

# HOT SHEET

Market Indicators for the Twin Cities Home Building Industry



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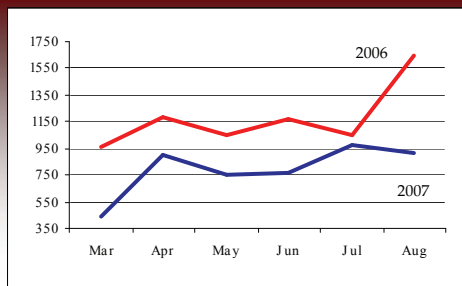
Countrywide Bank; FSB

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### Market Chatter:

*"Certainly problems across the mortgage finance arena are taking their toll on buyer demand, which is weighing heavily on builder confidence measures. Even so, availability of mortgages under the government-supported part of the market remains very good, and the long-term fundamentals of housing are solid in terms of projected household formations, income growth and other factors. We now expect to see home sales return to an upward path by the second quarter of 2008 and we expect housing starts to begin a gradual recovery process by the third quarter of next year. At that point, the market will have substantial growth potential." David Seiders, NAHB Chief Economist*

*"The Federal Reserve's actions will hopefully bolster consumer confidence while the current housing price correction helps restore affordability. And interest rates on conventional, conforming loans, which have remained largely unaffected by the shakeout in the subprime market, are hovering near historic lows at just above 6 percent." Brian Catalde, 2007 NAHB President*

## ACS: 2006 Twin Cities Demographic Characteristics

The United States Census Bureau recently released data from the 2006 American Community Survey. The survey is an annual project intended to give timely information for decision makers and planners.

"The American Community Survey meets a critical need for timely information," said Census Bureau Director Louis Kincannon. "In these fast-paced times, 10 years is too long to wait for detailed census data. These data are vital for the planning, implementation and evaluation of policies ranging from building new schools and roads to establishing initiatives that drive economic development."

The Twin Cities metropolitan area continues to see population growth and accompanying income growth according to the most recent data. In addition, the data shows that the average age increased slightly in the Twin Cities

The entire report and data set for the Twin Cities is available online:

<http://www.census.gov/>

### Twin Cities Demographic Characteristics

Age	Estimate
Under 20 years	892,138
20 to 24 years	208,706
25 to 34 years	432,159
35 to 44 years	511,281
45 to 54 years	496,167
55 to 59 years	193,105
60 to 64 years	128,920
65+ years	312,565

Median Age: 36.1 years

Household Income	Estimate
Less than \$25,000	180,942
\$25,000 to \$34,999	104,776
\$35,000 to \$49,999	168,874
\$50,000 to \$74,999	254,470
\$75,000 to \$99,999	194,119
\$100,000 to \$149,000	189,689
\$150,000 or more	113,019

Median Household Income: \$62,223

Per Capita Income: \$30,737

Average Household Size: 2.52

Average Family Size: 3.12

Mean Travel Time to Work: 23.9 min

Source: 2006 American Community Survey

## Homebuilders Hope Correction Shows Signs of Leveling Off

Twin Cities homebuilders hope the correction that began nearly a year ago is beginning to show signs of leveling off in late summer months of 2007. After sliding downward through spring, building activity has shown consistency from month-to-month and August marked the second highest month of activity for the year.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were a total of 911 units permitted in August 2007, down slightly from 974 units permitted in July 2007. Year-to-date activity remains behind a year ago, with a total of 6,408 units permitted thus far, down from 9,402 units permitted through the same point last year.

Residential construction activity year-to-date in the Twin Cities has fallen significantly compared to a year ago, but late summer months may show a trend of leveling off. Builders remain cautiously optimistic says 2007 BATC president Michael Noonan.

