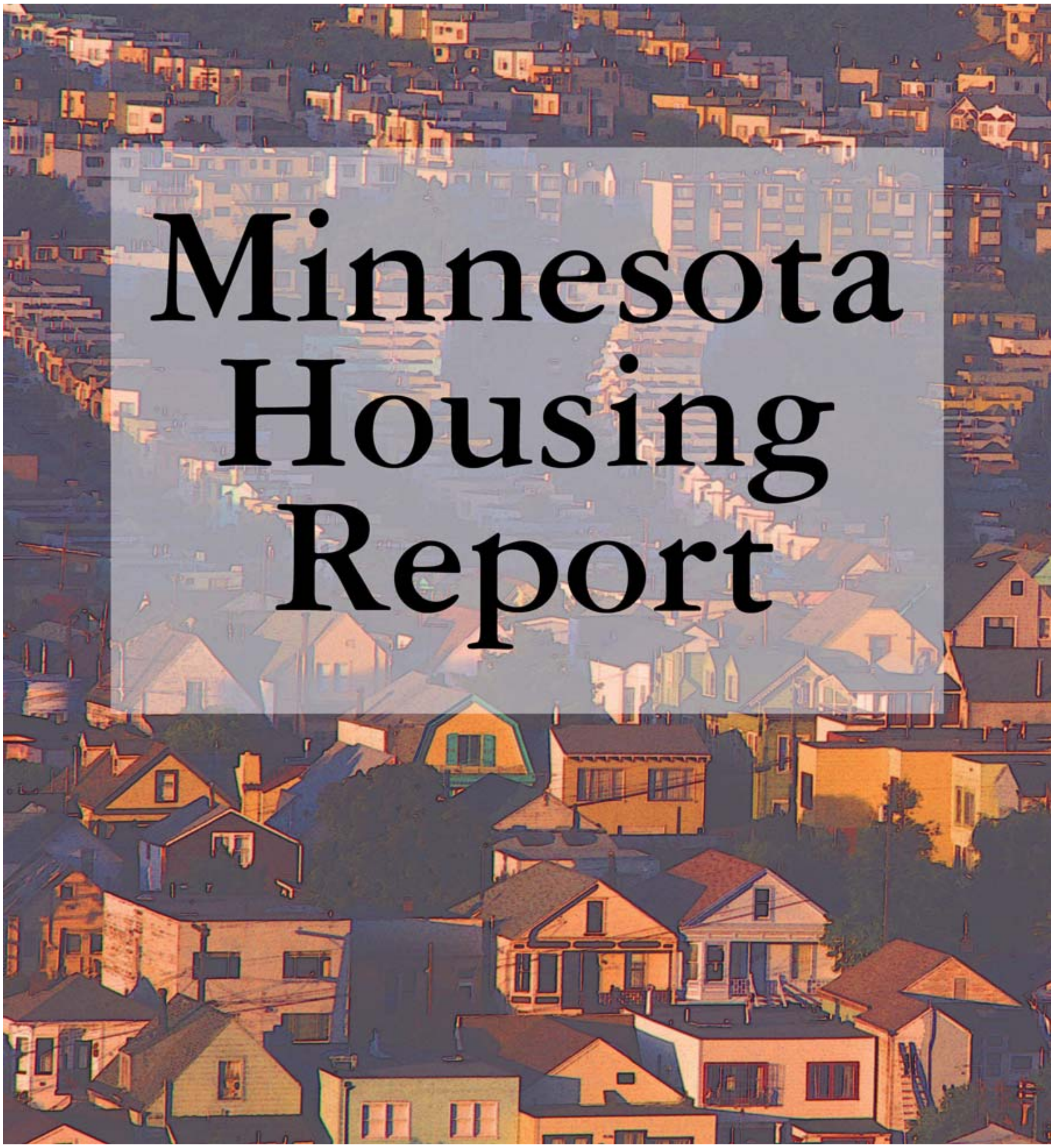
Minnesota Housing Report



Second Quarter, 2007

Shenehon Center for Real Estate

REALTOR

Minnesota Association of REALTORS®

UNIVERSITY of ST. THOMAS

Opus College of Business

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To our Readers:

The Shenehon Center for Real Estate, in the Opus College of Business at the University of St. Thomas, is pleased to provide quarterly information on housing trends to the real estate industry. Our ability to do so is made possible through the support and cooperation of the Minnesota Association of Realtors.

The Minnesota Housing Report contains a compilation of data from a variety of sources including the Minnesota Association of Realtors, the Minnesota State Demographic Center, the National Association of REALTORS, the New York State Association of REALTORS, the U.S. Census Bureau, the Federal Reserve Board of Governors, and the Northstar MLS system as provided by Regional Multiple Listing Service of Minnesota, Inc.

The data and tables in this report come from available sales that occurred in the State of Minnesota over the period January 1 to March 31, 2007. Due to data availability, some statistics included in this report will only include limited information for the months of January through March 2005 and those statistics will be noted as such. The sales data for 2007 are base-year data that will be used to develop indices subsequent reports will report. Additionally, data are categorized into five separate regions within the state to allow for locational differences to be readily compared. These data are not seasonally adjusted for fluctuations in local, regional or statewide analysis and contain both multiple-listing service data and other relevant data.

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Minnesota Housing Report

Second Quarter, 2007

Data Sources

The Minnesota Housing Report contains a compilation of data from a variety of sources including the Minnesota State Demographic Center, the National Association of REALTORS, the U.S. Census Bureau, The Federal Reserve Board of Governors, and the Northstar MLS system as provided by Regional Multiple Listing Service of Minnesota, Inc. The Minnesota Association of REALTORS also contributed greatly to this endeavor, primarily with the financial resources to produce this report.

The data and tables in this report come from available sales that occurred in the State of Minnesota over the period April 1, 2007 through June 30, 2007. The sales data for prior periods are baseline data which are used to develop indices for this and subsequent reports. Additionally, data are categorized into five separate regions within the state to allow for locational differences to be readily compared. Also, the Twin Cities metropolitan area is separated into core and collar areas. These data are not seasonally adjusted for fluctuations in local, regional or state-wide analysis and contain both multiple-listing service data and other publicly available data.

Statewide Summary
Statewide Analysis
Quarterly Summary: Second Quarter 2007

	Residential	Single Family	Multifamily
Median Price	218,400	232,750	180,000
Average Price	262,044	281,093	203,047
Sales as a Percent of List	97.60%	97.42%	98.39%
Total Number of Sales	13,631	10,304	3,327
Percentage of Sales	100.00%	75.59%	24.41%
*** Basis for Percentage of Sales**		% of this Quarter	% of this Quarter
Average Marketing (in Days)	74	73	79
Bedrooms	3.06	3.35	2.17
Bathrooms	2.18	2.24	2.00
Year Built	1974	1970	1989
Property Taxes	2,267	2,498	1,550
Finished Square Feet	1,918	2,070	1,447

Affordability:

