

FORECLOSURES AND SHORT SALES IN THE TWIN CITIES HOUSING MARKET Q2 2009 UPDATE

A SPECIAL RESEARCH REPORT FROM THE MINNEAPOLIS AREA ASSOCIATION OF REALTORS®

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The number of foreclosures and short sales available for sale in the Twin Cities housing market continued its dramatic fall in the second quarter of 2009. From February 1st to July 1st the supply of these homes available has dropped over 2,100 units to 6,685 (*Figure 1*).

New data available indicates that the supply picture for bank-owned foreclosures excluding short sales looks even more extreme. There were only 1.84 bank-owned foreclosure homes available for each sale in June—compared to 5.10 homes owned by a traditional seller and 10.22 homes in a short sale situation (*Figure 2*), according to our analysis of two new data fields in the Regional Multiple Listing Service. In sum, the supply of bank-owned foreclosures is dwindling quickly.

Because these fields are only a few months old these numbers are not perfectly reliable. Nonetheless, they offer a relatively clear picture of the differences between the bank-owned foreclosure market and the short sale market that must be recognized by consumers.

Foreclosures are properties in which the financial institution has repossessed the home from the owner due to nonpayment of mortgage obligations. Short sales are unique arrangements where the financial institution and in-default homeowner work together in an attempt to sell the home before it is foreclosed upon.

Want to see how foreclosures and short sales are affecting various neighborhoods and cities within the Twin Cities metro area? [Click here](#) to access an interactive data board and in-depth neighborhood reports and commentary.

