

Agenda

City of Plymouth Board of Appeal and Equalization

**Tuesday, April 7, 2009
7:00 p.m.**

Council Chambers

- 1.** Call to Order.
- 2.** City Assessor's Report.
- 3.** Public Comments.
- 4.** Adjourn.

**City of Plymouth
2009 Local Board of Appeal
& Equalization**

Tuesday, April 7



MEMO

CITY OF PLYMOUTH

3400 PLYMOUTH BOULEVARD, PLYMOUTH, MN 55447

DATE: April 7, 2009
TO: Plymouth Local Board of Appeal and Equalization
FROM: Janene Hebert, City Assessor
THROUGH: Calvin Portner, Administrative Services Director
SUBJECT: 2009 Local Board of Appeal and Equalization, April 7, 2009, 7:00pm

Attached for your review is a report on the 2009 Assessment prepared by the assessing staff. The report introduces you to value adjustments, statistical measurements of our work, and general information which the assessing staff utilizes to determine values for the annual assessment. This will hopefully make your job, as a member of the Board of Appeal and Equalization, easier to understand.

Market values are based on market activity, which fluctuates with general economic conditions such as interest rates, inflation, supply and demand, and changes in tax laws. By Minnesota State law, as property values change in the marketplace, the changes must be reflected in the assessor's estimated market values.

The system involves the comparison of properties with actual market sales from the same neighborhoods. All sales information collected by the assessor's office is closely analyzed, and market values are adjusted by comparing properties that sold with properties that have not sold. The comparison provides the basis for the assessor's estimated market value.

The State Department of Revenue uses ratio studies to measure our assessment level. They mandate the sales period which we use to set our values. The sales period for the January 2, 2009, assessment was October 1, 2007, through September 30, 2008. During this period, we saw a flat market through April of 2007 when the market started to decline for single family residential properties. The result was a 4.8 percent decline in value of single family properties for the 2009 assessment.

By law, the assessor must set values based upon historical sales, not by predicting the future. The most common concern voiced is, "we cannot sell our home today for the value you have it assessed." Unfortunately, the October 2008 to April 2009 sales are not valid for this report and will be considered for the 2010 assessed valuation. Property owners seem to understand the time frame but are concerned that the assessed value is higher than the purchase price.

Sales of foreclosed properties are not considered an open market transaction by the Minnesota Department of Revenue and were not considered in setting the 2009 values. This is outlined in the joint MAAO and Department of Revenue Advisory on Foreclosures and is available to the public to explain the valuation process.

The purpose of the Local Board of Appeal and Equalization is to hear property owner testimony concerning the Assessor's 2009 estimated market value or property classification based on documentation provided. This may be done in three ways:

1. In person
2. In writing
3. By property owner's representative.

At the conclusion of the meeting, the Board of Appeal & Equalization will recess. It will reconvene on April 21, 2009 at 7:00 p.m. Decisions on all appeals will be made at that time based on staff reports and information submitted by the property owner.

This year's Certification Form from the Department of Revenue asks the following question:

Did the LBAE make changes to parcels owned by a member of the board, the spouse, parent, son or daughter of a board member, or property in which a board member has a financial or other interest in the property? If yes, please list the parcel numbers of the properties that were changed on the back of this form.

Board Members have a right to contest their value the same as any other citizen. However, I suggest the Board should recommend "no change" and have the County decide the value or classification to avoid the appearance of a conflict of interest.

I invite you to read the information and feel free to call me at 763-509-5352 with your questions or comments.

TABLE OF CONTENTS

Local Board of Review & Equalization Authority	1
Local Board of Review & Equalization Overview	2
City of Plymouth Assessing Staff	4
2009 Assessment Summary	5
2009 Assessment Introduction	8
2009 Assessment Statistics	12
2009 Ratio Study	13
Appeal Process	15
Maps	18

Local Board of Review & Equalization

Minnesota Statutes, Section 274.01, states that the council of each city shall be or shall appoint a Board of Appeal & Equalization. The Plymouth City Charter requires the City Council to act as the Local Board of Appeal & Equalization. The 2004 Legislative session enacted a bill that requires members of the Local Boards to attend a training session that outlines their duties and responsibilities. Council members Willis and Black have attended the training session.

Assessments of property are made to provide the means for the measuring of the relative share of each taxpayer in meeting the costs of local government. It is the duty of the Assessor to assess all real and personal property except that which is exempt or taxable under some special method of taxation. If the burden of local government is to be fairly and justly shared among the owners of all property of value, it is necessary that all taxable property be listed on the tax rolls and that all assessments be made accordingly.

The authority of the local board extends over the individual assessments of real and personal property. The board does not have the power to increase or decrease by a percentage all of the assessments in the district of a given class of property. The County Board of Equalization can make changes in the aggregate assessments by class.

Although the local board has the authority to increase or reduce individual assessments, the total of such adjustments must not reduce the aggregate assessment made by the Assessor by more than one percent. If the total of such assessments does lower the aggregate assessment made by the Assessor by more than one percent, none of the adjustments will be allowed. This limitation does not apply, however, to the correction of a clerical error or to the removal of a duplicate assessment.

Local Board of Review & Equalization Overview

Over the past two years there has been a lot of publicity regarding the volatile real estate market. Plymouth has experienced a downward swing in the residential market but has continued to remain somewhat sheltered from the foreclosure market. The Minnesota Area Association of Realtors reported that Plymouth has a lower-than-average share of lender-mediated properties; 16.6 percent compared to the total Twin Cities inventory at 32%. Residential properties are no longer selling for inflated prices over their list price. Houses are on the market for a longer period of time and are selling for list price or below. The majority of properties in the City of Plymouth saw changes in their estimated market value. The value changes range from basically no change to substantial decreases and a few increases due to locational market activity.

The decline in home prices coupled with lower interest rates make it a good time to invest in the real estate market. The lender-mediated properties took longer to sell in most cases due to their condition. The number of listings is down but the number of pending sales is up. The average percentage changes in valuation are as follows:

<u>Property Type</u>	<u>Value Percent Change from 2006 to 2007</u>	<u>Value Percent Change from 2007 to 2008</u>	<u>Value Percent Change from 2008 to 2009</u>
Residential	+ 2.3 %	- 2.8 %	- 4.8%
Residential Lakeshore	+ 13.0 %	- 2.0 %	- 3.9%
Condominiums	+ 2.3 %	- 5.7 %	- 6.0%
Townhomes	+ 0 %	- 4.8 %	- 6.0%
Apartments	+ 14.2 %	+ 1.5 %	- 6.4%
Commercial/Industrial	+ 18.4 %	+ 1.3 %	- 5.1 %

In reviewing the individual assessments, the board may find instances of **under** valuation. Before the Board can raise the market value of property, it must notify the owner. The law does not prescribe any particular form of notice except that the person whose property is to be increased in assessment must be notified of the intent of the board to make the increase. The Local Board of Appeal & Equalization assures the property owner an opportunity to contest the valuation that was placed on the property or to contest or protest any other matter relating to the taxability of the property except the tax. The board is required to review the matter and make any corrections that it deems just.

Exceptions to the above market value changes include new construction, quintile areas, reappraisals, and/or other market adjustments.

The economy has taken a toll on all properties values and vacant land is no exception. The sale of large tracts of land has tapered off and purchase agreements have been retracted. Land outside the MUSA with no utilities remains at \$110,000 an acre. Land inside the MUSA with no utilities remained at \$160,000 an acre. Land inside the MUSA with utilities remained at \$200,000 an acre.

