Economic and Market Watch Report

1st Quarter, 2010

Kanawha Valley
Board of REALTORS®

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

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 it 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 .

Index

Local Report

Kanawha Valley Board of REALTORS®

Jackson County, WV

Buyer's Market	1	2	3	4	5	Seller's Market
		↑				

Labor Market :

Employment declined by 449 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 12.1% in the fourth quarter to 15.1% for the initial 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' 09	*Q1' 10*	*Q2' 10 (Forecast)*
Average Price	**$116,500**	**$118,500**	↓
# Homes on the Market *	**113**	**113**	↑
# Homes Sold **	**32**	**25**	↓
# New Homes Built ***	**NA**	**NA**	↑
Avg # of Days on Market *****	**94**	**112**	↑

* Available as of Mar. 31, 2010.
** 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
Cottageville	$186,200	N/A	4	N/A	228	89.9%
Evans	$116,000	-40.82%	4	300.00%	58	91.4%
Given / Rock Castle	$102,500	N/A	2	N/A	49	83.7%
Ravenswood / Sherman	$89,900	-18.12%	8	166.67%	120	90.6%
Ripley / Fairplain	$137,200	61.41%	6	-14.29%	90	90.8%

Kanawha Valley Board of REALTORS®

Local Report

Kanawha County, WV

Buyer's Market	1	2	3	4	5	Seller's Market
		↑				

Labor Market :

Employment declined by 3,209 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 6.8% in the fourth quarter to 8.8% for the initial 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' 09	*Q1' 10*	*Q2' 10* *(Forecast)*
Average Price	**$121,700**	**$132,300**	↓
# Homes on the Market *	**937**	**1,075**	↑
# Homes Sold **	**387**	**260**	↓
# New Homes Built ***	**7**	**3**	↑
Avg # of Days on Market ****	**80**	**92**	↑

* Available as of Mar. 31, 2010.
** 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
Belle / Shrewsbury	$96,200	N/A	2	N/A	132	97.7%
Blue Creek	$188,000	N/A	1	N/A	330	94.5%
Charleston- Downtown	$115,500	7.04%	48	9.09%	97	93.4%
Clendenin	$114,500	32.37%	1	-50.00%	58	88.8%
Cross Lanes	$147,200	5.07%	26	18.18%	75	93.6%
Dunbar	$65,900	-16.58%	12	9.09%	119	90.6%
East Bank	$68,800	-11.79%	2	100.00%	118	98.3%
Elkview	$160,200	37.04%	13	85.71%	100	95.1%
Glasgow	$95,000	N/A	1	N/A	71	73.4%
Kanawha City	$169,000	-7.04%	7	0.00%	105	93.3%
Malden / Rand	$106,300	-25.40%	6	500.00%	105	96.3%

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	$54,000	13.68%	2	0.00%	65	83.1%
Nitro	$83,500	-5.76%	14	75.00%	70	94.1%
Saint Albans	$95,800	-12.11%	33	-17.50%	67	94.8%
Sissonville	$182,000	53.72%	3	-40.00%	165	96.7%
South Charleston	$152,500	28.48%	17	21.43%	97	88.5%
South Hills	$228,800	-1.25%	39	95.00%	95	93.9%
Spring Hill	$145,200	-8.51%	20	25.00%	89	93.2%

Kanawha Valley Board of REALTORS®

Local Report

Lincoln County, WV

Buyer's Market	1	2	3	4	5	Seller's Market
	↑					

Labor Market :

Employment declined by 245 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 10.5% in the fourth quarter to 14.3% for the initial 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' 09	*Q1' 10*	*Q2' 10 (Forecast)*
Average Price	**$30,000**	**$70,000**	↓
# Homes on the Market *	**10**	**12**	↑
# Homes Sold **	**2**	**1**	↓
# New Homes Built ***	**NA**	**NA**	↑
Avg # of Days on Market *****	**56**	**21**	↑

* Available as of Mar. 31, 2010.
** 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
Griffithsville	$70,000	N/A	1	N/A	21	87.6%

Kanawha Valley Board of REALTORS®

Local Report

Putnam County, WV

Buyer's Market	1	2	3	4	5	Seller's Market

Labor Market :

