

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry



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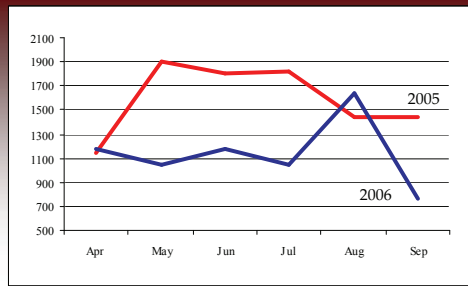


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Market Chatter:

"Recent declines in mortgage interest rates and energy prices also have buoyed consumer attitudes and home buyer demand. Surveys of consumer sentiment show that increasing numbers of households view this as a good time to buy homes." David Seiders, Chief Economist, NAHB

"When consumers recognize that home sales are stabilizing, we'll see the buyers who've been on the sidelines get back into the market, and sales will be at more normal levels in the wake of the unsustainable boom that we saw last year." David Lereah, Chief Economist, National Association of Realtors

"Buyers have been in reduced supply for months. In response, builders have decreased production and sellers have started to hold off on placing their homes on the market." Todd Shipman, President, Minneapolis Area Association of Realtors

2005 American Housing Survey

The U.S. Department of Housing and Urban Development (HUD) in cooperation with the U.S. Census Bureau recently released results from the 2005 American Housing Survey for the United States (AHS). The 2005 AHS reports national housing statistics collected within the last year, breaking out data by regional geography, race, age, and owner occupied/renter status.

The most recent data shows that there are currently 124.4 million housing units in the United States. Of these, 3.8 million units are seasonal housing, 108.9 million units are occupied, and 3.8 million units are vacant. Breaking out the vacant units, 24 percent of the vacant units are for rent, and nine percent of the vacant units are for sale.

Most of the 124.4 million existing housing units are located in metropolitan suburbs, with 37 percent. Urban areas contain the second most housing units with 29 percent. Non-metropolitan and rural areas make up the remaining 34 percent.

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U.S. Housing Characteristics

Year Structure Built	Total Units*
2000 to 2005	10,138
1990 to 1999	15,988
1980 to 1989	16,376
1970 to 1979	25,091
1960 to 1969	15,192
1950 to 1959	13,003
1940 to 1949	7,904
1939 or earlier	20,686

Median Year of Completion: 1973

Square Footage	Total Units*
Less than 500	1,037
500 to 749	2,652
750 to 999	6,211
1,000 to 1,499	20,301
1,500 to 1,999	19,546
2,000 to 2,499	13,465
2,500 to 2,999	6,964
3,000 to 3,999	6,446
4,000 or more	3,952

Median Square Footage: 1,758

Median Lot Size: .36 acres

*Total Units in thousands

Source: 2005 American Housing Survey

Homebuilders Focus on Selling

Twin Cities building activity remained slow in September, as many builders continue to concentrate on inventory reduction. Coming off a sizeable build-up of new homes over the past five years, this summer has seen builders switching focus from building to selling.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), 759 units were permitted last month, down from 1,445 in September 2005. Year-to-date activity remains behind 2005, with a total of 10,168 units permitted thus far, down from 13,153 units permitted to the same point last year.

As the regional housing market matured from recent record years, builders began shifting towards managing inventory and selling existing stock early this year. This practice is a natural progression in the market and is ultimately good for homebuyers says President of Swanson Homes and 2006 BATC President Curt Swanson.

Actual permit and planned unit statistics for the first 39 weeks in each of the past eight years are as follows:

2006	5,909 permits, 10,168 planned units
2005	7,655 permits, 13,153 planned units
2004	8,444 permits, 14,028 planned units
2003	8,346 permits, 13,866 planned units
2002	7,885 permits, 12,653 planned units
2001	8,183 permits, 11,333 planned units
2000	8,949 permits, 12,277 planned units
1999	9,316 permits, 12,844 planned units

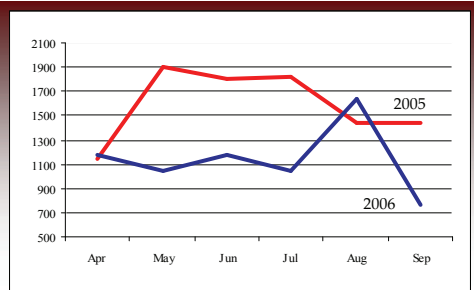
"We are at a point where there hasn't been a better time to buy a home in quite a while," Swanson said. *"Today's buyer has an outstanding opportunity to not only select a new home, but a new lifestyle."*

Swanson said that buyers will find alternatives on the market that may not have been available in recent years. From urban condomini-

