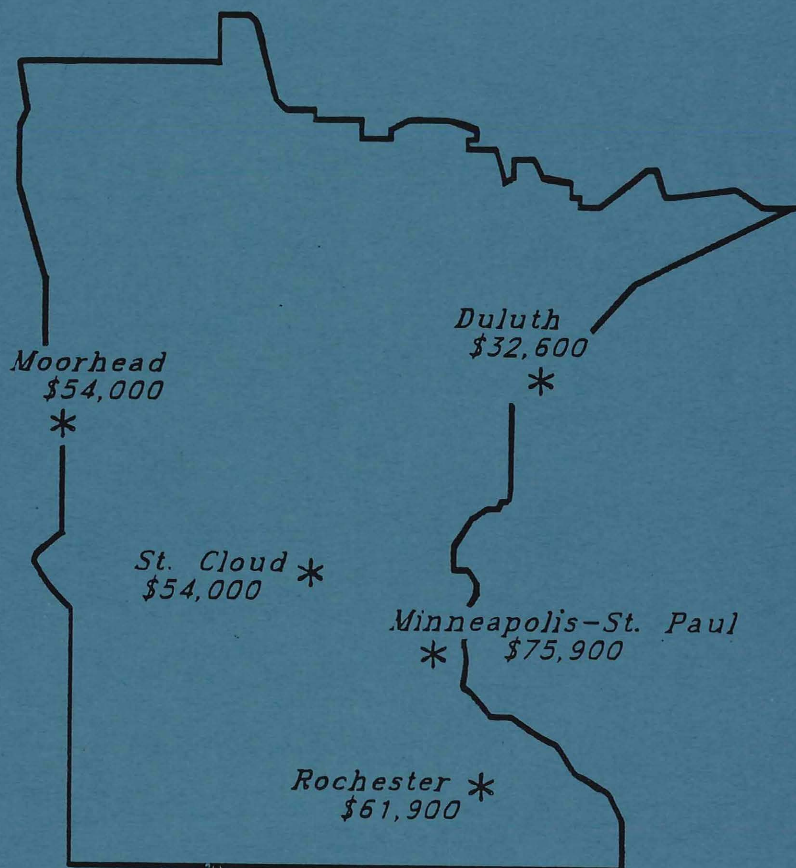
AN ANALYSIS OF HOUSE SALE PRICES IN MINNESOTA

January, 1985 - September, 1986



Minnesota Housing Finance Agency
Research Division
September, 1987

MAJOR FINDINGS

-- *In 1986* median house sale prices exceeded those for 1985 in 9 of Minnesota's 13 development regions. The greatest increase was in Region 6W (11.1%); the greatest decrease was in Region 8 (-7.1%).*

-- *In Region 11 only eight percent of all houses sold in 1986 were priced below $50,000, while 56 percent of all houses sold in Regions 1-10 were priced below $50,000.*

-- *Between 1985 and 1986 median house sale prices declined in only one of Minnesota's five Metropolitan Statistical Areas (Duluth). The largest increase occurred in Moorhead (8.0%).*

-- *The number of residential real estate sales in Minnesota during the first nine months of 1986 was 27 percent above the number recorded during the first nine months of 1985. In 1986 contracts-for-deed were used to finance 24 percent of all sales in Regions 1-10, 11 percent in Region 11, and 16 percent statewide.*

-- *During the first nine months of 1986 median house sale prices declined in 11 of 17 Iron Range cities when compared to the same period in 1985. The number of house sales decreased by seven percent between these two periods.*

-- *Between 1975 and 1986 current dollar median house sale prices rose by 50 percent or more in all of the state's development regions; prices rose more than 100 percent in Regions 2, 5, and 11.*

-- *Between 1975 and 1986 constant dollar median house sale prices declined in 10 of the state's 13 development regions. Positive changes were small and occurred in only two regions (Regions 5 and 11).*

	1985		1986*	
	Regions 1-10	Region 11	Regions 1-10	Region 11
Number of Sales	17,638	29,937	15,102	25,265
Median House Sale Price	$44,300	$73,900	$46,000	$76,500

* *1986 Certificate of Real Estate Value data presently include all sales through September 1986.*

INTRODUCTION

Under the current provisions of Minnesota state law, county assessors are required to submit a Certificate of Real Estate Value to the Department of Revenue for each sale or transfer of residential property. Thus, accurate sale price information is available for any house sold through an "arm's length" transaction. The following analysis is based on the most recent data currently available during the period of January 1985 to September 1986 and on previous reports for the years 1975-1984.*

DISCUSSION

***Median Sale Price** (1984-1986)*

Table 1 (p. 3) compares the 1984, 1985, and 1986 median house sale price for each of Minnesota's 13 development regions (see Map, p. 30) and the percent change in median price from 1984 to 1986 and from 1985 to 1986. The lowest median house sale prices for all three years tended to be in the northern and western areas of the state, with the lowest median price in Region 6W ($27,000 in 1985). Outside of the Region 11 Twin Cities Metropolitan Area the highest median sale price was $55,400 in 1986 in Region 7W, which includes the St. Cloud Metropolitan Area.

** A valid "arm's length" real estate transaction includes any open market sale between a willing buyer and seller. Non-arm's length transactions such as transfers to or from related parties, non-profit institutions, political subdivisions, and public utilities are excluded from this report.*

Table 1

THE CHANGE IN THE MEDIAN HOUSE SALE PRICE BY REGION
1984-1986

REGION	MEDIAN PRICE 1984	MEDIAN PRICE 1985*	MEDIAN PRICE 1986**	PERCENT CHANGE 1984-86	PERCENT CHANGE 1985-86
1	$34,000	$32,000	$32,000	- 5.9%	0.0%
2	35,000	34,500	34,000	- 2.9	- 1.4
3	34,700	33,000	32,500	- 6.3	- 1.5
4	42,000	42,000	43,500	3.6	3.6
5	36,000	37,500	39,900	10.8	6.4
6E	47,500	48,000	49,000	3.2	2.1
6W	31,500	27,000	30,000	- 4.8	11.1
7E	46,000	47,000	48,000	4.3	2.1
7W	54,500	54,000	55,400	1.7	2.6
8	37,000	35,000	32,500	-12.2	- 7.1
9	47,500	45,000	48,000	1.1	6.7
10	50,000	50,900	53,000	6.0	4.1
11	71,500	73,900	76,500	7.0	3.5

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1986 and January 1987.

* Revised.

** 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

From 1984 to 1986 eight regions had median house sale price increases, ranging from 1.1 percent in Region 9 to 10.8 percent in Region 5 (see Figure 1, p. 5). Decreases during this period ranged from 2.9 percent in Region 2 (northern Minnesota) to 12.2 percent in Region 8 (southwestern Minnesota).

Between 1985 and 1986 the median sale price increased in nine regions, ranging from 2.1 percent in Regions 6E and 7E to 11.1 percent in Region 6W. The median sale price decreased in three regions, ranging from 1.4 percent in Region 2 to 7.1 percent in Region 8. The median house sale price in Region 1 did not change from 1985 to 1986.

