



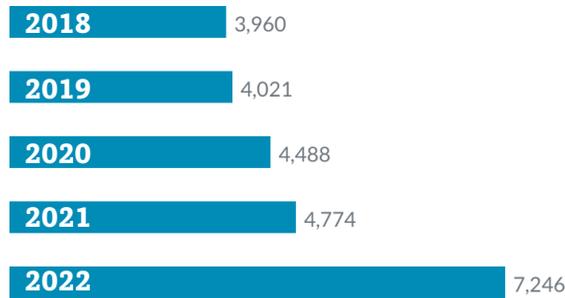
May 2022  
Volume X, Issue: 5



"Homebuilders saw strong homebuyer traffic during this spring's Parade of Homes, signaling that we would potentially see an increase in permits pulled for April."

James Julkowski, president of Housing First Minnesota

## Twin Cities Building Activity



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

SOURCE: KEYSTONE REPORT



### April Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

## Strong Spring for Twin Cities Homebuilding Activity

Multifamily construction in the metro area continued to soar past last year's pace in April. Single-family construction in the Twin Cities picked up as well, according to the latest permit numbers by the Keystone Report. There were 750 permits pulled for new single-family homes for the month, a 12% increase over April of last year. Permits were pulled for 2,859 multifamily units, more than a 1,000% increase from last April.

"Homebuilders saw strong homebuyer traffic during this spring's Parade of Homes, signaling that we would potentially see an increase in permits pulled for April," said James Julkowski, 2022 president of Housing First Minnesota. "We continue to have a shortage of homes for sale in our region, which is why even with the supply chain constraints, labor shortage, and climbing mortgage rates, we continue to see growth in new home production."

According to data compiled by the Keystone Report for Housing First Minnesota, there were 793 permits issued for a total of 3,609 units during four comparable weeks in the month of April.



*"We continue to have a shortage of homes for sale in our region, which is why even with the supply chain constraints, labor shortage, and climbing mortgage rates, we continue to see growth in new home production."*

James Julkowski,  
president of  
Housing First Minnesota

For the month in permits, Lakeville took the top spot with 83 permits issued. Cottage Grove came in next with 51 permits, followed by Woodbury with 50 permits. Carver with 39 permits and Otsego with 35 permits issued rounded out the top five.

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[Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®]

## Median Home Price Hits \$370,000 as Rates Push Affordability to Lowest Level Since 2004

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, the Twin Cities metro area saw rising prices, fast market times, and strong offers—often over asking price—during April. But rising mortgage rates have forced the affordability index below 100 for the first time since at least 2004.

While the median home price rose 10.0% to reach a new record of

\$370,000—and will likely do so again over the next couple of months—declines in affordability have continued to weigh on some buyers who are already fatigued from writing several offers. Historically low interest rates have been offsetting the effect of rising prices on monthly mortgage payments.

But that's quickly changing as the Federal Reserve races to combat high inflation by raising rates. Even

so, the long-term average 30-year fixed mortgage rate is about 8.0%, above where we currently stand at around 5.2%. The affordability index fell to 95, meaning the median income was 95.0% of the necessary income needed to qualify for the median-priced home under prevailing interest rates.

Due to several factors, buyer activity has moderated somewhat. First, we're comparing against the highs of the

Covid housing craze from last spring. Second, inventory is even lower and further pressuring sales. Third, rising rates have likely taken some buyers out of the market. Buyers signed 9.2% fewer purchase agreements than in April of last year and closed on 9.0% fewer homes. Sellers listed 7.0% fewer homes than last April. Sellers may feel attached to their interest rate and reluctant to list their homes to avoid higher interest rates.

# April 2022 Metro Building Activity

Multifamily construction in the metro area continued to soar past last year's pace in April. Single-family construction in the Twin Cities picked up as well, according to the latest permit numbers by the Keystone Report. There were 750 permits pulled for new single-family homes for the month, a 12% increase over April of last year. Permits were pulled for 2,859 multifamily units, more than a 1,000% increase from last April.



