

Strong Residential Construction in the Twin Cities Region in 2016

Key findings

Each year the research team at Metropolitan Council asks cities and townships across the Twin Cities region about the building permits they've issued for new residential construction projects.¹ Homebuilding activity and the types of homes constructed is one dimension of the health of the region's housing market. Our real estate market remains tight—that is, a low vacancy rate, rising sale prices and rents, and few existing homes for sale, especially homes under \$200,000.² Adding new units to the region's housing stock expands housing options.

<p>Our focus</p>	<p>What does the latest data tell us about the region's new residential construction activity?</p>	<p>Where is new residential construction taking place in the Twin Cities region?</p>	<p>What types of new housing were built in the Twin Cities region in 2016?</p>
<p>Our findings</p>	<p>Our 2016 permit survey shows new residential construction in the region was robust. Nearly 13,700 permits were issued in 2016—up 9% from 2015. This is the 7th year the region's permit total has increased after bottoming out in 2009 during the Great Recession.</p> <p style="text-align: right;">Page 2</p>	<p>Minneapolis alone permitted more than four times the next highest city (Lakeville) in 2016. Other cities with the most permits issued include Blaine, Lake Elmo, Golden Valley, and Brooklyn Park. New residential construction remains aligned with and a driver of population growth in the region.</p> <p style="text-align: right;">Page 3</p>	<p>Multifamily housing—including apartments and condos—remains the dominant housing type of the region's new residential construction. The number of single family detached homes and townhomes rose slightly in 2016 compared to prior years.</p> <p style="text-align: right;">Page 3</p>

New housing permitted in 2016

In 2016, the Twin Cities region's cities and townships permitted 13,695 new housing units—the highest annual total since 2009. The majority of permitted new housing are attached units (60%)—mostly apartments and condos, townhomes, with a small number of duplexes, triplexes, and quads (Figure 1). However, the number of single family detached homes and townhomes permitted in 2016 were up from 2015.

FIGURE 1. SNAPSHOT—NEW HOUSING PERMITTED IN 2016



Single family homes

5,445 new single family detached homes were permitted in 2016—the highest annual total in a decade and a 15% increase from 2015. Nineteen communities across the region permitted 100 or more homes in 2016.



Multifamily

7,429 new apartments and condos were permitted in 2016, up slightly from 2015 (a 2% increase). Most new multifamily units were part of 30 large-scale developments (properties with 100 units or more).



Townhomes

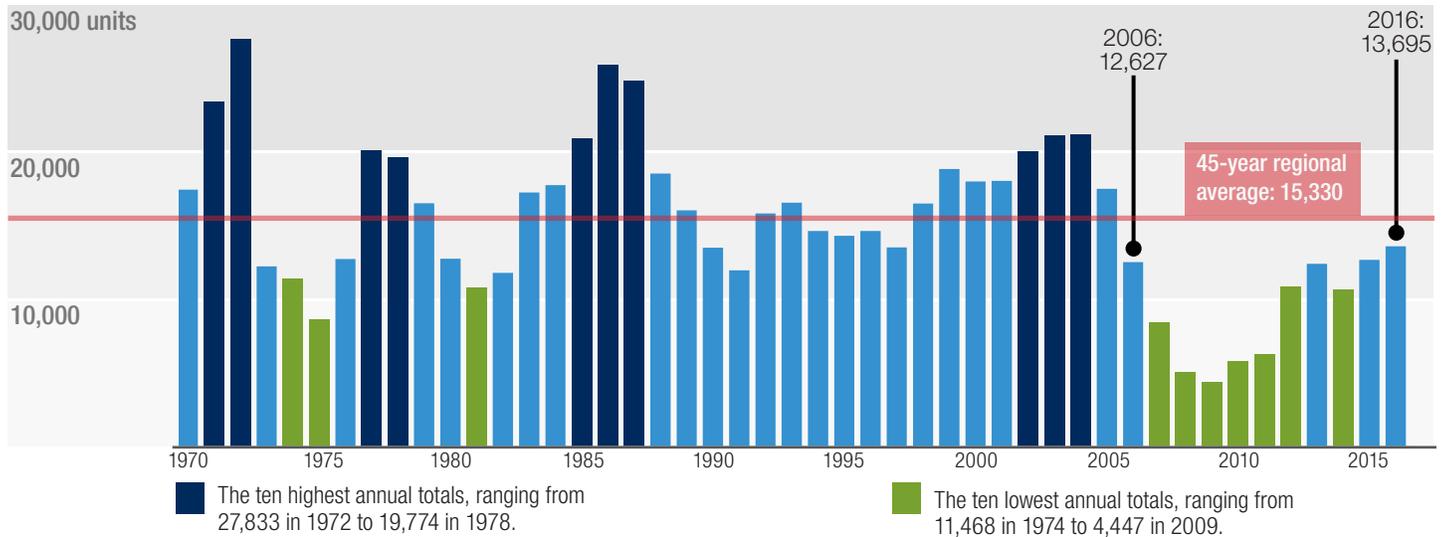
773 new townhomes were permitted in 2016—the highest annual total since 2009 and up 36% from 2015. Nearly half (46%) of new townhomes were permitted in the region's Suburban Edge communities.

