MHP's 2x4 Report

June 2015

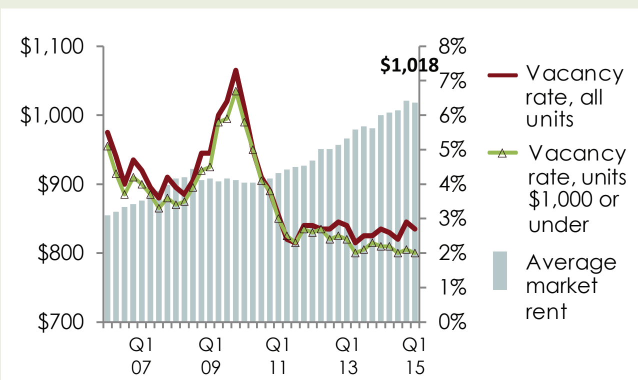
Semi-Annual Housing Indicators

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

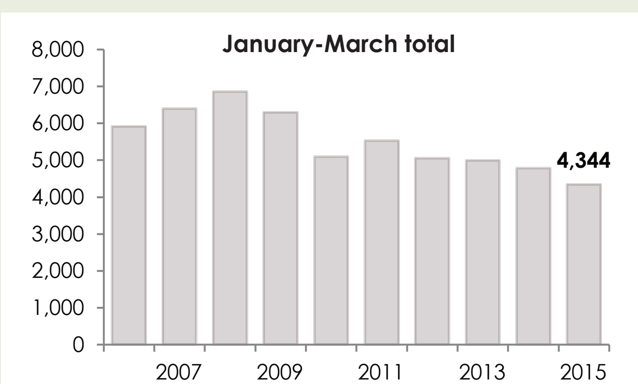
Rents in the Twin Cities market averaged $1,018 in the first quarter of 2015. Overall, vacancy rates remained low at 2.7%. For units renting at $1,000 or under, vacancies were notably lower, at 2.0%. There were 4,344 evictions year-to-date through March, a drop of 9% since 2014.

Twin Cities Rents & Vacancy Rates



Survey of market-rate apartments in 10+ unit buildings.

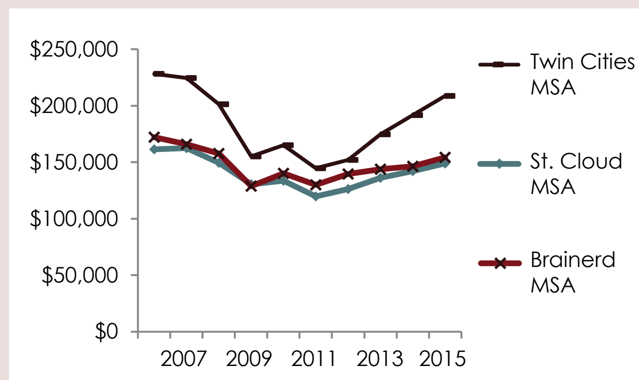
Evictions Filed in Minnesota



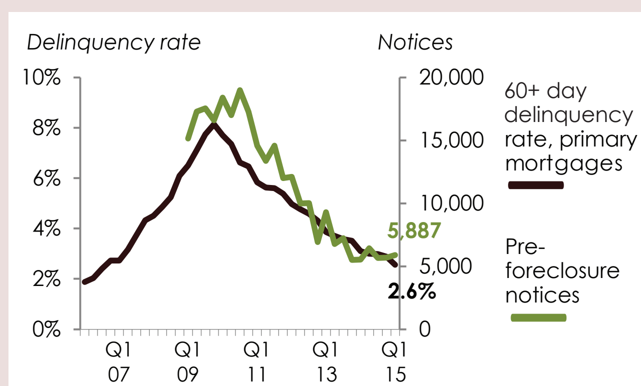
Owners' Market

Year-to-date, median home sale prices rose in all three metros included since last year. Prices rose by 9% in the Twin Cities metro and by 5% in the St. Cloud metro and Brainerd/Baxter metro areas. In Q1 2015, 2.6% of mortgages were delinquent by 60+ days, and 5,887 pre-foreclosure notices were issued.

Median Home Sale Prices
(January-May average)



Minnesota Mortgage Delinquencies & Pre-foreclosure Notices



For Minnesota Housing Partnership's 2x4 archives and technical data notes, visit

www.mhponline.org/publications/2x4-report

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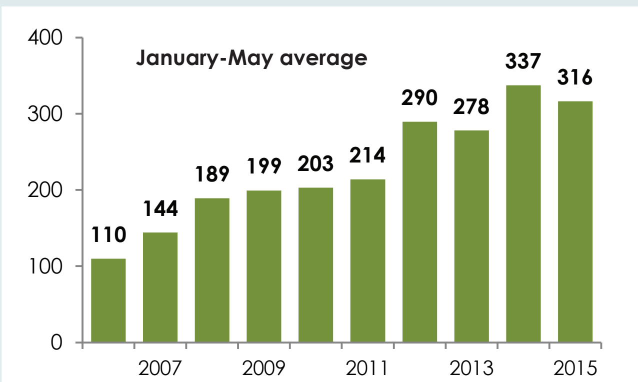
Homelessness

