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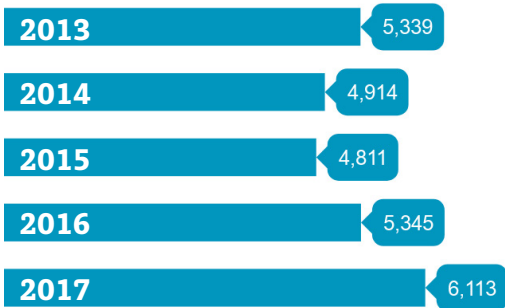


"After years of slow growth the housing industry is finally seeing an increase in production that is necessary for the market. Housing inventory is at an all-time low, we expect to see new home construction pick up in 2018 as demand continues to rise."

Bob Michels, Housing First Minnesota President



Twin Cities Building Activity



Permits Authorized Year-to-Date December 2013-2017

SOURCE: KEYSTONE REPORT

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[BATC-Housing First Minnesota]

2017 Marks Best Year in a Decade for Twin Cities Home Builders

Single-family construction ended the year on a high note, with a 36 percent increase in production over December 2016. Multi-family activity also had a very strong month with a 1,100 percent increase in units. Twin Cities residential construction ended 2017 with 6,113 permits pulled for 13,436 units, the highest number of permits since 2006 and the highest number of units since 2005.

According to data compiled by the Keystone Report for Housing First Minnesota, there were 392 permits issued for a total of 1,015 units during four comparable weeks in

the month of December.

"After years of slow growth the housing industry is finally seeing an increase in production that is necessary for the market," said Bob Michels, president of Housing First Minnesota. "Housing inventory is at an all-time low, we expect to see new home construction pick up in 2018 as demand continues to rise."

"While we expect to see residential construction pick up the pace, there are several factors that will slow the growth that is needed in the market," said David Siegel, executive director of Housing First Minnesota. "Our industry

"Our industry is facing a serious labor shortage along with high regulatory costs."

David Siegel, executive director of Housing First Minnesota

is facing a serious labor shortage along with high regulatory costs. Both will continue to constrain the homebuilding industry and have an impact on housing affordability in 2018."

For 2017, Lakeville took the top spot with 502 permits issued. Plymouth came in next with 380 permits, followed by Blaine with 327 permits. Rounding out the top five are Lake Elmo with 261 permitted units and Woodbury with 258 permits issued.

[MAAR]

HOME PRICES REACH RECORD HIGH; HOME SALES REACH 12-YEAR HIGH

By David Arbit, Minneapolis Area Association of REALTORS

The big story of 2017 was threefold: the median sales price reached an all-time high; closed sales reached a 12-year high; and inventory levels reached a 15-year low. Sales nearly broke their all-time record, but fell just 12 units short of their all-time 2004 high. Seller activity declined slightly for a second year. Near-record sales activity combined with weaker seller activity exacerbated the supply shortage. For-sale housing supply fell to a 15-year low. This

shortage has created a competitive environment where multiple offers have become more common.

Sellers are receiving strong offers in record time, but this fast-paced market can frustrate some consumers. Days on market fell to an 11-year low. Absorption rates fell to 1.4 months of supply at year-end, also a 15-year record low. Foreclosure activity fell for a sixth straight year and is back below 2007 levels. Although single-family homes made up about 75.0 percent of all sales, both townhomes and condos showed a stronger increase in sales. Similarly, previously-owned homes made up about 93.0 percent of sales but new construction showed a much stronger increase.

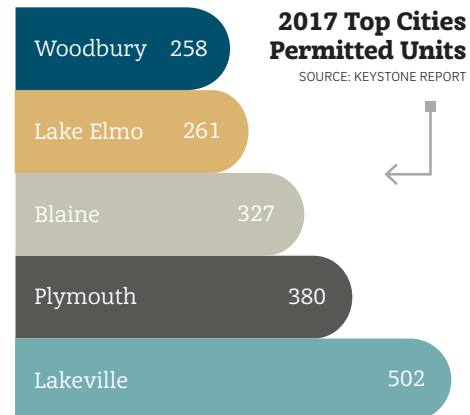
"It was an interesting year in a lot of ways. In addition to record prices

and near-record sales, the inventory shortage and some affordability concerns also took center stage. Our region is extremely high-performing when it comes to homeownership, employment, education and quality of life. That said, as some market challenges get resolved, expect homeownership to remain an attractive opportunity moving forward," said Kath Hammerseng, president of the Minneapolis Area Association of REALTORS®.

