

COMPREHENSIVE HOUSING MARKET ANALYSIS

Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of May 1, 2022



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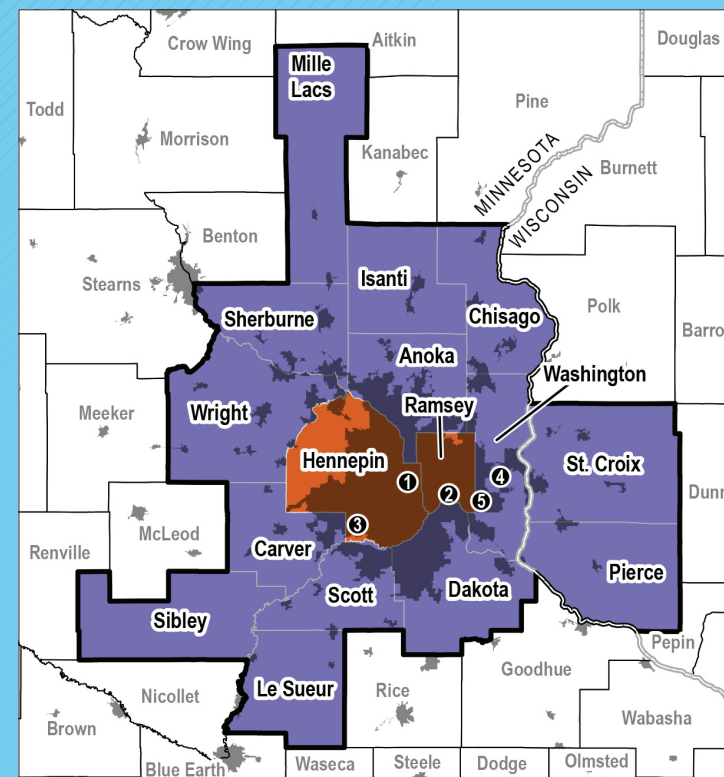
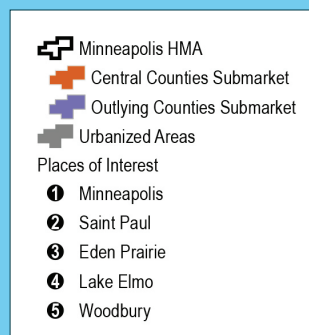


Executive Summary

Housing Market Area Description

The Minneapolis-Saint Paul-Bloomington, Minnesota-Wisconsin HMA (hereafter, the Minneapolis HMA) is the northernmost large metropolitan area along the Mississippi River. The area is coterminous with the Minneapolis-Saint Paul-Bloomington Metropolitan Statistical Area (MSA) and consists of 16 counties. For the purposes of this analysis, the HMA is divided into two submarkets: (1) the Central Counties submarket, which includes Hennepin and Ramsey Counties, and (2) the Outlying Counties submarket, which includes the remaining 14 counties; Anoka, Carver, Chisago, Dakota, Isanti, Le Sueur, Millie Lacs, Scott, Sherburne, Sibley, Washington, and Wright in Minnesota, and Pierce and St. Croix in Wisconsin. The Central Counties submarket includes the two largest cities in the HMA, Minneapolis and Saint Paul. The Outlying Counties submarket is a mix of suburban and rural areas.

The current population of the HMA is estimated at 3.70 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Improving: Nonfarm payrolls increased by 75,800 jobs, or 4.0 percent, during the 12 months ending April 2022.

The economy in the Minneapolis HMA is recovering from jobs lost during the March and April 2020 recession. As of April 2022, payrolls were 85 percent recovered from the early 2020 decline, led by gains in the manufacturing and the professional and businesses services sectors, with payrolls at 160 and 105 percent of prepandemic levels, respectively (monthly, non-seasonally adjusted). During the 3-year forecast period, job growth is expected to average 1.1 percent annually, slowing from the most recent 12 month gains partially because of tightening labor market conditions and effects of expected interest rate increases.

Sales Market



Tight: The inventory of homes for sale averaged 1.3 months during the 12 months ending April 2022, down from 1.6 months during the previous 12 months (CoreLogic, Inc.).

Home sales prices, including prices for new and existing homes, have increased rapidly during the past 24 months. During the 12 months ending April 2022, home prices increased 12 percent to \$397,400, faster than the 10-percent gain during the previous 12 months and the average gain of 5 percent, annually, from 2012 through 2019 (Zonda). Historically low mortgage interest rates in 2020 and 2021 attracted homebuyers, which also contributed to tight conditions. During the 3-year forecast period, demand is expected for an additional 28,500 homes, moderating from recent high levels of demand because of an expected slowdown in household growth. The 6,675 homes currently under construction are expected to meet a portion of that demand during the first year of the forecast.

Rental Market



Slightly Tight: The current vacancy rate in the rental market is estimated at 4.6 percent, down from 7.6 percent in 2010.

The single-family rental market, which accounts for approximately one-fourth of all rental units in the Minneapolis HMA, is currently tight. The average rent for a three-bedroom single-family home increased 5 percent compared with a year ago, accelerating from a 4 percent increase during the previous year (CoreLogic, Inc.). The apartment market is balanced, shifting from slightly soft conditions a year ago, when the vacancy rate was elevated. The apartment vacancy rate was 6.0 percent during the first quarter of 2022, down from 6.6 percent a year earlier (CoStar Group). During the 3-year forecast period, demand is expected for an additional 20,275 rental units. The 20,500 units currently under construction are expected to meet nearly all of the demand during the forecast period.

TABLE OF CONTENTS

Economic Conditions 4
Population and Households 10
Home Sales Market 15
Rental Market 26
Terminology Definitions and Notes 35

3-Year Housing Demand Forecast

	Sales Units			Rental Units		
	Minneapolis HMA Total	Central Counties Submarket	Outlying Counties Submarket	Minneapolis HMA Total	Central Counties Submarket	Outlying Counties Submarket
Total Demand	28,500	7,200	21,300	20,275	12,650	7,625
Under Construction	6,675	1,375	5,300	20,500	13,050	7,450

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2022. The forecast period is May 1, 2022, to May 1, 2025.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

During the 12 months ending April 2022, nonfarm payrolls increased at the fastest rate in more than two decades, rising 4.0 percent, or by 75,800, to 1.95 million jobs in the Minneapolis HMA.

Primary Local Economic Factors

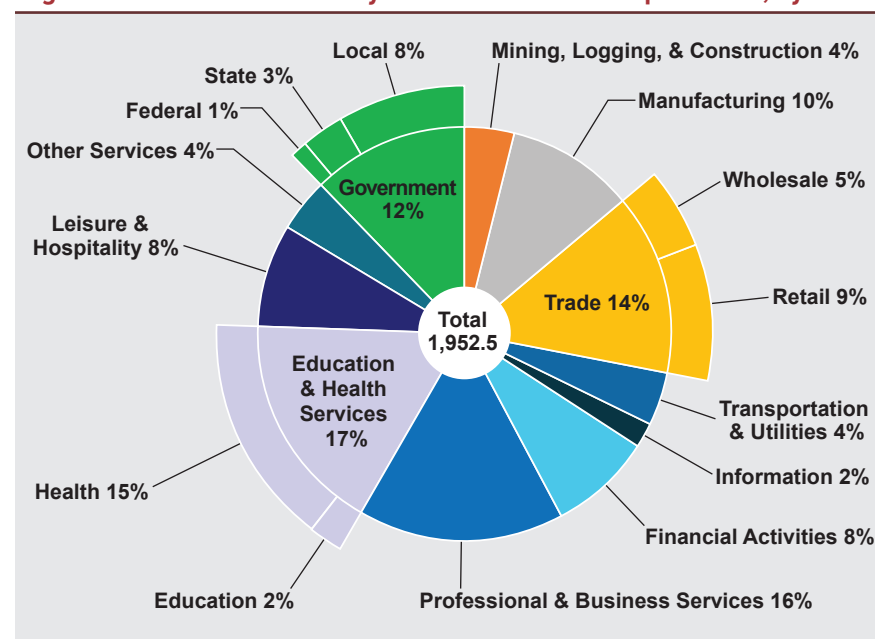
The Minneapolis HMA has the second largest economy by number of jobs in the HUD-defined Midwest region, which includes the states of Minnesota, Wisconsin, Illinois, Indiana, Michigan, and Ohio. As a large economy, there are a wide variety of employers and industries offering a stable base of employment and supporting growth. There are 16 Fortune 500 companies headquartered in the HMA. These companies include the consumer-facing retailers Target Corporation, Best Buy Co., Inc., and 3M Company; food producers General Mills, Inc., CHS Inc., and Land O'Lakes, Inc.; healthcare and scientific companies UnitedHealth Group, and Ecolab Inc.; and banking and financial services companies U.S. Bancorp, Ameriprise Financial, Inc., and Thrivent. In 2021, the 16 companies alone had nearly \$600 billion in revenue and employed 1.1 million people worldwide, with an unannounced number in the HMA.

Medical-related companies contributed to economic growth in the 2010s and supported recovery from the early 2020 recession. An agglomeration of companies marketed as “Medical Alley,” which includes healthcare providers, health insurance companies, pharmaceutical companies, and medical device manufacturers, are drawing new investment into the area. During the first quarter of 2022, Medical Alley companies raised \$475 million in private venture capital that will fund research and expansion. Most companies that are included in the Medical Alley cluster are within one of three nonfarm payroll sectors; the education and health services sector, which includes healthcare providers; the professional and businesses services sector, which includes scientific research; and the manufacturing sector, which includes medical devices and pharmaceuticals. These sectors are currently the largest, second

largest, and fifth largest in the HMA (Figure 1). Since 2011, which was the first year of job growth after the Great Recession, the three sectors have added a combined 132,500 jobs, accounting for 65 percent of all jobs added (Figure 2).

Two large government institutions contributed to local economic stability in the Minneapolis HMA: the University of Minnesota-Twin Cities (UMN) and the state capital with related executive branch offices. In the fall 2021 semester, UMN had 52,400 students and employed 23,700 people. The university had an \$8.7 billion impact statewide in 2017, including \$1.2 billion in research funds (University of Minnesota). The executive branch of the State of Minnesota government, which includes all the state agencies delivering services to residents, employs approximately 20,000 workers in the HMA.

Figure 1. Share of Nonfarm Payroll Jobs in the Minneapolis HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through April 2022.

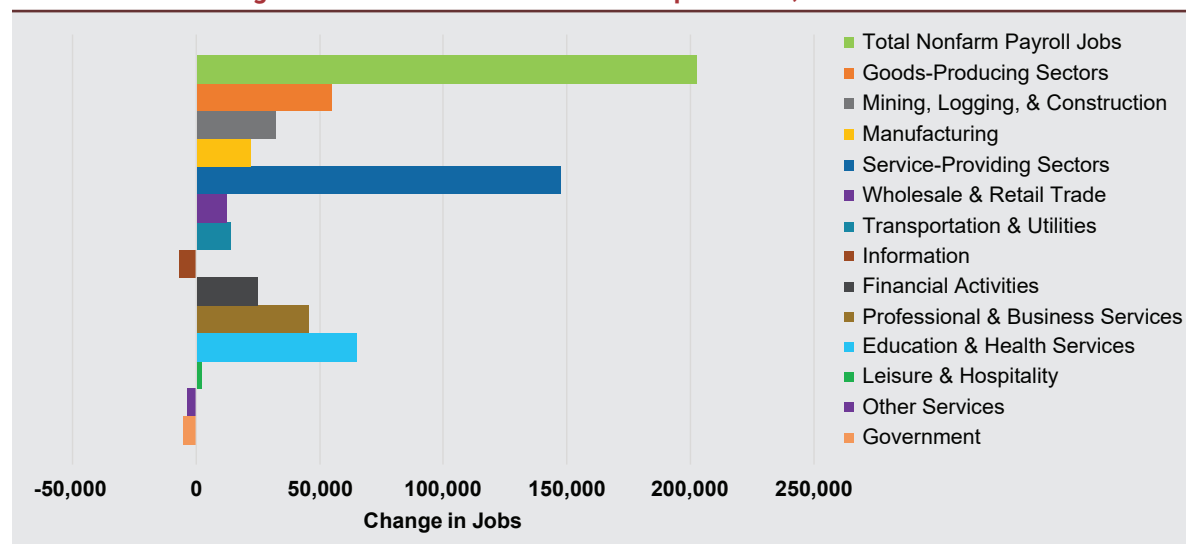
Source: U.S. Bureau of Labor Statistics

The expanding public transit network in the HMA supports economic growth. During the past two decades, Metro Transit, the public transportation provider, built a network of light rail and bus rapid transit lines radiating from downtown Minneapolis and downtown Saint Paul into city neighborhoods and suburbs, mostly in Hennepin and Ramsey Counties. New lines or extensions were opened in 2004, 2009, and 2014. The next line, the Southwest LRT line, serving the southwest suburbs in Hennepin County, is currently under construction. The \$2 billion infrastructure project is expected to open in 2027. In addition to the construction jobs directly supported by the transportation projects, areas near the new stations have attracted housing and commercial construction projects, supporting additional jobs.

The Onset of the COVID-19 Pandemic: March and April 2020 Recession and Monthly Job Changes

The onset of the pandemic in March 2020 and subsequent measures to limit the spread of the COVID-19 virus contributed to a sharp economic downturn in March and April 2020. During the 2-month recession, nonfarm payrolls declined by 280,000 jobs in the HMA (monthly, non-seasonally adjusted). All sectors declined, with the largest losses occurring in the leisure and hospitality sector, which was down by

Figure 2. Sector Growth in the Minneapolis HMA, 2011 to Current



Note: The current date is May 1, 2022.

Source: U.S. Bureau of Labor Statistics

102,100 jobs and accounted for 36 percent of jobs lost, despite the sector including only 9 percent of total jobs in the HMA in 2019.

In the approximately 27 months since the onset of the pandemic, the economy in the Minneapolis HMA has partially recovered from the early 2020 losses. In April 2022, nonfarm payrolls were 85 percent recovered from losses that occurred during the March and April 2020 recession (monthly, not seasonally adjusted). By comparison, payrolls in the HUD-defined Midwest region were 92 percent recovered, and the nation was completely recovered.

Economic Recovery: 12-Month Average Changes in Nonfarm Payrolls

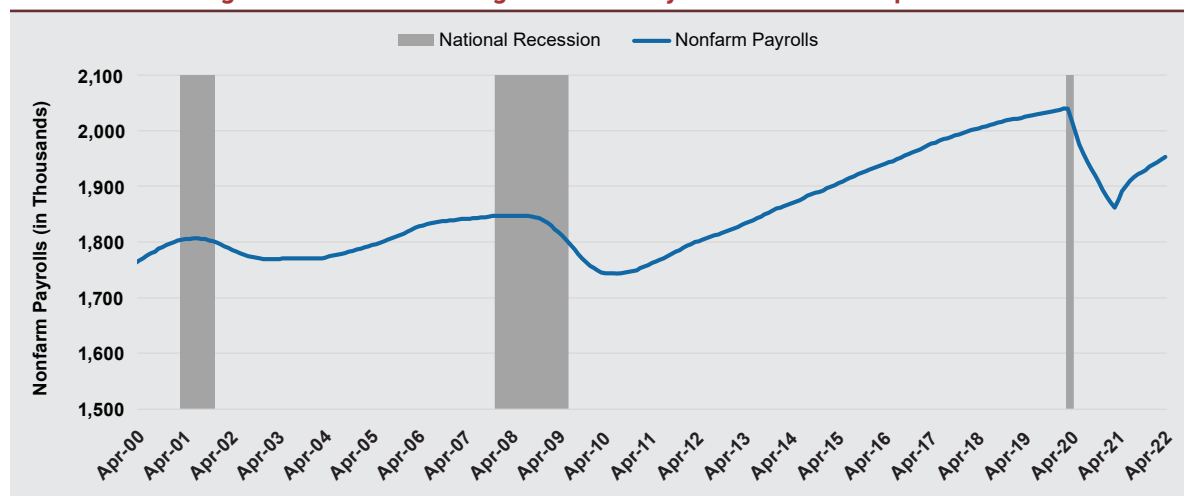
The rapid job loss and recovery in the HMA is reflected in the large fluctuations in payrolls. During the 12 months ending April 2022, nonfarm payrolls increased at the fastest year-over-year rate in over two decades, up by 75,800 jobs, or 4.0 percent, a partial reversal from the decline of 140,000 jobs, or 6.9 percent, during the 12 months ending April 2021 (Figure 3). The average number of jobs during the 12 months ending April 2022 was 1,952,500 jobs, or 3.6 percent below the average from the 12 months

ending April 2019, which was the most recent comparable year-over-year period not influenced by the pandemic.

