

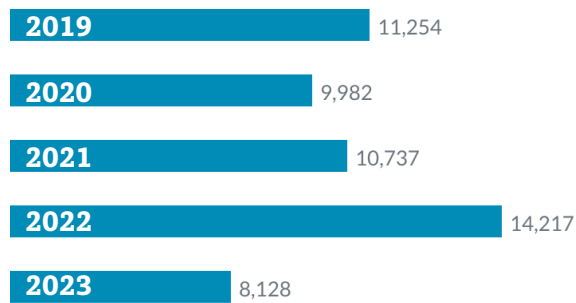


October 2023
Volume XI, Issue: 10

“In the face of rising mortgage rates and shrinking existing home supply, homebuilding in the Twin Cities continues to stand strong. Builders are working diligently to meet the needs of homebuyers in Minnesota by offering something the existing housing market cannot provide.”

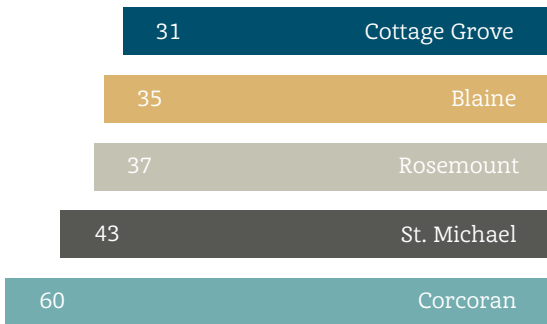
John Quinlivan, board chair of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date September 2019-2023

SOURCE: KEYSTONE REPORT



September Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

Homebuilding in the Twin Cities Remains Steady Despite Rate Hurdles

Twin Cities single-family home construction saw another strong month in September as mortgage rates continue to rise and supply in the existing market dwindles. Metro builders pulled permits for 656 single-family homes during the month, an 80% increase from the same time last year. Activity in the multifamily construction sector continued to slow, however, with permits pulled for 820 units. This is a 33% decrease in units compared to this same time last year.

“In the face of rising mortgage rates and shrinking existing home supply, homebuilding in the Twin Cities continues to stand strong,” said John Quinlivan, 2023 board chair of Housing First Minnesota. “Builders are working diligently to meet the needs of homebuyers in Minnesota by offering something the existing housing market cannot provide.”

There were 684 permits issued for a total of 1,476 units during four comparable weeks in September, according to the Keystone Report.

“It is apparent that in a climate of the worst housing affordability in 30 years, a change is not just needed but imperative,” said James Vagle, CEO of Housing First Minnesota.

“Conditions in our housing market will only continue to worsen if the Legislature does not commit to addressing these challenges during the next legislative session.”

For the month in permits, Corcoran took the top spot with 60 permits issued. St. Michael came in next with 43 permits. Rosemount with 37 permits, Blaine with 35 permits and Cottage Grove with 31 permits rounded out the top five.

For the month in units, Eden Prairie came in on top with 237 permitted units. Shakopee came in next with 216 units, followed by Rosemount with 117 units. Burnsville with 110 units and Rogers with 76 units rounded out the top five.



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

Prices Still Strong, Sales and Listings Still Slow Given Stubbornly High Rates

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, home prices rose slightly in September. Both buyer and seller activity were lower compared to last year but there were important differences across areas and market segments.

Many homeowners are feeling incentivized to stay put —

particularly those with sub-4.0% rates who would face much higher payments given the increase in prices and stubbornly high mortgage rates. As a result, new listings were down another 6.4% after a 17.2% decline last September.

“Sellers who locked in low interest rates are reluctant to give them up,” said Brianne Lawrence,

president of the Saint Paul Area Association of REALTORS®.

“That’s kept inventory low and prices strong, but it still feels quite different from the last few years.”

Despite softer demand, sluggish seller activity has also kept prices elevated. There has been just one month of year-over-year price declines since February 2012. That was in May of this year. There have

been some flat months this year as well as modest gains, but it appears prices could be up slightly for the year. For September, the median home price rose 2.2% to \$370,305.

