BATC
BUILDERS ASSOCIATION OF THE TWIN CITIES

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

Sponsored by: WELLS FARGO HOME MORTGAGE

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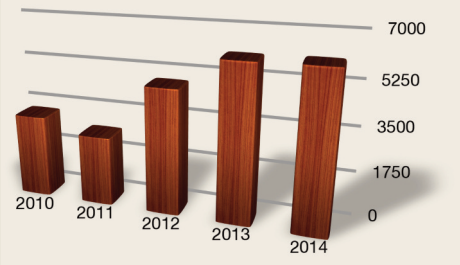
Twin Cities Building Activity – Year-to-Date Units Authorized August 2010-2014



Source: Keystone Report

Market Chatter

"Our members are telling us that traffic to new model home sites and sales expectations are on the rise. Despite the monthly blip, single-family starts are still 8 percent above last year's level."

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

"The August drop in multifamily starts is not too surprising, given how volatile the numbers have been the last 18 months. And while single-family starts registered a slight decline, low mortgage rates, affordable home prices and pent-up demand will keep single-family production moving forward in 2014."

David Crowe, chief economist of the National Association of Home Builders

NAHB: New-Home Sales Top 500,000 in August, Highest Level Since 2008

Sales of newly built, single-family homes increased 18 percent in August to a seasonally adjusted annual rate of 504,000 units in August, the highest level in six years, according to newly released data by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

"This jump in sales activity is in line with our latest surveys, which indicate builders are seeing increased traffic and more serious buyers in the market for single-family homes," said Kevin Kelly, chairman of the National Association of Home Builders (NAHB) and a home builder and developer from Wilmington, Del.

"This robust level of new-home sales activity is a good sign that the housing recovery is moving towards higher ground," said NAHB Chief Economist David Crowe. "Historically low mortgage rates, attractive home prices and firming job and economic growth should keep the housing market moving forward in 2014."

> *"...builders are seeing increased traffic and more serious buyers in the market for single-family homes."*
>
> Kevin Kelly, Chairman of NAHB and a home builder and developer from Wilmington, Del.

Regionally, new home sales rose 50 percent in the West, 29.2 percent in the Northeast and 7.8 percent in the South. Sales were unchanged in the Midwest.

The inventory of new homes for sale edged up to 203,000 in August, which is a slim 4.8-month supply at the current sales pace.

Lackluster Performance in Twin Cities Residential Construction for August 2014

Residential construction met the dog days of August this year, showing lackluster performance in both single family and multi-family construction. Planned units were down over 50 percent from August 2013, bringing year-to-date totals at just 0.5 percent more than at the same time last year. While overall indicators have remained positive, actual permitting in 2014 has continued to underperform expectations.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 413 permits issued for a total of 532 units during four comparable weeks in the month of August, 2014. Year-to-date, there were 3,213 permits issued for a total of 6,117 units.

"It's clear that multi-family construction has kept overall permit numbers somewhat volatile this year," said Shawn Nelson, Builders Association of the Twin Cities 2014 president and president of New Spaces. "However single-family construction has continued to lag, currently at almost seven percent behind last year."

"While there are signs of broader improvement in the economy, locally, underemployment and resultant lower wages keep buyers hesitant. Additionally, the local housing industry has real concerns about adding even more regulation, like the indoor home sprinkler mandate taking effect next January. With regulation already at about 30 percent of the cost of a new home, even more families are being priced out of the market," Nelson said.

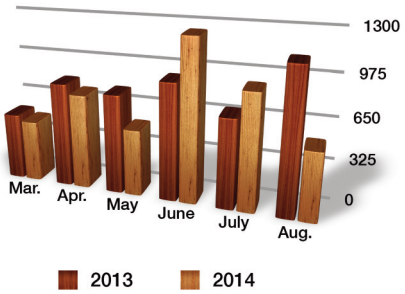
Minneapolis remained in the top spot for permit activity in August, permitting 83 units. Maple Grove ranked second with 40 units permitted, followed by Blaine with 32 units. Woodbury with 26 and Lakeville with 21 units completed the top five.

