

# MHP's "2 x 4" Report

## Quarterly Housing Indicators

Quarter 2 2012



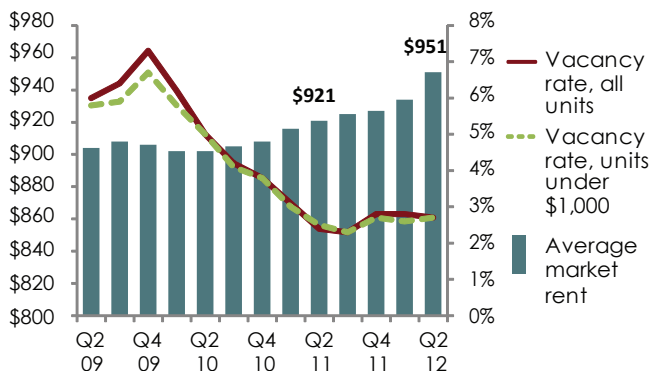
MHP's "2 x 4" Report tracks a set of two timely, important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

# Minnesota Housing Partnership

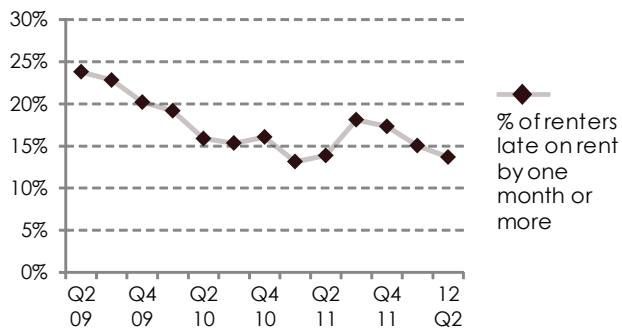
## Rental Market

Average rents increased by \$17 to \$951 in the Twin Cities area, which is the largest single-quarter jump in since 2001. The vacancy rate measured 2.7%, remaining far below the "balanced" level of 5%. About 14% of non-luxury renters were delinquent in paying their rents.

### Twin Cities Rents & Vacancy Rates



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

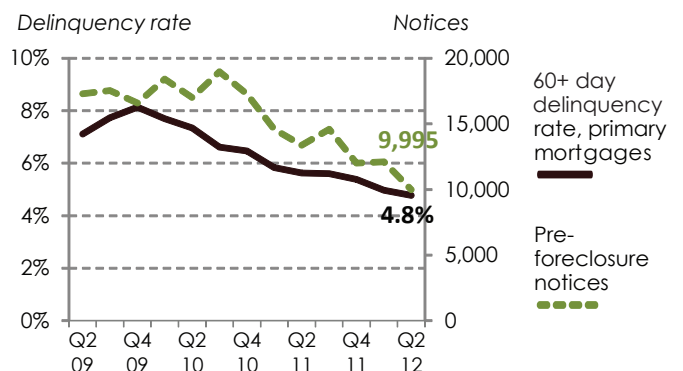


Based on survey of 5,300 non-profit-owned units.

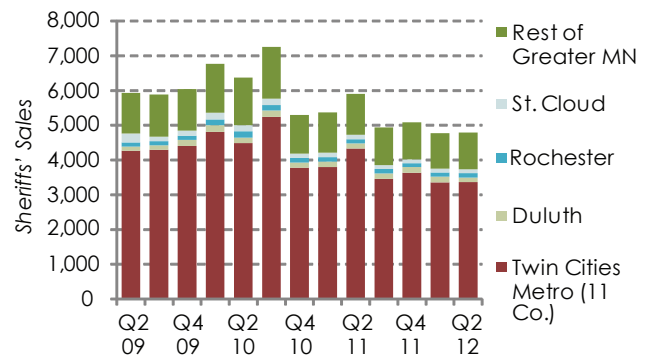
## Owners' Market

The percent of primary mortgages that were delinquent or in foreclosure continues to drop, but is still far above the typical rate of about 2%. Pre-foreclosure notices issued decreased by about 17% since last quarter. The number of foreclosure sheriffs' sales, 4,791, was relatively unchanged again this quarter.

### Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



### Minnesota Foreclosures

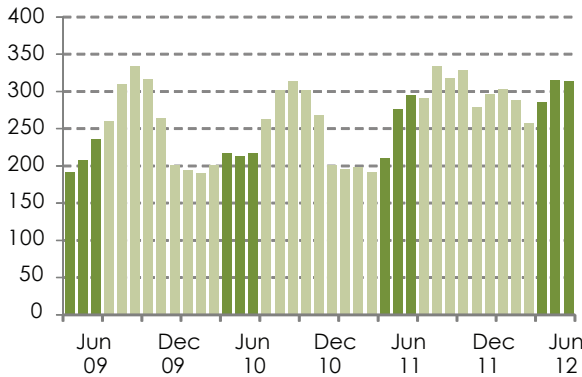


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## Homelessness

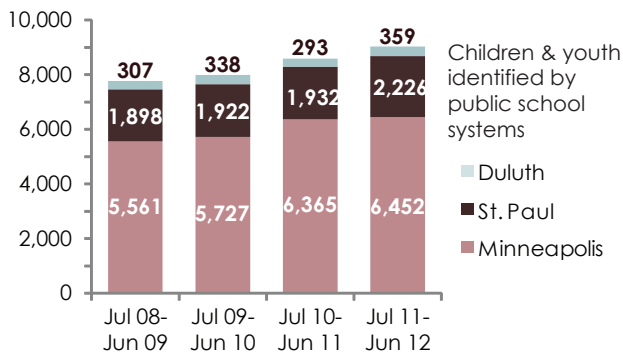
Compared to last year at this time, 17% more families sought shelter in Hennepin County contracted-shelters. Over 9,000 homeless children and youth were identified within the Minneapolis, St. Paul, and Duluth school districts throughout the school year, 5% more than the year before.

### Hennepin Family Homelessness



Unduplicated count of families using shelters contracted by Hennepin County. Note seasonal nature of shelter usage, with usage lower during winter months.

### Homeless Kids

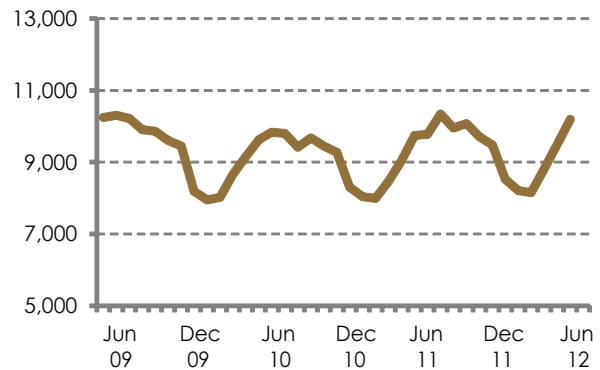


Children & youth identified by public school systems  
 ■ Duluth  
 ■ St. Paul  
 ■ Minneapolis

## Housing Industry

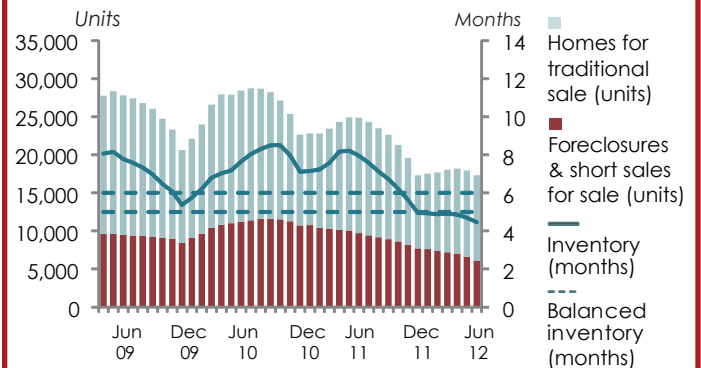
The inventory of homes for sale in the Twin Cities area rose slightly, to an average of 17,800 per month, but remains close to an eight-year low. This tighter market may be good news for home prices. Employment in residential housing construction remained at about 9,500 per month, similar to last year at this time.

### Minnesota Residential Building Construction Employment



Note: In June 2005, employment was almost 19,000.

### 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/publications/reports-and-research/2x4-report](http://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— 2012 Quarter 2 (Released September 11, 2012)

This quarter's 2x4 Report points to very different sets of trends in the ownership and rental worlds. Ongoing low rental vacancy rates pushed up Twin Cities monthly rents markedly. The ranks of people on the edge of homelessness are rising as a result. At the same time, a reduced inventory of homes for sale has breathed some life into the decimated housing market.

