Twin Cities
Housing Market Outlook
Fourth Quarter 2008

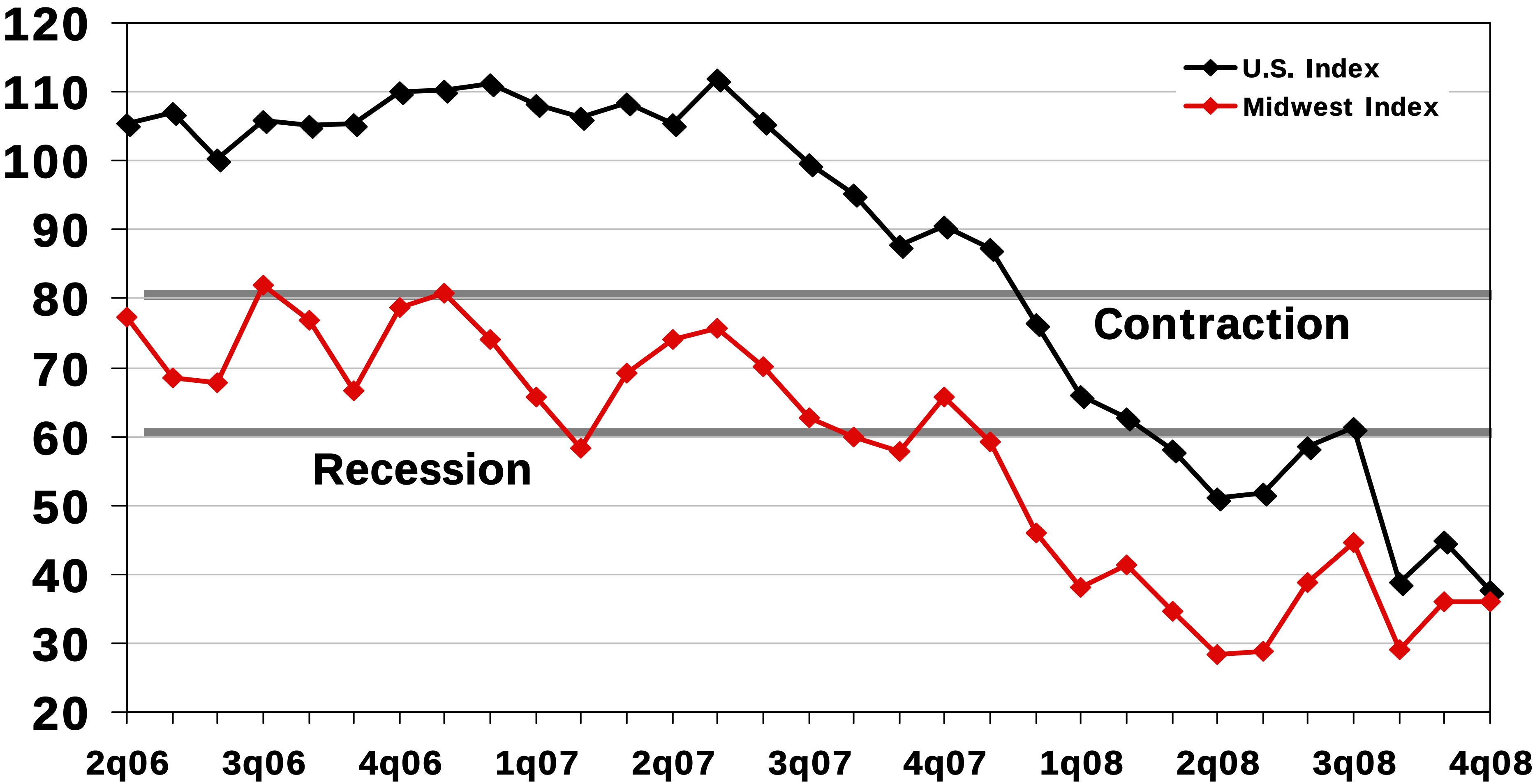
Metrostudy

- It's Not About Housing Anymore
- It's About the Economy
- No Job Growth – No Housing
- No Consumer Confidence – No Housing

- Home Prices Down
- Resale Inventory Down
- New Home Inventory Down
- Mortgage Rates Down
- Gas Prices Down
- Affordability Up

National Economy

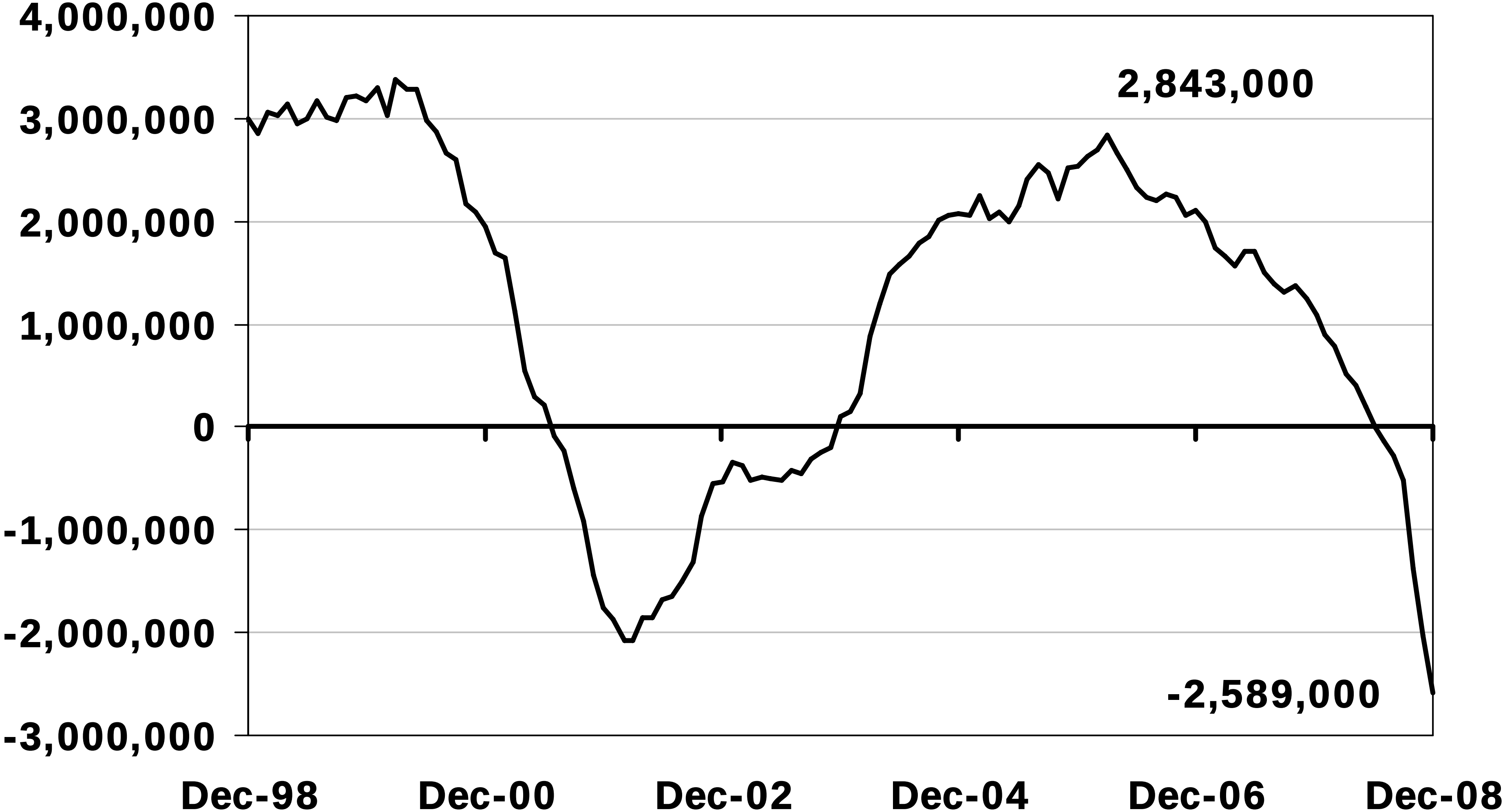
Consumer Confidence



Source: Conference Board

National Economy

U.S. Annual Job Growth – 12 month moving trend



4Q08

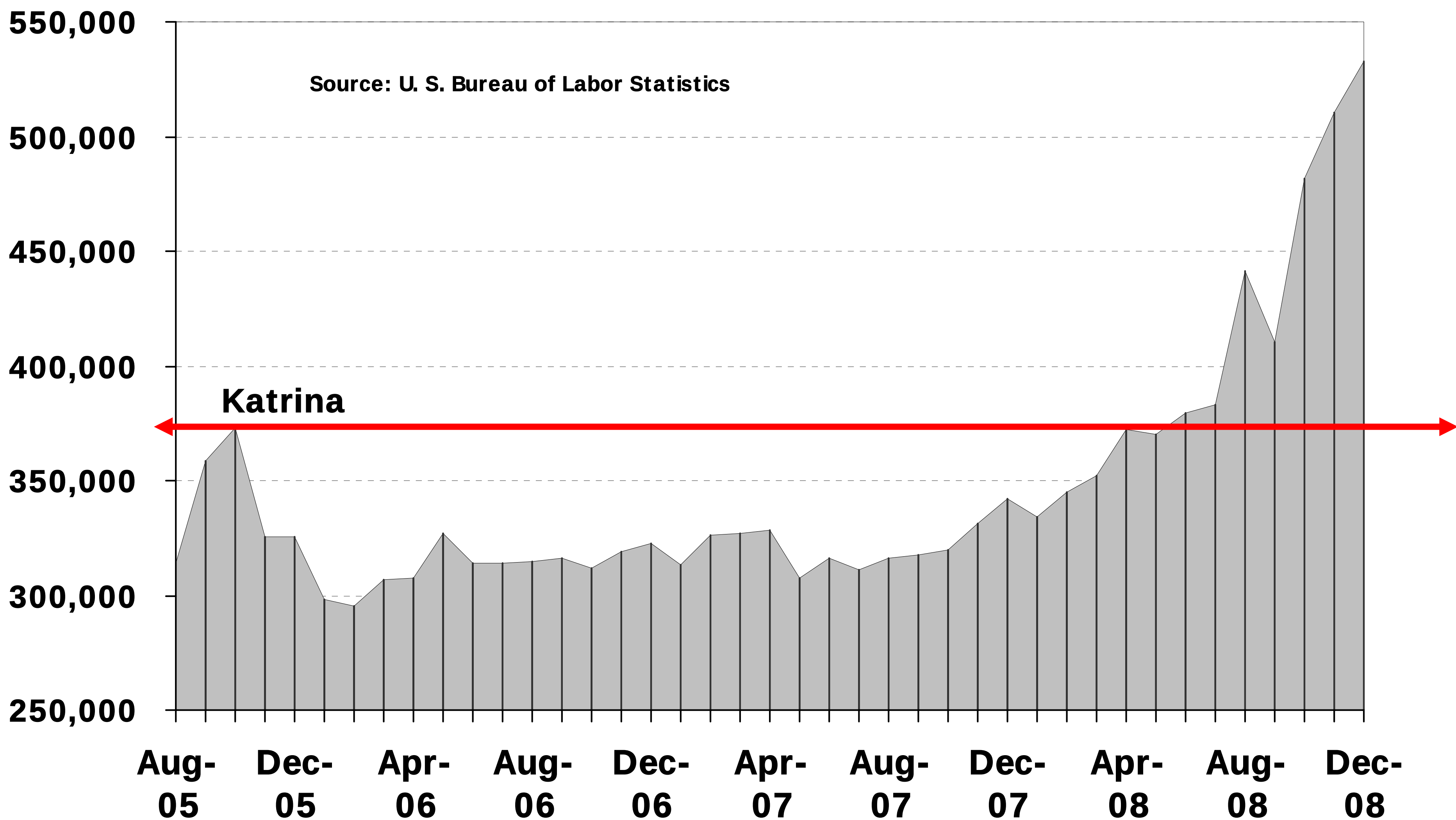
Source: Bureau of Labor Statistics

National Economy

US Unemployment Rate

Source: Bureau of Labor Statistics

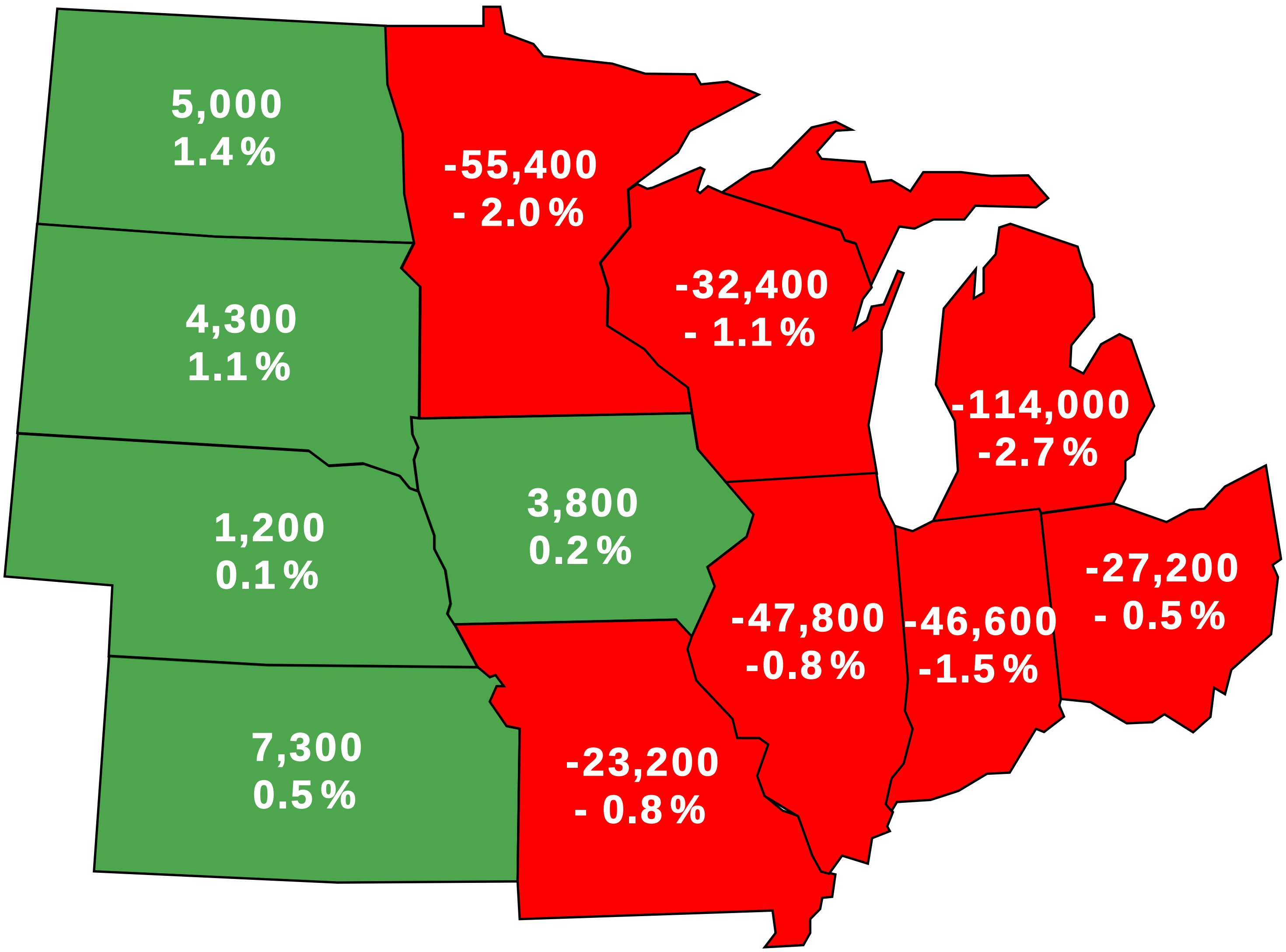
NATIONAL ECONOMIC OVERVIEW
Initial Unemployment Claims



