

MHP's "2 x 4" Report

Quarterly Housing Indicators

Quarter 2 2010



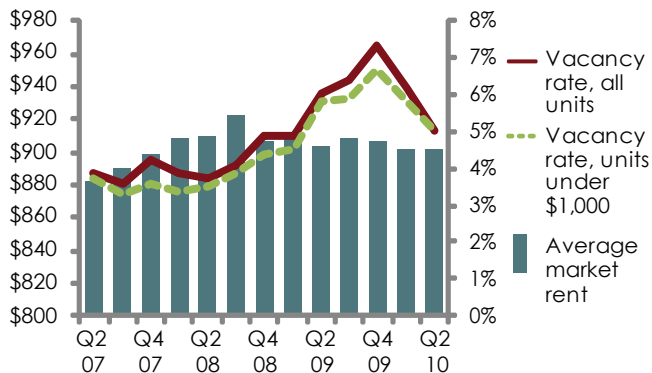
MHP's "2 x 4" Report tracks two timely and important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

Minnesota Housing Partnership

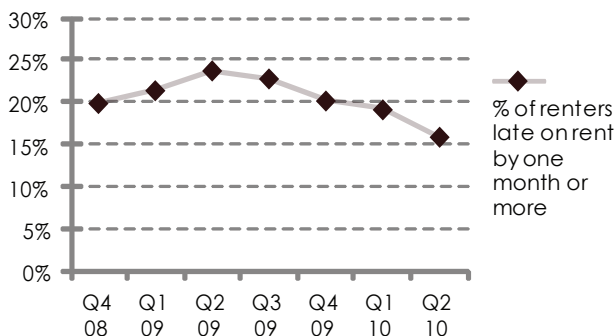
Rental Market

This quarter vacancy rates fell markedly lower to 5% from a recent peak of over 7% two quarters ago. Five percent, a rate considered "balanced", is also the vacancy rate for units priced under \$1,000/month. Average rents have held relatively steady for six quarters. Renter delinquencies fell to 16%, with collections tightening.

Twin Cities Rents & Vacancy Rates



Tenants in Non-Luxury Units with Rent Past Due

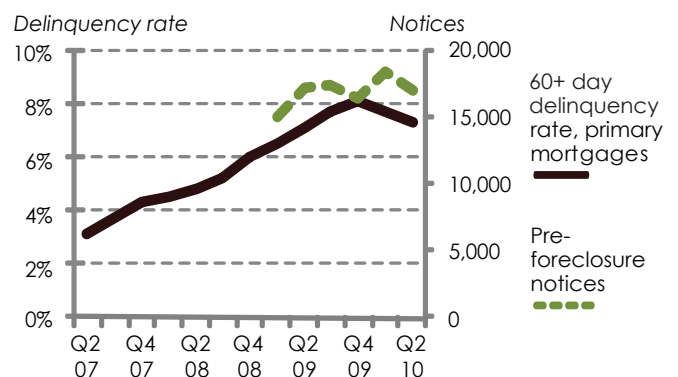


Based on survey of 4,700 non-profit-owned units.

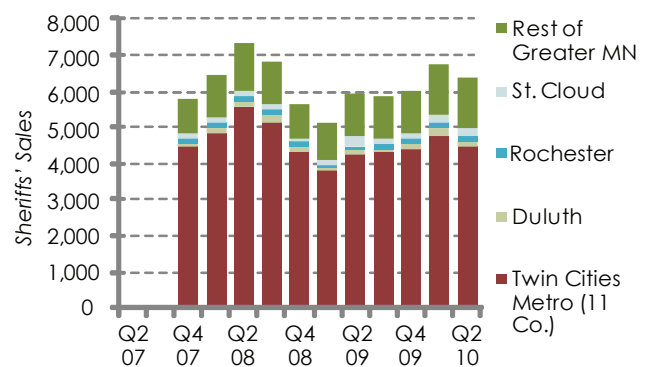
Owners' Market

Indicators for existing home owners all improved this quarter. Still high, foreclosures and pre-foreclosure notices fell slightly, to 6,300 sheriff's sales and 17,000 notices. Primary mortgage delinquencies, at 7.4%, fell for the second consecutive quarter after climbing steeply over the last five years.

