

The State of the Industry

MN House Housing Committee

January 11, 2023



MHA mission:

Advocacy, Education, Information, & Innovation

MHA serves:

2,200 members representing 305,000 units

MHA values are:

Integrity, Leadership, Relationships, & Innovation



MULTI HOUSING Advocate

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THE STATE OF PROPERTY MANAGEMENT

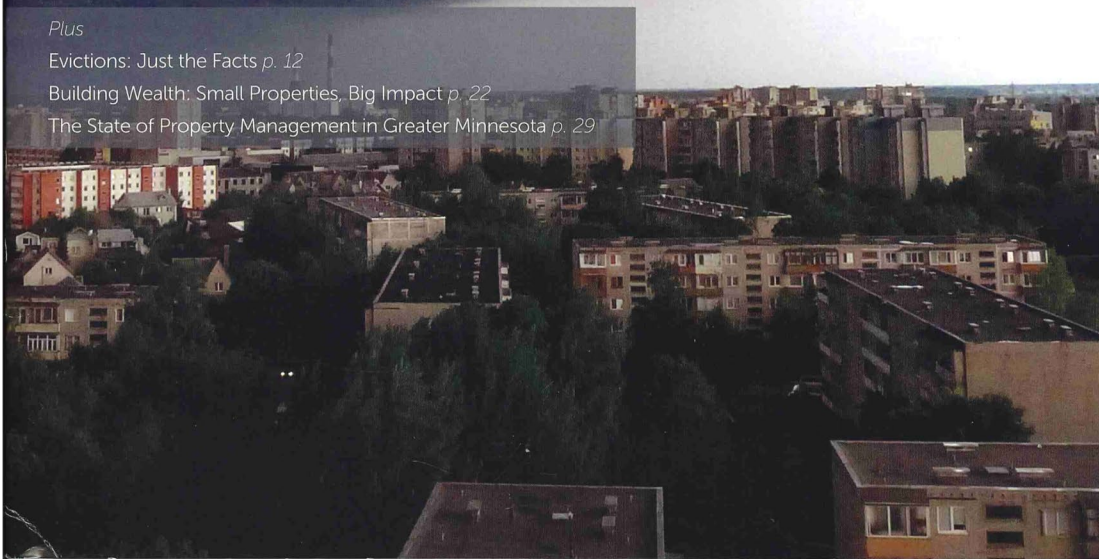
Turn to **Page 16** to read what three industry leaders have to say on the topic of current property management challenges.

Plus

Evictions: Just the Facts *p. 12*

Building Wealth: Small Properties, Big Impact *p. 22*

The State of Property Management in Greater Minnesota *p. 29*



MHA 

State of the Industry:

Stormy

- **Headwinds**

- Workforce
- Public Safety
- Eviction Delays
- Property Taxes
- Insurance
- Inflation
- Regulations
- Undersupply

Agenda

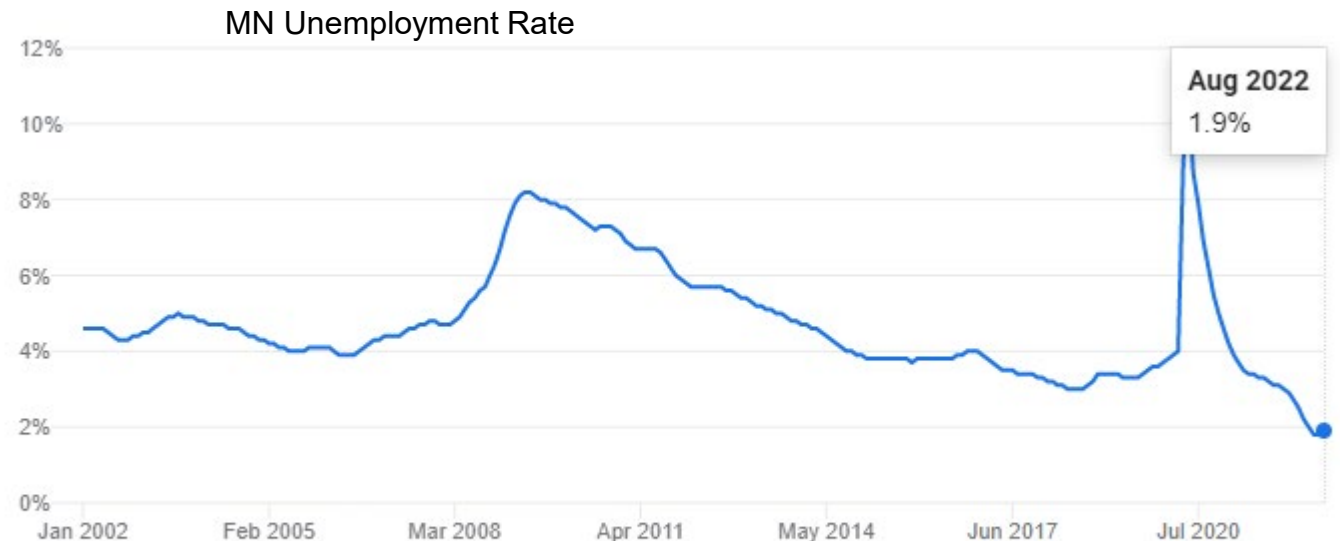


Headwinds: Workforce



Workforce

- Maintenance Technicians
 - Difficult to recruit and retain
 - 19% hourly wage increase over 2017-21 for entry-level techs
- Record low unemployment
- Quiet Quitting
- Hybrid work models



