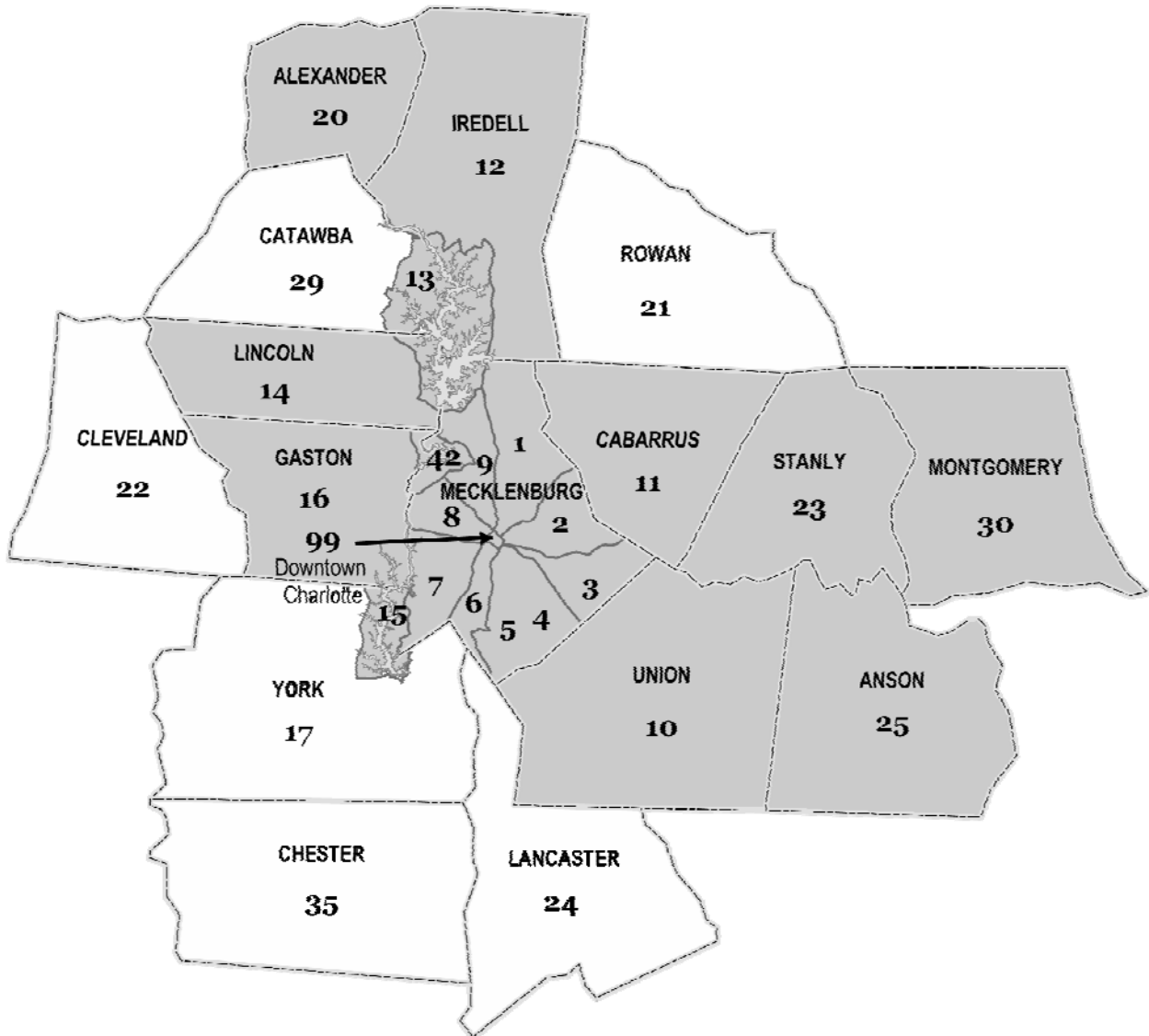




Economic and Market Watch Report

4th Quarter 2010



*Click on a County to view economic and real estate information at the county and zip code level

Carolina Multiple Listing Services, Inc.

Economic and Market Watch Report

Carolina Multiple Listing Services, Inc. serves the Charlotte, North Carolina metropolitan area. Our 10 county region includes Alexander, Anson, Montgomery, Mecklenburg, Iredell, Cabarrus, Union, Gaston, Lincoln, and Stanley counties. With over 9,000 members, we are the largest MLS in both North and South Carolina. Our Internet based MLS and public records database provides our members with consistent, reliable and accurate regional data and the best technology available. In a spirit of cooperation and communication, we ensure the Realtor® remains at the center of the transaction while providing value and resources to our members.

We are pleased to introduce the Economic and Market Watch Report designed to help real estate professionals identify current and future economic and real estate trends that affect our industry.

