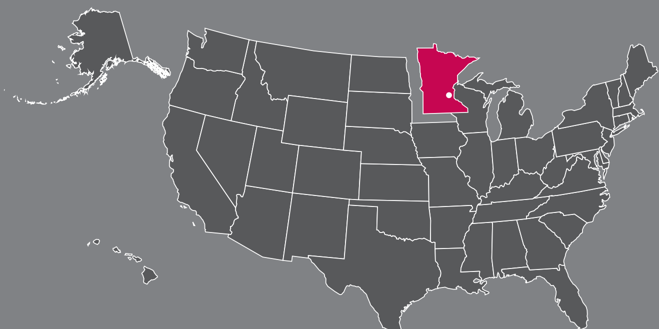
HUD PD&R **Housing Market Profiles**

Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin

Quick Facts About Minneapolis-St. Paul-Bloomington

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: tight.**
- **The Mall of America (MOA), in Bloomington, Minnesota, includes more than 520 stores and more than 50 restaurants and is the largest shopping center in America. The MOA employs more than 11,000 permanent employees, a figure that rises to more than 13,000 employees during peak periods. Approximately 40 million people visit the MOA annually, which helps support the more than 50 hotels located within close proximity. The MOA's economic impact on the state of Minnesota is more than $2 billion annually (Mall of America).**



By Gabriel A. Labovitz | As of July 1, 2015

Overview

The Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (hereafter, the Minneapolis metropolitan area) includes 16 counties: 14 in southeastern Minnesota and two in western Wisconsin. The "Twin Cities" of the Minneapolis metropolitan area are the city of Minneapolis, the largest city in Minnesota by population, and the city of St. Paul, the second largest city in Minnesota and the state capital. The two largest employment sectors in the Minneapolis metropolitan area are the education and health services and the professional and business services sectors. Another significant component of the Minneapolis metropolitan area economy is the University of Minnesota, with approximately 51,150 undergraduate and graduate students at its Twin Cities campus during 2014. The university provides a steadying influence on the local economy and generates an estimated economic impact of $8 billion annually within the metropolitan area (The University of Minnesota, Government and Community Relations).

- As of July 1, 2015, the estimated population of the Minneapolis metropolitan area was 3.5 million, an average annual increase of 34,850, or 1.0 percent, since 2011. By comparison, population increased by 29,300, or 0.9 percent, annually from 2008 to 2011.

continued on page 2

continued from page 1

- Net in-migration, which has averaged approximately 11,450 people annually since 2011, accounted for 33 percent of the population growth during that time. From 2008 to 2011, by comparison, net in-migration averaged 4,025 people annually and accounted for 14 percent of the population growth during that 3-year period.
- Economic conditions have strengthened since 2010, and nonfarm payroll growth led to greater migration into the Minneapolis metropolitan area starting in 2011, causing the increase in population growth.

Economic Conditions

Economic conditions have improved in the Minneapolis metropolitan area since 2010, and nonfarm payrolls have surpassed the prerecession peak of 1.85 million during 2007. Because of the 2007-to-2009 national recession, nonfarm payroll jobs in the Minneapolis metropolitan area declined from 2007 through 2010 by an average of 32,400, or 1.8 percent, annually, to 1.75 million jobs, including a decline of 81,600 jobs during 2009, a 4.4-percent loss. The manufacturing sector was the sector most affected by the recent recession, declining by 29,400 jobs, or 30 percent of the 97,300 nonfarm payrolls lost, from 2007 through 2010. By contrast, the education and health services sector did not lose any net jobs during this period, increasing by an average of 6,300 jobs, or 2.4 percent, annually. With increased jobs in both the educational services and health care and social assistance industries, the education and health services sector was the only nonfarm payroll sector to record increased jobs during each year of the economic downturn. Since 2010, total nonfarm payrolls have increased each year by 35,900, or 2.0 percent, annually.

During the second quarter of 2015—

- Nonfarm payrolls averaged 1.94 million, an increase of 36,700 jobs, or 1.9 percent, compared with an increase of 38,000 jobs, or 2.0 percent, a year earlier.
- Of the 11 nonfarm payroll sectors, 9 added jobs, led by the professional and business services and the education and health services sectors, which increased by 12,000 and 7,200 jobs, or 4.0 and 2.3 percent, respectively.

continued on page 3

Nonfarm payrolls increased in all but two sectors in the Minneapolis area, with the professional and business services sector leading growth.

