Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

third quarter 2008

City of Minneapolis
Department of Community Planning & Economic Development - CPED

Vol. 7, No. 3

2008

Highlights for the third quarter of 2008

Total employment of Minneapolis residents decreased from last quarter. At the same time more people were looking for jobs and therefore the unemployment rate increased from 4.7 percent to 6 percent. See page 5

Residential permit volume in the city decreased from last quarter and from one year ago. Permitted units increased in the metro area from last quarter, but declined from a year ago. See page 15

The volume of home sales increased since last quarter, but the median sale price declined to $175,000 this quarter in Minneapolis. The metro area showed the same trend this quarter: higher volume of sales but lower median price. See page 31

Foreclosure properties decreased 7 percent in the city from last quarter, and 14 percent from a year ago. The number of vacant and boarded buildings in the city increased 42 percent from a year ago. See page 32

Apartment average vacancy rates in Minneapolis have remained low since the first quarter and average rent has increased. See page 26

The office vacancy rate in the Minneapolis central business district was stable at 12.7 percent, which remains lower than the metro-wide rate. See page 35

Jobs and Wages - Highlights for the first quarter of 2008

The city had almost 7,000 fewer jobs than the fourth quarter 2007, and nearly 1,180 fewer jobs than the first quarter. Real wages declined from the previous year. See page 9

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Contents

Economic indicators

- The number of employed residents decreased both within the city and throughout the metro area from last quarter, and total employment was lower than in the 3rd quarter 2007. At the same time, there were more people looking for work, resulting in an unemployment rate increase for both the city (6 percent) and metro area (5.6 percent.)
- In the first quarter of 2008 there were almost 7,000 fewer jobs than in the previous quarter; over a 12 month period (1Q-07 to 1Q-08) total jobs in the city declined by 0.4 percent. Over the same 12 month period, state jobs grew slightly and the metro area held steady.
- First quarter weekly wages were 2 percent lower in inflation-adjusted dollars than a year before. Wages in the metro area increased by 0.3 and in the state there was no growth.

Labor force

In the third quarter of 2008, 205,074 Minneapolis residents had jobs, a decrease of 0.7 percent from the previous quarter and of 1.5 percent from the same quarter a year ago. On the other hand, an increase in unemployed residents actively looking for jobs raised the unemployment rate to 6 percent this quarter from 4.6 percent a year ago. Employment also decreased in the metro area from the previous quarter and from the previous year while the unemployment rate went up to 5.6 percent.

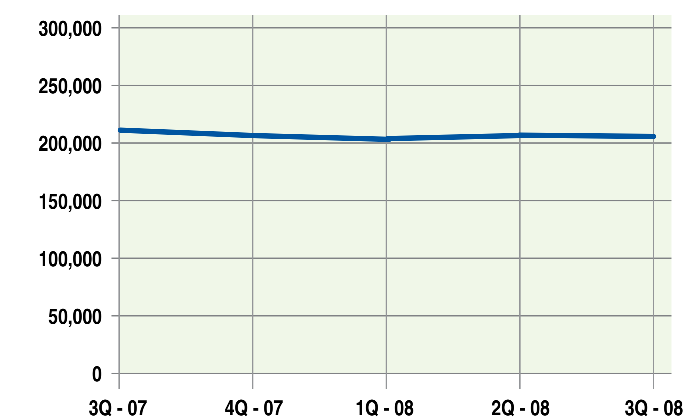
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis					
Labor Force	218,248	216,481	213,838	216,756	218,077
Employment	208,243	207,517	204,900	206,554	205,074
Unemployment rate	4.6%	4.1%	4.2%	4.7%	6.0%
Metro area					
Labor Force	1,626,528	1,616,900	1,603,370	1,620,252	1,624,821
Employment	1,557,212	1,551,784	1,532,220	1,544,590	1,533,520
Unemployment rate	4.3%	4.0%	4.4%	4.7%	5.6%

Source: Minnesota Department of Employment and Economic Development (DEED) – Labor Market Information

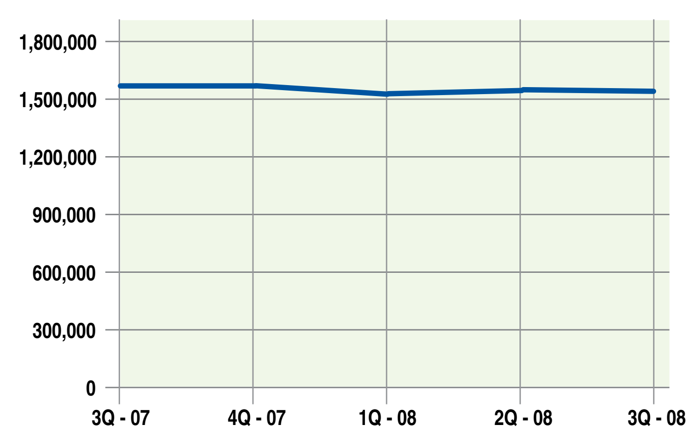
* For metro area definition, see page 13.

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis



Source: Minnesota Department of Employment and Economic Development (DEED) – Labor Market Information

Figure 2: **AVERAGE EMPLOYMENT** – Metro*



Source: Minnesota Department of Employment and Economic Development (DEED) – Labor Market Information

* For metro area definition, see page 13.

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY** – Minneapolis

	1Q-2007	2Q-2007	3Q-2007	4Q-2007	1Q-2008**
Total, all industries[1]	289,403	293,482	293,276	295,109	288,226
Manufacturing	16,463	16,470	16,400	16,455	16,747
Utilities*	2,685	2,649	2,656	2,690	2,652
Wholesale trade	9,621	9,821	9,825	9,667	9,356
Retail trade	14,571	15,125	14,966	15,374	15,168
Transportation and warehousing*	4,035	4,019	3,986	4,263	3,708
Information	11,148	10,969	10,622	10,624	10,363
Finance and insurance*	27,503	27,345	27,578	27,415	27,211
Real estate and rental and leasing	6,202	6,300	6,374	6,350	6,052
Professional and technical services*	30,335	30,547	30,948	30,982	30,187
Management of companies and enterprises	15,918	16,144	16,377	16,550	17,027
Administrative and waste services*	15,126	15,974	15,918	15,454	14,399
Educational services	28,525	27,769	25,867	29,148	29,026
Health care and social assistance	45,433	45,835	46,339	46,365	44,700
Arts, entertainment and recreation*	4,424	4,904	4,852	4,653	5,049
Accommodation and food services	22,659	23,973	24,484	23,912	23,025
Other services*	10,272	10,640	10,423	10,457	10,102
Public administration	12,846	12,881	13,213	12,775	12,459

Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment and Wages.

* Private jobs only

** This is the most current information available. The most recent figures available are from the first quarter of 2008.

1 Natural resources-based industries and agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up. Table reflects latest revision by Minnesota Department of Employment and Economic Development.

The number of jobs located in Minneapolis decreased since the fourth quarter of 2007 by 2.3 percent (6,883 jobs) and since the first quarter last year, by 0.4 percent (1,177 jobs.)

Quarter to quarter change-
4th to 1st quarter

Most of the job reduction from the fourth to the first quarter took place in

- **Health care and social assistance** (outpatient care and ambulatory health care.)
- **Administrative and waste services** (services to buildings and dwellings, investigation and security services, temporary help services.)
- **Accommodation and food services** (drinking, eating places, restaurants, food services, traveler accommodations.)

Three sectors increased jobs in this period:

- **Management of companies** (managing offices.)
- **Arts, entertainment and recreation** (fitness and recreational sport centers; sport promoters with facilities; independent artists, writers and performers; museums, parks and historical sites.)
- **Manufacturing (**semiconductor and electronic components; miscellaneous manufacturing other than medical equipment; coating, engraving and heat treating metal.)

12 month change –
1st quarter to 1st quarter

Gainers:

- **Management of companies** continued its steady growth throughout the year, adding 1,110 jobs (7 percent growth.) About 1,160 job gains were in managing offices of companies, while offices of bank holdings lost jobs.
- **Arts, entertainment and recreation** increased by 14.1 percent, adding more than 620 jobs. Fitness and recreation centers added 46 percent of the total, while museums, parks and historical sites; performing arts and sports promoters; performing companies; independent artists, writers and performers were responsible for most of the remaining gains.
- **Retail trade** added almost 600 jobs - a 4.1 percent growth. Each of the following categories, general merchandise stores; building materials and garden supply stores, and food and beverage stores gained near or slightly more than 200 jobs.
- **Educational services, accommodation and food services, and manufacturing** combined added about 1,150 jobs (1.7 percent.) Two categories, colleges and universities, and restaurants and other food services, added more than 400 jobs each. Cleaning compound and toiletry manufacturing added near 200 jobs.

Losers:

- **Information services** lost 785 jobs over the twelve-month period due mostly to losses in publishing (more than 550 jobs) and broadcasting (about 480 jobs.)
- The **health care** sector, which was a strong performer until recently, lost more than 700 jobs (-1.6 percent). Although hospitals gained jobs, they could not offset the more than 2000 jobs lost in the offices of physicians and in outpatient care centers.
- **Administrative and waste services** lost about 730 net jobs mainly because of losses in temporary help services, services to buildings and dwelling, and investigation and security services.

Jobs

Figure 3: **JOBS – 1Q-07 TO 1Q-08**
percent change

Source: Minnesota Department of Employment and Economic Development (DEED)

Jobs

As shown in Figure 3, the City's job base contracted (-0.4 percent) over the most recent twelve-month period; over this same period the metro area did not change and the state increased jobs slowly, by 0.5 percent. Much of the general economic sluggishness was reflected in job decreases mostly in construction, transportation and warehousing and administrative services. The city was hit particularly hard in the transportation and warehousing and the information sectors.

On the other hand, there was a strong growth in sectors such as arts, entertainment and recreation; management of companies, and retail.

Wages

The average weekly wage in Minneapolis in the first quarter of 2008 was $1,202, $24 lower than the previous year in *inflation-adjusted dollars**. In *inflation-adjusted dollars* some sectors had higher wages than a year earlier. These sectors posted increases:

- **Real estate and rental and leasing** ($196)
- **Management of companies** ($130)
- **Transportation and warehousing** ($43)

Real estate wages increased the most for lessors of non-residential buildings. Managing offices weekly wages increased more than the total Management of company sector average. Transportation and warehousing weekly wages increased mainly because warehousing and storage increased much more than the average for the whole sector.

The sub-sectors with the highest year-to-year wage decreases in *inflation-adjusted dollars* were:

- **Arts, entertainment and recreation** ($65)
- **Health care and social assistance** ($44)
- **Manufacturing** ($20)

Most activities in arts, entertainment and recreation such as performing arts, arts and sport promotion, and museums, parks and historical sites reduced their worker's wages in real dollars. Real wages were also lowered in hospitals, nursing care facilities and social assistance services. In the manufacturing sector, semiconductor manufacturing weekly wages fell way down from the sector average, as well as paper bag, plastic and machinery manufacturing.

* For conversion factors, see page 13.

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis**
in current dollars

	1Q-2007	2Q-2007	3Q-2007	4Q-2007	1Q-2008
Total, all industries[1]	$ 1,181	$ 1,072	$ 1,071	$ 1,136	$ 1,202
Manufacturing	1,102	992	989	1,118	1,124
Utilities*	2,152	1,565	1,464	1,590	2,226
Wholesale trade	1,169	1,136	1,277	1,274	1,200
Retail trade	522	542	525	557	583
Transportation and warehousing*	664	718	696	804	732
Information	1,317	1,203	1,220	1,212	1,307
Finance and insurance*	2,804	1,678	1,631	1,804	2,607
Real estate and rental and leasing	1,265	1,133	1,083	1,243	1,509
Professional and technical services*	1,468	1,470	1,500	1,927	1,549
Management of companies and enterprises	1,701	2,223	1,797	1,700	1,896
Administrative and waste services*	646	620	638	688	674
Educational services	1,014	929	1,126	976	1,061
Health care and social assistance	941	898	941	973	933
Arts, entertainment and recreation*	934	1,279	1,282	968	905
Accommodation and food services	350	348	352	370	359
Other services*	555	551	590	575	569
Public administration	1,070	1,083	1,044	1,043	1,101

Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment and Wages

* Only private wages

** Table reflects the most current information available.

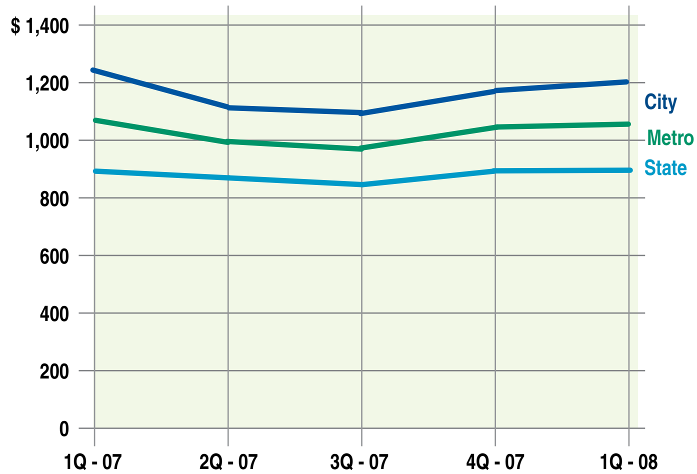
1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

In general, jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state. First-quarter wages in Minneapolis decreased by 2 percent in *inflation-adjusted dollars** from a year earlier. Average wages increased slightly in the metro area by 0.3 percent, but they were steady in the state in *inflation-adjusted dollars**.

