



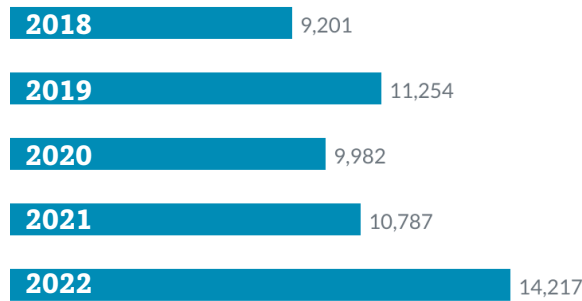
October 2022
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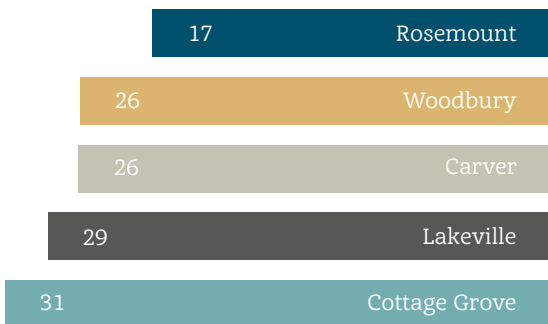
James Julkowski, board chair of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date September 2018-2022

SOURCE: KEYSTONE REPORT



September Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

Twin Cities Permits for New Homes Continue to Fall in September

Homebuilders in the Twin Cities metro continued to see a scale back in construction activity in September. For the month, homebuilders pulled 410 permits for new single-family homes, a 27% drop from last September. Multifamily construction picked up in September, with permits pulled for 1,221 units, an increase of 6% from this time last year.

“The traffic on the Fall Parade of Homes has been strong, a sign that there are many homebuyers hoping

to make the move to a brand-new home,” said James Julkowski, the 2022 board chair of Housing First Minnesota. “Unfortunately, rising interest rates have drastically impacted what buyers can afford and many have been forced to put their homebuying dreams on hold.”

According to data compiled by the Keystone Report for Housing First Minnesota, there were 438 permits issued for a total of 1,631 units during four comparable weeks in the month of September.

“There are opportunities in this changing market for a segment of buyers who may have equity and cash, but first-time homebuyers and even many move-up buyers are feeling the impacts of higher interest rates

and high home prices,” said James Vagle, CEO of Housing First Minnesota. “Now more than ever we need to lift the roadblocks that limit the construction of new starter homes here in Minnesota.”

For the month in permits, Cottage Grove took the top spot with 31 permits issued. Lakeville came in next with 29 permits, followed by Carver and Woodbury both with 26 permits. Rosemount with 17 permits rounded out the top five.

For the month in units, Minnetonka took the top spot with 285 permitted units. Eden Prairie came in next with 241 permitted units, followed by St. Louis Park with 234 units. Minneapolis with 165 units and Edina with 124 permitted units rounded out the top five.



LOVE INDUSTRY DATA & NEWS?

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

Rates Push Sales Down Further as Home Prices Continue to Grow

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, pending sales were down by over a quarter in September compared to last year. Sellers also accepted a smaller share of their asking price as their listings took longer to sell. Despite this, the homes that are selling are transacting at higher price points than last year.

Higher mortgage rates and historically strong demand in 2021 have pushed

closed home sales down by double digits for four straight months. Last month had 3,969 signed purchase agreements, 29.6% short of 2021 levels and the lowest September figure since 2014. As the hyper-demand from the buying frenzy of the past two years wanes, those who remain in the market have regained some leverage.

“Our buyers can pause and breathe a bit—they no longer feel compelled to skip inspection or go way over list price,” according to Denise Mazone, president

of Minneapolis Area REALTORS. “But some sellers think they’re in the same position they were in a year ago, while some buyers think they’re going to get deals like it’s 2010. As usual, the truth is somewhere in the middle.”

Seller activity was down as many sellers remain apprehensive about also becoming buyers. Softening demand has meant homes linger on the market a bit longer—31 days on average or 34.8% longer than last September. Fewer homeowners are willing to relinquish

their interest rates and list their homes.

The median home price in the Twin Cities increased by 6.3% to \$362,000. While still up, the growth is down from double-digit price gains seen in 2020 and 2021 and is the second smallest increase in two years. Although the rate of price growth is slowing, prices remain firm and resilient in the face of declining buyer activity. Housing supply levels remain tight, despite the recent market shifts.

September 2022 Metro Building Activity

Homebuilders in the Twin Cities metro continued to see a scale back in construction activity in September. For the month, homebuilders pulled 410 permits for new single-family homes, a 27% drop from last September. Multifamily construction picked up in September, with permits pulled for 1,221 units, an increase of 6% from this time last year.



