

Key Findings

- After bottoming out in 2010, nonresidential construction activity in the Twin Cities region is once again growing, reaching \$1.1 billion in 2013.
- Steady growth in the total permit value of commercial and industrial projects, and a recent increase in public and institutional projects are driving the overall growth of nonresidential construction in the region.
- Nonresidential construction activity increased across the region between 2010 and 2013, with total permit values in suburban areas growing especially fast.

About us

This *MetroStats* was written by the Regional Policy and Research team at the Metropolitan Council. We serve the Twin Cities region and your community by providing data, reports and technical assistance about demographic trends, development patterns, and 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://metrocouncil.org/data>. Select "Building Permits, commercial, industrial and public" and select your geographic areas of interest.

Nonresidential construction activity in the Twin Cities region was robust in 2013

The total permit value for nonresidential construction activity in the region peaked in 2006 (\$2.4 billion) then fell considerably during the Great Recession (Figure 1). After bottoming out in 2010, nonresidential construction activity picked up gradually. In 2013, the total permit value reached \$1.1 billion, up 42% from the 2012 total (\$817 million). The 2013 total is nearly double the 2010 total (\$654 million). Since 2003, the Twin Cities region issued close to \$16 billion in building permits for nonresidential construction projects.

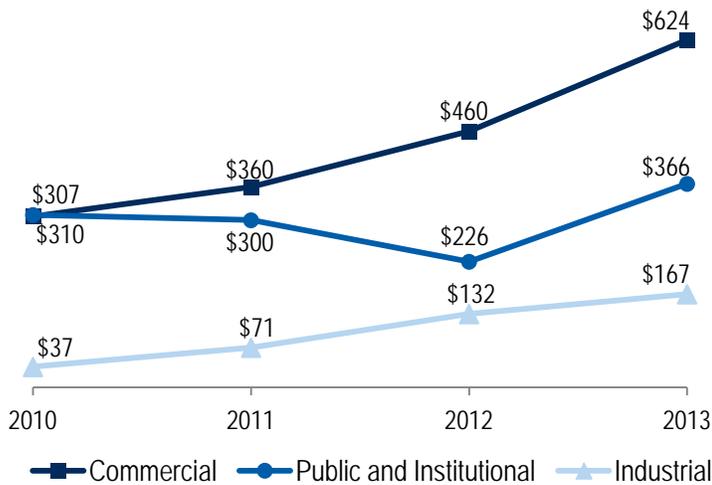
Figure 1. Total permit value of nonresidential construction in the Twin Cities region (2013 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2003-2013.

Nonresidential construction is an umbrella term for construction activity within three major sectors—commercial, industrial, and public and institutional. Taking a closer look at the post-recession years within these sectors, each has made a distinct contribution to the growth of nonresidential construction activity in the region (Figure 2). For example, the total permit value for industrial construction increased 355% between 2010 and 2013. Commercial permit values doubled over the same time period going from \$307 million in 2010 to \$624 million in 2013.

Figure 2. Total permit value of nonresidential construction by sector (in millions of 2013 dollars)