* For conversion factors, see page 13.

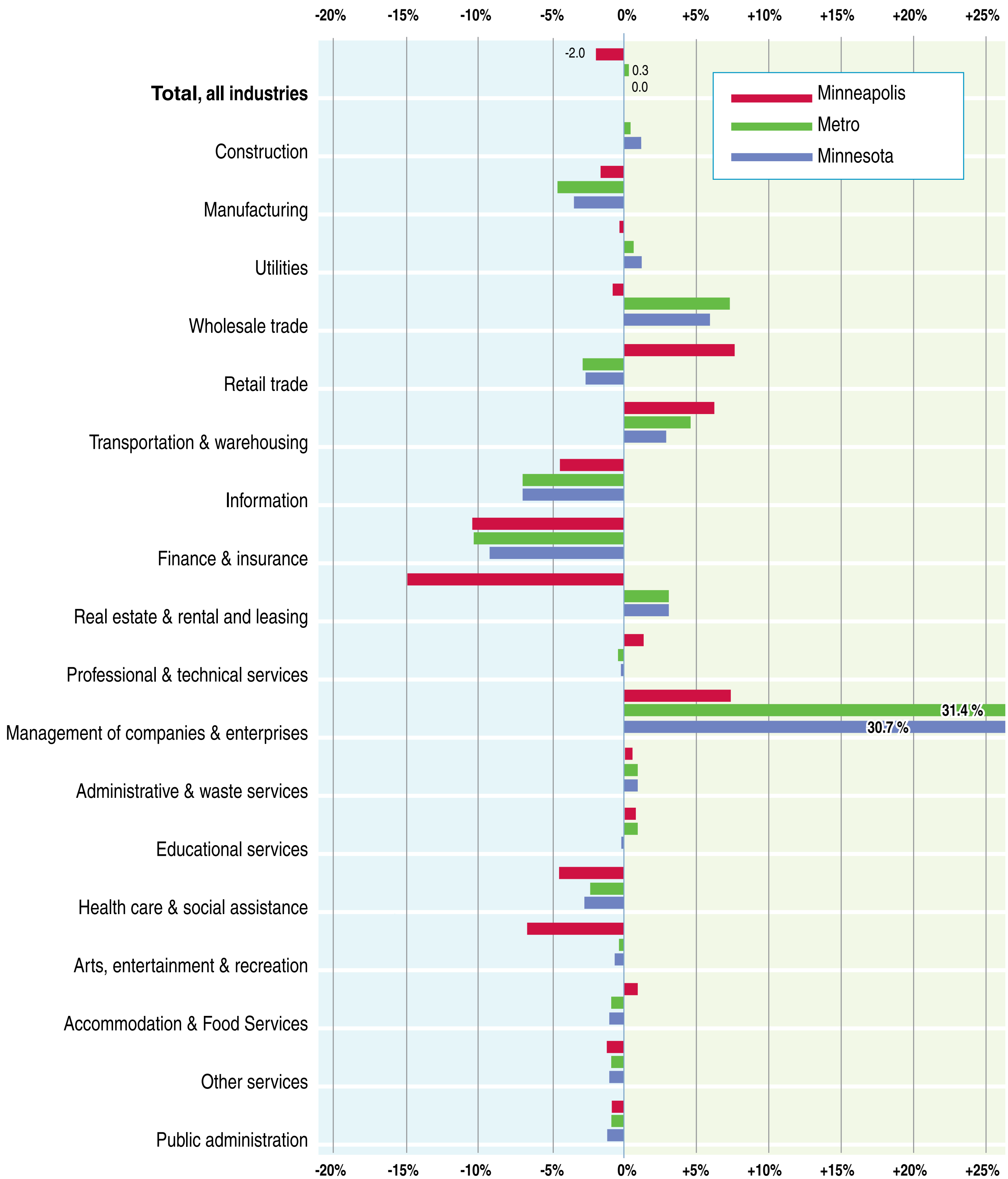
Figure 4: **AVERAGE WEEKLY WAGES** – 1Q-07 to 1Q-08
in inflation-adjusted dollars



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08	$ annual change	% annual change
Minneapolis	1,226	1,113	1,105	1,172	1,202	(24)	-2.0%
Metro	1,050	992	966	1,040	1,053	3	0.3%
Minnesota	909	869	844	907	909	(0)	0.0%

Source: Minnesota Department of Employment and Economic Development (DEED)

Figure 5: **AVERAGE WEEKLY WAGES –** 1Q-07 to 1Q-08
percent change in inflation-adjusted dollars



Source: Minnesota Department of Employment and Economic Development (DEED)

* For conversion factors, see page 13.

Wages

Wages decreased in most industries in *inflation-adjusted dollars* from the first quarter of 2007 to the first quarter of 2008. However, some sectors actually grew. The following sectors exhibited the highest percentage increase in average wages within the City:

- **In real estate and rental and leasing,** a sector with shrinking jobs which contracted in past quarters, wages increased almost 15 percent in Minneapolis, in part responding to higher activity in residential and non-residential building rental. As shown in the graph above, the metro and the state had much smaller wage increase in this sector than the city.
- **Retail Trade** wages increased by 7.6 percent in Minneapolis but decreased in the metro area and the state.
- **Management of company** wages increased 7.4 percent in Minneapolis, but much more in the metro area (31.4 percent) and the state (30.7 percent.)

Industries which experienced the steepest decline in real wages within the City included:

- **Finance and insurance** (-10.4 percent), a sector most battered by the current financial crisis. This sector also decreased in the metro and the state.
- **Arts, entertainment and recreation** (-6.7 percent), a strong sector in Minneapolis, continued to contract its wages. The decrease was particularly sharp in the city.
- **Health care and social assistance** (-4.5 percent), wages declined in the metro, the state and particularly, in the city.

* For conversion factors, see page 13.

- Labor Force, Employment and Unemployment: Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. Table 1 presents quarterly information for the city and the metro area.

- Metro area: The following counties make up the seven-county metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

- Jobs and wages: Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area and Minnesota. To see how the "digits" work, go to www.census.gov/epcd/naics02.

- Inflation-adjusted figures: Values reported in most tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the first quarter of 2008, dollars have been converted with an index reflecting the CPI for the first half of 2007 and first half of 2008, with 2008 as a base year. To look at the indexes go to: Consumer Price Index Home Page and click on "get detailed CPI statistics - All urban consumers (current series)."

Development indicators

- There were 92 new residential units permitted this quarter in Minneapolis, a 44 percent decline from last quarter and a 66 percent decline from a year ago. At the same time, metro-wide permitted units increased from last quarter 26 percent, but declined by 17 percent from last year.
- The number of large ($50,000+) residential remodeling and improvement projects increased by 19 percent over last year, and by 9 percent over last quarter. The number of non-residential buildings with authorization for remodeling and improvements increased 31.5 percent in comparison with last year but their cost increased by 55 percent.
- Twenty five commercial and residential projects of at least $1 million were permitted this quarter, totaling $129.7 million. This list includes a new five-story office building, part of the Children's Hospital and Clinic expansion in Midtown. It also includes a remodeling project at Fifty South Sixth in downtown, and the new Coloplast building interior build-out.

New construction

The number of new units permitted in the city decreased by 44 percent since last quarter and by 66 percent compared to a year ago. New residential construction was at its lowest level since the third quarter of 2000, when there were only 27 permitted units. In the metro area, permitting activity picked up since last quarter by 26 percent, but it was 17 percent below the number of units authorized in the third quarter last year. According to the Minneapolis Area Association of Realtors, at the end of September the supply of newly built homes for sale in the metro area was nearly 3,700 units, or 10.6 months worth of inventory, compared to a 5-month supply, at which the market is considered to be balanced between buyers and sellers.

Figures from the Census Bureau show that Minneapolis ranked fifth of all cities and towns in the metro area in number of residential units permitted during the third quarter. Lakeville in Dakota County ranked first (210 units) followed by Woodbury in Washington County (199 units), Edina in Hennepin County (123 units) and Maple Grove also in Hennepin County (109 units.)

The volume of multifamily units permitted in Minneapolis decreased to 84 units compared to 139 last quarter; 81 of these units came from just two projects: an apartment building at 621 2nd St NE in St. Anthony West, and Hotel Uptown, a 60-unit apartment building with retail in the ECCO neighborhood in Uptown.

Table 4: **NEW RESIDENTIAL UNITS**

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Single-family					
Minneapolis	23	25	14	24	8
Metro	1,382	1,095	624	1,089	1006
Multifamily					
Minneapolis	248	282	80*	139**	84
Metro	681	562	280	271	702
Total units					
Minneapolis	271	307	94	163	92
Metro***	2,063	1,657	904	1,360	1,708

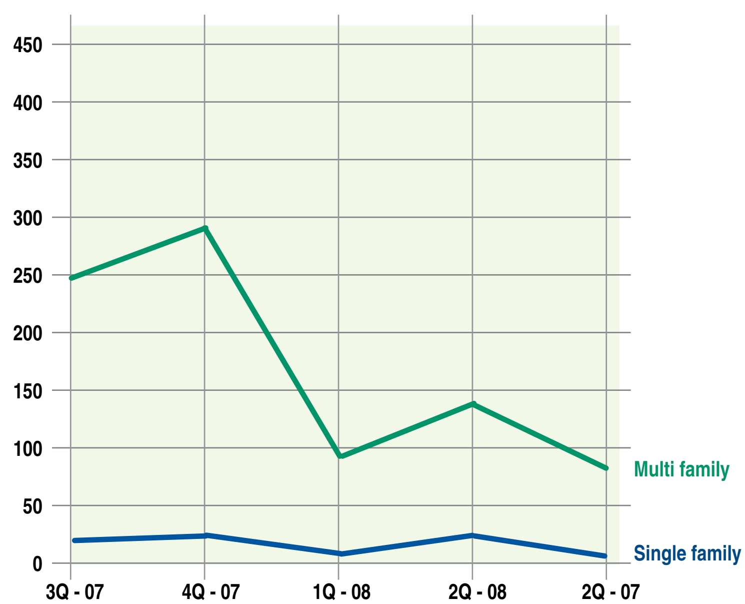
Source: U.S. Census Bureau, based on estimated number of permits with imputation

* Excludes 70 units of Hiawatha Flats which were erronously counted twice by the City.

** Including 80 units of the Phoenix on the River not reported by the Census Bureau this quarter. Although a permit for The Phoenix' structure was issued in February 2008 (1Q-08), the final construction permit was issued in April and should be included in the 2nd quarter.

*** Estimated number of permits with imputation: The Census Bureau estimates that about 8 percent of the total number of units permitted are underreported by counties in the metro area.

Figure 6: **NEW RESIDENTIAL UNITS** – Minneapolis



Source: U.S. Census Bureau –estimated units with imputation. Units reported in the second quarter includes 80 units of Phoenix on the River Condos

