

# Economic and Market Watch Report

2nd Quarter, 2008



\*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](mailto:marlena.mullins@kvrealtors.com) or visit our web-site at [www.kvrealtors.com](http://www.kvrealtors.com).

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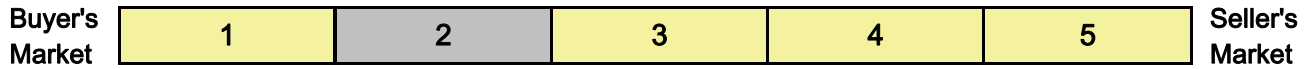
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## Jackson County, WV



### Labor Market :

In the first two months of the first quarter, 183 jobs were added to the payrolls of Jackson County. As a result of these new jobs, the average monthly unemployment rate fell from 6.8% during the fourth quarter to 6% for January and February. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

### Housing Market :

	Q1' 08	Q2' 08	Q3' 08 (Forecast)
Average Price	\$103,500	\$131,000	↑
# Homes on the Market *	116	133	↔
# Homes Sold **	36	35	↓
# New Homes Built ***	NA	NA	↓
Avg # of Days on Market ****	137	110	↑

\* Available as of Jun. 30, 2008.

\*\* May not add to total of zip codes.

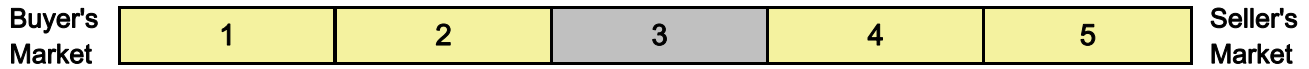
\*\*\* During the first two months of 2nd quarter.

\*\*\*\* 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	\$138,300	37.07%	2	-50.00%	65	84.6%
Evans	\$138,700	-9.94%	4	100.00%	83	96.2%
Gay	\$185,000	N/A	1	N/A	17	89.4%
Kenna / Kentuck	\$143,800	56.64%	2	0.00%	285	83.4%
Millwood	\$165,500	79.31%	4	33.33%	155	88.3%
Ravenswood / Sherman	\$123,700	-5.50%	11	-15.38%	66	93.9%
Ripley / Fairplain	\$110,500	-27.59%	10	-50.00%	136	90.2%
Sandyville	\$155,000	-10.77%	1	-66.67%	129	91.4%



## Kanawha County, WV



### Labor Market :

In the first two months of the first quarter, 2,384 jobs were added to the payrolls of Kanawha County. As a result of these new jobs, the average monthly unemployment rate fell from 4.4% during the fourth quarter to 4.3% for January and February. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

### Housing Market :

	Q1' 08	Q2' 08	Q3' 08 (Forecast)
<b>Average Price</b>	<b>\$135,400</b>	<b>\$152,000</b>	
<b># Homes on the Market *</b>	<b>1,097</b>	<b>1,144</b>	
<b># Homes Sold **</b>	<b>296</b>	<b>401</b>	
<b># New Homes Built ***</b>	<b>5</b>	<b>4</b>	
<b>Avg # of Days on Market ****</b>	<b>95</b>	<b>83</b>	

\* Available as of Jun. 30, 2008.

\*\* May not add to total of zip codes.

\*\*\* During the first two months of 2nd 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	\$193,000	23.48%	2	-33.33%	94	96.5%
Belle / Shrewsbury	\$99,800	4.72%	6	50.00%	67	90.9%
Charleston- Downtown	\$139,700	13.67%	74	-28.16%	76	93.3%
Clendenin	\$105,000	53.51%	4	-42.86%	138	90.6%
Cross Lanes	\$143,500	7.01%	38	-25.49%	88	96.0%
Dunbar	\$110,700	32.26%	21	-22.22%	86	93.7%
East Bank	\$168,000	167.52%	1	-50.00%	316	88.9%
Elkview	\$167,200	11.24%	25	-10.71%	48	93.3%
Kanawha City	\$172,000	-6.22%	23	-17.86%	79	93.9%
Malden / Rand	\$98,000	-5.04%	7	16.67%	101	93.2%
Marmet	\$78,000	-21.77%	1	-66.67%	186	88.7%
Nitro	\$93,100	-6.71%	16	-56.76%	64	97.8%

