

Twin Cities Residential Construction: Glimmers of Hope in 2010

July 2011

This *MetroStats* summarizes data on new residential construction within the Twin Cities region through 2010.

Analysis comparing the thirteen-county Minneapolis-St. Paul metropolitan statistical area to the nation's largest 25 metropolitan areas uses data collected from local officials by the U.S. Census Bureau on building permits authorized in 2010.

Analysis examining building permits within the seven-county area uses building permit data collected by the Metropolitan Council. Historically, the Metropolitan Council's data show a higher housing unit count (10 percent higher on average, this decade). Verifying its data with local officials as needed to assure data quality, the Council considers its data the most accurate available and uses them to calculate the Council's annual household and population estimates. Data are subject to revision when more accurate data are available though substantial revisions are rare. To obtain the Metropolitan Council's historical data on building permits from 1970 to 2010, visit:

www.metrocouncil.org/data
and click on "Tabular Data".

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Highlights

In 2010, the pace of housing activity finally picked up in the 13-county Twin Cities metropolitan area after steadily contracting since 2005. From 2009 to 2010, housing activity in the Twin Cities increased more than it did in the 25 largest metros and the nation as a whole—exceeding the average for the 25 largest metros for the first time since 2005. Only six of the largest 25 metros recovered more than the Twin Cities between 2009 and 2010.

The collapse of the housing markets in 2006 hit the developed areas (central cities and developed suburbs) of the metro harder than the developing suburbs until 2009. In 2010, developed areas gained ground compared to the developing suburbs of the metro for the first time since 2006. Recovery in developed areas came from diverse sectors of the metropolitan housing market. The growth in the number of permits issued for single-family detached housing units and townhouses in developed suburbs accompanied the robust growth of multifamily housing in central cities.

In developing suburbs recovery also came primarily from the multifamily sector. While the single-family detached housing sector remained steady in these suburbs, townhouses lost ground. In contrast, single-family detached housing and townhouse sectors drove most of the recovery in developed suburbs. Recovery in housing activity skipped rural centers and rural growth centers as these centers experienced a decline in the number of permits they issued, especially in the multifamily housing sector.

U.S. and the 25 Largest Metropolitan Area Trends 2005-2010

Housing activity in the United States finally reached a plateau in 2010 after shrinking 74 percent (from 7.3 to 1.9 residential building permits per thousand residents) between the peak year of 2005 and 2009. The total number of building permits per thousand residents increased by two percent to 1.9 from 2009 to 2010. The largest 25 metropolitan statistical areas (MSAs) performed even better—housing activity climbed 11 percent from 1.4 permits per thousand residents in 2009 to 1.6 in 2010 after declining by 78 percent from 2005 to 2009.

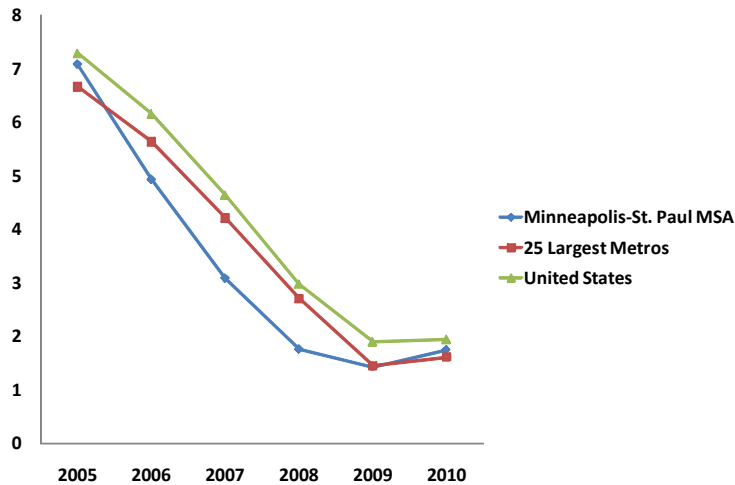
While housing activity in the Minneapolis-St. Paul MSA shrank by 80 percent—more than the 25 largest metros and the nation between 2005 and 2009—it recovered more between 2009 and 2010. During this period, the percentage increase in the Twin Cities' housing activity (22 percent) exceeded the averages of both the largest 25 metros (11 percent) and the nation (two percent). Only six metropolitan areas recovered more than the

Twin Cities Residential Construction: Glimmers of Hope in 2010

July 2011

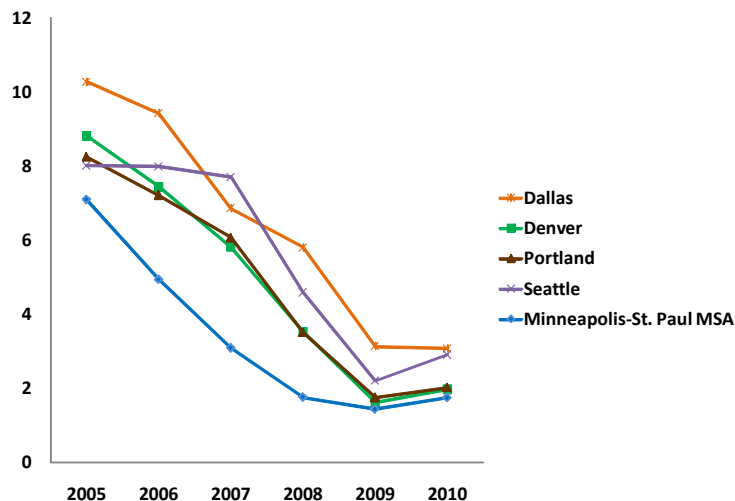
Twin Cities between 2009 and 2010: Detroit, Miami, Los Angeles, Seattle, San Francisco, and Denver.