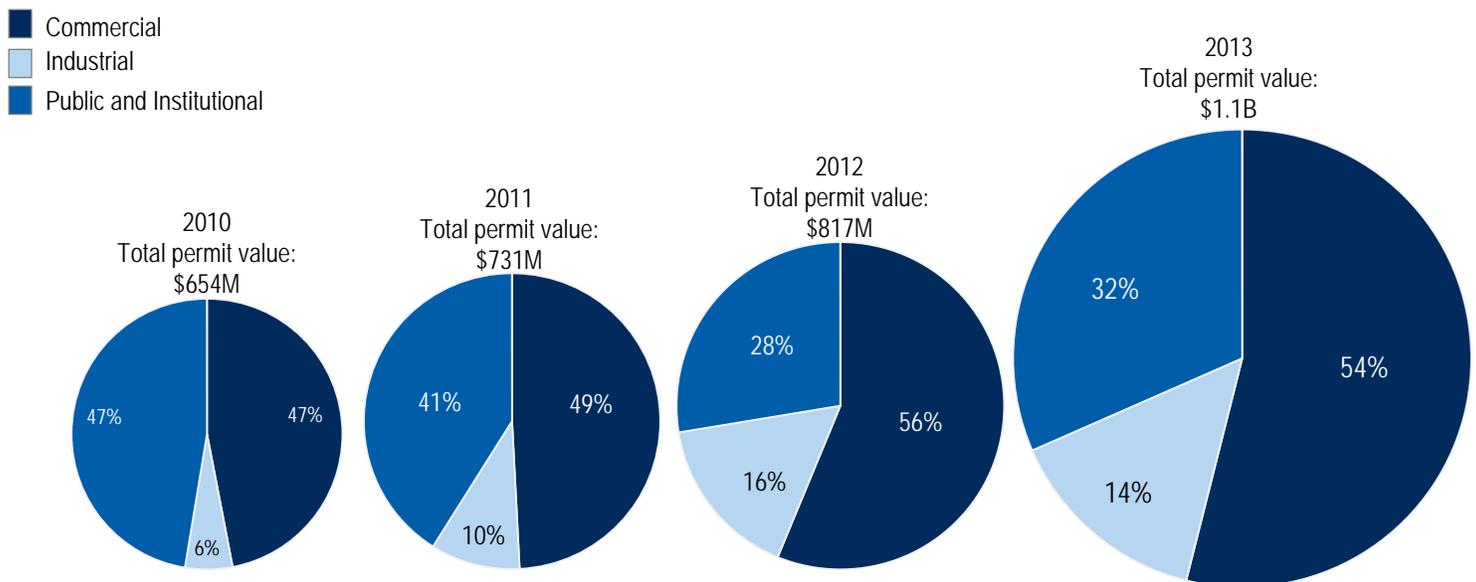
Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013.

The permit value of public and institutional construction grew 62% between 2012 and 2013. This increase—paired with steady expansion of the commercial sector—drove much of the overall growth in nonresidential construction across the region in 2013.

Each sector’s total permit value experienced a net increase between 2010 and 2013; but varying rates of growth resulted in a shift in the composition of nonresidential construction activity the region. In the post-recession years, the value of commercial permits consistently accounted for about half of the region’s total nonresidential construction activity (Figure 3). The share of public and institutional activity has decreased over the same time period, while the industrial sector more than doubled its share of regional activity. By 2013, the region’s

nonresidential construction was more robust in volume and diverse in sector representation.

Figure 3. Share of the regional permit value of nonresidential construction by sector (2013 dollars)



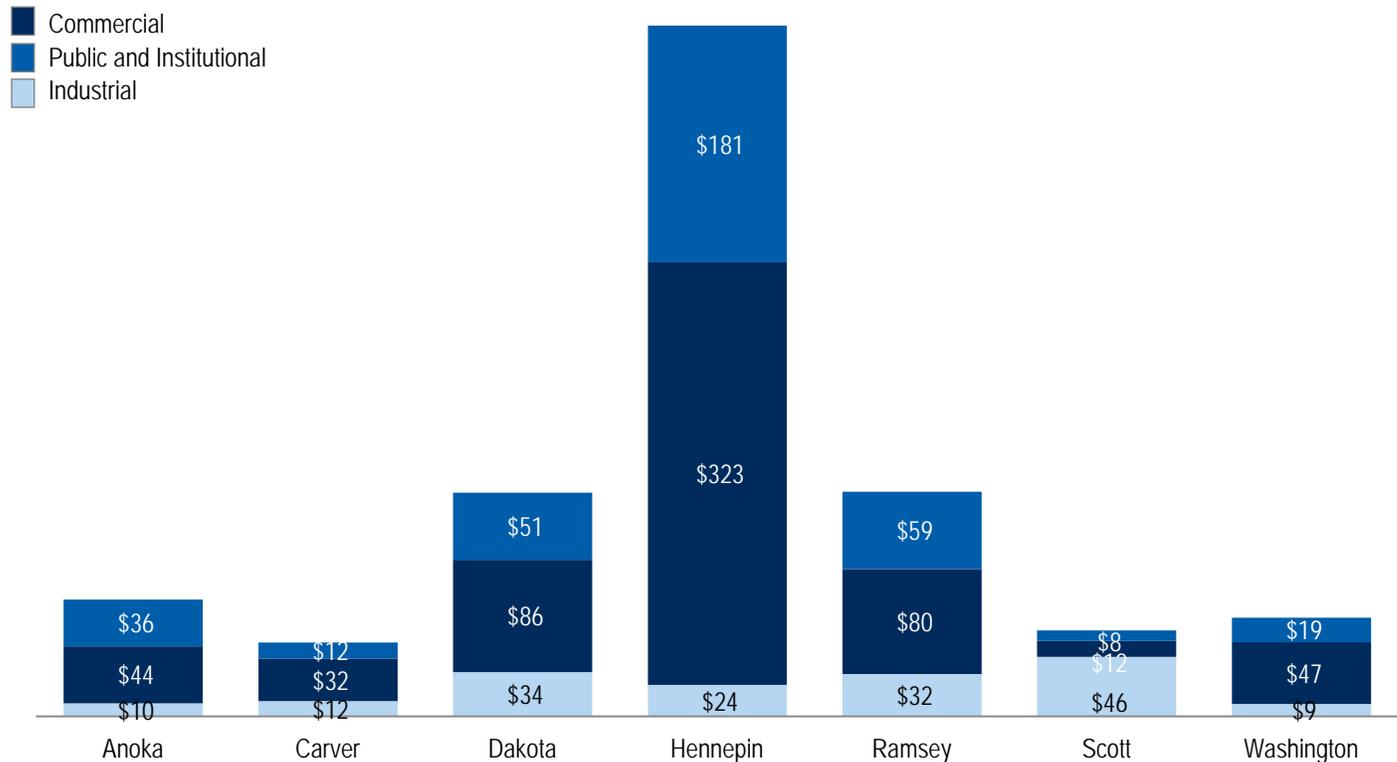
Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013.