Two key factors contributed to recovery in the leisure and hospitality sector. The easing of formal government restrictions on businesses occurred in phases during 2020 and 2021. Access to vaccines that prevent severe illness from COVID-19, which became available to adults in early 2021, reduced some consumer concerns about getting sick from the virus. During the 12 months ending April 2022, jobs in the sector increased by 30,400, or 23.5 percent (Table 1), a partial reversal from the decline of 53,400 jobs, or 29.2 percent, during the previous 12-month period. Major summer festivals that were canceled in 2020 and scaled back in 2021 have returned in 2022, supporting recovery in the sector. The Minnesota State Fair, held annually in late August, had a \$268 million economic impact statewide before the pandemic. The event was canceled in 2020, was held in 2021, though with below-average attendance, and is expected to return to prepandemic attendance levels in the summer of 2022.

Sectors with a higher share of jobs that could be shifted to telework, were considered essential services, or those which reopened quickly after the initial period of restrictions had more limited losses early in the pandemic and are currently contributing to the recovery. The Medical Alley

Figure 3. 12-Month Average Nonfarm Payrolls in the Minneapolis HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Minneapolis HMA, by Sector

	12 Months Ending April 2021	12 Months Ending April 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	1,876.7	1,952.5	75.8	4.0
Goods-Producing Sectors	275.6	286.6	11.0	4.0
Mining, Logging, & Construction	84.2	87.6	3.4	4.0
Manufacturing	191.4	199.0	7.6	4.0
Service-Providing Sectors	1,601.0	1,665.9	64.9	4.1
Wholesale & Retail Trade	266.0	269.5	3.5	1.3
Transportation & Utilities	71.1	75.6	4.5	6.3
Information	32.1	32.7	0.6	1.9
Financial Activities	158.8	157.1	-1.7	-1.1
Professional & Business Services	309.8	322.1	12.3	4.0
Education & Health Services	330.8	338.0	7.2	2.2
Leisure & Hospitality	129.4	159.8	30.4	23.5
Other Services	67.6	73.1	5.5	8.1
Government	235.6	238.0	2.4	1.0

Notes: Based on 12-month averages through April 2021 and April 2022. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

cluster of sectors, which includes the education and health services, the professional and businesses services, and the manufacturing sectors, added 7,200, 12,300, and 7,600 jobs, or 2.2, 4.0, and 4.0 percent, respectively, during the 12 months ending April 2022, accounting for a combined total of nearly 36 percent of job gains in the HMA during the past 12 months. Contributing to recovery in the manufacturing sector are a \$20 million and 150-job expansion at Boston Scientific and a \$38 million and 136-job expansion at Juno Pacific, both of which are medical device manufacturers; both expansions were announced in March 2021, with hiring expected to be partially complete by the current date.

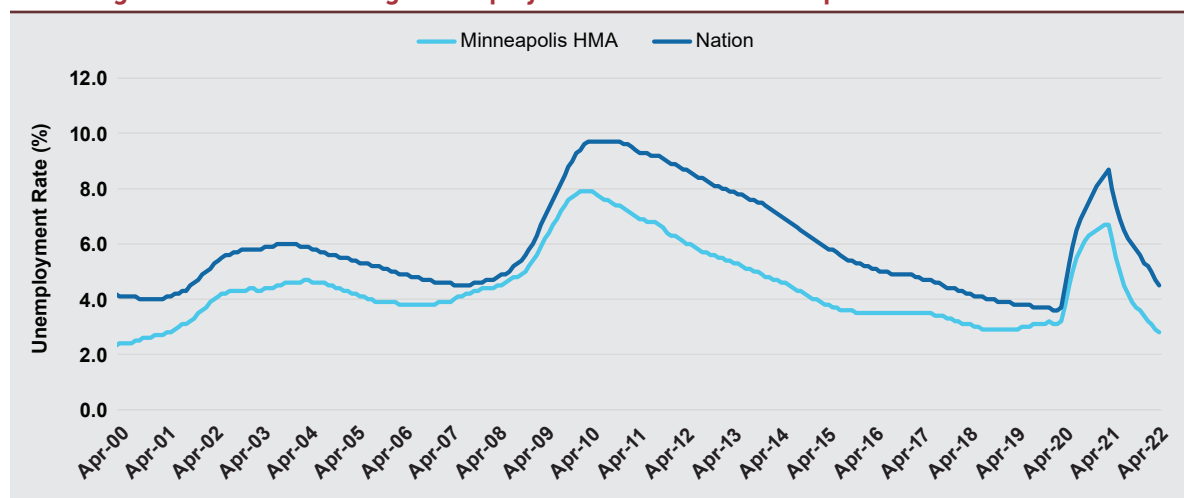
Unemployment Trends

The unemployment rate is currently below prepandemic levels. During the 12 months ending April 2022, the unemployment rate averaged 2.8 percent, down from 6.2 percent 1 year earlier and 3.8 percent 2 years earlier

Economic Periods of Significance 2001 Through 2007

The early to mid-2010s were mostly years of economic growth in the Minneapolis HMA. Nonfarm payrolls increased by an average of 7,100 jobs, or 0.4 percent, annually from 2001 through 2007, with gains each year except during 2002. All growth during the

Figure 4. 12-Month Average Unemployment Rate in the Minneapolis HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

(Figure 4). During the past 12 months, resident employment increased 3.0 percent, and the labor force decreased 0.7 percent, contributing to the low current unemployment rate.

The unemployment rate during the most recent 12 months is below the rate during the period of economic expansion in the 2010s. From 2013, the year the HMA fully recovered from job losses during the Great Recession, to 2019, the most recent calendar year before the onset of the pandemic, the unemployment rate averaged 3.6 percent, including a low of 2.9 percent in 2018.

period occurred in the service-providing sectors. The largest gain was in the education and health services sector, adding an average of 9,200 jobs, or 4.3 percent, annually.

Offsetting gains in service-providing sectors were a decline in the goods-producing sectors. The manufacturing sector fell by an average of 5,200 jobs, or 2.3 percent, annually. In 2000, the sector was the third largest in the HMA, with 14 percent of all jobs, behind only the wholesale and retail trade and the professional and business services sectors. By 2007, the sector fell to fifth largest, with 11 percent of jobs, also exceeded by the education and health services and the government sectors. The mining, logging, and construction sector fluctuated during the period, adding jobs during most years from 2001

through 2005, partially because of increasing residential construction, and then declining during 2006 and 2007 as the mortgage crisis led to reduced residential construction.

2008 Through 2010

The effects of the Great Recession in the late 2000s resulted in a decline in jobs in the Minneapolis HMA. From 2008 through 2010, payrolls declined by an average of 32,400 jobs, or 1.8 percent, annually. The largest loss was in the manufacturing sector, down by an average of 9,800 jobs, or 5.0 percent, annually. The two sectors most directly involved in the mortgage crisis, which was the initial cause of the Great Recession, were the mining, logging, and construction and the financial activities sectors. These two sectors declined by averages of 8,200 jobs and 2,300 jobs, or 11.5 percent and 1.7 percent, respectively. The education and health services sector was the only sector to add jobs during the period, rising by an average of 6,300 jobs, or 2.4 percent, annually, but gains were slower than the previous period when other sectors were also expanding. In 2009, Children's Minnesota hospital completed a \$150 million expansion opening the Children's Specialty Center, contributing to gains in the sector.

2011 Through 2019

The 2010s decade included a 9-year period of growth in the Minneapolis HMA. From 2011 through 2019, nonfarm payrolls increased by an average of 31,800 jobs, or 1.7 percent, annually. Growth during the 9-year period was faster than the period of gains in the early to mid-2000s. Nonfarm payrolls exceeded the 2007 high level of jobs in 2013. Economic expansion moderated later in the 2010s decade, partially because tight labor market conditions resulted in fewer workers available for hire. Job gains averaged 1.9 percent, or 35,200 jobs, annually, from 2011 through 2017 and slowed to 1.0 percent, or 20,000 jobs, annually, during 2018 and 2019.

All sectors in the HMA except for the information sector added jobs from 2011 through 2019. Two of the three Medical Alley sectors—the education and health services and the professional and business services sectors—had gains that were faster than the HMA overall, rising by averages of 8,000 and 6,000 jobs, or 2.6 and 2.0 percent, respectively. The third sector in the cluster, the manufacturing sector, gained an average of 2,700 jobs, or 1.4 percent, annually, a reversal from the prolonged period of decline in the 2000s.

Commuting Patterns

In 2019, nearly all jobs in the Minneapolis HMA were performed by someone who also lived in the HMA, and nearly all employed residents worked in the HMA. Only 9 percent of jobs in the HMA were held by someone that lived outside the HMA, and only 6 percent of working residents commuted to a job outside the HMA (U.S. Census, OnTheMap, 2019).

Jobs within the HMA were concentrated in the Central Counties submarket, with approximately two-thirds of all jobs (Table 2, Map 1). The two largest Census-defined industries in the submarket were healthcare and social assistance, with about 190,000 jobs, and professional, scientific, and technical services, with about 115,000 jobs. Among people who worked in the submarket, 58 percent also lived in the submarket, 35 percent

Table 2. Current Estimated Percent Share of Nonfarm Payrolls in the Minneapolis HMA, by Submarket

Central Counties Submarket	67
Outlying Counties Submarket	33

Source: 2019 U.S. Census Journey to Work

commuted from the Outlying Counties submarket, and 7 percent commuted from outside the HMA (Table 3). The remaining one-third of jobs in the HMA were in the Outlying Counties submarket. The largest Census-defined industries in the Outlying Counties submarket were manufacturing, with about 100,000 jobs, healthcare and social assistance, with about 76,000 jobs, and retail trade, with about 70,000 jobs. Among people who worked in the submarket,

66 percent also lived in the submarket, 21 percent commuted from the Central Counties submarket, and 13 percent commuted from outside the HMA.

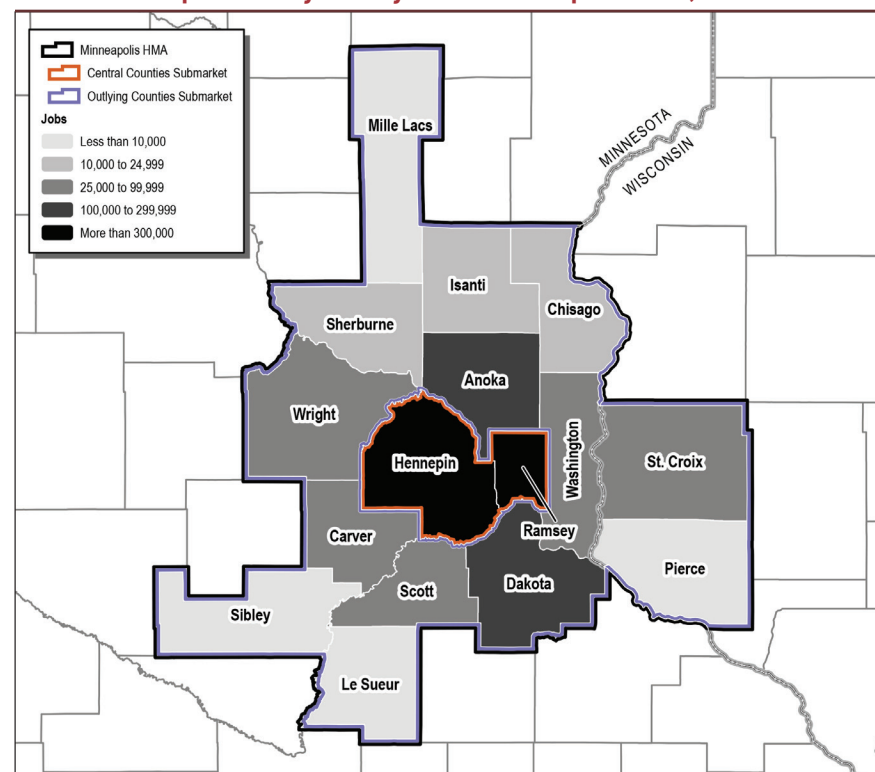
At the onset of the COVID-19 pandemic in March 2020, employers shifted some jobs to telework, thus eliminating the need to commute to a workplace. In the Minneapolis HMA, an estimated 48 percent of jobs are able to be completed partially or fully by telework (analyst estimates, informed by the Bureau of Labor Statistics). The option to telework enabled some households to make housing choices that were not influenced by proximity to a job, and conversely, some workers were able to change employers without consideration for travel to a workplace.

Forecast

During the next 3 years, job growth is expected to continue, but at a slower rate compared with the most recent 12 months, partially because of the currently tight labor market conditions and because anticipated interest rate increases in 2022 are expected to slow growth. Rising housing and food prices associated with the elevated inflation rate in 2021 and 2022, along with successively less severe waves of COVID-19, are expected to draw workers who left the labor force during the past 2 years back to work, allowing for job and labor force growth. Nonfarm payroll gains are expected to average 1.1 percent annually.

Jobs in the Medical Alley sectors are expected to contribute to gains. In early 2022, Gravie, Inc., a health benefits company, announced a \$75 million and 150-worker expansion, and Nice Healthcare, offering remote and in-home healthcare, announced a \$30 million and 200-worker expansion. High-tech manufacturers Phillips & Temro Industries and SICK AG announced multi-year expansions, adding a combined 1,200 workers and \$100 million in capital investment. Small and mid-sized computer programming and software companies, including Dispatch Technologies, Inc., Seagate Technology LLC, Compute North LLC, Branch Metrics, Inc., and King Technology, raised nearly \$525 million from investors during the first quarter of 2022 and are planning to hire a combined 300 workers during the forecast period.

Map 1. Jobs by County in the Minneapolis HMA, 2019



Source: U.S. Bureau of Labor Statistics

Table 3. Jobs by Place of Worker Residence in the Minneapolis HMA

Worker Residence	Location of Primary Job	
	Central Counties Submarket (%)	Outlying Counties Submarket (%)
Central Counties Submarket	58	21
Outlying Counties Submarket	35	66
Outside the HMA	7	13

Source: 2019 U.S. Census Journey to Work

Population and Households

Current Population: 3.70 Million

Population growth averaged 1.1 percent, annually from 2010 to 2019, but has moderated to 0.3 percent annually since 2019 because of net out-migration and lower net natural increase in the HMA (Census Bureau population estimates as of July 1, with adjustments by the analyst).

Population Trends

In the Minneapolis HMA, economic and population changes are closely aligned. During the period of economic growth in the 2000s, the population increased, supported by both net natural increase and net in-migration. A slowdown in population growth occurred at the depth of the Great Recession, when residents moved away for better job opportunities elsewhere, followed by a period of stronger population growth throughout the 2010s supported by faster job gains compared with the 2000s and higher levels of net in-migration. Population growth has slowed since 2019, generally coinciding with the onset of the COVID-19 pandemic and early 2020 recession.

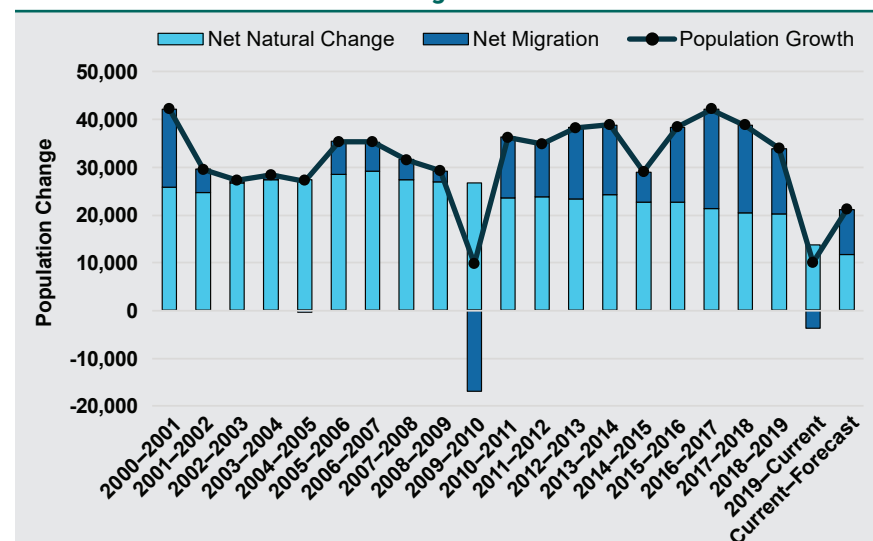
2000 to 2010

During the period of economic growth in the 2000s and the early years of the Great Recession, population growth averaged 32,300, or 1.0 percent, annually from 2000 to 2009 (Figure 5). Most of the gain was attributed to net natural increase, which averaged 27,150 annually, with net in-migration averaging 5,150 annually. Weak economic conditions led to slower population growth from 2009 to 2010, which averaged 9,800 people, or 0.3 percent, annually. The slowdown was primarily because of net out-migration, which averaged 17,000 people annually, as residents moved away for better economic opportunities elsewhere.

