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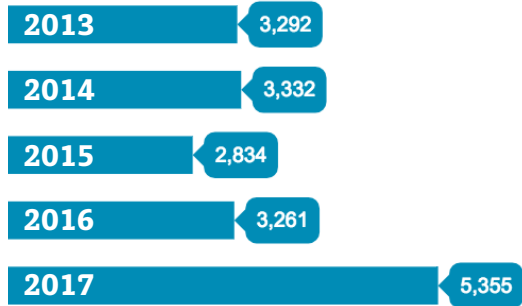
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"With the growth we've seen this spring, we expect this to be a strong summer for residential construction. A big concern of ours is the need for entry-level housing, and with our current regulatory environment and labor shortage, it's a challenge for builders to meet that price point."

Bob Michels, Housing First Minnesota President

Twin Cities Building Activity



Permits Authorized Year-to-Date May 2013-2017

SOURCE: KEYSTONE REPORT

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[Housing First Minnesota]

Twin Cities Residential Construction Continues to Climb in May

Although housing inventory continues to shrink, Twin Cities residential construction is moving full steam ahead with demand outpacing supply. May permit numbers revealed another month of increased activity in both single-family construction and multifamily construction. So far this year, single-family permitted units are up 20 percent over 2016, while multifamily units are up 125 percent over last year.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 537 permits issued for a total of 1,423 units during four comparable weeks in the month of May.

"With the growth we've seen this spring, we

expect this to be a strong summer for residential construction," said Bob Michels, Housing First Minnesota President. "A big concern of ours is the need for entry-level housing, and with our current regulatory environment and labor shortage, it's a challenge for builders to meet that price point."

"While we still have a long way to go in order to address the price challenges facing new homes, we are very excited about several pieces of legislation that passed this session as part of the Minnesota Homeownership Initiative," said Housing First Minnesota Executive Director, David Siegel. "These substantive reforms will have a positive



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David Siegel, Housing First Minnesota Executive Director

impact for entry-level homebuyers by increasing more first-time home-buyer opportunities, and will create greater housing affordability for all Minnesotans."

Learn more about the Minnesota Homeownership Initiative at mhomeownership.com.

For May, Lakeville took the top spot with 45 permits issued. Plymouth came in next with 37 permits, followed by Blaine with 25 permits, Lake Elmo with 23 permits, and Apple Valley with 22 permits issued.

[MAAR]

Inventory Low, Market Times Quick, Buyer and Seller Activity Steady

By David Arbit, Minneapolis Area Association of REALTORS

Compared to May 2016, new listings in the Twin Cities inched up 0.7 percent while closed sales fell 1.1 percent. Given that there were 17.3 percent fewer homes on the market compared to last May, it's clear that buyers remain motivated. Declining foreclosure and short sale activity can contribute to market-wide declines. For example, traditional new listings rose 2.5 percent while

traditional closed sales rose 2.1 percent. Those shopping for homes have 11,615 properties from which to choose in the metro area, the highest figure so far this year but the lowest May inventory reading since 2003.

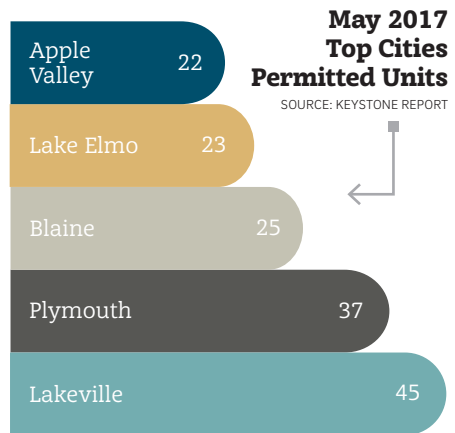
Prices continued to rise. The median sales price rose 5.5 percent from last year to \$250,000. Nominal home prices have now risen for the last 63 consecutive months. Multiple offers on updated, turn-key properties are common in low inventory environments. Properties also tend to sell quickly and for close to or above list price. Homes went under contract 15.0 percent faster than last May. Half the homes on the market sold in less than 20 days. The average percent of original list price

received at sale was 99.5 percent, 0.9 percent higher than last year. Similarly, the median percent of original list price received at sale was 100.0 percent, meaning half the sales closed for over list price. The metro area has just 2.3 months of housing supply—the lowest May reading since 2003. Generally, five to six months of supply is considered a balanced market where neither buyers nor sellers have a clear advantage.

