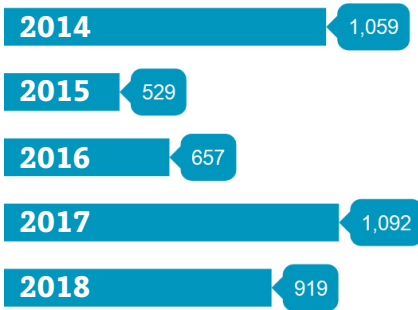




Twin Cities Building Activity



Permits Authorized Year-to-Date January 2014-2018

SOURCE: KEYSTONE REPORT

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"While the numbers this month are down slightly from last year we remain optimistic. With the supply shortage we have in the existing market, we expect 2018 to be a great year for new construction."

Tom Wiener, President of Housing First Minnesota

[NAHB]

Twin Cities Homebuilding Activity Starts Year Steady

Residential construction activity started the year slightly down from last year, but still at the second highest rate in over a decade. There were 402 single-family permits pulled in the month of January, down 6 percent compared to January 2017. With 517 units, multifamily construction was down 22 percent over this month last year.

According to data compiled by the Keystone Report for Housing First Minnesota, there were 424 permits issued for a total of 919 units during four comparable weeks in the month of January.

"While the numbers this month are down slightly from last year we remain optimistic," said Tom Wiener, president of Housing First Minnesota. "With the supply shortage we have in the existing market, we expect 2018 to be a great year for new construction."

"With the ever-strengthening economy all signs point to continued residential construction growth this year," said David Siegel, executive director of Housing First Minnesota. "There are several factors that have the potential to hold back the amount of growth

"With the ever-strengthening economy all signs point to continued residential construction growth this year."

David Siegel, executive director of Housing First Minnesota

we see including the tightening labor force and the high cost of land, materials and regulation."

To start the year, Woodbury took the top spot with 37 permits issued. Lakeville came in next with 32 permits, followed by Lake Elmo and Victoria both with 19 permits. Rounding out the top five are Plymouth and Prior Lake both with 18 permitted units issued.

[MAAR]

SLUGGISH START TO 2018 AFTER A RECORD 2017

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. In January 2018, new listings posted a year-over-year decline for a third consecutive month. Because of the supply shortage, closed sales were lower compared to the year prior for a second

consecutive month. For-sale housing supply (inventory) was about a quarter lower than January 2017. This shortage has created a competitive environment where multiple offers have become commonplace. Sellers are receiving strong offers close to their original list price in record time, which can sometimes frustrate home buyers. New construction pending sales rose nearly 14.0 percent compared to last January. Although single-family homes made up about 76.0 percent of all sales, townhomes were the only segment to show an increase in pending sales. Similarly, previously-owned homes made up about 91.0 percent of sales but new construction showed a much stronger increase in pending purchase activity.

January 2018 by the Numbers

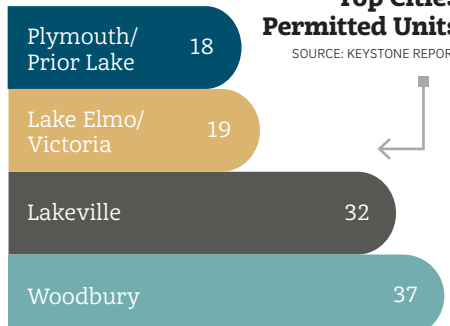
- Buyers closed on 2,758 homes, a 4.4 percent decrease from 2017
- Inventory levels for January fell 26.3 percent compared to 2017 to 6,875 units, near a 15-year low
- The Median Sales Price rose 9.6 percent to \$243,750, a record high for January
- Cumulative Days on Market declined 13.8 percent to 69 days, on average (median of 45)—a 12-year low
- Single-family sales fell 1.3 percent; condo sales fell 15.1 percent; townhome sales fell 8.5 percent
- Previously-owned sales fell 3.8 percent; new construction sales fell 0.4 percent

"Previously-owned homes made up about 91.0 percent of sales, but new construction showed a much stronger increase in pending purchase activity."

