

City of Moorhead Annual Housing Report 2008

This report reviews Moorhead's housing market for the year 2008 and compares progress to prior years' statistics. Staff will provide quarterly housing updates to the Mayor and Council, as well as the general public during 2009.

Critical Indicators:

- FM metro area reported "closed" home sales decreased approximately 15% from 2007 to 2008; Moorhead sales decreased by 12% from 2007 to 2008
- Median sales price have held steady or slightly increased throughout the FM metro area for all cities
- Single family detached units are down slightly, less than 5% (8 units) from 2007 levels
- The construction of 217 multi family units represents a "modern day" record level of construction
- The 2008 total residential building permit value of \$43,673,429 exceeds the 2007 value by over \$1.2 million
- Estimates for new housing priced at \$150,000 or less in the *Regional Workforce Housing Profile for the Fargo-Moorhead Metro Area* (Profile) have been met, according to estimates based on the reported Building Permit Value
- Home forecloses were down 5 units in 2008 from 2007

Housing Sales Market (New and Existing Homes):

	Closed Sales 2006*	Median Sales Price 2006	Closed Sales 2007*	Median Sales Price 2007	Closed Sales 2008* 1/1/08-12/31/08**	Median Sales Price 2008
Fargo	1,431	\$135,000	1,443	\$140,000	1,242	\$140,000
Moorhead	593	\$130,708	635	\$138,000	556	\$138,200
West Fargo	544	\$142,850	543	\$144,700	448	\$149,900
Dilworth	87	\$136,150	75	\$136,675	52	\$145,250
Total	2,655		2,696		2,298	

Source: FMAAR – Data gathered on January 7, 2009

*Single Family, Twinhomes, Townhomes and Condos

**Note: not all closed home sales may be represented as realtors may input sales data at a later date.

Residential Housing Development Activity:

- Approximately 3,000 single family residential lots were platted in Moorhead between 2001 and 2008.
- For those lots, approximately 1,670 building permits have been issued.
- Of the remaining 1,330 platted lots with no building permit issued, approximately 730 represent fully-serviced buildable lots and are located in various subdivisions throughout Moorhead. The remaining 600 lots, although platted, have not been serviced with local streets and utilities.
- Three large subdivisions, Johnson Farms (platted in 2005), Stonemill Estates (platted in 2006), and Village Green 6th Addition (platted in 2006), represent approximately one-third of the new lots platted since 2001. Local streets and utilities to these three subdivisions are being completed in phases with 385 lots currently serviced and buildable.

Subdivision	Total Lots	Serviced	Not serviced	Building Permits Issued
Johnson Farms	368	201	167	64
Stonemill Estates	194	77	117	13
Village Green 6 th	423	107	316	61
TOTAL LOTS	985	385	600	138

