We still need more housing.

The region’s residential development in 2018

June 3, 2019

Community Development Committee

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Overview

- About the building permit survey

- Trends in residential development
  - Has development leveled off?
  - Is the region building enough new housing?
  - Is the region providing choice with respect to housing type?
  - Is the region providing choice with respect to location?

- Discussion

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About the building permit survey

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Building permit survey

- Data collected by the Council annually since 1970
- Developed in collaboration with local governments
- Validated with federal sources, other Council datasets
- 2018 response rate: **98.4%**
- Single comprehensive look across the region

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What we capture

- Housing type
- Number of units
- Permit type (new construction, demolition, etc.)
- Location
- Whether age-restricted
- Value
- Nonresidential data
  - Value
  - Classification

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What we don’t capture

- Tenure
- Affordability

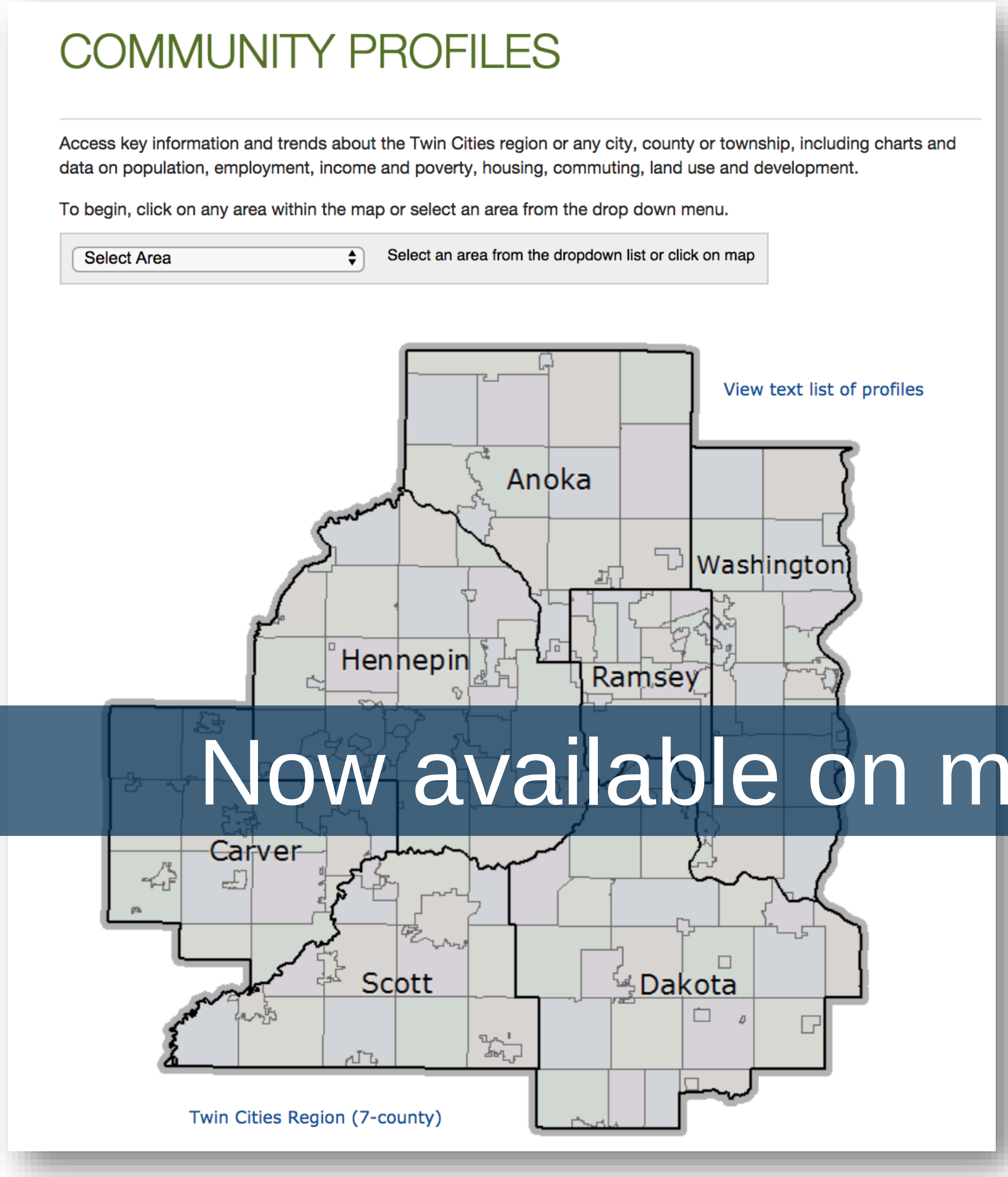
Coming later 2019

- When units are started or completed
- Number of bedrooms

What we do with the 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



Now available on metrocouncil.org/data

What are relevant trends in residential development?

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Residential development trends

Has residential development peaked?	**?**
Is the region building enough new housing?	**?**
To what extent is the region providing choice with respect to housing type?	**?**
To what extent is the region providing choice with respect to location?	**?**

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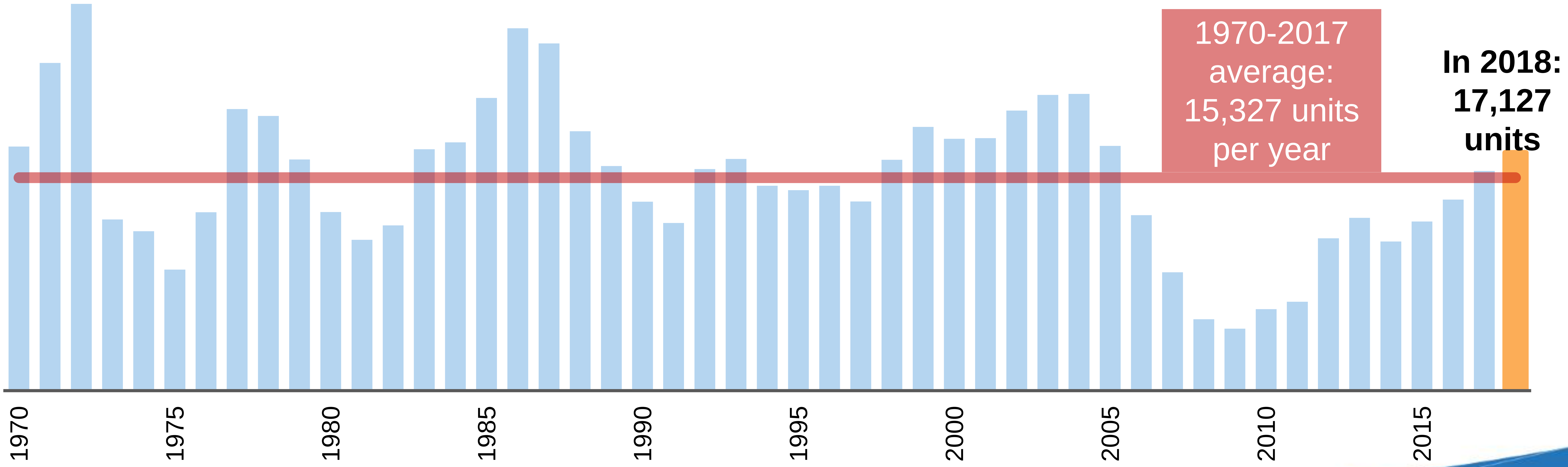
Permitted units: How many?



