

2x4 Report | March 2016

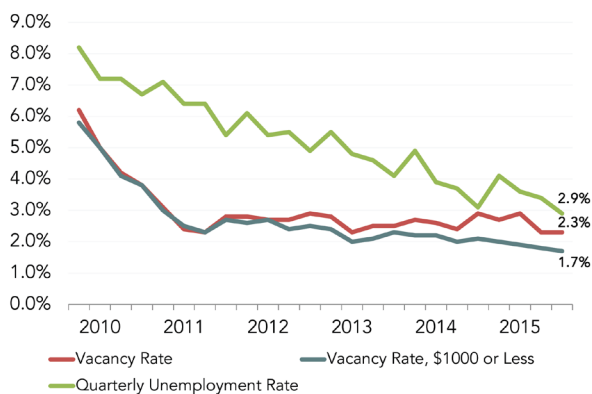
Semi-Annual Housing Indicators



Rental Market

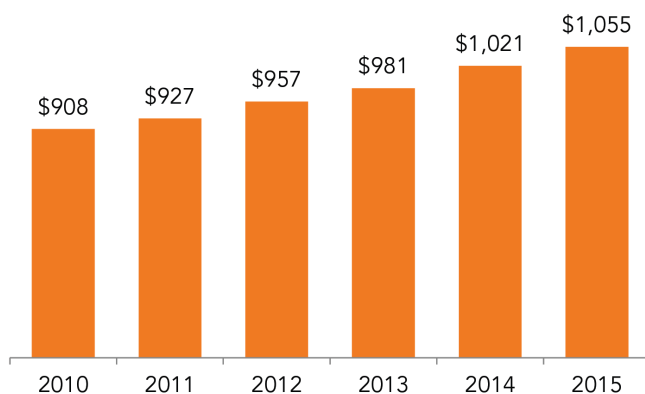
Rents in the Twin Cities continue to climb steadily, averaging \$1,055 during most of 2015. Vacancy rates dropped to a 5-year low of 2.3% in Q4 of 2015, with units renting for \$1,000 or less hitting a record low vacancy rate of 1.7%.¹ A total of 18,280 evictions were filed in Minnesota in 2015, a 6% decrease from 2014 and 18% since 2010. January evictions were down in 2016 across the state by 1.7%; however, they rose in Hennepin County by 4.9%.²

Vacancy Rates in the Twin Cities Metro 2005-2015, Quarterly³



Survey of market-rate apartments in 10+ unit buildings.

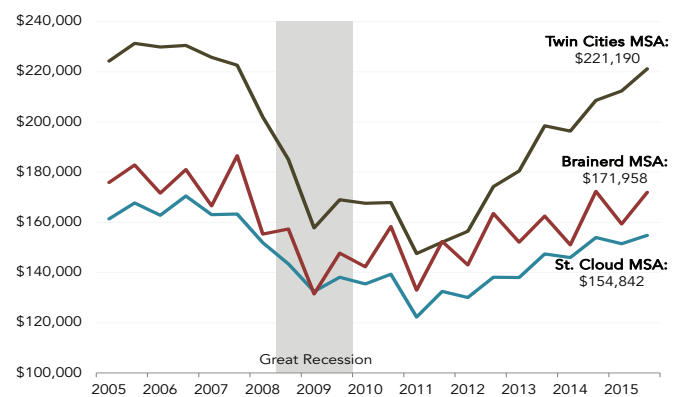
Twin Cities Average Rent 2010-2015, Annual Average⁴



Owner's Market

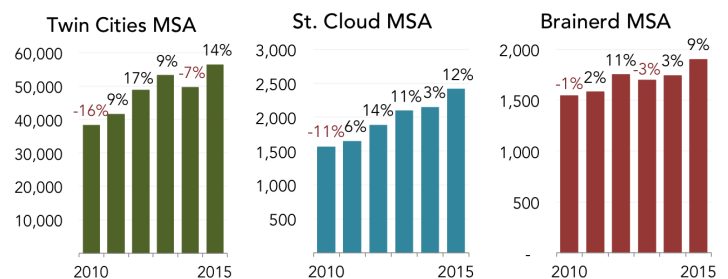
More homes are being sold at higher prices in Minnesota metros. In 2015 the number of closed sales reached a 10-year high in the Twin Cities, St. Cloud, and Brainerd. Median home sale prices rose for the fourth year in a row, increasing most significantly in the Twin Cities metro.⁵ Incidentally, the income needed to afford a median home continues to rise. Foreclosures continue on a consistent downward trend, hitting a 12-year low in 2015 (1,615).⁶

Median Home Sale Prices 2005-2015, 6-Month Average⁷



Home sale prices not adjusted for inflation.

