

# HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

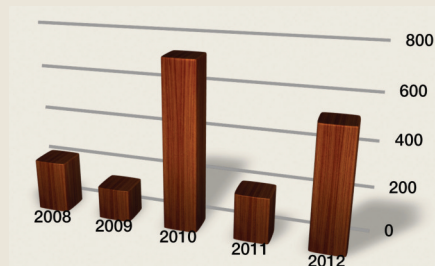
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- **NAHB: 1Q 2012 Remodeling Market Index**
- **UST: March 2012 MSP Residential Real Estate Index**

### Twin Cities Building Activity – Year-to-Date Units Authorized March 2008-2012



Source: Keystone Report

## Market Chatter

*"Weakening or abolishing the mortgage interest deduction would harm home values, push more home owners underwater and exacerbate the foreclosure crisis just as signs are beginning to appear that scores of housing markets are showing signs of improvement following the worst downturn in decades. Such changes would also act as a tax increase on the more than 30 million taxpayers who benefit from the deduction, and who made home financing decisions based on long-standing tax rules. In short, it would be unfair and economically destructive to tamper with the deduction."*

Marty Mitchell, Maryland home builder, testifying on behalf of NAHB before the House Small Business Committee

*"While more consumers appear to be seriously considering a new-home purchase, builders remain very cautious about starting new projects until they see more actual sales materializing. At the same time, in places where buyers are ready to go forward with a purchase, access to credit for both builders and buyers and difficulties in obtaining accurate appraisals are persistent challenges that continue to slow that process considerably."*

Barry Rutenberg, chairman of the National Association of Home Builders (NAHB) and a home builder from Gainesville, Fla.

## NAHB: March Home Sales Decline From Upwardly Revised Earlier Pace

Sales of newly built, single-family homes declined 7.1 percent to a seasonally adjusted annual rate of 328,000 units in March from an upwardly revised, robust pace of 353,000 units in February, according to newly released figures from HUD and the U.S. Commerce Department.

"Some new-home sales that would have happened this March were likely pulled forward as a result of exceedingly good weather conditions across much of the country in February, when we recorded the quickest sales pace since the end of the home buyer tax credit," noted Barry Rutenberg, chairman of the National Association of Home Builders (NAHB) and a home builder from Gainesville, Fla. "The bottom line is that builders in many markets are reporting more interest among prospective buyers, with the main sticking points for sales right now being access to credit for builders and buyers, and problems with obtaining accurate appraisals."

"The March decline is from a stronger-than-expected sales pace in February, and looking at the first quarter as a whole, sales are up 3.7 percent

from the fourth quarter of 2011," noted NAHB Chief Economist David Crowe. "This is exactly the kind of modest, but substantive, growth that we are expecting to see in the year ahead along with gradual firming of the economy and job market."

*"The bottom line is that builders in many markets are reporting more interest among prospective buyers..."*

Barry Rutenberg, chairman of the National Association of Home Builders (NAHB)

Regionally, new-home sales activity was mixed in March, with the Northeast and South posting gains of 7.7 percent and 3.1 percent, respectively, while the Midwest and West registered respective 20 percent and 27 percent declines.

The inventory of new homes for sale continued to shrink in March to a new record low of just 144,000 units, which is a 5.3-month supply at the current sales pace.

## Twin Cities Residential Construction Comes on Strong in March

In addition to bringing the region an early spring, March, 2012, signaled an increase in Twin Cities permit activity. Compared to March of 2011, the region had a 51 percent increase in permits, and units were up by 164 percent. This continues the growth seen in January and February, with year-to-date permits up by 145 percent over 2011.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 234 permits for a total of 530 units during four weeks in the month of March, 2012.

"Our members are definitely seeing increased activity," said Builders Association of the Twin Cities 2012 President and owner of Lee Lyn Construction,

Curt Christensen. "Reports from the Parade of Homes(sm) which ran from March 3rd through April 1st, have been very positive. Across the board, our builders said this was the most successful Parade of Homes in years.

