

Key Findings

- The total permit value of industrial construction increased almost eightfold since 2010, reaching its highest overall value yet (\$288 million).
- Warehouse construction was the key driver of the industrial sector's post-recession boom. All counties in the Twin Cities region issued at least one permit for warehouse construction between 2010 and 2014.
- Cities that issued the highest total industrial permit value between 2010 and 2014 were largely anchored by warehouse construction.

About us

The Regional Policy and Research team at Metropolitan Council wrote this issue of *MetroStats*. We serve the Twin Cities region—and your community—by providing technical assistance, by offering data and reports about demographic trends and development patterns, and by exploring regional issues that matter.

For more information, please contact us at research@metc.state.mn.us.

Download the data used in this report at <http://metro council.org/data>. Select "Building Permits, commercial, industrial and public" and select your geographic areas of interest. Please note that our data collection on development is ongoing. The numbers published in this report may not reflect the most current data available.

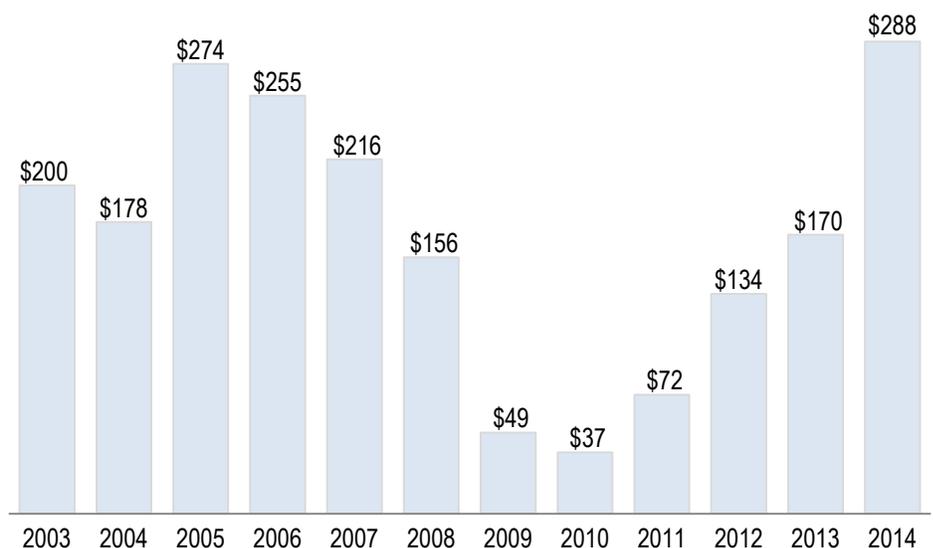
"Nonresidential" is an umbrella term for construction activity in three major sectors—commercial, industrial, and public and institutional. Each sector is a distinct market, influenced by national, industry-specific trends and location preferences. We describe nonresidential construction as a whole in another issue of *MetroStats*, "From Recovery to Resurgence: Nonresidential Construction in the Twin Cities Region in 2014 ([pdf](#))." This issue of *MetroStats* describes post-recession trends of industrial construction—that is, warehouses, manufacturing and other industrial projects.

In 2014, the total permit value of all nonresidential construction in the Twin Cities region was \$2.4 billion, the highest level since the pre-recession boom in 2006. Two large commercial stadium projects—U.S. Bank Stadium in Minneapolis and CHS Field in Saint Paul—accounted for 34% of the 2014 total. Setting aside the permit value of these two projects (\$808 million), almost one in every five dollars (18%) came from the region's industrial sector in 2014.

Industrial construction activity dramatically increased since 2010

The permit value of industrial construction reached its highest level yet in 2014, totaling \$288 million. After bottoming out in 2010, industrial permit value and construction activity increased almost eightfold in four years (Figure 1).

