

Economic and Market Watch Report

1st Quarter, 2009



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

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The Kanawha Valley Multiple Listing Service, Inc.

Economic and Market Watch Report

The Kanawha Valley Multiple Listing Service, Inc. (KVMLS) has been providing multiple listing services to its participants since its inception in 1965. KVMLS is one of the largest Multiple Listing Service's (MLS) in West Virginia, delivering MLS data to over 650 participants and subscribers. Our service area includes all of Kanawha, Putnam, Jackson, Lincoln, Boone and portions of Clay, Cabell, Fayette, Mason, Nicholas, Wayne Wood, and Wirt Counties.

The Kanawha Valley Multiple Listing Service, Inc. is committed to providing our REALTOR® members with superior industry information and the tools necessary to succeed in today's real estate market.

KVMLS is pleased to offer another member service benefit and introduce the Economic and Market Watch Report to our members that is designed to assist REALTORS® by identify current and future economic and real estate trends that affects their industry.

For more information please do not hesitate to contact Marlena R Cain at 304-344-9851, e-mail marlena.mullins@kvrealtors.com or visit our web-site at www.kvrealtors.com.

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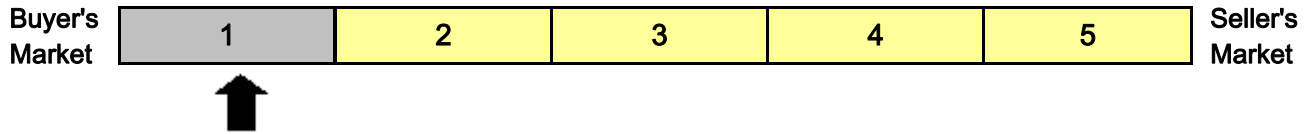
Local Report

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Jackson County, WV



Labor Market :

Employment declined by 315 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 4.8% in the fourth quarter to 8.4% for the first two months of the first quarter. Job losses are ticking upwards, creating a drag on buyer confidence and demand in Jackson County. However, historically low mortgage rates have created a favorable buying environment for those with a job.

Housing Market :

| | Q4' 08 | Q1' 09 | Q2' 09 (Forecast) |
|------------------------------|-----------|-----------|----------------------|
| Average Price | \$127,700 | \$126,000 | ↔ |
| # Homes on the Market * | 126 | 121 | ↑ |
| # Homes Sold ** | 23 | 15 | ↔ |
| # New Homes Built *** | NA | NA | ↑ |
| Avg # of Days on Market **** | 88 | 98 | ↑ |

* Available as of Mar. 31, 2009.

** May not add to total of zip codes.

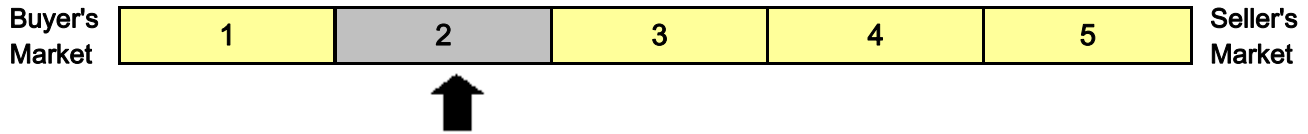
*** During the first two months of 1st quarter.

**** Days on market is defined as the difference between the list date and contract date.

| Town Name | Average Price | Price Change (1 Year) | Total # Homes Sold (Quarter) | % Change in # Homes Sold (1 Year) | Average Days on Market | % of Asking Price |
|----------------------|---------------|-----------------------|------------------------------|-----------------------------------|------------------------|-------------------|
| Evans | \$196,000 | 61.58% | 1 | -66.67% | 14 | 98.0% |
| Kenna / Kentuck | \$208,300 | 31.17% | 3 | 50.00% | 114 | 82.8% |
| Millwood | \$145,000 | 24.68% | 1 | -75.00% | 137 | 93.6% |
| Ravenswood / Sherman | \$109,800 | 15.46% | 3 | -70.00% | 111 | 93.6% |
| Ripley / Fairplain | \$85,000 | -4.06% | 7 | -36.36% | 93 | 87.1% |



Kanawha County, WV



Labor Market :

Employment declined by 2,611 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 3.3% in the fourth quarter to 5.2% for the first two months of the first quarter. Job losses are ticking upwards, creating a drag on buyer confidence and demand in Kanawha County. However, historically low mortgage rates have created a favorable buying environment for those with a job.

