

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry



Sponsored by:

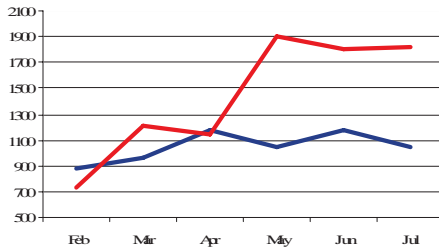


August 31, 2006

Volume 2, Issue 8

IN THIS ISSUE:

- July Building Activity



- Census Bureau Housing Estimates
- Scott County Resident Survey

Market Chatter:

"With respect to the housing market outlook, we're counting on solid demographic foundations, forward economic momentum, a favorable interest-rate structure and aggressive builder sales incentives to limit the depth and duration of the current downswing in new homes sales. We expect the market to bottom out during the first half of next year and then move to a solid, sustainable trend." David Seiders, Chief Economist, National Association of Home Builders

"Many potential home buyers have been on the sidelines, some 'kicking the tires,' but mostly waiting for sellers to compromise on prices and terms. Now sellers in many areas of the country are pricing to reflect current market realities. As a result, there could be some lift to home sales, but it'll likely take some months for price appreciation to rise." David Lereah, Chief Economist, National Association of Realtors

"In the early years of this decade our market was tilted in the seller's favor to an unsustainable degree—inventories were lean, with price appreciation and unit sales at record highs. We were due for a correction to preserve the long-term health of our market" Todd Shipman, President, Minneapolis Area Association of Realtors

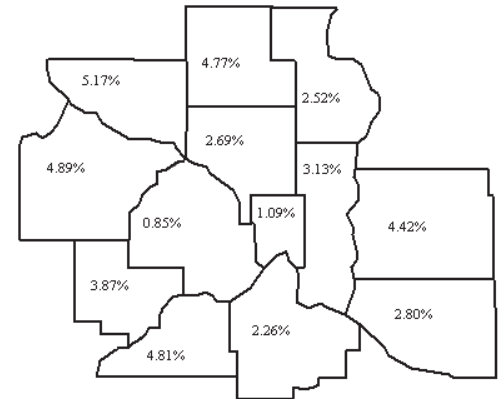
Census Bureau Housing Unit Estimates

The number of housing units in Minnesota increased by 37,716 from 2004 to 2005, almost a two percent increase according to estimates from the United States Census Bureau. For the second straight year Minnesota ranks 21st in the nation in total housing units, with over 2.2 million units as of 2005. The estimates are based on Census 2000 information, and calculated by using administrative records such as building permits.

The United States had an estimated 124.5 million housing units as of July 1, 2005, representing an increase of 1.8 million, or 1.5 percent, since July 1, 2004.

Large numerical gains occurred mostly in the south and west, in places that have typically been high growth recently. Maricopa, AZ had the biggest numerical gain among U.S. counties, adding 52,000 housing units over the year. Clark County, NV (35,000 units), Harris County, TX (34,000 units), Riverside County, CA (30,000 units), and Miami-Dade County, FL (21,000 units) rounded out the top five largest growing counties by housing units.

(Continued on page 4)



Annual Percent Change of Housing Units

The fastest growing counties also remained in the south and west, with Flagler County, FL experiencing the fastest percent change at 14.8 percent for the year. This is the second year in a row that Flagler County has been the fastest growing county in the nation. Sumter County, FL (12.8 percent), Pinal County, AZ (10.2 percent), Osceola County, FL (9.5 percent) and Franklin County, WA (9.4 percent) round out the

Building Activity Remains Tempered Through Summer

Residential builders in the Twin Cities continued to limit new activity and sell current inventory in July while keeping watch on market conditions. According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), 1,047 units were permitted last month, down from 1,827 permitted in July 2006. Year-to-date activity also continued to drop, with a total of 7,655 units permitted thus far, down from 9,972 units permitted to the same point last year.

The flurry of activity seen in the market over the past few years has tempered, and builders are responding to the shift by altering production strategies. Builders are holding off new projects and selling current inventory says President of Swanson Homes and 2006 BATC President Curt Swanson.