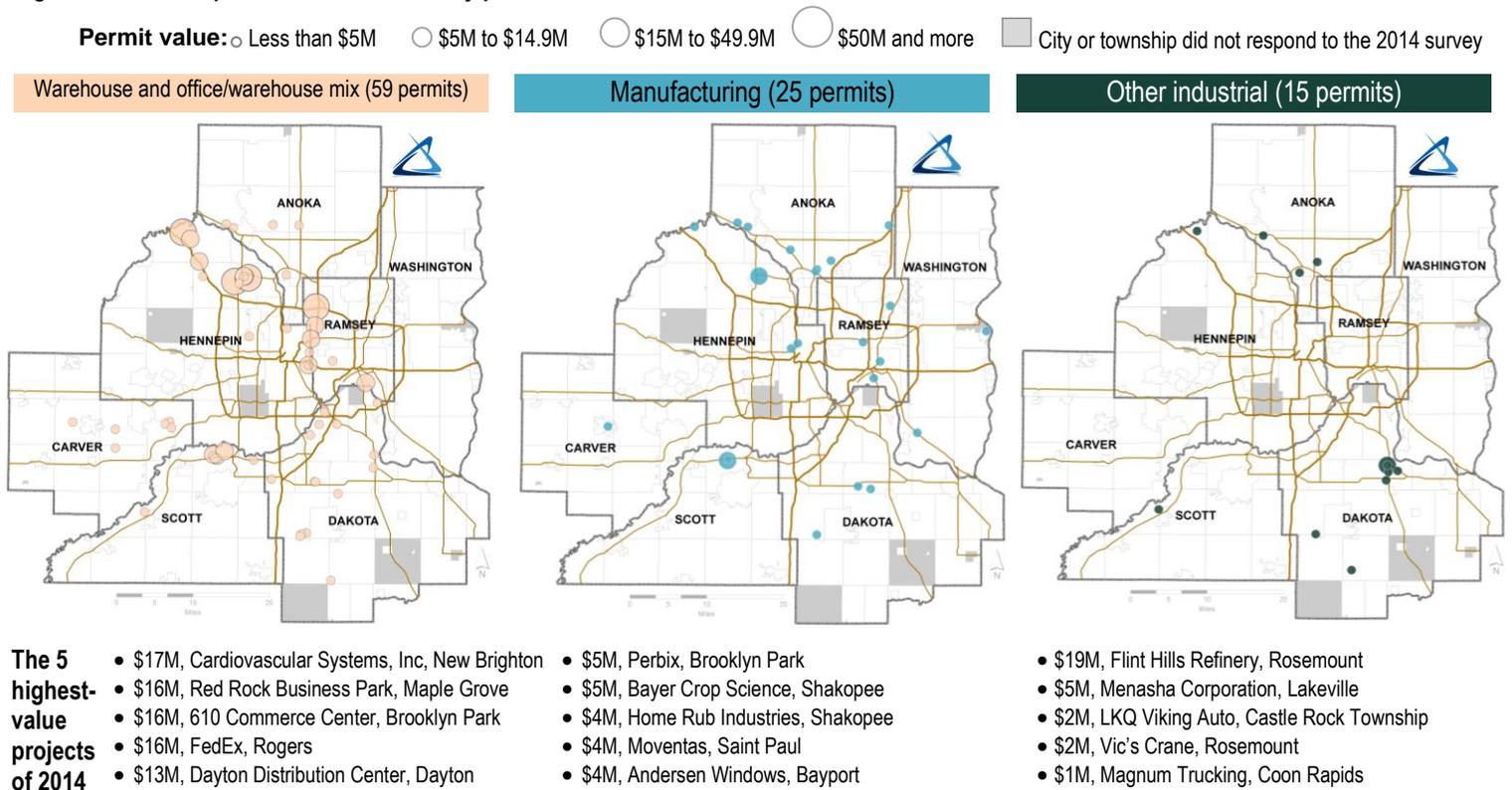
Figure 1. Total permit value of industrial construction in the Twin Cities region (in millions of 2014 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional (CIPI) Building Permit Survey, 2003-2014. Note: Not all cities and townships respond to our annual survey so the region's total nonresidential permit value may be underrepresented.

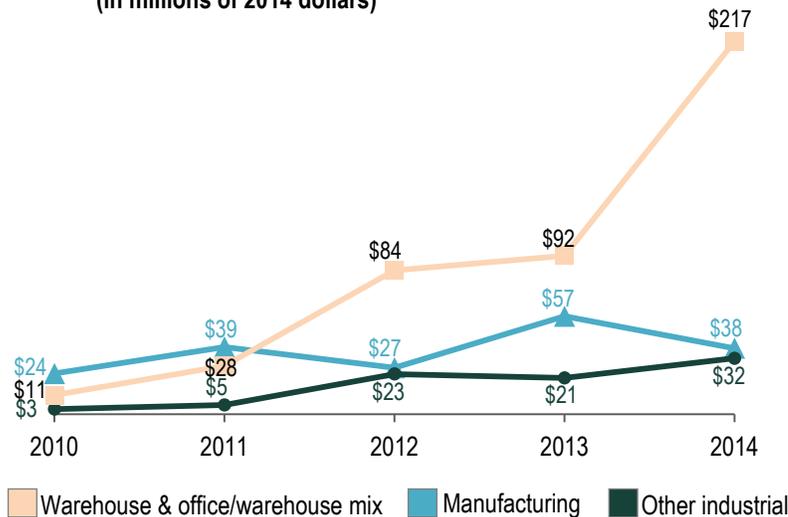
The Twin Cities region as a whole issued 99 permits for industrial construction in 2014, a 41% increase from 2013 and nearly five times the number of industrial permits issued in 2010. Over half (60%) of the industrial permits issued in 2014 were for warehouse projects. Figure 2 shows the location and permit value of the 2014 industrial permits by subsector.