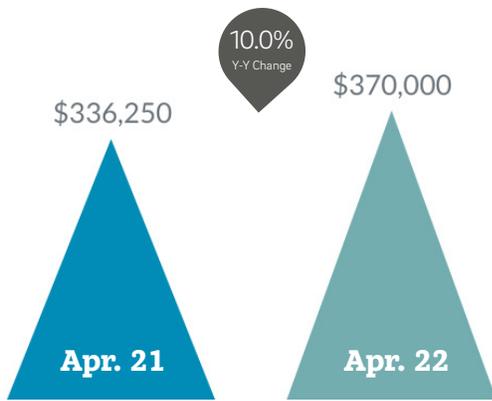
13.4%  
Y-Y Change

**Units YTD:**  
**7,246**

**Multifamily**  
**80%**  
of Twin Cities Housing  
Units Authorized

## Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



10.0%  
Y-Y Change

## Twin Cities Median Home Price

SOURCE: MPLS REALTORS

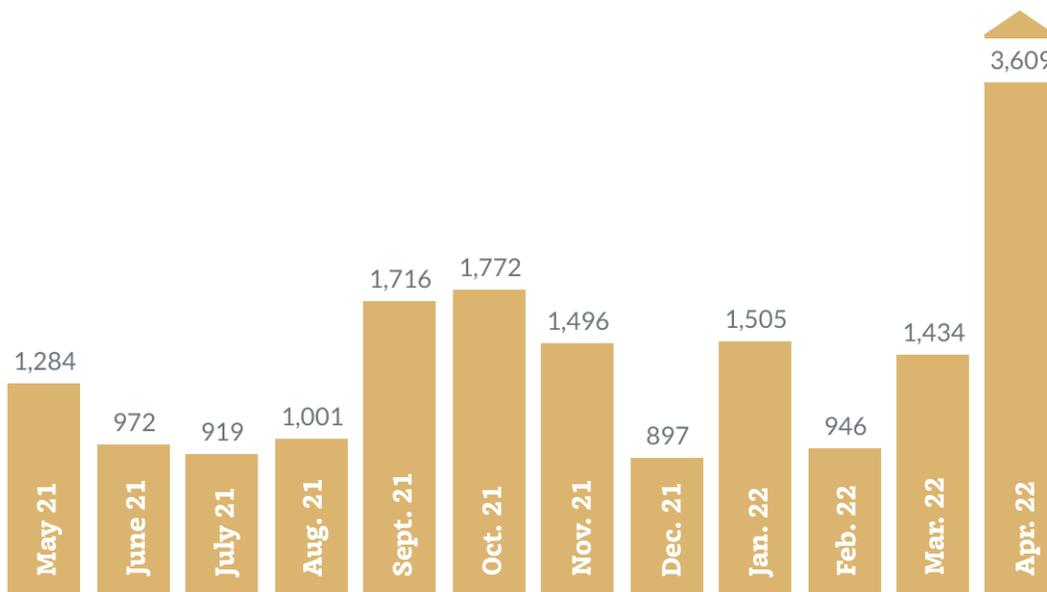


-9.2%  
Monthly change

## Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ Apr. 2022 (47.58%) ■ Apr. 2021 (52.42%)



## Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

# Employment

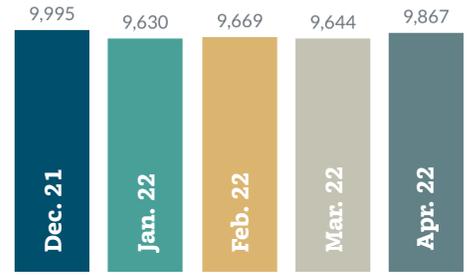
Minnesota's unemployment dropped on a non-seasonally adjusted basis to 1.6% in April, according to the Minnesota Department of Employment and Economic Development. This is compared to the March rate of 2.8%.

The national unemployment rate also ticked down from 3.8% in March to 3.3% in April. Construction employment in Minnesota recorded a 4% decrease, or 4,988 jobs, since April 2021.



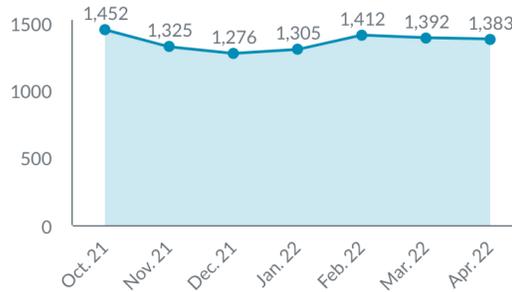
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



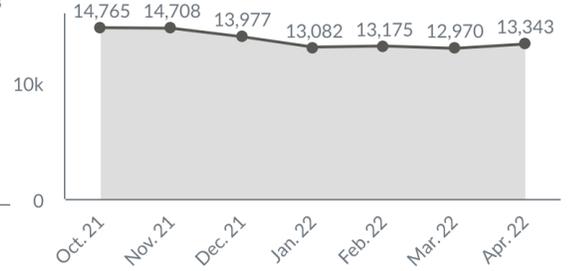
**Twin Cities Construction Employment**

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

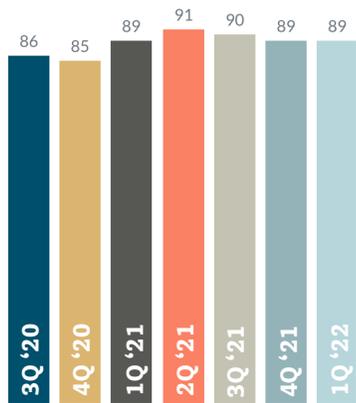
# Regional/National Statistics

Sales of existing homes decreased 2.4% in April over the previous month, according to the National Association of REALTORS®. This is the third straight month of decreases in the existing home market.

