Commercial, Industrial, and Public and Institutional (CIPI) Construction in the Twin Cities Region: 2009 Summary

December 2010

This report summarizes new commercial, industrial, and public and institutional construction projects for which Twin Cities area cities and townships issued building permits. The Metropolitan Council appreciates municipalities' cooperation in providing the data. Council staff used other data sources to verify and supplement the information where appropriate.

Data users should note:

- Public and institutional construction projects do not include major public infrastructure projects such as highway construction. See "About the Data" on page 9 for the types of projects that are included under the public and institutional category.
- Data were not collected for permits under $100,000 in estimated value.
- The time from permit issuance to start of construction varies among projects.
- Most communities in the region provided information. However, some projects within the region are not covered by this survey. See "About the Data" on page 9.

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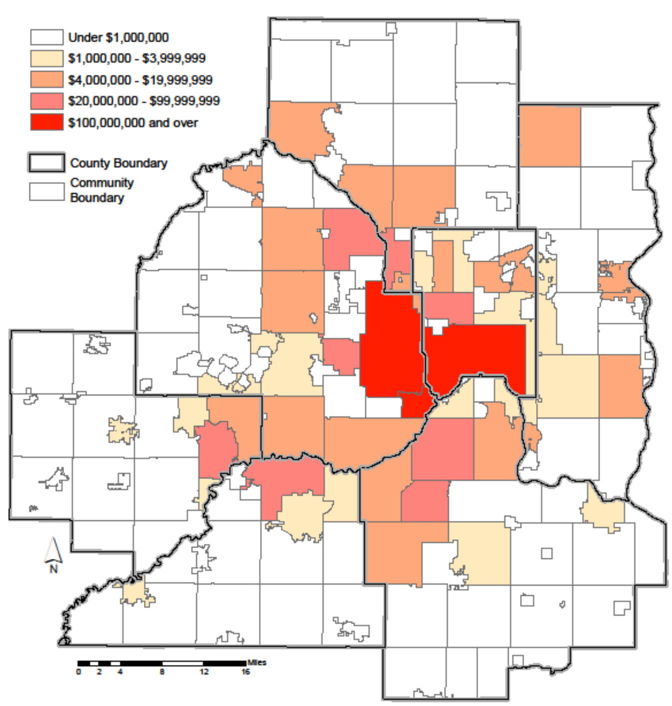
Highlights

The economic slowdown continued to impair commercial, industrial, and public and institutional (CIPI) construction in the Twin Cities region in 2009. Total permit valuations in CIPI construction decreased by a quarter from 2008 to 2009. While all components of CIPI construction went down, public and institutional construction was the most robust of all three. Significant growth in government offices, public works projects and transportation structures helped keep the public sector strong. In contrast, sharp declines in office and retail construction drove down commercial construction numbers in 2009. Without the Target Field project in Minneapolis, which made up 56 percent of all commercial construction projects, the region would have experienced a far more dramatic shrinking of its commercial sector. Steep declines in manufacturing and office/warehouse construction pulled down industrial construction numbers overall. With the exception of the Target Field project in Minneapolis, the USPS bulk mail distribution center in Eagan and some medium-sized public works, most projects were relatively small.

Figure 1: Value of Commercial, Industrial, and Public and Institutional Construction Added in 2009



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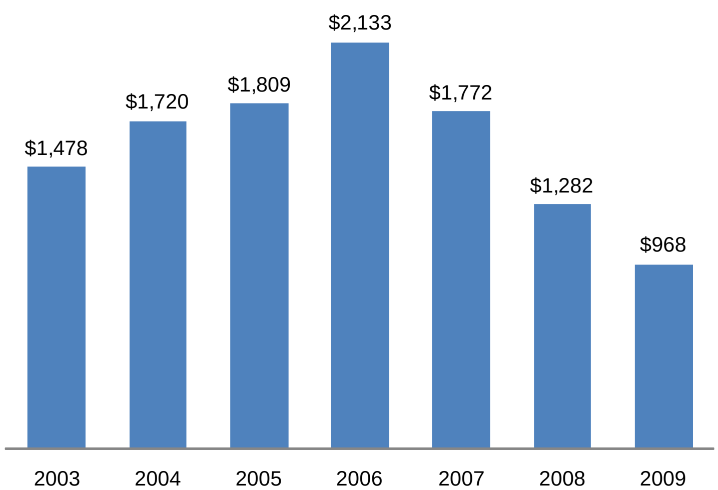
Since peaking in 2006, the permit value of CIPI construction projects decreased steadily to less than half the peak value. These projects lost a quarter of their value in 2009 and declined to $968 million. Permits reported for new construction accounted for 76 percent of the total regional valuation while additions made up the remainder. Projects with size information available represented 5 million square feet. This was almost a quarter of the total square footage reported for the peak year of 2006, when the square footage of projects with size information added up to over 19 million square feet. Square footage information was not available for 31 percent of the projects reported in 2009, representing 53 percent of the total value.

Figure 2: Total Commercial, Industrial, and Public and Institutional Permit Values (in millions), Twin Cities Region, 2003-2009 (in 2009 Dollars)



Commercial, industrial, and public and institutional uses amounted to $457 million, $44 million, and $467 million, respectively. Permit valuations decreased in all of the CIPI construction categories; however the valuation of industrial projects declined fastest—going down by 69 percent from its 2008 level. The total permit value of commercial projects shrank by 24 percent while the total for public and institutional projects decreased by 14 percent from its 2008 level.

The industrial share of the region's CIPI construction total shrank to its lowest level since 2005—declining to 5 percent in 2009 from 13 percent in 2005. In contrast, the public and institutional share of the region's CIPI construction continued its steady climb since 2005, picking up from 42 percent in 2008 to 48 percent in 2009. Meanwhile, the share of commercial construction, in contrast, stayed constant at 47 percent in both 2008 and 2009.

Figure 3: Total Commercial, Industrial, and Public and Institutional Permit Values (in millions) by Type, Twin Cities Region, 2009 (in 2009 Dollars)

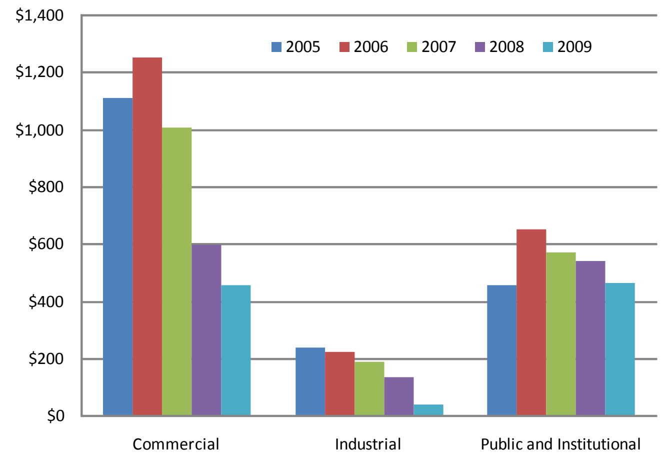
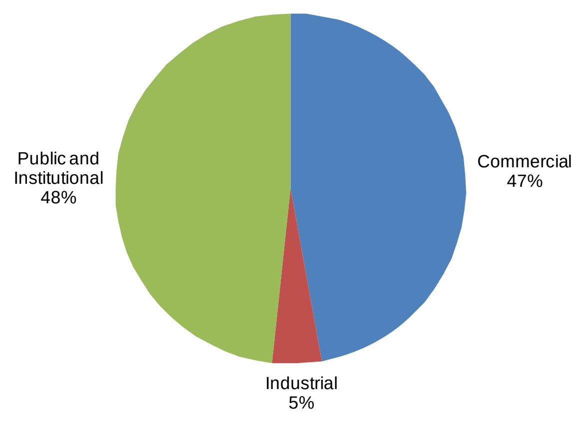


