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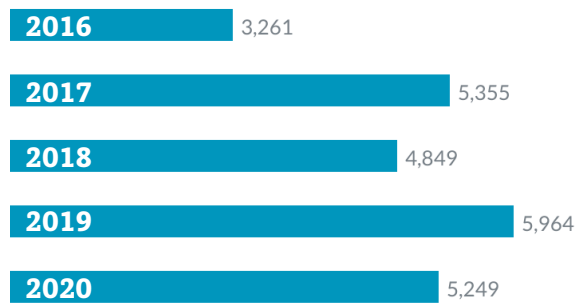
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“Despite the dip in May starts, many builders are still reporting strong interest from buyers. Interest rates remain low and our members have measured expectations for 2020.”

Gary Kraemer, president of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date May 2016-2020

SOURCE: KEYSTONE REPORT

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[Housing First Minnesota]

Minnesota Homebuilding in May Continues to Show Strength

Homebuilding activity declined in the Twin Cities this month as the effects of COVID-19 reached the construction sector. Single-family permits decreased 25% year-over-year to 396 permits pulled in May 2020. Multifamily activity, which had already begun to slow, saw the number of units falling by 72% compared to May 2019, with 365 units permitted.

“We are now seeing some delayed effect of COVID-19 on the new-home market,” said Gary Kraemer, president of Housing First Minnesota. “Despite the dip in May starts, many builders are still reporting strong

interest from buyers. Interest rates remain low and our members have measured expectations for 2020.”

According to data compiled by the Keystone Report for Housing First Minnesota, there were 411 permits issued for a total 761 units during four comparable weeks in the month of May.

“Lower new housing starts will only exacerbate the state’s housing inventory problem,” said David Siegel, executive director of Housing First Minnesota. “Although this decline in starts was expected, it underscores the importance of

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David Siegel, executive director of Housing First Minnesota

zoning reform and other regulatory relief that have the ability to lower new-home costs, allowing the needed and more affordably priced homes to enter the market.”

For the month, Lakeville took the top spot with 45 permits issued. Otsego came in next with 28 permits, followed by Cottage Grove and Plymouth, with 19 permits, and St. Michael and Woodbury with 16 permits.

[Minnesota REALTORS®]

Market Activity up in May from Previous Month, but Down From 2019

According to new data from the Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, market activity was down from last May but increased from this April.

The number of residential showings has reached a new high for the year. The decline in

pending sales was about half that of new listings, as buyers were motivated by record-low mortgage rates. Pending sales were down just 2.5% in the \$350K-500K price range but fell 34.8% on homes between \$750K-1M. For new listings, the reverse was true with the biggest declines in the affordable price range of \$150K-190K and the smallest drop in new listings for homes over \$1M.

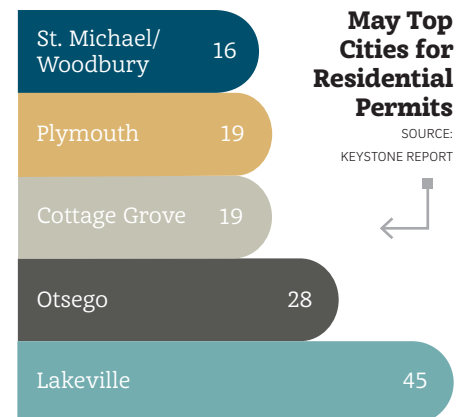
“Activity is moving through the system—fewer April contracts now means fewer closed sales in May,” said Linda Rogers, president of Minneapolis Area REALTORS®. “But smaller

declines in May contracts combined with strong showing activity are reasons for cautious optimism.”

Home prices rose to about \$295K compared to last May, but it was the smallest percentage gain since January 2017. April was the first month on record where the median home price surpassed \$300K. Homes also sold more quickly this May than last, as motivated buyers remained committed, but less serious buyers and “lookers” were not as active. The share of their list price that sellers received declined to 99.6% from 100% last May.

“Activity is moving through the system—fewer April contracts now means fewer closed sales in May. But smaller declines in May contracts combined with strong showing activity are reasons for cautious optimism.”

Linda Rogers, President of Minneapolis Area REALTORS®



May Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

Single-family Permits Pulled 25%
Compared to May 2019

2020 May Metro Building Activity

Homebuilding activity declined in the Twin Cities this month as the effects of COVID-19 reached the construction sector. Single-family permits decreased 25% year-over-year to 396 permits pulled in May 2019. Multifamily activity, which had already begun to slow, saw the number of units falling by 72% compared to May 2019, with 365 units permitted.



