# MARKET WATCH:
## St. Cloud, Mankato, and Moorhead

Issue #8, May 2022

Across the state, the growing ranks of renter households are facing an increasingly challenging housing market with rising rents and declining vacancy rates—a problem which has been exacerbated by the impacts of COVID-19. Current owners of unsubsidized rental properties lack the tools to preserve and improve aging properties necessary to maintain homes for current and future tenants. In this research report, MHP (Minnesota Housing Partnership), in partnership with Greater Minnesota Housing Fund, tracks key trends in the unsubsidized multifamily rental markets of Mankato, Moorhead, and St. Cloud.

For the purposes of this report, naturally occurring affordable housing, or NOAH, refers to unsubsidized properties that have rents that are affordable to households at 60% of the area median income (AMI). Because these properties are not subsidized, owners are not required to keep rents affordable to any particular income; rents may change because of the sale of the property, improvements to the property, changes in market conditions, or other owner decisions.

## Key Findings



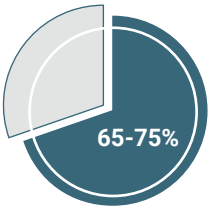
In Mankato, Moorhead, and St. Cloud, an **average renter earns less than half of the annual income that homeowners do**. Black, Indigenous and people of color, or **BIPOC** households are disproportionately renters, and thus **most adversely impacted by lack of affordable rental housing**.



The majority of NOAH units in the St. Cloud metro area are **one-bedrooms** located in Class C buildings. With most NOAH units limited in size, many **large families at 60% AMI may not be able to find adequately-sized, quality rental homes in St. Cloud.**



NOAH units in the Mankato metro area are more likely to be located in **medium to large buildings**, averaging 57 units, which is larger than the average size for the state. **To preserve NOAH properties in Mankato, financing tools and policies should be tailored to NOAH properties of this size.**




of renters earning under $50,000 are cost burdened

The vast majority of low-income households in each metro area studied are **cost burdened and housing insecure**, reducing spending on necessities like food, medicine, and child care in order to pay the rent. Cost burdened renters, especially those with lower incomes, are **likely to be residents of NOAH properties and unprotected from market changes to their rent.**

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## ABOUT THE REPORT DATA

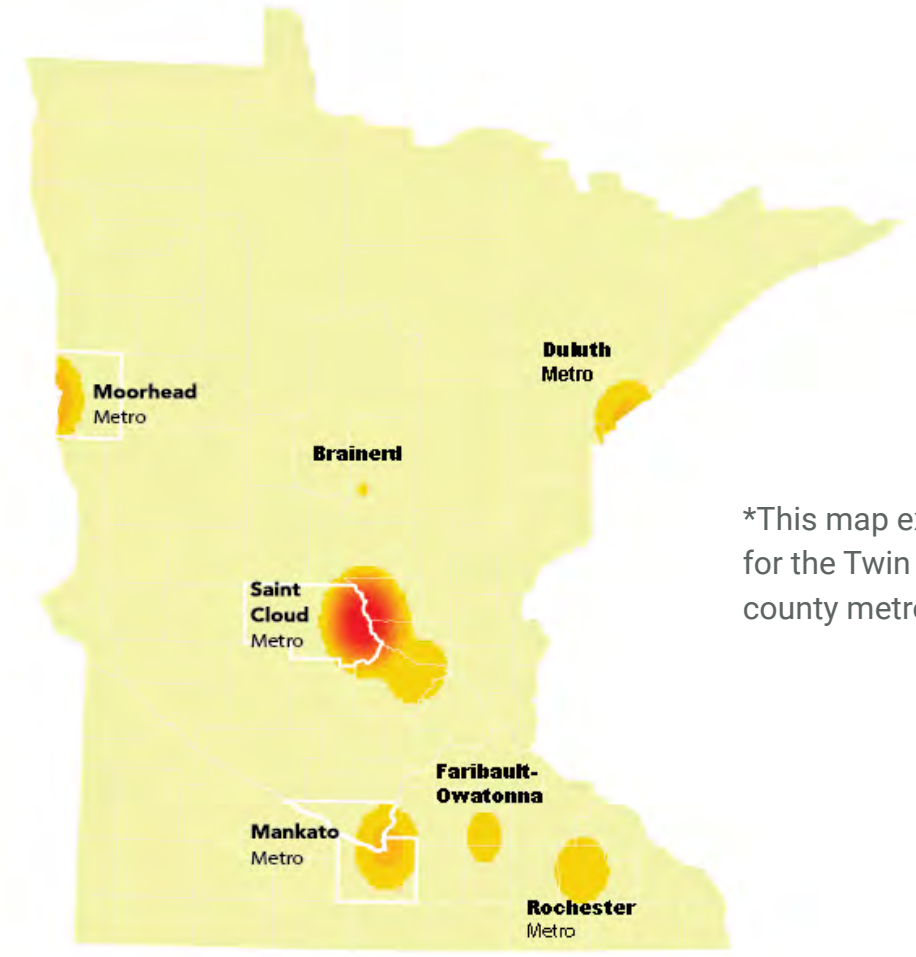
**DATA SOURCE:** Unless otherwise noted, data in this report comes from CoStar, a national commercial real estate database that directly sources property management to track multifamily properties with four or more units. This data (accessed in February 2022) includes 704 market rate, existing multifamily properties in the St. Cloud, Mankato and Moorhead Metropolitan Statistical Areas (MSAs). This report analyzes data for approximately 25,987 unsubsidized rental units in properties with 4 or more units, excluding those that are currently under construction or renovation.

**RENT DATA:** CoStar provides average, rather than median, rent data. Of the approximately 704 unsubsidized rental properties tracked by CoStar and included in this analysis, 58% include rent data. All rents are adjusted for inflation.

**BOUNDARIES:** This report analyzes three Greater Minnesota MSAs: Mankato, Moorhead, and St. Cloud. Data was analyzed at the county and city level.

## Heat Map for Naturally Occurring Affordable Housing in Greater Minnesota

A ***heat map*** indicates statistically significant clustering of an event, rather than total count of an event. This illustrates areas that contain a significant amount of multifamily, market rate buildings with units that rent at or under 60% of AMI.




*This map excludes data for the Twin Cities seven county metro area.



