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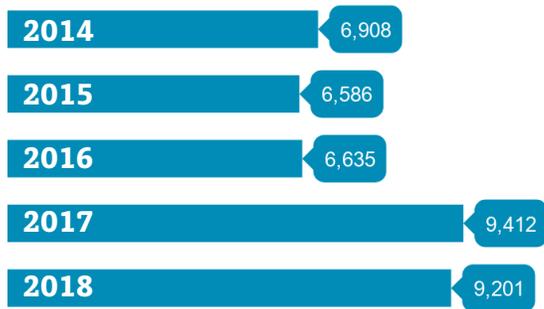
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"The rise in townhome construction undoubtedly reflects builders' efforts to reach the largest share of the market. Even as we saw more homes hit the market these past few months, we are still far below the levels of housing inventory we need."

Tom Wiener, President of BATC-Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date September 2014-2018

SOURCE: KEYSTONE REPORT

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[BATC-Housing First Minnesota]

Twin Cities Single-Family Permits Fall Flat in September

Single-family permits took a dip in September while townhome activity picked up the pace. For the month, the number of single-family permits pulled fell to 444, down 19 percent compared to September 2017. The number of townhome permits pulled increased by 60 percent over September of last year. Large multifamily projects also saw a spike in activity with six permits issued for 674 units.

According to data compiled by the Keystone Report for Housing First Minnesota, there were 482 permits issued for a total of 1,277 units during four comparable weeks in

the month of September.

"The rise in townhome construction undoubtedly reflects builders' efforts to reach the largest share of the market," said Tom Wiener, president of Housing First Minnesota. "Even as we saw more homes hit the market these past few months, we are still far below the levels of housing inventory we need."

"The drop in single-family housing is concerning as we know builders are facing increasing headwinds," said David Siegel, executive director of Housing First Minnesota. "With the

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David Siegel, Executive Director of Housing First Minnesota

increase in interest rates, tariffs, the workforce shortage and the regulatory burden, housing affordability will continue to be a challenge."

For the month, Lakeville took the top spot with 31 permits issued. Savage came in next with 28 permits, followed by Otsego and Plymouth both with 25 permits. Rounding out the top five was Woodbury with 24 permits issued.

[MAAR]

MORE EARLY SIGNS OF SHIFTING MARKET TIDES

After years of strong buyer activity and weak seller activity, the market tides seem to finally be shifting back toward balance. Strong demand and weak supply have created an environment that favors sellers. But if anything can be called a constant in the market—it's change. Four of the last five months showed increases in new

listings; while four of the last five months also had decreases in pending sales.

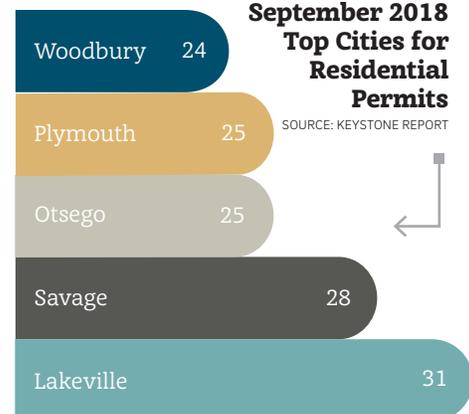
While the market hasn't quite transformed, the dynamics are shifting and the market is transitioning. September saw the smallest decline in active listings since May 2015, and those long-awaited inventory gains could still happen this year. Months supply was down just 3.8 percent to 2.5 months. Today's buyers still face plenty of competition over limited supply. However, a recent uptick in rates could further impact some budget-conscious buyers. Locking in at current levels would

be advantageous in a rising rate environment.

Sellers yielded an average of 98.4 percent of their original list price and 99.7 percent of their current list price, partly illustrating that the shortage still looms. The lack of supply is especially noticeable at the entry-level prices, where multiple offers and homes selling for over list price have become commonplace. The move-up and upper-bracket segments are less competitive and—for the most part—much better supplied. It's noteworthy that inventory levels could double while sales remain stable and we'd still have less than 5 months of supply.

