



August 2019
Volume VII, Issue: 8

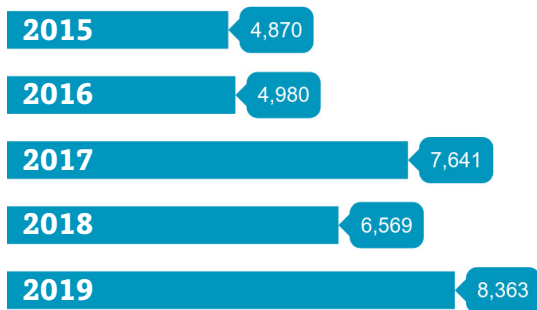
Sponsored by:



"Home prices hit another all-time high last month. The only way to bring down the price of all homes is to build more. Unfortunately, until homebuyers get some relief on the regulation and fee side of homebuilding, we will not be able to help ease our regions ever-growing home prices."

David Siegel, executive director of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date July 2015-2019

SOURCE: KEYSTONE REPORT

LOVE INDUSTRY DATA & NEWS?

FOLLOW THE BATC-HOUSING FIRST MINNESOTA DAILY BLOG AT BATC.ORG

[BATC-Housing First Minnesota]

Another Hot Month for Single-Family Homebuilding

For the second month in a row Twin Cities' single-family construction posted double digit gains in permit numbers. With 513 permits pulled for the month, single-family activity rose 12% over July 2018. With 406 permitted units, multifamily construction had one of its slowest months of the year, dipping below 50% of construction activity for the first time since January of this year.

"With the economy steaming ahead and interest rates dropping, homebuyers are showing continued interest in building new homes," said John Rask,

president of Housing First Minnesota. "As prices of existing homes continue to climb and inventory remains tight, we expect this trend to continue."

According to data compiled by the Keystone Report for Housing First Minnesota, there were 528 permits issued for a total of 919 units during four comparable weeks in the month of July.

"Home prices hit another all-time high last month," said David Siegel, executive director of Housing First Minnesota. "The only way to bring

"... homebuyers are showing continued interest in building new homes."

John Rask, president of Housing First Minnesota

down the price of all homes is to build more. Unfortunately, until homebuyers get some relief on the regulation and fee side of homebuilding, we will not be able to help ease our regions ever-growing home prices."

For the month, Lakeville took the top spot with 45 permits issued. Otsego and Woodbury came in next both with 26 permits, followed by Blaine and Elk River both with 24 permits issued.

[MAAR]

Inventory and Interest Rates Likely Driving Sales Growth

The current economic expansion recently became the longest on record, but it's showing its age. Concerns around slowing growth have spiked amidst new economic data and gyrations in equity markets, but it's also created opportunities for home buyers.

The upside is that mortgage rates have fallen yet again as investors flock to the safety of longer-term U.S. government bonds, thereby

driving down the 10-year treasury yield and the 30-year mortgage rates that follow it. That means markets expect monetary easing and lower interest rates to spur growth in the short-term.

The risk of recession has grown, but the economy is still buzzing along at a decent pace. Buying a home is an emotional decision, and buyers sometimes pull back at any whiff of turbulence out of fear of hardship.

Twin Cities home buyers and sellers, however, did not pull back in July. Sales rose 4.5 percent and sellers even listed almost 2.0 percent more product than last July. Despite lower interest rates and modest inventory gains as tailwinds, the persistent shortage

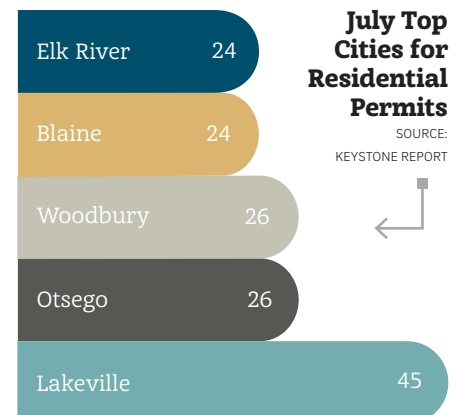
of homes on the market and affordability headwinds remain.

Price increases and wage gains are more aligned now than in the past, but investors are still competing with millennial first-time buyers in the already competitive under \$300,000 segment. Conversely, there's some evidence of a slow-down in the luxury segment. Metrics to watch aside from sales and prices include market times, the ratio of sold to list price and months of supply.

These three indicators could be hinting at potential market shifts ahead. That said, home price declines are unlikely until absorption rates rise above 6 months. We're currently at 2.4 months.

"No one thought mortgage rates would touch 3.6 percent again. Buyers who felt squeezed by a monthly mortgage payment should take another look and consider this a fleeting gift."

