

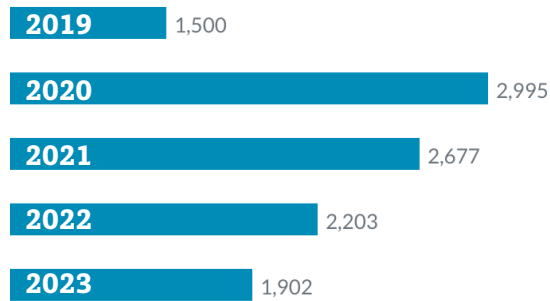


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“Homebuilders are innovators and are working to meet the market, but that is challenging with our state’s roadblocks to building new homes and high interest rates impacting affordability.”

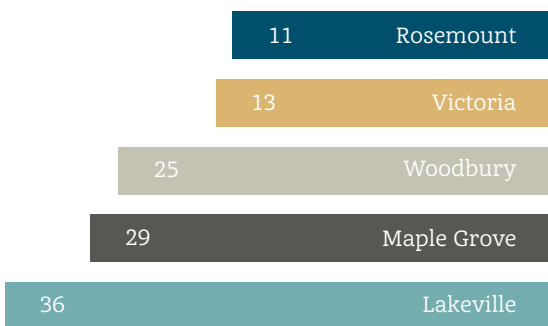
John Quinlivan, board chair of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date February 2019-2023

SOURCE: KEYSTONE REPORT



February Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

Twin Cities Homebuilding Activity Remains Sluggish in February

Homebuilding activity remained lackluster in February as mortgage rates continue to hold back the housing market. Twin Cities builders pulled permits for 217 single-family homes in February, a 50% drop from this time last year. Multifamily construction in the Twin Cities picked up the slack with permits pulled for a total of 939 units, pushing multifamily construction to 80% of all homebuilding activity in the metro for the year.

“Homebuilders are innovators and are



working to meet the market, but that is challenging with our state’s roadblocks to building new homes and high interest rates impacting affordability,” said John Quinlivan, 2023 board chair of Housing First Minnesota.

Altogether, there were 227 permits issued for a total of 1,156 units during four comparable weeks in the month of February, according to the Keystone Report.

“We must address our housing affordability issues in the region or our market will continue to be in short supply of the most desired housing, entry-level single-family homes,” said James Vagle, CEO of Housing First Minnesota. “Consumer research shows the vast majority of the population

still wants that single-family home; if we do not build more of them, homeownership will become out of reach for future generations of Minnesotans.”

For the month in permits, Lakeville took the top spot with 36 permits issued. Maple Grove came in next with 29 permits. Woodbury with 25 permits, Victoria with 13 permits and Rosemount with 11 permits rounded out the top five.

For the month in units, Minneapolis came in on top with 626 permitted units. White Bear Lake came in next with 244 units, followed by Lakeville with 101 units. Maple Grove with 29 units and Woodbury with 25 units rounded out the top five.

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

Twin Cities Home Prices Flattening Out with Latest Rate Spike

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, the median sales price across the Twin Cities grew 0.6% to \$342,000. Home price growth has flattened out in the face of higher mortgage rates and deteriorating affordability.

Although home prices have flattened out, they were still up slightly year-over-year. It’s possible that home

prices soften in the coming months if rates rise further or remain sticky.

“People should understand that their home hasn’t necessarily lost value simply because the median price falls,” according to Jerry Moscovitz, president of Minneapolis Area REALTORS®. “The median reflects the mid-point where half the homes sell for more and half for less. If there are more luxury properties, new homes or condos selling, that all

impacts prices. So does supply and demand.”

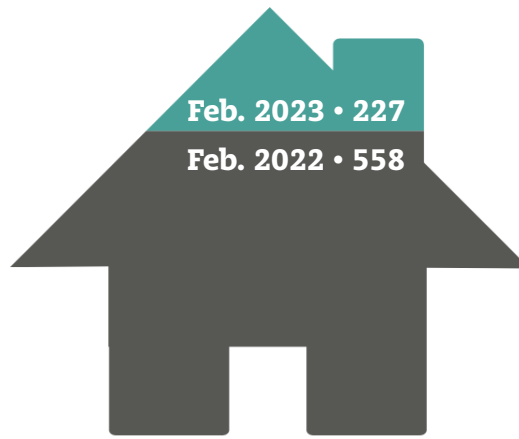
The Federal Reserve’s rate hikes have taken a toll on home sales. Some buyers were sidelined by higher mortgage rates and increased monthly payments, resulting in 2,932 purchase agreements, 23.6% below last year. The decline in pending sales is the second smallest since July 2022—behind January of this year

and hinting that perhaps the declines are easing.

“We’re in a place where buyers have more leverage but lowball offers likely won’t be successful,” said Brianne Lawrence, president of the Saint Paul Area Association of REALTORS®. “That means buyers are writing offers at or slightly below list price and they can take more time to decide on what works best for them.”