Figure 4: Share of Commercial, Industrial, and Public And Institutional Permit Values by Type, Twin Cities Region, 2009



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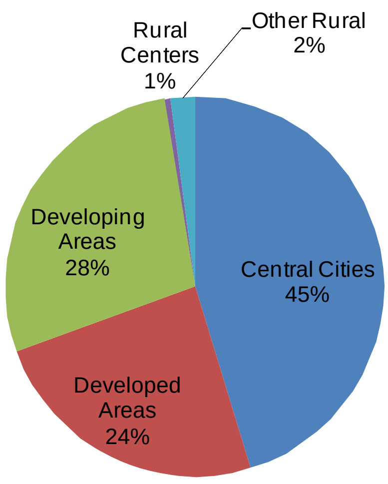
The regional distribution of CIPI construction permit values changed noticeably from 2008 to 2009. The share of central cities jumped up from 29 percent in 2008 to 45 percent in 2009 mostly because of the Target Field project in Minneapolis. In contrast, the share of developing areas decreased from 40 percent in 2008 to 28 percent in 2009. The share of developed areas went down slightly from 28 percent in 2008 to 24 percent in 2009 while the share of rural areas remained roughly the same around 3 percent.

Table 1: Permit Values of Commercial, Industrial, and Public and Institutional Construction by Planning Area, Twin Cities Region, 2009

Planning Area	Permit value
Central Cities	$437,476,032
Developed Areas	233,787,298
Developing Areas	272,034,180
Rural Centers	4,250,974
Other Rural	20,008,236
Region Total	**$967,556,720**

Figure 5: Share of Total Commercial, Industrial, and Public and Institutional Construction Values by Planning Area, Twin Cities Region, 2009



Commercial and industrial construction

Commercial and industrial construction in the Twin Cities has been slowing down since its peak in 2006 and this trend continued in 2009. In 2009, permit values for commercial and industrial construction totaled $500 million—a third of its peak value of $1.5 billion in 2006. Shrinking values of commercial services, office and retail construction were the main drivers of this overall pattern of decline. Permit values in commercial services bounced back in 2009 largely due to the ongoing construction of Target Field in Minneapolis. In fact, the Target Field project accounted for 56 percent of all commercial construction permit values in the Twin Cities region.

Figure 6: Commercial and Industrial Building Permit Values (in millions), Twin Cities Region, 2003-2009 (in 2009 Dollars)

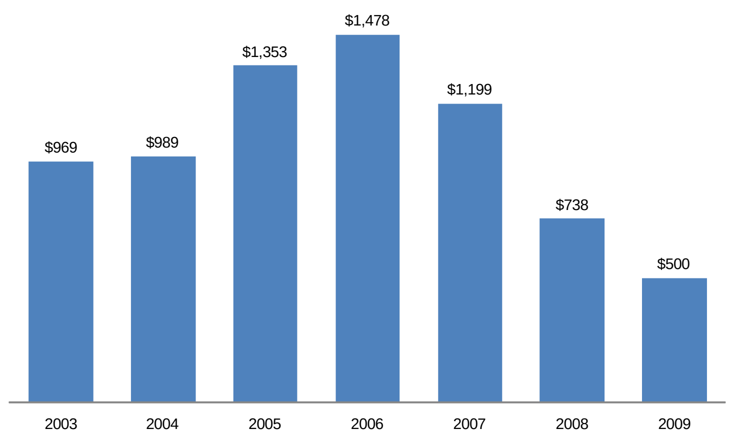


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Figure 7: Commercial and Industrial Building Permit Values (in millions) by Use, Twin Cities Region, 2003-2009 (in 2009 Dollars)

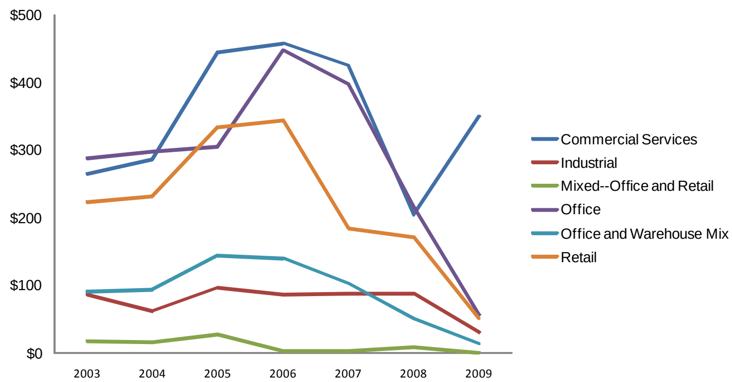
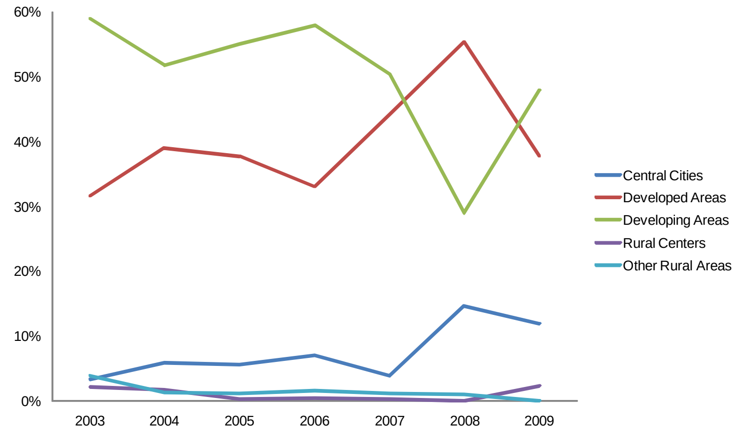


Figure 8: Share of Retail Permit Values by Planning Area, Twin Cities Region, 2003-2009

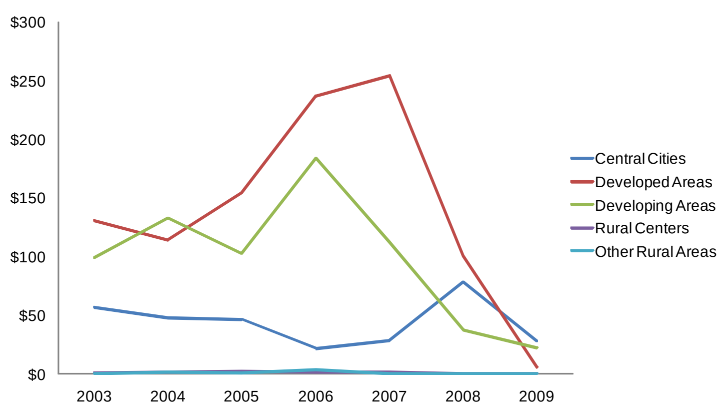


Commercial highlights

The region's retail permit valuation shrank to $50 million—its lowest value since 2003. This was only 15 percent of its peak value of $344 million in 2006 and less than a third of the 2008 value of $171 million. The distribution of retail permits reverted back to its regional norm, with developing areas leading retail construction followed by developed areas and central areas. Retail construction in developing areas in 2009 accounted for almost half of the total retail permit valuation—compared to its unusually low share of 29 percent in 2008. The share of developed areas and central cities in retail permit valuation came down from unusual highs—55 percent and 15 percent respectively in 2008—closer to more typical values—38 percent and 12 percent respectively in 2009. Most of the retail projects were relatively small ones; none exceeded the $10 million mark.

