

MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions
FEDERAL RESERVE BANK OF MINNEAPOLIS

Vol. 8

AUGUST 29, 1946

Serial
No. 56

SPECIAL ARTICLE

Minneapolis Homes Found Doubled in Value

RESIDENTIAL property was not subject to price control during the recent war. It was an important area in the economy where the price of a commodity with an almost fixed supply was permitted to rise freely in response to a rapidly growing demand. The sharp rise in the price of residential property has caused much conjecture over the actual amount of the increase.

This has initiated an investigation of the rise in the price of houses and of building lots with the cooperation of the board of directors of the Minneapolis Board of Realtors. Properties tabulated in the survey were taken from the records of leading realtors in the city.

Houses are still a non-standardized product. Some built for approximately the same cost frequently sell at widely varying prices. The architecture of the house, the arrangement of the rooms, the type of equipment installed, and the type of houses in the immediate neighborhood all have a bearing on the selling price. Consequently, it is impossible to make a reliable estimate of the rise in the price of residential property based upon a few isolated transactions.

The sharp rise in the price of residential property stems from several changes which occurred in the economy during the war years. Incomes rose materially, creating a large number of potential home owners. Other changes created a greater demand for a particular type of house. The large increase in family formation during the war and the migration from rural areas have greatly strengthened the demand for houses in the low-price range. Due to the deterioration of materials and the use of substitutes during the war, houses built just prior to the war with the best grade of materials and of equipment have risen most in selling price. Consequently, the rise in the price of residential property is even more difficult to measure because of the differential increase that has occurred among different types of houses.

The amount of this increase in the price of the residential property since the pre-war period has varied noticeably among regions over the nation but has varied little among cities within a region, according to a study made by the National Housing Agency. Thus, a careful study of the rise in this type of real estate values in one city may provide a picture which is typical of the rise in such values in other cities of the Ninth District.

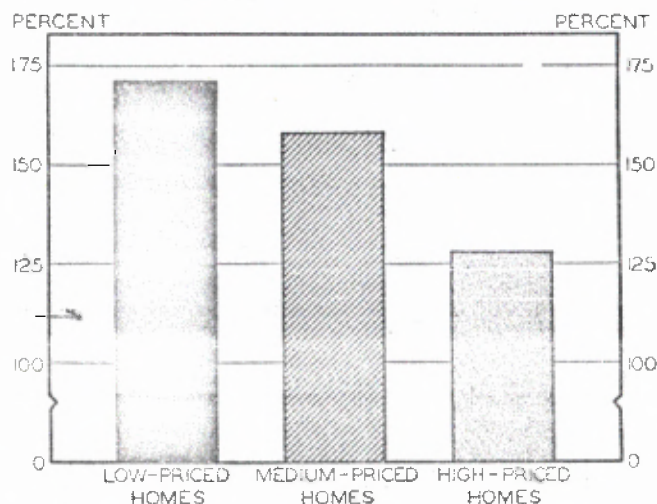
Survey Based on Realtors' Records Shows That Minneapolis Homes Have Advanced Average of 96% Over 1940; Low-Priced Homes Up Most

1,035 TRANSACTIONS TABULATED IN SURVEY

A survey was made of the residences and building lots sold by leading realtors in Minneapolis in 1940, in 1945, and during the first half of 1946. A total of 886 residential transactions within the city were tabulated. Of this number, 412 transactions were made in 1940, 372 in 1945, and 102 in the first half of this year. The selling price of houses in 1940 in fairly uniform residential districts was compared with the selling price of houses in these same districts in 1945 and in the first half of this year. The percent increase in the price between the pre-war and recent years was computed for each district. The transactions assembled into districts were aggregated to arrive at a representative increase in the price of this type of real estate over the city.

According to the results of this study, residential property in Minneapolis was sold in 1945 at prices which averaged 57 percent above those in 1940,

**RISE IN PRICE OF MINNEAPOLIS RESIDENTIAL
PROPERTY FROM 1940 TO 1945**



and in the first half of 1946 at prices which averaged 96 percent above those in the pre-war year. The increase between 1945 and the first half of this year was almost 25 percent.

A comparison of the rise in price of residential property among the numerous residential districts of the city revealed marked differences. Residences located near the loop and near outlying shopping centers in the city, which are the less desirable residential areas, increased more in price since 1940 than those in the more desirable areas. Homes in new additions built just prior to the war also increased decidedly more in price than the average.