__Sale Price Distributions__ (1985-1986)

Tables 2-5 illustrate the distribution of house sale prices in Region 11 (Twin Cities Metropolitan Area) and in Regions 1-10 in 1985 and the first nine months of 1986. Tables 2 and 3 (pp. 6-7) demonstrate that for Region 11 there was only a slight decrease in the percentage of homes sold for less than $50,000 (9.9% vs. 8.3%) but a 5.2 percent increase in the share sold for over $80,000 (38.3% vs. 43.5%). In 1985 homes in the $50,000 to $80,000 price range comprised more than 50 percent of all house sales, but in 1986 less than half of all homes were priced in that range. The median price in 1986 remained in the $70,000-$79,000 interval where it has been since 1982. Total sales in Region 11 for the first nine months of 1986 (25,265) were 33 percent higher than during the same period in 1985 (18,974).

Figure 1

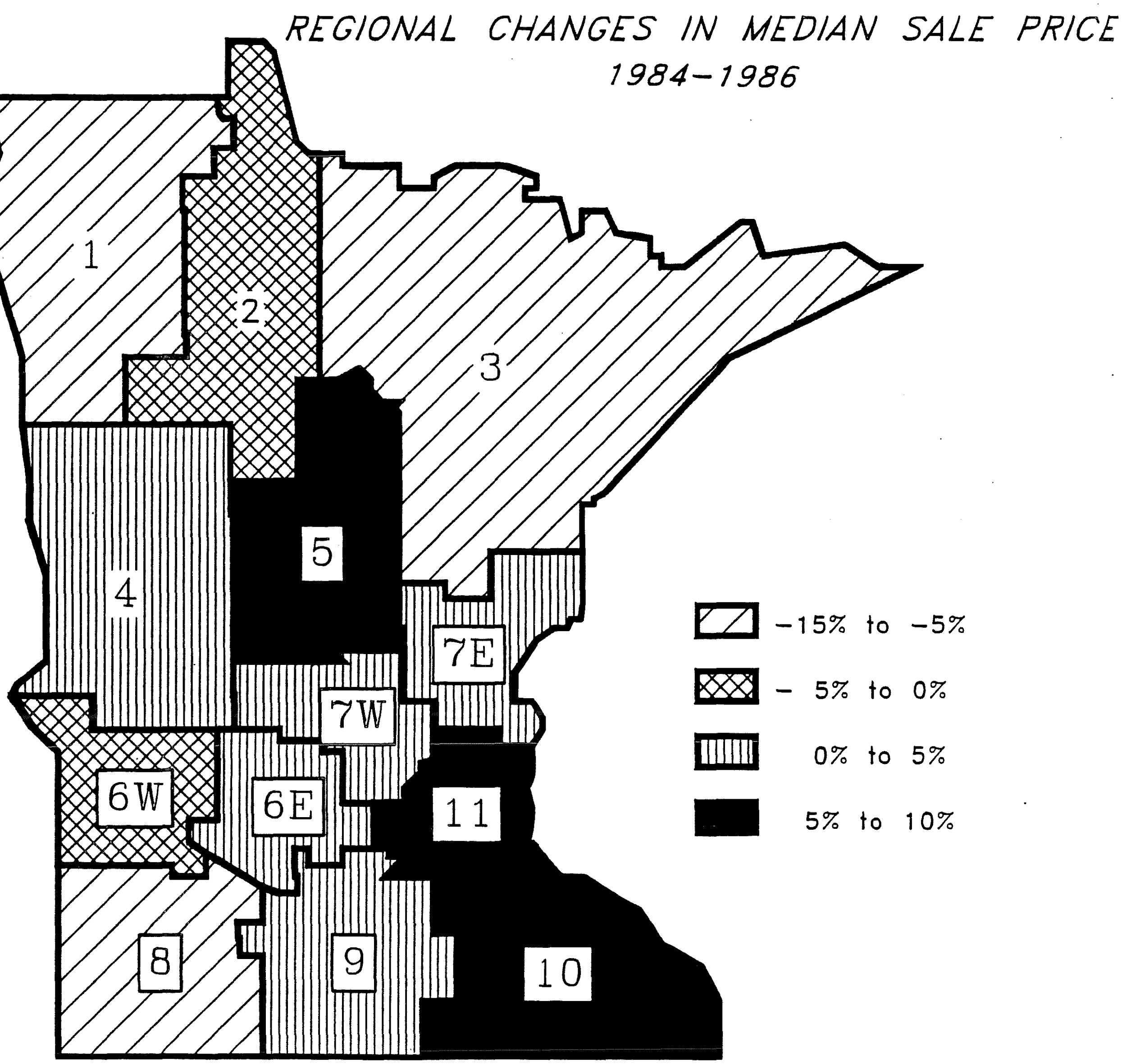

REGIONAL CHANGES IN MEDIAN SALE PRICE
1984-1986
1
2
3
4
5
6W
6E
7W
7E
8
9
10
11
-15% to -5%
- 5% to 0%
0% to 5%
5% to 10%

Table 2

DISTRIBUTION OF HOUSE PRICES IN REGION 11
*1985**

House Price	Number	Percent of Total	Cumulative Percent
$ 0 - $ 9,999	44	.1%	.1%
$ 10,000 - $ 19,999	95	.3	.4
$ 20,000 - $ 29,999	250	.8	1.2
$ 30,000 - $ 39,999	741	2.5	3.7
$ 40,000 - $ 49,999	1,851	6.2	9.9
$ 50,000 - $ 59,999	3,916	13.1	23.0
$ 60,000 - $ 69,999	5,860	19.6	42.6
$ 70,000 - $ 79,999	5,704	19.1	61.7
$ 80,000 - $ 89,999	3,690	12.3	74.0
$ 90,000 - $ 99,999	2,016	6.7	80.7
$100,000 +	5,770	19.3	100.0
TOTAL	29,937	100.0%	-----

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1987.

* Revised.

Table 3

DISTRIBUTION OF HOUSE PRICES IN REGION 11
*1986**

House Price	Number	Percent of Total	Cumulative Percent
$ 0 - $ 9,999	38	.2%	.2%
$ 10,000 - $ 19,999	112	.4	.6
$ 20,000 - $ 29,999	225	.9	1.5
$ 30,000 - $ 39,999	531	2.1	3.6
$ 40,000 - $ 49,999	1,193	4.7	8.3
$ 50,000 - $ 59,999	2,680	10.6	18.9
$ 60,000 - $ 69,999	4,581	18.1	37.0
$ 70,000 - $ 79,999	4,923	19.5	56.5
$ 80,000 - $ 89,999	3,526	14.0	70.5
$ 90,000 - $ 99,999	2,037	8.1	78.6
$100,000 +	5,419	21.4	100.0
TOTAL	25,265	100.0%	-----

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1987.

