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REAL ESTATE RESEARCH CASE STUDIES February, 2003

Home Ownership Increases as Single Family Rentals Declines

Traditionally, new rental projects are needed to accommodate new renters generated from household growth. However, many communities across Minnesota are experiencing a reduction of non-traditional rental housing. Therefore new rental units may be needed to replace lost rental units as well.

A comparison of 1990 and 2000 Census data reveals that, overall Minnesota is experiencing a transition from rented single-family homes and duplexes to owner occupied homes. The number of renter households living in single-family homes and multifamily buildings with less than five units

declined by approximately 7,500 households during the 1990s.

Except for 1,100 new rented mobile homes, all of the renter household growth occurred in buildings with five or more units.

Many factors during the last decade contributed to this phenomenon, including low mortgage interest rates, rising home values, and the demolition of functionally or physically obsolete rental housing.

Many younger households discovered that due to low mortgage rates, homeownership was more affordable than renting. This created high demand for single-family homes during the decade. As owner demand increased, so did home values. Many landlords of single-family homes and duplexes were able to reap greater financial rewards by selling their rented homes.

Also, some communities are improving the quality of their housing stock by demolishing homes that are either functionally and/or physically obsolete - homes that more often than not are rented.

While the trend toward increased homeownership has somewhat reduced overall rental demand, the loss of non-traditional rental

Owner & Renter Households by Building Type Minnesota 1990 & 2000			
	1990	2000	Change
Owners:			
Single-Family	1,072,915	1,291,970	219,055
2-4 unit bldgs.	22,584	25,392	2,808
5+ unit bldgs.	23,194	30,246	7,052
Mobile Homes	59,174	64,695	5,521
Total	1,177,867	1,412,303	234,436
Renters:			
Single-Family	98,628	96,140	-2,488
2-4 unit bldgs.	81,984	76,934	-5,050
5+ unit bldgs.	268,861	299,782	30,921
Mobile Homes	8,322	9,437	1,115
Total	457,795	482,293	24,498
Note: Figures exclude Other dwelling types, such as boats, campers, and vans.			
Source: US Census Bureau: 1990 & 2000			

housing may be creating a shortage of rental housing in some communities. Since many of the rented single-family homes being lost are rented by families, communities may want to explore the potential need for adding rental units with more than two bedrooms.

Since 1983, Maxfield has been helping cities and municipalities throughout the upper midwest plan to meet their housing needs. If you would like information on how Maxfield can help you make your planning decisions, or if you would like to be excluded from future editions of Maxfax, contact Jay Thompson at 612.904.7973.

Maxfield Research's Insight

Maxfield Research has over 20 years of experience in market research. The expertise we have gained throughout the years enables us to offer solutions to the many issues cities & developers face. The relationship we develop with our clients is a critical component to the success of our approach to housing research and allows us to serve as a source of direction and information during development and planning.

If you do not wish to receive future newsletters, or if they should be sent to others in your organization, please contact Phyllis Austin at 612.904.7967.