LOW-PRICED HOMES SHOW GREATEST INCREASE

The differential rise in the price of residential property which has taken place among low, medium, and high-priced homes was studied by dividing the transactions into three categories conforming to the three types of homes. The 1940 transactions were divided into houses which sold for \$5,000 or less, those which sold between \$5,000 and \$10,000, and those which sold over \$10,000. The percent of the total number of 1940 transactions in each of the categories was used to divide the 1945 and 1946 transactions into three similar categories. A small sample of houses sold in 1940 and resold in 1945 or in 1946 was used to check the price range of the houses assembled into the three categories for the two recent years.

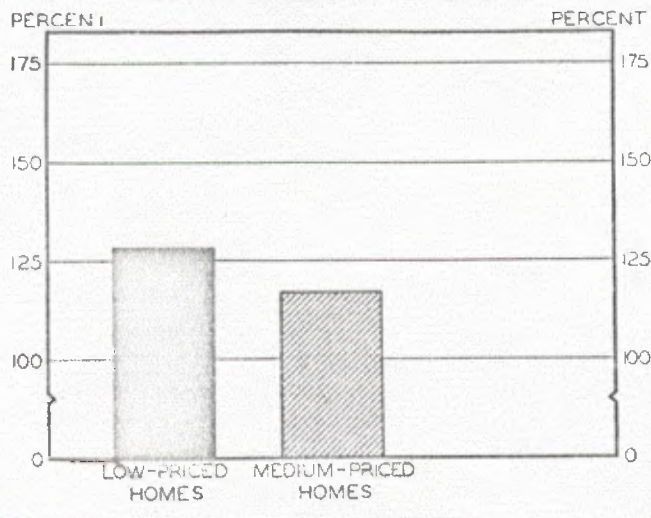
On the basis of the above analysis, low-priced houses which sold for \$5,000 or less in 1940 averaged 71 percent more in 1945 and 119 percent more in the first half of 1946. Houses in the medium-price range from \$5,000 to \$10,000 in 1940 averaged 58 percent more in 1945 and 85 percent more in the first half of this year. The high-priced houses of over \$10,000 in 1940 averaged 28 percent more in 1945.¹ According to these percentages, low-priced houses have increased decidedly more in price than higher-priced ones.

The increase in the price of these three types of residential property varied greatly among the numerous residential districts of the city. A large part of these differences, however, may be attributed to the small number of transactions in some of the districts.

SUBURBAN HOMES SHOW COMPARABLE INCREASE

Residential property in the suburbs of Minneapolis has risen by about the same amount as that within the city. One hundred transactions were tabulated for Edina and St. Louis Park. Houses sold in 1945 averaged 34 percent higher in price and, in the first half of this year, 112 percent higher than those sold in 1940. The same pattern of price increase was found among the low, medium, and high-priced homes as in Minneapolis. Houses which were sold for \$5,000 or less in 1940 averaged 60 percent more in price in 1945 and 180 percent more in the first half of this year. Houses which were sold in the price range between \$5,000 and \$10,000 in

RISE IN PRICE OF MINNEAPOLIS RESIDENTIAL PROPERTY FROM 1945 TO 1946



1940 averaged 50 percent more in 1945 and 119 percent more in the first half of this year, and those which were sold for \$10,000 and over in 1940 averaged 35 and 38 percent more, respectively, over the two periods.

HOMES SOLD AND RESOLD SHOW CONSISTENT PATTERN OF INCREASE

Houses sold and resold since 1940 were singled out for special study. The cost of capital improvements made on the property was subtracted from the resale price when available.

Six houses sold in 1940 for \$5,000 or less were resold in 1945 with an average increase of 58 percent. Four houses sold in 1940 between \$5,000 and \$10,000 were resold with an increase of 61 percent.

Houses sold in 1940 and resold in 1946 had a decidedly larger margin between the two selling prices as compared with those resold in 1945. Those sold originally for \$5,000 or less averaged an increase of 113 percent, and those sold originally between \$5,000 and \$10,000 averaged an increase of 108 percent.

The most rapid rise in the values of residential properties occurred during the latter part of 1945 and the first half of this year. Three properties sold in 1945 for \$5,000 or less were resold this year with an average increase in price of 34 percent, four properties sold in 1945 between \$5,000 and \$10,000 were resold this year with an average increase in price of 15 percent and three properties sold for \$10,000 or more in 1945 were resold this year with an average increase in price of 17 percent.

The number of transactions in this sample of properties sold and resold obviously is very small and, therefore, too much weight cannot be placed upon the actual amount of the increase. However, all of the percentages form a pattern which is consistent with those computed from the larger sample.