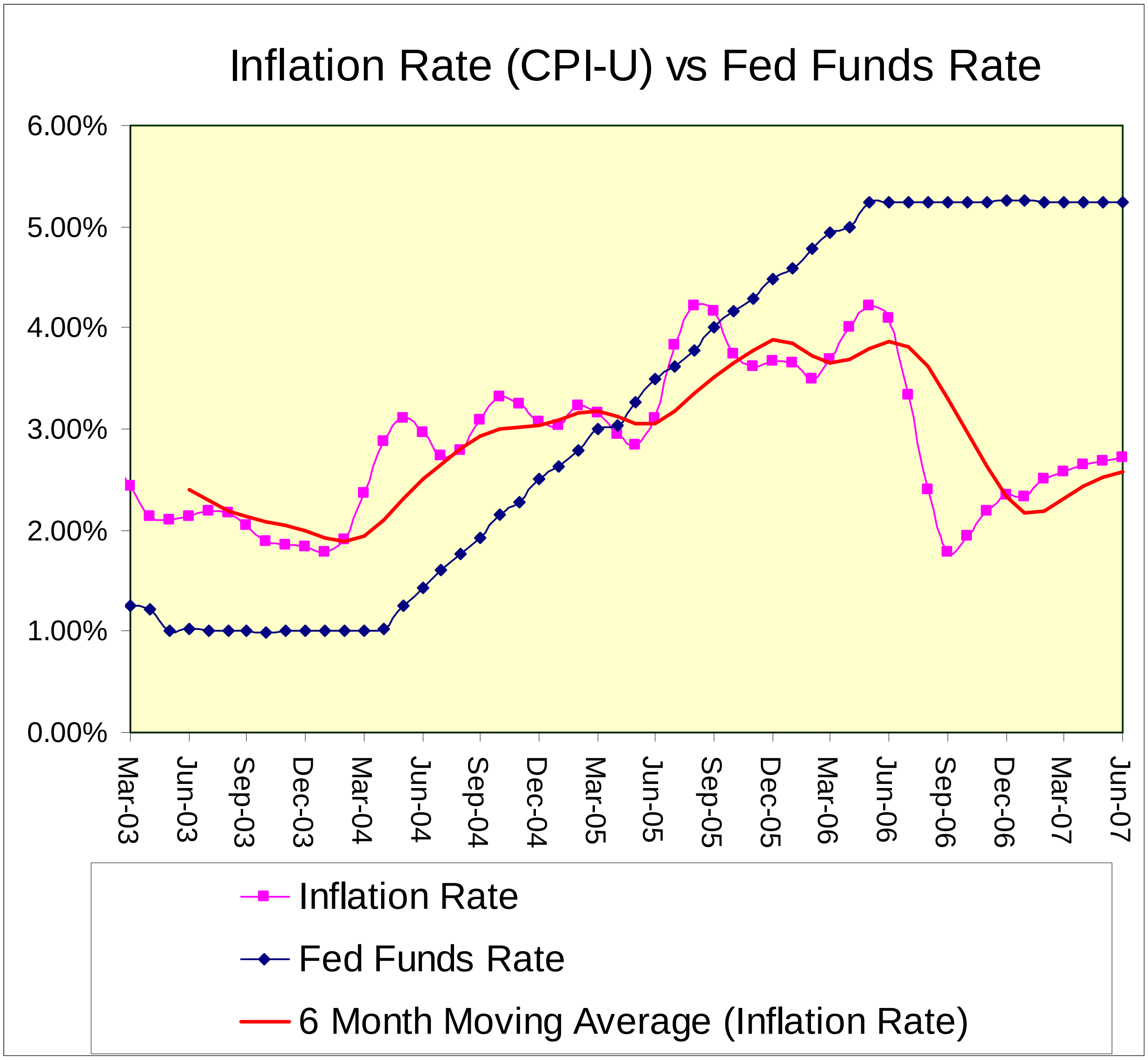
Based on the latest U.S. Department of Housing and Urban Development estimates on family income in the United States, the statewide median family income in 2005 was approximately $68,571. Therefore, the current median statewide income combined with a traditional 30-year fixed-rate mortgage at an average quarterly mortgage interest rate of 6.37% (and using a 20% down payment) allows the typical Minnesota household to afford a home worth approximately $297,940. This figure is based on using 28% of the family income toward housing. This, combined with a median house price of $218,400, would indicate that the affordability index for homes in Minnesota was 1.364 during the Second Quarter of 2007. Housing affordability can be interpreted as follows: the typical family in Minnesota earns enough to afford to pay 136.4% of the necessary mortgage cost to purchase a typical house in Minnesota. Another way to look at this index is to say that the typical Minnesota family can afford to make payments on a mortgage that is nearly 36.4% larger than the mortgage a typical home in Minnesota will usually require.

Affordability should remain a positive aspect of living in Minnesota in the near-term even as demand pressures for housing remain steady and housing price appreciation rates remain flat or falling—as this report shows. Lastly, affordability is still well above 1.00, giving homeowners (and potential homeowners) significant purchasing power for their housing needs.

Market Highlights:

Interest Rates:

As of the end of June 2007, the average interest rate on a 30-year fixed-rate mortgage stood at about 6.66%, and is slightly higher than the end of the first quarter of 2007. The Federal Reserve has left short-term interest rates alone in this quarter, and the current rate is still 5.25%. The Federal Reserve had, in the previous few previous years, increased the Fed Funds rate due to what they claim were inflation fears in the economy. The 12-month inflation rate now stands at about 2.7% and is stabilizing which should signal to the Fed that inflation is definitely under control. The current trend of raising interest rates should remain on hold, or even reverse itself, as the economy continues to grow at a strong, but healthy rate (approximately 3.2% annualized growth in GDP from the Second Quarter of 2007 through the rest of the year) and as the inflation rate has fallen off of its peak in September 2005. It should be noted that there was another small spike in inflation in mid-2006 as energy prices rose, but that has since fallen off dramatically. The following graph shows inflation relative to the Fed Funds rate. Of particular note is how steady the Fed Funds rate increased to combat inflationary fears, but it would appear that the Fed "overshot" its mark. This might be an indication that the Fed might actually start reducing the Fed Funds rate—in slow, steady increments—should inflation remain low in the near term.

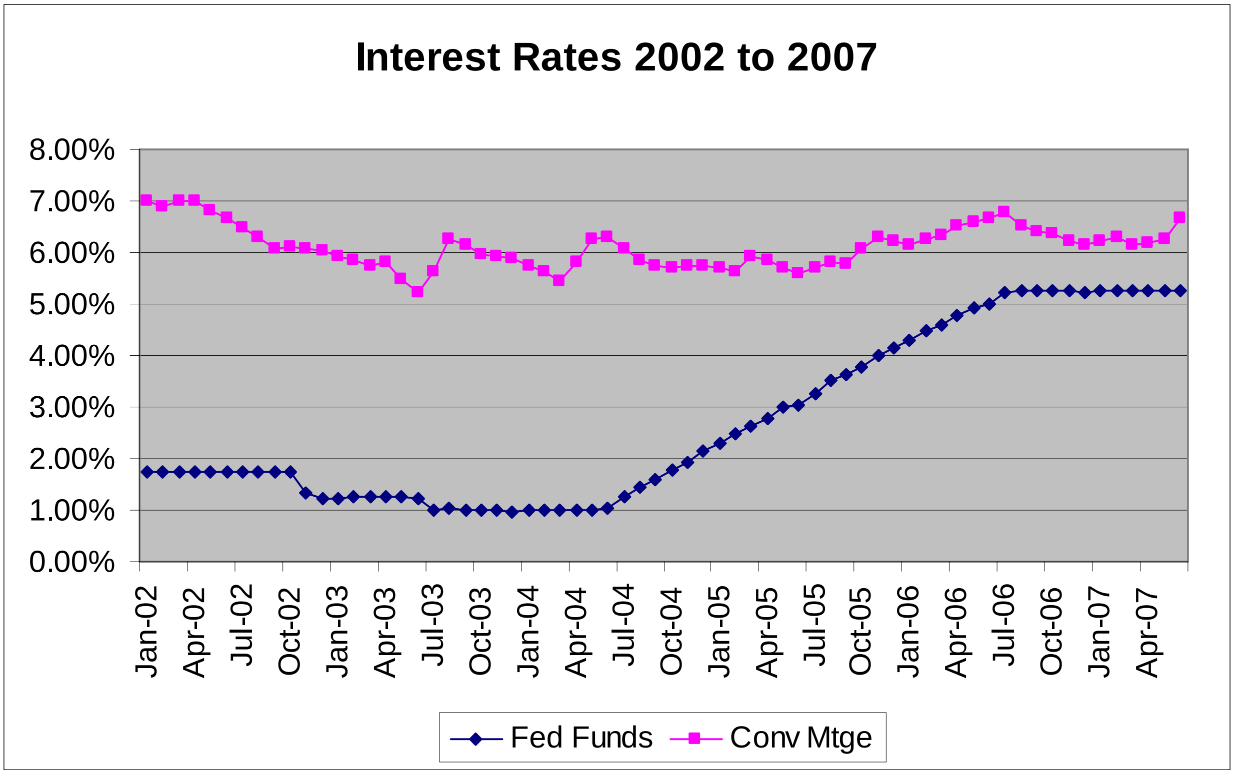


Since the Fed directly manipulates increases in short-term interest rates, adjustable rate mortgages have been the primary debt instruments whose rates have taken a toll on consumers. We have also seen somewhat of a pass through of these short-term rate increases to longer-term rates, including fixed-mortgages over the past three years. Fixed rate mortgages peaked last July (at 6.76%) and have fallen back to about the 6.5% level. For comparative purposes, only the period fall 2002 through the fall of 2005 saw mortgage rates less than this amount. So, historically, mortgage rates are near 30-year lows. This fact should help with affordability and should help to reverse the recent slowdown in sales volume over the coming year. Coupling relatively low fixed-rate mortgages with a potential for reduction in the cost of adjustable rate mortgage should the Fed reduce the Fed Funds rate, we should see an up-tick in sales volume levels and housing prices in the coming year.

