

NEW
for
2014!

MHP's 2x4 Report

December
2014

Semi-Annual Housing Indicators

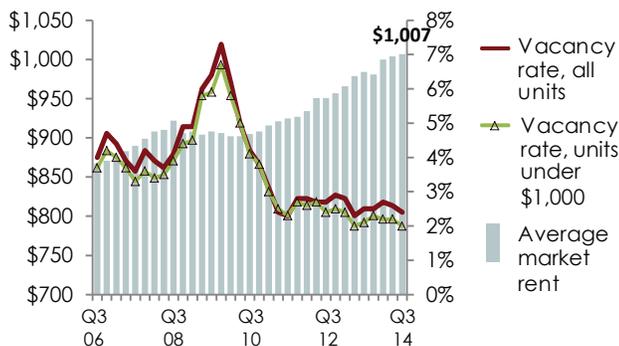
MHP's 2x4 Report tracks a set of two timely, important trends in each of four key housing areas: the rental market, the owners' market, homelessness and the housing industry.



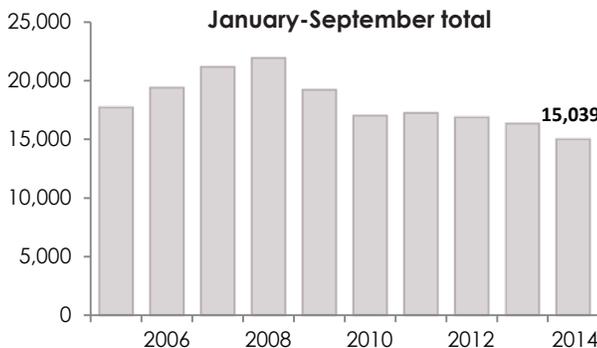
Rental Market

Average rents in the Twin Cities rose to \$1,007 this quarter, up from \$984 one year ago, as rental vacancies remained extremely low, at 2.4%. For apartments renting for under \$1,000, only 2.0% were vacant. Year-to-date, evictions filed have fallen 8% from 2013.

Twin Cities Rents & Vacancy Rates



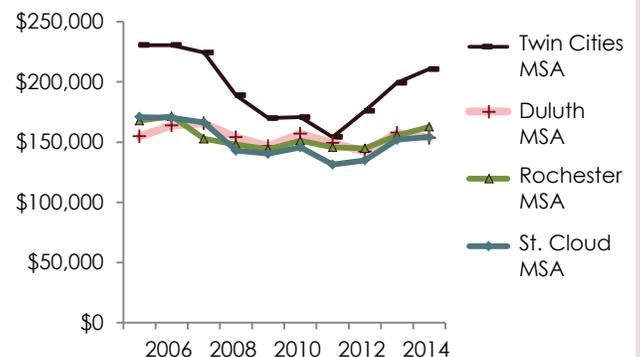
Evictions Filed in Minnesota



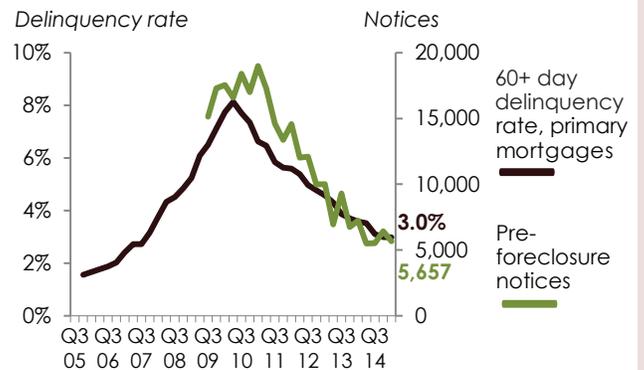
Owners' Market

Compared to last year at this time, home prices in the greater metro areas rose 5 to 6% in the Twin Cities and Rochester, and by 1.5% in St. Cloud. Prices fell by 3% in the Duluth metro. In the third quarter, 3% of Minnesota mortgages were 60+ days delinquent, and pre-foreclosure notices held stable, with 5,657 issued.

Median Home Sale Prices (3 mo. average Aug-Oct)



Minnesota Mortgage Delinquencies & Pre-foreclosure Notices

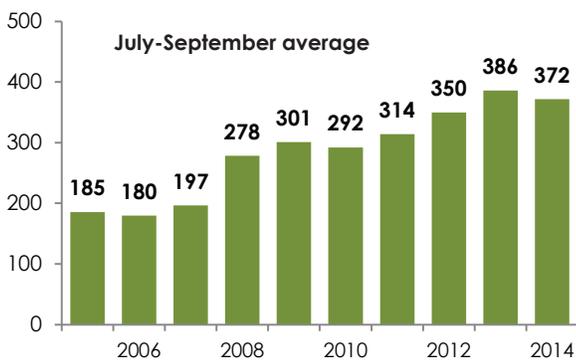


For Minnesota Housing Partnership's 2x4 archives and technical data notes, visit www.mhponline.org/publications/2x4-report