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

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Components of 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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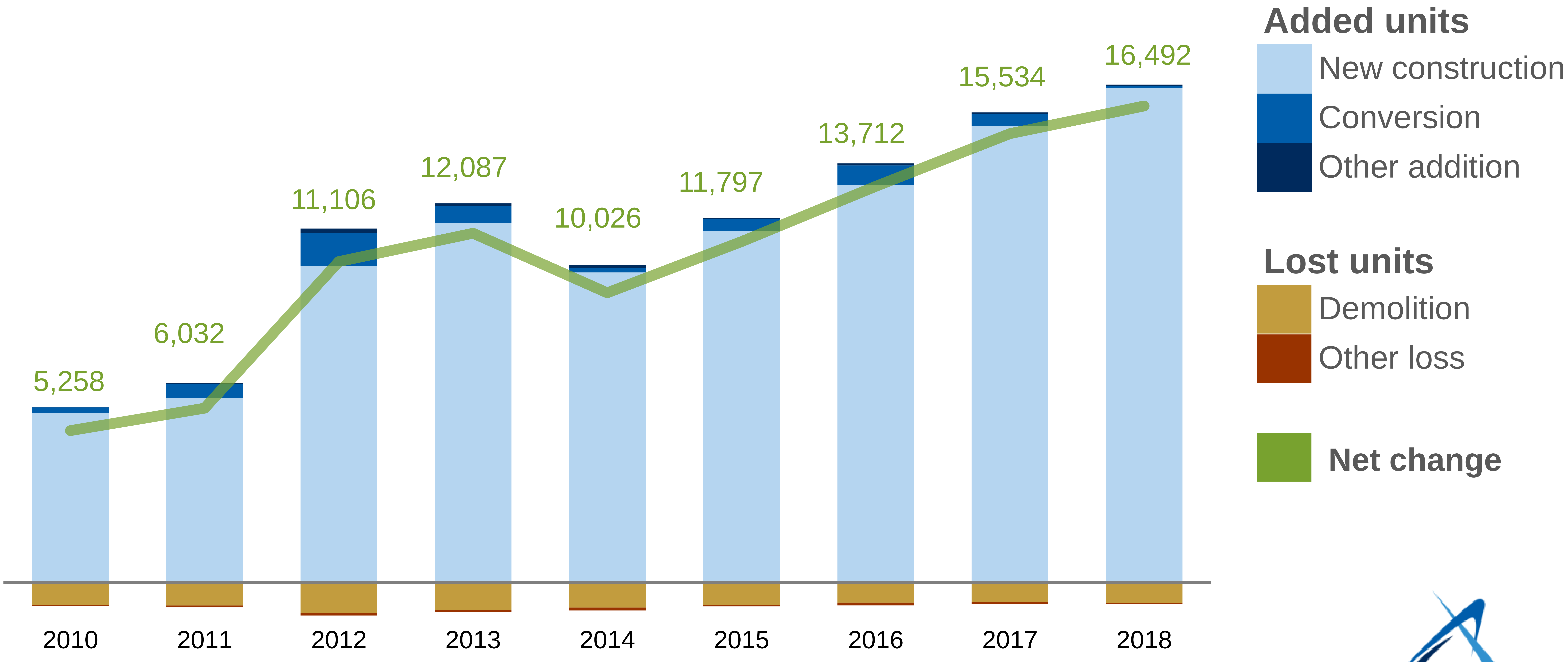
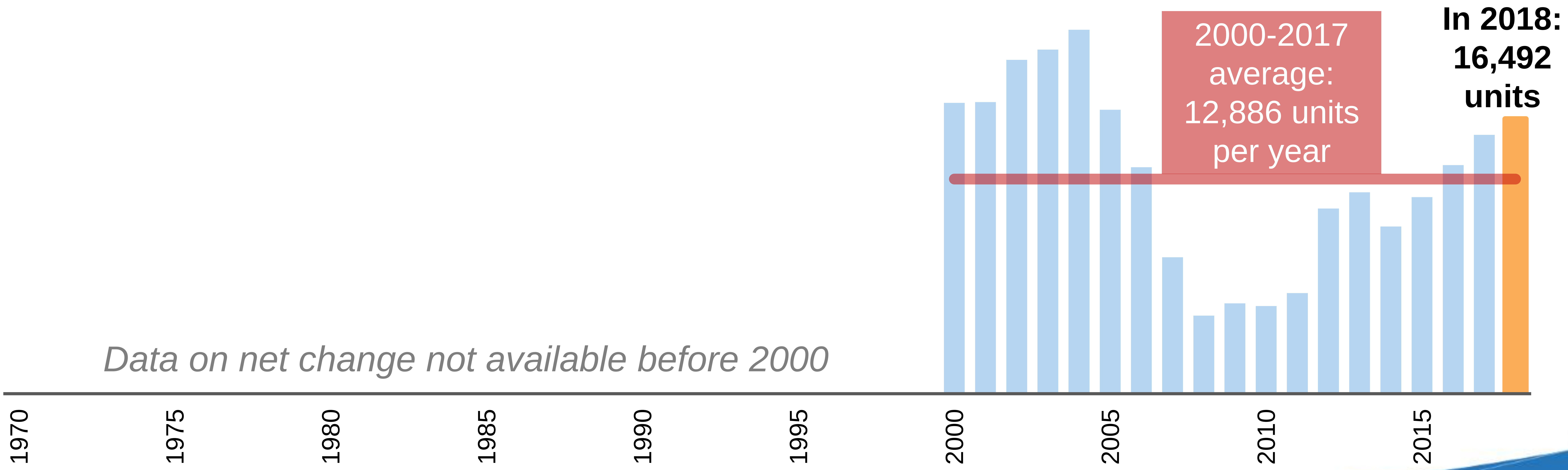
Components of supply



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

Net change: How many?



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

Residential development trends

Has residential development peaked?	***Not yet***
Is the region building enough new housing?	**?**
To what extent is the region providing choice with respect to housing type?	**?**
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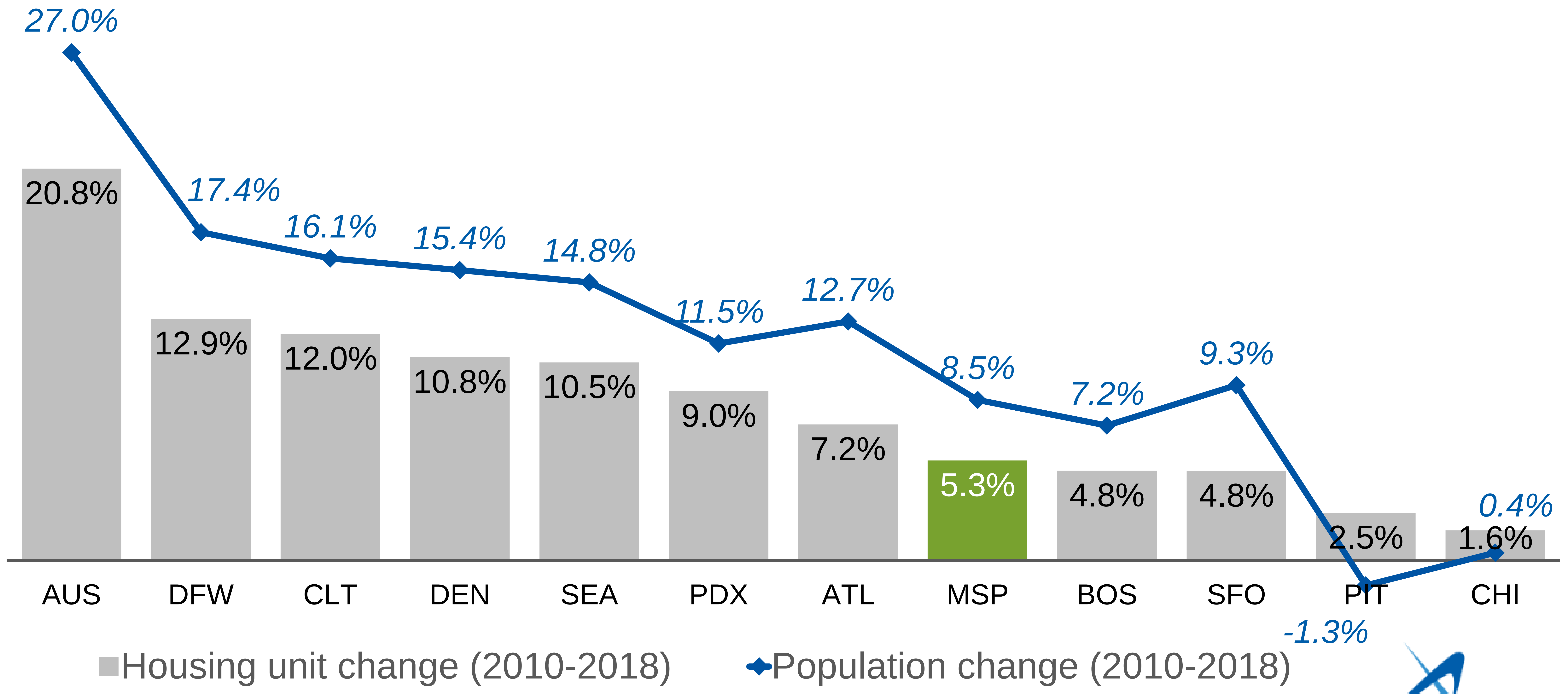
Housing unit growth: Peer regions

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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Housing unit growth: Peer regions

