

Economic and Market Watch Report

3rd Quarter, 2004



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Consolidated Multiple Listing Service, Inc.
Economic and Market Watch Report

The Consolidated Multiple Listing Service, Inc. provides MLS service to over 5,000 real estate professionals in southwestern (Greater Fairfield County) Connecticut. We are committed to providing property information-based tools, resources and support services to enhance our member's success.

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FAIRFIELD COUNTY, CT

Buyer's Market	1	2	3	4	5	Seller's Market
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Labor Market :

A total of 10,535 jobs were created during July and August. The new jobs in Fairfield County were offset by a proportional increase in the number of job seekers. The net result was no change in the average monthly unemployment rate for the first two months of the third quarter from the 4% rate of the second quarter. The new jobs should help demand. Coupled with record low mortgage rates, these two patterns set the local housing market up for a strong spring.

Housing Market :

	Q2' 04	Q3' 04	Q4' 04 (Forecast)
Average Price	\$665,800	\$675,500	↑
# Homes on the Market *	5,818	6,301	↔
# Homes Sold **	2,559	2,749	↓
# New Homes Built ***	472	409	↓
Avg # of Days on Market	70	68	↑

* Available as of Sep. 30, 2004.
 ** May not add to total of zip codes
 *** During the first two months of 3rd quarter.

Bridgeport

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06604	\$239,200	24.78%	22	-35.29%	76	97.8%
06605	\$310,700	30.55%	30	15.38%	74	99.7%
06606	\$229,700	27.68%	149	-1.32%	72	97.8%
06607	\$107,800	54.00%	5	150.00%	37	98.6%
06608	\$106,700	10.23%	1	-66.67%	88	97.0%
06610	\$189,500	17.92%	41	-4.65%	88	94.4%



FAIRFIELD COUNTY, CT

Norwalk

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06850	\$559,000	7.11%	60	-25.93%	71	98.1%
06851	\$550,000	16.90%	76	-13.64%	57	98.8%
06853	\$1,088,300	12.09%	26	-29.73%	106	95.7%
06854	\$493,700	16.19%	47	-16.07%	59	98.3%
06855	\$844,700	45.34%	23	27.78%	79	98.5%
06856	\$1,008,000	-	1	-	134	97.0%

Stamford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06902	\$787,800	23.71%	74	1.37%	59	97.4%
06903	\$956,500	13.68%	68	-6.85%	75	97.1%
06904	\$815,100	-	7	-	60	97.9%
06905	\$625,000	12.55%	73	-1.35%	50	98.8%
06906	\$531,500	10.32%	19	5.56%	51	99.6%
06907	\$550,600	21.60%	22	-12.00%	52	98.6%

Fairfield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06824	\$743,300	-	179	-	62	97.4%
06825	\$497,300	-	87	-	55	98.1%
OTHER	\$1,046,900	67.64%	4	-91.11%	183	97.5%

Danbury

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
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FAIRFIELD COUNTY, CT

Danbury

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06810	\$343,400	12.66%	75	4.17%	59	97.9%
06811	\$410,000	7.75%	106	24.71%	63	98.2%

Greenwich

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06830	\$1,702,500	71.04%	8	33.33%	53	95.8%
06831	\$1,145,000	31.41%	5	25.00%	64	98.3%

Stratford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06614	\$304,000	11.85%	137	-9.27%	60	98.0%
06615	\$264,500	9.75%	60	-6.25%	57	97.3%

Bethel

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06801	\$417,100	23.48%	52	-33.33%	74	97.8%

Brookfield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06804	\$543,000	26.75%	63	-10.00%	66	97.6%



FAIRFIELD COUNTY, CT

Darien

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06820	\$1,379,000	21.42%	71	-8.97%	64	98.0%

Easton

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06612	\$797,900	11.21%	33	-13.16%	74	97.9%

Monroe

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06468	\$496,300	14.07%	67	-1.47%	60	98.7%

