Regional Development Patterns (in the Before Time)

December 2, 2020

Committee of the Whole

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Purpose of today's information item

- Describe how we develop our building permit survey dataset
- Share findings about pre-COVID development trends
  - Including the volume, location, and types of residential and nonresidential (Commercial, Industrial, Public & Institutional) construction
- Share (early, limited) 2020 data
- Provide high-level context for the next presentation about transit-oriented development

About the building permit survey

About our building permit survey

- Data collected by the Council annually
  - Residential (1970); Nonresidential (2003)
- Developed in collaboration with local governments
- Validated with federal sources, other Council datasets
- 2019 response rate: **95.9%**
- Single, comprehensive look across the region

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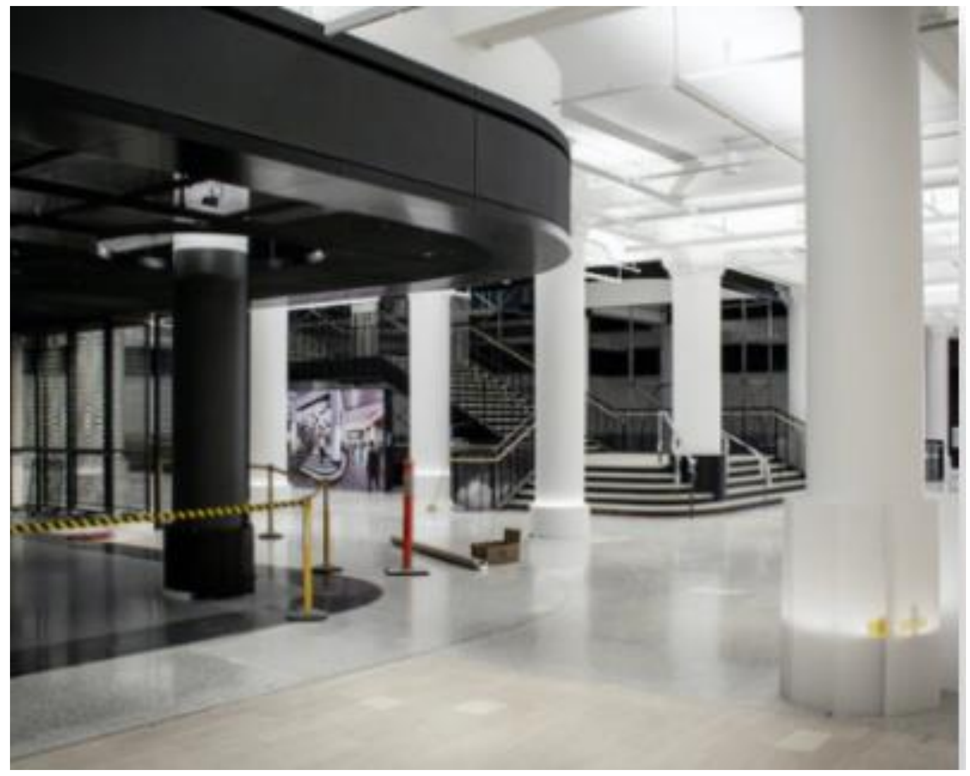
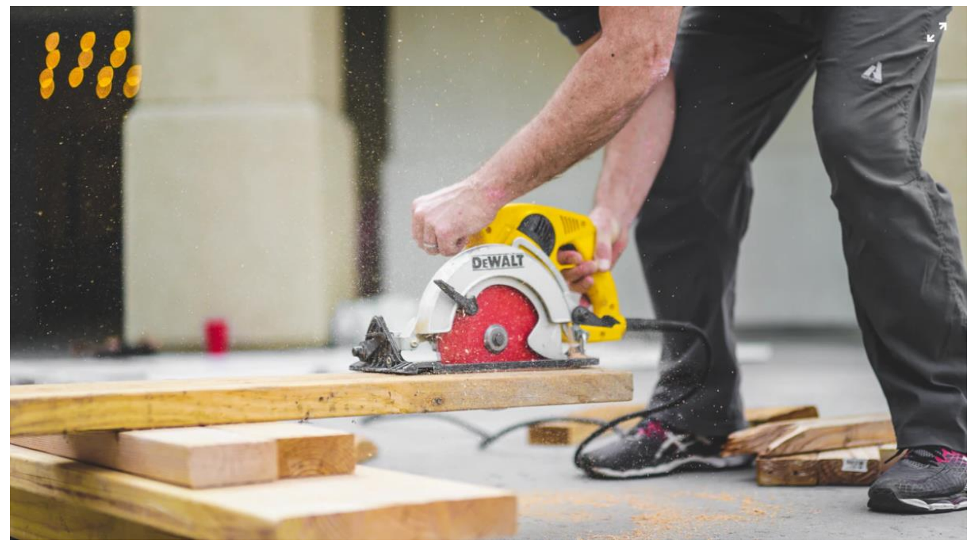
Residential
What we capture

- Housing type
- Number of units
- Permit type (new construction, demolition, etc.)
- Location
- Age-restrictions (since 2009)
- Permit value (since 2009)

Nonresidential
What we capture

- Nonresidential type
- Classification
- Square footage
- Permit type (new construction, additions, remodels)
- Location
- Permit value





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What we don’t capture - Residential

- Tenure
- Affordability

Coming in Q2 2021

- When units are built
- Number of bedrooms

What we don’t capture - Nonresidential

- When units are built
- Leasing prices
- Number of jobs during construction
- Number of people employed after site is built

Usual Annual Timeline

Early January
Survey send-out

Early April
Surveys returned/data cleaned

Early May
Presentation

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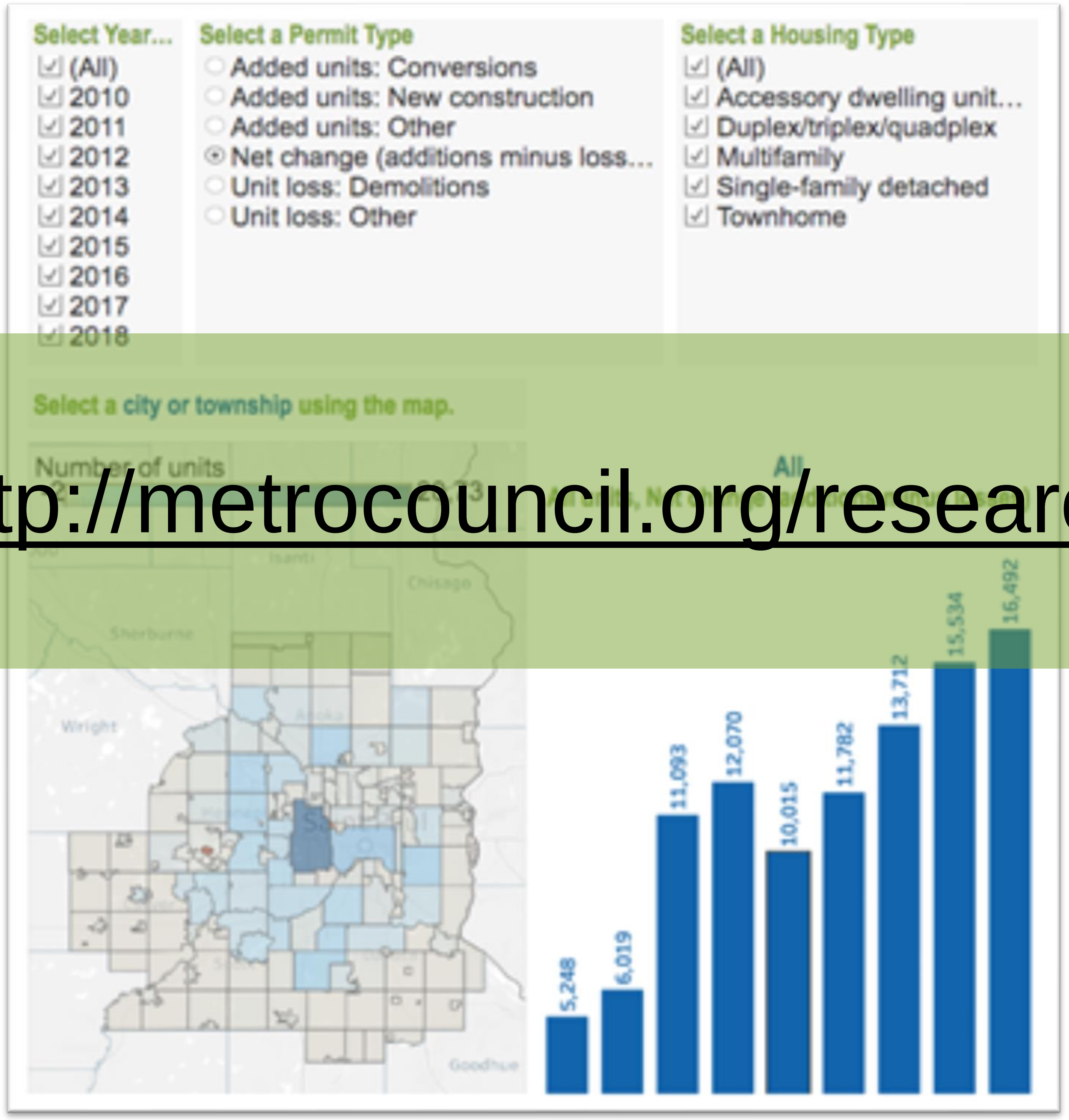
How we share our data

- Summaries of development
  - Community Profiles
  - Interactive data visualization
  - MN Geospatial Commons

- Key input into other data sources
  - Population estimates
  - Foundation for affordable housing production data
  - Help advance a complete count in the 2020 Census



http://metrocouncil.org/research

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Regional Development Patterns

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Development patterns: takeaways

- Data show that the region’s residential markets were on a continued upswing; region’s nonresidential markets stayed close to previous few years:
  - Highest annual total of new housing units since 2004
  - Consistent level of nonresidential construction (based on value)
- Increased residential development was not enough to overcome the housing shortfall we’ve discussed in previous years
  - Population growth still outpaced housing; large shortfall compared with peer regions
- (Limited) 2020 data show disruption due to pandemic
  - Vacancy up, rent prices flattening in some rental markets
  - Nonresidential construction may have fallen considerably

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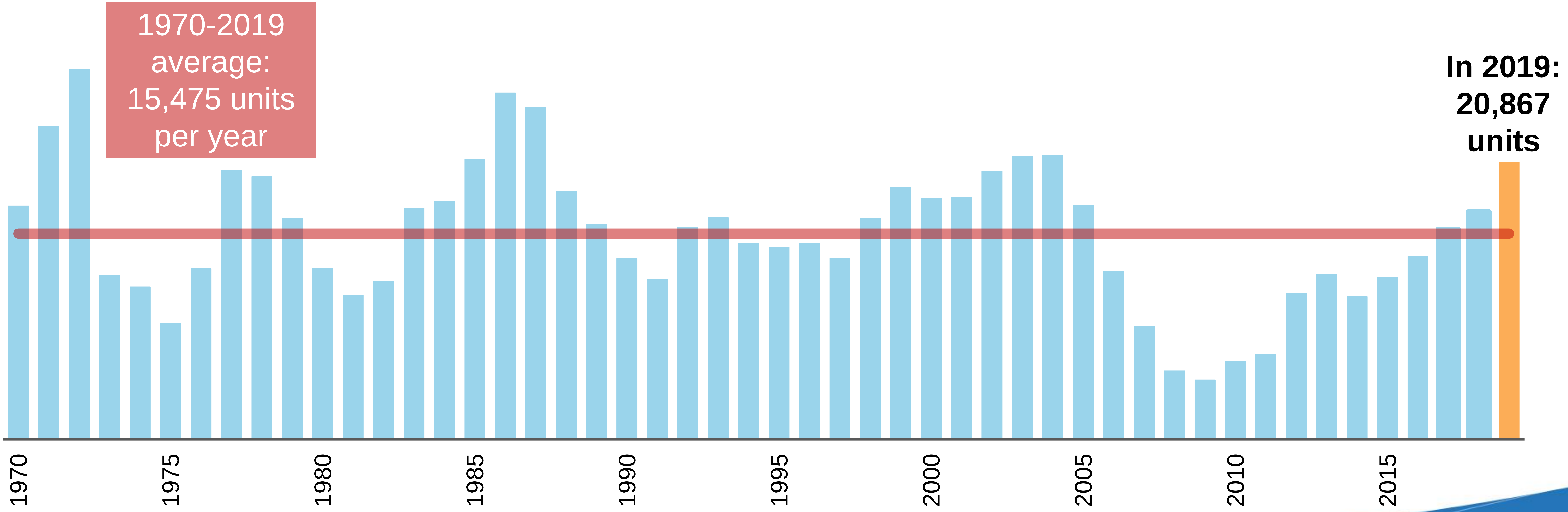
2019: Highest level of permitted units since 2004



Source: Metropolitan Council Building Permit Survey.
Data reflect new construction only.

