

## KEY FINDINGS

---

This section highlights the key findings from the Comprehensive Housing Needs Assessment completed for the City of Lakeville. Calculations of projected housing demand are provided through 2030 and recommendations for housing products to meet demand over the short-term are found in the *Conclusions and Recommendations* section of the report.

### Key Findings

1. Despite the COVID-19 pandemic, the Lakeville housing market and economy has fared better than expected and outperformed many Metro Area communities. In fact, Lakeville's location as a south metro suburban community with excellent schools boomed during the past three years. Lakeville has been one of the hottest real estate markets for new construction and consistently is within the top five communities for for-sale housing development permits. At the same time, the unemployment rate hit a new record low (1.6%) and the labor force has recovered all jobs lost from the pandemic.
2. Population growth this past decade exceeded last decade (+13,536 persons); although the number of new households was slightly lower than last decade (+4,582 households). Projections for this decade indicate a deceleration of growth trends, however higher than the Dakota County and 7-County Metro Area projected growth through 2030.
3. Lakeville's near-term growth is led by the Millennials and Baby Boomers. The aging baby boomer generation (ages 58 to 76 in 2022) is impacting the composition of Lakeville's population. Younger seniors (ages 65 to 74) have exceptionally high growth rates over the next five years (+31%). This shift will result in demand for alternative housing products; both for-sale and rental housing types. At the same time, there is strong growth in the older Millennial generation (+13%) that will be seeking home ownership opportunities and quality rental housing.
4. Lakeville continues to be a strong single-family housing market as over 42% of the existing households are families with children, compared to 29% in the Metro Area. The housing market appreciation is driven in-part by excellent schools that are sought after and driving real estate activity from families with kids. Only 17% of Lakeville residents are living alone (single-tenant occupancy); however, that number will increase with the number of rental apartments under construction and in the development pipeline.
5. Although Lakeville boasts an exceptionally low unemployment rate and increasing labor force, wages are lower. Average weekly wages in Lakeville are 19% lower than Dakota County and 29% lower than the Twin Cities Metro Area. As a result, Lakeville is a major exporter of workers as Lakeville residents commute to other cities for higher earnings. Roughly 74% of jobs in Lakeville are filled by non-Lakeville residents commuting into the city for employment.

## KEY FINDINGS

---

6. For-sale housing costs are higher in Dakota County compared to the Metro Area. In addition, Lakeville housing costs are amongst the highest in Dakota County in-part because of the high number of new construction homes driving up the overall median sales price. The pandemic accelerated home price appreciation across the Twin Cities and Lakeville home prices are up 28% since 2020. However, the Federal Reserve's increase of interest rates over the past year has slowed down the market in late 2022 and 2023 and price appreciation has topped out and is stabilizing. The rapid increase in mortgage rates has priced many buyers out of the market and many sellers are unwilling to sell to give up their low mortgage rate. As such, the market is slowly correcting after the massive pandemic run-up.
7. Given the strong housing demand in Lakeville since the pandemic, Lakeville has been absorbing lots at a feverish pace and has been one of the hottest new construction markets in the Twin Cities. Although we find Lakeville has enough lots in the short-term, a variety of lot types will need to be platted and converted to finished lots to meet future demand long-term. Furthermore, lot size compression will continue as builders/developers need to increase density to cover high infrastructure, inflation, and ever increasing development costs in the housing sector.
8. The overall rental vacancy rate in Lakeville is 3.3% (excluding properties in initial lease up). Rental vacancy rates are just under equilibrium for affordable housing (4.9%) and are low for market rate housing (3.3%). However, there are roughly 700 units under construction, approved, or proposed that will meet the demand in the near-term and vacancy rates should push higher with the new supply.
9. Despite the pandemic and impact on older adults, senior housing in Lakeville is posting a low 3.3% vacancy rate compared to significantly higher vacancies in most Twin Cities suburban communities. Affordable, active adult, and independent senior housing products have vacancy rates under 2%, whereas the more service-based assisted living and memory properties are at equilibrium. Given the strong growth in younger seniors this decade, demand will be highest for senior product targeting active seniors. Demand for service-based senior housing will increase as the decade progresses.