February 2023 Metro Building Activity

Homebuilding activity remained lackluster in February as mortgage rates continue to hold back the housing market. Twin Cities builders pulled permits for 217 single-family homes in February, a 50% drop from this time last year. Multifamily construction in the Twin Cities picked up the slack with permits pulled for a total of 939 units, pushing multifamily construction to 80% of all homebuilding activity in the metro for the year.

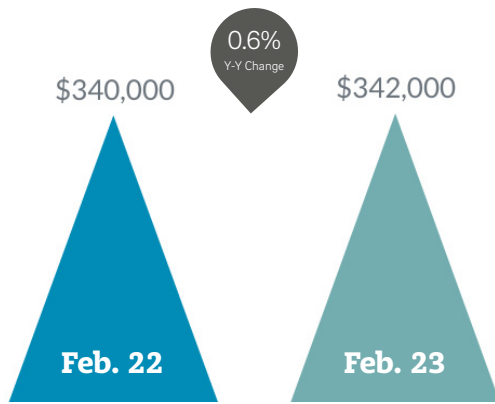


Units YTD:
1,902

Multifamily
81%
of Twin Cities Housing
Units Authorized

Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



Twin Cities Median Home Price

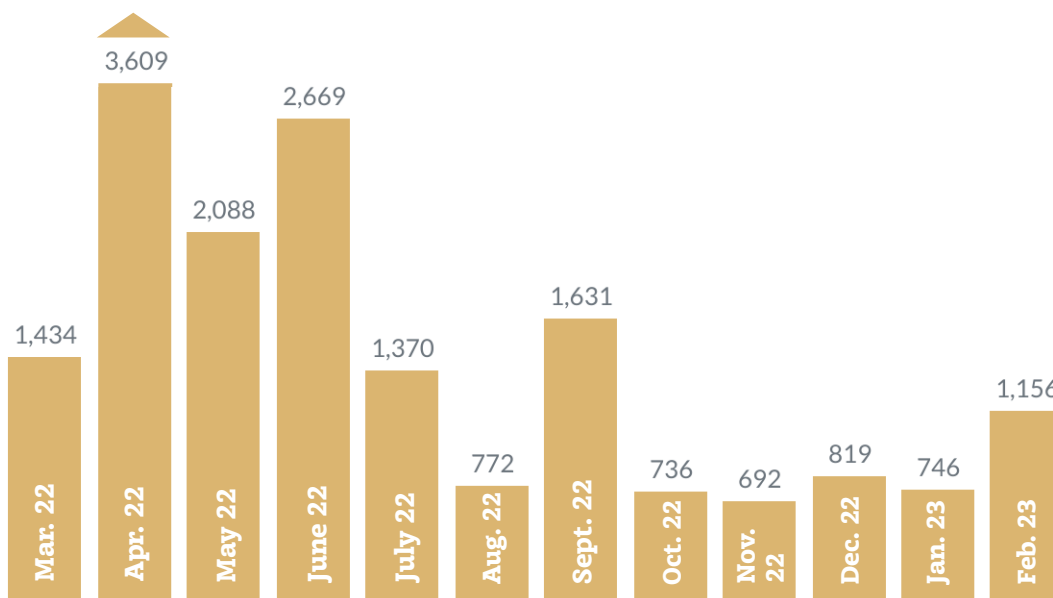
SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ Feb. 2023 (48.29%) ■ Feb. 2022 (51.71%)



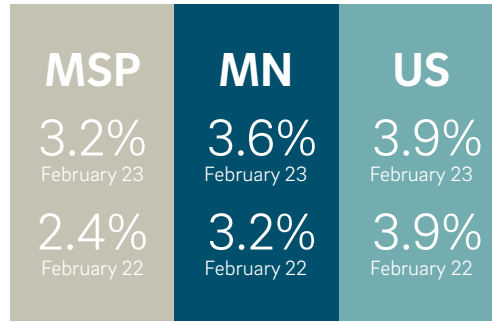
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

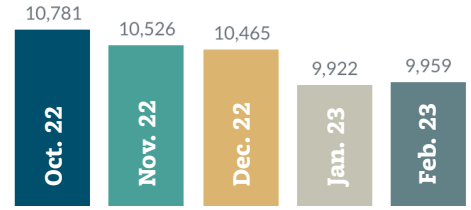
Minnesota's unemployment increased slightly to 3.6% in February, according to the Minnesota Department of Employment and Economic Development (DEED). This is compared to the January unemployment rate of 3.3%.

The national unemployment remained unchanged month-over-month at 3.9%.



