

Minneapolis, MN

U.S. Construction Market | Market Snapshot Q4 - 2022

Construction in the Twin Cities is beginning to taper off, although this is not necessarily a cause for alarm. This is primarily due to the last few years being abnormally active, and should be interpreted as a return-to-form in the market and not a strict drop-off. The city of Minneapolis enjoyed steady population growth over the last 50 years and has reformed its land-use laws to require multifamily projects to be allowed wherever single-family projects are. This has translated into more than 21,000 new projects in the pipeline and has in turn kept rents lower than in comparably sized cities.

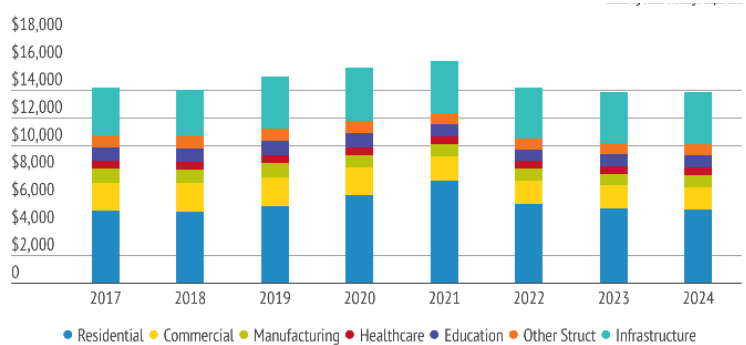
Even as new residents continue to move here, the market is set to decline this year. Rather than having a single cause, this is due to a mix of factors: the pandemic housing boom is finishing up, while a cooling economy means that fewer new projects are replacing them. The labor market has followed suit, and trade employment remains roughly where it was before the pandemic. This should decrease labor costs before workers begin to move to nearby cities to find better wages.

Total Construction Market Volume by Sector (x \$1m, Nominalized 2012\$)

| Sector | HISTORIC | | | | FORECAST | | | |
|-----------------------|----------|-------|-------|-------|----------|--------|--------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Total Increase | 3.2% | -1.4% | 7.0% | 6.9% | 8.6% | -13.0% | -13.5% | -7.5% |
| Residential | 11.3% | -1.8% | 8.0% | 15.8% | 29.5% | -16.0% | -22.0% | -4.4% |
| Commercial | 3.5% | 2.5% | 1.3% | -0.4% | -11.2% | -14.3% | -7.5% | -4.9% |
| Manufacturing | -14.1% | -2.4% | 3.0% | -0.1% | -1.1% | 6.2% | 2.6% | -8.7% |
| Healthcare | 7.6% | -0.9% | 3.7% | -0.2% | 0.3% | -9.4% | -10.4% | 2.3% |
| Education | 3.9% | 0.8% | 2.4% | -1.3% | -13.1% | -14.0% | -0.5% | 3.5% |
| Other Struct* | 7.0% | 1.4% | -0.2% | 3.7% | -14.9% | -14.2% | -2.2% | 1.0% |
| Infrastructure | -3.7% | -3.7% | 13.3% | 5.4% | 0.7% | -9.0% | -5.7% | 1.3% |

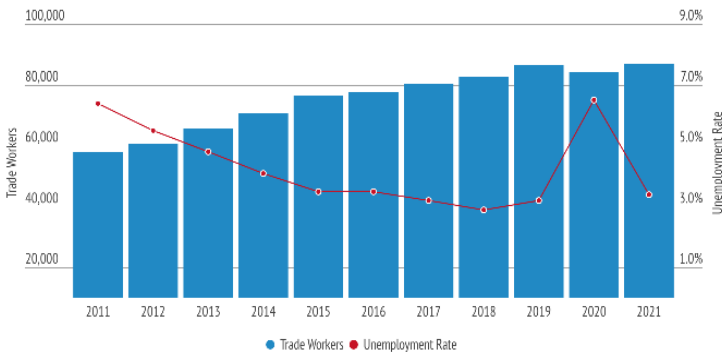
* This includes religious buildings, amusement, government communications, and public recreation projects.

Annual Volume (x\$1M, 2012\$)



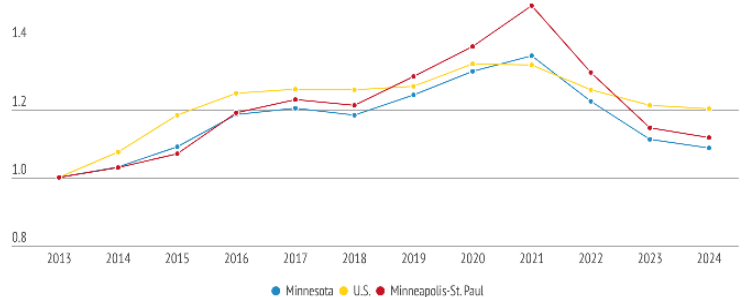
SOURCE: IHS-Markit

Regional Construction Employment



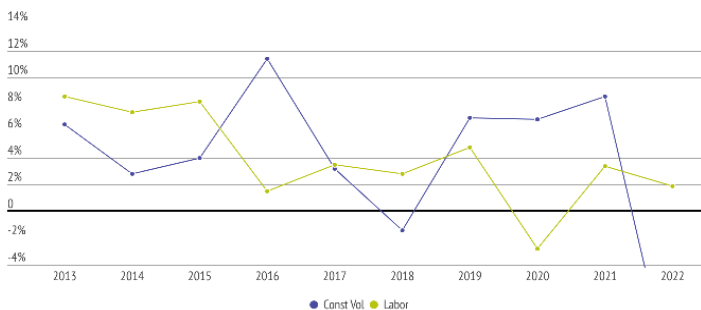
SOURCE: U.S. Bureau of Labor Statistics

Construction Spending Index 2013-2023 (2013=1.0)



SOURCE: IHS-Markit

Construction Volume vs Labor - Annual Increase/Decrease



SOURCE: ReedConnect

Top Regional Projects Sorted by Construction Value

| Project | Location | Value |
|---|-------------|-------|
| The Cubes at French Lake | Dayton | 0.5B |
| Harmonia | Minneapolis | 0.4B |
| Cates Ranch Industrial Park | Medina | 324M |
| Bass Lake Road Mixed Use | Plymouth | 300M |
| Upper Harbor Redevelopment Phase 1 | Minneapolis | 300M |
| Abbott Northwestern Hospital Patient Building | Minneapolis | 291M |
| Riversedge Phase 3 | Minneapolis | 288M |
| U.S. Bancorp Branch Redevelopment | Edina | 250M |
| Mall of America Water Park | Bloomington | 250M |
| Blake Road Mixed Use | Hopkins | 239M |

SOURCE: ReedConnect