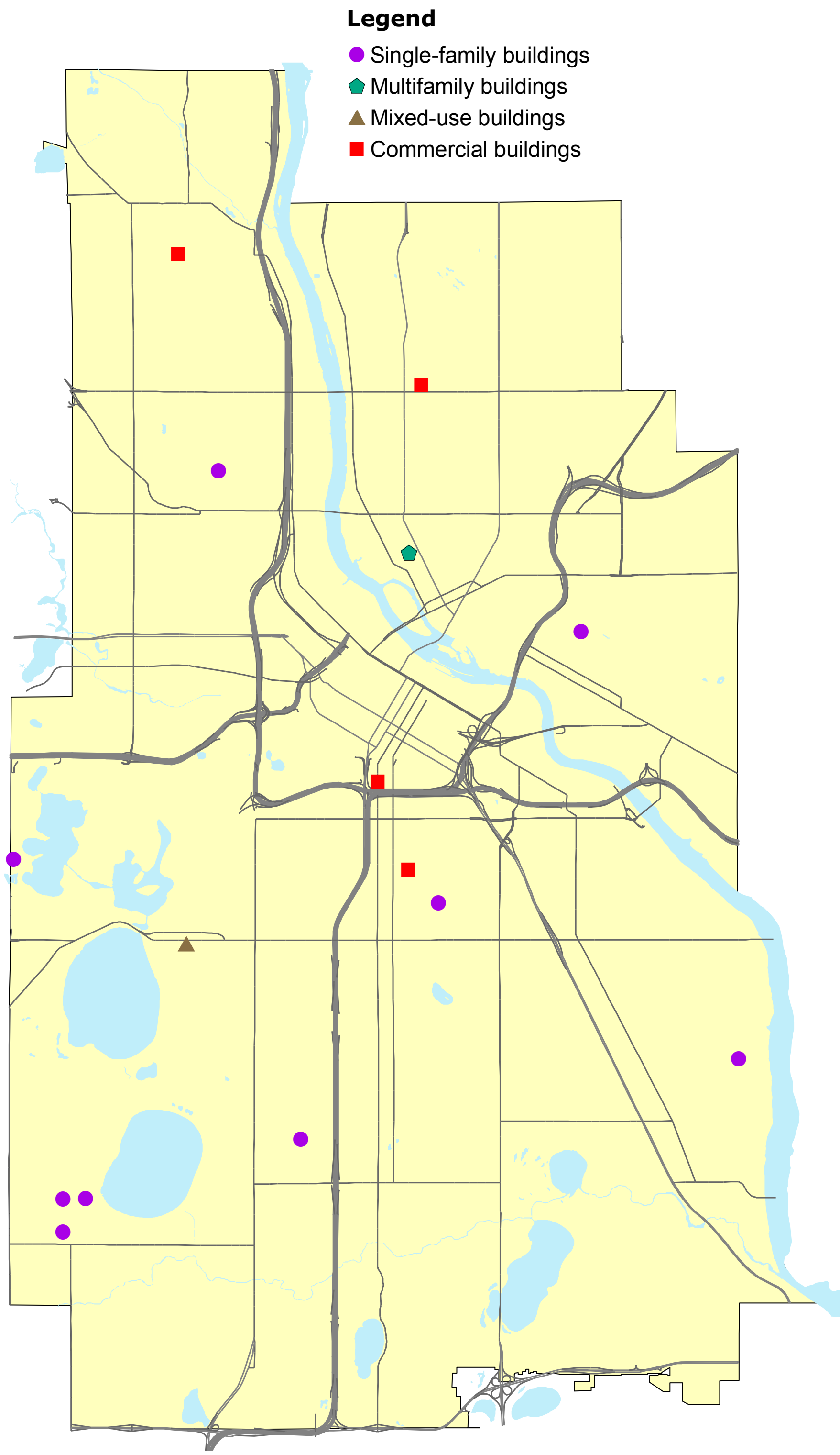
New construction

This quarter the few single-family houses that were permitted were scattered around the city, except for a cluster of three units at the south west end of Lake Harriet. In addition a new town-house unit was permitted at 8th St SE in the Marcy-Holmes neighborhood. Hotel Uptown, a 60-unit mixed use building south of West Lake St to the east of Lake Calhoun, was permitted this quarter. Another, an apartment building on the St Anthony West neighborhood will add 21 apartment units on 2nd St NE.

Permits were issued for four commercial buildings. One building that was planned to begin construction in the third quarter is a new office building which is part of Children's Hospital expansion on Chicago Ave in Midtown. The three other commercial buildings were an utility building, a mini storage and a maintenance building.

Map 1: **NEW CONSTRUCTION** – 3Q-08

Source: City of Minneapolis Regulatory Services



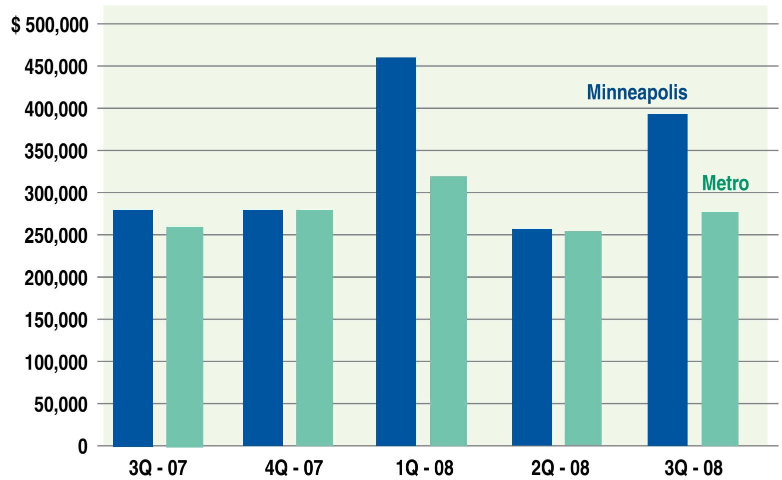
Cost of residential construction

In Minneapolis the average construction cost for single-family homes increased about 40 percent from a year ago, from $281,107 to $392,770, due to two expensive homes being built this quarter in the Chain of Lakes area.

The average construction cost for single-family homes in the metropolitan area increased modestly since a year ago, from $260,036 to $261,322, about 50 percent lower than the average single-family home in the city this quarter.

In Minneapolis the average construction cost for multifamily units increased by 35% since a year ago, from $112,293 to $151,526; this was 20 percent higher than the average cost in the metro area. The cost is high because developers are building luxury apartment buildings with many amenities in the city. In the metropolitan area the average cost increased 12.6 percent, from $111,897 to $126,027.

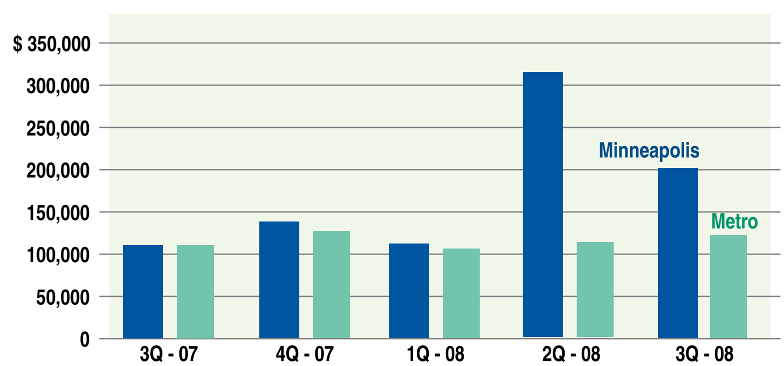
Figure 7: **SINGLE-FAMILY CONSTRUCTION COST**
per unit



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis	$ 281,107	$ 281,423	$ 460,708	$ 252,117	$ 392,770
Metro	260,036	281,469	311,009	251,914	261,322

Table values are not adjusted for inflation

Figure 8: **MULTIFAMILY CONSTRUCTION COST**
per unit



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis	$ 112,293	$ 140,472	$ 111,476	$314,022	$ 151,526
Metro	111,897	132,624	107,353	106,873	126,027

Table values are not adjusted for inflation

Conversions, remodels & additions

In the third quarter of 2008, the City issued permits for remodeling and renovations for 195 residential buildings, 19 percent more than the same quarter the previous year. It also issued permits for 137 non-residential buildings, a 31 percent increase from 3rd quarter 2007.

The total amount spent this quarter on **residential** remodeling and conversion projects costing more than $50,000 is estimated at about $32.6 million — 35 percent more than a year ago. The projected cost of **non-residential** remodeling permit work was $104.8 million, almost 55 percent more than in the third quarter the previous year

Table 5 **CONVERSIONS, REMODELS AND ADDITIONS** projects $50,000 +

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Total Residential[1]					
Number of buildings	164	134	132	180	195
Total value	$ 24,162,000	$ 19,698,000	$ 21,297,000	$ 22,686,000	$ 32,643,817
Remodels					
Number of buildings	162	132	127	177	192
Value	$ 23,945,000	$ 19,438,000	$ 17,843,000	$ 22,407,000	$ 27,049,001
Conversions and additions[2]					
Number of buildings	2	2	5	3	3
Net number of units	3	-2	30	2	30
Value	$ 217,000	$ 260,000	$ 3,454,000	$ 279,000	$ 5,594,816
Total non-residential[1]					
Number of buildings[3]	105	108	106	141	137
Value	$ 67,705,000	$ 49,506,000	$ 71,660,000	$ 73,263,000	$ 104,757,942

Source: City of Minneapolis Regulatory Services

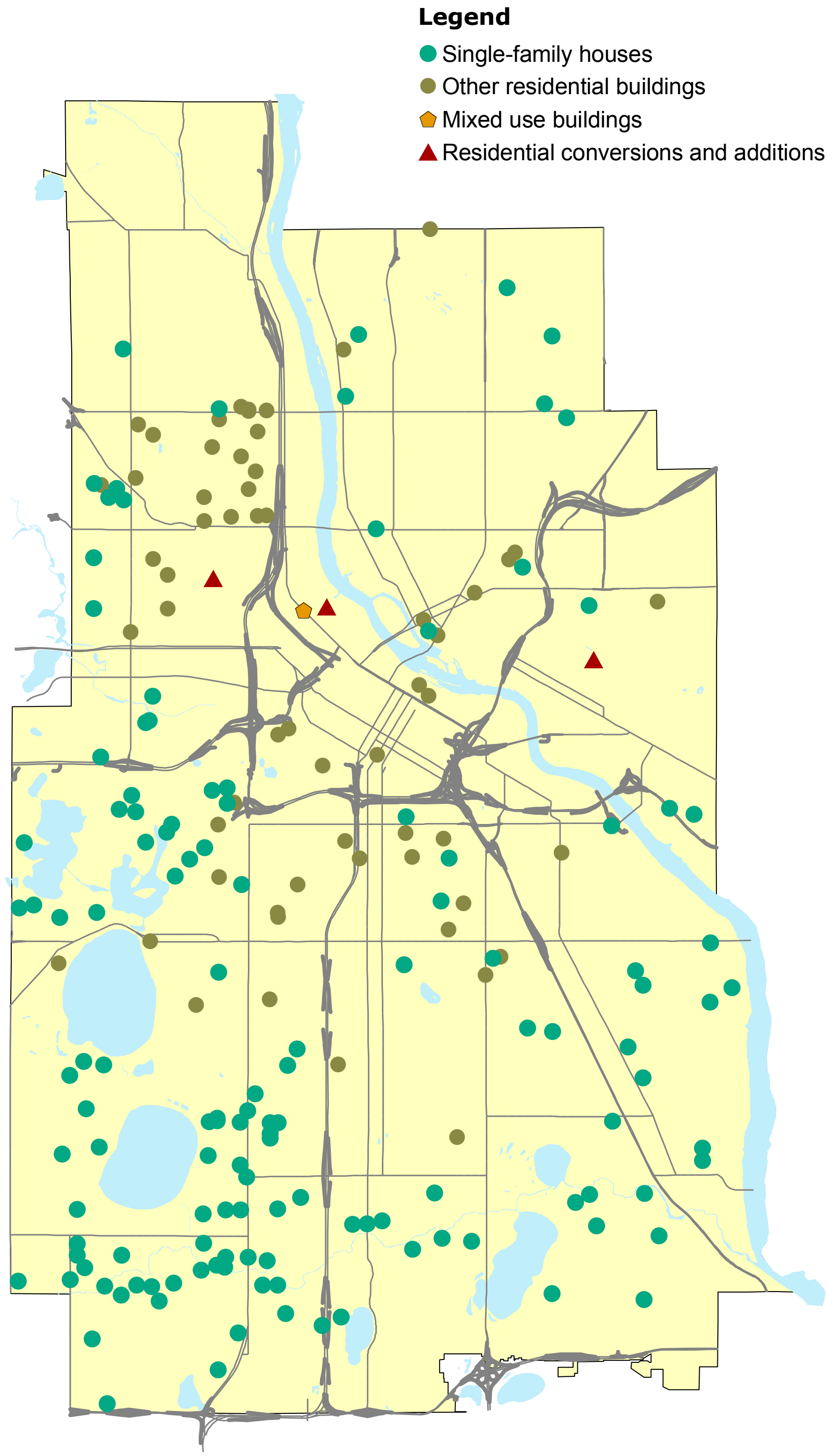
1 Residential and non-residential building listings may include structural work, build-outs and other improvements.
2 Residential conversions consist of a change in uses (e.g. from an office building to residential apartments) or subdividing or consolidating residential units.
3 Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings.

Conversions, remodels & additions

Remodeling and improvements to single-family housing in projects $50,000 or more took place mainly in the southern part of the city, and to a lesser extend in the north and east. On 8th Street Southeast an apartment buildinghad three more floors added for a total of five stories and 28 units. Several permits were issued to remodel and improve duplexes and apartment rental units in multifamily buildings throughout the city.

