

Key Findings

- In 2014, the total permit value of nonresidential construction across the Twin Cities region reached \$2.4 billion, the highest level since the pre-recession boom in 2006. A third (34%) came from two large stadium projects, U.S. Bank Stadium in Minneapolis and CHS Field in Saint Paul.
- The substantial growth in the region's commercial and industrial sectors were key drivers in the post-recession nonresidential market's recovery.
- Between 2010 and 2014, nonresidential construction in the region's Urban areas was particularly strong. Total nonresidential permit value in Urban Centers doubled and in Urban communities tripled over this time period (without including the 2014 stadium projects).

About us

The Regional Policy and Research team at Metropolitan Council wrote this issue of *MetroStats*. We serve the Twin Cities region—and your community—by providing technical assistance, by offering data and reports about demographic trends and development patterns, and by exploring regional issues that matter.

For more information, please contact us at research@metc.state.mn.us.

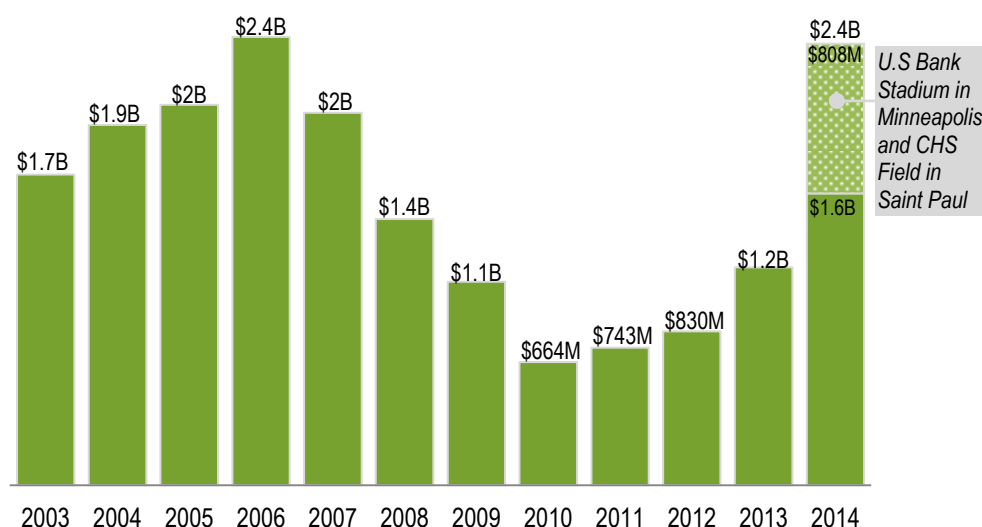
Download the data used in this report at <http://metro council.org/data>. Select "Building Permits, commercial, industrial and public" and select your geographic areas of interest. Please note that our data collection on development is ongoing. The numbers published in this report may not reflect the most current data available.

2014 nonresidential construction reaches highest level in a decade

In 2014, nonresidential construction—that is, newly built or large expansions of buildings for commercial, industrial, or public and institutional use—hit its highest level of activity in the Twin Cities region since the Great Recession. The total value of nonresidential permits issued by cities and townships across the region reached \$2.4 billion in 2014, an amount unseen since the pre-recession peak in 2006 (Figure 1). The 2014 permit value total is double the 2013 total (\$1.2 billion), and almost four times the 2010 total, when construction activity bottomed out during the Great Recession.

In part, the substantial increase in the 2014 total was due to five permits issued for two large, high-profile stadium projects—U.S. Bank Stadium in Minneapolis (future home of the Minnesota Vikings) and CHS Field in Saint Paul (home of the Saint Paul Saints and Hamline University baseball teams). Together, these two projects accounted for over a third (34%) of 2014's total permit value. However, even if we set aside the \$808 million for the stadium projects, the region's total permit value increased 34% from 2013 to 2014, and 42% from 2012 to 2013. These substantial gains two years running suggest that the nonresidential market in the Twin Cities region has moved from a state of recovery to resurgence.

Figure 1. Total permit value of nonresidential construction in the Twin Cities region (2014 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional (CIPI) Building Permit Survey, 2003-2014. Note: Not all cities and townships respond to our annual survey so the region's total nonresidential permit value may be underrepresented.

