

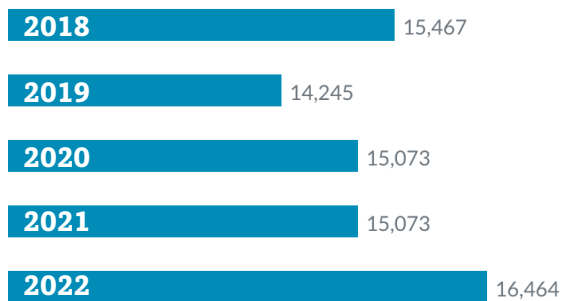


January 2023  
Volume XI, Issue: 1

"The steep jump in interest rates earlier this year sent homebuyers to the sidelines. We're optimistic that as interest rates level out, homebuyers will find opportunities that were not there last year and return to the market."

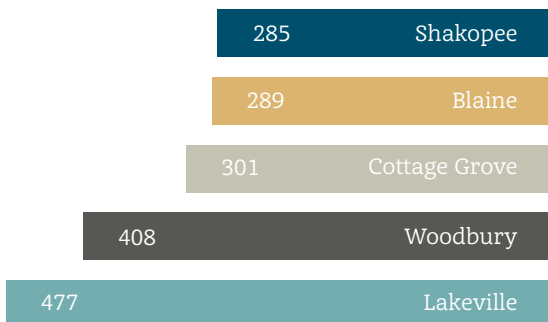
John Quinlivan, board chair of Housing First Minnesota

## Twin Cities Building Activity



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

SOURCE: KEYSTONE REPORT



### 2022 Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

## Building Permits for Single-Family Homes in the Twin Cities Fall Short in 2022

The 2022 Twin Cities housing market saw deep impacts from the rate hikes by the Federal Reserve as they pushed mortgage interest rates to a 20-year high. With a larger share of homebuyers now unable to purchase a new home, permits to build new single-family homes in the Twin Cities stumbled.

According to data compiled by the Keystone Report for Housing First Minnesota, area homebuilders pulled 295 permits for new single-family homes in December, a 53% drop from December of last year. The last time December saw fewer than

300 permits pulled for new single-family homes was in 2012 when there were 198 permits pulled. For the year, there were permits pulled for 5,463 single-family homes, a 26% drop from 2021 and the fewest number of permits pulled for this type of housing since 2016.

"The steep jump in interest rates earlier this year sent homebuyers to the sidelines," said John Quinlivan, 2023 board chair of Housing First Minnesota. "We're optimistic that as interest rates level out, homebuyers will find opportunities that were not there last year and return to the market."

Twin Cities multifamily construction tells a different story in 2022 with permits pulled for 11,001 units a 43% increase compared to 2022. For the month of December, builders permitted 524 units, a 95%

increase from December of last year.

All together, there were 315 permits issued for a total of 819 units during four comparable weeks in the month of December. For the year, there were 5,835 permits issued for 16,464.

For the year, Lakeville took the top spot with 477 permits issued. Woodbury came in next with 408 permits. Cottage Grove with 301 permits, Blaine with 289 permits and Shakopee with 285 permits rounded out the top five.

For the year in number of units permits were pulled for, Minneapolis came in on top with 3,557 permitted units, followed by Edina with 985 units. Minnetonka came in next with 914 permitted units. St. Louis Park with 884 permitted units and Lakeville with 753 permitted units rounded out the top five.

Single-Family  
Permits Pulled  
↓ 53%  
Compared to  
December 2021

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

## Rising Rates Pushed Sales Down for Every Month in 2022 Compared to 2021

The first and second half of 2022 couldn't have looked more different, according to an annual report issued by Minneapolis Area REALTORS® and the St. Paul Area Association of REALTORS®. After sales reached a 20-year high in 2021 while the number of homes for sale hit a 20-year low, sales in 2022 retreated to their lowest level since 2014 while housing inventory started to rise.

That dynamic reflects higher mortgage

rates—more than doubling from 3.25% to over 7.0%—seen in the back half of the year, and it's rippled throughout virtually every other housing indicator.

For sellers, the year still brought record sales prices despite slower increases as the year went on. But multiple offers over asking price in the first half gave way to rising market times and weaker offers in the second half.

"It felt like the housing frenzy was

continuing into spring and summer, but the Fed [Federal Reserve] poured cold water on that in a hurry as inflation rose dramatically," said Brianne Lawrence, president of the Saint Paul Area Association of REALTORS®. "In some ways that was a necessary evil, as that price and sales growth wasn't sustainable long term."

