

HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

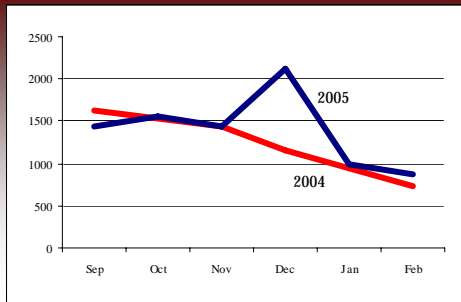


March 30, 2006

Volume 2, Issue 3

IN THIS ISSUE:

- February 2006 Permit Stats



- 2005 Metro Residents Survey
- OFHEO Price Appreciation

Market Chatter:

"Evidence of a gradual but systematic slowdown in housing market activity from the frenetic pace of 2005 continues to accumulate" David Seiders, Chief Economist, National Association of Home Builders

"Despite slower sales, construction of new homes, while receding from record highs, continues at quite high levels, a situation which has been the subject of many news reports. The resulting rising stock of unsold homes will likely bring about a modest decline in construction, probably accompanied by a gradual flattening of house prices". Cathy E. Minehan, President and Chief Executive Officer, Federal Reserve Bank of Boston

"The cooling from overheated sales conditions in recent months is helping to bring inventory levels up to the point where buyers have more choices than they've seen in the last five years. Annual price appreciation is still running at double-digit rates, but the cause of those sharp increases is going away. As the market readjusts, price appreciation should return to more normal rates of growth this year." David Lereah, Chief Economist, National Association of REALTORS®

2005 Metro Residents Survey

Table 4.05: Would you prefer to live in a different kind of area?

	No	Yes
All areas combined	69%	31%
Respondents living in:		
A rural setting	78%	22%
A small city or town	73%	27%
A growing suburb	64%	36%
An older suburb	69%	31%
A central cities neighborhood	73%	27%
A very urban or downtown setting	N/A*	

2005 n = 1,060

* There were too few respondents in this category to accurately represent that population.

Source: Metropolitan Council

The Metropolitan Council recently released the 2005 Metro Residents Survey. The Met Council conducts the survey annually, and now has information dating back to the early 1980's. The information includes sentiments regarding major issues of concern in the region. The survey is meant to understand and measure resident's thoughts about quality of life, leading regional issues, problems and solutions, and the Met Council's portfolio of program responsibilities.

For the survey, metro area residents were randomly selected for participation. The Met Council then mailed questionnaires and collected responses over the months of October 2005 through December 2005.

Some of the interesting findings from this year's survey include:

- Positive feelings about the Twin Cities region has been consistent over 23 years of surveys. In 2005, 96 percent of residents said the region is a better place to live than other metropolitan areas.
- A majority of residents (55 percent) think that the Twin Cities quality of life has stayed the same over the past year; 14 percent think that it has improved; 31 percent think that it has gotten worse.
- Metro residents think that the area has many

(Continued on page 4)

Builders Continue to See a Balanced Market

Builders continued work at a steady pace in the month of February despite the colder weather. Permits and planned units lag slightly from one month ago, but remain above levels from a year ago.

In four weeks of February, municipalities in the Twin Cities metro area issued 542 permits for 872 units at a value of \$187,184,233. Compared to February 2005, this is almost 15 percent more permits (472 in 2/05) 19 percent more planned units (735 in 2/05) and over 22 percent more in total value (\$152,851,160 in 2/05).

Compared to the previous six years, February 2006 permits are almost 15 percent ahead of 2005, about nine percent behind 2004, 13 percent behind 2003, seven percent less than 2002, almost 14 percent behind 2001, 29 percent less than 2000, and 15 percent less than 1999. In planned units, February 2006 is almost 19 percent ahead of 2005, about four percent less than 2004, 16 percent behind 2003, almost 15 percent behind

Actual permit and planned unit statistics for the first 8 weeks in each of the past eight years are as follows:

2006 — 1,155 permits, 1,872 planned units
 2005 — 1,082 permits, 1,678 planned units
 2004 — 1,385 permits, 2,410 planned units
 2003 — 1,348 permits, 2,285 planned units
 2002 — 1,144 permits, 2,285 planned units
 2001 — 1,160 permits, 1,541 planned units
 2000 — 1,365 permits, 1,906 planned units
 1999 — 1,277 permits, 1,518 planned units

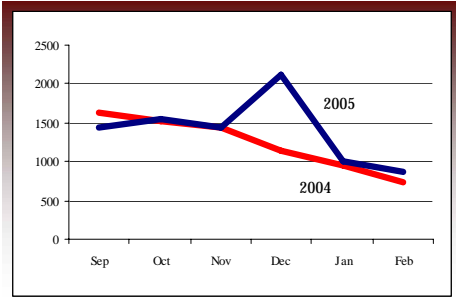
2002, over three percent more than 2001, 11 percent less than 2000, and 15 percent ahead of 1999. The total value of permits issued in four weeks of February 2006 is over 22 percent more than 2005, and ranges from six to 77 percent more than the five years prior to 2005.

