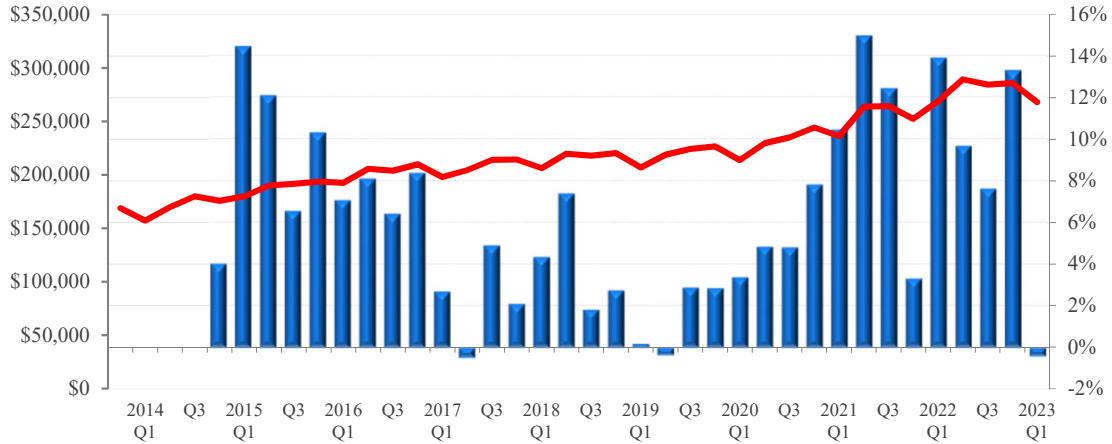


## Fargo Area

### Local Market Report, First Quarter 2023

## Today's Market...

**Median Price (Red Line) and One-year Price Growth**



Local Price Trends			
Price Activity	Fargo	U.S.	Local Trend
Current Median Home Price (2023 Q1)	\$267,900	\$366,733	Year-over-year price growth swung negative this quarter after growing last quarter
1-year (4-quarter) Appreciation (2023 Q1)	-0.4%	0.3%	
3-year (12-quarter) Appreciation (2023 Q1)	25.2%	34.6%	
3-year (12-quarter) Housing Equity Gain*	\$54,000	\$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*	\$75,200	\$151,000	
9-year (36 quarters) Housing Equity Gain*	\$110,600	\$175,733	

\*Note: Equity gain reflects price appreciation only

	Fargo	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>	\$472,030	\$1,089,300	
<b>Local Median to Conforming Limit Ratio</b>	37%	not comparable	

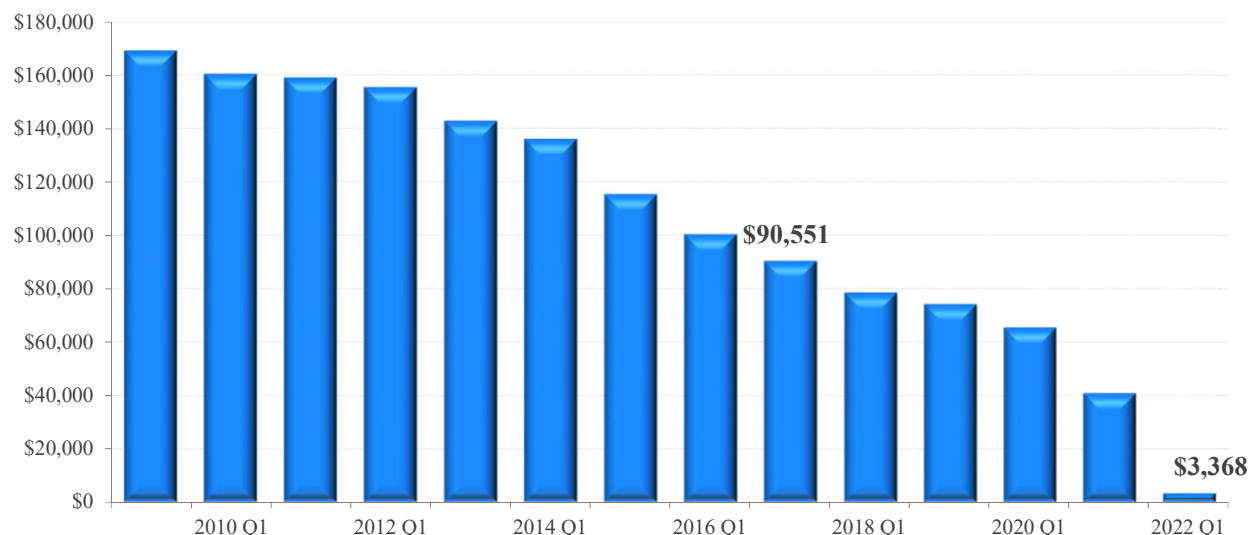
Note: limits are current and include the changes made on January 1st 2023.