Office construction has been slowing down rapidly since its peak of $448 million in 2006. A significant slowdown in developed areas led this trend with a similar decline in developing areas further intensifying the trend. The region's office permit valuation shrank 74 percent from its 2008 value of $216 million to around $56 million in 2009. Developed areas took the biggest hit as the value of their office permits shrank 94 percent from over $101 million in 2008 to $6 million in 2009. Central cities followed developed areas with a 64 percent decline from $78 million to $28 million. Similarly, developing areas lost 41 percent of their office valuation, from $37 million to $22 million.

Figure 9: Office Permit Values (in millions) by Planning Area, Twin Cities Region, 2003-2009 (in 2009 Dollars)



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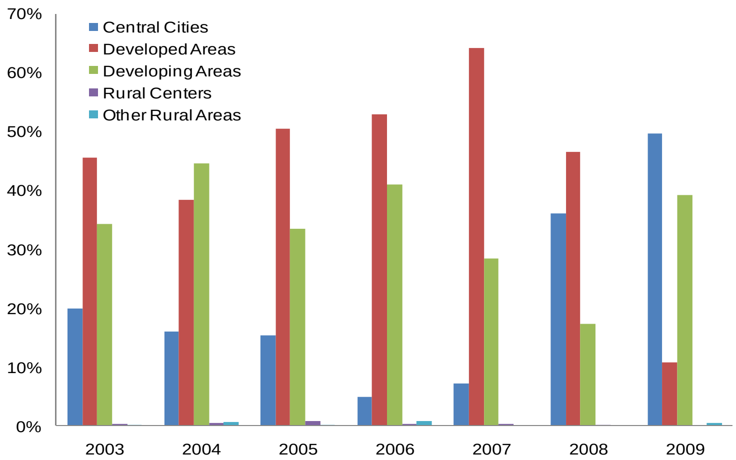
The geographic distribution of the region's total office permit valuation changed dramatically in 2009. Developed areas, which have historically claimed the lion's share of the region's total office permit valuation, only had around one tenth of the region's office valuation in 2009. In contrast, central cities accounted for half of the region's office valuation in 2009—a share that was much higher than the central cities' average of 21 percent from 2003-2009. Medical clinics made up over 96 percent of the office permit valuation in the central cities in 2009. The total valuation of office permits in developing areas in 2009 continued its steady fall since 2006. However, despite this absolute decrease, the relative share of developing areas increased from 17 percent in 2008 to 39 percent in 2009.

Figure 10: Share of Office Permit Values by Planning Area, Twin Cities Region, 2003-2009



Among other commercial services, arts, entertainment and recreation stood out as the biggest contributor to commercial construction in the region. The Target Field project was mainly responsible for this with a project permit value of over $257 million. Eating and drinking establishments were the only other commercial sector that experienced a significant change in a positive direction. Activity in this sector picked up considerably from around $15 million in 2008 to $22 million in 2009. Permit valuations in hotel/lodging and bank sectors continued their decline in 2009.

Target Field, Minneapolis. Photo by Tim Davis, courtesy of Minnesota Ballpark Authority.

Industrial highlights

The value of industrial building permits continued its steady fall since 2005 and sank to $44 million in 2009—a quarter of its value in 2003. Shrinking values of office/warehouse permits largely drove the industrial totals down, accounting for more than two thirds of the total decline in total industrial permit values. Among industrial categories, permit values in manufacturing crashed from $61 million in 2008 to $11 million in 2009—a drop of 82 percent.

Figure 11: Total Values (in millions) of Industrial Permits, Twin Cities Region, 2003-2009 (in 2009 Dollars)

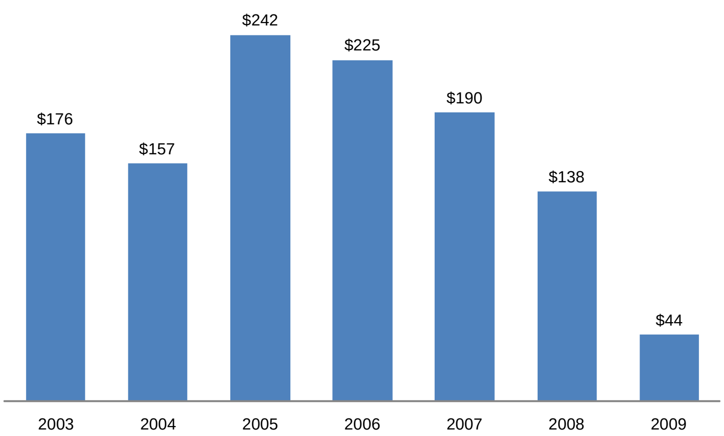
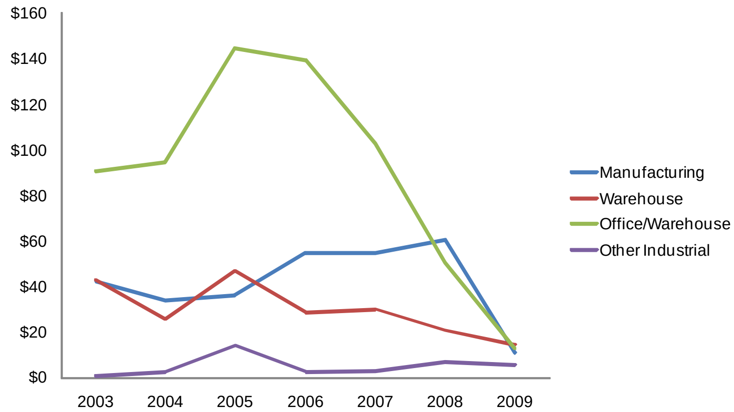
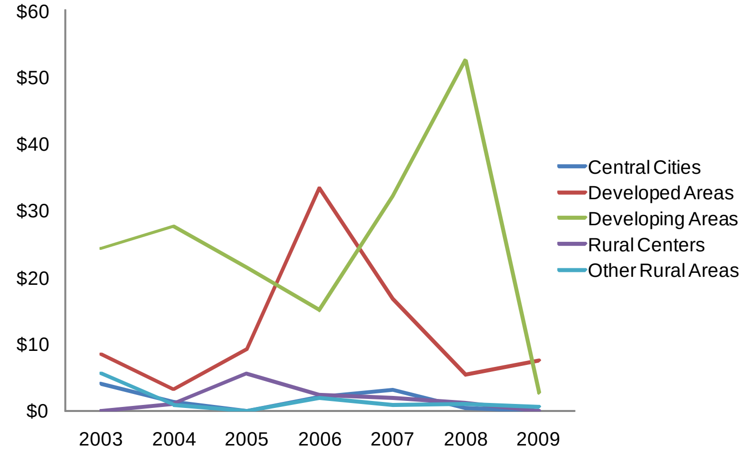


Figure 12: Industrial Permit Values by Type (in millions)
Twin Cities Region, 2003-2009 , (in 2009 Dollars)



The drop in manufacturing permits mainly hurt developing areas. The value of manufacturing permits in these areas shrank by 95 percent from over $53 million in 2008 to a mere $3 million in 2009. As a result, developing areas' share of the region's manufacturing permit values nosedived from 87 percent in 2008 to barely a quarter of the total in 2009. In striking contrast, developed areas experienced some growth in manufacturing permit values. The total value of manufacturing permits in these areas increased from $5.4 million in 2008 to $7.8 million in 2009, propelling the developed areas' share of the manufacturing permits from 9 percent in 2008 to 70 percent in 2009. The Manufacturing sector accounted for a quarter of the region's industrial building permit values in 2009—back to a more traditional range from its unusually high share of 44 percent in 2008.