“Nonresidential” is an umbrella term for construction activity in three major sectors—commercial, industrial, and public and institutional (Figure 2). Each sector is a distinct market, influenced by national, industry-specific trends and location preferences:

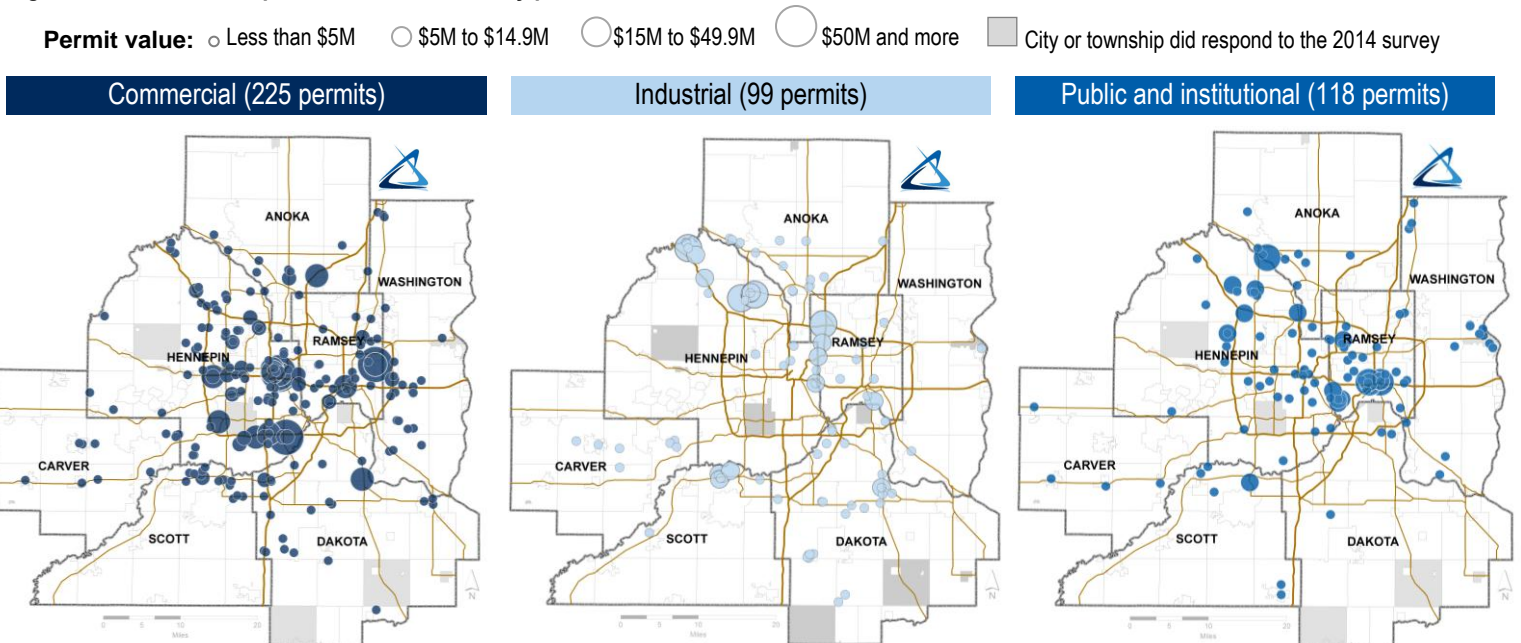
- The commercial sector includes a range of construction projects from large office buildings and retail centers to banks, restaurants, auto dealerships and stadiums.
- The industrial sector includes warehouses, distribution centers, manufacturing facilities and secondary storage sheds and garages.
- The public and institutional sector refers to construction projects of tax-exempt entities, such as city and state government buildings and offices, schools and higher education buildings, churches and (most) hospitals.

Figure 2. Nonresidential sectors and subsectors

Nonresidential		
Commercial	Industrial	Public and institutional
<p>Commercial (226 permits)</p> <ul style="list-style-type: none"> • Office and office/retail mix • Retail • Commercial services 	<ul style="list-style-type: none"> • Warehouse and warehouse/office mix • Manufacturing • Other industrial 	<ul style="list-style-type: none"> • Schools & higher education • Government office & public works • Hospitals & nursing homes • Transit and transportation • Other public and institutional

The Twin Cities region as a whole issued 442 permits for nonresidential construction in 2014, a 13% increase from 2013 and nearly double the total number of permits issued in 2010. Just over half (51%) of the permits issued in 2014 were for commercial projects. About half of the cities and townships across the Twin Cities reported that they issued no nonresidential permits in 2014. Figure 3 shows the location and permit value of the 2014 permits by sector.

