



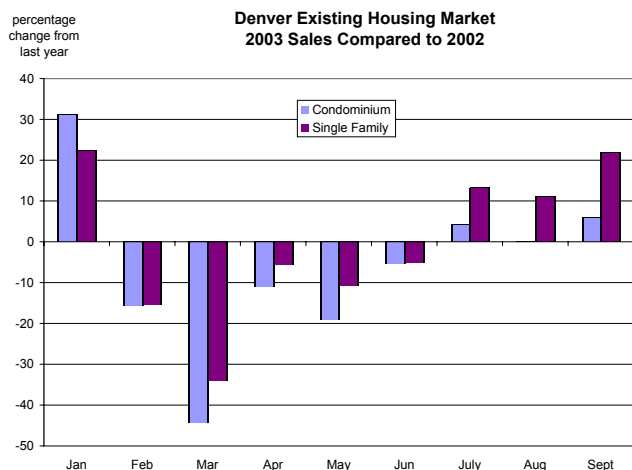
3rd Quarter 2003 Housing Market Summary

Third Quarter Puts Denver's Market In Positive Territory

Year to Date Perspective: Denver's housing market began the year poorly, started its recovery in the second quarter and demonstrated strength in the third. During the first quarter, Denver was plagued by national economic uncertainties; talk of busting Denver's housing bubble and job losses especially in the technology sector. Both buyers and sellers were preoccupied with geopolitical events of the Iraq War. Sales plunged in February and March. World events cooled down in the second quarter and the housing market surfaced in positive territory by the third quarter.

continued its slide. Denver's housing affordability index dropped mainly because interest rates were more in line with 2002 while single family prices moved higher.

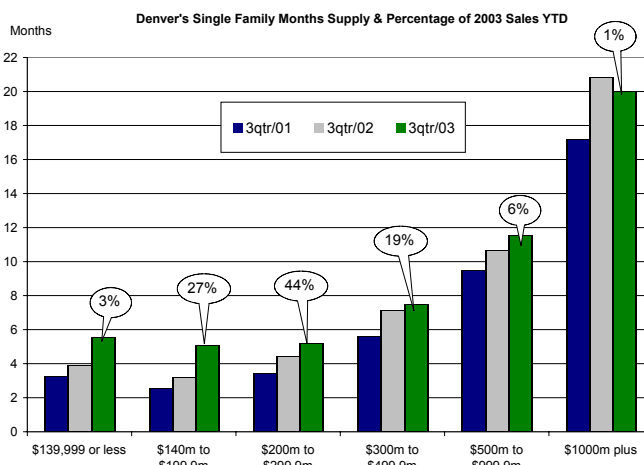
Local and state economists said that the Denver economy is improving albeit slowly. The job market showed signs of rebounding. The reservoirs filled up and housing deflation did not occur. Interest rates remained historically low despite a temporary rise at the beginning of September. If positive trends persist, earlier predictions by housing analysts of matching or surpassing total 2002 sales of 47,920 is a good possibility.



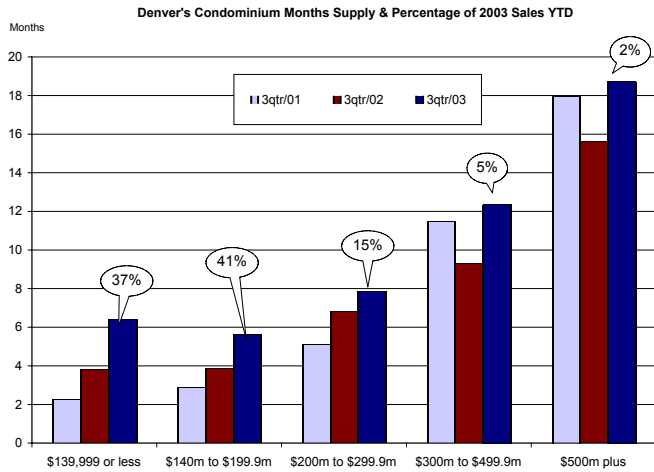
Year to Date Supply and Demand: Market forces stabilized in the second and third quarters. While the inventory was higher during the first nine months, 74% of single family sales stayed below the 6 months supply equilibrium. Single family homes months supply from \$300,000 to \$500,000 (19% of sales) was at a respectable 7.5 months; from \$500,000 to \$1 million (6% of sales) at 11.5 months and above \$1 million (1% of sales) 20 months.

Third Quarter Perspective: The third quarter was strong. For the first time, sales entered positive territory when it exceeded 2002 third quarter performance. Seasonally adjusted annual sales exceeded 50,000 each month and ended at 54,600 annual sales for September.

Even though inventory was more plentiful, months supply continued to remain healthy in the more popular price ranges. Single family appreciation increased whereas condominium appreciation rate

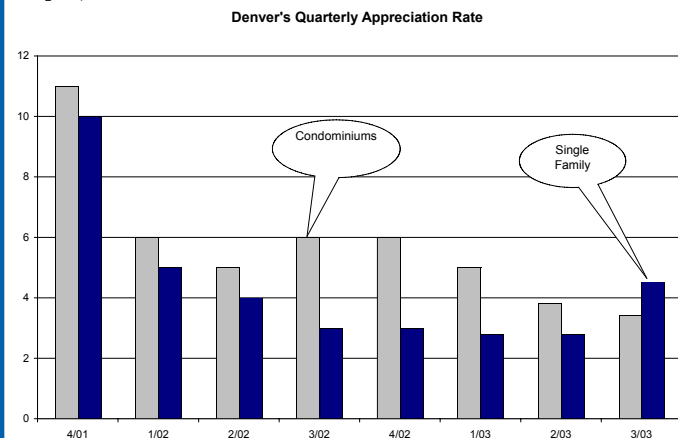


Condominium months supply followed the same trend. Seventy-eight percent of the condominium and townhome market sales under \$200,000 were below the 6 month equilibrium; from \$200,000 to \$300,000 months supply was just below 8 months and over \$300,000 in excess of 12 months.



Demand, measured by sales, has been on the rise since the first quarter. Single family sales in the first quarter were off 12.6% and condominiums as much as 14.8%. With the positive direction in the second and third quarters, year to date single family sales were down a smidgeon (1%) and condominiums by 9%.

Appreciation rates were mixed. Single family appreciation in the first and second quarter paused at 2.8% but moved to 4.5% with the third quarter momentum; and the highest rate since the first quarter of 2002 when the appreciation rate hit 5% in the third quarter. Meanwhile, reflective of slower sales in lower price ranges, condominium rates declined to 3.4% in the third quarter from its first quarter 5.5%.



Affordability: Low interest rates, and stabilizing prices gave 2003 buyers an advantage for the first six months, but the picture changed in the third quarter. In the first half of 2002 interest rates averaged 7% compared to 2003 rates which were as low as 5.7%. In the third quarter of 2002 interest rates fell to 6% matching the third quarter 2003 rates. Coupled with the matching interest rates and the continued price appreciation in the third quarter, the Denver Housing Affordability Index (DHAI) and Entry Level Housing Affordable Index (ELHAI) declined in August and September. In spite of this, Denver's housing affordability has been over 100% throughout the last nine months.

Conclusion: It is shaping up to be a good year for Denver's housing market. Take away the lackluster February and March performance and, so far, 2003 has been a commendable year. Admittedly the market has been assisted by the historically low interest rates, modest price appreciation, healthy inventory stock in the more popular price ranges, and economic recovery. The threat of rising interest rates, reduced sales and depressed housing prices have not materialized and the bubble did not burst. This positive momentum should lead us into the fourth quarter and an opportunity to beat 2002 sales.

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