Because of the (current) small difference in rates charged between adjustable and fixed rate mortgages, there should be greater reliance by prudent home purchasers to lock in and use fixed rate mortgages which are still lower than the 10 year average interest rate on these mortgages of 6.9%. If short term rates fall, consumers might chose adjustable rate mortgages as their financing vehicle as a means to afford larger and higher priced housing.

We should expect to see no major changes, other than a slight decline, in future Federal Reserve interest rate targets. Lastly, we should expect long-term, fixed mortgage interest rates to remain steady or even fall by about 25 to 50 basis points over the next six months due to the combined effects of the Fed Funds rate, the inflation rate, and global competition for dollars in the marketplace.

Below are two charts depicting short-term interest rates and the 30-year conventional mortgage interest rate paths over the past few years. In the first chart, we can see that the gap between mortgage rates and the Fed Funds rate has narrowed significantly over the past two years. Of note is that during 1999, a year widely believed to be the height of the last economic boom in the United States, mortgage interest rates were higher than today, inflation was about the same as today, but the Fed Funds rate was lower than today. If the Fed Funds rate fell slightly to correspond more closely parallel the drop in inflation, the economy might grow at a faster rate than currently projected. It would also help the housing market, which is a major component of the national economy.


Interest Rates 2002 to 2007
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Jan-02
Apr-02
Jul-02
Oct-02
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04
Oct-04
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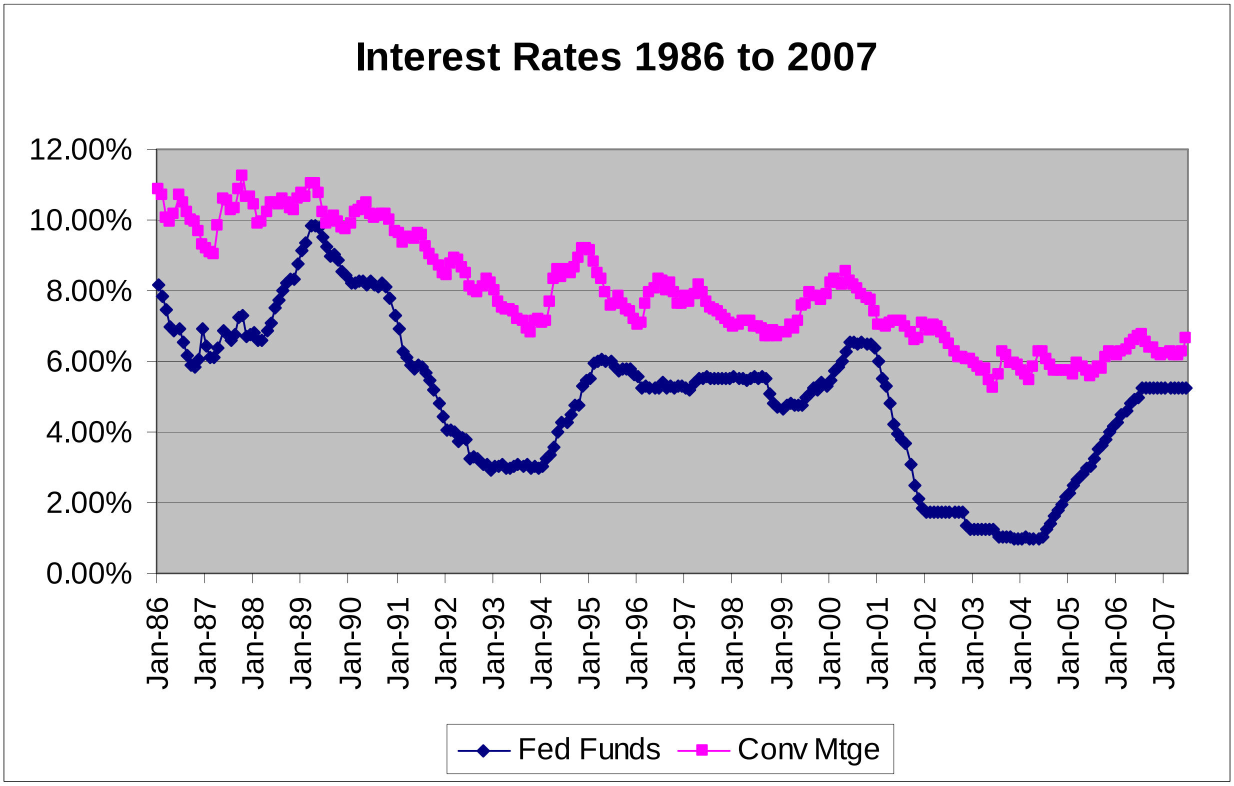
Fed Funds
Conv Mtge


Interest Rates 1986 to 2007
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
Jan-86
Jan-87
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
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Jan-04
Jan-05
Jan-06
Jan-07
Fed Funds
Conv Mtge

Financing:

Conventional financing was the dominant form of mortgage money used in all of 2006 home sales, representing between 73% and 85% of all sales. In the Second Quarter of 2007, conventional mortgages represented nearly 82% of all forms of financing. This is about the same as the Second Quarter of 2006 and is the same as all of 2006. Cash sales constituted about 5.5% of all sales and FHA and DVA financing fell from the second predominant choice at nearly 16% in the Second Quarter of 2005 to third place at 4.0% by the Second Quarter of 2007. Other forms of financing (assumable loans, graduated payments, contracts for deed and "other") have steadily risen over the last year and now represent 8.5% of all sales.

It also appears that over the past year the sales price received by sellers has continued to be close to the listing price and now stands at about 98.4%. This was closer to 100% during the prime selling years of 2002 through 2005, but it is still quite strong and improving from previous quarters. Cash sales and "other" sales had final prices that were only slightly more below their asking prices. These relative proportions have held steady over the past few years and should continue into the near future. The table below lists the percent of the market using each form of financing in the transaction.

Financing			
	Percent of Total Market		
	Q1 2005	All 2006	Q2 2007
Conventional	80.5%	81.8%	82.0%
FHA/DVA	5.2%	5.2%	5.5%
Cash	5.2%	5.3%	4.0%
Other	9.1%	7.7%	8.5%

Unemployment:

Unemployment in Minnesota was only slightly higher in the Second Quarter of 2007 (4.4%) compared to the Second Quarter of 2006 (3.8%) and this rate has remained relatively steady since the second quarter of 2005 (although slightly higher). This is a sign that the state's economy is stable. Minnesota is now performing equally with the nation as a whole (national unemployment is about 4.4%) as the nation has steadily gained ground through a steadily lower unemployment rate. As stated in previous reports, unemployment is not uniform throughout Minnesota, nor is it uniform across employment sectors. Unemployment statewide has been relatively steady over the past 36 months following a pattern much like the rest of the nation even though there were a few months that saw minor up-ticks in unemployment both nationally and locally. Continued steady, but slow, job growth and job creation will help keep unemployment in Minnesota at or below the national average. Comparatively speaking, Minnesota's employment picture is one of the strongest in the Midwestern United States even after incorporating the relatively large net in-migration of people to the state which has been increasing over the past five years. These trends should remain steady into the near future as long as there is no major shock to any particular business sector.

Interesting Facts:

Looking at what is typical across the regions in this report, we see that single family properties are typically 623 square feet (43%) larger than multifamily properties and they sell for about

29% more. At the same time, however, single family properties typically pay 61% more in property taxes than do multifamily properties. Multifamily properties are also typically much newer than single family properties (by about 19 years) and typically have one fewer bedroom. Lastly, sales of single family properties comprise approximately 76% of all properties sold during the quarter (about the same as a year earlier).

Regarding national economic growth, in the first three months of this year, brisk consumer spending and inflation fears relaxed allowed GDP to grow by 3.2 percent (annualized) in the April-to-June period (a solid recover from the first quarter of 2007). Since the first quarter of this year, however, the economy has rebounded and is expected to continue to grow at around 3.2 percent (annualized) for the July-to-December 2007 period. This recent rebound is good news and, if it continues, should be reflected into a rebounding housing market.

