HOT SHEET

Market Indicators for the Twin Cities Home Building Industry

Sponsored by: Builders Association of the Twin Cities · Wells Fargo Home Mortgage

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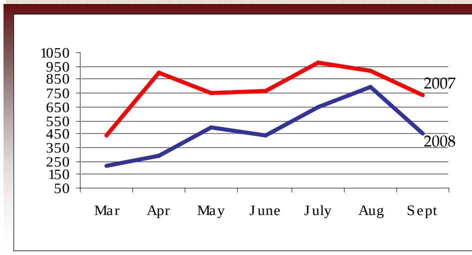
●NAHB-September Building Activity



●Bureau of Economic Analysis GDP Update

Market Chatter:

"It's great to see some upward movement in new-home sales, particularly in light of the strong efforts that home builders have been making to bring supply and demand back into balance by limiting new construction and offering substantial price- and non-price incentives on already-built units. Of course, it's too soon to say the market has stabilized, and we still have a very difficult road ahead that will require additional government action to speed the recovery of housing and the national economy."
NAHB Chairman Sandy Dunn, home builder from Point Pleasant, W.Va.

"The bottom line is that the financial crisis can't get much better until the thing that started this thing off, housing starts, gets better.,"
Maury Harris, U.S. chief economist, UBS

"The sales turnaround which began in California several months ago is broadening now to Colorado, Kansas, Minnesota, Missouri and Rhode Island. The South was hampered by much lower home sales in Houston in the aftermath of Hurricane Ike."
Lawrence Yun, Chief Economist, National Association of Realtors

NAHB: Housing Starts Decline Again In September

In an ongoing effort to pare down inventories of unsold homes, the nation's builders further reduced new housing production in September, according to numbers reported by the U.S. Commerce Department today. Commerce indicated that nationwide housing starts declined 6.3 percent to a seasonally adjusted annual rate of 817,000 units, the slowest building pace since early 1991.

Total housing starts fell 6.3 percent to an 817,000-unit rate in September following a substantial downward revision to the August number. Single-family starts declined 12 percent to a rate of 544,000 units, which is the slowest pace of new-home production since August of 1982. Meanwhile, multifamily starts rose 7.5 percent to 273,000 units, partially offsetting a big decline in the previous month.

Regionally, starts activity was mixed in September. The Northeast and West each posted double-digit declines (of 21 percent and 16.8 percent, respectively), while the Midwest and South each posted modest gains (of 5.6 percent and 0.5 percent, respectively).

Permit issuance, which can be an indicator of future building activity, was down across the board in September. Overall permits fell 8.3 percent to a seasonally adjusted annual rate of 786,000, while single-family permits fell 3.8 percent to 532,000 units and multifamily permits fell 10.3 percent to 273,000 units.

Source: National Association of Home Builders

Market Concerns Made Slight Impact on September Home Building Activity

The recent stability of the Twin Cities residential construction was reinforced by only a slight decline in permits during the volatile month of September. Planned units ran 39 percent behind September 2007, but remained almost twice as many as issued in February 2008, the recent low. According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were 447 units permitted during the month of September 2008, down from the 794 units permitted in August 2008.

Year-to-date activity in 2008 is down 42 percent from 2007, with 4,126 units permitted thus far, compared to 7,140 units permitted through the same point last year. Even while the financial markets were in melt-down, local Parade of HomesSM builders overwhelmingly reported a renewed interest in new housing by Twin Cities families.

Actual permit and planned unit year-to-date statistics for each of the past five years are as follows:

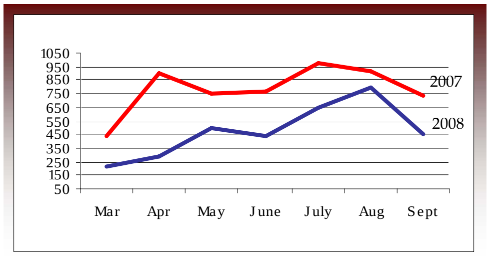
YTD 2004 8,444 permits, 14,028 planned units
YTD 2005 7,655 permits, 13,153 planned units
YTD 2006 5,909 permits, 10,168 planned units
YTD 2007 3,931 permits, 7,140 planned units
YTD 2008 2,223 permits, 4,126 planned units

"While we know the current economic situation will have an impact on buying decisions," says BATC President KC Chermak. "The substantial increase in visitors and sales we saw over the past five weeks during our 60th Fall Parade of HomesSM tour is evidence that families are continuing to live their lives and look to the future with some optimism." percent over the past two years," explains Chermak.

