

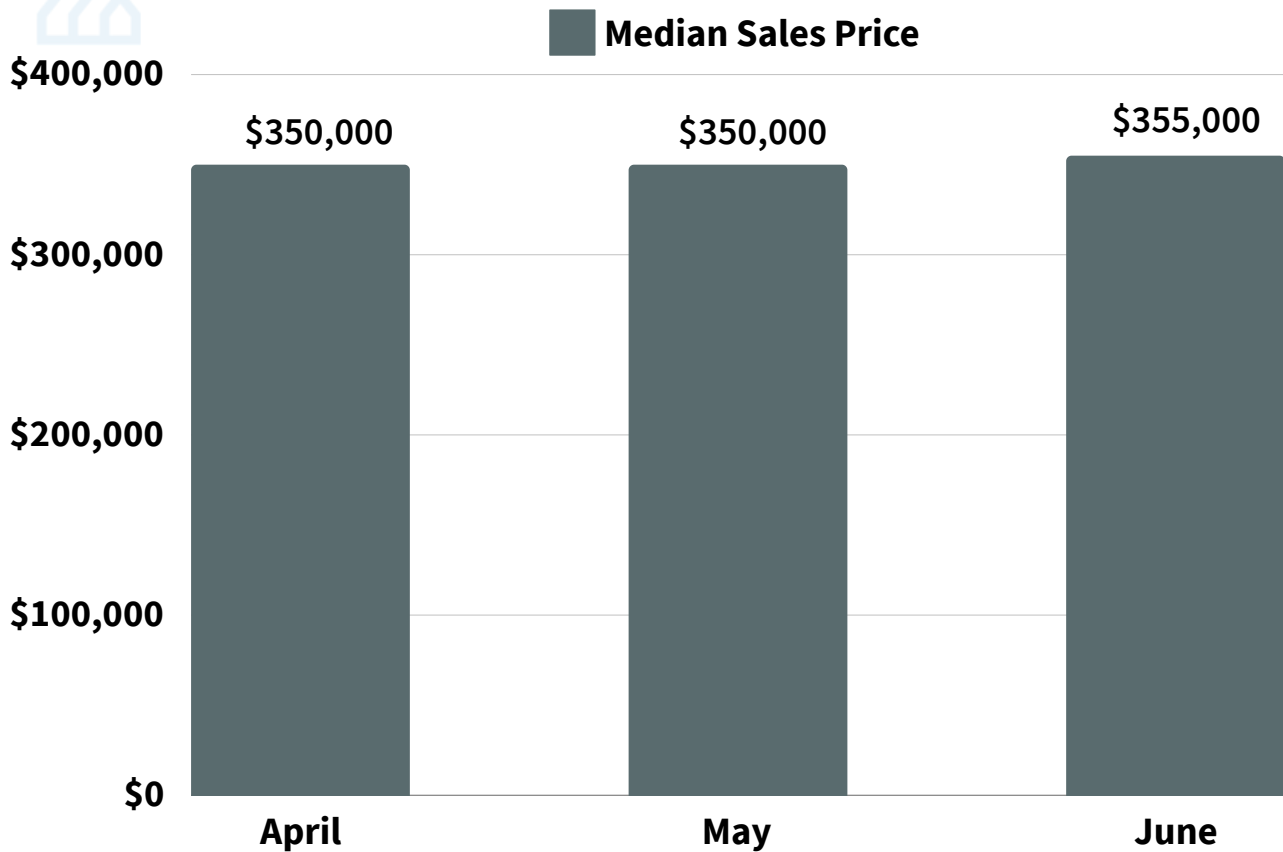
MINNESOTA'S HOUSING MARKET



Quarter 2 Performance

Sales, prices, inventory, interest rates, inflation, affordability index, and more

