

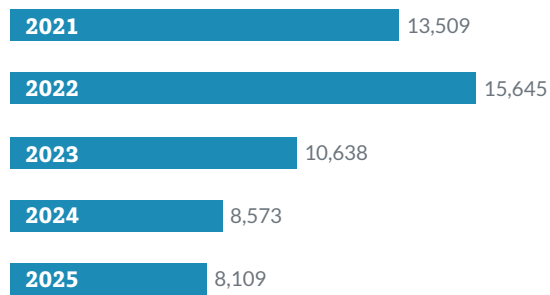


January 2026
Volume XIV, Issue: 1

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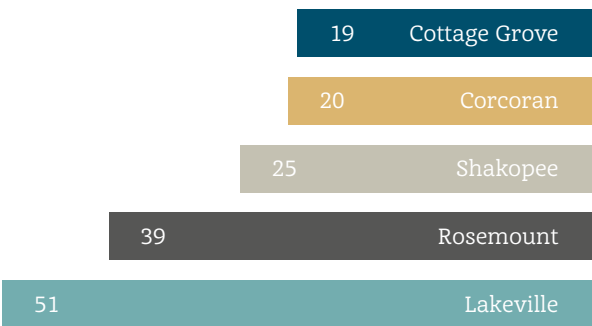
Art Pratt, Housing First Minnesota 2025 Board Chair

Twin Cities Building Activity



Single-Family and Multifamily Units Authorized Year-to-Date | December 2021-25

SOURCE: KEYSTONE REPORT



December Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

Seasonal Slowdown Hits Twin Cities Homebuilding in December

Twin Cities homebuilding experienced a second consecutive month of declines in December, with dips across all areas of the market.

Homebuilders pulled permits for 369 single-family homes in December—a 15% drop in activity from last year. Additionally, builders reported just 13 multifamily units under construction, a 63% decline from December 2024. Multifamily activity accounted for less than a quarter of all construction activity for the month. “December’s slowdown

in homebuilding activity aligns with typical seasonal trends in Minnesota, even as some buyers remain cautious,” said Art Pratt, 2025 board chair of Housing First Minnesota. “Even so, interest in homeownership has remained steadfast, and the year ahead may provide the clarity buyers need to re-engage.”

A total of 375 permits were issued for 382 housing units during the four comparable weeks in December, according to the Keystone Report. For the year, overall new construction was down 2% with 6,207 permits reported for 8,052 units. Single-family construction was down 2% compared to 2024.

“This year, economic conditions affected homebuyers, but the fundamental need for

housing persists,” said James Vagle, CEO of Housing First Minnesota. “Life milestones continue to drive demand, and in an already undersupplied market, adding housing capacity is essential.”

For the month in permits, Lakeville took the top spot with 51 permits. Rosemount came in second with 39 permits, following by Shakopee with 25 units. Corcoran was next with 20 permits. Cottage Grove rounded out the top five with 19 permits.

For the month in units, Lakeville came in on top with 51 permitted units. Rosemount came next with 39 units, followed by Shakopee with 27 units. Corcoran came fourth-highest with 20 units. Cottage Grove and Minneapolis rounded out the top five with 19 units each.



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[Minnesota State and Twin Cities Metro Realtor® Associations]

Buyers Gain Ground on Better Inventory and Lower Rates in 2025

In 2025, sellers were more active than buyers because they had an easier time moving up than first-time buyers had moving in. This trend likely reflects a mix of rising equity, increasing acceptance of the current rate environment, and those life changes that necessitate a move.

Some sellers chose to wait out the higher rate environment as U.S. homeowners are now spending about 11 years in their current homes—the longest tenure in at least 40 years. Most sellers are also buyers, so sellers deciding to stay

put for longer also means they’re not buying homes as often.

While inventory levels were technically lower as of year-end, every other month of 2025 had more active listings than 2024. Statewide inventory fell 0.5% while metro inventory declined 3.9%. But there are still fewer homes for sale now than in 2019 for both the state and metro.

“While buyers were pleased to see more options, not everything was in their ideal price range or location,” said Wendy Uzelac, president of

Minnesota Realtors®. “As the pressure eased, buyers were thoughtful and more selective during their search and also more willing to compromise. Overall, market conditions did favor sellers in most areas.”

The median home price rose 2.9% statewide to \$355,000 and increased 2.6% to \$390,000 in the Twin Cities metro last year. Both are record highs and mark the 14th consecutive year of price gains. This was driven by an ongoing imbalance between supply and demand; higher-end

luxury activity combined with less entry-level activity, wage growth, and a slight decrease in rates.

But the share of statewide sales over \$1M has tripled from 2020 to over 3.5%. Luxury buyers aren’t rate-sensitive like most other buyers and have wealth tied to a rising stock market, so the luxury segment continued to outperform despite the higher rate environment. Second-time or move-up buyers had the luxury of rolling over the equity from their last property.

December 2025 Metro Building Activity

Metro homebuilders had a decrease in permitting activity this month, with 369 permits pulled for single-family homes in December—a 15% decrease from the same time last year.



