

MHP's "2 x 4" Report

Quarterly Housing Indicators

Quarter 3 2009



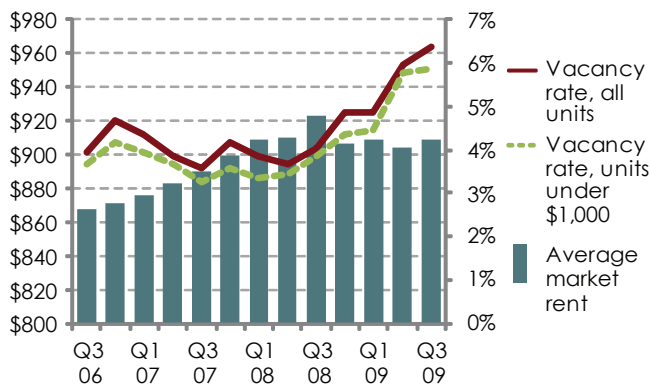
MHP's "2 x 4" Report tracks two timely and important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.

Minnesota Housing Partnership

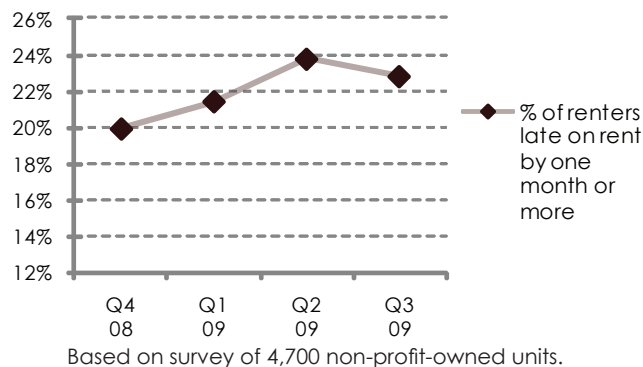
Rental Market

In the third quarter of 2009, rental market vacancy rates trended to the highest rate in over four years, well above the 5% balanced level, while rents held steady. Renter delinquencies remained relatively stable as well. About 23% of renter households surveyed were behind on rent.

Twin Cities Rents & Vacancy Rates



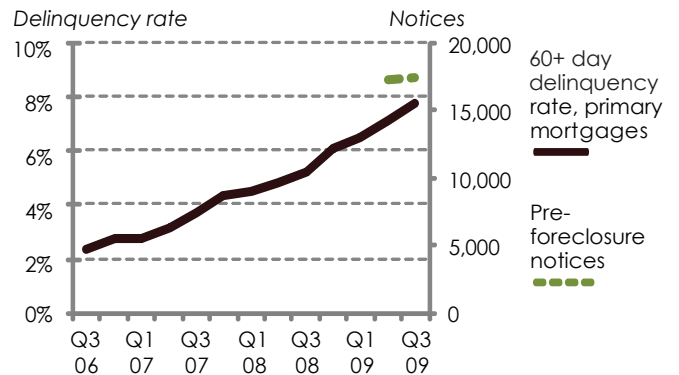
Tenants in Non-Luxury Units with Rent Past Due



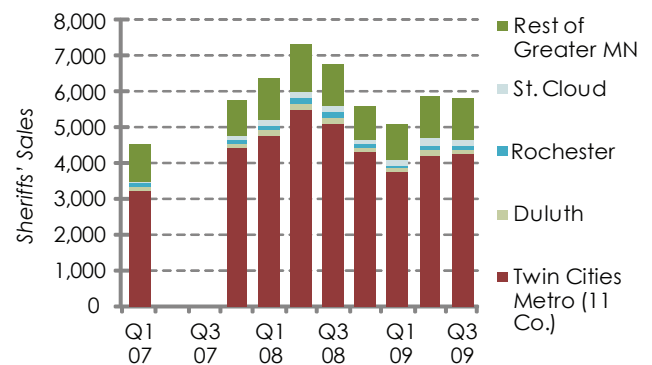
Owners' Market

Mortgage delinquencies for primary (first lien) mortgage holders continued an upward trend, nearing 8% in the third quarter of 2009. About 17,500 pre-foreclosure notices were issued. 5,900 foreclosures (sheriffs' sales) took place this quarter. Neither changed dramatically from the previous quarter.

