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 For Immediate Release

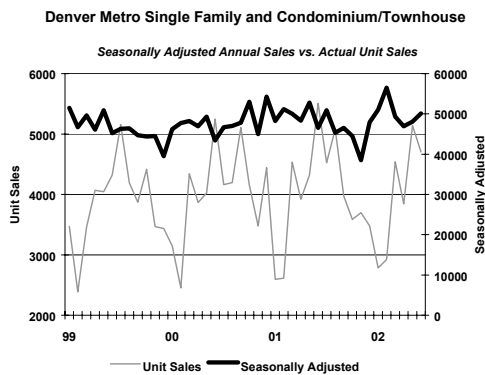
Contact:  
 Brad Benson, CCIM  
 Denver Board of REALTORS®  
 (303) 756-0553

### HOUSING HOLDING UP

**Summary:** Denver housing market held up remarkably well in the first and second quarter of 2002. The first quarter recovered nicely from the fourth quarter 2001 with a strong eight percent gain in the single-family sector despite a one-percent decrease in the condominium/townhome market.

Housing activity stabilized in the second quarter. Measured by the number of sales, single-family demand matched last year's second quarter, while condominium/townhome sales demand lagged by a modest two percent. Affordability was a winner because prices increased modestly and low interest rates prevailed. Month's supply of homes continued to climb and the rate of appreciation continued lower.

The market over the last six months ended on a positive note. Single-family sales were up although the condominium/townhome market showed moderate weakness. Seasonally adjusted annual sales topped 50,000 in June and stayed on the high end of the chart.

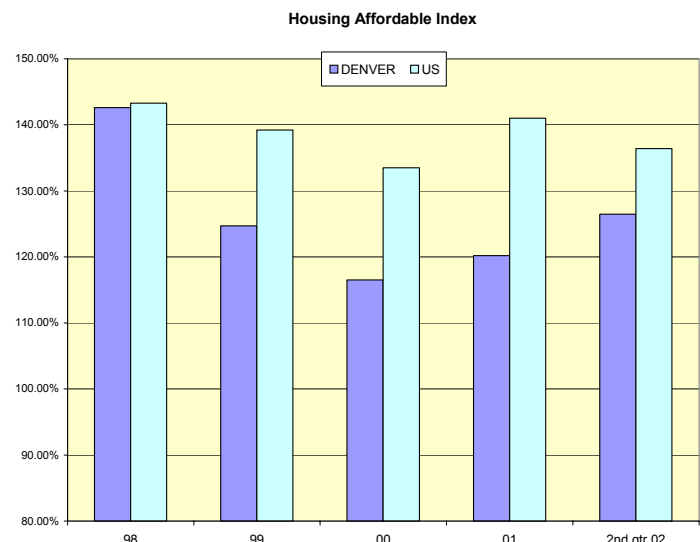


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**Affordability:** Modest price increases, and low interest rates continued into the second quarter. The Housing Affordable Index (HAI) for the past two quarters climbed to 126 percent, the highest mark since the close of 1998 (142.6 percent). The year-to-date median price in the second quarter (\$219,900) inched up only 1.4 percent over March's price, and, the low 6.8 percent mortgage rate barely changed.

Income growth has helped the affordable market. HUD's economist, James Coil estimated Denver's 2002 median household income to be \$69,900 or an 8.5 percent increase from 2001. Rising income supported a mild \$36/monthly mortgage payment increase over the end of the fourth quarter 2001 for the buyer obtaining 30-year conventional financing.

Affordability trends supported the entry-level buyers too. For all the same reasons, the first time homebuyer found monthly debt service dropping in the second





quarter by \$37 per month and the entry level HAI rose to 95.7 percent, the highest since 1998.

2002 Six-Months Supply and Demand: For years we have lived with abundant housing supply in the upper price ranges and less in the lower priced homes. On the other hand, months supply skyrocketed in 2001 from its 2000 levels aggravated by the faulting economy and 9/11. The trend has continued through the first half of this year, albeit not as dramatic.

