

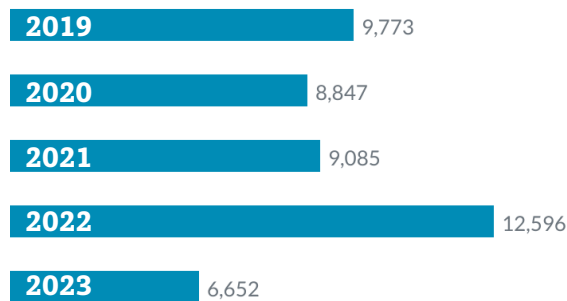


September 2023  
Volume XI, Issue: 9

“Interest rates are having impacts across all areas of the housing market. However, new construction continues to attract eager buyers due to lack of supply in the existing market paired with the ability to offer opportunities other sectors of the market can’t.”

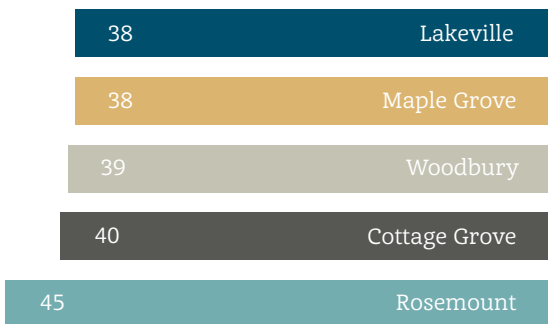
John Quinlivan, board chair of Housing First Minnesota

## Twin Cities Building Activity



### Units Authorized Year-to-Date August 2019-2023

SOURCE: KEYSTONE REPORT



### August Top Cities for Residential Permits

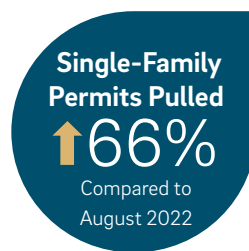
SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

## Twin Cities Homebuilding Shows Strength Despite Rising Interest Rates

Twin Cities single-family home construction saw strong gains in August even as interest rates reached a 20-year high. Metro builders pulled permits for 571 single-family homes during the month, a 66% increase from August of last year. However, multifamily construction continued to stumble with permits pulled for 373 units, a 15% drop in units compared to this same time last year.

“Interest rates are having impacts across all areas of the housing market,”



said John Quinlivan, 2023 board chair of Housing First Minnesota. “However, new construction continues to attract eager buyers due to lack of supply in the existing market paired with the ability to offer opportunities other sectors of the market can’t.”

There were 597 permits issued for a total of 944 units during four comparable weeks in the month of August, according to the Keystone Report.

“With interest rates hitting new highs and inventory showing little signs of improvement, we grow ever more concerned about housing affordability in our region, said James Vagle, CEO of Housing First Minnesota.

“Although homebuilders are working to fill this gap, without action from the legislature, our housing market will continue to price out first-time and move-up buyers.”

For the month in permits, Rosemount took the top spot with 45 permits issued. Cottage Grove came in next with 40 permits. Woodbury with 39 permits, and Maple Grove and Lakeville both with 38 permits rounded out the top five.

For the month in units, Cambridge came in on top with 149 permitted units. Rosemount came in next with 126 units, followed by Lakeville with 124 units. Cottage Grove with 40 units and Woodbury with 39 units rounded out the top five.

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

## Prices On the Rise Again After Flattening Out; Seller Activity May Be Stabilizing

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, home prices rose modestly in August. Both buyer and seller activity were lower compared to last year.

Pending home sales—or listings with accepted offers—were down 10.5% compared to last August. While those declines have moderated, it’s mostly due to comparing to a lower

baseline last year as sales were slowing due to rising interest rates causing affordability challenges.

Existing homeowners are choosing to stay put instead of trading up for a substantially higher monthly payment driven by rising prices and mortgage rates. That means builders listing new homes are benefiting from a shift in demand to new construction.

Home prices were down slightly in April and May, up slightly in June, and flat in July. The August median home price was up 2.7% from August 2022. It’s not clear whether softening prices will continue, that depends on rates and demand. Of the homeowners who did sell their properties, they received an average of 100.0% of list price after 32 days on market.