* *1986 Certificate of Real Estate Value data presently include all sales through September 1986.*

In Regions 1-10, shown in Tables 4 and 5 (pp. 9-10), very little change occurred in the distribution of house prices between the years 1985 and 1986. The percentage of homes in the $30,000 to $70,000 price range remained the same between 1985 and 1986 (58 percent); on the other hand, the percentage of homes priced under $30,000 declined by about one percent, while the percentage priced over $70,000 increased by a similar amount. Between these two years the median price increased by $1,700 but remained in the $40,000 - $49,000 interval. During the first nine months of 1986 total house sales in Regions 1-10 were higher than over the same period in 1985 (15,102 vs. 12,926), but the percentage increase in sales over this period was only half as great as the increase in Region 11 (17% vs. 33%).

Table 4

DISTRIBUTION OF HOUSE PRICES IN REGIONS 1-10
*1985**

House Price	Number	Percent of Total	Cumulative Percent
$ 0 - $ 9,999	637	3.6%	3.6%
$ 10,000 - $ 19,999	1,875	10.6	14.2
$ 20,000 - $ 29,999	2,345	13.3	27.5
$ 30,000 - $ 39,999	2,663	15.1	42.6
$ 40,000 - $ 49,999	3,057	17.3	59.9
$ 50,000 - $ 59,999	2,714	15.4	75.3
$ 60,000 - $ 69,999	1,874	10.6	85.9
$ 70,000 - $ 79,999	1,051	6.0	91.9
$ 80,000 - $ 89,999	581	3.3	95.2
$ 90,000 - $ 99,999	278	1.6	96.8
$100,000 +	563	3.2	100.0
TOTAL	17,638	100.0%	-----

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1987.

* Revised.

Table 5

DISTRIBUTION OF HOUSE PRICES IN REGIONS 1-10
1986*

House Price	Number	Percent of Total	Cumulative Percent
$ 0 - $ 9,999	689	4.6%	4.6%
$ 10,000 - $ 19,999	1,460	9.7	14.3
$ 20,000 - $ 29,999	1,769	11.7	26.0
$ 30,000 - $ 39,999	2,084	13.8	39.8
$ 40,000 - $ 49,999	2,475	16.4	56.2
$ 50,000 - $ 59,999	2,430	16.1	72.3
$ 60,000 - $ 69,999	1,836	12.2	84.5
$ 70,000 - $ 79,999	1,016	6.6	91.1
$ 80,000 - $ 89,999	593	3.9	95.0
$ 90,000 - $ 99,999	271	1.8	96.8
$100,000 +	479	3.2	100.0
TOTAL	15,102	100.0%	-----

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1987.

* 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

Median Sale Price, Metropolitan Statistical Areas (1984-1986)

The 1984, 1985, and 1986 median house sale prices for Metropolitan Statistical Areas (MSAs) of Minnesota are shown in Table 6. The lowest 1986 median house sale price was in Duluth ($32,600) and the highest was in Minneapolis-St. Paul ($75,900). In all three years the rank order among MSAs remained the same, with the lowest median price in Duluth and the highest in Minneapolis-St. Paul. In four of the five MSAs median house sale prices increased from 1985 to 1986; the only decrease occurred in the Duluth MSA (-2.7%). The greatest increase was that in the Moorhead MSA (8.0%), which the year before had experienced the greatest decline.

Table 6

MEDIAN HOUSE SALE PRICE IN METROPOLITAN STATISTICAL AREAS 1984-1986

Metropolitan Statistical Area*	1984	1985**	1986***
Duluth	$35,000	$33,500	$32,600
Minneapolis-St. Paul	71,000	73,000	75,900
Moorhead	52,000	50,000	54,000
Rochester	60,000	59,900	61,900
St. Cloud	52,600	51,500	54,000

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1986 and January 1987.

* *Metropolitan Statistical Areas do not coincide with development regions. Please see Appendix (p. 31) for a list of counties in each Metropolitan Statistical Area.*

** *Revised.*

*** *1986 Certificate of Real Estate Value data presently include all sales through September 1986.*

Residential Real Estate Sales (1975-1986)

Table 7 (p. 13) shows the number of residential real estate sales in Regions 1-10, Region 11, and statewide for the years 1975-1986. The number of sales statewide has ranged from a high of 64,992 in 1978 to a low of 29,312 in 1982, but the distribution of sales between Region 11 and Regions 1-10 has remained about the same: approximately 60 percent in Region 11 and 40 percent in Regions 1-10.

The number of real estate sales has declined since 1978. In that year escalating house prices and home mortgage interest rates below 10 percent encouraged step-up purchases by existing homeowners. In 1982 the number of sales "bottomed-out" to below 30,000 when interest rates rose to 16 percent or more and house price increases leveled off or, in some parts of the state, actually declined. In 1985, the last full year of data, there were 47,575 sales, slightly more than the number of sales in 1976 but 27 percent less than the peak year of 1978.

Historically, the first nine months of sales have represented about 70 percent of the sales eventually recorded for 12 months. Therefore, sales in 1986 can be expected to reach almost 58,000 (20 percent higher than in 1985 and a number consistent with moderate price increases and lower interest rates).

Table 7

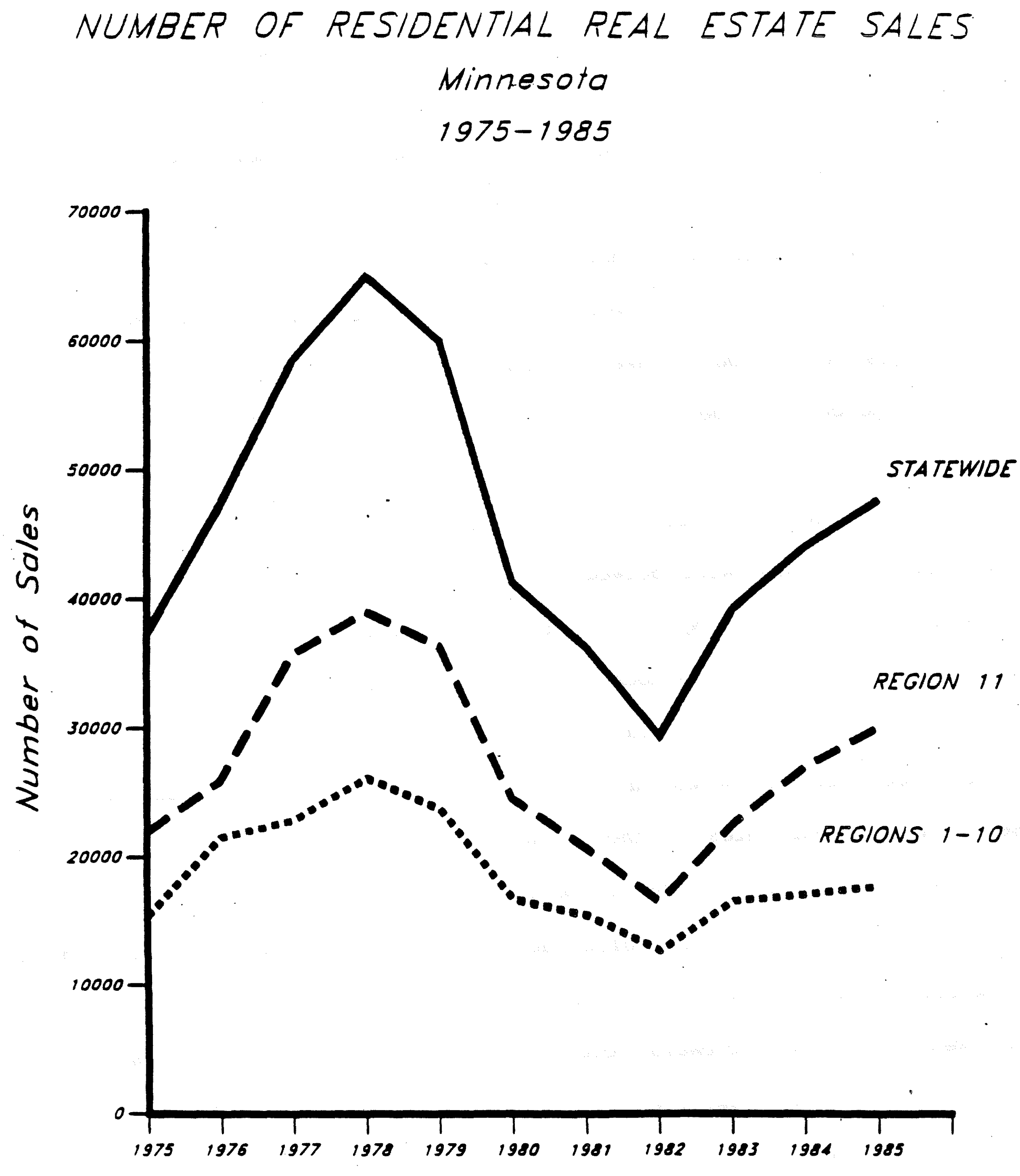
NUMBER OF RESIDENTIAL REAL ESTATE SALES
1975-1986