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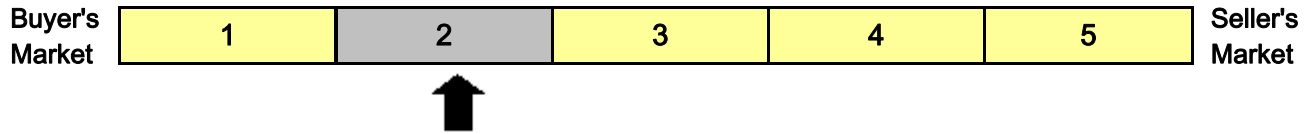
Local Report

North Carolina

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Alexander County, NC



Labor Market :

Alexander County saw 166 layoffs occur during October and November. Despite the decline in employment, the average monthly unemployment rate fell from 12.5% during the third quarter to 11.6% in the first two months of the fourth quarter. Continued layoffs are hurting confidence and demand, but sub-5% mortgage rates have kept affordability strong.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$151,700	\$154,000	↔
# Homes on the Market *	99	80	↑
# Homes Sold **	16	16	↔
# New Homes Built ***	11	4	↑
Avg # of Days on Market	108	158	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

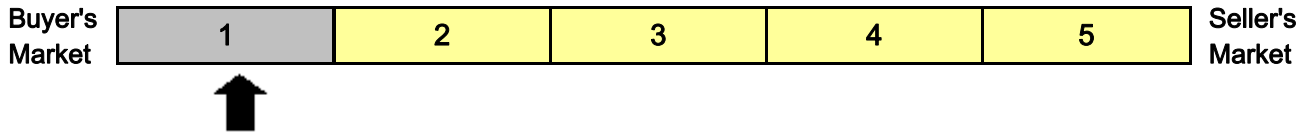
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28636	\$51,000	24.39%	2	-33.33%	43	97.6%
28678	\$201,700	22.09%	3	0.00%	29	93.0%
28681	\$131,900	-16.89%	8	-38.46%	158	95.6%
OTHER	\$234,000	178.57%	3	200.00%	363	94.3%

*** % Change of current quarter compared to the same quarter to year ago.



Anson County, NC



Labor Market :

Anson County saw 53 layoffs occur during October and November. Despite the decline in employment, the average monthly unemployment rate fell from 12.3% during the third quarter to 12% in the first two months of the fourth quarter. Continued layoffs are hurting confidence and demand, but sub-5% mortgage rates have kept affordability strong.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$75,000	\$88,400	↔
# Homes on the Market *	128	115	↑
# Homes Sold **	16	11	↑
# New Homes Built ***	9	1	↑
Avg # of Days on Market	88	181	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

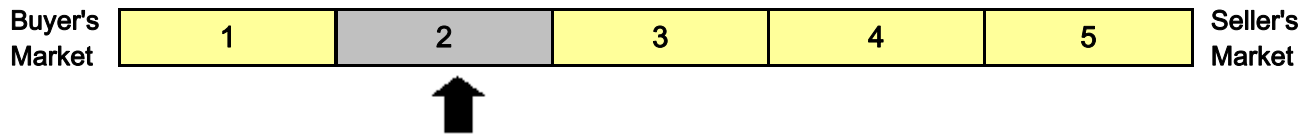
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28135	\$32,300	-76.25%	2	100.00%	211	89.1%
28170	\$100,900	75.48%	9	12.50%	175	88.4%

*** % Change of current quarter compared to the same quarter to year ago.



Cabarrus County, NC



Labor Market :

Cabarrus County saw 454 layoffs occur during October and November. Despite the decline in employment, the average monthly unemployment rate fell from 10.1% during the third quarter to 10% in the first two months of the fourth quarter. Continued layoffs are hurting confidence and demand, but sub-5% mortgage rates have kept affordability strong.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$189,400	\$193,800	↔
# Homes on the Market *	1,798	1,524	↑
# Homes Sold **	329	347	↑
# New Homes Built ***	147	66	↑
Avg # of Days on Market	109	115	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

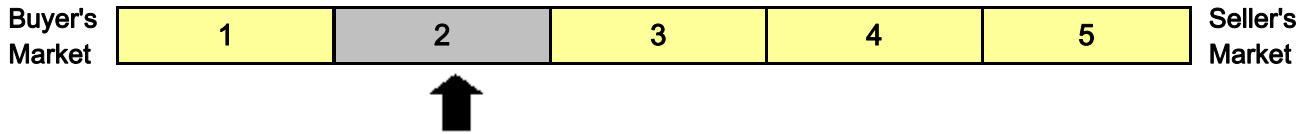
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28025	\$141,400	-5.86%	87	-6.45%	116	94.0%
28027	\$220,300	10.59%	111	-20.14%	114	97.0%
28075	\$273,200	4.83%	38	0.00%	114	94.6%
28081	\$228,800	17.70%	20	0.00%	147	84.9%
28082	\$70,500	N/A	1	N/A	7	117.5%
28083	\$78,200	-19.79%	28	-34.88%	112	91.9%
28107	\$181,200	33.63%	12	33.33%	143	96.1%
28124	\$194,800	7.33%	4	33.33%	135	96.2%
OTHER	\$224,500	-8.07%	46	4.55%	99	98.7%

*** % Change of current quarter compared to the same quarter to year ago.



Gaston County, NC



Labor Market :

