



This *MetroStats* summarizes preliminary data on new residential construction within the Twin Cities Region. Analysis is based on data collected from local officials by the U.S. Census Bureau on building permit authorizations during 2008.

This data source has both advantages and shortcomings. It is released by the Census Bureau shortly after the end of the year. The data covers costs (permit valuations) as well as the number of new housing units authorized. The Census Bureau's data collection effort is nationwide, so regional trends can be compared to other areas.

The Metropolitan Council also collects annual housing production data from local building officials. Historically, these data show a higher housing unit count (10 percent higher on average, this decade). After checking and verification, the Council uses its own survey results on housing construction for the region. In addition, the Council reports townhouses as a separate category, whereas Census Bureau data includes townhouses in the single-family category.

The Metropolitan Council data for 2008 will be published in the June issue of *MetroStats*.

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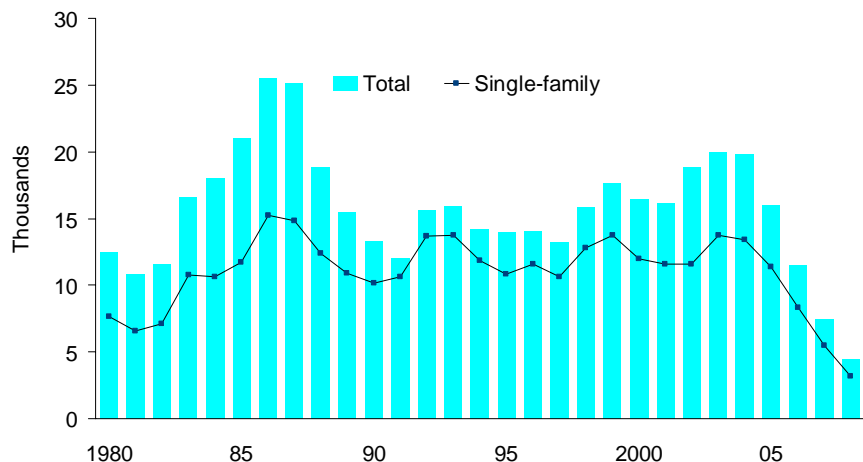
### Highlights

Year-end building permit counts recently released by the U.S. Census Bureau bring discouraging, if not surprising, news on the distressed housing market in the Twin Cities region. The metro-wide tally of 4,458 new housing units represented a level of housing production less than a fourth what it was during the peak years earlier this decade. This is a historic low (data going back to 1970). In addition, permit authorizations represented a slower growth rate relative to other large U.S. metro areas than seen in previous years.

Final data from Metropolitan Council are likely to show a somewhat higher housing production total, but not change the overall trend. However, some more positive housing market indicators are emerging. To the extent the rapid run-up in home prices was not sustainable over the long term, recent price declines represent a necessary, though painful, correction—which works in favor of improved housing affordability. The average time homes are on the market has decreased to 75 days in January 2009, compared to 83 days in January 2008. Both closed and pending sales are up. The overall inventory of active listings has dropped to a nearly two-year low. Sales have increased more steadily than new listings so far this year. Consequently, inventory subsided to an estimated 7.7 months in February—down 13.5 percent from a year earlier. Five months' supply is considered a balanced market. (Minneapolis Area Association of Realtors).

**Figure 1.**

Residential Building Permits, Twin Cities Region

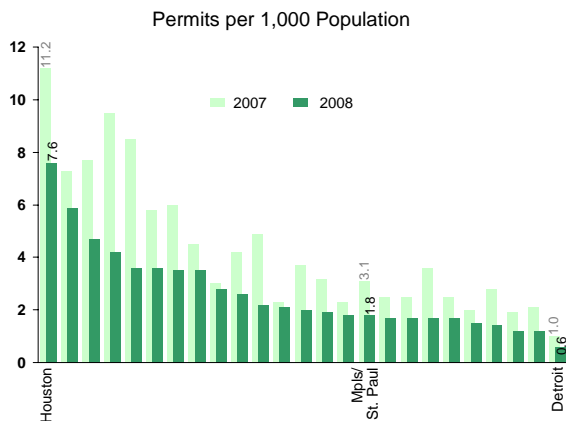


Source: U.S. Census Bureau.

