

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

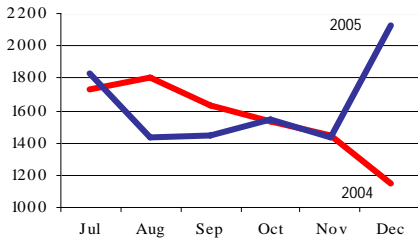


January 31, 2006

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Market Chatter:

"In 2005, the home building industry in the Twin Cities experienced a deceleration from the frantic pace of the past few years. The year end numbers are evidence that the market has shifted slightly, and the National Association of Home Builders is forecasting that the Twin Cities will see a continuation of this slowdown into 2006."

Doug Nelson, 2005 President of the Builders Association of the Twin Cities and Owner of New Spaces

"Housing markets across the country have cooled, as predicted, and builders are aware that some slowing in demand is inevitable following the record breaking sales for the past three years. While the recent decline in mortgage rates helped buoy builders' confidence, they are adjusting to the changes they are seeing and hearing in their sales offices." David Pressly, NAHB President

"We don't need to break a record every year for the housing market to be good - in fact, cooling sales are necessary for the long-term health of this vital sector. A modest slowdown in home sales, coupled with improvements in housing inventory, means the market is in the process of normalization. That will help to bring balance between home buyers and sellers, yet sales will remain historically strong." David Lereah, Chief Economist, National Association of Realtors

NAHB Hosts 2006 Housing Forecast Teleconference

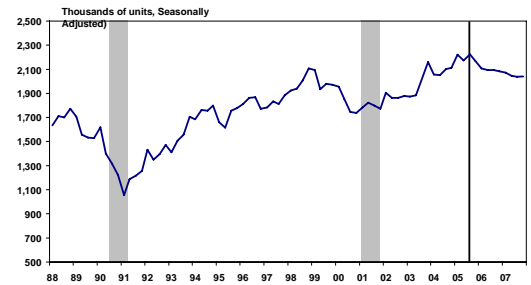
The National Association of Home Builders recently played host to a national teleconference regarding the 2006 forecast of the residential market in the United States. NAHB Chief Economist David Seiders and JP Morgan Senior Economist Jim Glassman were the featured speakers in the teleconference. Both speakers expressed sentiment that the national housing market will cool slightly, but remain strong compared to historical performance.

According to Seiders, major economic indicators in the housing market will face a leveling off in the next two years. Real GDP growth, while having rebounded from a decline earlier in the decade is expected to flatten slightly in 2006 and 2007. Federal Funds rate targets also rebounded after a hard drop in 2001, but will remain relatively flat into the next two years.

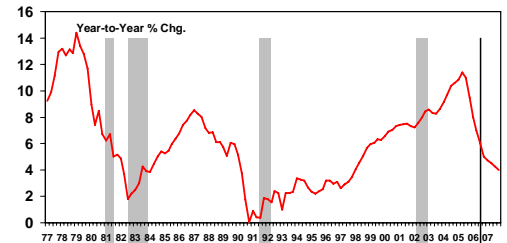
Residential building is coming off a record setting peak, and will cool down in the next two years according to Seiders. Single-family housing starts more than doubled in the last 15 years,

(Continued on page 4)

Total New Housing Units



House Price Growth (purchase only index)



Building Permit Activity Down Seven Percent in 2005

Due to a reporting discrepancy, BATIC is counting permits issued by the City of Minneapolis in the month of November. These numbers were previously unreported. This discrepancy will slightly inflate numbers for the month of December, but give more accuracy to the year-end statistics

Municipalities in Twin Cities Metropolitan area issued fewer building permits in 2005. Although permits issued fell almost seven percent, authorized units fell less than two percent as the market continued the trend towards more multifamily housing.

In four weeks of December, municipalities in the Twin Cities metro area issued 877 permits for 2,121 planned units at a value of \$346,974,792. Compared to December 2004, this is over 12 percent more permits (782 in 12/04), 84 percent more planned units (1,149 in 12/04), and 32 percent more in total value (\$262,662,409 in 12/04). Compared to the previous six years, December 2005 permits are the same as 2003, 13 percent ahead of 2002, over 23 percent more than 2001, 32 percent more than 2000, roughly six percent more than 1999, and seven percent behind 1998.