“Not to oversimplify, but prices are rising because we still have a decent number of buyers competing for an insufficient number of homes,” said Brianne Lawrence, president of the Saint Paul Area Association of REALTORS®. “Sellers of existing homes staying put forces some buyers to look at new homes or consider other more affordable property types such as townhomes, although affordability does vary within that segment.”

# August 2023 Metro Building Activity

Twin Cities single-family home construction saw strong gains in August even as interest rates reached a 20-year high. Metro builders pulled permits for 571 single-family homes during the month, a 66% increase from August of last year. However, multifamily construction continued to stumble with permits pulled for 373 units, a 15% drop in units compared to this same time last year.



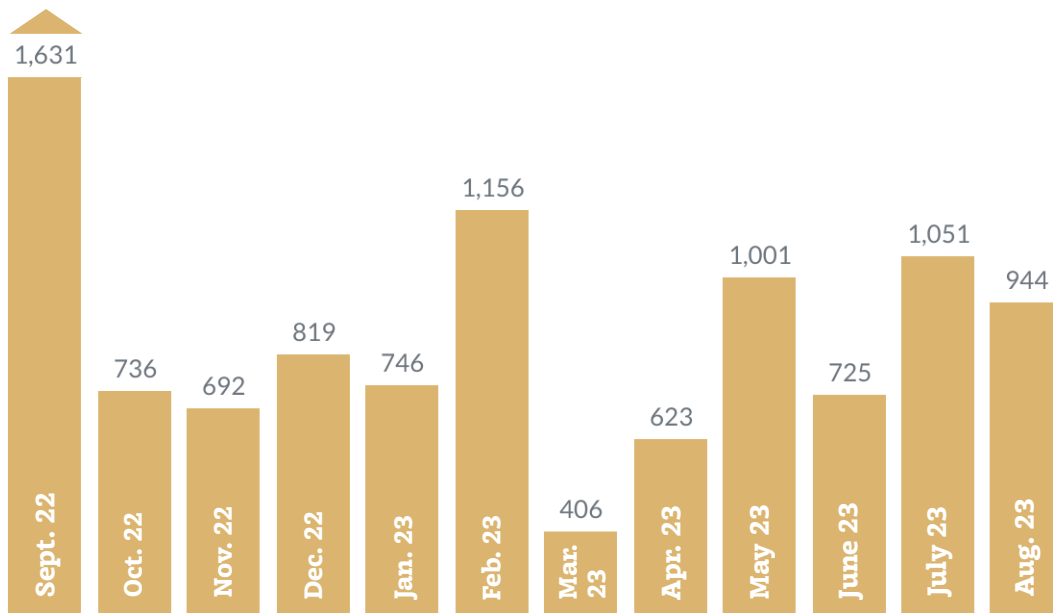
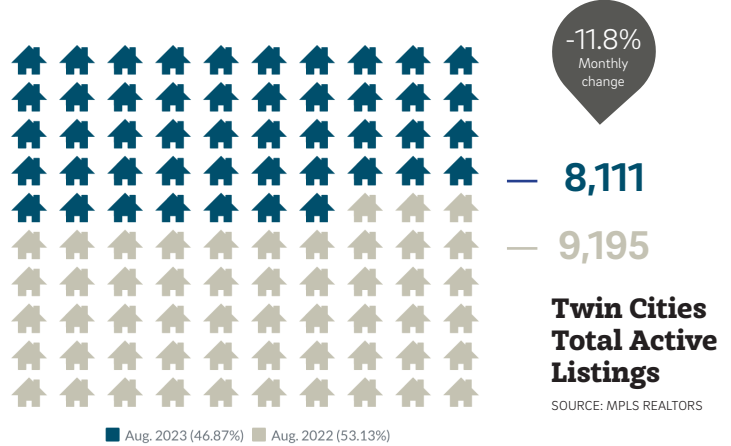
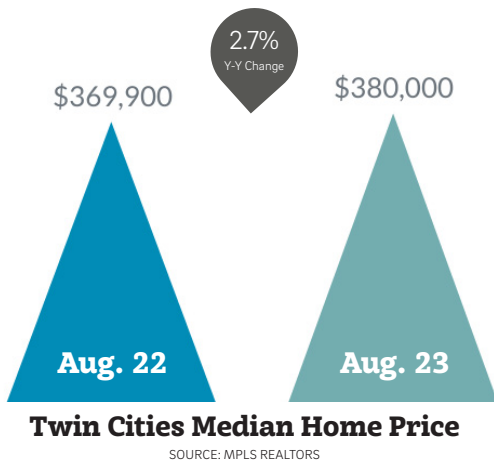
64.0%  
Y-Y Change

