



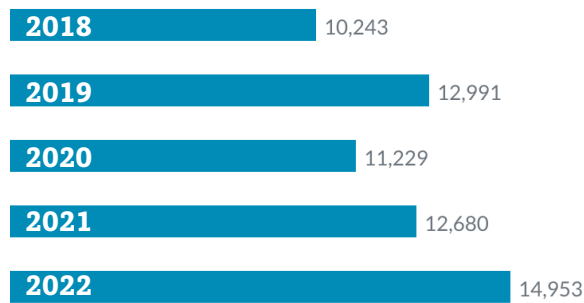
November 2022
Volume X, Issue 11



"Homebuyers are pressing pause on their purchasing decisions as they reevaluate what they can afford with today's interest rates. While the market shifts and many are forced to sit on the sidelines, there are opportunities out there for buyers that we have not seen in recent years."

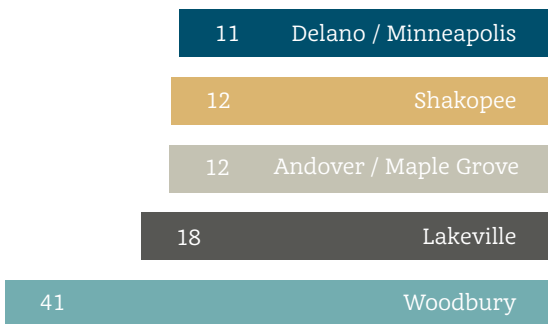
James Julkowski, board chair of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date October 2018-2022

SOURCE: KEYSTONE REPORT



October Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

Homebuilding Activity Continues to Slump as Twin Cities Homebuyers Struggle with Affordability and Interest Rates

Rising interest rates continue to have a major impact on homebuilding in the Twin Cities. For the month of October, homebuilders pulled permits for 276 new single-family homes, a 54% drop from last year. Multifamily construction also slumped in October, with permits pulled for 460 units, a 60% drop from October of last year.

"Homebuyers are pressing pause on their purchasing decisions as they reevaluate what they can afford with

today's interest rates," said James Julkowski, the 2022 board chair of Housing First Minnesota. "While the market shifts and many are forced to sit on the sidelines, there are opportunities out there for buyers that we have not seen in recent years."

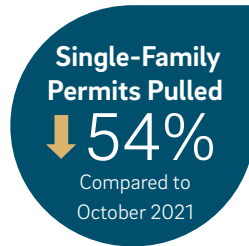
According to data compiled by the Keystone Report for Housing First Minnesota, there were 315 permits issued for a total of 736 units during four comparable weeks in the month of October.

"Low interest rates have long been protecting homebuyers from the affordability issues in our housing market," said James Vagle, the CEO of Housing First Minnesota. "Now more than ever we need to lift the roadblocks to constructing

affordably priced homes in Minnesota or our shortage of housing will continue to grow."

For the month in permits, Woodbury took the top spot with 41 permits issued. Lakeville came in next with 18 permits, followed by Andover and Maple Grove both with 12 permits. Shakopee, Minneapolis, and Delano each with 11 permits rounded out the top cities.

For the month in units, St. Louis Park took the top spot with 223 permitted units. Woodbury came in next with 116 permitted units, followed by New Richmond with 51 units. Minneapolis with 41 units and Lakeville with 21 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®]

Higher Rates Continue to Cool Sales While Prices Continue Their Ascent

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, pending sales were down by over a third in October compared to last year. The decline in buyer activity is largely a response to increased mortgage interest rates and many completing purchases in the last couple of years. Meanwhile, home prices continue their ascent.

Several rate hikes by the Federal Reserve have had their desired effect: to slow borrowing activity and slow the demand

for capital. This has significantly cooled home sales activity across the nation, including in the Twin Cities. In October, buyers saw their mortgage interest rates increase to 7.1%, a 20-year record. Facing higher monthly payments (about 35.0% higher), buyers were reluctant to sign contracts. Pending sales fell 37.7% to 3,611 purchase agreements and 4,035 transactions closed, down 33.5%.

"We quickly forget how the last two years were extraordinary and historic years for housing. There will always be a lull after

that. But these rates are exacerbating this," according to Denise Mazone, president of Minneapolis Area REALTORS®. "The reality is that this is a more typical market but doesn't feel that way compared to the last few years. Sellers getting 104.0% of their list price in 4 hours with 40 offers is neither normal nor sustainable."

Seller activity was also down as many hesitated to become buyers and trade in their favorable rates for higher payments. Softer demand has meant homes spend more time on the market—36 days on

average or nine days longer than last October but one day longer than in 2020. Sellers listed 5,019 properties on the market, 19.7% fewer than this time in 2021.

October ended with 8,756 homes for sale, 5.1% more than last year. Weaker buyer activity has shifted our industry back toward a more balanced marketplace (4-6 months of supply), but buyers should understand we are still in a seller's market. The month's supply of inventory rose 26.7% to 1.9 months.