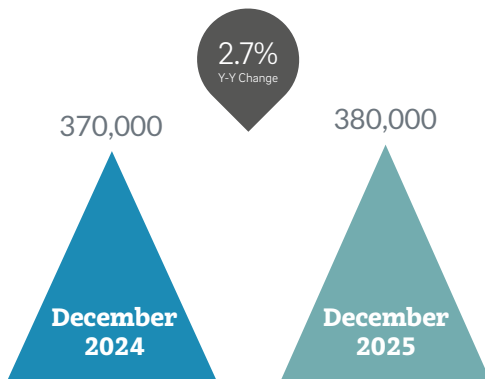
-16%
Y-Y Change

Units YTD:
8,109

Multifamily
3%
of Twin Cities Housing
Units Authorized

Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



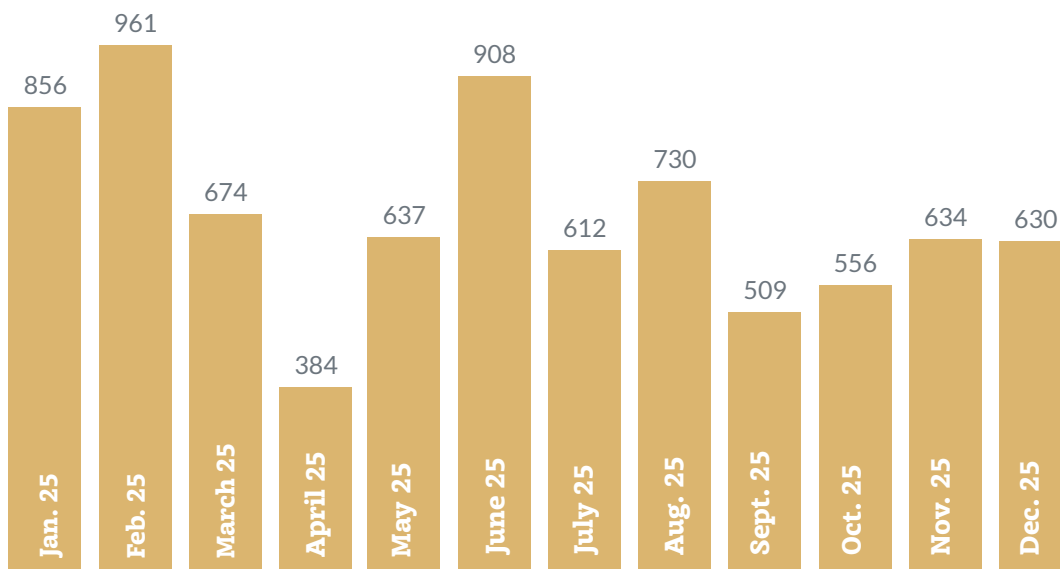
Twin Cities Median Home Price

SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



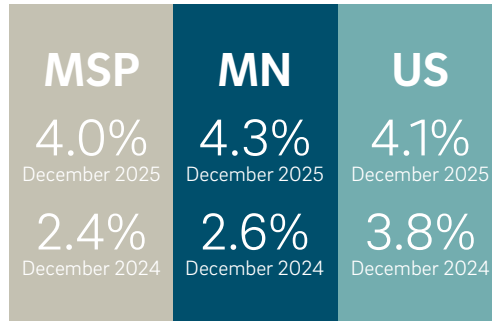
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

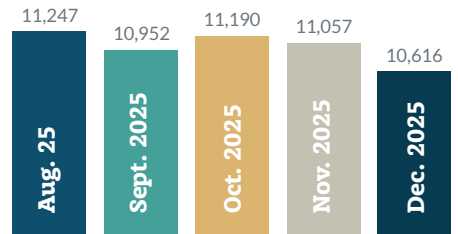
Minnesota's non-seasonally adjusted unemployment rate jumped to 4.3% in December, according to the Minnesota Department of Employment and Economic Development. This is compared to the November rate of 3.9%.

The national unemployment rate decreased slightly from 4.3% in November to 4.1% in December. Construction employment in Minnesota contracted by 6.6% in December across all sectors of the industry.



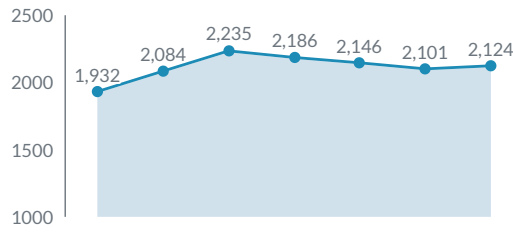
Unemployment Rate Snapshot

SOURCE: DEED-MN



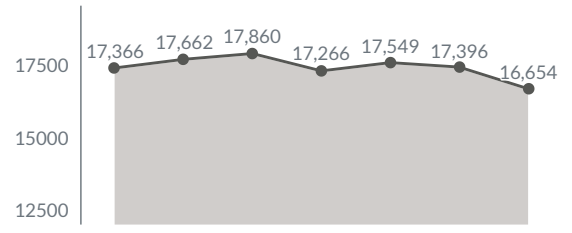
Twin Cities Construction Employment

SOURCE: DEED-MN



Twin Cities Construction Weekly Wages

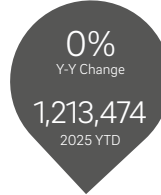
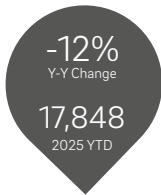
SOURCE: DEED-MN



