

DRAFT PART ONE

# ***Northfield***

## HOUSING MARKET ANALYSIS

*Update to Comprehensive Plan*

Prepared June 7, 2007  
For the ACP and the City of Northfield  
*Randall Gross / Development Economics (RGDE)*

## INTRODUCTION

This draft report summarizes findings from a housing market assessment for Northfield, prepared as an input to the Comprehensive Plan Update. A housing study<sup>1</sup> had recently been completed for Northfield by Community Partner's Research, Inc. That study already examined existing data on the city's housing supply and basic market trends. Rather than duplicating that research, the housing analysis summarized in this report sought to focus on several key housing questions that have arisen as part of the comprehensive planning process.

First, there is the question of future demand and supply, particularly as it pertains to how the Northfield market will adapt to a slowdown in the demand for housing. Second, there is a question relating to the diversification of housing and how it is developed in Northfield, with particular interest in the opportunity for "New Urban" housing that helps the City use its limited land resources more effectively and efficiently. Finally, the City has an interest in ensuring that there is sufficient affordable housing for the local workforce, who appear to be increasingly priced out of the local market.

This report addresses such questions through an assessment of existing housing conditions and an analysis of supply and demand. Northfield is placed in the regional context, as an "exurban" community on the edge of the Minneapolis-St. Paul Metropolitan Area. The role of the two well-respected local colleges is also explored. More specific attention is paid to the market requirements for New Urban housing development and the need for housing that is affordable to the existing residents and workers in Northfield. This report is produced in two parts, with Part One summarizing existing conditions and housing demand forecasts and Part Two providing more detail on the opportunities for New Urban housing and on the community's affordable housing needs.

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<sup>1</sup> Northfield Housing Study, Community Partners Research, Inc. Prepared for the City of Northfield, 2006.

## **Section 1. EXISTING HOUSING CONDITIONS**

This section summarizes existing conditions with respect to housing supply in the city of Northfield. Information was collected through field reconnaissance, interviews with real estate professionals, and from Census and other data with respect to existing neighborhoods, tenure, construction trends, and housing product. The city's housing stock was analyzed in terms of its overall marketability for meeting the demands of the current and future market.

### **Existing Housing Stock**

As noted previously, the 2006 Housing Study summarized existing housing stock and provided information on housing conditions within each of Northfield's neighborhoods. In order to provide context for this 2007 Market Analysis, several key factors relating to existing housing stock are summarized below.

#### **Housing Stock and Tenure**

According to the 2000 Census, Northfield had a total of 5,119 housing units, of which 4,909 (95.9%) were occupied and 210 (4.1%) were vacant. This is a normal vacancy rate which indicates that there was generally a balance in the supply and demand for housing in the market in 2000. It should be noted that some communities with large student populations have somewhat lower vacancy rates.

**Housing Types.** Almost 56% of the city's housing was in single-family, detached units. Only 9% of the existing housing stock in 2000 was in attached housing, and yet attached twin homes have accounted for roughly 50% of all new housing permitted *since* 2000 (see construction trends). Thus, recent construction represents an aberration from historic trends. About 24.7% of Northfield's housing was in multi-family buildings with five units or more.

Much of the newer housing has taken the form of traditional suburban-style development, particularly in terms of site planning. The City's development regulations have successfully encouraged developers to build at higher densities, but the *style and layout* of housing within new developments has typically not changed to match the change in density patterns. As a result, there are some new residential communities that appear over-built with houses. These areas contrast sharply with the city's older neighborhoods and historic districts, which

offer a sense of place and a scale of housing that meets the requirements of the respective site.

**Tenure.** More than 68% of the city's housing was owner-occupied in 2000. This percentage is consistent with the national average of 66% that same year. Similarly, about 32% of the city's housing was renter-occupied, again consistent with national figures.

### **Values and Rents**

Existing housing values were about 20% higher than national averages in 2000, with the median Northfield housing valued at \$142,900 versus a national average of \$119,600. Median contract rent was \$545 in 2000. The housing "burden" as measured by the percentage of households paying more than 35% of their monthly income in housing costs, was quite low in Northfield. Only 12% (364) of homeowners paid more than 35% of their income in housing costs in 2000. By comparison, almost 35% of Northfield homeowners paid less than 15% of their incomes for housing. Renters were somewhat worse off, with 23% paying more than 35% of their income for housing.

