

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry



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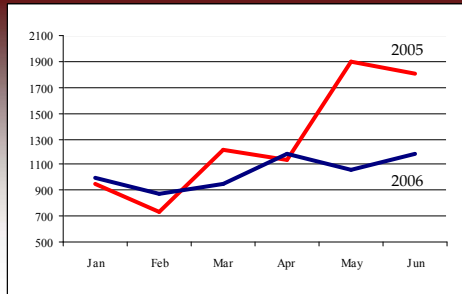


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Market Chatter:

"We are coming off a very strong couple of years for the housing industry and markets are now starting to cool to more sustainable levels. Each market has different factors that affect its local economy and housing market, but overall we are forecasting an orderly slowdown in housing starts." David Seiders, Chief Economist, National Association of Home Builders

"The downturn in the housing market so far appears to be orderly." Ben Bernanke, Federal Reserve Chairman

"The major housing indicators have been moving up and down within a reasonable range, which means the market should even-out just below present levels," he said. "At the same time, housing inventory levels are balanced in much of the country, so overall price appreciation will be at a normal rate. We should see home sales rise and fall month to month, but don't look for any big shifts one way or the other." David Lereah, Chief Economist, National Association of REALTORS

State of the Nations Housing 2006

Although the nation's housing market again broke records in 2005, there were clear signs that it was beginning to cool. Rising interest rates and lessened demand became more pronounced as the year drew to a close according to a recently released report by the Joint Center for Housing Studies of Harvard University (JCHS).

It was another record year for permits issued in the nation for 2005, eclipsing the previous record breaking year in 2004 for single-family permits

and total permits issued. According to the JCHS, 1,669,000 single-family permits were issued, and 472,000 multifamily permits were issued. Multifamily permits issued were less than half than in record setting years during the early 1980's when over 700,000 permits were routinely issued, but 2005 is an increase over any year since the early 1990's.

The data shows that housing starts also set

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	2004	2005	Percent Change 2004-2005	Percent Change 2001-2005
Homeownership Rate (%)	69.0	68.9	-0.1	1.6
Home Sales				
New Single-Family (Millions)	1.2	1.3	6.7	41.3
Existing Single-Family (Millions)	6.0	6.2	3.4	30.6
Existing Condo/Co-ops (Thousands)	820	896	9.3	49.1
Median Home Prices				
New Single-Family	\$230,842	\$240,900	4.4	23.2
Existing Single-Family	\$200,158	\$219,000	9.4	27.7
Existing Condo/Co-op	\$197,930	\$223,900	13.1	43.1
Home Equity (Trillions)	\$10.0	\$11.2	12.1	39.2
Residential Fixed Investment (Billions)	\$697	\$756	8.5	46.0
Residential Improvements and Repairs (Billions)	\$205	\$215	4.7	23.6
Mortgage Debt (Trillions)	\$7.9	\$8.7	10.3	50.4
Mortgage Refinancing (Trillions)	\$1.5	\$1.4	-10.5	-2.7

Builders Continue to Curb Activity

Residential builders in the Twin Cities continued to scale back efforts in June while maintaining a notably slower pace of activity through the first half of 2006. According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), 1,176 units were permitted last month, down from 1,810 permitted in June 2005. Year-to-date activity also continued to slip, with a total of 6,585 units permitted thus far, down from 8,145 permitted to the same point last year.

As inventories continue to rise in the existing housing market, growth of supply seems to have outpaced demand in the short-run. This is a major factor in the slowdown of building activity according to President of Swanson Homes and 2006 BATC President Curt Swanson.

"Builders are in the business of adding supply to the housing market, but they are also in the business of knowing when to scale back supply in response to the market," Swanson said. "As

Actual permit and planned unit statistics for the first 26 weeks in each of the past eight years are as follows:

2006 - 4,155 permits, 6,585 planned units
 2005 - 4,858 permits, 8,145 planned units
 2004 - 5,341 permits, 8,440 planned units
 2003 - 5,261 permits, 8,889 planned units
 2002 - 5,060 permits, 8,221 planned units
 2001 - 5,303 permits, 7,072 planned units
 2000 - 6,216 permits, 8,608 planned units
 1999 - 5,930 permits, 8,118 planned units

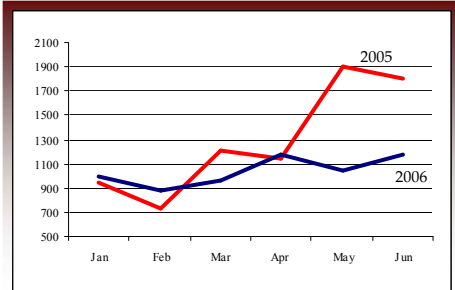
early as last spring, builders revamped strategies and adapted business plans in order to meet the coming demands in a changing environment."

