1st Quarter 2005

Housing Market Summary

What Happens Next?

From a statistical standpoint, if the first quarter of 2005 is any indication, the housing market is positioning itself for another banner year. In the single family sector, while 1st quarter year-to-date sales were down 3.0% from a year ago, the number of homes under contract increased by nearly 80% from 2004, indicating the market will see an increase in sales over the next two months. In addition, the inventory of homes dropped over 8% from this time a year ago, lending support to further price appreciation. On the condominium side, while the year-to-date sales were down 7.5% from 2004, the number of condos under contract increased by almost 75% from 2004.

Unfortunately, statistics can't always predict the future. At the end of March, Interest rates on 30-year fixed rate mortgages topped 6% for the first time since July of 2004 as financial markets reacted to Federal Reserve warnings of rising inflation, according to mortgage giant Freddie Mac. Sales will undoubtedly slow this year should mortgage rates continue to move higher. However, for now, economists are predicting a smooth mortgage rate climb, which should leave the housing market in good shape for the balance of 2005.

Single Family Summary
1st Quarter 2005

Description	YTD 2005	YTD 2004	% change
Sales	7,237	7,464	-3.0%
Average Price	$289,692	$279,782	3.5%
Median Price	$234,000	$227,500	2.9%
Dollar Volume (000)	$2,109,165	$2,088,293	1.0%
Inventory	15,333	16,767	-8.6%
Under Contract	3,613	2,012	79.6%
Months Supply	6.4	6.7	-5.1%
# Days on Market	96	92	4.3%

Economists in the mortgage banking, residential real-estate and home-building industries predict rates on 30-year mortgages will rise to about 6.75 percent by the end of the year. Other economists think it could close in on 7 percent. By historical standards, those rates still would be considered good. "For me, it's the speed at which rates rise that is important. If rates were to go up rapidly and pass 7.5 percent, that would bother me," said Doug Duncan, chief economist at the Mortgage Bankers Association.

According to the National Association of Realtors, 2005 will facilitate roughly 6.57 million sales of previously owned homes, down about 3.2% from 2004's all-time high sales. "The cooling we expect in sales this year means we'll be transitioning from a white-hot housing market into a very strong market," said David Lereah, the association's chief economist.

Condominium Summary
1st Quarter 2005

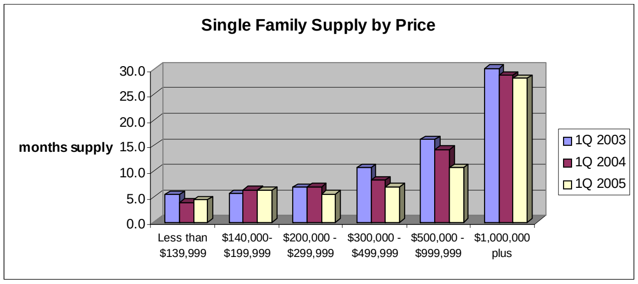
Description	YTD 2005	YTD 2004	% change
Sales	2,033	2,199	-7.5%
Average Price	$186,601	$182,156	2.4%
Median Price	$157,200	$157,900	-0.4%
Dollar Volume (000)	$376,026	$400,561	-6.1%
Inventory	6,557	6,555	0.0%
Under Contract	943	540	74.7%
Months Supply	9.4	9.3	0.9%
# Days on Market	119	108	10.2%

Total Sales Finish Quarter Strong – The single family sector finished the quarter with a flurry of closings by posting 2,978 sales during the month or March, a 37.8% increase in sales over February. Yet despite the late surge, the 7,237 single family homes sold during the quarter fell 3% short of the 7,464 homes sold this time last year. Likewise, while the condominium market enjoyed the same March rally that the single family sector did, the nearly 30% increase in sales during the month of March still culminated in a 7.5% decline in sales from 1st quarter of 2004.

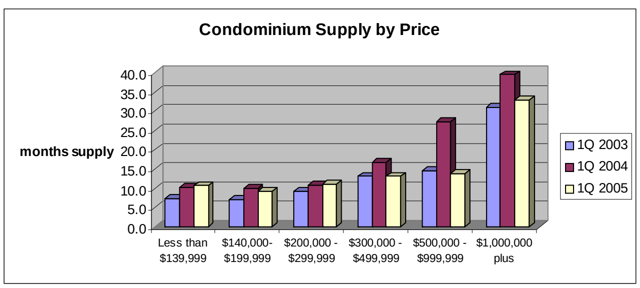
Sales Volume by Price Range Mixed: As expected the March sales flurry led to a month over month increase in all pricing levels of single family homes. Although 40% of the single family homes in the metro area are priced between $200,000 - $299,999, sales in this popular price range increased by 2.7% from 2004 and over 18% from 2003 figures. Sales were surprisingly strong in the $500,000+ homes for both single family and condominiums. Single family sales of homes above $500,000 increased by nearly 32% over 2004, and 72% in the condominium

Supply is falling: One of the more important indicators in the housing sector is the supply of homes currently on the market. Supply is measured by the number of homes on the market divided by the number of sales.

An increase in supply applies negative pressure on sale prices; meanwhile a decrease in supply can help to artificially inflate prices.

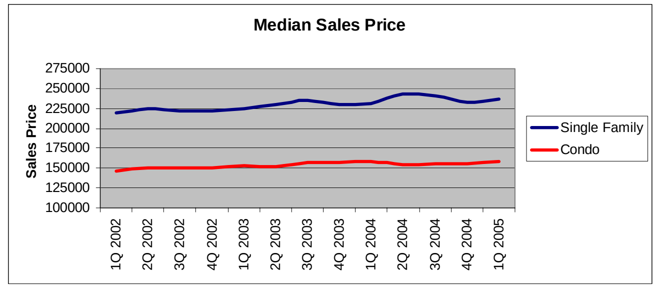


March finished the quarter on a positive note for the quarter with a flurry of activity and as a result, both the single family and condominium markets benefited from a decrease in supply. The supply of single family homes decreased from 2004 in all price ranges with the exception of homes priced below $140,000. Meanwhile, condominiums priced above $300,000 saw the most significant decreases in supply over 2004.



Price Appreciation Slowing: The average price of a single family home in the metro area nearly surpassed the $292,000 level during March. While this increase helped bring the year-to-date average up to $289,682, a 3.5% increase over 1st quarter 2004, it fell short of the 5.2% appreciation experienced between 2003 and 2004. Meanwhile, the less volatile and therefore more reliable median price (the middle price in a series of sales) increased by nearly 3% to $234,000.

Unfortunately, while the average year-to-date price of a condominium increased by 2.4% to $186,601, the median year-to-date price decreased by 0.4%, or $700, to $157,200 from 1st quarter 2004.



Conclusion: Although the market witnessed a flurry of activity during the first quarter which helped push the overall supply of available homes down, the recent rise in interest rates is cause for concern. The housing market has been one of the brightest spots in the economy. Housing has been so resilient that economists have been warning of price bubbles for several quarters.

With the recent rise in interest rates, potential home buyers will become more creative in determining how much they can spend for a house by looking at a range of products such as interest-only or adjustable-rate mortgages to meet their needs. Fortunately, the rise in rates has not been too dramatic as the monthly payment on a 30-year mortgage for $230,000 at 6% would only be $73 more than a 5.5% mortgage rate.

Therefore, assuming mortgage rates climb at a sustainable pace, the housing sector for the balance of 2005 will continue to remain a bright spot for the metro economy.

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