2010 to 2019

As economic growth resumed in the 2010s, population growth increased to an average of 36,750, or 1.1 percent, annually from 2010 to 2019. The faster gains

Figure 5. Components of Population Change in the Minneapolis HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (May 1, 2022) to May 1, 2025.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

relative to the 2000s were primarily because of increased net in-migration, which averaged 14,250 people annually, or nearly three times the level from the 2000s. Net natural increase moderated to an average of 22,500 people annually as the birthrate declined and the senior population increased.

2019 to Current

Coinciding with slower economic expansion at the end of the 2010s and then the onset of the COVID-19 pandemic, population growth has slowed to an average of 10,050 people, or 0.3 percent, annually since 2019. Migration trends reversed compared with most years in the 2010s, shifting to net out-migration averaging 3,800 people annually, and net natural increase fell to an average of 13,850 people annually, a nearly 40-percent reduction from the 2010s average. A portion of the steep reduction in net natural increase is attributed to the over 7,000 deaths from COVID-19 in the HMA since 2020.

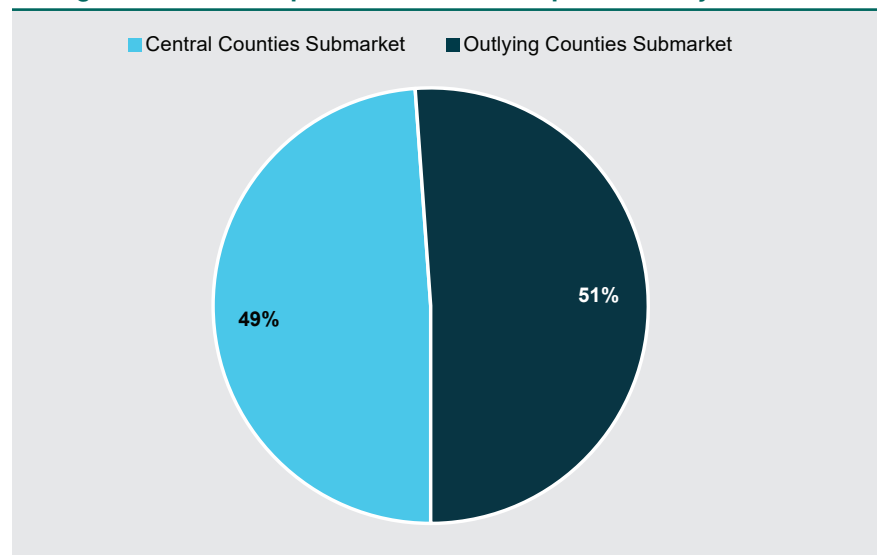
Demographics Influencing Net Natural Increase

Two major factors have influenced net natural increase since the early 2010s: a decline in the birthrate and an increase in the senior population age 60 and older. In 2011, there were 13.3 births per 1,000 residents. In 2021, the birthrate fell to 11.2 births per 1,000 residents (Census Bureau population estimates as of July 1). The senior population accounted for 11 percent of the total population, or approximately 350,000 residents, in 2010, and increased an average of 5 percent annually to approximately 525,000 residents, or 14 percent of the population, in 2019 (2010 and 2019 American Community Survey 1-year data).

Submarket Comparison

The Central Counties submarket includes the two largest cities in the HMA, Minneapolis and Saint Paul, and inner-ring suburbs; the Outlying Counties submarket includes suburban and rural areas. The population is roughly evenly divided, with 49 percent of residents living in the Central Counties submarket and 51 percent living in the Outlying Counties submarket (Figure 6).

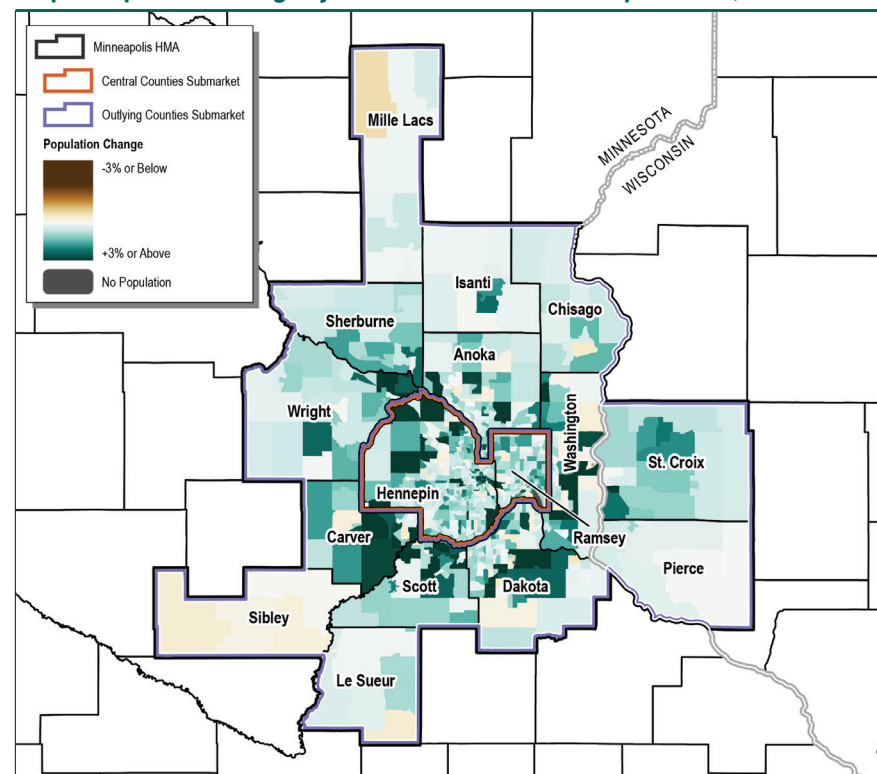
Figure 6. Current Population in the Minneapolis HMA, by Submarket



Source: Estimates by the analyst

From 2010 to 2020, the fastest population gains were in the Minneapolis and Saint Paul downtown areas and nearby neighborhoods where high-density multifamily housing was developed, often in areas where light rail transit stations had opened, and on the periphery of the urbanized areas that were previously undeveloped (Map 2).

Map 2. Population Change by Census Tract in the Minneapolis HMA, 2010 to 2020



Source: U.S. Bureau of Labor Statistics

Central Counties Submarket Trends

The Central Counties submarket had net out-migration during much of the 2000s, resulting in slower population growth relative to the HMA. From 2000 to 2009, population growth averaged 2,825 people, or 0.2 percent, annually, slowed by net out-migration, which averaged 9,425 people annually. From

2009 to 2010, population growth in the submarket increased to 10,450 or 0.6 percent, annually, partially because net out-migration slowed to 1,150 people.

Migration trends reversed in the 2010s, and there was net in-migration most years, contributing to faster population growth. Rising preferences for living in central cities and renting, both of which were more readily available in the submarket, contributed to the change in migration trends. From 2010 to 2019, population growth averaged 18,600 people, or 1.1 percent, annually, including net in-migration averaging 7,000 people per year. Since 2019, the population in the submarket declined by an average of 8,225, or 0.5 percent, annually, primarily because of elevated net out-migration, which averaged 15,250 people annually.

Several factors contributed to the reversal of migration trends since 2019. The increase in telework reduced the need to live close to a workplace for some workers. Low mortgage interest rates in 2020 and 2021 incentivized households to buy homes, sometimes resulting in a household moving from a downtown or central city neighborhood to a suburban or rural area. An elevated portion of workers retired at the onset of the pandemic, and some are expected to have moved out of the HMA. In 2020, net out-migration from the Central Counties to the Outlying Counties submarket was 20,500 people, up from 13,050 people a year earlier, and net out-migration to counties in Arizona, Florida, and Nevada, which are popular states for retirees, was 1,375 people, up from 1,250 people (Internal Revenue Service [IRS] County to County Migration Data, 2019 and 2020). International immigration, which accounted for most of the net in-migration into the submarket during the 2010 to 2019 period, had been declining since 2017 because of changes to federal immigration policy; international immigration fell sharply at the onset of the pandemic. The largest shares of international immigration came from Asia and Africa, which accounted for 40 and 22 percent of international immigration, respectively (U.S. Census Metro-to-Metro Migration, 2015–2019).

Outlying Counties Submarket Trends

The Outlying Counties submarket has had net in-migration most years since 2000, resulting in faster growth than the Central Counties submarket in the

2000s, and again since 2019. From 2000 to 2009, a period that included several years when there were low barriers to homeownership and a preference for suburban living, the population in the submarket increased an average of 29,450, or 1.9 percent, annually, including net in-migration of 14,550 people annually. At the depths of the Great Recession, which included a sharp decline in homebuying, the population in the Outlying Counties submarket declined an average of 630, or less than 0.1 percent, annually, including net out-migration of 15,850 people from 2009 to 2010.

Population growth resumed from 2010 to 2019, but at a slower rate, averaging 18,200, or 1.0 percent, annually. Net in-migration averaged 7,300 people annually, capturing about one-half of total net in-migration into the HMA during the period. Population growth since 2019 remained similar to the 2010s, averaging 18,250 people, or 1.0 percent, annually. Net in-migration increased to 11,400 people annually, as the increase in jobs that allow telework, combined with low mortgage interest rates, enabled more households to move farther away from the high concentration of jobs in the Central Counties submarket and into the Outlying Counties submarket.

Population Forecast

During the 3-year forecast period, population growth in the HMA is expected to average 0.6 percent annually, faster than the 2019-to-current period but slower than during the 2010s. Economic growth during the forecast period is expected to support a return to net in-migration in the HMA, but economic growth is expected to be slower than during the 2010s, so lower net in-migration is also expected. Lower birthrates are expected to continue, and the number of seniors is expected to continue to rise as the “baby boom” generation ages; those factors, and the waning, but still present health effects of the pandemic, are expected to result in subdued levels of net natural increase. Workplace flexibilities, and a larger share of available, developable land in the Outlying Counties submarket, are expected to result in a greater portion of the HMA population growth occurring in the Outlying Counties

submarket (Figure 7). Population change is expected to be relatively steady during the forecast period, with lower levels of net natural increase offset by rising net in-migration.

Household Growth Trends

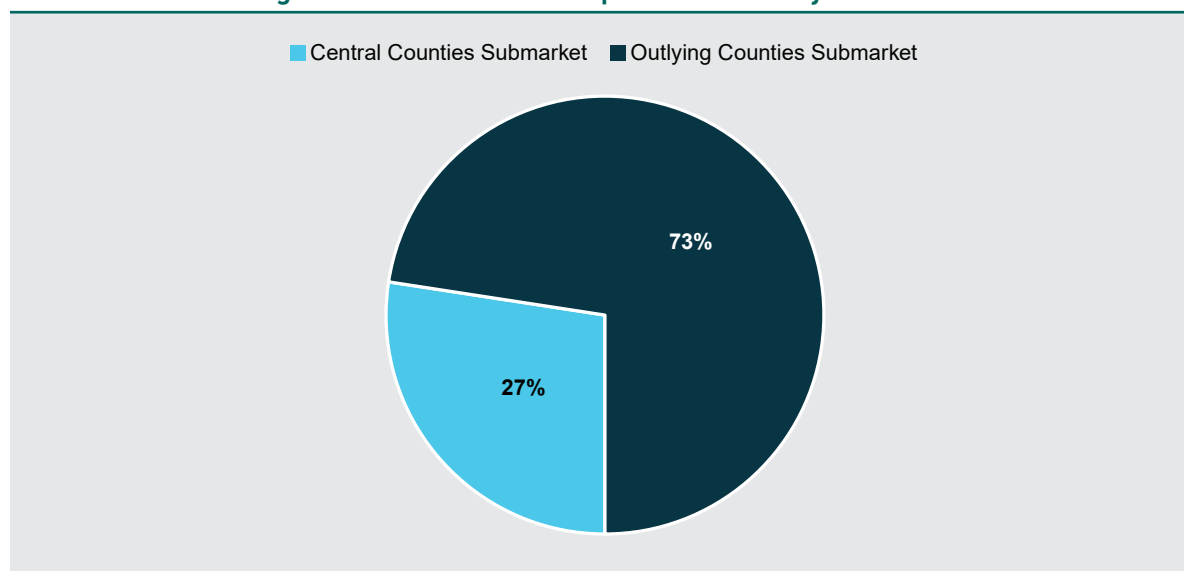
Household growth in the HMA has moderated slightly since 2010 compared with the 2000s, partially because of a slowdown in population growth since 2019. In the 2000s, the number of households increased by an average of 13,875, or 1.1 percent, annually, moderating to an average of 13,250, or 1.0 percent, annually since 2010 (Table 4).

Household growth in the Outlying Counties submarket was faster than the Central Counties submarket in the 2000s, and the submarkets grew at relatively similar rates since 2010. In the 2000s, household growth averaged 11,750, or 2.1 percent, annually in the Outlying Counties submarket and 2,125, or 0.3 percent, in the Central Counties submarket. Since 2010, household growth averaged 6,675, or 1.0 percent, annually in the Outlying Counties submarket and 6,575, or 0.9 percent, annually in the Central Counties submarket.

Household Tenure

The homeownership rate in the HMA has been declining since 2000, with rates of 72.6 percent in 2000, 71.6 percent in 2010, and an estimated 68.6 percent currently (Figure 8). Since 2010, owner households increased by an average of

Figure 7. Share of Forecast Population Growth by Submarket



Source: Estimates by the analyst

Table 4. Minneapolis HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast
	Population	3,348,859	3,700,000
	Average Annual Change	31,675	29,050
	Percentage Change	1.0	0.8
Household Quick Facts	2010	Current	Forecast
	Households	1,299,635	1,459,900
	Average Annual Change	13,875	13,250
	Percentage Change	1.1	1.0

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (May 1, 2022) to May 1, 2025.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

5,900 households, or 0.6 percent, annually, and renter households increased faster, up by an average of 7,450, or 1.8 percent, annually.

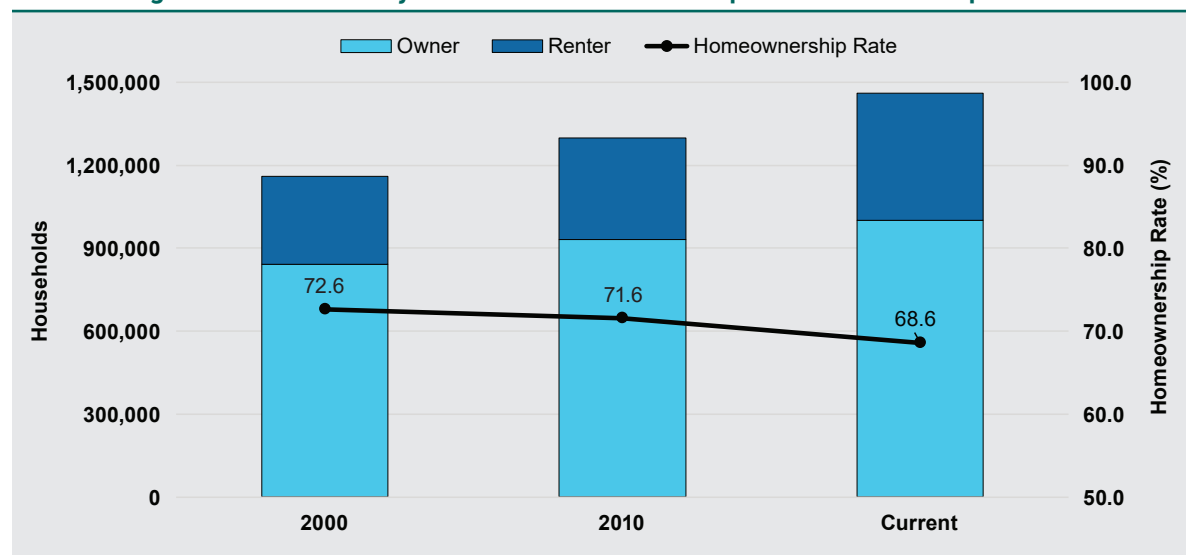
Both submarkets followed a similar pattern of decline in homeownership, partially because renter households increased at a faster rate than owner households. The Central Counties submarket homeownership rate

is currently estimated at 59.5 percent, down from 63.3 percent in 2010. The Outlying Counties submarket has a higher homeownership rate, currently estimated at 78.4 percent, down from 80.7 percent in 2010. The mortgage crisis, which led to an elevated rate of foreclosures in the early 2010s, forced some households that were previously homeowners to shift to renting. Additionally, there was a growing preference for living in established, walkable neighborhoods proximate to entertainment and employment centers, which was more readily met through renting.

