Metropolitan Council

MetroStats

Did Twin Cities New Housing Starts Bottom Out in 2009?

April 2011

This *MetroStats* summarizes data on new residential construction within the Twin Cities region through 2009.

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 2009.

Analysis examining building permits within the seven-county data 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 2009, visit: www.metrocouncil.org/data and click on "Tabular Data".

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Highlights

In the first decade of the 21st century, housing activity in the nation has been a roller coaster, soaring up to unprecedented heights at mid-decade only to experience a historic collapse during the second half of the decade. From 2000 to 2009, the Twin Cities metro housing market fared even worse than that of the largest 25 metropolitan areas and the US as a whole, shrinking by 81 percent. Housing activity in the Twin Cities region reached its peak in 2003, two years before the peak in the top 25 metros and the nation. The region, which started much stronger than both the largest 25 metros and the nation, began to lose its footing in 2004.

The pace of contraction slowed in the 13-county Metropolitan Statistical Area (MSA) during 2009 even as housing activity in the largest 25 metros and the rest of the nation continued to contract at rates comparable to previous years. In fact, only five of the 25 largest metros had smaller contraction rates than the Twin Cities metro: Washington, D.C., Pittsburgh, Cincinnati, Baltimore, and St. Louis.

The housing boom of the 2000s boosted the share of residential construction in the developed areas (including the central cities and developed suburbs) in the Twin Cities region. Since the collapse of the housing markets in 2006, however, the trend has reversed as the developed areas of the region have been hit harder than the developing areas.

In 2009, there were some signs of recovery in certain segments of the Twin Cities housing market despite the ongoing downturn. In the central cities, the decline in the number of multifamily permits finally reached a plateau. In developed suburbs, multifamily housing was the only market segment that showed some signs of recovery. In developing suburbs, increased activity came from the single-family detached segment of the housing market. In rural centers and rural growth centers, recovery came in both single-family detached and multifamily permits.

U.S. and the 25 Largest Metropolitan Area Trends, 2000-2009

Housing markets in the United States went through turbulent times during the first decade of the 21st century. In the first half of the decade, housing activity in both the largest 25 metros and the nation climbed steadily, reaching a peak in 2005. During this period, housing activity—as measured by residential construction permits per thousand residents—expanded by 20 percent in the top 25 metros (from an average of 5.6 residential permits per thousand residents in 2000 to 6.7 in 2005) and by nearly 30 percent in the nation (from an average of 6.1 in 2000 to 7.8 in 2005). The Twin Cities region peaked two years earlier than the largest 25 metros and the nation. From 2000 to 2003, housing activity in the region expanded by a fifth, from 7.5 residential permits per thousand residents in 2000 to 9.0 in 2003.

Housing activity experienced a dramatic downturn once the rapid expansion in housing markets finally came to an end mid-decade. Housing activity in the Twin Cities region shrank by 84 percent from 9.0 residential permits per thousand residents in 2003 to 1.4 in 2009. From 2004 to 2008, the number of residential building permits per thousand residents in the Twin Cities region lagged behind the corresponding average levels in both the largest 25 metros and the nation as a whole. In fact, the number of residential building permits per thousand residents in the region was two-thirds the average for the top 25 metros in 2008. This was in dramatic contrast with 2000, when the average number of residential permits per thousand residents in the largest 25 metros was only three-quarters of what it was in the Twin Cities. The Twin Cities region, which started much stronger than both the largest 25 metros and nation, began to lose its footing in 2003. The region's ranking among the largest 25 metropolitan areas for permits issued per 1,000 population eroded from eighth place in 2003 to 17th place in 2008, its lowest ranking in the decade.

The downturn in the largest 25 metros and the nation started two years later than it did in the Twin Cities.

Figure 1: Permits Per 1,000 Population and Rank Among 25 Largest MSAs, 2000, 2008 and 2009

Metropolitan Area	2000	2000 Rank	2008	2008 Rank	2009	2009 Rank	00-09 % Change in Permits/ 1,000 Pop.	Ranking by 00-09 % Change	08-09 % Change in Permits/ 1,000 Pop.	Ranking by 08-09 % Change
Houston	7.6	8	7.5	1	4.7	1	-39%	1	-38%	11
Dallas	8.6	5	5.8	2	3.1	2	-64%	6	-46%	13
Tampa	8.0	6	3.5	8	2.6	3	-68%	9	-27%	7
Washington DC	7.8	7	2.6	11	2.2	4	-72%	11	-15%	5
Seattle	7.4	10	4.6	3	2.2	5	-70%	10	-52%	19
Phoenix	13.8	2	4.1	4	2.1	6	-84%	19	-48%	14
Baltimore	4.6	17	2.1	13	1.9	7	-59%	4	-10%	2
St. Louis	4.6	18	2.0	14	1.8	8	-60%	5	-9%	1
Portland	6.7	12	3.5	7	1.7	9	-74%	13	-50%	16
Cincinnati	6.1	14	1.9	15	1.7	10	-73%	12	-14%	3
Denver	12.8	3	3.5	6	1.6	11	-87%	22	-54%	22
Riverside	6.6	13	2.2	12	1.4	12	-78%	16	-35%	10
Twin Cities	**7.5**	**9**	**1.8**	**17**	**1.4**	**13**	**-81%**	**17**	**-19%**	**6**
Sacramento	9.3	4	2.6	10	1.3	14	-86%	20	-51%	17
Pittsburgh	2.7	22	1.5	22	1.3	15	-53%	2	-14%	4
Boston	2.7	23	1.6	21	1.2	16	-56%	3	-28%	8
Atlanta	15.3	1	3.5	5	1.2	17	-92%	24	-66%	24
Philadelphia	3.4	21	1.8	16	1.2	18	-66%	7	-34%	9
San Diego	5.5	15	1.7	18	1.0	19	-83%	18	-43%	12
New York	2.7	24	2.8	9	0.9	20	-67%	8	-68%	25
San Francisco	3.7	20	1.7	20	0.8	21	-77%	15	-51%	18
Miami	7.0	11	1.4	23	0.7	22	-91%	23	-54%	21
Chicago	4.7	16	1.7	19	0.6	23	-86%	21	-62%	23
Los Angeles	2.4	25	1.2	24	0.6	24	-77%	14	-53%	20
Detroit	4.3	19	0.6	25	0.3	25	-93%	25	-49%	15
Largest 25 Metropolitan Area Average	**5.6**		**2.7**		**1.4**		**-75%**		**-48%**	
US Average	**6.1**		**3.2**		**2.0**		**-67%**		**-38%**	

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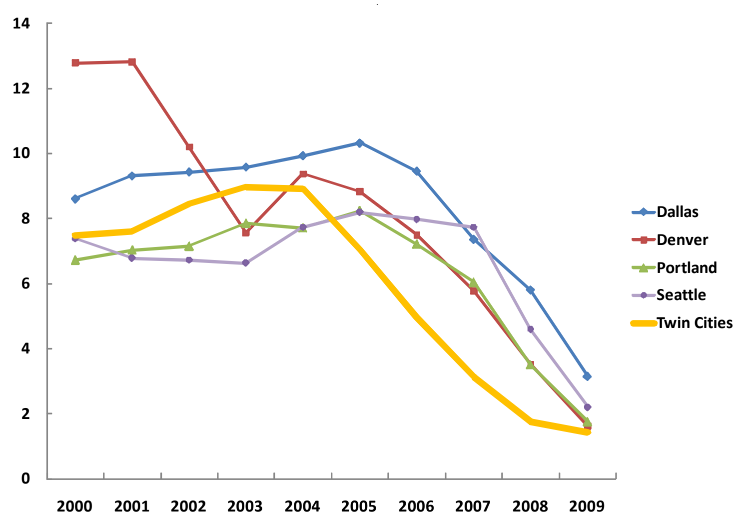
From 2005 to 2009, housing activity in the top 25 metros dropped by 79 percent (from 6.7 residential permits per thousand residents to 1.4) and by nearly three quarters in the nation (from 7.8 permits per thousand residents to 2.0). During the downturn, 10 metropolitan areas among the top 25 performed worse than the Twin Cities: Detroit, Atlanta, Miami, Denver, Chicago, Sacramento, Phoenix, Tampa, Riverside (CA) and San Diego.