Figure 3. Nonresidential permits issued in 2014 by permit value and sector

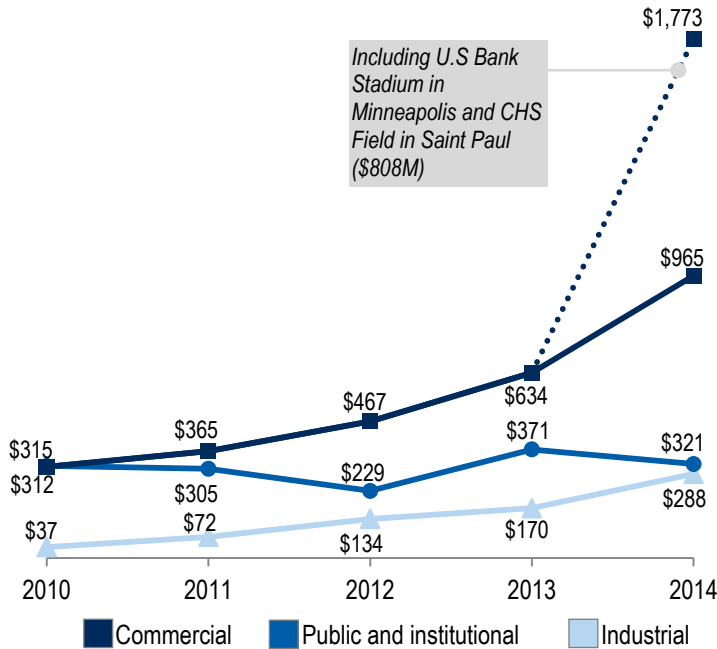


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|--|--|---|
| <p>The 5 highest-value projects of 2014</p> <ul style="list-style-type: none"> • \$769M, U.S. Bank Stadium, Minneapolis • \$198M, Downtown East Towers, Minneapolis • \$137M, 3M Corporate, Maplewood • \$57M, Mall of America, Bloomington • \$39M, CHS Field, Saint Paul | <ul style="list-style-type: none"> • \$19M, Flint Hills Resources, Rosemount • \$17M, Cardiovascular Systems, Inc, New Brighton • \$16M, Red Rock Business Park, Maple Grove • \$16M, 610 Commerce Center, Brooklyn Park • \$16M, FedEx, Rogers | <ul style="list-style-type: none"> • \$45M, Metropolitan State University, Saint Paul • \$33M, Minnesota Senate Office Building, Saint Paul • \$20M, Mother Baby Center at Mercy Hospital, Coon Rapids • \$15M, Noble Academy, Brooklyn Park • \$13M, city water treatment facility, Brooklyn Center |
|--|--|---|

Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2014.

Commercial and industrial construction led the region's post-recession recovery

Figure 4. Total permit value of nonresidential construction by sector (in millions of 2014 dollars)



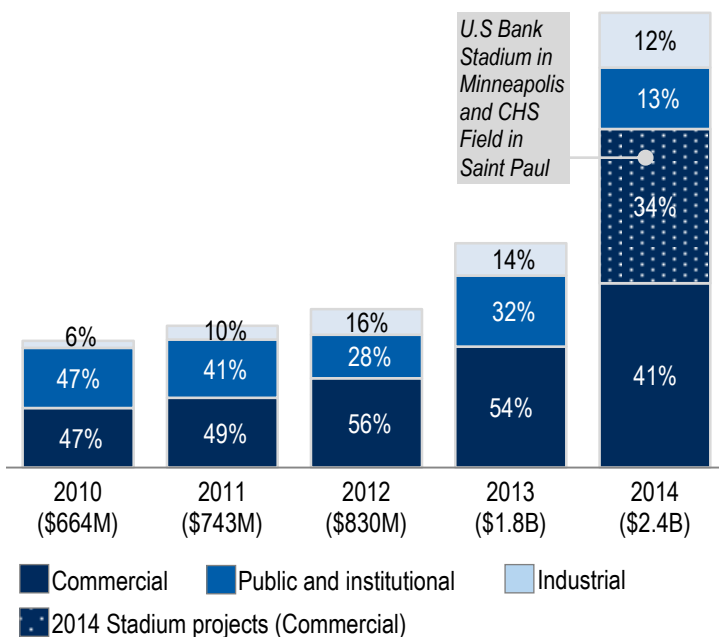
Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014.