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

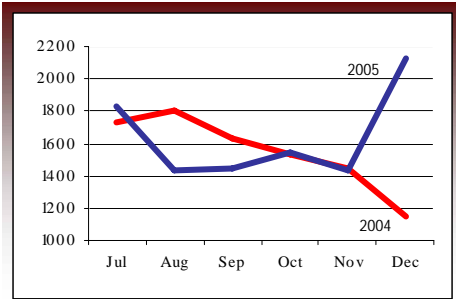
2005 — 10,178 permits, 18,255 planned units
2004 — 10,942 permits, 18,591 planned units
2003 — 11,472 permits, 19,000 planned units
2002 — 10,632 permits, 17,135 planned units
2001 — 10,696 permits, 16,364 planned units
2000 — 11,529 permits, 16,448 planned units
1999 — 12,157 permits, 16,996 planned units
1998 — 11,593 permits, 16,140 planned units

In planned units, December 2005 is over 84 percent more than 2004, about 51 percent more than 2003, 81 percent more than 2002, about 63 percent more than 2001, about 66 percent more than 2000, 73 percent more than 1999, and 40 percent ahead of 1998. The total value of permits issued in four weeks of December 2005 is 32 percent more than the value issued in December 2004, and is considerably higher than in any other December during the last six years.

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Twin Cities Statistics

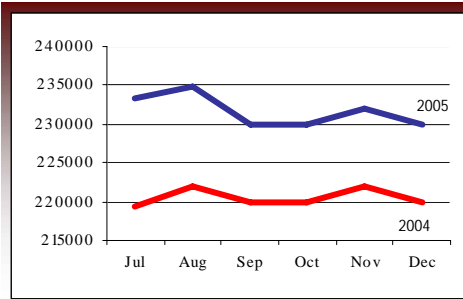
Twin Cities Housing Units Authorized



| | Total | Y-Y Change |
|----------------------|---------------|------------|
| Sep-04 | 1,637 | |
| Sep-05 | 1,445 | -11.7% |
| Oct-04 | 1,533 | |
| Oct-05 | 1,547 | +4.9% |
| Nov-04 | 1,449 | |
| Nov-05 | 1,432 | -1.2% |
| Dec-04 | 1,149 | |
| Dec-05* | 2,121 | +84.6% |
| 2005 Year End | 18,255 | |

*Minneapolis 11/05 counted with 12/05
Source: Keystone Report

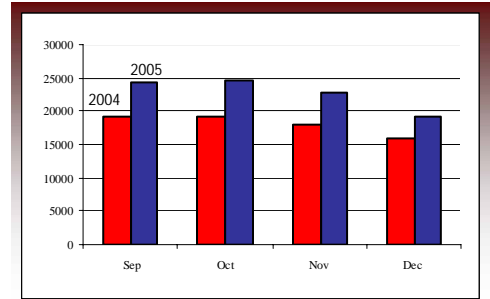
Twin Cities Median Home Price



| | Price | Y-Y Change |
|-----------------------|----------------|------------|
| Sep-04 | 220,000 | |
| Sep-05 | 230,000 | +4.6% |
| Oct-04 | 220,000 | |
| Oct-05 | 230,000 | +4.5% |
| Nov-04 | 222,000 | |
| Nov-05 | 232,000 | +4.5% |
| Dec-04 | 219,990 | |
| Dec-05 | 229,900 | +4.5% |
| 5-Year Average | 201,438 | |

Source: Minneapolis Area Association of Realtors

Twin Cities Total Active Listings at Month End



| | Total | Y-Y Change |
|--------------------|-------------------|------------|
| Sep-04 | 19,332 | |
| Sep-05 | 24,324 | +25.8% |
| Oct-04 | 19,159 | |
| Oct-05 | 24,536 | +28.1% |
| Nov-04 | 17,877 | |
| Nov-05 | 22,721 | +27.1% |
| Dec-04 | 15,991 | |
| Dec-05 | 19,098 | +19.4% |
| Supply Rate | 4.2 months | |

Source: Minneapolis Area Association of Realtors

Market Briefs

- According to Anderson Corporate Finance, by 2011 the top 20 builders could account for 75 percent of home sales in the United States
- Data analyzed from the 2003 American Housing Survey shows that Baby Boomers own 38% of all housing in the United States, the largest share of any generation in the US population
- According to the National Association of Realtors, total existing-home sales in the United States were down 5.7 percent to a seasonally adjusted annual rate of 6.60 million units in December from an upwardly revised pace of 7.00 million in November. Sales were 3.1 percent lower than a 6.81 million-unit level in December 2004
- The Bureau of Economic Analysis is reporting real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 1.1 percent in the fourth quarter of 2005. In the third quarter, real GDP increased 4.1 percent.

