

MEDIAN HOME PRICES ARE INCREASING IN SOME COMMUNITIES

Median prices of traditional homes have increased in 19 MLS districts since 2006, when home prices peaked in the Minneapolis-St. Paul area. Traditional homes, those not in foreclosure, represent 95 percent of the homes in the Metropolitan Area. Metropolitan Area median home sales price was \$230,000 in 2006 and fell to \$221,000 in 2008, a decline of only 3.9 percent. This is good news when compared to the misleading decline of 23 percent for all homes that combine sales of traditional and lender-mediated homes in a single comparison. This calculation, while mathematically accurate, is extremely misleading since foreclosed homes represent only five percent of the homes but accounted for 60 percent of the transactions in the most recent period.

Traditional home median sales prices increased by more than 12 percent in three MLS areas – Maple Grove/Osseo (13.9 percent), Prior Lake (13.3 percent), and Chaska (12.8 percent), as shown in Table 1. Price increases of five to ten percent were recorded in six MLS areas and traditional home prices increased by one to five percent in 10 areas.

Table 1
CHANGE IN MEDIAN SALES PRICES OF
TRADITIONAL HOMES BETWEEN 2006 AND 2008

<u>Price Change</u>	<u>Number of MLS Areas</u>
10 Percent or More	3
5 to 9.9 Percent	6
1 to 4.9 Percent	10
(0.1) to (4.9) Percent	18
(5.0) to (9.9) Percent	27
(10.0) to (14.9) Percent	23
(15.0) to (19.9) Percent	7
(20.0) Percent or More	6

Source: Minneapolis Area Association of Realtors.

Price declines of less than ten percent have occurred in 45 MLS areas and 10 to 14.9 percent in 23 MLS districts. Median sales prices have declined by 15 percent or more in only 12 districts. This is a far different picture than presented by a median sales price of \$150,000 when traditional and lender-mediated home prices are combined. Median sales prices of traditional homes were below \$150,000 in only five MLS districts.

The above tale was compiled from 2008 median sales prices of traditional homes contained in Table 2. Homeowners of the 19 MLS areas with increasing prices will undoubtedly be encouraged by reports of increasing prices. Homeowners in the 76 MLS areas with median price decreases can be comforted by the fact that most traditional homes have declined by far less than the 23 percent reported in a recent news article. Median sales prices have declined by 23 percent or more in only five MLS areas.

This analysis was prepared utilizing information collected by the Minneapolis Area Association of Realtors.