Substantial new development in the region's commercial and industrial sectors led the overall recovery of our nonresidential market.

The total permit value of commercial construction climbed steadily between 2010 and 2014, especially after 2012. Even without the permit value from the 2014 stadium projects, the region's commercial permit value tripled during this period (Figure 4). As the commercial sector outpaced activity in other areas of the nonresidential market, it emerged as the largest share of the region's nonresidential market in 2011 (Figure 5).

Since 2010, the total permit value of industrial construction increased almost eightfold, going from \$37 million to \$288 million (Figure 4). In 2014, one of every eight dollars (12%) of the region's total permit value came from industrial construction. The industrial sector has doubled its share of the region's nonresidential market since 2010 (Figure 5).

Figure 5. Share of the region's total nonresidential permit value by sector



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014.

Between 2010 and 2014, the total permit value of public and institutional construction was largely static, growing only 2% (Figure 4). Between 2013 and 2014, the permit value of public and institutional construction decreased 14%. Public and institutional construction has become an increasingly small share of the overall nonresidential market (Figure 5).

Nonresidential construction in the Twin Cities region has indeed recovered from the recession—but that is not to say it wasn't altered by it. For example, the rise of e-commerce is reshaping regional distribution networks across the U.S., and generating demand for large, modern warehouse spaces. Smaller, service-oriented retail and commercial service businesses are increasing, while several big box retailers closed.

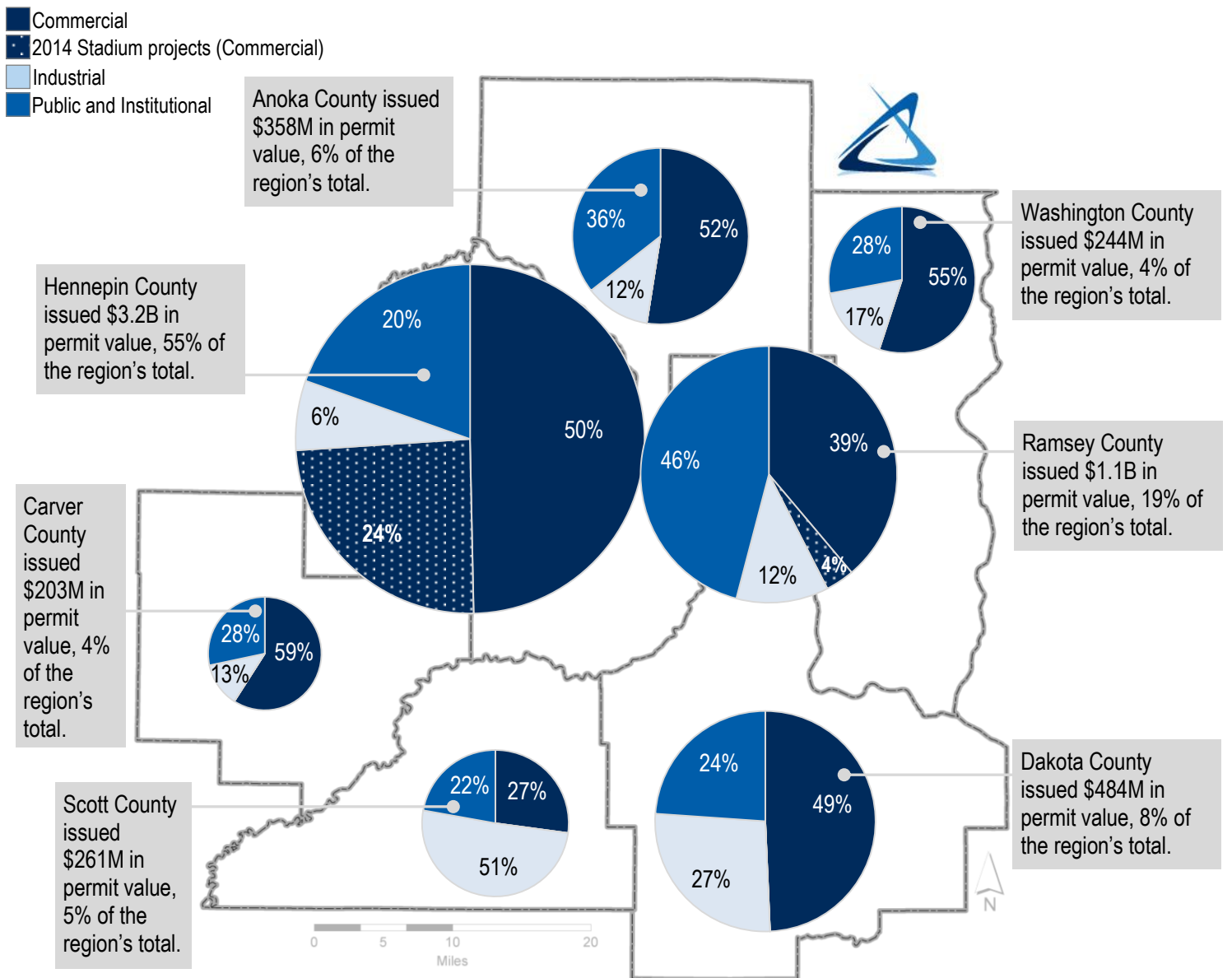
Because our building permits survey captures new construction and large building expansions, some of these market trends are just emerging in our dataset. As prime redevelopment opportunities run out and capital markets stay strong (making financing new development possible), the volume of permits issued for new construction is likely to rise over the next several years across the region.

