

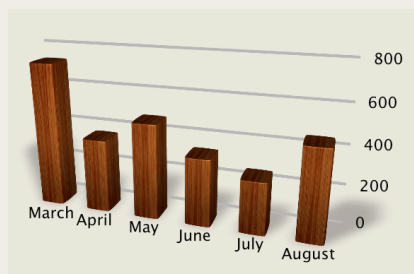
# HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

## IN THIS ISSUE:

- **Builder Confidence Index/ Housing Market Index**
- **Active Adult Home Building Activity**

### Twin Cities Building Activity – Units Authorized March 2010-August 2010



Source: Keystone Report

## Market Chatter

*"Homeownership is within reach of more households than it has been for almost a generation. Interest rates continue to hover at historic low levels, the economy is beginning to rebound and with house prices starting to stabilize, conditions are beginning to draw home buyers back into the market, which is a positive step on the path to recovery."*

*NAHB Chairman Bob Jones, a builder and developer in Bloomfield Hills, Michigan*

*"Right now the housing market is essentially in a holding pattern. As our latest member surveys have indicated, builders are seeing greater hesitancy among potential home buyers who are uncertain about what's in store for the economy and jobs going forward. That said, favorable home buying conditions including historically low mortgage rates and low house prices should help spur additional demand as the job market gradually improves later this year."*

NAHB Chief Economist David Crowe

September 1, 2010 | Volume 6, Issue 9

## NAHB: Housing Starts Rse 1.7% in July

Nationwide housing starts inched up 1.7 percent to a seasonally adjusted annual rate of 546,000 units in July from a downwardly revised figure in the previous month, according to U.S. Commerce Department figures released. The gain occurred entirely on the multifamily side, with single-family housing production falling 4.2 percent to 432,000 units.

"Builders are very reluctant to build more homes in view of the current state of the economy and weak buyer demand," noted Bob Jones, chairman of the National Association of Home Builders (NAHB) and a home builder from Bloomfield Hills, Mich.

The entire 1.7 percent gain in housing production this July was due to a 32.6 percent jump on the more volatile multifamily side, which brought that sector back closer to trend at a 114,000-unit rate following a major dip in the previous month. Meanwhile, single-family housing production declined 4.2 percent to a seasonally adjusted annual rate of 432,000 units, its lowest mark since May of 2009.

Two regions registered improved starts ac-

tivity in July, with the Northeast and Midwest each posting double-digit gains, of 30.5 percent and 10.7 percent, respectively. The South, which is the country's largest housing market, posted a 6.3 percent decline in starts this July, while the West posted no change in starts activity.

Permit issuance, which can be an indicator of future building activity, declined 3.1

*...improved starts activity in July, the Northeast and Midwest each posting double-digit gains...*

*NAHB Chief Economist, David Crowe*

percent to a seasonally adjusted annual rate of 565,000 units in July. Single-family permits fell 1.2 percent to 416,000 units, while multifamily permits fell 8 percent to 149,000 units. Regionally, permits fell nearly 26 percent in the Northeast, 1.1 percent in the Midwest, and 4.9 percent in the West, but gained 3.9 percent in the South in July.

## Twin Cities Residential Construction Remains Stable

August residential permit figures suggest the region is considerably stronger than the nationally averages. While August 2010 planned units were down about 15 percent from 2009 (when

the local market began to show signs of life), August units were up 73 percent from July 2010 and higher than in eight of the past 12 months.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 246 permits pulled for a total of 460 units during the month of August, 2010. Year-to-date, permits are 29 percent higher than at this time in 2009.

"The recent national sales reports were sobering," said Builders Association of the Twin Cities 2010 President,

Gary Aulik. "However, real estate truly is local, and with 246 permits pulled in August, I believe our region is considerably more stable than most.