Year-to-date 2006, the total number of permits issued is above 2005 but remains moderated compared to previous years. Year-to-date,

(Continued on page 4)

Twin Cities Statistics

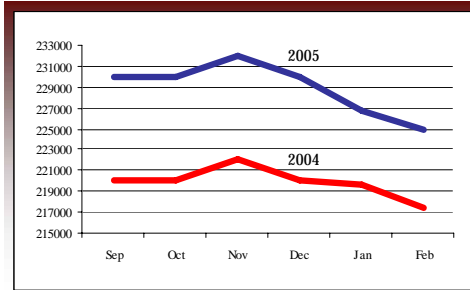
Twin Cities Housing Units Authorized



	Total	Y-Y Change
Nov-04	1,449	
Nov-05	1,432	-1.2%
Dec-04	1,149	
Dec-05*	2,121	+84.6
Jan-05	943	
Jan-06	1,000	+6.0%
Feb-05	735	
Feb-06	872	+18.6%
2006 YTD	1,872	

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

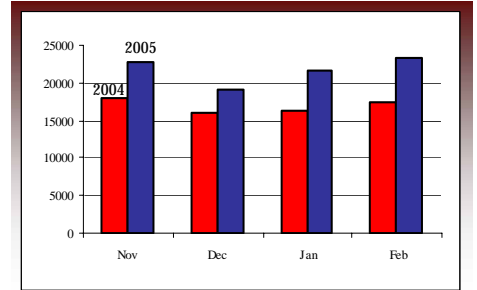
Twin Cities Median Home Price



	Price	Y-Y Change
Nov-04	222,000	
Nov-05	232,000	+4.5%
Dec-04	219,990	
Dec-05	229,900	+4.5%
Jan-05	219,584	
Jan-06	226,700	+3.2%
Feb-05	217,450	
Feb-06	225,000	+3.5%
5-Year Average	204,196	

Source: Minneapolis Area Association of REALTORS®

Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
Nov-04	17,877	
Nov-05	22,721	+27.1%
Dec-04	15,991	
Dec-05	19,098	+19.4%
Jan-05	16,431	
Jan-06	21,529	+31.0%
Feb-05	17,304	
Feb-06	23,417	+35.3%
Supply Rate	4.7 months	

Source: Minneapolis Area Association of REALTORS®

Market Briefs

- The United States and Mexico recently agreed to terms that settles a sixteen year dispute on anti dumping duties on Mexican cement imports. The United States will reduce duties on Mexican cement from \$26 to \$3 per ton, and Mexican imports will be permitted to grow to 3 million metric tons annually, up from last year's level of approximately 2 million tons. After three years, the quotas and duties will be entirely eliminated.
- According to the Hudson Employment Index, after two months of declining confidence, the index for Minneapolis / St. Paul workers soared over 10 points to 104.0 in February. An increase in optimism about hiring expectations and personal finances contributed to this dramatic rise. Nearly all contributing factors rose with the largest increases in personal finances and hiring expectations.
- According to the economic forecast released by the Minnesota Department of Finance in late December, general fund revenues are expected to be \$31.404 billion, \$124 million more than in November. Current law requires that \$93 million of the surplus be used to complete the reversal of education accounting shifts from 2002 & 2003, leaving an \$88 million balance.

Mortgage Rates

30 Year	5.87
15 Year	5.56
5/1 ARM	5.57

Home Equity

30K HELOC	6.45
50K HELOC	6.09
30K Home Equity Loan	7.56
50K Home Equity Loan	7.43

Source: www.bankrate.com

Date: 3/28/2006

Unemployment Rate

US Avg 5.1%

Oct-05	3.2%
Nov-05	3.6%
Dec-05	3.6%
Jan-06	4.4%
Feb-06	4.4%

Source: MN DEED

Employment

(Total Non-Farm, in 000's)

Oct-05	1,788.8
Nov-05	1,785.8
Dec-05	1,783.7
Jan-06	1,738.0
Feb-06	1,743.3

Source: MN DEED

Construction Employment

1.01% of total Employment

Oct-05	20,255
Nov-05	19,741
Dec-05	19,170
Jan-06	17,837
Feb-06	17,587

Source: MN DEED

Consumer Price Index

1982-84=100, Nat'l Avg 198.7

2001	176.5
2002	179.6
2003	182.7
2004	187.9
2005 YTD	193.9

Source: Bureau of Labor Statistics

Regional Statistics

Minnesota Housing Units
Authorized

	Total	Y-Y Change
Nov-04	2,184	
Nov-05	3,244	+15.3%
Dec-04	2,826	
Dec-05	1,935	-31.5%
Jan-05	1,394	
Jan-06	1,400	+ .43%
Feb-05	1,472	
Feb-06	1,489	+1.15%
2006 YTD	2,859	

Source: US Census Bureau

Minnesota Unemployment
Insurance Claims

	Total	Construction
Jan-05	32,549	11,760
Jan-06	32,526	12,141
Feb-05	23,813	6,930
Feb-06	20,957	7,639

Source: MN DEED

Minnesota Weekly Retail
Gasoline Prices

Regular Grade, per Gallon	
3/13	2.360
3/20	2.453
3/27	245.5

Source: Energy Information Administration

IN THE NEWS...

