

# MHP's "2 x 4" Report

## Quarterly Housing Indicators

Quarter 4 2009



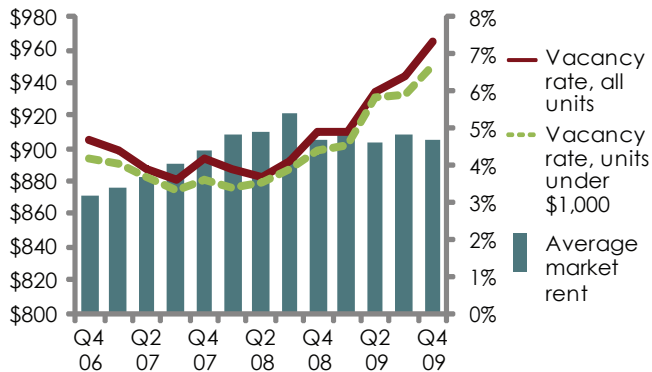
MHP's "2 x 4" Report tracks two timely and important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

# Minnesota Housing Partnership

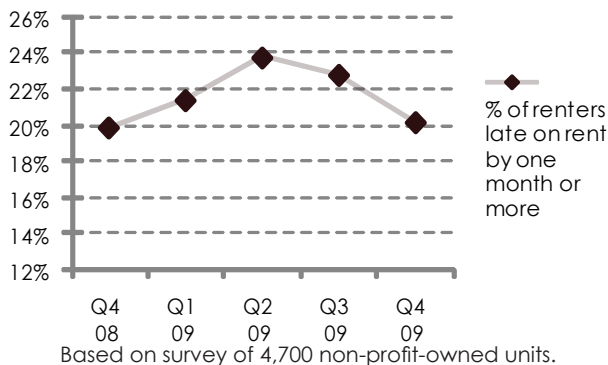
## Rental Market

In the fourth quarter, rental vacancy rates reached 7.3%, a five-year high, while rents again held steady. High vacancy rates place downward pressure on rents. Renter delinquencies, however, fell. About 20% of renter households surveyed were behind on rent this quarter.

### Twin Cities Rents & Vacancy Rates



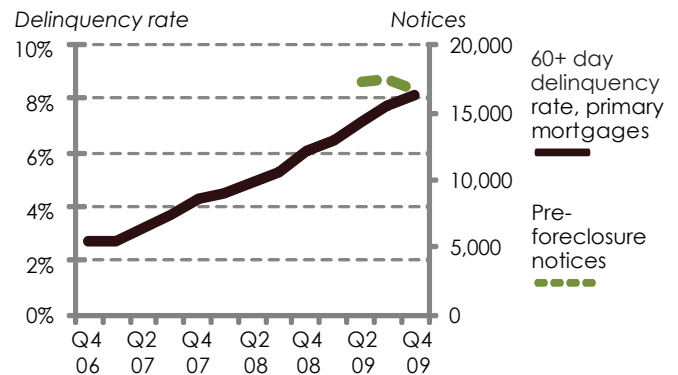
### Tenants in Non-Luxury Units with Rent Past Due



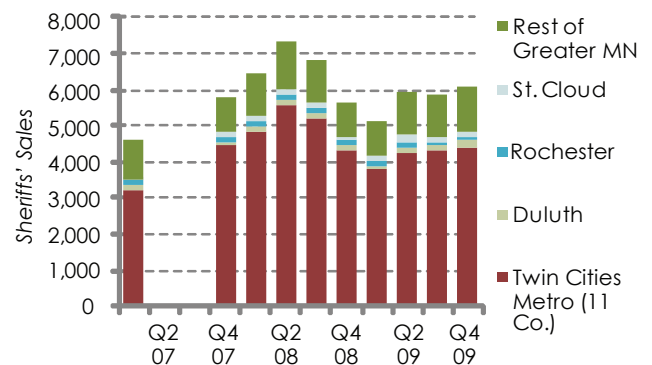
## Owners' Market

Mortgage delinquencies of 60+ days for primary (first lien) mortgage holders surpassed 8% in the fourth quarter of 2009. However, pre-foreclosure notices fell by about 5% over the previous quarter to about 16,600. Foreclosures (sheriffs' sales) remained steady, yet high, at 6,000 for the quarter.

### Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



### Minnesota Foreclosures



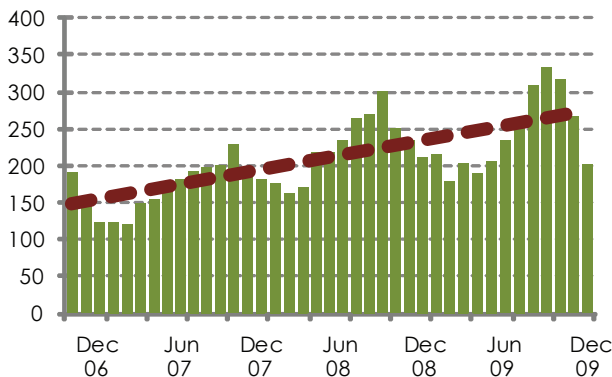
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[www.mhponline.org/research/2x4](http://www.mhponline.org/research/2x4)

## Homelessness

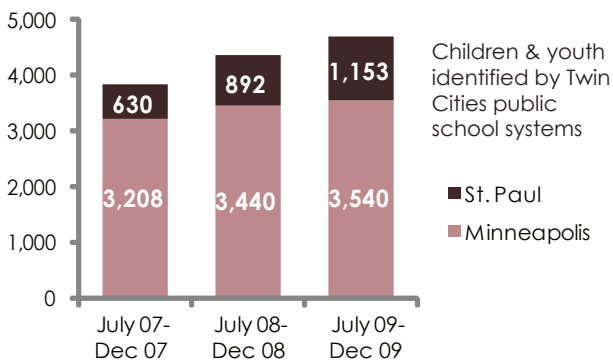
The number of homeless families in Hennepin County shelters averaged 260 during the 4th quarter. Despite a marked decline in December, the count was 12% higher than the 4th quarter of 2008 and 66% higher than 2006. Minneapolis and St. Paul public schools identified 4,700 homeless kids through December, up 8% from last school year.

### 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



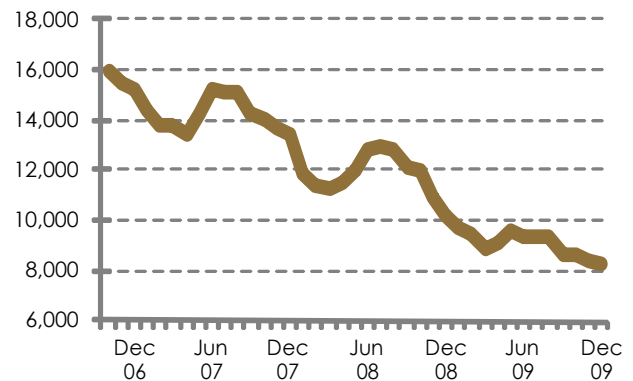
Children & youth identified by Twin Cities public school systems

■ St. Paul  
■ Minneapolis

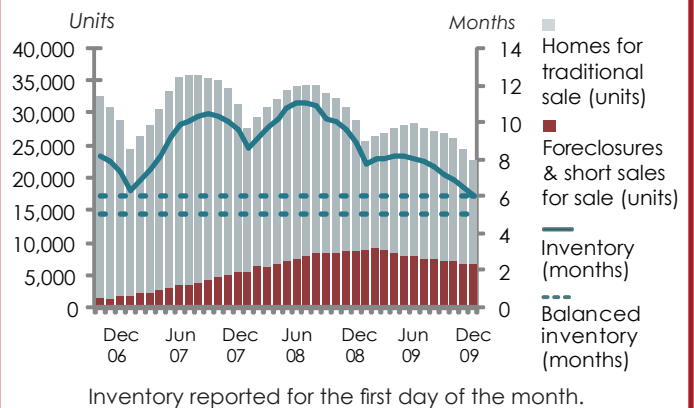
## Housing Industry

Jobs in housing construction fell to less than 8,500 jobs monthly this quarter, a level not seen in any 4th quarter since 1992. Meanwhile, the homes-for-sale inventory fell to more balanced levels. Yet, foreclosed and short sales homes made up 28% of the inventory, compared to 5% in the 4th quarter of 2005.

### Minnesota Residential Building Construction Employment



### 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/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— 2009 Quarter 4

(Released March 22, 2010)

This quarter, the "2 x 4" Report suggests that troubling trends in housing continue, but that some swings may be moderating as housing and economic policies are implemented and the market responds. Unemployment hovered around 7.5% through the quarter, down from an 8.4% spike in mid-2009. Homelessness was markedly higher than in recent years at the outset of the quarter, but by the quarter's end, homeless prevention programs from the federal stimulus bill ramped up, which helped people receive assistance and avoid homelessness. The glut of homes on the market in the Twin Cities metro also continued to ease. However, statewide trends in mortgage delinquencies, foreclosures, and jobs in housing construction failed to improve or worsened.

