

# HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

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- **Remodeling Market Index: 4Q 2009**
- **January Nationwide New Home Sales**

### Twin Cities Building Activity

Oct 2009 - Jan 2010



Source: Keystone Report

### Market Chatter

*"Favorable mortgage rates and sliding house prices that have now started to stabilize nationally have both contributed to a record year for housing affordability in 2009. With interest rates still hovering at low levels and the economy beginning to rebound, the federal housing tax credit will encourage even more first-time and repeat home buyers to enter the market and help further stabilize housing and the economy by creating new jobs, stimulating home sales and reducing foreclosures."*

NAHB Chairman Bob Jones, a home builder from Bloomfield Hills, Mich.

*"We're hearing many remodelers have laid off workers because they have no jobs coming in and are struggling to survive. Remodelers are pounding the pavement to find work and stay open, including taking on smaller jobs and competing with unqualified contractors."*

NAHB Remodelers Chairman Donna Shirey, CGR, CAPS, CGP, a remodeler from Issaquah, Wash.

### NAHB: Housing Starts Rise in January

Nationwide housing production hit its strongest pace in the last six months this January, posting a 2.8 percent gain to a seasonally adjusted annual rate of 591,000 units, according to figures released by the U.S. Commerce Department.

"Builders are starting to see the positive impacts of home buyer tax credits and other favorable buying conditions in terms of consumer demand, and are cautiously increasing production to meet that demand," said National Association of Home Builders (NAHB) Chairman Bob Jones, a home builder from Bloomfield Hills, Mich.

"As our latest home builder surveys have indicated, today's excellent home buying conditions – including the availability of tax credits for first-time and repeat buyers, very favorable mortgage rates and stabilizing home values – are helping drive potential buyers back to the market," said NAHB Chief Economist David Crowe. However, he said, "A continuing shortfall in available credit for building projects is still producing a drag on new construction and slowing the progress of recovery in housing and the overall economy."

The overall gain in housing starts was reflected on both the single- and multi-family side this January. While single-family starts posted a 1.5 percent gain to a seasonally adjusted, annual rate of 484,000 units, multi-family starts posted a 9.2 percent gain to

107,000 units.

Meanwhile, overall permit issuance, which can be an indicator of future building activity, fell 4.9 percent to a rate of 621,000 units in January. This was due entirely to a 23 percent decline to 114,000 units on the multifamily side, which offset a big gain in that sector the previous month. Single-family permits held virtually even, with a 0.4 percent gain to 507,000 units.

Combined single- and multifamily housing starts rose in three out of four regions this January. The South and West each registered a third consecutive month of improvement, with 1 percent and 8.9 percent gains, respectively, and the Northeast also posted a 10 percent gain. The Midwest saw a 3.2 percent

*"Builders are starting to see the positive impacts of home buyer tax credits"*

NAHB Chairman  
Bob Jones

decline in overall housing starts.

Conversely, permit issuance declined in three out of four regions this January. The West was the only region to post a gain, of 8.5 percent, while declines of 17.8 percent, 20.2 percent and 1.3 percent were registered in the Northeast, Midwest and South, respectively.

### Twin Cities Residential Construction Maintains Stability

Residential permit statistics in February showed a marked increase over the same time period in 2009, continuing to fuel cautious optimism in the region's residential construction industry. Comparing month-to-month, February marks the sixth month in a row with more permits issued in 2010 than in the previous year's month.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 177

permits for a total of 202 units permitted during the month of February, 2010. This is an increase of 65 percent in permits and 71 percent in units over February 2009. Just 16 percent of the units were multifamily homes.