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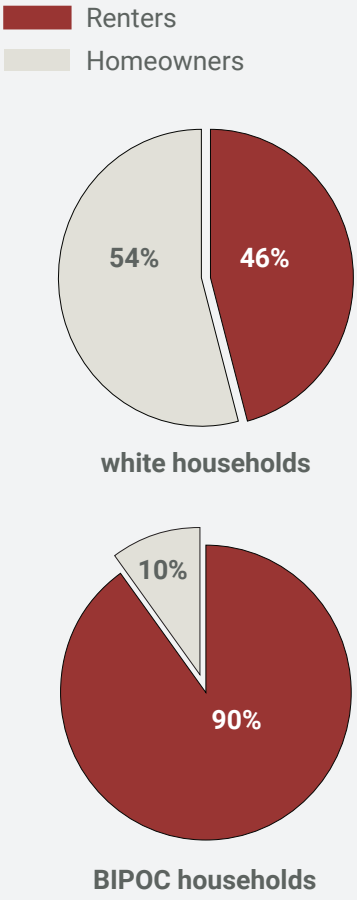
# MANKATO

The Mankato Metropolitan Statistical Area (MSA), which encompasses Blue Earth and Nicollet counties, is home to approximately 13,270 renter households, accounting for 34% of all households. Nearly half of these renter households (46%) experience cost burden, meaning they pay more than they can afford on housing, at the expense of other necessities such as food, medicine, and childcare.

Compared to the MSA, the City of Mankato has a significantly higher proportion of renter households, with half of all households renting their homes.

The median renter's annual income in Mankato is roughly $34,495, meaning they could afford a maximum rent of approximately $862 without spending over 30% of their income (in other words, cost burdened). Simply put, in Mankato, the median cost of rent exceeds what the average renter can afford ($899).

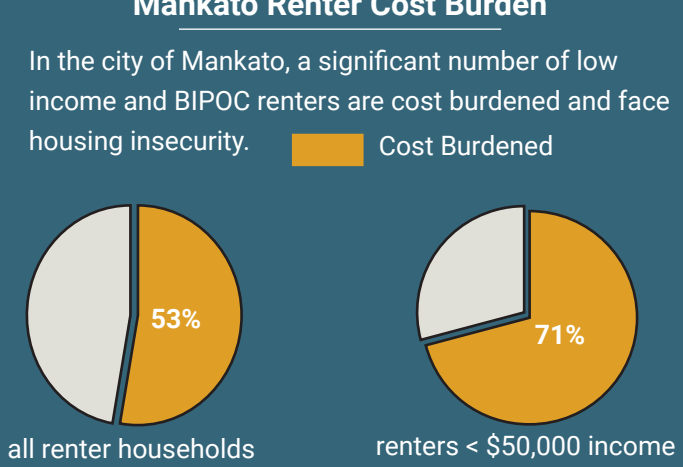
## Mankato Renter Households




BIPOC households are much more likely to rent than white households, a notable fact in light of historic exclusion of people of color from homeownership opportunities in the United States and Minnesota.

## Mankato Renter Cost Burden

In the city of Mankato, a significant number of low income and BIPOC renters are cost burdened and face housing insecurity.




