Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

third quarter 2010

Highlights for the third quarter of 2010

	3Q-10	change from 2Q-10	change from 3Q-09
Labor force	221,926 residents	▲	▲
Residents employed	206,427	▲	▲
Unemployment rate	7.0%	▲	▼
New residential permitted units	97 units	▼	▲
Permitted residential conversions, remodels and additions	162 buildings	▲	▲
Permitted non-residential conversions, remodels and additions	126 buildings	▲	▲
Residential units demolished	122 units	▲	▲
Rental vacancy rate	3.0 %	▼	▼
Average rent in inflation-adjusted dollars	$ 926	▼	▲
Residential units sold			
Traditional	665 units	▼	▼
Lender-mediated	321 units	▼	▼
Median sale price of residential units			
Traditional	$ 214,250	▲	▲
Lender-mediated	$ 69,000	▼	▼
Foreclosures	736	▲	▲
Condemned and vacant buildings	757	▼	▼
Minneapolis CBD office vacancy rate	17.9%	▲	▲
Minneapolis CBD retail vacancy rate	12.5%	▲	▲

Highlights for the first quarter of 2010 – Jobs and Wages

	4Q-09	3Q-09	4Q-08
Number of jobs	275,488 employees	▼	▼
Wages in inflation-adjusted dollars	$ 1,178	▼	▼

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

Vol. 9, No. 3

2010

Minneapolis Trends

third quarter 2010

Contents

Economic indicators

- The number of people looking for jobs increased faster than employment, thus the city unemployment rate increased from last quarter. However, about 3,500 more city residents were working this quarter than in the third quarter last year. The unemployment rate was 7 percent in comparison to the metro rate of 6.9 percent.
- In the first quarter of 2010 there were 275,500 jobs in Minneapolis, about 5,200 fewer (1.9 percent) than the previous quarter and 6,100 fewer (2.1 percent) than the first quarter the previous year. However, during the last 12-month period, the city lost jobs at a lower pace than the metro (3 percent) and state (2.6 percent.)
- Average wages for the first quarter of 2010 were 0.9 percent lower in inflation-adjusted dollars than a year before. Wages in the metro area decreased by 2 percent and by 2.1 percent in the state in inflation-adjusted dollars.

Labor force

The number of city residents who were employed increased by nearly 1,000 or 0.5 percent in third quarter. However, the labor force increased at 1.2 percent, and as a result the unemployment rate increased from 6.3 percent in 2nd quarter to 7 percent. An increase in the labor force signaled an increasing confidence in the labor market: more people were looking for jobs.

The unemployment rate was 1 percent lower this quarter than in the same quarter last year, which was at 8 percent. The number of employed city residents was 1.7 percent higher in third quarter than the same period last year and employment grew faster than labor force.

In the metro area employment also increased from the previous quarter at the same rate, while labor force increased faster than employment. The result was a 0.4 percent increase in the unemployment rate in the metro in comparison with a 0.7 percent increase in the city. In the twelve-month period, employment this quarter was 1.7 percent higher, labor force was 0.7 percent higher, and the unemployment rate dropped from 7.8 percent to 6.9 percent.

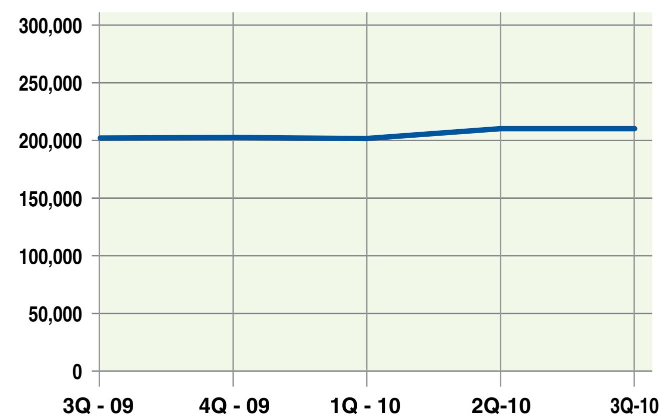
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis					
Labor Force	220,521	218,123	215,560	219,321	221,926
Employment	202,915	203,072	201,058	205,432	206,427
Unemployment rate	8.0%	6.9%	6.7%	6.3%	7.0%
Metro area					
Labor Force	1,629,614	1,616,739	1,606,526	1,626,311	1,640,546
Employment	1,501,936	1,503,099	1,488,195	1,520,573	1,527,931
Unemployment rate	7.8%	7.0%	7.4%	6.5%	6.9%

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

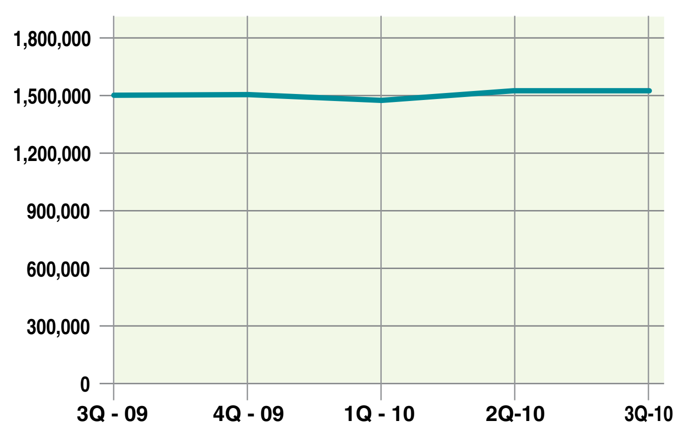
* For metro area definition, see page 14.

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis
not seasonally adjusted



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

Figure 2: **AVERAGE EMPLOYMENT** – Metro area*
not seasonally adjusted



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

* For metro area definition, see page 14

Jobs

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY –** Minneapolis[1]

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10	4Q-09 to 1Q-10
Total, All Industries	**281,540**	**281,698**	**278,840**	**280,696**	**275,488**	**-1.9%**
Construction	5,441	5,720	5,946	5,677	5,008	-11.8%
Manufacturing	15,240	14,487	14,556	14,107	13,733	-2.7%
Utilities	2,961	3,008	2,988	2,975	2,874	-3.4%
Wholesale Trade	8,817	8,709	8,601	8,483	8,124	-4.2%
Retail Trade	13,823	14,241	14,079	13,907	13,717	-1.4%
Transportation and Warehousing	7,563	7,440	7,318	7,533	7,398	-1.8%
Information	11,070	10,839	10,851	10,708	10,484	-2.1%
Finance and Insurance	27,077	26,687	26,307	26,077	26,459	1.5%
Real Estate and Rental and Leasing	5,865	5,878	5,881	5,985	5,673	-5.2%
Professional and Technical Services	30,278	29,535	29,068	29,562	29,291	-0.9%
Management of Companies and Enterprises	16,707	16,398	16,430	16,226	16,153	-0.4%
Administrative and Waste Services	13,277	13,360	13,207	13,376	12,629	-5.6%
Educational Services	28,775	28,448	26,390	29,461	29,901	1.5%
Health Care and Social Assistance	45,731	46,297	46,637	46,827	46,654	-0.4%
Arts, Entertainment, and Recreation	5,274	5,714	5,707	5,702	5,246	-8.0%
Accommodation and Food Services	22,001	22,888	22,789	22,628	21,508	-4.9%
Other Services, Ex. Public Admin	9,347	9,593	9,377	9,191	8,976	-2.3%
Public Administration	12,161	12,300	12,574	12,149	11,563	-4.8%

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

1 Natural resource-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.

Jobs

The number of jobs located in Minneapolis was 275,488, a decrease of 1.9 percent (5,210 jobs) from fourth quarter 2009. In comparison with the same quarter the previous year, the number of jobs decreased by 2.1 percent (6,050 jobs).

The first quarter of the year is the latest period for which city data from the quarterly census of employment and wages (QCEW) is available. To give an idea of the latest developments, preliminary data from the Bureau of Labor Statistics show that from January to August 2010, the Minneapolis-St. Paul-Bloomington metro area has added about 51,000 jobs (3.1 percent), mainly in the spring. However, the metro area lost jobs in July and August.

Quarter to quarter change- 4th quarter 2009 to 1st quarter 2010

Only two sectors **increased net jobs**:

- **Educational services gained about 400 jobs:** Most job gains were in elementary schools, followed by technical and trade schools.
- **Finance and insurance added nearly 400 jobs,** mostly in insurance and brokerages, and banking.

Largest net **job decreases** (1,000 to 600):

- **Accommodation and food services** lost more than **1,000** net jobs. Growth in hotel jobs was too small to offset the substantial loss in restaurants and other food service establishments.
- **Administrative and waste services** lost more than **700** net jobs, mainly in services to buildings and dwellings, support services such as packaging and labeling and trade shows organization, and investigation and security services.
- **Construction** lost almost **700** net jobs, mainly to building foundation and exterior contractors, and specialty trade contractors.
- **Public Administration** lost almost **600** net jobs across the board, but mainly in justice and public order, followed by administration of human resources.

Other sectors which experienced minor job losses (between 200 and less than 600 net lost jobs) were: Arts, entertainment and recreation, manufacturing, wholesale trade, real estate and rental and leasing, professional and technical services, information, and services such as repair and personal services.

12 month change – 1st quarter 2009 to 1st quarter 2010

On a year – to - year basis all but two sectors lost jobs.

Sectors which gained net jobs:

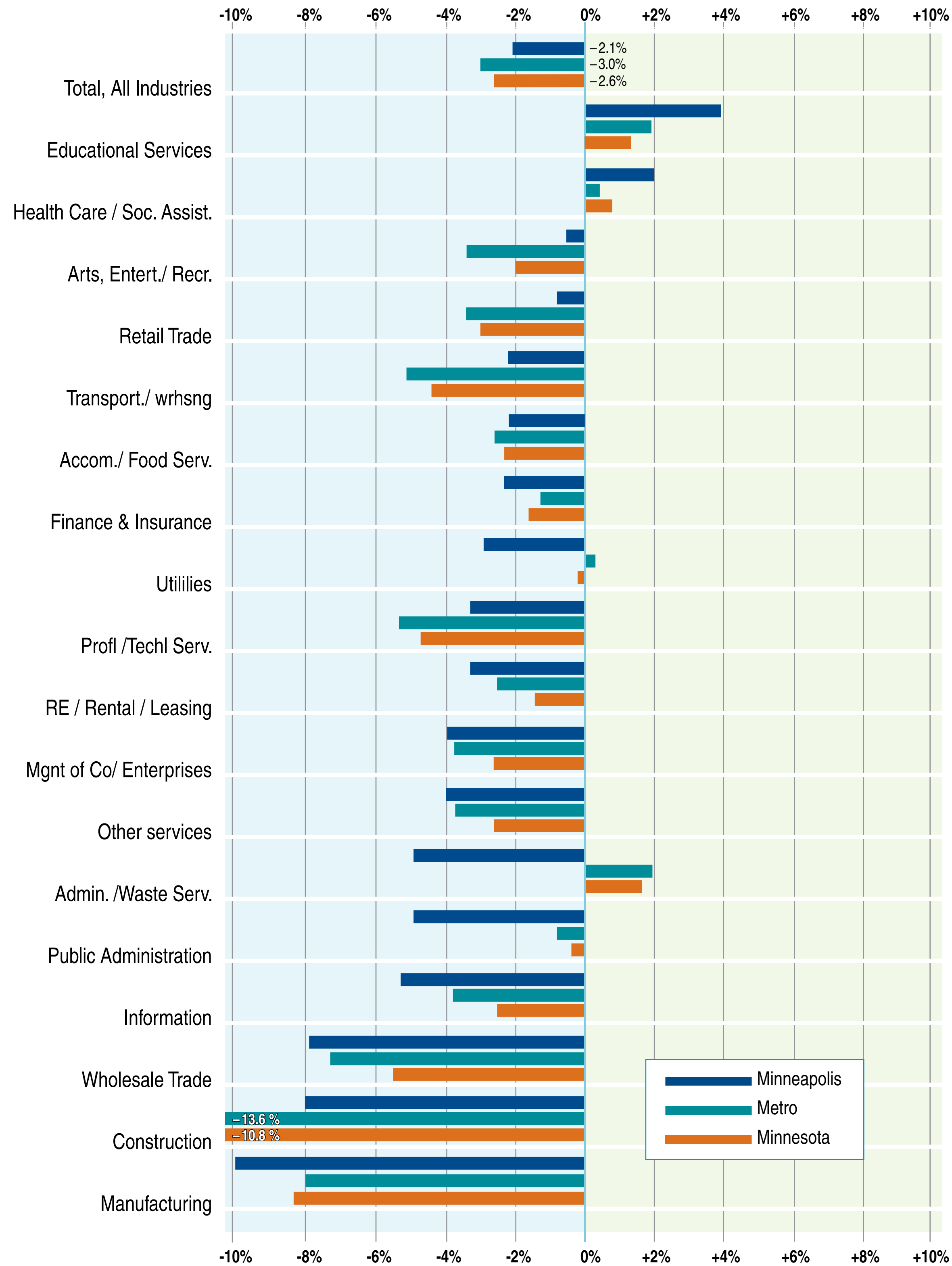
- **Educational services** gained more than **1,100** net jobs **(4 percent growth)** mostly in elementary and secondary schools.
- **Health care and social assistance** gained more than **900** net jobs **(2 percent growth)**, mostly the result of increasing jobs in emergency and relief services, home health care, and community care for the elderly.