#### Local NAR Leadership

The Fargo 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	Fargo	U.S.	Local Trend
1-year (4-quarter)	\$3,368	\$7,042	Price trends in the last three years have undercut the steady post-recession home equity growth despite owners paying down principle
3-year (12-quarter)*	\$65,560	\$108,992	
5-year (20-quarter)*	\$78,655	\$143,305	
7-year (28 quarters)*	\$100,503	\$179,328	
9-year (36 quarters)*	\$136,131	\$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...

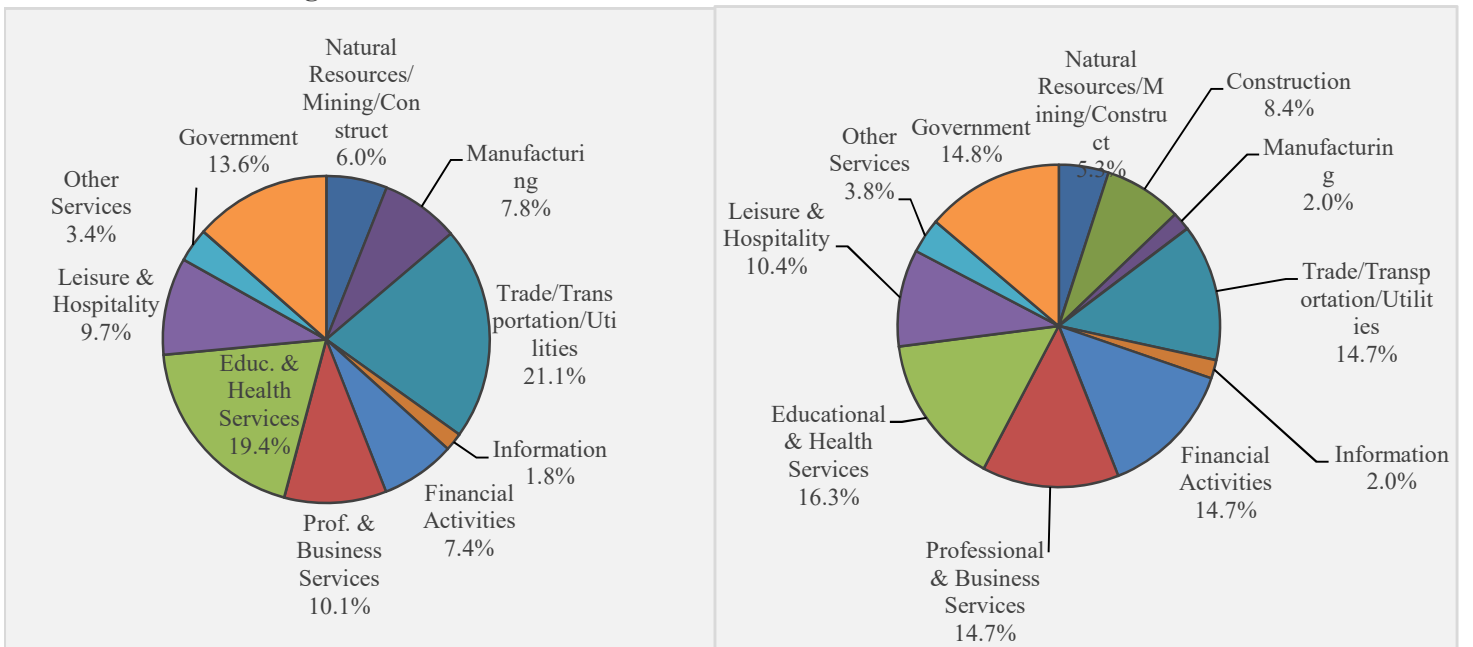


Local Economic Outlook	Fargo	U.S.	
12-month Job Change (Mar)	4,200	Not Comparable	Employment growth has eased, but remains positive
12-month Job Change (Feb)	4,500	Not Comparable	
36-month Job Change (Mar)	4,600	Not Comparable	Unemployment in Fargo is better than the national average and improving
Current Unemployment Rate (Mar)	2.3%	3.5%	
Year-ago Unemployment Rate	2.5%	3.6%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	2.9%	3.8%	

## Share of Total Employment by Industry

Fargo Area

U.S.



