

# FORECLOSURES AND SHORT SALES IN THE TWIN CITIES HOUSING MARKET Q3 2009 UPDATE

A SPECIAL RESEARCH REPORT FROM THE MINNEAPOLIS AREA ASSOCIATION OF REALTORS®

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Lender-owned foreclosure inventory available for sale in the Twin Cities has fallen by 60 percent in the last year, falling from an estimated 4,886 at the end of last September to 1,960 this year. Short sales are a different story—basically holding steady over the last twelve months (Figure 1). Lender-owned foreclosures now account for only 7.9 percent of the total inventory, while short sales represent 17.4 percent of total inventory.

The simple reason for this growing chasm is that foreclosures are selling roughly three times as frequently as short sales (Figure 2). Short sales are complicated transactions and many consumers have reported considerable delays and uncertainties associated with making an offer on a short sale home. These complications are likely the main cause of the relatively quiet sales activity.

Foreclosures are properties in which the financial institution has repossessed the home from the owner due to nonpayment of mortgage obligations. Short sales are unique arrangements where the financial institution and in-default homeowner work together in an attempt to sell the home before it is foreclosed upon.

It's encouraging to see the number of vacant foreclosures drop as they're absorbed by new homeowners. But it's discouraging to see that short sales remain such a substantial drag on the market's forward momentum, especially when we consider that a portion of these short sales will eventually become lender-owned foreclosures.

For more information on the difference between the foreclosure market and the short sale market, take a look at pages 5 to 7 of this report.

Want to see how foreclosures and short sales are affecting various neighborhoods and cities within the Twin Cities metro area? [Click here](#) to access an interactive data board and in-depth neighborhood reports and commentary.

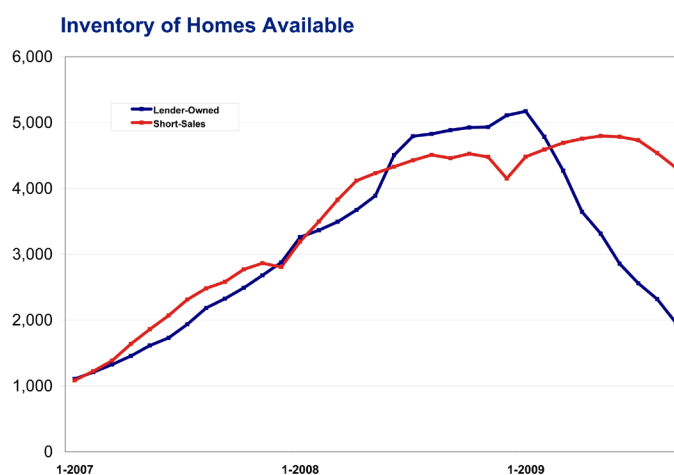


Figure 1 | Foreclosure Inventory Declines

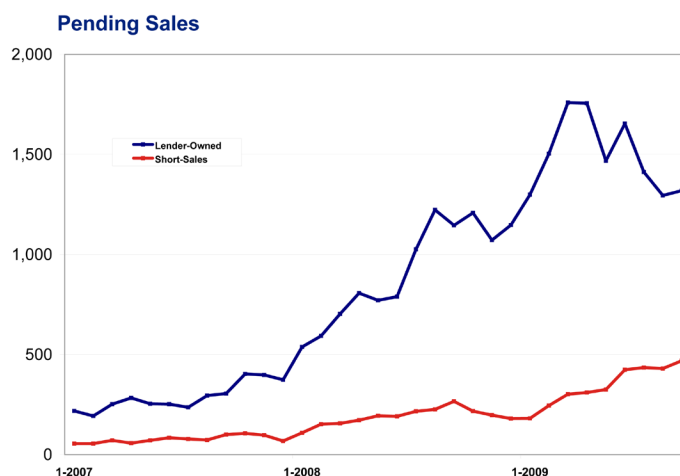


Figure 2 | Foreclosures Sell Three Times as Often as Short Sales



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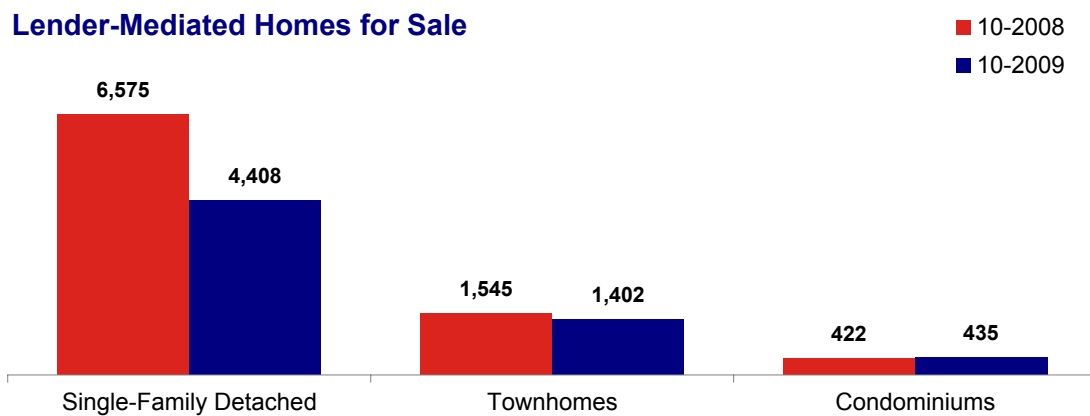


