

MHP's "2 x 4" Report

Quarterly Housing Indicators

Quarter 2 2009



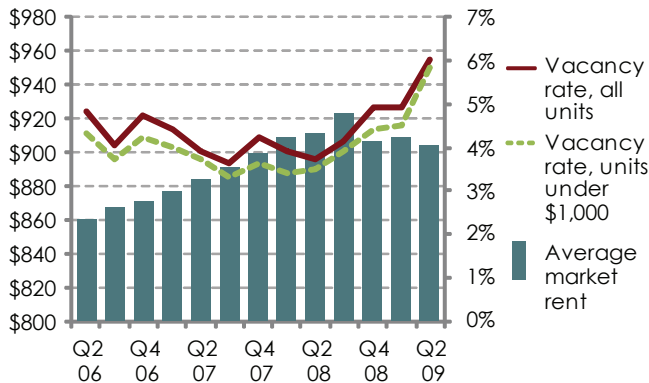
MHP's "2 x 4" Report tracks two timely and important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

Minnesota Housing Partnership

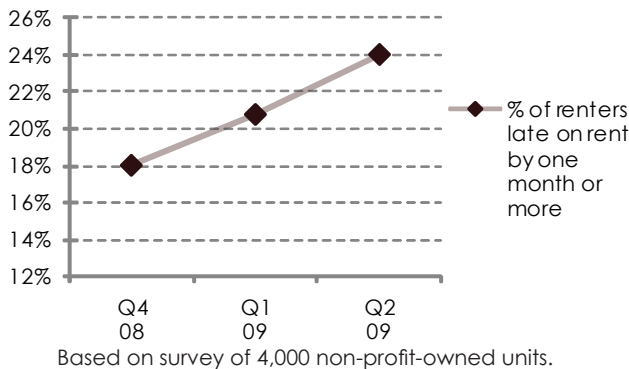
Rental Market

In the second quarter of 2009, the rental market responded with vacancy rates trending up and rents trending down slightly. Vacancy rates above 5% place downward pressure on rents, including for lower-priced units. Renter delinquencies were up again this quarter, with nearly a quarter of renter households surveyed behind on rent.

Twin Cities Rents & Vacancy Rates



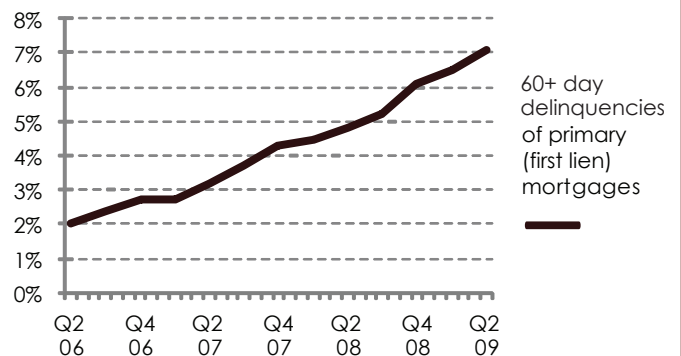
Tenants in Non-Luxury Units with Rent Past Due



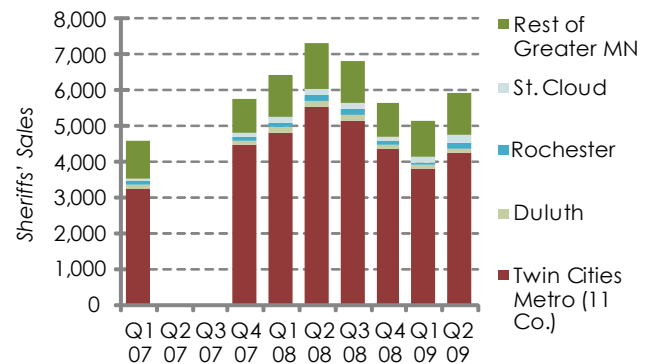
Owners' Market

Mortgage delinquencies for primary (first lien) mortgage holders increased again at a steady rate, surpassing 7% in the second quarter of 2009. Foreclosures increased over the previous quarter, primarily due to increases in the Twin Cities metropolitan area, but were down over the second quarter of 2008.

