



January 2018
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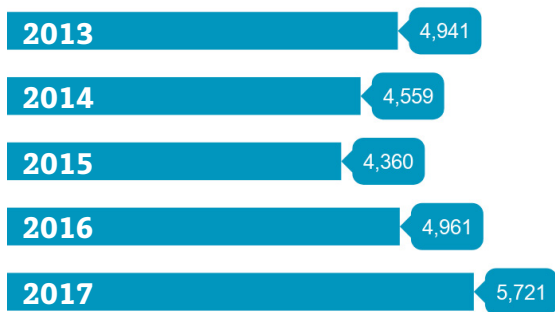
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"Consumer confidence is at an all-time high, and production should continue to grow as we look ahead to 2018. We know the demand is there; we're concerned that the labor shortage will hold back the market."

Bob Michels, Housing First Minnesota President

Twin Cities Building Activity



Permits Authorized Year-to-Date November 2013-2017

SOURCE: KEYSTONE REPORT

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[BATC-Housing First Minnesota]

Renewed Surge in Residential Construction in November

After a flat October, Twin Cities home builders made up for it in November. The number of single-family permits pulled in November spiked to 586, increasing 30 percent over November last year. Multifamily construction had its best month this year with 1,306 permitted units, a 102 percent increase from November 2016.

According to data compiled by the Keystone Report for Housing First Minnesota, there were 611 permits issued for a total of 1,892 units during four comparable weeks in the month of November.

"Consumer confidence

is at an all-time high, and production should continue to grow as we look ahead to 2018," said Bob Michels, president of Housing First Minnesota. "We know the demand is there; we're concerned that the labor shortage will hold back the market."

"We have a housing shortage, but with the high regulatory costs in Minnesota builders are unable to build at the entry-level price, a key piece of the housing market," said David Siegel, executive director of Housing First Minnesota. "A decade ago, 72 percent of the homes built in the

"A decade ago, 72 percent of the homes built in the Twin Cities were below \$325,000. Today, it's 38 percent."

David Siegel, executive director of Housing First Minnesota

Twin Cities were below \$325,000. Today, it's 38 percent. Much of this can be attributed to our high land costs and regulatory pressures."

For November, Lake Elmo took the top spot with 48 permits issued. Lakeville came in next with 41 permits, followed by Woodbury with 29 permits. Rounding out the top five are Otsego with 28 permitted units and Lino Lakes with 27 permits issued.

[MAAR]

HOME PRICES REACH NEW RECORD WHILE SALES GROWTH MODERATES

By David Arbit, Minneapolis Area Association of REALTORS

With the majority of 2017 in the books, the Twin Cities housing market is likely to cap off another mostly positive year. Sales and prices both increased while interest rates remained attractive. More homes sold in less time and for closer to asking price. The economy remained supportive to housing by way of low

unemployment and moderate job and wage growth. The biggest challenge facing the market hasn't changed over the last several years; a persistent lack of inventory continues to frustrate buyers.

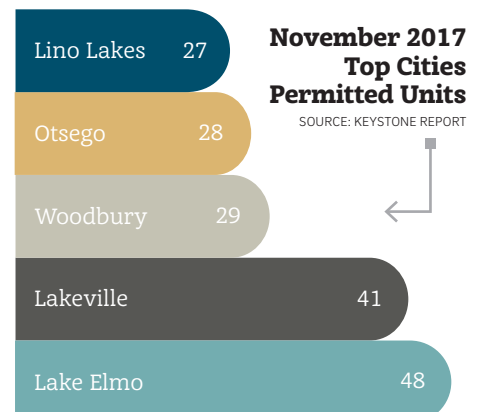
New listings are down 2.1 percent for the year so far and closed sales are up 0.3 percent. Prices are likely to end the year around \$245,500, up about 6.5 percent compared to 2016. At a brisk 56 days, market times are down 13.8 percent for the year, indicating sellers are accepting offers more quickly. And lastly, the number of active listings on

the market is down 24.1 percent to just over 9,000 homes for sale. With supply at just 1.8 months, absorption rates are at their lowest level in at least 15 years and indicates a sellers' market.

Generally, five to six months of supply is considered a balanced market where neither buyers nor sellers have an edge. Given near-record demand and suppressed supply, prices scurried higher. The end of 2017 will mark the sixth consecutive year of rising home prices. Home prices are above their prior peak from 2006, as are median household incomes in the metro area.