Sectors which experienced significant job loss:

- **Manufacturing** lost about **1,500** net jobs **(10 percent),** across all subsectors, led by machinery manufacturing, fabricated metal products, and printing.
- **Professional and Technical services** lost about **990** jobs **(3 percent),** in most subsectors led by architectural and engineering services, legal services, and specialized design services. Only computer system design and management and technical consulting gained jobs but not enough to offset the rest of the sector.
- **Wholesale trade** lost almost **700** net jobs **(8 percent)** including electric goods, electronic markets and agent brokers, druggists' goods, and motor vehicles and parts wholesalers.
- **Administrative and waste services** shed nearly **650** net jobs **(5 percent)** in all activities except business support services. Losses were concentrated in employment services, services to buildings and dwellings, support services such as packaging and labeling services, and convention and trade show organizers, among others.
- **Finance and insurance** shed more than **600** net jobs **(2 percent),** mainly in security and investment activity, insurance and banking.
- **Public Administration** dropped almost **600** net jobs **(5 percent),** led by justice and public order, and administration of human resources, and followed by general government.
- **Information** lost more than **580** net jobs **(5 percent).** Most affected activities were related to newspapers and book publishers, wired telecommunications, and the motion pictures and video industries.
- **Management of companies** lost about **550 net jobs (3 percent).** In proportion offices of holding companies lost 10 percent of their jobs but, managing offices lost most of the jobs in the sector.

Jobs

Figure 3: **JOBS** –1Q-09 to 1Q-10
percentage change



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

Jobs

As shown in Figure 3, the city, metro area, and state all lost jobs over the twelve-month period. The city's job base decreased by 2.1 percent, less than the 3 percent decrease in the metro area, and the 2.6 percent decrease statewide.

Of the few sectors posting growth over this period, education was the fastest growing in the city at nearly 4 percent. This sector increased in the metro area and the state but not as fast as in the city. The same trend occurred in the health care and social assistance sector, which grew at 2 percent in the city but it increased less than 1 percent in the metro area and the state.

Administrative and waste services increased in the metro area and state, but declined in the city, while utilities showed only an insignificant increase in the metro.

The seven-county metro area lost the largest proportion of construction jobs (almost 14 percent), while the state lost almost 11 percent and the city 8 percent in the same period.

Manufacturing was the sector hardest hit in the city, declining nearly 10 percent. In the metro and the state the decrease was also substantial but not as large as in the city. The metro lost 8 percent of the jobs in the sector and the state lost over 8 percent in the same period.

Wages

The average weekly wage in Minneapolis in the first quarter of 2010 was $1,178, $16 more in nominal dollars from the previous year, but $11 lower in inflation-adjusted dollars. Consumer prices over the year increased faster than wages, resulting in lower average real wages.

The following sectors **increased average weekly real wages** the most **from a year earlier:**

- **Utilities (24 percent):** average weekly real wages increases for power generation and supply workers drove overall wage increases in the utility sector.
- **Management of companies (13 percent):** although increases in this industry took place across the board, the largest growth in average weekly wages in real dollars in the 12-month period was in bank holding companies, which raised already high wages in more than fifty percent.
- **Finance and insurance (11 percent):** investment activities such as investment portfolio management and direct investment increased real average weekly wages by about 44 percent. Financial activities such as open investment funds and collateralized mortgage obligations among others, increased by 59 percent.

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis[1]
in current dollars

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10	% change 1Q-09 to 1Q-10
Total, All Industries	**$ 1,162**	**$ 1,066**	**$ 1,064**	**$ 1,206**	**$ 1,178**	**1.4%**
Construction	1,131	1,138	1,054	1,151	1,040	-8.1%
Manufacturing	1,124	1,011	1,045	1,240	1,080	-3.9%
Utilities	1,670	1,525	1,593	1,693	2,118	26.8%
Wholesale Trade	1,192	1,192	1,138	1,315	1,176	-1.3%
Retail Trade	535	550	531	582	507	-5.2%
Transportation and Warehousing	864	937	857	985	871	0.8%
Information	1,373	1,237	1,236	1,316	1,337	-2.6%
Finance and Insurance	2,225	1,561	1,530	1,828	2,517	13.1%
Real Estate and Rental and Leasing	1,563	1,145	1,070	1,318	1,664	6.5%
Professional and Technical Services	1,552	$,555	1,575	2,067	1,565	0.8%
Management of Companies and Enterprises	1,684	$,762	1,512	1,717	1,953	16.0%
Administrative and Waste Services	707	$60	663	690	625	-11.6%
Educational Services	1,011	$92	1,137	1,106	939	-7.1%
Health Care and Social Assistance	967	$06	929	1,015	877	-9.3%
Arts, Entertainment, and Recreation	854	1,044	1,067	894	922	8.0%
Accommodation and Food Services	345	345	357	374	357	3.5%
Other Services, Ex. Public Admin	599	575	602	624	584	-2.5%
Public Administration	1,176	1,167	1,140	1,284	1,148	-2.4%

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

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

Wages

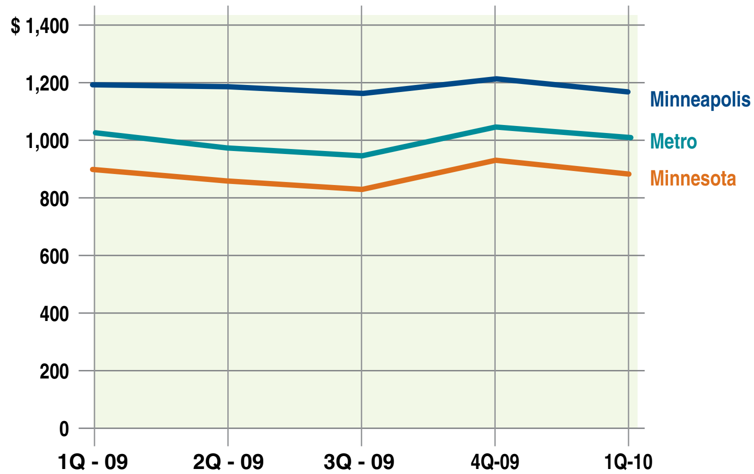
The sectors with the highest **year-to-year average weekly wage decrease** were:

- **Administrative and waste services (-14 percent):** services to buildings and dwellings decreased real wages by 14 percent, and employment services decreased by nearly 14 percent. All other subsectors also decreased real average weekly wages, except waste collection.
- **Health care and social assistance (-11 percent):** most of the sector's average weekly wages declined in real dollars. The most affected subsector, residential care facilities, declined 29 percent. Home health care, child day care and the offices of physicians also declined more than any other subsector after residential care.
- **Construction (-10 percent):** land subdivision services decreased their real wages the most, followed by building finishing contractors and non-residential building construction.

Wages

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. First-quarter wages in inflation-adjusted dollars decreased nearly 1 percent in Minneapolis from a year earlier, and by 3 percent from the previous quarter. On a year to year basis, average wages dropped in the metro area by 2 percent and in the state, by 2.1 percent. A slowdown of economic activity and increasing consumer prices pushed average weekly wages down in real dollars.

Figure 4: **AVERAGE WEEKLY WAGES** – 1Q-09 to 1Q-10
in inflation-adjusted dollars



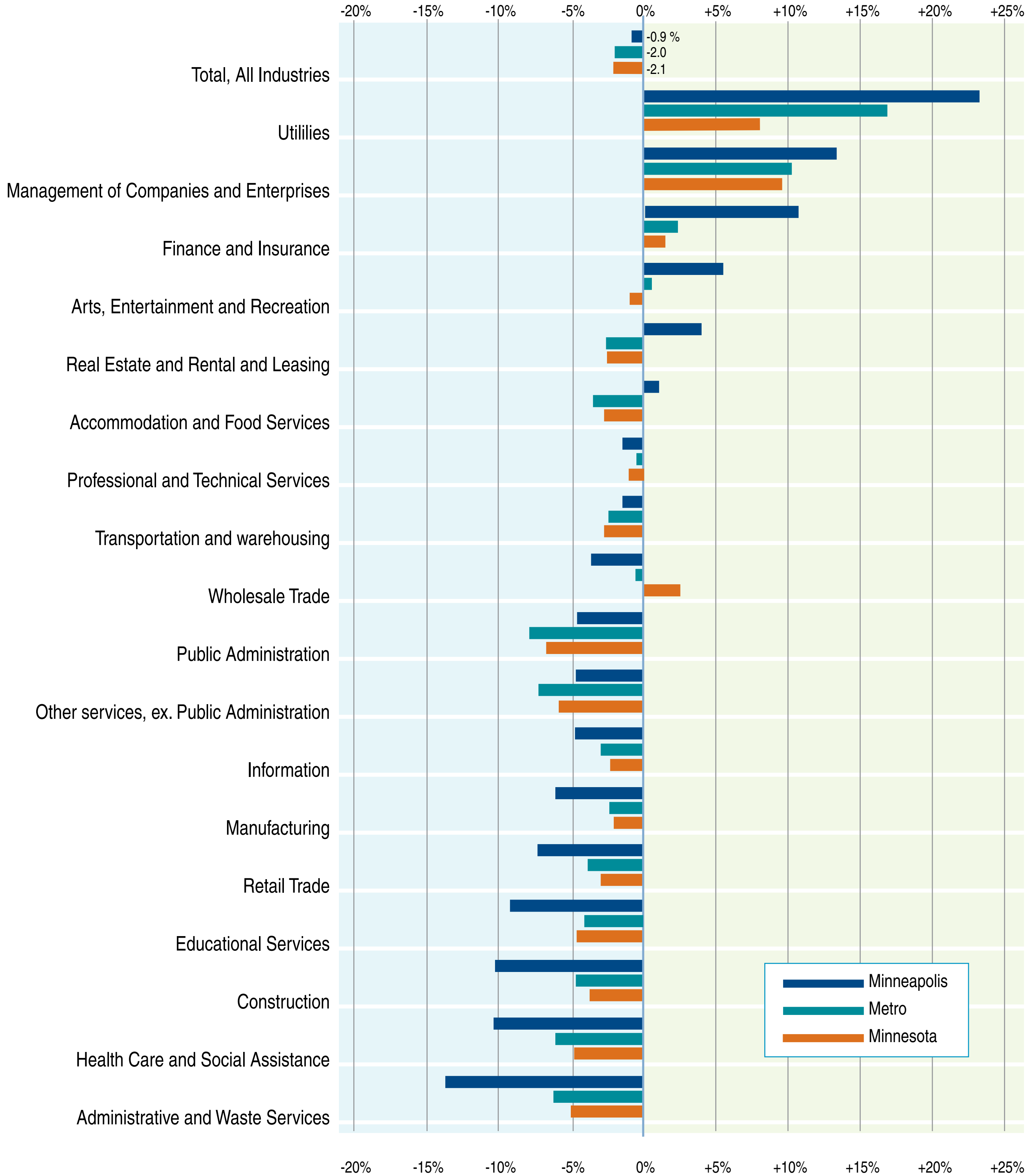
	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10	$ change 4Q-09 to 4Q-10	% change 4Q-09 to 4Q-10
Minneapolis	$ 1,189	$ 1,091	$ 1,071	$ 1,214	$1,178	$ (11)	-0.9%
Metro area	1,030	970	950	1,058	1,010	(20)	-2.0%
Minnesota	901	860	843	935	882	(19)	-2.1%

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

* For metro area definition, see page 14

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 1Q-09 to 1Q-10
percent change in inflation-adjusted dollars*



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

* For for conversion factors, see page 14

Wages

The city decreased real wages* but less than the metro or the state. Only six sectors increased real wages in Minneapolis from first quarter 2009 to first quarter 2010.

