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BUILDERS ASSOCIATION
OF THE TWIN CITIES

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

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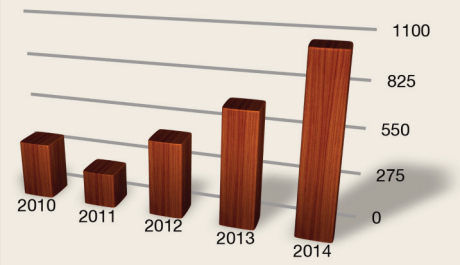
- UST Minneapolis St. Paul Residential Real Estate Index – January 2014

Twin Cities Building Activity – Year-to-Date Units Authorized January 2010-2014



Source: Keystone Report

Market Chatter

"Cold weather clearly put a chill on new home construction last month and this is also reflected in our latest builder confidence survey. Further, builders continue to face other obstacles, including rising materials prices and a lack of buildable lots and labor."

Kevin Kelly, chairman of the National Association of Home Builders (NAHB) and a home builder and developer from Wilmington, Del

"Though the decline in starts is largely weather related, it is worth noting that on the upside housing production for the fourth quarter was above 1 million for the first time since 2008 while single-family permits held relatively steady. The less weather sensitive permits data suggests that our forecast for solid growth in single-family housing production in 2014 remains on track, as pent-up housing demand is unleashed."

NAHB Chief Economist David Crowe

NAHB: New-Home Sales Rebound in January

Sales of newly built, single-family homes rose 9.6 percent to a seasonally adjusted annual rate of 468,000 units in January from an upwardly revised pace of 427,000 units in the previous month, according to data released today by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. This is the strongest sales pace since July of 2008.

"The fact that the cold weather that hit much of the country didn't stop home buyers from going out and purchasing a piece of the American dream is a great sign," said Kevin Kelly, chairman of the National Association of Home Builders (NAHB) and a home builder from Wilmington, Del. "However, the very low supply of new homes on the market and the continued concern of available buildable lots still have builders cautious about getting ahead of themselves."

"We saw a weaker sales number in December 2013 than was previously trending, and I think much of January's increase is due to sales catching up with pent up demand," said NAHB Chief Economist David Crowe. "Still, there is little doubt that historically low interest rates, affordable home prices and a healing economy are bringing buyers back into the marketplace."

"The fact that the cold weather that hit much of the country didn't stop home buyers from going out and purchasing a piece of the American dream is a great sign"

Kevin Kelly, Chairman of NAHB

Regionally, new-home sales were generally strong with three of the four regions posting large gains. The South, the West and the Northeast showed improvement, with respective increases of 10.4 percent, 11.0 percent and 73.7 percent. New-home sales in the Midwest fell by 17.2 percent.

The inventory of new homes for sale remained steady at 184,000 units in January, which is a 4.7-month supply at the current sales pace.

2014 Starts Strong for Twin Cities Residential Construction

Continuing on the growth trend set in 2013, the Minneapolis/St. Paul region had strong residential permit activity this January. Builders pulled 15 percent more permits for 51 percent more units in January 2014 than they did in January 2013. Single family permits were up by 15 percent also, while large multi-family units were up by 134 percent.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 358 permits issued for a total of 1,059 units during four comparable weeks in the month of January, 2014.

"BATC's members are hopeful that 2014 will be the year that marks a real recovery for the residential housing market," said Shawn Nelson, Builders Association of the Twin Cities 2014 president and president of New Spaces. "While 2013 ended with more than 10,000 housing units permitted, that's still well below the average new homes permitted in the Twin Cities throughout the 1990s.

"A region our size should be able to support around 12,000 to 15,000 new homes just to keep up with household growth and replacement housing stock," Nelson said.

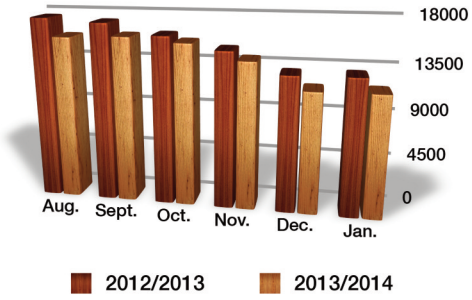
Minneapolis once again led the top five cities for the month in activity, permitting 353 units. Eagan came in second with 206 units (192 in one multi-family building), followed by Golden Valley (one multi-family building) at 165 units. Lakeville was fourth with 38 units followed by Prior Lake with 35.