"Not only does the traditional market now account for over 96.0 percent of sales," said Cotty Lowry, Minneapolis Area Association of REALTORS® (MAAR) President, "but traditional new listings and sales continue to rise, despite the shortage of homes on the market."

"We are seeing signs that the shortage of listings is starting to hold back our demand indicators such as pending [sales] and closed sales. Despite fewer listings, we still saw more showings per listing."

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



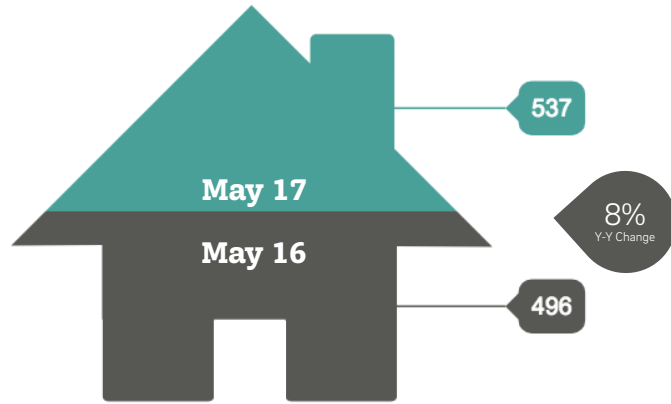
May 2017 Top Cities Permitted Units

SOURCE: KEYSTONE REPORT



2017 May Metro Building Activity

Although housing inventory continues to shrink, Twin Cities residential construction is moving full steam ahead with demand outpacing supply. May permit numbers revealed another month of increased activity in both single-family construction and multifamily construction. So far this year, single-family permitted units are up 20 percent over 2016, while multifamily units are up 125 percent over last year.

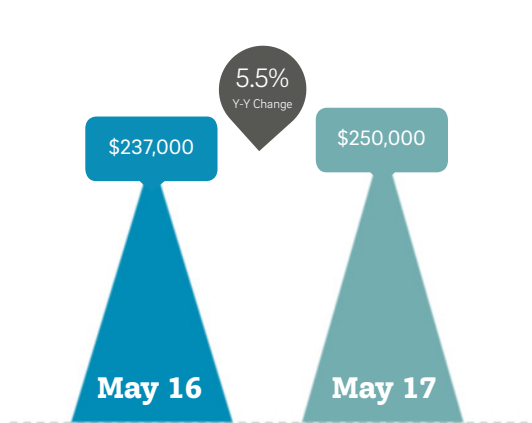


Units YTD:
5,355

Multi-Family
64%
of Twin Cities
Housing Units
Authorized

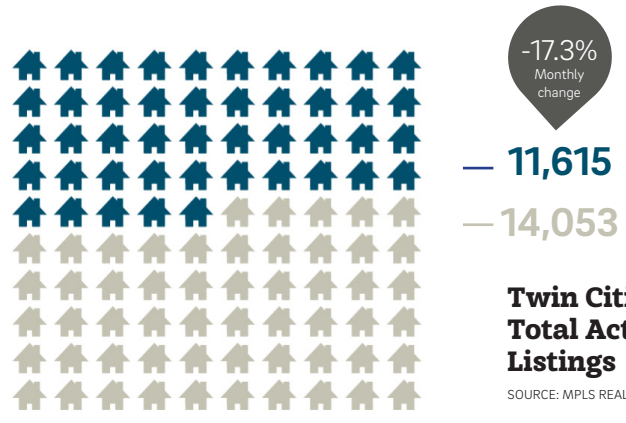
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



