Senate Housing and Homelessness Prevention Committee

Tuesday, January 28, 2024

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Senior Vice President of Governmental Affairs

1

Takeaways

- Minnesota's housing supply is not meeting demand
- Inadequate supply to meet demand increases the cost of housing and decreases affordability, especially for first-time and first-generation buyers
- Removing barriers to building more homes, particularly at the most affordable prices points, to increase supply and affordability needs to be a top priority this Session

2

Supply

3

Housing Supply Metrics

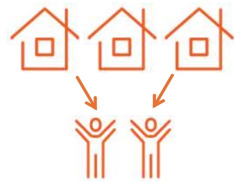
- **Months Supply of Inventory** – inventory of homes for sale at the end of a given month divided by average monthly pending sales for 12 months
- **Inventory of Homes for Sale** – number of properties for sale at the end of a given month

4

Understanding Months Supply of Inventory
(a.k.a. Absorption Rate)

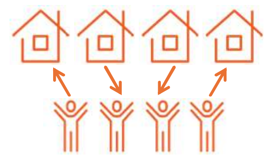
Seller's market
(less than 5 MSI)

- Low supply, high demand
- Seller at relative advantage
- Shorter market times
- More robust price appreciation
- Multiple offers common
- Sale prices closer to/above asking price



Buyer's market
(More than 6 MSI)

- High supply, low demand
- Buyer at relative advantage
- Longer market times
- Relatively slower price appreciation or declines
- Buyer has more price negotiation power

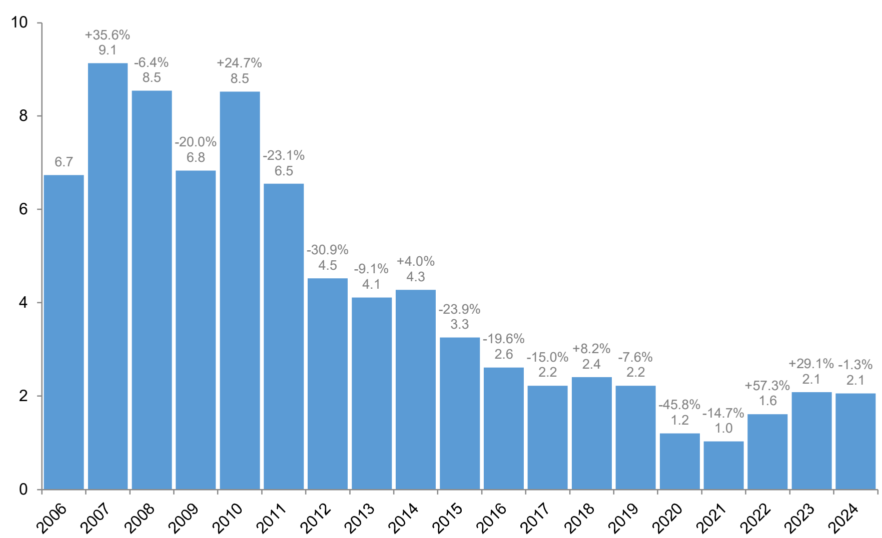


Balanced market
(5-6 MSI)

- Neither side has market advantage
- Price growth and market times in line with steady, historical norms