**Cost burdened renter households in Mankato:**



**6,150**



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# MANKATO

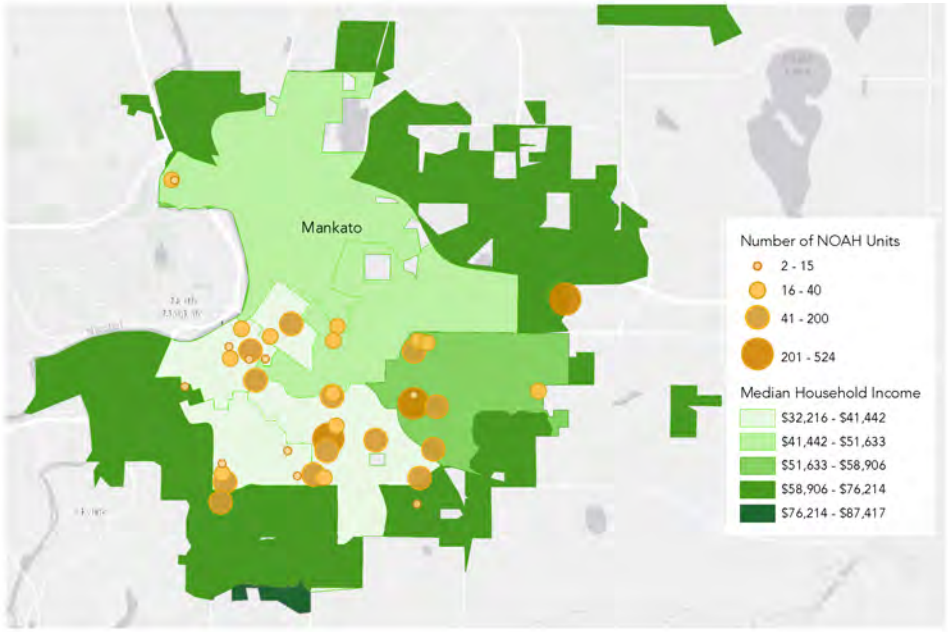
Average year **constructed**
**1977**

Average **# of units**
**57**

**# & % of renter households**
**13,270 (34%)**

% of **cost burden** renters
**46%**

**NOAH in Mankato, 2022:**
Market rate units renting at or under 60% of AMI

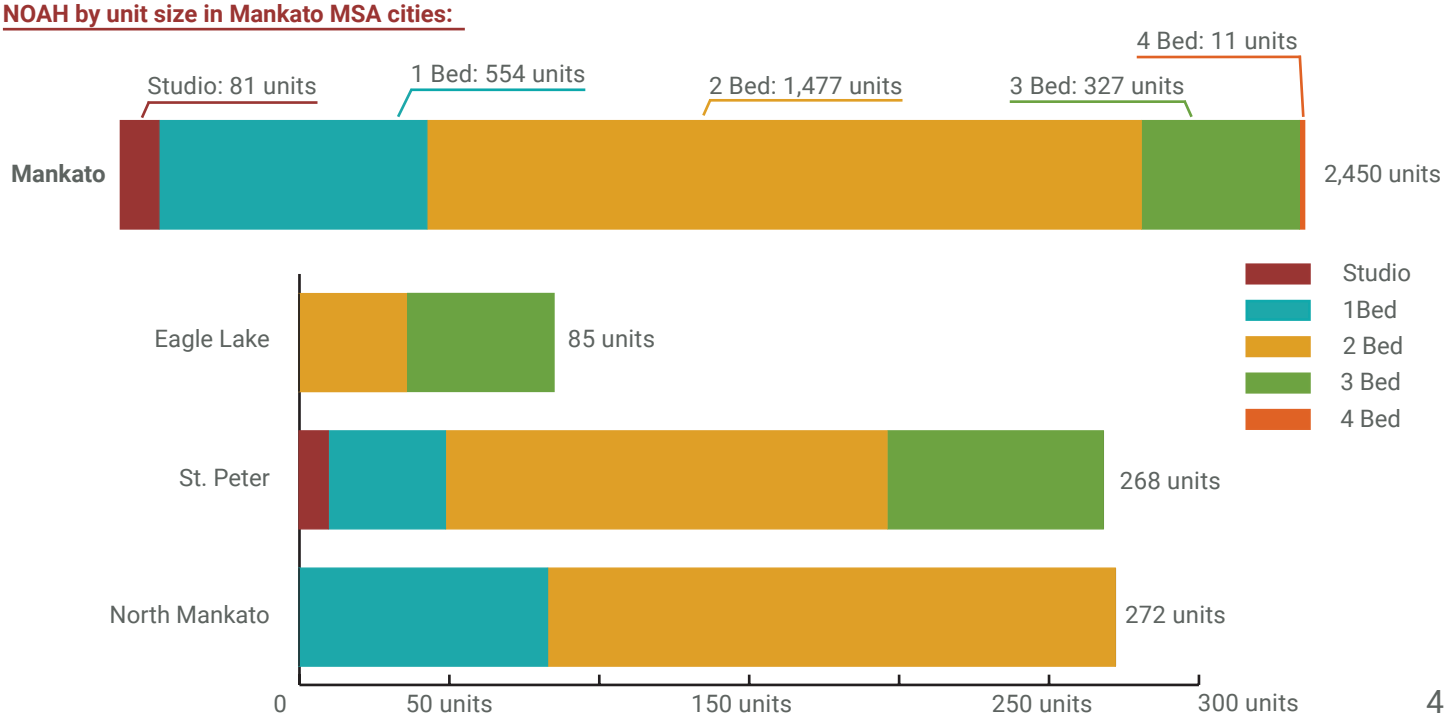



Households earning under 60% of AMI are able to find homes by renting unsubsidized apartments in the private market (the affordable of which are often referred to as NOAH). In Mankato, a family of four earning under $52,860 annually could be exploring this market for housing options.

In Blue Earth and Nicollet counties, the majority of NOAH properties are located in the cities of Mankato, North Mankato, and Saint Peter. In total, over half (55%) of the market rate, multifamily buildings in Mankato contain apartments that are affordable to those earning under 60% of AMI. Of the units in our dataset 59% are affordable to that income bracket, totaling 2,450 units overall.

The average NOAH property in the Mankato MSA contains around 57 units, larger than the average size of NOAH properties in Minnesota. More NOAH properties in the Mankato metro area are Class C than Class A or B, and are generally 40 years old or more, with 1977 being the average year built.

**NOAH by unit size in Mankato MSA cities:**





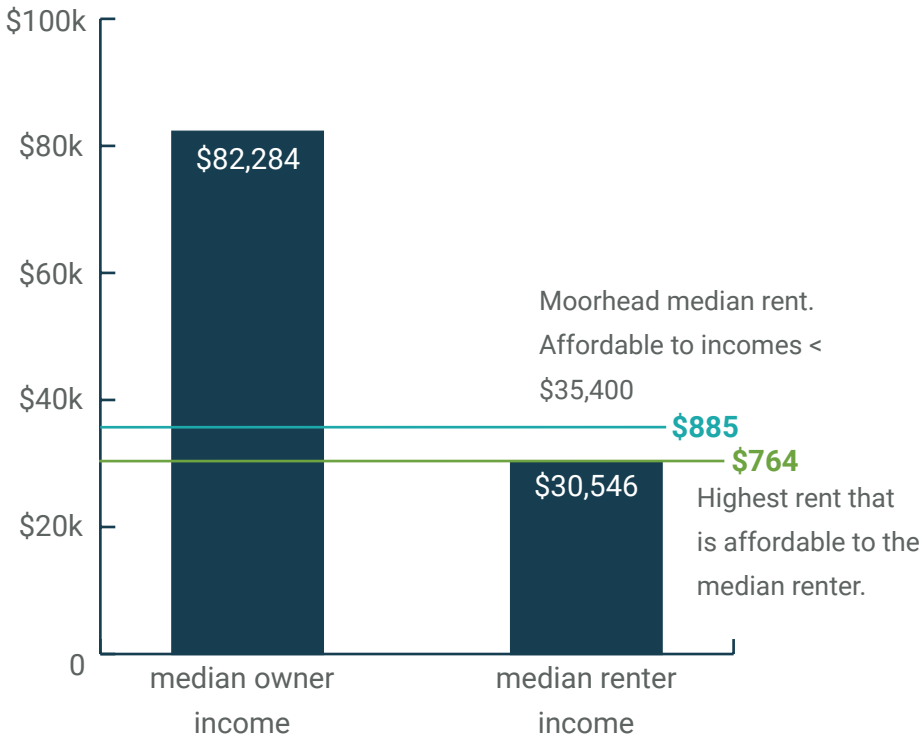

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# MOORHEAD

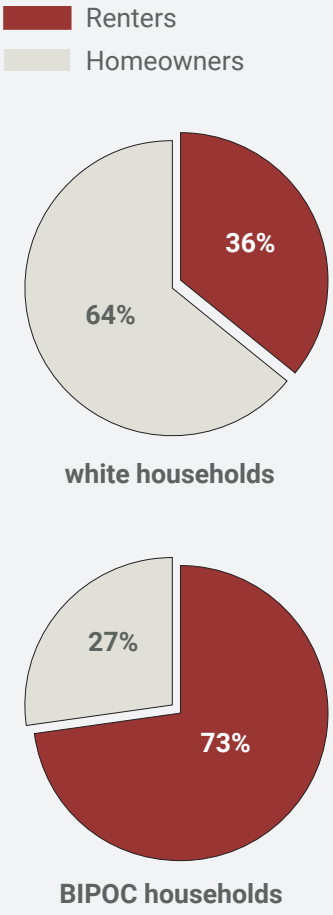
Clay County (the one county of the Fargo-Moorhead MSA located in Minnesota) is home to approximately 7,920 renter households. Renter households account for 33% of Clay County households.