New Canaan

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06840	\$1,768,000	-6.84%	56	-1.75%	91	98.2%

New Fairfield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06812	\$470,700	16.28%	86	14.67%	60	97.5%



FAIRFIELD COUNTY, CT

Newtown

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06470	\$584,500	18.37%	94	-28.79%	81	98.6%

Redding

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06896	\$772,400	0.97%	46	-20.69%	90	97.3%

Ridgefield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06877	\$965,400	14.86%	144	-11.66%	73	98.8%

Shelton

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06484	\$391,900	7.43%	119	-11.85%	62	98.7%

Sherman

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06784	\$562,900	14.02%	19	-13.64%	81	96.3%



FAIRFIELD COUNTY, CT

Trumbull

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06611	\$512,800	14.23%	143	-8.92%	80	97.9%

Weston

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06883	\$1,004,300	2.70%	65	-12.16%	72	96.2%

Westport

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06880	\$1,371,100	21.45%	163	16.43%	77	96.1%

Wilton

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06897	\$1,033,800	13.23%	123	29.47%	68	97.6%



LITCHFIELD COUNTY, CT



Labor Market :

Employment increased by 2,979 jobs in Litchfield County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 4.1% for the second quarter to 4.4% in the first two months of the third quarter. The solid job growth may provide strong home sales, while low mortgage rates should continue to spur sales.

Housing Market :

	Q2' 04	Q3' 04	Q4' 04 (Forecast)
Average Price	\$478,200	\$459,800	↑
# Homes on the Market *	583	730	↑
# Homes Sold **	175	169	↔
# New Homes Built ***	235	149	↓
Avg # of Days on Market	100	94	↔

* Available as of Sep. 30, 2004.
 ** May not add to total of zip codes
 *** During the first two months of 3rd quarter.

Washington

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06777	\$612,500	0.36%	2	-66.67%	136	90.6%
06793	\$1,260,000	16.80%	2	-66.67%	102	90.2%
06794	\$599,600	61.70%	6	100.00%	224	91.7%

Warren

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
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LITCHFIELD COUNTY, CT

Warren

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06754	\$348,700	13.81%	4	-20.00%	108	98.9%
06777	\$1,002,900	-8.83%	2	100.00%	265	90.2%

Bridgewater

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06752	\$530,000	-24.87%	6	20.00%	113	95.9%

Kent

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06757	\$421,400	-16.41%	7	-30.00%	98	91.5%

New Milford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06776	\$388,000	15.65%	121	-16.55%	72	98.8%

Roxbury

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06783	\$825,200	25.26%	13	0.00%	167	90.7%



LITCHFIELD COUNTY, CT

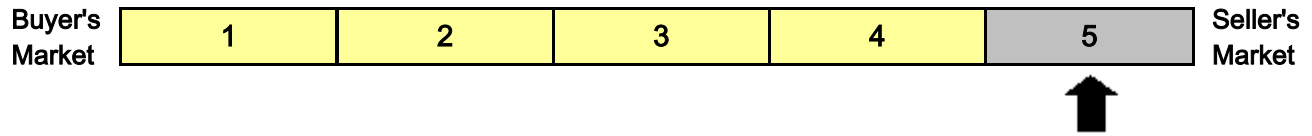
Sharon

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06069	\$526,800	27.62%	6	20.00%	142	89.4%



NEW HAVEN COUNTY, CT



Labor Market :

Employment increased by 4,948 jobs in New Haven County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 5.3% for the second quarter to 5.4% in the first two months of the third quarter. The solid job growth may provide strong home sales, while low mortgage rates should continue to spur sales.

Housing Market :

	Q2' 04	Q3' 04	Q4' 04 (Forecast)
Average Price	\$342,700	\$361,800	↑
# Homes on the Market *	710	861	↔
# Homes Sold **	308	329	↓
# New Homes Built ***	488	344	↓
Avg # of Days on Market	68	64	↑

* Available as of Sep. 30, 2004.
 ** May not add to total of zip codes
 *** During the first two months of 3rd quarter.

