

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

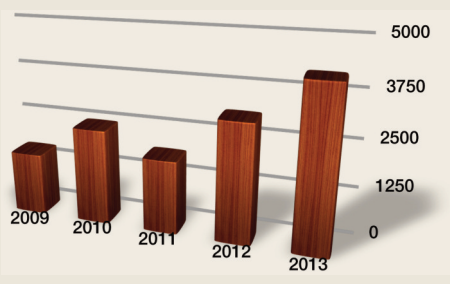
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Twin Cities Building Activity – Year-to-Date Units Authorized June 2009-2013



Source: Keystone Report

Market Chatter

"New-home buyers are returning to the market in larger numbers as firming prices, shrinking inventories of homes for sale and improving local economies convince them that now is the time to make their move. Meanwhile, the very low supply of new homes on the market is indicative of the difficulty that builders are having in keeping up with demand due to availability issues with regard to materials, credit, labor and lots for development."

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

"The takeaway from this report is that the housing recovery is solidly on track and isn't going to be derailed by slightly higher mortgage rates. After years of fence-sitting, buyers are back and are ready to move forward with an investment in homeownership."

NAHB Chief Economist David Crowe

NAHB: Multifamily Dip Drives Housing Starts Lower in June

Nationwide housing starts declined 9.9 percent to a seasonally adjusted annual rate of 836,000 units in June as construction of multifamily buildings slowed following recent months of strong activity in that sector, according to newly released figures from HUD and the U.S. Census Bureau. Meanwhile, the pace of single-family production held fairly even, with a decline of less than one percentage point.

"While demand for new homes and apartments has grown considerably over the past year, builders are still being very careful not to get ahead of the market, and today's report reflects that cautious approach," said Rick Judson, Chairman of the National Association of Home Builders (NAHB) and a home builder from Charlotte, N.C.

"The large dip in multifamily production in June follows a boost of activity in May, and is consistent with the volatility that has come to characterize that sector as well as the uneven pace of the housing recovery," noted NAHB Chief Economist David Crowe. "That said, the fact that single-family starts and permits both rose in three out of four regions in June is a positive sign that's in keeping with our forecast as well as recent surveys in which single-family builders have registered an increasingly positive outlook."

The annualized rate of multifamily production declined 26.2 percent to 245,000 units in June after a 28.2 percent gain in the previous month. Meanwhile, single-family construction slipped by a marginal 0.8 percent to a 591,000-unit pace. Regionally, combined starts activity declined 12.1 percent in the Northeast, 7.4 percent in the Midwest, 12 percent in the South and 5.4 percent in the West in June.

"...builders are still being very careful not to get ahead of the market..."

Rick Judson, NAHB Chairman

Building permits, which are an indicator of future building activity, declined 7.5 percent to 911,000 units in June. This was due entirely to a pullback in the multifamily sector, where permits fell 21.4 percent to 287,000 units. Single-family permits registered a marginal 0.6 percent gain to 624,000 units – the best pace in five years.

Regionally, permit issuance was down 4.6 percent in the Midwest, 11.2 percent in the South and 7.2 percent in the West, but rose 5.9 percent in the Northeast in June.

Twin Cities' Residential Construction Gains Ground Again

Just released residential permit statistics again show that the region's residential construction market continues to strengthen. The number of permits issued are at a 12-month high, while planned units in June were up by 64 percent over June of 2012. As has been the case all year, year-to-date planned units remain at their highest level since 2007.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 496 permits for a total of 912 units during the four weeks in the month of June, 2013. Year-to-date, cities issued 2,379 permits for a total of 4,204 units.

"As the year progresses, evidence continues to grow that the housing market is truly rebounding across the region," said Pamela Belz, Builders Asso-

ciation of the Twin Cities 2013 president and developer with Senior Housing Partners. "And growth is happening in spite of both a labor shortage and delays caused by the out-of-the-ordinary weather we've had.

"The long winter kept road restrictions on longer than usual, and now the rain is saturating the ground and delaying foundations from going in across the metro," Belz said.

