



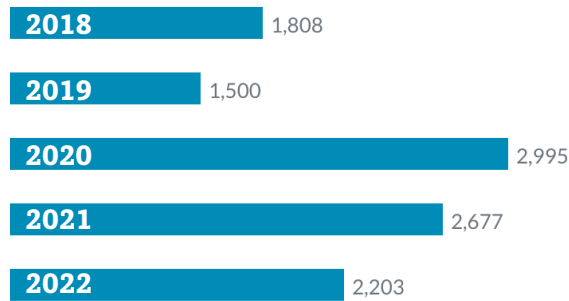
March 2022  
Volume X, Issue: 3



“Our housing market is in dire need of new homes and unfortunately the homebuilding environment in the Twin Cities is not one that makes this easy to do. The slight slowdown we are seeing in the permit numbers reflects the challenging home construction environment, not the demand for housing, which remains overwhelmingly strong.”

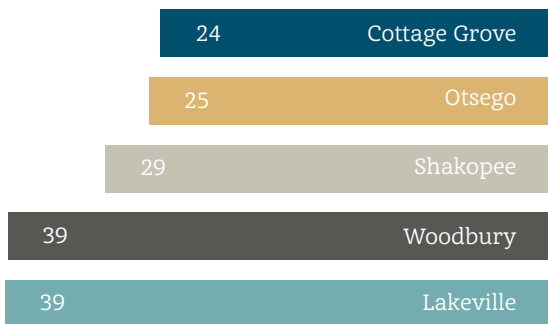
James Julkowski, president of Housing First Minnesota

## Twin Cities Building Activity



### Units Authorized Year-to-Date February 2018-2022

SOURCE: KEYSTONE REPORT



### February Top Cities for Residential Permits

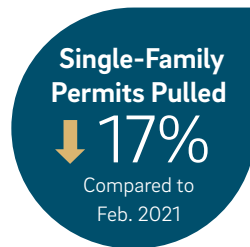
SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

## Twin Cities Homebuilding Cools in February

Twin Cities builders pulled permits for the fewest number of housing units for the month of February since 2016. Permits for new single-family homes dropped by 17% in February with 432 permitted units. Large multifamily projects, 17-units or more, saw a 60% drop in the number of permitted units compared to last February. Small multifamily construction was the only sector seeing growth in the month, with permits pulled for 129 units, a 118% increase compared to February of last year.

“Our housing market is in dire need of new homes



and unfortunately the homebuilding environment in the Twin Cities is not one that makes this easy to do,” said James Julkowski, 2022 president of Housing First Minnesota. “The slight slowdown we are seeing in the permit numbers reflects the challenging home construction environment, not the demand for housing, which remains overwhelmingly strong.”

According to data compiled by the Keystone Report for Housing First Minnesota, there were 460 permits issued for a total of 698 units during four comparable weeks in the month of February.

“A slowdown in the pace of new homebuilding is not a trend we want to see continue, but it is not surprising with supply chain issues, a labor shortage, and overall unfavorable regulatory environment in our region,” said David



“...the shortage of homes will continue to force homebuyers to outbid each other for each home, pushing home prices up at an alarming rate.”

David Siegel, executive director of Housing First Minnesota

Siegel, executive director of Housing First Minnesota. “Without an increase in new homes coming to market, the shortage of homes will continue to force homebuyers to outbid each other for each home, pushing home prices up at an alarming rate.”

For the month, Lakeville and Woodbury tied for the top spot with 39 permits issued. Shakopee came in next with 29 permits, followed by Otsego with 25 permits. Cottage Grove rounded out the top five with 24 permitted units.

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## Twin Cities Housing Market Starts off the Year Slowly

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, buyer activity in the Twin Cities metro showed its first month-over-month gain since August 2021. As the Covid reshuffle continues to temper, sales are down compared to February of 2020 and 2021, but up from 2019 levels.