Figure 1: Permits Per 1,000 Residents, Minneapolis-St. Paul MSA, 25 Largest Metros and the United States



During the second half of the decade, housing activity was consistently lower in the Twin Cities metro than it was in the four metropolitan areas that are frequently compared with the Twin Cities—Dallas, Denver, Portland, and Seattle. From 2009 to 2010 housing activity in Seattle (32 percent) and Denver (23 percent) recovered more than it did in the Twin Cities (22 percent). Meanwhile, housing activity in Portland increased by 16 percent, while Dallas experienced a

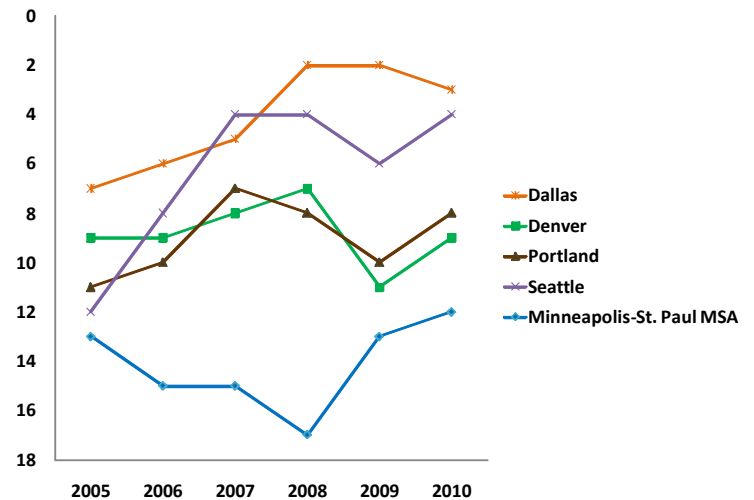
Figure 2: Permits for New Residential Units per 1,000 Residents for Selected MSAs



loss in housing activity as its permit numbers per thousand residents declined by two percent from 2009 to 2010.

The relative ranking of the Twin Cities among the largest 25 metros remained lower than the rankings of the four comparable metros from 2005 to 2010. However, the metro continued to increase its ranking for the second year in a row.

Figure 3: Rankings for Selected MSAs for New Residential Permits per 1,000 Residents



Permits Issued in 2010

In 2010, new housing construction activity in the seven-county metropolitan area showed signs of recovery. After reaching a historical low of 4,328 permits in 2009, residential building permits in the metro increased by 30 percent to 5,619 in 2010. This total was 26 percent of the total number of permits—21,350—issued in the peak year of 2004.

Among the top ten communities that issued residential permits in 2010, Minneapolis was the leader with 1,004 permits. Suburban communities issuing the highest number of permits after Minneapolis included Woodbury (522), Blaine (331), Maple Grove (302), and Apple Valley (228). Residential permits issued in the seven-county metropolitan area were relatively concentrated in a small number of communities in 2010. For instance, the number of residential permits issued by the top ten communities accounted for 56 percent of the seven-

Twin Cities Residential Construction: Glimmers of Hope in 2010

July 2011

county metropolitan total. A swath of suburban communities to the west of the Twin Cities metro as well as the two central cities had high numbers of residential permits.

Figure 4: Residential Building Permits, Seven-County Twin Cities Area

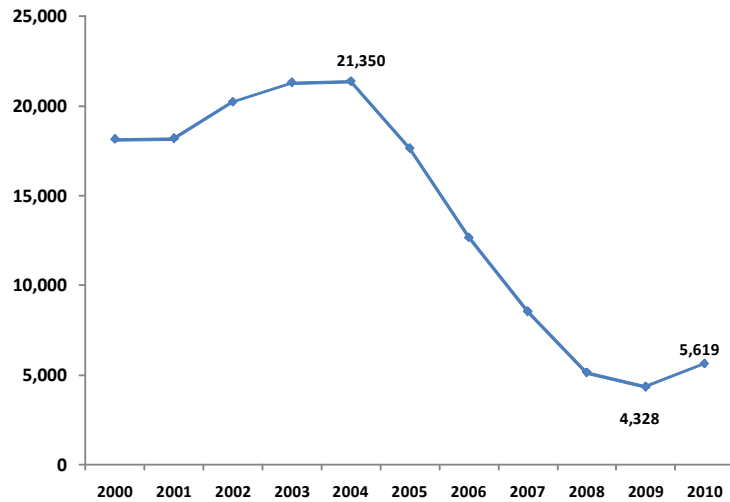
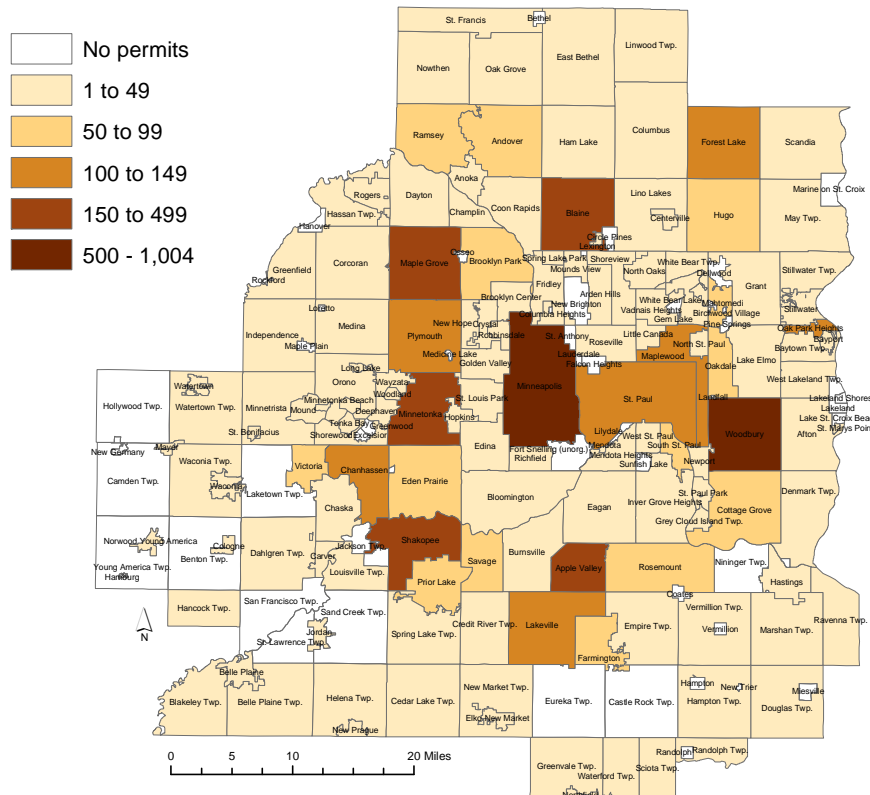