Q2: Median Home Sales Price



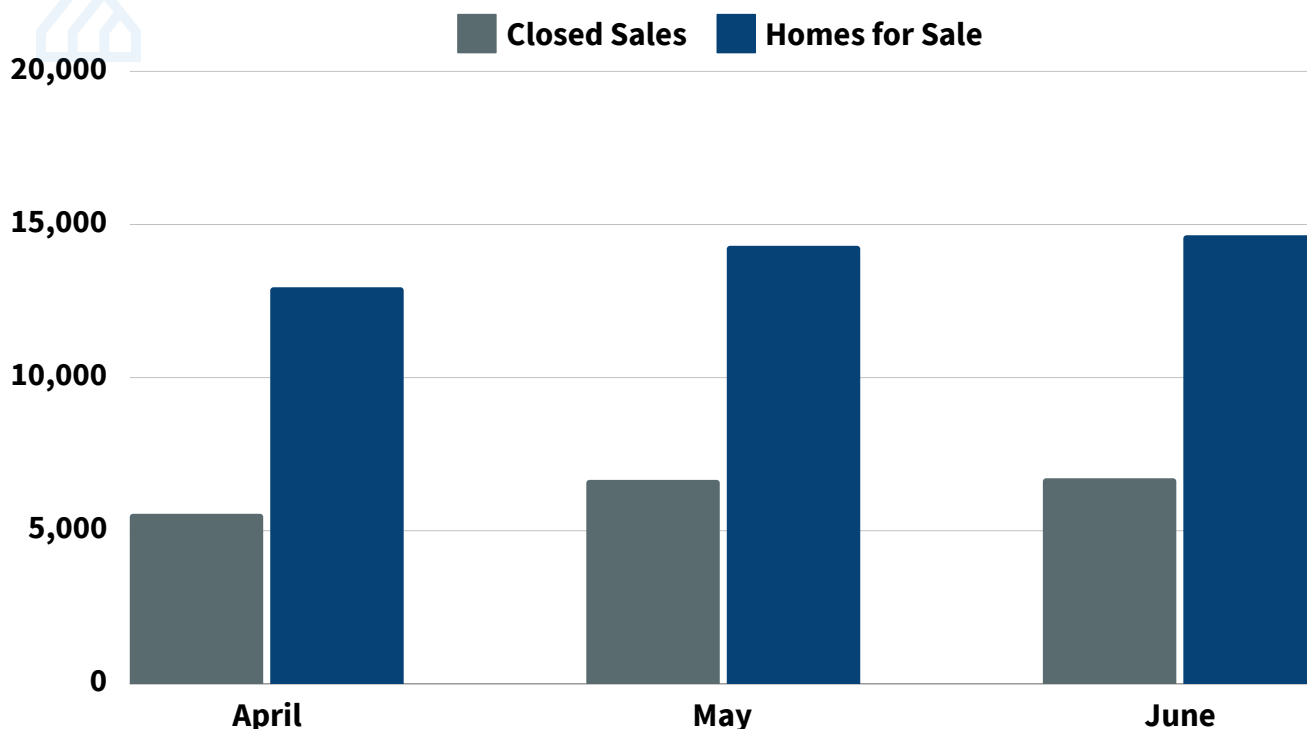
Median Sales Price Analysis

Home appreciation has spiked over the past two years. In Minnesota, median home sales prices reached \$355,000 in June—a high mark for 2024. Median prices from Q2 of this year are very similar to Q2 of last year despite differences in the statewide supply of homes.

Due in part to near-record home equity gains and low unemployment, American household wealth is soaring. The typical Minnesota homeowner has gained about \$50,000 in equity since January 2022.

What is pushing up prices? The housing supply shortage is the primary lifter. When fewer homes are available for sale, competition among buyers often leads to bidding wars. Until supply improves, prices will likely continue increasing. The good news is that most experts agree no “price crash” is imminent, and homeownership remains the best way to build generational wealth.

