

MetroStats



Recent Industrial Construction Activity in the Twin Cities Region

March 2015

Key Findings

- One of every seven dollars of nonresidential construction in the Twin Cities region came from the industrial sector, which totaled \$167 million in 2013.
- Steady growth in the total permit value of office/warehouse projects, and a recent jump in manufacturing drove the overall growth of industrial construction in the region.
- Industrial construction activity increased in the region's edge areas between 2010 and 2013, with total permit values in Suburban Edge and the Rural Service Area growing especially fast.
- Large office/warehouse projects in Rogers and manufacturing construction in Shakopee and Saint Paul made significant contributions to industrial activity in 2013.

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.

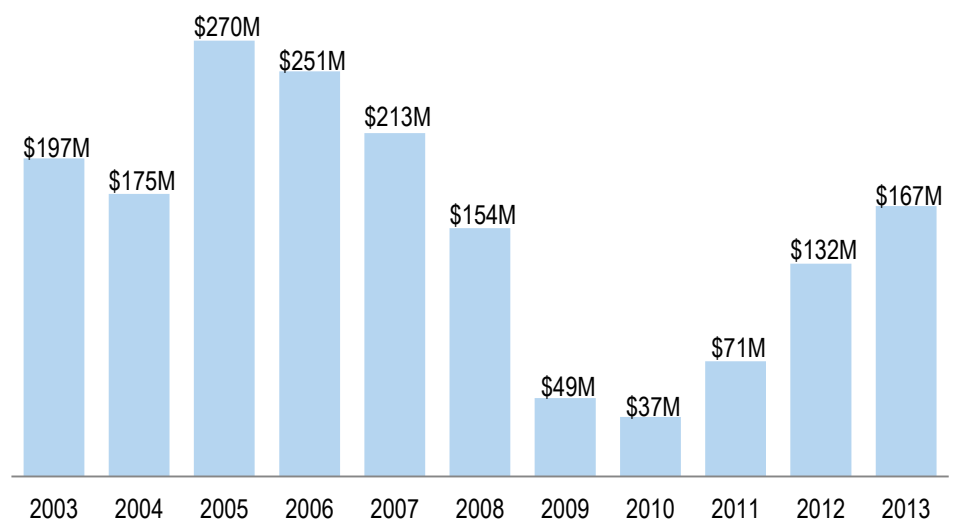
Download the data used in this report at <http://metro council.org/data>. Select "Building Permits, commercial, industrial and public" and select your geographic areas of interest.

Nonresidential construction is an umbrella term for construction activity within three major sectors—commercial, industrial, and public and institutional. For a general overview of nonresidential activity, please read our *MetroStats*, "[Recent Nonresidential Construction Activity in the Twin Cities Region \(pdf\)](#)".

In 2013, the total permit value of nonresidential construction in the Twin Cities region reached \$1.1 billion, the highest level of activity since 2010. One of every seven dollars (14%) of this total permit value came from the industrial sector.

Like nonresidential construction overall, the total permit value for industrial construction in the region peaked in the years directly preceding the recession. Industrial construction peaked in 2005 (\$270 million) then contracted to less than a seventh of its peak value by 2010 (Figure 1). In 2013, the total permit value for industrial construction reached \$167 million. Since 2003, the Twin Cities region issued over \$1.7 billion in building permits for industrial construction projects.

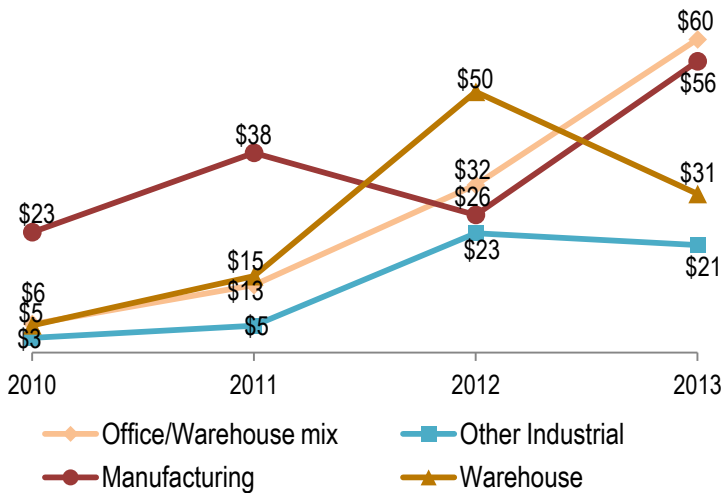
Figure 1. Total permit value of industrial construction in the Twin Cities region (2013 dollars)