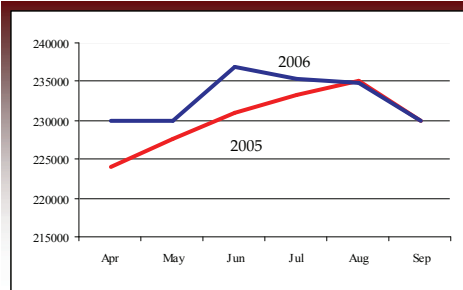
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Twin Cities Statistics

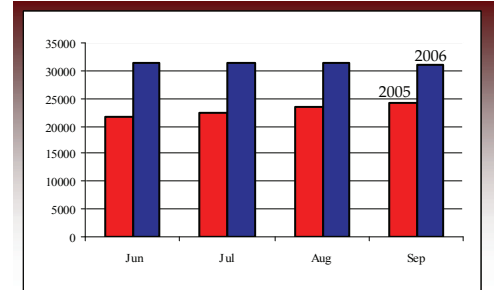
Twin Cities Housing Units Authorized



Twin Cities Median Home Price



Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
Jun-05	1,810	
Jun-06	1,176	-30.9%
Jul-05	1,827	
Jul-06	1,047	-37.6
Aug-05	1,438	
Aug-06	1,646	+14.5%
Sep-05	1,445	
Sep-06	759	-48.8
2006 YTD	10,168	

Source: Keystone Report

	Price	Y-Y Change
Jun-05	231,000	
Jun-06	236,850	+2.5%
Jul-05	233,300	
Jul-06	235,459	+0.9%
Aug-05	234,900	
Aug-06	235,000	0.0%
Sep-05	230,000	
Sep-06	229,900	0.0%
5-Year Change		+30.7%

Source: Minneapolis Area Association of REALTORS®

	Total	Y-Y Change
Jun-05	21,613	
Jun-06	31,295	+44.8%
Jul-05	22,419	
Jul-06	31,367	+39.9
Aug-05	23,363	
Aug-06	31,263	+33.8%
Sep-05	24,324	
Sep-06	30,977	+27.4%
Supply Rate	7.7 months	

Source: Minneapolis Area Association of REALTORS®

Market Briefs

- According to the National Association of Realtors, a quarter of baby boomers own one or more other kinds of real estate in addition to a primary residence: 13 percent own land, eight percent own rental property, seven percent a vacation home or seasonally occupied property, two percent commercial real estate and three percent some other kind of real estate.
- According to a recent Hudson survey, beyond formal reviews, 24% of both Generation X and Y workers said they would like feedback from their boss at least once a week, if not every day. This compares to only one-fifth of Baby Boomers and 11% of Traditionalists.
- Recently released data from the Mortgage Bankers Association show that Total first mortgage originations decreased by 16 percent from the second half of 2005 to the first half of 2006. The decrease in originations was driven by a 10 percent decline in purchase mortgage volume and a 22 percent decline in refinance volume. For first mortgages, fixed-rate loans, including IOs, accounted for 49 percent of loans in the first half of 2006 compared to 47 percent in the second half of 2005.

Mortgage Rates

30 Year	5.94%
15 Year	5.65%
5/1 ARM	5.67%

Home Equity

30K HELOC	7.23%
50K HELOC	6.63%
30K Home Equity Loan	7.87%
50K Home Equity Loan	7.63%

Source: The Wall Street Journal

Date: 10/26/2006

Unemployment Rate

US Avg 4.4%

May-06	3.1%
Jun-06	3.5%
Jul-06	3.5%
Aug-06	3.3%
Sep-06	3.6%

Source: MN DEED

Employment

Total Non-Farm

May-06	1,800,047
Jun-06	1,814,492
Jul-06	1,794,187
Aug-06	1,794,353
Sep-06	1,795,902

Source: MN DEED

Construction Employment

1.14% of total Employment

May-06	18,603
Jun-06	19,588
Jul-06	20,395
Aug-06	20,421
Sep-06	20,484

Source: MN DEED

Consumer Price Index

1982-84=100, Nat'l Avg 202.9

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
Jun-05	3,830	
Jun-06	3,251	-15.1%
Jul-05	3,621	
Jul-06	2,797	-22.8%
Aug-05	3,293	
Aug-06	2,331	-29.2%
Sep-05	3,574	
Sep-06	2,545	-28.8%
2006 YTD	21,700	

Source: US Census Bureau

Minnesota Unemployment
Insurance Claims

	Total	Construction
Aug-05	17,818	3,166
Aug-06	15,948	3,735
Sep-05	16,955	3,758
Sep-06	16,331	3,808

Source: MN DEED

Minnesota Weekly Retail
Gasoline Prices

Regular Grade, per Gallon	
10/09	2.161
10/16	2.143
10/23	2.143

Source: Energy Information Administration

IN THE NEWS...