Household Forecast

During the 3-year forecast period, the expected slowdown in population growth is also expected to slow household growth in the Minneapolis HMA. An average increase of 10,175 households, or 0.7 percent, annually, is expected. The Outlying Counties submarket is expected to account for about two-thirds of the additional household growth, partially because there is

Figure 8. Households by Tenure and Homeownership Rate in the Minneapolis HMA



Note: The current date is May 1, 2022.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

more developable land in the submarket, and employer flexibilities are expected to reduce the need for some households to live close to a workplace. Household growth in the submarket is expected to be faster than in the HMA overall, rising an average of 0.9 percent, or 6,475 households, annually. The Central Counties submarket is expected to account for the remaining one-third of additional households, rising an average of 0.5 percent, or 3,700 households, annually.

Home Sales Market

Sales Market—Minneapolis HMA

Market Conditions: Tight

The inventory of homes for sale has been below 6 months, which is considered balanced, since early 2013, and it has been below 2 months since late 2020, placing upward pressure on home sales prices.

Current Conditions

The home sales market is tight, with rapid price growth and a low inventory of homes for sale. The home sales vacancy rate is currently estimated at 1.0 percent, down from 1.9 percent in 2010, when conditions were slightly soft (Table 5). The average home sales price, including new and existing home sales, increased at the fastest rate in more than a decade, rising 12 percent to \$397,400 during the 12 months ending April 2022, accelerating from a 10-percent increase during the previous 12-month period and an average increase of 5 percent, annually from 2012 through 2019 (Figure 9). The lowest inventory of homes for sale in more than a decade has put upward pressure on prices. During the 12 months ending April 2022, the inventory of homes for sale was 1.3 months, down from 1.6 months a year earlier (CoreLogic, Inc.). The inventory has been below 6 months, which is considered balanced, since early 2013.

The lack of available inventory of homes for sale and higher mortgage interest rates in 2022 has limited home sales growth. During the 12 months ending April 2022, home sales increased 2 percent to 79,550 homes, slowing from a 5-percent increase during the previous 12-month period (Figure 10).

Current Conditions—Mortgage Interest Rates

Mortgage interest rates were near 50-year lows in 2020 and 2021, which attracted prospective buyers, contributing to tight conditions. In 2020, the

Table 5. Home Sales Quick Facts in the Minneapolis HMA

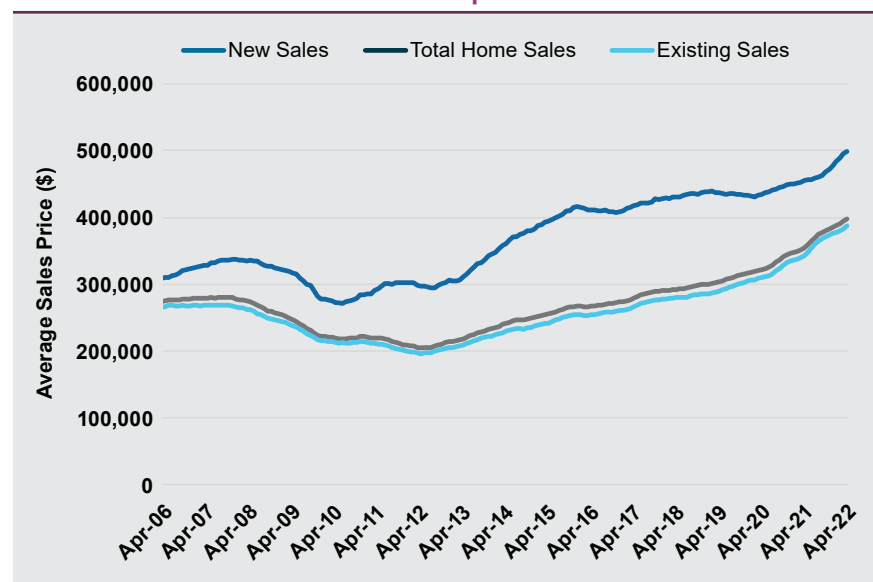
	Minneapolis HMA	Nation
Vacancy Rate	1.0%	NA
Months of Inventory	1.3	1.6
Total Home Sales	79,550	7,614,000
1-Year Change	2%	1%
Total Home Sales Price	\$397,400	\$417,900
1-Year Change	12%	15%
Mortgage Delinquency Rate	1.0%	1.5%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of April 2022. The current date is May 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA and national home sales and prices—Zonda

Figure 9. 12-Month Average Sales Price by Type of Sale in the Minneapolis HMA



Source: Zonda, with adjustments by the analyst

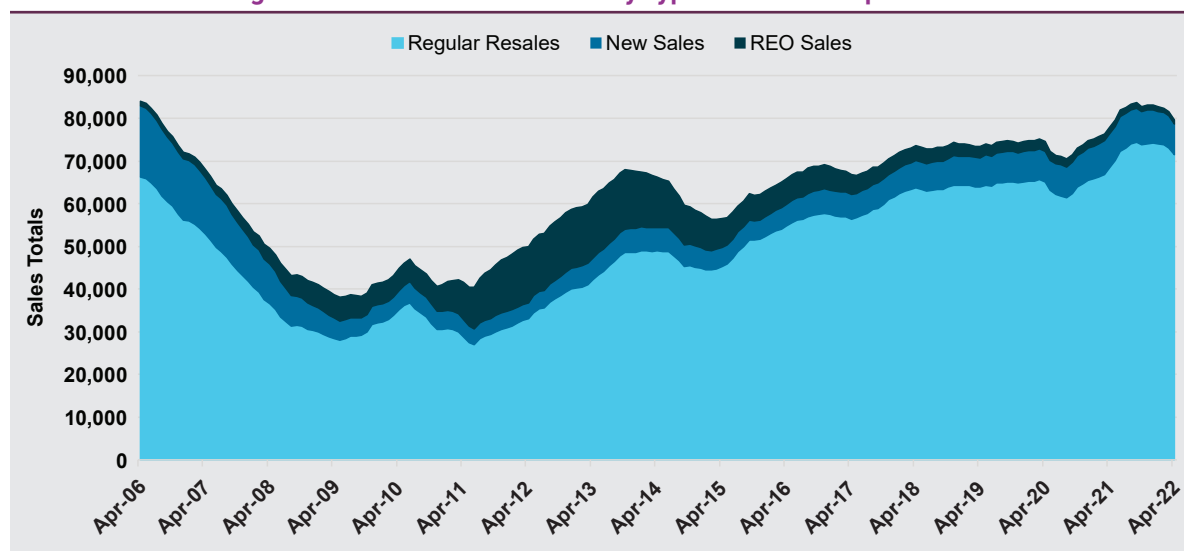
interest rate for a 30-year fixed rate mortgage averaged 3.1 percent and declined slightly to average 3.0 percent in 2021 (Freddie Mac). From January 2022 through April 2022, the mortgage interest rate increased nearly 2 percentage points, partially in response to increases in the federal funds interest rate. The higher mortgage interest rate results in a higher monthly housing payment, reducing affordability of homeownership. In response, home sales have moderated in recent months but have remained strong as households try to buy homes before rates rise further.

Current Conditions—Affordability

The Minneapolis HMA is among the top 30 percent of the most affordable metropolitan areas in the nation. During the first quarter of 2022, the HMA was ranked 67th most affordable place to live among 240 metropolitan areas (National Association of Home Builders (NAHB)/ Wells Fargo Housing Opportunity Index). In the HMA, a household earning the local median family income could afford 78.9 percent of homes listed for sale. Affordability has decreased from a year ago, when a household earning the local median family income could afford 84.2 percent of homes for sale, partially because home prices increased faster than incomes.

The largest share of home sales during the 12 months ending April 2022, 53 percent, were priced between \$200,000 and \$399,999 (Figure 11).

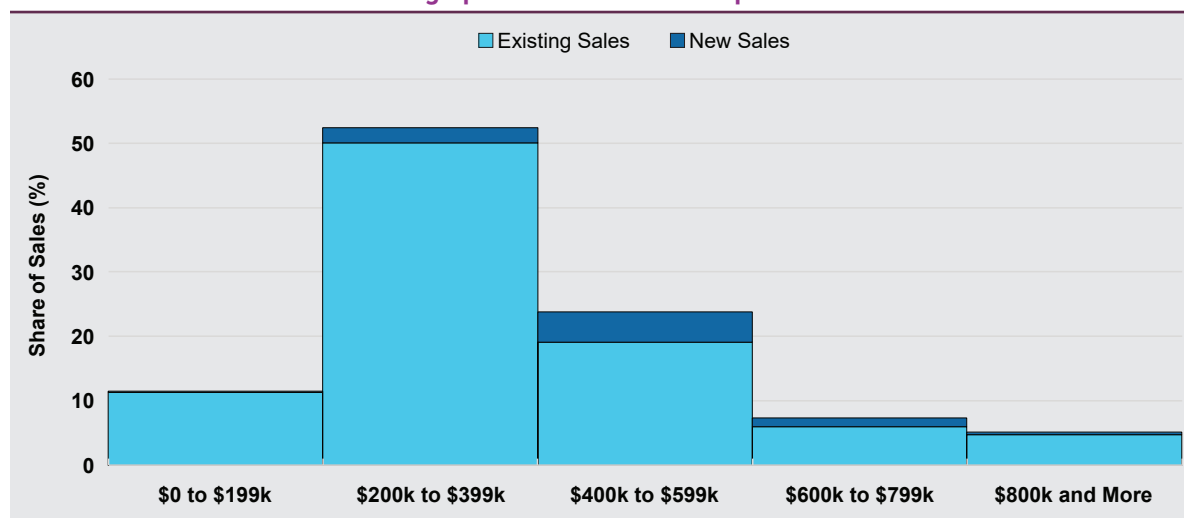
Figure 10. 12-Month Sales Totals by Type in the Minneapolis HMA



REO = real estate owned.

Source: Zonda, with adjustments by the analyst

Figure 11. Share of Overall Sales by Price Range During the 12 Months Ending April 2022 in the Minneapolis HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.

Source: Zonda

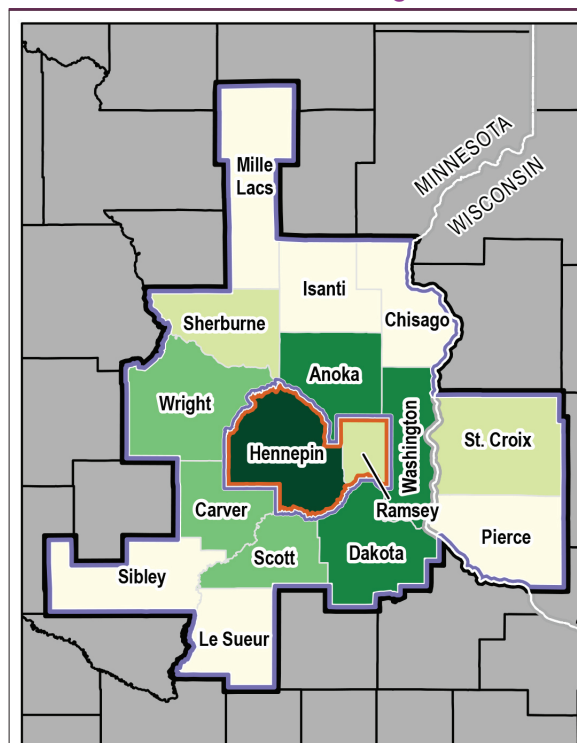
Homes priced at or below \$199,999 accounted for 11 percent of sales, homes priced between \$400,000 and \$799,999 accounted for 31 percent of all sales, and homes priced at or above \$800,000 accounted for 5 percent of total sales.

Construction by County

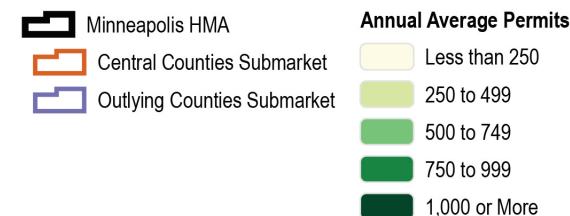
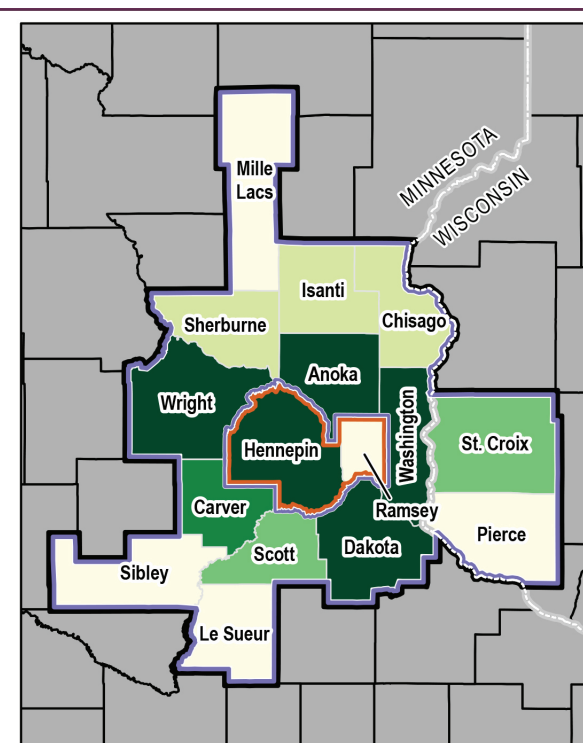
With the change in trends caused by the onset of the pandemic, for-sale home construction, as measured by the number of homes permitted (building permits), has increased in most counties since 2020. In the 2010s, only Hennepin County averaged more than 1,000 single-family homes permitted annually (Map 3a). In 2020 and 2021, four additional counties each had more than an average of 1,000 homes permitted annually: Anoka, Dakota, Washington, and Wright (Map 3b). All four of the counties to recently exceed 1,000 homes permitted annually are in the Outlying Counties submarket but are adjacent to the Central Counties submarket.

As a portion of total permits, Hennepin County fell from 24 percent of homes permitted in the 2010s to 19 percent in 2020 and 2021, and the four highest-permitting counties in the Outlying Counties submarket increased from 42 percent to 49 percent of the for-sale homes permitted. The remaining counties in the Outlying Counties submarket accounted for 30 percent of permitting during both periods. Ramsey County, which is mostly built out, was the only county with a decline in the number of homes permitted in 2020 and 2021, down an average of 10 homes, or 4 percent,

Map 3a. Average Annual For-Sale Homes Permitted, 2010 Through 2019



Map 3b. Average Annual For-Sale Homes Permitted, 2020 and 2021



Source: U.S. Housing & Urban Development, State of the Cities Data Systems

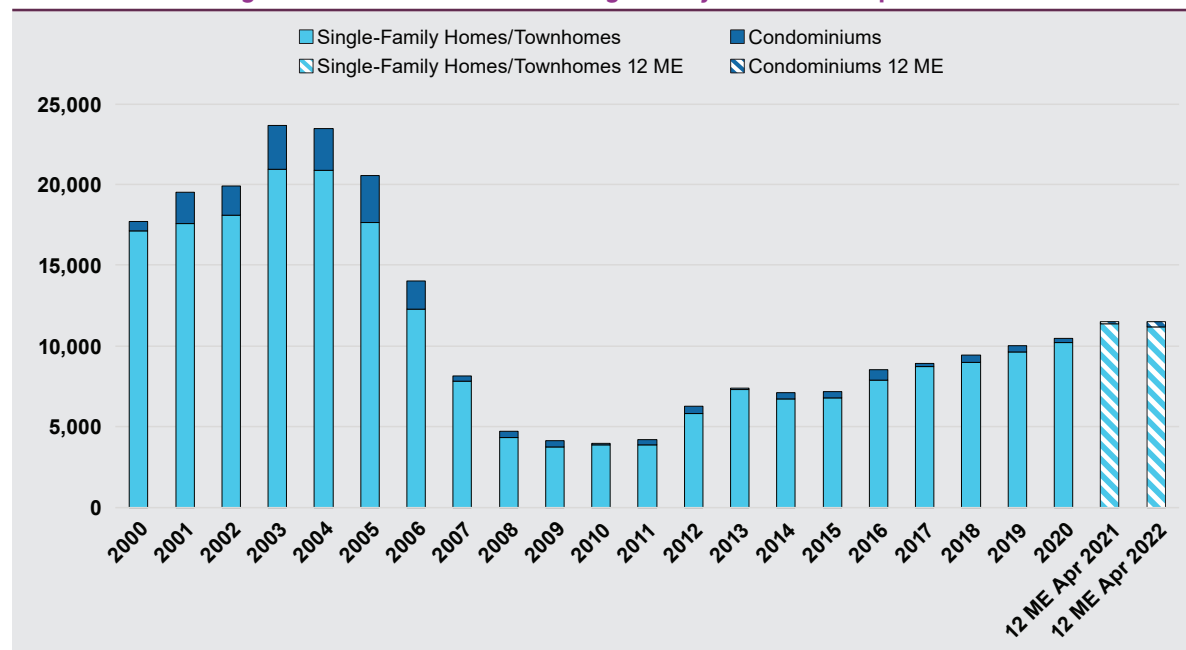
compared with the 2010s, and accounting for only 2 percent of permits in 2020 and 2021, down from 4 percent in the 2010s.