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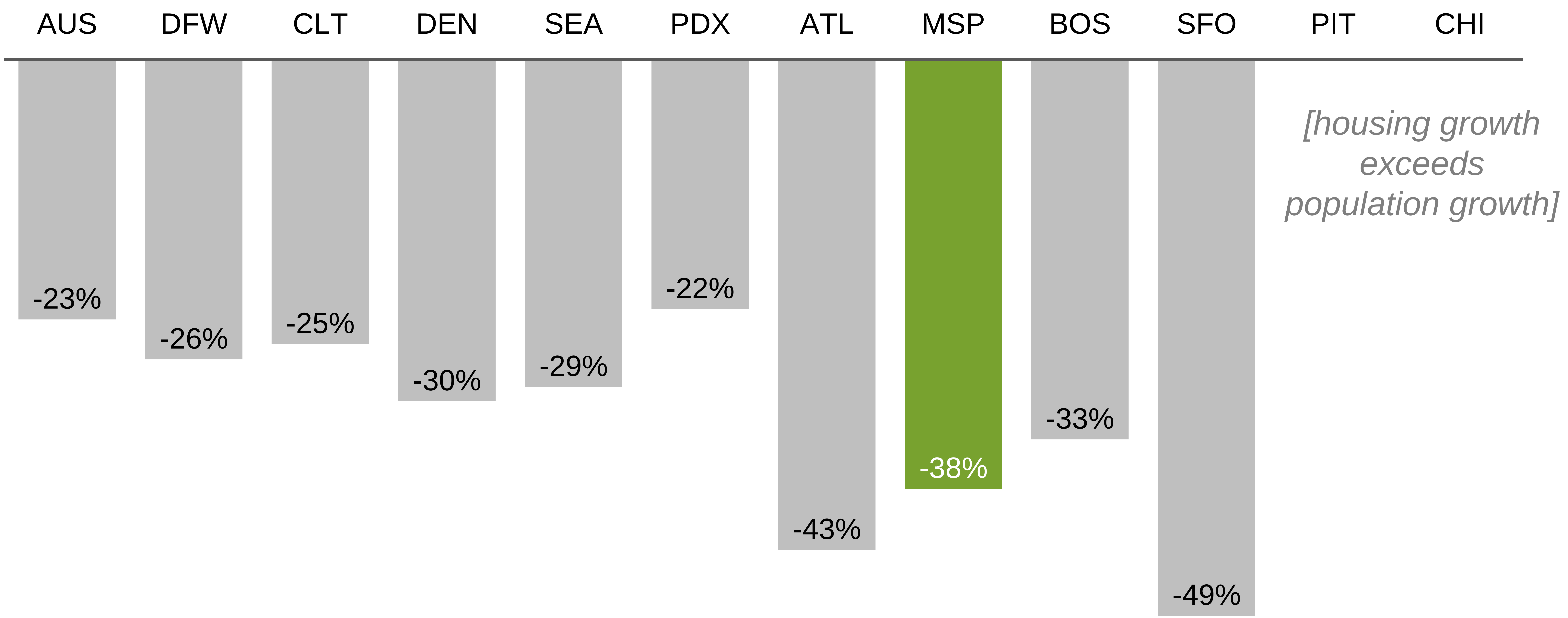
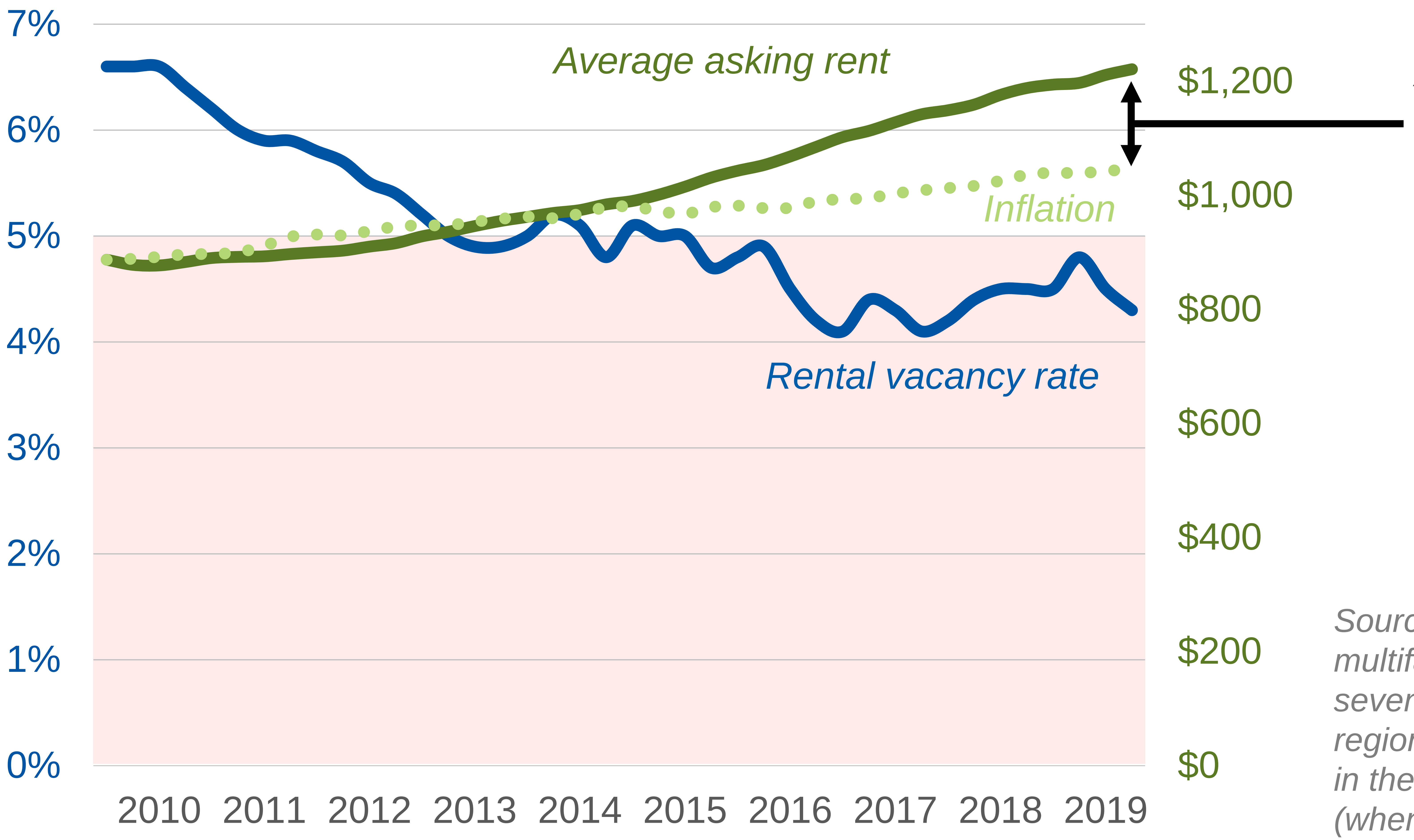


Source: U.S. Census Bureau Population Estimates Program. Population growth rate includes only people in households.

The importance of "healthy" vacancy rates



Average asking rent is $175 higher than if rents had risen with inflation

Source: CoStar data on multifamily rentals in the seven-county Twin Cities region. Data series begins in the third quarter of 2009 (when the current period of national economic expansion began).

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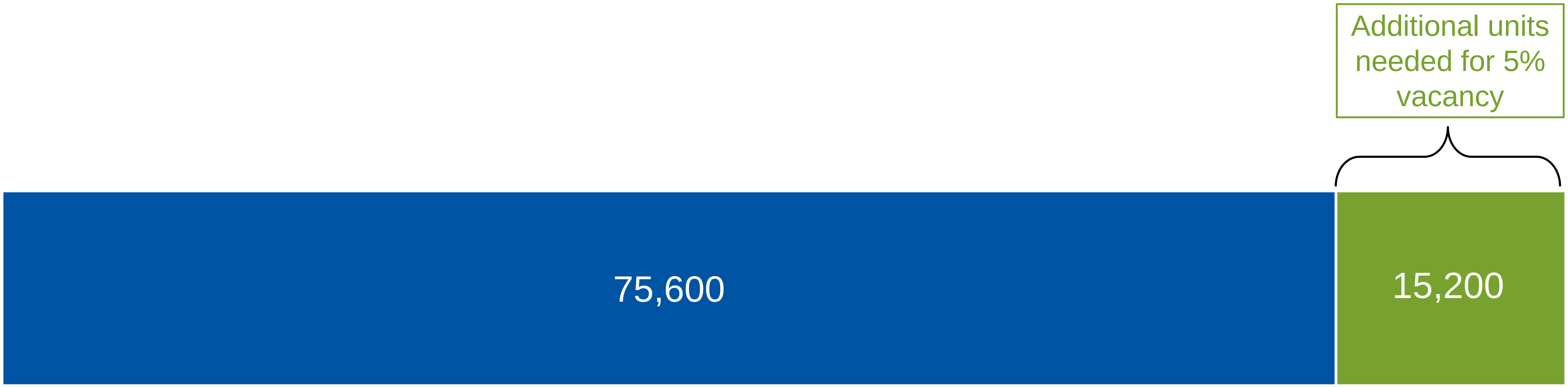
How far behind are we?



Units built since 2010 Census
(current vacancy rate = 3.8%)

Source: Metropolitan Council, 2018 preliminary housing stock and household estimates.

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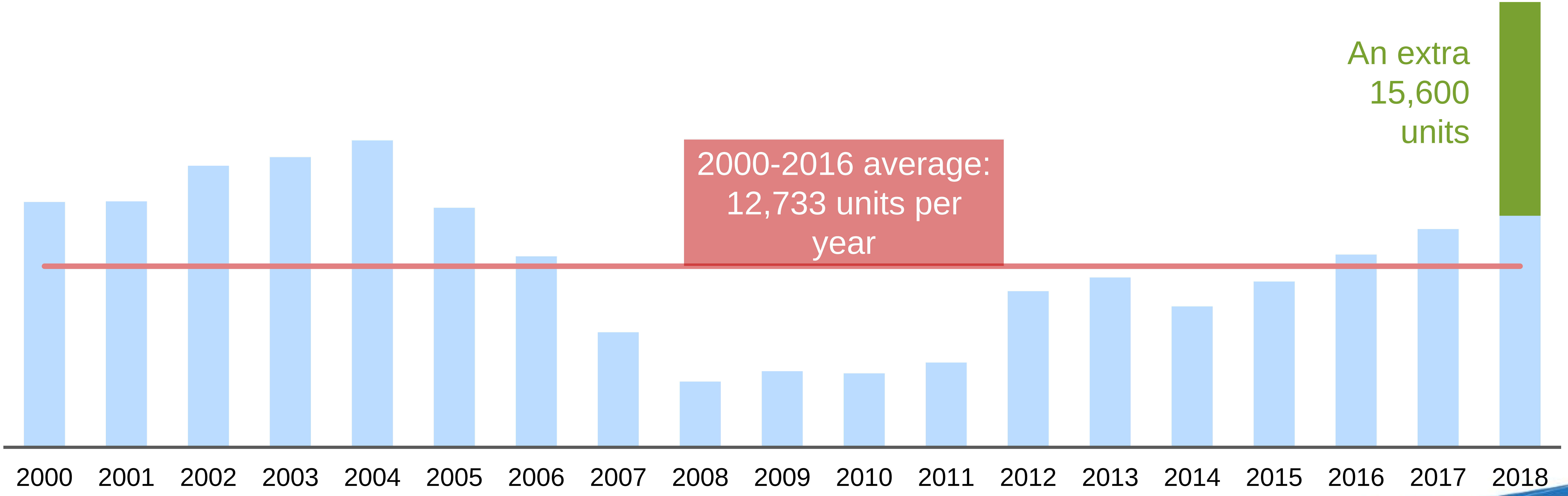
Net change: How many?

