

T.A.R.R. REPORT©

Triangle Area Residential Realty

Luxury Home Market: Fourth Quarter 2006



The information contained in this report presents data and analysis of the luxury home market segment within the Triangle. This market is defined as having residential housing priced at \$500,000 and above. The data was obtained from the www.realtor.com website, the Durham, Orange, Chatham and Wake County Revenue Departments, and my databases.

Based upon my analysis of the information presented within, I will attempt to answer the following questions;

Where are these buyers coming from?

Per IRS data for the period between 2000 and 2005, the top four counties in the United States that sent buyers to the Triangle were Fairfax in Virginia, Cook in Illinois, Los Angeles in California and Suffolk in New York. The median sales prices in these counties were as follows; Fairfax (500k), Cook (264k), Los Angeles (564k) and Suffolk (400k). The median sales price within the Triangle in 2006 was 187k. Locally there are numerous areas that have a median family income necessary to support luxury housing. Within the Durham MSA, there are 6 census tracts that have a median family income in excess of 100k. Within the Raleigh/Cary MSA, there are 17 census tracts that have a median family income in excess of 100k.

What is going on with lot prices in luxury home developments?

During the first quarter of '06, there were 53 lots that closed at 125k or higher. There were 109 closings in the second quarter, 148 in the third quarter and 102 in the fourth quarter for a total of 412 for the year. There were 425 closings of 125k+ lots in 2005, so the lot market would be classified as stable compared to 2005.

Is this market growing?

Yes it is; there were 1,200 closings of luxury priced housing in 2004, 1,500 closings in 2005 and 1,900 closings in 2006. The market grew by 25% compared to 2005.

What is happening with inventory?

Inventory is mushrooming within the luxury segment. Current inventory levels are 45% higher than seen during this time period in 2005. Re-sale inventory has increased 25% and new home inventory increased 65%.

What section of the Triangle is garnering the most amount of luxury home buyers?

25% of all luxury home closed sale activity has occurred within the North Raleigh/Wake market. Cary/Apex/Morrisville is second at 18% and Chapel Hill/Carrboro is third at 12%.

What developments have seen the most amount of luxury home buying activity?

Brier Creek in Raleigh attracted the most amount of luxury home buyers during the year. The development was followed by Wakefield Plantation in Raleigh, Cary Park and Highland Oaks, both located in Cary. The "rankings" were based upon the number of houses closed at \$500,000 and above.

Are luxury homes appreciating?

Yes they are; the average percent per year gain for a luxury priced home has been 7%. The appreciation rate of luxury housing continues to out-perform the overall appreciation rate for all housing types (5.63%).

How are re-sales performing compared to new homes?

Based upon a comparison of the average days on market, the re-sales are holding their own. It takes about 30 days less on average to sell a re-sale luxury home versus a new luxury home. Out of the 64 price points/geographic areas surveyed, there were only 7 that had an average days on market in excess of 150 days.

Are the current crop of sellers flexible on price?

The amount of sellers who dropped list price declined dramatically from the third quarter. However there were more price dropping sellers in the fourth quarter of this year than seen in the fourth quarter of 2005. Based upon the above mentioned 45% growth in inventory, I would predict that sellers will have to become more flexible in 2007 regarding price adjustments.

Appreciation Indicators

The table below presents data on re-sales within the luxury price point category. The best way to measure movement in price is to compare the sales price of the same house at two different points in time. The "avg years" column is the average years of ownership, the "Avg PPY" column is the average gain for the subdivision listed, the "# Sales in DB" column is the number of sales in the time period examined and the "Avg Price" column is the average price of these sales.

