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John Rask, president of Housing First Minnesota

[Housing First Minnesota]

## Housing Construction Continues Upward Trend

Twin Cities homebuilding is on pace to hit a 13-year high in the number of permitted units in 2019. For the month of September, 472 single-family permits were pulled for a 6% increase over September of last year. Multifamily construction had another strong month with 26 permits pulled for a total of 1,009 units, a 21% increase over September 2018.

"It's shaping up to be a good year for homebuilding activity," said John Rask, president of Housing First Minnesota. "Our housing market is still vastly undersupplied

and the pace of homebuilding this year will help, but more production is needed in order to make a dent in our supply shortage."

According to data compiled by the Keystone Report for Housing First Minnesota, there were 498 permits issued for a total of 1,481 units during four comparable weeks in the month of August.

"While the slow and steady increase in new home construction is promising, it is not enough," said David Siegel, executive director of Housing First Minnesota. "We need to



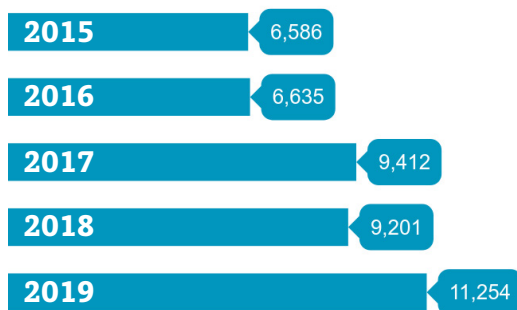
*"We need to be building homes at all price points..."*

David Siegel, executive director of Housing First Minnesota

be building homes at all price points in order to truly solve our housing issues in the Twin Cities and unfortunately delivering units at the most affordable price points is only growing more difficult in our region."

For the month, Lakeville took the top spot with 51 permits issued. Cottage Grove came in next with 26 permits, followed by Woodbury with 25 permits and Otsego and Blaine both with 23 permitted units.

## Twin Cities Building Activity



### Units Authorized Year-to-Date September 2015-2019

SOURCE: KEYSTONE REPORT

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[MAAR]

## Sales, prices still rising despite some changes this year

The latest numbers for Twin Cities residential real estate show a stable market with some ongoing signs of transition. Prices are still rising, supply is still tight, and demand has recovered even while market times have lengthened. Even though more buyers are closing on homes, the urgency has subsided somewhat. Days on market rose 2.4 percent from last September, marking the fifth year-over-year increase in the last seven months.

Market times remain swift despite modest increases.

Sales rose 3.4 percent and the median sales price increased 6.6 percent to \$279,250. Pending sales—a measure of signed contracts and future demand—rose 2.9 percent. Both pending and closed sales are down slightly for the year so far, but that may change. New listings were up 2.5 percent, helping some buyers take advantage of historically low rates. Sellers have been accepting a slightly lower share of their list price compared to the year prior for seven of the last eight months—with September bucking that trend. This, along with other indicators, suggests the market is rebalancing in a way that could benefit buyers.

The number of active listings for

sale is up over the last 12 months and for most of 2019. Even so, the market remains tight—particularly for first-time buyers and downsizers competing in the under \$300,000 segment where multiple offers and homes selling for over list price remain commonplace.

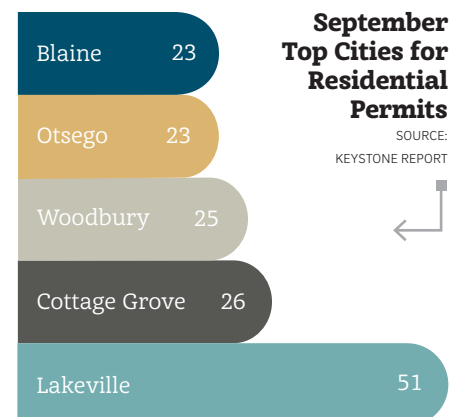
Despite the demand, builders struggle to replenish inventory in that undersupplied segment due to high land and material costs combined with a significant labor shortage and tricky regulations. The shortage of affordable homes has led to an increase in remodeling as people are staying in their homes longer. It's challenging to find comparable home at a similar payment in the desired location. With just 2.5 months of supply, the Twin Cities is still significantly undersupplied.