## Income Disparities in Moorhead

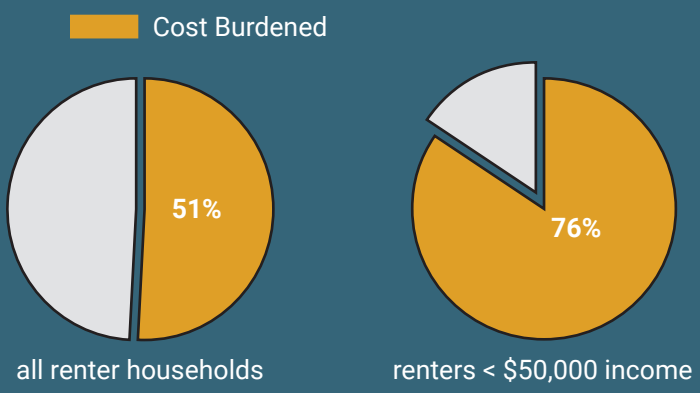
There is a significant disparity between median earned income for homeowners and renters in Moorhead. As well, the median renter makes well below the wage that is needed to pay median rent, severely limiting housing choices.




### Moorhead Renter Households




### Moorhead Renter Cost Burden




### Cost burdened renter households in Moorhead:

**4,059**



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# MOORHEAD

Average year **constructed**
**1997**

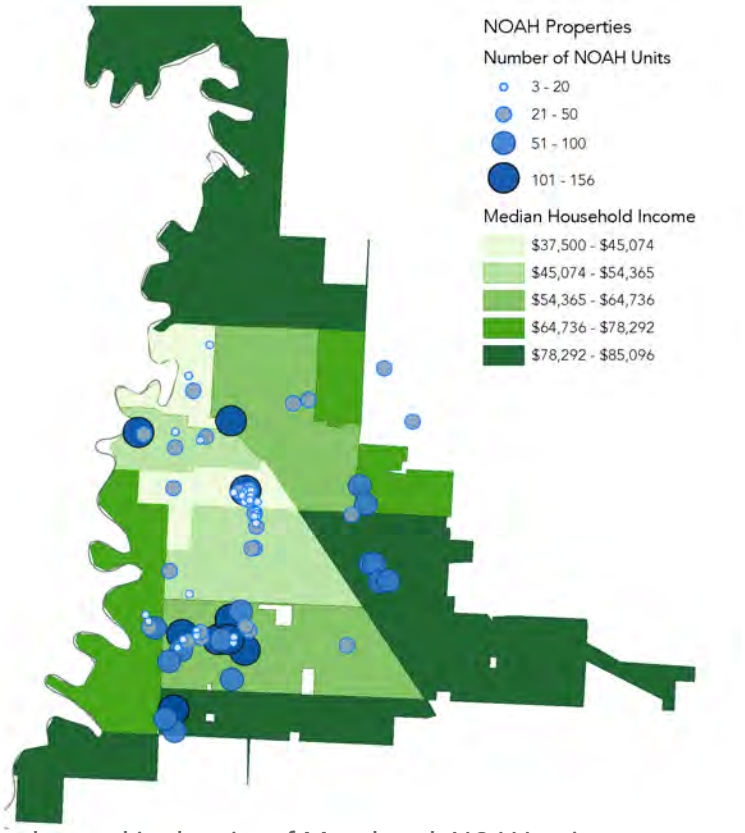
Average **# of units**
**41**

**# & % of renter households**
**7,920 (33%)**

# of cost burden renters
**51%**

Unsubsidized units that are affordable to residents earning under 60% of area median income are also known as naturally occurring affordable housing (NOAH). In Moorhead, a family of four earning under $53,640 annually might be accessing this market for housing options they can afford.

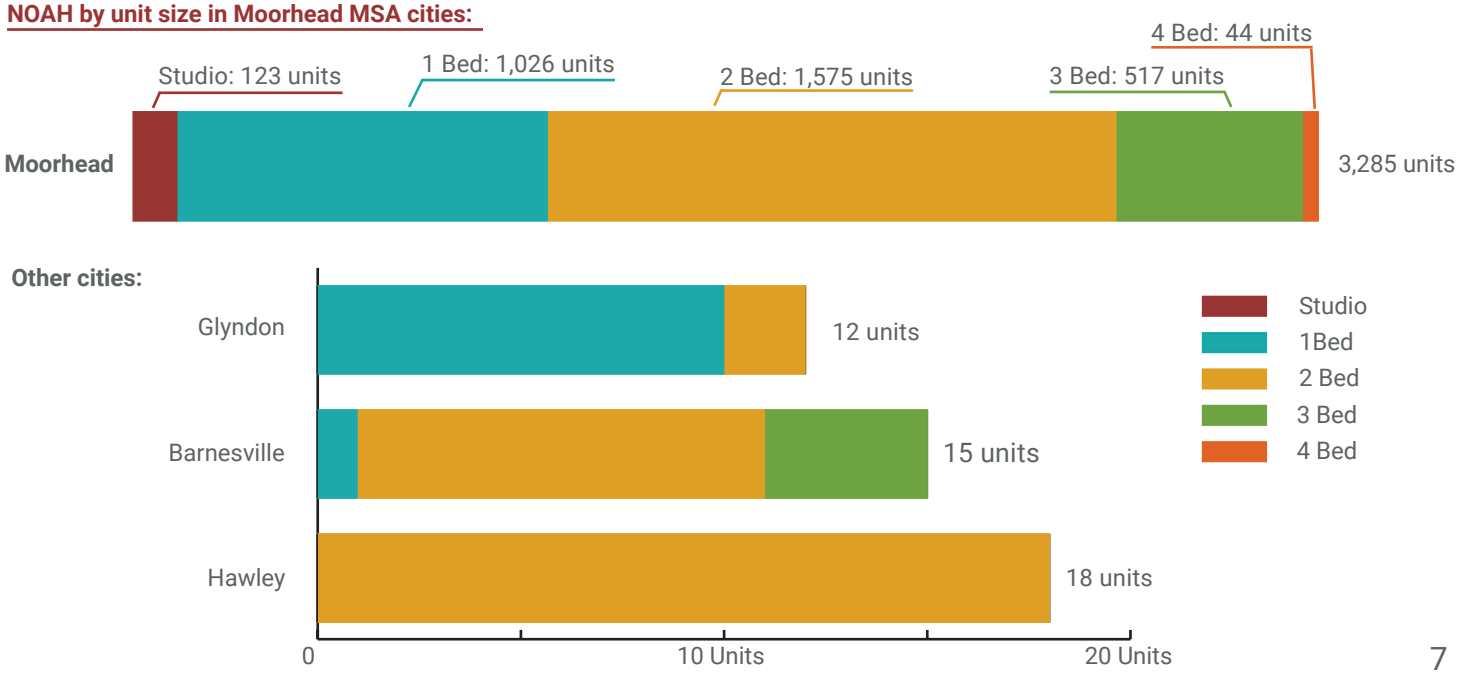
**NOAH in Moorhead, 2022:**
Market rate units renting at or under 60% of AMI




