



# 1st Quarter 2004

## Housing Market Summary

### More of the Same...

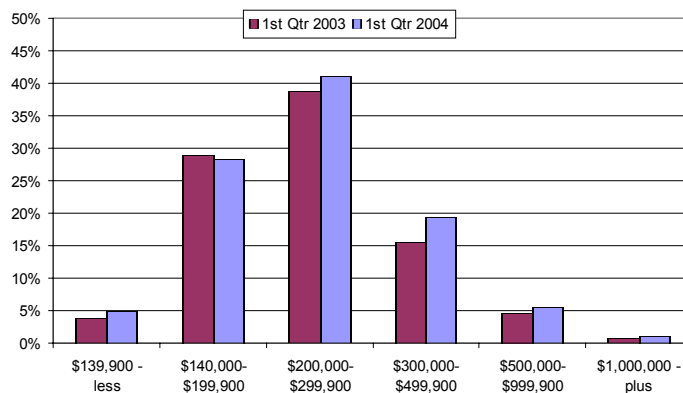
A year ago, most of us were distracted by the 24 hour coverage of the Iraq war. Interest rates were at a 45 year low, both the state and national economies were struggling, and homeowners were anxious over the idea of another summer without water.

Fast forwarding a year, the conflict in Iraq remains, mortgage rates are at a 30 year low, Colorado's economy continues to lag the nation in its recovery and homeowners are once again trying to figure out which days they can water their lawns.

**Sales:** Unlike the first quarter of 2003 when single family sales were down over 12% and condominium/townhome sales tumbled 17%, the Metro Denver single family housing market continued its year end surge by posting an increase of 10.7% from a year ago. Condominium/Townhome sales on the other hand remained flat, posting a nominal nine-tenths of a percent increase from first quarter 2003.

**Supply:** Supply is measured by the number of homes on the market divided by the number of sales. The supply increased in nearly all price ranges for single family homes. Likewise, the supply of condominium/townhomes increased significantly during the first quarter, increasing by nearly 12% from a year ago.

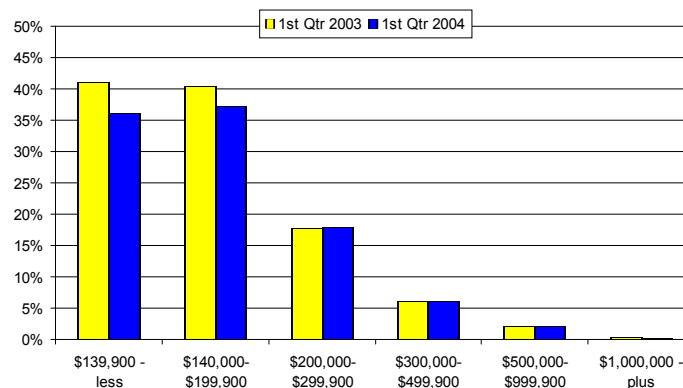
Denver Single Family Demand (% of homes sold in each price range)



Condominium Table 1<sup>st</sup> Quarter 2004

Description	2003	2004	Percentage Change
Sales	2,179	2,199	0.9
Average Price	\$178,565	\$182,156	2.0
Median Price	\$153,000	\$157,900	3.2
Dollar Volume (000)	\$387,129	\$400,561	3.4
Inventory (average)	5,872	6,555	11.6

Denver Condominium Demand (% of condos sold in each price range)



Single Family Table 1<sup>st</sup> Quarter 2004

Description	2003	2004	Percentage Change
Sales	6,740	7,464	10.7
Average Price	\$266,066	\$279,782	5.1
Median Price	\$223,000	\$227,500	2.0
Dollar Volume (000)	\$1,790,627	\$2,088,293	16.6
Inventory (average)	17,191	16,767	2.5

**Pricing:** Economists typically agree that the ratio between a city's median housing price and median household income should be somewhere in the neighborhood of 2.5: 1. Thanks to the go-go days of the late 1990s, Denver's ratio remains at 3.8:1; significantly higher than other comparable cities such as Salt Lake City (2.7:1), and Dallas (2.4:1). Therefore if supply is increasing, why does the average price of a home continue to increase? According to Dr. Tucker Hart Adams, U.S. Bank's chief economist for the Rocky Mountain region, low interest rates are to blame. "I think low interest rates have kept the market irrationally strong... The only thing keeping these prices high is the low rates."

While the average price of a single family home decreased by just over \$2,500 from year end to \$266,066, the median price (the middle price in a series of sales) increased \$2,000 to \$223,000 indicating mildly stronger demand on the higher priced homes. The average price of a condominium/town-home increased by 3.6% during the quarter to \$178,565 and the median priced increased by 2.3% to \$153,000.



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