"Our industry is hopeful that housing is beginning to rebound, but are remaining cautious with their business decisions," Christensen said.

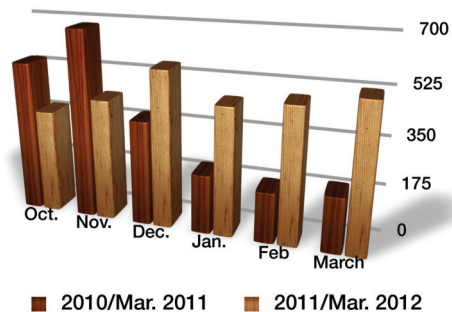
Minneapolis, with the help of a 283 unit multi-family building, led the metro in building activity for the month with 285 units permitted. Blaine followed with 33 units. Woodbury showed 20 units permitted, with Plymouth coming in at 18 and Lakeville rounding off the top five with 17 units permitted.

## TWIN CITIES STATISTICS

### TC Housing Units Authorized

Date	Total	Y-Y Change
Feb 11	183	
Feb 12	491	+128.5%
Mar 11	201	
Mar 12	530	+164%

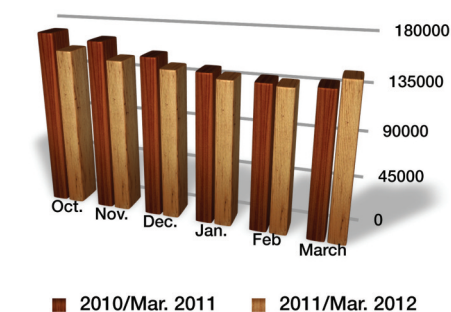
Source: Keystone Report



### Twin Cities Median Home Price

Date	Total	Y-Y Change
Feb 11	\$140,000	
Feb 12	\$138,000	-1.4%
Mar 11	\$140,000	
Mar 12	\$149,000	+6.4%

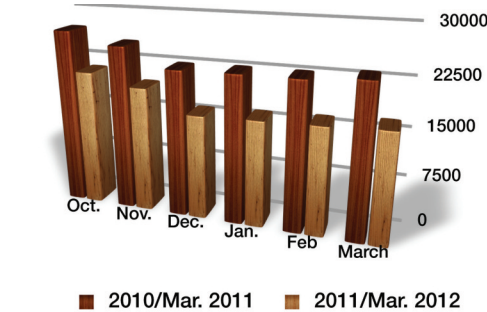
Source: MPLS Area Association of REALTORS



### Twin Cities Total Active Listings

Date	Total	Months of Inventory
Feb 11	22,940	
Feb 12	16,689	4.6
Mar 11	23,566	
Mar 12	17,081	4.6

Source: MPLS Area Association of REALTORS



## EMPLOYMENT

### Twin Cities Unemployment Rate

\*Editor's note-MN DEED began presenting NON-seasonally adjusted #'s starting February 2010

Nov 11	5.1%
Dec 11	5.5%
Jan 12	5.5%
Feb 12	6.2%
Mar 12	6.1%

Source: MN DEED

### MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 8.2%

Nov 11	5.9%
Dec 11	5.7%
Jan 12	5.7%
Feb 12	5.7%
Mar 12	5.8%

Source: MN DEED

### Twin Cities Construction Employment

0.3% of Workforce

Nov 11	5,072
Dec 11	5,093
Jan 12	5,289
Feb 12	5,207
Mar 12	5,138

Source: MN DEED

### MN Construction Employment

0.4% of Workforce

Nov 11	9,630
Dec 11	9,416
Jan 12	8,526
Feb 12	8,203
Mar 12	8,147

Source: MN DEED

### Construction Weekly Wage

Production Worker, Averaged

Oct 11	1,025.65
Nov 11	1,045.77
Dec 11	1,080.38
Feb 12	1,233.93
Mar 12	1,288.54

Source: MN DEED

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## worth Quoting

"What we're seeing is essentially a pause in what had been a fairly rapid build-up in builder confidence that started last September. This is partly because interest expressed by buyers in the past few months has yet to translate into expected sales activity, but is also reflective of the ongoing challenges that are slowing the housing recovery - particularly tight credit conditions for builders and buyers, competition from foreclosures and problems with obtaining accurate appraisals."