"Choosing to buy a new home or to remodel is quite dependent on how secure a family feels in their employment situation, and unemployment in Minnesota remained almost two points below the national average. Mortgage interest rates are lower than ever, too, adding up to a strong buyers market." Aulik said

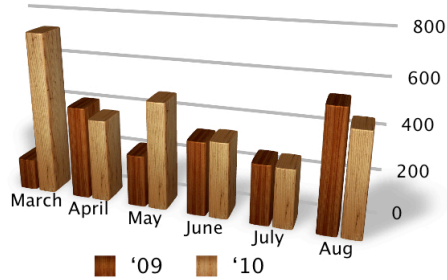
Forest Lake led the metro in building activity for the month with 101 units permitted. Apple Valley followed with 47 units, St. Michael permitted 43 units, followed by Maple Grove at 21 and Woodbury with 27.

## TWIN CITIES STATISTICS

### TC Housing Units Authorized

Date	Total	Y-Y Change
Jul 09	269	
Jul 10	265	-1.5%
Aug 09	542	
Aug 10	460	-15.1%

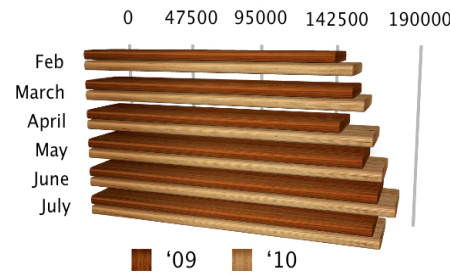
Source: Keystone Report



### Twin Cities Median Home Price

Date	Total	Y-Y Change
Jun 09	\$173,500	
Jun 10	\$182,000	+4.9%
Jul 09	\$171,000	
Jul 10	\$175,000	+2.3%

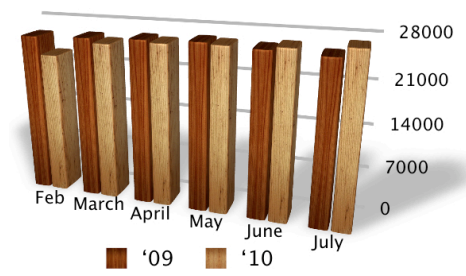
Source: MPLS Area Association of REALTORS



### Twin Cities Total Active Listings

Date	Total	Months of Inventory
Jun 09	26,204	
Jun 10	26,665	7.1
Jul 09	25,862	
Jul 10	27,249	7.8

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

Mar-10	7.8%
Apr-10	6.8%
May-10	6.4%
Jun-10	6.8%
Jul-10	6.8%

Source: MN DEED

### MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 9.5%

Mar-10	7.4%
Apr-10	7.2%
May-10	7%
Jun-10	6.8%
Jul-10	6.8%

Source: MN DEED

### Twin Cities Construction Employment

0.3% of Total MN Employment

Mar-10	4,745
Apr-10	4,785
May-10	4,910
Jun-10	5,150
Jul-10	4,964

Source: MN DEED

### MN Construction Employment

0.4% of Total MN Employment

Mar 10	8,695
Apr 10	8,949
May 10	8,870
Jun 10	9,385
Jul 10	9,567

Source: MN DEED

### Construction Weekly Wage

Production Worker, Averaged

Mar-10	\$1,016.79
Apr-10	\$1,096.66
May-10	\$1,055.05
Jun-10	\$1,017.12
Jul-10	\$1,089.45

Source: MN DEED

BATC UNIVERSITY

www.batc.org



Keep Your Edge

## worth Quoting

"Builders are expressing the same concerns that they are hearing from consumers right now, particularly the sense that the overall economy and job market aren't gaining any traction. Meanwhile, many continue to report that problems with inaccurate appraisals, competition from the large number of distressed properties on the market, and tight consumer lending conditions are causing them to lose potential sale."

