

HOT SHEET



July 2019
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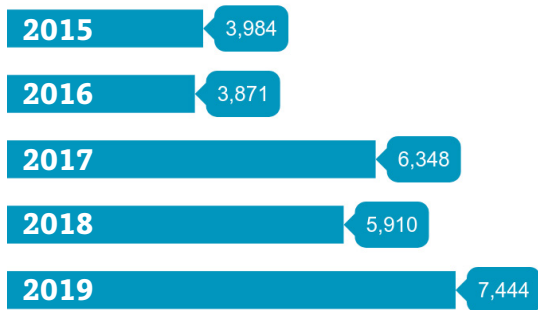
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"With mortgage rates falling, the economy steaming ahead and low existing housing inventory, now is a great time to build a home."

John Rask, president of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date June 2015-2019

SOURCE: KEYSTONE REPORT

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[BATC-Housing First Minnesota]

Twin Cities Single-Family Construction Surges in June

After four months of falling permit numbers, single-family construction surged in June with a 21% increase over this time last year and a 6% increase over May. Multifamily construction slowed slightly in June falling 38% from last month with permits pulled for 803 units.

"With mortgage rates falling, the economy steaming ahead and low existing housing inventory, now is a great time to build a home," said John Rask, president of Housing First Minnesota. "There is serious demand for single-family housing in the Twin Cities and the strong permit numbers

we are seeing this month is what we expected to see all year."

According to data compiled by the Keystone Report for Housing First Minnesota, there were 711 permits issued for a total of 1,480 units during four comparable weeks in the month of June.

"While the uptick in single-family construction is a good sign for the market, the bulk of the demand is at that entry-level price point," said David Siegel, executive director of Housing First Minnesota. "Until builders can build more at that price, that portion of the market and homeownership in general will remain

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David Siegel, executive director of Housing First Minnesota

unattainable for too many. We're hopeful strides will be taken to change this as our state and national leaders focus more on the housing affordability issue."

For the month, Lakeville took the top spot with 52 permits issued. Lake Elmo came in next with 46 permits, followed by Blaine with 37 permits and Plymouth with 35 permits issued. Rounding out the top five was Woodbury with 33 permits issued.

[MAAR]

Some mixed signals but market fundamentals remain intact

In the face of mixed signals, assessing market health can be a challenge. The economy remains healthy, mortgage rates are outrageously low and yet sales aren't rising. That's in part because we simply haven't built enough homes to keep pace with the demand. Despite attractive mortgage rates, the supply of available homes is so tight that sales are struggling to keep pace.

Rising home prices typically incentivize more sellers to list. But with nowhere to go because of the shortage, listing activity is down. New construction has been hampered by rising land, labor and material prices as well as regulation, forcing builders to create new supply in the high-end luxury market often at the expense of more affordable entry-level product. But the demand from millennials (and some baby boomers) is concentrated in the affordable price points, creating multiple-offers and frustrated buyers.

But it's that tight inventory that's still driving prices higher. Sales prices reached a new all-time high of \$290,000 in June—likely our high for the year. New listings

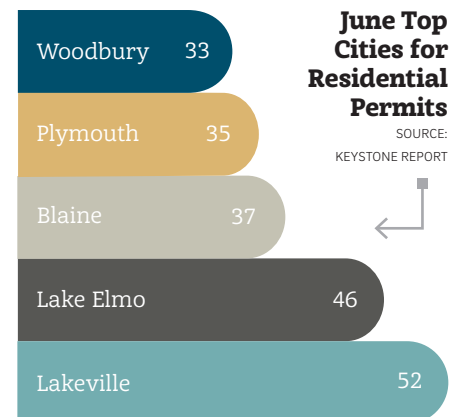
stumbled 3.1 percent while pending sales were down 2.9 percent. Days on market remained flat compared to June 2018 while the ratio of sold to list price fell for a fifth consecutive month.

In some ways, the market is improving for buyers, even though sellers are still enjoying strong pricing power, favorable negotiating leverage and quick market times. For the last nine months, buyers have seen more active listings for sale than the year prior. We still have a tale of two markets: strong demand, weak supply and price growth in the affordable brackets compared to a slight oversupply, slow market times and weaker pricing in the upper brackets..

"Inventory is low, buyer demand is still evident and interest rates are phenomenal. The untold story is the increase in net worth for homeowners.

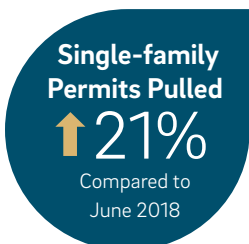
Rising prices mean rising equity. It can be a challenge to find a home, but homeownership is the best avenue to wealth-building."

