



The State of the Housing Market

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Housing Sectors

- For-Sale
 - All segments remain sluggish
 - Bank-owned properties have increased
 - Short-sales have decreased slightly
- Apartment Rentals
 - New product continues to perform well
 - How much can be absorbed?
- Senior
 - Holding its own, but vacancies are rising as seniors have difficulty selling their homes and are delaying the move
- Student
 - Where is the bottom in this market?
 - Demographics currently aiding this market, but for how long?

Media Hype

business

JUICE
Siemens has big
plans for renewable
energy business D5



STARTRIBUNE.COM/BUSINESS • SECTION D • FRIDAY, JANUARY 14, 2011

2010 housing market posted a dramatic drop

• Home sales sank in 2010, in a market that was largely frozen for the second half of the year.

By JIM BUCHTA
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The final numbers are in and it's official: 2010 was the worst year for home sales since the local Realtors association began tracking home sales in the metro area nearly a decade ago.

Though median sale prices rose modestly last year — 2.3 percent — the number of homes sold slipped to 37,365, down 17 percent from 2009, and even lower than 2008, which many in the industry had hoped was the bottom of the market, according to data released Thursday by the Minneapolis Area Association of Realtors.

The grim report comes at a time of tempered optimism about the coming year for both the housing market and the broader economy, which are expected to show continuing signs of recovery.

Rob Grunewald, associate economist for the Federal Reserve Bank of Minneapolis, said that while the construction industry saw more promising numbers during the last weeks of the year, a full thaw for the housing market isn't likely during 2011. "While the overall Minnesota economy is expected to recover moderately in 2011," he said. "The housing industry faces conditions that will likely keep home prices and

building at relatively low levels."

Expectations for 2010 were low from the start, but the year started with a bang as home sales rose on the heels of an \$8,000 federal home buyer's tax credit, which helped keep prices buoyant. When the credit expired at the end of April though, the market came to a screeching halt, causing sales to fall dramatically during the last half of the year.

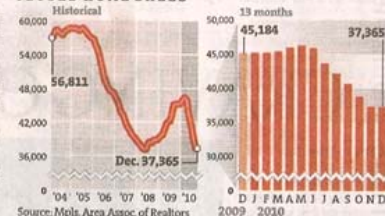
"It was like two different markets," said Pat Paulson, president of the Minneapolis Area Association of Realtors. He said that during the last week of

Housing continues on D2 ►

HOME SALES SINK AGAIN

The number of closed home sales last month was down compared with both the previous month and the same period last year.

