

# Economic and Market Watch Report

3<sup>rd</sup> Quarter, 2005



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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.

**Index**

**Local Report**

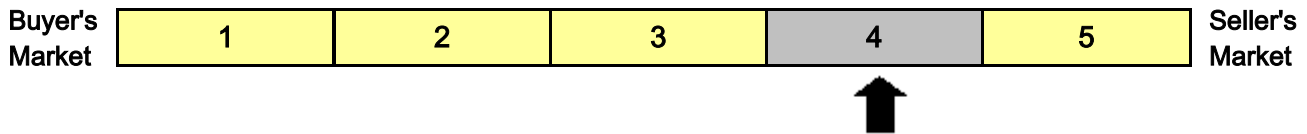
**Connecticut**

<b>Fairfield County .....</b>	<b>1</b>
<b>Litchfield County .....</b>	<b>7</b>
<b>New Haven County .....</b>	<b>9</b>
<b>Others .....</b>	<b>11</b>
<b>Trends .....</b>	<b>13</b>
<b>Chief Economist's Commentary* .....</b>	<b>14</b>
<b>Local Forecast .....</b>	<b>15</b>
<b>Economic Monitor* .....</b>	<b>17</b>

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## Fairfield County, CT



### Labor Market :

Employment increased by 8,674 jobs in Fairfield 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 4.7% for the second quarter to 4.9% 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' 05	Q3' 05	Q4' 05 (Forecast)
Average Price	\$700,000	\$766,700	↑
# Homes on the Market *	9,007	10,365	↔
# Homes Sold **	2,482	2,777	↓
# New Homes Built ***	492	372	↓
Avg # of Days on Market	72	68	↑

\* Available as of Sep. 30, 2005.

\*\* May not add to total of zip codes.

\*\*\* During the first two months of 3rd quarter.

### 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	\$482,300	15.63%	60	15.38%	63	97.7%

### 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)
06602	\$265,000	-	1	-	103	96.7%
06604	\$286,300	19.69%	36	63.64%	75	96.1%



## Fairfield County, CT

### 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)
06605	\$411,200	32.35%	15	-50.00%	117	96.0%
06606	\$257,500	12.10%	150	0.67%	64	97.8%
06607	\$108,500	0.65%	4	-20.00%	21	84.9%
06608	\$158,800	48.83%	8	700.00%	127	97.2%
06610	\$225,000	18.73%	41	0.00%	70	97.1%

### 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	\$571,100	5.17%	96	52.38%	81	98.2%

### 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	\$367,200	6.93%	72	-4.00%	59	98.4%
06811	\$421,400	2.78%	85	-19.81%	66	98.6%

### 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	\$1,586,900	15.08%	74	4.23%	80	96.3%

### 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	\$920,800	15.40%	28	-15.15%	70	97.8%

## Fairfield County, CT

### *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	\$886,300	19.24%	158	-11.73%	61	97.7%
06825	\$548,500	10.30%	91	4.60%	61	97.6%
OTHER	\$565,000	-46.03%	1	-75.00%	75	99.3%

### *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	\$2,061,500	21.09%	10	25.00%	80	95.0%
06831	\$1,512,000	32.05%	5	0.00%	44	95.3%

### *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	\$517,100	4.19%	70	4.48%	63	98.8%

### *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	\$2,087,000	18.04%	56	0.00%	97	95.7%

### *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	\$549,500	16.74%	82	-4.65%	89	95.8%



## 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	\$594,400	1.69%	79	-15.96%	77	97.6%

### 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	\$589,300	5.42%	67	11.67%	63	97.8%
06851	\$552,200	0.40%	91	19.74%	61	98.4%
06853	\$1,487,700	36.70%	34	30.77%	96	96.0%
06854	\$744,300	50.76%	58	23.40%	62	95.5%
06855	\$1,055,600	24.97%	20	-13.04%	67	96.1%

### 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	\$1,042,500	34.97%	44	-4.35%	71	96.1%

### 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	\$998,500	3.43%	136	-5.56%	55	98.4%

### 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	\$459,700	17.30%	134	12.61%	65	99.2%

## Fairfield County, CT

### 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	\$650,600	15.58%	16	-15.79%	82	97.3%

### 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	\$936,700	18.90%	74	0.00%	62	97.4%
06903	\$1,070,000	11.87%	93	36.76%	64	97.3%
06904	\$960,000	17.78%	5	-28.57%	48	97.1%
06905	\$697,200	11.55%	61	-16.44%	58	98.4%
06906	\$539,400	1.49%	23	21.05%	66	97.7%
06907	\$565,900	2.78%	13	-40.91%	65	99.1%