Source: Metropolitan Council's Residential Building Permit Survey, 2016. Building permit data are occasionally updated. The most current data are available to view and download at metrocouncil.org/data.

Highest number of new housing units permitted in a decade

New residential construction in the Twin Cities region has ebbed and flowed with economic conditions since 1970, particularly in the past 15 years (Figure 2). After bottoming out during the Great Recession in 2009, the number of permitted new housing units in the region has increased annually. This upward trend signals an increasingly healthy real estate market. Notably, we're still not building new housing at levels seen in the 1990s or 2000s, and we have yet to reach the 45-year regional average of just over 15,300 units per year.

FIGURE 2. PERMITTED NEW HOUSING UNITS IN THE TWIN CITIES REGION, 1970-2016

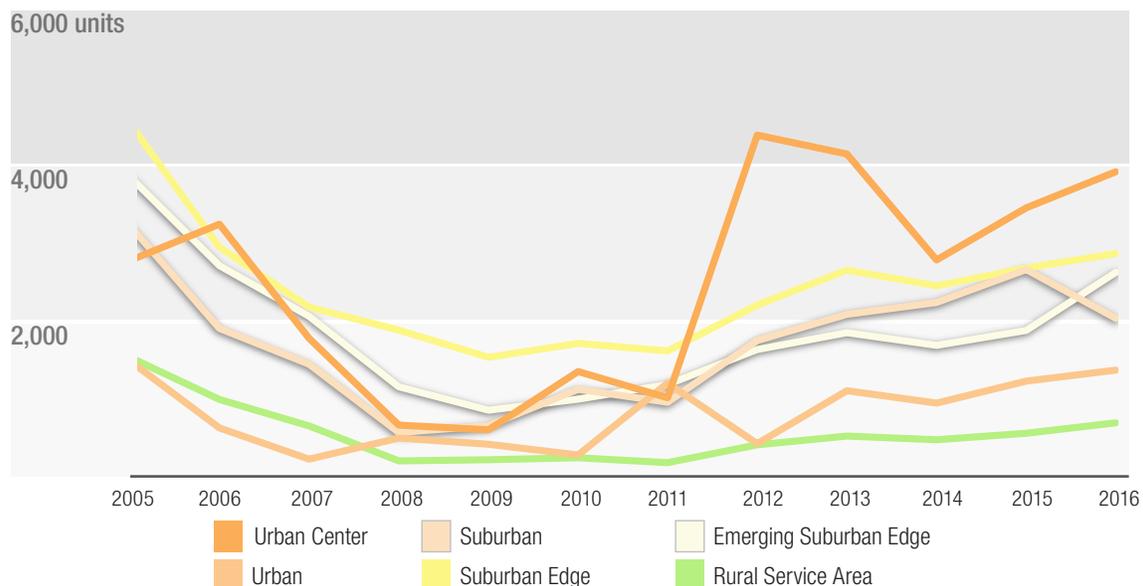


Source: Metropolitan Council's Residential Building Permit Survey, 1970-2016. Building permit data are occasionally updated. The most current data are available to view and download at metro council.org/data.

Urban areas still leading permitting but overall balance across region remains

In our five-year retrospective report on the region's residential construction published last year, we described how the geography of new residential construction shifted since 2000—specifically, that new residential construction had become more balanced across the region following the Great Recession.³ Urban Centers issued the largest share of permits in 2016 (29%), followed by Suburban Edge communities (21%), and Emerging Suburban Edge communities (19%) (Figure 3). Notably, permits issued by Suburban communities declined 23% between 2015 and 2016, while permits issued in Emerging Suburban Edge communities increased 39% in the same period.

