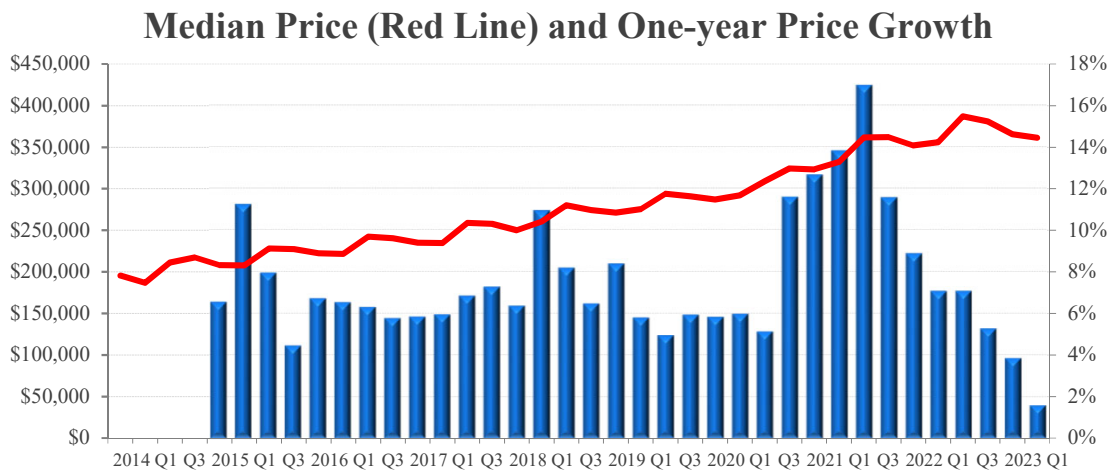


# Minneapolis-St. Paul-Bloomington Area

## Local Market Report, First Quarter 2023

### Today's Market...



| Local Price Trends                         |             |           |  |
|--|-------------|-----------|--|
| Price Activity                             | Minneapolis | U.S.      | Local Trend  |
| Current Median Home Price (2023 Q1)        | \$361,500   | \$366,733 | Prices are up from a year ago, but price growth is slowing                                     |
| 1-year (4-quarter) Appreciation (2023 Q1)  | 1.6%        | 0.3%      |  |
| 3-year (12-quarter) Appreciation (2023 Q1) | 23.8%       | 34.6%     |  |
| 3-year (12-quarter) Housing Equity Gain*   | \$69,500    | \$94,267  | Gains in the last 3 years have extended the trend of positive price growth after the recession |
| 7-year (28 quarters) Housing Equity Gain*  | \$140,000   | \$151,000 |  |
| 9-year (36 quarters) Housing Equity Gain*  | \$174,600   | \$175,733 |  |

\*Note: Equity gain reflects price appreciation only

|   | Minneapolis | U.S.           |   |
|---|-------------|----------------|---|
| <b>Conforming Loan Limit**</b>                | \$726,200   | \$1,089,300    | Most buyers in this market have access to government-backed financing |
| <b>FHA Loan Limit</b>                         | \$515,200   | \$1,089,300    |   |
| <b>Local Median to Conforming Limit Ratio</b> | 50%         | not comparable |   |

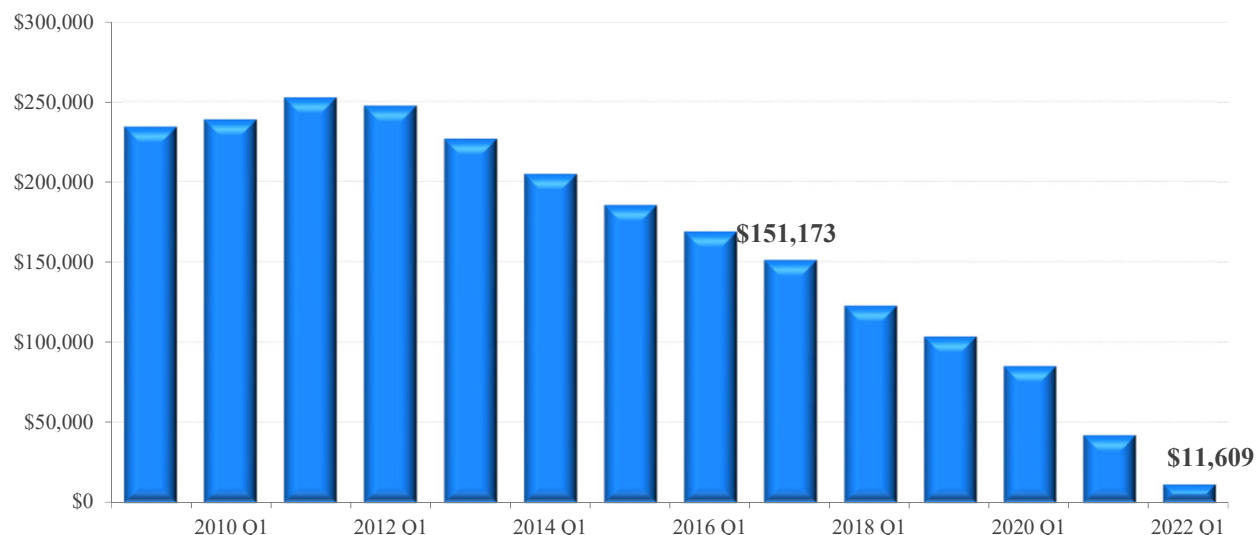
Note: limits are current and include the changes made on January 1st 2023.