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



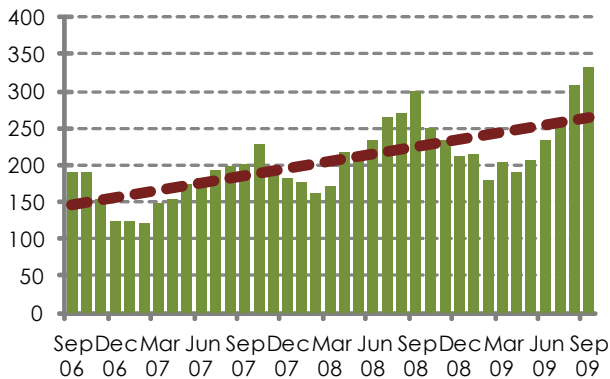
Minnesota Foreclosures



Homelessness

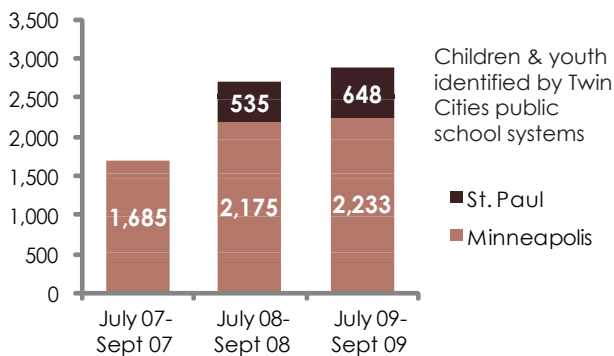
During the third quarter, the number of homeless families in Hennepin County shelters rose again. The September 2009 count was up 11% from September 2008 and up 75% from September 2006. In Minneapolis and St. Paul, nearly 2,900 children were homeless, a 6% increase over last year.

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

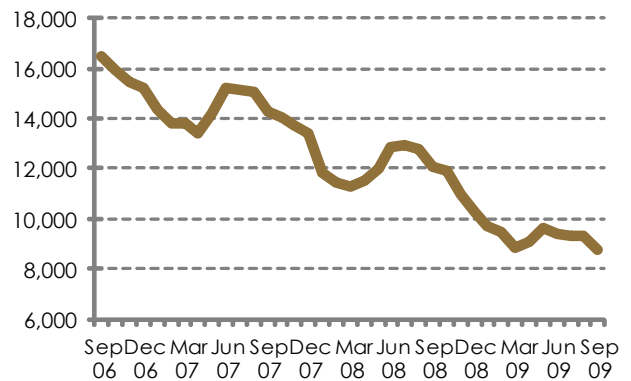


Comparable St. Paul schools data unavailable before the 2008-9 school year.

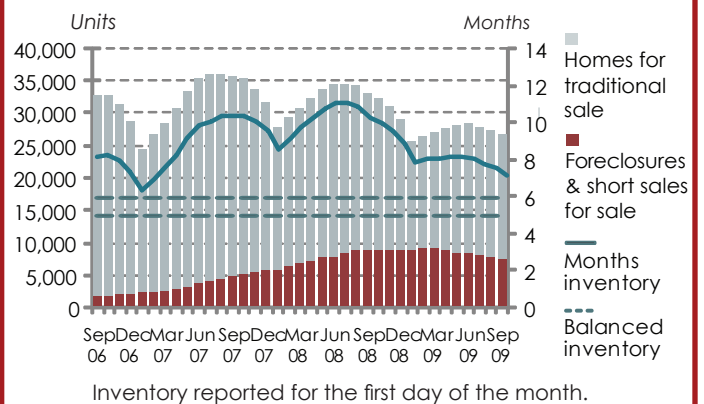
Housing Industry

Employment in housing construction this quarter fell to a monthly average of 9,141 employees. The inventory of homes for sale fell almost to 2005 levels, and the quarter closed with a 7-month supply of inventory. Foreclosed and short sale homes made up about 26% of the inventory in September.

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" – 2009 Quarter 3

(Released December 10, 2009)

This quarter, the "2 x 4" Report describes ongoing hardship in the housing market. The recession and unemployment continued to hit renters hard, to swell the ranks of the homeless, and to cause many to fall behind on their mortgage payments. For the ownership market, the third quarter was colored by new homebuyers anticipating the expiration of the \$8,000 tax credit, which is widely credited with increasing home sales activity and reducing inventory. Throughout the quarter, the Minnesota official unemployment rate averaged about 7.5%; it has been 25 years since Minnesota has sustained an unemployment rate at this level.

