

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry



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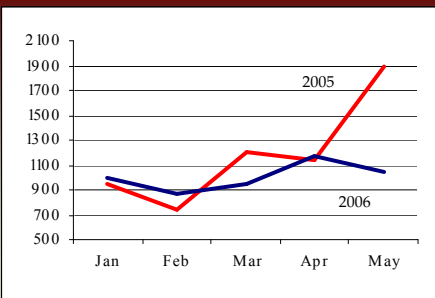


June 30, 2006

Volume 2, Issue 6

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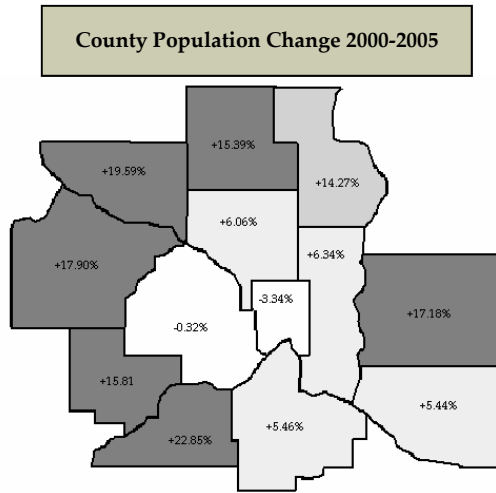
"We don't think the cooling process for housing is over yet, and we wouldn't be surprised to see a downward revision to May's numbers as well as some decline in coming months." David Seiders, Chief Economist, NAHB

"Growth should remain below trend for the rest of the year, although lower energy prices expected then should give the economy a modest boost.

Growth next year will depend in large part on how much additional tightening the Fed undertakes this year and where oil prices will go." David Berson & Molly Boesel, Fannie Mae Economics

"Without something else to take the place of Mortgage Equity Withdrawals, the consumer cannot drive the US economy at these levels for very much longer. Unless business spending ramps up dramatically, there is nothing else on the horizon to take the spending baton." Barry Ritholtz, Chief Strategist, Maxim Group

Census Estimates Show Population Still Shifting to Suburbs



Year	Population
2000	2,981,129
2001	3,023,396
2002	3,054,140
2003	3,083,255
2004	3,112,577
2005	3,142,779

Source: US Census Bureau

Population growth continues to shift in the Twin Cities as residents move outward to the suburbs and beyond. The fastest growing cities in the Twin Cities metro region are suburbs and exurbs according to recent population estimates released by the United States Census Bureau.

The two largest cities in the region, Minneapolis and St. Paul, both have lost population pace since 2000. The population in Minneapolis has declined 2.5 percent over the past five years, while St. Paul shows a 4 percent drop over the same period.

In contrast to population loss in the central cities, outer-ring suburbs in the area have grown significantly since 2000. Hugo grew fort-seven percent over the past five years, from a population of 6,603 in 2000 to 9,683 in 2001. Larger suburbs such as Blaine also experienced significant growth. Blaine grew nineteen percent, from 45,469 in 2000 to 54,084 in 2005.

(Continued on page 4)

Home Construction Declines as Builders Scale Back

Local residential construction activity declined notably in May as builders scaled back efforts in response to current market conditions. According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), 1,052 units were permitted last month, down from 1,894 units permitted in May 2005. Year-to-date activity also slipped in the region, with a total of 5,299 units permitted thus far, down from 6,078 units permitted to the same point last year.

Current market conditions including higher inventory of existing homes for-sale, a slower sales pace, higher land prices, and rising interest rates are all contributing to the decline in construction activity. All of these factors are reason for builders to start scaling back according to President of Swanson Homes and 2006 BATC President Curt Swanson.

"What we're seeing is a supply-side response to the current market conditions," Swanson said.

Actual permit and planned unit statistics for the first 21 weeks in each of the past eight years are as follows:

2006	3,304 permits, 5,299 planned units
2005	3,589 permits, 6,078 planned units
2004	4,133 permits, 6,543 planned units
2003	3,968 permits, 6,781 planned units
2002	3,886 permits, 6,556 planned units
2001	3,950 permits, 5,230 planned units
2000	5,076 permits, 7,017 planned units
1999	4,575 permits, 6,028 planned units

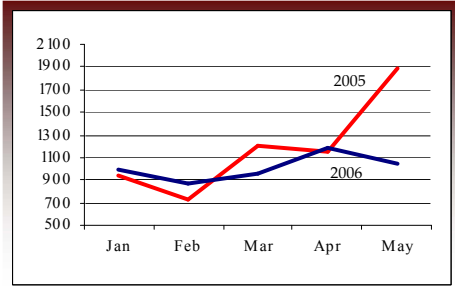
"There is a high level of existing inventory in the market. With all of the homes on the market, potential buyers have more options."

