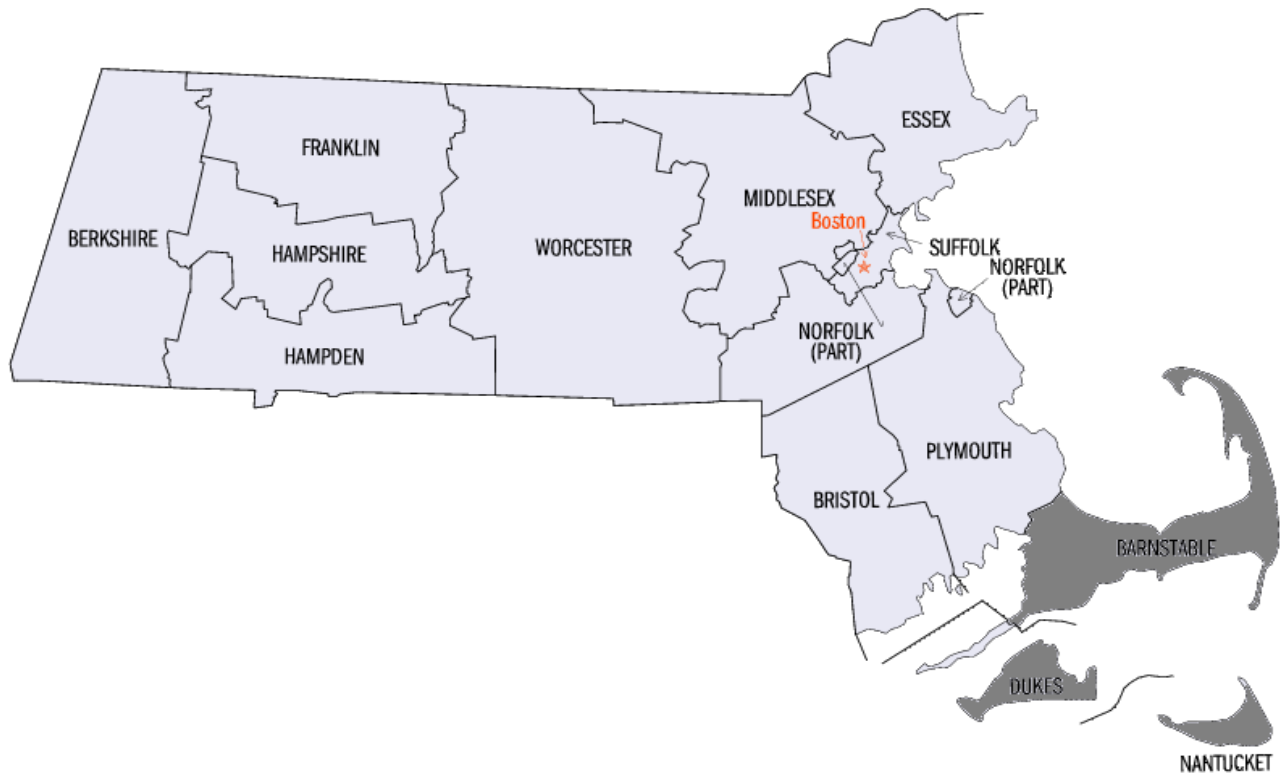


Economic and Market Watch Report

4th Quarter, 2003



*Click on a County to view economic and real estate information at the county and zip code level

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MLS Property Information Network, Inc.

Economic and Market Watch Report

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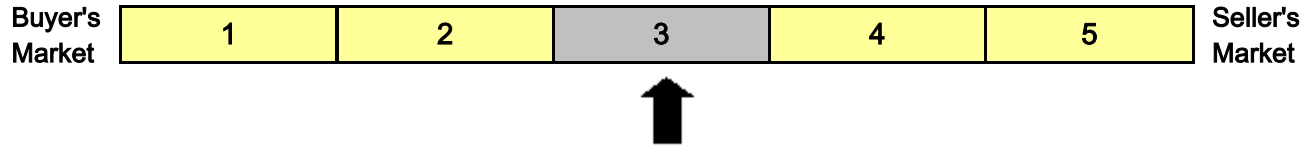
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BERKSHIRE COUNTY, MA



Labor Market :

Employment declined by 1,310 jobs in October and November. The job losses brought about an increase in the average monthly unemployment rate from 4.4% in the third quarter to 4.5% for the first two months of the fourth quarter. Despite the job losses, the job situation still remains strong in Berkshire County. Combined with favorable low mortgage rates, home sales should continue at a strong pace.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$119,500	\$89,300	↑
# Homes on the Market *	11	14	↔
# Homes Sold **	5	3	↓
# New Homes Built ***	13	10	↓
Avg # of Days on Market	47	44	↑

* Available as of Dec. 31, 2003.

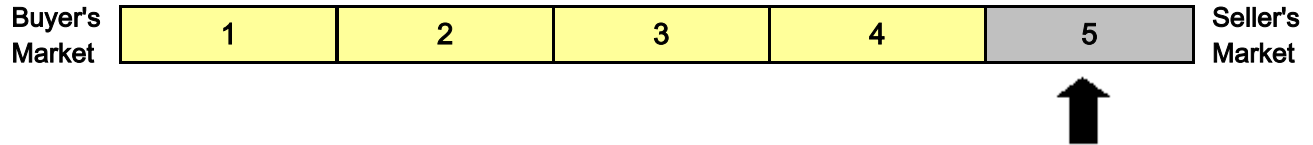
** May not add to total of zip codes

*** During the first two months of 4th quarter.

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)
01201	\$117,700	117.56%	2	-50.00%	35	87.3%
01220	\$32,500	-	1	-	64	92.9%

BRISTOL COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 1,421 jobs were added to the payrolls of Bristol County. As a result of these new jobs, the average monthly unemployment rate fell from 6.5% during the third quarter to 6% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$311,500	\$319,100	↑
# Homes on the Market *	1,437	1,466	↔
# Homes Sold **	913	780	↓
# New Homes Built ***	378	232	↓
Avg # of Days on Market	62	63	↑

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

Data by Zip Codes

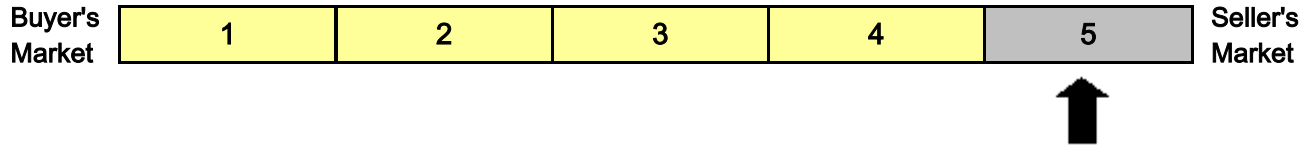
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
02048	\$387,900	10.48%	45	-2.17%	47	98.0%
02334	\$705,000	177.56%	1	0.00%	177	95.3%
02356	\$494,700	-5.50%	35	29.63%	71	99.8%
02375	\$367,600	-9.68%	20	17.65%	86	98.1%
02702	\$309,000	0.59%	11	37.50%	40	95.7%
02703	\$287,300	3.91%	92	-6.12%	53	98.7%
02715	\$331,700	31.11%	6	100.00%	39	97.4%
02717	\$240,300	-19.63%	2	-66.67%	100	94.3%

BRISTOL COUNTY, MA

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)
02718	\$268,400	10.86%	14	250.00%	71	97.3%
02719	\$314,500	37.40%	23	-14.81%	47	97.6%
02720	\$255,700	19.65%	34	17.24%	78	97.2%
02721	\$202,700	2.01%	10	-33.33%	67	96.6%
02723	\$196,000	7.52%	7	16.67%	109	96.0%
02724	\$228,800	31.57%	18	200.00%	71	98.7%
02725	\$240,400	24.88%	5	25.00%	114	97.4%
02726	\$283,100	20.83%	25	4.17%	48	96.3%
02740	\$195,900	10.30%	44	46.67%	68	96.2%
02743	\$306,800	32.70%	10	-28.57%	67	99.5%
02744	\$220,800	46.23%	5	0.00%	60	95.4%
02745	\$222,000	18.72%	22	-15.38%	46	98.5%
02746	\$197,500	17.77%	2	0.00%	15	101.3%
02747	\$305,300	20.43%	25	25.00%	63	96.0%
02748	\$642,700	111.00%	12	33.33%	67	92.2%
02760	\$386,900	17.35%	71	-1.39%	65	99.9%
02763	\$253,700	-	4	-	41	94.9%
02764	\$379,800	35.55%	6	50.00%	83	93.4%
02766	\$319,500	2.04%	30	-23.08%	57	97.6%
02767	\$325,800	18.34%	24	20.00%	68	98.5%
02769	\$372,600	13.70%	20	66.67%	70	98.3%
02771	\$317,900	29.76%	16	60.00%	73	97.8%
02777	\$302,500	38.63%	30	50.00%	110	97.9%
02779	\$317,800	19.20%	12	71.43%	64	98.7%
02780	\$285,100	12.55%	80	19.40%	54	97.9%
02790	\$433,500	74.94%	14	-6.67%	69	96.7%
02791	\$1,275,000	-	1	-	339	79.9%
OTHER	\$273,900	-14.96%	4	-69.23%	41	98.4%

