



October 2018  
Volume VI, Issue: 10

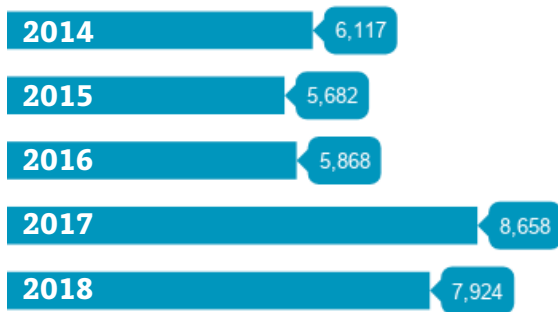
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"It's been a decent summer for Twin Cities homebuilders. While we've seen steady growth, the market needs to see a stronger rise in new home construction to help balance the housing market."

Tom Wiener, President of BATC-Housing First Minnesota

## Twin Cities Building Activity



### Units Authorized Year-to-Date August 2014-2018

SOURCE: KEYSTONE REPORT

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[BATC-Housing First Minnesota]

## New Home Construction Sees Modest August

With existing housing inventory still at historic lows, new construction is still struggling to make up for the shortage of homes. Single-family permits were once again up a steady 3 percent month-over-month in August, but year-to-date single-family is still at a less than 2 percent increase over last year. Multifamily activity also saw a surge this month with an 80 percent increase in the number of permitted units over August of 2017. However, year-to-date multifamily units are down 16 percent compared to 2017.

According to data compiled by the Keystone Report for

Housing First Minnesota, there were 680 permits issued for a total of 1,355 units during four comparable weeks in the month of August.

"It's been a decent summer for Twin Cities homebuilders," said Tom Wiener, president of Housing First Minnesota. "While we've seen steady growth, the market needs to see a stronger rise in new home construction to help balance the housing market."

"We have a serious housing supply problem in the Twin Cities," said David Siegel, executive director of Housing First Minnesota. "We need to



*"We need to address the labor shortage, regulatory burden and fees that are holding back homebuilders and pricing out homebuyers."*

David Siegel, Executive Director of Housing First Minnesota

address the labor shortage, regulatory burden and fees that are holding back homebuilders and pricing out homebuyers."

For the month, Lakeville took the top spot with 65 permits issued. Lake Elmo came in next with 45 permits, followed by Plymouth with 38 permits. Rounding out the top five are Woodbury with 30 permits issued and Otsego with 29 permits issued.

[MAAR]

## SALES FLATTEN WHILE SELLERS CAPITALIZE ON PRICE GAINS

More sellers are feeling optimistic about listing their homes just as humidity, cabin weekends and food-on-a-stick give way to rakes, school buses and sweater vests. Compared to last August, Twin Cities sellers listed 7.6 percent more homes on the market. That was the largest increase since late-2015.

Although buyers signed 2.9 percent fewer contracts than last year, they did manage to close on slightly more deals. Three of the last four months had increases in new listings; three of the last four months had decreases in pending sales. This trend of rising seller activity and moderating buyer activity suggests we could be approaching those long-awaited inventory gains. Sure enough, the 7.8 percent decline was the smallest decrease in inventory in over three years. Months supply was down just 3.8 percent to 2.5 months.

That said, today's buyers still face

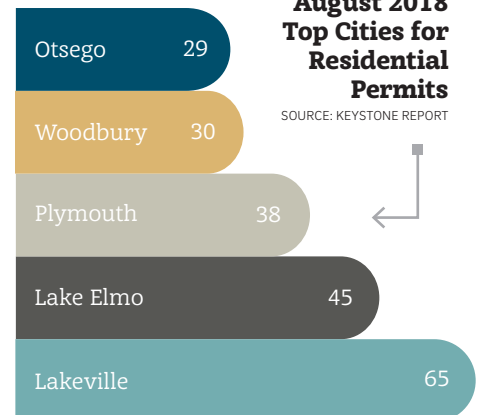
plenty of competition over limited supply. Sellers yielded an average of 99.2 percent of their original list price and 100.1 percent of their current list price, illustrating how drastically undersupplied markets tend to favor sellers. The shortage is especially noticeable at the entry-level prices, where multiple offers and homes selling for over list price have become commonplace. The move-up and upper-bracket segments are less competitive and for the most part much better supplied. The market remains relatively tight, but there are some early signs that things could be loosening up for buyers.