Housing Market :

| | Q4' 08 | Q1' 09 | Q2' 09 (Forecast) |
|------------------------------|-----------|-----------|----------------------|
| Average Price | \$133,900 | \$127,800 | ↔ |
| # Homes on the Market * | 982 | 1,032 | ↑ |
| # Homes Sold ** | 289 | 208 | ↔ |
| # New Homes Built *** | 3 | 5 | ↑ |
| Avg # of Days on Market **** | 82 | 92 | ↑ |

* Available as of Mar. 31, 2009.

** May not add to total of zip codes.

*** During the first two months of 1st quarter.

**** Days on market is defined as the difference between the list date and contract date.

| Town Name | Average Price | Price Change (1 Year) | Total # Homes Sold (Quarter) | % Change in # Homes Sold (1 Year) | Average Days on Market | % of Asking Price |
|----------------------|---------------|-----------------------|------------------------------|-----------------------------------|------------------------|-------------------|
| Alum Creek | \$122,500 | N/A | 4 | N/A | 92 | 95.0% |
| Charleston- Downtown | \$107,900 | -16.10% | 44 | -29.03% | 108 | 92.1% |
| Clendenin | \$86,500 | -26.07% | 2 | -60.00% | 27 | 94.5% |
| Cross Lanes | \$140,100 | 7.77% | 22 | -26.67% | 61 | 96.1% |
| Dunbar | \$79,000 | -4.36% | 11 | 37.50% | 123 | 92.6% |
| East Bank | \$78,000 | N/A | 1 | N/A | 488 | 100.0% |
| Elkview | \$116,900 | -26.85% | 7 | -36.36% | 83 | 93.8% |
| Hugheston | \$116,000 | 65.71% | 1 | 0.00% | 115 | 89.3% |
| Institute | \$51,500 | -52.31% | 1 | 0.00% | 0 | 73.7% |
| Kanawha City | \$181,800 | -20.72% | 7 | -61.11% | 83 | 95.1% |
| Malden / Rand | \$142,500 | 149.56% | 1 | -87.50% | 67 | 92.0% |



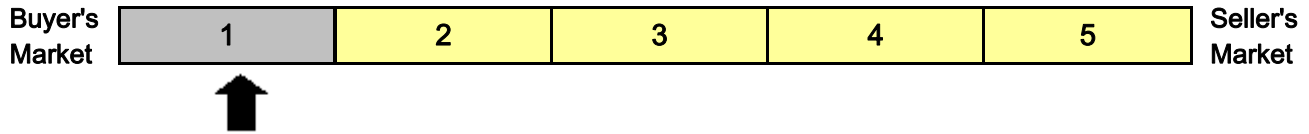
Local Report

Kanawha County, WV

| Town Name | Average Price | Price Change (1 Year) | Total # Homes Sold (Quarter) | % Change in # Homes Sold (1 Year) | Average Days on Market | % of Asking Price |
|------------------|---------------|-----------------------|------------------------------|-----------------------------------|------------------------|-------------------|
| Marmet | \$47,500 | 6.50% | 2 | 0.00% | 35 | 98.1% |
| Nitro | \$88,600 | -16.02% | 8 | -57.89% | 62 | 92.5% |
| Pratt | \$80,000 | 81.82% | 1 | 0.00% | 190 | 81.2% |
| Saint Albans | \$109,000 | 12.14% | 40 | -21.57% | 100 | 95.3% |
| Sissonville | \$118,400 | 15.74% | 5 | -44.44% | 120 | 96.1% |
| South Charleston | \$118,700 | -1.74% | 14 | 0.00% | 54 | 92.9% |
| South Hills | \$231,700 | 14.08% | 20 | -16.67% | 95 | 95.3% |
| Spring Hill | \$158,700 | -16.43% | 16 | -36.00% | 90 | 92.9% |
| Tornado | \$76,000 | -60.56% | 1 | -66.67% | 110 | 96.2% |



Lincoln County, WV



Labor Market :

Employment declined by 192 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 4.3% in the fourth quarter to 7.8% for the first two months of the first quarter. Job losses are ticking upwards, creating a drag on buyer confidence and demand in Lincoln County. However, historically low mortgage rates have created a favorable buying environment for those with a job.