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

The industrial sector breaks down into several subsector categories: manufacturing, warehouse, office/warehouse mix and other industrial projects.

Figure 2. Total permit value of industrial construction by subsector (in millions of 2013 dollars)



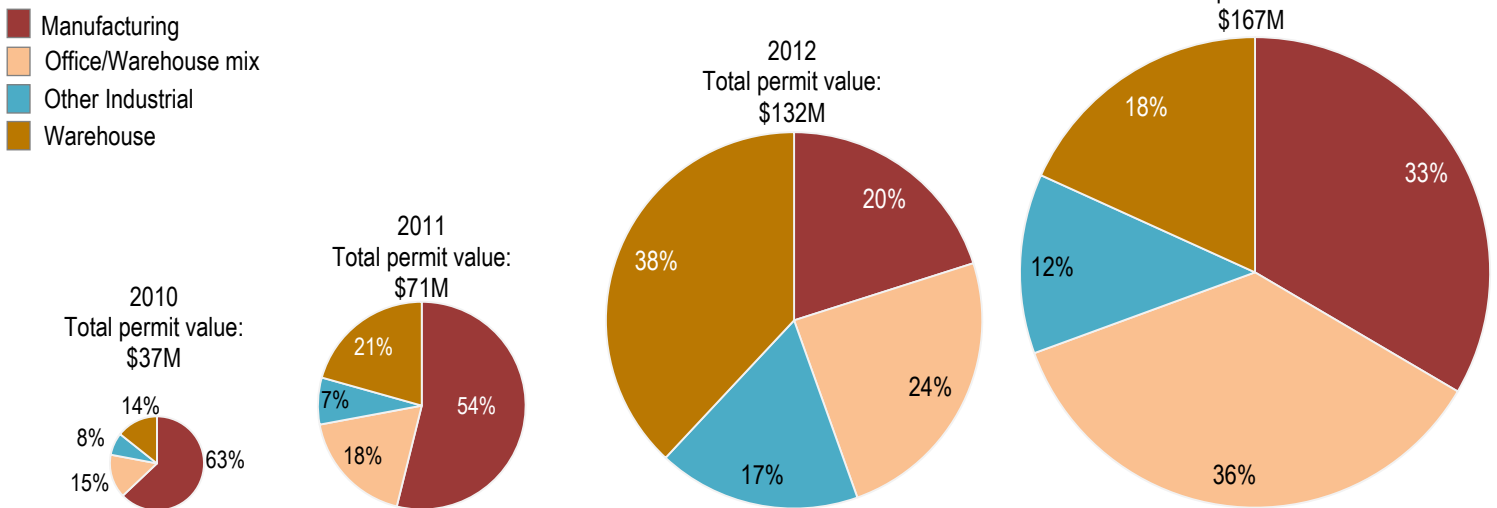
Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013.

Office/warehouse projects, as well as manufacturing, drove the overall increase in the value of industrial permits between 2010 and 2013 (Figure 2). The total permit value of office/warehouse projects increased tenfold, going from just \$6 million in 2010 to \$60 million in 2013. Manufacturing permit valued doubled over the same time period, reaching its highest annual total (\$56M) since 2008. Despite a small decrease between 2012 and 2013, the total permit value of other industrial construction grew substantially since 2010. Between 2012 and 2013, trends across industrial construction subsectors varied; office/warehouse and manufacturing gained total permit value, while warehouse and other industrial permit value fell.

increasing from 15% to 33% in 2013 (Figure 3). The share of manufacturing construction decreased over the same time period. The total permit value of warehouse and other industrial subsectors was less consistent resulting in annual shifts in their respective shares of regional activity. However, both subsectors increased in percentage between 2010 and 2013 overall.