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David Arbit, MAAR

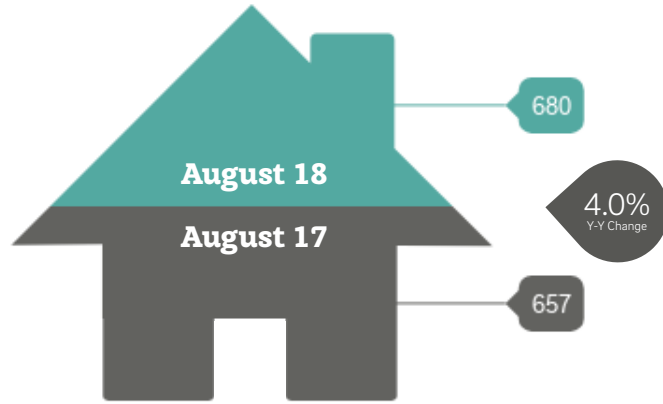
## August 2018 Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT



# 2018 August Metro Building Activity

With existing housing inventory still at historic lows, new construction is still struggling to make up for the shortage of homes. Single-family permits were once again up a steady 3 percent month-over-month in August, but year-to date single-family is still at a less than 2 percent increase over last year. Multifamily activity also saw a surge this month with an 80 percent increase in the number of permitted units over August of 2017. However, year-to-date multifamily units are down 16 percent compared to 2017.

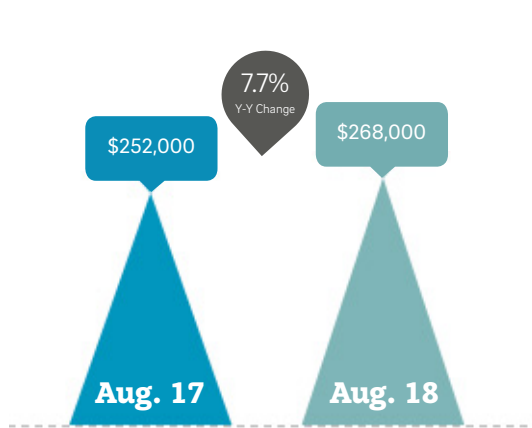


**Permits YTD: 7,924**

**Multi-Family 55%**  
of Twin Cities Housing Units Authorized

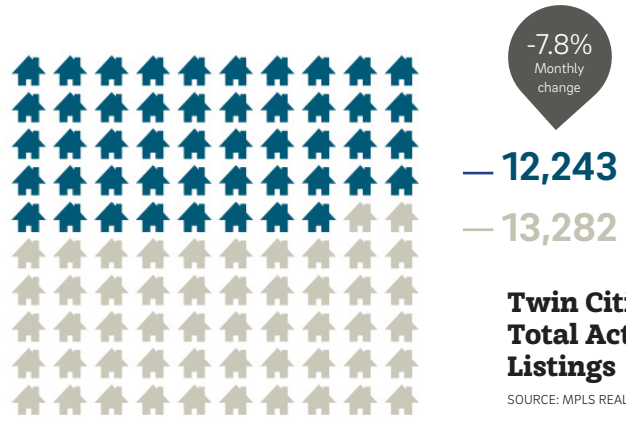
## Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