5

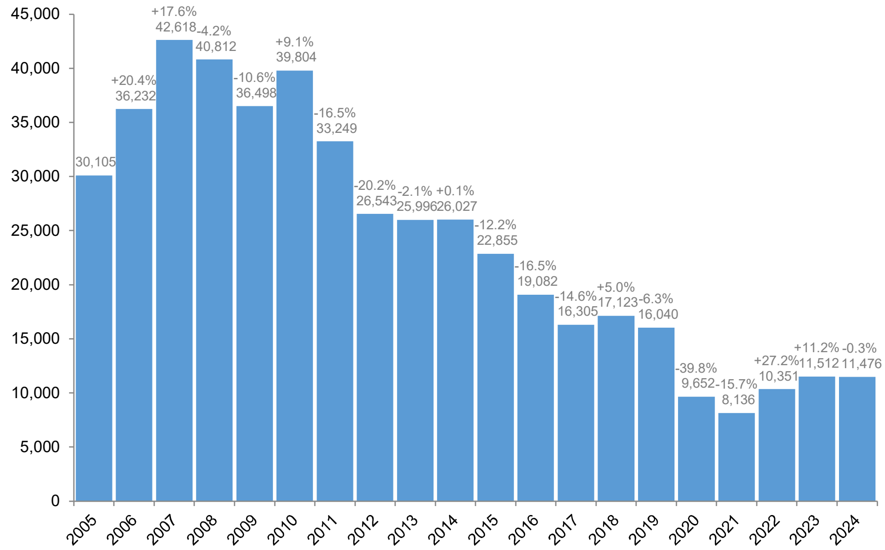
Minnesota | Months Supply of Inventory | December