Swanson said that while the market conditions present challenges for industry professionals, potential buyers are in the market at a good time.

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Twin Cities Statistics

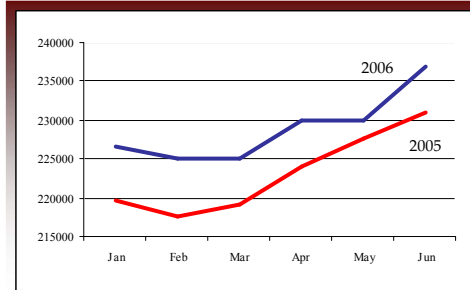
Twin Cities Housing Units Authorized



	Total	Y-Y Change
Mar-05	1,208	
Mar-06	955	-20.9%
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%
2006 YTD	6,585	

Source: Keystone Report

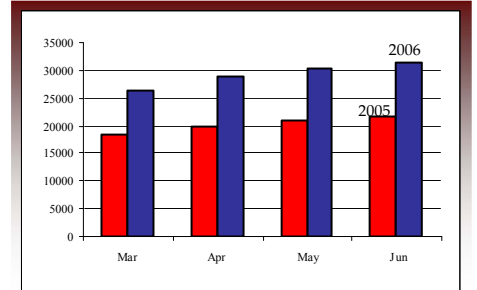
Twin Cities Median Home Price



	Price	Y-Y Change
Mar-05	219,000	
Mar-06	225,000	+2.7%
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%
5-Year Change		+37.7%

Source: Minneapolis Area Association of REALTORS®

Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
Mar-05	18,319	
Mar-06	26,182	+42.9%
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%
Supply Rate	7.1 months	

Source: Minneapolis Area Association of REALTORS®

Market Briefs

- According to recently released national data from the Census Bureau, the average floor area in a newly built home last year reached an all time high of 2,434 square feet – up from 2,349 square feet in 2004 and only 1,645 square feet in 1975.
- Increased concerns about interest rates and housing affordability caused builder confidence in the market for new single-family homes to slip three more notches to 39, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for July.
- Total housing starts dropped 5.3 percent in June to a seasonally adjusted annual rate of 1.850 million units nationally, according to figures released by the U.S. Commerce Department today. This was 11.0 percent below the pace of a year ago.

Mortgage Rates

30 Year	6.24%
15 Year	5.94%
5/1 ARM	5.89%

Home Equity

30K HELOC	7.38%
50K HELOC	7.63%
30K Home Equity Loan	8.34%
50K Home Equity Loan	8.21%

Source: www.bankrate.com

Date: 7/25/2006

Unemployment Rate

US Avg 4.8%

Feb-06	4.4%
Mar-06	4.3%
Apr-06	3.8%
May-06	3.1%
Jun-06	3.5%

Source: MN DEED

Employment

Total Non-Farm

Feb-06	1,745,907
Mar-06	1,751,817
Apr-06	1,781,141
May-06	1,800,047
Jun-06	1,814,310

Source: MN DEED

Construction Employment

1.08% of total Employment

Feb-06	17,587
Mar-06	17,541
Apr-06	18,471
May-06	18,603
Jun-06	19,541

Source: MN DEED

Consumer Price Index

1982-84=100, Nat'l Avg 202.9

2001	176.5
2002	179.6
2003	182.7
2004	187.9
2005	193.9

Source: Bureau of Labor Statistics

Regional Statistics

Minnesota Housing Units Authorized

	Total	Y-Y Change
Mar-05	2,400	
Mar-06	2,678	+11.6%
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%
2006 YTD	14,226	

Source: US Census Bureau

Minnesota Unemployment Insurance Claims

	Total	Construction
May-05	22,409	4,360
May-06	20,957	4,799
Jun-05	19,553	3,468
Jun-06	18,313	3,335

Source: MN DEED

Minnesota Weekly Retail Gasoline Prices

Regular Grade, per Gallon

7/10	2.969
7/17	2.954
7/24	2.938

Source: Energy Information Administration

IN THE NEWS...