CLOSED HOME SALES



Target puts credit card portfolio back on the block

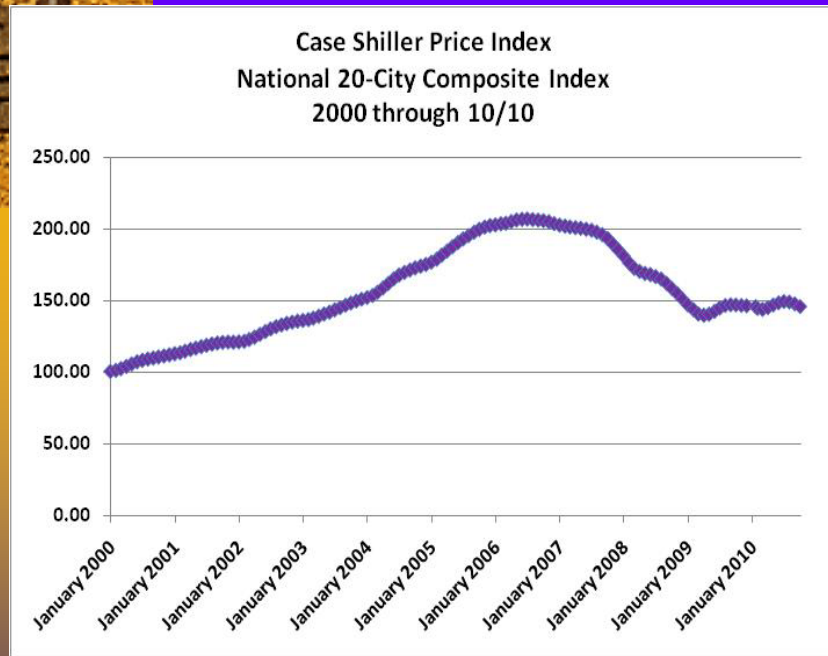
• Analysts say shedding the \$6.7

CRAVING GROWTH

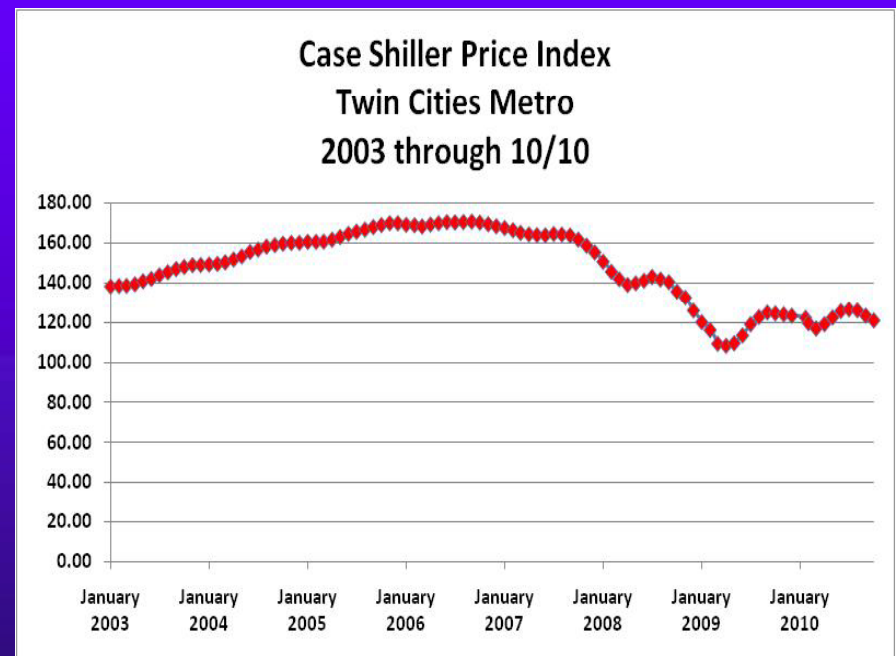


Case-Shiller Home Price Index

National



Twin Cities



Owner-Occupied Market

Single-Family Homes

Townhomes

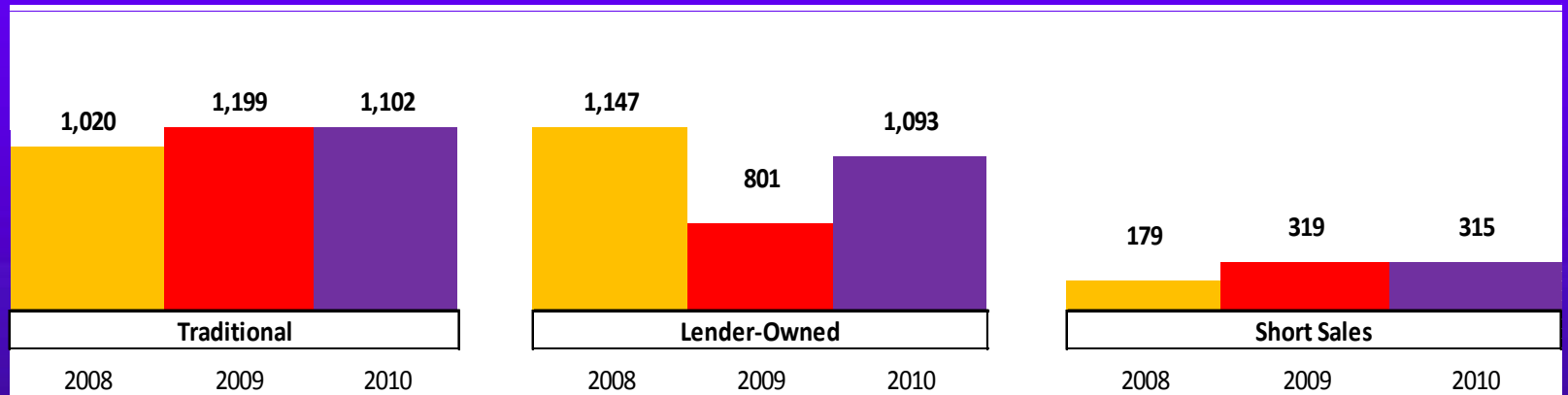
Condominiums





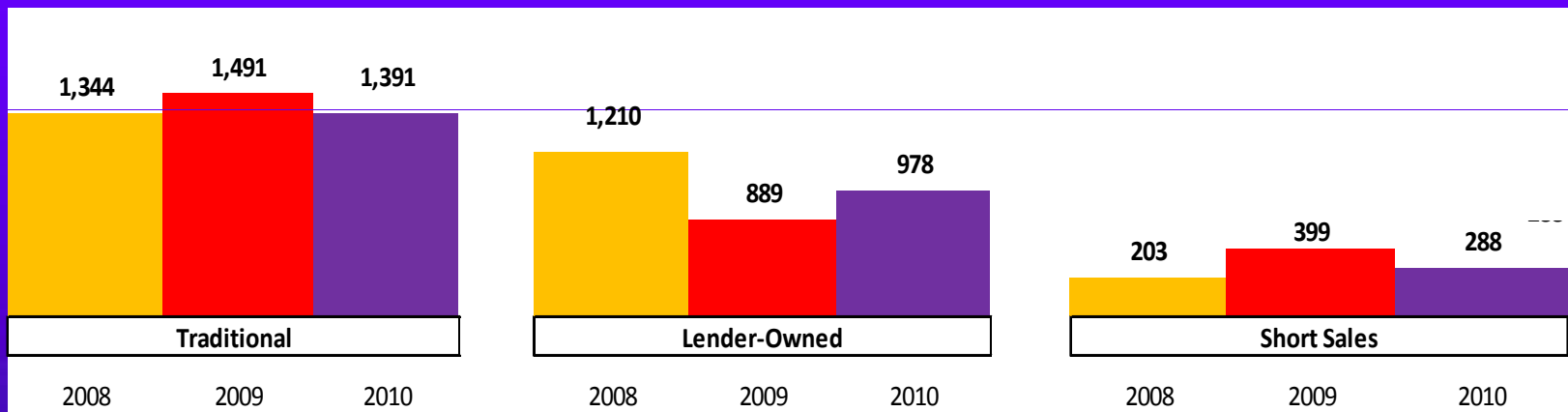
Pending Sales

(year over year December)



