



MINNEAPOLIS AREA Association
of REALTORS®

AFTER THREE FULL YEARS OF PRICE GAINS, RECOVERY SHOWS RENEWED VIGOR

By Aubray Erhardt on Thursday, March 12th, 2015

The Twin Cities housing market showed refreshed signs of strength last month, partly in anticipation of what looks to be a promising spring market as well as favorable interest rates. Buyer and seller activity surged in February. New listings increased 23.2 percent to 5,690 during the month, the largest year-over-year increase since July 2013. Pending sales—or a count of the number of signed purchase agreements—increased 21.8 percent to 3,834, the largest year-over-year increase since October 2012. With only two months in the books, already buyers and sellers have shown more activity than they did for any one month of 2014. Inventory levels were still lower, down 2.0 percent to 12,700 homes, but that trend is unlikely to continue.

The median sales price rose 10.4 percent to \$202,000, the strongest gain since last February. This increase officially marks 36 consecutive months or three full years of year-over-year median price gains. Price per square foot—which adjusts for the square footage of homes selling—rose 6.6 percent to \$120. Absorption rates remained flat at 3.0 months, and still technically favor sellers. That said, today's market environment is slightly less competitive than in 2013. Days on market rose 7.1 percent to 106 days. The market share of foreclosures and short sales continued to shrink on both the supply and demand side. Traditional new listings rose a substantial 33.8 percent, while foreclosure and short sale new listings each fell between 25 and 30 percent. Traditional pending sales rose a massive 41.5 percent, while foreclosure and short sale pendings each fell between 32 and 36 percent. This dynamic has partly enabled three consecutive years of rising prices.

“If February is any indication, this spring is shaping up to be everything that spring markets should be,” said Mike Hoffman, President of the Minneapolis Area Association of REALTORS® (MAAR). “The fact that we’re seeing large gains in buyer and seller activity mostly driven by traditional properties bodes quite well for consumer confidence at a critical time.”

The finance environment remains enormously attractive. Mortgage rates continue to hover between 3.5 and 4.0 percent. The long-term average is roughly 7.0 percent. This appealing affordability picture can potentially offset recent home price increases and also encourages renters to consider homeownership. The Twin Cities housing affordability index of 210 has actually increased 2.4 percent from last February. A highly diverse and robust economy has served the Twin Cities housing market well throughout various cycles. According to the Bureau of Labor Statistics, the Twin Cities has the lowest unemployment rate of any major metro in the nation at 3.3 percent. Recently, national private job creation has accelerated toward 300,000 jobs per month.

“Even though every area and market segment is unique, what we’re seeing in the numbers is definitely reflected out in the community,” said Judy Shields, MAAR President-Elect. “After being cooped up all winter, people are eager to get out there and find their dream home.”

Read more about home prices in the Twin Cities by Home Destination:

[February 2015 Home Sales in the Twin Cities](#) - March 13, 2015

[Home Prices in the Twin Cities Top National Averages](#)

[Median Home Sales Prices Gains in the Twin Cities](#) – September 25, 2014

[Median Home Prices in Lake Minnetonka MN](#) – January 5, 2015