TWIN CITIES STATISTICS

TC Housing Units Authorized

Date	Total	Y-Y Change
December 12	807	
December 13	1,011	+25.3%
January 13	703	
January 14	1,059	+50.6%

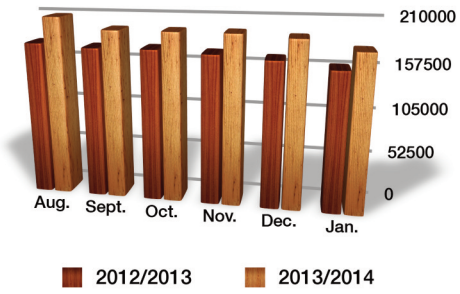
Source: Keystone Report



Twin Cities Median Home Price

Date	Total	Y-Y Change
December 12	$168,000	
December 13	$191,500	+14%
January 13	$160,000	
January 14	$179,900	+12.4%

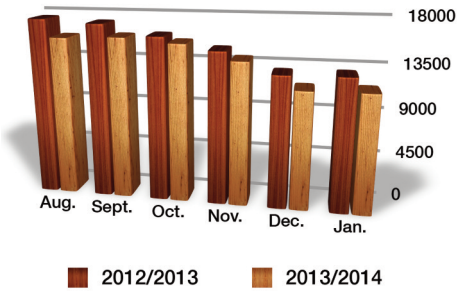
Source: MPLS Area Association of REALTORS



Twin Cities Total Active Listings

Date	Total	Months of Inventory
December 12	13,012	
December 13	11,646	2.6
January 13	13,070	
January 14	11,690	2.7

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*

September 13	4.7%
October 13	4.1%
November 13	4%
December 13	4.3%
January 14	4.3%

Source: MN DEED

Twin Cities Construction Employment

0.3% of Workforce

August 13	5,987
September 13	5,843
October 13	5,939
November 13	5,881
December 13	5,780

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

August 13	1,331.90
September 13	1,309.59
October 13	1,422.36
November 13	1,310.56
December 13	1,257.59

Source: MN DEED

MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 6.7%

September 13	5.1%
October 13	4.8%
November 13	4.6%
December 13	4.6%
January 14	4.6%

Source: MN DEED

MN Construction Employment

0.4% of Workforce

August 13	9,958
September 13	9,572
October 13	9,663
November 13	9,584
December 13	9,045

Source: MN DEED

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worth Quoting

"This quarter's MPI results are in line with NAHB's forecast that calls for increased production of new apartments in 2014, but at a slower pace than last year. The results are also in line with recent downturns in other economic indicators, due to unusually severe weather in parts of the country that disrupted supply chains and affected confidence in several sectors of the economy."
- NAHB Chief Economist David Crowe

REGIONAL/NATIONAL STATISTICS

MN Housing Units Authorized

Date	Total	Y-Y Change
December 12	1,699	
December 13	1,277	-24.8%
January 13	554	
January 14	638	+15.2%
	2014 YTD	*638*

Source: US Census Bureau

US Housing Units Authorized

Date	Total	Y-Y Change
December 12	65,125	
December 13	75,485	+15.9%
January 13	63,738	
January 14	64,965	+1.9%
	2014 YTD	*64,965*

Source: US Census Bureau

Remodeling Market Indicies

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

Source: NAHB

Framing Lumber

	Random Lengths	*CME Futures*
October 25	$381	$352.4
November 22	$399	$361.8
December 27	$387	$368.3
January 31	$403	$358.9
February 28	$389	$353.2

Source: NAHB

Mortgage Rates

From 2/28/2014

30 Year	4.460%
30 Year Fixed FHA	5.837%
15 Year	3.647%
5 Year ARM	3.001%
30 Year Jumbo	4.153%

Source: Wells Fargo

MN Monthly Retail Gasoline Prices

per gallon - all grades

October 13	$3.248
November 13	$3.134
December 13	$3.221
January 14	$3.283
February 14	$3.462

Source: Energy Information Administration

NAHB: Poor Weather Puts a Damper on Builder Confidence in February

Unusually severe weather conditions across much of the nation along with continued concerns over the cost and availability of labor and lots caused builder confidence in the market for newly-built, single-family homes to post a 10-point drop to 46 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) recently released.

"Significant weather conditions across most of the country led to a decline in buyer traffic last month," said NAHB Chairman Kevin Kelly, a home builder and developer from Wilmington, Del. "Builders also have additional concerns about meeting ongoing and future demand due to a shortage of lots and labor."

"Clearly, constraints on the supply chain for building materials, developed lots and skilled workers are making builders worry," said NAHB Chief Economist David Crowe. "The weather also hurt retail and auto sales and this had a contributing effect on demand for new homes."

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 of the major HMI components declined in February. The component gauging current sales conditions fell 11 points to 51, the component gauging sales expectations in the next six months declined six points to 54 and the component measuring buyer traffic dropped nine points to 31.

Looking at three-month moving averages for regional HMI scores, the West was unchanged at 63 in February while the Midwest registered a one-point decline to 57, the South registered a three-point decline to 53 and the Northeast posted a four-point decline to 38.

Housing Affordability Holds Steady in Fourth Quarter

Slightly lower median home prices along with a small uptick in mortgage rates contributed to housing affordability holding steady in the fourth quarter, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI), released today.

In all, 64.7 percent of new and existing homes sold between the beginning of October and end of December were affordable to families earning the U.S. median income of $64,400. This is virtually the same as the 64.5 percent of homes sold that were affordable to median-income earners in the third quarter.