### **Rental Market**

The rental indicators showed higher Metro area vacancy rates (likely due to renters doubling up to save money) and stable rents, both of which are expected in a recession. The surprise finding, however, was lower non-luxury rental delinquencies. At first glance, lower rental delinquencies could indicate less hardship among renters in making payments. Yet some managers of affordable units reported that the lower delinquency rate reflects more vigorous collections efforts, to offset losses from higher vacancies.

- Again in the 4th quarter of 2009, Metro area rents remained flat, while vacancy rates rose to a five-year high of 7.3%. Average rents have fluctuated little over the last 5 quarters.
- Based on vacancy rates, demand for units under \$1,000 in the Metro exceeded demand for all units, though even these less expensive units had a vacancy rate that crept up to 6.7%.
- Renter delinquencies fell from 23% in the 3<sup>rd</sup> quarter to 20%, probably due to more vigorous collections efforts.

### **Owners Market**

The "2 x 4" Report reflects ongoing difficulty in the ownership market this quarter, with mortgage delinquency rates trending even higher. However, the number of pre-foreclosure notices issued fell slightly. According to foreclosure counseling staff, the fall in pre-foreclosure notices likely reflects lenders postponing foreclosure proceedings during the holiday season, and moving more slowly in initiating and carrying out foreclosures. Lenders wishing to avoid owning and taking losses on properties have opted instead to give owners longer timelines to remedy defaults or re-negotiate mortgage terms, especially as federal assistance programs evolve. Yet high unemployment and rising mortgage delinquency rates predict continued high foreclosure rates.

- Minnesota mortgage delinquency rates climbed—again—this quarter. The 60+ day delinquency rate of primary mortgages reached 8.1% in the 4<sup>th</sup> quarter, the highest recorded rate since the outset of data collection in the late 1970s.
- Pre-foreclosure notices sent by lenders to the Minnesota Home Ownership Center fell about 5%, from 17,500 last quarter to 16,600 this quarter.
- Foreclosures, as measured by sheriffs' sales, remained high. Just over 6,000 homes foreclosed statewide in the 4<sup>th</sup> quarter. In all quarters of 2009, there were 23,000 foreclosures, down slightly from a record 26,000 in 2008.

### **Homelessness**

This quarter, more homeless families and youth were identified in Hennepin and Ramsey counties than during 4<sup>th</sup> quarters of recent years. The money and services made possible by the Homeless

Prevention and Rapid Re-housing Program (HPRP) funded in the federal stimulus bill started to become available this quarter across the state. Housing officials attribute the large drop in Hennepin County family homelessness in December to this program.

- For the 4<sup>th</sup> quarter, an average of 260 families per month occupied Hennepin County contracted shelters. This number is 12% higher than the 4<sup>th</sup> quarter of 2008, and 66% higher than the 4<sup>th</sup> quarter of 2006.
- However, there was a dramatic fall in family homelessness within the quarter itself in Hennepin County. In December, the family homeless number eased markedly to 201 families, likely due to the homeless prevention program discussed above.
- The Minneapolis and St. Paul public schools identified 4,700 homeless youth though December of the school year, 8% higher than last year and 22% higher than year before.

**Housing Industry**

Again in the 4<sup>th</sup> quarter, residential housing construction employment fell, hitting an 18 year low for this time of year. In a sign that the extreme volatility in the real estate market may be ending, the inventory of homes for sale fell to a 6-month level, the upper end of what is considered balanced, after a supply glut since early 2006. The Minneapolis Area Association of Realtors also reported only small declines in median home sales price in year-over-year comparisons for October, November, and December 2009, compared to the same months in 2008. January 2010 saw the first year-over-year gain in monthly median home sales price in almost 3.5 years.

- Employment in residential housing construction fell to an average of less than 8,500 jobs per month in the 4<sup>th</sup> quarter of 2009. Employment in residential construction has not been this low in the 4<sup>th</sup> quarter in 18 years.
- While the supply of homes for sale fell close to a balanced level by the end of the quarter, 28% of the supply of homes for sale were foreclosed or short sales. In 2005 only 5% of the inventory consisted of foreclosures or short sale 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 those for short sale, is provided by the Minneapolis Area Association of Realtors.