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

2007	— 3,633 permits, 6,408 planned units
2006	— 5,492 permits, 9,402 planned units
2005	— 6,672 permits, 11,410 planned units
2004	— 7,447 permits, 12,191 planned units
2003	— 7,100 permits, 11,830 planned units
2002	— 6,875 permits, 11,002 planned units
2001	— 7,138 permits, 9,891 planned units
2000	— 7,954 permits, 10,957 planned units

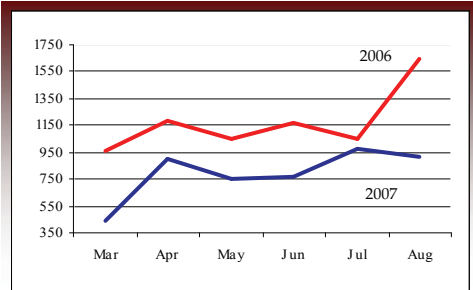
"Certainly, we are pleased to see signs of leveling off but there should not be an expectation of a sudden improvement," says Noonan. "Climbing back to a sustainable market is going to be a gradual process for our industry. Right now, we hope to begin that trend back up."

Noonan says that buyers are aware of the market correction and doing a lot of research on the housing market before making a decision. Unfor-

(Continued on page 4)

## Twin Cities Statistics

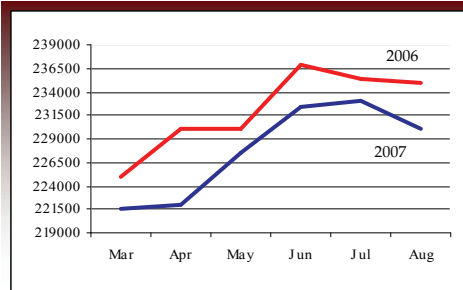
### Twin Cities Housing Units Authorized



	Total	Y-Y Change
May-06	1,052	
May-07	753	-28.4%
Jun-06	1,176	
Jun-07	773	-34.3%
Jul-06	1,047	
Jul-07	974	-6.9%
Aug-06	1,646	
Aug-07	911	-44.7
2007 YTD	6,408	

Source: Keystone Report

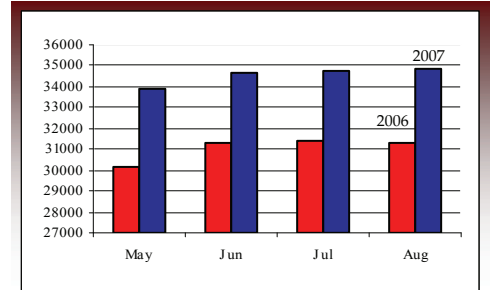
### Twin Cities Median Home Price



	Price	Y-Y Change
May-06	230,000	
May-07	227,495	-1.1%
Jun-06	236,850	
Jun-07	232,500	-1.8%
Jul-06	235,459	
Jul-07	233,000	-1.0%
Aug-06	235,000	
Aug-07	230,000	-2.1%

5-Year Change +21.0%  
Source: Minneapolis Area Association of REALTORS®

### Twin Cities Total Active Listings at Month End



	Total	Y-Y Change
May-06	30,179	
May-07	33,898	+12.3%
Jun-06	31,295	
Jun-07	34,630	+10.7%
Jul-06	31,367	
Jul-07	34,722	+10.7%
Aug-06	31,263	
Aug-07	34,808	+11.3%