The majority of post-recession nonresidential permit value issued in Hennepin and Ramsey Counties

Between 2010 and 2014, over half (55%) of the region's total nonresidential permit value came from permits issued in Hennepin County (Figure 6). Ramsey County accounted for 19% of the region's total during this period, followed by Dakota County (8%), Anoka (6%), Scott (5%), Washington (4%) and Carver (4%).

The balance of sectors within each of the seven counties differs (Figure 6). In Hennepin, Carver, Washington, Anoka and Dakota Counties, the commercial sector was around half of the total permit value between 2010 and 2014. Ramsey County shows the largest share of public and institutional permit value, while Scott County has the largest share of industrial sector permit value.

Figure 6. Total nonresidential permit value issued between 2010 and 2014 by sector and county (2014 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014. Note: Twenty-six cities or townships across the region had missing or incomplete CIPI data between 2010 and 2014.

Since 2010, Urban areas experienced most growth in nonresidential construction permit value

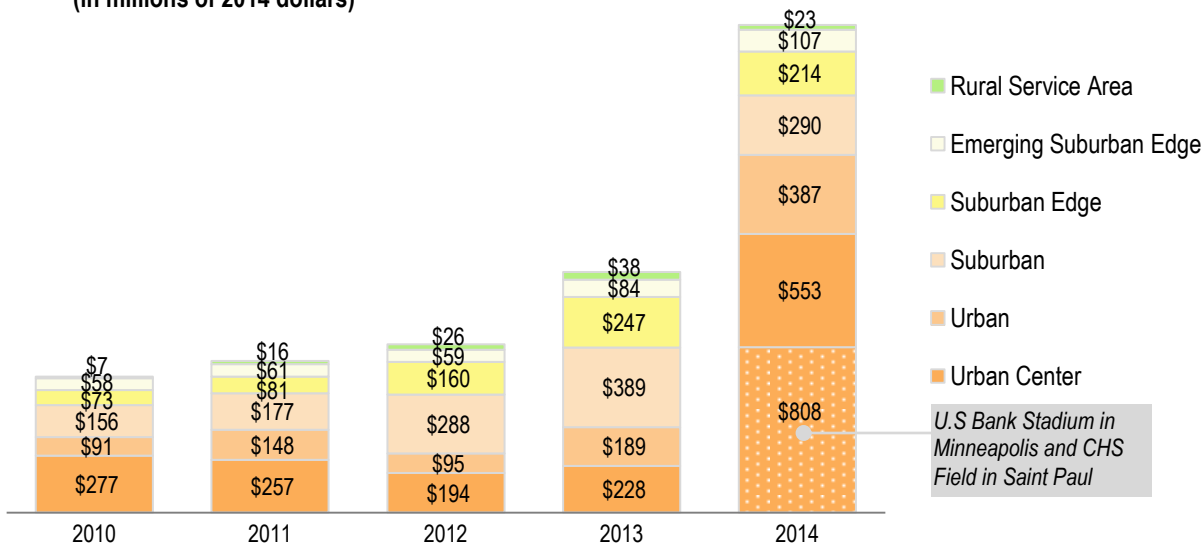
The seven-county region contains a wide variety of communities ranging from farming-based townships to densely developed downtown neighborhoods. Recognizing that one size does not fit all, we use *Thrive MSP 2040* Community Designations to group cities and townships with similar characteristics in order to more effectively target policies. Each city and township in the region receives a designation based on their existing development patterns, common challenges and shared opportunities (read more about Community Designations in the regional development guide, *Thrive MSP 2040*—[pdf](#)).

