Metropolitan Council

MetroStats

The Lingering Effects of the Recession: Comparing the Twin Cities to the Nation's 25 Largest Metro Areas

September 2011

This month, the U.S. Census Bureau released the sixth year of metropolitan-area data from its American Community Survey (ACS). The ACS, administered as a rolling survey, allows a look at detailed demographic and housing characteristics annually. The data covered in this *MetroStats* highlight housing-related findings from this latest release, which covers ACS data collection from 2010, and compare key indicators to data from the first release of the ACS in 2005.

Data used in this *MetroStats* are for the metropolitan statistical areas (MSAs) defined by the U.S. Census Bureau. The Minneapolis-St. Paul MSA covers 13 counties – Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties in Minnesota and Pierce and St. Croix Counties in Wisconsin. The 24 metro areas used as a basis for comparison were identified on the basis of their 2010 population according to the Decennial Census.

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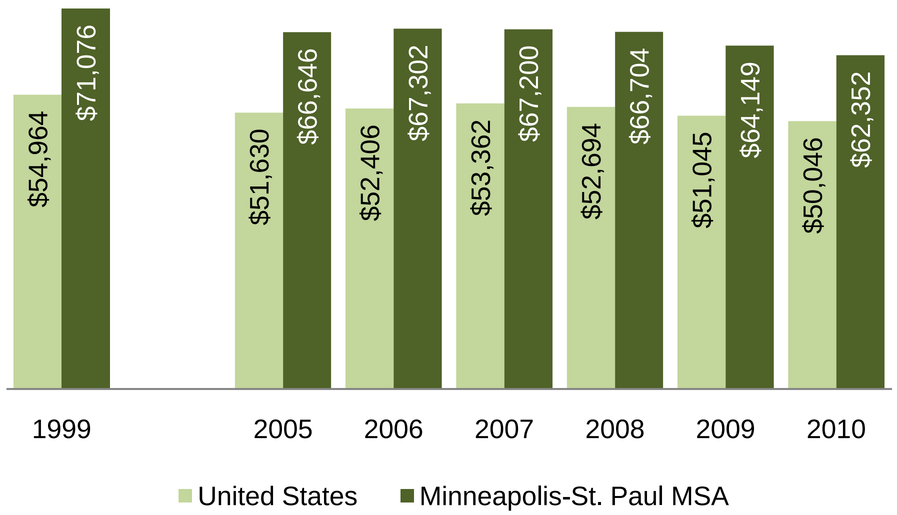
Highlights

New data from the Census Bureau's 2010 American Community Survey reveal that the economy and the housing markets are still experiencing the negative impacts of the economic downturn. The Twin Cities metropolitan area[1] still has a fairly good standing among the largest 25 metropolitan areas and the nation by a number of indicators, including median household income, the size of the region's middle-income population, poverty rates, and housing affordability. However, with the exception of housing affordability and median household costs, these indicators showed a slightly negative trend between 2005 and 2010. Despite this trend, the relative attractiveness of the metro, as indicated by immigration patterns, remains stable.

Median incomes continue to decline across the nation. While the Minneapolis-St. Paul area median household income declined faster than the nation's between 2005 and 2010, it retained its high ranking among the largest 25 metro areas and the nation. Similarly,

Median Household Income (in 2010 dollars)



[1] In this report the Twin Cities metropolitan area refers to the 13-county Minneapolis-St. Paul-Bloomington MSA unless otherwise specified.

the metro still has one of the lowest poverty rates among the largest 25 metros despite the fact that the Twin Cities poverty rate climbed faster than the corresponding rates for the largest 25 metros and the nation. Reflecting the relative health and stability of the metro, the share of middle-income households within the metro still remains higher compared to the largest 25 metro average—slipping only slightly from 2005 to 2010.

As the number of foreclosed properties in the nation begins to level off, home prices are beginning to stabilize slowly. In the Twin Cities metro, the number of foreclosed properties continues to fluctuate along with housing prices, but both figures are trending toward a plateau. The Minneapolis-St. Paul area ranks high among the largest 25 metros and the nation in housing affordability. Between 2005 and 2010, the median costs for owner- and renter-occupied housing units in the Twin Cities area declined while these costs were climbing among the majority of the largest 25 metros and the nation.

