

MHP's "2 x 4" Report

Quarterly Housing Indicators

Quarter 1 2011



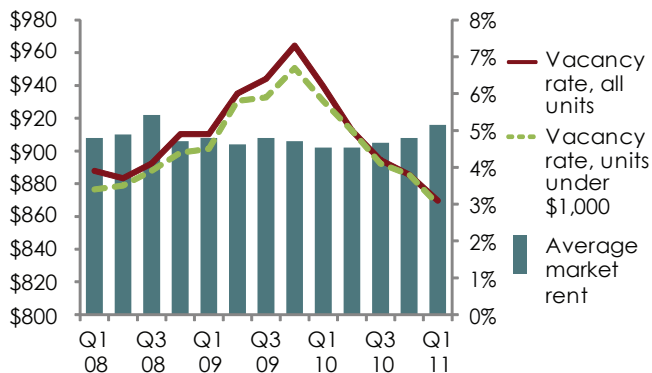
MHP's "2 x 4" Report tracks two timely and important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

Minnesota Housing Partnership

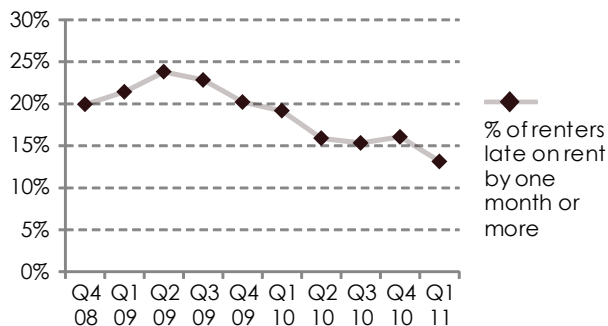
Rental Market

The Twin Cities rental vacancy rate fell to 3.1%, a rate not seen since 2001. With this tight market (balanced is considered to be 5%), average rents increased to \$916 from \$908 last quarter with additional increases likely. About 13% of non-luxury renters were delinquent in rent.

Twin Cities Rents & Vacancy Rates



Tenants in Non-Luxury Units with Rent Past Due

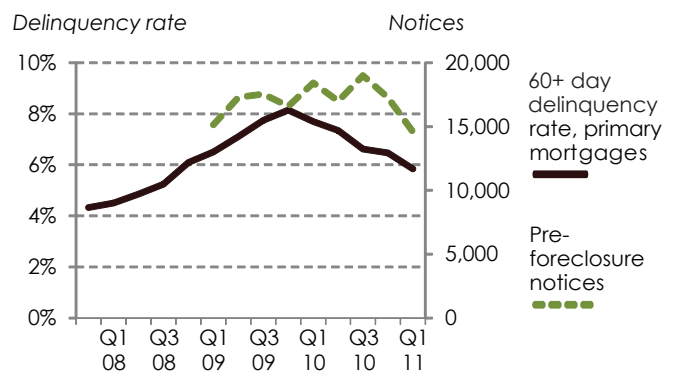


Based on survey of 4,700 non-profit-owned units.

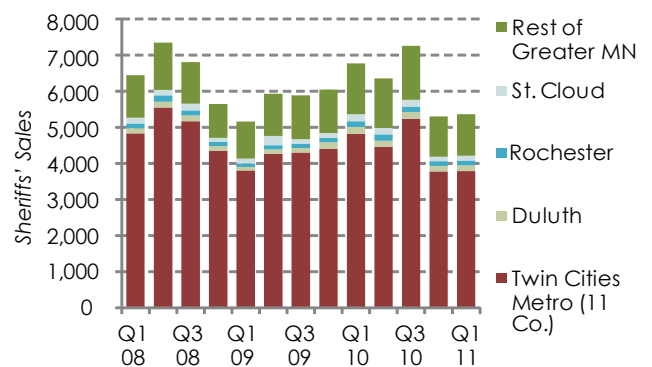
Owners' Market

Primary mortgage delinquencies have fallen for five quarters from a peak of 8.1% in late 2009 to 5.8% this quarter. The number of pre-foreclosure notices fell to about 14,600, down 15% from last quarter. Foreclosures (5,634 sheriff's sales) changed little from last quarter.