Average Sale Prices:

Housing prices over the time period beginning in 1998 through the end of 2003 grew over 5 times faster than inflation. Inflation increased nearly 14% over this time, whereas housing prices increased 62%. In the 24 month period covering the beginning of 2004 through the Fourth Quarter of 2005, inflation increased about 7.3% (or about 3.65% per year, on average) and housing prices rose approximately 14.9% (or about 7.45% per year, on average). In 2005, we saw the ***average*** house price in Minnesota go from about $247,400 in Q1 2005 to about $268,255 in Q4 2005 (an increase of about 8.4%). Between Q2 2006 and Q2 2007, the average house price in Minnesota actually fell by about 0.8%. This is similar to what is happening in many parts of the nation, but at a much more controlled, slower rate. Just as prices rose in Minnesota at a rate slower than many parts of the nation during the early 2000's, the current fallback in prices is also much less severe.

As can be seen below, all areas experienced declining average prices. The Twin Cities Metro area had the highest average sales prices (approximately 36.9% higher than the Non-Metro regions). Of the Non-Metro regions, the West region had the highest average prices and the South region had the lowest average prices.

Q2 2007 Average Sales Price by Region-Residential (%-Change from Q2 2006)						
Statewide	Metro	Non-Metro	North	West	South	Southeast
$262,044 (+1.96%)	$279,149 (+2.10%)	$203,873 (-3.12%)	$204,566 (-4.82%)	$218,378 (-4.11%)	$180,592 (-1.84%)	$186,463 (+1.57%)

Single Family Sales Volume:

Sales volumes are slowing down, but only slightly (down 3.25%) when compared to Q2 2006. As expected, the highest sales volume was in the Twin Cities Metro area where they constituted about 3/4th of all sales during the Second Quarter of 2007. Of the Non-Metro regions, the West region had the highest level of sales and comprised just under half (45.4%) of the sales in the Non-Metro regions. The South and Southeast regions had the fewest number of sales in this Second Quarter. These relative sales volumes are not unusual nor are they unexpected given that the populations of these regions correlate strongly with the relative proportion of transactions. Obviously, the Metro region (74% of sales volume) has the greatest number of people and households and it should have the greatest number of sales. The West and North regions comprise some “exurban” commuting areas to the Metro region which helps to explain their relatively larger share of sales.

Q2 2007 Sales Volume by Region-Residential (Percent of Total)						
Statewide	Metro	Non-Metro	North	West	South	Southeast
13,631 (100%)	10,054 (74%)	3,577 (26%)	760 (5.6%)	1623 (11.9%)	616 (4.5 %)	578 (4.2%)

Marketing Times:

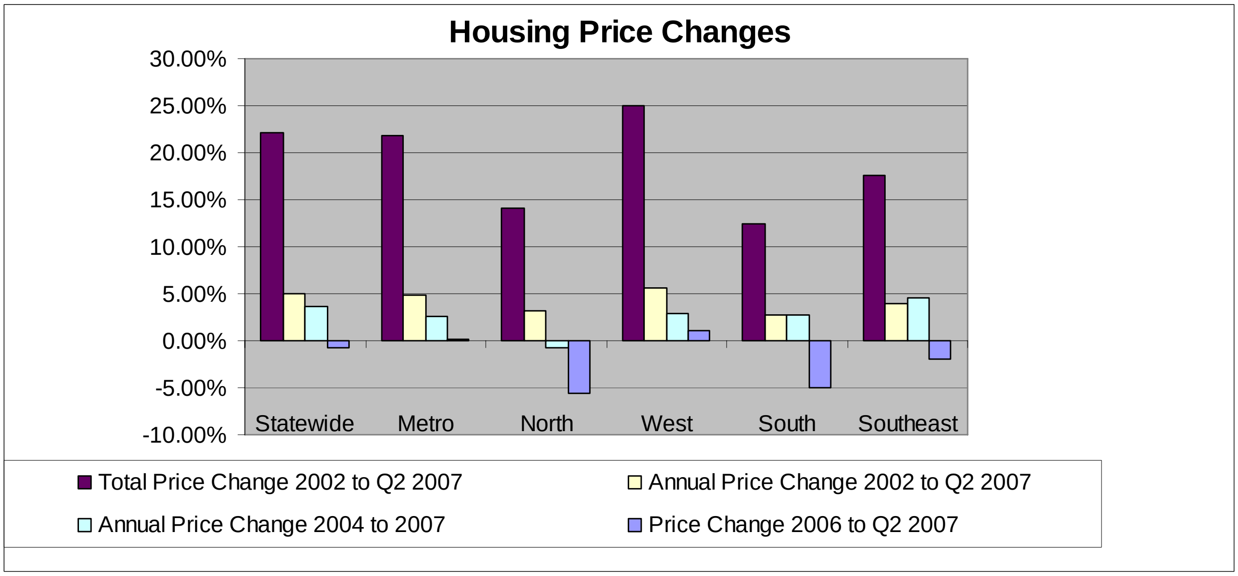
The next table displays marketing times across the regions. The median marketing time has decreased somewhat compared to what we saw last year at this time. The trend here is a slight decrease in marketing time over the past few quarters. As with many of the previous data descriptors, marketing time varies between the Metro and Non-Metro regions. Although the statewide median marketing time was 66 days in the Second Quarter of 2007 and the Metro region’s median was only slightly less at 63 days (both about the same as what we saw in the Fourth Quarter of 2005), the Non-Metro regions were only slightly higher at 75 days. This continues to indicate that Non-Metro region’s inventory is taking just under two weeks longer to sell than its Metro region counterpart.

Q2 2007 Median Marketing Time by Region (change in time since Q2 2006)						
Statewide	Metro	Non-Metro	North	West	South	Southeast
74 (+7)	68 (+7)	93 (+7)	98 (+7)	89 (+6)	95 (+9)	94 (+3)

Historical Comparisons:

Below are some tables and graphs depicting differences between regions and between time periods. Changes are expressed in annual rates of change except where indicated.

2002 through Q2 2007 Comparison						
Region	**Annual Price Change 2002 to 2004**	**Annual Price Change 2004 to 2007**	**Annual Price Change 2002 to Q2 2007**	**Total Price Change 2002 to Q2 2007**	**Price Change 2006 to Q2 2007**	**Trend**
Statewide	6.48%	3.69%	4.93%	22.18%	-0.73%	**Flat**
Metro	7.67%	2.56%	4.83%	21.76%	0.18%	**Flat**
North	8.12%	-0.83%	3.15%	14.16%	-5.53%	**Decreasing**
West	8.90%	2.91%	5.57%	25.07%	0.99%	**Increasing**
South	2.84%	2.70%	2.76%	12.43%	-4.95%	**Decreasing**
Southeast	3.06%	4.60%	3.91%	17.62%	-2.02%	**Decreasing**



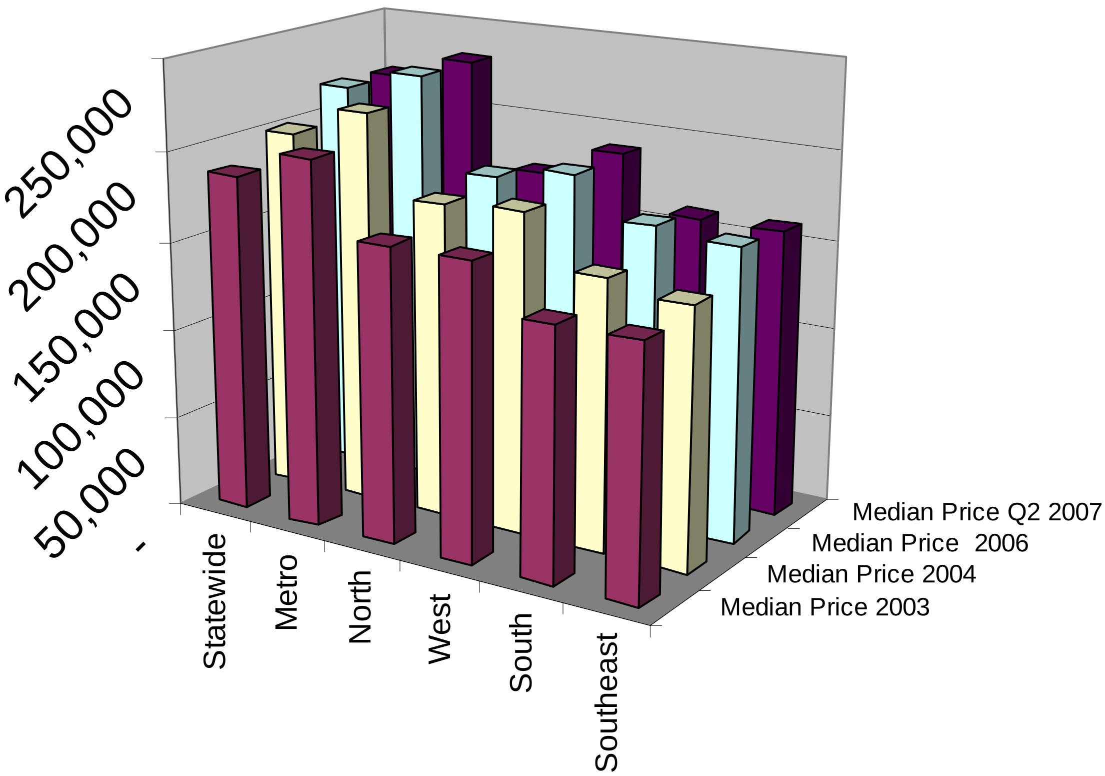
As can be seen here, housing price changes between 2002 and the Second Quarter of 2007 were not uniform across the state. The South Region had the most extreme range of price changes and the North and South regions had the strongest overall price decreases over the past 12 months.