Within the context of nonresidential construction trends, Community Designations can be viewed as high-level, geographic market segments. For example, if a new manufacturing center was looking for a large parcel of land with highway access, this business would likely locate in one of the region’s Suburban Edge or Emerging Suburban Edge communities, rather than in an Urban community that has fewer large parcels zoned for industrial use and available for development. Tracking the development and growth within Community Designations informs long-range planning for land use and future infrastructure investments, such as highways and transit.

Not including the 2014 stadium projects, trends by Community Designation include (Figure 7):

- Urban Centers issued about a third (30%) of the region’s total nonresidential permit value between 2010 and 2014. The total nonresidential permit value issued in Urban Centers doubled in this time frame.
- Urban communities issued 18% of the region’s post-recession nonresidential permit value. The permit value issued in Urban communities has quadrupled going from \$91 million in 2010 to \$387 million in 2014.
- Since 2010, Suburban communities issued over one quarter (26%) of the region’s total nonresidential permit value. Suburban communities’ total permit value increased 86% over this period, going from \$156 million in 2010 to \$290 million in 2014.
- Suburban Edge communities issued 16% of the region’s total permit value between 2010 and 2014, nearly tripling in permit value.
- Emerging Suburban Edge communities issued 7% of the region’s total since 2010. These communities had a more modest post-recession growth rate than other Community Designations.

Figure 7. Total nonresidential permit value issued between 2010 and 2014 by *Thrive MSP 2040* Community Designations (in millions of 2014 dollars)