# Inventory of Homes for Sale

Property Type	Lender-Mediated			Traditional			Total			Share of Total Inventory That Is Lender-Mediated	
	10-2008	10-2009	Change	10-2008	10-2009	Change	10-2008	10-2009	Change	10-2008	10-2009
<b>All Properties</b>	<b>8,542</b>	<b>6,245</b>	<b>- 26.9%</b>	<b>23,511</b>	<b>18,584</b>	<b>- 21.0%</b>	<b>32,053</b>	<b>24,829</b>	<b>- 22.5%</b>	<b>26.6%</b>	<b>25.2%</b>
Single-Family Detached	6,575	4,408	- 33.0%	16,062	13,147	- 18.1%	22,637	17,555	- 22.4%	29.0%	25.1%
Townhomes*	1,545	1,402	- 9.3%	4,765	3,358	- 29.5%	6,310	4,760	- 24.6%	24.5%	29.5%
Condominiums	422	435	+ 3.1%	2,684	2,079	- 22.5%	3,106	2,514	- 19.1%	13.6%	17.3%

\*Includes twinhomes

## Lender-Mediated Homes for Sale

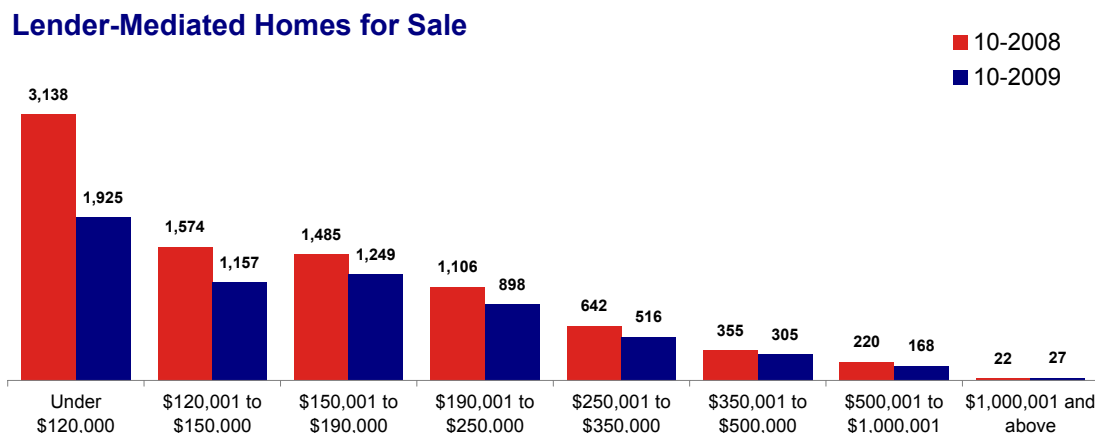


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There are almost 2,300 fewer lender-mediated homes available for sale right now than there were a year ago, but they still comprise roughly one quarter of all available inventory.

Price Range	Lender-Mediated			Traditional			Total			Share of Total Inventory That Is Lender-Mediated	
	10-2008	10-2009	Change	10-2008	10-2009	Change	10-2008	10-2009	Change	10-2008	10-2009
Under \$120,000	3,138	1,925	- 38.7%	1,421	1,239	- 12.8%	4,559	3,164	- 30.6%	68.8%	60.8%
\$120,001 to \$150,000	1,574	1,157	- 26.5%	1,991	1,488	- 25.3%	3,565	2,645	- 25.8%	44.2%	43.7%
\$150,001 to \$190,000	1,485	1,249	- 15.9%	3,829	2,846	- 25.7%	5,314	4,095	- 22.9%	27.9%	30.5%
\$190,001 to \$250,000	1,106	898	- 18.8%	5,047	3,859	- 23.5%	6,153	4,757	- 22.7%	18.0%	18.9%
\$250,001 to \$350,000	642	516	- 19.6%	4,526	3,528	- 22.1%	5,168	4,044	- 21.7%	12.4%	12.8%
\$350,001 to \$500,000	355	305	- 14.1%	3,264	2,553	- 21.8%	3,619	2,858	- 21.0%	9.8%	10.7%
\$500,001 to \$1,000,001	220	168	- 23.6%	2,639	2,284	- 13.5%	2,859	2,452	- 14.2%	7.7%	6.9%
\$1,000,001 and above	22	27	+ 22.7%	797	787	- 1.3%	819	814	- 0.6%	2.7%	3.3%
<b>All Prices</b>	<b>8,542</b>	<b>6,245</b>	<b>- 26.9%</b>	<b>23,514</b>	<b>18,584</b>	<b>- 21.0%</b>	<b>32,056</b>	<b>24,829</b>	<b>- 22.5%</b>	<b>26.6%</b>	<b>25.2%</b>

## Lender-Mediated Homes for Sale



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Inventory is down in every price category but has dropped the fastest in the lower price ranges. Lender-mediated inventory has actually grown in the \$1 million and higher segment, but only slightly.

