

10 Trends in Housing in 2020

October 2020



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This document is a chart book that highlights 10 housing issues and trends in Minnesota. It provides a lot of information, but readers can review it at various levels of detail. The charts are largely self explanatory so they can be reviewed quickly; however, for those who want to study them more closely, each chart includes explanatory notes and additional context in the text below the chart.

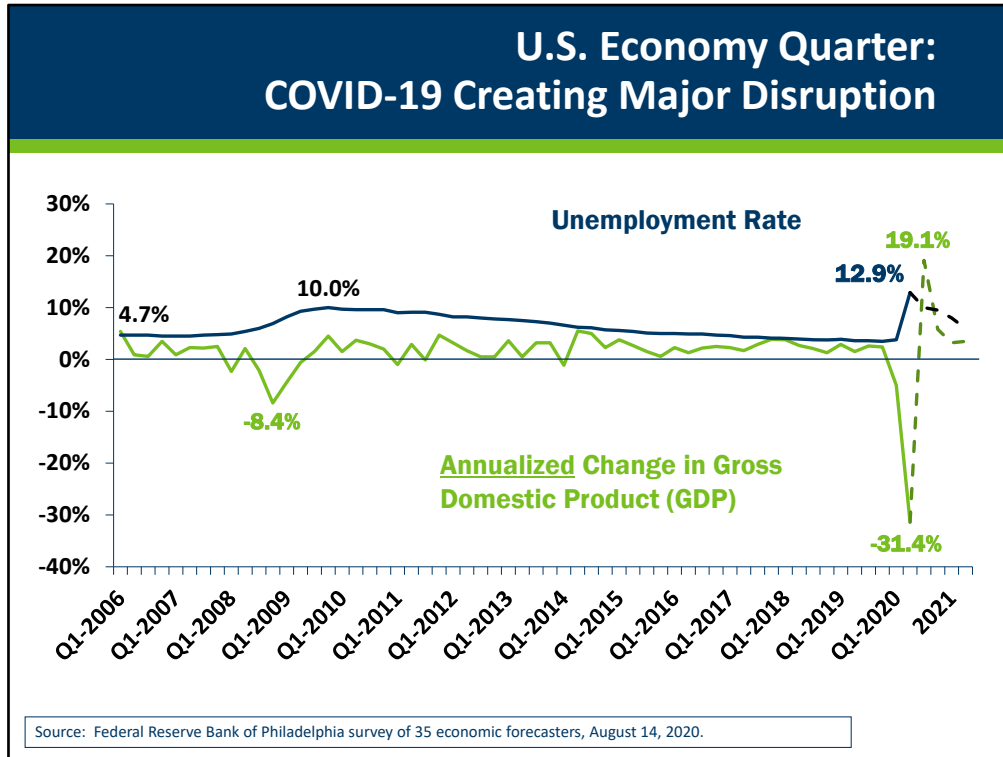
For readers who would like to use the chart book as a reference document and jump to a specific issue or trend, the list includes the page number on which each sections starts.

Disclaimer: the data contained herein are drawn from a variety of available sources, which are not independently verified by Minnesota Housing, and this document is not intended to represent the financial status or operations of Minnesota Housing.

1. COVID-19

COVID-19 has created uncertainty and increased housing instability.





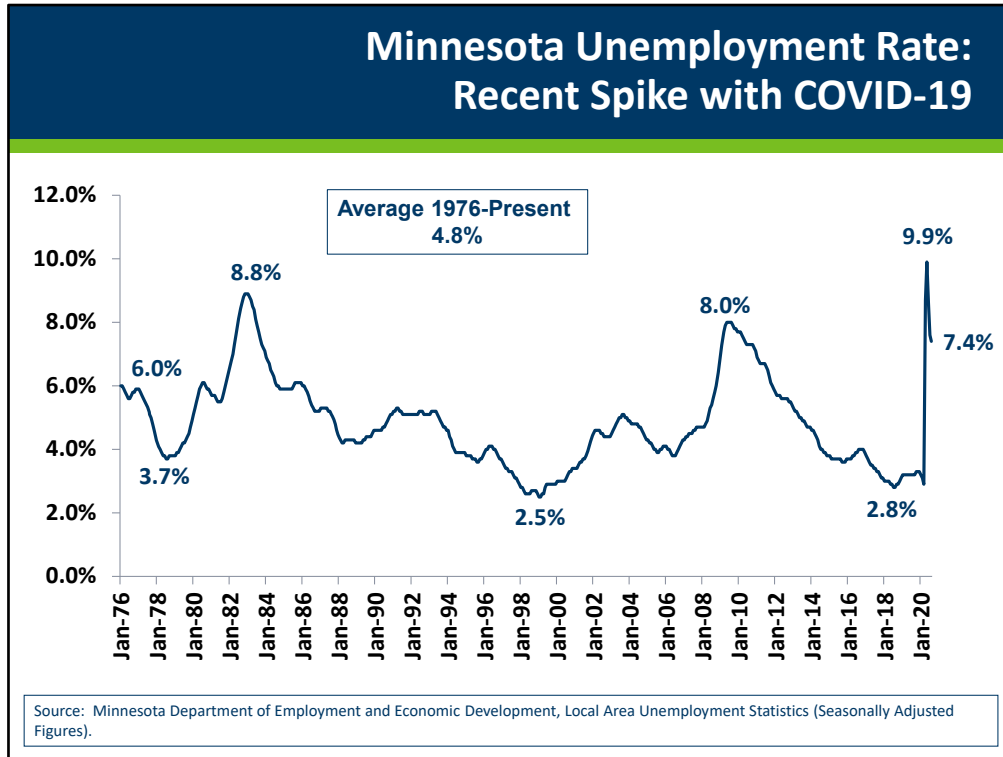
The economy plays a key role in the housing market, including household incomes, the demand for and supply of new housing, and the cost of existing housing. This graph shows the annualized growth rate of the U.S. economy (as measured by Gross Domestic Product or GDP) and the unemployment rate. The solid lines on the left side are actual rates through the 2nd quarter of 2020. The dashed lines on the right reflect a forecast based on a survey of 35 economic forecasters and carried out by the Federal Reserve Bank of Philadelphia.

Key Points:

- During the Great Recession, GDP bottomed out during the 4th quarter of 2008 with an annualized decline of 8.4%, which led to the unemployment rate reaching 10% in 2009. The recovery from the Great Recession was slow.
- The COVID-19 downturn resulted in an annualized decline of 31.4% in the second quarter of 2020. Economists are expecting a turnaround in the third quarter with an annualized increase of 19.1%. Putting all that together, forecasters expect a decline of 5.2% for the entire year. However, there are signs that the economic recovery is occurring slower than originally anticipated.
- In recent years, unemployment has been below 5.0%. With the current crisis, the national unemployment reached 12.9% in the second quarter of 2020 and has already started to decline, but economists expect it to stay above 5.0% through 2023.

Implications:

- High unemployment and the loss of income strain families and increase housing instability. They struggle to make their housing payments.
- High unemployment also leads to more families doubling up and young adults living with their parents, which will decrease the demand for housing and increase vacancy rates. A higher vacancy rate limits rent increases with fewer people competing for available units.



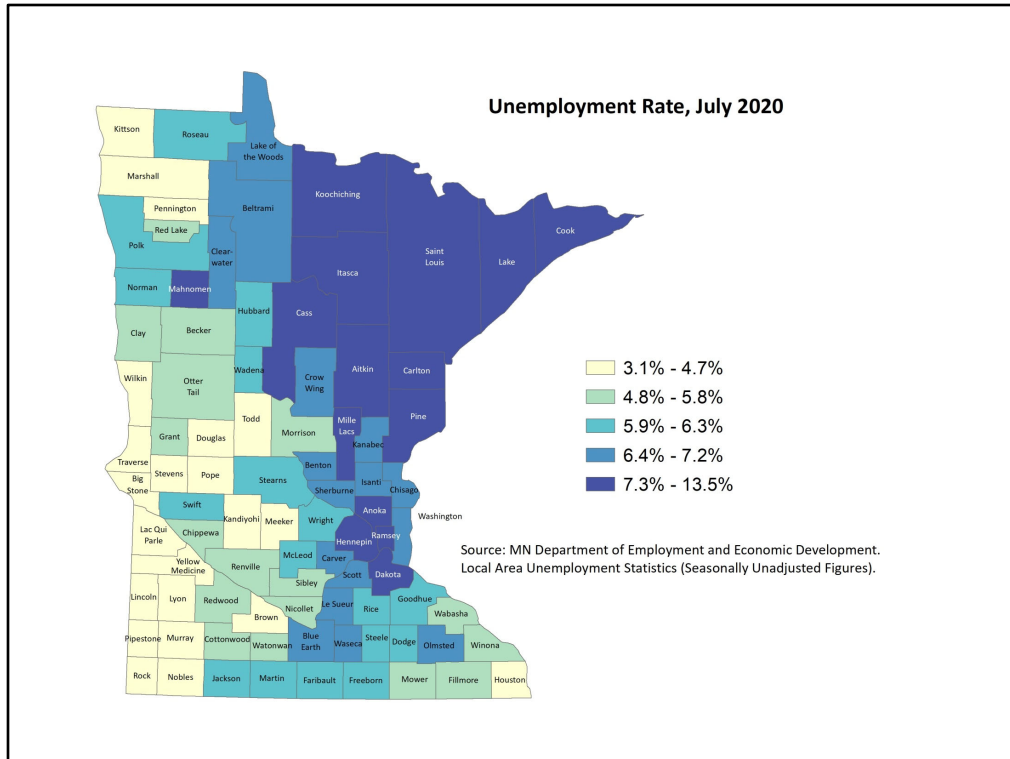
This graph shows the unemployment rate in Minnesota.

Key Points:

- With the recent spike in unemployment, the rate hit 9.9% in May, which is its highest level in the last 45 years, but it has improved some since then.
- The employment situation is a little better in Minnesota than nationally (7.4% versus 8.4% in August).

Implications:

- A key concern going forward is how long it take for the unemployment rate in Minnesota to reach and stay at a healthy level again – traditionally viewed as a rate below 5%. The unemployment rate has fallen in recent months, but the decline is slowing. It dropped from 7.7% in July to just 7.4% in August.



This map shows the unemployment rate in each county.

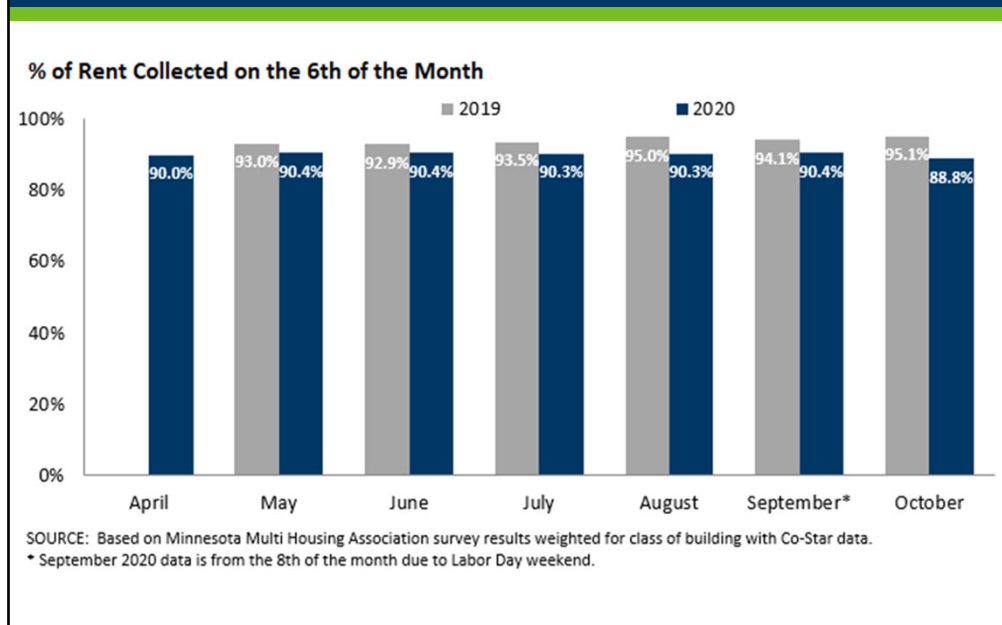
Key Points:

- The unemployment picture varies significantly around the state – ranging from 3.1% in Stevens County to 13.5% in Mahnomen County.
- Northeastern Minnesota, Mahnomen County, and parts of the metro area have been hit particularly hard.

Implications:

- Different parts of the state have different economic conditions and housing needs.

Rent Payment Rate in Minnesota: Unemployment Insurance Bonus Mitigated Disruption



With higher unemployment, more people will struggle to make their housing payments. This graph shows the share of rental payments made by the 6th of each month, when the payments are due on the 1st. It compares 2020 (blue bars) with 2019 (gray bars).

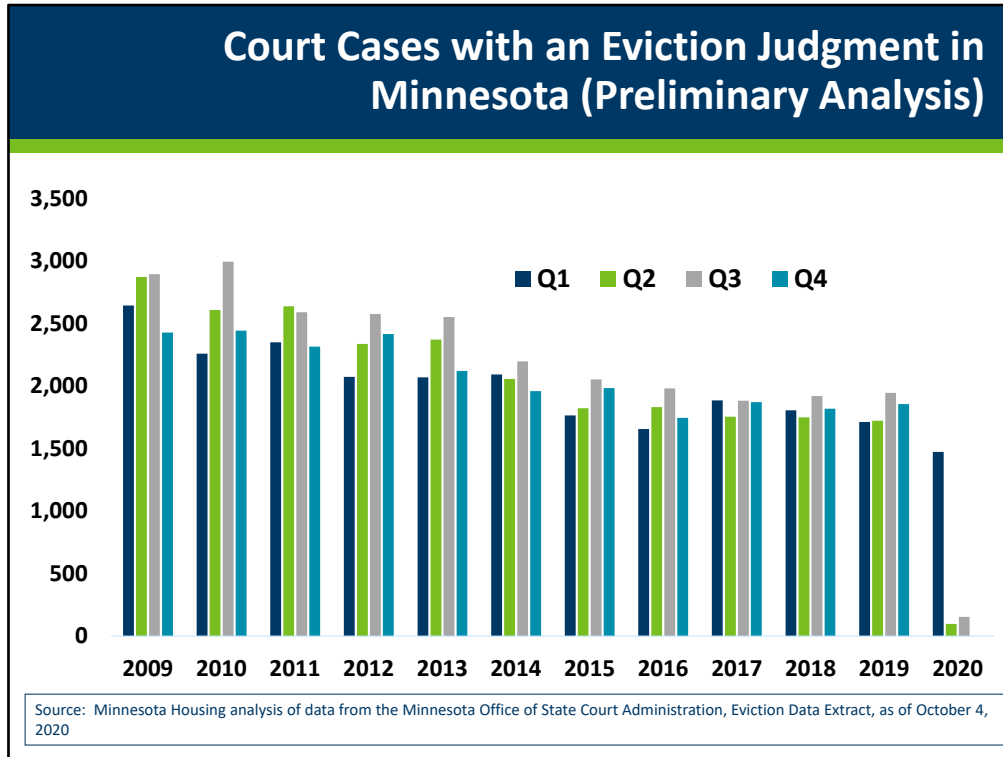
Key Points:

- Given the number of people who have lost their jobs because of COVID, the drop in the payment rate is smaller than some expected – 90% since COVID-19 hit versus 93% to 95% during the previous year.
- The federal stimulus checks and the \$600 and \$300 weekly bonuses to unemployment insurance payments mitigated the impact. With those payments ending, the rate dropped to 89% in October.
- On August 24, 2020, Minnesota Housing launched a \$100 million COVID-19 Housing Assistance Program, which will help cover rent payment shortfalls. The federal funds funding this program are only available in 2020.
- NOTE: This rental payment data comes from an ongoing survey of property managers/owners that are members of the Minnesota Multi Housing Association, which typically have larger properties. To determine if the rental payment rate is different for smaller rental properties, including single-family homes and duplexes, HousingLink surveyed 108 landlords of properties with 1 to 4 units in Minnesota and found that the payment rates (6 days after being due) for these smaller properties dropped from 91% in March to 79% in July, reflecting a larger impact.

Implications:

- Many households are struggling to make their rent payments, and ongoing assistance is uncertain.

Note: The Minnesota Multi Housing Association reported these results by property class – A, B, or C. Class A properties are luxury, while Class C are older properties with minimal amenities and outdated systems. To provide a single payment rate, we weighted the survey results by the share of the statewide market that each class represents.



This graph shows the number of cases with an eviction judgment in Minnesota by quarter since 2009.

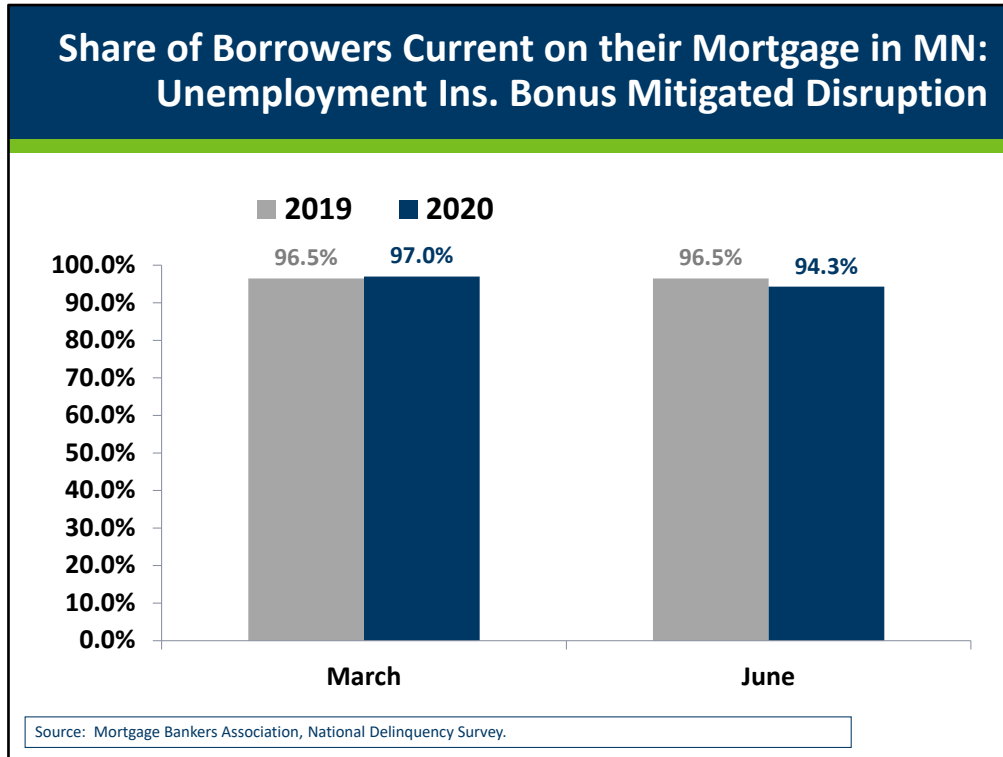
Key Points:

- During the Great Recession and the initial recovery, Minnesota had about 10,000 annual cases with an eviction judgement, which dropped to about 7,000 in 2016 through 2019.
- During the COVID-19 emergency, Minnesota has had a moratorium on evictions for non-payment of rent.
- During the 2nd and 3rd quarters of 2020, cases with an eviction judgement were 92% to 94% lower than the previous year.