Unemployment rate is collected once a month - Numbers are seasonally adjusted

Headwinds: Public Safety

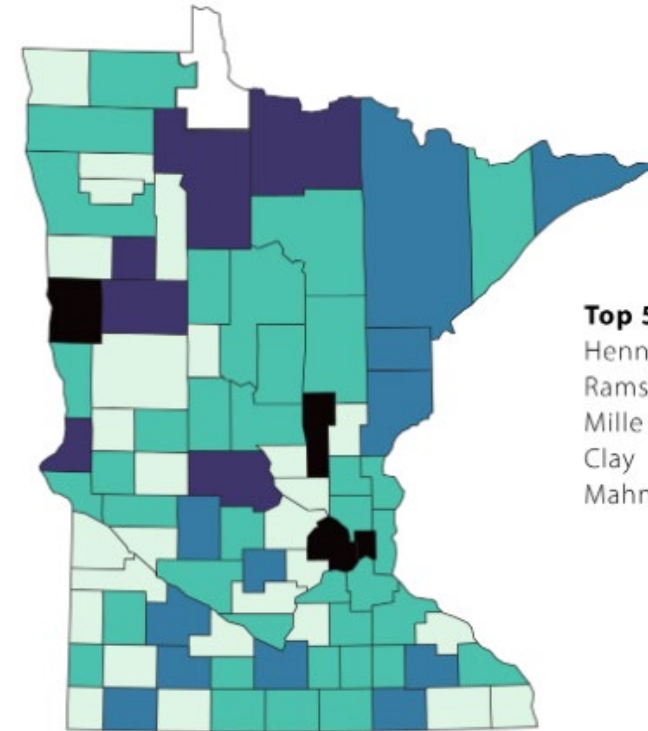


- Security budgets have grown rapidly
- Some long term Owners have sold entire portfolios
- Staff have resigned due to stress and threats

Public Safety

Violent crime in Minnesota

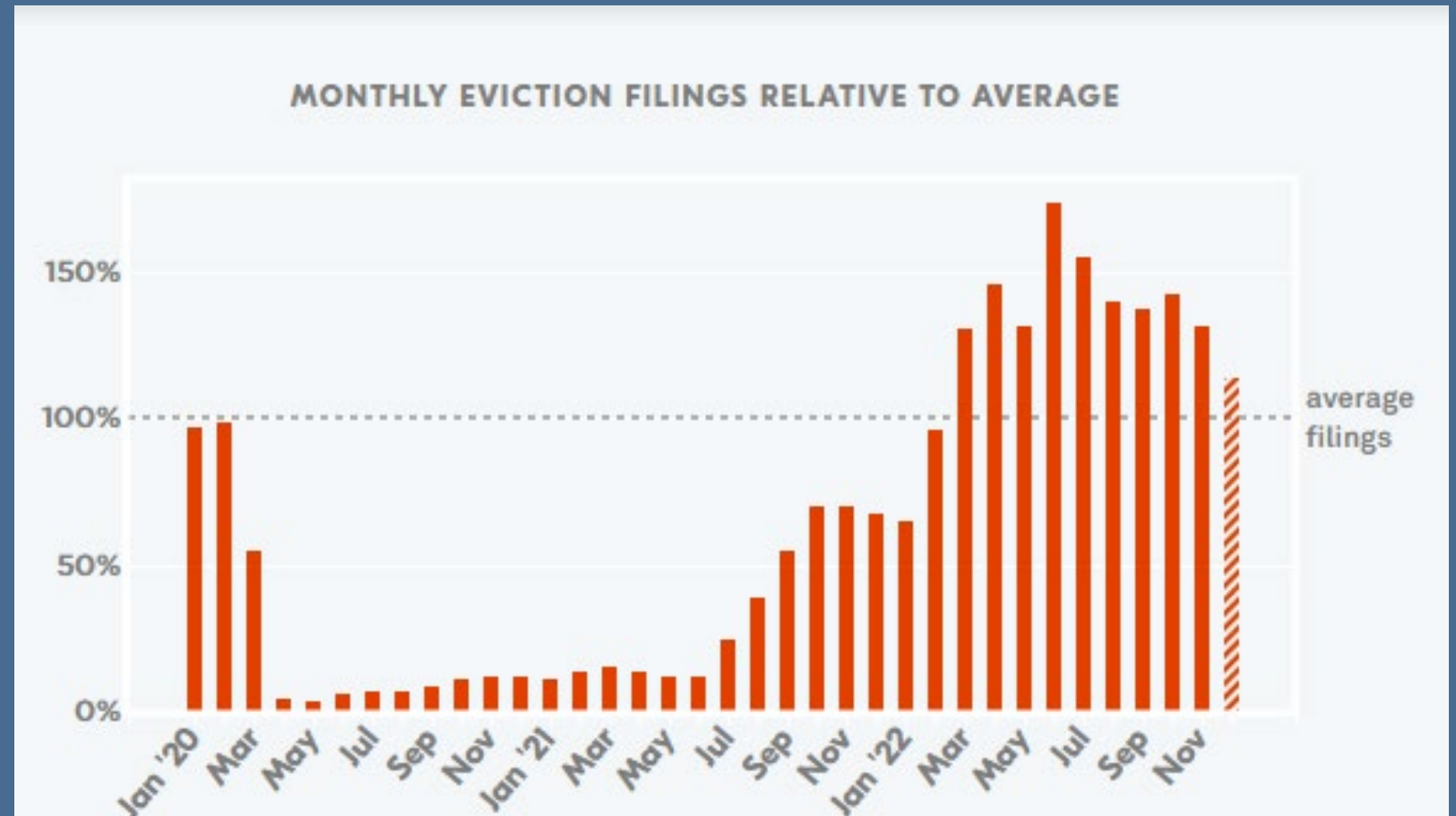
Violent crimes (murder, rape, aggravated assault and robbery) per 100,000 people, 2021