October 2022 Metro Building Activity

Rising interest rates continue to have a major impact on homebuilding in the Twin Cities. For the month of October, homebuilders pulled permits for 276 new single-family homes, a 54% drop from last year. Multifamily construction also slumped in October, with permits pulled for 460 units, a 60% drop from October of last year.



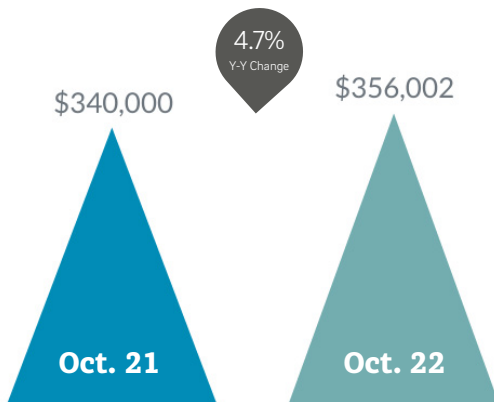
-51.2%
Y-Y Change

Units YTD:
14,953

Multifamily
62%
of Twin Cities Housing
Units Authorized

Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



4.7%
Y-Y Change

Twin Cities Median Home Price

SOURCE: MPLS REALTORS

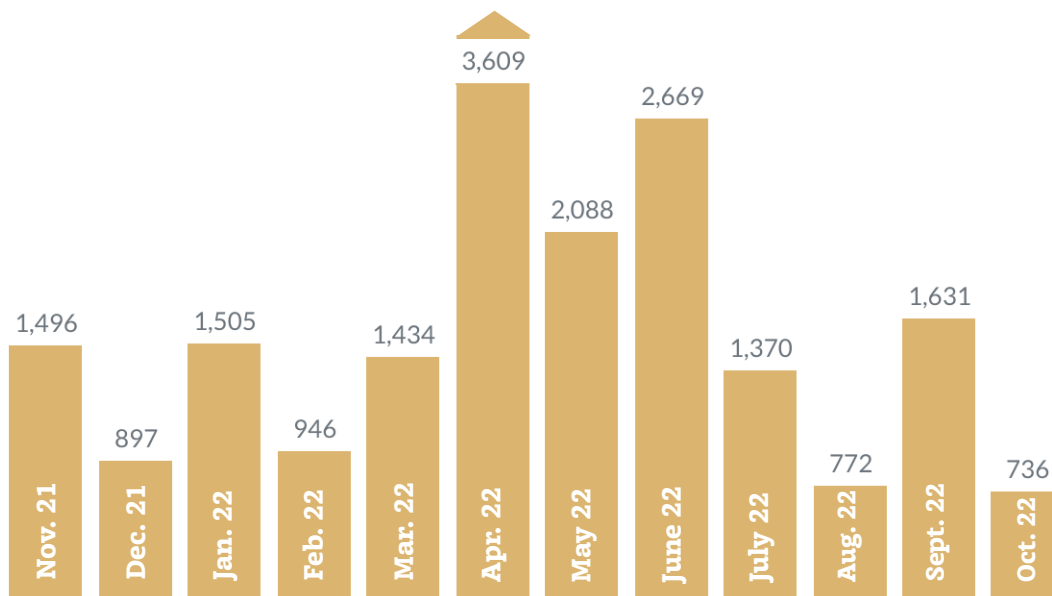


5.1%
Monthly
change

Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ Oct. 2022 (51.25%) ■ Oct. 2021 (48.75%)



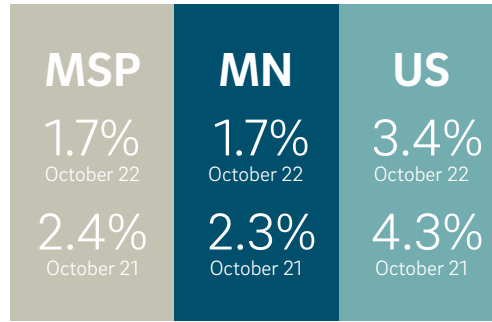
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

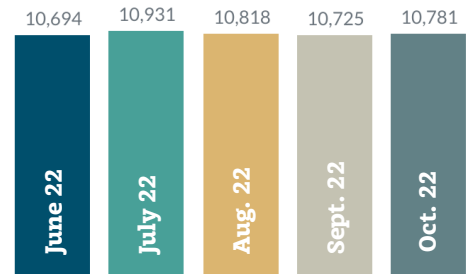
Minnesota's non-seasonally adjusted unemployment rate declined month-over-month in October to 1.7%, according to the Minnesota Department of Employment and Economic Development. This is compared to the September rate of 1.8%.

The national unemployment rate, however, increased slightly in October to 3.4%. Construction employment in Minnesota recorded a 2.1% increase since October 2021.