Map 2: **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 3Q-08
projects $50,000 +

Source: City of Minneapolis Regulatory Services

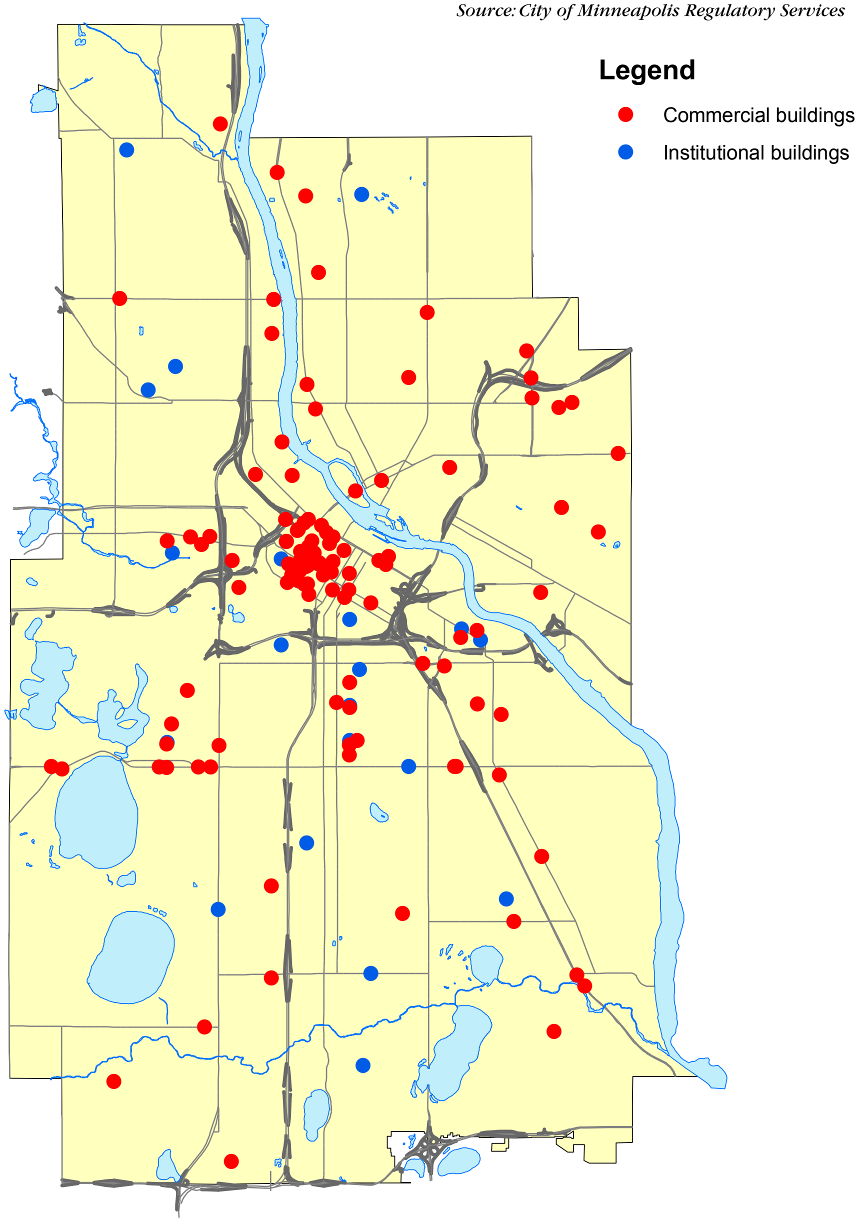


Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations in the third quarter occurred primarily in downtown, but also in northeast Minneapolis, in the Phillips area, along the Hiawatha corridor and in the area of West Lake St, Excelsior Blvd. and Hennepin Ave. Permits for renovation of commercial buildings included several office improvements and build-outs in downtown. Institutional remodel permits included work at Children's Hospital expansion in Phillips West, church remodels and the build-out of the Minneapolis Art Institute offices. The largest renovation permitted this quarter consisted of alterations and remodeling of floors 25th through 29th of the Fifty South Sixth building, with an estimated cost of more than $23 million.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 3Q-08
projects $50,000 +

Source: City of Minneapolis Regulatory Services



Major construction projects

The following list shows major (projected at $1 million or more) projects permitted in Minneapolis in the third quarter of 2008. The listed amount only reflects permits issued that quarter. The highest cost project is a Children's Hospital and Clinic new office building, part of the hospital campus expansion in Midtown Phillips. The second largest project is the alteration and remodeling of several floors of Fifty South Sixth in downtown. The third largest project is the interior build out of the five-story office building for Coloplast.

Table 6: **MAJOR CONSTRUCTION PROJECTS** projects $1,000,000+
in thousands of dollars

Description	Address	Neighborhood	Ward	Cost
Children's Hospital and Clinic: a new five-story office building with open ramp	2530 Chicago Av	Midtown Phillips	9	$ 26,778,000
Fifty South Sixth: alteration and remodeling of several floors	50 6th St S*	Downtown West	7	23,097,449
Coloplast: Interior build-out	1601 River Rd W	Near North	5	18,745,139
Hotel Uptown: New 60-unit apartment building with retail	3021 Holmes Av S	ECCO	10	8,209,242
New 21-unit apartment building	621 2nd St NE	St Anthony West	3	5,287,135
300 South Ten: Tenant build out	300 10th St S	Downtown West	7	5,224,500
28 apartment units, three story building addition	1599 8th St S*	University	2	5,102,816
Children's Hospital: addition	2525 Chicago Av	Phillips West	6	5,000,000
Impact Mailing: New office/warehouse	4528 Lyndale Av N	Lid-Bohanon	4	3,655,975
Minneapolis Public Housing: apartment building interior remodel	2433 5th Av S	Phillips West	6	3,500,000
De La Salle High School: Remodel	1 De LaSalle Dr	Nicollet Island/East Bank	3	3,100,000
Harbor Light Chapel: addition	1010 Currie Av W	Harrison	5	2,401,044
Lasalle Plaza: Remodels in several floors	800 LaSalle Av*	Downtown West	7	2,254,460
225 South Sixth: Remodel of offices in three floors	225 6th St S*	Downtown West	8	2,046,680
YWCA: renovation	2808 Hennepin Av*	East Isles	10	1,949,203
Globe University: renovation	80 8th St S*	Downtown West	7	1,723,809
Renaissance Building: Office space remodeling	500 Nicollet Mall*	Downtown West	7	1,550,000
Brookfield Development: Office space remodeling	555 Nicollet Mall	Downtown West	7	1,500,000
Investor's Building: Office remodeling	717 Marquette Av	Downtown West	7	1,415,433
Hennepin County Medical Center: building upgrade	701 Park Av*	Elliot Park	7	1,408,269
New single-family home	2440 Cedar Ln	Cedar-Isle-Dean	7	1,360,000
Minneapolis Art Institute: office build out	800 Hennepin Av*	Downtown West	7	1,175,660
Washington Lofts: building renovation	800 Washington Av S*	North Loop	7	1,087,143
Minneapolis Technical Community College: cafeteria remodeling	1501 Hennepin Av*	Loring Park	7	1,077,500
Hennepin County Government Center: 4th floor remodeling	300 6th St S	Downtown West	7	1,055,000

Source: City of Minneapolis Regulatory Service

* Multiple building permits

Demolitions

More than one half of this quarter's residential demolitions and nearly one third of non-residential demolitions were in North Minneapolis. This is part of the City's and community's continued efforts to address blight in this area. Most of the buildings slated for demolition were single-family houses.

Non-residential demolition permits included 10 commercial structures.

Permits for residential demolitions increased again this quarter to 82, the largest count since first quarter 2002. Permits for demolition included 58 single-family houses, twenty ten duplexes and one 4-plex. As a result of city efforts to control boarded and vacant buildings, North Minneapolis constituted 56 percent of the total number of residential demolitions in the city this quarter.

Map 4: **DEMOLITIONS** – 3Q-08

Source: City of Minneapolis Regulatory Services

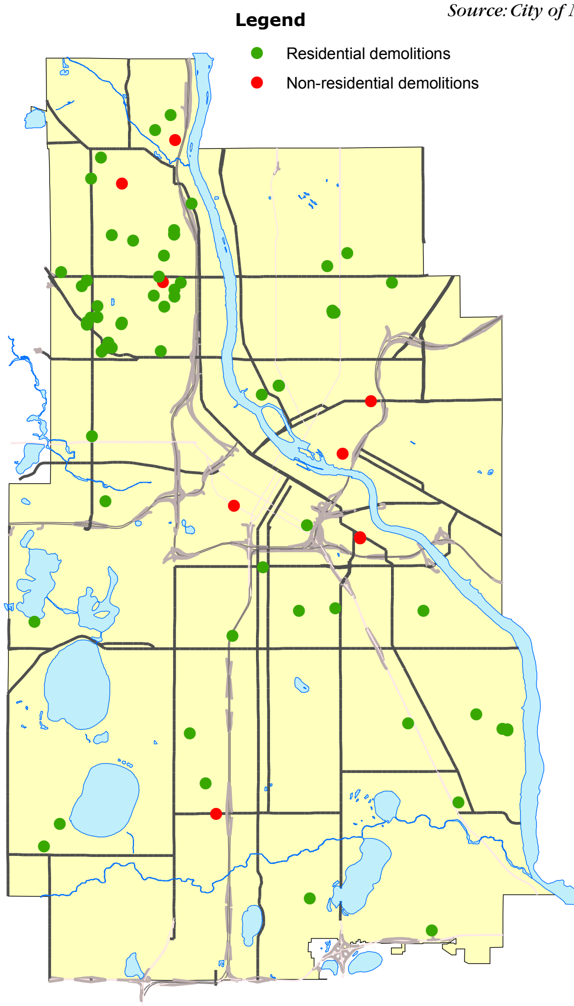


Figure 9: **RESIDENTIAL UNITS DEMOLISHED**
in permits

Quarter	Units
3Q-07	52
4Q-07	67
1Q-08	28
2Q-08	38
3Q-08	82

Source: City of Minneapolis Regulatory Services

- **Building permits for new construction:** Permits represent construction projects (residential and non-residential) approved by the City. Typically there is a time lag between issuing a permit and actual construction.

  Tables four and figures six to eight are based on monthly figures for the city of Minneapolis and metropolitan area provided by the U.S. Census Bureau. For mapping purposes, data on new building construction, remodels, conversions and demolitions for the city are based on permit information by address from the City's Regulatory Services Department. Numbers from the U.S. Census Bureau and Minneapolis Regulatory Services may differ slightly for the same period because Census Bureau numbers do not include additions, remodels or demolitions.

- **Single-family** buildings have only one unit in the building.

- **Multifamily** buildings have two or more units in the building, except when noted that triplexes and duplexes are counted separately (in that case, multifamily buildings have four or more units).

- **Cost of residential construction** is based on the cost developers report on permit requests for their projects.

- **Construction cost per unit** refers to the total construction cost reported divided by the number of units permitted during the period considered.

- **Non-residential** buildings include any kind of use except residential. Cost is based on the amount the developer reports to the City's Regulatory Services Department.

- **Building permits for residential remodeling, additions and conversions:** Table five and maps two and three are based on data from the City of Minneapolis Regulatory Services Department. Information includes all City-approved projects for remodeling, additions and conversions with a value of $50,000 or more.

- **Building permits for demolitions:** These data were obtained from the City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings.

- **Maps – Building uses:** Categories listing the uses of buildings are based on descriptions from their permits. The following categories are used:

- **Map 1 – New buildings- Single-family:** means detached and attached dwellings such as townhouses.

  Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units. It also includes temporary housing for health-care purposes, and facilities such as nursing homes.

  Non-residential use: means all buildings that do not have a residential component. Also includes structures such as communications towers and skyways.

- **Map 2** – Residential remodels with a construction cost of $50,000 or more:

  Single-family includes all detached single-family dwellings with permits for renovations, additions or improvements.

  Other residential includes all residential buildings that are not detached single-family dwellings, including units in buildings with two or more units. It includes remodeling or build-outs of one or more individual units and remodeling of the entire building.

  Conversions consist of the construction of new residential units in non-residential buildings such as factories, warehouses, hotels and others and remodeling of a building for residential uses. It does not include conversions of apartment units to condominiums. It includes changing two or more residential units into a single residence or the subdivision of a single unit into several.

- **Map 3** – Non-residential remodels, additions and improvements with a cost of $50,000 or more

  Commercial includes offices, warehouses, factories, restaurants and retail buildings in general. It may be a build-out of an office space or several floors, or it may be the remodeling of an entire building. Several tenant remodels at one address are considered one project, i.e. renovation of 33 S. Sixth St. (the former Multifoods Tower) downtown.

  Institutional: This category includes hospitals, clinics, churches, schools, eldercare facilities, correctional centers and any other institutional use.

  Transportation related includes parking, skyways and bus and rail terminals.

- **Map 4** – Demolitions

  Residential: all residential buildings (single-family and multifamily units)

  Non-residential: all non-residential buildings and structures

Housing stock & the real estate market

- At 3.6 percent, the average vacancy rate in Minneapolis has been stable since the first quarter this year, while average rents continued to increase.
- In Minneapolis and the metro area the number of housing units sold increased from a year ago. However, median sale prices were 22 percent lower in Minneapolis and 13 percent lower in the metro area than the previous year, as the inventory of homes for sale remained at high levels.
- There were 718 foreclosures in Minneapolis this quarter, a 7 percent decline from the previous quarter and a 14 percent decline from a year ago.
- The number of condemned, boarded and vacant buildings in the city was 949, 42 percent higher than a year ago.
- The office vacancy rate in the Minneapolis central business district (CBD) was stable at 12.7 percent. The CBD vacancy rate was lower this quarter than the metro rate for the second consecutive quarter.

Residential vacancy rates & average apartment rents

The Minneapolis vacancy rate for multifamily rental housing was 3.6 percent, a slight decrease from 3.7 percent last quarter, but an increase from 2.8 percent a year ago.

In the metropolitan area, the vacancy rate, at 4.1 percent, increased from 3.6 percent a year ago and 3.7 percent last quarter.

