

HOT SHEET



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Tom Wiener, 2018 president of BATC-Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date November 2014-2018

SOURCE: KEYSTONE REPORT

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[BATC-Housing First Minnesota]

Twin Cities Homebuilding Activity Drops in November

With one month left in the year, it's looking as if 2018 will be a flat year for Twin Cities homebuilding activity. Both single-family and large project multifamily permits were down for the month of November compared to 2017. Townhome construction continues to be the bright spot this year, with a 28 percent increase in the number of permitted units over year-to-date last year.

"The rise in townhome production is a direct result of builders seeking to provide a more affordable product, reaching the highest array of buyers," said Tom Wiener, president of Housing First Minnesota

According to data compiled by the Keystone Report for Housing First Minnesota, there were 539 permits issued for a total of 1,333 units during four comparable weeks in the month of November.

"Builders are feeling a bit of a slowdown in buyer activity right now," said Wiener. "While this year still ranks as the second highest number of permits we've seen since 2006, the market requires more growth in order to balance out the housing inventory shortage in the Twin Cities."

"High prices and rising mortgage rates are keeping many homebuyers on

"Housing affordability needs to be addressed both at the capitol and at the local government level."

David Siegel, executive director of Housing First Minnesota

the sidelines," said David Siegel, executive director of Housing First Minnesota. "Housing affordability needs to be addressed both at the capitol and at the local government level."

For the month, Woodbury took the top spot with 37 permits issued. Cottage Grove came in next with 36 permits, followed by Plymouth with 31 permits. Rounding out the top five are Lakeville with 28 permits and Elk River with 22 permits issued.

[MAAR]

LONG-AWAITED INVENTORY GAINS FINALLY ARRIVE

For the first time since April 2015, there were more homes listed for sale in the Twin Cities metro than the same month the year prior. After years of strong buyer activity and weak seller activity, the tides seem to finally be shifting. Seller activity has been accelerating since the middle of this year. Meanwhile, the last four months all showed year-over-

year decreases in pending sales.

Unit sales volumes are still healthy, though there is some downward pressure brought on by tight inventory and rising prices and rates. The market is decelerating, but not yet contracting. Prices continue to rise, and homes are selling in less time. But absorption rates and the ratio of sold to list price are starting to ease. That's good news for buyers, even though sellers still have strong negotiating power.

The number of active listings for sale has increased compared to the prior year. Buyers haven't seen inventory gains in over 3.5

years. Months supply also ticked up to 2.1 months, suggesting the market is still tight but it is rebalancing and normalizing. After increasing in October and November, rates have settled back down around September levels.

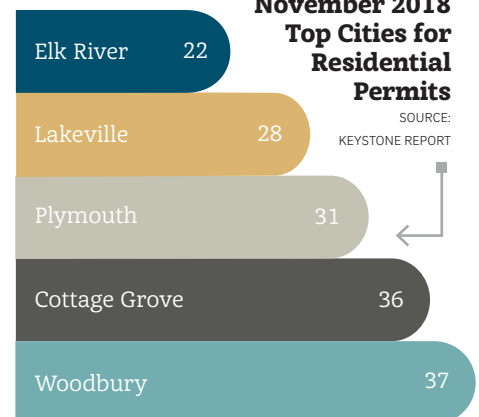
The lack of supply is especially noticeable at the entry-level prices, where multiple offers and homes selling for over list price are commonplace. The move-up and upper-bracket segments are less competitive and—for the most part—much better supplied. Inventory could double while sales remain stable and we'd still have less than 5 months of supply.

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David Arbit, MAAR

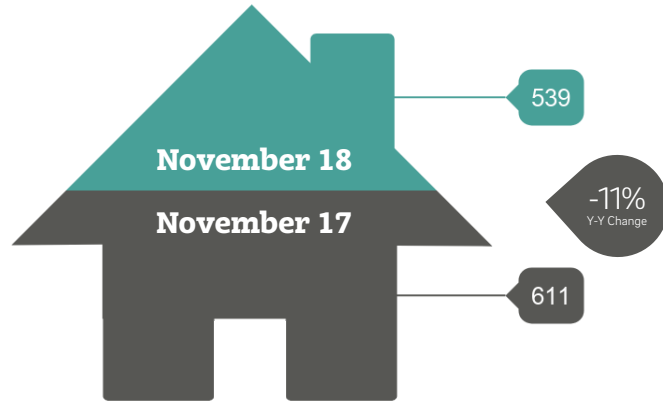
November 2018 Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT



2018 November Metro Building Activity

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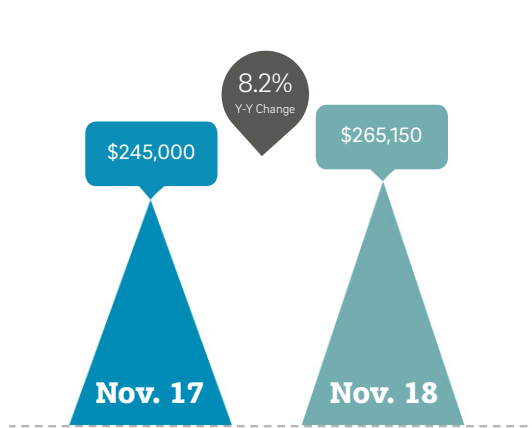