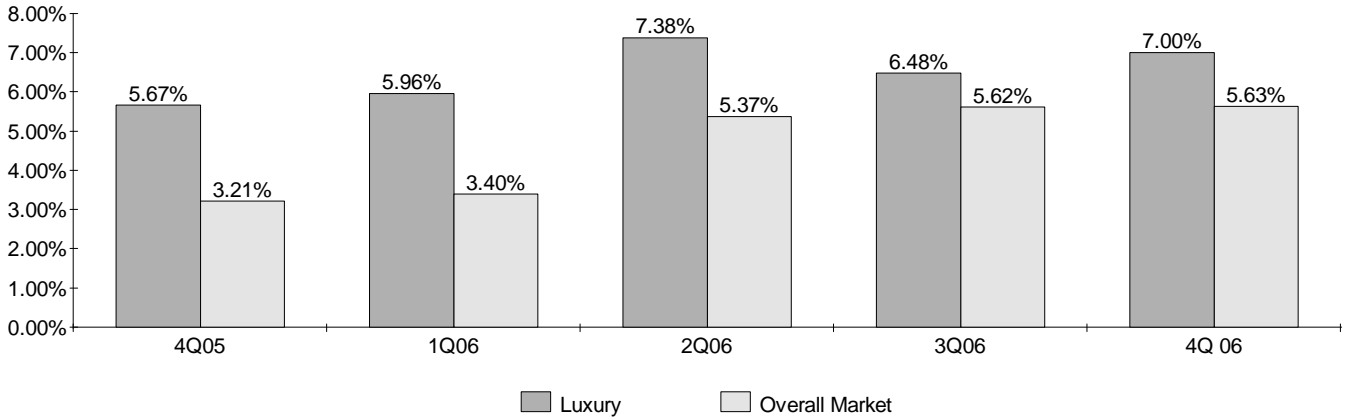
The time period examined was from 6/05 through 12/06.

The graphs on the following page illustrate listing and historical appreciation percentages by county. The listing appreciation rate is calculated by comparing current list price with most recent sales price and the historical rate is calculated by comparing the two most recent sales prices.

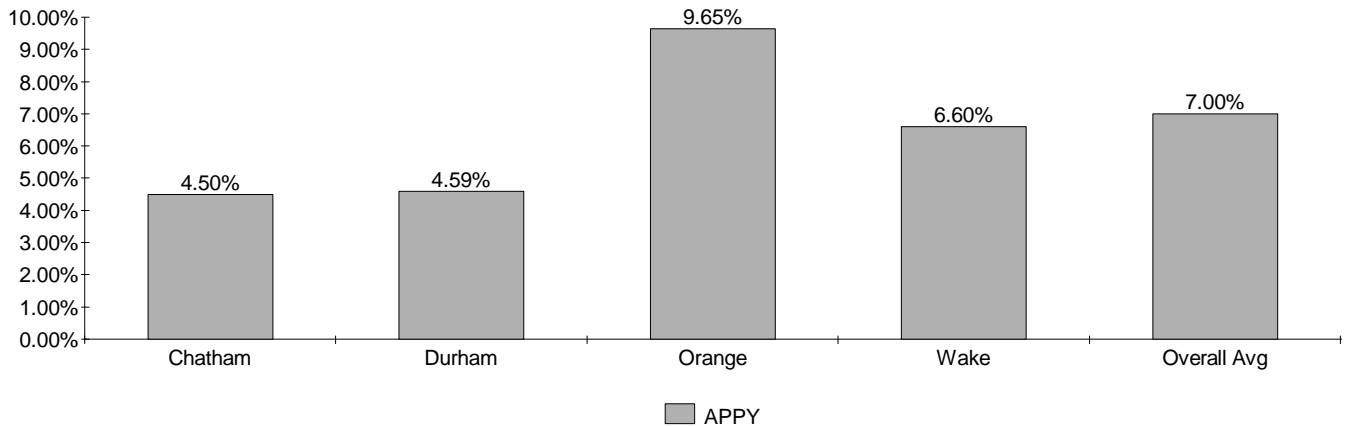
PUD/Subdivision	Avg Years	Avg PPY	#Sales in DB	Avg Price	City
COUNTRY CLUB HILLS	7.33	11.53%	10	\$736,000	Raleigh
Southern Village	2.39	11.46%	14	\$653,100	Chapel Hill
NORTH RIDGE	5.14	9.65%	19	\$655,474	Raleigh
BRIER CREEK	3.27	9.04%	21	\$607,595	Raleigh
LOCHMERE	6.83	8.66%	8	\$556,500	Cary
PRESTON	5.09	8.07%	24	\$699,896	Cary
MACGREGOR DOWNS	7.04	7.92%	10	\$717,750	Cary
PRESTON VILLAGE	5.45	7.45%	22	\$576,295	Cary
WATERFALL PLANTATION	4.29	6.16%	9	\$607,222	Wk'Forest
SHEFFIELD MANOR	8.11	5.92%	10	\$682,450	Raleigh
BENT TREE	8.74	5.73%	8	\$633,625	Raleigh
WESTON ESTATES	3.99	5.59%	14	\$719,536	Cary
WESSEX	7.01	5.14%	10	\$613,700	Cary
Governors Club	3.39	4.63%	12	\$680,000	Chapel Hill
TRAEMOOR MANOR	3.83	4.41%	9	\$771,722	Raleigh
JAMISON PARK	2.62	4.26%	9	\$575,056	Cary
CARY PARK	2.88	4.20%	9	\$576,000	Cary
REGENCY PARK	4.49	3.92%	14	\$776,643	Cary
CROSS GATE	6.50	3.69%	8	\$613,688	Raleigh
WAKEFIELD	2.88	3.50%	34	\$800,691	Raleigh
Group Summary	4.00	7.00%	646	\$680,000	