Source: Minnesota REALTORS® (MNR) and participating MLSs | © 2025 MNR

6

Minnesota | Inventory | December

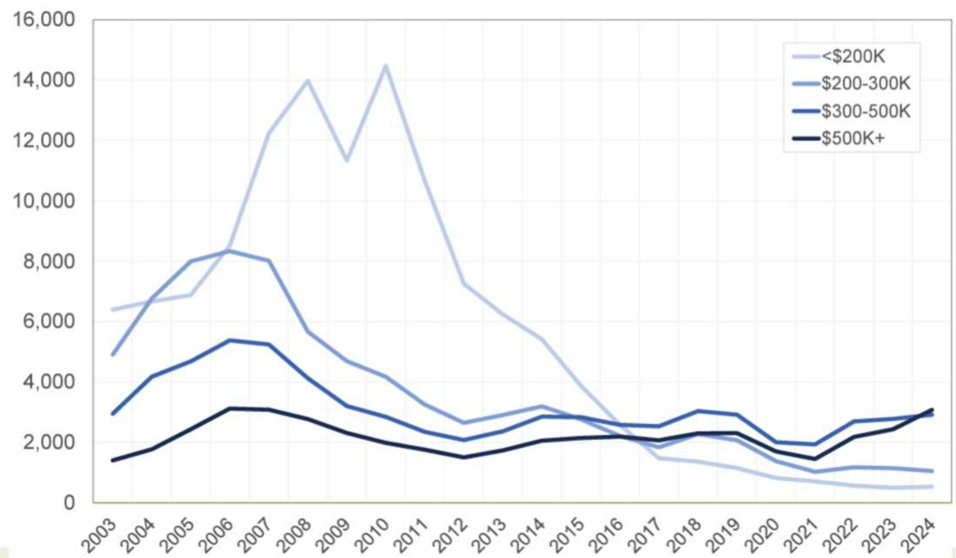


Source: Minnesota REALTORS® (MNR) and participating MLSs | © 2025 MNR

7

Inventory by Price Range

Twin Cities Metro



Source: Minneapolis Area REALTORS® (MAR) and RMLS of MN, Inc. | © 2024 MAR

8

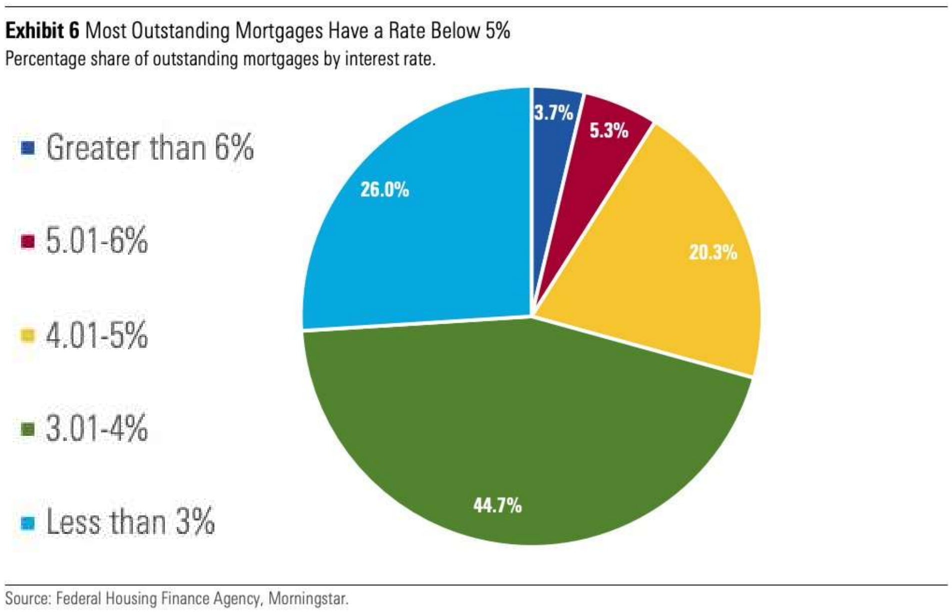
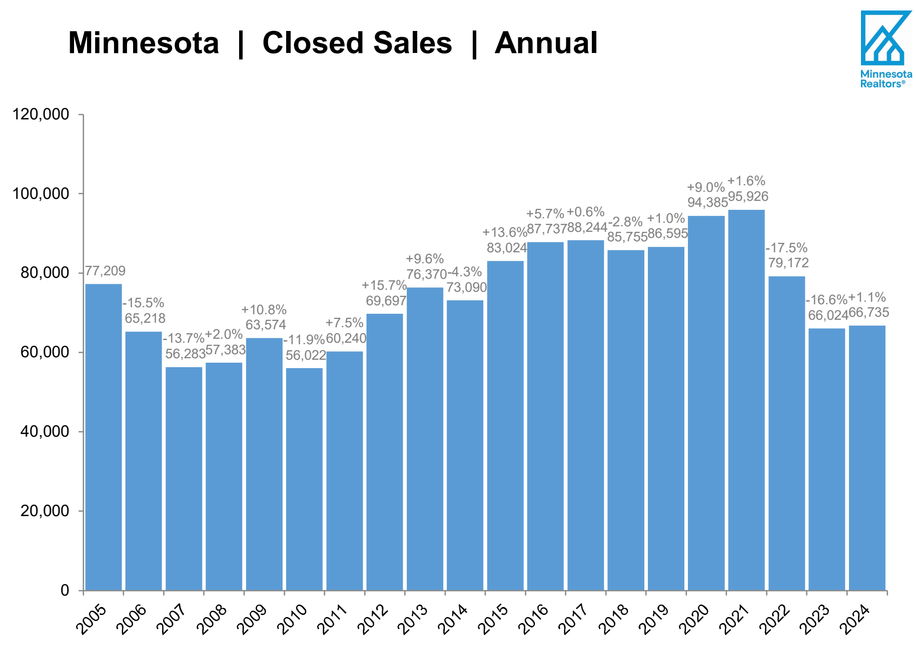


Exhibit 6 Most Outstanding Mortgages Have a Rate Below 5%
Percentage share of outstanding mortgages by interest rate.
Greater than 6%
5.01-6%
4.01-5%
3.01-4%
Less than 3%
3.7%
5.3%
20.3%
44.7%
26.0%
Source: Federal Housing Finance Agency, Morningstar.

9


Minnesota | Closed Sales | Annual
Minnesota Realtors
2005: 77,209
2006: -15.5% 65,218
2007: -13.7% 56,283
2008: +2.0% 57,383
2009: +10.8% 63,574
2010: -11.9% 56,022
2011: +7.5% 60,240
2012: +15.7% 69,697
2013: +9.6% 76,370
2014: -4.3% 73,090
2015: +13.6% 83,024
2016: +5.7% 87,737
2017: +0.6% 88,244
2018: -2.8% 85,755
2019: +1.0% 86,595
2020: +9.0% 94,385
2021: +1.6% 95,926
2022: -17.5% 79,172
2023: -16.6% 66,024
2024: +1.1% 66,735
Source: Minnesota REALTORS® (MNR) and participating MLSs | © 2025 MNR