Units YTD:
11,386

Multi-Family
52%
of Twin Cities Housing Units Authorized

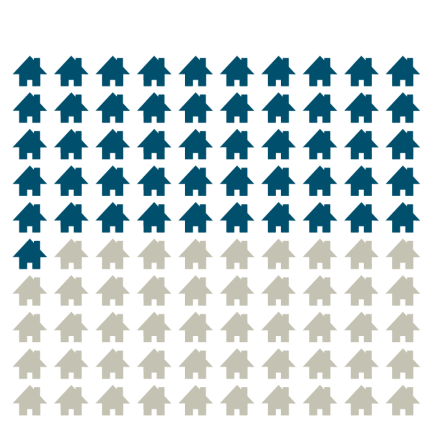
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



Twin Cities Median Home Price

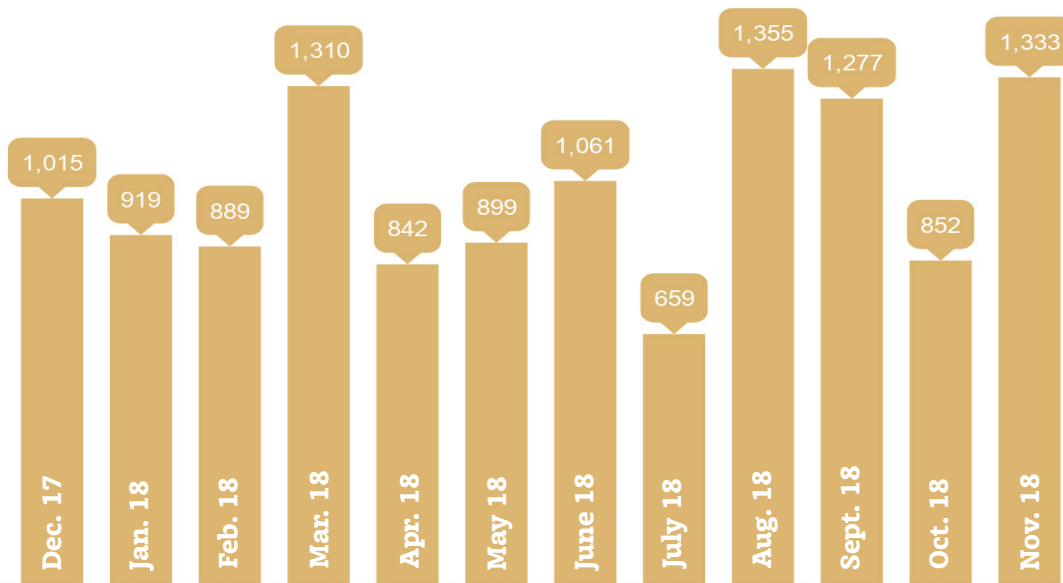
SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ Nov. 2018 (50.58%) ■ Nov. 2017 (49.42%)

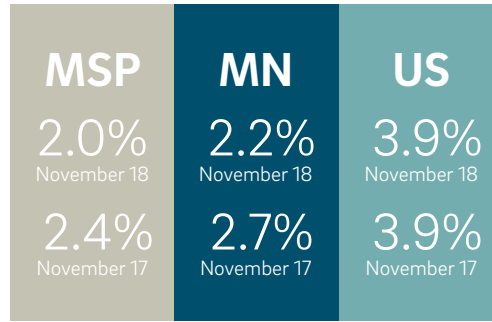


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

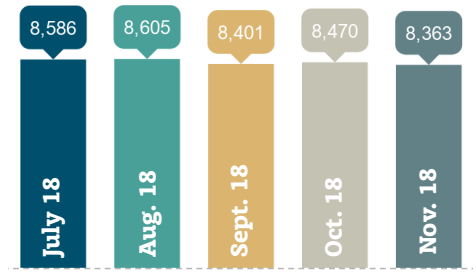
Employment

Minnesota's non-seasonally adjusted unemployment rate remained steady at 2.0 percent in November. While DEED Commissioner Shawntera Hardy noted in a statement that maintaining this historically-low unemployment rate is a sign of the state's economic stability, not all of the news was positive in the report. Minnesota lost 800 jobs on a seasonally adjusted basis. And the 3,400-job gain from October was revised down to a 2,500-job gain.