Mortgage Rates

| | |
|---------|------|
| 30 Year | 5.64 |
| 15 Year | 5.22 |
| 5/1 ARM | 5.20 |

Home Equity

| | |
|----------------------|------|
| 30K HELOC | 6.51 |
| 50K HELOC | 6.68 |
| 30K Home Equity Loan | 7.78 |
| 50K Home Equity Loan | 7.62 |

Source: www.bankrate.com

Date:1/22/06

Unemployment Rate

US Avg 4.6%

| | |
|--------|------|
| Aug-05 | 3.3% |
| Sep-05 | 3.7% |
| Oct-05 | 3.1% |
| Nov-05 | 3.7% |
| Dec-05 | 4.0% |

Source: MN DEED

Employment

(Total Non-Farm, in 000's)

| | |
|--------|---------|
| Aug-05 | 1,761.3 |
| Sep-05 | 1,771.2 |
| Oct-05 | 1,783.1 |
| Nov-05 | 1,788.6 |
| Dec-05 | 1,790.3 |

Source: MN DEED

Construction Employment

1.1% of total Employment

| | |
|--------|--------|
| Aug-05 | 20,999 |
| Sep-05 | 20,644 |
| Oct-05 | 20,843 |
| Nov-05 | 20,494 |
| Dec-05 | 20,240 |

Source: MN DEED

Consumer Price Index

1982-84=100, Nat'l Avg 196.8

| | |
|----------|-------|
| 2001 | 176.5 |
| 2002 | 179.6 |
| 2003 | 182.7 |
| 2004 | 187.9 |
| 2005 YTD | 192.4 |

Source: Bureau of Labor Statistics

Regional Statistics

Minnesota Housing Units Authorized

| | Total | Y-Y Change |
|----------|--------|------------|
| Aug-04 | 4,199 | |
| Aug-05 | 3,293 | -21.9% |
| Sep-04 | 4,343 | |
| Sep-05 | 3,574 | -17.7% |
| Oct-04 | 4,340 | |
| Oct-05 | 3,826 | -11.8% |
| Nov-04 | 2,814 | |
| Nov-05 | 3,244 | +15.3% |
| 2005 YTD | 21,770 | |

Source: US Census Bureau

Minnesota Unemployment Insurance Claims

| | Total | Construction |
|--------|--------|--------------|
| Nov-04 | 32,496 | 11,762 |
| Nov-05 | 33,534 | 13,972 |
| Dec-04 | 42,261 | 17,278 |
| Dec-05 | 36,690 | 15,422 |

Source: MN DEED

Minnesota Weekly Retail Gasoline Prices

| Regular Grade, per Gallon | |
|---------------------------|-------|
| 12/26 | 2.139 |
| 1/02 | 2.229 |
| 1/09 | 2.293 |

Source: Energy Information Administration

IN THE NEWS...

Jan 19, 2006 -The U.S. Commerce Department announced that it has reached an agreement-in-principle with the Mexican government to settle a 16-year dispute on anti-dumping duties on imports of Mexican cement. Eventually, this agreement should lead to free trade of an essential building material that has been in short supply for builders in more than 30 states. The proposed settlement, which is scheduled to go into effect this spring, calls for the U.S. to reduce duties on imported Mexican cement to \$3 per ton from \$26 per ton and to permit importation of 3 million metric tons of the material annually, up from approximately 2 million metric tons last year. Most importantly, after three years, the duties and quotas would disappear entirely.

Source: NAHB

MN Unemployment Rate

US Avg 4.6%

| | Rate |
|--------|------|
| Aug-05 | 3.4% |
| Sep-05 | 3.7% |
| Oct-05 | 3.1% |
| Nov-05 | 3.7% |
| Dec-05 | 4.0% |

Source: MN DEED

MN Employment

Total Non-Farm

| | Total |
|--------|-----------|
| Aug-05 | 2,730,222 |
| Sep-05 | 2,732,479 |
| Oct-05 | 2,752,656 |
| Nov-05 | 2,747,346 |
| Dec-05 | 2,745,263 |