Figure 2. Industrial permits issued in 2014 by permit value and subsector



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2014.

Figure 3. Total permit value of industrial construction by subsector (in millions of 2014 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014.

Warehouse construction drove the industrial sector's post-recession growth

Warehouse construction soared in the Twin Cities region in 2014. This regional activity mirrored national trends that showed an overall increase of demand for new, modern buildings with agile space and storage. The demand for new warehouse space is due in part to growing industries such as wholesale distribution and transportation centers, a subsector that outpaced other industrial sectors—like manufacturing—between 2002 and 2012.¹ The permit value of warehouse construction went from \$11 million in 2010 to \$217 million in 2014 (Figure 3). Warehouse construction went from less than a

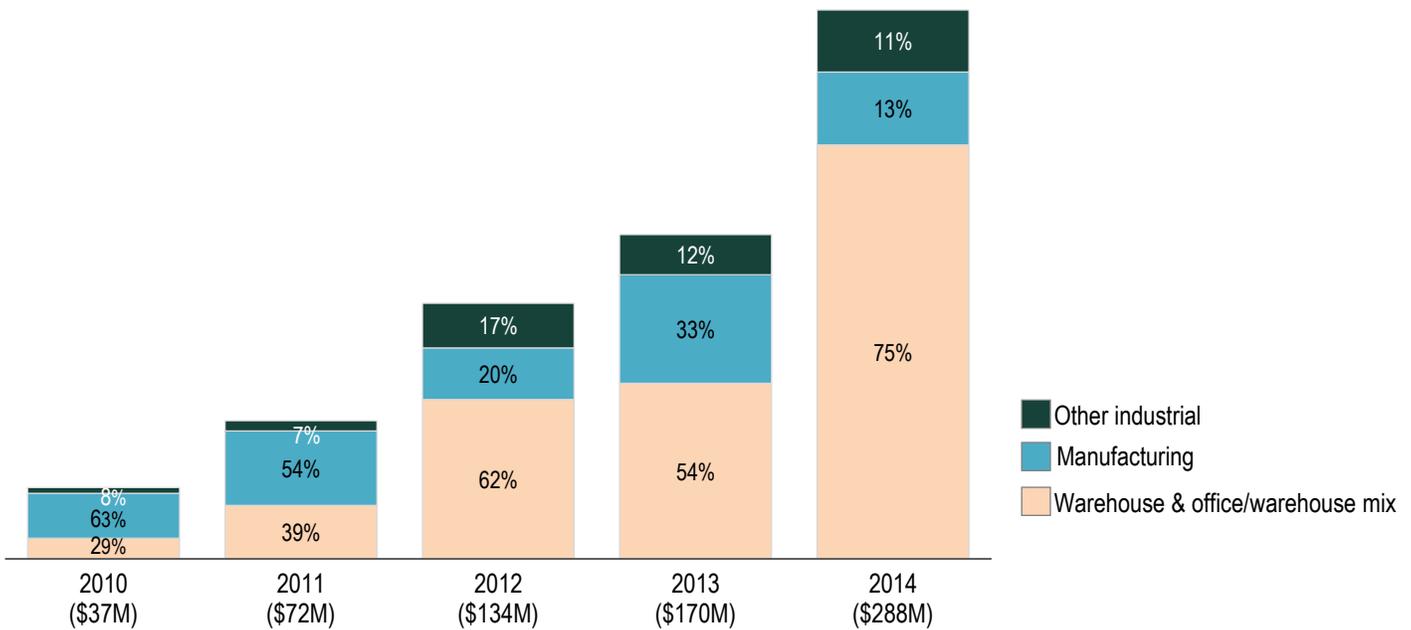
¹“Logistics Trends and Specific Industries that Will Drive Warehouse and Distribution Growth and Demand for Space” commissioned by the Commercial Real Estate Development Association (March 2010).

a third (29%) of all industrial permit value in 2010 to 75% in 2014 (Figure 4).