Table 2
2006 MEDIAN SALES PRICES COMPARED TO
2008 TRADITIONAL HOME MEDIAN SALES PRICES

<u>Code</u>	<u>MLS Area</u>	<u>2006 Median Sales Price Total</u>	<u>2008 Median Sales Price Traditional</u>	<u>Percent Change</u>
365	Maple Grove/Osseo	\$ 247,000	\$ 281,400	13.9 %
642	Prior Lake	279,900	317,000	13.3
397	Chaska	234,900	265,000	12.8
302	Mpls. - Central	270,000	296,519	9.8
386	Hopkins	205,900	222,083	7.9
368	Hennepin - Northwest	375,000	403,300	7.5
385	Edina	385,000	410,000	6.5
741	St. Paul - Downtown/Capital Hts	195,000	205,500	5.4
727	Stillwater/Bayport	299,000	315,000	5.4
373	Golden Valley	268,000	280,000	4.5
610	Eagan	237,800	247,000	3.9
392	Eden Prairie	288,950	300,000	3.8
726	Woodbury	281,000	287,700	2.4
740	St. Paul - Crocus Hill	266,000	272,000	2.3
640	Shakopee	218,000	222,500	2.1
396	Chanhassen	293,500	298,000	1.5
387	Mnettonka	271,768	274,900	1.2
391	St. Louis Park	234,500	237,000	1.1
309	Mpls. - Southwest	287,000	290,000	1.0
614	Apple Valley	226,000	225,000	(0.4)
374	Plymouth	293,000	291,500	(0.5)
748	St. Paul - Town & Country/Merriam Park	275,500	273,500	(0.7)
750	St. Paul - Mac/Groveland/River Road	278,000	275,500	(0.9)
304	Mpls. - Nokomis	225,000	222,750	(1.0)
626	Lakeville	278,950	272,768	(2.2)
612	Burnsville	233,375	227,800	(2.4)
300	Mpls. - Calhoun Isles	263,590	257,250	(2.4)
380	Bloomington West	247,000	240,000	(2.8)
708	White Bear Lake	245,000	237,500	(3.1)
746	St. Paul - St. Anthony/Midway	206,350	200,000	(3.1)
725	Pine Springs/Lake Elmo/Oakdale	227,000	219,900	(3.1)
765	Arden Hills/Shoreview	242,500	234,750	(3.2)
303	Mpls. - Longfellow	207,500	200,000	(3.6)
752	St. Paul - Highland Area	274,400	263,700	(3.9)
616	Rosemount	248,200	238,450	(3.9)
766	Moundsville/New Brighton/St. Anthony	225,000	215,000	(4.4)
617	Hastings	202,000	193,000	(4.5)
608	Inver Grove	205,450	195,000	(5.1)
709	Forest Lake Area	240,250	226,950	(5.5)
644	Savage	266,950	252,000	(5.6)
707	Ham Lake	340,000	320,950	(5.6)
772	Lexington/Circle Pines	192,000	181,155	(5.6)

Table 2 (cont.)

**2006 MEDIAN SALES PRICES COMPARED TO
2008 TRADITIONAL HOME MEDIAN SALES PRICES**

<u>Code</u>	<u>MLS Area</u>	<u>2006 Median Sales Price Total</u>	<u>2008 Median Sales Price Traditional</u>	<u>Percent Change</u>
394	Carver County	\$ 243,150	\$ 229,000	(5.8) %
744	St. Paul - Como	216,250	203,500	(5.9)
728	St. Paul - Riverview/Cherokee	187,686	176,250	(6.1)
738	St. Paul - Home Croft/W. 7th	180,290	168,950	(6.3)
367	Hennepin- North	288,950	270,000	(6.6)
624	Farmington	233,000	217,000	(6.9)
702	Falcon Heights/Lauderdale/Roseville	246,750	229,500	(7.0)
360	Robbinsdale	199,950	185,450	(7.3)
341	Wright County (Ext Buffalo)	216,000	200,000	(7.4)
361	Crystal	197,700	183,000	(7.4)
604	Mendota/Lilydale	330,200	305,000	(7.6)
722	Newport/St. Paul Park/Cottage Grove	227,400	210,000	(7.7)
600	W. St. Paul	200,500	185,000	(7.7)
308	Mpls. - Powderhorn	183,700	169,000	(8.0)
362	New Hope	229,000	209,297	(8.6)
340	Buffalo	215,000	195,850	(8.9)
764	Blaine	229,900	209,000	(9.1)
648	New Prague/New Market Elko	250,000	227,000	(9.2)
310	Mpls. - University	240,000	217,500	(9.4)
758	Northwestern Anoka Cty	232,000	209,900	(9.5)
381	Lake Minnetonka	462,000	417,500	(9.6)
660	Goodhue County	174,675	157,675	(9.7)
646	Jordan	250,000	225,000	(10.0)
366	Champlin	233,500	210,150	(10.0)
760	Ramsey	229,900	206,900	(10.0)
762	Andover	272,475	245,000	(10.1)
378	Richfield	223,750	200,000	(10.6)
756	Elk River	230,000	204,750	(11.0)
602	S. St. Paul	196,700	175,000	(11.0)
712	Maplewood/North St. Paul	222,000	196,000	(11.7)
306	Mpls. - Northeast	210,000	184,900	(12.0)
711	Southern Chisago County	211,900	186,200	(12.1)
705	Lino Lakes/Hugo/Centerville	262,000	230,200	(12.1)
379	Bloomington East	225,000	197,000	(12.4)
767	Coon Rapids	205,900	179,900	(12.6)
650	Belle Plaine	214,125	186,975	(12.7)
398	Victoria	477,500	414,968	(13.1)
770	Hilltop/Columbia Heights	189,300	164,500	(13.1)
364	Brooklyn Park	230,825	200,000	(13.4)
771	Spring Lake Park	199,850	172,900	(13.5)
630	Northfield	220,000	190,000	(13.6)
706	North Central Suburban	264,900	228,250	(13.8)