Figure 13: Manufacturing Permit Values (in millions)
by Planning Area, Twin Cities Region, 2003-2009
(in 2009 Dollars)



The office/warehouse category, which lost three quarters of its 2008 value, took the second largest hit of the industrial sector and plunged from $50 million in 2008 to $13 million in 2009. By 2009, office/warehouse permit value totals in developing areas shriveled to less than a tenth of their peak value of over $89 million in 2006. Developing areas maintained their traditionally high share of the region's value of office/warehouse permits, despite enduring the region's largest absolute drop in office/warehouse permit valuations—from $34 million in 2008 to $7 million in 2009. These areas accounted for 58 percent of the total in 2009, down from two-thirds of the region's total in 2008. Developed areas were the hardest hit, experiencing a loss of 82 percent from $10 million in 2008 to nearly $2 million in 2009. Their share of the region's office/warehouse permit valuation also fell from 20 percent in 2008 to 14 percent in 2009. The central cities increased their relative share of the region's office/warehouse permit values from 11 to 28 percent in the same period, despite a decline in their total office/warehouse permit values by a third—from $5.6 million in 2008 to $3.6 million in 2009.

Figure 14: Office/Warehouse Permit Values (in millions) by Planning Area, Twin Cities Region, 2003-2009 (in 2009 Dollars)

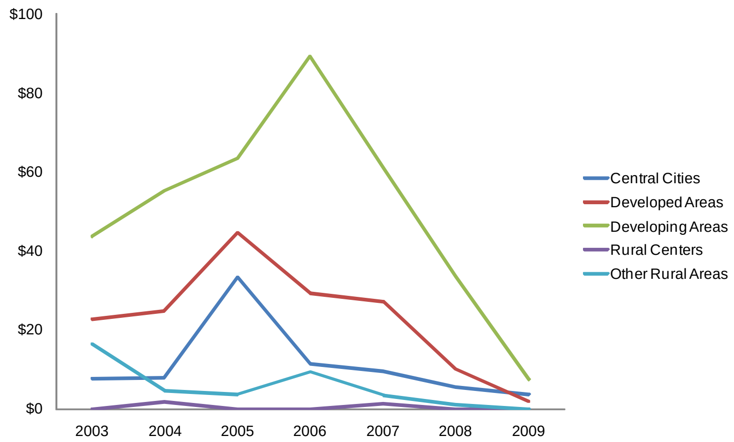
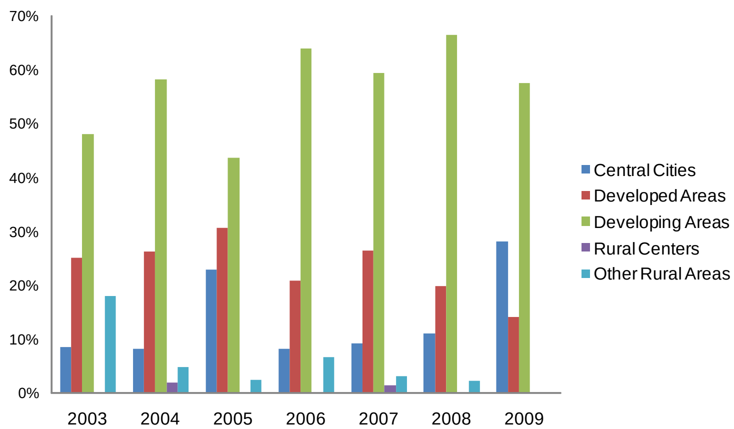


Figure 15: Share of Office/Warehouse Permit Values by Planning Area, Twin Cities Region, 2003-2009



Public and institutional construction

Among CIPI construction categories, public and institutional construction shrank the least in the Twin Cities region. The total value of public and institutional construction projects amounted to 48 percent of the total value of all CIPI construction projects in 2009[1].

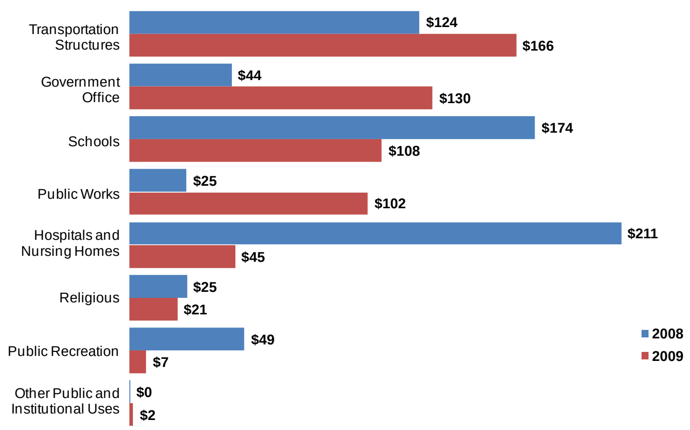
[1]This total excludes the permit values of airport projects. While airport projects create employment, their impact on land use tends to be inconsequential because they are limited to fixed airport boundaries. Including airport projects in public and institutional project totals artificially inflates the share of developed areas, which host the region's airports, in the region's PI totals. This report includes the value of airport projects only in evaluating the total project value of transportation structures.

Significant increases in the construction of government offices, public works and transportation structures played an important role in keeping the public sector alive despite declines in the valuation of permits in categories such as hospitals and nursing homes, schools and public recreation. The total value of permits for government offices went up almost threefold from $44 million in 2008 to over $130 million in 2009. One large project, a 64 million federal bulk mail processing facility in Eagan, accounted for three quarters of this increase.

USPS Bulk Mail Center, Eagan. Photo made available by USPS.

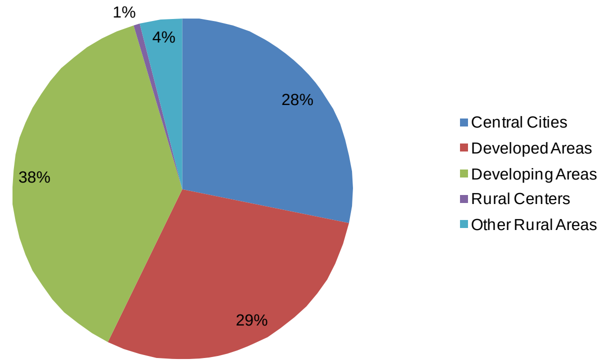
The total permit value of public works projects grew significantly from $25 million in 2008 to $102 million in 2009. The total permit value of transportation structures similarly increased from $124 million in 2008 to $166 million in 2009. There was a noteworthy increase in transit-related permit values from around $12 million to over $52 million during this period. Following a period of massive expansion in medical construction between 2006 and 2008, the value of hospital and nursing home construction permits declined from a high of $211 million in 2008 to around $45 million in 2009. The value of permits for school construction was also down by nearly 40 percent from $174 million in 2008 to $108 million in 2009.

