

HOT SHEET



October 2016
Volume IV, Issue: 10

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NAHB Chief Economist, Robert Dietz

Twin Cities Building Activity



Permits Authorized Year-to-Date August 2012-2016

SOURCE: KEYSTONE REPORT

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[NAHB]

NAHB: New Home Sales: Solid August

Sales of newly-built, single-family homes fell 7.6% on a monthly basis in August to a 609,000 seasonally adjusted annual rate according to estimates from the Census Bureau and HUD. However, the monthly change masks the fact that the August pace of new home sales was the second strongest since the end of the Great Recession.

New home sales for August were almost 21% stronger than August of 2015, and on a year-to-date basis, sales of new single-family homes are 13.3% higher than this time last year. The trend is rising for new home sales, and NAHB expects continued growth in the year ahead given tight new and existing home inventories.

Inventory did manage a slight gain in August.

However, with just 235,000 homes for sale (seasonally adjusted), at the current sales pace there exists a thin 4.6 months' supply. On a non-seasonally adjusted basis, there were only 56,000 completed, ready-to-occupy homes on the market as of August.

A broadening of the supply mix also continued for the new, single-family home market. Median sales price of new home sales fell from \$300,200 from August 2015 to \$284,000 last month. On a distributional basis, in August of 2015 29% of sales occurred in the \$200,000 to \$300,000 price range. Last month, this share increased to 37% of sales, with the \$300,000 to \$400,000 range falling from 25% to 20%.

Overall, the August

“... the August pace of new home sales was the second strongest since the end of the Great Recession.”

NAHB Chief Economist, Robert Dietz

numbers were solid, declining less from a cycle high pace set in July than many analysts expected. Inventory remains tight and continues to support our forecast of continuing single-family construction gains into 2017. Demand should continue to grow, and industry growth will be limited by supply-side concerns, most notably lack of labor and lots. The third “L” of the supply-side of the market (AD&C lending), continues to expand, with residential construction loans up more than 16% over the last year.

[BATC]

Twin Cities Residential Construction Activity Stalls in August

While single-family construction continued to climb in August, it wasn't enough to keep the five-month new residential construction hot streak alive. For the first time in five-months, permit numbers took a slight dip, down one percent when compared to this month last year. Year-to-date single family permits are up 10 percent compared to 2015 and

all new construction permits year-to-date are up 9 percent.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 465 permits issued for a total of 888 units during four comparable weeks in the month of August 2016.

“With low inventory in the existing housing market, we know that families are struggling to find homes in the community they love, which is likely fueling the continued rise in new single-family homes,” said Meg Jaeger, the Builders Association of the Twin Cities 2016 President. “Our Fall Parade of Homes opens on

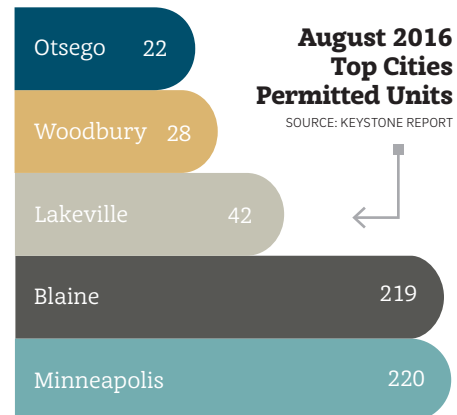
September 10th and may be just the resource they need to find the right home and neighborhood.”

“All of the ingredients for a growing new construction housing market are in place,” said BATC Executive Director, David Siegel. “But, we continue to see rising construction and development costs plus increased regulation that may put a damper on the market.”

For the month, Minneapolis took the top spot with 220 permitted units, followed by Blaine with 219 and Lakeville with 42. Rounding out the top five were Woodbury with 28 units and Otsego with 22 units.