David Arbit, Minneapolis Area Association of REALTORS® (MAAR) Director of Research and Economics

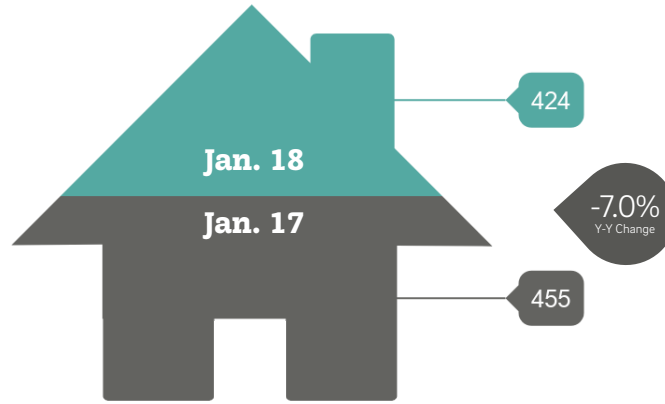
January 2018 Top Cities Permitted Units

SOURCE: KEYSTONE REPORT



2018 January Metro Building Activity

Residential construction activity started the year slightly down from last year, but still at the second highest rate in over a decade. There were 402 single-family permits pulled in the month of January, down 6 percent compared to January 2017. With 517 units, multifamily construction was down 22 percent over this month last year.

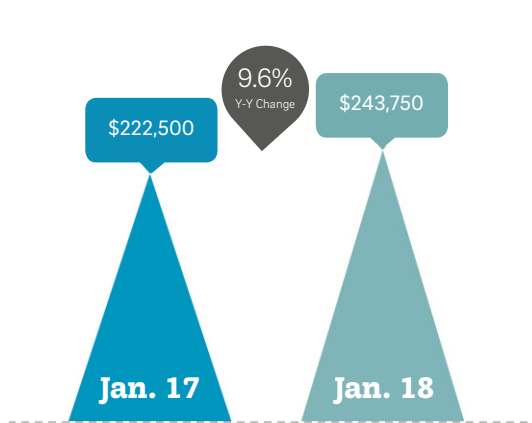


Units YTD: 919

Multi-Family 56%
of Twin Cities Housing Units Authorized

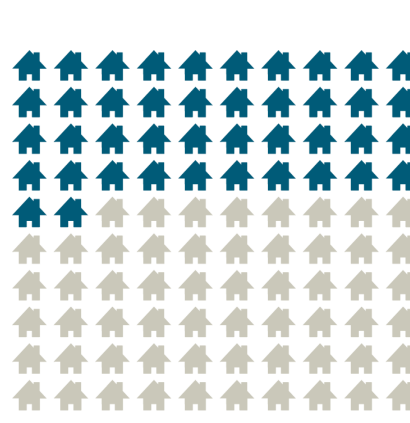
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



