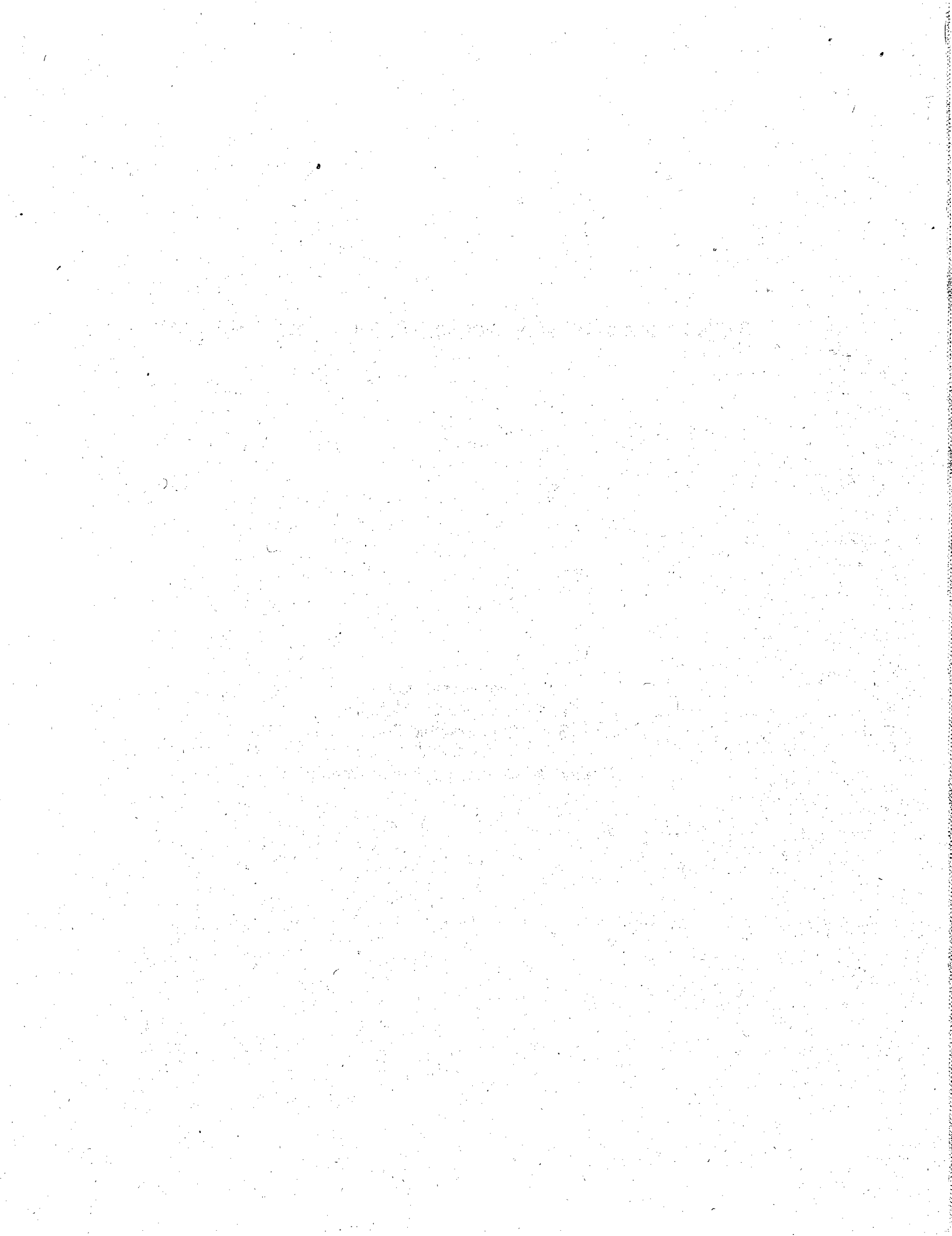


Sales Prices of Existing Housing in Minnesota, 1998-1999

Working Paper 00-20
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June 2000
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Sales Prices of Existing Houses in Minnesota, 1998-1999

