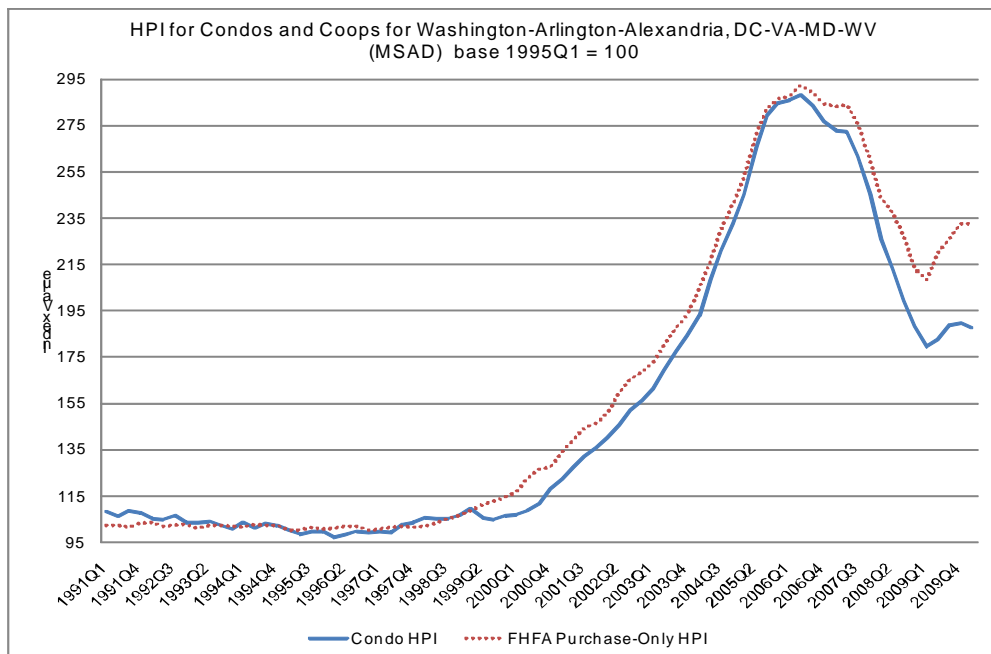


Highlights

The Federal Housing Finance Agency's (FHFA's) House Price Index (HPI) is based on transactions involving non-jumbo, conventional mortgages purchased or securitized by Fannie Mae or Freddie Mac. Only mortgage transactions on single-family properties are included. Mortgage transactions on condominiums, cooperatives, multi-unit properties, and planned unit developments are excluded from the estimation sample¹ (hereafter referred to as the Enterprise series). This analysis examines house price indexes for condominiums and cooperatives (condos) in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSAD (District area), the New York-White Plains-Wayne, NY-NJ MSAD (New York area), and the Denver-Aurora-Broomfield, CO MSA (Denver area) and compares the newly estimated condo indexes to the FHFA Purchase-Only HPI for the same areas.

Using data comprised of transactions recorded at county recorder offices (the recorder series), a sample of repeat sales on condos was constructed for the District area, the New York area, and the Denver area. For the District area, the data comprise over 99,000 repeat transactions taking place between the first quarter of 1975 and the first quarter of 2010. For the New York area, there are over 26,000 repeat transactions taking place between the third quarter of 1981 and the first quarter of 2010. For the Denver area, there are over 52,000 repeat transactions taking place between the first quarter of 1975 and the first quarter of 2010. Unlike the Enterprise series, the recorder series does not restrict transactions to mortgages with balances below the conforming loan limit and does not eliminate transactions financed through loans guaranteed by the federal government. Figure 1 shows the newly estimated HPI for condos from 1991Q1 through 2010Q1 along with the FHFA HPI for the District area.