"Today's buyers still face plenty of competition over limited supply. Sellers yielded an average of 99.2 percent of their original list price and 100.1 percent of their current list price, illustrating how drastically undersupplied markets tend to favor sellers."

David Arbit, MAAR



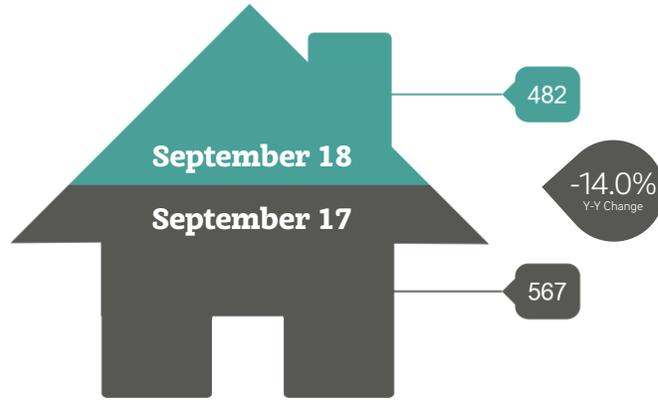
September 2018 Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

Single-Family Permits
↓ 19%
Compared to September 2017

2018 September Metro Building Activity

Single-family permits took a dip in September while townhome activity picked up the pace. For the month, the number of single-family permits pulled fell to 444, down 19 percent compared to September 2017. The number of townhome permits pulled increased by 60 percent over September of last year. Large multifamily projects also saw a spike in activity with six permits issued for 674 units.

