



December 2018
Volume VI, Issue: 12

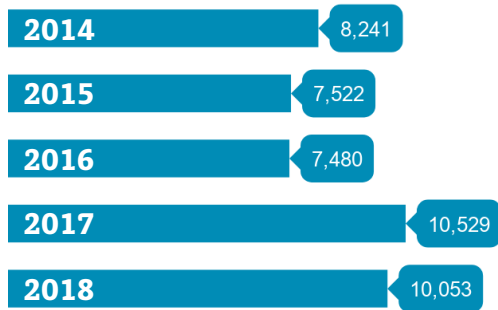
Sponsored by:



"The housing affordability problem continues to grow as interest rates, labor costs and material costs are all on the rise. We need our local and state government to take a serious look at how we can bring down the cost of new housing in Minnesota."

David Siegel, Executive Director of BATC-Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date October 2014-2018

SOURCE: KEYSTONE REPORT

LOVE INDUSTRY DATA & NEWS?

FOLLOW THE BATC-HOUSING FIRST MINNESOTA DAILY BLOG AT BATC.ORG

[BATC-Housing First Minnesota] Single-Family Construction Remains Steady in October

After a slow September, single-family construction picked back up in October, putting it on pace with single-family homebuilding in 2017. For the month, the number of single-family permits pulled climbed to 467, up 4 percent compared to October 2017. Townhome construction continued its hot streak with 25 permits pulled, an increase of 25 percent over October of last year. Large multifamily projects slowed in October with 291 permitted units, a 32 percent decrease from this month last year.

According to data compiled by the Keystone Report for BATC-Housing First Minnesota, there were 495 permits issued for a total

of 852 units during four comparable weeks in the month of October.

"Our builders reported a high number of interested homebuyers during the fall Parade of Homes, but price remains a barrier for many buyers" said Tom Wiener, president of BATC-Housing First Minnesota. "The concern is that the growing labor shortage and increasing construction costs will hold back homebuyers going forward."

"The housing affordability problem continues to grow as interest rates, labor costs and material costs are all on the rise," said David Siegel, executive director of BATC-Housing

"Our builders reported a high number of interested homebuyers during the fall Parade of Homes, but price remains a barrier for many buyers."

Tom Wiener, president of BATC-Housing First Minnesota

First Minnesota. "We need our local and state government to take a serious look at how we can bring down the cost of new housing in Minnesota."

For the month, Lakeville took the top spot with 38 permits issued. Plymouth came in next with 29 permits, followed by Woodbury with 25 permits. Rounding out the top five are Otsego and Hugo both with 19 permits issued.

[MAAR]

SUPPLY TIGHT BUT FLATTENING, PRICES STILL RISING, SALES FLUCTUATING

As sentiments regarding the direction of housing markets have changed, it's worth remembering two key facts. First, all housing is local—what's happening in San Francisco, Seattle and Denver is not reflective of the Minneapolis-St. Paul market. Second, the housing market faces fewer risks than in the mid-2000s.

After years of strong buyer activity and weak seller activity, the tides seem to finally be shifting. Five of the last six months showed increases in new listings; while five of the last six months also had decreases in pending sales. It's worth noting there's a significant difference between deceleration and contraction. The market is decelerating, but not yet contracting. Prices continue to rise, homes are selling in less time and sellers are yielding a higher share of their list price.

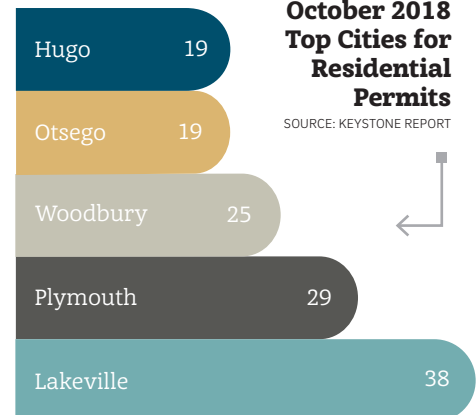
Excluding September 2018, October had the smallest decline in active listings since May 2015, and those long-awaited inventory

gains could arrive as early as next year. Months supply was stable at 2.4 months, suggesting a tight market but also a flattening out pattern. Rising rates could impact some budget-conscious buyers.

The lack of supply is especially noticeable at the entry-level prices, where multiple offers and homes selling for over list price are commonplace. The move-up and upper-bracket segments are less competitive and—for the most part—much better supplied. Inventory could double while sales remain stable and we'd still have less than 5 months of supply.