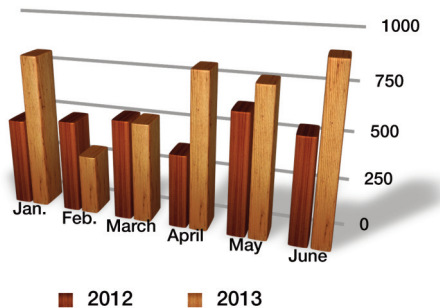
Minneapolis once again led the top five cities permitting 380 units in June. Brooklyn Park joined Woodbury in second position with 31 units, followed by Ramsey with 29. Blaine, Chanhassen and Lakeville tied for fifth place with 23 units permitted each.

TWIN CITIES STATISTICS

TC Housing Units Authorized

Date	Total	Y-Y Change
May 12	638	
May 13	775	+21.5%
June 12	555	
June 13	912	+64.3%

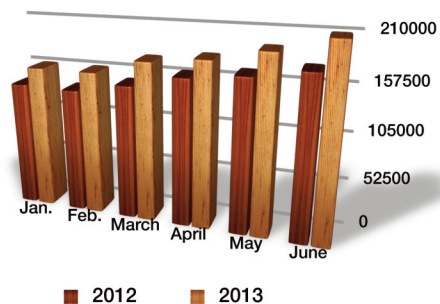
Source: Keystone Report



Twin Cities Median Home Price

Date	Total	Y-Y Change
May 12	\$169,000	
May 13	\$194,450	+15.1%
June 12	\$178,265	
June 13	\$210,000	+17.5%

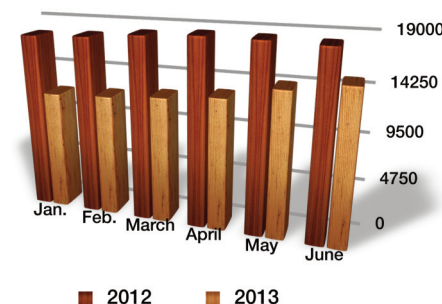
Source: MPLS Area Association of REALTORS



Twin Cities Total Active Listings

Date	Total	Months of Inventory
May 12	18,512	
May 13	14,375	3.4
June 12	18,354	
June 13	15,193	3.5

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

February 13	5.5%
March 13	5.3%
April 13	4.9%
May 13	4.7%
June 13	5.1%

Source: MN DEED

Twin Cities Construction Employment

0.3% of Workforce

February 13	5,133
March 13	5,225
April 13	5,460
May 13	5,541
June 13	5,805

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

February 13	1,229.60
March 13	1,246.98
April 13	1,314.87
May 13	1,296.05
June 13	1,323.14

Source: MN DEED

MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 7.6%

February 13	5.5%
March 13	5.4%
April 13	5.3%
May 13	5.3%
June 13	5.2%

Source: MN DEED

MN Construction Employment

0.4% of Workforce

February 13	7,977
March 13	8,110
April 13	8,502
May 13	8,993
June 13	9,729

Source: MN DEED

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worth Quoting

"Builders are seeing more motivated buyers coming through their doors as the inventory of existing homes for sale continues to tighten. Meanwhile, as the infrastructure that supplies home building returns, some previously skyrocketing building material costs have begun to soften."
- NAHB Chief Economist David Crowe

REGIONAL/NATIONAL STATISTICS

MN Housing Units Authorized

Date	Total	Y-Y Change
May 12	1,056	
May 13	1,719	+62.8%
June 12	1,109	
June 13	1,256	+13.3%
	2013 YTD	6,704

Source: US Census Bureau

US Housing Units Authorized

Date	Total	Y-Y Change
May 12	75,407	
May 13	94,859	+26%
June 12	73,834	
June 13	83,925	+13.7%
	2013 YTD	477,444