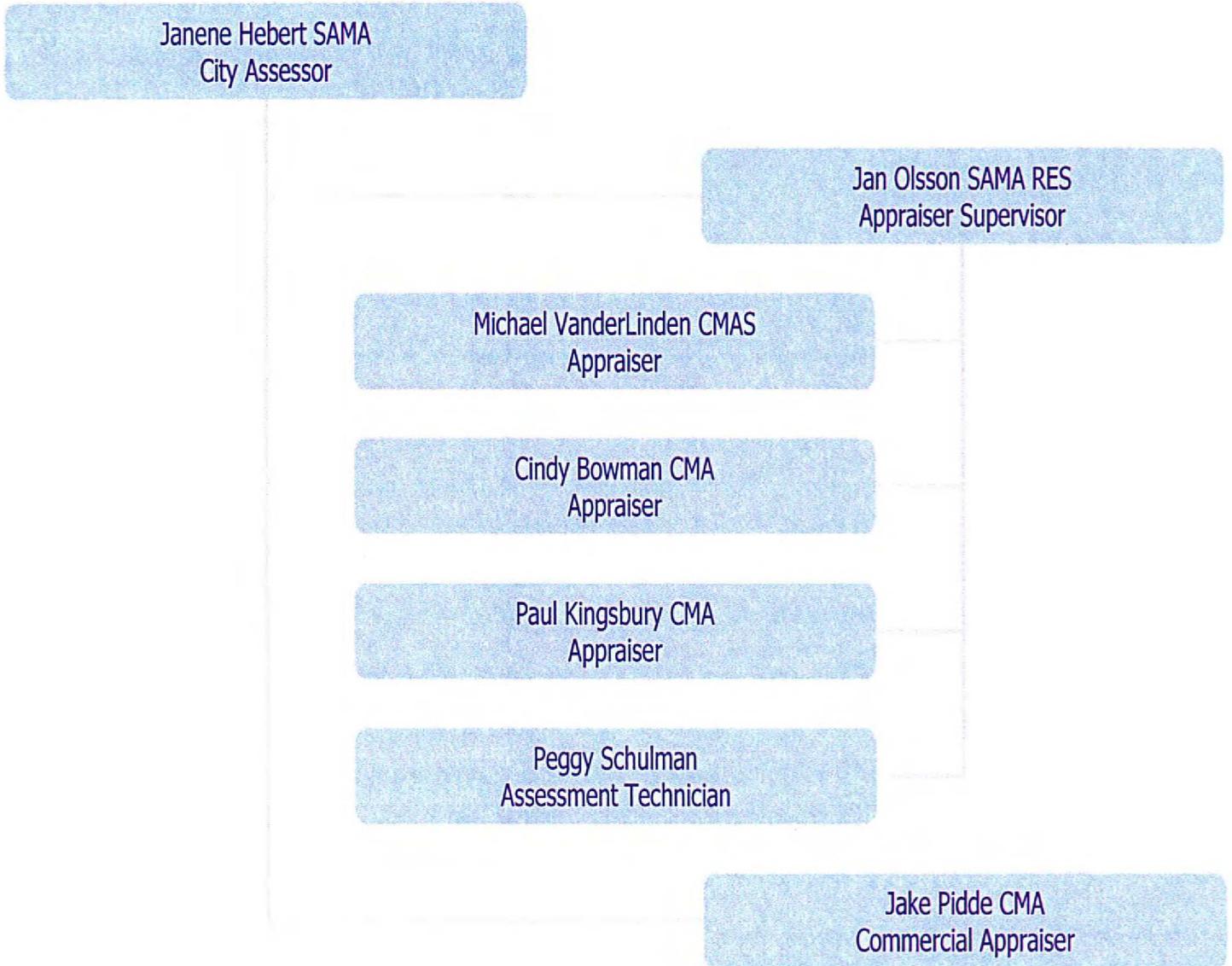
On March 6, 2009, 25,454 Value Notices were mailed to Plymouth property owners.

State law provides that the assessment shall be an annual assessment with all property in the taxing jurisdiction re-valued to its market value every January 2. The City of Plymouth continued to have a large quantity of building permits for remodeling projects and repairs. This does not include the 9,388 quintile parcels that were reviewed and re-appraised.

The 2009 assessment represents many hours of staff research and time. We feel confident the 2009 assessment is fair and well equalized throughout the City of Plymouth.

Respectfully submitted,
Assessing Department Staff

Plymouth Assessing Department



2009 ASSESSMENT SUMMARY

The 2009 Assessment affects all property owners in the City of Plymouth. As required by current state law, the Assessor is required to reassess all property each year.

State Statute states that: All real property subject to taxation shall be listed and assessed every year with reference to its value on January 2, preceding the assessment. This has been done and the owners of property in Plymouth were notified of any change. Minnesota State Statute 273.11 reads:

All property should be valued at its market value. It further states that "in estimating and determining such value, the Assessor shall not adopt a lower of different standard of value because the same is to serve as a basis for taxation, nor shall he adopt as a criterion of value that price for which such property would sell, or in the aggregate with all the property in the town or district but he shall value each article or description of property by itself, and at such sum or price as he believes that same to be fairly worth in money.

The statute says all property shall be valued at market value. This means that no factors other than market (such as economics, personalities or politics) shall affect the Assessor's value and the subsequent action by the Board of Appeal & Equalization.

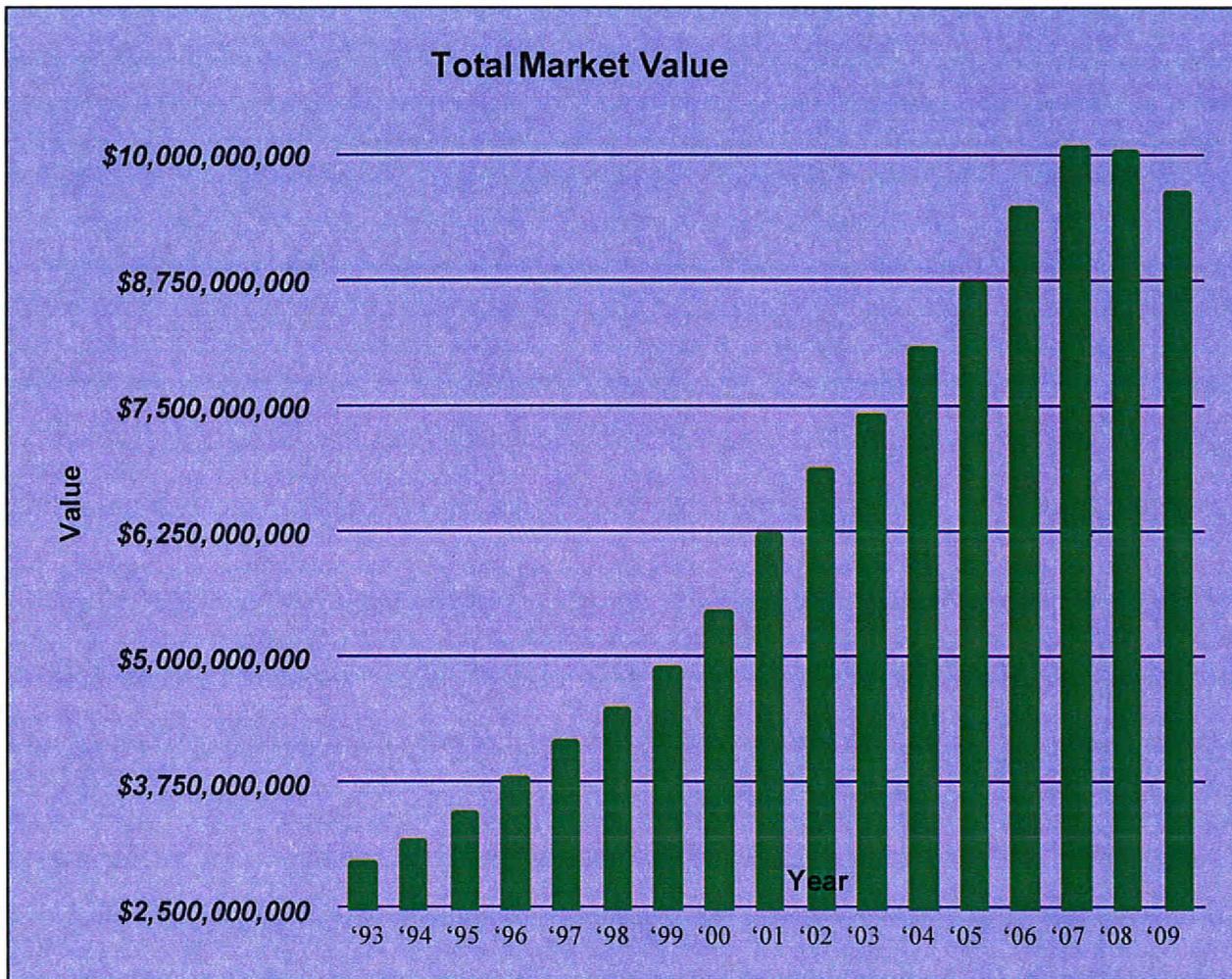
Market value has been defined many different ways. Simply stated, it is "the highest price estimated in terms of cash which a property will bring if exposed for sale on the open market by a seller who is willing but not obligated to sell, allowing a reasonable time to find a purchaser who is willing but not obligated to buy, both with knowledge of all the uses to which it is adapted and for which it is capable of being used."

