

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

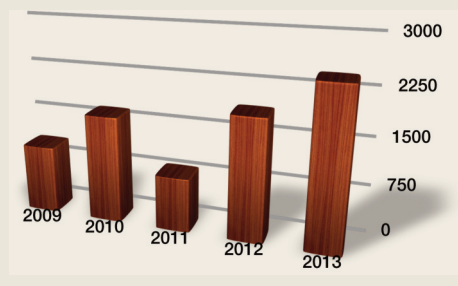
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Twin Cities Building Activity – Year-to-Date Units Authorized April 2009-2013



Source: Keystone Report

Market Chatter

"Builders are reporting an active spring buying season as consumers become more confident about going forward with a new-home purchase along with steadily firming prices in local markets. While the cost of constructing homes is rising due to tightened supplies of materials, lots and labor, to some extent, this may be creating greater urgency among potential buyers."

NAHB Chairman Rick Judson, a home builder from Charlotte, N.C.

"Today's report is further evidence of the gradual, consistent improvement we have been seeing in housing market conditions over the past year. We're now about half-way back to what could be considered a full recovery, and we do expect to see continual, solid gains in both starts and sales of new homes going forward."

NAHB Senior Economist Robert Denk

June 3, 2013 | Volume 9, Issue 5

NAHB: Housing Starts Slip with Multifamily Correction in April

A correction from an unsustainably high level of production on the volatile multifamily side was largely responsible for a 16.5 percent dip in nationwide housing starts to a seasonally adjusted annual rate of 853,000 units in April, according to newly released figures from HUD and the U.S. Census Bureau. However, permits for new construction headed solidly higher in the month, with a particularly strong gain in multifamily issuance.

"While builders today are considerably more optimistic than they have been at earlier stages of the housing recovery, numerous challenges are slowing their ability to get new projects underway," observed Rick Judson, chairman of the National Association of Home Builders (NAHB) and a home builder from Charlotte, N.C. "In particular, limited access to construction credit, tough qualification standards for mortgage borrowers and rising costs for building materials, developable lots and labor are impacting the pace of construction activity."

"The big decline in April housing production was mostly on the multifamily side, which recorded a similarly dramatic increase in the previous month," noted NAHB Chief Economist David Crowe. "Meanwhile, overall permits for new construction surpassed the million-unit mark and the number of yet-to-be-used permits rose in April, which is a good indicator that the dip in building activity was likely a temporary pause due partly to unseasonably poor weather conditions."

While single-family starts posted a modest, 2.1 percent decline to a seasonally adjusted annual rate of 610,000 units in April, multifamily starts posted a 38.9 percent decline to 243,000 units. Combined starts activity fell 12.8 percent in the Northeast, 27.9 percent in the South and 6.2 percent in the West, but increased 10.9 percent in the Midwest.

"Meanwhile, overall permits for new construction surpassed the million-unit mark..."

David Crowe, NAHB Chief Economist

Total permit issuance, which can be an indicator of future building activity, gained 14.3 percent to a seasonally adjusted annual rate of 1.02 million units in April – the fastest pace since June of 2008. That increase reflected a 3.0 percent gain to 617,000 units on the single-family side and a 37.5 percent gain to 400,000 units on the multifamily side.

Three out of four regions posted double-digit gains in permit issuance in April, with the Midwest recording a 22.3 percent increase, the South registering a 16.0 percent gain and the West posting a 12.9 percent gain. The Northeast posted a 2.0 percent decline.

Twin Cities' Residential Construction Surges with Two Large Multi-Family Projects in April 2013

Statistics for April 2013 show that while single-family homes continue strong (up nearly 27 percent), two Minneapolis multi-unit apartment buildings pushed planned units up 111 percent over April 2012. Year-to-date, the region pulled 50 percent more permits for 30 percent more units over the same time period in 2012.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 372 permits for a total of 817 units during the first four weeks in the month of April, 2013. Year-to-date, cities issued 1,386 permits for a total of 2,475 units.

"As the market has steadily improved, our members are optimistic about potential sales and report steady demand," said Builders Association of the Twin Cities 2013 President and Developer with Senior Housing Partners, Pamela Belz. "However we are mindful of areas of concern such as costs of materials, labor, regulation, and a declining inventory of attractively priced and located lots."