## U.S. and Metropolitan Area Trends

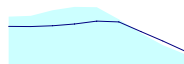
In 2007, new housing construction sunk to historically low levels for the Twin Cities area as well as nationally. From 2007 to 2008, construction volume fell another 36 percent nationally and more steeply in the region—40 percent. During the “good years” earlier this decade, the Minneapolis-St. Paul metropolitan area enjoyed a stronger growth rate than other large metropolitan areas outside the coastal and sun-belt areas. Its permits per capita, at 9.0, ranked 7<sup>th</sup> among the 25 largest areas in 2003, exceeded only by Phoenix, Atlanta, Riverside, Tampa, Houston, and Dallas. The growth trend also continued here a little longer than in some other metropolitan areas. Permits fell off slightly in 2005, but at 7.0 still ranked 12<sup>th</sup> out of the 25 largest metros in residential building permits per capita. Additional metros that topped Minneapolis-St. Paul in that year were Portland, Denver, Miami, and Seattle. By 2008, the region’s rate had dropped to 1.8, for a ranking of 16<sup>th</sup>.

Figure 2.

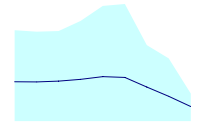


Perhaps more significant than the ranking itself is how sharply the growth rate dropped. The only large metropolitan areas with more dramatic reversals, peak to 2008, were Riverside, Miami, and Detroit. Riverside can be characterized as a “boom-bust” area, along with Phoenix and Tampa. Each metro area’s trend is shown below, along with the U.S. trend for comparison, and the metro area’s permits per capita ranking for 2008. Data are based on the definitions of Metropolitan Statistical Areas used by the Census Bureau. The Minneapolis-St. Paul area includes 13 counties under this definition. The U.S. trend is depicted by the blue line.

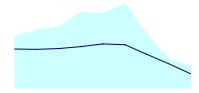
(16) Minneapolis-St. Paul MSA



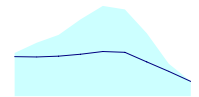
(4) Phoenix



(8) Tampa

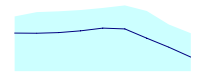


(11) Riverside

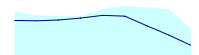


Some metro areas had a flatter trend through the growth period, falling off 2006-2008, similar to the national average:

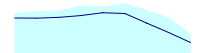
(2) Dallas



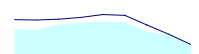
(3) Seattle



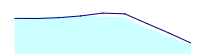
(7) Portland



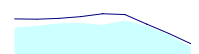
(13) St. Louis



(14) Cincinnati

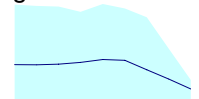


(19) Chicago

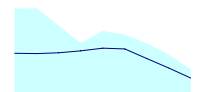


In other areas, construction levels began to slide earlier, though some started with above-average growth rates:

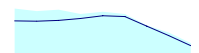
(5) Atlanta



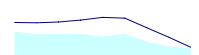
(6) Denver



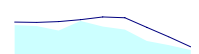
(10) Washington, DC



(12) Baltimore



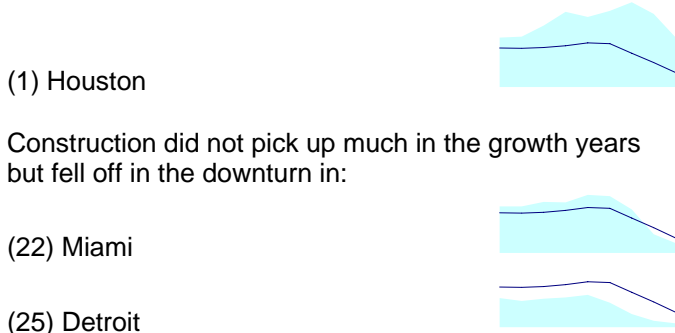
(17) San Diego





Construction rates were a little less variable and had below-average top-to-bottom margins in these areas:

Permits per capita remained consistently above average and decline did not begin until 2007 in:



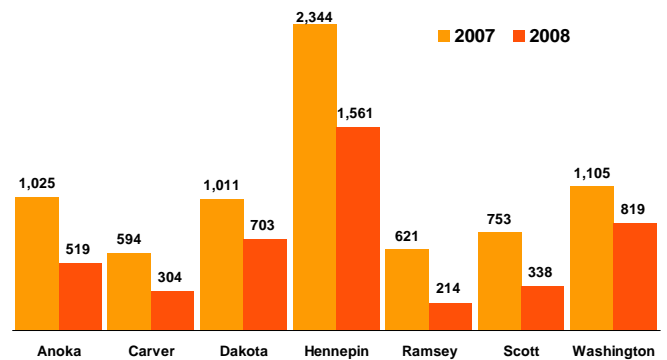
Houston ranked #1 in its 2008 housing construction rate (7.6 per 1,000 population), followed by Dallas, Seattle, and Phoenix. At 16th-ranked, construction in the Minneapolis-St. Paul MSA amounted to 1.8 new units per 1,000 population.

New York was the nation's largest market in terms of sheer numbers with more than 52,000 new housing units reported. The next-largest markets, according to federally-defined geographic boundaries for metropolitan areas, were Houston (over 42,000) and Dallas (36,000). Minneapolis-St. Paul ranked 18th largest by this measure.

### Trends within the Region

New housing authorizations lagged 2007's level in each of the region's seven counties. The rate of decline, which was 40 percent for the region as a whole, ranged from 26 percent in Washington County up to 66 percent in Ramsey County.

**Figure 3.**  
**Residential Building Permits by County**

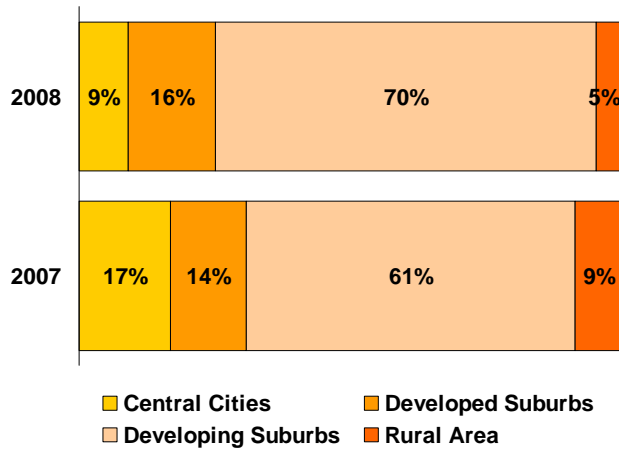


Source: U.S. Census Bureau.

Seven out of ten of the region's new housing units were authorized by developing communities in 2008. Developed suburbs accounted for 16 percent of the total, and the central cities of Minneapolis and St. Paul, 9 percent. Only 5 percent were in the region's rural areas.

Compared to 2007, this is a shift toward the developing areas as steeper declines occurred in the central cities and rural area. The central cities, which had a 9 percent share of the region's permits in 2008, had pulled a 17 percent share in 2007. Developed suburbs edged up slightly in regional share, from 14 percent in 2007 to 16 percent in 2008. Developing communities moved up to a new decade-high of 70 percent in 2008 permits. They accounted for 61 percent in 2007, in line with that area's housing production average of 60 percent over the decade. Developed areas, both the central cities and suburbs, were down only a couple of percentage points in 2008 when compared to the decade trend. Building in the rural area, which averaged 10 percent for the decade and 9 percent of the regional total in 2007, dropped off to just 5 percent of the 2008 total.