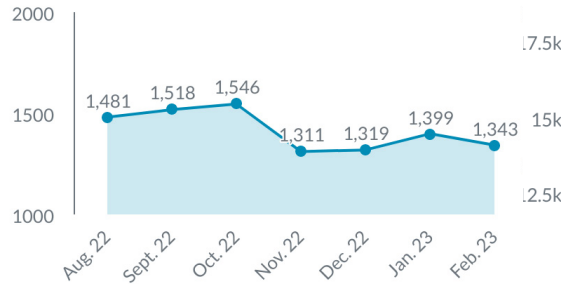
Unemployment Rate Snapshot

SOURCE: DEED-MN



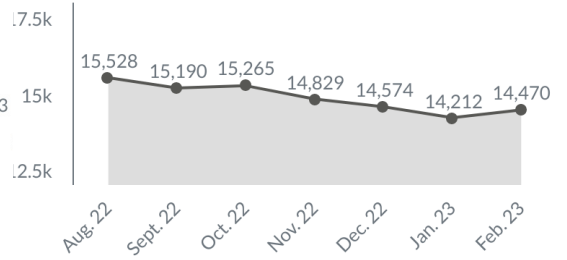
Twin Cities Construction Employment

SOURCE: DEED-MN



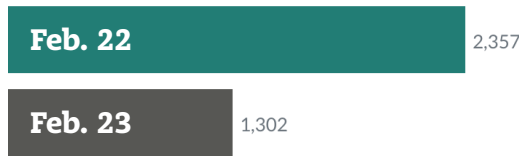
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



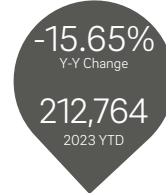
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

SOURCE: US CENSUS

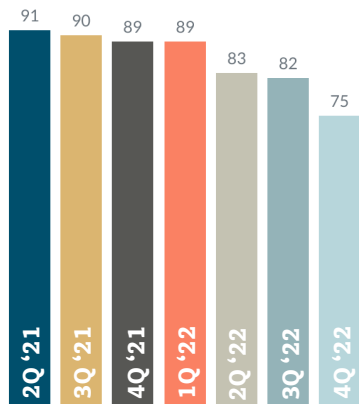
Regional/National Statistics

Sales of existing homes surged 14.5% in February, according to the National Association of REALTORS®. This breaks a four-month slide and is the largest monthly percentage growth since July 2020.

Regionally, sales fell 1.3% month-over-month in the Northeast and dropped 1.3% in the Midwest. In the South, sales decreased 6.3% over the previous month, and in the West sales shrank 6.8% from January.

Remodeling Market Indices

SOURCE: NAHB



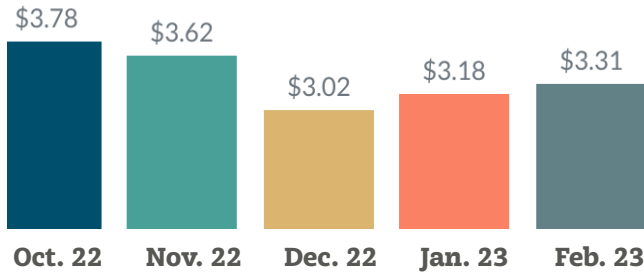
Current

Futures

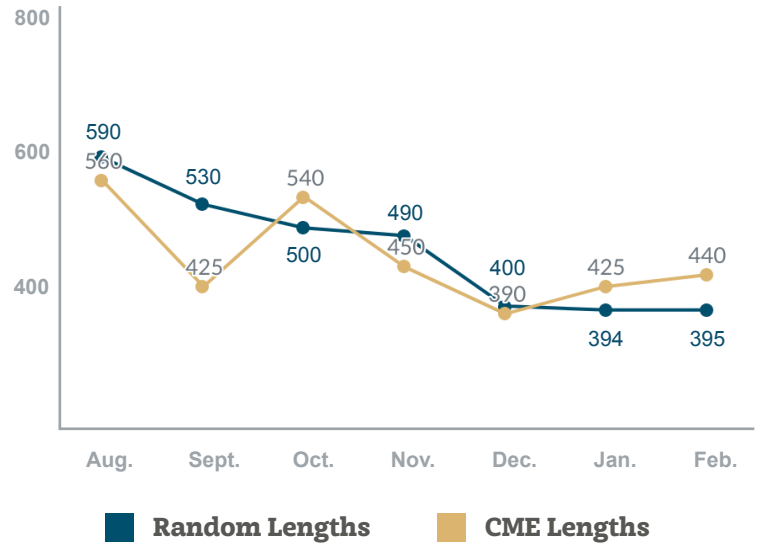
Key Indicators

The housing market over the last few years can largely be described as a fiercely competitive environment that was fueled by historically low interest rates and little available inventory across much of the metro and state. However, the second half of 2022 marked a shift in buying activity as the Federal Reserve began to raise interest rates in an attempt to put pressure on the overheated economy.

Recently, mortgage applications fell to the lowest level since 1995. According to the Mortgage Bankers Association, applications for home loans fell 4% from the previous week and 41% from the same time last year. This comes after the federal reserve announced additional rate hikes in early February.



MN Monthly Retail Gasoline Prices
SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber
SOURCE: NAHB



Housing Industry Minute

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