



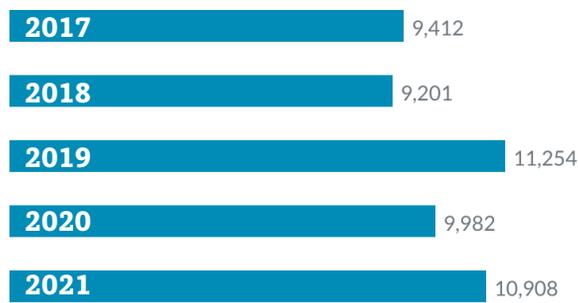
October 2021
Volume IX, Issue: 10



“Homebuyer activity is still high, but it’s slowed from the fervent pace that we saw this time last year. As prices have gone up due to supply chain issues, permit delays and overall regulatory costs, we’re seeing more homebuyers forced to sit on the sidelines of the housing market.”

Todd Polifka, president of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date September 2017-2021

SOURCE: KEYSTONE REPORT

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[Housing First Minnesota]

Twin Cities Homebuilding Activity Continues to Slow with Mounting Market Challenges

For the second month in a row, single-family construction in the Twin Cities saw a drop in activity when compared to the same month of the previous year. The slowdown reflects the growing number of market and regulatory challenges that continue to hinder builders’ ability to bring new homes to the region. Twin Cities homebuilders pulled 564 permits for new single-family homes in September, a 13% drop from last year. Multifamily construction had a strong month with 1,152 permitted units, more than a 100% increase from September of last year.

“Homebuyer activity is still high, but it’s slowed from the fervent pace that we

saw this time last year,” said Todd Polifka, 2021 president of Housing First Minnesota. “As prices have gone up due to supply chain issues, permit delays and overall regulatory costs, we’re seeing more homebuyers forced to sit on the sidelines of the housing market.”

According to data compiled by the Keystone Report for Housing First Minnesota, there were 609 permits issued for a total of 1,761 units during four comparable weeks in the month of September.

“The Twin Cities housing market has some of the lowest housing inventory in the country, with the greatest need for homes



“Unfortunately builders are currently unable to supply the market with those lower-priced homes...”

David Siegel, executive director of Housing First Minnesota

at the lower price points,” said David Siegel, executive director of Housing First Minnesota. “Unfortunately builders are currently unable to supply the market with those lower-priced homes, and too many Minnesotans are being shut out.”

For the month, Woodbury took the top spot with 55 permits issued. Lakeville, Rosemount, and Blaine all came in next with 36 permits. Ramsey rounded out the top five with 34 permits.

[Minnesota Realtors®]

Twin Cities Home Sales Down From Frenzied 2020 Market but up From 2019

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, buyers closed on 16.0% more homes in the Twin Cities metro area last month compared to September 2019. Sales were down 5.9%, however, from the heightened pace of September 2020. The trend still indicates

rising demand, and suggests that much of last year was an outlier and unsustainable.

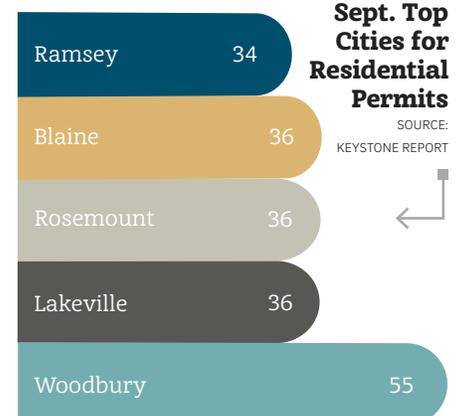
Both seller and buyer activity were down from 2020 but up from 2019. While the number of signed purchase agreements fell 14.4% compared to September 2020, the two-year growth from 5,047 purchase contracts in 2019 represents a 10.8% gain. That amounts to about 5.4% demand growth per year, a stable and healthy rate. Buyers remain active and persistent, though perhaps a bit more cautious. But because much of 2020 and 2021 are not apples-to-apples, year-over-year comparisons will continue to be distorted.