10

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Affordability Challenges

11

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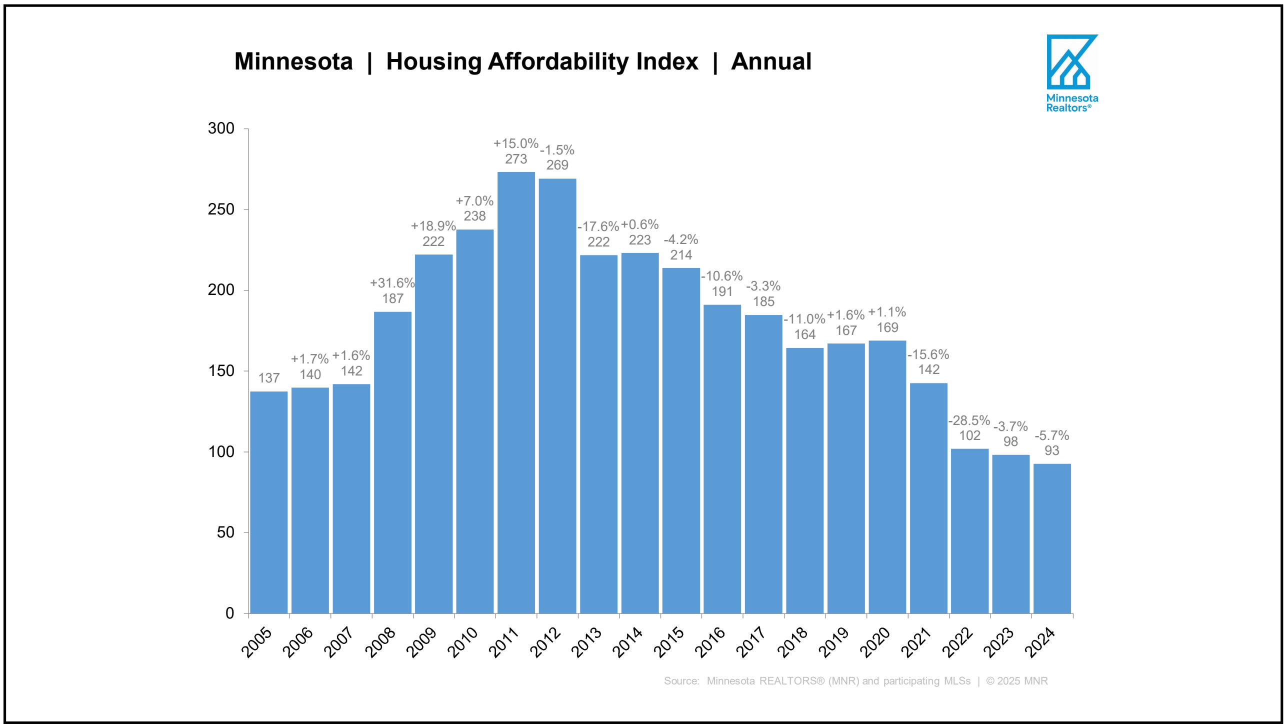
Housing Affordability Index

