

MINNESOTA'S HOUSING MARKET

THE



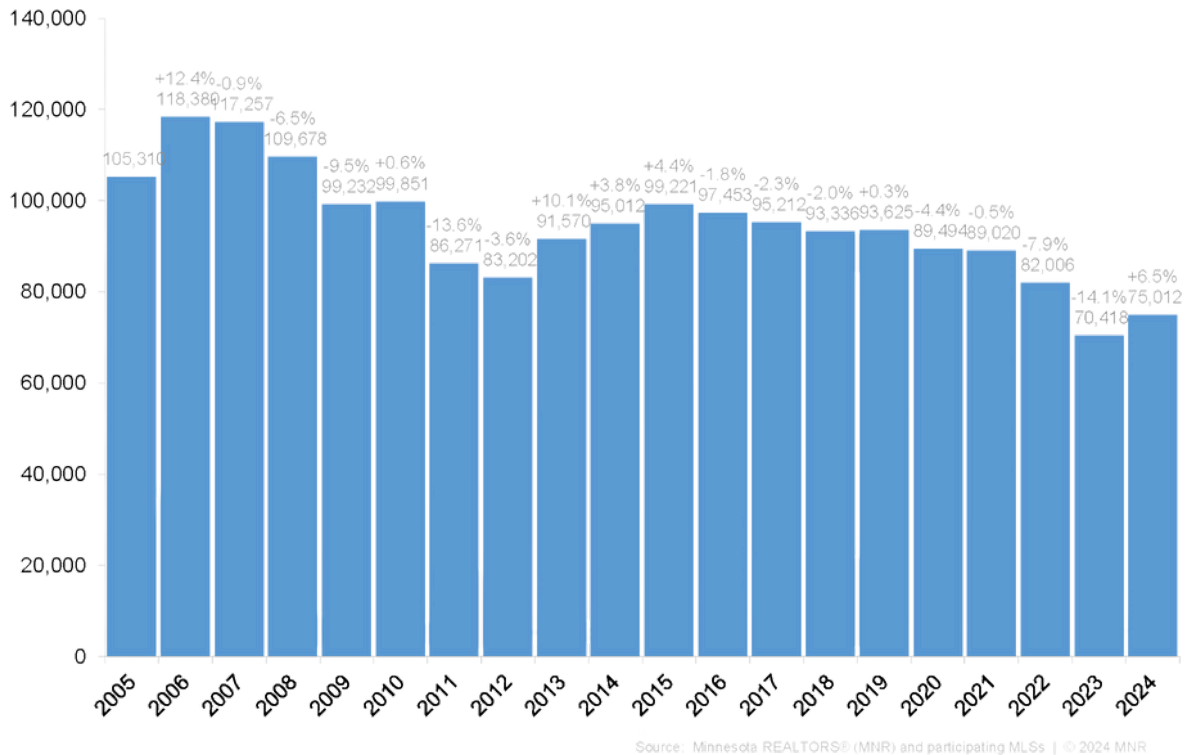
Quarter 3 Performance

Listings, sales, inventory, prices, and rates



New Listings

MN Statewide | New Listings | September YTD



A new listing is a home that's been listed on the MLS during the current reporting month (September). An active listing is any home currently listed under "Active" status, regardless of when it was listed. Seller activity—as measured by new listings—is a key ingredient to alleviating the decades-long inventory shortage. These listings can come from ordinary homeowners moving up or downsizing, as well as builders injecting new housing supply into our undersupplied marketplace.