Notes:

These eviction data are newly available to Minnesota Housing, and we are still learning the nuances of the data. The results are preliminary and subject to change. The data include any case with an eviction judgement. The data includes both residential and commercial evictions; however, the vast majority appear to be residential, based on the name of the defendant (the name of a person rather than a company).

It is difficult to summarize court proceedings in a series of data codes, because cases that look the same in the data can be very different and nuanced. Some cases have more than one judgment, and we counted any case with an eviction judgment (regardless if it was the first, second or third judgment) as an eviction. For example, we saw cases with an “eviction” judgment followed by a “settled” judgment, and others with a “settled” judgment followed by an “eviction” judgment. In the first scenario, the tenant was evicted (the first judgment), then the landlord needed to go back to court to get a writ of recovery to get the person out (the second judgment). In the second scenario, the eviction (second judgment) resulted from a breach of an initial settlement agreement (the first judgment).



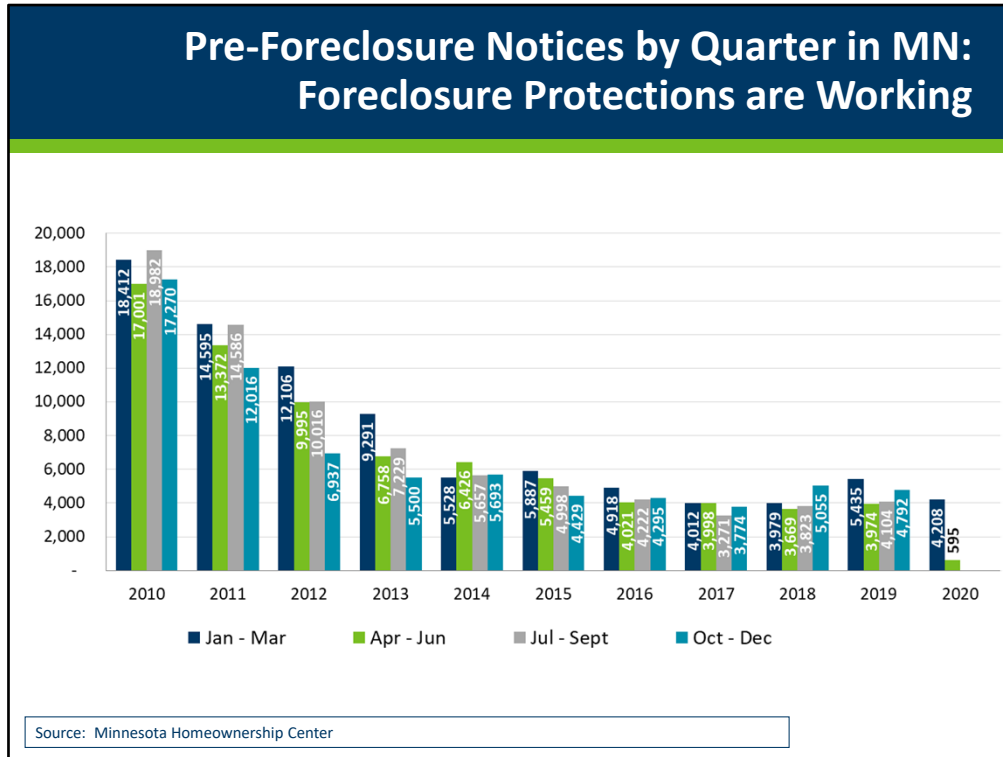
This graph shows the share of home mortgage payments in Minnesota that are made on time (within 30 days of being due).

Key Points

- Timely payments on the homeownership side dropped from 97.0% in March to 94.3% in June, increasing the number of borrower who are behind on their payments from about 20,000 to 40,000.

Implications:

- Just like the rental side, the federal stimulus checks and the weekly unemployment insurance bonuses mitigated the impact, helping some homeowners stay current on their payments.
- Homeowners who are unable to stay current on their payments for an extended period face foreclosure and losing their homes.
- To protect homeowners during the COVID-19 emergency, there has been a moratorium on foreclosures for federally-backed mortgages. While the legal requirement for the moratorium expired, the federal agencies and Government-Sponsored Enterprises (GSEs) backing these mortgages have extended the moratorium.



This graph shows the number of pre-foreclosure notices that were filed each year in Minnesota by quarter. The notices are filed when the foreclosure process starts. Most filings do not end up resulting in a full foreclosure and sheriff sale.

Key Points:

- In 2010, which was part of the foreclosure crisis arising from the Great Recession, 17,000 to 18,000 pre-foreclosure notices were filed each quarter.
- Prior to the economic distress created by COVID-19, Minnesota averaged about 4,000 pre-foreclosure filings each quarter. However, in the second quarter of 2020 (April through June) as economic distress increased, Minnesota only had 595 filings.

Implications:

- Foreclosure protections have been working, including:
 - The moratorium foreclosures on federally backed mortgages, and
 - Forbearance

Many people who have been unable to keep up with their mortgage payments have had their mortgages put into forbearance, which is a pause in principal and interest payments and provides time for borrowers to get back on their feet.

As Unemployment Ins. Bonus Ends, Minnesotans Lack Confidence in Making Housing Payments

- Based on an analysis of the Census Bureau's Pulse Survey from to September 16-28, adults in about 200,000 households reported they have no or only slight confidence in their ability to make their next housing payment.
 - About 75,000 homeowner households (5%)
 - About 110,000 renter households (18%)
- Minnesota has 2.2 million households
 - 1.6 million homeowner households
 - 0.6 million renter households

Source: Minnesota Housing analysis of Census Bureau's Pulse Survey

Many Minnesota households report having limited confidence in their capacity to make their next housing payment. This is particularly relevant as the unemployment insurance bonus ends and there is uncertainty about longer-term assistance.

Key Points:

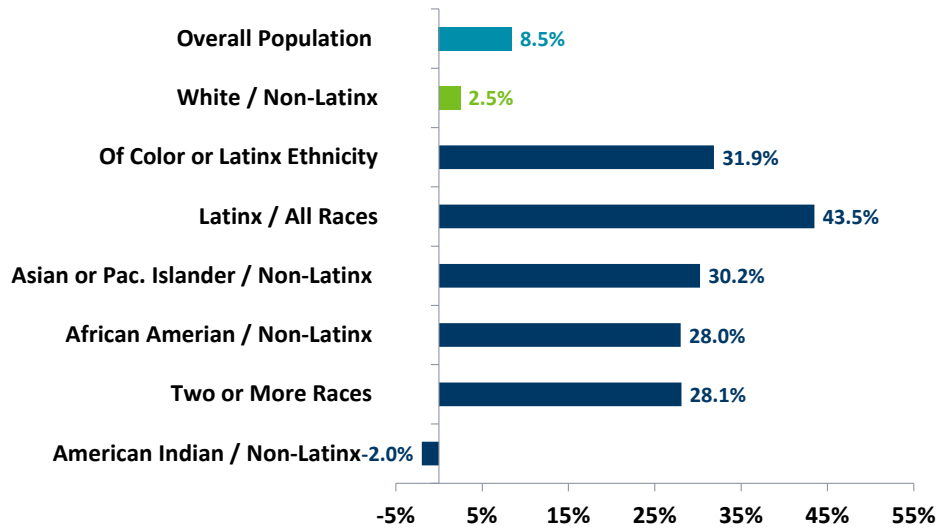
- The survey was taken in late September, when the funding for the \$300 unemployment insurance bonus was running out.
- The state's new COVID-19 Housing Assistance Program (making \$100 million available) was up and running for about a month at the time of the survey.
- The survey data indicates that at least a couple hundred thousand households are at-risk of being unable to make their housing payments, which is about 10% of all households in Minnesota.

2. Racial Disparities

Minnesota is becoming more diverse and we have unacceptable housing disparities.



Minnesota Population Growth 2020-2035: Becoming More Racially Diverse



Source: Minnesota State Demographic Center, *Minnesota Population Projections by Race and Hispanic Origin, 2005 to 2035* (January 2009).

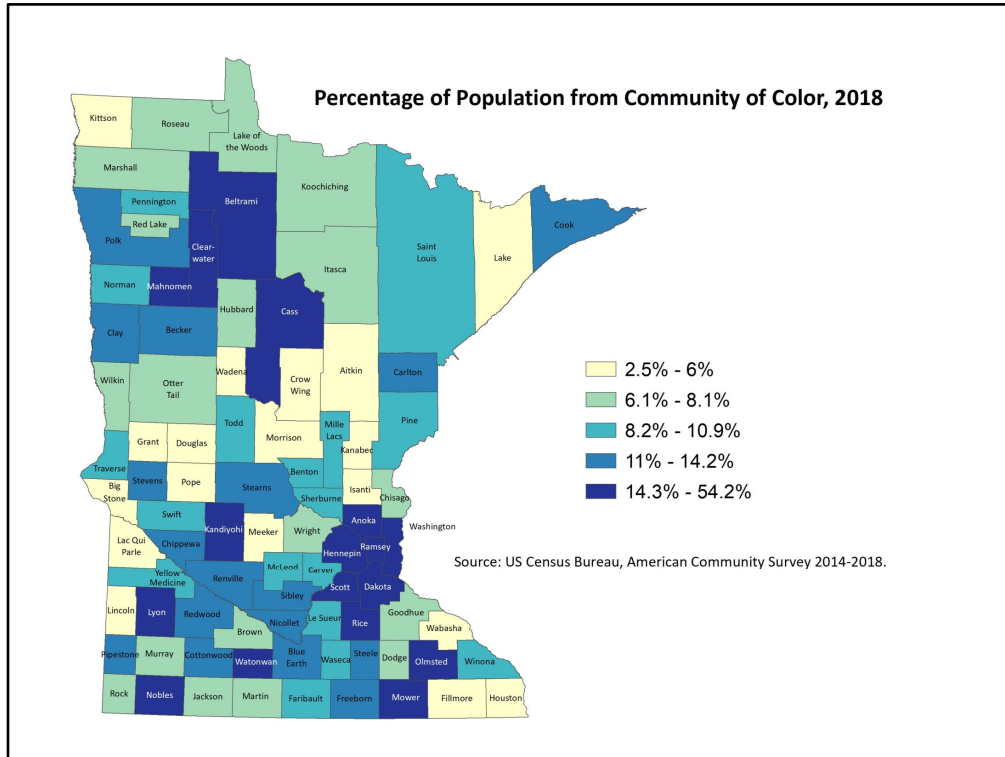
Minnesota is currently 79% white/non-Latinx, but the population is becoming more diverse.

Key Points:

- Minnesota's overall population is forecasted to grow by 8.5% by the year 2035.
- While the white/non-Latinx population will grow by just 2.5%, the population that is Black, Indigenous and People of Color (BIPOC) is expected to grow by 31.9%.

Implications:

- Minnesota is becoming more racially and ethnically diverse.



As shown in the map, the population that is Black, Indigenous and People of Color (BIPOC) is concentrated in certain parts of the state.

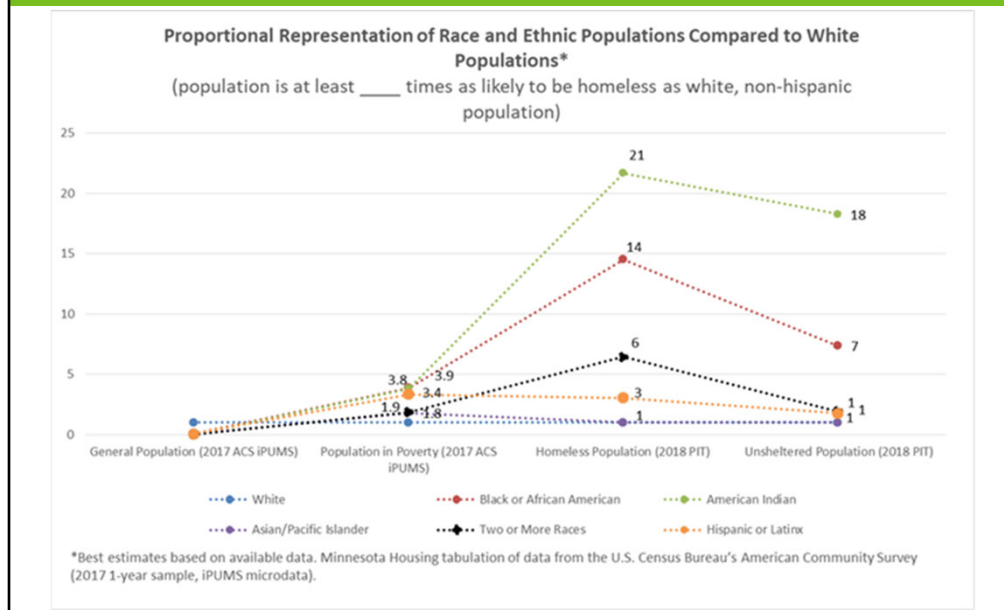
Key Points:

- The percentage in each county varies from 2% to 54% of the population.

Implications:

- The housing needs of the BIPOC community play a critical role in some counties and will play an increasing role across the state.

Disparities in Housing and Economic Instability – A Critical Issue that Needs to be Addressed



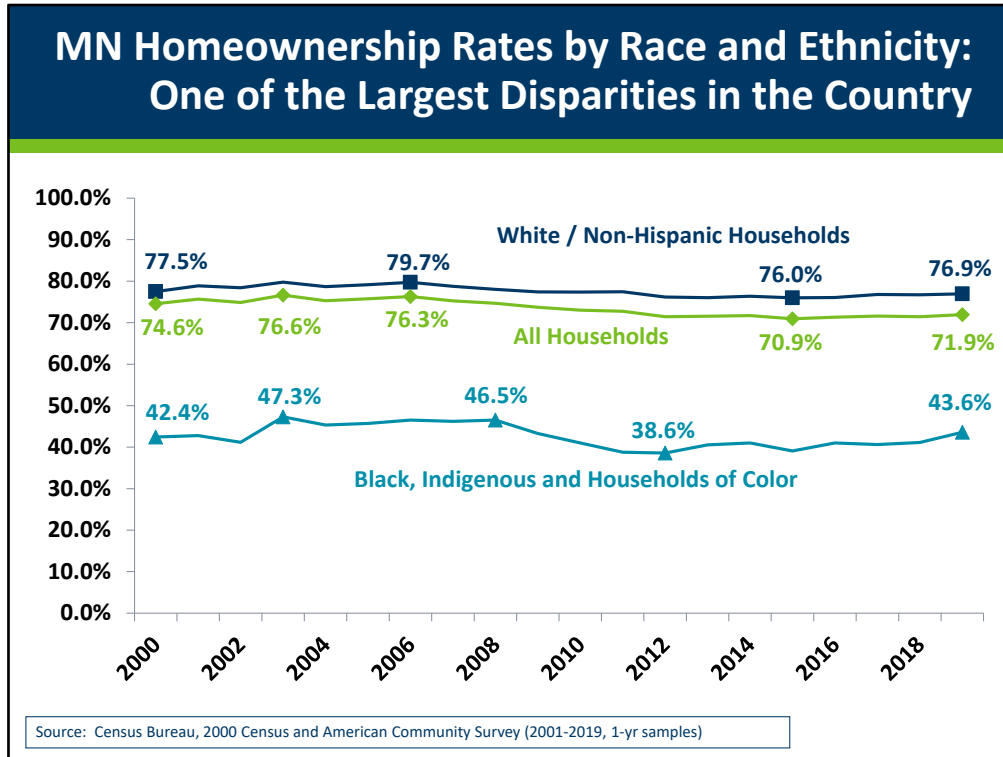
This graph shows how likely a Black, Indigenous and Person of Color is to be in poverty or experience homelessness relative to the white/non-Latinx population.

Key Points:

- American Indians are 3.8 times more likely to be in poverty than someone who is white/non-Latinx and 21 times more likely to experience homelessness.
- Black/African-Americans are 3.9 times more likely to be in poverty and 14 times more likely to experience homelessness.

Implications

- These stark disparities are unacceptable.



This graph compares the homeownership rates of households who are Black, Indigenous and People of Color (BIPOC) with white/non-Latinx households.

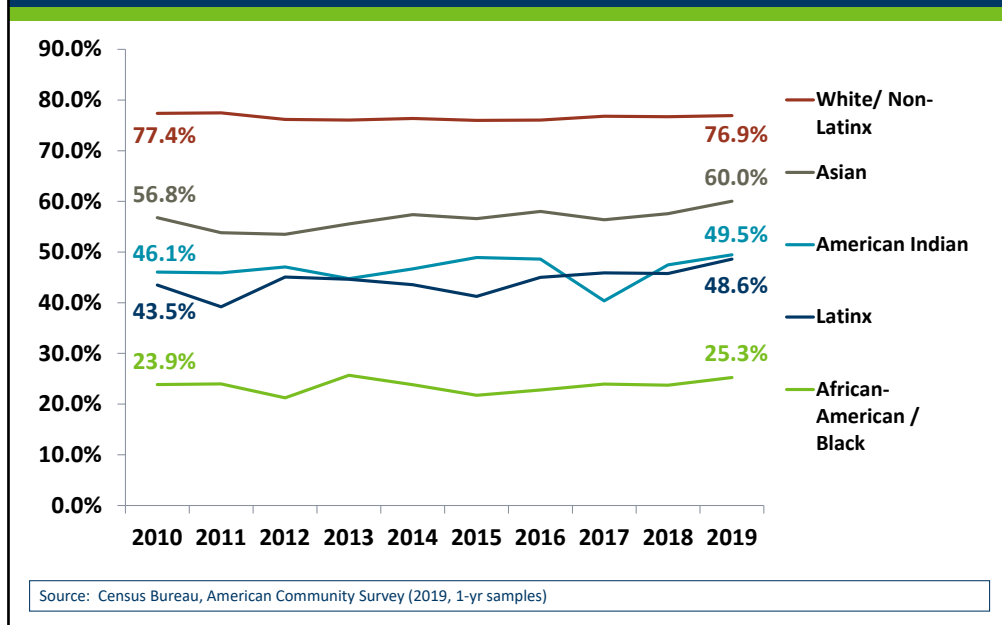
Key Points:

- While Minnesota has the 3rd highest homeownership rate in the country, our state’s 33.3 percentage point disparity in homeownership rates between white/non-Latinx households and BIPOC households is the 4th largest in the country.
- The disparity has not changed much in the last 18 years. It has declined very modestly since 2011, from 38.7 percentage points to 33.3%.

