

Twin Cities home sales drop, but median selling price hits record \$290,000

Sales of high-end homes rose in June, but a lack of starter homes stifled the lower end of the market.

By Jim Buchta (<http://www.startribune.com/jim-buchta/10644536/>) Star Tribune |

JULY 19, 2019 — 5:19AM

Increasingly, it is becoming a tale of two housing markets in the Twin Cities.

With first-time buyers and downsizing baby boomers outpacing sellers, entry-level listings on the market have fallen steadily throughout the year, stifling home sales across the metro area.

During June, home sales fell 8.2% compared with the same period last year, according to a midyear report from the Minneapolis Area Realtors (MAR). Pending sales — an indication of future closings — fell slightly less.

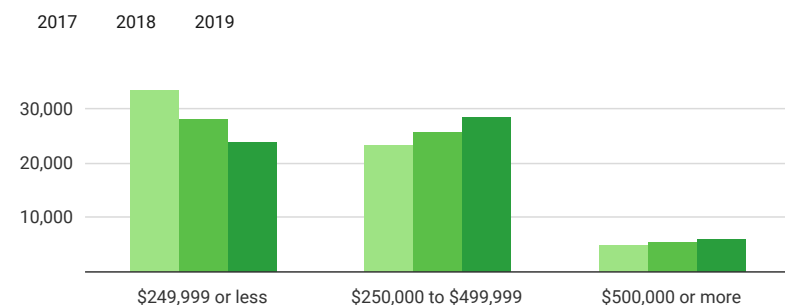
Those declines stem from a lack of starter houses. As of June, there were 14% fewer houses priced at less than \$250,000 compared with last year, and nearly half as many as two years ago. With few options, many would-be buyers are stuck on the sidelines — sales of those starter houses fell 15% last month.

At the same time, upper-bracket sales are on the rise. Sales of \$1 million-plus homes posted a 15% annual increase, the biggest gain in any price range.

“There is definitely a trickling up happening in the market,” said Jeffrey Dewing of Coldwell Banker Burnet. “We are still experiencing a lot of consumer confidence, a healthy economy and interest rates that are still close to the lowest level since 2016.”

Twin Cities home sales lag

Home sales in the Twin Cities during the first half of 2019 are lagging because of a shortage of listings that are affordable to entry-level and first-time home buyers.

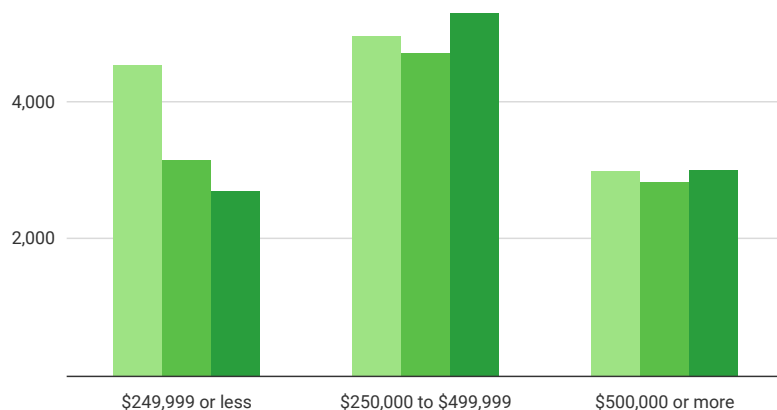


Closed sales by price range (year-to-date through June)

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Movers carried out items from an Edina home in this file photo from July 2014 (File photo: Bruce Bisping/Star Tribune) ORG XMIT:



Homes for sale by price range (year-to-date through June)

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Dewing recently sold a \$4.2 million house long before it hit the market, and months before construction was finished. That happened after he posted an Instagram ad about the house, still under construction in Woodland, an upscale neighborhood near Lake Minnetonka. He quickly had three showings — and an offer.

“It was literally the only ad we ran,” he said.

The house was still being framed up, so the buyers had time to customize the house and make some modifications. The deal closed recently for nearly \$4.4 million.

A quick sale is still unusual among upper-bracket listings.

What is more typical is the 8,200-square-foot house on more than 2 acres near Long Lake in Orono that has been on the market for more than four months. Dewing said the market got a late start this spring because of particularly cold weather this winter, but he is optimistic 2019 will be as strong as last year.

“We went from winter to summer in about a week,” he said. “We missed our typical spring market.”

So far this year, new listings are down 3% compared with last year and home sales in the Twin Cities metro are down 3.4%, according to the latest MAR report.

With listings on the decline, the least-expensive houses sold in a little more than a month during June compared with houses that are priced at more than \$1 million, which on average took 166 days to sell.

That gap is reflected in price gains. Houses priced at less than \$250,000 saw a 6% increase in the average price per square foot compared with a 2% increase for \$1 million-plus houses.

“The mood definitely varies by price point,” said Dewing.

Across all price ranges, sellers listed 8,473 properties, down 3.1% from last year. That caused a slight decline in the number of houses on the market at the end of the month compared with last year.

At the current sales pace, there were enough houses on the market to last 2.5 months, about half as long as a market that is considered balanced between buyers and sellers.

On average, houses sold in 49 days — about the same pace as last year. Deep demand, and bidding wars in some cases, for entry-level listings and an increase in the most expensive sales helped boost the median price of all sales last month to \$290,000, a 7.2% increase over last year and new record high for any month.

The Twin Cities isn’t unique. All across the nation home sales are slowing as the shortage of starter houses grows.

At the same time, that pool of would-be buyers is swelling as rising rents are making homeownership look more appealing. Those buyers are competing with a growing number of baby boomers who want to downsize from their large family homes.

Though the supply of existing homes keeps falling, housing construction has declined in recent months as builders worry about creating a glut of move-up housing. And rising construction costs have made it difficult for builders to serve buyers who can only afford to spend up to \$300,000.

“The idea of the ‘housing market’ as a singular entity can be misleading,” said Linda Rogers, MAR’s president-elect. “Cities, neighborhoods and different segments can often show tremendous variation.”

Jim Buchta has covered real estate for the Star Tribune for several years. He also has covered energy, small business, consumer affairs and travel.

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