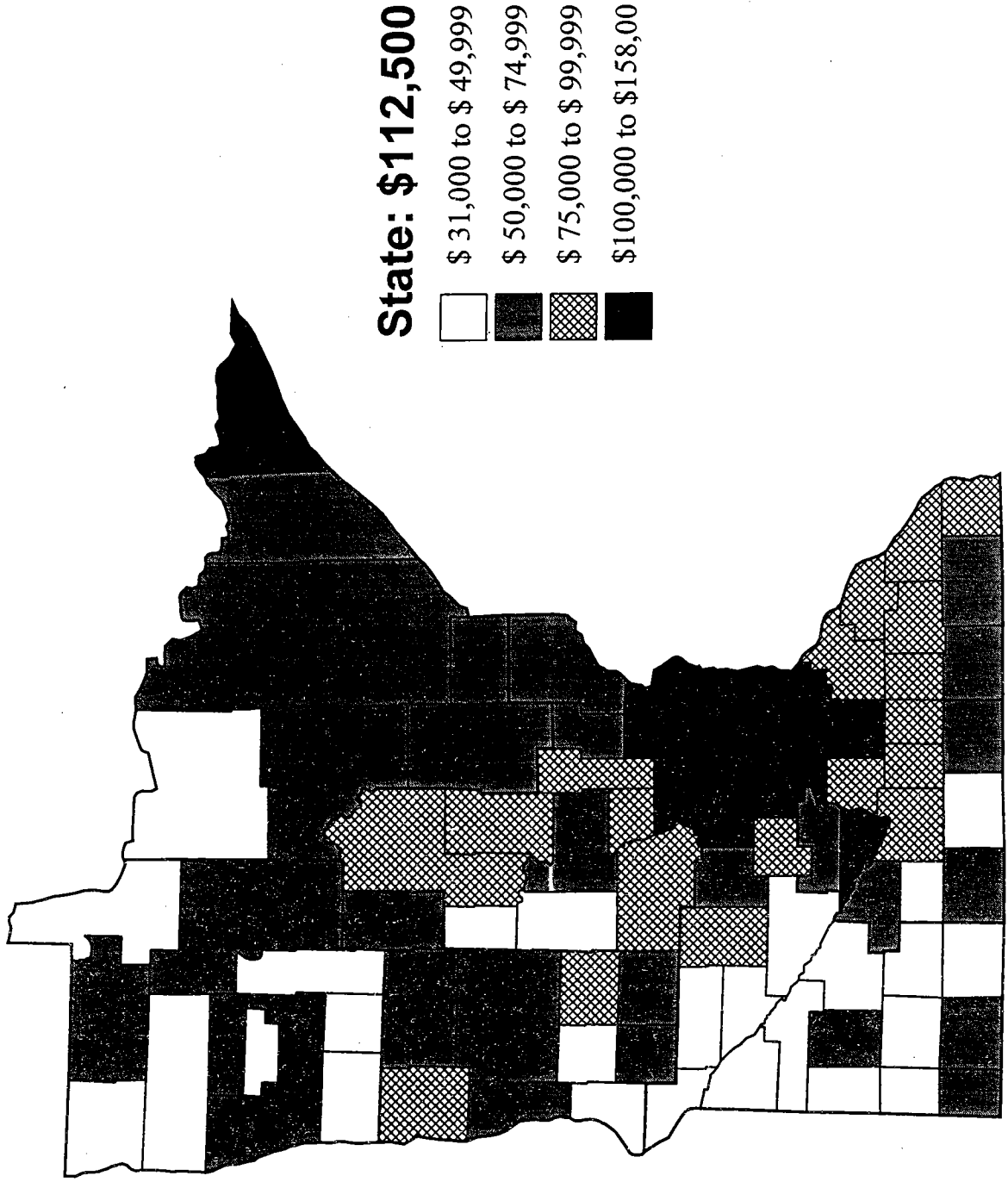
Housing sales prices grew substantially in most areas of Minnesota in the late 1990s. The statewide median price for armed-length sales of existing houses sold between January, 1998 and September, 1999 was \$112,500. This was an increase of 29 percent over the 1995-1996 median sales price of \$87,500, far higher than the inflation rate of 6.6 percent during the same period. Housing prices also have shown strong growth over a longer period, increasing on average by 76 percent since 1984-1985. The solid gains in housing prices in recent years stand in sharp contrast to the slow growth that occurred in the late 1980s. (See *Population Notes* 98-54, August 1998.)

Median Sales Prices in 1998-99

Housing prices vary dramatically by region, county and city. The highest values are generally in the Minneapolis-St. Paul and St. Cloud areas and in southeastern Minnesota. In Region 11, the seven-county Twin Cities area, existing houses sold for an average of \$126,900. Carver County (\$158,000) had the highest 1998-1999 median price, followed by Scott (\$139,995) and Washington (\$139,000) counties. All are fast-growing, high-demand suburban counties in the Twin Cities.

Housing prices have been on the rise in rural areas with lakes, forests and other recreational amenities. Cook County had the thirteenth-highest median sales price, \$105,000. Crow Wing, Cass and Douglas counties – all major recreational areas – also ranked among the top twenty five counties.

Median Sales Price of Existing Houses January 1998 to September 1999



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Median sales prices of existing homes by region