As the weak housing markets and the stagnating economy continue to suppress mobility rates across the nation, the Twin Cities region was one of only a few with increasing mobility rates. Migration patterns within the nation remained fairly stable with the exception of a handful of metropolitan areas. The Twin Cities metro was no exception; the percentage of newcomers to the metro did not change much from 2005 to 2010, suggesting that the relative attractiveness remained the same.

Effects of the Economic Downturn on Income

The median household income in the Twin Cities metro was $62,352 in 2010, down from $66, 646 (in 2010 dollars) in 2005. Throughout the 2000s, the Twin Cities median household income remained consistently above the national median household income and was 25 percent higher than the U.S. median household income in 2010. Between 2005 and 2010, the region's median household income went down by 6.4 percent, about twice the 3.1 percent decrease of the national median household income, which slipped from $51,630 to $50,046. As a result, the relative standing of the Twin Cities metro among the largest 25 metros slipped slightly. In 2005, the Minneapolis-St. Paul area had the fourth highest median household income among the largest 25 metropolitan areas, below Washington, DC, San Francisco, and Boston; in 2010, it ranked sixth as the median household income in Baltimore and Seattle edged above the Twin Cities as well.

One measure of the relative health and stability of a metropolitan area is its percentage of middle-income households, those earning between $40,000 and $99,999. The Twin Cities metro area continues to have one of the highest percentages of middle-income households among the largest 25 metropolitan areas. In 2010, 42.6 percent of the metro's households were in the middle-income bracket, compared to an average of 38.7 percent in the largest 25 metros and to 39.4 percent in the nation. In 2010, the Minneapolis-St. Paul area ranked second among the largest 25 metros by this indicator, slightly down from its number one position in 2005. However, the share of middle-income households in the metro fell by 2.6 percentage points from 2005 to 2010. In comparison, the average share for the largest 25 metros fell 4.3 percent, or 1.7 percentage points, from 40.4 percent in 2005 to 38.7 percent in 2010. Only five metro areas experienced increases in their share of their middle-income households: San Antonio, Houston, Portland, Pittsburgh, and Tampa.

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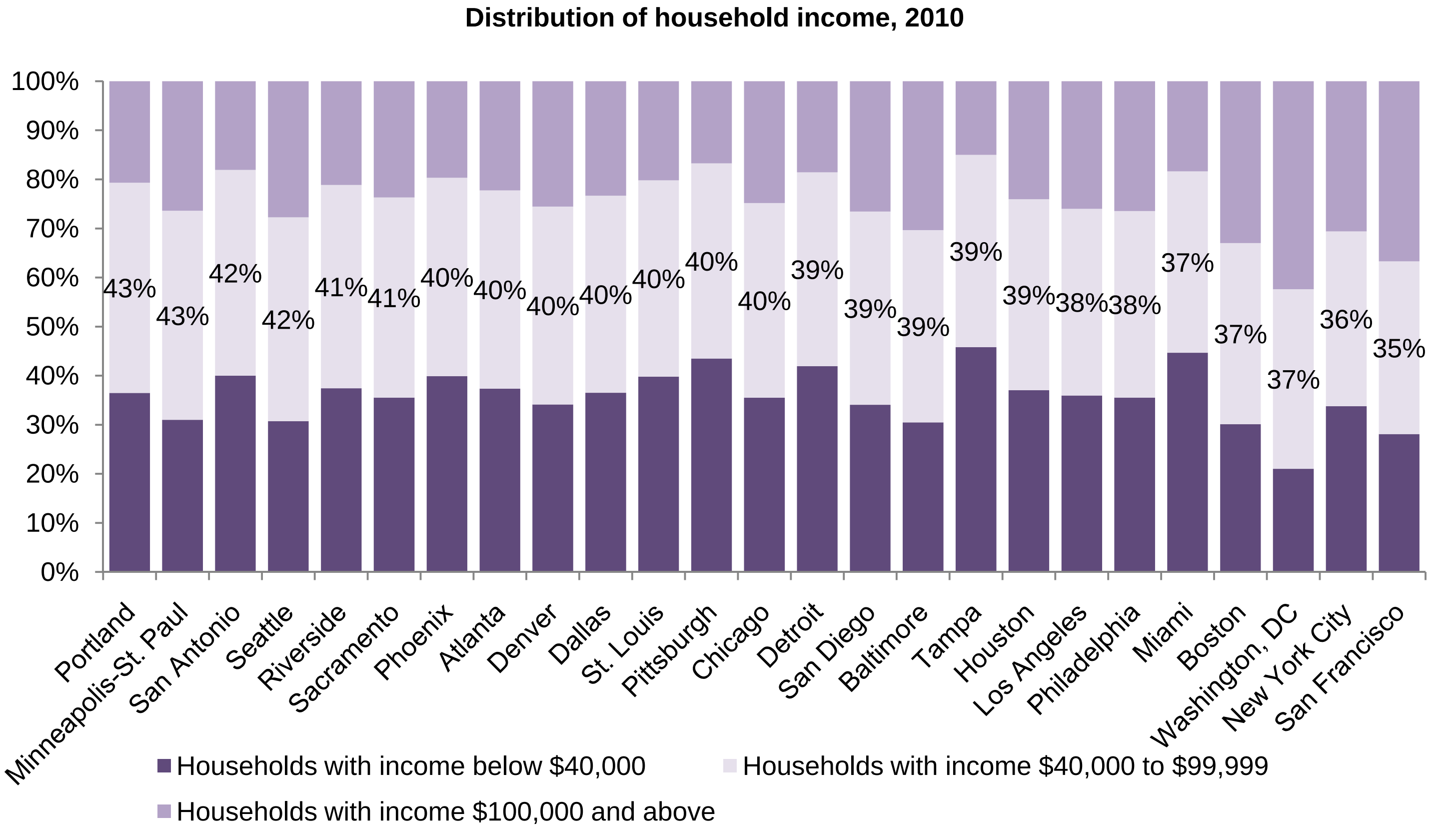