Source: Bureau of Labor Statistics

National Economy

Midwest Job Growth – December



Source: MetrostudyUSA

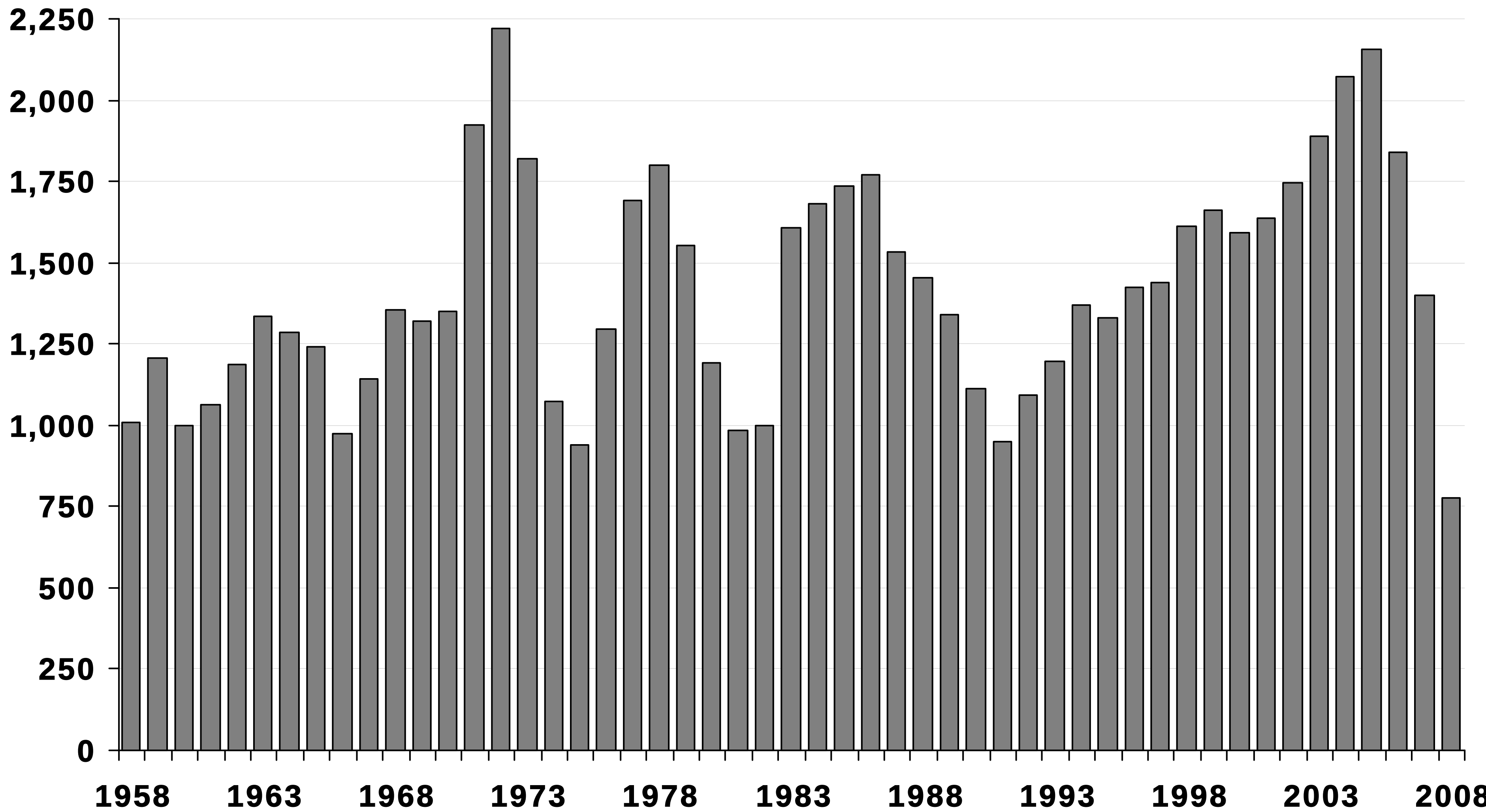
National Economy

US Single Family Permits

Source: U.S. Census Bureau

National Economy

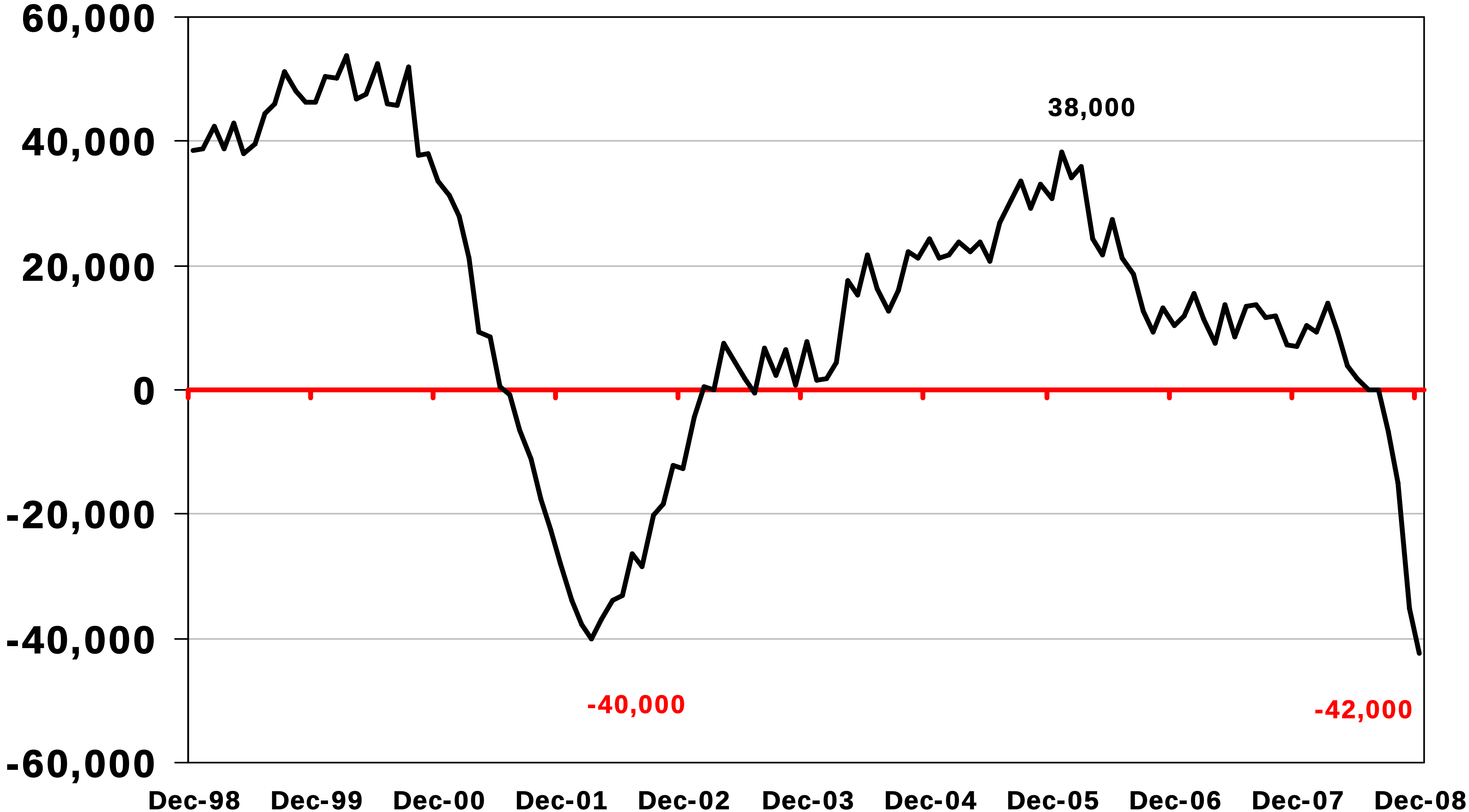
U.S. Housing Production – (SF & MF)



Twin Cities
Twin Cities Economy
2008 Q4

Twin Cities

Employment Totals – Moving 12-month Job Growth Trend



Source: DEED

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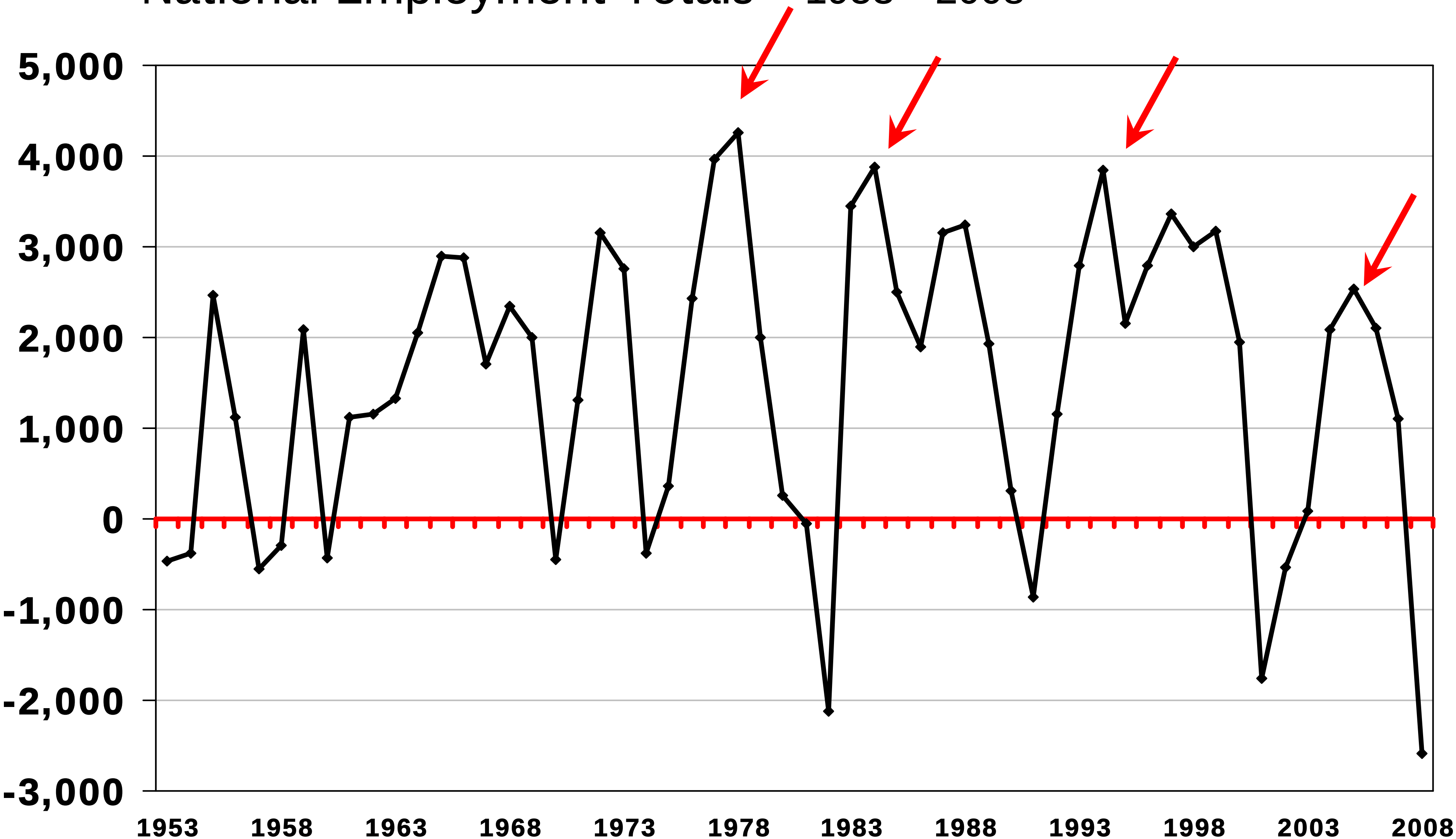
National Employment Totals – 1953 - 2008



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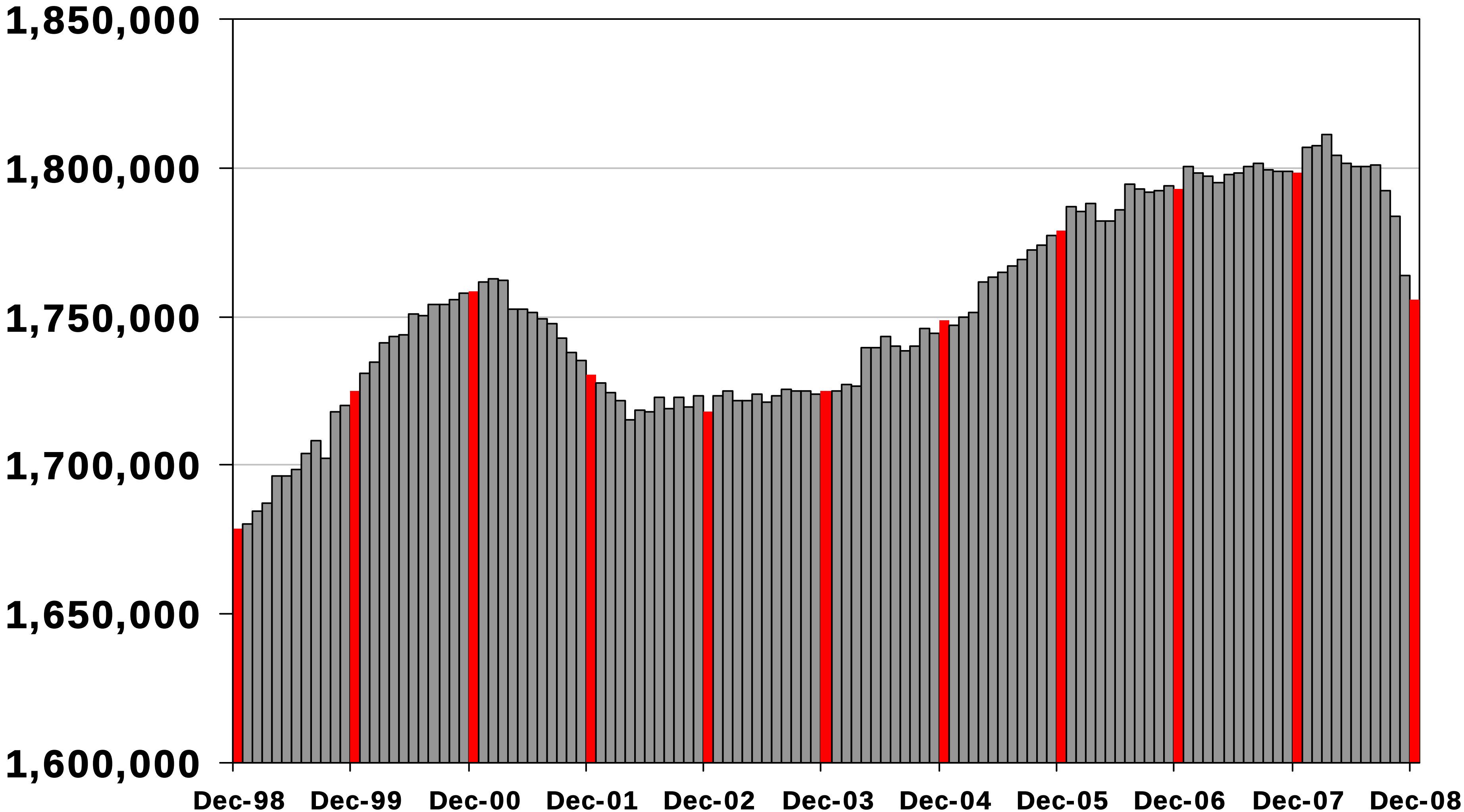
Employment Totals



Source: DEED

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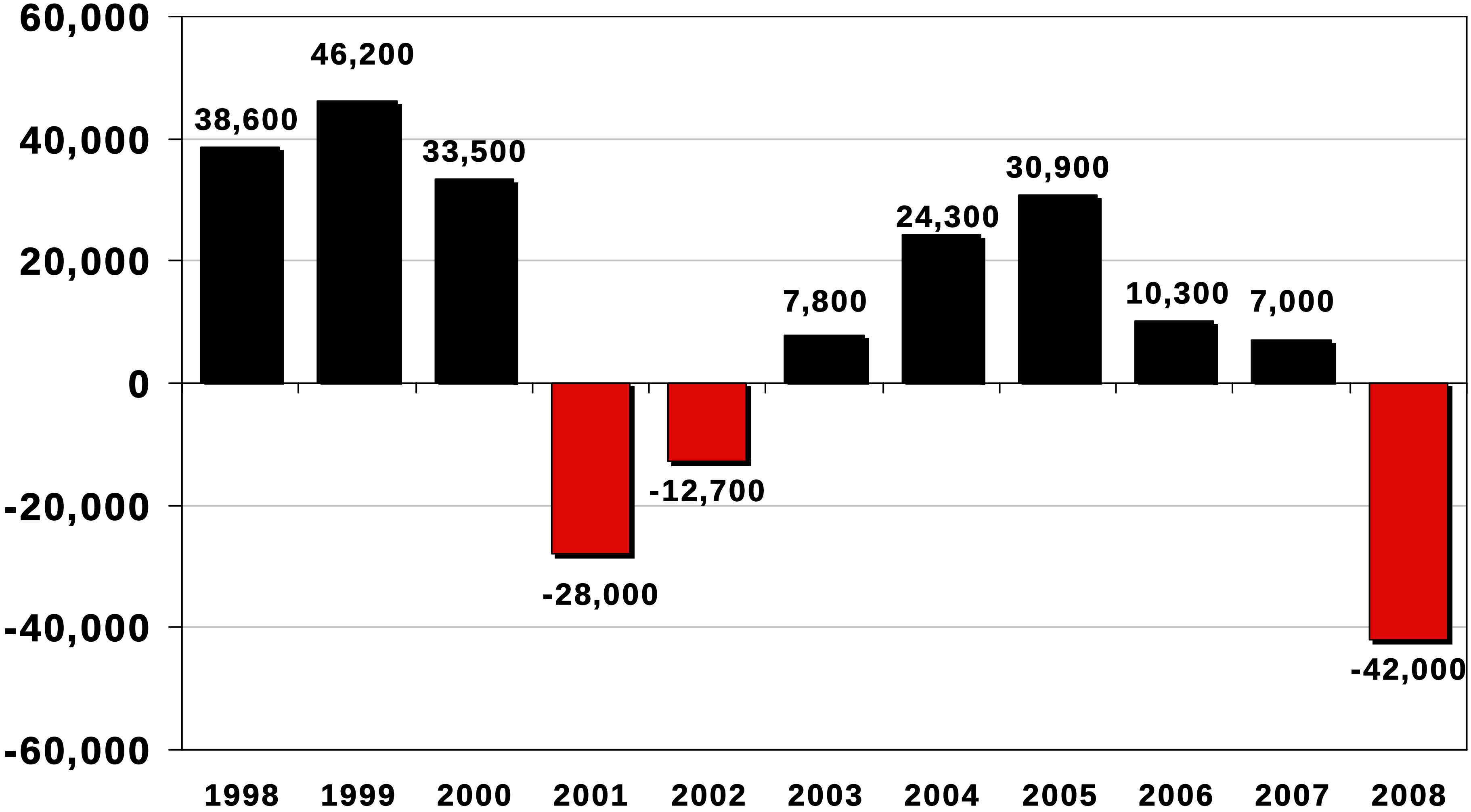
Annual Job Growth – Year by Year Jobs Gained & Lost



