

MHP's "2 x 4" Report

Quarterly Housing Indicators

Quarter 1 2013



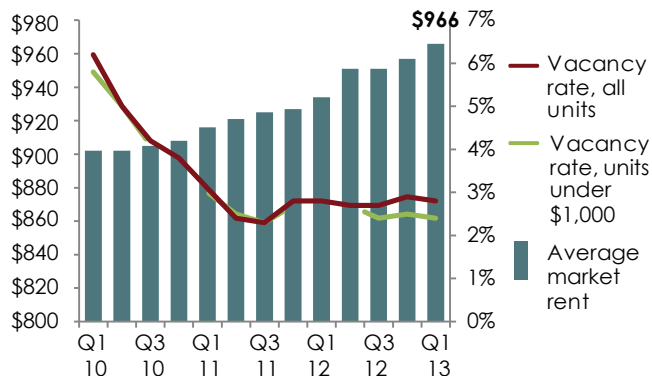
MHP's "2 x 4" Report tracks a set of two timely, important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

Minnesota Housing Partnership

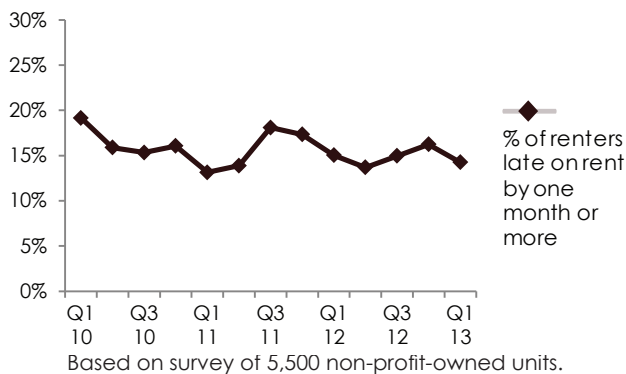
Rental Market

Twin Cities rents were up this quarter, averaging \$966 per month. The vacancy rate for lower priced apartments (2.4%) was considerably lower than the total vacancy rate (2.8%). Both are below the 5% rate considered "balanced". For non-luxury renters, 15% were delinquent in paying their rents this quarter.

Twin Cities Rents & Vacancy Rates



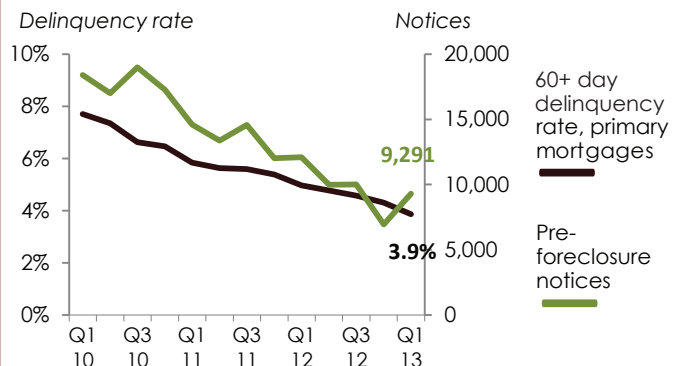
Tenants in Non-Luxury Units with Rent Past Due



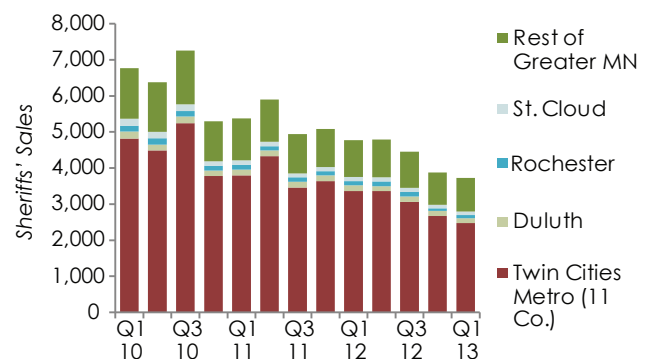
Owners' Market

For the owners' market, both the mortgage delinquency rate and number of foreclosures fell to 3.9% and 3,700 respectively. Pre-foreclosure notices rose over last quarter, but the number was still among the lowest recorded for any quarter since data collection began in 2009.