¹ Sample was too small to compute a percent increase for 1946.

AGRICULTURE

Land Values Continue Upward Trend

THE upward march of land values in Ninth District states continues at about the wartime rate of 1 percent a month, according to statistics recently made available by a Department of Agriculture report. There is much variation between states and areas within states, but it would appear that land values for the entire district increased approximately 4 percent from March 1 to July 1, 1946, which is about the same as for the United States as a whole.

There is also wide variation between states in the percentage increase in land values from the 1935-1939 average. In Montana, for example, land values have nearly doubled (see accompanying chart), while in the Dakotas, Minnesota, and Wisconsin, values are up only a third to a half from the pre-war five-year average.

For the country as a whole, according to an August 6 release by the Department of Agriculture, the increase in land values from the 1935-1939 average was 77 percent, with a 13 percent increase occurring in the last 12-month period. It was reported that the rate of increase this last year has been exceeded in only two of the last 35 years. Values advanced almost 15 percent in the 1943-1944 period and 21 percent in the 1919-1920 period, when the peak of the World War I land boom was reached. The report states that during the four years since July 1, 1942, land values increased 62 percent compared with 57 percent during the four-year period, 1916-1920. In this connection, however, it should be remembered that land values in pre-war II were at a lower level compared with pre-war I levels.

The basis for the present boom in land values is of course war-inflated prices of farm products that

LAND values advance about one percent a month. Corn needs rain, but near-record crop production is a certainty.

Farm prices are at record high.

New high in cash farm income is a possibility.

have continued over a period of several years, record production of farm products, and a large volume of idle funds available for land purchase. Prices of farm products for several years have been nearly double the pre-war five-year average which, together with a 33 to 35 percent increase in agricultural production, has swollen cash farm income to nearly three times its pre-war level. Even after increases in farm production expenses are considered, net farm income in 1945 was 2 percent above 1944 and more than double the 1941 level. Improvement in farmers' financial position is also indicated by a four-fold increase since 1941 in demand deposits in country banks in 20 leading agricultural states.

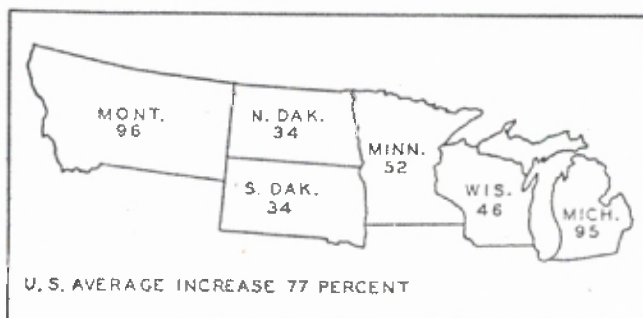
One factor in continued high farm prices since VJ-day has been the enormous foreign demand for American foods, much of which has been exported on a relief basis. This is much the same situation which prevailed after World War I, when loans were made to many European countries with which to purchase food for relief. By late 1920, however, exports declined, farm surpluses developed, and prices declined. Land prices also declined sharply along with farm product prices.

Will history repeat again and are present land prices too high relative to the level of farm prices that may be expected over the next decade or two?

Crop prospects continue good to excellent in spite of dryness over much of the territory the first part of August. Thundershowers in mid-August over most of the corn area in southern Minnesota and southeastern South Dakota apparently saved the crop from immediate deterioration. Most fields show little signs of the extended dry period, and development is at least two weeks ahead of last year. If general rains come before September 1, and barring an early frost, corn should be of excellent quality this year as well as a record production.

The dry early August period, while detrimental for corn and row crops, was ideal for small grain harvesting. As a result, wheat, oats, and barley is of generally heavy test weight and good color. The harvest has proceeded with unusual rapidity since mornings were generally dewless and more itinerant machines were available compared with last year. By mid-August all but about 20 per cent was harvested and by September 1 the harvest will be nearly completed except for some flax fields. The dry

PERCENTAGE CHANGE IN AVERAGE VALUE PER ACRE OF FARM REAL ESTATE FROM 1935-39 AVERAGE TO JULY 1946



Land values in Ninth District states increased 1 to 7 points since last March.

Farm real estate values in Montana on July 1 were 96 percent up from the 1935-39 average. In North and South Dakota the increase was 34 percent. In Minnesota it was 52 percent and in Wisconsin 46 percent.

Farm real estate values for the country as a whole were 6 points higher compared with March 1, 1946, and were up 77 percent from the 1935-39 base.

early harvest period also was important in checking weed growth and in reducing dockage.