Table 2 (cont.)**2006 MEDIAN SALES PRICES COMPARED TO
2008 TRADITIONAL HOME MEDIAN SALES PRICES**

<u>Code</u>	<u>MLS Area</u>	<u>2006 Median Sales Price Total</u>	<u>2008 Median Sales Price Traditional</u>	<u>Percent Change</u>
720	St. Paul - Southeast St. Paul	\$ 217,000	\$ 186,750	(13.9) %
721	Lakeland/Afton/Denmark	350,000	300,000	(14.3)
768	Fridley	209,900	179,900	(14.3)
769	Anoka	200,873	170,000	(15.4)
713	Bethel	240,500	203,023	(15.6)
632	Rice County	187,650	155,000	(17.4)
716	St. Paul - Hillcrest/Hazel Park/Daytons Bluff	176,000	145,000	(17.6)
710	Northeast Anoka County	279,950	229,900	(17.9)
780	Sherburne County	214,950	175,000	(18.6)
714	St. Paul - Phalen	176,450	143,020	(18.9)
363	Brooklyn Center	192,925	151,500	(21.5)
754	Big Lake Township	211,000	161,000	(23.7)
307	Mpls. - Phillips	191,580	140,000	(26.9)
742	St. Paul - Central	153,000	107,000	(30.1)
301	Mpls. - Camden	164,000	112,000	(31.7)
305	Mpls. - North	153,000	65,000	(57.5)

Source: Minneapolis Area Association of Realtors.

FOR IMMEDIATE RELEASE

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95 PERCENT OF TWIN CITIES HOMES HAVE RETAINED MORE THAN 96 PERCENT OF THEIR VALUE

New Study Reveals that Reports of Substantial Declines in Local Home Values is Extremely Misleading

Roseville, MN (March 29, 2009) – A new study reveals that almost all Twin Cities homes have not suffered the double-digit declines in median home prices often reported. Traditional homes, those not in foreclosure, represent 95 percent of the homes in the Metropolitan Area and show a median sales price decline of just 3.9 percent.

“Home prices in the Twin Cities area are either up, down or stable in the Twin Cities, depending on a range of factors, all of which affect price,” explains Jim McComb, president of McComb Group Ltd., a Minneapolis-based real estate research firm. “Unfortunately, none of these important factors have been taken into account in the multitude of news articles that report a steady drum beat of double digit declines in home values.”

Chief among these frequently ignored factors which influence home prices are whether or not there is actual foreclosure or an imminent threat of being foreclosed; the home’s location, type and physical condition; the number of homes in the immediate area listed for sale; and the number of for-sale homes that are in foreclosure.

The McComb Group report was released jointly today by the Minnesota Builders Association, the Builders Association of the Twin Cities and the Minnesota Association of REALTORS during their annual *Builders Day on the Hill* and *REALTOR Day at the Capital* at a rally in the Capital Rotunda in Saint Paul.

McComb said that there are actually two distinct home markets in the Twin Cities Metro area. “One of them, and by far the larger of the two, is the market representing ‘traditional’ homes, homes that are not in foreclosure, making up more than 95 percent of all of the homes in the two cities and their surrounding suburbs.”