"Last February marked the low point for residential permits and units in recent memory" said Builders Association of the Twin Cities 2010 President, Gary Aulik. "But since late last summer, we've seen traditional, singlefamily homes showing signs of strength-

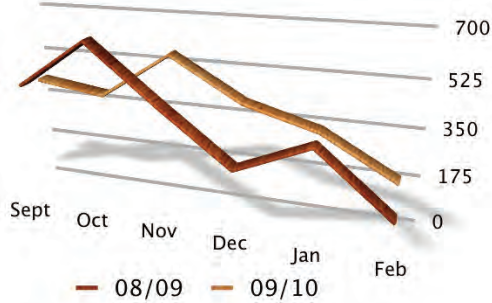
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## TWIN CITIES STATISTICS

### TC Housing Units Authorized

Date	Total	Y-Y Change
Jan 09	340	
Jan 10	350	+2.9%
Feb 09	118	
Feb 10	202	+71.2%

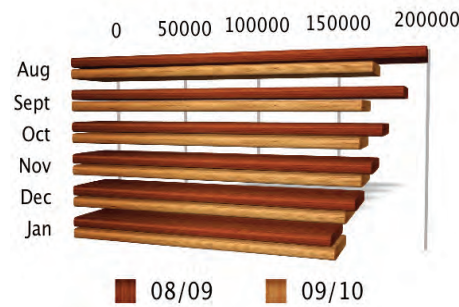
Source: Keystone Report



### Twin Cities Median Home Price

Date	Total	Y-Y Change
Dec 08	\$167,000	
Dec 09	\$162,000	-3%
Jan 09	\$155,000	
Jan 10	\$157,000	+1.3%

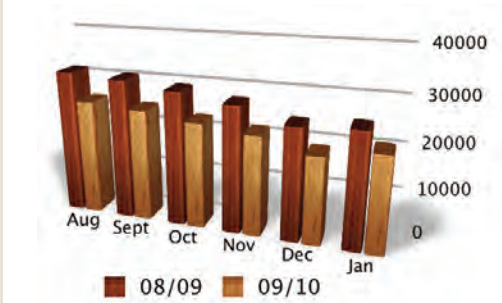
Source: MPLS Area Association of REALTORS



### Twin Cities Total Active Listings

Date	Total	Months of Inventory
Dec 08	24,669	
Dec 09	19,179	5.0
Jan 09	25,274	
Jan 10	21,066	5.5

Source: MPLS Area Association of REALTORS



## EMPLOYMENT

### Twin Cities Unemployment Rate

U.S. Seasonally Adjusted Average 9.7%

Sep-09	7.3%
Oct-09	7.1%
Nov-09	7%
Dec-09	7.2%
Jan-10	7.2%

Source: MN DEED

### MN Unemployment Rate

U.S. Seasonally Adjusted Average 9.7%

Sep-09	7.3%
Oct-09	7.6%
Nov-09	7.4%
Dec-09	7.4%
Jan-10	7.3%

Source: MN DEED

### Twin Cities Construction Employment

0.3% of Total MN Employment

Sep-09	5,422
Oct-09	5,414
Nov-09	5,262
Dec-09	5,196
Jan-10	4,985

Source: MN DEED

### MN Construction Employment

0.3% of Total MN Employment

Sep-09	8,784
Oct-09	8,541
Nov-09	8,500
Dec-09	8,322
Jan-10	8,812

Source: MN DEED

### Construction Weekly Wage

Production Worker, Averaged

Sep-09	\$994.19
Oct-09	\$1,091.38
Nov-09	\$1,054.05
Dec-09	\$980.63
Jan-10	\$1,034.21

Source: MN DEED

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## worth Quoting

"The recent crisis has also underscored the extent to which direct involvement in the oversight of banks and bank holding companies contributes to the Federal Reserve's effectiveness in carrying out its responsibilities as a central bank, including the making of monetary policy and the management of the discount window. Most important, as the crisis has once again demonstrated, the Federal Reserve's ability to identify and address diverse and hard-to-predict threats to financial stability depends critically on the information, expertise, and powers that it has by virtue of being both a bank supervisor and a central bank" Source: Federal Reserve Chairman Ben S. Bernanke

## REGIONAL/NATIONAL STATISTICS

### MN Housing Units Authorized

Date	Total	Y-Y Change
Dec 08	535	
Dec 09	732	+36.8%
Jan 09	798	
Jan 10	220	-72.4%
	2010 YTD	220

Source: US Census Bureau

### US Housing Units Authorized

Date	Total	Y-Y Change
Dec 08	39,831	
Dec 09	47,379	+19%
Jan 09	36,250	
Jan 10	39,479	+8.9%
	2010 YTD	39,479