ESSEX COUNTY, MA



Labor Market :

Essex County saw 716 layoffs occur during October and November. Despite the decline in employment, the average monthly unemployment rate fell from 6.8% during the third quarter to 6.3% in the first two months of the fourth quarter. Despite the job losses, the labor market remains relatively strong leaving record low mortgage rates to drive home sales.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$429,500	\$433,400	
# Homes on the Market *	2,207	2,092	
# Homes Sold **	1,896	1,456	
# New Homes Built ***	245	198	
Avg # of Days on Market	64	67	

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

Data by Zip Codes

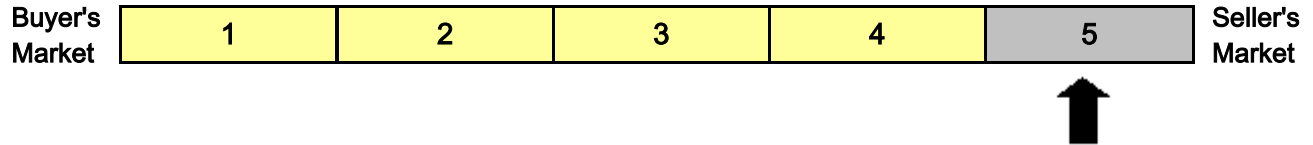
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
01810	\$555,800	-3.02%	101	38.36%	55	96.9%
01830	\$294,800	5.44%	65	-1.52%	68	96.7%
01832	\$313,200	0.35%	28	3.70%	64	97.9%
01833	\$472,200	7.98%	30	7.14%	66	98.7%
01834	\$342,000	10.00%	16	45.45%	56	96.4%
01835	\$298,400	2.19%	28	16.67%	42	98.0%
01840	\$240,000	-	1	-	51	96.0%
01841	\$218,200	19.23%	23	-14.81%	73	98.4%

ESSEX COUNTY, MA

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)
01843	\$230,200	6.92%	34	6.25%	44	98.0%
01844	\$306,800	9.61%	102	-4.67%	60	98.0%
01845	\$492,500	-10.01%	86	56.36%	57	98.1%
01860	\$345,000	-11.13%	13	-38.10%	143	96.3%
01901	\$293,400	5.65%	4	33.33%	98	91.8%
01902	\$239,400	-1.28%	58	52.63%	67	96.9%
01904	\$299,500	6.93%	41	-4.65%	62	96.9%
01905	\$243,000	5.10%	36	-5.26%	50	97.4%
01906	\$366,900	1.38%	69	60.47%	60	96.8%
01907	\$632,100	37.98%	38	-11.63%	74	95.3%
01908	\$1,057,100	119.91%	6	-57.14%	100	89.8%
01913	\$356,100	2.53%	32	-34.69%	78	96.5%
01915	\$476,000	-3.45%	75	17.19%	60	96.4%
01921	\$633,700	-6.27%	21	0.00%	80	95.1%
01922	\$338,500	-14.61%	4	-42.86%	106	92.9%
01923	\$399,600	3.74%	47	88.00%	61	97.3%
01929	\$456,800	7.84%	6	20.00%	127	93.0%
01930	\$521,600	-6.41%	48	17.07%	76	95.4%
01938	\$539,100	20.17%	26	-23.53%	101	93.6%
01940	\$603,700	16.63%	29	-23.68%	81	96.5%
01944	\$1,504,900	73.06%	7	-30.00%	150	83.0%
01945	\$714,200	25.70%	64	45.45%	81	94.8%
01949	\$534,600	-6.95%	15	15.38%	64	95.3%
01950	\$530,000	23.43%	45	0.00%	68	96.3%
01951	\$550,400	15.58%	16	0.00%	87	94.3%
01952	\$236,100	-16.51%	19	0.00%	140	97.8%
01960	\$354,000	4.86%	89	50.85%	49	97.3%
01966	\$429,300	-33.36%	16	-5.88%	64	96.9%
01969	\$480,800	23.19%	14	0.00%	84	97.4%
01970	\$351,900	7.78%	42	-8.70%	65	96.7%
01982	\$559,800	41.15%	17	70.00%	79	88.0%
01983	\$537,400	13.33%	14	40.00%	80	96.9%
01984	\$1,012,000	77.82%	9	12.50%	93	90.5%
01985	\$571,100	9.16%	5	-64.29%	89	96.7%
OTHER	\$341,400	-12.69%	17	30.77%	53	97.6%

FRANKLIN COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 728 jobs were added to the payrolls of Franklin County. As a result of these new jobs, the average monthly unemployment rate fell from 4.4% during the third quarter to 3.9% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$192,300	\$177,500	↑
# Homes on the Market *	237	223	↔
# Homes Sold **	218	160	↓
# New Homes Built ***	30	20	↓
Avg # of Days on Market	97	76	↑

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

Data by Zip Codes

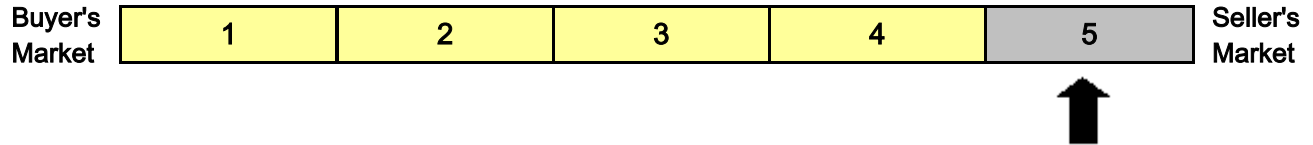
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
01002	\$220,000	-	1	-	199	95.7%
01054	\$215,400	-63.49%	5	400.00%	101	95.8%
01072	\$208,900	146.64%	8	166.67%	72	98.1%
01093	\$184,000	-19.40%	1	-66.67%	136	96.9%
01301	\$161,400	14.39%	42	-14.29%	62	98.3%
01330	\$234,900	21.90%	7	75.00%	64	101.3%
01337	\$213,700	-31.57%	8	33.33%	47	96.7%
01338	\$159,900	12.37%	1	-66.67%	31	100.0%

FRANKLIN COUNTY, MA

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)
01339	\$177,700	-3.32%	3	-25.00%	187	96.4%
01340	\$155,400	15.45%	4	-20.00%	118	92.0%
01341	\$187,500	-15.73%	4	100.00%	103	93.8%
01342	\$145,000	-45.49%	2	100.00%	62	98.3%
01344	\$118,400	-19.40%	2	-50.00%	26	100.4%
01346	\$105,700	-45.60%	3	-40.00%	73	85.2%
01349	\$135,000	-	2	-	13	94.9%
01351	\$303,400	101.73%	6	0.00%	77	95.3%
01360	\$207,900	21.58%	9	12.50%	100	94.4%
01364	\$138,600	5.24%	24	41.18%	103	97.5%
01370	\$169,600	-23.50%	6	-14.29%	36	101.7%
01373	\$245,800	-4.36%	2	-50.00%	77	92.1%
01375	\$228,500	-18.54%	4	300.00%	94	95.6%
01376	\$159,500	12.24%	13	8.33%	50	100.0%
01378	\$145,000	-8.81%	2	100.00%	132	101.8%
01379	\$135,000	-	1	-	43	93.1%

HAMPDEN COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 4,550 jobs were added to the payrolls of Hampden County. As a result of these new jobs, the average monthly unemployment rate fell from 6.5% during the third quarter to 6.1% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$182,300	\$178,600	↑
# Homes on the Market *	1,377	1,210	↔
# Homes Sold **	1,077	958	↓
# New Homes Built ***	126	96	↓
Avg # of Days on Market	48	58	↑

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

Data by Zip Codes

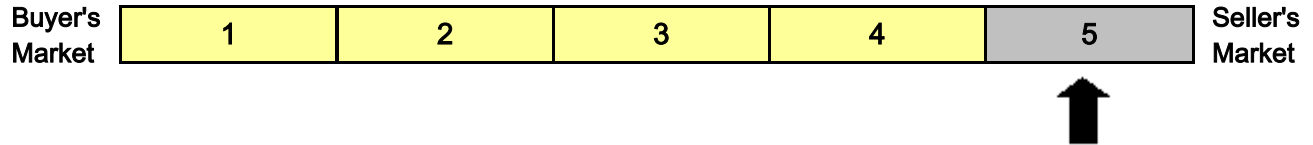
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
01001	\$173,900	-6.96%	23	-8.00%	50	98.5%
01008	\$180,600	-15.80%	5	150.00%	105	96.8%
01010	\$241,100	47.64%	16	128.57%	70	98.7%
01011	\$82,000	-59.67%	3	50.00%	317	94.3%
01013	\$133,500	3.25%	27	3.85%	40	98.7%
01020	\$140,500	13.49%	55	1.85%	41	97.6%
01028	\$237,600	15.28%	36	0.00%	59	97.5%
01030	\$215,800	12.69%	34	21.43%	57	99.1%