Supply Rate 9.9 months  
Source: Minneapolis Area Association of REALTORS®

### Mortgage Rates

Effective Rates

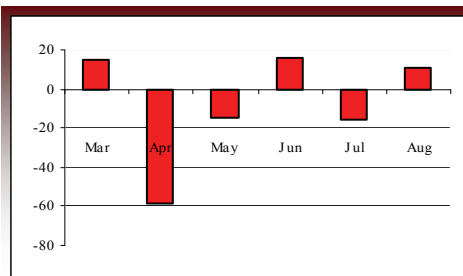
Date: 9/20/2007

30 Year Fixed	6.41%
15 Year Fixed	6.07%
5/1 ARM	6.28%
Adjustable Rate	5.73%
Spread/Fixed ARM	0.68%

Source: NAHB/Freddie Mac

### Twin Cities New Home Buyer-Traffic

Month-to-Month Percent Change



Source: Metrostudy—Twin Cities

### Monthly Conversion Rates

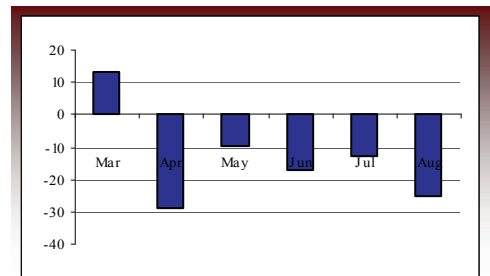
New-Home Sales

Month	Conversion Rate
Mar	4.3
Apr	7.2
May	7.9
Jun	5.7
Jul	5.9
Aug	4.0

Source: Metrostudy—Twin Cities

### Twin Cities New-Home Contracts

Month-to-Month Percent Change



Source: Metrostudy—Twin Cities

### Monthly Cancellation Rates

New-Home Sales

Month	Cancellation Rate
Mar	21.7
Apr	21.4
May	18.4
Jun	22.9
Jul	28.2
Aug	40.7

Source: Metrostudy—Twin Cities

### Unemployment Rate

US Avg 4.6%

Apr-07	4.2%
May-07	4.0%
Jun-07	4.4%
Jul-07	4.2%
Aug-07	4.1%

Source: MN DEED

### Employment

Total Non-Farm

Apr-07	1,799,259
May-07	1,822,856
Jun-07	1,834,705
Jul-07	1,810,916
Aug-07	1,807,409

Source: MN DEED

### Construction Employment

0.59% of Total Employment

Apr-07	10,323
May-07	10,532
Jun-07	10,833
Jul-07	11,011
Jul-07	10,588

Source: MN DEED

### Consumer Price Index

1982-84=100, Nat'l Avg 207.917

2003	182.7
2004	187.9
2005	193.9
2006	197.3
2007 YTD	200.627

Source: Bureau of Labor Statistics

## Regional Statistics

### Minnesota Housing Units Authorized

	Total	Y-Y Change
May-06	2,962	
May-07	2,109	-28.8%
Jun-06	3,251	
Jun-07	1,822	-44.0%
Jul-06	2,797	
Jul-07	2,560	-8.5%
Aug-06	2,331	
Aug-07	1,529	-34.4%
2007 YTD	12,906	

Source: US Census Bureau

### Minnesota Unemployment Insurance Claims

	Total	Construction
Jul-06	18,046	3,267
Jul-07	19,158	4,221
Jul-06	15,948	3,735
Jul-07	17,301	4,792

Source: MN DEED

### Minnesota Weekly Retail Gasoline Prices

Regular Grade, per Gallon	
9/3	3.064
9/10	2.992
9/17	2.846

Source: Energy Information Administration

## Fast Stat

### Fastest Growing Counties in the US

County	2005-2006 Growth
1. Pinal County, AZ	16.6%
2. Sumter County, FL	13.6%
3. Kendall County, IL	9.7%
4. Lee County, FL	9.1%
5. Flagler County, FL	9.0%
6. Culpeper County, FL	9.0%
7. Pearl River County, MS	9.0%
8. Rockwall County, TX	8.6%
9. Dallas County, IA	8.4%
10. Forsyth County, GA	7.8%
11. Washington County, UT	7.7%
12. Horry County, SC	7.6%
13. Paulding County, GA	7.6%
14. Osceola County, FL	7.5%
15. St. Johns County, FL	7.4%

Source: US Census Bureau

### MN Unemployment Rate

US Avg 4.6%

Month	Rate
Apr-07	4.6%
May-07	4.2%
Jun-07	4.5%
Jul-07	4.3%
Aug-07	4.2%

Source: MN DEED

### MN Employment

Total Non-Farm

Month	Total
Apr-07	2,769,984
May-07	2,812,441
Jun-07	2,838,285
Jul-07	2,795,765
Aug-07	2,794,446