TWIN CITIES STATISTICS

TC Housing Units Authorized

Date	Total	Y-Y Change
July 13	698	
July 14	903	+29.4%
August 13	1,114	
August 14	532	-52.2%

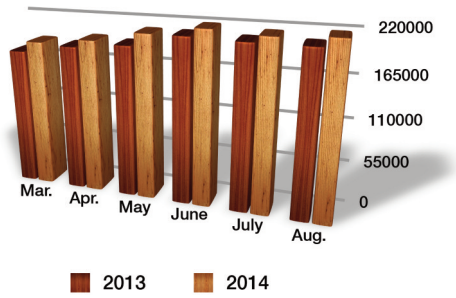
Source: Keystone Report



Twin Cities Median Home Price

Date	Total	Y-Y Change
July 13	$208,000	
July 14	$215,900	+3.4%
August 13	$207,950	
August 14	$219,001	+5.3%

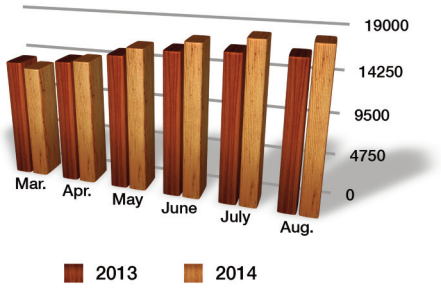
Source: MPLS Area Association of REALTORS



Twin Cities Total Active Listings

Date	Total	Months of Inventory
July 13	16,725	
July 14	18,227	4.4
August 13	16,746	
August 14	18,205	4.4

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*

April 14	4.1%
May 14	4%
June 14	4.5%
July 14	4.2%
August 14	3.8%

Source: MN DEED

MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 6.1%

April 14	4.7%
May 14	4.6%
June 14	4.5%
July 14	4.5%
August 14	4.3%

Source: MN DEED

Twin Cities Construction Employment

0.3% of Workforce

April 14	6,439
May 14	6,620
June 14	7,001
July 14	7,122
August 14	7,207

Source: MN DEED

MN Construction Employment

0.4% of Workforce

April 14	10,100
May 14	10,892
June 14	11,758
July 14	12,082
August 14	11,810

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

April 14	1,209.39
May 14	1,254.40
June 14	1,256.08
July 14	1,327.63
August 14	1,292.03

Source: MN DEED

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worth Quoting

"The August drop in multifamily starts is not too surprising, given how volatile the numbers have been the last 18 months. And while single-family starts registered a slight decline, low mortgage rates, affordable home prices and pent-up demand will keep single-family production moving forward in 2014."

- David Crowe, chief economist of the National Association of Home Builders (NAHB)

REGIONAL/NATIONAL STATISTICS

MN Housing Units Authorized

Date	Total	Y-Y Change
July 13	2,071	
July 14	1,830	-11.6%
August 13	1,846	
August 14	1,684	-8.8%
	2014 YTD	*10,703*

Source: US Census Bureau

US Housing Units Authorized

Date	Total	Y-Y Change
July 13	88,145	
July 14	97,628	+10.8%
August 13	85,235	
August 14	87,166	+2.3%
	2014 YTD	*689,750*

Source: US Census Bureau

Remodeling Market Indicies

Date	Current	Futures
2Q 13	54	56
3Q 13	57	56
4Q 13	57	58
1Q 14	53	52
2Q 14	**54**	**56**

Source: NAHB

Framing Lumber

	Random Lengths	CME Futures
May 16	$380	$329.5
June 20	$373	$318.3
August 1	$385	$328.5
August 29	$409	$342.7
Sept. 19	$394	$329.9

Source: NAHB

Mortgage Rates

From 10/1/2014

30 Year	4.460%
30 Year Fixed FHA	5.710%
15 Year	3.772%
5 Year ARM	4.025%
30 Year Jumbo	4.153%

Source: Wells Fargo

MN Monthly Retail Gasoline Prices

per gallon - all grades

May 14	$3.561
June 14	$3.638
July 14	$3.381
August 14	$3.392
September 14	$3.271

Source: Energy Information Administration

NAHB: Builder Confidence Hits Highest Level Since November of 2005

Builder confidence in the market for newly built, single-family homes rose for a fourth consecutive month in September to a level of 59 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI), released today. This latest four-point gain brings the index to its highest reading since November of 2005.

"Since early summer, builders in many markets across the nation have been reporting that buyer interest and traffic have picked up, which is a positive sign that the housing market is moving in the right direction," said NAHB Chairman Kevin Kelly, a home builder and developer from Wilmington, Del.

"While a firming job market is helping to unleash pent-up demand for new homes and contributing to a gradual, upward trend in builder confidence, we are still not seeing much activity from first-time home buyers," said NAHB Chief Economist David Crowe. "Other factors impeding the pace of the housing recovery include persistently tight credit conditions for consumers and rising costs for materials, lots and labor."

Derived from a monthly survey that NAHB has been conducting for 30 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 September. The indices gauging current sales conditions and traffic of prospective buyers each rose five points to 63 and 47, respectively. The index gauging expectations for future sales increased two points to 67.

