

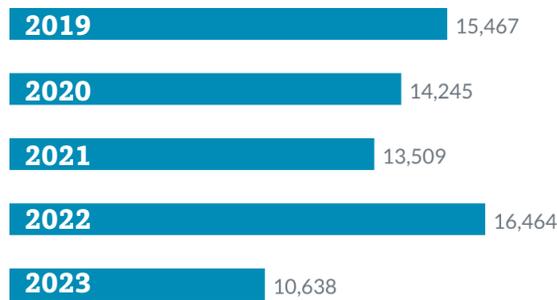


January 2024
Volume XII, Issue: 1

“Homebuilding went for a ride this year as interest rates impacted all areas of the market. Yet, buyer demand remains high, and conditions in the existing market continue to steer more buyers to purchasing newly built homes.”

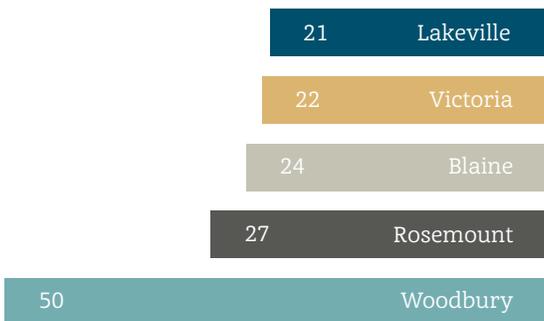
John Quinlivan, 2023 board chair of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date December 2019-2023

SOURCE: KEYSTONE REPORT



December Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

Homebuilding in the Twin Cities Finishes Year Strong

Single-family home construction activity in the Twin Cities saw strong activity in December. Metro builders pulled permits for 401 single-family homes during the month, a 51% increase from the same time last year.

Activity in the multifamily construction sector, however, saw a decrease in activity with permits pulled for only 214 units. This is a 59% decrease in units compared to this same time last year.

“Homebuilding went for

a ride this year as interest rates impacted all areas of the market,” said John Quinlivan, 2023 board chair of Housing First Minnesota. “Yet, buyer demand remains high, and conditions in the existing market continue to steer more buyers to purchasing newly built homes.”

There were 412 permits issued for a total of 615 units during four comparable weeks in December, according to the Keystone Report.

“As interest rates begin to come down from their two-decade high, we may see a pick up in buyer activity,” said James Vagle, CEO of Housing First Minnesota. “However, Minnesota’s housing

market is severely lacking inventory. The time to modernize our state’s zoning practices and allow for homes of all price points to be built is now.”

For the month in permits, Woodbury took the top spot with 50 permits issued. Rosemount came in next with 27 permits. Blaine was third highest with 24. Victoria with 22 permits and Lakeville with 21 permits rounded out the top five.

For the month in units, Minneapolis came in on top with 174 permitted units. Woodbury came in next with 50 units, followed by Rosemount with 32 units. Lakeville with 25 units and Blaine with 24 units rounded out the top five.



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

New Listings and Pending Sales Rise, Interest Rates Begin to Fall

The 2023 housing market closed the year on a high note, as mortgage rates dropped below 7% in late December and new listings rose by 12%, the third consecutive month of increases.

As of this week, 30-year fixed rates are just above 6.5%. Since much of 2023 was a high interest-rate environment, even modest rate declines will ignite housing market activity. This is reflected in various metrics from December, most notably

pending sales, which were up 8.7% from last year, marking the first year-over-year increase in that category since November 2021.

While buyers welcome falling rates, rising home prices remain a stubborn obstacle, as the median home sales price was up 3.3% to \$315,000. This is a byproduct of an undersupplied housing market. While the months’ supply of homes improved 18.8% over last year, December still had just 1.9

months’ worth of available inventory, a sign that it’s still a seller’s market.

A 4-6 month supply is typically needed to constitute a balanced market. Affordability challenges persist, driven primarily by limited inventory resulting in higher prices.

“While market activity typically slows with the onset of winter in Minnesota, falling interest rates are attracting both sellers and buyers back into

the market,” said Geri Theis, 2024 president of Minnesota Realtors. “It’s likely that the 2024 spring market will be competitive, especially if mortgage rates continue to fall.”

In December, closed sales were down 4% statewide. Certain regions, however, saw a substantial increase in that metric compared with December 2022.

December 2023 Metro Building Activity

Single-family home construction activity in the Twin Cities saw strong activity in December. Metro builders pulled permits for 401 single-family homes during the month, a 51% increase from the same time last year.