Source: DEED

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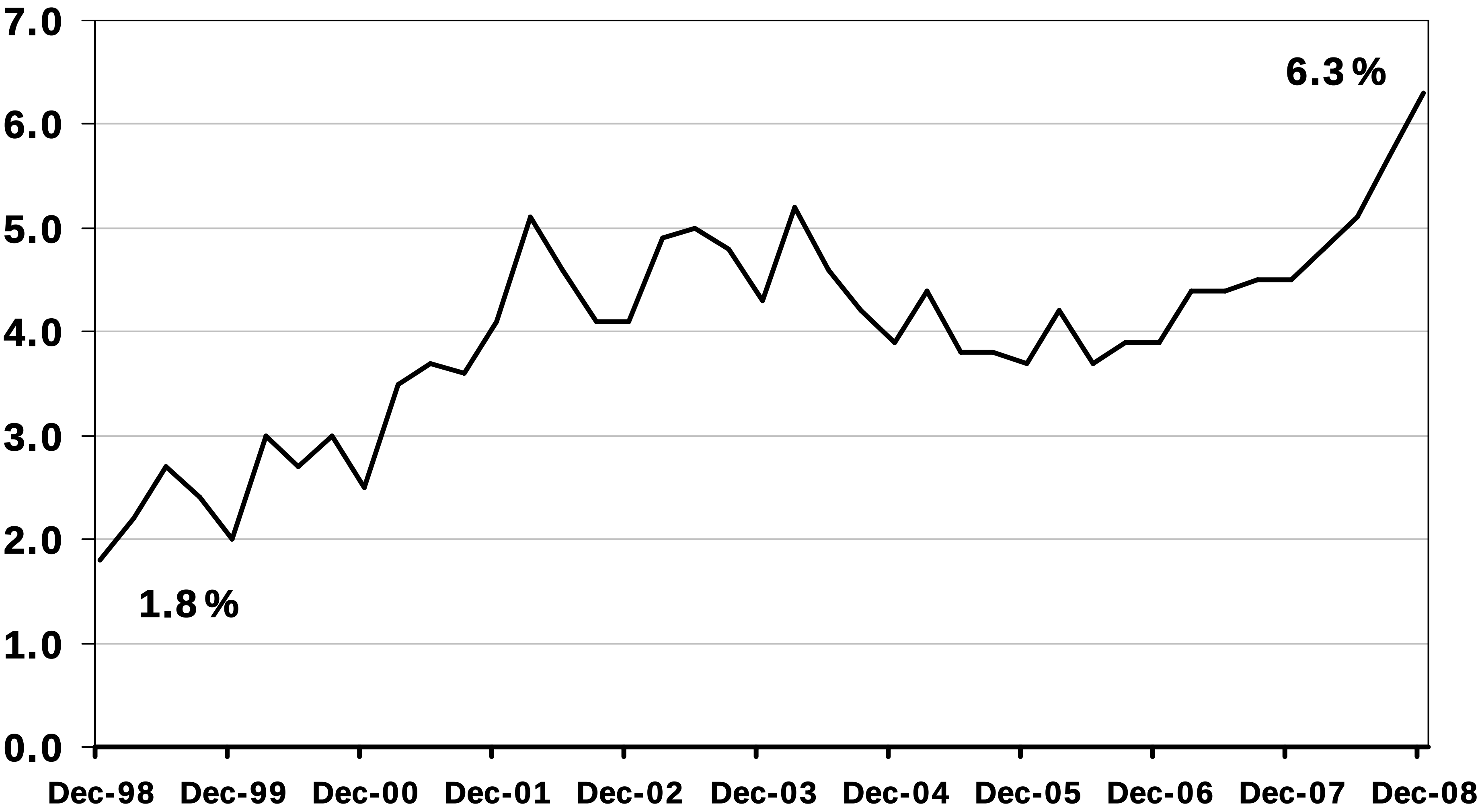
Unemployment Rate - Monthly

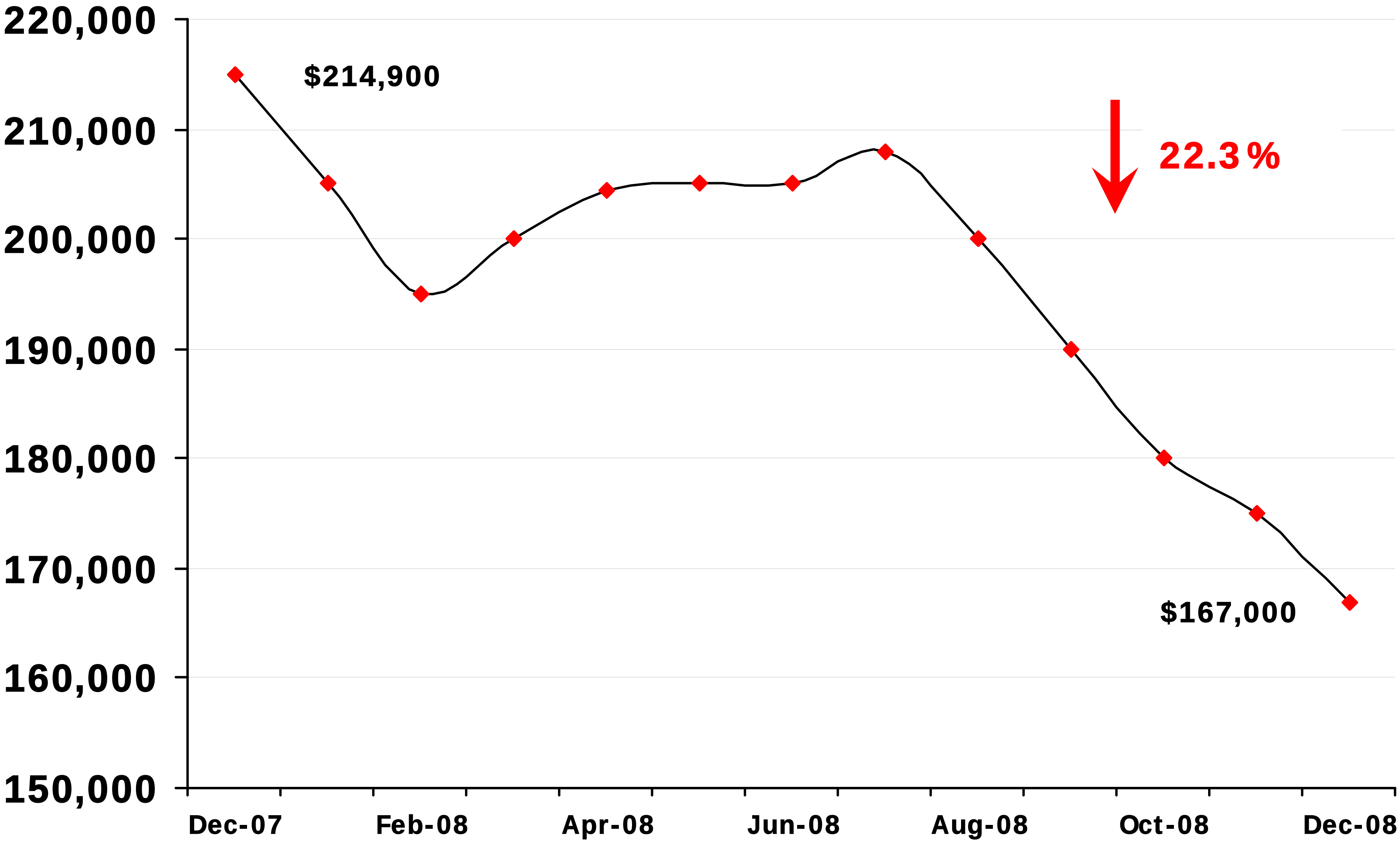


Source: DEED

Twin Cities Market
Resale Market
2008 Q4

Twin Cities

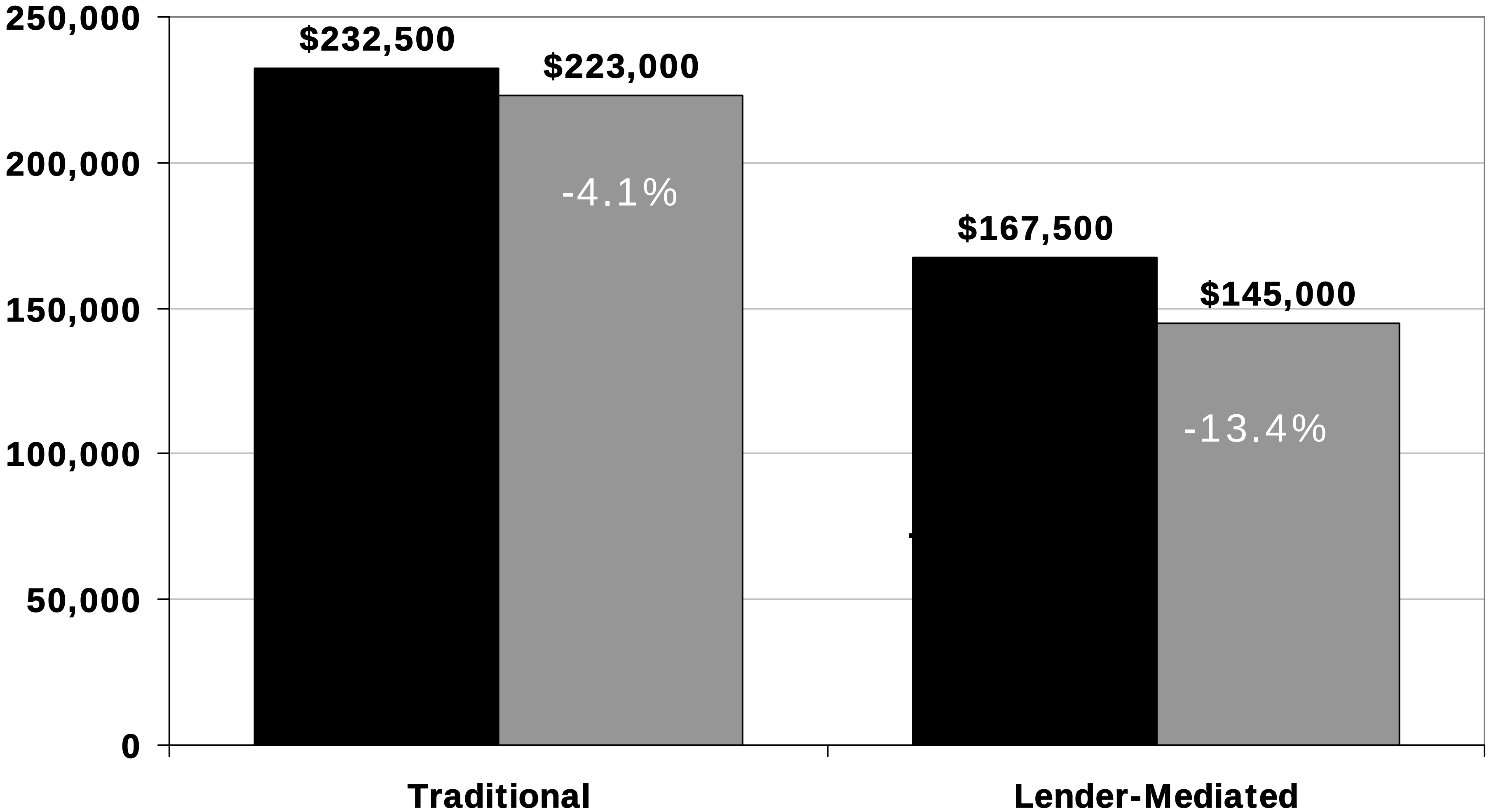
Resale Median Monthly Sales Price – 1 year 07' – 08'