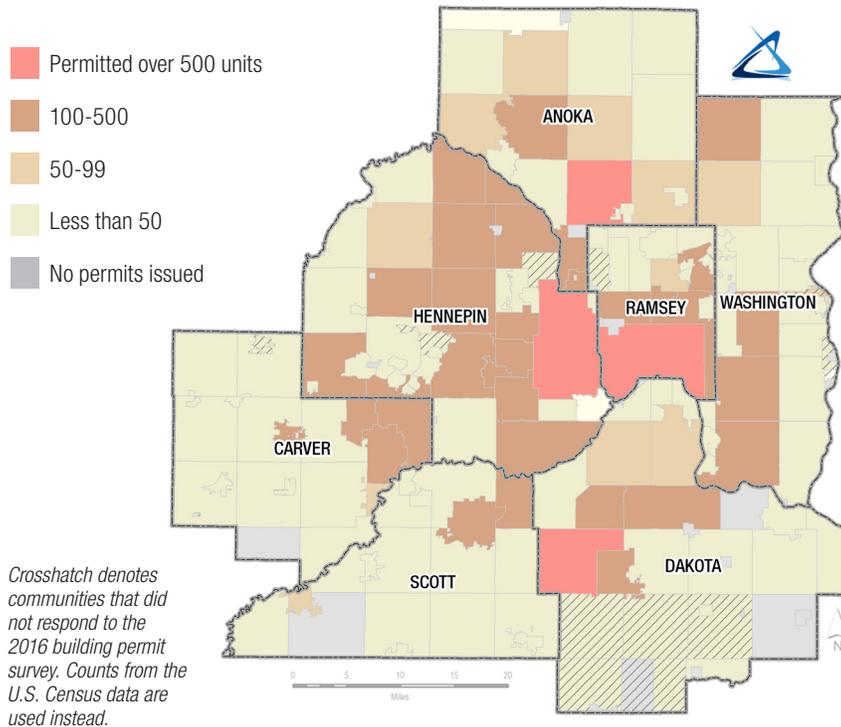
FIGURE 3. PERMITTED NEW HOUSING UNITS BY COMMUNITY DESIGNATIONS, 2005-2016



Source: Metropolitan Council's Residential Building Permit Survey, 2005-2016. Building permit data are occasionally updated. The most current data are available to view and download at metro council.org/data. For detailed description of Community Designations, see [Thrive MSP 2040 \[PDF\]](#).

Minneapolis has consistently led the region's cities and townships in new residential construction since 2010, adding nearly 14,500 permitted new housing units over the past six years. In 2016, Minneapolis permitted just over 2,700 new housing units, more than four times any other city in the region, followed by Lakeville (595), Blaine (581), and Saint Paul (525). Eighty-two percent of the region's cities and townships permitted at least one new housing unit in 2016—however, 104 of those communities permitted fewer than 50 units (Figure 4).

FIGURE 4. PERMITTED NEW HOUSING UNITS BY CITY AND TOWNSHIP, 2016



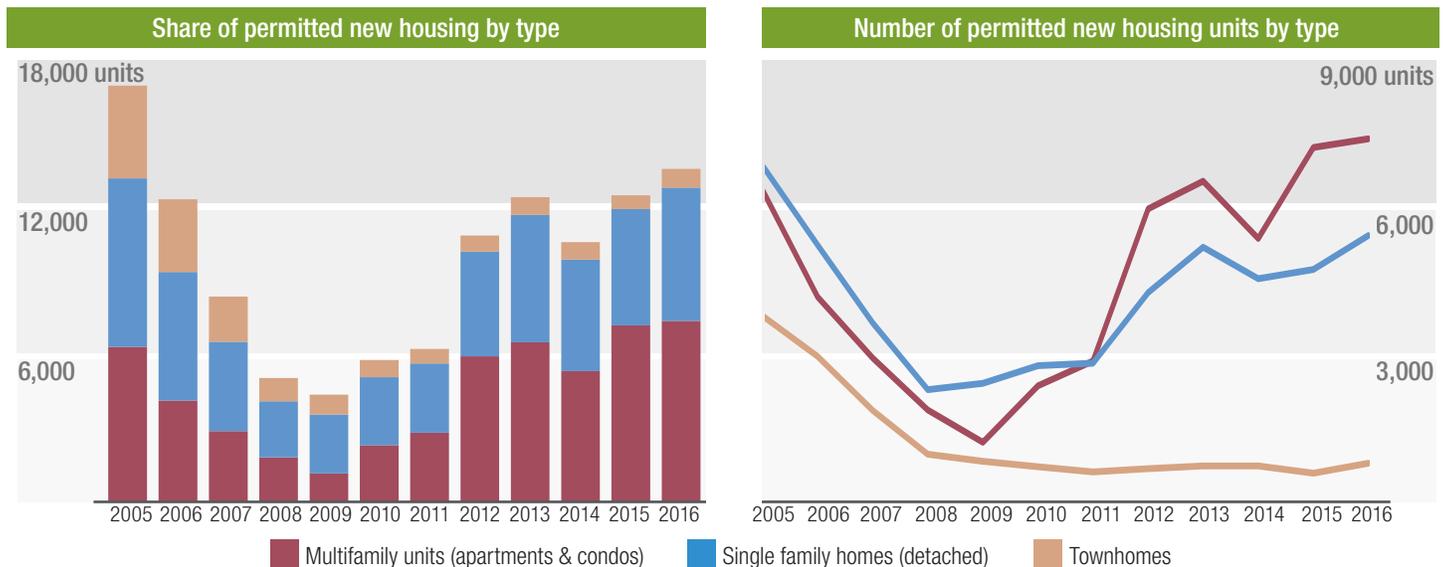
Top 10 Permitted units in 2016	
Minneapolis	2,707
Lakeville	595
Blaine	581
Saint Paul	525
Golden Valley	421
Maple Grove	414
Woodbury	392
Lake Elmo	339
Prior Lake	334
Brooklyn Park	314

