

MHP's "2 x 4" Report

Quarter 3 2010

Quarterly Housing Indicators



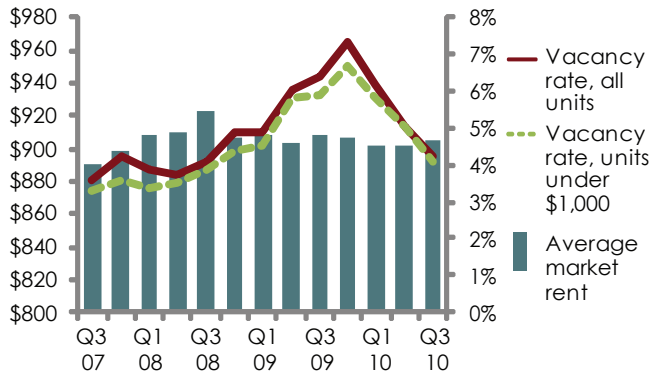
MHP's "2 x 4" Report tracks two timely and important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

Minnesota Housing Partnership

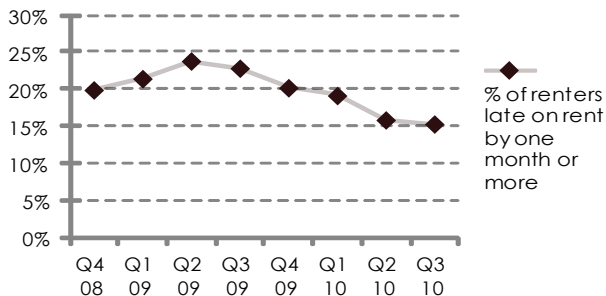
Rental Market

This quarter the Twin Cities vacancy rate again fell sharply to 4.2%, signaling higher demand by renter households for units in the area. Rental costs per unit, little changed over the past two years, averaged \$905/month this quarter. Renter delinquencies fell only slightly to 15.3%.

Twin Cities Rents & Vacancy Rates



Tenants in Non-Luxury Units with Rent Past Due

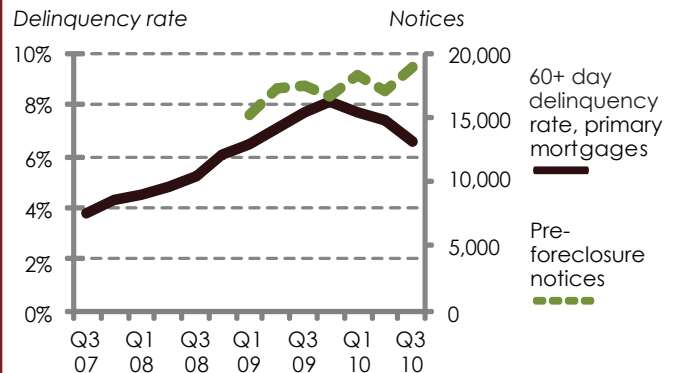


Based on survey of 4,700 non-profit-owned units.

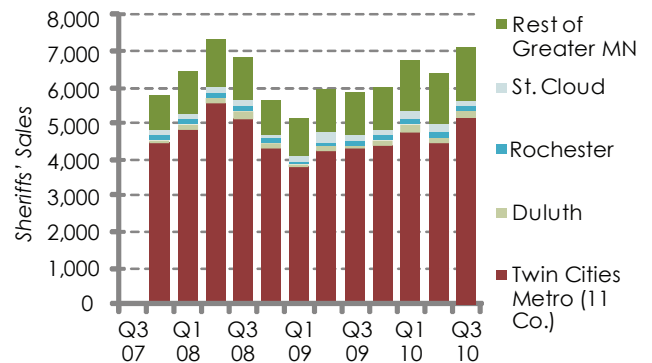
Owners' Market

Pre-foreclosure notices rose to a record 19,000 this quarter, while sheriffs' sales totaled 7,254, the second highest quarterly total recorded. However, primary mortgage delinquencies fell for the third quarter running to 6.6%, signaling that foreclosures may be fewer ahead.

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



Minnesota Foreclosures



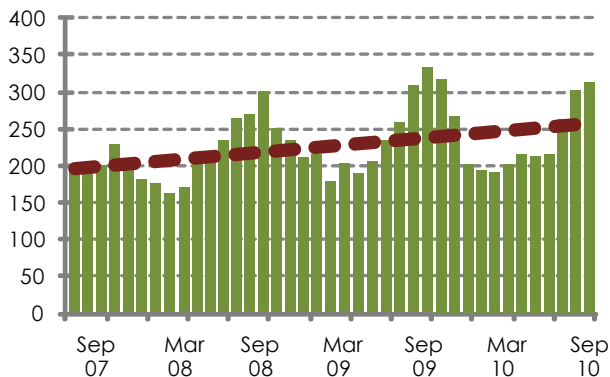
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www.mhponline.org/research/2x4