HAMPDEN COUNTY, MA

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)
01034	\$172,000	-7.03%	2	-33.33%	158	96.1%
01036	\$294,900	4.06%	12	50.00%	100	96.7%
01040	\$170,700	25.51%	58	41.46%	42	98.2%
01056	\$186,700	10.54%	42	35.48%	52	97.0%
01057	\$212,700	27.29%	18	-21.74%	70	95.3%
01069	\$184,100	-1.76%	22	-18.52%	85	100.6%
01071	\$239,100	9.53%	5	66.67%	117	96.4%
01077	\$236,900	-4.90%	27	-28.95%	54	98.4%
01079	\$147,000	-6.37%	1	-50.00%	16	101.4%
01080	\$139,200	7.24%	5	0.00%	22	102.0%
01081	\$151,000	-2.58%	6	20.00%	122	96.5%
01085	\$191,700	-4.10%	74	-27.45%	54	96.6%
01089	\$207,600	17.29%	51	-23.88%	57	97.3%
01095	\$256,900	11.79%	42	44.83%	62	96.6%
01101	\$165,000	186.96%	1	0.00%	41	100.1%
01104	\$110,500	12.99%	56	9.80%	57	97.8%
01105	\$152,500	108.90%	8	100.00%	85	96.7%
01106	\$323,300	17.35%	52	1.96%	67	95.7%
01107	\$133,300	31.98%	6	-45.45%	97	98.9%
01108	\$134,800	17.42%	45	7.14%	64	98.3%
01109	\$95,000	19.05%	57	50.00%	62	96.6%
01118	\$141,500	3.74%	55	-3.51%	56	98.3%
01119	\$130,100	19.36%	43	0.00%	48	98.2%
01128	\$172,100	26.36%	10	100.00%	53	98.2%
01129	\$138,500	7.20%	25	25.00%	47	99.0%
01151	\$106,500	2.31%	17	-5.56%	47	98.5%
01521	\$186,500	7.37%	14	-6.67%	48	95.6%
OTHER	\$165,700	-7.43%	5	-54.55%	50	94.4%

HAMPSHIRE COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 1,092 jobs were added to the payrolls of Hampshire County. As a result of these new jobs, the average monthly unemployment rate fell from 3.8% during the third quarter to 3.5% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$247,800	\$234,900	↑
# Homes on the Market *	543	459	↔
# Homes Sold **	396	313	↓
# New Homes Built ***	66	34	↓
Avg # of Days on Market	73	74	↑

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

Data by Zip Codes

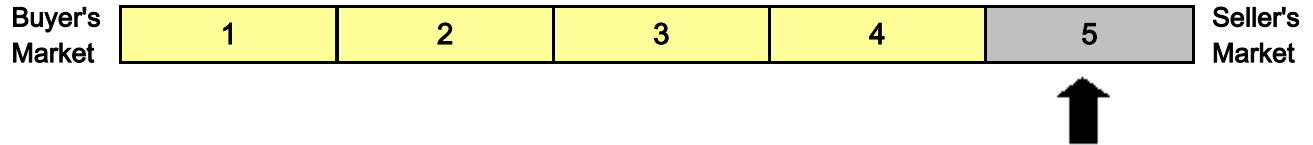
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
01002	\$296,600	3.74%	42	55.56%	74	96.3%
01007	\$242,200	11.46%	52	-7.14%	71	98.9%
01012	\$191,900	65.00%	5	66.67%	52	96.7%
01026	\$235,800	24.24%	3	-50.00%	101	96.4%
01027	\$218,600	2.68%	37	-11.90%	58	98.9%
01032	\$243,100	-5.88%	4	33.33%	40	97.0%
01033	\$248,400	12.91%	13	18.18%	52	98.3%
01035	\$243,900	-24.75%	7	16.67%	133	94.2%

HAMPSHIRE COUNTY, MA

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)
01038	\$278,200	60.62%	9	200.00%	73	96.2%
01039	\$229,000	-29.54%	1	0.00%	8	97.4%
01050	\$236,700	63.24%	3	-40.00%	40	95.3%
01053	\$217,000	-22.08%	2	-33.33%	65	101.2%
01060	\$265,800	18.82%	19	-13.64%	152	96.5%
01062	\$246,500	12.35%	15	-25.00%	28	98.2%
01066	\$270,000	-	1	-	25	96.6%
01070	\$260,200	51.28%	6	50.00%	206	94.2%
01073	\$231,900	-9.77%	8	-27.27%	36	99.7%
01075	\$202,600	-2.69%	42	27.27%	69	97.7%
01082	\$174,100	18.84%	27	-6.90%	73	97.2%
01096	\$195,400	8.37%	7	133.33%	49	99.2%
01098	\$183,200	-17.63%	6	-14.29%	169	98.8%
OTHER	\$209,000	-10.42%	4	33.33%	37	96.2%

MIDDLESEX COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 2,613 jobs were added to the payrolls of Middlesex County. As a result of these new jobs, the average monthly unemployment rate fell from 5.1% during the third quarter to 4.5% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$494,600	\$471,000	↑
# Homes on the Market *	3,724	3,272	↔
# Homes Sold **	3,552	2,638	↓
# New Homes Built ***	473	397	↓
Avg # of Days on Market	55	59	↑

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

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)
01431	\$272,000	9.37%	10	-16.67%	88	98.0%
01432	\$261,200	-2.94%	10	-23.08%	71	97.8%
01450	\$477,600	7.66%	24	-17.24%	100	97.4%
01460	\$431,800	16.86%	25	-16.67%	73	98.2%
01463	\$320,200	5.99%	31	-18.42%	77	98.1%
01464	\$244,300	-12.44%	13	-7.14%	87	98.0%
01469	\$272,400	1.15%	20	-4.76%	87	96.8%
01474	\$327,200	-30.53%	3	200.00%	55	97.3%

MIDDLESEX COUNTY, MA

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)
01701	\$388,300	10.38%	93	0.00%	38	98.9%
01702	\$339,600	-5.82%	38	15.15%	46	97.6%
01719	\$565,800	0.50%	8	-33.33%	76	98.6%
01720	\$548,700	17.37%	44	-6.38%	68	98.3%
01721	\$391,200	-7.52%	41	5.13%	45	98.5%
01730	\$525,700	6.81%	30	7.14%	51	96.8%
01741	\$796,100	-1.70%	17	54.55%	90	95.4%
01742	\$802,700	-6.09%	49	11.36%	78	95.5%
01746	\$444,900	16.41%	39	14.71%	53	98.0%
01748	\$511,400	-9.89%	33	-17.50%	41	98.7%
01749	\$340,100	1.13%	43	10.26%	60	97.8%
01752	\$328,400	-0.97%	125	52.44%	59	98.1%
01754	\$323,600	-1.46%	24	-17.24%	36	98.2%
01760	\$477,700	8.79%	90	47.54%	53	97.4%
01770	\$956,000	30.19%	12	71.43%	88	85.7%
01773	\$1,256,000	30.44%	10	0.00%	88	97.0%
01775	\$427,700	-5.61%	27	12.50%	70	97.0%
01776	\$726,100	13.67%	58	-10.77%	102	97.3%
01778	\$544,300	-18.75%	35	45.83%	84	95.7%
01801	\$352,900	6.97%	71	82.05%	47	97.0%
01803	\$387,900	3.83%	48	23.08%	66	97.6%
01821	\$325,400	-2.98%	77	48.08%	59	97.4%
01824	\$372,700	3.18%	76	2.70%	70	97.6%
01826	\$312,900	14.53%	76	24.59%	54	98.6%
01827	\$512,200	28.21%	9	28.57%	85	94.3%
01850	\$229,200	20.70%	36	80.00%	48	98.3%
01851	\$239,800	5.92%	42	20.00%	61	96.7%
01852	\$296,700	19.25%	46	24.32%	54	97.5%
01854	\$235,000	-2.12%	25	8.70%	53	98.1%
01862	\$314,500	7.74%	20	25.00%	62	98.3%
01863	\$289,900	3.61%	8	-50.00%	61	97.4%
01864	\$489,300	5.14%	37	15.63%	69	98.9%
01867	\$429,600	1.70%	60	9.09%	47	98.1%
01876	\$366,300	9.77%	53	-18.46%	54	98.4%
01879	\$370,700	2.72%	23	-11.54%	66	98.7%