Figure 16: Public and Institutional Construction Permit Values (in millions) by Type Twin Cities Region, 2008-2009 (in 2009 Dollars)



In terms of their public and institutional permit values, developed areas fared much better than central cities and developing areas in 2009. The total value of public and institutional permits in developed areas increased by 76 percent from $77 million in 2008 to $136 million in 2009, doubling the share of developed areas in the region's total from 14 to 29 percent in this period. In contrast, the total value of public and institutional permits in central cities and developing areas shrank by 34 and 26 percent, respectively. Despite this, developing areas still held the largest share of public and institutional construction permit values in 2009, accounting for 38 percent of the region's total. Government offices and other public works projects were especially important in developing areas, accounting for 82 percent of all public and institutional projects in these areas. Developed areas and central cities had very similar shares, claiming 29 and 28 percent of the region's total, respectively. In developed areas, over half of the public and institutional permit valuation came from government offices and other public works projects, whereas in the central cities over three quarters of this valuation came from hospitals and educational institutions (mostly higher education institutions).

Figure 17: Share of Public and Institutional Construction Permit Values by Planning Area, Twin Cities Region, 2009



Permits by county

The seven counties in the Twin Cities region fared rather differently in 2009. The total valuation of CIPI construction permits plummeted in Carver and Washington counties. In Carver County, permit values dropped by 59 percent from $110 million in 2008 to $45 million in 2009—the largest relative decline any county experienced in the seven-county region. Washington County CIPI construction permit values similarly plunged by 55 percent from $121 million in 2008 to $54 million in 2009. In contrast, CIPI construction permit values hardly changed in Anoka and Dakota counties. Among the seven counties Hennepin County experienced the largest absolute drop, which amounted to $167 million in one year. This was 28 percent less than the previous year, when the total value of CIPI permits added up to $589 million. Compared to Hennepin County, Ramsey County fared much better. Its total CIPI permit values only went down by 8 percent from 2008 to 2009—much lower than the regional average loss of 25 percent during the same period. Scott County was notably the only county in the seven-county region with a net gain in its CIPI valuation. Total permit values inched up by five percent from $35 million in 2008 to $36 million in 2009.

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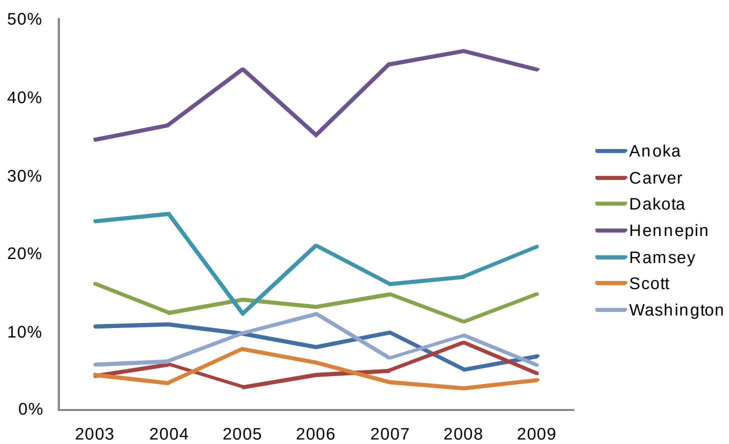
Table 2: Commercial, Industrial, and Public and Institutional Construction Permit Values Across Counties, Twin Cities Region, 2008-2009 (in 2009 dollars)

	2008	2009	Percentage Change 2008-2009
Anoka	$ 65,761,644	$ 66,604,514	1%
Carver	109,975,685	44,934,800	-59%
Dakota	144,226,205	142,543,139	-1%
Hennepin	588,617,974	421,680,986	-28%
Ramsey	217,784,468	201,132,590	-8%
Scott	34,845,677	36,594,455	5%
Washington	120,913,274	54,066,236	-55%
Grand Total	**$ 1,282,124,928**	**$ 967,556,720**	**-25%**

Despite these geographically uneven changes, the relative distribution of the region's CIPI construction permits across counties did not change much. Hennepin County continued to dominate the region, accounting for 44 percent of the region's total in 2009. This was two percentage points lower than its share in 2008. Ramsey County ranked second as usual with 21 percent of the region's total—up from 17 percent in 2008. Similarly, Dakota County managed to maintain its position as the third ranking county in the region, slightly increasing its share from 11 percent in 2008 to 15 percent in 2009. Anoka County had a slight edge over Washington followed by Carver County. Scott County continued to have the smallest share of the region's CIPI construction permit valuation in 2009.

Figure 18: Commercial, Industrial, and Public and Institutional Construction Permit Values by County, Twin Cities Region, 2003-2009 (in 2009 dollars)



About the data

Measuring the volume of commercial, industrial and public construction activity over a given period of time is not straightforward. Some information sources that report on new developments focus on when construction started; some on how much development is underway at a point in time; some on when a structure is completed or occupied. In this report, projects are counted at the time local units of government issue building permits. No information on demolitions is included, so the data represent a gross construction volume, but not the net gain in property value or space. With annual updates, the data should be useful for assessing longer-range trends.

Multiple building permits may be issued for a given project, separate from the permit for the major structural work—for example, for foundation work, mechanical, electrical, and finishing work. Metropolitan Council has attempted to represent the permit valuation and square footage for all new projects and additions (if over $100,000) and to avoid duplicate reporting of these. However, there may be some inconsistency because of the complexity of some projects and differences among local permit record-keeping systems. Where it was possible to differentiate, Council Research staff did not include permits that were only for remodeling, mechanical, electrical, plumbing, and finishing work.

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 covered in Metropolitan Council's 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 data base and in this report, regardless of status.

Data Collection Methods

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

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

To promote consistency and completeness, Metropolitan Council Research validated survey responses with Service Availability Charge (SAC) reports where possible. Additional information from SAC reports and other sources was incorporated where appropriate.

Council Research staff designated 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, religious entities, public recreation structures, transit and other transportation facilities, and other institutions such as non-profit organizations and community centers.

The Minneapolis-St. Paul International Airport is not within the boundaries of a minor civil division. The Metropolitan Airports Commission provided data on airport 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. Including airport projects in public and institutional construction project totals artificially inflates the share of developed areas, which host the region's airports, in the region's total permit values. This report includes the value of airport projects only when evaluating the total project value of transportation structures.

Metropolitan Council's Community Profiles, which provide extensive information on any city, township and county that is within the 7-county metropolitan area, are available at http://www.metrocouncil.org/data.

Community Profiles include easily accessible charts and data on population, employment, housing, land use and transportation. For a detailed breakdown of all commercial, industrial, and public and institutional projects in all of the region's communities over multiple years, click the Land Use and Development tab under the Community Profiles.