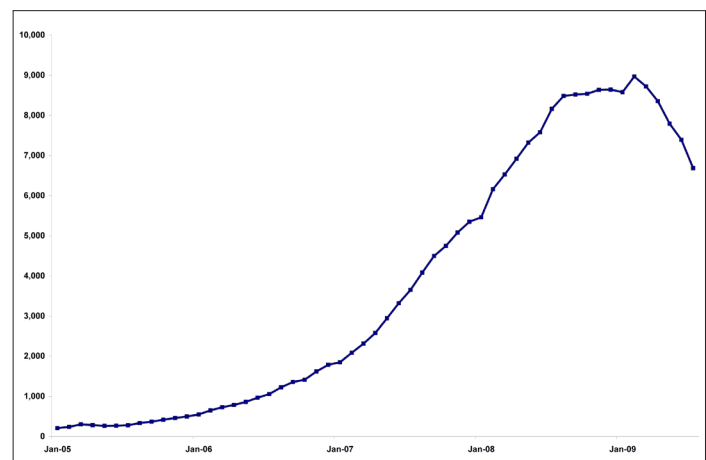


Figure 1 | Inventory of Lender-Mediated Homes for Sale Dropping Quickly

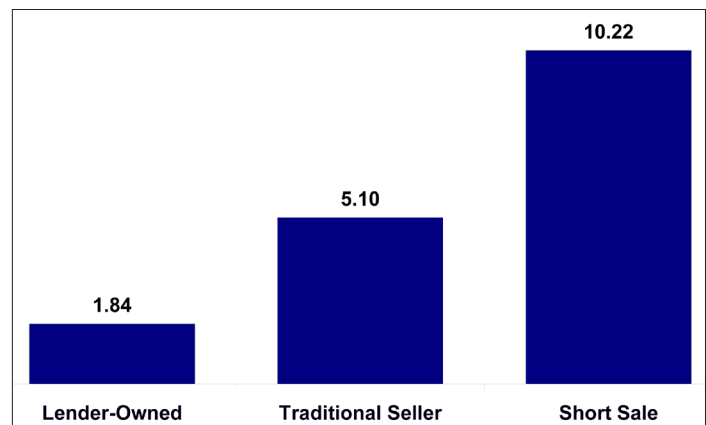


Figure 2 | Houses Available Per Buyer: June 2009



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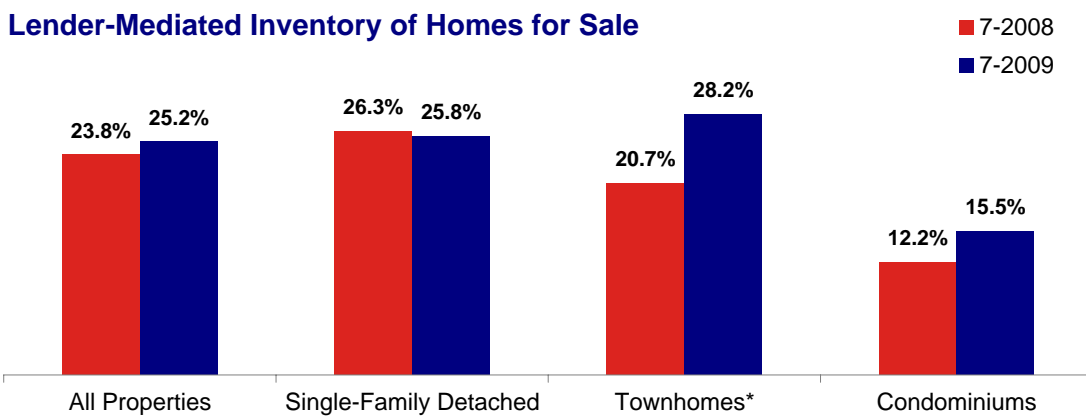


Inventory of Homes for Sale

Property Type	Lender-Mediated			Traditional			Total			Share of Total Inventory That Is Lender-Mediated	
	7-2008	7-2009	Change	7-2008	7-2009	Change	7-2008	7-2009	Change	7-2008	7-2009
All Properties	8,163	6,685	- 18.1%	26,124	19,837	- 24.1%	34,287	26,522	- 22.6%	23.8%	25.2%
Single-Family Detached	6,308	4,757	- 24.6%	17,669	13,682	- 22.6%	23,977	18,439	- 23.1%	26.3%	25.8%
Townhomes*	1,451	1,498	+ 3.2%	5,552	3,813	- 31.3%	7,003	5,311	- 24.2%	20.7%	28.2%
Condominiums	404	430	+ 6.4%	2,903	2,342	- 19.3%	3,307	2,772	- 16.2%	12.2%	15.5%

*Includes twinhomes

Lender-Mediated Inventory of Homes for Sale



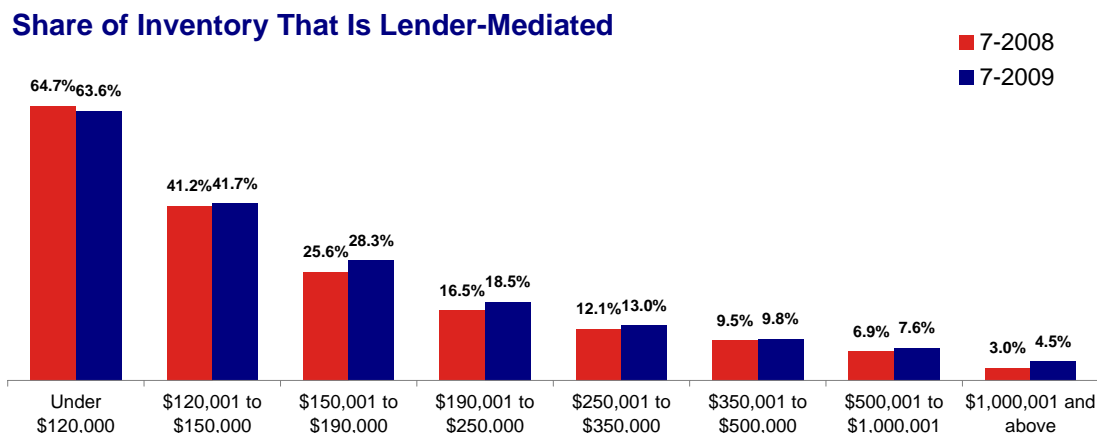
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There are now almost 1,500 fewer lender-mediated homes for sale than there was a year ago.

Townhomes and condominiums still have roughly the same amount of lender-mediated inventory, while the single family detached market has seen a huge drop.