#### Local NAR Leadership

The Minneapolis-St. Paul-Bloomington market is part of region 8 in the NAR governance system, which includes all of Minnesota, Iowa, North Dakota, South Dakota, and Nebraska. The 2023 NAR Regional Vice President representing region 8 is Patty Zuzek.

## Benefits of Ownership: Total Equity Appreciation

### Total Equity Accrued to Owner by Year and Quarter of Purchase



### Total Equity Gained\*\* through 2023 Q1 from quarter in which home was of purchased

| Price Activity        | Minneapolis | U.S.      | Local Trend  |
|-----------------------|-------------|-----------|--|
| 1-year (4-quarter)    | \$11,609    | \$7,042   | Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession |
| 3-year (12-quarter)*  | \$85,281    | \$108,992 |  |
| 5-year (20-quarter)*  | \$122,859   | \$143,305 |  |
| 7-year (28 quarters)* | \$169,085   | \$179,328 |  |
| 9-year (36 quarters)* | \$204,935   | \$206,734 |  |

\*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

# Drivers of Local Supply and Demand...

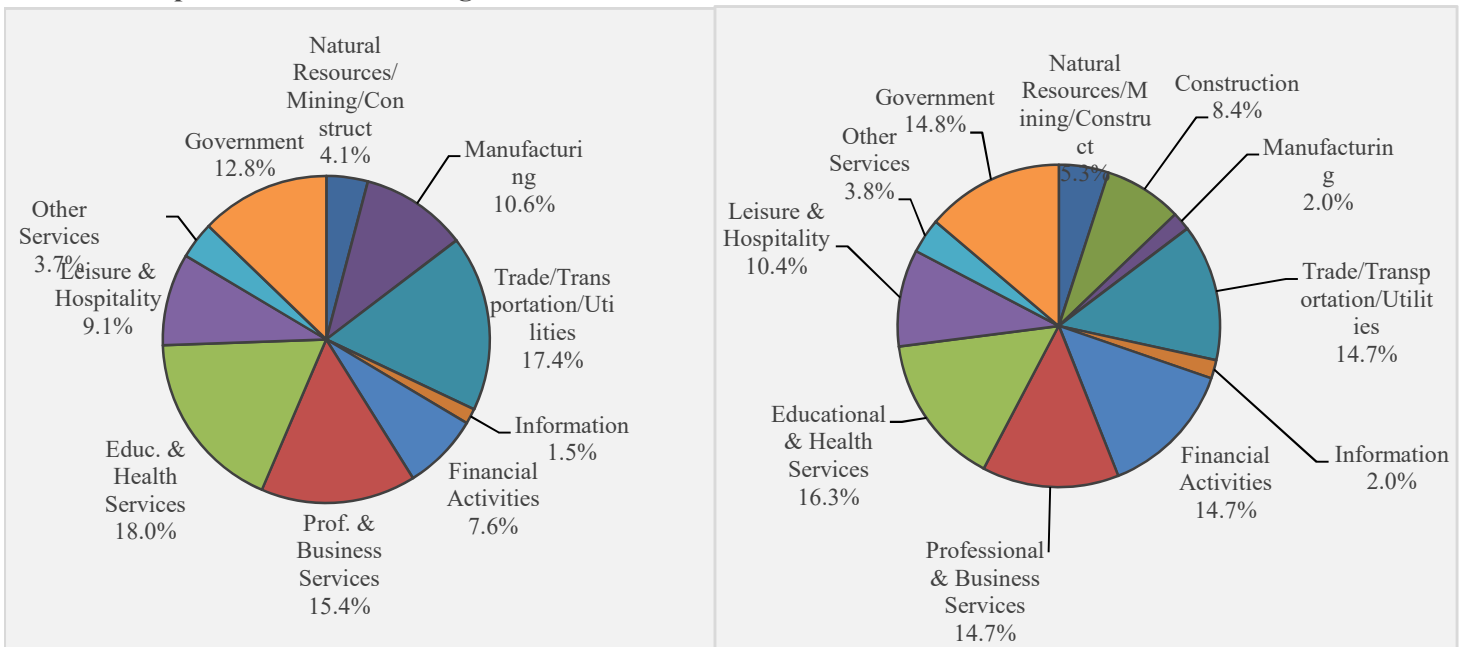


| Local Economic Outlook            | Minneapolis | U.S.           |   |
|-----------------------------------|-------------|----------------|---|
| 12-month Job Change (Mar)         | 34,900      | Not Comparable | Employment growth has eased, but remains positive                             |