Source: MN DEED

### MN Construction Employment

0.59% of Total Employment

Month	Total
Apr-07	14,983
May-07	15,669
Jun-07	16,828
Jul-07	16,828
Aug-07	16,381

Source: MN DEED

### Construction Weekly Wage

Production Worker, Averaged

Month	Wage
Apr-07	947.78
May-07	984.14
Jun-07	1,021.72
Jul-07	1,004.49
Aug-07	1,013.86

Source: MN DEED

## National Statistics

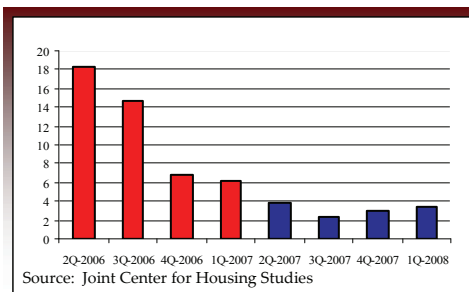
### Commodities Month End Settlement Prices

	6/29	7/31	8/31
Light Crude Oil (Day)	69.57	78.21	73.36
Copper—High Grade (Day)	342.95	365.35	335.35
Lumber	280.50	279.50	259.70

Source: Anne Burden's Future's Guide

### Leading Indicator for Remodeling

Annualized Growth Rate by Quarter



Source: Joint Center for Housing Studies

### US Housing Units Authorized

	Total	Y-Y Change
May-06	184,470	
May-07	144,440	-21.7%
Jun-06	180,178	
Jun-07	131,908	-26.8%
Jul-06	145,463	
Jul-07	120,126	-17.4%
Aug-06	158,815	
Aug-07	122,290	-23.0%
2007 YTD	1,014,196	

Source: US Census Bureau

## IN THE NEWS...

The Federal Open Market Committee decided to lower its target for the federal funds rate 50 basis points to 4-3/4 percent.

Economic growth was moderate during the first half of the year, but the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally. The action is intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time.

### Remodeling Market Indices

	Current Conditions	Future Expectations
2Q 2006	45.6	2Q 2006 43.5
2Q 2007	44.8	2Q 2007 44.1

Source: National Association of Home Builders

### Monthly Construction Spending

(in 000's)

	Total Private Construction	Residential (including improvement)	New Single-Family	New Multi-Family
Jun-06	946,249	650,928	427,119	51,829
Jun-07	886,292	541,763	315,779	50,290
Jul-06	936,545	636,624	413,524	51,731
Jul-07	880,070	534,038	308,815	49,759

