



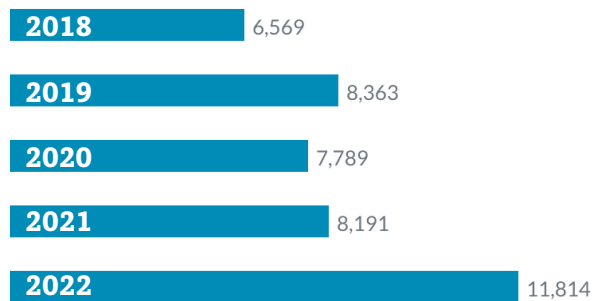
August 2022  
Volume X, Issue: 8



"The desire for homeownership remains strong, but higher interest rates are pushing many buyers to press pause. A silver lining is that after two years of a frenzied housing market, supply chain problems are improving, timelines for building are shrinking and buyers now have more opportunities in this changing market."

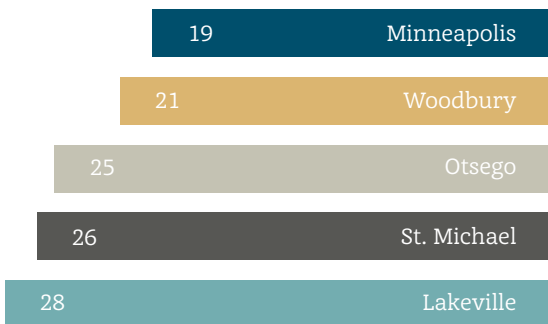
James Julkowski, board chair of Housing First Minnesota

## Twin Cities Building Activity



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

SOURCE: KEYSTONE REPORT



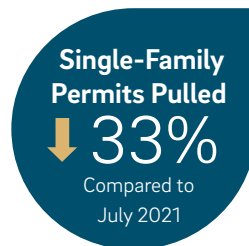
### July Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

## Twin Cities Single-Family Homebuilding Slows as Rates and Affordability Impact the Market

Permits for new single-family homes in the Twin Cities metro continue to slow as homebuilders see more buyers impacted by higher interest rates and affordability. At the same time, multifamily construction has surged ahead in the metro area, now making up nearly 70% of permitted housing units year-to-date. For the month, homebuilders pulled 383 permits for new single-family homes, a 33% drop from last July. Construction firms pulled permits for 987 multifamily units, a 50% increase from July 2022.



"The desire for homeownership remains strong, but higher interest rates are pushing many buyers to press pause," said James Julkowski, the 2022 board chair of Housing First Minnesota. "A silver lining is that after two years of a frenzied housing market, supply chain problems are improving, timelines for building are shrinking and buyers now have more opportunities in this changing market."

According to data compiled by the Keystone Report for Housing First Minnesota, there were 425 permits issued for a total of 1,370 units during four comparable weeks in the month of July.

"As the pace of homebuilding slows, we are growing more concerned about adding to the current shortage of homes in our market," said James Vagle, the CEO of Housing First Minnesota.

"It's more important than ever that we take a look at the regulatory challenges and outdated zoning restrictions that are driving up the cost of housing, so homebuilders can get back to producing more starter homes for Minnesota families."

For the month in permits, Lakeville took the top spot with 28 permits issued. St. Michael came in next with 26 permits, followed by Otsego with 25 permits. Woodbury with 21 permits and Minneapolis with 19 permits issued rounded out the top five.

For the month in units, Edina took the top spot with 412 permitted units. Bloomington came in next with 405 permitted units, followed by Minneapolis with 252 units. Cottage Grove with 242 units and Maple Grove with 215 permitted units rounded out the top five.

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

## Buyers Grapple With Affordability Challenges Amidst Rising Rates and Home Prices

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, buyers in the Twin Cities have struggled to keep pace with the highs of 2021. Pending sales were down 23.3% in July compared to last year as buyers signed 4,807 purchase agreements. Buyers have been hampered by increased mortgage rates, still-low inventory, strong home prices and some economic uncertainty.

Buyer activity has been softening for 11 of the last 12 months as most acknowledge the frenzied demand of 2020 and 2021 couldn't last. July's pending sales volume was 12.8% lower than July of 2019.

