

# MHP's "2 x 4" Report

## Quarterly Housing Indicators

Quarter 2 2013



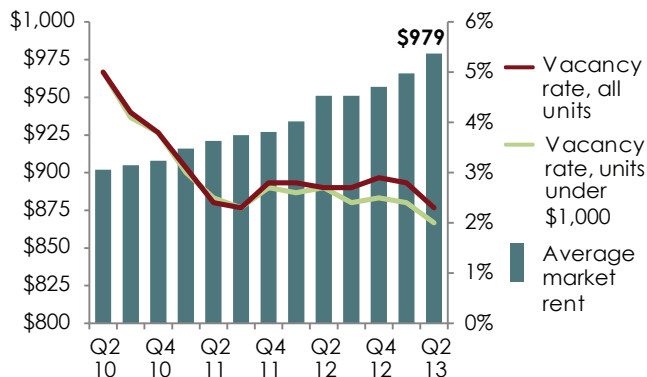
MHP's "2 x 4" Report tracks a set of two timely, important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

# Minnesota Housing Partnership

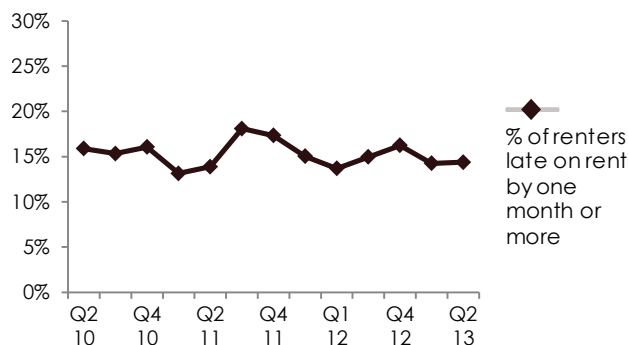
## Rental Market

This quarter, Twin Cities rents averaged \$979, up 8.5% over three years. Meanwhile, vacancy rates fell to 2.3%. Vacancy rates for units renting for under \$1,000 fell markedly to 2.0%, which signifies a limited supply of apartments available and affordable to lower income renters. Renter delinquencies held steady.

### Twin Cities Rents & Vacancy Rates



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

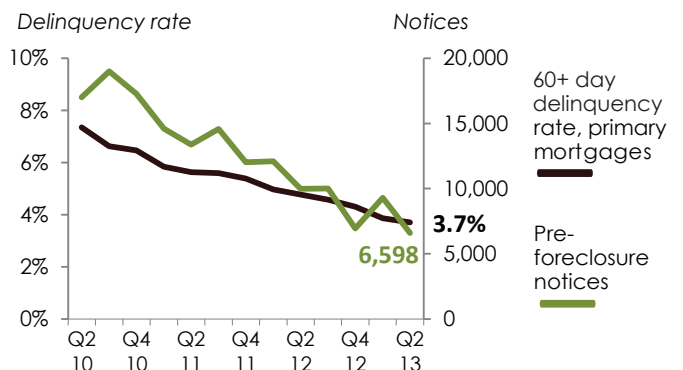


Based on survey of 5,500 non-profit-owned units.

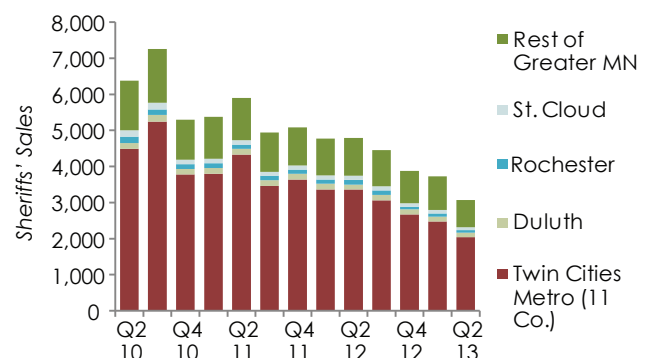
## Owners' Market

Foreclosures fell to just under 3,100 this quarter, the lowest for any quarter since at least 2007. Both pre-foreclosure notices and the mortgage delinquency rate continued to trend downwards. However, the delinquency rate remains above the historical norm of about 2%.

### Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



### Minnesota Foreclosures

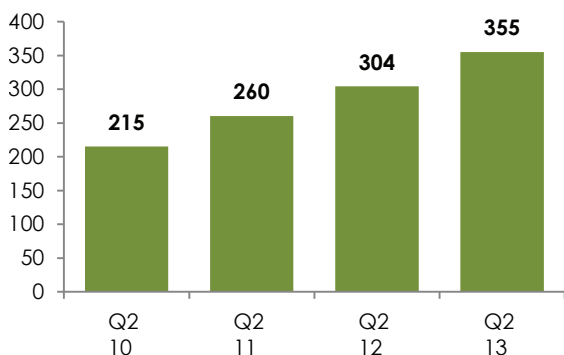


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## Homelessness

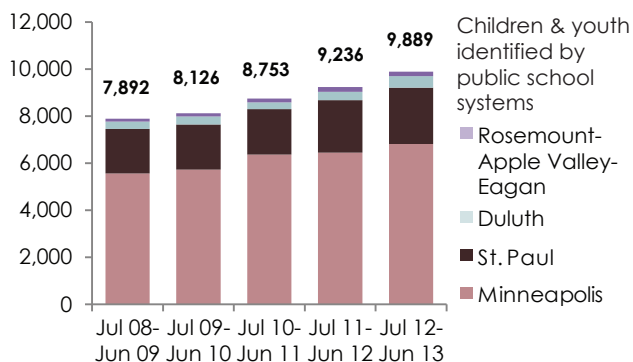
By both homelessness indicators below, homelessness has risen steadily over the last few years. In just a single year, the number of families seeking shelter in Hennepin County shelters increased by 17%, while the number of homeless children in four major school districts rose by 7%.

### Hennepin Family Homelessness



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

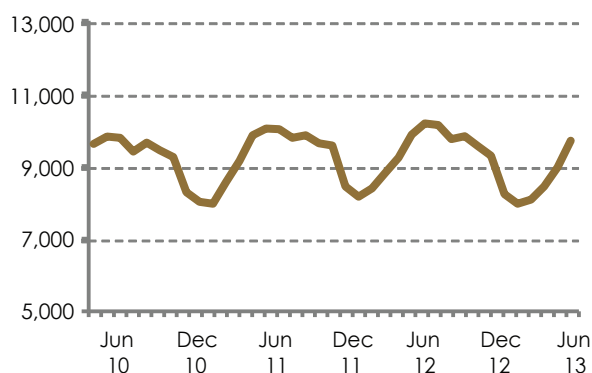
### Homeless Kids



## Housing Industry

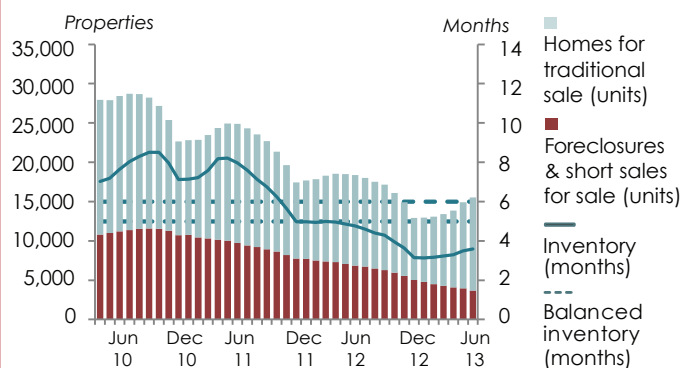
In a tight market, the inventory of homes for sale averaged 3.5 months in the Twin Cities, compared to a "balanced" supply of 5-6 months. Home construction employed 9,060 workers on average, unchanged compared to recent years; however self-employed workers are not included in this data.

### Minnesota Residential Building Construction Employment



Note: June 2005 employment was 18,900.

### 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).

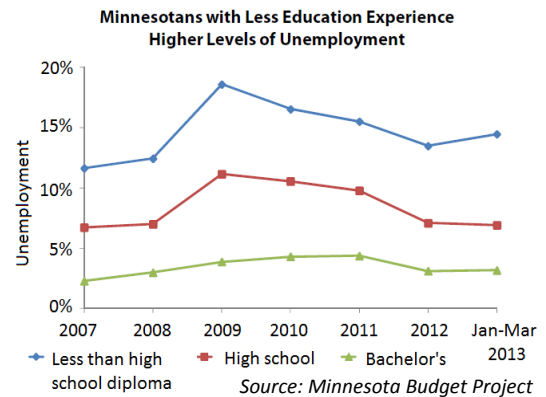




## MHP's "2 x 4" REPORT— 2013 Quarter 2 (Released Sept. 10, 2013)

In the second quarter of 2013, foreclosures and mortgage delinquencies continued to ease, but finding an affordable place to rent became increasingly challenging with no real signs of relief in sight. Homelessness was up, too, with those in the toughest financial positions bearing the brunt of the economy and the housing market.