| 12-month Job Change (Feb)         | 35,600      | Not Comparable |   |
| 36-month Job Change (Mar)         | -21,800     | Not Comparable | Unemployment in Minneapolis is better than the national average and improving |
| Current Unemployment Rate (Mar)   | 2.8%        | 3.5%           |   |
| Year-ago Unemployment Rate        | 2.9%        | 3.6%           | Local employment growth is poor and needs to improve                          |
| 1-year (12 month) Job Growth Rate | 1.8%        | 3.8%           |   |

## Share of Total Employment by Industry

Minneapolis-St. Paul-Bloomington Area

U.S.



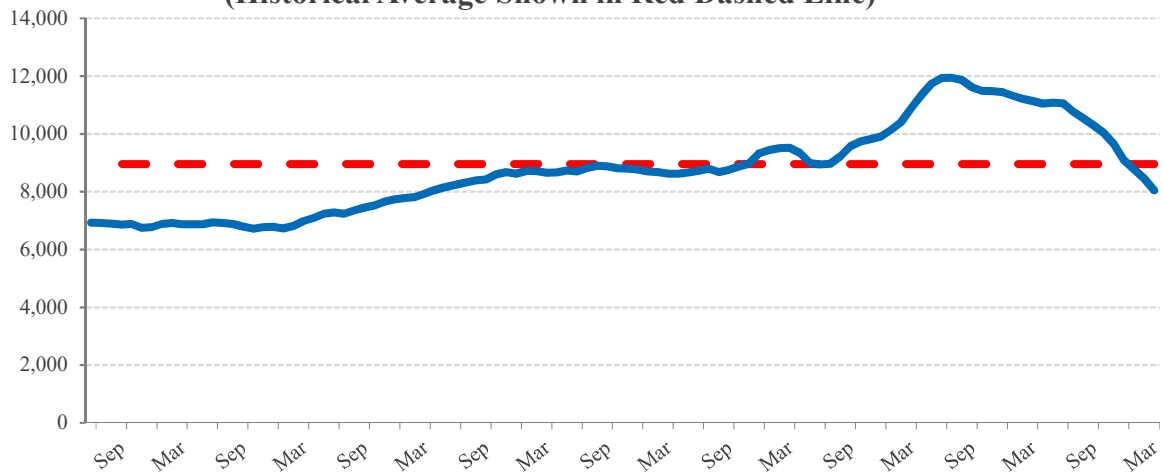
### 12-month Employment Change by Industry (Mar - 2023)

|  |        |                           |        |
|--|--------|---------------------------|--------|
| Goods Producing                        | NA     | Information               | -100   |
| Natural Resources/Mining/Construction  | -1,000 | Financial Activities      | -2,800 |
| Natural Resources and Mining           | NA     | Prof. & Business Services | -3,100 |
| Construction                           | NA     | Educ. & Health Services   | 8,500  |
| Manufacturing                          | 6,300  | Leisure & Hospitality     | 17,500 |
| Service Providing Excluding Government | NA     | Other Services            | 1,000  |
| Trade/Transportation/Utilities         | 2,200  | Government                | 7,100  |

