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## HOUSING MARKET SUMMARY - 1st Quarter 2006

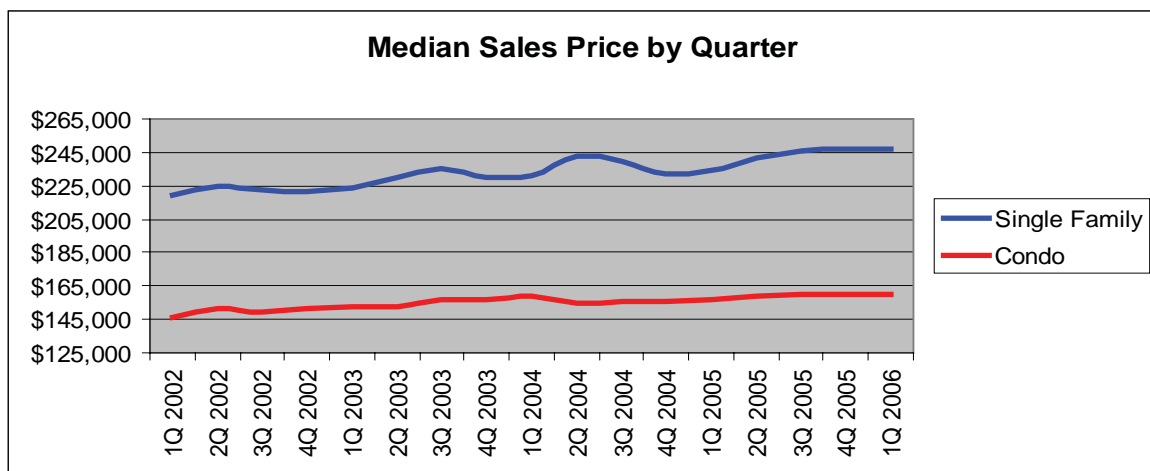
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As the seasonal temperature outside begins to rise as we migrate from spring to summer, so does the housing market. And if March's figures are any barometer of what's ahead, we look to be headed for a hot summer. The metro area has seen a swoon of sales during the first quarter and not surprisingly both the median and average sales prices have followed suit. However, with the nearly three year rise in interest rates, foreclosures are once again grabbing the headlines and consequently, inventory levels are approaching record highs.

**Sales Gaining Steam** - Sales of single family homes in March increased by a whopping 34.1% over February's tally of 3,432 homes sold. When compared to figures from a year ago, the 3,432 homes sold during March 2006 represent a gain of 15.2% over March 2005, thereby dispelling the notion that the unexpected increase was solely due to an increased number of calendar days between February and March. Not to be outdone, sales of condominiums during March increased 36.3% over February and 21.6% from one year ago.