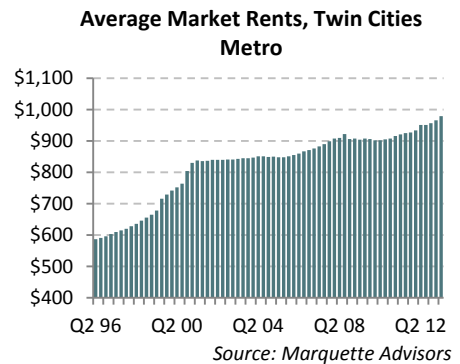
The Minnesota Budget Project, in a recent report, explained that even as Minnesota's unemployment rate returns to pre-recession rates, the less educated, the young, single families and people of color in Minnesota are having a more difficult time recovering. The least educated have been hardest hit over time. It is therefore especially disturbing that nearly 10,000 children were identified as homeless in only four Minnesota school systems last school year. This instability severely impacts kids' capacity to learn what they need to in school. The data heightens the need to address housing affordability and stability if we wish to make a dent in persistent and increasing employment and earnings disparities.



### Rental Market

The rental market tightened yet again this quarter, as vacancy rates fell, especially for lower priced apartments, and rents rose. At this time less than 60% of units are renting for under \$1,000 per month, and those apartments are getting harder to come by. With very low vacancy rates, especially for lower cost units, affordability is a prime concern.

- The average rent in the Twin Cities rose to \$979. This is an 8.5% increase in three years, and exceeds the inflation rate. Area rents have not risen this quickly since the late 1990s/early 2000s.
- The rental vacancy rate fell to 2.3%, which is considered very low.
- For apartments under \$1,000 per month, the vacancy fell to 2.0%.



### Owners' Market

Foreclosures, mortgage delinquencies, and pre-foreclosure notices all fell again this quarter, as the market slowly returns to more predictability. Notably, an increasing percentage of Minnesota's foreclosures were outside the 7-County metro area. July home sales, at least in the Twin Cities Metro where data is available, were up both in terms of volume (18% more closed sales) and price (median sales price up 17%) compared to last year. Prospective buyers are encountering a tight market, and compared to recent years, fewer low priced foreclosed homes populate the supply of homes for sale.

- The 60+ day mortgage delinquency rate fell to 3.7%. At its peak in late 2009, this rate reached 8%. The Minnesota historical norm is about 2%.



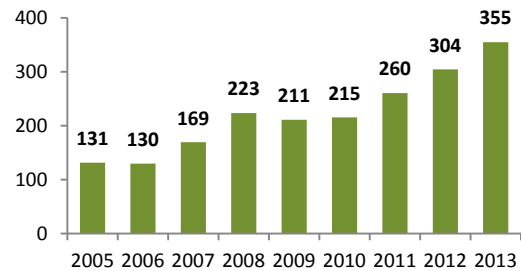
- The number of pre-foreclosure notices tumbled to about 6,600 for the quarter, down 29% in a single quarter, and 65% from the peak almost 3 years ago.
- 3,073 homes foreclosed this quarter, the lowest since at least 2007 when data collection began. 43% of these were outside the 7-County metro, the highest proportion in Greater Minnesota counted since data collection began.

### Homelessness

Rising homelessness is a concerning trend, for both children in local school systems and among families in Hennepin County. Last quarter, the *2x4 Report* data showed that individual families have been staying in Hennepin County shelters for longer periods of time, and that more families are returning to shelters after periods of being housed. High and rising rents and the squeeze on federal resources due to budget cuts and sequestration are also likely contributors.

- An average of 355 families per month sought shelter in Hennepin County contracted shelters, up 17% since last year. This was almost three times the number compared to 2006.
- 9,889 homeless kids\* were identified by four major school systems combined (St. Paul, Duluth, Minneapolis, and Rosemount-Apple Valley-Eagan), reflecting a 7% increase over last year, and 25% increase over four years ago.
- Homelessness among Duluth students increased by 34% in a single year. The only district to see a decline since last year was Rosemount-Apple Valley-Eagan, where the number of homeless children fell slightly from 199 to 191.

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



Source: Hennepin County

### Housing Industry

At least in the Twin Cities area, tight markets now prevail for both renters and homebuyers. A recent MHP blog post laid out reasons: growth in the number of households in the last few years, loss of older or foreclosed homes as habitable units, and limited housing construction since 2008. This tight market has led to a limited inventory of homes for sale and rising home prices. Building construction permits are also up, at the highest level for the quarter in Minnesota since 2008. However, surprisingly, according to the DEED data, housing construction jobs have failed to increase. This apparent lack of employment growth, according to a recent [Star Tribune article](#), is probably related to the fact that housing construction workers are increasingly working as independent contractors, who are not counted by the survey that tracks home construction employment.

- The number of homes on the market averaged only 14,800 per month, the lowest level for the second quarter in at least a decade, as far back as data is available.
- Only about 3.5 months' inventory was for sale on the housing market, far below the "balanced" level of 5 to 6 months.
- 9,060 people on average worked in housing construction per month, relatively unchanged since 2010. However, self-employed contractor are not included this data.

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.