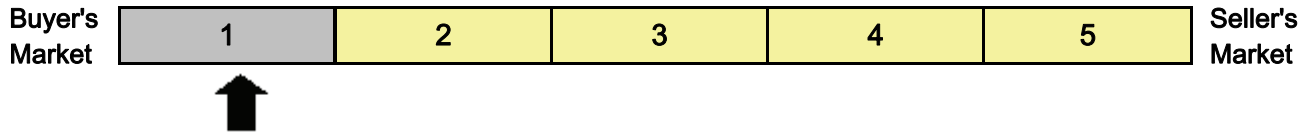


## Kanawha County, WV

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
Pinch	\$219,000	N/A	1	N/A	7	92.2%
Saint Albans	\$97,400	-6.97%	58	-10.77%	91	94.7%
Sissonville	\$187,500	31.76%	4	-42.86%	181	96.9%
South Charleston	\$114,500	-5.14%	25	4.17%	128	94.1%
South Hills	\$228,100	24.44%	71	5.97%	66	94.8%
Spring Hill	\$222,500	117.29%	22	-4.35%	112	95.2%
Tornado	\$162,500	-5.08%	2	-75.00%	44	100.0%



## Lincoln County, WV



### Labor Market :

In the first two months of the first quarter, 204 jobs were added to the payrolls of Lincoln County. As a result of these new jobs, the average monthly unemployment rate fell from 6% during the fourth quarter to 5.9% for January and February. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

### Housing Market :

	Q1' 08	Q2' 08	Q3' 08 (Forecast)
Average Price	\$40,300	\$99,900	↑
# Homes on the Market *	13	13	↔
# Homes Sold **	3	1	↓
# New Homes Built ***	NA	NA	↓
Avg # of Days on Market ****	145	5	↑

\* Available as of Jun. 30, 2008.

\*\* May not add to total of zip codes.

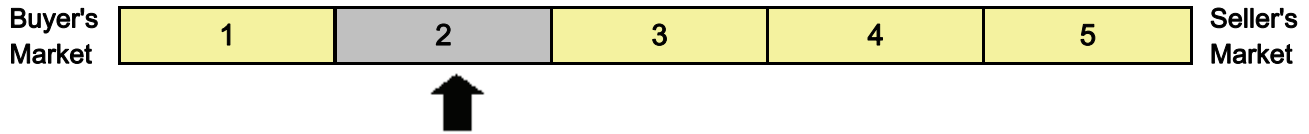
\*\*\* During the first two months of 2nd quarter.

\*\*\*\* 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	\$99,900	N/A	1	N/A	5	100.0%



## Putnam County, WV



### Labor Market :

In the first two months of the first quarter, 710 jobs were added to the payrolls of Putnam County. As a result of these new jobs, the average monthly unemployment rate fell from 4.1% during the fourth quarter to 4% for January and February. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

### Housing Market :

	Q1' 08	Q2' 08	Q3' 08 (Forecast)
Average Price	\$193,900	\$191,800	↑
# Homes on the Market *	365	470	↔
# Homes Sold **	118	155	↓
# New Homes Built ***	28	27	↓
Avg # of Days on Market ****	94	75	↑

\* Available as of Jun. 30, 2008.

\*\* May not add to total of zip codes.

\*\*\* During the first two months of 2nd 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	\$201,500	N/A	2	N/A	112	93.7%
Buffalo	\$72,500	-51.67%	1	-50.00%	182	91.2%
Eleanor	\$150,000	-23.86%	2	-66.67%	32	97.4%
Fraziers Bottom / Pliny	\$127,500	-39.14%	1	-66.67%	8	98.2%
Hurricane	\$196,500	-10.88%	78	-30.36%	69	96.5%
Leon / Robertsburg	\$129,000	12.17%	3	200.00%	241	95.6%
Poca / Lanham	\$99,600	-25.67%	4	-63.64%	151	96.1%
Red House	\$87,000	-35.56%	1	0.00%	15	102.4%
Scott Depot	\$209,200	-11.43%	44	-10.20%	73	96.9%
Winfield	\$180,500	-0.93%	19	11.76%	68	94.8%