The real estate tax is an ad valorem tax which is based on the value of property and not on the ability of the property owner to pay. The values placed on all real estate in Plymouth are based on the amount of land and the improvements upon the land, while no consideration is given to who owns the land.

The 2009 Assessment (not the 2009 taxes) reflects 4.1% overall valuation decrease from the 2008 assessment (including new construction, quartile adjustments, and/or market adjustments). The amount of new construction between January 2008 and January 2009 was \$85,615,200. The market change, exclusive of new construction was -5.0%.

2008 TOTAL CITY VALUE	2009 TOTAL CITY VALUE (PRELIMINARY)	2009 PERCENTAGES
\$10,012,349,800	9,599,888,000	-4.1%
Total Value Change:	(412,461,800)	-4.1%
Value of New Construction:	85,615,200	0.9%
Change of Existing Property due to Market:	(498,077,000)	-5.0%

City of Plymouth Percentages



2008 Assessment Introduction

The number of building permits nearly doubled in 2008. The increased number of permits was due the magnitude of storm damage that occurred the previous year. Many homes needed new roofs, siding and windows. Each building permit was documented by a member of staff.

20% of all existing properties were physically reviewed during 2008 and represent over 9,388 parcels. This is commonly referred to as the "Quintile." In the areas of re-inspection, new items that previously were not on our records were added, or where applicable, deleted. Of all homes reviewed, 57% were internally inspected. A preliminary sales study was analyzed, prior to placing a final value on each property inspected.

Plymouth's preliminary residential median ratio entering the 2009 assessment was 99.2. Hennepin County determines this ratio. They compare the January 2, 2008, estimated market values to sales occurring from October 1, 2007, through September 30, 2008. The average residential decrease for the January 2, 2008, assessment was -4.8%. This was determined by comparing the January 2, 2008, estimated market values to the same sales, thus establishing the 2009 estimated market values at a median sales ratio of 94.5 and a mean ratio of 94.7 with a coefficient of dispersion of 4.8. In accordance with the results of this sales study, certain areas of the city, certain styles, and certain sizes of houses were adjusted in value, either lower or higher than the prior year value, to more properly reflect actual market values.

The 2008 average sale price of existing residential housing stock (off the lake) was \$366,800; this price does not include townhouses or condos. This is extracted from the Hennepin County Ratio Study of all arms-length transactions involving single family homes.

Lakeshore in Plymouth was adjusted according to the sale activity on each lake. Average lakeshore property received a decrease of approximately 3.9%. The average sale price of existing lakeshore property in 2008 was \$714,525.

Various townhome and condominium complexes were adjusted according to market activity as well as studied to determine if the number of bedrooms per unit affected the sale prices. Townhomes and condominiums also decreased in market value. The average sale price of condominiums was \$168,911. The average town home sale price was \$255,861.

Commercial and multifamily real estate is working through a market transition against the backdrop of an unsteady economy, rising inflation and a credit crunch. The year 2008 will be remembered for the many difficulties in the economy witnessed by the subprime lending imbroglio, the bursting of the housing market bubble, difficulties in the financial markets and employment declines, to name a few. In this time of uncertainty, there is an underlying fear that what happened to the residential market may also happen in the commercial market. It is important to realize while the credit crisis has affected the debt markets for commercial real estate (as it has with the residential market), the commercial real estate (low-leverage) equity market has not been impacted to the degree anticipated by investors, and we do not expect it to go the way of the residential market.

Commercial

We recognize there is a correlation between job losses and vacancy in commercial properties. This has led to more vacancies and space available for sub-lease, more concessions, and a decrease in net rents. Overall, these weakened fundamentals have eroded property values resulting in a 4.3% reduction in commercial values.

Retail

While all of the markets are feeling the pinch of the economy, retail continues to be the most impacted. The housing market slump, credit crisis, rising unemployment, and stagnant corporate growth have all impacted consumer spending, making it difficult for retailers to stay in business. As a result, vacancies increased, net rents went down, and cap rates went up resulting in a 6.3% reduction in retail values.

Office

As the fundamentals of the office markets weakened, so did expectations about future rents and prices adjusted downward for investors to achieve the same yields. In addition, cap rates are generally up 40-50 basis points from a year ago. While submarkets varied slightly, the overall office market declined 4.0%.

Office Condo

The office condo market didn't fair quite as well. Plymouth saw a 9.1% decline in this property type. This was due in large part to the effect the economy had on the regular office market.

The industrial market activity demonstrated a rise in cap rates from the low 7's to the low-to-mid 8's, and Real Estate Investment Trust sellers were even willing to carry short-term seller financing to close sales. The average

Price per square foot declined from 2008 and private investors made a majority of the acquisitions. The bulk of the sale activity occurred in the first half of the year, with owner/user buildings in the highest demand. Overall, the industrial market declined 4.6%.

Apartments

The apartment market in Plymouth seemed to have lost the resiliency that the market demonstrated in previous recessionary periods. Historically, Plymouth properties commanded much higher prices than other suburban properties. In 2008, the pricing was readjusted for both property specific issues as well as market conditions resulting in a 6.4% decline in the overall market for apartments.

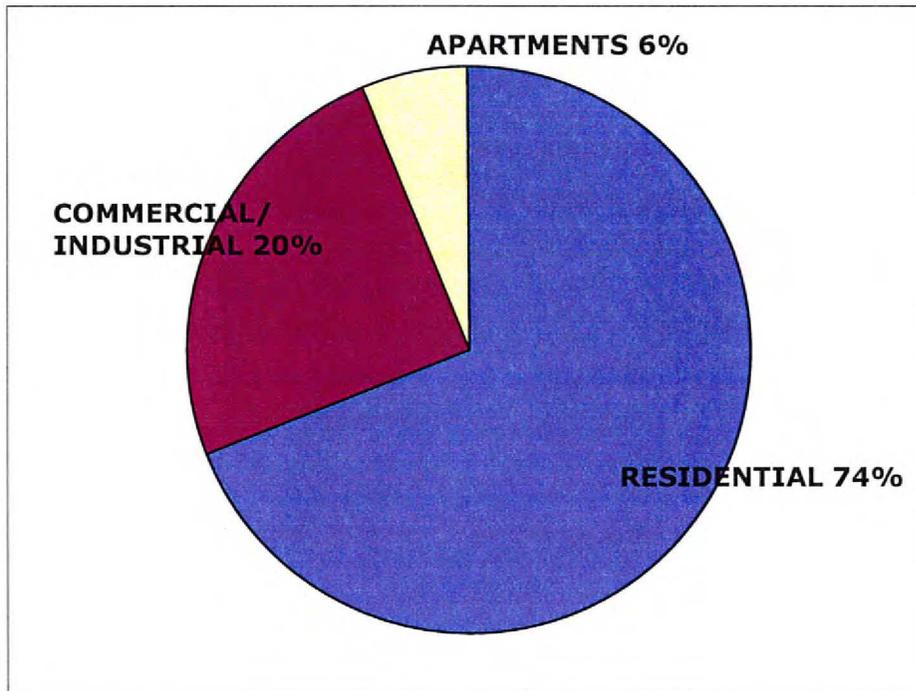
The value we place on properties is accomplished only after we have conducted thorough studies in the marketplace. Costs of replacement are checked with local builders, as well as cost manuals which are created by experts in the field of building and appraising. Sales of property are constantly analyzed to see what is happening in the marketplace. The assessors/appraisers do not create value; they only measure its movement.

Equitably assessing property values is part science, part judgment, part communication skills, and largely a mystery to many property owners. The task becomes more difficult because property construction, financing and ownership are more complex today than ever before.

Training cannot tell us how to find the "perfect" value of a property, but training can consistently produce the same estimate of value for identical property by different assessors. That, after all, is a working definition of equalization.