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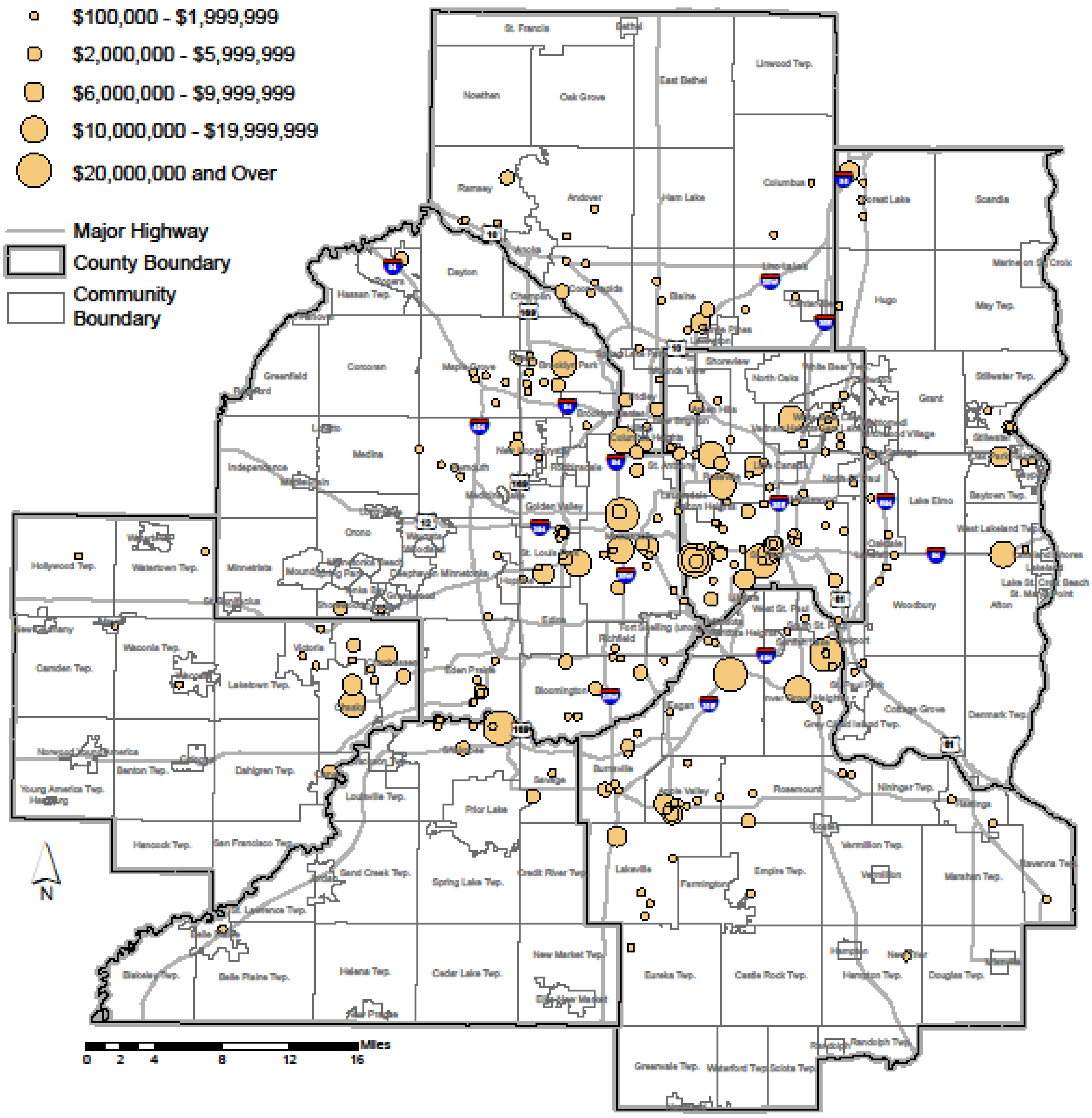
Value of Commercial, Industrial, and Public and Institutional Construction Added in 2009



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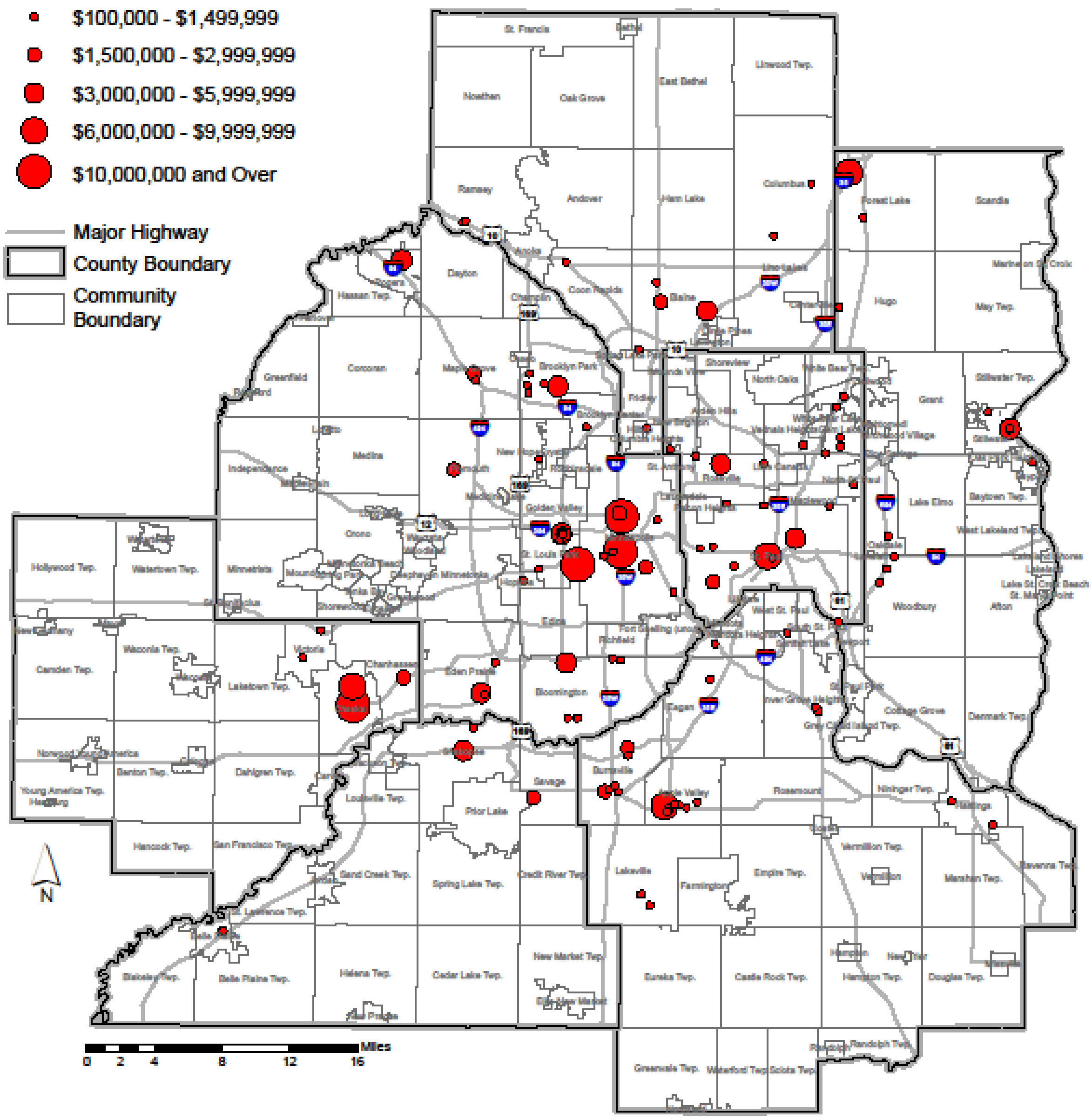
Value of Commercial Construction Added in 2009