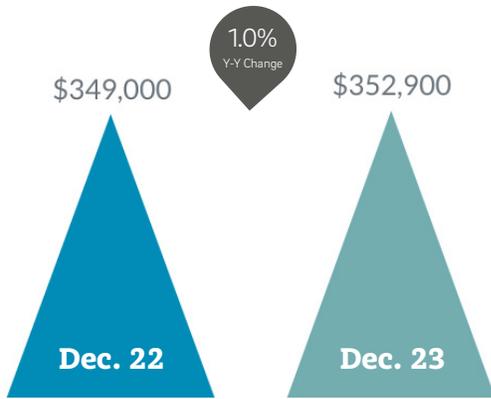
44.6%
Y-Y Change

Units YTD:
10,638

Multifamily
35%
of Twin Cities Housing
Units Authorized

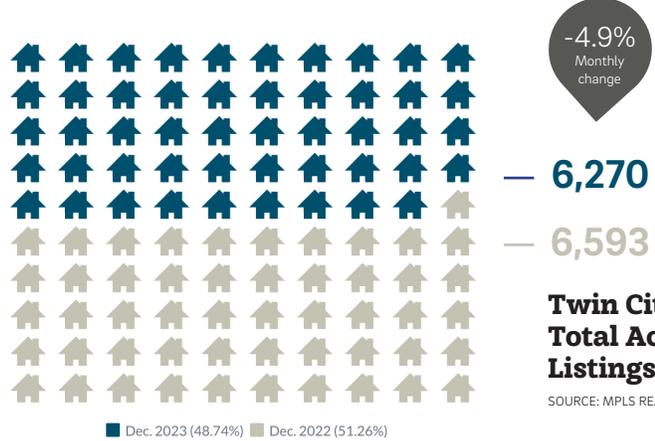
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



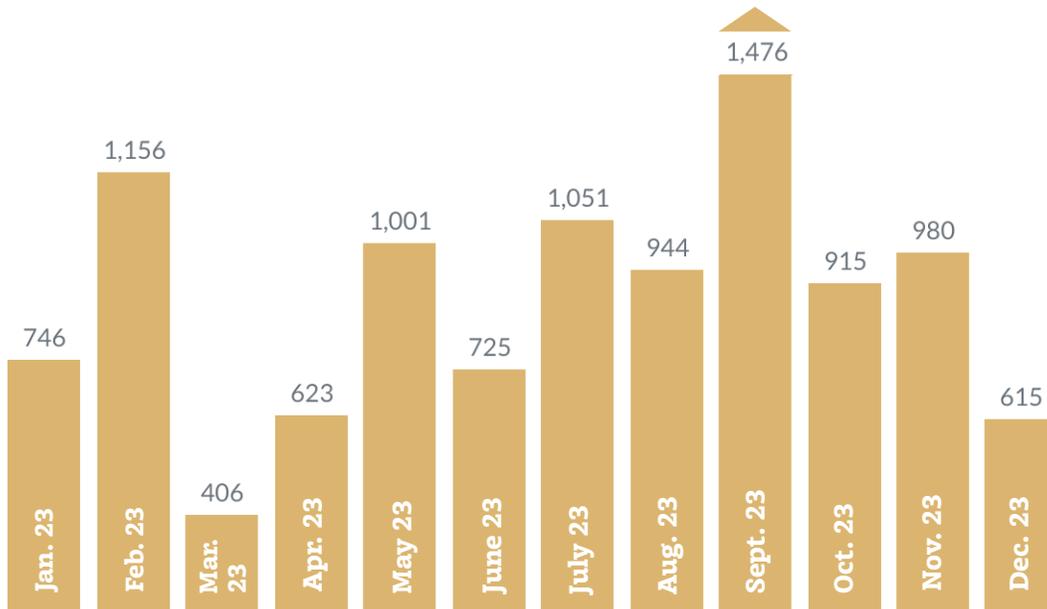
Twin Cities Median Home Price

SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



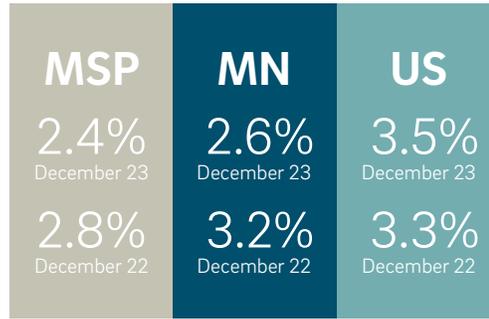
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

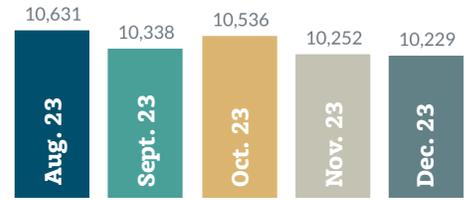
Minnesota's non-seasonally adjusted unemployment rate surged to 2.6% in December, according to the Minnesota Department of Employment and Economic Development. This is compared to the November rate of 1.9%.

The national unemployment rate in November remained unchanged from the previous month at 3.5%. Construction employment in Minnesota continued its growth streak in December recording a gain of 10,792 jobs year-over-year.