Passing \$200 billion for the first time, Americans spent an estimated \$210 billion on residential remodeling in 2005, based on the National Association of Home Builders' (NAHB) analysis of recently released third-quarter remodeling spending from the U.S. Census Bureau. In addition, NAHB Remodelers™ Council forecasts the largest increase in spending in 2006 in more than ten years to a record \$238 billion, a 13.2 percent jump.

The record industry growth forecast for 2006 is more than double the pace of growth in 2005, when remodeling spending grew by 5.8 percent, in line with average annual growth of 5.3 percent from 1994 to 2004. The previous growth record was posted in 2004, when spending jumped 12.2 percent due to a strong increase in the real estate market.

Source: National Association of Home Builders

MN Unemployment Rate

US Avg 5.1%

	Rate
Oct-05	3.1%
Nov-05	3.7%
Dec-05	4.0%
Jan-06	5.0%
Feb-06	4.9%

Source: MN DEED

MN Employment

Total Non-Farm

	Total
Oct-05	2,752,656
Nov-05	2,747,346
Dec-05	2,746,149
Jan-06	2,673,272
Feb-06	2,679,335

Source: MN DEED

MN Construction Employment

3.98% of Total Employment

	Total
Oct-05	139,300
Nov-05	132,339
Dec-05	125,599
Jan-06	109,427
Feb-06	106,621

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

	Wage
Oct-05	986.73
Nov-05	941.18
Dec-05	878.63
Jan-06	870.58
Feb-06	852.04

Source: MN DEED

Fast Stat

Median Household Income

Ranked by State

(in 2003 inflation adjusted dollars)

State	Median Household Income
1. New Jersey	
2. Maryland	58,588
3. Connecticut	57,218
4. New Hampshire	56,803
5. Massachusetts	53,910
6. Alaska	53,610
7. Virginia	52,499
8. Hawaii	50,805
9. Delaware	50,787
10. Colorado	50,583
11. California	50,538
12. Minnesota	50,220
13. Rhode Island	50,100
14. Illinois	48,854

United States 43,564

Source: 2003 American Community Survey

National Statistics

Commodities Month End
Settlement Prices

	3/10	3/17	3/24
Light Crude Oil (Day)	59.96	62.77	64.26
Copper—High Grade (Day)	221.70	236.90	241.15
Lumber	330.40	326.30	324.70

Source: Anne Burden's Future's Guide

Housing Affordability Index

	Index
Jan-04	134.0
Jan-05	116.2

Source: National Association of Realtors

US Housing Units
Authorized

	Total	Y-Y Change
Nov-04	154,236	
Nov-05	159,813	+3.62%
Dec-04	152,432	
Dec-05	147,560	-3.20%
Jan-05	138,159	
Jan-06	149,070	+7.90%
Feb-05	145,426	
Feb-06	151,950	+4.49%
2006 YTD	304,241	

Source: US Census Bureau

Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
Dec-04	839,795	597,756	391,124	41,178
Dec-05	905,349	649,527	448,203	50,240
Jan-04	853,344	610,011	396,233	44,474
Jan-05	906,925	649,918	448,499	49,976

Source: US Census Bureau/US Dept of Commerce

OFHEO 4Q 2005 Price Appreciation

The Office of Federal Housing Enterprise Oversight (OFHEO) recently released the quarterly House Price Index (HPI) report. HPI is a broad measure designed to capture changes in the value of single-family homes, and serves as a timely and accurate indicator of house price trends at various geographic level. The report details price changes and trends in houses involved in repeat sales and refinances.

The mission of the OFHEO is to ensure the capital adequacy and financial safety and soundness of two government-sponsored enterprises. These enterprises are the Federal National Mortgage Association (Fannie Mae) and the Federal Loan Mortgage Corporation (Freddie Mac).

Fannie Mae and Freddie Mac are the largest mortgage finance institutions in the United States, and

their combined mortgage records form the nation's largest database of mortgage transactions. OFHEO uses this database as a source for the HPI report. The data is based on transactions of properties for conforming, conventional mortgages purchased or securitized by Fannie Mae or Freddie Mac since January 1975. The HPI is a weighted repeat-sales index, meaning that it measures average price change in repeat sales or refinancing on the same properties, but not new properties.