### 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	\$345,800	13.75%	132	-3.65%	63	97.6%
06615	\$308,100	16.48%	56	-6.67%	70	96.0%

### 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	\$546,500	6.57%	160	11.89%	64	98.7%

### 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	\$1,323,000	31.73%	68	4.62%	91	95.8%



## Fairfield County, CT

### 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	\$1,545,000	12.68%	157	-3.68%	78	95.8%

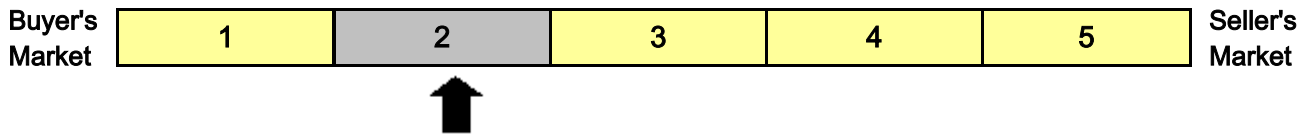
### Wilton

#### 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	\$1,176,100	13.76%	113	-8.13%	73	96.9%



### Litchfield County, CT



#### Labor Market :

Employment increased by 748 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 4.7% for the second quarter to 4.9% 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' 05	Q3' 05	Q4' 05 (Forecast)
Average Price	\$520,700	\$520,900	↑
# Homes on the Market *	952	1,075	↔
# Homes Sold **	171	187	↓
# New Homes Built ***	175	100	↓
Avg # of Days on Market	113	92	↑

\* Available as of Sep. 30, 2005.  
 \*\* May not add to total of zip codes.  
 \*\*\* During the first two months of 3rd quarter.

#### 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	\$708,900	33.75%	5	-16.67%	140	92.5%

#### 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	\$515,300	22.28%	11	57.14%	103	92.4%

## Litchfield County, CT

### 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	\$418,000	7.73%	137	13.22%	79	97.9%

### 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	\$700,000	-15.17%	6	-53.85%	237	93.0%

### 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	\$942,800	78.97%	6	0.00%	160	81.6%

### Warren

#### Data by Zip Codes

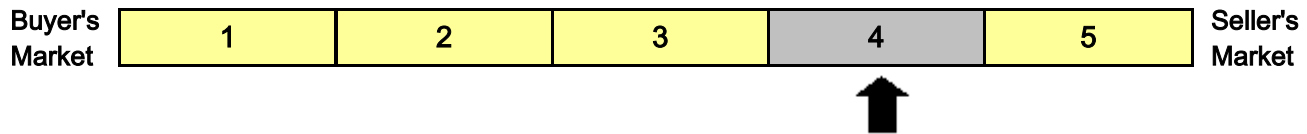
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06754	\$492,000	41.10%	4	0.00%	89	99.1%

### 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	\$629,000	2.69%	8	300.00%	109	91.7%
06793	\$1,415,000	12.30%	7	250.00%	126	93.8%
06794	\$1,385,000	130.99%	3	-50.00%	33	87.5%

## New Haven County, CT



### Labor Market :

Employment increased by 6,063 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 5.6% for the second quarter to 5.9% 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' 05	Q3' 05	Q4' 05 (Forecast)
Average Price	\$379,500	\$398,900	↑
# Homes on the Market *	1,101	1,310	↔
# Homes Sold **	353	348	↓
# New Homes Built ***	406	265	↓
Avg # of Days on Market	70	67	↑

\* Available as of Sep. 30, 2005.