"Many Twin Citizens eager to take advantage of historically low rates and purchase a home leapt at the chance," said Denise Mazone, president of Minneapolis Area REALTORS®. "Combined with

rising rates, that's left a hole in our buyer pool this year, but there is still plenty of pent-up demand for homes. Plus there's evidence rates are easing somewhat."

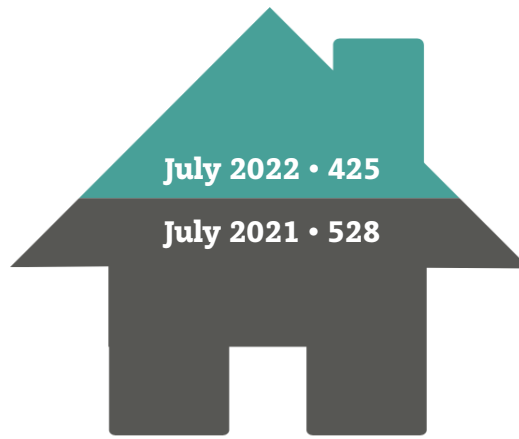
There has not been an influx of supply onto the market. Home sellers listed 6,845 homes last month, down 17.0% from last July.

Homes in the metro sold for a median of \$375,000 last month,

7.1% more than last July. That was the slowest growth rate in two years and amounts to \$205 per square foot. The recent downshift in buyer activity has offered a small reprieve for persistent buyers thirsty for inventory and less competition. The metro ended July with 8,694 homes for sale, 4.5% more than last July.

# July 2022 Metro Building Activity

Permits for new single-family homes in the Twin Cities metro continue to slow as homebuilders see more buyers impacted by higher interest rates and affordability. At the same time, multifamily construction has surged ahead in the metro area, now making up nearly 70% of permitted housing units year-to-date. For the month, homebuilders pulled 383 permits for new single-family homes, a 33% drop from last July. Construction firms pulled permits for 987 multifamily units, a 50% increase from July 2022.