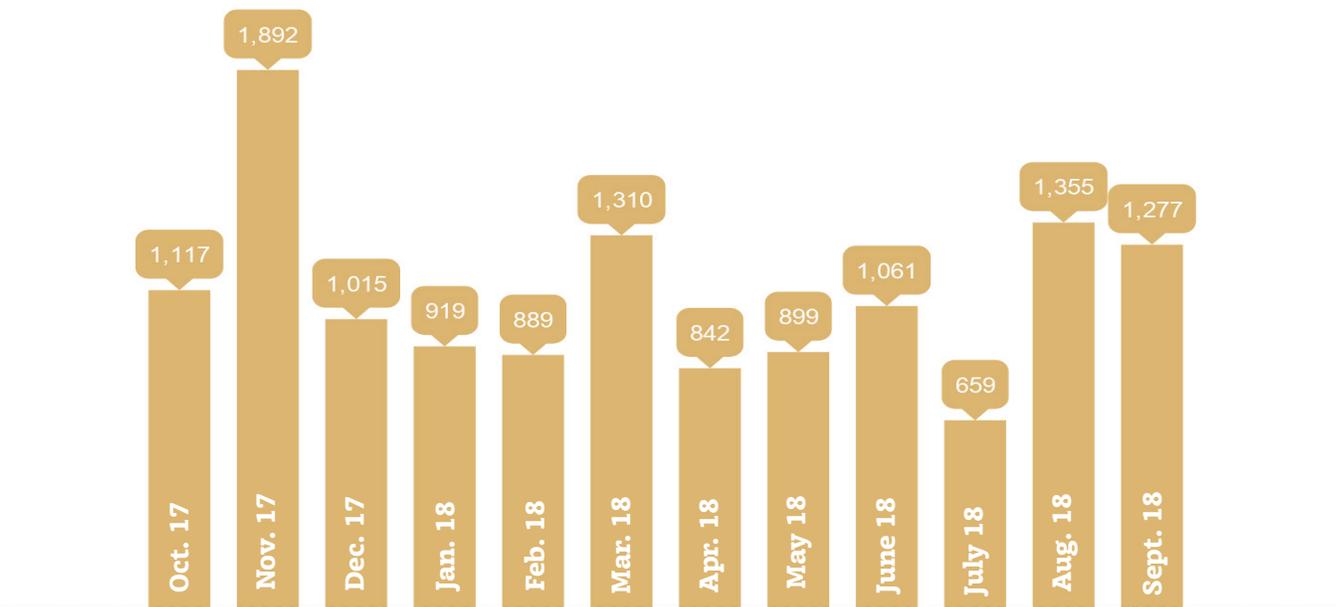
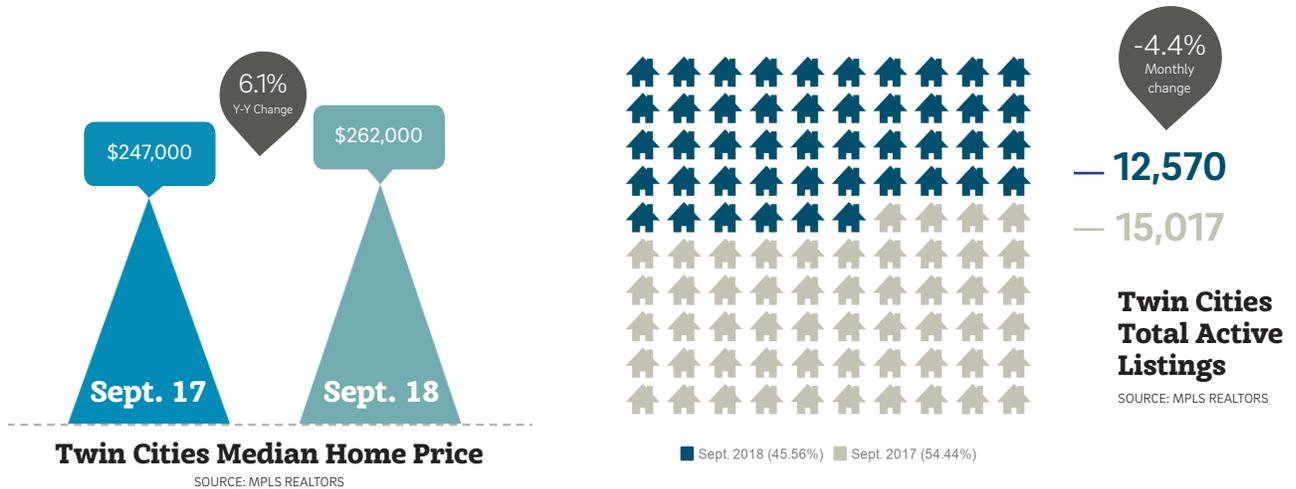


Permits YTD: 4,641

Multi-Family 52%
of Twin Cities Housing Units Authorized

Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT

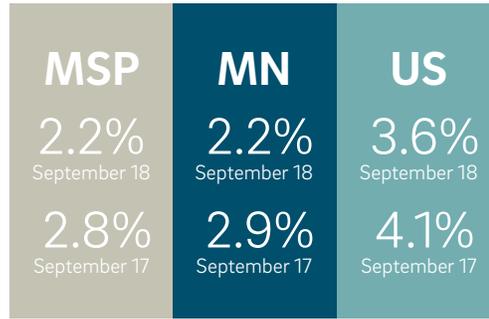


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

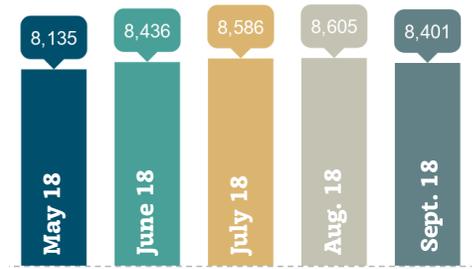
Employment

Despite losing 1,400 jobs in September, Minnesota's non-seasonally adjusted unemployment rate fell to 2.2 percent. Minnesota has added 37,339 jobs the past 12 months, according to the Department of Employment and Economic Development. With a 1.3 percent growth rate, the state lags the overall national rate of 1.9 percent job growth.



