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Builders Look for Market to Flatten

Roseville, MN (July 10, 2007) – In the first half of 2007, homebuilders in the Twin Cities worked through a notable market adjustment. Compared through the same point a year ago, this year’s building activity is down slightly more than 31 percent. Many builders are looking towards the second half of the year as another phase of the adjustment – a flattening out.

According to statistics compiled by the Keystone Report for the Builders Association of the Twin Cities (BATC), there were a total of 773 units permitted in June 2007, down from 1,176 units permitted in the same month a year ago. Year-to-date activity continues to lag last year, with a total of 4,523 units permitted thus far, down from 6,585 units permitted through the same point last year.

While the first half of 2007 continued an adjustment began last year, forecasts are beginning to show that the second half may be a flattening out says 2007 BATC President Michael Noonan.

“The next six months will be a telling sign of where our market is headed,” says Noonan. “According to a recent forecast by the National Association of Home Builders, the Twin Cities market may begin to flatten out over the remainder of this year, then slightly rebound throughout 2008.”

Noonan cautions against expecting a sudden torrent of activity. Instead, the market will return slowly to healthy and sustainable rates of production.

“It’s not practical to expect a record pace year after year,” says Noonan. “The rates of production during the first half of this decade were unsustainable and an adjustment was needed to bring this market back into alignment.”

Minneapolis leads the metro in year-to-date activity with 410 units permitted. St. Paul ranks second with 368 units permitted, followed by Woodbury with 250, Lakeville with 179, and Chaska with 161.

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June 2007 Building Activity

	Permits	Permitted Units	Permit Value
January	379	896	167,615,138
February	305	580	119,839,736
March	330	443	122,163,105
April	486	895	188,770,051
May	534	753	172,815,704
June	592	773	174,981,932

5-Year Comparisons

	Permits	Permitted Units	Permit Value
Jun 2003	1,101	1,766	290,018,324
Jun 2004	1,078	1,731	298,091,409
Jun 2005	1,104	1,810	318,773,078
Jun 2006	763	1,176	264,691,133
Jun 2007	592	773	174,981,932

	Permits	Permitted Units	Permit Value
YTD 2003	5,261	8,889	1,432,324,297
YTD 2004	5,341	8,440	1,521,373,871
YTD 2005	4,858	8,145	1,505,888,312
YTD 2006	4,155	6,585	1,376,802,716
YTD 2007	2,759	4,523	988,061,881

Multifamily Construction as a Percentage of Total Activity

Jan	Feb	Mar	Apr	May	Jun	YTD
62	51	33	52	36	31	45

June				Year-to-Date			
Permits		Units		Permits		Units	
Otsego	46	Otsego	46	Woodbury	180	Minneapolis	410
Maple Grove	29	Blaine	43	Lakeville	141	St. Paul	368
Blaine	28	Maple Grove	43	Otsego	122	Woodbury	250
Farmington	20	Farmington	38	Blaine	120	Lakeville	179
Chanhassen	19	Brooklyn Park	31	Maple Grove	116	Chaska	161
Lakeville	19						
Shakopee	19						

The Builders Association of the Twin Cities has contracted with Keystone Report, a local research firm, to maintain a database with information about new residential construction permits around the metropolitan area. After a builder has picked up the permit from a city, Keystone Report compiles and updates weekly residential housing permits by city for 70 percent of the metropolitan-area municipalities in the greater 13-county region. Planned units are the total number of housing units planned to be built under the permits issued (one permits is issued per building which may include more than one housing unit). Permit value does not include the land/lot costs.

*The reporting period for each month compares statistics over four weeks, while year-to-date statistics cover the first 26 weeks of the year 2007