Source: MN DEED

MN Construction Employment

4.43% of Total Employment

| | Total |
|--------|---------|
| Aug-05 | 145,000 |
| Sep-05 | 141,982 |
| Oct-05 | 139,300 |
| Nov-05 | 132,339 |
| Dec-05 | 121,604 |

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

| | Wage |
|--------|--------|
| Aug-05 | 931.80 |
| Sep-05 | 921.50 |
| Oct-05 | 954.43 |
| Nov-05 | 891.70 |
| Dec-05 | 871.91 |

Source: MN DEED

Fast Stat

Average Travel Time to Work For Workers 16 and Over Who Did Not Work at Home

Top 10

| City | Average Time |
|----------------------|--------------|
| 1. New York, NY | 38.4 |
| 2. Chicago, IL | 35.0 |
| 3. Philadelphia, PA | 33.7 |
| 4. Newark, NJ | 32.3 |
| 5. Los Angeles, CA | 30.0 |
| 6. Stockton, CA | 29.3 |
| 7. Boston, MA | 29.0 |
| 8. Riverside, CA | 29.0 |
| 9. San Francisco, CA | 28.7 |
| 10. Oakland, CA | 28.4 |

Notables

| Metro Area | Average Time |
|---------------------|--------------|
| 57. Milwaukee, WI | 20.5 |
| 60. Minneapolis, MN | 20.1 |
| 61. St. Paul, MN | 20.0 |

Source: American Community Survey

National Statistics

Commodities Month End Settlement Prices

| | 10/31 | 11/30 | 12/30 |
|-------------------------|--------|--------|--------|
| Light Crude Oil (Day) | 59.76 | 57.32 | 61.04 |
| Copper—High Grade (Day) | 189.60 | 207.50 | 216.15 |
| Lumber | 310.50 | 326.50 | 359.00 |

Source: Anne Burden's Future's Guide

Housing Affordability Index

| | |
|--------|-------|
| Nov-04 | 131.8 |
| Nov-05 | 115.0 |

Source: National Association of Realtors

US Housing Units Authorized

| | Total | Y-Y Change |
|----------|-----------|------------|
| Aug-04 | 181,122 | |
| Aug-05 | 201,179 | +11.1% |
| Sep-04 | 173,872 | |
| Sep-05 | 191,304 | +10.0% |
| Oct-04 | 154,236 | |
| Oct-05 | 172,625 | +11.9% |
| Nov-04 | 154,236 | |
| Nov-05 | 159,813 | +3.6% |
| 2005 YTD | 1,994,426 | |

Source: US Census Bureau

Monthly Construction Spending

(in 000's)

| | Total Private Construction | Residential (including improvement) | New Single-Family | New Multi-Family |
|--------|----------------------------|-------------------------------------|-------------------|------------------|
| Oct-04 | 821,097 | 581,672 | 390,779 | 39,215 |
| Oct-05 | 891,036 | 642,057 | 440,050 | 48,883 |
| Nov-04 | 827,827 | 585,081 | 389,108 | 40,275 |
| Nov-05 | 892,427 | 641,935 | 446,549 | 48,523 |

Source: US Census Bureau/US Dept of Commerce

Workers Confidence Index

Nationally, the workers confidence index increased substantially, driven by improvements in personal finances. For the third consecutive month, workers across the country expressed improvements in personal finances. Additionally, 73 percent of workers surveyed expressed no concerns about losing their jobs. Hiring expectations remained flat across the country, with only 30 percent of workers expecting their firms to hire in the coming months.

"Multiple signs indicate that improving expectations about the employment market will jump start in 2006," says Steve Wolfe, executive vice president, Hudson, North America.

Workers in the Twin Cities were less optimistic in the month of December according to the Hudson Employment Index. Going against the national trend, Twin Cities worker confidence

dropped six and a half points to 97.6, the lowest point in over a year for the region. The national index ended the year on a higher note, moving up just over three points to 103.4 points. Washington D.C. led the substantial increase on the national level at 114.5 points, while Boston ranked the lowest with 87.6 points.

Expectations of employment opportunities dropped significantly in the month. Area workers expressed a four-point drop in expectations that their places of employment would be hiring in the near future, although less workers felt that their company would be laying workers off. Many workers felt that their companies would have no change in employment, but there are rising concerns that more workers may lose their jobs.