Among the four metropolitan areas that are frequently compared with the Twin Cities metro—Dallas, Denver, Portland, and Seattle—only Denver lost its relative standing more than the Twin Cities. Despite this, Denver's relative standing among the top 25 metros was still better than that of the Twin Cities throughout the 2000s. In contrast to Denver, housing activity in Dallas, Portland, and Seattle contracted less than the Twin Cities during the first decade of the 21st century. In each of these three metros, housing activity peaked in 2005, two years after it peaked in the Twin Cities metro.

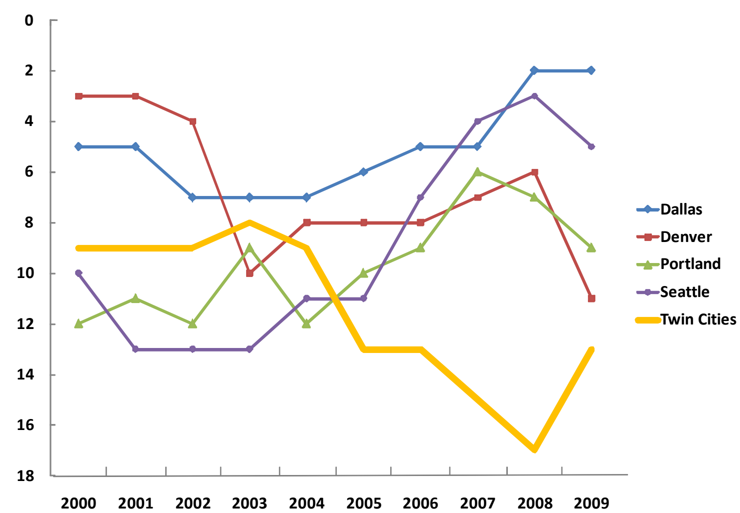
Figure 2: Permits for New Residential Units Per 1,000 Residents for Selected MSAs, 2000-2009



Housing activity in Dallas climbed from 8.6 permits per thousand residents in 2000 to a peak of 10.3 in 2005, and plunged to a low of 3.1 in 2009. Yet, Dallas's relative standing among the top 25 metros remained relatively strong, ranking 2nd behind Houston in 2009. Portland and Seattle both started with lower levels of housing activity in 2000 (6.7 and 7.4 permits per thousand residents, respectively) than the Twin Cities (7.5 permits per thousand residents). They ranked 12th and 10th, respectively, among the top 25 metros, close behind the Twin Cities which ranked ninth in 2000.

Permit activity in Portland and Seattle continued to lag behind the Twin Cities metro until 2005, when they reached their peak (8.2 residential building permits per thousand residents in both areas), as did the top 25 metros and the nation. Interestingly, the Twin Cities, which outperformed both Portland and Seattle in rankings from 2000 to 2004, lost ground to these metros by 2005. Thereafter, residential building permits per thousand residents in the Twin Cities fell behind Portland and Seattle. In fact, the ranking gap between the Twin Cities and the four comparable metros increased steadily between 2005 and 2008. By 2009, housing activity in the Twin Cities stood at a level of 1.4 permits per thousand residents, compared to 1.7 in Portland and 2.2 in Seattle. Ranking ninth and fifth among the largest 25 metros, respectively, Portland and Seattle were still ahead of the Twin Cities, which ranked 13th in 2009.

Figure 3: Rankings for Selected MSAs for New Residential Permits Per 1,000 Population, 2000-2009



2009 marked a turning point for the Twin Cities, however, as the contraction of housing activity in the region finally slowed by more than one-third from an average rate of 30 percent per year between 2004 and 2008. This was happening even as the largest 25 metros and the rest of the nation continued to contract at rates comparable to previous years. In contrast to the largest 25 metros, where housing activity shrank an average of 48 percent (from 2.7 to 1.4) from 2008 to 2009, the Twin Cities metro experienced a decline of only 19 percent (from 1.8 to 1.4). This rate of contraction was half the average for the rest of the nation during the same period. In fact, only five metros had smaller contraction rates than the Twin Cities metro: Washington, D.C., Pittsburgh, Cincinnati, Baltimore, and St. Louis.

From 2008 to 2009, the Twin Cities improved its relative standing among the top 25 metros for the first time since 2003. In this period, only eight metros improved their relative standing among the top 25 more than the Twin Cities did (Washington, D.C., Pittsburgh, St. Louis, Baltimore, Tampa, Cincinnati, Miami and Boston).

Tracking the decade-long relative position of the Twin Cities within the context of Dallas, Denver, Portland, and Seattle reveals a similar story of relative decline until 2008 followed by some silver linings in 2009. In 2009 the Twin Cities metro performed much better than these four metros. From 2008 to 2009 housing activity in Dallas, Denver, Portland, and Seattle declined by 46, 54, 50, and 52 percent, respectively, compared to 19 percent in the Twin Cities. The relative ranking of Denver, Portland, and Seattle fell among the largest 25 metros in contrast to the Twin Cities, which improved its ranking from 17th in 2008 to 13th in 2009. In fact, 2009 was the first year the Twin Cities metro gained some ground in rankings in comparison to these metros as the ranking gap between them shrank significantly. Whether or not the steep decline of housing activity in the Twin Cities market is finally reaching a plateau remains to be seen.