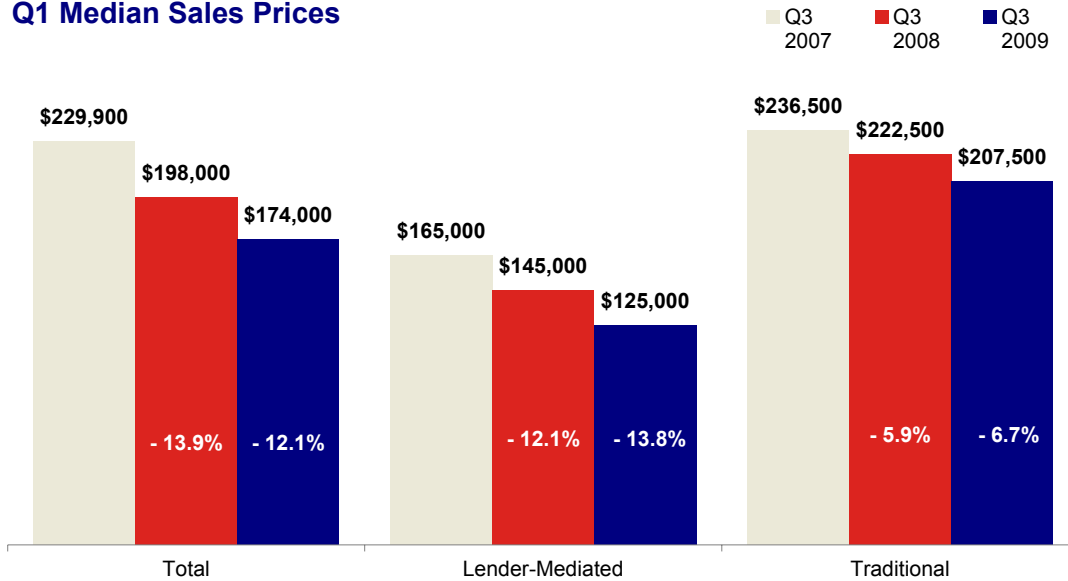


# Median Prices

	Lender-Mediated				Traditional				Total			
	Q3 2007	Q3 2008	Q3 2009	1-Yr Change	Q3 2007	Q3 2008	Q3 2009	1-Yr Change	Q3 2007	Q3 2008	Q3 2009	1-Yr Change
<b>All Properties</b>	\$165,000	\$145,000	\$125,000	-13.8%	\$236,500	\$222,500	\$207,500	-6.7%	\$229,900	\$198,000	\$174,000	-12.1%
Single-Family Detached	\$175,000	\$151,000	\$133,000	-11.9%	\$258,246	\$239,000	\$223,000	-6.7%	\$250,000	\$213,000	\$189,000	-11.3%
Townhomes*	\$148,000	\$131,500	\$111,000	-15.6%	\$187,000	\$180,000	\$164,000	-8.9%	\$184,000	\$166,925	\$142,500	-14.6%
Condominiums	\$111,500	\$104,545	\$91,125	-12.8%	\$176,150	\$170,000	\$153,615	-9.6%	\$171,900	\$160,000	\$134,900	-15.7%