Price Range	Lender-Mediated			Traditional			Total			Share of Total Inventory That Is Lender-Mediated	
	7-2008	7-2009	Change	7-2008	7-2009	Change	7-2008	7-2009	Change	7-2008	7-2009
Under \$120,000	2,681	2,258	- 15.8%	1,465	1,294	- 11.7%	4,146	3,552	- 14.3%	64.7%	63.6%
\$120,001 to \$150,000	1,481	1,195	- 19.3%	2,115	1,668	- 21.1%	3,596	2,863	- 20.4%	41.2%	41.7%
\$150,001 to \$190,000	1,549	1,228	- 20.7%	4,511	3,112	- 31.0%	6,060	4,340	- 28.4%	25.6%	28.3%
\$190,001 to \$250,000	1,152	896	- 22.2%	5,840	3,943	- 32.5%	6,992	4,839	- 30.8%	16.5%	18.5%
\$250,001 to \$350,000	712	575	- 19.2%	5,175	3,837	- 25.9%	5,887	4,412	- 25.1%	12.1%	13.0%
\$350,001 to \$500,000	360	291	- 19.2%	3,444	2,687	- 22.0%	3,804	2,978	- 21.7%	9.5%	9.8%
\$500,001 to \$1,000,001	204	202	- 1.0%	2,771	2,445	- 11.8%	2,975	2,647	- 11.0%	6.9%	7.6%
\$1,000,001 and above	25	40	+ 60.0%	804	851	+ 5.8%	829	891	+ 7.5%	3.0%	4.5%
All Prices	8,164	6,685	- 18.1%	26,125	19,837	- 24.1%	34,289	26,522	- 22.7%	23.8%	25.2%

Share of Inventory That Is Lender-Mediated



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Lender-mediated inventory is down in every price category except above \$1 million, where it has increased 60.0 percent in the last year. Bear in mind: that's still only 4.5 percent of the inventory in that price range.

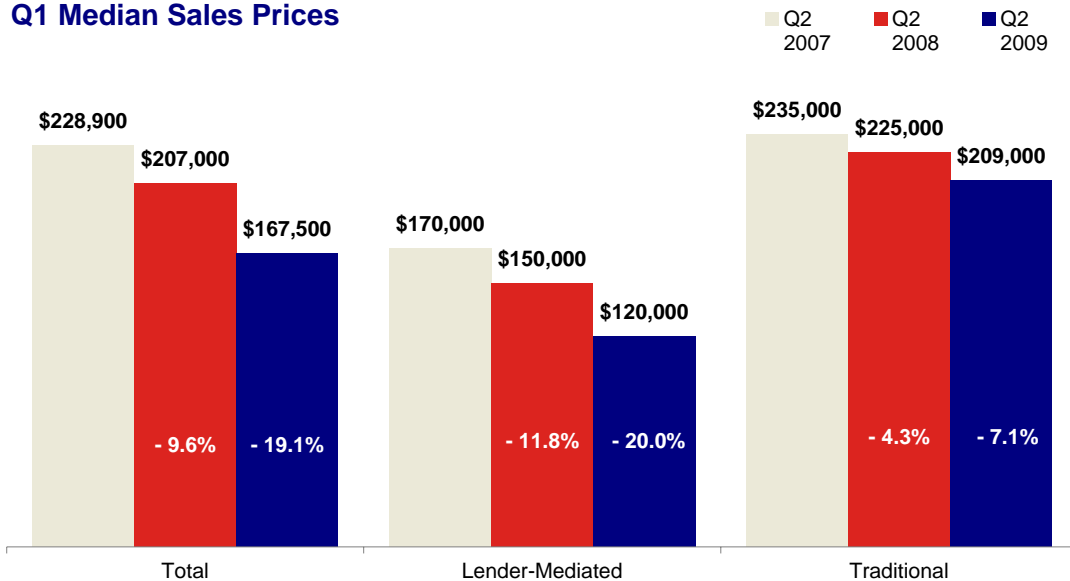


Median Prices

	Lender-Mediated				Traditional				Total			
	Q2 2007	Q2 2008	Q2 2009	1-Yr Change	Q2 2007	Q2 2008	Q2 2009	1-Yr Change	Q2 2007	Q2 2008	Q2 2009	1-Yr Change
All Properties	\$170,000	\$150,000	\$120,000	-20.0%	\$235,000	\$225,000	\$209,000	-7.1%	\$228,900	\$207,000	\$167,500	-19.1%
Single-Family Detached	\$179,000	\$157,000	\$126,500	-19.4%	\$255,000	\$240,000	\$222,700	-7.2%	\$248,000	\$220,000	\$180,000	-18.2%
Townhomes*	\$153,500	\$139,000	\$109,900	-20.9%	\$190,000	\$179,995	\$162,000	-10.0%	\$186,050	\$170,000	\$139,874	-17.7%
Condominiums	\$93,000	\$102,500	\$83,750	-18.3%	\$172,250	\$177,976	\$155,000	-12.9%	\$169,900	\$169,900	\$130,000	-23.5%