YEAR	REGIONS 1-10	REGION 11	STATEWIDE
1975	15,419	21,954	37,373
1976	21,495	25,857	47,352
1977	22,827	35,699	58,526
1978	26,065	38,927	64,992
1979	23,665	36,323	59,988
1980	16,713	24,520	41,233
1981	15,484	20,716	36,200
1982	12,739	16,573	29,312
1983	16,630	22,590	39,220
1984	17,077	26,951	44,028
1985	17,638	29,937	47,575
1986*	15,102	25,265	40,367

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1977-January 1987.

* 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

Figure 2


NUMBER OF RESIDENTIAL REAL ESTATE SALES
Minnesota
1975-1985
Number of Sales
70000
60000
50000
40000
30000
20000
10000
0
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
STATEWIDE
REGION 11
REGIONS 1-10

<u>Contract-for-Deed Sales</u> (1982-1986)

Table 8 (p. 16) lists the number of contract-for-deed house sales in Minnesota and their share of all sales for the years 1982-1986. Before the escalation of house prices and interest rates in the 1970s and 1980s, contracts-for-deed were used rather infrequently in mortgage transactions. However, in 1982, when interest rates rose to 16 percent or more, contract-for-deed sales accounted for more than 40 percent of all financing statewide. In 1983 this share declined to less than 30 percent, a level that persisted through 1985; in 1986 less than 20 percent of all sales involved seller financing. These changes correspond to average annual interest rates of approximately 16 percent, 13 percent, 14 percent, 12 percent, and 10 percent.*

Although regional patterns of contract-for-deed sales were consistent with changes occurring statewide between 1982 and 1986, contracts have continued to be a significant financing alternative in Regions 1-10 (see Figure 3, p. 17). High interest rates were no doubt largely responsible for the widespread use of contracts-for-deed in 1982. In that year 40 percent of all sales in Region 11 and 44 percent of all sales in Regions 1-10 involved seller financing. But in 1986, with interest rates at their lowest level since 1979, contracts-for-deed were still used to finance almost one-fourth of all house sales in Regions 1-10, and contract sales in these regions accounted for more than half of such sales statewide. Thus, contracts have facilitated transactions not only when interest rates were high and borrowers were unable to qualify for traditional mortgage loans, but also when depressed regional economies may have tightened mortgage lending standards.

** Department of Housing and Urban Development, average annual contract commitment rates on conventional loans for newly-built homes (Federal Reserve Bulletin, July 1987).*

Table 8

NUMBER OF CONTRACT-FOR-DEED HOUSE SALES
1982-1986

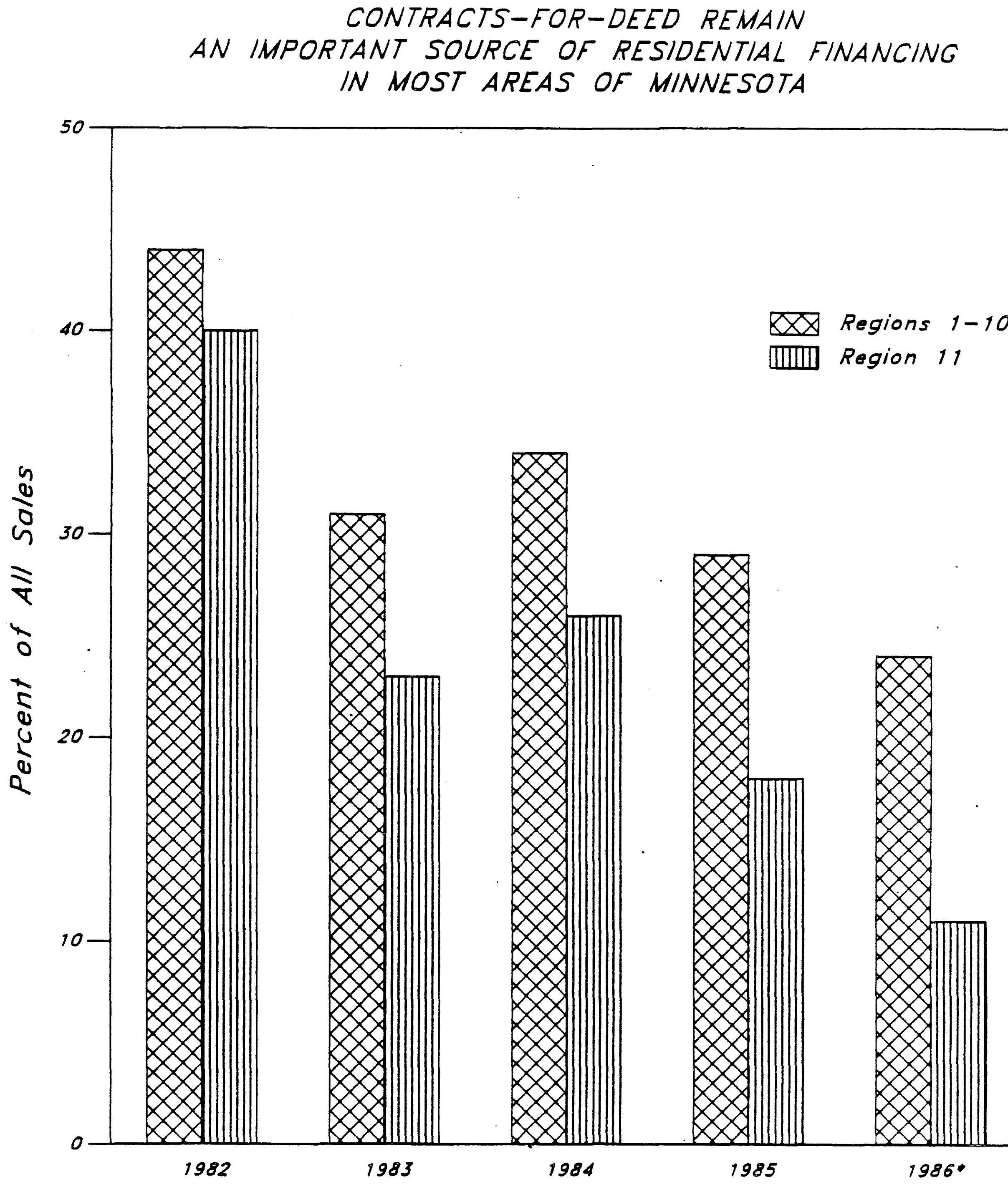
REGION	1982		1983		1984		1985*		1986**	
	Number of Contracts	Percent of All Sales	Number of Contracts	Percent of All Sales	Number of Contracts	Percent of All Sales	Number of Contracts	Percent of All Sales	Number of Contracts	Percent of All Sales
Regions 1-10	5,568	44%	5,180	31%	5,871	34%	5,177	29%	3,659	24%
Region 11	6,612	40%	5,229	23%	7,015	26%	5,478	18%	2,641	11%
Statewide	12,180	42%	10,409	27%	12,886	29%	10,655	22%	6,300	16%