Figure 4: Rankings of the 25 Largest MSAs for New Residential Building Permits, 2002-2009

2002 Ranking		2003 Ranking		2004 Ranking		2005 Ranking		2006 Ranking		2007 Ranking		2008 Ranking		2009 Ranking	
Atlanta	1	Phoenix	1	Phoenix	1	Phoenix	1	Atlanta	1	Houston	1	Houston	1	Houston	1
Phoenix	2	Atlanta	2	Atlanta	2	Atlanta	2	Houston	2	Phoenix	2	Dallas	2	Dallas	2
Sacramento	3	Riverside	3	Riverside	3	Riverside	3	Phoenix	3	Atlanta	3	Seattle	3	Tampa	3
Denver	4	Sacramento	4	Tampa	4	Tampa	4	Riverside	4	Seattle	4	Phoenix	4	Washington	4
Tampa	5	Tampa	5	Sacramento	5	Houston	5	Dallas	5	Dallas	5	Atlanta	5	Seattle	5
Houston	6	Houston	6	Houston	6	Dallas	6	Tampa	6	Portland	6	Denver	6	Phoenix	6
Dallas	7	Dallas	7	Dallas	7	Sacramento	7	Seattle	7	Denver	7	Portland	7	Baltimore	7
Riverside	8	Twin Cities	8	Denver	8	Denver	8	Denver	8	Riverside	8	Tampa	8	St. Louis	8
Twin Cities	9	Portland	9	Twin Cities	9	Miami	9	Portland	9	Tampa	9	New York	9	Portland	9
Washington	10	Denver	10	Miami	10	Portland	10	Miami	10	Washington	10	Sacramento	10	Cincinnati	10
Miami	11	Miami	11	Seattle	11	Seattle	11	Sacramento	11	Sacramento	11	Washington	11	Denver	11
Portland	12	Washington	12	Portland	12	Washington	12	Washington	12	St. Louis	12	Riverside	12	Riverside	12
Seattle	13	Seattle	13	Washington	13	Twin Cities	13	Twin Cities	13	Chicago	13	Baltimore	13	Twin Cities	13
Cincinnati	14	Cincinnati	14	Cincinnati	14	Cincinnati	14	Chicago	14	Cincinnati	14	St. Louis	14	Sacramento	14
Chicago	15	San Diego	15	St. Louis	15	Chicago	15	Cincinnati	15	Twin Cities	15	Cincinnati	15	Pittsburgh	15
St. Louis	16	St. Louis	16	San Diego	16	St. Louis	16	St. Louis	16	New York	16	Philadelphia	16	Boston	16
San Diego	17	Chicago	17	Chicago	17	San Diego	17	San Francisco	17	Miami	17	Twin Cities	17	Atlanta	17
Detroit	18	Detroit	18	Detroit	18	Baltimore	18	New York	18	San Francisco	18	San Diego	18	Philadelphia	18
Baltimore	19	Baltimore	19	Baltimore	19	Boston	19	San Diego	19	Boston	19	Chicago	19	San Diego	19
Philadelphia	20	Philadelphia	20	San Francisco	20	Detroit	20	Boston	20	San Diego	20	San Francisco	20	New York	20
San Francisco	21	San Francisco	21	Philadelphia	21	San Francisco	21	Baltimore	21	Baltimore	21	Boston	21	San Francisco	21
Pittsburgh	22	Boston	22	Boston	22	New York	22	Philadelphia	22	Philadelphia	22	Pittsburgh	22	Miami	22
New York	23	Pittsburgh	23	New York	23	Philadelphia	23	Los Angeles	23	Los Angeles	23	Miami	23	Chicago	23
Boston	24	New York	24	Pittsburgh	24	Los Angeles	24	Pittsburgh	24	Pittsburgh	24	Los Angeles	24	Los Angeles	24
Los Angeles	25	Los Angeles	25	Los Angeles	25	Pittsburgh	25	Detroit	25	Detroit	25	Detroit	25	Detroit	25

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Permits Issued in 2009

The Department of Commerce releases residential building permit data on a monthly basis through the Census Bureau. These data, which cover the 13-county metropolitan statistical area, allow comparisons with the largest 25 metropolitan areas and the nation as a whole. In addition, the Metropolitan Council collects building permits data in its jurisdiction (the seven-county metropolitan area) through its annual residential building permit survey. More communities respond to the Metropolitan Council survey, and the number of residential building permits reported to the Metropolitan Council has traditionally been higher than the number of permits reported by the Department of Commerce. The sections prior to this use the Department of Commerce data to discuss the Twin Cities housing activity within the context of the largest 25 metros and the nation as a whole. The remainder of this report uses the Metropolitan Council data.

Figure 5: Permits for New Residential Units, Seven-County Metropolitan Area, 1970-2009

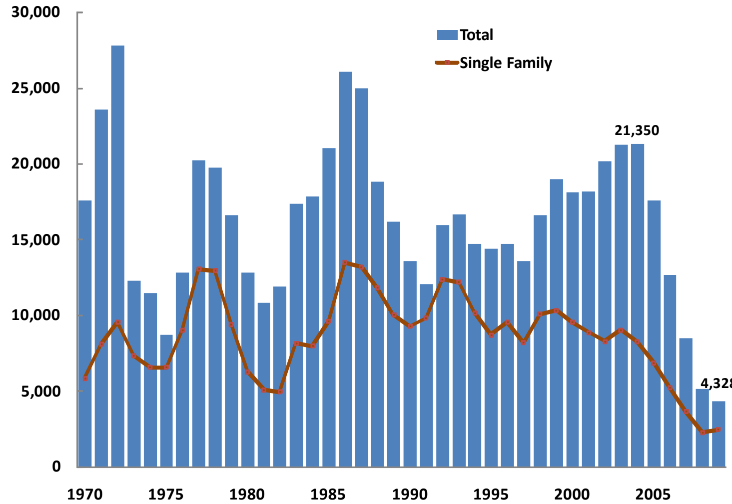
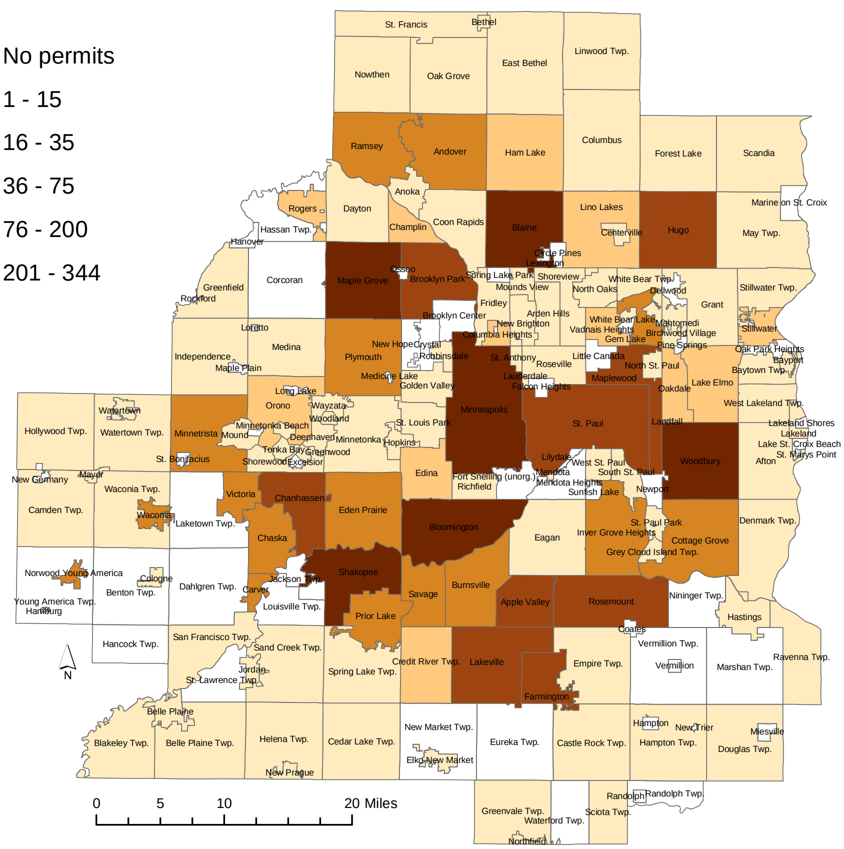


Figure 6: Permits for New Residential Units, Seven-County Metropolitan Area, 2009



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In 2009, new housing construction in the seven-county metropolitan area sank even lower than the previous historic low figure of 2008, reaching its lowest level since the Metropolitan Council first started its residential building survey in 1970. The metro-wide tally of residential building permits totaled 4,328, down from 5,136 in 2008. This was a mere fifth of the total number of residential permits—21,350—issued in the peak year of 2004. The contraction trend that started in 2005 finally started slowing down during 2009. Between 2004 and 2008, the number of residential permits shrank at a rate of 30 percent on average. In contrast, the number of residential permits shrank by only 16 percent between 2008 and 2009.