Nonresidential construction activity increased across the region in 2013

Nearly half of the region’s total nonresidential permit value—46%—were from permits issued in Hennepin County (Figure 4). Ramsey County and Dakota County each had a 15% share of the region’s 2013 total, followed by Anoka (8%), Washington (7%), Scott (6%) and Carver (5%). This distribution pattern of total permit values by county is largely consistent between 2010 and 2013.

Hennepin County accounted for just over half (51%) of all 2013 commercial construction activity region-wide. In fact activity in the commercial sector was 61% of all of the nonresidential construction within Hennepin County. Similarly, Washington County and Carver County both saw a high share of commercial activity, 63% and 57% respectively. Scott County was the only county in the region that had its highest share of nonresidential construction in the industrial sector (69%). The sector-balance within Ramsey County was similar to the region as a whole; 47% of the total permit value came from the commercial sector, 19% from the industrial sector and 34% from public and institutional construction.

Figure 4. Total nonresidential permit value by sector and county in 2013 (in millions)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2013.

In 2013, five cities in region issued over \$50 million in nonresidential permits, including Eden Prairie (\$123M), Saint Paul (\$99M), Minneapolis (\$80M), Eagan (\$79M) and Golden Valley (\$68M). Together, these five cities account for 39% of the total nonresidential permit valued issued in region overall in 2013.