“Other industrial” refers to permits issued for secondary structures for uses like storage facilities, garages, recycling centers, transfer stations, lumber yards and greenhouses. This subsector of industrial construction increased tenfold in the post-recession years, going from \$3 million in 2010 to \$32 million in 2014.

The permit value of manufacturing construction remained relatively static between 2010 and 2014, with a net increase of \$15 million during this period (Figure 3). Unlike other subsectors of the industrial market, the total permit value of manufacturing projects decreased between 2013 and 2014, falling by 33%. Manufacturing construction was eclipsed by the warehouse market, and accordingly, the share of industrial construction captured by manufacturing projects has declined since 2010 (Figure 4).

Figure 4. Share of the region’s total industrial permit value by subsector



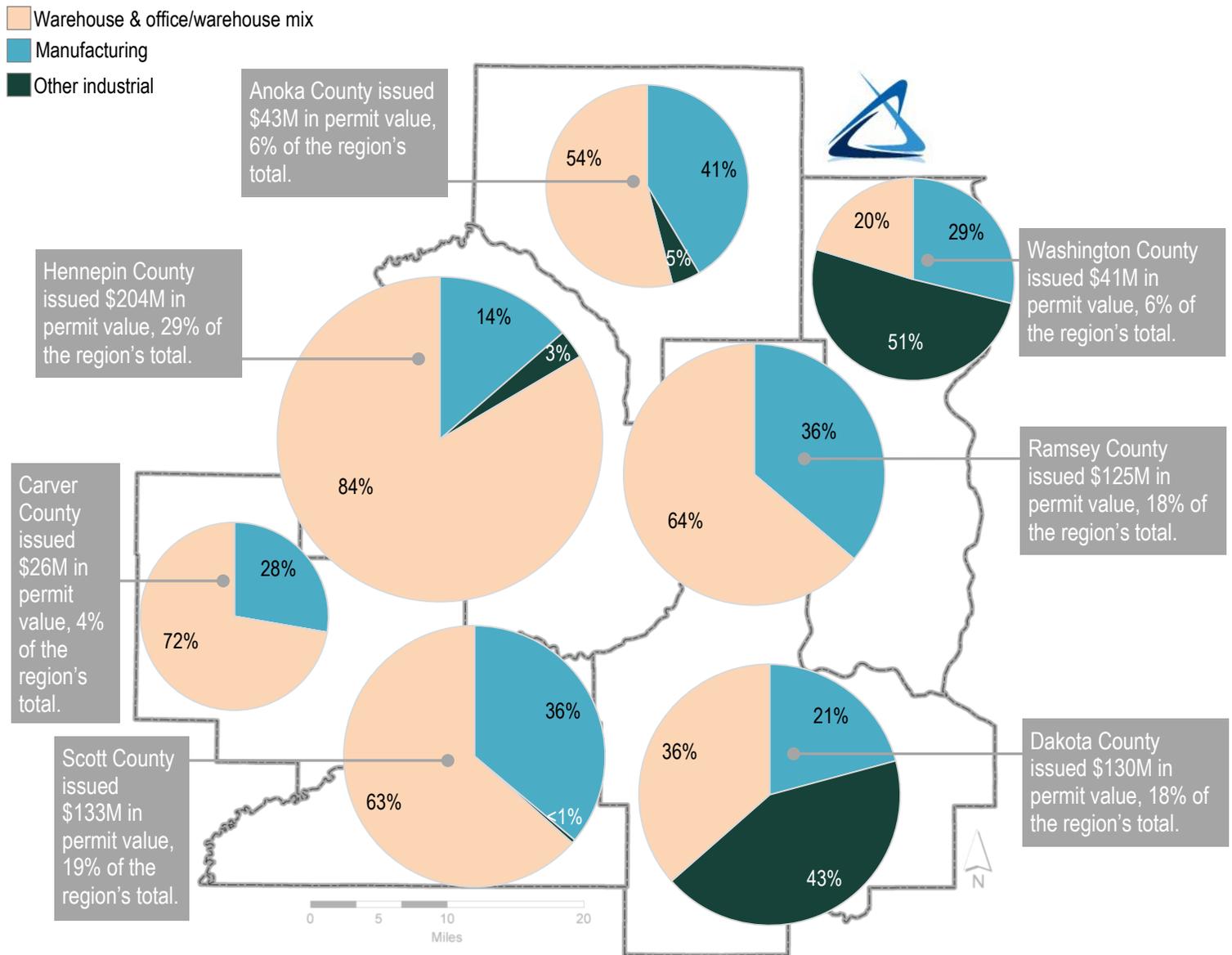
Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014.