Source: MAAR

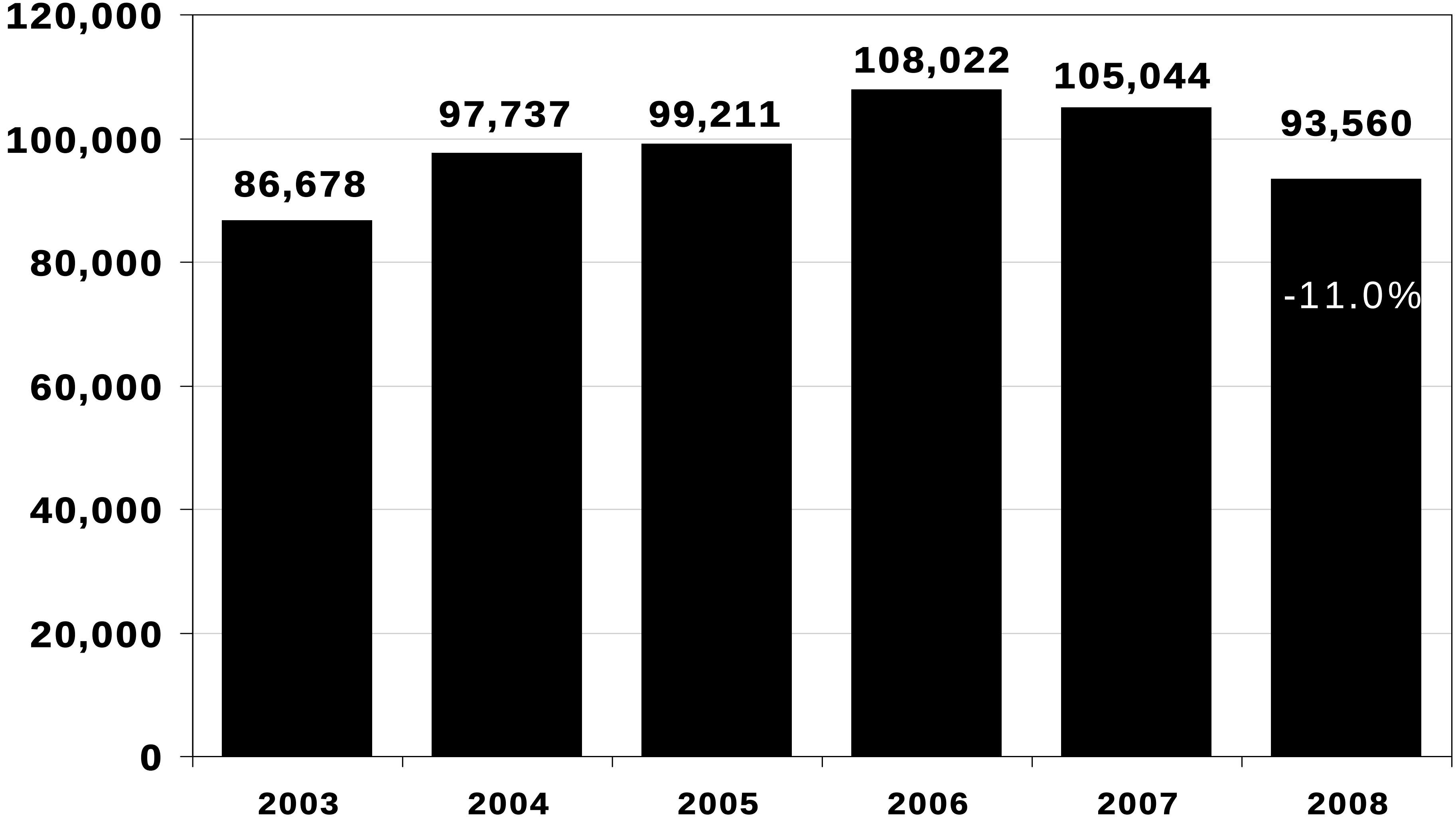
Twin Cities

Resale Median Sales Price – 2007 vs. 2008



Source: MAAR

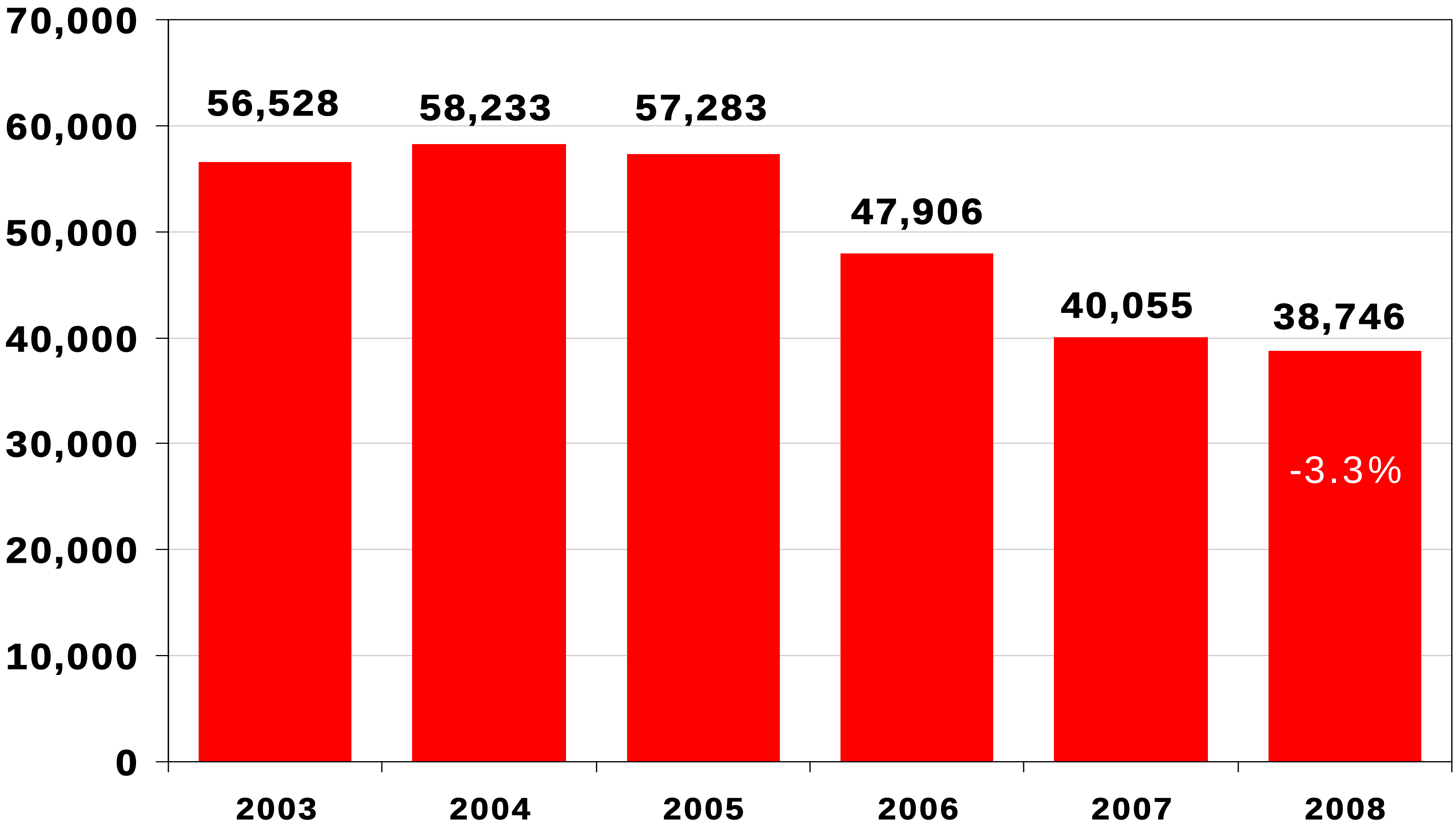
Twin Cities
Resale New Listings



Source: MAAR

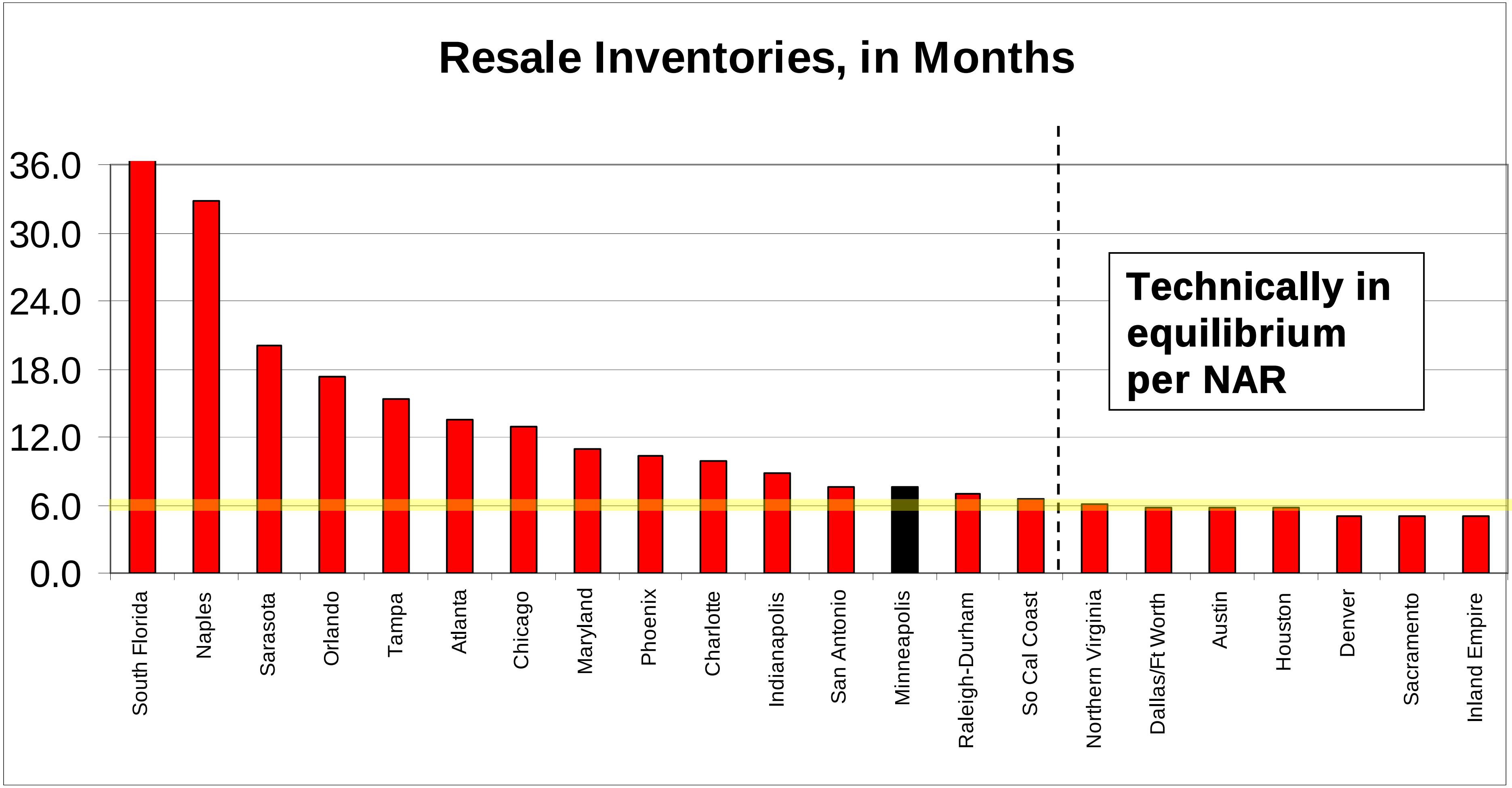
Twin Cities

Resale Closed Sales



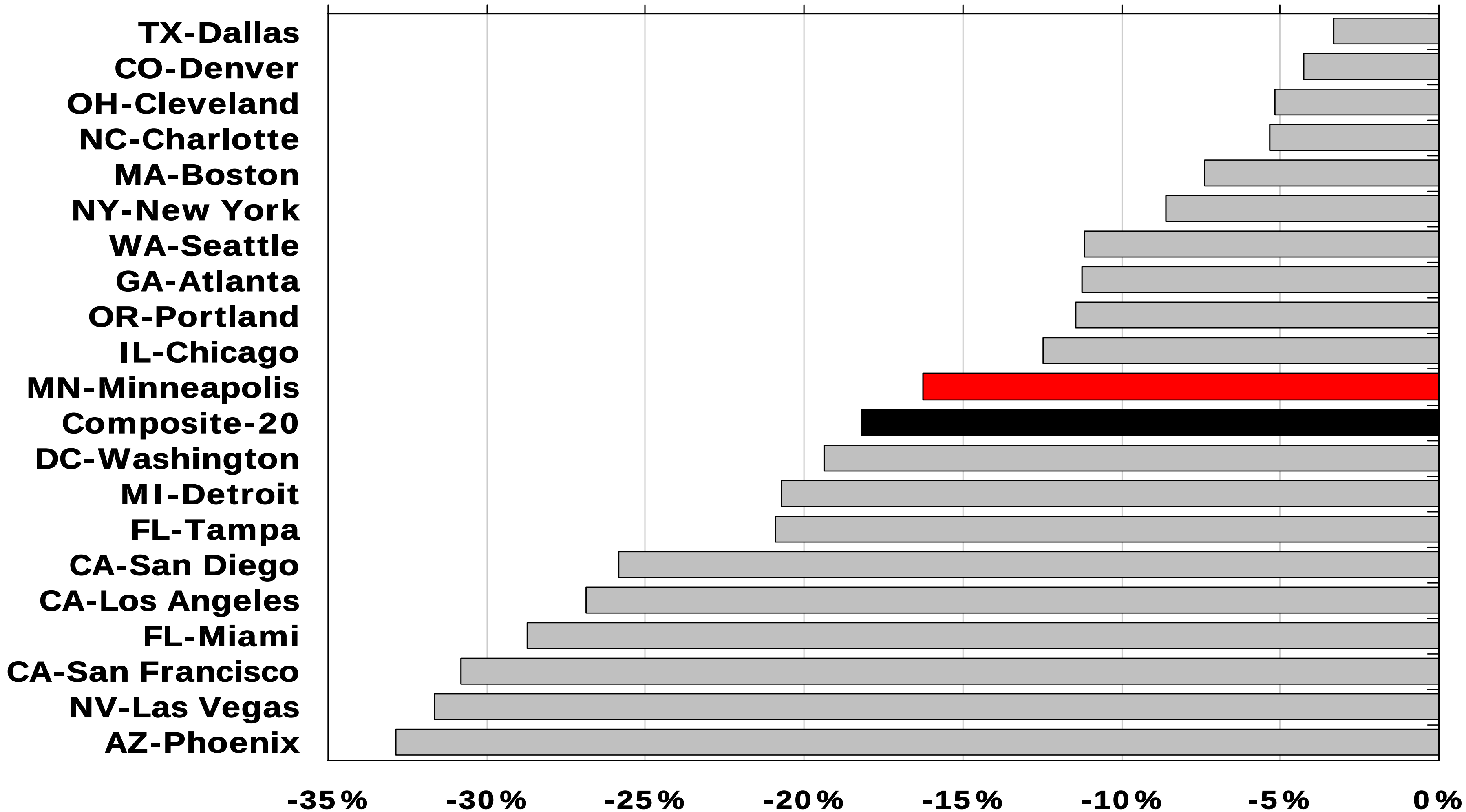
Source: MAAR

Twin Cities
Resale Inventory



National Economy

Year over Year Change in Home Values



Source: Case/Shiller

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Housing Starts Here

Twin Cities Market
New Home Activity
2008 Q4

Twin Cities

4Q08 Starts & Closings

The 4q08 Annual Rate of Starts is 4,122 units,
-44.9% v. 4q07 (7,480) & -12.7% v. 3q08 (4,724)

There were 759 Starts in 4q08,
44.2% decrease from 4q07 (1,361)

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The 4q08 Annual Rate of Closings is 6,712 units,
-30.6% v. 4q07 (9,677) & -10.7% v. 3q08 (7,520)

There were 1,383 Closings in 3q08,
36.9% decrease from 4q07 (2,191).

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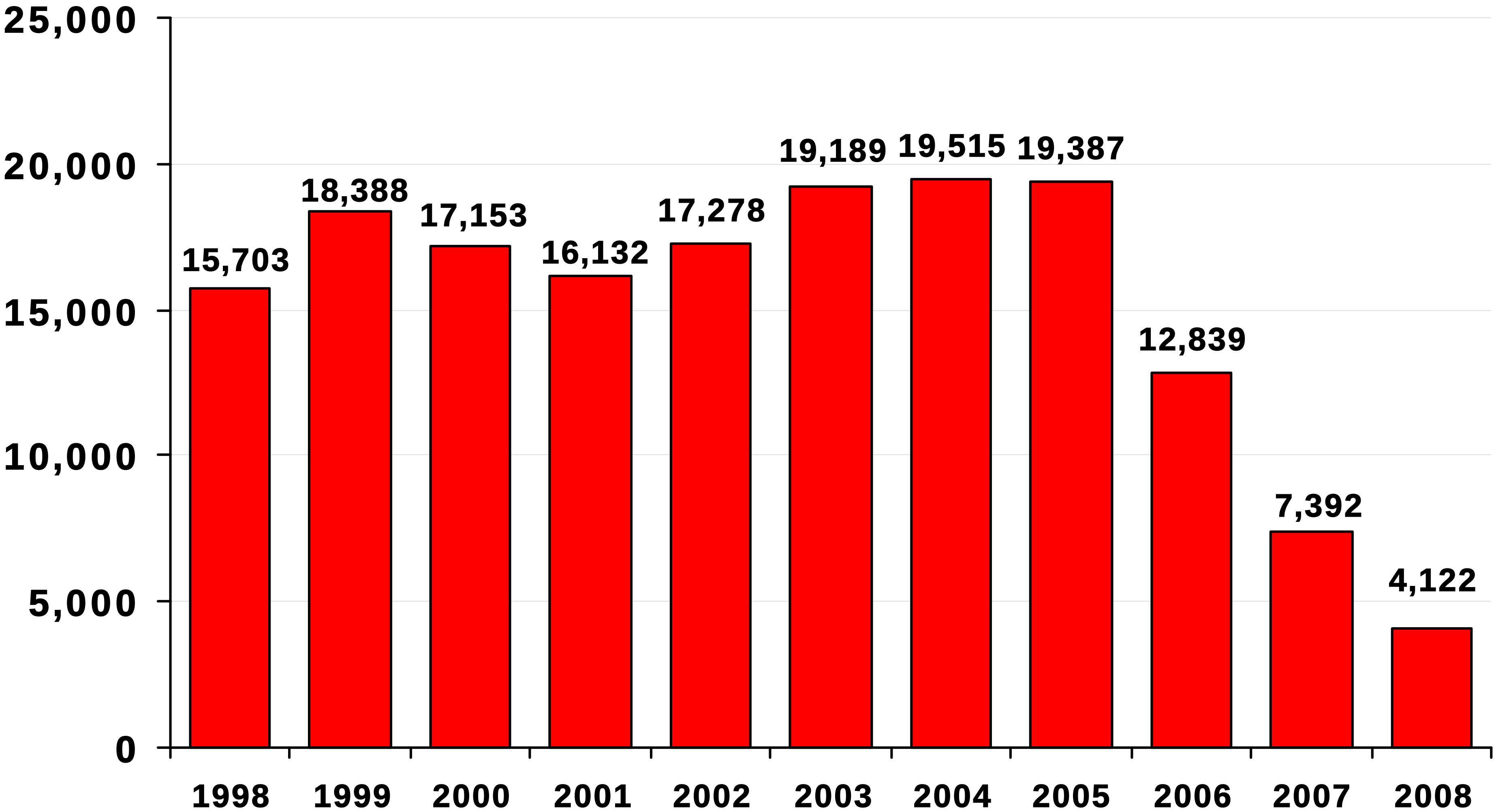
Annual New Homes Started – Year by Year



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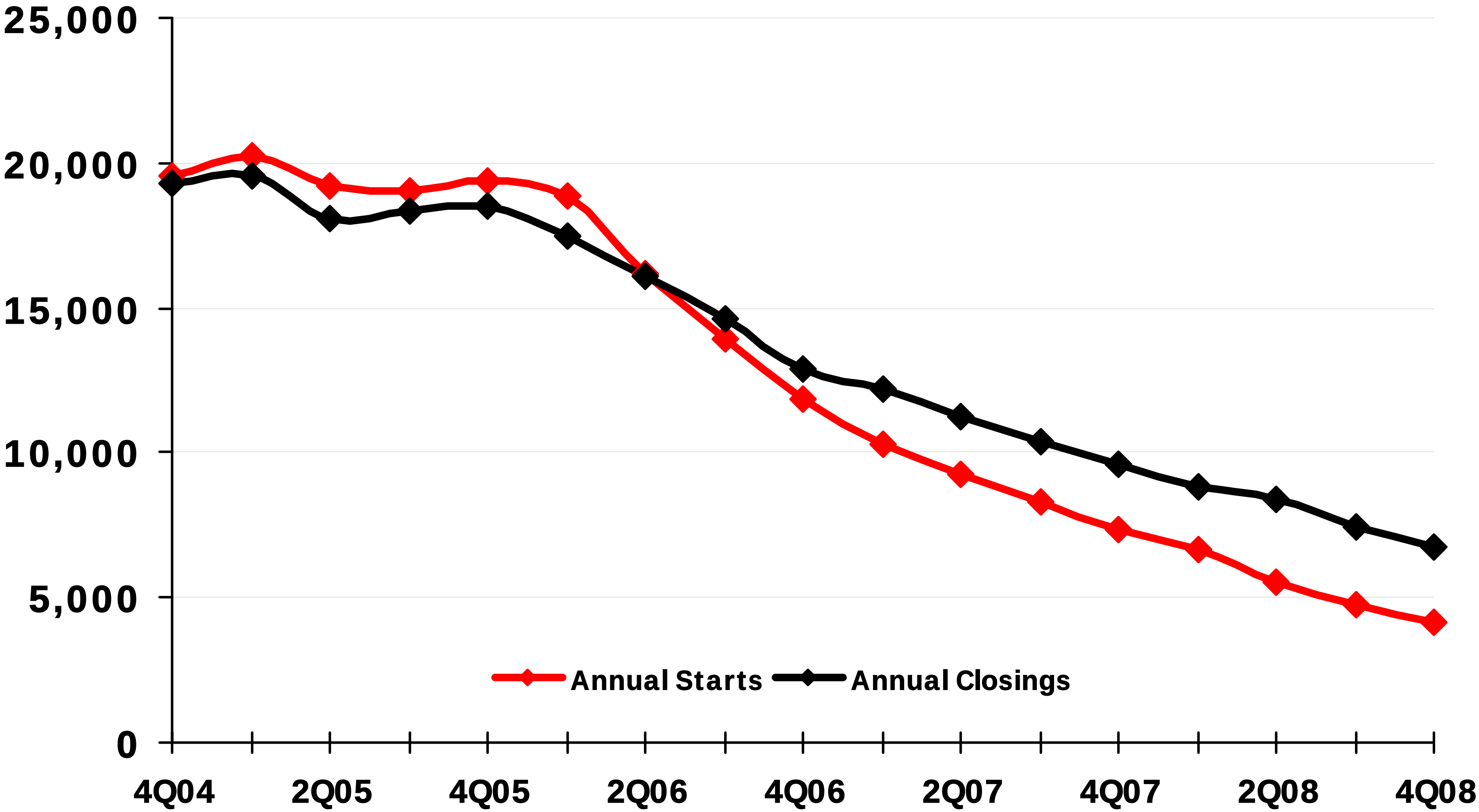
4Q08 Annual New Home Starts & Closings



