



January 5, 2018

MEMORANDUM

TO: Ms. Kim Clausen
Community Development Coordinator
City of Faribault

FROM: Ms. Mary C. Bujold
Maxfield Research and Consulting LLC

Re: Vacancy Rate Trends for Rental Housing in the Cities of Faribault, Northfield and Owatonna in South Central Minnesota

Introduction

Maxfield Research was engaged by the City of Faribault to conduct an analysis of vacancy rate trends for the Cities of Faribault, Northfield and Owatonna. Faribault and Northfield are located in Rice County (Northfield is also partially located in Dakota County) and Owatonna is located in Steele County.

This memorandum presents our findings of the analysis that was conducted during the month of November.

General Summary

Overall, our surveys and contacts among rental housing properties (predominantly mid-size or larger properties (8 units or more) find that vacancy rates have continued to decrease over the past four years, especially among properties that are income-restricted, which includes those financed under programs such as Rural Development, Low-Income Housing Tax Credits, and Section 8. Properties with income restrictions have few or no vacancies at this time and many have long waiting lists. Market rate properties exhibit greater variance with regards to occupancies. Lower-priced market rate units in properties that are older (built pre-2000) were identified to have only one or no vacancies at this time and in discussions with property owners, the vacancy rates were only slightly higher two years ago and have continued to decrease as the economy has recovered. Higher-priced market rate units with rents that exceed a base price of \$800 per month for a one-bedroom unit tend to have greater availability, but these units were identified as largely non-traditional rentals such as condos, townhomes or single-family homes.

Rents have increased consistently over the past four years. From 2012 through 2016, rents at market rate properties have increased at market rate and income-restricted rental properties among the communities between 2% and 2.5% per year. This is considered to be a healthy annual increase and indicates that rents are keeping pace with and/or exceeding inflation. With rents increasing at this average annual rate and vacancies continuing to decrease, rents may start to increase at a higher annual rate beyond the standard inflation rate.

The following paragraphs provide additional supplemental information on rental market conditions in each of the three larger cities. Surveyed properties included only traditional rental units and did not include non-traditional units such as rented single-family homes or rented townhomes that were previously owner-occupied. These units may move back and forth between the owned and rental residential markets.

Northfield

Surveyed Properties

The surveyed contained a total of 1,132 rental units among 23 properties ranging in size from 4 units to 204 units with an average size of 49 units. The vacancy rate in November 2017 for these units was 0.3%, which is very low and indicates an exceptionally tight rental market. The market equilibrium rate for rental housing is considered to be 5% to allow for adequate turnover and sufficient consumer choice. A vacancy rate of less than 1% indicates that there is less turnover and renter households are not likely relocating due to a concern that they will not be able to find other suitable housing options in the local market.

Discussions with rental property owners and managers identified that the overall rental market in Northfield has continued to tighten over the past two years. One year ago, the overall vacancy rate in Northfield was estimated at 1.5% and two years ago, it was estimated at 2.0%. Vacancy rates have continued to decrease between 2015 and 2017, indicating continued strong demand for rental housing in the community. Glo Suites, a four-unit studio rental building was constructed in 2015 and is fully-occupied. Prior to that, there were no new rental properties built in Northfield since a 45-unit building was constructed in 2010 (Mosaic Apartments).

Rent levels among rental properties in Northfield have increased between 1% and 3% annually over the past four years and between 2% and 4% over the past two years. In our discussions with rental property managers, rents have increased based on strong demand and vacancies have continued to remain low. Property managers frequently receive several calls per week from households looking for apartments.

Faribault

Maxfield Research surveyed 1,133 units among 24 properties in Faribault. The survey identified a total of 7 units vacant for an overall vacancy rate of 0.8%, indicating that the rental market in Faribault is very tight. These units were identified in traditional rental properties with property sizes ranging from four units to 144 units. The average size of properties surveyed was 47 units, which is modest size.

Conversations with rental property owners and managers revealed that rents have been gradually increasing in Faribault and vacancies have decreased in each year since 2012. Most stated that the current vacancy situation in Faribault is very tight and that it is the tightest rental market they have seen in many years. Again, no new rental buildings have been constructed in recent years.

In 2016, the overall rental vacancy rate in Faribault was identified to be 1.2% and in 2015, was estimated at 1.3%. As noted above, the rental vacancy rate has continued to decrease in Faribault and is now less than 1.0%. Again, vacancy rates that are this low in the market substantially reduce consumer choice and turnover and also reduce the potential for economic development as companies that would consider locating in a community want to make certain that there is sufficient housing to accommodate workers, especially if they are adding jobs to the area and expect that some workers would desire to relocate.

Owatonna

Maxfield surveyed rental properties in Owatonna in 2017, 2016, 2015 and 2013. Two of these surveys were completed as a result of the Comprehensive Housing Needs Analysis, one was completed for a private developer and the most recent, at the request of the City of Faribault. Findings of the surveys revealed the following overall rental vacancy rate. A total of 1,142 units was surveyed. These same properties were surveyed in 2013, 2015 and 2016. In 2013, the vacancy rate was 5.5%. In 2015, the vacancy rate had dropped to 4.8%. By 2016, the vacancy rate had decreased to 4.2% and by 2017, it had decreased to 2.1% (a decrease of 2.7% over the period), showing that overall demand for rental housing has increased over the period. The overall vacancy rate of 2.7% in Owatonna, similar to the other two communities, reflects strong demand and a vacancy rate well below the 5% market equilibrium level. Owatonna had the highest market rate rental vacancy rate of the three communities surveyed, but was still well below the equilibrium rate.

Rents have increased in Owatonna by approximately 2.0% annually over the period between 2013 and 2017.

Summary

Given the most recent vacancy rates and the lack of new rental construction, Northfield and Faribault currently exhibit the greatest need for additional rental housing.

The table below summarizes the estimated average overall vacancy rate in each of the three communities over the past two years (2015 through 2017) and an average overall vacancy rate for the three communities combined for each of the years, reflecting a two-year period.

VACANCY RATE SUMMARY SURVEYED RENTAL UNITS FARIBAULT, NORTHFIELD AND OWATONNA 2015 through 2017			
Community	Units Surveyed	Units Vacant	Vacancy Rate
Faribault			
2017	1,133	9	0.8
2016	1,133	14	1.2
2015	1,133	15	1.3
Northfield			
2017	1,132	4	0.3
2016	1,132	17	1.5
2015	1,132	23	2.0
Owatonna			
2017	1,142	14	1.2
2016	1,142	29	2.5
2015	1,142	32	2.8
Combined			
2017	3,407	27	0.8%
2016	3,407	60	1.8%
2015	3,407	70	2.1%
Source: Maxfield Research and Consulting LLC			

In communities where there has been a limited supply of rental housing that has not kept pace with increasing demand, rents are increasing, on average, 2% to 3% annually, above the annual national inflation rate. Vacancies have decreased and continue to remain low, suggesting that demand for rental units has increased and continues to remain strong. An overall vacancy rate however, of less than 1% not only constricts consumer choice in the market, but also reduces the potential for future employment growth as companies may be deterred from locating in a community that does not have sufficient housing for workers and/or may be deterred from

hiring new workers, especially from outside of the area, if there is not sufficient housing availability.

High land and construction costs (substantial labor shortages) and construction and development companies focusing on housing markets where they are able to achieve higher yields for their investments has resulted in a substantial lack of investment in rental housing in outlying communities over the past four years and in some communities, new rental construction has not occurred for an even longer period of time. Single-family homes and owner-occupied townhomes have been converted to rental to support some of the demand for larger size units, but this takes away from the existing owner-occupied stock and in some cases, has created a severe shortage of entry-level housing for first-time homebuyers.