Figure 4. Permits by Planning Area



Leading cities in permits reported to the Census Bureau were Minneapolis (362 units), Woodbury (342), Maple Grove (327) and Lakeville (286). Activity in Minneapolis was mostly on the multifamily side. In Woodbury and Maple Grove, single-family homes predominated, with some multifamily as well (30-37 percent). Lakeville's new construction was a more even mix, with 55 percent multifamily. Few cities saw significant amounts of multifamily permit activity in 2008. In addition to the 317 multifamily units reported in Minneapolis, communities with 100-200 multifamily units included Lakeville, Edina, Rosemount and Woodbury.

### Exurban Development

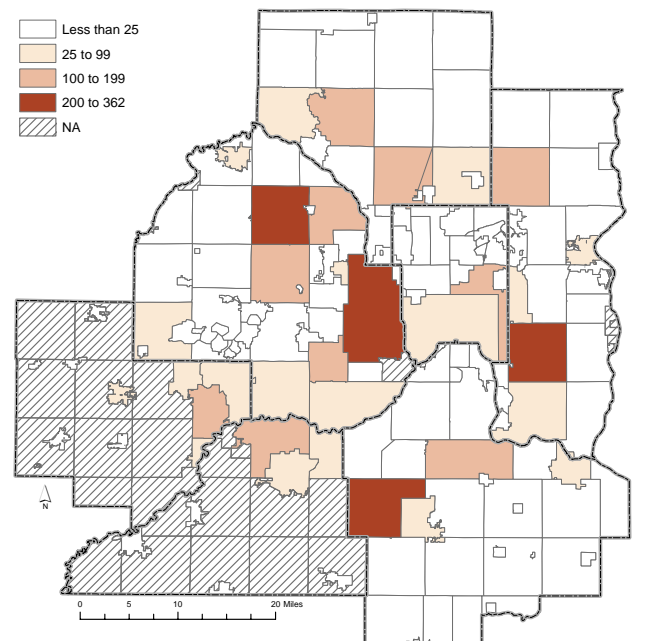
Housing development retreated by a greater degree in the other six Metropolitan Statistical Area (MSA) counties surrounding the seven-county area—Chisago, Isanti, Sherburne, and Wright Counties to the north and St. Croix and Pierce Counties in Wisconsin. Their combined total has averaged 22 percent of the 13-county MSA total over this decade. Permits for 2008 were down 50 percent from 2007's number and dropped to a 17 percent share.

The level of surplus for-sale housing inventory in the adjacent counties was on a par with the seven-county region at the start of 2005. Absorption was strong enough in the adjacent counties during 2005 to decrease the months of supply, while in the Twin Cities the oversupply was ballooning. However, since 2006 inventory has remained higher in the adjacent counties relative to the seven-county area, dampening demand

for new construction. For fourth quarter of 2008, estimated supply of inventory was at 9.7 months for the six adjacent counties compared to 9.1 for the seven-county area. (Data from the Twin Cities' division of MetroStudy, a firm that tracks residential development).

Figure 5.

Residential Building Permits Issued, 2008  
Twin Cities Area



Metropolitan Council

### Construction Cost Trends (permit valuation)

Building cost per housing unit averaged about \$273,200 for single-family units in 2008, and \$137,300 for multifamily units. In 1980, per-unit averages were \$56,400 for single-family and \$40,600 for multifamily (not adjusted for inflation). After adjusting for inflation, the average for single-family housing rose 24 percent during the 1980s; 12 percent during the 1990s; and in this