Housing Market :

| | Q4' 08 | Q1' 09 | Q2' 09 (Forecast) |
|------------------------------|----------|----------|----------------------|
| Average Price | \$55,300 | \$64,500 | ↔ |
| # Homes on the Market * | 13 | 10 | ↑ |
| # Homes Sold ** | 2 | 1 | ↔ |
| # New Homes Built *** | NA | NA | ↑ |
| Avg # of Days on Market **** | 24 | 86 | ↑ |

* Available as of Mar. 31, 2009.

** May not add to total of zip codes.

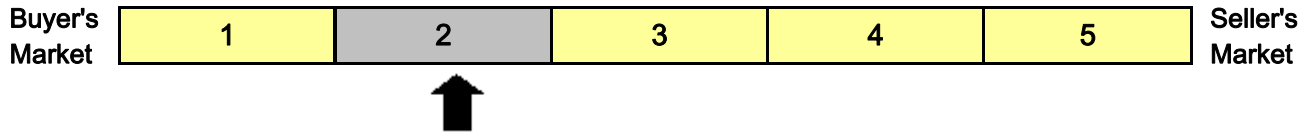
*** During the first two months of 1st quarter.

**** Days on market is defined as the difference between the list date and contract date.

| Town Name | Average Price | Price Change (1 Year) | Total # Homes Sold (Quarter) | % Change in # Homes Sold (1 Year) | Average Days on Market | % of Asking Price |
|-----------|---------------|-----------------------|------------------------------|-----------------------------------|------------------------|-------------------|
| Sod | \$64,500 | N/A | 1 | N/A | 86 | 89.6% |



Putnam County, WV



Labor Market :

Employment declined by 622 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 3.2% in the fourth quarter to 5.6% for the first two months of the first quarter. Job losses are ticking upwards, creating a drag on buyer confidence and demand in Putnam County. However, historically low mortgage rates have created a favorable buying environment for those with a job.

Housing Market :

| | Q4' 08 | Q1' 09 | Q2' 09 (Forecast) |
|------------------------------|-----------|-----------|----------------------|
| Average Price | \$201,100 | \$186,600 | ↔ |
| # Homes on the Market * | 395 | 407 | ↑ |
| # Homes Sold ** | 112 | 106 | ↔ |
| # New Homes Built *** | 9 | 9 | ↑ |
| Avg # of Days on Market **** | 80 | 83 | ↑ |

* Available as of Mar. 31, 2009.

** May not add to total of zip codes.

*** During the first two months of 1st quarter.

**** Days on market is defined as the difference between the list date and contract date.

| Town Name | Average Price | Price Change (1 Year) | Total # Homes Sold (Quarter) | % Change in # Homes Sold (1 Year) | Average Days on Market | % of Asking Price |
|-------------------------|---------------|-----------------------|------------------------------|-----------------------------------|------------------------|-------------------|
| Bancroft | \$122,000 | N/A | 1 | N/A | 53 | 91.0% |
| Buffalo | \$55,000 | -50.00% | 1 | -66.67% | 12 | 87.4% |
| Eleanor | \$175,700 | 73.96% | 5 | 0.00% | 59 | 96.4% |
| Fraziers Bottom / Pliny | \$126,100 | -59.97% | 4 | 300.00% | 121 | 96.7% |
| Hurricane | \$202,000 | -7.25% | 49 | -30.99% | 86 | 95.9% |
| Poca / Lanham | \$92,500 | -21.94% | 9 | 350.00% | 70 | 97.5% |
| Red House | \$250,000 | 85.19% | 1 | 0.00% | 161 | 96.2% |
| Scott Depot | \$200,700 | 34.34% | 24 | 0.00% | 81 | 94.6% |
| Winfield | \$201,600 | -4.50% | 12 | 9.09% | 94 | 97.0% |