MIDDLESEX COUNTY, MA

Data by Zip Codes

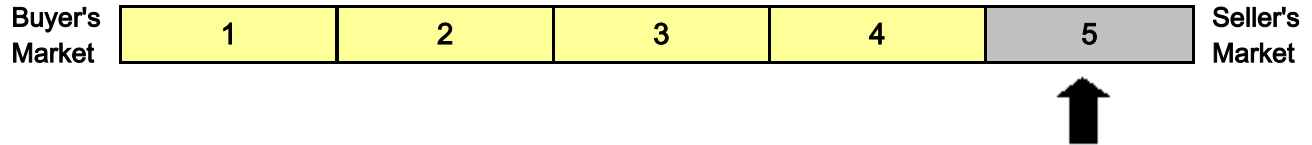
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
01880	\$413,500	3.30%	37	-2.63%	49	98.0%
01886	\$479,300	18.37%	56	9.80%	88	98.6%
01887	\$384,800	4.45%	60	5.26%	56	97.4%
01890	\$808,000	-0.97%	43	2.38%	76	95.0%
02138	\$1,343,100	-12.62%	24	60.00%	104	95.2%
02139	\$593,800	-2.58%	5	-16.67%	21	95.9%
02140	\$573,700	55.47%	12	300.00%	57	96.5%
02141	\$506,300	34.91%	4	33.33%	33	98.2%
02143	\$376,100	-4.54%	3	-72.73%	19	98.4%
02144	\$520,000	4.80%	6	50.00%	60	97.8%
02145	\$392,600	14.76%	7	0.00%	55	98.8%
02148	\$335,200	10.66%	54	10.20%	52	98.3%
02149	\$287,800	-3.00%	23	9.52%	41	97.9%
02155	\$371,200	4.50%	62	26.53%	41	97.4%
02176	\$414,000	4.02%	58	38.10%	49	98.1%
02180	\$403,700	14.92%	32	10.34%	52	97.2%
02420	\$769,300	1.16%	29	-17.14%	78	94.6%
02421	\$669,400	-8.05%	41	46.43%	61	96.1%
02451	\$382,800	5.83%	45	87.50%	52	96.8%
02452	\$432,300	3.40%	13	0.00%	49	96.8%
02453	\$403,400	8.18%	42	82.61%	42	96.5%
02458	\$855,700	42.69%	15	114.29%	60	95.2%
02459	\$914,700	7.43%	39	39.29%	62	95.8%
02460	\$957,300	45.73%	13	8.33%	43	94.9%
02461	\$575,900	12.61%	13	30.00%	70	96.2%
02462	\$465,500	-29.84%	2	0.00%	36	99.1%
02464	\$453,800	14.89%	4	100.00%	52	95.7%
02465	\$778,800	-4.47%	20	11.11%	39	95.8%
02466	\$687,400	1.21%	11	22.22%	24	97.4%
02467	\$793,000	-26.75%	5	-37.50%	67	95.1%
02468	\$992,900	2.66%	13	62.50%	38	96.5%
02472	\$445,800	-0.62%	26	13.04%	41	96.7%
02474	\$440,800	2.11%	49	32.43%	30	97.9%
02476	\$484,900	0.39%	31	19.23%	33	97.3%
02478	\$750,600	-3.11%	26	-3.70%	59	96.8%

MIDDLESEX COUNTY, MA

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)
02493	\$1,104,600	5.08%	33	32.00%	113	94.0%
OTHER	\$487,000	50.63%	23	27.78%	96	96.4%

NORFOLK COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 207 jobs were added to the payrolls of Norfolk County. As a result of these new jobs, the average monthly unemployment rate fell from 4.8% during the third quarter to 4.4% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$500,600	\$472,300	↑
# Homes on the Market *	1,857	1,717	↔
# Homes Sold **	1,632	1,268	↓
# New Homes Built ***	200	164	↓
Avg # of Days on Market	53	53	↑

* Available as of Dec. 31, 2003.
 ** May not add to total of zip codes
 *** During the first two months of 4th quarter.

Data by Zip Codes

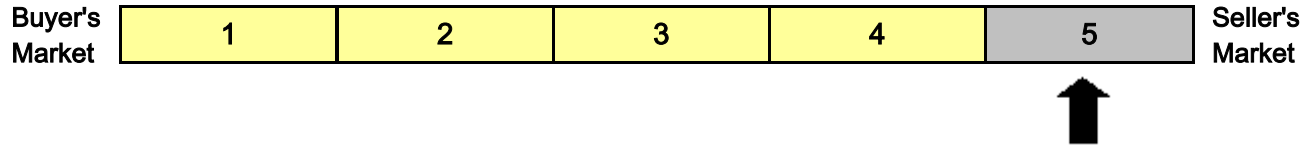
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
02019	\$328,400	22.22%	42	27.27%	44	98.8%
02021	\$531,000	24.53%	31	-8.82%	76	94.2%
02025	\$829,200	12.07%	23	-8.00%	105	94.7%
02026	\$501,200	38.00%	64	28.00%	68	97.0%
02030	\$952,100	15.70%	8	-52.94%	70	90.9%
02032	\$353,100	-8.45%	10	25.00%	35	97.9%
02035	\$372,600	-3.40%	29	0.00%	75	97.7%
02038	\$437,700	8.80%	74	-9.76%	53	98.5%

NORFOLK COUNTY, MA

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)
02052	\$531,000	5.13%	24	-4.00%	36	97.9%
02053	\$417,500	4.61%	42	44.83%	48	98.3%
02054	\$382,200	7.12%	27	145.45%	72	97.6%
02056	\$470,400	14.34%	18	-28.00%	76	97.8%
02062	\$380,000	12.36%	40	8.11%	35	97.2%
02067	\$452,400	8.49%	39	18.18%	55	97.0%
02071	\$394,500	14.68%	2	100.00%	19	98.8%
02072	\$327,100	-0.97%	43	-28.33%	57	99.0%
02081	\$417,000	-4.42%	39	-4.88%	49	97.0%
02090	\$568,600	17.94%	35	45.83%	48	95.6%
02093	\$402,000	-9.50%	30	50.00%	70	96.8%
02169	\$358,500	13.85%	60	11.11%	50	96.2%
02170	\$354,800	13.21%	38	80.95%	44	97.5%
02171	\$370,600	15.45%	16	45.45%	47	96.4%
02184	\$388,200	19.04%	52	4.00%	32	96.2%
02186	\$489,700	-6.95%	53	-1.85%	63	95.9%
02188	\$344,300	13.03%	21	-16.00%	34	97.3%
02189	\$320,500	-3.41%	30	42.86%	37	98.3%
02190	\$329,400	4.60%	17	-37.04%	31	97.5%
02191	\$298,600	-1.09%	16	6.67%	58	95.6%
02322	\$305,000	3.95%	10	42.86%	66	98.2%
02343	\$281,400	1.15%	30	15.38%	68	98.8%
02368	\$302,600	4.53%	88	27.54%	37	97.9%
02445	\$913,700	5.44%	10	11.11%	64	96.1%
02446	\$1,326,200	50.36%	6	0.00%	78	95.3%
02467	\$1,087,100	8.19%	18	157.14%	55	91.9%
02481	\$1,026,100	-2.96%	42	2.44%	56	95.3%
02482	\$884,200	34.97%	26	0.00%	59	96.0%
02492	\$702,400	17.14%	58	75.76%	55	95.9%
02494	\$516,300	-2.18%	19	26.67%	54	95.7%
02762	\$331,200	-1.55%	24	14.29%	44	98.6%
OTHER	\$317,400	-17.73%	14	27.27%	32	97.3%

PLYMOUTH COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 1,318 jobs were added to the payrolls of Plymouth County. As a result of these new jobs, the average monthly unemployment rate fell from 5.6% during the third quarter to 5.1% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$368,600	\$359,400	↑
# Homes on the Market *	2,169	2,293	↔
# Homes Sold **	1,476	1,202	↓
# New Homes Built ***	456	278	↓
Avg # of Days on Market	66	68	↑

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

Data by Zip Codes

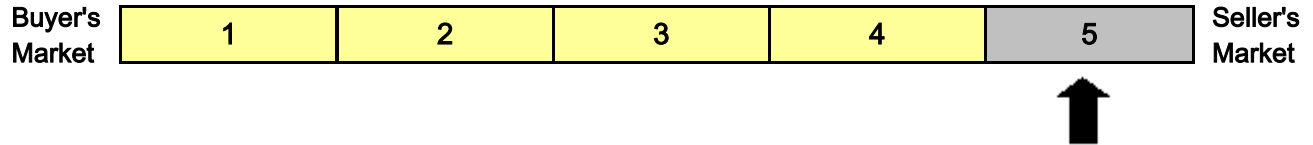
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
02020	\$434,000	-7.68%	2	100.00%	49	96.6%
02043	\$595,500	-2.33%	46	0.00%	94	96.3%
02045	\$452,500	30.67%	33	43.48%	102	94.0%
02047	\$507,000	-	1	-	27	97.7%
02050	\$424,600	9.29%	66	-5.71%	81	96.8%
02051	\$467,000	-21.51%	2	0.00%	123	97.3%
02061	\$609,900	-0.10%	31	-6.06%	78	96.1%
02066	\$572,800	1.99%	49	36.11%	101	96.6%