Q2: Closed Sales & Inventory



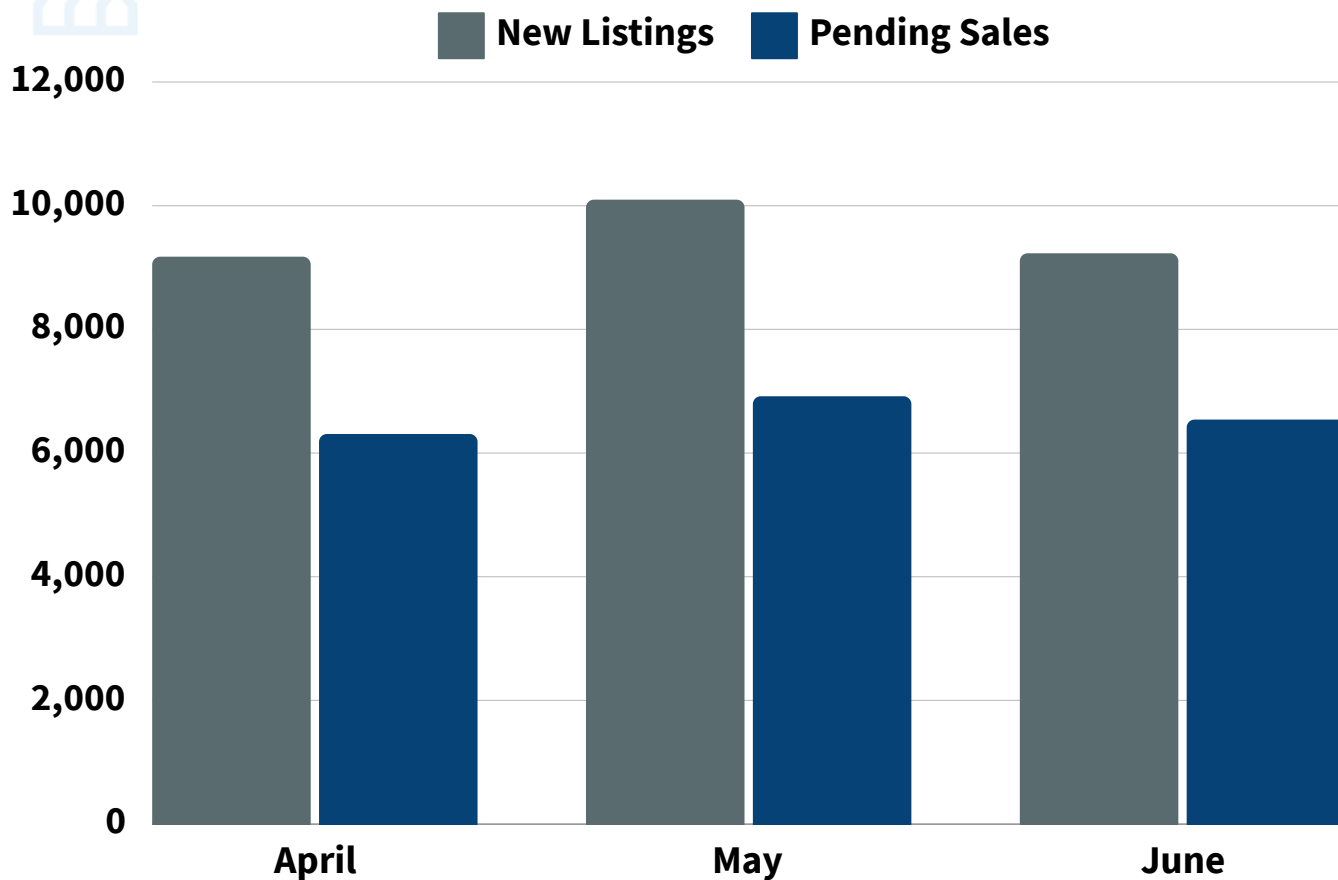
Closed Sales & Inventory Analysis

Even though market activity decelerated at the end of June across most regions of Minnesota—which is typical at the tail-end of the spring selling season—Q2 of 2024 outperformed Q2 of 2023 by over 700 total closed sales.