	3 Months Ending		Year-Over-Year Change	
	June 2014 (thousands)	June 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,902.2	1,938.9	36.7	1.9
Goods-producing sectors	261.1	267.3	6.2	2.4
Mining, logging, and construction	71.3	73.8	2.5	3.5
Manufacturing	189.8	193.5	3.7	1.9
Service-providing sectors	1,641.1	1,671.6	30.5	1.9
Wholesale and retail trade	277.2	279.4	2.2	0.8
Transportation and utilities	65.6	67.0	1.4	2.1
Information	39.7	39.5	– 0.2	– 0.5
Financial activities	145.7	146.6	0.9	0.6
Professional and business services	296.4	308.4	12.0	4.0
Education and health services	307.2	314.4	7.2	2.3
Leisure and hospitality	178.3	185.1	6.8	3.8
Other services	79.8	79.5	– 0.3	– 0.4
Government	251.2	251.7	0.5	0.2
	(percent)	(percent)		
Unemployment rate	3.9	3.6		

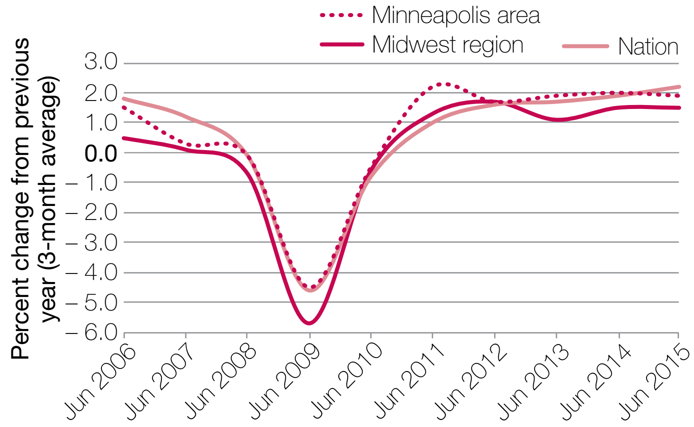
Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

continued from page 2

- The education and health services and the professional and business services sectors are the two largest nonfarm payroll sectors, accounting for nearly 623,000 jobs, and together provide nearly one-third of total nonfarm payrolls in the Minneapolis metropolitan area.
- Job losses were reported in only two sectors: the other services and information sectors, which reported minor declines of 300 and 200 jobs, or 0.4 and 0.5 percent, respectively.
- The unemployment rate averaged 3.6 percent during the 3 months ending June 2015, lower than the 3.9-percent rate a year earlier; resident employment grew 1.6 percent during this time period, faster than the labor force growth rate of 1.3 percent.

U.S. Bank Stadium, the future home of the National Football League Minnesota Vikings, broke ground in the winter of 2013 and is expected to open in 2016, with a total development cost estimated at $1.06 billion. Approximately 7,500 construction and tradeworker jobs have already been created for construction of the stadium, and approximately 5,500 jobs will support operations of the stadium when it opens. The stadium is estimated to generate more than $26 million annually in tax revenue and $145 million in direct spending by football fans within the state of Minnesota. Metro-Transit, the public transit agency of the Minneapolis-St. Paul area, operates 132 bus routes, two light rail lines, and one commuter rail line. The newest light rail line, the Green Line, which opened in June 2014 with an overall construction cost of more than $950 million, connects Target Field in downtown Minneapolis with Union Depot in downtown St. Paul. The Green Line has had an economic impact of approximately $3 billion since initial planning in 2009 (Metropolitan Council) and contributed to the development of more than 13,700 housing units built, renovated, or under construction within one-half mile of the light rail line. Of the 13,700 housing units, an estimated 2,375 were subsidized, long-term affordable units that were created or preserved. More than 5,400 construction jobs were created during the building of the train line, with a payroll estimated at $252 million. A June 2015 study by the University of Minnesota indicated that the Green Line increased accessibility to jobs, defined as ability to commute to jobs within 30 minutes or less, by more than 5 percent, or 2,000 more jobs than previously.