Behind this divergence in experience are the economic indicators. Quarterly earnings are up on average for the employed, and the official unemployment rate has been fairly stable over the last six months, both nationally and in Minnesota. However, these improvements belie trends in long-term unemployment, as well as in the types of jobs workers can access.

A recent report from the National Employment Law Project found that most of the jobs added during the recovery from the Great Recession have been low-wage jobs, even though the majority of those lost were middle-wage jobs. In Minnesota, while job openings are increasing, 42% of openings are for part time jobs, according to MN DEED.



Meanwhile, the proportion of the unemployed being out of work for a year or more hovered near 30% through early 2012, an unprecedented level for modern times, according to a Pew report. With so much long term unemployment, the percentage of people participating in the labor force, which includes people working or looking for work, continues to fall as people quit the job hunt altogether.

### Rental Market

The Twin Cities saw a \$17 increase in average rents, which represents the largest single-quarter jump since 2001. Ongoing foreclosures, a larger number of families looking to rent, and limited new rental construction in recent years have shortened supply and kept the vacancy rate very low.

- Rental vacancy rates dropped very slightly to 2.7%, well below the 5% rate considered to be "balanced". The vacancy rate has remained under 3% for over a year, setting the stage for rent increases.
- The average Twin Cities monthly rent rose to \$951, in the largest single quarter jump in over 10 years. Rents have increased 5% in the past two years.

### Owners' Market

Based on the data, the Twin Cities ownership housing market has reached the bottom and is now beginning a slow recovery. The percentage of homeowners behind on their mortgage payments is decreasing, and pre-foreclosure notices have fallen to the lowest level since data collection began in



2009. While the number of home foreclosures is relatively unchanged from recent quarters, the other trends mentioned would suggest a reduced foreclosure rate in the future.

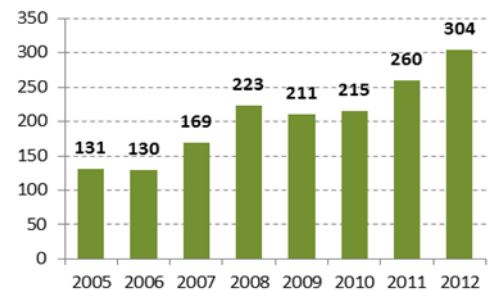
- The 60+ day mortgage delinquency rate has been falling consistently since late 2009. The rate currently sits at 4.8%, which is the lowest it's been in over four years. However, it is still higher than the typical rate of less than 2%.
- Pre-foreclosure notices dropped this quarter to about 10,000. This is down 17% since last quarter, and down about 50% compared to the peak almost two years ago.
- 4,791 homes foreclosed this quarter, similar to last quarter's total.

### **Homelessness**

There are indications that homelessness is still on the rise in Minnesota. The number of homeless children has also been steadily increasing since 2008, a particularly troubling trend.

- A monthly average of 304 homeless families sought shelter in Hennepin County contracted shelters this quarter. This number is up 17% since last year and up 134% from the second quarter of 2006.
- 9,037 children and youth were identified as homeless during the school year for the Minneapolis, St. Paul, and Duluth school districts combined,\* an increase of 5% over last year.
- In Duluth, the number of homeless kids counted by the school system grew by 23% compared to the year before.

**Average Number of Homeless Families per Month, 2nd Quarter, Hennepin Co.**



Source: Hennepin County

### **Housing Industry**

The supply of homes for sale in the Twin Cities metro is far lower than in recent years, which has contributed to stability and some recovery in home prices. This inventory is at a near-decade low, and is now closer to pre-bubble levels. With this lower supply, the monthly median home sales price has increased a healthy 10-15% in year-over-year comparisons in the last few months. As for construction employment, the spring saw a typical seasonal uptick in housing construction jobs, but these figures numbers have remained relatively unchanged over the past three years for the second quarter.

- Employment in residential housing construction averaged 9,500 per month this quarter, which is similar to the past three years at this time, but still only about half the number of workers employed during the housing bubble peak years of 2005-6.
- An average of 17,800 homes was on the market in the Twin Cities this quarter, which is the lowest inventory in 8 years.
- The supply of homes for sale on the market dropped to an average of 4.7 months, below the "balanced" level of five to six months. This likely signifies the further tightening of the housing market to come.

**For technical notes, visit <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.