At the highest end of the spectrum, Portland and the Twin Cities metro had comparable percentages of middle-income households—42.8 percent and 42.6 percent, respectively. While Portland edged slightly above the Twin Cities region between 2005 and 2010 on the percentage of middle-income households, the Minneapolis-St. Paul region's percentage of higher-income households exceeded that of Portland in 2010: the percentage of households with incomes exceeding $100,000 was 26.4 percent, compared to 20.7 percent in the Portland metro. In terms of the percentage of higher-income households, Washington, DC topped the chart with 42 percent, followed by San Francisco (37 percent), Boston (33 percent), and New York (31 percent). At the bottom of the list, Tampa had the lowest percentage of higher-income households with a rate of 15 percent, followed by Pittsburgh where the rate was 17 percent.

The poverty rate in the Twin Cities metropolitan area stood at 10.9 percent in 2010, up 2.6 percentage points and 31 percent from 8.3 percent in 2005. In the second half of the decade, the poverty rate in the area climbed much faster than it did in the largest 25 metropolitan areas and the nation. In the largest 25 metros, the average poverty rate went up 16 percent and by 1.9 percentage points from 12.1 percent in 2005 to 14.0 percent in 2010. The poverty rate in the nation during the same period increased by 15 percent and two percentage points—from 13.3 percent to 15.3 percent.

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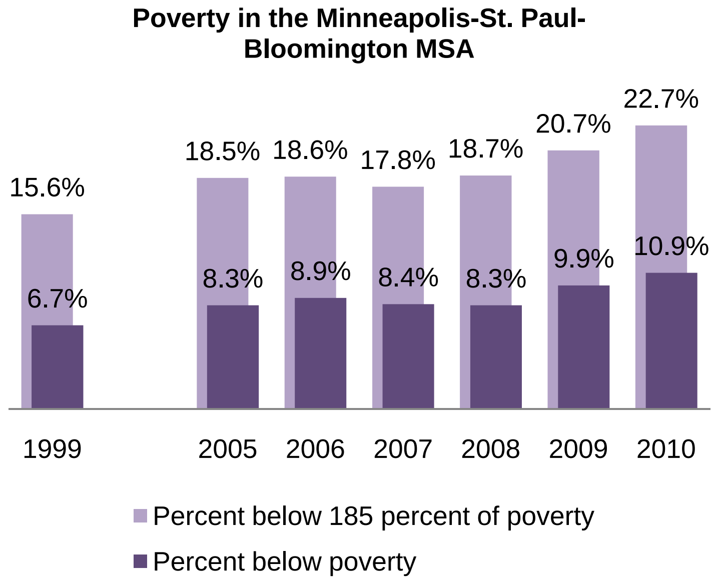
The standard poverty rate is a conservative measure of actual poverty as federal poverty levels are infrequently adjusted to capture real purchasing power losses over time. Many social service agencies and government programs multiply the actual poverty rates with a multiplier to capture impoverishment in a more realistic fashion. Using the percentage of households with incomes below 185 percent of the poverty level, poverty trends in the Twin Cities metro do not look different even when measured by this less conservative indicator. From 2005 to 2010, the percentage of the Twin Cities metro households whose incomes are below 185 percent of the poverty level went up 23 percent, or 4.2 percentage points, from 18.5 percent to 22.7 percent. Once again, the corresponding rates in the largest 25 metros and the nation climbed more slowly between 2005 and 2010. The average rate for the largest 25 metros rose by 13 percent or 3.3 percentage points—from 26.0 percent in 2005 to 29.3 percent in 2010—while the rate for the nation increased by 11 percent or 3.2 percentage points from 28.6 percent in 2005 to 31.8 percent in 2010.