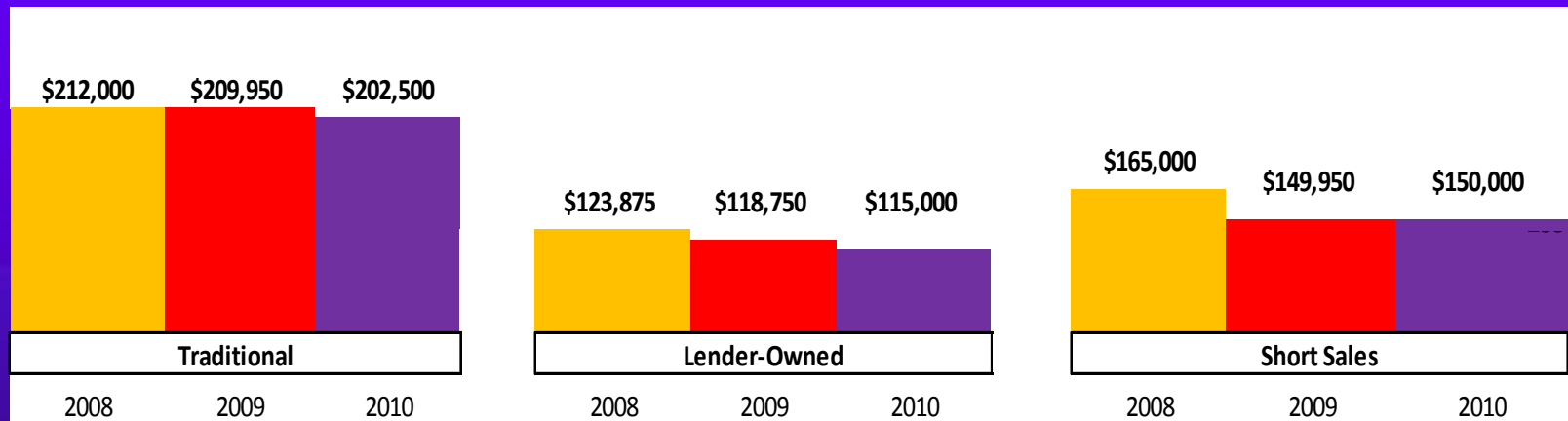
Sales of Existing Homes

(year over year December)



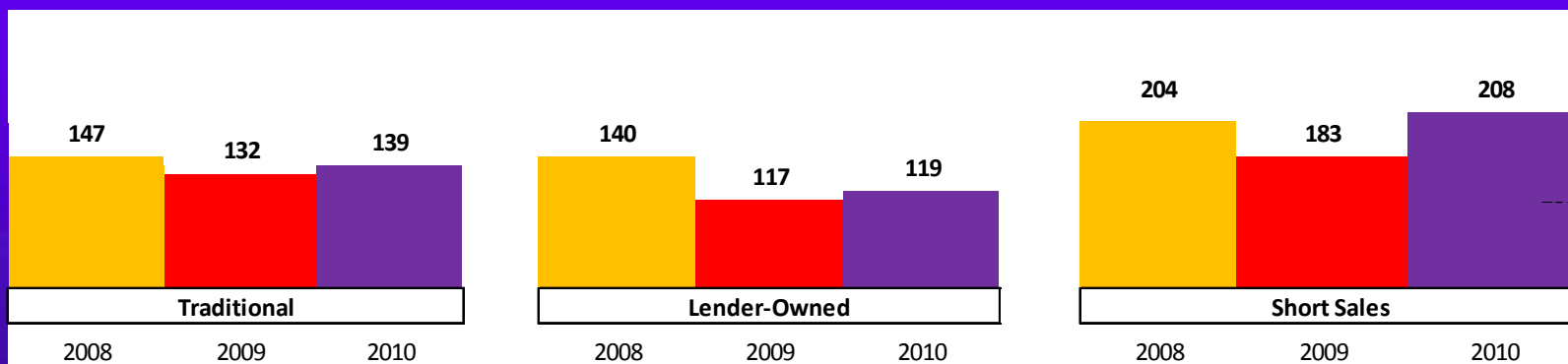
Median Sales Price

(year over year December)



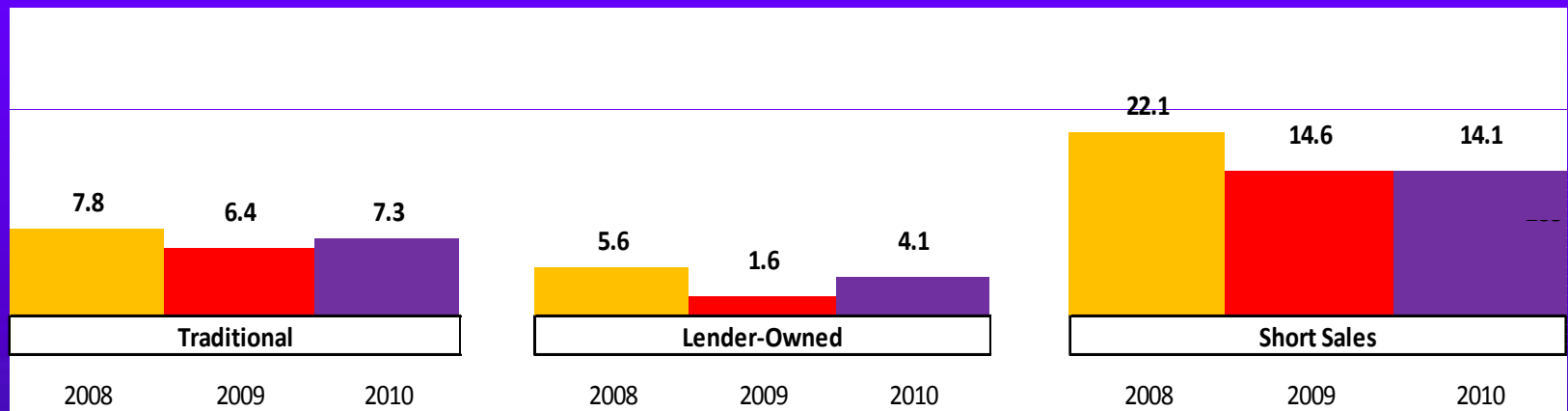
Days on Market

(year over year December)



Months Supply

(year over year December)



Townhomes and Condominiums





Inventory of Homes/ Months of Supply

Townhomes

- 2010 - 3,692
- 2011 - 4,048
+9.6%
- 2010 - 5.3 months
- 2011 - 7.0 months
+31.3%

Condominiums

- 2010 - 2,081
- 2011 - 2,099 +0.9%
- 2010 - 8.6 months
- 2011 - 9.7 months +12.5%



Median Sales Prices

Townhomes

2010 = \$155,399

2011 = \$157,153 +1.1%

Dollars Per Sq. Ft.