The following sectors grew in Minneapolis in comparison with the metro area and the state:

- **Utilities** real wages, at 24 percent, grew faster in the city than in the metro or the state.
- Real wages for m**anagement of companies** posted about 13 percent growth in the city, 10 percent in the metro, and 9.5 percent in the state.
- For **finance and insurance** average weekly wages increased in Minneapolis much more than in the metro or the state.
- **Arts, entertainment and recreation's** real wages grew at 5.5 percent in the city and below 1 percent in the metro, while decreasing in the state.
- **Real estate** average weekly wages only grew in the city.

Industries which experienced the steepest decline in real wages in Minneapolis included:

- **Administrative and waste services , health care and social assistance, construction and education** wages decreased in all geographic areas, but more in Minneapolis than in the metro or state.
- **Wholesale trade wages** declined faster in the city (-4 percent) than in the metro (-1 percent), but increased in the estate (2.5 percent.)

* For conversion factors, see *page 14*.

- **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. For complete definitions go to: http://www.bls.gov/opub/hom/pdf/homch1.pdf

- **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 table 3 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 2010, dollars have been converted with an index reflecting the CPI for the first half of 2010 and first and second half of 2009 with 2010 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

- This quarter 97 new residential units were permitted, which was lower than last quarter, but higher than third quarter last year.
- The total value of residential remodeling, conversion and addition projects costing $50,000 or more permitted this quarter was 43 percent higher than the previous quarter and 27 percent higher than the same quarter last year.
- Thirteen commercial and residential projects costing at least $1 million were permitted this quarter, totaling $80.9 million. This was 26 percent higher than last quarter. The largest single project was a new 100-bed nursing care facility for Minnesota Veterans Home. The second largest project was a new MPHA elders community center and assisted care facility located in the Near North neighborhood.

New construction

New residential permitted units this quarter decreased 32 percent from last quarter to 97 units, but this number was 5 times higher than third quarter last year. In the metro area, the volume of units permitted increased 4 percent from last quarter, and was 24 percent higher than the same quarter of 2009.

Only one apartment building with 84 units was permitted this quarter in the city, Flo-Co Fusion. As during last quarter, there were also 13 new single-family homes permitted. Although not as dynamic as last quarter, construction was higher than third quarter last year.

Table 4: **NEW RESIDENTIAL UNITS PERMITTED**

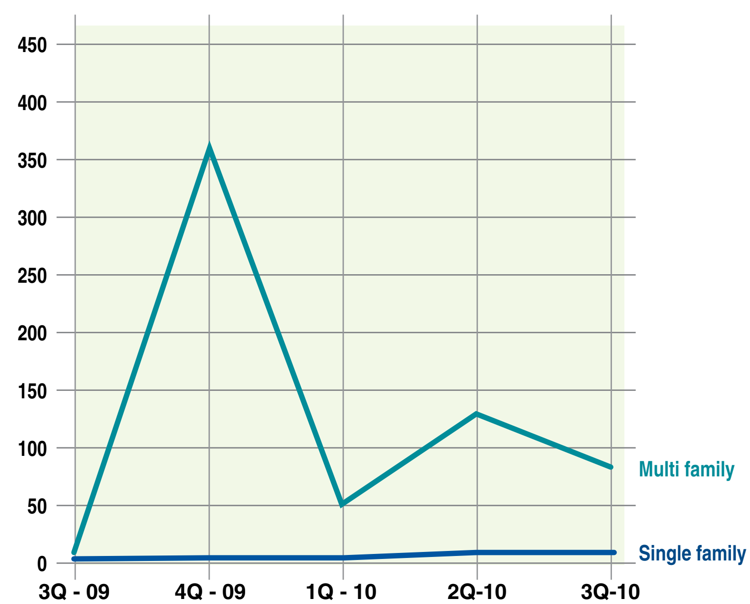
	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Single-family					
Minneapolis	9**	7	6	13	13
Metro area	978	897	690	927	837
Multifamily					
Minneapolis	10	360	50	130	84
Metro area	162	452	320	210	347
Total Units					
Minneapolis	19	367	56	143	97
Metro area*	1,140	1,349	1,010	1,137	1,184

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

* 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.

** Including one single-family residential unit which was not counted by the Census Bureau in September

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



Source: U.S. Census Bureau –estimated units with imputation.

New construction

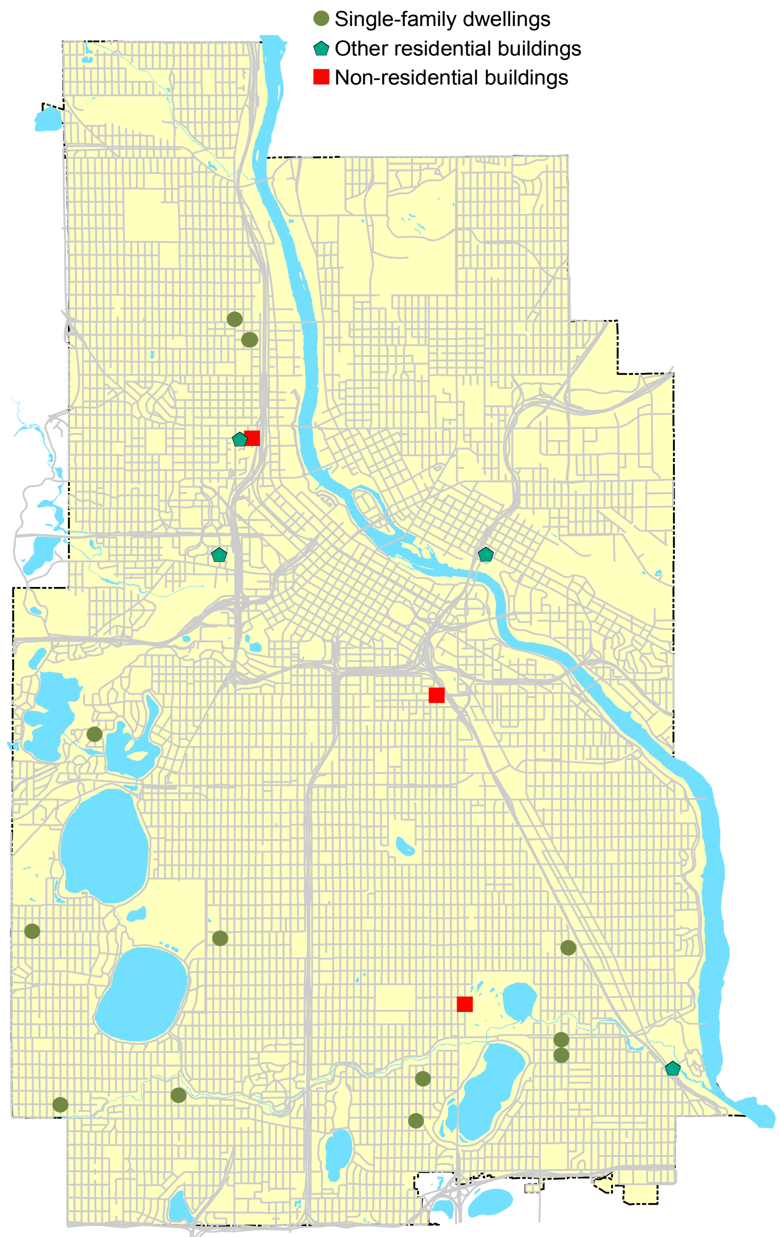
Two elderly care facilities were permitted this quarter. The first will be a 100-bed nursing care facility located at the Veterans Homes campus in south Minneapolis. The second is part of a MPHA project which will include a 48-bed assisted living facility, a pedestrian walkway and a community center located on 4th Ave N in the Northside. An 84-unit new apartment building, Flo Co Fusion located on University Ave SE, was also permitted this quarter.

There were thirteen new single-family homes permitted this quarter with construction costs between $70,000 and $640,000. Most of them will be located in the Lakes area.

Of the three non-residential building permitted, the largest project was the MPHA elderly community center mentioned already.

Map 1: **NEW CONSTRUCTION** – 3Q-10

Source: Minneapolis Regulatory Services

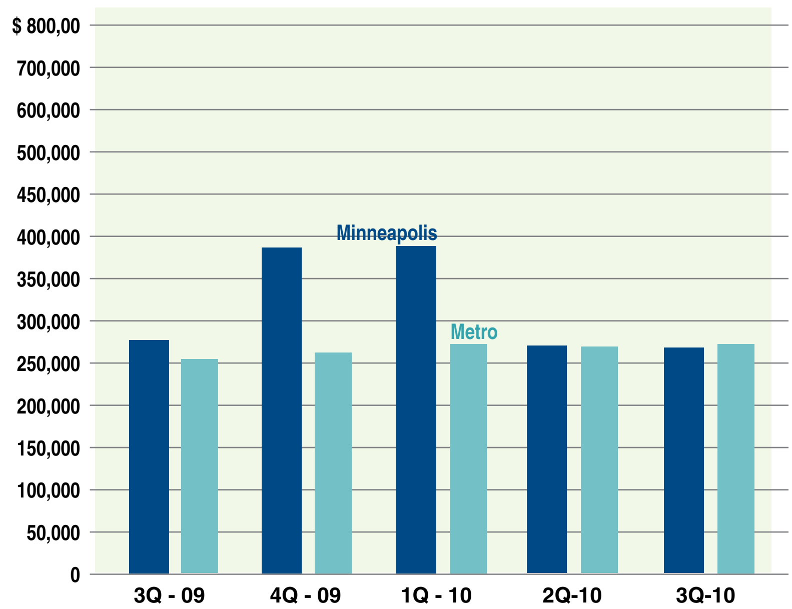


Cost of residential construction

This quarter the average cost per single-family unit increased in the city by less than 1 percent from last quarter, but decreased 3.4 percent from the same quarter last year. In the metro it increased 3.7 percent from last quarter and 8.6 percent from last year. The metro area's average construction cost per unit was similar to Minneapolis, with costs in the city 2 percent lower than in the metro.