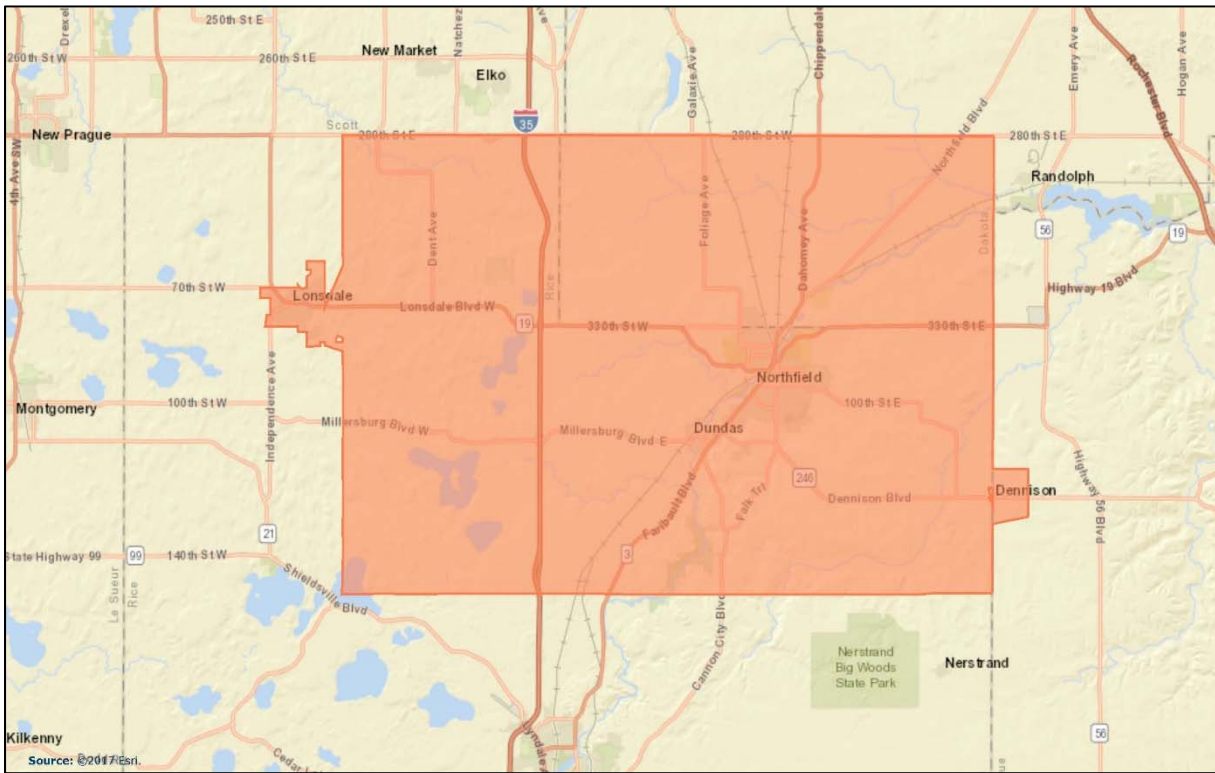
Demographic and Employment Review

This section provides information on population and household growth trends, employment growth trends and demographic characteristics for each of the communities included in the analysis: Northfield, Faribault and Owatonna. Where appropriate, demographic data is also provided for Rice and Steele Counties as a comparison.

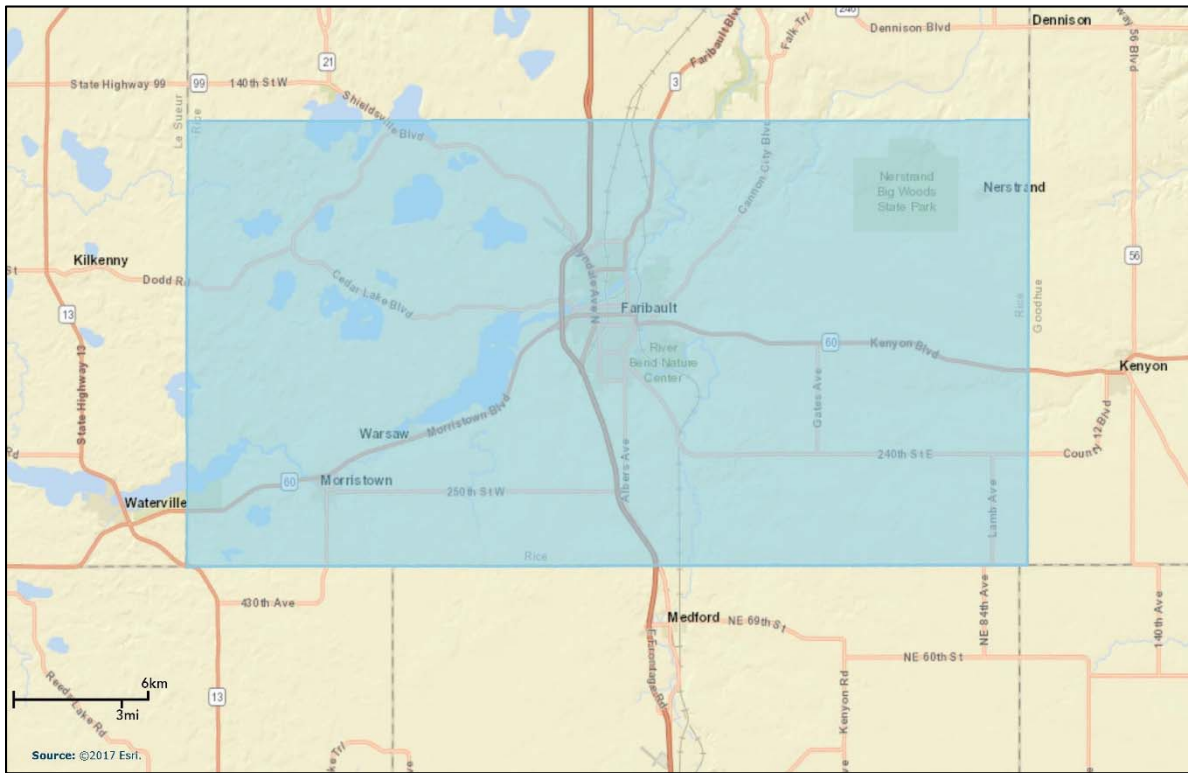
Draw areas were compiled for each of the communities with the understanding that there is also likely to be some cross-over between each of these communities in terms of employment and residential options, including apartments. As such, the draw areas identified for this memorandum would not necessarily reflect the draw area for a specific development that might be proposed in any one of the three communities. Jurisdictions included for the draw areas are shown on Table 1 below.

TABLE 1 DRAW AREAS NORTHFIELD, FARIBAULT, OWATONNA		
Northfield	Faribault	Owatonna
Bridgewater Twp.	Cannon City Twp.	Aurora Twp.
Dennison city	Faribault city	Clinton Falls Twp.
Dundas city	Morristown city	Deerfield Twp.
Forest Twp.	Morristown Twp.	Havana Twp.
Greenvale Twp.	Nerstrand city	Lemond Twp.
Lonsdale city	Richland Twp.	Medford city
Northfield city	Walcott Twp.	Medford Twp.
Northfield Twp.	Warsaw Twp.	Merton Twp.
Sciota Twp.	Wells Twp.	Owatonna city
Waterford Twp.	Wheeling Twp.	Owatonna Twp.
Webster Twp.		Somerset Twp.
Source: US Census		

