

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

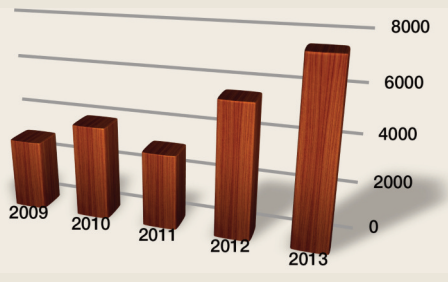
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Twin Cities Building Activity – Year-to-Date Units Authorized September 2009-2013



Source: Keystone Report

Market Chatter

"In the current housing market, supply is running around 950,000 annual units," he said. "In a normal economy, we should be producing 1.7 million units. That's a big difference. We've already made a lot of progress in working off excess inventory. We won't get housing construction up to 1.7 million quickly. The big problem in the next five years won't be too much housing, but too little housing."

Mark Zandi, Chief Economist at Moody's Analytics

"A spike in mortgage interest rates along with the paralysis in Washington that led to the government shutdown and uncertainty regarding the nation's debt limit have caused builders and consumers to take pause. However, interest rates remain near historic lows and we don't expect the level of rates to have a major impact on sales and starts going forward. Once this government impasse is resolved, we expect builder and consumer optimism will bounce back."

NAHB Chief Economist David Crowe

November 1, 2013 | Volume 9, Issue 10

NAHB: Remodeling Market Index Climbs For Second Quarter in a Row

The Remodeling Market Index (RMI) continued to climb at a modest pace in the third quarter of 2013 rising two points to 57, the highest reading since the first quarter of 2004, according to the National Association of Home Builders (NAHB).

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. The RMI's current market conditions index rose from 54 in the previous quarter to 58, the highest reading since the creation of the RMI in 2001, driven partly by rising existing home sales.

"The growth in home equity and home sales prompted home owners to remodel as they prepare to move or undertake upgrades that they put off during tough times," said NAHB Remodelers Chairman Bill Shaw, GMR, GMB, CGP, a remodeler from Houston. "NAHB Remodelers looks forward to continuing our tradition of professional service and craftsmanship as the housing recovery makes progress."

All three major components of the RMI's current market conditions index increased in the third quarter. Major additions and alterations increased from 51 to 55, minor additions and repairs from 55 to 58 and maintenance and repair from 57 to 59.

The future market indicators component of the RMI remained even with the previous quarter reading of 56.

"In addition to existing home sales, which support remodeling activity as owners fix up their homes before and after a move, remodeling has benefitted from rising home values."

Rick Judson, NAHB Chairman

Regionally, the RMI has registered two consecutive quarters of gains in the Northeast, Midwest and West. In the South, the RMI edged down slightly in the third quarter after a five point gain the previous quarter. All four regions were above 50 and higher in the third quarter than in the first quarter of 2013.

"In addition to existing home sales, which support remodeling activity as owners fix up their homes before and after a move, remodeling has benefitted from rising home values," said NAHB Chief Economist David Crowe. "This boosts home equity that owners can tap to finance remodeling projects. We expect existing home sales and house prices to increase, but at a slower rate over the next year, so the demand for remodeling services should also increase, but more gradually over that period."

Multi-Family Permits Push Twin Cities Residential Construction to Triple Digit Growth in September 2013

While single-family construction continues to do well — showing a 22 percent increase in September 2013 over September 2012 — a surge in multi-family construction put units permitted in 2013 at the highest point in eight years. The 1,424 units permitted in September was just behind 1,445 units permitted in 2005. Overall, year-to-date growth remains on track to end the year with an increase of around 30 percent higher than during the same period in 2012.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 481 permits issued for a total of 1,424 units during four comparable weeks in the month of September, 2013. Year-to-date, cities issued 3,946 permits for a total of 7,512 units.