September 2023 Metro Building Activity

Twin Cities single-family home construction saw another strong month in September as mortgage rates continue to rise and supply in the existing market dwindles. Metro builders pulled permits for 656 single-family homes during the month, an 80% increase from the same time last year. Activity in the multifamily construction sector continued to slow, however, with permits pulled for 820 units. This is a 33% decrease in units compared to this same time last year.



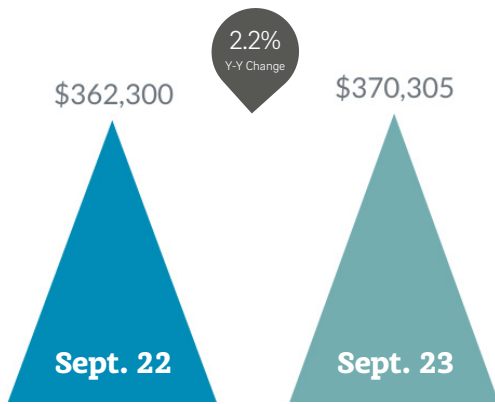
74.9%
Y-Y Change

Units YTD:
8,128

Multifamily
56%
of Twin Cities Housing
Units Authorized

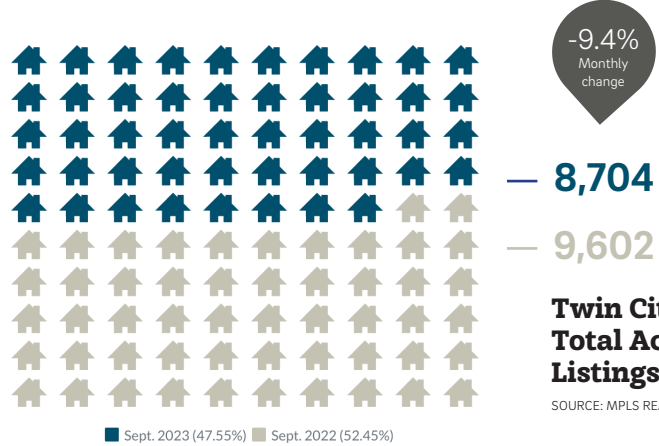
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT

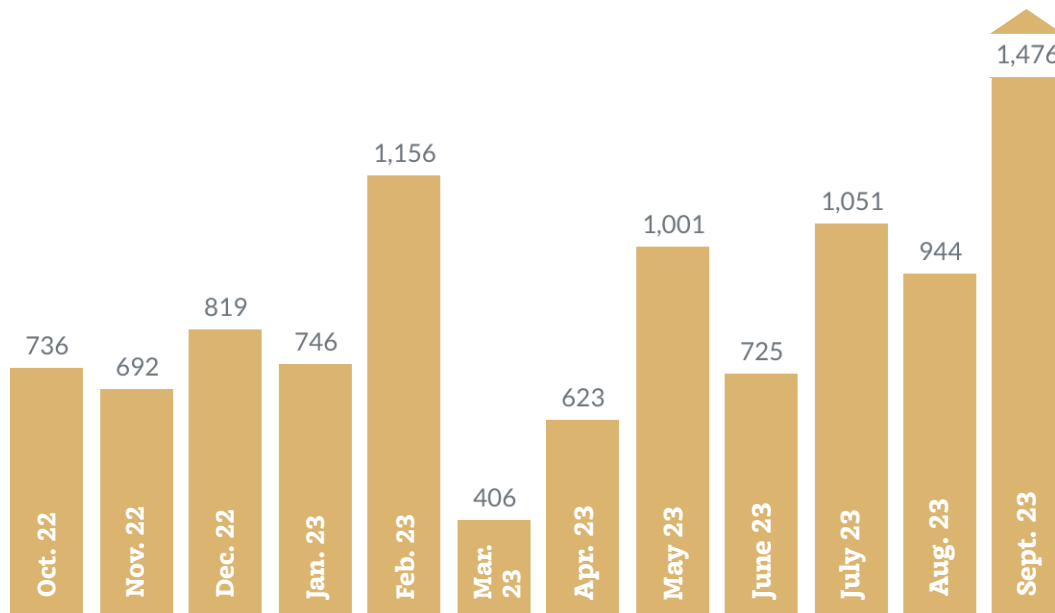


Twin Cities Median Home Price

SOURCE: MPLS REALTORS



SOURCE: MPLS REALTORS



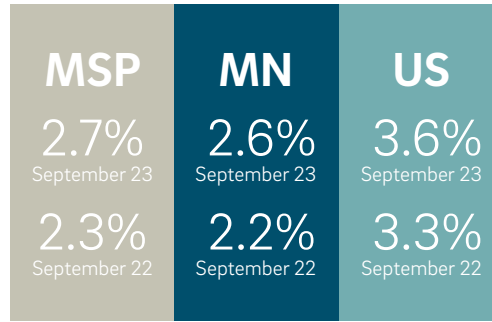
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

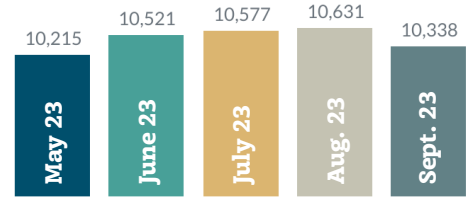
Minnesota's non-seasonally adjusted unemployment rate dropped to 2.6% in September, according to the Minnesota Department of Employment and Economic Development. This is compared to the August rate of 3.2%.

The national unemployment rate also decreased from 3.9% in August to 3.6% in September.



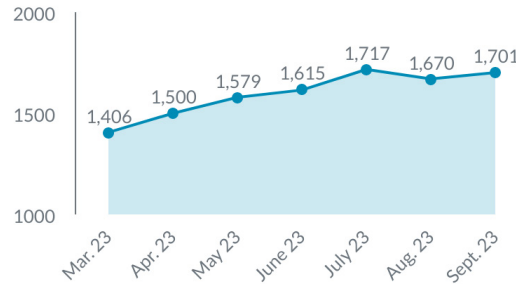
Unemployment Rate Snapshot

SOURCE: DEED-MN



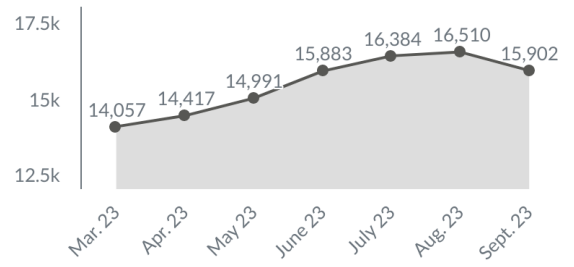
Twin Cities Construction Employment

SOURCE: DEED-MN



Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



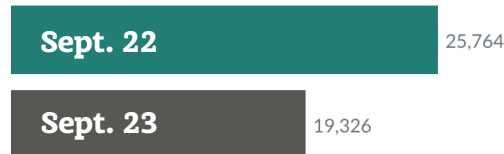
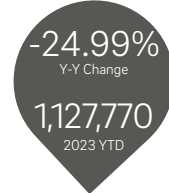
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