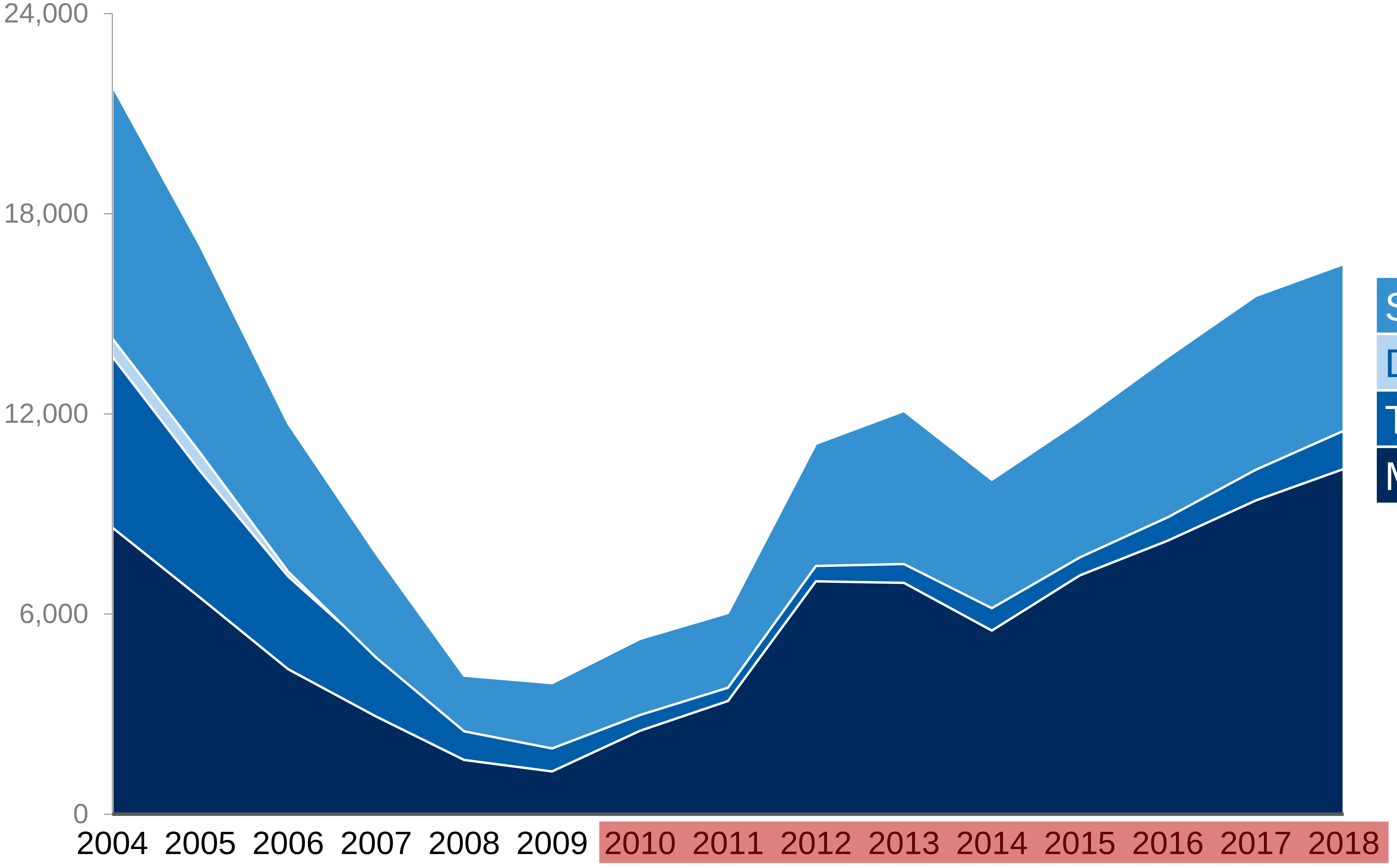


Source: Metropolitan Council Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).

Residential development trends

Has residential development peaked?	***Not yet***
Is the region building enough new housing?	***No, not even relative to other metros***
To what extent is the region providing choice with respect to housing type?	**?**
To what extent is the region providing choice with respect to location?	**?**

Housing types



Share of total net change, 2010-2018	
Single-family detached	**35%**
Duplex/triplex/quadplex	**-1%**
Townhomes	**7%**
Multifamily	**59%**

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

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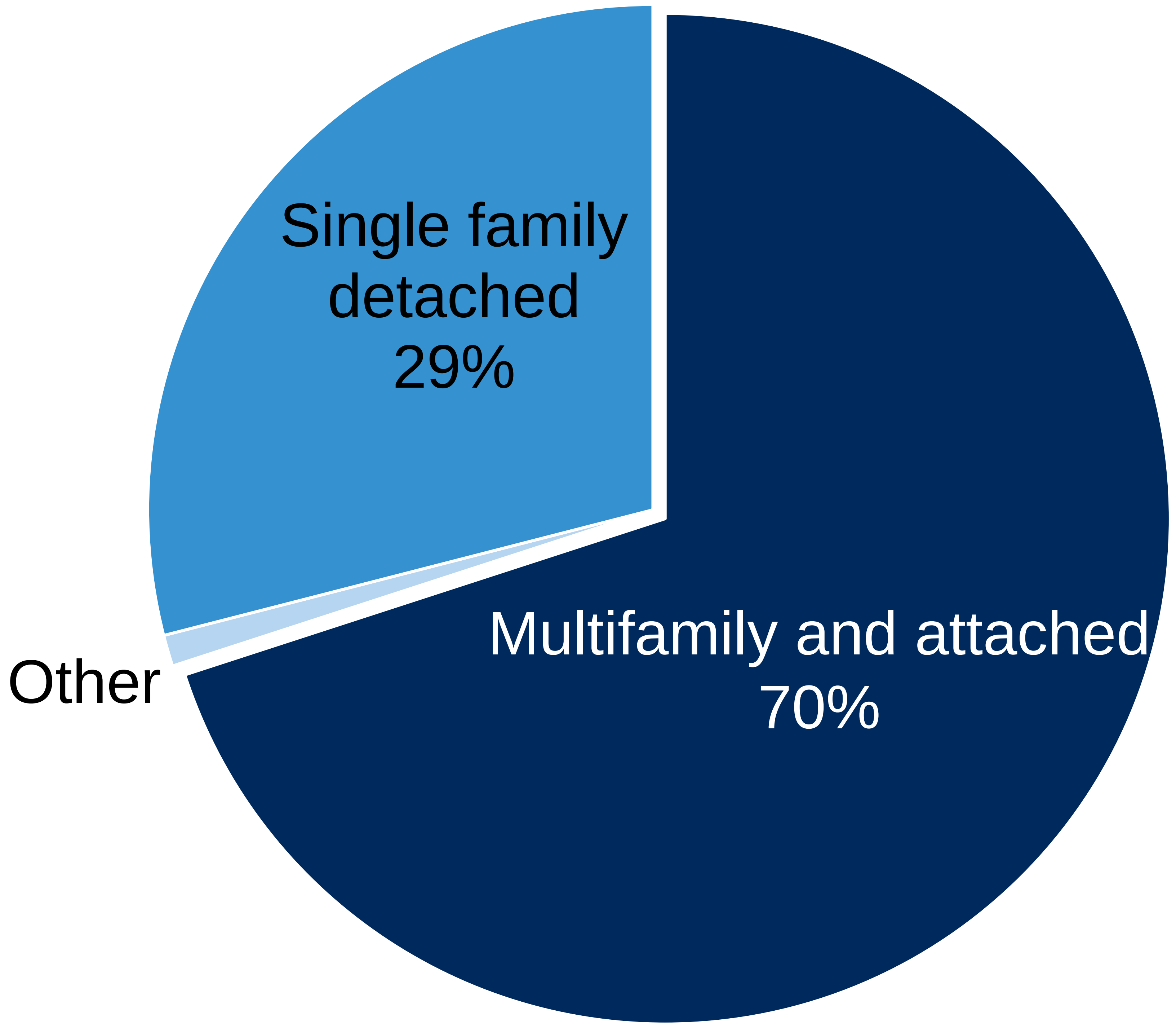
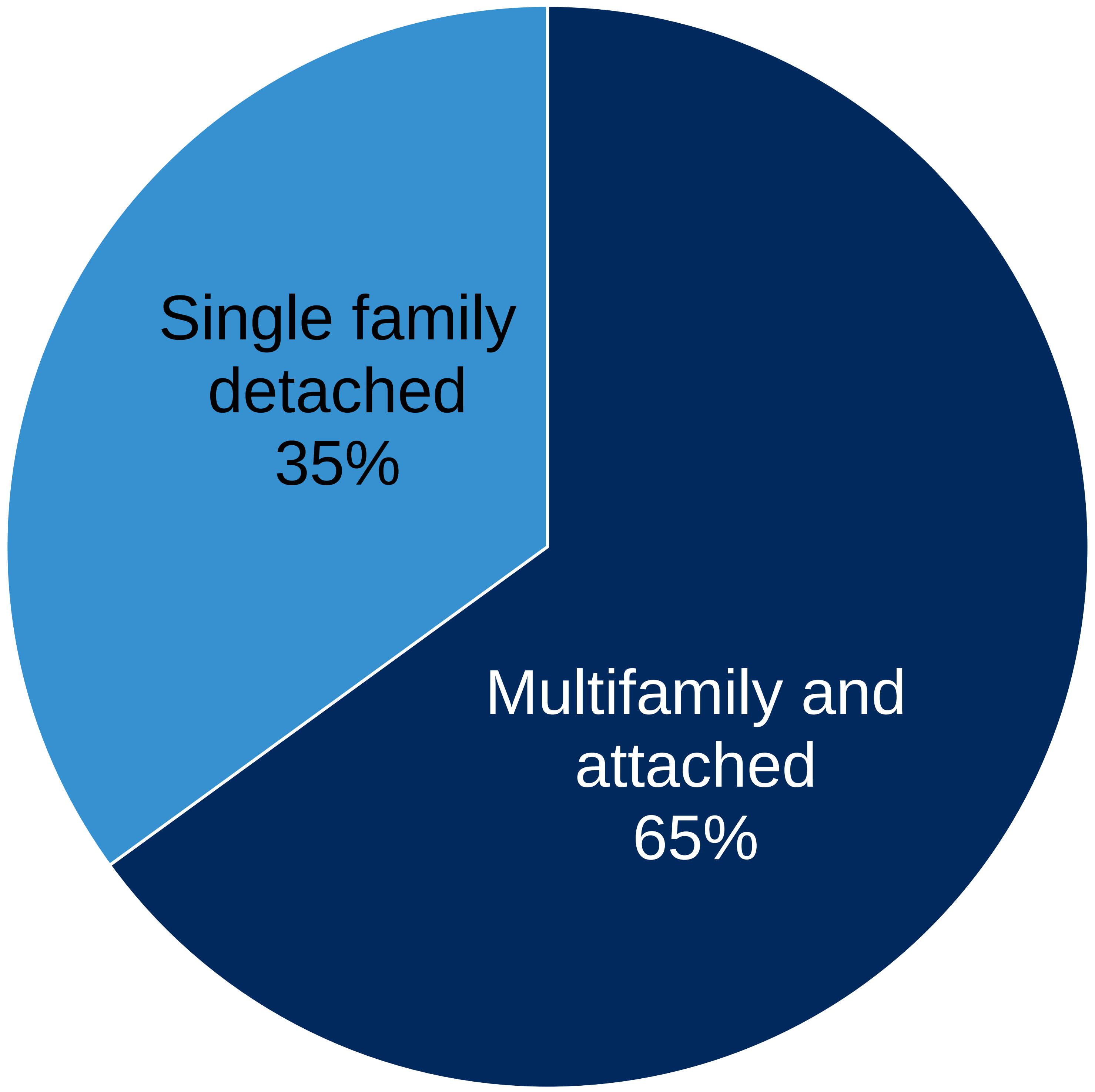
Comparing forecasts and housing production