Local Report

Others

| Town Name | Average Price | Price Change (1 Year) | Total # Homes Sold (Quarter) | % Change in # Homes Sold (1 Year) | Average Days on Market | % of Asking Price |
|-----------|---------------|-----------------------|------------------------------|-----------------------------------|------------------------|-------------------|
| OTHER | \$117,900 | 7.38% | 37 | -17.78% | 102 | 92.9% |

Changing Season, or Changing Market?

By Ken Fears

Manager, Regional economics

The housing market has been in hibernation for most of the winter. With mortgage rates at record lows, prices moderating in most areas, and affordability at its highest level in nearly a decade, most market observers are wondering what it will take to draw buyers off the fence? One certainty is that buyers will come back to the market eventually, but when and how will we know? A review of what to look for might help.

Every spring housing markets around the country experience an increase in inventory coming to the market. By late spring, most markets experience an increase in sales volume as well as an increase in the median price. This improvement is relative to the winter market that takes place in the fourth quarter and first quarter of the subsequent year. Because this seasonal pattern exists, it is important to account for it when trying to determine market trends. The best way to do so is to compare the same seasonal markets. For example, one should not compare aggregate statistics like sales, prices or inventory for the first quarter with those of the second quarter because they are almost always higher in the second quarter. An exception to this rule is if the data has been seasonalized; a fancy term for a sophisticated statistical technique used to make data from two different seasons comparable. For most statistics and all that are not seasonally adjusted, one should compare the same season on a year-over-year basis. One could compare the median home price for January of 2009 with that measured for January of 2008 for instance and be able to reasonably discern whether the market is better or worse than the same time a year earlier.

So, if we look at sales volume in the market covered by the Kanawha Valley Board of Realtors®, sales in the first quarter fell relative to the fourth quarter of 2008. But, these are different seasonal markets and the data is not seasonally adjusted, so it is difficult to determine if the market is truly improving or not.

The most important indicator of the health of a housing market, though, is the months supply; a measure related to inventory. The months supply is the inventory divided by the number of sales in the most recent period; literally supply divided by demand. Because of the large supply of new homes and foreclosures along with the dearth of demand in the current market, prices are soft or moderating in most areas. This downward pressure can result in more foreclosures which end up contributing to higher inventories and a downward cycle for prices. An improvement in sales may only be seasonal or short-term, but an improvement in inventories relative to demand will have a stronger impact on prices, consumers' perception, and the long-term health of the market.

One nice thing about the ratio of months supply is that you can directly compare two adjacent time periods or seasons without worrying about seasonal patterns because what matters is the relative tightness of the market (supply versus demand) at any point in time. When the ratio of inventory relative to demand is high, then buyers have pricing power and prices are either flat or moderating. The opposite is true of a sellers' market and was typical of the period from 2000 through 2006. Consequently, one of the first signs of an improving market will be stabilization of inventory and a decline in the months supply.

Here in the market covered by the Kanawha Valley Board of Realtors® performing, the supply of housing fell between the fourth and first quarter. Meanwhile, the months supply increased over this same time period.

It is too early to say whether the market will gain traction and improve in the second half of 2009. However, we can see from the months supply analysis that the market needs to remove more inventory. When the inventory issue is resolved, confidence and demand will return.

Welcome, Sweet Spring

by Lawrence Yun, NAR Chief Economist

After what I'm sure was a "winter of discontent" for a lot of us, it is finally Spring. Perhaps it is the better weather, or the fact that next month many REALTORS® will be visiting Washington for NAR's Midyear meeting, and I look forward to seeing them. But I find myself being cautiously (emphasis added) optimistic.