A decline in employment of 524 jobs was offset by a decrease in the number of persons looking for work during the first two months of the fourth quarter. The net effect was no change in the 10.6% average monthly unemployment rate from the third quarter. Job losses are cutting into confidence and demand, but near record-low mortgage rates have created a great buying opportunity for those with a job and good credit.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$149,300	\$139,700	↔
# Homes on the Market *	1,697	1,434	↑
# Homes Sold **	331	305	↑
# New Homes Built ***	106	37	↑
Avg # of Days on Market	115	105	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28006	\$295,000	N/A	1	N/A	37	95.2%
28012	\$152,200	-14.35%	27	-47.06%	99	94.3%
28016	\$67,600	-40.75%	18	-5.26%	83	90.2%
28021	\$101,800	26.15%	15	7.14%	124	94.0%
28032	\$194,200	0.78%	5	-37.50%	181	95.5%
28034	\$99,600	-21.45%	20	-52.38%	115	96.9%
28052	\$97,400	11.06%	32	-31.91%	112	94.9%
28054	\$124,600	0.16%	48	-23.81%	116	94.4%

*** % Change of current quarter compared to the same quarter to year ago.



Gaston County, NC

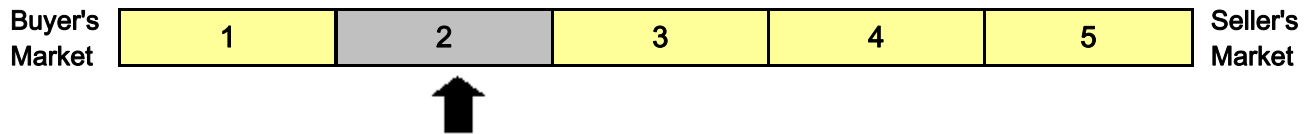
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28056	\$181,800	18.44%	49	-24.62%	116	96.0%
28098	\$107,900	3.95%	5	-64.29%	57	97.2%
28120	\$186,300	21.92%	57	5.56%	91	95.3%
28164	\$133,300	30.18%	15	0.00%	88	96.2%
OTHER	\$101,400	-12.13%	13	-13.33%	113	97.1%

*** % Change of current quarter compared to the same quarter to year ago.



Iredell County, NC



Labor Market :

In the first two months of the fourth quarter, 961 jobs were added to the payrolls of Iredell County. As a result of these new jobs, the average monthly unemployment rate fell from 11.2% during the third quarter to 10.8% for October and November. This steady job creation will help buyer confidence and fuel home purchases down the road. Mortgage rates near 5% should support this trend.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$276,000	\$273,500	↓
# Homes on the Market *	1,835	1,535	↑
# Homes Sold **	305	301	↓
# New Homes Built ***	131	65	↑
Avg # of Days on Market	125	127	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

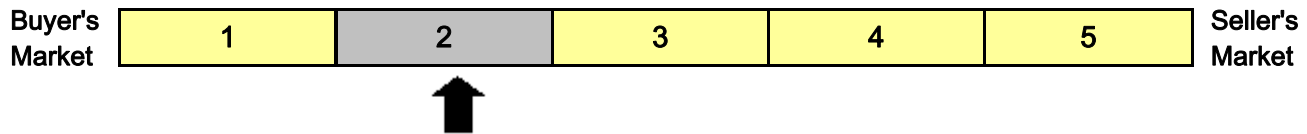
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28115	\$173,100	-0.40%	64	-3.03%	109	95.1%
28117	\$507,700	-0.98%	101	2.02%	151	93.6%
28166	\$236,400	21.11%	23	-42.50%	104	93.6%
28625	\$113,700	-13.07%	56	-28.21%	130	92.9%
28634	\$70,600	-18.10%	3	0.00%	144	90.2%
28660	\$45,000	-59.57%	1	-50.00%	192	90.2%
28677	\$131,700	15.22%	43	-27.12%	114	93.9%
28689	\$135,000	-26.75%	2	0.00%	60	93.3%
OTHER	\$245,900	27.21%	8	-27.27%	118	97.3%

*** % Change of current quarter compared to the same quarter to year ago.



Lincoln County, NC



Labor Market :

In the first two months of the fourth quarter, 804 jobs were added to the payrolls of Lincoln County. As a result of these new jobs, the average monthly unemployment rate fell from 11.8% during the third quarter to 11.2% for October and November. This steady job creation will help buyer confidence and fuel home purchases down the road. Mortgage rates near 5% should support this trend.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$217,300	\$198,900	↓
# Homes on the Market *	742	653	↑
# Homes Sold **	125	142	↓
# New Homes Built ***	39	22	↑
Avg # of Days on Market	130	124	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

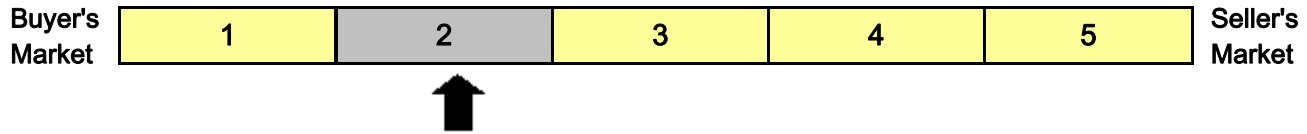
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28033	\$125,500	31.69%	3	-25.00%	131	95.5%
28037	\$301,000	-10.71%	53	6.00%	136	92.7%
28080	\$149,200	-5.69%	15	7.14%	128	91.9%
28092	\$126,600	4.89%	46	-32.35%	115	93.3%
28168	\$48,200	-54.27%	5	0.00%	75	90.6%
OTHER	\$180,800	9.58%	20	-25.93%	126	91.6%