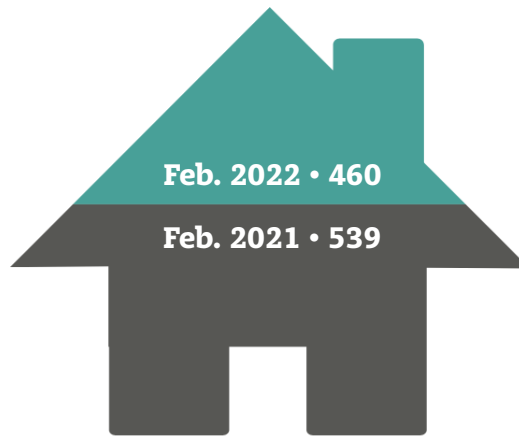
“Homes sold more quickly last month than they did last February, and prices rose over 8.0%,” said Denise Mazone, president of Minneapolis Area REALTORS®. “While we may not reach the heights of 2020 and 2021, the market remains competitive, homes are still selling rapidly often with multiple bids, and buyers and sellers need to be prepared to move quickly.”

The median sales price in the Twin Cities rose 8.3% from last February to \$340,000. That’s exactly half the 16.6% year-over-year rate of price growth seen in May 2021. Rising prices are expected to continue in a persistently undersupplied market with historically strong demand. The Twin Cities presently has about three weeks’ supply of inventory (0.8 months), whereas a balanced market would supply four to six months’ worth of homes given recent demand.

Inventory levels dipped 19.0% from this time last year. Compounded with a 38.2% fall from 2020 to 2021, the metro is facing an inventory shortage that should keep prices strong, market times fast, multiple offers fairly commonplace and some sellers getting above asking price.

# February 2022 Metro Building Activity

Twin Cities builders pulled permits for the fewest number of housing units for the month of February since 2016. Permits for new single-family homes dropped by 17% in February with 432 permitted units. Large multifamily projects, 17-units or more, saw a 60% drop in the number of permitted units compared to last February. Small multifamily construction was the only sector seeing growth in the month, with permits pulled for 129 units, a 118% increase compared to February of last year.

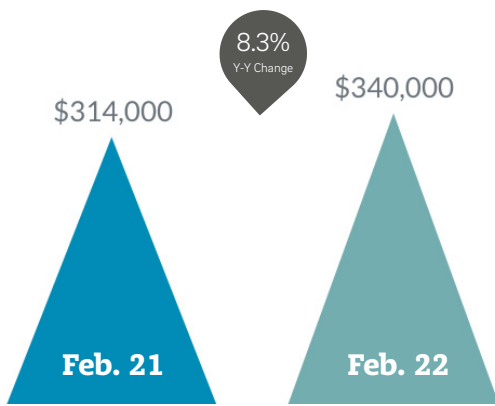


**Units YTD:**  
**2,203**

**Multifamily**  
**38%**  
of Twin Cities Housing  
Units Authorized

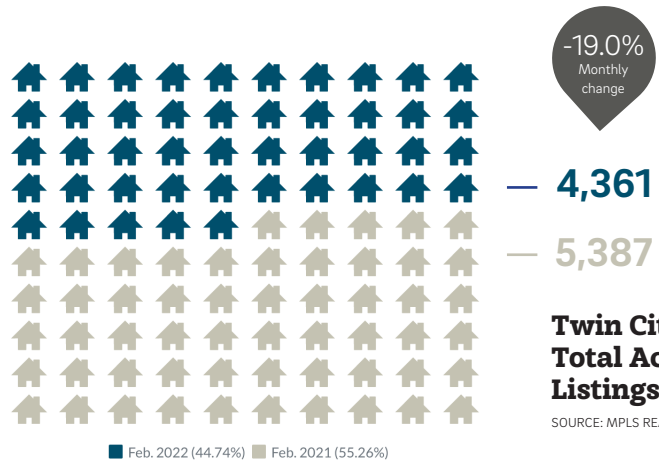
## Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