### **Age and Condition**

The 2000 Census identified few housing units in Northfield that lacked basic plumbing, telephone, and utilities. There no houses lacking in kitchens or other basic facilities. Less than 20% of the city's housing stock was built prior to 1940, so there has been less time for Northfield's housing to age and for conditions to degenerate. In fact, most of the city's housing stock had been built between 1970 and 2000. The pace of housing construction was fairly consistent during that period, as illustrated below.

1970-1979	1,022 units
1980-1989	1,005 units
1990-1999 <sup>2</sup>	1,066 units

However, the period since 2000 has seen the pace of housing construction double from its previous trend, with almost 1,200 units permitted during the five-year period from 2000 to 2005 alone. Construction trends are summarized below.

### **Construction Trends**

A total of almost 1,200 residential building permits were issued by the City of Northfield between 2000 and 2005. The vast majority of these units (91.9%)

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<sup>2</sup> Through March 2000

were issued for single-family homes, although the mix of units was split between detached houses (52.4%) and attached twin homes (47.6%).

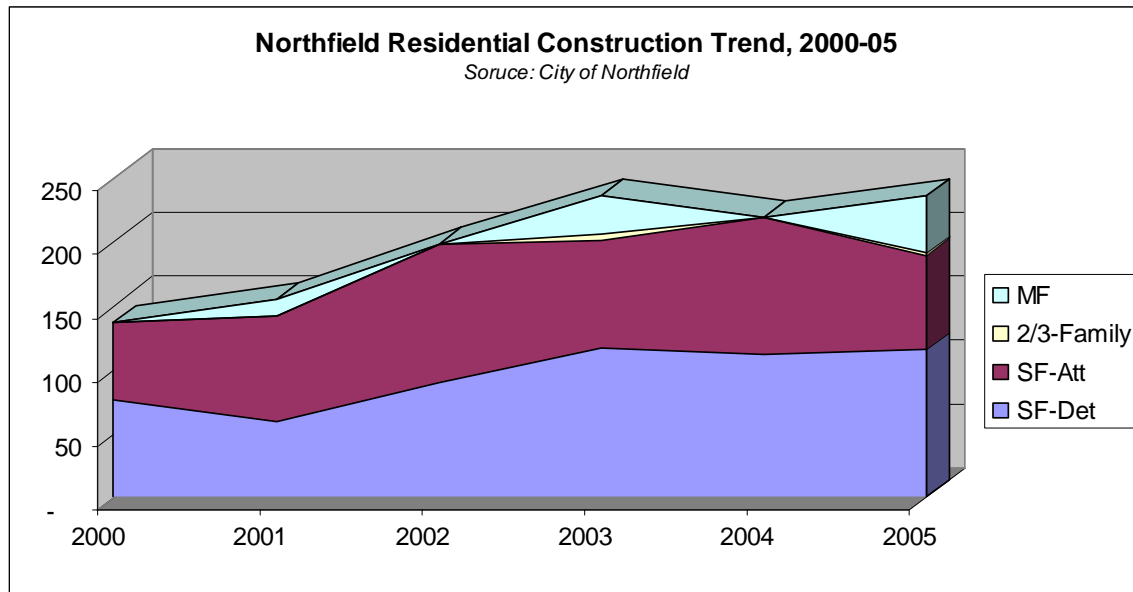
There were also 88 multi-family (4 or more) units constructed during the six-year period, accounting for 7.4%. This is a typical number for a small city, but is surprisingly small for a college town. Northfield also issued 8 permits for 2 and 3-unit buildings. Overall housing construction trends are summarized in the following table.

**Table 1. RESIDENTIAL PERMIT TRENDS, NORTHFIELD, 2000-05**

<b>Year</b>	<b>SF-Det</b>	<b>SF-Att</b>	<b>2/3-Family</b>	<b>MF</b>	<b>Total</b>
2000	76	61	-	-	137
2001	59	83	-	13	155
2002	90	109	-	-	199
2003	117	84	6	30	237
2004	112	107	-	-	219
2005	116	74	2	45	237
<b>Total</b>	<b>570</b>	<b>518</b>	<b>8</b>	<b>88</b>	<b>1,184</b>
<i>Ave/Year</i>	95	86	1	15	197
<i>'00-02</i>	75	84	-	4	164
<i>'03-05</i>	115	88	3	25	231

Sources: City of Northfield and Randall Gross / Development Economics (RGDE).

Northfield averaged permitted construction of about 200 units per year between 2000 and 2005. However, the city experienced a growth spurt in permits for detached housing, starting in 2003. Prior to 2003, the City had issued about 75 detached housing permits per year. From 2003 to 2005, the city issued an average of 115 such permits per year.



