

Positive Signs Continue in Housing Recovery

Unsure about how expiration of the Home Buyer Tax Credit would impact Minnesota real estate markets, June figures are more positive than negative for homeowners. In a statewide report of housing activity, the Minnesota Association of REALTORS® released a number of leading indicators that show more promise than many expected.

“Minnesota’s residential real estate market is showing some very promising signs a few months after expiration of the Federal Home Buyer Tax Credit,” said Michael Hoffman, president of the 20,000 member professional association. “June closed sales were up 11 percent compared to last year, median home prices were up slightly to \$155,000 and the inventory supply was down 9 percent.”

Mankato Area REALTORS® report that activity is stronger than the statewide figures. Closed transactions were up 11.1 percent in June when compared to 2009. However, the year to date closed sale figure is up 13.1 percent. Another positive sign is that median home prices are up 10.1 percent through the month.

“We’re cautiously optimistic that the worst is behind us,” said Jim Pfau, president of the REALTOR® Association of Southern Minnesota. “Home prices are showing positive growth and that’s good news for everyone.”

One negative figure was in the area of pending sales, which are home sales where contracts have been drafted but have not closed. This figure was down 33 percent compared to the same time last year, a figure the industry expected as a number of home purchasers moved up their buying decision in order to take advantage of the tax credit.

“Through the first half of 2010 we’re seeing residential real estate rebound in most parts of the state,” said Hoffman. “In the state’s 13 Economic Regions, median prices have increased in 8 with the Upper Minnesota Valley leading the way at +16.8 percent. Other notable areas are Southwest Region +10.7%, Central Region + 4.1% and the 7 County Twin Cities +6.2%.”

Unemployment in some economic regions is a major cause for localized price difficulties. As an example, in the East Central Region – Chisago, Isanti, Mille Lacs, Kanabec and Pine Counties – the unemployment rate is 8.8 percent. For June the median home price fell -6.4 percent compared to the median a year earlier. Conversely, in the Southwest Region – Lincoln, Lyon, Redwood, Pipestone, Murray, Cottonwood, Rock, Nobles and Jackson Counties – where the unemployment rate is 4.7 percent, home values increased 55.9 percent in June 2010 when compared with June 2009 and are up 10.7 percent through the first 6 months of 2010.

“Both Marshall and Worthington are strong economies in the Southwest Region,” Hoffman stated. Marshall’s unemployment rate is 4.7 percent and Worthington’s is at 4.4 percent, the

lowest of the Micro Statistical Areas in the state. "Housing values and purchasing activity is closely linked to employment figures." He added.

Lower inventory levels are also helping boost home values, Hoffman said about the rebounding marketplace. Minnesota's inventory levels are still a bit higher than normal at 10.6 months; however this is a 9.4 percent decline from the same time last year when the inventory was at 11.7 months.

Foreclosures and short sales are significant factors in many areas, especially in the Metro, St Cloud, Rochester and Duluth market areas. These distressed sales compete directly with owner-occupied sellers and have a tendency to sell for less than traditional homes, thus damping the area median price temporarily.

Housing Affordability is another good sign for the rebounding residential market. Historically low interest rates and slower appreciation has combined to make home ownership a terrific option for households thinking about investing in their future. Minnesota's Housing Affordability Index (HAI) is at 113. An HAI of 113 means the median family income has 113% of the necessary income required to purchase a median priced home using traditional qualifying ratios and 30-year fixed-rate financing.

"Mankato and our surrounding communities are some of the most affordable housing markets in the state," said Jim Pfau. "The June HAI for the REALTOR Association of Southern Minnesota was 193 which creates wonderful opportunities for people who thought owning a home was out of their reach."