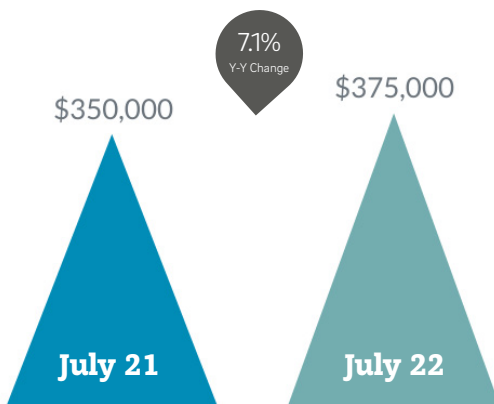
-19.5%  
Y-Y Change

**Units YTD:**  
**11,814**

**Multifamily**  
**72%**  
of Twin Cities Housing  
Units Authorized

## Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



7.1%  
Y-Y Change

## Twin Cities Median Home Price

SOURCE: MPLS REALTORS

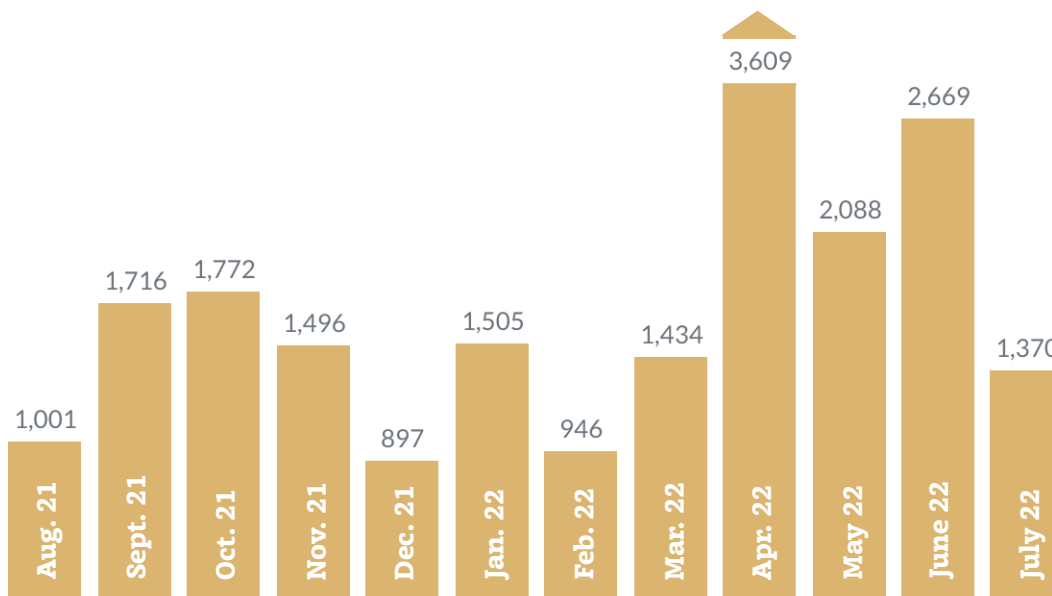


9.8%  
Monthly  
change

— 8,694  
— 8,317

## Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



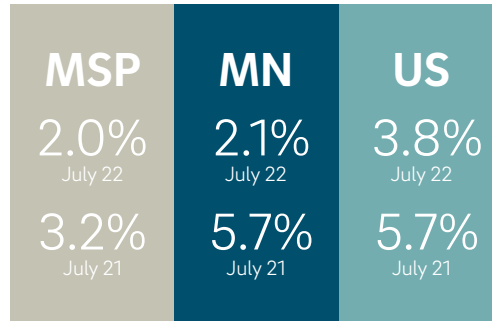
## Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

# Employment

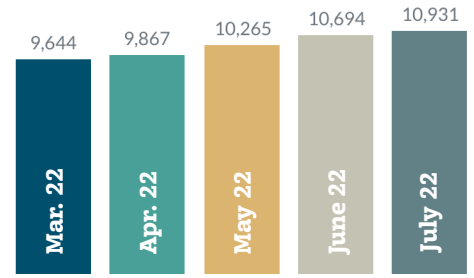
Minnesota's non-seasonally adjusted unemployment rate declined slightly to 2.1% in July, according to the Minnesota Department of Employment and Economic Development.

The national unemployment rate remained unchanged in June month-over-month at 3.8%. Construction employment in Minnesota remained flat since July 2021.



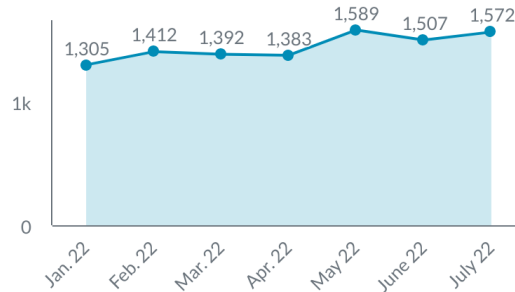
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



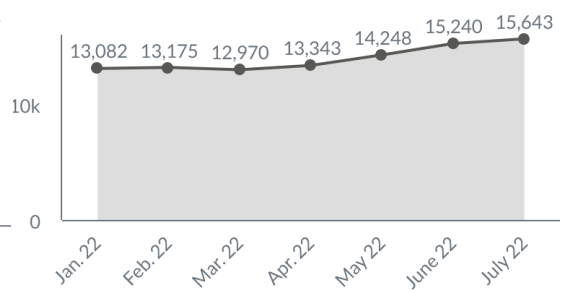
**Twin Cities Construction Employment**

SOURCE: DEED-MN



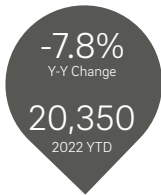
**Twin Cities Construction Weekly Wages**

SOURCE: DEED-MN



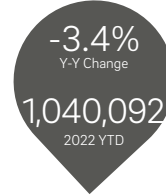
**MN Construction Employment**

SOURCE: DEED-MN



**MN Housing Units Authorized**

SOURCE: US CENSUS



**US Housing Units Authorized**

SOURCE: US CENSUS

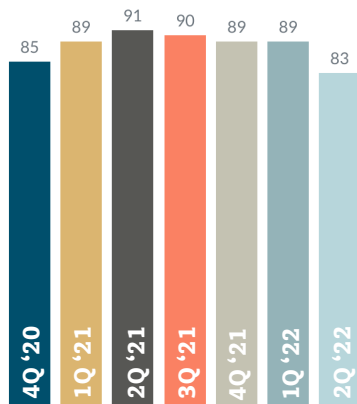
# Regional/National Statistics

Sales of existing homes decreased 5.9% over the previous month in June, according to the National Association of REALTORS®. This is the sixth straight month of decreases in the existing home market.