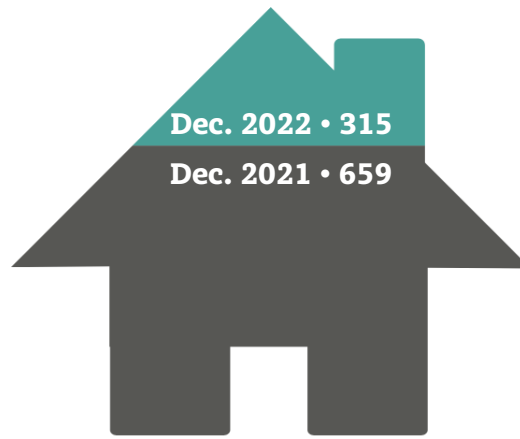
The ongoing supply-demand imbalance combined with rising rates and rising prices has truly exacerbated

affordability concerns pricing too many out of the marketplace. The Housing Affordability Index reached its lowest level since at least 2004.

Overall, since both buyer and seller activity came down in tandem, the balance of market activity has remained relatively tight. Rising supply combined with falling demand can sometimes result in prices softening. But at \$362,500, the median home price is still rising, albeit at a slower pace.

## December 2022 Metro Building Activity

The 2022 Twin Cities housing market saw deep impacts from the rate hikes by the Federal Reserve as they pushed mortgage interest rates to a 20-year high. With a larger share of homebuyers now unable to purchase a new home, permits to build new single-family homes in the Twin Cities stumbled.



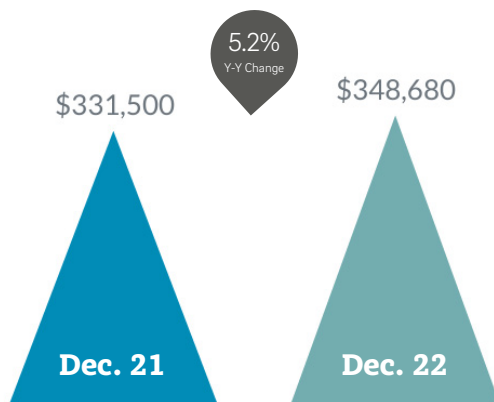
-52.2%  
Y-Y Change

Units YTD:  
**16,464**

**Multifamily**  
**67%**  
of Twin Cities Housing  
Units Authorized

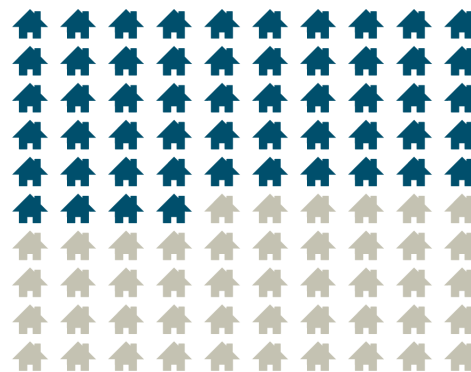
### Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



