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Minnesota still in grip of crisis in housing

Thousands fewer jobs and thousands more foreclosures add up to a lingering housing crisis, suggests a study released Monday.

While the number of residential construction jobs fell to a 13-year low in the first quarter of 2010, home foreclosures hit an 18-month high, according to the quarterly report from the **Minnesota Housing Partnership**.

And that may not change anytime soon, the organization's executive director, Chip Halbach, said. "It's just a situation where declining incomes, loss of jobs are squeezing people out of their homes," he said.

Actual foreclosures in Minnesota numbered 6,700 from January to March, the highest total since the third quarter of 2008. Pre-foreclosure notices were also on the rise, an indicator that Halbach said meant more foreclosures in the future.

Meanwhile, mortgage delinquency rates fell for the first time in at least three years. The level hit 7.7 percent in the first quarter of 2010, down from 8.1 percent in the last quarter of 2009. Still, delinquencies remained more than twice as high as the same period in 2007, when rates held steady around 3 percent.

Residential construction jobs in Minnesota have also taken a severe hit, from more than 14,000 in March 2007 to 8,800 in March 2010. "There will be some leveling off," Halbach said. "The economy has improved somewhat -- at least it's not getting a lot worse."

Several studies track the housing market, but most focus on one piece of it, such as home sales or home construction.

Minnesota Housing Project's "2x4" report takes a more holistic approach, tracking housing trends across the industry, including rental prices and vacancies, homelessness, and employment in home construction. The organization, based in St. Paul, advocates for adequate housing throughout Minnesota.

"Until we see the number of jobs

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increasing and a fairly dramatic reduction in the unemployment rate, we will continue to see elevated numbers of foreclosures," said Ed Nelson, a spokesman for the Minnesota Home Ownership Center, a St. Paul organization that offers foreclosure counseling.

Data provided by the Minneapolis Area Association of Realtors indicated that foreclosures and short sales totaled 28 percent of all Twin Cities sales in the first quarter. The federal first-time homebuyers' tax credit boosted home sales, the association's president, Brad Fisher, said. But with that credit now expired, sales have already plummeted in May.

The rental market improved somewhat, with the vacancy rate falling to 6.2 percent, though still well above the 5 percent that is considered balanced. The percentage of tenants late with their rent also fell one percentage point, to 19 percent.

Meanwhile, homelessness continues to climb. Hennepin County public shelters served 195 families between January and

March, reflecting an overall upward trend and a 48 percent increase from the same period in 2007. Minneapolis and St. Paul schools also counted 6,342 students without homes between July and March, a 6 percent increase over the same time last year.

"Housing is not just something that stands off by itself," Halbach said, "but it's really an important part of our communities in terms of employment and education."

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