Unemployment Rate Snapshot

SOURCE: DEED-MN



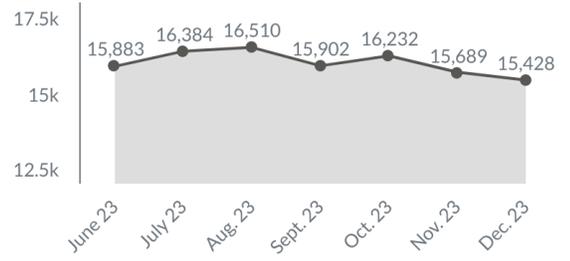
Twin Cities Construction Employment

SOURCE: DEED-MN



Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



MN Construction Employment

SOURCE: DEED-MN



Regional/National Statistics



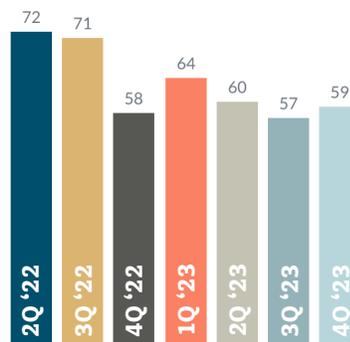
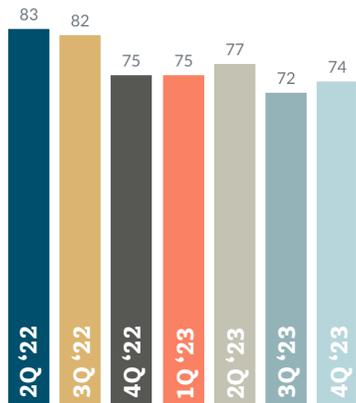
Existing-home sales slid 1% in December, breaking a streak of five consecutive monthly declines, according to the National Association of REALTORS®.

MN Housing Units Authorized

SOURCE: US CENSUS

US Housing Units Authorized

SOURCE: US CENSUS



Regionally, sales in the Northeast were unchanged and fell 4.3% in the Midwest. In the South, sales decreased 4.4% over the previous month, and in the West sales slipped 4.8%.

Remodeling Market Indices

SOURCE: NAHB

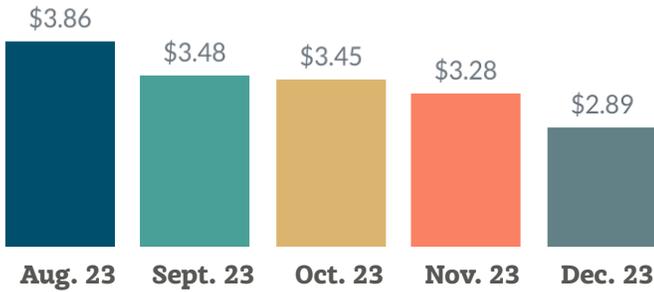
Current

Futures

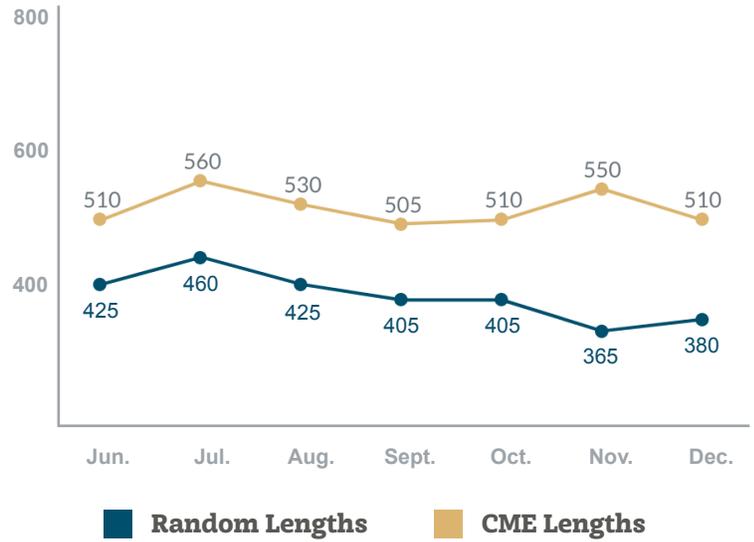
Key Indicators

Mortgage applications were up 8% compared to the beginning of the month, according the Mortgage Bankers Association. This is despite a slight uptick in mortgage rates during the same time. However, overall demand for mortgages was still 18% lower than the same time last year.

"Mortgage rates increased slightly last week, but there continues to be an upward trend in purchase activity," said Joel Kan, a Mortgage Bankers Association economist, in a release. "Conventional and FHA purchase applications drove most of the increase last week as some buyers moved to act early this season."



MN Monthly Retail Gasoline Prices
SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber
SOURCE: NAHB

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LATEST NEWS

New partnership aimed at addressing industry workforce struggles announced

One of the greatest concerns for the residential construction industry over the last few years has been a dwindling workforce. Today, Housing First Minnesota announced a new strategic partnership with Building Talent Foundation to address this issue. Building Talent Foundation is a national nonprofit organization founded by the Leading Builders of America, with a purpose of addressing the...

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New partnership aimed at addressing industry workforce struggles announced

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January 24, 2024