The average construction cost of multi-family units increased this quarter by 2.3 percent from the previous quarter, but it was about 14 percent lower than third quarter last year. In the metro area the average cost per unit decreased nearly 14 percent from last quarter, but it was more than 50 percent higher than the same quarter last year. The average construction cost of a multifamily unit was about 20 percent lower in the metro area than in the city.

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

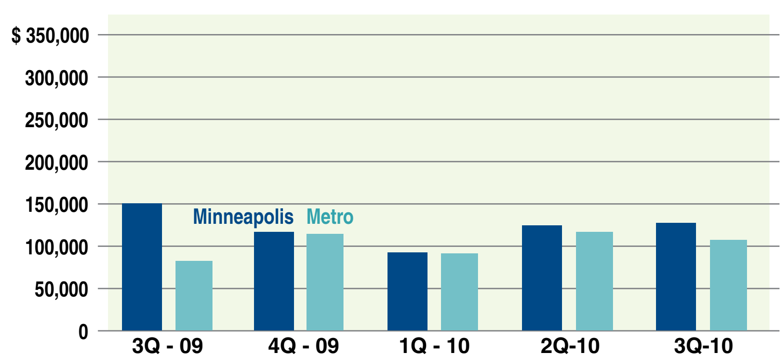


	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis	$ 275,013	$ 382,081	$ 389,336	$ 263,564	$ 265,622
Metro area	250,505	257,554	266,864	262,331	271,940

Source: U.S. Census Bureau

Table values are not adjusted for inflation

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



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis	$ 150,000*	$ 120,172	$ 90,752	$ 125,187	$ 128,702
Metro area	79,652	118,197	90,440	$120,888	104,470

Source: U.S. Census Bureau

* Calculated on City of Minneapolis Regulatory Services' data.
Values in table are not adjusted for inflation

Conversions, remodels & additions

More residential remodeling, conversion and addition projects were permitted this quarter. The total value was 43 percent higher than the previous quarter, and 27 percent higher than last year. This quarter Project for Pride remodeled a 10-unit apartment building on Morgan Ave N adding 4 more units. However, with 3 buildings subtracting units, the result was only 2 net new units added during this period.

At $47.4 million, overall projected cost of non residential construction was 12 percent higher than last quarter. Twenty seven more commercial and institutional projects were permitted, and the projected costs were 44 percent higher than in third quarter 2009.

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

	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Total Residential [1]					
Number of buildings	161	147	117	123	162
Total value	$ 18,462,483	$ 27,430,349	$ 12,890,305	$ 16,388,458	$ 23,479,035
Remodels					
Number of buildings	157	138	115	115	157
Value	$ 17,975,418	$ 18,129,578	$ 12,762,505	$ 13,204,525	$ 22,409,518
Conversions and additions [2]					
Number of buildings	4	9	2	8	5
Net number of units	5	71	-2	9	2
Value	$ 487,065	$ 9,300,771	$ 127,800	$ 3,183,933	$ 1,069,517
Total non-residential [1]					
Number of buildings [3]	99	84	78	86	126
Value	$ 32,928,808	$ 49,227,969	$ 27,046,891	$ 42,524,310	$ 47,437,444

Source: Minneapolis Regulatory Services

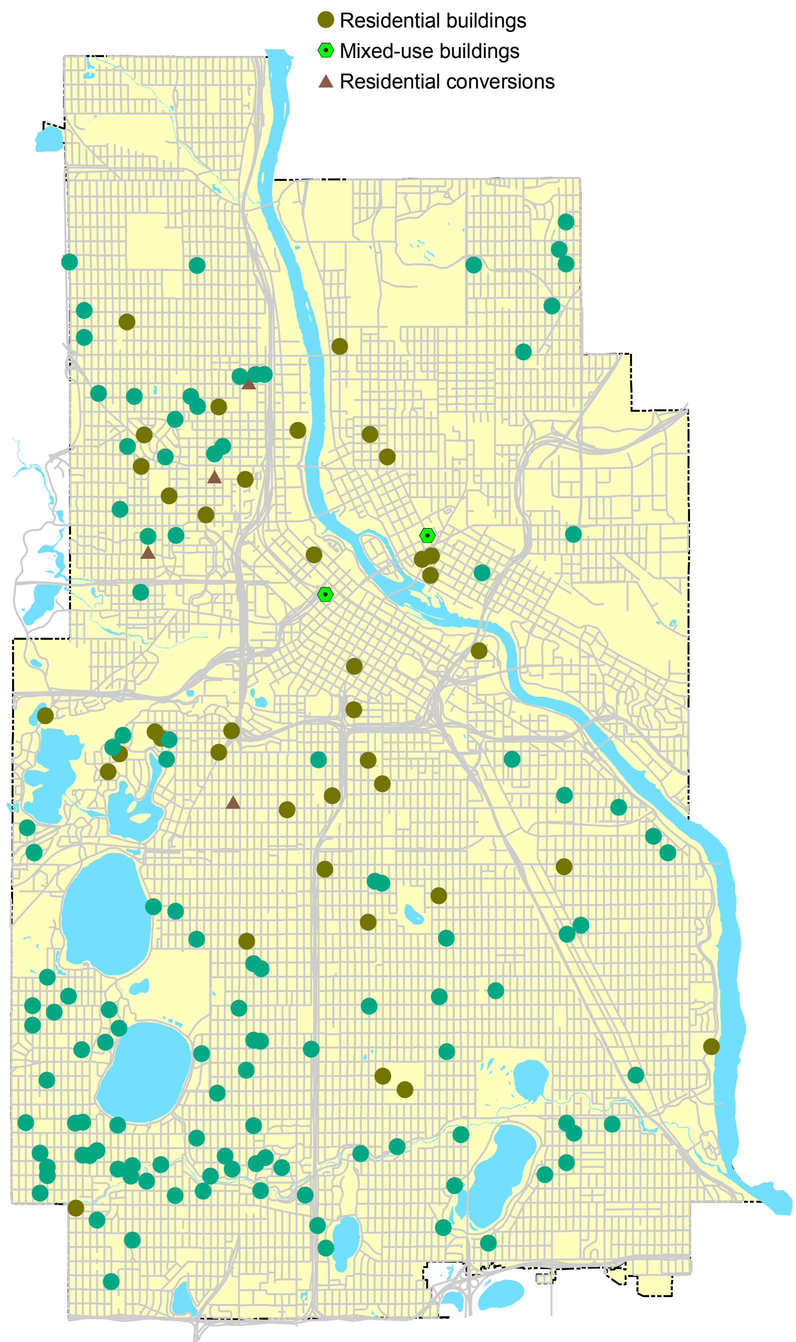
1 Residential and non-residential building listings may include structural work, build-outs (other than new building build-outs) and other improvements.
2 Residential conversions consist of a change in uses (e.g. from an office building to residential apartments) or subdividing or consolidating residential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

Conversions, remodels & additions

Most residential buildings with remodeling permits were single-family dwellings. A duplex was converted into a single-family home. A single-family home and a triplex were converted into duplexes, while a four-unit apartment was converted into a three-unit building. A ten-unit apartment building was converted into a 14-unit building.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 3Q-10
projects $50,000 +

Source: Minneapolis Regulatory Services

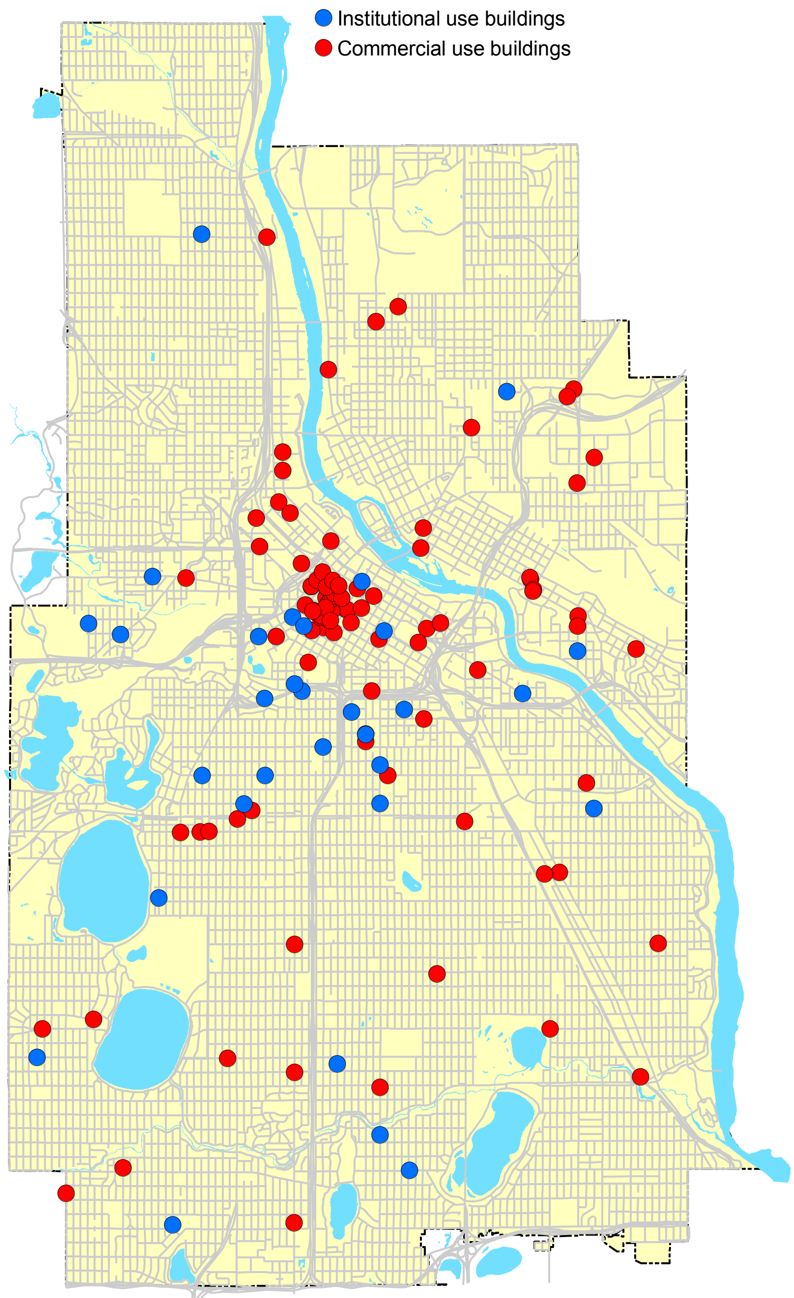


Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations tended to concentrate in the downtown area, while the rest was scattered around the city. This quarter downtown had 43 percent of all permit/projects, of which 23 percent were institutional and 49 percent were commercial. The highest cost for a remodeling project this quarter was the finishing of Target Field at nearly $16 million.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 3Q-10
projects $50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the third quarter of 2010. The listed amount only reflects projected construction cost (not including land acquisition or soft costs) for permits issued that quarter. The highest cost project was the new Veterans 100-bed nursing care facility in south Minneapolis.