"It's been a very positive fall for the home building industry," said Pamela Belz, Builders Association

of the Twin Cities 2013 president and developer with Senior Housing Partners. "Reports from the just-completed Parade of HomesSM were very encouraging, with real buyers looking to find a new home.

"While there's definitely cause for celebration, the industry remains cautious as the economic recovery remains tepid for the middle class," Belz said.

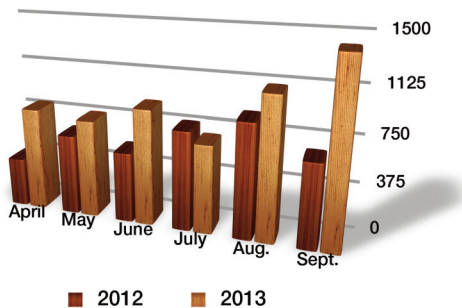
All of the top five cities in September were thanks to a handful of large multi-family buildings. Minneapolis once again led the top five cities, permitting 434 units (409 in four buildings). Golden Valley followed with 167 units (165 units were in one building), Oakdale permitted one 93 unit building, White Bear Lake permitted one 86 unit building, and Osseo came in with 72 units permitted in one building.

TWIN CITIES STATISTICS

TC Housing Units Authorized

Date	Total	Y-Y Change
August 12	901	
August 13	1,114	+23.6%
September 12	666	
September 13	1,424	+114%

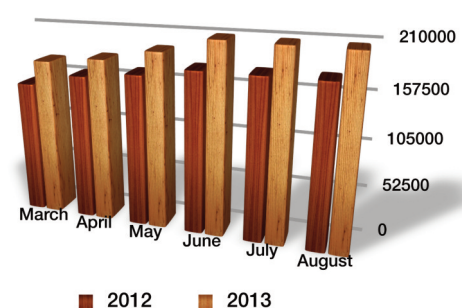
Source: Keystone Report



Twin Cities Median Home Price

Date	Total	Y-Y Change
August 12	\$177,900	
August 13	\$208,000	+16.9%
September 12	\$174,500	
September 13	\$195,000	+11.7%

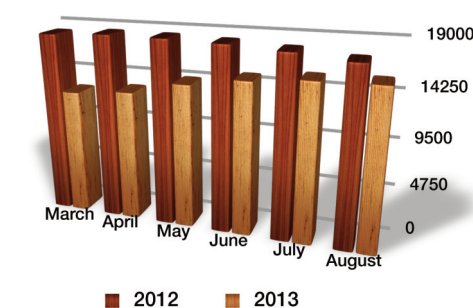
Source: MPLS Area Association of REALTORS



Twin Cities Total Active Listings

Date	Total	Months of Inventory
August 12	17,514	
August 13	15,773	3.6
September 12	17,195	
September 13	15,968	3.6

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

May 13	4.7%
June 13	5.1%
July 13	4.9%
August 13	4.7%
September 13	4.7%

Source: MN DEED

MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 7.3%

May 13	5.3%
June 13	5.2%
July 13	5.2%
August 13	5.1%
September 13	5.1%

Source: MN DEED

Twin Cities Construction Employment

0.3% of Workforce

April 13	5,460
May 13	5,541
June 13	5,805
July 13	6,012
August 13	5,987

Source: MN DEED

MN Construction Employment

0.4% of Workforce

April 13	8,502
May 13	8,993
June 13	9,729
July 13	9,985
August 13	9,958

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

April 13	1,314.87
May 13	1,296.05
June 13	1,323.14
July 13	1,289.28
August 13	1,331.90

Source: MN DEED

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worth Quoting

"In addition to existing home sales, which support remodeling activity as owners fix up their homes before and after a move, remodeling has benefitted from rising home values. This boosts home equity that owners can tap to finance remodeling projects. We expect existing home sales and house prices to increase, but at a slower rate over the next year, so the demand for remodeling services should also increase, but more gradually over that period." - NAHB Chief Economist David Crowe