*** % Change of current quarter compared to the same quarter to year ago.



Mecklenburg County, NC



Labor Market :

Mecklenburg County saw 2,495 layoffs occur during October and November. Despite the decline in employment, the average monthly unemployment rate fell from 10.4% during the third quarter to 10.2% in the first two months of the fourth quarter. Continued layoffs are hurting confidence and demand, but sub-5% mortgage rates have kept affordability strong.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$262,500	\$226,100	↔
# Homes on the Market *	8,149	6,825	↑
# Homes Sold **	1,789	1,670	↑
# New Homes Built ***	492	225	↑
Avg # of Days on Market	107	107	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28031	\$423,700	13.38%	92	-1.08%	140	92.7%
28036	\$298,100	-22.53%	27	-18.18%	175	94.3%
28078	\$265,800	0.45%	114	-17.39%	126	95.9%
28105	\$196,600	-13.70%	64	-20.00%	111	94.1%
28134	\$216,500	23.64%	18	-35.71%	130	100.5%
28203	\$347,300	-18.51%	21	-8.70%	139	93.8%
28204	\$510,300	20.33%	4	0.00%	109	94.6%
28205	\$179,500	-4.01%	74	-18.68%	104	93.5%
28206	\$94,800	20.15%	6	20.00%	82	95.6%

*** % Change of current quarter compared to the same quarter to year ago.

Mecklenburg County, NC

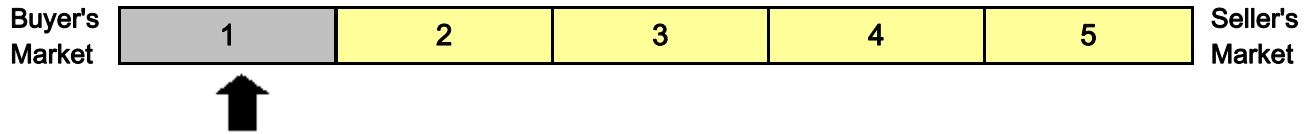
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28207	\$872,100	-12.29%	15	-21.05%	143	91.5%
28208	\$68,600	3.94%	23	-54.00%	72	94.5%
28209	\$425,100	23.47%	35	-14.63%	103	92.2%
28210	\$330,000	-6.12%	56	-12.50%	114	93.3%
28211	\$458,400	-7.51%	40	-42.86%	103	91.3%
28212	\$84,400	-15.35%	42	-14.29%	76	94.4%
28213	\$121,800	7.79%	62	-29.55%	99	96.3%
28214	\$99,700	-18.35%	92	-23.97%	99	94.8%
28215	\$104,400	-0.29%	97	-19.17%	90	95.6%
28216	\$106,200	-3.19%	85	-47.85%	94	94.7%
28217	\$90,600	1.34%	24	-36.84%	73	95.9%
28226	\$391,500	6.41%	60	-11.76%	125	93.6%
28227	\$127,400	-24.21%	93	-33.57%	95	95.5%
28262	\$132,400	-13.69%	35	-47.76%	76	96.0%
28269	\$132,600	-12.88%	149	-27.32%	103	95.1%
28270	\$271,400	-11.10%	58	-17.14%	115	93.9%
28273	\$148,800	-5.22%	64	1.59%	89	96.7%
28277	\$347,700	-4.16%	145	-2.68%	117	95.5%
28278	\$227,200	1.52%	69	-16.87%	121	95.0%
OTHER	\$272,300	18.44%	6	0.00%	55	89.8%

*** % Change of current quarter compared to the same quarter to year ago.



Montgomery County, NC



Labor Market :

In the first two months of the fourth quarter, 436 jobs were added to the payrolls of Montgomery County. As a result of these new jobs, the average monthly unemployment rate fell from 12.1% during the third quarter to 11.4% for October and November. This steady job creation will help buyer confidence and fuel home purchases down the road. Mortgage rates near 5% should support this trend.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$222,200	\$298,700	↓
# Homes on the Market *	173	157	↑
# Homes Sold **	20	9	↓
# New Homes Built ***	NA	NA	↑
Avg # of Days on Market	235	210	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

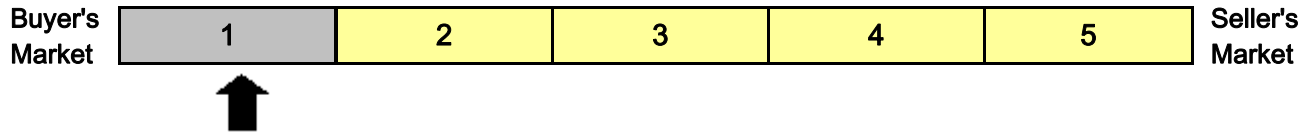
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
27306	\$568,800	353.23%	2	0.00%	135	99.2%
OTHER	\$221,600	-38.24%	7	0.00%	232	76.7%

*** % Change of current quarter compared to the same quarter to year ago.



Stanly County, NC



Labor Market :