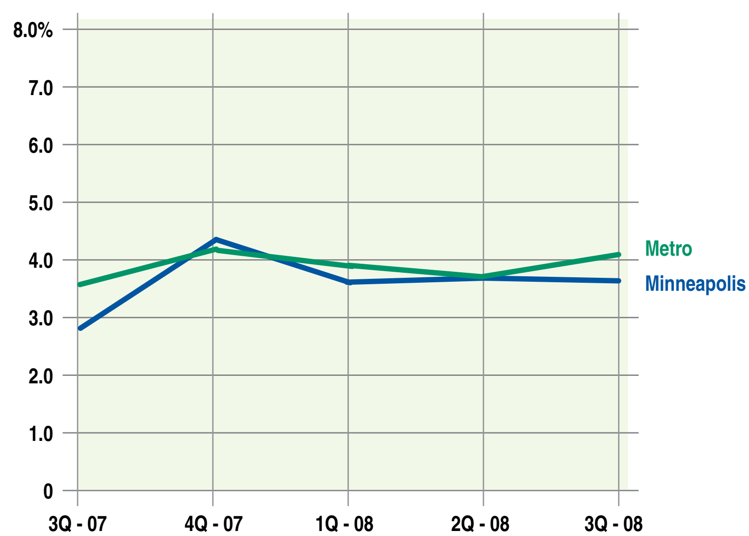
The rental vacancy rate has been below 4 percent in the city since the second quarter of 2006. In part as a consequence of the downturn in the ownership housing market, demand for rental units is increasing. Developers have responded to demand by building more apartment buildings and fewer condominiums. Also, many owners are putting their houses and condos in the rental market. Rents in the city have been steadily increasing from last year and the average vacancy rate has starting to push downward again.

Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis					
Units surveyed	15,260	15,175	14,989	15,606	15,536
Vacant units	423	657	541	581	553
Average rent	$ 868	$ 876	$ 892	$ 905	$ 929
Vacancy rate	2.8%	4.3%	3.6%	3.7%	3.6%
Metro area					
Units surveyed	116,686	113,113	111,233	115,046	113,212
Vacant units	4,238	4,765	4,284	4,217	4,673
Average rent	$ 890	$ 899	$ 908	$ 910	$ 922
Vacancy rate	3.6%	4.2%	3.9%	3.7%	4.1%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties
Recorded data for the last month of the quarterer

Figure 10: **RENTAL VACANCY RATES**
in percent



Source: GVA Marquette Advisors
Recorded data for the last month of the quarter

Residential vacancy rates & average apartment rent

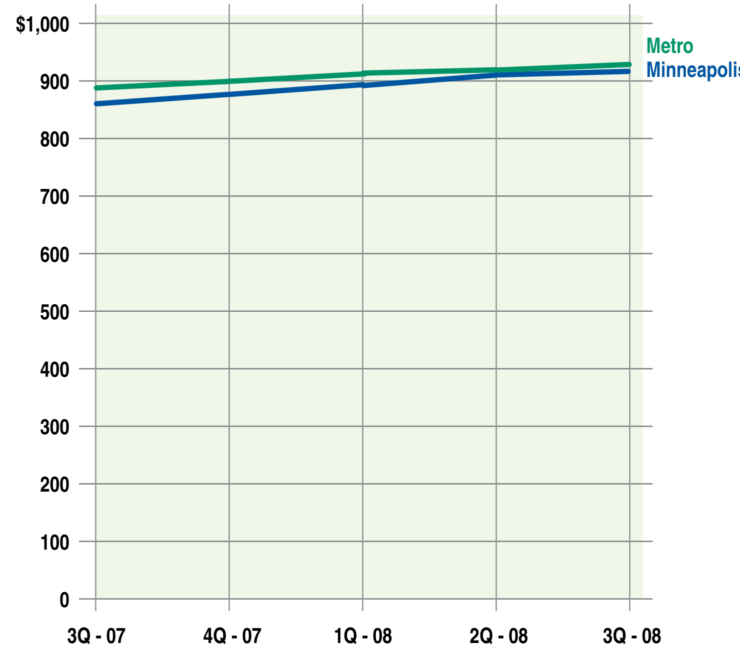
In Minneapolis the average rent was $929, $30 higher in *inflation-adjusted dollars** than last quarter, and $39* more than a year ago. In the metro area average rent was $904, an increase of $18 in *inflation-adjusted dollars** since last quarter and $9* since one year ago. As of September, two areas in Minneapolis had below-average vacancy rates (3.6 percent): the Southeast/University of Minnesota area and south Minneapolis.

Three areas had above-average vacancy rates: north Minneapolis, downtown and east Minneapolis.

Responding to higher demand, there has been a drop in average vacancy rates except in the University area and in downtown. In the Southeast/University of Minnesota area vacancy rates increased, in part because of new construction. In North Minneapolis, the portion of the city most affected by the foreclosure crisis, demand for rental has steadily increased in the last three quarters. In South Minneapolis, an area that has the largest number of affordable rental units in Minneapolis, the vacancy rate dropped to a low level below city average. In downtown, where rents tend to be high, the vacancy rate increased in part because of competition from condo units being rented out. In East Minneapolis, vacancy rates steadily decreased after a peak in fourth quarter 2007, the result of new apartments filling up.

*For conversion factors, see page 41

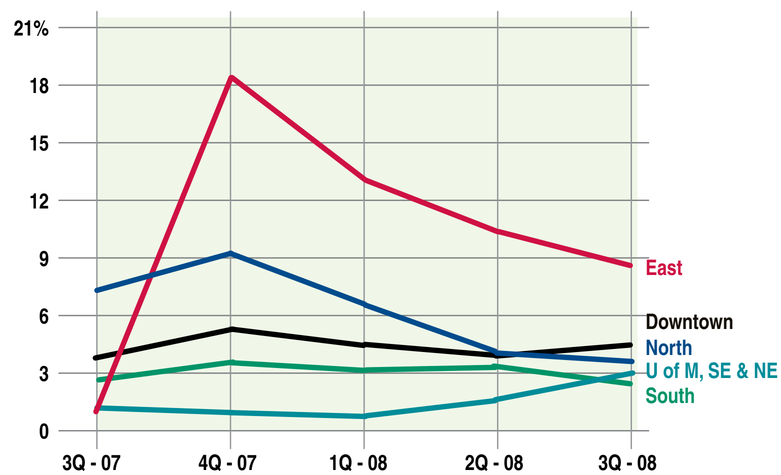
Figure 11: **AVERAGE APARTMENT RENT**
in current dollars



Source: GVA Marquette Advisors

Numbers in table are not adjusted for inflation
Recorded data for the last month of the quarter

Figure 12: **VACANCY RATES BY CITY SECTORS***
in percent



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Downtown	3.6%	5.0%	4.5%	4.1%	4.5%
South	2.8%	3.4%	3.1%	3.2%	2.4%
North	7.6%	9.1%	6.7%	4.2%	3.7%
East	2.1%	18.3%	13.1%	9.6%	8.6%
U of M, SE & NE	1.4%	1.2%	1.0%	2.6%	3.0%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter
* For sector definitions, see page 42

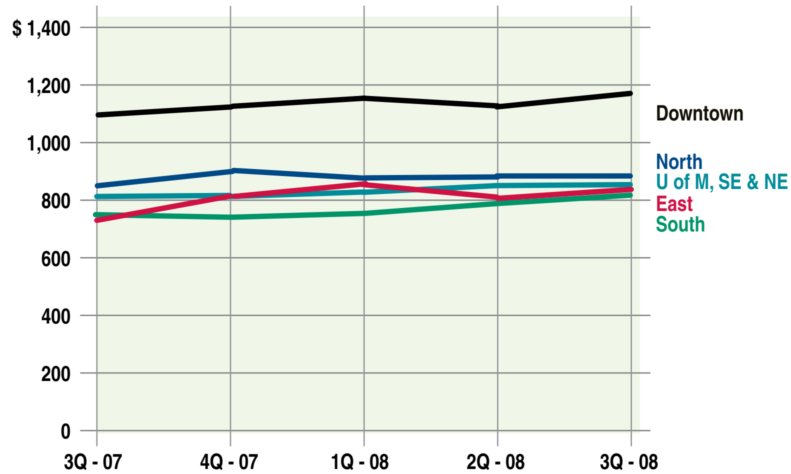
Residential vacancy rates & average apartment rent

Downtown continues to command the highest average rent in Minneapolis. This quarter average rents increased almost $45 (4 percent) from the third quarter last year in *inflation-adjusted dollars**. In comparison with the second quarter, it increased slightly more than $45 on average (4 percent)*.

In all sectors of the city, average rent increased in *inflation-adjusted dollars** from last quarter and last year. East Minneapolis average rent increased the most, $87 in *inflation-adjusted dollars**.

* For conversion factors, see page 41

Figure 13: **AVERAGE MONTHLY RENT BY CITY SECTOR***
in current dollars



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Downtown	$ 1,100	$ 1,123	$ 1,144	$ 1,135	$ 1,173
South	756	750	$769	793	816
North	844	888	$864	872	879
East	721	815	$856	811	826
U of M, SE & NE	818	817	$825	862	870

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter
Not adjusted for inflation*
* For sector definition, see page 41.

Residential vacancy rates & average apartment rent

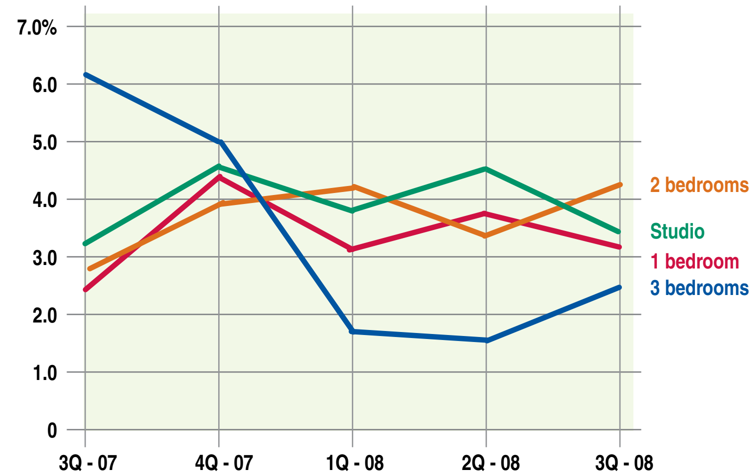
Three and one-bedroom apartments, and studios had lower vacancy rates than the city's average, while two-bedrooms had the highest vacancy rates.

Since a year ago, three-bedroom vacancies have declined to a very low rate and now stand at 2.5 percent. More than 50 percent of the apartments surveyed in the city have only one bedroom and they have great impact on the overall city average vacancy rate. One-bedroom apartment vacancy rate now is 3.2 percent- below the city average. On the other hand for two-bedroom apartments, which comprise 24 percent of the apartment stock, the vacancy rate in the third quarter was the highest of all types of apartments in the city.

Reflecting increasing demand, average rent for all apartment types increased since last year in *inflation-adjusted dollars*. Rents for the smallest and largest types rose by 5.5 and 5.4 percent respectively. Rents increased in *inflation-adjusted dollars* as well from the last quarter, with three-bedroom apartments rising by 5.7 percent.

* For conversion factors, see page 41

Figure 14: **RENTAL VACANCY RATE –** Minneapolis
by apartment type in percent

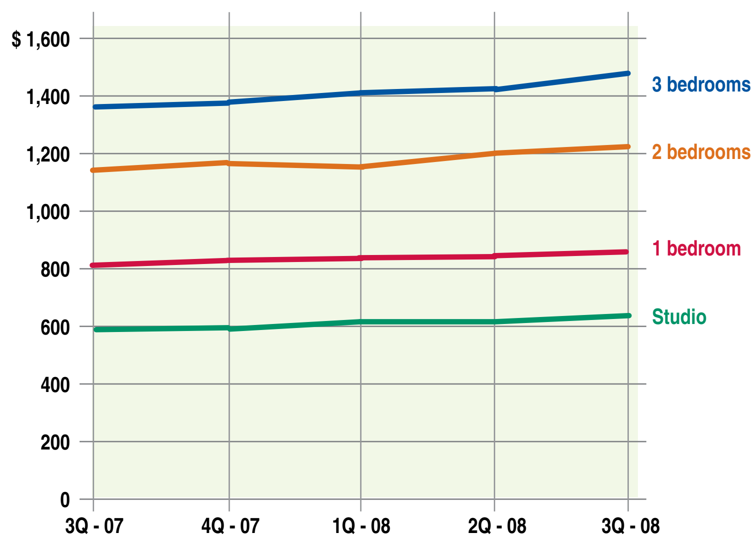


	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Studio	3.2	4.6	3.8	4.4	3.4
One bedroom	2.5	4.4	3.2	3.7	3.2
Two bedrooms	2.8	3.9	4.2	3.3	4.3
Three bedrooms	6.2	5.0	1.7	1.6	2.5

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Figure 15: **AVERAGE MONTHLY RENT –** Minneapolis
by apartment type in current dollars



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Studio	$ 594	$ 597	$ 617	$ 627	$ 643
One bedroom	801	809	823	834	848
Two bedrooms	1,140	1,162	1,158	1,199	1,223
Three bedrooms	1,373	1,382	1,407	1,413	1,484

Source: GVA Marquette Advisors

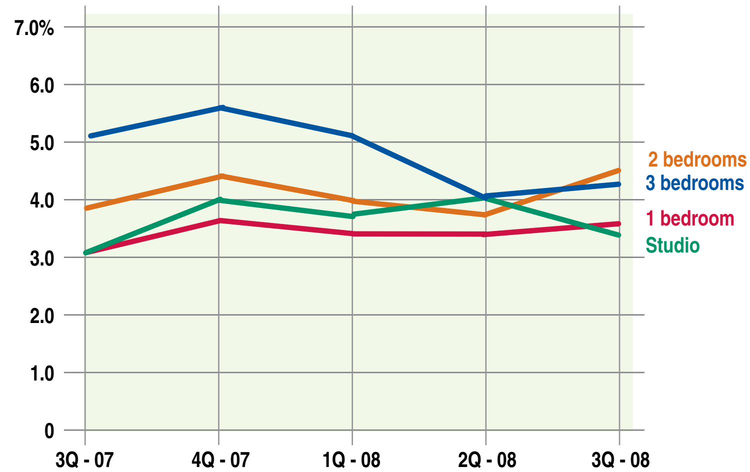
Not adjusted for inflation
Recorded data for the last month of the quarter

Residential vacancy rates & average apartment rent

Rent in the metro area in *inflation-adjusted dollars** did not increase as much as in Minneapolis compared to a year ago. In fact, rent for three-bedroom apartments decreased $12 in *inflation-adjusted dollars*. Average rent in *inflation-adjusted dollars* for all apartment types in the metro area increased since last quarter as much as $18 dollars for two-bedroom apartments and as little as $2 for three-bedroom units*.