"The lack of supply is especially noticeable at the entry-level prices, where multiple offers and homes selling for over list price are commonplace."

David Arbit, MAAR



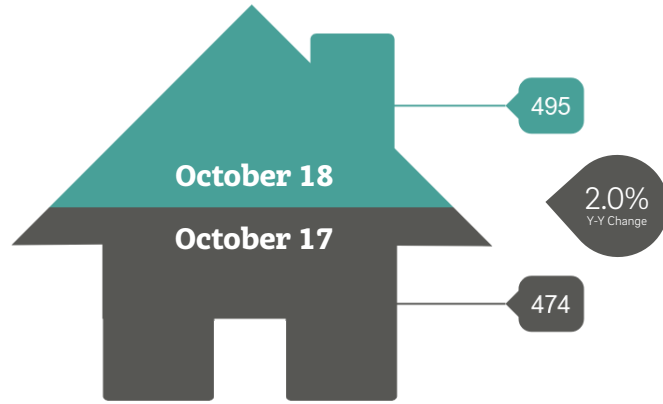
October 2018 Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

Single-Family Permits
↑ 4%
Compared to October 2017

2018 October Metro Building Activity

After a slow September, single-family construction picked back up in October, putting it on pace with single-family homebuilding in 2017. For the month, the number of single-family permits pulled climbed to 467, up 4 percent compared to October 2017. Townhome construction continued its hot streak with 25 permits pulled, an increase of 25 percent over October of last year. Large multifamily projects slowed in October with 291 permitted units, a 32 percent decrease from this month last year.

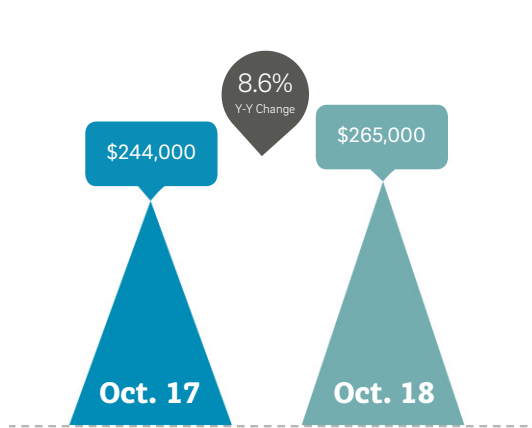


Units YTD:
10,053

Multi-Family
52%
of Twin Cities Housing Units Authorized

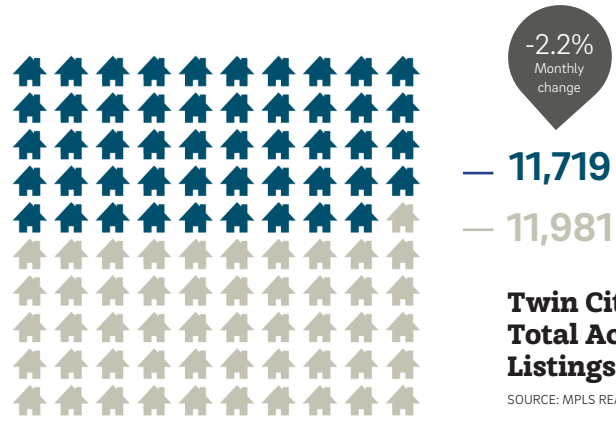
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



Twin Cities Median Home Price

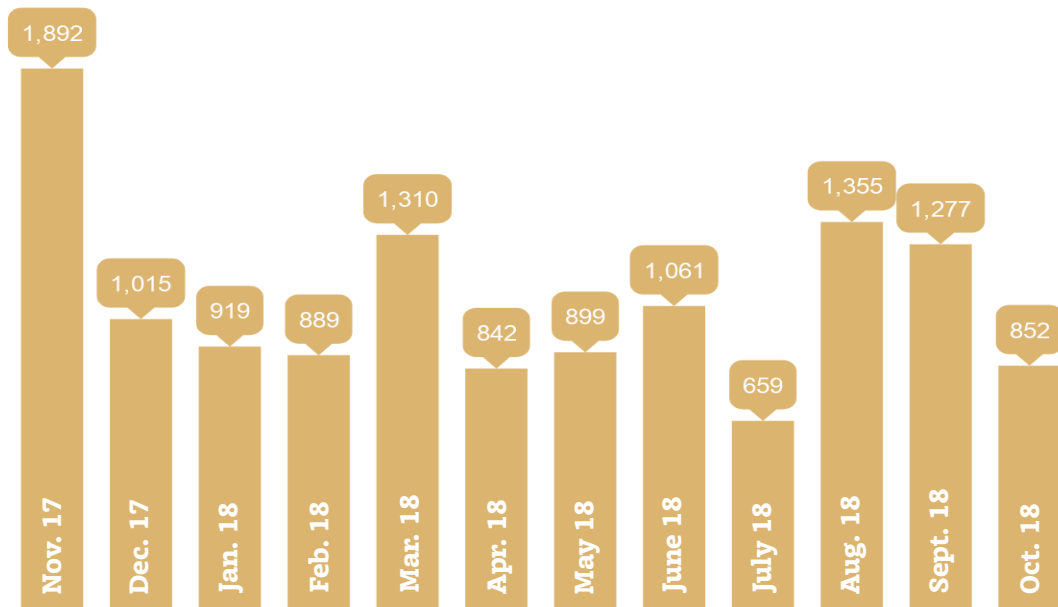
SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ Oct. 2018 (49.45%) ■ Oct. 2017 (50.55%)