## Twin Cities Median Home Price

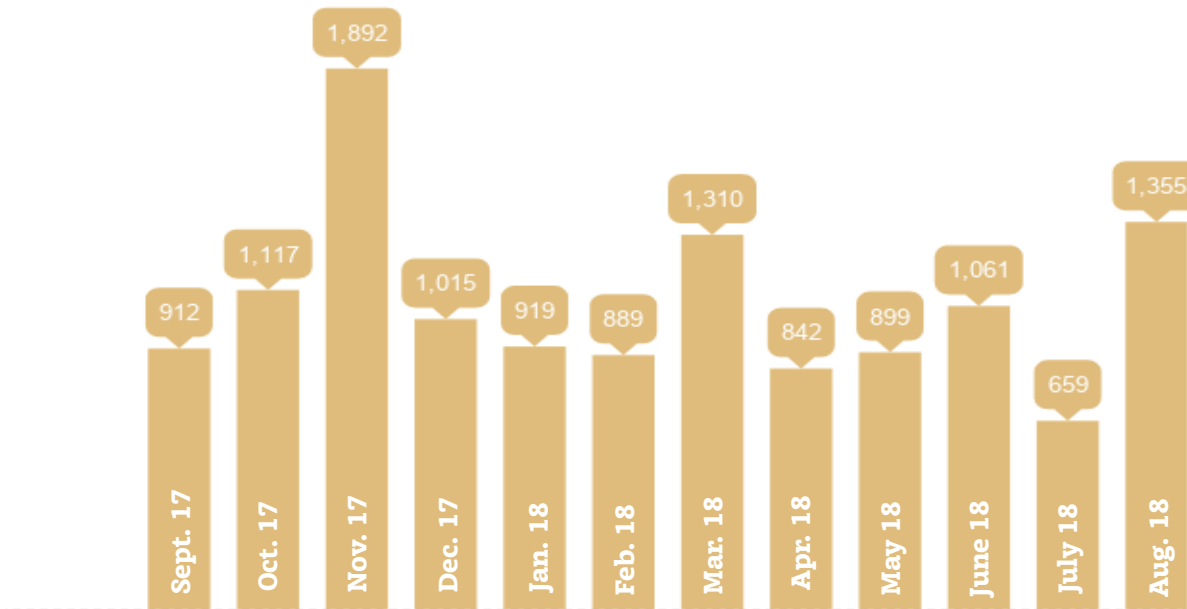
SOURCE: MPLS REALTORS



## Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

■ Aug 2018 (47.96%) ■ Aug 2017 (52.04%)

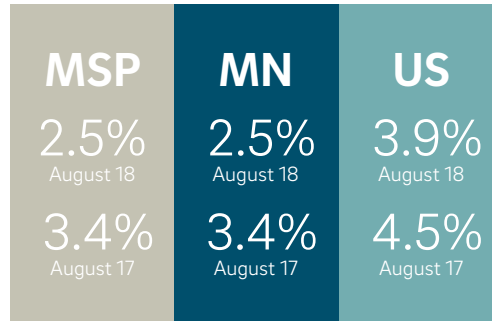


## Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

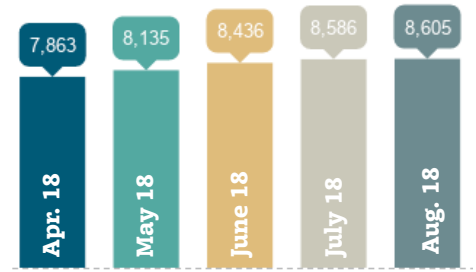
# Employment

The Twin Cities unemployment rate fell to 2.9 percent in August, the lowest rate in nearly 19 years. The national unemployment rate was 3.9 percent in August. Over the past 12 months, Minnesota has added 50,904 jobs, a 1.7 percent growth rate. The U.S. job growth rate is 1.8 percent.



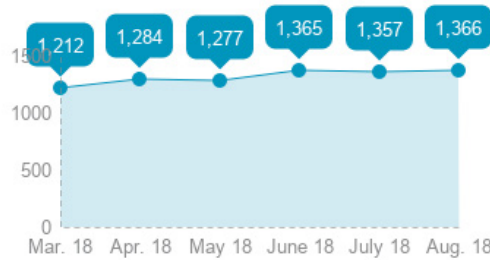
**Unemployment Rate Snapshot**

SOURCE: DEED-MN



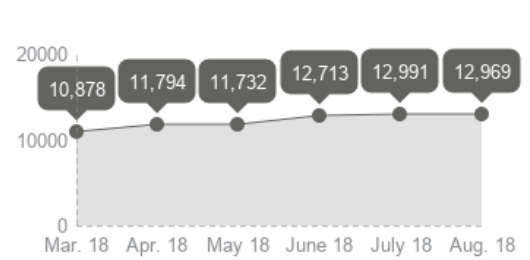
**Twin Cities Construction Employment**

SOURCE: DEED-MN



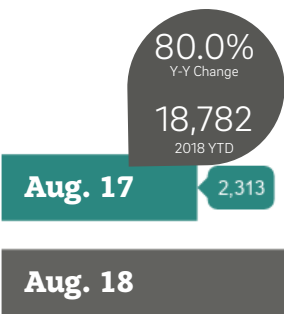
**Twin Cities Construction Weekly Wages**