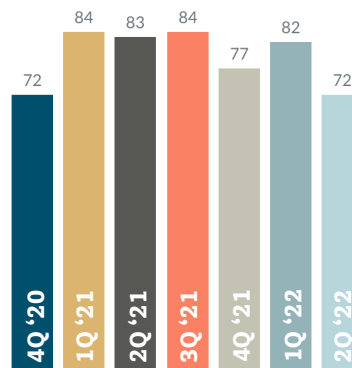
Regionally, sales dipped 7.5% month to month in the Northeast and decreased 3.3% in the Midwest. In the South, sales dropped 5.3% over the previous month and in the West sales fell 9.4% month-over-month.

## Remodeling Market Indices

SOURCE: NAHB



**Current**

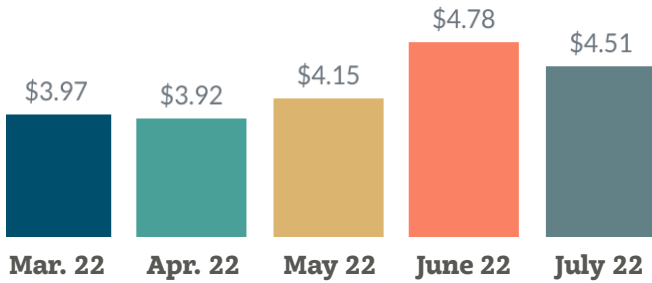


**Futures**

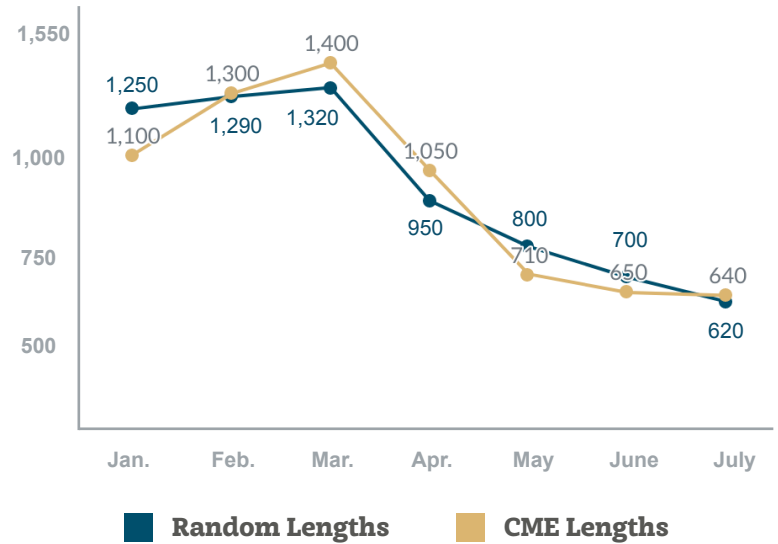
# Key Indicators

Market headwinds are taking their toll on builder sentiment. Factors like increasing mortgage rates, labor shortages, and continued material challenges are proving to be roadblocks to home construction this summer and homebuilders are feeling the effects.

The National Association of Home Builders' (NAHB) monthly confidence index in July reported a nearly record-level drop in sentiment. The index plunged 12 points to an interval level of 55, the lowest reading since May 2020. This is also the second largest decline recorded since in the index's history and the seventh straight month of declines.



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



**Framing Lumber**  
SOURCE: NAHB

## Mortgage Rates

FROM AUGUST 26, 2022  
SOURCE: ASSOCIATED BANK



# 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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