“We are still in a period where year-over-year comparisons can be skewed,” said Todd Walker, president of Minneapolis Area REALTORS®. “We’ve gone from Mach 3 to Mach 1—still a fast pace, but agents are seeing fewer multiple offers. Bypassed inspections and appraisal gap clauses are also less prevalent.”

The metro area remains a firm seller’s market with just 1.5 months of supply of inventory. That’s the lowest figure for any September going back two decades. Historically, five to six months of supply is considered a balanced market that doesn’t favor one side or the other—buyer or seller.

“We are still in a period where year-over-year comparisons can be skewed. We’ve gone from Mach 3 to Mach 1—still a fast pace, but agents are seeing fewer multiple offers. Bypassed inspections and appraisal gap clauses are also less prevalent.”

- Todd Walker, president of the Minneapolis Area REALTORS®



SOURCE: KEYSTONE REPORT

September 2021 Metro Building Activity

For the second month in a row, single-family construction in the Twin Cities saw a drop in activity when compared to the same month of the previous year. The slowdown reflects the growing number of market and regulatory challenges that continue to hinder builders' ability to bring new homes to the region. Twin Cities homebuilders pulled 564 permits for new single-family homes in September, a 13% drop from last year. Multifamily construction had a strong month with 1,152 permitted units, more than a 100% increase from September of last year.

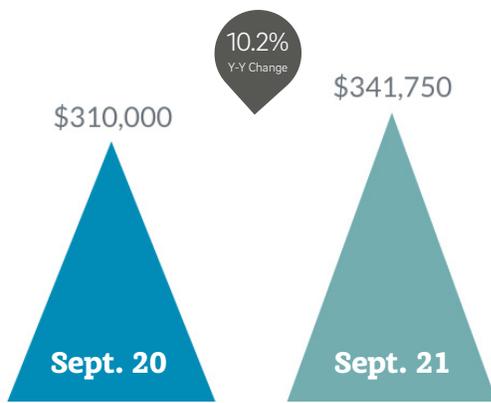


Units YTD:
10,908

Multifamily
67%
of Twin Cities Housing
Units Authorized

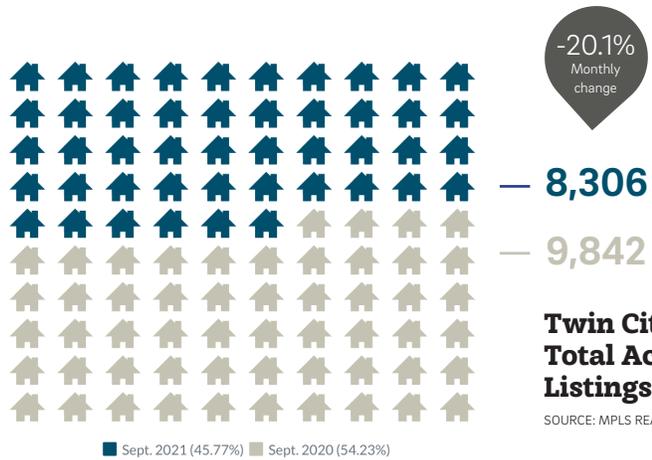
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