What's behind the improved year-over-year performance? At first glance, some of the data tells a strange story. Mortgage rates were slightly lower in Q2 last year, and affordability was six points better, according to our Housing Affordability Index in 2023. Typically, if rates are lower and affordability is up, sales are also up. By contrast, Q2 of 2024 showed slightly higher rates and declining affordability alongside stronger closed sales.

If we dig beneath the data a little, consumer psychology could be a factor. Many real estate experts believe that consumers have adjusted to higher rates this year and regained confidence, reducing the “lock-in effect” that continues to hinder the market. This effect stemmed from pandemic-era rates of 3-4%, discouraging potential sellers from listing their homes to avoid losing low mortgage rates. This spring, more sellers were ready to list, giving buyers more options. The number of homes for sale in Minnesota increased significantly. Despite the inventory gains in Q2, the market remains imbalanced in favor of sellers, who still receive over 99% of their original list price on average.

Q2: New Listings and Pending Sales

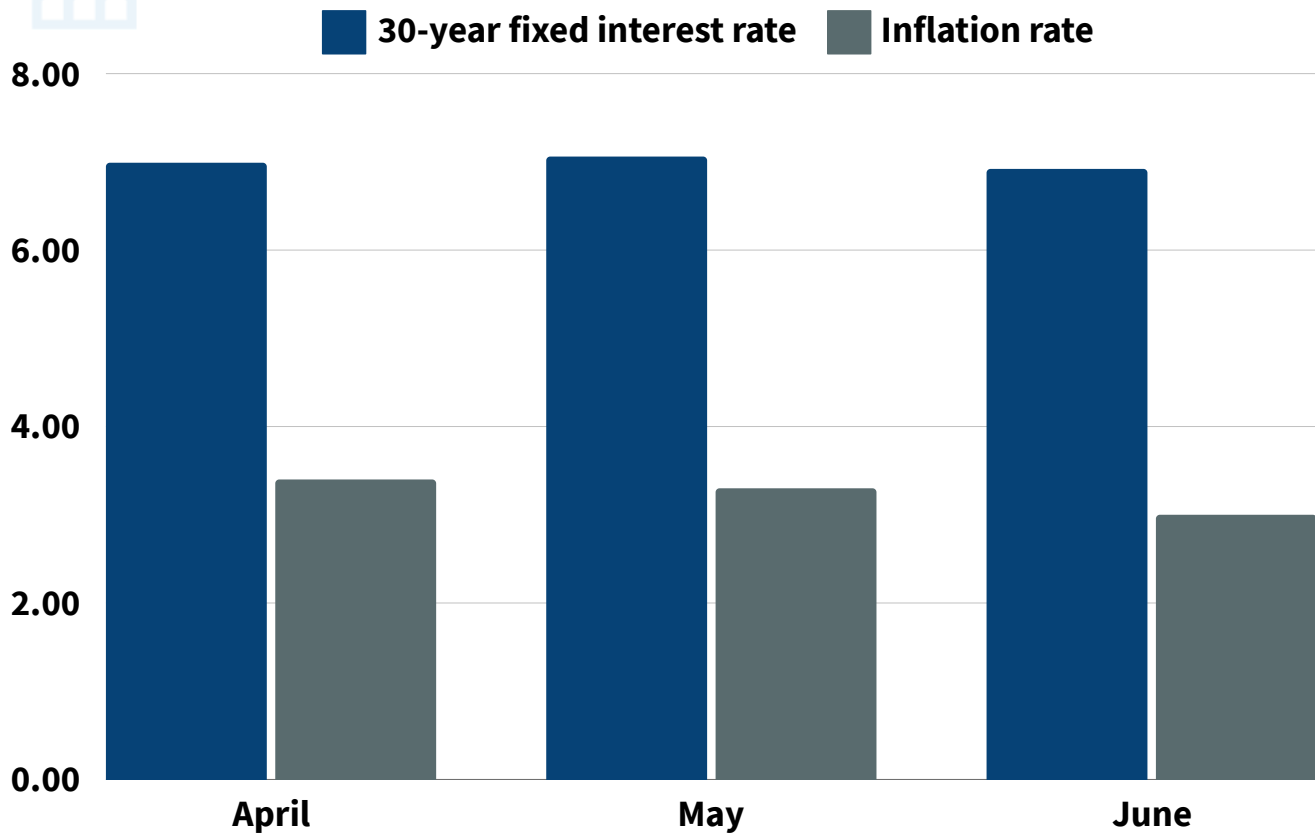


New Listings & Pending Sales Analysis

New home listings for the quarter peaked in May, just as they did last year during the same period, in line with seasonal trends. However, new listings closed the quarter down about 10%. Pending sales—which indicate the number of sales in which a contract has been signed but not yet closed—fell over the quarter compared to last year, which signals not only softening closed sales but buyer demand. This metric helps us forecast what to expect from buyer and seller activity.

Affordability challenges due to rates and inflation are impeding demand in Minnesota and across the country. Seasonal trends shouldn't be ignored when interpreting these data points. The summer market should continue to cool into the fall as it usually does; just how much depends in part on the variables of interest rates and inflation.

