“As seen with the strong turnout during the Spring Parade of Homes, demand from buyers is not waning. While higher mortgage rates continue to put a damper on the housing market, the lack of existing housing inventory is encouraging many homebuyers to build new.”

John Quinlivan, board chair of Housing First Minnesota

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

Prices Resume Their Ascent; Sale Declines Moderating; Sellers Still Sluggish

Prices were down slightly in April and May but up 0.5% in June. April marked the first year-over-year price decline since February 2012. Half of all homes sold for over $382,000. But as in April and May, sellers in June still accepted offers above list price despite a decline in sales—a dynamic that reflects the lack of supply despite rising mortgage rates.

“Some remain convinced of an impending crash, but we’re still not seeing it,” said Brianne Lawrence, president of the Saint Paul Area Association of REALTORS®. “Two months of prices softening around 1.0% before climbing again is more like a blip or pause than a downturn.”

June sellers brought 16.5% fewer new listings to market than last year. Inventory levels slid 9.0% lower. Some sellers are choosing to stay put and wait instead of selling for a lower price. Most sellers are also buyers and are reluctant to trade away their 3.0% interest rate for 6.8%.

Both supply and demand have come down in tandem, meaning the balance between buyer and seller activity has remained tight.

Inventory levels fell 13.4% in June to 7,492 active listings. The market still favors sellers, but not to the same degree as the last few years. Our 2.0 months of supply of inventory was up 17.6%. Typically 4-6 months of supply are needed to achieve a balanced market.

Twin Cities Building Activity

<table>
<thead>
<tr>
<th>Year</th>
<th>Units Authorized</th>
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<tbody>
<tr>
<td>2019</td>
<td>7,444</td>
</tr>
<tr>
<td>2020</td>
<td>6,604</td>
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<tr>
<td>2021</td>
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<td>12,003</td>
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<td>2023</td>
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Units Authorized Year-to-Date

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<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>7,444</td>
<td>6,604</td>
<td>6,983</td>
<td>12,003</td>
<td>4,657</td>
</tr>
</tbody>
</table>

SOURCE: KEYSTONE REPORT

Homebuilding Slowdown in the Twin Cities Continues

Single-family home construction in the Twin Cities remains behind last year’s pace but continues to pick up speed. Multifamily construction activity in the metro continues to slow. Twin Cities builders pulled permits for 524 single-family homes this month, a 9% drop from June 2022. The 9% drop in single-family activity is the smallest decrease in year-over-year permit activity seen in 2023.

Multifamily construction saw even steeper drops with permits pulled for only 201 units, a staggering 165% plunge in units compared to last year.

“As seen with the strong turnout during the Spring Parade of Homes, demand from buyers is not waning,” said John Quinlivan, 2023 board chair of Housing First Minnesota. “While higher mortgage rates continue to put a damper on the housing market, the lack of existing housing inventory is encouraging many homebuyers to build new.”

There were 540 permits issued for a total of 725 units during four comparable weeks in the month of June, according to the Keystone Report.

“There is a severe undersupply in our market right now, which is completely pricing out first-time homebuyers and move-up buyers,” said James Vagle, CEO of Housing First Minnesota. “There has never been a more critical time for our state to find ways to build affordable homes for all Minnesotsans.”

For the month in permits, Woodbury took the top spot with 47 permits issued. Blaine came in next with 37 permits. Lakeville was next with 36 permits. Cottage Grove and Rogers rounded out the top five with 29 permits each.

For the month in units, Lakeville came in on top with 129 permitted units. Cambridge came in next with 66 units, followed by Woodbury with 47 units. Blaine with 37 units and Cottage Grove with 34 units rounded out the top five.

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June 2023 Metro Building Activity

Single-family home construction in the Twin Cities remains behind last year's pace but continues to pick up speed. Multifamily construction activity in the metro continues to slow. Twin Cities builders pulled permits for 524 single-family homes this month, a 9% drop from June 2022. The 9% drop-in single-family activity is the smallest decrease in year-over-year permit activity seen in 2023. Multifamily construction saw even steeper drops with permits pulled for only 201 units, a staggering 165% plunge in units compared to last year.

Twin Cities Housing Permits Authorized
SOURCE: KEYSTONE REPORT

Units YTD: 4,657
Multifamily 28% of Twin Cities Housing Units Authorized

Twin Cities Median Home Price
SOURCE: MPLS REALTORS

- $380,000 June 22
- $382,000 June 23

0.5% Y-Y Change

Twin Cities Total Active Listings
SOURCE: MPLS REALTORS

- 7,492 June 22
- 8,656 June 23

-13.4% Monthly Change

Metro Building Units - Past 12 Months
SOURCE: KEYSTONE REPORT

<table>
<thead>
<tr>
<th>Month</th>
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<td>Nov. 22</td>
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<td>May 23</td>
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<tr>
<td>June 23</td>
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</table>
Employment

Minnesota’s unemployment rate rose in June to 3.4%, according to the Minnesota Department of Employment and Economic Development (DEED). This is compared to the May rate of 2.9%.

The national unemployment rate also increased from 3.4% in May to 3.8% in June.

Regional/National Statistics

Sales of existing homes slightly decreased 3.3% in June, according to the National Association of REALTORS®.

Regionally, sales in the Northeast increased 2% and were flat in the Midwest. In the South, sales fell 5.4% over the previous month, and in the West sales decreased 5.1% from May.
### Key Indicators

Demand for new mortgages is dropping nationwide as interest rates remain stubborn.

The average 30-year mortgage has been hovering around 7% for the last few weeks, despite no new rate hikes from the Federal Reserve since last month. As a result, buyers are remaining on the sidelines to see if rates will come down in the near future.

According to the Mortgage Bankers Association, mortgage applications were down 23% from the previous year.

![Chart showing MN Monthly Retail Gasoline Prices and Framing Lumber Prices](chart.png)

**MN Monthly Retail Gasoline Prices**

*SOURCE: ENERGY INFORMATION ADMIN*

**Framing Lumber**

*SOURCE: NAHB*

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**LATEST NEWS**

**Parade of Homes marks 75 years of home tours**

The Parade of Homes is set to celebrate over seven decades of home tours this fall. In 1948 the Minneapolis Builders Association came together with a vision to showcase the best of new construction to potential homebuyers. Originally named the “Trend Home,” six builders collaborated to set the stage for what would later be known [...]

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