David Crowe, Sr Economist, National Association of Home Builders (NAHB)

## REGIONAL/NATIONAL STATISTICS

### MN Housing Units Authorized

Date	Total	Y-Y Change
Feb 11	272	
Feb 12	805	+196%
Mar 11	542	
Mar 12	688	+26.9%
	2012 YTD	2,048

Source: US Census Bureau

### US Housing Units Authorized

Date	Total	Y-Y Change
Feb 11	37,232	
Feb 12	51,927	+39.5%
Mar 11	53,650	
Mar 12	67,380	+25.6%
	2012 YTD	167,684

Source: US Census Bureau

### Remodeling Market Indices

Date	Current	Futures
1Q 11	46.1	46.8
2Q 11	44.8	43.0
3Q 11	43.0	40.4
4Q 11	48.4	44.8
<b>1Q 12</b>	<b>49</b>	<b>44</b>

Source: NAHB

	Framing Lumber	
	Random Lengths	CME Futures
December 23	\$269	\$241
January 20	\$283	\$241.2
February 24	\$284	\$266.9
March 30	\$298	\$261
April 27	\$316	\$275.9

Source: NAHB

Mortgage Rates	
From 4/30/2012	
30 Year	4.051%
30 Year Fixed FHA	4.827%
15 Year	3.308%
5 Year ARM	3.072%
30 Year Jumbo	4.382%

Source: Wells Fargo

MN Monthly Retail Gasoline Prices	
per gallon - all grades	
November 11	\$3.340
December 11	\$3.229
January 12	\$3.296
February 12	\$3.474
March 12	\$3.703

Source: Energy Information Administration



### NAHB: Remodeling Market Index Remains Relatively Flat in First Quarter

NAHB CORRECTION: Due to a recently discovered computer coding error, NAHB has revised the RMI going back to 2006. The error had slightly reduced the true values of the overall index, as well as its two major components. The revisions generally show a one point or less quarterly increase, with quarter-to-quarter patterns remaining relatively unchanged. Some of the subcomponents experienced larger revisions but in a counteracting fashion, so that the impact on the primary indicators was muted.

Remodeling activity remained relatively flat in the first quarter of 2012, as the Remodeling Market Index (RMI) compiled by the National Association of Home Builders decreased one point to 47 from the upwardly revised 48 in the previous quarter.

The overall RMI combines ratings of current remodeling activity with indicators of future activity. An RMI below 50 indicates that more remodelers report market activity is lower (compared to the prior quarter) than report it is higher.

In the first quarter, the RMI component measuring current market conditions dropped one point to 49, while the component measuring future indicators of remodeling business fell two points to 44.

“We are seeing that the demand for remodeling work has been pulled forward because of a mild winter,” said NAHB Remodelers Chairman George “Geep” Moore Jr., GMB, CAPS, GMR and owner/president of Moore-Built Construction & Restoration Inc. in Elm Grove, La. “That is why many remodelers reported lower numbers for future activity.”

The three components measuring current market conditions moved in different directions in the first quarter: major additions remained even at 44; minor additions rose one point to 52; and maintenance and repair dropped four points to 51. Two of the four components measuring future market indicators decreased: backlog of remodeling jobs dropped four points to 43 and appointments for proposals fell five points to 45. Meanwhile, calls for bids rose one point to 47 and amount of work committed for the next three months remained even at 42.

Regionally, remodeling market conditions in the West increased three points to 47, while the other three regions showed declines: Northeast to 48 (from 55), the Midwest to 50 (from 52) and the South to 46 (from 49).

“Even though many remodelers report that consumers are showing increased interest in remodeling, they are hesitant to act because of financing constraints and the spotty nature of the economic recovery, which so far has failed to reach some of the larger markets in country,” said NAHB Chief Economist David Crowe. “Many consumers are likely to be deferring large remodeling projects until they feel more comfortable with the economic climate in their area.”