*"Buyers are still very much motivated despite some challenges. It really shows the resilience of our region and the value of homeownership."*

Linda Rogers, President-Elect of Minneapolis Area REALTORS®

## September Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT



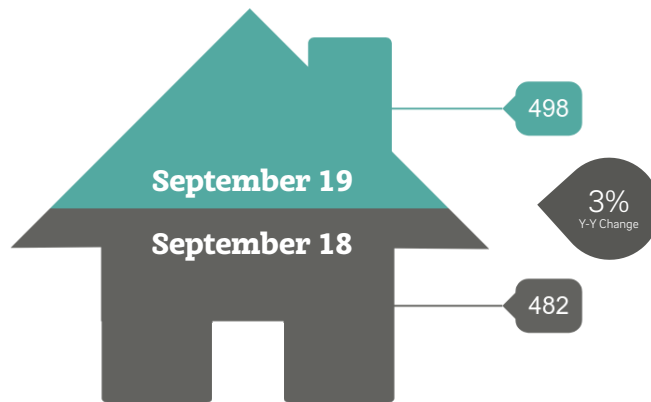
### Single-family Permits Pulled

↑ 6%

Compared to September 2018

## 2019 September Metro Building Activity

Twin Cities homebuilding is on pace to hit a 13-year high in the number of permitted units in 2019. For the month of September, 472 single-family permits were pulled for a 6% increase over September of last year. Multifamily construction had another strong month with 26 permits pulled for a total of 1,009 units, a 21% increase over September 2018.

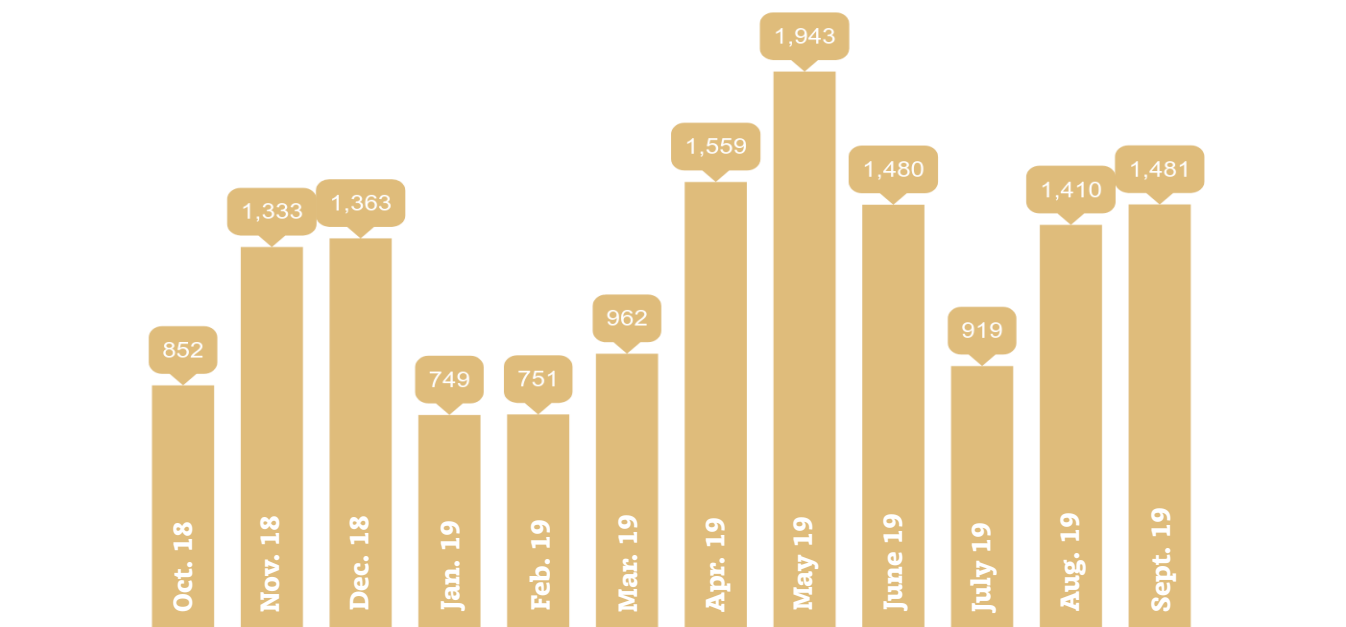
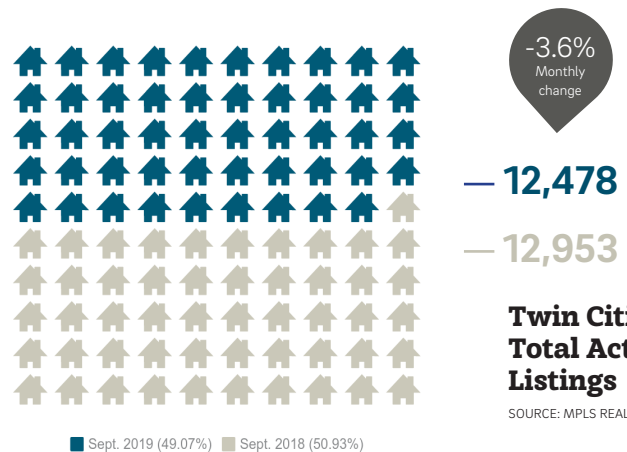
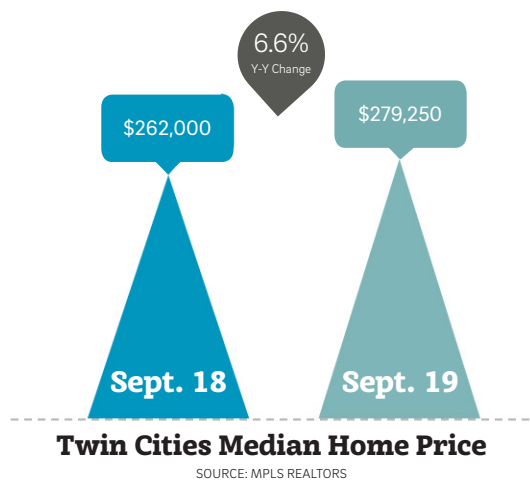


