

# The State of the Industry

*MN Senate Housing Committee*

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January 17, 2023



# MHA mission:

*Advocacy, Education, Information, & Innovation*

# MHA serves:

*2,200 members representing 305,000 units*

# MHA values are:

*Integrity, Leadership, Relationships, & Innovation*

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# MULTI HOUSING Advocate

September/October 2022 ♦ The magazine of the Minnesota Multi Housing Association ♦ [www.mmha.com](http://www.mmha.com)

## THE STATE OF PROPERTY MANAGEMENT

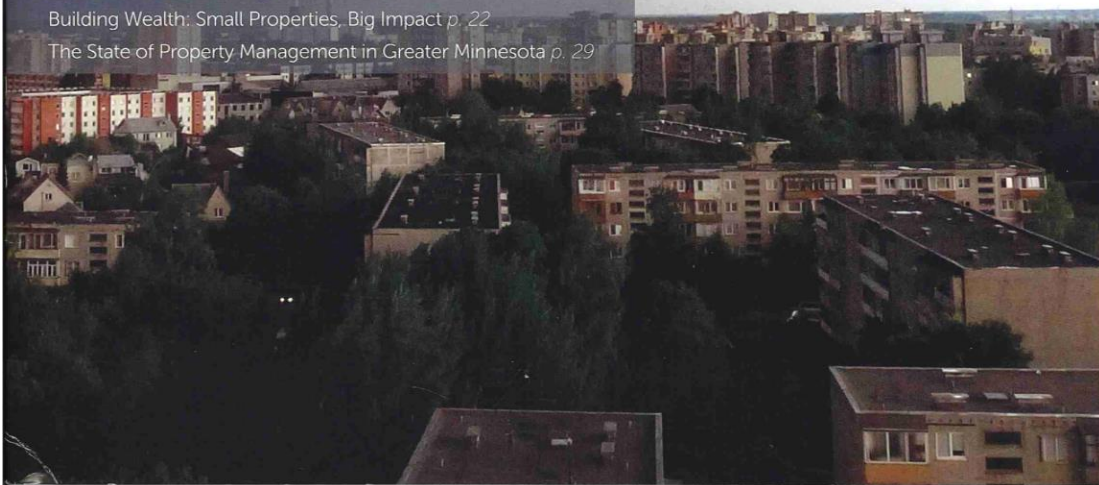
Turn to **Page 16** to read what three industry leaders have to say on the topic of current property management challenges.

*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*



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# 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



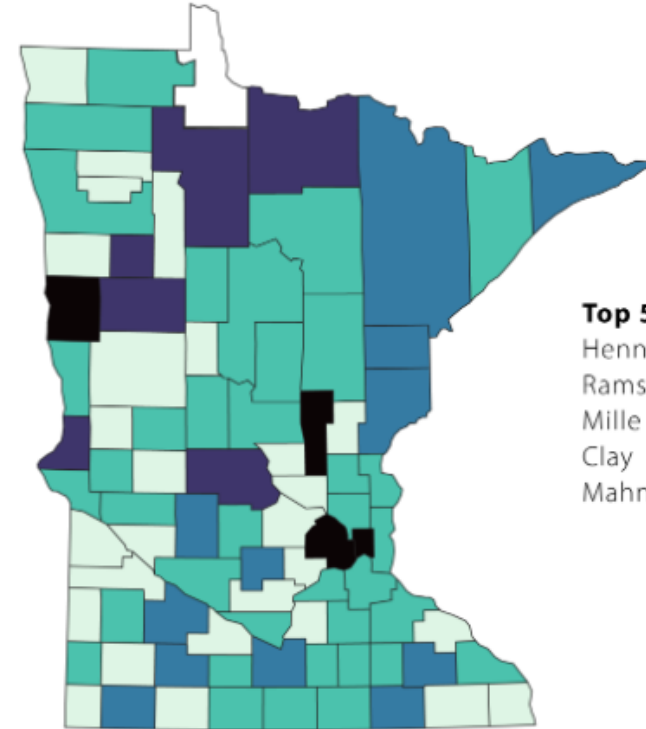


- Security budgets have grown rapidly
- Some long term Owners have sold entire portfolios
- Staff have resigned due to stress and threats