Stanly County saw 27 layoffs occur during October and November. Despite the decline in employment, the average monthly unemployment rate fell from 11.1% during the third quarter to 10.8% in the first two months of the fourth quarter. Continued layoffs are hurting confidence and demand, but sub-5% mortgage rates have kept affordability strong.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$129,400	\$128,200	↓
# Homes on the Market *	372	354	↑
# Homes Sold **	60	39	↓
# New Homes Built ***	27	7	↑
Avg # of Days on Market	127	113	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28001	\$101,900	-23.78%	14	-56.25%	90	91.7%
28009	\$96,900	N/A	2	N/A	109	90.2%
28097	\$219,700	19.27%	5	-61.54%	87	82.9%
28109	\$110,000	N/A	1	N/A	80	89.5%
28127	\$174,300	-10.75%	3	0.00%	108	95.3%
28128	\$121,300	-40.83%	5	0.00%	122	87.9%
28129	\$38,800	-77.03%	2	-66.67%	116	94.1%
28137	\$220,000	157.91%	1	-66.67%	50	93.6%
28163	\$168,900	-16.80%	4	-42.86%	218	85.2%

*** % Change of current quarter compared to the same quarter to year ago.



Stanly County, NC

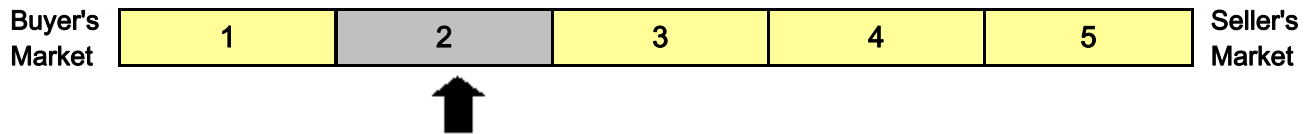
Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
OTHER	\$33,600	-30.00%	2	100.00%	171	84.3%

*** % Change of current quarter compared to the same quarter to year ago.



Union County, NC



Labor Market :

Employment declined by 513 jobs in October and November. The job losses brought about an increase in the average monthly unemployment rate from 8.8% in the third quarter to 8.9% for the initial two months of the fourth quarter. Layoffs continued to rise, which will weigh on buyer confidence and demand in Union County. However, mortgage rates remain near record lows, maintaining a favorable buying environment for those with a job.

Housing Market :

	Q3' 10	Q4' 10	Q1' 11 (Forecast)
Average Price	\$279,800	\$256,900	↔
# Homes on the Market *	2,336	1,946	↑
# Homes Sold **	472	418	↑
# New Homes Built ***	119	60	↑
Avg # of Days on Market	116	122	↑

* Available as of Dec. 31, 2010.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28079	\$178,700	-9.06%	76	-28.97%	123	95.4%
28103	\$124,800	8.81%	8	-38.46%	143	95.4%
28104	\$337,000	7.05%	74	4.23%	139	94.0%
28110	\$146,900	-6.19%	70	-41.67%	102	94.5%
28112	\$105,700	-19.92%	34	-22.73%	133	93.3%
28173	\$373,800	-4.76%	140	-6.04%	124	93.5%
28174	\$99,400	-33.95%	15	36.36%	80	93.3%
OTHER	\$160,000	-68.81%	1	-66.67%	128	100.0%

*** % Change of current quarter compared to the same quarter to year ago.

Others

Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
27013	\$51,700	-81.88%	6	0.00%	44	94.9%
27014	\$65,000	N/A	1	N/A	120	93.0%
27028	\$80,000	-60.94%	1	-50.00%	156	88.9%
27054	\$70,900	-39.09%	6	50.00%	93	90.0%
27055	\$74,200	N/A	1	N/A	100	87.3%
27295	\$400,000	N/A	1	N/A	15	89.1%
27360	\$140,500	N/A	1	N/A	41	100.4%
28021	\$258,600	12.43%	2	-33.33%	30	95.9%
28023	\$135,700	-6.93%	15	-21.05%	178	96.4%
28037	\$303,300	-22.96%	4	-33.33%	129	90.3%
28038	\$58,500	-56.67%	1	0.00%	120	90.0%
28039	\$28,900	N/A	1	N/A	90	100.0%
28043	\$59,900	-44.59%	1	0.00%	27	95.7%
28071	\$173,500	N/A	2	N/A	48	84.1%
28072	\$90,000	-15.25%	1	0.00%	519	83.4%
28073	\$41,000	-55.91%	1	0.00%	172	87.4%
28081	\$108,600	39.41%	12	20.00%	116	93.6%
28083	\$68,100	-33.37%	9	0.00%	109	93.7%
28086	\$141,200	32.96%	19	-13.64%	273	95.3%
28088	\$143,800	13.77%	7	-30.00%	88	95.8%
28090	\$70,700	N/A	4	N/A	214	90.4%
28114	\$83,000	-74.84%	1	0.00%	123	96.6%
28115	\$118,800	-73.49%	2	-33.33%	62	95.0%
28125	\$157,000	-26.98%	2	100.00%	37	86.1%
28137	\$195,000	N/A	1	N/A	135	97.5%
28138	\$95,000	-32.81%	12	71.43%	87	94.1%
28144	\$126,400	-5.60%	36	-7.69%	129	91.8%
28146	\$132,900	-10.26%	34	-27.66%	104	93.0%
28147	\$184,600	50.69%	20	-44.44%	121	94.9%
28150	\$116,200	-43.07%	13	-7.14%	228	89.4%
28152	\$131,700	-21.09%	15	15.38%	195	94.1%
28159	\$75,600	30.80%	5	0.00%	56	97.4%
28168	\$98,000	N/A	3	N/A	157	93.7%
28601	\$223,100	4.99%	18	0.00%	159	92.0%