Todd Urbanski, President of MAAR



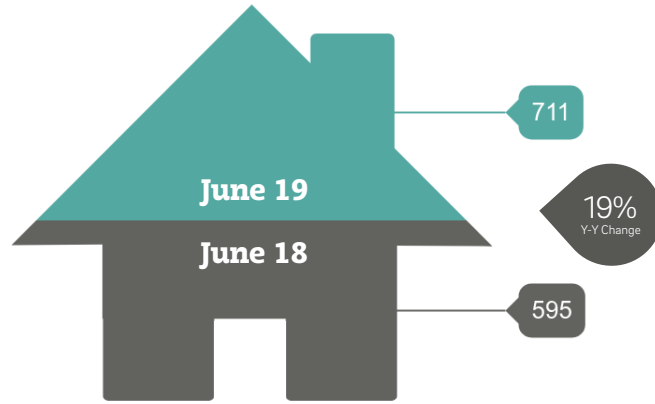
June Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT



2019 June Metro Building Activity

After four months of falling permit numbers, single-family construction surged in June with a 21% increase over this time last year and a 6% increase over May. Multifamily construction slowed slightly in June falling 38% from last month with permits pulled for 803 units.

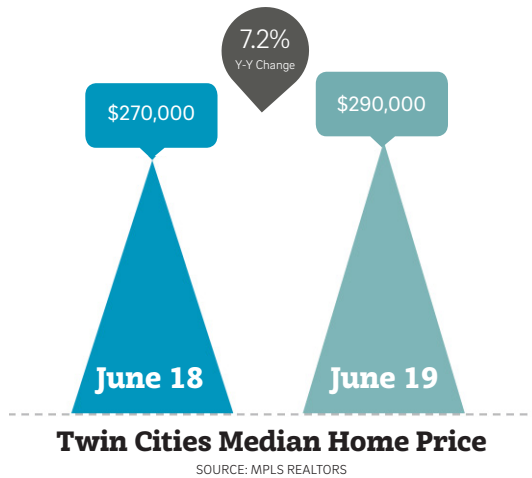


Units YTD: 7,444

Multi-Family 62%
of Twin Cities Housing Units Authorized

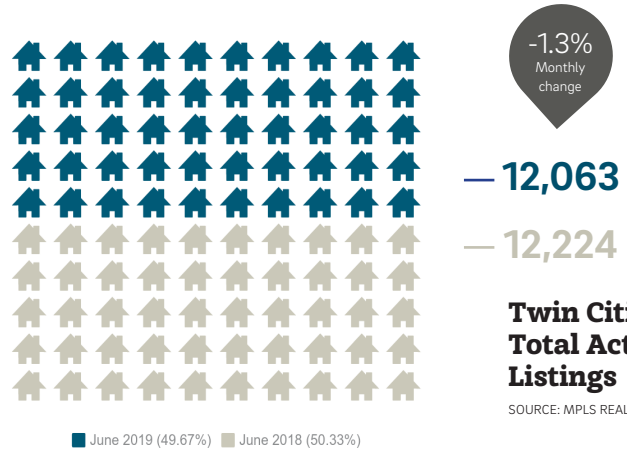
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