The following table and graph show median price by region over the same time period. As can be seen, not all regions experienced steady gains over the years 2002 through 2007. The South Region had a fall in median prices between 2002 and 2003, but had extremely strong gains in 2005, only to see a fallback through 2006 and into Q2 2007. The other regions all had steady gains through Q4 2005, only to see the price fallback throughout 2006 and stabilizing into Q2 2007. The exception being the South, Southeast and North regions which saw continuing price reductions.

2002 through Q2 2007 Comparison

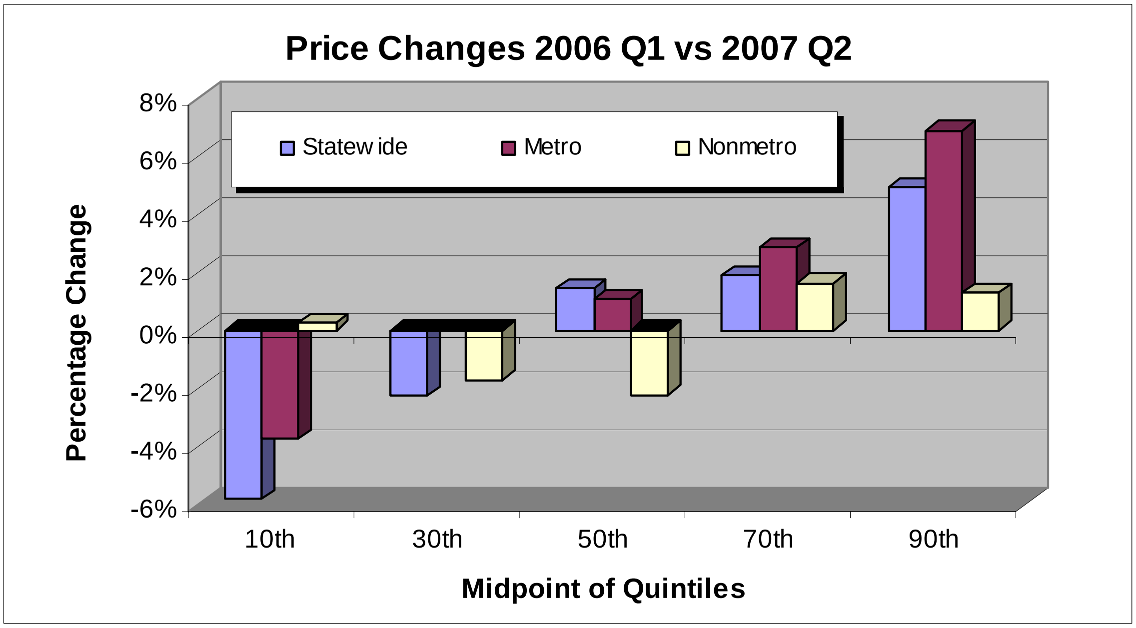
Region	Median Price 2002	Median Price 2003	Median Price 2004	Median Price 2005	Median Price 2006	Median Price Q2 2007	Price Change Q1 2006 to Q2 2007
Statewide	178,749	187,709	201,917	224,500	219,700	218,400	-0.59%
Metro	190,135	203,826	219,308	234,580	231,150	231,500	0.15%
North	151,059	164,126	175,582	184,625	180,810	172,450	-4.62%
West	151,832	163,591	178,843	195,000	188,400	189,900	0.80%
South	142,309	138,385	150,396	177,750	167,050	160,000	-4.22%
Southeast	136,247	138,954	144,595	164,850	163,000	160,250	-1.69%