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1984-January 1987.

* Revised.

** 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

Figure 3



*Through September 1986

Iron Range House Prices

This section focuses on house sale prices in seventeen cities in the three Region 3 counties comprising Minnesota's Iron Range (see Table 9, p. 19). Since 1980 the Iron Range's taconite industry has been in a depression, resulting in high unemployment in these communities. Many residents have left the area in search of jobs elsewhere.

The median house sale prices in these Iron Range cities were among the lowest in the state in 1984, 1985, and 1986. In 1984 only Mountain Iron and Grand Rapids had median sale prices over $40,000; by 1985 only Grand Rapids had a median sale price over $40,000. In 1986 median sale price exceeded $30,000 in three communities (Mountain Iron, Virginia, and Grand Rapids), but there were no median prices above $40,000; 14 communities had median prices under $30,000 and seven had median prices under $20,000.

Median house sale prices decreased from 1985 to 1986 in 11 cities. The largest decrease was in Buhl (-40.0%); three other cities experienced decreases over 20 percent (Ely, Eveleth, and Keewatin). Price increases occurred in five Iron Range communities (Babbitt, Biwabik, Chisholm, Gilbert, and Nashwauk). It should be noted, however, that median house sale prices in these communities may have been positively or negatively affected by the number of house sales during the period. Median sale prices in Biwabik, Buhl, Keewatin, and Nashwauk, for example, may have been affected by the completion of fewer than 10 house sales in 1985 and 1986. The number of house sales in these seventeen communities during the first nine months of 1986 was seven percent less than the number of sales during the first nine months of 1985 (536 and 577 sales, respectively).

Table 9

MEDIAN SALE PRICE AND NUMBER OF HOUSE SALES IN SELECTED IRON RANGE CITIES 1984-1986

Area	1984		1985*		1986**	
	Median Price	Number of Sales	Median Price	Number of Sales	Median Price	Number of Sales
LAKE COUNTY	$25,000	102	$24,000	120	$23,000	90
Silver Bay	16,500	29	18,000	34	17,100	32
Two Harbors	28,500	37	27,100	38	23,100	29
ST. LOUIS COUNTY	$35,000	1,800	$33,500	1,874	$32,600	1,340
Aurora	22,000	19	23,100	16	20,000	18
Babbitt	15,000	8	16,100	21	16,900	11
Biwabik	21,000	3	12,500	6	22,500	2
Buhl	23,000	5	21,600	9	12,750	8
Chisholm	25,000	42	20,000	52	22,000	37
Ely	20,100	24	19,600	35	15,100	23
Eveleth	27,500	32	28,500	30	18,300	20
Gilbert	24,300	10	18,600	16	26,900	13
Hibbing	35,000	192	31,000	217	29,500	161
Hoyt Lakes	23,200	8	24,100	15	20,900	15
Mountain Iron	40,000	23	37,000	25	37,000	18
Virginia	33,600	64	33,500	88	33,100	76
ITASCA COUNTY	$36,500	356	$35,800	328	$35,000	282
Grand Rapids	43,900	103	45,000	77	38,000	64
Keewatin	18,300	14	13,000	9	10,400	6
Nashwauk	15,000	7	11,000	7	12,000	3

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1986 and January 1987.

* Revised.

** 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

Current and Constant Dollar House Prices

This section discusses the change in the current and constant dollar median sale price of houses in Minnesota's 13 development regions over the ten-year period between 1977 and 1986. Table 10 (p. 22) shows that between 1977 and 1979, current dollar prices increased in all regions of the state. Between 1979 and 1980 the first current dollar price declines occurred in Regions 2, 4, and 8.

Since 1980, current dollar median prices generally have exhibited a seesaw pattern of rising and falling prices. Particularly inconsistent has been the pattern in Regions 2, 6W, 8, and 10. More consistent price trends are characteristic of Regions 3, 4, 6E, 7E, 7W, 9, and 11. In the case of Region 3 the trend has been a consistent decline in the current dollar median price, from a peak of $37,900 in 1981 to $32,500 in 1986, a 14 percent decline and a median price approximating Region 3's current dollar price in 1978. In contrast, current dollar price trends have been generally positive in Regions 4, 6E, 7E, 7W, 9, and 11. These regions have experienced a gradual increase in current dollar median price, even though the rate of increase had slowed dramatically by 1980.

The decline in constant dollar median sale prices occurred one year before the decline in current dollar median prices. Between 1978 and 1979 constant dollar price declines occurred in all but four regions (Regions 1, 7E, 7W, and 11). Between 1979 and 1982 constant dollar prices declined annually in all but two regions (Region 5, where there was no change between 1981 and 1982, and Region 6W, where constant dollar prices increased by 5.6 percent between 1981 and 1982). Between 1982 and 1983 constant dollar median prices rebounded for *positive gains in half of the regions (Regions 1, 2, 5, 6E, 7E, and 8). In 1984 and 1985, though, constant dollar price changes were negative in all but two regions (Region 8 in 1984 and Region 5 in 1985).*

Constant dollar median sale prices peaked in 1978 in nine of the 13 development regions. In the following year constant dollar prices peaked in the remaining four regions (Regions 1, 7E, 7W, and 11). The percent decline from the peak constant dollar median sale price to the constant dollar median sale price in 1986 was 30 percent or more in Regions 1, 2, 3, 6W, and 8. Declines of 20 percent or more typified most other regions. The smallest decline occurred in Region 11 where the constant dollar price declined from a high of $27,300 in 1979 to $23,700 in 1986 (-13%). These current and constant dollar price changes for Regions 1-10 and Region 11 are graphically portrayed in Figure 4 (p. 23).