Homelessness

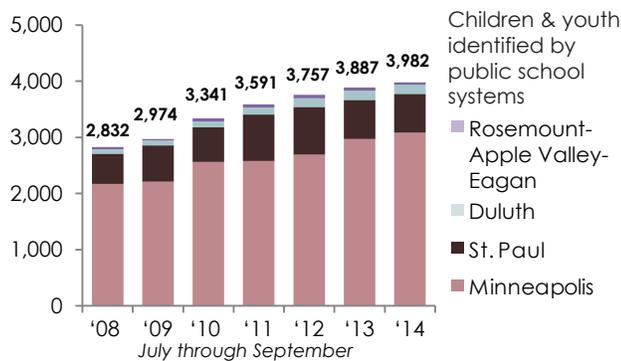
In the third quarter, 372 families sought shelter in Hennepin County shelters. Except for 2013, this is the highest quarterly average since 2000. There were 3,982 homeless children identified across four school districts. This number has increased annually since 2008 when 2x4 data collection began.

Hennepin Family Homelessness



The average number of families each month using shelters contracted by Hennepin County over the 3-month period.

Homeless Kids

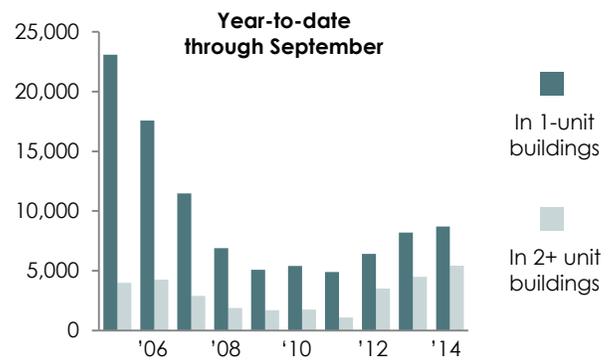


May include multiple counts of the same children if counted by more than one school district.

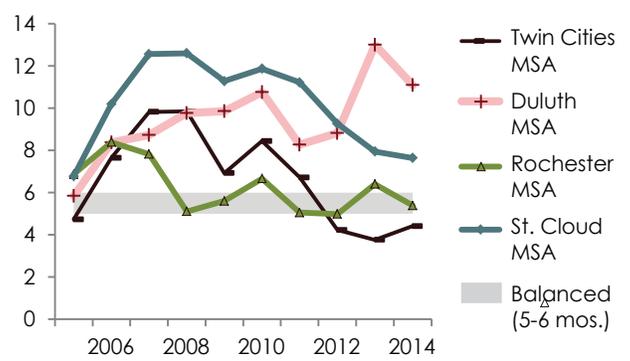
Housing Industry

Building permits increased year-to-date for the fourth consecutive year for both single- and multi-family housing units, reaching 8,707 and 5,425 respectively. For the greater metro areas included, the supply of homes for sale was tightest in the Twin Cities and most plentiful in Duluth.

Units Receiving New Building Permits, MN



Months Supply of Homes for Sale (3 mo. average Aug-Oct)



Indicates the number of months that current inventory of homes for sale would last at the current pace of home sales.

SOURCES: Renters: Marquette Advisors (top); Minnesota State Court Administrator (bottom). Owners: Minneapolis Area Association of Realtors/10K Research (top); National Delinquency Survey, Mortgage Bankers Association; MN Home Ownership Center (bottom). Homelessness: Hennepin County (top); Minneapolis, St. Paul, Duluth, and Rosemount-Apple Valley-Eagan Public Schools (bottom); Industry: US Census Bureau (top); Minneapolis Area Association of Realtors/10K Research (bottom).



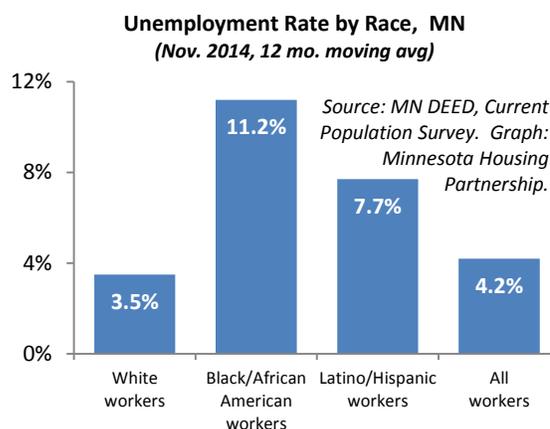


MHP's 2 x 4 Report

Released December 30, 2014

By many indicators, Minnesota's economy is improving. In October, the state's unemployment fell below 4%. Homeowners are seeing price gains, and building permits are up. Yet this *2x4 Report* finds exceptionally high homelessness among families, at least in the state's most populous county. Rental housing, especially affordable rental, is still extremely scarce.

