

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

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



Source: Keystone Report

Market Chatter

"Though home sales have edged slightly lower, builders are reporting confidence in the market and are increasing their inventory in anticipation of future business."

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

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

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NAHB: New Home Sales Fall 1.6 Percent in November

Sales of newly built, single-family homes dropped 1.6 percent in November to a seasonally adjusted annual rate of 438,000 units, according to newly released data by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

"Though home sales have edged slightly lower, builders are reporting confidence in the market and are increasing their inventory in anticipation of future business," said Kevin Kelly, chairman of the National Association of Home Builders (NAHB) and a home builder and developer from Wilmington, Del.

"Sales have held in a relatively stable range during the past four months," said NAHB Chief Economist David Crowe. "As the labor market and broader economy continue to strengthen, we can expect the housing sector to gain momentum heading into next year."

The inventory of new homes for sale rose to 213,000 in November, which is a 5.8-month supply at the current sales pace.

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Kevin Kelly, Chairman of NAHB and a home builder and developer from Wilmington, Del.

Regionally, new home sales rose 14.8 percent in the West. Sales dropped 12 percent in the Northeast, 6.3 percent in the Midwest and 6.4 percent in the South.

Slight Rise for Twin Cities Residential Construction in November, 2014

Roseville, MN (November 26, 2014) – Several multi-family projects permitted in November 2014 helped the monthly units surpass November of 2013 totals by 34 percent. While the year-to-date units remain behind 2013, November's activity more than halved the lag to just two percent.

According to data compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 405 permits issued for a total of 865 units during four comparable weeks in the month of November, 2014. Year-to-date, there were 4,559 permits issued for a total of 9,106 units.

"The housing industry remains concerned for the near future as single-family construction continues to lag," said Shawn Nelson, Builders Association of the Twin Cities 2014 president and president of New Spaces. "As much of the economy rallies, new housing has stalled."

"Higher regulatory burdens continue to raise new home prices in Minnesota, adding an even greater burden for home buyers to overcome," Nelson said.

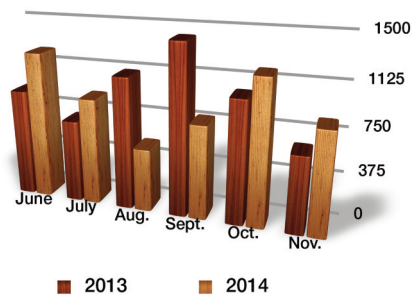
For the month, Minneapolis issued the most permitted units at 214, followed by Apple Valley with 202 (196 in one multi-family building). Maple Grove issued permits for 68 total units, Lakeville for 38 units and Plymouth rounded out the top five with 35 units permitted.

TWIN CITIES STATISTICS

TC Housing Units Authorized

Date	Total	Y-Y Change
Oct. 13	1,029	
Oct. 14	1,210	+17.6%
Nov. 13	646	
Nov. 14	865	+33.9%

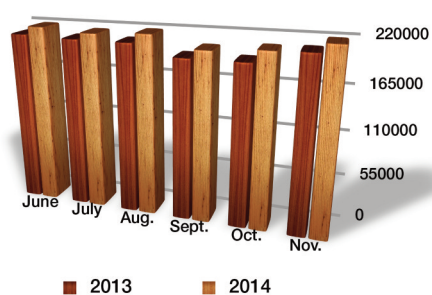
Source: Keystone Report



Twin Cities Median Home Price

Date	Total	Y-Y Change
Oct. 13	\$195,000	
Oct. 14	\$209,000	+7.2%
Nov. 13	\$209,900	
Nov. 14	\$219,900	+4.8%

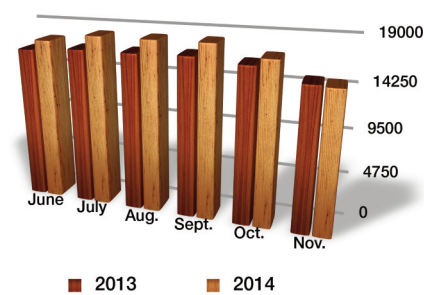
Source: MPLS Area Association of REALTORS