Components of housing supply

- Previous chart: just new construction (data for 1970 onward)

- Other kinds of permits also affect the housing stock
  - Demolitions
  - Conversions from (or to) commercial uses
  - Remodeling that adds or subtracts units

- All subsequent slides: net housing change (data for 2000 onward)

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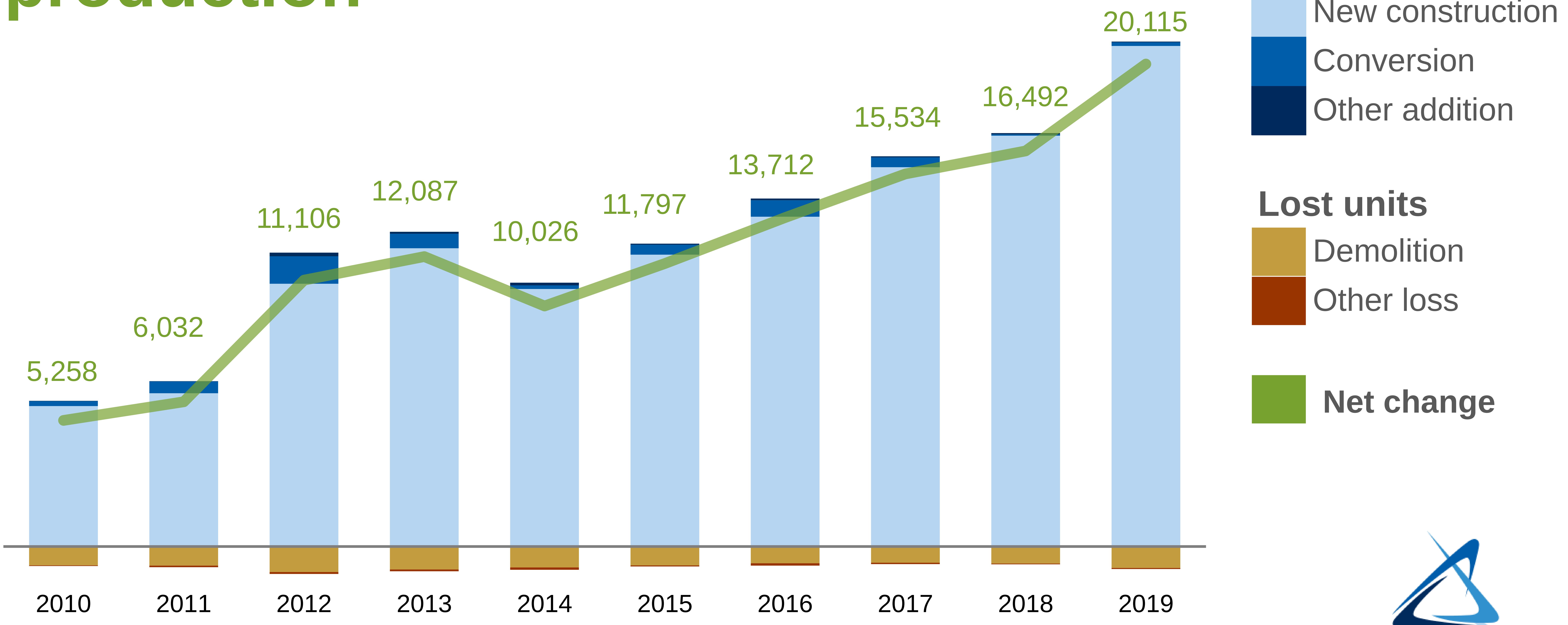
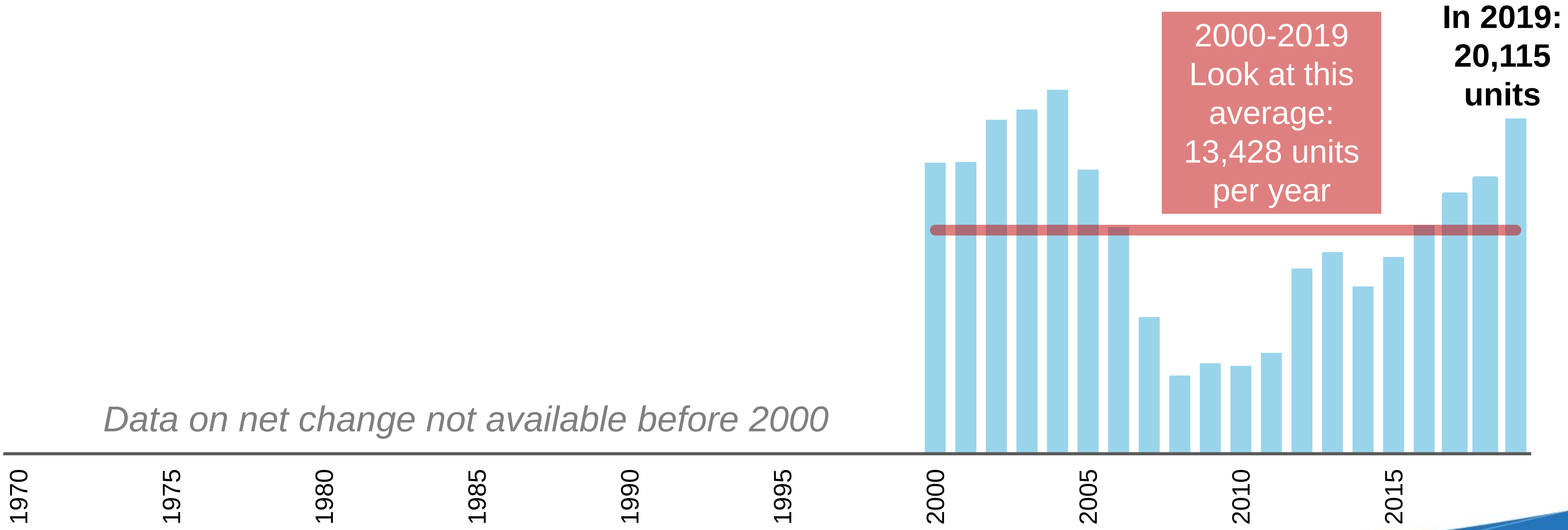
New construction drives net change in production



Source: Metropolitan Council Building Permit Survey.
"Net change" is the total added units minus the total lost units.

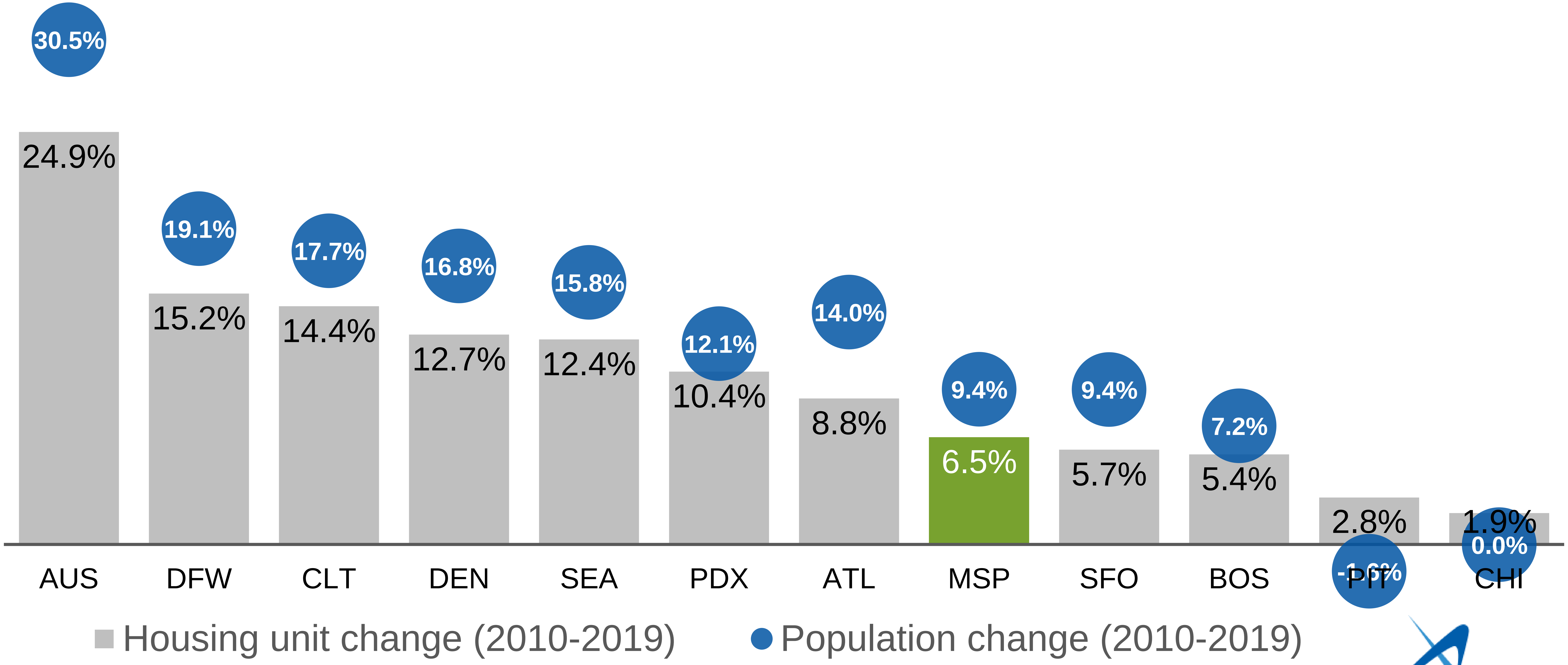
Net change: again, highest since 2004



Source: Metropolitan Council Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).

MSP growth lags behind several peer regions

Divide these
→
How far behind is housing production relative to the population growth rate?



Source: U.S. Census Bureau Population Estimates Program. Population growth rate includes only people in households.

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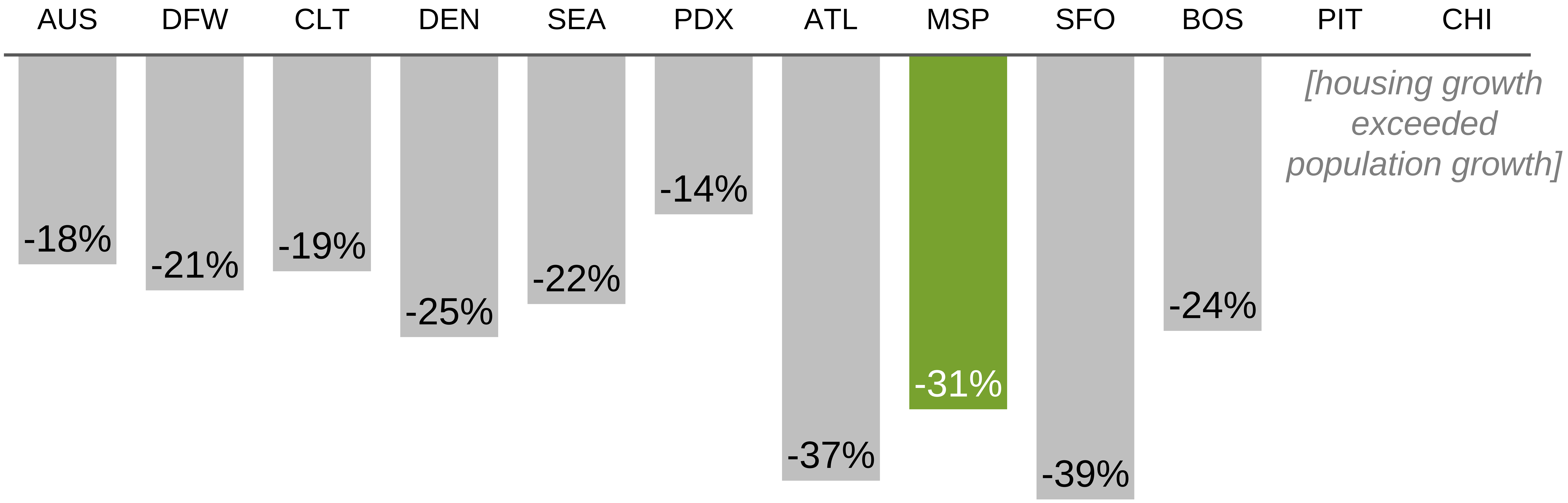
MSP's housing production shortfall among highest in 2019

How far behind is housing production relative to the population growth rate?