# 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	\$178,200	11.93%	31	-18.42%	100	92.5%

## Improvement or Flash-in-the-Pan?

By Ken Fears

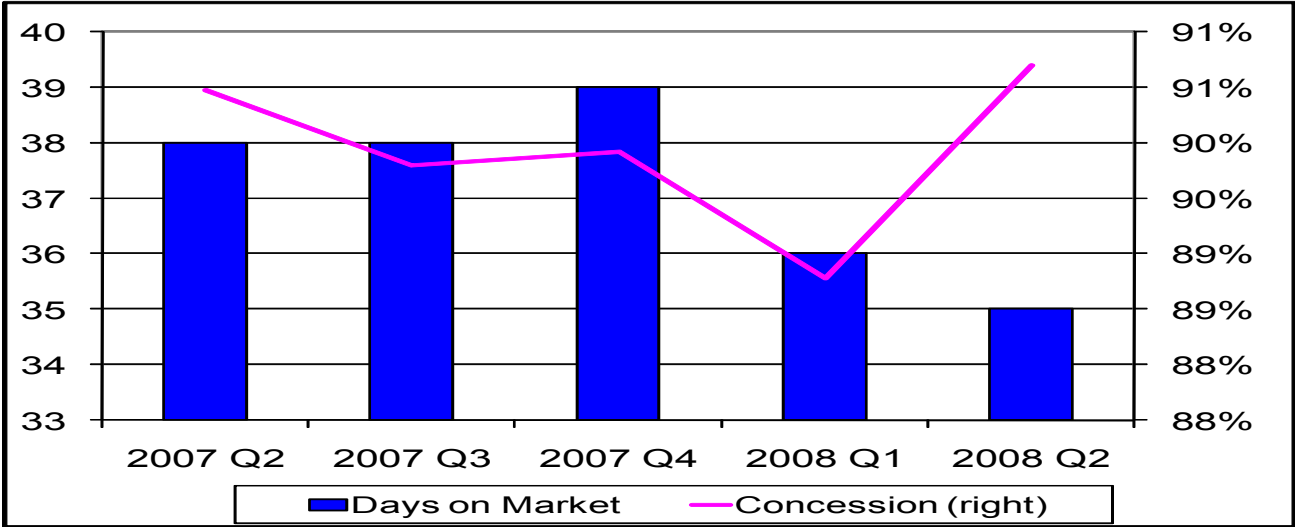
Manager, Regional Economics

Now that we can review the second quarter of 2008, sales rose with the seasonal upswing in demand and prices. But many factors such as moderating prices and historically low mortgage rates suggest that affordability is better today than it's been in years. With strong current conditions and the potential for rising mortgage rates, many periodicals and news figure-heads, even CNBC's once pessimist Jim Kramer has advised that now is the time to be looking to purchase. But are potential buyers following suit?

Home sales rose 2.0% nationally between April and May. This increase came even as mortgage rates rose from their January lows around 5.5% to nearly 6.4% in late June. Historically, sales and prices have tended to rise every spring and summer and decline during the fall and winter. This pattern is driven by the school year: families tend to move when the children are out of school. Since this extra demand is added to core demand during the warm months, sales volume increases. Also, as families require larger homes, the median price tends to rise as well.

Give this seasonal pattern, can it be asserted that the recent increase in sales is due to seasonal buying patterns or an actually improvement in buyer sentiments? Here in the market covered by the Kanawha Valley Board of Realtors®, sales fell 20.6% compared to the same period in 2007, while the average price has increased 6.7% over this same period.

But simply looking at sales and prices on a year over year basis may not be enough. Since the national market slowdown has been in motion for nearly 2 years, there could be a year-over-year difference that does not account for an improvement in buyers sentiments during the intervening three quarters. In short, this market may be slower than a year ago, but it could have picked up in last three to six months. Changes to days on market and the concessions that sellers make might shed some light on this issue.



As can be seen from the graph above, average days on market fell over the 15-month period ending in June. Over this same period, the average concession rose. These patterns suggest that it is still unclear if there has been an improvement in consumers' perception of the market and willingness to participate actively.

This housing market is one of the most difficult in memory. The buyers that enter the market are finding their way to working out deals with sellers. But getting buyers to enter the market is the big problem. As the market moves away stalemate and to another, lower equilibrium, buyers are likely to come back to the market seeking deals. Potential buyers need to realize that deals won't seek them out, though. Good deals must be sought and bargained for.