Ansonia

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06401	\$219,400	7.65%	36	-28.00%	67	96.0%

Beacon Falls

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06403	\$299,800	13.78%	11	0.00%	69	98.0%



NEW HAVEN COUNTY, CT

Derby

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06418	\$215,600	7.42%	18	-41.94%	86	97.1%

Milford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06460	\$381,900	8.87%	115	-16.67%	48	96.8%

Oxford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06478	\$432,300	21.91%	56	27.27%	80	99.1%

Seymour

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06483	\$276,900	-4.39%	47	4.44%	68	97.9%

Southbury

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06488	\$495,700	5.11%	46	4.55%	73	97.5%

Others

OTHER

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06024	\$2,808,000	-	1	-	420	80.2%
06031	\$259,500	-5.46%	1	-50.00%	53	96.3%
06039	\$1,050,000	371.27%	1	-50.00%	25	100.0%
06405	\$797,600	157.87%	4	0.00%	120	93.5%
06437	\$317,500	-	1	-	27	97.7%
06441	\$165,000	-	1	-	50	91.7%
06450	\$199,900	-	1	-	86	88.8%
06451	\$218,000	-	1	-	91	97.0%
06460	\$865,000	-	1	-	102	96.4%
06471	\$219,000	-	1	-	21	98.6%
06477	\$408,800	-6.35%	17	41.67%	45	97.2%
06482	\$488,700	6.38%	61	12.96%	79	98.4%
06483	\$255,000	-39.27%	1	0.00%	59	98.1%
06512	\$164,000	4.13%	1	0.00%	140	96.5%
06513	\$205,000	-	2	-	124	93.4%
06514	\$291,000	49.23%	3	200.00%	36	95.5%
06515	\$213,300	60.98%	4	100.00%	53	95.0%
06516	\$222,500	-27.38%	30	50.00%	59	96.4%
06518	\$254,000	-21.82%	2	100.00%	43	99.6%
06524	\$512,400	4.64%	5	66.67%	37	98.0%
06525	\$470,800	-24.95%	6	20.00%	80	97.4%
06704	\$142,000	-	2	-	91	96.6%
06705	\$110,000	-	1	-	97	100.0%
06708	\$177,300	15.20%	4	-33.33%	19	99.9%
06710	\$140,000	-	1	-	124	94.0%
06712	\$313,900	5.16%	5	66.67%	49	99.0%
06716	\$278,000	-	2	-	67	96.0%
06751	\$372,800	-24.84%	9	350.00%	115	90.3%
06753	\$730,000	84.34%	1	0.00%	90	97.3%
06754	\$325,000	-	1	-	157	95.9%
06755	\$266,100	-25.52%	5	66.67%	100	97.5%

Others

OTHER

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06756	\$407,500	-	4	-	117	93.6%
06759	\$655,000	26.91%	4	-42.86%	123	91.9%
06762	\$437,800	18.61%	5	-44.44%	64	95.9%
06763	\$950,000	143.78%	1	-66.67%	71	86.4%
06770	\$225,000	2.18%	53	96.30%	48	98.5%
06782	\$340,000	-	3	-	108	85.2%
06783	\$210,000	-2.33%	1	0.00%	250	95.5%
06784	\$231,300	-25.39%	2	100.00%	104	97.4%
06785	\$471,300	28.77%	4	0.00%	79	95.0%
06787	\$250,000	-	2	-	51	99.5%
06795	\$322,200	-7.94%	5	400.00%	49	100.8%
06798	\$502,700	8.29%	13	-27.78%	95	99.6%
06804	\$329,900	80.77%	1	0.00%	37	100.0%
06807	\$2,312,500	145.54%	1	-66.67%	75	93.4%
06831	\$1,645,000	-	2	-	33	114.6%
06870	\$1,248,700	122.98%	3	200.00%	131	69.8%
06878	\$1,364,600	4.03%	6	100.00%	94	95.2%
06890	\$1,066,500	-	10	-	67	97.5%
OTHER	\$1,395,800	77.65%	6	-45.45%	135	97.8%

The Sky is Falling?

