

# HOT SHEET

Market Indicators for the Twin Cities Home Building Industry



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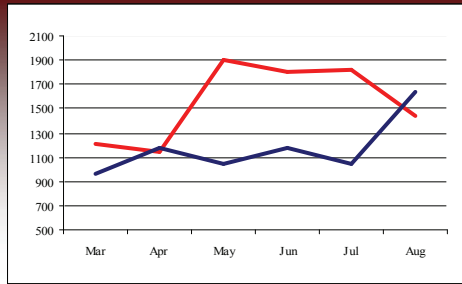


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### Market Chatter:

*"Builders have been reporting a weakening in demand for some time and appropriately are cutting back on new supply in order to meet current market conditions and control their inventories. Many builders also are offering substantial incentives to bolster sales and limit cancellations, and with mortgage rates still very favorable, now is a good time to buy."* David Pressly, NAHB President

*"Builders are adopting an increasingly cautious attitude in their near-term outlook for new-home sales. They're experiencing falling sales, rising sales cancellations, and increasing inventories of unsold units. And although many builders are offering substantial incentives to bolster sales and limit cancellations, many potential buyers now are waiting on the sidelines to see how the market shakes out before proceeding with a home purchase."* David Seiders, NAHB Chief Economist

*"As builders decrease new construction activity and consumers recognize the market has shifted, we should see a deceleration in new listing growth."* Todd Shipman, Minneapolis Area Association of Realtors President

## 2005 Twin Cities Demographic Characteristics

For the first time since the release of 2000 Census information, key demographic and economic changes in Twin Cities have been recently released in the 2005 American Community Survey. The Census Bureau's new American Community Survey (ACS) provides more timely and updated information about the nation's changing and diverse population every year. Without the ACS, this type of information — historically gathered just once a decade — would not be available for communities until 2012.

*"The nationwide implementation of the American Community Survey signals a dramatic improvement in the availability of local data used by government, communities and businesses,"* said Census Bureau Director Louis Kincannon. *"The data are vital for the planning, implementation and evaluation of policies ranging from building new schools and roads to establishing initiatives that drive economic development."*

The most recent ACS data shows that the median age in the Twin Cities is now 35.8 years old, up from 34.2 years in 2000. In 2005, the average

*(Continued on page 4)*

### Twin Cities Demographic Characteristics

Age	Estimate
Under 20 years	859,711
20 to 24 years	200,545
25 to 34 years	440,412
35 to 44 years	515,672
45 to 54 years	471,716
55 to 59 years	177,462
60 to 64 years	123,722
65+ years	286,999

Median Age: 35.8 years

Income	Estimate
Less than \$25,000	216,252
\$25,000 to \$34,999	112,079
\$35,000 to \$49,999	173,443
\$50,000 to \$74,999	252,981
\$75,000 to \$99,999	182,073
\$100,000 to \$149,000	182,504
\$150,000 or more	102,419

Median Household Income: \$59,691

Per Capita Income: \$30,363

Average Household Size: 2.52

Average Family Size: 3.10

Mean Travel Time to Work: 24.1 min

Source: 2005 American Community Survey

## Residential Construction Mixed Through August

Building activity in Minneapolis overshadowed the metro region during the last month, as the hotspot moved ahead with several projects while other areas remained tempered.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), 1,646 units were permitted last month, up from 1,438 in August 2006. Year-to-date activity remains behind 2005, with a total of 9,402 units permitted thus far, down from 11,410 units permitted to the same point last year.

While many builders continue to curb activity, the Minneapolis market has continued a pace to meet the demand of downtown living. The patchwork of activity is just one factor in a complex regional market, furthering evidence that opportunities are shifting for homebuyers says President of Swanson Homes and 2006 BATC President Curt Swanson.