	1984-85 median sales price of existing homes	1989-90 median sales price of existing homes	1995-96 Median sales price of existing homes	1998-99 Median sales price of existing homes	% Change 1984-85 to 1998-99	% Change 1995-96 to 1998-99
Minnesota	\$64,028	\$69,993	\$87,500	\$112,500	75.7%	28.6%
Development Regions:						
1- Northwest	\$34,993	\$33,514	\$40,000	\$50,000	42.9%	25.0%
2-Headwaters	\$34,924	\$38,291	\$49,500	\$65,000	86.1%	31.3%
3-Arrowhead	\$33,966	\$37,961	\$54,000	\$67,400	98.4%	24.8%
4-West Central	\$41,978	\$44,549	\$58,000	\$73,000	73.9%	25.9%
5-North Central	\$37,321	\$40,020	\$55,000	\$74,250	98.9%	35.0%
6E- Mid-Minnesota	\$48,004	\$49,984	\$67,900	\$80,500	67.7%	18.6%
6W- Upper Minnesota Valley	\$29,994	\$25,033	\$35,000	\$40,000	33.4%	14.3%
7E- East Central	\$46,497	\$55,007	\$77,000	\$96,950	108.5%	25.9%
7W- Central	\$53,825	\$61,924	\$85,900	\$107,000	98.8%	24.6%
8- Southwest	\$36,499	\$30,962	\$42,000	\$52,000	42.5%	23.8%
9- South Central	\$46,908	\$47,019	\$63,500	\$78,975	68.4%	24.4%
10- Southeast	\$51,017	\$55,418	\$75,000	\$89,900	76.2%	19.9%
11- Twin Cities Area	\$72,519	\$83,992	\$102,900	\$126,900	75.0%	23.3%

Note: Data on arms length sales from Minnesota Department of Revenue, Property Tax division. Data cover a 21-month period from January to September. Figures are in current dollars. Excludes multiple parcel sales and unknown transaction types

MEDIAN SALES PRICE OF EXISTING HOUSES, BY COUNTY

COUNTY	1984-85 Median Sales Price of Existing Homes	1989-90 Median Sales Price of Existing Homes	1995-96 Median Sales Price of Existing Homes	1998-99 Median Sales Price of Existing Homes	% change 1984-85 to 1998-99	% change 1995-96 to 1998-99
STATE	\$64,000	\$70,000	\$87,500	\$112,500	75.8%	28.6%
AITKIN	\$31,000	\$32,250	\$54,200	\$70,000	125.8%	29.2%
ANOKA	\$67,000	\$79,000	\$97,500	\$119,999	79.1%	23.1%
BECKER	\$34,500	\$39,200	\$56,000	\$69,425	101.2%	24.0%
BELTRAMI	\$40,450	\$43,000	\$55,950	\$67,000	65.6%	19.7%
BENTON	\$48,000	\$53,300	\$76,000	\$90,000	87.5%	18.4%
BIG STONE	\$20,667	\$24,471	\$29,500	\$38,125	84.5%	29.2%
BLUE EARTH	\$51,000	\$52,700	\$72,000	\$88,000	72.5%	22.2%
BROWN	\$50,000	\$44,987	\$60,300	\$73,400	46.8%	21.7%
CARLTON	\$32,000	\$38,000	\$55,000	\$68,650	114.5%	24.8%
CARVER	\$74,000	\$94,088	\$131,320	\$158,000	113.5%	20.3%
CASS	\$39,000	\$44,500	\$64,000	\$89,500	129.5%	39.8%
CHIPPEWA	\$30,000	\$28,500	\$38,750	\$48,100	60.3%	24.1%
CHISAGO	\$55,000	\$69,900	\$98,850	\$120,000	118.2%	21.4%
CLAY	\$52,000	\$55,000	\$67,900	\$78,000	50.0%	14.9%
CLEARWATER	\$22,500	\$16,000	\$25,750	\$35,000	55.6%	35.9%
COOK	\$39,000	\$46,500	\$75,237	\$105,000	169.2%	39.6%
COTTONWOOD	\$25,000	\$21,600	\$33,000	\$42,000	68.0%	27.3%
CROW WING	\$40,900	\$45,825	\$65,700	\$89,900	119.8%	36.8%
DAKOTA	\$77,000	\$89,900	\$114,500	\$134,000	74.0%	17.0%
DODGE	\$48,000	\$49,500	\$74,200	\$87,000	81.3%	17.3%
DOUGLAS	\$48,313	\$50,450	\$71,725	\$89,285	84.8%	24.5%
FARIBAULT	\$29,500	\$28,000	\$26,000	\$39,000	32.2%	50.0%
FILLMORE	\$28,750	\$33,000	\$47,950	\$64,000	122.6%	33.5%
FREEBORN	\$38,900	\$39,900	\$45,900	\$59,900	54.0%	30.5%
GOODHUE	\$46,000	\$55,000	\$81,000	\$98,500	114.1%	21.6%
GRANT	\$25,000	\$26,500	\$33,700	\$39,950	59.8%	18.5%
HENNEPIN	\$74,000	\$85,500	\$101,900	\$127,000	71.6%	24.6%
HOUSTON	\$46,951	\$50,000	\$67,750	\$83,500	77.8%	23.2%
HUBBARD	\$29,750	\$38,000	\$55,000	\$74,900	151.8%	36.2%
ISANTI	\$50,601	\$60,000	\$82,950	\$102,250	102.1%	23.3%
ITASCA	\$35,000	\$36,800	\$52,000	\$70,000	100.0%	34.6%
JACKSON	\$32,500	\$20,000	\$33,750	\$47,000	44.6%	39.3%
KANABEC	\$30,000	\$37,500	\$54,250	\$69,250	130.8%	27.6%
KANDIYOHI	\$52,000	\$51,000	\$67,838	\$77,000	48.1%	13.5%
KITTSON	\$13,900	\$20,250	\$18,000	\$31,000	123.0%	72.2%

