



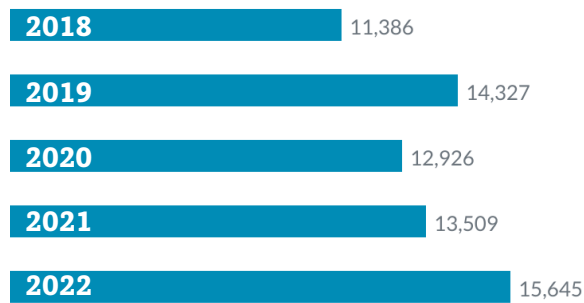
December 2022  
Volume X, Issue: 12



"Homebuyers are still reeling from the sharp increase in mortgage rates earlier this year. First-time homebuyers, and even move-up homebuyers, have been pushed to the sidelines of our housing market slowing down construction of new homes."

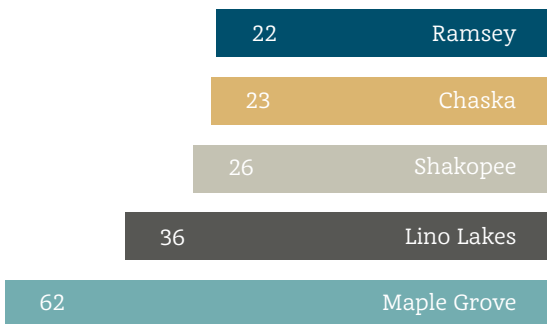
James Julkowski, board chair of Housing First Minnesota

## Twin Cities Building Activity



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

SOURCE: KEYSTONE REPORT



### November Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

## Homebuilding Cooldown Continues in November

Uncertain economic conditions and interest rates continue to have a chilling impact on homebuilding activity. For the month of November, homebuilders pulled permits for 389 new single-family homes, a 37% drop from last year. Multifamily construction activity also fell in November, with permits pulled for 303 units, a 65% drop from November of last year.

"Homebuyers are still reeling from the sharp increase in mortgage rates earlier this year,"



said James Julkowski, the 2022 board chair of Housing First Minnesota. "First-time homebuyers, and even move-up homebuyers, have been pushed to the sidelines of our housing market slowing down construction of new homes."

According to data compiled by the Keystone Report for Housing First Minnesota, there were 399 permits issued for a total of 692 units during four comparable weeks in the month of November.

"As homebuilding activity slows, our concern grows for the impact it will have on our overall housing shortage in our region," said James Vagle, the CEO of Housing First Minnesota. "Our region

needs more housing at all price points or homeownership will be further pushed out of reach for many Minnesotans."

For the month in permits, Maple Grove took the top spot with 62 permits issued. Lino Lakes came in next with 36 permits, followed by Shakopee with 26 permits. Chaska with 23 permits and Ramsey with 22 permits issued rounded out the top five.

For the month in units, Minneapolis took the top spot with 274 permitted units. Maple Grove came in next with 62 permitted units, followed by Lakeville with 37 units. Lino Lakes with 36 units and Shakopee with 26 permitted units rounded out the top five.

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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®, the metro saw its largest drop in year-over-year home sales this November, largely due to increased mortgage interest rates combined with unprecedented buyer activity in the fourth quarter of 2021.

Real estate activity has cooled across the United States after a series of significant rate hikes by the Federal Reserve designed to slow borrowing in an effort to combat rising inflation. For residential

real estate, that's meant higher mortgage rates and monthly payments, which can push homeownership further out of reach for some buyers. Last month, buyers signed 2,841 purchase agreements, a staggering 40.5% fewer than last year and the lowest November figure in over a decade. Only 3,430 transactions closed, down 38.8%, which meant sellers had to be more flexible.

"Sellers are hesitant to put their home on the market because their payments would be very different," according to

Denise Mazone, president of Minneapolis Area REALTORS®. "In most cases, sellers are also then buyers, and many have chosen to stay put for now until things settle down, instead of trading up to a higher payment on a more expensive home."

The median home price in the Twin Cities increased by 4.1% to \$354,000. Compared to a couple months with 10.0% year-over-year price growth in 2022, this moderate increase is more aligned with the historic average in

the Twin Cities. While price growth is slowing, the overall direction of home prices has been positive throughout the year.

The softening in buyer activity meant 12.6% more homes remained on the market at month-end, closing out November with 7,629 units in inventory. Yet more supply is still needed. The metro only has 1.7 month's supply of inventory. Typically, 4-6 months of supply are needed to reach a balanced market.

# November 2022 Metro Building Activity

Uncertain economic conditions and interest rates continue to have a chilling impact on homebuilding activity. For the month of November, homebuilders pulled permits for 389 new single-family homes, a 37% drop from last year. Multifamily construction activity also fell in November, with permits pulled for 303 units, a 65% drop from November of last year.