REGIONAL/NATIONAL STATISTICS

MN Housing Units Authorized

Date	Total	Y-Y Change
July 12	1,472	
July 13	2,071	+41%
August 12	1,201	
August 13	1,846	+53.7%
	2013 YTD	10,602

Source: US Census Bureau

US Housing Units Authorized

Date	Total	Y-Y Change
July 12	72,056	
July 13	88,145	+22.3%
August 12	77,745	
August 13	85,235	+9.6%
	2013 YTD	651,654

Source: US Census Bureau

Remodeling Market Indices

Date	Current	Futures
3Q 12	52	49
4Q 12	54	56
1Q 13	50	48
2Q 13	54	56
3Q 13	57	58

Source: NAHB

	Framing Lumber	
	Random Lengths	CME Futures
June 21	\$322	\$286
July 19	\$346	\$331
August 23	\$352	\$317
September 27	\$381	\$341.3
October 25	\$381	\$352.4

Source: NAHB

Mortgage Rates	
From 10/31/2013	
30 Year	4.421%
30 Year Fixed FHA	5.640%
15 Year	3.669%
5 Year ARM	3.067%
30 Year Jumbo	4.112%

Source: Wells Fargo

MN Monthly Retail Gasoline Prices	
per gallon - all grades	
June 13	\$3.726
July 13	\$3.562
August 13	\$3.577
September 13	\$3.431
October 13	\$3.248

Source: Energy Information Administration



NAHB: Builder Confidence Down in October; NAHB Estimates Sept. Housing Starts will Approach 900,000 Units

Builder confidence in the market for newly built, single-family homes fell two points in October from a downwardly revised reading in the previous month to a level of 55 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) released recently.

"Builder optimism remains above 50 and we are still seeing signs of pent-up demand in many markets across the country," said NAHB Chairman Rick Judson, a home builder from Charlotte, N.C. "This slight dip in builder sentiment is the result of continuing challenges in the marketplace with regard to the cost and availability of labor and lots and uncertainty in Washington"

"A spike in mortgage interest rates along with the paralysis in Washington that led to the government shutdown and uncertainty regarding the nation's debt limit have caused builders and consumers to take pause," said NAHB Chief Economist David Crowe. "However, interest rates remain near historic lows and we don't expect the level of rates to have a major impact on sales and starts going forward. Once this government impasse is resolved, we expect builder and consumer optimism will bounce back."

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 of the HMI's three components each fell two points in October. The component gauging current sales conditions registered 58, while the component gauging sales expectations in the next six months posted a reading of 62 and the component gauging traffic of prospective buyers was 44.

Looking at the three-month moving averages for regional HMI scores, the South held steady at 56, the West declined a single point to 60 and the Northeast fell three points to 38. The Midwest posted a one-point gain to 64.

NAHB: Estimates Housing Starts Approach 900,000 Units in September

****With the partial shutdown of the federal government preventing the U.S. Census Bureau from releasing a housing starts estimate for September, NAHB has prepared its own.**

NAHB estimates that the seasonally adjusted annual rate of construction for single-family homes was between 620,000 and 630,000 units in September.

NAHB estimates that the pace of construction of multifamily units was an additional 255,000 to 270,000, bringing the anticipated pace of total housing starts in September to between 875,000 and 900,000 units.

"The NAHB estimate of 875,000 to 900,000 total housing starts is based on continuing improvement in single-family starts and ongoing volatility in multifamily construction," said Crowe.

"Single-family starts dipped in July but rebounded in August, and we expect continued strength in September," Crowe added. "The Fed meeting in mid-September provided additional relief to builders and buyers that interest rates would remain near historic lows for the immediate future, encouraging consumers back into the housing market."

"Meanwhile, multifamily starts have been unusually volatile since the beginning of the year, swinging between 250,000 and 400,000 units from month-to-month. We expect some bounce back from the August pace of 263,000 as multifamily starts continue to trend around 300,000 units."

