DENVER BOARD OF REALTORS®
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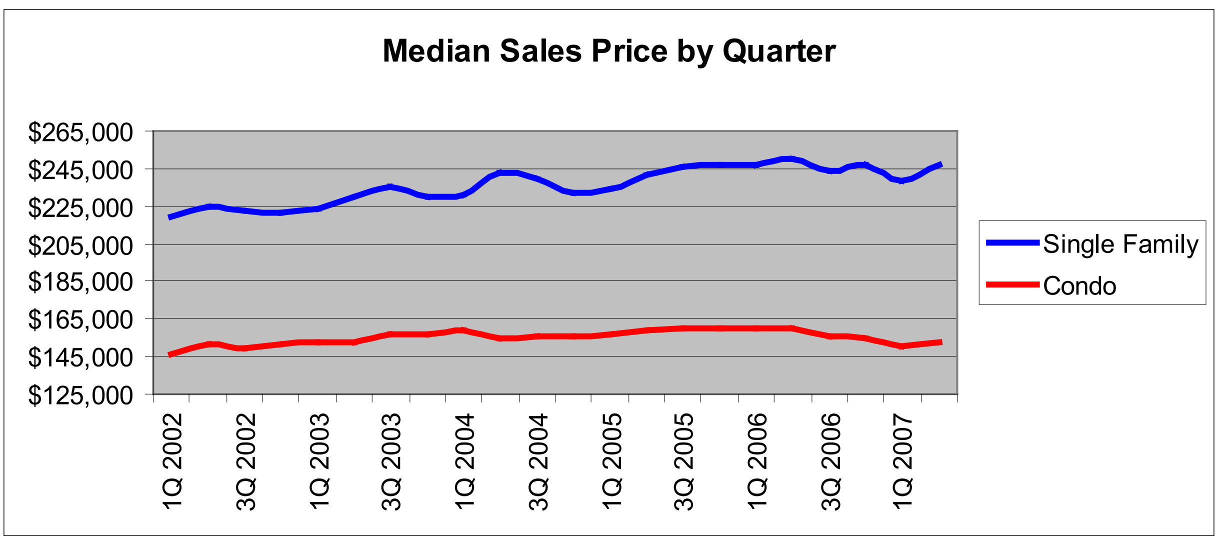
Half way through the year and with the summer selling season in full swing, it's appropriate to reflect on the state of the metro area housing market. Because the housing industry is a pivotal economic driver, everyone ranging from homeowners to brokers to analysts have a vested interest in the housing market. Much like 2006, the first half of 2007 has witnessed glimpses of positive momentum, but by and large has been hamstrung by the glut of foreclosures, an unseasonably tough winter, rising interest rates and stricter lending standards.

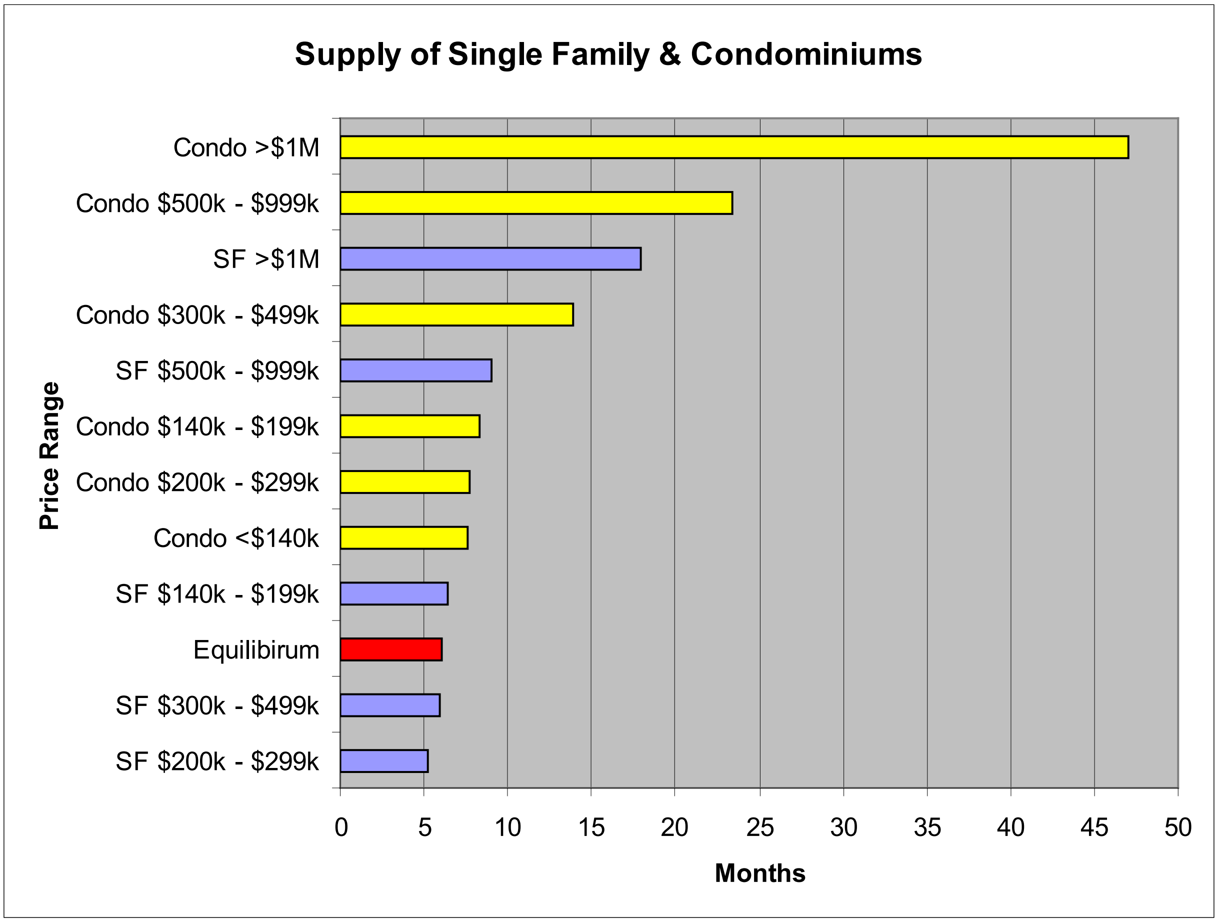
AVERAGE SALES PRICE RISING? While the average price of an existing home increased to $334,833 in June, a 5% increase over May, home prices have remained relatively flat compared with this time a year ago as the June figure represented a one tenth of percent decline from June 2006. Likewise, the median price increased by 4.7% from May to $263,000 but this represented a mere half a point increase from June 2006. The condominium/town home sector posted similar gains from May with an average price of $186,328 and a median price of $157,950.