**Units YTD:**  
**11,254**

**Multi-Family**  
**68%**  
of Twin Cities Housing  
Units Authorized

### Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



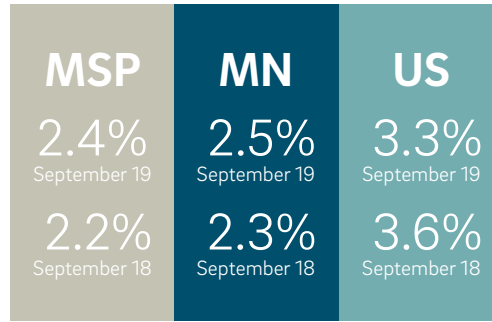
### Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

## Employment

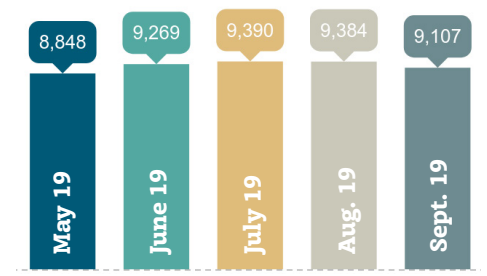
Despite the continued tight labor market, job growth is slowing in the state. Over the month of September, six major industry sectors lost jobs. Education and health care saw the largest decline (down 2,400), followed by professional and business services (down 900), information (down 800), other services (down 500), government (down 400) and construction (down 300).

"As Minnesota employers continue to struggle to find the workers they need, DEED is continuing to seek ways to expand the pool of available workers," said DEED Commissioner Steve Grove.



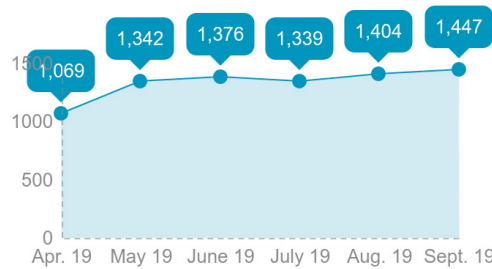
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



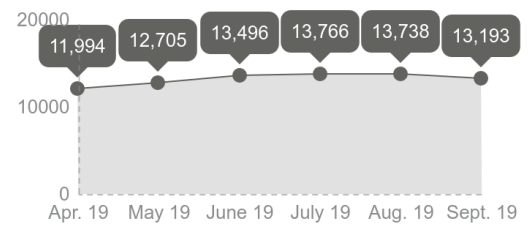
**Twin Cities Construction Employment**

SOURCE: DEED-MN



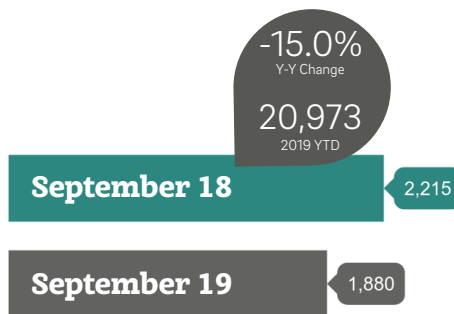
**Twin Cities Construction Weekly Wages**