Source: U.S. Census Bureau Population Estimates Program. Population growth rate includes only people in households.

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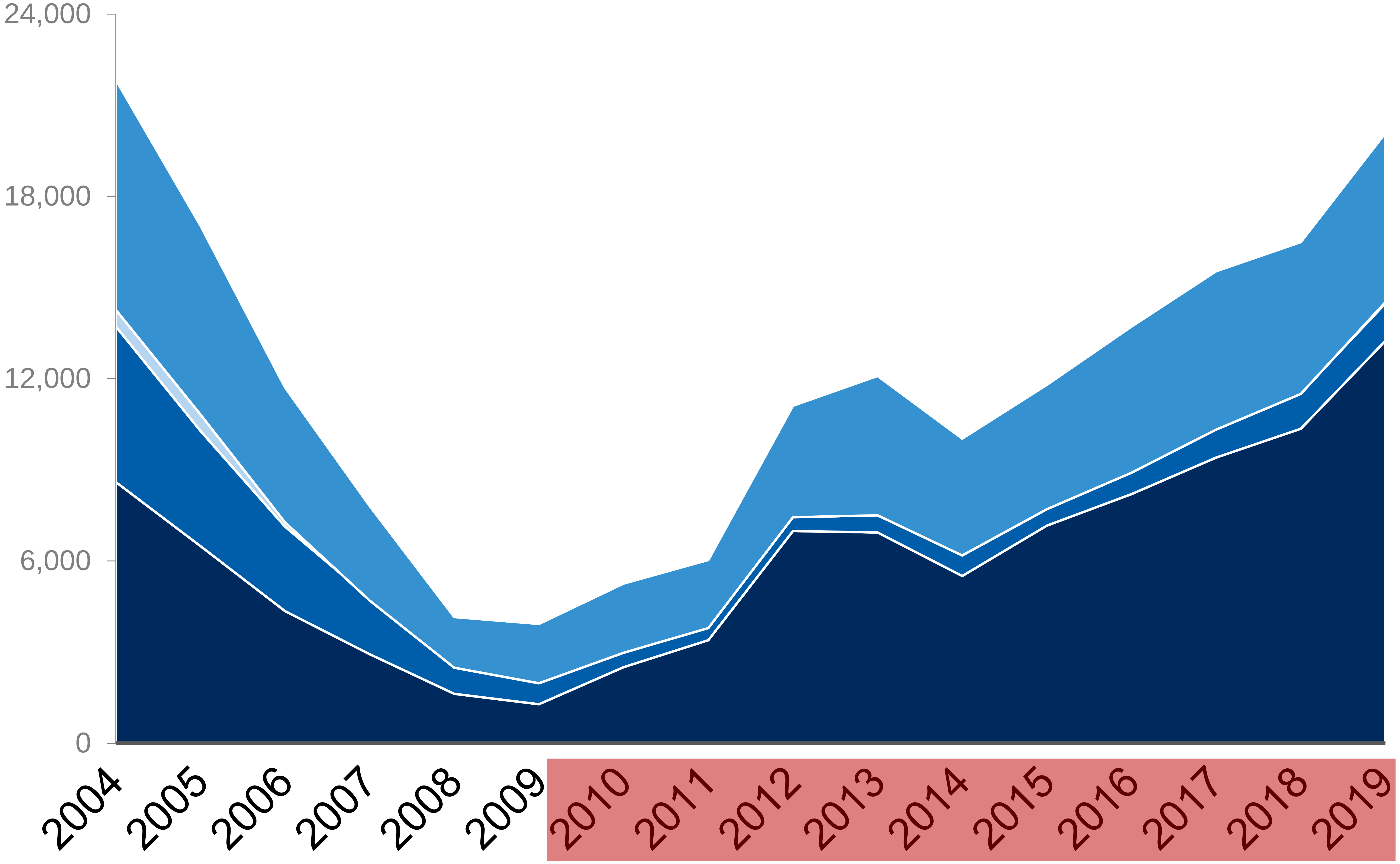
Multifamily remains predominant housing type



Share of total net change, 2010-2019

Single-family detached	34%
Duplex/triplex/quadplex	-1%
Townhomes	7%
Multifamily	60%

Source: Metropolitan Council Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).

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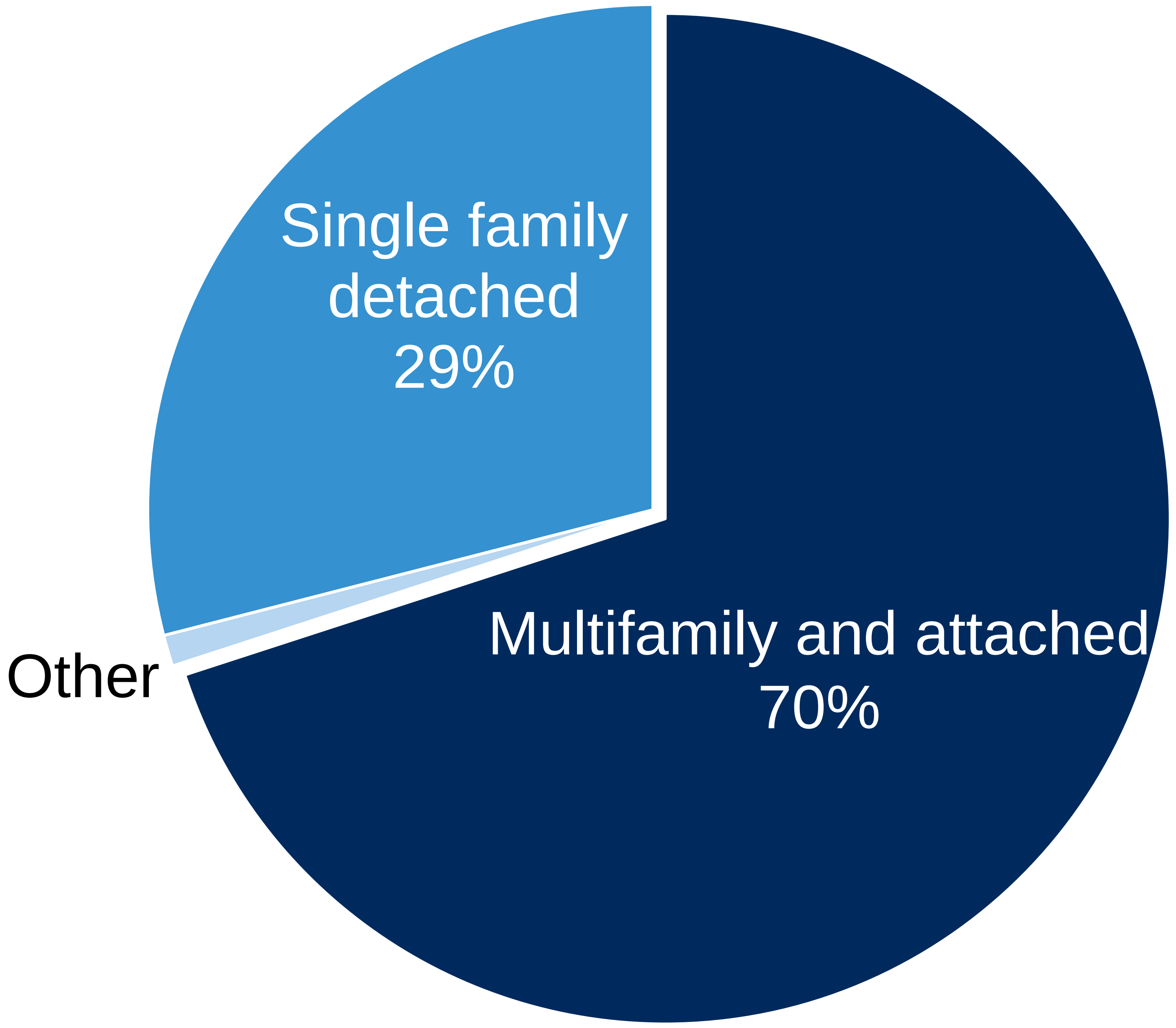
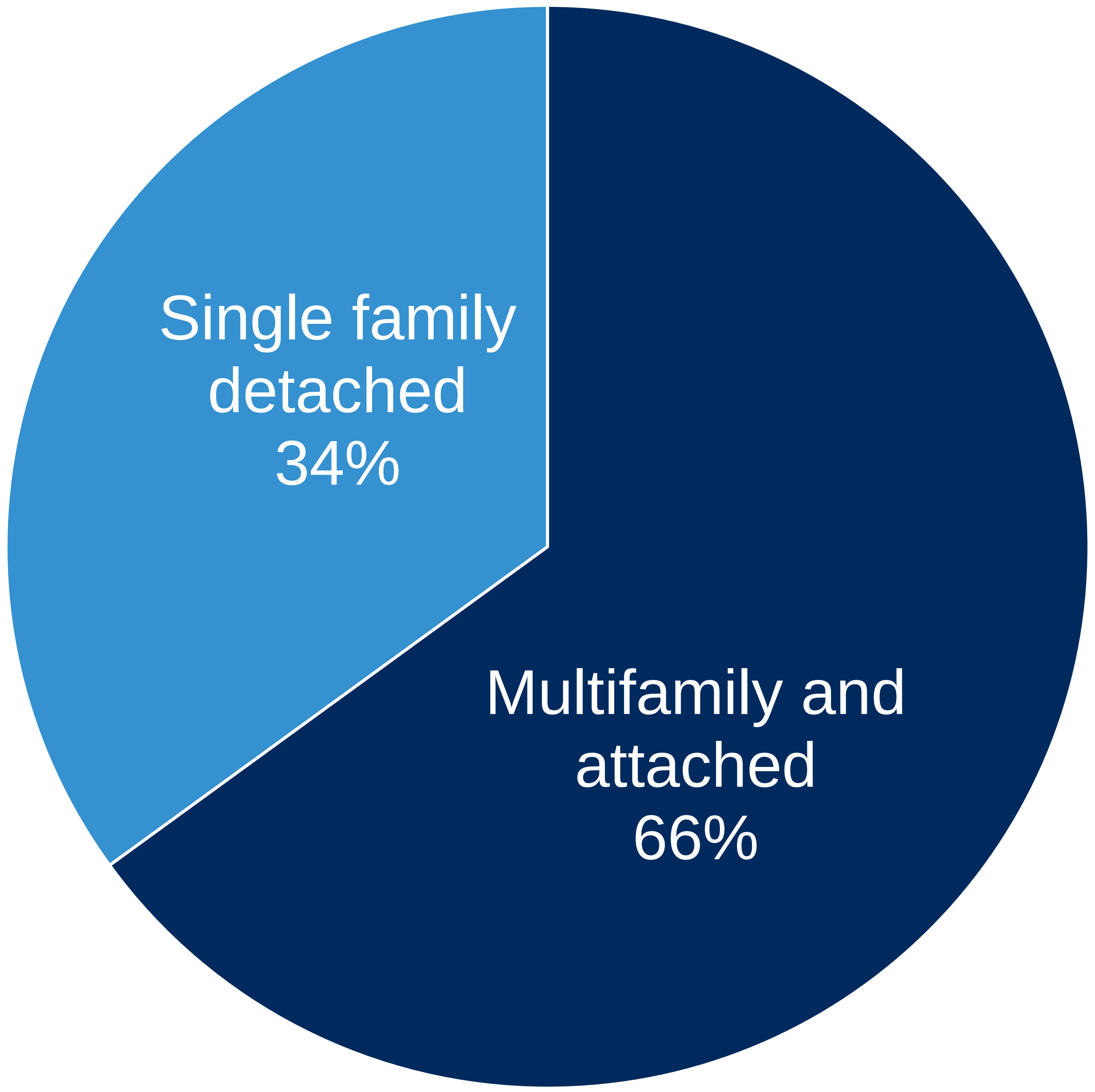
Comparing forecasts and housing production

- Forecasts of the "next 370,000 housing units" 2010-2040



- Net change in housing units, 2010-2019



Source: Metropolitan Council Regional Forecast and Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).