Linda Rogers, President-Elect of MAAR



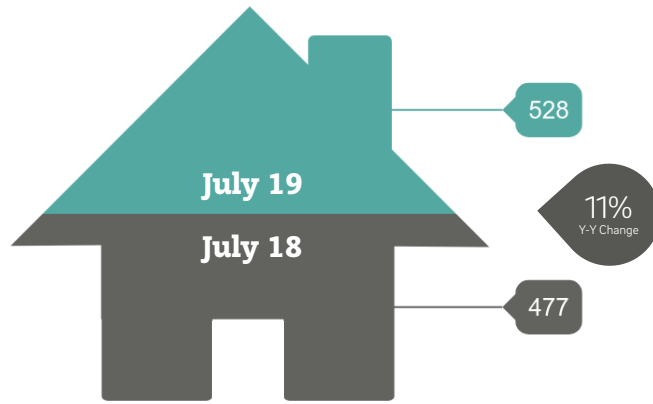
July Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

Single-family Permits Pulled
↑ 12%
Compared to July 2018

2019 July Metro Building Activity

For the second month in a row Twin Cities' single-family construction posted double digit gains in permit numbers. With 513 permits pulled for the month, single-family activity rose 12% over July 2018. With 406 permitted units, multifamily construction had one of its slowest months of the year, dipping below 50% of construction activity for the first time since January of this year.

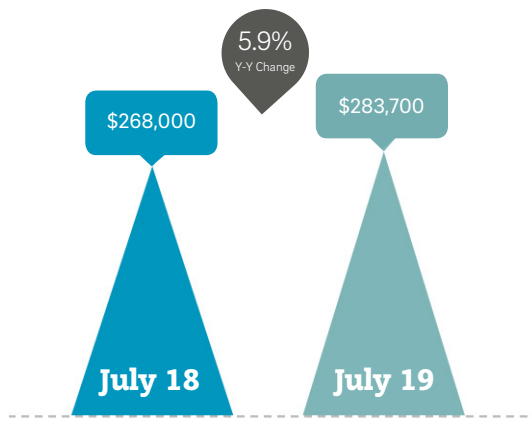


Units YTD:
8,363

Multi-Family
44%
of Twin Cities Housing
Units Authorized

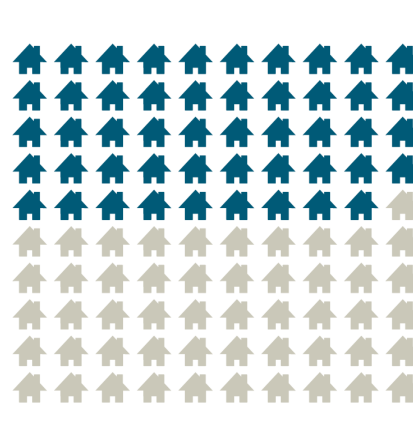
Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



