



MINNEAPOLIS AREA Association
of REALTORS®

MGIC



MGIC/MAAR Home Payment Report Q1 2017

Many home payments compare well to rents

For renters who think they can't afford to buy a home, a new quarterly report on the Twin Cities' 50 most active real estate markets suggests they may want to think again.

According to the **MGIC/MAAR Home Payment Report**, a joint venture of one of the nation's leading private mortgage insurers and the Minneapolis Area Association of REALTORS® (MAAR), monthly payments on many homes recently purchased in the metro area are around the same or even less than rent payments in the same communities.

"With a rental vacancy rate of less than 3%, rents are going up like crazy," said MAAR President Cotty Lowry, Realtor® at Keller Williams Integrity Realty. "In many instances, it's cheaper to own than to rent."

David Arbit, MAAR director of research and economics, added that rising rents have been coupled with continuing low interest rates, making "buy vs. rent" decisions tilt further toward buying.

"What's so fascinating from a consumer standpoint is this: Despite the fact that the median home price has gotten back to its pre-crash level, monthly payments are not nearly as high as at their high point in 2006," Arbit said. "The last time home prices were this high, mortgage interest rates were around 7% - now they're around 4%. So the cost of a monthly payment on a same-price home is a lot less."

Homes are especially affordable since many buyers can make down payments that are well under 20% of the purchase price through the use of private mortgage insurance, noted Vance Edwards, MGIC Program Director. "Saving up 20% of a home price can be a challenge, especially for today's first-time homebuyers who face rising



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Kath Hammerseng, MAAR president-elect

rents and student loan debt. By relying on the use of private mortgage insurers, homebuyers can get into a home with as little as 3 or 5%. Plus they can use a gift for some or all of that downpayment.”

Consider a few examples drawn from the report of monthly payments – including principal repayment, interest, private mortgage insurance cost, and property taxes – on homes purchased in the fourth quarter of 2016 assuming a 10% down payment:

In **Maple Grove**, the median payment on a mid-priced home is \$1,440, making it lower than most of the three-bedroom rental units currently listed on Craigslist.

In the **Nokomis** neighborhood of Minneapolis, the median payment on a mid-priced home is \$1,349, also lower than most monthly rents listed for homes with two or more bedrooms.

In the **Greater East Side** neighborhood of St. Paul, the median payment on a higher-priced home is \$1,068, which again is lower than most rents in the area advertised on Craigslist.

“Thanks to favorable interest rates and a strong employment outlook that has boosted consumer confidence, would-be buyers are plentiful. In fact, demand for starter and mid-priced homes is near an all-time high,” Arbit said. The same cannot be said for supply, with roughly 8,200 homes on the market now compared with a high of 33,000 in July 2007.

Realtors® expect a small increase in available inventory in the coming months, but no dramatic change.

“Now that the Super Bowl is behind us, we’re into the spring market,” said Judy Shields, MAAR immediate past president and a Realtor® with Coldwell Banker. “We’ll start to see more sellers come to market between now and mid-summer. But we’ll still have a small inventory in that \$200,000 to \$400,000 range where most people want to be.”

Still, tens of thousands of homes will be sold in the Twin Cities metro area this year, she noted. “We just have to prepare our buyers well and keep our cars running in the garage” to move quickly when the right home comes along.

Agreed Kath Hammerseng, MAAR president-elect, “I think buyers who get active in the market are often pleasantly surprised. They may have to compete more for a home but buyers are closing on homes they love, with payments they can afford, every day.”

“Private mortgage insurance can provide options that not only help a homebuyer buy a home sooner,” added Edwards, “but can increase their buying power or allow them to keep more money in savings to use for future expenses.”

To potential buyers and sellers who are sitting on the fence, Hammerseng says the time is right to make a move. “Affordability is very attractive right now and it’s not going to stay this favorable forever,” she said. “Whether you’re a first-time buyer or a seller looking to move up, your buying power is as strong as it’s likely to get for the foreseeable future so I wouldn’t hesitate.”