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The “missing middle”

- Townhomes
  - 2000-2009: 1/3 of all single-family permits
  - 2010-2019: 1/6 of all single-family permits
- Duplex/triplex/quadplex
  - Did gain 42 units in 2019
  - Net loss in the last 10 years (- 417 units total)
- Accessory dwelling units (ADUs)
  - 2017: 27 ADUs added
  - 2018: 19 ADUs added
  - 2019: 30 ADUs added

For units that tend to be less expensive, not many are being added

Source: Metropolitan Council Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).

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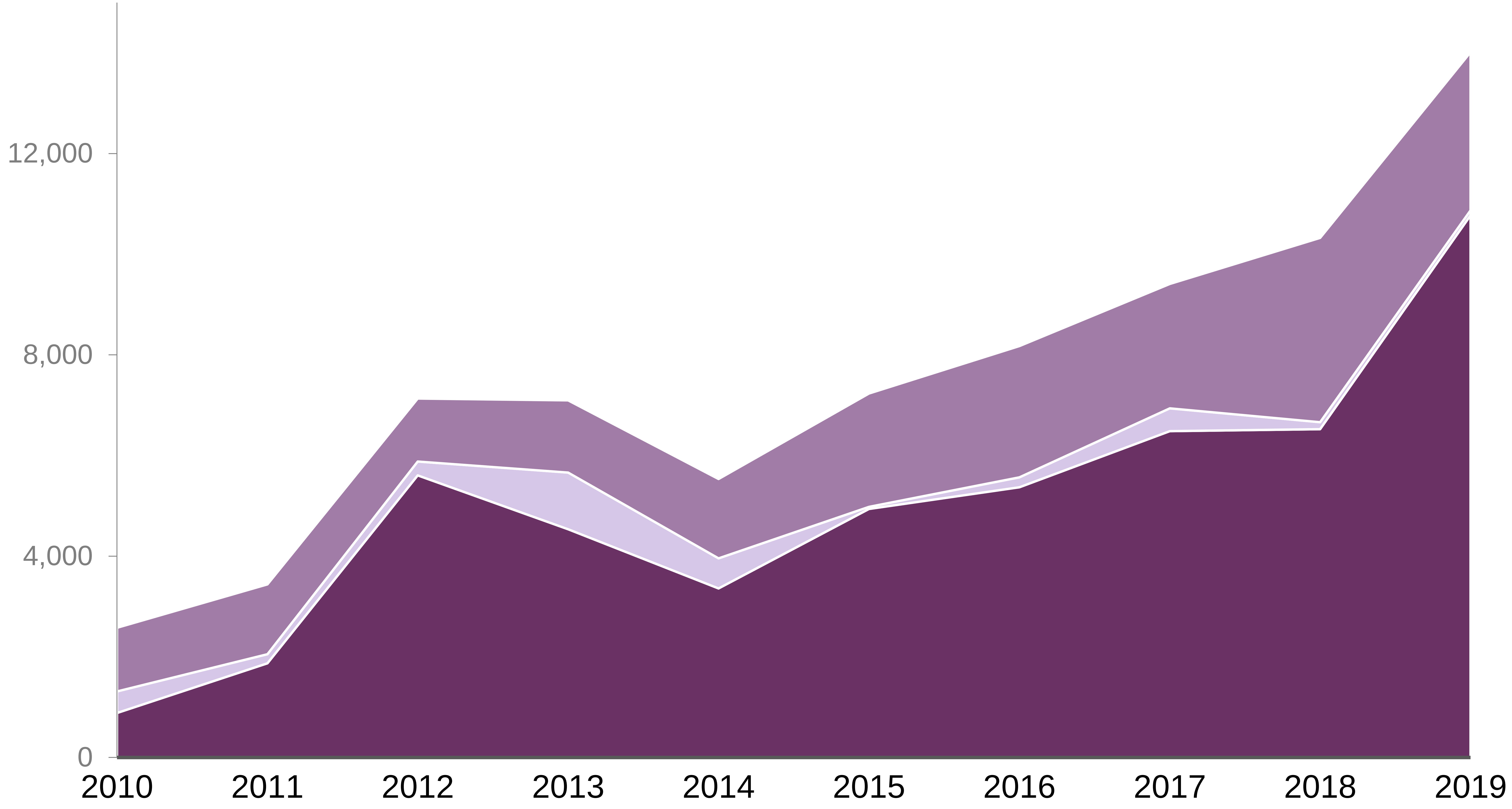
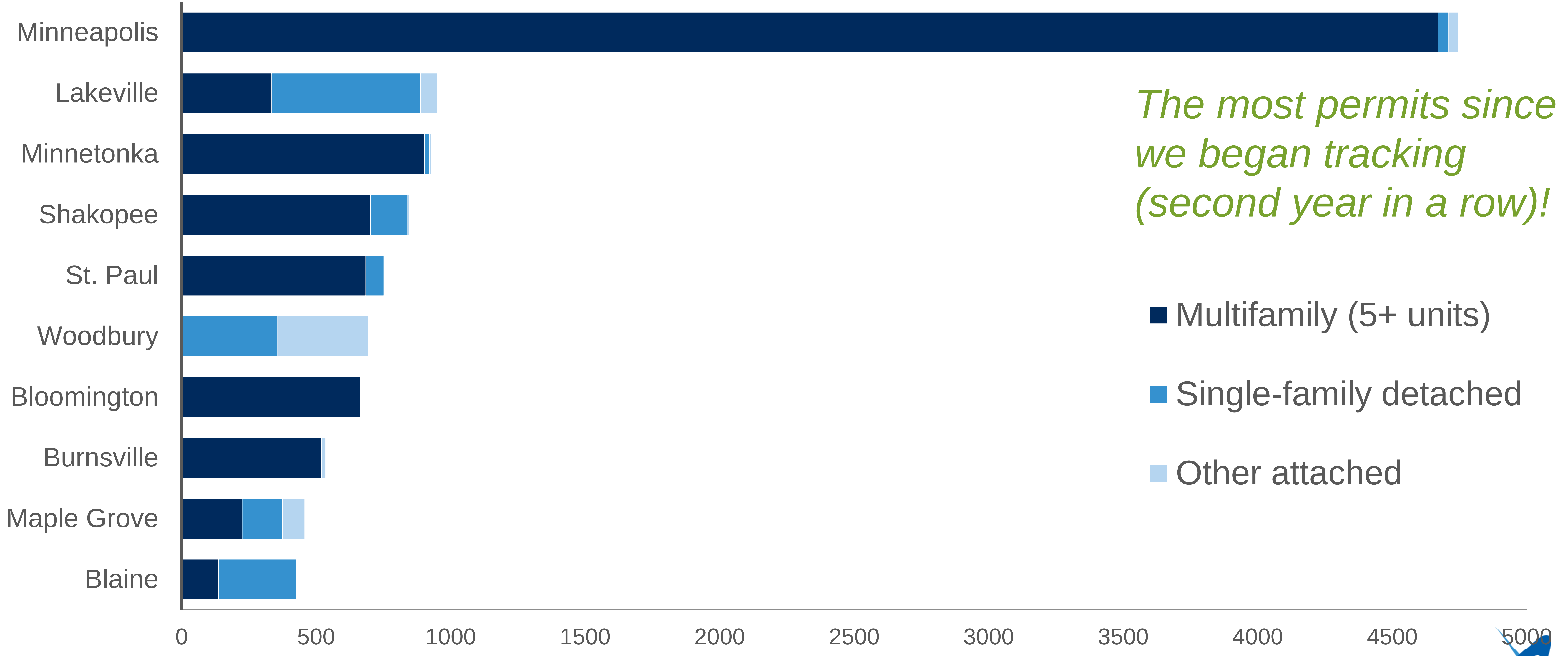
Multifamily age-restricted permits



Share of total permits, 2010-2019	
Older adults	28%
Students or youth	5%
General population	67%

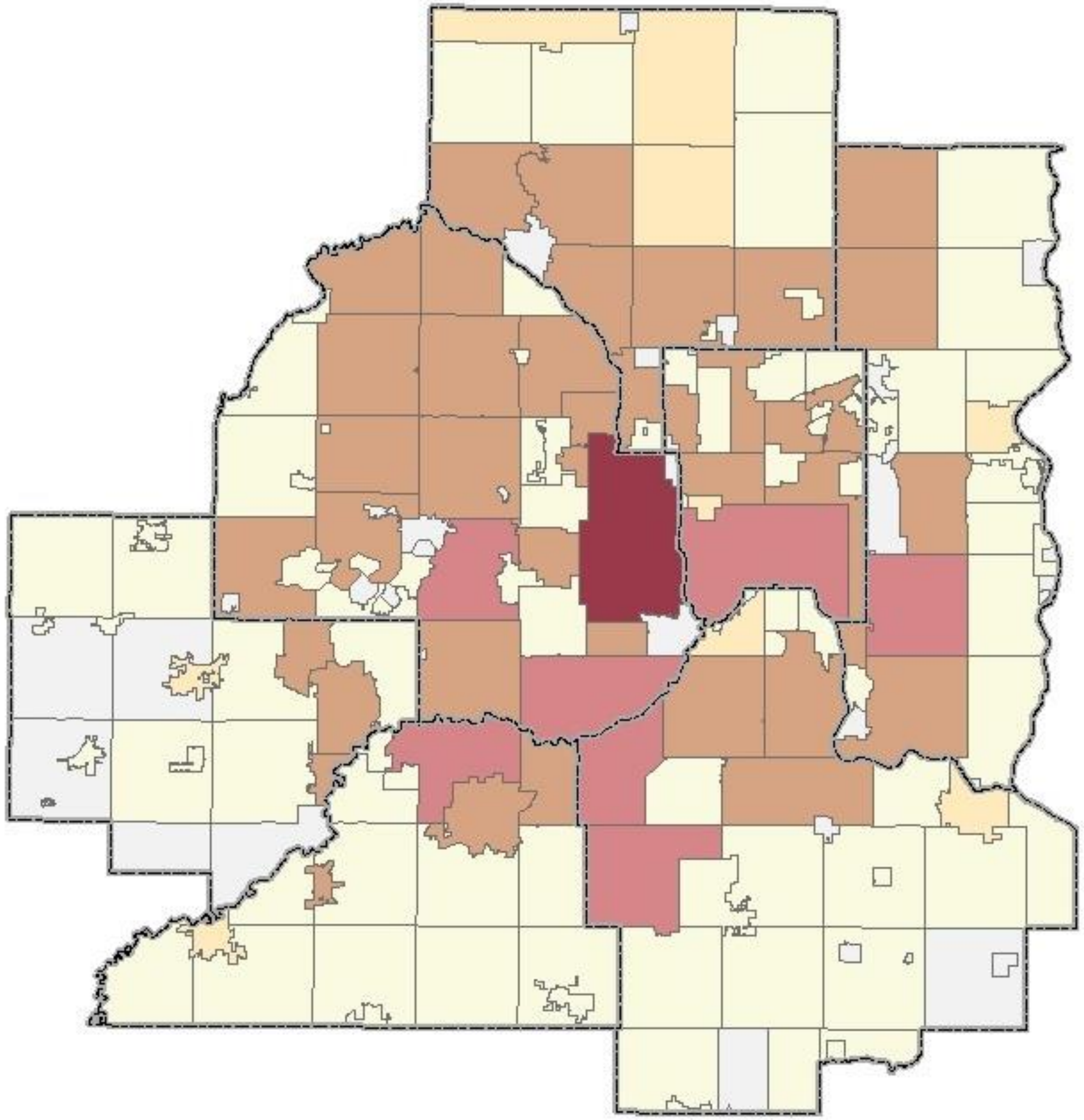
Source: Metropolitan Council Building Permit Survey.
Data reflect new construction and conversions from commercial uses only.