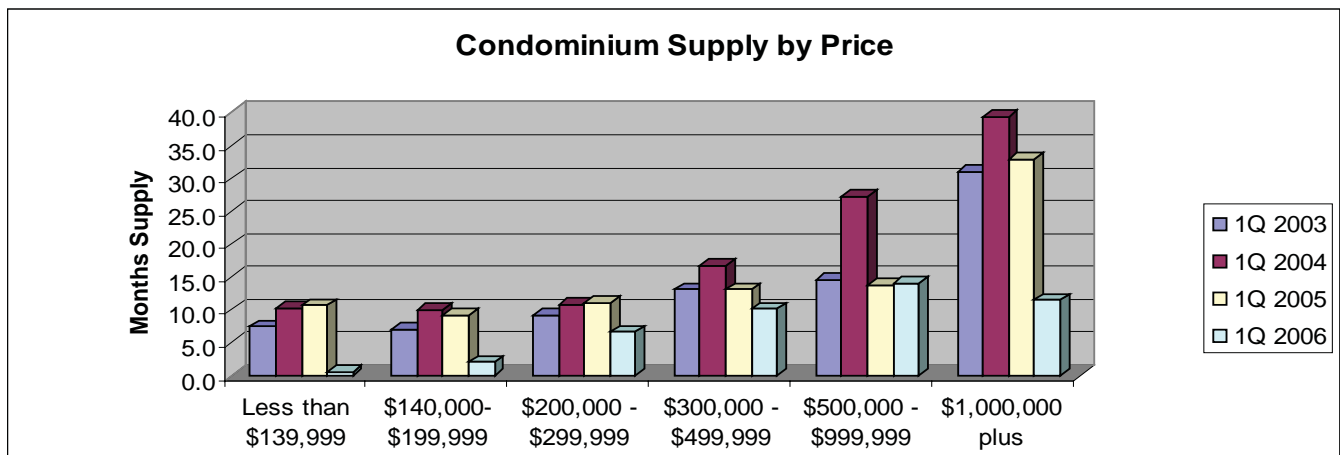
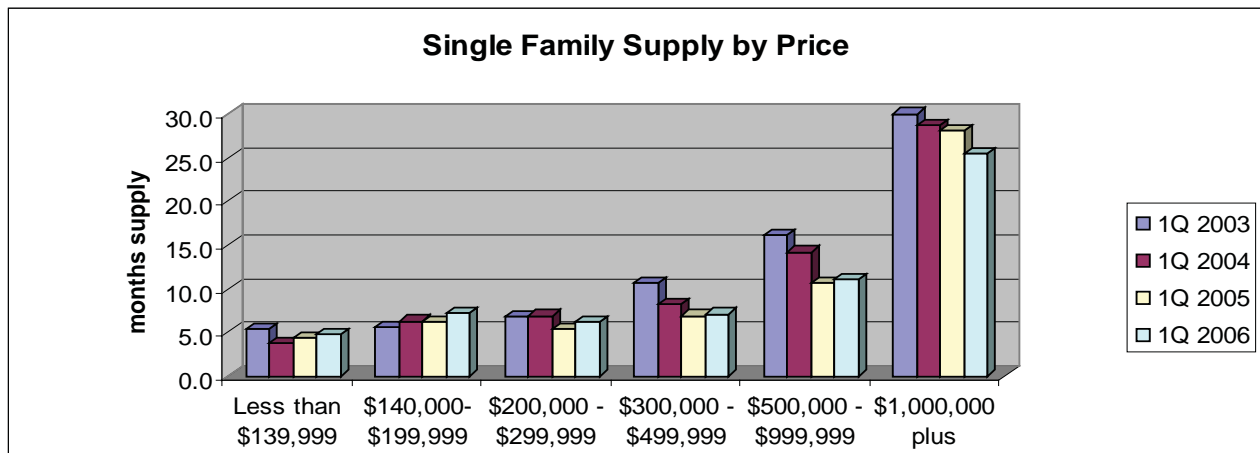
**Median Prices Continue to Rise** - With Colorado moving up to #8 for highest per capita income in the nation, sales prices

have increased as well. For 2005, the Bureau of Economic Analysis reported a 5.1% increase in per capita personal income in Colorado to \$37,946 compared to the 4.6% increase at the national level to \$34,586. The Median price of a single family home increased to \$247,500, a 4.4% increase over February. Meanwhile the median price of a condominium increased 5.6% to \$159,900 from last month. Not surprisingly with a surge in sales combined with an increase in prices, the total dollar volume of sales for both single family and condominiums skyrocketed by 21.9% and 20.5% respectively from this time a year ago.



**Seller's Waiting Longer** - Although the market posted a healthy increase in the number of homes sold in March, the increase in demand has been unable to keep pace with the increase in supply. As a result, seller's on average are having to wait 5 more days to sell their single family homes and 11 more days to sell their condominiums when compared to the average days on

market at this time last year. With that said, the months of supply (the number of months it would take to deplete the current inventory assuming no new inventory was added and the demand remains constant) is still lower during the first quarter of 2006 than it was in 2003 and 2004.