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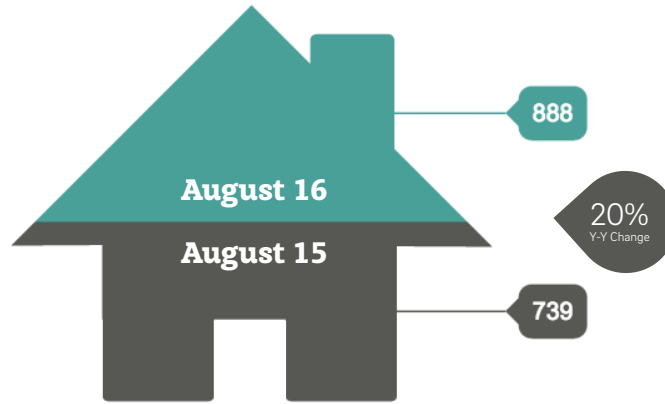
Meg Jaeger, the Builders Association of the Twin Cities 2016 President



Single-family Permits ↑ 10%
Compared to August 2015

2016 August Metro Building Activity

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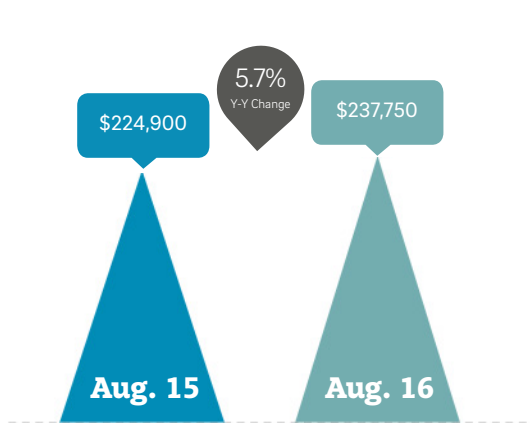