The following pages contain helpful information that will make your job as a member of the Board of Appeal & Equalization more productive.

DISTRIBUTION OF 2009 ESTIMATED MARKET VALUE BY PROPERTY TYPE



2009 EMV

Residential	\$ 7,134,652,800
Commercial/ Industrial	\$ 1,911,302,500
Apartments	\$ 553,932,700
Total	\$ 9,599,888,000

2009 ASSESSMENT STATISTICS

Total City Parcel Count (01-02-08)	25,366
Total City Parcel Count (01-02-09)	25,454
Parcel Count Per Appraiser 2009 Assessment	4,227
Assessor's Industry Standard per Appraiser	4,242
2008 Total Estimated Market Value	\$10,012,349,600
2009 Total Estimated Market Value (Preliminary)	\$ 9,599,888,000
2007 to 2008 Total City Valuation Growth	(2%)
2008 to 2009 Total City Valuation Growth	(5%)
2007 Total Building Permits	3,972
2008 Total Building Permits	6,533
2006 Plymouth's Average Home Sale Price	\$380,100
2007 Plymouth's Average Home Sale Price	\$365,100
2008 Plymouth's Average Home Sale Price	\$366,800
2008 Plymouth's Median Home Sale Price (Does not include townhouses or condos)	\$335,000
2008 "Median" Sales Ratio (Assessment Level)	94.6%
2009 "Median" Sales Ratio (Assessment Level)	94.5%
2008 Coefficient of Dispersion (Assessment Accuracy)	4.3%
2009 Coefficient of Dispersion (Assessment Accuracy)	4.8%
2007 Approximate Number of Sales (including new construction)	1,158
2008 Approximate Number of Sales (including new construction)	959

2009 SALES RATIO STUDY

The equalization of values is done through the process of sales studies. Sale studies compare the Assessor's value with that same property's actual sale price. The comparison gives us ratio indicators that are recognized by the County and the Minnesota State Commissioner of Revenue. The ratio indicators must reach acceptable levels or they will trigger corrective action for general across-the-board adjustments by the County Assessor or the Commissioner of Revenue. The general corrections are essentially a "shotgun blast" type correction that affects the adequate and inadequate values alike, and although they correct equalization across jurisdiction lines, they do just the opposite within a jurisdiction by increasing inequity.

The Commissioner of Revenue and the Hennepin County Assessor have mandated that any jurisdiction falling below a 90.0% plateau will be forced into corrective action. Corrective action may cause everyone in the jurisdiction to suffer.

Our coefficient of dispersion in this year's study is 4.8%, anything under 10 is considered excellent. This is comparable to other jurisdictions of our size in Hennepin County. This is a direct result of our computerization of the appraisal process and demonstrates our ability to administer fair and equalized valuations at both ends of the value spectrum.

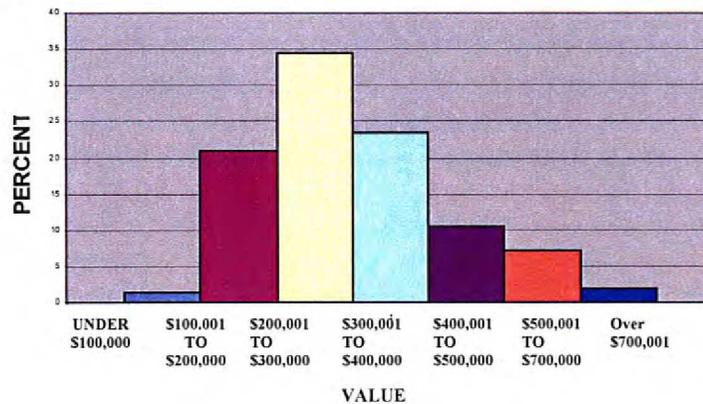
The figures below are based on the sale of existing homes that meet the state criteria for arm's length transactions for the 2009 assessment.

Hennepin County Sales

STYLE	# OF SALES	AVG. SALE PRICE	MEDIAN RATIO
Ramblers	63	\$298,602	.948
Splits	94	\$295,432	.950
Two Stories	148	\$439,003	.920
Rambler-Cluster Homes	9	\$436,534	.935
Splits-Cluster Homes	7	\$367,552	.931
Two Stories-Cluster Homes	5	\$318,400	.932
Condominiums	102	\$168,911	.940
Townhomes	101	\$255,861	.946
TOTAL	529		

PLYMOUTH 2009 RESIDENTIAL PROPERTY VALUE

\$ VALUE	PERCENT	# OF HOMES
Under \$100,000	1.3%	294
\$100,001 to \$200,000	20.9%	4,681
\$200,001 to \$300,000	34.6%	7,741
\$300,001 to \$400,000	23.4%	5,219
\$400,001 to \$500,000	10.5%	2,334
\$500,001 to \$700,000	7.3%	1,642
Over \$700,001	<u>2.0%</u>	437
Total	100%	22,348

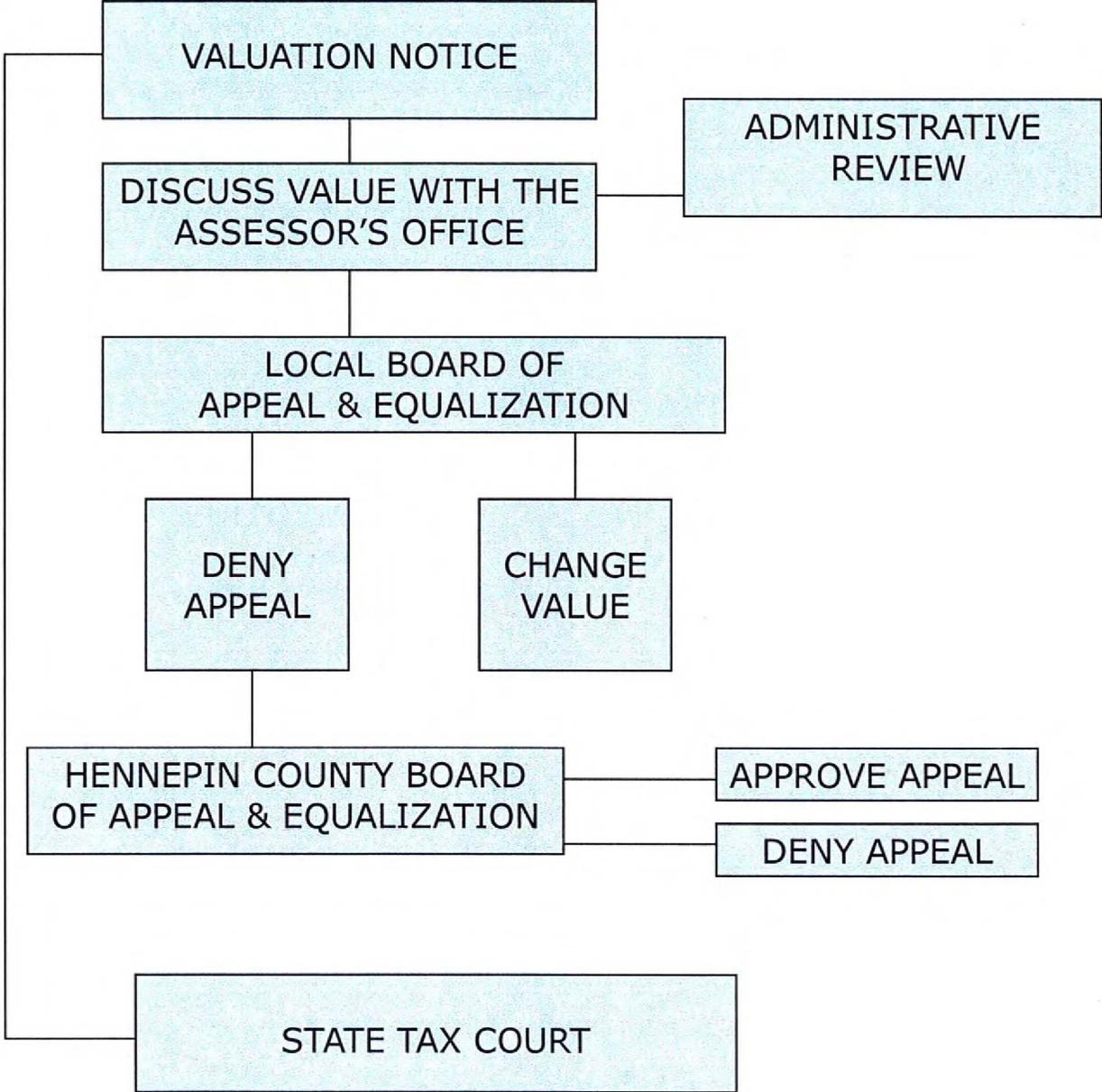


Living Unit Breakdown

TYPE OF DWELLING	2008 ASMT # OF UNITS	2009 ASMT # OF UNITS
Apartments	7,190	7,190
Single Family Homes	15,737	15,892
Duplex	72	68
Condominium	2,824	2,862
Townhomes	3,226	3,513
Permalease	32	29
Mobile Homes	59	59
Farm Houses	12	10
Seasonal Recreation	6	6
Co-Op Units	<u>210</u>	<u>210</u>
TOTAL LIVING UNITS	29,468	29,839

A increase of 371 living units over the 2008 assessment. Total number of homesteads 1/1/09 20,992.