Figure 1



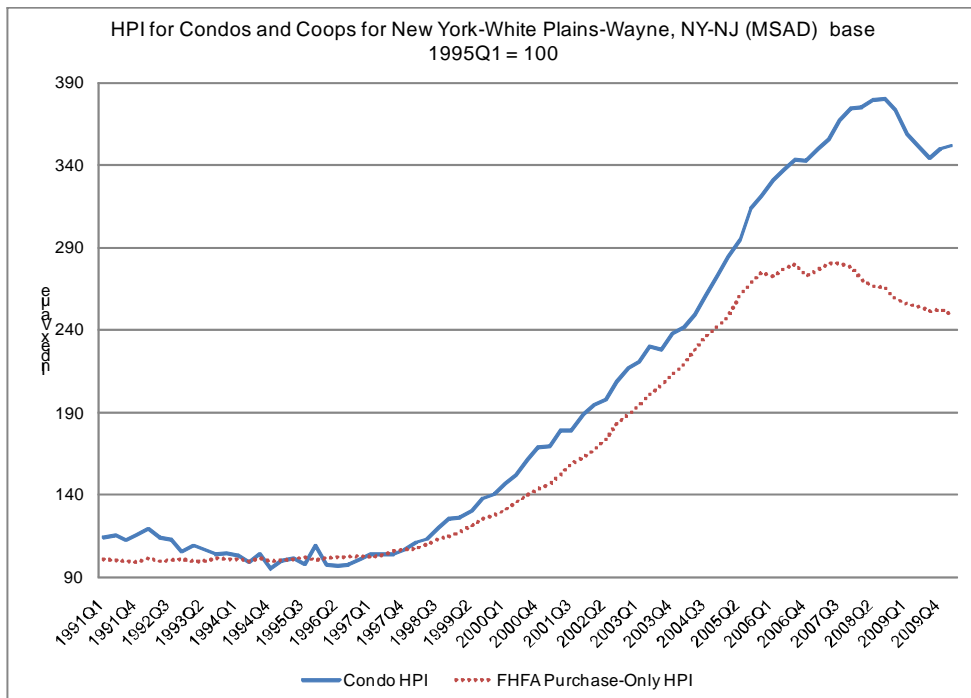
Source: DataQuick Information Systems (recorder data) and Enterprise HPI data submissions

Note that after 2002Q4, the HPI for condos becomes larger than the FHFA HPI. Also, the FHFA HPI peaks in 2006Q4 while the HPI for condos reaches its peak two quarters earlier (2006Q2). The HPI for condos appears to fall at a faster rate than the FHFA HPI from 2006Q2 to 2009Q1,

¹ See HPI FAQ number 2 at <http://www.fhfa.gov/Default.aspx?Page=196>

after which both series begin to recover (the FHFA series appears to be recovering at a faster rate).

Figure 2

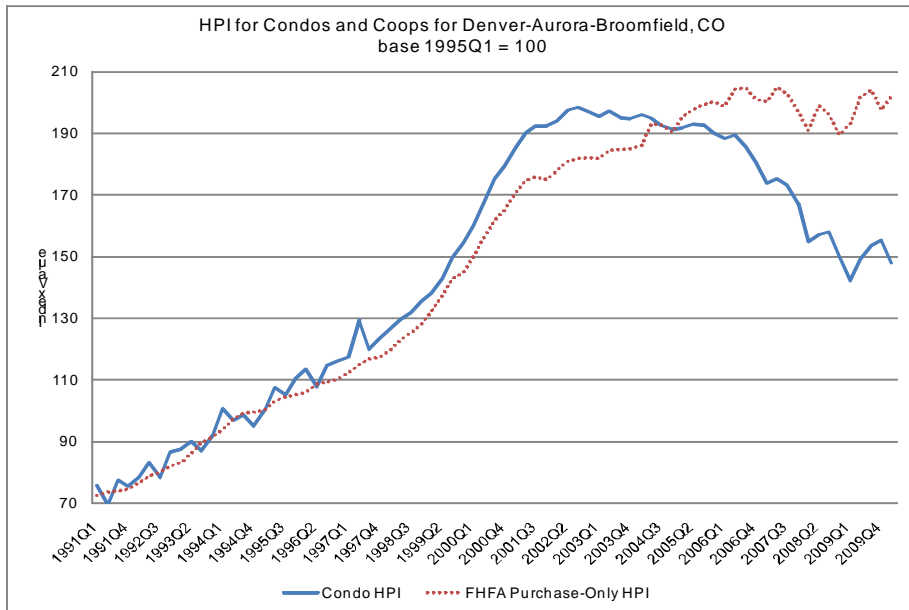


Source: DataQuick Information Systems (recorder data) and Enterprise HPI data submissions

Figure 2 shows the newly estimated HPI for condos from 1991Q1 through 2010Q1 along with the FHFA HPI for the New York area. Note that after 1997Q4, the HPI for condos becomes larger than the FHFA HPI. Also, the FHFA HPI peaks in 2007Q2 while the HPI for condos continues rising until it reaches its peak in 2008Q3. Further, although the HPI for condos appears to fall at a faster rate than the FHFA HPI from 2008Q3 to 2009Q3, the HPI for condos seems to have begun a recovery while the FHFA HPI is still in decline.

