



MINNEAPOLIS AREA Association  
of REALTORS®

## NEWS RELEASE

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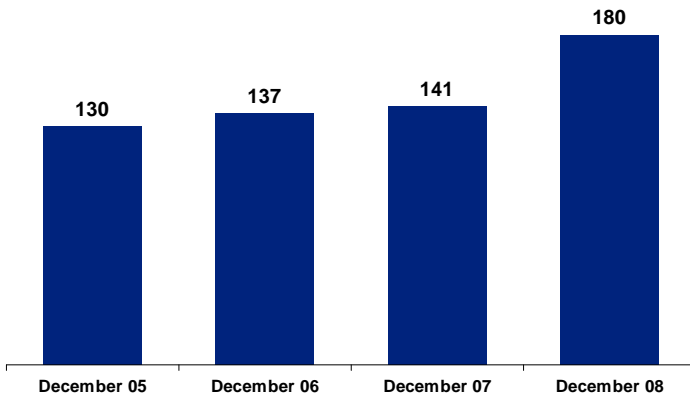
**Contact:** Greg Sax, Communications Manager  
Minneapolis Area Association of REALTORS®  
952.988.3123 (office)  
612.860.2668 (cell)  
gregs@mplsrealtor.com

Jeff Allen, Research Manager  
Minneapolis Area Association of REALTORS®  
952.988.3126 (office)  
612.702.4101 (cell)  
jeffa@mplsrealtor.com

### Drop in mortgage rates leads to jump in affordability

Minneapolis, Minnesota (December 10, 2008) – According to the Minneapolis Area Association of REALTORS® (MAAR) based on data from the Regional Multiple Listing Service of Minnesota, Inc., a combination of substantial declines in mortgage rates and the continued downward movement of home prices is leading to an unusually attractive affordability environment.

#### MAAR Housing Affordability Index



Mortgage rates declined well into the 5 percent range in the last month—the best rates of 2008 and the most attractive since 2003. Add November’s tantalizingly low median sales price of \$175,000—down 19.2 percent from the same time last year and the lowest November showing since 2001—and you have extremely healthy affordability.

“It is absolutely ‘go time’ for anyone interested in making an affordable home purchase,” said Kevin Knudsen, MAAR President. “The current combination of low prices and low rates is unprecedented.”

MAAR’s Housing Affordability Index (HAI) jumped 19 points in the last month, and currently sits at 180. This is up 27.7 percent from last December’s mark of 141 and is the highest recorded HAI since we began tracking the data in 1990.

Lender-mediated home sales, which accounted for 53.5 percent of pending sales and 47.3 percent of closed sales, posted a November median price of \$130,881. This is a drop of \$5,000 from last month and a decline of 20.7 percent from last year. Traditional properties, which exclude foreclosures and short sales, had a November median sales price of \$225,420, a decrease of 2.0 percent from last year.

The stark differences in home prices between the lender-mediated market and the traditional sales market has led to two very different market segments, each comprising roughly half of total market activity. Foreclosure and short sale prices are falling fast as banks aggressively price their homes, while the traditional market is more effectively maintaining its value as buyers appear willing to pay a fair-market price for “turnkey” properties that are closer to move-in ready. The one thing each market segment has in common is a large increase in affordability thanks to the recent drop in mortgage rates.

“Buyers are being rewarded by market conditions that have continued in their favor all year,” said MAAR President-Elect, Steve Havig. “Mortgage rates haven’t been this good in five years.”

*Established in 1887, the Minneapolis Area Association of REALTORS® (MAAR) is the leading regional advocate and provider of information services, research and education on the real estate industry for brokers, real estate professionals and the public. With more than 8,500 members, MAAR is one of the 25 largest local REALTOR® associations in the nation and serves the Twin Cities 13-county metro area and western Wisconsin.*

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