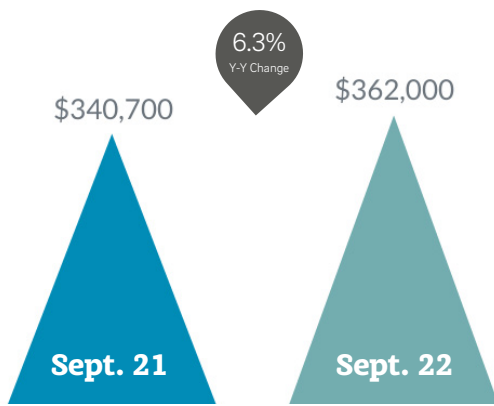
-28.1%
Y-Y Change

Units YTD:
14,217

Multifamily
74%
of Twin Cities Housing
Units Authorized

Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



6.3%
Y-Y Change

Twin Cities Median Home Price

SOURCE: MPLS REALTORS

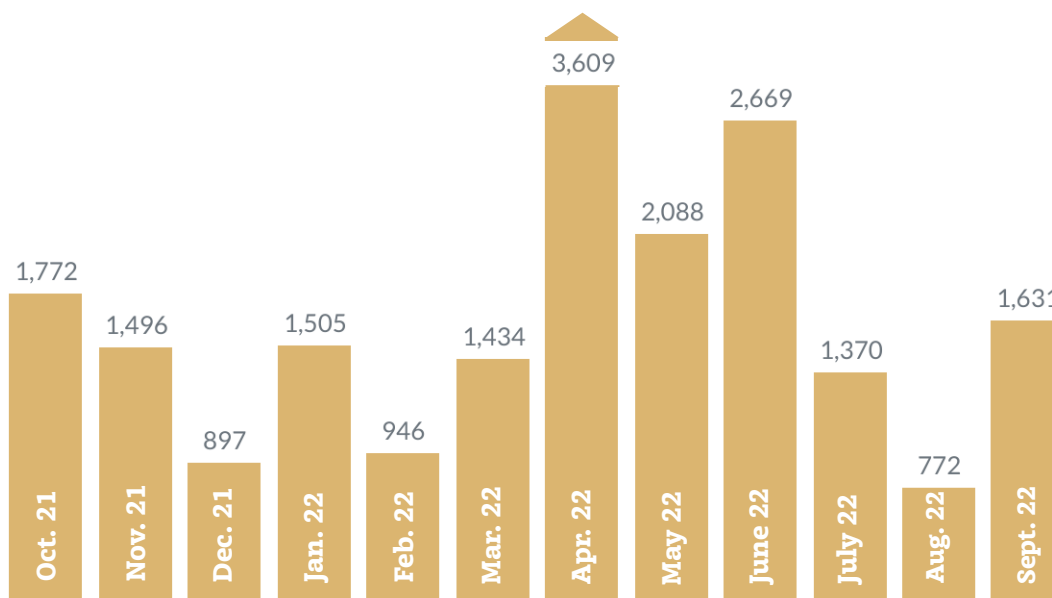


1.3%
Monthly
change

Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ Sept. 2022 (50.01%) ■ Sept. 2021 (49.99%)



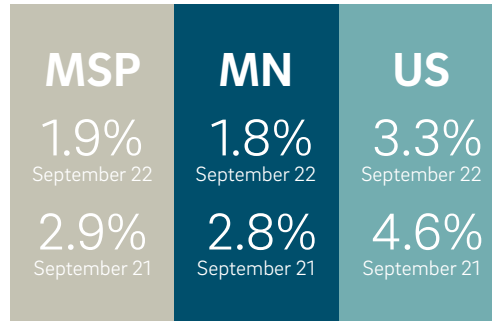
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

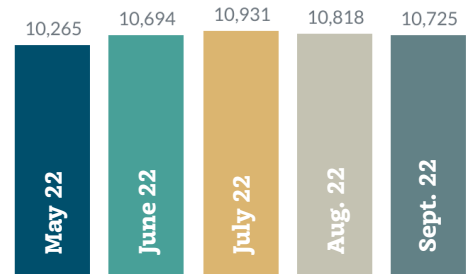
Minnesota's non-seasonally adjusted unemployment rate declined month-over-month in September to 1.8%, according to the Minnesota Department of Employment and Economic Development. This is compared to the August rate of 2.1%.

The national unemployment rate also dropped in September to 3.3%. Construction employment in Minnesota recorded a 1% increase since September 2021.