Top 5:

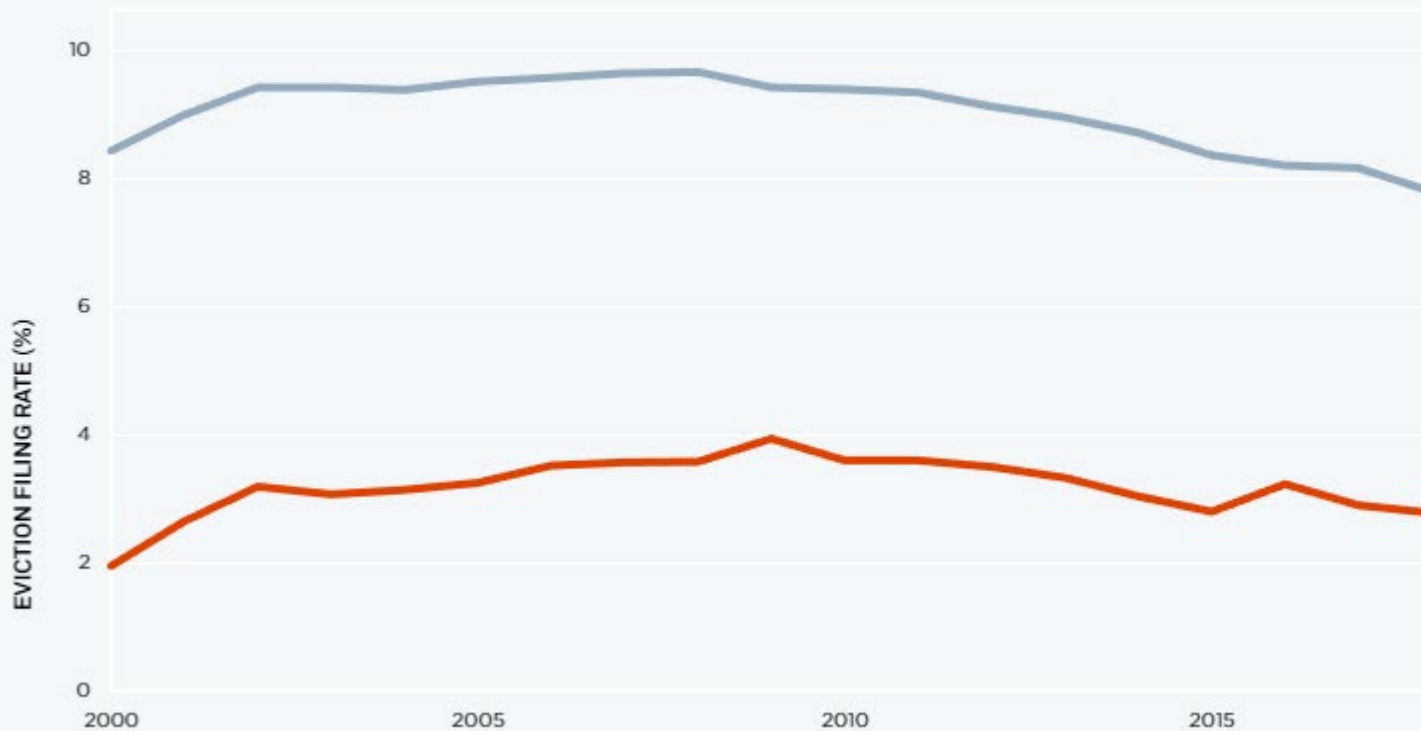
Hennepin	579.5
Ramsey	565.1
Mille Lacs	464.4
Clay	411.1
Mahnomen	382.5