By Ken Fears

Last fall and spring the economy experienced robust growth and gains in employment. As a result, market watchers began to worry about rising price levels. It was feared that rising prices would push up mortgage rates, clamping down on the record housing market. Indeed, over the last few months, the Federal Reserve board has seen it fit to raise the Fed funds rate, the rate at which banks can borrow funds from the Fed to meet their obligations, by 1.0 percent points. But the long-term bond yields and the 30-year fixed rate mortgage have remained largely unchanged. The 30-year FRM averaged 5.9 percent during July, August, and September of 2004 as compared to 6.0 percent during the third quarter of 2003.

Still, much has been made in the media about an imminent end to the booming housing market. Some have cited measures of sales and prices, while others have looked at the time that homes has been sitting on the market. Others have pointed to new market trends: which homes are selling and in what price range.

Here in the area covered by Consolidated MLS sales have fallen to 3,551 as compared to 3,710 registered during the same three month period, July, August, and September, in 2003. Meanwhile, the average priced home sold for \$617,402 in the third quarter of 2004 as compared to \$545,374 a year earlier; a change of 13.2%. But prices and sales can be deceptive during this period of the housing cycle. Days on the market, a much more robust measure of market demand, eased to 70 from 79, an indication of continued strength in the market.

There has also been speculation about a new trend where rising rates are restricting demand for higher priced homes. Furthermore, it is argued that demand at the lower price ranges has increased as young professionals and new households try to take advantage of the record low mortgage rates and new employment positions. In the area covered by Consolidated MLS, homes selling above the median price for a single family home in 2004 have experienced a -8.1% decrease in days on the market for sales in the third quarter as compared to the same period in 2003. Meanwhile, the days on the market for sales below the median price eased -49.7%. Thus, this trend would appear to be possible, but there isn't enough evidence at this time for the area covered by Consolidated MLS.

Days on the Market	2003	2004
Below national Median Price	7.1	3.6
Greater than National Median Price	71.9	66.1

The word may still be out on whether the housing market is easing or not, but it is certain that as the general price level rises through the winter of 2004 and spring of 2005, mortgage rates will follow. However, this process is part of the natural housing cycle and the fundamentals of the housing market remain sound. Housing is among the best assets and few people speculate on homes like they do on equities. Sales will likely moderate from their record levels in early 2004, but they will remain strong through the end of 2004 and 2005. NAR® forecasts national sales of existing homes to register 6.3 million units in 2005, the second highest number of sales after the record year in 2004.

Boom Boom (Breathe) Boom

By David Lereah. *Chief Economist*

For all those doomsayers out there, I have a message - today's real estate boom is not going away anytime soon. Just because home sales are expected to fall next year doesn't necessarily mean the great real estate expansion is over. A real estate boom doesn't necessarily mean that home sales post record numbers every year.

After setting unprecedented highs for four consecutive years (2001 to 2004), home sales should ease a bit in 2005 but remain historically strong. I am now projecting existing home sales to post an all-time record of 6.49 million this year, but fall to 6.25 million next year. Similarly, I expect new home sales to register a record 1.15 million this year, while dropping to 1.05 million in 2005. Even with a projected drop in home sales next year, the 2005 housing market promises to experience the second best year ever.

Today's healthy real estate expansion began in 1992 and continues today, but not without some ups and downs. Existing home sales posted negative growth in 1995 and 2000. Similarly new home sales posted negative growth in 1994 and 1999. Despite these temporary setbacks, from a longer-term perspective, the housing markets never strayed from their expansion path.