Corn production in four district states (see table) this season promises to be a new record high—456 million bushels this year based on August 1 estimates compared with 364 million last year, and 266 million for the 1935-1944 average.

Total wheat production in the district will total about 244 million bushels based on August 1 estimates. This compares with last year's record high of 258 million, but the crop this year is 45 percent larger than the average for the 10-year period 1935-1944.

The oats crop this year probably has the poorest production record of any of the grain crops. The crop this year will average only about 73 percent of last year's record production, but the crop will total nearly 90 million bushels above the 1935-1944 average.

The flax harvest is well under way, but August 1 estimates indicate the crop will only be 55 percent of last year's total production. Flax acreage this year was sharply below that of a year ago.

Prices received by farmers advanced sharply during July following the removal of O.P.A. price restrictions. Since the peak about mid-July, prices have tended to level off or decline, partly because of record crop production and partly because of reinstatement of O.P.A.

The index of prices received by farmers in mid-July (latest available statistics) was at 244 percent of the 1909-1914 average. This was a 26-point increase from the previous month. The sharp increase was due, of course, to the temporary lifting of all restrictions and the play of competitive forces on market prices. At 244 the level of farm prices is 9 points above any previous month in the 37 years of record, according to a United States Department of Agriculture report.

Prices paid by farmers also increased for the period ending July 15. This index was at 209, compared with 196 the previous month, and 29 points above that of a year earlier.

The ratio of prices received to prices paid is called the parity ratio. This ratio was at 123 in mid-July, 7 points above the previous month and the highest on record. This parity ratio has been consistently above 100 since the war started. During the inter-war period the parity ratio was consistently below 100. For the 1935-1939 average the ratio

Average Prices Received by Farmers ¹

Commodity and Unit	Ninth District			Parity Prices ² United States July 15, 1946
	July 15 1937-1941 Avg.	July 15 1945	July 15 1946	
Crops				
Wheat, bushel	\$.73	\$ 1.48	\$ 1.92	\$ 1.76
Corn, bushel .....	.60	.99	1.86	1.28
Oats, bushel .....	.26	.59	.80	.794
Potatoes, bushel .....	.72	1.86	1.36	1.47
Livestock and Livestock Products				
Hogs, 100 lbs.....	8.10	13.92	16.33	14.50
Beef Cattle, 100 lbs.....	7.37	12.59	16.36	10.80
Veal Calves, 100 lbs.....	8.43	13.64	16.01	13.40
Lambs, 100 lbs.....	7.50	12.90	15.26	11.70
Wool, lb. ....	.26	.41	.43	.364
Milk, wholesale, 100 lbs.....	1.49	2.65	3.20	2.96
Butterfat, lb. ....	.29	.52	.72	.488
Chickens, live, lb.....	.126	.25	.251	.227
Eggs, dozen .....	.168	.346	.322	.411

¹ Data compiled from "Agricultural Prices," United States Department of Agriculture.

² The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-1914.

January-May Cash Farm Income ¹

State	(Thousands of Dollars)			1946 in Per- cent of 1945
	1935-1939 Average	1945	1946	
Minnesota	\$ 127,339	\$ 315,379	\$ 346,151	110%
North Dakota	30,422	110,014	136,290	124
South Dakota	37,505	117,467	187,015	159
Montana	21,594	67,562	64,426	95
Ninth District	238,221	688,281	813,741	118
United States	2,818,839	7,604,000	7,712,000	101

¹ Data from "The Farm Income Situation," United States Department of Agriculture.

² Includes 15 counties in Michigan and 26 counties in Wisconsin.

was only 84. During the 1930-1934 period it averaged only 66.

For the longer term view it is important to remember that demand for farm products may be different from what it has been in recent years. World drought conditions, relief feeding, UNRRA demands, and military needs tended to greatly increase the demand for American farm products.

A different economic situation may confront farmers in 1947 and 1948 with demand and supply relationships undergoing changes along with a gradual reduction in wartime government restrictions and subsidies. Farmers should recognize that substantial changes may occur in the marketing of their products. First, under a competitive system, price fluctuations are likely to be wider and may occur suddenly. Second, the market for some commodities may not continue to absorb the quantity offered at current prices.

Cash farm income in the Ninth District for the first five months in 1946 was 18 percent above the same period a year earlier and nearly three and one-half times the 1935-1939 average.

With record farm production in sight and a price level thus far in 1946 substantially above that of a year ago, it would appear that 1946 cash farm income would approximate last year's record level and possibly exceed it.