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



Minnesota Foreclosures



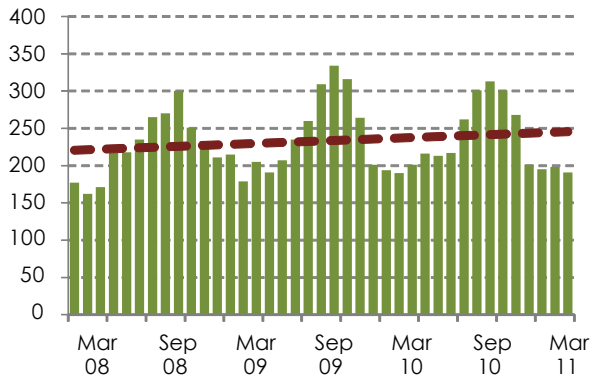
2446 University Avenue West, Suite 140
 Saint Paul, MN 55114
 651-649-1710, 800-728-8916
 fax: 651-649-1725

www.mhponline.org/research/2x4

Homelessness

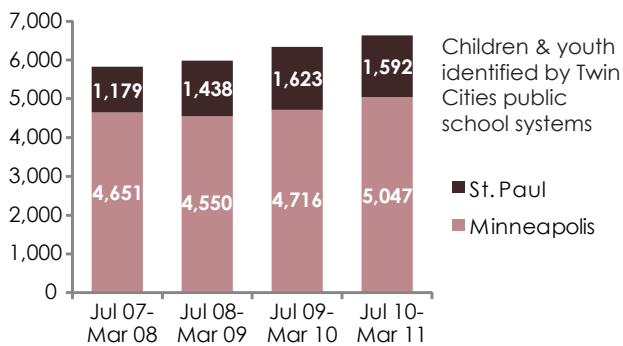
This quarter, 195 families per month were sheltered in Hennepin County-contracted shelters, on average, similar to the number in the first quarter of 2009 and 2010. Minneapolis and St. Paul schools identified 6,600 children and youth as homeless, up 6% from last school year. This number is up for the third year running.

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

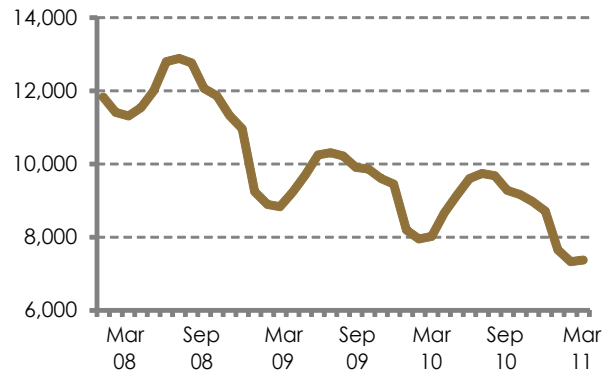


Children & youth identified by Twin Cities public school systems

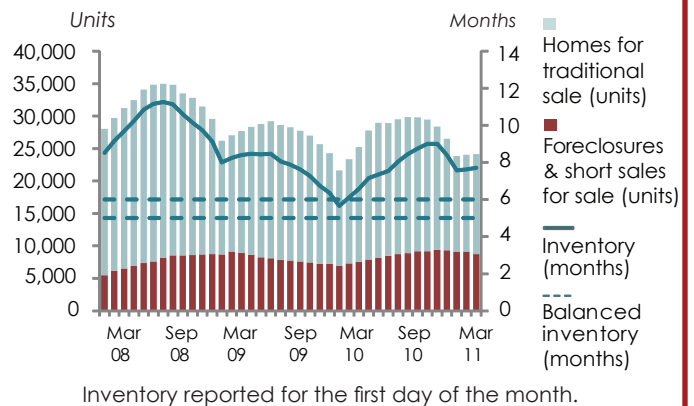
Housing Industry

Employment in residential housing construction averaged only 7,500 jobs monthly, an 18-year low. The supply of homes for sale in the Twin Cities region remained high, at 7.7 months by the quarter's end. A record-setting 38% of the homes for sale were foreclosures or short sales.

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.

SOURCES: Renters: 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— 2011 Quarter 1 (Released June 13, 2011)

Nearly all of the housing indicators tracked for the 2x4 could be a headline for the first quarter of 2011, between falling mortgage delinquencies, persistently high levels of homelessness, and low levels of housing construction, but the Twin Cities rental market is perhaps the biggest surprise. Rental vacancy rates again plummeted, landing at 3.1% compared to 7.3% just five quarters ago. This trend spells concern, especially for low-income Minnesotans, with rents poised to rise and homelessness levels that refuse to budge.

Overall, the economy held steady or improved marginally this quarter. The official unemployment rate averaged 6.7%, down from 7.0% last quarter. This is the lowest rate measured since the fourth quarter of 2008 when rates began rising precipitously. However, lack of relief from high levels of homelessness suggests that the recovery is not reaching all Minnesotans equally.