Several factors are at play in explaining why overall economic improvements are not reaching all workers. *Declining job quality* for job seekers is one. According to the Jobs NOW Coalition, in the second quarter of 2014, fewer than 3 of 5 job openings were for full-time jobs. For the open full time jobs, the median wage fell below \$16/hour, from over \$18/hour a year earlier. A median part-time open job pays only \$10/hour, which would be inadequate for many workers to afford housing plus other basic needs. Severe *racial disparities in employment* are also important. [Unemployment](#) over the last 12 months has averaged about 11% for Minnesota's African-American workers and 8% for Latino workers, compared to 3.5% for the state's white workers. The inability of families to afford the rising cost of rent with the incomes they have is a key contributor to homelessness. As we consider how to address persistent high homelessness for families and children, we must pay attention to job quality, the factors leading to employment disparities, and the availability of affordable rental housing.



Rental Market

In the Twin Cities, where reliable data is available, the market remains tight. Low-priced units are even harder to come by. As a result of limited supply, rents are rising faster than inflation.

- *Average rents* in the Twin Cities climbed again, this time to \$1,007, by the third quarter of 2014. Rents have risen 11% in the past four years, faster than inflation.
- *Rental vacancy rates* dropped again this quarter to 2.4%.
 - Vacancy rates have remained below the “balanced” rate of 5% continuously for four years.
 - For apartments priced under \$1,000 per month, the vacancy rate is substantially lower, at 2.0%, indicating an even more severe shortage of units affordable to lower-income renters.

The other rental market indicator, the *number of evictions filed in courts* fell by 8% compared to last year, with 15,000 evictions filed through September of 2014. The drop is likely due in part to lower unemployment and less economic stress for renters, but fewer foreclosures may also be playing a role. (Banks that own homes may also file evictions when properties revert to their ownership.)

Owners' Market

In the owners' market, conditions appear to be slowly but steadily improving, at least in most areas where data is available. The statewide mortgage delinquency rate continues to fall, and pre-foreclosure notices have been stable over the past year. Home prices are rising, most notably in the Twin Cities, but in other metro areas, too. The Greater Duluth metro is an exception, however.



- In three of the four metro areas with quality data available, *median home sales prices* (not adjusted for inflation) over the last three months rose compared to a year ago. Prices rose 6% in the Twin Cities metro, 5% in the Rochester metro, and 1.5% for St. Cloud.
- In the Duluth metro, median home sales prices for the last three months are 3% lower than in 2013.
- Continuing a slow downward trend, 3% of *mortgages were delinquent* in the third quarter of 2014. This rate still exceeds 1.7%, the average rate between 1979 and 2004.
- *Pre-foreclosure notices* have held roughly stable over the last year. 5,657 notices were issued in the third quarter of 2014.

Homelessness

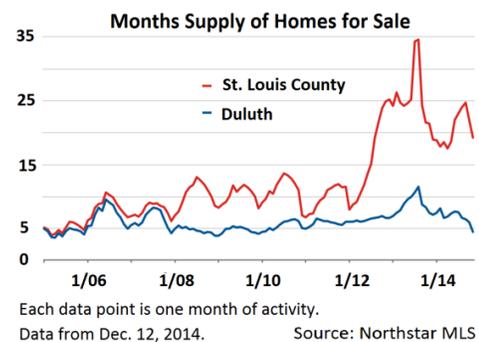
Ongoing record or near-record homelessness for families was reported in Hennepin County, as well as among children in three of the four school districts tracked in the *2x4 Report*.

- In the third quarter of 2014, an average of 372 *families* sought shelter in Hennepin County contracted shelters. Except for the 3rd quarter of 2013, this is the highest average for any quarter since 2000.
- From July to September 2014, there was a 2% increase in *homeless children* in the tracked schools, compared to the year before. Nearly 4,000 children were counted as homeless.
- Compared to last year, homelessness among students increased by 4% in Minneapolis, was unchanged in St. Paul, and fell by 2% in Duluth, though it remained above 2012 levels there. Suburban Rosemount-Apple Valley-Eagan was the one tracked district seeing a substantial drop: 44 homeless students were identified there, down from 57 last year.

Housing Industry

For the housing industry, this year's increase in new building permits is notable, especially for multi-family units. Yet the volume remains below historical averages over recent decades. We might expect continued growth in multi-family permits, given still-low rental vacancy rates in many markets. A continued area of concern is that most new apartments are renting at levels out of reach for lower income people. For single family homes, the inventory of homes for sale is uneven across markets. In tighter markets, notably the Twin Cities, growth in new single family construction could be expected.

- *Multi-family building permits* were issued for 5,425 units through September of 2014, the highest year-to-date figure since 2004, and a 21% increase over last year.
- *Single family building permits* rose 6% from last year; 8,707 permits were issued through September.
- The *supply of homes for sale* was within the 5 to 6 month "balanced" range for Rochester, lower in the Twin Cities (4 months), and more plentiful in the metro areas of Duluth (11 months) and St. Cloud (8 months). However, supply of homes in a city may differ markedly from its greater metropolitan area or county, as seen in the St. Louis County/Duluth chart at right.



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