernersville.

Building Permits, 2004-2005²

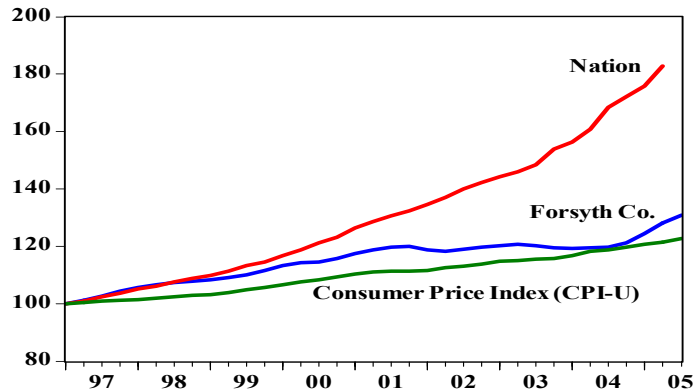


Longer-Term Trends

Since the 2nd quarter of 1997, existing home prices in Forsyth County have risen at an average annual rate of 3.2 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 2nd quarter of 2005, according to the Office of Federal Housing Enterprise Oversight (OFHEO).

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

**Existing Housing Prices in Forsyth County and the Nation
(quality adjusted, index scale)**



In 2004, the average existing home that was sold had 1,888 square feet of floor space. It was 1.3 stories high, had 2.2 bathrooms, 1.3 garage parking spaces, and 1.0 fireplaces. The average age of existing homes sold was 25.6 years. Sixty-four percent of exiting homes sold were in the city limits of Winston-Salem.

Characteristics of Existing Homes Sold, 2004

Square Footage	1,888
Floors	1.3
Baths	2.2
Garage Spaces	1.3
Fireplace	1.0
Age	25.6
In the City of Winston-Salem	64%
Number Sold	3,951

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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Historical Data, 1997.1 – 2005.3

Date	Price	Number	Spread	TOM
1997.1	\$143,802	579	96.3	111
1997.2	145,414	626	96.3	114
1997.3	147,611	672	96.4	116
1997.4	150,102	694	96.6	114
1998.1	151,820	688	96.6	115
1998.2	153,284	686	96.7	114
1998.3	154,486	707	97.0	112
1998.4	155,199	740	97.1	111
1999.1	155,792	744	96.5	110
1999.2	156,846	737	95.7	113
1999.3	158,346	738	95.1	119
1999.4	160,488	736	95.0	125
2000.1	162,864	758	95.4	127
2000.2	164,283	760	95.6	121
2000.3	164,691	721	95.7	114
2000.4	166,487	711	95.6	110
2001.1	169,111	747	95.3	109
2001.2	170,781	742	95.1	112
2001.3	172,234	692	94.9	115
2001.4	172,477	715	95.0	116
2002.1	170,805	786	95.1	117
2002.2	169,965	780	94.6	118
2002.3	171,062	750	94.0	120
2002.4	172,127	781	93.9	119
2003.1	173,021	780	94.2	118
2003.2	173,588	808	94.7	116
2003.3	172,897	900	94.9	115
2003.4	171,838	910	94.4	114
2004.1	171,488	887	94.0	113
2004.2	171,757	972	94.3	114
2004.3	172,164	1072	94.6	113
2004.4	174,153	1048	94.9	110
2005.1	178,888	1010	95.1	106
2005.2	184,253	978	94.9	99
2005.3	188,146	931	94.4	93

Note: All numbers are seasonally adjusted.