“The other market, representing a mere 5 percent of all homes in the metro, are those which are ‘lender mediated,’ and are either already in foreclosure or are threatened with foreclosure,” according to McComb.

McComb Group’s just released study of actual home price trends in the metro area reveals major differences between the two markets. “Our analysis uncovered the facts that the national home price surveys has largely failed to notice,” McComb said. “Median sales prices of traditional homes—those not in foreclosure and not in danger of being foreclosed--- declined by a mere 2.6 percent in the metro area between the 4th quarter of 2007 and the end of 2008, and in several areas, such as Edina and Woodbury, they actually increased.”

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Although there is no way to accurately compare the median sales price of lender mediated, or foreclosed, homes with their former sales prices in a normal market, the McComb Group study found that as a group, these homes may have declined by 30 to 40 percent during the same period.

Price performance has also varied greatly depending on the type of home involved. The decline in median sales price has been lowest for traditional single family homes, down 3.5 percent, followed by condominiums, down 4.7 percent and townhomes, down 6.3 percent.

The same home types, when lender mediated, showed significantly larger value losses, with single family homes down 30 percent from a year earlier; condominiums down 17 percent; and townhomes down 15.2 percent. The difference between traditional and lender mediated townhomes and condominiums was -30 and -50 percent respectively.

The McComb study shows that where homes are located in the community has also had a large effect on prices. The heaviest concentrations of foreclosed, or lender-mediated homes, are in north and south Minneapolis, with far fewer located in Calhoun-Isles, Southwest and Edina. This difference in the concentration of foreclosed homes has had a dramatic impact on prices of both traditional homes and lender mediated homes in each of the areas studied.

Lender mediated sales prices of \$162,000 in the 4th quarter of 2007 were about 30 percent below traditional home median sales prices of \$227,000. One year later, at the end of 2008, the lender mediated sales prices had fallen another 10 percent, to 40 percent of the traditional median home sales price. But McComb cautions that these price declines of 30 to 40 percent still only apply to a small fraction of all homes in the Twin Cities.

The high proportion of foreclosed homes in Camden and North Minneapolis is clearly depressing the price of traditional homes along with those which are lender-mediated. Overall median sales prices have declined by as much as 44.4 percent in North Minneapolis, 27.6 percent in Camden, and by smaller percentages in Calhoun-Isles (1 percent) and Southwest (7.9 percent), while they have actually increased by 6.5 percent in Edina.

Of the top 100 Minneapolis Area Association of Realtors areas, sales of traditional homes have increased in 17. Median sales prices of traditional homes have declined by less than 10 percent in 58 MAAR areas, while traditional home prices have declined by more than 15 percent in only 11 MAAR areas. In the 17 MAAR areas with increasing traditional home prices, fewer than 33 percent of the listed homes are lender mediated, or in foreclosure.

"The fact that lender mediated homes currently represent only 5 percent of all homes but are a much larger proportion of closed sales is distorting the changes in home prices for traditional homes, while that fact understates the decline in sales prices of lender mediated homes," McComb said. "The current market for traditional homes, which make up 95 percent of the Twin Cities housing stock, is clearly much stronger than is indicated by such widely quoted national home price surveys as the Case-Schiller Index and Zillow."

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Key conclusions of the McComb Group study:

- Traditional homes are a separate market from foreclosed or lender mediated homes, and currently represent 95 percent of all homes in the Twin Cities metro area.
- Foreclosed and lender mediated homes, although making up just five percent of all homes, constitute a far larger percentage of closed sales.
- Areas with a high proportion of foreclosed homes are experiencing greater declines in median sales prices of both traditional and lender mediated homes.

A copy of the complete report is attached.

The Builders Association of Minnesota and The builders Association of the Twin Cities represent over 4,800 builders, remodelers and firms that do business within the homebuilding industry across the state of Minnesota.

MN REALTORS represents 19,500 real estate brokers and agents throughout the state of Minnesota.