Mortgage delinquencies held steady this quarter, with pre-foreclosure notices up and actual foreclosures down. The delinquency rate of 5.6% was down from 8% about two years ago, but improvements tapered this quarter. Pre-foreclosure notices increased this quarter after recent declines.

### Rental Market

The apartment vacancy rate for the Twin Cities Metro hit a 10-year low at 2.3%, in a dramatic decline from 7.3% in late 2009. In this tight rental market, average rents rose to a new high of $925. Delinquencies among non-luxury renters increased this quarter to about 18%.

### Owners’ Market

Mortgage delinquencies held steady this quarter, with pre-foreclosure notices up and actual foreclosures down. The delinquency rate of 5.6% was down from 8% about two years ago, but improvements tapered this quarter. Pre-foreclosure notices increased this quarter after recent declines.
Homelessness

Family homelessness averaged 314 families per month in Hennepin County, the highest since 2000. Compared to last year, both family homelessness in Hennepin County, and homelessness among children in Duluth, St. Paul and Minneapolis combined, increased by about 8%.

Hennepin Family Homelessness

![Homeless Kids](chart)

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

Twin Cities Homes-for-Sale Inventory

For MHP’s “2 x 4” archives and data notes, visit www.mhponline.org/publications/reports-and-research/2x4-report.
MHP’s “2 x 4” REPORT— 2011 Quarter 3  (Released December 13, 2011)

Again this quarter, the data point to severe disparities in the housing experiences of Minnesotans. Weekly earnings were up steadily, and unemployment was largely unchanged. This led to further tightening of the rental market and higher rents. Yet the benefits of higher weekly earnings for employed workers in Minnesota were not shared equally across the population. In the third quarter of 2011, nationwide, 32% of jobless workers had been out of work for a year or longer, compared to about 16% two years earlier, according to a Pew analysis. Here in Minnesota, our state’s share of long-term unemployment coupled with rising rents, is almost certainly contributing to a rise in homelessness. Family homelessness rose to the highest level since 2000 in Hennepin County. Unfortunately, this trend does not appear to be unique to the Twin Cities area. New data from the Duluth Public Schools also indicate growing homelessness among kids.

Rental Market

Average rents and apartment vacancy rates for the Twin Cities metropolitan area both set records this quarter as the rental market tightened further. The previous high for average rents occurred in the third quarter of 2008, just before October’s infamous stock market crash. This tightening reflects the impact of both increased demand as a result of 130,000 foreclosures since 2005, and limited new supply, with record lows in building of multi-family housing in the second half of the last decade.

- The average monthly rent rose to $925, the highest yet recorded by the Marquette Advisors quarterly survey and the fifth straight quarter of increase.
- In the coming months, renters may see even higher rents, with vacancy rates descending to 2.3%, a 10-year low. Less than two years ago, the vacancy rate was 7.3%
- 18% of renters in non-luxury units were delinquent for rent this quarter, an increase from prior quarters.

Owners’ Market

Indicators for the beleaguered owners’ market were mixed this quarter. The number of foreclosures was down. However, pre-foreclosure notices rose again after a period of recent decline, indicating more action by lenders to pursue foreclosure of properties with loans in arrears. Mortgage delinquencies fell a hair, but did not improve at the rate seen in recent quarters.

- 4,935 homes foreclosed this quarter statewide, the lowest number in any quarter since 2007.
• The 60+ day delinquency rate for mortgages was 5.6% for Minnesota. Minnesota had the 9th lowest rate among the 50 states on this measure, compared to the 22nd in the 3rd quarter of 2009.
• 14,600 pre-foreclosure notices were issued this quarter, up from 13,400 last quarter. 85% of the increase was attributable to the Twin Cities metro, with suburban Hennepin County hit particularly hard.

Homelessness
As of this quarter, the 2x4 Report now includes data on homeless children identified by Duluth Public Schools as an important indicator from Greater Minnesota. All three school districts tracked (Minneapolis, St. Paul, and Duluth) showed an increase in homelessness compared to last year at this time, as did Hennepin County data on family homelessness. As described above, long-term unemployment is playing a marked role in the rise in homelessness. Housing resources, often facing stagnation or cuts at the state and federal levels, have not kept pace with the growing need for affordable housing. Reports on serious unmet need for shelter have also appeared in recent media reports.
• The number of homeless children and youth identified since the start of the school year totaled over 3,500 for the Minneapolis, St. Paul, and Duluth school districts combined (though counts may be duplicated).
• Homelessness among children in the three school districts combined rose 8% from 2010 and 27% from 2008. Duluth has been hit particularly hard with the number up 56% since 2008.
• The number of homeless families seeking shelter in Hennepin County averaged 314 per month, higher than in any quarter since the year 2000. This number is up 8% in the last year.

Housing Industry
Early signs of stabilization in the troubled housing industry provide welcome news, given the market collapse still rocking the nation. Employment in residential housing construction is at least stabilizing, if not improving, while the inventory of homes for sale is slowly being absorbed. This inventory still exceeds demand, but movement towards lower supply may portend stabilizing home values. Twin Cities home values have been falling for about five years running.
• Quarterly employment in residential housing construction averaged 10,000 per month, about 4% higher than last year at this time. However, in 2005 almost double the number of housing construction workers were employed in the third quarter.
• The inventory of homes on the market in the Twin Cities averaged about 23,700 for the quarter, about 7.2 months of supply, which exceeds the “balanced” level of five to six months. However, the inventory has not fallen to this level at this time of year since 2006.
• In September of 2011, the median home sale price for the Twin Cities was $155,500, a drop of about 7% from the year before.

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