*** % Change of current quarter compared to the same quarter to year ago.

Others

Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
28602	\$195,400	57.84%	5	-58.33%	171	93.0%
28607	\$274,000	N/A	2	N/A	161	94.5%
28609	\$227,000	0.09%	9	12.50%	130	93.0%
28610	\$128,100	55.27%	1	-66.67%	22	106.8%
28612	\$111,600	-4.62%	2	100.00%	240	94.6%
28613	\$110,600	-23.78%	8	-50.00%	79	96.0%
28630	\$294,300	33.23%	3	0.00%	245	95.1%
28634	\$127,000	N/A	1	N/A	80	97.8%
28637	\$96,300	N/A	2	N/A	130	95.0%
28638	\$129,000	-25.43%	2	100.00%	51	94.7%
28645	\$65,000	31.05%	4	0.00%	60	92.1%
28650	\$55,800	-41.88%	10	11.11%	94	93.9%
28655	\$123,300	118.23%	2	0.00%	135	89.7%
28658	\$128,600	-14.04%	16	-20.00%	109	92.3%
28673	\$327,000	-16.41%	15	50.00%	136	89.9%
28676	\$142,500	N/A	1	N/A	71	95.1%
28682	\$343,700	6.34%	3	200.00%	57	95.6%
29055	\$57,000	N/A	2	N/A	149	95.5%
29067	\$79,100	126.00%	4	300.00%	95	92.7%
29078	\$341,000	N/A	1	N/A	90	97.4%
29702	\$93,900	-56.67%	1	0.00%	92	98.9%
29704	\$196,800	15.29%	5	25.00%	149	91.7%
29706	\$82,900	-15.75%	1	-83.33%	13	92.2%
29707	\$243,800	-14.64%	66	4.76%	114	96.4%
29708	\$296,900	-2.37%	67	-10.67%	113	96.0%
29709	\$357,000	112.50%	1	0.00%	1	100.0%
29710	\$249,200	-4.99%	45	-19.64%	150	92.2%
29712	\$112,000	124.00%	2	0.00%	94	95.4%
29714	\$63,500	N/A	1	N/A	42	91.8%
29715	\$280,400	10.31%	46	-43.21%	212	91.4%
29720	\$162,100	1.12%	34	-22.73%	142	92.9%
29726	\$111,000	-9.02%	2	0.00%	107	96.7%
29728	\$137,500	27.91%	3	50.00%	104	95.0%
29730	\$167,600	8.27%	39	-42.65%	106	94.8%
29732	\$186,600	-0.37%	73	-24.74%	116	94.8%
29745	\$229,500	27.71%	47	-21.67%	116	92.7%

*** % Change of current quarter compared to the same quarter to year ago.



Others

Data by Zip Codes for Q4 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
OTHER	\$239,300	223.82%	2	100.00%	39	96.1%

*** % Change of current quarter compared to the same quarter to year ago.

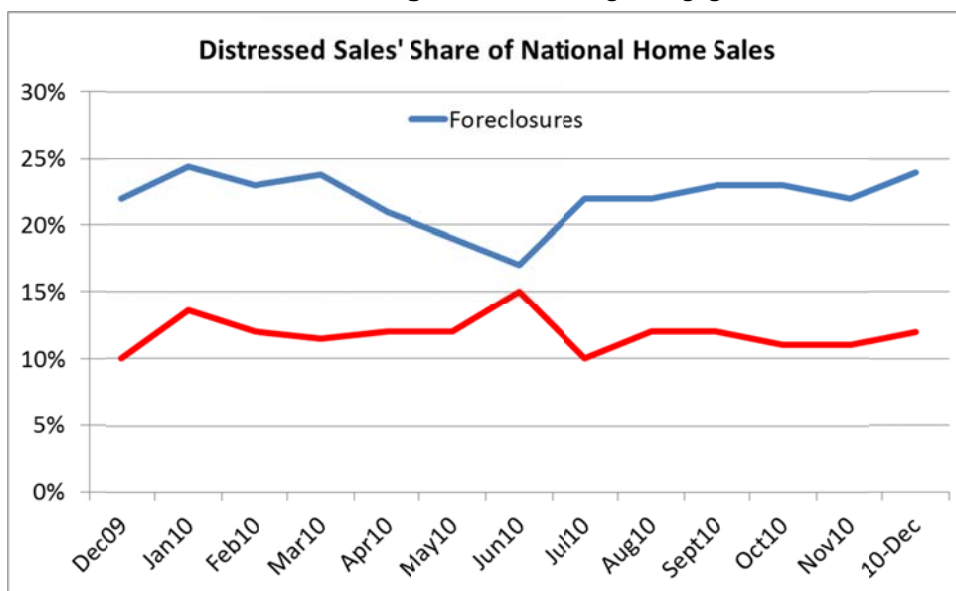
Robo-Signing and You

By Ken Fears
Manager, Regional Economics

The dust had not settled in the wake of the Federal home buyer tax credit before the housing market was hit by another distortion. This time the shock came from the supply side by way of the foreclosure process and the revelation that documentation submitted by some banks was flawed. Several banks imposed a moratorium on foreclosure sales as a result. The question is how did this change impact home sales?