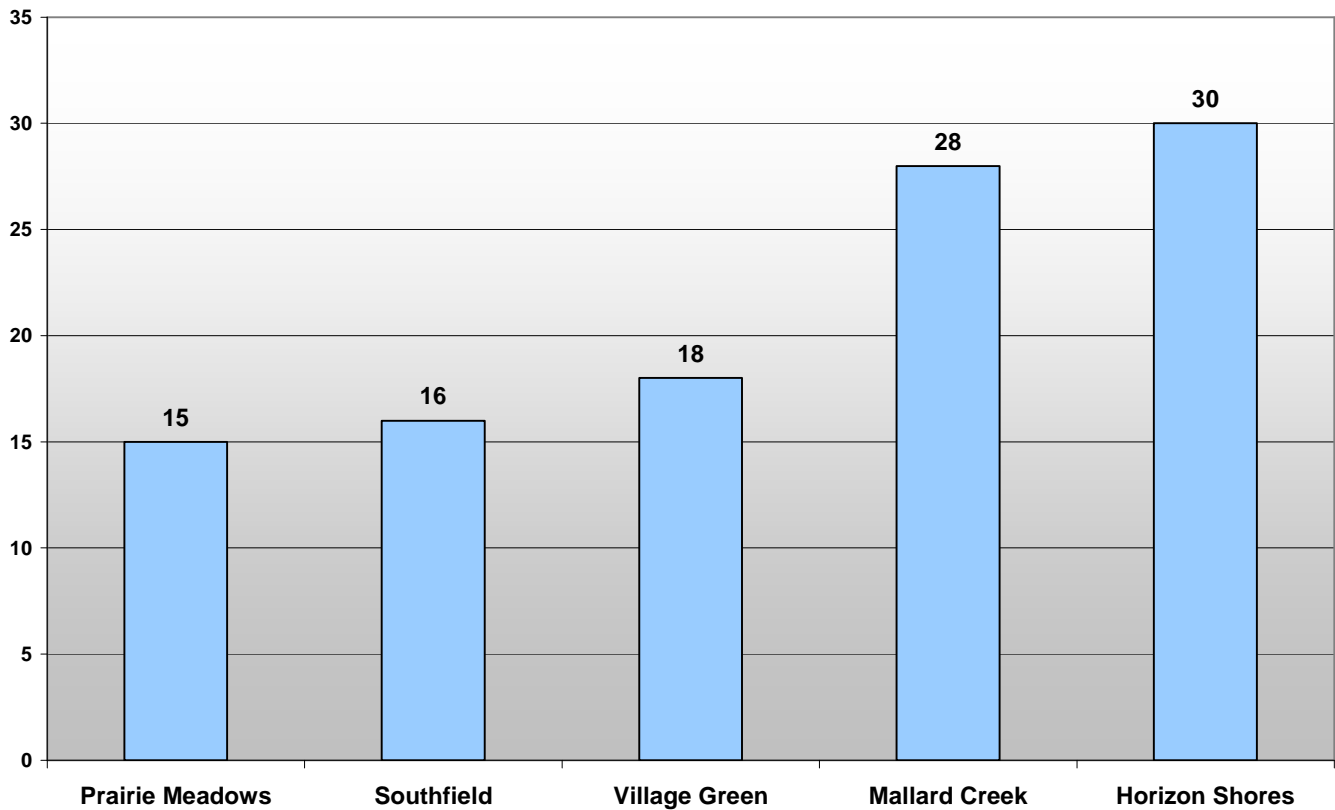
New Housing Construction Activity:

Building Permits Issued in Moorhead, MN from 1999 through 2008

YEAR	Single Family Detached Units	Single Family Attached Units	SF Attached and Detached Units	Two, Three & Four Units*	Five or More Units*	MOORHEAD TOTAL UNITS
2008	153	37	190	5	217	412
2007	161	64	225	38	68	331
2006	163	166	329	8	145	482
2005	190	130	320	62	132	514
2004	176	117	293	4	178	475
2003	113	82	195	4	160	359
2002	90	110	200	38	124	362
2001	74	32	106	6	36	148
2000	69	24	93	44	0	137
1999	66	22	88	10	69	167

*Represents number of total units, not number of permits issued
 Source: City of Moorhead Building Codes Office

Top Five Subdivisions in Moorhead, MN for Single Family Attached and Detached Building Permits Issued in 2008



Workforce Housing:

→ The *Regional Workforce Housing Profile for the Fargo-Moorhead Metro Area* (Profile) estimated that, between 2005 and 2010, Moorhead could support a projected demand of an additional 1,050 newly constructed for-sale units within the following price range:

Below \$150,000.....	300 Units	29%
\$150,000-\$199,999	425 Units	40%
\$200,000-\$299,999	250 Units	24%
\$300,000 and higher.....	75 Units	7%

→ Moorhead issued 1,063 single family attached and detached building permits from 2005 through 2008 and the permit data indicates that Moorhead is providing the number and type of housing units suggested in the Profile:

	<\$110,000	\$110-149,999	\$150-199,999	\$200-299,999	>\$300,000	Totals
2008	32	45	71	29	13	190
2007	45	57	70	34	19	225
2006	125	58	74	55	16	328
2005	109	75	69	49	18	320
Totals	311	235	284	167	66	1,063

*Building Permit Value less than \$125,000: add 14% to account for lot price and special assessments