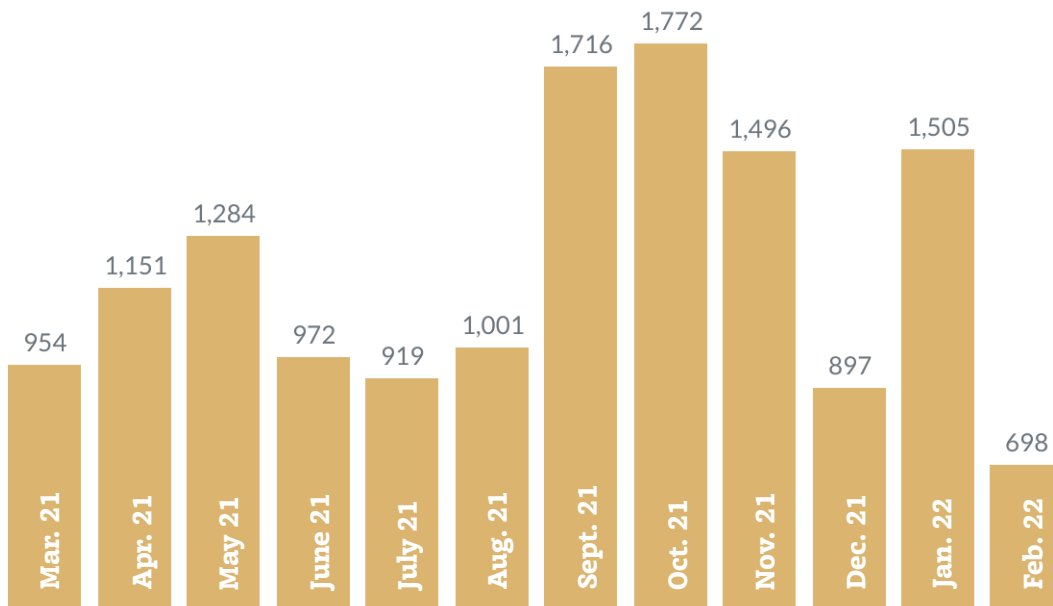
## Twin Cities Median Home Price

SOURCE: MPLS REALTORS



## Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



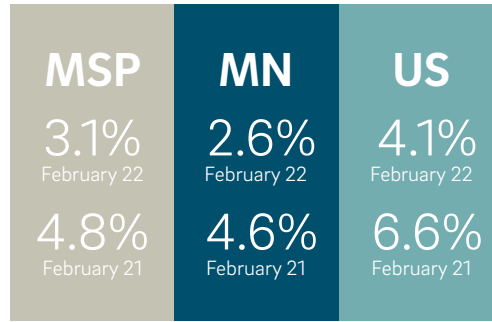
## Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

# Employment

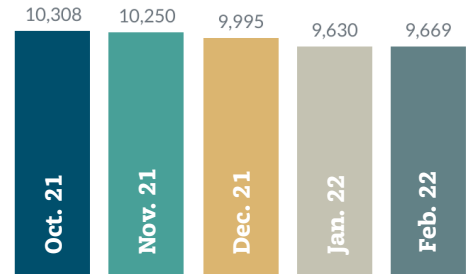
Minnesota's unemployment dropped slightly on a seasonally adjusted basis to 2.7% in February, according to the Minnesota Department of Employment and Economic Development. This is the lowest rate for the state since 1999.

The national unemployment rate also ticked down from 4% in January to 3.8% in February. Construction in Minnesota recorded a 4.6% employment growth, or 4,906 jobs, since February 2021.



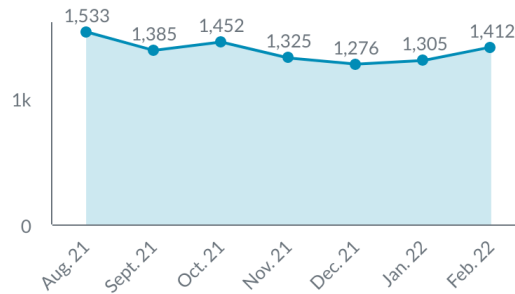
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



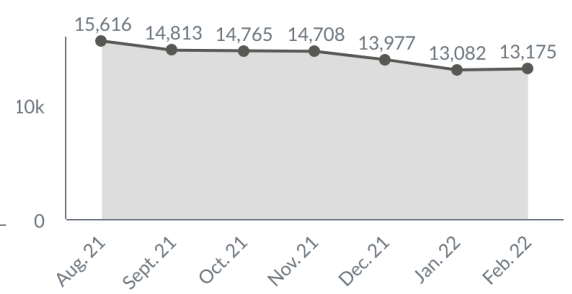
**Twin Cities Construction Employment**

SOURCE: DEED-MN



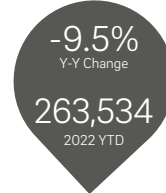
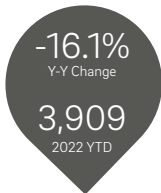
**Twin Cities Construction Weekly Wages**