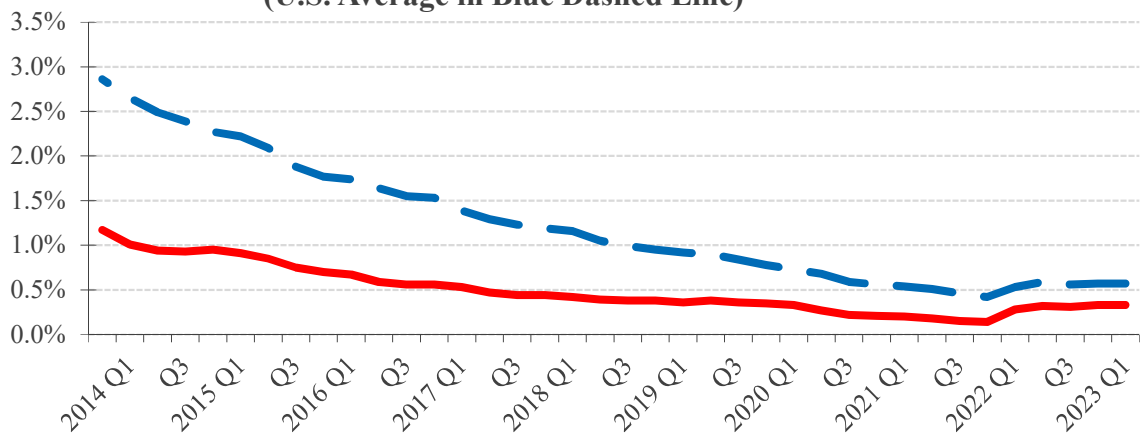
| State Economic Activity Index | Minnesota | U.S. |  |
|-------------------------------|-----------|------|--|
| 12-month change (2023 - Mar)  | 1.4%      | 3.8% | Minnesota's economy is growing, but decelerated from last month's 1.48% change and lags the rest of the nation |
| 36-month change (2023 - Mar)  | 9.4%      | 6.7% |  |

| New Housing Construction  |             |                |   |
|---|-------------|----------------|---|
| Local Fundamentals  | Minneapolis | U.S.           |   |
| 12-month Sum of 1-unit Building Permits through Mar             | 8,046       | not comparable | The current level of construction is 10.2% below the long-term average  |
| 8-year average for 12-month Sum of 1-Unit Building Permits      | 8,961       | not comparable | Reduced construction will limit new supply to the market, allowing demand to catch up with inventory more quickly |
| Single-Family Housing Permits (Mar) 12-month sum vs. a year ago | -27.8%      | -21.2%         | Construction continues to decline from last year  |