Implications:

- Successful homeownership provides one of the highest levels of housing stability. If we are to achieve housing stability for all Minnesotans, tackling the homeownership disparity needs to be a priority.
- In 2019, 34% of Minnesota Housing’s mortgages for first-time homebuyers went to BIPOC households, while in 2018, only 16% of all home-purchase mortgages in the overall mortgage market in Minnesota went to BIPOC households.
- We estimate that 34% of renter households who are potentially income-ready to buy a home and between the ages of 25 and 44 (the primary first-time homebuyer ages) are BIPOC.
- Minnesota Housing is a relatively small player in the overall mortgage market, accounting for about 6% of the mortgages in Minnesota for owner-occupied home purchase.
- Minnesota Housing needs to better serve BIPOC homebuyers and owners.
- Minnesota Housing needs to lead and support the overall mortgage industry in increasing the industry’s lending to BIPOC households.

Minnesota Homeownership Rates by Race: Disparity for Black Households is Very Troubling



This graph shows homeownership rates for individual racial and ethnic groups.

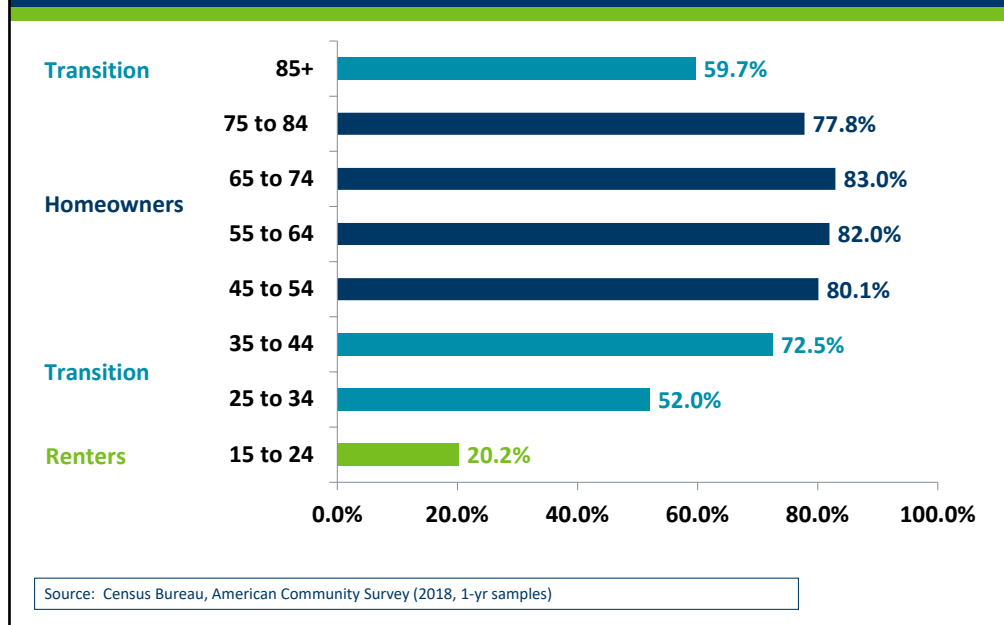
Key Points:

- There are also large homeownership disparities within the BIPOC communities in Minnesota.
- While the Asian community has a homeownership rate of 60.0%, the African-American/Black community has a 25.3% rate (keeping in mind that the homeownership rates among Asian Americans is not uniform, for example, varying between people of Indian and of Hmong descent).
- Minnesota's 51.6 percentage point disparity between white/non-Latinx and African-American/Black households is the fourth worst in the country.

Implications:

- Programs that address homeownership disparities need to recognize racial and ethnic differences within BIPOC communities.

Minnesota Homeownership Rates by Age (2019): 25 -to 44-Year-Olds Transition to Homeownership

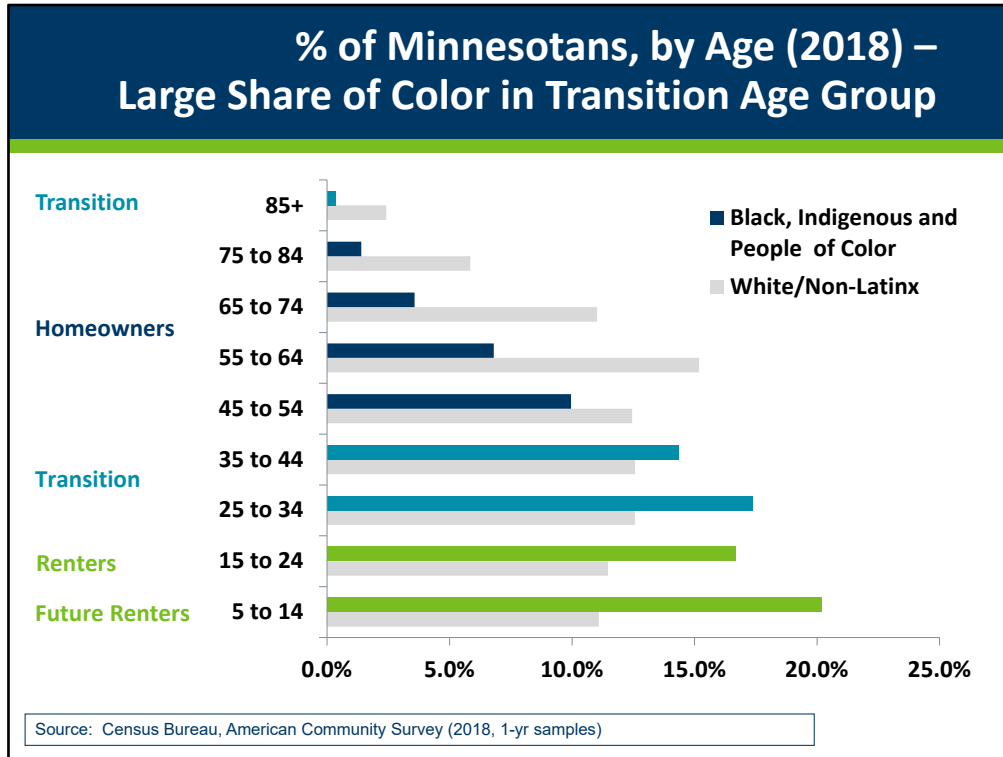


Part of the homeownership disparity can be explained by the age of the population. A person's stage in life (often reflected by his or her age) plays a key role in homeownership.

This graph shows the homeownership rate by age.

Key Points:

- Young single people who are in the less-stable and early stages of their careers and lives typically rent for affordability and flexibility reasons. (See ages 15-24 in this graph.)
- As families form and careers are established, households look for stability and typically transition to homeownership. (See ages 25 to 44 in this graph.) The transition primarily occurs for 25- to 34-year-olds, when the homeownership rate jumps from 20.2% to 52.0%. A smaller transition occurs for 35- to 44-year-olds, with the rate increasing to 72.5%.
- From ages 45 to 84, the vast majority of Minnesota households are in the homeownership stage of life.
- After households go through the initial phase of retirement, age, and start to face the struggles of independent living, they start to transition back to renting. In the data, this is evident after age 74 and particularly notable after 84.



This graph shows the share of Minnesotans by age and phase of life as it relates to housing, with separate bars for: (1) Black, Indigenous and People of Color (BIPOC), and (2) the white/non-Latinx population.

Key Points:

- The youngest age groups for the BIPOC community are the largest.
- A large share of the BIPOC population is in the initial transition phase (becoming homeowners).
- The largest share of the white/non-Latinx population is in the homeowner phase of life, with a particularly large portion between the ages of 55 and 64.

Implications:

- The age distribution partially explains the homeownership disparity, with a larger share of the white/non-Latinx population already in the homeowner phase than the BIPOC population.
- With such a large share of the BIPOC population in the renter and transition (first-time homebuyer and future buyers) phases, mortgage lending needs to focus on this population for both equity and business reasons.

Income-Ready Renters Between Ages 25 and 44: 34% Are Households of Color

- Minnesota has 179,000 renter households between the ages of 25 and 44 who are potentially income-ready to buy a home
 - Greater than \$35,000 in Greater Minnesota
 - Greater than \$40,000 in Twin Cities Metro
- 61,000 (34%) are households with Black, Indigenous and People of Color

Source: Minnesota Housing Analysis of Census Bureau, *American Community Survey*, 2018 (IPUMS microdata, 5-year sample)

To better understand the first-time homebuyer market, we assessed renter households who are potentially income-ready to buy a home and between the ages of 25 and 44. We chose \$35,000 in Greater Minnesota and \$40,000 in the Twin Cities metro area as the minimum annual income to be potentially income-ready to buy. Those incomes are quite low to buy a home, but Minnesota Housing has seen successful ownership with the right supports and mortgage products, including our Homeownership Capacity program and lending through Habitat for Humanity.

Key Points:

- Minnesota has 179,000 renter households between the ages of 25 and 44 who are potentially income-ready to buy a home.
- 61,000 (34%) of those households are Black, Indigenous and People of Color (BIPOC).
- This identification of households who are potentially income-ready to buy a home does not include other factors that determine if a household qualifies for a mortgage, including credit scores and other debt.

Implications:

- Minnesota Housing and the overall mortgage industry needs to find ways to reach the households that are ready and want to buy to make sure they have the supports and resources to achieve successful homeownership.

Race and Ethnicity of the 61,000 Households of Color Who Are Potential Homebuyers

	7-County Metro	Greater MN	Statewide
African American / Black	38%	29%	36%
American Indian	1%	10%	3%
Asian	28%	19%	26%
Hispanic or Latino	22%	29%	23%
Other Race	1%	3%	2%
Two or More Races	10%	10%	10%
Total	100%	100%	100%

Source: Minnesota Housing Analysis of Census Bureau, *American Community Survey*, 2018 (IPUMS microdata, 5-year sample)

This table shows the racial and ethnic break out of the 61,000 BIPOC households who are between the ages of 24 and 44 and potentially income-ready to buy a home.

Key Points:

- African American/Black households account for the highest percentage.

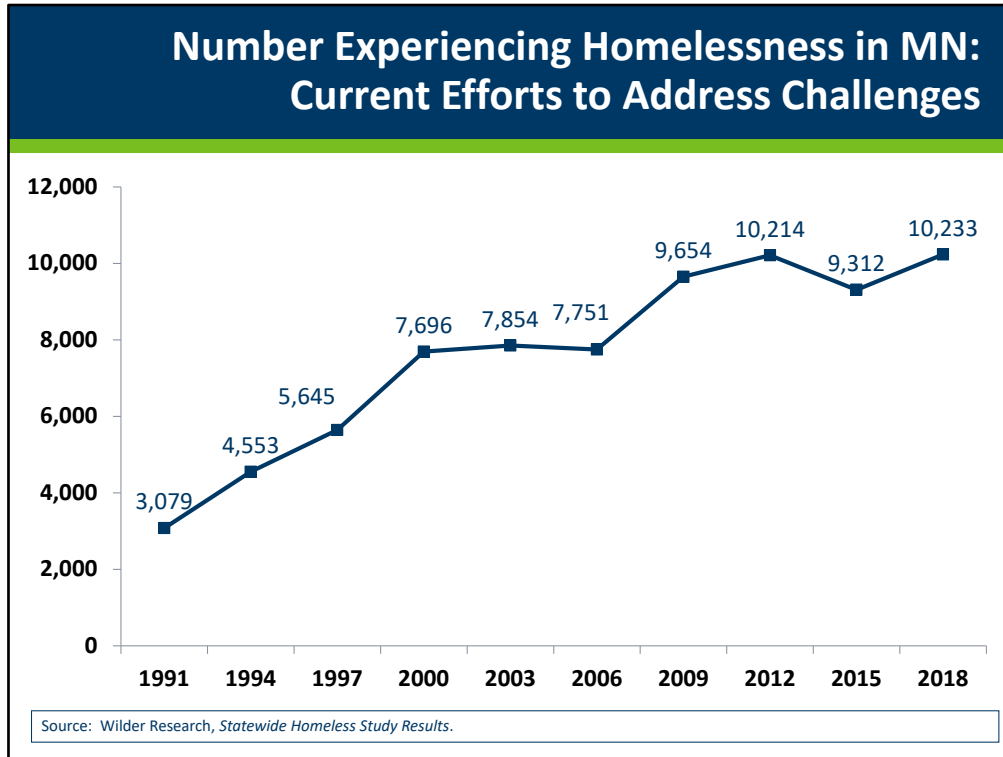
Implications:

- Given the low homeownership rate for African American/black households, it is not surprising that this population makes up the largest share.
- The Homeownership Opportunity Alliance, an industry-wide collaboration to increase homeownership for households of color, has focused on African-American/Black households.

3. Housing Instability

Many Minnesotans struggle with housing instability, most notably people experiencing homelessness.





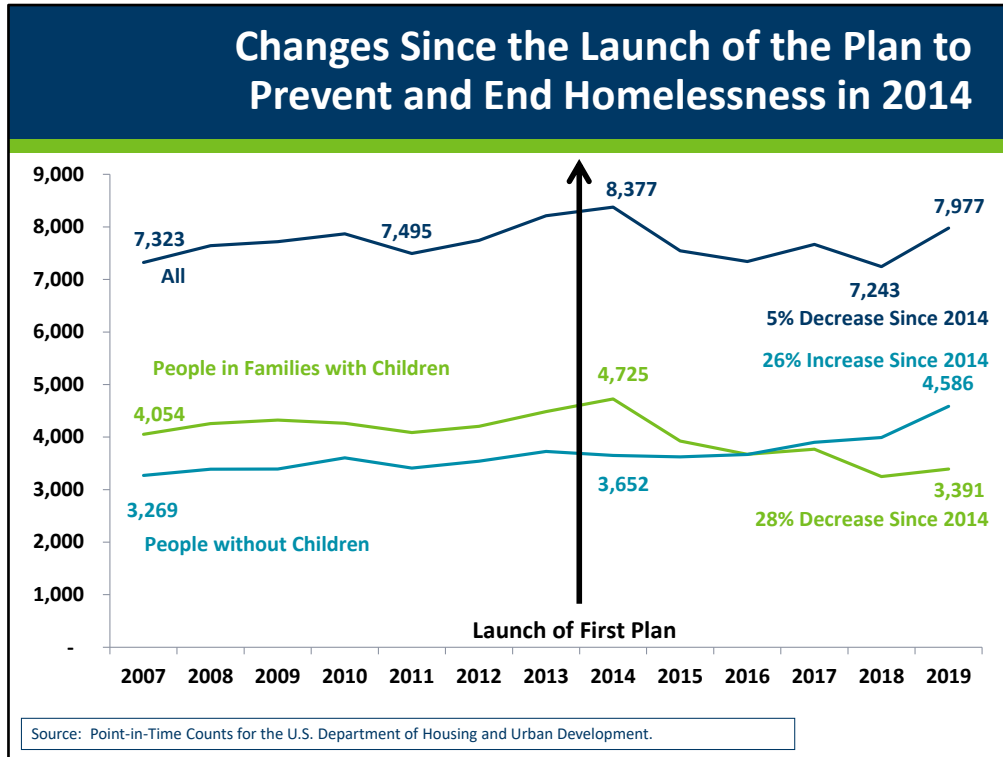
Homelessness is the most extreme form of housing instability and a chronic problem in Minnesota. This graph presents data from Wilder Research’s triennial survey and shows the number of people experiencing homelessness on one night in October.

Key Points:

- After increasing for years, the number leveled off in 2003 and 2006.
- The number increased again in 2009 with the Great Recession.
- The number had its first significant decline in 2015 but increased again in 2018.

Implications:

- Homelessness is a large problem that requires a coordinated and sophisticated strategies to address. To that end, Minnesota has an Interagency Council on Homelessness that brings together the resources of 11 state agencies and the Metropolitan Council, with the goal of aligning, coordinating and leveraging housing, social services and other supports. The Interagency Council launched its initial Plan to Prevent and End Homelessness in December 2013, with two updates since then. The most recent update expanded the statewide effort to be multisector and include philanthropy and local communities, in addition to the state agencies.

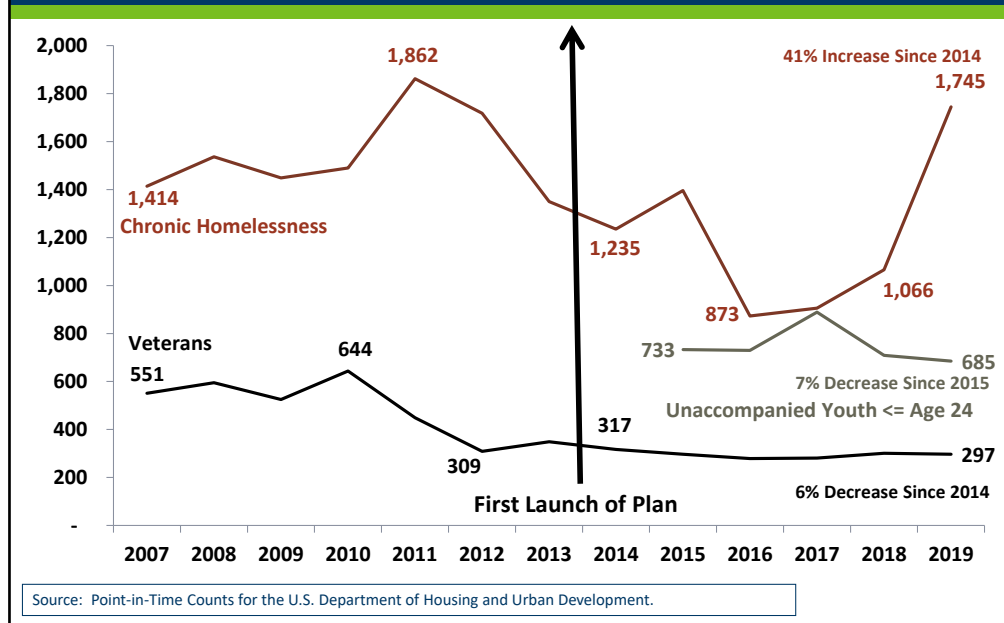


The following three graphs shows trends in the number of people experiencing homelessness by sub-populations, before and after launching the Plan to Prevent and End Homelessness. These numbers come from HUD’s Point-in-Time count, which is a different source and provides slightly lower numbers than the Wilder Research estimates in the previous graph. These numbers have the advantage of being updated annually. While the overall numbers from the two sources differ, the trends they show are consistent, which is the primary point of these graphs.

Key Points:

- All: The overall number of people experiencing homelessness has declined by 5% since the first plan was launched. Before the 2019 increase, it had declined by 14%.
- Families: Because people in families with children originally accounted for over half the homeless population, this trend line has been a primary driver of the overall trend. Since the launch of the Plan, family homelessness has dropped by 28% without a significant rebound in that period. These families have been a focus of efforts to reduce homelessness.
- Adults without children: The decline in family homelessness is partially offset by an increase in the number of adults without children experiencing homelessness, which has increased by 26% since 2014.