Employment declined by 714 jobs in January and February. The job losses brought about an increase in the average monthly unemployment rate from 5.9% in the fourth quarter to 8.6% for the initial 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' 09	*Q1' 10*	*Q2' 10 (Forecast)*
Average Price	**$183,300**	**$171,200**	↓
# Homes on the Market *	**334**	**395**	↑
# Homes Sold **	**139**	**112**	↓
# New Homes Built ***	**27**	**16**	↑
Avg # of Days on Market ****	**92**	**85**	↑

* Available as of Mar. 31, 2010.
** 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	$96,500	-20.90%	2	100.00%	54	90.2%
Buffalo	$215,000	290.91%	1	0.00%	245	97.8%
Eleanor	$88,300	-49.74%	4	-20.00%	83	90.5%
Fraziers Bottom / Pliny	$55,000	-56.38%	1	-75.00%	97	100.2%
Hurricane	$183,500	-9.16%	59	20.41%	70	96.3%
Leon / Robertsburg	$165,000	N/A	1	N/A	0	100.0%
Poca / Lanham	$136,500	47.57%	10	11.11%	113	94.6%
Red House	$124,000	-50.40%	2	100.00%	28	93.6%
Scott Depot	$196,900	-1.89%	21	-12.50%	103	94.3%
Winfield	$160,800	-20.24%	10	-16.67%	121	95.0%

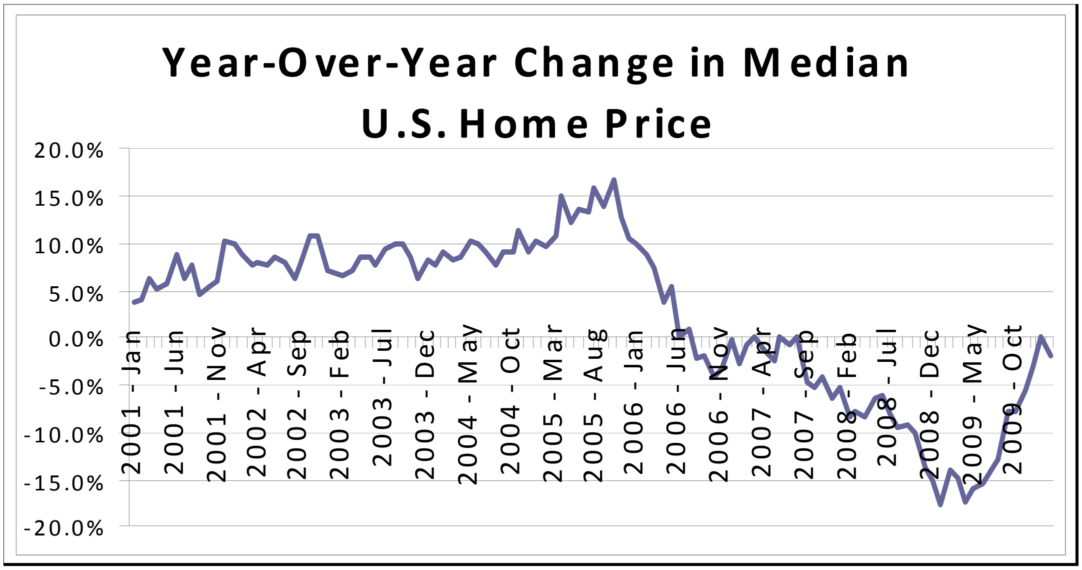
Others

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	$110,500	-5.72%	33	-15.38%	154	93.2%

Changes Mounting in Pricing?

By Ken Fears
Manager, Regional Economics

The sharp drop in home prices from 2006 to 2010 bedeviled the national and local housing markets. Falling prices limit homeowners' ability to refinance mortgages without substantial cash investments in areas where prices have fallen. This trend has contributed to rising foreclosures. Furthermore, falling prices or the specter of a potential decline in prices have kept many buyers on the fence waiting for the "right time".