These totals are accurate as of this writing; the most current data are available at metro council.org/data.

Multifamily continues to dominate the region's new housing construction

For several reasons, multifamily housing emerged as the dominant housing type of new construction in the Twin Cities region (and nationally) following the Great Recession.⁴ Since 2012, apartments and condos (in buildings with five or more units) have accounted for more than half of the region's permitted housing. During this period, permits for single family detached homes increased 27% but have not gained much in terms of overall share of permitted new housing (Figure 5). Townhome construction remains a fraction of what it was a decade earlier, despite small gains in recent years.

FIGURE 5. PERMITTED NEW HOUSING BY TYPE, 2005-2016



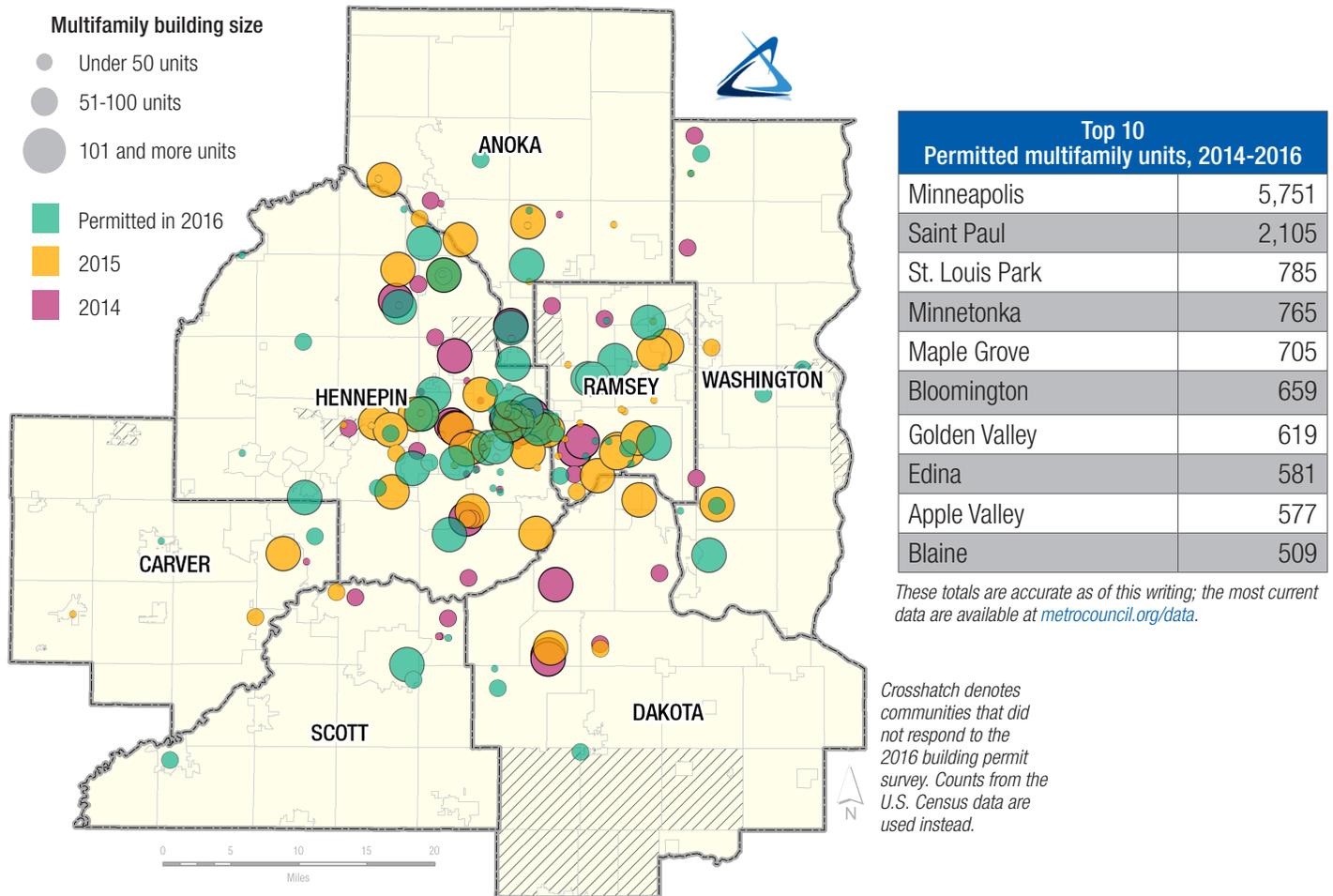
Source: Metropolitan Council's Residential Building Permit Survey, 2005-2016. Building permit data are occasionally updated. The most current building permit data are available to view and download at metro council.org/data.