PLYMOUTH COUNTY, MA

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)
02301	\$246,300	4.54%	119	26.60%	54	98.2%
02302	\$234,500	12.31%	83	31.75%	51	97.7%
02324	\$328,500	0.12%	34	0.00%	50	97.8%
02327	\$225,000	-	2	-	39	97.4%
02330	\$275,400	14.56%	40	17.65%	59	98.3%
02332	\$643,300	26.16%	41	24.24%	89	95.7%
02333	\$330,300	11.03%	20	-25.93%	51	98.3%
02338	\$307,900	14.59%	16	23.08%	127	99.0%
02339	\$451,800	-1.31%	36	12.50%	69	94.7%
02341	\$332,800	-2.95%	17	-22.73%	62	98.6%
02345	\$313,000	-3.69%	1	0.00%	94	96.8%
02346	\$311,600	19.62%	53	47.22%	53	97.7%
02347	\$346,100	2.85%	26	-7.14%	87	97.1%
02351	\$294,300	2.69%	21	16.67%	48	94.7%
02358	\$374,900	-	1	-	83	100.0%
02359	\$354,600	9.85%	34	3.03%	59	96.8%
02360	\$327,000	6.69%	183	-7.11%	72	96.4%
02364	\$405,100	24.53%	36	28.57%	75	97.1%
02367	\$393,800	10.99%	6	50.00%	110	96.0%
02368	\$335,000	-	1	-	23	98.6%
02370	\$253,600	-0.51%	44	76.00%	56	97.7%
02379	\$323,600	2.73%	10	0.00%	59	93.3%
02381	\$183,000	-	1	-	40	93.9%
02382	\$299,100	7.01%	30	20.00%	39	99.0%
02532	\$290,300	47.36%	3	200.00%	35	97.4%
02538	\$225,000	22.02%	14	100.00%	53	97.5%
02558	\$290,300	-7.99%	8	60.00%	46	96.1%
02571	\$251,000	36.64%	43	65.38%	65	97.3%
02576	\$253,600	15.33%	9	50.00%	85	96.7%
02738	\$406,900	-50.35%	12	100.00%	74	93.1%
02739	\$533,900	42.30%	10	-23.08%	123	95.0%
02770	\$416,900	22.08%	9	12.50%	74	98.9%
OTHER	\$291,800	-11.60%	9	-43.75%	59	98.6%

SUFFOLK COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 168 jobs were added to the payrolls of Suffolk County. As a result of these new jobs, the average monthly unemployment rate fell from 6.6% during the third quarter to 5.8% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$413,300	\$386,700	↑
# Homes on the Market *	518	505	↔
# Homes Sold **	333	342	↓
# New Homes Built ***	17	11	↓
Avg # of Days on Market	55	59	↑

* Available as of Dec. 31, 2003.

** May not add to total of zip codes

*** During the first two months of 4th quarter.

Data by Zip Codes

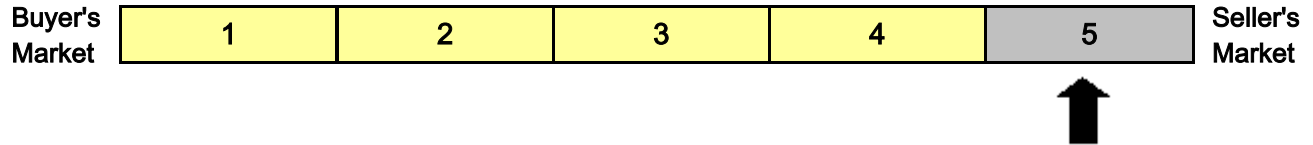
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
02111	\$490,000	-	1	-	120	98.2%
02114	\$2,275,000	154.19%	1	-50.00%	173	85.8%
02116	\$1,653,500	102.46%	5	66.67%	171	93.7%
02118	\$1,145,000	90.83%	2	100.00%	62	95.5%
02119	\$265,100	-15.84%	5	0.00%	41	95.4%
02120	\$397,500	65.63%	2	100.00%	39	92.7%
02121	\$336,200	-	3	-	118	97.1%
02122	\$381,300	54.12%	7	75.00%	47	95.4%

SUFFOLK COUNTY, MA

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)
02124	\$349,400	-8.73%	21	50.00%	46	95.5%
02125	\$345,300	33.53%	8	166.67%	27	98.2%
02126	\$312,100	18.40%	14	27.27%	62	96.3%
02127	\$393,000	2.45%	4	-20.00%	60	94.5%
02128	\$275,200	12.51%	11	37.50%	93	91.7%
02129	\$504,900	-9.84%	7	16.67%	80	93.5%
02130	\$550,100	15.66%	19	35.71%	42	97.8%
02131	\$334,200	2.23%	34	25.93%	42	96.5%
02132	\$386,600	2.74%	50	8.70%	43	98.0%
02134	\$399,900	-10.44%	4	100.00%	37	97.1%
02135	\$383,300	-6.44%	13	116.67%	46	96.6%
02136	\$343,800	14.33%	26	-16.13%	53	96.7%
02150	\$297,000	3.38%	17	112.50%	104	95.6%
02151	\$304,500	3.78%	64	10.34%	66	96.2%
02152	\$390,300	16.61%	19	5.56%	69	98.5%
OTHER	\$385,000	20.99%	5	-16.67%	76	96.7%

WORCESTER COUNTY, MA



Labor Market :

In the first two months of the fourth quarter, 67 jobs were added to the payrolls of Worcester County. As a result of these new jobs, the average monthly unemployment rate fell from 6.7% during the third quarter to 6.1% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 03	Q4' 03	Q1' 04 (Forecast)
Average Price	\$296,600	\$281,700	↑
# Homes on the Market *	3,347	3,411	↔
# Homes Sold **	2,282	1,964	↓
# New Homes Built ***	743	520	↓
Avg # of Days on Market	65	66	↑

* Available as of Dec. 31, 2003.
 ** May not add to total of zip codes
 *** During the first two months of 4th quarter.

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)
01005	\$198,400	5.53%	12	-14.29%	78	96.4%
01031	\$216,000	-	3	-	121	93.6%
01037	\$255,000	20.51%	1	-66.67%	87	78.5%
01068	\$271,100	3.55%	7	250.00%	145	98.2%
01082	\$147,000	-	1	-	5	98.1%
01083	\$173,500	25.18%	15	50.00%	101	95.8%
01092	\$137,700	7.58%	3	200.00%	180	94.1%
01331	\$153,800	1.99%	47	-9.62%	89	97.5%

WORCESTER COUNTY, MA

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)
01366	\$226,000	-13.90%	2	0.00%	219	98.3%
01368	\$250,000	15.21%	1	-50.00%	102	96.9%
01420	\$198,700	0.40%	88	6.02%	67	98.3%
01430	\$245,300	24.27%	30	15.38%	65	97.9%
01432	\$413,000	47.18%	2	100.00%	236	104.8%
01436	\$218,200	59.04%	17	240.00%	49	104.0%
01438	\$179,900	24.67%	1	-66.67%	5	100.0%
01440	\$192,300	6.71%	49	6.52%	74	98.5%
01451	\$565,100	-4.32%	13	-7.14%	97	99.4%
01452	\$249,300	4.79%	5	-76.19%	62	99.0%
01453	\$260,300	8.59%	82	-6.82%	67	98.1%
01462	\$271,300	-5.17%	43	-6.52%	100	96.9%
01468	\$230,300	12.34%	19	58.33%	78	99.5%
01473	\$277,700	6.52%	31	34.78%	77	100.4%
01475	\$205,400	14.75%	42	-4.55%	59	98.6%
01501	\$199,200	-7.39%	57	46.15%	63	98.0%
01503	\$616,600	108.66%	7	250.00%	34	97.0%
01504	\$252,100	-11.61%	13	-31.58%	41	97.8%
01505	\$367,200	36.71%	9	28.57%	53	97.8%
01506	\$265,500	41.37%	10	11.11%	124	99.4%
01507	\$300,000	3.34%	38	26.67%	83	99.0%
01510	\$254,300	15.22%	21	-4.55%	71	98.7%
01515	\$250,900	19.70%	6	20.00%	50	98.3%
01516	\$314,400	19.77%	31	24.00%	48	98.7%
01518	\$330,800	50.64%	3	-25.00%	82	101.8%
01519	\$494,800	43.13%	22	57.14%	52	101.6%
01520	\$297,300	8.62%	46	17.95%	67	98.4%
01522	\$299,200	25.40%	4	33.33%	34	96.9%
01523	\$339,900	-2.47%	19	26.67%	48	99.0%
01524	\$235,400	7.88%	28	64.71%	44	96.7%
01527	\$279,400	10.61%	39	56.00%	52	97.6%
01529	\$324,300	25.84%	8	14.29%	38	100.8%
01531	\$255,000	20.28%	1	0.00%	92	98.1%
01532	\$394,900	-4.27%	36	-5.26%	58	97.8%
01534	\$311,700	-0.10%	24	50.00%	55	99.0%