But the winds of change appear to have pushed the national housing market and many local markets in a new direction. The planned cessation of the first time home buyer tax credit, slated for last November, caused a rush of sales in the late fall market. Higher sales volumes placed upward pressure on home prices as compared to a year earlier, which resulted in price stabilization and even a modest price appreciation in some markets. The national median home price had edged slowly towards a price bottom through the fall of 2009 (when the year-over-year price change reaches zero or rises towards zero in the graph above) before an outright increase of 0.1% in January. Locally, the average home price rose 4.5% between the first quarter of 2010 and the first quarter of 2009. This is an improvement from the fourth quarter of 2009 when the year-over-year change in the average price was -1.9%

In a similar manner, concessions can indicate an improvement in pricing. Better pricing by sellers or multiple bids can cause the spread between the list price and sold price to decline. Here in the area covered by the Kanawha Valley Board of Realtors® the concession was -7.5% for the first quarter of 2010, which was a smaller concession than the first quarter of 2009. The share of properties which sold for 5% below asking or less was 45.0% in the 1st quarter of 2010, a decline from the same period in 2009 suggesting that pricing in this market is softening.

Price changes led the downswing into the housing recession. They will play an equally important role in a housing revival. Rising prices will boost confidence, allay potential buyers' fears of a price decline, and attract bargain hunters alike. Price growth won't return to the white-hot days of the late boom period, but it will usher in an important psychological change: the stability of a traditional market expansion.

Two Fronts: Jobs and Confidence

by Lawrence Yun, NAR Chief Economist

Well, we may as well get ready for it. Yes, mortgage rates continue at historic lows, averaging around the 5-percent mark recently. But rates are likely to rise. By December of this year, the average mortgage rate could be close to 6 percent – perhaps as high at 6.5 percent. Why? The reasons for the increase are the macroeconomic forces of a recovering economy and a very high budget deficit. If the U.S. government has trouble borrowing and has to raise interest rates to attract investors to purchase U.S. debt, then the rest of the private sector will also pay higher interest rates.

The good news from that somewhat sobering scenario is that consumer price inflation will remain relatively benign and wage growth tepid, keeping the lid on borrowing rates and preventing them from rising too high. I do not foresee the mortgage rate going above 7 percent, at least for a prolonged period, in the next two years. Those engaged in the jumbo loan market or commercial real estate will note that rates are already that high. But current high rates on jumbo and commercial real estate loans are due to the lack of government guarantees. As the financial market exhibits clear signs of stabilization and as banks continue to build up their capital buffer, it is only a matter of time before lenders start lending to non-government backed sectors. So the underwriting standards for jumbo and commercial real estate mortgages could become less stringent from improvements in the bank capital situation just as interest rates on conventional and FHA mortgages begin to rise.

So, down the road we will have to face into the headwinds of higher mortgage rates on conventional and FHA loans, as well as the expiration of the home buyer tax credit (which ends in April for contract signings). Foreclosures also will remain troubling, as they will surely be just as high this year as last year. Is housing headed for more trouble or for a full recovery? The answer depends on two potentially big support factors: Jobs and Confidence.

Jobs

Potential home buyers (both first-timers and repeat buyers) who hold stable jobs respond to mortgage rate changes. But a new cohort of stable job holders needs to be created in order to sustain housing demand. In March, we saw the first meaningful job additions to the economy in more than three years as a net 162,000 new workers (payrolls) were added to the economy.

March's job creation figure looks light in the aftermath of 8 million brutal layoffs over the past two years, and it will take some time to make up the difference. From April to the end of 2010, one million jobs could be added to the economy. Another two million could be in the offing next year. It may take four full years to fully recover all the job losses, but at least the darkest part of the job tunnel is behind us. Even the high-paying but hard-hit manufacturing sector appears to have turned the corner with 17,000 job gains. Surprisingly, the construction sector added jobs as well, despite very weak housing starts and a dearth of commercial construction. Infrastructure spending no doubt is helping. Employment in rental-and-leasing also rose – by 1,800. Separately, and to gauge competition, NAR membership in March was 1.063 million, little changed from the 1.068 million one year ago, though down from the peak 1.4 million members in 2007. Past patterns indicate that NAR membership rises from spring well into autumn, before a seasonal dip in winter.

Confidence

A second factor that will be important in supporting the housing market is consumers' views regarding home purchases. In the past three years, most metro markets experienced successive price declines; rational consumers asked "why buy now when I can buy later for less?" Renters have been staying put for an average 19 months in recent times before making a move versus the typical 14 months (this, according to a Wall Street Journal report). Census data suggests suppressed household formation in the past two years – meaning more people living with roommates or with parents – and so not seeking their own housing.