Twin Cities Total Active Listings

Date	Total	Months of Inventory
Oct. 13	16,418	
Oct. 14	17,132	4.1
Nov. 13	15,092	
Nov. 14	14,948	4.1

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

July 14	4.2%
August 14	3.8%
September 14	3.6%
October 14	3.2%
November 14	3.7%

Source: MN DEED

Twin Cities Construction Employment

0.3% of Workforce

July 14	7,122
August 14	7,207
September 14	7,130
October 14	7,239
November 14	7,219

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

July 14	1,327.63
August 14	1,292.03
September 14	1,245.75
October 14	1,201.05
November 14	1,104.59

Source: MN DEED

MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 5.8%

July 14	4.5%
August 14	4.3%
September 14	4.1%
October 14	3.9%
November 14	3.2%

Source: MN DEED

MN Construction Employment

0.4% of Workforce

July 14	12,082
August 14	11,810
September 14	11,534
October 14	11,768
November 14	11,598

Source: MN DEED

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worth Quoting

"Over the course of the year, the number of houses under construction has been on an upward trajectory, signaling that housing is moving forward. With strong demand, affordable home prices and favorable interest rates, we should see housing production continue to grow into 2015."

- NAHB Chief Economist David Crowe

REGIONAL/NATIONAL STATISTICS

MN Housing Units Authorized

Date	Total	Y-Y Change
Oct. 13	1,561	
Oct. 14	1,876	+20.2%
Nov. 13	1,260	
Nov. 14	699	-44.5%
	2014 YTD	15,277

Source: US Census Bureau

US Housing Units Authorized

Date	Total	Y-Y Change
Oct. 13	90,341	
Oct. 14	96,364	+6.7%
Nov. 13	71,721	
Nov. 14	71,250	-0.7%
	2014 YTD	952,286

Source: US Census Bureau

Remodeling Market Indices

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

Source: NAHB

	Framing Lumber	
	Random Lengths	CME Futures
August 29	\$409	\$342.7
Sept. 19	\$394	\$329.9
Oct. 31	\$377	\$323
Nov. 28	\$364	\$330
Dec. 19	\$378	\$336.2

Source: NAHB

Mortgage Rates	
From 1/4/2015	
30 Year	3.915%
30 Year Fixed FHA	5.267%
15 Year	3.446%
5 Year ARM	4.048%
30 Year Jumbo	4.000%

Source: Wells Fargo

MN Monthly Retail Gasoline Prices	
per gallon - all grades	
August 14	\$3.392
September 14	\$3.271
October 14	\$3.148
November 14	\$2.765
December 14	\$2.210

Source: Energy Information Administration



NAHB: Builder Confidence Drops One Point in December

Following a four-point uptick last month, builder confidence in the market for newly built single-family homes fell one point in December to a level of 57 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI), recently released.

"Members in many markets across the country have seen their businesses improve over the course of the year, and we expect builders to remain confident in 2015," said NAHB Chairman Kevin Kelly, a home builder and developer from Wilmington, Del.

"After a sluggish start to 2014, the HMI has stabilized in the mid-to-high 50s index level trend for the past six months, which is consistent with our assessment that we are in a slow march back to normal," said NAHB Chief Economist David Crowe. "As we head into 2015, the housing market should continue to recover at a steady, gradual pace."

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.

Two of the three HMI components posted slight losses in December. The index gauging current sales conditions fell one point to 61, while the index measuring expectations for future sales dropped a single point to 65 and the index gauging traffic of prospective buyers held steady at 45.

Looking at the three-month moving averages for regional HMI scores, the West rose by four points to 62 and the Northeast edged up one point to 45, while the Midwest registered a three-point loss to 54 and the South dropped two points to 60.