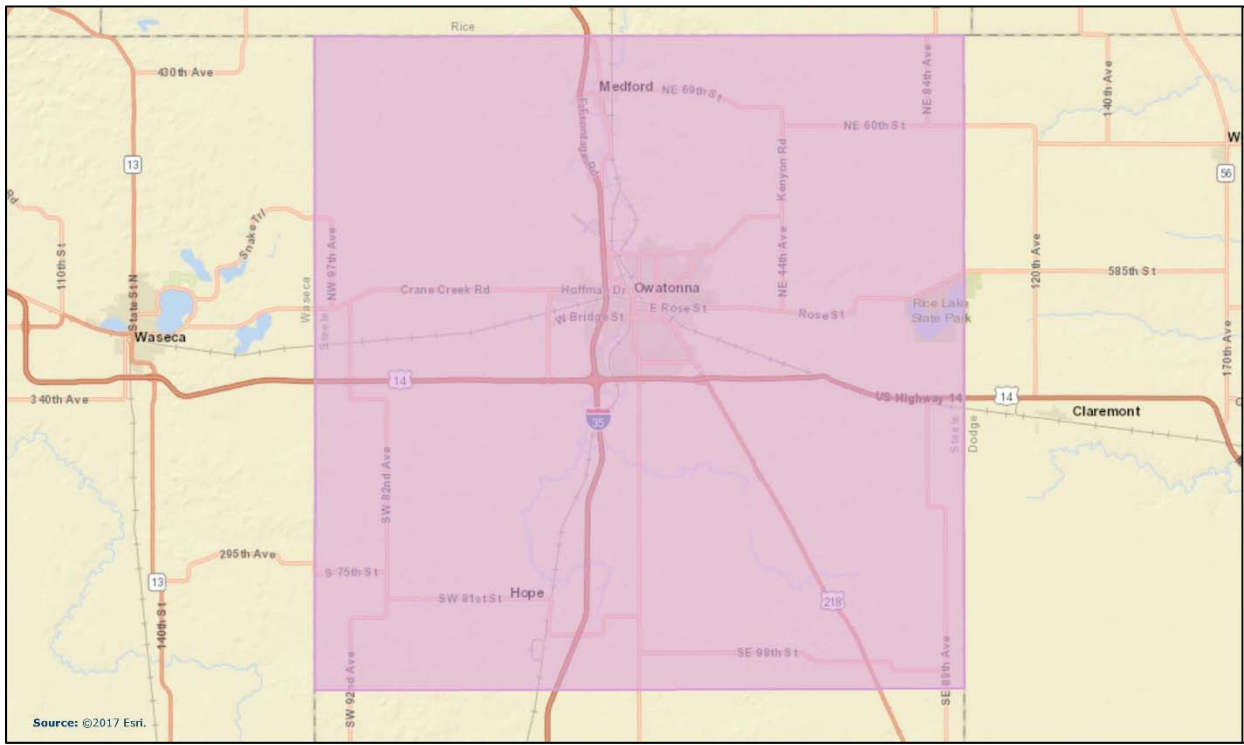
Northfield Draw Area



Faribault Draw Area



Owatonna Draw Area



Population and Household Growth Trends

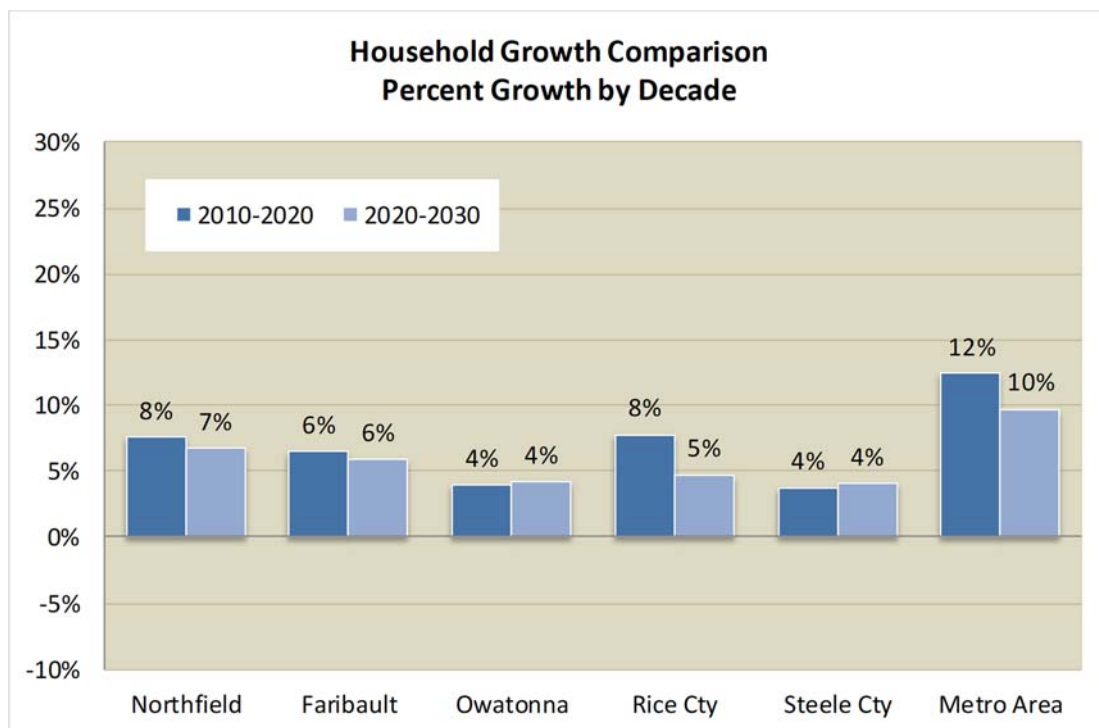
Table 2 shows a summary of population and household growth trends for each of the community draw areas along with Rice and Steele Counties and the 7-County Twin Cities Metro Area. Data was compiled from the US Census and from ESRI Inc., a national demographics forecasting and mapping provider. The projections for 2030 were derived from data provided by ESRI Inc. and were reviewed against data compiled by the Minnesota Demographic Center.

TABLE 2 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS DRAW AREAS 2000 - 2030									
	Census		Estimate	Forecast		Change			
	2000	2010	2017	2020	2030	2000-2010		2010-2020	
						No.	Pct.	No.	Pct.
Population									
Northfield Draw Area	26,319	32,576	33,961	34,513	36,407	6,257	23.8%	1,937	5.9%
Faribault Draw Area	30,234	32,517	33,765	34,297	36,069	2,283	7.6%	1,780	5.5%
Owatonna Draw Area	29,615	32,474	33,261	33,658	34,980	2,859	9.7%	1,184	3.6%
Rice County	56,665	64,142	66,489	68,179	70,883	7,477	13.2%	4,037	6.3%
Steele County	33,680	36,576	37,398	37,832	39,278	2,896	8.6%	1,256	3.4%
Twin Cities Metro Area*	2,642,062	2,849,567	3,073,520	3,127,660	3,388,950	207,505	7.9%	278,093	9.8%
Households									
Northfield Draw Area	8,081	10,808	11,389	11,622	12,400	2,727	33.7%	814	7.5%
Faribault Draw Area	10,822	11,839	12,380	12,603	13,345	1,017	9.4%	764	6.5%
Owatonna Draw Area	11,305	12,705	13,040	13,206	13,758	1,400	12.4%	501	3.9%
Rice County	18,888	22,315	23,338	24,046	25,179	3,427	18.1%	1,731	7.8%
Steele County	12,846	14,330	14,684	14,865	15,467	1,484	11.6%	535	3.7%
Twin Cities Metro Area*	1,021,456	1,117,749	1,204,920	1,256,580	1,378,470	96,293	9.4%	138,831	12.4%
*Includes the 7-County Area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties)									
Sources: US Census Bureau; ESRI; Metropolitan Council; MN Demographic Ctr.; Maxfield Research & Consulting, LLC									

The table shows that during the 2000s, population and household growth in the Northfield draw area was robust, with that area increasing its population and household bases by 23.8% and 33.7%, respectively. Growth in Owatonna was second with 9.7% and 12.4% increases followed by Faribault with increases of 9.4% and 9.7%. All of these growth rates were very healthy and indicate that these regional centers continued to attract people and households. Higher growth rates for households versus population suggest shrinking household sizes and an overall aging of the household base with fewer people living in each household. Faribault had a slightly higher growth rate for population, which suggests that this community may have attracted larger households during the period from 2000 to 2010.