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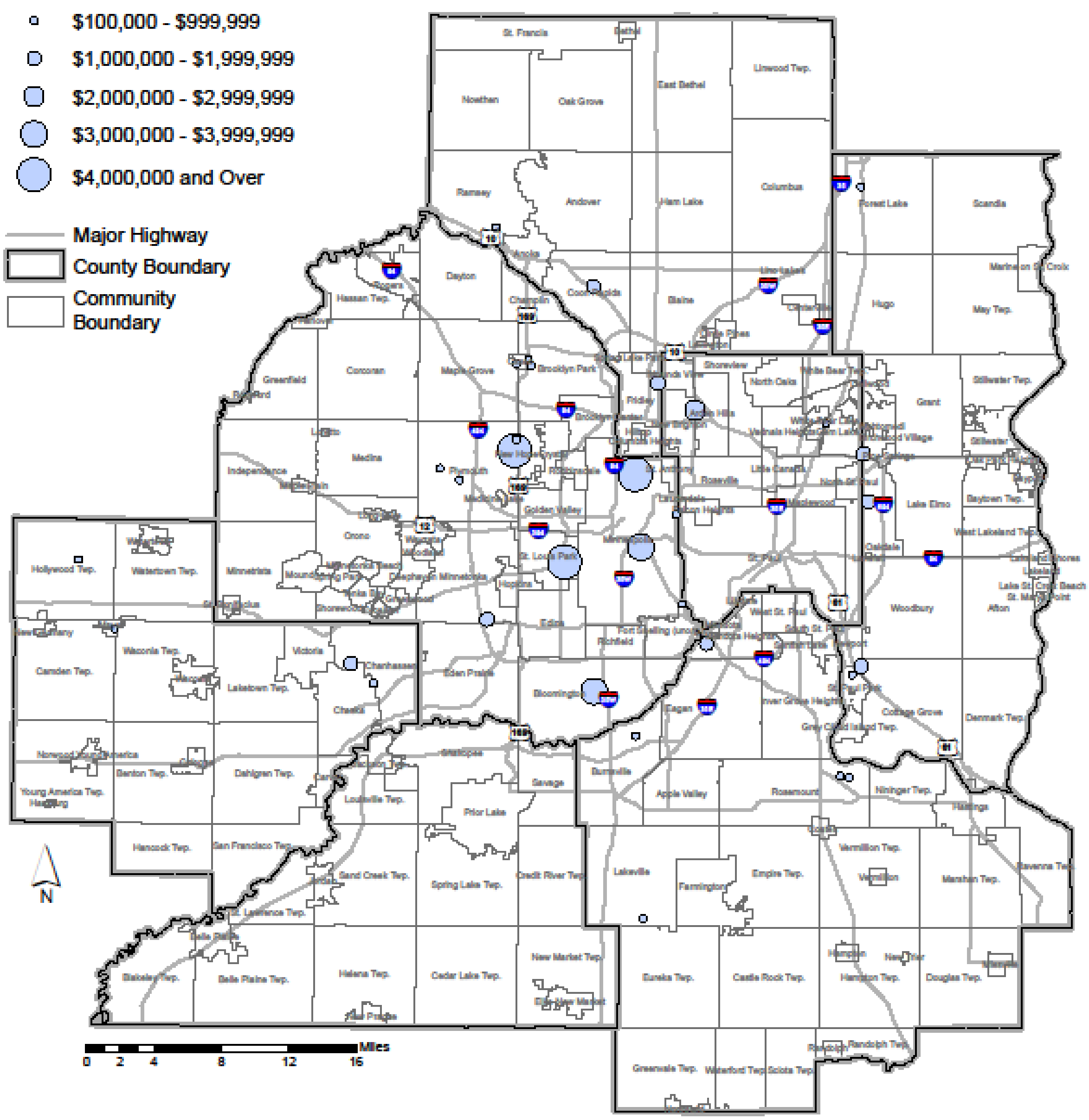
Value of Industrial Construction Added in 2009



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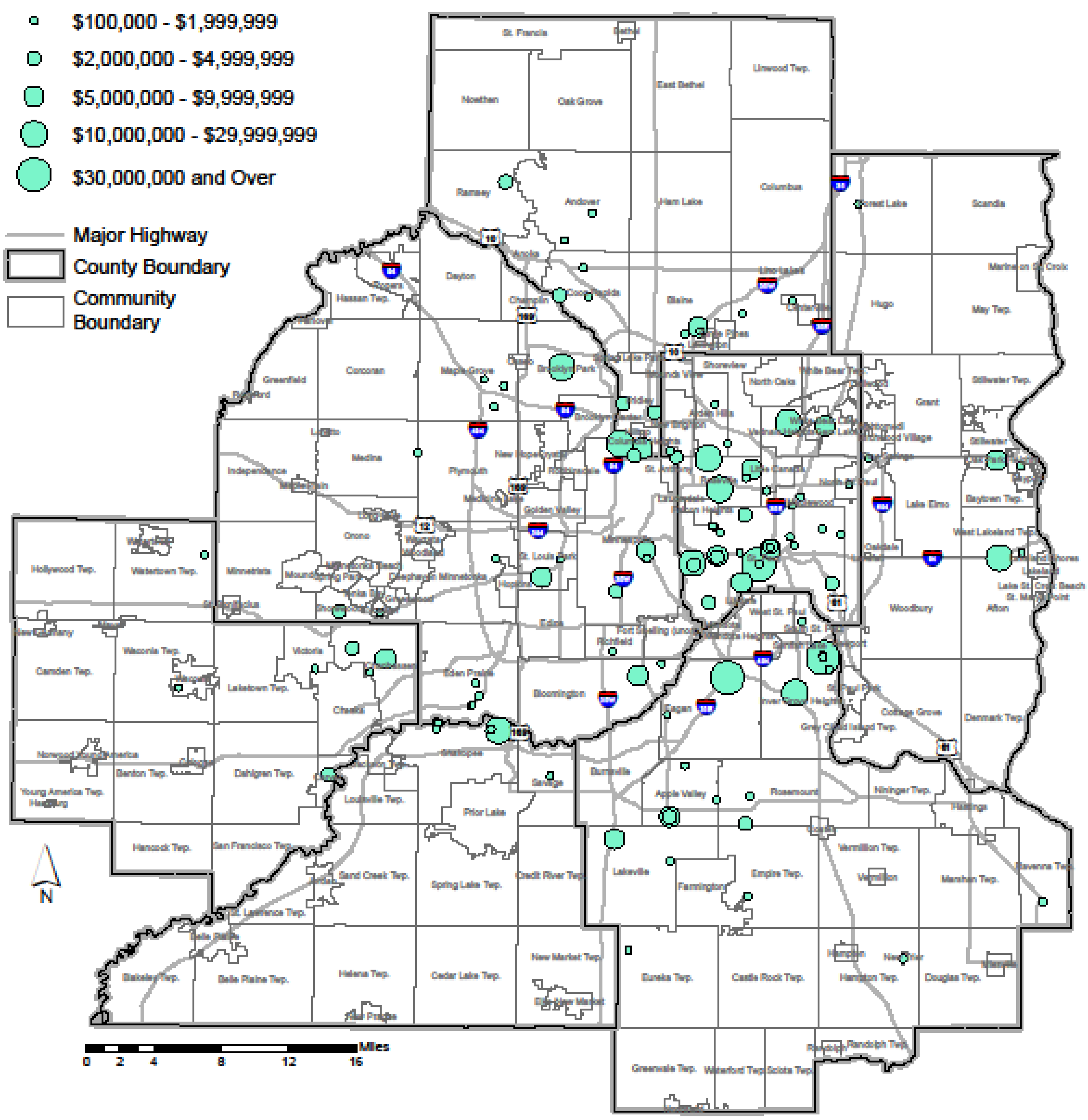
Value of Public and Institutional Construction Added in 2009



