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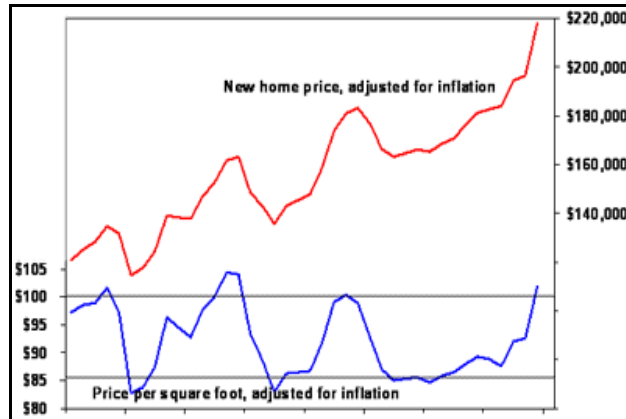
Good Morning,

### Housing Prices: The Real Truth

A recent article by Dr. Steve Sjuggerud entitled *Housing Prices: The Real Truth* addresses some of the comments you may hear relating to the increased cost of new homes. The next time you hear these comments you may want to reference this information.

Yes, housing prices have basically trended higher since the early 1960s (as far back as we have decent data). Yet, when you look at home prices in real terms—meaning adjusted for inflation—a different picture emerges...

In real terms, new home prices have trended higher with a few downward blips. These downward blips have nearly always coincided with recessions. The red line in the chart below is “real” home prices and you can see the general upward trend, along with the blips.



If you look at just the red line, you might still believe the conventional wisdom is correct...that new home prices generally rise over time. This misses an important (and little talked about) point...the **size** of new homes has increased significantly over time. **The real price of a new home per square foot has been pretty constant**, between \$85 and \$100 per square foot. This information is the blue line in the chart above and in the table below. The table below used information located at NAHB.org.

Year	Real new home price	Median new home size (sq. ft.)	Real price per square foot
1950	\$84,128	900	\$93.48
1970	\$114,572	1,385	\$82.72
1990	\$176,723	1,905	\$92.77
2004	\$217,817	2,140	\$101.78

Conclusion? **What people pay for a home hasn't really gone up. People are simply buying bigger homes.** Put another way, the gains in new prices in the last 54 years can be significantly accounted for by rising inflation and the increase in square footage.