The poverty rates in the Twin Cities metro remain much lower than the average rates for both the largest 25 metros and the nation. In 2010, the average poverty rate (measured both by the poverty rate and the percentage of households with incomes below 185 percent of the poverty level) in the largest 25 metros was 29 percent higher than the rate in the Twin Cities metro, while the nation's poverty rate was 40 percent higher.

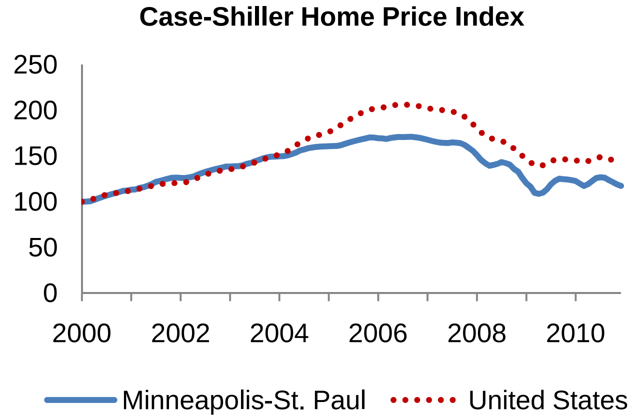
The Twin Cities metro's relative standing among the largest 25 metropolitan areas continued to remain favorable and changed very little during the second half of the decade. The metro had the second lowest poverty rates (in both indicators mentioned above) among the largest 25 metros in 2005; only Washington, DC had lower poverty rates. In 2010, the metro had the fourth lowest poverty rates in both indicators.

Housing Market Dynamics

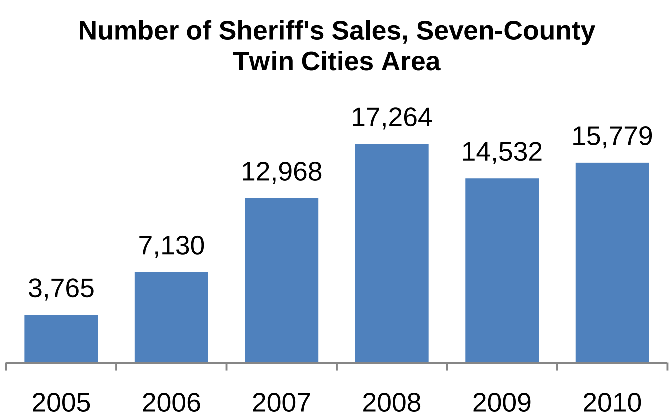
The effects of the housing bust continue to ripple through housing markets. Housing prices in the Twin Cities and the nation are beginning to show signs of leveling after peaking in 2006 and reaching their post-peak lowest levels in 2009.[2] Nationally, total foreclosure filings have reached a plateau of around four million.[3] The number of foreclosures in the Twin Cities metro is still fluctuating after

[2] Standard & Poor's Case-Shiller Home Price Index for Home Price Values, not seasonally adjusted.
[3] National foreclosure data from RealtyTrac.

reaching a peak in 2008.[4] The foreclosure numbers in the Twin Cities metro and the nation are likely to remain high as banks and other lending institutions are only recently beginning to remove their delinquent mortgage holdings from their asset portfolios.