\*\* 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	\$278,200	26.80%	39	8.33%	52	99.0%

### 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	\$297,400	-0.80%	12	9.09%	72	98.9%

## 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	\$291,900	35.39%	18	0.00%	70	98.3%

### 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	\$435,600	14.06%	119	3.48%	58	96.5%

### 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	\$434,100	0.42%	48	-14.29%	78	98.5%

### 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	\$336,500	21.52%	51	8.51%	74	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	\$480,600	-3.05%	61	32.61%	82	97.7%

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)
06031	\$480,000	84.97%	2	100.00%	36	101.1%
06039	\$417,300	-60.26%	3	200.00%	76	98.6%
06057	\$78,900	-	1	-	8	100.0%
06068	\$1,300,000	-	2	-	122	98.3%
06405	\$514,000	-35.56%	3	-25.00%	93	96.7%
06410	\$350,000	-	2	-	41	92.3%
06437	\$939,100	195.78%	5	400.00%	98	90.7%
06443	\$695,000	-	2	-	110	94.9%
06450	\$166,700	-16.61%	1	0.00%	0	95.9%
06473	\$345,300	-	2	-	94	94.6%
06477	\$471,800	15.41%	37	117.65%	56	97.6%
06479	\$277,000	-	1	-	47	95.6%
06482	\$527,900	8.02%	64	4.92%	81	98.2%
06483	\$539,900	111.73%	1	0.00%	50	100.0%
06484	\$850,000	-	1	-	135	102.5%
06492	\$687,500	-	2	-	41	85.9%
06511	\$159,800	-	3	-	42	94.4%
06512	\$294,600	79.63%	5	400.00%	84	96.7%
06513	\$258,000	25.85%	1	-50.00%	360	97.4%
06514	\$281,900	-3.13%	6	100.00%	28	98.6%
06515	\$260,100	21.94%	8	100.00%	24	98.2%
06516	\$246,000	10.56%	38	26.67%	53	96.6%
06517	\$258,500	-	1	-	54	99.5%
06518	\$342,400	34.80%	2	0.00%	27	100.0%
06524	\$555,000	8.31%	12	140.00%	74	97.2%
06525	\$575,600	22.26%	13	116.67%	77	94.2%
06610	\$215,000	-	1	-	34	100.0%
06611	\$468,000	-	1	-	125	96.5%
06705	\$199,500	81.36%	4	300.00%	115	98.8%
06706	\$139,300	-	3	-	144	98.4%
06708	\$180,400	1.75%	5	25.00%	35	96.3%
06710	\$244,300	74.50%	3	200.00%	41	97.9%
06712	\$335,000	6.72%	7	40.00%	103	95.0%
06751	\$463,200	24.25%	5	-44.44%	98	89.1%

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)
06753	\$331,300	-54.62%	2	100.00%	91	97.7%
06754	\$351,000	8.00%	1	0.00%	45	106.4%
06755	\$430,500	61.78%	8	60.00%	95	96.4%
06756	\$448,800	10.13%	4	0.00%	123	94.1%
06759	\$957,000	46.11%	7	75.00%	102	88.0%
06762	\$538,400	22.98%	9	80.00%	80	93.1%
06763	\$255,200	-73.14%	5	400.00%	206	93.8%
06770	\$263,700	17.20%	42	-20.75%	58	96.9%
06779	\$259,900	-	1	-	17	100.0%
06784	\$300,700	30.00%	3	50.00%	39	99.5%
06785	\$981,300	108.21%	4	0.00%	157	86.9%
06787	\$211,000	-15.60%	1	-50.00%	138	100.5%
06790	\$288,500	-	3	-	99	100.0%
06791	\$560,000	-	2	-	244	94.9%
06795	\$328,700	2.02%	7	40.00%	82	93.9%
06796	\$1,136,700	-	3	-	62	98.3%
06798	\$527,700	4.97%	20	53.85%	73	97.4%
06807	\$956,500	-58.64%	6	500.00%	51	98.1%
06825	\$1,140,000	-	1	-	25	95.1%
06831	\$2,325,300	41.36%	2	0.00%	48	93.6%
06870	\$1,707,700	-4.33%	10	400.00%	90	94.5%
06878	\$1,939,900	42.16%	7	16.67%	80	96.4%
06890	\$1,199,300	12.45%	25	150.00%	75	96.7%
12546	\$1,500,000	-	1	-	1,810	66.7%
12563	\$500,000	-	1	-	363	90.9%
OTHER	\$746,500	-46.52%	2	-66.67%	21	98.3%

## Seeing Bubbles Everywhere

By Ken Fears, Economist

It seems like every day brings another article in the newspaper or a segment on TV about falling housing prices and rising supply. Truly it feels like the bubble rhetoric has been ratcheted up this fall. But is this new information and what does it mean for the prospects of a “bubble” market?