Regionally, sales rose 1.5% month to month in the Northeast and increased 3.1% in the Midwest. In the South, sales dropped 4.6% over the previous month and in the West sales decreased 5.8% month-over-month.

## Remodeling Market Indices

SOURCE: NAHB



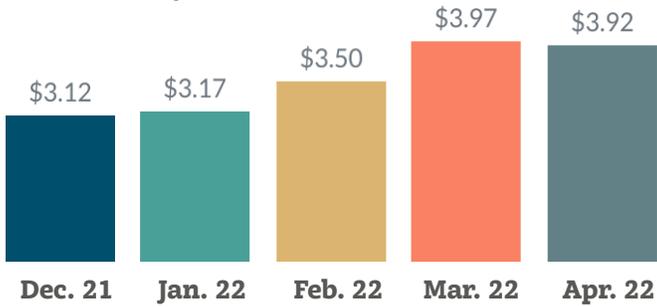
**Current**

**Futures**

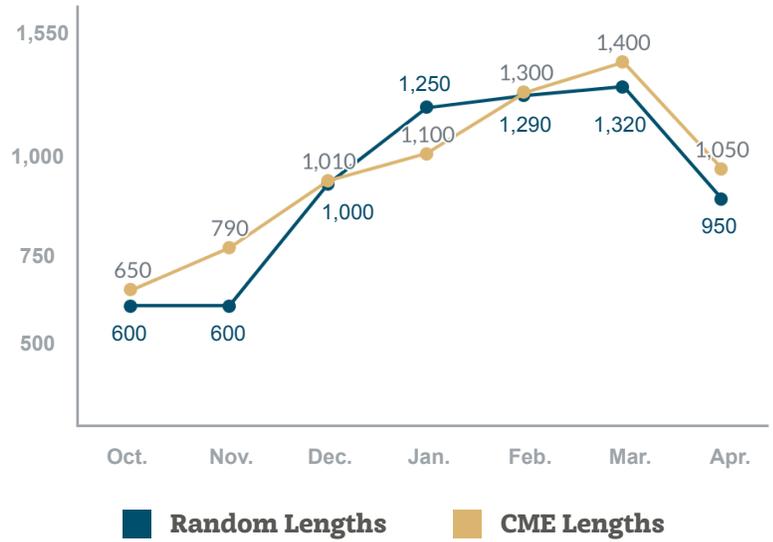
# Key Indicators

Increased interest rates are already having a noticeable impact on the sale of new homes. According to the National Association of Home Builders (NAHB), new home sales decreased dramatically in April. The sale of new homes was down 16.6% from March. Additionally, the median sales price of a new home increased to \$450,000 as supply chain headaches persist.

"The April drop for new home sales is a clear recession warning," said NAHB Chief Economist Robert Dietz. "The median price of a newly built single-family home increased 19.7% year-over-year. The combination of higher prices and increased interest rates is generating a notable slowing of the housing market."



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



**Framing Lumber**  
SOURCE: NAHB

# Mortgage Rates

FROM MAY 27, 2022  
SOURCE: ASSOCIATED BANK

30 Year	5.125%
30 Year Fixed FHA	4.875%
15 Year	4.875%
5 Year ARM	3.75%
30 Year Jumbo	4.75%

# GROUND-UP CONSTRUCTION WITH GROUNDED RATES.

With a fixed-rate construction loan, your mortgage payment is guaranteed—even before you break ground. That means you can enjoy your new home without worrying about a higher-than-expected monthly payment or rising interest rates.

**To lock in a low fixed rate on a construction loan, contact an Associated Bank lender today.**

<b>Michael Fannon</b> 651-554-8719 Bloomington NMLS: 524057	<b>Randy Hoeschen</b> 952-591-2897 St. Louis Park NMLS: 524058	<b>Stuart Mansk</b> 651-306-1874 Savage NMLS: 553805	<b>Jason Stoll</b> 715-377-4132 Hudson NMLS: 524092	<b>Jason Swenson</b> 715-377-3535 Hudson NMLS: 523818
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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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