The HPI report shows that US house prices increased 12.95 percent from the fourth quarter 2004 to the fourth quarter 2005, with 26 metropolitan areas having record levels of appreciation. The fourth quarter 2005 showed appreciation of 2.86 percent, or an annualized rate of 11.44 percent. Over the past five years, the US has seen house

prices increase by 57.68 percent.

The State of Minnesota had house prices increase by 7.96 from fourth quarter 2004 to fourth quarter 2005. In the fourth quarter 2005, house prices increased 1.73 percent in the state, and over the past five years, house prices have increased by 52.77 percent. In the past year, Minnesota ranks 37th highest in house price appreciation.

From the fourth quarter of 2004 to the fourth quarter of 2005, the Twin Cities Metropolitan Statistical Area (MSA) saw house prices increase by 7.37 percent, ranking 167th of all MSAs. In the fourth quarter 2005, house prices increased by 1.41 percent. Over the past five years in the Twin Cities, prices have increased by 54.37 percent.

The entire report is available at <http://www.ofheo.gov>

Continued from page 1...

Met Council...

attractive features; 37 percent think that the most attractive features are the area's parks, trails, lakes and natural environment

- Half of the region's residents (53 percent) think that the Twin Cities area, as a whole, is growing at about the right pace. Others are less satisfied: 45 percent think that the Twin Cities area is growing too fast.

- Asked about issues facing the region, 35 percent named traffic congestion or other transportation

challenges as the region's "single most important problem." A significant portion, 26 percent, raised concern about crime as the most important problem.

- Survey participants were asked whether they would prefer to relocate to a different kind of area. Most Twin Cities residents are satisfied with their local communities. However, 31 percent would prefer to relocate to a different type of area. The share was

greatest in growing suburbs: 36 percent interested in relocation

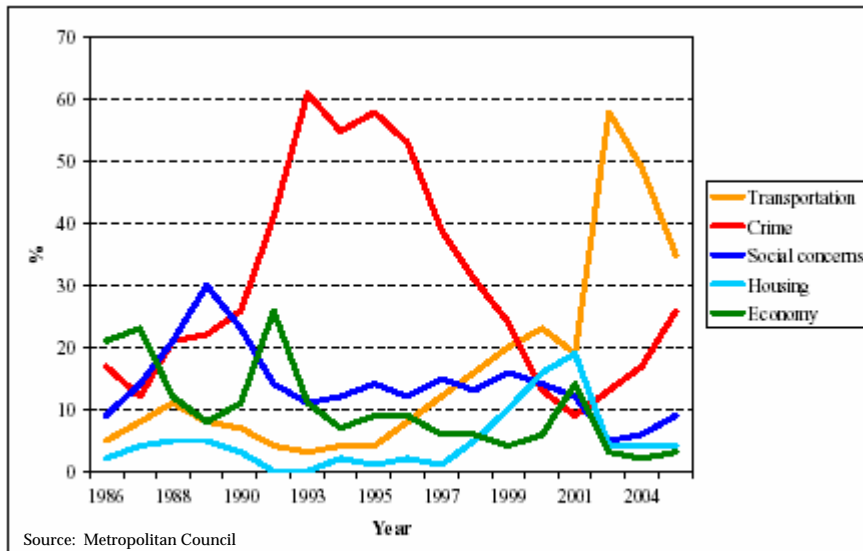
The entire report is available online via the Metropolitan Council's website: <http://www.metrocouncil.org/metroarea/stats.htm>

Table 2.07: Single most important problem in the Twin Cities metro area, grouped into major categories

2003	58%	13%	5%	6%	4%	3%	3%	9%
2004	49%	17%	6%	12%	4%	2%	2%	8%
2005	35%	26%	9%	11%	4%	3%	3%	9%

¹Other problems include: education, government, environment, weather, health care and energy
Source: Metropolitan Council

Chart of the Month— Single Most Important Problem in the Twin Cities



Source: Metropolitan Council

2005 n = 988

Continued from page 1...

February Permits...

Twin Cities metro municipalities have issued 1,155 permits for 1,872 units at a value of \$390,220,972. For permits, this is almost seven percent ahead of 2005, 17 percent behind 2004, 14 percent less than 2003, one percent ahead of 2002, less than one percent less than 2001, 15 percent behind 2000, and almost ten percent behind 1999. Planned units for the year are almost 12 percent ahead of last year, 22 percent less than 2004, 24 percent behind 2003, 18 percent less than 2002, 21.5 percent ahead of 2001, almost two percent less than 2000, and 23 percent more than 1999. Year-to-date value of permits is 13 percent ahead of last year, seven percent less than 2004, and ranges from five to 83 percent more than the previous five years.