Changes Since the Launch of Plan to Prevent and End Homelessness in 2014 (continued)

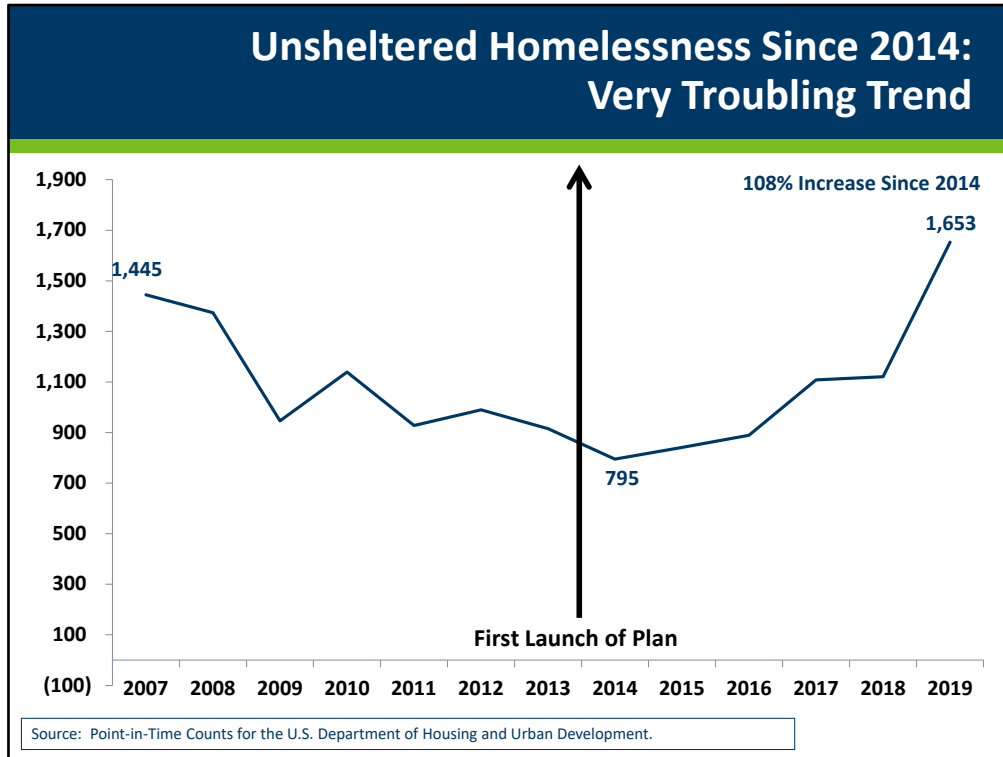


This graph is a continuation of the previous one and shows trends for additional groups.

The subpopulations shown in these graphs are not mutually exclusive. The same person could show up in the trend line for the overall population, people without children, chronic, veteran and unsheltered.

Key Points:

- **Chronic:** The number of people experiencing chronic homelessness has fluctuated over the last several years and is now 41% higher than it was in 2014.
- **Youth:** The number has not decreased significantly. This population can be particularly challenging to serve.
- **Veterans:** The number of veterans experiencing homelessness declined slightly since 2014, but it has declined by 54% since 2010.



This graph is the final one in the homelessness series and just focuses on the trend for people experiencing unsheltered homelessness – people living outside.

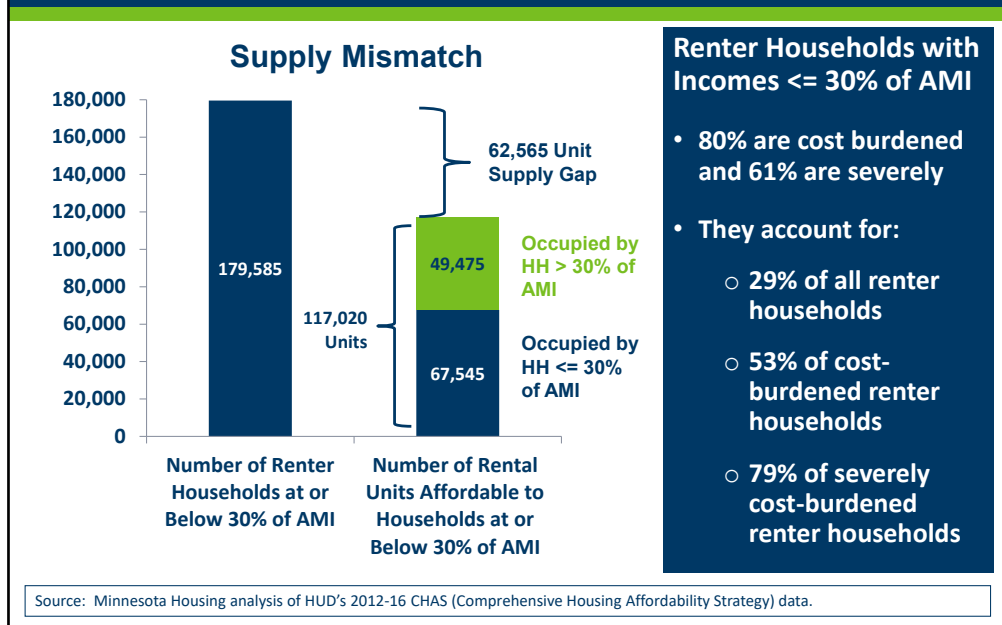
Key Points:

- Unsheltered homelessness has increased 108% since 2014.

Implications:

- In response to the troubling trend in unsheltered homelessness, we are working with community experts and partners to create a system-wide response, but COVID-19 has made the response more challenging.
- The state Plan to Prevent and End Homelessness addresses all types of homelessness, with the goal of bending all the trend lines downward significantly, so that homelessness is rare, brief and one time. While progress has been made, we have experienced recent setbacks as the housing market has become even more challenging, including a severe shortage of housing that is affordable for the lowest-income households and the inability to successfully use rental vouchers.

Severe Shortage of Housing in MN that is Affordable to Households with Incomes $\leq 30\%$ of AMI



The severe shortage of housing that is affordable to extremely-low income households is the primary driver of housing instability. This chart shows the shortage of rental housing that is affordable to households with an income that is at or below 30% of the area median income (AMI), assuming people spend no more than 30% of their gross income on housing. For context, 30% of AMI for a family of three in Minnesota ranges from \$19,650 to \$27,900, depending on the county.

Key Points:

- While there are nearly 180,000 renter households in Minnesota with incomes at or below 30% of AMI, the state only has 117,000 rental units that are affordable at that income level.
- Of those 117,000 units, only 68,000 are occupied by households with income at or below 30% of AMI; the remaining 49,000 are occupied by higher income households.
- Even some of the 68,000 households with incomes at or below 30% of AMI who pay rents that are affordable at or below 30% of AMI are cost burdened by their housing (spending more than 30% of their income on it). This can occur if a household has an income at 15% of AMI, but its rent is affordable at 25% of AMI.
- Overall, 80% of renter households with incomes at or below 30% of AMI are cost burdened, and 61% are severely cost burdened (with more than 50% of their gross income going to housing).

Implications:

- Because the development of new rental housing is expensive, providing additional affordable housing to extremely-low-income households will require subsidies and assistance. The state can meet the need by building more new affordable rental housing and/or providing additional rent assistance to make existing housing affordable.

Cost-Burdened Homeowners and Renters: Context and Scope

	Moderately (31% to 50% of Income)	Severely (More than 50% of Income)	All Cost- Burdened Households
All Households	323,00	234,000	557,000
Homeowners	179,000	105,000	284,000
Renters	143,000	130,000	273,000
Extremely Low Income (<=30% of AMI)	54,000	157,000	211,000
Homeowners	21,000	53,000	74,000
Renters	33,000	104,000	137,000

Source: Minnesota Housing analysis of the U.S. Census Bureau's American Community Survey (2018 ,1-yr sample), and HUD's CHAS data (2012-2016)

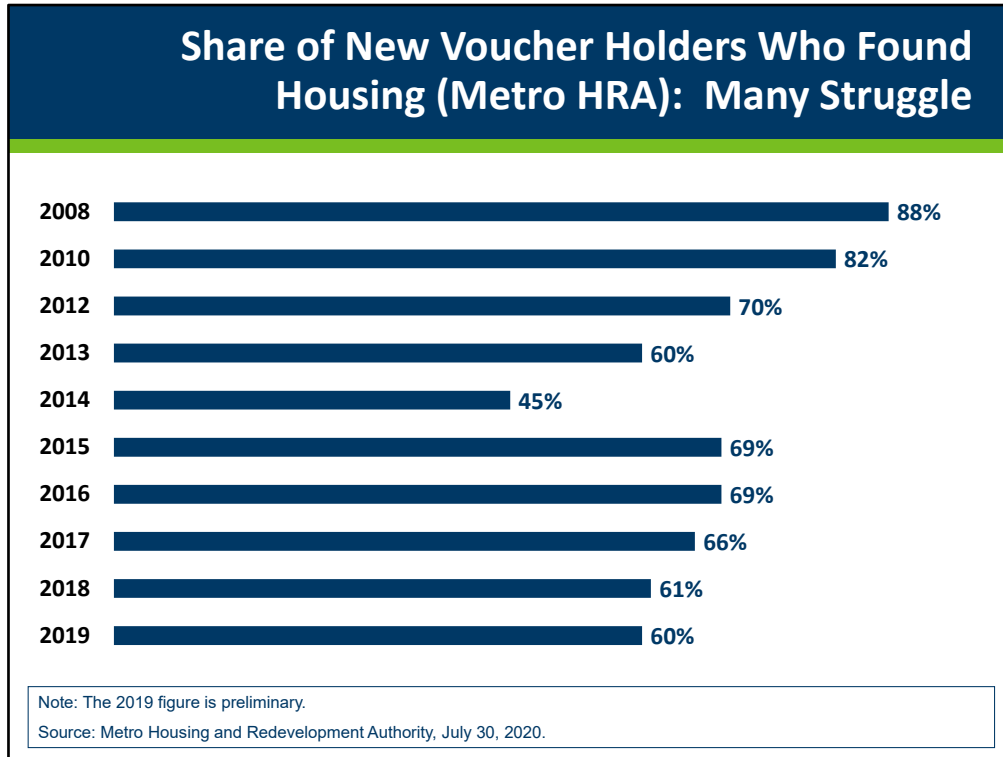
This table shows the number of households in Minnesota that are cost burdened by housing, spending more than 30% of their income on it.

Key Points:

- In total, Minnesota has 557,000 cost-burdened households, pretty evenly split between homeowners and renters (284,000 and 273,000 households respectively), keeping in mind that across all households in Minnesota, 71.5% are homeowners.
- Minnesota has 157,000 extremely-low-income households who are severely cost burdened by their housing, and two-thirds of them are renters (104,000 versus 53,000).

Implications:

- The 157,000 extremely-low income households in Minnesota who are severely cost burdened are a job loss or an unexpected bill away from homelessness. It is unlikely that they would have savings to withstand even a modest financial setback.



The tight housing market makes housing instability worse. Rental assistance vouchers should be an effective way to support housing affordability and stability. They allow the holders to pay no more than 30 percent of their income for rent, with the sponsor of the voucher (typically HUD or the state of Minnesota) paying the rest of the market-rate rent. However, in the current housing market, it can be very challenging to use the vouchers. With the low rental vacancy rates, voucher holders compete with all the other renters looking for the few available units, and some landlords may choose not to rent to voucher holders.

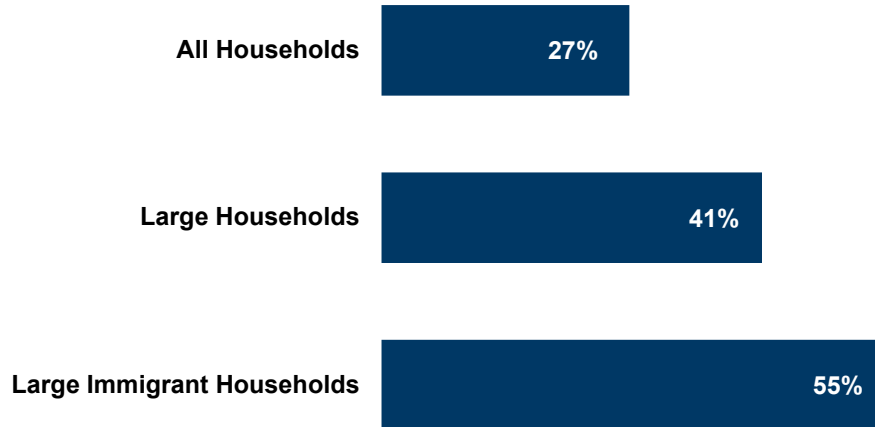
Key Points:

- In 2019, only 60 percent of new holders of a Housing Choice Voucher from Metro HRA were able to successfully find housing with the voucher. Forty percent were unsuccessful.
- The success rate improved some in 2015, when Metro HRA updated the waiting list for receiving a voucher. The previous list was eight years old. Metro HRA has also increased the search time from 120 to 180 days, allowing families additional time to find a home to use the voucher. However, the success rate is declining again.

Implications:

- This data shows that even households with significant support struggle to achieve housing stability in the current housing market.

% of Households in MN who are Overcrowded or Cost Burdened: Large Families Struggle



Source: Minnesota Housing analysis of American Community Survey (2018) data.

Large households and immigrants struggle with housing instability.

In this graph, large households have 6 or more people, and households are classified as immigrant if the head of household or spouse/partner were born outside the United States.

Key Points:

- While 27 percent of all households are cost burdened and/or live in overcrowded housing, 41% of all large households and 55% of large immigrant households are.
- NOTE: Of all the households that are cost burdened or overcrowded, nearly all are cost burdened. Only a very small share are overcrowded but not cost burdened.

Implications:

- Finding affordable housing with at least three or four bedrooms is very challenging.

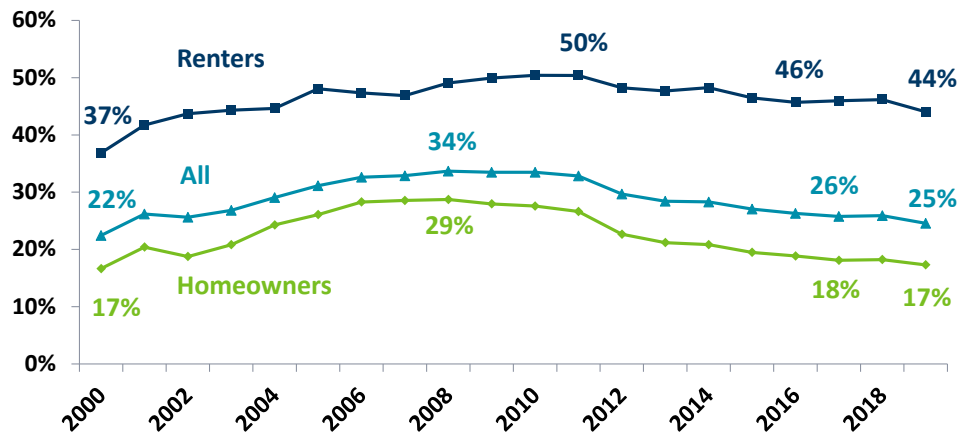
4. Housing Shortage

Stagnant incomes and rising housing costs have created a severe shortage of housing that is affordable.



Percentage of Households Spending 30% or More of Income on Housing in Minnesota

Number of Cost-Burdened Households Increased 53% from 350,000 in 2000 to 536,000 in 2018



Source: Census Bureau, 2000 Decennial Census and American Community Survey (2001-2019, 1-yr samples)

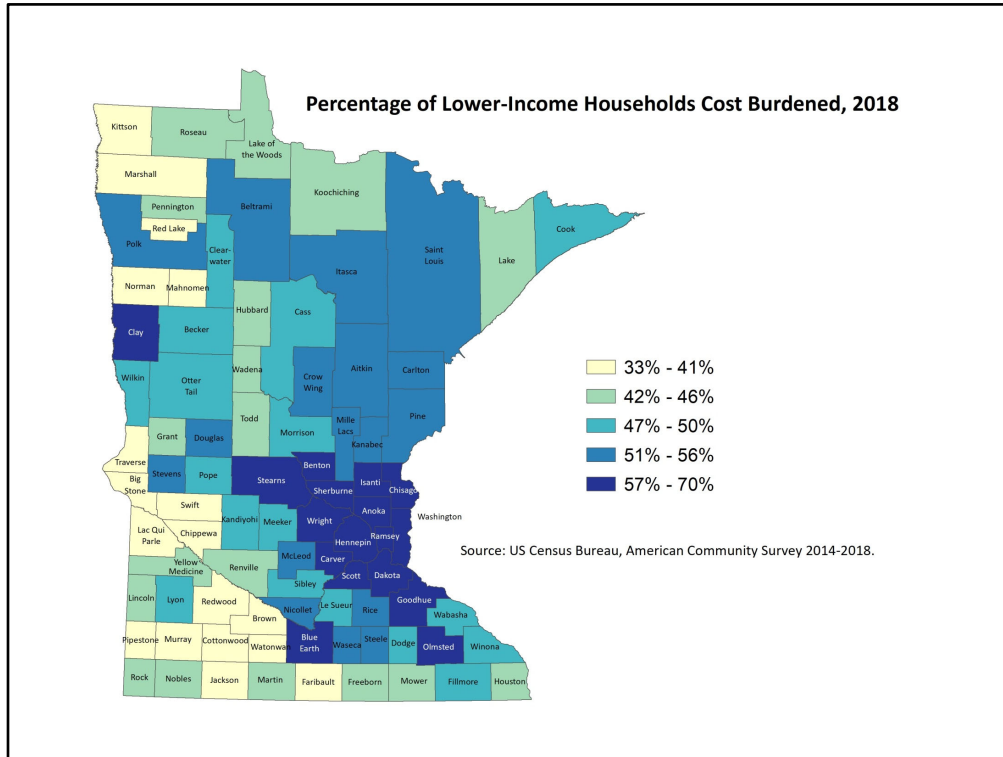
This graph shows the percentage of Minnesota households that were cost burdened over the last 19 years, spending more than 30% of their income on housing.

Key Points:

- The number of cost burdened households increased 53%, from 350,000 in 2000 to over 536,000 in 2019, reflecting a shortage of housing that is affordable.
- The share of all households that are cost burdened (reflected in the middle, light-blue line) increased from 22% to 25%.
- The share of renters (top dark blue line) increased from 37% to 44%.
- The share of homeowners (bottom green line) started and then returned to 17%.
- After 2011, there was a noticeable improvement. As the following pages will show:
 - Inflation-adjusted incomes rose from 2011 through 2019.
 - With respect to homeownership, lower home prices and interest rates after the 2008-2011 housing collapse helped alleviate the situation significantly, and low interest rates continue today. New homeowners benefited from lower home prices and interest rates, and existing homeowners have been able to refinance and take advantage of lower interest rates, making their housing payments more affordable.

Implications:

- Since 2000, the need for more affordable housing has increased overall as the share of cost-burdened households has increased over the long-run.
- The cost-burden situation is more severe for renters.
- As we assess the housing landscape going forward, a couple of key challenges are emerging: (1) the current economic downturn and loss of jobs will likely reduce household incomes, particularly for people with lower-incomes; and (2) without increases in income, any increases in housing costs will make housing less affordable, increasing housing instability.



This map shows by county the percentage of lower-income households (annual income less than \$50,000) that are cost burdened, spending more than 30% of gross income on housing.