The most frequently cited indicators of a bubble market are rising inventories, falling or stagnant prices, and strong construction. However, do these factors really imply the bursting of an impending bubble, or that there is a bubble at all?

Housing prices fall *nearly every* autumn and the supply (and days on the market) of homes rises *every* autumn as well. The reasons for this pattern are straight forward and numerous. First, during the summer the weather is better, making showing properties easier. Second, companies give bonuses at Christmas and early spring and tax refunds occur during this same period, funds that can be used as equity in the home purchase process. Finally, and probably most importantly, families tend to move during the late spring and summer rather than disturb their children’s schooling during the winter. For all of these reasons, demand spikes during the spring and summer drawing sellers to the market and reducing days on the market. As autumn approaches, demand declines, but a large supply remains. As this bulge in supply is worked off, price growth slows and days on the market temporarily rise. Locally, days on the market in the area covered by Consolidated MLS have risen an average of 9 percent from summer to fall (third quarter versus fourth quarter) over the last 3 years.

To be true, there is more than one reason that supply, and days on the market may be rising. Seasonal patterns explain part of it, but the natural housing cycle may also contribute. During normal business cycles, interest rates fall during the slump or recession. The low rates and low (relative) home prices induce buying. Demand rises, driving up home prices, causing more sellers to put their homes on the market. As the economy heats up, so do interest and mortgage rates, cutting back on sales. This cycle repeats itself as often as the business cycle, but it is important to note that, while sales rise and decline over the cycle, sales never stop and that price fluctuations may be dramatic, but not bubble-esque.

Now, while either of the above scenarios would cause price growth to moderate, sales to decline and days on the market to rise, none are indicative of a market “bust”. In fact, the housing market has been a sellers’ market, moving at break-neck speed for years. If the market slows and supply is finally able to catch up with demand, this change would only swing the pendulum towards a market that is more evenly balanced between buyers and sellers. Such a market would be more sustainable in the long-run and less prone to swings and shortages. More importantly, a slower market would allow buyers to take more time during the purchase to ensure that they are getting what they want. As the market slows, the supply and selection of homes will deepen. In addition, with more time, sellers are less likely to list properties “as is” or to avoid inspections. Remember, half of all transactions involve a buyer, and a satisfied buyer is likely to become another customer in the future (the average household buys a new home every 7 years according to NAR research). In short, the slowing of the market is not something that Realtors should fear, rather it should be welcomed for the calming, stabilizing force that it is.

# The Sun Will Come Out Tomorrow

by David Lereah, Chief Economist

All of a sudden—a moderate rain has turned into a torrential downpour for the real estate markets. Everywhere you turn, the real estate business is getting rained on. Accusations are flying, doomsayers are warning, mortgage rates are rising and the media has lost faith in what has been the economy's little engine that could during the past four years.

Here are some of the wet highlights: Hurricane Katrina has destroyed hundreds of thousands of residential and commercial properties in our nation's Gulf States, creating chaos and despair among homeowners, renters and real estate professionals. The Department of Justice has filed a lawsuit accusing the real estate industry in engaging in anti-competitive practices. President Bush's tax commission just announced that housing subsidies, such as the mortgage interest deduction and the capital gains exemption is now on the cutting board. And the other great housing subsidy—Fannie Mae and Freddie Mac—is also in danger of being whittled down.

Furthermore, high oil prices—defying gravity—promise to inhibit future economic and real estate activity. Of course, banks are still trying to expand their powers into real estate brokerage activities, threatening the competitive balance of our industry. And the media and Wall Street doomsayers continue to forecast the demise of the housing markets as we know it— via bubbles bursting. If that is not enough, mortgage rates are now on the rise with the Federal Reserve promising to continue to hike interest rates in the near term.

So are the solid days of real estate behind us? Heck no. With over 100,000 real estate brokerage companies and over 1.2 million Realtors, the National Association of Realtors is confident that it will prevail over the Department of Justice's lawsuit. And as happened a decade ago, our industry will come together—Realtors, lenders, home builders and other real estate professions and protect the very housing subsidies that have made our economy and more importantly, our families, strong.

Looking forward, lower oil prices and the rebuilding of our Gulf States will provide a boost to economic and real estate activity next year. Thirty-year mortgage rates are expected to rise to about 6.7 percent by the end of next year—but is anyone complaining about mortgage rates below 7 percent?