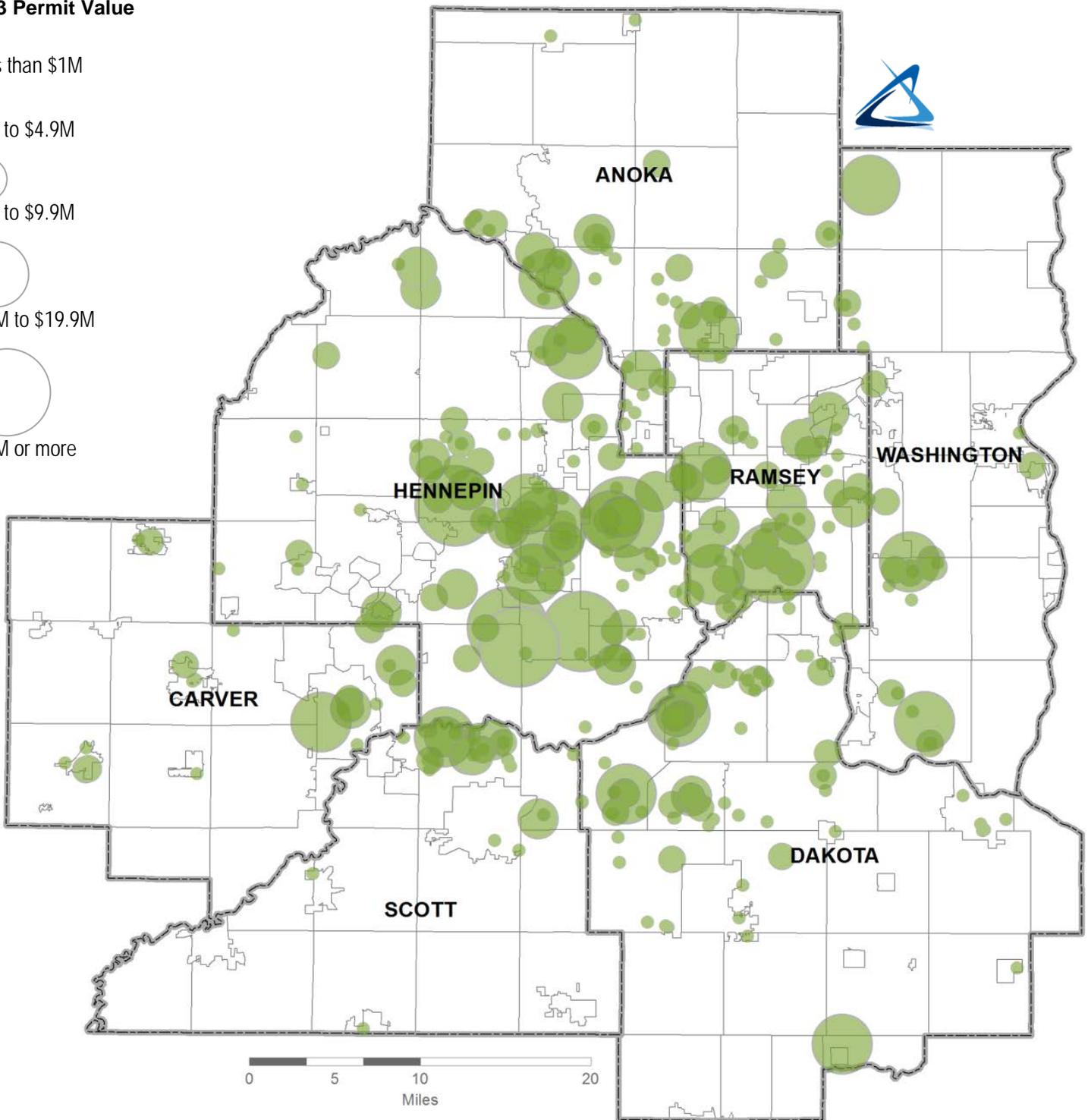
Having the highest total permit value does not necessarily mean the most “activity” per se. For example, Eden Prairie’s impressive 2013 total of \$123 million is mainly based on one large project—UnitedHealth Group’s new commercial office space with a permit value \$95 million. This project alone made up 77% of the Eden Prairie’s total permit value for 2013, and there were only three other nonresidential projects that made up the rest of the total. In contrast, Saint Paul’s largest nonresidential project in 2013 was \$29 million (a concert hall at the Ordway Center for the Performing Arts), accounting for less than one-third (29%) of Saint Paul’s total permit value for 2013. The Ordway project was one of 29 nonresidential permits issued in Saint Paul in 2013.

Figure 5 maps all 389 nonresidential permits issued in 2013 by permit value.

Figure 5. Nonresidential building permits issued in 2013 by permit value

2013 Permit Value

- Less than \$1M
- \$1M to \$4.9M
- \$5M to \$9.9M
- \$10M to \$19.9M
- \$20M or more



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2013.

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 communities 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](#)).

The region's suburban areas had the largest net increases in total nonresidential permit value

In 2010, Urban Center communities showed the highest total permit value of nonresidential construction in the region (Figure 6). By 2013, however, these communities were outpaced by the substantial growth in activity in both Suburban and Suburban Edge communities—where permit values more than doubled and tripled, respectively. In fact, nonresidential construction within Urban Center communities declined 18% between 2010 and 2013, even though the change between 2012 and 2013 was positive (\$34 million). Emerging Suburban Edge communities also gained total permit value between 2010 and 2013, going from \$58 million in 2010 to \$83 million in 2013—a 44% increase—most of which occurred between 2012 and 2013. The total permit value within the region's Rural Service Area also increased considerably between 2010 and 2013 but remained at a small scale compared to other communities.