Twin Cities Median Home Price

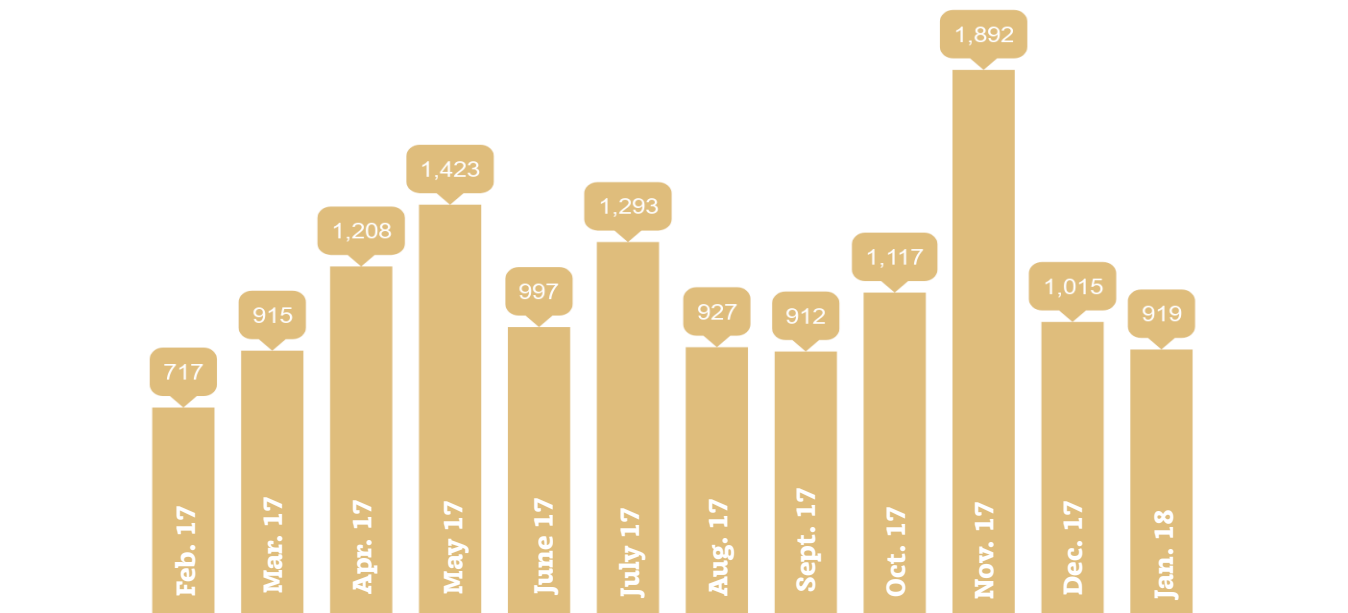
SOURCE: MPLS REALTORS



-26.3%
Monthly change

Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

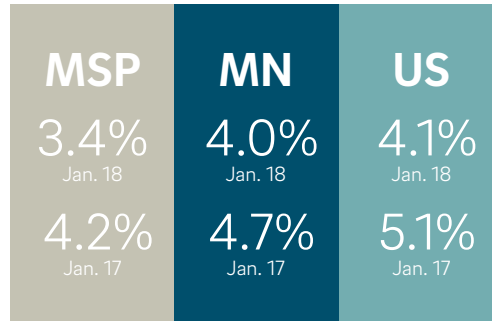


Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

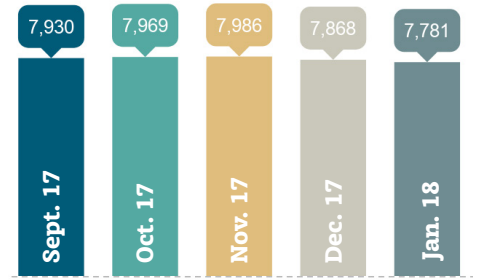
Employment

Minnesota added 2,500 jobs in January, according to DEED. 100 of those jobs were in construction. Revised figures show the state gained 20,116 jobs the past 12 months. That 0.7 percent job growth rate is below the 1.5 percent rate for the nation as a whole.



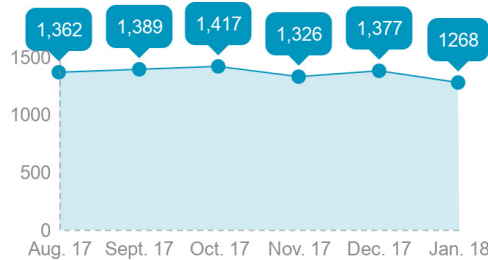
Unemployment Rate Snapshot

SOURCE: DEED-MN



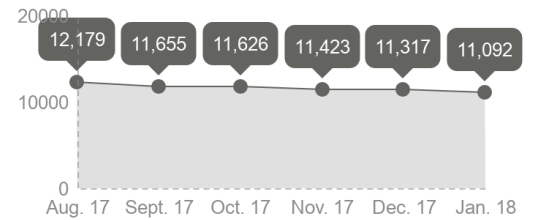
Twin Cities Construction Employment

SOURCE: DEED-MN



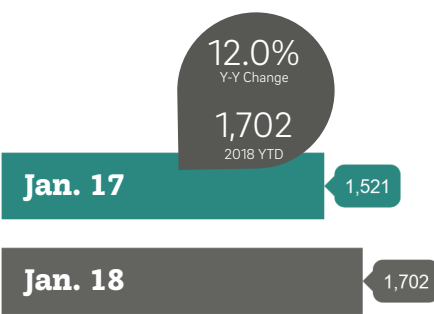
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



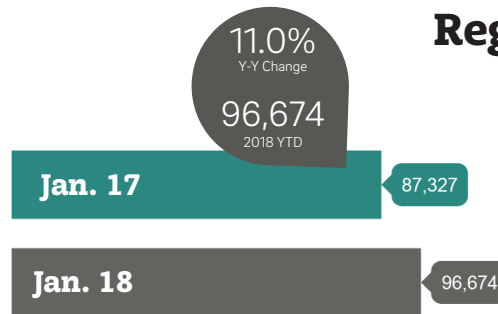
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS

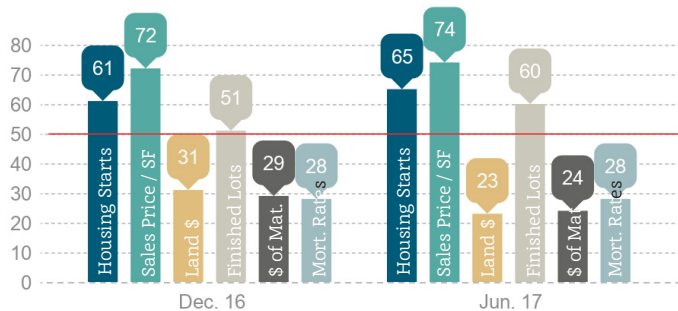


US Housing Units Authorized

SOURCE: US CENSUS

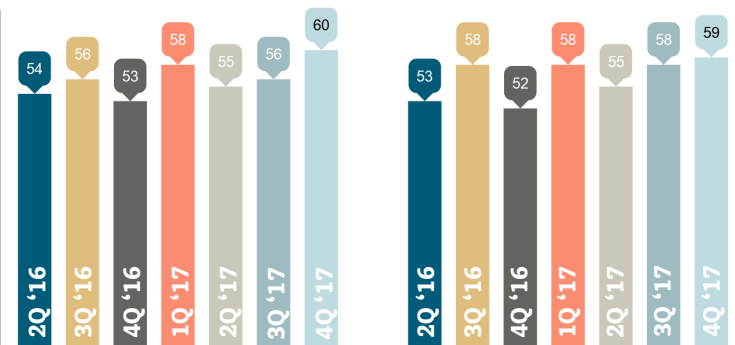
Regional/National Statistics

Sales of newly built, single-family homes fell 7.8 percent in January to a seasonally adjusted annual rate of 593,000 units. Regionally, new home sales rose 15.4 percent in the Midwest and 1.0 percent in the West. Sales decreased 14.2 percent in the South and 33.3 percent in the Northeast.



Twin Cities Home Builders Survey

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

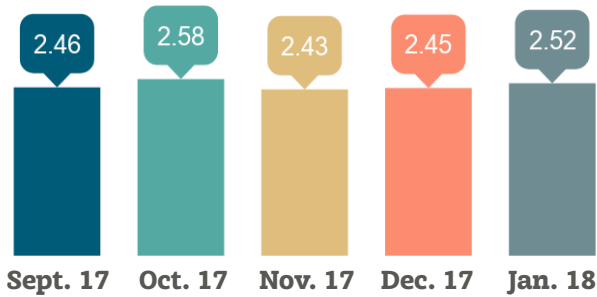


Remodeling Market Indicies

SOURCE: NAHB

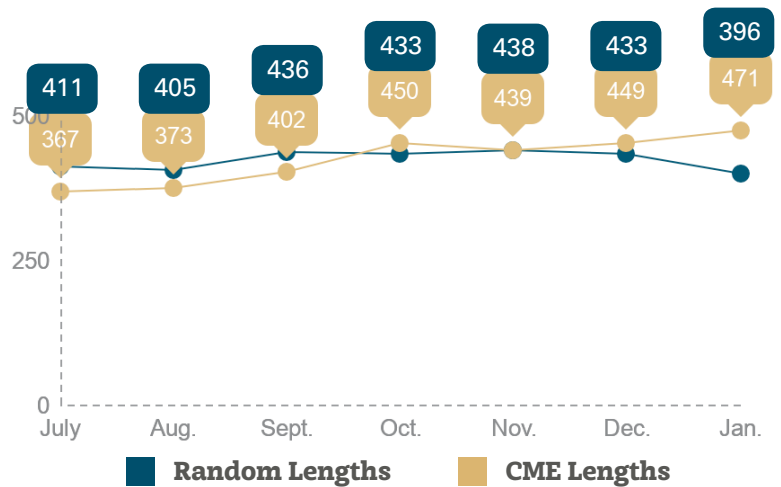
Key Indicators

Building costs and mortgage rates continue to rise. Prices for common building varieties of wood like spruce and southern pine are at or near records. Perceived inflation is contributing to rising mortgage rates. The Fed is likely to raise short-term rates three times this year, which will also put upward pressure on mortgage rates.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM MARCH 19, 2018
SOURCE: ASSOCIATED BANK



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