Table 6: **MAJOR CONSTRUCTION PROJECTS**
projects $1,000,000+

Description	Address	Neighborhood	Projected cost	CPED Involvement
Minnesota Veterans Home: new nursing care facility	5101 Minnehaha Ave	Hiawatha	$ 24,000,000	
MPHA: elders community center and a assisted living facility	1015 4th Ave N	Near North	17,675,000	
Target Field finishing*	353 5th St N	North Loop	15,925,028	
FloCo Fusion: new 84-units apartment building	1000 University Ave SE	Marcy Holmes	10,811,000	
University Riverside Hospital: acute care facility remodeling*	2450 Riverside Ave	Cedar Riverside	1,864,252	
AT&T Tower: tenants remodels*	901 Marquette Ave	Downtown West	1,800,177	
Congregate residence remodel*	2120 Park Ave	Ventura Village	1,738,699	
Capella Tower: tenants remodels*	225 6th St S	Downtown West	1,361,202	
Whittier Co-op: 45 apartment building rehab	2609 Blaisdell Ave	Whittier	1,319,113	●
Piper Breast Center: office remodel	800 28th St E	Phillips West	1,171,100	
MCTC: buildings and plaza remodels*	1501 Hennepin Ave	Loring Park	1,101,300	
Home remodel*	2100 James Ave S	Lowry Hill	1,060,000	
Fairview Health Services: office remodel	400 Stinson Blvd	Mid-City Industrial	1,030,293	●
Total			**$ 80,857,164**	

Source: Minneapolis Regulatory Services and CPED

* Includes more than one permit at one address

Demolitions

Residential units with permits for demolitions were 3 times higher than second quarter. In comparison with the same quarter last year the number was 91 percent higher. This number is much higher than in previous quarters, but still lower than the 161 units registered in the last quarter of 2008.

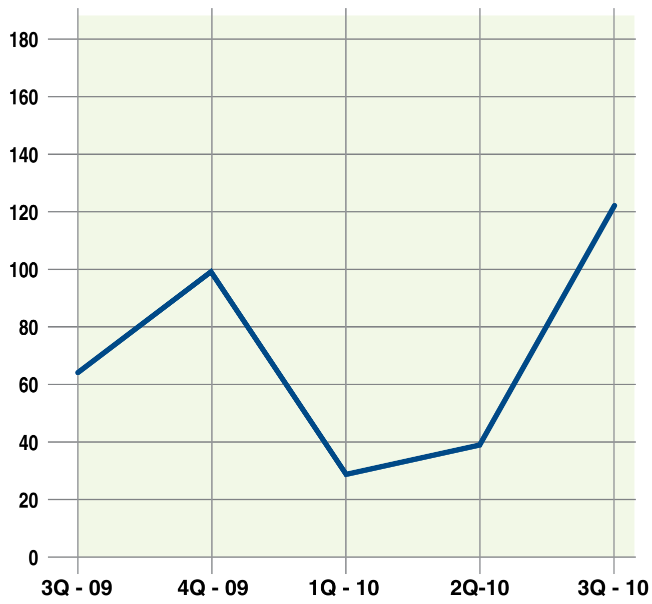
Increasing demolitions is mostly the result of City actions. If a property is vacant and has been boarded for more than 60 days, and it's deemed inhabitable because of lack of maintenance, this property is demolished.

Units scheduled for demolitions this quarter included 51 single-family homes, 36 duplex units, a triplex, and 32 units in 2 buildings of more than 5 units each.

About 53 percent of all residential structures permitted for demolition this quarter were in North Minneapolis, 28 percent were in South Minneapolis, 13 percent were in Northeast and University, and 11 percent were in the Chain of Lakes area.

Non-residential demolition permits included demolitions of 11 commercial buildings, and a vacant store. Four of the buildings slated for demolition are located near the Chain of Lakes area west of Interstate 35W. The rest are scattered around the city.

Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis
in units

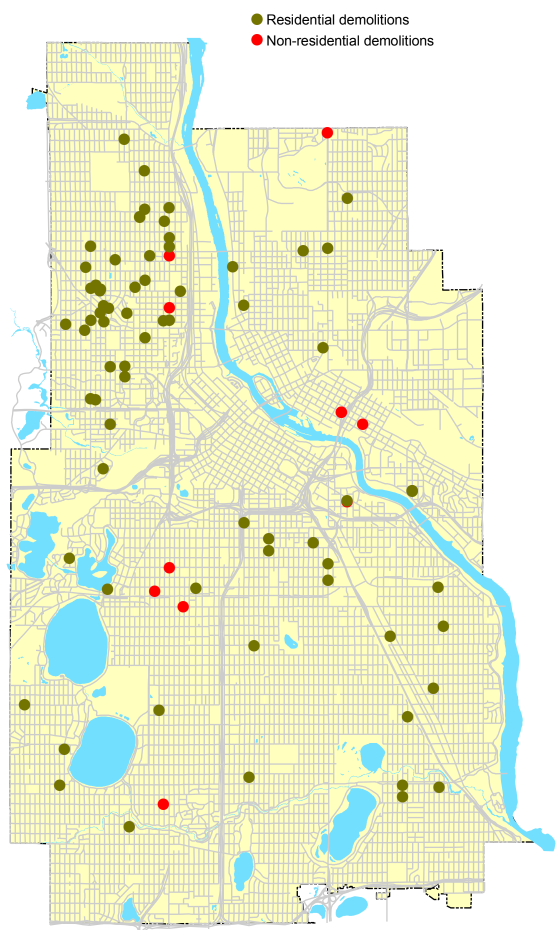


Quarter	Units
3Q-09	64
4Q-09	98
1Q-10	31
2Q-10	39
3Q-10	122

Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** –3Q-10

Source: Minneapolis Regulatory Services



Definitions & sources

- **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. Table 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 of a time-lag in reporting. 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. The multifamily building category includes rentals and condominiums.

- **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 dwellings.

  Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including town-houses. It also includes housing for health-care purposes.
  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, 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

- The average apartment vacancy rate in Minneapolis decreased from 5 percent in the second quarter to 3 percent, the lowest rate since the pre-recession 3rd quarter 2007.
- The number of traditional housing sales this quarter was 45 percent lower than in the second quarter, after a rebound in the spring, but median prices increased 7 percent. Lender-mediated sales decreased 22 percent.
- The number of condemned, boarded and vacant buildings in the city decreased for the third quarter in a row, and was 9 percent lower than a year ago.
- Foreclosure sales increased to 736, 35 percent higher than last quarter, and 24 percent higher than the previous year. The number was the highest since the third quarter 2008.
- Office vacancy rate in the Minneapolis central business district (CBD), barely increased this quarter to 17.9 percent from 17.8 percent last quarter. Retail vacancies were 12.5 percent, 0.2 percent higher this quarter compared to the previous one.

Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multifamily rental housing decreased to 3 percent from 5 percent last quarter. This quarter the vacancy rate was less than half the same quarter's rate in 2009, and the lowest rate since the third quarter of 2007. Such a small vacancy rate signals an increasing demand and a low supply. Although in the last few quarters construction of rental buildings has increased, it has to accelerate even more in order to satisfy demand.

In the metro area, the vacancy rate also declined but less than in the city, to 4.2 percent from 5 percent in the second quarter.

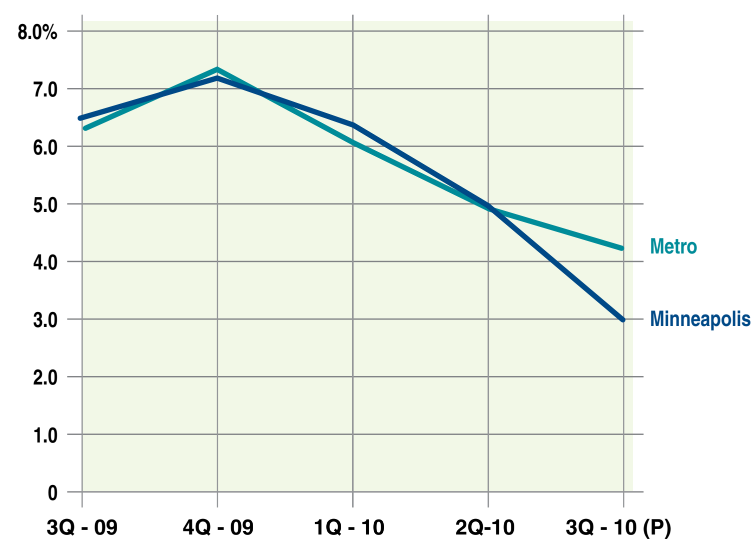
Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis					
Units surveyed	15,013	13,196	13,432	13,699	13,825
Vacant units	974	946	879	685	420
Average rent	$ 908	$ 948	$	$ 946	$ 926
Vacancy rate	6.5%	7.2%	6.5%	5.0%	3.0%
Metro area					
Units surveyed	111,314	110,016	110,616	107,610	108,662
Vacant units	7,178	7,987	6,803	5,398	4,519
Average rent	$ 908	$ 906	$ 902	$ 902	$ 905
Vacancy rate	6.4%	7.3%	6.1%	5.0%	4.2%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

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



Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

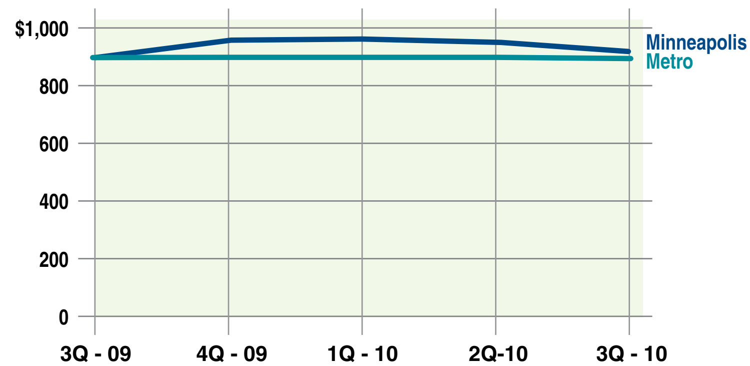
Apartment vacancy rates & average rents

In Minneapolis the average rent was $926, about $20 lower in inflation-adjusted dollars* than last quarter, but $19* higher than a year ago. In the metro area average rent was $905, $3 dollars higher than last quarter. The average rent in the metro area decreased $2 after adjusting for inflation from third quarter the previous year. Rents this quarter appear to have responded in part to renters who come to the market with lower incomes resulting from the economic tightening.

The decline of the vacancy rate affected all areas in the city. The Downtown rate was cut by half, and South Minneapolis that had the highest sector rate of 10.9 percent last quarter, decreased to 5.7 percent. The lowest rate at 1.2 percent was in Northeast Minneapolis and the highest was in North Minneapolis with 6.5 percent.

* For conversion factors, see page 45.

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

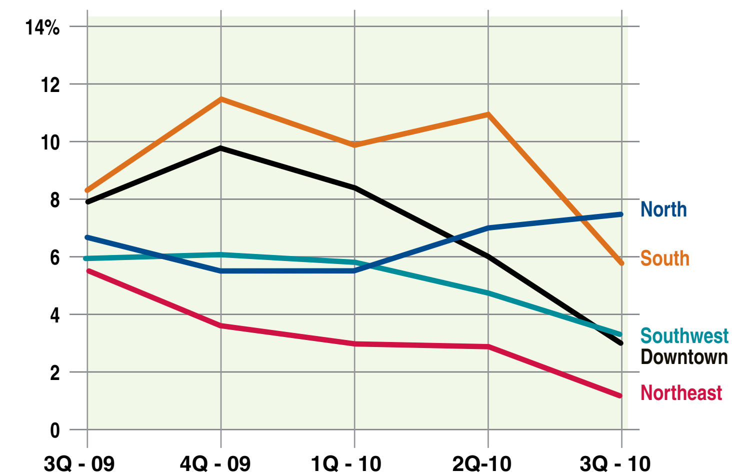


	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis	$ 908	$ 948	$ 953	$ 946	$ 926
inflation-adjusted	*907*	*955*	*956*	*946*	*926*
Metro area	904	908	906	901	902
inflation-adjusted	*907*	*913*	*903*	*902*	*905*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

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



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Downtown	7.9%	9.8%	8.4%	6.0%	3.1%
Southwest	5.9%	6.0%	5.8%	4.8%	3.4%
North	6.4%	5.6%	5.7%	6.9%	6.5%
South	8.3%	11.6%	9.9%	10.9%	5.7%
Northeast	5.6%	3.6%	2.9%	2.8%	1.2%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

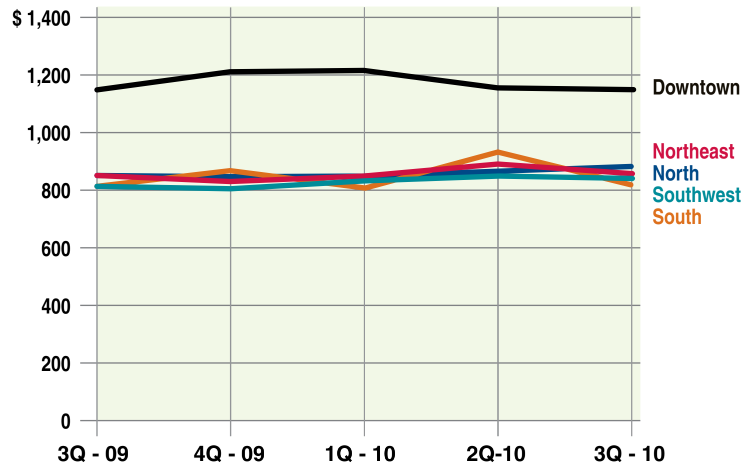
Recorded data for the last month of the quarter*
For sector definitions, see page 43.