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



Minnesota Foreclosures

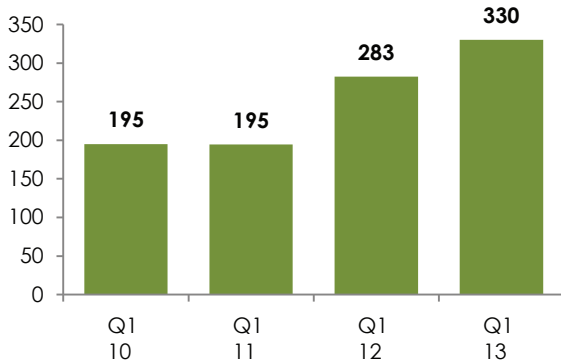


2446 University Avenue West, Suite 140
 Saint Paul, MN 55114
 www.mhponline.org/publications/reports-and-research/2x4-report
 651-649-1710, 800-728-8916
 fax: 651-649-1725

Homelessness

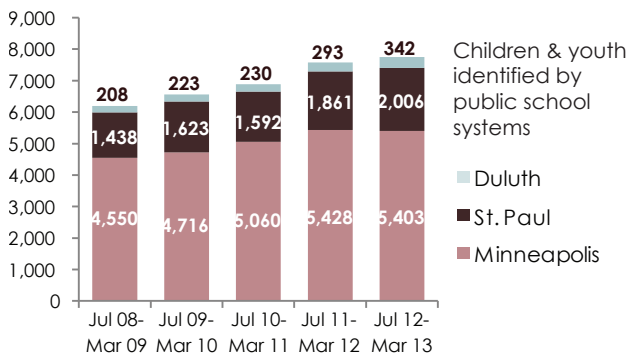
In Hennepin County, an average of 330 families sought shelter each month, up 69% in two years. 7,751 children were identified as homeless in the Minneapolis, St. Paul, and Duluth districts combined. Overall, the count increased by 2% over last year, with steeper increases for Duluth and St. Paul.

Hennepin Family Homelessness



The average number of families each month using shelters contracted by Hennepin County over the quarter.

Homeless Kids

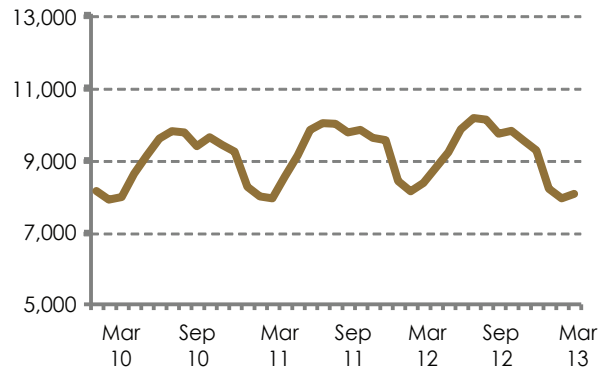


Children & youth identified by public school systems

Housing Industry

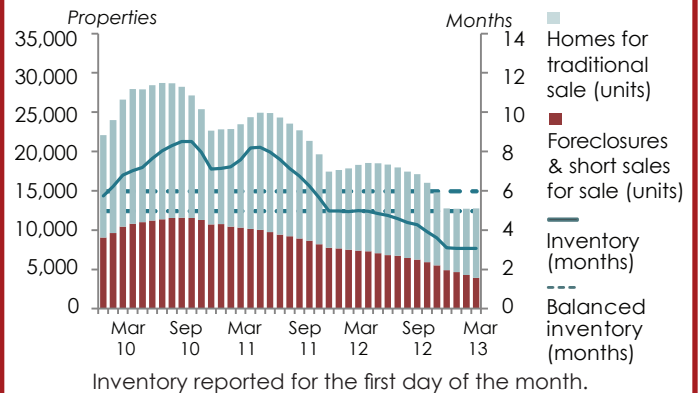
About 8,100 workers were employed in housing construction each month of the quarter, which was largely unchanged over the last few years. The number of homes for sale on the Twin Cities market averaged 12,700 per month, the lowest level in at least a decade.

Minnesota Residential Building Construction Employment



Note: December 2005 employment was 17,700.

Twin Cities Homes-for-Sale Inventory



Inventory reported for the first day of the month.

For MHP's "2 x 4" archives and data notes, visit www.mhponline.org/publications/reports-and-research/2x4-report.

SOURCES: Renters: Marquette Advisors (top); MHP survey (bottom). Owners: National Delinquency Survey, Mortgage Bankers Association; MN Home Ownership Center (top); HousingLink (bottom). Homelessness: Hennepin County (top); Minneapolis, St. Paul, & Duluth Public Schools (bottom). Industry: Current Employment Statistics (CES) (top); Minneapolis Area Association of Realtors (bottom).





MHP's "2 x 4" REPORT— 2013 Quarter 1 (Released June 20, 2013)

This quarter, the data indicate that relief for renters remains distant, and that homelessness among families has unfortunately reached another high. On the other hand, many current homeowners are seeing home prices rise. The disparity between the experience of those with good jobs and housing options and those without remains troubling for the state as a whole.

Economic drivers continue to power much of the change we are seeing in housing indicators in the *2x4 Report*. With respect to the housing market, the lack of rental supply and increased rental demand post-foreclosure crisis has made rental housing, especially affordable rental, increasingly hard to find. The market pressures make finding housing even more difficult for homeless families.

