

Resilient Communities Analysis of Mid-Priced Housing in the City of Minnetonka

Prepared by

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On behalf of

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MEMO

To: City of Minnetonka Housing and Planning Representatives

From: Megan Fowler, Miranda Hanson, Beatrice McLeester, and Avery Stark

Date: May 16, 2013

Re: 'Resilient Communities' Analysis of Mid-Priced Housing in the City of Minnetonka

Executive Summary:

Our team was given the task of performing a mid-priced housing study for the City of Minnetonka. Based on recommendations from Minnetonka city planners, we studied the existing mid-price housing market, which included availability, market demand based on surrounding communities, and age of the current mid-priced housing stock for insight into housing conditions for properties valued between \$200,000 and \$500,000. Using ArcGIS software, information from the 2010 US Census, home sale information from the Realtors Multiple Listing Service (Northstar MLS), ExCensus Online data, and Minnetonka parcel data, our team discovered an increased demand for properties ranging from \$200,000 to \$350,000 and more demand (and less supply) for housing priced above \$400,000.

Research Objectives:

Our research objective was to assess Minnetonka's mid-priced housing market to determine if it is appropriate for market demands. This included studying the current mid-priced housing market in property values, Minnetonka's mid-priced housing market relative to mid-priced housing in surrounding areas, and the age/condition of Minnetonka's current mid-priced housing market.

Real Estate Analysis:

As of early May 2013, Minnetonka has roughly 350 properties listed on the market. Of those properties, about 150 fall within the mid-price housing range (43 percent) with the neighboring communities of Eden Prairie, Plymouth, and Chanhassen also reflecting this trend. Today, the median home sale value in Minnetonka is \$257,500 (up from \$233,000 in 2011, down from \$296,900 in 2005) with for-sale homes prices between \$38,000 to 2.5 million. In 2012, Minnetonka had the highest amount of home sale activity since the mid-2000s but is currently showing some signs of market stagnancy.

Map Assessment:

Housing Price Ranges:

To get a more accurate picture of the existing mid-priced housing stock in Minnetonka, we chose to break the price range into smaller categories: \$200,000-\$300,000, \$300,000-\$400,000, and \$400,000-\$500,000. Our study showed that the largest supply of housing was in the middle \$300,000-\$400,000 range. The least amount of existing housing was in the upper-mid priced range (\$400,000-\$500,000) with slightly more housing options in the \$200,000-\$300,000 range.

Percentage of Owner Occupied Housing within the Mid-Priced Value Range:

According to the 2010 US Census (American Community Survey), 65.3 percent of owner-occupied homes in Minnetonka fall within the mid-priced housing range. Compared to other cities in the surrounding Metropolitan area, Minnetonka does feature a large share of mid-priced housing options. To the south, southeast, and west of Minnetonka, surrounding cities have smaller shares of their market dedicated to mid-priced housing. To the north and northeast, these cities have comparative or larger shares of their market dedicated to mid-priced housing.

Percentage of Owner Occupied Housing within the Mid-Priced Value Range for the Top 5 Cities

Minnetonka Mid-Priced Housing Residents Move To:

With this map, we investigated the current share of mid-priced housing to see if market demand is met with the existing housing available. Data from ExCensus was used to look at the top 5 cities that Minnetonka residents moved to while previously occupying mid-priced housing within the city. The top five cities mid-priced housing residents in Minnetonka move to are:

- Eden Prairie (8 percent)
- Minneapolis (7.5 percent)
- Plymouth (6 percent)
- Hopkins at (5 percent)
- Chanhassen (3.9 percent), all based on an average over five years between 2007 and 2011.

Of these cities, Plymouth is the only city with a larger share of its housing dedicated to the mid- price range, compared to Minnetonka at 67.7 percent. This indicates that Minnetonka residents in mid-priced housing tend to move to housing markets with less mid-priced housing than Minnetonka. Therefore, Minnetonka may have more mid-priced housing than the market currently demands.

Percentage of Owner Occupied Housing within the Mid-Priced Value Range for the Top 5 Cities

Minnetonka Mid Priced Housing Residents Moved To (Broken into \$200,000-299,999 and

\$300,000-499,999):

We explored the move-out trend further by breaking down housing values into lower mid-priced and higher mid-priced housing. Minneapolis has the highest share of housing in the \$200,000 - \$299,999 value range (33 percent of its housing stock), and is the second most frequently moved to by Minnetonka mid-priced housing residents. This could indicate that some Minnetonka residents are looking to move to a cheaper, more diverse housing market within close proximity to work. Eden Prairie and Plymouth are respectively the first and third most commonly moved to cities for Minnetonka mid-priced housing residents, and both offer more housing in the \$300,000-\$499,999 value range. This could also indicate that some Minnetonka mid-priced housing residents are looking to move to areas with more higher priced housing with different amenities than Minnetonka has to offer. Since the map of housing in the \$400,000-\$500,000 value range shows that Minnetonka has the least amount of its mid-priced housing in this range, we assume that Minnetonka has demand for housing at the higher end of the mid-priced range.

Age Minnetonka's Current Housing Stock Within the Mid-Price Value Range:

After completing a map series that addressed the age of Minnetonka's current housing stock within the mid-priced value range, our study revealed that Minnetonka constructed fewer homes priced in the lower bracket (less than five homes priced between \$200,000-\$250,000) and constructed more homes in the upper tier (more than 400 homes priced \$300,000 or higher) since 2000. From 1980 to 1999, 240 homes between \$200,000-\$249,000 were constructed, 316 homes between \$250,000- \$300,000 were constructed, and 2,224 home priced \$300,000 or higher were constructed. This shows that Minnetonka constructed fewer homes in the last decade (which can likely be attributed to the 2008 Housing Crisis) yet constructed homes at a higher price level compared to past decades. It also shows that the availability of newly-constructed and affordable homes for the Area Median Income (set at \$82,000, according to the 2010 US census), has decreased substantially over the past decade.

Conclusion

The City of Minnetonka does not necessarily have a need to construct more mid-priced housing, as nearly half of all properties available for purchase already fall within the mid-price range. We do suggest that available housing options target Area Median Income earners, which will typically qualify home buyers for properties around \$200,000 to \$350,000 depending on household needs and creditworthiness. Some market leakage may be attributed to the desire for newly constructed and larger housing, specific amenities, or a shorter work commute. This is backed by the evaluated demand for higher valued mid-priced housing, as some Minnetonka residents move to areas with a larger share of their housing stock in the \$300,000 to \$499,999 value range, or away to Minneapolis, which has more of a variety in housing options and amenities.