(Continued on page 4)

Twin Cities Statistics

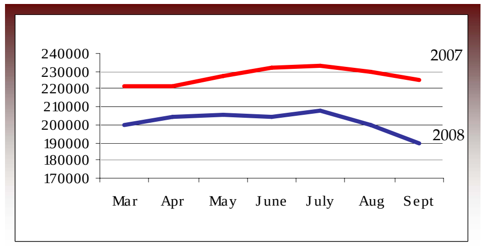
Twin Cities Housing Units Authorized



	Total	Y-Y Change
June-07	773	
June-08	444	-43.6%
July-07	974	
July-08	650	-33.4%
Aug-07	911	
Aug-08	794	-12.1%
Sept-07	732	
Sept-08	447	-39%
2008 YTD	4,126	

Source: Keystone Report

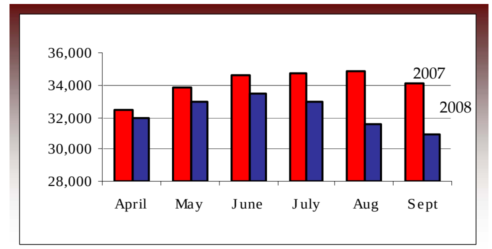
Twin Cities Median Home Price



	Price	Y-Y Change
June-07	232,500	
June-08	205,000	-11.8%
Jul-07	233,000	
Jul-08	208,000	-10.7%
Aug-07	230,000	
Aug-08	200,000	-13%
Sept-07	225,000	
Sept-08	189,000	-15.6%
2-Year Change	-17.4%	

Source: Minneapolis Area Association of REALTORS®

Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
June-07	34,630	
June-08	33,425	-3.5%
Jul-07	34,722	
Jul-08	33,005	-4.9%
Aug-07	34,808	
Aug-08	31,598	-9.2%
Sept-07	34,042	
Sept-08	30,901	-9.2%
Supply Rate	9.5 months	

Source: Minneapolis Area Association of REALTORS®

Developed Lot Inventory

Year-Over-Year Percent Change

	Total	Y-Y Change
April 2007	41,927	
April 2008	41,509	-1.0%
Aug 2007	41,931	
Aug 2008	39,733	-5.2%

Source: Marketgraphics

Counted Inventory of Homes

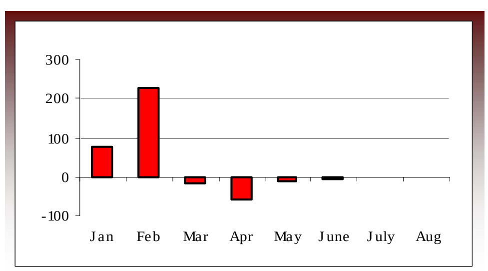
Year-Over-Year Percent Change

	Total	Y-Y Change
April 2007	4,425	
April 2008	3,721	-15.9%
Aug 2007	3,746	
Aug 2008	3,195	-5.2%

Source: Marketgraphics

Twin Cities New Home Buyer-Traffic

Month-to-Month Percent Change



Source: Metrostudy—Twin Cities

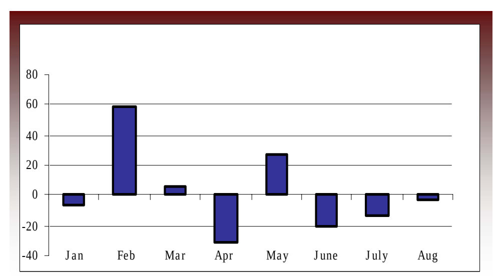
Monthly Conversion Rates

Mar	Apr	May	June	July	Aug
4.2	6.2	9.9	8.3	6.9	6.9

Source: Metrostudy—Twin Cities

Twin Cities New-Home Contracts

Month-to-Month Percent Change



Source: Metrostudy—Twin Cities

Monthly Cancellation Rates

Mar	Apr	May	June	July	Aug
27.4	35.9	26	26.5	39.8	30.7

Source: Metrostudy—Twin Cities

Unemployment Rate

US Avg. 6.1

May-08	4.7%
June-08	5.1%
July-08	5.4%
Aug-08	5.7%
Sept-08	5.7%

Source: MN DEED

Employment

Total Non-Farm

May-08	1,819,701
June-08	1,766,794
July-08	1,801,305
Aug-08	1,797,282
Sept-08	1,792,284