Q2: Mortgage, Interest, & Inflation

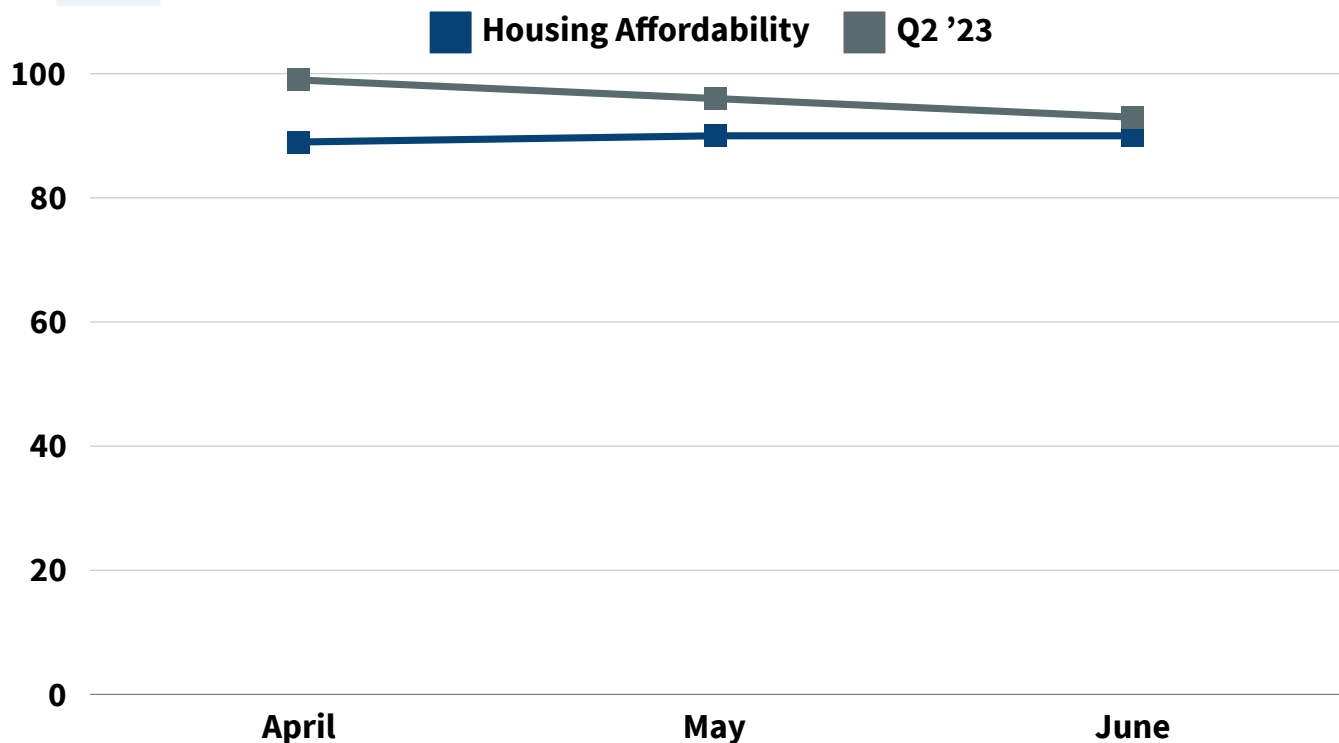


Mortgage, Interest, & Inflation Analysis

There's no question that the housing market continues to be slowed by higher mortgage rates, even though rates began ticking down in the last few weeks. The 30-year fixed rate averaged 6.9% during Q2—last year during the same period it averaged 6.5%. Four-tenths of a percentage point might seem small, but it can greatly impact the number of mortgage applications reported. According to Freddie Mac, economic growth has slowed as the labor market also showed signs of cooling compared to Q1.

In brighter news, inflation has decelerated—it averaged just over 3% in Q2. Compared to Q2 last year, it's down over 1%. Inflation still burdens buyers and sellers, if not as strongly as in 2023. A weaker economic growth rate and labor market could keep inflation in check in the months ahead and lead to what many experts are now predicting: An interest rate cut by the Federal Reserve sometime later this year. A Fed rate cut can lead to easing mortgage rates; some research outlets forecast sub-6.5% rates in 2025. This kind of shift would set the Minnesota housing market up for a rebound if inventory can catch up.