### Twin Cities Median Home Price

SOURCE: MPLS REALTORS



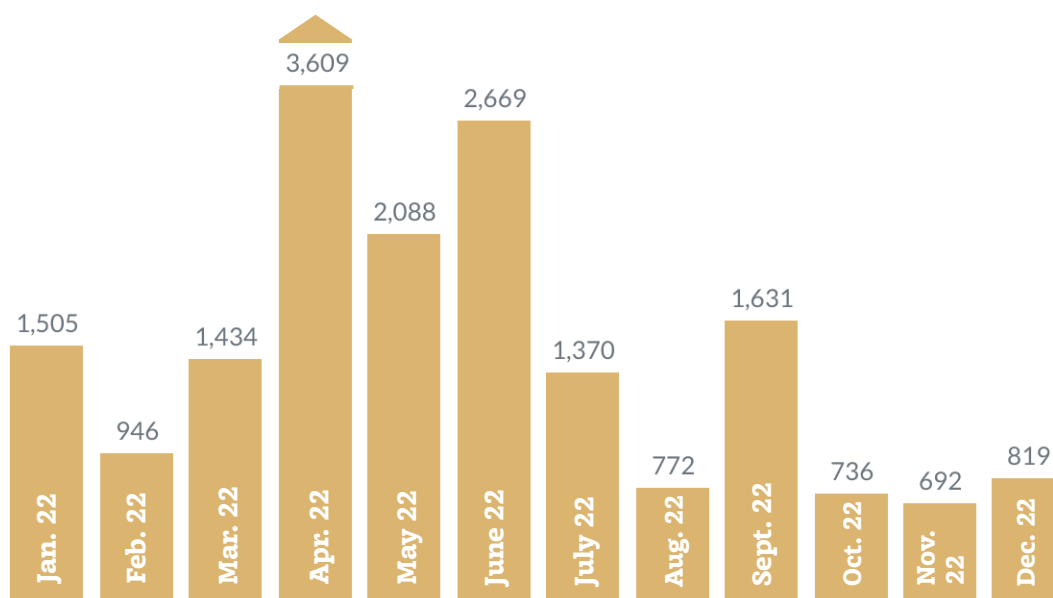
16.2%  
Monthly  
change

— **5,914**

— **5,090**

### Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



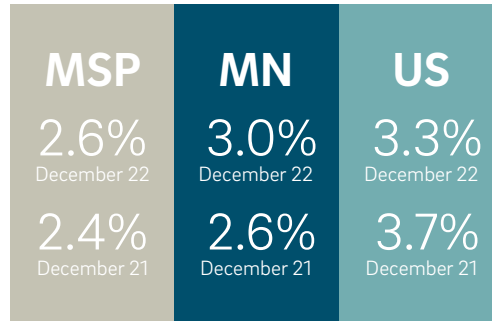
### Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

## Employment

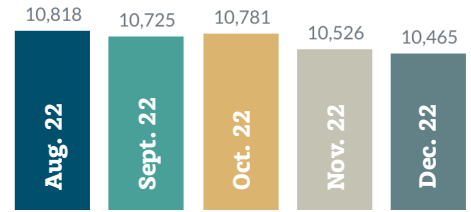
Minnesota's non-seasonally adjusted unemployment rate increased month-over-month in December to 3%, according to the Minnesota Department of Employment and Economic Development. This is compared to the November rate of 2.6%.

The national unemployment rate, however, dropped from 3.7% in November to 3.3% in December.



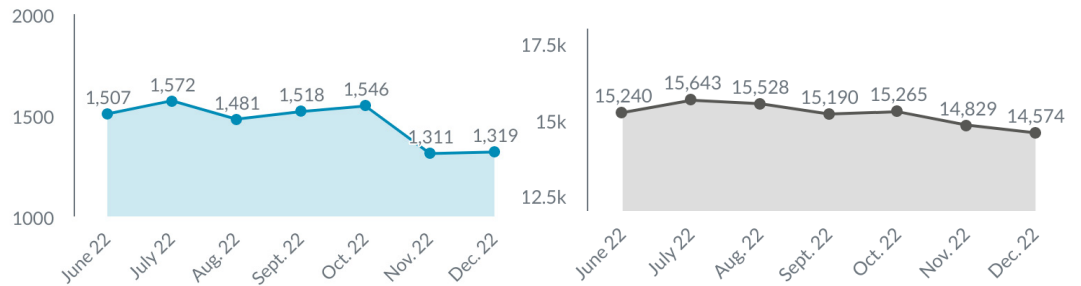
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



**Twin Cities Construction Employment**

SOURCE: DEED-MN

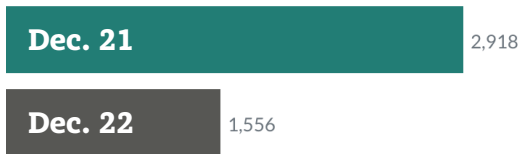
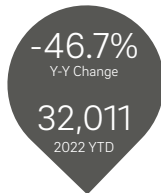


**Twin Cities Construction Weekly Wages**

SOURCE: DEED-MN

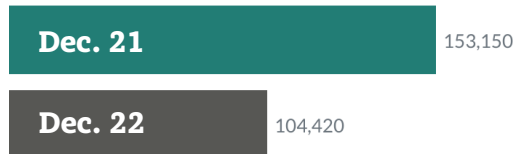
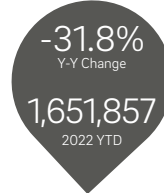
**MN Construction Employment**