Swanson said that builders will continue to do business, but most are practicing smart inventory management by not overbuilding in areas where there is already an excess of houses on the market.

(Continued on page 4)

Twin Cities Statistics

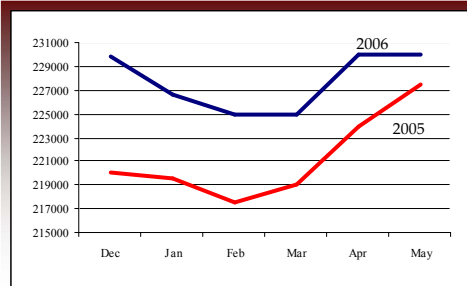
Twin Cities Housing Units Authorized



	Total	Y-Y Change
Feb-05	735	
Feb-06	872	+18.6%
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%
2006 YTD	5,299	

Source: Keystone Report

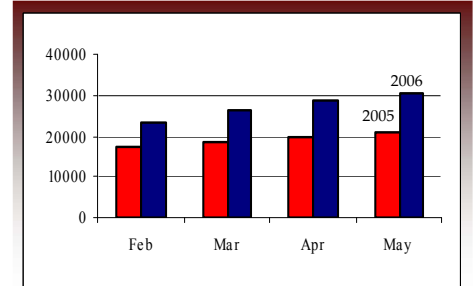
Twin Cities Median Home Price



	Price	Y-Y Change
Feb-05	217,450	
Feb-06	225,000	+3.5%
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%
5-Year Change		+36.50%

Source: Minneapolis Area Association of REALTORS®

Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
Feb-05	17,304	
Feb-06	23,417	+35.3%
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%
Supply Rate	6.8 months	

Source: Minneapolis Area Association of REALTORS®

Market Briefs

- Visits to the region's parks and trails were up nearly 10 percent in 2005, according to the Metropolitan Council. The Council estimates there were 33 million visits to the regional park system in 2005, three million more visits than in 2004 -- the largest yearly increase since 1995.
- A survey conducted by the National Association of Realtors found that, by a 2-to-1 margin, Americans believe that high monthly payments rather than high down payments are the greatest obstacle to buying a home. Rising property taxes are the leading concern associated with owning a home (34 percent), followed by increasing electrical, fuel and other energy costs (28 percent). Only 14 percent said rising mortgage interest rates would keep them from becoming homeowners.
- According to information from the US Census Bureau, the number of new homes with larger than 2-car garages has more than doubled since 1991.

Mortgage Rates

30 Year	6.35%
15 Year	6.04%
5/1 ARM	5.96%

Home Equity

30K HELOC	7.17%
50K HELOC	7.40%
30K Home Equity Loan	8.26%
50K Home Equity Loan	8.15%

Source: www.bankrate.com

Date: 6/26/2006

Unemployment Rate

US Avg 4.4%

Jan-06	4.4%
Feb-06	4.4%
Mar-06	4.3%
Apr-06	3.8%
Jun-06	3.1%

Source: MN DEED

Employment

Total Non-Farm

Jan-06	1,738,016
Feb-06	1,745,907
Mar-06	1,751,817
Apr-06	1,781,141
Jun-06	1,801,733

Source: MN DEED

Construction Employment

1.04% of total Employment

Jan-06	17,837
Feb-06	17,587
Mar-06	17,541
Apr-06	18,471
Jun-06	18,707

Source: MN DEED

Consumer Price Index

1982-84=100, Nat'l Avg 202.5

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
Feb-05	1,472	
Feb-06	1,489	+1.2%
Mar-05	2,400	
Mar-06	2,678	+11.6%
Apr-05	3,635	
Apr-06	2,395	-34.1%
Jun-05	3,854	
Jun-06	2,962	-23.1%
2006 YTD	11,044	

Source: US Census Bureau

Minnesota Unemployment Insurance Claims

	Total	Construction
Apr-05	20,828	4,646
Apr-06	18,785	4,645
May-05	22,409	4,360
May-06	20,957	4,799

Source: MN DEED

Minnesota Weekly Retail Gasoline Prices

Regular Grade, per Gallon	
6/05	2.811
6/12	2.864
6/19	2.746

Source: Energy Information Administration

IN THE NEWS...