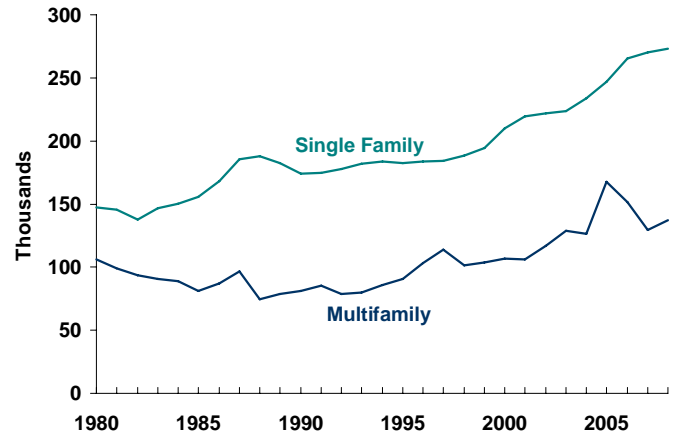
decade the increase in costs accelerated to 30 percent over the eight years since 2000. Inflation-adjusted figures do show, however, some moderating of permit valuations along with the housing collapse. The 2008 single-family average increased only one percent from 2007, less than the inflation rate. The multifamily average increased 6 percent, returning to a more normal trend after the condo boom caused valuation to spike in 2005 and 2006.

Changes in developers' profit margins, labor costs, and material costs all play a part in changing home prices. It appears, however, that the typical size of new homes is a major contributing factor. If the Twin Cities region is a "typical" metropolitan area, costs per single-family home have climbed more rapidly than cost per square foot. National data from the National Association of Home Builders estimates the increase over 1992-2008 at 8.8 percent for costs per square foot (inflation-adjusted). Over this same period, the region's average cost per unit increased 58 percent.

Note that these valuations do not reflect full market or sales price, as some costs are not included in permit valuations—most significantly, land costs.

Figure 6.

Average Permit Valuation per Unit (in 2008 \$)



The Twin Cities region, like the rest of the nation, is in a holding pattern—chipping away at housing supply while waiting for signs of improvement in the economy. Hope lies in the potential for the federal economic stimulus plan to spur consumer confidence and start creating jobs to boost the demand for new housing.

TOP 20 CITIES IN 2008 RESIDENTIAL PERMITS					
Single-family Leaders	# of Units	Multifamily Leaders	# of Units	Leading in Total Units	# of Units
Maple Grove	231	Minneapolis	317	Minneapolis	362
Woodbury	216	Lakeville	157	Woodbury	342
Hugo	186	Edina	150	Maple Grove	327
Blaine	182	Rosemount	136	Lakeville	286
Plymouth	157	Woodbury	126	Blaine	190
Lakeville	129	Maple Grove	96	Hugo	190
Andover	129	Chaska	58	Edina	186
Brooklyn Park	118	Oakdale	39	Rosemount	179
Maplewood	114	Hastings	38	Plymouth	157
Shakopee	112	Robbinsdale	36	Brooklyn Park	136
Prior Lake	96	Bloomington	36	Andover	129
Cottage Grove	86	Anoka	22	Maplewood	114
Ramsey	75	Carver	20	Shakopee	112
Farmington	74	Brooklyn Park	18	Chaska	110
Eden Prairie	70	St. Paul	16	Prior Lake	96
Stillwater	60	Chanhassen	12	Cottage Grove	88
Chanhassen	54	Blaine	8	Ramsey	75
Chaska	52	Rogers	8	Farmington	74
Minneapolis	45	Hampton	8	Eden Prairie	70
Rosemount (tie)	43	Hugo	4	Chanhassen	66
Victoria (tie)	43				
TOP 10 SUBTOTAL:	1,574		1,153		2,355
PCT. OF REGION	50.0%		88.2%		52.8%
TOP 20 SUBTOTAL:	2,229		1,305		3,289
PCT. OF REGION	70.7%		99.8%		73.8%
REGION TOTAL	3,151		1,307		4,458