Cities with largest net change in 2019



Source: Metropolitan Council Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).

Net housing change by community: 2019



Net change in units, 2019

- Added 4,744 units (Minneapolis)
- 500 – 950 units
- 100 - 499 units
- 50 - 99 units
- Fewer than 50 units
- No additions or loss

Source: Metropolitan Council Building Permit Survey.

Data reflect net change resulting from all types of permits (including demolitions).

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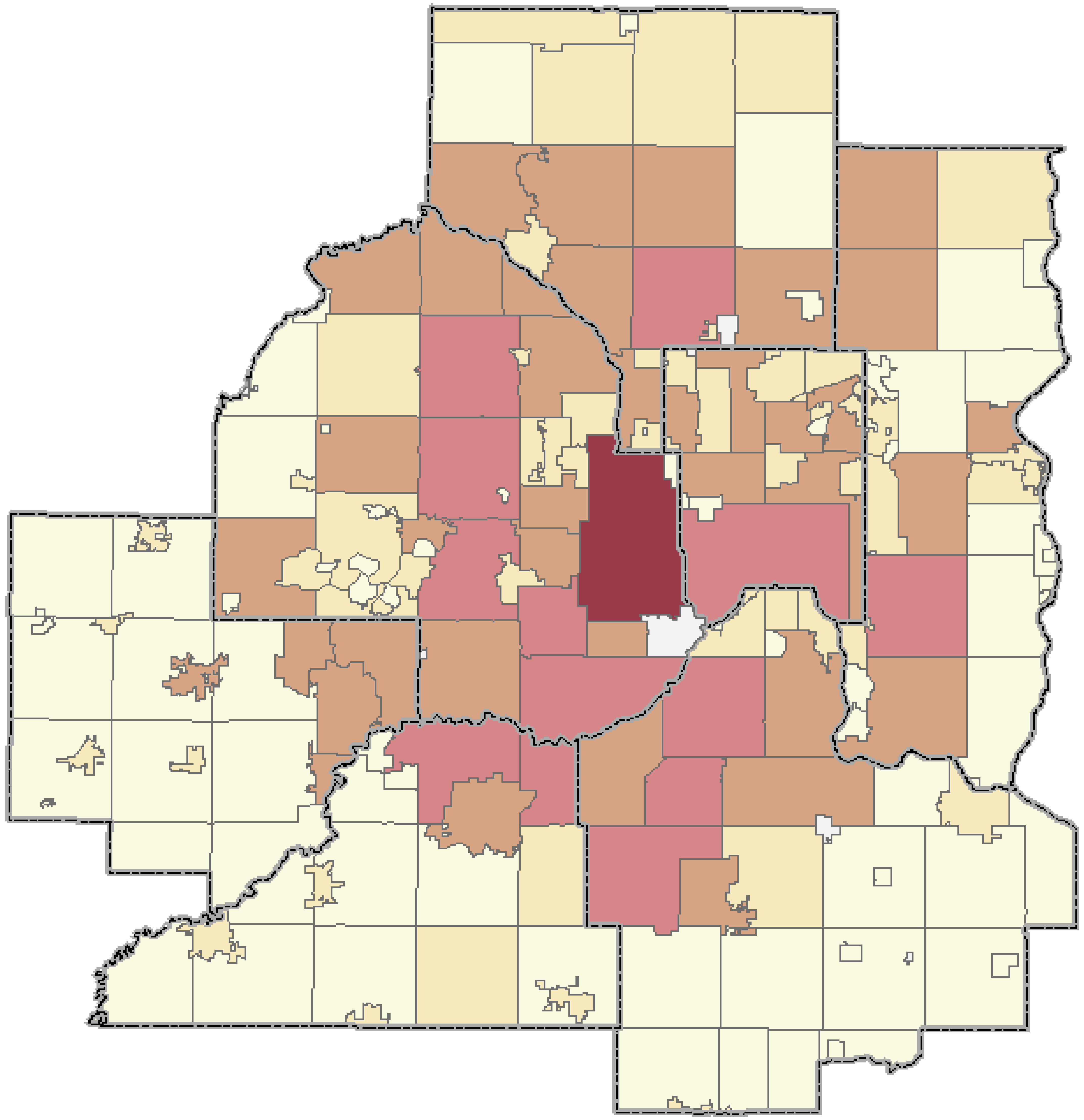
Net housing change by community: 2010-2019



Net change in units, 2010-2019

- Added 26,439 units (Minneapolis)
- 2,000 – 7,000 units
- 500 – 1,999 units
- 100 - 499 units
- Fewer than 100 units
- No additions or loss

Source: Metropolitan Council Building Permit Survey.

Data reflect net change resulting from all types of permits (including demolitions).

Because this map reflects nine years of permit activity, the category boundaries are ten times the single-year map to enable easier comparisons.

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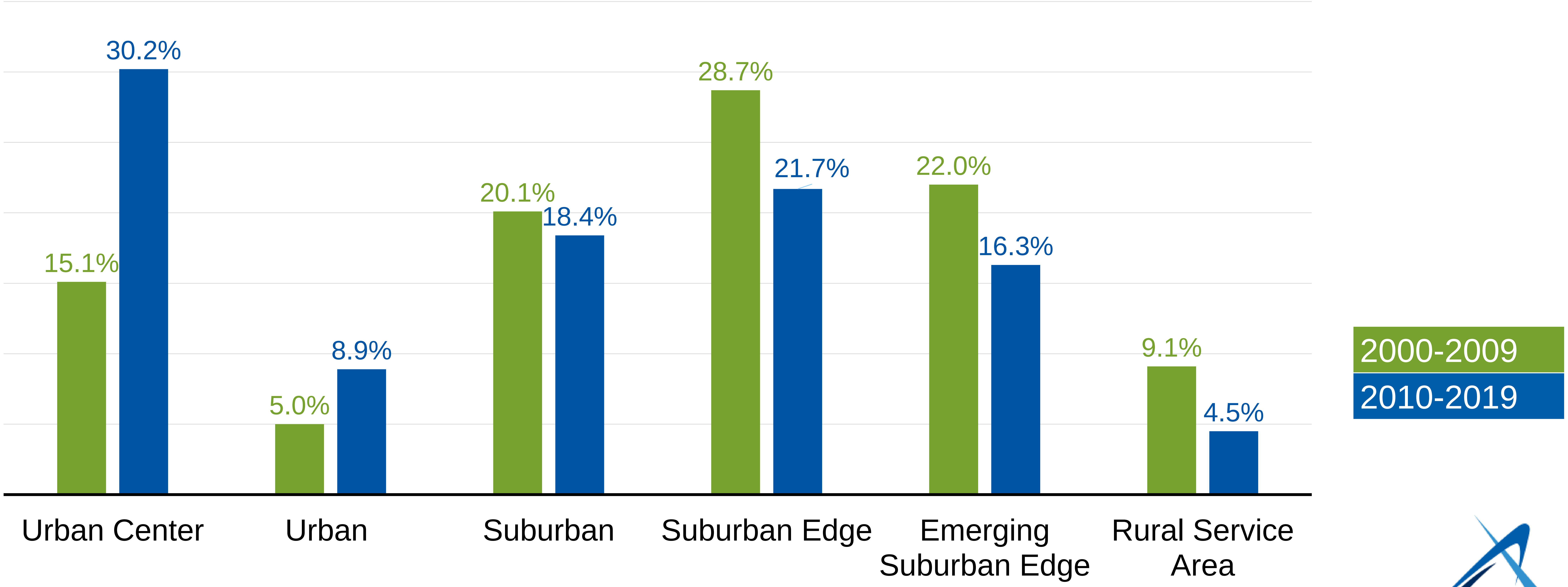
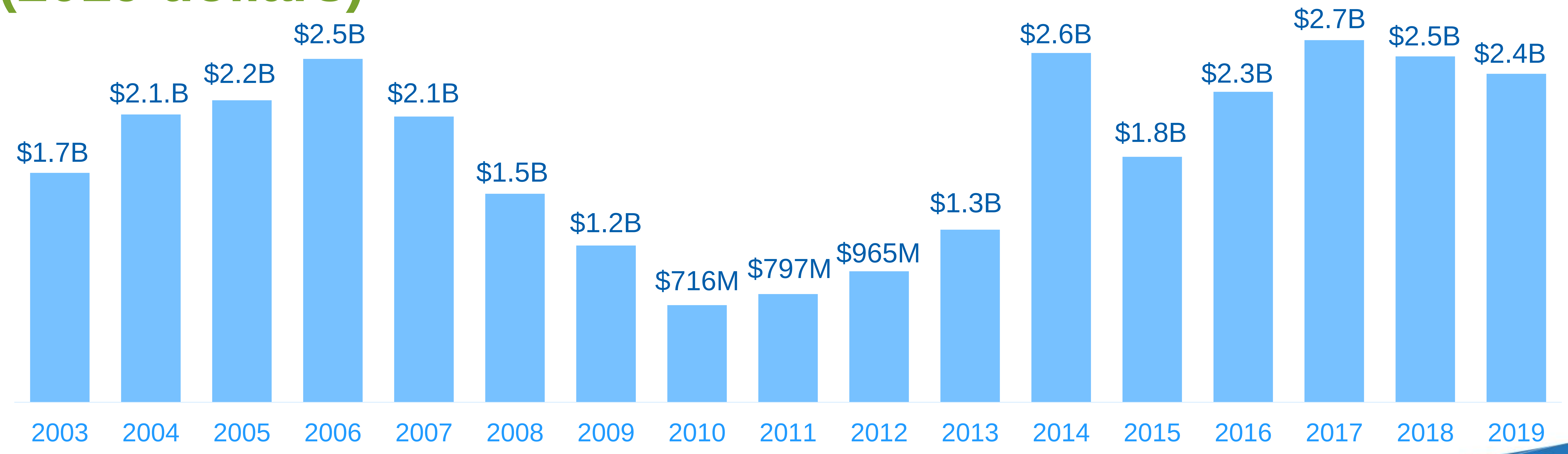
Net change in housing units by Thrive community designations



Source: Metropolitan Council Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).