Minnesota Mortgage Delinquencies



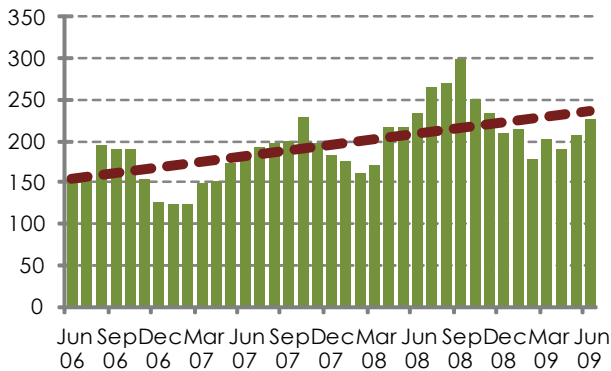
Minnesota Foreclosures



Homelessness

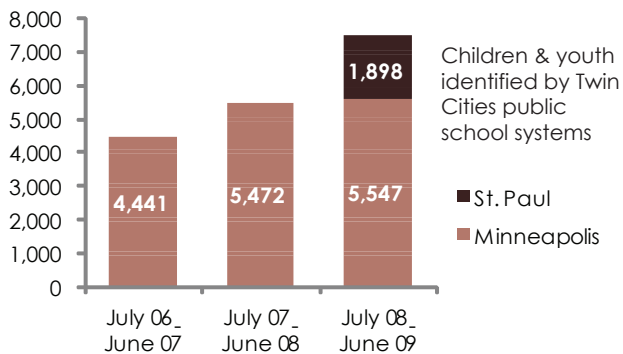
During the second quarter of 2009, the number of homeless families in Hennepin County shelters fell by 7% compared to the second quarter of 2008, though the 3-year trend continued upward. In Minneapolis, homeless children and youth increased about 1.4% for the 2008-9 school year over the previous year.

Hennepin Family Homelessness



Unduplicated count of families using contracted shelters. Note the seasonal nature of shelter usage, with usage lower during winter months. Dashed line represents upward trend.

Homeless Kids in the Twin Cities

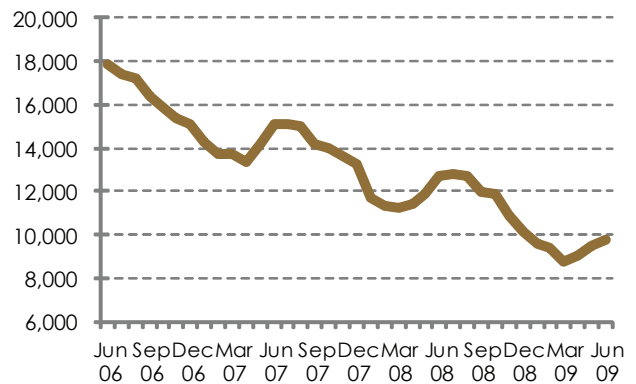


Comparable St. Paul schools data unavailable before the 2008-9 school year.

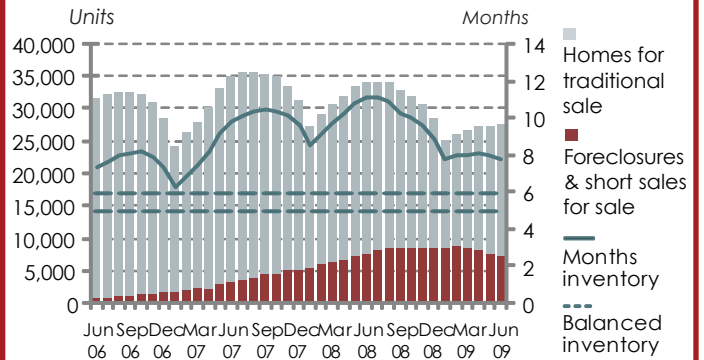
Housing Industry

Employment in housing construction increased seasonally, as expected, in the second quarter of 2009. Yet June 2009 employment was down 45% from June 2006. The inventory of homes for sale rose slightly this quarter, while months of supply remained flat. Foreclosed and short sale homes made up 27% of the inventory in June.

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 (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 – 2009 Quarter 2

(Released September 2009)

This quarter's "2 x 4" Report continues to show distress throughout the housing market, with the impact of the recession being felt by both owners and renters. Throughout the quarter, the Minnesota unemployment rate hovered around 8%, a rate not sustained through any 3-month period since 1983. Families, both owners and renters, fell further behind in their ability to cover housing costs. At the same time, however, the housing industry began to show signs of stabilizing.

Rental Market

The rising unemployment and declining incomes of the current recession are likely to be fueling the increases in vacancy rates and falling rents, as renters double up and choose more affordable units. Lower income families, who are feeling the impact of the recession most keenly, fell further behind on rental payments.

- Rents remained stable this quarter at \$904, but the average vacancy rate rose sharply to 6.0%, a rate not seen since 2005. With a vacancy rate above 5%, (5% is considered to be a "balanced" rate), rental costs are not likely to rise in the near term.
- The proportion of tenants in assisted units falling behind in rent increased again this quarter. Twenty-four percent (24%) of households in the nearly 4,000 apartments included in the survey were behind in rent.