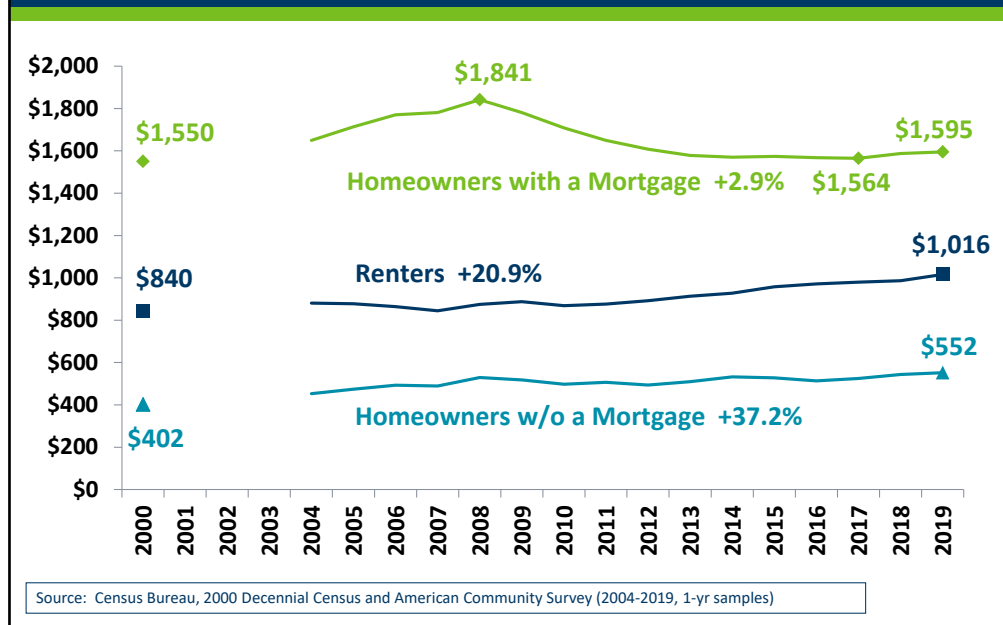
Key Points:

- The percentage varies from 33% to 70%.
- The highest percentages are in the metro areas around the largest cities (Minneapolis, St. Paul, Rochester, Mankato, St. Cloud and Moorhead), and the lowest percentages are in the western part of the state.
- Even in the county with the lowest percentage, one-third of lower-income households has unaffordable housing costs.

Implications:

- While the need for more affordable housing is substantial across the entire state, the level varies.

Median Monthly Housing Costs in Minnesota (Inflation Adjusted - 2019\$): Varied Over Time



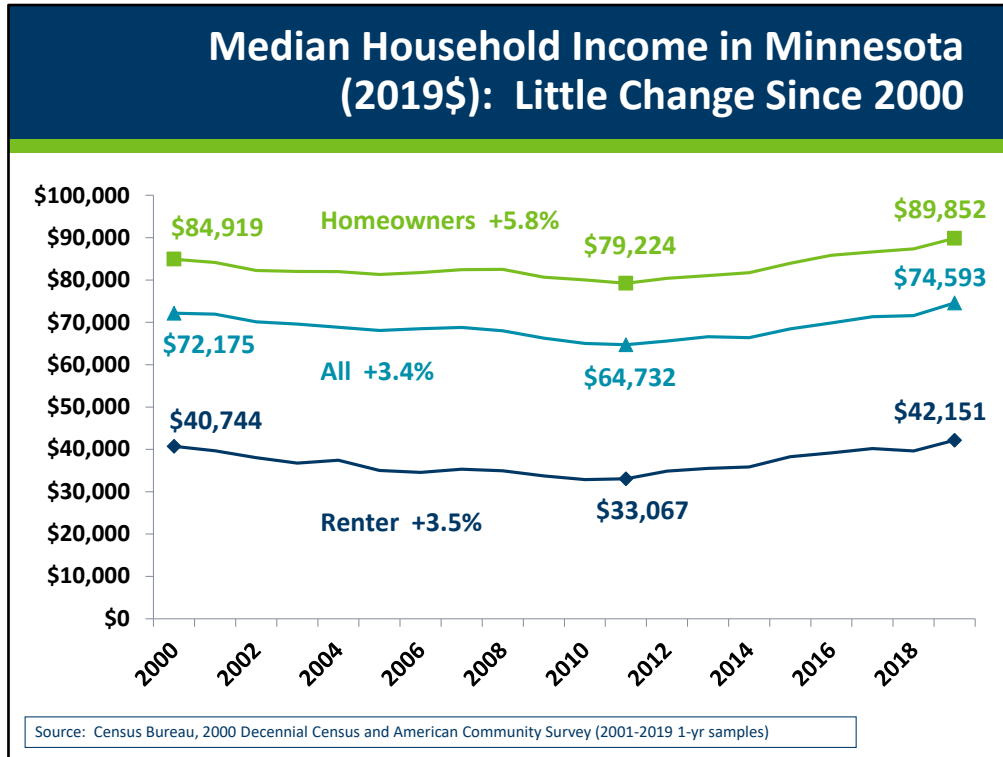
Cost burden is a function of housing costs in relation to income. To understand trends in cost burden, we need to understand the trends in each component. This graph shows the median monthly housing costs for renters and homeowners, adjusted for inflation.

Key Points:

- Renters' costs have increased by 21% since 2000, after controlling for inflation.
- Costs for homeowners with a mortgage increased by only 3% but includes a significant a shift. The median monthly cost increased from \$1,550 in 2000 to \$1,841 in 2007 and then fell to \$1,564 by 2017. The overall trend is driven by home sale prices and interest rates, which we'll examine in detail later. As a preview, home sales prices fell during the housing crisis but have since been increasing for several years after bottoming out in 2011/12. Interest rates have been at historic lows since the Great Recession, which played a key role in keeping homeownership costs down.
- Costs for homeowners without a mortgage increased the most (37%). These higher costs reflect higher property taxes, insurance premiums, and utility costs. Many of these homeowners are seniors who have paid off their mortgages and are now living on a fixed income, which is an important factor when assessing senior housing needs.

Implications:

Reducing housing costs, particularly in relation to incomes, will continue to be a challenge.



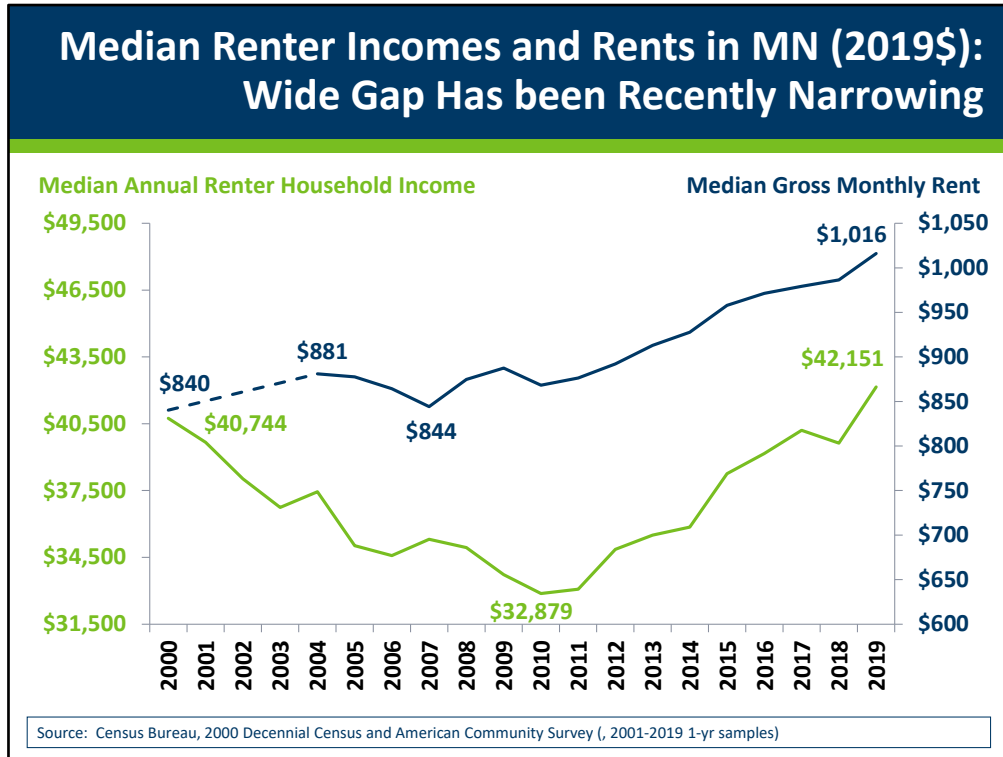
This graph shows median household incomes since 2000, which is the second component of the cost-burden calculation, along with housing costs.

Key Points:

- Overall, median incomes have been stagnant. Adjusting for inflation, they are essentially what they were 19 years ago.
- Renter incomes increased by 3%.
- Homeowner incomes increased 6%.
- Median incomes fell from 2000 to 2011, but have risen since then with the recovery coming out of the Great Recession

Implications:

- While Minnesota Housing is not an employment agency tasked with increasing household incomes, increases and decreases in income play a key role in the housing environment.
- With the recent economic distress resulting from COVID-19 and high unemployment rates, it is likely that median incomes will once again decline, which will increase housing instability.



This graph brings the cost and income trends together in one picture for renters.

Key Points:

- From 2000 to 2011, rental housing became less affordable relative to income. Since then, increases in the median income have more than kept pace with increases in the median rent.
- Over the entire 19-year period, there was a 21% increase in rents and just a 3% increase in incomes (adjusted for inflation).

Implications:

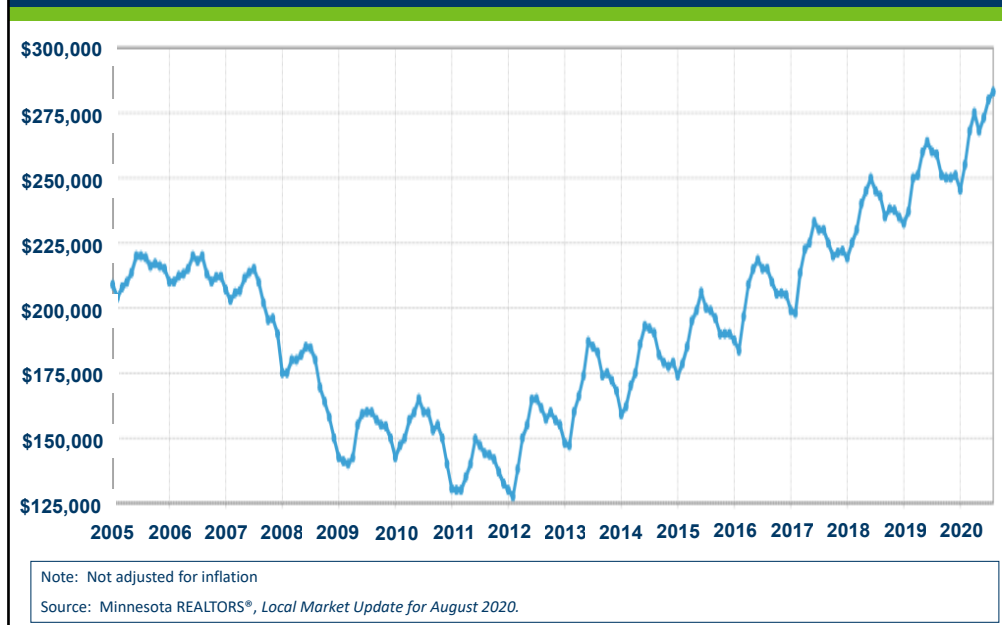
- Housing affordability and stability are determined by many market, economic and societal factors with complex interactions. The following charts will document some of them.

5. Rising Home Prices

Home prices will likely continue to increase with a limited supply.



Median Home Sale Price in Minnesota: Increasing Since 2011



This graph shows the median sales price for homes in Minnesota, not controlling for inflation.

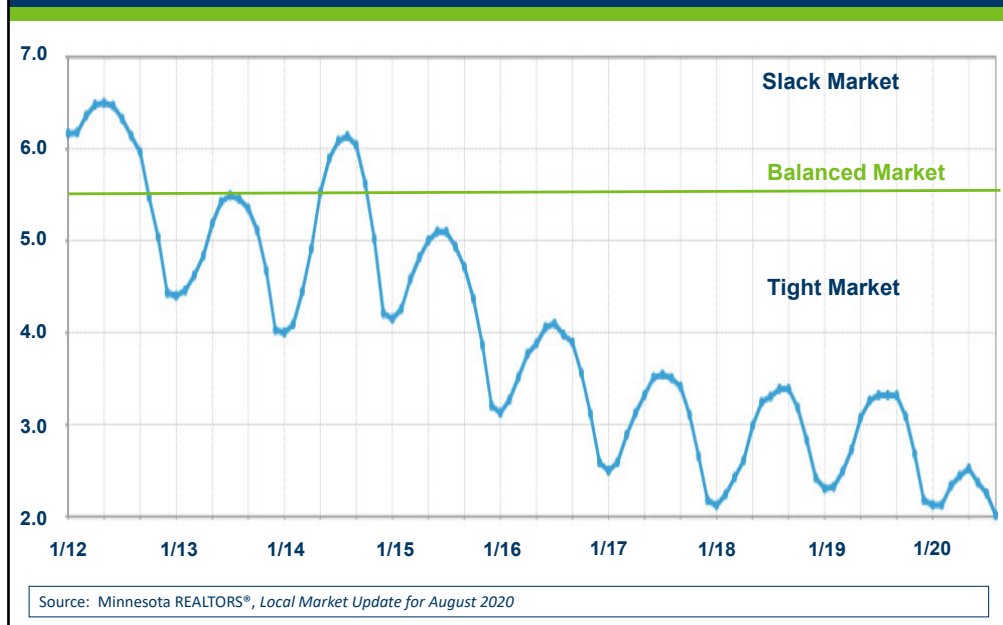
Key Points:

- Statewide, prices dropped significantly in 2007 and 2008 and then struggled through 2011, when prices bottomed out.
- Prices have been steadily increasing since early 2012.

Implications:

- On the one hand, rising property values help existing homeowners because they add equity and create wealth. This is particularly important for lower-income homeowners because their homes are often their primary asset.
- On the other hand, rising property values make housing less affordable for people moving into homeownership.
- At this time, it is still unclear if and how much COVID-19 and the current economic distress will affect home prices down the road. Unemployment, people delaying homeownership, and existing owners struggling to make their mortgage payments could dampen price increases.

Months Supply of Homes for Sale in Minnesota: Well Below 5 Months in Recent Years



One of the best indicators of home price trends in the near-term is the months supply of homes for sale, which is a combination of the current inventory and how fast homes are selling. It measures how long it would take to clear the current inventory. Generally, if the inventory is more than 5.5 months, it is a slack or buyer's market with prices declining; if the inventory is less than 5.5 months, it is a tight or seller's market with prices rising.

Key Points:

- Statewide, the months supply has been at or below 5.5 months in recent years, which has resulted in the rising prices.
- The supply has remained low, even during COVID-19. Even with the economic distress, demand for homes remains high relative to the limited available supply.

Implications:

- With the statewide months supply currently near two months, it is likely that prices will continue to increase for now.

Months Supply of Homes for Sale < \$250,000 in Twin Cities Metro (16 County): Very Tight Market

Year	Inventory - Number of Homes (June)	Months Supply (June)
2013	9,416	3.2
2014	9,463	3.5
2015	8,067	2.9
2016	6,160	2.2
2017	4,473	1.7
2018	3,265	1.4
2019	3,060	1.6
2020	2,033	1.2

Source: Minneapolis Area Association of REALTORS®

This table shows the inventory and months supply of homes selling for less than \$250,000 (which is a more affordable price) in the 16 counties in and around the Twin Cities metro area.

For each year, the data applies to the month of June, which is a prime home buying month.

Key Points:

- In 2020, the inventory is just 21% of what it was in 2014, and the months supply is 34% of what it was.

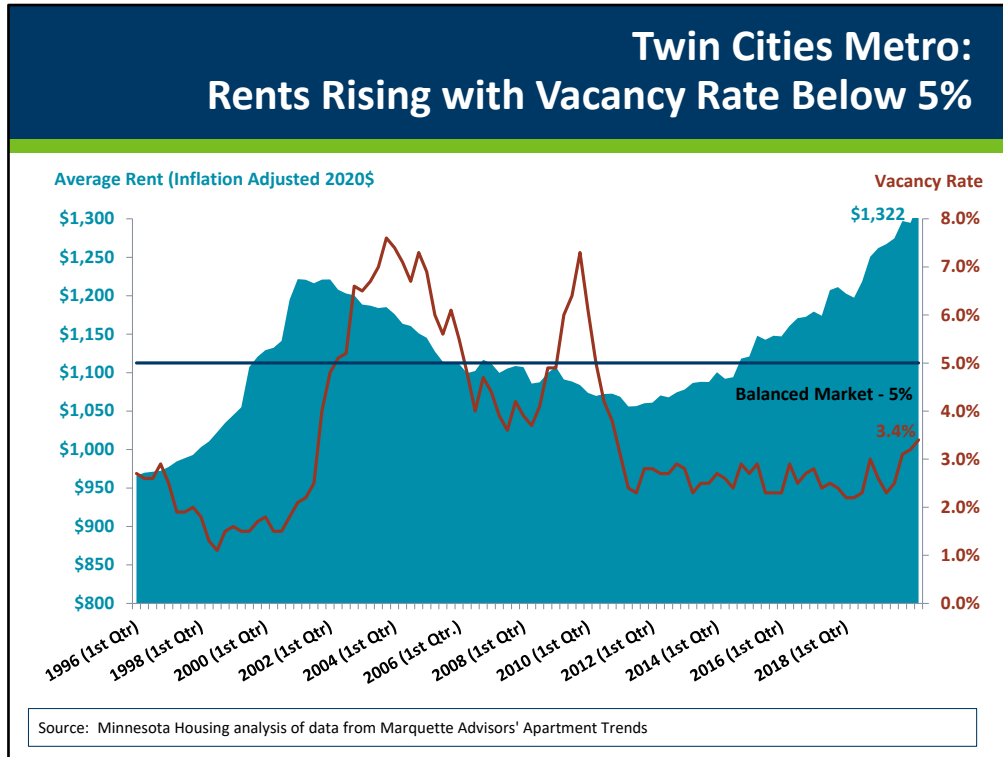
Implications:

- There is a very limited supply of affordable homes, which makes the market very challenging for first-time homebuyers.

6. Rising Rents

Rents will likely continue to increase with a limited supply.





Switching to the rental market, this graph shows the relationship between vacancy rates and rents. Low vacancy rates and a lot of people competing for relatively few units drives up rents.