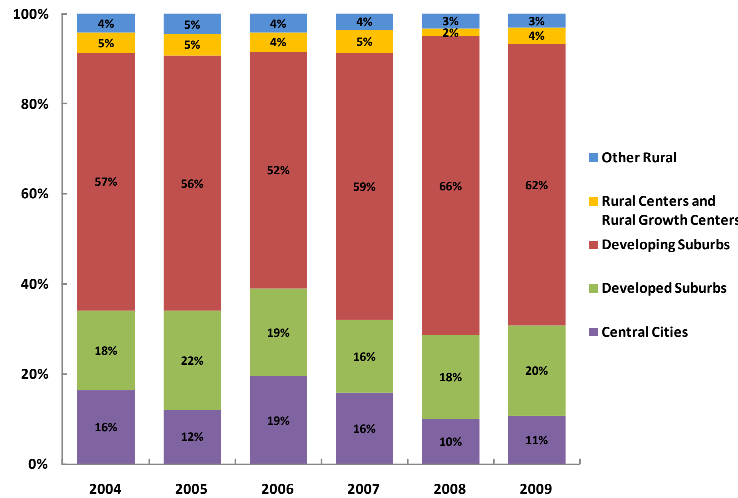
Among the top ten communities issuing new residential permits in 2009, only one—Shakopee (344)—had permit numbers exceeding 300 and only five—Blaine (291), Minneapolis (275), Woodbury (255), Maple Grove (254), and Bloomington (204)—had permit totals in excess of 200 units. Suburban communities had many clusters of residential development.

Figure 7: Top 10 Communities Issuing Permits for New Residential Units, Seven-County Metropolitan Area, 2009

Shakopee	344
Blaine	291
Minneapolis	275
Woodbury	255
Maple Grove	254
Bloomington	204
St. Paul	191
Maplewood	190
Lakeville	174
Hugo	147
Brooklyn Park	145
Apple Valley	91

In 2009, developing suburbs had 62 percent of the region's residential building permits, down slightly from 66 percent in 2008. The share of central cities (10 to 11 percent) and developed suburbs (18 to 20 percent) rose a bit. The share of rural centers and rural growth centers also increased, from two percent in 2008 to four percent in 2009, while the share of other rural areas stayed the same at three percent. The housing boom of the early 2000s boosted the share of new residential construction in developed areas until 2006. Since the collapse of the housing markets in 2006, however, the trend has reversed, indicating that the collapse has hit the core of the region harder than its periphery.

Figure 8: Regional Share of Permits for New Residential Units by Planning Area, Seven-County Metropolitan Area,2004-2009



Communities with the highest number of single-family detached unit permits were exclusively developing suburbs: Shakopee (309); Blaine (243); Maple Grove (200); Woodbury (158); and Lakeville (127). No other community had more than 100 permits in the region.

Like the single-family detached housing units, townhouses in the region were mostly clustered in developing suburbs. Woodbury (97), Brooklyn Park (50), Lakeville (47), Savage (46), and Hugo (41) were the communities with the highest numbers of townhouse permits. No other community had more than 40 townhouse permits in the region. Only 27 of the region's communities issued townhouse permits, for a combined total of 561 in 2009. As a point of comparison, the city of Lakeville alone issued 564 townhouse permits in 2004.

Multifamily housing units (5 or more units) were mostly concentrated in the region's developed core, unlike single-family detached units and townhouses. Indeed, the region's three largest cities—Minneapolis (245), Bloomington (196), and St. Paul (177)—accounted for almost half of the region's multifamily permits in 2009.

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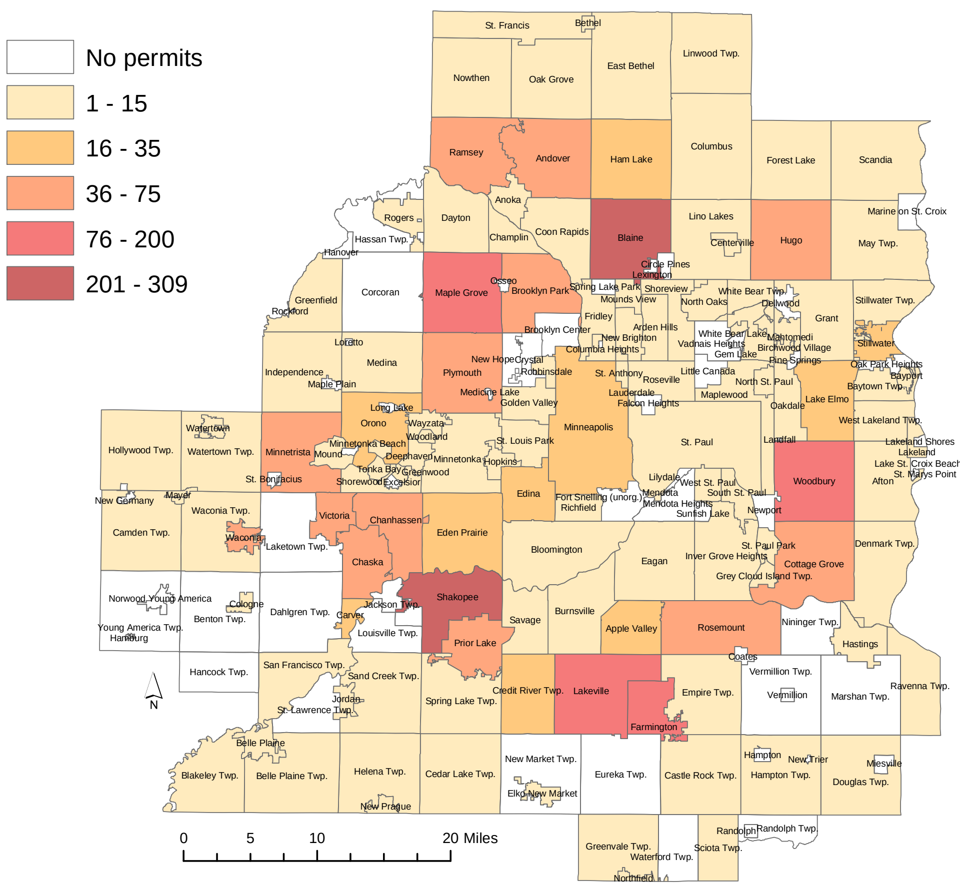
The only community that came close to these cities was Maplewood (150); no other suburban community issued even half the number of multifamily permits that Maplewood issued. Only 16 of the region's communities issued multifamily permits—a total of 1,260 in 2009—compared to a total of 1,504 multifamily permits issued by St. Paul alone in 2004.