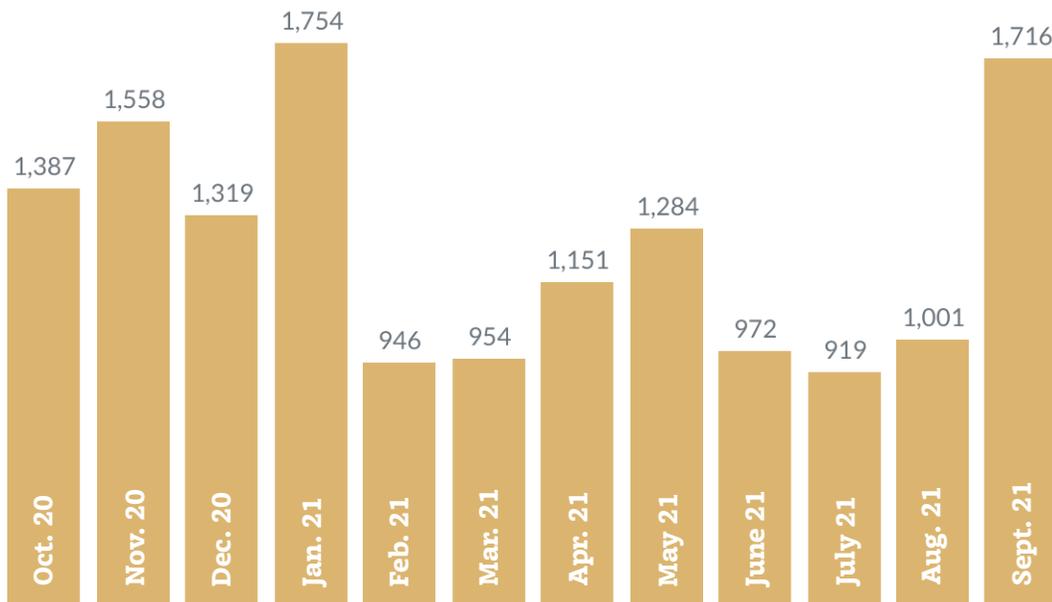
Twin Cities Median Home Price

SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



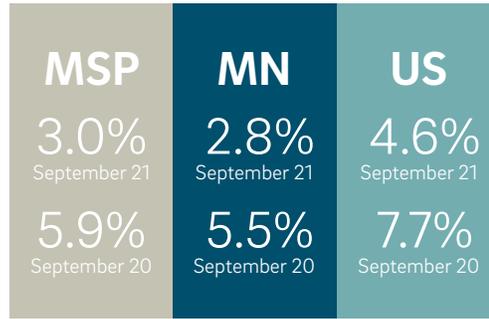
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

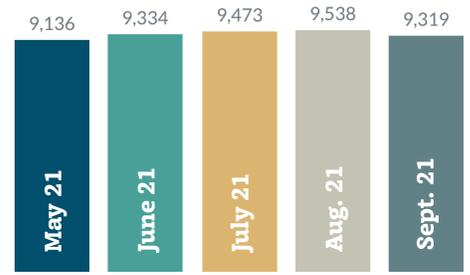
Minnesota's unemployment rate dropped to 2.8% in September, according to the Minnesota Department of Employment and Economic Development (DEED). This is compared to the August unemployment rate of 3.4%.

The national unemployment rate also saw a decrease from 5.3% in August to 4.6% in September.



Unemployment Rate Snapshot

SOURCE: DEED-MN



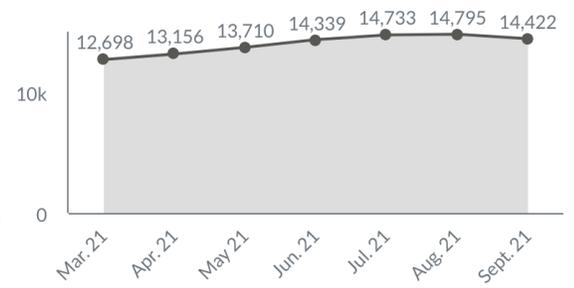
Twin Cities Construction Employment

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

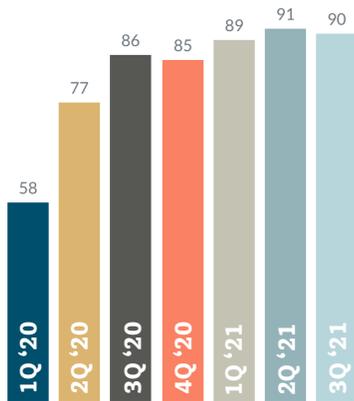
Regional/National Statistics

Sales of existing homes increased 7% in September, according to the National Association of REALTORS®.

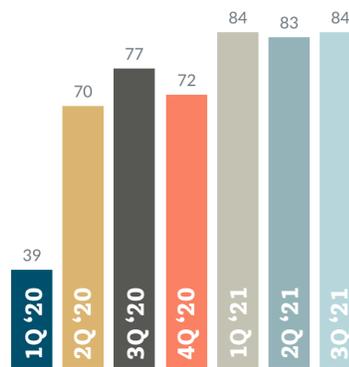
Regionally, sales grew 5.5% month to month in the Northeast and 5.1% in the Midwest. In the South, sales increased 8.6% over the previous month, and in the West sales rose 6.5%.