MEDIAN SALES PRICE OF EXISTING HOUSES, BY COUNTY

COUNTY	1984-85 Median Sales Price of Existing Homes	1989-90 Median Sales Price of Existing Homes	1995-96 Median Sales Price of Existing Homes	1998-99 Median Sales Price of Existing Homes	% change 1984-85 to 1998-99	% change 1995-96 to 1998-99
KOOCHICHING	\$30,000	\$29,000	\$40,000	\$44,000	46.7%	10.0%
LAC QUI PARLE LAKE	\$28,750	\$17,500	\$28,125	\$31,750	10.4%	12.9%
LAKE OF THE WOODS	\$23,000	\$31,500	\$41,000	\$54,150	135.4%	32.1%
LE SUEUR	\$20,500	\$26,250	\$40,000	\$42,750	108.5%	6.9%
LINCOLN	\$46,000	\$49,000	\$70,900	\$88,475	92.3%	24.8%
LYON	\$20,500	\$15,000	\$21,000	\$34,900	70.2%	66.2%
McLEOD	\$45,000	\$48,200	\$64,175	\$74,750	66.1%	16.5%
MAHNOMEN	\$54,466	\$57,110	\$79,900	\$95,000	74.4%	18.9%
MARSHALL	\$22,000	\$26,000	\$36,750	\$33,000	50.0%	-10.2%
MARTIN	\$20,577	\$26,750	\$32,237	\$33,500	62.8%	3.9%
MEEKER	\$40,000	\$37,000	\$41,000	\$52,500	31.3%	28.0%
MILLE LACS	\$41,000	\$41,000	\$59,900	\$74,225	81.0%	23.9%
MORRISON	\$37,000	\$43,000	\$60,500	\$84,000	127.0%	38.8%
MOWER	\$34,000	\$42,300	\$49,900	\$68,225	100.7%	36.7%
MURRAY	\$36,000	\$36,150	\$49,900	\$58,500	62.5%	17.2%
NICOLLET	\$33,500	\$23,750	\$35,750	\$38,000	13.4%	6.3%
NOBLES	\$56,000	\$62,000	\$84,000	\$105,000	87.5%	25.0%
NORMAN	\$38,400	\$37,820	\$47,680	\$50,500	31.5%	5.9%
OLMSTED	\$18,000	\$20,000	\$24,500	\$32,000	77.8%	30.6%
OTTER TAIL	\$60,000	\$66,000	\$82,000	\$98,800	64.7%	20.5%
PENNINGTON	\$37,850	\$38,700	\$52,500	\$67,900	79.4%	29.3%
PINE	\$40,942	\$33,000	\$43,500	\$51,200	25.1%	17.7%
PIPESTONE	\$30,000	\$36,000	\$54,000	\$69,825	132.8%	29.3%
POLK	\$22,250	\$25,750	\$29,900	\$35,500	59.5%	18.7%
POPE	\$39,000	\$40,000	\$48,950	\$65,405	67.7%	33.6%
RAMSEY	\$27,675	\$29,900	\$45,500	\$55,750	101.4%	22.5%
RED LAKE	\$69,500	\$78,000	\$88,000	\$112,500	61.9%	27.8%
REDWOOD	\$25,000	\$17,500	\$23,750	\$32,500	30.0%	36.8%
	\$40,000	\$30,000	\$40,600	\$49,500	23.8%	21.9%

MEDIAN SALES PRICE OF EXISTING HOUSES, BY COUNTY

COUNTY	1984-85 Median Sales Price of Existing Homes	1989-90 Median Sales Price of Existing Homes	1995-96 Median Sales Price of Existing Homes	1998-99 Median Sales Price of Existing Homes	% change 1984-85 to 1998-99	% change 1995-96 to 1998-99
RENVILLE	\$32,150	\$28,000	\$33,500	\$43,000	33.7%	28.4%
RICE	\$52,900	\$62,400	\$85,000	\$111,000	109.8%	30.6%
ROCK	\$34,750	\$28,500	\$52,000	\$59,250	70.5%	13.9%
ROSEAU	\$31,500	\$40,000	\$53,000	\$62,250	97.6%	17.5%
ST. LOUIS	\$34,813	\$39,900	\$55,000	\$67,500	93.9%	22.7%
SCOTT	\$73,375	\$86,000	\$117,000	\$139,995	90.8%	19.7%
SHERBURNE	\$57,300	\$67,500	\$95,000	\$118,900	107.5%	25.2%
SIBLEY	\$32,000	\$37,000	\$45,500	\$62,500	95.3%	37.4%
STEARNS	\$51,000	\$57,000	\$75,450	\$89,000	74.5%	18.0%
STEELE	\$50,050	\$57,000	\$78,660	\$95,000	89.8%	20.8%
STEVENS	\$36,595	\$32,000	\$42,000	\$58,663	60.3%	39.7%
SWIFT	\$25,000	\$28,500	\$37,500	\$42,740	71.0%	14.0%
TODD	\$26,750	\$25,000	\$35,500	\$48,950	83.0%	37.9%
TRAVERSE	\$21,625	\$16,000	\$29,750	\$37,000	71.1%	24.4%
WABASHA	\$44,000	\$48,000	\$70,000	\$82,000	86.4%	17.1%
WADENA	\$31,500	\$29,450	\$34,700	\$45,050	43.0%	29.8%
WASECA	\$46,300	\$48,000	\$68,000	\$78,400	69.3%	15.3%
WASHINGTON	\$74,000	\$86,600	\$115,000	\$139,000	87.8%	20.9%
WATONWAN	\$36,500	\$26,000	\$33,500	\$48,000	31.5%	43.3%
WILKIN	\$29,000	\$37,000	\$35,000	\$51,300	76.9%	46.6%
WINONA	\$43,942	\$49,900	\$71,500	\$84,750	92.9%	18.5%
WRIGHT	\$58,295	\$69,000	\$97,000	\$120,000	105.9%	23.7%
YELLOW MEDICINE	\$34,925	\$23,000	\$37,052	\$32,250	-7.7%	-13.0%