RESIDENTIAL BUILDING PERMITS 2008						
COUNTY	SINGLE-FAMILY			MULTIFAMILY		
	Number of Units	Permit Valuation		Number of Units	Permit Valuation	
		Total	Average		Total	Average
Anoka	489	\$90,051,362	\$184,154	30	\$4,653,134	\$155,104
Carver	214	61,993,065	289,687	90	10,987,668	122,085
Dakota	364	90,228,964	247,882	339	41,893,708	123,580
Hennepin	900	315,154,631	350,172	661	97,950,026	148,185
Ramsey	198	39,111,885	197,535	16	2,970,000	185,625
Scott	338	90,206,492	266,883	0	0	0
Washington	648	174,023,591	268,555	171	20,958,337	122,563
<b>REGION</b>	3,151	\$860,769,990	\$273,174	1,307	\$179,412,873	\$137,271
Chisago	53	\$9,176,246	\$173,137	32	\$2,595,000	\$81,094
Isanti	28	4,444,454	158,731	0	0	0
Pierce (Wisc.)	88	17,117,346	194,515	26	3,238,578	124,561
St. Croix (Wisc.)	191	36,998,821	193,711	24	1,961,116	81,713
Sherburne	107	18,405,335	172,012	0	0	0
Wright	311	58,570,451	188,329	61	5,615,808	92,062
<b>MSA</b>	3,929	\$1,005,482,643	\$255,913	1,450	\$192,823,375	\$132,982

RESIDENTIAL BUILDING PERMITS ISSUED DURING 2008 (preliminary)  
TWIN CITIES METROPOLITAN AREA

	<u>SINGLE-FAMILY (UNITS)</u>	<u>MULTI-FAMILY (UNITS)</u>	<u>TOTAL UNITS</u>	<u>AVERAGE SINGLE-FAMILY VALUATION</u>	<u>Number of months reported</u>
<b>ANOKA COUNTY</b>					
Andover	129	0	129	\$86,174	12
Anoka	2	22	24	155,000	12
Bethel	0	0	0		12
Blaine**	182	8	190	218,916	10
Centerville	1	0	1	259,000	12
Circle Pines	0	0	0		11
Columbia Heights	15	0	15	171,033	12
Columbus	1	0	1	200,000	11
Coon Rapids	8	0	8	221,278	9
East Bethel	6	0	6	279,530	12
Fridley	2	0	2	259,509	12
Ham Lake	16	0	16	270,220	12
Hilltop	0	0	0		11
Lexington	0	0	0		9
Lino Lakes	31	0	31	210,145	12
Linwood township	0	0	0		0
Nowthen	4	0	4	234,365	12
Oak Grove	13	0	13	225,308	12
Ramsey	75	0	75	215,504	12
Spring Lake Park**	0	0	0		0
St. Francis	4	0	4	231,000	12
<b>Anoka County Total</b>	<b>489</b>	<b>30</b>	<b>519</b>	<b>\$184,154</b>	
<b>CARVER COUNTY</b>					
Carver	13	20	33	242,107	12
Carver County Unincorporated Area*	9	0	9	550,652	12
Chanhassen**	54	12	66	349,204	12
Chaska	52	58	110	206,758	12
Cologne	3	0	3	175,400	4
Hamburg	0	0	0		12
Mayer	2	0	2	152,772	7
New Germany	0	0	0		12
Norwood Young America	0	0	0		12
Victoria	43	0	43	331,572	12
Waconia	36	0	36	244,772	11
Watertown	2	0	2	190,120	12
<b>Carver County Total</b>	<b>214</b>	<b>90</b>	<b>304</b>	<b>\$289,687</b>	
<b>DAKOTA COUNTY</b>					
Apple Valley	21	0	21	260,952	12
Burnsville	12	0	12	334,731	12
Castle Rock township	2	0	2	288,619	12
Coates	0	0	0		12
Douglas township	1	0	1	350,000	7
Eagan	24	0	24	298,125	11
Empire township	8	0	8	256,861	12