# Public Safety

## Violent crime in Minnesota

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

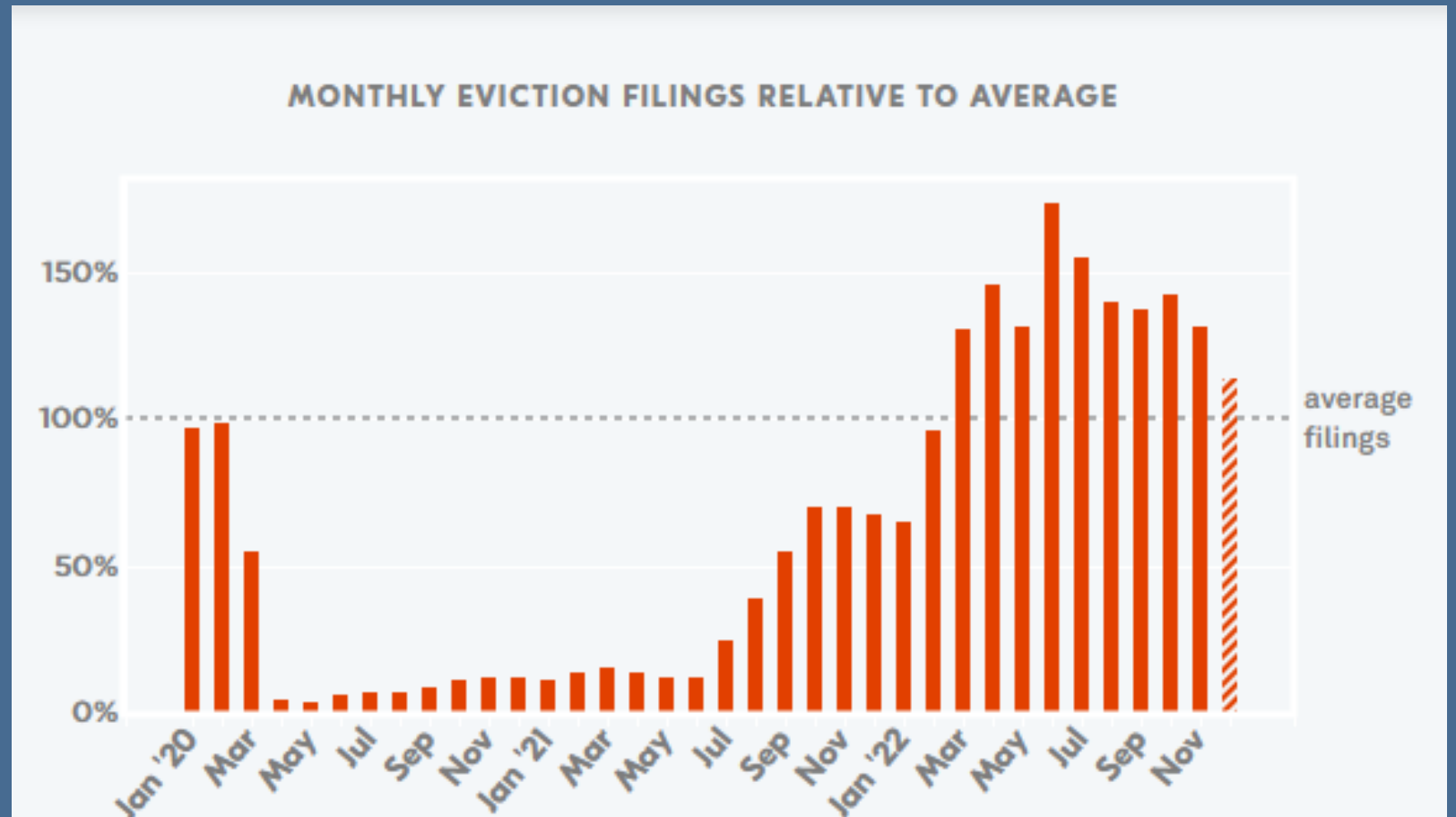


### Top 5:

Hennepin	579.5