Sales Construction by Submarket

Rising construction materials costs, limited availability of labor, and rising mortgage interest rates in recent months constrained gains in permitting during the 12 months ending April 2022. A total of 11,500 for-sale homes, including single-family homes, townhomes, and condominiums, were permitted in the HMA during the 12 months ending April 2022, unchanged from the number of homes permitted during the previous 12 months (Figure 12). Permitting in the Outlying Counties submarket accounted for 80 percent of new home construction, and the remaining 20 percent occurred in the Central Counties submarket during the most recent 24 months.

Land costs are typically higher and land availability is more constrained in the Central Counties submarket, resulting in higher priced subdivisions with fewer lots. Typical of the Central Counties submarket is the 23-lot Prairie Heights subdivision in Eden Prairie, a southwest suburb in Hennepin County. Homes in the subdivision are selling for \$820,000 to \$870,000. By comparison, lower land costs and more available land in the Outlying Counties submarket has resulted in larger, lower cost developments in the submarket. In Shakopee, a suburb in Scott County, the Summerland Place subdivision with 104 single-family lots and 36 townhomes, is selling homes from \$510,000 to \$560,000.

Figure 12. Annual Sales Permitting Activity in the Minneapolis HMA



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is expected for an additional 28,500 homes (Table 6). The 6,675 homes currently under construction are expected to meet a portion of demand during the first year of the forecast period. Demand is expected to be higher during the first year of the forecast. To match the expected slowdown in household growth during the 3-year period, average annual permitting should be reduced relative to the past 12 months.

Table 6. Demand for New Sales Units in the Minneapolis HMA During the Forecast Period

Sales Units	
Demand	28,500 Units
Under Construction	6,675 Units

Note: The forecast period is from May 1, 2022, to May 1, 2025.

Source: Estimates by the analyst

Sales Market— Central Counties Submarket

Current Conditions

The home sales market in the Central Counties submarket is tight, with rapidly rising prices and a low inventory of homes for sale, similar to conditions in the HMA overall. The sales vacancy rate is currently estimated at 1.0 percent, down from 2.1 percent in 2010, when conditions were slightly soft (Table 7). The average home sales price increased 11 percent to \$412,400 during the 12 months ending April 2022, accelerating from a 9-percent increase during the previous 12 months (Zonda). The inventory of homes for sale was 1.3 months during the most recent 12 months, down from 1.5 months during the previous 12 months, and it had been steadily declining since peaking at 9 months in 2008 (CoreLogic, Inc.). Inventory in the submarket has been below 6 months, which is considered balanced, since early 2012. Total home sales, including new and existing homes, were 37,800, up 2 percent compared with the previous 12 months and accounted for 48 percent of all homes sold in the HMA (Zonda).

Compared with the HMA overall, the average home sales price in the submarket during the 12 months ending April 2022 is 4 percent, or \$15,000, higher, but it has increased at a slightly slower rate than in the HMA. The inventory of homes for sale is currently relatively similar to the HMA but fell below balanced levels about 1 year earlier. Similar to the HMA, the largest number of home sales are in the \$200,000 to \$399,999 price range, which include 52 percent of sales during the 12 months ending April 2022 (Figure 13).

Home Sales

Following a period of declining home sales in the late 2000s associated with the Great Recession and mortgage crisis, home sales have generally been increasing since 2010. Home sales were at a low of 19,250 in 2010 and increased by an average of 1,700 homes, or 7 percent, annually from 2011 through 2019 to 34,450 sales in 2019 (Figure 14), supported by job growth

Table 7. Home Sales Quick Facts in the Central Counties Submarket

	Central Counties Submarket	Minneapolis HMA
Home Sales Quick Facts		
Vacancy Rate	1.0%	1.0%
Months of Inventory	1.3	1.3
Total Home Sales	37,800	79,550
1-Year Change	2%	2%
Total Home Sales Price	\$412,400	\$397,400
1-Year Change	11%	12%
Mortgage Delinquency Rate	1.0%	1.0%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of April 2022. The current date is May 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA and national home sales and prices—Zonda

Figure 13. Share of Overall Sales by Price Range During the 12 Months Ending April 2022 in the Central Counties Submarket



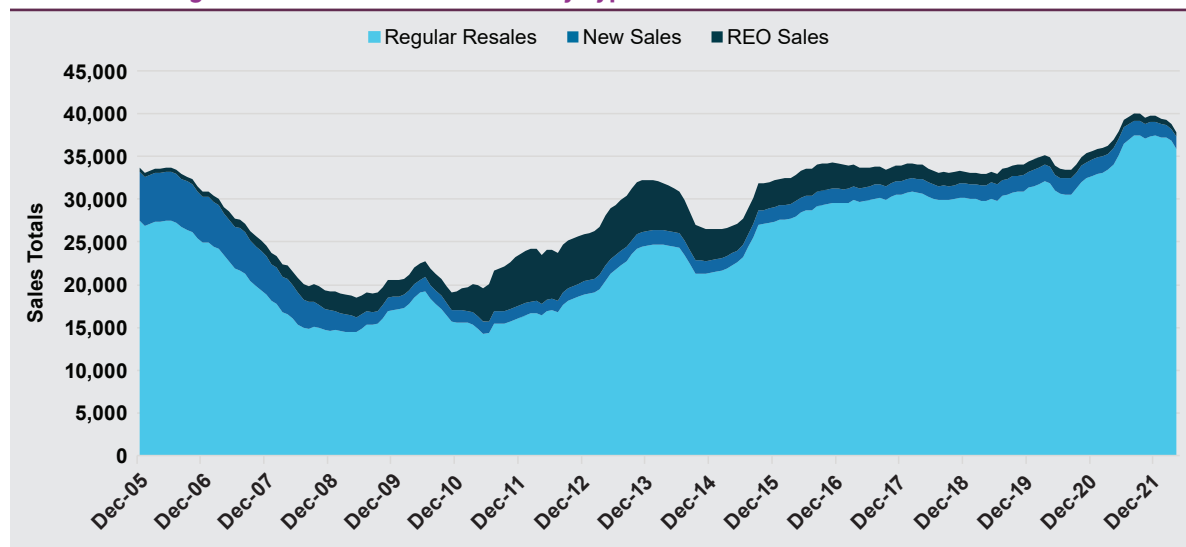
Source: Zonda

and economic expansion. Sales increased faster from 2011 through 2015, averaging an increase of 11 percent, annually, as the economy recovered from the Great Recession, and gains slowed in the latter half of the decade to

an average of 2 percent, annually, as economic expansion slowed. An elevated number of real estate owned (REO) sales during the first half of the 2010s, averaging 4,400 sales annually, also contributed to faster gains, but fewer REO sales in the later 2010s, which fell to an average of 2,075 sales annually, partially offset increases in regular resales and new home sales. The share of REO sales peaked at 25 percent of total sales in 2011, with regular resales and new construction accounting for 69 and 6 percent of total sales, respectively. In 2019, the share of REO sales had fallen to 3 percent, and regular resale and new construction sales were 91 and 6 percent, respectively, of total sales.

Home sales increased 4 percent in 2020 and accelerated to an 11-percent increase in 2021 to 39,700 homes. The short recession and social distancing restrictions in the first half of 2020 contributed to the below-average increase in sales that year. Low mortgage interest rates and the location flexibilities enabled through telework supported a faster gain in sales in 2021. REO sales were at a 15-year low of 670, or 2 percent of total sales, in 2021, partially because of policies enabled through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, which allowed homeowners to request mortgage forbearance and prevented foreclosures. Regular resale and new construction sales were 94 and 4 percent of sales in 2021.

Figure 14. 12-Month Sales Totals by Type in the Central Counties Submarket



REO = real estate owned.

Source: Zonda, with adjustments by the analyst

Home Sales Prices

The average home sales price in the submarket has been rising since 2012. The rise in prices trailed the rise in home sales by about a year because of higher levels of inventory of homes for sale and an elevated number of REO sales, which tend to be priced 20 to 45 percent below regular resales. From 2012 through 2019, the average home sales price increased by an average of \$13,900, or 5 percent, annually (Figure 15). Both new and existing home prices increased at the same average rate of 5 percent, annually during the 8-year period. In 2020 and 2021, the abrupt changes to workplace and economic conditions at the onset of the pandemic contributed to faster price growth. The average home sales price increased 8 percent in 2020 and accelerated to a 10-percent gain in 2021.

In 2019, before the onset of the pandemic, the average existing homes sales price was \$326,400, and the average new home sales price was \$510,400. The lower priced existing homes were affordable to a larger number of households, and the rise in demand for homebuying in 2020 and 2021 accelerated price growth for these homes. Existing home prices increased by an average of \$33,550, or 10 percent,

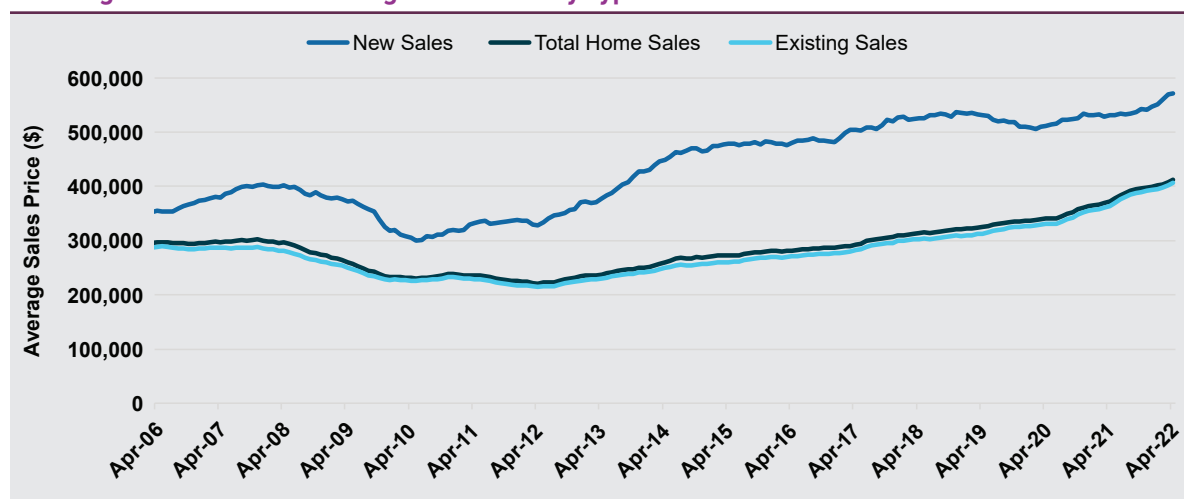
annually during 2020 and 2021, whereas new home prices increased an average of \$18,150, or 3 percent, annually.

Sales Construction

Construction of for-sale housing, as measured by the number of homes permitted, is up from a low in 2010, but it is below levels from the early to mid-2000s. From 2000 through 2006, an average of 4,500 homes were permitted annually (Figure 16). As the mortgage crisis began and economic conditions weakened in the late 2000s, permitting fell to an average of 1,300 homes annually from 2007 through 2010, reaching a low of 950 in 2010. Economic recovery in the early to mid-2010s contributed to an increase in permitting, rising by an average of 260 homes annually from 2011 through 2016. Permitting stabilized in more recent years, averaging 2,325 homes annually from 2017 through 2020. Despite rising home prices and a low inventory of homes for sale, permitting has remained near the average of the late 2010s during the most recent 24 months, with 2,325 homes permitted during the 12 months ending April 2022 and 2,350 homes permitted during the 12 months ending April 2021.

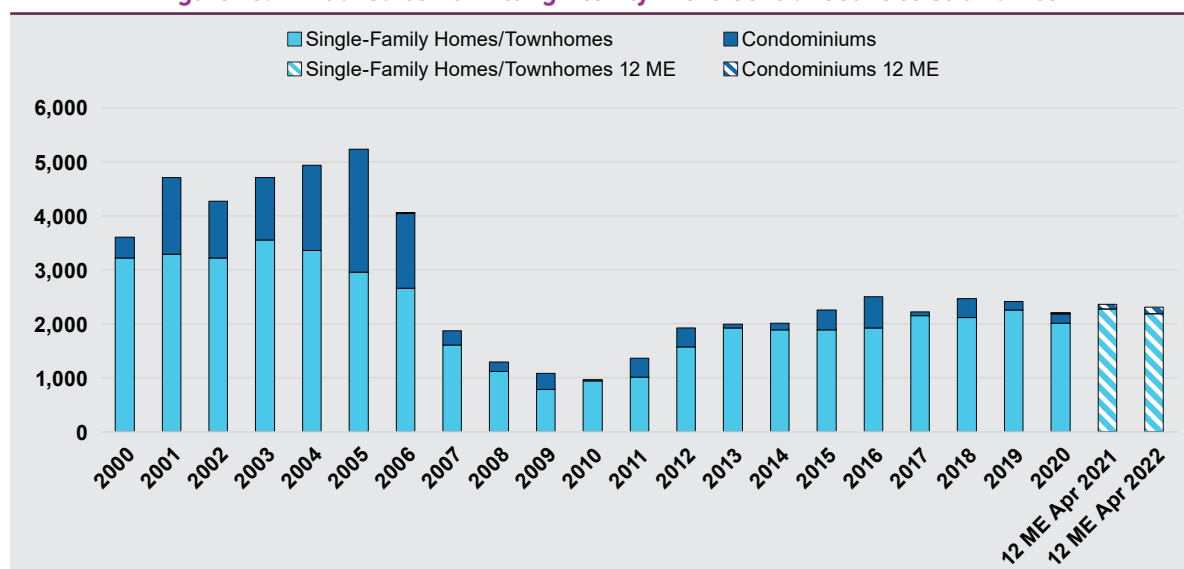
Availability of developable land has constrained home construction. During the 2000-through-2006 period, when sales permitting was higher, about 30 percent of homes permitted were condominiums, which tend to utilize less land per dwelling unit. In more recent years, higher

Figure 15. 12-Month Average Sales Price by Type of Sale in the Central Counties Submarket



Source: Zonda, with adjustments by the analyst

Figure 16. Annual Sales Permitting Activity in the Central Counties Submarket



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

density housing tended to be built as rental units, and condominium permitting has accounted for only 12 percent of sales units permitted in the submarket since 2007.

In 2015, to further address land availability constraints and encourage additional housing construction in areas with existing infrastructure, the city of Minneapolis passed an ordinance allowing for Accessory Dwelling Units (ADUs). The ordinance enabled property owners to build small apartments over garages, in backyards, basements, and attics. The city of St. Paul passed a similar ordinance in 2016. An average of 25 ADUs were built in the Central Counties submarket each year from 2016 through 2020 (Metropolitan Council).

Forecast

During the 3-year forecast period, demand is expected for an additional 7,200 homes (Table 8). The 1,375 homes under construction are expected to meet a portion of that demand during the first year of the forecast period. To shift the market to balanced conditions, the largest share of homes will be needed earlier in the forecast period, and the average number of units constructed each year will need to be modestly higher than during the past 12 months of permitting.

Table 8. Demand for New Sales Units in the Central Counties Submarket During the Forecast Period

Sales Units	
Demand	7,200 Units
Under Construction	1,375 Units

Note: The forecast period is from May 1, 2022, to May 1, 2025.