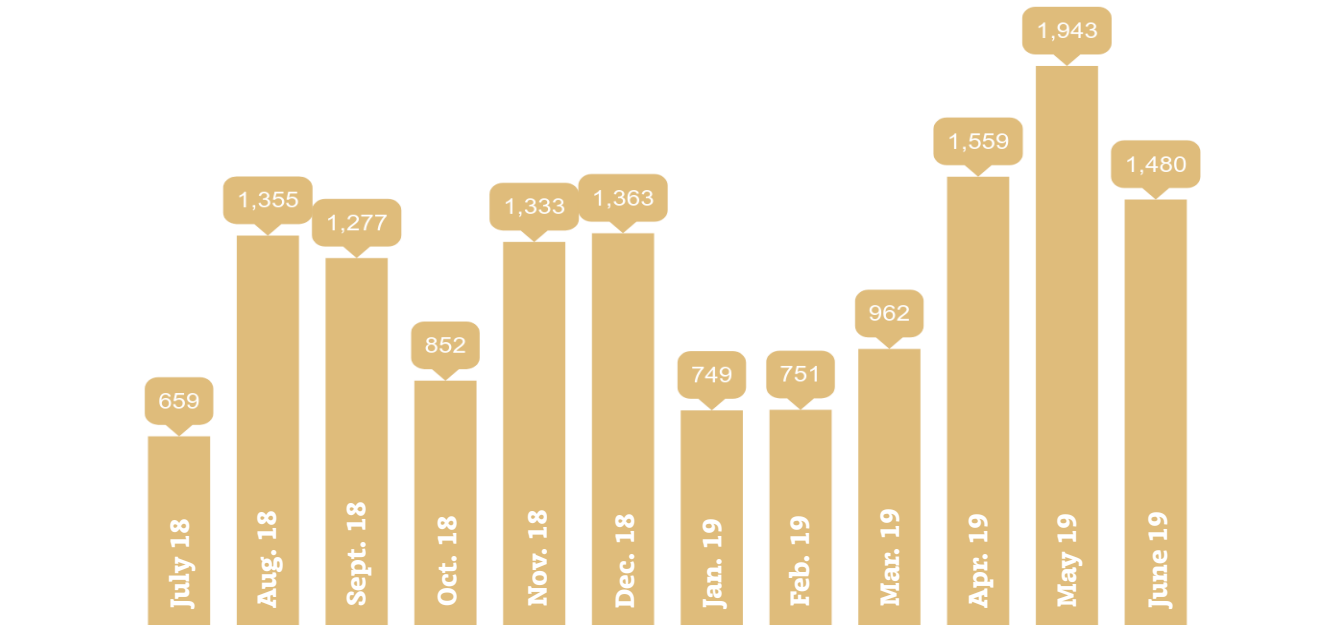
Twin Cities Median Home Price

SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



Metro Building Units - Past 12 Months

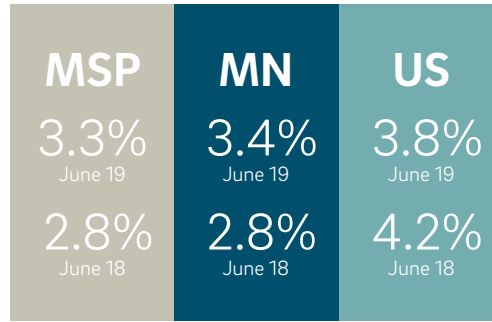
SOURCE: KEYSTONE REPORT

Employment

According to the Minnesota Department of Employment and Economic Development (DEED), with 3,300 jobs added the state has now gained jobs in four consecutive months for the first time since February 2018. Minnesota's labor force participate rate also inched up a tenth point to an even 70%.

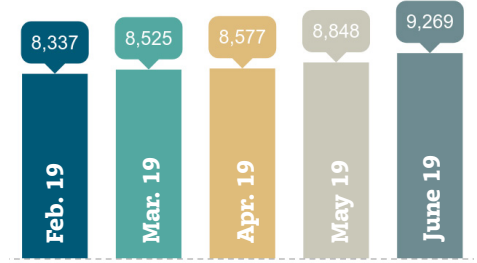
All five of the Metropolitan Statistical Areas (MSAs) experienced over-the-year growth in June. Rochester MSA had the highest growth with 1.4% followed by St. Cloud MSA with 1.3%. Minneapolis-St. Paul MSA had just 0.4% growth.

"These 3,300 jobs added in June, together with an increase in the labor force participation rate, are both encouraging signs," said DEED Commissioner Steve Grove.