In Clay County, the vast majority of NOAH properties are located in the city of Moorhead. NOAH units are more likely to be two- (48%) and one-bedroom units (31%); conversely, larger unit sizes are much harder to come by. In total, 82 buildings in our dataset in Moorhead contain apartments that are affordable to those earning under 60% of AMI, totaling 3,330 units overall.

The average NOAH property in Clay County contains around 41 units, indicating that NOAH buildings are smaller in Moorhead compared to those in the Mankato and St. Cloud MSAs. Additionally, 62% of NOAH properties in Moorhead are Class C, with 1997 being the average year built.

**NOAH by unit size in Moorhead MSA cities:**





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# ST. CLOUD

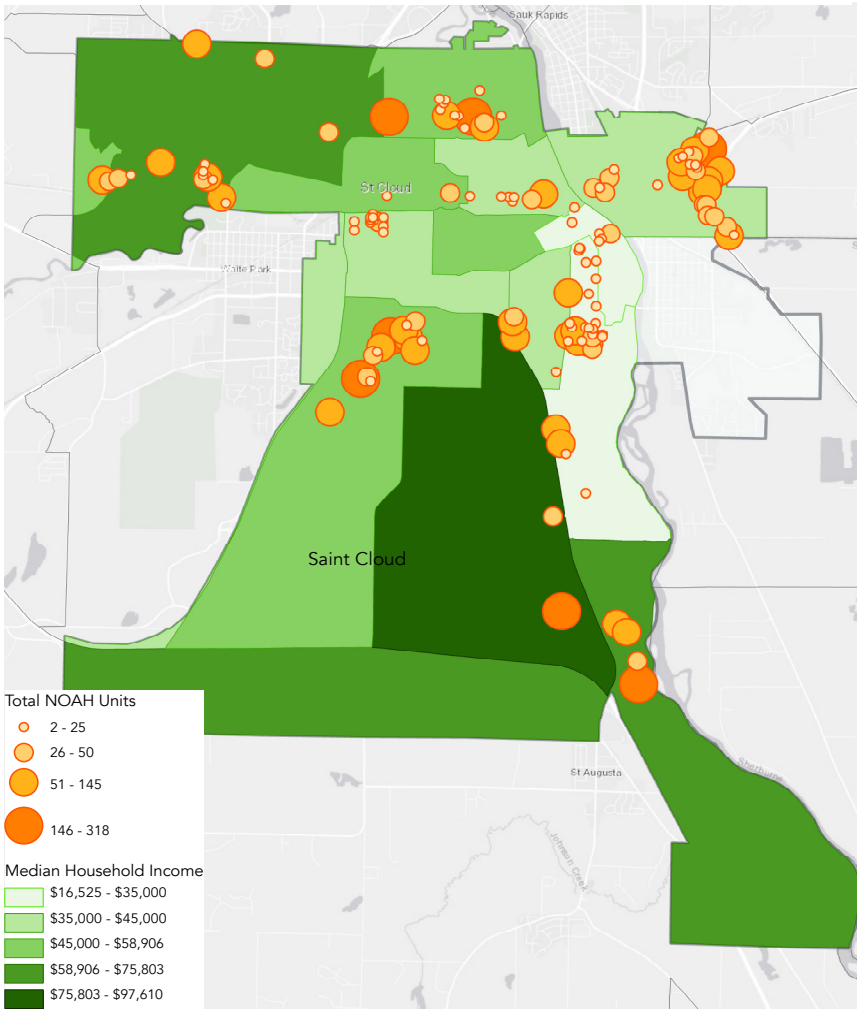
Average year **constructed**
**1980**

Average **# of units**
**49**

**# & % of renter households**
**24,353 (32%)**

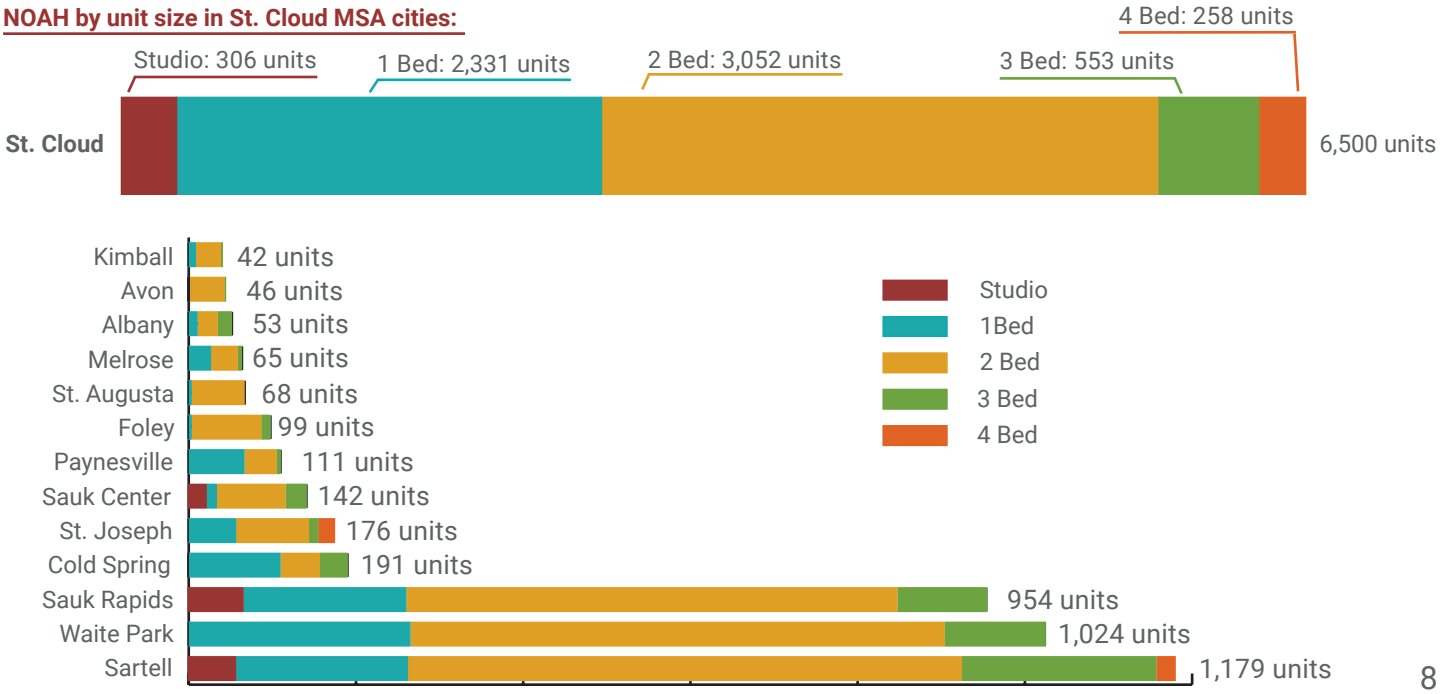
# of cost burden renters
**43%**

**NOAH in St. Cloud, 2022:**
Market rate units renting at or under 60% of AMI




In St. Cloud, households that earn under 60% of AMI may find their homes by renting unsubsidized apartments in the private market. A family of four earning under $48,720 annually could be utilizing this market for affordable housing options. NOAH properties are at high risk of potential upscaling and, in effect, displacement of families that have previously been able to afford unsubsidized market rate housing. The St. Cloud MSA In total includes at least 10,802 NOAH units-- the majority of which are two-(51%) and one-bedroom units (31%). NOAH properties in Benton and Stearns counties have on average 49 units, representing small- to medium-sized multifamily buildings.

**NOAH by unit size in St. Cloud MSA cities:**

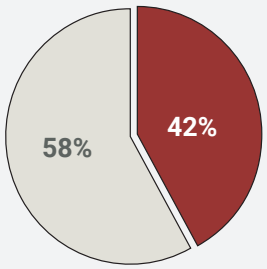





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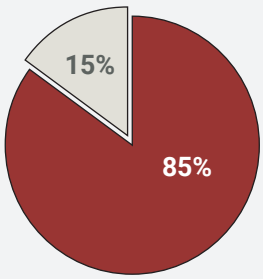
# ST. CLOUD

## St. Cloud Renter Households

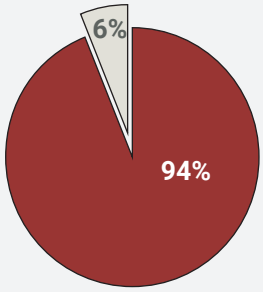



Renters
Homeowners

white households




BIPOC households




Black households

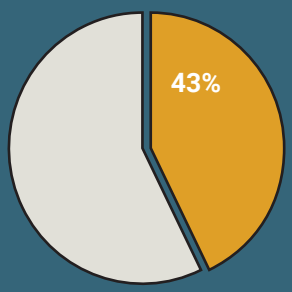
## St. Cloud Renter Cost Burden

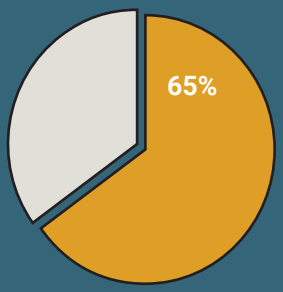


**24,353**

**Cost burdened renter households**

Cost Burdened




# *SPOTLIGHT on St. Cloud*

## Challenges Accesing NOAH Housing



Waite Park, St. Cloud

*"Because there are so few affordable rental options, including a lack of larger units, many families are forced to do things like splitting up family members into separate homes."*

*— Natalie Ringsmuth, Unite Cloud*

