

MHP's "2 x 4" Report

Quarterly Housing Indicators

Quarter 4 2012



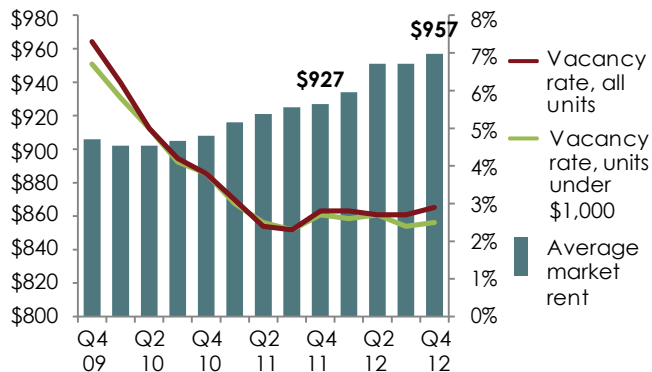
MHP's "2 x 4" Report tracks a set of two timely, important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

Minnesota Housing Partnership

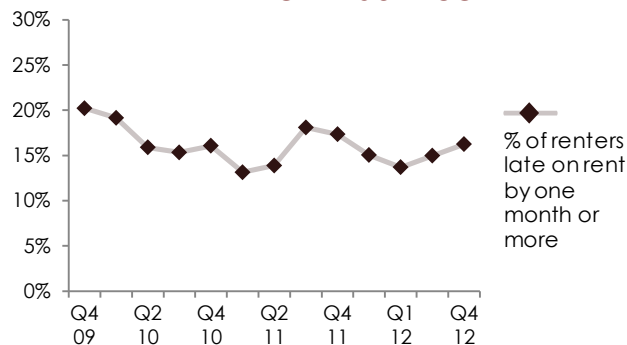
Rental Market

The rental vacancy rate in the Twin Cities metro measured 2.9% in a continued tight rental market. Average rents rose to \$957. Vacancy rates for lower-end apartments were lower, at 2.5%. For tenants in non-luxury rental units, about 16% were at least a month late in paying their rent.

Twin Cities Rents & Vacancy Rates



Tenants in Non-Luxury Units with Rent Past Due

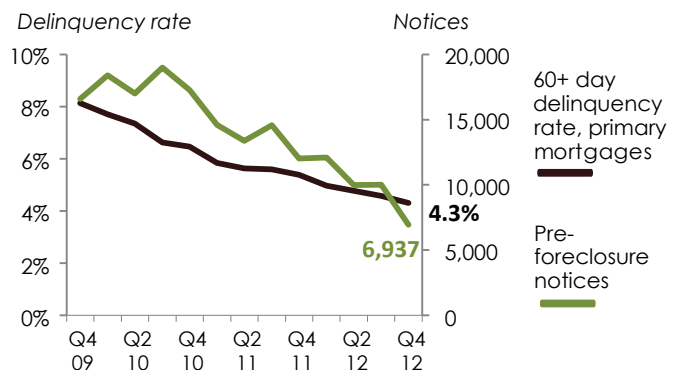


Based on survey of 5,500 non-profit-owned units.

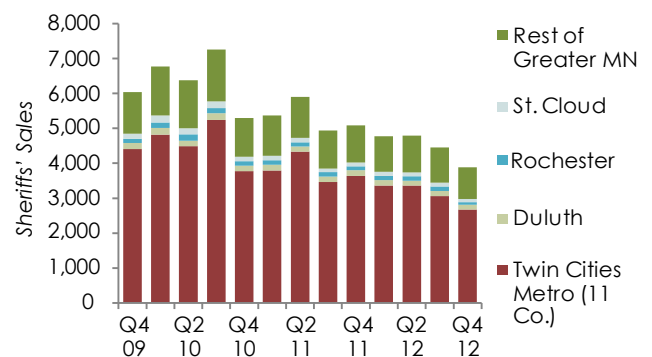
Owners' Market

This quarter, the 60-day mortgage delinquency rate fell to 4.3% from an 8% peak in late 2009. Pre-foreclosure notices and foreclosures fell to their lowest levels since quarterly data collection began in 2009 and 2007, respectively. Fewer than 7,000 pre-foreclosure notices were issued and 3,900 homes foreclosed.