Growth rates are anticipated to moderate during the 2010s as each of these communities continues to age overall and as the economic recession in the early part of the decade reduced economic development throughout Minnesota. Growth from 2020 to 2030 is anticipated to be about the same rate as growth projected for 2010 to 2020, between 4% and 7% for each of the draw areas. These growth rates, while lower than during the 2000s, are nevertheless, considered to be healthy.

The graph below shows the percent growth by decade projected for each of the draw areas, the counties and the Twin Cities Metro Area.



Age Distribution

Tables 3 through 5 present age distribution trends for the Northfield, Faribault and Owatonna draw areas along with Rice and Steele Counties for the period 2000 to 2022. Data for 2000 and 2010 is compiled from the US Census while the 2017 estimates and 2022 projections were derived from data provided by ESRI, Inc.

Northfield

The table shows that the Northfield Draw Area expanded substantially during the 2000s with the age groups, 55 to 64 and 45 to 54 exhibiting the largest increases over the period, 1,514 (83%) for those ages 55 to 64 and 1,121 (35%) for those ages 45 to 54.

Over the next five years, 2017 to 2022, seniors are projected to experience the greatest growth in the area, with increases of 444 (17%) for people ages 65 to 74 and 362 for people age 75 years or older (17%). People ages 25 to 34 are projected to exhibit the third largest growth, 242 people or 7% over the five-year period. Similar trends are anticipated for Rice County, but the third largest numerical growth is projected for people ages 35 to 44 (400 people) in the county as a whole.

TABLE 3 AGE DISTRIBUTION NORTHFIELD DRAW AREA 2000 - 2022								
Age	Census		Estimate	Projection	Change			
	2000	2010	2017	2022	2000-2010		2017-2022	
					No.	Pct.	No.	Pct.
Draw Area								
Under-20	8,423	9,761	9,677	9,748	1,338	15.9	71	0.7
20 to 24	3,891	4,247	4,377	4,257	356	9.1	-120	-2.7
25 to 34	2,540	3,384	3,504	3,746	844	33.2	242	6.9
35 to 44	3,808	3,846	3,705	3,902	38	1.0	197	5.3
45 to 54	3,228	4,349	4,032	3,711	1,121	34.7	-321	-8.0
55 to 64	1,813	3,327	3,945	3,990	1,514	83.5	45	1.1
65 to 74	1,250	1,854	2,641	3,085	604	48.3	444	16.8
75+	1,366	1,808	2,080	2,442	442	32.4	362	17.4
Total	26,319	32,576	33,961	34,881	6,257	23.8	920	2.7
Rice County								
Under-20	17,474	18,243	17,922	18,158	769	4.4	236	1.3
20 to 24	5,775	6,174	6,293	6,073	399	6.9	-220	-3.5
25 to 34	6,628	7,653	8,057	8,272	1,025	15.5	215	2.7
35 to 44	8,894	8,019	7,822	8,222	-875	-9.8	400	5.1
45 to 54	6,972	9,265	8,543	7,873	2,293	32.9	-670	-7.8
55 to 64	4,447	6,907	8,153	8,374	2,460	55.3	221	2.7
65 to 74	3,201	4,146	5,447	6,269	945	29.5	822	15.1
75+	3,274	3,735	4,252	4,938	461	14.1	686	16.1
Total	56,665	64,142	66,489	68,179	7,477	13.2	1,690	2.5

Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC

Faribault

The table shows that the Faribault Draw Area experienced the strongest growth those in their middle ages, the cohorts age 45 to 54 and 55 to 64 during the 2000s. These age groups expanded 1,162 (30%) and 1,142 (40%) over the period.

Over the next five years, 2017 to 2022, seniors are projected to experience the greatest growth in the area, with increases of 423 (14%) for people ages 65 to 74 and 338 for people age 75

years or older (15%). People ages 35 to 44 are projected to exhibit the third largest growth, 203 people or 5% over the five-year period. As mentioned previously, similar trends are anticipated for Rice County.

Age	Census		Estimate	Projection	Change			
	2000	2010	2017	2022	2000-2010		2017-2022	
					No.	Pct.	No.	Pct.
Draw Area								
Under-20	8,927	8,814	8,619	8,794	-113	-1.3	175	2.0
20 to 24	1,879	1,928	1,974	1,886	49	2.6	-88	-4.5
25 to 34	4,083	4,375	4,620	4,616	292	7.2	-4	-0.1
35 to 44	5,036	4,302	4,256	4,459	-734	-14.6	203	4.8
45 to 54	3,818	4,980	4,663	4,337	1,162	30.4	-326	-7.0
55 to 64	2,610	3,750	4,379	4,544	1,140	43.7	165	3.8
65 to 74	1,933	2,342	2,952	3,375	409	21.2	423	14.3
75+	1,948	2,026	2,302	2,640	78	4.0	338	14.7
Total	30,234	32,517	33,765	34,651	2,283	7.6	886	2.6
Rice County								
Under-20	17,474	18,243	17,922	18,158	769	4.4	236	1.3
20 to 24	5,775	6,174	6,293	6,073	399	6.9	-220	-3.5
25 to 34	6,628	7,653	8,057	8,272	1,025	15.5	215	2.7
35 to 44	8,894	8,019	7,822	8,222	-875	-9.8	400	5.1
45 to 54	6,972	9,265	8,543	7,873	2,293	32.9	-670	-7.8
55 to 64	4,447	6,907	8,153	8,374	2,460	55.3	221	2.7
65 to 74	3,201	4,146	5,447	6,269	945	29.5	822	15.1
75+	3,274	3,735	4,252	4,938	461	14.1	686	16.1
Total	56,665	64,142	66,489	68,179	7,477	13.2	1,690	2.5
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC								

Owatonna

The table shows that the Owatonna Draw Area experienced the strongest growth those in their middle ages, the cohorts age 45 to 54 and 55 to 64 during the 2000s. These age groups expanded 1,404 (58%) and 881 (23%) over the period.

Over the next five years, 2017 to 2022, seniors are projected to experience the greatest growth in the area, with increases of 546 (18%) for people ages 65 to 74 and 273 for people age 75 years or older (11%). People ages 35 to 44 are projected to exhibit the third largest growth, 224 people or 5.5% over the five-year period. These trends are similar for Steele County, which is

projected to show growth of 20% among people 65 to 74 and 11% among people age 75 years or older and 5.6% among people ages 35 to 44.

Age					Change			
	Census		Estimate	Projection	2000-2010		2017-2022	
	2000	2010	2017	2022	No.	Pct.	No.	Pct.
Draw Area								
Under-20	9,118	9,349	9,018	9,168	231	2.5	150	1.7
20 to 24	1,649	1,595	1,844	1,704	-54	-3.3	-140	-7.6
25 to 34	3,882	4,033	4,059	4,008	151	3.9	-51	-1.3
35 to 44	4,842	4,290	4,059	4,283	-552	-11.4	224	5.5
45 to 54	3,947	4,828	4,504	4,108	881	22.3	-396	-8.8
55 to 64	2,442	3,846	4,416	4,471	1,404	57.5	55	1.2
65 to 74	1,882	2,263	2,967	3,513	381	20.2	546	18.4
75+	1,853	2,270	2,394	2,667	417	22.5	273	11.4
Total	29,615	32,474	33,261	33,922	2,859	9.7	661	2.0
Steele County								
Under-20	10,316	10,472	10,062	10,233	156	1.5	171	1.7
20 to 24	1,836	1,774	2,053	1,879	-62	-3.4	-174	-8.5
25 to 34	4,313	4,506	4,528	4,461	193	4.5	-67	-1.5
35 to 44	5,462	4,759	4,507	4,758	-703	-12.9	251	5.6
45 to 54	4,467	5,449	5,064	4,594	982	22.0	-470	-9.3
55 to 64	2,798	4,346	4,995	5,048	1,548	55.3	53	1.1
65 to 74	2,182	2,589	3,369	4,027	407	18.7	658	19.5
75+	2,306	2,681	2,820	3,121	375	16.3	301	10.7
Total	33,680	36,576	37,398	38,121	2,896	8.6	723	1.9
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC								

Household Incomes

Tables 6 through 8 show household income by age of householder as estimated for 2017 with a projection for 2022. Data is compiled by ESRI Inc. and separated into seven income categories. Also shown is the median household income for each of the draw areas. Housing is considered affordable is a household spends no more than 30% of their income on housing costs. Homeowners are likely to spend somewhat less than this proportion (25% to 28%) while renters, especially those with lower incomes, may be spending more than this percentage and would be considered cost-burdened. Tight rental markets with rising rental rates typically placed the greatest pressure on low and moderate income households who may already be stretching their housing dollars to find and keep a suitable residence.