Unemployment Rate Snapshot

SOURCE: DEED-MN



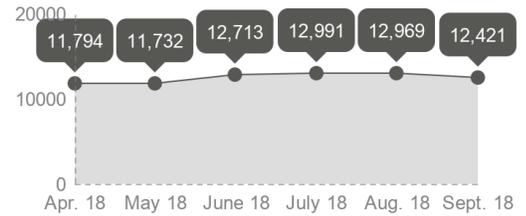
Twin Cities Construction Employment

SOURCE: DEED-MN



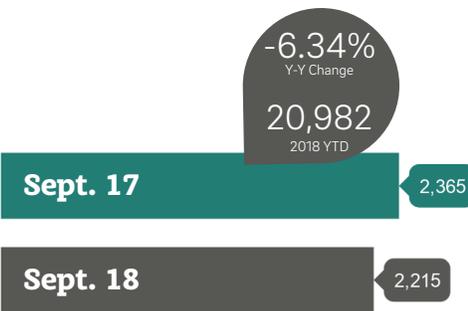
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

SOURCE: US CENSUS

Regional/National Statistics

Sales of new U.S. single-family homes fell to a near two-year low in September. The latest indicators point to rising mortgage rates and higher prices putting a damper on the housing market. U.S. new home sales have now declined for four straight months. Only the Midwest saw a gain, rising 6.9 percent.

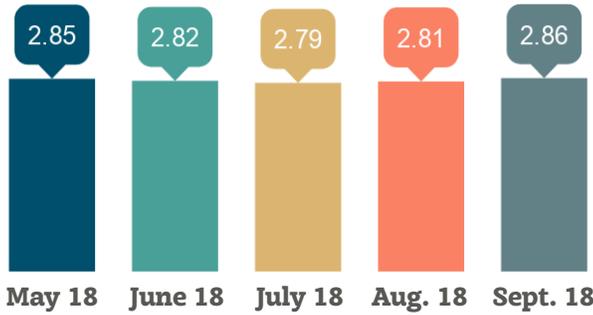


Remodeling Market Indices

SOURCE: NAHB

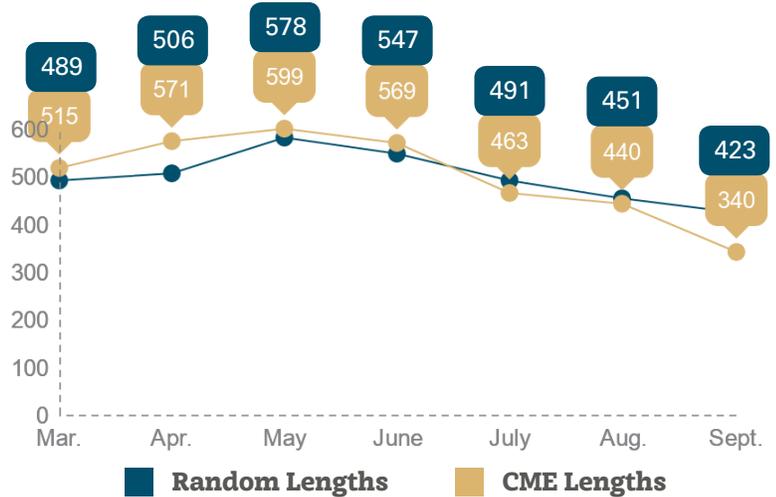
Key Indicators

Lumber prices are falling as supplies are rising, but housing affordability continues to be a challenge with ongoing price and interest rate increases. Mortgage rates are now up more than a full percentage point compared to a year ago, weakening affordability further. Rates made their largest jump in the last two months and continue to move higher.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM DECEMBER 5, 2018
SOURCE: ASSOCIATED BANK



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Stuart Mansk
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