Headwinds: Eviction Delays



- Backlogs and Bottlenecks
- August 2022: 4-month delay
- Courts now adding capacity
- Additional unwarranted bad debt

Eviction Delays



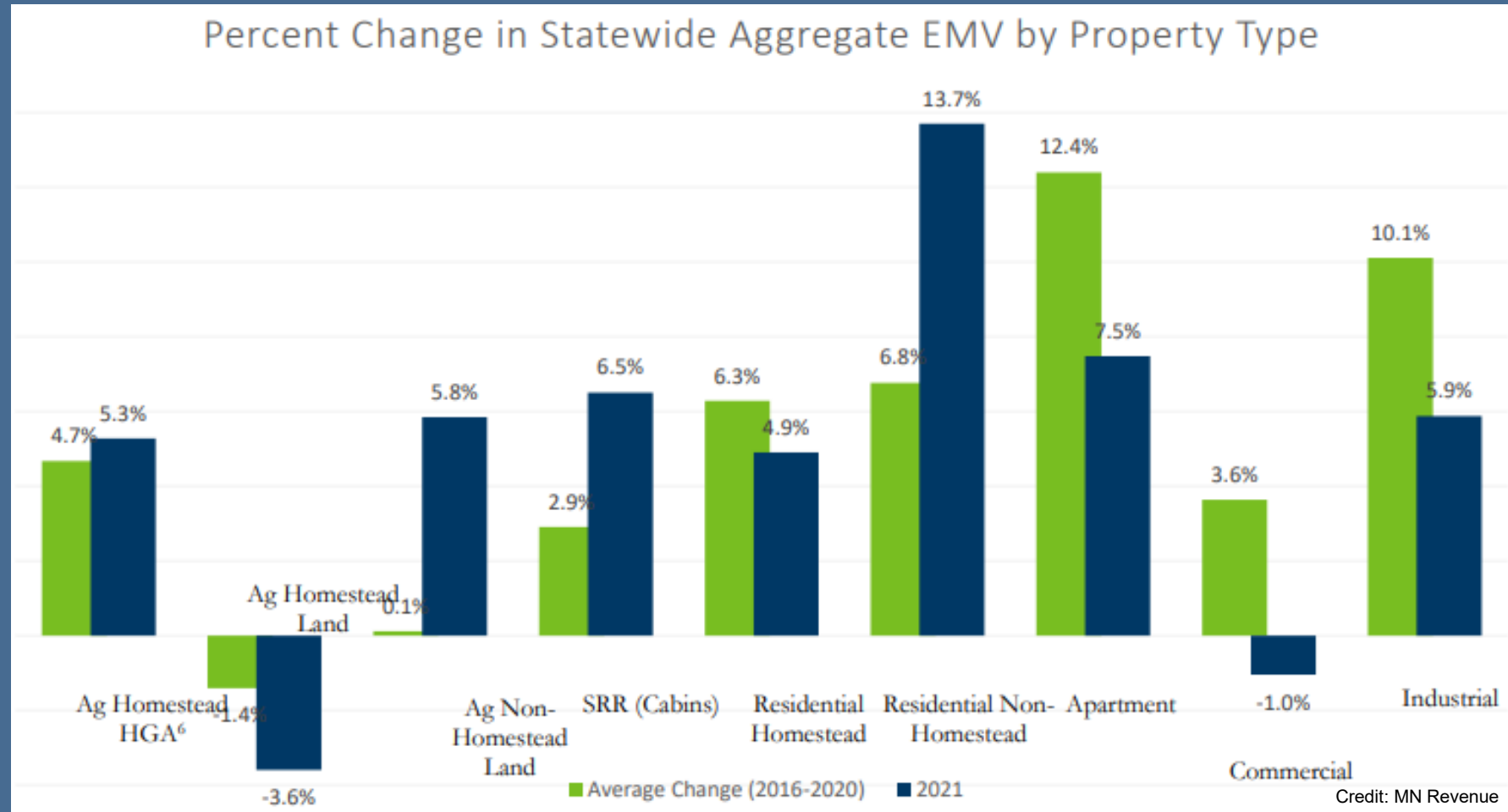
 **MINNESOTA**
UNITED STATES