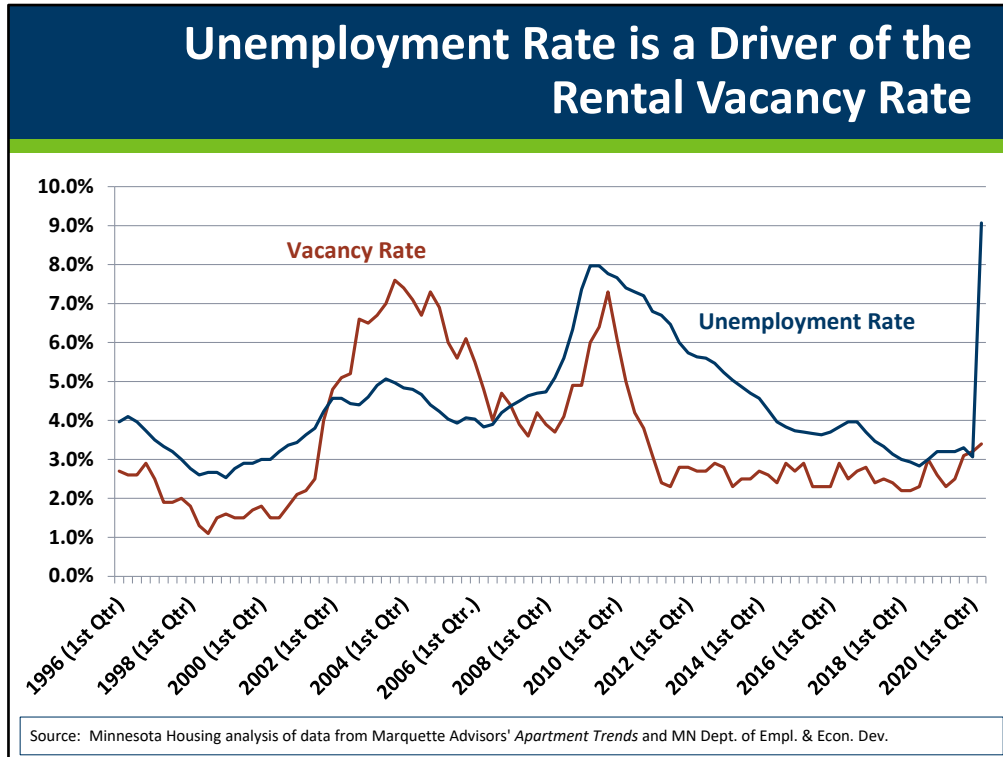
This data just applies to the Twin Cities metro area, which has more complete and detailed data.

Key Points:

- When the vacancy rate (the maroon line) is consistently below 5% (the dark blue horizontal line), rents (the light blue shaded area) generally rise because the supply is limited relative to demand.
- When the vacancy rate is consistently above 5%, rents generally fall because there is extra supply relative to demand.
- Since 2011, vacancies have been well below 5%, and rents have increased.
- This data comes from Marquette Advisors, which surveys larger and professionally managed properties, the overall rental vacancy rate is generally higher than captured in this data; nevertheless, it provides good, consistent trend data.

Implications:

- As long as vacancy rates stay consistently below 5%, rents will likely rise.
- As we will describe in the next few slides, the vacancy rate depends on:
 - The strength of the economy and its impact on job and household growth,
 - Households deciding to rent or own (as reflected in the homeownership rate), and
 - New construction adding rental units to meet the demand.



This graph shows the relationship between unemployment and rental vacancy rates.

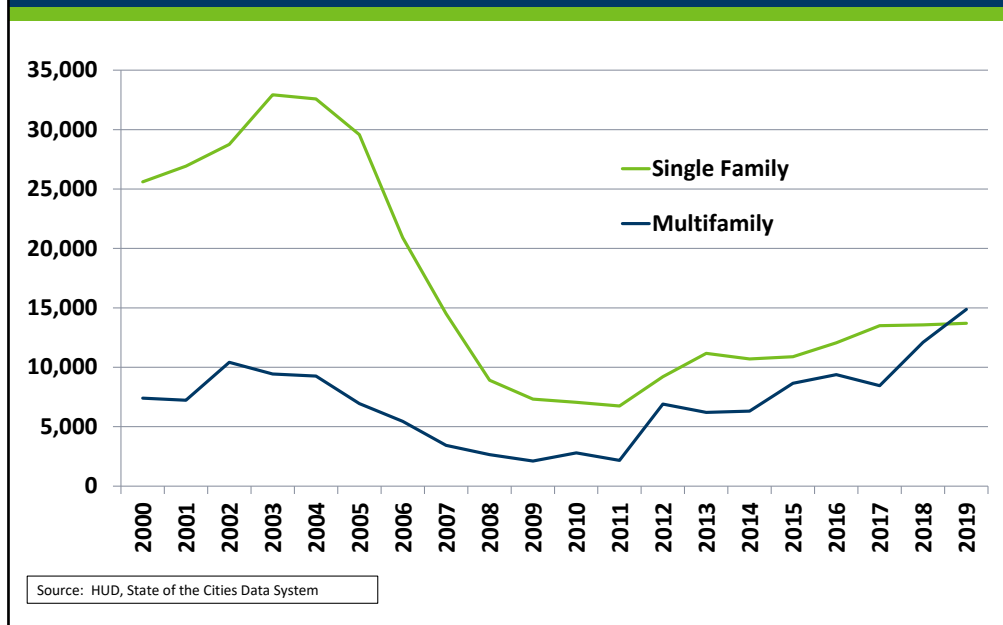
Key Points:

- When the unemployment rate is low, the vacancy rate tends to be low. When unemployment is high, the vacancy rate tends to be high. With employment struggles, some households double up and some young adults live with their parents, which frees up rental units. This is a demand factor driving the vacancy rate.
- The Great Recession initially led to high vacancy rates in 2009. However, in 2010 and 2011, the vacancy rate rapidly declined when unemployment was still above 6%. Two factors contributed to this divergence in the unemployment and vacancy rates.
 - There was very little multifamily construction from 2007 through 2011, which limited the supply and decreased vacancies. This is a supply side factor driving the vacancy rate.
 - The homeownership rate in Minnesota declined between 2006 and 2015, which increased the demand for rental housing and decreased vacancies. This is another demand factor.
- With the recent spike in unemployment, we are starting to see an increase in the vacancy rate, which will likely continue. The rental vacancy rate is now 3.4%, and it had been under 3% for most of the last decade.
- The current moratorium on evictions in Minnesota is likely keeping people in their homes and preventing a larger increase in physical vacancies. In addition, the federal unemployment insurance bonuses helped others pay rent and stay in their apartments.

Implications:

- If unemployment remains high and the rental vacancy rate increases, we will likely see rents flatten and even decrease.

MN Building Permits: Limited Activity During and After the Great Recession Restricted the Supply



With the Great Recession and financial crisis, there was very little housing construction between 2007 and 2011.

Key Points:

- The annual number of multifamily permits dropped from 9,000-10,000 to 2,000-3,000 units. It has since increased to about 15,000 in 2019.
- The decline in single-family permits was even larger, with a more modest recovery. This has contributed to the lack of homes for sale. On the single-family side, the state doesn't need to return to the levels seen in the early 2000s when the homeownership rate was higher and increasing, and the state started to overbuild.

Implications:

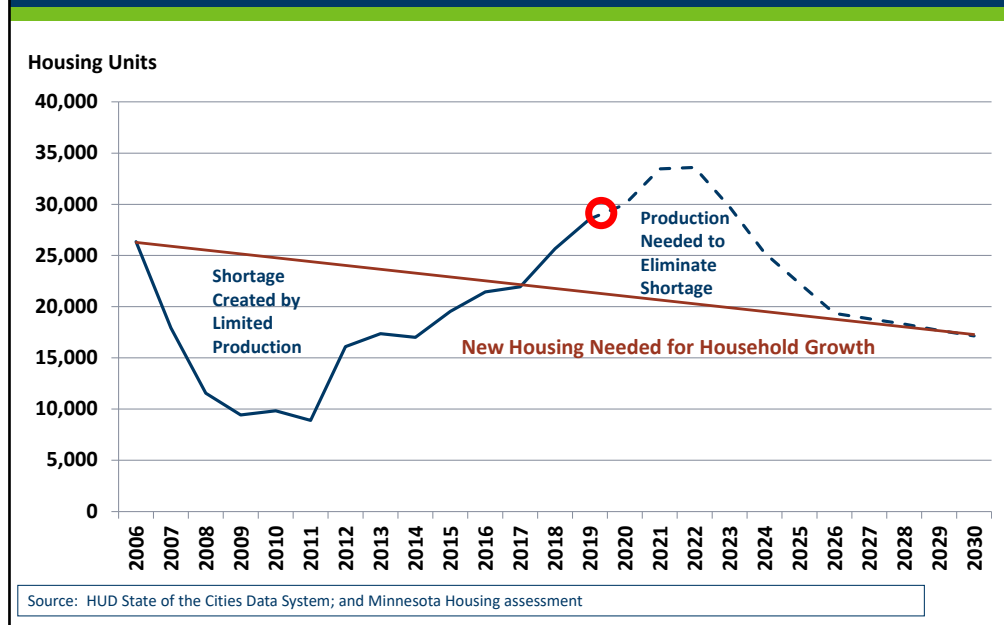
- With the low vacancy rates in recent years and increased demand for new units, multifamily construction picked up in the last several years and is the highest it has been since 2000; however, it has not been enough to eliminate the shortage created by the lack of production in previous years.
- The current economic distress and possible softening of the rental market may reduce development in the short term, but from a long-term perspective, the state still has a shortage.

7. Housing Construction

Minnesota needs to develop 300,000 new housing units of all types and price points by 2030, with a focus on affordable.



Housing Production in Minnesota: Historical and Projected Need



This graph shows the number of new housing units constructed relative to the number of new units needed to meet the growing number of households in Minnesota. The solid part of the blue line shows actual production, while the dashed part of the line on the right side of the graph shows what is needed going forward to have a healthy housing supply.

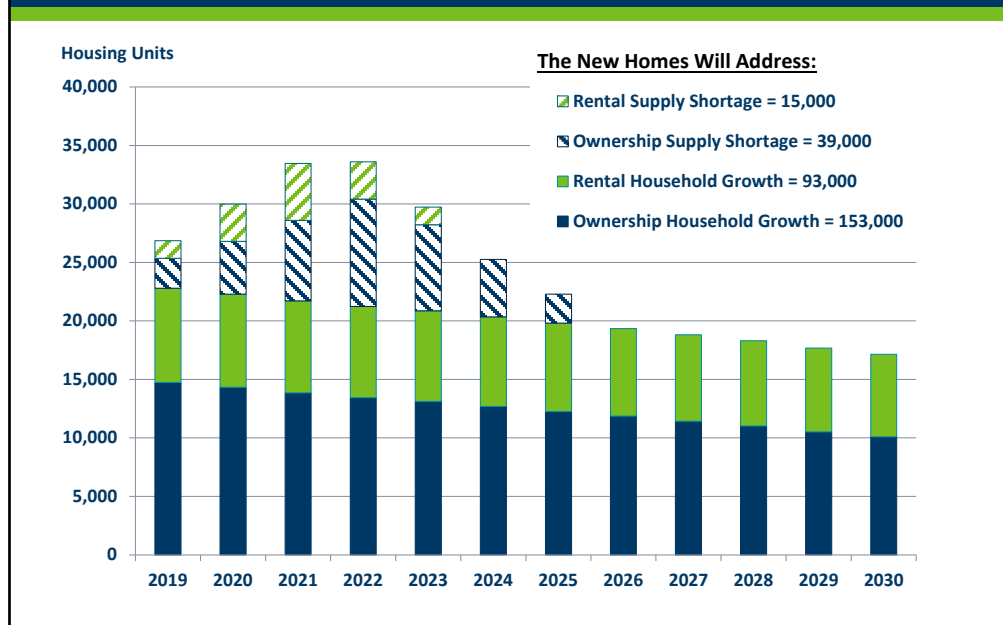
Key Points:

- As the maroon line in the graph shows, the state will need roughly 20,000 new housing units over each of the next 10 years to just keep up with household growth and replace demolished and abandoned units. The maroon line is downward sloping because the household growth rate in Minnesota is slowing. Each year, fewer households will be added.
- From 2006 through 2017, the state did not produce enough housing to keep up with household growth (the blue line is below the maroon line), which created a large shortage; and the state now needs to produce even more to fill in that hole.
- Minnesota's construction level in 2018 and 2019 was a good start to fill the supply hole. The red circle in the graph shows the level of construction in 2019.

Implications:

- For the short term, the need for more housing may subside with higher unemployment and slower household growth, but in the long run, the need has not gone away. When the economy recovers, we should expect household growth to pick back up.

Minnesota Needs 300,000 New Housing Units of All Types and Price Points by 2030



This graph is a different representation of the data showing the number of new housing units needed in Minnesota through 2030. It breaks out the rental and homeownership need for 2019 through 2030. The estimate has two pieces:

- Solid Portion of the Bars – New units that will house a growing number of households in Minnesota and replace demolished or abandoned homes. The blue portion shows the owner-occupied part of the need and the green shows the rental part.
- Hatched Portion of the Bars – New units that will address the current shortage of housing, specifically, bringing the rental vacancy rate up to 5% in every market in the state and bringing the months supply of homes for sale up to 5.5 months across the state. The increase in production is phased in and then out over seven years in the graph (for illustrative purposes), but the quicker the shortage can be filled the better.

Key Points:

- Minnesota will need 300,000 new housing units from 2019 through 2030 (the sum of the twelve bars).
- Of the 300,000 units, 54,000 units are needed to eliminate the current housing shortage (sum of hatched bars) and 246,000 are need for the supply to keep up with household growth and to replace demolished or abandoned homes (sum of solid bars).

Implications:

- This graph does not address the affordability of the units. Because about 28% of renter households in Minnesota have incomes at or below 30% of the area median income, at least 28% of the new rental units should be affordable at this income level. Currently, only about 1% of new rental units are affordable at this level. The state of Minnesota is grossly under-producing affordable new units for the lowest-income households.

Estimates of Regional Share of 300,000 New Housing Units – 2019 to 2030

Region	Low	Middle	High
Central	32,000	41,000	50,000
Metro	164,000	196,000	228,500
Northeast	8,000	11,000	13,500
Northwest	4,000	6,000	8,000
Southeast	15,000	28,500	41,500
Southwest	4,000	6,000	8,000
West Central	8,500	11,500	15,000

Based on a combination of:

- Share of forecasted household growth
- Share of recent housing production

Source: Minnesota Housing

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This graph breaks the 300,000 homes out by region, providing a low, middle and high estimate.

Key Points:

- Because most of the household growth is forecasted to be in the Twin Cities Metro area, the region needs the majority of new housing units.
- The Central and Southeast regions are also expected to have a high need.

8. Housing Preservation

Minnesota has a large stock of affordable housing that needs to be preserved, and we are losing housing that is naturally affordable.



Preserving Housing with Federal Rent Assistance is a Critical Issue

- Minnesota has nearly 56,000 housing units where rent assistance is tied to the units:
 - 30,000 project-based Section 8,
 - 6,000 USDA Rural Development Section 515, and
 - 20,000 Public Housing
- Most properties were developed before 1980.
- Many have capital improvement needs and limited reserves to pay for them.
- With their rent assistance, preserving federally subsidized units is critical.

Implications:

- While the state of Minnesota needs to preserve all types of affordable housing, preserving units with federal rent assistance is critical. The rent assistance provided through the units ensures that tenants pay no more than 30% of their income on rent.

Preserving Other Affordable Housing, Including Naturally Occurring, is also Important

- In total, Minnesota has roughly 360,000 rental units that are affordable to households with incomes at or below 50% of AMI
- Of those:
 - About 56,000 have federal rent subsidies (including public housing)
 - Another 64,000 are affordable through subsidies that come with income or rent restrictions (including Low-Income Housing Tax Credit units)
 - Roughly 240,000 are naturally affordable, which are affordable without subsidies because they are typically dated, lack modern amenities, and/or need repairs or rehabilitation.
 - **Annually, MN had been losing about 2,000 naturally occurring affordable housing (NOAH) rental units when they are sold, rehabilitated, and have the rents increased.**

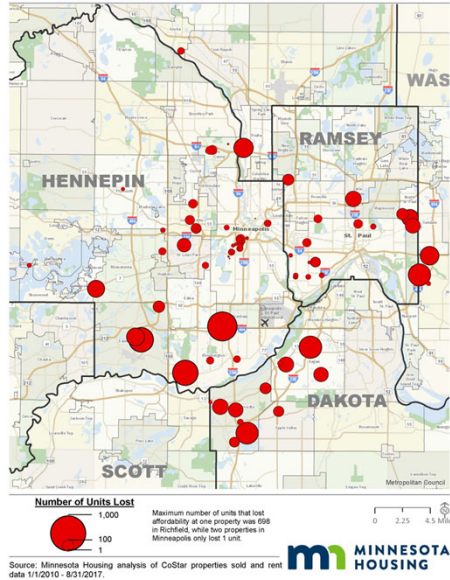
Preservation of other rental units also needs to be addressed.

Key Points:

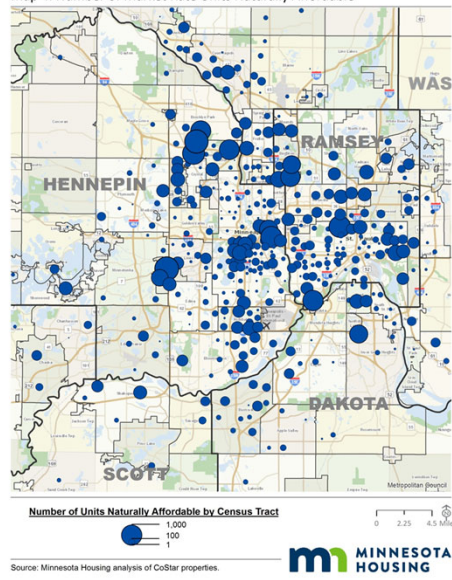
- While project-based rental subsidies are key because they provide the deepest subsidies, preserving other affordable units is also important.
- Of Minnesota's roughly 360,000 rental units that are affordable for households with incomes at or below 50% of AMI:
 - Just over 56,000 are affordable through project-based rent subsidies (including public housing).
 - Another 64,000 are affordable through other income or rent limits.
 - Roughly 240,000 are naturally affordable without income or rent limits.
- Many of the naturally affordable units are affordable because they are dated, lack modern amenities, and/or need repairs or rehabilitation, including system upgrades. In markets with low vacancy rates and rising rents, these properties are at risk of being sold and upgraded and then have their rents increased so they are no longer affordable. In a recent analysis, using data from CoStar, we estimated that Minnesota was losing about 2,000 NOAH units each year after the sale of the property. COVID-19 and current economic struggles may be slowing the loss of NOAH units; however, if that is happening, it may be a short-term trend.

NOAH Properties Lost After Sale & Rent Increases

Map 2: Market Rate Properties that Lost Affordability (2010 - 2017)



Map 4: Number of Market Rate Units Naturally Affordable



Source: Minnesota Housing analysis of data from CoStar.

These maps show NOAH rental properties in the metro area in 2017.

- The map on the left (with the red dots) shows the NOAH rental properties that had been lost due to a sale and rent increase between 2010 and 2017.
- The map on the right (with the blue dots) shows NOAH rental properties after 2017.

The size of the dot represents the number of units in the property. The larger the dot, the more units.