Source: NAHB

## worth NOTING

### SLH Home Systems Showroom Mixer

May 3rd  
4:30pm - 6:30pm  
SLH Home Systems

### MN Green Path Remodeler Training/Orientation

May 14th  
8:00am - 10:00am

### Working With Your Aging 50+ Customer

May 17th  
8:30am - 10:00am

### Managing Your Businesses Online Identity

May 22nd  
3:30pm - 5:00pm

Complete information at:  
**batconline.org**



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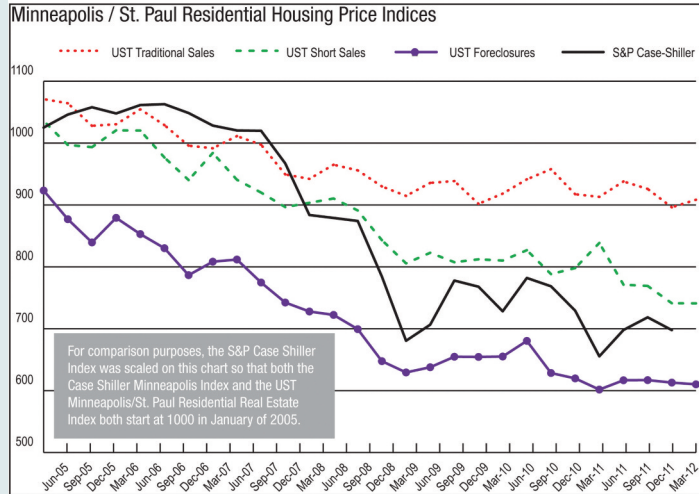
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## market BRIEFS



Real Estate  
**UST** OPUS COLLEGE OF BUSINESS

### St. Thomas real estate analysis sees signs of a healthier Twin Cities housing market



Herb Tousley, director of real estate programs at St. Thomas.

Here are key findings from the center's analysis of March data:

- The median price for traditional-sale homes increased just over 8 percent, from \$180,000 in February to \$195,000 in March. It was the largest single month-to-month increase since the middle of 2010, when the market was stimulated by a federal tax credit.
- For traditional-sale, single-family homes, the median price increased from \$200,000 in February to \$214,000 in March.

- For traditional-sale condos, the median price increased from \$111,000 in February to \$130,000 in March.
- Sales volume is up in all three categories: traditional sale, short sale and foreclosure.

While the number of homes on the market remains at historic low levels, change is expected for two reasons. First, the month of March saw new listings come on the market faster than homes were being sold. Second, discretionary sellers (those who would like to sell but don't have to sell right now) will be encouraged to put their homes on the market as prices trend upward.

- The median price of foreclosed sales appears to be finding a bottom, the number of days on the market continues to decline and the percentage of distressed sales appears to be moderating.

- The percentage of distressed sales (short and foreclosure sales) fell below 50 percent for the first time in the last four months. These distressed properties need to clear the market for a meaningful recovery to take place.

"These are all signs of the beginnings of the return to a healthier housing market," Tousley said. He added, however, that the housing market in the Twin Cities still has a long way to go to get back to normal.

"One month of good data does not mean that our troubles are over," he said. "Median prices and sales volumes will have to continue to exceed previous year's levels for the balance of 2012."

St. Thomas' composite index uses nine data elements to track the health of the traditional, foreclosure and short-sale markets. Tousley described the March index as "a turnaround month" for traditional housing sales; the index moved from 895 to 908. The short-sale index increased from 723 to 741 while the foreclosure index remained unchanged at 610. The index scores reflect changes since the apex of the housing-market bubble in early 2005, when each category was assigned an index number of 1,000.

A sharp increase in the median price of a home last month was one of several signs pointing to a return to a healthier housing market in the 13-county Twin Cities area, according to an analysis released by the Shenehon Center for Real Estate at the University of St. Thomas' Opus College of Business.

The university's researchers, however, offered a note of caution. "We will need to see many more months of data before we can say that we are on the road to recovery," said