Mix of Housing Types, 2004-2009

The downturn in new residential permits, which started around 2004, affected various segments of the Twin Cities housing market unevenly. From 2004 to 2009, the single-family detached housing segment of the Twin Cities metro contracted more than attached housing segments (including multifamily buildings, townhouses, and duplexes, triplexes and quads).[1] The total number of attached housing permits plunged by 86 percent—from 13,106 in 2004 to 1,859 in 2009. In contrast, the number of single-family detached housing unit permits went down by 70 percent from 8,244 to 2,469 during the same period. As a result, the composition of housing activity in the region changed significantly. In 2004, over 60 percent of the housing activity was in the attached housing segment of the regional market; by 2009, the share of the single-family detached housing segment went up to 57 percent.

During 2009, permit trends for single-family detached units and other types of housing units diverged. The

Figure 9: Permits for New Single-Family Detached Units, Seven-County Metropolitan Area, 2009



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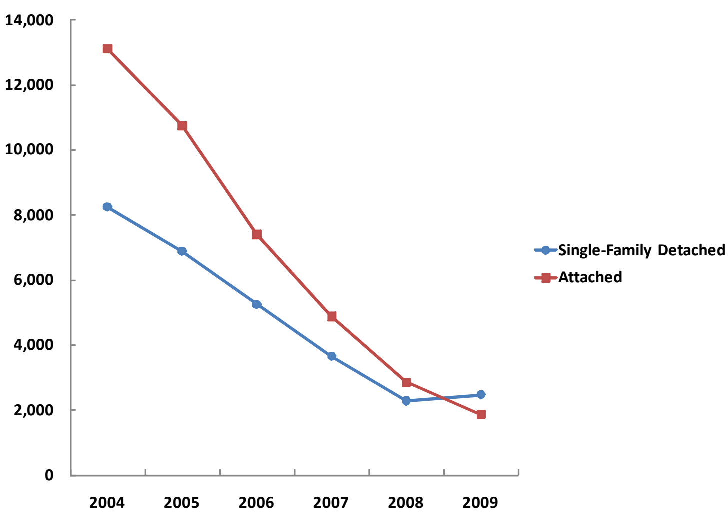
[1]The Metropolitan Council enumerates new residential structures on the basis of four housing types, since they are associated with different rates of land consumption and average household sizes. Categorization is on the basis of structural characteristics rather than ownership. For example, the multifamily category includes condominiums as well as apartments.

overall number of attached housing units has been declining dramatically since 2004 and this trend continued during 2009. In fact, 2009 was the first year this decade that the number of single-family detached housing permits exceeded the total number of attached housing units. The number of single-family detached permits exhibited a similar pattern of rapid decline until 2008, albeit at a slower pace. But this pattern came to an end in 2009 as the number of single-family detached housing permits picked up slightly (8 percent) for the first time since 2003, from 2,282 in 2008 to 2,469 in 2009. Indeed, the single-family detached and the duplexes/triplexes/quads sectors of the housing market were the only two sectors that showed some signs of recovery in 2009. The increase in the total number of single-family detached housing permits was still not significant enough, however, to offset the continuing decline of total permit numbers for attached housing units.

Figure 10: New Housing Units Permitted, Seven-County Metropolitan Area, 2004-2009

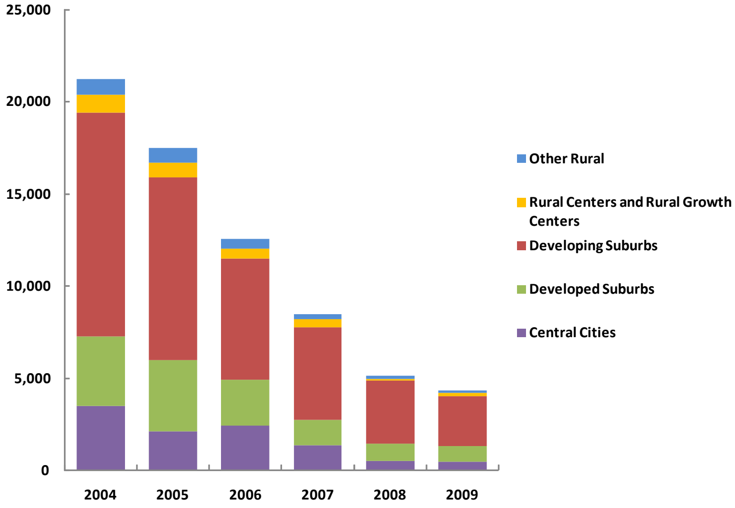


From 2004 to 2009, activity in the attached housing segment of the Twin Cities metro housing market shrank unevenly across the region. Developing suburbs absorbed 56 percent of the decline in attached housing units during this period, while developed areas (central cities and developed suburbs) assumed the remainder. The spatial pattern of the decline in housing activity was also uneven but distinct in the single-family detached housing segment during the same period. While developing suburbs absorbed 56 percent of the decline in single-family detached housing permits, developed areas assumed only 18 percent of the decline. Strikingly, rural areas absorbed more than a quarter of the decline in housing activity in the single-family detached housing segment of the regional housing market.

While relatively lower density single-family detached housing units drove most of the development in the developing suburbs of the region, developed areas in the core of the region specialized in high-density housing types. In fact, in 2009 over three quarters of the region's multifamily housing building permits were issued in central cities (33 percent) and developed suburbs (43 percent). Indeed, the three largest cities of the region—Minneapolis (245), Bloomington (196), and St. Paul (177)—accounted for almost half of the region's multifamily permits in 2009. In contrast, the majority of the region's building permits for other housing types were issued in developing suburbs.

The distribution of housing types across the planning areas of the region changed dramatically in 2009. For instance, 63 percent of all the residential permits issued by developed suburbs in 2009 were for multifamily housing permits—the highest percentage between 2004 and 2009 since this value peaked at 59 percent in 2005. In developing suburbs, in contrast, single-family detached housing permits accounted for nearly three quarters of these suburbs' permit total—up from an annual average of 48 percent between 2004 and 2008. Finally, in the rural centers and rural growth centers, multifamily housing permits constituted the highest percentage of the permits issued in these areas for the first time in 2009. In fact, the number of multifamily permits—79—exceeded the number of single-family detached housing permits—75—in 2009. This distribution was strikingly different than the corresponding distribution of housing types in 2004, when single-family detached housing permits constituted 89 percent of the housing permits issued by rural centers and rural growth centers.