Source: US Census Bureau

### Remodeling Market Indices

Date	Current	Futures
4Q 08	27.7	19.6
1Q 09	34.5	30.0
2Q 09	38.1	34.0
3Q 09	39.8	38.7
4Q 09	36.4	31.4

Source: NAHB

Framing Lumber		
	Random Lengths	CME Futures
Oct 23	\$238	\$174.5
Nov 20	\$248	\$229.1
Dec 25	\$249	\$209.7
Jan 29	\$284	\$237.8
Feb 26	\$311	\$253.6

Source: NAHB

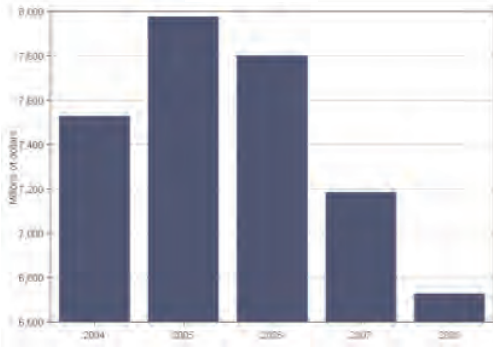
Mortgage Rates	
From 02/28/2010	
30 Year	5.065%
30 Year Fixed FHA	5.850%
15 Year	4.573%
5 Year ARM	3.519%
30 Year Jumbo	5.643%

Source: Wells Fargo

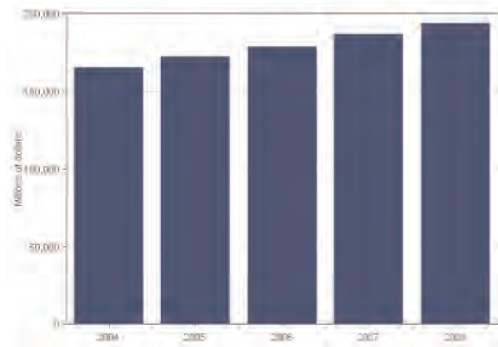
MN Monthly Retail Gasoline Prices	
per gallon - all grades	
Oct-09	\$2.523
Nov-09	\$2.601
Dec-09	\$2.547
Jan-10	\$2.722
Feb-10	\$2.63.7

Source: Energy Information Administration

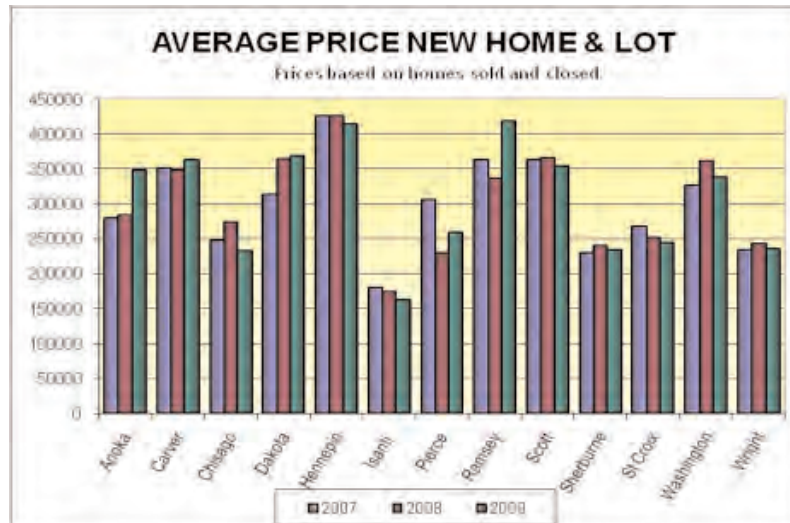
### GDP - Minneapolis/St. Paul/Bloomington for Construction Industry 2004-2008



### GDP - Minneapolis/St. Paul/Bloomington for All Industry 2004-2008



Source: Bureau of Economic Analysis



## worth NOTING

### Builder Product & Service Show



March 23, 2010

8:00am - 3:30pm  
Cont. Education.

3:00pm - 9:00pm  
240 booths open

at the Minneapolis Convention Center

Contact [kate@batc.org](mailto:kate@batc.org) for info

### Twin Cities Residential Construction Maintains Stability

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"Anecdotal reports from builders confirm that there are area families out looking and buying new homes in the past two months. The industry is hoping to verify this renewed interest with results from this spring's Parade of HomesSM which begins this Friday," Aulik said.