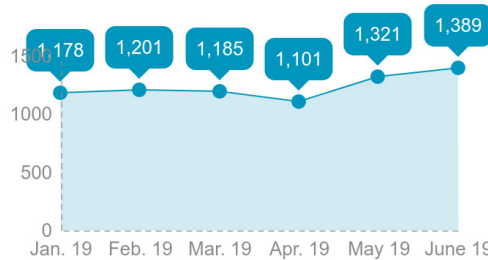
Unemployment Rate Snapshot

SOURCE: DEED-MN



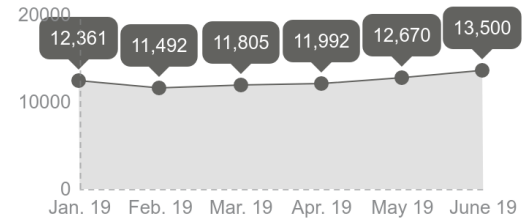
Twin Cities Construction Employment

SOURCE: DEED-MN



Twin Cities Construction Weekly Wages

SOURCE: DEED-MN

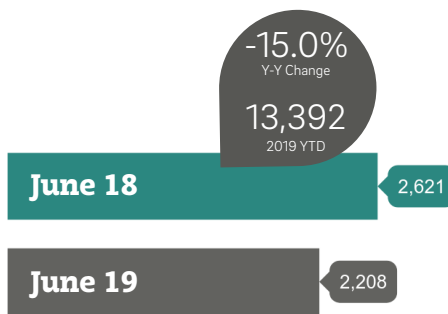


MN Construction Employment

SOURCE: DEED-MN

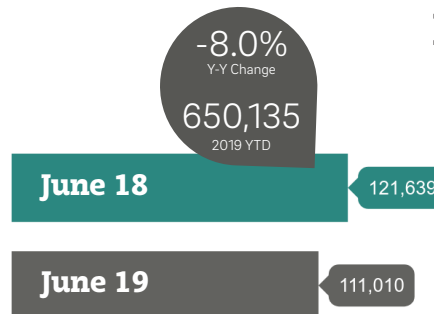
Regional/National Statistics

According to the U.S. Census national permitted units in June fell by 8% compared to June of 2018. Single-family homebuilding, increased by 3.5% in June, making up for some of May's sharp drop. Single-family housing starts fell in the Northeast, but rose in the Midwest, West and South.



MN Housing Units Authorized

SOURCE: US CENSUS

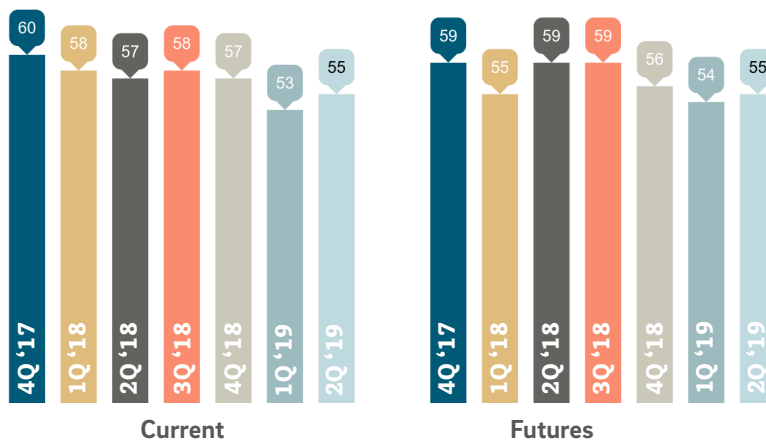


US Housing Units Authorized

SOURCE: US CENSUS

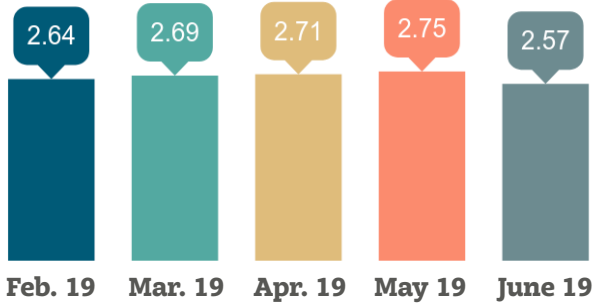
Remodeling Market Indices

SOURCE: NAHB



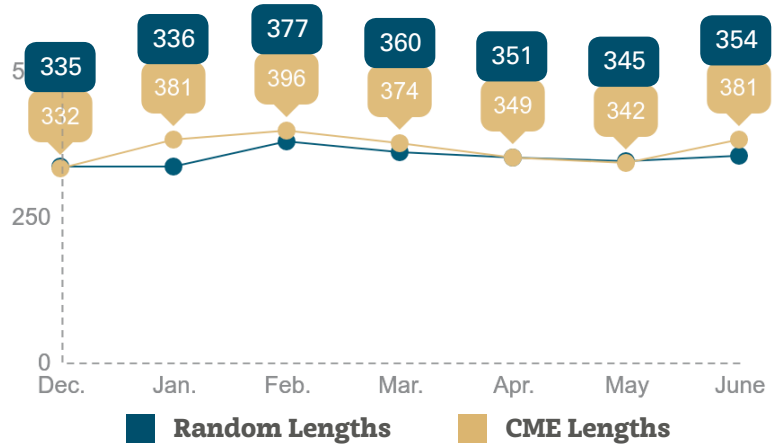
Key Indicators

The 30-year fixed mortgage rate has dropped to about 3.75% from a peak of 4.94% in November, according to data from mortgage finance agency Freddie Mac. Further declines are likely as the Federal Reserve cut interest rates this month for the first time in a decade. Lumber and gas prices remain low.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM JULY 31, 2019
SOURCE: ASSOCIATED BANK



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