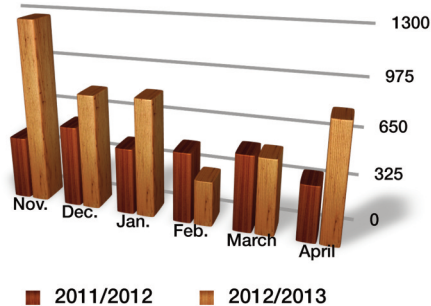
Minneapolis once again led the top five cities permitting 408 units in April. Lakeville moved into second position with 32 units, followed by Chanhassen with 29, Woodbury with 24, and Blaine with 20 units permitted.

TWIN CITIES STATISTICS

TC Housing Units Authorized

| Date | Total | Y-Y Change |
|----------|-------|------------|
| March 12 | 530 | |
| March 13 | 525 | -0.9% |
| April 12 | 387 | |
| April 13 | 817 | +111% |

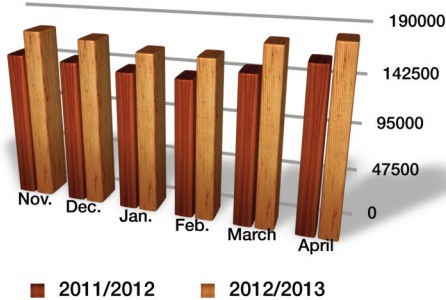
Source: Keystone Report



Twin Cities Median Home Price

| Date | Total | Y-Y Change |
|----------|-----------|------------|
| March 12 | \$149,000 | |
| March 13 | \$176,000 | +17.4% |
| April 12 | \$162,500 | |
| April 13 | \$182,312 | +12.2% |

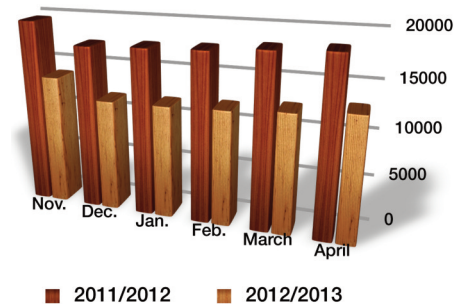
Source: MPLS Area Association of REALTORS



Twin Cities Total Active Listings

| Date | Total | Months of Inventory |
|----------|--------|---------------------|
| March 12 | 18,291 | |
| March 13 | 12,615 | 3.0 |
| April 12 | 18,553 | |
| April 13 | 13,112 | 3.1 |

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

| | |
|-------------|------|
| December 12 | 5.1% |
| January 13 | 5.1% |
| February 13 | 5.5% |
| March 13 | 5.3% |
| April 13 | 4.9% |

Source: MN DEED

Twin Cities Construction Employment

0.3% of Workforce

| | |
|-------------|-------|
| December 12 | 5,544 |
| January 13 | 5,242 |
| February 13 | 5,133 |
| March 13 | 5,225 |
| April 13 | 5,460 |

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

| | |
|-------------|----------|
| December 12 | 1,281.34 |
| January 13 | 1,322.72 |
| February 13 | 1,229.60 |
| March 13 | 1,246.98 |
| April 13 | 1,314.87 |

Source: MN DEED

MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 7.5%

| | |
|-------------|------|
| December 12 | 5.5% |
| January 13 | 5.5% |
| February 13 | 5.5% |
| March 13 | 5.4% |
| April 13 | 5.3% |

Source: MN DEED

MN Construction Employment

0.4% of Workforce

| | |
|-------------|-------|
| December 12 | 9,414 |
| January 13 | 8,248 |
| February 13 | 7,977 |
| March 13 | 8,110 |
| April 13 | 8,502 |

Source: MN DEED

BATC UNIVERSITY

Get your Contractor and Real Estate Continuing Education & NAHB CAPS Designation information online at www.batc.org

worth Quoting

"Builders are reporting an active spring buying season as consumers become more confident about going forward with a new-home purchase along with steadily firming prices in local markets. While the cost of constructing homes is rising due to tightened supplies of materials, lots and labor, to some extent, this may be creating greater urgency among potential buyers."

Rick Judson, chairman of the National Association of Home Builders (NAHB) and a home builder from Charlotte, N.C.