Source: Estimates by the analyst

Sales Market— Outlying Counties Submarket Current Conditions

The home sales market in the Outlying Counties submarket is tight, with rapidly rising prices and a low inventory of homes for sale, similar to conditions in the HMA overall. The home sales vacancy rate is currently estimated at 1.0 percent, down from 1.7 percent in 2010 (Table 9). The average home sales price increased 13 percent to \$383,900 during the 12 months ending April 2022, accelerating from an 11 percent increase during the previous 12 months (Zonda). The inventory of homes for sale was 1.4 months during the 12 months ending April 2022, down from 1.7 months during the previous 12 months, and it has been steadily declining since peaking at 15 months in mid-2008 (CoreLogic, Inc.). Inventory has been below 6 months, which is considered balanced, since early 2013. Total home sales increased 2 percent compared with the previous 12 months and accounted for 52 percent of all homes sold in the HMA (Zonda).

Compared with the HMA overall, the average home sales price is 3 percent, or \$13,450, lower in the submarket, and the average home price increased

Table 9. Home Sales Quick Facts in the Outlying Counties Submarket

Home Sales Quick Facts	Outlying Counties Submarket	Minneapolis HMA
	Vacancy Rate	1.0%
	Months of Inventory	1.4
	Total Home Sales	41,750
	1-Year Change	2%
	Total Home Sales Price	\$383,900
	1-Year Change	13%
	Mortgage Delinquency Rate	1.0%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of April 2022. The current date is May 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA and national home sales and prices—Zonda

13 percent, or 1 percentage point faster than the HMA during the most recent 12 months. Similar to the HMA, the largest share of home sales, at 52 percent of all sales, are in the \$200,000 to \$399,999 price range (Figure 17). The Outlying Counties submarket had a larger share of new home sales, with 14 percent of total sales, compared with 9 percent in the HMA overall.

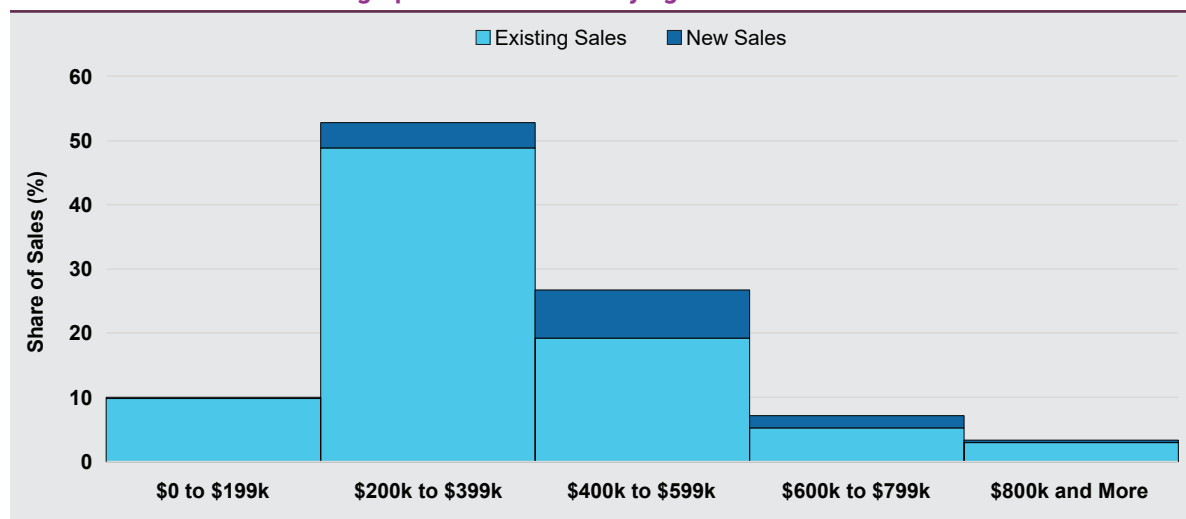
Total Home Sales

After a period of falling home sales in the late 2000s associated with the mortgage crisis and Great Recession, home sales increased during much of the 2010s. Home sales were at a low of 20,900 in 2009, and from 2010 through 2018, home sales increased an average of 8 percent annually (Figure 18), supported by economic growth, to a pre-pandemic high of 40,800 in 2018. With slower economic growth in 2019 and the short recession in early 2020, home sales declined an average of 2 percent annually during 2019 and 2020. In 2021, low mortgage interest rates and workplace flexibilities contributed to a rapid increase in home sales, which rose 11 percent.

New Home Sales

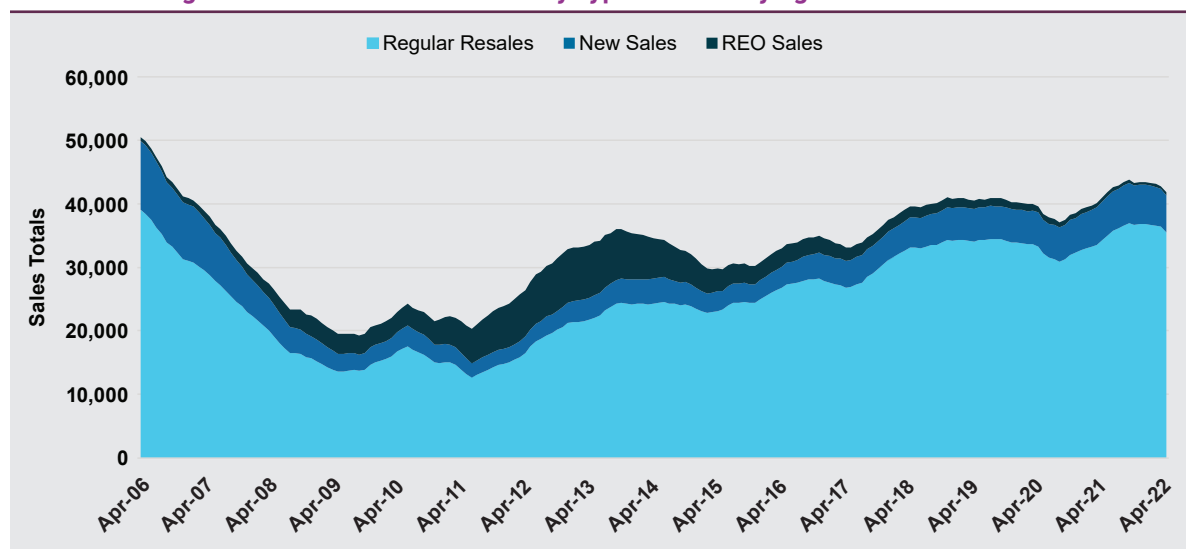
Much of the land in the submarket is undeveloped, so there is ample space for new home construction. In 2006, supported by easily obtained home loans, new home sales accounted for 22 percent of total home sales in the submarket, or 9,000 homes. Slowed by the Great Recession and weaker economic conditions, new home sales were only

Figure 17. Share of Sales by Price Range During the 12 Months Ending April 2022 in the Outlying Counties Submarket



Source: Zonda

Figure 18. 12-Month Sales Totals by Type in the Outlying Counties Submarket



REO = real estate owned.

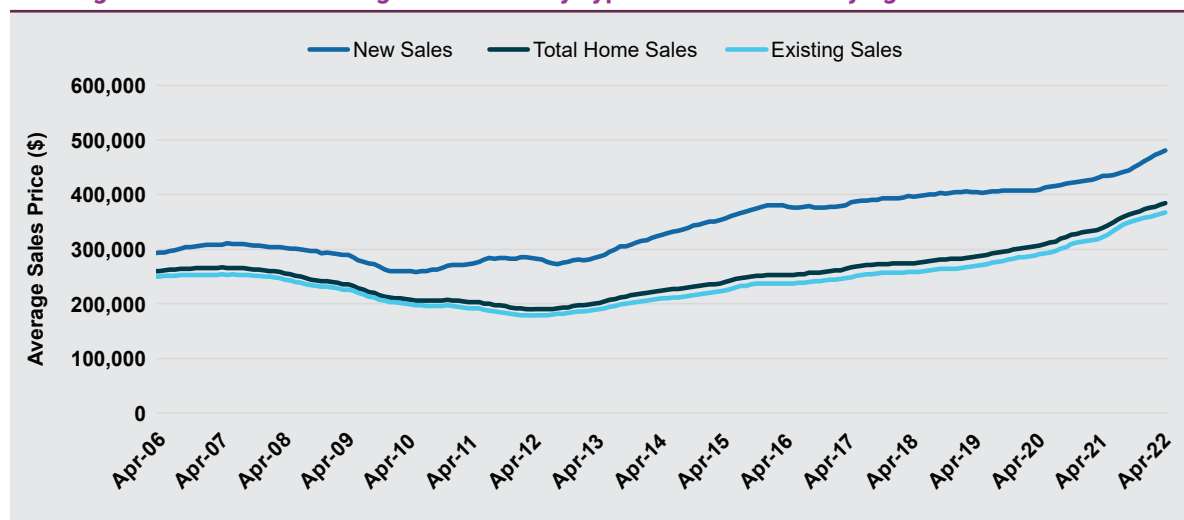
Source: Zonda, with adjustments by the analyst

10 percent of total home sales during first one-half of the 2010s, or an average of 3,150 homes sold annually from 2011 through 2015. As inventory of existing homes for sale declined in the later 2010s, new home sales increased an average of 14 percent, or 530 homes, annually from 2016 through 2020. In 2021, new home sales accounted for 14 percent of total home sales, or 6,175 homes.

Home Sales Prices

The high inventory of homes for sale in the late 2000s, combined with weak economic conditions from the Great Recession and a rising share of REO sales, contributed to falling home sales prices in the late 2000s. REO sales, which typically sell for 30 to 40 percent less than regular resales, increased from 2 percent of total sales in 2006 to a high of 28 percent of total sales in 2011. Home prices were at a low of \$191,800 in 2011 (Figure 19) and then began to rise as the economy recovered from the Great Recession, and the inventory of homes for sale declined, placing upward pressure on prices. From 2012 through 2019, the average home sales price increased an average of 6 percent annually to \$301,300 in 2019, and new and existing home sales prices increased at similar rates of 5 and 6 percent, respectively. The share of REO sales declined during most years, falling to 3 percent of total sales in 2019, also contributing to the rise in home prices.

Figure 19. 12-Month Average Sales Price by Type of Sale in the Outlying Counties Submarket



Source: Zonda, with adjustments by the analyst

The abrupt changes to economic and workplace conditions in 2020 accelerated price growth, with home sales prices rising an average of 11 percent annually in 2020 and 2021. Gains were faster for the average existing home sales price, which increased an average of 12 percent annually, whereas the average new home sales price increased an average of 6 percent annually.

Sales Construction

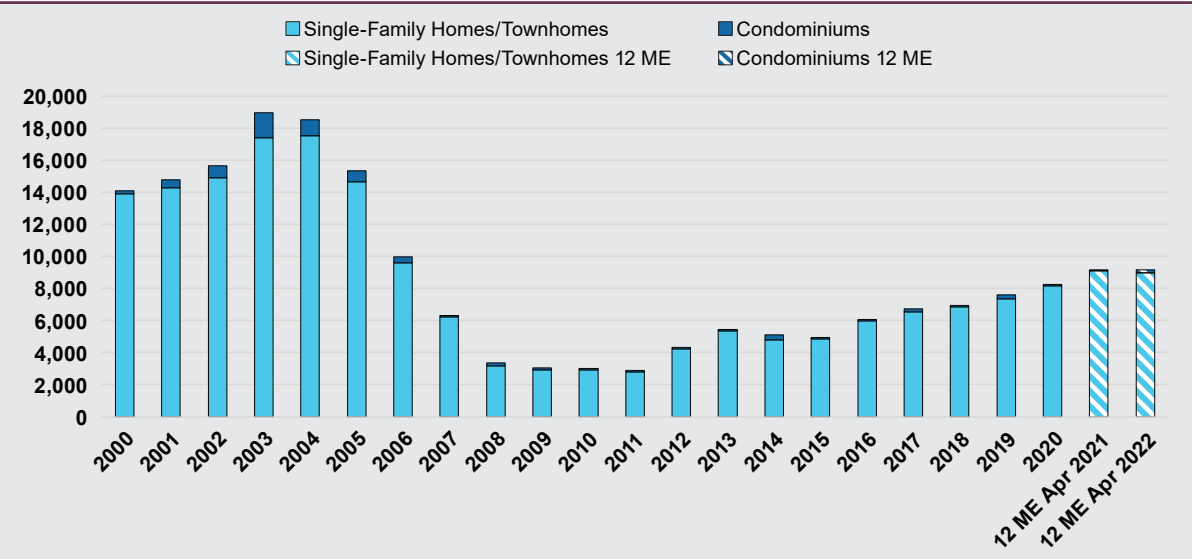
Most new homes in the HMA are built in the Outlying Counties submarket. In the early 2000s, economic growth and easy access to mortgages contributed to elevated home construction, as measured by the number of homes permitted. From 2000 through 2004 an average of 16,400 homes were permitted annually in the submarket (Figure 20). Home sales declined, and economic conditions weakened, contributing to an average decline of 3,775 homes permitted annually from 2005 through 2008, to 3,375 in 2008. Permitting remained subdued through the end of the 2000s and into the early 2010s to allow for absorption of the elevated inventory of homes for sale, averaging 2,925 homes permitted annually from 2009 through 2011, or about one-fifth the level of homes permitted during the 2000-through-2004 period. As economic conditions improved in the 2010s, permitting increased by an average of 600 homes annually, from 2012 through 2020, to 8,250 homes in 2020. In response to rising home sales prices and strong

demand supported by low mortgage interest rates and workplace flexibilities, permitting increased to 9,175 during the 12 months ending April 2021 and remained at the same level during the 12 months ending April 2022 (preliminary data) as construction material and labor shortages constrained further increases.

Forecast

During the 3-year forecast period, demand is expected for an additional 21,300 homes (Table 10). The 5,300 homes under construction are expected to meet a portion of that demand during the first year of the forecast. To shift the market to balanced conditions, the largest share of additional homes should be built earlier in the forecast period. The expected slowdown in household growth and rising mortgage interest rates are expected to reduce average annual forecast demand below the level of construction during the most recent 12 months.

Figure 20. Annual Sales Permitting Activity in the Outlying Counties Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 10. Demand for New Sales Units in the Outlying Counties Submarket During the Forecast Period

Sales Units	
Demand	21,300 Units
Under Construction	5,300 Units

Note: The forecast period is from May 1, 2022, to May 1, 2025.
Source: Estimates by the analyst

Rental Market

Rental Market— Minneapolis HMA

Market Conditions: Slightly Tight

Renter household growth averaged 1.8 percent annually since 2010, faster than overall household growth in the HMA, which averaged 1.0 percent annually during the same period.

Current Conditions and Recent Trends

Rental market conditions in the Minneapolis HMA are slightly tight. The current rental vacancy rate is estimated at 4.6 percent, down from 7.6 percent in 2010 (Table 11). Rental unit permitting, which primarily includes apartments, increased or remained steady most years since 2010 in response to low apartment vacancy rates and steadily rising rents. Other types of rental units, which primarily include single-family homes, most commonly added to the rental market through investor purchases or when a homeowner moves out and chooses to rent out rather than sell the house, have not increased fast enough to meet demand because of tight home sales market conditions, contributing to tighter rental market conditions overall. The tight home sales market, with low inventory of homes for sale and rapidly

Table 11. Rental and Apartment Market Quick Facts in the Minneapolis HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	7.6	4.6
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	23	23
	Multifamily (2–19 Units)	30	27
	Multifamily (20+ Units)	46	49
	Other (Including Mobile Homes)	1	1

Apartment Market Quick Facts		2022 Q1	YoY Change
	Apartment Vacancy Rate	6.0	-0.6
	Average Rent	\$1,396	4%
	Studio	\$1,072	3%
	One-Bedroom	\$1,240	4%
	Two-Bedroom	\$1,561	4%
	Three-Bedroom	\$1,958	4%

Q1 = first quarter. YoY = year-over-year.

Notes: The current date is May 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data; apartment data—CoStar Group

rising prices during the past 24 months, has led some households that would prefer to become owners to rent instead, also contributing to tighter rental market conditions.

Single-Family Rental Market

The single-family rental market, which accounts for almost one-fourth of all rental units in the HMA, is tight, with rising rent and low vacancy rates. In April 2022, the average rent for a 3-bedroom single-family home was \$2,048, up 5 percent from the same month a year ago and accelerating from a 4 percent gain 2 years ago (CoreLogic, Inc.). In the 2010s, rent growth was slower, averaging 3 percent annually from April 2013 to April 2019. The single-family rental vacancy rate has been stable, but low, at 1.8 percent, since 2017.

