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NEWS RELEASE

FOR IMMEDIATE RELEASE

Home prices hit \$370,000 as rates push affordability to lowest level since 2004

- Both pending and closed home sales were down about 9.0 percent from last April
- Inventory was down 9.2 percent to 5,758 units, the twenty-fifth consecutive month of declines
- Median Sales Price reached a record \$370,000, up 10.0 percent from last year

(May 16, 2022) – According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, the Twin Cities metro area saw rising prices, fast market times and strong offers—often over asking price—during April. But rising mortgage rates have forced the affordability index below 100 for the first time since at least 2004.

Home Prices & Inventory

While the median home price rose 10.0 percent to reach a new record of \$370,000—and will likely do so again over the next couple months—declines in affordability have continued to weigh on some buyers who are already fatigued from writing several offers. Historically low interest rates have been offsetting the effect of rising prices on monthly mortgage payments. But that’s quickly changing as the Federal Reserve races to combat high inflation by raising rates. Even so, the long-term average 30-year fixed mortgage rate is about 8.0 percent, above where we currently stand at around 5.2 percent. The affordability index fell to 95, meaning the median income was 95.0 percent of the necessary income needed to qualify for the median priced home under prevailing interest rates.

Despite affordability concerns, the supply-demand imbalance will likely keep prices firm. Some buyers may need to re-evaluate their target price to keep monthly payments at a level they’re comfortable with. We ended April with 5,758 homes on the market, 9.2 percent fewer than April 2021 and the twenty-fifth straight month of year-over-year inventory declines. This amounts to just 1.1 months’ supply of inventory, giving sellers the upper hand (a balanced market has four to six months’ supply). “Even with several justifiable concerns, this market continues to outperform,” according to Mark Mason, President of the Saint Paul Area Association of REALTORS®.

Listings & Sales

Due to several factors, buyer activity has moderated somewhat. First, we’re comparing against the highs of the Covid housing craze from last spring. Second, inventory is even lower and further pressuring sales. Third, rising rates have likely taken some buyers out of the market. Buyers signed 9.2 percent fewer purchase agreements than April of last year and closed on 9.0 percent fewer homes. Sellers listed 7.0 percent fewer homes than last April. Sellers may feel attached to their interest rate and reluctant to list their homes to avoid higher interest rates.

While still high, it’s possible inflation has peaked. Financial [experts report](#) that annual inflation moderated for the first time in months. “It’s the rates and payment piece that is of concern to many of the buyers I work with,” said Denise Mazone, President of Minneapolis Area REALTORS®. “The reality is that people will need to buy and sell homes in any environment, but this really puts pressure on those who are on a budget.” Listings spent 9.7 percent fewer days on market than April 2021 on average. But the median days on market showed half of all homes went under contract in under 8 days, which is even with last April’s pace. This could be a sign of stabilization, yet sellers accepted offers 3.8 percent higher than their list price, on average.

-More-

Location & Property Type

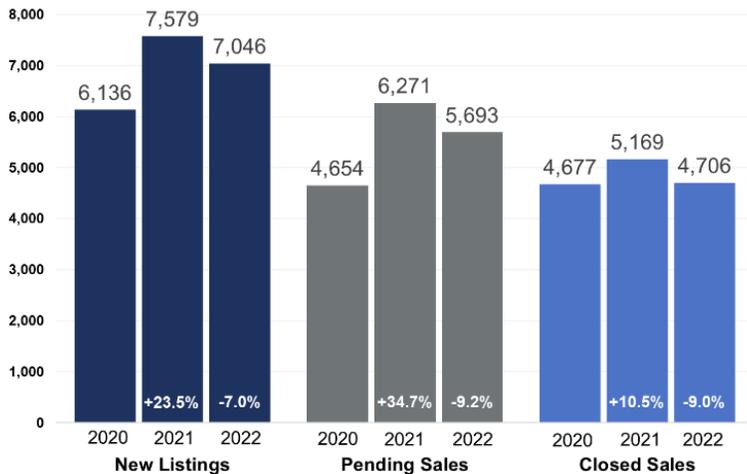
Market activity varies by area, price point and property type. New and existing home sales fell 3.5 and 8.0 percent, respectively. Single family sales fell 8.3 percent while condo sales rose 1.5 percent. Sales in Minneapolis declined 3.2 percent while Saint Paul sales fell 17.7 percent. The Longfellow, University, Summit Hill and West Seventh neighborhoods saw the largest sales gains while Hopkins, Mounds View, Wyoming and Somerset also had significant demand increases.

For more information on weekly and monthly housing numbers visit www.mplsrealtor.com or www.spaar.com

April 2022 Housing Takeaways (compared to a year ago)

- **Sellers** listed 7,046 properties on the market, a 7.0 percent decrease from last April
- **Buyers** signed 5,693 purchase agreements, down 9.2 percent (4,706 closed sales, down 9.0 percent)
- **Inventory** levels fell 9.2 percent to 5,758 units
- **Month’s Supply of Inventory** remained level at 1.1 month (4-6 months is balanced)
- The **Median Sales Price** rose 10.0 percent to \$370,000
- **Days on Market** fell 9.7 percent to 28 days, on average (median of 8 days, same as April 2021)
- Changes in **Sales** activity varied by market segment
 - **Single family** sales decreased 8.3 percent; **Condo** sales rose 1.5 percent & **townhouse** sales declined 10.9 percent
 - **Traditional** sales were down 7.8 percent; **foreclosure** sales fell 24.2 percent; **short sales** were up 25.0 percent (from 4 to 5)
 - **Previously owned** sales declined 8.0 percent; **new construction** sales fell 3.5 percent

April New Listings and Sales Activity



All information is according to the Minneapolis Area REALTORS® and Saint Paul Area Association of REALTORS based on data from NorthstarMLS. Data is deemed reliable, but not guaranteed. We serve the Twin Cities 16-county metro area and western Wisconsin.

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