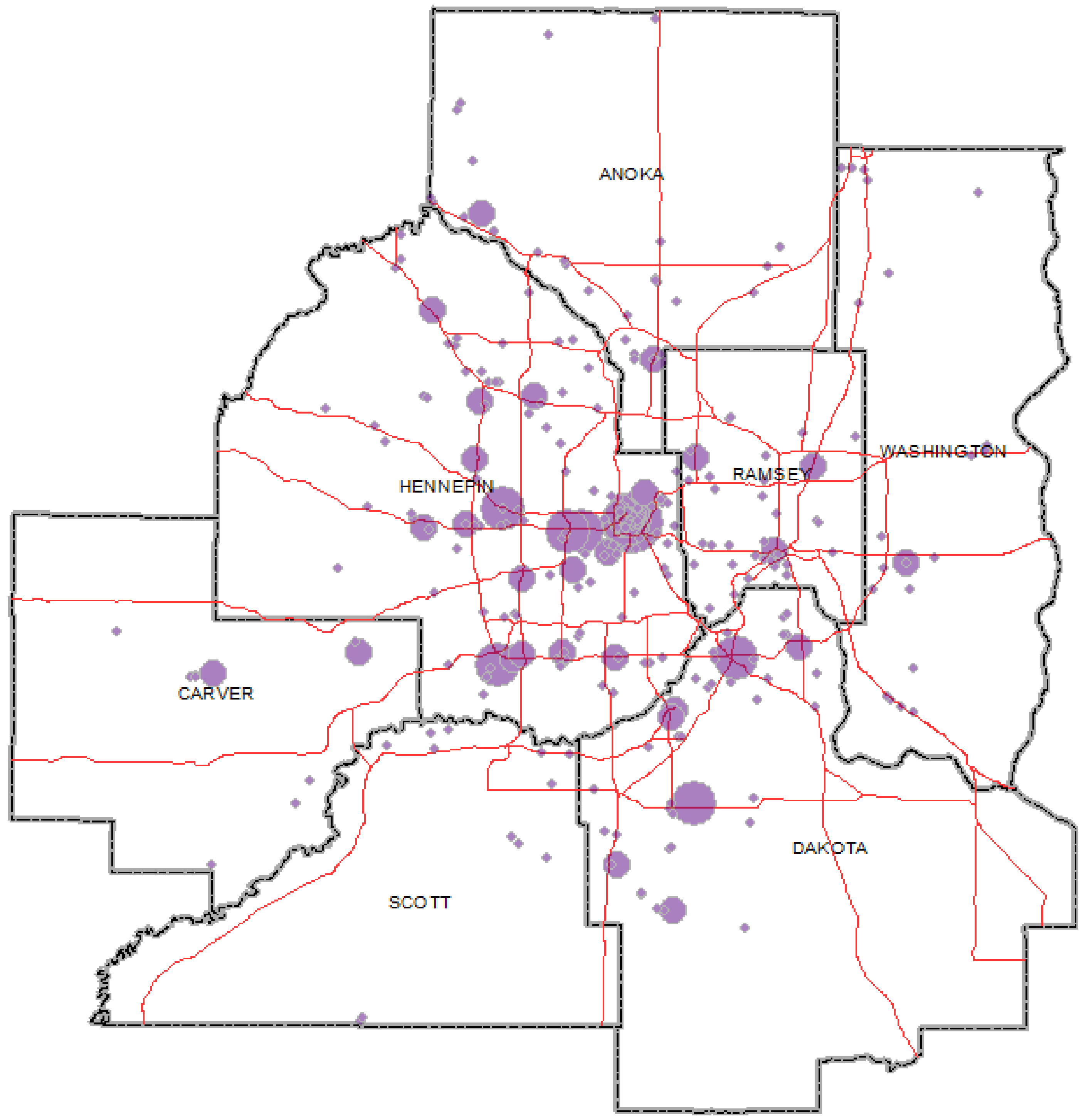
Total permit value of nonresidential construction in the Twin Cities region (2019 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2003-2019; Excludes Airport projects

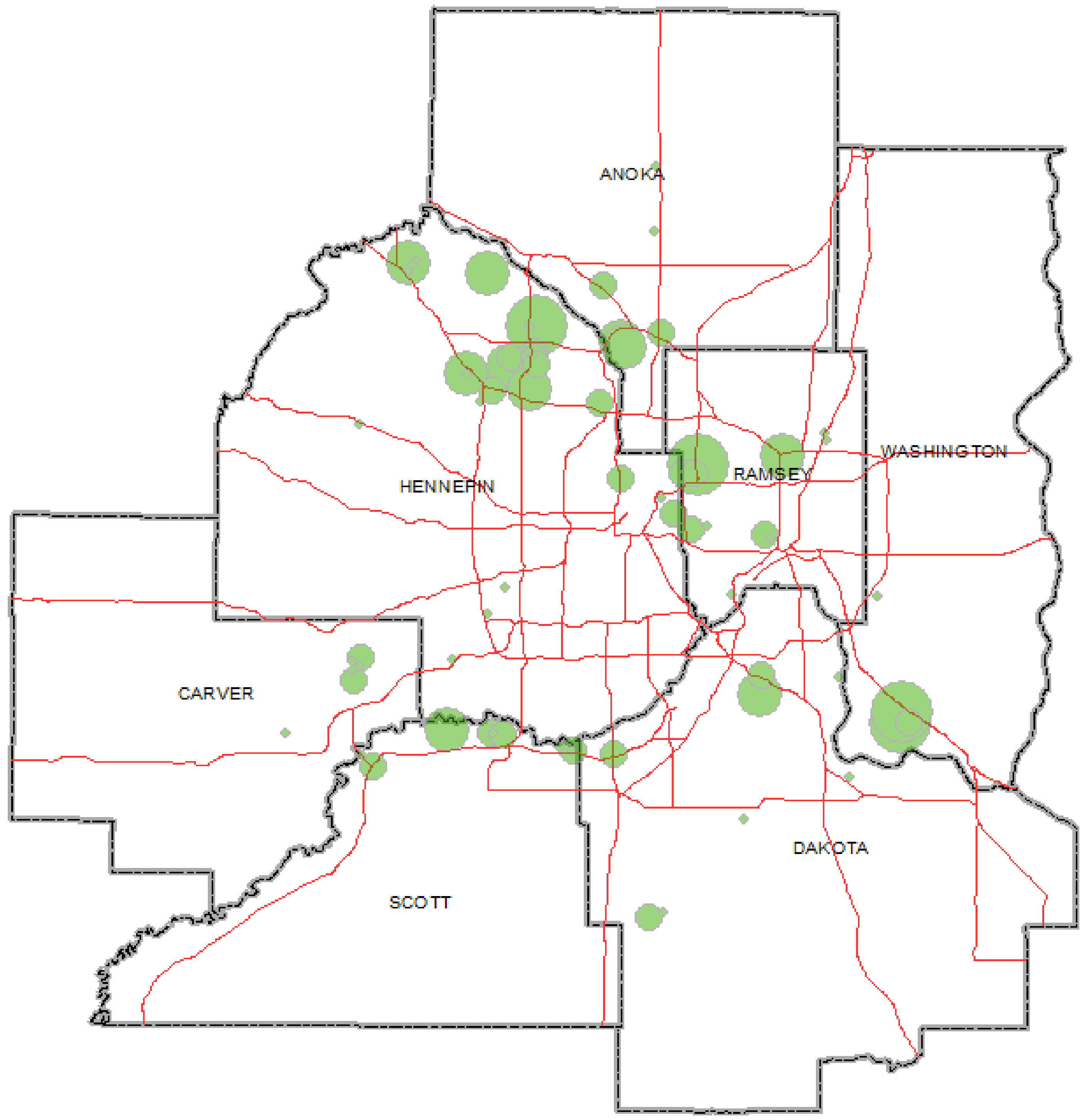
Nonresidential permits issued in 2019 by permit value

Commercial - $1.14B



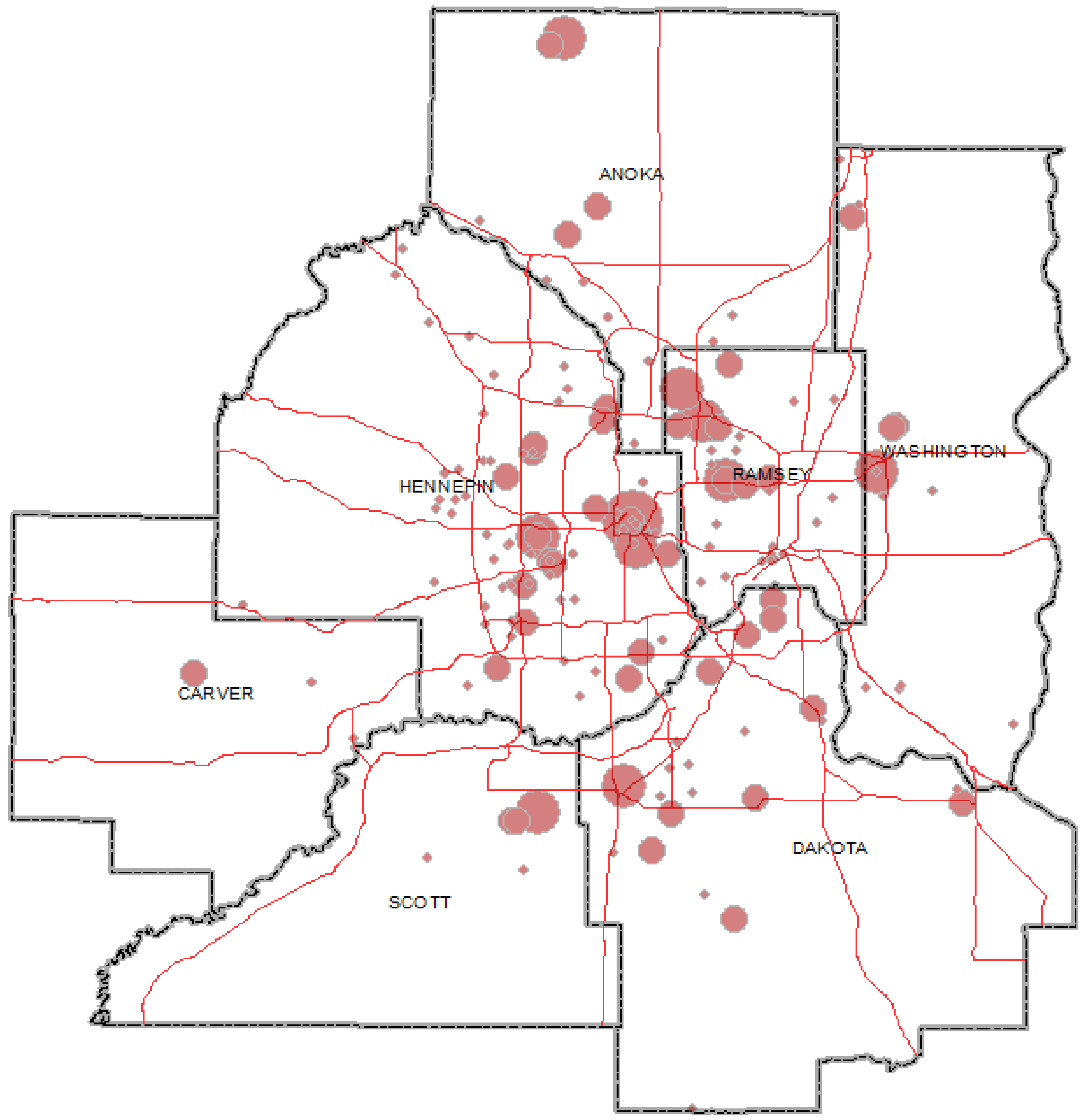
$87.5M, Omni Viking Lakes Hotel, Eagan
$87.0M, Thrivent New HQ, Minneapolis
$37.8M, Rand Tower Remodel, Minneapolis
$34.1M, The Dayton's Project, Minneapolis
$26.2M, Retail Center, Plymouth

Industrial - $349M



$26.3M, Renewal by Andersen, Cottage Grove
$22.5M, Up North Plastics, Cottage Grove
$19.0M, NorthPark III, Brooklyn Park
$16.5M, Colder Products Corp, Roseville
$12.9M, Valley View IV, Shakopee

Public and Institutional- $931M



$120.5M, Minneapolis Service Center, Minneapolis
$41.2M, Roseville High School, Roseville
$35.0M, Mounds View High School, Arden Hills
$25.7M, Abbott Northwestern Hospital, Minneapolis
$25.0M, Park Nicollet Hospital, Burnsville

Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2019; Excludes Airport projects

Development patterns: takeaways

- Data show that the region’s residential markets were on a continued upswing; region’s nonresidential markets stayed close to previous few years:
  - Highest annual total of new housing units since 2004
  - Consistent level of nonresidential construction (based on value)
- Increased residential development was not enough to overcome the housing shortfall we’ve discussed in previous years
  - Population growth still outpaced housing; large shortfall compared with peer regions
- (Limited) 2020 data show significant disruption due to pandemic
  - Vacancy up, rent prices down in some rental markets
  - Nonresidential construction fell considerably

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What are we seeing in 2020 data?

2020 data reveal pandemic-related disruptions

- 2020 – Currently in a recession due to pandemic
  - Residential permitting activity should still be robust in 2020
- Ownership market:
  - Seller's market might continue in most of the region; there might be buyers' markets in others (condo units)
  - Limited inventory in some areas is driving up prices
  - Low mortgage interest rates
- Rental market:
  - Covid-19 related construction shutdowns and stoppages
  - Rising vacancy rates; increase in rental prices flattening
  - A pause in renter defaults; The CDC has prohibited evictions nationally through the end of the year
- Nonresidential construction:
  - Expected decrease in permitting activity

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Residential permitting activity – Census Bureau

Through September 2019 – 7 County Region		Through September 2020 – 7 County Region	
Single family units	4,922 units	Single family units	4,884 units
2-units	50 units	2-units	50 units
3-4 units	57 units	3-4 units	101 units
5+ units	8,317 units	5+ units	7,271 units
Totals units	13,346 units permitted	Total units	12,306 units permitted
Single family units	36.9% of total	Single family units	39.7%
Multifamily units (2+)	63.1% of total	Multifamily units (2+)	60.3%

Source: Census Bureau's Building Permit Survey, September 2019 and September 2020

Inventory of Homes for Sale

The number of properties available for sale in active status at the end of a given month.