Sellers posted their second consecutive decrease in activity. New listings were down a slight 2.2% compared to 2016. Many sellers are still motivated by rising prices and quick market times, some sellers have decided to wait it out, enjoy the ride up and hope for more inventory choices before they list their home for sale.

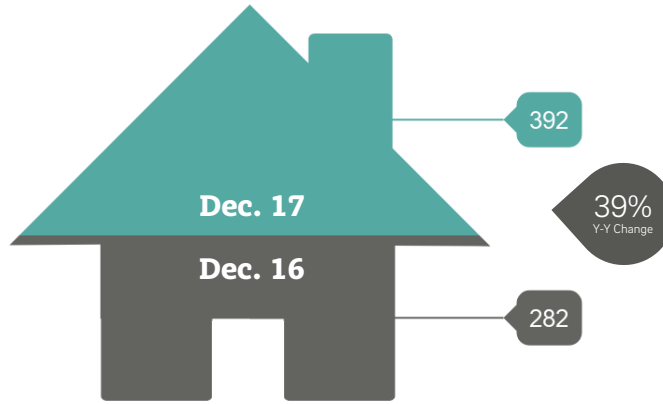
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Kath Hammerseng, Minneapolis Area Association of REALTORS® (MAAR) President



2017 December Metro Building Activity

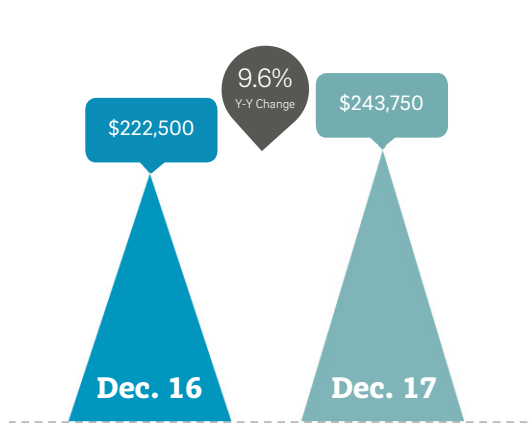
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Units YTD: 13,436
Multi-Family 64%
of Twin Cities Housing Units Authorized

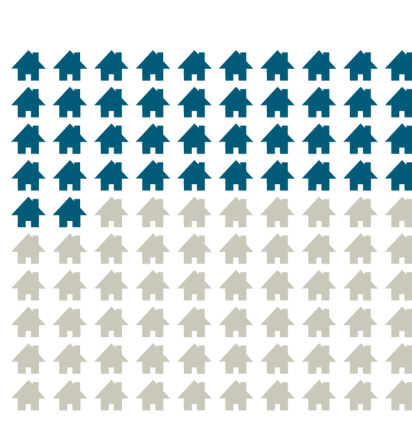
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