Since 2010, office/warehouse construction became a larger share of the region’s industrial activity,

Figure 3. Share of the regional permit value of industrial construction by subsector (2013 dollars)



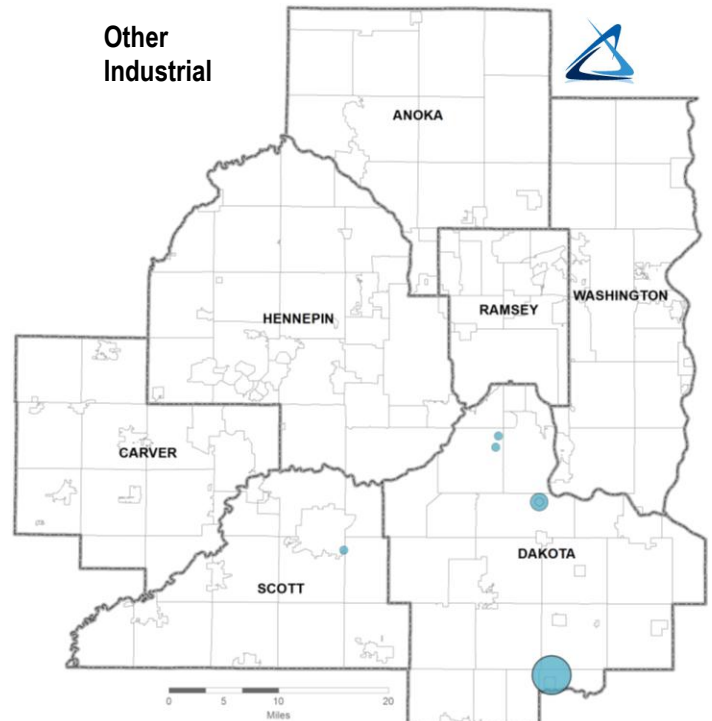
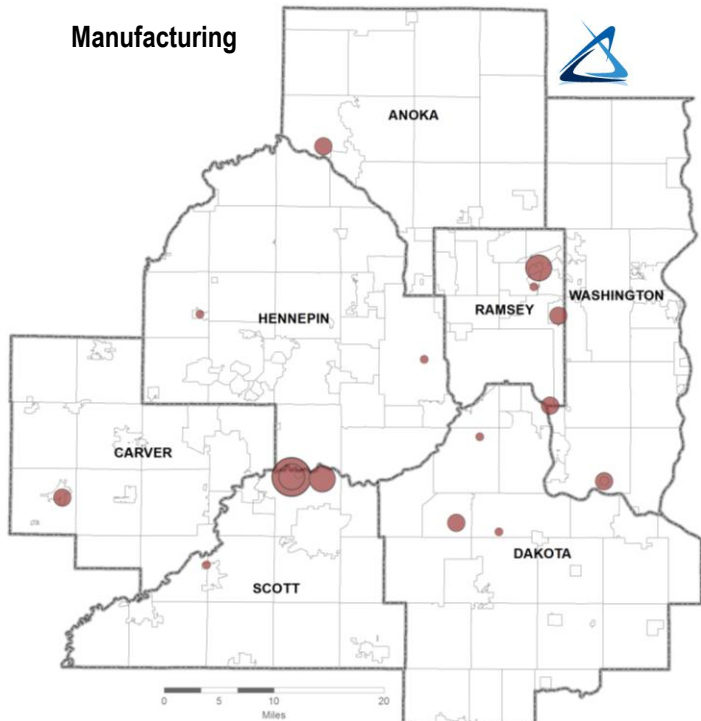
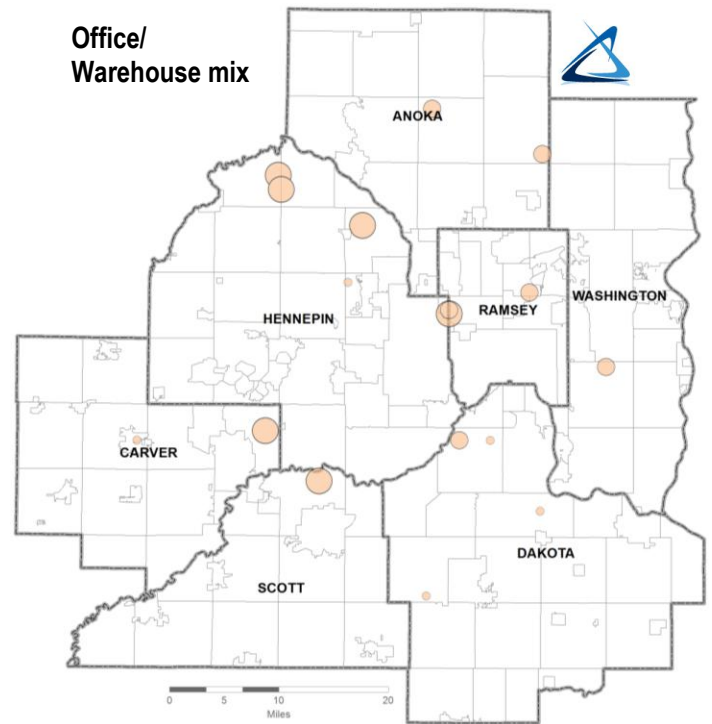
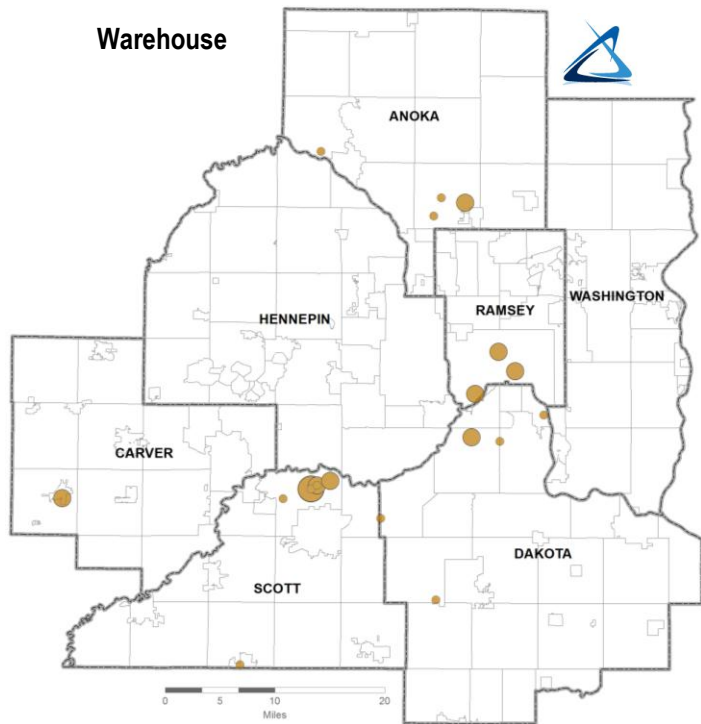
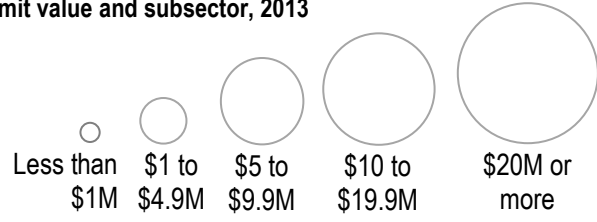
Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013.

Industrial construction activity highest in edge communities

Scott County issued over a quarter (27%) of the region’s total industrial permit value in 2013, closely followed by Dakota County (20%) and Ramsey County (19%). Four areas in the region had total industrial permit value over \$10 million in 2013: Shakopee (\$45M), Randolph Township (\$16M), Rogers (\$16M) and Saint Paul (\$14M).