Appreciation Indicators, price dropping sellers

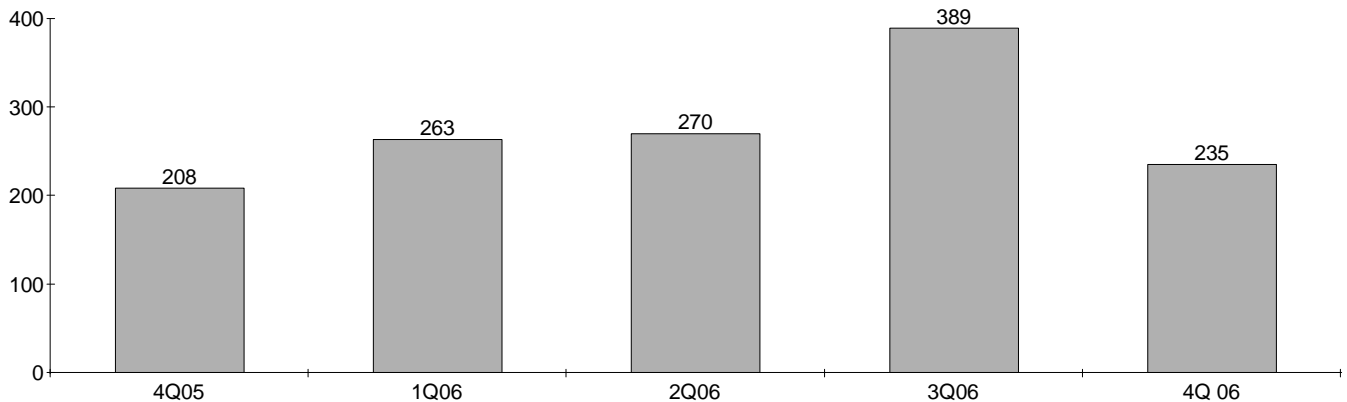
Appreciation Rates; Luxury v. Overall



Historical Appreciation by County



List Price Dropping by Quarter



Luxury listings/sales by geographic area

The tables below and on the next page present listing and sales information as obtained from the www.realtor.com website and the revenue departments of Wake, Durham, Orange and Chatham counties. The "4Q 06 List" column presents the number of listings as of 1/15/07. The "NumberSold" column presents the number of closed sales during the period between 1/1/06 through 12/31/06. The "Supply" column takes the "4Q 06 List" column and divides by the per month. This number provides an inventory snapshot, with the theory being that current inventory will be exhausted if no inventory is added and sales pace continues. The "Approx DOM" column presents my estimate of average days on market for each price point.