\*Includes twinhomes

## Q1 Median Sales Prices

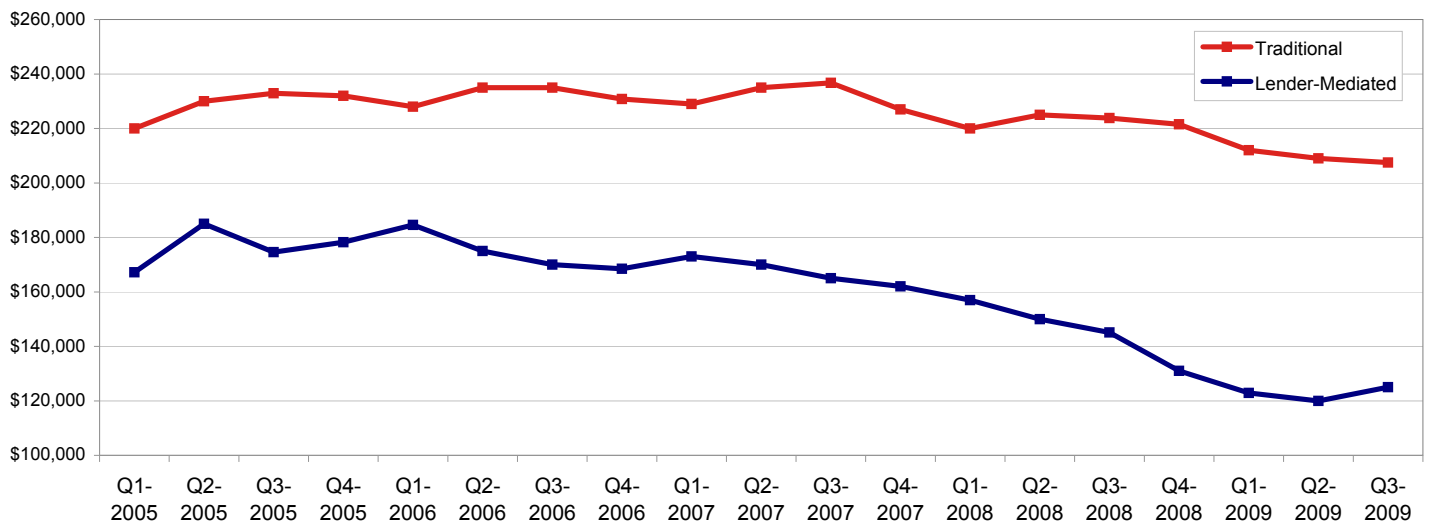


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For all property types, home prices in the traditional market haven't declined as precipitously as the lender-mediated market.

The overall median sales price for all properties is skewed downward by the increased market share of foreclosures and short sales.

## Historical Median Sales Prices

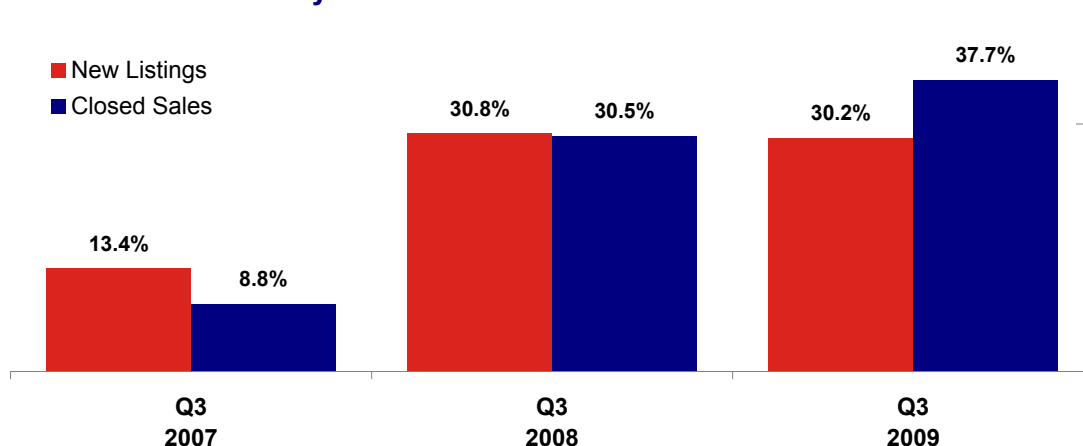




# New Listings and Closed Sales

	Lender-Mediated				Traditional				Total				Share of Market Activity That is Lender-Mediated		
	Q3 2007	Q3 2008	Q3 2009	1-Yr Change	Q3 2007	Q3 2008	Q3 2009	1-Yr Change	Q3 2007	Q3 2008	Q3 2009	1-Yr Change	Q3 2007	Q3 2008	Q3 2009
New Listings	3,575	7,340	6,688	- 8.9%	23,128	16,493	15,462	- 6.3%	26,703	23,833	22,150	- 7.1%	13.4%	30.8%	30.2%
Closed Sales	1,006	3,729	5,121	+ 37.3%	10,434	8,505	8,455	- 0.6%	11,440	12,234	13,576	+ 11.0%	8.8%	30.5%	37.7%

## Share of Market Activity That Is Lender-Mediated

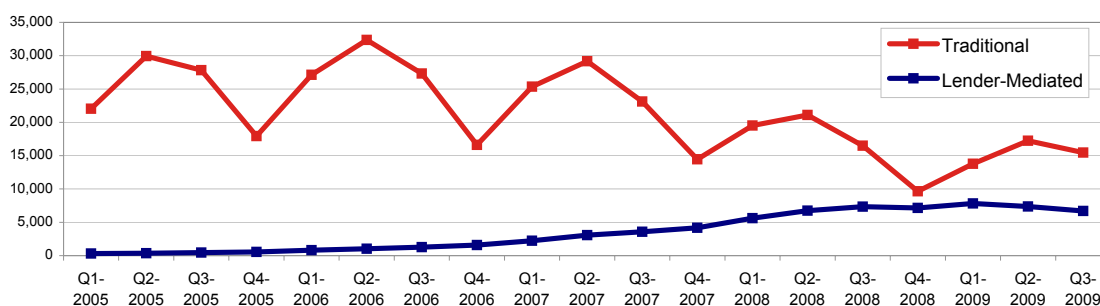


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Demand for lender-mediated homes is growing much faster than the new supply coming on the market.

The traditional market is seeing listings and sales decline at roughly the same rate.