2010 = \$94

2011 = \$91 -3.1%

Condominiums

2010 = \$179,002

2011 = \$160,942 -10.1%

Dollars Per Sq. Ft.

2010 = \$145

2011 = \$131 -10.0%



Condominiums and Townhomes Downtown Minneapolis

Total Sales – Existing

2006 = 356
2007 = 352
2008 = 332
2009 = 581
2010 = 393

Total Sales – New

2006 = 550
2007 = 298
2008 = 294
2009 = 202
2010 = 109

Average Price-Existing

2006 – \$297,193
2007 - \$299,623
2008 – \$292,034
2009 – \$325,422
2010 - \$277,502

Average Price – New

2006 – \$321,199
2007 – \$340,556
2008 – \$390,505
2009 – \$470,423
2010 - \$403,247

Downtown St. Paul



Total Sales - Existing

2006 = 107

2007 = 93

2008 = 105

2009 = 88

2010 = 103

Total Sales – New

2006 = 550

2007 = 298

2008 = 294

2009 = 202

2010 = 109

Average Price-Existing

2006 - \$189,308

2007 - \$186,909

2008 - \$179,297

2009 - \$162,908

2010 - \$163,754

Average Price – New

2006 - \$260,935

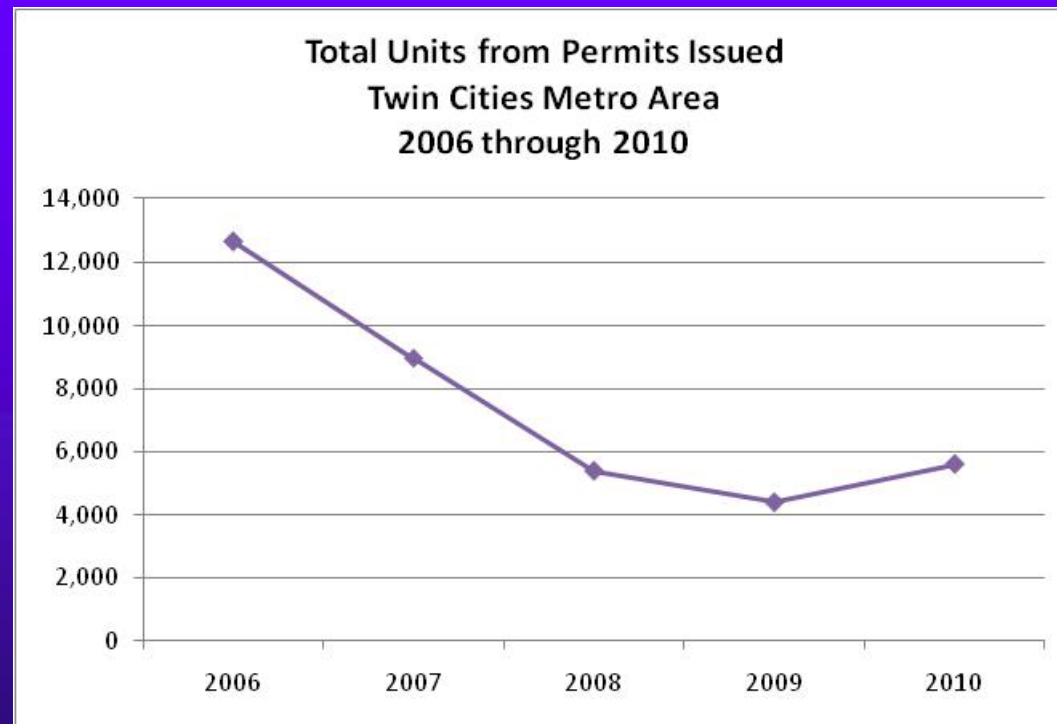
2007 - \$265,892

2008 - \$296,802

2009 - \$288,299

2010 - \$202,732

TCMA Building Permits

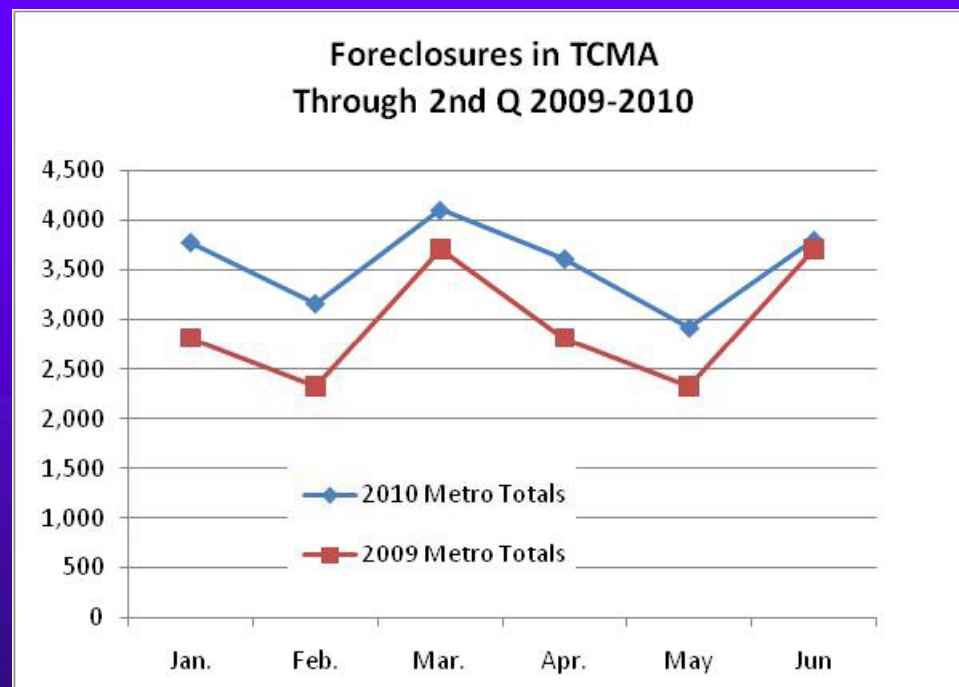




Top Communities No. of Permits Issued

- Minneapolis – 865 units
- Woodbury – 517 units
- Blaine – 331 units
- Maple Grove – 309 units
- Bloomington – 286 units

Twin Cities Metro Area Foreclosures



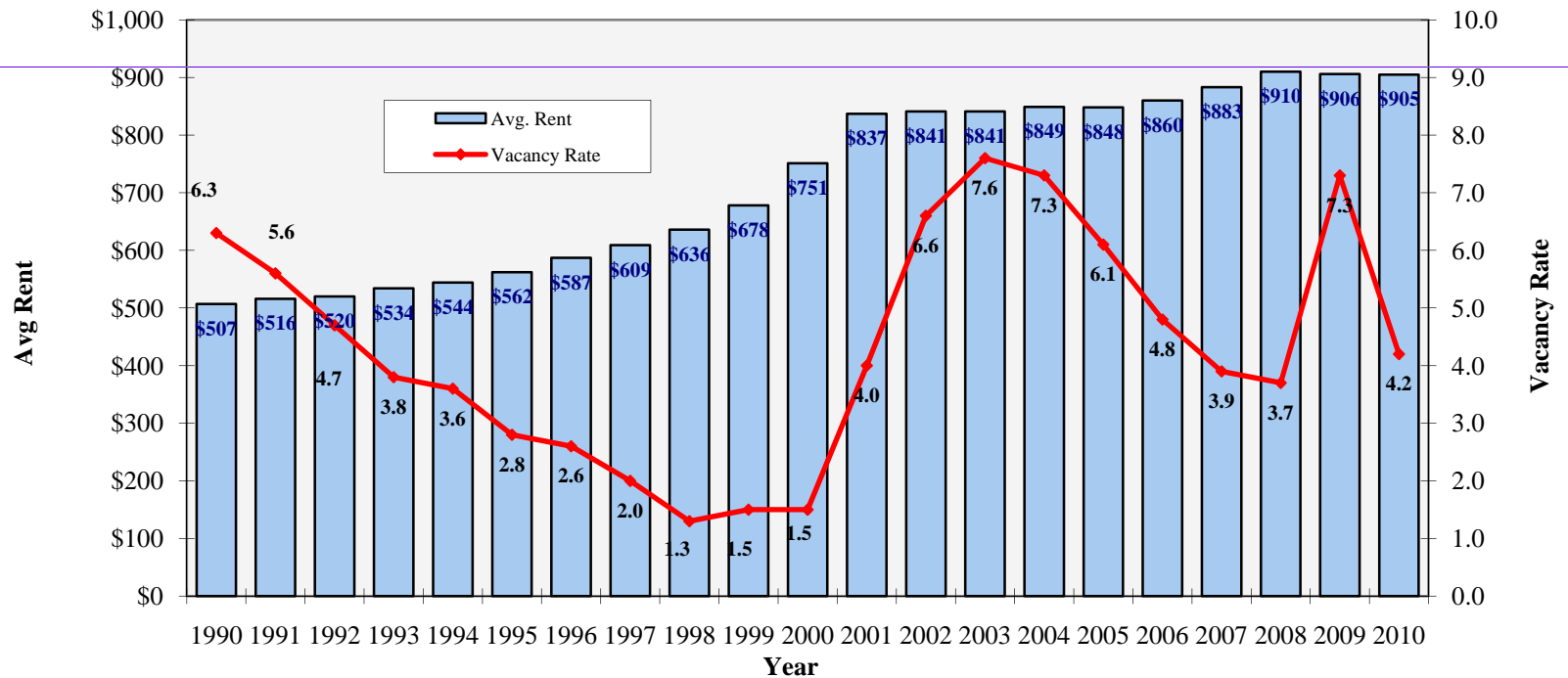
Apartment Market





Average Rents and Vacancies

**Metro Area Apartment Vacancy & Rent Summary
1990 through 2010**





Average Rents-New Product

- Downtown Minneapolis \$1.90-\$2.10
- Uptown Neighborhood \$1.80-\$2.10
- First-Tier Suburbs \$1.55-\$1.70
- Second-Tier Suburbs \$1.35-\$1.55
- Minneapolis/St. Paul \$1.35-\$1.45
 - outside of CBD