As for the doom and gloom “bubbleologists”—it is *they* who are full of hot air. There is little irrational property buying in today's real estate markets. The housing markets continue to be fundamentally sound: mortgage rates are relatively low, supply is relatively lean and demand remains strong. But as interest rates rise during the next twelve months, home sales will modestly drop and inventories will modestly rise. Air will leak out of most of local housing balloons across the nation, but few balloons will pop.

So in the end—sometime towards the end of next year—the sun will come out in the housing industry. Home price appreciation will come back down to reality (4 to 7 percent appreciation), Realtors will sell homes- but at a less than record pace—lenders will lend money on home purchases and builders will build new homes. The housing markets will experience a soft landing, and all of us will live happily ever after – well, almost, anyway.

## The Forecast

By Lawrence Yun, *Senior Research Forecaster*

The destruction from Hurricanes Katrina and Wilma is massive, and will certainly have a huge economic impact on the area where the storm hit. Our best estimate is that Katrina alone destroyed roughly \$100 billion worth of housing, commercial, and public property. That loss, assuming everyone in New Orleans, Gulfport-Biloxi, and Mobile metro areas were equally impacted, translates into about \$51,000 per person or \$136,000 per household. It is colossal and does not even include income losses from job market dislocations. It, of course, does not include the loss of lives or the emotional distress to the hundreds of thousands displaced people. Wilma was far less damaging and, as with other Florida hurricanes, market activity is expected to resume to normal activity (meaning “hot” in Florida) after a short-term pause.

Nonetheless, the disasters put a huge dent to local economic activity that undoubtedly will last for a while. But at the moment it does not appear that it will have enough of a nationwide impact to tip the overall economy into a recession. Gasoline and energy prices will remain elevated for a much longer period than earlier anticipated due to the damage to some refineries. Shipping and transport routes will need to be re-routed. Nonetheless, the nationwide economy will continue to expand at better than 3% in 2005 as other sectors of the economy remain very solid.

As happens after other disastrous events, the economy will get a lift once the rebuilding gets underway. Construction jobs will be plentiful and many households will slowly return to their more normal spending patterns. The federal government has allocated \$62.3 billion in aid (as of this writing). Private insurance money will also trickle in over time. Contributions from charities and in-kind assistances from organizations and many good citizens will continue to provide invaluable assistance. The economic growth rate in 2006 will reach near 4% - a very robust growth rate enough to create over 2 million net new jobs.

As for housing, substantial rebuilding in storm-ravaged areas will be required. At a minimum, about 200,000 homes were destroyed or are considered uninhabitable. Housing starts, therefore, will ramp up. Higher housing starts would normally mean another year of two million additional new homes coming on market – and another very busy year for homebuilders. However the higher prices for raw materials, due to both disruptions in shipping and transport and to increased construction activity, will make it new homes more expensive. Because new homes compete with existing homes, existing home prices will also get a lift.

## Local Market Forecast

The Consolidated MLS region is far removed from the Hurricane zone. Hence, the local area market condition has been determined primarily by job and mortgage rate conditions. The local area created 1,900 jobs in the past 12 months to September. Through the first three quarters of 2005, existing home sales are up by 3%. Home prices have risen by 13% over the 12 months to reach \$695,400 in the third quarter. For 2006, the big challenge will be the rising mortgage rates. They are expected to climb to near 7% after having been under 6% for most of 2005. As a result home sales will make a slight dip, certainly not drastically due to the support from anticipated job gains. Local prices are on the higher end in relation to other parts of the country so they will be more sensitive to rate changes. Home prices will squeak out a gain of 4%.