**Units YTD:**  
**6,652**

**Multifamily**  
**40%**  
of Twin Cities Housing  
Units Authorized

## Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



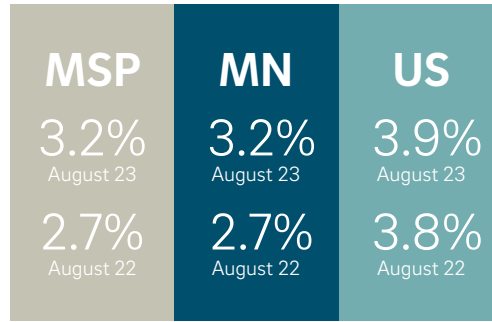
## Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

# Employment

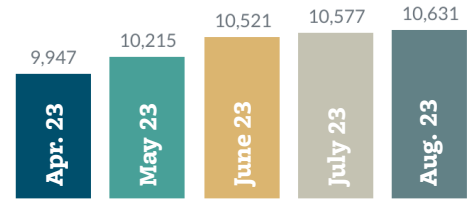
Minnesota's non-seasonally adjusted unemployment rate remained steady at 3.2% in August, according to the Minnesota Department of Employment and Economic Development.

The national unemployment rate, however, ticked up slightly in August to 3.9%. This is compared to the July rate of 3.8%.



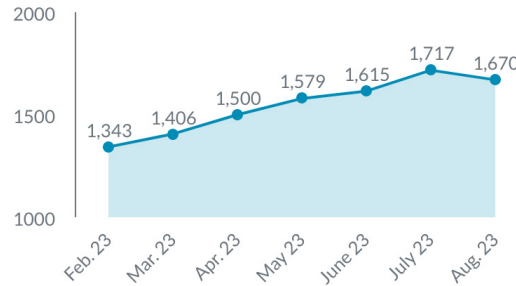
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



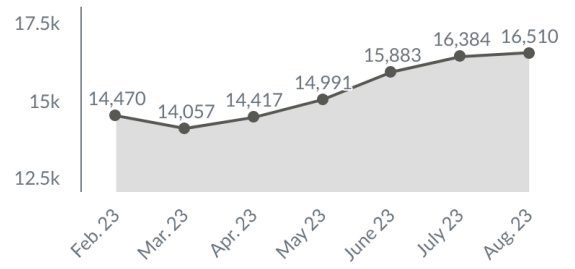
**Twin Cities Construction Employment**

SOURCE: DEED-MN



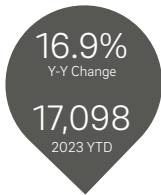
**Twin Cities Construction Weekly Wages**

SOURCE: DEED-MN



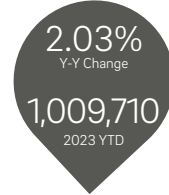
**MN Construction Employment**

SOURCE: DEED-MN



**MN Housing Units Authorized**

SOURCE: US CENSUS



**US Housing Units Authorized**

SOURCE: US CENSUS

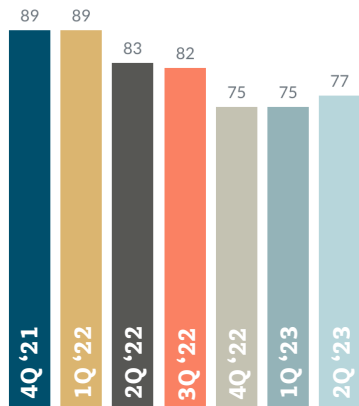
# Regional/National Statistics

Sales of existing homes slightly decreased 0.7% in August, according to the National Association of REALTORS®.