Rising mortgage rates, deepening affordability issues and the retreat of investors/speculators from the marketplace have prompted single-family home builders to further adjust their perspectives on the new-home market, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for June.

"We now expect new-home sales to be off by 13 percent from the record posted in 2005. Single-family starts, supported by large builder backlogs of unfilled orders and some continuing reconstruction in the wake of last year's hurricanes, should be down by about 9 percent from the 2005 record," said NAHB Chief Economist David Seiders.

Source: National Association of Home Builders

MN Unemployment Rate

US Avg 4.4%

Month	Rate
Jan-06	5.0%
Feb-06	4.9%
Mar-06	4.8%
Apr-06	4.2%
May-06	3.3%

Source: MN DEED

MN Employment

Total Non-Farm

Month	Employment
Jan-06	2,673,272
Feb-06	2,680,637
Mar-06	2,696,956
Apr-06	2,743,290
May-06	2,782,031

Source: MN DEED

MN Construction Employment

4.7% of Total Employment

Month	Employment
Jan-06	109,427
Feb-06	107,123
Mar-06	109,997
Apr-06	122,088
May-06	132,899

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

Month	Weekly Wage
Jan-06	870.58
Feb-06	849.53
Mar-06	833.34
Apr-06	891.24
May-06	911.46

Source: MN DEED

Fast Stat

Lowest Poverty Rates

Ranked by State

State	Percent of People Below Poverty Rate
1. New Hampshire	7.7%
2. Minnesota	7.8%
3. Connecticut	8.1%
4. Maryland	8.2%
5. New Jersey	8.4%
6. Delaware	8.7%
7. Virginia	9.0%
8. Massachusetts	9.4%
9. Alaska	9.7%
10. Vermont	9.7%
11. Wyoming	9.7%
12. Colorado	9.8%
13. Iowa	10.1%
14. Maine	10.5%
15. Wisconsin	10.5%

Source: 2003 American Community Survey

National Statistics

Commodities Month End Settlement Prices

	3/31	4/28	5/31
Light Crude Oil (Day)	66.63	71.88	71.29
Copper—High Grade (Day)	248.80	333.55	371.65
Lumber	324.90	344.70	301.30

Source: Anne Burden's Future's Guide

Housing Market Index

May-05	70
May-06	46

Source: National Association of Home Builders

US Housing Units Authorized

	Total	Y-Y Change
Feb-05	145,426	
Feb-06	151,950	+4.5%
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%
2006 YTD	850,427	

Source: US Census Bureau

Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
Mar-05	864,062	619,742	404,537	43,512
Mar-06	934,175	664,647	458,515	52,756
Apr-05	859,421	613,293	404,821	44,444
Apr-06	933,308	657,136	451,211	53,281

Source: US Census Bureau/US Dept of Commerce

OFHEO Releases 2006 First Quarter Home Price Index

The Office of Federal Housing Enterprise Oversight (OFHEO) recently released the quarterly House Price Index (HPI) report. HPI is a broad measure designed to capture changes in the value of single-family homes, and serves as a timely and accurate indicator of house price trends at various geographic level. The report details price changes and trends in houses involved in repeat sales and refinances.

The mission of the OFHEO is to ensure the capital adequacy and financial safety and soundness of two government-sponsored enterprises. These enterprises are the Federal National Mortgage Association (Fannie Mae) and the Federal Loan Mortgage Corporation (Freddie Mac).

Fannie Mae and Freddie Mac are the largest mortgage finance institutions in the United States, and their combined mortgage records form the nation's largest database of mortgage transactions. OFHEO uses this database as a source for the HPI report. The data is based on transactions of properties for conforming, conventional mortgages purchased or securi-

tized by Fannie Mae or Freddie Mac since January 1975. The HPI is a weighted repeat-sales index, meaning that it measures average price change in repeat sales or refinancing on the same properties, but not new properties.

