While mortgage delinquencies and pre-foreclosure notices were down, foreclosures rose this quarter. The 60-day delinquency rate reached 5.6%, down from 8.1% a year and half ago. Pre-foreclosure notices were down from last quarter, but foreclosures rose by 9% due to increases in the metro region.

The vacancy rate in the Twin Cities plummeted to 2.4%, a ten-year low, while average rents increased to $921, up from $902 a year ago. A vacancy rate below 5%, the rate considered balanced, could signal rent increases ahead. This quarter, about 14% of non-luxury renters were delinquent in rent.

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Homelessness was up among Hennepin families seeking shelter, averaging 260 monthly this quarter—double the number in this quarter for 2006. 8,300 children and youth were identified as homeless by Minneapolis and St. Paul schools, up 8% since last year and 18% over the last three years.

Employment in residential construction hit a 19-year low for the quarter, dropping to 8,200 jobs per month statewide. Compared to last year, the number of homes for sale was down for the quarter; however with fewer homes being sold, the months of inventory (approximately 8) was unchanged.

For MHP’s “2 x 4” archives and data notes, visit www.mhponline.org/publications/reports-and-research/2x4-report.
MHP’s “2 x 4” REPORT– 2011 Quarter 2  (Released September 14, 2011)

While some indicators, such as a reduction in mortgage delinquencies, bring welcome news, this quarter many of the housing trends were worrisome. Foremost among them is a significant rise in homelessness among children and families, at least in the Twin Cities, where data is available.

For those who are employed, the news was not too bad. Average weekly earnings reached $811, compared to $774 a year ago. Yet the unemployed are not riding this same positive trend. The official state unemployment rate averaged 6.6%, down a hair from last quarter, but the rate inched upward each month, reaching 7.2% by July. In addition, US data suggest that the duration of unemployment can be surprisingly long. In June 2011, unemployed workers reported being out of work for an average of 39.9 weeks nationwide. Furthermore, official unemployment rates exclude people who have not actively looked for work in the last four weeks, such as those who have given up searching due to dim prospects. This deep long-term unemployment in the absence of increased government support places families at risk for homelessness.

Rental Market

The Twin Cities metro rental market continued to tighten in the second quarter, with the rental vacancy rate reaching a 10-year low. This trend reflects in part a slightly lower unemployment rate and higher earnings for workers. A steep increase in the number of foreclosed homeowners who are now renters since 2005, and limited construction of rental housing also contribute. As mentioned in the previous 2x4 Report, the number of multi-family units permitted from 2006 to 2010 in Minnesota was the lowest in 50 years for any 5-year period. Meanwhile, rents marched upwards this quarter, while the low rental vacancy rate sets the stage for higher rents to come. Rising rent levels present a serious concern for low-income renters already severely burdened by the cost of rental housing.

- This quarter, the rental vacancy rate in the Twin Cities metro fell to 2.4% - a 10-year low. A year and a half ago the vacancy rate was 7.3%
- The average monthly rent rose to $921, compared to $902 a year ago. Low vacancy rates signal likely future rent increases.
- 14% of renters in non-luxury units were delinquent for rent this quarter.

Owners’ Market

The mortgage delinquency rate and pre-foreclosure notice numbers heralded positive news again this quarter, indicating fewer homes entering the foreclosure pipeline process. Yet the actual number of foreclosures increased by a notable 9%. The entire increase in foreclosures, as measured by sheriffs’ sales, is actually attributable to the 11-county Twin Cities metro area (up 13%), while foreclosures in the remainder of the state were unchanged. The most dramatic metro increases were seen in Sherburne and Scott Counties, up 44% and 35% respectively.

The increase in foreclosures seems counterintuitive, given that both pre-foreclosure notices and delinquencies have been trending downward. Staff from the Home Ownership Center of MN suspect that a deep backlog of foreclosures at the banks is causing the uptick. Foreclosure counselors are
seeing a growing number of cases in which homeowners are in arrears by 2, 3, and 4 years, due to banks holding off on final foreclosure action. This indicates a backlog of properties yet to foreclose, which may impact the market for months or years and depress home prices further.

- 5,851 homes foreclosed this quarter in Minnesota, as measured by sheriffs’ sales, up 9% from last quarter. The increase was entirely in the wider Twin Cities metro area.
- The 60+ day delinquency rate of primary mortgages fell slightly to 5.6%, marking a year and a half of ongoing improvement. At its highest, this rate reached 8.1% in late 2009.
- About 13,400 pre-foreclosure notices were sent to the Minnesota Home Ownership Center this quarter, down 8% from last quarter and 21% from a year ago.
- In June of 2011, the median home sale price for the Twin Cities metro was down 12% year-to-date compared to 2010.

**Homelessness**

Unfortunately, both homelessness indicators tracked in the 2x4 Report mark serious increases. Given that in the second quarter, unemployment was down and weekly earnings were up, economic improvements are failing to reaching the Minnesotans most in need. Another contributor was the North Minneapolis tornado in late May that left dozens of families homeless in its wake. Both the number of families seeking shelter in Hennepin County contracted shelters and the number of homeless children increased over last year.

- The average number of families counted as homeless each month by Hennepin County shelters rose to 260 this quarter. This represents an increase of 21% in a single year, and is double the count from 2006.
- 8,297 children and youth were identified as homeless by Minneapolis and St. Paul public schools combined from July 2010 through June 2011. This figure is up 8% from last school year and 18% from 2007-8, the first year for which there is comparable data.

**Housing Industry**

In the housing industry, the second quarter is typically a time of rapid growth, as the ground thaws and the work of construction and sales begins anew. This quarter was typical in that more homes went on the market and some people were back to work in housing construction. However, employment in residential construction hit a new 19-year low for the second quarter, hardly the norm. The inventory of homes on the market in the Twin Cities was up somewhat this quarter, as expected seasonally, but was lower than last year at this time. The inventory exceeded the “balanced” level of 5 to 6 months, indicating that the housing market has yet to reach equilibrium.

- Quarterly employment in residential housing construction averaged 8,200 jobs per month, the lowest since 1992 - a 19 year low. In 2005, this number was nearly 18,000.
- The inventory of homes on the market in the Twin Cities was 13% lower than last year at this time. However, the months of inventory stood at 8 months— about the same as last year. Together, this reflects fewer homes for sale, but fewer homes being bought.

*For technical notes, visit [http://mhponline.org/publications/reports-and-research/2x4-report](http://mhponline.org/publications/reports-and-research/2x4-report).*