But with home prices showing signs of stabilization, the change in attitude towards home buying could be at hand. NAR's median home price data in February indicated only a slight decline from 12 months earlier, while the Case-Shiller price index showed a modest price increase. This price stabilization came about because home buyers responded to the tax credit. There was a surge in home buying late last year as the original tax credit deadline loomed. Pending home sales in February also stirred higher, hinting the beginning of a second surge as the April deadline approaches. This forward momentum will likely – perhaps definitively – signal the "bottoming out" of home prices in few months time. Only then will consumers fully regain their confidence about home purchases. Of course, this home buying confidence is not directly observable, though we know it plays a big factor. A separate consumer confidence index, based on several qualitative questions tallied by The Conference Board, has not shown any notable improvement of late, however. This index stood 70.2 in March, about the same level as the prior nine months, though much improved from late 2008 and early 2009 in the midst of the financial market crisis.

Economy
The broader production economy has been doing quite well. GDP expanded robustly by 5.6 percent in the final quarter of 2009 following the 2.2 percent growth in the prior quarter. That's the good news. The somewhat bad news: the increased production came about with far fewer workers – i.e., fewer workers doing more work. But with GDP growth expected to continue in 2010, albeit not very robustly, the job creation momentum appears intact. Business spending growth has been solid. International trade has picked up volume. The stimulus impact of government spending is also adding to production. But more importantly, the all-mighty consumers are beginning to open up their wallets as they feel more comfortable about their finances.

The baseline outlook is for steady economic growth of near 3 percent this year and in 2011. Note that GDP growth typically tends to be better than 5 percent in the immediate years following a recession, so the growth outlook can be considered subdued. Balance sheet readjustments by both banks and consumers to put aside more for future rainy days will be one key reason holding back growth potential. Nonetheless, the near 3 percent GDP expansion will accompany job growth of about 2 million each year from 2011. Such job growth will boost existing home sales to 5.5 million in 2010 and to 5.7 million in 2011. For comparison, sales were 5.16 million last year and reached 7.1 million at the peak of the housing boom in 2005.

Risks
There are always risks to forecasts. Energy is one: big oil price swings always put a monkey wrench in any economic forecast. For each $10 per barrel rise in oil prices, $80 billion is removed from the economy, though oil-producing countries like Norway benefit immensely. For perspective, oil prices have risen from an average $60 a barrel in 2009 to $85 a barrel in early April 2010.

Another bigger risk – although with a smaller probability – relates to the budget deficit and some possibility of federal spending spiraling out of control. Currently, both foreign and domestic investors justify the high deficit as necessary to boost the economy and to be manageable over time. Keynesian economics backs up that view: go into deficit spending when private demand falters to pull the economy back on track. The recent enactment of truly historic health care legislation will not bust the budget – in fact, it becomes a cost saver over time – at least according to the Congressional Budget Office. But what if the CBO's projections are way off the mark (which has happened on a few occasions). Then there could be some major headaches ahead. An uncontrollable budget deficit will force interest rates up, perhaps significantly if, for instance, China rushes to the exit. That would push the U.S. economy into another recession. Another recession would mean an even higher budget deficit as there will be fewer people working, thus smaller tax revenues.

Amateur History
Sometimes it is worth a look back into history for some guidance and fun. "Deficits do not matter," said former Vice President Dick Cheney. Mr. Cheney was addressing the experience of the then very high Reagan era deficits that brought robust economic growth and huge job gains. But that was a time when foreigners had just started to finance a U.S. budget deficit in a meaningful way. Today's deficit is much larger than during the Reagan years and more dependent than ever on foreigners, particularly China, buying U.S. debt.