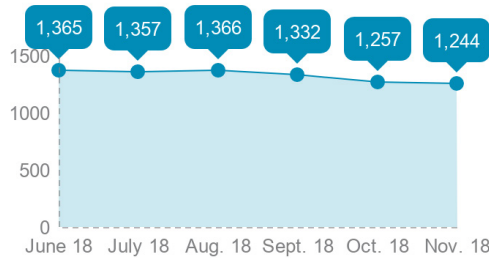
Unemployment Rate Snapshot

SOURCE: DEED-MN



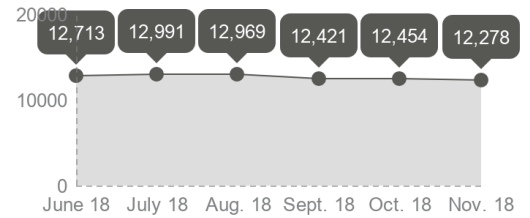
Twin Cities Construction Employment

SOURCE: DEED-MN



Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



MN Construction Employment

SOURCE: DEED-MN

	YTD NOV. 2017	YTD NOV. 2018	% CHANGE
All Properties	61,325	59,064	-3.7%
Existing Properties	55,862	53,299	-4.6%
New Construction	4,928	5,335	8.3%

Pending Sales

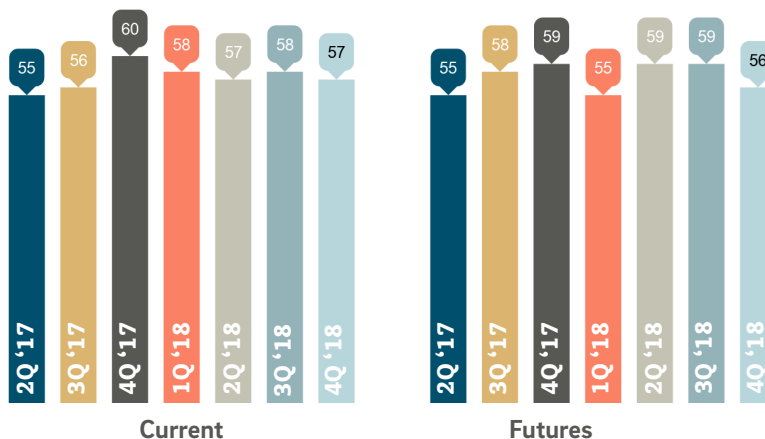
A count of properties on which offers have been accepted – Based on a rolling 12-month total

Regional/National Statistics

According to data from the Minneapolis Area Association of REALTORS (MAAR), new home pending sales were up 8.3 percent year-to-date in November 2018. By type of new home, pending sales of townhomes led the way up 12.5 percent, with pending sales of single-family detached homes up 8.8 percent. Pending sales of existing homes were down 4.6 percent year-to-date in November.

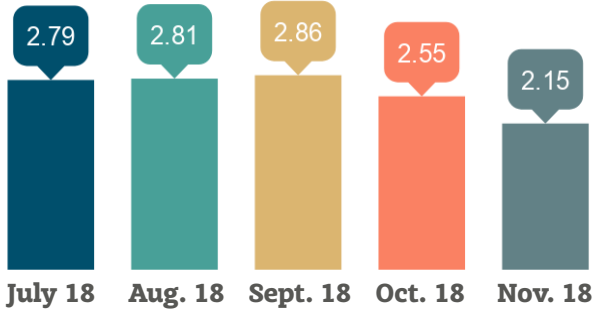
Remodeling Market Indices

SOURCE: NAHB



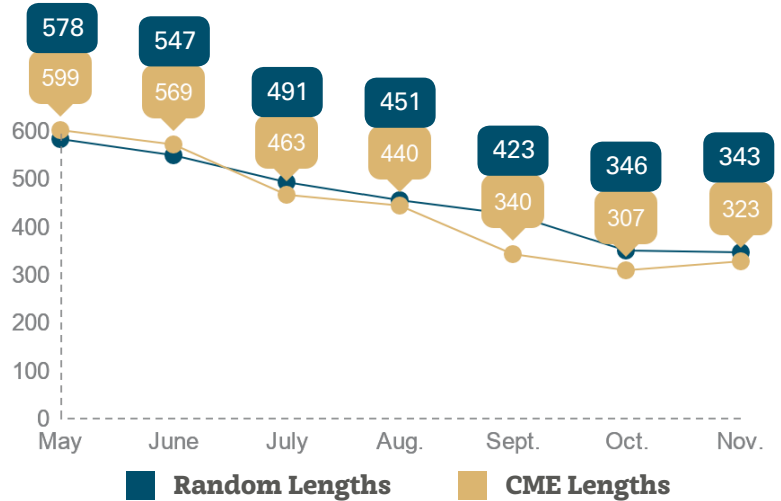
Key Indicators

Construction materials prices fell 1.8 percent in November, according to Associated Builders and Contractors' analysis of U.S. Bureau of Labor Statistics data. Despite the monthly decline, materials prices are still 5.3 percent higher than they were on a year-over-year basis. An unexpected drop in mortgage rates in late 2018 has galvanized some homebuyers into action ahead of the busy spring sales season, spurring an early rush of mortgage applications in 2019.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM JANUARY 30, 2019
SOURCE: ASSOCIATED BANK



A DREAM HOME

DOESN'T HAVE TO BE A DREAM.

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