MHP’s “2 x 4” Report
Quarterly Housing Indicators

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.

Rental Market
The rental vacancy rate fell for the fourth consecutive quarter to 3.8%, signaling higher demand by renter households, fewer available units, or both. Just one year earlier the rate was 7.3%. Average rents measured $908, changing little this quarter. About 1.6% of non-luxury renters were delinquent in rent.

Owners’ Market
Primary mortgage delinquencies fell slightly this quarter to 6.5%, continuing a welcome downward trend. Pre-foreclosure notices and sheriffs’ sales both fell, to 17,300 and 5,300 respectively. The drop in foreclosures was related at least in part to bank-driven foreclosure moratoria.

Twin Cities Rents & Vacancy Rates

Tenants in Non-Luxury Units with Rent Past Due

Minnesota Mortgage Delinquencies & Pre-foreclosure Notices

Minnesota Foreclosures

Based on survey of 4,700 non-profit-owned units.
An average of 257 families per month were sheltered in Hennepin county-contracted shelters, nearly unchanged from last year’s high levels of 260 for the quarter. Between the Minneapolis and St. Paul schools, nearly 5,000 children and youth have been identified as homeless since July, up 6% from 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**

Children & youth identified by Twin Cities public school systems

- St. Paul
- Minneapolis

**Minnesota Residential Building Construction Employment**

Employment in residential housing construction averaged 8,900 jobs monthly, the lowest since 1993 for the fourth quarter. The supply of homes for sale in the Twin Cities region was 8 months by the quarter’s end, compared to 6.2 the year before. On average, 34% of the homes for sale were foreclosures or short sales.

**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).
Based on the housing and economic data for the fourth quarter of 2010, Minnesota remained in uncharted territory. As a sign of strange times, mortgage rates hit historic lows, lenders imposed moratoria on foreclosures, and rental vacancy rates plummeted.

Economic factors, which were mixed this quarter, give some indication of Minnesotans’ ability to afford and maintain their housing. This quarter, the official unemployment rate averaged 7%, relatively unchanged from last quarter. Earnings were up, at least for those who were employed, with average weekly earnings about 2% higher than last quarter, though this increase may not be distributed evenly among high and low earners. By contrast, there were fewer job openings for job seekers. According to a Jobs Now Coalition analysis, job seekers outnumbered full-time job openings by 10-to-1 this quarter, compared to 9-to-1 six months earlier in the state.

There was dichotomy in housing indicators, too. Mortgage delinquency was down among home owners, and the rental vacancy rate fell in the Metro area, signaling stronger demand for apartments. However, there was little relief from high levels of homelessness, low levels of housing construction, and the glut of homes for sale on the market.

**Rental Market**

The Twin Cities rental vacancy rate hit a two-and-a-half-year low, plummeting to 3.8% in the fourth quarter of 2010. In the short term, this drop may be affected in part by another rise in weekly earnings among the employed. From a longer term perspective, other likely contributors include a significant increase in the proportion of households that rent rather than own as fallout from the foreclosure crisis, plus limited construction of rental housing in recent years. In the last few years, the number of multi-family units constructed has reached a low not seen in decades.

- This quarter, the rental vacancy rate fell to 3.8%, the fourth consecutive quarterly decline.
- This rate is well below the 5% rate considered “balanced” for rental supply and demand.
- Despite the lower rental vacancy rate, average market rents measured $908, an amount little changed from recent quarters.
- Renter delinquencies for non-luxury units increased slightly to 16% this quarter.

**Owners’ Market**

In the fourth quarter of 2010, the ownership market again entered new territory, with a number of major US banks declaring a moratorium on foreclosures in an attempt to get a handle on their legal paperwork woes. As a result, foreclosures were way down, despite increases in pre-foreclosure notices in the last few quarters. Meanwhile, home prices were down slightly. New buyers had the opportunity of a lifetime, with mortgage rates reaching historic lows.
For existing owners, there was another decline in the 60-day mortgage delinquency rate. Fewer pre-foreclosure notices were issued, though it remains unclear if this is related to real improvement in delinquencies or to banks delaying issuing the notices.

- 5,298 homes foreclosed this quarter in Minnesota, as measured by sheriffs’ sales, the lowest number in about two years, very likely due to the moratorium on foreclosures imposed by a number of major banks beginning in October 2010.
- The 60+ day delinquency rate of primary mortgages fell slightly to 6.5% this quarter. This is the fourth consecutive quarter of improvement after years of deterioration.
- 17,270 pre-foreclosure notices were sent to the Minnesota Home Ownership Center this quarter, a slight decline from the previous quarter.

### Homelessness

The number of families seeking shelter in Hennepin County contracted shelters was down compared to last quarter, reflecting a typical seasonal pattern as cold temperatures set in. However, there was almost no reduction in family homelessness from the fourth quarter of 2009. The combined count of homeless children and youth identified by the St. Paul and Minneapolis schools for the first half of the school year was, in fact, higher this year than last year.

- 257 families per month, on average, were counted as homeless by Hennepin County shelters in the fourth quarter of 2010. The change was minimal compared to last year, but was a huge increase (64%) increase over 2006.
- 4,959 children and youth were identified as homeless by Minneapolis and St. Paul public schools combined in the first half of the 2010-11 school year, a 6% increase over the previous year.

### Housing Industry

The picture painted by housing industry data was not pretty this quarter. Jobs in residential construction remained abysmally low, at approximately 1993 levels for the time of year. The inventory of homes for sale was down from last quarter (a normal seasonal decline), but well above the inventory last year at this time. This inventory has dipped into the “balanced” five-to-six-month range for only two months since early 2006. With a sustained high inventory and climbing interest rates, the stage is set for further home price declines.

- Quarterly employment in residential housing construction averaged 8,900 jobs per month, the lowest in 17 years for the fourth quarter.
- The supply of homes for sale landed at 8 months by the end of the quarter, far above the 6.2 months of supply at the quarter’s end last year.
- On average, 34% of the supply of homes for sale this quarter included foreclosures or short sales. In the fourth quarter of 2006 less than 6% of the supply was lender-mediated.

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