

MINNEAPOLIS, MN

Construction volume in Minneapolis is expecting a cooldown in 2020. Just as Q4 2019 was down year-over-year, it is expected that Q1 2020 will also be down compared to the same time in 2019. This is primarily due to a projected 8% decrease in overall construction market volume. The infrastructure sector, Minnesota's biggest construction market, is predicted to fall by approximately 14% from 2019. The second biggest market, residential, is expected to dip by 9%. This decrease in market value is expected to further the gap between construction volume and labor. Although there is still a downward trend, Minneapolis is seeing some exciting new projects in the pipeline, including a 171-unit apartment building by Newport

Midwest in the Seward neighborhood; a 190-unit apartment building by Thrivent Financial in downtown Minneapolis; redevelopment of the Ford Plant in St. Paul, which is planned to feature 3,800 mixed-income housing units, 280,000 square feet of office space, and 140,000 square feet of retail along with 50 acres of open spaces and parks; and the St. Paul Riverfront, which will feature a mix of Class A offices, apartments, retail, entertainment, and hospitality spread across four towers. As in many other markets, COVID-19 issues loom and there is genuine concern that a halt on construction activities may be ordered in the coming weeks. We have already seen notifications that projects may be delayed; it should be stressed that these are not official claims nor do they include any values, but they do demonstrate the nervousness of the local market. Only time will tell how the market will be affected, but the general feeling is that the market is robust enough to take on these issues.

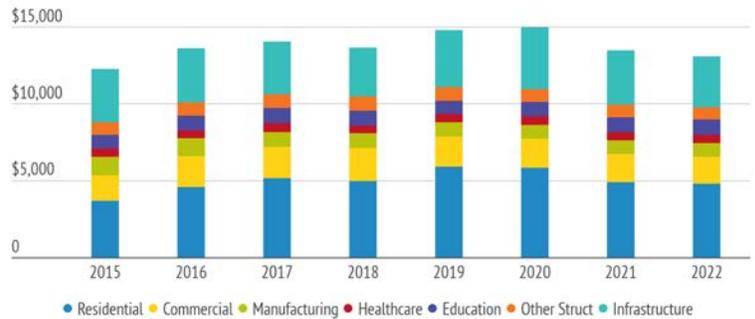
Total Construction Market Volume by Sector (x \$1m, Nominalized 2012\$)

Sector	2015	2016	2017	2018	2019	2020	2021	2022
Total (x \$1m)	12,255	13,611	14,036	13,631	14,778	14,945	13,448	13,066
Residential	3,690	4,589	5,107	4,973	5,865	5,804	4,887	4,809
Commercial	1,616	1,970	2,040	2,115	1,964	1,886	1,811	1,711
Manufacturing	1,209	1,158	995	951	933	910	880	874
Healthcare	520	530	570	531	531	558	552	553
Education	897	954	984	956	887	922	973	1,017
Other Struct*	821	850	908	919	871	835	804	785
Infrastructure	3,503	3,560	3,432	3,186	3,727	4,031	3,541	3,317
Total Increase	Y-O-Y %	11.1%	3.1%	-2.9%	8.4%	1.1%	-10.0%	-2.8%
Residential	Y-O-Y %	24.4%	11.3%	-2.6%	17.9%	-1.0%	-15.8%	-1.6%
Commercial	Y-O-Y %	21.9%	3.5%	3.7%	-7.2%	-4.0%	-4.0%	-5.5%
Manufacturing	Y-O-Y %	-4.2%	-14.1%	-4.4%	-1.8%	-2.5%	-3.3%	-0.7%
Healthcare	Y-O-Y %	2.1%	7.5%	-6.7%	0.0%	5.0%	-1.0%	0.2%
Education	Y-O-Y %	6.4%	3.2%	-2.9%	-7.2%	4.0%	5.5%	4.5%
Other Struct*	Y-O-Y %	3.5%	6.9%	1.2%	-5.3%	-4.1%	-3.7%	-2.4%
Infrastructure	Y-O-Y %	1.6%	-3.6%	-7.2%	17.0%	8.1%	-12.2%	-6.3%