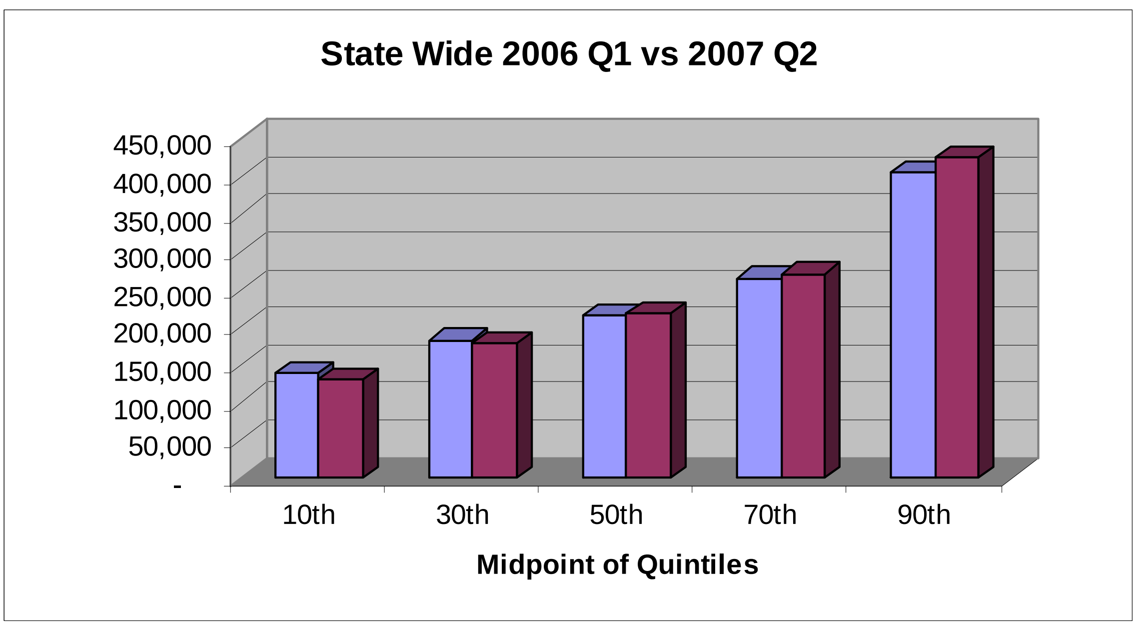
Median Prices

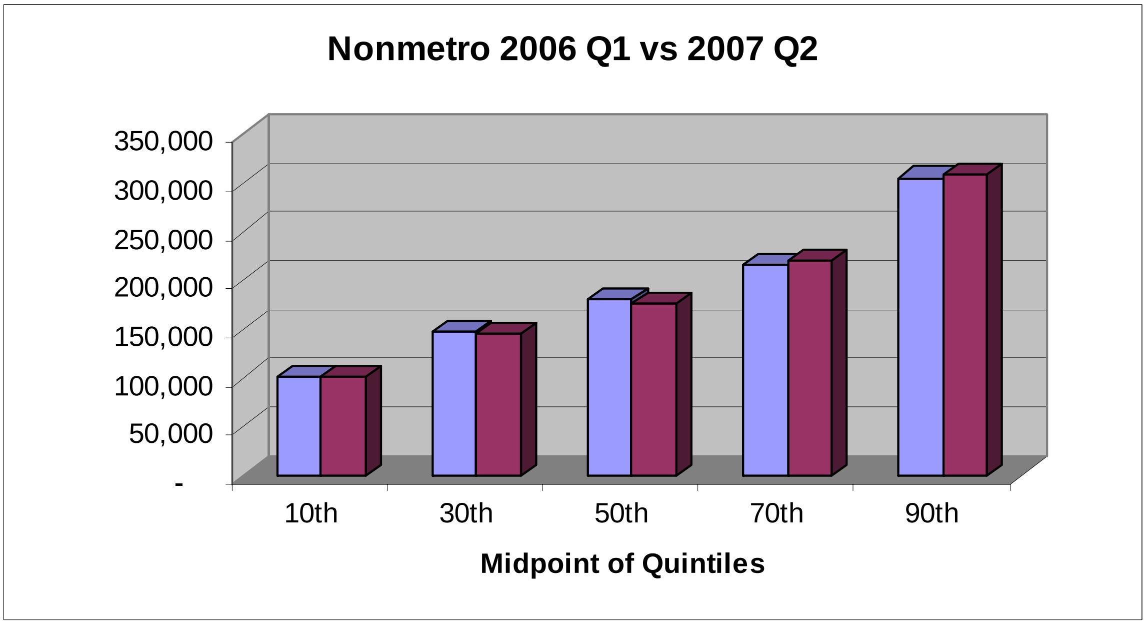


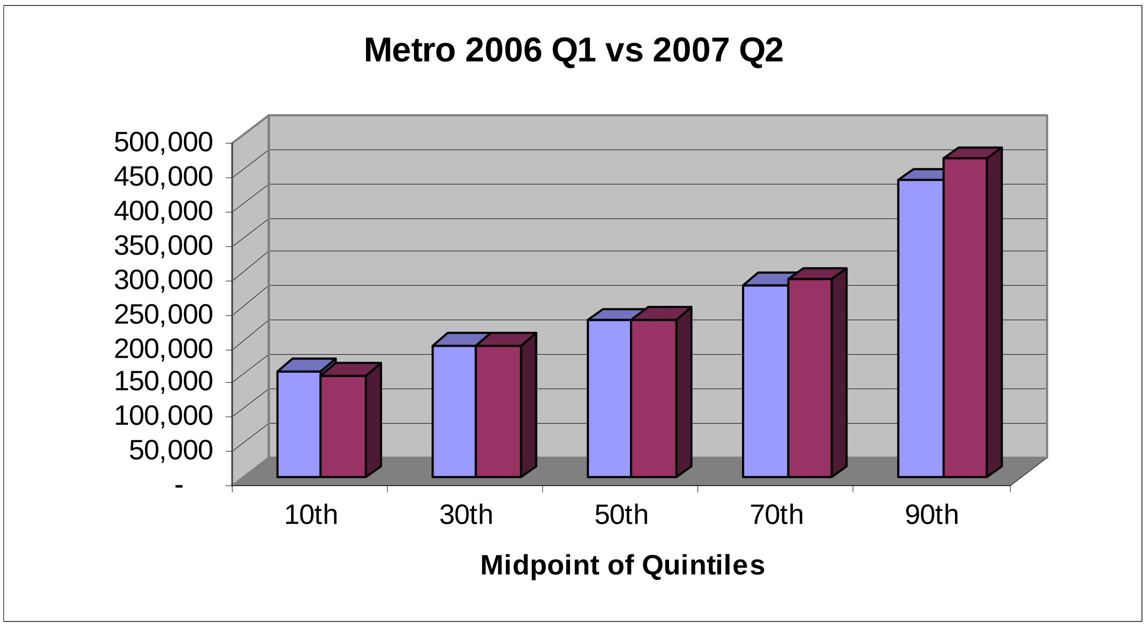
Price Changes Since the End of the Housing Boom in 2005:

Housing price changes have neither been uniform across the state nor across price ranges. The highest priced homes (the top 40%) saw price increases whereas the lower priced (the lower 40%) saw price declines over the past 18 months. The following graphs and tables show this relationship of price change by home price grouping.









Below is a table showing the change in housing prices in 5 equal price ranges (quintiles of sales) in both the first quarter of 2006 versus the second quarter of 2007. As can be seen in the numbers, the non-metro regions had little disparity between price groupings whereas the metro region had significant price change differentials from the lowest to the highest priced properties (lowest group had the greatest—and only decrease—and the highest group had the highest increase in prices). The 10^{th} percentile represents the midpoint of the lowest $1/5^{th}$ (20%) of property prices, the 30^{th} percentile represents the midpoint of the second-lowest group, etc.

18 Month Price Changes by Quintile Midpoints

Statewide Quintiles			
Quintile Midpoint	**2006 Q1**	**2007 Q2**	**Change**
10th	138,000	130,000	-6%
30th	182,900	178,800	-2%
50th	215,300	218,400	1%
70th	265,000	270,000	2%
90th	405,000	425,000	5%

Metro Region Quintiles			
Quintile Midpoint	**2006 Q1**	**2007 Q2**	**Change**
10th	155,000	149,179	-4%
30th	193,500	193,486	0%
50th	229,000	231,500	1%
70th	282,000	290,000	3%
90th	435,000	465,000	7%

Non-Metro Region Quintiles			
Quintile Midpoint	**2006 Q1**	**2007 Q2**	**Change**
10th	100,500	100,748	0%
30th	148,000	145,500	-2%
50th	179,900	175,900	-2%
70th	216,357	219,900	2%
90th	305,000	308,960	1%

Metro Region

Quarterly Summary: Second Quarter 2007

(Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties)

	Residential	Single Family	Multifamily
Median Price	231,500	253,000	185,000
Average Price	285,002	316,818	208,385
Sales as a Percent of List	97.61%	97.38%	98.43%
Total Number of Sales	10,054	7,104	2,950
Percentage of Sales	73.76%	70.66%	29.34%
*** Basis for Percentage of Sales**	% of Statewide	% of this Quarter	% of this Quarter
Average Marketing (in Days)	68	65	75
Bedrooms	3.05	3.42	2.16
Bathrooms	2.23	2.32	2.00
Year Built	1971	1964	1988
Property Taxes	2,510	2,882	1,615
Finished Square Feet	1,918	2,116	1,442

Affordability Index:

Using the same methodology explained above for the affordability in the State of Minnesota and applying that methodology to the Twin Cities Metro area, the affordability index was approximately 1.445 during this quarter using the 2005 U.S. Housing and Urban Development Department median family income for the Twin Cities Metro area of $77,000. Compared to the statewide affordability index of 1.364, we can see that although housing prices are typically higher in the Metro region, incomes are proportionately greater and there are substantially larger proportions of multifamily properties (with typically lower price per housing unit than single family housing) sold in this region. Furthermore, housing prices in the Metro area fell at only a slightly slower rate than the Non-Metro areas. Higher incomes and more diverse housing types with wider-ranging price points are the primary reasons why the affordability index is relatively higher in this region than in the balance of the state.

Interesting Facts:

Below, we compare the Metro region independent of the balance of the data in this report (the Non-Metro regions) in addition to making comparisons within the region. In so doing, we are able to not only see how the region differs from itself, but also to see how these two regions in the state compare to one another. Because the Metro and Non-Metro regions have significantly different structural characteristics (population, income, employment diversity, etc.), it makes sense to analyze them comparatively so we can better understand what is happening and what we should be able to expect over the next few months. We also look within the Metro region at its core and collar counties for any noticeable differences.

Looking at the Metro region we see that single family properties are, on average, 47% larger than multifamily properties and sell for about 37% more. At the same time, however, single family properties typically pay 79% more in property taxes than do multifamily properties (about the same as in the Second Quarter of 2006). Multifamily properties are also typically much newer than single family properties (by 23 years) and typically have one less bedroom. A noticeable change is that multifamily properties now are taking 10 days longer to sell where they once were on par with single family properties. Property tax rates in the region—0.881% of the sales price—are slightly above the state average of 0.865%. Both of these figures are higher than what was observed in 2006.

Sales Prices:

Comparing the average sales price in the Metro region to the balance of the state we can see that prices in the Metro region are about 48% higher. There are many factors which cause properties in this region to command higher prices: higher personal income levels, higher construction costs and more expensive land prices, to name a few. As long as the *relative* demand for Metro region properties remains stronger than in Non-Metro regions and as long as *relative* income levels remain higher in the Metro region, property prices should also remain *relatively* higher in the Metro region. Should the comparative strength in either housing demand or personal incomes (or both) increase in the Metro region then we would expect the sales price gap to widen. If either strength (or both) decreases relative to the Non-Metro regions, then the sales price gap would be expected to narrow. What we can see from the fourth quarter of 2005 to the Second Quarter of 2007 is that prices are falling relatively faster in the Non-Metro regions and this will mean that the price gap should continue to increase into the third quarter of 2007.