TABLE 10

THE CHANGE IN CURRENT AND CONSTANT* DOLLAR MEDIAN SALE PRICE BY REGION

1977-1986

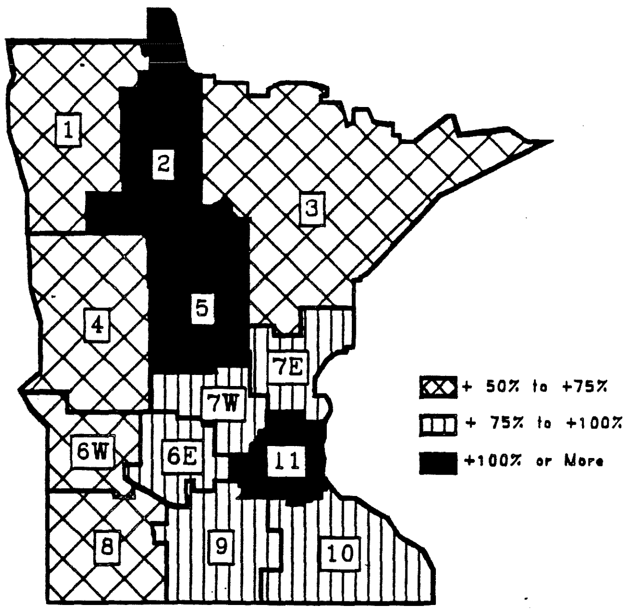
REGION	1977	1978	1979	1980	1981	1982	1983	1984	1985**	1986***
Region 1										
Current Dollars	$ 27,800	$ 30,000	$ 33,900	$ 35,000	$ 31,000	$ 31,900	$ 35,000	$ 34,000	$ 32,000	$ 32,000
Constant Dollars	15,300	15,400	15,600	14,200	11,400	11,100	11,800	11,100	10,000	9,900
Region 2										
Current Dollars	$ 26,000	$ 30,400	$ 33,000	$ 31,000	$ 32,500	$ 32,000	$ 34,500	$ 35,000	$ 34,500	$ 34,000
Constant Dollars	14,300	15,600	15,200	12,600	11,900	11,100	11,600	11,400	10,800	10,500
Region 3										
Current Dollars	$ 28,000	$ 33,000	$ 36,000	$ 37,000	$ 37,900	$ 37,000	$ 36,900	$ 34,700	$ 33,000	$ 32,500
Constant Dollars	15,400	16,900	16,500	15,000	13,900	12,800	12,400	11,300	10,400	10,000
Region 4										
Current Dollars	$ 33,000	$ 37,100	$ 40,500	$ 40,000	$ 40,000	$ 40,500	$ 41,400	$ 42,000	$ 42,000	$ 43,500
Constant Dollars	18,200	19,000	18,600	16,200	14,700	14,000	13,900	13,700	13,200	13,500
Region 5										
Current Dollars	$ 27,000	$ 30,000	$ 33,000	$ 34,000	$ 32,900	$ 35,000	$ 37,500	$ 36,000	$ 37,500	$ 39,900
Constant Dollars	14,900	15,400	15,200	13,800	12,100	12,100	12,600	11,700	11,800	12,300
Region 6E										
Current Dollars	$ 34,500	$ 37,900	$ 41,200	$ 43,000	$ 45,000	$ 45,800	$ 48,000	$ 47,500	$ 48,000	$ 49,000
Constant Dollars	19,000	19,400	18,900	17,400	16,500	15,900	16,100	15,400	15,100	15,200
Region 6W										
Current Dollars	$ 26,000	$ 28,000	$ 28,900	$ 30,000	$ 29,000	$ 32,500	$ 30,400	$ 31,500	$ 27,000	$ 30,000
Constant Dollars	14,300	14,300	13,300	12,100	10,700	11,300	10,200	10,200	8,500	9,300
Region 7E										
Current Dollars	$ 32,000	$ 36,000	$ 40,000	$ 42,000	$ 43,000	$ 44,000	$ 46,500	$ 46,000	$ 47,000	$ 48,000
Constant Dollars	17,600	18,400	18,400	17,000	15,800	15,200	15,600	15,000	14,800	14,800
Region 7W										
Current Dollars	$ 36,000	$ 40,500	$ 45,600	$ 48,000	$ 51,000	$ 51,900	$ 53,000	$ 54,500	$ 54,000	$ 55,400
Constant Dollars	19,800	20,700	20,900	19,400	18,700	18,000	17,800	17,700	17,000	17,100
Region 8										
Current Dollars	$ 29,000	$ 32,000	$ 35,500	$ 34,900	$ 36,000	$ 34,000	$ 35,500	$ 37,000	$ 35,000	$ 32,500
Constant Dollars	16,000	16,400	16,300	14,100	13,200	11,800	11,900	12,000	11,000	10,000
Region 9										
Current Dollars	$ 34,200	$ 38,000	$ 42,000	$ 43,000	$ 45,000	$ 46,000	$ 46,100	$ 47,500	$ 45,000	$ 48,000
Constant Dollars	18,800	19,500	19,300	17,400	16,500	15,900	15,500	15,400	14,100	14,800
Region 10										
Current Dollars	$ 38,000	$ 43,300	$ 47,500	$ 48,000	$ 49,900	$ 49,300	$ 50,100	$ 50,000	$ 50,900	$ 53,000
Constant Dollars	20,900	22,200	21,800	19,400	18,300	17,100	16,800	16,300	16,000	16,400
Region 11										
Current Dollars	$ 43,000	$ 51,600	$ 59,500	$ 64,700	$ 69,000	$ 70,500	$ 71,000	$ 71,500	$ 73,900	$ 76,500
Constant Dollars	23,700	26,400	27,300	26,200	25,300	24,400	23,900	23,200	23,200	23,700

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1979-January 1987.

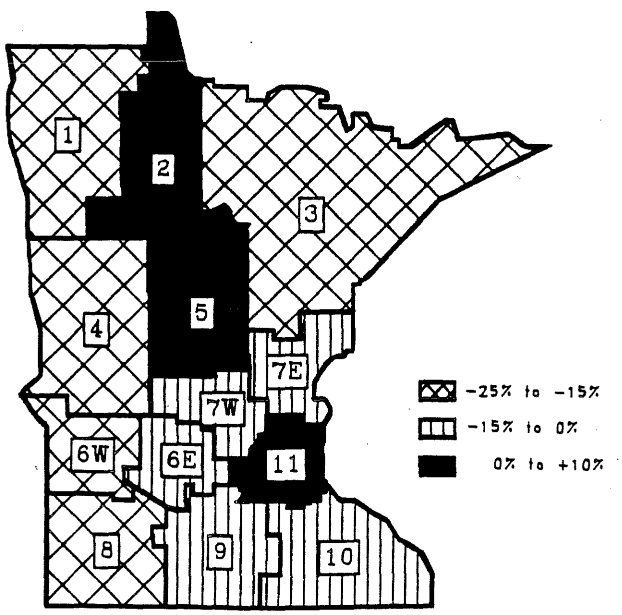
* National CPI for Urban Wage Earners and Clerical Workers, all items (1967=100).
** Revised.
*** 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