SOURCE: IHS-Markit

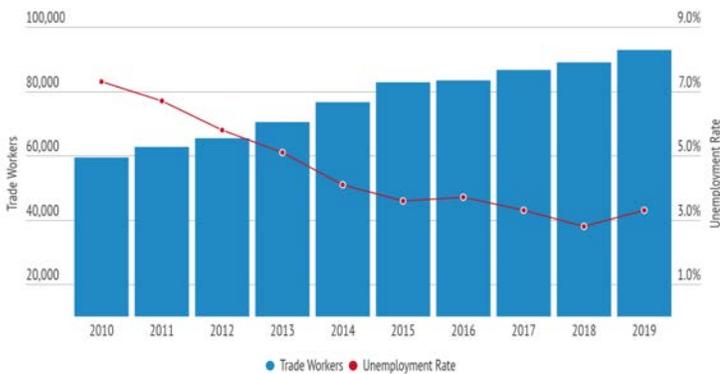
* This includes religious buildings, amusement, government communications and public recreation projects.

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

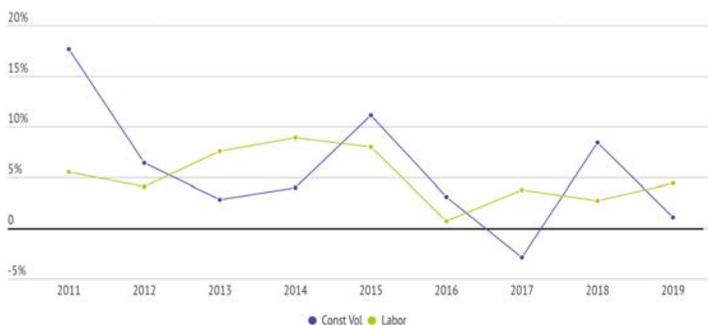


SOURCE: IHS-Markit

Regional Construction Employment

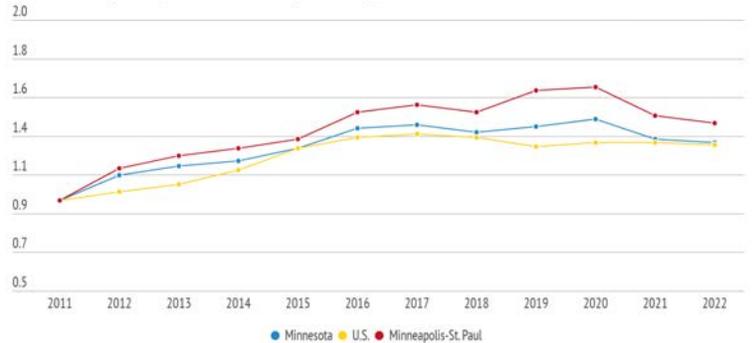


Construction Volume vs Labor - Annual Increase/Decrease



SOURCE: ReedConnect

Construction Spending Index 2010-2021 (2010=1.0)



SOURCE: IHS-Markit

Top Regional Projects Sorted by Construction Value

Project	Location	Value
Destination Medical Center	Rochester	\$5.6B
Twin Metals Processing Facility	Ely	\$3.0B
Green Line Light Rail Transit Extension	Eden Prairie	\$2.0B
Green Line Extension (Southwest LRT) Project	Saint Paul	\$1.9B
Blue Line Extension	Minneapolis	\$1.5B
Ford Assembly Plant Site	Saint Paul	\$2m
2018 Public Works Bill	Saint Paul	\$2m
Interstate South Logistics Park	Lakeville	\$1m
RiverCentre Ramp Opportunity Site	Saint Paul	\$788m
Rice Creek Commons	Arden Hills	\$750m

SOURCE: ReedConnect