SOURCE: DEED-MN



**MN Housing Units Authorized**

SOURCE: US CENSUS



**US Housing Units Authorized**

SOURCE: US CENSUS

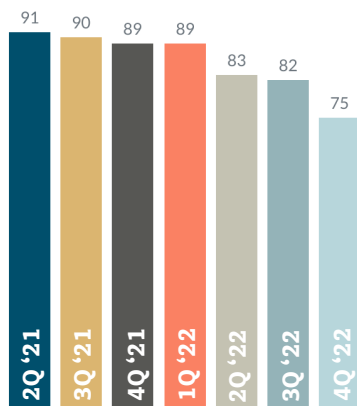
## Regional/National Statistics

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

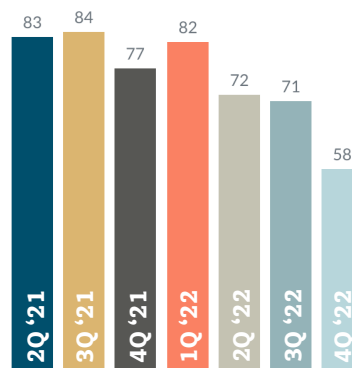
Regionally, sales fell 1.9% month-to-month in the Northeast and decreased 1% in the Midwest. In the South, sales dropped 2.2% over the previous month and in the West sales remained unchanged from the previous month.

## Remodeling Market Indices

SOURCE: NAHB



**Current**

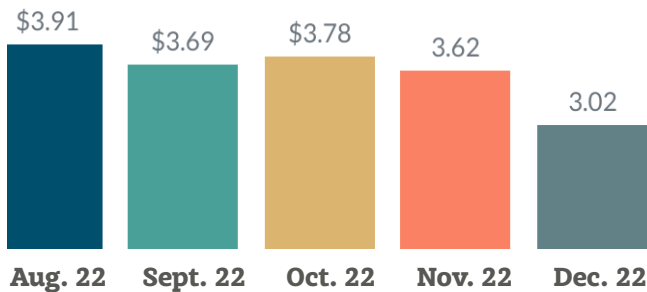


**Futures**

## Key Indicators

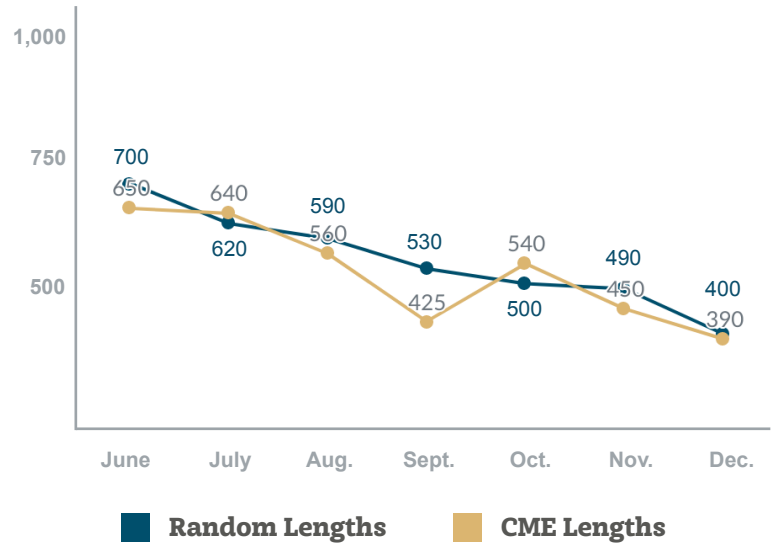
December marked the fourth consecutive month of declines for building material prices. According to the National Association of Homebuilders, this drop comes after prices rose an average 1.8% per month for the first five months of 2022.

According to NAHB's report, prices for materials like softwood lumber and steel mill products dropped 45.8% and 28.7%, respectively, since this spring.



**MN Monthly Retail Gasoline Prices**

SOURCE: ENERGY INFORMATION ADMIN



**Framing Lumber**

SOURCE: NAHB



# HOUSING DAY AT THE CAPITOL

**HOUSING FIRST**  
MINNESOTA

Join housing industry professionals as we **gather in support of Minnesota's housing industry.**

Housing Day at the Capitol serves as a way for you to get involved and hear from industry leaders and legislators on **key housing issues at the Capitol.** It is more important than ever that we work with lawmakers to **remove the roadblocks that stand in the way of building new housing in our state.**

**MARCH 6, 2023**  
**ST. PAUL EVENT CENTER**

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