Industrial permits were issued across the Twin Cities region since 2010

Hennepin County issued 29% of the region’s total industrial permit value issued between 2010 and 2014, followed by Scott County (19%), and Ramsey and Dakota counties (each 18%). Anoka, Washington and Carver counties issued much smaller shares of the region’s post-recession total.

The balance of subsectors within each of the seven counties differs (Figure 5). In Hennepin and Carver counties, the vast majority of permit value issued between 2010 and 2014 came from warehouse construction. In Anoka, Ramsey and Scott counties, warehouse construction was still strong but they also drew at least a third of their total permit value from manufacturing construction. Dakota and Washington counties showed the largest shares of permit value from ‘other industrial’ construction.

Figure 5. Total industrial permit value by county and subsector share, 2010-2014



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014. Note: Twenty-six cities or townships across the region had missing or incomplete CIPI data between 2010 and 2014.

Edge communities experienced most growth in industrial permit value

The seven-county region contains a wide variety of communities ranging from farming-based townships to densely developed downtown neighborhoods. Recognizing that one size does not fit all, we use *Thrive MSP 2040* Community Designations to group cities and townships with similar characteristics in order to more effectively target policies. Each city and township in the region receives a designation based on their existing development patterns, common challenges and shared opportunities (read more about Community Designations in the regional development guide, *Thrive MSP 2040*—[pdf](#)).

Within the context of nonresidential construction trends, Community Designations can be viewed as high-level, geographic market segments. For example, if a new distribution center was looking for a large parcel of land with

highway access, this business would likely locate in one of the region’s Suburban Edge or Emerging Suburban Edge communities, rather than in an Urban community that has fewer large parcels zoned for industrial use and available for development. Tracking the development and growth within Community Designations informs long-range planning for land use and future infrastructure investments, such as highways and transit.

We observe the following trends from summing total industrial permit value by Community Designations (Figure 6):

- Urban communities, which started from a very small base amount of \$1 million in 2010, experienced a net increase of \$31 million by 2014.
- Urban Centers doubled in total industrial permit value between 2010 and 2014.
- Since 2010, Suburban communities issued a quarter (25%) of the region’s industrial permit value. Suburban communities’ total permit value increased sevenfold between 2010 and 2014, with a particularly high jump of \$51 million between 2013 and 2014.
- Suburban Edge and Emerging Suburban Edge communities (combined) increased their overall share of the region’s industrial permit value: in 2010, these communities issued about a third (30%) of industrial permit value, and by 2014 that share increased to almost half (49%).
- Emerging Suburban Edge communities experienced the highest net increase in industrial permit value between 2010 and 2014 (\$73 million) of any Community Designation over this period. A quarter of the industrial permit value issued in 2014 was due to the continued expansion of Flint Hills Resources, a refinery in Rosemount.

Figure 6. Total industrial permit value issued between 2010 and 2014 by Thrive MSP 2040 Community Designations (in millions of 2014 dollars)