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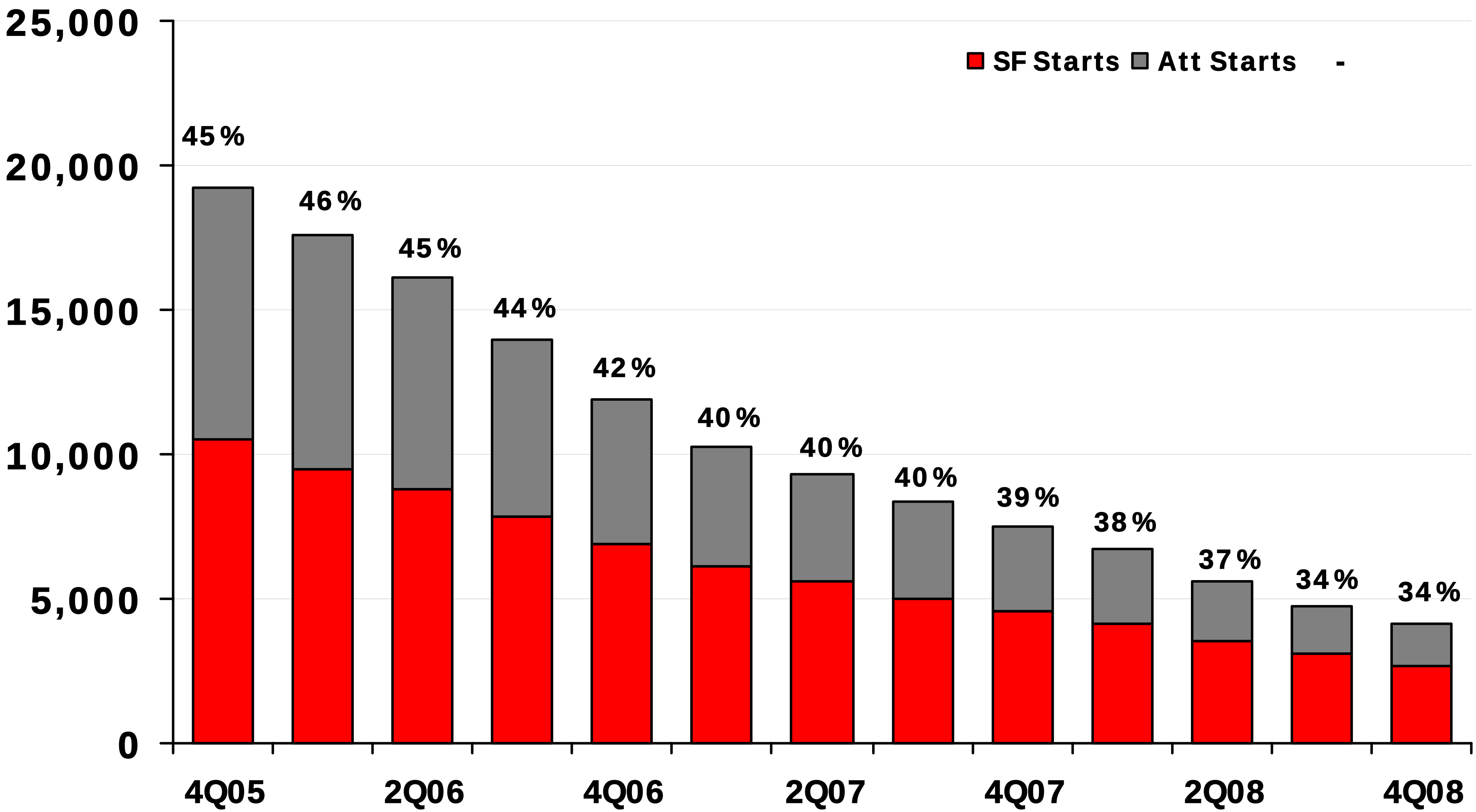
4Q08 Annual New Home Starts SF/Att



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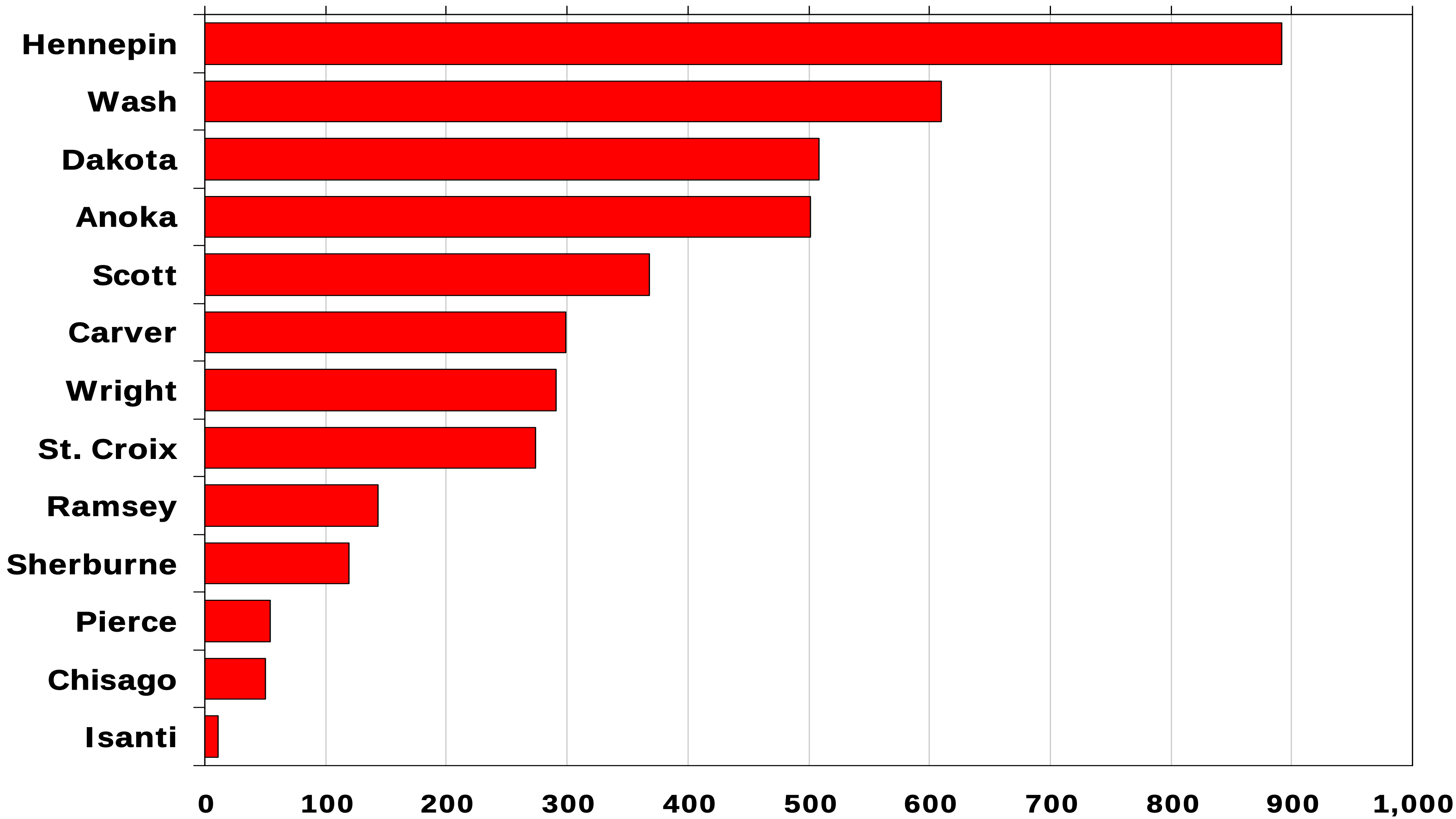
4Q08 Annual Starts by Submarket



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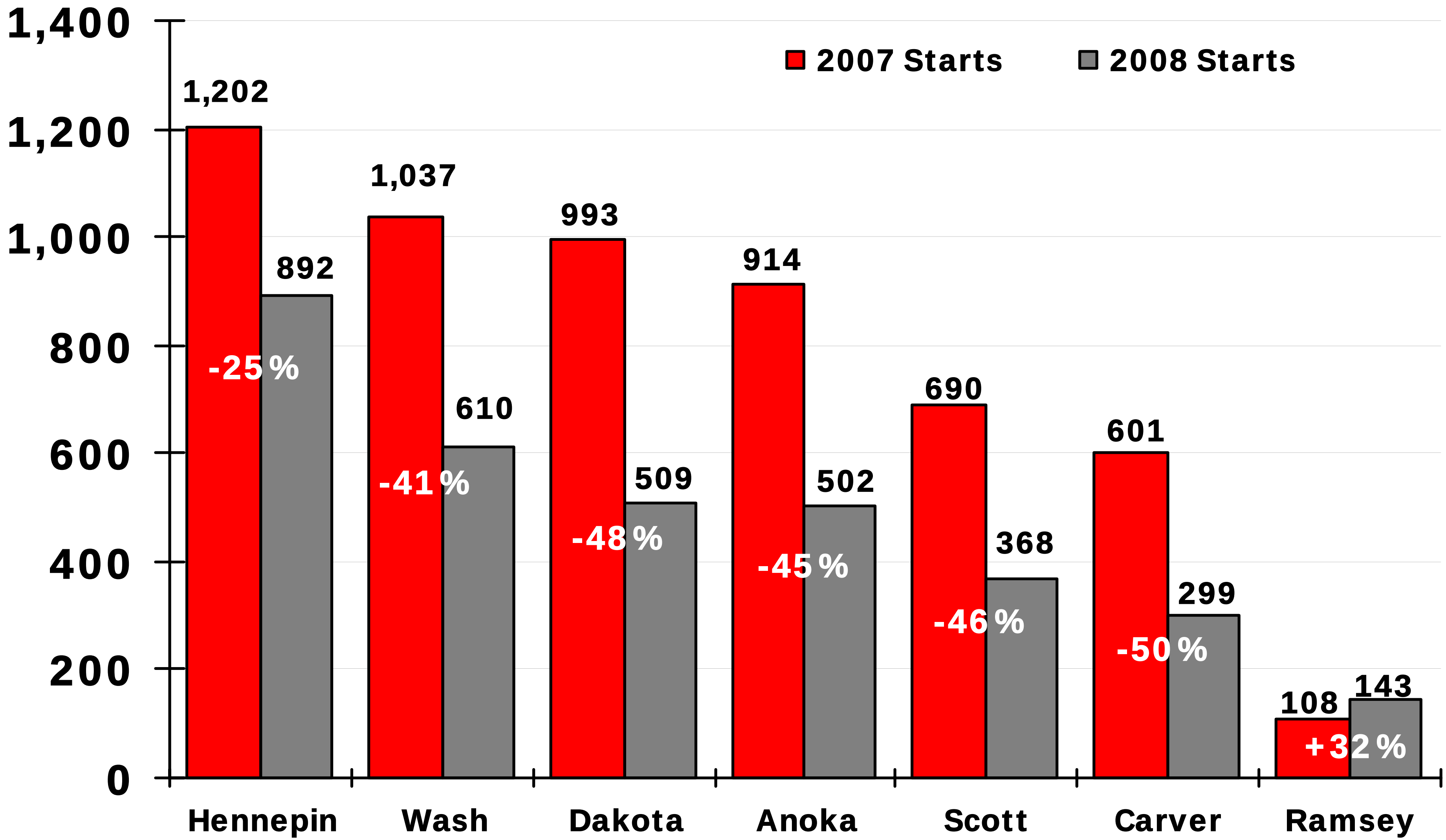
4Q08 Annual New Home Starts – 07' & 08' Comparison



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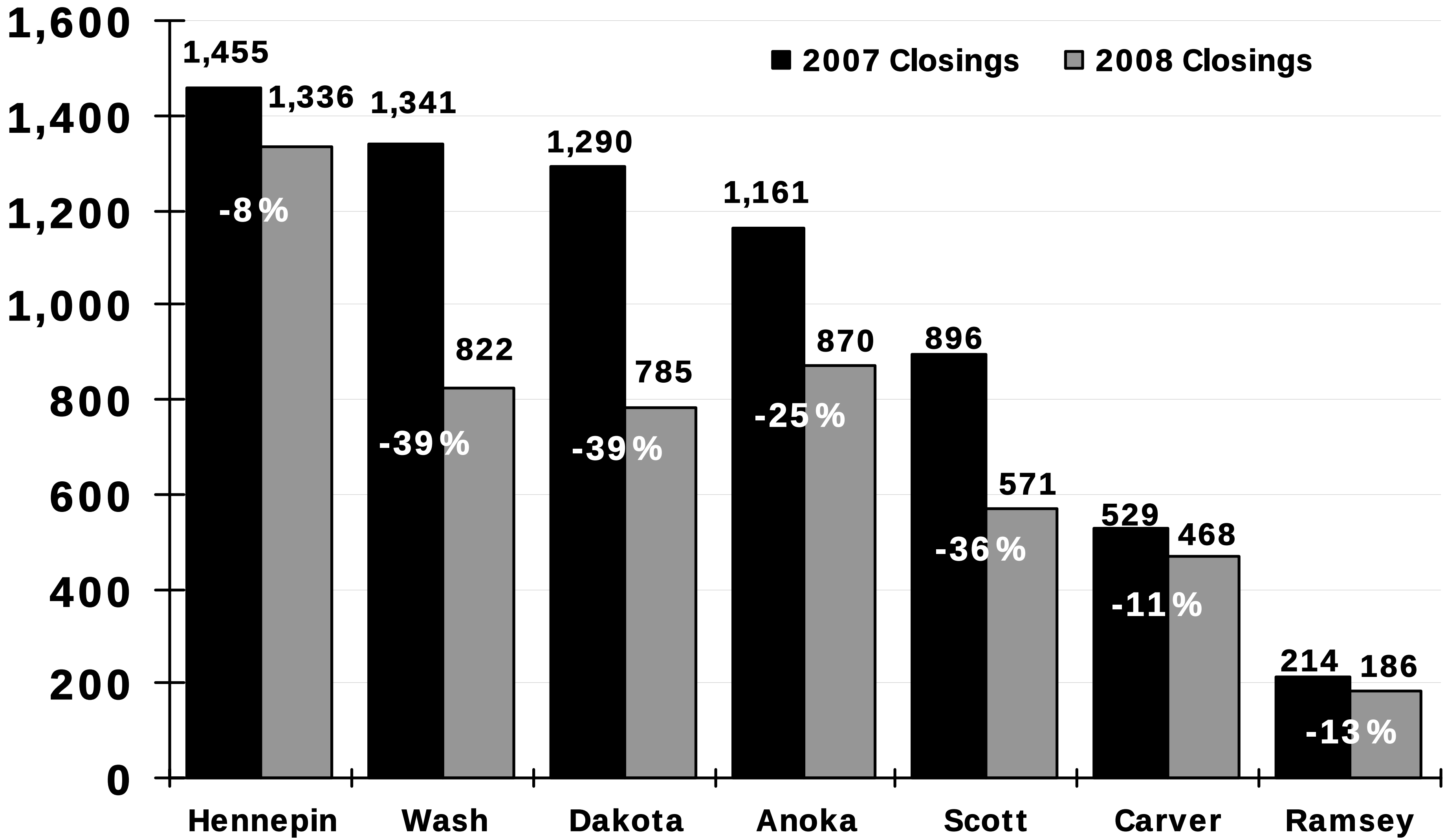
4Q08 Annual New Home Closings – 07’ & 08’



