

NEW
for
2014!

MHP's 2x4 Report

Semi-Annual Housing Indicators

June
2014

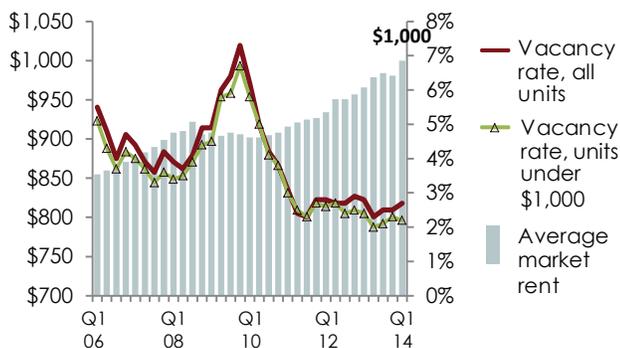
MHP's 2 x 4 Report tracks a set of two timely, important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.



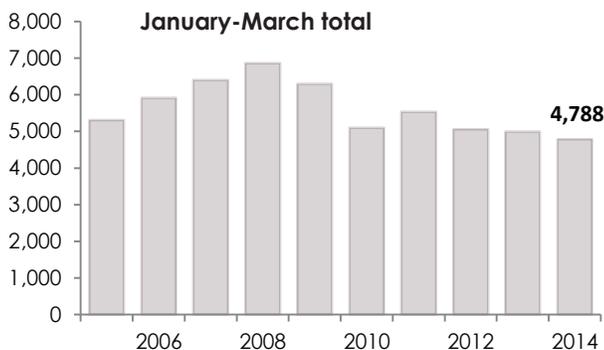
Rental Market

In the first quarter of 2014, average Twin Cities rents reached \$1,000, and the vacancy rate rose slightly to 2.7%. Yet for units below \$1,000 per month, vacancy rates actually declined to 2.2%. From January to March, 4,788 evictions were filed, a 4% decrease from last year.

Twin Cities Rents & Vacancy Rates



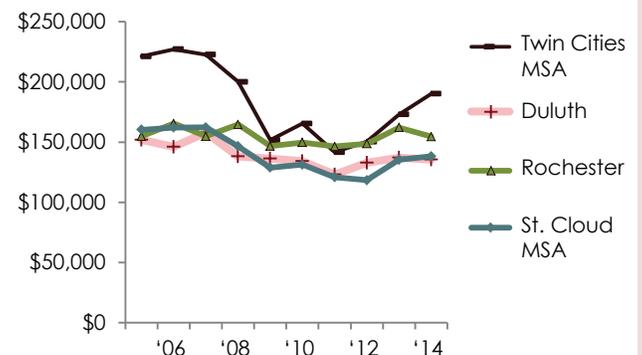
Evictions Filed in Minnesota



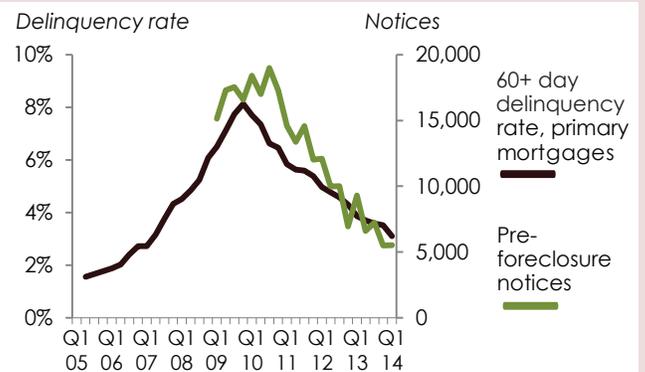
Owners' Market

Pre-foreclosure notices were unchanged for the quarter, while the mortgage delinquency rate continued to trend downwards reaching 3.1%. The sale price of the median home was higher compared to last year at this time in both the Twin Cities and St. Cloud, but lower in Duluth and Rochester.

Median Home Sale Prices (3 mo. average Feb-Apr)



Minnesota Mortgage Delinquencies & Pre-foreclosure Notices

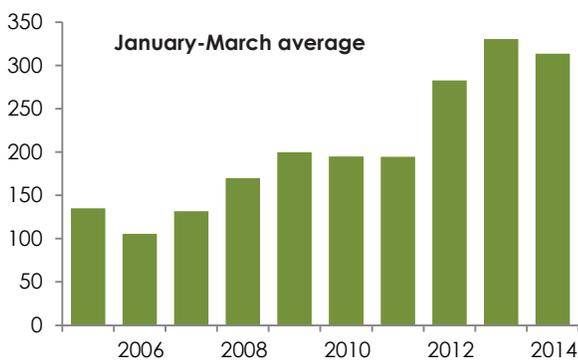


For Minnesota Housing Partnership's 2 x 4 archives and data notes, visit www.mhponline.org/publications/reports-and-research/2x4-report