* For conversion factors, see page 40.

Figure 16: **RENTAL VACANCIES –** Metro
by apartment type in percent

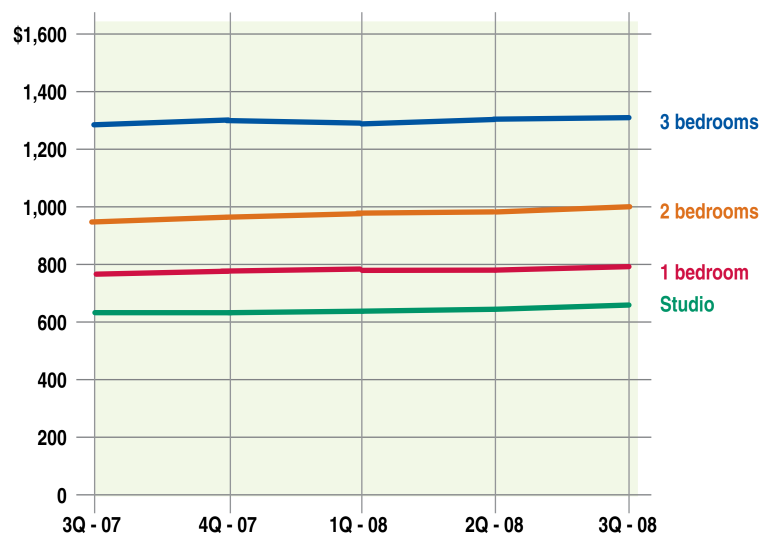


	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Studio	3.2	4.1	3.8	4.0	3.4
One bedroom	3.2	3.7	3.4	3.4	3.6
Two bedrooms	3.8	4.4	4.0	3.7	4.6
Three bedrooms	5.1	5.6	5.1	4.0	4.3

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Figure 17: **AVERAGE MONTHLY RENT –** Metro
by apartment type in current dollars



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Studio	$ 624	$ 628	$ 635	$ 640	$ 650
One bedroom	768	778	786	784	796
Two bedrooms	969	976	984	992	1,004
Three bedrooms	1,268	1,285	1,279	1,295	1,289

Source: GVA Marquette Advisors

Not adjusted for inflation
Recorded data for the last month of the quarter

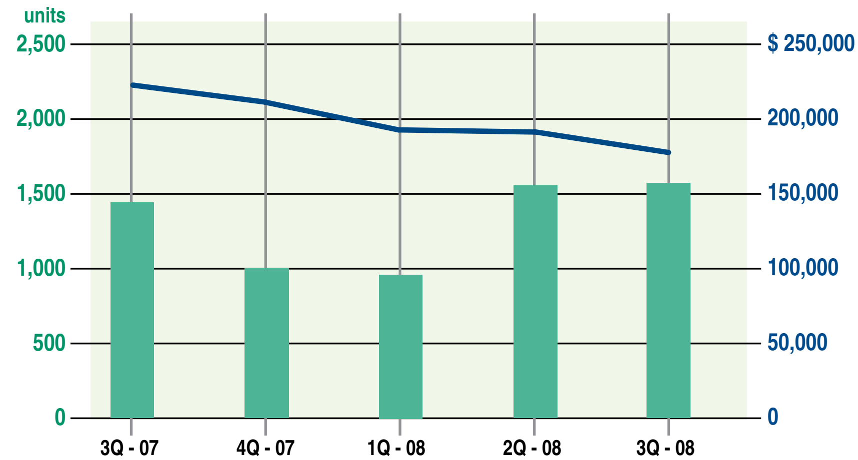
Residential sales

Housing sales volume made a substantial come back in the second quarter of 2008 and continued increasing in the third. In Minneapolis the number of housing units sold in the third quarter was 2.6 percent higher than the second quarter and 10.8 percent higher than a year earlier. However, there were many sales at a low price. The median sale price was 10 percent lower than the previous quarter and 22 percent lower than the previous year.

In the metro area the number of units sold increased by almost 8 percent from last quarter and by 4 percent from last year. Meanwhile, the median sale price was 4 percent lower than last quarter and 13 percent lower than a year ago.

In spite of rebounding sales, according to the Minneapolis Area Association of Realtors, at the end of September there was an overall inventory of housing for sale (old and new construction) equivalent to 9.9 months of supply, compared to a 5-month supply, at which the market is considered to be balanced between buyers and sellers.

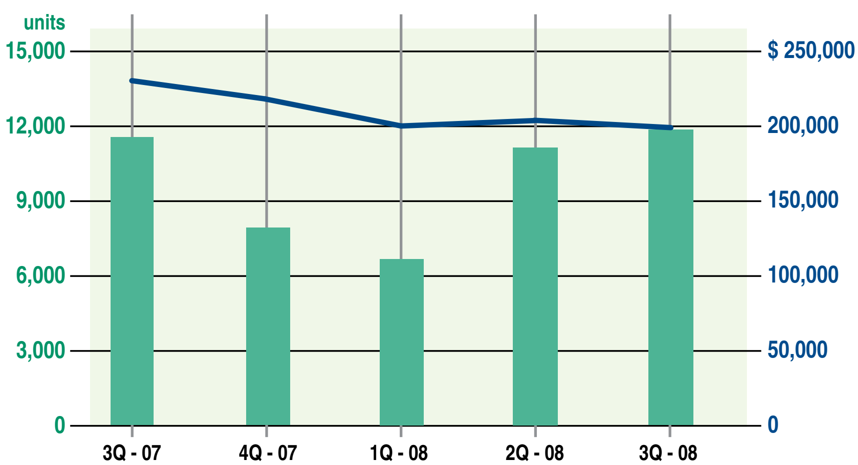
Figure 18: **CLOSED SALES AND MEDIAN SALE PRICE*** – Minneapolis



Source: Minneapolis Area Association of Realtors (MAAR)

With updated information, numbers have been revised upward as of July 24, 2008

Figure 19: **CLOSED SALES AND MEDIAN SALE PRICE** – Metro*



Source: Minneapolis Area Association of Realtors (MAAR)

With updated information, numbers have been revised upward as of July 24, 2008

* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For metro area definition, see page 13.

Table 8: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES**

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis					
Units	1,423	1,007	935	1,537	1,577
Median sale price	$ 223,000	$ 214,450	$ 193,640	$ 194,850	$ 175,000
Metro*					
Units	11,417	7,916	6,876	11,035	11,902
Median sale price	$ 229,900	$ 216,500	$ 200,000	$ 207,000	$ 199,096

Source: Minneapolis Area Association of Realtors (MAAR)

Numbers include only single-family detached units, attached units and condominiums. They include all sales closed between buyers and sellers.

Not adjusted for inflation

* Metro area" refers to the 13-county area covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For the metro area definition, see page 13.

Foreclosures

During the third quarter of 2008, 718 properties were sold at public auction. This is a 7-percent decrease from last quarter and a 14 percent decrease from a year ago. Wards 3, 4, and 5 accounted for 48 percent of total foreclosures in the city.

MAP 5: PROPERTIES FORECLOSED – 3Q-08
by wards

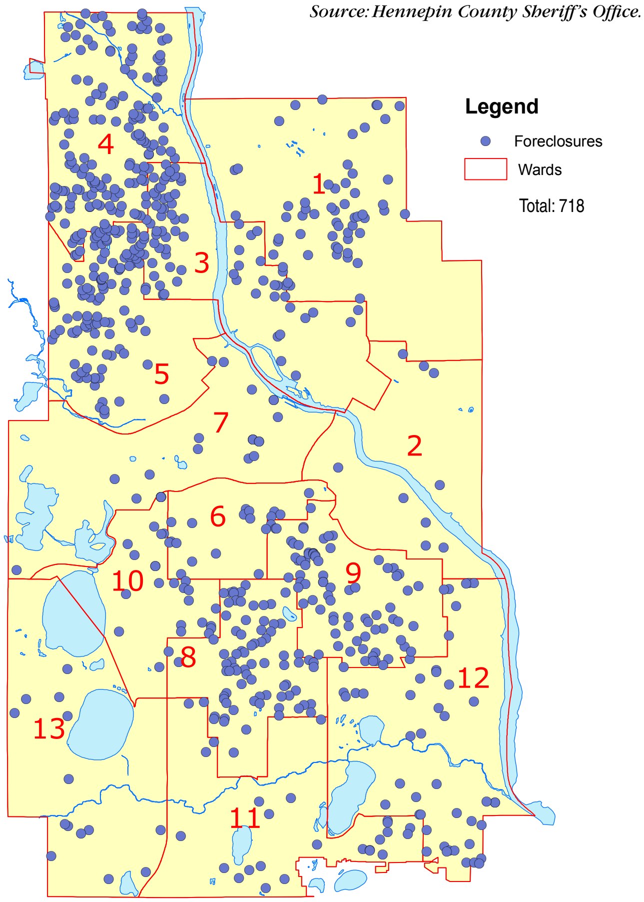


Table 9: **FORECLOSURE PROPERTIES**
by wards

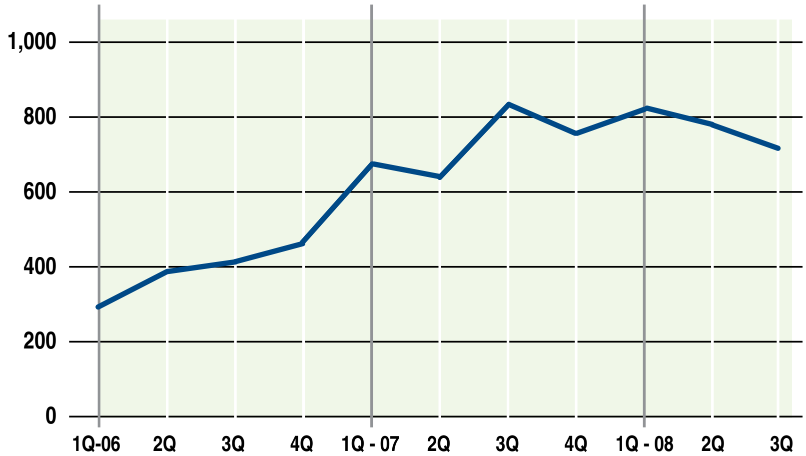
	3Q-07		4Q-07		1Q-08		2Q-08		3Q-08	
Ward	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
1	53	6.4	44	5.9	65	8.0	58	7.5	56	7.8
2	7	0.8	4	0.5	7	0.9	8	1.0	9	1.3
3	102	12.3	81	10.9	91	11.2	81	10.5	77	10.7
4	189	22.7	186	25.0	195	24.0	145	18.8	159	22.1
5	158	19.0	140	18.8	159	19.6	130	16.8	109	15.2
6	29	3.5	30	4.0	33	4.1	24	3.1	18	2.5
7	20	2.4	19	2.6	16	2.0	25	3.2	19	2.6
8	100	12.0	64	8.6	72	8.9	85	11.0	77	10.7
9	67	8.1	73	9.8	83	10.2	93	12.0	81	11.3
10	26	3.1	25	3.4	14	1.7	32	4.1	28	3.9
11	31	3.7	21	2.8	26	3.2	34	4.4	26	3.6
12	36	4.3	43	5.8	31	3.8	37	4.8	45	6.3
13	13	1.6	13	1.7	21	2.6	21	2.7	14	1.9
Total	831	100%	743	100%	813	100%	773	100%	718	100%

Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; for complete and current foreclosure listings, please see the Hennepin County Sheriff's website at http://www4.co.hennepin.mn.us/webforeclosure/.