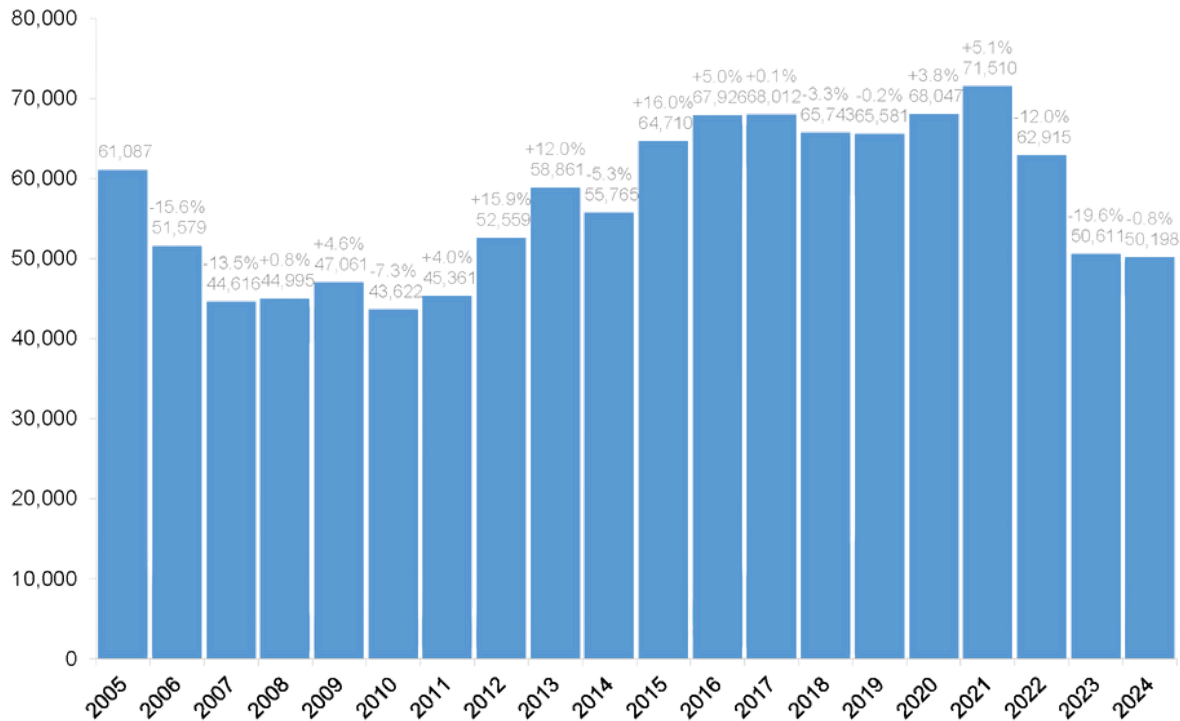
Some sellers need a reason to move, but not all. Some reference the 5 "Ds" that often precede a move: Diamonds, Diplomas, Diapers, Divorce, and Death. And then there are the "it would be nice to move" movers, and this latter group has pulled back in the face of the triple punch of higher prices, higher rates and tight supply. Rising insurance costs are also an area of concern.

Overall, many would-be sellers still feel locked in by their interest rates and mortgage payments, though there's evidence that sentiment is changing. So far this year, we've seen a promising 6.5% uptick in seller activity, though much of that can be attributed to Q1 2024, when new listings rose by anywhere from 9.0 to 37.0% year over year.



Closed Sales

MN Statewide | Closed Sales | September YTD



Source: Minnesota REALTORS® (MNR) and participating MLSs | © 2024 MNR

Closings serve as a lagging indicator of housing demand. Pending sales—i.e. signed purchase agreements—are a better leading indicator of current demand. So far this year, closings are down 0.8% and pendings are down 0.9%. Both of these metrics indicate that demand is stabilizing and that the worst of the declines are likely behind us.

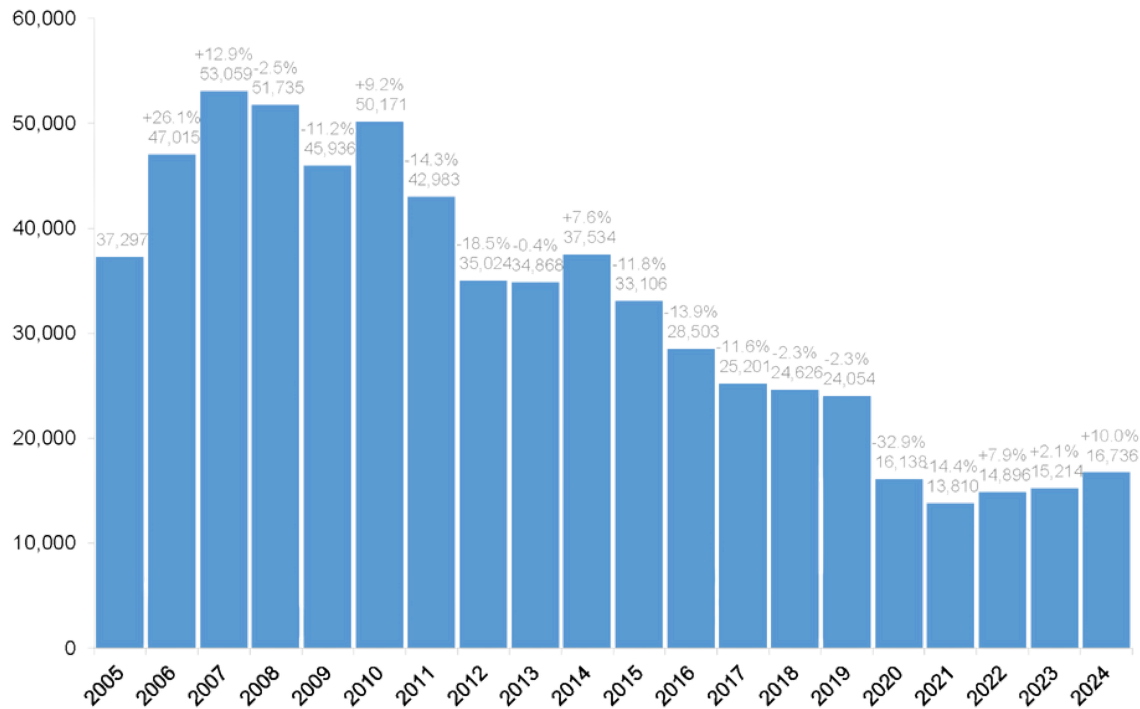
What factors are contributing to stable demand? A mix of slightly better rates, some acceptance of the current rate and price environment, and perhaps a boost from higher wages exceeding inflation. Mortgage rates in September were the lowest in two years.

