

## Rochester MN Real Estate Market Is In Full Swing

The Rochester Minnesota Real Estate market seems to have built a full head of steam as we head into the spring season. Sales are robust and there have even been several reports of multiple offers on some well priced properties. The Mayo Clinic match market is also well under way with medical students eager to graduate and start their residencies with the Mayo Clinic at the end of June. These new residents have been coming to town every weekend since late March and will continue to do so for the next couple months seeking homes. The good news is there is plenty of inventory and it's still very much a buyers market for those for seeking a good deal.

We didn't see the broad swings in interest rates last month as were experience in weeks past. With little new economic news for the week, rates settled in for a slightly lower. Economic news was mixed for the past month. The Fed is forecasting that with the recent rate cuts and the government stimulus packages will lead to faster economic growth for the remainder of the year. On the other side of the fence, the Pending Home Sales index fell more then expected in January and the index was down marginally from a year ago. Pending Home Sales is the leading indicators for the future direction of the housing market and NAR (National Association of REALTORS) is predicting flat home sales for the next several months.

After two weeks of nice declines, mortgage rates again began to rise back to the levels seen at the end of February. March was an extremely volatile month, with large daily swings a common occurrence. Investors bought mortgage backed securities during periods of increased concern about the stability of the credit markets. Just as quickly, they sold mortgage backed securities when the fears eased.

Recently, investors generally felt that the Fed's rate cuts and other actions were sufficient to combat the difficulties in credit markets, demand for mortgage investments fell, and mortgage rates rose. Mortgage rates were also hurt last week by a series of Fed officials who talked tough about inflation. Higher inflation is bad news for mortgage markets, as investors require a higher yield to offset the inflation. With all the attention on inflation, Friday's release of the Fed's preferred inflation indicator was highly anticipated. The February Core PCE price index rose at a 2.0% annual rate, as expected, which was at the upper boundary of the Fed's perceived comfort zone. In the housing sector, the news was somewhat encouraging. February Existing Home Sales came in stronger than expected. The inventory of unsold homes declined modestly, while median prices fell. Sales activity has held in a narrow range since September, and the chief economist of the National Association of Realtors (NAR) suggested that the data was "another sign that the market is stabilizing". February New Home Sales also came in a little higher than the consensus. Separately, the government's OFHEO housing index showed that January prices were down 3% from one year earlier.

Now into April, inventory numbers are fairly steady compared to this time last year and sales are down ever so slightly. Those lost sales may be made up when the April numbers are posted as the weather this past winter has had a lot to do with the real estate market getting a little slower start this year in Southeastern Minnesota. All looks well for the real estate market going into mid spring and early summer!

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