Q2 2007 Average Sales Price Metro Region Comparison-Residential (Change from Q2 2006)		
Statewide	Metro	Non-Metro
$260,044 (+1.96%)	$285,022 (+2.10%)	$197,515 (-3.12%)

Single Family Sales Volume:

The Metro region comprises approximately 60% of the state's total population and approximately 75% of the state's population from which we extract data used in this report. As such, the Metro region's 10,054 sales in this Second Quarter are fairly representative of the Statewide total of 13,631 sales (approximately 74% of the Statewide total). Since the Metro region is such a large contributor to the Statewide total of all sales, sales volume changes in areas that have high concentrations of recreational property (North, West and Southeast regions) continue to have only a slight effect on the proportion of sales coming from the Metro region, and this continues. However, because the sales used in this report occurred during the start of the "prime" marketing season, this quarter's sales are expected to represent just about 30% of the annual total of sales anticipated for the year. As such, we are expecting approximately 45,000 sales this year based on the relative proportions of Second Quarter sales from previous years. This should be a slight rebound from last year's lower sales volume. This year's sales volume is expected to be at or near historical ("normal") volume levels.

Q2 2007 Sales Volume Metro Region Comparison		
Statewide	Metro	Non-Metro
13,631	10,054 (74% of Q2 Total)	3,577 (26% of Q2 Total)

Marketing Times:
Given that sales volumes are only slightly down from the most-recent past few years, it is not a surprise to see marketing times to be slightly higher than they were only a few years ago. Even so, when compared to earlier time periods marketing times are les that last year as seen in the table below. Comparing the Metro region to the Non-Metro regions, we can see that it takes about 25 days longer to list and sell properties outside the Metro region. Both the Metro and the Non-Metro regions have seen marketing times increase by about 7 days over the past year.

Q2 2007 Average Marketing Time Metro Region Comparison, in Days (Change from Q2 2006)		
Statewide	Metro	Non-Metro
74 (+7)	68 (+7)	93 (+7)

Core Metro Sub-Region

Quarterly Summary: Second Quarter 2007

(Hennepin and Ramsey Counties)

	Residential	Single Family	Multifamily
Median Price	230,000	245,000	193,900
Average Price	293,222	320,798	220,260
Sales as a Percent of List	97.35%	97.14%	98.20%
Total Number of Sales	6,085	4,416	1,669
Percentage of Sales	60.52%	72.57%	27.43%
*** Basis for Percentage of Sales**	% of Metro	% of this Quarter	% of this Quarter
Average Marketing (in Days)	65	60	77
Bedrooms	2.95	3.31	1.99
Bathrooms	2.10	2.20	1.84
Year Built	1961	1953	1982
Property Taxes	2,765	3,125	1,812
Finished Square Feet	1,841	2,025	1,352

Interesting Facts:

The Core Metro sub-region is also a fairly diverse area and comprises mostly urban properties with a mix of rural, recreational and “exurban” properties (primarily in western Hennepin County). The Core Metro sub-region contains the primary cities of Minneapolis and St. Paul and has numerous other larger cities. This sub-region contains almost 45% of all properties sold in this report. The average sales price for properties in the Core Metro sub-region is approximately 112% of the statewide average. Properties selling in the Core Metro sub-region are typically older than the statewide average (by about 13 years), and they are only slightly smaller than the statewide average (only about 4% smaller). Property tax rates in this sub-region (0.943% of the sales price) are above the state average of 0.865%.

Multifamily properties comprise just over one-fourth of the total properties sold during the quarter, they take about 17 days longer to sell (a two week increase over the Q1 2007 report), and they have about one and a half less bedrooms (on average) than do their single-family counterparts. Overall the multifamily properties are approximately one-third as large as single-family properties, and they sell for approximately 46% less than single-family properties. Multifamily properties are also much newer than single-family properties in this region (by about 29 years). Multifamily properties in the Core Metro sub-region are selling for about 98% of their listing price, and single-family properties are selling for about the same discount.

Collar Metro Sub-Region

Quarterly Summary: Second Quarter 2007

(Anoka, Carver, Dakota, Scott and Washington Counties)

	Residential	Single Family	Multifamily
Median Price	235,000	263,125	178,000
Average Price	272,399	310,280	192,912
Sales as a Percent of List	98.03%	97.81%	98.78%
Total Number of Sales	3,969	2,688	1,281
Percentage of Sales	39.48%	67.72%	32.28%
*** Basis for Percentage of Sales**	% of Metro	% of this Quarter	% of this Quarter
Average Marketing (in Days)	72	71	73
Bedrooms	3.20	3.60	2.37
Bathrooms	2.41	2.51	2.22
Year Built	1987	1983	1995
Property Taxes	2,120	2,483	1,358
Finished Square Feet	2,037	2,265	1,558

Interesting Facts:

The Collar Metro sub-region comprises a fairly diverse area and contains mostly suburban properties with a mix of some urban, rural, recreational and "exurban" properties. The Collar Metro sub-region contains no major city, but has numerous mid-sized cities with their own commercial, retail and industrial clusters. This sub-region contains about 29% of all properties sold in this report. The average sales price for properties in the Collar Metro sub-region is approximately 104% of the statewide average. Properties selling in the Collar Metro sub-region are typically newer than the statewide average (by about 13 years), and they are only slightly larger than the statewide average (only about 6% larger). Property tax rates in this sub-region (0.778% of the sales price) are above the state average of 0.865%.

Multifamily properties comprise just slightly under one-third of the total properties sold during the quarter, they take about two days longer to sell, and they have about one fewer bedroom (on average) than do their single-family counterparts. Overall the multifamily properties are approximately 45% smaller than single-family properties, and they sell for approximately 60% of single-family properties. Multifamily properties are also much newer than single-family properties in this region (by about 12 years). Multifamily properties in the Collar Metro sub-region are selling for just under their listing price (a 1% discount), whereas single-family properties are selling for about a 1.75% discount from their listing prices.

Non-Metro Region

Quarterly Summary: Second Quarter 2007

(Aitkin, Benton, Blue Earth, Carlton, Chisago, Crow Wing, Dodge, Fillmore, Freeborn, Goodhue, Isanti, Kanabec, Kandiyohi, Le Sueur, McLeod, Meeker, Mille Lacs, Morrison, Mower, Nicollet, Olmsted, Pine, Rice, Sherburne, Sibley, Stearns, Steele, Wabasha, Waseca, Winona and Wright Counties)

	Residential	Single Family	Multifamily
Median Price	175,900	180,000	156,000
Average Price	197,515	201,784	161,277
Sales as a Percent of List	97.59%	97.56%	97.93%
Total Number of Sales	3,577	3,200	377
Percentage of Sales	26.24%	89.46%	10.54%
*** Basis for Percentage of Sales**	% of Statewide	% of this Quarter	% of this Quarter
Average Marketing (in Days)	93	91	109
Bedrooms	3.10	3.20	2.27
Bathrooms	2.05	2.05	2.02
Year Built	1983	1981	1999
Property Taxes	1,581	1,645	1,042
Finished Square Feet	1,918	1,968	1,492

Interesting Facts:

Below, we primarily compare the Non-Metro region properties to each other. Because each of these areas has significantly different structural characteristics (population, income, employment diversity, etc.) from each other, it makes sense to analyze them comparatively so we can better understand what is happening. By looking at what is typical across the Non-Metro region's areas, we see that single family properties are 32% larger than multifamily properties and sell for about 25% more. At the same time, however, single family properties typically pay about 58% more in property taxes than do multifamily properties. Multifamily properties are also typically much newer than single family properties and typically have one fewer bedroom. Lastly, sales of single family properties comprise approximately 90% of all properties sold during the quarter. Multifamily properties take over two weeks longer to sell (109 days) compared to single family properties (91 days). Property tax rates in the region (0.800% of the sales price) are below the state average of 0.865%.

Sales Prices:

As stated earlier in this report, the median and average sales prices for residential properties in the Non-Metro region are less than in the Metro region of the state. There are many reasons for this, primary of which is that household income is lower outside the Twin Cities Metropolitan area by about 27.6% ($77,000 in the Metro region versus $55,750 in the Non-Metro region). The closer you get to the Metro region, however, housing prices move toward Metro region price levels with some communities in the West (e.g., Sherburne and Wright Counties), South (e.g., Rice County) and North (e.g., Chisago and Isanti Counties) regions that have exurban commuters to the Metro region directly competing with properties from nearby communities that are part of the Metro region. As such, those properties drive up their respective region's median and average prices. The communities that are closer to the Metro region also have higher volume levels which also affect the particular region's median and average sales price. Since the Second Quarter of 2006, the median house price in the Non-Metro region decreased about 3.1%. Because of the relative few sales that occur in some of these regions, the average sale prices and price changes are subject to extreme values (both low and high).