Figure 3 shows the newly estimated HPI for condos from 1991Q1 through 2010Q1 along with the FHFA HPI for the Denver area. Note that the two series track very closely until 1996Q2. After 1996Q2, the condo HPI is above the FHFA HPI at a roughly consistent level until 2000Q2—at which time the condo HPI begins growing at a significantly higher rate. In 2002Q3 the condo HPI peaks and begins a steady descent. By 2004Q4 and thereafter, the FHFA HPI is consistently above the condo HPI.

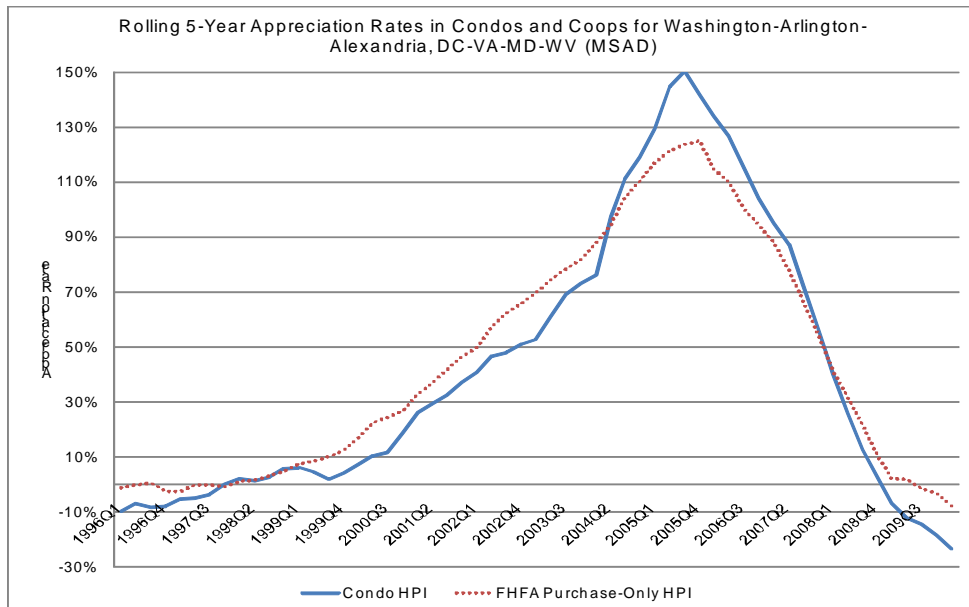
Figure 3



Source: DataQuick Information Systems (recorder data) and Enterprise HPI data submissions

Figure 4 shows five-year appreciation rates taken from the estimated District area HPI series in Figure 1. Notice that from 1998Q1 (five years prior to 2003Q1) through 2002Q1 (five years prior to 2007Q1), owning a condominium in the District area was a much better investment than owning a single-family detached home. Indeed, persons who purchased condos in 2000Q3 typically experienced a 150 percent return on their investment after five years, whereas persons who purchased single-family detached homes typically only experienced a 123 percent return over the same period.