The Federal Reserve's mid-September rate cut was supposed to ease mortgage rates, which it did for a short time. The 30-year fixed rate touched about 6.1% in late September only to climb back toward 7.0% by the end of October. The path for rates is expected to be lower, but that path will be bumpy and non-linear.



Inventory

MN Statewide | Inventory | September



Source: Minnesota REALTORS® (MNR) and participating MLSs | © 2024 MNR

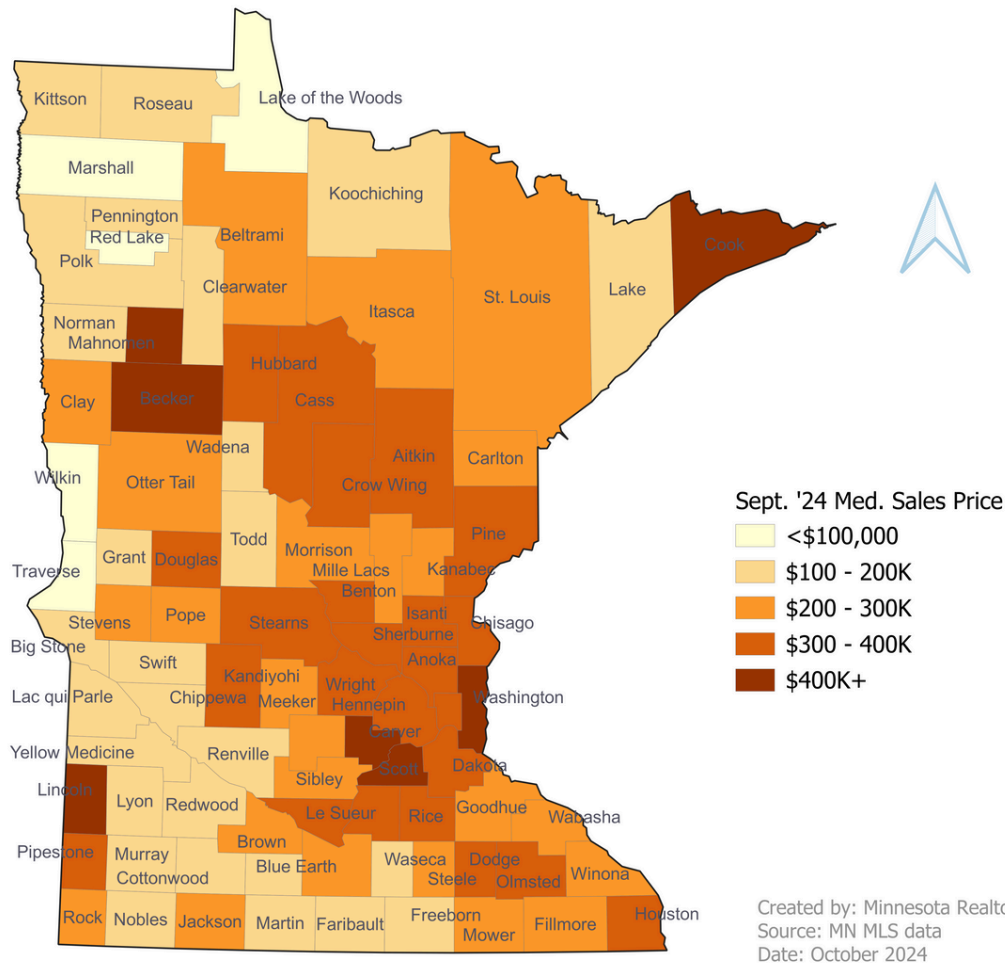
Sure, more cooperative interest rates would help in the near term, but more housing supply is the key to curing what ails the market long term. Rates and business cycles are unpredictable, subject to rapid shifts, and constantly changing. More supply means more choices for consumers and less competition. It creates a slower, less frantic pace and offers better products that work for first-time buyers all the way up to downsizing empty nesters.