NAHB Chairman Bob Jones, a home builder from Bloomfield Hills, Mich

## REGIONAL/NATIONAL STATISTICS

### MN Housing Units Authorized

Date	Total	Y-Y Change
Jun 09	874	
Jun 10	778	-11%
Jun 09	998	
Jul 10	743	-25.6%
2010 YTD		5,548

Source: US Census Bureau

### US Housing Units Authorized

Date	Total	Y-Y Change
Jun 09	59,489	
Jun 10	58,862	-1.1%
Jun 09	54,687	
Jul 10	50,420	-7.8%
2010 YTD		364,277

Source: US Census Bureau

### Remodeling Market Indices

Date	Current	Futures
2Q 09	38.1	34.0
3Q 09	39.8	38.7
4Q 09	36.4	31.4
1Q 10	44.5	43.1
<b>2Q 10</b>	<b>42.6</b>	<b>38.9</b>

Source: NAHB

	Framing Lumber	
	Random Lengths	CME Futures
April 30	\$367	\$301.2
May 21	\$325	\$236
Jun 25	\$247	\$182
Jul 23	\$253	\$209
Aug 27	\$247	\$215.6

Source: NAHB

Mortgage Rates	
From 06/01/2010	
30 Year	4.559%
30 Year Fixed FHA	5.100 %
15 Year	4.069%
5 Year ARM	3.252%
30 Year Jumbo	5.264 %

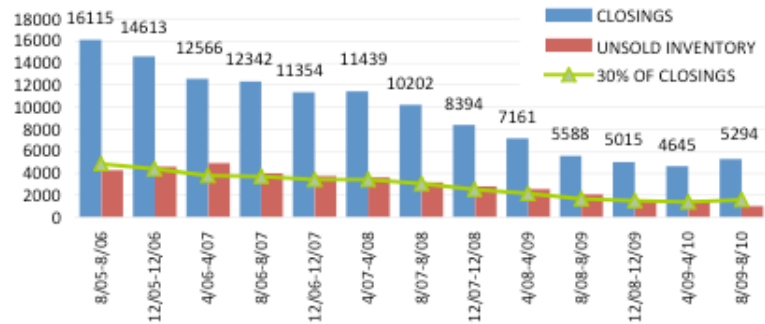
Source: Wells Fargo

MN Monthly Retail Gasoline Prices	
per gallon - all grades	
April 10	283.2
May 10	278.7
Jun 10	270.9
Jul 10	272.1
Aug 10	271.7

Source: Energy Information Administration

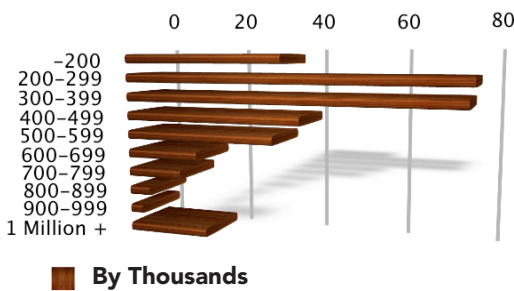


### 13 COUNTY METRO AREA

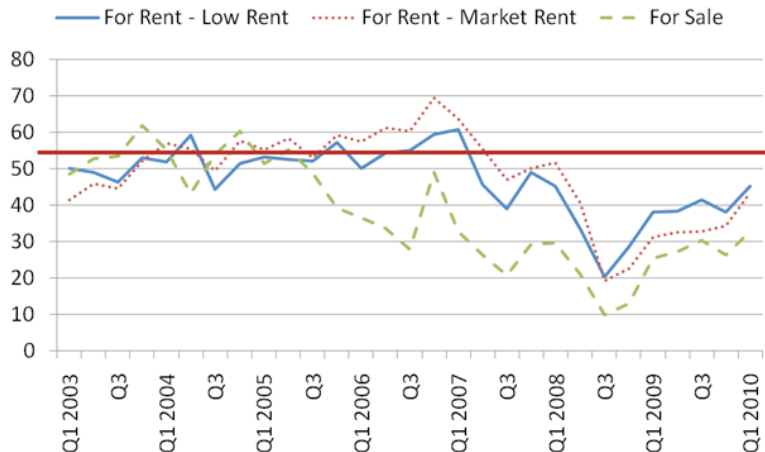


### PARADE OF HOMES<sup>SM</sup> ENTRIES BY PRICE RANGE

331 Homes in the Fall Showcse<sup>SM</sup>



### Multifamily Starts Indices - Expectations for Next 6 Months - June - December 2010



## worth NOTING

**Parade of Homes<sup>SM</sup>  
Fall Showcase Begins**  
September 11 12:00pm

**50+ Housing Council  
Virtual Project Tour**  
September 16 11:00am - 1:00pm-  
BATC Offices

**Lead Safety for Remodeling, Repairs &  
Painting - Renovator Initial Course**  
September 21 8:00am - 4:30pm  
BATC Offices