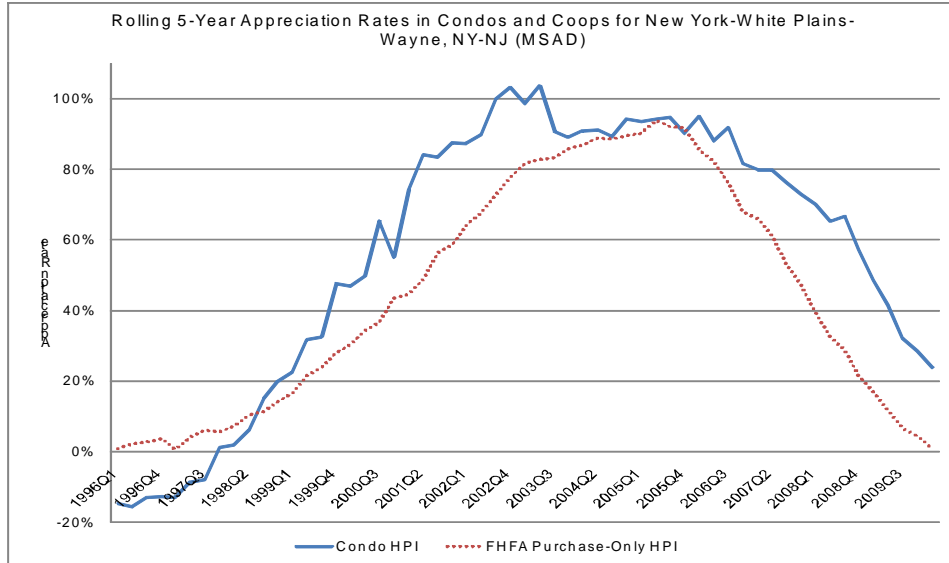
Figure 4



Source: DataQuick Information Systems (recorder data) and Enterprise HPI data submissions

However, the five-year appreciation rate for condos dips below the same rate for single family homes and single family homes are currently outperforming condos by almost 20 percentage points (negative 2.7 percent rate for single-family homes compared to a negative 26.3 percent rate for condos).

Figure 5

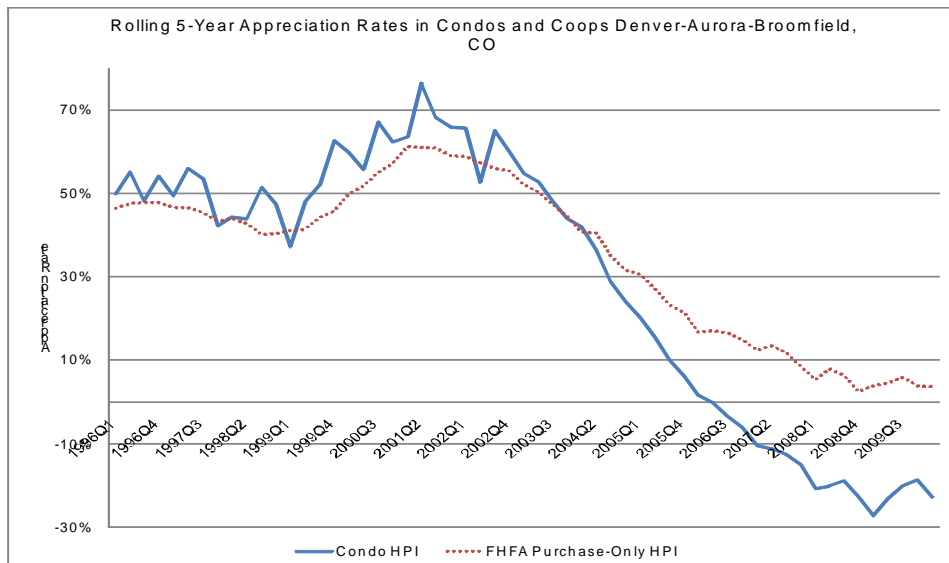


Source: DataQuick Information Systems (recorder data) and Enterprise HPI data submissions

Figure 5 shows five-year appreciation rates taken from the estimated New York area HPI series in Figure 2. Notice that since 1993Q2 (five years prior to 1998Q2) owning a condominium in the New York area has been a much better investment than owning a single-family detached home. Indeed, persons who purchased condos in 1997Q2 typically experienced a 103 percent return on their investment after five years, whereas persons who purchased single-family detached homes typically only experienced a 78 percent return over the same period.

Figure 6 shows five-year appreciation rates taken from the estimated Denver area HPI series in Figure 3. Notice that since 1998Q4 (five years prior to 2003Q4) owning a condominium in the Denver area has been a significantly worse investment than owning a single-family detached home. Indeed, persons who purchased condos in 2004Q1 typically experienced a 27 percent decrease in their home value after five years, whereas persons who purchased single-family detached homes typically experienced a 4 percent gain over the same period.

Figure 6



Source: DataQuick Information Systems (recorder data) and Enterprise HPI data submissions

If the District, New York and Denver areas are reflective of other areas in the US, condos experience different house price appreciation than other single family properties, and the differences between the price behavior of condos and detached dwellings vary considerably from city to city.