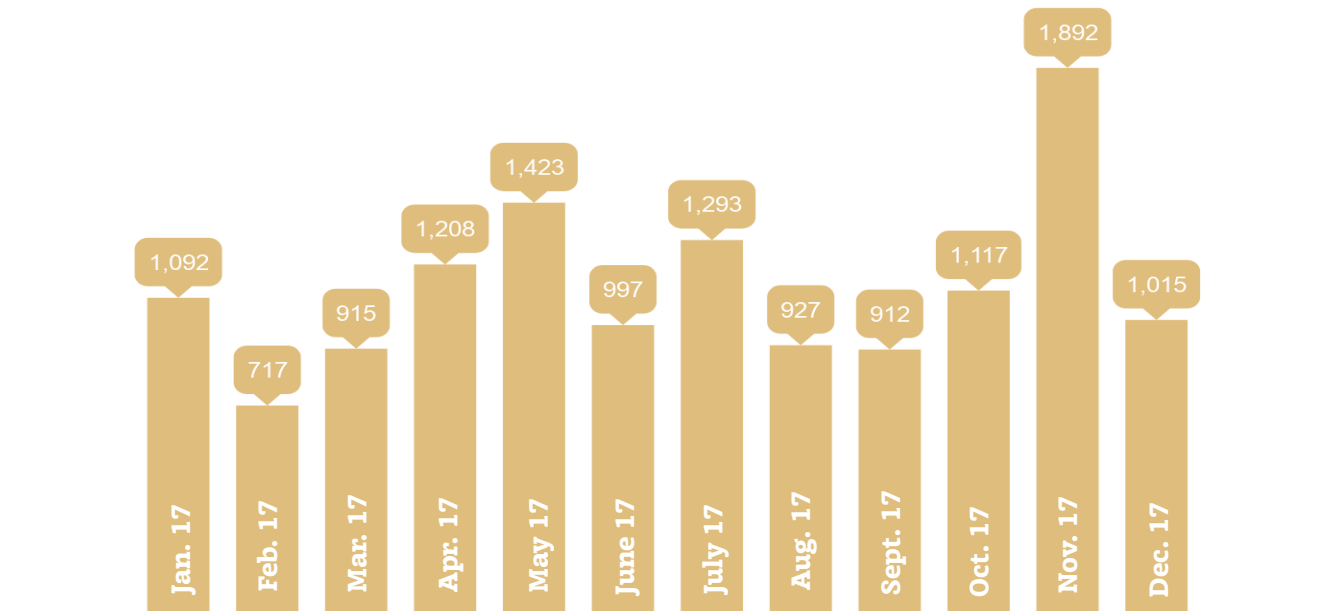
Twin Cities Median Home Price

SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

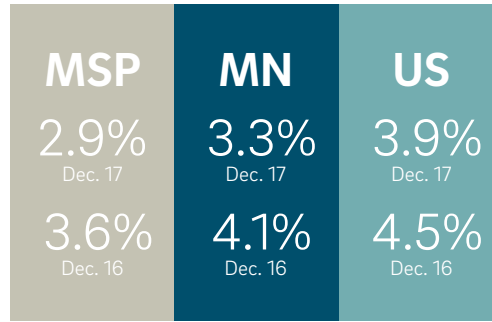


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

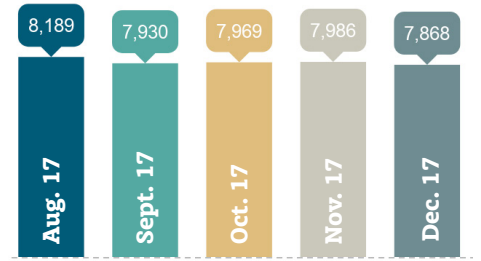
Employment

Minnesota employers added 8,900 jobs in December. Construction led all sectors with 5,700 new jobs last month, followed by education and health services, which added 2,500 jobs. With the statewide unemployment rate falling to 3.1 percent, workers are getting increasingly scarce. The state is now sitting at its lowest unemployment rate since July 2000.



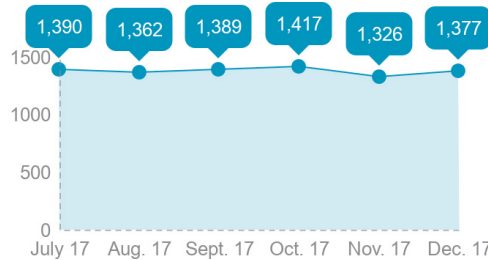
Unemployment Rate Snapshot

SOURCE: DEED-MN



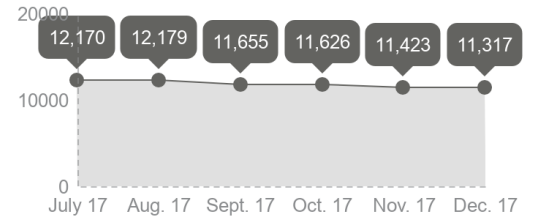
Twin Cities Construction Employment

SOURCE: DEED-MN



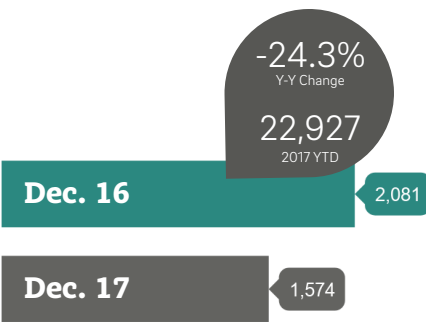
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



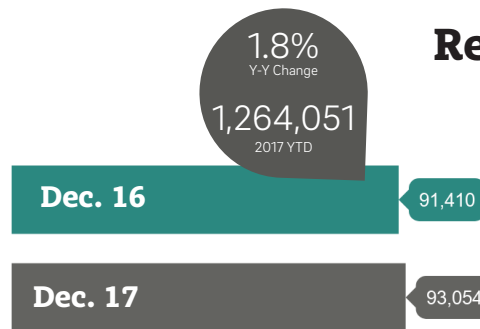
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