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Crop Production in the Ninth District* as of August 1

	(Thousands of Bushels)			1946 in Per- cent of 1945
	1935-1944 Average	1945	1946	
Corn	265,639	364,876	456,206	125%
Winter Wheat	23,917	36,812	40,493	110
Spring Wheat	146,150	221,862	203,167	92
Oats	264,419	482,573	352,362	73
Barley	119,577	113,132	107,442	95
Flax	17,997	31,599	17,447	55
Potatoes	38,485	47,948	38,325	80

* Minnesota, Montana, North and South Dakota.

BANKING

Banks' Real Estate Loans Notably Higher

ONE of the more striking banking developments of recent months has been the persistent (if not spectacular) rise in real estate loans at the weekly reporting banks. By the middle of August this total had increased to \$34 million from \$23 million a year ago and \$12 million just prior to the outbreak of the war. Real estate loans are therefore three times the pre-war volume and half again as large as mid-August, 1945. While no particular time can be pointed out during which the expansion occurred, the expansion began accelerating about January, 1946, as the accompanying chart illustrates.

Reasons for this rise in real estate loans are not difficult to find. The expansion presumably does not arise entirely out of any greatly increased volume of residential construction, since it has not been of large enough proportions to explain the great bulk of the increase.

The reasons for the expansion seem to be, broadly speaking, three in number. First, higher valuations make somewhat larger loans on existing properties in order. The extent of this increase in real estate prices for residential properties is discussed elsewhere in this review. While these figures are meant to be only broadly indicative of real estate price trends, they do indicate a substantial increase in real estate values even during the last 12 months.

Second, those requiring a substantial degree of financing in home purchases have been accounting for a very important proportion of residential real estate customers during the last several months. Veterans and others re-establishing themselves normally do not have the cash resources to assume existing (partially repaid) mortgages in view of the substantially increased prices which they have been required to pay.

REAL ESTATE loans at weekly reporting banks increase to \$34 million from \$12 million prior to war and \$23 million year ago.

Higher valuations, heavier proportional financing needs, and expansion in field account for increase.

Total of real estate loans represents 13% of all loans.

Deposits increased \$17 million; increase in borrowings nominal.

A third factor in the increased bank real estate loan volume should not be overlooked. Recently commercial banks have been going after real estate loans more vigorously than was true prior to the war. For this reason the increase in these loans in the banks' portfolios undoubtedly tends to overstate the general credit expansion arising out of real estate purchases.

During a period of rising prices and credit expansion any judgment about the current situation must be made cautiously. On the other hand, the current situation with respect to real estate loans at the commercial banks does have these reassuring elements. First, most banks have been very conservative in the valuation of property for lending purposes. Thus a substantial decline in real estate prices could occur without any impairment in the banks' security.

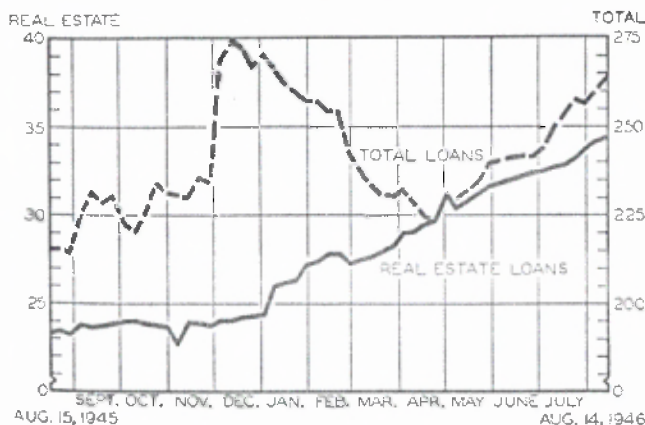
Second, real estate loans represent even yet a very nominal proportion of total loans and a very small proportion of total deposits. By the middle of August, real estate loans in these weekly reporting banks represented 13 percent of total loans and slightly over 2 percent of total deposits. With only 2 percent of each deposit dollar in real estate loans, it would not seem that the banks have overextended themselves as yet.

While precise data are not available for the period following World War I, the evidence indicates that the current situation differs from the earlier period in two important respects. A larger proportion of each deposit dollar at the banks was tied up in real estate loans, and the proportion of the purchase price and the general security were much less favorable to the banks than currently.