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



Minnesota Foreclosures



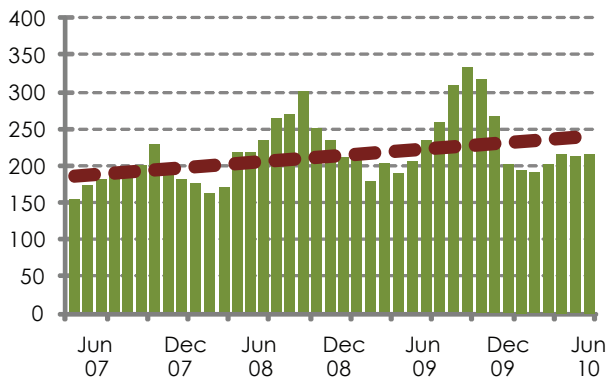
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www.mhponline.org/research/2x4

Homelessness

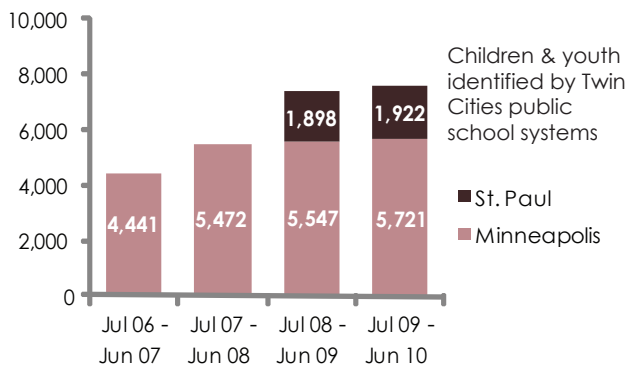
In Hennepin County an average of 215 families per month were sheltered in county shelters, similar to the second quarter of 2009 and 2008, but 27% higher than 2007. In the Minneapolis and St. Paul schools, 7,643 children and youth were identified as homeless for the 2009-10 school year. Minneapolis-only counts were 28% higher than in 2006-07.

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.

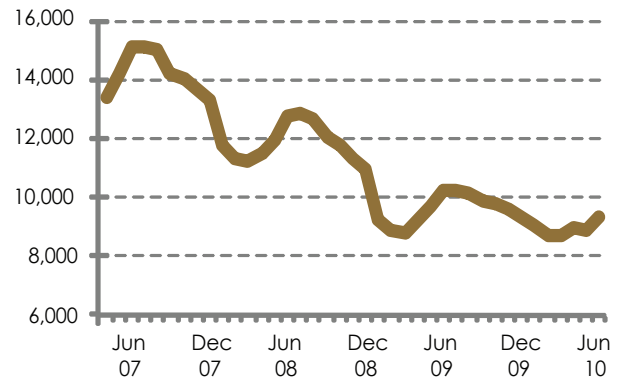
Homeless Kids in the Twin Cities



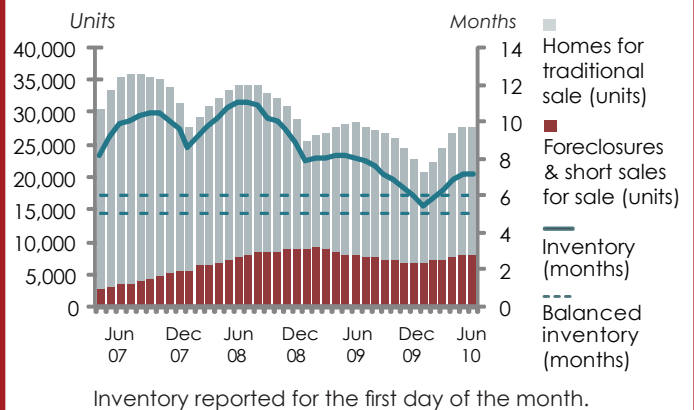
Housing Industry

Employment in residential housing construction fell to a monthly average of 9,100 jobs, a 15-year low for the second quarter. The supply of homes for sale rose to 7.2 months by the end of the quarter, which may continue to place downward pressure on prices. 29% of the supply of homes for sale this quarter included 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.

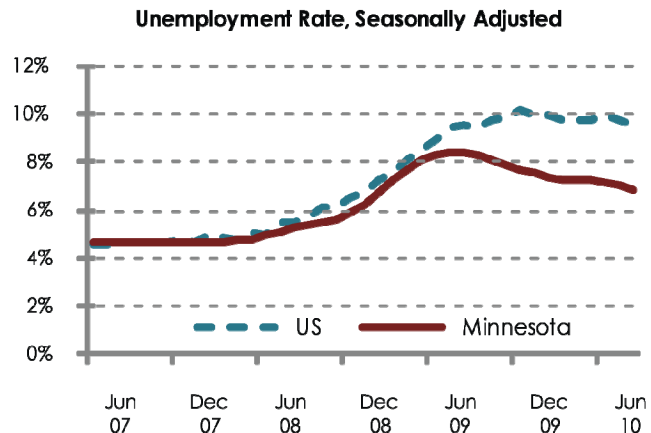
SOURCES: Renters: GVA Marquette Advisors (top); MHP survey (bottom). Owners: National Delinquency Survey, Mortgage Bankers Association; MN Home Ownership Center (top); HousingLink (bottom). Homelessness: Hennepin County (top); Minneapolis & St. Paul Public Schools (bottom). Industry: Current Employment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