Figure 5: Top 10 Communities Issuing Permits for New Residential Units, Seven-County Twin Cities Area, 2010

Minneapolis	1,004
Woodbury	522
Blaine	331
Maple Grove	302
Apple Valley	228
Minnetonka	172
Shakopee	167
Lakeville	140
Plymouth	133
St. Paul	129

In 2010, developing suburbs issued 54 percent of the metro's residential building permits, down from 62 percent in 2009. The share of the central cities almost doubled from 11 percent in 2009 to 20 percent in 2010. Minneapolis issued 89 percent of the permits in the two central cities and 18 percent of the metropolitan area permits in 2010. Minneapolis accounted for 56 percent

Figure 6: Permits for New Residential Units, Seven-County Twin Cities Area, 2010



Twin Cities Residential Construction: Glimmers of Hope in 2010

July 2011

of the increase in the metro's residential permits from 2009 to 2010. Developed suburbs continued to increase their share of the metro-wide tally of residential permits—from 20 percent in 2009 to 22 percent in 2010. The share of rural centers and rural growth centers went down from four percent in 2009 to one percent in 2010, while the share of other rural areas stayed the same at three percent. Developed areas in the core of the region (central cities and developed suburbs) increased their share of the metro total. This was due to the rapid expansion of the multifamily sector in comparison with the single-family sector of the housing markets. The former sector grew by 73 percent from 2009 to 2010, while the latter grew by only 14 percent during the same period.

Figure 7: Regional Share of Permits for New Residential Units by Planning Area, Seven-County Twin Cities Area

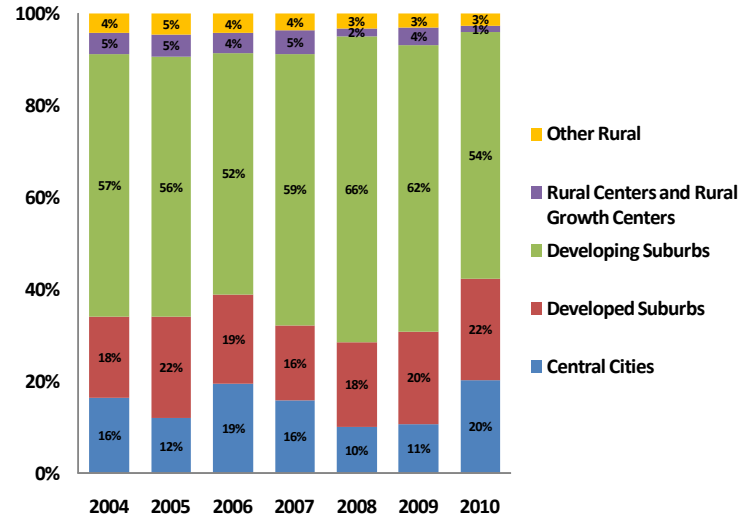
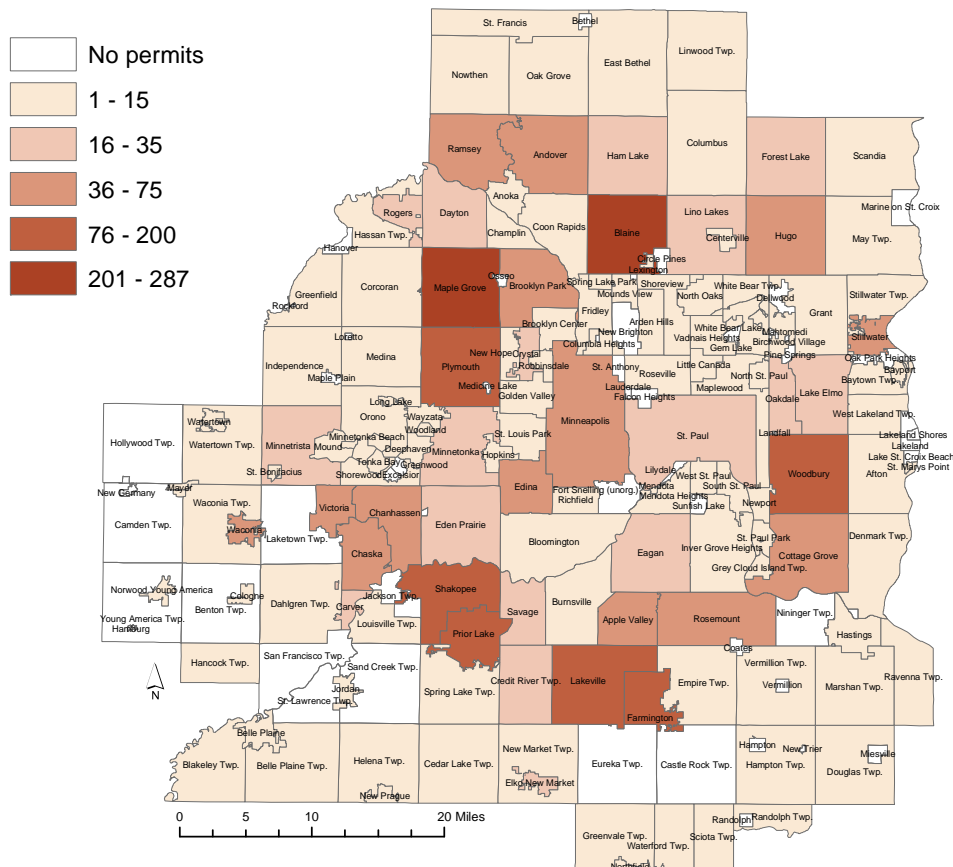