Figure 11: Permits for New Residential Units by Planning Area, Seven-County Metropolitan Area, 2004-2009



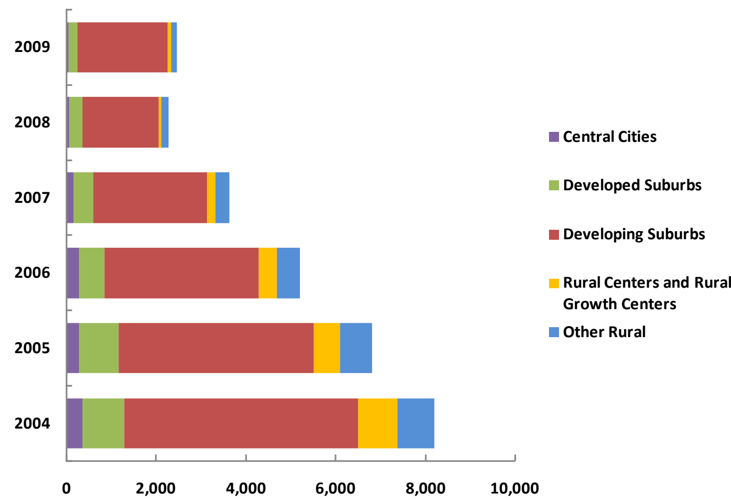
Residential Building Permit Trends for Housing Types by Planning Area, 2004-2009

Single-Family Detached Housing

The total number of residential permits issued for single-family detached housing declined by 70 percent from 8,244 in 2004 to 2,469 in 2009. Most of this decline was attributable to trends in developing suburbs where the decline in permits accounted for 56 percent of the overall decline. This trend of decline was finally reversed in 2009 as the number of single-family detached housing permits issued by developing suburbs increased from 1,708 in 2008 to 2,002 in 2009—an increase of 17 percent.

However, despite the decline in the actual numbers of single-family detached housing permits issued by developing suburbs, these suburbs issued a growing share of the region's single-family detached housing permits. The relative share of developing suburbs went up steadily from 64 percent in 2004 to 81 percent in 2009. The relative share of developed suburbs, in contrast, declined from 13 percent in 2008 to nine percent in 2009, just as the share of central cities went from three percent in 2008 to two percent in 2009. During the 2004-2009 period, the relative share of single-family detached housing permits issued by rural areas declined steadily from 10 percent to five percent.

Figure 12: Permits for New Single-Family Detached Housing by Planning Area, Seven-County Metropolitan Area, 2004-2009

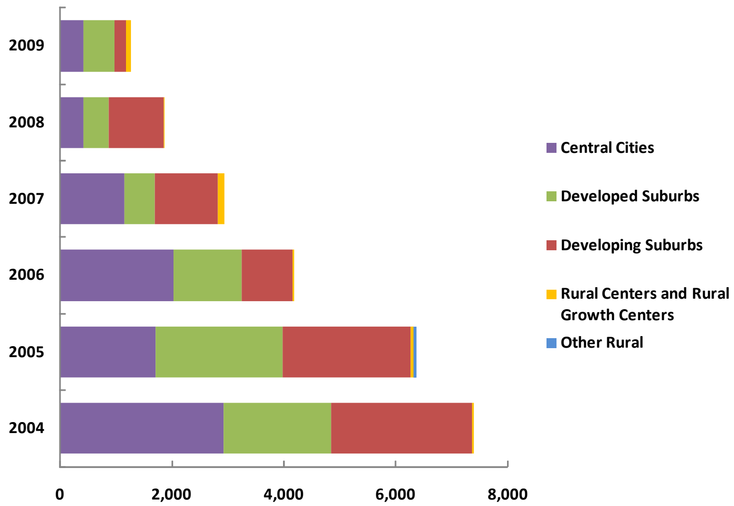


Multifamily Housing

The total number of residential permits issued for multifamily housing declined by 83 percent from 7,401 in 2004 to 1,260 in 2009. The central cities absorbed over two-fifths of this decline, while developing suburbs took on almost another two-fifths. Developed suburbs assumed 22 percent of this decline. The number of multifamily housing permits issued by the central cities declined dramatically (86 percent) between 2004 and 2009. The number issued by developing suburbs shrank even more rapidly (92 percent) during the same period. Multifamily permits issued by developed suburbs similarly declined (71 percent) from 2004 to 2009. Rural centers and rural growth centers continued to issue multifamily permits, albeit in small numbers.

The total number of residential permits issued for multifamily housing declined by almost a third from 1,865 in 2008 to 1,260 in 2009. Developed suburbs increased the number of multifamily housing permits they issued by 20 percent from 455 in 2008 to 547 in 2009. In striking contrast, the number of multifamily housing permits issued by developing suburbs dropped sharply from 982 in 2008 to 212 in 2009—a drop of almost 80 percent. The number of permits issued by the central cities barely changed in this period. As a result, the developing suburbs' relative share of multifamily housing permits shrank from 53 percent in 2008 to 17 percent in 2009, while the relative share of the developed suburbs jumped from 24 percent in 2008 to 43 percent in 2009. Although the number of multifamily permits issued by the central cities went up incrementally from 420 in 2008 to 422 in 2009, central cities still issued a third of the region's multifamily permits in 2009, up from 23 percent in 2008.

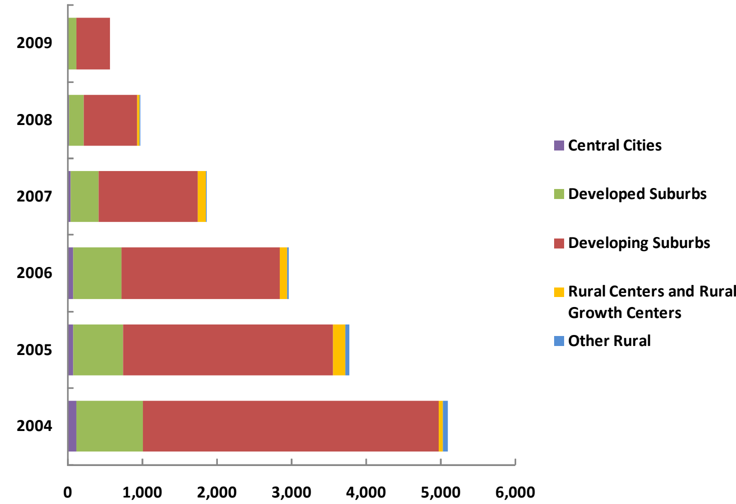
Figure 13: Permits for New Multifamily Housing by Planning Area, Seven-County Metropolitan Area, 2004-2009



Townhouses

The region's townhouse permits declined by 89 percent from 5,126 in 2004 to 561 in 2009. Although townhouse permits declined across all types of planning areas, developing suburbs absorbed more than three quarters of this decline. Despite this, developing suburbs continued to issue a majority of the region's townhouse permits throughout the period. In fact, the developing suburbs' share of townhouse permits jumped to 81 percent in 2009 from 75 percent in 2008 even as the number of townhouse permits issued in these suburbs dropped from 716 in 2008 to 452 in 2009. Developed suburbs experienced a nearly 90 percent decline in the number of townhouse permits they issued; the permit totals went from 891 in 2004 to 109 in 2009. In 2009, only developing and developed suburbs issued townhouse permits.

Figure 14: Permits for New Townhouses by Planning Area, Seven-County Metropolitan Area, 2004-2009



Residential Building Permit Trends for Various Planning Areas, 2004-2009

The region's residential permit totals dropped by 80 percent from 21,350 permits in 2004 to 4,328 in 2009. In the central cities, residential permit numbers shrank by 87 percent from 3,487 in 2004 to 466 in 2009. While developing suburbs experienced the largest decrease in the number of permits they issued—from 12,147 in 2004 to 2,696 in 2009—their overall permits declined by 78 percent, a rate slightly lower than the regional average of 80 percent. The number of residential building permits issued by developed suburbs similarly went down by 77 percent from 3,778 in 2004 to 868 in 2009. Permit numbers shrank by 83 percent in rural centers and rural growth centers and by 85 percent in other rural areas.