 **NATIONAL AVERAGE**

Eviction filing fees

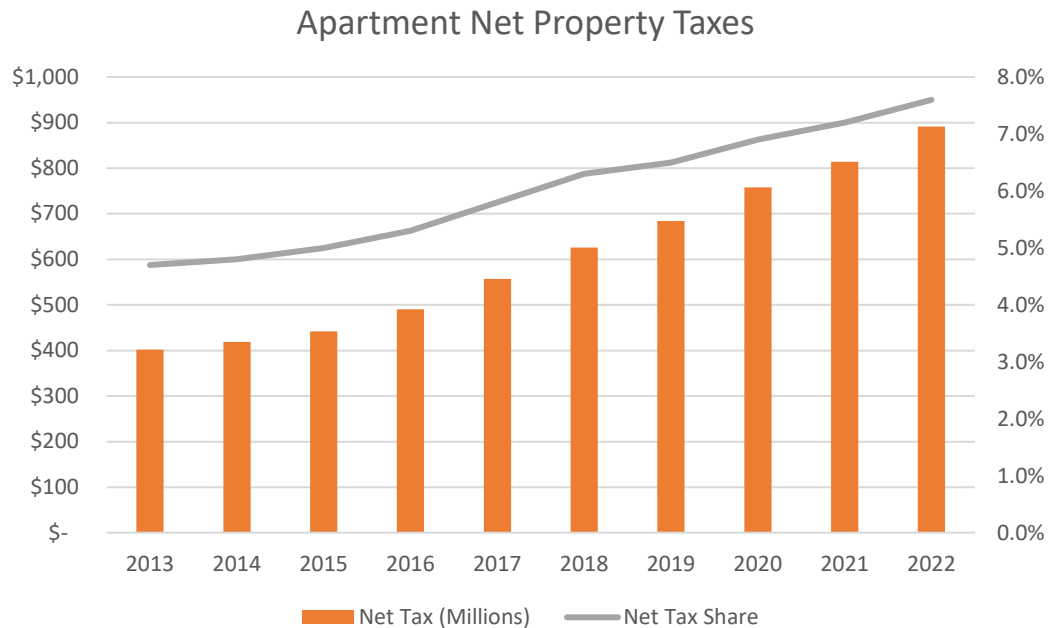
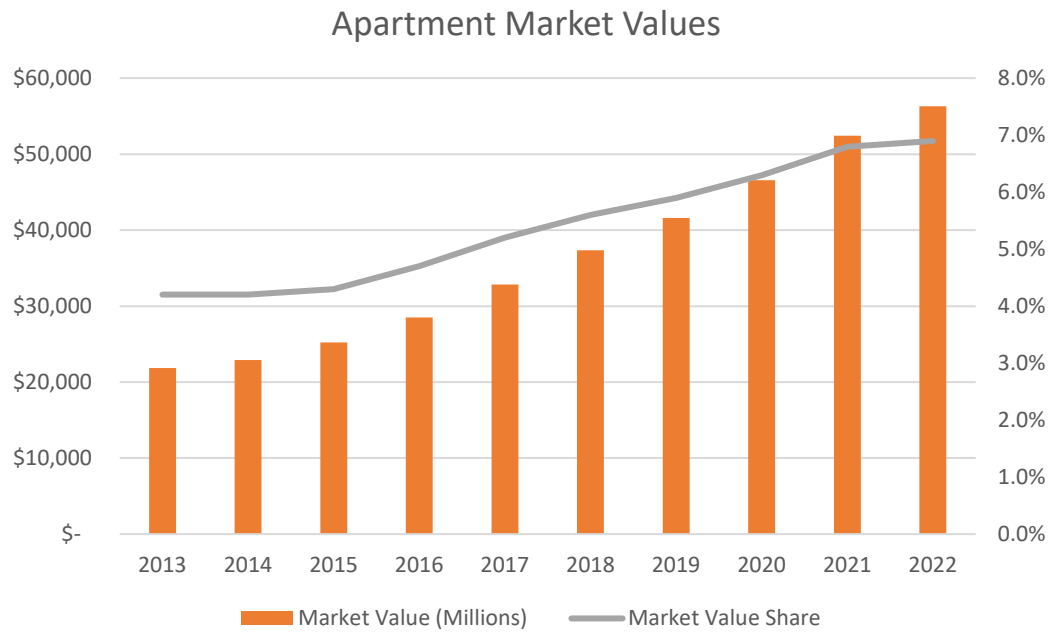
MN	\$ 285.00
WI	\$ 94.50
IA	\$ 95.00
ND	\$ 80.00
SD	\$ 70.00
IL	\$ 237.00
CA	\$ 240.00
MA	\$ 180.00
DC	\$ 15.00