Source: Property Tax Division, Minnesota Department of Revenue.
Multiple parcel sales and unrecognized transaction types excluded.

Median Sales Price of Existing Housing Units in Minnesota Cities with 20,000+ Population

	1984-1985	1989-90	1995-1996	1998-99	% change 1984-85 to 1998-99	% change 1995-96 to 1998-99
Minneapolis	\$64,510	\$70,000	\$77,900	\$100,000	55.0%	28.4%
St. Paul	\$63,000	\$69,100	\$75,000	\$95,000	50.8%	26.7%
Bloomington	\$81,900	\$94,000	\$112,000	\$132,000	61.2%	17.9%
Duluth	\$35,540	\$42,000	\$62,950	\$73,000	105.4%	16.0%
Rochester	\$61,010	\$66,000	\$81,500	\$97,500	59.8%	19.6%
Brooklyn Park	\$72,180	\$82,900	\$92,500	\$119,529	65.6%	29.2%
Coon Rapids	\$65,880	\$77,500	\$91,884	\$112,900	71.4%	22.9%
Plymouth	\$94,840	\$120,000	\$144,900	\$176,000	85.6%	21.5%
St. Cloud	\$49,920	\$55,000	\$73,000	\$84,900	70.1%	16.3%
Eagan	\$77,450	\$93,750	\$119,900	\$136,000	75.6%	13.4%
Burnsville	\$86,010	\$98,000	\$117,500	\$133,000	54.6%	13.2%
Minnetonka	\$92,720	\$114,900	\$139,000	\$165,000	78.0%	18.7%
Eden Prairie	\$94,980	\$110,500	\$145,000	\$165,000	73.7%	13.8%
Edina	\$119,980	\$147,900	\$175,900	\$210,000	75.0%	19.4%
Maple Grove	\$77,520	\$89,000	\$114,950	\$139,900	80.5%	21.7%
St. Louis Park	\$69,920	\$80,200	\$98,325	\$120,500	72.3%	22.6%
Blaine	\$66,490	\$75,000	\$92,000	\$116,000	74.5%	26.1%
Apple Valley	\$80,530	\$93,500	\$111,600	\$132,900	65.0%	19.1%
Lakeville	\$75,530	\$92,000	\$126,000	\$153,050	102.6%	21.5%
Richfield	\$71,010	\$82,000	\$95,100	\$120,000	69.0%	26.2%
Roseville	\$78,000	\$91,208	\$108,225	\$130,500	67.3%	20.6%
Maplewood	\$71,010	\$82,200	\$99,000	\$122,000	71.8%	23.2%
Moorhead	\$53,480	\$57,000	\$69,900	\$79,500	48.7%	13.7%
Woodbury	\$85,870	\$98,500	\$128,500	\$155,000	80.5%	20.6%
Mankato	\$52,520	\$54,000	\$74,700	\$88,250	68.0%	18.1%
Cottage Grove	\$71,970	\$82,800	\$102,900	\$124,900	73.5%	21.4%
Brooklyn Center	\$67,520	\$77,000	\$82,000	\$100,000	48.1%	22.0%
Fridley	\$72,720	\$81,000	\$92,900	\$117,000	60.9%	25.9%
Inver Grove Heights	\$71,010	\$85,000	\$100,000	\$127,950	80.2%	28.0%
Winona	\$39,990	\$46,000	\$70,000	\$88,250	120.7%	26.1%
Shoreview	\$83,270	\$98,500	\$119,000	\$136,000	63.3%	14.3%
White Bear Lake	\$71,970	\$83,950	\$99,900	\$124,000	72.3%	24.1%
Oakdale	\$66,970	\$79,900	\$103,000	\$125,000	86.7%	21.4%
Crystal	\$65,530	\$76,500	\$85,000	\$106,950	63.2%	25.8%
New Brighton	\$85,530	\$99,950	\$115,000	\$131,950	54.3%	14.7%
Austin	\$36,500	\$36,150	\$49,318	\$57,900	58.6%	17.4%
New Hope	\$79,160	\$90,439	\$108,000	\$128,250	62.0%	18.8%
Andover	\$71,630	\$92,450	\$121,500	\$143,750	100.7%	18.3%
Golden Valley	\$88,470	\$104,900	\$125,760	\$145,000	63.9%	15.3%
Owatonna	\$52,180	\$58,900	\$81,775	\$96,000	84.0%	17.4%
South St. Paul	\$63,890	\$71,950	\$81,450	\$99,900	56.4%	22.7%