The median monthly housing cost for owner-occupied housing units in the Twin Cities area in 2010 was $1,677, down slightly from $1,688 (in 2010 dollars) in 2005. Among the 25 largest metropolitan areas, the median monthly housing costs varied widely from $2,812 in San Francisco to $1,200 in Pittsburgh. Not surprisingly, popular metros such as San Francisco, New York, Los Angeles, San Diego, Washington, DC, Boston, and Seattle had some of the highest median monthly costs for owner-occupied housing, all exceeding $2,000. During the second half of the decade, median monthly housing costs for owner-occupied housing units in the Twin Cities metro remained stable, declining by one percent from 2005 to 2010; only five metro areas experienced declines in their monthly median housing costs: Detroit, Denver, Pittsburgh, Dallas, and the Twin Cities. In contrast, the median monthly costs nationally went up by an incremental 3.5 percent from $1,446 to $1,496. From 2005 to 2010, the Twin Cities metro median monthly costs remained higher than the nation's median. Baltimore had the highest jump in its monthly median housing costs for owner-occupied housing units (an increase of 17 percent) while Detroit had the largest decline (7 percent). In 2010, the Twin Cities had the 10th lowest median monthly cost figure among the largest 25 metros, compared to having the 13th lowest median monthly cost for owner-occupied housing units in 2005.



In 2010, the monthly median cost for renter-occupied housing units stood at $845, down from $855 (in 2010 dollars) in 2005. In comparison, the 2010 monthly median costs in the largest 25 metros and the nation averaged $977 and $855, respectively. The highest median monthly cost ($1,351 in Washington, DC) was twice as high as the lowest median monthly cost ($656 in Pittsburgh). The Twin Cities metro area had the fifth lowest median monthly cost among the largest 25 metros, trailing Pittsburgh, St. Louis, San Antonio, and Detroit. From 2005 to 2010, monthly median costs for renter-occupied housing units declined only in three metros (Boston, Detroit, and the Twin Cities). Monthly median cost declined the most—1.2 percent—in the Twin Cities metro whereas

[4] Minnesota sheriff's sale data from HousingLink.

in metropolitan areas such as Baltimore, Washington, DC, Seattle, and Los Angeles, the monthly median costs increased by more than 10 percent.

The Twin Cities had a relatively affordable housing stock throughout the 2000s, surpassing national averages for affordability. One measure of housing affordability is the Housing Opportunity Index (HOI) calculated by the National Association of Home Builders and Wells Fargo. This index measures the share of homes sold in a given area that would have been affordable to a family earning the area's median income, based on standard mortgage underwriting criteria. During the first half of the decade, when the housing boom was in full swing, the HOI in the Twin Cities metro declined by 11.9 percentage points, from 73.4 percent in 2000 to 61.5 percent in 2005. During the same time period, the HOI went down much faster in the nation, dropping 18.3 percentage points from 59.3 percent in 2000 to 41.0 percent in 2005.

As the housing markets collapsed in the second half of the decade, housing affordability increased across the nation, including the Minneapolis-St. Paul metro. The national HOI jumped from 41 percent in 2005 to 80.2 percent in 2010. In comparison, the Twin Cities metro HOI increased from 61.5 percent to 85.2 percent during the same period, placing it among the most affordable metropolitan areas in the nation. On the higher end of the spectrum, the HOI for Detroit was 91.3 percent. In contrast, New York and San Francisco were among the least affordable metros in the nation with HOI figures of 25.5 percent and 31.5 percent, respectively.

Mobility and Migration Patterns

The burst of the housing bubble and the ensuing contraction of the economy suppressed the average mobility rate in the 25 largest metros. In these metros, the average percentage of people (one year old or older) who moved within the last 12 months dropped 0.8 percentage points from 15.6 percent in 2005 to 14.8 percent in 2010. In the Twin Cities metro, the percentage of people who moved in 2010—15.7 percent—was higher than the largest 25 metro average. The mobility rates ranged from a high of 20.7 percent in Phoenix to a low of 10.1 percent in New York.

In 2010, a majority of the metropolitan areas with above-average mobility rates were southern metros where housing markets crashed significantly and the number of foreclosures spiked severely following the burst of the housing bubble. Going against the average trend among the largest 25 metros, the Twin Cities was among the few metros where mobility rates increased during the second half of the decade. The six metros that experienced increases in their mobility rates between 2005 and 2010 were Los Angeles, Detroit, Pittsburgh, Boston, the Twin Cities, and Riverside.