Let's look back even further. England truly became an unmatched superpower beginning at the time of Queen Elizabeth I. She was guided by an economist named Gresham, who had no knowledge of Keynesian economics (Keynes would have to wait several centuries) but an abundance of every-day common sense. Gresham had this simple advice: we need to bring the borrowing costs down and strengthen Her Majesty's currency. To achieve that meant balancing the books. Building a rainy day fund was even better. The Virgin Queen took his words of caution to heart. England invested in a navy (for that rainy day) and Elizabeth did not build a single new palace during her long years of reign. Queen Marie Antoinette, across the channel and in a different era, was known for her frivolous spending habits. In fact, she had a nickname during her reign: Madame Deficit. France was facing ruinous budget problems, and while most of those were unrelated to Marie's penchant for spending, the image of "out of control" spending added to the revolutionary fervor as the basic needs of the French people were not being met.

I know times have changed from those during Elizabethan England and Revolutionary France. And the U.S. is neither of those nation states. President Obama will no doubt go down in history as one of the most transformative leaders – for better or worse – primarily because of health-care reform. The debate on that health care law continues, sometimes vehemently from both sides. No American President will want to be labeled with Marie Antoinette's moniker. Only time will tell if President Obama's health care legislation will go down in history as a monumental success of lowering cost and enlarging coverage or a monumental failure of long queues and resentments and continuously climbing budget deficits. Perhaps one day U.S. policies and programs will allow our nation to build comfortable rainy day reserves while at the same time spend tax revenue on Americans to meet their basic needs. Easier said than done, of course. Which is why if it were to ever happen, that President – whoever he or she may be – will go down in history as one of the greatest ever.

This table reflects data available through April 2, 2010.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Existing Home Sales eased 0.6% in February to a seasonally adjusted annual rate of 5.02 million units. Year over year, resales were up 7.0%. The national median home price for an existing home was $165,100. At the end of the month, total housing inventory was at an 8.6 month supply at the current sales pace.	Feb 10 5,020 Jan 10 5,050 Feb 09 4,690	↓	Declines in the immediate months after tax credit ends
New Home Sales also declined in February – by 2.2% – to a seasonally adjusted annual rate of 308,000 units. New sales were off 13.% from a year ago. While the inventory of new homes available for sale at the end of February was down 28% from February of 2009, the months supply was a 9.2 – a 3.4% increase from January .	Feb 10 308 Jan 10 315 Feb 09 354	↑	Remaining largely at suppressed levels until 2011
Housing Starts declined 5.9% in February to a seasonally adjusted annual rate of 575,000 units, but starts were up slightly – by 0.2% – from a year ago. Housing permits – generally a reliable indicator of future starts – were off 1.6%, but were up 11.3% from February of 2009.	Feb 10 575 Jan 10 611 Feb 09 574	↑	Inaccessibility of construction loans holding back full recovery
Housing Affordability remains at high levels. NAR's Housing Affordability Index stood at 176.0 in February, down from January's reading of 177.5. Increases in several of the components of the index, including mortgage rates, qualifying income, and a small month-to-month increase in the median price of existing homes contributed to the decline.	Feb 10 176.0 Jan 10 177.5 Feb 09 180.7	↓	Modest decline from super high levels
Mortgage Rates The average 30 year fixed rate mortgage decreased slightly – by 2 basis points – in March from February to 4.97%. With still-historic low lending costs, consumers scramble to secure low rates as many economists expect a rate hike during the second half of the year. The average rate was at 5 percent in March of 2009.	Mar 10 4.97% Feb 10 4.99% Mar 09 5.00%	↑	Recovering economy and high budget deficit forces up rates
Employment The economy created 162,000 jobs during March – the biggest job gain in three years. Adding to payrolls in March were manufacturers, temporary help services, the health care sector, and leisure and hospitality. The federal government also added 48,000 temporary Census positions. But those newly created jobs had no impact on the unemployment rate, which was unchanged at 9.7%.	Mar 2010 +162 Feb 2010 -14 12-month total: -2,320	↑	Job creation momentum appears intact
Economic Growth The economy grew at an annual rate of 5.6% in the fourth quarter of 2009. Growth in the third quarter of last year was 2.2% and GDP registered a -5.4% growth rate in the fourth quarter of 2008. This is the third estimate of GDP growth, based on more complete data, and is off from the previous estimate of 5.9%. Increases in consumer spending, exports, fixed investment and equipment and software contributed to the growth.	2009:IV +5.6% 2009:III +2.2% 2008:IV -5.4%	↑	To expand but not robustly as would normally happen postrecession

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 ConsumerPrice Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association