Ramsey	565.1
Mille Lacs	464.4
Clay	411.1
Mahnomen	382.5

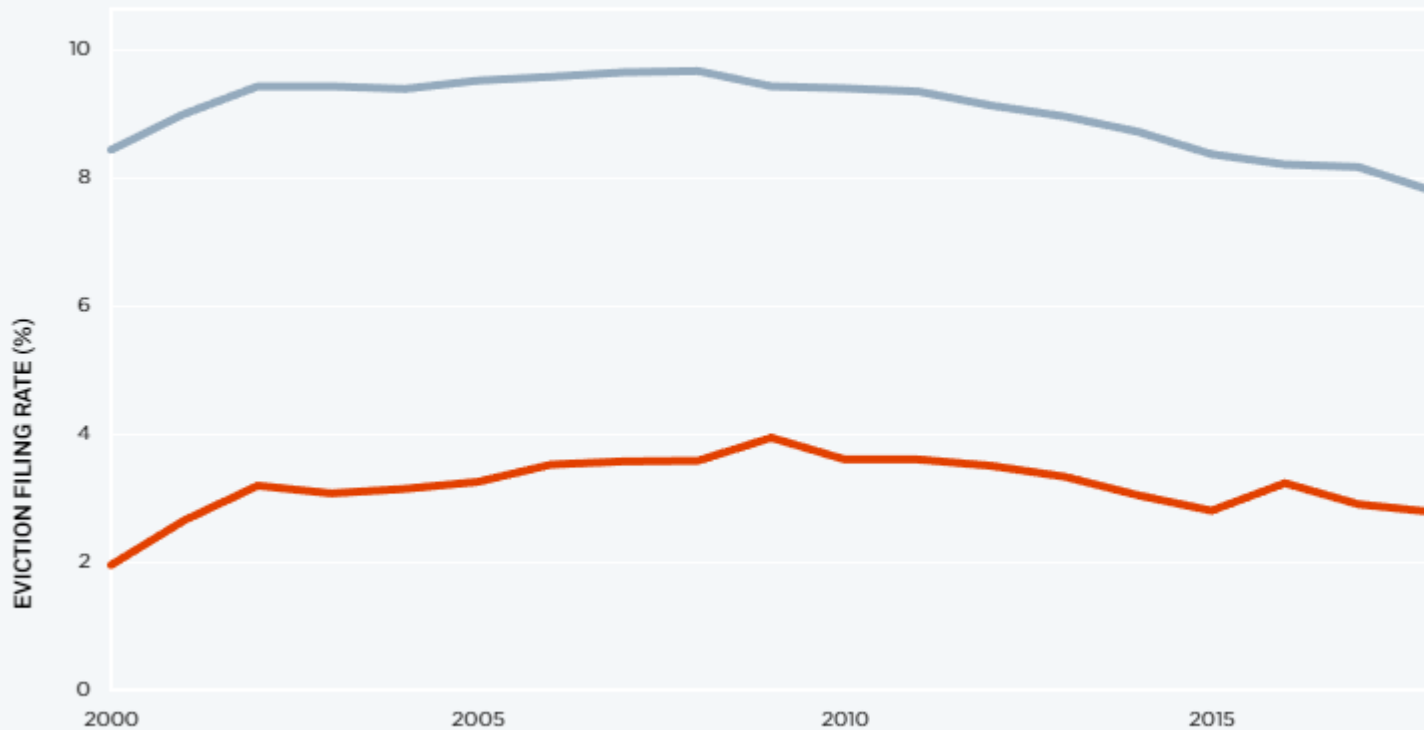


# Headwinds: Eviction Delays



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