Other banking changes during the month followed a fairly regular pattern. Bank holdings of U. S. Treasury certificates of indebtedness continued to decline as a result of the government's debt redemption program, and their holdings of treasury bills increased from \$9 million to \$15 million. Holdings of other U. S. government securities remained approximately constant.

NINTH DISTRICT WEEKLY REPORTING BANK LOANS

(In Million Dollars)



(Continued on Page 365)

SPECIAL ARTICLE

(From Page 359)

**GREATEST BUYING ACTIVITY
OCCURS IN BUILDING LOTS**

According to the observations made by the realtors contacted in this survey, the market for building sites has been very active. In fact, much of the speculation in real estate has taken place in this kind of property.

The price of 25 building lots sold in 1945 averaged 96 percent higher, or nearly double the price of 17 comparable lots sold in 1940. During the first half of this year, seven lots were sold at prices which averaged 143 percent above 1940 prices. According to these percentages, an increase of nearly 50 percent has taken place since the middle of last summer.

**RISE IN PRICE OF HOMES IN NINTH
DISTRICT GREATER THAN OVER THE NATION**

According to a study made on the inflation in homes and home sites by the National Housing Agency, the price of residential property in Minneapolis and in other cities of the Ninth District has risen decidedly more than in most cities of other districts.

In the West Central region, which includes Minnesota, North Dakota, and South Dakota of this district, homes valued under \$6,000 in the spring of 1940 had increased 72.2 percent in price by February of this year, and homes valued between \$6,000 and \$12,000 had increased 60.5 percent in price over the same period as compared with 65.1 and 57.0 percent respectively over the nation. If the smaller price range for low and medium-priced homes selected for the Minneapolis study had been used in this study, the percent of increase reported would have been somewhat higher.

Residential property in cities of 100,000 population and over, according to this study, had increased only a few points more than in smaller cities.

Contrary to the findings in the Minneapolis study, home sites were found to have increased by approximately the same percentage as homes. In the West North Central region, the price of building lots increased by 60.6 percent from the spring of 1940 to February, 1946. Approximately the same increase was reported for 400 cities over the nation.

The price of raw land rose less than building lots in this area. In the West North Central region the increase was 45.8 percent from the spring of 1940 to February, 1946, but for all cities reporting the increase was 60.1 percent, which was quite comparable to the rise in building lots.

**HOMES ARE SELLING
ABOVE REPLACEMENT COSTS**

A comparison of the rise in residential property and of construction costs indicates that the former has risen much more than the latter.

According to the index of building costs for the standard frame house compiled by the Federal Home Loan Bank Administration, the total cost of

construction in the United States in May of this year was 39 percent higher than in 1940. Of the two components in the total, labor cost has risen slightly more than materials. The former increased 44 percent, while the latter increased 36 percent. This rise in construction costs for the nation is quite typical of the rise of these costs in representative cities of the Mid-Western states.

A similar rise in construction costs is demonstrated by other indices. The index of wholesale prices of building materials as compiled by the U. S. Department of Labor has risen 35 percent from 1940 to May of this year. Construction wage rates as compiled by "Engineering News-Record" have risen over the same period by 45 percent for common labor and by 20 percent for skilled labor.

Due to the scarcity of materials and of experienced labor, there are some construction costs which are not reflected in the above indices. The hiring of inexperienced labor has reduced the productivity per worker; various customs and rules also limit greater productivity; and the frequent delay in securing materials and the use of substitutes has increased the cost significantly. Under these contingencies, many contractors are operating on a wider margin of profit. All of these factors have added materially to the total construction costs.

Even when an allowance is made for these abnormal costs of the present time, most homes are still selling significantly above the replacement cost. In other words, completed homes have been selling at a premium.

The construction of new homes in the Minneapolis area has lagged seriously because of material shortages. Less than 10 percent of the homes started since the first of the year were completed by the first of August, according to a survey made by the Associated General Contractors.

The demand for homes, on the other hand, is very great. Of a total of 62,000 World War II veterans living in the Minneapolis-St. Paul area during March of this year, 15,400, or one-fourth, were "doubling up" with parents, relatives or friends, according to a survey conducted by the Bureau of Labor Statistics. Of the 55,800 who planned to remain in this area, 28 percent planned to move out of their present living quarters within one year. Of this group, 12 percent planned to rent a dwelling unit, 12 percent planned to buy or build a house, and 4 percent planned to move into a rented room or share a dwelling with relatives or friends.

Of the estimated 227,000 non-veteran heads of households in the Minneapolis-St. Paul area, 9 percent were sharing their dwelling with another family group. Four percent of the non-veteran heads of households planned to move within a year, 2 percent planned to rent a dwelling unit, and 2 percent planned to buy or build a house.