Remodeling Market Indices

SOURCE: NAHB



Current

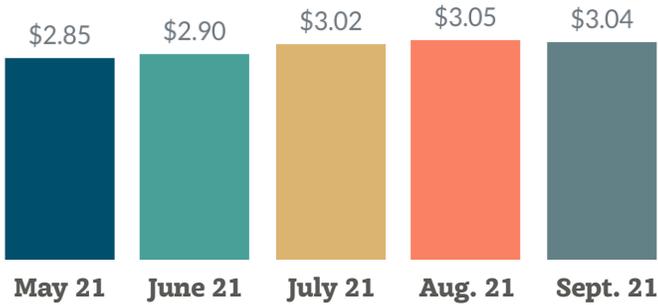


Futures

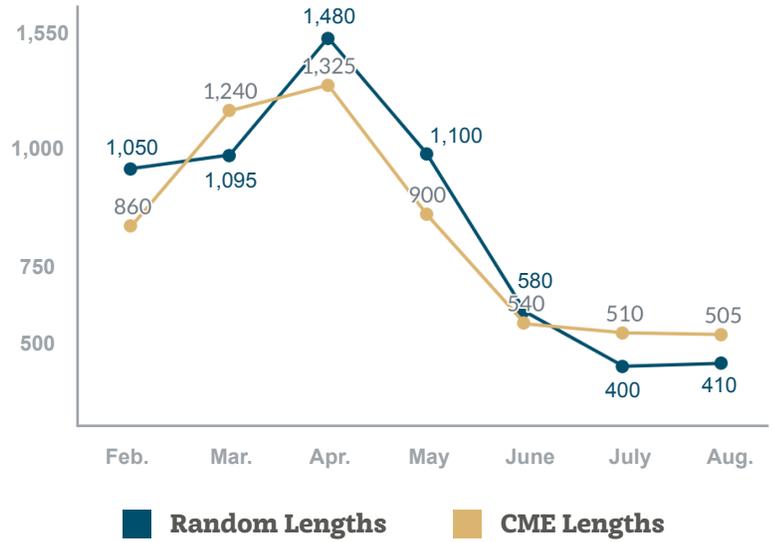
Key Indicators

Over the summer, supply chain issues have put major restraints on the new home market across the nation. As a result, production has slowed and prices continue to rise. Still, demand remains strong for new homes to enter in the market to satisfy the overall lacking inventory of available homes. However, some segments of buyers are dropping out of the market faster than others.

In the past, many of the active buyers in the market were comprised of first-time homebuyers who typically vie for smaller homes at a lower price point. As prices continue to rise, this cohort of buyers is beginning to back out of the market, with August marking the first time since January 2019 that first-time homebuyers accounted for less than 30% of all buyers, according to the National Association of REALTORS®.



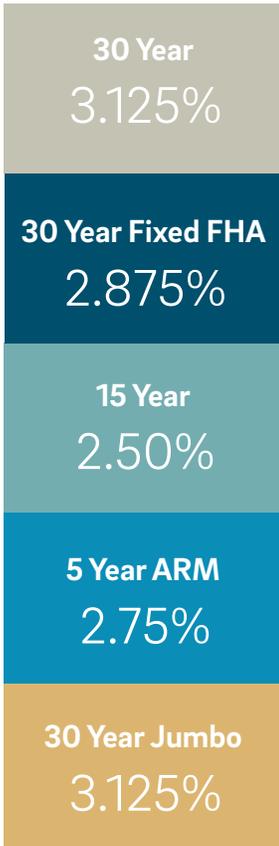
MN Monthly Retail Gasoline Prices
SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber
SOURCE: NAHB

Mortgage Rates

FROM OCTOBER 28, 2021
SOURCE: ASSOCIATED BANK



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