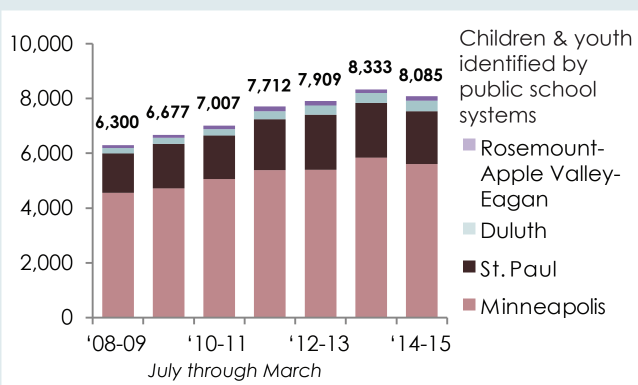
For the first 5 months of 2015, an average of 316 families per month used shelters in Hennepin County, down 6% from a peak of 337 last year. The number of homeless students identified by selected school districts from the start of the school year through March fell 3% from last year's high to 8,085.

Hennepin Family Homelessness



The average number of families each month using shelters contracted by Hennepin County over the 5-month period.

Homeless Kids

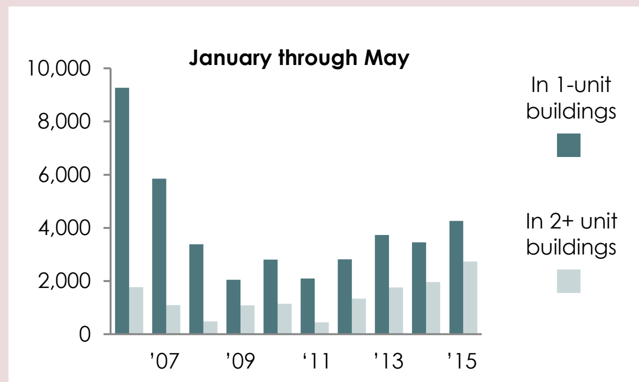


May include multiple counts of the same children if counted by more than one school district.

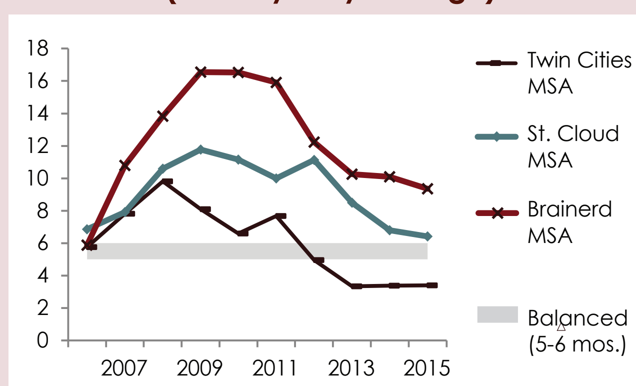
Housing Industry

Through May of this year, permits were issued for 7,000 new housing units, including 4,258 single-family units and 2,742 in 2+ unit buildings. The supply of homes for sale was 3.4 months in Twin Cities metro, 6.1 months in St. Cloud, and 9.4 months in Brainerd/Baxter.

Units Receiving New Building Permits, MN



Months Supply of Homes for Sale (January-May average)



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).

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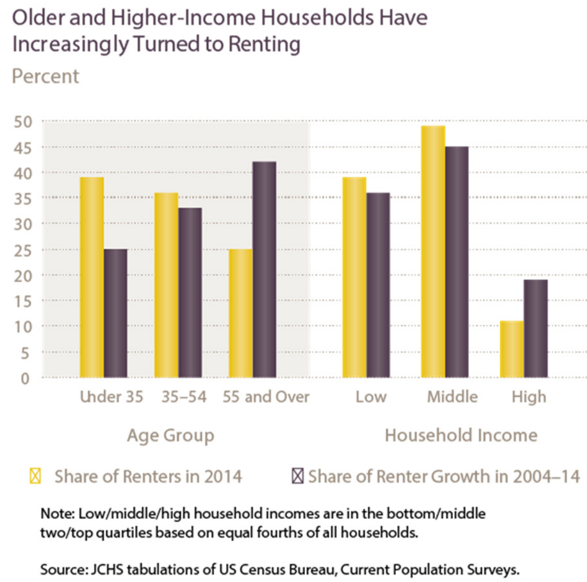
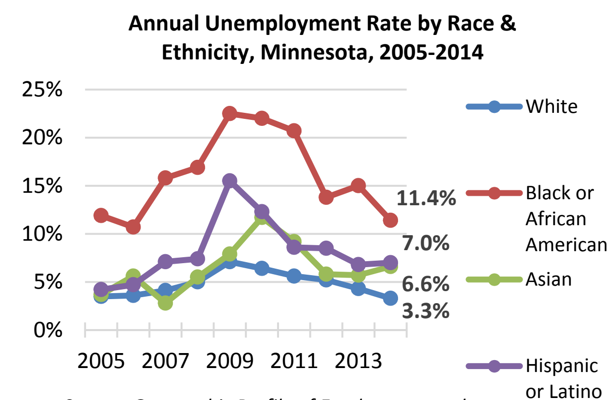
Released June 30, 2015

The Harvard Joint Center for Housing Studies [reported recently](#) that the national homeownership rate is at its lowest point since early 1993. As a result, rental rates have been rising. Over the last decade, with the foreclosure crisis and aging of the Baby Boomers, people 35 and older have been responsible for a higher share of the growth in renting, the report found.