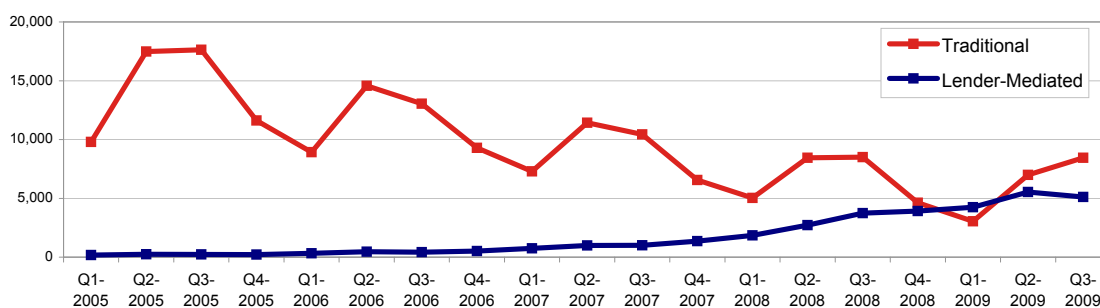
## New Listings



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New lender-mediated listings dropped slightly in Q2 2009 vs. Q1 2009 and have remained relatively flat for 6 quarters in a row.

## Closed Sales



However, with rising unemployment and increasing mortgage defaults, high levels of new foreclosures are likely to continue into 2010.

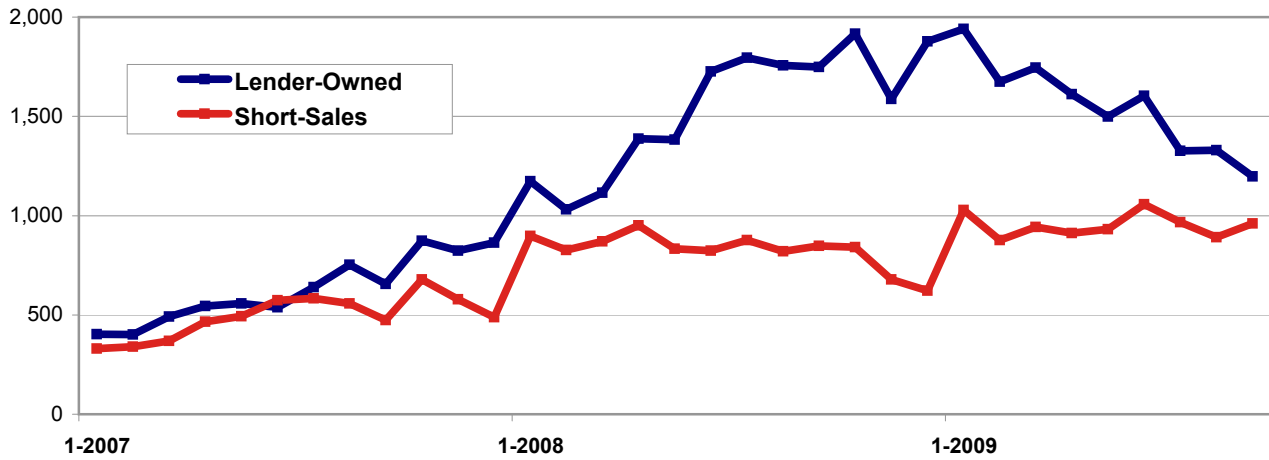
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## Q3 2009 UPDATE