Twin Cities Median Home Price

SOURCE: MPLS REALTORS

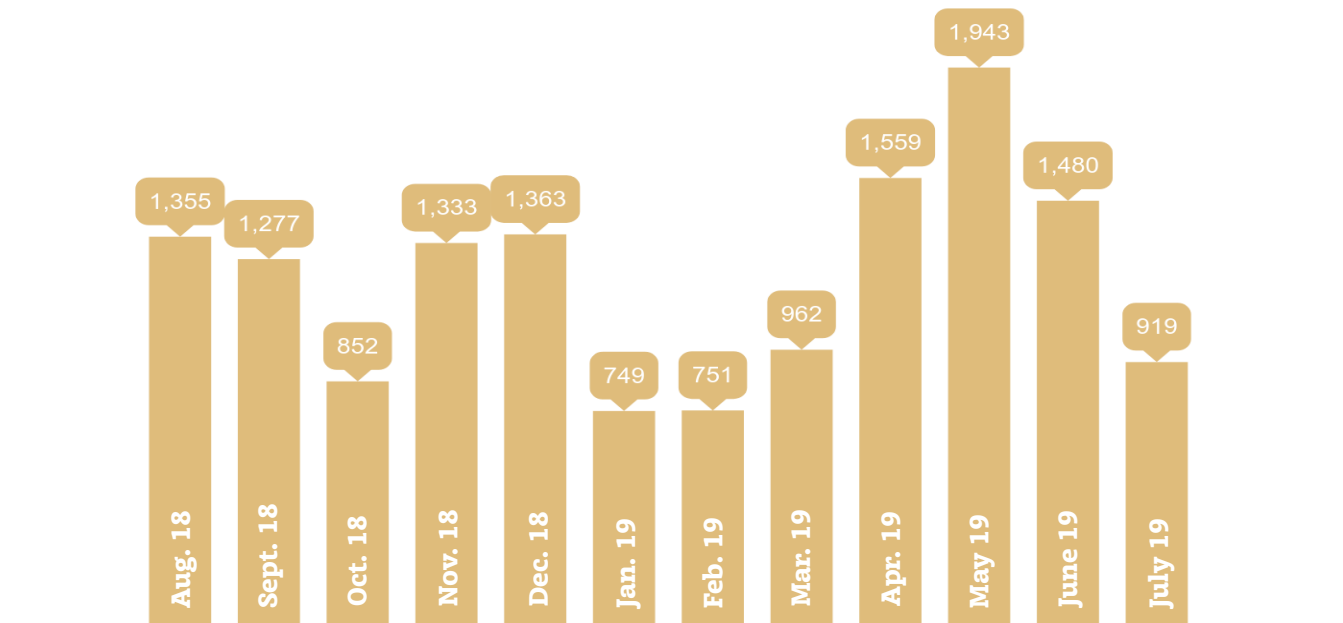


-1.3%
Monthly
change

11,961
12,518

Twin Cities Total Active Listings

SOURCE: MPLS REALTORS



Metro Building Units - Past 12 Months

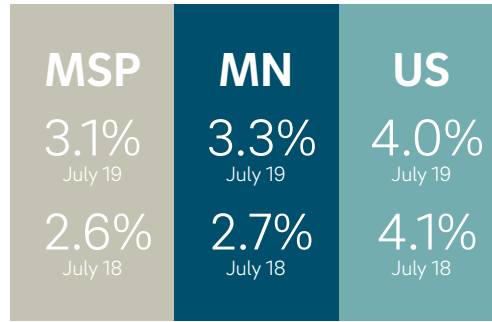
SOURCE: KEYSTONE REPORT

Employment

Minnesota lost 1,300 seasonally adjusted jobs in July and the state's unemployment rate edged up one tenth, according to data released by the Minnesota Department of Employment and Economic Development (DEED). The U.S. Unemployment rate remained steady.

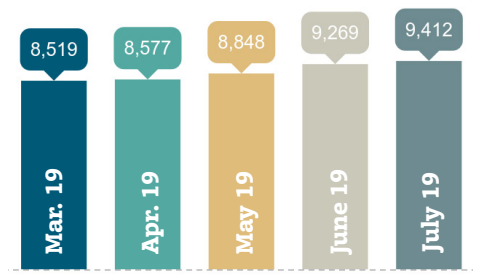
July's seasonally adjusted loss represents the first decline after four continuous months of gains that added 7,000 jobs. Minnesota's labor force participation rate held at 70%.

Over the month, four major industry sectors gained jobs. Construction gained the most (up 1,600) followed by education and healthcare (up 1,000).



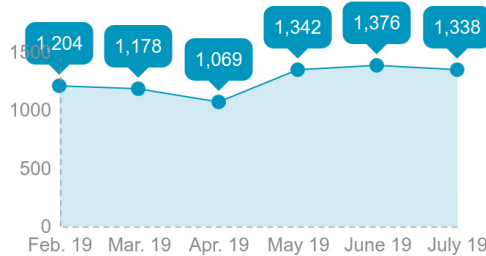
Unemployment Rate Snapshot

SOURCE: DEED-MN



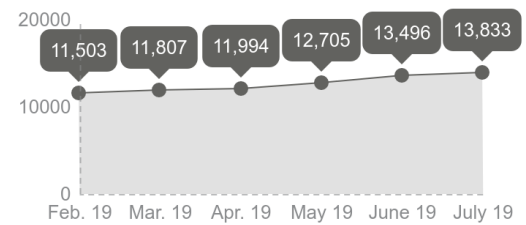
Twin Cities Construction Employment

SOURCE: DEED-MN



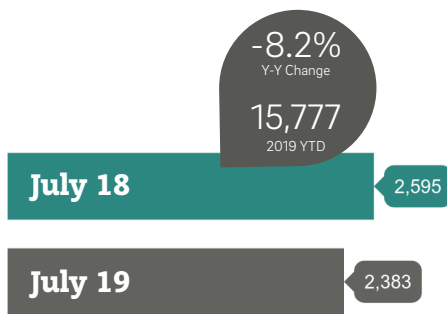
Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



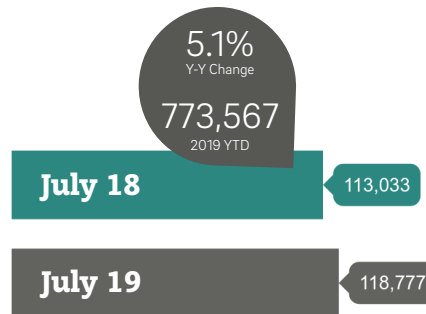
MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