To distill down what's happening with prices: supply is too low for them to fall, but rates are too high for them to rise significantly. Low supply levels combined with sizable gains in demand over the last 10 years (the last two years notwithstanding) have played a major role in pushing prices higher. But there are other influencing factors as well.

Ultimately, we need more housing across all price points. To varying degrees, that's true in every state across the nation.



Median Home Sales Price

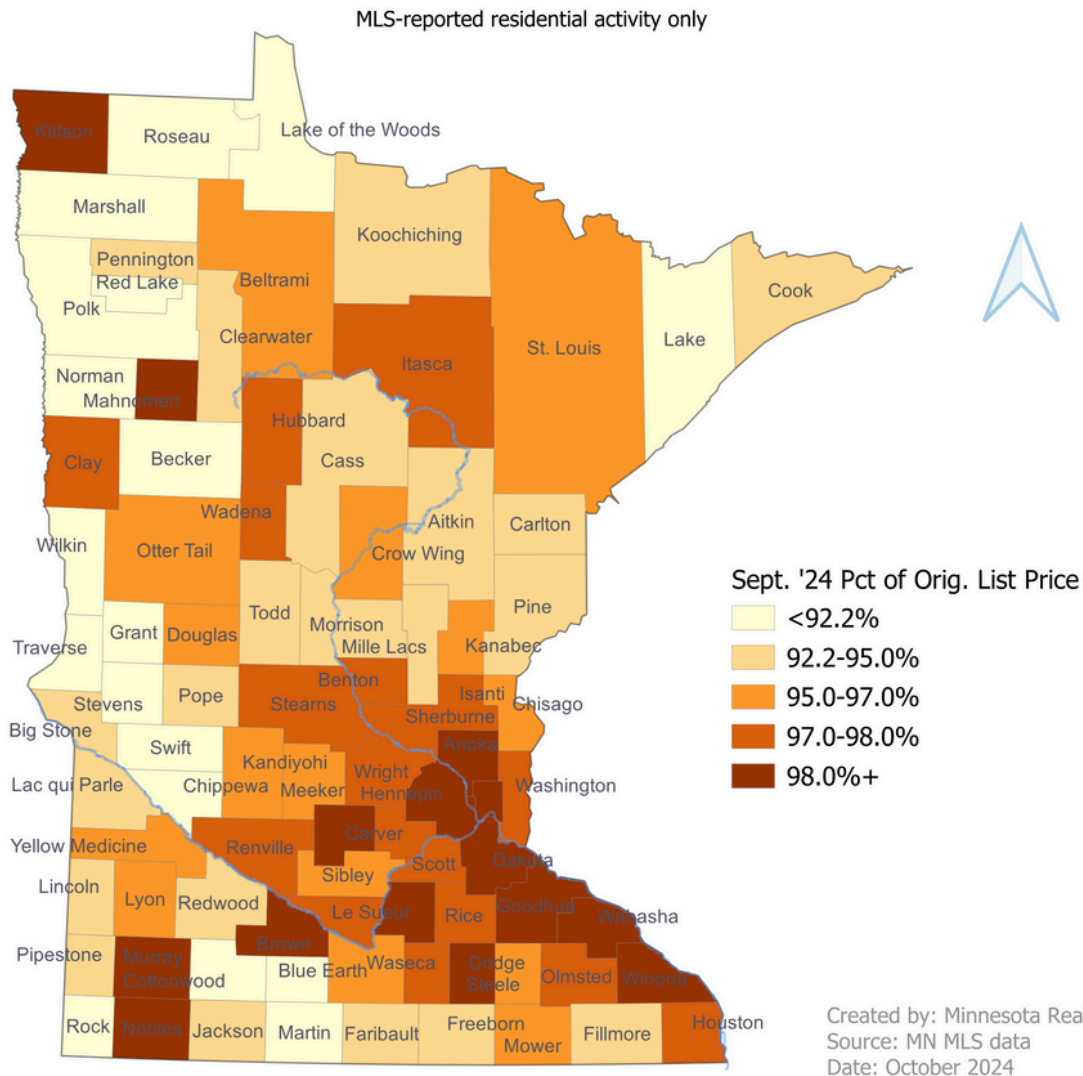


If a picture is worth a thousand words, then a map is worth a million. Most of us are used to seeing housing market data plotted over time in a trendline, table, or bar chart. But unlike the stock market, housing is spatial. It occurs across time and space. Buying one share in a company is the same, no matter where you are in the world. But examining housing data geospatially offers deeper insights and understanding than a table of activity even broken out by area. That's why location matters so much.

