

# MHP's "2 x 4" Report

## Quarterly Housing Indicators

Quarter 1 2010



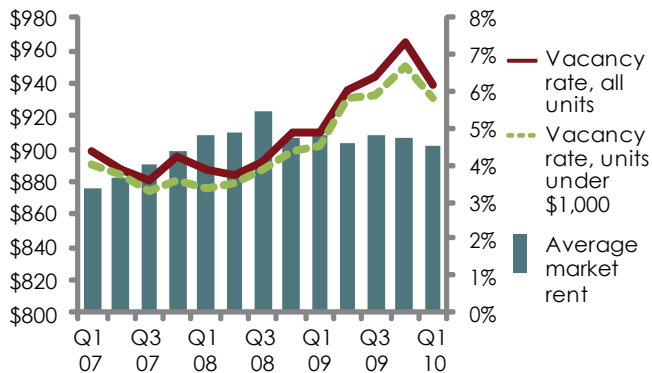
MHP's "2 x 4" Report tracks two timely and important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

# Minnesota Housing Partnership

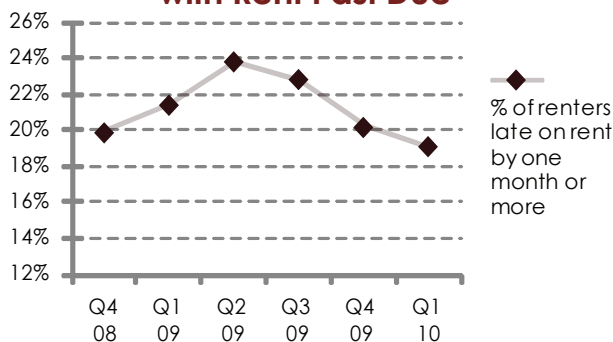
## Rental Market

This quarter vacancy rates fell to 6.2%, but remained well over the 5% considered 'balanced.' Vacancy rates for units priced under \$1,000/month were lower, at 5.8%. Average rents of \$902/month changed little. Renter delinquencies fell slightly, from 20% last quarter to 19%.

### Twin Cities Rents & Vacancy Rates



### Tenants in Non-Luxury Units with Rent Past Due

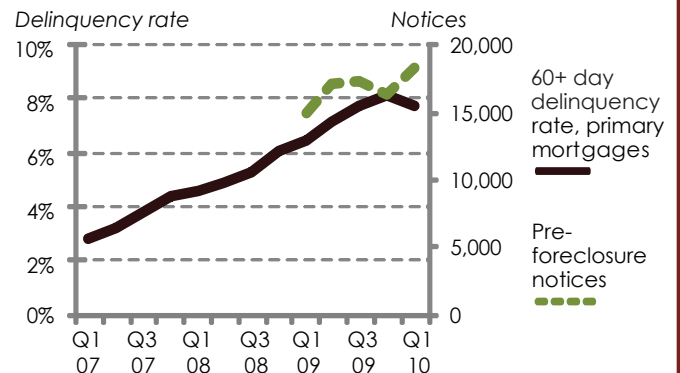


Based on survey of 4,700 non-profit-owned units.

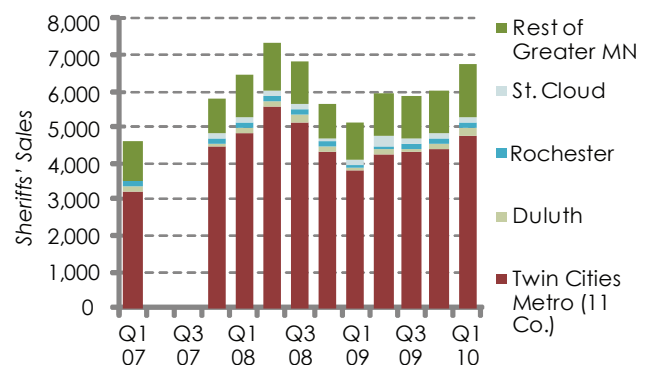
## Owners' Market

There were over 6,700 foreclosures this quarter, the highest number recorded in a year and a half. Pre-foreclosure notices also rose to a high of 18,412. However, for the first time since the onset of the mortgage meltdown, delinquencies of primary (first lien) mortgages fell slightly, to 7.7%.

### Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



### Minnesota Foreclosures



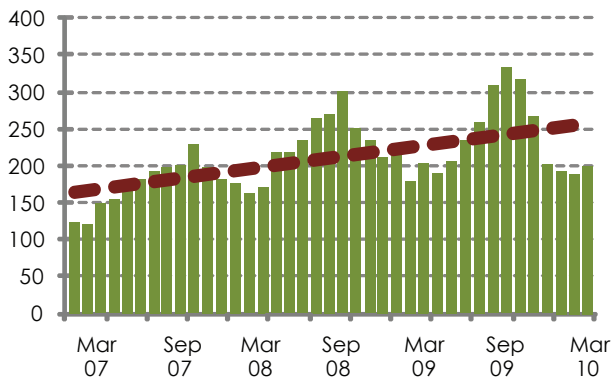
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## Homelessness

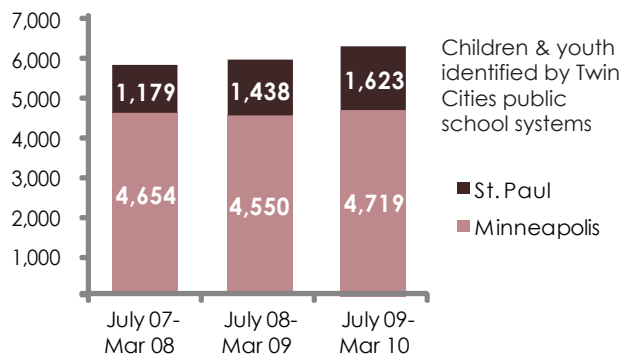
This quarter, homelessness averaged 195 families per month in Hennepin County family shelters. This figure represents a 48% increase over the first quarter of 2007, and a slight dip from last year. The number of children and youth identified as homeless in Minneapolis and St. Paul schools increased 6% over last year, and 9% over two years ago, to 6,342.

### Hennepin Family Homelessness



Unduplicated count of families using publicly funded shelters. Note seasonal nature of shelter usage, with usage lower during winter months. Dashed line represents upward trend.

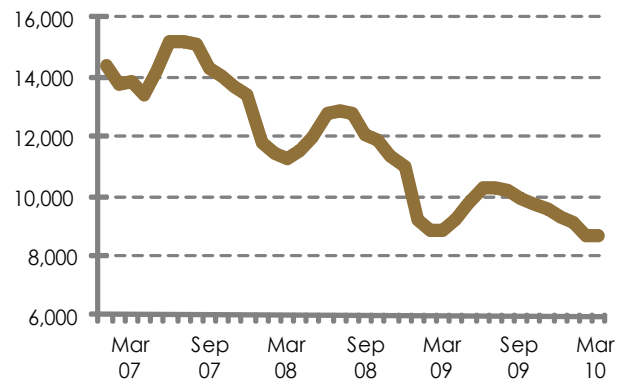
### Homeless Kids in the Twin Cities



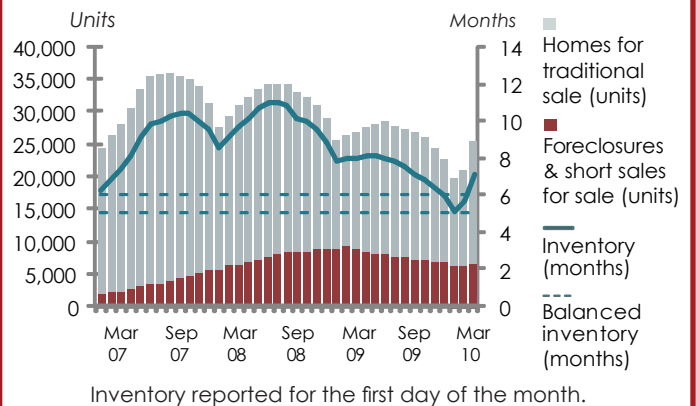
## Housing Industry

Employment in residential housing construction fell to 8,800 jobs per month on average in the 1st quarter, a 13-year low. The supply of homes for sale rose to 7.2 months by the end of the quarter, a level likely to place downward pressure on prices. Of homes for sale this quarter, 28% were foreclosures or short sales.

### Minnesota Residential Building Construction Employment



### Twin Cities Homes-for-Sale Inventory



For MHP's "2 x 4" archives and data notes, visit [www.mhponline.org/research/2x4](http://www.mhponline.org/research/2x4).

**SOURCES:** Renters: GVA 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 Public Schools (bottom). Industry: Current Employment Statistics (CES) (top); Minneapolis Area Association of Realtors (bottom).





## MHP's "2 x 4" REPORT – 2010 Quarter 1

Released June 14, 2010

This quarter, the "2 x 4" Report suggests that recovery is still elusive for the housing market. Foreclosures were up, employment in housing construction down, and homelessness an ongoing problem. In positive news, however, mortgage delinquency rates broke from an uninterrupted climb, and the rental market moved towards declining vacancies. Minnesota unemployment held steady, averaging 7.3% this quarter, a slight improvement from late 2009 and a substantial improvement over much of the earlier part of 2009, when unemployment exceeded 8%. Minnesota unemployment was much lower than the US rate, which was about 9.8% this quarter.

### **Rental Market**

Vacancy rates in the Twin Cities rental market fell markedly, yet remained high. This reduction is likely due to jobs added during the quarter and small improvements in unemployment, enabling some reversal in trends towards doubling up. Meanwhile, rents held steady, averaging \$902 this quarter. For non-luxury rental units, delinquencies were also down. According to some housing managers, efforts to collect delinquent rents have ramped up in recent quarters.