APPEAL PROCESS





Adding Quality to Life

Frequently asked questions

Why are my property taxes going up when the value of my home is staying the same or declining? I thought there was a "levy limit" that froze the property tax rate on my home! Why did the taxable value of my home increase even though the market value stayed the same?

These are just a few of the questions that we've received during this time of stalling or falling home prices.

Property taxes in Minnesota are a complicated and often confusing topic for residents. We hope the following information answers some of your questions.

Assessor's Values Lag Behind The Market.

Property taxes payable in 2009 are based upon the property's estimated market value as of Jan. 2, 2008. This value is based upon the Assessor's analysis of market trends during 2007. Thus, when you pay your 2009 tax bill, your property's valuation is already two years old.

But That's Not Fair!

Remember, during a rising real estate market, property owners benefited by the Assessor's valuation that lagged behind the true value. In a stable or declining market, the reverse is true. In either event, all properties are rising or falling with the market and, in general terms, the tax burden of an individual property is not affected by the lag in values – either in an up market or a down market.

When Values Rise, The City Collects More Taxes. So, Isn't There An Incentive For The City To Increase My Property Value?

Property taxes are fundamentally different than income taxes or sales taxes. In those cases, the tax rate is fixed and the taxes collected are determined by multiplying the rate by income or the value of goods purchased.

With property taxes, the property tax rate is determined each year after the city, the county and the school district make their budget decisions. Property valuations are then used to allocate the tax burden in an equitable manner across all properties.

A rising real estate market does not generate more tax revenue nor does a flat or declining market result in less tax revenue for the city. Property valuation determines how the tax levy will be spread out and your share of your community's property tax bill. If your value increased more than the average value increase of other properties in the city, you will assume a greater burden of the tax bill – and vice versa.

How Does The Value Of Non-residential Property Figure In?

Plymouth has a stable commercial/industrial tax base that benefits residential taxpayers. However, for many years, the value of residential properties in the City increased at a faster pace than non-residential properties and the tax burden fell more heavily on residential taxpayers. The reverse is now occurring and commercial/industrial properties have a greater share of the burden compared with last year.

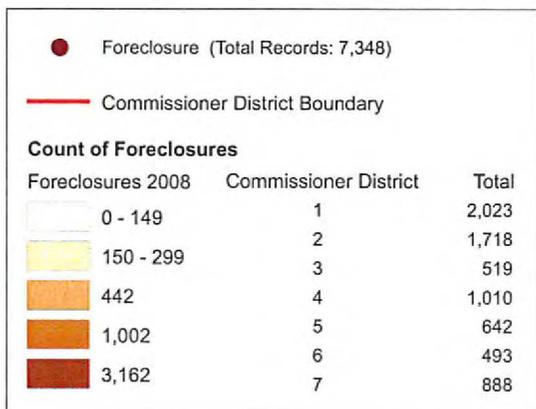
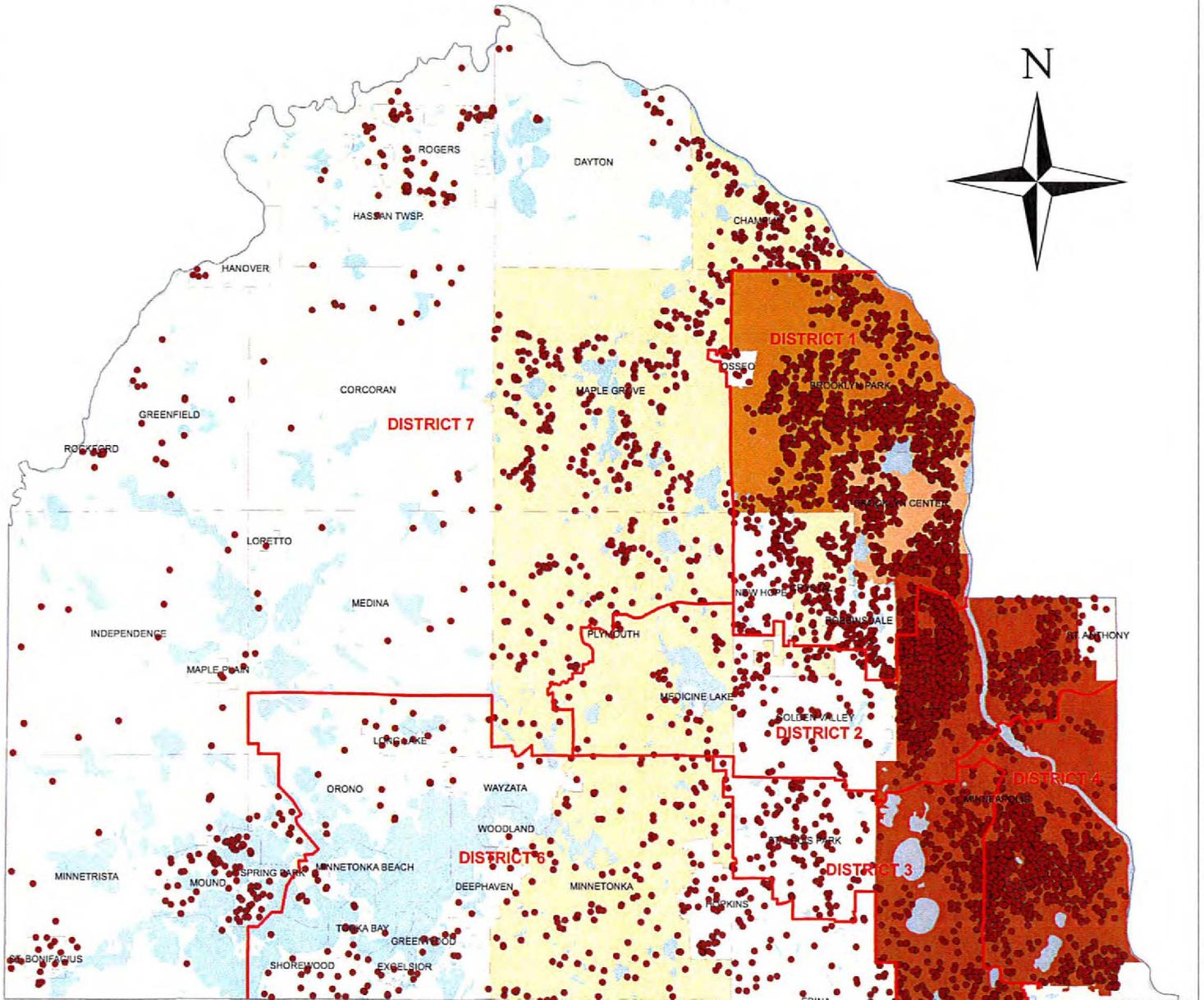
Why Wasn't The School District's November Referendum Included In My Truth-In-Taxation Notice?

The Truth-in-Taxation process is tightly regulated by the state. According to law, Truth-in-Taxation notices must be mailed by the county before the November referendums, so the approved school district levy was not included in parcel-specific notices. This is the case in all communities that had a November referendum.