Twin Cities

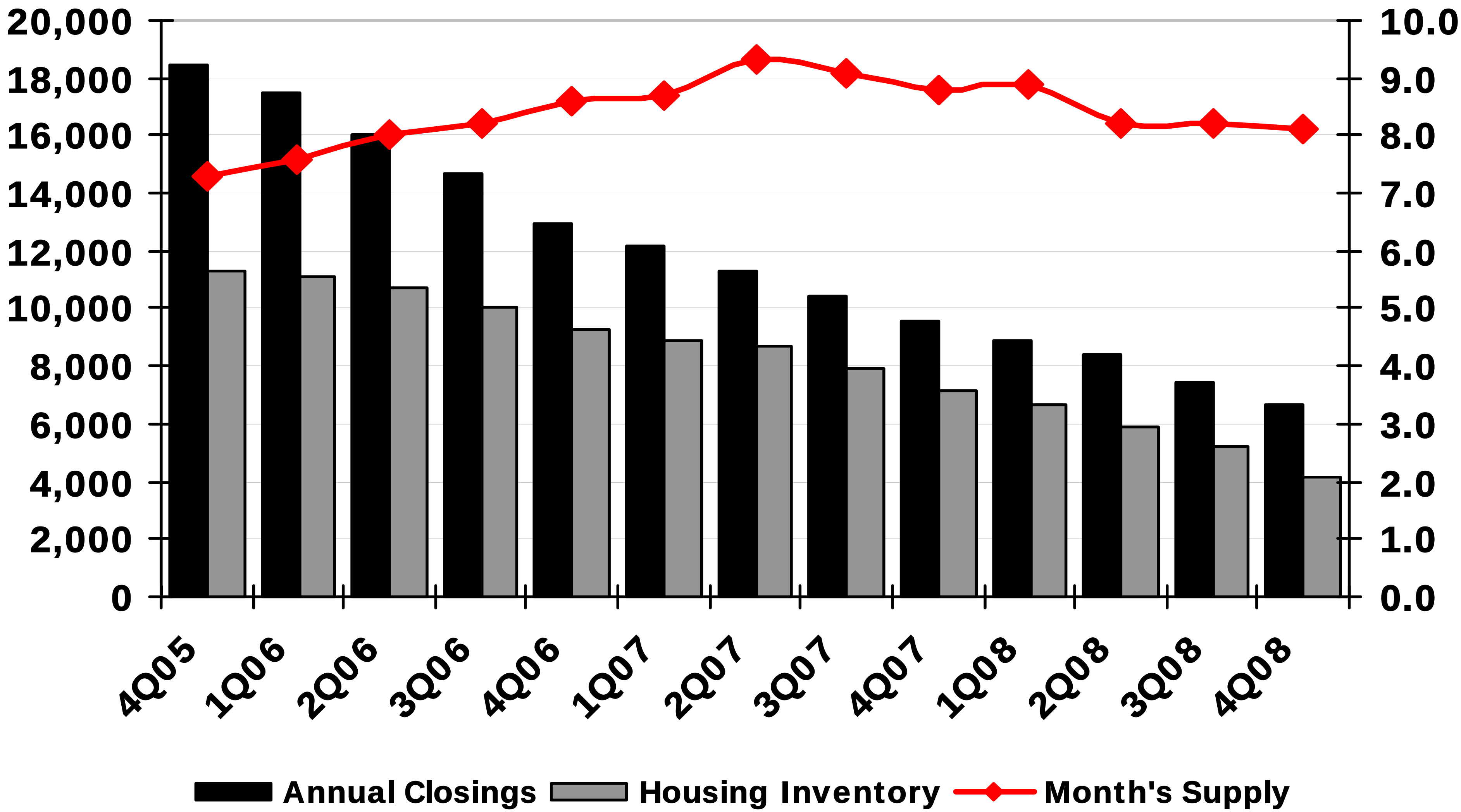
Annual Closing Activity by City

City	4Q07	4Q08	% Change
Maple Grove	242	374	54.55%
Chanhassen	127	141	11.02%
Plymouth	177	193	9.04%
Blaine	341	326	-4.40%
Chaska	60	56	-6.67%
New Richmond	188	147	-21.81%
Prior Lake	144	112	-22.22%
Brooklyn Park	312	237	-24.04%
Rosemount	194	135	-30.41%
Shakopee	265	174	-34.34%
Ramsey	250	161	-35.60%
Hugo	336	202	-39.88%
Eden Prairie	178	107	-39.89%
Lakeville	445	264	-40.67%
Woodbury	552	324	-41.30%

Twin Cities Market Housing Inventory 2008 Q4

Twin Cities

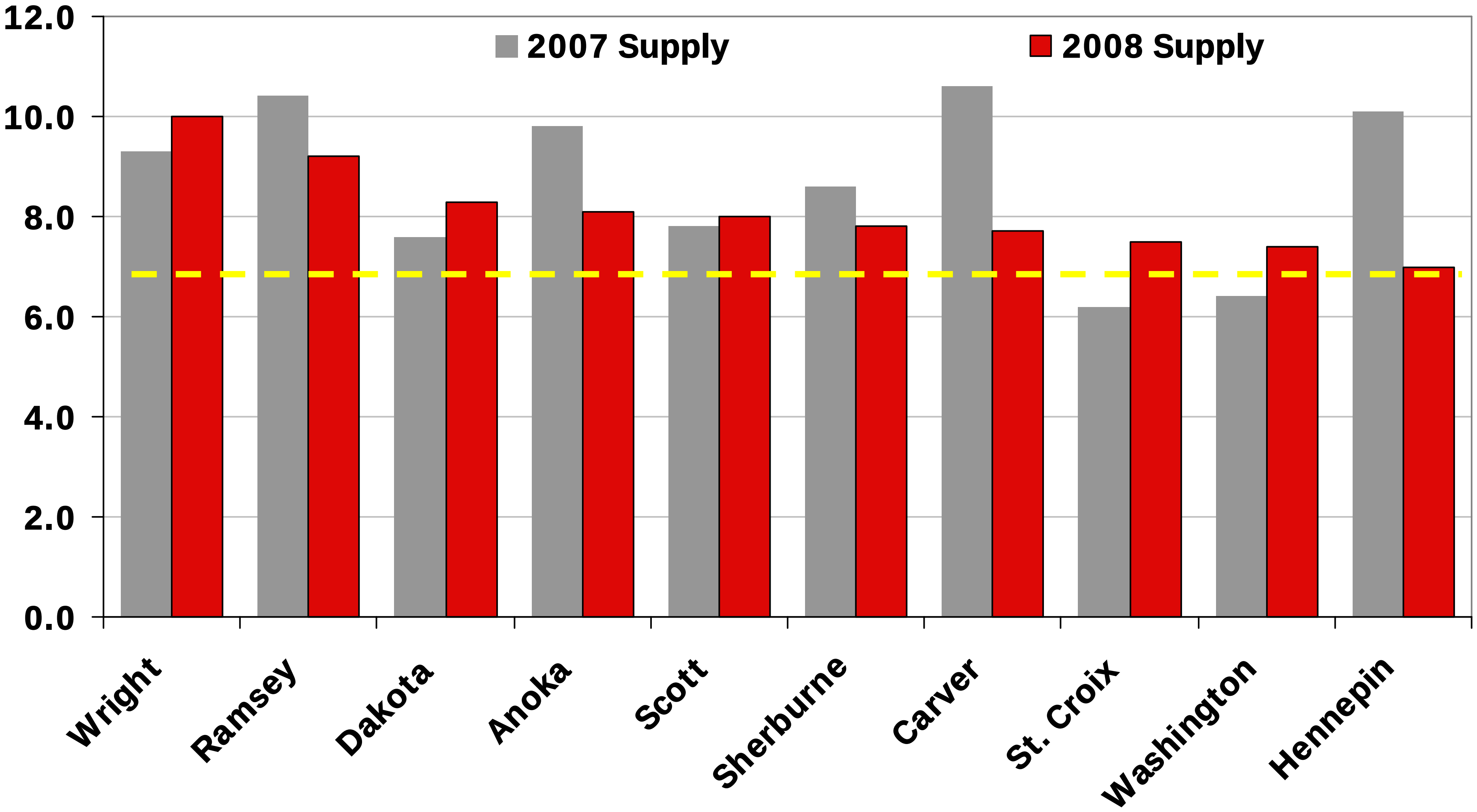
Housing Inventory



4Q08

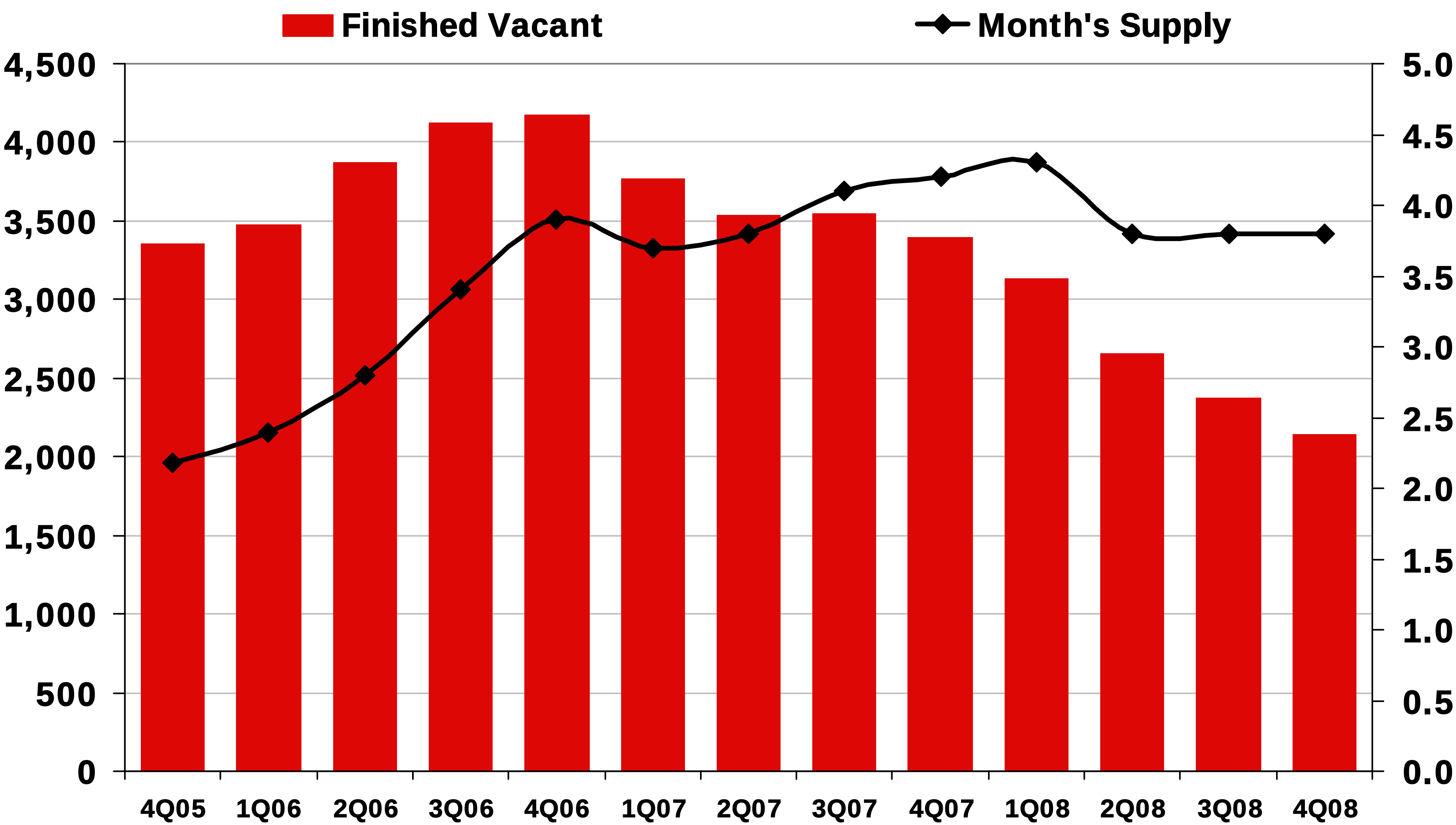
Twin Cities

Housing Inventory Months of Supply – County



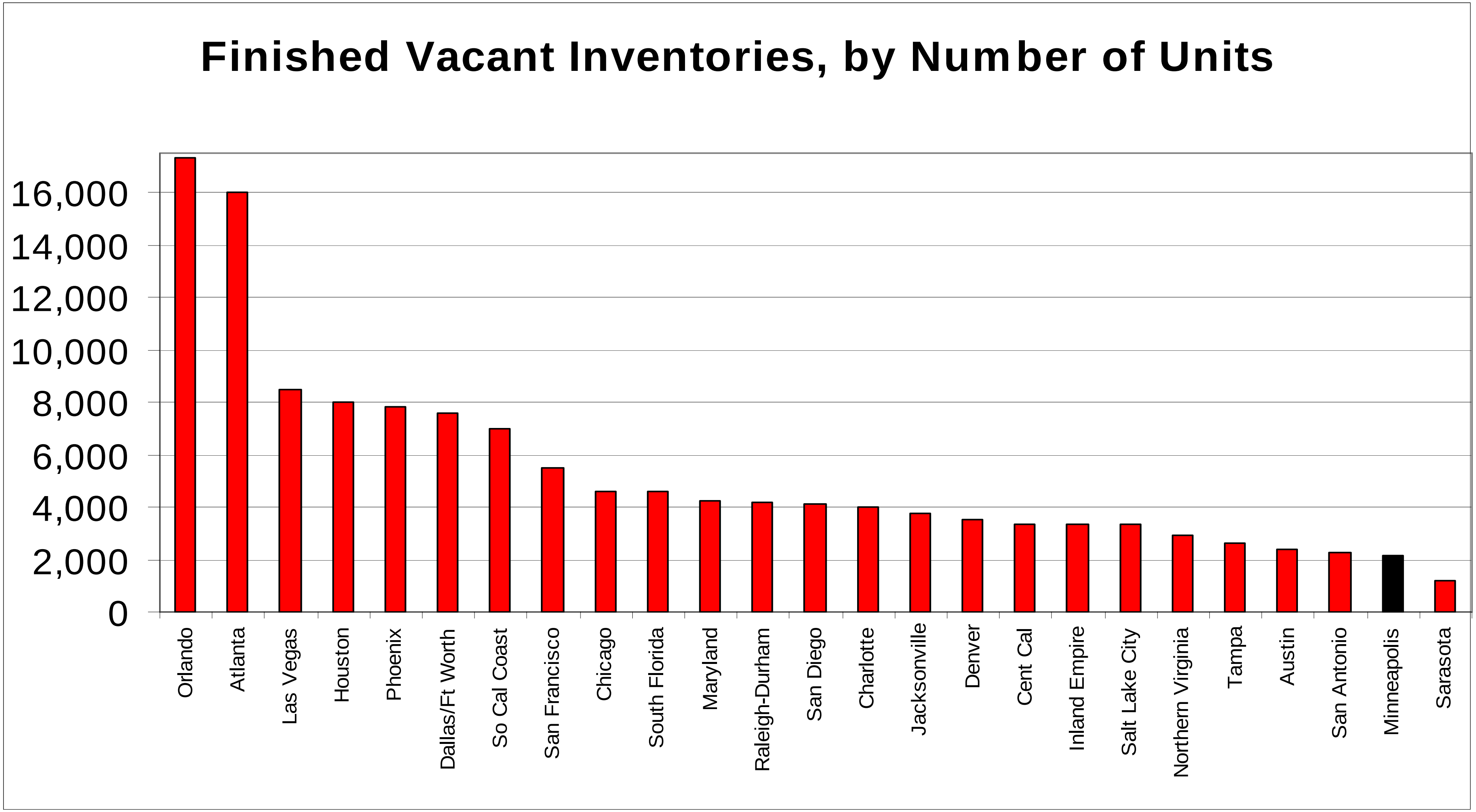
Twin Cities

Finished Vacant Inventory



National Comparison

Atl. and Orl. dwarf all other markets



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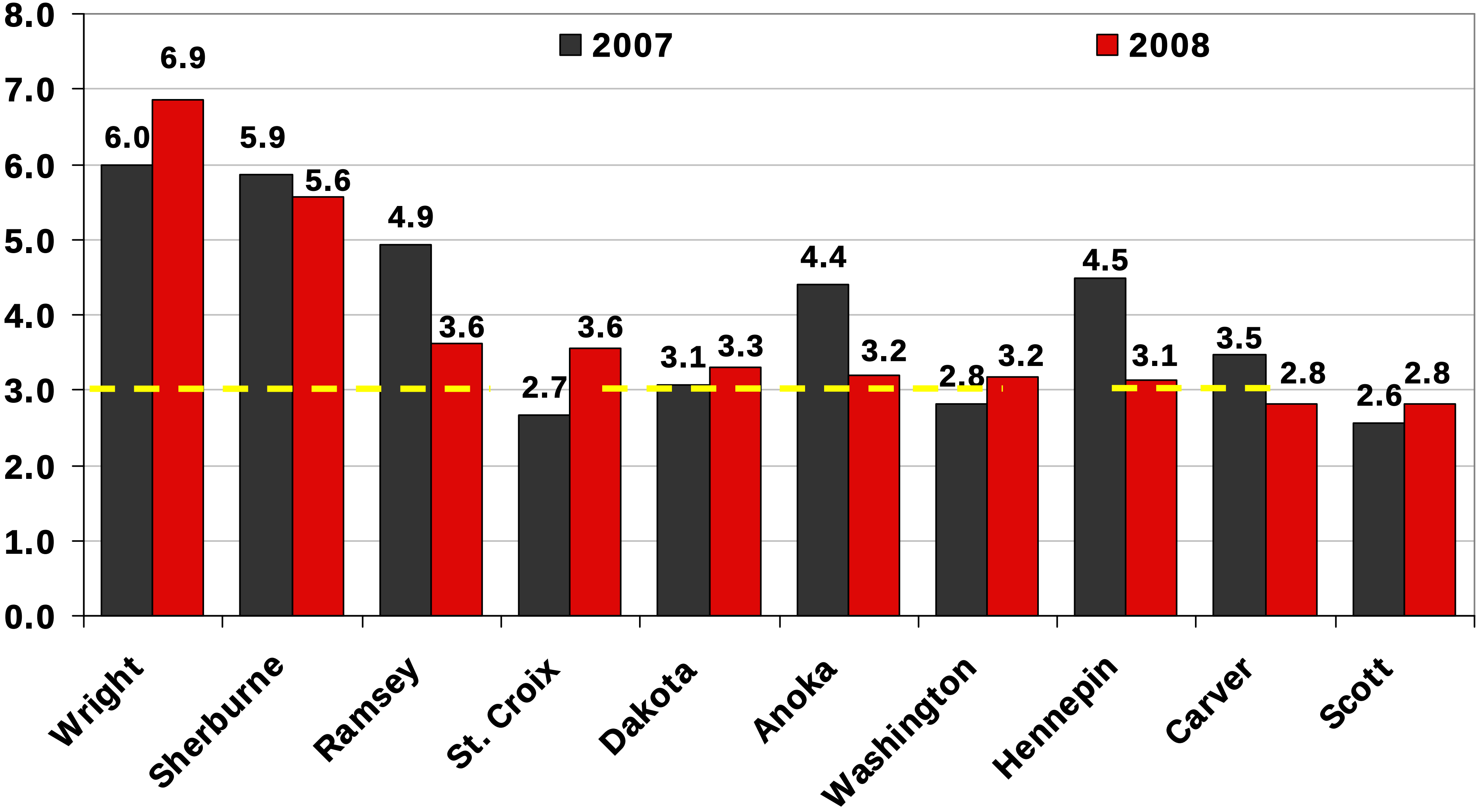
4Q08 Finished Vacant Inventory Supply