Foreclosures Adding More Homes to the Supply - While the market exhibited positive traits of a healthy market with increases in the total number of homes sold, total sales volume and median price in both condominiums and single family homes, the market has continued to exhibit an unsettling trend of an ever increasing supply of inventory on the market.

Traditionally more homes are on the market during the summer months as sellers try to capitalize on the busiest part

of the home selling season. Thus it's not surprising that the metro area saw an increase in the total number of both single family and condominiums to pick from during March. However, what is surprising is the fact that the number of condominiums on the market has increased by nearly 11% since March 2005. Moreover, the supply of single family homes has increased by a whopping 21.9% over the past year!

#### METRO DENVER SINGLE FAMILY DATA

	JANUARY	FEBRUARY	MARCH	YTD 2006	YTD 2005	% CHANGE
<b>ACTIVE SALES</b>	17,408	18,201	19,642	18,417	15,333	20.1%
<b>AVERAGE PRICE</b>	\$306,982	\$305,017	\$313,339	\$309,265	\$289,692	6.8%
<b>MEDIAN PRICE</b>	\$242,000	\$237,000	\$247,500	\$244,000	\$234,000	4.3%
<b>DOLLAR VOLUME (000)</b>	\$671,677	\$780,538	\$1,075,380	\$2,527,595	\$2,109,165	19.8%

While many factors have led to the increase in the supply of homes, perhaps the single biggest culprit has been the increase in the number of foreclosures hitting the market. Rising interest rates coupled with overly aggressive lending practices have created a volatile cocktail in which many homeowners are unable to stomach.

Mortgage rates at almost three-year high- Mortgage interest rates continued their upward trend, with the national average

rate on the benchmark 30-year loan hitting 6.43 percent at the end of the first week in April. According to Freddie Mac, this represents the highest level in 31 months, dating back to September 2003 when the rate was 6.44 percent.

Last year, interest rates on a 30 year loan were 5.93 percent, representing a 9% increase for the year. The average rate for a 15-year mortgage reached 6.1 percent, up from 5.48 percent a year ago.

## METRO DENVER CONDOMINIUM DATA

	<b>JANUARY</b>	<b>FEBRUARY</b>	<b>MARCH</b>	<b>YTD 2006</b>	<b>YTD 2005</b>	<b>% CHANGE</b>
<b>ACTIVE</b>	6,979	7,283	7,667	7,310	6,557	11.5%
<b>SALES</b>	655	714	973	3,338	2,033	64.2%
<b>AVERAGE PRICE</b>	\$192,271	\$175,422	\$182,727	\$183,222	\$186,601	-1.8%
<b>MEDIAN PRICE</b>	\$154,900	\$151,350	\$159,900	\$155,000	\$157,200	-1.4%
<b>DOLLAR VOLUME (000)</b>	\$125,937	\$125,251	\$177,793	\$428,981	\$376,026	14.1%

Builder's Easing Up on Permit Pulling - The total number of residential permits issued in Metro Denver decreased in the first month of 2006 to 1,543 from 1,662 in December 2005. In addition, January permits represented a 9.2% decline from January 2005.

Employment Indicators Pointing to Full Recovery - According to April's Monthly Economic Summary report prepared by the Metro Denver Economic Development Corporation, the Metro area added 26,100 new jobs in 2005, representing a 2% increase. This was an upward revision from data released throughout 2005 that indicated that the Metro Denver region would add only 24,800 jobs, a 1.9% increase.

The report also indicated that of the 61,200 jobs that were lost during the 2002/2003 recession, 36,800 jobs were added back in 2004/2005 and an additional 28,000 jobs are expected to be gained in 2006. With regards to unemployment, both the Metro area and State of Colorado (both currently at 4.9%) are below the 5.1% national average.

"The revised employment figures for last year paint an economic picture that is much better than we expected," said Tom Clark, executive vice president of the Metro Denver EDC. "This news, coupled with increased personal income, point out that all systems are go for a full economic recovery."