Apartment vacancy rates & average rents

Average rents in inflation-adjusted dollars decreased in all sectors of the city except in North Minneapolis. In Downtown rents were stable increasing just $3 (0.1 percent.), but in North Minneapolis they increased $19 (2.2 percent) from second quarter in inflation-adjusted dollars*. In comparison with third quarter, previous year rents were still lower, $11 on average (-0.9 percent), in Downtown and $1 in Northeast Minneapolis (-0.1) in inflation-adjusted dollars. In all the other sectors average rents were higher this quarter than in the same quarter last year.

* For conversion factors, see *page 45.*

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



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Downtown	$1,150	$ 1,197	$ 1,203	$ 1,135	$ 1,138
inflation-adjusted	*1,149*	*1,206*	*1,206*	*1,135*	*1,138*
Southwest	815	815	836	859	846
inflation-adjusted	*814*	*821*	*838*	*859*	*846*
North	862	857	863	863	882
inflation-adjusted	*861*	*863*	*865*	*863*	*882*
South	824	890	803	913	830
inflation-adjusted	*823*	*897*	*805*	*913*	*830*
Northeast	859	839	863	878	857
inflation-adjusted	*858*	*845*	*865*	*878*	*857*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.

* For sector definition, see *page 43.*

Apartment vacancy rates & average rents

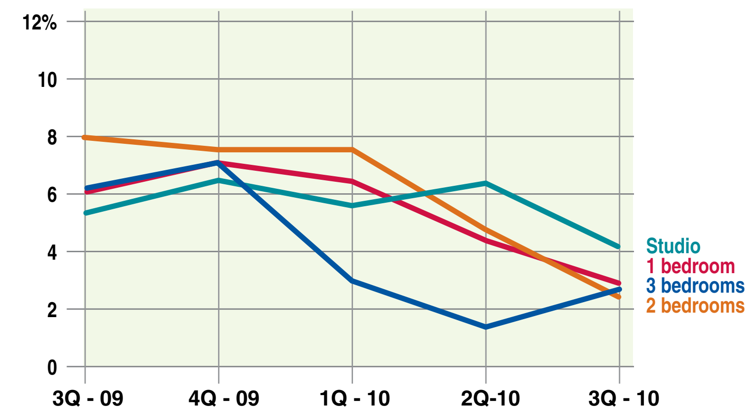
Except for three-bedroom apartments, vacancy rates for all apartment types decreased from last quarter. Three-bedroom units increased from a very low 1.4 percent last quarter to a low 2.7 percent. In comparison with the same quarter last year, all apartment types showed a lower vacancy rate.

The lowest rates were for large units, two and three-bedrooms. That was the case in Northeast Minneapolis, where the University area has a large number of students who tend to share living quarters. In Downtown and North Minneapolis there were no vacancies for three-bedroom units. One-bedroom units in Downtown, Southwest and Northeast Minneapolis also had a very low vacancy rate.

Prompted by demand, average rent decreased this quarter in ***inflation-adjusted dollars*** for all types of apartments. Only studio rents rose by half of 1 percent. Once landlords eased the prices, demand inched up with the result of decreasing vacancies. However, in comparison with the same quarter last year average rents for one-bedroom units were up $25 in real dollars (3 percent), and studios had a $16 dollars increase. On the other hand, average rents for two and three bedrooms were lower this year, by $21 (-1.7 percent) and $12 (-0.9 percent) respectively in inflation-adjusted dollars.

* For conversion factors, see page 45.

Figure 14: **APARTMENT RENTAL VACANCY RATE –** Minneapolis
in percent

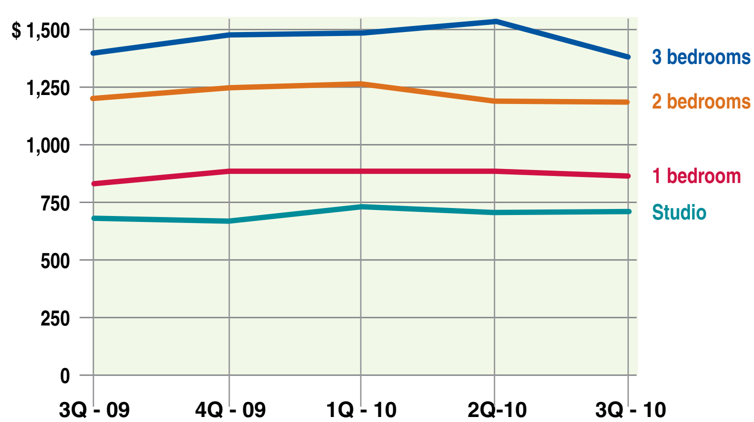


	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Studio	5.4%	6.5%	5.6%	6.3%	4.1%
One-bedroom	6.0%	7.0%	6.5%	4.6%	3.0%
Two-bedroom	7.9%	7.4%	7.4%	5.0%	2.5%
Three-bedroom	6.2%	7.0%	3.1%	1.4%	2.7%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Figure 15: **AVERAGE APARTMENT MONTHLY RENT –** Minneapolis
in current dollars



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Studio	$ 663	$ 673	$ 683	$ 675	$ 678
inflation-adjusted	*662*	*678*	*685*	*675*	*678*
One-bedroom	831	882	884	885	855
inflation-adjusted	*830*	*889*	*886*	*885*	*855*
Two-bedroom	1,192	1,249	1,256	1,187	1,170
inflation-adjusted	*1,191*	*1,258*	*1,259*	*1,187*	*1,170*
Three-bedroom	1,401	1,471	1,489	1,540	1,387
inflation-adjusted	*1,399*	*1,482*	*1,493*	*1,540*	*1,387*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

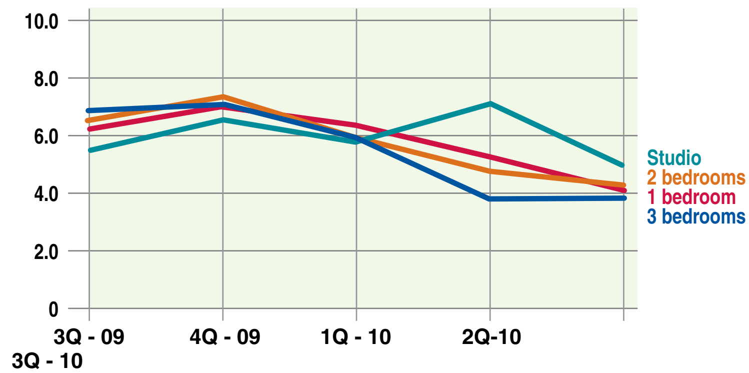
Recorded data for the last month of the quarter.

Apartment vacancy rates & average rents

Average vacancy rates for all apartment types except three-bedroom units decreased in the Metro area in comparison with second quarter and all types were lower than third quarter the previous year. The metro area tends to have larger units than the city, and three-unit types had an average vacancy rate below the 4.2 percent metro-wide average. Studio units had the highest vacancy rate of any apartment type in the metro area, but they were only 4 percent of the apartments surveyed.

Average rents in the metro area increased modestly in real dollars, but were higher than Minneapolis where rent declines hit most apartment types. In September average rents in *inflation-adjusted dollars* were less than 1 percent higher than in June for studios and two-bedroom units. One-bedroom unit average rents were stable and three-bedrooms' declined. A year to year comparison showed that average rents had a small decrease for one and two-bedroom apartments, while studios increased by $9 (1.3 percent).

Figure 16: **APARTMENT RENTAL VACANCIES –** Metro area
in percent

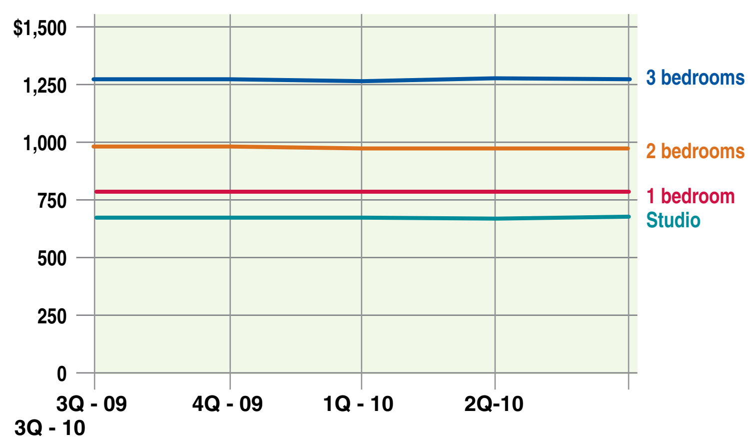


	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Studio	5.5%	6.5%	5.8%	7.1%	4.9%
One-bedroom	6.2%	7.0%	6.3%	5.3%	4.1%
Two-bedroom	6.5%	7.4%	5.9%	4.7%	4.2%
Three-bedroom	6.9%	7.0%	5.6%	3.8%	3.8%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Figure 17: **AVERAGE APARTMENT MONTHLY RENT –** Metro area
in current dollars



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Studio	$ 664	$ 671	$ 671	$ 667	$ 672
inflation-adjusted	*663*	*676*	*673*	*667*	*672*
One-bedroom	788	789	786	785	785
inflation-adjusted	*787*	*795*	*788*	*785*	*785*
Two-bedroom	983	980	976	974	980
inflation-adjusted	*982*	*987*	*979*	*974*	*980*
Three-bedroom	1,274	1,274	1,262	1,279	1,276
inflation-adjusted	*1,273*	*1,283*	*1,266*	*1,279*	*1,276*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multi family rentals are excluded.)

Recorded data for the last month of the quarter

* For conversion factors, see page 45.