**Member Appreciation Mixer - BBQ**  
August 5 4:30pm - 6:30pm  
BATC Offices

**Lead Safety for Remodeling, Repairs &  
Painting - Renovator Initial Course**  
August 11 8:00am - 4:30pm  
BATC Offices

**Member BBQ  
hosted by: The Builders Group**  
September 21 4:30pm - 6:30pm  
2919 Eagandale Blvd. Suite #100,  
Eagan MN 55121

Complete information at:  
[batconline.org](http://batconline.org)

## market BRIEFS 4

### NAHB: Builder Confidence Declines

Builder confidence in the market for newly built, single-family homes edged down for a third consecutive month in August, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI), released today. The HMI declined one point to 13, its lowest level since March of 2009.

"Today's report reflects single-family home builders' concerns about current and future economic conditions and about the increasing hesitancy they are seeing among potential home buyers," added NAHB Chief Economist David Crowe. "It also reflects the frustration that builders are feeling regarding the effects that foreclosed property sales are having on the new-homes market, with 87 percent of respondents reporting that their market has been negatively impacted by foreclosures." Even so, he noted, NAHB continues to project that modest job gains, historically low mortgage rates and pent-up demand will ensure a better housing market in the second half of 2010 than in the first half.

Derived from a monthly survey that NAHB has been conducting for more than 20 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 out of three of the HMI's component indexes fell in August. The component gauging current sales conditions declined one point to 14, while the component gauging sales expectations for the next six months declined three points to 18. The component gauging traffic of prospective buyers held unchanged at 10.

Meanwhile, three out of four regions posted HMI declines in August. A six-point decline to 18 in the Northeast partially offset a big gain in that region in the previous month, while the South and West each posted one-point declines to 13 and 8, respectively. The HMI for the Midwest held even at 15 in August.

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 accessed online at: [www.nahb.org/hmi](http://www.nahb.org/hmi). More information on housing statistics is also available at: [www.housingeconomics.com](http://www.housingeconomics.com).

Source: NAHB

### Active Adult Home Builder Activity, Confidence Drop

Builder confidence in the mature-housing market retreated during this year's second quarter, according to data from the National Association of Home Builders' 55+ Housing Market Index (55+ HMI) – a quarterly survey of the association's builder members engaged in the production of mature-market housing. This past quarter's index values dropped for all areas surveyed, compared to the previous year's second quarter.

"The same factors that affect activity in the overall housing market – including hesitant home buyers, tight consumer credit, and continuing competition from foreclosed and distressed properties – are having an impact on the 55+ segment of the market, which remains stalled in most regions," says NAHB's Chief Economist, David Crowe. "In spite of the recent flurry of home-buying activity tied to the home buyer tax credit, many older homeowners continue to have difficulty selling their existing homes, causing them to postpone plans to look for a home that offers reduced maintenance or is otherwise more appropriately designed to accommodate their current lifestyles."

The 55+ single-family HMI measures builder sentiment based on current sales, prospective buyer traffic and anticipated six-month sales for the 55+ single-family market. A number greater than 50 indicates that more builders view conditions as good than poor. In the second quarter of 2010, the index slipped four points compared to the same period a year earlier, down to 12. Present sales fell to 12, down four points; expected sales to 17, down seven points, and traffic to 12, down 2 points.

The 55+ multifamily condo index continued to record the lowest values, with a drop of five points over the previous year's second quarter, to a record low value of 7, reflecting drops in current sales, expected sales, and traffic from prospective buyers.

Current and expected demand indices for the 55+ multifamily rental sector, at 31 and 30, respectively, are much healthier than those for current and expected production, at 15 and 16, respectively. These statistics indicate that more respondents see some strength in rental demand compared to the number who see any growth in production of new rental apartments to support that demand.

Source: NAHB