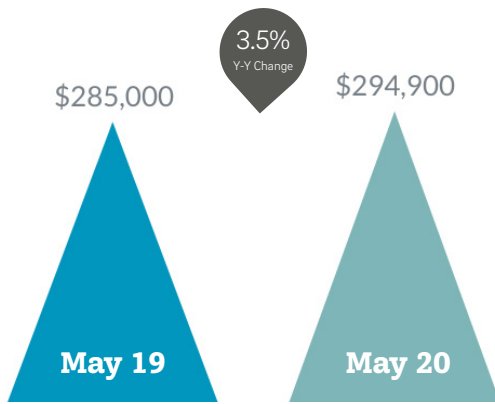
-38.7%
Y-Y Change

**Units YTD:
5,249**

**Multi-Family
48%**
of Twin Cities Housing
Units Authorized

Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



3.5%
Y-Y Change

Twin Cities Median Home Price

SOURCE: MPLS REALTORS

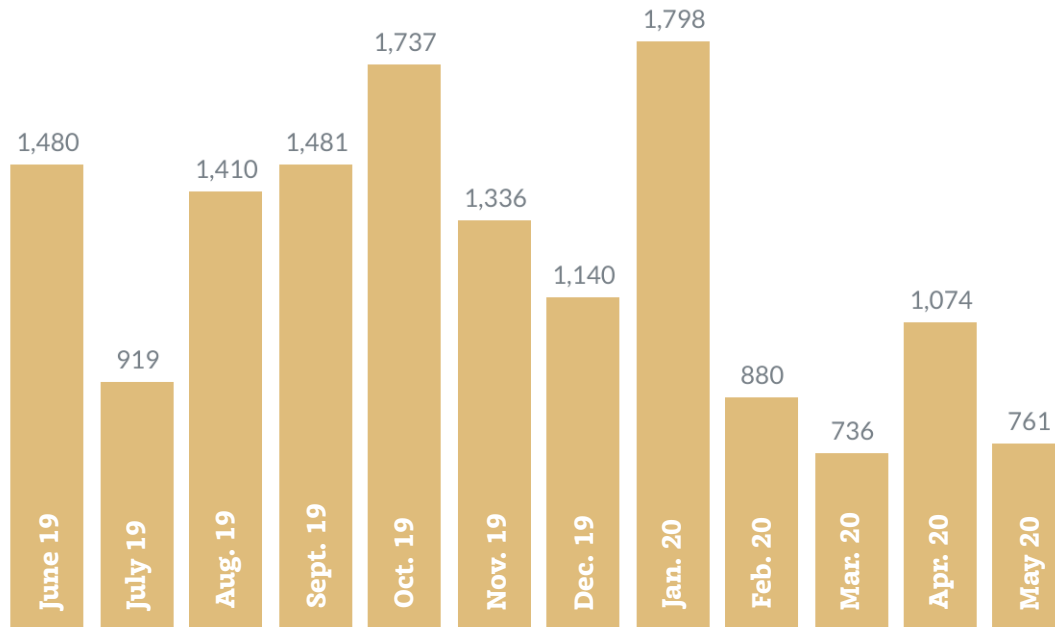


-20.3%
Monthly
change

Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ May 2020 (44.34%) ■ May 2019 (55.66%)



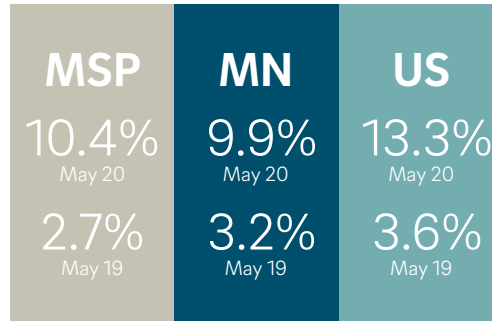
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

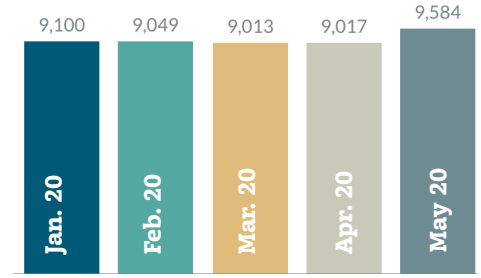
Minnesota's unemployment rate increased to 9.9% as Minnesota's economy slowly reopened, according to the Minnesota Department of Employment and Economic Development (DEED).

"Our economy is facing an unprecedented challenge, which these numbers reflect. Slight job increases this month are a positive sign, but the employment rebound will continue to vary greatly by sector," said DEED Commissioner Steve Grove.