Northfield

The estimated 2017 median household income is highest in Northfield at \$76,451. Younger households in the Northfield Draw Area are estimated to have relatively high median incomes at \$52,843 for households under age 25 and \$72,439 for households age 25 to 34. This suggests that households in this area who are renting may be able to afford higher priced rental units depending on the proportion of households that are most likely to rent their housing. The median household income is projected to rise to \$83,796 by 2022, an increase of 1.9% per year, equal to the annual inflation rate.

	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2017								
Less than \$15,000	674	45	74	66	69	122	105	193
\$15,000 to \$24,999	771	46	85	80	69	99	139	253
\$25,000 to \$34,999	639	37	103	79	73	96	94	157
\$35,000 to \$49,999	1,309	65	214	183	199	199	182	267
\$50,000 to \$74,999	2,131	94	363	345	378	375	339	237
\$75,000 to \$99,999	2,071	70	289	395	484	402	302	129
\$100,000 or more	3,793	61	498	773	969	927	433	132
Total	11,389	418	1,626	1,921	2,241	2,220	1,594	1,368
Median Income	\$76,451	\$52,843	\$72,439	\$85,954	\$90,199	\$86,599	\$68,780	\$38,411
2022								
Less than \$15,000	641	42	73	62	54	96	107	207
\$15,000 to \$24,999	692	40	78	58	52	77	127	260
\$25,000 to \$34,999	542	30	86	63	46	69	87	161
\$35,000 to \$49,999	1,095	55	178	136	135	142	168	281
\$50,000 to \$74,999	1,996	88	345	311	292	327	354	280
\$75,000 to \$99,999	2,146	78	312	406	429	393	358	171
\$100,000 or more	4,667	74	658	957	1,030	1,099	630	221
Total	11,778	407	1,729	1,992	2,037	2,202	1,830	1,580
Median Income	\$83,796	\$57,886	\$81,648	\$96,763	\$100,580	\$99,786	\$78,745	\$42,360
Change 2017-2022								
Less than \$15,000	-33	-3	-1	-4	-15	-26	2	14
\$15,000 to \$24,999	-79	-6	-7	-22	-17	-22	-12	7
\$25,000 to \$34,999	-97	-7	-17	-16	-27	-27	-7	4
\$35,000 to \$49,999	-215	-10	-36	-47	-64	-57	-14	14
\$50,000 to \$74,999	-135	-6	-18	-34	-86	-48	15	43
\$75,000 to \$99,999	75	8	23	11	-55	-9	56	42
\$100,000 or more	874	13	160	184	60	171	197	89
Total	389	-11	103	71	-204	-18	236	212
Median Income	\$7,345	\$5,043	\$9,209	\$10,809	\$10,381	\$13,187	\$9,965	\$3,949

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

Faribault

The estimated 2017 median household income in the Faribault Draw Area was \$58,682. Younger households in the Faribault Draw Area are also estimated to have relatively high median household incomes compared to the other age groups. Households under age 25 are estimated to have a household income of \$50,674 while households age 25 to 34 are estimated to have a median household income of \$58,014. The median income is expected to rise to \$66,964 by 2022, an average annual increase of 2.7%, well above the annual inflation rate.

TABLE 7 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER FARIBAULT DRAW AREA 2017 & 2022								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2017								
Less than \$15,000	867	56	93	85	84	159	161	229
\$15,000 to \$24,999	946	67	100	100	93	137	159	290
\$25,000 to \$34,999	1,063	79	141	151	126	161	185	220
\$35,000 to \$49,999	2,074	144	323	283	306	352	337	329
\$50,000 to \$74,999	2,729	178	486	470	529	535	352	179
\$75,000 to \$99,999	2,107	123	272	382	497	415	248	170
\$100,000 or more	2,572	61	324	499	673	659	276	80
Total	12,358	708	1,739	1,970	2,308	2,418	1,718	1,497
Median Income	\$58,682	\$50,674	\$58,014	\$67,469	\$75,539	\$66,601	\$50,779	\$35,278
2022								
Less than \$15,000	827	53	92	82	61	131	161	247
\$15,000 to \$24,999	861	62	84	78	64	106	158	309
\$25,000 to \$34,999	912	65	109	129	87	124	178	220
\$35,000 to \$49,999	1,771	122	263	223	221	278	322	342
\$50,000 to \$74,999	2,632	177	455	462	426	507	385	220
\$75,000 to \$99,999	2,348	152	298	422	473	457	318	228
\$100,000 or more	3,385	81	430	660	776	871	419	148
Total	12,736	712	1,731	2,056	2,108	2,474	1,941	1,714
Median Income	\$66,964	\$55,332	\$64,910	\$77,268	\$83,104	\$78,721	\$57,510	\$37,576
Change 2017-2022								
Less than \$15,000	-40	-3	-1	-3	-23	-28	0	18
\$15,000 to \$24,999	-85	-5	-16	-22	-29	-31	-1	19
\$25,000 to \$34,999	-151	-14	-32	-22	-39	-37	-7	0
\$35,000 to \$49,999	-303	-22	-60	-60	-85	-74	-15	13
\$50,000 to \$74,999	-97	-1	-31	-8	-103	-28	33	41
\$75,000 to \$99,999	241	29	26	40	-24	42	70	58
\$100,000 or more	813	20	106	161	103	212	143	68
Total	378	4	-8	86	-200	56	223	217
Median Income	\$8,282	\$4,658	\$6,896	\$9,799	\$7,565	\$12,120	\$6,731	\$2,298

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

Owatonna

The estimated 2017 median household income in the Faribault Draw Area was \$58,682. Younger households in the Faribault Draw Area are also estimated to have relatively high median household incomes compared to the other age groups. Households under age 25 are estimated to have a household income of \$50,674 while households age 25 to 34 are estimated to have a median household income of \$58,014. The median income is expected to rise to \$66,964 by 2022, an average annual increase of 2.7%, well above the annual inflation rate.