# Eviction Delays



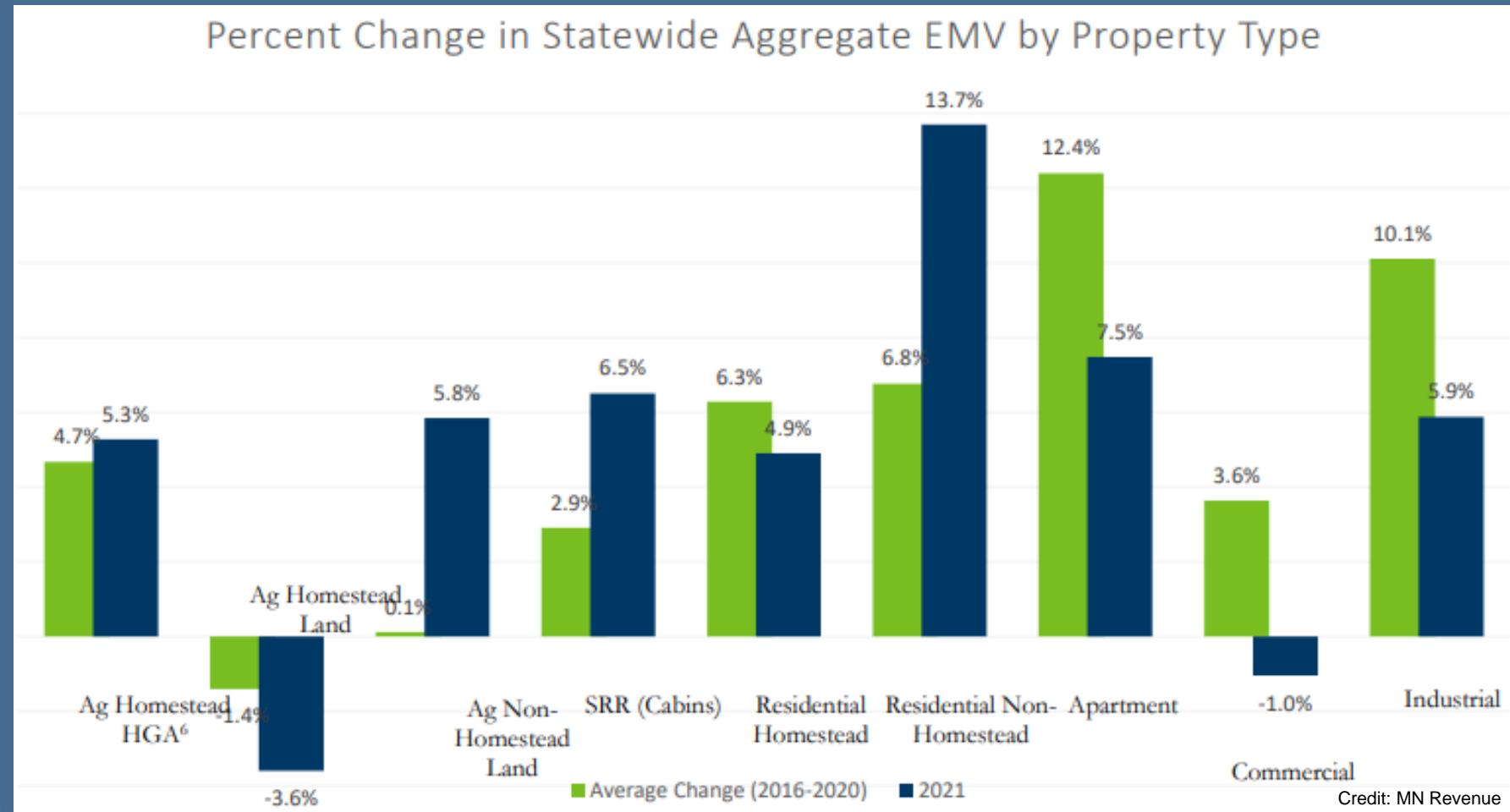
 **MINNESOTA**  
UNITED STATES

 **NATIONAL AVERAGE**

### Eviction filing fees

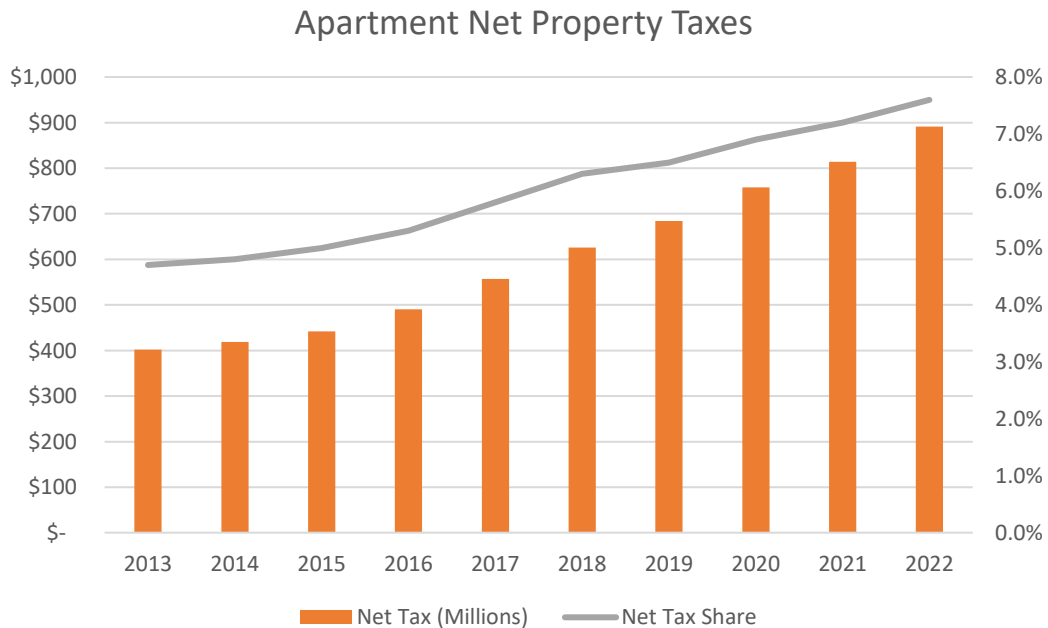