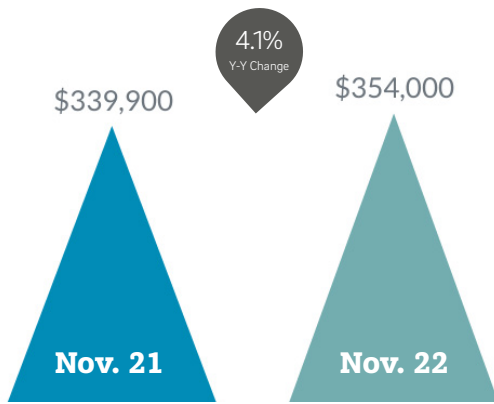
-39.6%  
Y-Y Change

**Units YTD:**  
**15,645**

**Multifamily**  
**43%**  
of Twin Cities Housing  
Units Authorized

## Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



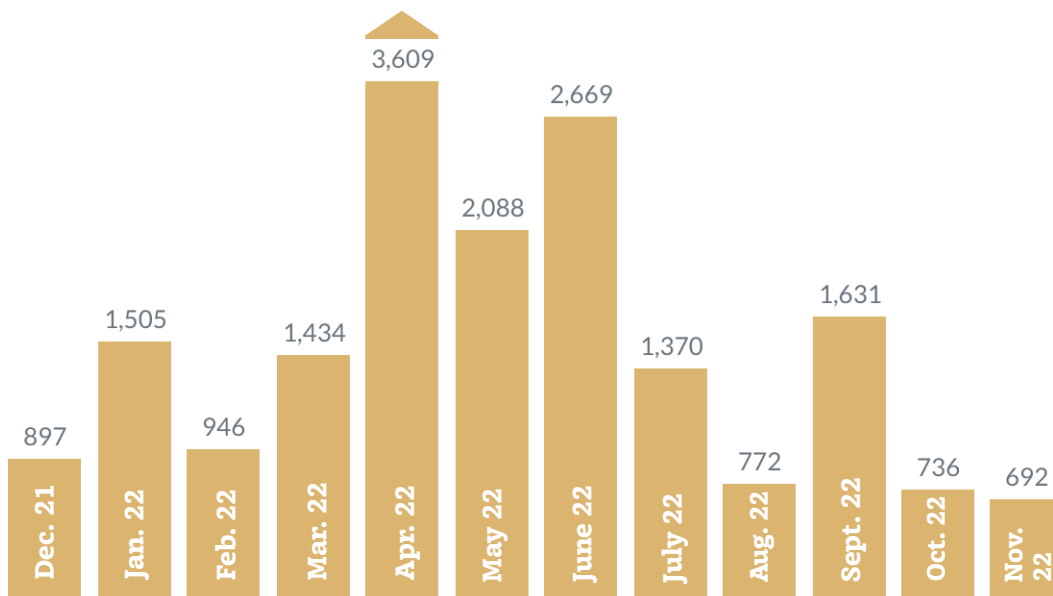
## Twin Cities Median Home Price

SOURCE: MPLS REALTORS



## Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



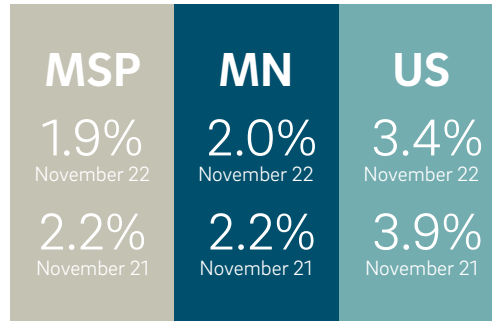
## Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

# Employment

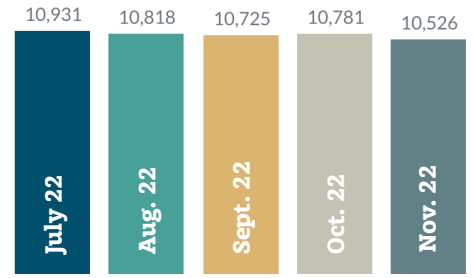
Minnesota's non-seasonally adjusted unemployment rate increased month-over-month in November to 2%, according to the Minnesota Department of Employment and Economic Development. This is compared to the October rate of 1.7%.

The national unemployment rate, however, remained unchanged from October and hovered at 3.4%.



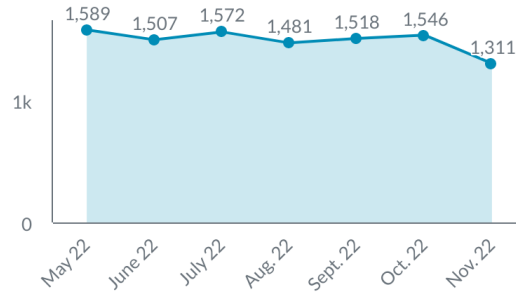
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