**Construction: 12-month Sum of Local Housing Permits**  
(Historical Average Shown in Red Dashed Line)

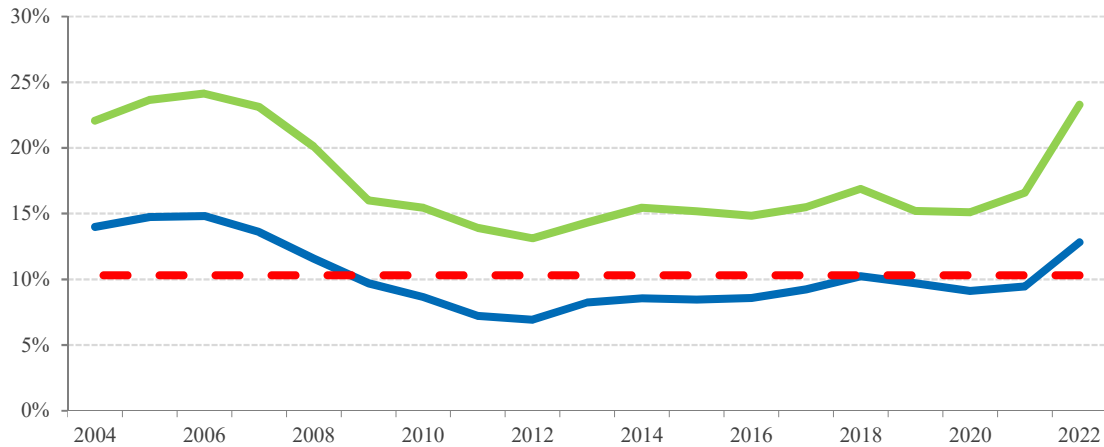


**State Total Foreclosure Rate vs. U.S. Average**  
(U.S. Average in Blue Dashed Line)



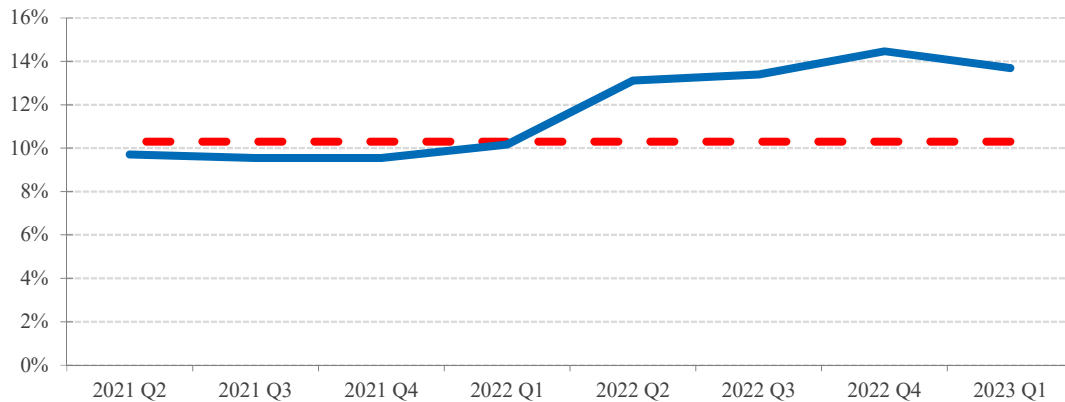
# Affordability

**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)

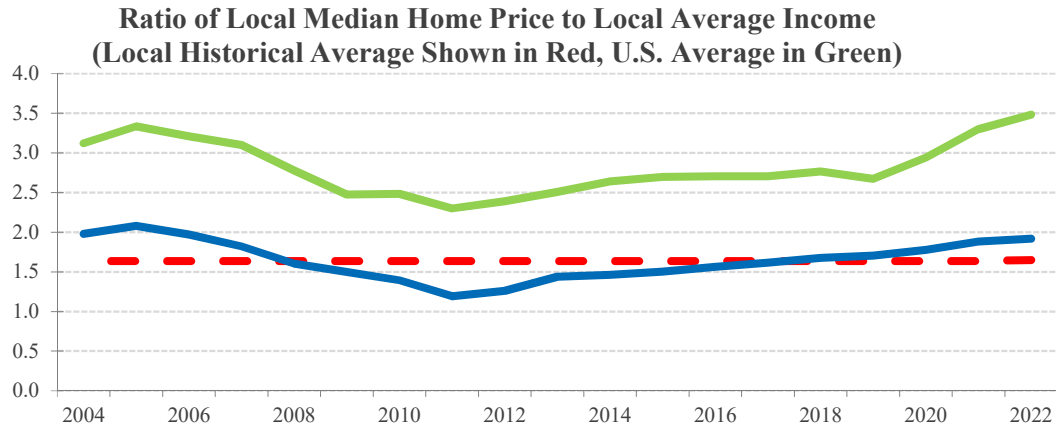


| Monthly Mortgage Payment to Income | Minneapolis | U.S.  |   |
|------------------------------------|-------------|-------|---|
| Ratio for 2022                     | 12.8%       | 23.3% | Weak by local standards and could weigh on demand |
| Ratio for 2023 Q1                  | 13.7%       | 23.3% |   |
| Historical Average                 | 10.3%       | 17.8% | More affordable than most markets                 |

**Recent Trend - Local Mortgage Servicing Cost to Income**  
(Historical Average Shown in Red Dashed Line)



| Median Home Price to Income | Minneapolis | U.S. |  |
|-----------------------------|-------------|------|--|
| Ratio for 2022              | 1.9         | 3.5  | The price-to-income ratio eased, but could be better |
| Ratio for 2023 Q1           | 1.8         | 3.1  |  |
| Historical Average          | 1.6         | 2.8  | Affordable compared to most markets                  |



## The Mortgage Market



After surpassing twice the 7 percent threshold at the end of 2022, mortgage rates fell in the beginning of 2023. According to the mortgage finance provider Freddie Mac, the 30-year fixed mortgage rate dropped to 6.36% in the first quarter of 2023 from 6.69% the previous quarter. Nevertheless, rates continue to be 1.7 times higher than the previous year (3.79%). Although rates will continue to fluctuate in the following months, with inflation easing further and the Federal Reserve expected to pause its rate hikes soon, mortgage rates will stabilize near 6% in the second half of the year. NAR forecasts the 30-year fixed mortgage rate to average 6.3% and 6.1% at the second and third quarter of the year, respectively.

## Geographic Coverage for this Report

The Minneapolis area referred to in this report covers the geographic area of the Minneapolis-St. Paul-Bloomington metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Anoka County, MN; Carver County, MN; Chisago County, MN; Dakota County, MN; Hennepin County, MN; Isanti County, MN; Le Sueur County, MN; Mille Lacs County, MN; Ramsey County, MN; Scott County, MN; Sherburne County, MN; Sibley County, MN; Washington County, MN; Wright County, MN; Pierce County, WI; st. Croix County, WI

More information on the OMB's geographic definitions can be found at [https://obamawhitehouse.archives.gov/omb/bulletins\\_default/](https://obamawhitehouse.archives.gov/omb/bulletins_default/)