HIGH END HOMES INFLUENCING NUMBERS. When looking at the number of homes sold by price range, it's easy to decipher that the price appreciation witnessed from May to June is more of a function of an increase in the number of pricier homes being sold then it is signal of the strength of the market. The market witnessed a surge in the number of single family homes sold priced above $300,000 ranging anywhere from a 12.9% to 19.0% increase over May sales.

FORECLOSURES NOT GOING AWAY. Foreclosures, the poster child for the recent housing slump, continue to be a nemesis along the Front Range. Foreclosures are up a whopping 25% from this time last year, and have now surpassed the 12,000 home level. Most economists are pointing towards aggressive lending practices such as no money down, 5 year adjustable rate mortgages and even interest only loans as the primary culprits for the rise in foreclosures. As a result, these homes are adding a strain on the inventory and are inhibiting price appreciation.

MONTHS SUPPLY ON THE MOVE. Months supply is defined as the amount of months required to sell all existing inventory based on the rate of sales at a given period of time. By most standards, 6 months of supply is considered to be market equilibrium. With the exception of single family homes priced between $200,000 and $499,000, the remaining single family homes and entire inventory of condominiums is over-supplied.



NATIONAL LANDSCAPE IMPROVING. Home prices are expected to recover in 2007 as inventories begin to decline according to the latest forecast by the National Association of Realtors®. Lawrence Yun, NAR senior economist, said a good buyers' market has evolved. "Buyers now have an overwhelming advantage given the wide selection of homes available in many markets," he said. "But with profit margins coming under pressure, homebuilders will limit new construction well into 2008. This should help the overall inventory level to move steadily into a more balanced state."

FREDDIE MAC NOT LIKING WHAT IT SEES. In a recently released report by Freddie Mac, the second largest mortgage buyer in the world, home sales in 2007 are expected to drop to their lowest levels since 2001. Rising mortgage rates coupled with an onslaught of foreclosures and stricter lending practices are making it more difficult to buy. As a result, sales of both new and existing homes are anticipated to decline by 7.1% down to 6.28 million nationwide. In the report, Freddie Mac is also expecting the average 30-year fixed-rate mortgage to increase nearly a half point during the third quarter and rise to about 6.7%.

DOW JONES & S&P SURGING. Many credited the beginning of the housing boom with the collapse of the capital markets. Weary investors who watched the value of their portfolios plunge from record highs sought a safe haven for their nest egg. At the time, real estate played the perfect host. Interest rates were low, employment was strong and housing appreciation was just getting started. A half decade later, mortgage rates have climbed, job growth is soft and much of the nation is watching the erosion of home prices. Not surprisingly, the Dow Jones and

S&P 500 recently posted record highs as investors have begun to exit the real estate arena.

All in all the local housing market continues to glide under the radar screen. Home prices never exploded like they did in other parts of the country and as a result, the local housing market is not nearly as susceptible to a significant housing correction as other headline grabbing cities are. In a recent report produced by the National Association of REALTORS® about the Denver Metro area their researchers noted the following:

- Home prices in the region have greatly underperformed due to sharp job cut backs resulting from the dot-com crash in 2000. There are few concerns about a price bubble or a large price correction given that prices did not take off.

- The percentage of homebuyers who utilized sub-prime mortgages (those with rates more than 3 percentage points higher than the average market rate) was well below the national average.

- Local job growth has been on a recovery with steadily improving figures. The latest 2.3% growth rate in the past 12-months is nearly double the national job growth rate.

- The high tech industry has been on a strong recovery recently. With the more widespread presence of the knowledge-based industry in the area, job growth and home price appreciation could easily outpace the national increases in 2007.

Single Family						
	April	**May**	**June**	**YTD 2007**	**YTD 2006**	**% Change**
Active	20,477	21,505	22,514	20,049	20,253	-11.3%
Sales	3,472	3,952	4,066	19,885	19,824	0.3%
Average Price	$322,510	$318,904	$334,833	$313,851	$317,761	-1.2%
Median Price	$248,000	$251,155	$263,000	$247,250	$250,000	-1.1%
Dollar Volume (000)	$1,119,756	$1,260,308	$1,361,430	$6,240,923	$6,299,286	-0.9%

Condominium						
	April	**May**	**June**	**YTD 2007**	**YTD 2006**	**% Change**
Active	7,381	6,917	7,742	7,092	7,845	-0.3%
Sales	927	959	1,269	5,628	5,635	-0.1%
Average Price	$182,549	$183,451	$186,328	$180,238	$185,693	-2.9%
Median Price	$148,900	$153,000	$157,950	$153,000	$157,500	-2.9%
Dollar Volume (000)	$169,222	$175,929	$198,066	$1,014,381	$1,046,380	-3.1%