Homelessness

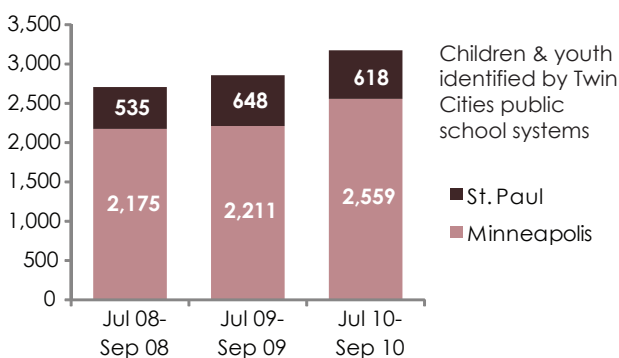
An average of 292 families per month were sheltered in Hennepin county-contracted shelters, down 3% from last year this quarter, but 48% higher than 2007. Between the Minneapolis and St. Paul schools, 3,177 children and youth were identified as homeless this quarter, up from 2,859 last year.

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



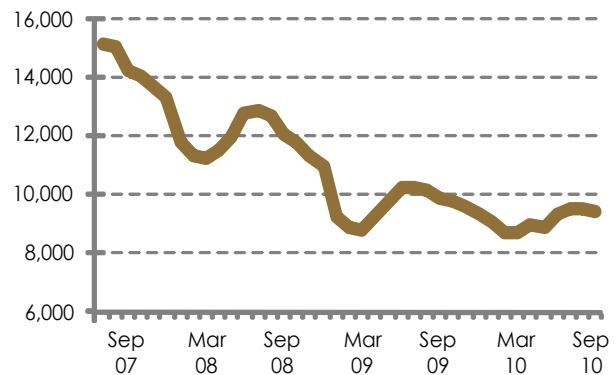
Children & youth identified by Twin Cities public school systems

■ St. Paul
■ Minneapolis

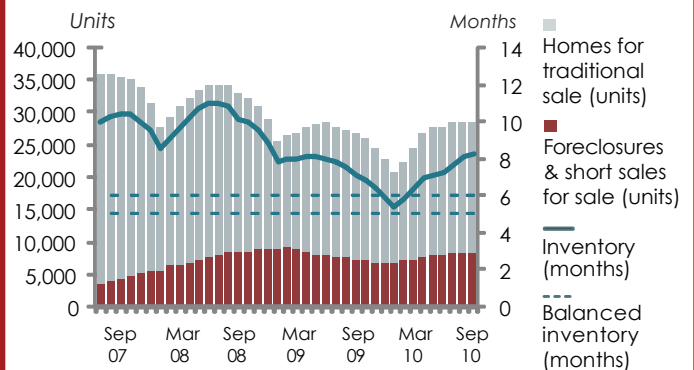
Housing Industry

Employment in residential housing construction averaged 9,500 jobs monthly, the lowest since 1993 for the third quarter. The supply of homes for sale rose again, exceeding 8 months by the end of the quarter, far above the 5 to 6 months considered "balanced". 30% of the supply of 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: GVA 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— 2010 Quarter 3 (Released December 16, 2010)

The "2 x 4" Report this quarter finds that while homelessness remains high and foreclosures continue to be all-too-common, the rapid deterioration and volatility of the economy of the last two years appears to be tapering gradually. Minnesota's unemployment rate for the state hovered around 7% throughout the quarter, a rate relatively unchanged over the last six months. The unemployment rate in the state continues to be very high, though conditions remain better than for the US as a whole. Average weekly earnings, for those who are employed, improved over the last year.

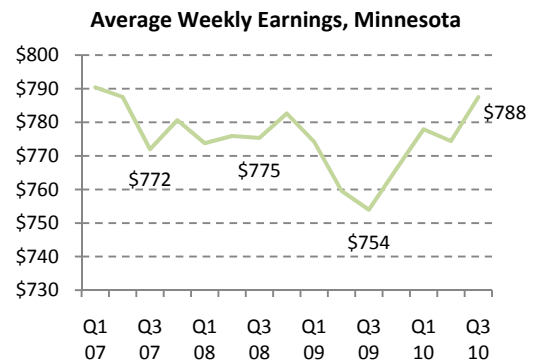
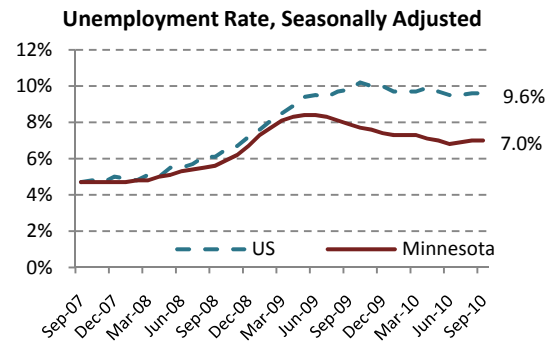
Rental Market

The Twin Cities rental market showed signs of tightening, with vacancy rates dropping further and rents holding steady. The marked drop in the vacancy rate over the last two quarters is somewhat surprising, given that unemployment rates have changed only marginally. However, weekly earnings of employed people rose this quarter, which could help explain the change. In addition, it's useful to consider longer-term trends that can collectively lead to a tighter rental market. First, there are more people now on the rental market than in recent years, with tens of thousands of former owners having lost their homes through foreclosure or imminent foreclosure. In addition, production of new rental housing has been limited, and the Twin Cities economy remains relatively better than many other areas of the country.