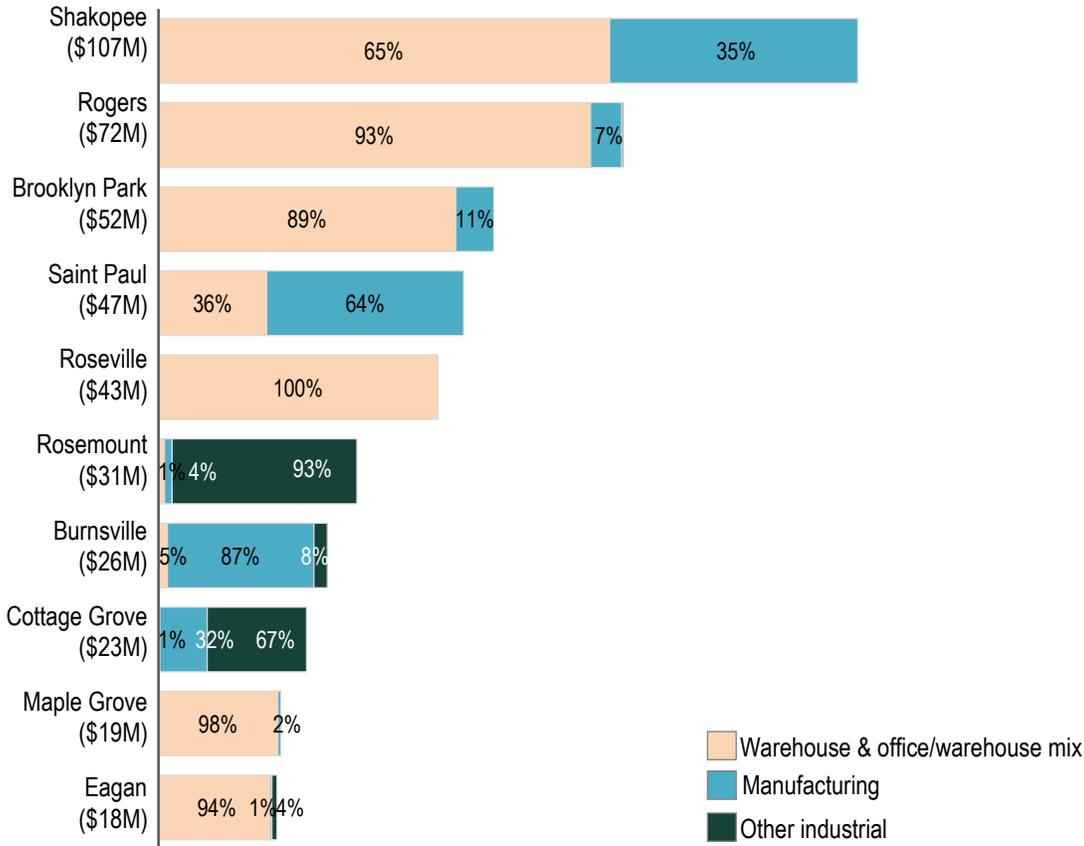
Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014. The region’s Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permits issued in non-Council communities are excluded in Figure 6; the totals may not match other figures in this report. Values under \$5 million may not be labeled.

Cities with the highest post-recession industrial permit value had subsector balance

Almost two-thirds (63%) of the region’s total industrial permit value between 2010 and 2014 was issued in the ten cities listed in Figure 7. In six of the ten cities—including Roseville, Maple Grove, Eagan and Rogers—warehouse

construction was the largest share of their industrial permit value. Other cities in the top 10 such as Shakopee, Brooklyn Park and Saint Paul, showed a combination of warehouse construction and manufacturing projects. Rosemount, Burnsville and Cottage Grove made it to the top 10 list with little warehouse construction. Instead, their permit value came from manufacturing and other industrial projects.

Figure 7. Ten cities with highest total industrial permit value, 2010-2014



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014.

2014 Warehouse construction highlights

The warehouse sector was the driver of the ongoing industrial construction boom in the Twin Cities region, going from \$11 million in 2010 to \$217 million in 2014 (see Figure 3).

Greenfield warehouse projects were strongest in areas with recent transportation improvements and available land. Thanks to the Highway 610 extension and the completion of the Highway 169 and I-494 interchange, Brooklyn Park, Maple Grove and Shakopee had some of the highest warehouse permit totals in the region. Brooklyn Park—a Suburban community—stood out with its total of \$39 million. In addition, Shakopee and Maple Grove also had high

Cardiovascular Systems Inc. office/warehouse in New Brighton

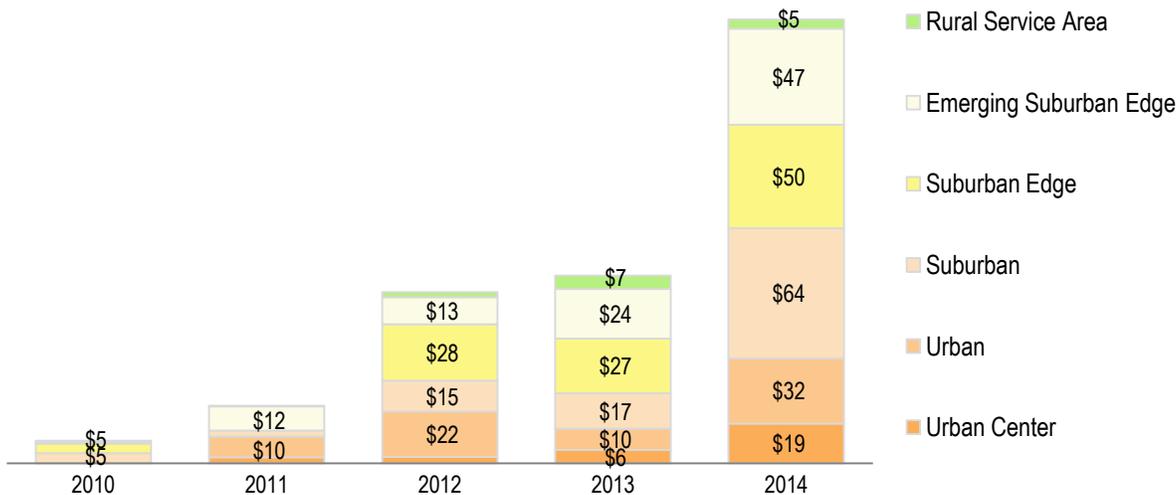


Photo Credit: Finance & Commerce (2015).

