

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

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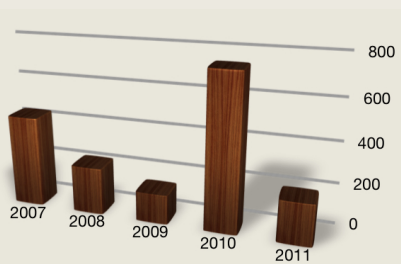


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May 2, 2011 | Volume 7, Issue 4

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Twin Cities Building Activity – Units Authorized March 2007-2011



Source: Keystone Report

Market Chatter

"Remodelers report a jump in activity so far this year and have been receiving more calls for work and appointments," said NAHB Remodelers Chairman Bob Peterson, CGR, CAPS, CGP, a remodeler from Ft. Collins, Colo. "However, many home owners are still slow to commit to remodeling due to feeling uncertain about the economic recovery and difficulty obtaining loans."

Bob Nielsen, chairman of the National Association of Home Builders (NAHB) and a home builder from Reno, Nevada

"The modest improvement in new-home production and permitting in March is in line with our forecasts for incremental gains through the spring buying season. While our builder members continue to experience a great number of challenges with regard to competition from foreclosed and short-sale properties, low appraisal values and tight credit conditions, they have noted slight improvements in interest among qualified buyers, and they need to be ready to meet the demand as it materializes."

NAHB Chief Economist David Crowe

NAHB: New-Home Sales Rise 11.1 Percent in March

Sales of newly built, single-family homes rose 11.1 percent to a seasonally adjusted annual rate of 300,000 units in March, the U.S. Commerce Department reported. The gain partially offsets a large decline that occurred in new-home sales this February, when activity hit a record low due partly to poor weather conditions.

"The fact that new-home sales have regained some of the ground they lost earlier this year is a promising sign at the start of the spring home buying season," said Bob Nielsen, chairman of the National Association of Home Builders (NAHB) and a home builder from Reno, Nev. "While potential buyers continue to be extremely cautious, they are starting to take a look around and evaluate their very good options with regard to attractively priced new homes."

"The March pace of new-home sales more accurately reflects current market conditions than the extremely low pace we saw in the first two months of this year, when unusually poor weather likely kept buyers away," said NAHB Chief Economist David Crowe. "That said, the average sales pace for the first quarter of 2011 held at about the same level seen for the last half of 2010. A limiting factor is the extremely thin inventory of new homes for sale, which is now at its second-lowest level in history. Builders continue to confront major challenges in ob-

taining financing to build new homes, and the shortage of new product makes it that much tougher for them to compete with existing homes on the market. At the same time, tighter lending conditions are making it more difficult for qualified buyers to obtain a mortgage."

"The fact that new-home sales have regained some of the ground they lost earlier this year is a promising sign"

Bob Nielsen, chairman of NAHB

New-home sales regained ground in three out of four regions this March. The Northeast posted a 66.7 percent gain from a very low sales pace in the previous month, while the Midwest posted a 12.9 percent increase and the West posted a 25.9 percent gain. Meanwhile, sales activity remained virtually unchanged in the South, with a 0.6 percent decline.

The inventory of new homes for sale fell to 183,000 units in March, which is the second-lowest level on record. This represents a 7.3-month supply at the current sales pace.

Multi-Family Projects Slow Twin Cities Residential Construction

Since the beginning of 2011, multi-family construction has been a drag on overall residential construction in the region, and continued to do so in March. Year-to-date, planned units have dropped by 52 percent from 2010, but single family homes were down just eight percent from last year.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 155 permits for a total of 201 units permitted

during four weeks in the month of March, 2011. Year-to-date, there were 555 permits issued for a total of 621 units. Of those units, only 80 are multi-family compared to 710 multi-family units permitted at this time in 2010.