Figure 6. Total nonresidential permit value by *Thrive MSP 2040* Community Designations (in millions of 2013 dollars)

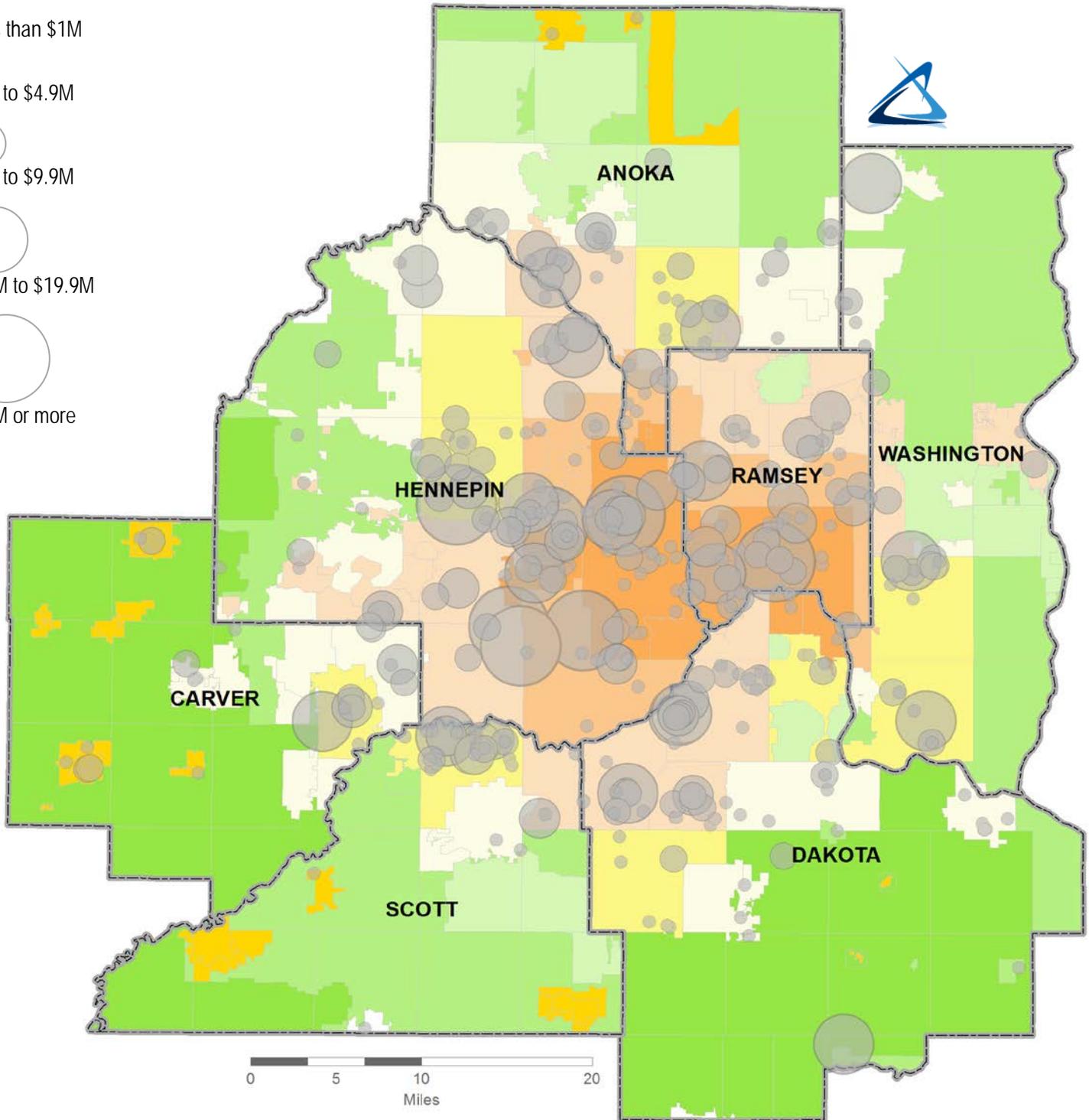


Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013. The region's Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permit values of non-Council communities are excluded in Figure 6, and may not match the regional totals presented earlier in this report.