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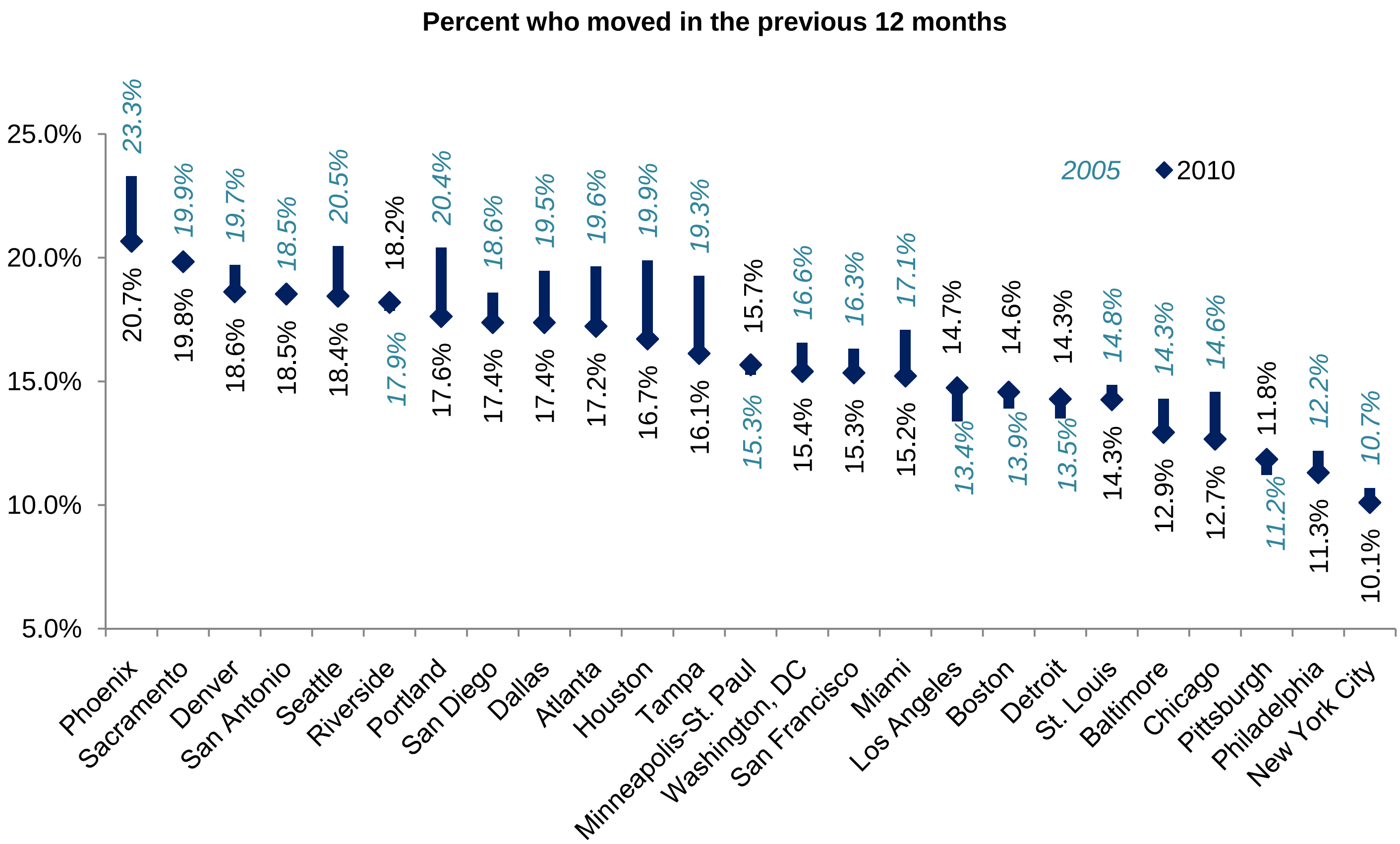

Relatively attractive metropolitan areas tend to draw newcomers. People choose to move into a metro for a number of reasons, including the employment opportunities, the amenities, and the quality of the services it offers to its residents. One measure of the relative attractiveness of a metropolitan area is the percentage of people who have moved there recently. In 2010, the percentage of people new to the Twin Cities metro was 3.4 percent, compared to the largest 25 metro average of 3.5 percent. In 2010, the percentage of people new to the metro exceeded five percent in three metros—San Antonio, San Diego, and Riverside. On the lower end of the spectrum, the corresponding percentages were below three percent in five metros—Philadelphia, Los Angeles, Detroit, Chicago, and New York.

The relative attractiveness of metropolitan areas does not usually change dramatically within the course of five years. However, in the turbulent economic climate of the second half of the decade, the percentage of people new to the metro slipped noticeably in some metros. These metros included Riverside, Atlanta, Tampa, and Phoenix. Other metropolitan areas, such as Pittsburgh, Boston, St. Louis, and San Diego, remained more robust during the same period.

