

Housing Market Profile



Midwest • HUD Region V

Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin

Located in southeastern Minnesota, the Minneapolis-St. Paul-Bloomington metropolitan area encompasses 11 counties in Minnesota and 2 counties in Wisconsin. The area includes the two largest cities in Minnesota: Minneapolis and St. Paul, the state capital. As of September 1, 2010, the population of the metropolitan area was estimated at 3.3 million, which represents an increase of 23,600, or 0.7 percent, since September 1, 2009, down slightly from the annual increase of 1.1 percent during the previous 3 years.

Nonfarm payrolls have declined since mid-2008 and economic conditions remain weak. During the 12-month period ending August 2010, nonfarm payrolls in the metropolitan area averaged approximately 1.7 million jobs, down 2.8 percent compared with the previous 12-month period. The largest declines were in the construction and manufacturing sectors, which lost 10,600 and 10,400 jobs, or 17.5 and 5.6 percent, respectively. A \$30 million expansion of Baldinger Bakery in St. Paul is expected to create 150 manufacturing jobs when the bakery opens in March 2011. Despite the net job losses during the 12 months ending August 2010, the average unemployment rate remained unchanged at 7.2 percent compared with the previous 12 months.

During the 12 months ending August 2010, the education and health services sector was the only sector to gain jobs, up 2,000 jobs, or 0.7 percent, compared with the previous 12-month period. Since 2005, more than \$735 million in newly constructed healthcare facilities have opened, providing more than 3,000 jobs, in the Minneapolis Life-sciences Corridor, a redevelopment area on the south side of Minneapolis. In addition, the construction of three hospitals is under way: Hennepin County Medical Center, Children's Hospitals and Clinics of Minnesota, and University of Minnesota Amplatz Children's Hospital. These facilities, which are scheduled to open between October 2010 and March 2011, will create several hundred new jobs.

Primarily because of the weak economic conditions, the sales housing market in the Minneapolis-St. Paul-Bloomington metropolitan area is currently soft, with an estimated vacancy rate of 2.5 percent. According to

the Minneapolis Area Association of REALTORS® (MAAR®), during the 12-month period ending August 2010, total existing home sales decreased by 6 percent to 38,100 compared with 40,700 sold during the previous 12 months. During the 12 months ending August 2010, new home sales declined to 3,125, or by 2.0 percent, compared with 3,185 during the previous 12 months. During the 12-month period ending August 2010, the median sales price of a new home fell 6 percent to \$235,000, and the median sales price of an existing home was essentially flat at \$166,000.

The sale of existing condominiums represents 25 percent of existing home sales and the sale of new condominiums represents 43 percent of new home sales in the metropolitan area. According to MAAR®, during the 12 months ending August 2010, existing condominium sales increased by 1,000 units, or 12 percent, to 9,365 homes sold, and new condominium sales decreased by 125 units, or 9 percent, to 1,290, with most sales occurring because buyers took advantage of the expiring federal homebuyer tax credits. For the 12 months ending August 2010, the median sales price of an existing condominium was \$132,100, down 2 percent, and the median sales price of a new condominium was \$185,200, down 5 percent from the previous 12-month period.

Homebuilding activity, as measured by the number of single-family building permits issued, has increased in the area because the inventory of unsold homes has declined. For the 12 months ending August 2010, the inventory of unsold homes decreased to an average 6.4-months supply compared with an average 8.1-months supply for the previous 12 months. Based on preliminary data, during the 12-months ending August 2010, approximately 4,190 single-family building permits were issued, up 23 percent from the previous 12-month period. In comparison, single-family construction activity peaked from 2001 through 2005, when the average number of single-family homes permitted annually was 18,500. From 2006 through 2009, the average annual number of units permitted declined to 6,800 homes. Based on preliminary data, multifamily construction activity, as measured by the number of units permitted, increased 35 percent to 1,560 units, including about 150 condominium units. In the metropolitan area between 2006 and 2008, an average of 2,600 multifamily units were permitted annually, with condominiums representing 38 percent of the total multifamily permits, or about 1,000 units annually.

The Minneapolis-St. Paul-Bloomington rental market has been balanced since the second quarter of 2009 because of increased demand for rental apartments and a lower rate of multifamily apartment construction in recent



years. According to GVA Marquette Advisors, between the second quarter of 2009 and the second quarter of 2010, the estimated rental vacancy rate declined from 6 to 5 percent. Average market rents were essentially flat during this period at approximately \$900. The University of Minnesota (U of M) and Augsburg College, with 51,650 and 4,110 students, respectively, have a significant impact on the downtown rental market, with approximately 34,725 students from both universities combined residing in off-campus housing. In the housing submarkets surrounding the universities, vacancy rates are as much as 2 percentage points lower than the overall apartment

vacancy rate in the metropolitan area. New apartment development includes the 175-unit Mill District City Apartments, located near U of M, which opened the first of three phases, or 60 units, in October 2010, of which 50 units were preleased. Rents range between \$990 for a studio to \$2,540 for a three-bedroom unit. The Ellipse on Excelsior Apartments, a 132-unit project, located in suburban Hennepin County outside Minneapolis, opened September 1, 2010, and was 70 percent leased as of August 2010, with rents ranging between \$995 for a studio and \$2,900 for a two-bedroom unit.