SOURCE: US CENSUS

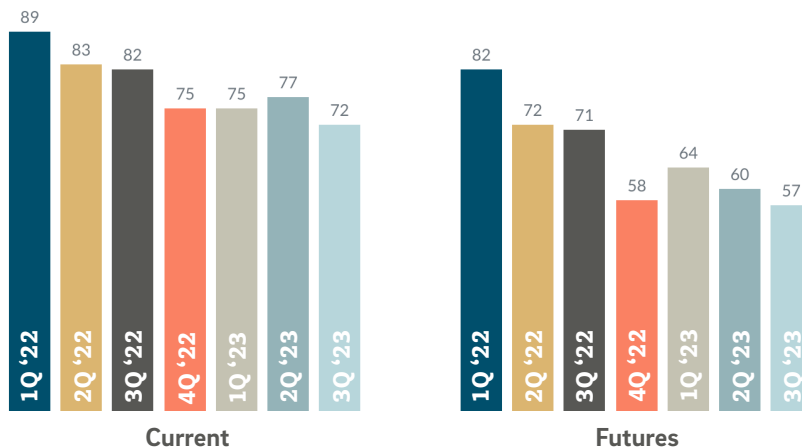
Regional/National Statistics

Sales of existing homes slightly decreased 2% in September, according to the National Association of REALTORS®.

Regionally, sales in the Northeast increased 4.2% and dropped 4.1% in the Midwest. In the South, sales fell 11.7% over the previous month, and in the West sales dropped 5.3% from August.

Remodeling Market Indices

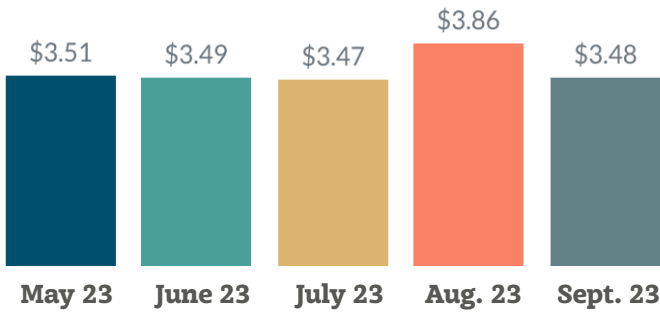
SOURCE: NAHB



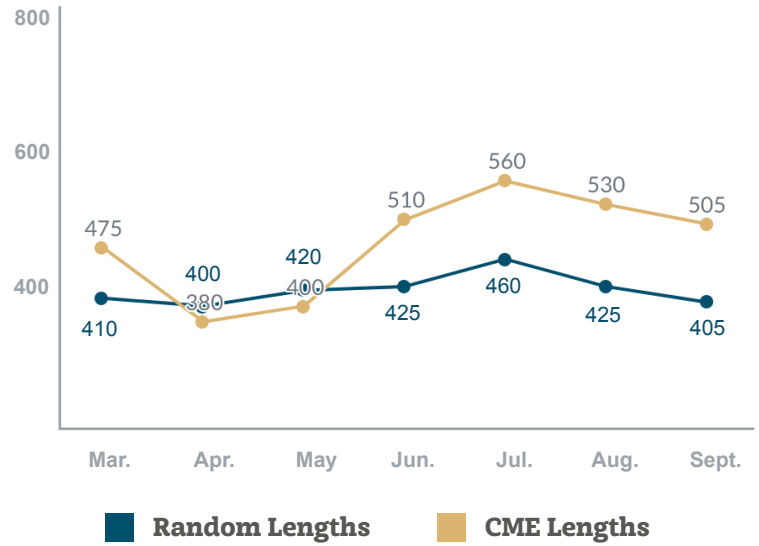
Key Indicators

Although strong activity continues to be recorded in the new construction sector, homebuilders may not be totally immune to the impacts that mortgage rates are having across the rest of the housing market.

According to the latest reading from the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI), builder confidence slipped to 40 – an indicator that many homebuilders have a negative outlook on the current state of the new construction market.



MN Monthly Retail Gasoline Prices
SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber
SOURCE: NAHB

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THE MINNESOTA HOUSING INDUSTRY NEWS SOURCE BY HOUSING FIRST MINNESOTA

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Housing experts converge on the Twin Cities

October 13, 2023

On Sept. 26, housing policy experts from all corners of the United States came together in Bloomington, Minn., for the 2023 Housing Leadership Summit. The event was organized by Housing Affordability Institute, a housing policy think tank based in Roseville, MN.

The event was filled with discussion on the drivers of housing affordability and inventory challenges across the country, with a specific focus on Minnesota’s issues. A diverse array of experts provided their input on how to address these issues best.

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