Nonfarm payroll growth in the Minneapolis area has remained below the national rate since early 2014.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Minneapolis area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Minnesota	Government	53,800
Target Corporation	Wholesale and retail trade	30,750
University of Minnesota	Government	25,150

Note: Excludes local school districts.
Source: *Twin Cities Business* 2013 business information guide

Sales Market Conditions

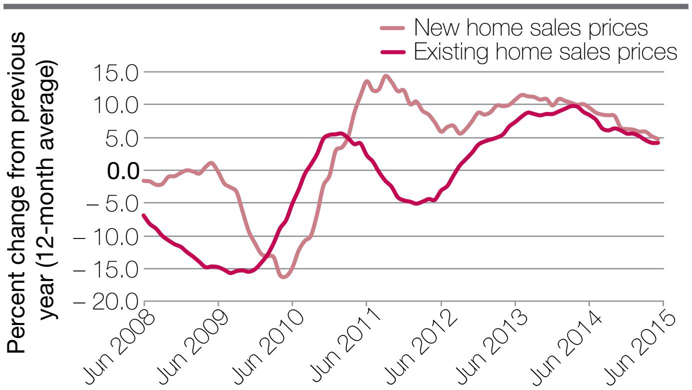
The sales housing market in the Minneapolis metropolitan area is currently slightly tight, with a vacancy rate estimated at 0.9 percent as of July 1, 2015, down from 1.9 percent in April 2010. Single-family home construction has increased since 2011 but remains moderate compared with homebuilding activity from the mid-2000s. The lower level of development, compared with homebuilding activity from the mid-2000s, combined with faster population growth and increased home sales, has led to significant declines in the inventory of homes for sale. During June 2015, approximately 16,600 homes were for sale, down more than 9 percent from a year earlier and equivalent to 3.6 months of supply, down from 4.4 months of supply during June 2014 (Minneapolis Area Association of Realtors®). By contrast, an estimated 26,650 homes were for sale in the Minneapolis metropolitan area during June 2010, equivalent to 6.9 months of supply. During the 12 months ending June 2015, new home sales (including single-family homes, townhomes, and condominiums) totaled 4,150, nearly 6 percent fewer than the new home sales reported year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average new home sales price was $404,700, more than 4 percent higher than the average price recorded a year earlier. Existing home sales totaled 56,700 during the 12 months ending June 2015, slightly more than the 56,450 homes sold during the previous 12-month period. The average sales price for an existing home was $237,300, nearly 4 percent more than the price a year earlier.

continued on page 4

continued from page 3

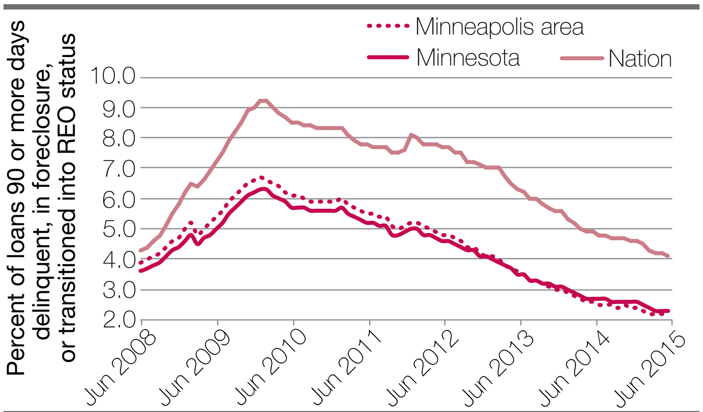
- An estimated 12 percent of existing home sales were distressed sales (real estate owned [REO] and short sales) during the 12 months ending June 2015, down from 19 percent a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The highest annual average of distressed sales as a proportion of existing home sales in the Minneapolis metropolitan area was 37 percent during 2009, at the depth of the economic recession.
- In June 2015, 2.1 percent of mortgage loans in the Minneapolis metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned in to REO status, down from 2.6 percent in June 2014. By comparison, the rates of seriously delinquent loans and REO properties for the state of Minnesota and the nation were 2.3 and 4.1 percent, respectively, during June 2015 (Black Knight Financial Services, Inc.).