**Unite Cloud** is a grassroots organization with a mission to resolve tension and restore dignity to residents in Central Minnesota. The organization's board members work directly with renters—particularly renters of color and newly immigrated groups with cultural or language barriers—to help them understand their rights as renters.

According to Executive Director Natalie Ringsmuth, larger affordable rental units in the region are likely to be in poorer quality or in older buildings that need repairs and improvements. Since units with more than one bedroom are scarce, bigger families struggle to find affordable housing that accommodates all family members. In order to keep their family together, households often try to rent more than one unit in the same building. Of concern, area families have reported that some landlords prohibit larger households from renting more than one unit in the same building. **The result of this practice: the unnecessary forced separation of family members.** Severing multigenerational bonds this way can mean the extended family's resiliency and ability to provide for childrens' needs is reduced.



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## Definitions and Acronyms

**AMI:** Area Median Income

**CLASSES:** CoStar defines building class in the following way:

- CLASS A buildings represent current trends and standards in design and/or are of a timeless, perhaps historic quality. They include high quality finishes such as hardwood floors, granite countertops, and/or stainless steel appliances, as well as on-site shared facilities like clubhouse/party room, fitness center, business center, etc;
- CLASS B buildings are aesthetically average and contextually appropriate, with average quality finishes and a few on-site shared facilities and spaces;
- CLASS C buildings are purely functional, often with below average finishes, small windows, and likely no on-site facilities or shared spaces

**COST BURDEN:** When households spend more than 30% of their income on housing (including utilities). Severe cost burden occurs when households spend more than 50% on housing. In such cases, residents may have difficulty affording necessities such as food, clothing, transportation, and medical care.

**MARKET RATE:** Rents that are set by the owner/operator and are independent of any regulatory conditions or restrictions.

**MSA:** Metropolitan Statistical Area

**MULTIFAMILY HOUSING:** As data in this report comes from CoStar, a commercial real estate database that tracks multifamily properties with four or more units, "multifamily" excludes properties smaller than four units.

**NATURALLY OCCURRING AFFORDABLE HOUSING (NOAH):** Unsubsidized properties with rents that are affordable to households with income at 60% area median income. Because NOAH does not have a subsidy, owners/operators can increase rents due to the sale of or improvements to property, change in market conditions, or other reasons.

**RENT THRESHOLD:** Rent thresholds for units that meet the criteria for NOAH (60% AMI) are calculated by median family income unique to the geography of analysis; 30% of annual median income, based on unit and expected household size is considered to be the upper limit of what is an affordable rent threshold.

**INCOME LIMIT:** HUD calculates family AMI levels for different communities annually, with adjustments for family size. AMI is used to determine the eligibility of applicants for both federally and locally funded housing programs.