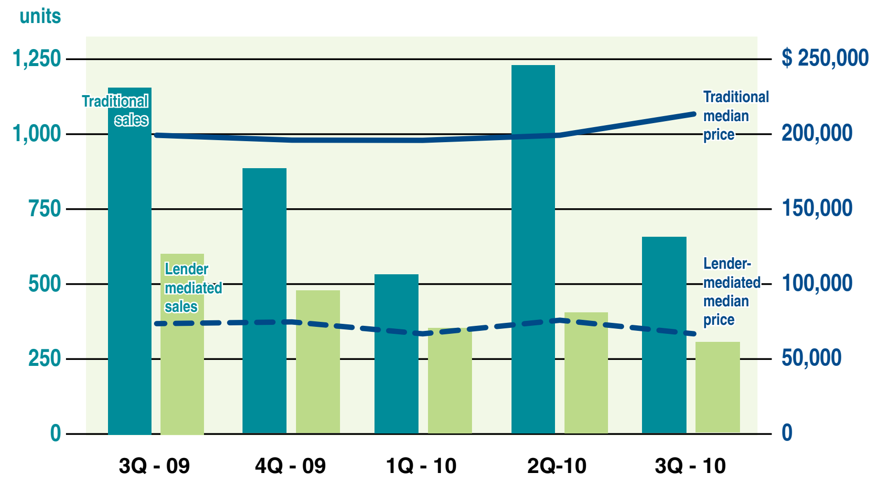
Residential sales

The number of traditional housing sales this quarter was 45 percent lower than second quarter. Traditional sales were also lower by 43 percent than the same quarter last year. However, the median sale price rose 7 percent from the previous quarter and previous year.

The number of lender-mediated sales also decreased, 22 percent and 49 percent from last quarter and last year. Their median sale prices were reduced as well.

Housing sales were losing ground around the country, a trend which many experts attribute to the expiration of the two federal home buyer's credits in April and June.

Figure 18: **TRADITIONAL AND LENDER-MEDIATED CLOSED SALES AND MEDIAN SALE PRICE**– Minneapolis



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Traditional sales	1,163	892	540	1,213	665
Lender-mediated sales	623	487	365	413	321
Traditional sales median price	$200,000	$194,000	$191,500	$199,800	$214,250
Lender-mediated median price	$75,000	$ 75,000	$68,000	$76,050	$69,000

Source: Minneapolis Area Association of Realtors (MAAR)

Residential sales

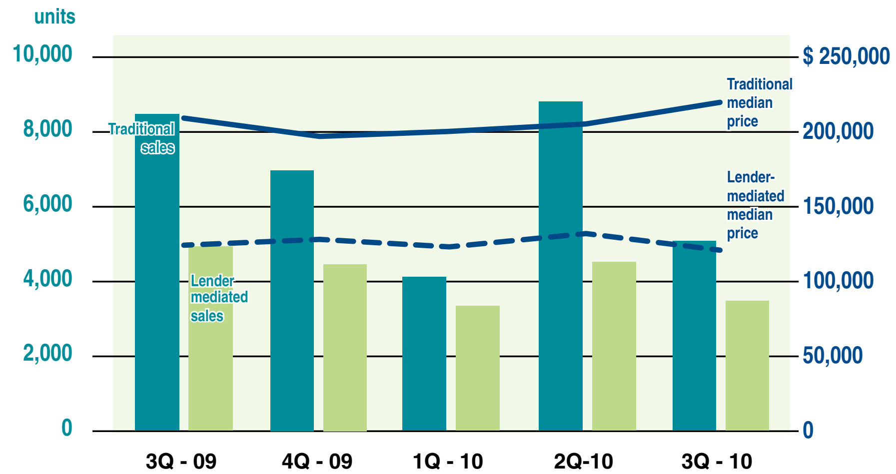
In the metro area as in the city the number of traditional sales fell about 42 percent from the second quarter, and 40 percent from the same quarter last year. In the city and the metro area median sale prices increased.

Lender-mediated sales metro-wide decreased 21 percent from last quarter, and 32 percent from last year. Median sale prices for these units decreased 7 percent from last quarter, and were close to 2 percent lower than last year.

Median prices were sustained in the metro area at a higher level than citywide for traditional and for lender-mediated properties.

Minneapolis Area Association of Realtors (MAAR) showed a drop of 2.2 months worth of housing inventory for sale in September in the metro area in comparison with the same month last year. During September the housing inventory stood at 6.9 months. MAAR data also show a small rise in inventory from June to September of 0.1 month.

Figure 19: **TRADITIONAL AND LENDER-MEDIATED CLOSED SALES AND MEDIAN SALE PRICE** – Metro area*



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Traditional sales	8,523	7,047	4,051	8,812	5,090
Lender-mediated sales	5,177	4,453	3,493	4,449	3,518
Traditional sales median price	$207,300	$195,000	$200,000	$205,000	$221,000
Lender-mediated median price	$125,000	$129,900	$125,100	$132,000	$123,000

Source: Minneapolis Area Association of Realtors (MAAR)

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

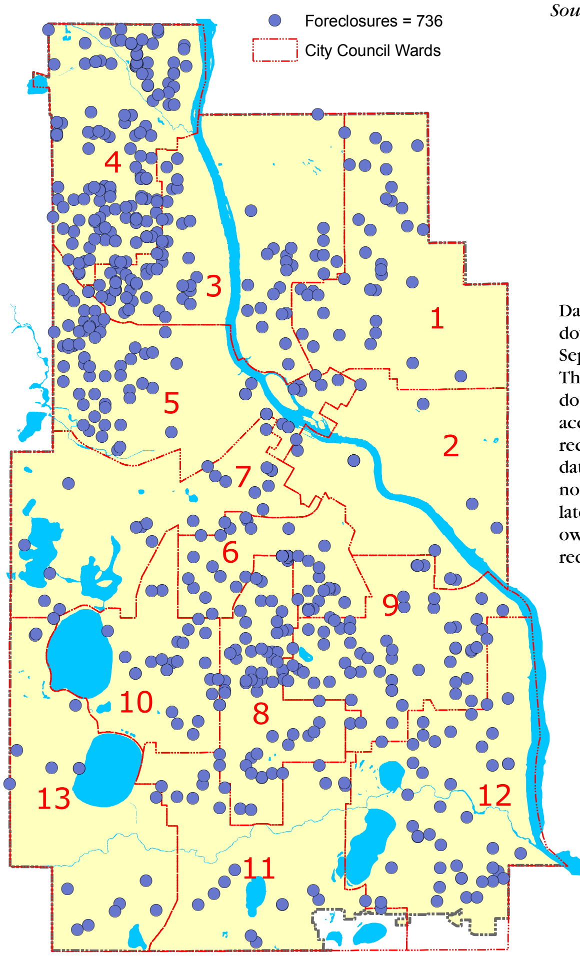
For metro area definition, see page 43

Foreclosures

This quarter 736 properties were sold at public auction. This was a 35 percent increase in the number of foreclosed properties from second quarter, and the first time since third quarter 2008 that this number is higher than 700. The number of foreclosures was also 24 percent higher than the same quarter last year. Ward 4, 5 and 9 accounted for 43 percent of the total foreclosures in the city.

MAP 5: PROPERTIES FORECLOSED – 3Q-010
by wards

Source: Hennepin County



Data on foreclosures downloaded as of September 2010. The table and map do not take into account foreclosures recorded after the data was compiled, nor any properties later redeemed by the owner in the 6 month redemption period

Table 8: **FORECLOSURE PROPERTIES –** Minneapolis
by ward

Ward	3Q-09		4Q-09		1Q-10		2Q-10		3Q-10	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1	42	7.1%	55	10%	43	7%	46	8%	45	6%
2	3	0.5%	3	1%	11	2%	11	2%	14	2%
3	58	9.8%	50	9%	47	8%	43	8%	49	7%
4	110	18.5%	115	21%	111	19%	107	20%	172	23%
5	97	16.3%	97	17%	95	17%	59	11%	86	12%
6	28	4.7%	17	3%	17	3%	39	7%	24	3%
7	12	2.0%	30	5%	37	6%	30	5%	32	4%
8	81	13.6%	61	11%	54	9%	73	13%	59	8%
9	58	9.8%	47	8%	56	10%	44	8%	135	18%
10	27	4.5%	14	3%	19	3%	15	3%	26	4%
11	23	3.9%	21	4%	22	4%	23	4%	28	4%
12	38	6.4%	28	5%	50	9%	40	7%	48	7%
13	17	2.9%	17	3%	13	2%	16	3%	18	2%
Total	**594**	**100.0%**	**555**	**100%**	**575**	**100%**	**546**	**100%**	**736**	**100%**

Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; f0or complete and current foreclosure listings, please see the Hennepin County Sheriff's website at http://www4.co.hennepin.mn.us/webforeclosure/.

Foreclosures

The volume of foreclosed property sales in Minneapolis increased from 546 in second quarter to 736 foreclosures this quarter, after steadily declining from a peak of 870 in second quarter 2008. This quarter is the highest quarterly total since fourth quarter 2008, and may reflect lenders catching up with their inventory of troubled loans.

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

Source: Hennepin County

Revised data for 2008

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city decreased 2 percent from second quarter, and was 9 percent lower than a year ago. Boarded and condemned buildings continued to make up the majority of the group but not for a large margin: now there is almost a 50-50 percent split. Their numbers have decreased for three quarters in a raw, in part because many have been demolished.

Buildings that were vacant but not condemned increased 6 percent from the previous quarter, and were up 12 percent from a year ago. These buildings had some code violations but no major problems.

These buildings are located mainly in the city's north and south-central areas. Approximately 68 percent of boarded and condemned buildings were located in North Minneapolis; most of these buildings will eventually be demolished. South Minneapolis accounted for 21 percent of these properties this quarter.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of September

Source: Minneapolis Regulatory Services

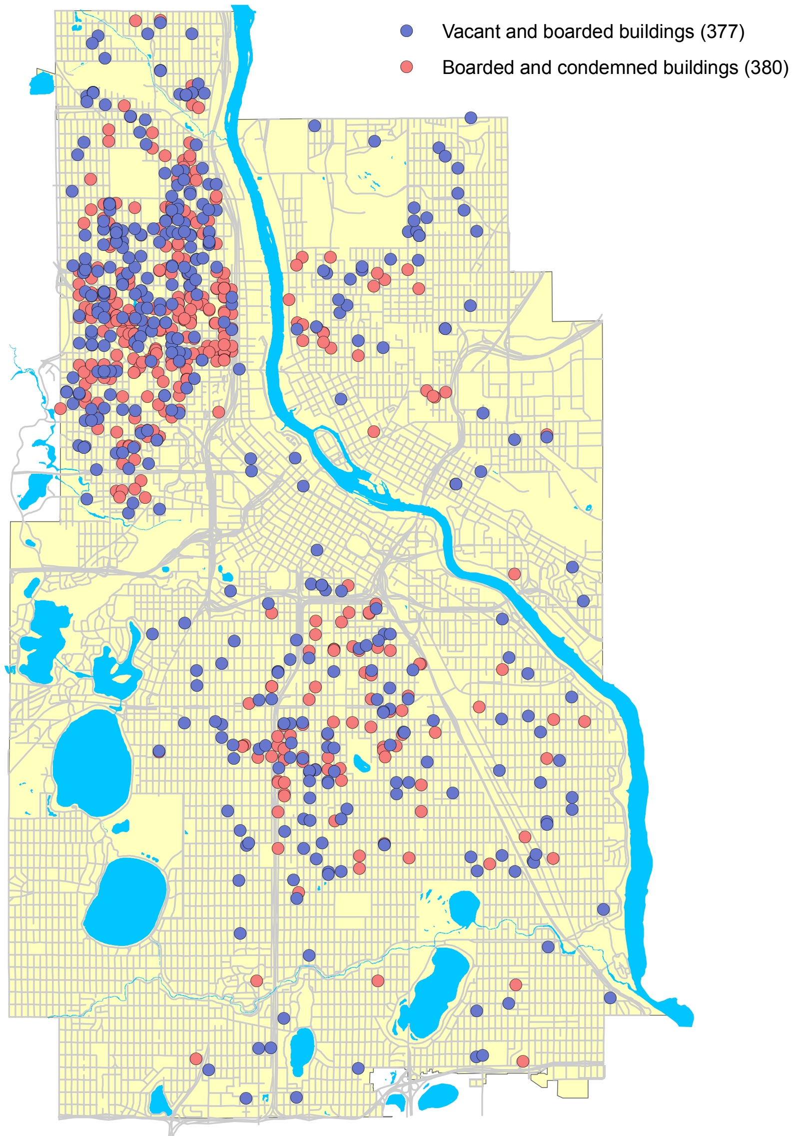


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis as of the end of quarter

	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Boarded and condemned buildings	495	495	456	419	380
Vacant but not condemned	338	354	372	357	377
Total	**833**	**849**	**828**	**776**	**757**

Source: Minneapolis Regulatory Services

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

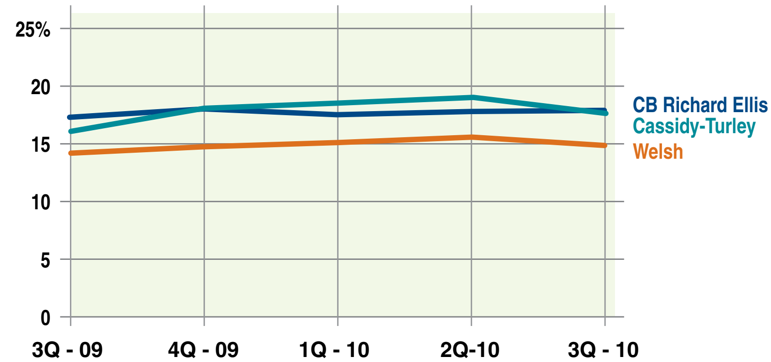
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) decreased this quarter according to two of three real estate firms. However, it was higher than last year, not taking into account subleases. When they are added, the total vacancy rate hovered between 16 and 19.5 percent, according to the above commercial real estate firms.