Plymouth Assessing Department
763-509-5360

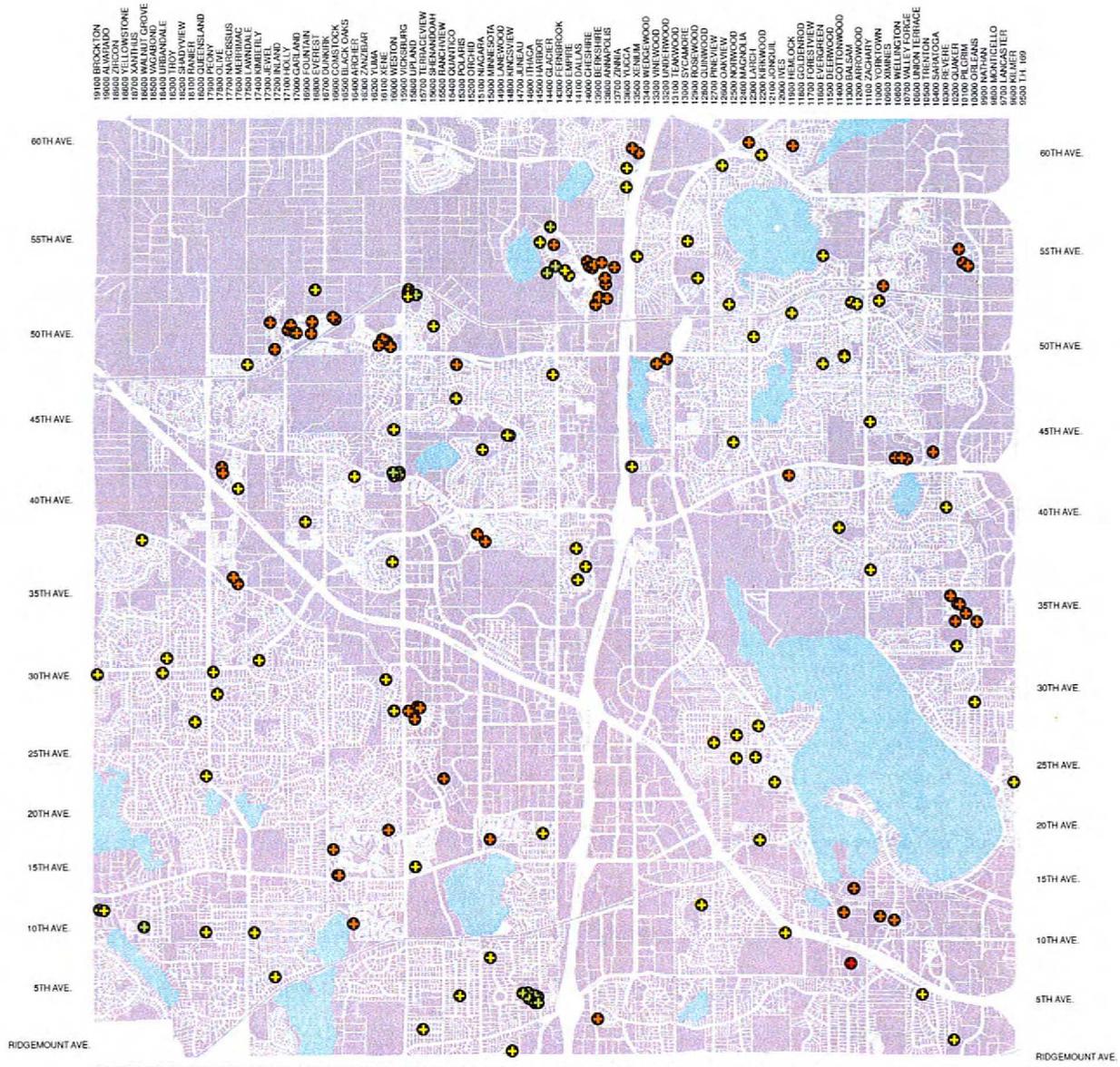
**MAPS
&
ARTICLES**

Distribution of Foreclosures Year 2008 Total Hennepin County



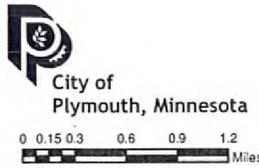
Data Source:
2008 Sales Extract, Hennepin County Sheriff's Office
Total Records: 7,348
Records Successfully Geolocated: 7,293 (99%)
Records Unsuccessfully Geolocated: 55 (1%)

Map Produced by Hennepin County
Taxpayer Services Department
Survey Division
January 8, 2009



CURRENT FORECLOSURE PROPERTIES

As of February 2009

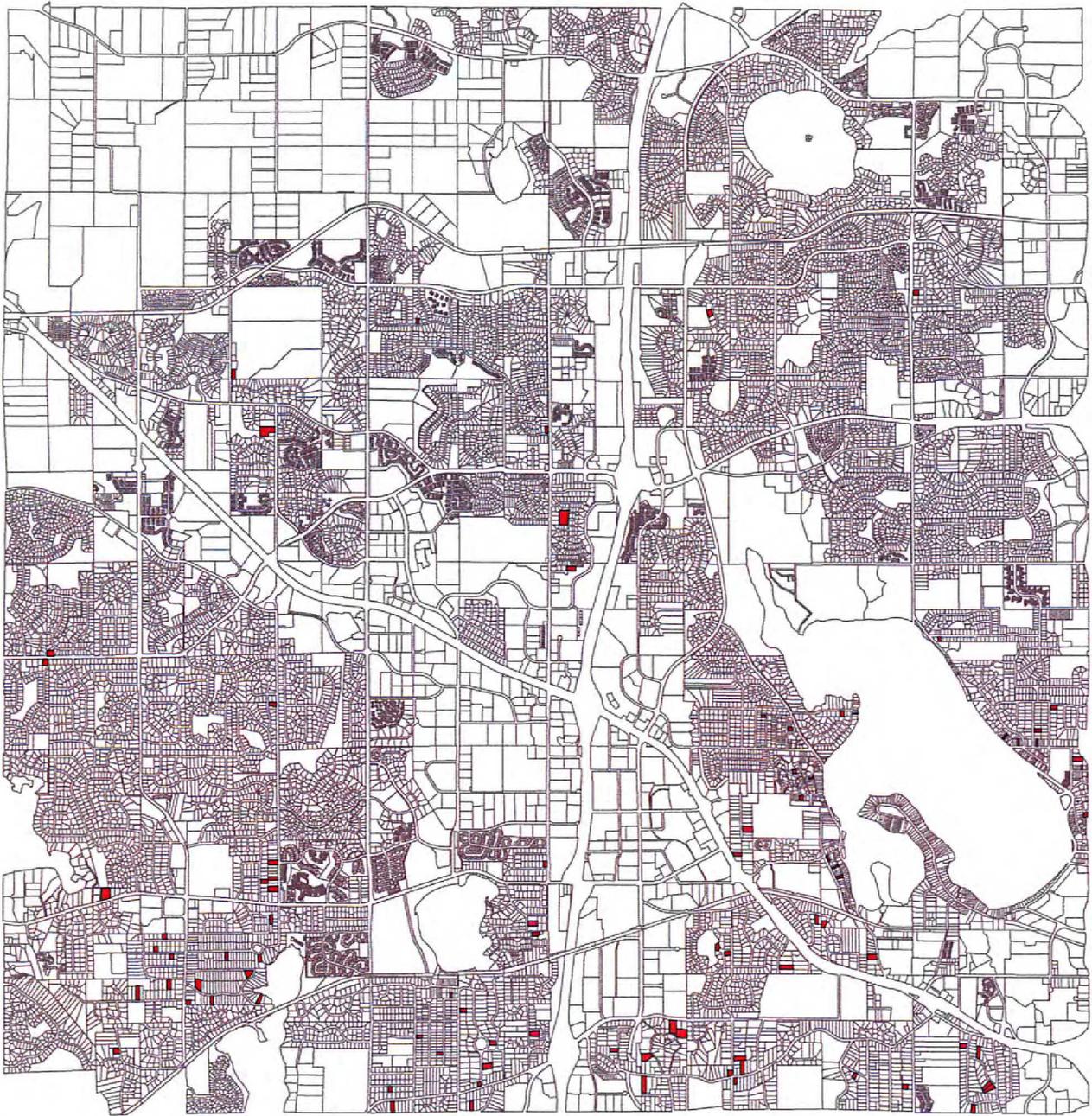


LEGEND

- Single Family Residential
- Multiple Family Residential
- Commercial & Industrial
- Vacant

THIS REPRESENTS A COMPILATION OF INFORMATION AND DATA FROM CITY, COUNTY, STATE AND OTHER SOURCES THAT HAS NOT BEEN FIELD VERIFIED. INFORMATION SHOULD BE FIELD VERIFIED AND COMPARED WITH ORIGINAL SOURCE DOCUMENTS.