Rental Market

High unemployment with the current recession is the likely culprit behind increasing vacancy rates and relatively steady market rents, as renters double up and select lower priced units. Many low-income families, with less ability to weather economic downturns, struggled to pay rent this quarter.

- Vacancy rates rose almost half a percentage point to 6.4%, a rate not seen since early 2005. Vacancy rates above 5% are considered high by industry standards, and predict rents unlikely to rise soon. Rents averaged \$908 this quarter, relatively unchanged over the past year.
- Vacancy rates for lower cost units (under \$1,000 per month) rose, too, but only very slightly, to 5.9%. This more moderate rate change indicates stronger market demand for more affordable units.
- 23% of the tenants in the over 4,700 assisted units surveyed were behind in paying rent this quarter.

Owners Market

Homeowners again experienced higher mortgage delinquency rates in the third quarter of 2009. However, neither actual foreclosures nor pre-foreclosure notices (included for the first time in the "2x4" Report) changed substantially. A combination of federal and state housing policies and lender behavior probably helped keep foreclosures in check during the quarter. Nonetheless, job loss and upcoming resets of alt-A and option adjustable rate mortgages may portend additional foreclosures in future quarters.

- The 60+ day delinquency rate marched upward to 7.7% in the third quarter, continuing a three year trend of steady increase.
- At the same time, the number of pre-foreclosure notices and foreclosures changed little. There were about three times as many notices issued (17,543) as foreclosures (5,890 sheriffs' sales). This ratio is unchanged from the second quarter.

Homelessness

Homelessness continued to rise, likely fueled by foreclosures and un- and under-employment.

- 334 different families were sheltered by Hennepin County publicly funded shelters in September, 2009. Not since the year 2000 have this many families been sheltered in any month by Hennepin County. Three years ago, in September 2006, only 191 families utilized the publicly funded county shelter system.

- In Minneapolis and St. Paul the number of homeless children and youth identified this quarter increased by 6.3% from the third quarter of 2008. 2,881 young people were identified as homeless so far this school year by the two school systems combined.

Housing Industry

Residential housing construction employment hit a new low, while the inventory of homes for sale moved to a more balanced level. The anticipated expiration of the \$8,000 tax credit for first time homebuyers in November likely pushed high inventories lower, even though the tax credit was ultimately extended and expanded through the spring of 2010.

- Housing construction, which includes both new construction and rehab work, employed an average of only 9,141 people over the three months of the quarter, a figure not seen since the early 1990s.
- Short sales and foreclosures accounted for about 27% of the homes for sale in the metro area during the third quarter, down from 29% last quarter. Median home sales prices were down about 14% from the previous year, but the quarter’s sales prices rebounded by about 4% compared to last quarter, probably due to the homebuyer tax credit.
- The inventory of homes for sale fell to a 7.1 month supply, which was the closest to balanced that inventory has been since the winter of 2007. An inventory of 5 to 6 months is considered balanced. Whether or not this is an early sign of a turnaround in the market remains unclear.

About the Data

For technical notes on data for the MHP “2x4” Report, visit www.mhponline.org/research/2x4.

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| Rental Market | Average rents and vacancy rates is available quarterly for the 7-county Twin Cities metro and for buildings with 10 or more units whose owners participate in the GVA Marquette survey of rents. Minnesota’s largest nonprofit housing agencies provide data to MHP on late payments by residents of publically assisted housing. Units for which rent levels automatically drop when residents experience a decline in income are excluded. |
| Owners’ Market | The Mortgage Bankers Association’s National Delinquency Survey indicates mortgage defaults for Minnesota loans, which include subprime loans. Pre-foreclosure notice data is provided monthly by lenders to the Home Ownership Center of MN. Foreclosure data is compiled by HousingLink, and is based on sheriffs’ sales. |
| Homelessness | Hennepin County provides data on homelessness for families using county-contracted shelters. Similar data is not currently available for other areas. Among Minnesota jurisdictions, the Minneapolis & St. Paul Public Schools provide the most comprehensive and systematic jurisdictional count of homeless children and youth. |
| Housing Industry | 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). The inventory of homes on the market, including for foreclosed homes and those for short sale, is provided by the Minneapolis Area Association of Realtors. |