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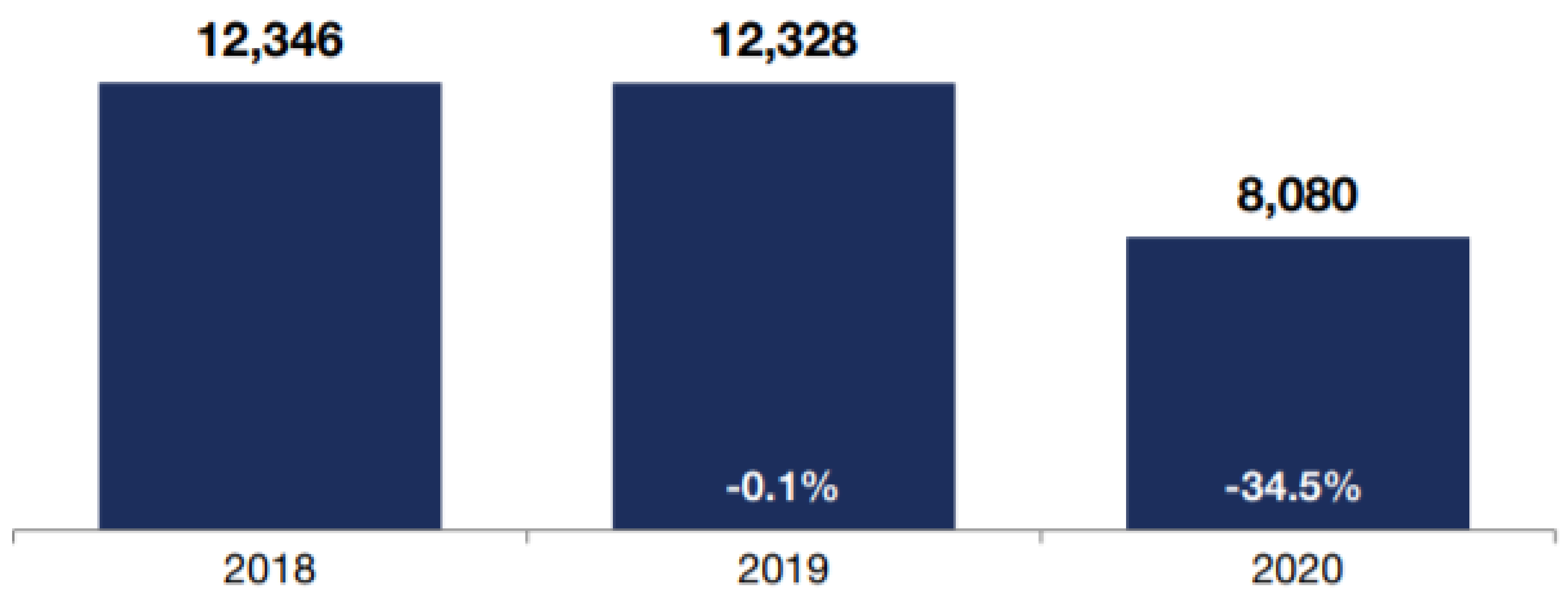
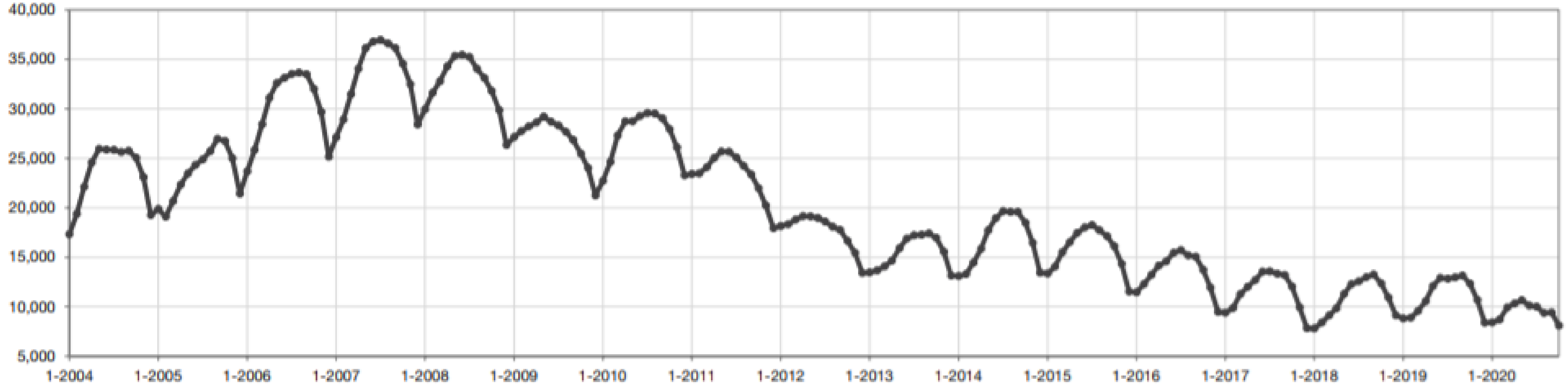


Homes for Sale		Prior Year	Percent Change
November 2019	10,685	10,918	-2.1%
December 2019	8,361	9,124	-8.4%
January 2020	8,389	8,797	-4.6%
February 2020	8,680	8,866	-2.1%
March 2020	9,919	9,550	+3.9%
April 2020	10,301	10,532	-2.2%
May 2020	10,636	12,080	-12.0%
June 2020	10,103	12,890	-21.6%
July 2020	9,991	12,827	-22.1%
August 2020	9,363	12,952	-27.7%
September 2020	9,412	13,144	-28.4%
October 2020	**8,080**	**12,328**	**-34.5%**
12-Month Avg	9,493	11,167	-13.5%

Historical Inventory of Homes for Sale



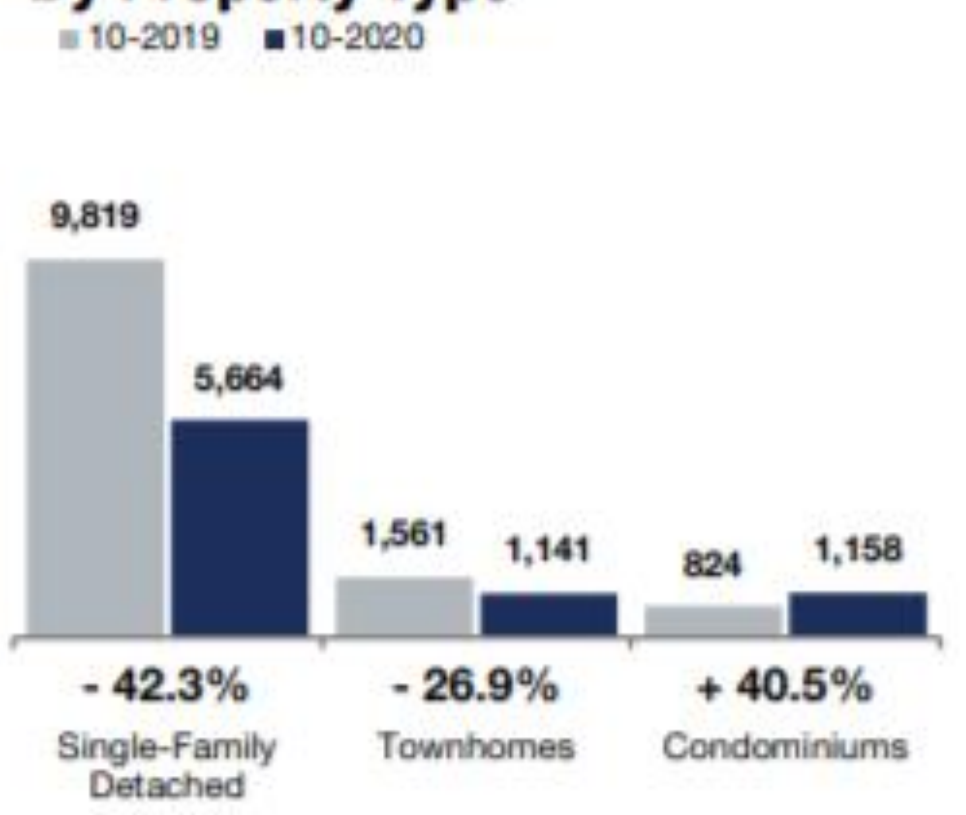
Source: Minneapolis Area REALTORS FastStats; current as of November 11, 2020

Inventory of Homes for Sale

The number of properties available for sale in active status at the end of the most recent month. **Based on one month of activity.**

By Price Range

By Property Type

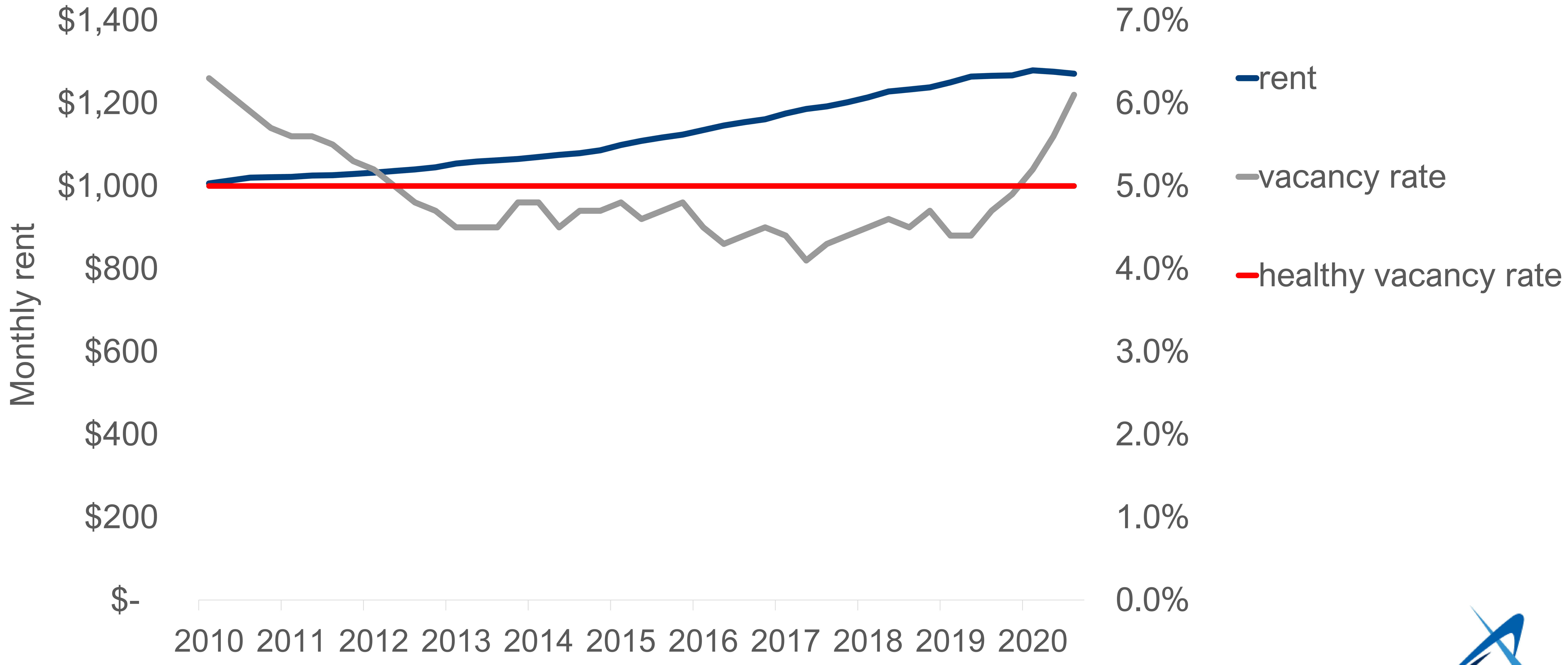


	All Properties			Previously Owned			New Construction		
By Price Range	10-2019	10-2020	Change	10-2019	10-2020	Change	10-2019	10-2020	Change
$120,000 and Below	221	132	- 40.3%	209	129	- 38.3%	11	3	- 72.7%
$120,001 to $150,000	278	190	- 31.7%	273	181	- 33.7%	3	9	+ 200.0%
$150,001 to $190,000	716	447	- 37.6%	714	442	- 38.1%	2	5	+ 150.0%
$190,001 to $250,000	1,875	1,165	- 37.9%	1,684	1,104	- 34.4%	190	61	- 67.9%
$250,001 to $350,000	3,134	2,075	- 33.8%	2,486	1,643	- 33.9%	648	432	- 33.3%
$350,001 to $500,000	2,945	1,970	- 33.1%	1,933	1,215	- 37.1%	1,010	755	- 25.2%
$500,001 to $1,000,000	2,390	1,514	- 36.7%	1,702	986	- 42.1%	688	528	- 23.3%
$1,000,001 and Above	764	587	- 23.2%	572	438	- 23.4%	192	149	- 22.4%
All Price Ranges	**12,328**	**8,080**	**- 34.5%**	**9,575**	**6,138**	**- 35.9%**	**2,745**	**1,942**	**- 29.3%**