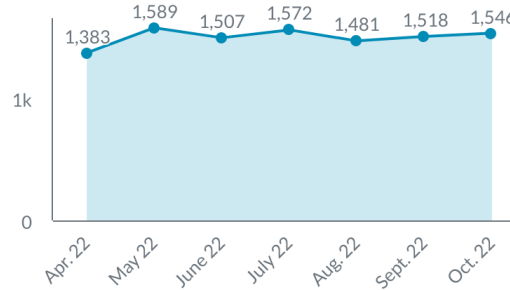
Unemployment Rate Snapshot

SOURCE: DEED-MN



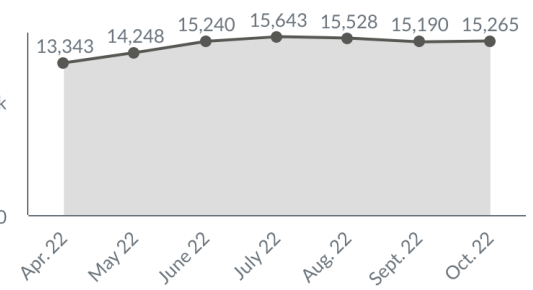
Twin Cities Construction Employment

SOURCE: DEED-MN



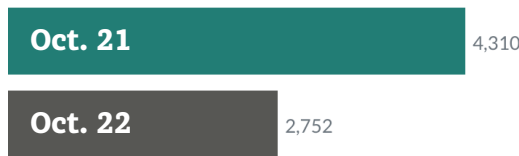
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



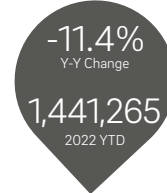
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

SOURCE: US CENSUS

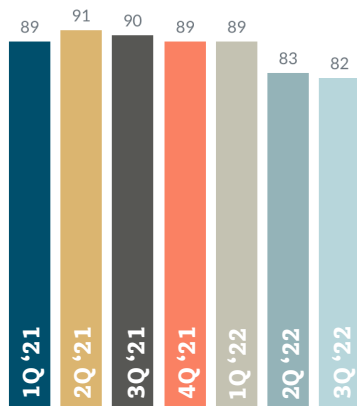
Regional/National Statistics

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

Regionally, sales fell 6.6% month-to-month in the Northeast and decreased 5.3% in the Midwest. In the South, sales dropped 4.8% over the previous month and in the West retreated 9.1%.

Remodeling Market Indices

SOURCE: NAHB



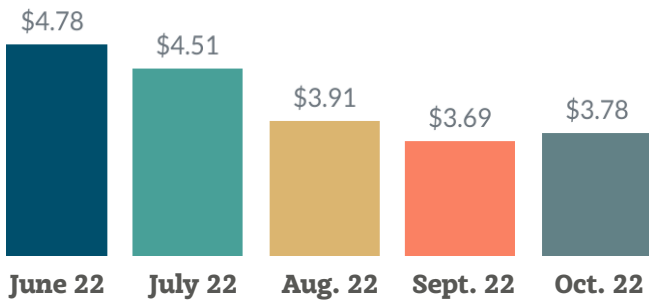
Current

Futures

Key Indicators

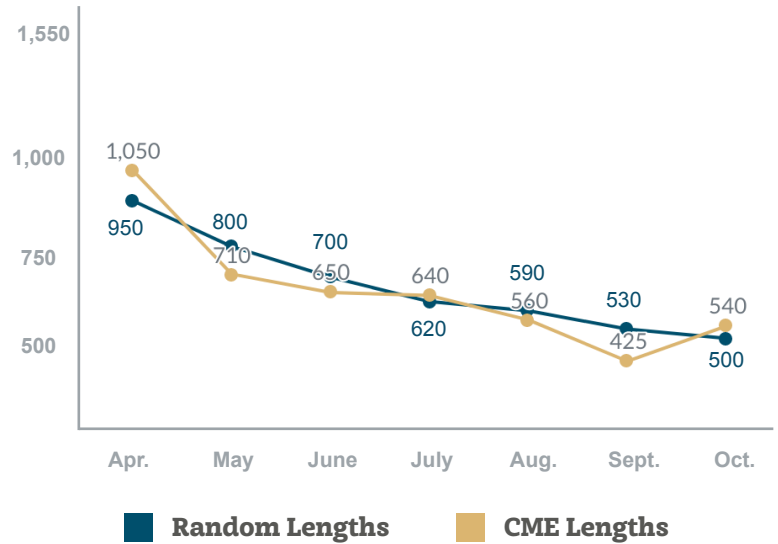
Nationally, existing-home sales fell once again in October, marking the ninth straight month of drops in the market. Additionally, the median existing-home price nationwide increased 6.6% since October 2021.

"More potential homebuyers were squeezed out from qualifying for a mortgage in October as mortgage rates climbed higher," said NAR's chief economist, Lawrence Yun. "The impact is greater in expensive areas of the country and in markets that witnessed significant home price gains in recent years."



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM NOVEMBER 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 2022.

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