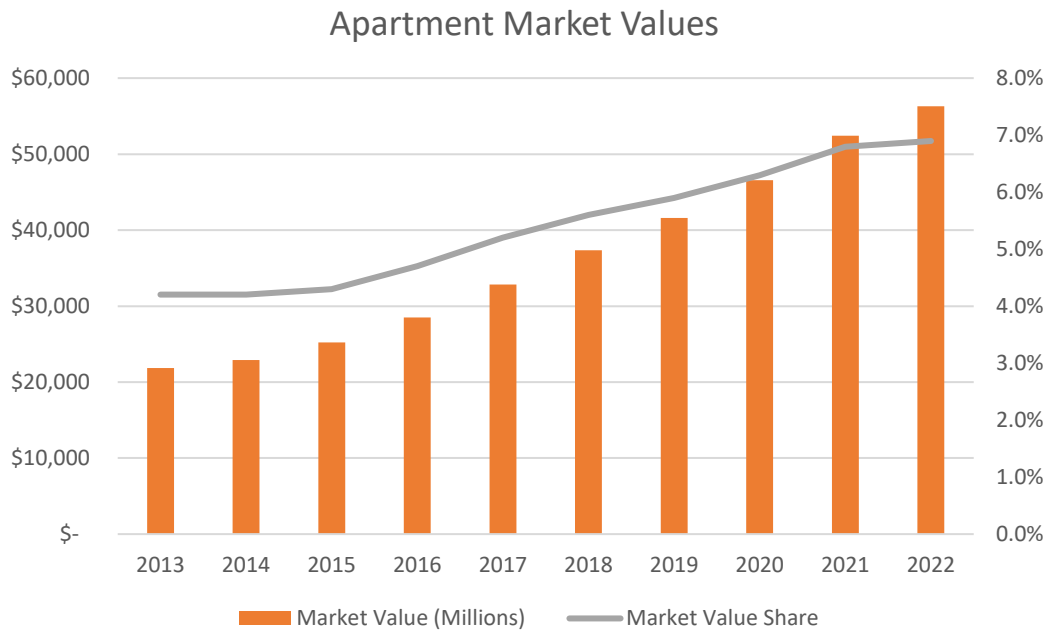
MN	\$ 285.00
WI	\$ 94.50
IA	\$ 95.00
ND	\$ 80.00
SD	\$ 70.00
IL	\$ 237.00
CA	\$ 240.00
MA	\$ 180.00
DC	\$ 15.00