RESIDENTIAL BUILDING PERMITS ISSUED DURING 2008 (preliminary)  
TWIN CITIES METROPOLITAN AREA

	<b>SINGLE- FAMILY (UNITS)</b>	<b>MULTI- FAMILY (UNITS)</b>	<b>TOTAL UNITS</b>	<b>AVERAGE SINGLE-FAMILY VALUATION</b>	<b>Number of months reported</b>
Eureka township	2	0	2	200,452	11
Farmington	74	0	74	159,365	12
Greenvale township	1	0	1	384,599	12
Hampton	0	8	8		12
Hampton township	3	0	3	203,078	12
Hastings**	8	38	46	173,313	12
Inver Grove Heights	15	0	15	442,133	12
Lakeville	129	157	286	235,000	9
Lilydale	0	0	0		12
Marshan township	2	0	2	236,432	12
Mendota	1	0	1	450,000	12
Mendota Heights	6	0	6	777,085	12
Miesville	0	0	0		12
New Trier	0	0	0		11
Nininger township	0	0	0		12
Randolph	0	0	0		1
Randolph township	0	0	0		9
Ravenna township	0	0	0		0
Rosemount	43	136	179	242,249	7
Sciota township	1	0	1	300,000	12
South St. Paul	7	0	7	154,874	7
Sunfish Lake	1	0	1	973,000	12
Vermillion	0	0	0		12
Vermillion township	2	0	2	282,287	12
Waterford township	0	0	0		3
West St. Paul	1	0	1	150,000	12
<b>Dakota County Total</b>	<b>364</b>	<b>339</b>	<b>703</b>	<b>\$247,882</b>	
<b>HENNEPIN COUNTY</b>					
Bloomington	3	36	39	277,658	12
Brooklyn Center	0	0	0		10
Brooklyn Park	118	18	136	181,964	12
Champlin	21	0	21	167,874	12
Corcoran	3	0	3	261,692	6
Crystal	4	0	4	233,500	12
Dayton**	6	0	6	346,667	12
Deephaven	6	0	6	600,770	12
Eden Prairie	70	0	70	213,849	12
Edina	36	150	186	842,264	12
Excelsior	0	0	0		12
Golden Valley	10	0	10	397,903	12
Greenfield	2	0	2	377,756	12
Greenwood	0	0	0		12
Hassan township	2	0	2	321,500	11

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TWIN CITIES METROPOLITAN AREA

	<u>SINGLE-FAMILY (UNITS)</u>	<u>MULTI-FAMILY (UNITS)</u>	<u>TOTAL UNITS</u>	<u>AVERAGE SINGLE-FAMILY VALUATION</u>	<u>Number of months reported</u>
Hopkins	2	0	2	305,000	12
Independence	7	0	7	522,699	12
Long Lake	0	0	0		12
Loretto	0	0	0		12
Maple Grove	231	96	327	305,201	12
Maple Plain	0	0	0		12
Medicine Lake	0	0	0		10
Medina	12	0	12	638,819	12
Minneapolis	45	317	362	451,285	12
Minnetonka	20	0	20	590,248	11
Minnetonka Beach	2	0	2	920,500	11
Minnetrissa	36	0	36	453,198	12
Mound	5	0	5	336,609	12
New Hope	0	0	0		12
Orono	23	0	23	836,847	12
Osseo	0	0	0		12
Plymouth	157	0	157	267,737	12
Richfield	4	0	4	230,779	12
Robbinsdale	21	36	57	165,757	12
Rogers	20	8	28	307,915	12
Shorewood	7	0	7	744,950	12
Spring Park	0	0	0		12
St. Anthony**	0	0	0		12
St. Bonifacius	0	0	0		12
St. Louis Park	7	0	7	368,571	11
Tonka Bay	5	0	5	729,800	12
Wayzata	11	0	11	903,823	12
Woodland	4	0	4	908,563	12
<b>Hennepin County Total</b>	<b>900</b>	<b>661</b>	<b>1,561</b>	<b>\$350,172</b>	
<b>RAMSEY COUNTY</b>					
Arden Hills	1	0	1	510,485	12
Falcon Heights	0	0	0		12
Gem Lake	1	0	1	800,000	12
Lauderdale	0	0	0		12
Little Canada	3	0	3	281,667	12
Maplewood	114	0	114	114,781	12
Mounds View	4	0	4	199,025	12
New Brighton	2	0	2	562,500	12
North Oaks	4	0	4	725,750	12
North St. Paul	3	0	3	197,667	9
Roseville	13	0	13	442,923	12
Shoreview	16	0	16	201,100	11
St. Paul	23	16	39	210,639	12