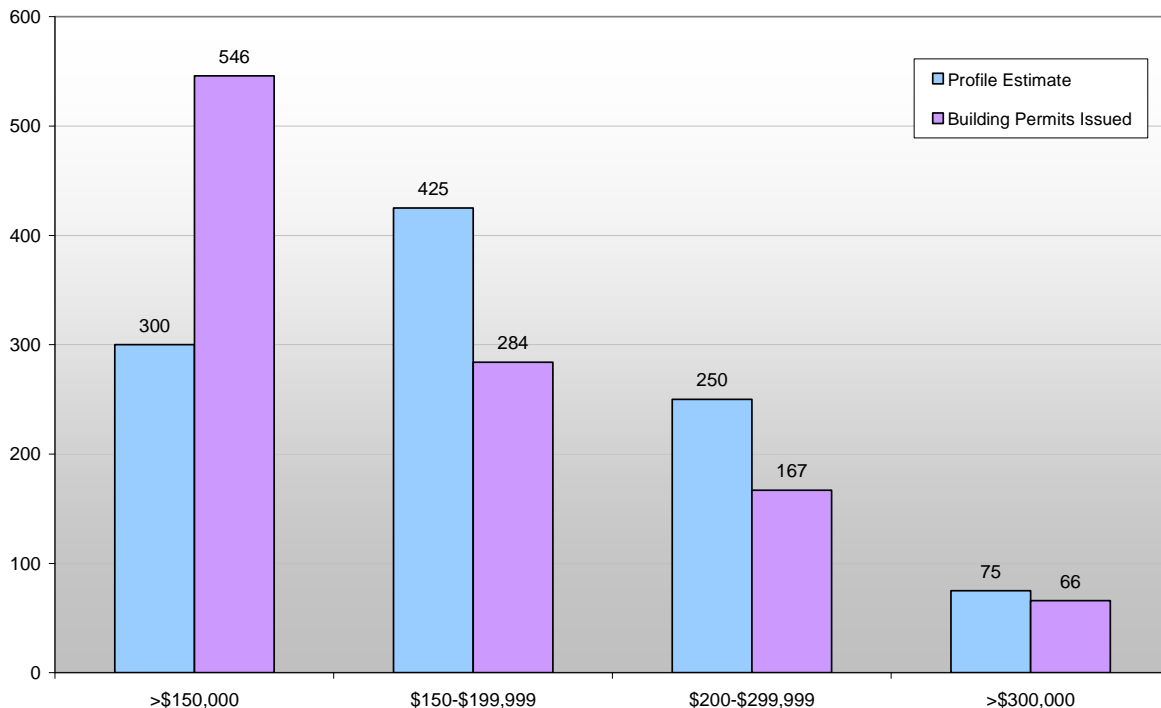
*Building Permit Value between \$125,000 and \$175,000: add 17% to account for lot price and special assessments

*Building Permit Value above \$175,000: add 20% to account for lot price and special assessments

**These percentages are estimates and were based on average lot prices and special assessments for new homes constructed from 2005-2006

→ When comparing the projected demand from the Profile and the estimated cost of new homes, the projected demand has been obtained in four years and those homes estimated to cost less than \$150,000 have outnumbered the demand projected in the Profile

Workforce Housing Comparison - Study Need Estimates and Actual Building Permits Issued (based on Building Permit Values)



Absorption Rates:

The average number of single family attached and detached building permits issued from 1999 through YTD 2008 was 205 permits.

The average number of single family attached and detached building permits issued from 2002 through YTD 2008 was 256 permits.

Assuming the City’s current inventory of approximately 730 fully-serviced buildable lots:

- If 300 building permits are issued per year, it would take approximately 2.4 years to fully absorb the lots.
- If 200 building permits are issued per year, it would take approximately 3.6 years to fully absorb the lots.
- If 100 building permits are issued per year, it would take approximately 7.3 years to fully absorb the lots.

Foreclosure Sales In Moorhead: 2005 to 2008

2005:	16 Foreclosure Sales
2006:	20 Foreclosure Sales
2007:	42 Foreclosure Sales
2008:	37 Foreclosure Sales*

*6 foreclosures sales tied to a single builder

Looking Forward to 2009

There is no “national” housing market; however, in aggregate, home prices across the nation dropped by the sharpest annual rate on record according to the Washington Post. The FM metro area did not have some of the rapid price escalation or masses of risky mortgage loans that have contributed to the significant housing market problems now being experienced in some areas of the country. While not increasing this past year, home values in Moorhead have not followed this national trend and continue to be steady and stable.