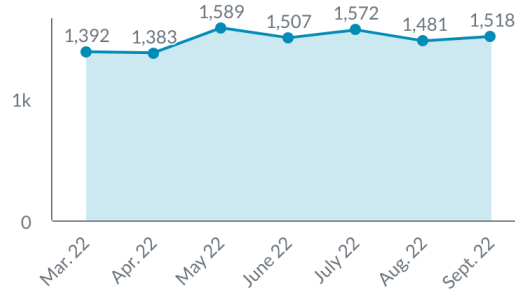
Unemployment Rate Snapshot

SOURCE: DEED-MN



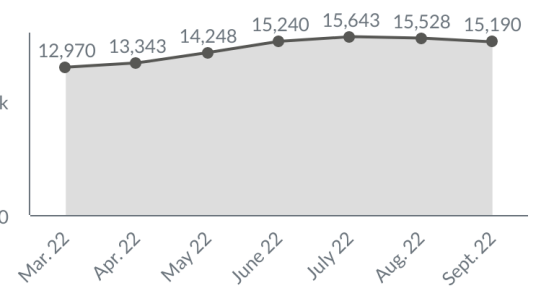
Twin Cities Construction Employment

SOURCE: DEED-MN



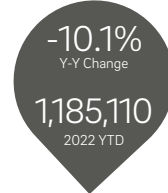
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

SOURCE: US CENSUS

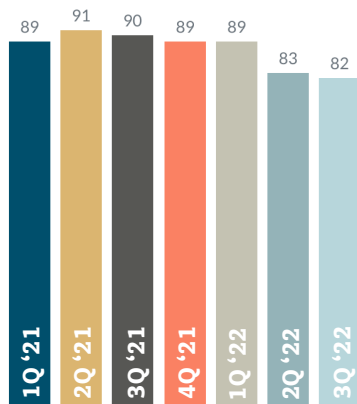
Regional/National Statistics

Sales of existing homes decreased 1.5% over the previous month in September, according to the National Association of REALTORS®. This is the eighth consecutive month of decreases in the existing home market.

Regionally, sales fell 1.6% month-to-month in the Northeast and decreased 1.7% in the Midwest. In the South, sales dropped 1.9% over the previous month and in the West sales were flat month-over-month.

Remodeling Market Indices

SOURCE: NAHB



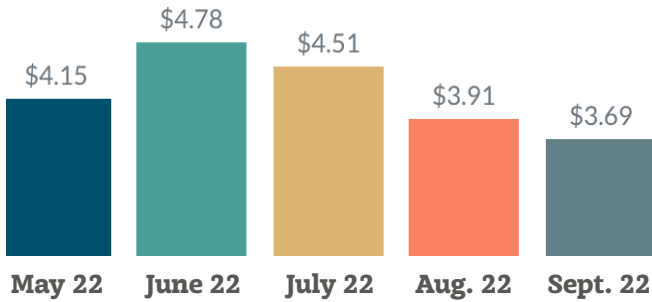
Current

Futures

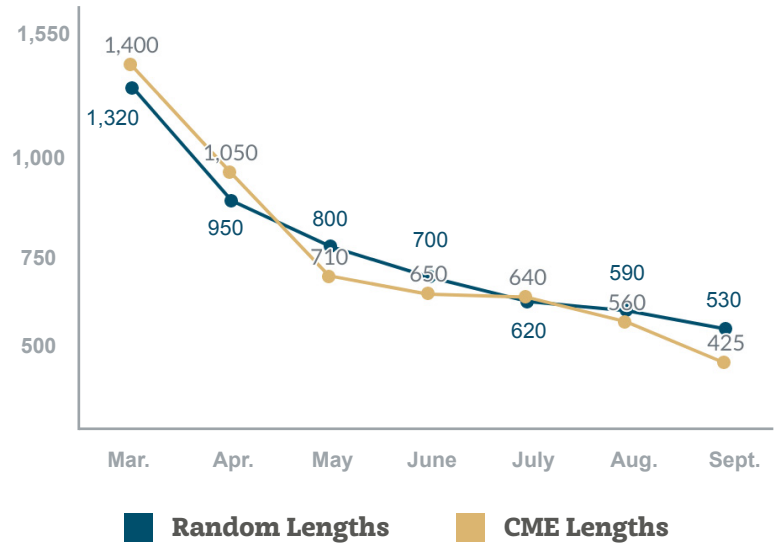
Key Indicators

Builder confidence fell for the 10th straight month as interest rates, increased home prices, and economic uncertainty continue to sideline potential homebuyers. According to the National Association of Home Builders Housing Market Index (HMI), builder sentiment tumbled to 38 in October.

The HMI measures builder perceptions of current conditions and future expectations. Any reading over 50 is considered to be of positive sentiment.



MN Monthly Retail Gasoline Prices
SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber
SOURCE: NAHB

Mortgage Rates

FROM OCTOBER 28, 2022
SOURCE: ASSOCIATED BANK

30 Year	7.375%
30 Year Fixed FHA	6.875%
15 Year	6.625%
5 Year ARM	5.50%
30 Year Jumbo	6.50%

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.

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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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