The overall construction trend suggests an increase between 2001 and 2003 in terms of the supply coming on line each year. Most of this increase was attributable to a growth in the number of single-family detached permits.

## **Absorption**

A sample of 23 active Northfield housing projects was analyzed to assess overall absorption trends, in terms of the pace at which residential lots are being built out in the city. This sample only includes projects that started building since January 2000, so it excludes older projects some of which are still building out.

### **Detached Lots**

There are 15 detached housing projects in the sample with a total of 314 units built with houses roughly between 2000 and 2006. Total absorption among these projects has been averaging 3.97 units built per month or 47.7 units built per year. A typical project would have averaged absorption of about 1 unit every two months or slightly less than six units per year.

Consistent with the permitting data, construction of detached housing units increased markedly during the 2003-2004 period, when annual absorption jumped from 24.15 to 76.50. That pace appears to have fallen in the 2005-06 period, based on data collected to date (although there is an estimated eight-month lag in the data).

**Table 2. DETACHED HOUSING LOT ABSORPTION, PROJECTS SINCE 2000, NORTHFIELD, 2000-2006**

<b>Project</b>	<b>Est Date</b>	<b>Months</b>	<b>Units Built</b>	<b>Monthly Absorptn</b>	<b>Annual Absorptn</b>
Hidden Valley	4/00	79	40	0.51	6.08
Park Pointe	7/00	74	18	0.24	2.92
Sibley View Estates	7/01	64	-	-	-
Valley View	1/02	58	14	0.24	2.90
Briar Woods	10/02	49	30	0.61	7.35
Meadow View Heights	10/02	49	18	0.37	4.41
Hills of Spring Creek	11/02	48	39	0.81	9.75
Maple Hills	2/03	45	26	0.58	6.93
Liberty Park	6/03	41	55	1.34	16.10
Harvest Hills	10/03	37	10	0.27	3.24
Fargaze Meadows	11/03	36	53	1.47	17.67
Robert's Woods	1/04	34	3	0.09	1.06
Remes	3/04	32	1	0.03	0.38
Southbridge	6/04	29	5	0.17	2.07
Rosewood	3/07	-	2	N/A	N/A
<b>TOTAL</b>		<b>79</b>	<b>314</b>	<b>3.97</b>	<b>47.70</b>
<i>Average</i>		<i>48</i>	<i>22</i>	<i>0.47</i>	<i>5.58</i>
00-02		79	159	2.01	24.15
03-04		24	153	6.38	76.50
05-06		19	2	0.11	1.26

Sources: City of Northfield and Randall Gross / Development Economics.

The most active detached housing projects have been Liberty Park and Fargaze Meadows, with 55 and 53 units built between 2000 and 2006, respectively. These projects have also seen the fastest pace of absorption at 16.1 and 17.7 units per year, respectively. In fact, these two projects accounted for about 71% of all detached Northfield housing absorption over the six-year period.

### **Attached Lots**

A total of 177 attached “twin-home” or townhouse units have been built since 2000 in the eight sample projects, yielding a total annual absorption rate of 28.32. Thus, detached homes are being built at a faster rate than attached houses in Northfield. This trend is counter-intuitive given that attached housing is

typically priced less than a detached house and is therefore affordable to a larger cross-section of the market.

**Table 3. ATTACHED HOUSING LOT ABSORPTION, PROJECTS SINCE 2000, NORTHFIELD, 2000-2006**

<b>Project</b>	<b>Est Date</b>	<b>Months</b>	<b>Units Built</b>	<b>Monthly Absorption</b>	<b>Annual Absorption</b>
Quail Run	8/00	75	17	0.23	2.72
Harvest Hills	10/03	37	8	0.22	2.59
Liberty Park	3/04	32	57	1.78	21.38
Southbridge	6/04	29	56	1.93	23.17
Hills of Spring Creek	2/05	21	13	0.62	7.43
Meadow View/Maple Crossing	3/05	20	16	0.80	9.60
Fargaze Meadows	4/05	19	10	0.53	6.32
Prairie View	8/06	3	-	-	-
<b>TOTAL</b>		<b>75</b>	<b>177</b>	<b>2.36</b>	<b>28.32</b>
<i>Average</i>		<i>30</i>	<i>22</i>	<i>0.75</i>	<i>9.00</i>
00-02		75	17	0.23	2.72
03-04		24	121	5.04	60.50
05-06		19	39	2.05	24.63

Sources: City of Northfield and Randall Gross / Development Economics.