Plymouth GIS GIS TECHNICIAN 763.509.5349



City of
Plymouth, MN

This represents a compilation of information and data from city, county, state and other sources that has not been field verified. Information should be field verified and compared with original source documents.

2009 THIS OLD HOUSE

\$ 1,020,900 EXCLUDED FROM TAXATION
87 PARCELS



MEDIAN HOME PRICES ARE INCREASING IN SOME COMMUNITIES

Median prices of traditional homes have increased in 19 MLS districts since 2006, when home prices peaked in the Minneapolis-St. Paul area. Traditional homes, those not in foreclosure, represent 95 percent of the homes in the Metropolitan Area. Metropolitan Area median home sales price was \$230,000 in 2006 and fell to \$221,000 in 2008, a decline of only 3.9 percent. This is good news when compared to the misleading decline of 23 percent for all homes that combine sales of traditional and lender-mediated homes in a single comparison. This calculation, while mathematically accurate, is extremely misleading since foreclosed homes represent only five percent of the homes but accounted for 60 percent of the transactions in the most recent period.

Traditional home median sales prices increased by more than 12 percent in three MLS areas – Maple Grove/Osseo (13.9 percent), Prior Lake (13.3 percent), and Chaska (12.8 percent), as shown in Table 1. Price increases of five to ten percent were recorded in six MLS areas and traditional home prices increased by one to five percent in 10 areas.

Table 1
CHANGE IN MEDIAN SALES PRICES OF
TRADITIONAL HOMES BETWEEN 2006 AND 2008

<u>Price Change</u>	<u>Number of MLS Areas</u>
10 Percent or More	3
5 to 9.9 Percent	6
1 to 4.9 Percent	10
(0.1) to (4.9) Percent	18
(5.0) to (9.9) Percent	27
(10.0) to (14.9) Percent	23
(15.0) to (19.9) Percent	7
(20.0) Percent or More	6

Source: Minneapolis Area Association of Realtors.

Price declines of less than ten percent have occurred in 45 MLS areas and 10 to 14.9 percent in 23 MLS districts. Median sales prices have declined by 15 percent or more in only 12 districts. This is a far different picture than presented by a median sales price of \$150,000 when traditional and lender-mediated home prices are combined. Median sales prices of traditional homes were below \$150,000 in only five MLS districts.

The above tale was compiled from 2008 median sales prices of traditional homes contained in Table 2. Homeowners of the 19 MLS areas with increasing prices will undoubtedly be encouraged by reports of increasing prices. Homeowners in the 76 MLS areas with median price decreases can be comforted by the fact that most traditional homes have declined by far less than the 23 percent reported in a recent news article. Median sales prices have declined by 23 percent or more in only five MLS areas.

This analysis was prepared utilizing information collected by the Minneapolis Area Association of Realtors.

Table 2
2006 MEDIAN SALES PRICES COMPARED TO
2008 TRADITIONAL HOME MEDIAN SALES PRICES

<u>Code</u>	<u>MLS Area</u>	2006 Median Sales Price Total	2008 Median Sales Price Traditional	Percent Change
365	Maple Grove/Osseo	\$ 247,000	\$ 281,400	13.9 %
642	Prior Lake	279,900	317,000	13.3
397	Chaska	234,900	265,000	12.8
302	Mpls. - Central	270,000	296,519	9.8
386	Hopkins	205,900	222,083	7.9
368	Hennepin - Northwest	375,000	403,300	7.5
385	Edina	385,000	410,000	6.5
741	St. Paul - Downtown/Capital Hts	195,000	205,500	5.4
727	Stillwater/Bayport	299,000	315,000	5.4
373	Golden Valley	268,000	280,000	4.5
610	Eagan	237,800	247,000	3.9
392	Eden Prairie	288,950	300,000	3.8
726	Woodbury	281,000	287,700	2.4
740	St. Paul - Crocus Hill	266,000	272,000	2.3
640	Shakopee	218,000	222,500	2.1
396	Chanhassen	293,500	298,000	1.5
387	Minnetonka	271,768	274,900	1.2
391	St. Louis Park	234,500	237,000	1.1
309	Mpls. - Southwest	287,000	290,000	1.0
614	Apple Valley	226,000	225,000	(0.4)
374	Plymouth	293,000	291,500	(0.5)
748	St. Paul - Town & Country/Merriam Park	275,500	273,500	(0.7)
750	St. Paul - Mac/Groveland/River Road	278,000	275,500	(0.9)
304	Mpls. - Nokomis	225,000	222,750	(1.0)
626	Lakeville	278,950	272,768	(2.2)
612	Burnsville	233,375	227,800	(2.4)
300	Mpls. - Calhoun Isles	263,590	257,250	(2.4)
380	Bloomington West	247,000	240,000	(2.8)
708	White Bear Lake	245,000	237,500	(3.1)
746	St. Paul - St. Anthony/Midway	206,350	200,000	(3.1)
725	Pine Springs/Lake Elmo/Oakdale	227,000	219,900	(3.1)
765	Arden Hills/Shoreview	242,500	234,750	(3.2)
303	Mpls. - Longfellow	207,500	200,000	(3.6)
752	St. Paul - Highland Area	274,400	263,700	(3.9)
616	Rosemount	248,200	238,450	(3.9)
766	Moundsville/New Brighton/St. Anthony	225,000	215,000	(4.4)
617	Hastings	202,000	193,000	(4.5)
608	Inver Grove	205,450	195,000	(5.1)
709	Forest Lake Area	240,250	226,950	(5.5)
644	Savage	266,950	252,000	(5.6)
707	Ham Lake	340,000	320,950	(5.6)
772	Lexington/Circle Pines	192,000	181,155	(5.6)

Table 2 (cont.)

**2006 MEDIAN SALES PRICES COMPARED TO
2008 TRADITIONAL HOME MEDIAN SALES PRICES**

<u>Code</u>	<u>MLS Area</u>	<u>2006 Median Sales Price Total</u>	<u>2008 Median Sales Price Traditional</u>	<u>Percent Change</u>
394	Carver County	\$ 243,150	\$ 229,000	(5.8) %
744	St. Paul - Como	216,250	203,500	(5.9)
728	St. Paul - Riverview/Cherokee	187,686	176,250	(6.1)
738	St. Paul - Home Croft/W. 7th	180,290	168,950	(6.3)
367	Hennepin- North	288,950	270,000	(6.6)
624	Farmington	233,000	217,000	(6.9)
702	Falcon Heights/Lauderdale/Roseville	246,750	229,500	(7.0)
360	Robbinsdale	199,950	185,450	(7.3)
341	Wright County (Ext Buffalo)	216,000	200,000	(7.4)
361	Crystal	197,700	183,000	(7.4)
604	Mendota/Lilydale	330,200	305,000	(7.6)
722	Newport/St. Paul Park/Cottage Grove	227,400	210,000	(7.7)
600	W. St. Paul	200,500	185,000	(7.7)
308	Mpls. - Powderhorn	183,700	169,000	(8.0)
362	New Hope	229,000	209,297	(8.6)
340	Buffalo	215,000	195,850	(8.9)
764	Blaine	229,900	209,000	(9.1)
648	New Prague/New Market Elko	250,000	227,000	(9.2)
310	Mpls. - University	240,000	217,500	(9.4)
758	Northwestern Anoka Cty	232,000	209,900	(9.5)
381	Lake Minnetonka	462,000	417,500	(9.6)
660	Goodhue County	174,675	157,675	(9.7)
646	Jordan	250,000	225,000	(10.0)
366	Champlin	233,500	210,150	(10.0)
760	Ramsey	229,900	206,900	(10.0)
762	Andover	272,475	245,000	(10.1)
378	Richfield	223,750	200,000	(10.6)
756	Elk River	230,000	204,750	(11.0)
602	S. St. Paul	196,700	175,000	(11.0)
712	Maplewood/North St. Paul	222,000	196,000	(11.7)
306	Mpls. - Northeast	210,000	184,900	(12.0)
711	Southern Chisago County	211,900	186,200	(12.1)
705	Lino Lakes/Hugo/Centerville	262,000	230,200	(12.1)
379	Bloomington East	225,000	197,000	(12.4)
767	Coon Rapids	205,900	179,900	(12.6)
650	Belle Plaine	214,125	186,975	(12.7)
398	Victoria	477,500	414,968	(13.1)
770	Hilltop/Columbia Heights	189,300	164,500	(13.1)
364	Brooklyn Park	230,825	200,000	(13.4)
771	Spring Lake Park	199,850	172,900	(13.5)
630	Northfield	220,000	190,000	(13.6)
706	North Central Suburban	264,900	228,250	(13.8)

Table 2 (cont.)