Source: MN DEED

Construction Employment

0.4% of Total Employment

May-08	7,944
June-08	8,035
July-08	7,996
Aug-08	7,649
Sept-08	7,122

Source: MN DEED

Consumer Price Index

1982-84=100, Nat'l Avg. 215.223

2003	182.7
2004	187.9
2005	193.9
2006	197.3
2007 YTD	218.783

Source: Bureau of Labor Statistics

Regional Statistics

Minnesota Housing Units Authorized

	Total	Y-Y Change
June-08	1,822	
June-08	1,271	-30.24%
July-07	2,560	
July-08	1,186	-54.7%
Aug-07	1,592	
Aug-08	898	-41.3%
Sept-07	1,430	
Sept-08	1,418	-1%
2008 YTD		8,660

Source: US Census Bureau

Minnesota Unemployment Insurance Claims

	Total	Construction
Aug-07	17,031	4,792
Aug-08	16,518	3,278
Sept-07	15,460	4,069
Sept-08	18,908	4,648

Source: MN DEED

Minnesota Monthly Retail Gasoline Prices

Regular Grade, per Gallon

July-08	389.7
Aug-08	365.1
Sept-08	361.2

Source: Energy Information Administration

In The News

Builder Sentiment Retreats in October

Reflecting profound uncertainties tied to the financial market shocks of recent weeks, builder confidence in the market for new single-family homes receded to a new record low this month. The National Association of Home Builders/ Wells Fargo Housing Market Index (HMI) declined three points to 14 in October after having edged up slightly in the previous month. All three component indexes fell this month. The indexes gauging current sales conditions and sales expectations for the next six months each hit new lows, falling three points to 14 and nine points to 19, respectively. The index gauging traffic of prospective buyers declined two points, returning to July's record low of 12.

Source: National Association of Home Builders

MN Unemployment Rate

US Avg. 6.1%

May-08	5.4%
June-08	5.3%
July-08	5.6%
Aug-08	5.8%
Sept-08	5.8%

Source: MN DEED

MN Employment

Total Non-Farm

May-08	2,800,701
June-08	2,808,529
July-08	2,783,598
Aug-08	2,778 598,
Sept-08	2,769,549

Source: MN DEED

MN Construction Employment

0.5% of Total Employment

May-08	12,913
June-08	13,760
July-08	13,580
Aug-08	13,561
Sept-08	12,862

Source: MN DEED

Construction Weekly Wage

Production Worker, Averaged

May-08	1,080.75
June-08	1,086.04
July-08	1,050.94
Aug-08	1,148.27
Sept-08	1,111.08

Source: MN DEED

National Statistics

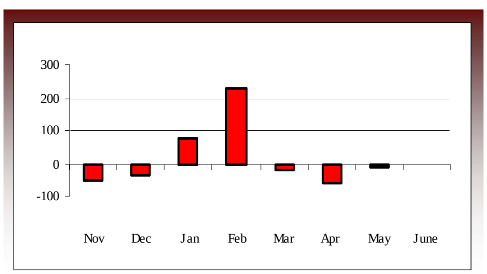
Framing Lumber Prices

Per 1,000 Board Feet	Random Lengths	CME Futures
July 25, 2008	$270	$252.7
August 22, 2008	$285	$264.5
Sept 26, 2008	$260	$211.3
Oct 24, 2008	$225	$178.8

Source: National Association of Home Builders

Remodeling Market Indices

Current Conditions		Future Expectations	
2Q 2007	44.8	2Q 2007	44.1
2Q 2008	41.8	2Q 2008	38.0



Source: National Association of Home Builders

US Housing Units Authorized

	Total	Y-Y Change
June-07	145,800	
June-08	106,600	-26.9%
July-07	122,500	
July-08	83,500	-31.9%
Aug-07	133,700	
Aug-08	89,500	-33.1%
Sept-07	97,722	
Sept-08	68,790	- 29.7%
2008 YTD	749,924	