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



- Net change in housing units, 2010-2018



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
  - 2010-2018: 1/6 of all single-family permits
- Duplex/triplex/quadplex
  - Net loss in each of the last 12 years (-1,215 units total)
  - Wiped out gains in 2004-2006
- Accessory dwelling units (ADUs)
  - 2016: 29 ADUs added
  - 2017: 27 ADUs added
  - 2018: 18 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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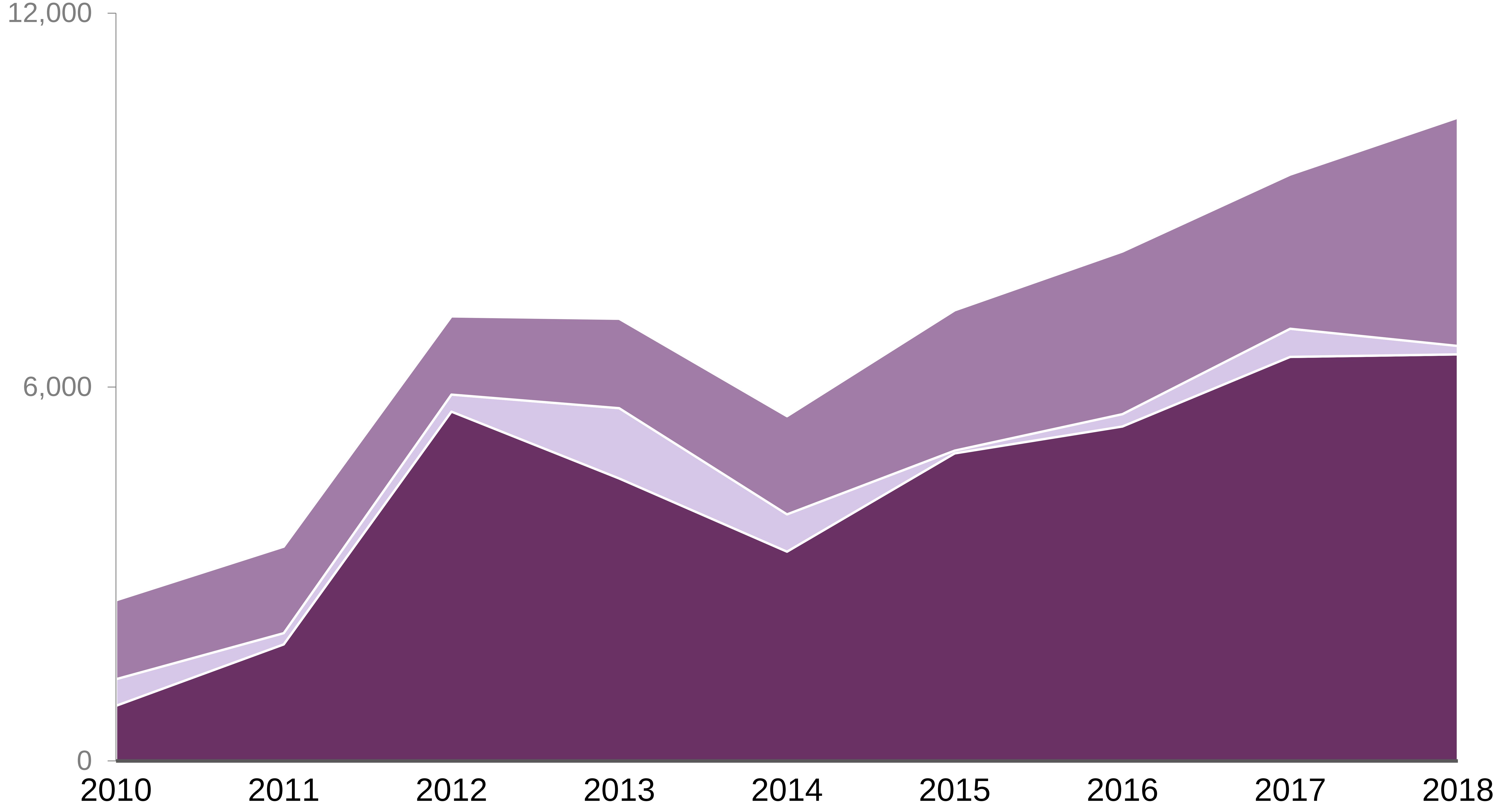
Multifamily age-restricted permits



Share of total permits, 2010-2018	
Older adults	30%
Students or youth	5%
General population	65%

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

Residential development trends

Has residential development peaked?	***Not yet***
Is the region building enough new housing?	***No, not even relative to other metros***
To what extent is the region providing choice with respect to housing type?	***A mix of multifamily and single-family, but not enough of the "missing middle"***
To what extent is the region providing choice with respect to location?	**?**

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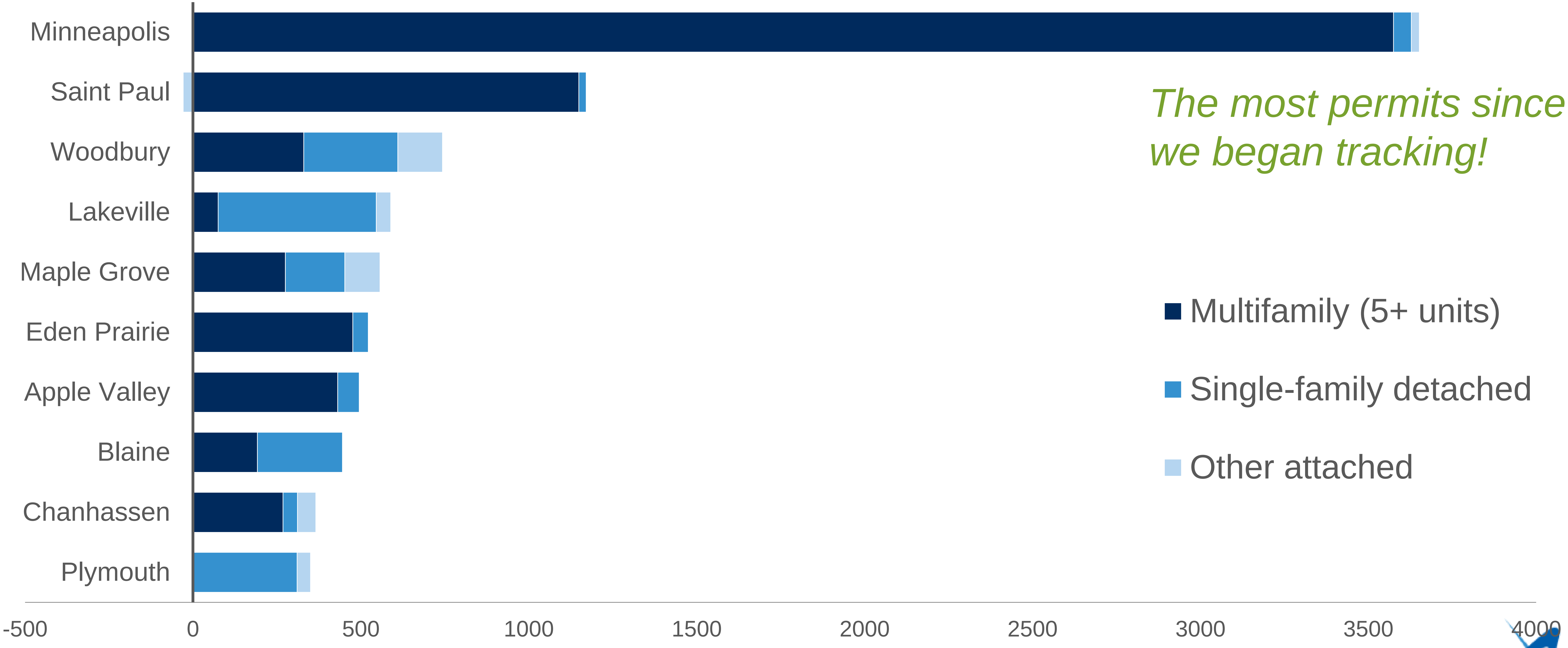
Cities with largest net change in 2018



The most permits since we began tracking!