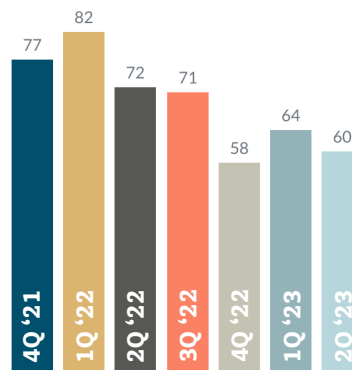
Regionally, sales in the Northeast were unchanged and increased 1% in the Midwest. In the South, sales fell 1.1% over the previous month, and in the West sales retreated 2.6% from July.

## Remodeling Market Indices

SOURCE: NAHB



**Current**

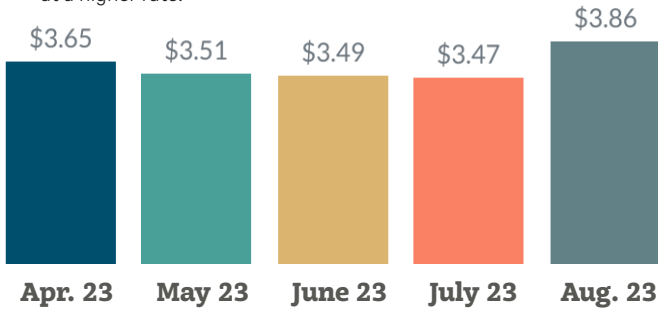


**Futures**

# Key Indicators

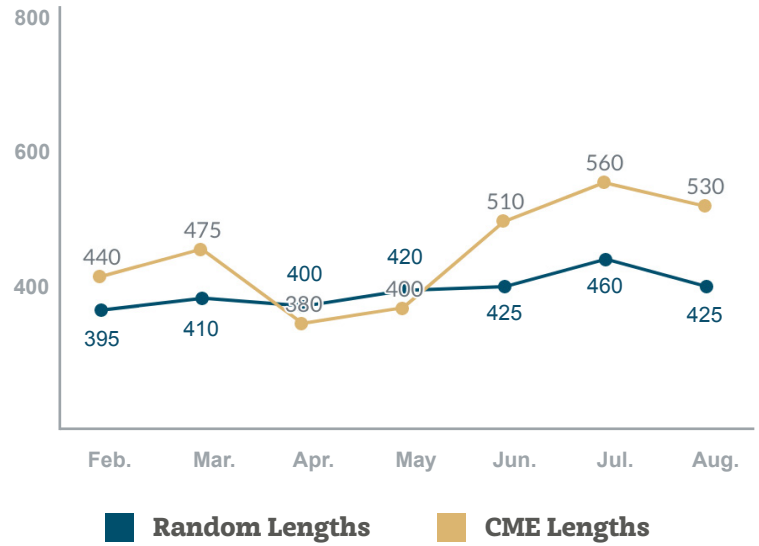
Demand for mortgages recently hit the lowest level in almost 30 years reflecting the continuing impacts of rising mortgage rates. As rates continue to hover around 7%, volume for new mortgage applications were down 27% from the same time last year.

"Mortgage applications decreased for the seventh time in eight weeks, reaching the lowest level since 1996," said Joel Kan, economist for the Mortgage Bankers Association. "Given how high rates are right now, there continues to be minimal refinance activity and a reduced incentive for homeowners to sell and buy a new home at a higher rate."



**MN Monthly Retail Gasoline Prices**

SOURCE: ENERGY INFORMATION ADMIN



**Framing Lumber**

SOURCE: NAHB

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### Builders adapt to evolving housing market

The conversation regarding the housing market is largely centered around one factor: mortgage rates. The Federal Reserve started hiking rates last year in an attempt to tamp down on growing inflation. Since then, several increases in rates have led to mortgage rates jumping to over 7%. Consequently, the housing market has come to a standoff...

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