The trend of longer lengths of stay in shelters for homeless families is being watched carefully by advocates. Lisa Thornquist of [Heading Home Hennepin](#) notes that the barrier of low vacancy rates and high rents may be especially significant in explaining why families are finding themselves homeless for substantially longer lengths of time, at least in Hennepin County. In this market, landlords can afford to be highly selective in choosing tenants, given current low vacancy rates.

| <i>Families Seeking Shelter in Hennepin County, Year-to-Date through March</i> | | | |
|--|-------------|-------------|---------------------|
| | 2012 | 2013 | % Change |
| Total Unduplicated Families | 437 | 457 | +5% |
| Total Family-Nights in Shelter | 12,931 | 15,905 | +23% |
| Average Length of Stay (Undup. families ÷ family-nights) | 29.6 | 34.8 | +18% |

Source: Hennepin County

As for income and employment, there has been steady, if moderate improvement in the official jobs and unemployment numbers for the state. Yet unemployment measures leave out the "missing workers," or those not even looking for work, but who might be working if they had the opportunity. Economist [Heidi Sherholz](#) recently estimated that there are 4.4 million missing workers nationwide. In addition, job seekers often cannot find living wage jobs. For Minnesota job vacancies, the median wage is currently only \$13.14 per hour, or \$9.41 for part time job openings, according to the [JOBS NOW Coalition](#). \$13.14 per hour job would allow a worker to afford rent of only about \$680, while half of the job openings pay less than the median.

More homeless families have also reached their five-year limit on MFIP benefits, according to Thornquist, because they have not been able to meet their work requirements with the economy being so poor since 2008. Yet even with MFIP benefits, rent for a modest apartment can cost twice what such benefits pay.

Rental Market

Rents in the Twin Cities jumped again this quarter, which was not surprising, given the length of time vacancy rates have remained far below the "balanced" rate of 5%. This quarter, the disparity between the overall vacancy rate and that for apartments below \$1,000/month grew steeper than in several years, highlighting the crunch on more affordable units.

- The average rent in the Twin Cities was \$966, representing a 3.4% increase over the last year.
- The rental vacancy rate fell a hair to 2.8%. This rate has been below 3% for two years.
- For apartments renting for under \$1,000 per month, the vacancy measured 2.4%.



Owners' Market

Foreclosures continued downward again this quarter, with mortgage delinquencies joining suit. Pre-foreclosure notices jumped up after a big drop last quarter, but the magnitude of the change is not out of line with the quarter-to-quarter fluctuations we've been seeing. The big news in the owners' market is of course home sales prices, which are seeing the highest gains in seven years. To what extent rising prices will be sustained is unclear, but for now prospective buyers are competing for a limited supply of homes, as detailed in the Industry section below.

- The 60+ day mortgage delinquency rate fell to 3.9% from an 8% peak in late 2009. Yet the rate remains nearly double the Minnesota historical norm of 2%.
- The number of pre-foreclosure notices rose somewhat to about 9,300 for the quarter, though this number is only about half of what it was during the peak quarters 2.5 years ago.
- 3,722 homes foreclosed this quarter, about half the quarterly number three years ago.

Homelessness

As mentioned previously, high and rising homelessness is a top concern in this quarter's data. The average number of families seeking shelter in Hennepin County shelters each month was the highest in twelve years for the first quarter. The combined number of homeless children identified in the St. Paul, Duluth, and Minneapolis schools also rose. Of great concern is that on average, individual families have been staying in Hennepin County shelters for longer periods of time, and more families are returning to shelters after periods of being housed, according to Lisa Thornquist of *Heading Home Hennepin*. These longer shelter stays and returns to shelter help explain why monthly counts of homeless families have risen.

- An average of 330 families per month sought shelter in Hennepin County contracted shelters, representing a 69% increase in just two years.
- 7,751 homeless kids* were identified by the Minneapolis, St. Paul, and Duluth school systems combined, reflecting a 2% increase over last year, and 25% increase over four years ago.
- Homelessness among Duluth students has increased by almost 50% in just two years.

Housing Industry

The housing market has yet to reach any sort of predictable equilibrium in the aftermath of the financial crisis, the data reveal. Home prices have been on the rise, in part because a greater percentage of sales are traditional, "non-distressed" properties, rather than foreclosures or short sales. Even so, the inventory of homes for sale remains quite limited in comparison to demand, and prices are rising. Year-to-date through May 2013, median home sales prices rose over 15% compared to a year ago. And for jobs in housing construction, there has been little change in total jobs over the past few years for the time of year. Most housing construction has been for multi-family buildings.

- The number of homes on the market dropped to 12,735 on average per month, the lowest level recorded back through 2003.
- Distressed sales made up 31% of all sales by the end of the quarter, the lowest percentage in almost five years.
- 8,100 people on average worked in housing construction per month this quarter in Minnesota, which is relatively unchanged over the last three years.

For technical notes, visit <http://mhponline.org/publications/reports-and-research/2x4-report>.

* May include multiple counts of the same children if counted by more than one school district.