Figure 8: Permits for New Single-Family Detached Units, Seven-County Twin Cities Area, 2010



The top five developing suburbs issuing the largest numbers of single-family permits in 2010 were the same as the top five in 2009: Blaine (287), Maple Grove (248), Woodbury (170), Shakopee (160), and Lakeville (138). Developing suburbs issued the majority (73 percent) of the 2,813 permits issued for single-family detached units in the seven-county metro. In fact, 10 developing suburbs issued roughly half of the metro's single-family detached housing permits. Suburban communities with the highest number of single-family detached housing permits were mostly in the northwest, southwest and southeast of the metro with only a few in the north or the northeast.

Permits for the metro area's townhouses were more common in the developing suburbs than the developed suburbs. Developing suburbs issued 62 percent of the metro's 593 townhouse permits while 37 percent of townhouse permits came from developed areas. Communities with the highest number of townhouse permits included Woodbury (82), Maplewood (58), Savage (51), Apple Valley (45), Blaine (44), and Columbia Heights (40). In other communities, the number of townhouse permits was less than 40. Twenty-eight communities issued townhouse permits in 2010. In comparison, 72 communities issued townhouse permits in 2004 and two cities—Lakeville and Ramsey—together totaled 962 townhouse permits.

The metro-wide distribution of multifamily housing units (5 or more units) differed from the distribution of single-family detached units and townhouses. The 2,181 multifamily units were mostly concentrated in the region's developed areas. Central cities and developed suburbs respectively issued 49 and 25 percent of the metro-wide total of multifamily units, bringing the overall share of developed areas to almost three quarters of the metro's total. The city of Minneapolis dominated the market for multifamily units. Permits issued by the city increased almost four-fold from 245 in 2009 to 962 in 2010.

Mix of Housing Types, 2004-2010¹

From the peak year of 2004 through 2008, the number of residential permits issued for attached housing units exceeded the number of single-family detached housing permits. However, the attached housing segment of the market continued to lose ground to the single-family detached housing segment from 2004 to 2009. The continuous decline in the number of attached housing permits since 2004 finally came to an end in 2009 as this number jumped from 1,859 in 2009 to 2,806 in 2010. The overall number of single-family detached housing permits in 2010 still exceeded the number of attached housing permits, although not by much.

As the total number of new residential permits finally picked up in 2010, the performance of the single-family detached and attached segments² of the housing market changed considerably. From 2008 to 2009, the share of single-family detached permits increased by eight percent while the attached housing permits declined by 35 percent. In contrast, the share of attached housing permits increased by 51 percent from 2009 to 2010 while the corresponding share of single-family detached permits went up by only 14 percent. As a result, the single-family detached segment of the housing market lost ground to the attached housing segment as its share of permits fell from 57 percent of the metro total in 2009 to 50 percent in 2010.

Central cities and developing suburbs drove the increase in the number of attached housing permits. Central cities accounted for 69 percent of the growth in the number of attached housing units while 29 percent came from developing suburbs. In contrast, developed suburbs accounted for 59 percent of the increase in single-family housing permits while other rural areas accounted for 30 percent of the change.

¹The Metropolitan Council changed its definitions of housing types in 2004. This analysis covers only the period from 2004 to 2010 to keep the definitions consistent across time.

²Attached housing includes townhouse and multifamily structures as well as duplexes, triplexes and quads.

Figure 9: Permits Issued for New Single-Family Detached and Attached Housing Units, Seven-County Twin Cities Area

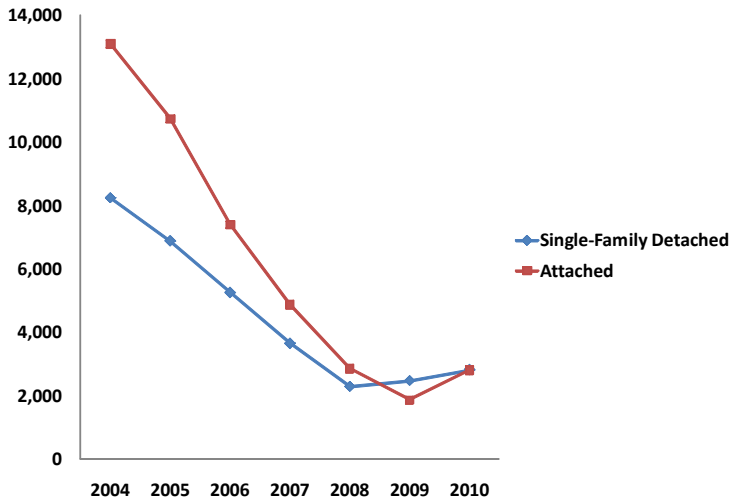
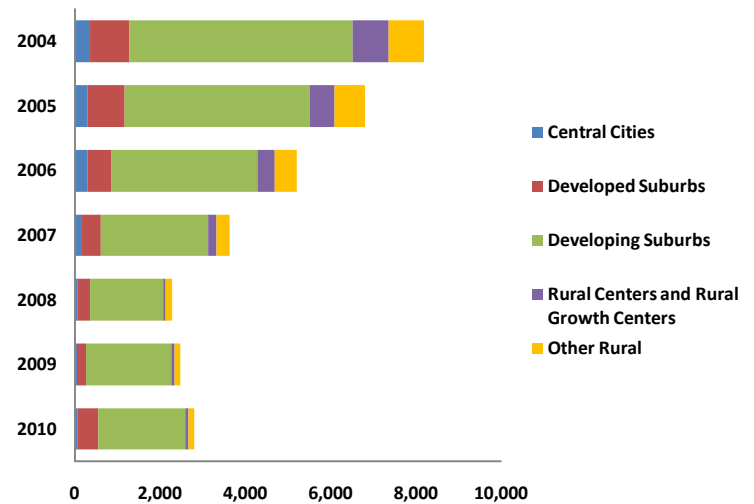