Headwinds: Property Taxes



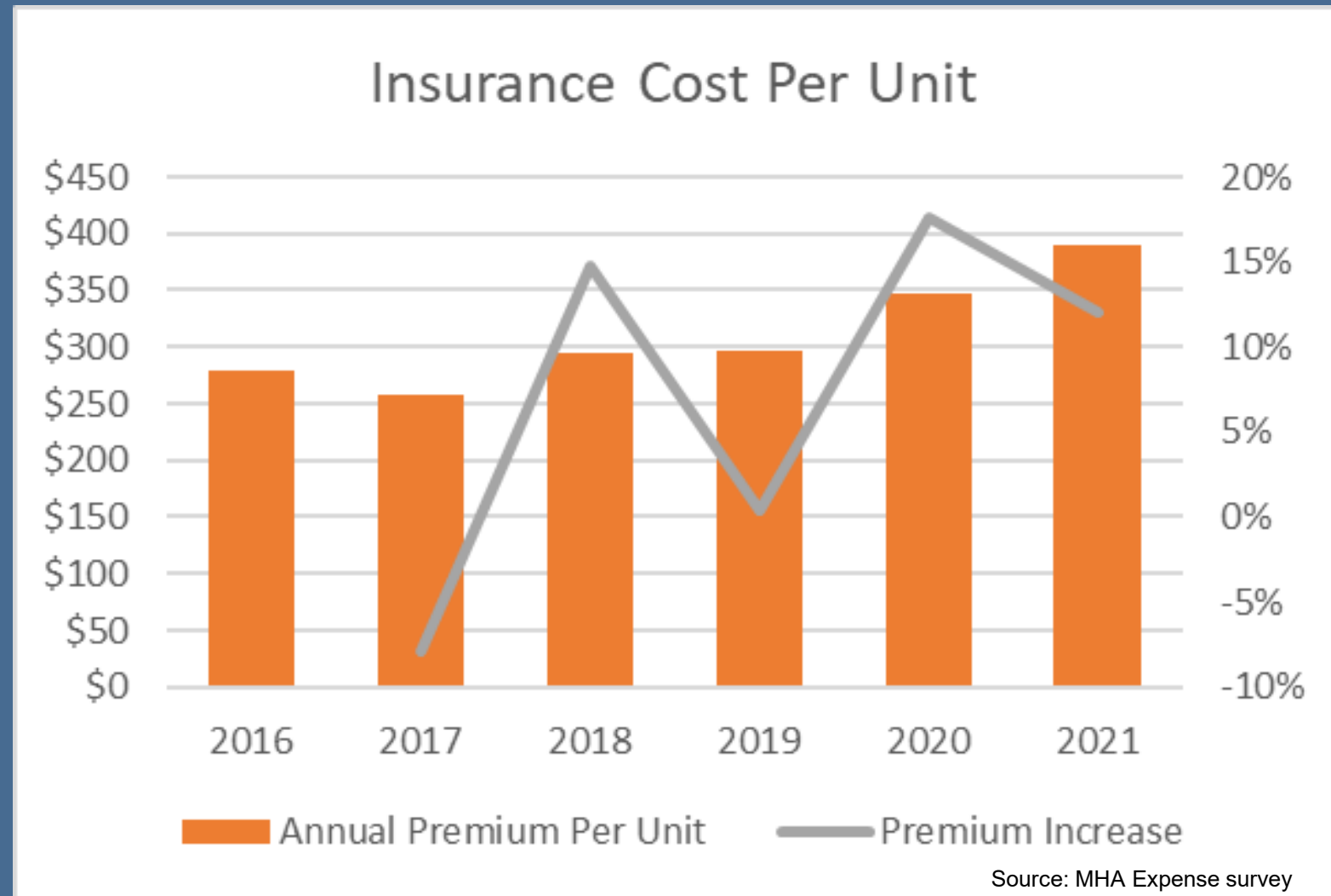
Credit: MN Revenue

Property Taxes



Source: MN Revenue Property Values and Assessment Practices Report

Headwinds: Insurance



Insurance

- Insurance Premiums
 - Starting to stabilize again
 - Mitigated with larger deductibles
 - Increased balance sheet risk
- Justification
 - Higher replacement costs
 - Substantial local claims history



Headwinds: Inflation



Inflation

- Housing inflation factors
 - Employee compensation
 - Property Taxes
 - Insurance
 - Utilities: Gas, Electric, Water, Trash
 - Appliance pricing
 - Materials and parts pricing
- Budget expense relief in deferred Maintenance and/or CapEx
- Potential multifamily housing crisis with debt refinancing