Source: US Census Bureau/US Dept of Commerce

## US Census Bureau Releases Housing Unit Estimates

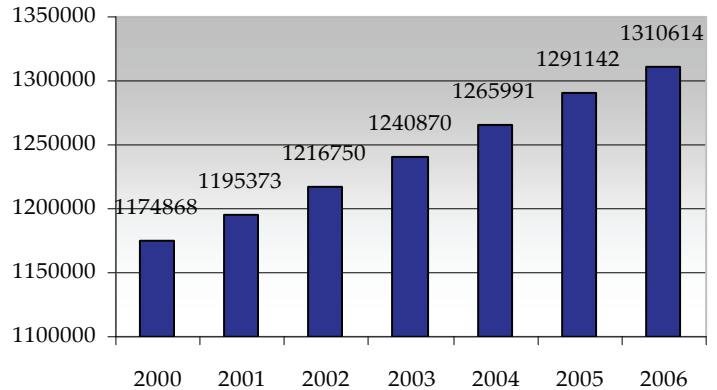
### Housing Unit Estimates by County

As of July 1, 2006

	2006 Estimates	2005—2006 Growth	2000—2006 Growth
Anoka County	123,308	1.75%	13.55%
Carver County	32,616	2.94%	29.33%
Chisago County	19,004	1.67%	21.07%
Dakota County	153,598	1.51%	14.18%
Hennepin County	495,993	0.79%	5.57%
Isanti County	15,380	3.42%	26.67%
Ramsey County	213,814	0.32%	3.48%
Scott County	44,172	3.75%	37.44%
Sherburne County	31,013	3.82%	34.15%
Washington County	87,078	2.99%	17.40%
Wright County	46,747	4.66%	34.46%
Pierce County (WI)	15,352	1.62%	13.37%
St. Croix County (WI)	32,539	3.61%	32.76%

Source: US Census Bureau

### Twin Cities Metro Housing Unit Growth



Full Data Set Available: <http://www.census.gov/popest/estimates.php>

### Upcoming Event

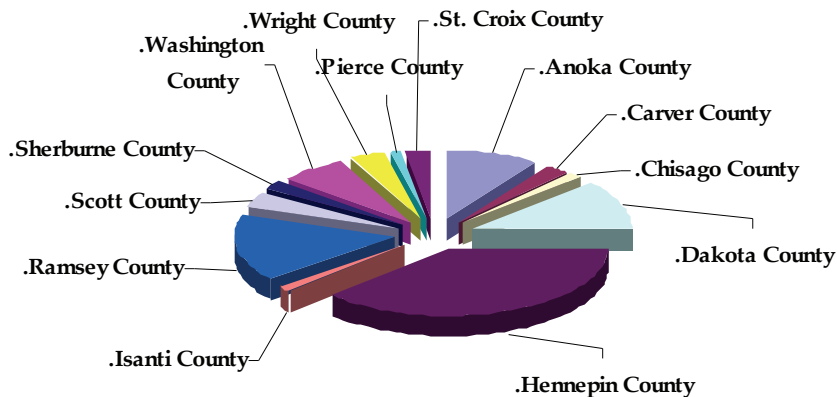
The NAHB Construction Forecast Conference Webcast is where facts, insights, and analysis come straight from the "voice of the housing industry." Presented by the National Association of Home Builders (NAHB), the NAHB Construction Forecast Conference is sponsored by NAHB's National Council of the Housing Industry (NCHI), Wells Fargo, HousingEconomics.com and the NAHB University of Housing Sponsor, Countrywide Home Loans, National Builder Division.

Save the date to join us at BATC for a live Webcast of the conference October 24, 2007. For more information, contact Kimberly Lockwood via email [kimberly@batc.org](mailto:kimberly@batc.org) or by phone 651.697.1954

### Market Briefs

- According to the Minneapolis Area Association of REALTORS, the number of new listings on the market in August was down 7.9 percent from August 2006, the seventh consecutive month of year-over-year declines in listings. Year-to-date, there has been 3.2 percent less placed on the market than this time in 2006.
- The US House of Representatives recently passed legislation to implement reforms to the Federal Housing Administration's single-family mortgage insurance programs that would enable more working families to become home owners. H.R. 1852, the Expanding American Homeownership Act of 2007, was approved by a strong bipartisan margin of 348 to 72. The House-passed bill must now be reconciled with legislation pending in the Senate Banking Committee, which is expected to consider its FHA reform bill tomorrow.

### Chart of the Month: Housing Units Estimated as a Part of Metro Total



Continued from page 1...

### August Building Activity...

Unfortunately, many buyers are confusing facts and opinions in their research.

"When it comes to claims about the market, the one thing we've found is that there are a lot of misinformed opinions out there," says Noonan. "Anybody interested in buying a new home should seek out information and make a decision that is right for them. Individuals and families are continuing to see the benefit of purchasing a new home, notwithstanding current market conditions."

Minneapolis continues to lead the metro in year-to-date building activity with 748 units permitted. St. Paul ranks second with 377 units permitted, followed by Woodbury with 336, Lakeville with 307, and St. Louis Park with 227.