Analysis Presentation

Brandon: Many Minnesotans ask: “Is it better to live in the Twin Cities metro area or Greater Minnesota?” When people ask this question, they are typically wondering if they can actually afford to live in other areas of Minnesota. We are here to compare income to expenses for each economic development region in Minnesota, compare the income to expense ratio with housing price increases for the Twin Cities region and Greater Minnesota, and compare our findings with the state of Ohio to see if living in another comparable state entirely is a way to go.

To find our answers, we will use data collected from the Minnesota Department of Employment and Economic Development (DEED), the US Census Bureau, the Federal Housing Finance Agency (FHFA), and Council for Community and Economic Research (C2ER). Through the use of Jupyter Notebook, Python, and Pandas for cleaning, as well as Matpotlib for charts, the data has been broken down, analyzed, and now presented to you today.

Megan:

First, we must ask: “How does the average income compare to the average expenses for each economic development region in Minnesota, and how do they compare to each other?” Using data collected from the Minnesota Department of Employment and Economic Development for 2021, we were able to find that, on average, a single working person cannot afford the expenses of a three-person household by themselves. A single worker’s wages will only cover roughly 80% of the total expenses of an average household, and that percentage only differs by up to 2% between the regions. In a two-worker household, this ratio fairs much better, as income will cover roughly 63% of expenses in this case.

Shockingly, the economic development regions are very comparable. Central (7W) has the best income to expense ratio, followed closely by the Twin Cities region (11), while Southwest Central (6E) showed the worst ratio. However, since these ratios only differ by up to 2%, there is not a significant difference. Regardless of where you lived in Minnesota in 2021, your income to expense ratio was roughly the same as the rest of the state.

Jordan:

Let’s talk about housing. Rising housing prices has been a topic of concern for all Americans for over a decade, but the concern has grown significantly since the start of the COVID-19 pandemic. Many people faced layoffs, health crises, and supply chain issues, resulting in unstable financial situations for many households. According to the Council for Community and Economic Research (C2ER), whose Cost of Living Index is widely used by businesses and government entities for analytical purposes, housing is one of the largest factors in cost of living, so a great change in housing costs could have a large impact on many people. Let’s take a look at how housing prices have changed over the last decade between the Twin Cities region and the rest of the state.

According to data acquired from the Federal Housing Finance Agency (FHFA), whose House Pricing Index, or HPI, measures average price changes in repeat sales or refinancings on the same properties since 1975, we are able to see that housing prices have skyrocketed since 2011 in both the Twin Cities region and Greater Minnesota. However, while Greater Minnesota had a 55.55% increase in HPI, the Twin Cities region had a whopping 74% increase. No wonder why no one can seem to afford a house anymore….or can they?

How does the change in housing prices compare with the change in wages and other expenses over the same period? Keep in mind that housing is one of the factors included in cost of living calculations when talking about income to expense ratios, so the change in housing will already be factored into these changes. That being said, we are able to see that between 2011 and 2021, average household expenses increased 18.8% in total, while average wages increased by 50.58%. With housing being such a large factor in the expenses calculation, it can be said that an average household could potentially see savings on expenses if living in Greater Minnesota, as the slower rise in housing costs could prove beneficial.

Jenny:

How does Minnesota compare to Ohio, my state, when talking about income to expenses? Based on Cost of Living Index data, we are able to see that Minnesota’s cost of living expenses are about 1% lower than the national average, whereas Ohio’s expenses are about 9% lower. The largest of these differences is in housing, in which Ohio is 23% better than the national average versus only 11% better for Minnesota. Ohio’s expenses were lower than the national average across the board.

So how does income compare between the two states? We are able to see that the median household income for Minnesota is about 25% higher than Ohio, and the median housing value for Minnesota is 58% higher than Ohio. Ohio has a much higher population than Minnesota (51.56% difference), and the total wages for both states show a 52.8% difference, which is on par with the population difference. With the lower expenses and the similar wages to Minnesota, Ohio would be a less costly state to live than Minnesota.

If this research were to continue, one could look into the specifics of each metro area vs the rest of the state for Ohio for a much larger comparison to Minnesota, but that is beyond the scope of this project.

Brandon:

In conclusion, the economic development regions of Minnesota are very comparable to each other. With the only major difference between the Twin Cities region and the rest of the state being the rate at which housing prices are increasing, this data does not necessarily prove living in the Twin Cities region is better or worse than living in another part of Minnesota. One would need to continue research into other factors to determine any greater difference, such as occupations, recreation, and general availability of certain goods and services.