The HPI report shows that US house prices increased 12.54 percent from the first quarter 2005 to the first quarter 2006, with all indications that housing price appreciation is beginning to decelerate. The first quarter 2006 showed appreciation of 2.03 percent, or an annualized rate of 8.12 percent. Over the past five years, the US has seen

house prices increase by 57.28 percent.

The State of Minnesota had house prices increase by 7.13 from first quarter 2005 to first quarter 2006. In the first quarter 2006 alone, house prices increased 0.87 percent in the state, and over the past five years, house prices have increased by 50.09 percent. In the past year, Minnesota ranks 37th highest in house price appreciation.

From the first quarter of 2005 to the first quarter of 2006, the Twin Cities Metropolitan Statistical Area (MSA) saw house prices increase by 6.77 percent, ranking 167th of all MSAs. In the first quarter 2006, house prices increased by 0.95 percent. Over the past five years in the Twin Cities, prices have increased by 51.79 percent.

The entire report is available at

<http://www.ofheo.gov/media/pdf/1q06hpi.pdf>

OFHEO Home Price Appreciation

	1 Yr.	5 Yr.
United States	12.54	57.28
Minnesota	7.13	50.09
Twin Cities	6.77	51.79

Source: OFHEO

Nationally, Elk Grove, CA, a city just south of Sacramento, had the fastest growth rate among large cities (100,000 or more population). Elk Grove was incorporated less than six years ago yet its most recent population estimate is 112,338, a twelve percent increase from just one year ago. Also in the top five for fastest growing cities in the nation are North Las Vegas, NV, Port St. Lucie, FL, Gilbert, AZ, and Cape Coral, FL.

New York City remained the most populous city in the nation, with an estimated 8.1 million resi-

dents in 2005. Los Angeles ranked second, with less than half of the population of New York at 3.8 million. Of the top ten cities, only one change occurred in the rankings as San Antonio replaced San Diego as the nation's seventh most populous city.

The Census Bureau bases estimates on a number of factors in including births, deaths, and migration models. The entire population estimate dataset is available online:

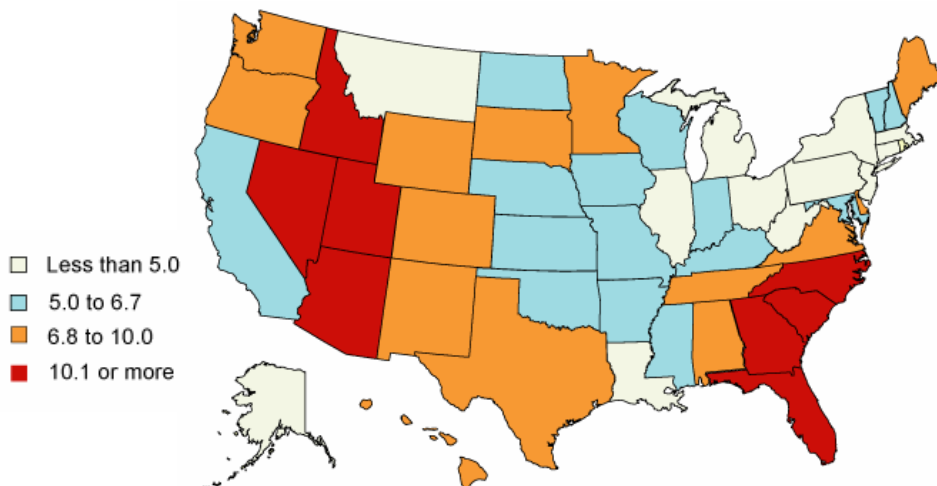
<http://www.census.gov/popest/datasets.html>

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Population...

Growth in St. Croix County of western Wisconsin was also significant over the past five years although may have curtailed recently. Hudson grew twenty-seven percent between 2000 and 2005, from a population of 8,938 to 11,367. Baldwin also grew substantially, from 2,714 in 2000 to 3,509 in 2005, a twenty-nine percent increase.

Chart of the Month— Starts Per Capita 2005



Source: National Association of Home Builders, Economy.com

Continued from page 1...

May Building Activity...

"Builders are being strategic in their business planning," he said. "The key to maintaining a good business is having the ability and foresight to adapt to conditions. Builders understand this and are taking steps to adapt their businesses to a changing market."

Minneapolis leads the metro area in construction year-to-date with 379 units permitted. Brooklyn Park ranks second with 243 followed by Hugo with 217, Otsego with 207, and Lakeville with 199.