There are several reasons. First of all, pending home sales were up in February. While the reading is below the benchmark reading of 100 set in 2001, February's pending home sales index was up from January's level. January's index was exceptionally low. It's important to remember that pending home sales generally move up and down month to month. So the question is: is the latest rise sustainable?

I am comfortable in saying that the second half of this year will be measurably better than the first half for several reasons. The impact of the stimulus package provisions will have had time to take effect. The home buyer tax credit – \$8,000 for first-time home buyers – should also help spur home sales. Add to that 50-year low interest rates and the increase in loan limits in high-cost areas so more people have access to lower rates. That's good news for housing, and likely points to healthy home sales activity in the second half of this year.

Of course, not all markets will experience the same level of activity. February's pending sales indicate some areas of the U.S. are performing pretty well, but the trends are shifting. The West region, led by California, had been the leader in unit sales (not necessarily prices), as people took advantage of bargain-basement prices. February's pending sales shows a decline in the West, but increases in the Northeast, the Midwest and a modest rise in the South.

Interest Rates

We are now seeing mortgage interest rates at 50-year lows. Who would ever have thought that a 30-year fixed mortgage loan would go for under 5 percent! Of course, those loans are for households with good credit, high FICO scores, and for those who qualify for refinancing. But it does mean that more households CAN improve the qualifying debt-to-income ratios, particularly if a buyer shoots for homes well within his/her budget. It gets the money moving.

But we also need to look at long-term interest rates which are inching up. The 10-year Treasury yield has been creeping up despite the efforts by the Federal Reserve to bring it down. TALF (Term Asset Lending Facility) is being utilized to buy government bonds, small business loans, credit card and other consumer loans and securities in order to get dollars moving along the economy. The Fed can do this by printing money. When the Fed buys bonds, it puts pressure on long-term rates to fall — in general. But if financial institutions believe there will be future erosion in the dollar's purchasing power, they will be less receptive to lend unless higher interest rates compensate for the potential loss in the purchasing power of the dollar. That is what may be happening: the 10-year Treasury yield is moving higher even though the Federal Reserve has been buying those bonds. Remember: the 30-year mortgage rates generally move roughly in proportion to 10-year Treasuries. So the mortgage rates could be a tad higher this week compared to the last. Still, it will be a while before we see 30-year fixed rates in the high 6 percent range.

Jobs

Another 2 million job losses appear certain over the next 6 to 9 months and the unemployment rate likely to hit or slightly breach 10 percent before stabilizing and then declining. But by no means will the unemployment rate reach the 25 percent rate seen during the Great Depression. And be mindful that those job cut figures are net changes. Every year, the economy adds about 30 million jobs. If there are 35 million job cuts, then the net is 5 million job reductions. If there are 28 million job cuts, then the net is a positive 2 million. Even during a difficult recession, there are constant turnovers in the labor market with about 30 million new hires. Once the economy gets a jolt from the stimulus, which is expected in the second half of the year, the pace of job cuts will lessen. By 2010, the job market will start to add jobs. Indeed, there is one sector – health care – where jobs are being created.

Despite the negative job market reports, the lower mortgage rates can actually trump the impact of job cuts on home sales. Over 90 percent of the workforce still has jobs and they are in a position to respond to home buying incentives.

Some potential spring storms








As I said, I am cautiously optimistic. There are some potential developments that could postpone a second-half uptick. Do not automatically assume mortgage rates will fall further because of the Federal Reserve pumping out more money. Rates may fall or they may not. There are a lot of forces at work in moving interest rates one way or the other. Second, look for foreclosures to trend higher as close to half of modified loans end up re-defaulting; foreclosure rates will rise despite mortgage modifications plans. The key to housing stabilization is whether or not there are sufficient buyers of foreclosed homes. The good news is that recent data indicate that home sales are picking up on the low-price points and for those homes in foreclosures.