## Acknowledgements

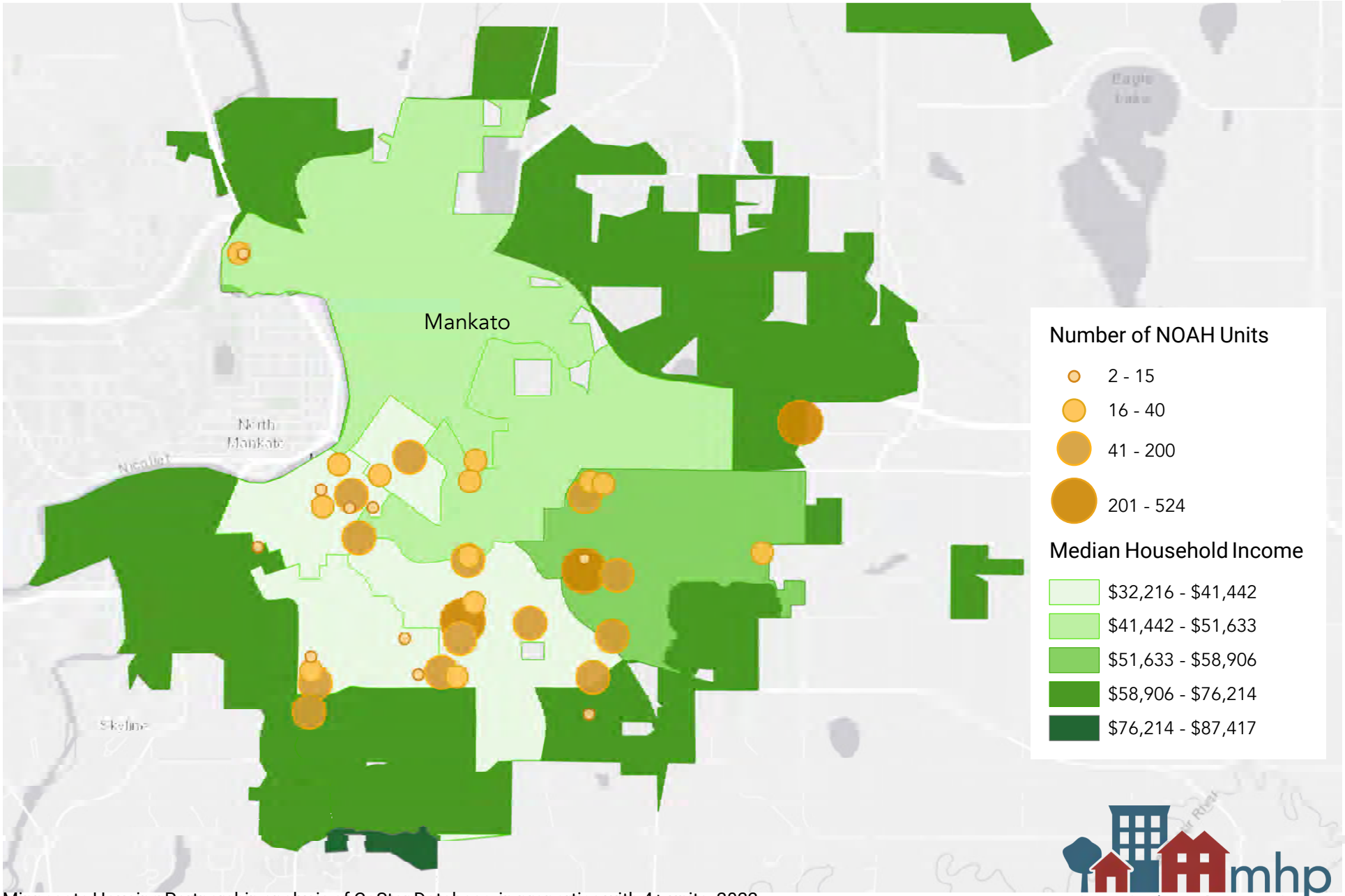
This report was published in May 2022, with data analysis, writing and mapping by Gabriela Norton, Research Manager at Minnesota Housing Partnership, and graphics and design by Brian Muhs, Communications and Engagement Associate.

Contributions to this report also provided by Elizabeth Glidden, Deputy Executive Director, MHP; Jenny Jones, Communications Manager, MHP; Jamie Thelen, Chief Executive Officer, Sand Companies; Trenton Gerads, Executive Director, Cass Clay Community Land Trust; Natalie Ringsmuth, Executive Director, Unite Cloud; Nancy Bokelmann, Associate Director of Housing and Economic Development, City of Mankato.