These figures indicate a very large demand for additional dwelling units. The stringent housing shortage has created the premium paid for completed homes.

(Concluded on Page 365)

BUSINESS

Business Shows Gain for July

BUSINESS activity, after leveling off in the month of June, gave some evidence of a further rise in the month of July.

Livestock and other farm products moved to market in larger volume, retail sales were unusually high for July, and debits to depositors' accounts at banks recorded an increase in July. Bank debits for the district in July were 23 percent larger than a year ago, which exceeded the average increase of 15 percent recorded for the first seven months of the year. Farming centers again accounted for much larger percentage gains than the metropolitan areas of Minneapolis, St. Paul and Duluth-Superior.

Department stores sales in July did not register the usual decline for the month. Sales at 269 department and general stores in the district were 38 percent over July, 1945, and for the first seven months of this year showed a gain 32 percent over the same period a year ago.

Because July sales held close to the high May and June volume, the adjusted index of sales, which allows for a slow month in July, reached a new all-time high of 270 at cities stores. Retailers generally regard July as a poor trading month and December as the best; yet it is interesting to observe that the July sales volume this year far exceeded the pre-war December.

The increased volume of durable consumer goods sales added to the already high sales volume of soft goods is to a large degree responsible for the con-

RETAIL sales were 38 percent over July 1945. Gain for first seven months 32 percent over same period last year.

Building activity on steady decline.

Livestock slaughterings at inspected plants up more than a third.

tinued high volume of sales at city department stores in recent months. Retail sales of refrigerators, washers, stoves, and other major appliances for the first half of this year exceeded the volume reported for those same months of 1942. Sales of other home furnishings, including floor coverings and furniture, have also recorded large increases over last year.

Stocks on hand at department stores increased still further in the month of July. The city store stock index at 231 was up 20 points from last month to reach a new all-time high. When compared to a year ago, large increases were evident in home furnishings, housewares, furs, and silverware.

Building permits issued in Northwest cities were further reduced in volume from June to July. Since the peak in March, the volume of permits issued has been cut one-half. Some 60 cities in the district reported \$8.5 million in permits in July as compared to \$17.6, \$13.2, \$11.6, and \$10.2 million, March through June respectively. Slow delivery of materials, high building costs, and restrictions on commercial building are some factors responsible for the steady decline in building activity.

Iron ore shipments from upper lake ports in July amounted to 11 million tons to approach closely the average monthly shipments of the war years. So far this year, 24 million tons have moved, which is little more than half the 40 million tons moved in the same months last season.

Manufacturing production for July in the district, when gauged by meat packing and flour milling, showed improvement over the month of June. Northwest mills increased flour output by 26 percent, while removal of price controls on July 1 brought twice the June volume of hogs to federally-inspected packers and three times the number of slaughter cattle. Compared to a year ago, flour

Sales at Department Stores

	Number of Stores Showing		% July, 1946 of July, 1945	% Jan.-July, 1946 of Jan.-July, 1945
	Increase	Decrease		
Total District	255	14	138	132
Mpls., St. Paul, Dul.-Sup.	24	1	141	133
Country Stores	231	13	134	129
Minnesota	69	5	130	125
Central	7	1	130	121
Northeastern	7	0	143	132
Red River Valley	4	0	132	132
South Central	19	2	117	119
Southeastern	13	1	134	129
Southwestern	19	1	132	125
Montana	34	1	137	137
Mountains	11	0	141	140
Plains	23	1	135	136
North Dakota	49	3	143	133
North Central	10	1	139	126
Northwestern	4	1	144	133
Red River Valley	19	0	148	135
Southeastern	14	1	135	130
Southwestern	*	*		
Red Riv. Val.-Minn. & N. D.	23	0	145	134
South Dakota	26	0	134	132
Southeastern	7	0	134	138
Other Eastern	11	0	137	128
Western	8	0	125	120
Wisconsin and Michigan	53	4	129	124
Northern Wisconsin	16	0	128	129
West Central Wisconsin	27	4	126	122
Upper Peninsula Michigan	10	0	141	129

* Not shown, but included in totals. Insufficient number reporting.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-1939=100

	July, 1946	June, 1946	July, 1945	July, 1944
Bank Debits—93 Cities	233	248	199	185
Bank Debits—Farming Centers	271	265	209	196
City Department Store Sales	270	263	199	167
Country Department Store Sales	236	233	171	159
City Department Store Stocks	231	211	170	154
Country Department Store Stocks	221	204	183	187
Country Lumber Sales	128	123	118	134
Miscellaneous Carloadings	117	109	116	117
Total Carloadings (Excl. Misc.)	131	121	126	135
Farm Prices—Minn. (Unadj.)	230	197	183	175

output was down 20 percent, while slaughterings were up more than one-third. Sawmills reported July lumber output unchanged from June and from a year ago.