Figure 4 shows the 70 industrial projects permitted across 31 cities in the Twin Cities region in 2013 by subsector.

Figure 4. Industrial building permits by permit value and subsector, 2013



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

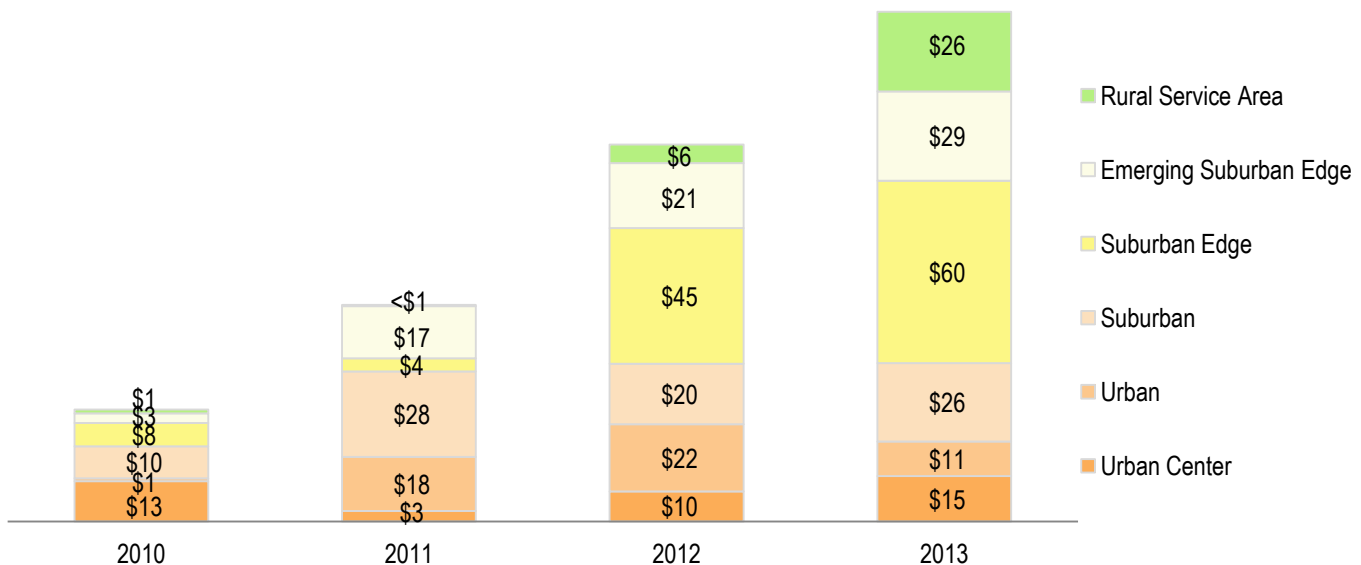
The seven-county region contains a wide variety of communities ranging from farming-based townships to densely developed downtown neighborhoods. Recognizing that one size does not fit all, we use *Thrive MSP 2040* Community Designations to group communities with similar characteristics in order to more 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 Rural Service Area saw the largest overall increase in total industrial permit value between 2010 and 2013, going from \$1 million to \$26 million (Figure 5). Urban communities underwent a tenfold increase in total industrial permit value in the post-recession years, and Emerging Suburban Edge communities permit increased 8 times over. In each of these community designations, the 2010 permit value was less than \$5 million, making these gains seem all the more impressive in terms of percentage.

The industrial construction market is more comparable between 2012 and 2013, and some communities saw more activity than others, highlights include:

- In the Rural Service Area, which tripled in on year, one large permit for a grain handling facility issued to Interstate Mills in Randolph Township (\$16M) accounted for 61% of all activity in 2013.
- The 34% increase in Suburban Edge communities was led by industrial activity in Shakopee, which reached about \$38 million in 2013 alone.
- Saint Paul issued nearly all (\$14M) of the total permit value within Urban Center communities in 2013.

