Mortgage delinquencies continue to improve slowly, with 5.4% of primary mortgages delinquent or in foreclosure. Pre-foreclosure notices fell to 12,016, the lowest level since data collection began in 2009. The number of foreclosures (5,086 sheriffs’ sales) was largely unchanged from last quarter.

MHP’s “2 x 4” 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**

Continued low rental vacancy rates for the Twin Cities pushed rents up to an average of $927 for the sixth straight quarter of rent increases. The vacancy rate rose a hair to 2.8%, but remains well below the “balanced” 5% mark. About 17% of non-luxury renters were delinquent in rents.

**Owners’ Market**

Mortgage delinquencies continue to improve slowly, with 5.4% of primary mortgages delinquent or in foreclosure. Pre-foreclosure notices fell to 12,016, the lowest level since data collection began in 2009. The number of foreclosures (5,086 sheriffs’ sales) was largely unchanged from last quarter.

**Twin Cities Rents & Vacancy Rates**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Rent</th>
<th>Vacancy rate, all units</th>
<th>Vacancy rate, units under $1,000</th>
<th>Average market rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 08</td>
<td>$980</td>
<td>8%</td>
<td>5%</td>
<td>$927</td>
</tr>
<tr>
<td>Q2 09</td>
<td>$920</td>
<td>7%</td>
<td>4%</td>
<td>$908</td>
</tr>
<tr>
<td>Q2 10</td>
<td>$902</td>
<td>6%</td>
<td>3%</td>
<td>$908</td>
</tr>
<tr>
<td>Q2 11</td>
<td>$886</td>
<td>5%</td>
<td>2%</td>
<td>$908</td>
</tr>
<tr>
<td>Q4 11</td>
<td>$870</td>
<td>4%</td>
<td>1%</td>
<td>$908</td>
</tr>
</tbody>
</table>

**Tenants in Non-Luxury Units with Rent Past Due**

% of renters late on rent by one month or more

<table>
<thead>
<tr>
<th>Quarter</th>
<th>% late on rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 09</td>
<td>15%</td>
</tr>
<tr>
<td>Q4 09</td>
<td>10%</td>
</tr>
<tr>
<td>Q4 10</td>
<td>15%</td>
</tr>
<tr>
<td>Q4 11</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Minnesota Mortgage Delinquencies & Pre-foreclosure Notices**

Based on survey of 5,400 non-profit-owned units.

**Minnesota Foreclosures**

- Rest of Greater MN
- St. Cloud
- Rochester
- Duluth
- Twin Cities Metro (11 Co.)
Homelessness

On average 301 families per month were sheltered by Hennepin County shelters in the fourth quarter, up 17% from last year and the highest for the quarter since 2000. Homeless children identified by three major Minnesota school systems increased 16% from last year to nearly 5,950 children for the quarter.

Homeless Kids

For MHP’s “2 x 4” archives and data notes, visit www.mhponline.org/publications/reports-and-research/2x4-report.

Housing Industry

Employment in residential housing construction saw the first year-over-year increase in six years for the quarter, averaging 9,700 workers per month. The inventory of homes for sale in the Twin Cities metro fell to 4.6 months—the lowest in almost six years—signaling tightening of the market.

For MHP’s “2 x 4” archives and data notes, visit www.mhponline.org/publications/reports-and-research/2x4-report.

SOURCES: Renters: 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, & Duluth Public Schools (bottom). Industry: Current Employment Statistics (CES)(top); Minneapolis Area Association of Realtors (bottom).
MHP’s “2 x 4” REPORT – 2011 Quarter 4  (Released March 20, 2012)

Disparities color the housing picture in Minnesota again this quarter. In December, Minnesota’s unemployment rate was the lowest since September of 2008 –just before the financial meltdown-- while average weekly earnings continued to climb. Yet the statistics showing economic improvements mask the fact that gains are not being shared equally among Minnesotans.

On the one hand, as the economy slowly improves, there are hopeful signs for housing industry lenders, construction workers, and some homeowners. Mortgage delinquencies continue to trend downward, albeit more slowly than hoped. The precipitous plunge in housing construction employment since 2005 has largely leveled off.