REGIONAL/NATIONAL STATISTICS

MN Housing Units Authorized

| Date | Total | Y-Y Change |
|----------|----------|------------|
| March 12 | 688 | |
| March 13 | 1,187 | +72.5% |
| April 12 | 1,073 | |
| April 13 | 1,450 | +35% |
| | 2013 YTD | 3,808 |

Source: US Census Bureau

US Housing Units Authorized

| Date | Total | Y-Y Change |
|----------|----------|------------|
| March 12 | 67,380 | |
| March 13 | 75,846 | +12.6% |
| April 12 | 62,462 | |
| April 13 | 90,536 | +44.9% |
| | 2013 YTD | 297,808 |

Source: US Census Bureau

Remodeling Market Indices

| Date | Current | Futures |
|--------------|-----------|-----------|
| 1Q 12 | 49 | 44 |
| 2Q 12 | 46 | 44 |
| 3Q 12 | 52 | 49 |
| 4Q 12 | 54 | 56 |
| 1Q 13 | 50 | 48 |

Source: NAHB

| | Framing Lumber | |
|-------------|----------------|-------------|
| | Random Lengths | CME Futures |
| December 21 | \$373 | \$356.6 |
| January 18 | \$400 | \$367.6 |
| February 22 | \$415 | \$378 |
| March 15 | \$432 | \$395.1 |
| May 24 | \$361 | \$303 |

Source: NAHB

| Mortgage Rates | |
|-------------------|--------|
| From 5/30/2013 | |
| 30 Year | 4.168% |
| 30 Year Fixed FHA | 4.879% |
| 15 Year | 3.417% |
| 5 Year ARM | 2.924% |
| 30 Year Jumbo | 4.112% |

Source: Wells Fargo

| MN Monthly Retail Gasoline Prices | |
|-----------------------------------|---------|
| per gallon - all grades | |
| January 13 | \$3.137 |
| February 13 | \$3.697 |
| March 13 | \$3.665 |
| April 13 | \$3.544 |
| May 13 | \$3.986 |

Source: Energy Information Administration



NAHB: Builder Confidence Improves in May

Builder confidence in the market for newly built, single-family homes improved three points to a 44 reading on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for May. This gain, from a downwardly revised 41 in April, reflected improvement in all three index components – current sales conditions, sales expectations and traffic of prospective buyers.

“Builders are noting an increased sense of urgency among potential buyers as a result of thinning inventories of homes for sale, continuing affordable mortgage rates and strengthening local economies,” noted National Association of Home Builders (NAHB) Chairman Rick Judson, a home builder from Charlotte, N.C. “This is definitely an encouraging sign even amidst rising challenges with regard to the cost and availability of building materials, lots and labor.”

“While industry supply chains will take time to re-establish themselves following recession-related cutbacks, builders’ views of current sales conditions have improved and expectations for the future remain quite strong as consumers head back to the market in force,” said NAHB Chief Economist David Crowe.

Derived from a monthly survey that NAHB has been conducting for 25 years, the NAHB/Wells Fargo Housing Market Index gauges builder perceptions of current single-family home sales and sales expectations for the next six months as “good,” “fair” or “poor.” The survey also asks builders to rate traffic of prospective buyers as “high to very high,” “average” or “low to very low.” Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

All three HMI components posted gains in May. The index gauging current sales conditions increased four points to 48, while the index gauging expectations for future sales edged up a single point to 53 – its highest level since February of 2007. The index gauging traffic of prospective buyers gained three points to 33.

Looking at the three-month moving averages for regional HMI scores, no movement was recorded in the Northeast, Midwest or South, which held unchanged at 37, 45 and 42, respectively. Only the West recorded a decline, of six points to 49 in May.

Editor’s Note: The NAHB/Wells Fargo Housing Market Index is strictly the product of NAHB Economics, and is not seen or influenced by any outside party prior to being released to the public. HMI tables can be found at nabh.org/hmi. More information on housing statistics is also available at housingeconomics.com.

worth NOTING

Remodelers Round Table

June 18

3:00pm - 4:30pm

Mingle Showroom in Plymouth

Mingle Cabinetry Showroom Mixer

June 18

4:30pm - 6:30pm

Mingle Showroom in Plymouth

ROMA Banquet

June 27

5:30pm - 9:00pm

Nicollet Island Pavillion

BATC Boat Cruise Hosted by BATC Remodelers Council

July 18

5:30pm - 9:00pm

Bayside Grill on Lake Minnetonka

Complete information at:
batconline.org



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James Fisher "Fish"