Apartment Pipeline

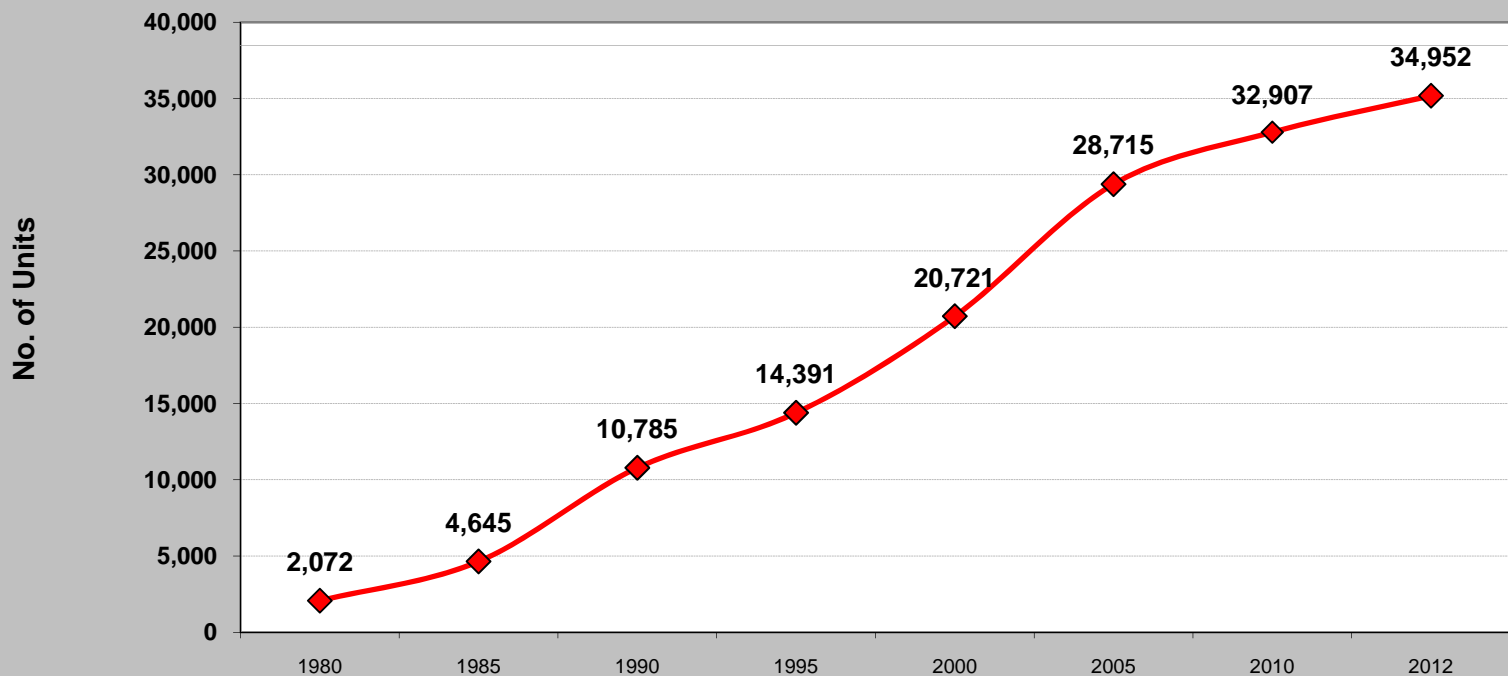
- Downtown St. Paul - 450 MR
- Downtown Minneapolis
- Uptown -
- West Suburban – 570 MR planned
- East Suburban – 245 MR under construction
- South Suburban – 700 MR units planned
- North Suburban – 0 MR planned