For example, the median sales price heat map above shows concentrations of higher priced counties in the Twin Cities metro (particularly the east and west edges) and up into St. Cloud, Alexandria and further norther into Detroit Lakes, Rochester, Brainerd and Cook County on the far North Shore. Occasionally you'll see some patches where a small number of homes sell for higher prices, like in Lincoln County toward the southwest of the state for example.



% of List Price Received

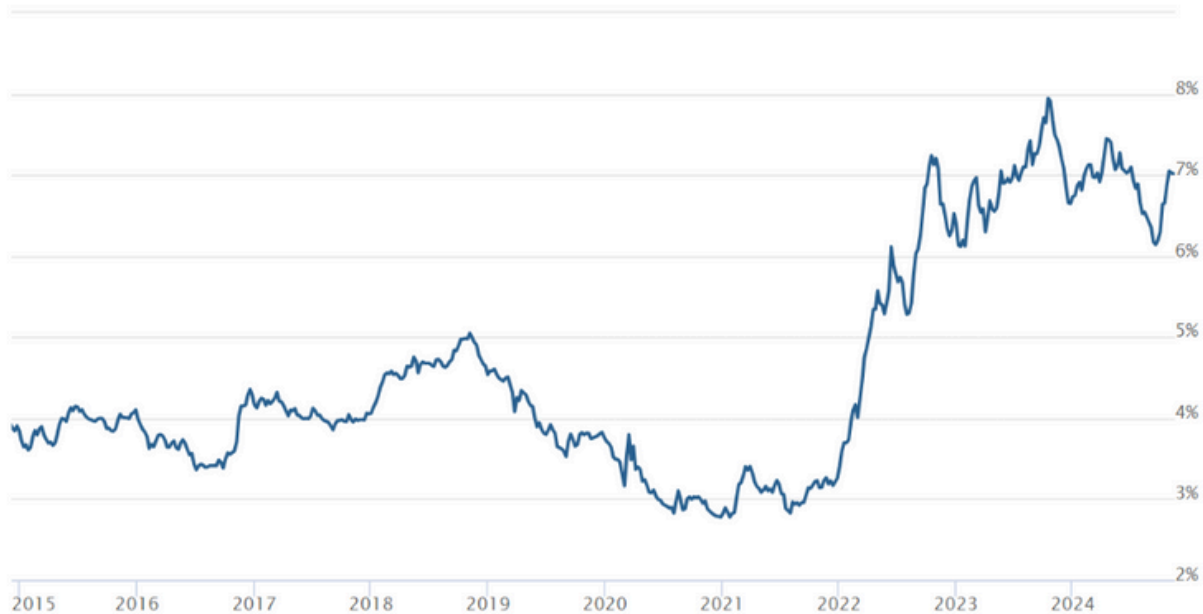


And this map highlights where sellers are getting strong offers relative to their asking price. Sellers in the darker colored counties are yielding 98% or more of their list price. Here there almost seems to be a “river effect.” Counties spanning from the Twin Cities and southeast toward the Minnesota-Wisconsin-Iowa border are particularly strong based on this metric. That includes areas like Hastings, Red Wing, Lake City and down through Winona. Some refer to this region as “bluff country” as it sits on the bluffs of the Mississippi river.



Mortgage Rates & Economy

30-year fixed mortgage rate



Source: Mortgage News Daily

It's safe to say there is more interest in rates nowadays. After the Federal Reserve cut their benchmark rate in September, the 30-year fixed rate dipped from around 7% to about 6%. But that was short-lived as a mix of stronger-than-expected economic and labor market data pushed bond yields and interest rates higher. Ongoing (and, some would add, surprisingly resilient) strength in the economy means the Federal Reserve may not be as likely to cut rates, or less likely to cut as much. Concerns around the level of U.S. debt have also been impacting the rate environment.

It's also important to acknowledge the recent election and its potential impact on the housing market. While the incoming administration may introduce policies that benefit the market, others may present challenges. However, one thing remains clear: Minnesotans have a deep commitment to homeownership. As new policies take shape, the organization will continue to monitor and analyze their implications for buyers, sellers, and the industry as a whole. Stay tuned for further updates.