Foreclosures

Historical data show that since first quarter 2006, foreclosures sales peaked in third quarter 2007, and then declined unevenly to 718 foreclosures this quarter.

Figure 20: **FORECLOSURES –** Minneapolis
in units



Source: Hennepin County Sheriff's Office

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city rose 0.4 percent since last quarter and 42 percent since a year ago. Part of this increase is the result of better data collection and part is due to aggressive city policies to address deterioration of the housing stock. The number of buildings that are vacant but not condemned (with some code violation but no major problems) dropped this quarter. However, in comparison with a year ago, the numbers are up more than 36 percent. Boarded and condemned buildings, which made up the majority of the group, continued to increase.

These buildings are located mainly in the city's north and south-central areas. Their locations follow similar patterns as the foreclosures shown in the map on Page 38, and many properties appear on both maps, i.e. they are both foreclosed and vacant.

Foreclosure map on page 34.

Map 6: **CONDEMNED AND VACANT BUILDINGS**
as of September 30, 2008

Source: City of Minneapolis Regulatory Services

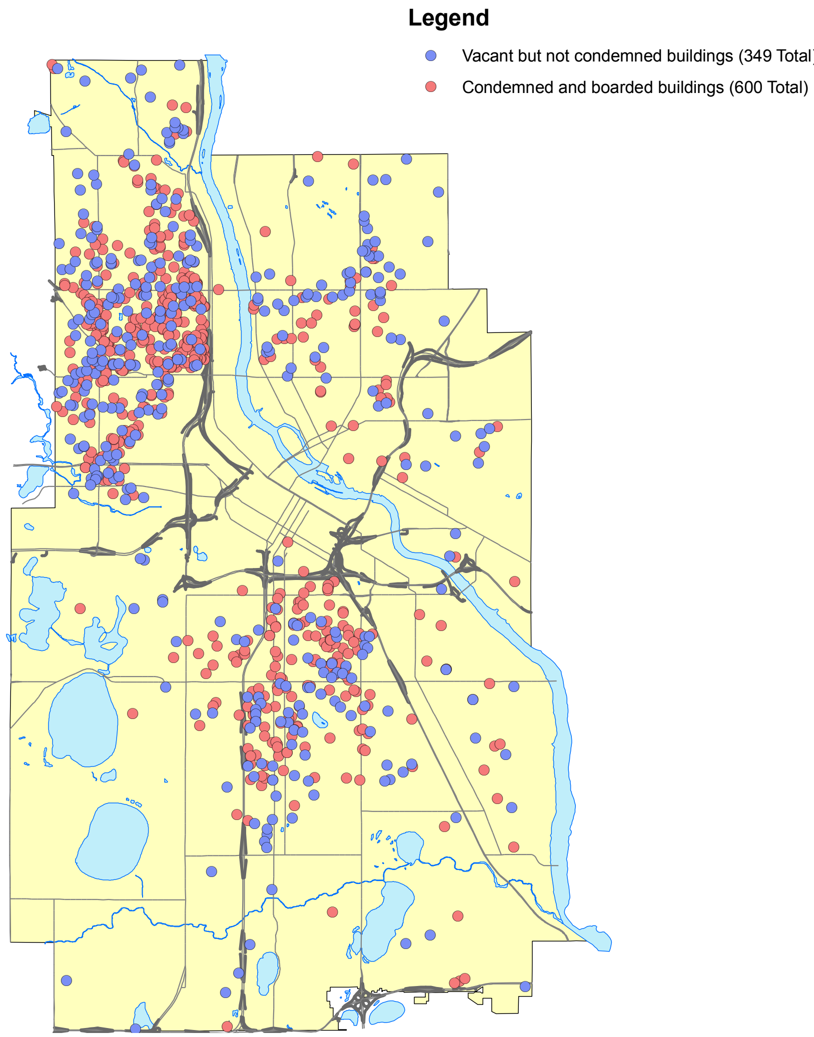


Table 10: **CONDEMNED AND VACANT BUILDINGS**
at end of quarter

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Boarded and condemned buildings	414	484	547	587	600
Vacant but not condemned	256	285	360	357	349
Total	**670**	**769**	**907**	**944**	**949**

Source: Minneapolis Regulatory Services

Note:About 98 percent of the buildings in the table are residential.

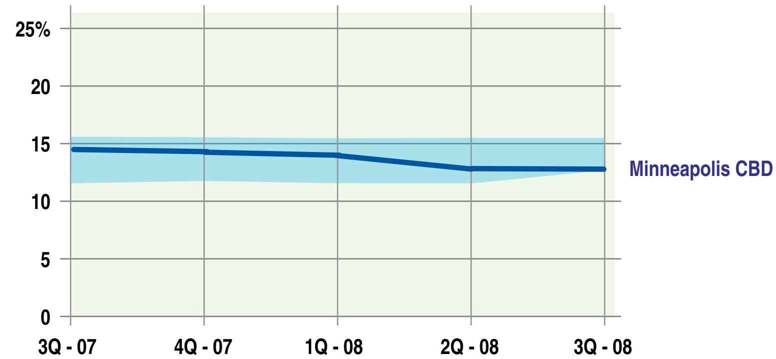
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) was stable this quarter and down from the same quarter last year, remaining below the metro area vacancy rate for the second quarter. In spite of the economic slowdown, downtown still attracts tenants. Colliers and Welsh already report an increase from a year ago.

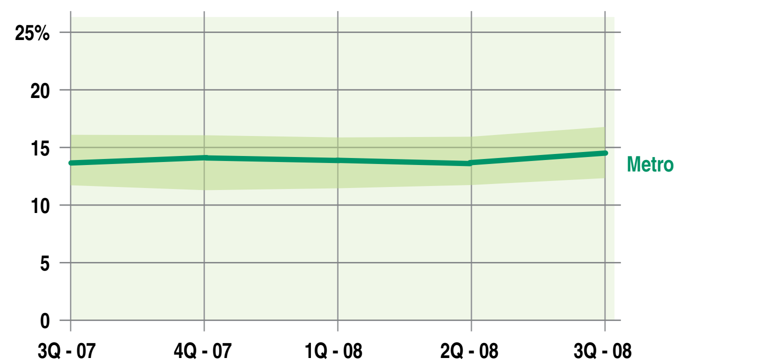
The average vacancy rate in the metro area, reacting to slow economic activity, increased to 14.1 percent from 13.6 percent last year. It was also higher than the second quarter.

Figure 21: **OFFICE VACANCY RATE** – Minneapolis CBD
in percent



Sources: CB Richard Ellis, Colliers, United Properties

Figure 22: **OFFICE VACANCY RATE** – Metro
in percent



Sources: CB Richard Ellis, Colliers, United Properties

High (H) and low (L) in the two graphs above refer to estimates made by the four commercial firms comparable to the base estimate made by CB Richard Ellis.

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis CBD	14.3	14.2	14.1	12.7	12.7
Metro	13.6	13.8	13.7	13.6	14.1

Source: CB Richard Ellis

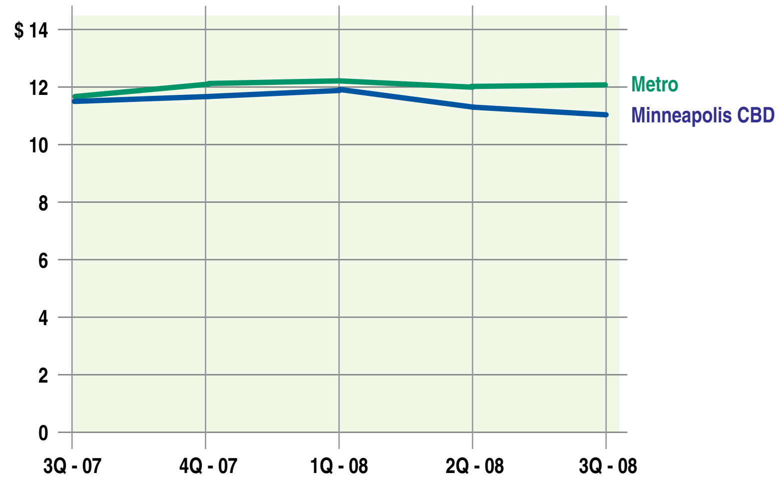
Class A, B and C multi-tenant office buildings 30,000 square feet and larger page 41

Office space

The average asking lease rates per square foot in the Minneapolis central business district (CBD) decreased slightly since last year. The asking lease price has been hovering between an annual average of 11 and 12 dollars per square foot. The rates remained lower than in the metro area where asking prices in the third quarter were $0.89 higher than in the Minneapolis CBD. Asking prices were about 3 percent higher in the metro area than last year.

Office rentable area in the Minneapolis CBD was stable for the last four quarters, but increased in the third quarter. With an also stable vacancy rate since the second quarter, the occupied office space increased by 0.4 percent. But growth has decreased considerably in comparison with the first to second quarter period. In the metro area, rentable space has steadily growth since the third quarter last year. But, as the vacancy rate grew faster, occupied office space declined by 0.3 percent.

Figure 23: **OFFICE AVERAGE ASKING LEASE RATE**
in current dollars per square foot per year

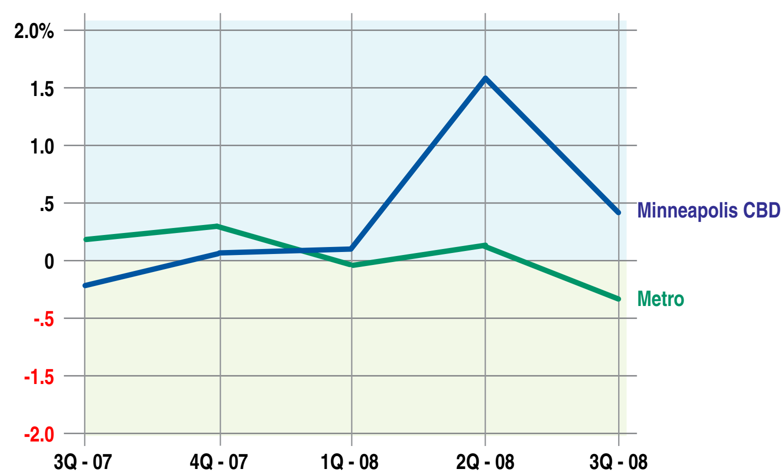


	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis CBD	$ 11.56	$ 11.69	$ 11.90	$ 11.31	$ 11.15
Metro area	11.70	12.07	12.15	11.99	12.04

Source: CB Richard Ellis

Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Figure 24: **OCCUPIED OFFICE SPACE** – rate of growth
in percent



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis CBD	-0.2	0.1	0.2	1.6	0.4
Metro	0.2	0.3	-0.1	0.2	-0.3

Source: CB Richard Ellis

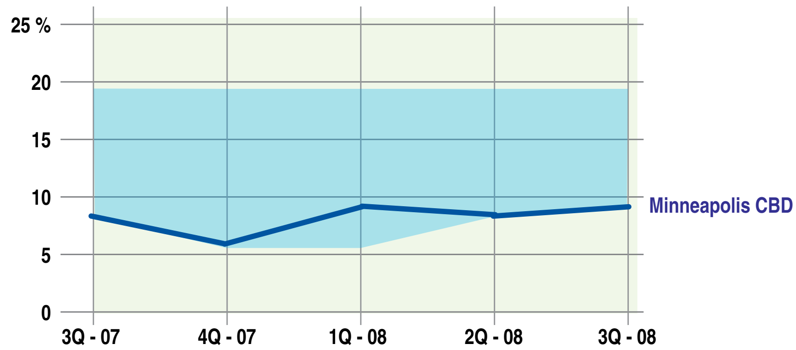
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail vacancy rate in the Minneapolis CBD increased slightly this quarter to 9 percent from last year and the previous quarter. The credit crisis and rising unemployment affected retail demand with decreasing activity.

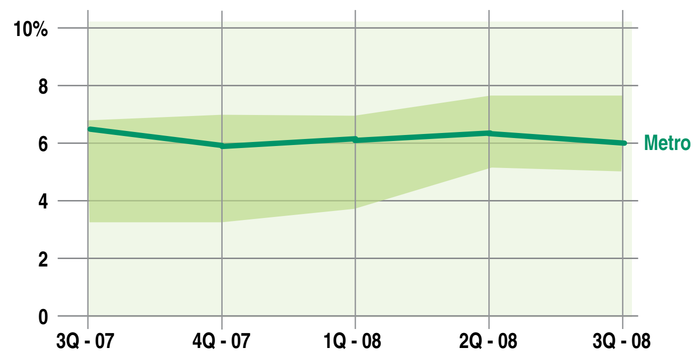
The vacancy rate in the metro area decreased in comparison with one year ago, ending the third quarter at 6 percent, below the CBD's rate, and below the level of the first quarter. Although retail activity was affected by the economic crisis, large discount retail stores such as Target and Wal Mart did well.