In Minnesota too, household growth, for renters especially, is a key feature of the landscape. In the Twin Cities area, where data is available, rising rents and low vacancies continue to drive the market. Comparable time-series data is not available elsewhere, but low vacancy rates have been reported in housing studies in several Greater MN communities. Multi-family construction is on the rise.

With an improving economy (unemployment was 3.8% in May) plus state and federal investment, homelessness has started to abate from record highs. However, in part because fewer units are available at affordable rents, homelessness remains stubbornly high. Racial and ethnic employment disparities continue to put people of color at higher risk of homelessness and unaffordable rents.



Source: Geographic Profile of Employment and Unemployment, BLS

Rental Market

For the Twin Cities rental market this year, rents have continued to rise in a low-vacancy environment. Statewide, evictions are down.

- In the Twin Cities in the first quarter of 2015 the *average rent* was $1,018, which is 13% higher than five years ago. In just the past year, rents rose by 1.8%, while inflation was nearly flat from Q1 2014 to Q1 2015.
- *Rental vacancy rates* remain very low, at 2.7%, same as last year at this time. For apartments priced at $1,000 or less per month, the rate was 2.0%.
- The gap between the vacancy rates for all units vs. those at or below $1,000 is the widest it has been since at least 2006, when this specific data analysis began. This indicates that any gradual relief in the tight market has been concentrated in higher-cost apartments.
- The number of market-rate units renting at $1,000 or less has fallen by 8% over the last five years.
- Statewide, for January through March 2015, there were 4,344 *evictions* filed, 9% fewer than in 2014.

Most evictions pertain to non-payment of rent, and the improvement may be related to fewer layoffs. Banks that repossess homes after foreclosures also file evictions; fewer foreclosures may also be playing a role.

Owners' Market

In each of the markets included in the *2x4 Report* data, median home prices have risen in the past few years. Mortgage delinquency rates continued a long downward trend, but pre-foreclosure notices actually rose slightly in the last two quarters. *Note: median home sales prices have become unavailable to MHP for Duluth and Rochester, but available for Brainerd/Baxter.*

- Compared to a year ago, *median monthly home sales prices* for January through May (not adjusted for inflation) rose 9% in the Twin Cities metro, and 5% in both the St. Cloud and Brainerd areas.
- The median home sold for $209,000 year-to-date through May 2015 in the Twin Cities metro, for $149,000 in the St. Cloud metro and for $154,000 in the Brainerd/Baxter metro.
- Statewide, 2.6% of *mortgages were delinquent by 60+ days*, compared to an average of 1.7% from 1979 to 2004. This rate continues to fall slowly.
- After peaking at nearly 19,000 *pre-foreclosure notices* in Q3 of 2010 followed by a steep drop, notices have held relatively steady since late 2013. There were 5,887 notices in Q1 of 2015.

Homelessness

In good news for homelessness, both Hennepin family homelessness and the homeless children in the schools indicators fell compared to the year before. However, homelessness remains far higher than before the recession.

- For January to May of 2016, an average of 316 *families were sheltered in Hennepin County*-contracted shelters each month, down 6% from a peak of 337 last year. Yet the average number of homeless families is still nearly triple what it was in 2006.
- A total of 8,085 *homeless students* were identified in the four tracked school districts between July 2014 and March 2015, down 3% from last year at this time, but up 28% since 2008-9.
- Over the last year, counts of homeless children in schools rose 23% in suburban Rosemount-Apple Valley-Eagan and 6% in Duluth. In Minneapolis and St. Paul public schools the counts fell by 4% and 3% respectively.

Housing Industry

So far this year, building permits in Minnesota are up, most notably for multi-family units. This is meaningful, given low rental vacancy rates and limited production in recent years. The supply of homes for sale also either remained low (in the Twin Cities) or has fallen over the last couple of years (St. Cloud and Brainerd/Baxter).

- In total there were *building permits* issued for 7,000 new units for January through May which is the highest since 2006.
- Of these, 2,742 units receiving permits were in multi-family buildings, which are typically built for rental purposes, the highest since 2002.
- 39% of units permitted so far this year are in multi-family buildings, the highest percentage since data collection began in 1995.
- Compared to the first five months of last year, the *months' supply of homes for sale* in the Twin Cities metro was unchanged, at 3.4 months. The months' supply in St. Cloud fell 5% to 6.1 months, and 7% in Brainerd/Baxter to 9.4 months.

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