warehouse construction permit value in 2014, \$25 million and \$18 million, respectively. Rogers and Dayton—Emerging Suburban Edge communities—indirectly benefited from these transportation improvements as well, also issuing sizeable totals for warehouse permits construction in 2014.

The region’s Urban communities also experienced an increase in warehousing construction. Two communities alone—Roseville (\$14 million) and New Brighton (\$17 million)—accounted for 95% of the total permit values issued by Urban communities in 2014. In fact, the largest warehouse permit in the region was issued for an office/warehouse project in New Brighton. This project involved the construction of the new headquarters of Cardiovascular Systems Inc. (CSI), a medical device manufacturer, in a prime location in the northwest quadrant of the I-35W and I-694 interchange. High land costs and environmental abatement expenses would have made it financially challenging to develop this infill site had it not been for the public subsidies extended by the City of New Brighton. The City sold the land to CSI for \$500,000, provided \$6 million in tax increment financing, and split the costs of public improvements and environmental remediation at a cost of \$350,000.²

Figure 8. Total warehouse permit value issued between 2010 and 2014 by Thrive MSP 2040 Community Designations (in millions of 2014 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014. The region’s Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permits issued in non-Council communities are excluded in Figure 8; the totals may not match other figures in this report. Values under \$5 million may not be labeled.

2014 Manufacturing construction highlights

Since 2012, manufacturing construction has lagged behind warehouse construction in the Twin Cities region. Further, after a healthy performance in 2013, the manufacturing construction slowed down in 2014 (See Figure 3).

Recent transportation investments in the region have changed where new construction of manufacturing facilities is occurring. For example, following the completion of the Highway 169 and I-494 interchange in 2012, the City of Shakopee experienced a boom in

Perbix Machine Co. Inc., manufacturing center in Brooklyn Park



Photo credit: [Minneapolis/St. Paul Business Journal](#) (2015).

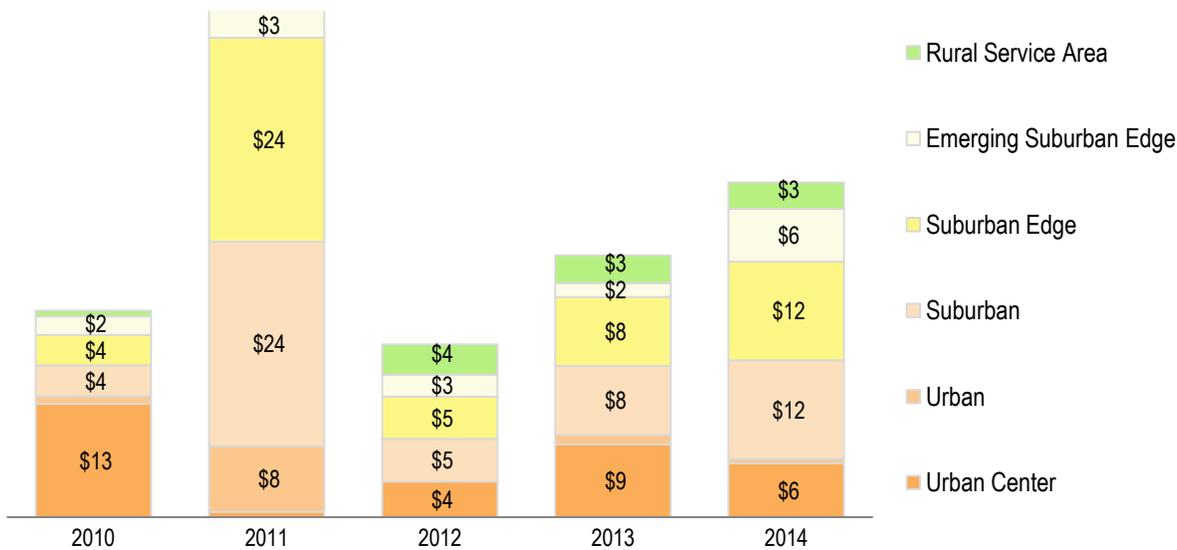
²Don Jacobson, “Hot Property: Cardiovascular HQ project Northeast quadrant, Hwy. 694 & Old Hwy. 8, New Brighton,” *Star Tribune*, June 13, 2014.