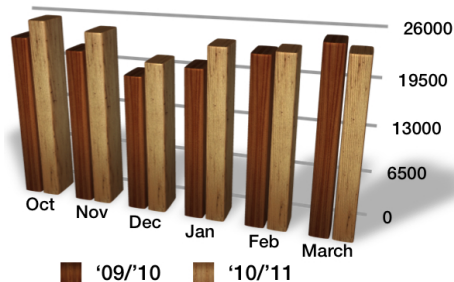
"It's clear that the residential construction market is still far from healthy," said Builders Association of the Twin Cities 2011 President, Rich Riemersma. "But for single-family construction, the small drop in March comes

TWIN CITIES STATISTICS

TC Housing Units Authorized

Date	Total	Y-Y Change
Feb 10	202	
Feb 11	183	-9.4%
Mar 10	733	
Mar 11	201	-73%

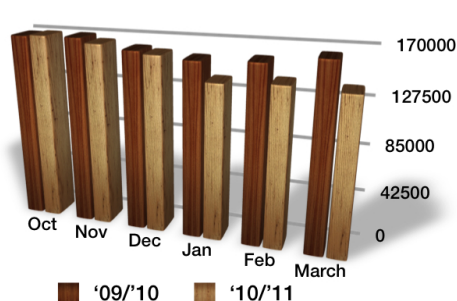
Source: Keystone Report



Twin Cities Median Home Price

Date	Total	Y-Y Change
Feb 10	\$159,000	
Feb 11	\$142,500	-10.4%
Mar 10	\$165,000	
Mar 11	\$140,000	-15.2%

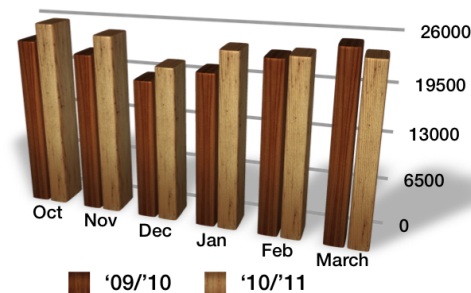
Source: MPLS Area Association of REALTORS



Twin Cities Total Active Listings

Date	Total	Months of Inventory
Feb 10	23,332	
Feb 11	23,794	7.5
Mar 10	25,245	
Mar 11	24,112	7.7

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

Nov 10	6.5%
Dec 10	6.5%
Jan 11	7.0%
Feb 11	6.9%
Mar 11	6.8%

Source: MN DEED

Twin Cities Construction Employment

0.3% of Total MN Employment

Nov 10	4,585
Dec 10	4,390
Jan 11	4,379
Feb 11	4,349
Mar 11	4,420

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

Nov 10	\$1,123.24
Dec 10	\$1,079.23
Jan 11	\$1,021.44
Feb 11	\$976.56
Mar 11	\$1,031.47

Source: MN DEED

MN Seasonally Adjusted Unemployment Rate

U.S. Seasonally Adjusted Average 8.8%

Nov 10	7.1%
Dec 10	7.0%
Jan 11	6.7%
Feb 11	6.7%
Mar 11	6.6%

Source: MN DEED

MN Construction Employment

0.4% of Total MN Employment

Nov 10	8,897
Dec 10	8,430
Jan 11	7,658
Feb 11	7,383
Mar 11	7,379

Source: MN DEED

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"In the midst of a very fragile housing recovery, the government is throwing a devastating, unnecessary and very expensive wrench into the American dream. First time homebuyers will have to choose between higher rates today or a 9-14 year delay while they save up the necessary down payment. And 25 million current homeowners would be locked out of lower refinancing rates because they lack the required 25 percent equity in their homes."

The National Association of Home Builders in a joint statement with several groups in advance of the April 14th House Subcommittee on Capital Markets and Government Sponsored Enterprises hearing on the Qualified Residential Mortgage

REGIONAL/NATIONAL STATISTICS

MN Housing Units Authorized

Date	Total	Y-Y Change
Feb 10	461	
Feb 11	272	-41%
Mar 10	1038	
Mar 11	542	-47.8%
	2011 YTD	1,058

Source: US Census Bureau

US Housing Units Authorized

Date	Total	Y-Y Change
Feb 10	44,057	
Feb 11	37,232	-15.5%
Mar 10	62,068	
Mar 11	53,650	-13.6%
	2011 YTD	127,327