The Twin Cities metro was within a cluster of metros (Detroit, New York, Washington, DC, and Denver) where the percentage of people new to the metro was stable. The Twin Cities percentage in 2010 was roughly the same as the 2005 percentage of 3.5 percent, suggesting that the metro's relative attractiveness did not change during the second half of the decade.

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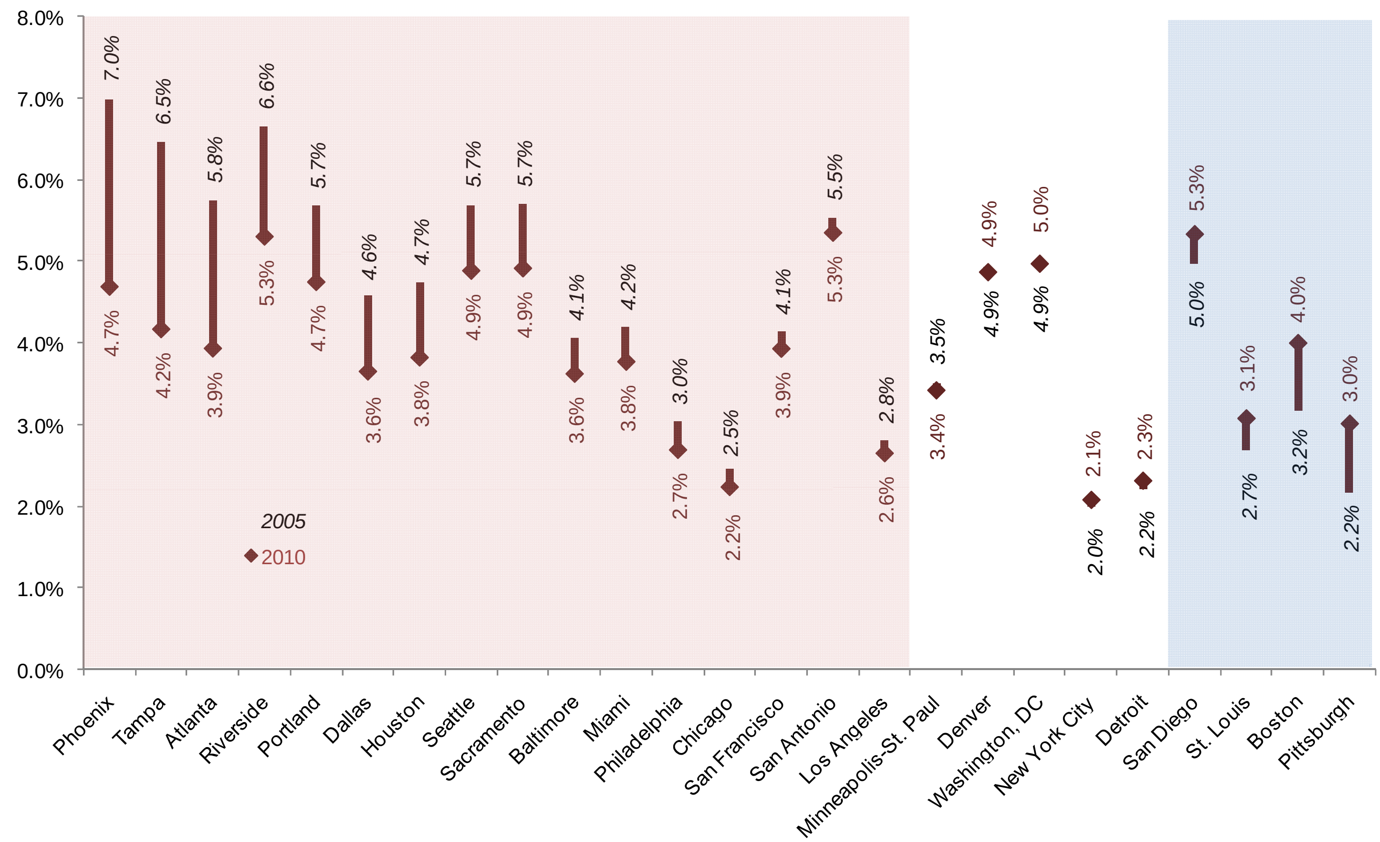
Percent new to the metropolitan area over the last 12 months