Number of Closed Sales and Percent Change from Prior Year 2010-2015, Annual⁸



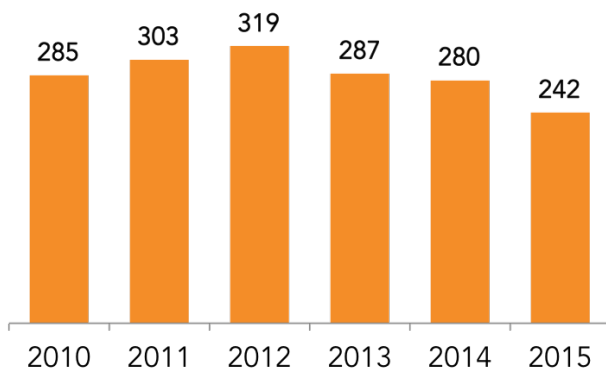
SOURCES: 1 & 3-4 Marquette Advisors, *Twin Cities Quarterly Rent and Vacancy Rates*; County Quarterly Unemployment Rate from BLS, *Local Area Unemployment Statistics*. 2 Minnesota State Court Administrator, *Monthly Unlawful Detainers by County*. 5-8 Minneapolis Area Association of Realtors/10K Research. Note that all data used in this report from the Minneapolis Area Association of Realtors and County Sheriff's Data refers to an 11-county Twin Cities metro. Prepared by Erin Lee Olson on behalf of Minnesota Housing Partnership: erinleeolson@gmail.com.

Rents and home sales prices climb while vacancy rates hit all time lows.
 Apartments rent for \$1,000 or less in the Twin Cities metro have vacancy rates below 2%.

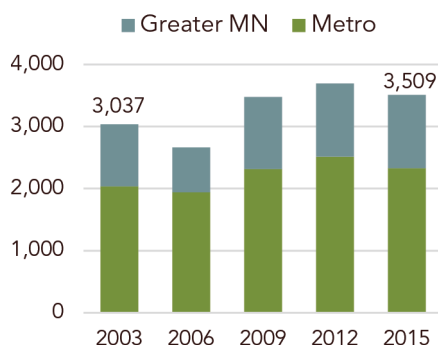
Homelessness

Hennepin County homelessness is on the decline, but rates remain higher than before the Great Recession. An average of 242 families per month used shelters in the County in 2015, down 13.4% from 2014. Overall, 1,360 families used shelters in Hennepin County in 2015, the lowest annual total since 2011.⁹ The total number of homeless children and unaccompanied youth dropped to 3,509.¹⁰

Average Number of Families in Shelters Each Month, Hennepin County 2010-2015, Annual Average¹¹



Homeless Children & Unaccompanied Youth 2003-2015, Estimates from Wilder Research¹²



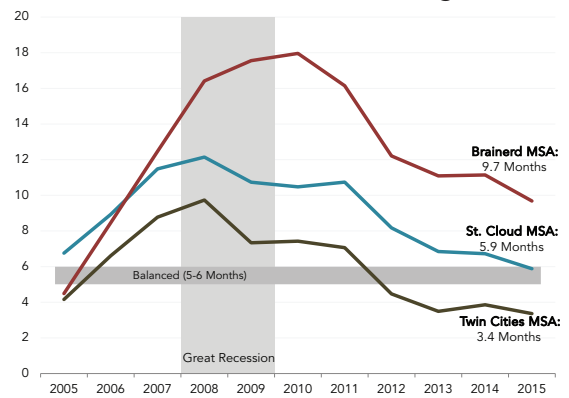
"Children" – anyone under 18 identified as homeless, **with** a parent or guardian

"Unaccompanied Youth" – anyone under 18 identified as homeless, **without** a parent or guardian

Housing Industry

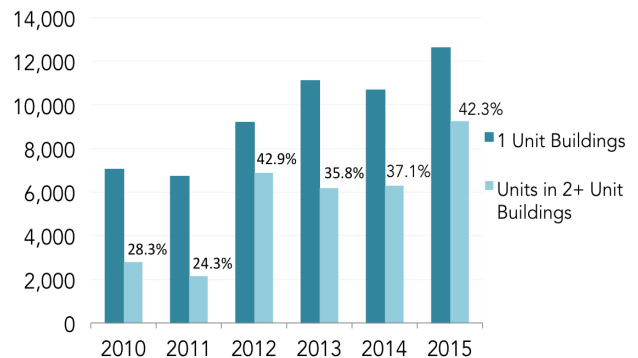
Many large metro areas in Minnesota are seeing a more balanced supply of homes for sale along with plenty of new construction. In 2015, a total of 21,873 building permits were issued for housing units in Minnesota. Continuing an upward trend over the past five years, 42.3% of all units with new building permits in 2015 were in multi-unit buildings - the majority of these having 5 or more units.¹³

Months Supply of Homes for Sale 2005-2015, Annual Average¹⁴



Indicates the number of months that current inventory of homes for sale would last at the current pace of home sales.