# Headwinds: Property Taxes



Credit: MN Revenue

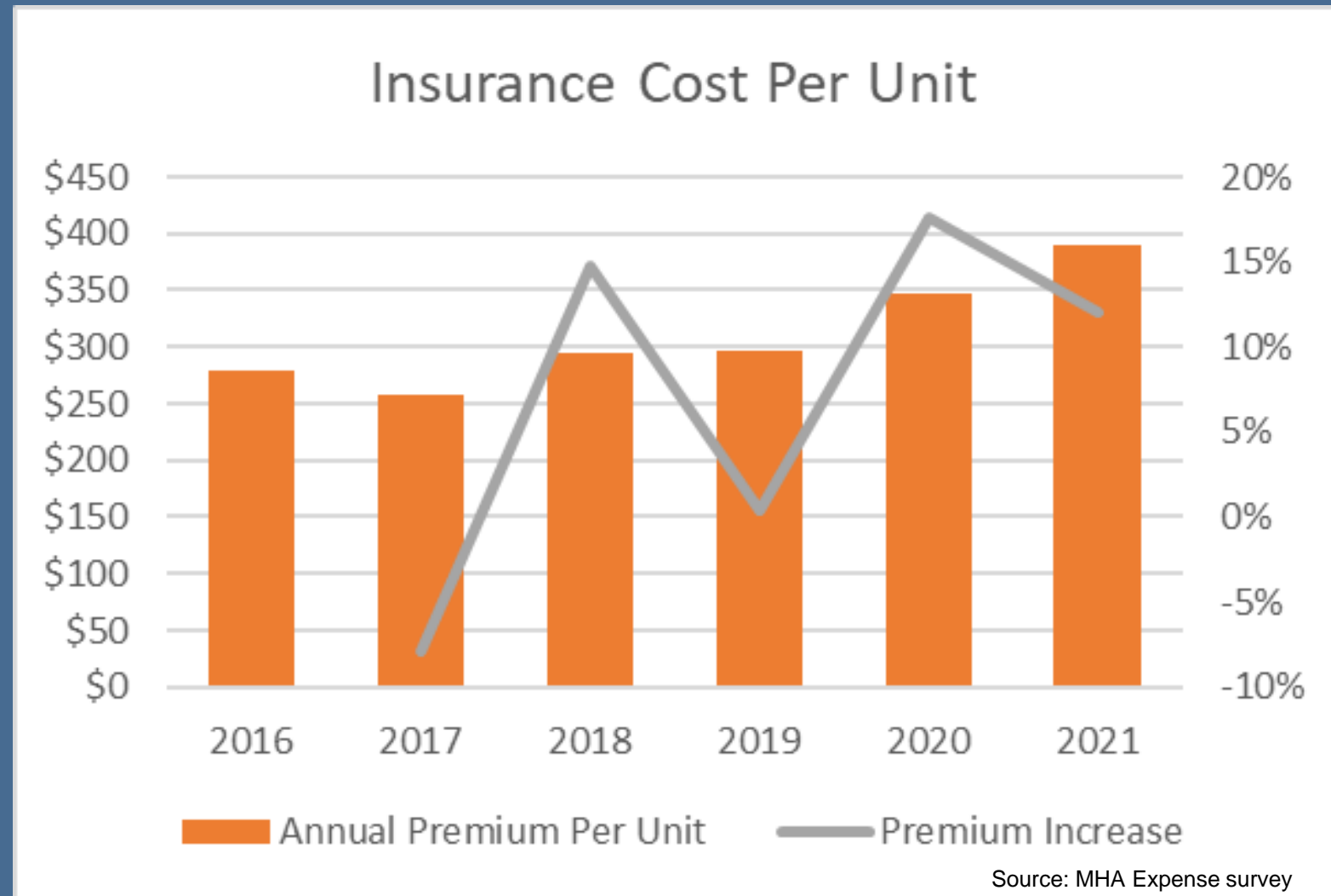
# Property Taxes



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

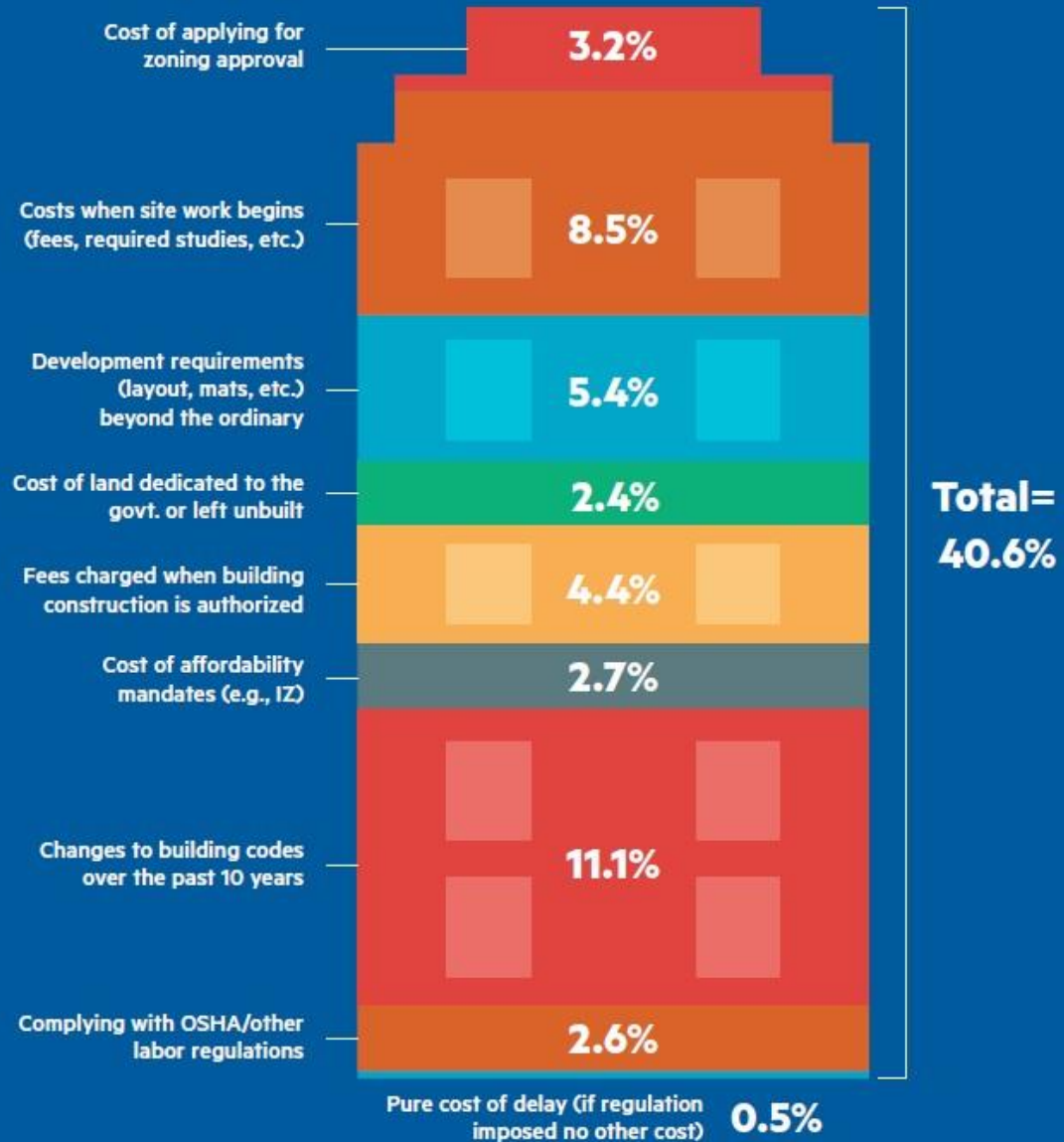
- Rent Control
- Inclusionary Zoning
- MHFA QAP 5% rent cap proposed
- CARES Act 30-day Eviction Notice
- Minneapolis Tenant Protection Ord.
- Brooklyn Center Protection Ord.
- St. Louis Park Protection Ord.