The typical attached home developed has seen monthly absorption of about 0.75 units or annual absorption of 9 units. The rate of building increased substantially during the 2003-04 period, when lot absorption increased from 2.7 to 60.5 per year. Absorption appears to have fallen back to about 25 units per year through 2006. Most of the attached housing has been built at Liberty Park and Southbridge, with annual absorption rates of 21.4 and 23.2 respectively.

### **Development Build-Out**

According to the City of Northfield (Community Development Department), there were 700 single-family detached lots in the development pipeline on November 29, 2006. Of that number, 465 (66%) had been built and there were approximately 235 remaining lots. Based on the average absorption pace of 47.7 lots per year in the newer developments, it would take about **five years** to build out existing projects. However, the overall absorption pace is much slower when including the older projects. Furthermore, the absorption trend has slowed in the past year, so build-out is likely to take somewhat longer.

Similarly, there were 324 twin home or townhouse lots in the development pipeline. Of these, approximately 200 (60%) had been built with another 120 lots remaining. With average absorption in new projects at 28.3 attached units per

year, there would be another **4¼ years** remaining to build out existing developments. Again, overall absorption is slower and the pace has declined significantly in the past year. At the 2005-06 absorption rate, it would take closer to five years for build out existing developments.

### **Summary**

Even though it has historic residential districts, Northfield is a relatively new city in terms of the majority of its housing stock. As a result, the condition and marketability of the housing stock is still relatively high. The city has recently passed through an extraordinary period of housing development that has left it with a large stock of new single-family detached and attached housing. The number of attached twin homes built in the past five or six years far exceeds that built during the city's past growth periods. At the absorption pace of the last six years, Northfield would currently have at least a five-year inventory of detached and attached building lots for build out. However, the pace of absorption has slowed significantly during the past year and build out is likely to take much longer.

## **Section 2. HOUSING DEMAND ASSESSMENT**

This section provides an assessment of housing demand in the city of Northfield. The Northfield market is characterized in terms of geography and key demand drivers. Housing sales trends are discussed as pertinent to the supply and demand for housing. A demographic analysis was conducted as a basis for determining future demand, which is related back to local supply and the competitive market.

### **Northfield Market Area & Sources of Demand**

Northfield functions as part of the Rice County Housing Market. However, Northfield and Rice County are increasingly influenced by the ebb and flow of the housing market in Minneapolis-St. Paul and especially the southern suburbs south of the Mississippi River / I-494. Roughly 21% of Northfield residents commuted to work in the twin cities area in 2000. That number has apparently increased, based on information collected by representatives of new residential projects and brokers. At the same time, the number of workers commuting to Northfield from areas further south as also apparently increased as some of those workers were priced out of the local housing market.

#### **Sources of Demand**

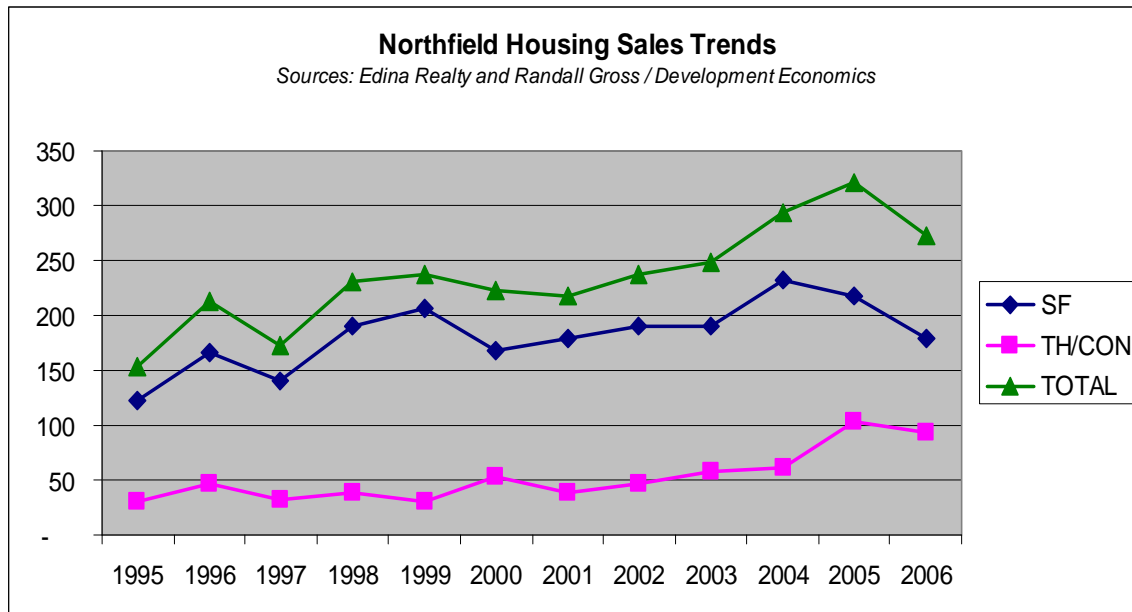
The geographic sources of Northfield's housing demand have therefore become more complex in the last few years. There are naturally some local "move-ups" from rental properties or smaller homes with Northfield, as well as some "move-downs" such as empty nesters moving from large homes to smaller ones. As noted above, there has been an increasing number of residents moving from southern suburbs of the twin cities, mainly to "get more house" for their money as prices in the suburbs increased rapidly.