Note: Data on arms length sales from Minnesota Department of Revenue, Property Tax division. Data cover a 21-month period from January to September. Figures are in current dollars. Excludes multiple parcel sales and unknown transaction types

Suburban communities in the Minneapolis-St. Paul area have the highest sales prices among cities with 20,000 or more residents. Edina ranked highest with a 1998-1999 median sales price of \$210,000. Plymouth (\$176,000) ranked second, followed by Eden Prairie and Minnetonka, both \$165,000. Housing prices in the two largest cities, Minneapolis and St. Paul, were both below the state average at \$100,000 and \$95,000 respectively.

Housing values in rural western Minnesota lag far behind the state average. In three western development regions – 1, 6W and 8 – the median sales price in 1998-1999 was less than \$53,000. Kittson County (\$31,000) had the lowest median price among counties, and fourteen other counties posted median sales prices less than \$40,000. Among cities with 20,000 or more population, the most modest prices were outside the Twin Cities, including Austin (\$57,900), Duluth (\$73,000) and Moorhead (\$79,500).

Recreation Areas and Second Ring Suburbs Post Long Term Gains in Housing Prices

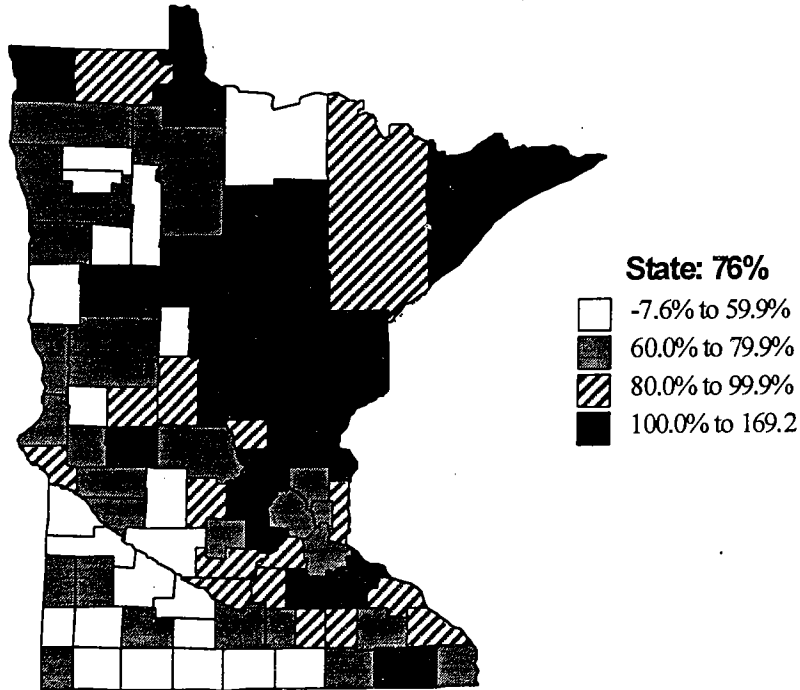
From 1984-1985 to 1998-1999, gains in housing sales prices have been greatest in the central and north central regions, as well as in northeastern Minnesota. Developing suburban counties in the Minneapolis-St. Paul area also posted substantial increases in sales price. At the other extreme, western regions lagged far behind in long term price gains.

Demand for vacation and retirement homes has driven up prices in amenity areas with lakes, forests and other recreational attractions. Counties with these features have seen substantial price growth in both the short and long term. Examples include Cook, Hubbard, Cass, Mille Lacs, Aitkin and Crow Wing counties. As prices have risen, housing affordability for year-round residents and debates over property taxes have become issues in some of these counties.