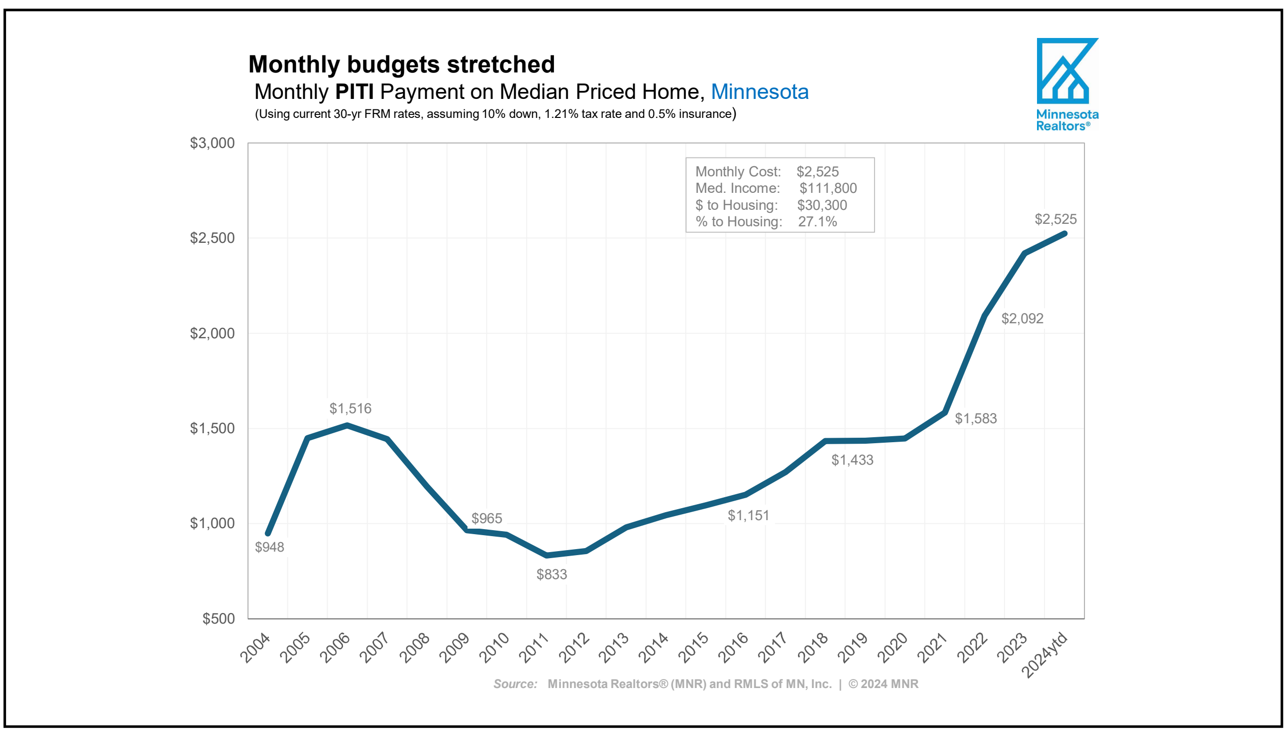
Interpreting the Index

- **A value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage based on a median-priced home**– It's important to note that this calculation assumes a down payment of 20% (most first-time buyers today can't afford a 20% DP).
- **A value below 100 indicates that a family earning the median area income does not have enough income to qualify for a mortgage on a median-priced home**