Approximately 240 multifamily projects were permitted across the region since 2014 (Figure 6, map). Forty-four percent were projects with under 50 units, 22% were mid-sized projects (between 51 and 100 units), and the remaining third (34%) were large projects with over 100 units. Of the 20,065 new apartments and condos these multifamily projects added, 11% were in those smaller projects (under 50), 19% of units were built in mid-sized projects, and 70% of units came from the larger projects.

Minneapolis permitted 60 projects in this time period, half of which were large developments with over 100 units. The largest Minneapolis projects permitted between 2014 and 2016 include 365 Nicollet (369 units) downtown, The Rise at Prospect Park (336 units), and WaHu Student apartments (333 units). Saint Paul had 24 multifamily construction projects in this period, 10 of which were over 100 units. These larger projects include 2700 University apartments (246 units) near Prospect Park, The Vintage on Selby (210 units), and Custom House in downtown (202 units). Large-scale multifamily was not limited to Urban areas, however: Minnetonka, Maple Grove, Apple Valley, and Blaine all permitted multifamily projects with over 100 units in this time period.

A quarter of the multifamily developments in this time period (60 projects, totalling 3,275 units) were senior housing. Most of this activity took place outside of the region's Urban communities, driving construction in the Suburban communities (41% of all senior units built between 2014 and 2016) followed by the Suburban Edge and Emerging Suburban Edge (39%).

FIGURE 6. RECENTLY PERMITTED MULTIFAMILY HOUSING BY BUILDING SIZE



Source: Metropolitan Council's Residential Building Permit Survey, 2014-2016. Building permit data are occasionally updated. The most current building permit data are available to view and download at metro council.org/data.

For the Twin Cities region, and most other large metropolitan regions growing in the U.S., the demand for housing remains high and will require much higher levels of homebuilding of all types to avoid home sale prices and rents that are simply out of reach for moderate-income households. As economic conditions improve, more renters may be looking to buy homes only to find the availability of moderately priced "starter" homes is too limited or that mortgage financing requirements put loans out of reach, keeping them in the rental market until more supply is added or lending conditions relax.

About our building permit survey

Each year the research team at Metropolitan Council asks cities and townships across the Twin Cities region about the building permits they've issued for new residential construction projects. Data from the Residential Construction Branch of the Manufacturing and Construction Division of the U.S. Census Bureau are used if a community did not return the survey. The data on returned surveys are verified by Metropolitan Council staff through various means including: contact with community staff, comparison to data from the Residential Construction Branch of the Manufacturing and Construction Division of the U.S. Census Bureau, community websites, and comparison to data submitted by communities in the Metropolitan Council's annual affordable housing production survey. Data may be periodically updated to reflect corrections. The most current year's data are considered preliminary until the publication of final population and household estimates in July of the following year; for example, 2016 data are preliminary until July 2017.

Endnotes

¹The response rate for the Metropolitan Council's 2016 building permit survey was 90%.

²Various 2016 Real Estate Matters blog posts, University of St. Thomas [\[LINK\]](#).

²For a full discussion, see last year's *MetroStats*, "On the Rise: New Residential Construction in the Twin Cities Region," [\[LINK\]](#).

³*Ibid.*

⁴See, for example, Joint Center for Housing Studies of Harvard University (2013), "The Changing Landscape for Multifamily Finance." [\[LINK\]](#)

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