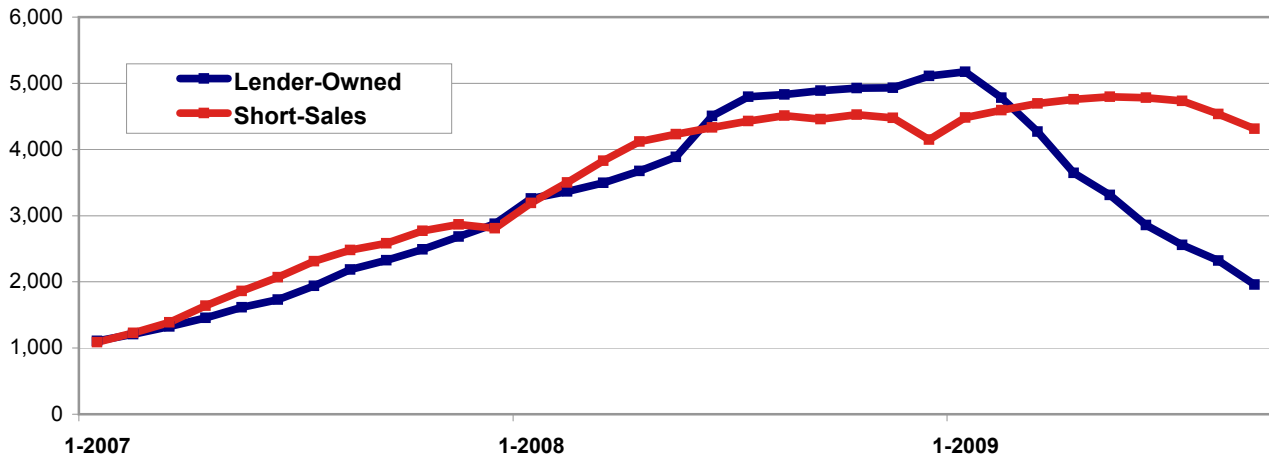
### New Listings

9-2009 LO: 1,198 SS: 960



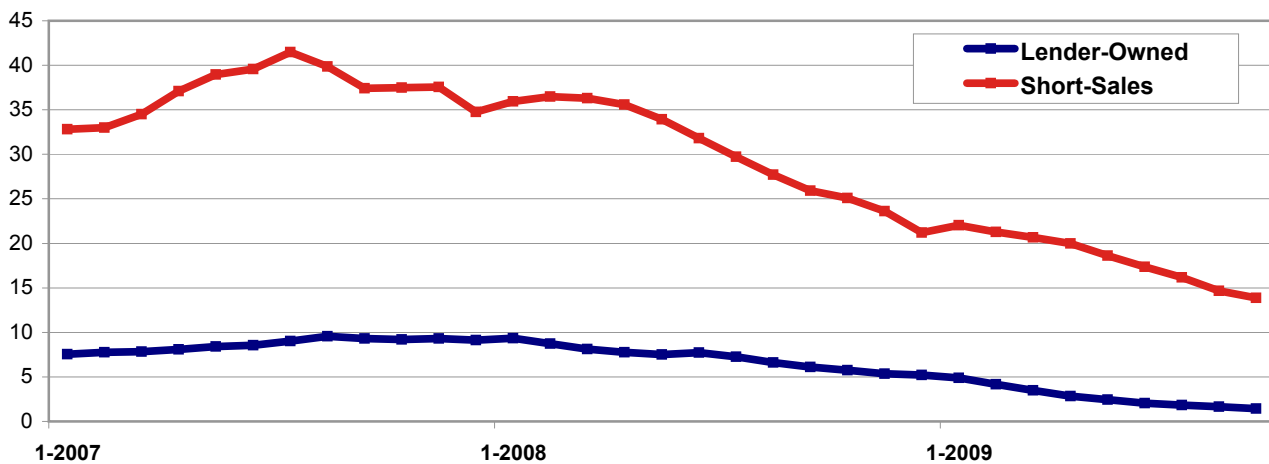
### Inventory of Homes Available

10-2009 LO: 1,960 SS: 4,314



### Months Supply of Inventory

10-2009 LO: 1.5 SS: 13.9



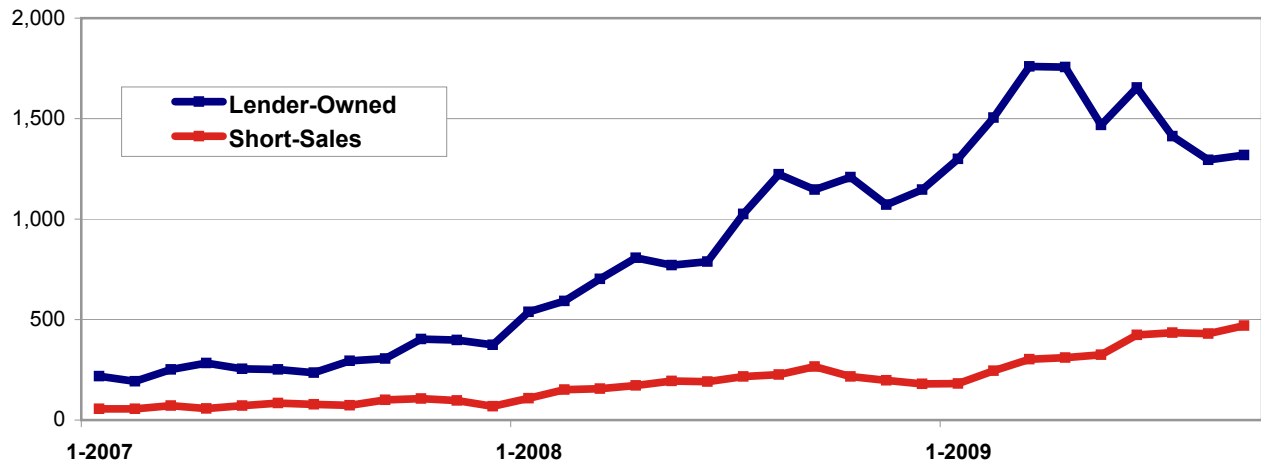
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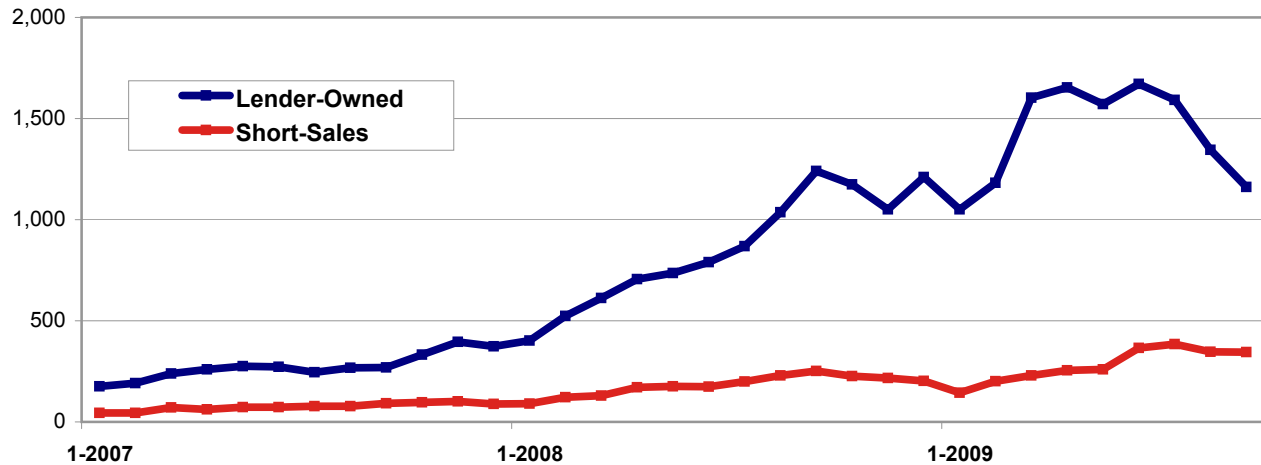
### Pending Sales