RESIDENTIAL BUILDING PERMITS ISSUED DURING 2008 (preliminary)  
TWIN CITIES METROPOLITAN AREA

	<b>SINGLE- FAMILY (UNITS)</b>	<b>MULTI- FAMILY (UNITS)</b>	<b>TOTAL UNITS</b>	<b>AVERAGE SINGLE-FAMILY VALUATION</b>	<b>Number of months reported</b>
Vadnais Heights	5	0	5	293,000	12
White Bear Lake**	4	0	4	259,750	12
White Bear township	5	0	5	426,000	12
<b>Ramsey County Total</b>	<b>198</b>	<b>16</b>	<b>214</b>	<b>\$197,535</b>	
<b>SCOTT COUNTY</b>					
Belle Plaine	7	0	7	121,739	12
Elko New Market	15	0	15	214,800	12
Jordan	7	0	7	229,429	12
New Prague**	6	0	6	139,567	12
Prior Lake	96	0	96	223,594	12
Savage	42	0	42	177,690	12
Scott County Unincorporated Area*	53	0	53	529,369	12
Shakopee	112	0	112	238,432	12
<b>Scott County Total</b>	<b>338</b>	<b>0</b>	<b>338</b>	<b>\$266,883</b>	
<b>WASHINGTON COUNTY</b>					
Afton	6	0	6	1,165,000	12
Bayport	8	0	8	249,969	12
Baytown township	0	0	0		0
Birchwood Village	0	0	0		12
Cottage Grove	86	2	88	296,767	12
Dellwood	1	0	1	1,700,000	12
Denmark township	3	0	3	304,578	12
Forest Lake	20	0	20	276,290	12
Grant	2	0	2	364,500	11
Grey Cloud Island township	0	0	0		12
Hugo	186	4	190	142,731	12
Lake Elmo	23	0	23	473,462	12
Lakeland***	1	0	1	2,150,000	12
Landfall	0	0	0		12
Mahtomedi	4	0	4	287,387	12
Marine on St. Croix	0	0	0		12
May township	3	0	3	310,422	12
Newport	1	0	1	188,000	12
Oak Park Heights	4	0	4	140,000	12
Oakdale	8	39	47	166,974	12
Pine Springs	0	0	0		0
Scandia	3	0	3	317,968	12
St. Marys Point	0	0	0		12
St. Paul Park	5	0	5	211,694	12
Stillwater	60	0	60	182,329	12
Stillwater township	0	0	0		12
West Lakeland township	8	0	8	576,625	12

RESIDENTIAL BUILDING PERMITS ISSUED DURING 2008 (preliminary)  
 TWIN CITIES METROPOLITAN AREA

	<b><u>SINGLE-FAMILY (UNITS)</u></b>	<b><u>MULTI-FAMILY (UNITS)</u></b>	<b><u>TOTAL UNITS</u></b>	<b><u>AVERAGE SINGLE-FAMILY VALUATION</u></b>	<b><u>Number of months reported</u></b>
Willernie	0	0	0		12
Woodbury	216	126	342	320,954	12
<b>Washington County Total</b>	648	171	819	\$268,555	
<b>REGIONAL TOTAL</b>	3,151	1,307	4,458	\$273,174	

\*Balance of county areas:

Carver County: Townships of Camden, Dahlgren, Hancock, Hollywood, Laketown, San Francisco, Waconia, Watertown, Young America.

Scott County: Townships of Belle Plaine, Blakeley, Cedar Lake, Credit River, Helena, Jackson, Louisville, New Market, St. Lawrence, Sand Creek; City of Elko

\*\*Includes portion that is in another county.

\*\*\*Includes Lakeland Shores and City of Lakeland.

Data compiled by Metropolitan Council.

Data source: U.S. Census Bureau