Apartment Market

The apartment market is balanced compared with slightly soft conditions a year ago, when the economy was weaker and compared with slightly tight conditions in the late 2010s, when the apartment vacancy rate was lower. From the second quarter of 2020 through late-2021, public health concerns and social

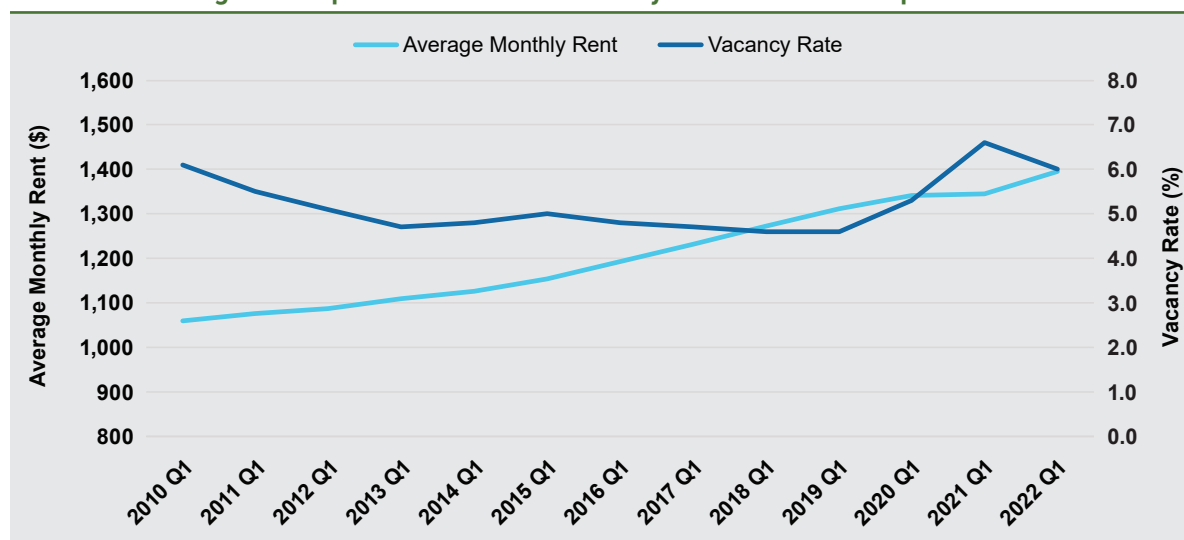
distancing restrictions led some households, especially young adults, to temporarily return to or delay moving out of a family home, contributing to slightly soft conditions a year ago. The apartment vacancy rate was 6.0 percent during the first quarter of 2022, down from 6.6 percent a year earlier (Figure 21). By comparison, the apartment vacancy rate had been relatively steady at an average of 4.8 percent from the first quarter of 2013 through the first quarter of 2019. The vacancy rate increased to 5.3 percent during the first quarter of 2020, partially because of an elevated number of apartment unit completions and slower than average population growth.

During the first quarter of 2022, the average apartment rent was \$1,396, up 4 percent from a year ago and accelerating from an increase of less than 1 percent during the previous year. The increase during the most recent year was slightly faster than the 3-percent average annual increase from the first quarter of 2016 through the first quarter of 2020.

Rental Construction by Geography

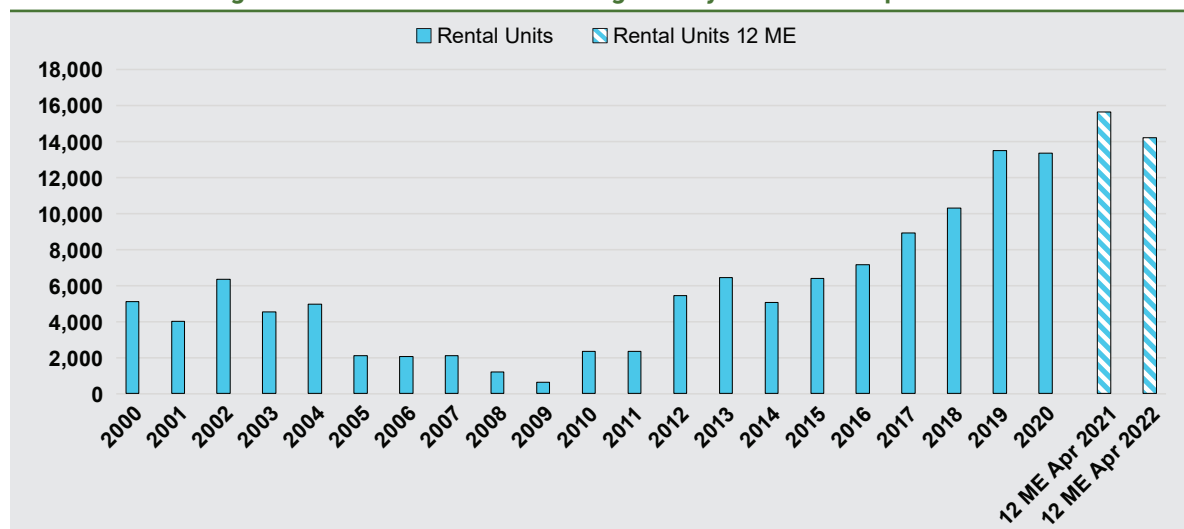
Rental unit construction, as measured by the number of rental units permitted, has been rising during most years since 2010 (Figure 22). During the 2010s, when proximity to workplace was a more significant factor in housing decisions for a larger share of workers, 73 percent of the rental units permitted in the HMA were built in the Central Counties submarket where the majority of

Figure 21. Apartment Rents and Vacancy Rates in the Minneapolis HMA



Q1 = first quarter.
Source: CoStar Group

Figure 22. Annual Rental Permitting Activity in the Minneapolis HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

jobs were located. Since 2020, the share of units built in the Central Counties submarket decreased to 65 percent, whereas the share in the Outlying Counties submarket increased to 35 percent.

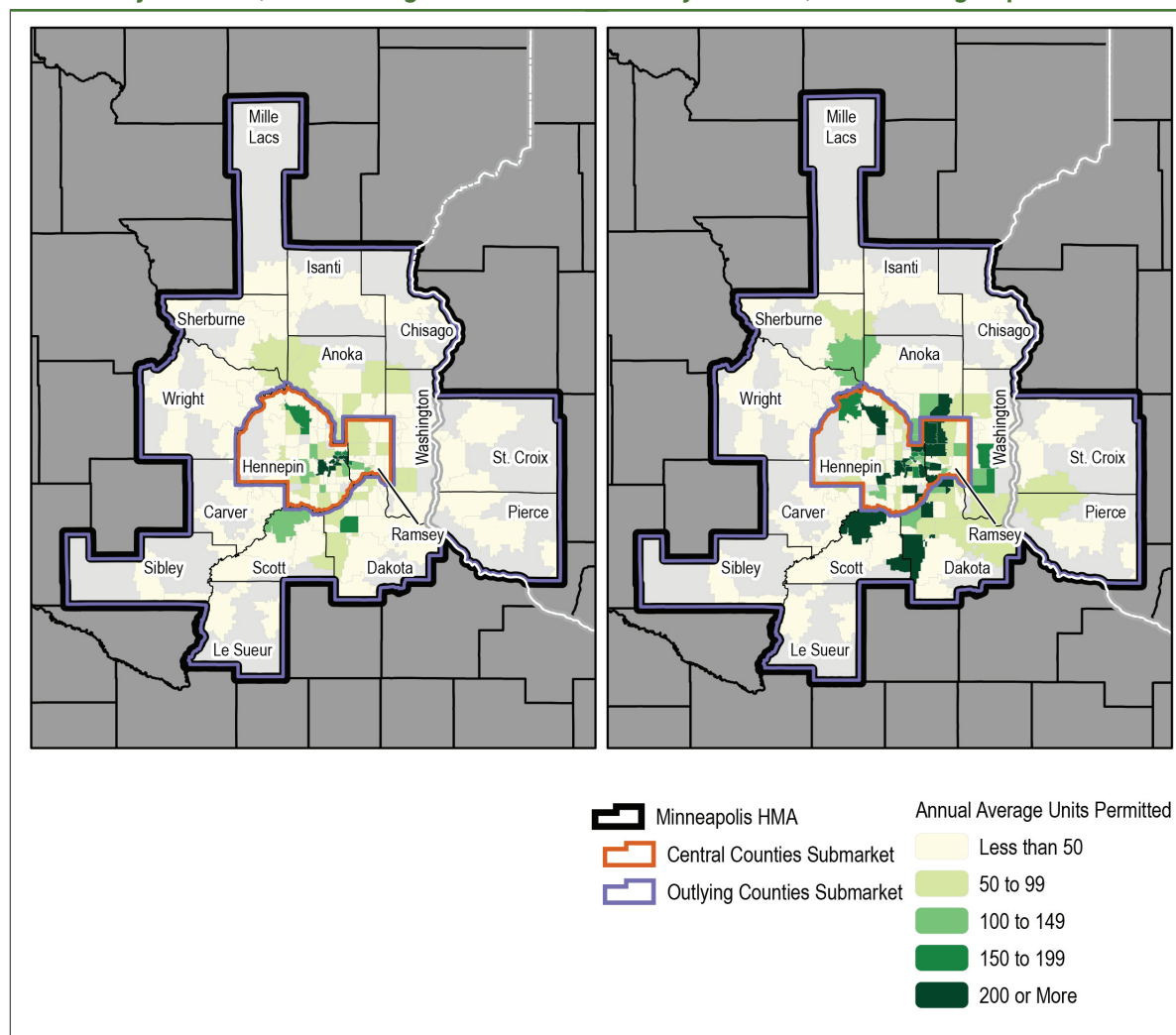
Since 2020, rental permitting has become more dispersed within the HMA compared with the 2010s (Maps 4a and 4b). In the 2010s, only seven ZIP Codes, all of which were in Hennepin County, averaged more than 200 units permitted annually. Since 2020, the number of ZIP Codes with more than 200 units permitted annually increased to 20, including 5 in the Outlying Counties submarket. The downtown Minneapolis ZIP Code 55414 had the highest number of rental units permitted, with an average of 640 units annually from 2010 to 2019, but has averaged only 120 units annually in the 2020-to-current period as construction shifted away from the downtown Minneapolis area. In addition to reduced demand to live close to employment centers, light rail construction shifted to suburban parts of Hennepin County, supporting residential construction in areas near planned stations.

Example Rental Properties Currently in Lease-up

In downtown Minneapolis, the 270 Hennepin apartments are typical for the area because of the higher density of units per acre and unit mix that includes mostly smaller units. The 346-unit, 21-story property is in lease-up and is currently

Map 4a. Average Annual Permitting by ZIP Code, 2010 Through 2019

Map 4b. Average Annual Permitting by ZIP Code, 2020 Through April 2022



Source: U.S. Department of Housing & Urban Development, State of the Cities Data Systems

renting studio units for an average of \$1,494, one-bedroom units for \$2,172, and two-bedroom units for \$3,321. To incentivize leasing, the property is offering \$500 and 1.5 free months with a 14-month lease.

In the Outlying Counties submarket, the Springs at Lake Elmo in the Washington County suburb of Lake Elmo, east of the city of Saint Paul, is a typical new apartment for the area, with multiple two-story buildings organized around a clubhouse. The 300-unit property is leasing studios for an average of \$1,548, one-bedroom units for \$1,828, two-bedroom units for \$2,220, and three-bedroom units for \$2,629.

A new rental property type, the built-for-rent single-family home community, has emerged in recent years. Properties have been constructed in both the suburban parts of the Central Counties submarket and in the Outlying Counties submarket in the past 3 years and range from 40 to 150 units. One example of this type of rental property in the Outlying Counties submarket is the Canvas at Woodbury North, an 89-unit property in Woodbury, Minnesota. Rent at the property ranges from \$2,846 for a two-bedroom house to \$4,574 for a five-bedroom house.

Forecast

During the 3-year forecast period, demand is expected for an additional 20,275 rental units (Table 12). The 20,500 units currently under construction are expected to meet nearly all of the demand for additional units during the forecast period. The anticipated slowdown in household growth is expected to reduce demand for additional rental units relative to the number of units permitted since the late 2010s.

Table 12. Demand for New Rental Units in the Minneapolis HMA During the Forecast Period

Rental Units	
Demand	20,275 Units
Under Construction	20,500 Units

Note: The forecast period is May 1, 2022, to May 1, 2025.

Source: Estimates by the analyst

Rental Market— Central Counties Submarket

Current Conditions and Recent Trends

The rental market in the Central Counties submarket is slightly tight. The rental vacancy rate is currently estimated at 4.8 percent, down from 7.5 percent in 2010 (Table 13). The increase in renter households, which accounted for nearly three-fourths of the household growth in the submarket since 2010, exceeded the increase in rental units, contributing to the decline the vacancy rate. Rental unit permitting, which primarily included apartments, increased in response to low, but steady apartment vacancy rates and strong renter household growth. Growth of single-family rental units was limited, however, averaging

Table 13. Rental and Apartment Market Quick Facts in the Central Counties Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	7.5	4.8
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	19	17
	Multifamily (2–19 Units)	33	30
	Multifamily (20+ Units)	48	52
	Other (Including Mobile Homes)	>1	>1

Apartment Market Quick Facts		2022 Q1	YoY Change
	Apartment Vacancy Rate	6%	-0.9
	Average Rent	\$1,374	3%
	Studio	\$1,072	3%
	One-Bedroom	\$1,248	4%
	Two-Bedroom	\$1,632	4%
	Three-Bedroom	\$2,114	3%

Q1 = first quarter. YoY = year-over-year.

Notes: The current date is May 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data; apartment data—CoStar Group

only 70 units annually from 2010 to 2019 (American Community Survey, 2010 and 2019 1-year data), despite strong rent growth. Additionally, the tight home sales market, with a low inventory of homes for sale and rapidly rising prices, has led some households that were planning to purchase homes to remain renters, also contributing to the slightly tight rental market conditions.

The Central Counties submarket includes the downtown areas of Minneapolis and Saint Paul, where taller, higher density housing is permitted to be built. Most of the light rail stations, where higher density housing is also permitted nearby, is in the submarket. The numerous areas where high-density housing can be built attracted apartment developments. From 2010 to 2020, nearly three-fourths of all rental units permitted in the HMA were in the submarket. With economic and workplace changes during the past 24 months, the share of rental construction in the downtown areas and throughout the submarket, as a portion of total rental unit construction in the HMA, has declined recently.

Single-Family Rental Market

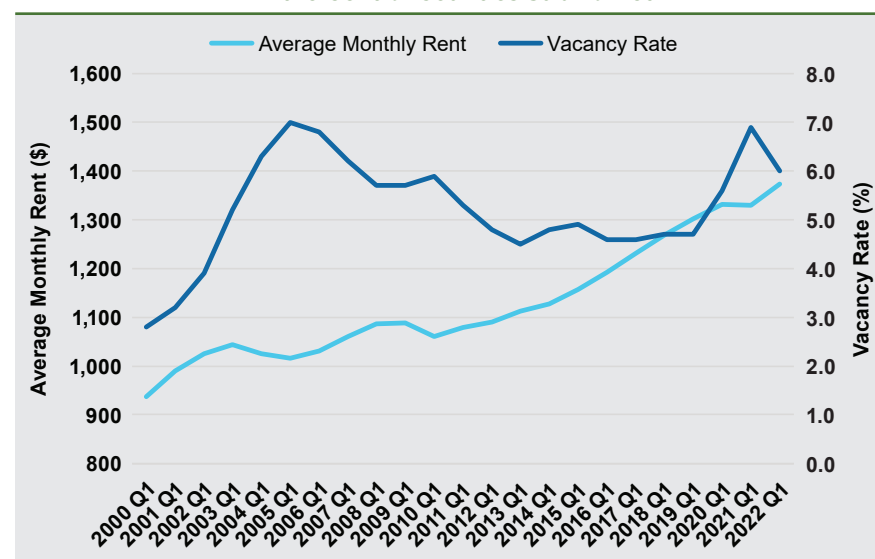
The single-family rental market, which accounts for approximately 17 percent of all occupied rental units in the submarket (2019 American Community Survey 1-year data), is a lower cost alternative to apartments for households seeking a larger place to live. On average, single-family homes cost less per square foot to rent than apartments, with rent at a single-family home averaging \$1.61 and \$1.57 per square foot in Hennepin and Ramsey Counties, respectively, in April 2022 (CoreLogic, Inc.), compared with \$1.65 per square foot for an apartment in the submarket during the first quarter of 2022 (CoStar Group).

The single-family rental market is tight, with rapidly rising rents and low vacancy rates. In April 2022, the average rent for a 3-bedroom single-family home was \$2,237 in Hennepin County and \$1,865 in Ramsey County, up 6 and 3 percent, respectively, from the same month a year ago, compared with gains of 5 and 3 percent during the previous year (CoreLogic, Inc.). From April 2013 to April 2019, rent growth averaged 3 percent annually in each county. The single-family rental vacancy rate has been stable, but low, at 2.0 percent in Hennepin County and 1.9 percent in Ramsey County since 2021.