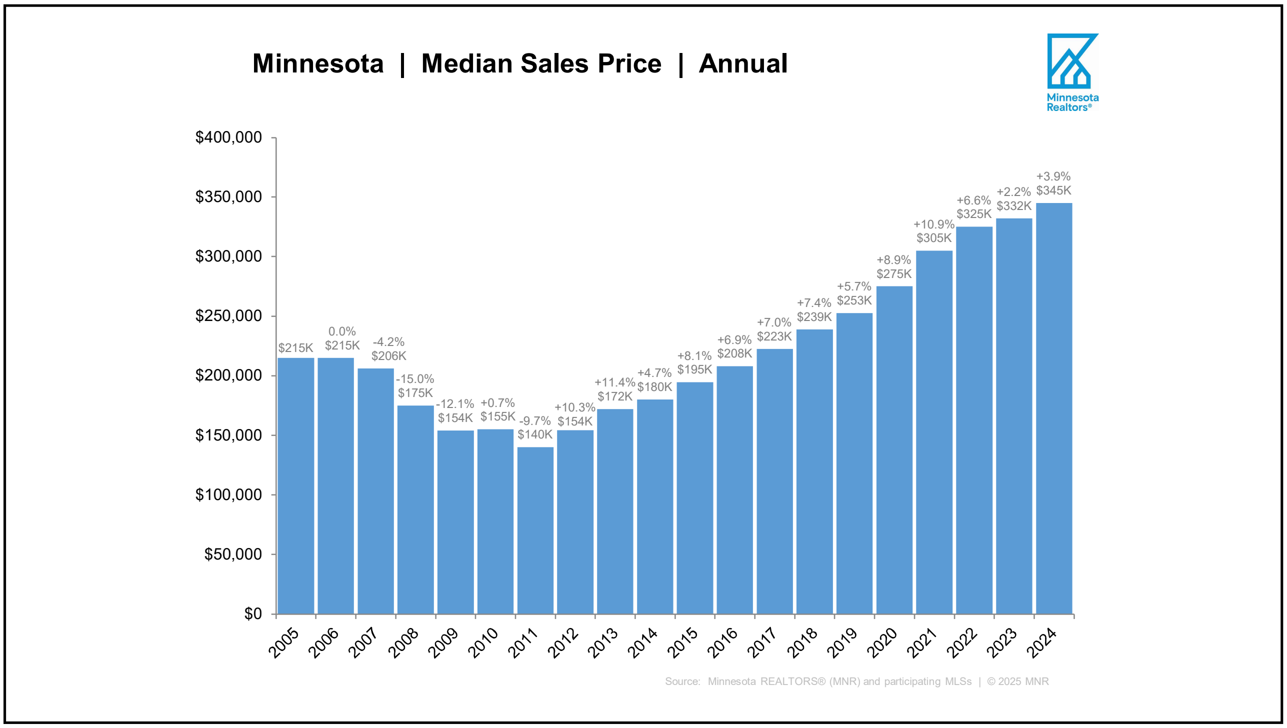
12


Minnesota | Housing Affordability Index | Annual
Minnesota Realtors
137
+1.7% 140
+1.6% 142
+31.6% 187
+18.9% 222
+7.0% 238
+15.0% 273
-1.5% 269
-17.6% 222
+0.6% 223
-4.2% 214
-10.6% 191
-3.3% 185
-11.0% 164
+1.6% 167
+1.1% 169
-15.6% 142
-28.5% 102
-3.7% 98
-5.7% 93
2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024
Source: Minnesota REALTORS® (MNR) and participating MLSs | © 2025 MNR