TABLE 8 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER OWATONNA DRAW AREA 2017 & 2022								
	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65 -74	75+
2017								
Less than \$15,000	1,076	67	97	108	100	193	184	327
\$15,000 to \$24,999	843	32	88	76	83	111	139	314
\$25,000 to \$34,999	905	52	122	119	108	124	160	220
\$35,000 to \$49,999	1,721	96	265	227	234	296	283	320
\$50,000 to \$74,999	2,935	135	567	499	597	549	381	207
\$75,000 to \$99,999	2,286	55	371	429	605	450	261	115
\$100,000 or more	3,281	32	415	748	791	798	375	122
Total	13,047	469	1,925	2,206	2,518	2,521	1,783	1,625
Median Income	\$64,489	\$47,354	\$64,474	\$78,155	\$79,028	\$74,173	\$56,024	\$32,250
2022								
Less than \$15,000	1,036	64	93	107	71	160	198	343
\$15,000 to \$24,999	759	31	73	56	59	90	135	315
\$25,000 to \$34,999	774	41	95	98	74	94	157	215
\$35,000 to \$49,999	1,448	84	209	179	161	223	272	320
\$50,000 to \$74,999	2,752	132	517	471	476	490	423	243
\$75,000 to \$99,999	2,402	63	386	460	550	457	332	154
\$100,000 or more	4,167	41	519	945	881	1,014	573	194
Total	13,338	456	1,892	2,316	2,272	2,528	2,090	1,784
Median Income	\$73,799	\$50,861	\$72,077	\$86,291	\$86,005	\$84,332	\$64,419	\$35,613
Change 2017-2022								
Less than \$15,000	-40	-3	-4	-1	-29	-33	14	16
\$15,000 to \$24,999	-84	-1	-15	-20	-24	-21	-4	1
\$25,000 to \$34,999	-131	-11	-27	-21	-34	-30	-3	-5
\$35,000 to \$49,999	-273	-12	-56	-48	-73	-73	-11	0
\$50,000 to \$74,999	-183	-3	-50	-28	-121	-59	42	36
\$75,000 to \$99,999	116	8	15	31	-55	7	71	39
\$100,000 or more	886	9	104	197	90	216	198	72
Total	291	-13	-33	110	-246	7	307	159
Median Income	\$9,310	\$3,507	\$7,603	\$8,136	\$6,977	\$10,159	\$8,395	\$3,363

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

Tenure by Age of Householder

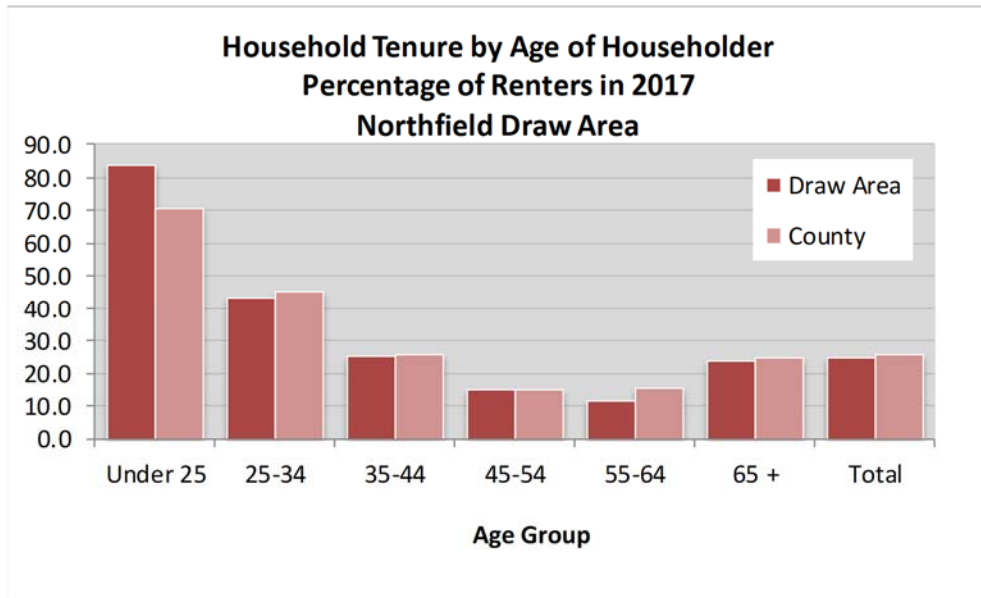
Tables 9 through 11 shows tenure by age of householder for each of the draw areas along with comparison data for Rice and Steele Counties. The data is shown for 2010 and 2017 from the Decennial Census (2010) and from the 5-year American Community Survey estimates.

Northfield

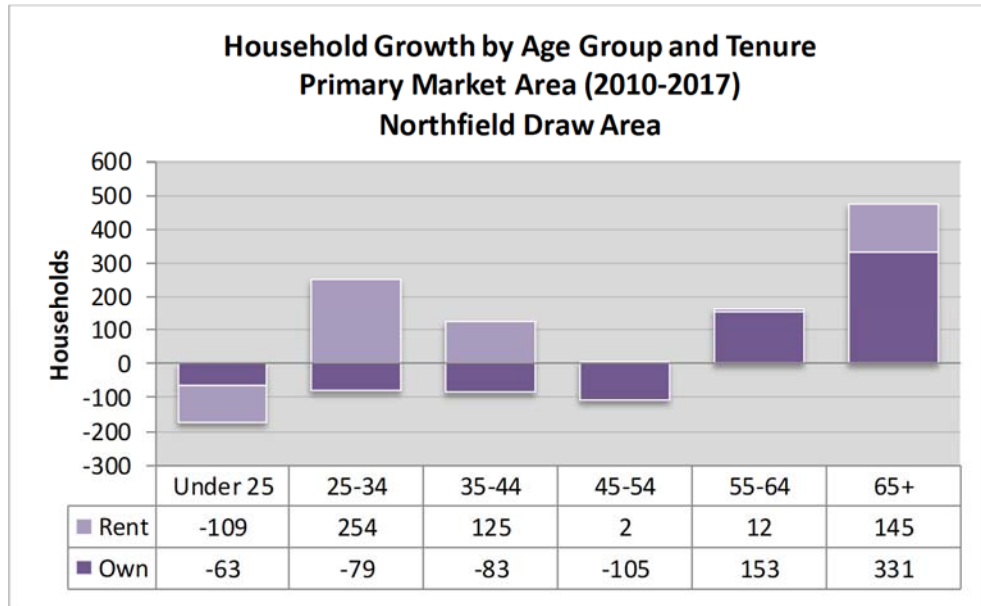
The table shows that the proportion of renter households increased to 24.6% from 22.0% while the proportion of owner households decreased over the same period. In Rice County as a whole, owner and renter households increased numerically but renter households increased more, causing the proportion of owner households to drop slightly. Large proportional increases in renter households for the Draw Area were in the under 45 age groups.

Age		Draw Area				Rice County			
		2010		2017		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	106	24.1	43	16.0	254	21.6	216	29.3
	Rent	333	75.9	224	84.0	923	78.4	521	70.7
	Total	439	100.0	267	100.0	1,177	100.0	738	100.0
25-34	Own	1,084	67.6	1,005	56.5	2,047	63.6	1,936	54.4
	Rent	520	32.4	774	43.5	1,172	36.4	1,619	45.6
	Total	1,604	100.0	1,779	100.0	3,219	100.0	3,555	100.0
35-44	Own	1,623	80.1	1,540	74.5	3,114	78.2	2,938	74.0
	Rent	403	19.9	528	25.5	867	21.8	1,034	26.0
	Total	2,026	100.0	2,067	100.0	3,981	100.0	3,972	100.0
45-54	Own	2,106	85.6	2,001	84.9	4,151	83.7	4,074	84.9
	Rent	353	14.4	355	15.1	809	16.3	722	15.1
	Total	2,459	100.0	2,356	100.0	4,960	100.0	4,797	100.0
55-64	Own	1,687	87.9	1,840	88.3	3,398	86.2	3,718	84.6
	Rent	233	12.1	245	11.7	546	13.8	679	15.4
	Total	1,920	100.0	2,084	100.0	3,944	100.0	4,397	100.0
65 +	Own	1,823	77.2	2,154	76.0	3,933	78.1	4,420	75.2
	Rent	537	22.8	682	24.0	1,101	21.9	1,460	24.8
	Total	2,360	100.0	2,835	100.0	5,034	100.0	5,879	100.0
TOTAL	Own	8,429	78.0	8,582	75.4	16,897	75.7	17,302	74.1
	Rent	2,379	22.0	2,807	24.6	5,418	24.3	6,036	25.9
	Total	10,808	100.0	11,389	100.0	22,315	100.0	23,338	100.0

Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC



The graph below shows the numerical increase or decrease in renter and owner households by age group for the Northfield draw area. The largest increases are among households age 25 to 34, 35 to 44 and 65+.