Owners Market

For the second quarter of 2009, there were continuing signs of distress for homeowners. Again, mortgage delinquencies increased. Foreclosures rose, but were lower than expected based on delinquencies due to a complex set of factors. (Possible factors include: mortgage foreclosure counseling, state legislation, Fannie Mae and Freddie Mac's moratorium on foreclosures last fall and winter, and lenders postponing foreclosures while awaiting outcomes of federal rescue packages.)

- Overall, 60+ day delinquencies increased to 7.1% in the second quarter, following a continuous upward trend over the last three years.
- Foreclosures, as measured by sheriffs' sales, rose in the second quarter to 5,932 from 5,157 the previous quarter. Most of the increase was in the Twin Cities metropolitan area. However, for the first half of 2009, there were 20% fewer foreclosures than in the first half of 2008 statewide.

Homelessness

Increased homelessness over the last few years is likely due to fallout from foreclosures of renters and owners, plus increasing unemployment. Current, reliable statewide data is unavailable.

- The number of homeless families in contracted shelters in Hennepin County shelters fell modestly by 4% from June 2008 to June 2009. However, family homelessness during the second quarter was up 23% compared to the same period in 2007. In June, 226 families utilized the Hennepin County shelter system.
- In Minneapolis the number of homeless children and youth identified increased by a modest 1.4% from the 2008 to the 2009 school year. Nearly 7,500 kids, ranging from infants to high school-aged youth, were identified as homeless by Minneapolis and St. Paul schools.

Housing Industry

Housing construction employment and home sales data both showed signs of possible stabilization, or at least not worsening.

- Housing construction employment rose through the spring, as expected due to the seasonal nature of construction in Minnesota. However, the number of workers employed in June 2009 in Minnesota was lower than any other June since 1995.
- Short sales and foreclosures made up over one-fourth of the inventory for June, 2009. This was a contributor to the fall in home sales prices over those months. Months of supply of homes for sale held steady, despite the fact that this number normally increases seasonally through the second quarter of the year. This may be an indicator of an ownership market beginning to stabilize, as the inventory moves closer to a balanced level of 5 to 6 months.

About the Data

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

<p>Rental Market</p>	<p><u>Average rents and vacancy rates</u> demonstrate the cost and availability of apartments. Quarterly rental data is available only for the 7-county Twin Cities metro and is limited to buildings with 10 or more units whose owners participate in the GVA Marquette survey of rents. Figures for units renting for under \$1,000 per month help to describe the market for lower-cost units.</p> <p>MHP, with the cooperation of Minnesota's largest nonprofit housing agencies, is tracking <u>late payments by residents of publically assisted housing</u> in over 4,000 units in the Twin Cities Metro and Greater Minnesota to monitor the ability of tenants to afford rent. Tenants must demonstrate low or moderate income levels to qualify for such housing. Units for which rent levels automatically drop when residents experience a decline in income are excluded.</p>
<p>Owners' Market</p>	<p><u>Mortgage default rates</u> speak to stress on household budgets and the risk of future foreclosures, while foreclosures represent detrimental outcomes for owners, neighborhoods, and the economy. The Mortgage Bankers Association's National Delinquency Survey tracks about 890,000 loans serviced in Minnesota. Data indicate mortgage defaults across a span of owners, including subprime borrowers.</p> <p><u>Foreclosures</u> indicate a failure of the housing market to meet needs of both owners and lenders. MHP uses the foreclosure data compiled by HousingLink, which is based on a survey of sheriffs' sales.</p>
<p>Homeless-ness</p>	<p>Homelessness represents the most profound manifestation of the housing crisis. Hennepin County provides timely and dependable information on <u>homelessness for families using contracted shelters</u>. Similar data is more difficult to obtain for other areas and for single individuals.</p> <p>Data on <u>homelessness among children</u> is also included due its extreme impact on a vulnerable population. Among Minnesota jurisdictions, the Minneapolis & St. Paul Public Schools provide the most comprehensive and systematic jurisdictional count of homeless children and youth.</p>
<p>Housing Industry</p>	<p><u>Employment in housing construction</u>, including rehab of homes, measures the ability of the housing industry to support workers and the economy. Employment data comes from the Current Employment Statistics (CES) survey from the US Bureau of Labor Statistics and the Minnesota Department of Employment and Economic Development (DEED).</p> <p>The <u>inventory of homes on the market</u>, especially of foreclosed homes and those for short sale, gives information about the health of the housing component of the real estate industry. A high inventory of homes for sale, especially of foreclosures and homes for short sale, leads to price stagnation or decline. Data on the inventory of Twin Cities for-sale-homes is provided by the Minneapolis Area Association of Realtors.</p>