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

Designing for Seniors - Universal Design & Beyond

November 12
11:30am - 1:30pm
BATC Office

Parade of Homes & Remodelers Showcase Entry Deadline Day

November 13
BATC Office

2013 Elite Partner Social

November 14
3:00pm - 4:30pm
Axel's Charhouse

2013 BATC Buck Auction & Holiday Food Drive

November 14
4:30pm - 7:30pm
BATC Office

Complete information at:
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market BRIEFS

UST Index: September 2013



Fall is in the Air

From August to September all of the market indicators for the Twin Cities housing market are showing the normal seasonality that we expect to see every fall. Median sale prices, the number of closed sales, the number of new listings, and the number of pending sales are all down from the August 2013 levels. What is important is that compared to a year ago most of these indicators continue to show a healthy increase. The only exception being that the number of distressed sales (foreclosures and short sales) is down considerably from last year's levels. The median price of a traditional (non-distressed) home sale in September 2013 was \$217,000, a decrease of \$11,000 and 4.8% less than August of this year. Despite the month to month decline, the average median of a non-distressed home is 4.4% higher than the \$207,875 reported in September 2012. As we have previously reported the annual rate of increase in the sale price of traditional homes is expected to moderate and remain in the 3% to 5% range for the remainder of the year. The percentage of distressed sales was 22% in September. Look for this percentage to remain in the low to mid 20% range through the winter before continuing its decline in the spring when the number of non-distressed homes begins to increase.

Inventory

The inventory of homes for sale remains very low by historical standards. At the end of September there were only 16,184 homes listed for sale which is 5.9% lower than the 17,197 that were available at this time in 2012. In September there was a slight improvement in the ratio of the number of sales compared to the number of homes available for sale moving from 2.9 to 3.4 (see chart above); however, at current levels there will continue to be unmet demand creating upward pressure on sales prices. Historically the number of homes for sale peaks in mid-summer then declines through the fall, bottoming out in December. It appears that this year is following the same pattern, and the inventory of homes for sale will remain near all-time low levels. As long as interest rates remain steady look for the number of closed sales to continue to exceed last year's levels.

These conditions indicate that the market will continue to be tight through the fall and winter into early spring.

Affordability

The combination of low inventories of homes for sale, historically low interest rates, and the perception of a slowly improving economy have been fueling the recent recovery in home prices. In many markets the increase in home prices has been outpacing growth in household income. The Price to Income ratio is a measure of affordability that compares the median price of homes to median household income. As you can see in the chart below the Minneapolis-St. Paul market, along with many other markets, the Price to Income ratio has risen above the historical average. In the Minneapolis-St. Paul market, historically the median price of a home has been 2.6 times the median household income. As year-over-year home prices have been increasing at a double digit rate for a good share of the last two years, the ratio has now increased to 3.0. Looking at the chart, that puts our market in the middle of the pack compared to other major U.S. markets. The Price to Income Ratio is a good indicator of home ownership affordability and can be a predictor of a future housing bubble.

New Home Construction

In September the number of single family new construction permits continues to track about 30% ahead of last year's levels. Through the end of September there have been approximately 3,800 permits issued for new single family homes in the Twin Cities. It is interesting to note that the dollar volume of single family construction permits for the same period is running about 35% ahead of last year. This indicates that there are not only more homes being built but on average the homes being built this year are more expensive than they were last year.

The UST Traditional Sale Composite Index decreased in August, moving from 1,090 in to 1,070 in September. Despite the monthly decrease, the index continues to remain well above the levels recorded in the previous year. September's Traditional Sale Composite Index of 1,090 is 5.7% higher than the 1,012 recorded in September 2012.

The UST Residential Real Estate Short Sale Composite Market Health Index was 885 in September, a 12.2% increase compared to one year ago.

The foreclosure market's health as represented by the UST Residential Real Estate Foreclosure Composite Index decreased in September, moving from 792 in August to 775 in September, a decrease of 2.2%. The index is up 10.2% compared to September 2012.