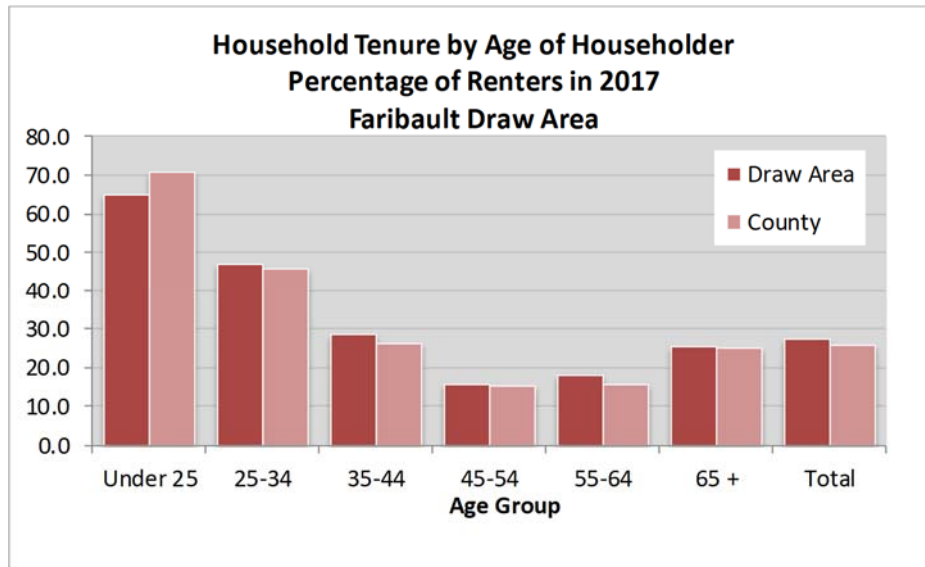
Faribault

The table shows that the proportion of renter households in the Faribault Draw Area increased to 27.2% from 25.2% while the proportion of owner households decreased over the same period. In Rice County as a whole, owner and renter households increased, but the increase in renter households was much larger, causing the renter household proportion to increase to nearly 26.0% in Rice County. Large proportional increases in renter households in the Faribault Draw Area are shown primarily for the age categories, 25 to 34 and 35 to 44, the prime renter age cohorts. Households under age 25 decreased overall in terms of number, which resulted in a significant decrease in the renter household base.

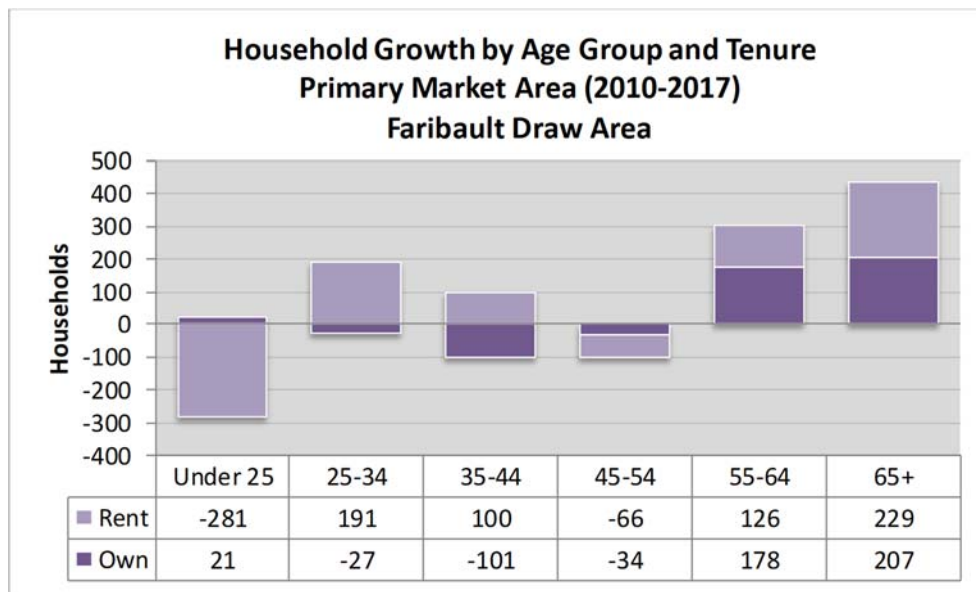
**TABLE 10
TENURE BY AGE OF HOUSEHOLDER
FARIBAULT DRAW AREA
2010 & 2017**

Age		Draw Area				Rice County			
		2010		2017		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	147	19.8	168	34.9	254	21.6	216	29.3
	Rent	594	80.2	313	65.1	923	78.4	521	70.7
	Total	741	100.0	481	100.0	1,177	100.0	738	100.0
25-34	Own	1,006	60.1	979	53.2	2,047	63.6	1,936	54.4
	Rent	669	39.9	860	46.8	1,172	36.4	1,619	45.6
	Total	1,675	100.0	1,838	100.0	3,219	100.0	3,555	100.0
35-44	Own	1,551	76.6	1,450	71.6	3,114	78.2	2,938	74.0
	Rent	474	23.4	574	28.4	867	21.8	1,034	26.0
	Total	2,025	100.0	2,024	100.0	3,981	100.0	3,972	100.0
45-54	Own	2,090	82.3	2,056	84.3	4,151	83.7	4,074	84.9
	Rent	450	17.7	384	15.7	809	16.3	722	15.1
	Total	2,540	100.0	2,440	100.0	4,960	100.0	4,797	100.0
55-64	Own	1,801	85.3	1,979	81.9	3,398	86.2	3,718	84.6
	Rent	311	14.7	437	18.1	546	13.8	679	15.4
	Total	2,112	100.0	2,416	100.0	3,944	100.0	4,397	100.0
65 +	Own	2,173	79.1	2,380	74.8	3,933	78.1	4,420	75.2
	Rent	573	20.9	802	25.2	1,101	21.9	1,460	24.8
	Total	2,746	100.0	3,181	100.0	5,034	100.0	5,879	100.0
TOTAL	Own	8,768	74.1	9,011	72.8	16,897	75.7	17,302	74.1
	Rent	3,071	25.9	3,369	27.2	5,418	24.3	6,036	25.9
	Total	11,839	100.0	12,380	100.0	22,315	100.0	23,338	100.0

Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC



The graph below shows the numerical increase or decrease in renter and owner households by age group for the Faribault draw area. The largest increases in renter households are among the age groups 65+ and 25 to 34. The age cohorts 55 to 64 and 35 to 44 however, also showed significant increases in renter households over the period.



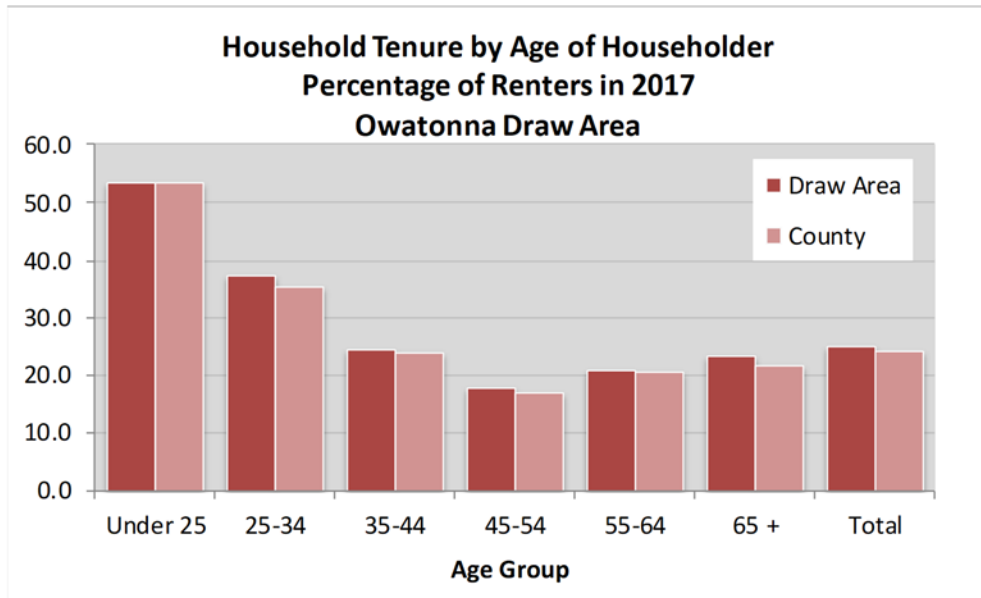
Owatonna

The table shows that the proportion of renter households in the Owatonna Draw Area increased to 24.9% from 22.9% while the proportion of owner households decreased over the same period. In Steele County as a whole, owner households and renter households both increased numerically, but renter households increased by a larger number, causing the proportion of renter households to rise against the owner household base. Large proportional increases in renter households for the Owatonna Draw Area are shown primarily for the age categories, 25 to 34 and 35 to 44, the prime renter age cohorts. Households under age 25 decreased overall in terms of number, which resulted in a significant decrease in the renter household base.