Next year will be no different. Home sales will fall a bit, but home appreciation will stay healthy, posting a rather healthy 5.3 percent rate, according to my projections. There will be no popping sounds in 2005, just a little air coming out of a balloon.

People also need to be reminded that real estate doesn't need a boom to roar. Residential property has built in benefits that many other income-generating assets lack. First, there are the social benefits of owning a home: pride of homeownership, improved relations with family members, reduced crime in the community. Second, real estate is a highly leveraged asset generating high yielding returns and creating significant wealth through amortization schedules and steady price appreciation on the money you put down. Third, real estate expands your borrowing/buying power, allowing you to borrow against your equity in your property. And finally, real estate brings with it tax benefits and government subsidies that no other income-generating asset can rival.

With regard to real estate's income/wealth potential, it has compared very favorably to stocks during the past 16 years. Looking at the 1988 to 2003 period (2004 data is not yet available), the returns on residential real estate are far greater than the returns experienced in the stock market.

For the 16 year period, home price appreciation (median existing home price) averaged 4.4 percent compared to an average annual return of 13.9 percent on the S&P 500 index. But most real estate is leveraged, so the return on investment is much higher. To illustrate this point, let's look at a typical real estate transaction. If you purchased a \$250,000 property with a 20 percent downpayment (\$50,000) and the home experienced a 4.4 percent price appreciation annually for 16 years, the return on the initial \$50,000 investment would be 22.1 percent, far higher than the 13.9 annual return earned on the S&P 500 index.

Real estate is the gift that keeps on giving. The expansion is expected to continue into the foreseeable future. All of the fundamentals for the housing markets are in the same place that they were several years ago. Mortgage rates are still hovering near historic lows, the supply of homes remains lean, and the demand for homes is buoyed by strong demographic trends. Don't panic if home sales begin to fall a bit, or if home appreciation slows from its current highs next year. The long-term trend line is up, although there will be some fluctuations around the trend from time to time. Today's real estate boom is alive and well, it just needs to take a short breather, every now and then.

The Forecast

By Lawrence Yun, *Senior Research Forecaster*

The economy improved in the third quarter after hitting a “soft patch” in the second quarter. The total production advanced at 3.7 percent clip. Robust growth in consumer spending of 4.6 percent and a double-digit growth in business spending pushed the economy forward. The built-in momentum of substantial rise in corporate profits, job creation (1.8 million since August 2003), low inflation and favorable interest rates will help lift the GDP growth rate better than 4 percent in the next two quarters.

Good Bets

The rising tide will lift most boats. Unemployment will fall to under 5 percent by the spring of 2005. Tax revenue will rise. Most state and local governments will receive a better than expected take from rising retail sales activity and property values. The federal budget deficit will shrink to about \$300 billion in 2005 from \$420 billion in 2004. Household income, which has grown by an average of 1% per year in the past three years, will improve by 3% in 2004 and by 4% in 2005. The stock market has room to grow given the recent significant rises in corporate profits. Homeowners can expect \$10,000 equity gain from home price appreciation in 2005. The magical 70 percent homeownership rate will be within reach in 2005.

Wildcards

However, such an optimistic outlook is not without risk. A major terrorist attack on U.S. soil will drastically lower business and consumer confidence. A fall in spending activity will restart the downward spiral of job cuts, falling confidence, less spending, job cuts, and on and on. The current outlook assumes no major terrorist attacks in the U.S.

Oil is another major concern. As recently as 1998, a barrel of oil was priced under \$13. Price above \$35 is a bit uncomfortable. It stands now at \$50. The current economic outlook assumes oil price to retreat to \$48 by the year end and to \$38 by the end of 2005. Based on that assumption, the economy will expand at a robust 4.4 percent in 2005. A pessimistic scenario of oil prices rising to \$70 and staying there cut GDP growth rate to under 2 percent

A Winning Hand

Should the economy come under stress from terror attacks or from higher oil prices, the real estate market, as in the past, will provide backup support. Uncertain times push investors into tangible real estate investments. A sluggish economy will lower inflationary pressures and postpone Federal Reserve interest hikes. The real estate outlook does not, therefore, materially change under the alternative scenarios. For the Consolidated MLS market, home sales are projected to fall by 3 percent in 2005, following a 5 percent rise in 2004. Rising mortgage rates will hold back buying enthusiasm, though job additions will provide some counterbalancing force. There is no bubble in this market. Home prices will advance 5 percent in 2005.