Figure 25: **RETAIL VACANCY RATE** – Minneapolis CBD
in percent



Sources: CB Richard Ellis, Colliers, United Properties, Welsh

Figure 26: **RETAIL VACANCY RATE** – Metro
in percent



Sources: CB Richard Ellis, Colliers, Welsh, United Properties

High (H) and low (L) in the two graphs above refer to estimates made by the four commercial firms comparable to the base estimate made by CB Richard Ellis.

Note: CPED now tracks data from several commercial market firms.

	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis CBD	8.5	5.7	9.0	8.3	9.0
Metro	6.4	5.9	6.2	6.4	6.0

Source: CB Richard Ellis

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

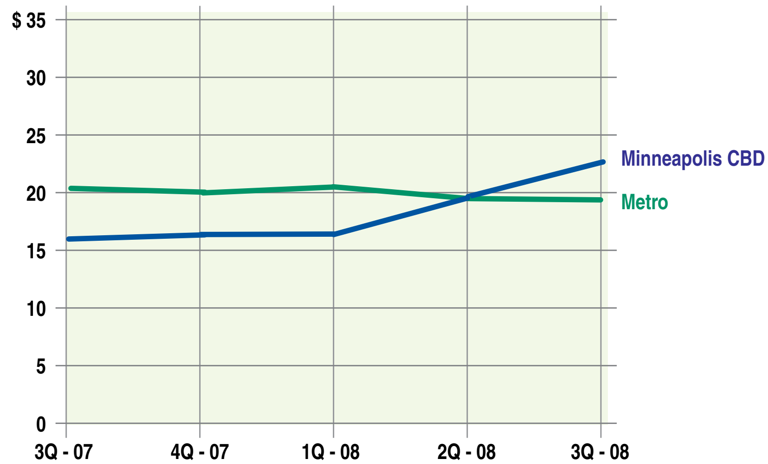
Retail space

In the Minneapolis central business district, the average asking lease price rose from $15.8 per square foot a year ago to $22.7 this quarter, an increase of 43 percent since last year, and 17 percent since the second quarter. On the other hand, the price declined in the metropolitan area by 8 percent in comparison with the same quarter last year and by 2 percent since the previous quarter.

Occupied retail space in the Minneapolis central business district (CBD) decreased and resulted in negative absorption in the third quarter of the year.

Occupied space grew in the metro area where the activity took place and new square feet were added steadily. While many retail stores were hit by consumer retrenchment, regional and community centers were still expanding.

Figure 27: **RETAIL – AVERAGE ASKING LEASE RATE**
in current dollars per square foot per year

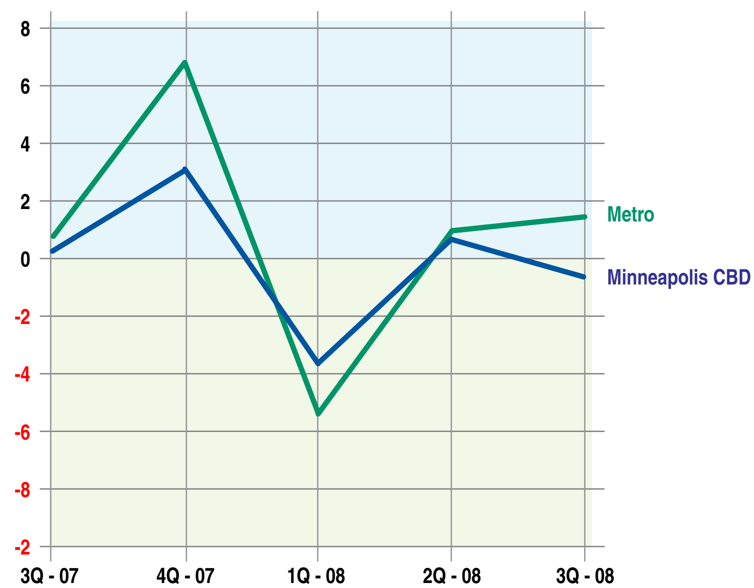


	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis CBD	$ 15.92	$ 16.07	$ 16.07	$ 19.49	$ 22.72
Metro	20.25	20.04	20.21	19.19	18.72

Source: CB Richard Ellis

Includes all multi-tenant retail buildings 30,000 square feet and larger, i ncluding buildings under construction.

Figure 28: **OCCUPIED RETAIL SPACE –** rate of growth
in percent



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis CBD	0.2	3.0	-3.5	0.8	-0.8
Metro	0.7	6.8	-5.4	0.9	1.4

Source: CB Richard Ellis

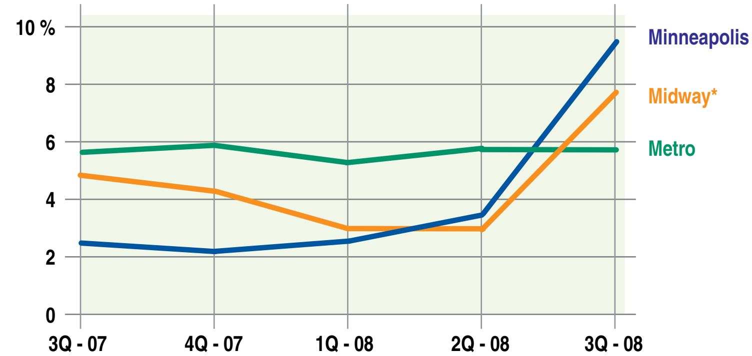
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space vacancy rate increased greatly in the industrial areas of Minneapolis and Midway since the previous quarter and since a year ago because industrial tenants aggressively cut costs. At the same time, metro-wide rates remained stable.

The average asking lease rate for warehouse space in Minneapolis and the metro area has continued to rise. In Midway though, asking lease rates dropped slightly in the third quarter. Warehouse demand was high and was reflected in the price. Demand for warehouse was on the rise because with high oil prices, there was an incentive to reduce the cost of shipping.

Figure 29: **INDUSTRIAL VACANCY RATE**
in percent



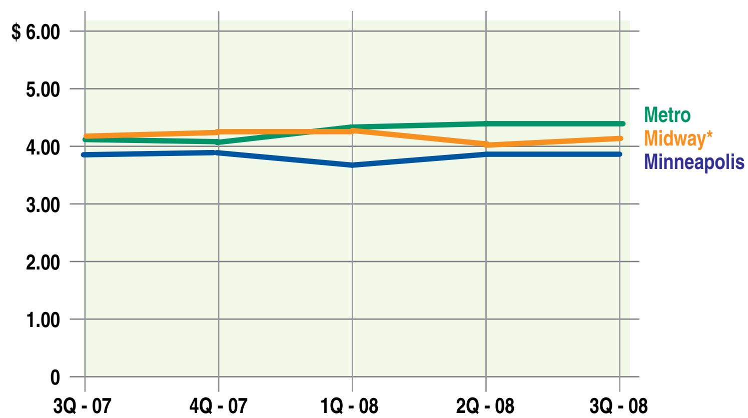
	3Q-06	4Q-06	1Q-08	2Q-08	3Q-08
Minneapolis	2.4	2.2	2.7	3.5	9.4
Midway	4.9	4.3	3.1	3.1	6.7
Metro	5.7	5.9	5.5	5.7	5.7

Source: CB Richard Ellis

Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

The Midway industrial areas extent in parts of Northeast Minneapolis and Saint Paul.

Figure 30: **INDUSTRIAL - AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis	$ 3.82	$ 3.91	$ 3.72	$ 3.85	$ 3.88
Midway	4.18	4.22	4.24	4.07	4.17
Metro	4.16	4.11	4.26	4.32	4.35

Source: CB Richard Ellis

Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

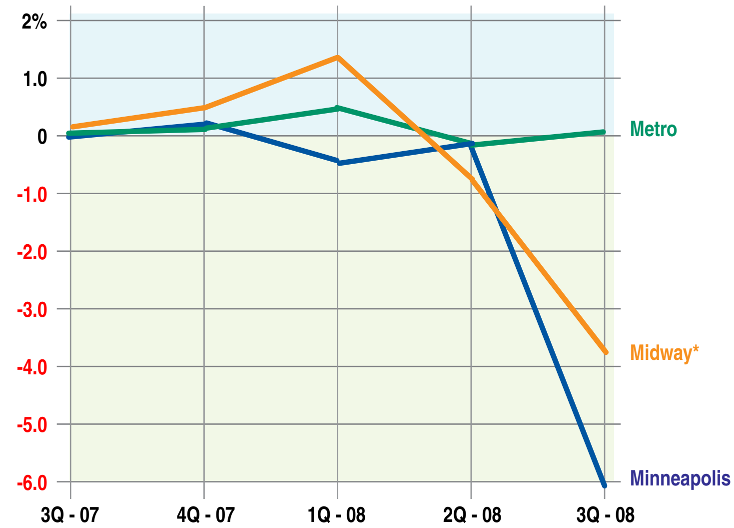
Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Minneapolis and Midway decreased their occupied industrial space again this quarter. More rentable area remained vacant in Midway and Minneapolis where manufacturing and industrial activity was affected by the economic contraction.

On the other hand, the metro area grew occupied space slightly, especially because of demand in warehousing facilities around the Twin Cities prompted by increasing fuel costs.

Figure 31: **OCCUPIED INDUSTRIAL SPACE** – rate of growth in percent



	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08
Minneapolis	0.0	0.2	-0.4	-0.2	-6.1
Midway	0.2	0.6	1.4	-0.7	-3.7
Metro	0.02	0.1	0.4	-0.2	0.1

Source: CB Richard Ellis

Includes all competitive industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

- **Housing Vacancy Rate:** The vacancy rate is the percentage of unoccupied housing units among the total number of housing units.

- Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area.

  City areas: For data analysis purposes, GVA Marquette Advisors divides the city into five sub-areas:

  Downtown: including zip codes 55401, 55402, 55403 and 55415

  South: west of Interstate 35W, south of Interstate 394, bordering Edina and Richfield, including zip codes 55403, 55405, 55408, 55409, 55410 and 55419

  North: north of Interstate 394, west and north of downtown, west of the Mississippi River, bordering Robbinsdale and Brooklyn Center, including zip codes 55411 and 55412

  East: east of Interstate 35W, south of Interstate 94, bordering Richfield, including zip codes 55404, 55406, 55407 and 55417

  University of Minnesota, Southeast and Northeast: north of Interstate 94, east of the Mississippi River, bordering Saint Paul, St. Anthony and Columbia Heights, including zip codes 55413, 55414, 55418, 55454, 55455, plus a few properties in 55406 on the south side of Interstate 94 near Cedar-Riverside neighborhood.

- **Median sale values:** These values are based on home prices researched by the Minneapolis Area Association of Realtors (MAAR).

- **Closed home sales:** These values are based on home sales researched by the Minneapolis Area Association of Realtors (MAAR). Closed sales mean that there is an agreement to sell and steps have been taken toward that end.

- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).

- **Foreclosure sales:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are obtained from Hennepin County Sheriff records and include only foreclosed properties in the City of Minneapolis that were sold on public option in the specified time period.

- **Boarded and vacant buildings:** A vacant property is a property identified as such by City of Minneapolis inspectors; City Ordinance 249 requires the property's owner to register it as vacant. In addition to being vacant, the property could be condemned as uninhabitable either for being boarded more than 60 days or because of lack of maintenance. Data on boarded and vacant buildings are obtained from the City Department of Regulatory Services.

- **Real estate statistics** as reported by CB Richard Ellis (www.cbre.com) include office, retail and industrial space vacancy rates, yearly lease price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries. To compare these data from results reported by other major firms go to:
  Collier Turley Martin Tucker (www.colliers.com/Markets/Minneapolis),
  United Properties (http://outlook.uproperties.com); and
  Welsh Companies (www.welshco.com/research/CurrentMktReports.asp)

- **Average asking lease rate:** This is determined by multiplying the asking net lease rate for each building by its available space, adding the products, then dividing by the sum of all available space.

- **Average vacancy rate:** This is determined by dividing the number of vacant square feet by the net rentable area.

- **Rate of growth and absorption:** This is the change in occupied square feet from one quarter to the next, determined by subtracting vacant space from the rentable space available.

  Note: Beginning with "Minneapolis Trends" 1st quarter 2008, CPED tracks office and retail data from several commercial market firms and display the "high" and "low" marks against the estimate from CB Richard Ellis which we will continue to use as our baseline.

  Graphs 21 and 22 (office vacancy rates), and graphs 24 and 25 (retail vacancy rates) show variation in vacancy rates reported by four different firms: CB Richard Ellis, United Properties, Colliers and Welsh, with CB Richard Ellis as the benchmark. Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys. Variations in retail vacancy rates are more evident than in the case of office vacancy rates. These variations result not only from the factors affecting office vacancies but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

- **Inflation-adjusted figures**: Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For the purpose of analyzing residential rent, however, text is based on the values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the third quarter of 2008, dollars have been converted with an index of 1.0256984, the result of the relation between the CPI for September 2008 (201.52) and the CPI for September 2007 (196.471). For the period from the second quarter of 2008 to the third quarter of 2008, the index is 0.9937178, obtained by dividing 201.52 (September '08) by 202.794 (June '08).

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