Results of a McGraw-Hill Construction/NAHB survey indicate that 2005 saw a 20 percent increase in the number of home builders producing green, environmentally responsible homes. The study indicates that number will grow by another 30 percent this year.

After several years of slow but steady growth across the country, green home building — which applies innovative and environmentally sensitive construction techniques and products to reduce energy and water consumption and improve residential comfort and safety — is rapidly moving into the mainstream. By 2010, the value of the residential green building marketplace is expected to boost its market share from \$7.4 billion and 2 percent of housing starts last year to \$19 billion-\$38 billion and 5-10 percent of residential construction.

Source: National Association of Home Builders

MN Unemployment Rate

US Avg 4.8%

Feb-06	4.9%
Mar-06	4.8%
Apr-06	4.2%
May-06	3.3%
Jun-06	3.6%

Source: MN DEED

MN Employment

Total Non-Farm

Feb-06	2,680,637
Mar-06	2,696,956
Apr-06	2,743,290
May-06	2,784,771
Jun-06	2,818,558

Source: MN DEED

MN Construction Employment

5.04% of Total Employment

Feb-06	107,123
Mar-06	109,997
Apr-06	122,088
May-06	134,483
Jun-06	142,081

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

Feb-06	849.53
Mar-06	833.34
Apr-06	896.67
May-06	911.82
Jun-06	1,030.16

Source: MN DEED

Fast Stat

Money Magazine: Best Places to Live 2006

City	Population
1. Fort Collins, CO	128,000
2. Naperville, IL	141,600
3. Sugar Land, TX	75,800
4. Columbia, MD	159,200
5. Cary, NC	106,400
6. Overland Park, KS	164,800
7. Scottsdale, AZ	226,000
8. Boise, ID	193,200
9. Fairfield, CT	57,800
10. Eden Prairie, MN	60,600
11. Plano, TX	250,100
12. Eagan, MN	63,700
13. Olathe, KS	112,100
14. West Bloomfield, MI	65,000
15. Richardson, TX	99,200

Notables:

54. Blaine, MN	54,100
67. Rochester, MN	95,000

Source: CNN/Money Magazine

National Statistics

Commodities Month End Settlement Prices

	4/28	5/31	6/30
Light Crude Oil (Day)	71.88	71.29	73.93
Copper—High Grade (Day)	333.55	371.65	346.25
Lumber	344.70	301.30	294.50

Source: Anne Burden's Future's Guide

Housing Market Index

Jun-05	72
Jun-06	42

Source: National Association of Home Builders

US Housing Units Authorized

	Total	Y-Y Change
Mar-05	185,587	
Mar-06	191,266	+3.1%
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%
2006 YTD	1,029,805	

Source: US Census Bureau

Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
Apr-05	859,421	613,293	404,821	44,444
Apr-06	945,427	656,465	449,413	56,998
May-05	891,880	636,039	426,161	46,058
May-06	939,386	651,159	441,751	56,708

Source: US Census Bureau/US Dept of Commerce

Metropolitan Council 2005 Regional Population Estimates

Contradicting previous reports by the United States Census Bureau, the Metropolitan Council recently released 2005 population estimates showing greater regional growth than earlier estimated. Met Council researchers claim that the region is still on pace to add almost a million new people in between the years 2000 and 2030, with a far more optimistic outlook on urban areas and key suburbs.

According to the estimates, 2.81 million people lived in the Twin Cities in 2005. From 2000 to 2005, population grew 168,117 people, or 6.4 percent. The pace of growth is consistent with growth during the previous five years.

Blaine saw the most growth of any city during the first half of the decade, adding 9,006 people. Shakopee, Lakeville, Maple Grove, and Woodbury round out the top five high-growth cities from 2000 to 2005.

Metropolitan Council researchers are attributing the regions growth to a strong local economy. The region currently ranks in the top 25 largest metro areas in per capita income, workforce

participation, and housing affordability.

The number of households in the region grew at a faster pace than the population. Households grew by 7.7 percent over the period.

“The latest population estimates show not only that the region continues to prosper, but also that our central cities are experiencing continued

reinvestment and revitalization,” says Peter Bell, Chair of the Met Council.

Previous population estimates from the United States Census Bureau indicated a population loss in the central cities of Minneapolis and St. Paul, with large losses in key suburbs such as Bloomington and Edina as well. Census data indicated a movement of population towards outer suburbs.