*"The notion that this is a bad market for buying*

### Actual permit and planned unit statistics for the first 35 weeks in each of the past eight years are as follows:

2006	– 5,492 permits, 9,402 planned units
2005	– 6,672 permits, 11,410 planned units
2004	– 7,447 permits, 12,191 planned units
2003	– 7,100 permits, 11,830 planned units
2002	– 6,875 permits, 11,002 planned units
2001	– 7,138 permits, 9,891 planned units
2000	– 7,954 permits, 10,957 planned units
1999	– 8,099 permits, 10,965 planned units

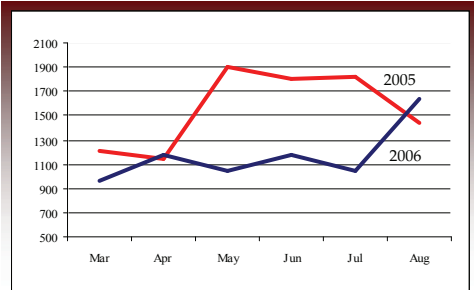
a home is off target," Swanson said. "Buyers are in the market at the right time. They are in a position to not only choose from a wide array of home choices, but a wide selection of lifestyle choices."

Swanson said that the appeal of urban living has recently drawn a larger market due to rising transportation costs, entertainment appeal and improved living standards; but with

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## Twin Cities Statistics

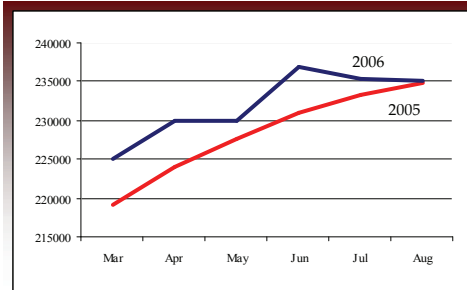
### Twin Cities Housing Units Authorized



	Total	Y-Y Change
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
Aug-05	1,438	
Aug-06	1,646	+14.5%
2006 YTD	9,402	

Source: Keystone Report

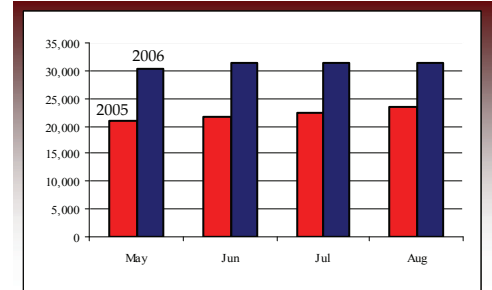
### Twin Cities Median Home Price



	Price	Y-Y Change
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%
Aug-05	234,900	
Aug-06	235,000	0.0%
5-Year Change		+34.3%

Source: Minneapolis Area Association of REALTORS®

### Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
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
Aug-05	23,363	
Aug-06	31,263	+33.8%
Supply Rate	7.6 months	

Source: Minneapolis Area Association of REALTORS®

### Market Briefs

- Reflecting increasing builder concerns about conditions in the market for new single-family homes, the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) declined for an eighth consecutive month to a level of 30 in September. This amounted to a three-point drop from an upwardly revised 33 reading in August, and is the lowest level the index has reached since February of 1991.
- The stocks of publicly traded companies whose primary business is multifamily housing outpaced the market as a whole in August, pushing the National Association of Home Builders' (NAHB) Multifamily Stock Index (MFSI) to its highest reading of all time. During the month of August, the MFSI reached 3,328, its highest reading of all time, and almost 30 percent higher than it was a year ago.
- The percentage of first-time homebuyers under age 25 has been increasing in response to historically low interest rates and continued confidence in the long-term housing market, from 11 percent in 2001 to 14 percent in 2005, according to the National Association of Realtors.

### Mortgage Rates

30 Year	5.80%
15 Year	5.50%
5/1 ARM	5.52%

### Home Equity

30K HELOC	7.29%
50K HELOC	6.69%
30K Home Equity Loan	7.67%
50K Home Equity Loan	7.69%

Source: The Wall Street Journal

Date: 9/29/2006

### Unemployment Rate

US Avg 4.6%

Apr-06	3.8%
May-06	3.1%
Jun-06	3.5%
Jul-06	3.5%
Aug-06	3.3%

Source: MN DEED

### Employment

Total Non-Farm

Apr-06	1,781,141
May-06	1,800,047
Jun-06	1,814,492
Jul-06	1,794,187
Aug-06	1,791,756

Source: MN DEED

### Construction Employment

1.14% of total Employment

Apr-06	18,471
May-06	18,603
Jun-06	19,588
Jul-06	20,395
Jul-06	20,421

Source: MN DEED

### Consumer Price Index

1982-84=100, Nat'l Avg 203.9

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
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%
Aug-05	3,293	
Aug-06	2,331	-29.2%
2006 YTD	19,123	