Area	Class	4Q06 List	NumberSold	PerMonth	Supply	ApproxDOM
Cary/Apex/Morrisville	500-599.9	85	179	15	6	60-90
	600-699.9	67	105	9	8	60-90
	700-799.9	27	35	3	9	30-60
	800-899.9	10	20	2	6	90-120
	900-999.9	6	7	1	10	60-90
	1ml-2ml	14	7	1	24	60-90
	2ml+	3	1	0	36	60-90
	Condo	1	1	0	12	90-120
	Townhouse	6	13	1	6	120-150
	Area Total		219	368	31	7
Area	Class	4Q06 List	NumberSold	PerMonth	Supply	ApproxDOM
Fuquay/Holly Springs	500-599.9	68	90	8	9	90-120
	600-699.9	38	63	5	7	90-120
	700-799.9	18	25	2	9	60-90
	800-899.9	14	14	1	12	60-90
	900-999.9	5	5	0	12	60-90
	1ml-2ml	8	2	0	48	60-90
	2ml+	1	0	0	n/a	n/a
	Condo	0	0	0	n/a	n/a
	Townhouse	0	0	0	n/a	n/a
	Area Total		152	199	17	9
Area	Class	4Q06 List	NumberSold	PerMonth	Supply	ApproxDOM
ITB	500-599.9	18	49	4	4	60-90
	600-699.9	20	43	4	6	60-90
	700-799.9	17	20	2	10	60-90
	800-899.9	17	18	2	11	30-60
	900-999.9	7	13	1	6	30-60
	1ml-2ml	29	26	2	13	90-120
	2ml+	8	5	0	19	150-180
	Condo	12	7	1	21	180+
	Townhouse	5	3	0	20	30-60
	Area Total		133	184	15	9
Area	Class	4Q06 List	NumberSold	PerMonth	Supply	ApproxDOM
North Raleigh Z2	500-599.9	32	68	6	6	60-90
	600-699.9	23	48	4	6	60-90
	700-799.9	15	23	2	8	60-90
	800-899.9	6	8	1	9	60-90
	900-999.9	7	1	0	84	30-60
	1ml-2ml	6	2	0	36	60-90
	2ml+	1	0	0	n/a	n/a
	Condo	0	2	0	0	60-90
	Townhouse	7	5	0	17	60-90
	Area Total		97	157	13	7

Luxury listings/sales by geographic area

Area	Class	4Q06 List	NumberSold	PerMonth	Supply	ApproxDOM
Falls Lake	500-599.9	49	94	8	6	60-90
	600-699.9	46	64	5	9	60-90
	700-799.9	35	66	6	6	60-90
	800-899.9	31	32	3	12	60-90
	900-999.9	13	15	1	10	60-90
	1ml-2ml	41	46	4	11	90-120
	2ml+	10	4	0	30	60-90
	Condo	0	0	0	n/a	n/a
	Townhouse	1	2	0	6	60-90
	Area Total		226	323	27	8
Wake Forest	500-599.9	48	71	6	8	90-120
	600-699.9	40	49	4	10	90-120
	700-799.9	20	23	2	10	60-90
	800-899.9	9	11	1	10	60-90
	900-999.9	8	6	1	16	180+
	1ml-2ml	22	11	1	24	150-180
	2ml+	8	2	0	48	150-180
	Condo	0	0	0	n/a	n/a
	Townhouse	3	8	1	5	30-60
	Area Total		158	181	15	10
Chatham	500-599.9	43	43	4	12	90-120
	600-699.9	59	57	5	12	90-120
	700-799.9	29	17	1	20	90-120
	800-899.9	21	14	1	18	90-120
	900-999.9	13	5	0	31	90-120
	1ml-2ml	24	12	1	24	180+
	2ml+	6	4	0	18	180+
	Condo	0	0	0	n/a	n/a
	Townhouse	0	0	0	n/a	n/a
	Area Total		195	152	13	15
Durham	500-599.9	37	52	4	9	60-90
	600-699.9	23	24	2	12	60-90
	700-799.9	11	10	1	13	60-90
	800-899.9	13	8	1	20	150-180
	900-999.9	9	5	0	22	60-90
	1ml-2ml	13	7	1	22	60-90
	2ml+	2	2	0	12	180+
	Condo	1	0	0	n/a	n/a
	Townhouse	0	0	0	n/a	n/a
	Area Total		109	108	9	12
Chapel Hill/Carrboro	500-599.9	16	66	6	3	60-90
	600-699.9	12	62	5	2	60-90
	700-799.9	15	32	3	6	60-90
	800-899.9	13	22	2	7	90-120
	900-999.9	9	14	1	8	90-120
	1ml-2ml	29	11	1	32	90-120
	2ml+	4	0	0	n/a	n/a
	Condo	3	3	0	12	180+
	Townhouse	0	11	1	0	90-120
	Area Total		101	221	18	5