"The current housing market is full of both challenges and opportunities," Swanson said. "The buyer will benefit in the long run as industry

Actual permit and planned unit statistics for the first 30 weeks in each of the past eight years are as follows:

2006 – 4,802 permits, 7,655 planned units
2005 – 5,877 permits, 9,972 planned units
2004 – 6,462 permits, 10,392 planned units
2003 – 6,366 permits, 10,552 planned units
2002 – 6,140 permits, 9,638 planned units
2001 – 6,452 permits, 8,656 planned units
2000 – 7,028 permits, 9,676 planned units
1999 – 7,038 permits, 9,507 planned units

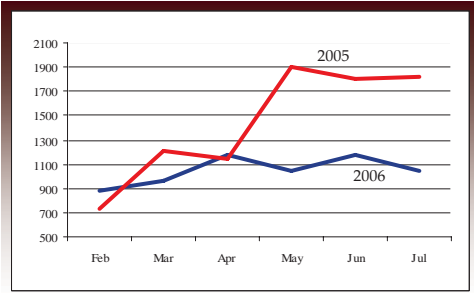
professionals scale back new activity and focus on selling. We may be waiting to build but we're not standing around – we're still actively marketing our homes."

Swanson says that preliminary forecasts from the National Association of Home Builders show lowered levels of activity likely to continue through 2007.

(Continued on page 4)

Twin Cities Statistics

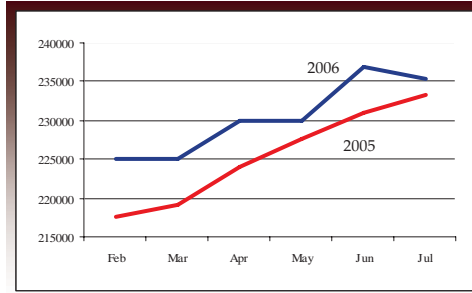
Twin Cities Housing Units Authorized



	Total	Y-Y Change
Apr-05	1,142	
Apr-06	1,177	+3.1%
May-05	1,894	
May-06	1,052	-44.5%
Jun-05	1,810	
Jun-06	1,176	-30.9%
Jul-05	1,827	
Jul-06	1,047	-37.6
2006 YTD	7,655	

Source: Keystone Report

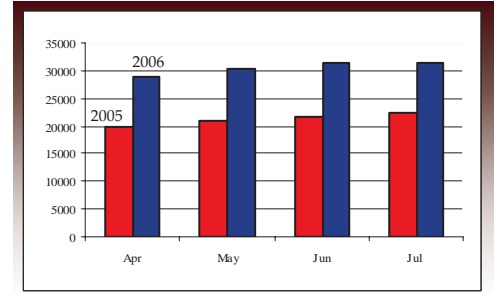
Twin Cities Median Home Price



	Price	Y-Y Change
Apr-05	224,000	
Apr-06	230,000	+2.7%
May-05	227,501	
May-06	230,000	+1.1%
Jun-05	231,000	
Jun-06	236,850	+2.5%
Jul-05	233,300	
Jul-06	235,459	+0.9%
5-Year Change		+34.6%

Source: Minneapolis Area Association of REALTORS®

Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
Apr-05	19,843	
Apr-06	28,801	+45.1%
May-05	21,048	
May-06	30,179	+43.4%
Jun-05	21,613	
Jun-06	31,295	+44.8%
Jul-05	22,419	
Jul-06	31,367	+39.9
Supply Rate	7.1 months	

Source: Minneapolis Area Association of REALTORS®

Market Briefs

- The pace of new single-family home sales dipped 4.3 percent in July to a seasonally-adjusted annual rate of 1.072 million units, the U.S. Commerce Department reported. The sales pace was down by 21.6 percent from the record monthly high set last July. On a year-to-date basis, actual new home sales were down 14.2 percent compared with the first seven months of 2005.
- Builder confidence in the condominium housing market weakened significantly in the second quarter of 2006, as sales continued to retreat from the record-high levels seen last year, according to results from the National Association of Home Builders Multifamily Condo Market Index (MCMI).
- Indianapolis, IN maintained its standing as the most affordable major U.S. housing market for a fourth consecutive time in the second quarter of 2006, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI).

Mortgage Rates

30 Year	5.96%
15 Year	5.68%
5/1 ARM	5.72%

Home Equity

30K HELOC	8.03%
50K HELOC	7.74%
30K Home Equity Loan	8.11%
50K Home Equity Loan	8.12%

Source: www.bankrate.com

Date: 8/28/2006

Unemployment Rate

US Avg 5.0%

Mar-06	4.3%
Apr-06	3.8%
May-06	3.1%
Jun-06	3.5%
Jul-06	3.5%

Source: MN DEED

Employment

Total Non-Farm

Mar-06	1,751,817
Apr-06	1,781,141
May-06	1,800,047
Jun-06	1,814,492
Jul-06	1,794,942