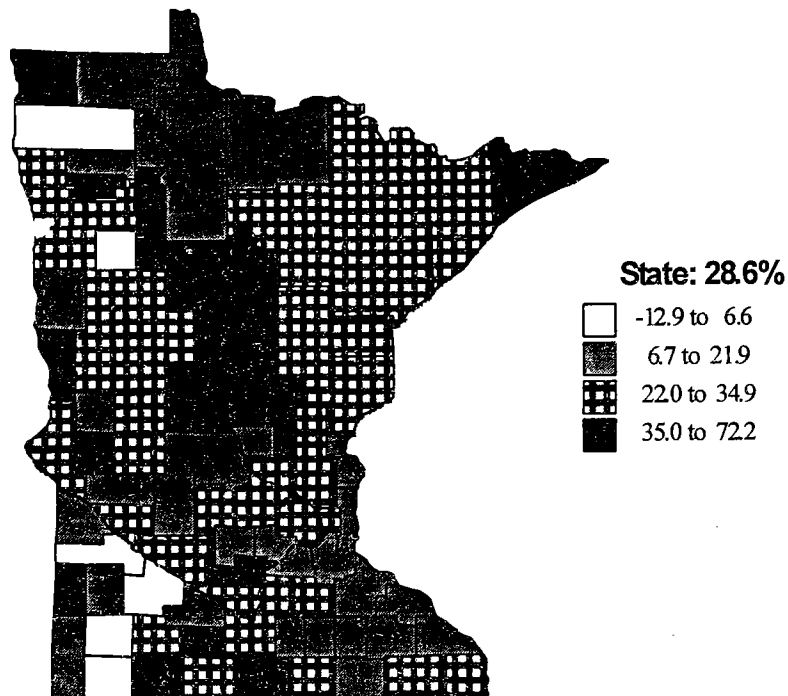
Second-ring suburban counties such as Chisago, Rice, Sherburne, Wright and Isanti have also experienced price gains substantially above the state average since the mid-1980s. Continued expansion of the Minneapolis-St. Paul Metropolitan Area has increased demand for housing beyond the seven core counties.

The lowest long term gains in median sales price occurred in western Minnesota and along the Iowa border. From 1984-1985 to 1998-1999, median sales price rose only 10 percent in Lac qui Parle County and 13 percent in Murray County. The median price in Yellow Medicine County actually declined from \$34,925 to \$32,250. The low gains in these regions represent a substantial decline in housing value in inflation-adjusted dollars. These counties have experienced little or no population growth, so few people are buying homes. In addition, housing values are depressed because many of the structures are older and smaller.

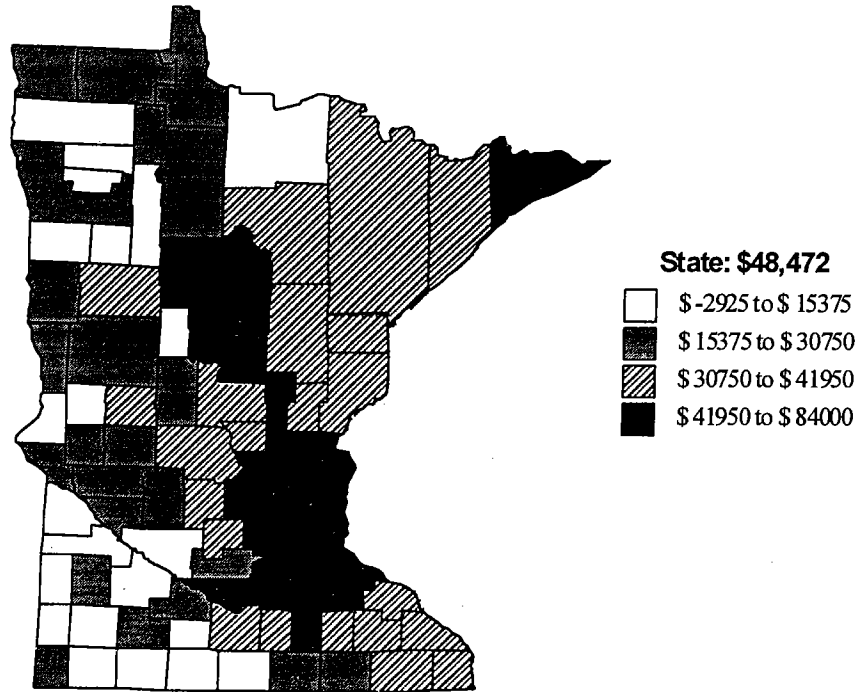
% Change in Median Sales Price of Existing Houses, 1984-85 to 1998-99



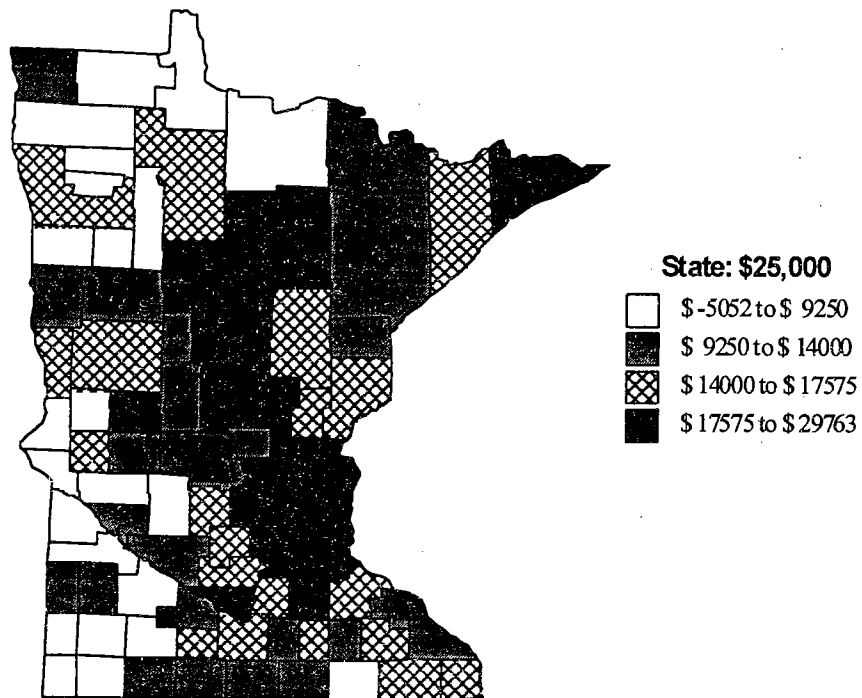
% Change in Median Sales Price of Existing Houses, 1995-96 to 1998-99