Nationally, the share of foreclosures that sold fell to 22% in November before jumping to 24% in December. Short sales held steady at 11% before climbing to 12%. These patterns suggest that the moratorium imposed by Bank of America, JP Morgan Chase, GMAC, and Ally Financial may have had a slight impact on sales of foreclosures at the national level. However, the scandal did not hold back general consumer demand for housing. Nationally, home sales rose 6.1% in November and surged 12.3% in December as fence sitters moved to get ahead of rising mortgage rates. The inventory of homes slipped by 3.8% and 4.2% over this same time frame. The drop in supply and rise in demand helped drive the months supply down from 10.5 in October to 8.1 in December, its lowest level since March and a trend that helps to ease downward pressure on home prices.

Not all areas of the country were exposed to the problems brought on by flawed foreclosure filings. Only states where foreclosures are part of the judicial process are impacted by the issues



surrounding the mass signing of documents. In areas where the process falls under the judicial system, a bank must prove in court that it owns the property before it can proceed with the foreclosure sale. In non-judicial areas, the process is based on the deed of trust, which has a clause explicitly allowing a trustee to sell the property after the trustee makes pre-determined efforts to notify the home owner. While some non-judicial areas may be spared this potential log-jam, both GMAC and Bank of America chose to suspend foreclosure sales in both judicial and non-judicial areas. Consequently, given the size of these two lenders the impacts are likely widespread. BofA did re-start limited foreclosure sales in late October, which might explain the increased share of foreclosures in the December sales report.

According to research done by RealtyTrac, Inc, the foreclosure process in North Carolina is governed by the judicial process, but it is not common in practice. Consequently, the area covered by Carolina Multiple Listing Services may be negatively impacted by problems with the foreclosure process. The impact on the market is hard to quantify. Intuitively, one would expect a decline in foreclosures to reduce supply and help prices, but it might push the supply issue into the spring market once the documentation and signature issues are resolved. Furthermore, the scandal could scare away buyers who are worried about the health of the market and their legal right to buy a foreclosed home. One clear upside is that banks are more likely to be receptive to short-sale offers, particularly if a coalition of state attorneys general move forward with prosed law suits that would extend the moratorium.

It is difficult to say exactly how the robo-signing scandal will impact the local housing market. Markets with relatively tight inventories and stable employment may not be impacted, while markets with high inventory levels may experience a roller-coaster. What's fact is that the true nature of market may not be revealed until later in 2011.

Cheers for the New Year?

by Lawrence Yun, NAR Chief Economist

The total number of home-owning households rises about one million each year. These additional homeowners are the result of powerful yet simple forces of an increasing population. The latest decennial Census count confirms the continuing solid gains in the U.S. population. From 2000 to 2010, our nation's population grew by 27 million -- there are now 308 million people living in the country representing 112 million households.

Because of population increases, one can expect a rising number of homeowners over time. Of course, there will naturally be fluctuations from one year to the next due to changing economic circumstances. One notable past example of this occurred in 1982 when there was no net new addition to the homeowner population despite the ongoing general population increase. If you recall, in 1982 mortgage rates rose to 18 percent – certainly an interest rate not conducive to buying a home.

Year	Homeowners
1960	31 million (estimate)
1970	41 million
1980	52 million
1990	60 million
2000	70 million
2010	75 million

In the past five years, from 2005 to 2010, even a larger anomaly occurred: there was no net new growth in the home-owning population. The main reason for this was the huge housing bubble and the subsequent – and painful – bust which halted homeownership growth. There are currently 75 million home-owning households. That is slightly lower than the 76 million homeowners in 2005. Indeed, according to the U.S. Census Bureau (which tracks homeownership rates), the homeownership rate fell from 69 percent to 66 percent over the past 5 years.

We should remember something important. Those bubble years are artificial; consequently, that 69 percent homeownership rate in 2005 was likely also to have been artificial. A return to a 66 percent homeownership rate could be sustainable – and frankly still very impressive as it means that two-thirds of U.S. households own their own homes. The very low default rates on recently originated mortgage loans (those originated in 2009 and 2010) point back towards solid sustainable homeownership levels for the future. A “back-to-the-long term” trend line would mean adding one million net new home-owning households each year. This powerful supporting demographic force will be present as the overall population is expected to rise to about 340 million by the next Census period in 2020, and then to increase to 420 million by 2050. In terms of home-owning households, that means an increase anywhere from the current 75 million homeowners to 115 million by 2050.