Interest rates on mortgages fell in 2008 and are now at historic lows, providing opportunity for borrowers with a solid credit rating and refinancing options for homeowners with equity in their homes. In January 2009, the fixed rate interest rate on a 30-year mortgage is below 5 percent.

The City of Moorhead looks forward to improvements in the national economy, and anticipates that residential growth will continue at a strong pace in Moorhead.

Looking back at notable 2008 housing activities:

- **Morningside Motel Redevelopment:** A code deficient motel was razed and a 12-unit multi-family building is currently under construction.
- **Bennett Park Manufactured Home Cooperative:** Fifteen additional blighted manufactured homes were removed from the Cooperative. Staff met with residents and North Country Cooperative Development Fund on park layout and compliance with setbacks and home separation.
- **Code Enforcement Activity:** 100% annual rental inspection completion for three consecutive years; lowered fees based on performance, reduced suspension activity; self inspection option new in 2008. Acquiring and clearing buildings beyond repair; active enforcement and coordination of complex enforcement cases.
- **Marketing:** New and First-Time Homebuyer Survey complete; 33% response rate. Favorable impression of Moorhead’s quality of life.

- **Parade of Homes:** 22 of the 78 homes were in Moorhead, ranging in value from \$98,476 to \$535,900. The 22 homes represent 14 different builders. We had 29 Moorhead listings on the 2007 spring Parade, with 114 entries overall (last year, 31 were in Osgood). Even though our listings were down from 2007, our proportion is slightly up.
- **First Avenue North Corridor Report:** November 2008 report focused on transportation improvements, aesthetic enhancements, and land use transitions; Open House held December 9th, 2008 was well attended by property owners and businesses.
- **Neighborhood Stabilization Program (NSP):** Minnesota received a total of \$58 million to address foreclosed properties under NSP. Allocations were made to geographic areas of greatest risks and rates of foreclosures by zip code and by county. Fortunately, Moorhead is not on the list and did not be receiving an NSP allocation.
- **First Time Homebuyer Credit:** There is a new \$7,500 "tax credit" enabled by the federal HERA legislation. This is not a tax credit in the traditional sense; the money must be repaid through future tax refunds over 15 years beginning after the second year. If the home is sold during that time period, the outstanding balance must be repaid at closing. Mortgage revenue bond programs and down payment assistance programs available through the state housing finance agencies may be a better option for qualifying buyers.
- **FHA Lending:** FHA lending is on a significant upsurge for new mortgages, and there is a new "Hope for Homeowners" refinance program that may assist homeowners that are in jeopardy of default. HUD has released a new "Streamline K" purchase plus home rehabilitation mortgages. It is anticipated that Minnesota Housing will be releasing more products that provide purchase rehabilitation options.
- **Demographics:** Minnesota Realtors Association reports statewide population growth in emerging markets. These are market segments that currently have lower homeownership rates including new Americans and racial minorities. LSS North Dakota now has an initiative targeting emerging market populations with more intensive homebuyer education, and some of the local lenders have been instrumental in getting that effort started. Support to emerging markets buyers also supports the growth and prosperity of our metro area! Staff has encouraged local lenders to access a small allocation of CDBG resources set aside for interpreter services for key points in the purchase process when working with households with language barriers.
- **Stonemill Ponds Incentives:** Minnesota Housing approved a request for \$105,000 affordability gap assistance for first time buyers in the Stonemill Ponds subdivision in October 2008. This additional funding continues a program begun last year, and these funds may be combined with additional gap assistance from Greater Minnesota Housing Fund and a partial write-down of special assessments from the City of Moorhead. Combining these opportunities with the new Minnesota Housing "HOME Help" program, eligible buyers can obtain up to \$52,999 in deferred financing to achieve homeownership in this developing neighborhood. The new resources are enough to assist 7 additional households at the maximum assistance level.