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

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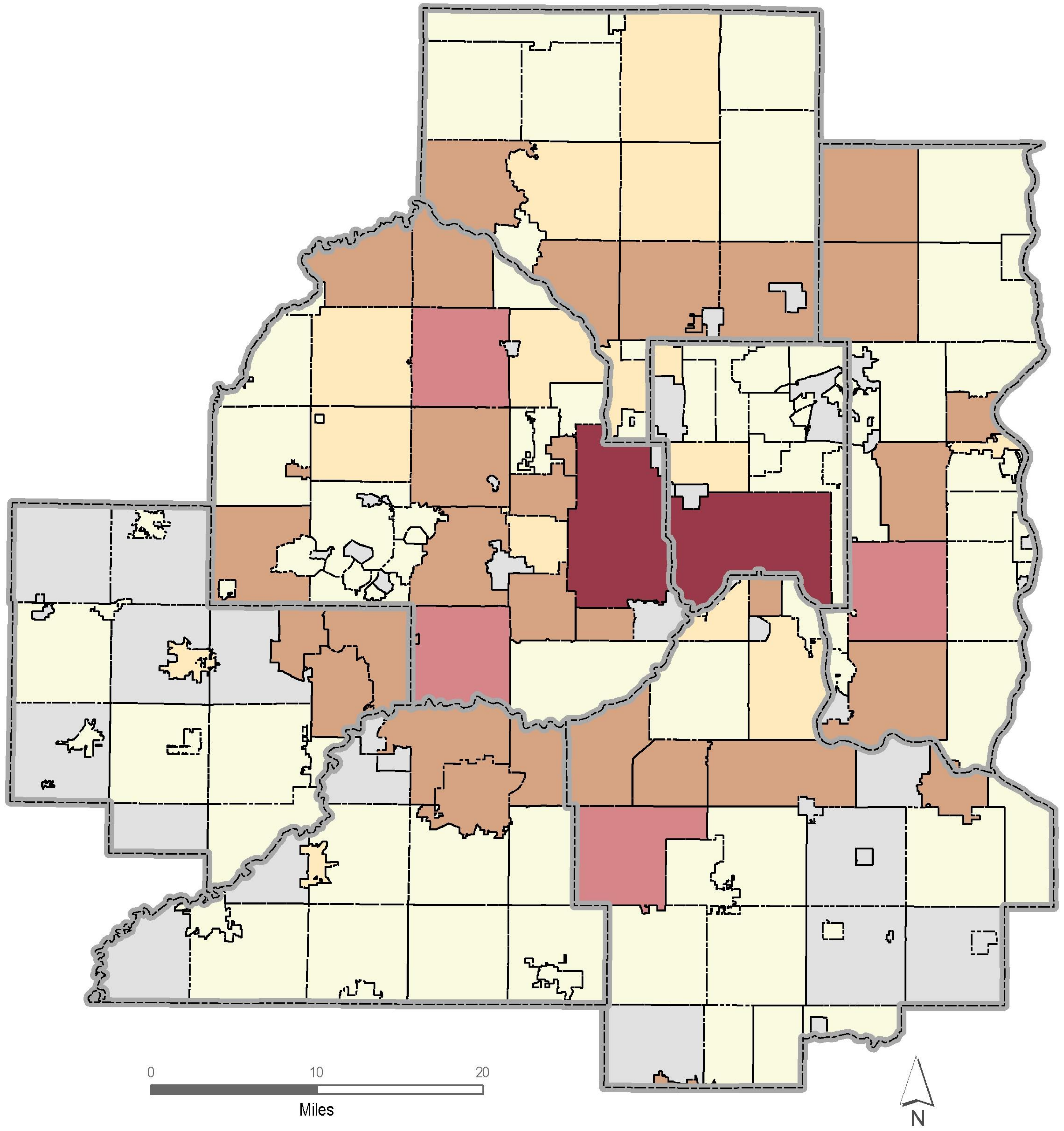
Net housing change by community: 2018



Net change in units, 2018

Added 3,652 units (Minneapolis) or 1,142 units (Saint Paul)
500 – 743 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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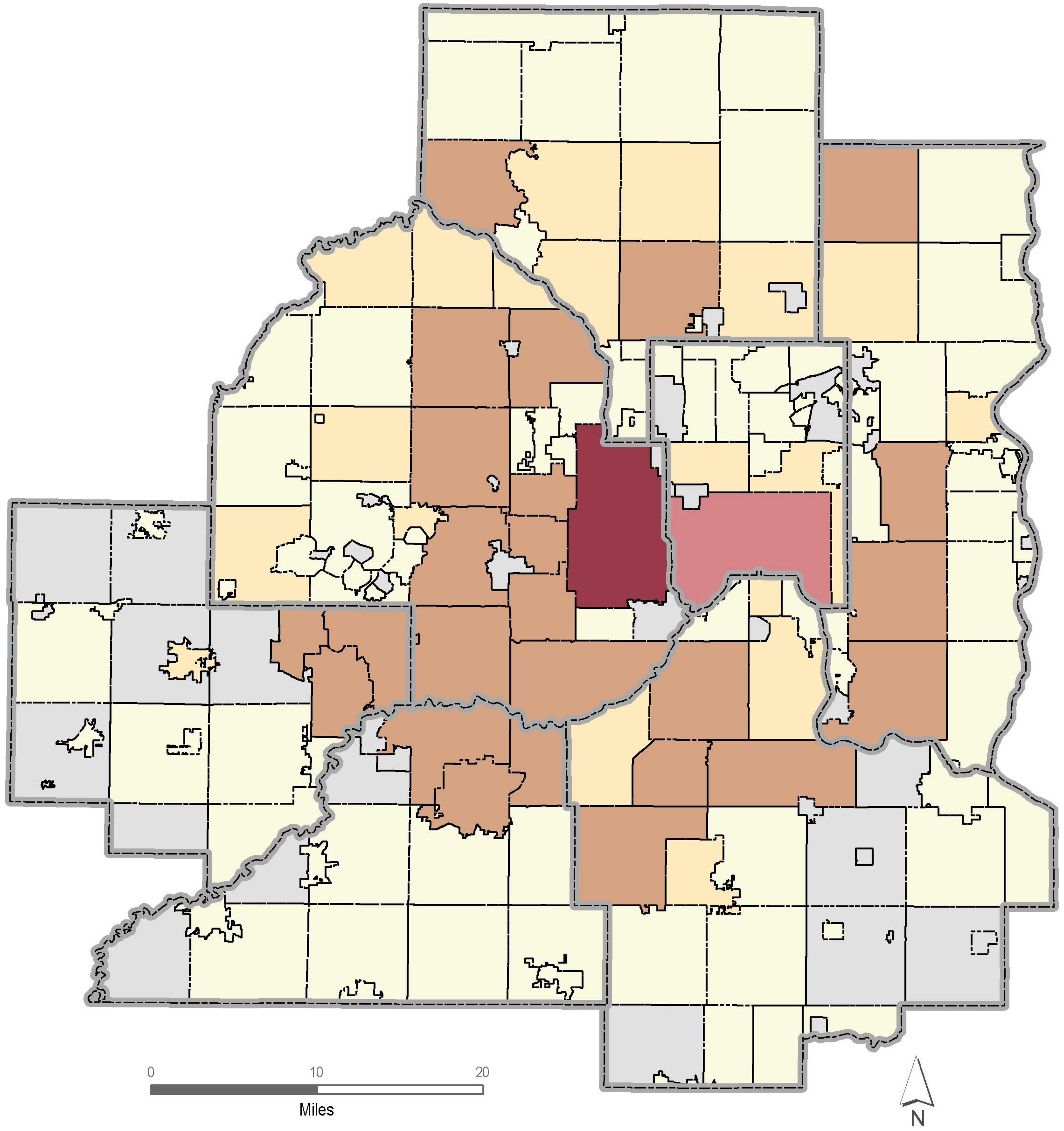
Net housing change by community: 2010-2018



Net change in units, 2010-2018

- Added 20,730 units (Minneapolis)
- 5,706 units (Saint Paul)
- 900 – 4,112 units
- 450 – 899 units
- Fewer than 450 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 nine times the single-year map to enable easier comparisons.