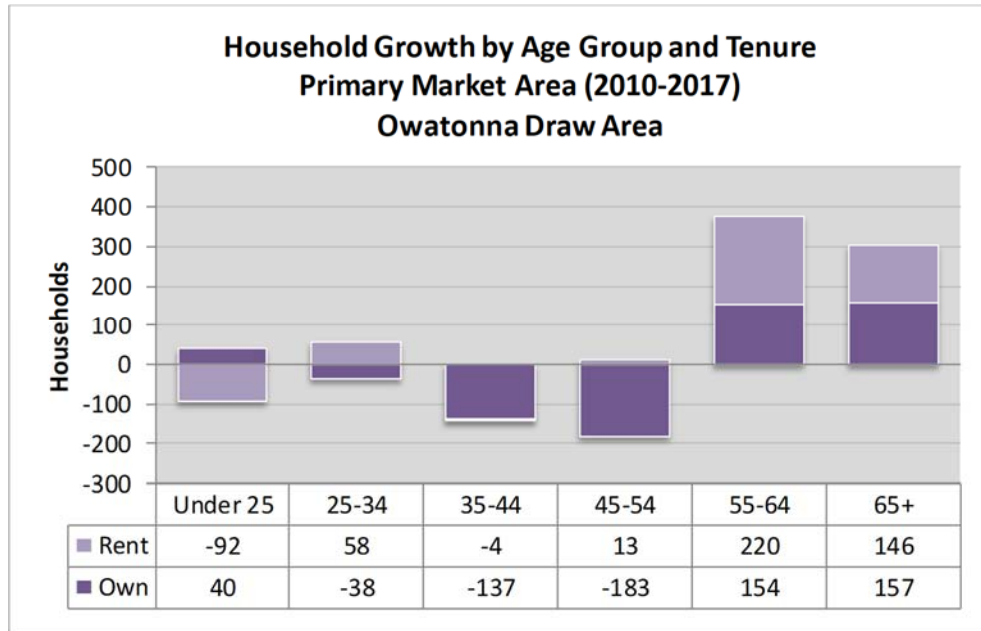
**TABLE 11
TENURE BY AGE OF HOUSEHOLDER
OWATONNA DRAW AREA
2010 & 2017**

Age		Draw Area				Steele County			
		2010		2017		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	162	33.4	202	46.6	179	33.6	232	46.5
	Rent	323	66.6	231	53.4	353	66.4	267	53.5
	Total	485	100.0	433	100.0	532	100.0	499	100.0
25-34	Own	1,265	65.3	1,227	62.7	1,436	66.3	1,427	64.6
	Rent	673	34.7	731	37.3	731	33.7	784	35.4
	Total	1,938	100.0	1,958	100.0	2,167	100.0	2,211	100.0
35-44	Own	1,824	76.9	1,687	75.6	2,030	77.6	1,839	76.3
	Rent	548	23.1	544	24.4	586	22.4	570	23.7
	Total	2,372	100.0	2,232	100.0	2,616	100.0	2,409	100.0
45-54	Own	2,292	84.0	2,109	82.4	2,591	84.3	2,382	83.2
	Rent	437	16.0	450	17.6	481	15.7	480	16.8
	Total	2,729	100.0	2,559	100.0	3,072	100.0	2,861	100.0
55-64	Own	1,920	85.6	2,074	79.3	2,186	86.2	2,341	79.5
	Rent	322	14.4	542	20.7	351	13.8	604	20.5
	Total	2,242	100.0	2,617	100.0	2,537	100.0	2,944	100.0
65 +	Own	2,336	79.5	2,493	76.9	2,713	79.7	2,946	78.4
	Rent	603	20.5	749	23.1	693	20.3	813	21.6
	Total	2,939	100.0	3,242	100.0	3,406	100.0	3,759	100.0
TOTAL	Own	9,799	77.1	9,792	75.1	11,135	77.7	11,167	76.0
	Rent	2,906	22.9	3,248	24.9	3,195	22.3	3,517	24.0
	Total	12,705	100.0	13,040	100.0	14,330	100.0	14,684	100.0

Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC



The graph below shows the numerical increase or decrease in renter and owner households by age group for the Owatonna Draw Area. The largest increases in renter households are among the age groups 55 to 64 and 65+.



Employment Growth Trends – Rice and Steele Counties

Table 12 below shows growth in employment for Rice and Steele Counties from 2000 through 2nd Quarter 2017 with projections for 2020 and 2025. This information was compiled from the Quarterly Census of Employment and Wages (QCEW) produced by the Department of Labor and published by the Minnesota Department of Employment and Economic Development (MN DEED). Southeast Minnesota, which includes Rice and Steele Counties is projected to be the second fastest growing region in the State.

Table 12 shows that Rice County gained a net four jobs between 2000 and 2010 after losing jobs during the recession. Steele County however, gain jobs over the period, increasing by 1.4% during the 2000s and again by 829 jobs (4.1%) between 2010 and 2017. Similarly, Rice County’s job growth surged between 2010 and 2017, increasing by 2,817 jobs or 12.6%. The proportional increase in jobs in Rice County nearly matched that of the Twin Cities Metro Area which experienced a 13.0% increase in jobs during the same period.

Looking forward to 2020 and 2025, projections were calculated based on recent job growth trends for each county and for the Southeast Region as a whole. Projections to 2020 show each county forecast to increase its employment base, Rice County by 6.1% and Steele County by 3.0%. From 2020 to 2025, Rice County is projected to add 2,800 new jobs while Steele County is projected to add 1,110 jobs.

TABLE 12 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS RICE AND STEELE COUNTIES 2000 to 2025						
Annual Employment	Rice County		Steele County		Twin Cities Metro Area	
2000	22,340		19,988		1,600,741	
2005	22,166		20,019		1,593,692	
2010	22,344		20,272		1,537,041	
2017	25,161		21,101		1,737,532	
2020 Forecast	26,700		21,740		1,791,080	
2025 Forecast	29,500		22,850		1,852,065	
Change	No.	Pct.	No.	Pct.	No.	Pct.
2000 - 2010	4	0.0%	284	1.4%	-63,700	-4.0%
2010 - 2017	2,817	12.6%	829	4.1%	200,491	13.0%
2017 - 2020	1,539	6.1%	639	3.0%	53,548	3.1%
2020 - 2025	2,800	10.5%	1,110	5.1%	60,985	3.4%

Sources: MN DEED; Metropolitan Council; Maxfield Research & Consulting, LLC

Job growth is closely tied to household growth and the need for housing units. A lack of housing can constrain economic development and job growth if workers are not able to find suitable housing. Workers may not be willing to commute significant distances for certain types of jobs or they may prefer to reside closer to their work. If housing is not available in communities where there is a growing employment base, companies may be forced to consider other locations or may relocate to areas that have a larger labor force or more housing to accommodate a growing worker base.