Figure 4

THE PERCENT CHANGE IN
CURRENT AND CONSTANT (1967) DOLLAR MEDIAN SALE PRICE BY REGION
BETWEEN 1975 AND 1986



CURRENT DOLLARS (1975–1986)



CONSTANT DOLLARS (1975–1986)

Table 11 (p. 25) shows the percent change in the current and constant dollar median sale prices for the years 1977 to 1986. Percent changes in current dollars were positive in all regions of the state through 1978-79. The first declines in the percent change in current dollar median price occurred between 1979 and 1980. Over that period current dollar percent changes were negative in three regions (Regions 2, 4, and 8). Since 1980 the percent change in current dollar median price has risen and fallen in some regions (Regions 1, 2, 5, 6W, 8, and 10); been generally positive in some regions (Regions 4, 6E, 7E, 7W, 9, and 11); and been generally negative in one region (Region 3). In three regions current dollar price changes were negative in both of the two most recent time periods; current dollar price changes were especially large in Region 6W in 1984-85 (-14.3%) and Region 8 in 1985-86 (-7.1%). Current dollar median price changes have been consistently positive only in Region 11.

Between 1977 and 1978 percent changes in constant dollar sale prices were positive in all regions of the state except Region 6W in which there was no change. Between 1978 and 1979 the zero percent change in Region 6W became a seven percent decline, the largest decline among nine regions with negative changes in the constant dollar median sale price.

By 1979-80, constant dollar price changes were negative in all regions, a trend that persisted through 1984-85 in Regions 3, 4, 7W, 9, and 10. Between 1984 and 1985 percent changes in the constant dollar median price were negative in all but two regions (Regions 5 and 11). Some recovery was evident between 1985 and the first nine months of 1986 when constant dollar median prices were negative in only four regions (Regions 1, 2, 3, and 8).

TABLE 11

THE ANNUAL PERCENT CHANGE IN CURRENT AND CONSTANT* DOLLAR MEDIAN SALE PRICE
BY REGION

1977-1986

REGION	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85**	1985-86***
Region 1									
Current Dollars	7.9	13.0	3.2	-11.4	2.9	9.7	- 2.9	- 5.9	0.0
Constant Dollars	.7	1.3	- 9.0	-19.7	- 2.6	6.3	- 6.0	-10.0	- 1.0
Region 2									
Current Dollars	16.9	8.6	- 6.1	4.8	- 1.5	7.8	1.4	- 1.4	- 1.4
Constant Dollars	9.1	- 2.6	-17.1	- 5.6	- 6.7	4.5	- 1.7	- 5.3	- 2.8
Region 3									
Current Dollars	17.9	9.1	2.8	2.4	- 2.4	- 0.3	- 6.0	- 4.9	- 1.5
Constant Dollars	9.7	- 2.4	- 9.1	- 7.3	- 7.9	- 3.1	- 8.9	- 8.0	- 3.8
Region 4									
Current Dollars	12.4	9.2	- 1.2	0.0	1.3	2.2	1.4	0.0	3.6
Constant Dollars	4.4	- 2.1	-12.9	- 9.3	- 4.8	- 0.7	- 1.4	- 3.6	2.3
Region 5									
Current Dollars	11.1	10.0	3.0	- 3.2	6.4	7.1	- 4.0	4.2	6.4
Constant Dollars	3.4	- 1.3	- 9.2	-12.3	0.0	4.1	- 7.1	0.9	4.2
Region 6E									
Current Dollars	9.9	8.7	4.4	4.7	1.8	4.8	- 1.0	1.1	2.1
Constant Dollars	2.1	- 2.6	- 7.9	- 5.2	- 3.6	1.3	- 4.3	- 1.9	0.7
Region 6W									
Current Dollars	7.7	3.2	3.8	- 3.3	12.1	- 6.5	3.6	-14.3	11.1
Constant Dollars	0.0	- 7.0	- 9.0	-11.6	5.6	- 9.7	0.0	-16.7	9.4
Region 7E									
Current Dollars	12.5	11.1	5.0	2.4	2.3	5.7	- 1.1	2.2	2.1
Constant Dollars	4.5	0.0	- 7.6	- 7.1	- 3.8	2.6	- 3.8	- 1.3	0.0
Region 7W									
Current Dollars	12.5	12.6	5.3	6.3	1.8	2.1	2.8	- 0.9	2.6
Constant Dollars	4.5	1.0	- 7.2	- 3.6	- 3.7	- 1.1	- 0.6	- 4.0	.6
Region 8									
Current Dollars	10.3	10.9	- 1.7	3.2	- 5.6	4.4	4.2	- 5.4	- 7.1
Constant Dollars	2.5	- 0.6	-13.5	- 6.4	-10.6	0.8	0.8	- 8.3	- 9.1
Region 9									
Current Dollars	11.1	10.5	2.4	4.7	2.2	0.2	3.0	- 5.3	6.7
Constant Dollars	3.7	- 1.0	- 9.8	- 5.2	- 3.6	- 2.5	- 0.6	- 8.4	5.0
Region 10									
Current Dollars	13.9	9.7	1.1	4.0	- 1.2	1.6	- 0.2	1.8	4.1
Constant Dollars	6.2	- 1.8	-11.0	- 5.7	- 6.6	- 1.8	- 3.0	- 1.8	2.5
Region 11									
Current Dollars	20.0	15.3	8.7	6.6	2.2	0.7	0.7	3.4	3.5
Constant Dollars	11.4	3.4	- 4.0	- 3.4	- 3.6	- 2.0	- 2.9	0.0	2.2

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1979-January 1987.

* National CPI for Urban Wage Earners and Clerical Workers, all items (1967=100).
** Revised.
*** 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

Since year-to-year changes in house sale prices may be less indicative of long term trends, this section focuses on house sale price changes between 1975 and 1986. Two factors cause house prices to change from year to year. First, house prices rise or fall with the general level of prices (i.e., because all prices are rising or falling). Second, house prices rise or fall according to the value buyers place on housing (true price appreciation or depreciation). The current dollar median house sale prices shown in Table 12 (p. 27) reflect the effects of both sources of house price change.

Table 12 compares current dollar median house sale prices in 1975 and the first nine months of 1986. In 1975, current dollar median sale prices ranged from a low of $17,000 in Region 2 to a high of $35,000 in Region 11; in 1986, current dollar median prices ranged from $30,000 in Region 6W to $76,500 in Region 11. By 1986 the current dollar median price in all regions had increased by at least 50 percent since 1975. The greatest increases over the twelve-year period were in Regions 11 (118.6%), 5 (110.0%), and 2 (100.0%), while two other regions had increases of more than 90 percent (Regions 7E and 7W).