U.S. Economic Outlook: November 2004

	2003		2004		2005				2006		2002	2003	2004	2005
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1				
U.S. Economy														
<i>Annual Growth Rate</i>														
Real GDP	4.2	4.5	3.3	3.9	4.2	4.6	4.8	4.6	3.9	4.0	1.9	3.0	4.5	4.4
Nonfarm Payroll Employment	0.6	1.1	2.3	1.4	2.4	2.4	2.4	2.1	2.0	1.8	-1.1	-0.3	1.1	2.1
Consumer Prices	0.7	3.6	4.7	1.6	1.9	2.5	2.1	2.0	2.2	2.1	1.6	2.3	2.6	2.2
Real Disposable Income	1.3	2.4	2.4	1.6	4.4	6.4	4.8	4.1	3.8	5.1	3.0	2.3	3.0	4.4
Consumer Confidence	79	90	92	99	101	104	106	110	111	113	97	77	95	108
<i>Percent</i>														
Unemployment	5.9	5.6	5.6	5.4	5.2	5.0	4.9	4.8	4.7	4.7	5.8	6.0	5.5	4.9
<i>Interest Rates, Percent</i>														
Fed Funds Rate	1.0	1.0	1.0	1.5	1.9	2.2	2.5	2.8	3.0	3.3	1.7	1.1	1.4	2.6
3-Month T-Bill Rate	0.9	0.9	1.1	1.6	1.9	2.2	2.4	2.6	2.9	3.2	1.6	1.0	1.4	2.5
Prime Rate	4.0	4.0	4.0	4.5	4.9	5.2	5.5	5.8	6.0	6.3	4.7	4.1	4.4	5.6
Discount Rate	0.5	0.5	0.5	1.0	1.4	1.7	2.0	2.3	2.5	2.8	1.2	0.6	0.9	2.1
Corporate Aaa Bond Yield	5.7	5.5	5.9	5.7	5.9	6.2	6.2	6.4	6.5	6.5	6.5	5.7	5.7	6.3
30-Year Government Bond	5.2	5.0	5.4	5.3	5.5	5.8	5.9	6.1	6.2	6.1	5.4	5.1	5.3	6.0
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	5.9	5.6	6.1	5.9	6.0	6.3	6.4	6.6	6.6	6.6	6.5	5.8	5.9	6.5
1-Year Adjustable	3.7	3.5	3.9	4.1	4.4	4.7	4.9	5.1	5.3	5.5	4.6	3.8	4.0	5.0
National Housing Indicators														
<i>Thousands</i>														
Existing Single-Family Sales	6,297	6,203	6,787	6,611	6,258	6,150	6,292	6,359	6,199	6,123	5,566	6,100	6,487	6,258
New Single-Family Sales	1,116	1,197	1,196	1,120	1,084	1,082	1,068	1,047	990	989	973	1,086	1,149	1,047
Housing Starts	2,035	1,943	1,920	1,990	1,915	1,894	1,884	1,862	1,843	1,852	1,705	1,848	1,942	1,871
Single-Family Units	1,657	1,570	1,596	1,658	1,576	1,543	1,520	1,485	1,458	1,453	1,359	1,499	1,600	1,501