There are also college-related relocations from other parts of the country, such as professors who are recruited or hired from other colleges or universities. And finally, there are the workers in Northfield's local industries and services who would relocate to Northfield if housing were affordable for them. Many of these workers appear to be bypassing Northfield and settling in communities like Dundas or Faribault, to the south.

## Sales Trends

The number of houses sold in Northfield had been increasingly gradually from 1995 through 2003, from about 150 to 250 per year. Between 2003 and 2005, housing sales jumped to almost 330 per year, but have since cooled off to 273 in 2006. Still, 110% more houses were sold in Northfield in 2005 than in 1995. Much of that activity has been focused in attached housing, with a 235% growth in the number of twin home sales in 2005 versus ten years earlier. Even the 2006 downturn saw 203% more twin homes sold than in 1995. Meanwhile, 78% more detached houses sold in 2005 than ten years earlier.

Even so, twin homes represent a smaller portion of all houses sold, as compared with detached houses. In 2006, detached homes accounted for 66% of all homes sold in Northfield, while twin homes accounted for 34%.

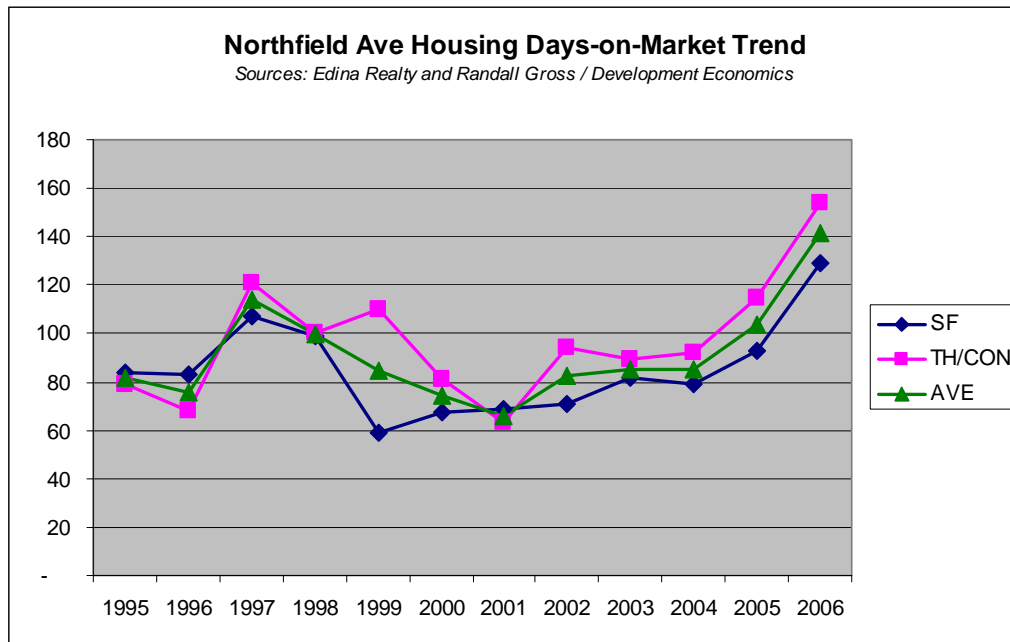


When there is a significant upturn in housing prices, demand increases significantly for more affordable product such as townhouses (or twin homes) and condominiums, as well as detached housing located in less accessible or less desirable communities. During the 2003-05 period, Northfield experienced both the push out from closer, more accessible suburbs of Minneapolis-St. Paul as well as increased demand for townhouse products.

## Days on Market

The number of days that housing spends on the market before it is sold provides an indication of the balance between supply and demand at that time.