9-2009 LO: 1,319 SS: 469



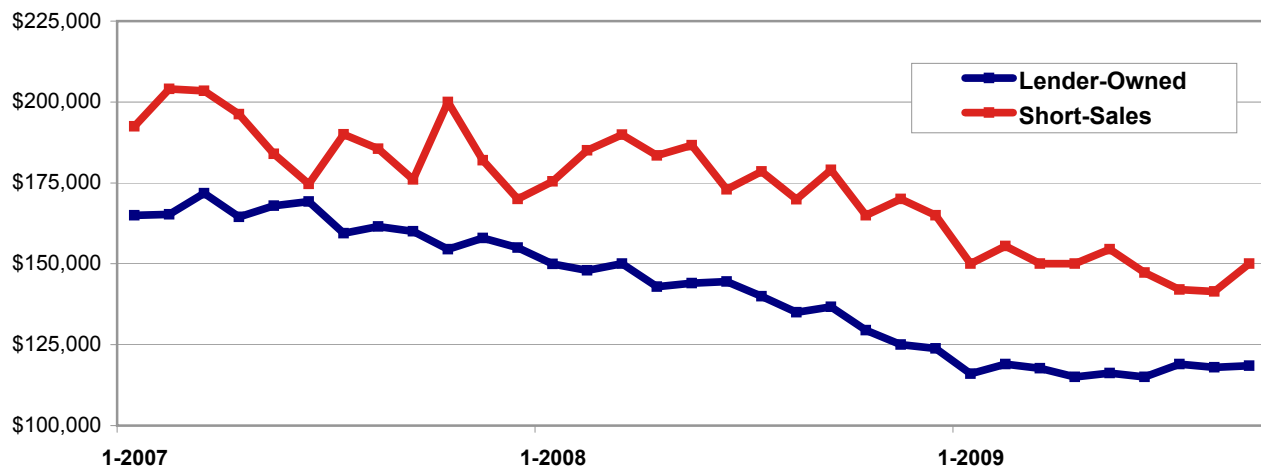
### Closed Sales

9-2009 LO: 1,161 SS: 345



### Median Sales Price

9-2009 LO: \$119K SS: \$150K



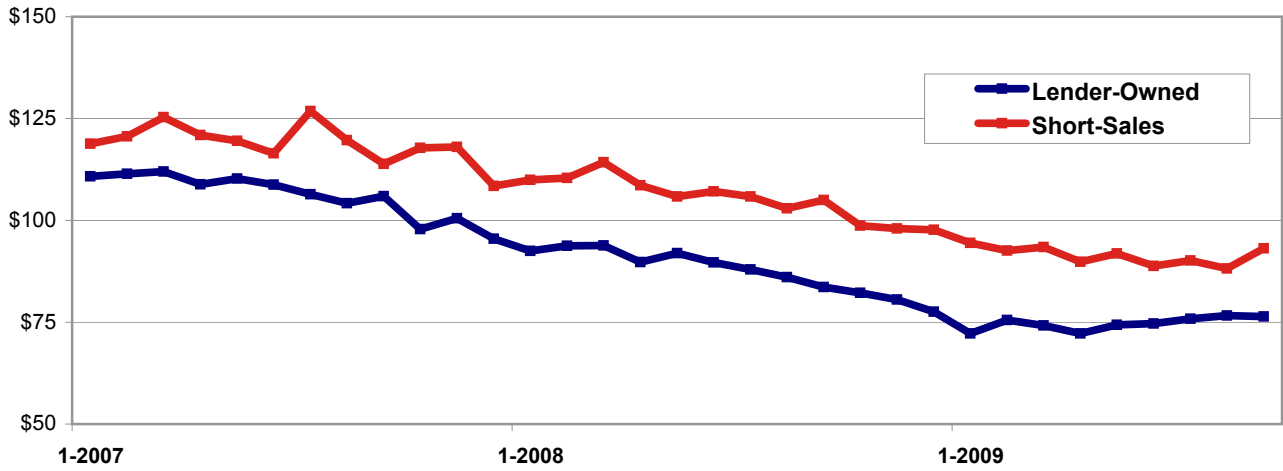
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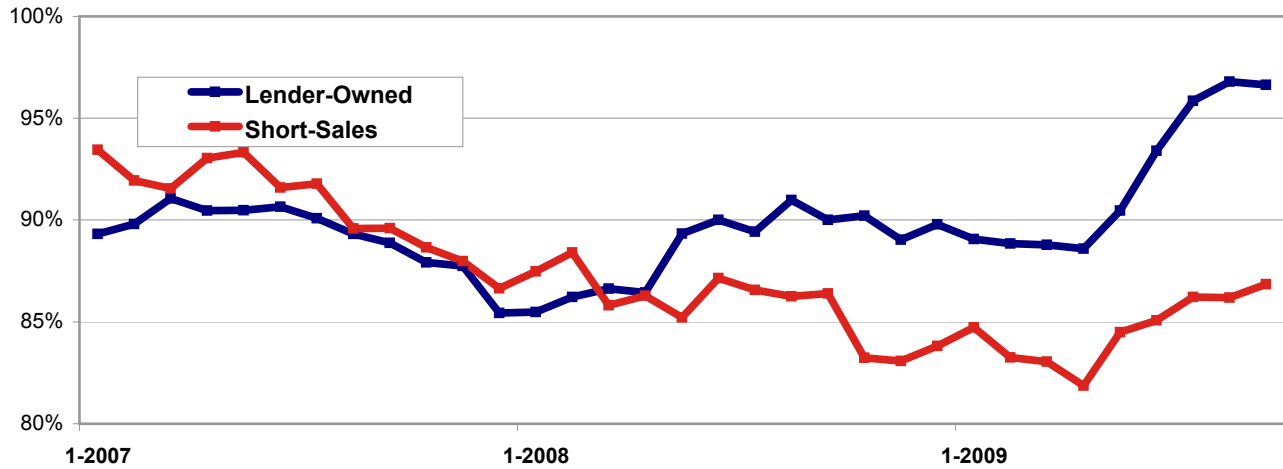
### Sales Price Per Square Foot