SOURCE: DEED-MN



**MN Construction Employment**

SOURCE: DEED-MN



**MN Housing Units Authorized**

SOURCE: US CENSUS



**US Housing Units Authorized**

SOURCE: US CENSUS

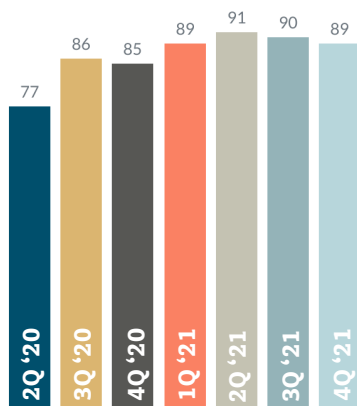
# Regional/National Statistics

Sales of existing homes decreased 7.2% in February, according to the National Association of REALTORS®. Additionally, existing home sales were down in all four national regions.

Regionally, sales fell 11.5% month to month in the Northeast and decreased 11.3% in the Midwest. In the South, sales dropped 5.1% over the previous month, and in the West sales slumped 4.7% from January.

## Remodeling Market Indices

SOURCE: NAHB



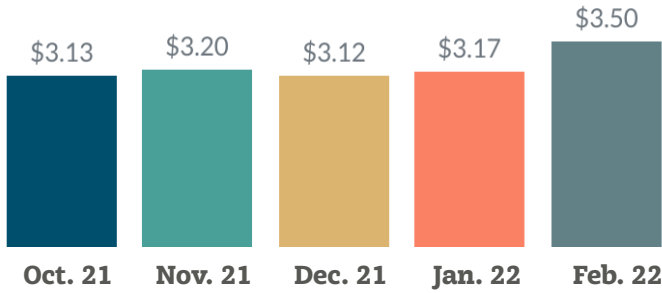
**Current**

**Futures**

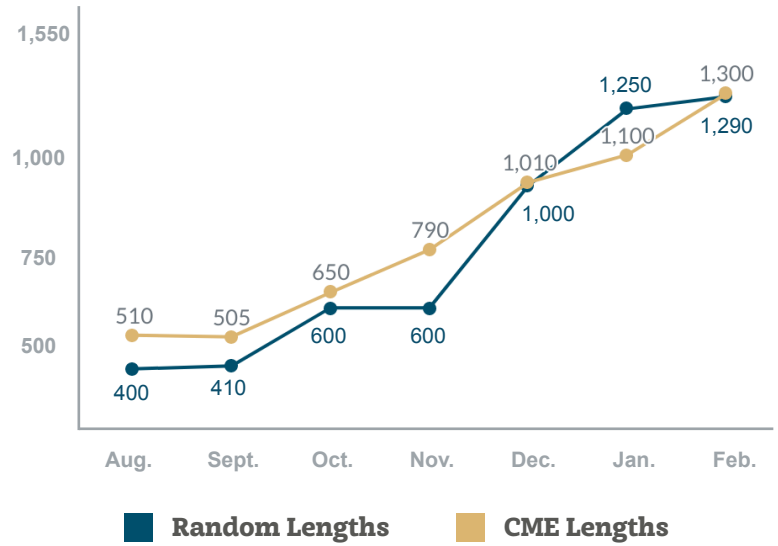
# Key Indicators

The Federal Reserve signaled earlier this spring that they would be making adjustments to interest rate levels in an attempt to confront the growing concerns surrounding inflation. Inflation has become a top economic concern and has impacted various economic sectors. As a result of these adjustments, mortgage rates have steadily started to increase and recently rose above 4% for the first time since May 2019, according to Freddie Mac.

"Housing affordability continues to be a major challenge, as buyers are getting a double whammy: rising mortgage rates and sustained price increases," said Lawrence Yun, the National Association of REALTORS® chief economist. "Some who had previously qualified at a 3% mortgage rate are no longer able to buy at the 4% rate."



**MN Monthly Retail Gasoline Prices**  
SOURCE: ENERGY INFORMATION ADMIN



**Framing Lumber**  
SOURCE: NAHB

## Mortgage Rates

FROM MARCH 30, 2022  
SOURCE: ASSOCIATED BANK



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**LEADING LENDER IN THE MIDWEST FOR OVER A DECADE\***



\*The Leading Lender in the Midwest designation is based on originated, closed-end mortgage loan count, gathered from the Home Mortgage Disclosure Act data compiled annually by the Consumer Financial Protection Bureau. The results of the data were obtained through the Consumer Financial Protection Bureau Mortgage Database (HMDB), July 2021.

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