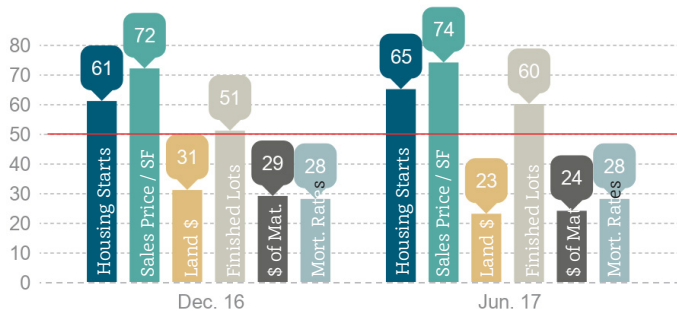
US Housing Units Authorized

SOURCE: US CENSUS

Regional/National Statistics

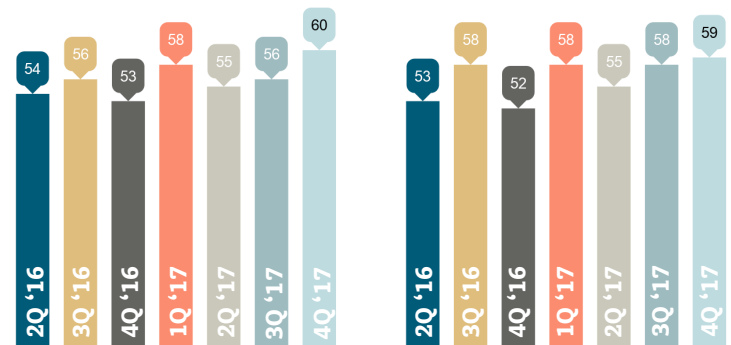
Sales of newly built, single-family homes fell 10% on a monthly basis in December according to estimates from the Census Bureau and HUD.

For the month, large declines were experienced in the Midwest (41% decline from an elevated November reading) and the South (13% decline). The West was nearly flat (1% decline) and the Northeast experienced a large increase (48% increase over November).



Twin Cities Home Builders Survey

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

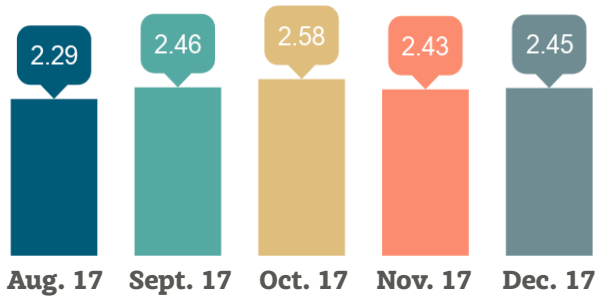


Remodeling Market Indices

SOURCE: NAHB

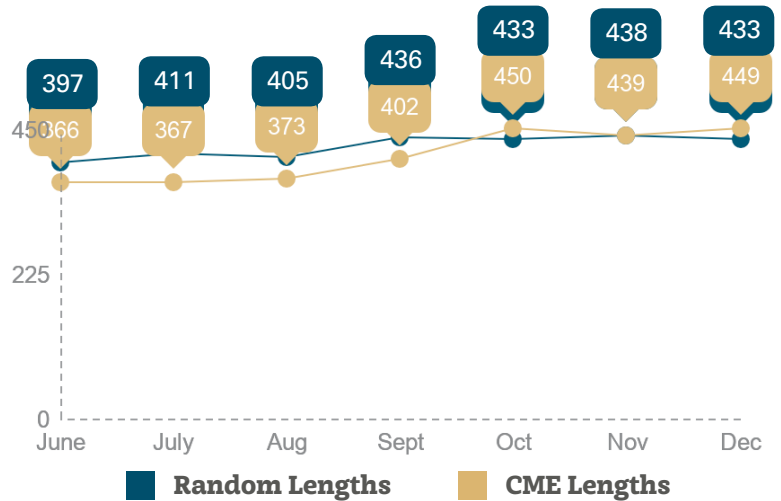
Key Indicators

The continuation of U.S. duties on Canadian lumber exports to the U.S. are expected to cause more short-term market and price volatility. The preliminary duties launched earlier in 2017 rocked the U.S. lumber market and more of the same is expected in 2018. U.S. prices for gasoline at the pump this year could reach their highest levels since 2014.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM FEBRUARY 23, 2018
SOURCE: ASSOCIATED BANK



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