*Includes twinhomes

Q1 Median Sales Prices

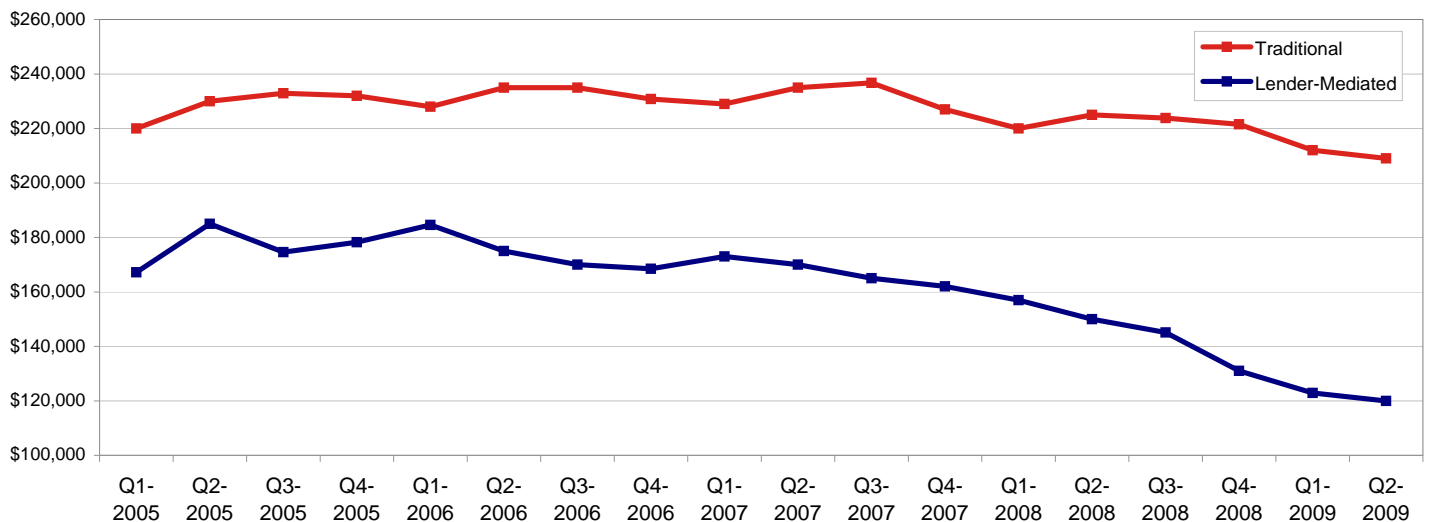


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For all property types, home prices in the traditional market haven't declined as precipitously as the lender-mediated market.

The overall median sales price for all properties is skewed downward by the increased market share of foreclosures and short sales.

Historical Median Sales Prices



POSTSCRIPT: EXPLANATION OF METHODOLOGY

The Q2 2009 Update relies in part upon the analysis of subjective remarks that REALTORS® employ when listing properties in the Twin Cities Regional Multiple Listing Service, and in part upon data fields in this same system called “In Foreclosure,” “Bank-Owned” and “Short Sale.” These fields allow users to mark properties that fit within these legal definitions.

As such, a property is lender-mediated when any of the following rules are met:

- In Foreclosure = “Yes”
- Bank-Owned = “Yes”
- Short Sale = “Yes”
- One of the following terms are found in Agent Remarks, Public Remarks or Financial Remarks:

- | | | | |
|--------------------|---------------------|------------------------|--------------------|
| • bank owned | • preforeclosure | • subject to corp | • subject to third |
| • short sale | • subject to bank | • corporate owned | • hud-acquire |
| • bank approv | • subject to 3rd | • corp owned | • hud-acquired |
| • lender approv | • subject to lender | • corp. owned | • corporate-owned |
| • 3rd party approv | • redemption | • bank-owned | • corp-owned |
| • foreclosure | • shortsale | • short-sale | • corp owner |
| • preforeclosure | • reo | • 3rd-party approval | • subj to corp |
| • forclosure | • hud acquire | • third-party approval | |

Note: properties containing these specific phrases in the same remark fields are NOT considered lender-mediated

- | | | | |
|---------------------|--------------------|------------------|--------------|
| • not a foreclosure | • not forclosure | • not shortsale | • not a bank |
| • not a forclosure | • not a short sale | • not short-sale | • not bank |
| • no foreclosure | • not a shortsale | • no short sale | • no bank |
| • no forclosure | • not a short-sale | • no shortsale | |
| • not foreclosure | • not short sale | • no short-sale | |



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