

NEWS RELEASE

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Twin Cities Housing Market Makes Big Changes in 2008

Twin Cities, Minnesota (January 14, 2009) – After two-plus years of a faltering market, a recent upswing in Twin Cities homes sales during the second half of 2008 is cause for some measured optimism heading into 2009, according to special new year-end analysis from the four Twin Cities area REALTOR® associations.

In the Twin Cities 13-county metro area, total pending sales for 2008 ended at 44,067, up 1.2 percent from 2007. This is the first year-over-year increase in pending sales since 2004. There were 38,746 closed home sales in 2008, down only 3.5 percent from 2007.

In the second half of the year, sales picked up momentum and haven't let up since due to tumbling mortgage rates and increased affordability. Since July, there have been 15.7 percent more pending sales than there were during the same time period last year, and the most recent month saw a year-over-year increase of almost 30 percent.

With mortgage rates plunging down near their lowest point in decades and home prices softening, the affordability picture in the Twin Cities housing market improved dramatically in 2008. The Housing Affordability Index—which takes into account home prices, interest rates and consumer income to determine overall affordability—sits at 192 for January 2009, the highest and most attractive figure since we began tracking it in 1990.

"The improvement in affordability in 2008 was dramatic," said Tony Maurer, 2009 President of the Southern Twin Cities Association of REALTORS®. "There are some fairly remarkable opportunities out there for first-time home buyers that weren't available a few years ago."

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Home prices continued to decline, as expected. The overall 2008 median sales price was \$195,000, down 13.3 percent from last year's mark of \$225,000.

Reasons for this decline can be found by dissecting two unique segments in today's housing market: lender-mediated and traditional. In 2008, the median sales price of lender-mediated foreclosure and short sale properties was \$145,000, a drop of 13.4 percent from 2007. The median sales price for traditional properties—those being sold by consumers rather than lenders—was \$223,000, which was a much quieter decline of 4.1 percent from last year. In all of 2008, 31.7 percent of closed sales in the region were lender-mediated, up from 10.4 percent in 2007.

"Lender-mediated properties are a growing part of the market that can't be ignored," said Rae Jean Malone, 2009 President of the Saint Paul Area Association of REALTORS®. "For now, consumers appear to be willing to pay more for a move-in-ready traditional property."

The number of new listings on the market during 2008 decreased by 10.9 percent compared to last year, a drop of over 10,000 listings from last year and the lowest showing since 2003. This has helped stem the tide of oversupply our market has been experiencing in recent years.

The number of new foreclosure and short sale listings in the fourth quarter of 2008 was actually 4.3 percent lower than the third quarter, which is the first downward quarterly movement in new lender-mediated listings since 2003.

"The flattening of lender-mediated properties does give us some hope that the pain caused by foreclosures may be reduced in 2009," said Bob Day, 2009 President of the North Metro REALTORS® Association. "Time will tell whether this trend continues."

"The market still faces some very real challenges," said Steve Havig, 2009 President of the Minneapolis Area Association of REALTORS®. "But we are encouraged by the necessary corrections that 2008 brought and look forward to 2009."

The 2008 Twin Cities Housing Statistics were released at the Residential Real Estate Summit on January 14, 2009—a joint event from the four Twin Cities REALTOR® associations held at the Earle Brown Heritage Center in Brooklyn Park, MN. This gathering of influential real estate players also featured a keynote address from Tobias Madden of the Minneapolis Federal Reserve and panels on such wide-ranging subjects as the mortgage industry, market projections, foreclosures, new construction and more.

For digital copies of this press release and 2008 housing statistics, please contact one of the staff listed above.

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