Apartment Market: Submarket-wide Trends

The apartment market in the Central Counties submarket is balanced, representing a shift from soft conditions earlier in the pandemic and slightly tight conditions in the mid- to late-2010s. In the early 2000s, elevated competition from condominium development, for land where multifamily construction was allowed, led to fewer apartments being built. In the latter part of the 2000s and early 2010s, weaker economic conditions slowed all housing construction. Renter household growth continued, however, contributing to the decline in apartment vacancy in the late 2000s through early 2010s. From the first quarter of 2006 through the first quarter of 2013, the apartment vacancy rate declined an average of 0.3 percentage point annually to 4.5 percent during the first quarter of 2013 (Figure 23). Rent growth was also relatively slow during the period, averaging 1 percent annually.

Figure 23. Apartment Rents and Vacancy Rates in the Central Counties Submarket



Q1= first quarter.

Source: CoStar Group

As the economy shifted from recovery to expansion, the apartment market stabilized. From the first quarter of 2013 through the first quarter of 2019, the apartment vacancy rate averaged 4.7 percent. In response to the lower vacancy rate compared with earlier in the decade, rent growth accelerated to an average of 3 percent annually during the same period.

In 2020 and 2021, an elevated number of apartment completions, combined with population decline in the submarket, led to soft conditions. The apartment vacancy rate increased, peaking at 6.9 percent during the first quarter of 2021. Year-over-year rent growth slowed to 2 percent during first quarter of 2020 and declined less than 1 percent during the first quarter of 2021. In 2022, improving economic conditions contributed to a decline in the apartment vacancy rate, which fell to 6.0 percent during the first quarter of 2022, and the average rent increased 3 percent from a year earlier.

Apartment Market: Downtown Areas

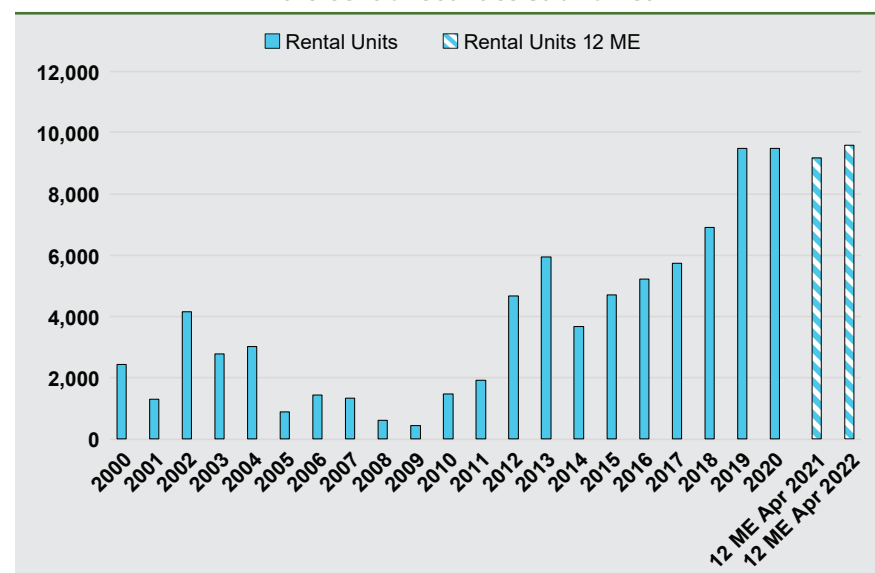
Within the Central Counties submarket, apartment vacancies since the onset of the pandemic tend to be concentrated in the CoStar-defined Downtown Minneapolis and Downtown Saint Paul market areas. These areas are both centrally located, proximate to major employment and entertainment centers, and have above-average rent compared with the submarket overall. In 2020 and 2021, social distancing measures and workplace flexibilities reduced some of the location advantages of downtown living. In response to these changes, vacancy rates increased. In the Downtown Minneapolis market area, the apartment vacancy rate increased from 8.8 percent during the first quarter of 2019 to 15.9 percent during the first quarter of 2021. In the Downtown Saint Paul market area, the apartment vacancy rate increased from 6.2 percent to 14.7 percent during the same period. To incentivize leasing, property management companies reduced rent, and the average rent declined 6 percent in the Downtown Minneapolis market area and 7 percent in the Downtown Saint Paul market area during the first quarter of 2021 compared with a year earlier. As social distancing measures were reduced and vaccination to prevent severe COVID-19 became widely available in

April 2021, the vacancy rate declined 3.7 percentage points in the Downtown Minneapolis market area to 12.2 percent, and the rent increased 3 percent to \$1,682 during the first quarter of 2022. In the Downtown Saint Paul market area, the average rent increased 8 percent to \$1,530, but the vacancy rate also increased 3.0 percentage points to 17.1 percent during the same period.

Rental Construction

Economic growth and slightly tight apartment market conditions supported an increase in rental unit construction during most years in the 2010s, as measured by the number of units permitted. In 2009, a Great Recession-era low of 440 units were permitted, and from 2010 through 2020, permitting increased by an average of 820 units annually to 9,475 units in 2020 (Figure 24). Despite weaker

Figure 24. Annual Rental Permitting Activity in the Central Counties Submarket



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

apartment market conditions and population decline in the Central Counties submarket, permitting has remained relatively high during the most recent 24 months, with 9,175 units permitted during the 12 months ending April 2021 and 9,575 units permitted during the 12 months ending April 2022.

Forecast

During the 3-year forecast period, demand is expected for an additional 12,650 rental units (Table 14). The 13,050 units currently under construction are expected to meet all of that demand during the next 3 years. Due to slower expected household growth, the number of additional units demanded during the forecast period is expected to be lower than the number of units in demand during recent years.

Table 14. Demand for New Rental Units in the Central Counties Submarket During the Forecast Period

Rental Units	
Demand	12,650 Units
Under Construction	13,050 Units

Note: The forecast period is May 1, 2022, to May 1, 2025.

Source: Estimates by the analyst

Rental Market— Outlying Counties Submarket Current Conditions and Recent Trends

Rental market conditions in the Outlying Counties submarket are slightly tight. The rental vacancy rate is currently estimated at 4.2 percent, down from 7.6 percent during 2010 (Table 15). Similar to the HMA, renter households increased at a faster rate than household growth overall, contributing to the decline in the rental market vacancy rate. The single-family rental market, which is a larger portion of the rental market than in the Central Counties submarket, is tight, with accelerating rent growth and low vacancy. The apartment market was less affected by the rapid changes to economic and workplace conditions since 2020 and is currently balanced.

Table 15. Rental and Apartment Market Quick Facts in the Outlying Counties Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	7.6	4.2
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	33	35
	Multifamily (2–19 Units)	24	20
	Multifamily (20+ Units)	41	44
	Other (Including Mobile Homes)	2	>1

Apartment Market Quick Facts		2022 Q1	YoY Change
	Apartment Vacancy Rate	4.9	0.1
	Average Rent	\$1,310	3.8%
	Studio	\$1,072	3.3%
	One-Bedroom	\$1,212	4.7%
	Two-Bedroom	\$1,414	4.5%
	Three-Bedroom	\$1,782	5.4%

Q1 = first quarter. YoY = year-over-year.

Notes: The current date is May 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data; apartment data—CoStar Group

The Outlying Counties submarket includes a mix of suburban and rural areas, where housing is typically built at lower densities than in the Central Counties submarket. Because of the lower density housing, a larger share of rental units in the submarket are single-family homes, at 35 percent of occupied rental units, compared with 17 percent in the Central Counties submarket.

Single-Family Rental Market

In 10 of the 11 counties in the Outlying Counties submarket with available data, the average rent for a three-bedroom single-family home has increased at a faster rate than a year ago, and the vacancy rate is down or unchanged from a year ago in 10 of the 11 counties. In April 2022, the average rent in all 11 of the counties in the submarket increased, with gains ranging from 4 percent in Anoka and Scott Counties to 10 percent in Le Sueur County. The single-family

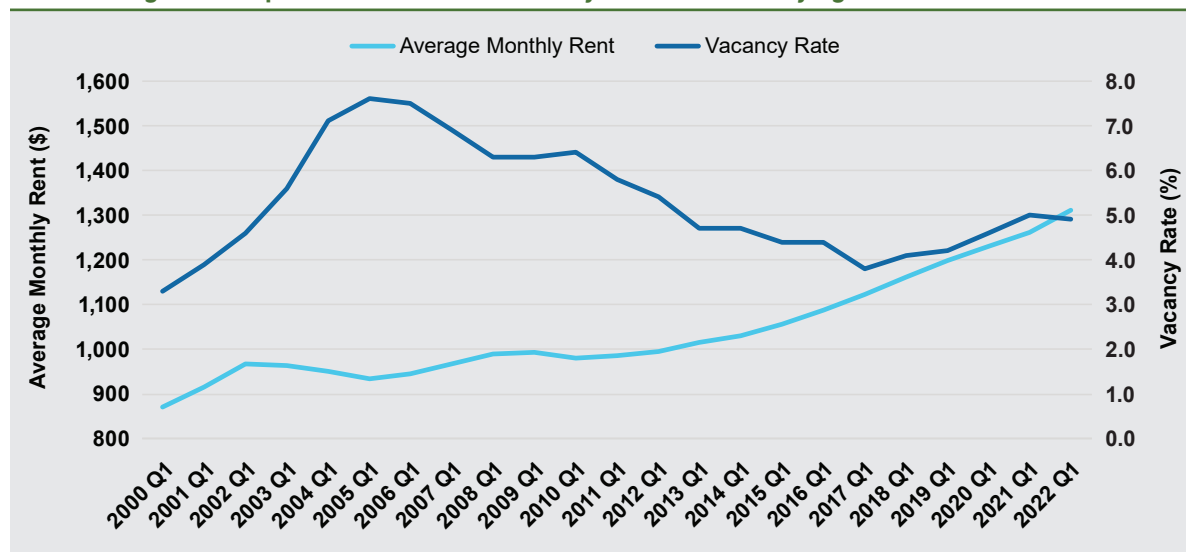
rental vacancy rate ranged from a low of 1.2 percent in Wright County to 2.4 percent in Le Sueur County, and 9 of the 11 counties had vacancy rates below 2.0 percent.

Apartment Market

Apartment market conditions in the Outlying Counties submarket are balanced. Apartment properties in the submarket have a lower average rent, at \$1.44 per square foot during the first quarter of 2022, compared with \$1.65 per square foot in the Central Counties submarket, making apartments in the Outlying Counties submarket more attractive to households that are spending an increased amount of time at home because of increased workplace flexibilities and personal health concerns.

Beginning in the mid-2000s, a prolonged period of limited rental unit construction, due to competition from condominiums and weaker economic conditions during the Great Recession that further reduced rental unit construction, contributed to a decade-long period of decline in the apartment vacancy rate. From the first quarter of 2005, when the apartment vacancy rate was 7.6 percent, through the first quarter of 2017, when the apartment vacancy rate was 3.8 percent, the apartment vacancy rate declined an average of 0.3 percentage point annually (Figure 25). Rent growth averaged 2 percent annually during the 2005-through-2017 period, with faster gains in more recent years as the apartment vacancy rate fell.

Figure 25. Apartment Rents and Vacancy Rates in the Outlying Counties Submarket



Q1 = first quarter.
Source: CoStar Group

Since the late 2010s, when apartments permitted earlier in the decade in response to improving economic conditions and low vacancy rates opened for leasing, both the vacancy rate and rent growth increased. From the first quarter of 2018 through the first quarter of 2021, the apartment vacancy rate increased an average of 0.3 percentage point annually to 5.0 percent in the first quarter of 2021. During the same period, rent increased an average of 3 percent annually to \$1,262 during the first quarter of 2021. Most of the increase in the apartment vacancy rate occurred in 2020 and 2021, coinciding with pandemic-influenced changes in housing trends, but the increase was relatively smaller than in the Central Counties submarket. During the first quarter of 2022, the average apartment rent increased 4 percent from a year ago to \$1,310, and the apartment vacancy rate declined 0.1 percentage point to 4.9 percent.

In the 15 CoStar Group-defined market areas, conditions were generally trending in the same direction as the submarket overall during the first quarter of 2022. Rent increased in all 15 areas from a year earlier, with gains ranging from 7 percent in the Washington (County) Far Eastern Suburbs market area to less than 1 percent in the West Saint Paul (northern Dakota County) market area. The vacancy rate declined or remained unchanged in 9 of the 15 areas. The largest decrease was in the Carver County market area,

down 2.1 percentage points to 1.4 percent. The Coon Rapids/Fridley/Blaine (southern Anoka County) market area had the largest increase in the vacancy rate, up 3.9 percentage points to 6.5 percent, partially due to an elevated number of units entering the market in the past 12 months.

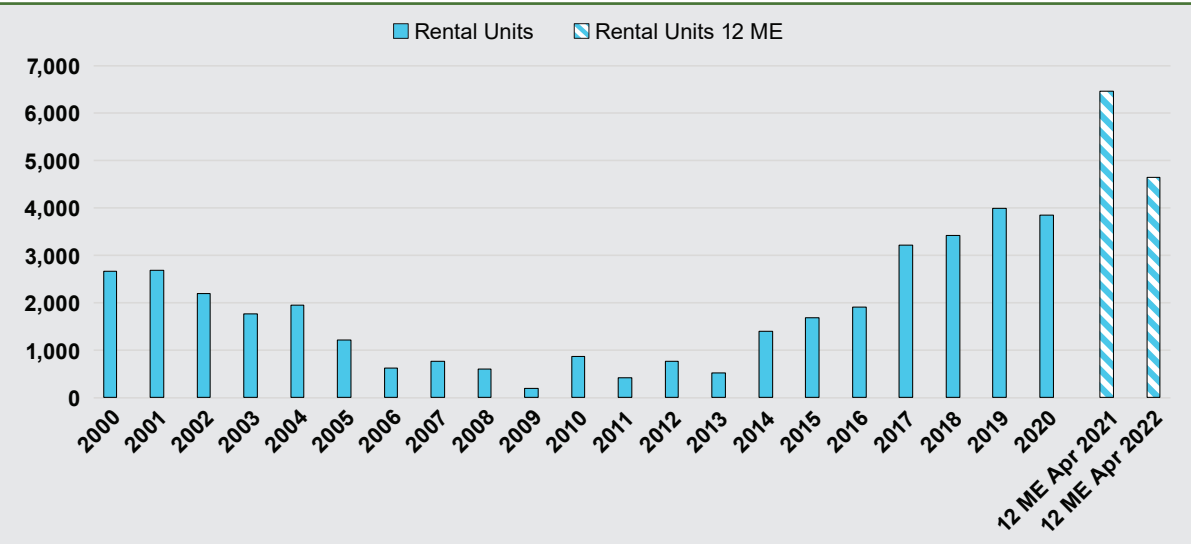
Rental Construction

Rental unit construction was minimal for several years before and after the Great Recession. An elevated portion of the inventory of homes for sale were purchased by investors and converted to rental units, meeting demand for additional rental units in the submarket. From 2009 through 2013, rental unit permitting averaged 550 units annually (Figure 26). As the economy improved and investor purchases and conversions of single-family homes slowed, rental unit construction increased. From 2014 through 2019, rental unit permitting increased by an average of 580 units annually to 4,000 units in 2019. Construction remained elevated in 2020, with 3,850 units permitted. Permitting increased to 6,450 units during the 12 months ending April 2021 but slowed to 4,650 units during the 12 months ending April 2022 because limited availability of labor and construction materials constrained construction.

Forecast

During the three-year forecast period, demand is expected for an additional 7,625 rental units

Figure 26. Annual Rental Permitting Activity in the Outlying Counties Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

(Table 16). The 7,450 units currently under construction are expected to meet nearly all the demand. Due to slower anticipated household growth, the number of additional units demanded during the forecast period is expected to be lower than the number of units of demand in recent years.

Table 16. Demand for New Rental Units in the Outlying Counties Submarket During the Forecast Period

Rental Units	
Demand	7,625 Units
Under Construction	7,450 Units

Note: The forecast period is May 1, 2022, to May 1, 2025.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Existing Home Sales	Includes regular resales and REO sales.
Forecast Period	5/1/2022–5/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Mortgage Delinquency Rate	Share of mortgages 90+ days delinquent or in foreclosure.
Net Natural Increase	Resident births minus resident deaths.

Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB/Wells Fargo Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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