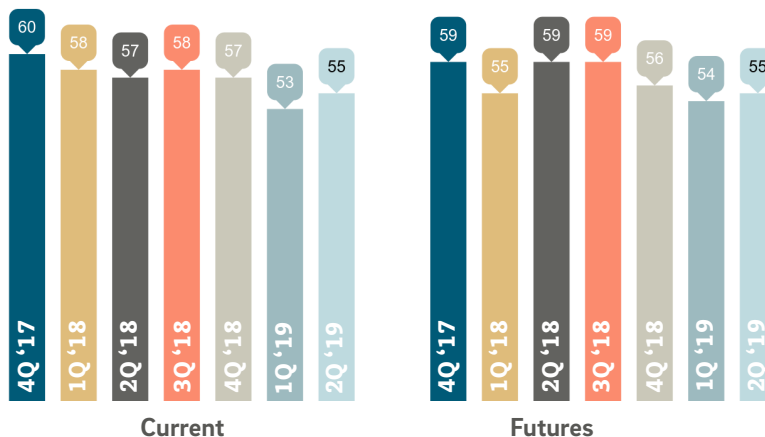
SOURCE: US CENSUS

Regional/National Statistics

Home building in the U.S. fell for a third straight month in July, showing that housing affordability continues to dent the pace of home construction. U.S. Housing starts fell by 4% in July from the prior month to a seasonally adjusted annual rate of 1.191 million, according to the Commerce Department. U.S. residential building permits, which signal how much construction is in the pipeline, rose 8.4% from June to an annual pace of 1.336 million.

Remodeling Market Indices

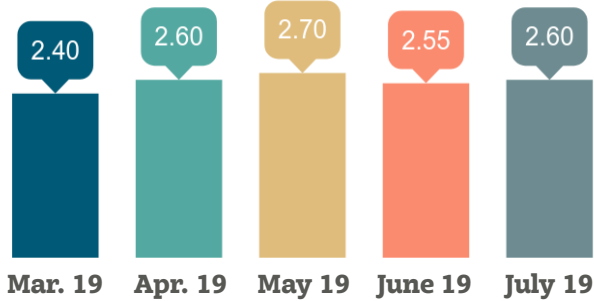
SOURCE: NAHB



Key Indicators

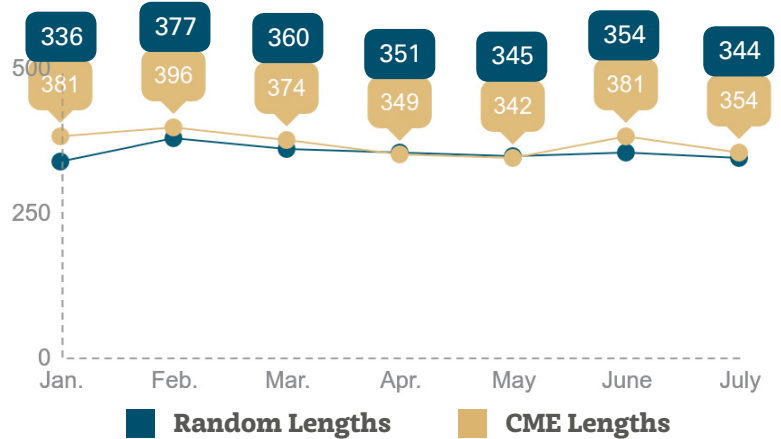
"Rates remain near three-year lows, but in recent weeks have not dropped nearly as low as we would expect given the fact that bond yields have fallen markedly over the same time frame," said Matthew Speakman, a Zillow economist.

Trade disputes continue to have an impact on many of the raw materials the housing industry needs. AAA reports that gas prices will hit a three-year record low over Labor Day weekend.



MN Monthly Retail Gasoline Prices

SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber

SOURCE: NAHB

Mortgage Rates

FROM AUGUST 30, 2019
SOURCE: ASSOCIATED BANK



A DREAM HOME

DOESN'T HAVE TO BE A DREAM.

Each one of your customers is building their home because they have a vision. Our loan officers are experienced in finding construction financing options that are built to their specifications.

Contact your local mortgage lending expert below.

Michael Fannon
Bloomington
651-554-8719
NMLS: 524057

Randy Hoeschen
St. Louis Park
952-591-2897
NMLS: 524058

Stuart Mansk
Savage
651-306-1874
NMLS: 553805

Julie Wilzbacher
St. Paul
651-523-6311
NMLS: 296171



Information is for real estate professionals only and is not intended for distribution to consumers. Information is accurate as of the date listed and is subject to change without notice. Loan Products are offered by Associated Bank, N.A., and are subject to credit approval and involve interest and other costs. All trademarks, service marks and trade names referenced in this material are the property of their respective owners. Member FDIC. (6/19) 14485