Source: MN DEED

Construction Employment

1.14% of total Employment

Mar-06	17,541
Apr-06	18,471
May-06	18,603
Jun-06	19,588
Jul-06	20,534

Source: MN DEED

Consumer Price Index

1982-84=100, Nat'l Avg 203.5

2002	179.6
2003	182.7
2004	187.9
2005	193.9
2006 YTD	195.1

Source: Bureau of Labor Statistics

Regional Statistics

Minnesota Housing Units Authorized

	Total	Y-Y Change
Apr-05	3,635	
Apr-06	2,395	-34.1%
May-05	3,854	
May-06	2,962	-23.1%
Jun-05	3,830	
Jun-06	3,251	-15.1%
Jul-05	3,621	
Jul-06	2,797	-22.8%
2006 YTD	16,889	

Source: US Census Bureau

Minnesota Unemployment Insurance Claims

	Total	Construction
Jun-05	19,553	3,468
Jun-06	18,313	3,335
Jul-05	18,643	2,915
Jul-06	18,046	3,267

Source: MN DEED

Minnesota Weekly Retail Gasoline Prices

Regular Grade, per Gallon	
8/07	3.069
8/14	2.977
8/21	2.915

Source: Energy Information Administration

IN THE NEWS...

Reacting to what they perceive as increasing consumer uncertainty regarding the market for new single-family homes, builders tempered their views on current and expected sales activity in the Wells Fargo/National Association of Home Builders Housing Market Index (HMI) for August, released today. The HMI declined seven points to 32, its lowest level since February of 1991. This was the seventh consecutive month in which builder confidence, as measured by the index, has fallen.

All three component indexes declined in August. The component gauging current single-family home sales fell seven points to 36, while the component gauging sales expectations in the next six months and the component gauging traffic of prospective buyers both fell six points, to 40 and 21, respectively.

Source: National Association of Home Builders

MN Unemployment Rate

US Avg 5.0%

Mar-06	4.8%
Apr-06	4.2%
May-06	3.3%
Jun-06	3.6%
Jul-06	3.6%

Source: MN DEED

MN Employment

Total Non-Farm

Mar-06	2,696,956
Apr-06	2,743,290
May-06	2,784,771
Jun-06	2,818,602
Jul-06	2,791,783

Source: MN DEED

MN Construction Employment

5.21% of Total Employment

Mar-06	109,997
Apr-06	122,088
May-06	134,483
Jun-06	142,291
Jul-06	145,423

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

Mar-06	833.34
Apr-06	896.67
May-06	911.82
Jun-06	1,041.73
Jul-06	1,010.92

Source: MN DEED

Fast Stat

Percent of People 16 Years and Over Who are in the Labor Force

Ranked by State

State	Percent
1. Alaska	73.5%
2. Minnesota	72.1%
3. New Hampshire	71.8%
4. Colorado	71.6%
5. South Dakota	70.9%
6. Nebraska	70.7%
7. Vermont	70.7%
8. Wyoming	70.5%
9. Utah	70.1%
10. Wisconsin	70.0%
11. Maryland	69.8%
12. Kansas	69.6%
13. North Dakota	69.5%
14. Iowa	69.3%
15. Connecticut	68.4%

United States 66.0%

Source: 2003 American Community Survey

National Statistics

Commodities Month End Settlement Prices

	5/31	6/30	7/31
Light Crude Oil (Day)	71.29	73.93	74.40
Copper—High Grade (Day)	371.65	346.25	361.00
Lumber	301.30	294.50	273.00

Source: Anne Burden's Future's Guide

Housing Market Index

Jul-05	70
Jul-06	39

Source: National Association of Home Builders

US Housing Units Authorized

	Total	Y-Y Change
Apr-05	192,245	
Apr-06	164,884	-14.2%
May-05	189,883	
May-06	184,470	-2.9%
Jun-05	207,948	
Jun-06	180,178	-13.4%
Jul-05	182,916	
Jul-06	145,463	-20.5%
2006 YTD	1,179,592	

Source: US Census Bureau

Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
May-05	891,880	636,039	426,161	56,058
May-06	943,573	648,386	438,031	55,391
Jun-05	891,479	642,194	433,858	48,329
Jun-06	944,709	641,602	428,746	55,419

Source: US Census Bureau/US Dept of Commerce

2006 Scott County Residents Survey

Scott County, in partnership with Washington County, Dakota County, and National Research Center, Inc. (NRC), recently completed compiling results from the 2006 Scott County Resident Survey.