WORCESTER COUNTY, MA

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)
01535	\$186,200	10.90%	14	55.56%	75	96.5%
01536	\$316,000	4.39%	12	-7.69%	45	98.6%
01537	\$189,300	46.18%	3	50.00%	66	98.0%
01540	\$235,600	10.98%	33	65.00%	54	98.4%
01541	\$300,300	-3.66%	15	7.14%	50	96.8%
01542	\$280,400	36.65%	5	66.67%	37	98.8%
01543	\$240,400	-3.99%	13	-13.33%	51	98.5%
01545	\$375,800	-2.94%	98	10.11%	63	97.5%
01550	\$198,400	5.48%	26	-10.34%	74	97.1%
01560	\$397,000	-6.61%	11	266.67%	64	97.5%
01562	\$238,300	22.71%	31	63.16%	61	95.4%
01564	\$371,700	1.28%	22	10.00%	112	99.6%
01566	\$311,500	25.91%	49	75.00%	93	100.6%
01568	\$391,300	7.71%	20	5.26%	76	97.8%
01569	\$335,300	9.29%	32	45.45%	109	98.0%
01570	\$232,000	0.48%	52	23.81%	36	98.1%
01571	\$261,400	8.96%	25	-10.71%	90	97.8%
01581	\$399,200	-11.49%	36	20.00%	59	96.6%
01583	\$293,300	8.23%	13	62.50%	81	98.1%
01585	\$227,900	12.82%	18	125.00%	58	97.2%
01588	\$316,200	4.91%	13	-31.58%	45	100.5%
01590	\$339,400	18.55%	23	109.09%	57	98.8%
01602	\$246,300	16.40%	59	15.69%	57	98.3%
01603	\$201,000	12.42%	47	51.61%	68	98.1%
01604	\$203,600	-2.40%	55	-8.33%	50	97.0%
01605	\$238,100	17.93%	46	58.62%	74	99.9%
01606	\$223,000	8.57%	51	8.51%	51	97.8%
01607	\$157,300	6.86%	6	-33.33%	52	99.7%
01609	\$356,700	3.27%	15	-37.50%	62	98.0%
01610	\$171,700	-14.87%	13	85.71%	62	96.9%
01611	\$232,100	19.03%	3	200.00%	28	99.5%
01612	\$334,000	16.38%	21	10.53%	81	97.1%
01740	\$602,100	7.21%	14	-33.33%	132	98.3%
01747	\$378,800	9.61%	11	-59.26%	26	100.8%
01756	\$412,000	-13.28%	14	27.27%	64	99.4%

WORCESTER COUNTY, MA

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)
01757	\$333,300	0.66%	63	53.66%	55	98.1%
01772	\$619,600	12.39%	26	0.00%	65	94.4%
OTHER	\$258,900	25.19%	20	11.11%	64	98.1%

Others

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)
02532	\$292,400	22.70%	12	71.43%	81	89.8%
02536	\$340,000	-	1	-	105	97.2%
02553	\$259,300	-	2	-	51	94.7%
02557	\$540,000	-	1	-	76	98.2%
02559	\$331,700	-	3	-	198	94.1%
02562	\$280,000	-9.68%	1	0.00%	54	93.4%
02563	\$286,000	-26.67%	1	0.00%	76	99.3%
02568	\$392,000	-	1	-	256	91.4%
02601	\$230,000	-	1	-	36	96.7%
02644	\$309,000	-	2	-	26	96.6%
02645	\$345,000	-	1	-	16	98.6%
02648	\$348,000	-	1	-	190	96.7%
02664	\$500,000	-	1	-	88	71.9%
02670	\$303,000	-	1	-	82	95.9%
02713	\$1,200,000	-	1	-	138	96.0%
02837	\$425,000	23.19%	3	50.00%	115	88.9%
02838	\$410,000	-	1	-	85	95.6%
02861	\$198,700	30.30%	7	250.00%	54	98.9%
02864	\$396,800	44.24%	5	-16.67%	122	98.3%
02865	\$348,000	-38.41%	1	0.00%	8	99.5%
02871	\$190,000	-	1	-	91	97.4%
02878	\$257,700	15.51%	5	-50.00%	72	96.7%
02885	\$310,000	-	1	-	58	98.4%
02893	\$227,000	-	1	-	10	98.7%
02895	\$182,000	-4.21%	1	0.00%	16	95.8%
02896	\$325,000	-	1	-	42	93.0%
03031	\$295,000	-	1	-	97	89.7%
03038	\$258,500	16.49%	2	100.00%	85	98.5%
03048	\$98,000	130.05%	5	-16.67%	61	98.2%
03051	\$331,400	-2.53%	2	100.00%	290	100.5%
03053	\$254,900	-	1	-	85	100.0%
03060	\$202,500	-	1	-	78	98.1%
03062	\$241,500	-	2	-	59	98.7%

Others

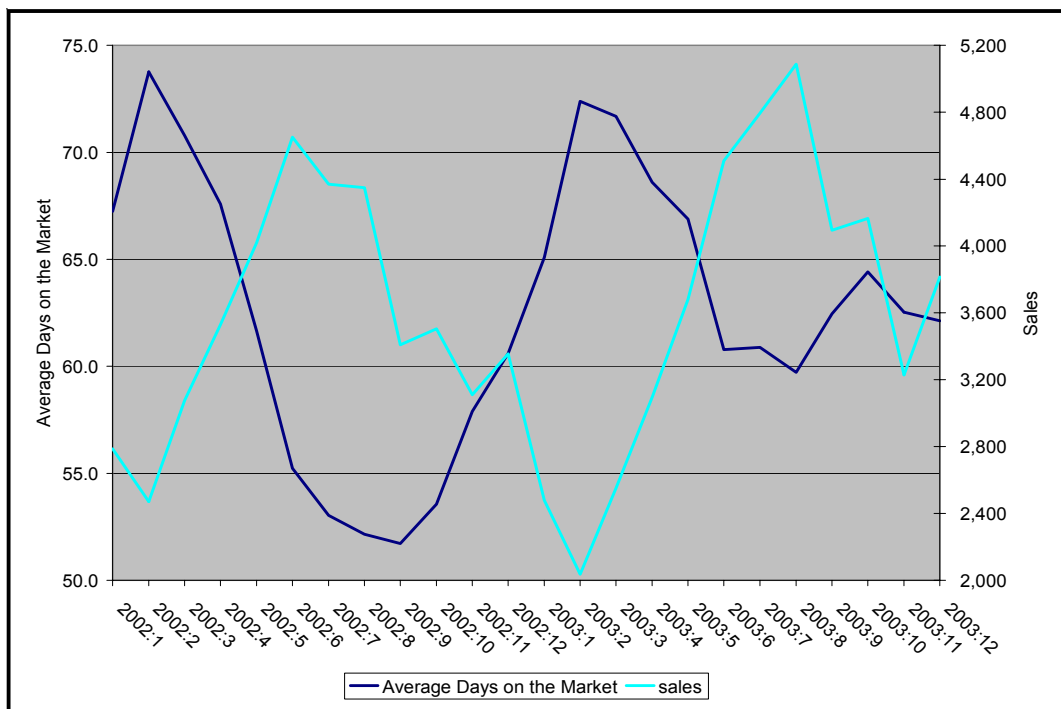
Data by Zip Codes						
Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
03071	\$220,500	84.83%	3	0.00%	77	97.5%
03076	\$346,800	8.44%	27	170.00%	121	100.2%
03079	\$255,800	-25.96%	9	-47.06%	72	98.0%
03087	\$461,300	53.10%	9	80.00%	81	98.8%
03102	\$174,000	-	1	-	41	97.8%
03461	\$253,300	-18.29%	7	250.00%	48	98.9%
03811	\$678,000	-	1	-	213	97.6%
03819	\$262,000	201.15%	1	0.00%	16	97.1%
03820	\$315,200	-	3	-	73	104.0%
03826	\$334,500	-	1	-	77	100.0%
03827	\$391,000	17.59%	1	-75.00%	141	98.0%
03858	\$305,900	-2.27%	3	50.00%	51	99.3%
03865	\$293,000	-6.84%	3	-25.00%	69	92.1%
03870	\$395,000	-	1	-	78	88.0%
03873	\$305,000	-	1	-	134	98.4%
03874	\$235,000	-38.56%	2	0.00%	117	98.0%
06035	\$180,000	-	1	-	193	91.4%
06071	\$260,000	-21.21%	1	-50.00%	31	98.1%
06078	\$295,000	-25.30%	1	-75.00%	184	98.4%
06082	\$182,600	17.81%	3	200.00%	10	100.0%
06107	\$275,000	-	1	-	46	93.2%
06234	\$225,000	-	1	-	55	95.8%
OTHER	\$200,000	-36.61%	1	-75.00%	7	95.3%

Something New In the Air

By Ken Fears, Economist

Just as the national housing market performed remarkably well over the last two years, the local area also fared well. Sales surged in 2002 in response to declining interest rates. Likewise, in the spring and early summer of 2003, the 30-year fixed rate mortgage fell as low as 5.23 percent causing another surge in home sales. New employment drives sales of homes at both the national and local levels. But, sales respond robustly to declines in the mortgage rate, which has had significant implications for the housing market.

The number of days that a home sits on the market is assumed to move inversely with the strength of housing demand. Or, more specifically, days on the market should decrease as sales increase. This pattern is evident in the graph of sales and average days on the market for the area covered by the MLS Property Information Network. While sales rose in the spring and summer of 2002 and 2003, the average days on the market declined as demand ebbed under a relatively low stock of housing.