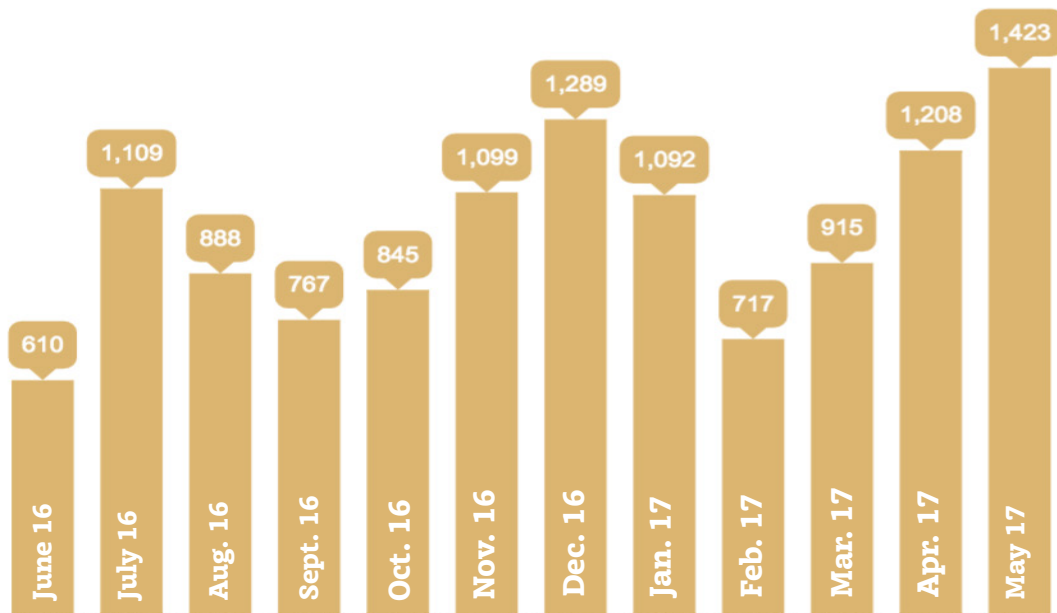
Twin Cities Median Home Price

SOURCE: MPLS REALTORS



Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

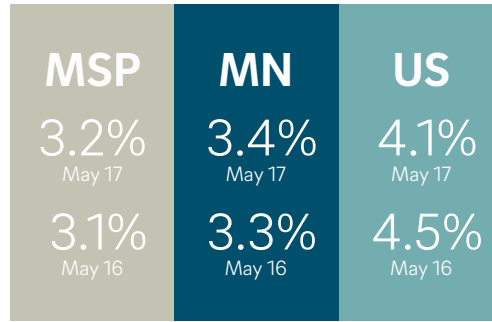


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

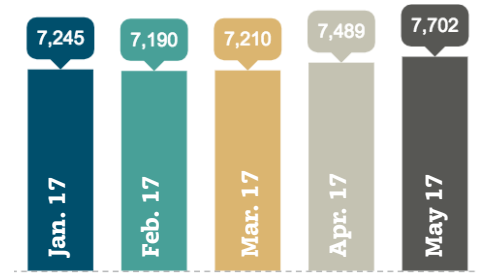
Employment

Minnesota's unemployment rate fell to 3.7 percent in May, matching a post-recession low point last seen in June 2015. Over the past year, the state has added 48,068 jobs, a gain of 1.7 percent. Jobs nationally are up 1.5 percent over the past year. Construction lost 2,600 jobs in May.



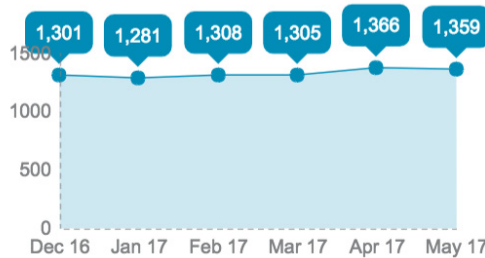
Unemployment Rate Snapshot

SOURCE: DEED-MN



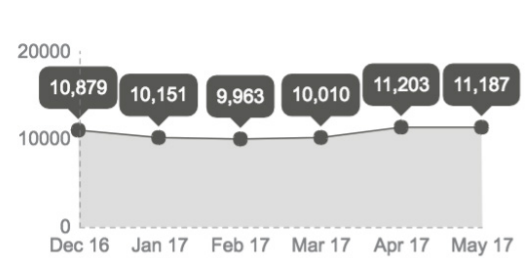
Twin Cities Construction Employment

SOURCE: DEED-MN



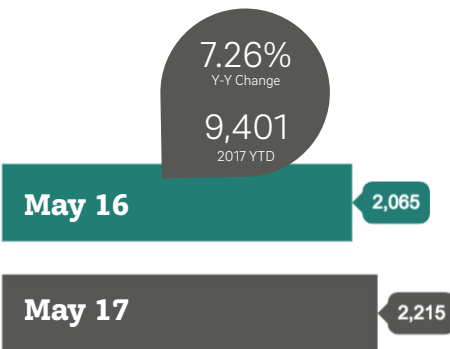
Twin Cities Construction Weekly Wage

SOURCE: DEED-MN



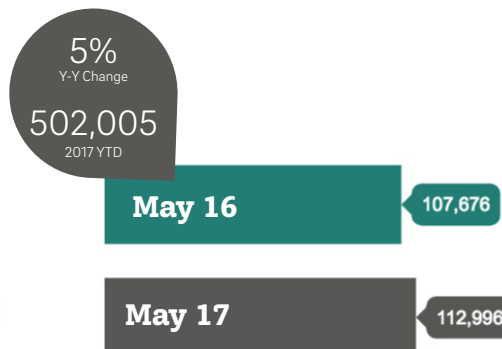
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS

