We still need more housing.

The region’s residential development in 2018
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
About the building permit survey
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
What we capture

- Housing type
- Number of units
- Permit type (new construction, demolition, etc.)
- Location
- Whether age-restricted
- Value
- Nonresidential data
  - Value
  - Classification
What we don’t capture

- Tenure
- Affordability
- When units are started or completed
- Number of bedrooms

Coming later 2019
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?
# Residential development trends

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Permitted units: How many?

1970-2017 average: 15,327 units per year

In 2018: 17,127 units

Source: Metropolitan Council Building Permit Survey. Data reflect new construction only.
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)
Components of supply

Source: Metropolitan Council Building Permit Survey.
“Net change” is the total added units minus the total lost units.
Data on net change not available before 2000

In 2018: 16,492 units

2000-2017 average: 12,886 units per year

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

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Housing unit growth: Peer regions

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


Housing unit growth: Peer regions

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<th>DEN</th>
<th>SEA</th>
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<tr>
<td>-23%</td>
<td>-26%</td>
<td>-25%</td>
<td>-30%</td>
<td>-29%</td>
<td>-22%</td>
<td>-43%</td>
<td>-38%</td>
<td>-33%</td>
<td>-49%</td>
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How far behind is housing production relative to the population growth rate?

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).
How far behind are we?

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

75,600

15,200

Additional units needed for 5% vacancy

Source: Metropolitan Council, 2018 preliminary housing stock and household estimates.
Net change: How many?

2000-2016 average: 12,733 units per year

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

- Forecasts of the “next 370,000 housing units” 2010-2040
  - Single family detached 29%
  - Multifamily and attached 70%
  - Other

- Net change in housing units, 2010-2018
  - Single family detached 35%
  - Multifamily and attached 65%

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

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

For units that tend to be less expensive, not many are being added.
Multifamily age-restricted permits

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

Share of total permits, 2010-2018

- Older adults: 30%
- Students or youth: 5%
- General population: 65%
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Cities with largest net change in 2018

Minneapolis
Saint Paul
Woodbury
Lakeville
Maple Grove
Eden Prairie
Apple Valley
Blaine
Chanhassen
Plymouth

The most permits since we began tracking!

- Multifamily (5+ units)
- Single-family detached
- Other attached

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

11,303 permits per year, 2010-2018

- Rural: 4.3%
- Emerging Suburban Edge: 16.9%
- Suburban Edge: 22.3%
- Suburban: 18.4%
- Urban: 8.5%
- Urban Center: 29.6%

14,091 permits per year, 2000-2010

- Rural: 9.1%
- Emerging Suburban Edge: 22.0%
- Suburban Edge: 28.7%
- Suburban: 20.1%
- Urban: 5.0%
- Urban Center: 15.1%

Source: Metropolitan Council Building Permit Survey.
Data reflect net change resulting from all types of permits (including demolitions).
Multifamily age-restricted permits (2010-2018)

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

- **Urban Center**
  - General population: 25,387
  - For students or youth: 3,308
  - For older adults: 3,140

- **Urban & Suburban**
  - General population: 10,608
  - For students or youth: 9,372
  - For older adults: 132

- **Suburban Edge & Emerging Suburban Edge**
  - General population: 4,315
  - For students or youth: 5,537
  - For older adults: 0

*Only 53% for general population*

*Only 44% for general population*
Uneven development within communities

Net change in units, 2015-2018

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<th>Added 250+ units</th>
<th>100-249 units</th>
<th>10-99 units</th>
<th>1-9 units</th>
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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.
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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<td>Development is happening throughout the region, but not in all places within cities</td>
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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
Rent increases are slowing

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

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- Jim Dudley (IS)
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Discussion