Meanwhile, the national median home price dipped from $211,000 in the third quarter to $205,000 in the fourth quarter while average mortgage interest rates rose from 4.45 percent to 4.54 percent in the same period.

"Housing affordability is stabilizing at a time when pent-up demand and ongoing job growth are helping housing markets across the nation to gradually strengthen," said NAHB Chairman Kevin Kelly, a home builder and developer from Wilmington, Del. "While this bodes well for housing in 2014, builders continue to face challenges, including tight credit for home buyers, inaccurate appraisals, and a shortage of workers and buildable lots."

Please visit nahb.org/hoi for tables, historic data and details.

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

Source: NAHB

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worth NOTING

Parade of Homes Event Begins
March 1-30
www.ParadeofHomes.org

BATC University Continuing Eduction
March 4 & 11
BATC Office

Builder Day at the Capitol & Legislative Reception
March 12
James J. Hill Reference Library

BATC University CAPS Designation Courses
March 18, 19 & 20
BATC Office

BRS Trade Show and FastForward Education
April 3
Minneapolis Convention Center

Complete information at:
batconline.org

market BRIEFS

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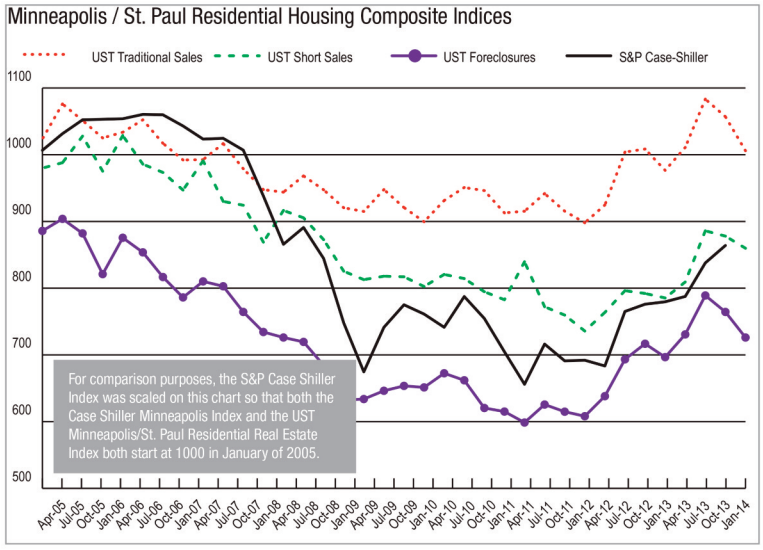
UST Index: January 2014

Existing Homes

In January of 2014 the housing market continues to follow the normal seasonal pattern producing the results that would be expected in mid-winter. The good news is that median sale price of all categories of homes continues to remain above previous the year's levels. The median sale price of a traditional home was $212,500 compared with $199,900 a year ago (see the chart above). Sales volume, new listings, and pending sales were all victims of the polar vortex and the extremely cold weather as they recorded levels below what occurred in January 2013. A low inventory of homes available for sale continues to be an issue. In January of 2014 there were 11,843 homes for sale compared to 13,070 in January of 2013. As would be expected the months supply fell to 2.7 and the number of days on the market fell from 106 in January of 2013 to 93 this month. The percentage of distressed sales spiked up to 29% in January after three previous months in the 20% - 22% range, however, that is still a large improvement over the 42.2% that was observed in Jan 2013. Most of the January numbers were adversely affected by the extremely cold weather. Expect the February results to be depressed in a similar manner by the colder than average weather. The January data and the likelihood of subdued results in February should not be interpreted as an indicator of a long term weakness in the Twin Cities housing market. The underlying fundamentals of the local economy and the arrival of the spring – summer selling season will show the true long term strength of the market as 2014 will be another year of solid gains for the Twin Cities housing market.



New Home Construction

The number of building permits issued for single family homes in January indicate that new home construction is off to a good start in 2014 after making solid gains in 2013. Despite the bad weather the number of permits for new single family homes issued in January was 15% ahead of the number recorded at the same time last year and the dollar value was 22% higher than last year. Look for a flurry of housing starts as the weather improves and builders whose production was delayed by snow and cold weather scramble to build homes in time for the spring and summer selling season.

There is good reason to believe that this trend will accelerate during the year. The key driver for new residential construction is household formation. Household formation is largely driven by jobs, as a result jobs are the key driver for new residential construction. In 2013 Minneapolis / St. Paul area added approximately 33,000 new jobs. These new jobs coupled with a chronic shortage of existing homes for sale will continue to drive demand for new home construction.

There is another reason to be optimistic about the need for new housing. There is a demographic trend that is changing the ratio between total jobs and households. In the decade from 1994 through 2003 the Bureau of Labor Statistics (BLS) reported the number of people "55 and over" and "not in the labor force" increased by 4.3 million. Between January 2004 and February 2013, the BLS reports the number of people over 55 and not in the labor force increased by 8.1 million. That means more older people are leaving the labor force.

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James Fisher
Regional Builder Sales Manager
651-430-9930
james.fisher@wellsfargo.com

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