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Twin Cities Market
Lot Inventory
2008 Q4

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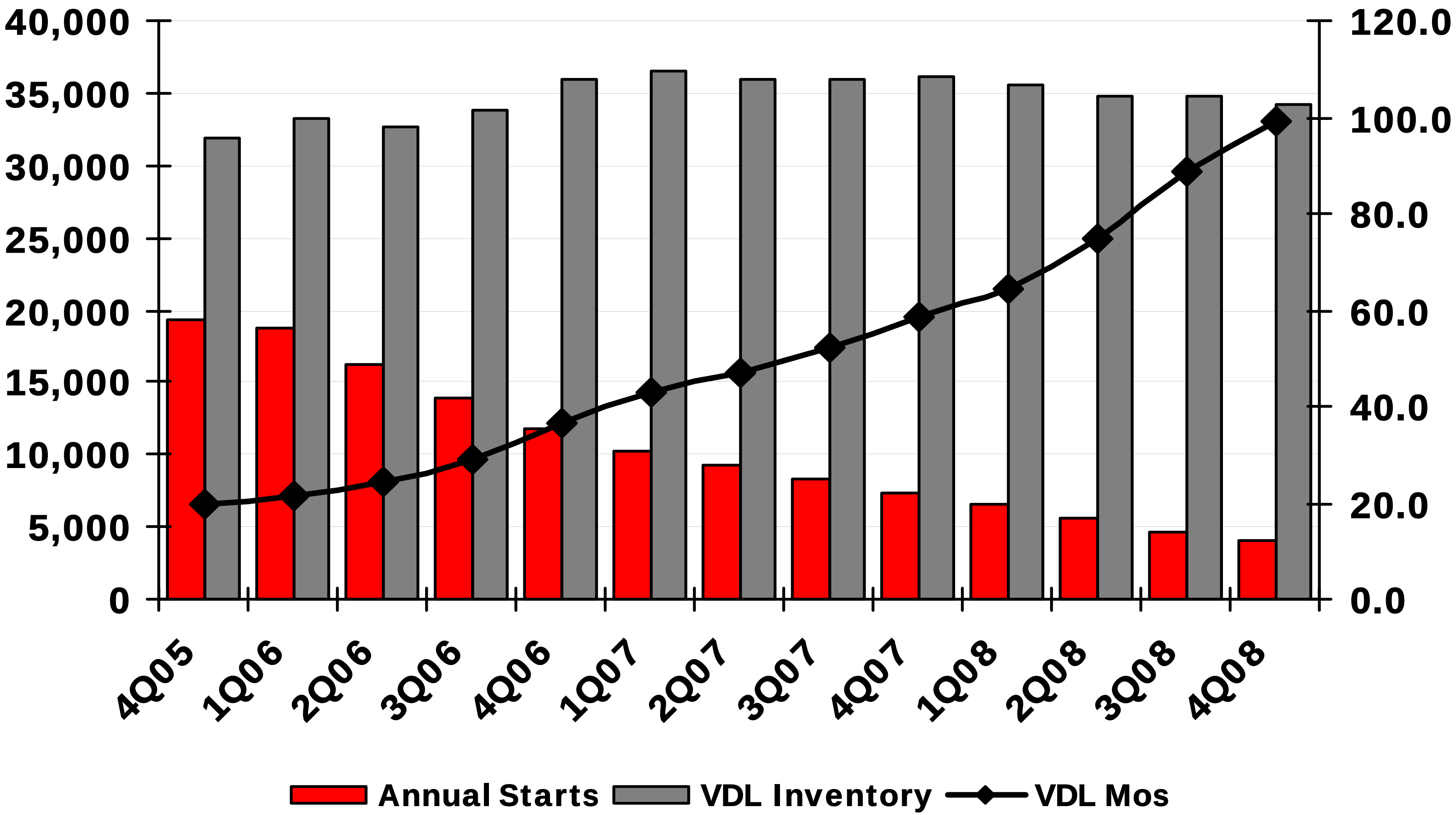
4Q08 Vacant Developed Lot Inventory



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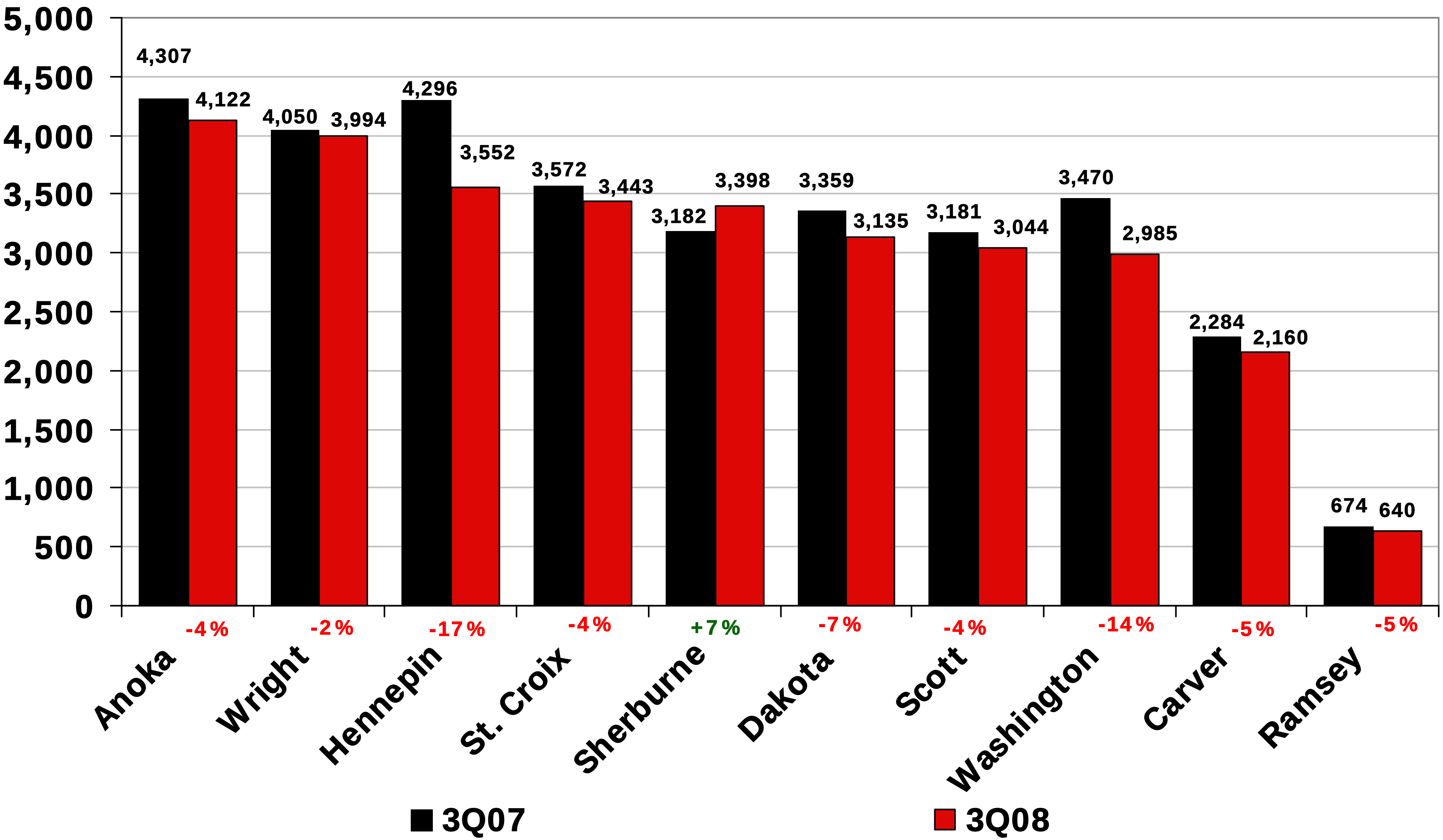
3Q08 Vacant Developed Lot Inventory - County



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Lot Delivery

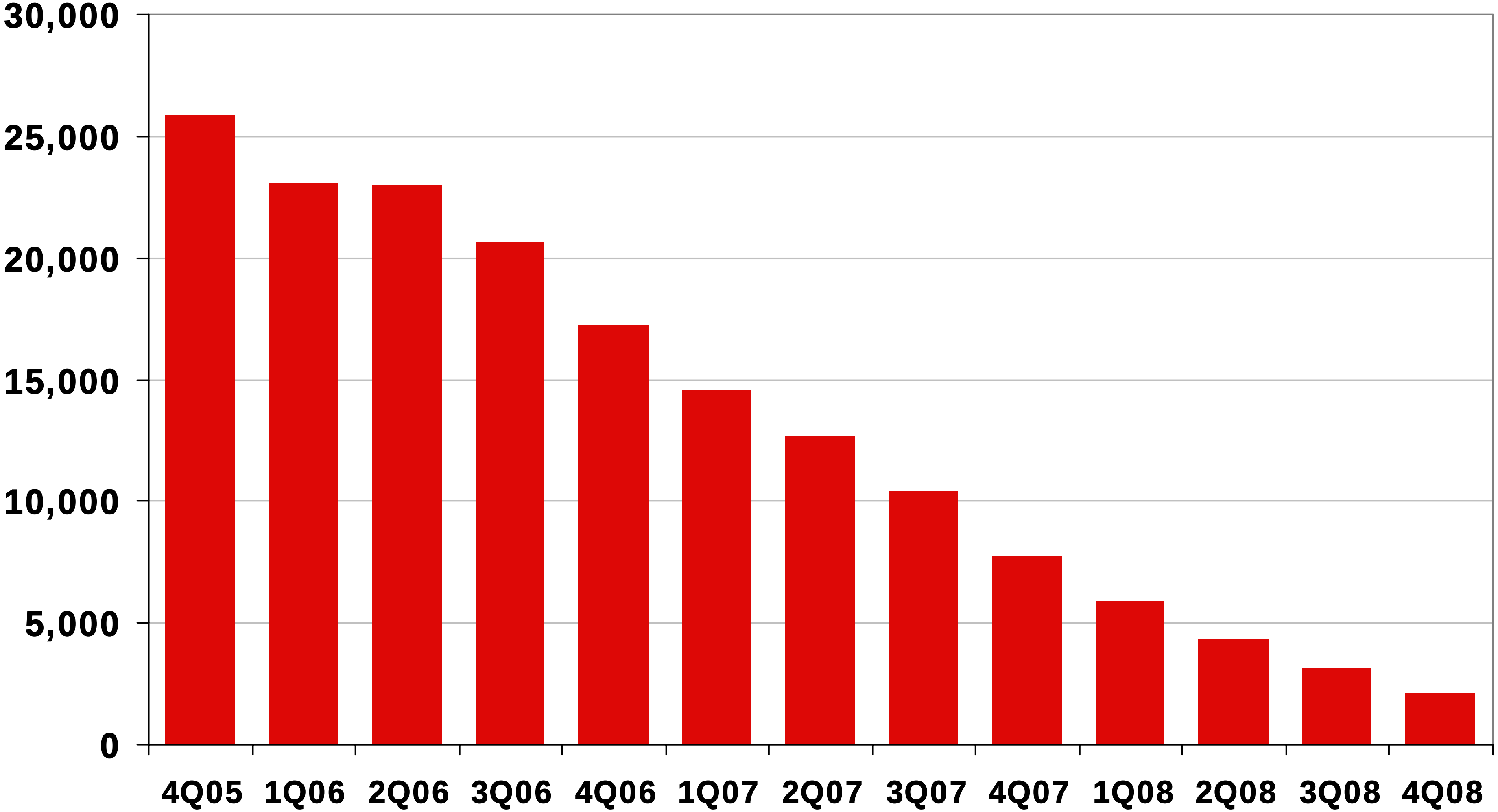
Vacant developed lot inventory = 34,126 lots

99.3 Months of Supply

	Lot Delivery	Lot Absorption	Variance
2005	25,888	19,238	+ 6,650
2006	17,224	11,875	+ 5,349
2007	7,664	7,480	+ 184
2008	2,158	4,122	- 1,964
	52,934	42,715	+10,219

Twin Cities

New Lot Deliveries – Rolling 12 month total



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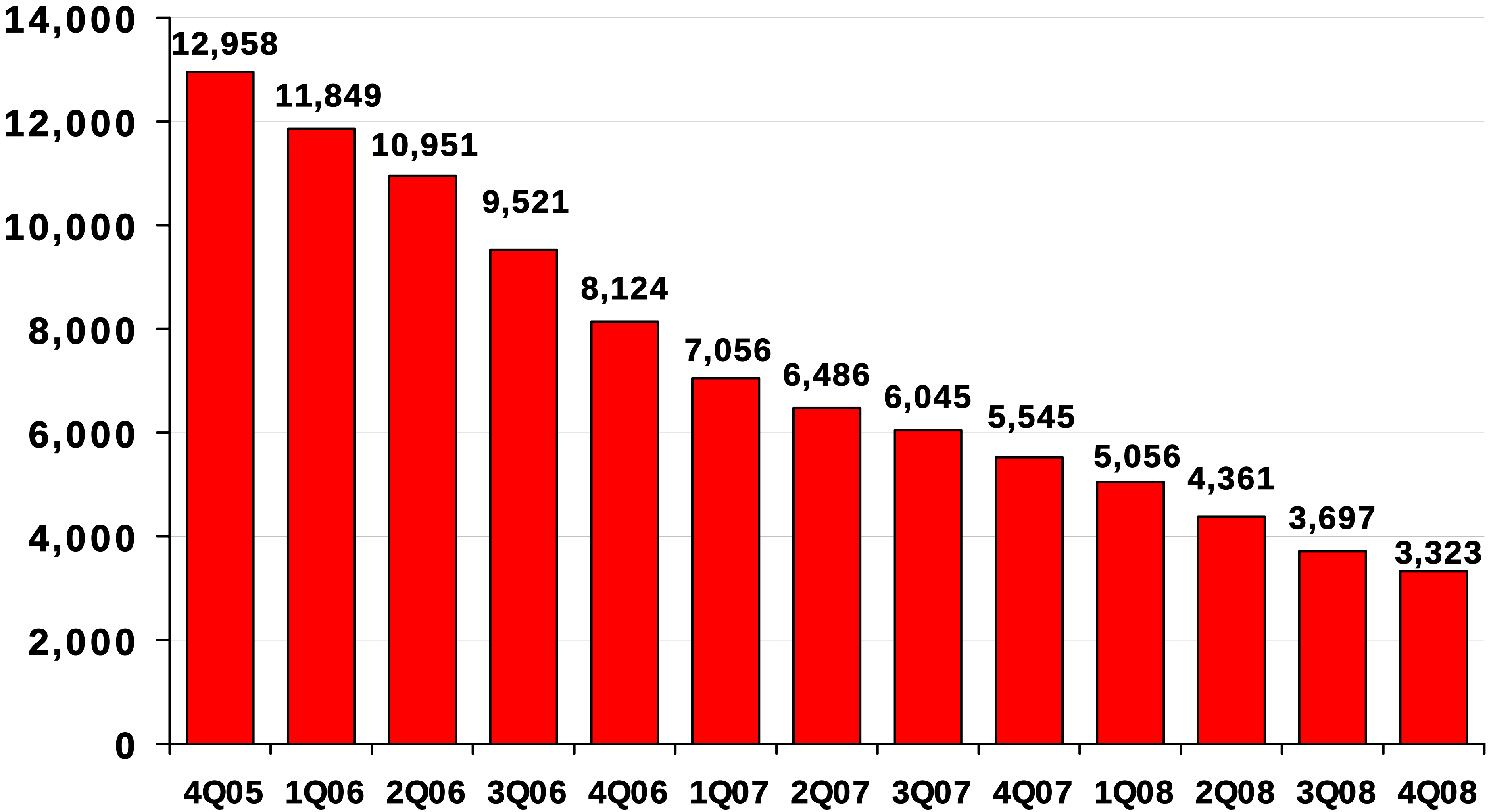
Twin Cities Market
Metro Seven Counties
2008 Q4