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

BATC U: New MN Building & Energy Code Course

January 6 at 8:00am
BATC Office

BATC U: EPA Lead Renovator Refresher Course

January 7 at 8:00am
BATC Office

The Eisenberg Report & Board Induction 2015

January 8 at 4:30pm
International Market Square,
275 Market Street, Mpls

BATC Board of Directors Retreat

January 14 at 7:30am
Scherer Bros. Lumber Showroom,
9420 - 83rd Ave. N., Brooklyn Park

Hospitality Suite at IBS

January 21 at 6:00pm
Paris Las Vegas, 3655 S. Las Vegas
Blvd, Las Vegas, NV

Complete information at:
batconline.org

market BRIEFS

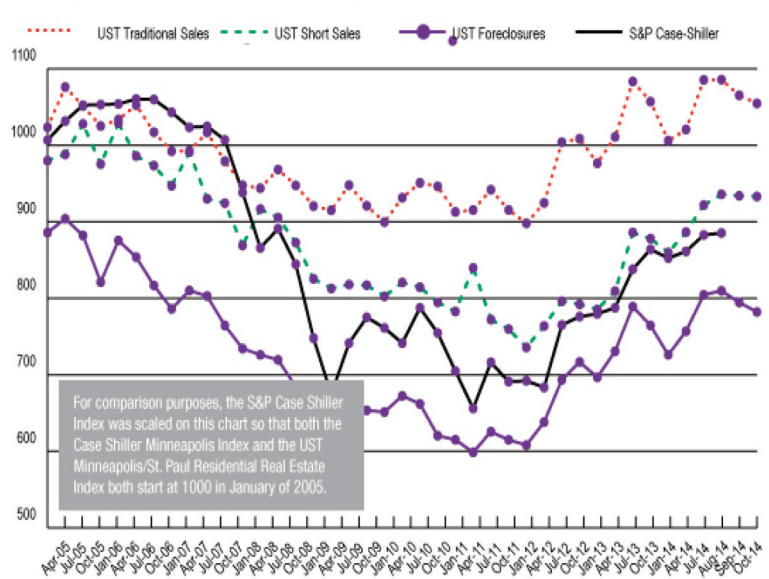


A Look Behind the Numbers

In October, the median sale price for the Twin Cities housing market overall increased 7.1% compared with last October. On the surface, that appears to be a healthy annual increase but when you start to break down the numbers, a different picture begins to appear. "Traditional", non-distressed median prices have been tracking very close to last year's levels since April (See chart below). In October 2014 traditional sale median prices were only up .7% over October 2013 levels. Virtually all of the annual median sale price increases since April have been from distressed sales. We have been expecting an annual median sale price increase in 2014 of 4% to 6%; however, we expected the majority of the increase to come from traditional sales due to an improving economy and continued low interest rates.

At this point, the median price of traditional home sales in the Twin Cities has recovered to 2nd quarter 2005 pre-crash levels. With an improving local economy and a relatively low supply of homes for sale, we are expecting that the median price of traditional homes should be running about 4% - 5% above the previous year's level.

Minneapolis / St. Paul Residential Housing Composite Indices



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The number of distressed sales is expected to continue to decrease due to the fact the number of new foreclosures has been decreasing steadily during 2014 and the number of distressed new listings continues to decline as well. In October 2014, the percentage of distressed sales was 12.5% compared to 21.5% in October 2013. Look for this percentage to decline to 6% - 8% in 2015.

The inventory of homes for sale has improved recently; however, by historical standards, the number of homes for sale is still low. In October, there were 17,132 homes on the market. Normally there are 20,000 - 25,000 homes for sale in any given month in the Twin Cities market.

Why is this happening? There are many home owners who are considering selling now that values have recovered over the last 2 1/2 years. The question then is, what they do after they have sold their home. They have now turned from sellers into buyers in a market that offers them limited choices for their replacement home and the fact that obtaining a new mortgage is still relatively difficult. The other reason is that although the number of homeowners that are "underwater" has decreased significantly, there is still a considerable number of homeowners that are "near negative equity".

That means that even though they are not underwater they have very little equity and when they sell their home they do not have enough equity to buy a new home. These factors along with more restrictive credit standards and little to no wage growth in the last several years are keeping many potential sellers on the sidelines.