Source: US Census Bureau

Remodeling Market Indices

Date	Current	Futures
1Q 10	44.5	43.1
2Q 10	42.6	38.9
3Q 10	43.4	38.1
4Q 10	43.3	39.7
1Q 11	46.1	46.8

Source: NAHB

	Framing Lumber	
	Random Lengths	CME Futures
Dec 30	\$293	\$311.5
Jan 21	\$305	\$303.4
Feb 18	\$296	\$304.9
Mar 25	\$291	\$313.1
Apr 29	\$264	\$232.5

Source: NAHB

Mortgage Rates	
From 4/30/2011	
30 Year	4.939%
30 Year Fixed FHA	5.657%
15 Year	4.195%
5 Year ARM	3.170%
30 Year Jumbo	5.264 %

Source: Wells Fargo

MN Monthly Retail Gasoline Prices	
per gallon - all grades	
Nov 10	2.842
Dec 10	299.8
Jan 11	314.4
Feb 11	355.7
March 11	381.3

Source: Energy Information Administration

Builder Confidence Slips Back a Notch in April

Builder confidence in the market for newly built, single-family homes slipped back one notch to 16 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for April, released today. The index has now held at 16 for five of the last six months.

"While builders in some areas are starting to see a pickup in traffic of prospective home buyers, many consumers remain skittish about the health of the housing market and overall economy, particularly in view of recent legislative and regulatory proposals that could make it much harder to get a mortgage," noted NAHB Chairman Bob Nielsen, a home builder from Reno, Nev. "At the same time, builders are competing against a large number of foreclosed and distressed properties on the market, which are holding down prices and appraisals and making it tough for potential clients to sell their existing homes."

"The spring home buying season is getting off to a slow start due to persistent concerns about home values as more foreclosures seem to be hitting the market, increasingly restrictive lending requirements for home buyers and builders, and the slow pace of economic recovery," acknowledged NAHB Chief Economist David Crowe. "While pockets of improving activity are appearing in some markets, the best sales activity appears to be happening in the lower price ranges, where first-time buyers have greater flexibility than repeat buyers who must sell their current home. Consumers who can take advantage of today's low mortgage rates and very attractive pricing are finding bargains and are buying."

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 sales conditions as good than poor.

Two out of three of the HMI's component indexes posted declines in April. While the component gauging current sales conditions fell one point to 16, the component gauging sales expectations for the next six months declined three points to 23, its lowest mark since October of 2010. However, the index gauging traffic of prospective buyers rose a single point to 13 in April, marking its highest level since last June.

The South, which is the largest regional housing market represented in the HMI, was primarily responsible for the overall index's decline this month. While that region dropped four points to 15, the Northeast and Midwest registered two-point gains to 20 and 14, respectively, and the West registered no change from the previous month, at 17.

worth NOTING

Marketing Mash Up

May 11, 4-6:30pm

Clear Channel Studios

Parade of Homes & Remodelers ShowcaseSM

Fall Entry Deadline May 18th

Lead Safety for Repairs, Remodeling and Painting (RRP)

May 24 8:00am - 4:30pm

Universal Design - A Look at the Home (Part 2)

May 25 11:30am - 1:30pm

Midway Stadium

Saints Tailgating Event

May 25 4:30pm - 9:00pm

ROMA Remodeler of Merit Award Banquett

June 23 4:30pm - 9:00pm

St. Paul Hotel

Complete information at:
batconline.org

market BRIEFS 4

NAHB: Remodeling Market Index Reaches Highest Level in Four Years

According to the National Association of Home Builders' (NAHB) Remodeling Market Index (RMI), the remodeling market is heading into recovery with an increase to 46.5 in the first quarter of 2011 from 41.5 in the fourth quarter of 2010. This marks the highest level for the RMI since the fourth quarter of 2006. An RMI below 50, however, indicates that still more remodelers report market activity is lower (compared to the prior quarter) than report it is higher.

The overall RMI combines ratings of current remodeling activity with indicators of future activity like calls for bids. Current market conditions for the first quarter of 2011 rose to 46.1 from 43.3 in the previous quarter. Future market indicators climbed to 46.8 from 39.7 in the previous quarter.