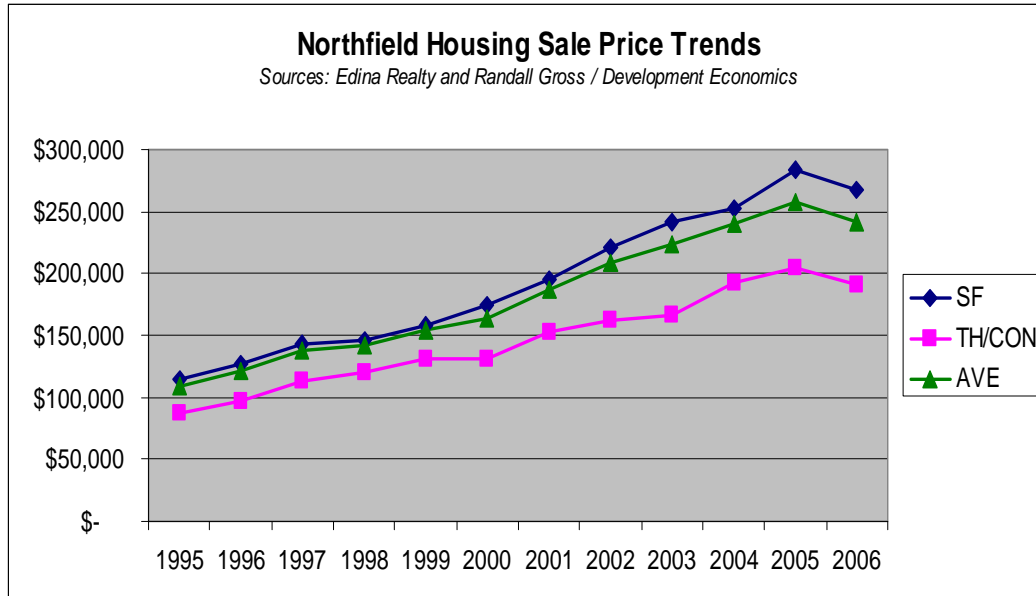
The amount of time it takes to sell a house in Northfield generally declined from a peak in 1997 to 2001. In that year, houses spent an average of 66 days (roughly two months) on the market before being sold. However, by 2006, the number had increased to 142 days (almost five months). Twinhomes and condominiums fared even worse, requiring an average 154 days before sale. Detached houses required an average 129 days in 2006, up from only 59 days in 1999. In March 2007, there were almost 200 houses listed in the Northfield market suggesting an inventory of at least one year's supply.



Clearly, there has been a dramatic increase in the time it takes to sell houses in Northfield since 2004. This chart dramatizes the imbalance that has occurred since 2004, with an oversupply of new product on the market at the same time as slowing demand.

## Pricing

There has been a steady, uninterrupted upward trend in Northfield housing prices since at least 1995. This trend generated average annual price increases of about 11% until 2006, when prices suddenly dipped by 6.2%.



In 2006, the average housing sale price in Northfield was about \$241,500, an increase of 122% over the 1995 average sale price of about \$109,000. The average price had reached \$257,500 in 2005 before falling back last year.

**Table 4. HOUSING SALE PRICE TRENDS, NORTHFIELD, 1995-2006**

Year	Single-Family	Townhouse/Twin/Condo	Weighted Average
1995	\$ 114,574	\$ 87,001	\$ 108,987
1996	\$ 127,314	\$ 97,284	\$ 120,688
1997	\$ 143,560	\$ 113,061	\$ 137,919
1998	\$ 146,064	\$ 120,464	\$ 141,723
1999	\$ 157,745	\$ 130,353	\$ 154,162
2000	\$ 174,305	\$ 131,074	\$ 163,789
2001	\$ 194,872	\$ 152,600	\$ 187,310
2002	\$ 220,234	\$ 161,945	\$ 208,675
2003	\$ 241,348	\$ 166,473	\$ 223,907
2004	\$ 252,563	\$ 192,533	\$ 239,904
2005	\$ 283,116	\$ 204,033	\$ 257,494
2006	\$ 267,891	\$ 191,350	\$ 241,536
95-'06	\$ 153,317	\$ 104,349	\$ 132,549
Percent	134%	120%	122%
<b>Per Year</b>	<b>12.2%</b>	<b>10.9%</b>	<b>11.1%</b>
'00-'05	12.5%	11.1%	11.4%
'05-'06	-5.4%	-6.2%	-6.2%

Sources: Edina Realty, Multiple Listing Service, and Randall Gross / Development Economics.