SOURCE: DEED-MN



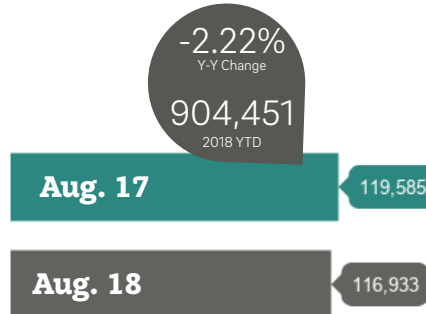
**MN Construction Employment**

SOURCE: DEED-MN



**MN Housing Units Authorized**

SOURCE: US CENSUS



**US Housing Units Authorized**

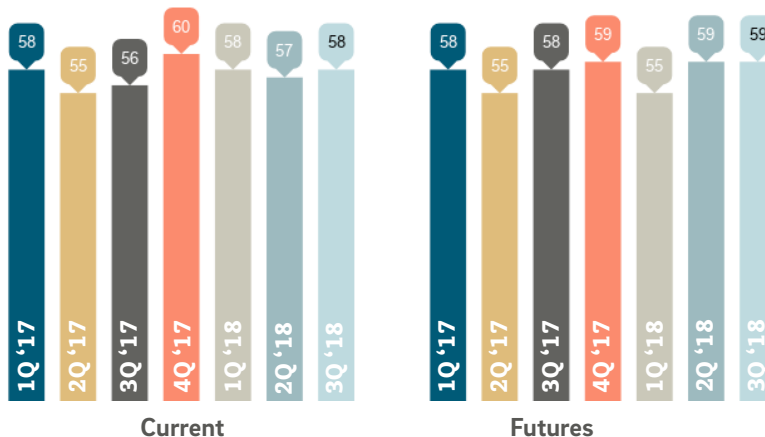
SOURCE: US CENSUS

# Regional/National Statistics

Contracts for new, single-family home sales increased slightly in August, according to estimates from the joint release of HUD and the Census Bureau. For the first eight months of 2018 (compared to the first eight months of 2017), new home sales were up 13.2% in the Midwest, 8.4% in the South, 5.9% in the West, and down 12.8% in the Northeast, due to some tax reform related effects and affordability concerns.

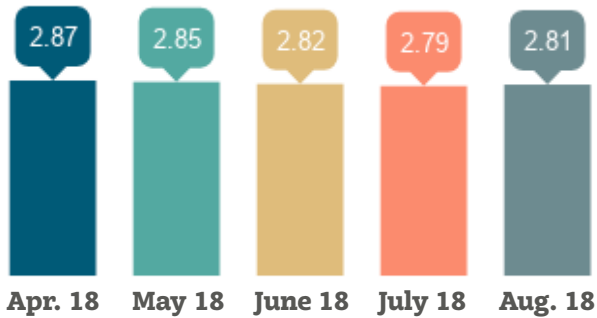
# Remodeling Market Indices

SOURCE: NAHB



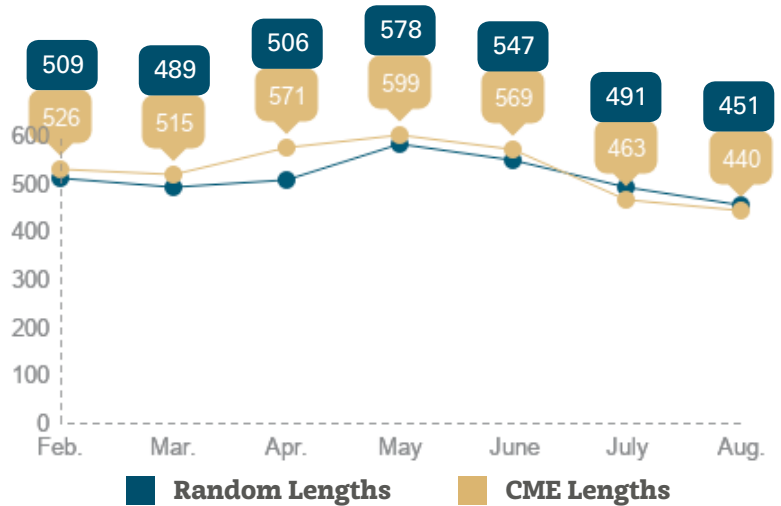
# Key Indicators

The Remodeling Market Index (RMI) remained stable with a reading of 58 in the third quarter of 2018, according to the National Association of Home Builders (NAHB). The RMI has been at or above 50 since the second quarter of 2013, which indicates that more remodelers report market activity is higher than report it is lower. A strong economy, coupled with low unemployment and easing lumber prices are being offset by rising interest rates and ongoing labor shortages.



**MN Monthly Retail Gasoline Prices**

SOURCE: ENERGY INFORMATION ADMIN



**Framing Lumber**

SOURCE: NAHB

## Mortgage Rates

FROM OCTOBER 31, 2018  
SOURCE: ASSOCIATED BANK



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**Stuart Mansk**  
Savage  
651-306-1874  
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**Daniel Nugent**  
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