Source: US Census Bureau

Remodeling Market Indices

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

Source: NAHB

	Framing Lumber	
	Random Lengths	CME Futures
February 22	\$415	\$378
March 15	\$432	\$395.1
May 24	\$361	\$303
June 21	\$322	\$286
July 19	\$346	\$331

Source: NAHB

Mortgage Rates	
From 7/26/2013	
30 Year	4.673%
30 Year Fixed FHA	5.433%
15 Year	3.795%
5 Year ARM	3.164%
30 Year Jumbo	4.363%

Source: Wells Fargo

MN Monthly Retail Gasoline Prices	
per gallon - all grades	
February 13	\$3.697
March 13	\$3.665
April 13	\$3.544
May 13	\$3.986
June 13	\$3.726

Source: Energy Information Administration



NAHB: Remodeler Confidence Rebounds in Second Quarter

Confidence in the remodeling market rebounded in the second quarter of 2013 with the Remodeling Market Index (RMI) rising six points to 55, according to the National Association of Home Builders (NAHB). The rise in existing home sales and increased demand for remodeling projects contributed to the positive report.

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

"Remodelers are feeling optimistic about the home improvement market during what has turned out to be an uneven recovery," said NAHB Remodelers Chairman Bill Shaw, GMR, GMB, CGP, a remodeler from Houston. "The RMI future market results are especially promising. Not only do remodelers have projects booked for the next few months, but they also have more work coming in the door."

The future market indicators component of the RMI increased to 56 from the previous quarter level of 48. Current market conditions rose from 50 in the previous quarter to 54. All of the indicators of future activity (i.e. calls for bids, work committed for three months, backlog, and appointments) were over 50 for the first time in eight years.

"Remodelers' positive sentiment is directly related to increased demand for their services. Rising home prices are making remodeling jobs possible for more homeowners while existing home sales provide additional momentum as home owners prepare their homes for market," said NAHB Chief Economist David Crowe.

Builder Confidence Rises Six Points in July

Builder confidence in the market for newly built, single-family homes rose six points to 57 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for July, recently released. This is the index's third consecutive monthly gain and its strongest reading since January of 2006.

"Today's report is particularly encouraging in that it shows improvement in builder confidence across every region as well as solid gains in current sales conditions, traffic of prospective buyers and sales expectations for the next six months," noted NAHB Chairman Rick Judson, a home builder from Charlotte, N.C. However, he cautioned that "This positive momentum could be disrupted by threats on the policy side, particularly with regard to the mortgage interest deduction and federal support for the housing finance system."

"Builders are seeing more motivated buyers coming through their doors as the inventory of existing homes for sale continues to tighten," noted NAHB Chief Economist David Crowe. "Meanwhile, as the infrastructure that supplies home building returns, some previously skyrocketing building material costs have begun to soften."

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 from 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 July. The component gauging current sales conditions rose five points to 60 – its highest level since early 2006. Meanwhile, the component gauging sales expectations in the next six months gained seven points to 67 and the component gauging traffic of prospective buyers rose five points to 45 – marking the strongest readings for each since late 2005.

All four regions also posted gains in their HMI scores' three-month moving averages. The Northeast showed a four-point gain to 40 while the Midwest reported an eight-point gain to 54, the South posted a five-point gain to 50 and the West measured a three-point gain to 51.

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.

Source: NAHB/Wells Fargo Housing Market Index. U.S. Census Bureau.