Figure 10: New Single-Family Detached Housing by Planning Area, Seven-County Twin Cities Area



Residential Building Permits for Various Housing Types by Planning Area, 2004-2010

Single-Family Detached Housing

The total number of permits issued for single-family detached housing continued to increase after 2008, when it bottomed out at 2,282 permits. Compared to an eight percent increase from 2008 to 2009, single-family detached housing permits increased by 14 percent from 2,469 in 2009 to 2,813 in 2010. Developed suburbs accounted for 80 percent of this increase: the number of permits in developed suburbs increased by 131 percent from 210 in 2009 to 485 in 2010. These suburbs almost doubled their share of the metro's permits from nine percent in 2009 to 17 percent in 2010. Developing suburbs, which accounted for 13 percent of the increase in the total single-family detached housing permits, increased the number of permits they issued from 2,002 in 2009 to 2,047 in 2010. These suburbs still issued the majority of single-family detached housing permits in the metro area; however, their share in the metro's total declined for the first time since 2004, from 81 percent in 2009 to 73 percent in 2010.

Multifamily Housing

The total number of multifamily housing permits declined steadily from 7,401 in 2004 to 1,260 in 2009. The permit numbers, which picked up for the first time since 2004, increased by 73 percent from 1,260 in 2009 to 2,181 in 2010. Central cities and developing suburbs accounted for 70 percent and 39 percent of this increase, respectively. In 2010, nearly half of the multifamily permits were issued by the central cities, while developed and developing suburbs each issued around a quarter of the metro total. Most of the multifamily permits issued in 2010 were either on or near transitway locations.

Central cities issued 1,070 multifamily permits in 2010, compared to 422 in 2009, raising their share of the metro's total from 33 percent in 2009 to 49 percent in 2010. Developing suburbs issued 567 permits in 2010, compared to 212 in 2009, increasing their share of the metro totals from 17 percent in 2009 to 26 percent in 2010. In contrast, the share of developed suburbs dropped from 43 percent in 2009 to 25 percent in 2010 as the number of multifamily permits in these suburbs declined from 547 to 544 during the same period.

Twin Cities Residential Construction: Glimmers of Hope in 2010

July 2011

Figure 11: Permits for New Multifamily Housing, 2010, and 2030 Transitways, Seven-County Twin Cities Area

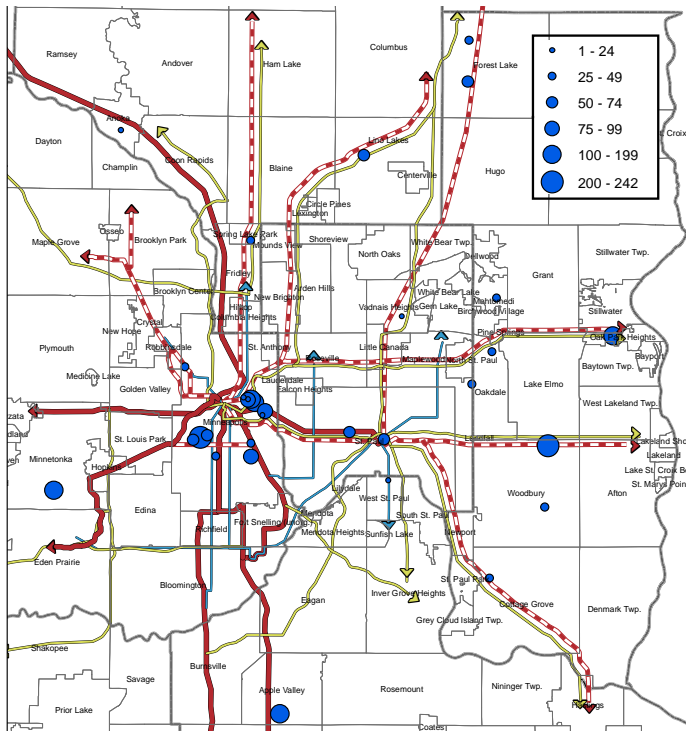
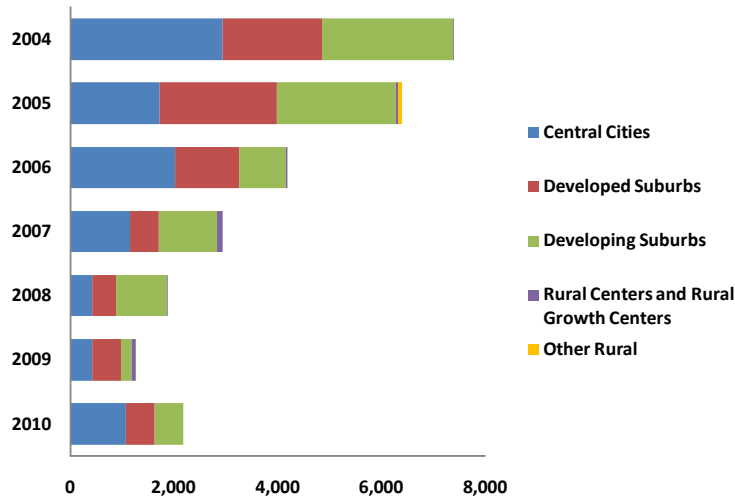


Figure 12: Permits for New Multifamily Housing by Planning Area, Seven-County Twin Cities Area