Headwinds: Regulations



Regulations

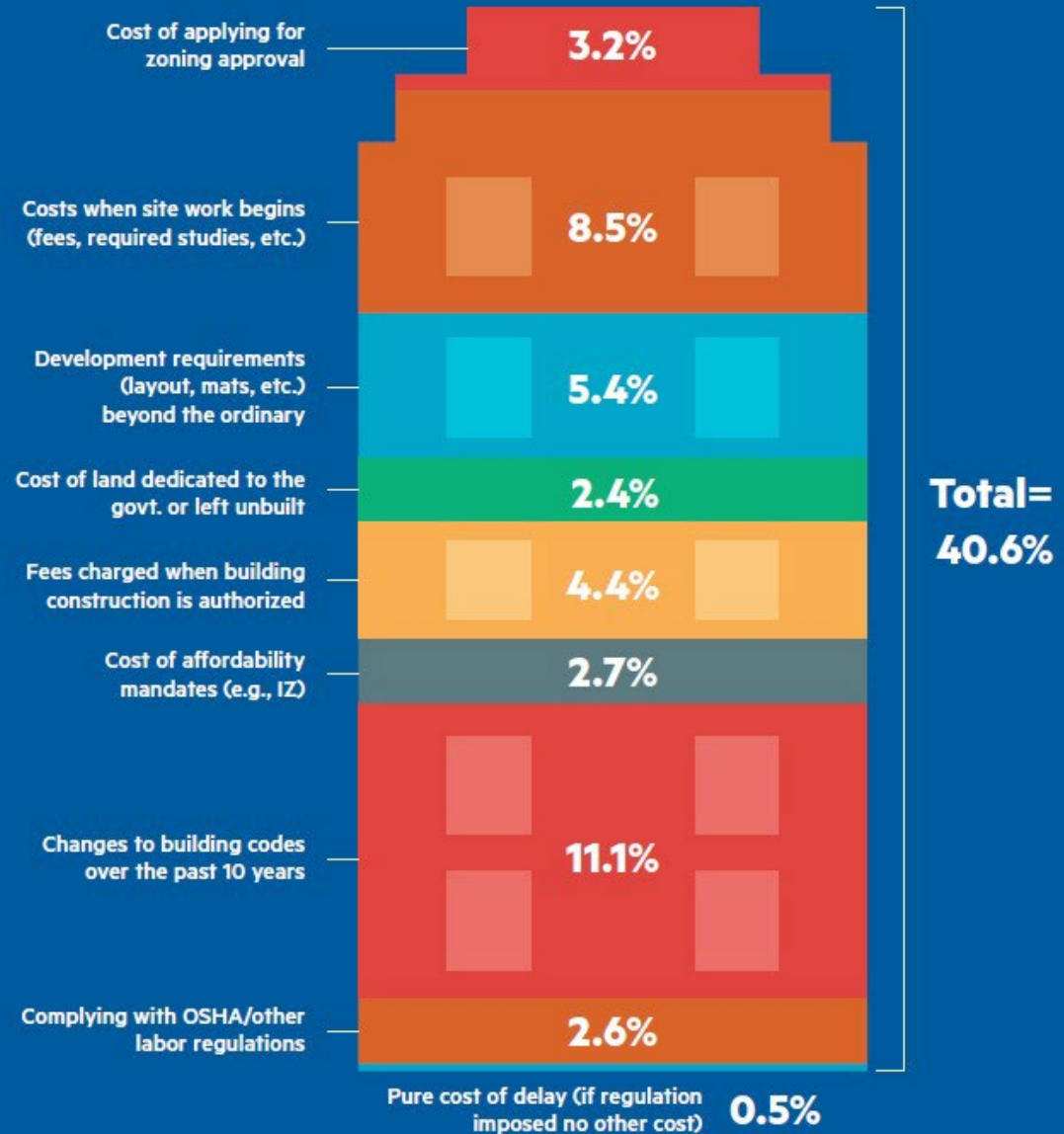
- Rent Control
- Inclusionary Zoning
- MHFA QAP 5% rent cap proposed
- CARES Act 30-day Eviction Notice
- Minneapolis Tenant Protection Ord.
- Brooklyn Center Protection Ord.
- St. Louis Park Protection Ord.