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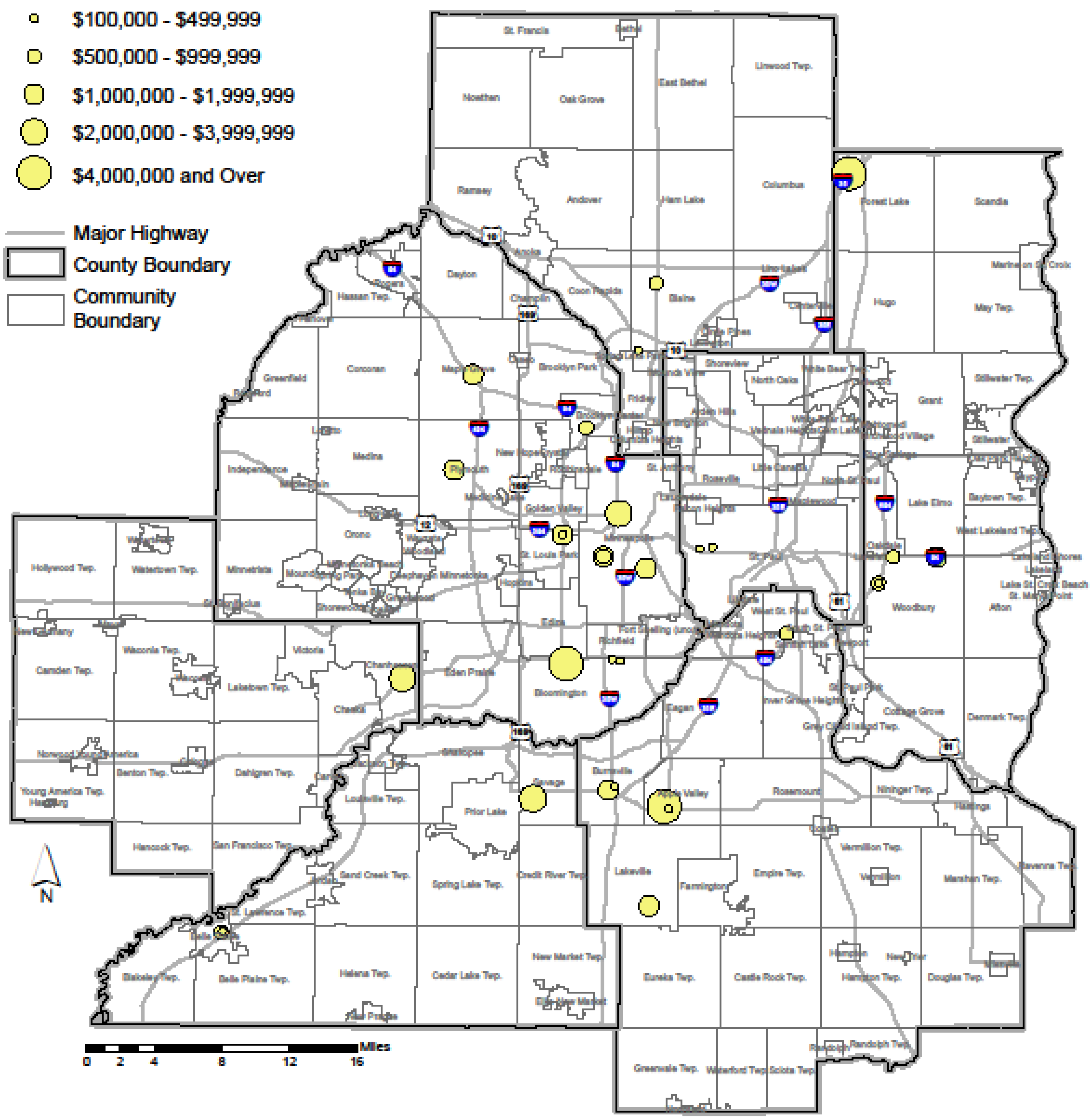
Value of Retail Construction Added in 2009



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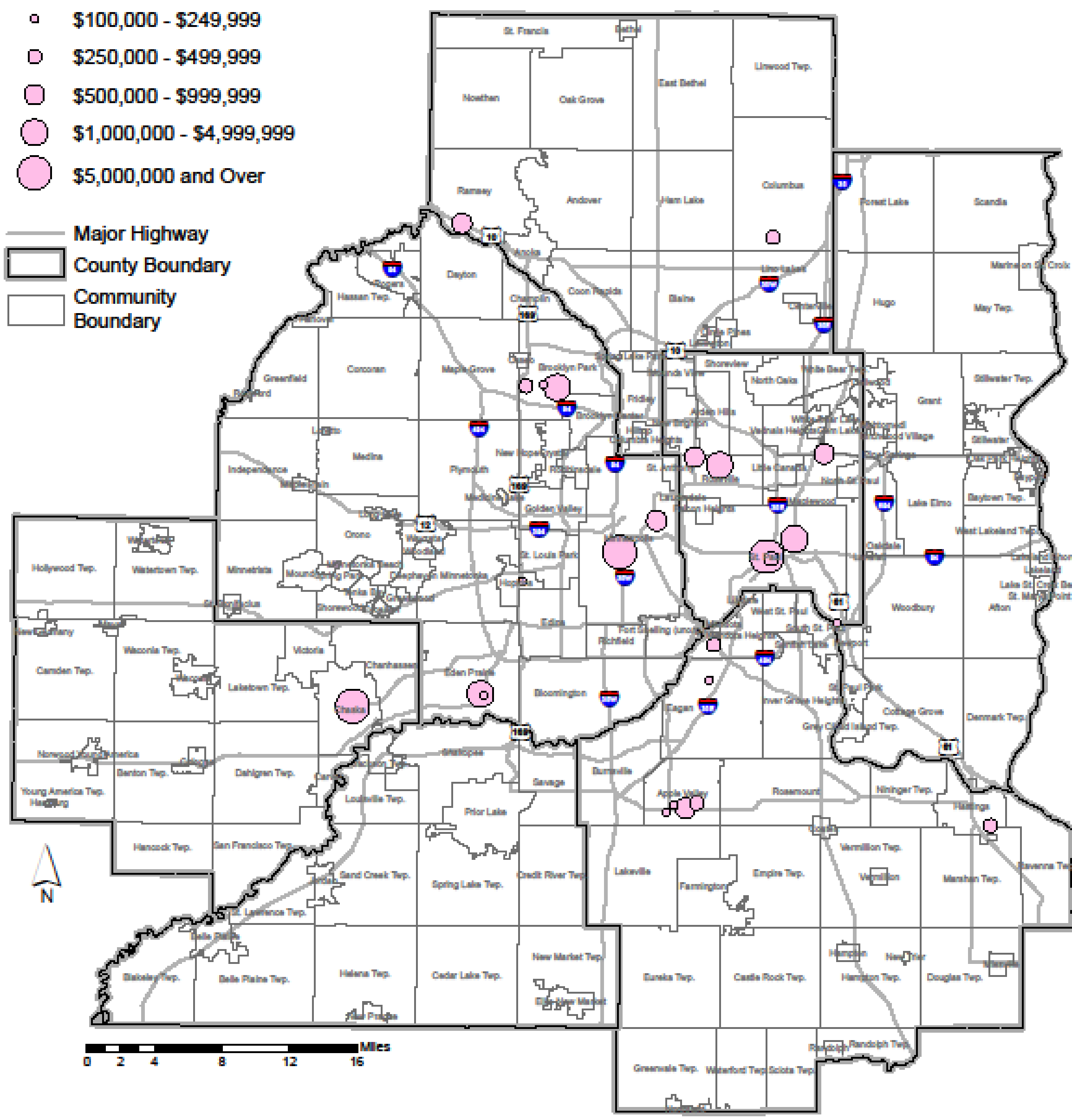
Value of Office Construction Added in 2009



Commercial, Industrial, and Public and Institutional (CIPI) Construction in the Twin Cities Region: 2009 Summary **December 2010**

Value of Office/Warehouse Construction Added in 2009