Homelessness

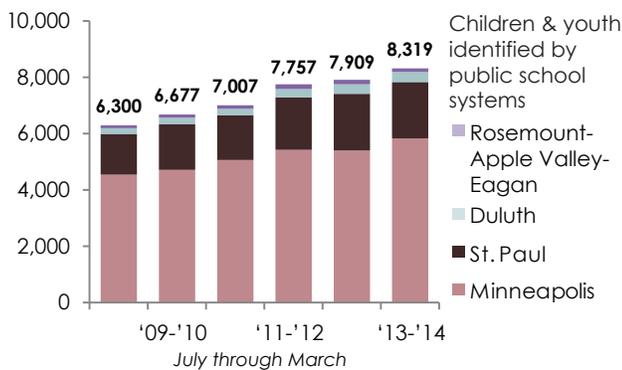
For Hennepin County family homelessness average quarterly counts fell to 314 families per month, down 5% from last year. The number of homeless children in four major school districts rose 5% compared to last year, with increases in the Minneapolis and Duluth districts.

Hennepin Family Homelessness



The average number of families each month using shelters contracted by Hennepin County over the 3-month period.

Homeless Kids

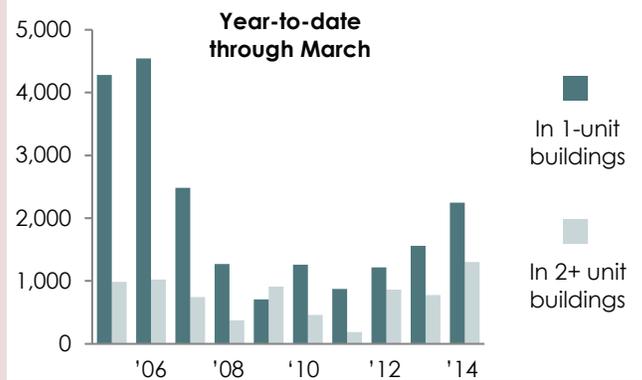


May include multiple counts of the same children if counted by more than one school district.

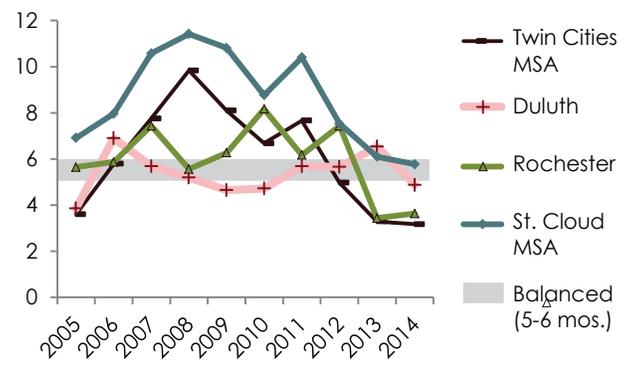
Housing Industry

Builders have been responding to a short supply of homes, with building permits up 44% in one year for single family units and 68% for multi-family units statewide. In three of four major state housing markets, the supply of homes for sale was tight, especially in Rochester and the Twin Cities.

Units Receiving New Building Permits, MN



Months Supply of Homes for Sale (3 mo. average Feb-Apr)



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

SOURCES: Renters: Marquette Advisors (top); Minnesota State Court Administrator (bottom). Owners: Minneapolis Area Association of Realtors (top); National Delinquency Survey, Mortgage Bankers Association; MN Home Ownership Center (bottom). Homelessness: Hennepin County (top); Minneapolis, St. Paul, Duluth, and Rosemount-Apple Valley-Eagan Public Schools (bottom); Industry: US Census Bureau (top); Minneapolis Area Association of Realtors (bottom).





MHP's 2 x 4 Report

Released June 18, 2014

When the *2x4 Report* was created in 2009, the housing market was changing fast. Mortgage defaults were rising steeply and housing construction was plummeting. MHP originally developed the *2x4 Report* to convey information about rapid changes in housing in Minnesota in a format that would be easy to access and understand. Now, five years later, housing data is still worth tracking. It's just not changing as quickly. For this reason, we have revamped the *2x4* into a semi-annual format with a new look, and the charts now track data over a longer time period.

Wherever possible, we continue to use data for the state, but for some data, we must rely on local sources, typically available only in the Twin Cities (e.g. quarterly rental vacancy rates) or larger metro areas. Several new sources have become available, so the *2x4* now includes data for several larger housing markets outside the Twin Cities, including St. Cloud, Rochester, and Duluth. Data on statewide eviction filings have also been added in the rental section (see below for details).