Key Points:

- The state has already lost a large number of NOAH properties, but there is a lot more to preserve.
- The state has already lost all the large NOAH rental properties to the south of Minneapolis and St. Paul. The largest red dots on left map (lost NOAH properties) are all south of Minneapolis and St. Paul. There are no large blue dots on right map (current NOAH properties) south of Minneapolis and St. Paul.

Implication

- Because about two-thirds of Minnesota's affordable housing is affordable without government subsidies and the income or rent restrictions that come with it, preserving NOAH units is also critical. These rental units are often affordable because they are typically dated and have repair needs. Consequently, they need some rehabilitation, but Minnesota, as a state, needs to do that without leading landlords to increase the rents to pay for the rehabilitation.

Value of Existing Owner-Occupied Housing in MN: Less than \$100K Homes Likely Need Rehab

Value	Share of Existing Homes in Statewide
\$100,000 and Under	13.2%
\$100,001 to \$250,000	46.9%
\$250,001 to \$350,000	20.3%
Over \$350,000	19.6%

In 2019, only 1% of homes that sold in the 16 counties in and around the Twin Cities had a sale price of \$100,000 or less

Source: Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2018 1-Yr Sample); Sale price data is from the Minneapolis Area Association of REALTORS

The state also needs to preserve owner-occupied housing.

This table shows the share of Minnesota's owner-occupied homes by their value.

Key Points:

- Almost 15% of the state's owner-occupied housing stock has a value of \$100,000 or less, which is affordable. A family with a \$30,000 annual income could afford to purchase a \$100,000 home, assuming they have the resources to pay for the rehabilitation that the home likely needs.
- However, very few of these homes sell. In the 16 counties in and around Minneapolis and St. Paul, only 1% of the homes that sold in 2019 had a price of \$100,000 or less. Selling a home for less than \$100,000 can be difficult because its condition may be so poor that the home does not qualify for a mortgage. About 36% of homes sold in the 16-county metro area in 2019 had a value between \$100,000 and \$250,000.

Implications:

- Preserving this affordable stock is important, and there is a need for more mortgage products that allow for simultaneous purchase and rehabilitation.

9. Millennial Choices

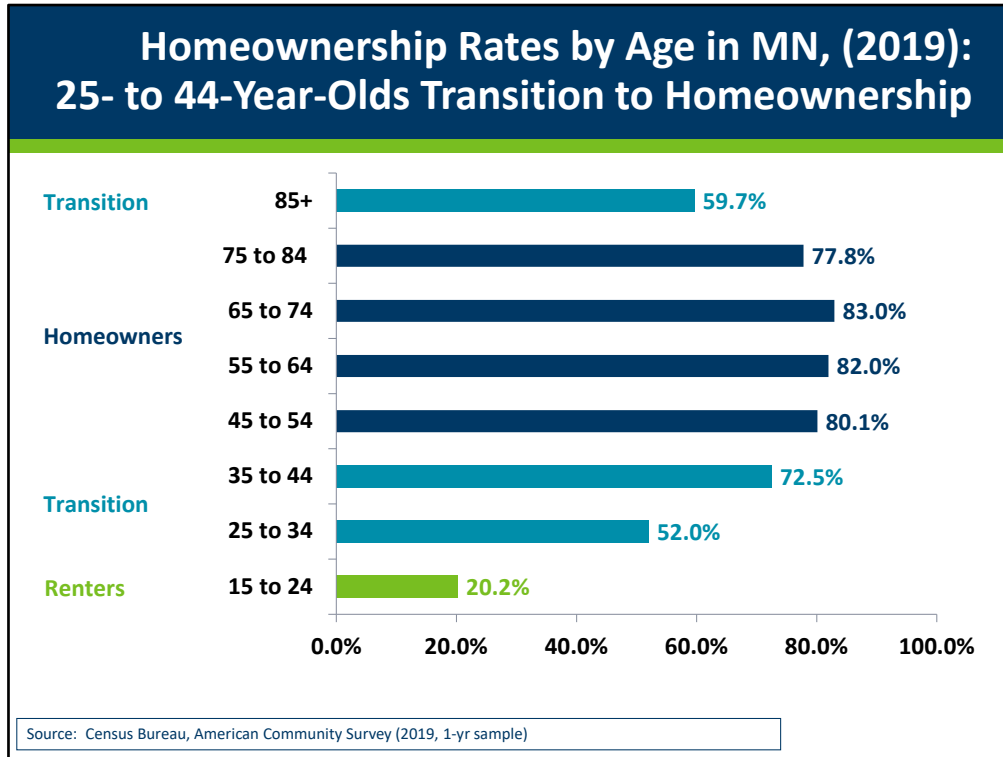
Millennials' decisions to own or rent will be a key driver of the housing market.



Millennials: Owning vs. Renting

- Definitions:
 - Millennials (or Generation Y) were born between 1981 and 1995.
 - Generation X includes people born between 1965 and 1980
- More Owning:
 - Generation Y (Millennials) is larger than Generation X, moving into the home buying phase of life, and expressing an interest in eventually owning
 - Homeownership is still more affordable than it was in 2006 (home prices are high again but interest rates are at or near historical lows)
- More Renting:
 - Because of economic uncertainty and the perceived risk of homeownership, some people may be cautious about homeownership
 - Generation Y is likely to change jobs and locations – and not be tied down by homeownership (for now)
 - Increasing levels of student debt

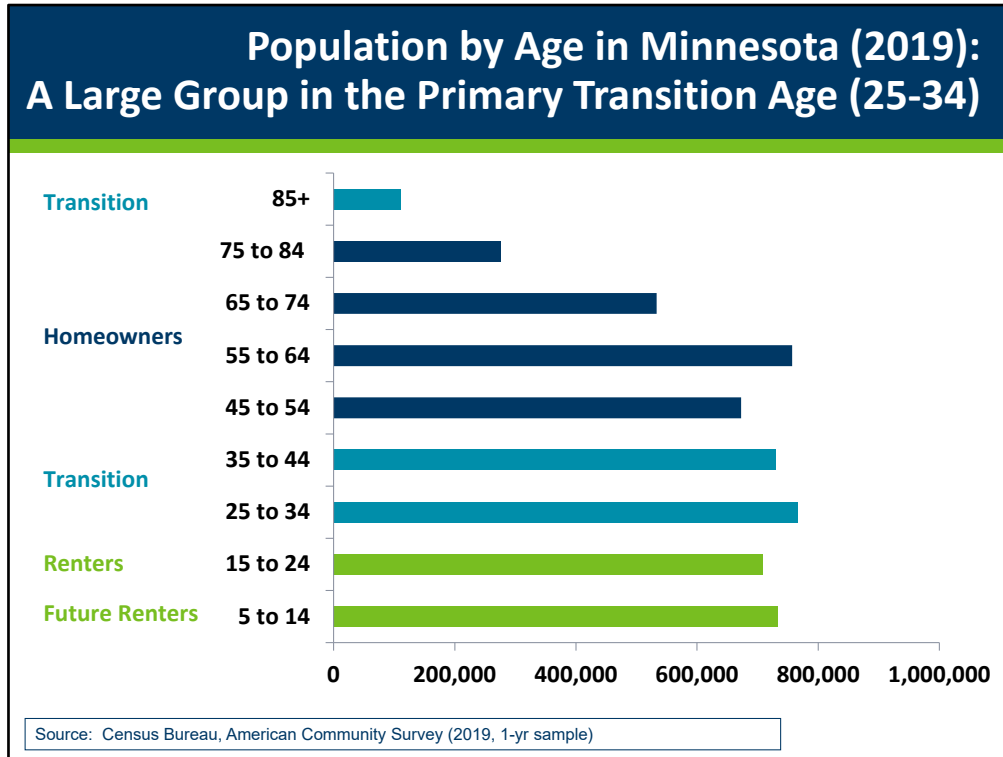
We will look at several of these factors in more detail in the following charts.



This is a repeat of an earlier chart and shows the homeownership rate by age.

Key Points:

- Young single people, who are in the less-stable and early stages of their careers and lives, typically rent for affordability and flexibility reasons. (See ages 15-24 in this graph.)
- As families form and careers are established, households typically look for stability and transition to homeownership. (See ages 25 to 44 in this graph). The transition primarily occurs for 25- to 34-year-olds, when the homeownership rate jumps from 20.2% to 52.0%. A smaller transition occurs for 35- to 44-year-olds, with the rate increasing to 72.5%.



This graph shows the breakout of Minnesota’s 2019 population by age and the renter/owner phases.

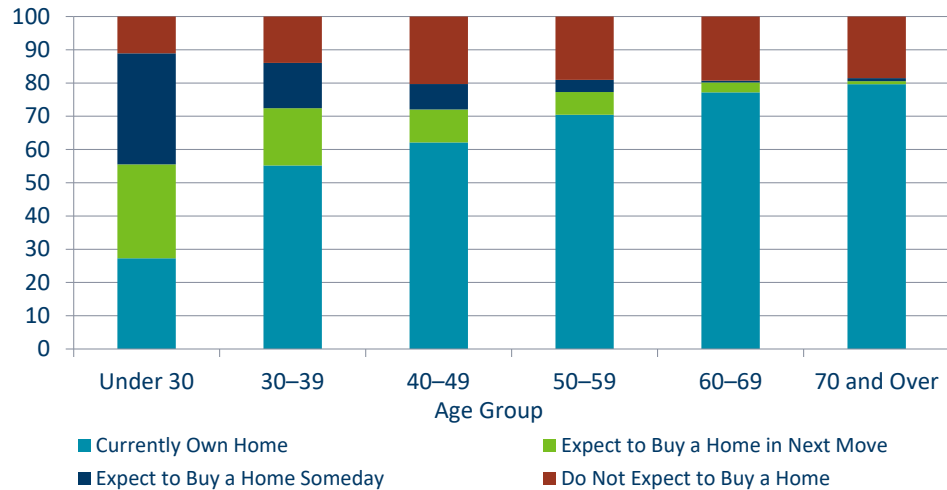
Key Points:

- Demographics play a role in the homeownership rate.
- The largest age cohort is 25- to 34-year-olds (capturing a large part of the Millennial generation). This large group is at the prime age for first-time homebuyers, which should help increase homeownership in the coming years.

Implications:

- Understanding the home-buying needs of the Millennial generation will be a critical strategy going forward, and as highlighted earlier, the Millennials are a more diverse generation. Millennials who are Black, Indigenous and People of Color are a key part of the market.

U.S. Homeownership Expectations: Vast Majority (Including Young) Own or Expect to Own



Source: Harvard University's Joint Center for Housing Studies analysis of the Demand Institute, 2015 Consumer Housing Survey data

This graph shows homeownership status and expectations by age.

Key Points:

- 80% to 90% of Americans across all adult age groups own or expect to own their home.

Implications:

- Young people expect to eventually own their home.

Twin Cities Metro: Owning Is Relatively More Affordable than in 2006

• June, 2006:	
▪ Median sale price	\$236,850
▪ Market interest rate	6.68%
▪ Monthly housing payments (PITI)	\$2,062
▪ Average monthly rent	\$860
• June 2011:	
▪ Median sale price	\$162,217
▪ Market interest rate	4.51%
▪ Monthly housing payments (PITI)	\$1,198
▪ Average monthly rent	\$921
• June 2020:	
▪ Median sale price	\$305,500
▪ Market Interest rate	3.16%
▪ Monthly housing payments (PITI)	\$2,026
▪ Average monthly rent (March 2020)	\$1,293

Source: Minnesota Housing based on data from the Minnesota Association of REALTORS®, Freddie Mac, Minnesota Taxpayers Association, and U.S. Census Bureau. The average monthly rents come from Marquette Advisors. Figures are not adjusted for inflation.

The affordability of owning a home is a key factor that influences the homeownership rate.

This slide shows the housing payment (including principal, interest, taxes & insurance or PITI) for the median priced home in June of 2006, 2011 and 2020 in the Twin Cities metro area. (The analysis examines the same month in each year because home sale prices fluctuate with the time of year, and we want consistency in the comparison. June is also a prime home-buying month.)

Key Points:

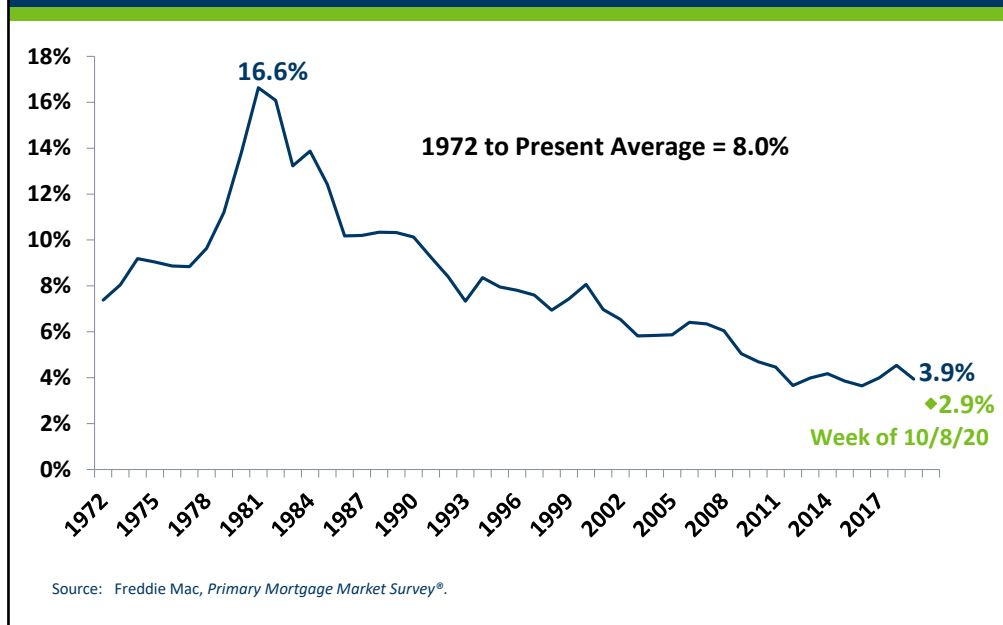
- In 2006, the housing payment on a median priced home was \$2,062 – about \$1,200 above the average rent for an apartment (\$860). The cost differential probably contributed to the decline in the homeownership rate at that time.
- By 2011 (with much lower prices and interest rates), the housing payment on a median priced home was down to \$1,198 – just a few hundred dollars more than the average rent (\$921). The smaller differential probably contributed to the leveling off of the homeownership rate.
- By 2020 (with higher prices but very low interest rates), the housing payment was up to \$2,026, which is \$733 more than the average rent (\$1,293) and just below what it was in 2006.

Implications:

- While buying a home is becoming increasingly unaffordable, it is still more affordable than 2006 (particularly if you also take into account increases in household incomes) because of historically low interest rates.

Note: The figures presented above are not adjusted for inflation.

U.S. Mortgage Interest Rates: Still Near Historic Lows



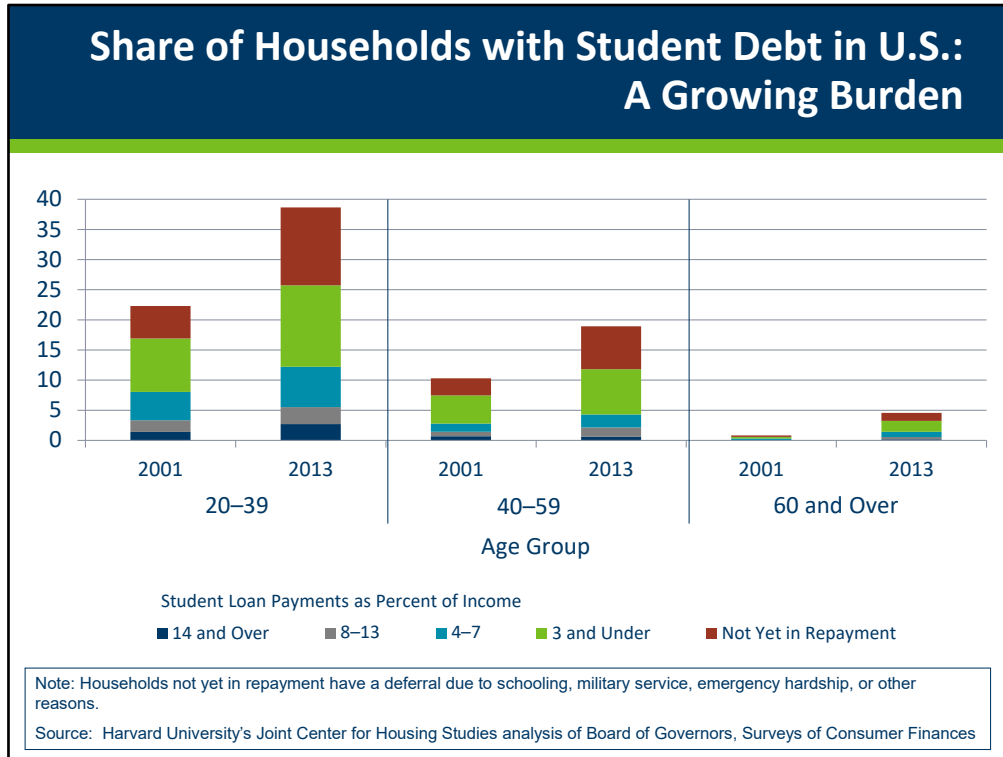
This graph shows mortgage interest rates since 1972.

Key Points:

- During the full period, the average rate was 8.0%.
- The peak rate occurred in 1981 (16.6%).
- In recent years, the rates have reached their lowest levels, around 4% and lower.
- The rate as of the week of October 8, 2020 is 2.9% (green dot on graph).

Implications:

- The historic low rates have made homeownership more affordable than it would have otherwise been and is likely playing a key role in a strong homebuying market even during an economic downturn.
- Future interest rates will play a critical role in housing affordability.



This graph shows student debt status by age in 2001 and 2013. The data is a little dated but provides important information.

Key Points:

- The share of people with student debt has increased significantly across all age groups, nearly doubling from just over 20% in 2001 for 20- to 39-year-olds to almost 40% in 2013.

Implications:

- Student debt levels are limiting homeownership. Underwriting standards include stricter debt-to-income requirements to qualify for a mortgage. For example, debt payments (including mortgage, student loans, car loans etc.) typically cannot exceed 43% of income.
- If a mortgage payment would account for 30% of a potential homebuyers income, student debt payments along with a car loan can put someone over 43%.

Successful Homeownership Is Beneficial

- Research has found that:
 - Each year of successful homeownership increases household wealth by \$9,500 on average.
 - Renters do not generally experience gains in wealth.
- Additional homeownership also frees up affordable rental units, effectively increasing the supply.
 - Of the 117,00 rental units in MN that are affordable to households with an incomes \leq 30% of AMI, 29,000 are occupied by renter households with incomes $>$ 50% of AMI (and potentially ready to buy a home).

a. Christopher E. Hebert, Daniel T. McCue, and Rocio Sanchez-Moyano, *Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? Was it Ever?* (Harvard University, Joint Center on Housing Studies, HBTL-06, September 2013) pp. 2 and 45-47. The results are from 1999 to 2009, which was a less-than-ideal period involving a housing boom and bust. Rental data is from HUD CHAS data for 2012-16.