Q2 2007 Average Sales Price by Non-Metro Region-Residential (% change in Prices from Q2 2006)				
Non-Metro	North	West	South	Southeast
$197,515 (-3.1%)	$194,705 (-4.8%)	$209,409 (-4.1%)	$177,263 (-1.8%)	$189,397 (+1.6%)

Single Family Sales Volume:

Sales volumes in the Non-Metro region, much like sales prices and price changes, were also not uniform across the individual regions. The West region constituted nearly half (45%) of the sales outside the Metro region. The South and Southeast regions each contributed slightly less than the total number of sales that occurred in the North region. Historically the dominant region is the West region (with western Metro "exurbs" and the St. Cloud market area) and it should continue to lead the Non-Metro regions in sales volumes.

Q2 2007 Sales Volume by Non-Metro Region (Percentage of Non-Metro Region)				
Non-Metro	North	West	South	Southeast
3577 (26% of State)	760 (21%)	1623 (45%)	616 (17%)	578 (16%)

Marketing Times:

Marketing times in the Non-Metro regions are relatively similar, ranging from 89 to 98 days with an average of 93 days to market a property. As such, it typically takes about three months to successfully market a property. The West region has strong influences from the Metro region and the St. Cloud area and those two employment centers buffer the region's cyclical component of property marketing times, and it again has the shortest marketing time of all of the Non-Metro regions. The Marketing Time table below shows how many days between listing and sale and the change from the Second Quarter of 2006.

Q2 2007 Median Marketing Time by Non-Metro Region, in Days (Change from Q2 2006)				
Non-Metro	North	West	South	Southeast
93 (+7)	98 (+7)	89 (+6)	95 (+11)	94 (+3)

North Region

Quarterly Summary: Second Quarter 2007

(Aitkin, Carlton, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison and Pine Counties)

	Residential	Single Family	Multifamily
Median Price	172,450	174,900	162,450
Average Price	194,705	196,231	165,713
Sales as a Percent of List	96.74%	96.68%	98.23%
Total Number of Sales	760	722	38
Percentage of Sales	21.25%	95.00%	5.00%
*** Basis for Percentage of Sales**	% of Nonmetro	% of this Quarter	% of this Quarter
Average Marketing (in Days)	98	97	119
Bedrooms	2.97	3.01	2.24
Bathrooms	1.86	1.86	1.82
Year Built	1974	1973	2002
Property Taxes	1,501	1,510	1,319
Finished Square Feet	1,685	1,698	1,438

Interesting Facts:

The North region is a fairly diverse area and comprises rural, recreational and some “exurban” property sales in Chisago, Isanti and Pine Counties. The region ranks third in the number of sold properties (5.6%) in this report behind the Metro region and the West region. The average sales price for properties in the North region is approximately 74% of the statewide average. Properties selling in the North region are typically smaller than the statewide average (about 233 square feet smaller) and typically have fewer bathrooms. Property tax rates in the region (0.771% of the sales price) are much below the state average of 0.865%.

Multifamily properties in the North region comprise relatively few sales (only about 5% of the total) and take about 18% longer to sell (22 days longer). They are usually much newer, are closer in size to their single-family counterparts than in other regions, and are achieving sales prices about 1% less than their listing prices.

West Region

Quarterly Summary: Second Quarter 2007

(Benton, Kandiyohi, McLeod, Meeker, Sherburne, Sibley, Stearns and Wright Counties)

	Residential	Single Family	Multifamily
Median Price	189,900	195,000	159,990
Average Price	209,409	215,616	163,413
Sales as a Percent of List	97.90%	97.84%	98.46%
Total Number of Sales	1,623	1,430	193
Percentage of Sales	45.37%	88.11%	11.89%
*** Basis for Percentage of Sales**	% of Nonmetro	% of this Quarter	% of this Quarter
Average Marketing (in Days)	89	87	99
Bedrooms	3.12	3.23	2.31
Bathrooms	2.10	2.10	2.10
Year Built	1978	1975	2001
Property Taxes	1,580	1,667	935
Finished Square Feet	1,867	1,918	1,490

Interesting Facts:

The West region is a fairly diverse area and comprises urban, rural, recreational and “exurban” properties (primarily Wright, Sherburne and Stearns Counties). The West region also has its own metropolitan statistical area (MSA) in the city of St. Cloud and Stearns County. The region ranks second in the number of sold properties (12%) in this report. The average sales price for properties in the West region is approximately 80% of the statewide average. With some parts of the region being close to the Metro region and also with the presence of the St. Cloud “micropolitan” area, sales are not as cyclical as the percentage of sales in this region has held fairly steady at around 11% to 12% over the past two years. Properties selling in the West region are typically newer than the statewide average (by about 4 years), and they are only slightly smaller than the statewide average (only about 3% smaller). Property tax rates in the region (0.754% of the sales price) are much below the state average of 0.865%.

Multifamily properties comprise about 12% of the total properties sold during the quarter, and they take about two weeks longer to sell than single family properties. Typically, they have about one less bedroom (on average) than do their single-family counterparts. Overall the multifamily properties are approximately 29% smaller than single-family properties, and they sell for approximately 32% less than single-family properties. Multifamily properties are also much newer than single-family properties in this region (by about 26 years) and take about two weeks longer to sell.

South Region

Quarterly Summary: Second Quarter 2007

(Blue Earth, Freeborn, Le Sueur, Nicollet, Rice, Steele and Waseca Counties)

	Residential	Single Family	Multifamily
Median Price	160,000	161,000	153,000
Average Price	177,263	177,902	172,030
Sales as a Percent of List	97.57%	97.56%	97.59%
Total Number of Sales	616	549	67
Percentage of Sales	17.22%	89.12%	10.88%
*** Basis for Percentage of Sales**	% of Nonmetro	% of this Quarter	% of this Quarter
Average Marketing (in Days)	95	92	126
Bedrooms	3.15	3.25	2.34
Bathrooms	2.02	2.01	2.10
Year Built	1962	1958	1996
Property Taxes	1,379	1,426	996
Finished Square Feet	2,047	2,099	1,617

Interesting Facts:

The South region is a fairly diverse area and comprises rural, urban, recreational and some “exurban” properties. The region also comprises the Mankato “micropolitan” area. The region ranks fifth in the number of sold properties (4.5%) in this report. The average sales price for properties in the South region is approximately 68% of the statewide average. Properties selling in the South region are typically much older than the statewide average (by about 12 years), somewhat larger than the statewide average (about 7%) and typically have the same number of bedrooms and bathrooms. Property tax rates in the region (0.778% of the sales price) are well below the state average of 0.865%.

Multifamily properties in the South region comprise about 11% of all sold properties during the Second Quarter and they take about one month longer to sell than their single-family counterparts. These multifamily properties are typically about 30% smaller. Even though they are 30% smaller (and typically contain one less bedroom) than their single-family competitors, they typically sell for about the same as single-family properties.

Southeast Region

Quarterly Summary: Second Quarter 2007

(Dodge, Fillmore, Goodhue, Mower, Olmsted, Wabasha and Winona Counties)

	Residential	Single Family	Multifamily
Median Price	160,250	165,000	140,000
Average Price	189,397	196,456	144,804
Sales as a Percent of List	97.81%	97.95%	96.69%
Total Number of Sales	578	499	79
Percentage of Sales	16.16%	86.33%	13.67%
*** Basis for Percentage of Sales**	% of Nonmetro	% of this Quarter	% of this Quarter
Average Marketing (in Days)	94	90	115
Bedrooms	3.17	3.34	2.13
Bathrooms	2.17	2.23	1.85
Year Built	1984	1982	1994
Property Taxes	1,906	2,017	1,207
Finished Square Feet	2,231	2,359	1,418

Interesting Facts:

The Southeast region is a fairly diverse area and comprises rural, recreational and urban properties. The region also includes the "micropolitan" areas of Rochester and Winona. The region ranks fourth in the number of sold properties (4.2%) in this report. The average sales price for properties in the Southeast region is approximately 72% of the statewide average. Properties selling in the Southeast region are typically newer than the statewide average (by about 10 years), larger than the statewide average (about 16% larger) and typically have the same number of bedrooms and bathrooms. Property tax rates in the region (1.006% of the sales price) are well above the state average of 0.865%.

Multifamily properties in the Southeast region comprise about 14% of all sales in the region. These properties take just under one month longer to sell, are about 34% smaller, and sell for only about 36% less than single-family properties. Additionally, the multifamily properties are much newer than their single-family competitors (by about 12 years).