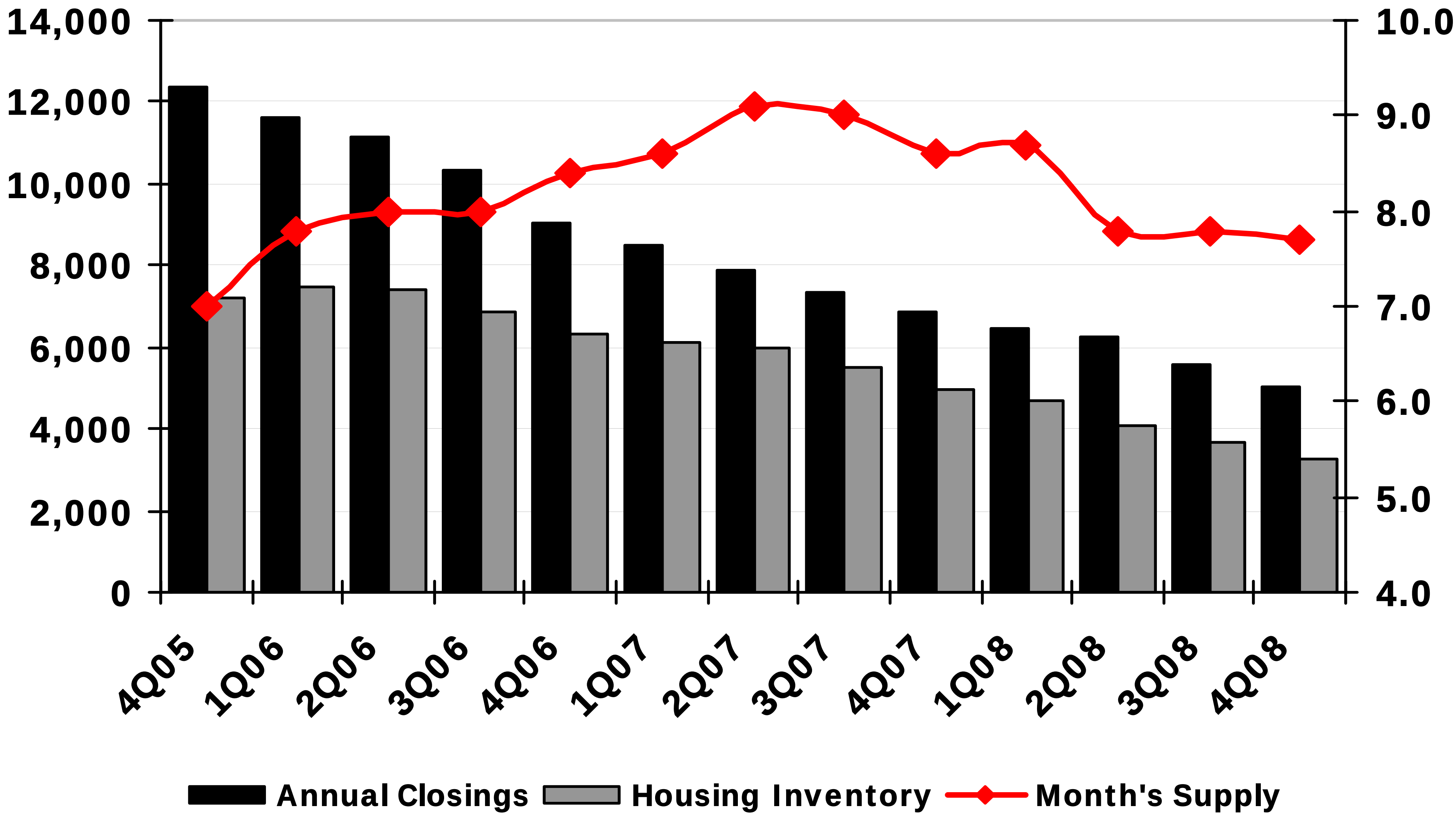
Metro Seven Counties

Annual New Homes Started



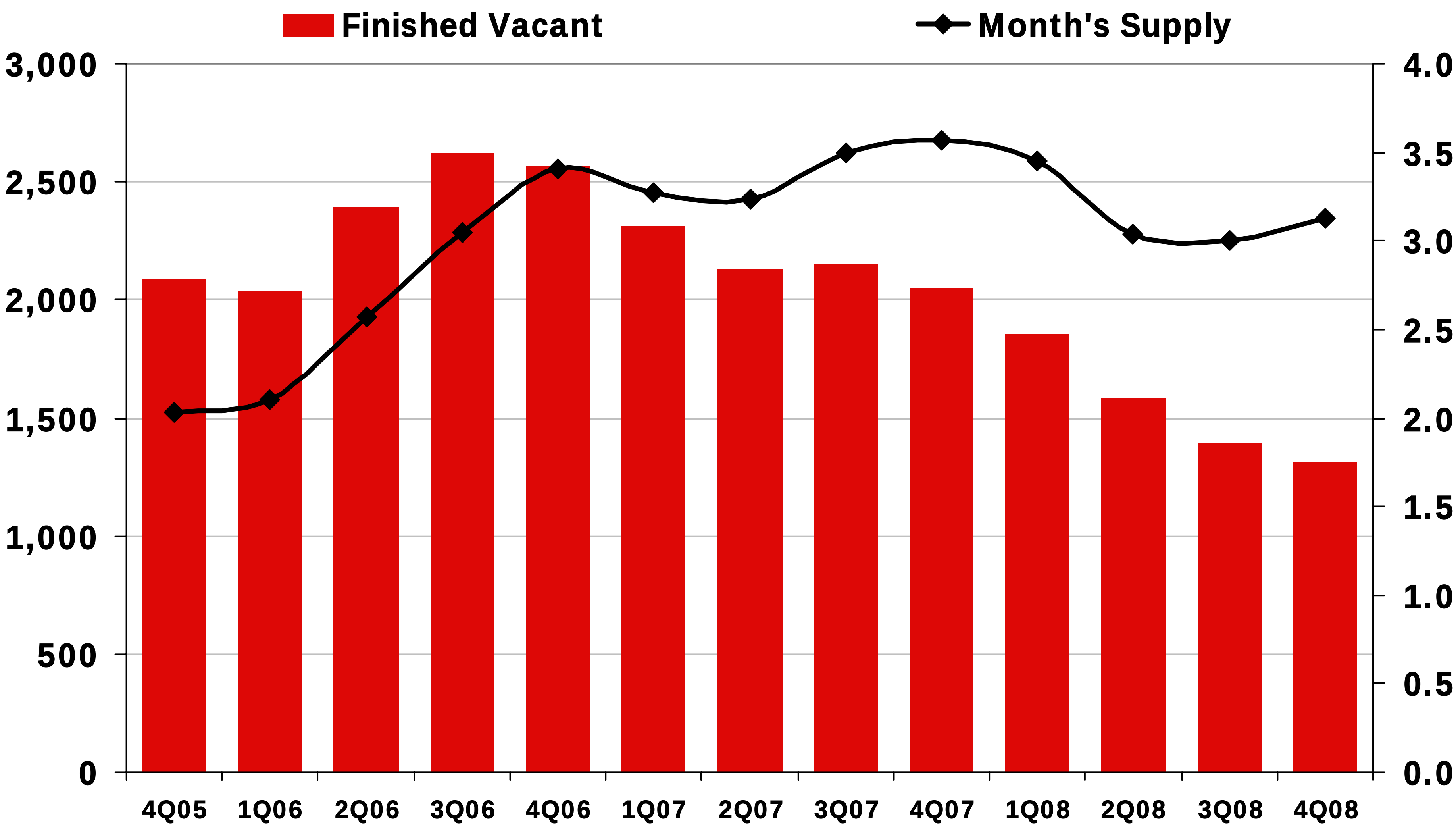
Metro Seven Counties

Housing Inventory



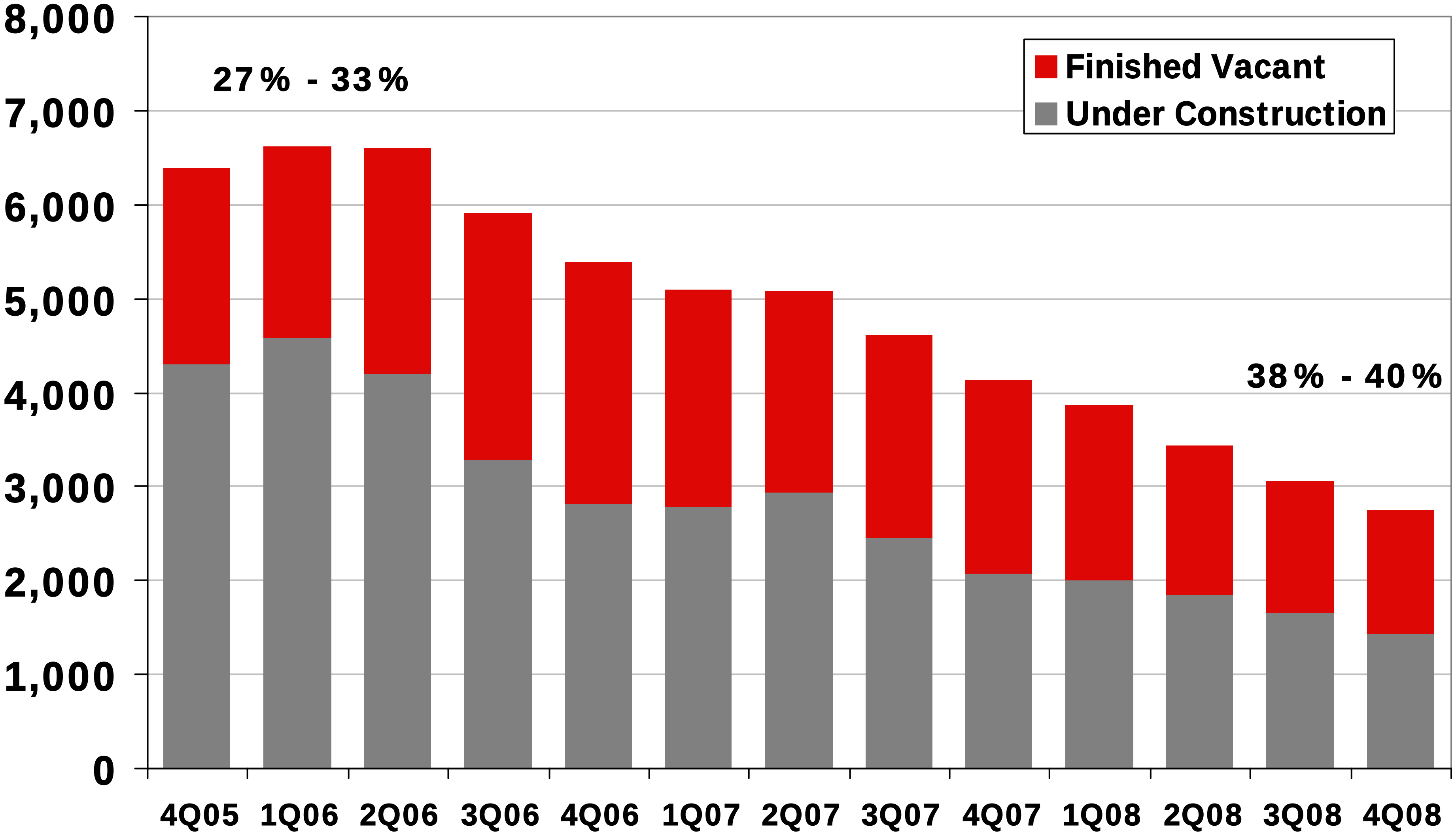
Metro Seven Counties

Finished Vacant Inventory



Metro Seven Counties

Finished Vacant & Under Construction



Metro Seven Counties

4Q08 Housing Activity

- **Metro 7 – Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington**

- **Annual Starts – Down 40%**
  4Q07 – 5,545
  4Q08 – 3,323

- **Annual Closings – Down 26%**
  4Q07 – 6,886
  4Q08 – 5,038

- **Housing Inventory – Down 35%**
  4Q07 – 4,952
  4Q08 – 3,237

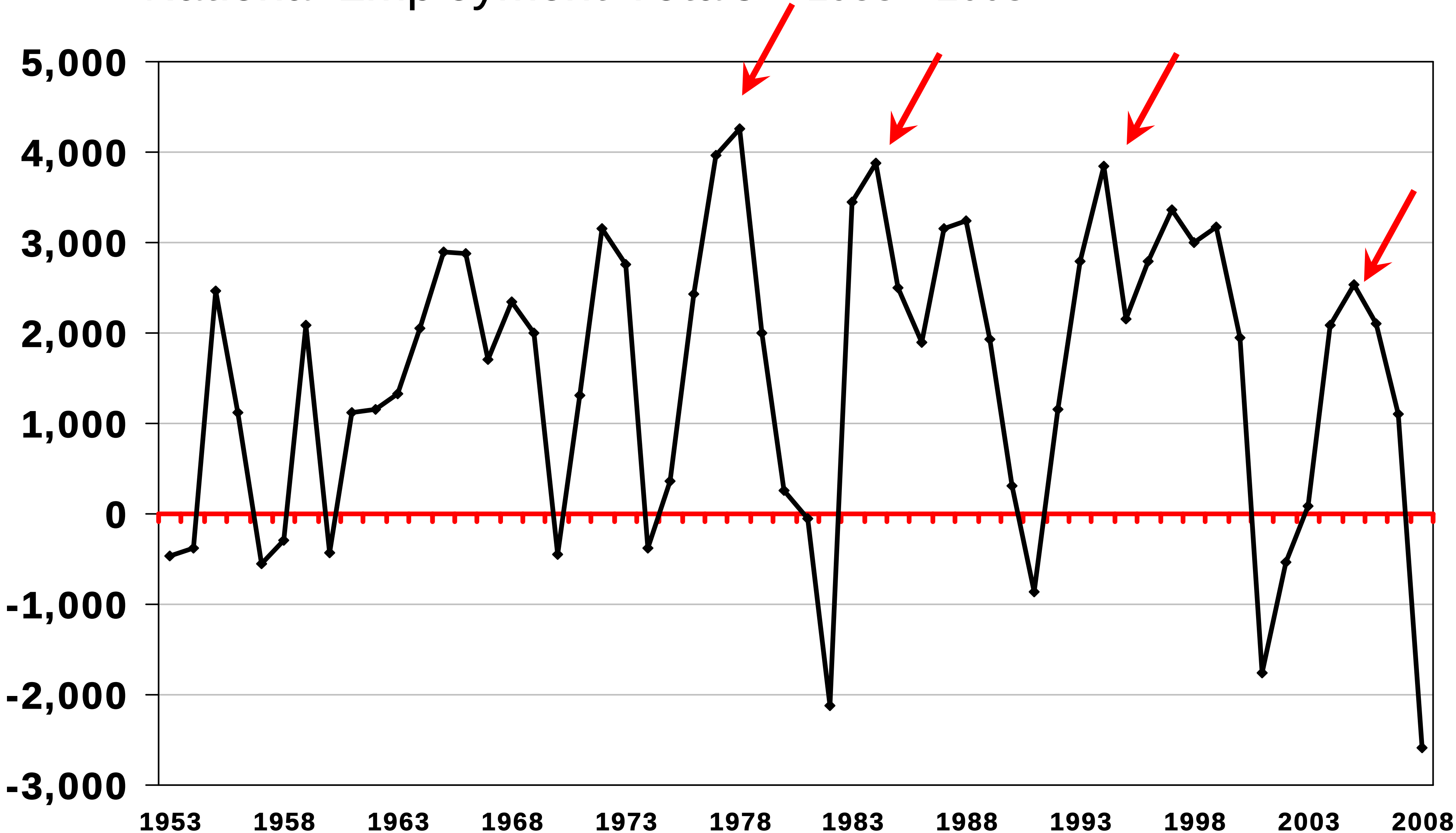
- **Vacant Developed Lots – Down 9%**
  4Q07 – 21,571
  4Q08 – 19,638

Summary & Conclusions

- Economic weakness is exacerbating problems in an already troubled housing industry
- Job losses continue to take toll on Minneapolis Economy
- Foreclosure volume keeps driving down prices
- Consumer Confidence (or lack thereof)
- Resale Market showing signs of improvement
- Housing Inventory Down
- Supplies Down
- Mortgage Rates Down
- Affordability is up
- Until there is a shift in the economy housing production will continue to decline

Twin Cities

National Employment Totals – 1953 - 2008



Source: DEED

Thank You

Questions – Ryan Jones

ryanj@metrostudy.com