Home Payment Report: Twin Cities*

Home Sales Q4 10% Down	Lowest Third		Middle Third		Highest Third	
	Sales Price	Monthly Payment	Sales Price	Monthly Payment	Sales Price	Monthly Payment
Andover	\$213,750	\$1,167	\$275,000	\$1,519	\$387,550	\$2,180
Apple Valley	\$152,000	\$836	\$225,000	\$1,251	\$327,500	\$1,844
Blaine	\$166,700	\$916	\$239,950	\$1,303	\$385,735	\$2,170
Bloomington	\$165,250	\$921	\$230,000	\$1,294	\$342,700	\$1,919
Brooklyn Center	\$138,750	\$809	\$170,000	\$984	\$195,000	\$1,147
Brooklyn Park	\$149,900	\$849	\$209,000	\$1,187	\$328,300	\$1,874
Burnsville	\$143,000	\$786	\$235,200	\$1,309	\$291,500	\$1,642
Chanhassen	\$169,000	\$922	\$302,000	\$1,679	\$550,000	\$3,105
Chaska	\$144,750	\$797	\$234,500	\$1,301	\$395,375	\$2,227
Coon Rapids	\$135,700	\$748	\$187,500	\$1,028	\$243,300	\$1,343
Cottage Grove	\$182,000	\$1,024	\$244,000	\$1,381	\$375,000	\$2,141
Crystal	\$139,000	\$789	\$180,350	\$1,031	\$235,950	\$1,345
Eagan	\$156,500	\$852	\$251,000	\$1,386	\$393,500	\$2,195
Eden Prairie	\$173,000	\$955	\$292,000	\$1,633	\$493,250	\$2,785
Edina	\$210,000	\$1,160	\$431,650	\$2,419	\$857,500	\$4,856
Elk River	\$151,000	\$842	\$236,250	\$1,323	\$328,000	\$1,875
Farmington	\$153,000	\$867	\$227,000	\$1,292	\$313,500	\$1,815
Hudson	\$185,000	\$1,046	\$275,000	\$1,554	\$435,250	\$2,401
Inver Grove Heights	\$159,000	\$877	\$217,750	\$1,202	\$378,163	\$2,139
Lake Minnetonka Area	\$194,000	\$1,069	\$433,000	\$2,391	\$858,250	\$4,919
Lakeville	\$220,000	\$1,189	\$313,800	\$1,742	\$440,000	\$2,498
Maple Grove	\$175,700	\$987	\$255,000	\$1,440	\$428,500	\$2,462
Maplewood	\$145,000	\$820	\$197,000	\$1,133	\$268,500	\$1,571
Minnetonka	\$175,950	\$985	\$297,450	\$1,684	\$485,750	\$2,771
Mpls-Camden	\$90,000	\$517	\$140,000	\$783	\$187,000	\$1,044
Mpls-Central	\$174,000	\$976	\$345,592	\$1,975	\$675,000	\$3,878
Mpls-Nokomis	\$179,000	\$1,014	\$238,975	\$1,349	\$334,950	\$1,905
Mpls-Northeast	\$156,950	\$901	\$219,950	\$1,243	\$307,400	\$1,737
Mpls-Powderhorn	\$133,350	\$759	\$184,900	\$1,046	\$249,750	\$1,405
Mpls-Southwest	\$238,675	\$1,367	\$325,000	\$1,880	\$520,000	\$2,942
Oakdale	\$145,000	\$790	\$190,000	\$1,065	\$265,000	\$1,479
Otsego	\$150,000	\$836	\$257,500	\$1,420	\$360,539	\$2,050
Plymouth	\$200,000	\$1,062	\$329,950	\$1,807	\$574,450	\$3,188
Prior Lake	\$187,000	\$1,036	\$300,000	\$1,680	\$475,000	\$2,676
Ramsey	\$156,750	\$860	\$214,940	\$1,188	\$300,000	\$1,674
Richfield	\$190,000	\$1,072	\$224,540	\$1,264	\$262,000	\$1,480
Rosemount	\$186,075	\$1,018	\$269,000	\$1,493	\$395,000	\$2,239
Roseville	\$138,000	\$771	\$225,000	\$1,272	\$300,250	\$1,697
Saint Louis Park	\$168,500	\$962	\$235,000	\$1,332	\$355,750	\$1,992
Saint Paul	\$112,750	\$639	\$175,000	\$993	\$267,750	\$1,558
Savage	\$194,450	\$1,096	\$284,500	\$1,599	\$385,450	\$2,215
Shakopee	\$163,015	\$914	\$215,000	\$1,203	\$325,000	\$1,874
Shoreview	\$133,500	\$761	\$210,000	\$1,189	\$316,000	\$1,808
Stillwater	\$171,500	\$962	\$269,450	\$1,497	\$450,000	\$2,494
Stp-Greater East Side	\$119,480	\$686	\$160,000	\$908	\$187,750	\$1,068
Woodbury	\$180,000	\$1,007	\$304,715	\$1,714	\$430,430	\$2,463

*Figures shown are for the median-price home sold between October 1 through December 31, 2016 among the lowest, middle and highest-priced homes in each community. Monthly payment includes principal repayment, interest, private mortgage insurance (PMI) fee and property taxes. Assumes a down payment of 10%. Sources: MLS home sales data, municipal property tax data, prevailing interest rate from Federal Home Loan Mortgage Corp, MGIC private mortgage insurance rates.

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**“Monthly
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David Arbit, MAAR

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