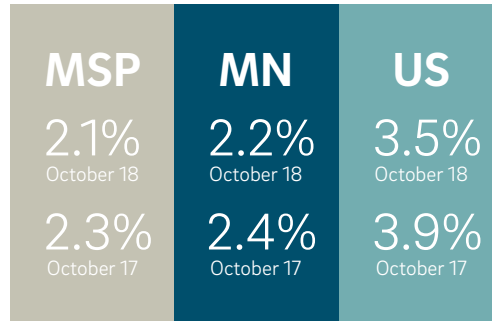


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

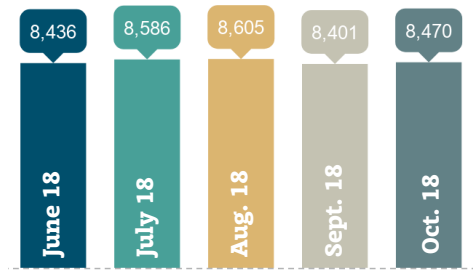
Employment

Minnesota employers have added jobs at a slower rate this year compared to 2017. Measured on a yearly basis, Minnesota's hiring momentum slowed this fall. Compared to the rest of the country, in the past 12-months through October Minnesota added 36,450 jobs, a growth rate of 1.2 percent. The U.S. labor force grew at a 1.7 percent rate in the same period.



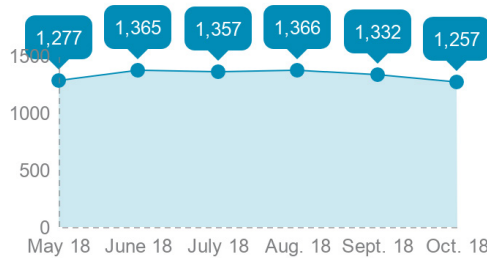
Unemployment Rate Snapshot

SOURCE: DEED-MN



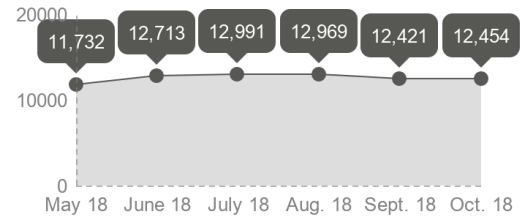
Twin Cities Construction Employment

SOURCE: DEED-MN



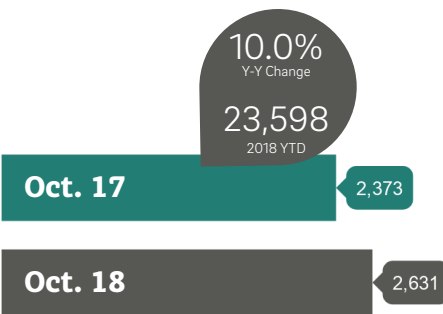
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



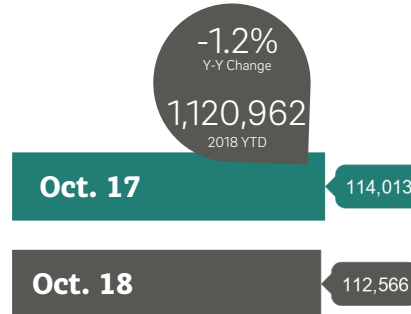
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