Builder confidence also rose across every region of the country in September. Looking at the three-month moving average for each region, the Midwest registered a five-point gain to 59, the South posted a four-point increase to 56, the Northeast recorded a three-point gain to 41 and the West posted a two-point increase to 58.

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 nahb.org/hmi. More information on housing statistics is also available at housingeconomics.com.

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

Source: NAHB

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worth NOTING

BATC Clay Shoot
(SOLD OUT)
October 7 at 12:30pm

BATC U: New MN Building & Energy Code Course
October 8 at 8:00am
Warners' Stellian Corporate HQ in St. Paul

October 15 & 29 at 8:00am
BATC Office

The Member Games
(BATC Membership Drive)
October 9 at 8:30am
BATC Office

BATC U: EPA Lead Renovator Refresher Course
October 22 at 8:00am
BATC Office

The BIG Night
October 23 at 5:00pm
Union Depot in St. Paul

Complete information at:
batconline.org

market BRIEFS

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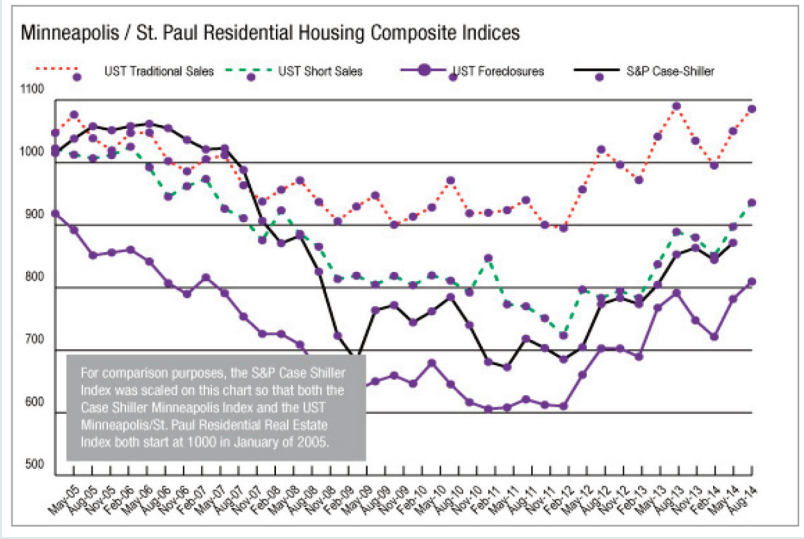
UST Index: August 2014

Median sale prices for the Twin Cities housing market have recovered from the slight decline that was observed in July. The median sale price for a traditional non-distressed home increased to $228,000 nearly equaling the high water mark for the year set in June at $229,900. It is interesting to note that the median sale price of a traditional home has been a mirror image of the prices seen in June - August of 2013.

Compared to last year overall median sale prices were up 5.3%. Compared to July the number of closed sales was steady at 5291. When compared to August of 2013 the number of closed sales was down 7.3%, however the number of traditional sales was up 4.6% while the number of short sales and foreclosed sales were down 58% and 50% respectively. The good news is that most of decrease is due to a sharp decline in the number of distressed sales. During the early part of this year the percentage of distressed sales was hovering near 30%. In August the percent of distressed sales was 10.6%, a level not seen since mid-2007. More importantly, the number of new foreclosures continues to drop meaning that there should be even fewer distressed sales in the next 12 – 18 months.



There are several key factors that are indicating a continued return to more normal market conditions. One positive sign is a significant increase in the inventory of homes available for sale in August compared to a year ago. The number of homes for sale in August was 18,205 compared the 16,746 homes that were available for sale in August 2013. In August there was a 4.4 month supply of homes available for sale. As you can see in the chart below the inventory of homes for sale in terms of months supply has been improving in 2014 and is now near pre-crash levels. The increase in the number of homes for sale will result in a better balance between buyers and sellers. Buyers will have more choices as the market moves from a seller's market to a normal equilibrium.

Sale Price - What's Selling vs. What's Available For Sale?

When we examine the prices that homes are selling for compared to what is available for sale there are some interesting differences. For example if you look at the chart below in August 15% of the homes that sold were priced under $140,000 and only 12% of the homes that are available for sale were priced under $140,000. That would indicate more potential demand at that price level than the market had to offer for sale and that there is a strong market for these homes. In contrast, homes that are priced over $300,000 were 28.7% of the sales in August yet 40.2% of the homes on the market were listed at over $300,000 indicating that as a percentage there is a much higher percentage of homes on the market than there are sales. The chart shows that there is a stronger demand compared to the supply of homes selling for under $300,000. The picture is different for the higher priced homes over $300,000. There is a much higher percentage of homes for sale than there were homes sold during the same period pointing to a possible oversupply and a softer market.

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