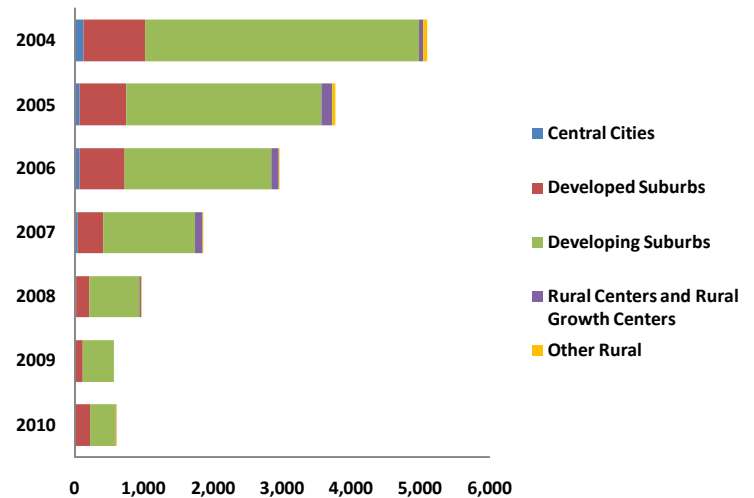


Townhouses

The steady decline in the number of permits issued for townhouses finally ended in 2010. After reaching a low of 561 permits in 2009 (around one-tenth of the total of

5,126 permits in the peak year of 2004), the number of townhouse permits inched up a bit to 593 in 2010. Developed suburbs doubled their townhouse permits from 109 in 2009 to 218 in 2010—nearly doubling their share of the total number of townhouse permits in the metro from 19 percent in 2009 to 37 percent in 2010. In contrast, developing suburbs issued fewer townhouse permits—367 in 2010 compared to 452 in 2009—experiencing a decline of 19 percent. Developing suburbs still issued the majority of the metro’s townhouse permits in 2010. However, their share of the metro total decreased from 81 percent in 2009 to 62 percent in 2010.

Figure 13: Permits for New Townhouses by Planning Area, Seven-County Twin Cities Area



Planning Area Residential Permit Trends by Housing Type, 2004-2010

Central Cities

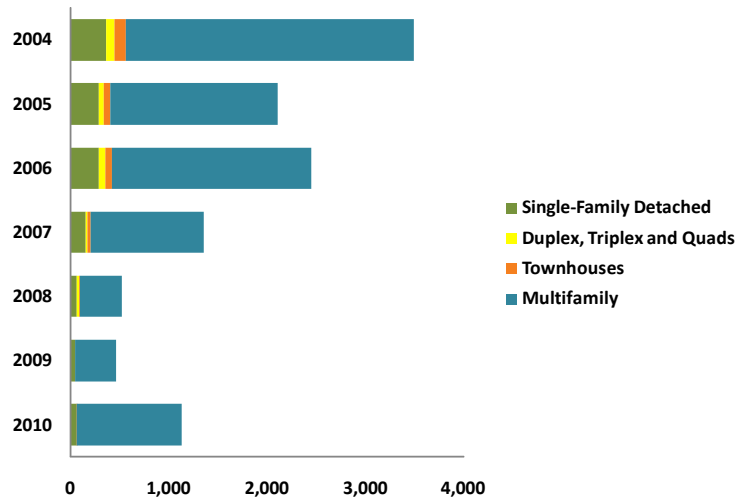
Following a steady decline from 2004 to 2009, the number of residential building permits issued by central cities picked up significantly from 466 in 2009 to 1,133 in 2010. Minneapolis alone issued 18 percent of all permits in the seven-county metro area. The number of permits issued by central cities in 2010 was a third of the total of 3,487 permits issued in the peak year of 2004. The increase in the number of multifamily permits—422 in 2009 compared to 1,070 in 2010—accounted for 97 percent of this increase. The

Twin Cities Residential Construction: Glimmers of Hope in 2010

July 2011

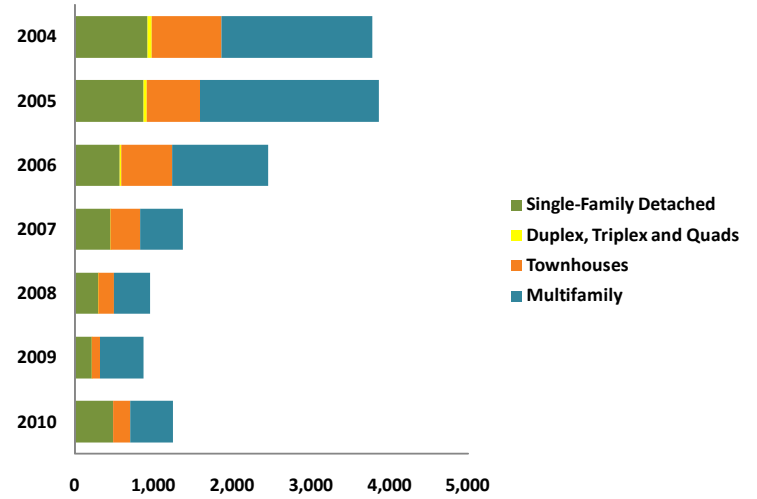
multifamily housing sector increased its share of the total permits issued by central cities from 91 percent in 2009 to 94 percent in 2010—the highest rate between 2004 and 2010.

Figure 14: Permits for New Residential Units Issued by the Central Cities by Housing Type, Seven-County Twin Cities Area



issued by developed suburbs remained roughly the same—544 in 2010 compared to 547 in 2009—the share of multifamily permits in the total number of permits issued by developed suburbs declined from 63 percent in 2009 to 44 percent in 2010.

Figure 15: Permits for New Residential Units Issued by Developed Suburbs by Housing Type, Seven-County Twin Cities Area



Developed Suburbs

Developed suburbs increased their number of residential permits by 44 percent from 868 in 2009 to 1,247 in 2010, after a period of continuous decline since 2005. The number of permits issued for single-family detached units increased most—from 210 in 2009 to 485 in 2010—followed by the total number of townhouse permits, which doubled from 109 to 218 during the same period. In 2010, 44 percent of all permits issued by developed suburbs were for multifamily units while 39 percent were for single-family detached housing units. Townhouses accounted for 17 percent of all residential permits issued by developed suburbs. Most of the decline in the total number of residential permits issued by developed suburbs from 2004 to 2010 was due to the decline in the number of permits issued for multifamily units.

