



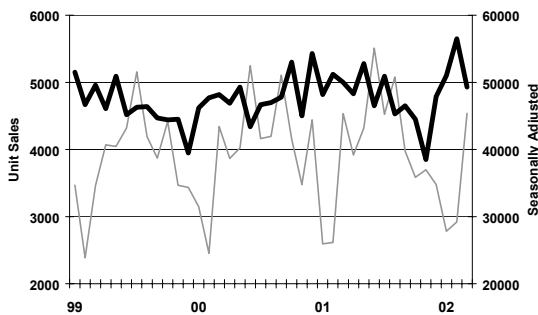
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Contact:  
Brad Benson, CCIM  
Denver Board of REALTORS®  
(303) 756-0553

### Strong Recovery From Dismal Fourth Quarter '01

**1<sup>st</sup> Quarter 2002 Summary:** The first quarter of 2002 saw an improvement from the last quarter of 2001! After a dismal 11 percent sales decline in single-family and condominium sales during the fourth quarter 2001, aggravated by the economic downturn, increased unemployment and terrorist attack, housing sales in the first quarter 2002 rebounded nicely. Closings of single-family homes were ahead by eight percent, and condominium sales ended a fraction below last year's performance. On the other hand, the appreciation rate continued to slip due to competitive pricing in the upper-end market.

**Denver Metro Single Family and Condominium/Townhouse**  
Seasonally Adjusted Annual Sales vs. Actual Unit Sales



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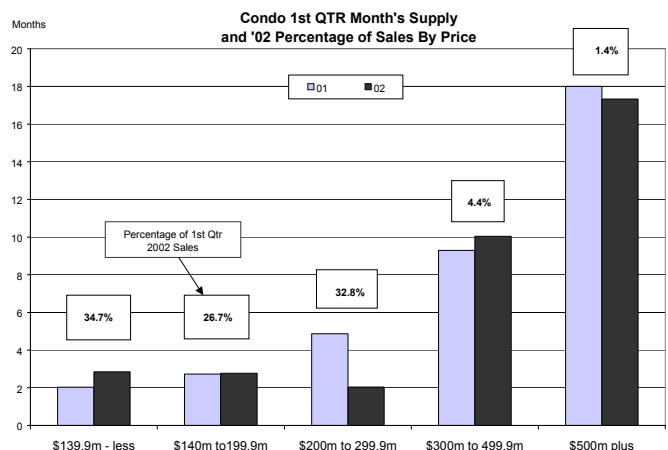
exceeded 7.5 month's supply. In other words, the majority of single-family homebuyers (78 percent) scrambled to secure a sale, but the other 22 percent had an abundance of choices. The condominium market was even tighter. Ninety-four percent of condominium buyers purchasing units below \$300,000 found their choices scarce. The other six percent were less pressured to make quick decisions with month's supply in excess of ten months.

**2002 Demand:** Buyers were tempted by the abundant supply. Sales in the middle-to-upper price ranges improved. Most single-family purchasers

Seasonally adjusted annual sales were above record levels throughout the quarter and settled at 49,900 annual sales in March. If the first quarter is any indication of the 2002 housing performance, Denver's housing market may break the 2000 record year of 48,600 annual sales.

The national economic recovery, low mortgage rates, and good weather allowed Denver to play its part in being a key economic stabilizer.

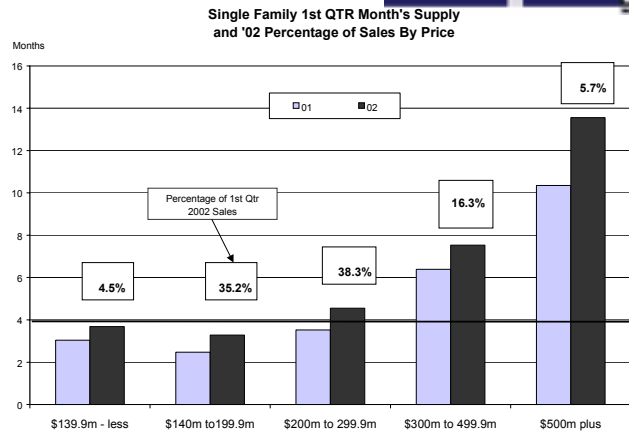
**2002 Supply:** The Denver supply was lopsided. In the single-family sector, 78 percent of the homes sold in 2002 under \$300,000 were near or below four-month's supply. The other 22 percent of single-family homes sold above \$300,000 and



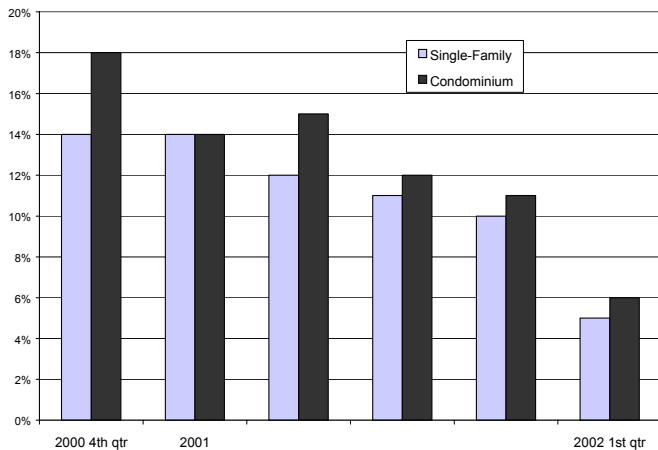


focused on homes above \$200,000. Single-family sales in January and February were 13 percent over last year, and March sales were flat.

In the condominium sector, 39 percent of the buyers in the price range from \$200,000 to \$299,999 boosted sales 94 percent over last year. There were fewer buyers in the balance of the market, which helps explain the 1.4 percent decline in condominium first quarter sales.



Denver's Quarterly Appreciation Rate



2002 Appreciation Slippage: The rate of appreciation continued to slip. The medium price appreciation rate for single-family housing dropped from its high of 15 percent in the fourth quarter of 2000 to five percent in the first quarter 2002. At the same time, the condominium rate slipped from 18 percent in 2000 to six percent. Indeed, the appreciation rate slipped, but remained above the predicted 3.5 percent inflation rate for 2002. It's another measurement that sellers in the upper price ranges have continued to either price their homes competitively or even reduce prices after testing market conditions.

Conclusion: The first quarter of 2002 was great. Single-family sales increased eight percent, helped by competitive pricing in the upper-end market. The condominium market, although not as strong, recovered nicely from the downturn in the fourth quarter 2001.

We cannot lose sight of the fact that Denver has been experiencing a great housing market despite its economic ups-and-downs and disruptive world events. Denver homebuyers have continued to recognize housing as a good alternative investment. Interest rates on short-term notes, bonds and money market accounts have not been appealing and the stock market has been uncertain. At the same time, mortgage rates have been affordable and housing has continued to be a great place to invest.

In addition, new homebuyers have remodeled, bought furniture, carpet, and appliances that improved Denver's economy. For some, it was tempting to refinance and obtain home-equity loans putting more money in consumers' pocket and fueling the economic recovery.



The national and Denver's economy will slowly improve, demand for capital will increase, consumer confidence will rebound further and inflation may creep up. Presumably, the stock market will stabilize. Savings rates will become more attractive. Mortgage interest rates are predicted to go up in 2002. Along with these changes, Denver's housing market will continue to be a stabilizing economic factor.

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