Nationwide housing starts in September regained the ground they lost in a steep decline the previous month, but issuance of building permits – a key indicator of future building activity – continued on a downward trend, according to numbers released by the U.S. Census Department.

September housing starts rose 5.9 percent to a seasonally adjusted annual rate of 1.77 million units, in close alignment with July's 1.76 million-unit rate and the third quarter's average of 1.74 million units. Single-family starts were up 4.3 percent to a rate of 1.43 million units, while multifamily starts were up 12.7 percent to a rate of 346,000 units.

Source: National Association of Home Builders

MN Unemployment Rate

US Avg 4.4%

Month	Rate
May-06	3.3%
Jun-06	3.6%
Jul-06	3.6%
Aug-06	3.3%
Sep-06	3.6%

Source: MN DEED

MN Employment

Total Non-Farm

Month	Total
May-06	2,784,771
Jun-06	2,818,602
Jul-06	2,789,541
Aug-06	2,788,896
Sep-06	2,781,446

Source: MN DEED

MN Construction Employment

5.16% of Total Employment

Month	Total
May-06	134,483
Jun-06	142,291
Jul-06	145,455
Aug-06	146,371
Sep-06	143,617

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

Month	Rate
May-06	911.82
Jun-06	1,041.73
Jul-06	998.79
Aug-06	1,004.60
Sep-06	1,023.44

Source: MN DEED

Fast Stat

Percent of People Who Speak
Another Language Other than
English at Home

Ranked by Place

State	Percent
1. Santa Ana, CA	81.9%
2. Miami, FL	78.6%
3. El Paso, TX	76.7%
4. Los Angeles, CA	59.9%
5. San Jose, CA	55.5%
6. Anaheim, CA	54.9%
7. Newark, NJ	49.4%
8. Long Beach, CA	47.6%
9. New York, NY	46.4%
10. San Antonio, TX	45.7%
11. Riverside, CA	44.4%
12. San Francisco, CA	44.0%
13. Houston, TX	43.5%
14. Dallas, TX	43.4%
15. Stockton, CA	41.4%

Notables

34. St. Paul, MN	25.3%
37. Minneapolis, MN	19.9%

Source: 2005 American Community Survey

National Statistics

Commodities Month End
Settlement Prices

	7/31	8/31	9/29
Light Crude Oil (Day)	74.40	70.26	62.91
Copper—High Grade (Day)	361.00	346.90	345.90
Lumber	273.00	288.50	240.60

Source: Anne Burden's Future's Guide

Housing Market Index

Sep-05	65
Sep-06	30

Source: National Association of Home Builders

US Housing Units
Authorized

	Total	Y-Y Change
Jun-05	207,948	
Jun-06	180,178	-13.4%
Jul-05	182,916	
Jul-06	145,463	-20.5%
Aug-05	201,179	
Aug-06	158,815	-21.1%
Sep-05	191,304	
Sep-06	133,636	-30.1%
2006 YTD	1,476,897	

Source: US Census Bureau

Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
Jul-05	895,473	646,619	438,299	48,970
Jul-06	927,949	626,212	411,458	55,522
Aug-05	902,729	650,776	441,263	49,801
Aug-06	292,051	617,006	400,280	55,678

Source: US Census Bureau/US Dept of Commerce

2006 Second Quarter Market Conditions

The national housing market declined during the second quarter 2006, following a lag in economic growth during the same period. Although the quarter saw continued job growth and low unemployment, mortgage interest rates started to creep up and housing affordability became more eroded according to recent data from the U.S. Department of Housing and Urban Development (HUD).

According to HUD, housing production remained strong but decreased from both first quarter 2006 and second quarter 2005. In the

second quarter 2006, the number of permits is 10 percent below first quarter 2006 and 11 percent below second quarter 2005. Single-family permits are down nine percent from the first quarter and nine percent down from the second quarter of 2005.

Construction starts were also down compared to both the previous quarter and the same period a year ago. Starts for total units were down 12 percent from the first quarter 2006, and down nine percent from the second quarter 2005. Single-family starts were down 12 percent from the

first quarter and down 10 percent from second quarter 2005.

In the second quarter 2006, total units completed were down five percent from the first quarter, and down one percent from second quarter 2005. Single-family completions were down three percent from the first quarter but almost unchanged from second quarter a year earlier.

According to the data, sales of new homes increased but sales of existing homes declined in the second quarter of 2006. New home prices declined, but existing home prices increased from the first quarter.