According to the results, Scott County residents rate the quality of life highly. Thirty-two percent of respondents rated the quality of life as "excellent" in the county, while fifty-nine per-

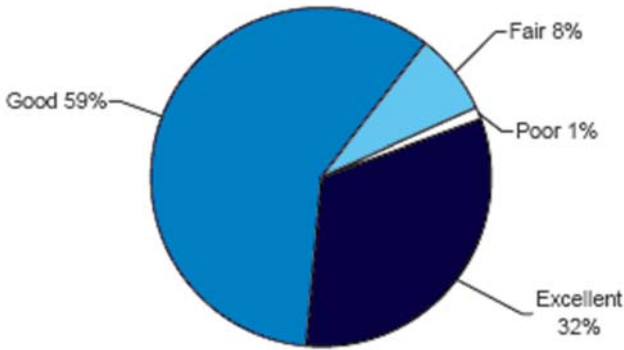
cent rated quality of life as "good." Over one quarter of respondents stated that "location" was the thing that they like most about living in Scott County. Also important to residents was "access to parks," "access to trails," and "access to open space."

Residents were also asked to identify issues that they felt were facing the county. Respondents most frequently identified "Growth and Devel-

opment", with forty-eight percent seeing it as an issue. Other concerns included "taxes." Most respondents were in favor of maintaining current property tax levels instead of increasing or decreasing property taxes to fund discretionary services.

The entire report is via the Scott County website: <http://www.co.scott.mn.us/>

Quality of Life



What one thing do you like most about living in Scott County?

Location	31%
Small town feel	9%
Rural	10%
Quiet	3%
Peaceful	3%
Parks/lakes	5%
Services	4%
Open space	4%
Quality of life in general	2%

Source: 2006 Scott County Residents Survey

Continued from page 1...

Housing Units...

top five fastest growing counties by housing units.

There were four Minnesota counties in the top 100 fastest growing counties. Sherburne County ranked 42nd at 5.2 percent with Wright County at 52nd (4.9 percent), Scott County at 53rd (4.8 percent) and Isanti County at 55th (4.8 percent). St. Croix County, WI ranked 78th with 4.4 percent growth.

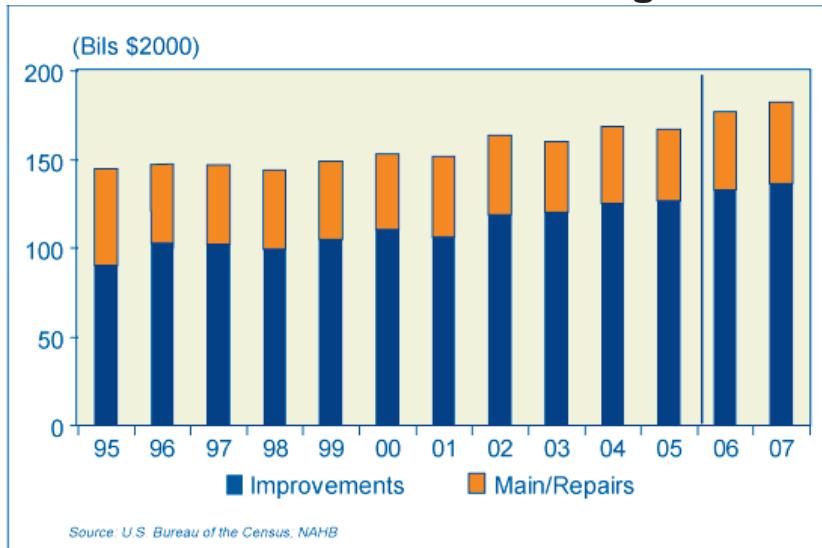
At the state level, four of the five states that had the most rapid housing growth are located in the west. Nevada had the highest rate with 4.4 percent followed by Arizona (3.5 percent), Florida (3.1 percent), Idaho (2.9 percent), and Utah (2.9 percent).

Florida topped the list of the states adding the highest number of housing units, gaining 247,000 homes over the period. Following Florida were California (182,000 units), Texas (179,000 units), Georgia (98,000 units), and Arizona (87,000 units).

The top five states by number of housing units remains unchanged from the previous year. California again ranks first with 12.9 million units, followed by Texas (9 million), Florida (8.2 million), New York (7.8 million) and Pennsylvania (5.4 million).

The entire report of estimates is available online: <http://www.census.gov/popest/housing/HU-EST2005.html>

Chart of the Month— Residential Remodeling



Continued from page 1...

July Building Activity...

"It is expected that the adjustment will continue into next year as the market adapts to present inventories and slightly increased mortgage rates," he said. "This is all a necessary maturation process and ensures the long term stability of housing as a quality investment."

Minneapolis leads the metro area in construction year-to-date with 682 units permitted. Woodbury ranks second with 377 followed by Brooklyn Park with 314, Blaine with 308, and Hugo with 296.