Source: US Census Bureau

Minnesota Unemployment  
Insurance Claims

	Total	Construction
Jul-05	18,643	2,915
Jul-06	18,046	3,267
Aug-05	17,818	3,166
Aug-06	15,948	3,735

Source: MN DEED

Minnesota Weekly Retail  
Gasoline Prices

Regular Grade, per Gallon	
9/11	2.378
9/18	2.226
9/25	2.170

Source: Energy Information Administration

## IN THE NEWS...

The National Association of Home Builders (NAHB) told Congress recently that the current downswing in home sales and housing production following the record housing boom of 2004-2005 is expected to bottom out around the middle of next year and gradually move back up toward trend by late 2008.

Testifying before the Senate Economic Policy and Housing and Transportation Subcommittees, NAHB Chief Economist David Seiders said that while the housing downswing still has some distance to go, "various economic and financial market fundamentals figure to be supportive of housing demand for the foreseeable future."

NAHB's forecast has a cumulative shortfall of housing starts of roughly 400,000 units from the middle of this year through the end of 2008.

Source: National Association of Home Builders

## MN Unemployment Rate

US Avg 4.6%

Month	Rate
Apr-06	4.2%
May-06	3.3%
Jun-06	3.6%
Jul-06	3.6%
Aug-06	3.3%

Source: MN DEED

## MN Employment

Total Non-Farm

Month	Employment
Apr-06	2,743,290
May-06	2,784,771
Jun-06	2,818,602
Jul-06	2,789,541
Aug-06	2,786,536

Source: MN DEED

## MN Construction Employment

5.25% of Total Employment

Month	Employment
Apr-06	122,088
May-06	134,483
Jun-06	142,291
Jul-06	145,455
Aug-06	146,371

Source: MN DEED

## Construction Weekly Wage

Production Worker, Averaged

Month	Wage
Apr-06	896.67
May-06	911.82
Jun-06	1,041.73
Jul-06	998.79
Aug-06	1,000.79

Source: MN DEED

## Fast Stat

Percent of People 25 Years and Over  
Who Have Completed a Bachelors  
Degree or Higher

Ranked by State

State	Percent
1. District of Columbia	45.3%
2. Massachusetts	36.9%
3. Colorado	35.5%
4. Connecticut	34.9%
5. Maryland	34.5%
6. New Jersey	34.2%
7. Virginia	33.2%
8. Vermont	32.5%
9. New Hampshire	31.8%
10. New York	31.3%
11. Minnesota	30.7%
12. Washington	30.1%
13. California	29.5%
14. Rhode Island	29.3%
15. Illinois	29.2%

United States 27.2%

Source: 2005 American Community Survey

## National Statistics

Commodities Month End  
Settlement Prices

	6/30	7/31	8/31
Light Crude Oil (Day)	73.93	74.40	70.26
Copper—High Grade (Day)	346.25	361.00	346.90
Lumber	294.50	273.00	288.50

Source: Anne Burden's Future's Guide

## Housing Market Index

Aug-05	67
Aug-06	33

Source: National Association of Home Builders

US Housing Units  
Authorized

	Total	Y-Y Change
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%
Aug-05	201,179	
Aug-06	158,815	-21.1%
2006 YTD	1,342,458	

Source: US Census Bureau

## Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
Jun-05	891,479	642,194	433,858	48,329
Jun-06	943,162	640,496	424,946	55,366
Jul-05	895,473	646,619	438,299	48,970
Jul-06	930,928	627,387	412,130	56,278

Source: US Census Bureau/US Dept of Commerce

## 2006 Dakota County Citizens Survey

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

According to the results, Dakota County residents are extremely satisfied with their quality of life. Thirty-seven percent of respondents rated the quality of life as "excellent" in the county, while fifty-five percent rated quality of life as

"good." Over one quarter of respondents stated that "location" was the thing that they like most about living in Dakota County. Also important to residents was "access to parks," and "access to trails."

