



1st Quarter 2003

Existing Housing Market Summary

Whew!

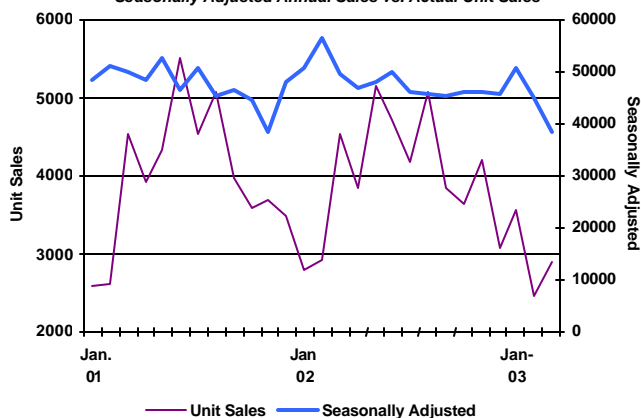
Most of us, in the first quarter of 2003, were distracted by 24 hour TV coverage of the on-again, off-again United Nations Security Council debates, the Coalition's march to Baghdad, and the nation's economic conditions. During this period, Denver's home buyers stayed on the side lines while the sellers continued to add more supply. Mortgage rates reached the lowest point in 45 years, home values leveled off and a 3 foot snow storm relieved the drought. As the 1st quarter came to a close, the Iraq conflict was getting closer to being resolved. Consumer and business confidence was rejuvenated. Whew!

Description	2003	2002	Percentage Change
Sales	6,740	7,722	-12.7
Average Price	\$266,066	\$263,995	.78
Median Price	\$223,000	\$216,900	2.8
Dollar Volume (000)	\$1,790,627	\$2,037,250	-12.1
Inventory (average)	17,191	13,080	31.4
Affordability	136.7	124.0	10.2
Entry Level	102.0	94.2	8.3

Inventory continued to climb averaging 33% over last year. The month's supply (the number of available properties divided by the number of sales within a given period) increased across most price ranges. Single family homes priced under \$200,000 were the least abundant staying below the six month equilibrium factor. Homes priced over \$300,000 ended the quarter in excess of 10 months supply. Excess inventory in selected price ranges put pressure on sellers to price homes competitively in order to boost buyer traffic.

Denver Metro Single Family and Condominium/Townhouse

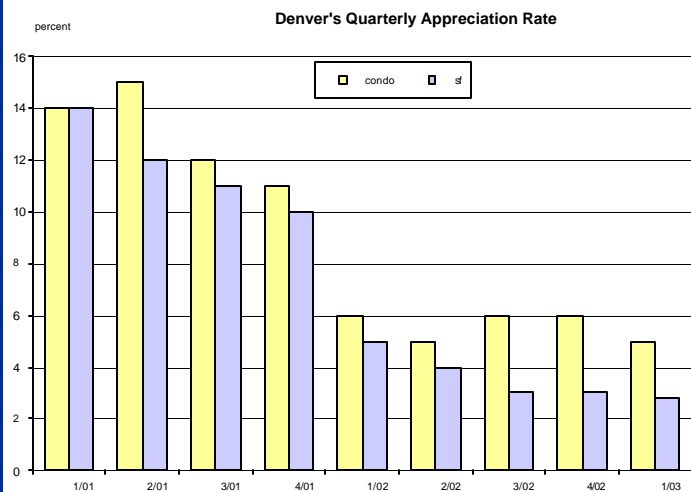
Seasonally Adjusted Annual Sales vs. Actual Unit Sales



Demand took a beating. Single family sales were down as much as 12.6% and condominium/townhome sales tumbled 17%. This was the sharpest decline since the fourth quarter in 2001 when the demand dropped by 11%. Seasonally adjusted single family and condominium annual sales validated the slippage. January peaked at 50,600 annual seasonally adjusted sales before moving to February's 44,800 and resting at 38,400 in March.

Description	2003	2002	Percentage Change
Sales	2179	2627	-17.0
Average Price	\$178,565	\$170,057	5.0
Median Price	\$153,000	\$145,000	5.5
Dollar Volume (000)	\$387,129	\$446,570	-13.3
Inventory (average)	5,872	4,220	39.1

At the same time, appreciation rates remained stable despite the sluggish demand and more supply. The median priced condominium/townhome rate was the strongest at 5.5% while single family values stalled around 3%. The single family appreciation rate suggested that there was competitive pricing in the upper price ranges where the months supply ratio exceeded 10 months and where 22% of the sales over \$300,000 occurred. In comparison, condominiums priced above \$300,000 represented only 8% of the first quarter sales.



When considering these trends and forecasts, keep variables in mind. Not all housing and submarkets are alike. There are a number of considerations that enter into the decision to buy homes such as neighborhood type, location, architecture and physical condition. In addition, as we have observed, there are economic, political and geopolitical factors all of which can change the dynamics of housing supply and demand. When comparing your home and market area with the metropolitan trends, keep these variables in mind.

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Housing affordability improved. The key ingredients, income, mortgage interest rates and home prices, all mixed well during the first quarter with low interest rates being the driving force. The median family income was 137% of the qualifying income to purchase median single family priced home with 20% down at 5.8% interest. Denver's Affordability Index increased more than 10% over March 2002. Denver's Entry Level Index was 102% of the qualifying income of \$53,400 for a home priced at \$190,400 with 3% down at 6.04%. The Entry Level Index was 8.3% higher.

Housing consultants such as the Meyers Group predict more positive trends for the remainder of 2003. "Denver's quality of life, and improved economy will mean more jobs and increased in-migration for the next 12 to 18 months. Condominium/townhome appreciation rates will range from 4% to 8% and single family rates will stick to the 3% level. Watch for renewed rebound in the 3rd and 4th quarters. Year-end 2003 housing demand should come close to matching 2002's 47,900 sales. Interest rates should remain affordable yet can move to 7.0%."

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