Multifamily Units	378	373	323	332	339	351	364	378	385	399	346	349	342	370
Residential Construction*	536	543	564	562	564	556	552	548	544	543	470	511	558	550
<i>Percent Change -- Year Ago</i>														
Existing Single-Family Sales	9.6	5.7	16.5	2.9	-0.6	-0.8	-7.3	-3.8	-0.9	-0.4	5.1	9.6	6.4	-3.5
New Single-Family Sales	8.8	22.1	8.2	-3.2	-2.8	-9.6	-10.7	-6.6	-8.7	-8.6	7.2	11.6	5.8	-8.9
Housing Starts	17.6	11.2	10.0	5.6	-5.9	-2.5	-1.8	-6.4	-3.8	-2.2	6.4	8.4	5.1	-3.7
Single-Family Units	18.8	10.7	12.4	8.9	-4.9	-1.7	-4.8	-10.5	-7.5	-5.8	6.8	10.3	6.7	-6.2
Multifamily Units	12.8	13.5	-0.4	-8.1	-10.1	-5.9	12.6	13.8	13.5	13.7	5.3	0.9	-2.1	8.1
Residential Construction	12.0	11.3	13.2	7.3	5.2	2.5	-2.1	-2.6	-3.6	-2.5	4.8	8.8	9.2	-1.5
National Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	172.2	170.8	183.5	188.9	181.9	180.2	192.6	199.1	191.4	188.6	158.1	170.0	181.8	191.4
New Home Prices	199.1	212.9	215.8	209.9	211.5	221.7	224.4	222.4	225.3	230.8	187.6	195.0	212.5	223.5
<i>Percent Change -- Year Ago</i>														
Existing Home Prices	7.0	6.0	9.0	6.8	5.6	5.5	5.0	5.4	5.2	4.7	7.0	7.5	7.0	5.3
New Home Prices	5.2	15.3	13.0	10.0	6.2	4.1	4.0	6.0	6.5	4.1	7.1	3.9	9.0	5.1
Local Region														
Jobs (in thousands)	186.9	184.5	188.4	191.9	188.0	185.8	190.1	194.0	190.5	188.8	187.7	187.1	188.2	190.1
Home Sales	2700	2006	3309	3551	2781	2038	3087	3448	2745	2040	11307	11124	11647	11318
Home Prices (in thousand \$)	511.0	542.3	609.4	617.4	545.7	574.9	640.5	645.8	570.8	599.6	472.8	516.0	585.1	613.4
<i>Percent Change -- Year Ago</i>														
Jobs	0.2%	0.4%	0.5%	0.8%	0.6%	0.7%	0.9%	1.1%	1.3%	1.6%	-2.5%	-0.3%	0.6%	1.0%
Home Sales	4.7%	5.7%	17.5%	-4.3%	3.0%	1.6%	-6.7%	-2.9%	-1.3%	0.1%	9.2%	-1.6%	4.7%	-2.8%
Home Prices	8.6%	15.2%	18.9%	13.2%	6.8%	6.0%	5.1%	4.6%	4.6%	4.3%	11.1%	9.2%	13.4%	4.8%