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	Median household income (in 2010 dollars)	Percent of households with incomes between $40,000 and $100,000 ("middle-income")	Percent of households below poverty	Percent of households below 185 percent of poverty	Median monthly housing cost for owner-occupied housing units	Median monthly housing cost for renter-occupied housing units	Percent who moved in the previous 12 months	Percent who moved within the previous 12 months from outside the metro area
Atlanta-Sandy Springs-Marietta, GA	$53,182	40.4%	14.8%	31.3%	$1,544	$910	17.2%	3.9%
Baltimore-Towson, MD	$64,812	39.2%	11.0%	22.0%	$1,904	$1,048	12.9%	3.6%
Boston-Cambridge-Quincy, MA-NH	$68,020	36.9%	10.3%	20.5%	$2,226	$1,141	14.6%	4.0%
Chicago-Joliet-Naperville, IL-IN-WI	$57,104	39.7%	13.6%	28.6%	$1,856	$913	12.7%	2.2%
Dallas-Fort Worth-Arlington, TX	$54,449	40.1%	14.6%	31.9%	$1,542	$855	17.4%	3.6%
Denver-Aurora-Broomfield, CO	$58,732	40.3%	12.5%	26.8%	$1,679	$879	18.6%	4.9%
Detroit-Warren-Livonia, MI	$48,198	39.5%	16.6%	32.1%	$1,425	$793	14.3%	2.3%
Houston-Sugar Land-Baytown, TX	$53,942	38.9%	16.5%	34.0%	$1,543	$846	16.7%	3.8%
Los Angeles-Long Beach-Santa Ana, CA	$56,691	38.0%	16.3%	35.3%	$2,419	$1,196	14.7%	2.6%
Miami-Fort Lauderdale-Pompano Beach, FL	$45,352	37.0%	17.1%	36.7%	$1,792	$1,063	15.2%	3.8%
Minneapolis-St. Paul-Bloomington, MN-WI	$62,352	42.6%	10.9%	22.7%	$1,677	$845	15.7%	3.4%
New York-Northern New Jersey-Long Island, NY-NJ-PA	$61,927	35.6%	13.8%	27.4%	$2,622	$1,150	10.1%	2.1%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	$58,095	38.0%	12.7%	25.2%	$1,804	$945	11.3%	2.7%
Phoenix-Mesa-Glendale, AZ	$50,385	40.4%	16.3%	34.3%	$1,529	$883	20.7%	4.7%
Pittsburgh, PA	$46,700	39.8%	12.2%	26.7%	$1,200	$656	11.8%	3.0%

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Portland-Vancouver-Hillsboro, OR-WA	$53,078	42.8%	13.4%	29.5%	$1,735	$867	17.6%	4.7%
Riverside-San Bernardino-Ontario, CA	$53,548	41.4%	17.1%	37.1%	$1,894	$1,078	18.2%	5.3%
Sacramento--Arden-Arcade--Roseville, CA	$56,233	40.8%	15.1%	30.1%	$1,992	$1,005	19.8%	4.9%
St. Louis, MO-IL	$50,912	40.0%	13.3%	27.7%	$1,327	$734	14.3%	3.1%
San Antonio-New Braunfels, TX	$50,225	41.9%	16.3%	34.3%	$1,294	$788	18.5%	5.3%
San Diego-Carlsbad-San Marcos, CA	$59,923	39.4%	14.8%	30.9%	$2,364	$1,249	17.4%	5.3%
San Francisco-Oakland-Fremont, CA	$73,027	35.2%	10.9%	23.6%	$2,812	$1,314	15.3%	3.9%
Seattle-Tacoma-Bellevue, WA	$63,088	41.5%	11.7%	23.6%	$2,015	$1,017	18.4%	4.9%
Tampa-St. Petersburg-Clearwater, FL	$43,547	39.2%	15.4%	33.1%	$1,457	$900	16.1%	4.2%
Washington-Arlington-Alexandria, DC-VA-MD-WV	$84,523	36.6%	8.4%	17.9%	$2,332	$1,351	15.4%	5.0%
Average of the largest 25 metro areas	N/A	39.4%	13.8%	28.9%	N/A	N/A	14.8%	3.5%
Rank of the Twin Cities (by positive)	6	2	4	4	10	5	14	18
United States	$50,046	39.4%	15.3%	31.8%	$1,496	$855	N/A	N/A