**Combined Single-Family and Condominium/Townhome Month's Supply**

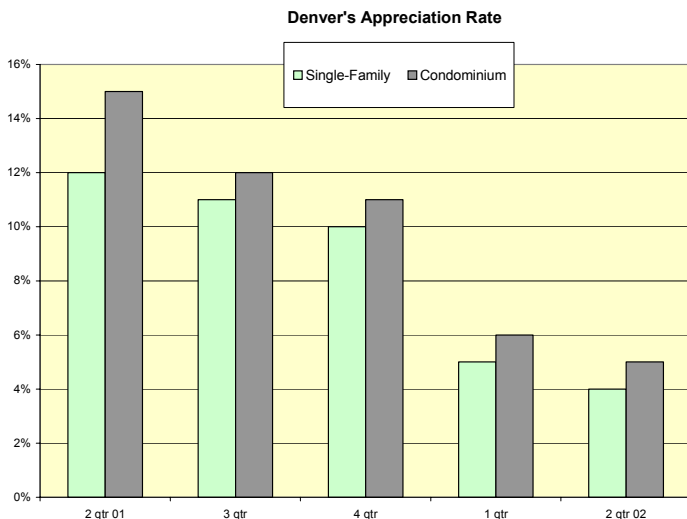
	'00	'01	'02 (six mo.)	% Change '01-'02
\$199.9m and less	1.5	2.7	3.3	22.2
\$200m to \$299.9m	2.8	3.9	4.5	15.4
\$300m to \$499.9m	4.5	6.6	6.9	4.5
\$500m plus	7.4	12.2	12.7	4.1

Supply cooled down during the first six months. A four months supply is considered the equilibrium or a good balance between supply and demand. Based on this assumption, months supply under the \$199,999 range could stand even more infusion of inventory. Homes between \$200,000 and \$299,999 reached equilibrium, and market forces lowered the rate of supply escalation in the upper price ranges – good sign.

Since the beginning of the year, demand has helped whittle away supply. Representing 75.5 percent of all sales, the single-family sector's three-percent gain carried the market whereas the condominium/townhome lagged by modest 1.5 percent.

2002 Appreciation: Indeed, the market has not been as red hot as prior years. The rate in which housing prices increased continued to slip in the second quarter. Single-family rate increase for median year-to-date priced homes at \$219,900 moved from five percent in the first quarter to four percent whereas last year's second quarter was at 12 percent. Condominium/townhome median values moved from six percent to five percent down from 15 percent last year. On the bright side, second quarter appreciation rates exceed the estimated three percent Denver Consumers Price Index.

Yes, there are communities in the Denver area where prices have bucked metropolitan trends. However, in most neighborhoods, sellers are very conscious of supply and have priced their properties competitively. As a result, price escalation has cooled compared to the sizzling days in the recent past when appreciation was above 12 percent.



National: Some national economists predicted housing changes. For example, *Barron's* article entitled "HOME GROAN, Rising Housing Prices Have Kept the Economy Afloat. What Happens if the Bubble Bursts" was an eye opener! It brought forth issues about consumers' increased mortgage load, the long awaited economic recovery would increase interest rates and housing prices would decline. High leveraged



homeowners could experience price reductions below mortgage balances when selling their homes.

On the other hand, The Joint Center for Housing Studies at Harvard University report in late June suggests that while a reversal in home prices is possible, it would probably be short-lived. Baby boomers are aging, yet they move up to higher priced homes and even buy second homes. A surge of immigrant and entry level buyers will continue to improve home ownership by purchasing what the baby boomers sell.

Recent *Wall Street Journal* survey of 55 economists predicted the “economy will continue to grow throughout the year and won’t make a return trip into recession.” Rippe, chief economist for Prudential Securities, summarized the mood: “It’s a good expansion, with solid support from economic policy, but it was never going to be a barnburner.” In reference to the housing market, the survey reported: “Only eight economists said that the housing market is in a bubble and only two cited it as a major risk to the economy. Forty-six said it isn’t even a bubble, an opinion shared by Federal Reserve Chairman Alan Greenspan in recent public comments.”

Conclusion: In the face of these differing housing forecasts, Denver housing market has remained stable. Six-month’s demand was ahead of last year, the rate of appreciation still beats the local Consumer Price Index, and Denver homes are more affordable. Seasonally adjusted annual sales trend points towards yet another strong year. As the economy improves, the second half of 2002 should be very positive.

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