Units Receiving New Building Permits, MN 2010-2015, Annual¹⁵



SOURCES: 9 & 11 Hennepin County, *Hennepin Family Homelessness*. 10 & 12 Wilder Research, *2015 Minnesota Homelessness Study*. 13 & 15 US Census Bureau, *New Privately Owned Housing Units Authorized*. Accessed 2/20/16 at <http://www.census.gov/construction/bps/txt/t2yu201601.txt>. 14 Minneapolis Area Association of Realtors/10K Research.



2446 University Ave. West, Suite 140
 St. Paul, MN 55114
 651.649.1710

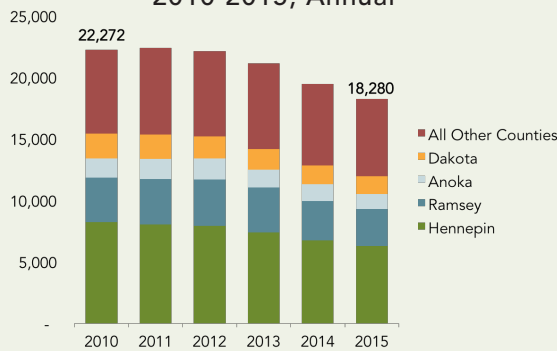
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Rental Market

The state's rental market has gotten tougher for low-income renters, but thankfully the eviction rate has continued to decline for the fifth consecutive year.¹⁶ Most evictions during this period were the result of non-payment of rent. Rents in the Twin Cities continued to rise in a low-vacancy (2,980, rate of 2.3%) and low unemployment (2.9%) environment in 2015.¹⁷ The median rent in the last quarter of 2015 was 3.3% higher than in

2014 and 17% higher than in 2010 (\$153). Rental vacancy rates remain very low at 2.3%, down from 2.9% in Q4 of last year.¹⁸ Higher rents and lower vacancies mean that it is a challenge to find an affordable rental in the Twin Cities. The share of apartments renting for \$1,000 or less continues to decrease steadily, dropping from 69% of all Twin Cities rentals at the start of 2010 to only 51.9% of rentals at the end of 2015.¹⁹

Evictions Filed in Minnesota
2010-2015, Annual²⁰



2.3%
-17.5% since 2014

Vacancy Rate
Twin Cities, 2015

\$1,055
+3.3% since 2014

Median Rent (10+ Units)
Twin Cities, 2015

18,280
-6% since 2014

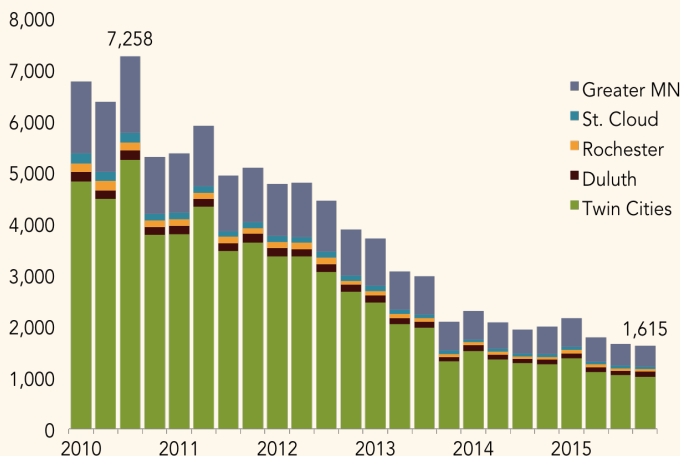
Evictions
Minnesota, 2015

Owner's Market

The homeowner's market has made a full recovery from the Great Recession. Home sales and prices across Minnesota have continued to rise, mirrored by dramatic downward trends in foreclosures and mortgage delinquency. In the last half of 2015 the median home sale price was \$221,190

in the Twin Cities, \$154,842 in St. Cloud, and \$171,958 in Brainerd, finally reaching 2007 pre-recession levels.²²

Number of Foreclosures Filed in Minnesota
2010-2015, Quarterly²¹



Recovery from the foreclosure crisis has been most pronounced in the Twin Cities region, where there was a 76.6% decrease in total number of foreclosures between the most severe point of the Great Recession (Q4 of 2008) and the end of 2015. In Greater Minnesota, foreclosures are just less than half of what they were at the start of the Recession (down from 1,308 to 599). Statewide, 3.3% of mortgages were delinquent by 60+ days in 2015, representing the lowest percentage since 2006.²³ The overall foreclosure rate in 2015 was only 0.4%, with a total of 7,212 foreclosures statewide.²⁴

Total Foreclosures Q4 2015, change since 2008²⁵

Region	2008	2015	% Change
Greater MN	1,308	599	-54.2%
Twin Cities	3,800	1,016	-76.6%

SOURCES: 16 & 20 Minnesota State Court Administrator, *Monthly Unlawful Detainers by County*. 17 BLS, *Local Area Unemployment Statistics*, 18-19 County Twin Cities Unemployment Rate for Q4 2015. 21 County Sheriff's Data, MN Homeownership Center. 22 Minneapolis Area Association of Realtors /10K Research, Northstar MLS Data estimates. 23 Mortgage Bankers Association, *National Delinquency Survey*. 24-25 County Sheriffs Data, MN Homeownership Center.