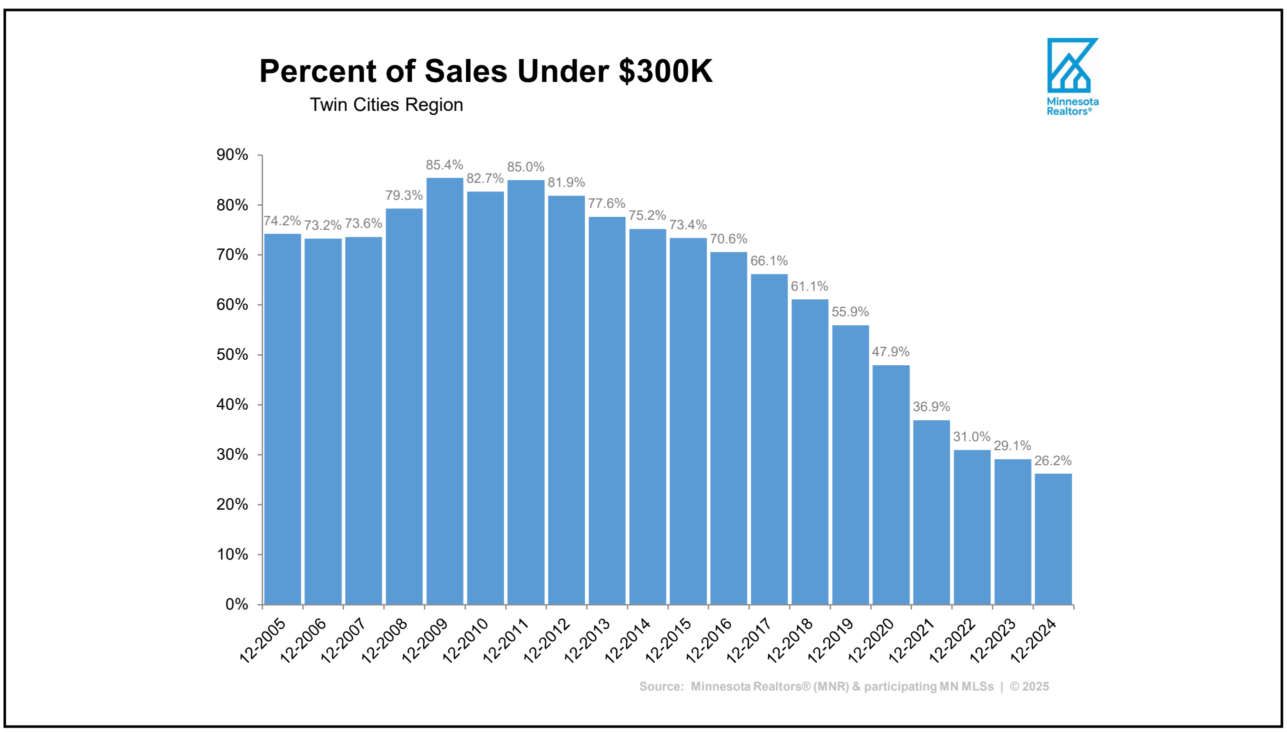
13


Monthly budgets stretched
Monthly PITI Payment on Median Priced Home, Minnesota
(Using current 30-yr FRM rates, assuming 10% down, 1.21% tax rate and 0.5% insurance)
Minnesota Realtors
Monthly Cost: $2,525
Med. Income: $111,800
$ to Housing: $30,300
% to Housing: 27.1%
$948
$1,516
$965
$833
$1,151
$1,433
$1,583
$2,092
$2,525
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024ytd
Source: Minnesota Realtors® (MNR) and RMLS of MN, Inc. | © 2024 MNR

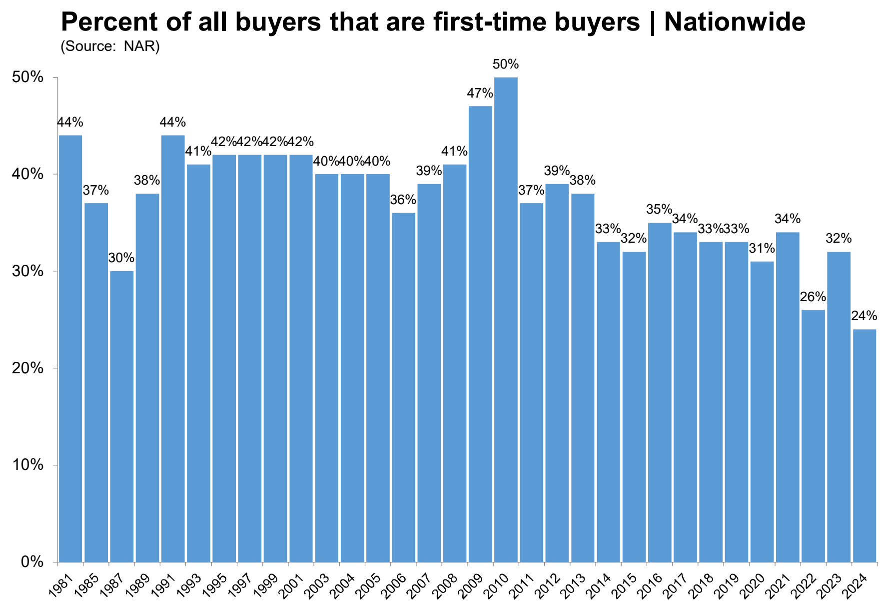
14


Minnesota | Median Sales Price | Annual
Minnesota Realtors®
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$215K
0.0% $215K
-4.2% $206K
-15.0% $175K
-12.1% $154K
+0.7% $155K
-9.7% $140K
+10.3% $154K
+11.4% $172K
+4.7% $180K
+8.1% $195K
+6.9% $208K
+7.0% $223K
+7.4% $239K
+5.7% $253K
+8.9% $275K
+10.9% $305K
+6.6% $325K
+2.2% $332K
+3.9% $345K
2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024
Source: Minnesota REALTORS® (MNR) and participating MLSs | © 2025 MNR