Regional break downs for current remodeling market conditions showed growth in all but one area: Northeast 46.1 (from 38.8 in the fourth quarter), South 46.1 (from 45.8), and West 46.1 (from 39.7). Only the Midwest experienced a decline to 47.1 (from 54.3).

All current remodeling market indicators increased: major additions to 50.3 (from 48.6 in the fourth quarter), minor additions to 48.0 (from 43.9), and maintenance and repair to 39.5 (from 37.0). Future market indicators also improved across the board: calls for bids rose to 53.1 (from 47.2), appointments for proposals to 52.4 (from 43.1), backlog of remodeling jobs to 49.7 (from 42.6), and amount of work committed for the next three months to 32.1 (from 25.9).

In an additional special question remodelers reported the top reasons prospective customers are holding back from remodeling their homes:

Customers think it is hard to get financing (90 percent of remodeler respondents) Customers have lost equity in their homes (81 percent) Customers are uncertain about their future economic situation (74 percent) Reluctance to invest in home when not sure home will hold its value (67 percent) Negative media stories making customers more cautious (62 percent) Inaccurate appraisals are making financing more difficult (54 percent)

"Home remodeling continues to slowly increase and continued growth through the year is expected," said NAHB Chief Economist David Crowe. "The fact that some indicators are breaking 50 means remodelers are seeing improving activity in their markets. While credit scarcity and economic uncertainty continue to weigh down remodeling, signs of increasing consumer interest are promising."

Source: NAHB

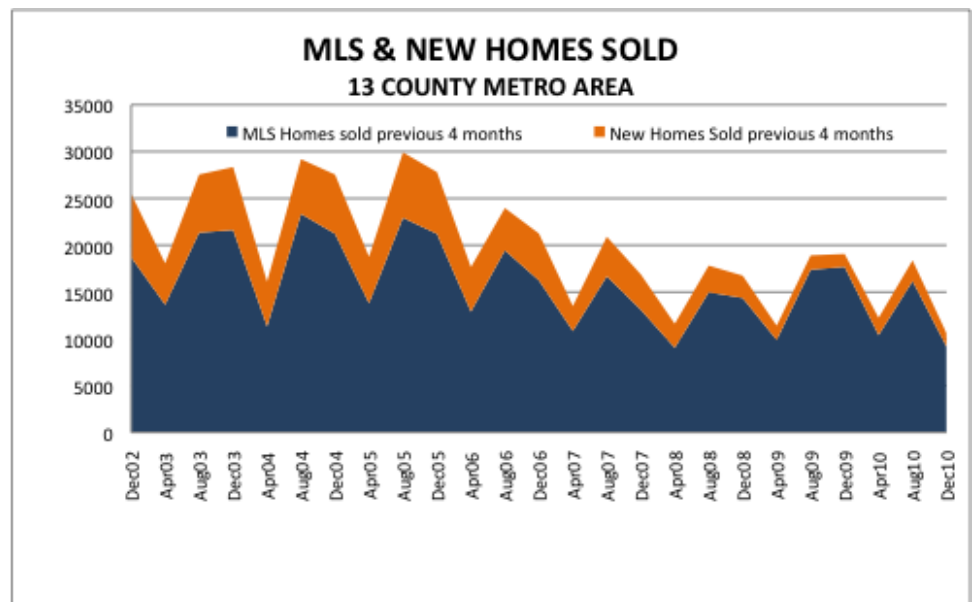
Multi-Family Projects Slow Twin Cities Residential Construction

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on the heels of a sustained growth pattern over the past year.

"With reports of increased traffic and interest from potential buyers during the Parade of Homes, our members have dug in for the long haul and remain cautiously optimistic," Riemersma said.

Hudson, Wisconsin, led the metro in building activity for the month with 33 units permitted for one multi-family project and one single-family home. Blaine and Woodbury followed with 23 units, and Chanhassen and Maple Grove each issued permits for 13 units.



Source: MarketGraphics