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



Minnesota Foreclosures



2446 University Avenue West, Suite 140
Saint Paul, MN 55114

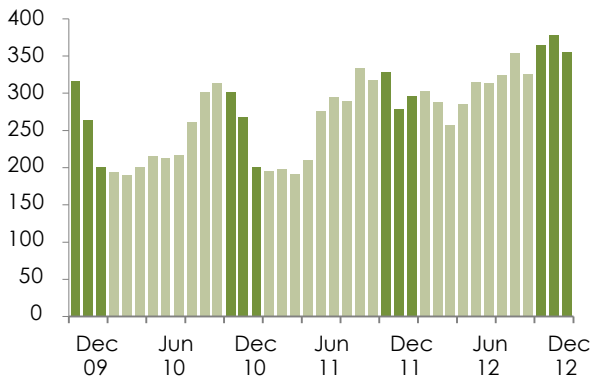
www.mhponline.org/publications/reports-and-research/2x4-report

651-649-1710, 800-728-8916
fax: 651-649-1725

Homelessness

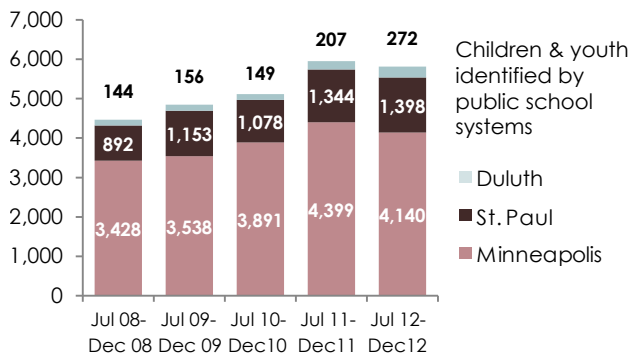
Hennepin County family homelessness averaged 366 families per month, which was the highest number in any quarter since 2000. The number of homeless children identified by three large public school districts, 5,910 fell 2% compared to last year at this time. Counts were up in Duluth and St. Paul public schools, and down in Minneapolis.

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.

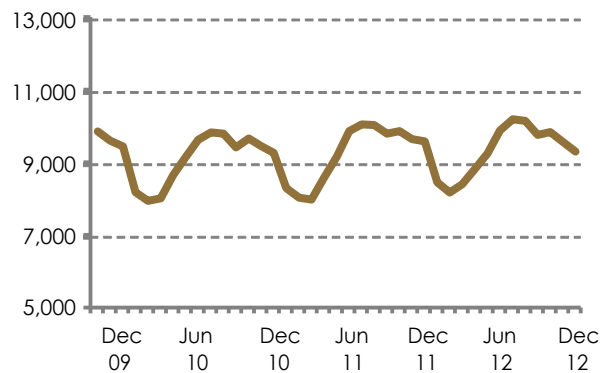
Homeless Kids



Housing Industry

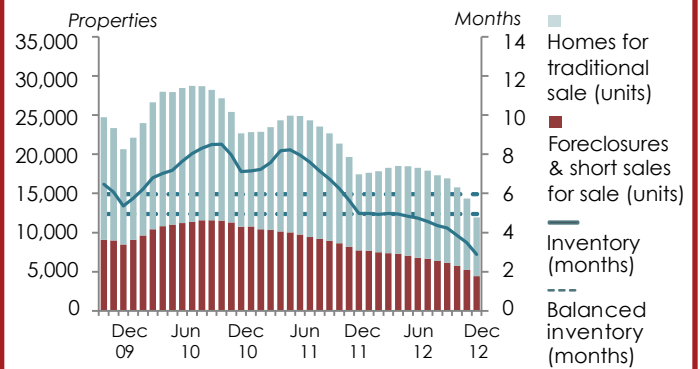
An average of 9,600 Minnesotans worked in housing construction each month this quarter, reflecting little change over the last 3 years. The inventory of homes for sale in the Twin Cities metro fell to about 14,000 for the quarter, which marked a 10-year low. The total supply averaged less than three months.

Minnesota Residential Building Construction Employment



Note: December 2005 employment was 17,700.

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.

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 4 (Released March 26, 2013)

In the 4th quarter, the slowly improving economy bolstered homeowners and the housing industry, but not renters or the homeless. The good news for homeowners included higher home prices and a low inventory of homes for sale, along with falling foreclosures and mortgage delinquencies. However, rents rose in the ongoing tight rental market, and high homelessness did not abate.

Though Minnesota's unemployment rate is down to about 5.5% from about 8.5% at the recession's peak, improvements have reached Minnesotans unevenly. Several new reports make sobering points about Minnesota's labor market.

- Unemployment is higher for people of color. The [Economic Policy Institute](#) found that in the 4th quarter of 2012, Minnesota ranked 14th (out of 50 states plus DC) for white workers for unemployment, but 37th for African-Americans. In this report, 5% of Minnesota's white workers, 13.1% of African-American workers, and 5.7% of all workers were unemployed.
- Job seekers lack good prospects. The JOBS NOW Coalition reported that 39% of job openings in the 4th quarter were for part-time positions, with a median wage of only \$9.41 per hour. Statewide, job seekers outnumbered full-time openings by more than 4-to-1. These facts are not encouraging, since JOBS NOW's [Cost of Living](#) report suggests that for a family of four, with both parents working full-time, each parent must earn \$14.03 hourly to meet all basic needs, including housing.

Between high and rising rents, renter wages which have fallen over the decade, and limited job prospects, those struggling to find good jobs, including many people of color, have been hit hard.