Single-family home prices increased faster (12.2% annually) than those for townhouses and condominiums (10.9%). Townhouse and condominium prices peaked at \$204,000 on average in 2005, up from only \$87,000 in 1995. Single-family home prices peaked at \$283,100, versus \$114,600 in 1995.

## **Demographic Analysis**

Demographic trends and forecasts were analyzed as a basis for assessing the near-term demand for housing in Northfield. The key demographic factors analyzed include population, group quarters population, households, and household income. The data are generated from projections produced by Claritas, Inc. However, projections from other sources were also analyzed, including those from the Minnesota State Demographer, Community Partner's Research, DSU, and the most recent Comprehensive Plan.

This analysis found that the Claritas data was closely aligned with the State Demographer's. Those projections are more conservative than the others', but they have proven to be 97.7% accurate through 2005, based on a review of the Census 2005 estimates and other data. A comparison of population and household projections for Northfield through 2010 is summarized below by source.

### **Demographic Projections by Source**

	<b>2010</b>
<u>Population</u>	
CPR, Inc	20,967
State Demo	19,601
DSU	20,350
Comp Plan	20,284
<u>Households</u>	
CPR, Inc	6,547
State Demo	6,025
DSU	6,900
Comp Plan	6,049

The Claritas-based projections are summarized in the following table for population, group quarters population, households, and median household income from 2000 through 2012. The data is provided for Northfield but also for Dakota County, which is a major source of new home buyers in Northfield, and for the Twin Cities Metro Area as a whole.

**Table 5. DEMOGRAPHIC TRENDS AND FORECASTS, NORTHFIELD, DAKOTA COUNTY, AND METRO MSP, 2000-2012**

	<b>2000</b>	<b>2007</b>	<b>2012</b>	<b>2000-07 Chge/Yr</b>	<b>2007-12 Chge/Yr</b>
<u>Northfield</u>					
Population	17,147	19,036	20,273	1.6%	1.3%
Group Quarters	4,713	5,014	5,215	0.9%	0.8%
<b>Households</b>	<b>4,909</b>	<b>5,561</b>	<b>5,987</b>	<b>1.9%</b>	<b>1.5%</b>
Housing Units	5,119	5,941	6,401	2.3%	1.5%
Median HH Income	49,964	58,456	63,660	2.4%	1.8%
<u>Dakota County</u>					
Population	355,904	391,735	415,990	1.4%	1.2%
Group Quarters	2,321	2,382	2,424	0.4%	0.4%
<b>Households</b>	<b>131,151</b>	<b>148,554</b>	<b>159,825</b>	<b>1.9%</b>	<b>1.5%</b>
Housing Units	133,750	153,884	165,559	2.2%	1.5%
Median HH Income	62,492	71,493	77,698	2.1%	1.7%
<u>Metro MSP</u>					
Population	2,968,806	3,195,712	3,350,113	1.1%	1.0%
Group Quarters	63,180	68,216	71,571	1.1%	1.0%
<b>Households</b>	<b>1,136,615</b>	<b>1,237,926</b>	<b>1,303,853</b>	<b>1.3%</b>	<b>1.1%</b>
Housing Units	1,169,775	1,300,362	1,369,785	1.6%	1.1%
Median HH Income	54,707	64,067	70,208	2.4%	1.9%

Sources: U.S. Bureau of the Census; Claritas, Inc., and Randall Gross / Development Economics.

## Population

Northfield's population increased by almost 1,900, or 1.6% per year, between 2000 and 2007 based on Census data and estimates. The city's population is expected to increase at a slower pace during the next five years, adding 1,240 people or 1.3% per year by 2012. Still, Northfield's population growth will outstrip that of Dakota County and the Twin Cities region as a whole, which will add 1.2% and 1.0% respectively. Dakota County will add another 24,350 people to its current population base of 391,700 and the region will add another 154,000 to the overall population base of 3,196,000. In general, these projections are consistent with the general trend of faster growth in communities on the periphery of the Twin Cities metro area.

**Group Quarters.** Northfield has two liberal arts colleges, St. Olaf and Carleton, each having excellent national reputations. Carleton has approximately 1,900 students and St. Olaf has about 3,000. These colleges have an impact on the local housing market, although they provide campus housing for a large number of their students. As of 2000, Northfield had 4,713 residents in group housing (including mainly dormitories, but also senior homes and prisons). This

group housing population accounted for **27.5%** of the total population of Northfield, which is a significant number. By comparison, only 0.7% of Dakota County's population lived in group housing. Regionally, 2.1% of the Twin Cities Metro Area population lived in group housing. Northfield's group housing population accounted for 7.5% of all group housing in the region, even though the city only accounted for 0.6% of the region's population. Finally, Northfield's group quarters population is expected to continue growing, although at a slightly slower pace than in the recent past.