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

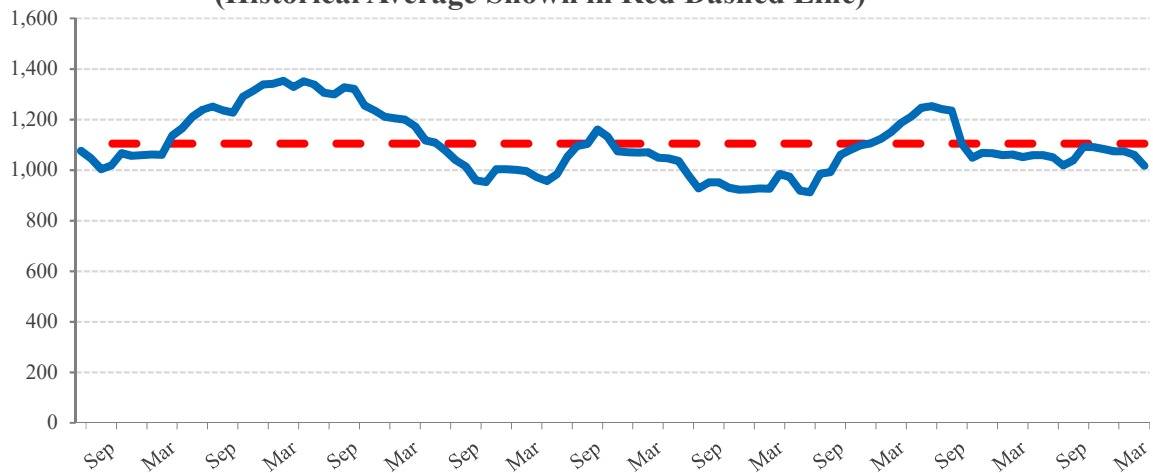
Goods Producing	NA	Information	-200
Natural Resources/Mining/Construction	1,000	Financial Activities	-200
Natural Resources and Mining	NA	Prof. & Business Services	-100
Construction	NA	Educ. & Health Services	1,400
Manufacturing	700	Leisure & Hospitality	900
Service Providing Excluding Government	NA	Other Services	200
Trade/Transportation/Utilities	600	Government	200

State Economic Activity Index	North Dakota	U.S.	
12-month change (2023 - Mar)	2.9%	3.8%	North Dakota's economy is growing, but decelerated from last month's 3.28% change and lags the rest of the nation
36-month change (2023 - Mar)	6.8%	6.7%	

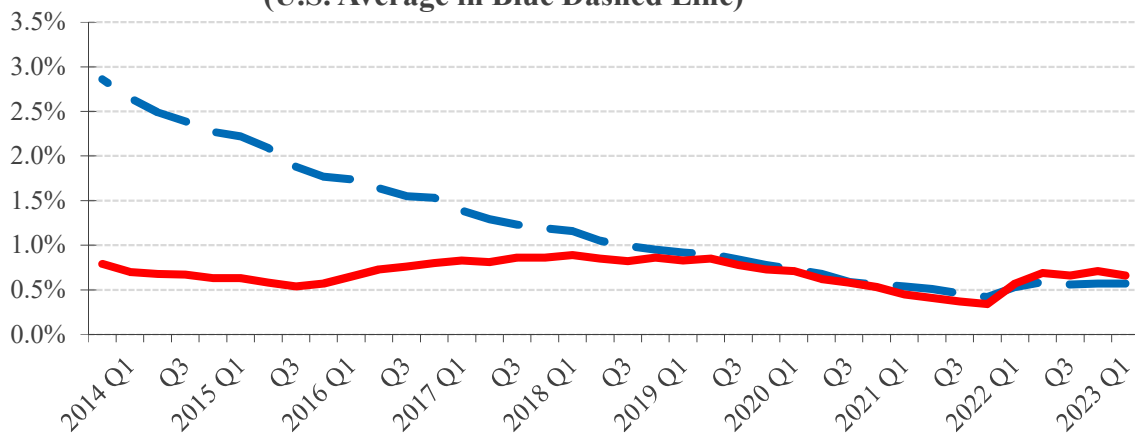
## New Housing Construction

Local Fundamentals	Fargo	U.S.	
12-month Sum of 1-unit Building Permits through Mar	1,017	not comparable	The current level of construction is 7.9% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	1,105	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	-3.2%	-21.2%	Construction continues to decline from last year