Single-family detached housing permits increased their relative share of the total number of permits issued by the developed suburbs from 24 percent in 2009 to 39 percent in 2010. The corresponding share for townhouse permits rose from 13 to 17 percent in the same period. While the number of multifamily permits

Developing Suburbs

The total number of residential permits issued by developing suburbs shrank steadily from 2004 through 2009. This trend was finally reversed in 2010 as this total finally climbed 12 percent from 2,696 in 2009 to 3,013 in 2010. Permits issued for multifamily units contributed the most to this increase. Their number increased from 212 in 2009 to 567 in 2010, more than doubling the share of multifamily permits in developing suburbs from eight percent to 19 percent. The number of single-family detached unit permits continued to account for the majority of all permits issued in developing suburbs and this number went up slightly from 2,002 in 2009 to 2,047 in 2010. Despite this slight increase, the share of single-family detached housing permits dropped from 74 percent in 2009 to 68 percent in 2010. Townhouses were the only market segment that lost ground in developing suburbs. Permits issued for townhouses went down by 19 percent from 452 in 2009 to 367 in 2010. As a result, the share of townhouse permits in developing suburbs declined from 17 percent to 12 percent.

Twin Cities Residential Construction: Glimmers of Hope in 2010

July 2011

Figure 16: Permits for New Residential Units Issued by Developing Suburbs by Housing Type, Seven-County Twin Cities Area

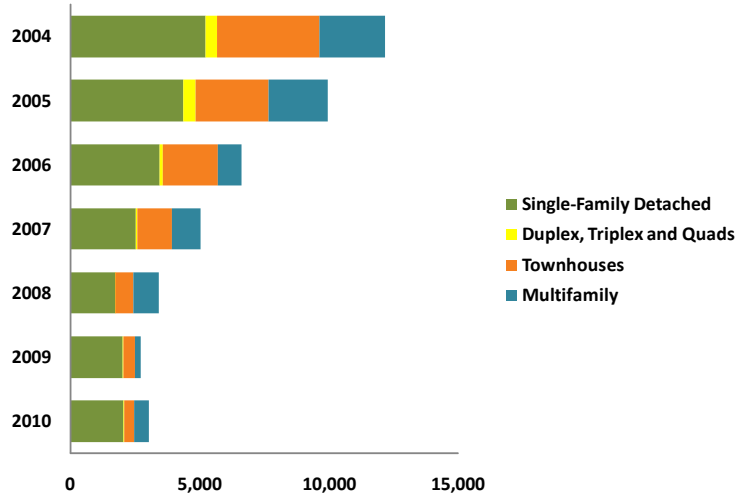
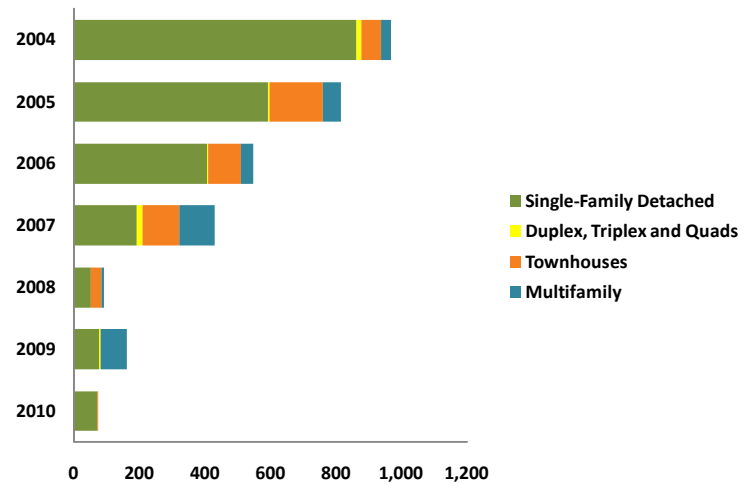


Figure 17: Permits for New Residential Units Issued by Rural Centers and Rural Growth Centers by Housing Type, Seven-County Twin Cities Area



Rural Centers and Rural Growth Centers

Rural centers and rural growth centers lost ground in 2010 after a brief uptick in the total number of permits they issued in 2009. The total number of residential permits they issued declined from 160 in 2009 to 72 in 2010. This decline was mostly due to the drop in the number of multifamily unit permits from 79 in 2009 to none in 2010. Single-family detached housing unit permits usually constitute the majority of residential permits issued by the rural centers and rural growth centers. 2009 diverged from this usual pattern, as the percentage of multifamily permits issued by these centers climbed to 49 percent, due to an unusual jump in the number of multifamily permits. The trend was restored in 2010, when the share of single-family detached units in these centers more than doubled from 47 percent in 2009 to 99 percent in 2010—the highest percentage since 2004.

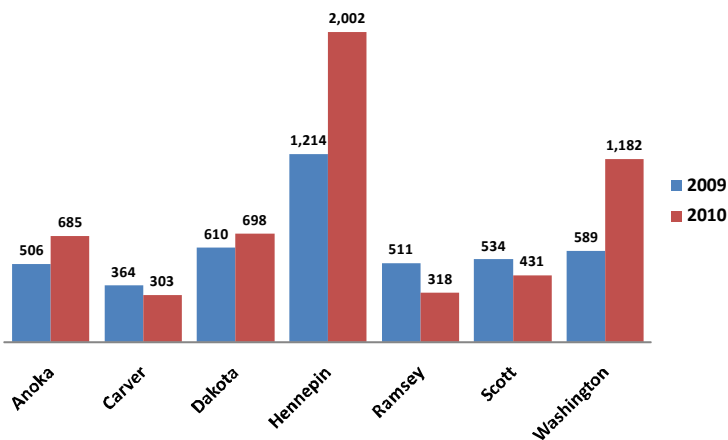
Regional Distribution of Residential Building Permits by County in 2010

The total number of permits in the seven-county metro increased by 30 percent from 4,328 in 2009 to 5,619 in 2010, but counties did not partake in this growth equally. On one hand, counties that experienced decline in the number of residential permits they issued from 2008 to 2009—Anoka, Dakota, Hennepin, and Washington—experienced increases from 2009 to 2010. On the other hand, counties that experienced growth in the number of permits they issued from 2008 to 2009—Ramsey, Scott, and Carver—lost ground from 2009 to 2010.