SOURCE: DEED-MN



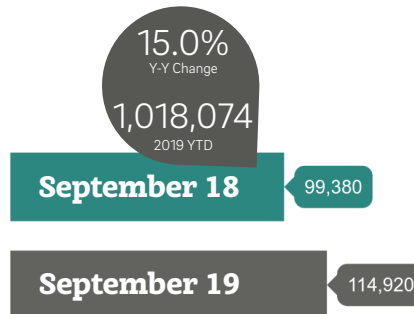
**MN Construction Employment**

SOURCE: DEED-MN



**MN Housing Units Authorized**

SOURCE: US CENSUS



**US Housing Units Authorized**

SOURCE: US CENSUS

## Regional/National Statistics

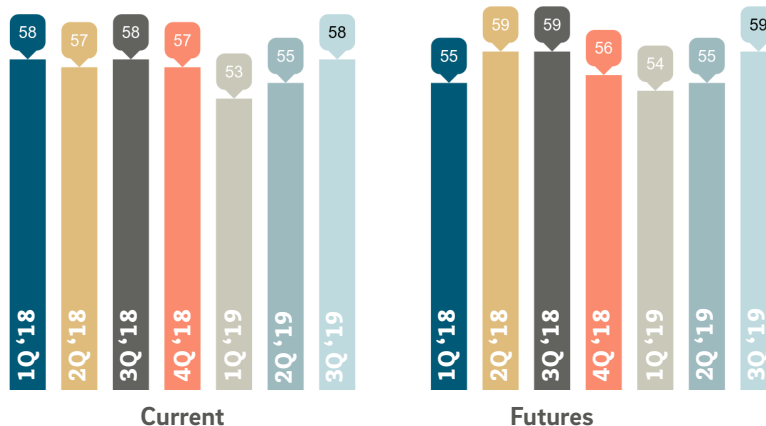
U.S. single-family home construction rose for a fourth straight month in September, as building permits also increased.

The overall housing market continues to struggle with a lack of properties for sale and annual price growth that has been outpacing wage gains.

New home sales in the South, which accounts for the majority of transactions, edged down 0.2% in September. Sales in the West dropped 3.8%. In the Northeast, sales fell 2.8% but there was a jump of 6.3% in the Midwest.

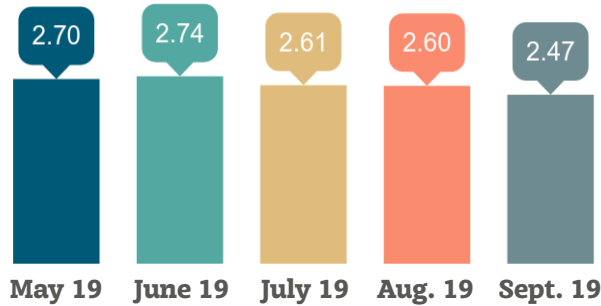
## Remodeling Market Indices

SOURCE: NAHB



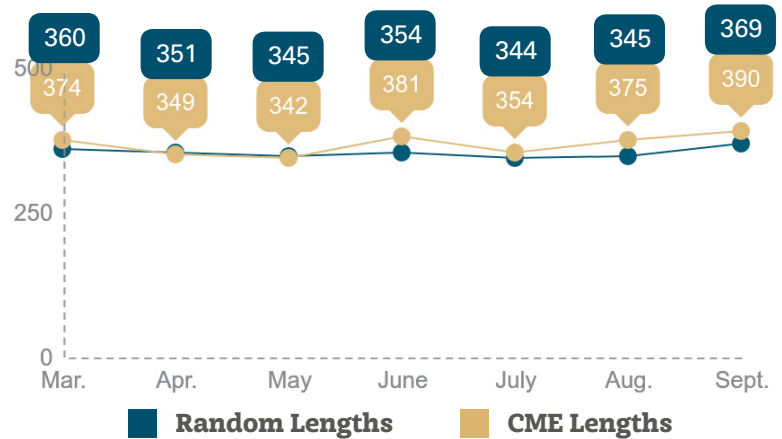
## Key Indicators

The 30-year fixed mortgage rate has dropped more than 125 basis points since last November's peak to an average of 3.69%, according to data from mortgage finance agency Freddie Mac. According to the National Association of Home Builders (NAHB) Building materials prices have declined an average of 0.1% per month over the last 12 months, and the price of goods used in residential construction has risen 1.7% in 2019, the slowest year-to-date growth through September since 2015.



**MN Monthly Retail Gasoline Prices**

SOURCE: ENERGY INFORMATION ADMIN



**Framing Lumber**

SOURCE: NAHB

## Mortgage Rates

FROM OCTOBER 31, 2019  
SOURCE: ASSOCIATED BANK



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