Table 12

THE CHANGE IN CURRENT DOLLAR MEDIAN SALE PRICE BY REGION
1975-1986

REGION	MEDIAN PRICE 1975	MEDIAN PRICE 1986*	PERCENT CHANGE 1975-1986	ANNUAL PERCENT CHANGE**
1	$20,000	$32,000	60.0%	4.4%
2	17,000	34,000	100.0	6.5
3	20,500	32,500	58.5	4.3
4	25,500	43,500	70.6	5.0
5	19,000	39,900	110.0	7.0
6E	25,900	49,000	89.2	6.0
6W	19,500	30,000	53.8	4.0
7E	24,900	48,000	92.8	6.1
7W	29,000	55,400	91.0	6.1
8	21,500	32,500	51.2	3.8
9	26,000	48,000	84.6	5.7
10	30,000	53,000	76.7	5.3
11	35,000	76,500	118.6	7.4

SOURCE: Certificate of Real Estate Value, Department of Revenue, January 1977 and January 1987.

* 1986 Certificate of Real Estate Value data presently include all sales through September 1986.

** Effective rate of change.

A very different picture emerges, though, when median house sale prices are estimated in constant dollars. By removing general price level effects from current dollar house sale prices the remaining constant dollar house sale prices provide an indication of the true value of housing in dollars which have the same worth over time.

Table 13 (p. 29) shows that between 1975 and 1986 the percent change in the constant dollar median sale price was negative in 10 of the state's 13 development regions. Constant dollar price declines exceeded 5 percent in nine regions, 10 percent in six regions, and 20 percent in four regions (Regions 1, 3, 6W, and 8). Positive changes in constant dollar median sale prices were small and occurred in only two regions (Regions 5 and 11).

Table 13

THE CHANGE IN CONSTANT DOLLAR* MEDIAN SALE PRICE BY REGION 1975-1986

REGION	MEDIAN PRICE 1975	MEDIAN PRICE 1986**	PERCENT CHANGE 1975-1986	ANNUAL PERCENT CHANGE***
1	$12,400	$ 9,900	-20.2%	- 2.0%
2	10,500	10,500	0.0	0.0
3	12,700	10,000	-21.3	- 2.2
4	15,800	13,500	-14.6	- 1.4
5	11,800	12,300	4.2	0.4
6E	16,100	15,200	- 5.6	- 0.5
6W	12,100	9,300	-23.1	- 2.4
7E	15,400	14,800	- 3.9	- 0.4
7W	18,000	17,100	- 5.0	- 0.5
8	13,300	10,000	-24.8	- 2.6
9	16,100	14,800	- 8.1	-0.8
10	18,600	16,400	-11.8	- 1.1
11	21,700	23,700	9.2	0.8

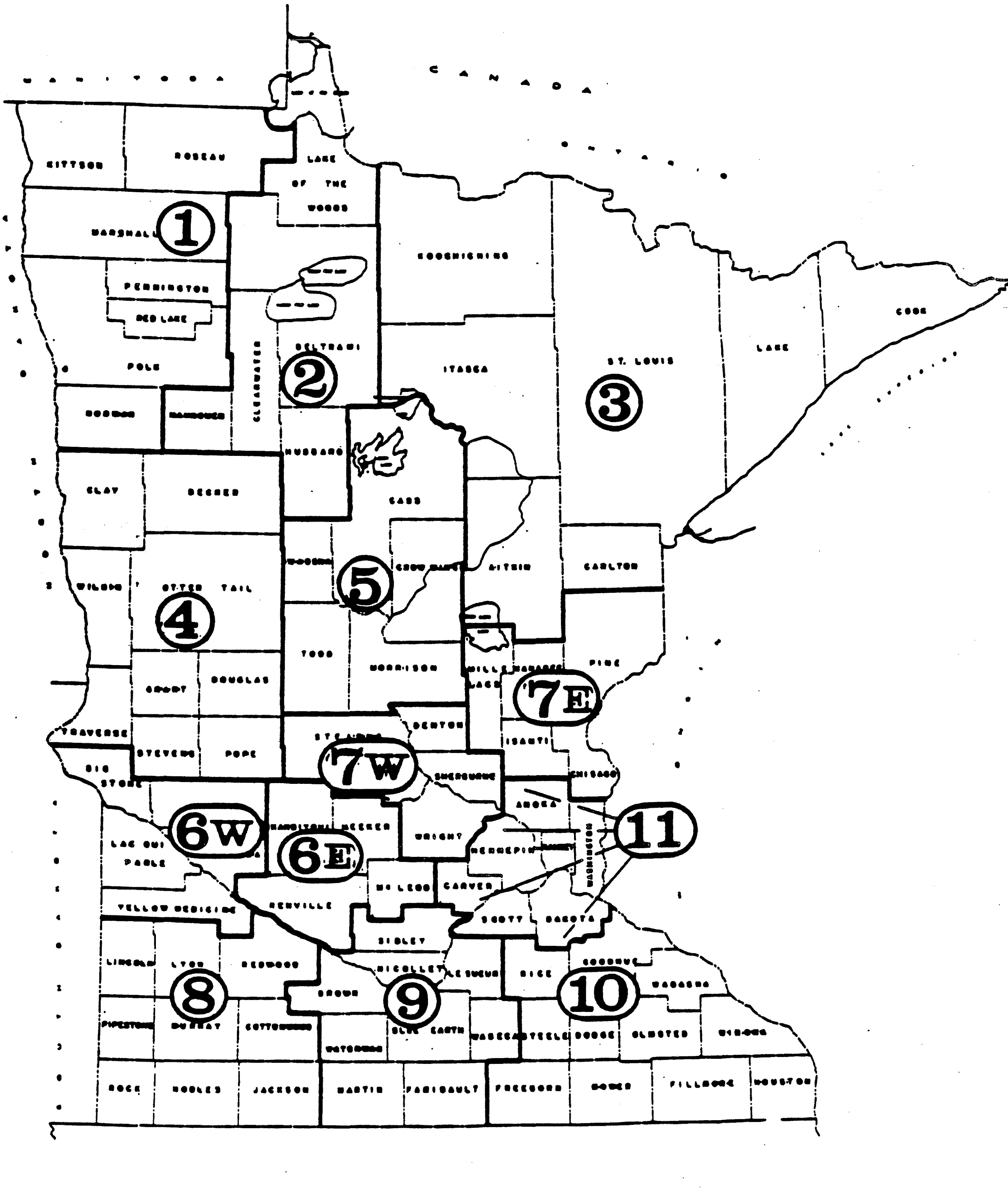
SOURCE: *Certificate of Real Estate Value, Department of Revenue, January 1977 and January 1987.*

* *National CPI for Urban Wage Earners and Clerical Workers, all items (1967=100).*

** *1986 Certificate of Real Estate Value data presently include all sales through September 1986.*

*** *Effective rate of change.*

DEVELOPMENT REGIONS



APPENDIX

Metropolitan Statistical Area	*Counties*
Duluth	*St. Louis*
Minneapolis-St. Paul	*Anoka* *Carver* *Chisago* *Dakota* *Hennepin* *Isanti* *Ramsey* *Scott* *Washington* *Wright*
Moorhead	*Clay*
Rochester	*Olmsted*
St. Cloud	*Benton* *Sherburne* *Stearns*