New and existing home sales prices in the Minneapolis area increased, but price increases for existing home sales trailed those for new home sales.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The rate of seriously delinquent loans and REO properties in the Minneapolis area has been below the national average since 2008.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

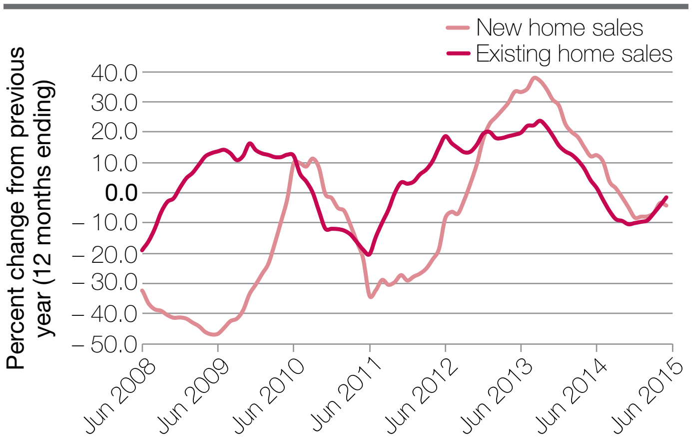
- Condominiums, defined as attached for-sale properties, accounted for 20 percent of all home sales during the 12 months ending June 2015. Nearly one-half of the condominium sales in the metropolitan area were in Hennepin County, which includes the city of Minneapolis.
- Cooperative housing developments are popular in the Minneapolis metropolitan area. Since 1999, HUD has insured 32 loans for cooperative housing nationwide; 10 of those loans, or 31 percent of the national total, are in the Minneapolis metropolitan area.

Because of strengthening economic conditions and population growth since 2011, home builders have increased new home construction, as measured by the number of single-family homes permitted, from the permitting levels reported from 2008 through 2011.

- During the 12 months ending June, 2015, the number of single-family homes permitted totaled 6,925, unchanged from the year before (preliminary data).

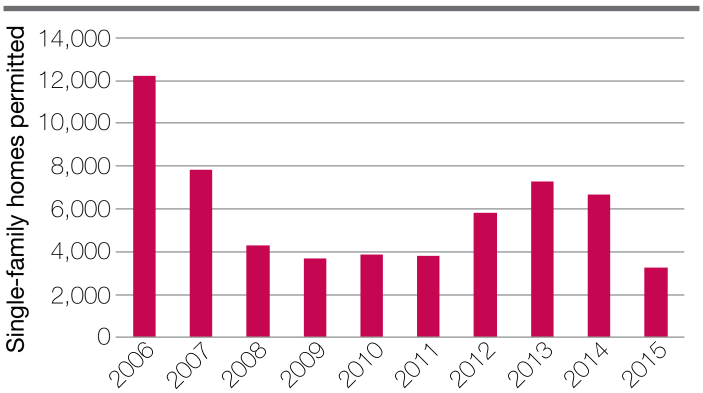
continued on page 5

New and existing home sales in the Minneapolis area have either slowed or declined since the recent peaks during 2013.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Single-family home permitting in the Minneapolis area has increased but remained below prerecession highs.



Note: Includes preliminary data from January 2015 through June 2015.
Source: U.S. Census Bureau, Building Permits Survey

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- Single-family homebuilding averaged 3,925 annually from 2008 through 2011 and increased to an average of 6,600 a year from 2012 through 2014.
- Approximately 19 percent of all single-family homes built in the metropolitan area from 2006 through 2009 were in Hennepin County, a proportion that increased to 23 percent of all single-family homes permitted from 2009 through 2013.
- Stonebridge Lofts, in downtown Minneapolis, was completed in 2014 and had nearly sold out 164 condominium units, priced from $300,000 to $1.4 million, in 11 months. The Portland Tower, with occupancy scheduled for 2016, is offering preconstruction purchases of units priced from $339,900 to $850,000. In the city of Savage, in Scott County, Minnesota, 15 miles south of Minneapolis, Creek Hill Estates includes 80 single-family homes that are under construction and priced from $355,000 to $460,000.

Apartment Market Conditions

Despite high levels of new apartment production since 2012, apartment market conditions are tight in the Minneapolis metropolitan area because of the strong economy leading to increasing population and an increase in the growth of renter households.