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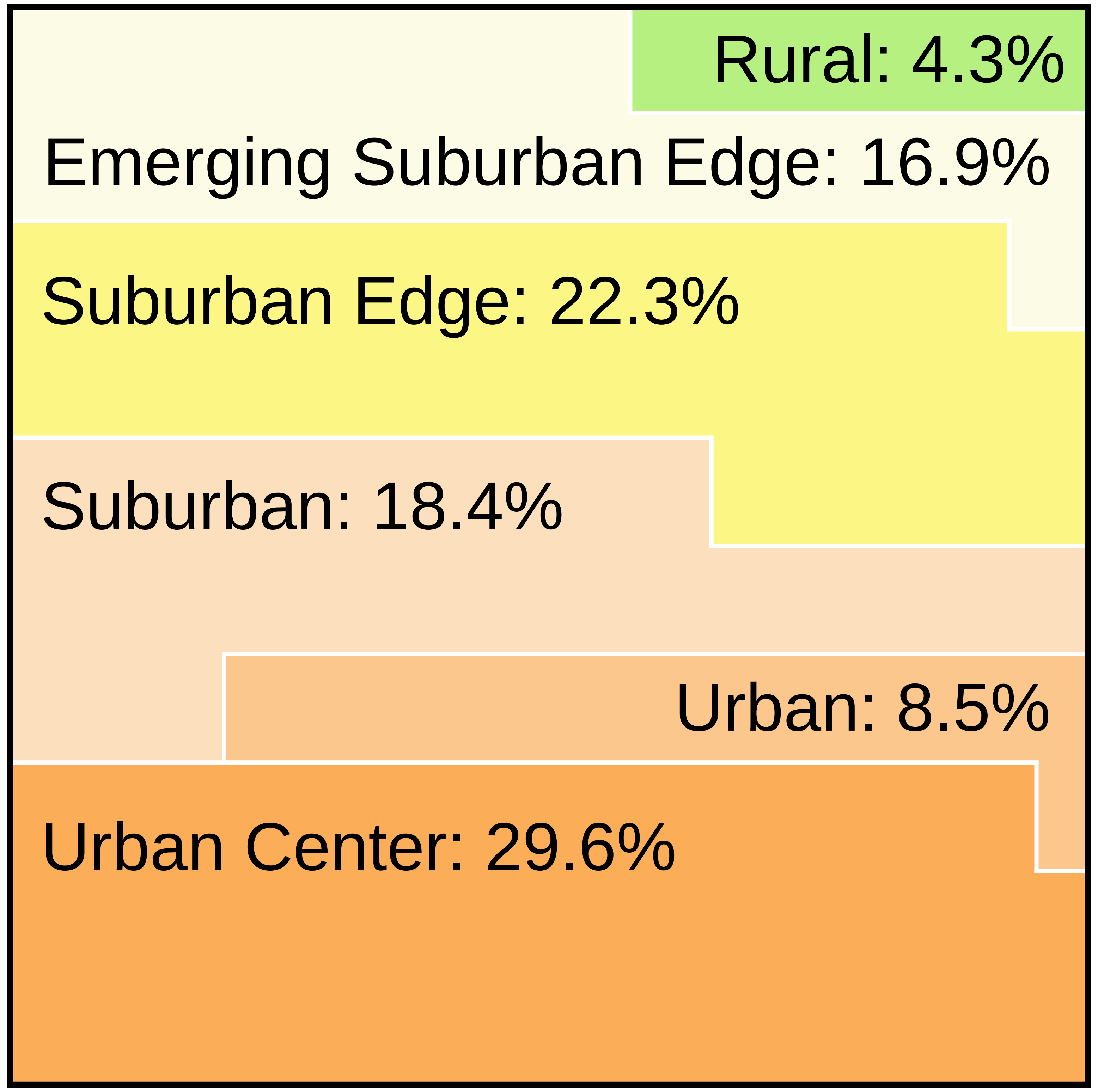
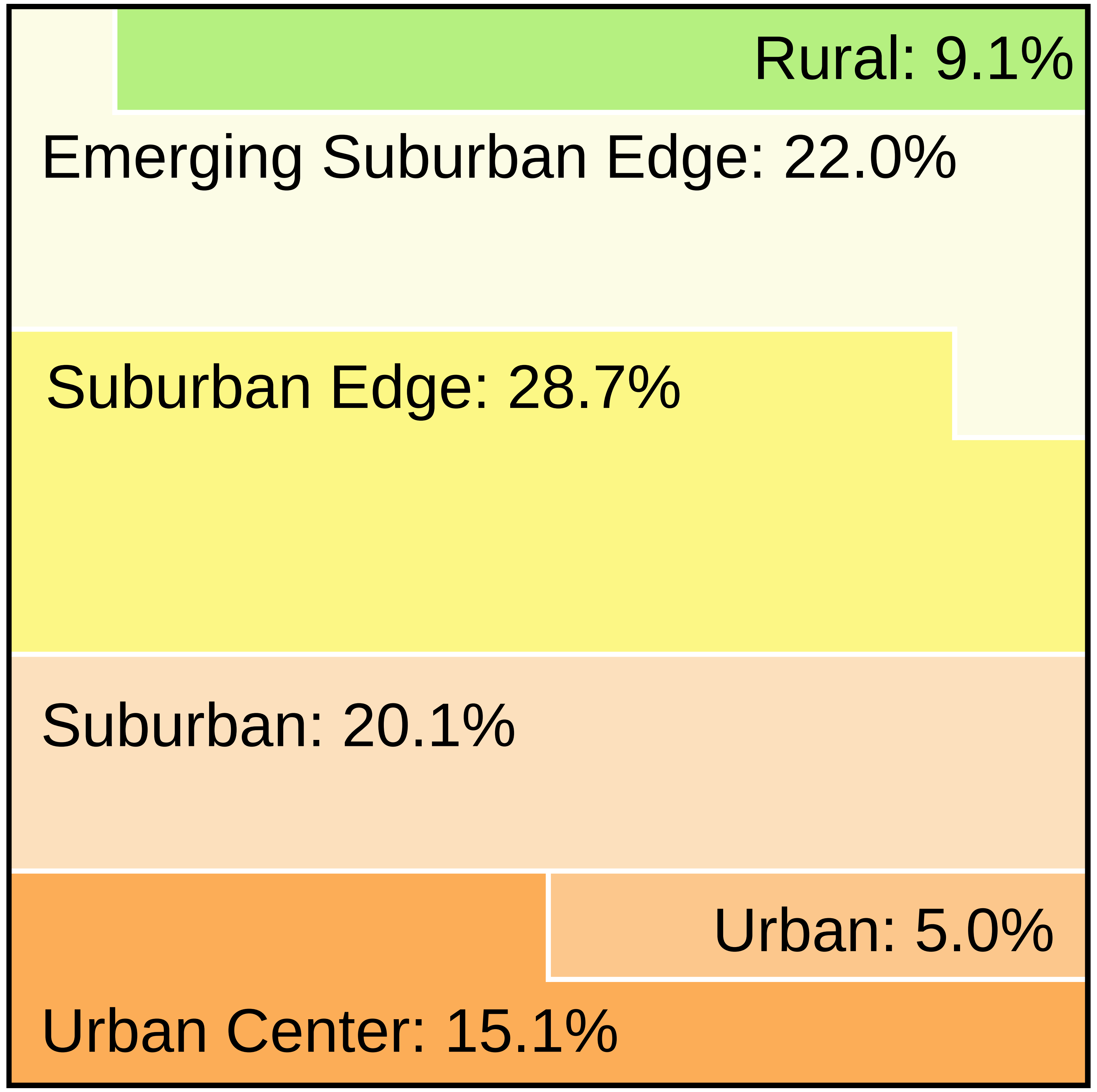
Net change by Thrive community designations

11,303 permits per year, 2010-2018



14,091 permits per year, 2000-2010



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

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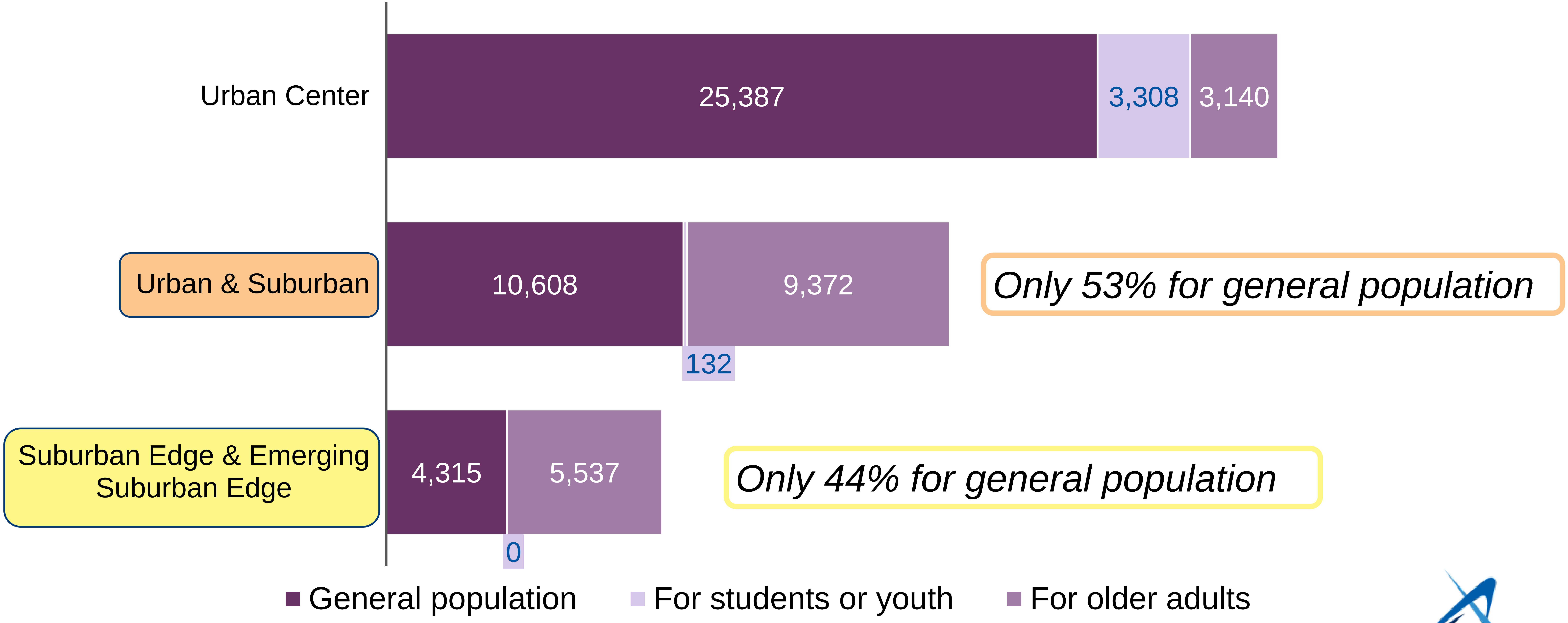
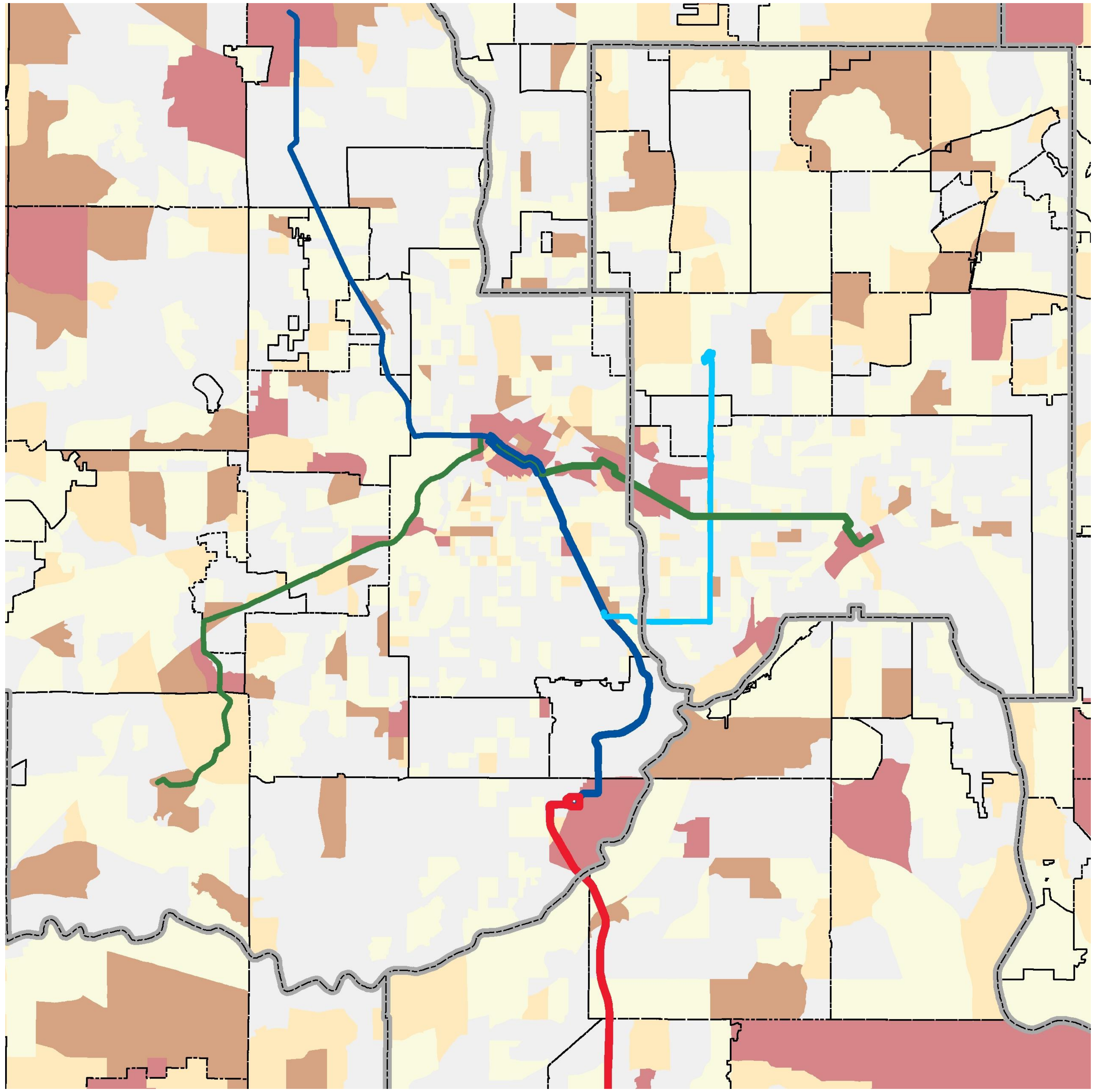
Multifamily age-restricted permits (2010-2018)