Mortgage Rates

Annual Percentage Rates

Date: October 28, 2008

30 Year Fixed	6.733%
20 Year Fixed	6.933%
15 Year Fixed	6.631%
5 Year ARM	6.480%
30 Year Fixed (Jumbo)	10.187%

Source: Wells Fargo Home Mortgage

Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
July	852,899	493,611	311,602	46,565
July	761,775	342,477	184,710	45,750
Aug	848,471	480,211	300,345	46,579
Aug	759,586	343,636	176,941	44,597

Source: US Census Bureau/US Dept of Commerce

Fast Stat

PMI Fall 2008 PMI U.S. Market Risk Index

Fort Lauderdale-Pompano Beach-Deerfield Beach; FL A	99.5
Riverside-San Bernardino-Ontario; CA	99.5
Orlando-Kissimmee; FL	99.4
Miami-Miami Beach-Kendall; FL	99.3
Tampa-St. Petersburg-Clearwater; FL	99.0
Las Vegas-Paradise; NV	98.5
Los Angeles-Long Beach-Glendale; CA	98.5
Santa Ana-Anaheim-Irvine; CA	97.7
Jacksonville; FL	97.5
Phoenix-Mesa-Scottsdale; AZ	96.3
Minneapolis-St. Paul-Bloomington; MN-WI	14.8

Market Risk Index(SM) ranks the nation's 50 largest metropolitan statistical Areas (MSAs) according to the likelihood that home prices will be lower in two years.
Source: The PMI Group

Fast StatII

Top 10 States with Underwater Loans

State	# of mortgages	% underwater
Nevada	609,577	47.8%
Michigan	1,145,572	38.6%
Arizona	1,287,076	29.2%
Florida	4,248,470	29.2%
California	6,461,981	27.4%
Georgia	1,456,327	23.2%
Ohio	1,905,000	22%
Colorado	1,045,773	18.3%
New Hampshire	144,479	17.2%
Texas	2,721,638	16.5%

Source: First American CoreLogic

Top 10 States with the Fewest Underwater Loans

State	# of mortgages	% underwater
New York	1,554,607	4.4%
Hawaii	201,188	5.6%
Pennsylvania	1,413,181	5.7%
Montana	87,181	6.9%
Connecticut	678,766	7.4%
Alabama	238,978	7.4%
Oregon	641,820	7.5%%
Washington	1,273,659	7.6%
New Mexico	186,844	8.2%
New Jersey	1,748,179	9.3%

Source: First American CoreLogic

Market Briefs

• New estimates released by the U.S. Bureau of Economic Analysis show that economic growth slowed in most states and regions of the U.S. in 2007. Real GDP growth slowed in 36 states, with declines in construction and finance and insurance restraining growth in many states. Nationally, real economic growth slowed from 3.1 percent in 2006 to 2.0 percent in 2007, one percentage point below the average growth of 3.0 percent for 2002–2006.

• Sales of newly built single-family homes turned upward in September, posting a 2.7 percent gain to a seasonally adjusted annual rate of 464,000 units, according to numbers released by the U.S. Department of Commerce. The report also indicated that builders are making substantial progress in winnowing down the months' supply of unsold units on the market. Regionally, sales activity gained 22.7 percent in the West and 0.7 percent in the South in September, but at the same time declined 21.4 percent in the Northeast and 5.8 percent in the Midwest.

BATC EVENTS

Spring Preview Parade of Homes℠
ENTRY DEADLINE
11/5/08—8:00 am-4:30 pm

National Speaker Meredith Oliver
11/20/08
Marriage of Online and Onsite Sales
8:00am-11:00am
$80 BATC Members/$100 Non-Members
Is your Website Working For or Against You?
11:00am-1:00pm
$25 SMC Members/$35 Non-Council Members

BATC Buck Auction/SPIKE Appreciation
11/19/08—4:30p.m.
Double Tree—St. Louis Park
$25 for BATC Members
SPIKEs over 6 credits are FREE

Market Concerns

...Continued from page 1

Home ownership remains a great investment for families to make, and financing for homeowners is still available at excellent rates, says Chermak. "The local median sales price has dropped about 15

"But when you factor in savings from rent and tax benefits, in comparison, today's stock market isn't an attractive alternative."

Lakeville led the metro in building activity for the month with 169 units permitted in September. Woodbury followed with 30 units permitted, Prior Lake was next with 29 units permitted, followed by Blaine with 19 and Chaska and St. Michael at 11 each.