Homelessness

Progress is being made to end homelessness in Minnesota, though change has been gradual and difficult to measure. On October 22, 2015, 6,202 adults and minors were identified as homeless in the Twin Cities 7-county metro, 87.7% of these spending the night in a shelter.²⁶ Records for January 2016 from Hennepin County shelters reveal the lowest January counts of families on record (226 families in shelters).²⁷

While the total number of people experiencing homelessness went down by 12 percent from 2012-2015, it only decreased by 5 percent among youth and unaccompanied children. Wilder Foundation's 2015 Statewide Homelessness Study found that nearly 2 in 5 people experiencing homelessness were children or unaccompanied youth. From 2003 to 2015, the total number of unaccompanied youth and children increased by 15 percent to 3,509, with growth occurring in both Greater Minnesota and the Metro area.²⁹

Hennepin County Homelessness, 2015²⁸



1,360
-211

Total Number of Homeless Families

Change from 2014



62,415
-13,570

Total Nights Spent per Year in Shelter

Change from 2014



45.9
-2.5 days

Average Length of Stay per Year

Change from 2014

Housing Industry

Home construction is booming, particularly for duplexes and larger multi-unit buildings. In 2015 new building permits were issued for 21,873 units in Minnesota, the most since 2006. January 2016 saw more permits than January 2015, and a greater proportion of these were for 5+ unit buildings: 3.3% (compared to 2.4% in 2015, 1.4% in 2014). Permits for 2-unit structures are also on the rise. Overall, 42.3% of units permitted in 2015 were in multi-unit buildings, the highest percentage on record. The majority of multi-unit buildings on the market were constructed as rentals. The supply of housing on the market decreased in the Twin Cities, St. Cloud, and Brainerd by 12-13%.³⁰

2015 New Building Permits in Minnesota, Change in Number of Units Since 2014³¹



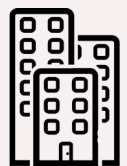
1 Unit
12,616
Units
+18%



2 Unit
234 Units
117 Bldgs
+112.7%

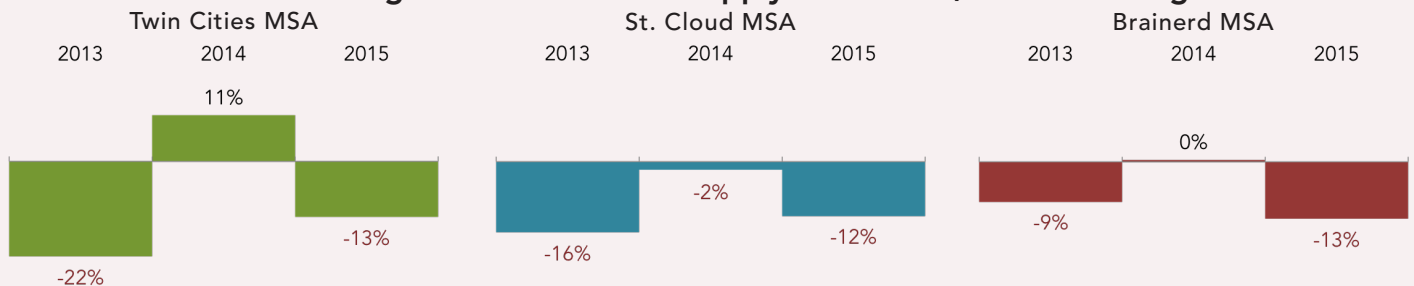


3-4 Unit
371 Units
106 Bldgs*
+105%



5+ Unit
8,652 Units
315 Bldgs
+107.2%

Percent Change in Months Home Supply 2013-2015, Annual Average³²



* Calculation of 3-4 unit buildings is an approximation made by dividing the total number of units by 3.5. SOURCES: 26 & 29 Wilder Research, 2015 Minnesota Homelessness Study. 27-28 Hennepin County, Hennepin Family Homelessness. 30-31 US Census Bureau, New Privately Owned Housing Units Authorized. Accessed 2/20/16 at <http://www.census.gov/construction/bps/txt/t2yu201601.txt>. 32 Minneapolis Area Association of Realtors/10K Research.