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

Uneven development within communities



Net change in units, 2015-2018

- Added 250+ units
- 100-249 units
- 10-99 units
- 1-9 units
- No change or lost units

Source: Metropolitan Council Building Permit Survey.

Data reflect net change resulting from all types of permits (including demolitions). Years before 2015 are excluded because address-level permit data was incomplete.

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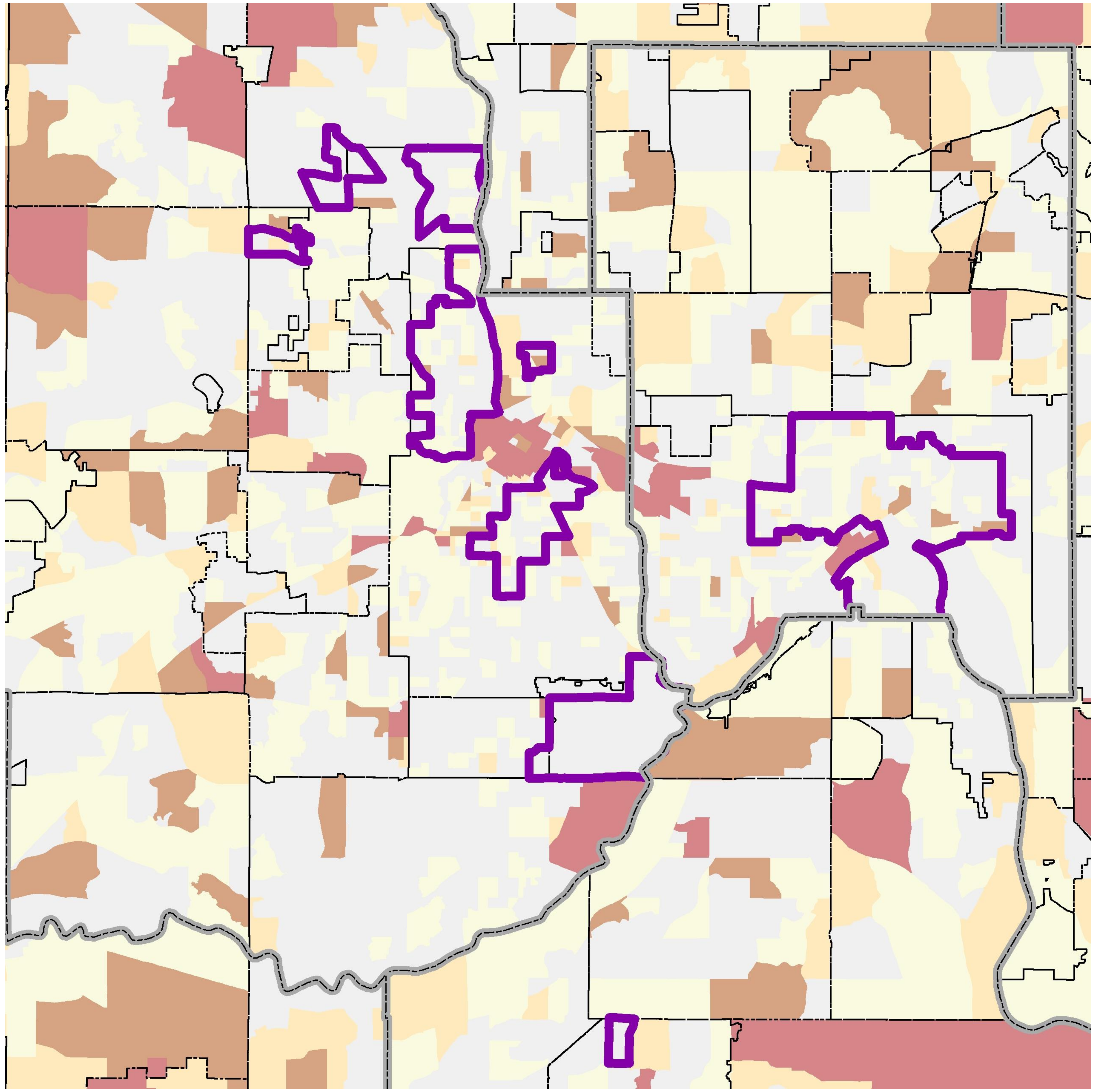
Uneven development within communities



Net change in units, 2015-2018

Added 250+ units
100-249 units
10-99 units
1-9 units
No change or lost units

Areas of Concentrated Poverty where at least half of residents are people of color (ACP50s)

Source: Metropolitan Council Building Permit Survey.

Data reflect net change resulting from all types of permits (including demolitions). Years before 2015 are excluded because address-level permit data was incomplete.

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Residential development trends

Has residential development peaked?	***Not yet***
Is the region building enough new housing?	***No, not even relative to other metros***
To what extent is the region providing choice with respect to housing type?	***A mix of multifamily and single-family, but not enough of the "missing middle"***
To what extent is the region providing choice with respect to location?	***Development is happening throughout the region, but not in all places within cities***

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What’s next?

- Recession predicted in next couple years → housing demand drops

- Ownership market analysts predict:
  - Seller’s market will become more balanced
  - Probably no major crash in home values at most price points

- Rental market analysts predict:
  - Strong market fundamentals should yield ongoing apartment development
  - Ongoing rent increases despite increased vacancy rates
  - 1,800 affordable units should be delivered in 2019 (Dougherty Mortgage), but still not enough to meet demand

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Rent increases are slowing

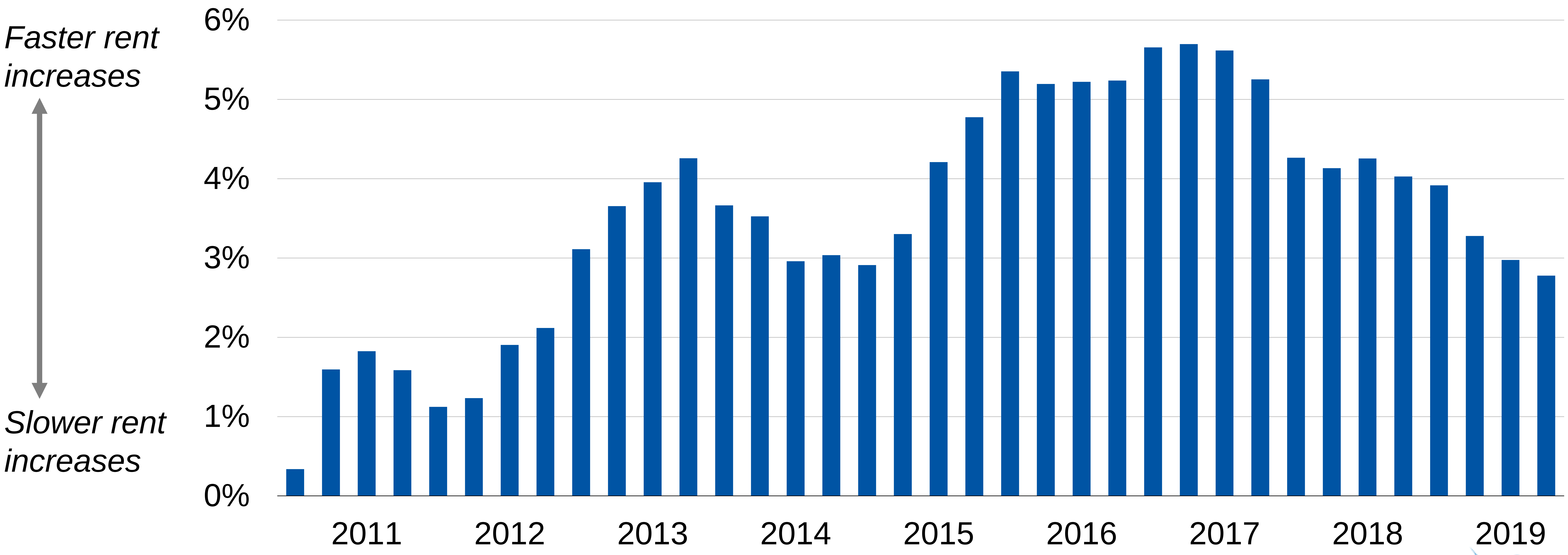

Chart shows year-over-year changes in rent by quarters (three-month increments).

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Discussion

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