On the other hand, the news for renters is troubling. Extremely low rental vacancy rates continue to push rents higher, stretching already tight budgets for many. And for the homeless, the lowest-income folks typically the last to benefit in an economic recovery, the figures are bleak. Child homelessness in major Minnesota cities is up markedly over recent years. The engines fueling this increase in homelessness are likely long term unemployment and the rising costs of rental housing.

Disparities are also apparent for age and racial groups. A February 2012 Economic Policy Institute report estimated Minnesota to have the highest unemployment rate for Black workers of any state in late 2011, at an astronomical 27%. By comparison, only 7% of all the state’s workers were unemployed – one of the better rates nationwide. Another recent EPI report finds U.S. unemployment for workers under the age of 25 to be higher than at any time since the fall of 1983. Together, these figures underscore that economic and housing improvements are not reaching all groups in the same way.

### Rental Market

The tightest rental market in a decade for the Twin Cities metropolitan area saw little sign of loosening this quarter, as rental demand remained high and supply low. With 135,000 foreclosures since 2005 increasing demand for rental housing, along with limited rental construction in recent years limiting supply, rents rose once again.

- The average monthly rent reached $927, representing the sixth straight quarterly increase.
- Rents are likely to rise further, with vacancy rates at a very low 2.8%. A rate of 5% is considered the “balanced” point at which rents will neither increase nor decrease.

### Owners’ Market

Owners’ market indicators for Minnesota homeowners were mixed this quarter. Hopeful signs included fewer owners behind on their mortgage payments, as well as a drop in pre-foreclosure notices. Yet alongside these positive trends, home prices continue to fall. An estimated 18% of
Minnesota’s homeowners owe more on their home that it is worth, according to CoreLogic; this underscores the negative impact of falling home prices and the urgency for prices to hit bottom.

- 5,086 homes foreclosed this quarter, nearly unchanged from last quarter, and down 18% from two years ago.
- Minnesota’s 60+ day mortgage delinquency rate fell slightly to 5.4%, similar to the rate of about three years ago. Delinquencies have been improving slowly for two years.
- 12,000 pre-foreclosure notices were issued this quarter, far lower than in early 2009, when reporting of this data first began.

**Homelessness**

The increase in homelessness is sobering this quarter. The Minneapolis, St. Paul, and Duluth school districts all counted substantially more homeless children than last year; Hennepin County also counted more families seeking shelter. Behind these concerning trends are long-term unemployment, high and rising rental housing costs, and extremely limited production of rental housing for the lowest income people. Homelessness is also a lagging indicator, meaning that months or years tend to pass before homelessness will reflect economic changes.

- 5,950 children and youth were identified as homeless since the start of the school year by the Minneapolis, St. Paul, and Duluth school districts.*
- Homelessness among children in the school districts rose 13% in Minneapolis, 25% in St. Paul, and 39% in Duluth compared to the fourth quarter of 2011. Taken together, 16% more kids were counted since last year by the schools.
- An average of 301 homeless families per month sought shelter in Hennepin County in the fourth quarter. This number has nearly doubled since 2006 and is the highest since 2000 for the quarter.

**Housing Industry**

The housing industry indicators are the undeniable bright spot this quarter. Data suggest that the housing industry is making strides towards stability. Employment in residential housing construction is up slightly after many years of decline, and the inventory of homes for sale in the Twin Cities metro is being absorbed. This inventory is the lowest since early 2005, which may well signal that home values are near the bottom.

- Quarterly employment in residential housing construction averaged 9,700 per month. However, this figure is just under half the number of workers employed in late 2004.
- This quarter and last quarter mark the first year-over-year increases in six years for employment in housing construction.
- About 18,750 homes were on the market in the Twin Cities on average this quarter.
- By December, the supply of homes on the market fell to 4.6 months—below the “balanced” level of five to six months. This is the lowest measure of months of supply in almost six years.

* Includes repeat counts of children when identified by more than one school district.

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