Figure 7. Nonresidential building permits issued in 2013 by permit value with *Thrive MSP 2040* Community Designations

2013 Permit Value

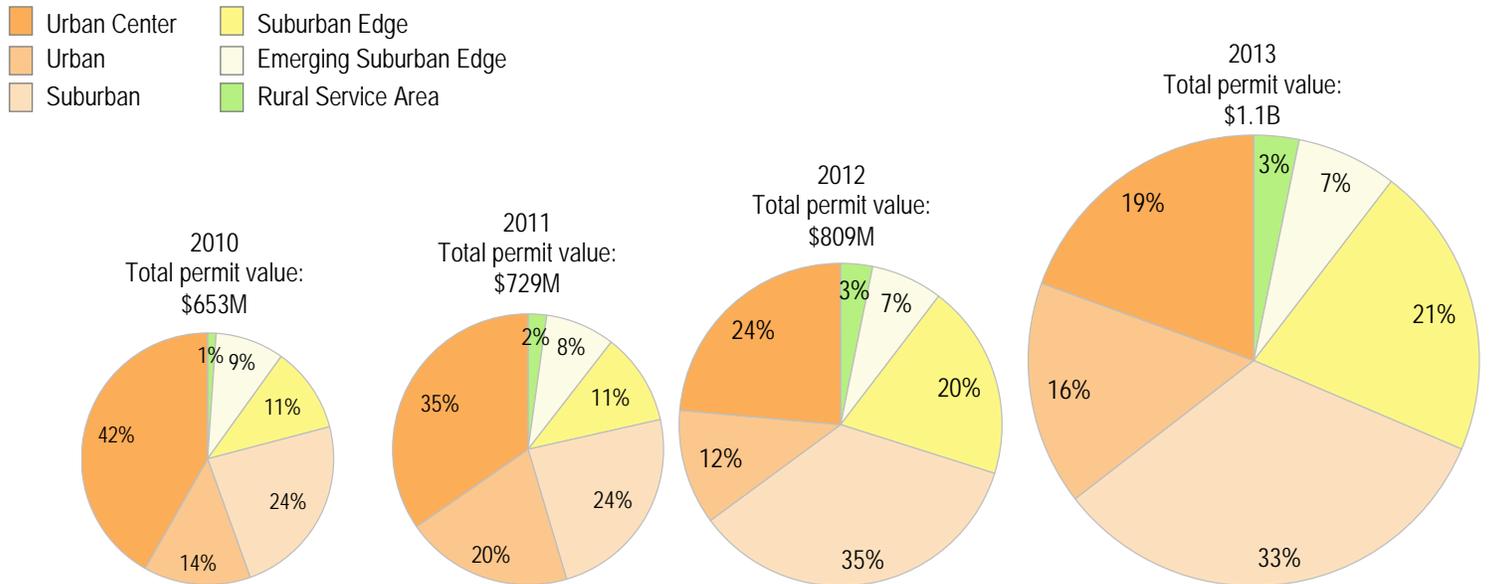
-  Less than \$1M
-  \$1M to \$4.9M
-  \$5M to \$9.9M
-  \$10M to \$19.9M
-  \$20M or more



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2013.

The total nonresidential construction permit value in Suburban communities grew from \$154 million in 2010 to \$383 million in 2013, pulling the regional share of these areas from 24% in 2010 to 33% in 2013. Similarly, the regional share of Suburban Edge communities climbed from 11% to 21% during this period. Urban Centers, which had 42% of the region’s total permit values in 2010, had only 19% of this total in 2013. In comparison, the total permit value in Urban communities doubled from \$93 million in 2012 to \$186 million in 2013. Yet, the total share of these communities barely went up from 12% to 16% during the same period. Despite a net growth in total permit value of 44% between 2010 and 2013, the regional share of Emerging Suburban Edge communities remained consistent.

Figure 8. Share of regional nonresidential permit value by *Thrive MSP* Community Designations



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013. The region’s Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permit values of non-Council communities are excluded in Figure 8, and may not match the regional totals presented earlier in this report.

About Metropolitan Council's Nonresidential Building Permit Data

Measuring the volume of commercial, industrial, and public and institutional construction activity over a given period of time 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 demolitions is included, so the data represent a gross construction volume, but not the net gain in property value. With annual updates, the data are useful for assessing long-range trends.

Data collection methods

The Metropolitan Council surveyed 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

Council Research staff designated 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, and other institutions such as non-profit organizations and community centers.

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. Metropolitan Council has attempted to represent the permit valuation for all new projects and additions (if over \$100,000) and to avoid duplication. However, there may be some inconsistency because of project complexity and differences among local permit record-keeping systems. Whenever 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 covered in Metropolitan Council's 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 data base and in this report, regardless of status. For the most current data, download this dataset directly from our website: <http://metrocouncil.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. Including airport projects in public and institutional construction project totals artificially inflates the share of communities with airports in the region's total permit values.