## Economic and Housing Market Outlook: November 2005

	2004				2005				2007				2003	2004	2005	2006
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1						
<b>U.S. Economy</b>																
<i>Annual Growth Rate</i>																
Real GDP	3.3	3.8	3.3	3.6	2.8	4.3	4.4	3.7	3.6	3.4	2.7	4.2	3.5	3.8		
Nonfarm Payroll Employment	1.7	1.6	1.9	1.3	0.9	1.9	1.9	1.8	1.6	1.3	-0.3	1.1	1.6	1.6		
Consumer Prices	3.6	2.4	4.2	5.1	4.3	0.7	2.4	2.2	2.3	2.1	2.3	2.7	3.4	2.7		
Real Disposable Income	9.1	-3.4	1.5	-1.5	4.1	7.2	4.7	4.5	3.9	4.9	2.4	3.4	1.5	4.1		
Consumer Confidence	96	104	102	99	98	99	101	104	105	106	80	96	101	102		
<i>Percent</i>																
Unemployment Rate	5.4	5.3	5.1	5.0	5.1	5.1	5.0	4.9	4.9	4.9	6.0	5.5	5.1	5.0		
<i>Interest Rates, Percent</i>																
Fed Funds Rate	2.0	2.5	2.9	3.4	4.1	4.3	4.3	4.3	4.3	4.3	1.1	1.3	3.2	4.3		
3-Month T-Bill Rate	2.0	2.5	2.9	3.4	4.0	4.1	4.1	4.1	4.1	4.1	1.0	1.4	3.2	4.1		
Prime Rate	4.9	5.4	5.9	6.4	7.0	7.4	7.4	7.2	7.2	7.2	4.1	4.3	6.2	7.3		
Corporate Aaa Bond Yield	5.5	5.3	5.1	5.1	5.6	5.8	6.0	6.1	6.1	6.2	5.7	5.6	5.3	6.0		
10-Year Government Bond	4.2	4.3	4.2	4.2	4.6	4.8	4.9	5.0	5.0	5.1	4.0	4.3	4.3	4.9		
30-Year Government Bond	4.9	4.7	4.5	4.4	4.9	5.1	5.2	5.3	5.3	5.4	5.1	5.1	4.6	5.2		
<i>Mortgage Rates, percent</i>																
30-Year Fixed Rate	5.7	5.8	5.7	5.8	6.2	6.4	6.5	6.6	6.7	6.8	5.8	5.8	5.9	6.5		
1-Year Adjustable	4.1	4.2	4.3	4.5	4.9	5.1	5.2	5.2	5.2	5.3	3.8	3.9	4.5	5.2		
<b>National Housing Indicators</b>																
<i>Thousands</i>																
Existing Single-Family Sales	6,877	6,837	7,223	7,237	7,057	6,897	6,853	6,883	6,842	6,875	6,183	6,784	7,108	6,860		
New Single-Family Sales	1,243	1,249	1,297	1,333	1,318	1,297	1,267	1,212	1,179	1,208	1,086	1,203	1,299	1,241		
Housing Starts	1,973	2,083	2,044	2,068	2,051	2,049	2,003	1,928	1,884	1,931	1,854	1,950	2,062	1,966		
Single-Family Units	1,621	1,709	1,693	1,731	1,712	1,684	1,635	1,554	1,502	1,538	1,505	1,604	1,711	1,594		
Multifamily Units	352	374	351	337	339	364	368	373	382	392	349	345	350	372		
Residential Construction*	571	584	599	609	613	613	609	598	587	585	509	562	601	602		
<i>Percent Change -- Year Ago</i>																
Existing Single-Family Sales	8.1	8.2	4.7	6.5	2.6	0.9	-5.1	-4.9	-3.0	-0.3	9.8	9.7	4.8	-3.5		
New Single-Family Sales	10.8	5.0	7.8	14.5	6.1	3.8	-2.3	-9.0	-10.6	-6.9	11.9	10.8	8.0	-4.5		
Housing Starts	-3.1	8.0	6.3	4.7	4.0	-1.7	-2.0	-6.8	-8.1	-5.8	8.4	5.2	5.7	-4.6		
Single-Family Units	-2.2	9.4	5.9	5.9	5.6	-1.4	-3.5	-10.2	-12.3	-8.7	10.3	6.6	6.7	-6.9		
Multifamily Units	-7.0	1.9	8.6	-0.7	-3.6	-2.6	4.8	10.8	12.7	7.7	0.6	-0.9	1.4	6.2		
Residential Construction	6.6	7.7	6.1	7.0	7.4	4.9	1.6	-1.7	-4.3	-4.6	8.4	10.3	7.0	0.0		
<b>National Home Prices</b>																
<i>Thousands of Dollars</i>																
Existing Home Prices	189.3	190.3	209.3	216.0	211.8	202.4	220.7	227.3	221.5	211.1	169.5	185.2	208.1	219.2		
New Home Prices	227.8	229.9	228.0	221.1	243.7	246.7	245.3	237.2	260.8	262.5	195.0	221.0	230.2	247.0		
<i>Percent Change -- Year Ago</i>																
Existing Home Prices	9.7	10.2	13.4	14.1	11.9	6.3	5.4	5.2	4.6	4.3	8.5	9.3	12.4	5.3		
New Home Prices	14.4	8.0	5.3	3.3	7.0	7.3	7.6	7.3	7.0	6.4	3.9	13.3	4.1	7.3		
<b>Local Region</b>																
Payroll Jobs (in thousands)	414.7	404.1	412.2	412.1	417.6	407.3	416.3	416.6	422.6	413.9	412.0	408.7	411.5	415.7		
Home Sales	2789	2041	3324	3743	2825	2021	3244	3619	2769	2039	11124	11655	11933	11653		
Home Prices (in thousand \$)	582.4	626.0	641.6	695.4	623.8	657.3	669.2	725.3	650.6	684.2	516.0	593.8	651.6	680.1		
<i>Percent Change -- Year Ago</i>																
Jobs	0.3%	0.1%	0.2%	0.7%	0.7%	0.8%	1.0%	1.1%	1.2%	1.6%	-0.4%	-0.8%	0.7%	1.0%		
Home Sales	3.3%	1.7%	0.5%	5.4%	1.3%	-1.0%	-2.4%	-3.3%	-2.0%	0.9%	-1.6%	4.8%	2.4%	-2.3%		
Home Prices	14.0%	15.4%	5.3%	12.6%	7.1%	5.0%	4.3%	4.3%	4.3%	4.1%	9.2%	15.1%	9.7%	4.4%		