Two interesting trends developed in 2003, though. First, while significantly lower mortgage rates in 2003 than in 2002 resulted in higher consecutive home sales, rates averaged 6.54 percent in the second and third quarters of 2002 versus 5.82 percent in 2003, average days on the market rose from 60.4 in 2002 to 64.8 in 2003

The second noteworthy trend is that during the fall of 2003 the average days on the market did not rise as sales were flat or rising, bucking a common pattern across the country. The cause of these two trends is likely the same; a change in the characteristics of those buying homes. After two years of a soft labor market and low mortgage rates, the pool of those looking to buy homes has been clearly defined; those with strong incomes, stable employment situations, and a moderate amount of equity. This pool of potential homebuyers is relatively small, so after 3 years of consecutive record homes

Trends

sales, the size of this pool has been diminished, so that those still looking can afford to spend more time shopping, though ultimately making the choice to purchase. In addition, homebuilders were able to make up some of the shortfall in housing supply that had accrued in the early and middle 1990s by increasing production over the last few years.

Housing consumption is likely to revert to a normal path in the coming year. Employment will increase broadening the pool of housing consumers and adding a boost to sales. However, many home construction projects are currently in the pipeline and producers are likely to continue to produce at a strong pace as long as sales and prices remain strong by historical standards. As a result, homes will spend more time on the market in the area covered by the MLS Property Information Network. While sales will soften from last year's record level, Realtors® in the area covered by the MLS Property Information Network will experience strong sales in 2004 and 2005, but it will take longer to make those sales with the return of a more frugal and income constrained consumer population.

HALF AND HALF

by David Lereah, Chief Economist

Well, 2004 is here. Happy New Year! The good news even in these first few weeks is the economy is now growing again. The housing sector can look forward to continuing low mortgage rates and favorable demographic trends with boomers and immigrants purchasing homes in record numbers. All economic forecasts, including ours, expect both the economy and housing to experience a happy and healthy new year.

But don't pop the cork on that Champaign bottle just yet. Even though the future portends favorably for housing and the economy, let's play the role of pessimist and identify what could go wrong *just in case* - under the worst of scenarios.

The Economy Grows Too Fast

It is possible that the U.S. economy could grow too fast, exerting significant upward pressure on inflation and interest rates. GDP growth was 8.1 percent in the third quarter of this past year and there is now mounting evidence of a broad-based pickup of economic activity.

Both fiscal and monetary policy, have been in an expansionary stance for some time now. Fiscal policy has been led by the Bush Administration's multi-billion dollar tax relief package, while monetary policy continues to hold interest rates at 45-year lows. The combination of both fiscal and monetary expansionary forces is the automobile equivalent of pressing heavily on the accelerator while driving on a 55 mile per hour highway. Eventually, you exceed the speed limit, placing the driver and the automobile in danger. Similarly, when GDP exceeds its speed limit (i.e., the non-inflationary growth pace), the economy is in danger of overheating, generating unwanted inflation and higher interest rates.

A Swelling Federal Budget Deficit

The federal budget deficit has widened appreciably during the past two years and is now projected to be about \$500 billion in 2004. An increase in government spending (led by military expenditures) and a reduction in tax revenue (via Bush's tax relief package) have been the primary reasons for the deficit's untimely ascent. Unfortunately, the continued terrorist threat will keep military and defense expenditures up this year, placing upward pressure on future deficits.

Even though robust economic activity is expected to add to government revenues in 2004, the nation's budget deficit could swell if expenditures outweigh revenues. Increasingly higher budget deficits could create a market environment where the government is competing against private corporations for a limited amount of borrowed funds, placing upward pressure on interest rates. This "crowding out effect" was observable during the 1970s and 1980s when interest rates ascended into double-digit territory, placing enormous strains on economic growth. Could history repeat itself during the next several years?

Heightened Sensitivity to Terrorism

Unfortunately, the war against terrorism could last years. The uncertainty of potential terrorist acts in our homeland is now part of the American psyche. This directly impacts consumer confidence with regard to purchasing goods and services, particularly expensive durable goods items, such as automobiles and homes. Increased terrorist activity, perceived or real, could send consumer confidence plummeting, inhibiting both economic and housing activity.

Increasing Dependency on Foreign Capital

The U. S. is becoming increasingly dependent on foreign capital to fuel its economic engine. The nation's trade deficit most probably deteriorated in the fourth quarter of last year (data not available yet) and is now almost \$42 billion. Despite the recent fall-off in the dollar, import growth continues to outpace export growth, exerting upward pressure on the deficit. Similarly, our nation's budget deficit continues to swell as well. As stated above, the budget deficit is expected to register an alarming \$500 billion in 2004. The so-called "twin towers" of trade and budget deficits promise to cast a dark shadow on the bright outlook for the economy and housing markets in 2004. The large twin deficits place the U.S. in a vulnerable position with regard to our dependence on foreign capital. If the deficits continue to swell, U.S. interest rates may rise in order to attract the necessary amount of foreign capital to fund these deficits.

Fundamentals Remain Positive

On balance, it is very clear that the U.S. economy and housing markets are on the right track for 2004. The fundamentals remain excellent for the economy to expand briskly and for the housing sector to maintain a high level of activity. We may need to pay attention to some signs that could endanger the good times ahead: a higher than expected growth pace for the economy, further swelling of the federal budget and trade deficits, and increased terrorist activities in the homeland.

Fortunately, these threats to our future prosperity are unlikely to occur in 2004 — the glass half full, not half empty. The pessimist may be right in the long run, but the optimist has a better time during the trip.

The Forecast

By Lawrence Yun, *Senior Research Forecaster*

What's ahead for the housing and the economy in the new year?

The U.S. economy looks extremely bright. Close to two million new jobs will be created in 2004. But home sales will level off a bit from their record figures of 2003. Nonetheless, real estate business revenue should register gains since home price appreciation will more than make up for any decline in home sales in most markets. The Boston and the surrounding region will see a sales decline of 3.5% in 2004 (after an increase of 2% in 2003). With the home prices projected to rise 6% in 2004, housing affordability will become an issue in holding back buyers.

What will propel the economy?

Business spending will experience the biggest increase in percentage terms. There is a lot of pent-up spending to do here following the sizable investment slump in new plants and equipment over the past few years. Export orders have been picking up as well and will continue to do so in 2004.

Consumer spending makes up the bulk of economic activity and consumers will continue their robust spending habits. The stock market is making a significant comeback. The nation's homeowners -- 68% of U.S. households -- saw their net wealth increase due to healthy home price gains. Furthermore, larger-than-normal tax refunds are on tap. Most importantly, job growth and its accompanying income generation will be the biggest factor in boosting aggregate spending. The economy will advance by a solid 4.7% in 2004 to be followed by another 4.0% in 2005.

Given the strong pick up in the economy, will it mean a much higher inflation rate?

No. U.S. factories are still underutilized and the labor market is just coming off a cyclical peak in unemployment. The spectacular growth in labor productivity also keeps inflation down. In addition, intense international competition has kept domestic pricing power at bay. The inflation rate will actually decelerate to 1.6% in 2004 from 2.6% in 2003.

When will the Federal Reserve start hiking interest rates? August 2004. The Fed's principle duty is to provide price stability - neither inflation nor deflation. Currently, inflation is essentially nonexistent. But remember that inflation tends to rear its ugly head only after some lag from solid pick up in economic activity. The Fed will foresee some upticks in inflation from 2005. To be proactive, the Fed will raise rates in late summer of this year. The market, in anticipation of the Fed move, will make its move several months prior. The

bottom line is that the mortgage rates will be heading higher by spring.

Will higher interest rates then send the housing sector tumbling?

No. The 30-year fixed mortgage rate will rise from current 5.9% to 6.7% by year's end. Though a measurable rise, it will also go down in history as one of the lowest rates. There have been only four times in the past 30 years when rates averaged below 7% for the year as a whole. Under our assumptions on mortgage rates and job growth forecasts, home sales will decline by 4%. Home prices will continue their upward march, but at a slower pace than in 2003.

How high do the interest rates have to rise to tip over the housing sector?

Home sales will fall by 8% if mortgage rates quickly rise to 7% and stay there for the remainder of the year. Sales will fall by 14% if the rates rise to 8%. Both scenarios are highly unlikely though. Another scenario to keep in mind is what happens if interest rates do not rise and stay similar to the levels of 2003. Home sales will rise by 2% due to job creation and rising consumer confidence.

Any bold predictions?

For the Anglophiles out there, home prices will flatten out, possibly even decline, in the U.K. by the end of the year. Britons have seen their home price spiked up by 16% in 2003. The dramatic turnaround of events will then precipitate a huge discussion on the imminent price burst here in the U.S. But U.S. home prices are in no danger of falling. The U.S. home price will grow close to 5%, triple the rate of general consumer price inflation.

The primary difference between the U.S. and the U.K. markets is the prevalence of adjustable rate mortgages. The U.K. market is dominated by month-to-month adjustable mortgage rates while the U.S. market is literally fixed with 30-year mortgages. Even the adjustable rate mortgages in the U.S. are not the month-to-month kind but those that are initially fixed for three to five years before becoming adjustables. The British economy has been one of the better performing over the recent global economic cycle. Hence, the Bank of England will hike rates much soon than the U.S. Fed. Some marginal homebuyers in the U.K. of the recent years will have difficulty servicing higher interest mortgage payments and will be forced to sell. At the same time, fewer buyers will hit the market. A ripe recipe for a possible price decline.