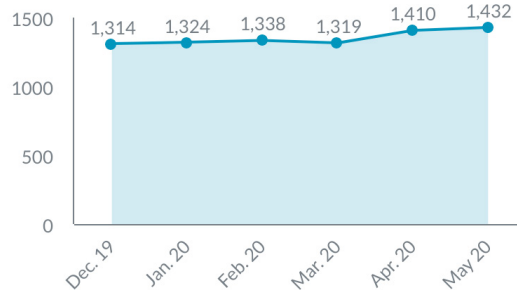
Unemployment Rate Snapshot

SOURCE: DEED-MN



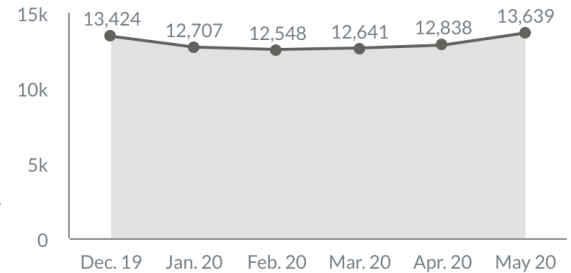
Twin Cities Construction Employment

SOURCE: DEED-MN



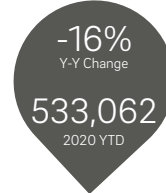
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

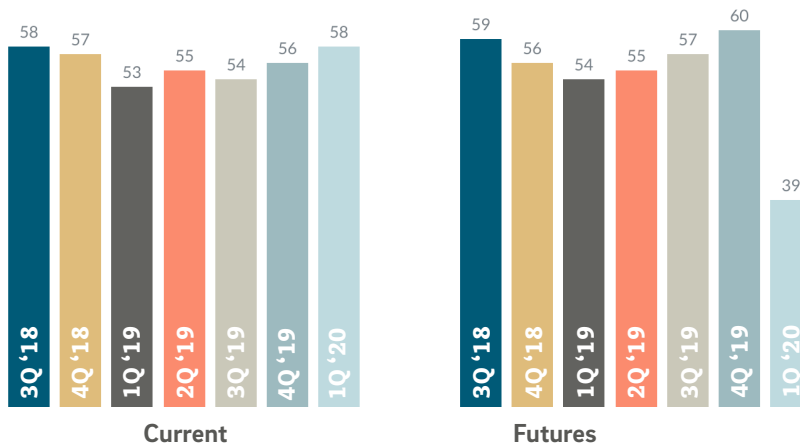
SOURCE: US CENSUS

Regional/National Statistics

Single-family homebuilding, which accounts for the largest share of the housing market, increased 676,000 units in May. Single-family housing starts increased in all four regions of the country; the Northeast (6.8%), the Midwest (9.5%), the South (0.3%), and the West (1.4%).

Remodeling Market Indices

SOURCE: NAHB

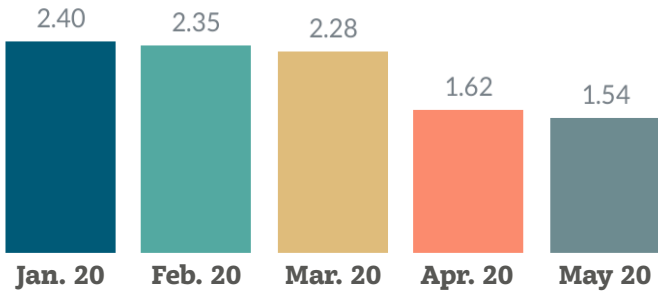


Key Indicators

Continuing low interest rates on mortgages are fueling the housing market's recovery as more potential buyers enter the market. Homebuying activity is up over 20%; this is the largest volume of activity since January 2009.

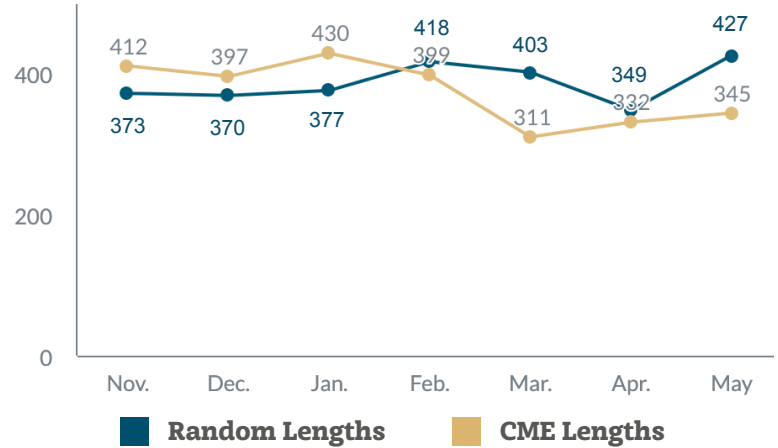
"The pent-up demand from homebuyers returning to the market continues to support a recovery from the weekly declines observed earlier this spring," said Joel Kan, an economist with the Mortgage Bankers Association.

Gas prices trended down in the last month. The national average price for a gallon of gas is \$1.54, according to AAA. The current average price is down 8 cents from last month.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM JUNE 30, 2020
SOURCE: ASSOCIATED BANK

30 Year	3.25%
30 Year Fixed FHA	3.25%
15 Year	2.5%
5 Year ARM	2.875%
30 Year Jumbo	3.125%

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