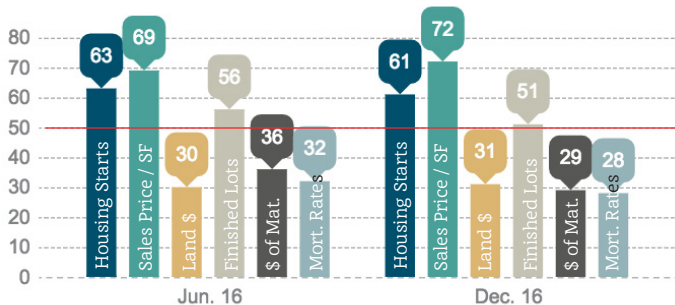


US Housing Units Authorized

SOURCE: US CENSUS

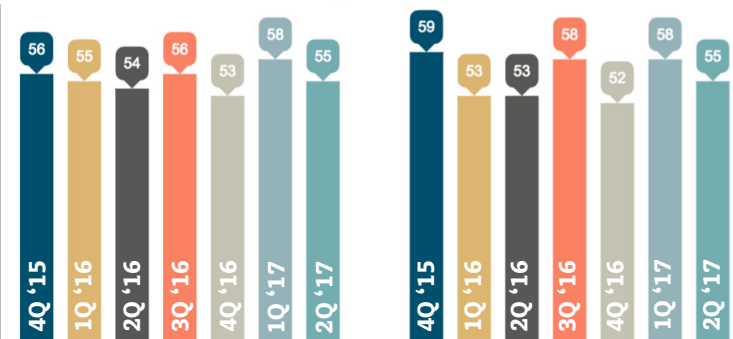
Regional/National Statistics

Contracts for new home sales expanded by 2.9% in May to a 610,000 seasonally adjusted annual rate, according to estimates from the joint data release of HUD and the Census Bureau. The three-month moving average of new home sales (616,000) is currently near a post-recession high (619,000). New home sales through May are running 12.2% higher than this time in 2016, in line with forecasts.



Twin Cities Home Builders Survey

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

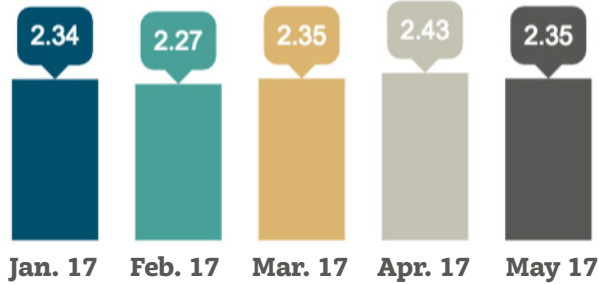


Remodeling Market Indicies

SOURCE: NAHB

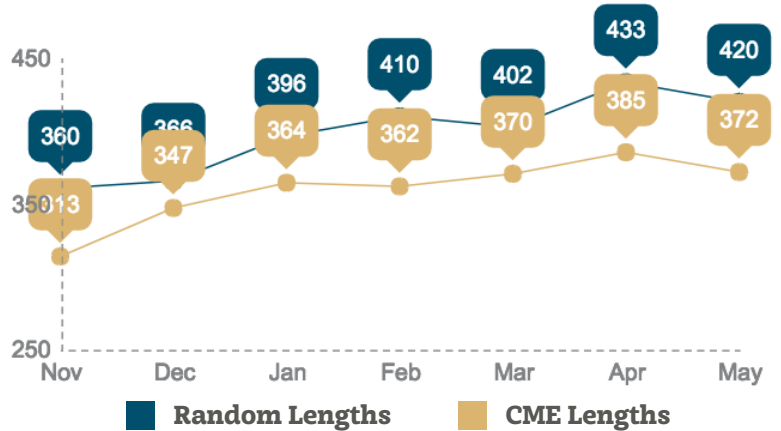
Key Indicators

According to the May 2017 survey for the NAHB/Wells Fargo Housing Market Index, the availability of building materials, especially framing lumber, significantly jumped on the list of homebuilder concerns, revealing that 21% of single-family builder respondents reported a shortage of framing lumber. Borrowers continue to apply for home loans even as interest rates rise. Experts believe buyers will continue to apply as concern grows over increasing rates.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM JULY 21, 2017
SOURCE: ASSOCIATED BANK



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