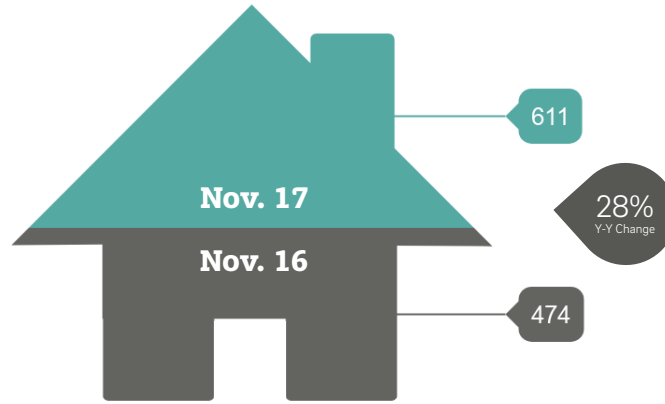
"Sellers are generally enjoying and also encouraged by rising prices. It speaks to the health of our region and confirms that recovery continues. But the shortage has forced many to delay listing, since most sellers are also buyers. And some buyers—mostly in the affordable price ranges—are finding it challenging to lock down the next place to call home."

Cotty Lowry, Minneapolis Area Association of REALTORS® (MAAR) President



2017 November Metro Building Activity

After a flat October, Twin Cities home builders made up for it in November. The number of single-family permits pulled in November spiked to 586, increasing 30 percent over November last year. Multifamily construction had its best month this year with 1,306 permitted units, a 102 percent increase from November 2016.

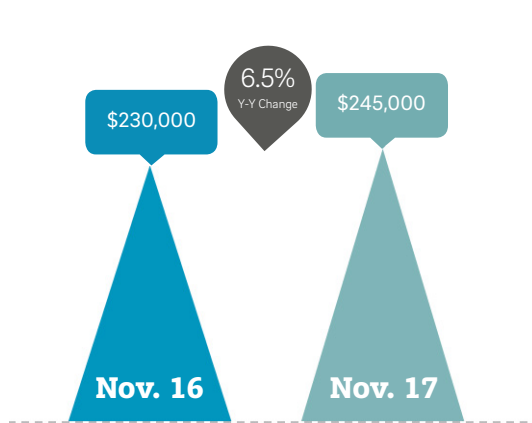


Units YTD: 12,421

Multi-Family 56%
of Twin Cities Housing Units Authorized

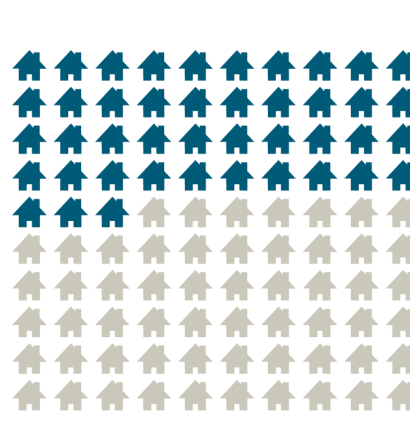
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