Dollar gains in home sale prices greatest in eastern Minnesota from 1984-1985 to 1998-1999



Dollar gains in home sale prices greatest in north central and Twin Cities (1995-1996 to 1998-1999)



North Central region shows large gains in the late 1990s

In the most recent time period – 1995-1996 to 1998-1999 – the pattern of change was erratic. Rural western counties were among those posting both the greatest and the smallest percent gains in median sales price. These mixed results may stem from the relatively low initial sales prices in many of these counties. With a low starting value, a relatively small dollar change can result in a large percent change. The leader board for the late 1990s featured Kittson County, along with Lincoln, Faribault, Wilkin and Watonwan counties. All are largely rural counties with low housing values. Gains in median values in these counties ranged from \$13,000 to \$16,300, substantial increases but smaller than those posted in many other counties with smaller percentage gains.

Several of the other large gainers, including Cass, Cook, Mille Lacs and Crow Wing, are amenity areas in northern Minnesota. These recreation-oriented counties have experienced substantial growth in prices in both the short term and over a longer period dating back to the mid-1980s.

Minneapolis and St. Paul were among the cities with strongest sales price growth between 1995-1996 and 1998-1999. The median price grew 28 percent in Minneapolis and 27 percent in St. Paul. Brooklyn Park posted the largest short term increase, 29 percent. Housing values in these three communities had been rather stagnant compared to other areas, so in the latter part of the decade they were making up lost ground. Other communities with large gains in the late 1990s were Inver Grove Heights, Richfield, Blaine, Winona and Fridley.

Short term price increases in high-value Twin Cities suburbs were generally lower than the state average. For example, median sales price rose 17 percent in Dakota County and 20 percent in Scott County, lower than the overall 29 percent average. Relatively modest increases occurred in the cities of Burnsville, Eagan, Moorhead, Eden Prairie and Shoreview. These below-average percent gains still represent substantial growth in dollar values, however.

Within the Twin Cities region, sales prices of existing houses appear to have converged a bit in the late 1990s, though there are some exceptions. Prices have grown a little more in the communities with moderate housing values, and a little less in communities at the upper end of the housing price spectrum. In 1995-1996, the median price in the most expensive city, Edina, was 2.35 times as high as in St. Paul, the least expensive. This ratio fell to 2.21 in 1998-1999. The median price of second most expensive suburbs to the second cheapest city, Minneapolis, fell from 1.86 to 1.76.

Short term trends in percentiles differ from long term trends

In the long run, the cost of more expensive existing houses has grown much more (96 percent at the 90th percentile, 86 percent at the 75th percentile) than the sales price at the median (76 percent). However, in the shorter run from 1995-96 to 1998-99, sales price of lower price houses grew more (36 percent at 10th percentile) than the median (29percent) or 90th percentile (26percent). This is consistent with other evidence of a slight

convergence in housing prices in the late 1990s. Note that this generalization may not be true for the cost of newly constructed housing.

Number of sales increases

The number of sales of existing houses has grown substantially. From January, 1984 to September, 1985, 68,016 sales were recorded. This grew to 97,683 in 1995-1996 and 120,825 in 1998-1999. Sales have increased for a number of reasons. First, the larger the existing housing stock, the larger the number of potential sales. In addition, the current economic situation of strong growth and low interest rates has allowed people to "trade up" to a home they see as more desirable. Others are choosing to build new homes. Both new construction and trading up create more opportunities for people to purchase existing homes.

The market for all housing, including new construction as well as existing units, has been strong the past few years. The number of new housing units authorized in Minnesota rose from 25,494 in 1995 to 33,341 in 1999. This includes both single family and multiple family units.

Sources

Information on arms-length sales is collected by the Property Tax Division of the Minnesota Department of Revenue. It reflects the market for existing housing rather than new housing; new houses are on average considerably more expensive. This analysis excludes multiple parcel transactions. Only two types of transactions, warranty deeds

and contract deeds, are included. Tom Clark of the Property Tax division assisted in making the sales price data available.

Data on the annual number of new housing units authorized by state is available from the U.S. Bureau of the Census at <http://www.census.gov/const/www/C40/table2.html#annual>

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