**2006 MEDIAN SALES PRICES COMPARED TO
2008 TRADITIONAL HOME MEDIAN SALES PRICES**

<u>Code</u>	<u>MLS Area</u>	<u>2006 Median Sales Price Total</u>	<u>2008 Median Sales Price Traditional</u>	<u>Percent Change</u>
720	St. Paul - Southeast St. Paul	\$ 217,000	\$ 186,750	(13.9) %
721	Lakeland/Afton/Denmark	350,000	300,000	(14.3)
768	Fridley	209,900	179,900	(14.3)
769	Anoka	200,873	170,000	(15.4)
713	Bethel	240,500	203,023	(15.6)
632	Rice County	187,650	155,000	(17.4)
716	St. Paul - Hillcrest/Hazel Park/Daytons Bluff	176,000	145,000	(17.6)
710	Northeast Anoka County	279,950	229,900	(17.9)
780	Sherburne County	214,950	175,000	(18.6)
714	St. Paul - Phalen	176,450	143,020	(18.9)
363	Brooklyn Center	192,925	151,500	(21.5)
754	Big Lake Township	211,000	161,000	(23.7)
307	Mpls. - Phillips	191,580	140,000	(26.9)
742	St. Paul - Central	153,000	107,000	(30.1)
301	Mpls. - Camden	164,000	112,000	(31.7)
305	Mpls. - North	153,000	65,000	(57.5)

Source: Minneapolis Area Association of Realtors.



NEWS release

FOR IMMEDIATE RELEASE

Contact: Wendy B. Danks, Director of Marketing
Builders Assoc. of Twin Cities
Phone: (651) 697-1954 • Cell (612) 296-5551

95 PERCENT OF TWIN CITIES HOMES HAVE RETAINED MORE THAN 96 PERCENT OF THEIR VALUE

New Study Reveals that Reports of Substantial Declines in Local Home Values is Extremely Misleading

Roseville, MN (March 29, 2009) – A new study reveals that almost all Twin Cities homes have not suffered the double-digit declines in median home prices often reported. Traditional homes, those not in foreclosure, represent 95 percent of the homes in the Metropolitan Area and show a median sales price decline of just 3.9 percent.

“Home prices in the Twin Cities area are either up, down or stable in the Twin Cities, depending on a range of factors, all of which affect price,” explains Jim McComb, president of McComb Group Ltd., a Minneapolis-based real estate research firm. “Unfortunately, none of these important factors have been taken into account in the multitude of news articles that report a steady drum beat of double digit declines in home values.”

Chief among these frequently ignored factors which influence home prices are whether or not there is actual foreclosure or an imminent threat of being foreclosed; the home’s location, type and physical condition; the number of homes in the immediate area listed for sale; and the number of for-sale homes that are in foreclosure.

The McComb Group report was released jointly today by the Minnesota Builders Association, the Builders Association of the Twin Cities and the Minnesota Association of REALTORS during their annual *Builders Day on the Hill* and *REALTOR Day at the Capital* at a rally in the Capital Rotunda in Saint Paul.

McComb said that there are actually two distinct home markets in the Twin Cities Metro area. “One of them, and by far the larger of the two, is the market representing ‘traditional’ homes, homes that are not in foreclosure, making up more than 95 percent of all of the homes in the two cities and their surrounding suburbs.”

“The other market, representing a mere 5 percent of all homes in the metro, are those which are ‘lender mediated,’ and are either already in foreclosure or are threatened with foreclosure,” according to McComb.

McComb Group’s just released study of actual home price trends in the metro area reveals major differences between the two markets. “Our analysis uncovered the facts that the national home price surveys has largely failed to notice,” McComb said. “Median sales prices of traditional homes—those not in foreclosure and not in danger of being foreclosed--- declined by a mere 2.6 percent in the metro area between the 4th quarter of 2007 and the end of 2008, and in several areas, such as Edina and Woodbury, they actually increased.”

MORE

Although there is no way to accurately compare the median sales price of lender mediated, or foreclosed, homes with their former sales prices in a normal market, the McComb Group study found that as a group, these homes may have declined by 30 to 40 percent during the same period.

Price performance has also varied greatly depending on the type of home involved. The decline in median sales price has been lowest for traditional single family homes, down 3.5 percent, followed by condominiums, down 4.7 percent and townhomes, down 6.3 percent.

The same home types, when lender mediated, showed significantly larger value losses, with single family homes down 30 percent from a year earlier; condominiums down 17 percent; and townhomes down 15.2 percent. The difference between traditional and lender mediated townhomes and condominiums was -30 and -50 percent respectively.

The McComb study shows that where homes are located in the community has also had a large effect on prices. The heaviest concentrations of foreclosed, or lender-mediated homes, are in north and south Minneapolis, with far fewer located in Calhoun-Isles, Southwest and Edina. This difference in the concentration of foreclosed homes has had a dramatic impact on prices of both traditional homes and lender mediated homes in each of the areas studied.

Lender mediated sales prices of \$162,000 in the 4th quarter of 2007 were about 30 percent below traditional home median sales prices of \$227,000. One year later, at the end of 2008, the lender mediated sales prices had fallen another 10 percent, to 40 percent of the traditional median home sales price. But McComb cautions that these price declines of 30 to 40 percent still only apply to a small fraction of all homes in the Twin Cities.

The high proportion of foreclosed homes in Camden and North Minneapolis is clearly depressing the price of traditional homes along with those which are lender-mediated. Overall median sales prices have declined by as much as 44.4 percent in North Minneapolis, 27.6 percent in Camden, and by smaller percentages in Calhoun-Isles (1 percent) and Southwest (7.9 percent), while they have actually increased by 6.5 percent in Edina.

Of the top 100 Minneapolis Area Association of Realtors areas, sales of traditional homes have increased in 17. Median sales prices of traditional homes have declined by less than 10 percent in 58 MAAR areas, while traditional home prices have declined by more than 15 percent in only 11 MAAR areas. In the 17 MAAR areas with increasing traditional home prices, fewer than 33 percent of the listed homes are lender mediated, or in foreclosure.

"The fact that lender mediated homes currently represent only 5 percent of all homes but are a much larger proportion of closed sales is distorting the changes in home prices for traditional homes, while that fact understates the decline in sales prices of lender mediated homes," McComb said. "The current market for traditional homes, which make up 95 percent of the Twin Cities housing stock, is clearly much stronger than is indicated by such widely quoted national home price surveys as the Case-Schiller Index and Zillow."

#####

MORE

Key conclusions of the McComb Group study:

- Traditional homes are a separate market from foreclosed or lender mediated homes, and currently represent 95 percent of all homes in the Twin Cities metro area.
- Foreclosed and lender mediated homes, although making up just five percent of all homes, constitute a far larger percentage of closed sales.
- Areas with a high proportion of foreclosed homes are experiencing greater declines in median sales prices of both traditional and lender mediated homes.

A copy of the complete report is attached.

The Builders Association of Minnesota and The builders Association of the Twin Cities represent over 4,800 builders, remodelers and firms that do business within the homebuilding industry across the state of Minnesota.

MN REALTORS represents 19,500 real estate brokers and agents throughout the state of Minnesota.