Twin Cities Median Home Price

SOURCE: MPLS REALTORS

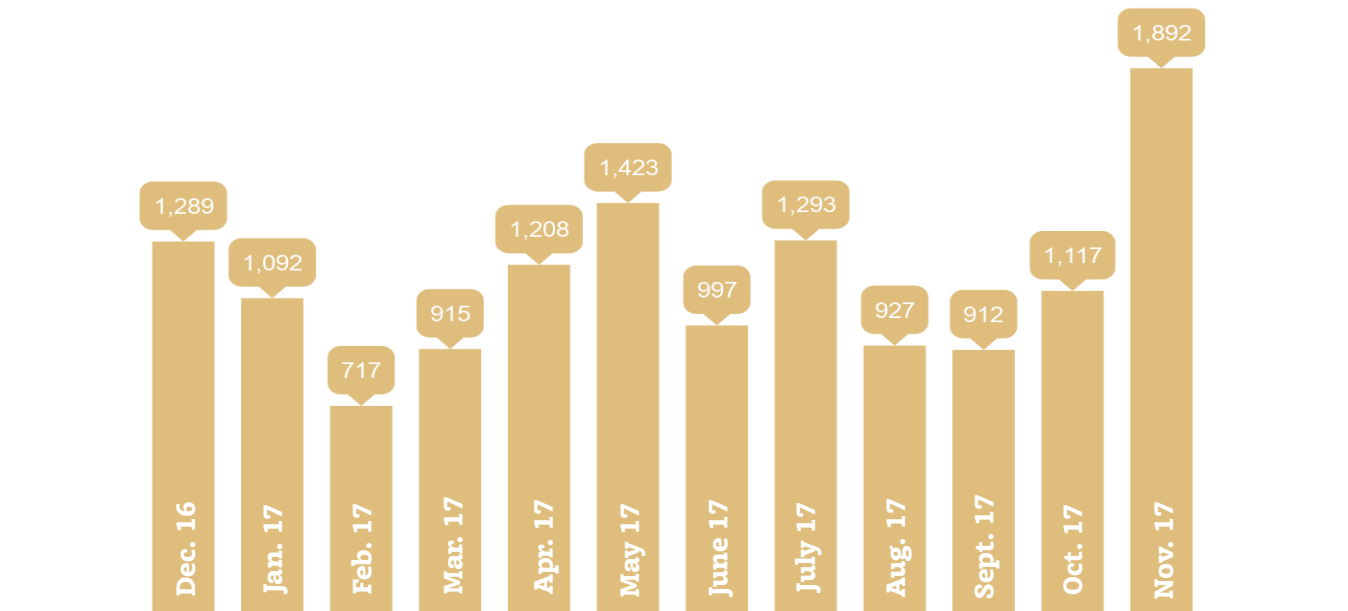


-24.0%
Monthly change

9,022
11,884

Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

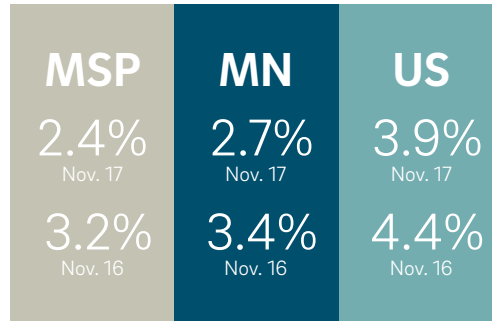


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

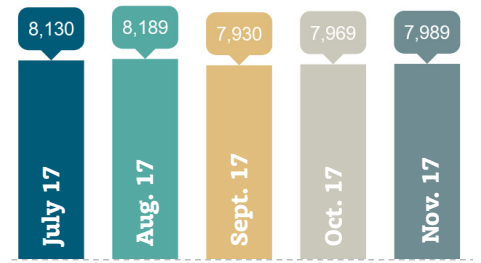
Employment

Minnesota lost 4,000 jobs in November. The state's unemployment rate declined in November to 3.1 percent, a level not seen since July 2000. With 1,800 jobs added, construction was one of the top sectors for growth for the month. Minnesota labor market economist Steve Hine said that unemployment is now so low that many companies will have a much harder time finding and competing for workers.



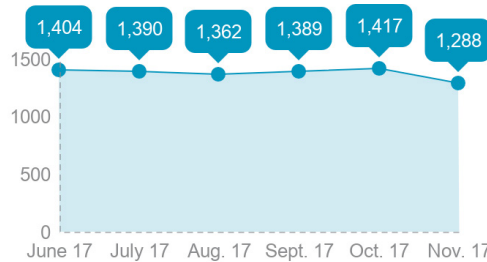
Unemployment Rate Snapshot

SOURCE: DEED-MN



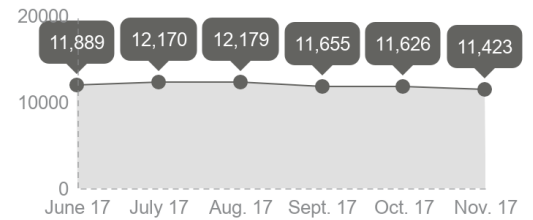
Twin Cities Construction Employment

SOURCE: DEED-MN



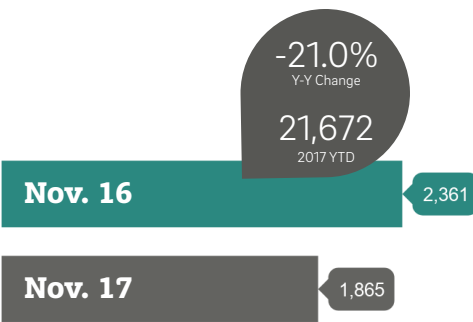
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



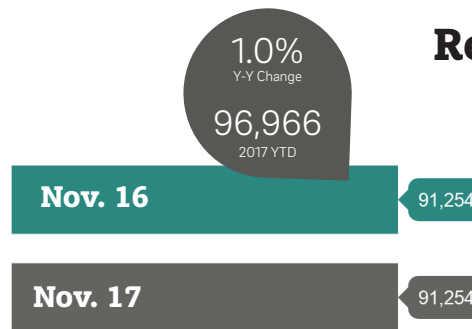
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS

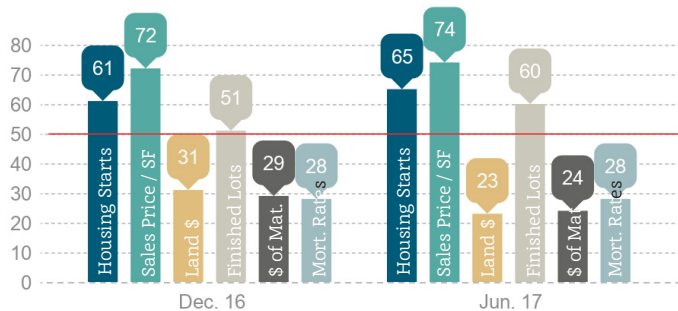


US Housing Units Authorized

SOURCE: US CENSUS

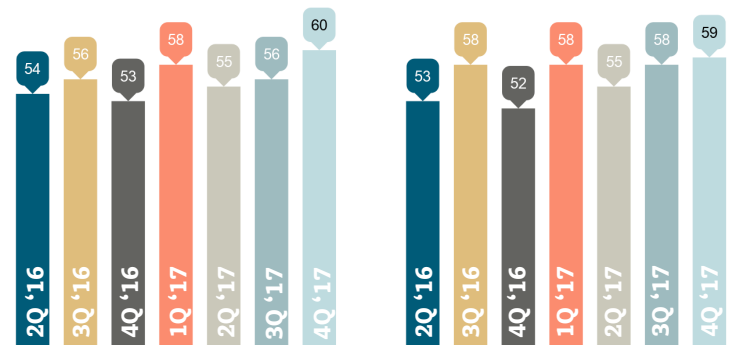
Regional/National Statistics

U.S. home sales increased more than expected in November, hitting their highest level in nearly 11 years. Despite the recent gains, existing home sales remain constrained by a chronic shortage of houses at the lower end of the market, which is keeping prices elevated and sidelining some first-time buyers, who accounted for 29 percent of transactions in 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)

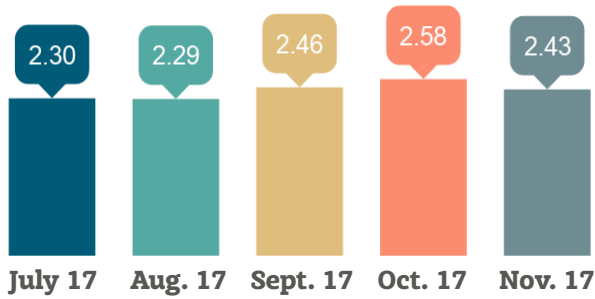


Remodeling Market Indicies

SOURCE: NAHB

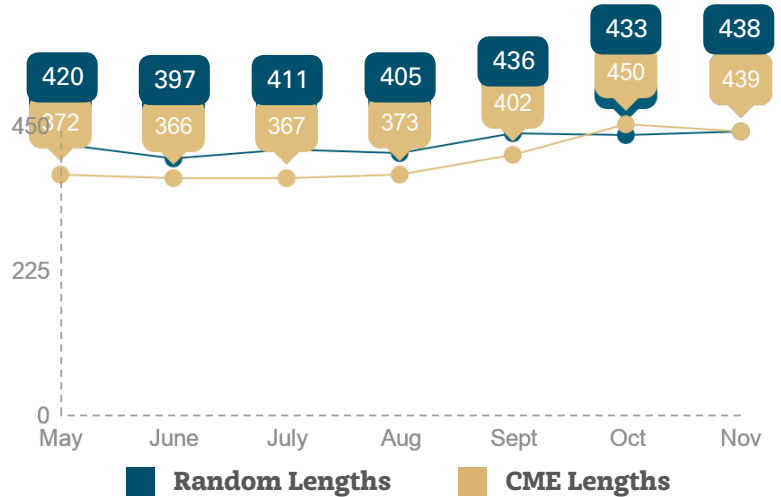
Key Indicators

Prices for softwood lumber imports have skyrocketed 30% since Hurricane Harvey hit last summer, largely as a result of the tariffs imposed by the U.S. Commerce Department, according to NAHB. Gas prices are expected to continue to climb upwards into 2018.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM JANUARY 31, 2018
SOURCE: ASSOCIATED BANK



A DREAM HOME

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