manufacturing construction, and two of the five largest manufacturing projects in the region were built there in 2014 (Figure 2). Similarly, the 3-mile extension of Highway 610 between Highways 169 and 81, completed in 2011, generated interest in industrial projects along the 610 corridor, especially in Brooklyn Park. In 2014, Brooklyn Park issued the largest manufacturing permit in the region (\$5 million) for the construction of an industrial facility for Perbix Machine Co. Inc., a custom precision manufacturing machine producer.

Suburban and Suburban Edge communities each issued \$12 million in manufacturing permits in 2014. The Perbix project in Brooklyn Park and the Anderson Windows project in Bayport made up 75% of the Suburban manufacturing total.

Other areas of the region saw some manufacturing activity as well. In Urban Center communities, the highest-value manufacturing project was in Saint Paul: permits pulled by Moventas—one of the world's leading wind gear manufacturers and service providers—totaled \$4 million. Emerging Suburban Edge communities showed modest gain in manufacturing permit value between 2013 and 2014, going from \$2 million to \$6 million, respectively. A new manufacturing facility for Nordic Components in Waconia was the largest project in the region's Emerging Suburban Edge communities in 2014, totaling \$2 million.

Figure 9. Total manufacturing permit value by Thrive MSP 2040 Community Designations, 2010-2014
(in millions of 2014 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014. The region's Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permits issued in non-Council communities are excluded in Figure 9; the totals may not match other figures in this report. Values under \$5 million may not be labeled.

Read related issues of MetroStats

Learn more about nonresidential construction and development patterns in the Twin Cities region:

- [From Recovery to Resurgence: Nonresidential Construction in the Twin Cities Region in 2014 \(December 2015\)](#)
- [Commercial Construction in the Twin Cities Region Soars in 2014 \(December 2015\)](#)
- [Public and Institutional Construction in The Twin Cities Region in 2014 \(December 2015\)](#)

About Our Commercial, Industrial, Public and Institutional Building Permit Survey

Measuring the volume of commercial, industrial, and public and institutional construction activity annually is not straightforward. Some information sources that report new development focus on when construction started. Others, on how much development is underway at a point in time, and still others on when a structure is completed or occupied. In this report, projects are counted at the time local governments issue building permits. No information on demolition is included, so the data represent a gross construction volume, but not the net gain in property value. With annual updates, however, the data are useful for assessing long-range trends.

Data collection methods

The Metropolitan Council surveys each city and township, requesting the following information:

Building name or tenant (if unknown, may list developer)	Description of building use
Building type	Parcel identification number (PIN)
Address	Permit value of building
Square footage	New building or addition

We designate each listing as either “Commercial,” “Industrial,” or “Public and Institutional” based on descriptive information provided by survey respondents. The public and institutional category includes government offices, public works facilities, schools (public and private), hospitals and nursing homes (without a residential component), religious entities, public recreation structures, transit and other transportation facilities.

Data considerations

One project may consist of multiple building permits; one for the major structural construction, with separate permits for other work such as mechanical, electrical and finishing work. We have attempted to 1) represent the permit valuation for all new projects and additions (if over \$100,000) and 2) avoid duplication. However, there may be some inconsistency because of project complexity and differences among local permit record-keeping systems. Whenever it was possible to differentiate, the Research team only included building permits that involved the addition of new square footage.

Project “value” reflects the estimated cost of construction reported on the building permit. Permit values exclude some costs including land and landscaping, and are typically lower than market values of completed properties. City-to-city comparisons may not be entirely valid if there are differences in survey completeness or methods of permit valuation.

Other construction activity may have occurred on properties of state and federal jurisdictions that are not included in this report. The University of Minnesota, for example, is not included in our survey since it does not have to apply for building permits from local jurisdictions.

Occasionally a project will be put on hold after the building permit has been issued. All permits reported by local officials for this survey are included in Metropolitan Council’s database and in this report, regardless of status. For the most current data, download this dataset directly from our website: <http://metro council.org/data>

Airport permits in public and institutional construction

Throughout this report, the total value of commercial, industrial, and public and institutional projects excludes the permit values of airport projects. While airport projects create employment, their impact on land use tends to be inconsequential because they are limited to fixed airport boundaries.