In absolute terms, permit numbers climbed most in Hennepin County. The growth in the total number of permits issued (from 1,214 to 2,002) was more than twice the average regional growth from 2009 to 2010. Central to the recovery of permit numbers in Hennepin County was the dramatic growth of multifamily permit numbers led by Minneapolis. In relative terms, Washington County experienced the highest jump. As the number of residential permits in Washington County doubled from 589 in 2009 to 1,182 in 2010, the permit numbers issued by this county grew more than three times faster (101 percent) than the overall number of permits issued by the seven-county metro (30 percent).

Just like in Hennepin County, the growth in the number of multifamily permits—from 56 in 2009 to 612 in 2010—drove the growth in Washington County. Three communities—Woodbury (270), Oak Park Heights (120), and Forest Lake (101)—accounted for 80 percent of the county’s multifamily permits. Anoka County increased the number of residential permits it issued by 35 percent from 506 in 2009 to 685 in 2010. Unlike Hennepin and Washington Counties, however, the growth in the number of single-family detached unit permits accounted for most of this increase, followed by townhouse permits. In Dakota County, the number of residential permits increased by only 14 percent from 610 in 2009 to 698 in 2010. Similar to Anoka County, single-family detached and to a lesser extent townhouses accounted for most of this growth.

Figure 18: Permits for New Residential Units by County, Seven-County Twin Cities Area



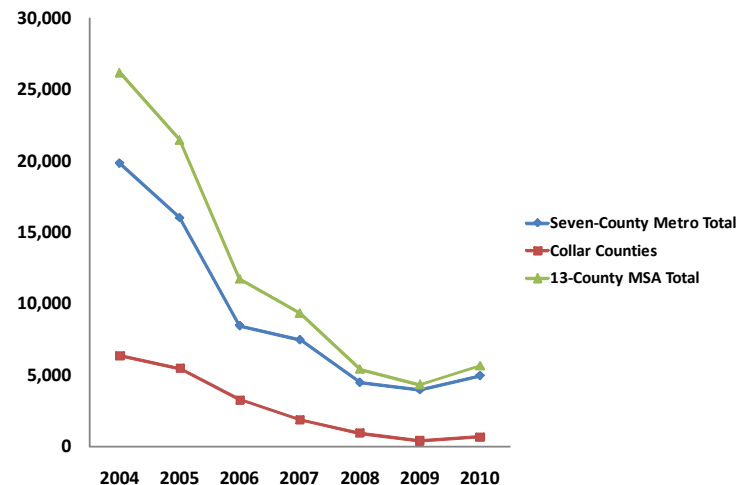
Among the counties that lost ground from 2009 to 2010, Ramsey County had the highest decline (down 38 percent from 511 to 318 permits) in its residential permits, followed by Scott (down 19 percent from 534 to 431) and Carver (down 17 percent from 364 to 303) counties. The shrinking number of multifamily permits drove the decline in Ramsey County. In contrast to Ramsey County, the drop in the number of permits issued for single-family detached units and townhouses accounted for the majority of the decrease in Scott County. In Carver County, the decline in the number of permits issued for multifamily and single-family detached housing units accounted for most of the contraction despite a modest increase in townhouse permit numbers.

Exurban Development

The pace of housing development in the six collar counties surrounding the seven-county metro area—Chisago, Isanti, Sherburne, and Wright counties to the north of the metro and St. Croix and Pierce Counties in Wisconsin—moved in tandem with the pace of housing development in the seven-county metro and the 13-county MSA. In all geographies, housing construction peaked in 2004 followed by steady decline in the number of residential building permits issued until 2009. The number of permits issued by the collar counties plunged from 6,352 in 2004 to 382 in 2009—a decline of 94 percent. The decline in housing activity was more severe compared to the seven-county metro and 13-county MSA, where the number of permits dropped by 80 and 84 percent, respectively.

This pattern of decline finally ended in 2010, when housing activity picked up in collar counties, the seven-county metro and the 13-county MSA. From 2009 to 2010, the number of residential permits issued in the collar counties climbed by 71 percent from 382 to 654—compared to 26 percent in the seven-county metro and 30 percent in the 13-county MSA. Despite this climb, the total number of new residential permits issued by the collar counties in 2010 made up only one tenth of the total these counties issued in the peak year of 2004.

Figure 19: Residential Building Permits in Collar Counties, Seven-County Twin Cities Area and the 13-County MSA



Twin Cities Residential Construction: Glimmers of Hope in 2010**July 2011**

The percentage share of the collar county residential building permits within the 13-county metropolitan area declined by half from 24 percent in 2004 to 12 percent in 2010. This share, which peaked at 28 percent in 2006, finally reached a low of nine percent in 2009 and climbed a bit to 12 percent in 2010.

From 2009 to 2010, housing permit activity increased in St. Croix, Pierce, Sherburne, and Wright counties and declined in Chisago and Isanti counties. The two Wisconsin counties—St. Croix (an increase of 134 permits) and Pierce (an increase of 119 permits)—had the highest increases in the number of residential permits issued. However, the number of residential permits they issued in 2010 was respectively 12 and 24 percent of the total number of permits they issued in the peak year of 2004. The numbers also increased in Sherburne County from 78 in 2009 to 126 in 2010 and in Wright County from 197 in 2009 to 200 in 2010. In the former, this number was eight percent of the peak number in 2004, whereas in the latter the 2010 permit number was nine percent of its peak number in 2005.