Source: NAHB

worth NOTING

Golf Tournament

August 6
11:30am - 7:30pm
Prestwick Golf Club

2013 Sponsorship Luncheon

September 10
11:00am - 1:00pm
BATC Office

BATC's Clay Shoot

September 17
12:00pm - 7:30pm
Minnesota Horse and Hunt Club

BATC Foundation Golf Tournament

September 24
12:00pm - 8:00pm
Legends Golf Club

Complete information at:
batconline.org



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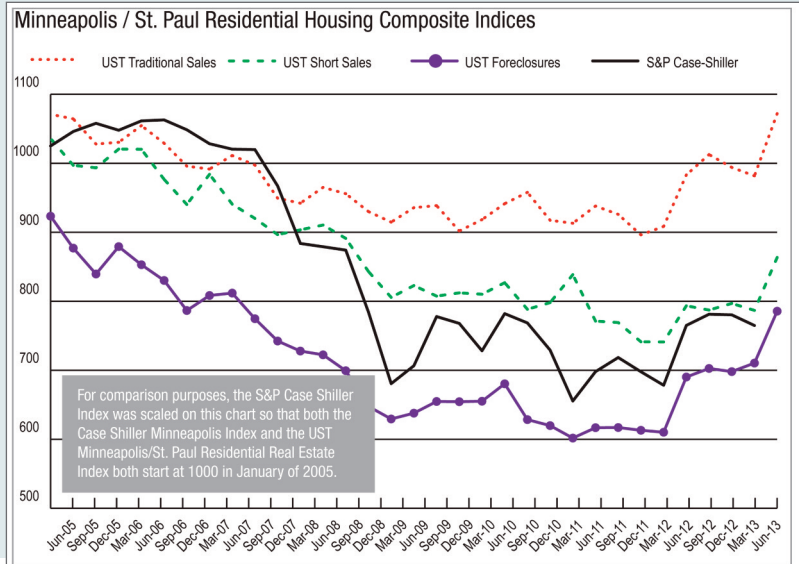
market BRIEFS

UST Index June 2013-The Road Ahead



Median Prices and Inventory of Homes for Sale During the month of June median sale prices for all categories of homes continued their upward trend for the fifth consecutive month, increasing 5.4% from May to June. The median price of a traditional (non-distressed) home sale in June 2013 was \$232,000, an increase of 8.7% over the \$213,500 reported in June 2012. At \$232,000 the median sale price of a traditional, non-distressed home is only 3.3% less than the all-time high of \$239,900 recorded in June 2006. In June 2013 the volume of closed sales was 5,565, up 2.1% from the 5,449 recorded in May and 13.6% higher than the 5,160 recorded in June 2012. The proportion of distressed sales continues to decline.

In June of 2013 only 22% of the closed sales were distressed. That is the lowest percentage of distressed sales we have seen since January 2008. We are beginning to see the normal seasonal changes in the number of closed sales. The number of new listings and pending



sales both declined slightly in June. Look for the number of closed sales to begin to level off as we move through summer and then start to decline in the 4th quarter of this year as we approach winter. The inventory of homes for sale continues to improve. It appears that the inventory of homes for sale bottomed out in January 2013 at 12,919. It has increased every month since then, ending June at 15,523 homes for sale. The ratio of closed sales to homes available for sale remains very low in June at only 2.8 homes available for sale for every home sold. Typically this ratio ranges from 6 to 8 in a balanced market. This low ratio indicates that the demand for homes remains strong and the inventory is still somewhat constrained. This is good news for sellers since it indicates that there will continue to be upward pressure on median sale prices for several months to come.

The UST Traditional Sale Composite Index recorded its second consecutive 3% monthly increase in June, moving from 1,042 in April to 1,072. The increase is a reflection of the sustained recovery of traditional home median sale prices that began in March of this year, despite the fact that the index continues to be tempered by a relatively low number of homes available for sale. The index continues to remain well above the levels recorded in the previous year. June's Traditional Sale Composite Index of 1,072 is 9.3% higher than the 981 recorded in June 2012. The index is now only 1.4% less than the highest Traditional Sale Composite Index level recorded at 1,084 which occurred at the beginning of the "peak" of the housing market in late 2005.

The UST Residential Real Estate Short Sale Composite Market Health Index was 864 in June, an 8.9% increase compared to one year ago. The foreclosure market's health as represented by the UST Residential Real Estate Foreclosure Composite Index made another sizable gain in June, moving from 767 in May to 786 in June, an increase of 2.5%. The index is up 14.9% compared to June 2012 and continues to close the gap with the Traditional Sale Composite Index as the proportion of distressed transactions declines in the market.