Figure 5. Total industrial 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 5.

Office/Warehouse construction highlights

The steady growth of office/warehouse construction was a key driver for the post-recession recovery of the industrial sector in the Twin Cities region overall. The total permit value of office/warehouse increased from \$6 million in 2010 to \$60 million in 2013. In 2013, office/warehouse activity accounted for over a third (36%) of industrial construction in the region.

Much (but not all) of the region’s office/warehouse construction occurred at the outer areas of the region in 2013 (see Figure 4).

Emerging Suburban Edge communities issued 38% of the region’s total office/warehouse permit value in 2013 (Figure 7). The city of Rogers had two of the region’s largest office/warehouse permits: a \$9 million dollar permit to complete a third building in the Liberty Industrial Park, and a \$7 million permit for Clam Corporation, a producer of ice fishing equipment.

Three sizeable projects in Suburban communities generated most of the \$12 million total office/warehouse permit value in 2013. These included a \$6 million dollar permit Olympus Surgical Technologies America in Brooklyn Park, a \$3 million dollar permit for Meadow View Industrial Center in Eagan, and a \$2.6 million dollar permit for Northern Air Corporation in Vadnais Heights. Suburban communities issued a fifth (20%) of the region’s total office/warehouse permit value in 2013.

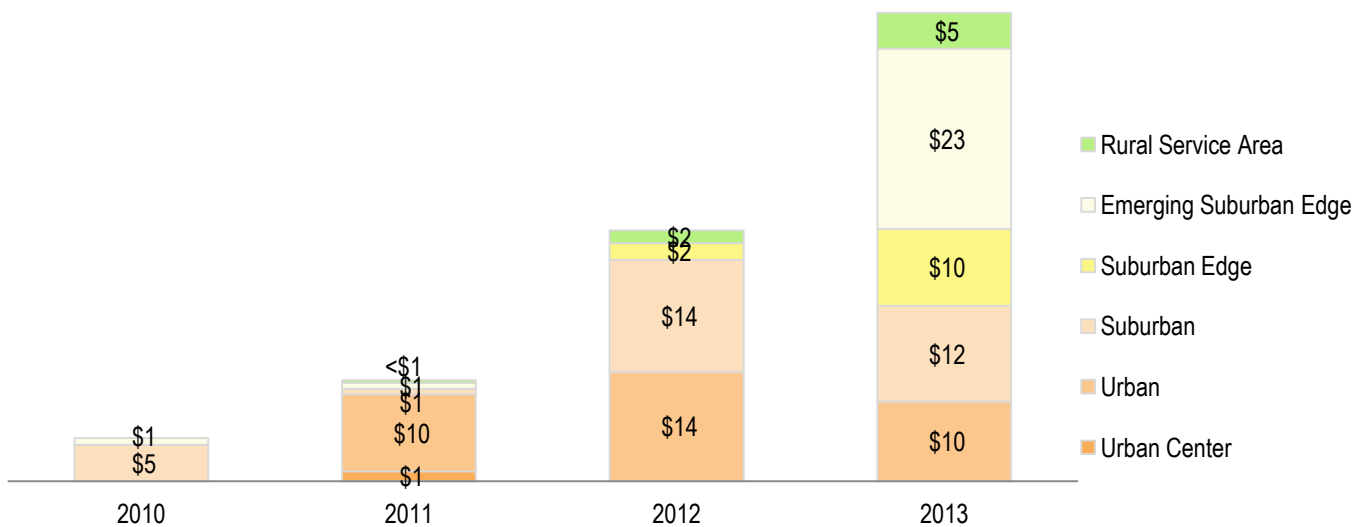
Notably, Urban communities had only 17% of the regional total permit value for office/warehouse construction in 2013—significantly less than their share of 76% in 2011 and 44% in 2012. Nearly all (\$10 million) of this activity occurred in Roseville, which issued two large permits for Midtown Business Center and Horton Industries.