The Geography of Permit Activity in 2009

Despite the ongoing downturn, there were some signs of recovery in certain sectors in 2009. In developed suburbs, multifamily housing was the only market segment that showed some signs of recovery. In developing suburbs, increased activity came in the form of permits for single-family detached housing. However, the increase in single-family detached housing permits there was not significant enough to offset the continuing decline of permit numbers for multifamily housing units and townhouses.

Did Twin Cities New Housing Starts Bottom Out in 2009?

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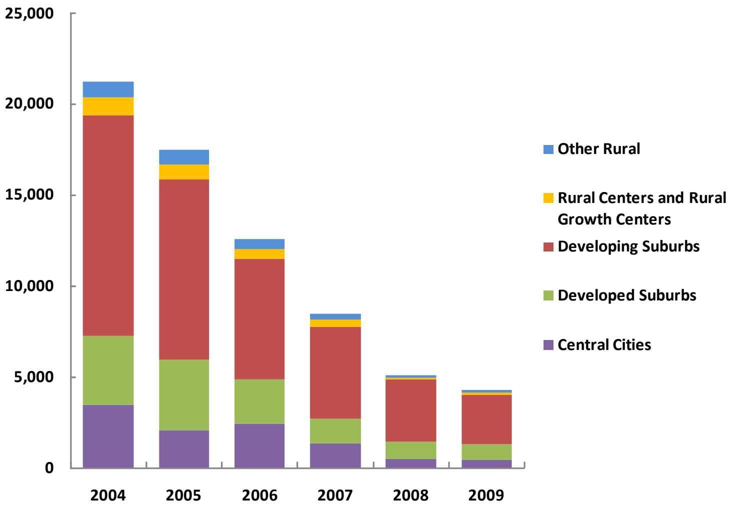
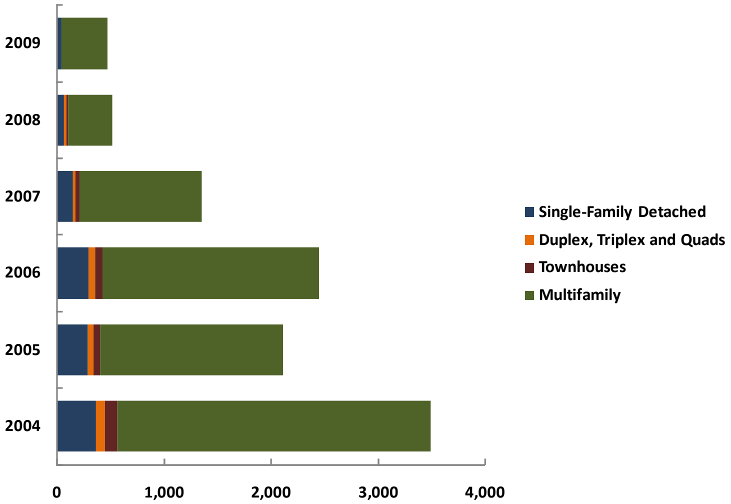
Figure 15: Permits for New Residential Units by Metropolitan Council Planning Areas, Seven-County Metropolitan Area, 2004-2009



Central Cities

The number of building permits issued by the central cities declined from 3,487 in 2004 to 466 in 2009. The decline in the number of multifamily housing permits accounted for 83 percent of this decline. Between 2004 and 2008, the annual decline in the number of multifamily permits issued by the central cities averaged 32 percent. In 2009, multifamily permits finally reached a plateau—going from 420 in 2008 to 422 in 2009.

Figure 16: Permits for New Residential Units Issued by the Central Cities by Housing Type, Seven-County Metropolitan Area, 2004-2009

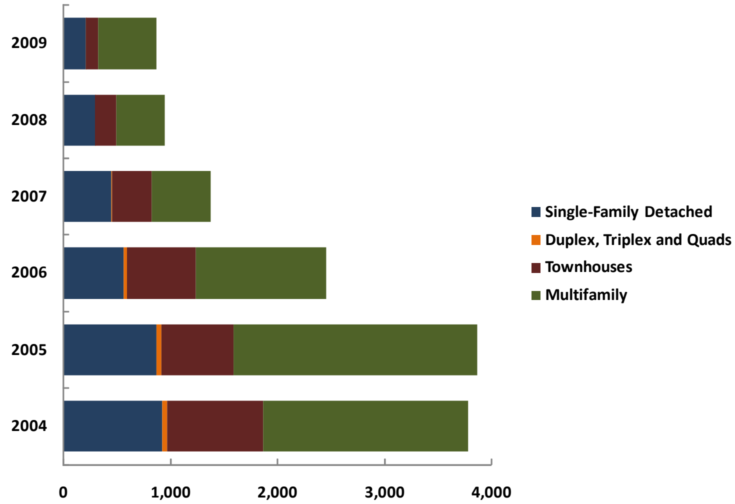


Despite the steady decline in the number of multifamily housing permits issued by the central cities, the majority of residential permits issued by them during this period were multifamily housing permits. In fact, the share of multifamily housing permits in the central cities in 2009 was 91 percent of all permits, up from 84 percent in 2004. Meanwhile, the share of single-family detached housing permits hovered around 10 percent during the same period.

Developed Suburbs

Residential permits issued by developed suburbs of the region shrank by over three quarters from 3,778 in 2004 to 868 in 2009. This trend was primarily driven by the declining number of multifamily housing permits issued by developed suburbs. After peaking at 2,276 in 2005, the total number of multifamily housing permits plunged to 455 in 2008. The number of multifamily housing permits issued by developed suburbs finally picked up by a fifth in 2009, reaching a total of 547.

Figure 17: Permits for New Residential Units Issued by Developed Suburbs by Housing Type, Seven-County Metropolitan Area, 2004-2009

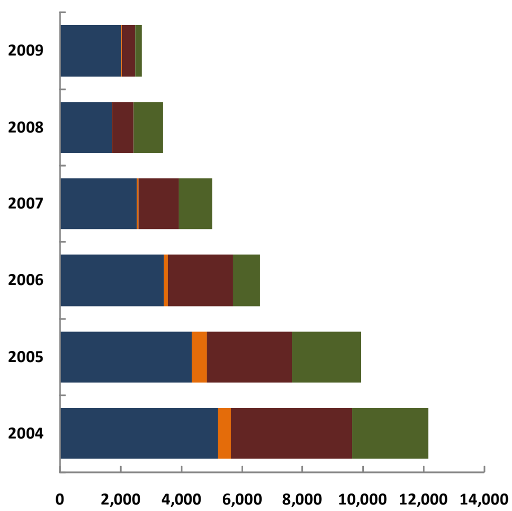


Multifamily housing was the only segment of the housing market in the developed suburbs that had a taste of recovery. In 2009, 63 percent of all the residential permits issued by developed suburbs were for multifamily housing permits—the highest percentage for the 2004-2009 period since the peak value of 59 percent in 2005. During the same period, the number of single-family detached housing and townhouse permits issued by developed suburbs both declined steadily.