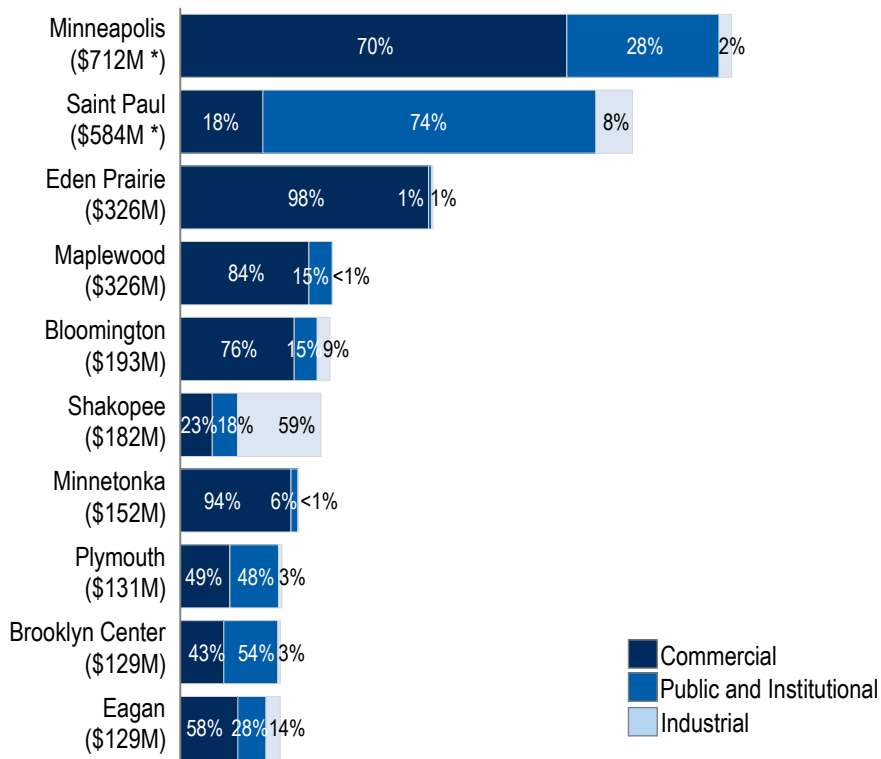


Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014. The region’s Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permits issued in non-Council communities are excluded in Figure 7; the totals may not match in other figures in this report.

Most cities with the highest nonresidential permit value were anchored by strong commercial activity

Over half (55%) of the region's total nonresidential permit value between 2010 and 2014 was issued in the ten cities listed in Figure 8. Several cities, like Eden Prairie, Minnetonka and Maplewood, experienced strong activity in the commercial sector, which accounted for the vast majority of their permit value. Other cities in the top 10, like Plymouth, Brooklyn Center and Eagan, relied on a combination of commercial construction and public and institutional projects. (With the U.S. Bank Stadium permit value excluded, even Minneapolis fits into this balanced category.) Only Shakopee had the majority of its nonresidential permit value (59%) from industrial construction activity between 2010 and 2014. With CHS Field excluded, Saint Paul also stands out for its large share of public and institutional permit value (74%).

Figure 8. Ten cities with highest total permit value, 2010-2014



*2014 stadium permit value excluded.

Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2014.

Read related issues of MetroStats

Learn more about nonresidential construction and development patterns in the Twin Cities region:

- [Bust turned Boom: Industrial Construction in the Twin Cities Region in 2014 \(December 2015\)](#)
- [Commercial Construction in the Twin Cities Region Soars in 2014 \(December 2015\)](#)
- [Public and Institutional Construction in the Twin Cities Region in 2014 \(December 2015\)](#)

About Our Commercial, Industrial, Public and Institutional Building Permit Survey

Measuring the volume of commercial, industrial, and public and institutional construction activity annually is not straightforward. Some information sources that report new development focus on when construction started. Others, on how much development is underway at a point in time, and still others on when a structure is completed or occupied. In this report, projects are counted at the time local governments issue building permits. No information on demolition is included, so the data represent a gross construction volume, but not the net gain in property value. With annual updates, however, the data are useful for assessing long-range trends.

Data collection methods

The Metropolitan Council surveys each city and township, requesting the following information:

Building name or tenant (if unknown, may list developer)	Description of building use
Building type	Parcel identification number (PIN)
Address	Permit value of building
Square footage	New building or addition

We designate each listing as either “Commercial,” “Industrial,” or “Public and Institutional” based on descriptive information provided by survey respondents. The public and institutional category includes government offices, public works facilities, schools (public and private), hospitals and nursing homes (without a residential component), religious entities, public recreation structures, transit and other transportation facilities.

Data considerations

One project may consist of multiple building permits; one for the major structural construction, with separate permits for other work such as mechanical, electrical and finishing work. We have attempted to 1) represent the permit valuation for all new projects and additions (if over \$100,000) and 2) avoid duplication. However, there may be some inconsistency because of project complexity and differences among local permit record-keeping systems. Whenever it was possible to differentiate, the Research team only included building permits that involved the addition of new square footage.

Project “value” reflects the estimated cost of construction reported on the building permit. Permit values exclude some costs including land and landscaping, and are typically lower than market values of completed properties. City-to-city comparisons may not be entirely valid if there are differences in survey completeness or methods of permit valuation.

Other construction activity may have occurred on properties of state and federal jurisdictions that are not included in this report. The University of Minnesota, for example, is not included in our survey since it does not have to apply for building permits from local jurisdictions.

Occasionally a project will be put on hold after the building permit has been issued. All permits reported by local officials for this survey are included in Metropolitan Council’s database and in this report, regardless of status. For the most current data, download this dataset directly from our website: <http://metro council.org/data>

Airport permits in public and institutional construction

Throughout this report, the total value of commercial, industrial, and public and institutional projects excludes the permit values of airport projects. While airport projects create employment, their impact on land use tends to be inconsequential because they are limited to fixed airport boundaries.