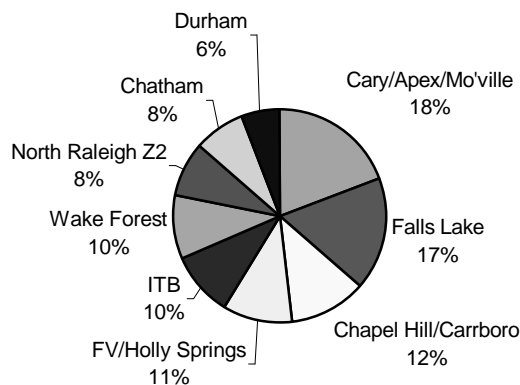
Market Indicators; sales and listings by area/price point

Area/New+ReSale	4Q05 List	4Q06 List	%Change	NumberSold	PerMonth	Supply	ApproxDOM
Cary/Apex/Morrisville	129	219	70%	368	31	7	60-90
Falls Lake	133	226	70%	323	27	8	60-90
Chapel Hill/Carrboro	115	101	-12%	221	18	5	90-120
Fuquay/Holly Springs	93	152	63%	199	17	9	60-90
ITB	96	133	39%	184	15	9	90-120
Wake Forest	102	158	55%	181	15	10	60-90
North Raleigh Z2	76	97	28%	157	13	7	30-60
Chatham	140	195	39%	152	13	15	90-120
Durham	82	109	33%	108	9	12	90-120
Group Summary	966	1390	44%	1893	158	9	90-120

Area/ReSale Only	4Q06 List	NumberSold	PerMonth	Supply	ApproxDOM
Falls Lake	96	172	14	7	30-60
Chapel Hill/Carrboro	54	167	14	4	30-60
Cary/Apex/Morrisville	86	146	12	7	60-90
ITB	78	143	12	7	60-90
Fuquay/Holly Springs	41	77	6	6	30-60
North Raleigh Z2	33	76	6	5	30-60
Chatham	72	68	6	13	60-90
Wake Forest	69	59	5	14	30-60
Durham	58	53	4	13	90-120
Group Summary	587	961	80	7	60-90

Top ten selling price points/New+ReSale	Class	4Q06 List	NumberSold	PerMonth	Supply	ApproxDOM
Cary/Apex/Morrisville	500-599.9	85	179	15	6	60-90
Cary/Apex/Morrisville	600-699.9	67	105	9	8	60-90
Falls Lake	500-599.9	49	94	8	6	60-90
Fuquay/Holly Springs	500-599.9	68	90	8	9	60-90
Wake Forest	500-599.9	48	71	6	8	60-90
North Raleigh Z2	500-599.9	32	68	6	6	60-90
Chapel Hill/Carrboro	500-599.9	16	66	6	3	60-90
Falls Lake	700-799.9	35	66	6	6	60-90
Falls Lake	600-699.9	46	64	5	9	60-90
Fuquay/Holly Springs	600-699.9	38	63	5	7	90-120

Market share by location



Market Indicators; Re-Sale Housing

Area/ReSale/by Number Sold	Class	NumberListings	NumberSold	PerMonth	Supply	ApproxDOM
Cary/Apex/Morrisville	500-599.9	28	80	7	4	60-90
Chapel Hill/Carrboro	500-599.9	14	59	5	3	30-60
Falls Lake	500-599.9	20	52	4	5	30-60
Falls Lake	600-699.9	22	51	4	5	60-90
Chapel Hill/Carrboro	600-699.9	6	48	4	2	60-90
ITB	500-599.9	13	43	4	4	30-60
North Raleigh Z2	500-599.9	10	39	3	3	30-60
ITB	600-699.9	15	38	3	5	60-90
Fuquay/Holly Springs	500-599.9	18	37	3	6	60-90
Cary/Apex/Morrisville	600-699.9	16	35	3	5	30-60
Falls Lake	700-799.9	13	28	2	6	60-90
Chapel Hill/Carrboro	700-799.9	10	25	2	5	30-60
Wake Forest	500-599.9	19	24	2	10	60-90
Chatham	500-599.9	18	24	2	9	90-120
Fuquay/Holly Springs	600-699.9	7	22	2	4	60-90
Durham	500-599.9	14	22	2	8	90-120
Chatham	600-699.9	21	21	2	12	90-120
North Raleigh Z2	600-699.9	4	20	2	2	30-60
Chapel Hill/Carrboro	800-899.9	6	19	2	4	90-120
Falls Lake	1ml-2ml	19	18	2	13	60-90
ITB	1ml-2ml	13	18	2	9	60-90
ITB	700-799.9	11	17	1	8	30-60
Falls Lake	800-899.9	11	14	1	9	60-90
Wake Forest	600-699.9	14	12	1	14	60-90
Cary/Apex/Morrisville	800-899.9	9	11	1	10	120-150