... but also some sunny days

Nationally, housing affordability is the highest it has ever been. NAR's Housing Affordability Index rose 0.9 percentage points in February to a record high of 173.5. That is 36.3 percentage points higher than a year ago. A median-income family, earning \$59,700, could afford a home costing \$285,600 in February with a 20 percent down payment, assuming 25 percent of gross income is devoted to mortgage principal and interest. For potential buyers with a good job, good credit history, and who plan to stay in a home long-term, it is an excellent time to purchase a property. This is especially true for first-time buyers who can qualify for an \$8,000 tax credit this year, have a great selection of homes to choose from, and are in a favorable negotiating position. Yes, we have a ways to go for there to be a meaningful increase in home sales. But recent increases in shopping activity are hopeful indicators that we'll see additional sales gains.

Happy Spring!

This table reflects data available through April of 2009.

| Monthly Indicator | Recent Statistics | Likely Direction Over the Next Six Months | Forecast |
|--|--|---|--|
| <p>Existing Home Sales rose 5.1% in February to a seasonally adjusted annual rate of 4.72 million units. First-time buyers accounted for half of all home sales during the month. Despite the rise in resales, total housing inventory at the end of February rose 5.2% to 3.80 million existing homes available for sale – a 9.7-month supply at the current sales pace. The national median existing-home price was \$165,400 in February, down 15.5% from a year ago.</p> | Feb 09 4,720 Jan 09 4,490 Feb 08 4,950 |  | First-time buyer tax credit will stimulate the lower-priced homes first |
| <p>New Home Sales increased in February to 337,000 seasonally adjusted annualized units – 4.7% above the level of sales in January but 41.1% below that in February of 2008. The inventory of new homes available for sale declined to a 12.2 months supply at the current sales pace. Still, the supply of new homes is up more than 25% from a year ago.</p> | Feb 09 337 Jan 09 332 Feb 08 572 |  | Few new homes being built so there will be few new home sales |
| <p>Housing Starts rose 22.2% in February to a seasonally adjusted annual rate of 583,000 units. The increase follows the historic low of 477,000 units in January. Most of the increase came from multifamily units. Building permits – generally a reliable indicator of future starts – also increased 3.0% in February to a seasonally adjusted annual rate of 547,000, but are down from 981,000 in February 2008.</p> | Feb 09 583 Jan 09 447 Feb 08 1,107 |  | Down over the next 6 months, before rising steadily |
| <p>Housing Affordability continues to improve. NAR's Housing Affordability Index (HAI) rose to 173.5 in February – the highest level since the index was created in 1971. Declining home prices coupled with lower mortgage rates helped push up the index reading. While affordability has risen, there are still a sizeable number of people shut out from the marketplace because of stringent underwriting standards.</p> | Feb 09 173.5 Jan 09 172.6 Feb 08 137.2 |  | All-time high affordability conditions for those who can get approved and lock in low mortgage rates |
| <p>Mortgage Rates also declined in March. The average 30-year fixed rate for the month was 5.0% – down from 5.13% in February. The Federal Reserve's program of purchasing mortgage-backed securities is helping drive mortgage rates down, thus making homebuying more affordable for those households who qualify for a loan.</p> | Mar 09 5.00% Feb 09 5.13% Mar 08 5.97% |  | 50-year low mortgage rates in 2009 |
| <p>Employment The economy continued to bleed jobs in March, as a net 663,000 jobs were shed and the number of jobs lost in February and January were revised higher. The national unemployment rate increased to 8.5% – its highest level in 25 years. There were some bright spots: the Education and Health Care sectors have added 450,000 payrolls in the past 12 months.</p> | Mar 09 663 Feb 09 651 12-month total: -4,795 |  | The pace of job losses will slow in the second half, but it is still a net job loss |
| <p>Economic Growth The economy contracted by 6.3% from the third to the fourth quarter of 2008. This is the final estimate of GDP growth based on more complete data. For comparison, GDP growth in the third quarter of last year was -5.0%. Federal government spending rose, but not enough to offset declines in consumer spending (personal consumption expenditures), spending on equipment and software and residential fixed investment all of which contributed to the negative growth number.</p> | 2008:IV -6.3% 2008:III -0.5% 2007:IV -0.2% |  | The economy output recovers before the job market |

Notes: All rate are seasonally adjusted. New home sales, existing home sales, and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Inflation is shown as the month-to-month change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association