Figure 6. Liberty Industrial Park (Building 3) in Rogers, MN



Photo credit: [Minneapolis/St. Paul Business Journal](#)

Figure 7. Total office/warehouse mix 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 7.

Manufacturing construction highlights

The total permit value of manufacturing construction in the Twin Cities region was \$56 million in 2013, the highest annual total since the recession. Although the share of manufacturing activity within region-wide industrial construction has decreased between 2010 and 2013, manufacturing was still a third (33%) of the industrial permit value, and has shown steady growth since 2010.

Without question, the Suburban Edge community of Shakopee was the regional leader of manufacturing activity in 2013. Shakopee’s \$26 million in manufacturing construction accounted for nearly half (46%) of the regional total in 2013, and 78% of the total permit value in Suburban Edge communities. Several project contributed to this sizeable total. The largest—a 370,000 square foot warehouse and R&D facility for TE Connectivity—totaled \$16 million. Other large manufacturing projects in Shakopee include a plant for Recovery Technology Solutions (\$9M) and CertainTeed Corporation (\$1M).

In Cottage Grove—another Suburban Edge community—new 3M buildings totaled over \$7 million in manufacturing permits in 2013. The Suburban Edge issued almost two-thirds (60%) of the region’s total manufacturing permit value in 2013 (Figure 7).

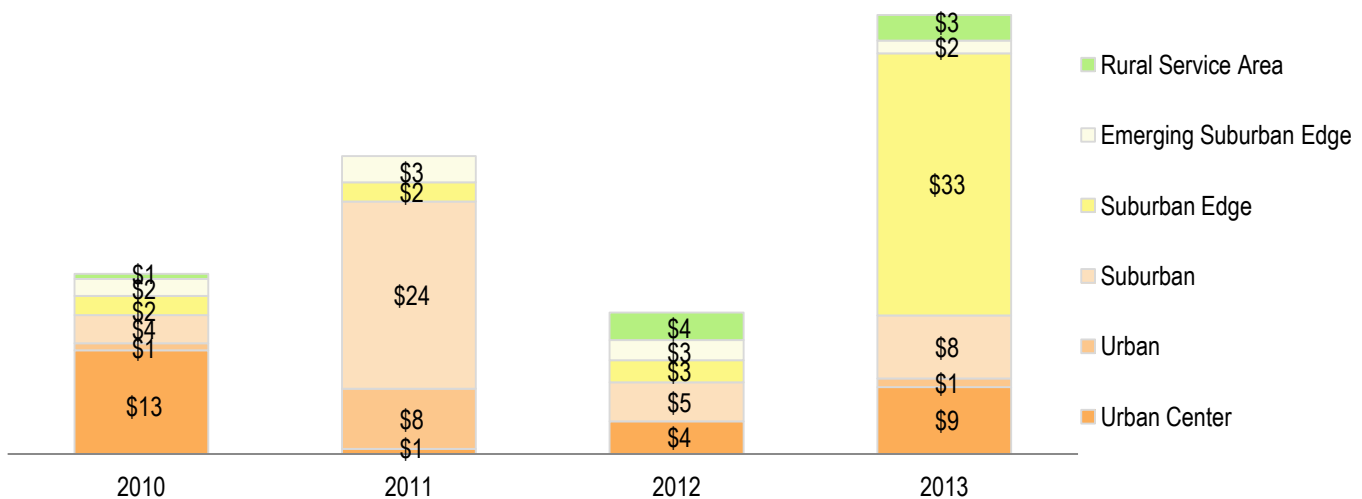
The total manufacturing permit value for Urban Center and Urban communities together was \$10 million in 2013, about 18% of the regional total. The largest contributor to this total was a steel processing plant for Gerdau Ameristeel in Saint Paul (\$8M). Most of the total permit value for manufacturing in Suburban communities came from one project in White Bear Township—Water Gremlin was issued a \$5M permit for a new concrete plant.

Figure 8. (Former) TE Connectivity in Shakopee, MN



Photo credit: [RJ Ryan Construction, Inc.](#)

Figure 9. Total manufacturing 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 9.

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.