- This quarter vacancy rates fell to 6.2% but remain high, and well above the vacancy rates of two years ago. Average rents remained relatively unchanged at \$902 per month.
- Based on vacancy rates, units under \$1,000 in the Twin Cities metro were in slightly shorter supply than all units, yet still over the 5% which is considered "balanced."
- Renter delinquencies fell from 20% last quarter to 19%. This modest change may be due to tightening of collections efforts by housing managers.

### **Owners Market**

In the first quarter of 2010, foreclosure and default news was mixed. Minnesota recorded its highest number of foreclosures in six quarters, and pre-foreclosure notices rose to their highest quarterly count since the start of the data collection a year ago. In a welcome development, mortgage delinquency rates declined slightly, reversing a long, steady increase since 2005. The delinquency rate remains extremely high, however, and reflects an extended period of high unemployment on top of the housing market deflation. In a new report, the Home Ownership Center finds that in 2009, loss or reduction of income was the top reason people sought foreclosure prevention services. In addition to unemployment, the rise in pre-foreclosure notices issued this quarter may also be due to postponement of foreclosure proceedings by lenders during the holiday season of 2009.

- There were over 6,700 foreclosures, as measured by sheriffs' sales, this quarter in Minnesota. The number of foreclosures was the highest in any quarter in a year and a half.
- The 60+ day delinquency rate of primary mortgages fell slightly, but remained high at 7.7% in the first quarter. This slight fall reversed the long trend towards higher mortgage delinquencies that began with the onset of the mortgage meltdown in the mid 2000s.
- Pre-foreclosure notices sent to the Minnesota Home Ownership Center this quarter rose 11% over last quarter to 18,412, the highest number since data collection began a year ago.

### **Homelessness**

Homelessness among families and youth in Hennepin and Ramsey counties remained high. For the first quarter of 2009 to 2010, Hennepin County family homelessness fell 2%, but the number

of children identified by St. Paul and Minneapolis schools increased 6%. Within the last six months, the downward trend in the number of homeless families is likely due to a combination of factors: seasonal reduction in shelter usage during cold months; greater usage of the stimulus-funded Homeless Prevention and Rapid Re-housing Program (HPRP); and reductions in unemployment, which reached a recent high in mid-2009.

- For the first quarter of 2010, on average 195 families per month were counted as homeless in Hennepin County shelters. Figures were similar to first quarter 2009 counts, but represent a 48% increase over the first quarter of 2007.
- 6,342 children and youth were identified as homeless by Minneapolis and St. Paul public schools since July 2009. This is a 6% increase over one year ago and a 9% increase over two years ago.

**Housing Industry**

New estimates placed the number of jobs in residential construction this quarter at the lowest level since 1997. Meanwhile, the inventory of homes for sale, especially of traditional homes (not foreclosed or short sales), increased dramatically in March. A large supply of homes on the market, along with expiration of the federal home buyer tax credit heading into the home buying season, could push prices even lower. The Minneapolis Area Association of Realtors reported an April median home sale price of Twin Cities traditional homes of just under \$200,000 in 2010 compared to \$205,000 last year and \$223,700 in 2008.

- Employment in residential housing construction fell to an average of 8,800 jobs per month in the first quarter, a 13-year low.
- The supply of homes for sale rose to 7.2 months by the end of the quarter, a level of oversupply likely to place downward pressure on prices.
- On average, 28% of the supply of homes for sale this quarter included foreclosures or short sales. Three years ago only 8% of the inventory consisted of such homes.

**About the Data**

**For technical notes on data for the MHP “2 x 4” Report, visit [www.mhponline.org/research/2x4](http://www.mhponline.org/research/2x4).**

<b>Rental Market</b>	Average rents and vacancy rates is available quarterly for the 7-county Twin Cities metro and for buildings with 10 or more units whose owners participate in the GVA Marquette survey of rents. Minnesota’s largest nonprofit housing agencies provide data to MHP on late payments by residents of publically assisted housing. Units for which rent levels automatically drop when residents experience a decline in income are excluded.
<b>Owners’ Market</b>	The Mortgage Bankers Association’s National Delinquency Survey indicates mortgage defaults for Minnesota loans, which include subprime loans. Pre-foreclosure notice data is provided monthly by lenders to the MN Home Ownership Center. Foreclosure data is compiled by HousingLink, and is based on sheriffs’ sales.
<b>Homelessness</b>	Hennepin County provides data on homelessness for families using county-contracted shelters. Similar data is not currently available for other areas. Among Minnesota jurisdictions, the Minneapolis & St. Paul Public Schools provide the most comprehensive and systematic jurisdictional count of homeless children and youth.
<b>Housing Industry</b>	Employment data comes from the Current Employment Statistics (CES) survey from the US Bureau of Labor Statistics and the MN Department of Employment and Economic Development. The inventory of homes on the market, including for foreclosed homes and short sale, is provided by the Minneapolis Area Association of Realtors.