By Property Type	10-2019	10-2020	Change	10-2019	10-2020	Change	10-2019	10-2020	Change
Single-Family Detached	9,819	5,664	- 42.3%	7,612	4,202	- 44.8%	2,201	1,462	- 33.6%
Townhomes	1,561	1,141	- 26.9%	1,144	796	- 30.4%	417	345	- 17.3%
Condominiums	824	1,158	+ 40.5%	739	1,072	+ 45.1%	85	86	+ 1.2%
All Property Types	**12,328**	**8,080**	**- 34.5%**	**9,575**	**6,138**	**- 35.9%**	**2,745**	**1,942**	**- 29.3%**

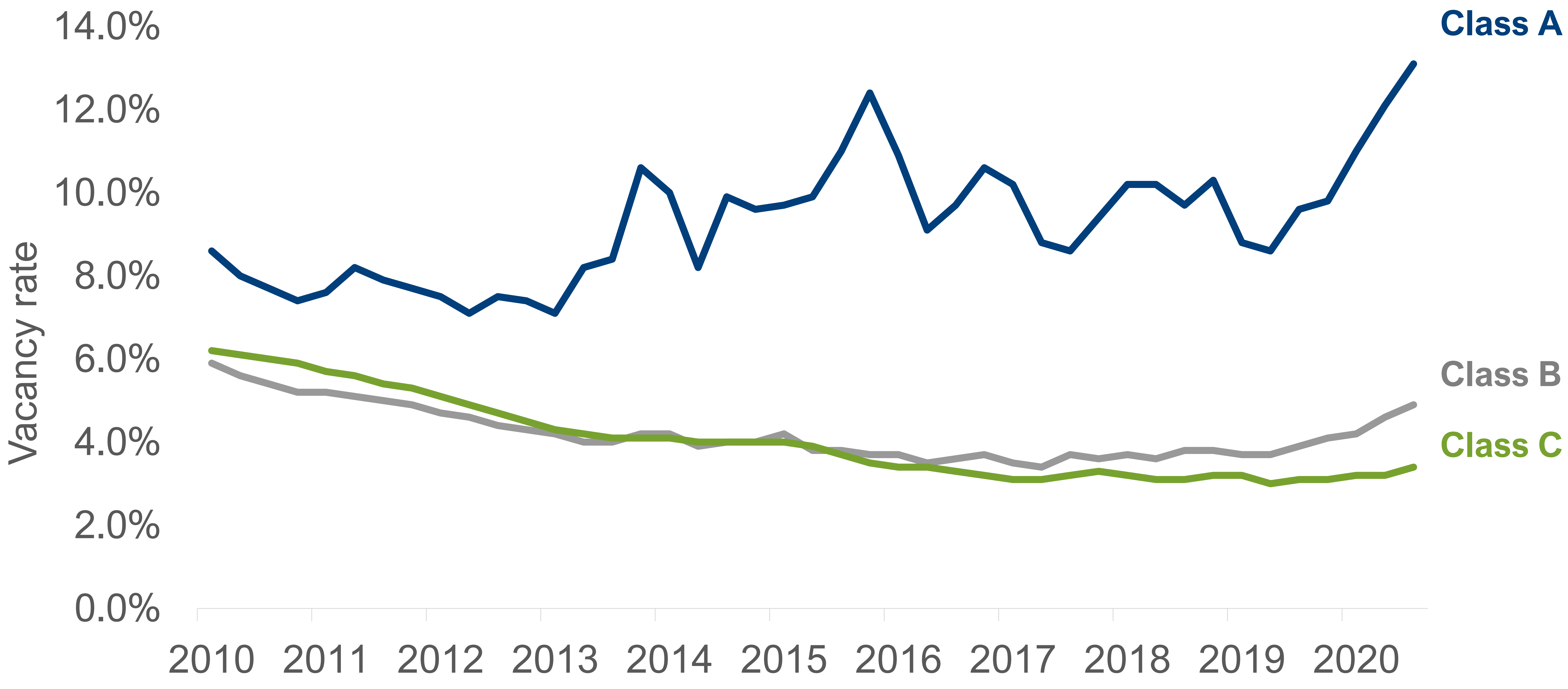
Source: Minneapolis Area REALTORS FastStats; current as of November 11, 2020

Vacancy rising, rent prices flattening



Source: CoStar data on average asking multifamily rents and vacancy rates in the Twin Cities region

Vacancy rates are rising most in class A properties



Source: CoStar data on multifamily vacancy rates in the Twin Cities region

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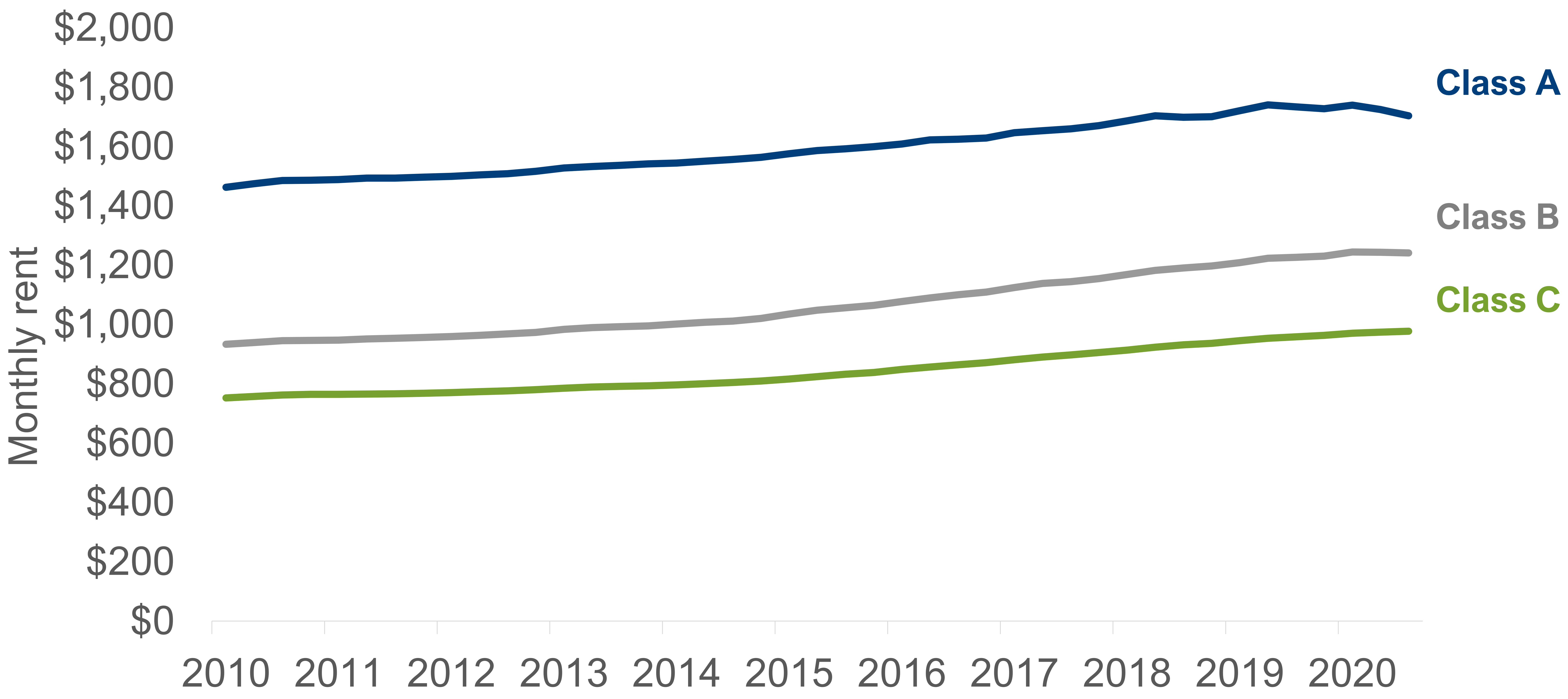
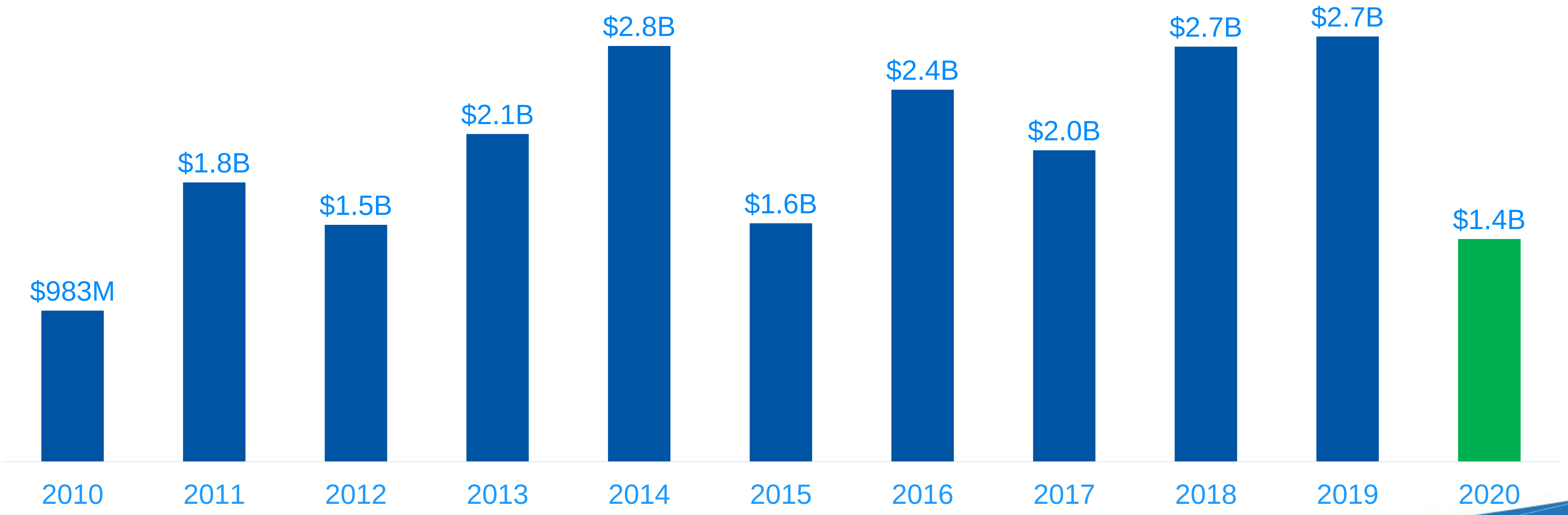
Rent prices are flat, decreasing a little in Class A properties



Source: CoStar data on multifamily rent prices in the Twin Cities region

Nonresidential construction activity – Dodge Reports



Source: Dodge Reports; 3rd Quarter 2020

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For more information

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