Residents were also asked to identify issues that they felt were facing the county. Respondents most frequently identified "Growth and Development", with twenty-six percent seeing it as an issue. Other concerns included "taxes,"

"schools," and "traffic congestion." Only forty-six percent of respondents said they would "somewhat" or "strongly support" a property tax increase compared to fifty five percent in 2004, and fifty-four percent in 2001.

The entire report is via the Dakota County website:

<http://www.co.dakota.mn.us/index.asp>

What one thing do you most like about living in Dakota County?	Percent of respondents		
	2006	2004	2001
Location	29%	27%	28%
Parks/lakes	9%	7%	4%
Schools	8%	6%	8%
Rural	4%	5%	20%
Small town feel	4%	5%	5%
My neighborhood	5%	4%	7%
Safe	3%	4%	3%
Services	4%	4%	2%
Open space	4%	3%	NA
Quality of life in general	4%	3%	NA



Continued from page 1...

### 2005 ACS...

household size is 2.52, while the average family size is 3.10. The median household income is \$59,691, with a per capita income of \$30,363. The median income for full-time male workers is \$50,519, whereas the median income for full-time female workers is \$38,687. The mean travel time to work in the Twin Cities is 24.1 minutes.

The median age for the U.S. household population was 36.4 years. Nationally, about 12.1 per-

cent of the household population was 65 years and older. In addition, the national average of those who have completed college continues to rise nationally. In 2005, approximately 27.2 percent of the population 25 years and over had received a bachelors degree or more.

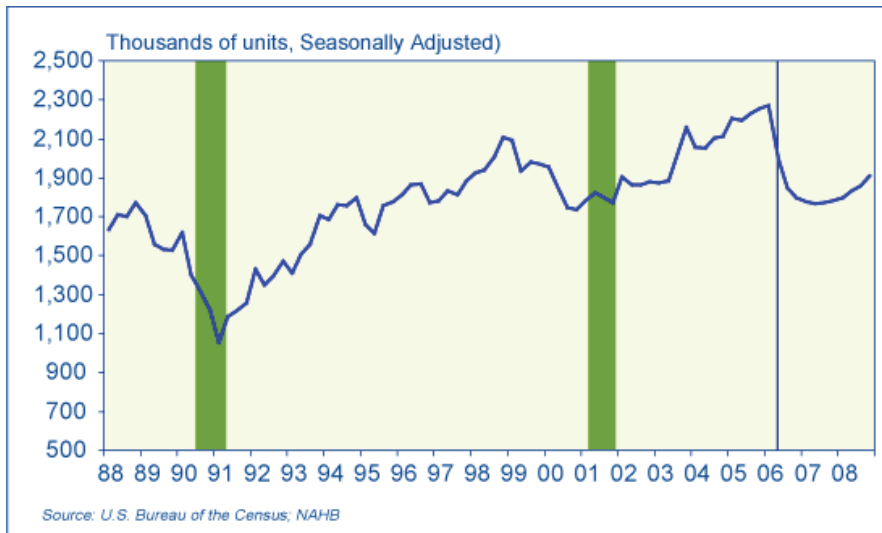
The 2005 ACS data include demographic and social information such as race, Hispanic origin, age, education, marital status, grandparents as caregivers, veterans, disability status and U.S. citizenship. The data is available for nearly 7,000 areas, including all congressional districts and

counties, cities and American Indian/Alaska native areas of 65,000 population or more. As part of the Census Bureau's reengineered 2010 Census, the data collected by the ACS helps federal officials determine where to distribute more than \$200 billion back to state and local governments each year.

American Community Survey data is available online via the Census Bureau's website:

<http://www.census.gov/acs/www/>

## Chart of the Month— Total New Housing Units Nationally



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### August Building Activity...

many buyers demanding a variety of lifestyle choices, other markets will thrive as well.

"Buyers have the option of choosing anything from urban condo living in a bustling downtown area, to a quiet home in a peaceful suburban neighborhood, and many choices in between and beyond," he said. "There are housing alternatives to fit any lifestyle, all of which can be viewed at one of the 1,210 entries in the upcoming Parade of Homes<sup>SM</sup>"

Minneapolis leads the metro area in construction year-to-date with 1,354 units permitted. Woodbury ranks second with 434, followed by Hugo with 361, Brooklyn Park with 357, and Blaine with 325.