Workers in the Twin Cities are more concerned

with their personal finances compared to last month, and a year ago. During the month of December, there was a three percent rise from November 2005 and seven percent rise from December 2004 in workers who felt that their personal finances were poor. Even more alarming, 45 percent of workers surveyed felt that their personal finances are getting worse, this is up from 33 percent in December 2004.

The Hudson Employment Index tracks aggregate employment trends regarding career opportunities, hiring intentions, job satisfaction and retention. The data is based on monthly telephone interviews with U.S. workers.

The entire press release and data is available online:

<http://www.hudson-index.com/node.asp?SID=4397>

Continued from page 1...

NAHB Housing Forecast...

but will slightly decline to slower rates within the next two years. In addition, real house price appreciation is forecasted to slow significantly, but to levels of 2%-3%, which are historically standard with the last 30 years.

Jim Glassman took much more focus on the overall market in his forecast, stating that market incentives will restore market balance as the housing market begins to cool slightly. According to Glassman, the market still has a lot of

growing to do, and any effects of a slowing housing market will not be felt long. The economy is still not close to full employment, but could potentially move further towards better workforce participation and further increase labor productivity.

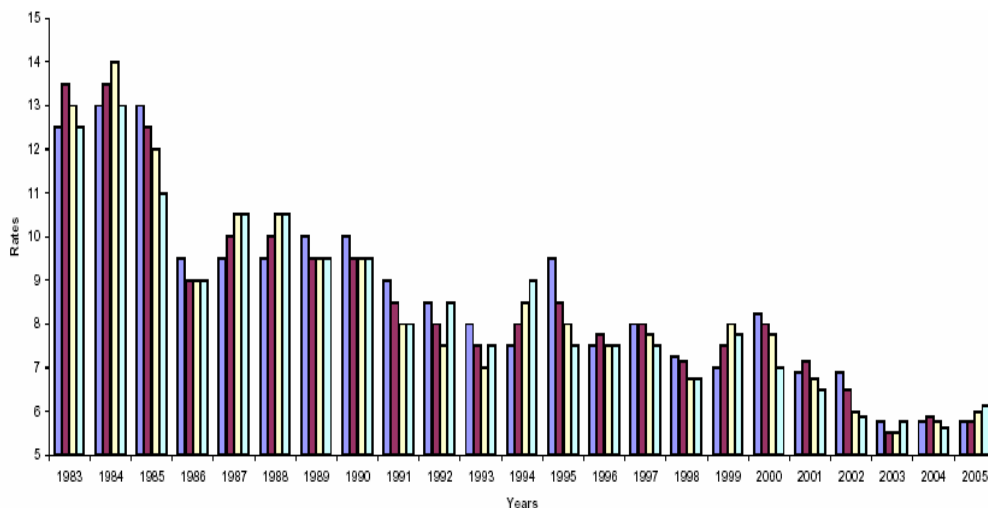
Overall, both Seiders and Glassman are optimistic that the economy and housing market in particular will not face a drastic downturn, but rather will cool slightly as rates return to rates more comparable with past performance.

If you were unable to participate in the teleconference, you may listen to a full replay of the call.

To access the replay, please 888/203-1112 and use the replay passcode of 4770200 after 4:00 p.m. EST.

In addition, the PowerPoint presentations from the teleconference are available online: <http://www.nahb.org/generic.aspx?sectionID=138&genericContentID=48333>

Chart of the Month— Historical Interest Rates



Source: Burnet Home Loans

Disclaimer: Source of information are believed to be reliable, but are in no way guaranteed by the Builders Association of the Twin Cities. BATC Hot Sheet is a product of the Builders Association of the Twin Cities
 Nate Duoss, Public Affairs & Messaging Specialist

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Year End Permits...

For the year 2005, the total number of permits issued is less than every year in the previous seven, while units authorized only fell slightly. For 2005, Twin Cities metro municipalities issued 10,178 permits for 18,255 planned units at a value of \$3,380,265,313. For permits, this is almost seven percent behind 2004, 11 percent behind 2003, over four percent behind 2002, five percent behind 2001, 12 percent behind 2000, 16 percent behind 1999 and 12 percent behind 1998. Planned units for 2005 are just under two percent behind 2004, four percent behind 2003, six and a half percent ahead of 2002, 12 percent ahead of 2001, 11 percent ahead of 2000, seven percent ahead of 1999, and 13 percent ahead of 1998. For the year 2005 total value of permits is one and half percent more than 2004, a relatively flat increase from much larger changes seen in the last seven years.