Q2: Housing Affordability Index

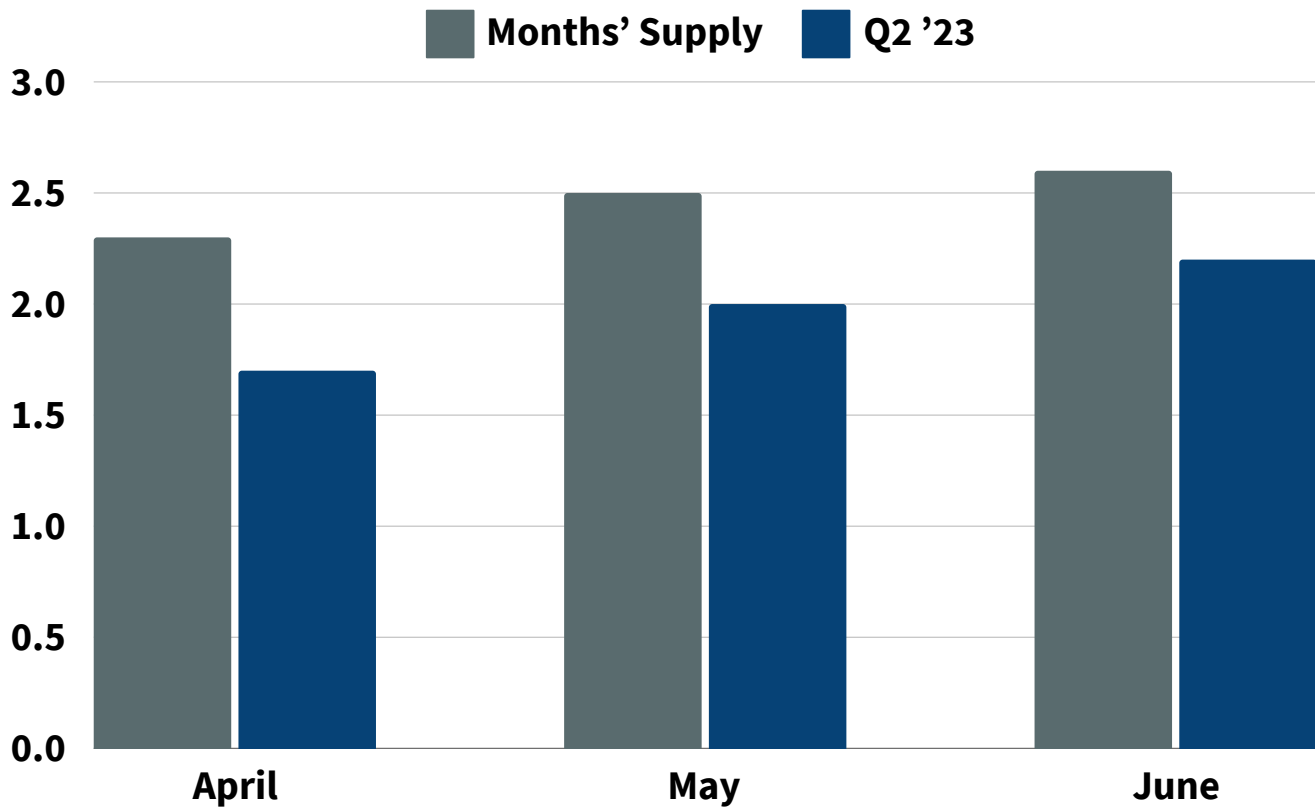


Housing Affordability Analysis

Perhaps the biggest hurdle for buyers is declining housing affordability. Data shows affordability is impacting buyers across home price points. Our Housing Affordability Index—which measures whether a typical family earning an area’s median income can afford a median-price home—averaged about 90 last quarter. Any figure below 100 means most typical Minnesotans can’t afford a median home. During Q2 of 2023, affordability was slightly higher but presented a similar challenge for buyers.

For existing homeowners, there’s been a moderate increase in mortgage delinquencies in Q2, underscoring the ongoing difficulty for many in keeping up with the rising costs of homeownership, including homeowner’s insurance, taxes, mortgage payments, and utilities. The housing affordability problem is exacerbated by the state’s inventory shortage, which drives up home prices and increases competition, thus home prices, for properties.

Q2: Months' Supply of Homes



Months' Supply of Homes Analysis

Yes, buyers have more options than they've had since Q2 of 2020. And yes, the recent increase in inventory is certainly beneficial for the market. There are more properties to be bought and sold, though not quite at pre-pandemic levels.

Despite these gains, Minnesota is still well short of a balanced market, averaging about 2 months' supply of homes over the quarter. A balanced market—where buyers and sellers share near-equal bargaining footing—is typically 4 to 6 months' supply.