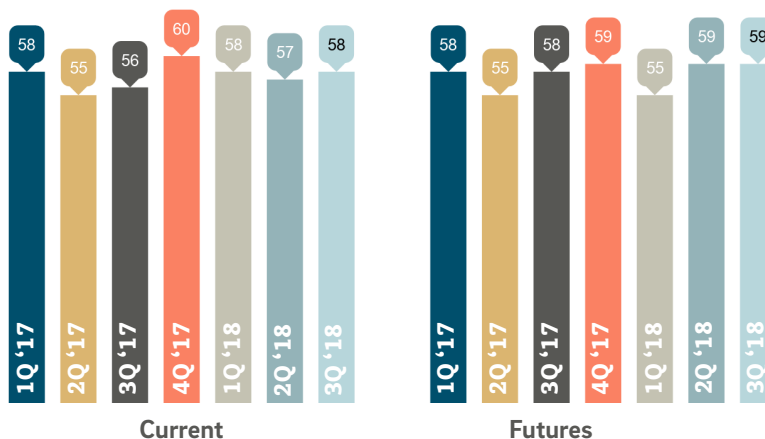
SOURCE: US CENSUS

Regional/National Statistics

Nationally sales of new single-family homes tumbled to a more than 2½-year low in October amid sharp declines in all four regions of the U.S., further evidence that higher mortgage rates are putting a damper on the housing market. New home sales in the South declined 7.7 percent to their lowest level since July 2017. Sales fell 3.2 percent in the West and plunged 18.5 percent in the Northeast to their lowest level since September 2015. They tumbled 22.1 percent to a 2½-year low in the Midwest.

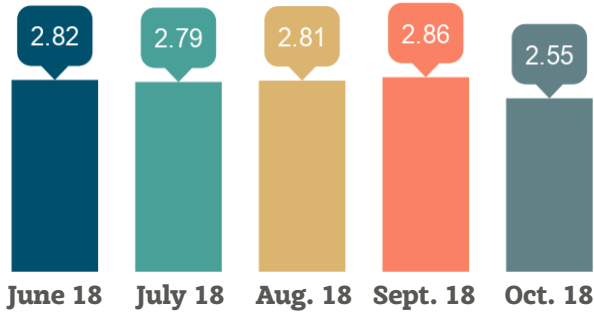
Remodeling Market Indices

SOURCE: NAHB



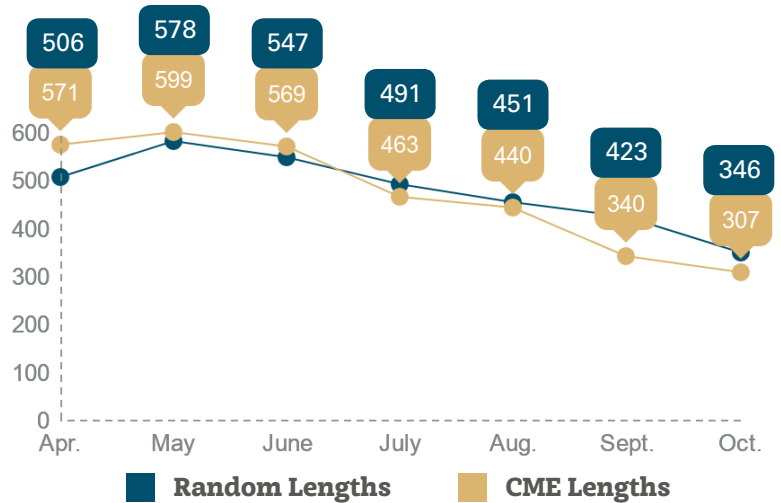
Key Indicators

Lumber prices are now at their lowest levels since the first month of 2017. The drop in lumber costs is welcome news after months of concerns over rising material costs, trade war pressures, and labor costs. The rise in homebuilding costs has contributed to new home sales hitting the largest string of declines since 2010.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM DECEMBER 26, 2018
SOURCE: ASSOCIATED BANK



A DREAM HOME

DOESN'T HAVE TO BE A DREAM.

Each one of your customers is building their home because they have a vision. Our loan officers are experienced in finding construction financing options that are built to their specifications.

Contact your local mortgage lending expert below.

Michael Fannon
Bloomington
651-554-8719
NMLS: 524057

Randy Hoeschen
St. Louis Park
952-591-2897
NMLS: 524058

Stuart Mansk
Savage
651-306-1874
NMLS: 553805

Daniel Nugent
Plymouth
763-694-2844
NMLS: 500985

Mark Tripp
St. Paul
651-523-6311
NMLS: 524105



Loan Products are offered by Associated Bank, N.A., and are subject to credit approval and involve interest and other costs. Please ask about details on fees and terms and conditions of these products. Property insurance and flood insurance, if applicable, will be required on collateral. Member FDIC. Equal Housing Lender. (1/18) 11359