For this release, it's clear that several industry indicators, such as limited supply of homes on the market, falling mortgage delinquencies, and an uptick in building permits spell good news for current owners and developers. However, the report is a reminder that renters and the homeless are still struggling. Average rents crossed the \$1,000 mark in the Twin Cities, and there were more homeless students identified. Minnesota unemployment was 4.8% in March, though 10.3% were un- or under-employed or had quit looking for work in the first quarter of 2014.

Rental Market

For the Twin Cities rental market, rents rose and low vacancy rates prevailed.

- Average rents in the Twin Cities reached a new high of \$1,000 in early 2014. Rents have risen 7% in the past two years, about twice the inflation rate in this time period.
- Rental vacancy rates remain very low, but crept up to 2.7% from 2.5% last quarter.
- However, for apartments priced under \$1,000 per month, the vacancy rate actually fell 0.1% since last quarter to 2.2%. This indicates two things 1) relief in the tight market is being felt only at the upper end, and 2) there is a very tight squeeze on more affordable units.

The *number of evictions filed in courts* was added to the new *2x4* as statewide data point. It's worth noting that most evictions pertain to rental units and non-payment of rent. But in home foreclosure situations, banks that own properties can also file evictions. This probably accounts for the increase in the 2006-9 period indicated in the data. By 2011, the uptick may well have been related to the poor economy and high unemployment. For early 2014, evictions filed across the state fell by about 4% compared to the previous year.

Owners' Market

Indicators for the owners' market signaled steady or improving conditions with a lower mortgage delinquency rate and steady or rising home prices. New for the *2x4 Report* are home sales prices for four metro areas: the Twin Cities, Duluth, Rochester, and St. Cloud.

- Compared to a year ago, median home sales prices (not adjusted for inflation) rose in two of the four metro areas featured. Prices are 10% higher than last year in the Twin Cities and 2% higher in St. Cloud.



- For Duluth, median home sales prices inched down 1% compared to last year at this time. In Rochester prices fell by 5%.
- Median homes sales prices for all four metro areas remain lower than the market highs of 2005-6, even without adjusting for inflation.
- 3.1% of mortgages were delinquent, compared to an average of 1.7% from 1979 to 2004. Pre-foreclosure notices held steady compared to last quarter.

Homelessness

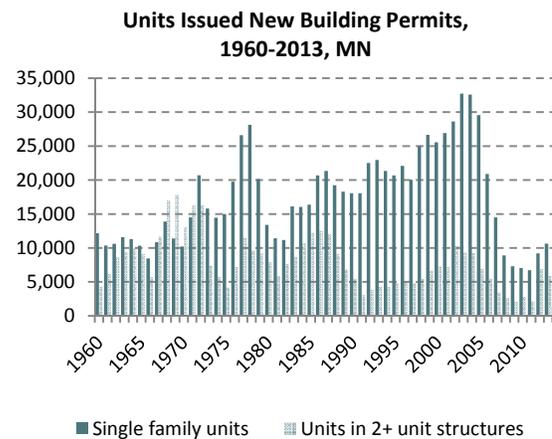
For the first time in several years, family homelessness in Hennepin County fell compared to the year before. Yet the number of homeless families is still more than double what it was a decade ago. In the four school districts tracked, homelessness this school year trended upwards in two districts and down in one, with a 5% overall increase in homeless students for the four districts combined.

- For January to March of 2014, there was an average of 314 families in Hennepin County contracted shelters each month, down from 330 last year.
- Counts of homeless children rose 6% in Duluth to 362 for the school year, the highest since MHP's data collection for this indicator began in 2007-8. The count in Minneapolis public schools was up 8%.
- Suburban Rosemount-Apple Valley-Eagan reported a 23% decline in homelessness since last year, and St. Paul numbers were unchanged.
- A total of 8,319 homeless students have been identified in the four school districts since July of 2013.

Housing Industry

The big news in the housing industry is undoubtedly the uptick in new building permits, after reaching 50 year lows from 2008-2011. While new building is still below historical averages (see right), we are seeing notable investment in rental construction for the first time in several years. At the same time, most of the apartments coming online are not affordable to lower income renters, despite the high need. With home sales inventory also low, we can expect an uptick in new single family construction as well.

- 1,304 building permits were issued for units in 2+ unit buildings in the first three months of 2014, the highest in over a decade for the time of year. For single unit buildings, 2,248 permits were issued in January through March.
- New building permits through March of 2014 have increased by 44% for single-family units and 68% for multi-family units in one year.
- The supply of homes for sale was within the 5 to 6 month "balanced" range for St. Cloud, but lower than five months in Duluth, Rochester and the Twin Cities areas.



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