While the Met Council data shows growth in the suburban areas as well, it also shows gains in both central cities. Minneapolis and Saint Paul both have gained population during the first half of the decade, and losses in suburbs such as Bloomington and Edina are less pronounced. The Met Council attributes the data discrepancies to different models used by the researchers, with Census typically underestimating college students and immigrants to the region.

The entire report is available online: <http://www.metrocouncil.org/metroarea/2005PopulationEstimates.pdf>

	Met Council Estimates 2005 Population	
	2005 Population	2000-2005 Change
Anoka County	326,393	+9.5%
Carver County	85,204	+21.4%
Dakota County	391,558	+10.0%
Hennepin County	1,150,912	+3.1%
Ramsey County	515,258	+0.8%
Scott County	115,997	+29.6%
Washington County	224,857	+11.8%

Source: Metropolitan Council

Continued from page 1...

State of Housing...

records nationally in 2005. There were 1,716,000 single-family starts in 2005, up from 1,611,000 a year earlier and higher than any other year since 1975. There were 352,000 multifamily starts in 2005, up slightly from 345,000 in 2004, yet down from record years in the early 1980's.

New homes were also built larger than at any other time in the past. The median size for a single family home was 2,245 square feet, larger

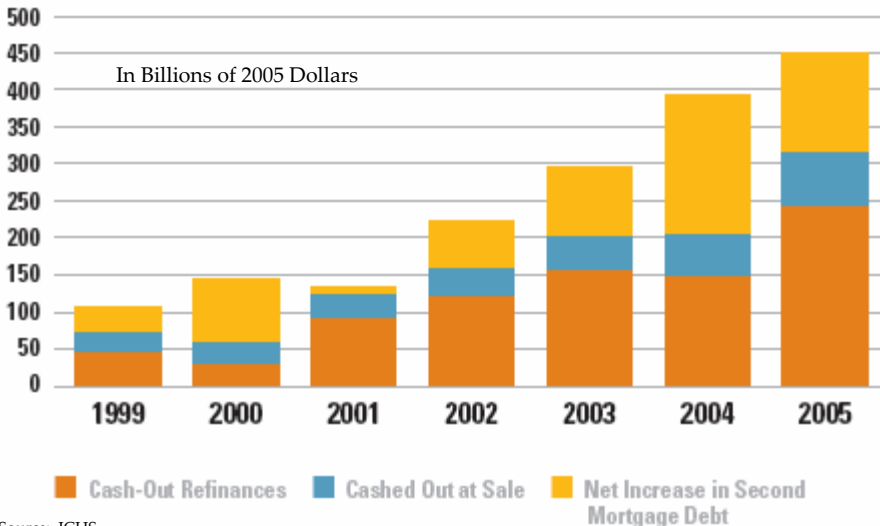
than 2,160 square feet in 2004. The size of single-family homes has grown from 1,535 square feet in 1975 to 1,605 square feet in 1985, and 1,920 square feet in 1995. Multifamily units have also grown in size, with the median size in 2005 of 1,180 square feet. Over the past thirty years, the size of multifamily units has grown from 942 square feet in 1975 to 882 square feet in 1985, and 1,040 square feet in 1995.

JCHS states that one of the greatest long-term challenges currently facing the housing industry is housing affordability. From 2001 to 2004, the

number of households paying more than half of their income in housing costs grew by 1.9 million. Immediate risks to the market come from rising interest rates and growing inventory of existing homes for sale. As homes become less affordable, consumers will be turned away by higher borrowing rates. In this event, housing's contribution to the economy could further diminish and possibly begin to turn negative.

The entire report is available online: <http://www.jchs.harvard.edu/publications/markets/son2006/son2006.pdf>

Chart of the Month— Mortgage Equity Withdrawals



Source: JCHS

Disclaimer: Source of information are believed to be reliable, but are in no way guaranteed by the Builders Association of the Twin Cities. BATC Hot Sheet is a product of the Builders Association of the Twin Cities
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June Building Activity...

“Home buyers have a wide array of styles and choices, while interest rates are still at historic lows,” he said. “Owning your home means owning a part of your community and now is a great time to make that investment.”

Minneapolis leads the metro area in construction year-to-date with 489 units permitted. Woodbury ranks second with 340 followed by Brooklyn Park with 290, Hugo with 285, and Blaine with 276.