U.S. Economic Outlook: January 2004

	2003				2004				2005		2001	2002	2003	2004
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
U.S. Economy														
<i>Annual Growth Rate</i>														
Real GDP	1.4	3.3	8.2	4.3	4.4	4.4	4.2	4.2	3.7	4.0	2.4	3.1	4.7	4.0
Nonfarm Payroll Employment	-0.3	-0.7	-0.3	0.8	1.8	2.4	2.4	2.9	2.3	1.9	-1.1	-0.2	1.4	2.3
Consumer Prices	3.9	0.6	2.3	0.7	1.7	1.9	1.7	2.1	2.7	2.5	1.6	2.3	1.6	2.4
Real Disposable Income	1.6	2.6	7.4	1.1	9.8	3.1	0.5	4.7	3.1	2.2	4.2	2.6	4.6	2.8
Consumer Confidence	68	83	79	88	87	90	94	98	100	102	97	79	92	104
<i>Percent</i>														
Unemployment	5.8	6.2	6.1	5.9	5.8	5.8	5.6	5.4	5.2	5.2	5.8	6.0	5.6	5.1
<i>Interest Rates, Percent</i>														
Fed Funds Rate	1.3	1.2	1.0	1.0	1.0	1.0	1.3	1.5	2.0	2.3	1.7	1.1	1.2	2.5
3-Month T-Bill Rate	1.2	1.0	0.9	0.9	0.9	1.0	1.2	1.4	1.9	2.2	1.6	1.0	1.1	2.3
Prime Rate	4.3	4.2	4.0	4.0	4.0	4.0	4.3	4.5	5.0	5.3	4.7	4.1	4.2	5.5
Discount Rate	0.8	0.7	0.5	0.5	0.5	0.5	0.8	1.0	1.5	1.8	1.2	0.6	0.7	2.0
Corporate Aaa Bond Yield	6.0	5.3	5.7	5.6	5.7	6.0	6.1	6.2	6.2	6.4	6.5	5.7	6.0	6.4
30-Year Government Bond	5.0	4.7	5.2	5.3	5.4	5.7	5.8	5.8	5.9	6.0	5.4	5.1	5.7	6.0
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	5.8	5.5	6.0	5.9	6.1	6.5	6.6	6.7	6.8	6.9	6.5	5.8	6.5	7.0
1-Year Adjustable	3.9	3.7	3.7	3.7	3.8	3.9	4.1	4.3	4.6	4.8	4.6	3.8	4.0	5.0
Housing Indicators														
<i>Thousands</i>														
Existing Single-Family Sales	5,867	5,827	6,423	6,166	5,868	5,788	5,861	5,893	5,813	5,700	5,566	6,071	5,852	5,839
New Single-Family Sales	984	1,095	1,157	1,089	1,036	1,030	1,000	970	957	957	973	1,081	1,009	961
Housing Starts	1,737	1,739	1,884	1,995	1,826	1,724	1,641	1,637	1,617	1,606	1,705	1,839	1,707	1,606
Single-Family Units	1,405	1,415	1,523	1,640	1,480	1,388	1,301	1,292	1,265	1,247	1,359	1,496	1,365	1,248
Multifamily Units	332	324	361	355	346	336	340	345	352	359	343	343	342	359
Residential Construction*	406	412	434	449	444	428	412	401	398	395	425	425	421	395
<i>Percent Change -- Year Ago</i>														
Existing Single-Family Sales	2.4	6.0	18.7	7.3	0.0	-0.7	-8.8	-4.4	-0.9	-1.5	5.1	9.1	-3.6	-0.2
New Single-Family Sales	7.7	15.0	14.1	6.1	5.2	-5.9	-13.5	-10.9	-7.6	-7.0	7.2	11.1	-6.7	-4.7
Housing Starts	1.2	3.3	10.7	14.5	5.1	-0.8	-12.9	-18.0	-11.4	-6.9	6.4	7.8	-7.2	-5.9
Single-Family Units	3.2	5.5	13.5	16.3	5.3	-1.9	-14.6	-21.2	-14.5	-10.2	6.8	10.1	-8.7	-8.6
Multifamily Units	-6.7	-5.3	0.3	6.7	4.2	3.9	-5.7	-2.9	1.7	6.8	5.3	-0.1	-0.3	5.0
Residential Construction	5.7	6.7	12.0	13.3	9.5	3.9	-5.1	-10.5	-10.5	-7.7	4.1	0.0	-0.9	-6.1
Median Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	161.2	168.4	176.9	172.6	170.8	176.5	183.6	180.6	179.4	185.0	158.1	170.8	178.7	186.5
New Home Prices	184.6	191.0	190.5	200.7	195.8	201.0	200.1	209.9	207.9	212.7	187.6	194.5	204.5	212.0
<i>Percent Change -- Year Ago</i>														
Existing Home Prices	6.8	7.1	10.1	7.2	5.9	4.8	3.8	4.7	5.0	4.8	7.0	8.0	4.6	4.4
New Home Prices	-1.4	2.6	7.4	6.0	6.1	5.2	5.1	4.6	6.2	5.8	7.1	3.7	5.1	3.7
Local Region														
Jobs (in thousands)	1789.4	1814.0	1785.6	1814.1	1771.5	1803.1	1785.6	1821.4	1791.0	1824.8	1829.9	1800.8	1795.4	1828.6
Home Sales	7086	11319	14007	11248	7171	11330	12844	10776	7293	11614	42778	43660	42121	43174
Home Prices (in thousand \$)	356.3	375.8	388.0	369.8	380.5	401.0	412.4	393.1	404.9	427.0	347.4	375.0	399.0	423.1
<i>Percent Change -- Year Ago</i>														
Jobs	-1.6%	-1.6%	-1.7%	-1.5%	-1.0%	-0.6%	0.0%	0.4%	1.1%	1.2%	0.3%	-1.6%	-0.3%	1.9%
Home Sales	-15.3%	-7.5%	15.1%	4.8%	1.2%	0.1%	-8.3%	-4.2%	1.7%	2.5%	1.3%	2.1%	-3.5%	2.5%
Home Prices	14.4%	6.1%	5.4%	7.5%	6.8%	6.7%	6.3%	6.3%	6.4%	6.5%	12.5%	7.9%	6.4%	6.1%

National quarterly figures are seasonally adjusted annual rates.

Some data for the third quarter 2003 are actuals while others are estimates

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 January 9, 2004.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Mortgage Rates The 30-year fixed mortgage rate slipped to 5.88% in December. Mortgage rates finished the year with the lowest average on record. The one-year adjustable rate inched up in November to 3.76%.	Oct 5.95 Nov 5.93 Dec 5.88	↑	Money flowing into the stock market hurts bond rates
Existing Home Sales gradually slowed in November, but remained above the 6 million mark, which is indicative of a very robust housing market. Home resales declined 4.6% to a level of 60.6 million-units on a seasonally annualized basis.	Oct 6,680 Nov 6,350 Dec 6,060	↓	Off a bit from torrid pace
New Home Sales slipped 2.4% in November to a seasonally adjusted annual rate of 1.082 million units. While this is the third consecutive decline, the overall level is still very strong, running about 6% higher than one year ago.	Sep 1,137 Oct 1,109 Nov 1,082	↓	Like existing home sales, pace will slow a bit.
Housing Starts New home construction surged to its highest level since 1984, rising 4.5% in November to 2.07 million seasonally adjusted annualized units. Housing permits did weaken, however, suggesting that activity might moderate down the road.	Sep 1,931 Oct 1,980 Nov 2,070	↓	Builders being careful not to overbuild
Employment Growth Payroll employment increased only by 1,000 in December, much less than anticipated. The weakness was due primarily to declines in manufacturing and retail trade and slow job creation in other service industries. The unemployment rate was 5.7 percent.	Oct 100 Nov 43 Dec 1	↑	Even the manufacturing firms will hire
Purchase Applications The purchase applications index fell minimally in December to a level of 409.7, but a reading above 400 is still indicative of a healthy activity in the mortgage market. Still-low mortgage rates should continue to fuel mortgage loan applications.	Oct 390.9 Nov 425.7 Dec 409.7	↓	Higher rates rein in buyers
Housing Affordability The housing affordability index inched up in November to 139.4. This shows that the typical family earning the median income still has more than enough to qualify for a mortgage loan.	Sep 136.7 Oct 138.7 Nov 139.4	↓	Home prices continue to rise faster than incomes
Inflation The consumer price index fell 0.2% in November. Core inflation (excluding food and energy) fell 0.1%. The report shows that inflation does not appear to be an imminent threat to the economy.	Oct +0.3% Nov 0.0% Dec -0.2%	↔	Intense foreign competition keeps the lid on prices

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.

In 2003, home price appreciation experienced one of its best years ever. Through November, home prices averaged a monthly growth rate of 7.7%. If prices finish the year at that rate, it would be the highest home appreciation rate since 1980. The exceptional appreciation rate is due primarily to lean inventories, historically low mortgage rates, and an insatiable demand for homes. The month's supply of homes on the market averaged 4.7 January through November, well below the 5-6 month's supply level which is indicative of a balanced market. Mortgage rates in 2003 were in record-low territory all year long. This translated into what will soon be a record shattering level of home sales for 2003. The culmination of these factors placed enormous upward pressure on home prices, which created a golden year for housing as an investment.