YTD:
5,868

Multi-Family
49%
of Twin Cities Housing Units Authorized

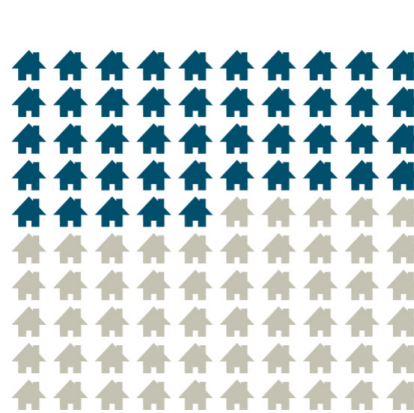
Twin Cities Housing Units Authorized

SOURCE: KEYSTONE REPORT



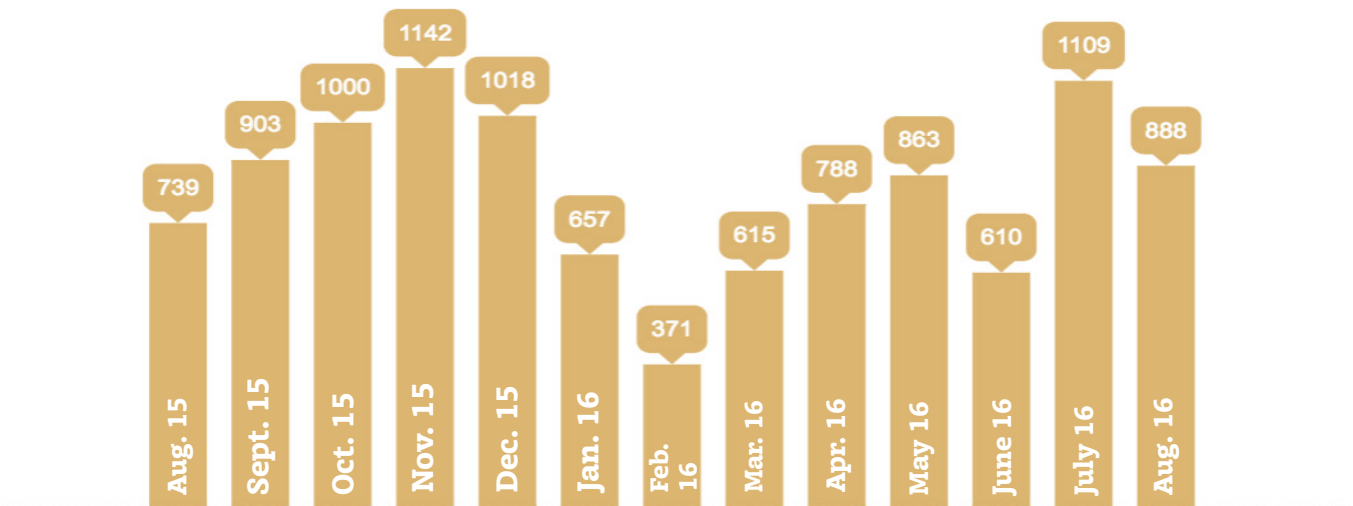
Twin Cities Median Home Price

SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

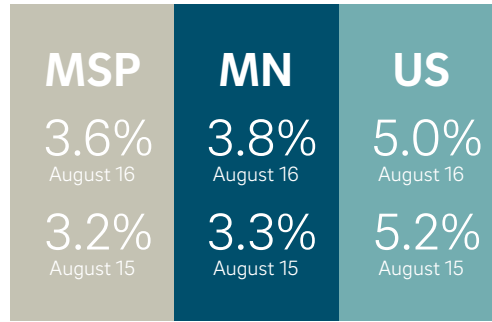


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

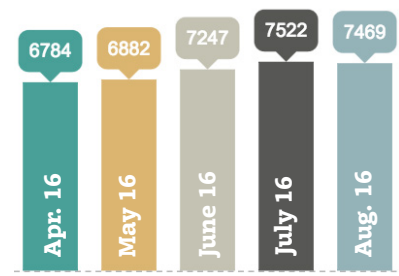
Employment

U.S. employers added a decent 156,000 jobs in September, even while an influx of job seekers lifted the unemployment rate slightly to 5 percent. The rise in people seeking work is an encouraging sign that Americans are more optimistic about their prospects. The state's unemployment rate increased from 3.9 percent to 4 percent in August. The national unemployment rate held steady at 4.9 percent.



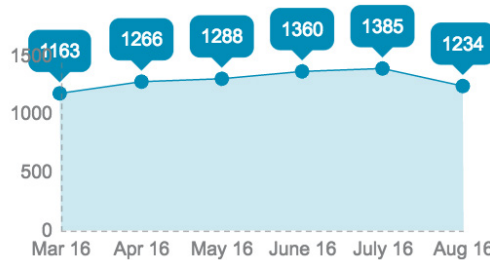
Unemployment Rate Snapshot

SOURCE: DEED-MN



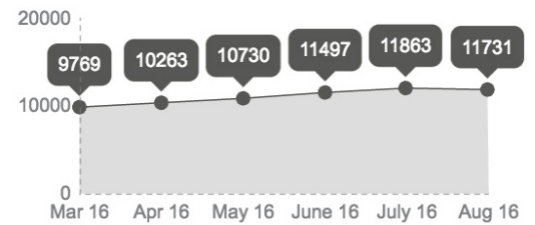
Twin Cities Construction Employment

SOURCE: DEED-MN



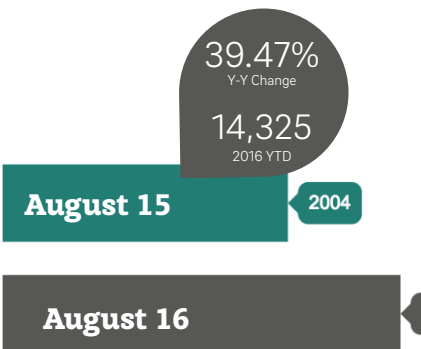
Twin Cities Construction Weekly Wage

SOURCE: DEED-MN



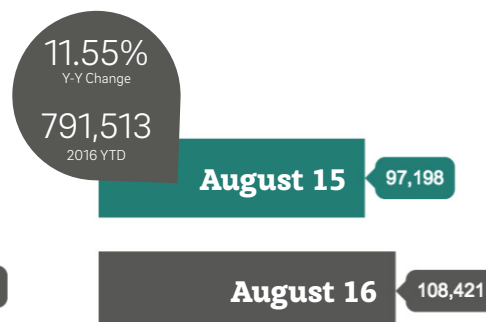
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS

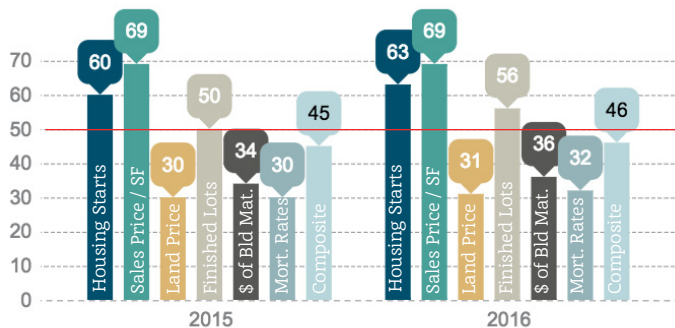


US Housing Units Authorized

SOURCE: US CENSUS

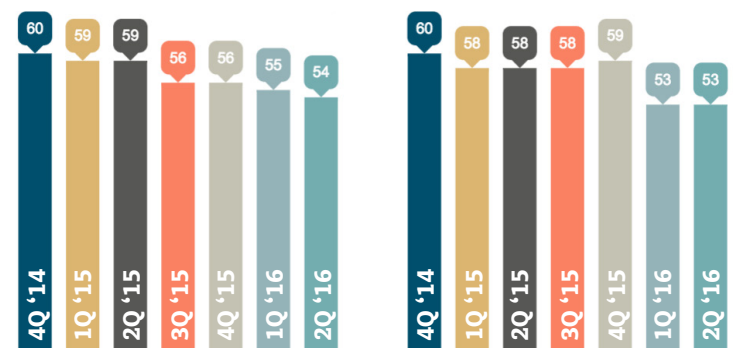
Regional/National Statistics

The three-month moving averages for the Home Builders Market Index scores posted gains in three out of the four regions. The Northeast and South each registered a one-point gain to 42 and 64, respectively, while the West rose four points to 73. The Midwest was unchanged at 55.



Twin Cities Home Builders Survey

SOURCE: UNIVERSITY OF ST. THOMAS & BUILDERS ASSOCIATION OF THE TWIN CITIES
(OVER 50 IS POSITIVE, BELOW 50 IS NEGATIVE)



Current

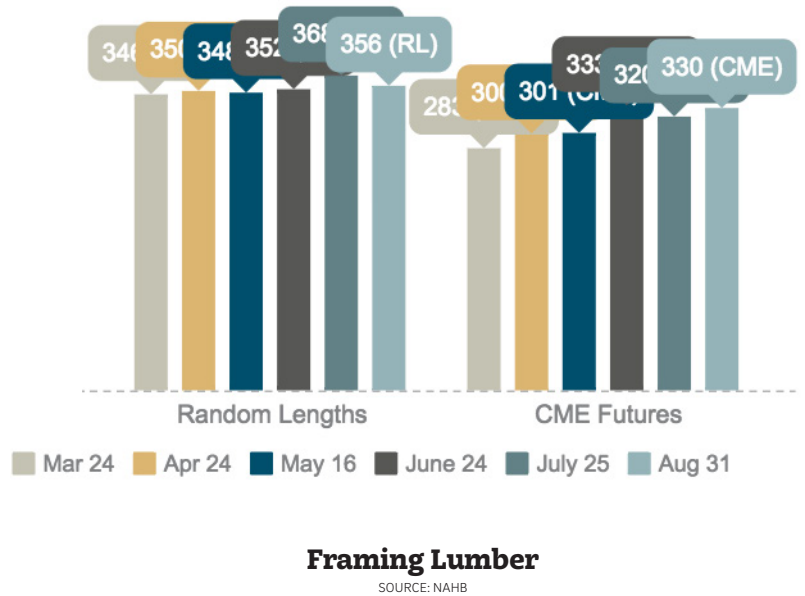
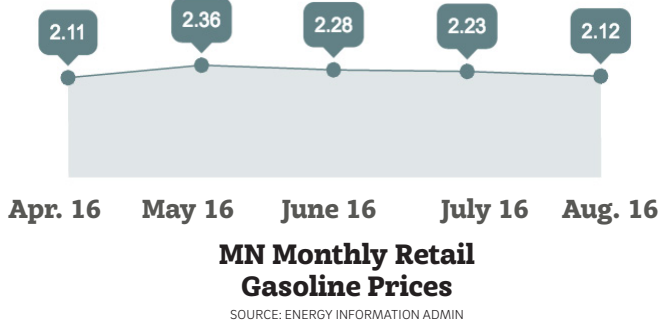
Futures

Remodeling Market Indices

SOURCE: NAHB

Key Indicators

Abundant supplies of gasoline have contributed to starkly lower gas prices across the country during this summer's driving season. However, the U.S. Department of Energy reported the largest gasoline supply decline since April which was enough to at least temporarily reverse the lengthy slide in pump prices. Demand for softwood lumber in the US has expanded continually so far in 2016. During the first five months of 2016, lumber consumption was 14.2% higher than during the same period in 2015, according to WWPA.



Mortgage Rates

FROM SEPTEMBER 31, 2016
SOURCE: WELLS FARGO



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