Rental Market

Minnesota has the least affordable housing for minimum wage workers in the Midwest, according to the new 2013 [Out of Reach report](#). Yet Twin Cities rents jumped again this quarter, with vacancy rates far below the "balanced" rate of 5%. Demand for apartments remained high, with over 150,000 foreclosures transpiring in the last 7 years statewide. Construction has yet to catch up with demand.

- Average rents in the Twin Cities have increased 3.2% in the last year to \$957. Rents rose faster than inflation, which rose only 1.7% in the same time period.
- The rental vacancy rate was a low 2.9%. This rate has been 3% or lower for two years running, which has not been the case since 2001.
- For apartments renting for under \$1,000 per month, the vacancy rate was only 2.5%.

Owners' Market

Indicators for the owners' market bode well for the return of stability, with mortgage delinquency rates, pre-foreclosure notices, and foreclosures all trending downwards. Though pre-foreclosure notices tend to fluctuate, they are way down since a peak of nearly 19,000 two years ago. There were 30% fewer foreclosures in 2012 than in the peak year of 2010, and about 24% fewer than a year ago. The largest drop in the last year has been in the Twin Cities area.

- The 60+ day mortgage delinquency rate has now declined to 4.3% from an 8% peak three years ago. This rate remains above the historical norm for Minnesota, which is below 2%.
- The number of pre-foreclosure notices dropped steeply to about 6,900 for the quarter, the lowest quarterly count on record since data collection began in 2009.
- 3,880 homes foreclosed this quarter, the lowest quarterly figure recorded thus far. Quarterly data collection began in 2007, once the foreclosure crisis was already underway.



Homelessness

A new [Wilder Research report](#) counted 10,214 homeless Minnesotans on an October night in 2012, a 6% increase over 2009. Homelessness was also high for families and children in the *2x4 Report* data. In fact, the number of families seeking shelter in Hennepin County shelters was the highest of any quarter since 2000. Homelessness among school children was up fully 31% compared to a year ago in the Duluth schools. For St. Paul and Minneapolis public schools, the numbers rose 4% and fell 6%, respectively.

- 366 families per month, on average, sought shelter in Hennepin County contracted shelters, which was 133% higher than in 2006.
- 5,810 homeless kids* were identified by the Minneapolis, St. Paul, and Duluth school systems combined. This figure was 2% lower than last year at this time.

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

Housing Industry

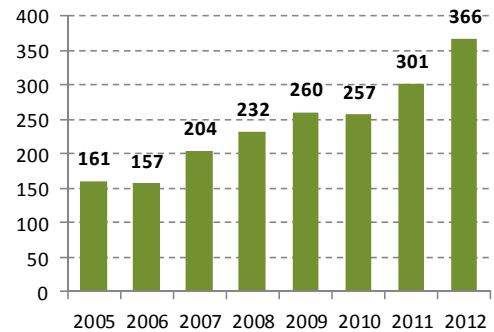
There were continued signs of recovery for the housing industry, both in terms of tightening of the housing market and in home construction. By the end of the quarter, the inventory of homes for sale on the Twin Cities market reached a 10-year low. Home prices rose by about 16% compared to the year before.

The housing construction story is slightly more complicated. New building permits more than doubled statewide in the 4th quarter compared to the year before. Gains for multi-family units permitted were even more impressive, tripling in that time period. As building permits rise, home construction jobs typically follow suit. However, these jobs actually stagnated or fell slightly compared to this time last year. This divergence might be explained by the fact that multi-family projects made up nearly 60% of the state's units permitted this quarter. This proportion of multi-family construction is more like the early 1970s than at any time since! Because multi-family projects take longer to ramp up in employing workers and longer to complete, it's likely that we'll see more people working in housing construction in the near future.

- About 14,000 homes on average were on the market this quarter in the Twin Cities area, the lowest number since 2003.
- There was a total supply of homes on the Twin Cities market of only 2.9 months, significantly below the "normal" 5 to 6 months' supply.
- About 9,600 people worked in housing construction per month this quarter in Minnesota, roughly unchanged over the last 3 years at this time, despite growth in new building permits.

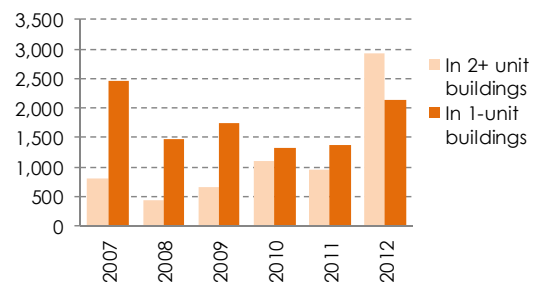
For technical notes, visit <http://mhponline.org/publications/reports-and-research/2x4-report>.

Average Number of Homeless Families per Month, 4th Quarter, Hennepin Co.



Source: Hennepin County

Units Permitted by New Building Permits, Minnesota, 4th Quarter



Source: Building Permits Survey, US Census Bureau