Area/ReSale/by Low Supply	Class	NumberListings	NumberSold	PerMonth	Supply	ApproxDOM
Chapel Hill/Carrboro	Townhouse	0	3	0	0	30-60
North Raleigh Z2	Condo	0	2	0	0	30-60
Chapel Hill/Carrboro	600-699.9	6	48	4	2	60-90
North Raleigh Z2	600-699.9	4	20	2	2	30-60
Chapel Hill/Carrboro	500-599.9	14	59	5	3	30-60
North Raleigh Z2	500-599.9	10	39	3	3	30-60
ITB	500-599.9	13	43	4	4	30-60
Chapel Hill/Carrboro	800-899.9	6	19	2	4	90-120
Fuquay/Holly Springs	600-699.9	7	22	2	4	60-90
Fuquay/Holly Springs	900-999.9	1	3	0	4	60-90

Area/ReSale/by High Supply	Class	NumberListings	NumberSold	PerMonth	Supply	ApproxDOM
Wake Forest	2ml+	6	1	0	72	30-60
North Raleigh Z2	Townhouse	5	1	0	60	30-60
Cary/Apex/Morrisville	900-999.9	4	1	0	48	60-90
Chatham	1ml-2ml	15	5	0	36	60-90
Wake Forest	1ml-2ml	15	5	0	36	90-120
Durham	1ml-2ml	9	3	0	36	60-90
Durham	900-999.9	8	3	0	32	90-120
Chapel Hill/Carrboro	1ml-2ml	11	5	0	26	150-180
Cary/Apex/Morrisville	1ml-2ml	13	6	1	26	60-90
Wake Forest	900-999.9	6	3	0	24	180+

Closed sales by subdivision

Subdivision	#Closed	Avg SP	Avg PPF	City
Brier Creek	105	\$634,293	\$165.41	Raleigh
Wakefield Plantation	60	\$795,675	\$165.00	Raleigh
Cary Park	59	\$635,819	\$153.28	Cary
Highland Oaks	52	\$603,857	\$156.89	Cary
Meadowmont	52	\$759,256	\$223.44	Chapel Hill
Bedford@Falls River	49	\$653,272	\$162.01	Raleigh
Cameron Pond	41	\$588,223	\$162.84	Cary
Bishops Gate	32	\$553,234	\$142.00	Cary
Carramore	31	\$540,565	\$145.00	Cary
Heritage Wake Forest	31	\$646,057	\$175.23	Wake Forest
Regency Park	28	\$841,250	\$168.50	Cary
Glenkirk	26	\$731,774	\$168.32	Cary
Highcroft	26	\$594,545	\$162.05	Cary
Ethans Glen	25	\$733,615	\$171.42	Raleigh
Preston	25	\$786,061	\$186.19	Cary
Southpoint Manor	25	\$594,189	\$167.52	Chapel Hill
Sunset Ridge	25	\$557,539	\$154.77	Holly Springs
North Ridge	24	\$646,144	\$164.13	Raleigh
Galloway	23	\$651,763	\$166.74	Wake Forest
Jamison Park	23	\$629,441	\$155.77	Apex
Southern Village	21	\$642,938	\$190.98	Chapel Hill
Traemoor Village	20	\$700,457	\$176.00	Raleigh
MacGregor Downs	19	\$695,603	\$188.37	Cary
Stanton Place	19	\$690,235	\$172.13	Cary
Budleigh	18	\$799,239	\$214.79	Raleigh
Preston Village	18	\$569,944	\$154.31	Cary
Weston Estates	18	\$754,722	\$169.00	Cary
Lake Hogan Farms	17	\$700,897	\$175.86	Chapel Hill
River Run	17	\$574,588	\$146.00	Raleigh

The table at left presents the top selling subdivisions with \$500,000+ housing within the Triangle during 2006. The sales presented are the number of sales at \$500,000 and above and the average sales price stated is the average of those sales. The average sales price per square foot of those sales and the city location are also reported.

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