Rental Market

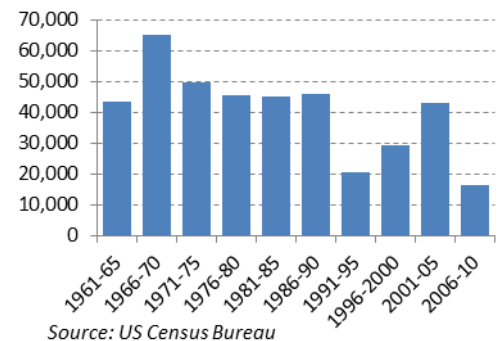
The Twin Cities rental vacancy rate plummeted and rents rose in the first quarter of 2011. Between an ongoing rise in the number of renters as fallout of the foreclosure crisis and limited construction of rental housing in recent years, rental demand is far outstripping supply. Vacancy rates fell to the lowest rate since 2001, after many years of economic expansion and rental shortage in the Twin Cities. On the supply side, since the collapse of the housing market starting in 2006, the number of multi-family units permitted reached at least a 50-year low for any 5-year period. From 2006 to 2010, only 16,400 multi-family units were permitted in the state. As the economy haltingly recovers, fewer families are doubling up, and more young adults are setting up independent households, pushing up rental demand and squeezing the market. Thousands of former homeowners are also flooding the rental market after experiencing foreclosures.

- This quarter, the rental vacancy rate fell to 3.1%, the lowest rate seen since 2001, and the average monthly rent reached \$916. Low vacancy rates signal likely future rent increases.
- With the lower rental vacancy rate, average market rents rose to \$916, the second-highest rent level measured for any quarter. (Rents for the quarter averaged \$922 two-and-a-half years ago.)
- 13% of renters in non-luxury units were delinquent for rent this quarter.

Owners' Market

In the first quarter of 2011, the 2x4 Report data indicates that there may be light at the end of the tunnel for the battered ownership market. The 60-day mortgage delinquency rate, a good predictor of future foreclosures, brought welcome news. This rate declined for the fifth consecutive quarter in Minnesota, landing at 5.8%. Pre-foreclosure notices also dropped this quarter. The number of foreclosures, roughly the same as last quarter, represents a big improvement over recent quarters.

Units Issued Building Permits in 2+ Unit Structures, Minnesota, 1961-2010





However with Minnesota having experienced over 115,000 foreclosures since 2005, home prices continue to take a beating, burdening many existing owners (and creating opportunity for new buyers, if they can qualify for loans). By the end of March 2011, year-to-date median home sales prices in the Twin Cities had fallen 12% compared to the same time the year before. The sales prices of foreclosures and short sales fell more than traditional sales prices.

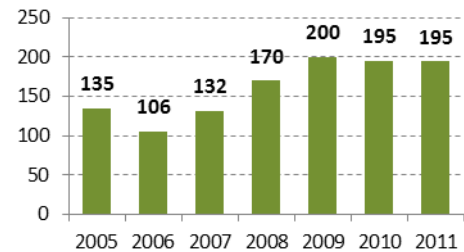
- 5,364 homes foreclosed this quarter in Minnesota, as measured by sheriffs' sales, roughly the same as last quarter.
- The 60+ day delinquency rate of primary mortgages improved by falling to 5.8%. This rate represents over a year of continuous improvement since peaking in late 2009 at 8.1%.
- About 14,600 pre-foreclosure notices were sent to the Minnesota Home Ownership Center this quarter, a 15% decline from the previous quarter.

Homelessness

Ongoing very high levels of homelessness indicate that economic recovery has not yet reached the lowest income Minnesotans. The number of families seeking shelter in Hennepin County contracted shelters has hardly changed since the recession's height in 2009. Children may be especially hard hit. The combined count of homeless children and youth identified by the St. Paul and Minneapolis schools increased 5% over last year.

- 195 families per month, on average, were counted as homeless by Hennepin County shelters in the fourth quarter of 2010, the same as last year, and up 84% from the first quarter of 2006.
- 6,639 children and youth were identified as homeless by Minneapolis and St. Paul public schools combined from July 2010 through March 2011. This total has increased consecutively each year since 2007-8 for the two district counts taken together.

Average Number of Homeless Families in the 1st Quarter, Hennepin Co.



Source: Hennepin County

Housing Industry

Housing industry data, too, brought unfortunate news this quarter, with employment in residential construction hitting another record low-- this time an 18-year low. The inventory of homes on the market was sizeable, and the proportion of foreclosures or short sales in that inventory hit a record high. Would-be sellers opted to wait to sell. This year from January 1 to March 1, the number of homes up for sale increased by only about 300, when recent years have typically seen thousands of homes newly on the market in that period. Together, these inventory trends fed additional declines in home prices.

- Quarterly employment in residential housing construction averaged only 7,500 jobs per month, the lowest since 1993.
- On average, 38% of the supply of homes for sale this quarter were foreclosures or short sales, the highest proportion yet recorded for the Twin Cities.
- The supply of homes for sale landed at 7.7 months by the end of the quarter, compared to 6.6 months the year before. 5 to 6 months is considered "balanced."

For technical notes, visit <http://mhponline.org/publications/reports-and-research/2x4-report>.