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

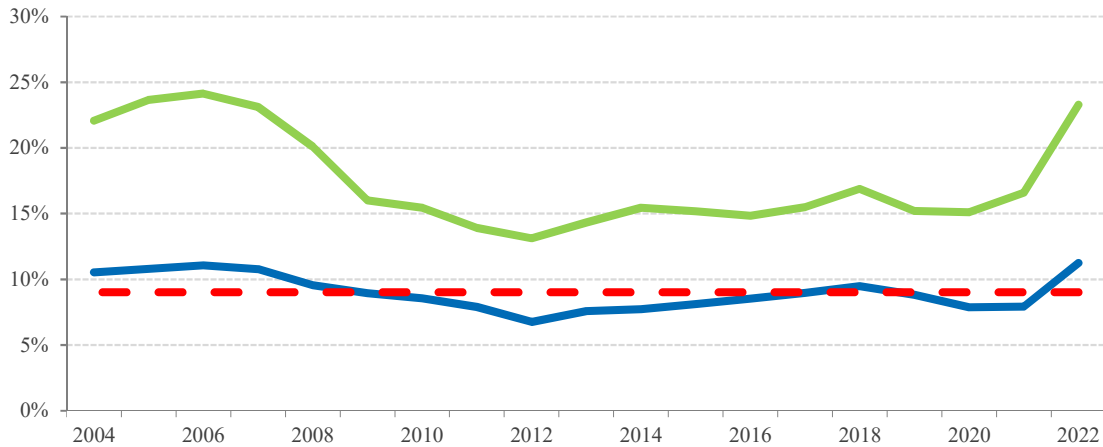


**State Total Foreclosure Rate vs. U.S Average  
(U.S. Average in Blue Dashed Line)**



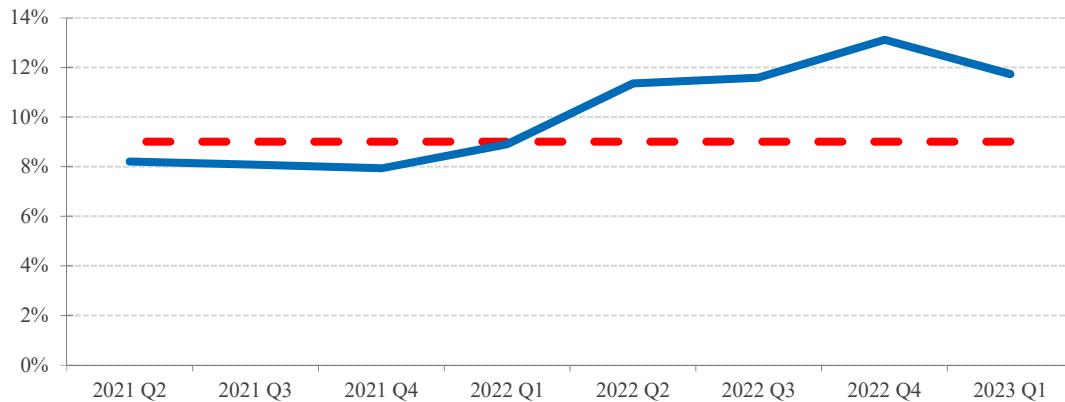
# Affordability

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

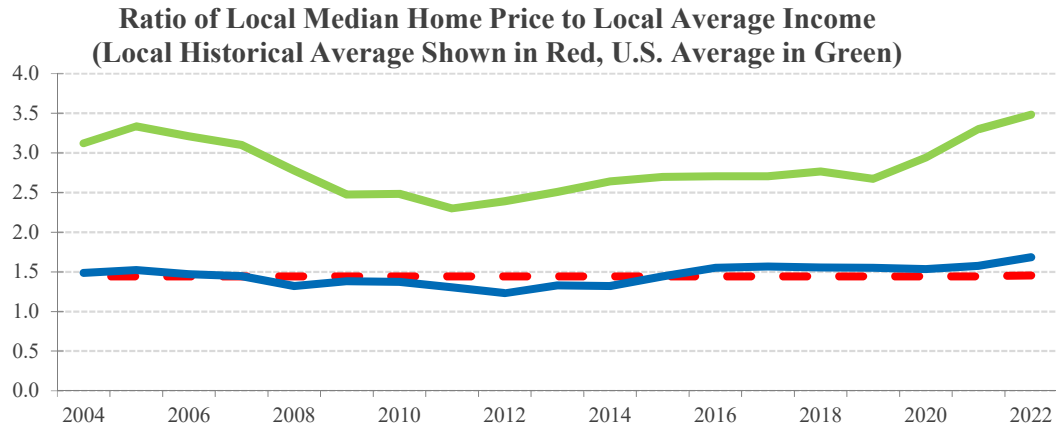


Monthly Mortgage Payment to Income	Fargo	U.S.	
Ratio for 2022	11.2%	23.3%	Weak by local standards and could weigh on demand
Ratio for 2023 Q1	11.7%	23.3%	
Historical Average	9.0%	17.8%	More affordable than most markets

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



Median Home Price to Income	Fargo	U.S.	
Ratio for 2022	1.7	3.5	The price-to-income ratio eased, but could be better
Ratio for 2023 Q1	1.6	3.1	
Historical Average	1.5	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 Fargo area referred to in this report covers the geographic area of the Fargo 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:

Clay County, MN; Cass County, ND

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/)