During the second quarter of 2015—

- The apartment vacancy rate in the metropolitan area was 2.7 percent, up from 2.5 percent during the second quarter of 2014. The average asking rent was $1,077, nearly 5 percent higher than the average rent reported during the second quarter of 2014 (MPF Research).
- Apartment vacancy rates in the 14 MPF Research-defined market areas within the Minneapolis metropolitan area ranged from 1.5 percent in the Anoka County area to 4.8 percent in the Uptown/St. Louis Park area.
- The highest average rent, $1,420, was reported in the Downtown Minneapolis/University area, although the largest increase, of 12 percent, was in the Central St. Paul area, where rent increased to $1,187 during the second quarter of 2015 from $1,057 a year earlier.
- The apartment market has been balanced to tight in the Minneapolis metropolitan area, with vacancy rates less than 5 percent since the first quarter of 2010.

Multifamily construction activity, as measured by the number of units permitted, declined during the 12 months ending June 2015 from the previous 12-month period. Since 2012, annual multifamily construction has been at levels higher than in any year since 2004.

- During the 12 months ending June 2015, 4,300 multifamily units were permitted, 26 percent fewer than 5,775 units permitted during the previous 12-month period (preliminary data).
- An average of 5,300 multifamily units were permitted annually during 2012 and 2013; this level is the highest reported since multifamily units permitted averaged 6,925 from 2000 through 2004. The Minneapolis metropolitan area emerged from the local economic downturn during 2011, leading to population growth that accelerated during 2012.
- From 2008 through 2011, multifamily construction declined, with an average of 1,500 multifamily units permitted annually, coinciding with the economic downturn in the Minneapolis metropolitan area.

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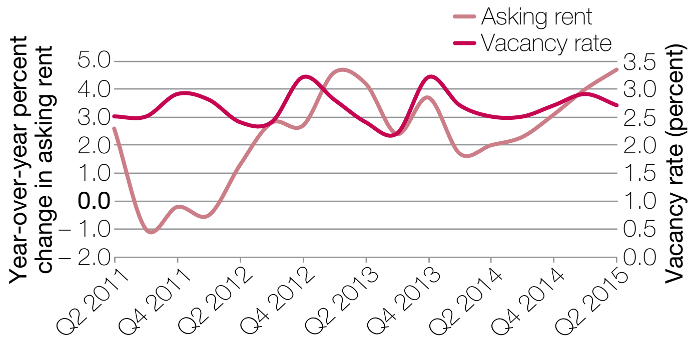
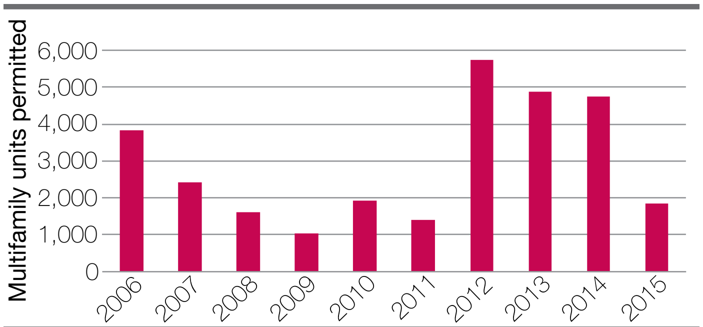
Apartment market conditions were tight in the Minneapolis area, and rents have increased every year since 2012.



Source: MPF Research

Multifamily permitting in the Minneapolis area peaked from 2012 through 2014 in response to tight apartment market conditions.



Note: Includes preliminary data from January 2015 through June 2015.
Source: U.S. Census Bureau, Building Permits Survey

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- An estimated 5,250 apartment units are currently under construction in the Minneapolis metropolitan area, including 2,625 in the city of Minneapolis. This total is a decrease from a year ago, when 7,150 units were under construction in the Minneapolis metropolitan area and 4,525 units were under construction in the city of Minneapolis (MPF Research).
- In downtown Minneapolis, adjacent to the MetroTransit Green Line light rail, the 262-unit 4Marq is a 30-story new construction apartment property scheduled to open in the fall of 2015. Studio, one-bedroom, two-bedroom, and three-bedroom apartments rent for $1,365, $1,715 to $2,550, $2,475, and $5,165 to $5,265, respectively. In suburban Eagan, in Dakota County, Minnesota, City Vue Apartments is a conversion of an existing 11-story office tower into 113 market-rate apartments, currently leasing, with one- and two-bedroom apartments that rent for $1,135 to $1,800 and $1,610 to $2,565, respectively.