During the second quarter 2006, all production indicators in the multifamily sector were negative, absorption of new rental units fell, and the quarterly vacancy rate rose.

The entire report is available online: <http://www.huduser.org/periodicals/>

U.S. Housing Production, Second Quarter 2006

	Latest Quarter	Previous Quarter	Same Quarter Previous Year	% Change From Previous Quarter	% Change From Last Year
Total	1,929	2,142	2,159	- 10	- 11
One Unit	1,463	1,614	1,677	- 9	- 13
Two to Four	74	91	81	- 18	- 9
Five Plus	392	437	401	- 10	- 2**

*Units in Thousands

Continued from page 1...

2005 AHS...

AHS reports that 50.9 million housing units have three bedrooms, the most common response on the survey. The median size for a single-family home is 1,758 square feet, and the median lot size is .36 acres.

The entire report is available online: <http://www.census.gov/prod/2006pubs/h150-05.pdf>

United States Housing Units: Location

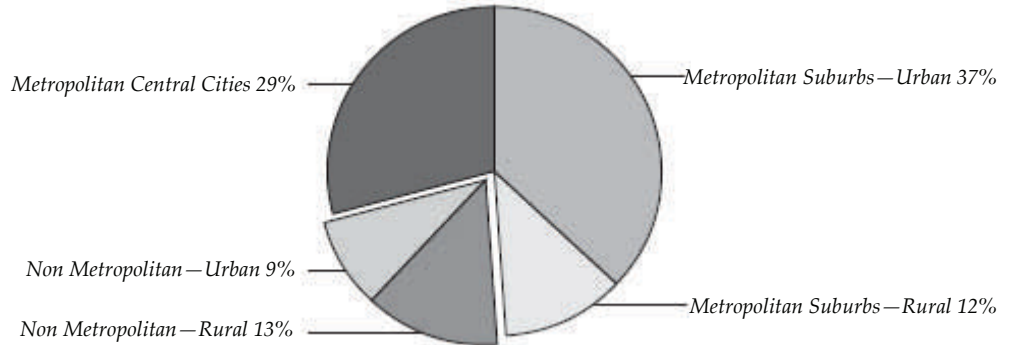
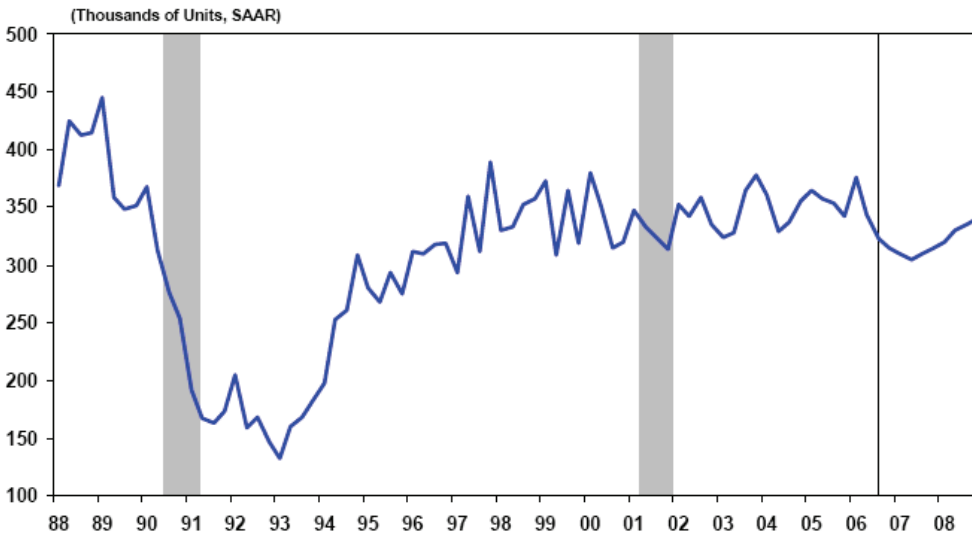


Chart of the Month— U.S. Multifamily Housing Starts



Source: National Association of Home Builders

Continued from page 1...

September Building Activity...

ums to suburban homes and everything in between, buyers have a number of affordable options in one of the most desirable metro regions of the country.

"The current market has a greater selection of home choices than in recent years, with interest rates that are still very comparable to past lows," he said. "Not only are buyers in at a great time, but they have a great opportunity to take advantage of financing incentives, and make an investment in an exceptional metro area that continues to grow and prosper."

Minneapolis leads the metro area in construction year-to-date with 1,432 units permitted. Woodbury ranks second with 567, followed by Hugo with 371, Brooklyn Park with 366, and Otsego with 350.