Developing Suburbs

Residential permits issued by developing suburbs shrank by 78 percent from 12,147 in 2004 to 2,696 in 2009. The single-family detached section of the housing markets in developing suburbs displayed some signs of recovery in the last year, increasing by 17 percent, from 1,708 permits in 2008 to 2,002 in 2009. However, the climb in the number of single-family detached housing permits was not significant enough to offset the continuing decline of permit numbers for multifamily housing units and townhouses.

Figure 18: Permits for New Residential Units Issued by Developing Suburbs by Housing Type, Seven-County Metropolitan Area, 2004-2009

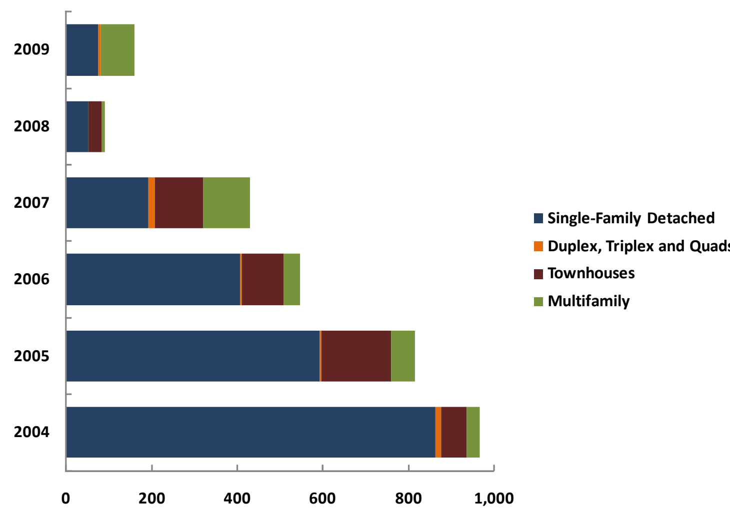


As a result of this lopsided recovery in developing suburbs, single-family detached housing permits accounted for nearly three quarters of these suburbs' permits in 2009—up from an annual average of 48 percent during the 2004-2008 period. The corresponding share for multifamily unit permits declined from an average of 22 percent from 2004 to 2008 to 8 percent in 2009. Meanwhile, townhouse permits constituted 17 percent of all permits issued by developing suburbs in 2009, compared to the annual average of 28 percent during the 2004-2008 period.

Rural Centers and Rural Growth Centers

Residential permits issued by rural centers and rural growth centers declined by 83 percent from 966 in 2004 to 160 in 2009. The dwindling number of single-family detached housing permits issued contributed to this decline more than anything else. The number of single-family detached housing permits shrank steadily from 862 in 2004 to 52 in 2008. In 2009, single-family detached housing permits finally picked up—rising to 75. More importantly, increased residential activity in these rural centers came from the multifamily sector. Following the steep dip in the number of multifamily housing permits issued between 2007 and 2008—from 109 to eight—the numbers climbed to 79 in 2009.

Figure 19: Permits for New Residential Units Issued by Rural Centers and Rural Growth Centers by Housing Type, Seven-County Metropolitan Area, 2004-2009

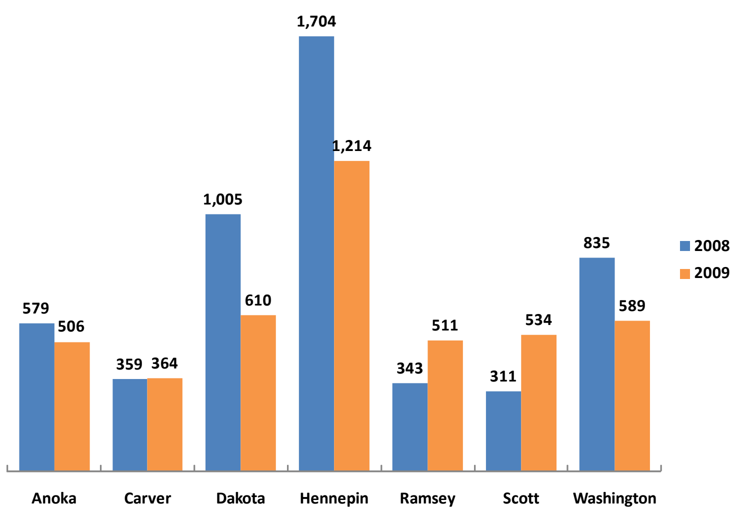


Regional Distribution of Residential Building Permits by County 2009

In 2009, 57 percent of the region's permits were issued for single-family detached housing units, 29 percent were for multifamily dwellings, and 13 percent for townhouses. However, the geographical distribution of residential permits by housing type was far from even across counties. On one hand, nearly 80 percent of all permits in Ramsey County were issued for multifamily dwellings, with only 14 percent for single-family detached housing units. On the other hand, 84 percent of all permits issued in fast-developing Scott County were for single-family detached housing units, with only 15 percent issued for townhouses. Hennepin and Ramsey counties, already home of the region's densest residential development, issued nearly three quarters of the region's multifamily permits, although they jointly accounted for only 40 percent of the region's permits. In 2009, Washington County was the leader in townhouse permits, issuing 30 percent of the region's total townhouse permits. In fact, 29 percent of all the permits in Washington County were issued for townhouses, compared to the regional average of 13 percent. Dakota County conformed to regional averages more than any other county in the region, issuing 60 percent of its permits for single-family detached housing units, 29 percent for multifamily dwellings, and 10 percent for townhouses.

Residential construction activity across counties varied widely during 2009. Scott and Ramsey counties showed some signs of recovery while contraction continued in Anoka, Dakota, Hennepin, and Washington counties. Residential permit activity in Carver County was stable.

Figure 20: Permits for New Residential Units by County, Seven-County Metropolitan Area,2008-2009



Scott County was the fastest recovering county in the region, increasing its residential permits by 72 percent from 311 in 2008 to 534 in 2009. Recovery in Scott County came primarily from the single-family detached housing sector; of the 534 new permits issued by Scott County during 2009, 449—84 percent—were issued for single-family detached housing units. Ramsey County followed Scott County, issuing 168 more residential permits in 2009 than it did in 2008—an increase of 49 percent. In contrast to Scott County where single-family detached housing permits drove recovery, however, multifamily dwelling permits accounted for most of the new construction activity in Ramsey County.

In relative terms, contraction in residential activity hit Dakota County the hardest in the region. The number of residential permits issued by Dakota County declined by 39 percent from 1,005 in 2008 to 610 in 2009—more than twice the rate of contraction for the overall region. The decline in the number of permits issued for multifamily dwellings—64 percent—and for townhouses—58 percent—drove this contraction; the number of permits issued by Dakota County for single-family detached housing units remained mostly the same from 2008 to 2009.

Residential permit totals went down by 29 percent both in Hennepin and Washington counties. Hennepin County, however, experienced the highest drop in the total number of residential permits issued in the region—from 1,704 in 2008 to 1,214 in 2009. The plunge in the number of multifamily permits accounted for half of this drop while the fall in the number of single-family detached housing permits accounted for nearly 30 percent of it. In Washington County, the decrease in the number of multifamily permits once again accounted for half of the decline, while the contraction in the number of single-family detached housing permits accounted for over a third of it.

To access the Metropolitan Council data used in this report, visit www.metrocouncil.org/data and select "Tabular Data".