MN Construction Employment

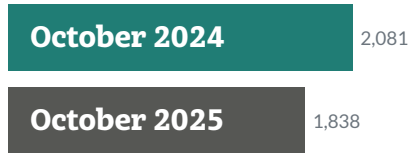
SOURCE: DEED-MN

THIS REFLECTS THE MOST RECENT DATA AVAILABLE AT THE TIME OF PUBLICATION. UPDATES ARE DELAYED DUE TO THE ONGOING FEDERAL GOVERNMENT SHUTDOWN.



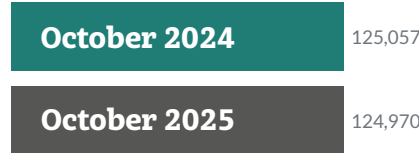
Regional/National Statistics

Existing-home sales rose 5% in December, according to the National Association of REALTORS®. Regionally, sales in the Northeast and Midwest both grew 2% in December and from the previous month. Sales of existing homes in the South rose 6.9% throughout the month, and sales in the West climbed 6.6% year-over-year.



MN Housing Units Authorized

SOURCE: US CENSUS

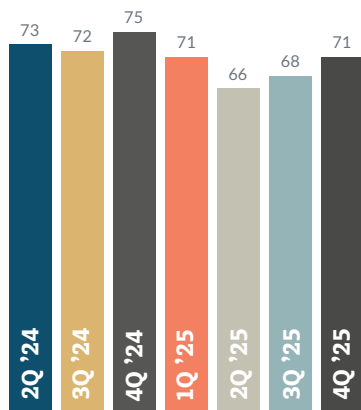


U.S. Housing Units Authorized

SOURCE: US CENSUS

Remodeling Market Indices

SOURCE: NAHB



Current

Futures

Key Indicators

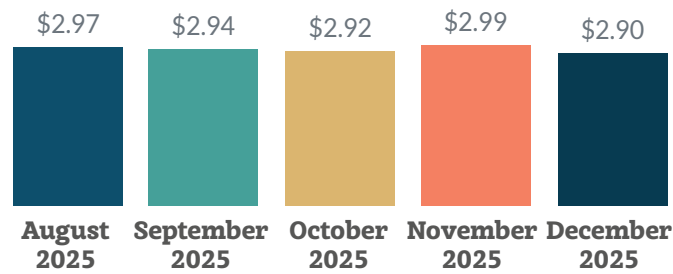
Builder confidence moved lower to start the year, as affordability concerns continue to weigh heavily with buyers, and builders continue to contend with rising construction costs.

Builder confidence in the market for newly built single-family homes fell two points to 37 in January, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index.

"While the upper end of the housing market is holding steady, affordability conditions are taking a toll on the lower and mid-range sectors," said NAHB Chairman Buddy Hughes, a homebuilder and developer from Lexington, North Carolina. "Buyers are concerned about high home prices and mortgage rates, with downpayments particularly challenging given elevated price to income ratios."

In a further sign of ongoing challenges for the housing market, the latest HMI survey also revealed that 40% of builders reported cutting prices in January, unchanged from December but the third consecutive month the share has been at 40% or higher since May 2020. Meanwhile, the average price reduction was 6% in January, up from the 5% rate in December. The use of sales incentives was 65% in January, marking the 10th consecutive month this share has exceeded 60%.

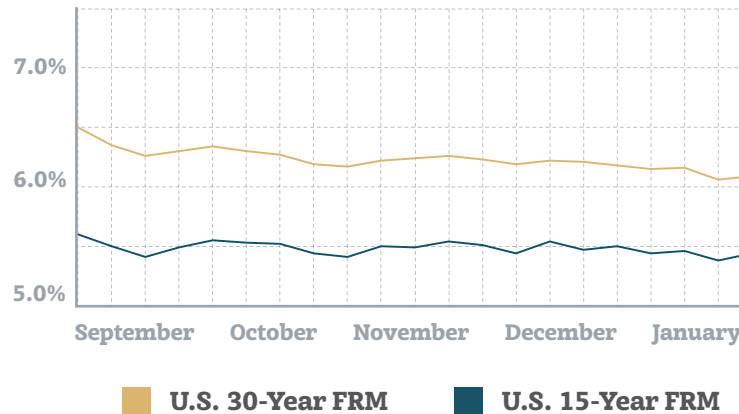
SOURCE: NAHB



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN

Freddie Mac Primary Mortgage Rates (Sept. 2025 - Jan. 2026)



Mortgage Rates

SOURCE: FREDDIE MAC

SOME COMPANIES GUESS.
OTHERS KNOW.

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