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.

This table reflects data available through October 17, 2005.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
<b>Mortgage Rates</b> The 30 year fixed mortgage fell in September to an average of 5.77 - a 5 basis points decrease from a month earlier. Rates should hover around 6% by year end, and gradually increase to mid 6% by end of 2006. As long as rates remain at these generational low levels the housing industry should continue to experience good health.	July 5.66 Aug 5.82 Sep 5.77	↑	Bond investors getting nervous on inflation and want a higher compensating rate premium
<b>Existing Home Sales</b> rose 2.0% in August to 7.29 million seasonally adjusted annualized units – their second-highest monthly level on record. Strong demand is fueling sales, as well as home price appreciation which rose 15.8% from a year ago to \$220,000. The number of homes for sale is at a 4.7-months' supply.	June 7,350 July 7,150 Aug 7,290	↔	High pending sales data points to continued sales momentum
<b>New Home Sales</b> declined in August to 1.24 million seasonally adjusted annualized units - a 10% decrease from July's all-time high. But the three-month moving average is over 1.3 million units, which is exceptionally strong.	June 1,304 July 1,373 Aug 1,237	↔	A support for new sales related to Katrina and Rita
<b>Housing Starts</b> posted 2.009 million units in August. While that is 1.3% below July's starts, it is the fifth month in a row that starts were above the 2-million unit mark. The need to rebuild many properties destroyed by both Hurricanes Katrina and Rita will keep starts elevated for the next 12 months.	June 2,065 July 2,035 Aug 2,009	↔	Surpassing 2 million new units in 2005 for the first time since 1978
<b>Employment</b> Katrina had a negative effect on the nation's job market in September, as payrolls fell by 35,000, and the unemployment rate increased to 5.1% -- its highest level since May. The good news is that both July's and August's employment figures were revised upward.	July 277 Aug 211 Sep -35	↑	Job losses from Katrina turns to job gains when rebuilding kicks in
<b>Purchase Applications</b> Mortgage loan applications rose to 493.9 in September after slipping last month. The index remains strong at its second highest on record. Other housing market indicators prove the strength of the market.	July 495.6 Aug 489.3 Sep 493.9	↔	Robust activity, but need to monitor trends in the use of riskier exotic mortgages
<b>Housing Affordability</b> NAR's housing affordability index decreased 2.9% in August to 115.4. Both the median price of an existing home and mortgage rates rose, offsetting a slight increase in the median family income.	June 118.2 July 118.8 Aug 115.4	↓	High flying home prices cutting into affordability
<b>Inflation</b> As expected, the consumer price index (CPI) rose 0.5% in August, primarily due to a 5.0% increase in fuel prices. Higher fuel costs combined with rising core prices will likely result in an upward trend in the CPI through the autumn of 2006.	June 0.0% July 0.5% Aug 0.5%	↓	Uncomfortably high now due to high oil prices, but expected to come down in 2006

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