Regional Builder Sales Manager

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market BRIEFS

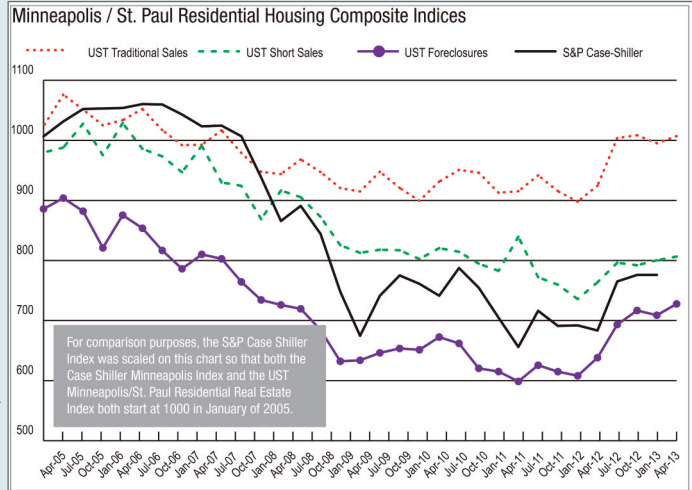
UST Minneapolis St. Paul Residential Real Estate Index



April 2013 - Something Good in the Neighborhood

Prices continue to rise, but the inventory of homes for sale remains very low. Housing data in April continues to show improvement compared to the same period last year. The median price of a traditional (non-distressed) home sale was \$216,250, an increase of 2.4% over the \$209,900 reported in March and a 8.67% increase over the April 2012 median price of \$199,000. The median price of \$216,250 is the highest median price seen since August of 2012. The volume of closed sales in April 2013 was 4,185, up 11.8% from the 3,743 recorded in March 2013 and 6.5% higher than the 3,931 recorded in April 2012.

The number of existing homes available for sale continues to remain at historically low levels. In April of 2013 there were 13,204 homes available for sale. This is 29% below the 18,553 homes that were available in April 2012. In April of 2013 there were only 3.16 homes for sale for every closed sale. That is the lowest sales to inventory ratio recorded in over 8 years. Since the beginning of 2012 the inventory level of homes for sale has been consistently running 25% - 30% below the previous year's level. The persistent low quantity of homes available for sale along with an improving economy and historically low interest rates continue to put upward pressure on sales prices. See the chart below.



How does Minneapolis / St. Paul compare with other selected cities?

| | Total Distressed Percentage | |
|-------------------------------|-----------------------------|--------------|
| | April 2012 | April 2013 |
| National Average | 28.0% | 18.0% |
| Minneapolis / St. Paul | 42.7% | 31.6% |
| Chicago | 37.0% | 32.3% |
| Phoenix | 44.0% | 24.1% |
| San Francisco Bay Area | 44.0% | 23.5% |
| Southern California | 53.1% | 30.1% |
| Sacramento | 60.7% | 31.9% |
| Orlando | 54.6% | 41.8% |
| Reno | 58.0% | 41.0% |
| Las Vegas | 66.8% | 42.5% |

Source: CalculatedRISK Blog, National Association of Realtors

The Agony and the Equity

Why are we seeing this protracted shortage of homes for sale? The biggest reason we are continuing low numbers of homes for sale is that there are still a significant number of homeowners that are in a negative equity situation or "underwater," meaning that they owe more on their mortgages than for what they could sell their homes. These homeowners are effectively locked out of the market and selling their homes is not an option. The table below illustrates the fact that most of the counties in the Minneapolis / St. Paul metropolitan market have a higher percentage of homeowners who are "underwater" than the national average. Until this situation improves the Twin Cities market will continue to see historically low numbers of homes available for sale. Increasing median sale prices will improve home owner's equity positions and many more will emerge from negative equity and no longer be "underwater". As more home owners begin to regain equity they will be able to list their homes for sale resulting in a more typical number of homes available for sale and the market achieving a healthier balance between buyers and sellers.

The Percentage of Distressed Sales Continues to Moderate

In April of 2013 the percentage of distressed sales continued the decline that began in January of this year. The percentage of closed sales that were distressed in April of 2013 fell to 31.7%. Other than one brief period during the spring of 2010 when the Federal Housing Tax Credit was in place this is the lowest percentage of distressed sales seen since the 3rd quarter of 2008 (see chart below). The number of traditional (non-distressed sales) was up 26.9% over the same period last year and the number of short sales and foreclosed sales were down 25.7% and 19.4% respectively. As the number of new foreclosures continues to wind down and the existing foreclosures are sold and clear the market, expect to see a continued reduction in the percentage of distressed sales throughout the late spring and summer.