15


Percent of Sales Under $300K
Twin Cities Region
Minnesota Realtors®
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
74.2% 73.2% 73.6% 79.3% 85.4% 82.7% 85.0% 81.9% 77.6% 75.2% 73.4% 70.6% 66.1% 61.1% 55.9% 47.9% 36.9% 31.0% 29.1% 26.2%
12-2005 12-2006 12-2007 12-2008 12-2009 12-2010 12-2011 12-2012 12-2013 12-2014 12-2015 12-2016 12-2017 12-2018 12-2019 12-2020 12-2021 12-2022 12-2023 12-2024
Source: Minnesota Realtors® (MNR) & participating MN MLSs | © 2025

16



17

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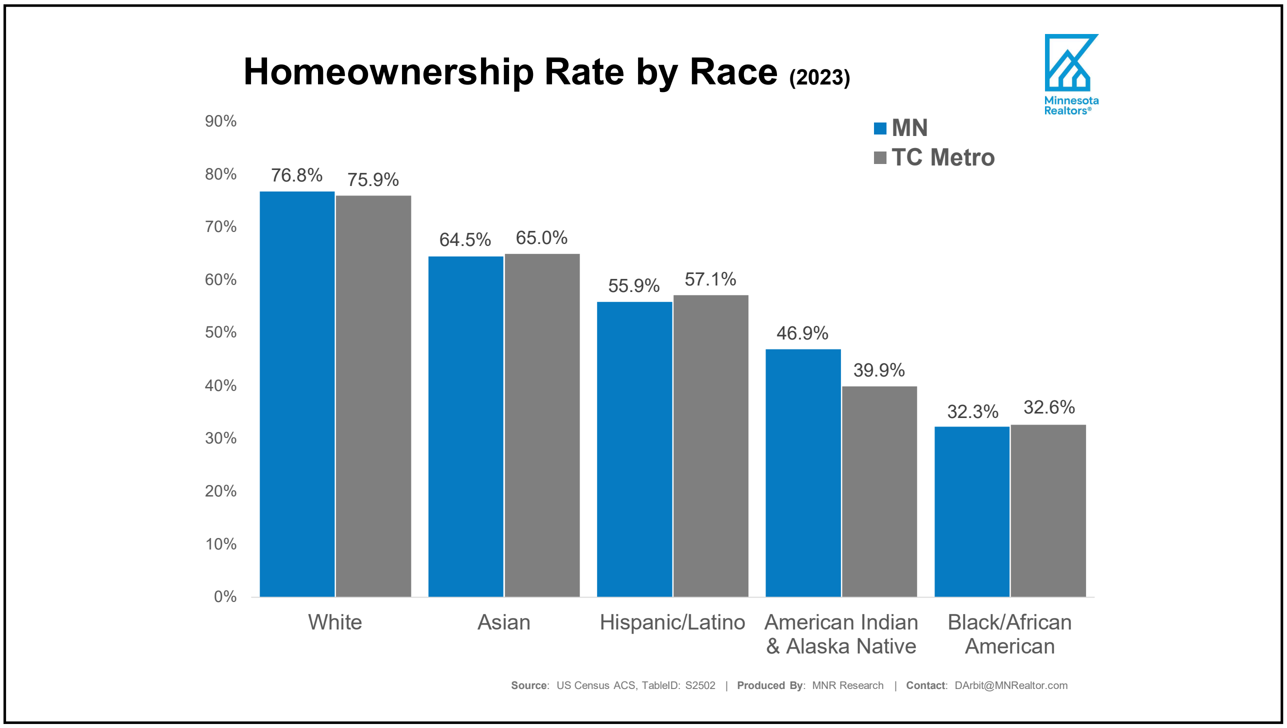
Homeownership Gap

18



19

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Thank You

20