Such a demographic force has a major impact regarding the longer term future. But the short-term dynamics are dominated by economic forces. Fortunately, the economy is showing more definitive signs of improvement. Manufacturing output has been rising. The stock market has recovered nicely. Companies are flush with cash. Consumer confidence has rebounded off very low levels (albeit with more improvement needed). And more importantly, jobs are being created. According to the latest company payroll data released in early January, there were 1.1 million additional jobs in December of 2010 compared to one year before. The household employment

Chief Economist's Commentary

data (based on asking people if they have a job) was even more encouraging: there were 1.3 million more jobs. The official unemployment rate figure of 9.4 percent is based on the household survey not the payroll survey.

Job gains are expected to accelerate in 2011 to something close to 2 million net new jobs. That good news is tempered somewhat by the fact that the unemployment rate will remain stubbornly high at near 9 percent as more discouraged unemployed people – those who are not officially counted as unemployed since they are not looking for work – start looking for a job.

Some release of pent-up demographic demand supported by the improving economy will bump up home sales this year. In addition to new homeowners, there are always a certain percentage of existing homeowners who move – that is, they sell their home and purchase another one. The latest NAR survey of home sellers indicates that recent sellers have been in their current residence for 10 years. That implies one out of 10 homeowners will be moving in a given year. Census data suggests a much longer holding period than 10 years, which is due to many homeowners who remain in their homes until death and thus do not get captured in the NAR survey of recent home sellers. Generally, younger homeowners have shorter tenures in their homes before making the next move. At the same time though, older homeowners are more likely to purchase a second home – be it an investment or vacation home.








Putting all important factors together, existing-home sales are projected to rise 8 percent to 5.2 million units nationwide this year and possibly to 5.5 million in 2012. There will be a bigger percentage increase of 24 percent for new home sales in 2011, but that is due to a very low base figure of only 310,000 new home sale posted in 2010.

Our forecast figures will be updated each month depending on how the economy plays out. And let's be a bit more realistic for this new year: going forward we are unlikely to see the 7 million existing-home sales and 1 million new homes sales we saw during the bubble years. We now know that those figures were in part artificial. The housing market is just trying to settle down – and it will do so at a long-run and sustainable pace.

So, here's to the new year: Cheers!

Economic Monitor

This table reflects data available through January 7, 2011.

Monthly Indicator	Recent Forecast	Likely Direction Over the Next Six Months	Forecast
<p>Existing-home sales rose 5.6% in November to a seasonally adjusted annual rate of 4.68 million units. The national median existing-home price was \$170,600 in November. Going forward, the positive impact of ongoing economic growth and steady job creation should more than offset the modest rise in mortgage interest rates.</p>	Nov 2010 4,680 Oct 2010 4,430 Nov 2009 6,490		Job creation is adding to the buyer pool
<p>New home sales also increased in November, rising 5.5% to a seasonally adjusted annual rate of 290,000 units. The West experienced a 37.3% increase in new home sales. Still, sales were 21.2% below their pace in November of 2009. New home inventory at the end of November was 197,000 units – an 8.2 month supply at the current sales pace.</p>	Nov 2010 290 Oct 2010 275 Nov 2009 368		Finally, some recovery from a dismal state
<p>Housing starts rose 3.9% from October to November, posting a seasonally adjusted annual rate of 555,000 units. Single-family starts increased 6.9%. However, building permits – generally a reliable indicator of future starts – declined slightly to 4.0% from October to 14.7% from November of 2009. There is still significant new construction that needs to be completed as well as sold.</p>	Nov 2010 555 Oct 2010 534 Nov 2009 589		Construction loans should steadily appear
<p>Housing affordability continued its march upward. NAR's HAI Index for November registered 184.5 – up from 183.6 in October. The relationship recently between mortgage rates, home prices and income has been the most favorable on record.</p>	Nov 2010 184.5 Oct 2010 183.4 Nov 2009 173.3		Slow wage gain not enough to offset higher rates
<p>Mortgage rates Average 30-year fixed mortgage rates rose 31 basis points in December 2010 to 4.71%. Despite the increase, mortgage rates were still lower than they were in December of 2009. Modest rate increases are not yet a threat to the housing market as long as the job market holds up as anticipated in 2011.</p>	Dec 2010 4.71% Nov 2010 4.30% Dec 2009 4.88%		High budget deficit raises borrowing costs
<p>Employment The U.S. economy created 103,000 new jobs in December, virtually all of which were private-sector payrolls. October's and November's job creation figures were revised upward. Still the December figure was less than what most analysts anticipated. During 2010, the nation added 1.1 million jobs. The unemployment rate did decline in December – to 9.4% -- although that was in part Due to people who stopped looking for work.</p>	Dec 2010 - 103 Nov 2010 -71 12-month total: +1,100		Two million new jobs possible in 2011
<p>Economic Growth continued to improve. Real GDP growth – that is, the output of all goods and services produced in the U.S. – increased 2.6% from the 2nd quarter of 2010 to the 3rd quarter, marking a 5th consecutive quarter of positive GDP growth. This is the 3rd and final estimate of GDP growth based on more complete data. The increase in GDP reflects growth in consumer spending, private investment, export and government spending.</p>	2010:III +2.6% 2010:II +1.7% 2009:III +1.6%		Business spending momentum strengthening

Notes: All rates are seasonally adjusted. Existing home sales, new home sales and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics and Freddie Mac.