Minneapolis Rental Housing Brief

February 2023

HousingLink
Rents

Median Rents\(^1\)

<table>
<thead>
<tr>
<th>Type</th>
<th>February 2023</th>
<th>February 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ONE BEDROOM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,068</td>
<td>$989</td>
</tr>
<tr>
<td><strong>TWO BEDROOM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,395</td>
<td>$1,295</td>
</tr>
<tr>
<td><strong>THREE BEDROOM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,695</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

\(+8\%\) Increase YOY

Income Required to Rent a Home in February 2023

- **ONE BEDROOM**: $2,669
- **TWO BEDROOM**: $3,488
- **THREE BEDROOM**: $4,238

+13% Increase YOY

Vacancy Distribution by Building Type\(^2\)

<table>
<thead>
<tr>
<th>Type</th>
<th>February 2023</th>
<th>February 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APARTMENT</strong></td>
<td>77%</td>
<td>74%</td>
</tr>
<tr>
<td><strong>SINGLE FAMILY HOME</strong></td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>OTHER</strong></td>
<td>14%</td>
<td>15%</td>
</tr>
</tbody>
</table>

\(\) To learn more about HousingLink rent data, watch this video.

\(^2\) Different than “vacancy rate,” we are saying that OF the vacancy rate (around 5%), xx% of the vacancies are apartments, xx% are single family homes, and xx% are of another building type.

Source: HousingLink’s Rental Revue data.
Rental Housing Affordability

Median One Bedroom Rents\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>February 2023</th>
<th></th>
<th>February 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tax Credit Properties</td>
<td>Market Rate Properties</td>
</tr>
<tr>
<td>$1,045</td>
<td>$1,070</td>
<td>$1,015</td>
<td>$1,079</td>
</tr>
<tr>
<td>$985</td>
<td>$973</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Source: HousingLink's *Rental Revue* data.

Number of NOAH Rental Vacancies\(^2\)

<table>
<thead>
<tr>
<th></th>
<th>One Bedroom</th>
<th>Two Bedroom</th>
<th>Three Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2023</td>
<td>708</td>
<td>372</td>
<td>115</td>
</tr>
<tr>
<td>February 2022</td>
<td>533</td>
<td>297</td>
<td>103</td>
</tr>
</tbody>
</table>

\(^2\) Ibid. For purposes of this report, we define “NOAH” private market housing that is affordable to 60% of Area Median Income, including likely utility costs, depending on number of bedrooms and building type. HousingLink follows widely-accepted basic practices for analyzing housing affordability, which involve comparing rents to area median incomes provided every year by HUD. Their adjustments, tied closely to inflation, resulted in much higher income estimates this year and, thus, much higher thresholds for affordability. It is important to remember that an overall standard of “affordability” is a broad brush and individual families looking for housing can only evaluate the notion of “affordable” relative to their own circumstances. To learn more about how HousingLink calculates affordability by area median income, watch this video. To learn more about NOAH rental supply, watch this video.
Rental Housing Affordability

% of Minneapolis Rental Vacancies Affordable by Income Level

<table>
<thead>
<tr>
<th>Income Level</th>
<th>February 2023</th>
<th>February 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% AMI*</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>50% AMI*</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>60% AMI*</td>
<td>60%</td>
<td>62%</td>
</tr>
<tr>
<td>80% AMI*</td>
<td>89%</td>
<td>86%</td>
</tr>
<tr>
<td>100% AMI*</td>
<td>98%</td>
<td>95%</td>
</tr>
</tbody>
</table>

1 AMI (Area Median Income) is $82,200 for an individual and $117,300 for a family of four in the Twin Cities Metro (HUD, 2022). HousingLink follows widely-accepted basic practices for analyzing housing affordability, which involve comparing rents to area median incomes provided every year by HUD. Their adjustments, tied closely to inflation, resulted in much higher income estimates this year and, thus, much higher thresholds for affordability. It is important to remember that an overall standard of "affordability" is a broad brush and individual families looking for housing can only evaluate the notion of "affordable" relative to their own circumstances. To learn more about how HousingLink calculates affordability by area median income, [watch this video](#). To learn more about NOAH rental supply, [watch this video](#). Source: HousingLink’s Rental Revue data.
Housing Choice Vouchers forfeited in Q4 2022

This figure refers to vouchers families were unable to place in service. Traditionally, this has usually resulted from rent exceeding the Public Housing Authority’s ability to adequately subsidize the voucher holder’s portion of, or a landlord’s unwillingness to participate in, the Section 8 Housing Choice Voucher program.

Another scenario resulting in forfeiture can involve Public Housing residents who ultimately make a choice to stay in their current unit. This is not uncommon, as the individuals may find that living with a voucher is more costly than living in a public housing unit.

Finally, some simply do not search for a unit because they have existing housing, they are not ready or willing to leave, or have circumstances otherwise preventing a housing search.

February 2023 Waiting List Openings

↓ down from 15 last year.

February housing openings with one or more accessible features

↑ up from 38 last year.

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1 Source: Minneapolis Public Housing Authority.
2 Source: Waiting list openings advertised on HousingLink include Public Housing, Project Based Section 8, Tax Credit, and more.
3 Source: Advertised vacancies on HousingLink.org featuring one or more accessible features.
**Rental Housing Stock**

**Licensed Rental Units – Q4 2022**

1. **106,049 Licensed units**
   
   **+3.6% from previous year**

2. **1,750 "Tier 3" rental units**
   
   **+232% from previous year**

3. **24,044 Units in 1 and 2 Unit Licenses**
   
   **-0.7% from previous year**

4. **1,765 Units of Short-Term Rental Stock**
   
   **(↑ 2.3% from previous year)**

5. **1,413 entire home rentals listed**

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1. Source: Analysis of City of Minneapolis Regulatory Services rental license data. Note: The City of Minneapolis uses a tiered rating system as part of their rental process. Tier 3 rentals are those which require excessive city services, are poorly maintained or managed, and may be at a higher risk for fire damage.

2. Tier 3 rentals are typically on the most frequent inspection cycle (one-year); however, seemingly elevated levels of Tier 3 rentals in recent quarters are largely due to comparisons versus pandemic-era quarters, where there was more limited capacity for inspection.

Apartment Sales & Development

Multifamily (5+) Units Permitted for New Construction

Q1 2022 to Q4 2022

3,563 Units

+16% year over year

5-year view

Average Price-Per-Unit Apartment Sales

Q1 2022 to Q4 2022

$139,600 Per unit

-40% year over year

1 Source: HUD’s SOCDS Building Permits Database, which contains data on permits for residential construction collected in the Census Bureau’s Building Permits Survey. While some multifamily construction may contain units built for sale (e.g. condominiums), recent analysis by the Urban Institute recently indicated those units only account for 5.4% of all permitted multifamily units, nationwide (The Housing Market Needs More Condos. Why Are So Few Being Built?, Neal, Goodman; February 2022).

2 Source: This analysis is based on research conducted since 2011 exclusively on projects vetted or written about by Finance & Commerce publication for its Twin Cities Apartment Sales Tracker, available at finance-commerce.com.
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