### **Households**

Household growth is a primary driver for housing demand. Northfield gained about 650 households between 2000 and 2007, generating an annual growth rate of 1.9%. However, household growth is expected to slow significantly during the next five years, with the city adding a projected 426 households or 1.5% per year. Dakota County's household growth rate will be very similar to that of Northfield. By comparison, the region's household growth rate will slow from 1.3% to 1.1% per year. Still the Twin Cities will add almost 66,000 households by 2012.

The communities generating most of the growth in Dakota County include Lakeville (expected to add 6,590 households or 48.4% by 2010), Apple Valley (6,100 or 37%), and Rosemount (5,460 or 115%). Other growing communities include Farmington, Inver Grove Heights, Eagan, Hastings, and Burnsville, among others. The fastest rate of growth other than in Rosemount is anticipated in smaller, more rural communities like Empire Township (85%) and Lilydale (72%). At least one Dakota County community (New Trier) is expected to lose population, according to the State's demographer.

### **Median Income**

Another important demographic indicator is household income growth, which can also feed demand for housing so long as interest rates remain relatively stable or decline. Between 2000 and 2007, Northfield's median household incomes increased from \$49,964 to \$58,456 in current dollars (including inflation), yielding an annual increase of 2.4%. Incomes are expected to increase at 1.8% through 2012. Northfield incomes are lower than the region's and Dakota County's. However, incomes are increasing at a faster rate in Northfield than they are in Dakota County. This trend may reflect the shift in mobile suburban households from Dakota County to outlying areas like Northfield.

## **Demand Forecasts**

Housing demand was forecasted primarily for for-sale units, based in part on demographic projections within Northfield and source markets such as Apple Valley and Lakeville. The forecasts are comprised of a natural increase in population expected in the area plus a capture of the south Twin Cities regional housing market. Relocations from outside of this market are also anticipated, although the numbers are relatively small. Other factors are also taken into consideration in the demand forecasts as detailed below.

There are two basic components of this demand assessment. First is the calculation of net demand during the period from 2000 to 2007. This period marked a transition from one in which there was a relative balance in the demand and supply of housing in Northfield to a situation where there is an “overhang” in supply over demand that has resulted in it taking longer for houses on the market to sell. The second component of the assessment focused on projected growth in the market from 2007 through 2012. This demand forecast accounted for demographic changes and other factors like the competitive framework.

### **Market Over-Supply**

The analysis of existing supply and demand found that an over-supply of about 470 to 540 units was permitted during the period from 2000 through 2007 that is impacting on current market conditions. As noted previously in this report, the supply of existing permitted units is at least five years from build-out, if not longer.

Housing (lot) Permits	1,180 Permits
Household Growth	650 – 760 Households
Housing Units Built	750 Units
“Overhang” by 2006	420 – 530 Units

### **Projected Demand**

Household growth was forecasted based on projected demographic growth within Northfield but also on a capture of household growth within the larger south suburban market area. Based on this analysis, it is anticipated that Northfield could expect to add a maximum of between 520 and 620 households through 2012 if housing were developed in such a way as to compete for higher market share in the region. However, an overall lower share of housing demand could be generated from the regional market than in the past few years, due to the competitive supply of housing in suburban communities closer to the Twin Cities. Gross housing demand for 580 to 660 housing units could be anticipated, accounting for competition, replacement, normal vacancy, and other factors.

However, given the current over-supply in the market, net demand for additional new housing stock would be closer to 110 to 160 for-sale units during the five-year period. Of course, this net demand calculation assumes the absorption and build out of all existing lots, which is unlikely. Still, it does provide an indication of the impact of the existing over-supply in the market as summarized below.

Household Growth & Capture	500 – 600 Households
Locally-generated	40%-50%
Regional market	50%-60%
Gross Demand by 2012	560 – 640 Units
Net Demand by 2012	110 – 160 units

While demand is likely to call for more development than this, it will be important for the City to consider the current demand-supply imbalance when approving additional development in the near term. With careful consideration of proposed projects, balance can be returned more quickly to the local housing market.

Specific opportunities for development of certain housing products, specifically new urban housing, are explored as follows in Section 3. The prices assumed for housing in this analysis are at market rates. The need for more affordable housing to serve the needs of Northfield residents and its workforce is explored in Section 4.