Farmington led the metro in building activity for the month with 19 units permitted. Lakeville, Shakopee and Vadnais Heights followed with 12 units each, and Maple Grove and Savage each had 10 units permitted.

## market BRIEFS 4

### New Home Sales Decline in January

Sales of newly built, single-family homes declined 11.2 percent in January to a seasonally adjusted annual rate of 309,000 units, the slowest pace on record, according to figures released by the U.S. Commerce Department.

"This disappointing report highlights just how fragile the economic and housing recovery is right now, and the uncertainties that continue to weigh on consumers, particularly with regard to concerns about job security," said Bob Jones, chairman of the National Association of Home Builders (NAHB) and a home builder from Bloomfield Hills, Mich. "Even with today's exceptionally favorable home buying conditions – including low interest rates, stabilizing house prices and the availability of home buyer tax credits – many consumers simply weren't confident enough to go forward with a new-home purchase in the beginning of this year."

"While the overall economic picture has brightened somewhat, these numbers indicate that the road to a housing and economic recovery remains very uncertain. Many Americans have yet to see much evidence of improvement first-hand, and are therefore reluctant to consider a home purchase," noted NAHB Chief Economist David Crowe. "Meanwhile, competition from below-market-priced foreclosed and short-sale homes poses an additional challenge to the new-homes market right now. Although we continue to expect a boost in overall sales activity prior to the expiration of the \$8,000 and \$6,500 home buyer tax credits at the end of April, unseasonably poor weather across much of the country may delay the full impact of those incentives until closer to the deadline."

The Midwest was the only region of the country to register an increase in new-home sales this January, posting a 2.1 percent gain from an abnormally low December rate. The Northeast and West posted double-digit declines, of 35.1 percent and 11.9 percent, respectively, and the South posted a 9.5 percent decline.

While the overall number of new homes on the market remained virtually unchanged in January, at 234,000 units, the month's supply rose to 9.1 from 8.0 in the previous month due to January's slower sales pace.

## NAHB: REMODELING MARKET INDEX UPDATE

Market conditions for residential remodeling tumbled downward during the fourth quarter of 2009, according to the latest National Association of Home Builders' (NAHB) Remodeling Market Index (RMI). The current market conditions index fell to 36.4 from 39.8 in the third quarter. The index of future indicators dropped to 31.4 from 38.7 in the previous quarter.

The RMI measures remodeler perceptions of market demand for current and future residential remodeling projects. Any number below 50 indicates that more remodelers say market conditions are getting worse than report improving conditions. The RMI has been running below 50 since the final quarter of 2005.

"We're hearing many remodelers have laid off workers because they have no jobs coming in and are struggling to survive," said NAHB Remodelers Chairman Donna Shirey, CGR, CAPS, CGP, a remodeler from Issaquah, Wash. "Remodelers are pounding the pavement to find work and stay open, including taking on smaller jobs and competing with unqualified contractors."

The index for current remodeling market conditions slumped in the Northeast to 27.7 (from 33.7 in the third quarter), descended in the Midwest to 37.5 (from 43.2) and decreased in the West to 41.7 (from 47.3). In the South, the current index rose slightly to 40 (from 38.6). Major additions declined to 40 (from 41.9), and minor additions also fell to 40.7 (from 43.2). Maintenance and repair plunged to 27.1 (from 33.1).

Summary indices for future market indicators exhibit bleak expectations for the remodeling market. Calls for bids dropped to 37.5 (from 46.5 in the third quarter) and appointments for proposals slid to 34.4 (from 43.5). The backlog of jobs reduced to 31.9 (from 37.2) and the amount of work committed for the next three months fell to 21.9 (from 27.5).

"Although earlier quarters of 2009 showed tentative improvements for remodeling market conditions, remodelers have seen work fall backward at the end of the year," said NAHB Chief Economist David Crowe. "Like new home construction, remodelers are feeling the effects of consumers' uncertain job future, their level of confidence and unwillingness to spend their equity or savings. Competition from new home construction workers entering the remodeling market and unemployed contractors has stretched an already thin customer base."

Source: NAHB