Regulations

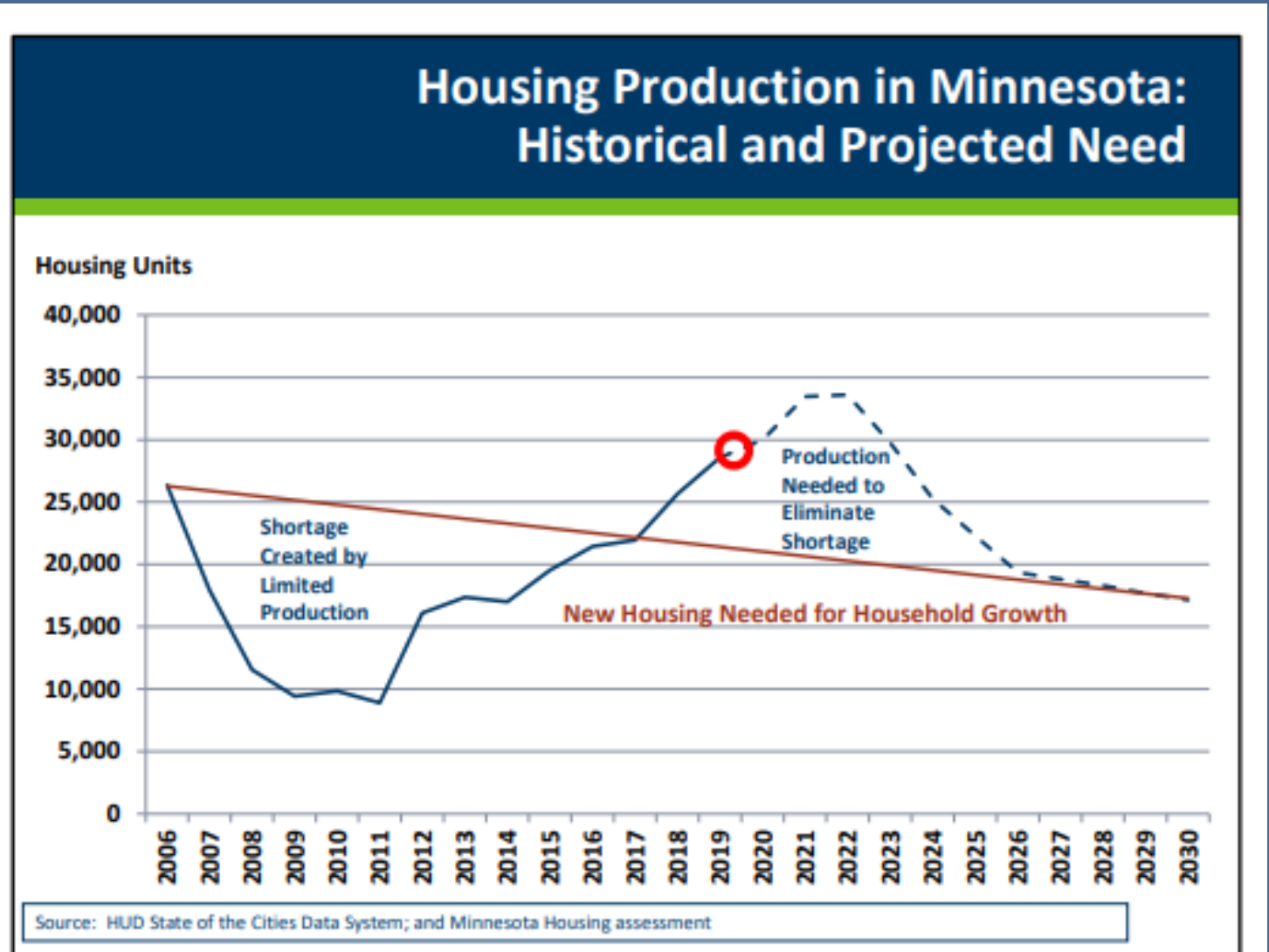


AVERAGE COST OF REGULATION AS A SHARE OF TOTAL MULTIFAMILY DEVELOPMENT COST



Note: Averages are across all multifamily properties, even those not subject to a particular type of regulation. Those are factored in as "0" when calculating.

Headwinds: Undersupply



- MSP region underproduction
 - 2012: 43,270 housing units
 - 2019: 80,138 housing units
- State of MN underproduction
 - 2012: 49,714 housing units
 - 2019: 94,725 housing units

Undersupply



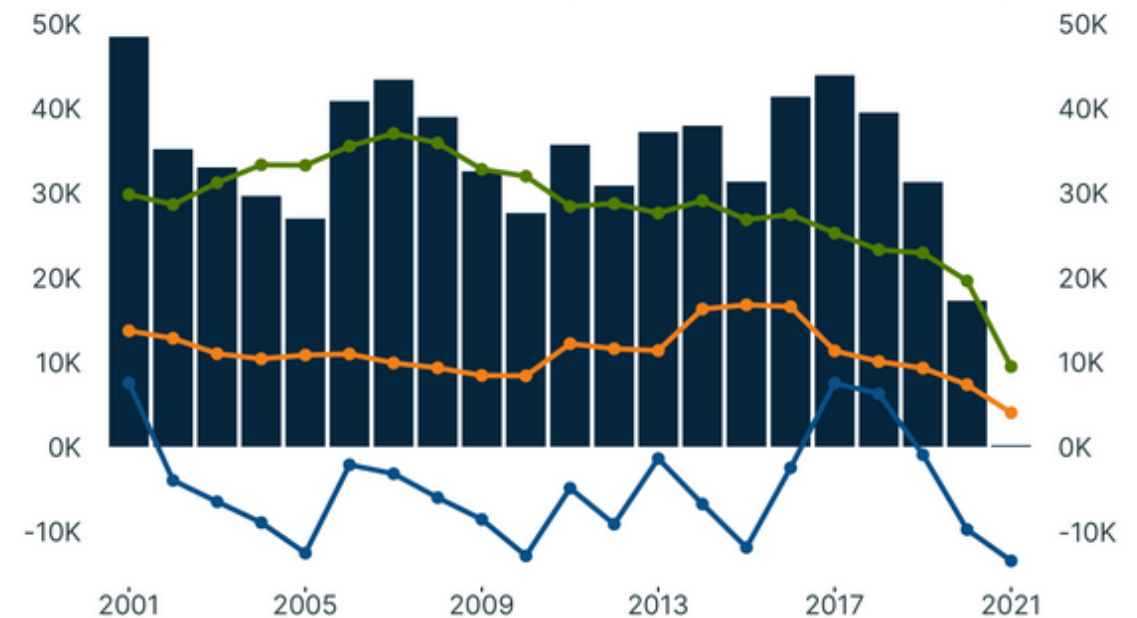
- Caution: Household formation
 - Net-migration trends
 - Gen Z about 25% smaller group than Millennials

- Consequences of underproduction
 - Perpetual Racial Inequity
 - Housing Unaffordability
 - Unsustainable Economic & Fiscal Outcomes

Undersupply

Minnesota population growth sputters to halt

Bars show net population change, while lines show the share caused by **births and deaths**, **domestic migration** and **international migration**.



Listed years are the 12 months ending in June. For example, the 2021 data covers July 1, 2020 through June 30, 2021. Source: U.S. Census. Graph by David H. Montgomery | MPR News