# Real Estate - A Nice "Commodity" Play!

by Lawrence Yun, NAR Chief Economist

We are all well aware of high commodity prices in today's market. Most tangible raw materials are commanding sky high prices. Oil, diesel, copper, steel, cement, and other construction related costs (except lumber) are all up substantially. Some have even brought back the Malthusian theory of too many people on earth outstripping available resources.

We can see the effect in inflation figures. In the past five years the consumer price index has risen 18 percent; the producer price index for construction has increased 39 percent during the same period.

In light of the resource price boom, one interesting angle that has not been delved into deeply is that real estate could be a nice commodity play. Real estate -- with all its tangible and concrete solid qualities (unlike paper financial assets) - has historically been a good hedge against inflation. High commodity prices -- and high inflation rates in the late 1970s and early 1980s -- led to double-digit gains in home prices. So why hasn't that happened this time?

One reason goes back to supply and demand. Right now there are too many home sellers (some of whom are trying to sell one of several properties they own) in relation to home buyers. The short-term dynamics of high home inventory (of both new and existing homes) will require some time to work off. However, once inventory reaches a manageable level, does it then mean that real estate prices will "catch-up" to reflect high commodity costs and the high costs of construction?

Think about two different households (one owner, one buyer) interested in homes situated where land is cheap and plentiful. How much are those homes worth? If a household desires to build a (new) home there, then the real price of that home will be the cost of construction.

But let's assume that the home owner wanted to charge a much higher price (i.e., more than the cost of construction) to sell that home to a buyer. The buyer would do well by simply building a new home at the cost of construction rather than paying the higher asking price. So the long-term home price equilibrium can be viewed simply as the cost of production. If the cost rises, then so will the home price. In areas of the country where developable land is relatively widely available, the rising cost of construction will surely then lead to proportionately higher home prices.

Of course, where land is not cheap and/or plentiful, then real estate prices will not only reflect the cost of construction, but also the shortage (in supply) and the premium value of the land. New York, San Francisco, and the Washington D.C. areas, for example, will always command high home prices because of the very limited land supply that is close to downtown job centers.

Inflation has been - and always will be -- a big headache for the country, our economy and consumers. One way for consumers to assuage the pain of inflation, however, is to own commodities. A simple, good way is to own real estate. If commodity prices further accelerate for some reason, you will automatically be in the game.

## The Forecast

By Lawrence Yun, *Vice President, NAR Research*

Modest near-term movement is expected in existing-home sales, with a recovery in sales seen during the second half of the year. The Pending Home Sales Index,\* NAR's forward-looking indicator based on contracts signed in May, fell 4.7 percent to 84.7 from an upwardly revised reading of 88.9 in April, and remains 14.0 percent below May 2007 when it stood at 98.5. Some pullback after a sharp increase in the previous month was expected. The overall decline in contract signings suggests we are not out of the woods by any means. The housing stimulus bill has become a law and this will begin to make a measurable impact in raising home sales later in the year. .

But location has never mattered more than in the current market. Look at the pending home sales index for the West. While it's true the index slipped 1.3 percent to 97.5 in May in that region, it was 2.0 percent *higher* than it was in May of 2007. Indeed, some markets have seen a doubling in home sales from a year ago, while others are seeing contract signings cut in half. For instance, double-digit pending sales gains in May from a year ago were noted in Colorado Springs CO, Sacramento CA and Spartanburg SC. In addition, price conditions vary tremendously, even within a locality, depending upon a neighborhood's exposure to subprime loans.

Although inflationary expectations appear to be under control for the time being, sharper consumer price gains could lead to notably higher mortgage interest rates in 2009. Based on current indicators, the 30-year fixed-rate mortgage is forecast to rise gradually to 6.8 percent by the end of this year, and then hold at that level for most of 2009.

The speed at which home prices has declined in a few select markets is unprecedented, but the large price declines in those areas have enticed bargain hunters back into the market. Interestingly, there have been reports of multiple bidding after the large price cuts, so it is possible that most of the price declines have already occurred in those markets. The aggregate median existing-home price (on a national basis) is projected to fall 6.2 percent this year to \$205,300, and then rise by 4.3 percent in 2009 to \$214,100.







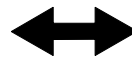
New-home sales are a different story. They are likely to fall 32.3 percent to 525,000 in 2008 and decline another 3.4 percent next year to 507,000. In light of high inventory conditions, rising commodity prices and construction costs will curtail new home construction deep into next year. Housing starts, including multifamily units, will probably fall 28.7 percent to 966,000 this year, and then drop another 9.0 percent in 2009 to 879,000. The precipitous drop in starts is due in part to some overbuilding during the "boom" years, as well as the rising costs of construction.