Quarterly figures are seasonally adjusted annual rates.

* Billion dollars

Source: Forecast produced using Macroeconomic Advisers quarterly model of the U.S. economy. Assumptions and simulations by Dr. David Lereah and Dr. Lawrence Yun.

Economic Monitor

This table reflects data available through October 8, 2004.

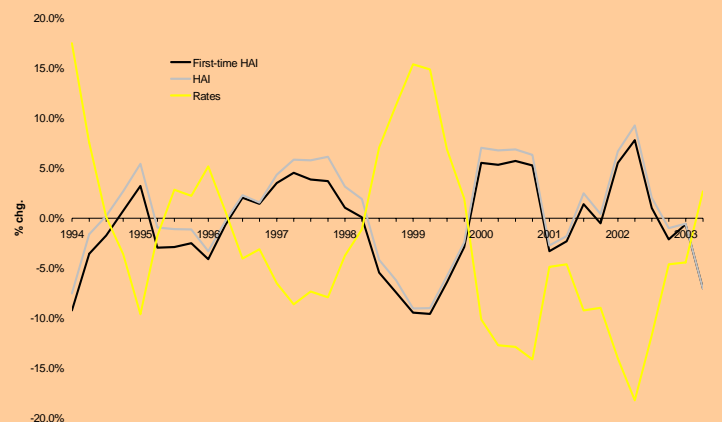
Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Mortgage Rates The 30-year fixed mortgage rate dropped 11 basis points in September to 5.76%. This is the lowest since March. The one-year adjustable rate slipped to 4.0 from 4.06 in the previous month.	July 6.06 Aug 5.87 Sept 5.76	↑	A string of Fed short-term hike rates to eventually bump up long-term rates.
Existing Home Sales declined 2.7% in August to a seasonally adjusted annual rate of 6.54 million units - their lowest level since March. Sales fell in all regions except the Northeast, which were unchanged compared to the previous month. Despite the decline, the current pace of home sales is still 7% higher than the record set in 2003 (6.1 million).	June 6,920 July 6,720 Aug 6,540	↓	From superb to very decent sale pace
New Home Sales rebounded after a dip in July, rising 9.4% in August to a rate of 1.184 million units. The gains were primarily fueled by another dip in mortgage rates. Inventories remain lean, with the month's supply coming in at 4.2. The median price of a new home rose 9.6% to \$211,339.	June 1,167 July 1,082 Aug 1,184	↓	Higher construction costs leading to new home prices rising faster than existing home prices.
Housing Starts advanced 6% from July to a level of 2.0 million units in August. The multifamily sector, in particular, has really taken off in recent months. At 333,000 units, multifamily construction is at a four month high. Housing permits fell, suggesting builders are beginning to pull back slightly.	June 1,817 July 1,988 Aug 2,000	↔	Multifamily unit starts to turn the corner in a job creating economy.
Employment Growth Nonfarm payroll employment increased by 96,000 jobs in September. Over the past three months payroll employment rose by 103,000 on average. Unemployment was unchanged at 5.4%.	July 73 Aug 128 Sept 96	↑	Strong economic momentum to lift hiring.
Purchase Applications Mortgage applications rebounded nicely, after a dip in August. Low mortgage rates helped the index climb 3.5% in September to 464.4. This level is just a tick below the all-time high posted in May of this year.	July 461.4 Aug 448.5 Sept 464.4	↓	Mortgage brokers getting nervous as rates rise, particularly related to refi activity.
Housing Affordability inched up to 127.5 in August - indicating the typical family still has the income necessary to purchase a home. However, the index is down 5.2% compared to a year-ago, showing that affordability conditions are less favorable than they were in August 2003.	June 123.7 July 125.7 Aug 127.5	↓	Will be another year before income growth matches home price growth.
Inflation The consumer price index increased 0.1% after a dip in July. The core index (excluding food and energy) also rose 0.1%. Inflation over the past year is back below 3%.	June 0.3 July -0.1 Aug 0.1	↔	Energy prices likely to have peaked.

Notes: All rates are seasonally adjusted. Existing home sales, new home sales and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Inflation is shown as month-to-month percent change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Mortgage Bankers Association, and Freddie Mac.

Housing Affordability Index (HAI) is the most fundamental measure of the financial capacity of households to be able to afford to purchase a home. NAR measures indices for both repeat and first-time buyers and calculates the percentage of households that can afford to purchase a median priced home. The HAI calculations are impacted primarily by three variables: mortgage rates, median home prices, and family income. The trends of these indices, repeat and first-time buyers, move in tandem. Recent indices have declined, due in large part to rising home values, but declining mortgage rates offset some of the rise in prices and kept homes affordable for most. First-time homebuyers, however, are more sensitive to mortgage rates, in comparison to their counterparts. According to the latest NAR homebuyers and sellers survey, forty percent of homebuyers are first-time purchasers.

By Wannasiri Chompoopet

Housing Affordability



Source: NAR, Freddie Mac