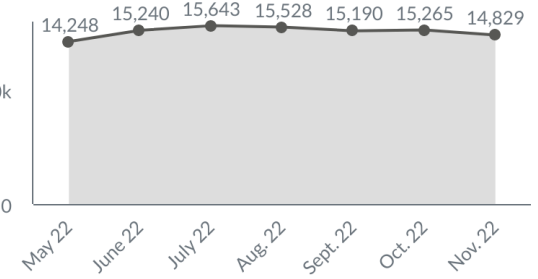
**Twin Cities Construction Employment**

SOURCE: DEED-MN



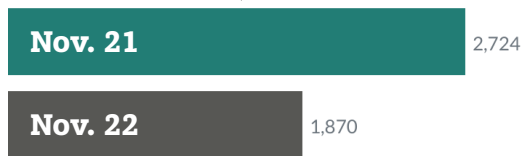
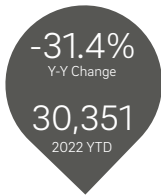
**Twin Cities Construction Weekly Wages**

SOURCE: DEED-MN



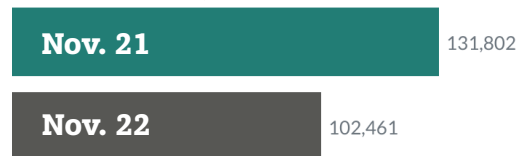
**MN Construction Employment**

SOURCE: DEED-MN



**MN Housing Units Authorized**

SOURCE: US CENSUS



**US Housing Units Authorized**

SOURCE: US CENSUS

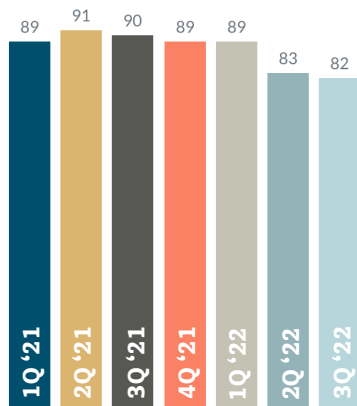
# Regional/National Statistics

Sales of existing homes decreased 7.7% over the previous month in November, according to the National Association of REALTORS®. This is the tenth consecutive month of decreases in the existing home market.

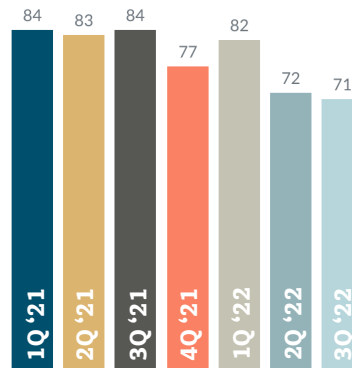
Regionally, sales fell 7% month-to-month in the Northeast and decreased 5.6% in the Midwest. In the South, sales dropped 7.1% over the previous month and in the West retreated 12.5%.

## Remodeling Market Indices

SOURCE: NAHB



**Current**

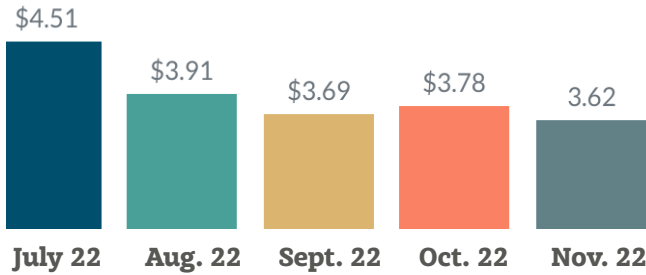


**Futures**

# Key Indicators

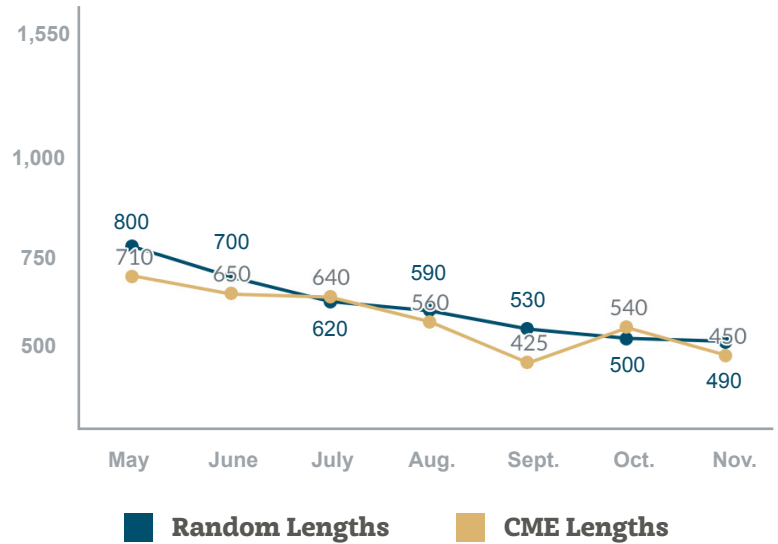
November marked the 11th straight month of declines in builder confidence. According to the National Association of Home Builders/Wells Fargo Housing Market Index, builder sentiment dropped another five points last month to 33. This is lowest reading since June 2012, with the exception of the onset of the COVID-19 pandemic in spring 2020.

This report measures several components of the single-family construction sector and 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 DECEMBER 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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