- This quarter vacancy rates in the Twin Cities area fell to 4.2%, the lowest in two years. Average rents were little changed at \$905.
- More affordable units, those renting for under \$1,000 in the Twin Cities metro, again had approximately the same vacancy rate (4.1%) as the overall rental market (4.2%).
- Renter delinquencies for non-luxury units changed little this quarter, landing at 15.3%.

Owners' Market

For the third quarter of 2010, the foreclosure, mortgage delinquency, and pre-foreclosure notice data was decidedly mixed, with notices and foreclosures up, but delinquencies down. These cross trends can be understood more easily by remembering that delinquencies precede the issuance of pre-foreclosure notices, and notices precede actual foreclosures. Very high delinquencies in earlier quarters led to the high rate of notices and foreclosures this quarter. The heavy rain of foreclosures bodes ill for the battered home ownership market for existing owners. At the same time, a declining 60-day mortgage delinquency rate for the third quarter running comes as



Sources: (top) Local Area Unemployment Statistics (bottom) Current Employment Statistics, Minnesota DEED

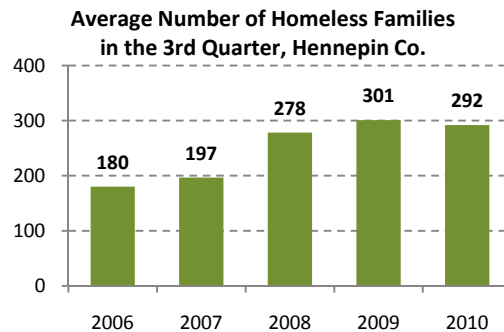


welcome news, giving hope that the foreclosure storm will eventually subside. It's also worth noting that new buyers are finding more affordable choices in the market, with the private market, non-profit, and government programs turning around many foreclosed homes for resale.

- 7,254 homes foreclosed this quarter in Minnesota, as measured by sheriffs' sales, the second highest number for any quarter. The highest occurred the second quarter of 2008.
- The 60+ day delinquency rate of primary mortgages fell from almost 7.4% to 6.6% this quarter. This marks not only the third quarter of decline after five years of growing delinquencies, but the rate of quarter-over-quarter decline also quickened.
- Nearly 19,000 pre-foreclosure notices were sent to the Minnesota Home Ownership Center this quarter, the highest number since reliable data collection began in 2009.

Homelessness

The number of families seeking shelter in Hennepin County contracted shelters rose compared to last quarter, reflecting a typical seasonal increase during the warm third quarter months. Compared to this quarter in recent years, family homelessness edged down somewhat from a 2009 peak. The count of homeless children and youth identified by the St. Paul and Minneapolis schools for the first three months of the 2010-11 school year was down slightly for St. Paul but up for Minneapolis compared to last year.



- For the third quarter of 2010, on average 292 families per month were counted as homeless in Hennepin County shelters. This represents a 3% decrease over last year, but a 62% increase over 2006.
- 3,177 children and youth were identified as homeless by Minneapolis and St. Paul public schools in the first three months of the 2009-10 school year, an 11% increase over the previous year. Minneapolis-only figures rose 16% while St. Paul counts fell 5%.

Housing Industry

Jobs in residential construction saw little growth again this quarter. Despite some seasonal improvement over the second quarter, the third quarter had the fewest jobs in the sector since 1993 for the time of year. The inventory of homes for sale was up from last quarter, signaling additional movement away from the "balanced" five-to-six-month inventory experienced briefly in the deep winter months of 2009-2010. A sustained high inventory could lead to further home price declines, especially if the remarkably low interest rates of recent months rise.

- Quarterly employment in residential housing construction averaged 9,500 jobs per month, the lowest level in 17 years for the third quarter.
- The supply of homes for sale rose to 8.3 months by the end of the quarter, compared to 7.3 months at the end of the second quarter, and 7.2 months last year at this time.
- On average, 30% of the supply of homes for sale this quarter included foreclosures or short sales. In the third quarter of 2006 less than 4% of the supply was lender-mediated.

For technical notes on data for the MHP "2 x 4" Report, visit www.mhponline.org/research/2x4.