Officially, the U.S. economy has still not drifted into recession. In fact, GDP growth in the second quarter of this year was close to 2 percent. Growth in GDP is forecast at 1.6 percent for all of 2008 and 1.4 percent next year – not spectacular, but still positive. Inflation, as measured by the Consumer Price Index, is forecast at 3.7 percent this year and 2.4 percent in 2009. Inflation-adjusted disposable personal income is projected to grow 1.5 percent in both 2008 and 2009.

So, what does all this mean for housing consumers? It will continue to be a buyer's market for a while. Obviously, we will need to watch development with credit markets and the GSEs, but if a potential buyer can qualify for a mortgage, there is plenty of choice out there for homes.

# Economic Monitor

This table reflects data available through July 2008.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
<p><b>Existing Home Sales</b> posted 4.99 million seasonally adjusted annualized units in May – a 2.0% increase from April’s level. Resales rose in all regions but the South, and even there they were only down 0.5%. The national median home price for an existing home was \$208,600, down 6.3% compared to a year ago. The inventory of existing homes was at a 10.8 months supply at the current sales pace.</p>	May 08 4,990 Apr 08 4,890 May 07 5,930		Sales activity is getting turbo charged in areas with notable price declines as buyers pick up bargains.
<p><b>New Home Sales</b> declined 2.5% in May to a seasonally adjusted annualized rate of 512,000 units. April’s figure was revised downward to 525,000 units. Sales of new homes are off 40.3% compared to the pace in May 2007. The supply of new homes available for sale rose slightly to a 10.9 months supply.</p>	May 08 512 Apr 08 525 May 07 857		Very few new homes being built
<p><b>Housing Starts</b> slipped 3.3% in May, posting a seasonally adjusted annualized rate of 975,000 units. Both single-family and multi-family units fell, but multifamily units are up compared to their year-ago level. Housing permits, generally a reliable indicator of future starts, fell for single-family units while posting a mild increase for multifamily units.</p>	May 08 975 Apr 08 1,008 May 07 1,436		High commodity prices will cut profit margins and negatively impact construction
<p><b>Housing Affordability</b> slipped in May. NAR’s Housing Affordability Index stood at 125.4 for the month, down from the 130.6 reading in April. The decline was due in large part to increases in most of the components of the index, including a month-to-month rise in the median home price, as well as increases in mortgage rates and qualifying income. Even so, May’s index is still well above the 110.4 posted in May 2007.</p>	May 08 125.4 Apr 08 130.6 May 07 110.4		Sizable gains in California, Florida, Nevada, and Arizona
<p><b>Mortgage Rates</b> The 30-year fixed mortgage rate jumped 28 basis points in June to 6.32%. Rates are at their highest level since since October 2007. But relatively low mortgage rates and weak home prices have been fueling local home sales in some markets such as those in California and Florida. Mortgage rates are expected to rise in the second half of the year, although at a steady level.</p>	June 08 6.32% May 08 6.04% June 07 6.61%		Inching higher because mortgage lenders want to be protected from inflation
<p><b>Employment</b> The U.S. economy shed 62,000 payroll jobs in June – the sixth straight month of job losses. April and May job figures were revised and showed more job losses than previously registered. Construction jobs have borne the brunt of job cuts, losing more jobs than any other sector over the past 12 months. Bright employment spots included health care, education, government, mining (from the commodity boom), and leisure/hospitality sectors all of which posted job gains.</p>	June 08 -62 May 08 -62 12-month total -42 thousand		GDP expands and lifts labor demand
<p><b>Economic Growth</b> Despite ongoing job cuts, the U.S. economy did grow in the first quarter of 2008, posting a GDP growth rate of 1.0% for the quarter. The figure is an upward revision from a previous estimate of 0.9%. This is the third and final revision of GDP growth based on more complete data. For comparison, real GDP increased 0.6% in the fourth quarter of 2007. The increase reflects increased spending for services, exports of goods and services, and federal government spending.</p>	2008:I 1.0% 2007:IV 0.6% 2007:I 1.2%		GDP expands but not robustly as consumers are tapped out

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