# Regulations



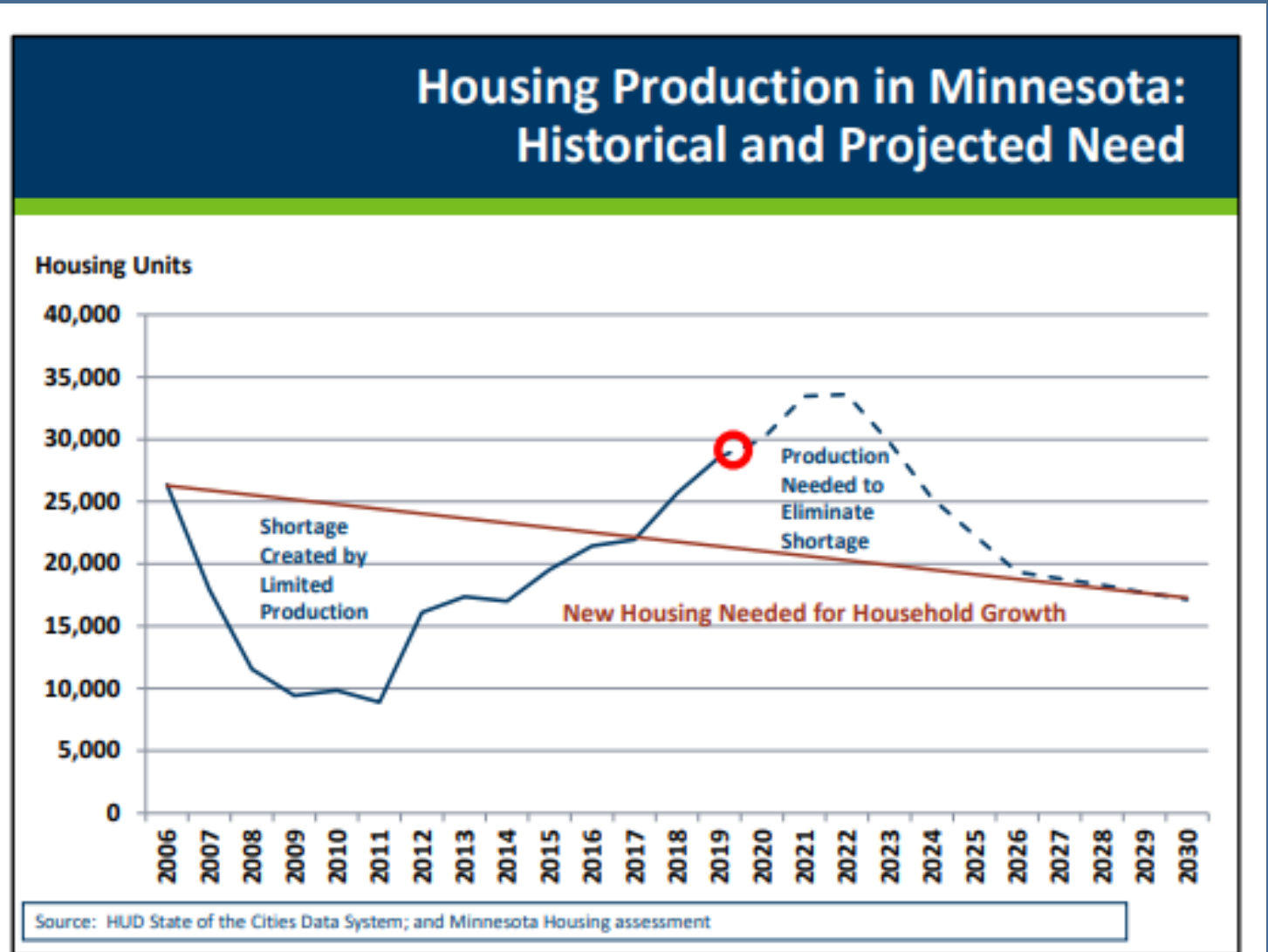
## AVERAGE COST OF REGULATION AS A SHARE OF TOTAL MULTIFAMILY DEVELOPMENT COST



**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



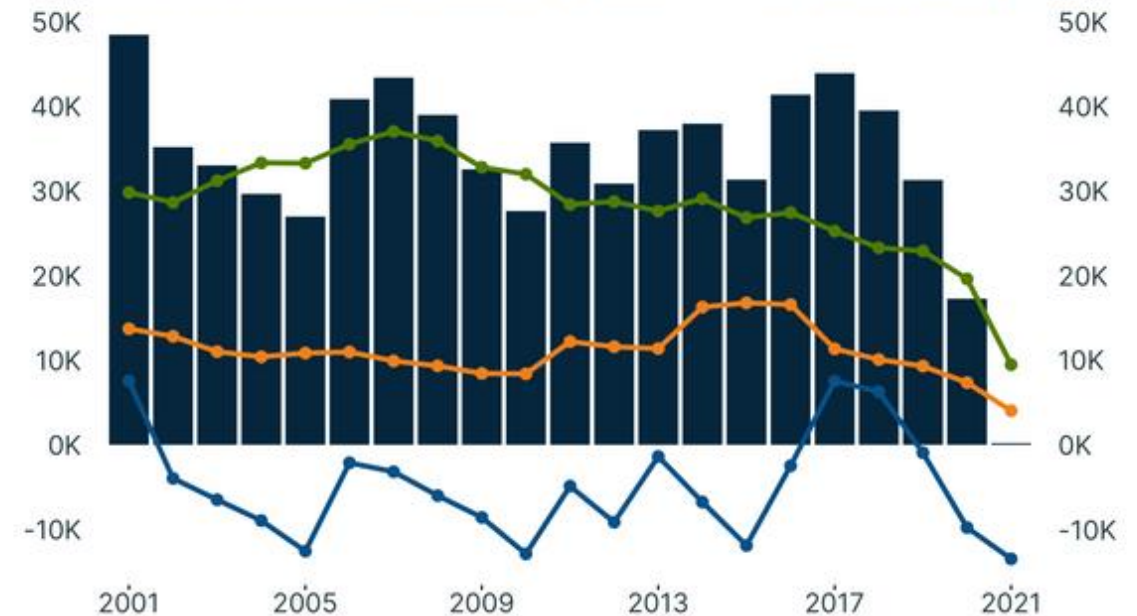
- Caution: Household formation
  - Net-migration trends
  - Gen Z about 25% smaller group than Millennials

- 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