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# MAPS APPENDIX

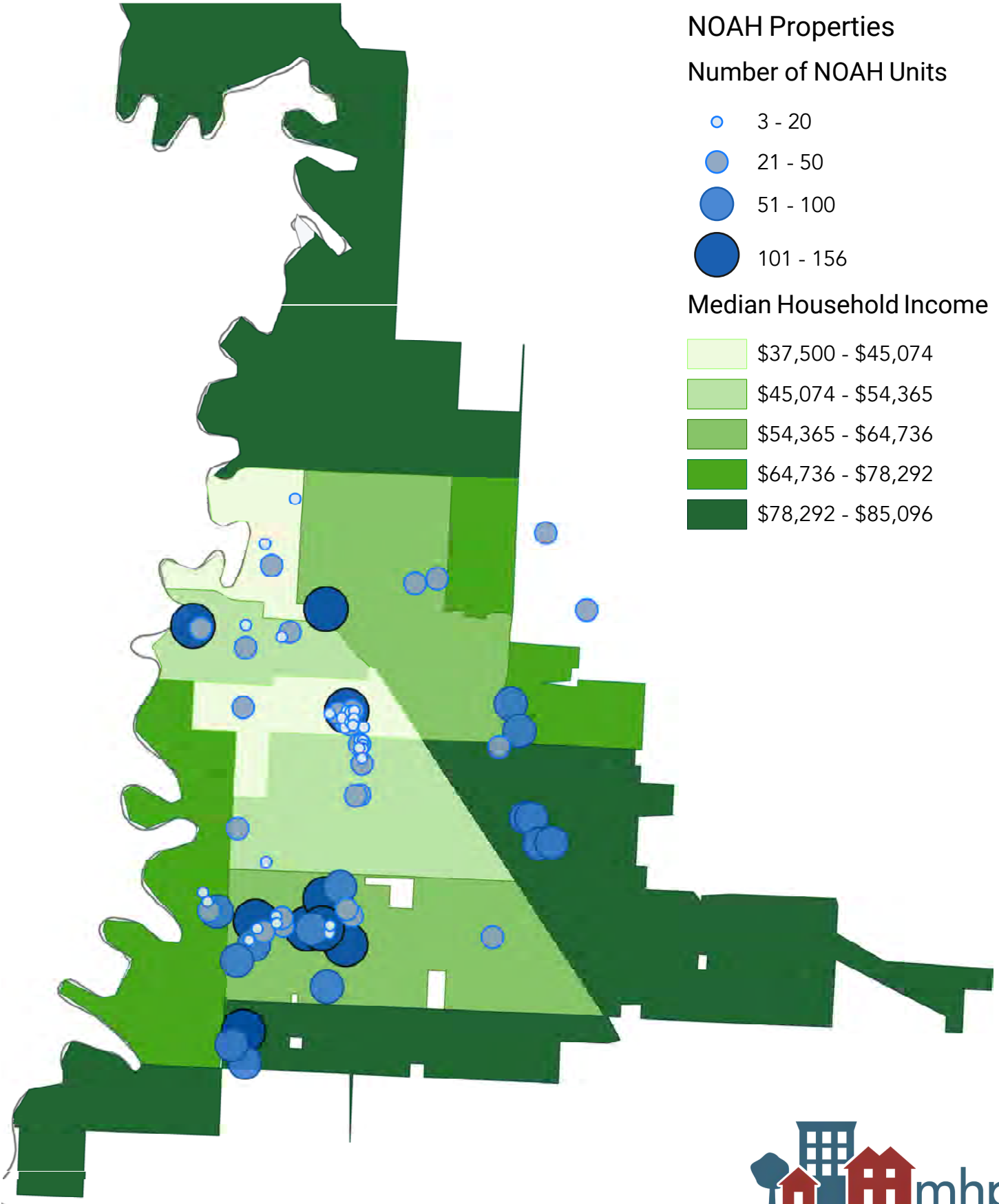
## NOAH: Market Rate Properties with Units Renting at or Below 60% of AMI in Mankato




Minnesota Housing Partnership analysis of CoStar Database, in properties with 4+ units, 2022

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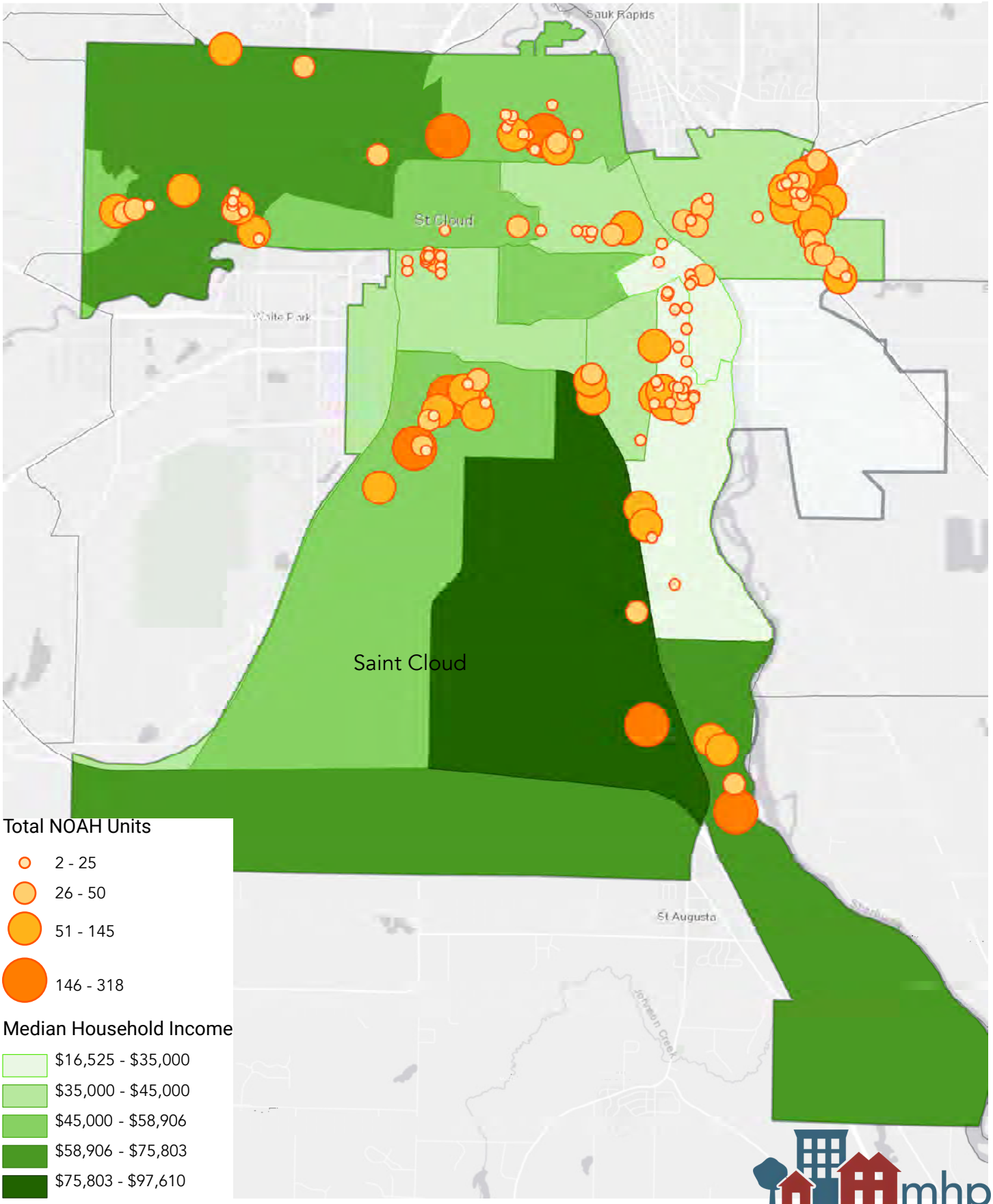
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Minnesota Housing Partnership analysis of CoStar Database, in properties with 4+ units, 2022

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# NOAH: Market Rate Properties with Units Renting at or Below 60% of AMI in St. Cloud




Minnesota Housing Partnership analysis of CoStar Database, in properties with 4+ units

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