Senior Housing



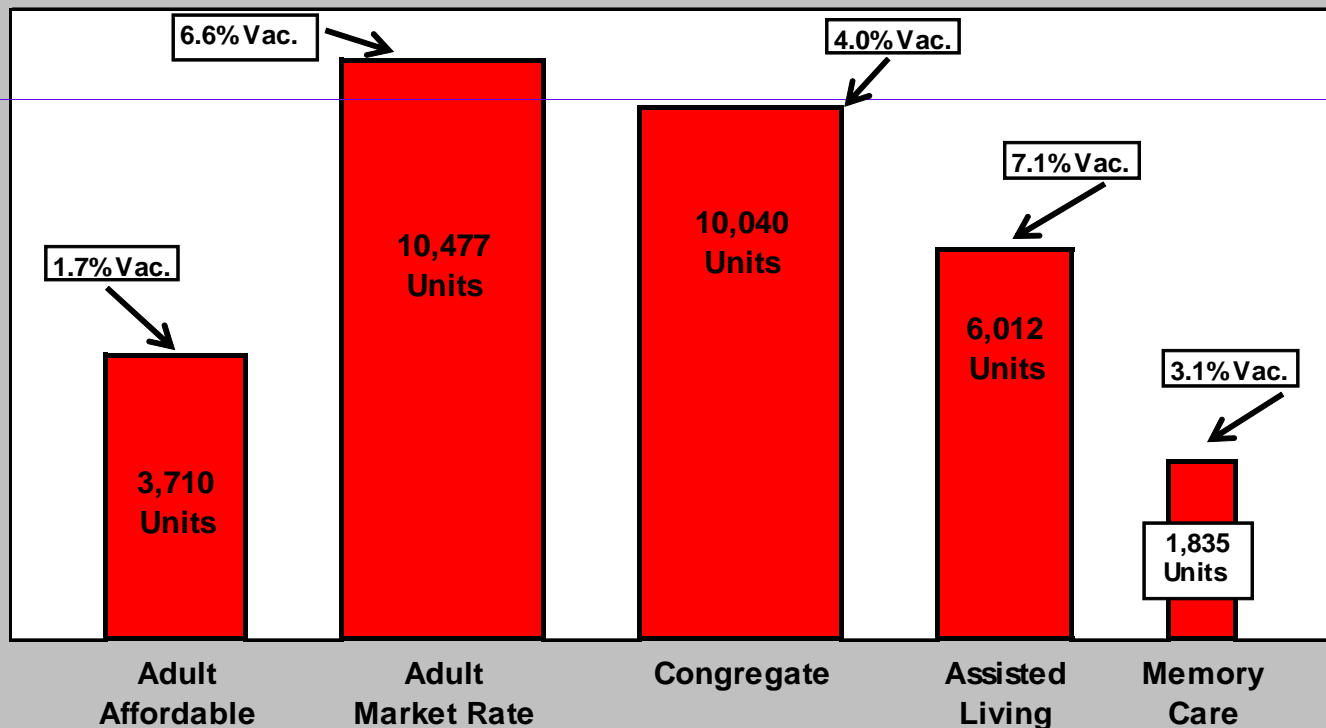
TCMA Non-Subsidized Senior Housing

Figure 1
Total Non-Subsidized Senior Housing Units
7-County Twin Cities Metro Area



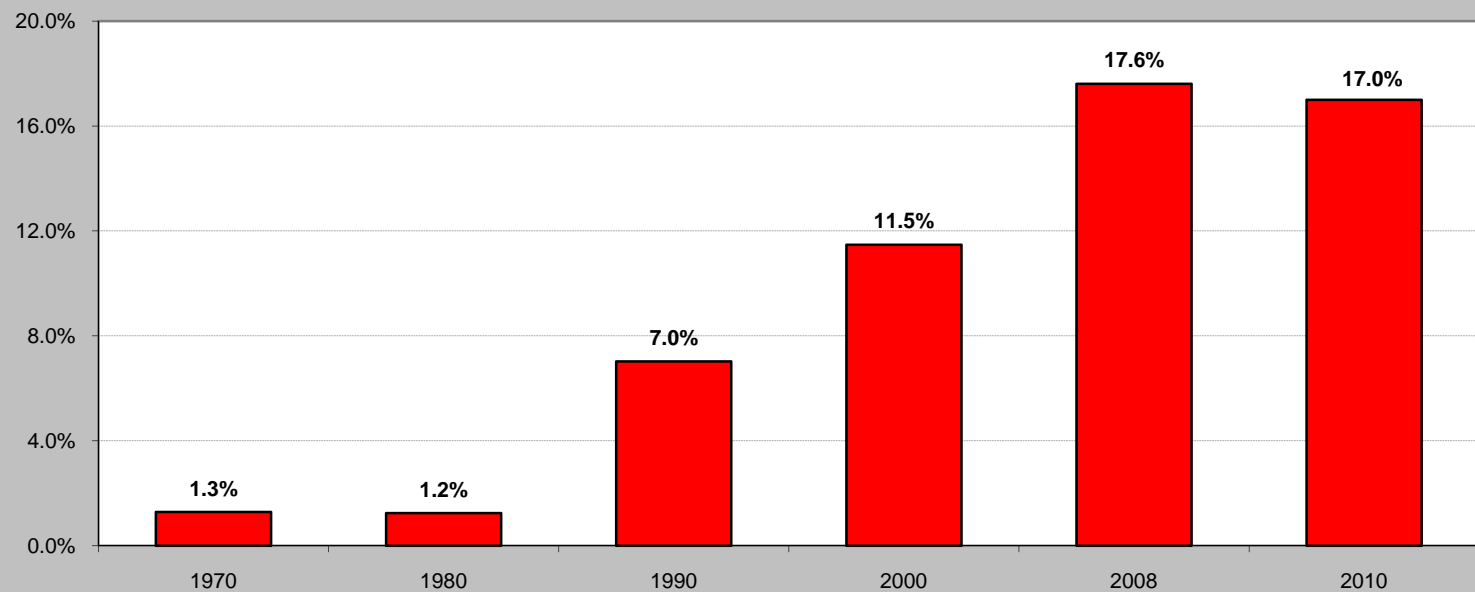
TCMA Senior Vacancy Rates

Figure 5
Distribution and Vacancy Rate by Product Type 2010
7-County Twin Cities Metro Area



TCMA Market Penetration Rate

Figure 13
Senior Housing Market Penetration Rates
7-County Twin Cities Metro Area