MHP's "2 x 4" REPORT— 2010 Quarter 2 (Released September 13, 2010)

The "2 x 4" Report this quarter paints a picture of more change in a bumpy landscape for housing. Minnesota unemployment again was a major driver of housing trends. Recent improvements in unemployment pushed rental vacancies down, as more people were able to return to the rental market. At the same time, the weak job market over many quarters continued to fuel high foreclosure rates. Unemployment over the quarter averaged 7.0%, down slightly from the first quarter, and far lower than the 9.7% average for the nation. Minnesota unemployment was last in the 7% range in late 2008.



Data source: LAUS, Minnesota DEED

Rental Market

Vacancy rates in the Twin Cities rental market again dropped this quarter, though rents held steady, at \$902. For non-luxury rental units, delinquencies fell once again. However, the housing managers providing data for this report have all reported increased efforts at some point over the last year to collect delinquent rents.

- This quarter vacancy rates in the Twin Cities area fell sharply to 5.0%, down from 7.3% just six months ago. This drop in vacancies is mostly likely due to a reversal of the trend toward unemployed people doubling up in housing.
- More affordable units, those renting for under \$1,000 in the Twin Cities metro, for the first time in at least four years (since data was first collected) had the same vacancy rate (5%) as higher priced units, rather than a lower vacancy rate. This may signal renewed confidence by renters in their ability to afford higher priced units.
- Renter delinquencies for non-luxury units fell to 16%, likely due to a combination of tighter collections efforts by housing managers and lower unemployment.

Owners' Market

In the second quarter of 2010, foreclosures, mortgage delinquencies, and pre-foreclosure notices all remained high by historical standards, but edged downward from the previous quarter. The mortgage delinquency rate trend was especially heartening with delinquencies dropping for a second quarter in a row.

- Over 6,300 homes foreclosed this quarter in Minnesota, as measured by sheriffs' sales.
- Statewide, since 2005 there have now been over 100,000 foreclosures. Fewer than 6,500 occurred during the entire year of 2005 at the outset of the foreclosure crisis, but more than 20,000 homes have foreclosed annually since 2007.



- The 60+ day delinquency rate of primary mortgages fell from 7.7% to 7.4% this quarter. While this rate is still dismal historically speaking, a decline for a second consecutive quarter comes as welcome news after five years of ascending delinquencies.
- 17,000 pre-foreclosure notices were sent to the Minnesota Home Ownership Center this quarter, a reduction of about 8% from the previous quarter.

Homelessness

The number of families counted seeking shelter in Hennepin County was down somewhat, compared to the recent peaks of quarters 3 and 4 in 2009. However, the degree to which this decline reflects a seasonal fluctuation in homelessness is unclear. Shelter usage is typically lower during the cold months of quarters 1 and 2, with people being less likely to be denied housing. At the same time, lower unemployment may have led to an actual decline in homelessness beyond these expected seasonal changes. In either case, full counts of homeless children and youth identified by the St. Paul and Minneapolis schools in the 2009-10 school year were higher than the year before.

- For the second quarter of 2010, on average 215 families per month were counted as homeless in Hennepin County shelters, within a few percentage points of second quarter figures for both 2009 and 2008. However, the number of families counted was 27% higher than during the second quarter of 2007.
- 7,643 children and youth were identified as homeless by Minneapolis and St. Paul public schools in the 2009-10 school year, a 3% increase over the previous year. Minneapolis-only figures have risen 28% since the 2006-07 school year (comparable data from St. Paul is unavailable).

Housing Industry

The tally of jobs in residential construction for the quarter again came in low– the lowest since 1995 for the second quarter. This jobs figure reflects ongoing stagnation in the home building industry. Regarding the inventory of homes for sale, numbers were up compared to last quarter, in line with seasonal norms, though the inventory exceeded the 5 to 6 month “balanced” mark. This could lead to further home price declines, especially with the expiration of the federal tax credit for home purchases in late spring. As the Minneapolis Area Association of Realtors noted in early September, “though median sales prices have posted welcomed gains by year-over-year comparisons for seven consecutive months, economic theory suggests that this cannot continue in the face of suppressed demand.”

- Quarterly employment in residential housing construction fell to an average of just under 9,100 jobs per month, the lowest level in 15 years for the second quarter.
- The supply of homes for sale rose to 7.2 months by the end of the quarter, which may continue to place downward pressure on prices.
- On average, 29% of the supply of homes for sale this quarter included foreclosures or short sales. Three years ago only 9% of the inventory consisted of such homes.

For technical notes on data for the MHP “2 x 4” Report, visit www.mhponline.org/research/2x4.