According to the MN Task Force on Housing, our state is now facing a housing deficit of over 100,000 units. New home construction has failed to close the gap in recent years, a fact that doesn't look likely to be corrected soon as builders face rising material costs along with complex regulatory obstacles, particularly in the Twin Cities metro area. Homebuilder confidence fell in Q2, as fewer new home starts were reported. We continue to need more housing at all prices.

About

The Minnesota Realtor® Quarterly Performance Report measures and analyzes key Minnesota housing market indicators including closed sales, median home sales price, new listings and pending sales, mortgage rates, inflation, housing affordability, and inventory. This report offers insights for Realtors®, brokers, and other real estate professionals.

Sources

- [Minnesota Realtors® Monthly Housing Market Reports](#)
- [Freddie Mac Housing and Economic Research](#)
- [U.S. Inflation Calculator via CoinNews Media Group](#)

About Minnesota Realtors®

Minnesota Realtors® (MNR) is a non-profit organization dedicated to helping the state's real estate professionals thrive and grow their businesses. By uniting and empowering Realtors®, we help build a more prosperous industry and higher quality of life for everyone who calls Minnesota home. Founded in 1919, MNR is one of the oldest professional associations in the state.

About the Data

MNR provides expert insights into the latest trends driving sales across the state. All housing statistics are according to MNR, based on data from NorthstarMLS and other MN MLSs. Data is deemed reliable, but not guaranteed.