Senior Market Factors

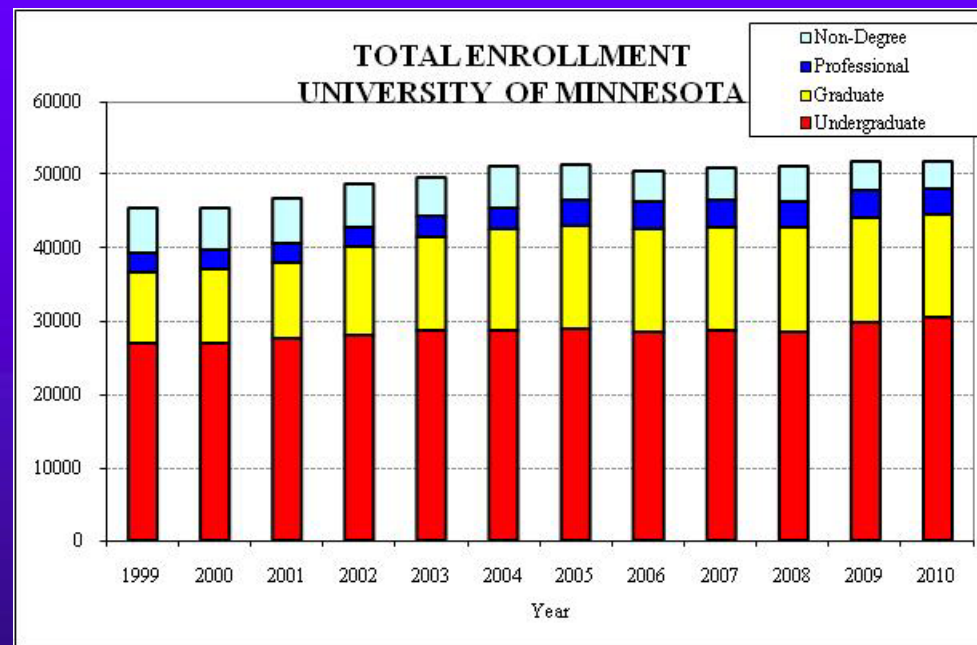
- The slow housing market and reduced pricing is affecting occupancies in market rate senior developments.
- There is a substantial amount of product that is under construction and will be coming on-line in 2011 through mid-2012.
- New product has, to a degree, been able to penetrate the market further, from customers that have been “waiting” for the right development to come along.
- The smaller size of the Depression Era generation will affect service-enriched housing for about the next ten years; limited growth, therefore, must penetrate the market more deeply.

Student Housing





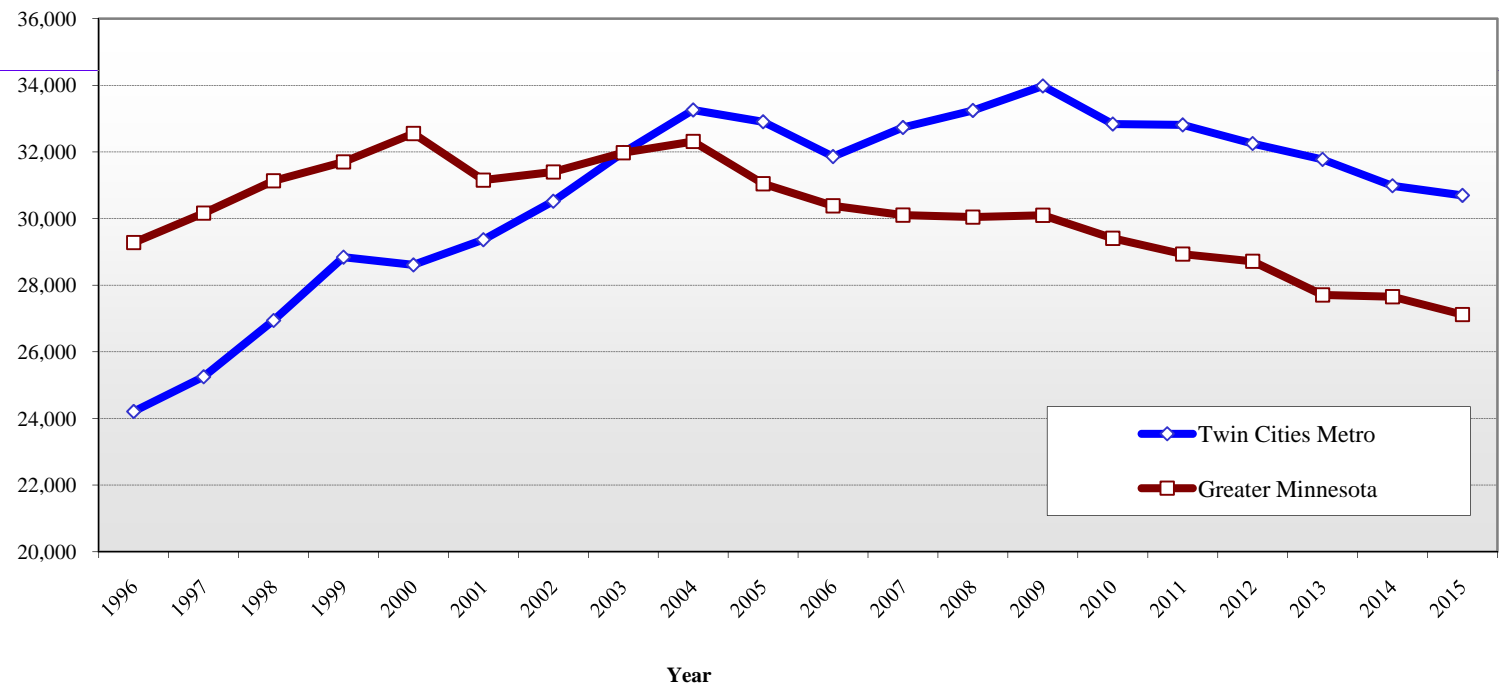
Demographic Impacts





Projected High-School Enrollment

**HIGH SCHOOL GRADUATES
STATE OF MINNESOTA
1996-2009 ACTUAL, 2010-2022 PROJECTED**





Units On-Line and Pipeline

- Flo-Co Fusion – 86 units
- Solhem – East Bank – 75 units
- 412 Lofts – 102 units
- Oak and Washington – 120 units
- Others being considered



Student Housing Market Factors

- High-School Graduations
- Number of Students remaining in-state
- Proportion of Students Desiring a Location close to campus
- Price points – At what price does demand decrease or does sharing increase?
- Graduate student populations



Market Forecast

The Full Spectrum

Slow

- For-Sale

Strong

- Apartments
- Student Housing

Moderate

- Senior Housing
 - Independent
 - Service-Enriched



Questions