Homeownership is a powerful tool:

- While research has found that renters generally have very limited gains in wealth, successful homeowners have seen large increases in their wealth, even in the less-than-ideal time of 1999 to 2009, which included a housing boom and bust.
- For many lower-income homeowners, their home is their primary source of wealth.
- Transitioning low- and moderate-income households to successful homeownership also frees up affordable rental units. As discussed earlier, the decline in Minnesota's homeownership rate contributed to our low rental vacancy rates and increasing rents.

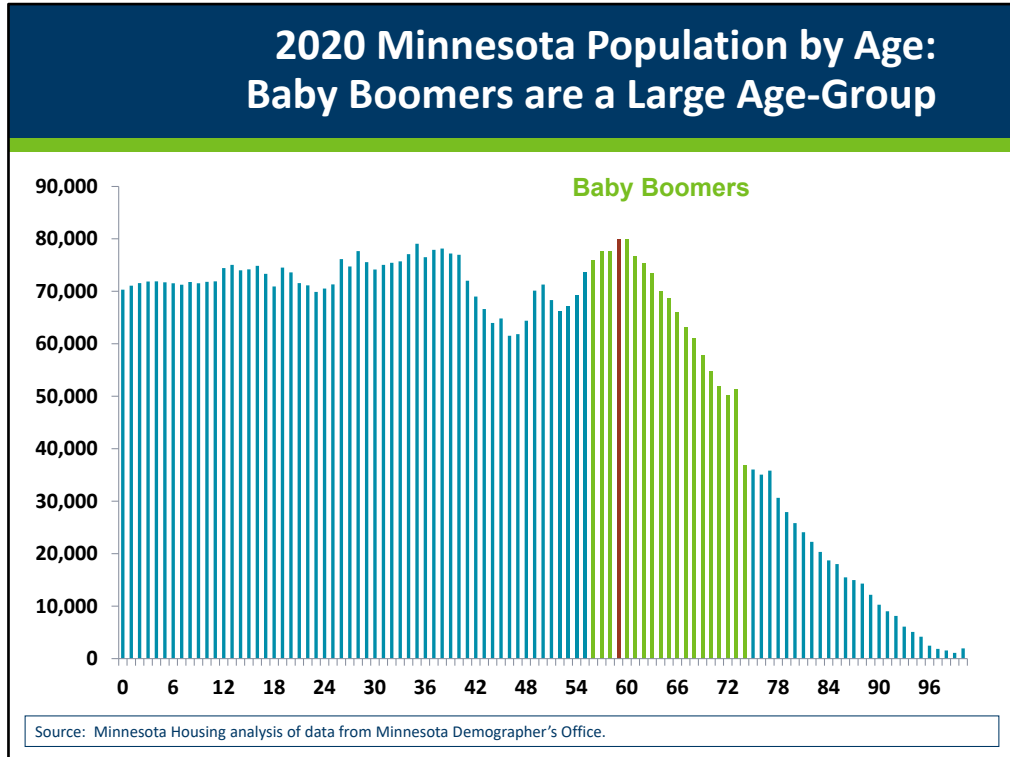
Implications:

- Promoting and supporting successful homeownership supports not only homeowners, but also renters.

10. Baby Boomers

The aging baby boom generation will create new housing needs and challenges.





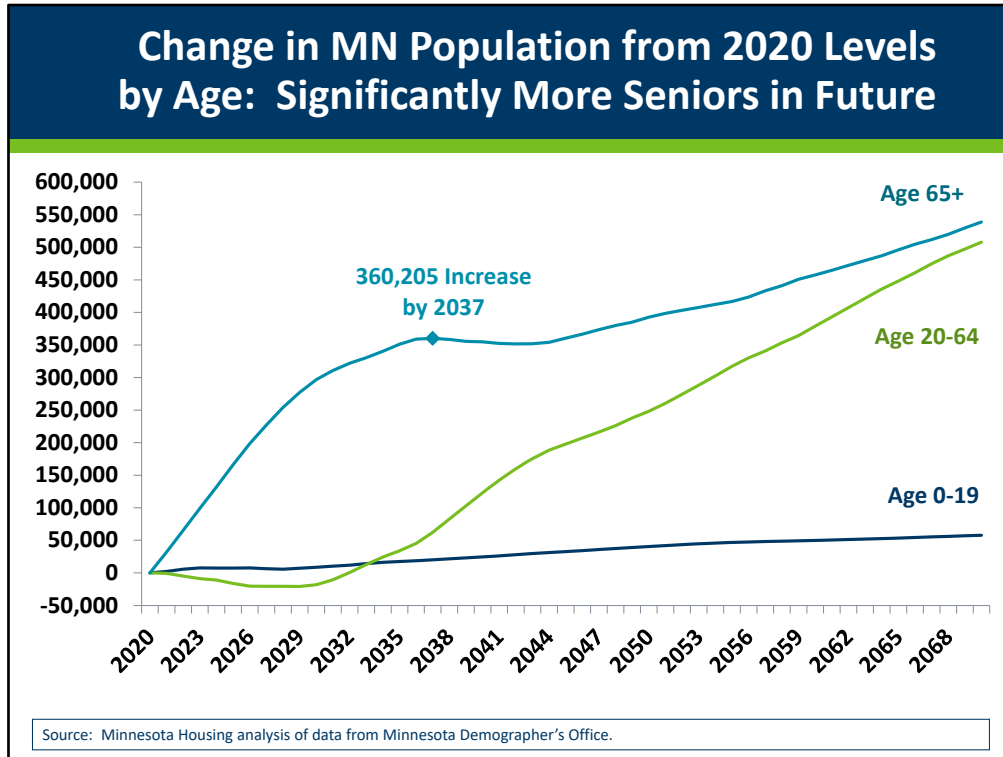
This graph shows the number of Minnesotans by age. The baby boomer generation is shown with the green bars.

Key Points:

- Baby boomers are a large generation that is retiring, or will reach retirement age over the next decade.
- Most Baby boomers are on the younger half of the generation, with 59-year-olds as the largest age group (see maroon bar).

Implications:

- The changing housing needs and preferences of the baby boomers as they retire and age will present new challenges for Minnesota.



This graph shows the number of additional people in each age group over the next 50 years. The number for each year is the increase (or decrease) from the base year of 2020. For example, the Demographer's Office is forecasting 360,205 more seniors (age 65+) in 2037 than there were in 2020.

As a point of reference, Minnesota currently has about 965,000 seniors.

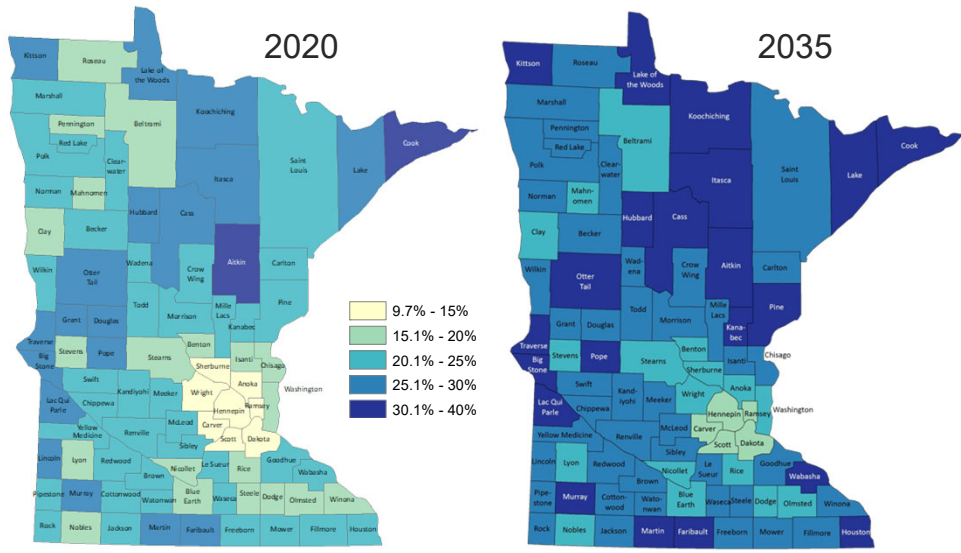
Key Points:

- The senior population is increasing rapidly.

Implications:

- With limited resources, addressing the affordable housing needs of not only this growing population but also the needs of families with children and working-age adults without children will be a major challenge going forward.

Share of the Population Aged 65 and Older



Source: Minnesota Demographer's Office 2015-2050 Population Projections. March 2017 Release.

These maps show how the percentage of Minnesotans who are age 65+ in each county will change between 2020 and 2035.

Key Points:

- In 2035, seniors will account for more than 30% of the population in many counties, particularly in north central Minnesota and some of the border counties around the state.
- Seniors will account for 20% or less of the population only in the metro area.

Implications:

- Seniors will be a driving force in the housing market.

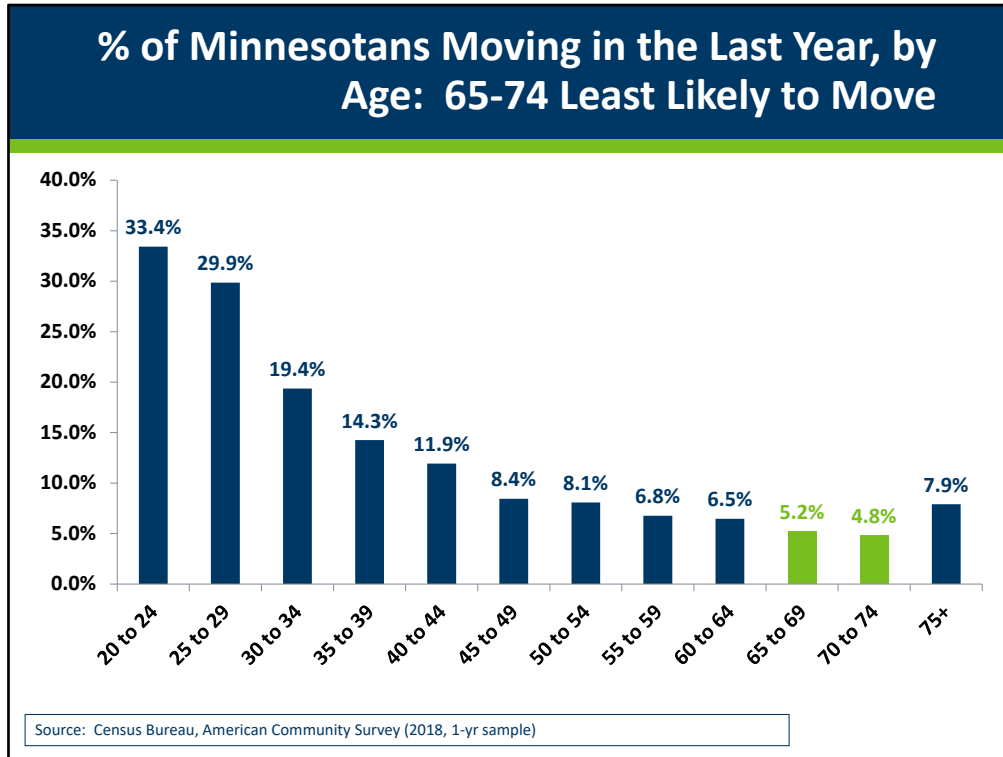
Key Findings about Baby Boomers

- Will play key role in dictating housing needs over the next couple of decades
- Healthier and more energetic than previous seniors
- Pushing back retirement and entering life care facilities
- Want to stay in their communities
- Wants and needs:
 - Housing that is senior friendly, not necessarily senior housing
 - Access to services (e.g. health care and support) and amenities

This slide summarizes some the key findings in the literature about housing for seniors.

Implications:

- Minnesota will face challenges in providing housing to seniors that is: (1) affordable, (2) keeps them in the community as long as possible, and (3) provides adequate access to care, services and amenities.
- This will be particularly challenging in rural areas.
- The spread of COVID-19 in congregate senior housing has the potential to significantly change the housing choices of seniors going forward.



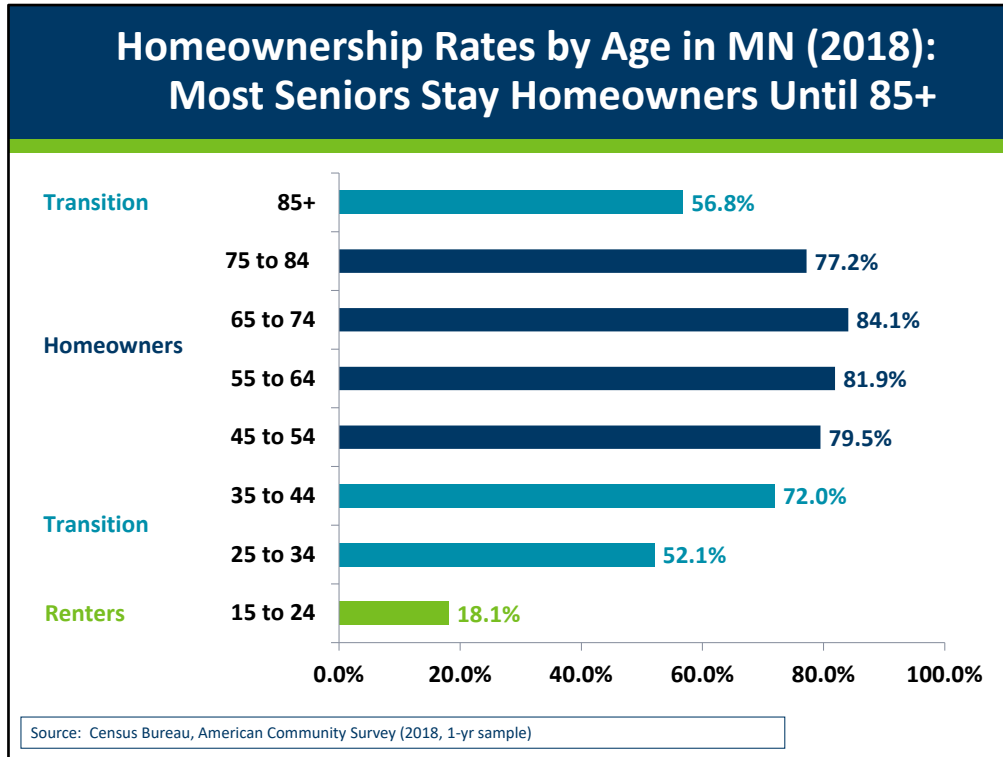
This graph shows the percentage of people by age group that moved in the last year.

Key Points:

- People age 65 to 74 are the least likely to move, only 5.2% to 4.8% move each year.
- Moving picks up after age 74.

Implications:

- In initial retirement, seniors are very likely to stay where they are currently living.
- Serving baby boomers in their current housing should be our initial priority. Baby boomers are currently between the ages of 56 and 74 – which spans the four age groups least likely to move, as shown in the graph.



This graph of the homeownership rate by age is a repeat from an earlier graph, but this time we are focusing on the transition out of homeownership by older Minnesotans, rather than the initial transition into it by young adults.

Key Points:

- While there is a slight decrease in homeownership after age 74, a large decline occurs at age 85+.

Implications:

- This is consistent with the data on moving rates. People start to move after age 74, but most seniors do not transition out of homeownership until age 85 or later, which is consistent with increasing rates of disability among older seniors and the inability to live independently.

Majority of Low-Income Seniors in Minnesota are Homeowners

	Homeownership Rate for Households with Incomes \leq 50% of Statewide Median (adj. for household size)	Homeownership Rate for Households with Incomes \leq 30% of Statewide Median (adj. for household size)
Senior Households	61%	52%

Source: Minnesota Housing analysis of data from Census Bureau, American Community Survey, 2018, Public Use Microdata Sample (PUMS). Median income data from HUD.

This table shows homeownership rates for senior households with incomes at or below 50% of the statewide median family income, also at or below 30% of the median.

Key Points:

- 52% of senior households with incomes at or below 30% of the statewide median are homeowners. These seniors had sufficient income to buy a home while working, but are now living on a very limited fixed income, just Social Security in some cases.

Implications:

- As this table and the previous graphs show, homeownership should be an initial priority:
 - Most seniors (including low-income) are homeowners,
 - Most seniors remain homeowners until at least ages 75 to 84, and
 - In 2020, 60% of baby boomers are still under age 65.
- If current living patterns continue, the largest group of baby boomers won't be transitioning from homeownership to renting for at least another 10 years. As a state, we need to understand the housing needs of these lower-income homeowners, which will likely include home repair and maintenance, the installation of accessibility features, and/or access to home- and community-based services at little or no cost to them.
- Nevertheless, the number of senior renters will also be increasing each year. Rental housing with services will become more and more important over time. Senior rental housing is now an eligible use of Housing Infrastructure Bonds, which should help address the need for more senior rental housing.

Rehabilitation Needs of Extremely-Low-Income Senior Homeowners in Minnesota

- 16,400 households have home rehabilitation needs to remain in their homes for the next five years – For example:
 - New water heater 27%
 - New windows 25%
 - New roof 21%
 - Grab bars or hand rail 21%
 - Shower at floor level 20%
- On average, nearly \$16,000 of work per home
- \$250 million of rehabilitation needs over the next five years (or \$50 million annually)
- 12,000 of these households also have unmet home and community-based service needs

Source: Wilder Research, *An Assessment of Home Renovation and Rehabilitation Needs of Older Adult Homeowners in Minnesota*, December 2016

But aging in place is still a priority. In 2016, Minnesota Housing and the Department of Human Services worked with Wilder Research to assess the home rehabilitation needs of senior homeowners with incomes at or below 30% of the area median income, who are a primary customer of Minnesota Housing's Rehabilitation Loan program.

Key Points:

- There are roughly 16,400 extremely-low-income senior homeowner households in Minnesota that have rehabilitation needs to stay in their home for the next five years.
- About \$50 million is needed annually to meet these needs.

Implications:

- Like most affordable housing needs, there are insufficient resources. For example, the Rehabilitation Loan Program has an annual budget of \$9 million.
- Without home rehabilitation and adequate in-home services, seniors may have to choose more expensive housing options, such as assisted living or nursing homes.

Key Issues and Trends

1. COVID-19 has created uncertainty and distress and increased housing instability.
2. Minnesota is becoming more diverse, and the state has unacceptable housing disparities.
3. Many Minnesotans struggle with housing instability, most notably people experiencing homelessness.
4. In recent years, the gap between housing costs and incomes narrowed, but the economic distress from COVID-19 will likely reverse that trend.
5. Home prices will likely continue to increase with a limited supply.

As a review, we list the 10 key issues and themes again.

Key Issues and Trends (continued)

6. Rents may increase a little with a limited supply.
7. Minnesota needs to develop 300,000 new housing units of all types and price points by 2030, with a focus on affordable.
8. Minnesota has a large stock of affordable housing that needs to be preserved, and the state has lost housing that is naturally affordable.
9. Millennials' decisions to own or rent will be a key driver of the housing market.
10. The aging baby boom generation will create new housing needs and challenges.

For More Information

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