Department Store Sales Indexes by Cities

1935-1939=100 Unadjusted

	Month of July			
	1946	1945	1944	1941
Minneapolis	213	157	132	91
St. Paul	198	142	119	93
Duluth-Superior	213	181	144	90

Department Store Sales

Percent of One Year Ago

	July	Jan.-July
Duluth-Superior	124	116
Mankato	115	116
Minneapolis	140	136
St. Cloud	135	125
St. Paul	148	133

AGRICULTURE

(From Page 361)

The bulk of farm marketings in the Ninth District comes in the last half of the year, and with record grain production and large numbers of livestock on farms, compared with pre-war levels, marketings should be substantial. This together with the recent price level is expected to spell out another record cash farm income.

SPECIAL ARTICLE

(From Page 363)

As the price of completed homes and the cost of construction continue to rise, however, in relation to current family income, a large number of families may be found to live in crowded quarters. The average low-priced home in Minneapolis is now selling for \$7,600. According to the survey conducted by the Bureau of Labor Statistics, the typical price veterans estimated they would be able to pay for houses was about \$6,000 and the most popular price range was between \$6,000 and \$7,000. Only about three-tenths of the veterans who planned to buy or build a house would pay \$7,000 or more.

SUMMARY

According to a survey made of residential property in Minneapolis, homes have approximately doubled in price since the beginning of the recent war. The greatest rise in prices has occurred since V-J day. During the first half of this year, the prices of homes have averaged about 25 percent higher than last year.

Low-priced homes have risen much more in value than the medium and high-priced homes. Homes which sold for \$5,000 or less in 1940 have averaged nearly 120 percent above the pre-war price.

Practically the same pattern of increase was found in the prices of residential property located in the suburbs of Minneapolis.

Much of the buying activity in real estate in Minneapolis has been concentrated on building lots. During the first half of this year, lots have sold for nearly 2½ times the 1940 prices. This inflation in

building lots is probably not typical of the rise in the price of lots in other cities.

According to a study made by the National Housing Agency, the price of residential property has risen more in this district than the average over the nation.

The housing shortage has created a premium on completed homes. The average home is now selling well above its replacement cost.

If the prices of homes and the costs of construction continue to rise, the effective demand for housing may be greatly curtailed. The average low-priced home is now selling well above the amount which veterans—a large potential group of home owners—have estimated they would be able to pay.

—Oscar F. Litterer.

BANKING

(From Page 362)

Deposits increased \$16 million. Almost all of this increase is explained by a \$27 million increase in deposits of other banks. Deposits of individuals, partnerships, and businesses, both demand and time, increased about \$8 million, but this expansion was more than offset by a decline in U. S. government deposits of \$22 million.

Borrowings were up somewhat but the total amount was quite nominal.

Country bank deposits increased slightly during the latter half of July relative to the previous month. The total increase for the district was \$8 million, spread quite generally throughout the district. On balance, Montana and North Dakota country banks experienced a slight reduction and the remainder of the district shared the increase evenly.

Assets and Liabilities of Ninth District City Member Banks

(In millions of dollars)

	7/17/46	8/14/46	Change
Assets			
Real estate loans	\$ 33	\$ 34	+ 1
Other loans	220	229	+ 9
Total loans	253	263	+10
U. S. Treasury bills	9	15	+ 6
U. S. Treasury certificates of indebtedness	112	98	—14
U. S. Treasury notes	155	153	— 2
U. S. Treasury bonds	647	648	+ 1
Other investments	59	60	+ 1
Cash, due from banks, and reserves ..	393	410	+17
Miscellaneous assets	16	18	+ 2
Total assets	1,644	1,665	+21
Liabilities and Capital			
Deposits of U. S. Government	170	148	—22
Deposits of individuals, partnerships, and corporations	933	941	+ 8
Other deposits	438	468	+30
Total deposits	1,541	1,557	+16
Borrowings	3	6	+ 3
Miscellaneous liabilities	10	11	+ 1
Capital accounts	90	91	+ 1
Total liabilities and capital	1,644	1,665	+21
Excess reserves	3	5	+ 2