9-2009 LO: \$76 SS: \$93



### Pct. of Orig. List Price Received

9-2009 LO: 96.6% SS: 86.9%



## POSTSCRIPT: EXPLANATION OF METHODOLOGY

The Q3 2009 Update relies in part upon the analysis of subjective remarks that REALTORS® employ when listing properties in the Twin Cities Regional Multiple Listing Service, and in part upon data fields in this same system called “In Foreclosure,” “Bank-Owned” and “Short Sale.” These fields allow users to mark properties that fit within these legal definitions.

### A property is “Lender-Mediated” when any of the following rules are met:

- In Foreclosure = “Yes”
- Lender-Owned = “Yes”
- Short Sale = “Yes”
- One of the following terms are found in Agent Remarks, Public Remarks or Financial Remarks:
  - bank owned
  - short sale
  - bank approv
  - lender approv
  - 3rd party approv
  - foreclosure
  - preforeclosure
  - forclosure
  - preforeclosure
  - subject to bank
  - subject to 3rd
  - subject to lender
  - redemption
  - shortsale
  - reo
  - hud acquire
  - subject to corp
  - corporate owned
  - corp owned
  - corp. owned
  - bank-owned
  - short-sale
  - 3rd-party approval
  - third-party approval
  - subject to third
  - hud-acquire
  - hud-acquired
  - corporate-owned
  - corp-owned
  - corp owner
  - subj to corp

*Note: properties containing these specific phrases in the same remark fields are NOT considered lender-mediated*

- not a foreclosure
- not a forclosure
- no foreclosure
- no forclosure
- not foreclosure
- not forclosure
- not a short sale
- not a shortsale
- not a short-sale
- not short sale
- not shortsale
- not short-sale
- no short sale
- no shortsale
- no short-sale
- not a bank
- not bank
- no bank
- tired of short sale
- tired of shortsale
- tired of short-sale
- tired of foreclosure
- tired of forclosure

### A property is a “Lender-Owned Foreclosure” when any of the following rules are met:

- Lender-Owned = “Yes”
- One of the following terms are found in Agent Remarks, Public Remarks or Financial Remarks:
 

*Properties containing the “Not,” “No,” and “Tired” phrases listed above are not counted.*

  - bank owned
  - bank-owned
  - bank-owned
  - foreclosure
  - foreclosure
  - reo
  - hud acquire
  - hud-acquire
  - hud-acquired
  - corporate owned
  - corporate-owned
  - corporate-owned
  - corp owned
  - corp. owned
  - corp-owned
  - corp owner

### A property is a “Short Sale” when any of the following rules are met:

- Short Sale = “Yes”
- One of the following terms are found in Agent Remarks, Public Remarks or Financial Remarks:
 

*Properties containing the “Not,” “No,” and “Tired” phrases listed above are not counted.*

  - short sale
  - shortsale
  - short-sale
  - in foreclosure
  - in forclosure
  - preforeclosure
  - preforeclosure
  - bank approv
  - lender approve
  - subject to bank
  - subject to lender
  - redemption
  - subject to corp
  - subj to corp
  - 3rd-party approval
  - third-party approval
  - 3rd party approve
  - subject to third
  - subject to 3rd