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### **Builders Scaled Back Activity in 2006**

Roseville, MN (January 9, 2007) – Year-end statistics show that residential construction market experienced a significant correction in 2006. This correction was due in part to building up speculative inventory during record years in the early part of the decade, with builders scaling back activity in 2006 to focus on selling those unused homes.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were a total of 12,644 permitted units in 2006, down from 18,255 permitted units in 2005. There were 776 permitted units in December 2006, but it is difficult to compare the same month a year ago due to a reporting discrepancy in 2005.

Builders in the Twin Cities feel secure that the market is poised to pull through the correction of 2006. After a year of scaling back activity and reducing inventory on the supply side, builders are eager to see how the market responds says President of Swanson Homes and 2006 BATC President Curt Swanson.

“Many builders revised their business strategy and spent the summer selling inventory that accumulated during the construction frenzy of the past few years,” said Swanson. “We’ve held off on building anything new to let the market settle and I’m confident that we’ll see the benefits of that in the long-term stability of our industry.”

A major concern among industry professionals during the boom years was the effect on homebuyers. One of the most important outcomes embedded in the market correction has been a transition to a buyer’s market says Swanson.

“Without question, what has happened over the year has benefited homebuyers in our region,” he said. “Until recently, the market pace was moving so quickly that some buyers were either being priced out or could not find a home that truly fit their lifestyle. Now that the market paradigm has flipped, it is one of the best times to buy a home in over a decade.”

Minneapolis led the metro area in construction for the year with 1,571 units permitted. Woodbury ranks second with 696, followed by Lakeville with 448, Otsego with 428, and Brooklyn Park with 419.

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# December 2006 Building Activity

	Permits	Permitted Units	Permit Value
January	613	1,000	203,036,739
February	542	872	187,184,233
March	619	955	196,851,667
April	670	1,177	223,216,758
May	769	1,052	237,280,427
June	763	1,176	264,691,133
July	636	1,047	215,034,953
August	626	1,646	255,744,115
September	417	759	163,138,877
October	455	871	180,069,028
November	492	866	178,135,497
December	479	776	176,581,901

## 5-Year Comparisons

	Permits	Permitted Units	Permit Value
Dec 2002	781	1,173	200,817,028
Dec 2003	877	1,402	236,547,744
Dec 2004	782	1,149	262,662,409
Dec 2005*	877*	2,121*	346,974,792*
Dec 2006	479	776	176,581,901

	Permits	Permitted Units	Permit Value
2002 Year-End	10,632	17,135	2,698,587,838
2003 Year-End	11,472	19,000	3,100,984,175
2004 Year-End	10,942	18,591	3,330,401,924
2005 Year-End	10,178	18,255	3,380,265,313
2006 Year-End	7,325	12,644	2,572,860,160

## Multifamily Construction as a Percentage of Total Activity

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2006
47	46	48	50	35	41	45	66	52	55	51	45	51

December					Year-to-Date						
Permits		Units			Permits		Units				
1.	Shakopee	20	1.	St. Louis Park	74	1.	Woodbury	394	1.	Minneapolis	1,571
2.	Woodbury	19	2.	Mendota Heights	59	2.	Brooklyn Park	327	2.	Woodbury	696
3.	Maple Grove	18	3.	Forest Lake	47	3.	Otsego	304	3.	Lakeville	448
4.	Blaine	17	4.	Minneapolis	23	4.	Lakeville	272	4.	Otsego	428
4.	Otsego	17	5.	Lakeville	20	5.	Blaine	271	5.	Brooklyn Park	419
5.	Ramsey	16	5.	Otsego	20						
			5.	Shakopee	20						
			5.	Woodbury	20						

The Builders Association of the Twin Cities has contracted with Keystone Report, a local research firm, to maintain a database with information about new residential construction permits around the metropolitan area. After a builder has picked up the permit from a city, Keystone Report compiles and updates weekly residential housing permits by city for 70 percent of the metropolitan-area municipalities in the greater 13-county region. Planned units are the total number of housing units planned to be built under the permits issued (one permits is issued per building which may include more than one housing unit). Permit value does not include the land/lot costs.

The reporting period for each month compares statistics over four weeks, while year-to-date statistics cover all 52 weeks of the year 2006.

\*Due to a reporting discrepancy, BATC combined some November 2005 data with December 2005 to better report year-end information in 2005