About 5% of primary mortgages were delinquent or in foreclosure this month. This is the lowest rate in nearly four years. Pre-foreclosures notices remained steady compared to last quarter, at about 12,100. 4,836 foreclosure sheriffs’ sales took place this quarter, down somewhat from last quarter.

The average Twin Cities rent rose for the seventh consecutive quarter to $934, in a rental market that continues to be tight. The vacancy rate remained at 2.8%, still far below the “balanced” level of 5%. About 15% of non-luxury renters were delinquent in paying their rents.

Tenants in Non-Luxury Units with Rent Past Due

Based on survey of 5,400 non-profit-owned units.

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices

Based on survey of 5,400 non-profit-owned units.
Homelessness

An average of 283 families sought shelter in Hennepin County each month, which was markedly (45%) higher than last year at this time. Three major Minnesota school systems identified nearly 8,100 homeless children and youth, 17% more than last year. Duluth saw an even steeper rate of increase of 27%.

Hennepin Family Homelessness

Twin Cities Homes-for-Sale Inventory

The inventory of homes for sale in the Twin Cities area fell to an average of 17,300 per month this quarter, an eight-year low. This tighter market may be good news for home prices. Employment in residential housing construction remained at about 8,300 per month, similar to last year at this time.

Housing Industry

For MHP’s “2 x 4” archives and data notes, visit www.mhponline.org/publications/reports-and-research/2x4-report.

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, & Duluth Public Schools (bottom). Industry: Current Employment Statistics (CES)(top); Minneapolis Area Association of Realtors (bottom).
MHP’s “2 x 4” REPORT– 2011 Quarter 4  (Released June 14, 2012)

This quarter the housing data offered some bright news for the housing industry, while homelessness continued to increase in an alarming manner. The state’s unemployment rate has been below 6% for most of the last two quarters, which provides evidence of a gradually stabilizing economy. With some stability, the housing market is tightening, at long last, and new investments are being made in housing, especially in multi-family buildings.

Yet homelessness figures for the Twin Cities and Duluth provide are skyrocketing, even compared to last year’s high numbers. The average unemployment rate in Minnesota has been falling for three years straight, so the increase in homelessness can’t be explained by this simple number alone. Past issues of the 2x4 Report suggest that long-term unemployment, which has reached epic proportions nationwide, is playing a role. The official unemployment rate includes only those who are still looking for work, not those who’ve given up looking for work. So one place to look, explains economist Jared Bernstein, is the labor force participation rate, or those in the labor force as a share of the working age population. This rate has been falling steadily since the recession began and may well explain the rising homelessness we’re seeing, with people so discouraged by their job prospects that they have quit looking for work. Without work or housing assistance, the rent can’t be paid.

**Rental Market**

Rents in the already pricey Twin Cities rental market got pricier this month, as the vacancy rate remained well below 3%, which is extremely low. With the ongoing foreclosure epidemic, the number of families looking to rent continues to expand, while limited new rental construction has limited supply. Yet there is some indication that the market is starting to respond with the addition of new rental stock. The number of units in multi-family buildings which were issued new building permits more than tripled in Q1 2012 compared to Q1 2011. Yet it will still take time for any stock under construction to ease the supply crunch.

- The average monthly rent rose to $934, marking seven straight quarters of increase.
- Vacancy rates did not budge from a very low 2.8%, well below the 5% rate, which is considered to be “balanced”.

**Owners’ Market**

It’s safe to say that the owners’ market may be poised for sunnier days ahead. The percentage of Minnesota home owners behind on their mortgage payments continued on a course of slow but steady improvement. Pre-foreclosure notices, which tend to be erratic, remained near the record low

MHP’s “2 x 4” Narrative – 2012 Quarter 1 (January - March)
recorded last quarter (since the start of data collection in 2009). However, it bears repeating that the mortgage delinquency and foreclosure rates are still far out of line from historical norms.

- The 60+ day mortgage delinquency rate fell modestly, again, to 5%. It’s been nearly four years since the rate was this low.
- Pre-foreclosure notices held steady this quarter at about 12,100. This number is down by about a third in the last two years.
- 4,836 homes foreclosed this quarter, down by about 5% over last quarter and down 29% from the first quarter of 2010.

**Homelessness**

The increase in homelessness this quarter is a sobering reminder of the toll this economy is taking on those in the worst financial position, as discussed in the introduction.

- A monthly average of 283 homeless families sought shelter in Hennepin County this quarter. This number is up 45% since last year and 168% from 2006 for the quarter.
- 8,076 homeless children and youth have been identified since the start of the school year for the Minneapolis, St. Paul, and Duluth school districts combined, an increase of 17% over last year.
- In Duluth, the increase over last year in the number of homeless kids counted by the school system was even steeper, at 27%.

**Housing Industry**

One of the most upbeat indicators this quarter came from housing industry data. The inventory of homes for sale was the lowest it has been since early 2004 during the extreme boom, and was considered below “balanced”. This lower supply is in part due to the winter season, when there are normally fewer homes on the market. But this tightening supply of homes on the market may be ushering in an end to the era of falling, falling, falling home prices. In year-over-year comparisons, median sales prices fell much more modestly in January and February, after many months of rapid decline. Prices actually increased 6% in March (and 12% in April and 10% in May) compared to the previous year for those months. Time will tell if home prices have really reached the bottom. For employment in housing construction, the cold winter months are also a time of contraction; this year was no exception. Employment levels were largely unchanged compared to last year at this time.

- Employment in residential housing construction averaged 8,300 per month this quarter, about half the number of workers employed in the housing bubble peak years of 2005-6.
- About 17,300 homes were on the market in the Twin Cities on average this quarter, the lowest inventory in 8 years.
- In a sign of a tightening market, the supply of homes for sale on the market averaged 4.8 months, below the “balanced” level of five to six months.

For technical notes, visit [http://mhponline.org/publications/reports-and-research/2x4-report](http://mhponline.org/publications/reports-and-research/2x4-report).

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