The average vacancy rate in the metro area was, like Minneapolis, higher than last year. Adding sub-leases brings the vacancy rate up to between 17 and 20 percent.

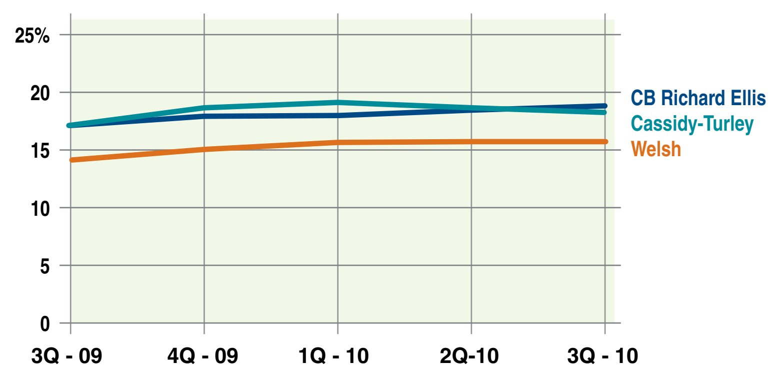
Figure 21: **OFFICE SPACE VACANCY RATE** – Minneapolis CBD
in percent



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
CB Richard Ellis	17.2%	17.7%	17.6%	17.8%	17.9%
Cassidy-Turley	16.0%	17.9%	18.4%	18.7%	17.8%
Welsh	14.2%	14.8%	15.1%	15.4%	14.9%

Sources: CB Richard Ellis, Cassidy-Turley(formerly Colliers), Welsh

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



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
CB Richard Ellis	17.2%	17.9%	17.9%	18.3%	18.8%
Cassidy -Turley	17.2%	18.6%	18.9%	18.6%	18.3%
Welsh	14.1%	15.0%	15.5%	15.6%	15.6%

Sources: CB Richard Ellis, Cassidy-Turley(formerly Colliers), Welsh

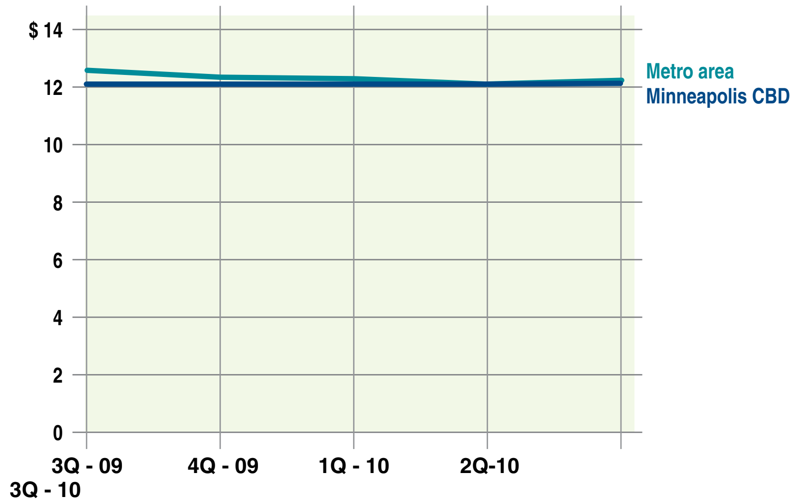
See explanation of sources on page 43

Office space

The average asking lease rate per square foot in the Minneapolis central business district (CBD) decreased this quarter, and was slightly lower than third quarter a year ago. In the metro area it increased $0.03 and was $0.47 lower than last year. Increasing vacant and shadow space continued to put downward pressure on prices.

This quarter the office market was almost stagnant, in part because the labor market continued to be weak with a high unemployment rate. Tenants were able to upgrade to spaces with more amenities because leasing prices were low and landlords were willing to give deals. This did not prevent increasing vacancy in existing buildings, though. With higher vacancies and no new construction taking place, occupied space decreased in the Minneapolis CBC and in the metro as well. The loss of occupied space however, was less than the previous quarter.

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

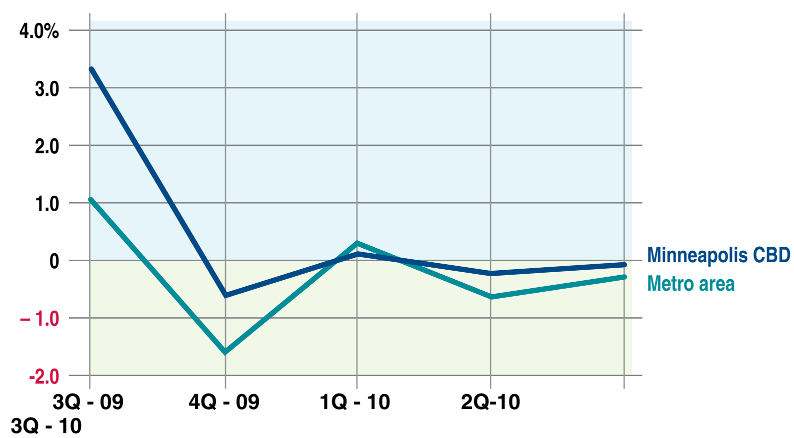


	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis CBD	$12.08	$12.06	$12.06	$12.10	$12.07
Metro area	$12.60	$12.24	$12.16	$12.10	$12.13

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-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis CBD	3.37%	-0.60%	0.12%	-0.24%	-0.12%
Metro area	1.14%	-1.42%	0.39%	-0.49%	-0.26%

Source: CB Richard Ellis

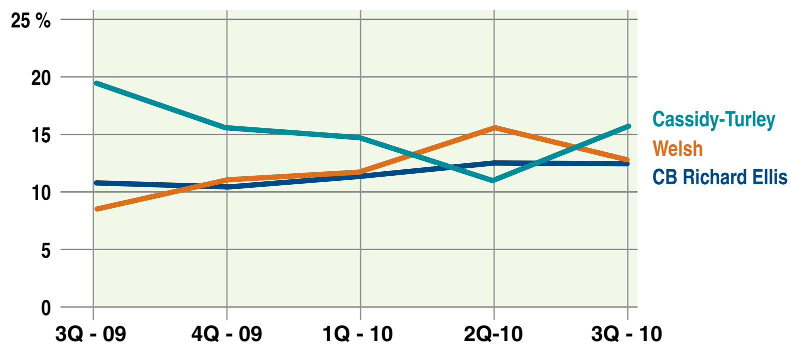
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD fluctuated between 12.5 and 15.7 percent according to the above commercial real estate firms. In the third quarter demand was still constrained by low consumer spending related to high unemployment. One restaurant, Wondourus Kitchen, opened in downtown Minneapolis.

The vacancy rate in the metro area was much higher than the same quarter last year, but well below that of the Minneapolis CBD. Eating places such as Chipotle and Jimmy John's, and cell phone companies were expanding.

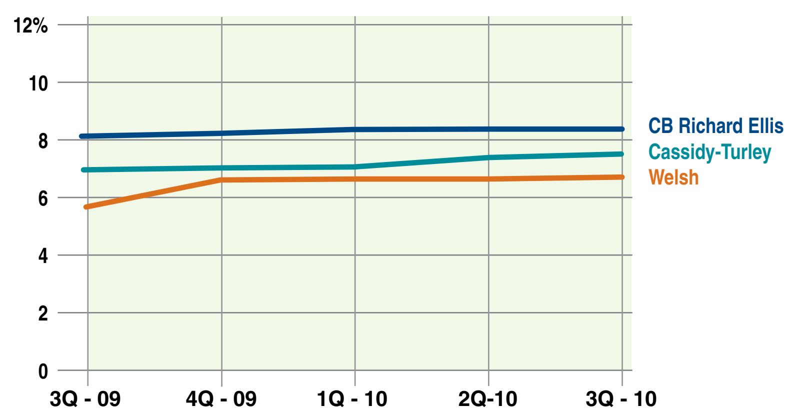
Figure 25: **RETAIL VACANCY RATE** – Minneapolis CBD
in percent



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
CB Richard Ellis	10.9%	10.5%	11.7%	12.3%	12.5%
Cassidy-Turley	19.4%	15.4%	14.8%	15.7%	15.7%
Welsh	8.4%	10.7%	11.9%	11.3%	12.8%

Sources: CB Richard Ellis, Cassidy-Turley (formerly Colliers), Welsh

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



Sources: CB Richard Ellis, Colliers, Welsh,

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

	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
CB Richard Ellis	8.1%	8.3%	8.7%	8.7%	8.7%
Cassidy-Turley	7.4%	7.5%	7.6%	8.1%	7.9%
Welsh	5.4%	7.4%	7.4%	7.5%	7.7%

Sources: CB Richard Ellis, Cassidy-Turley (formerly Colliers), Welsh

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

Retail space

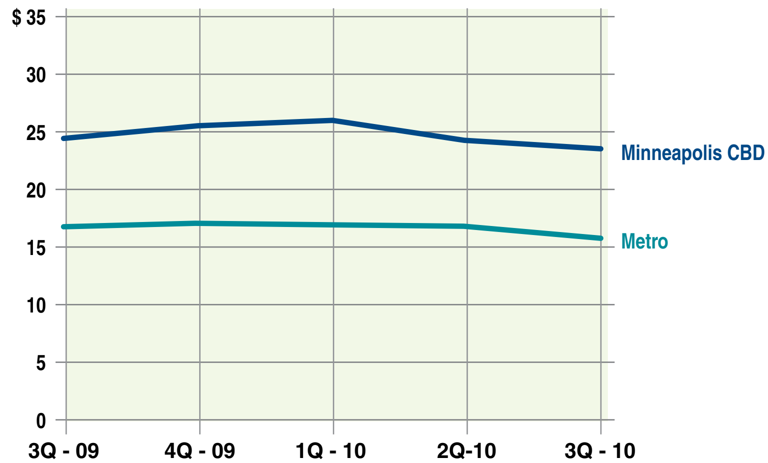
In Minneapolis central business district (CBD), the average asking lease price continued to decline. In third quarter it was about $0.71 lower than second quarter and $0.87 lower than last year.

The average asking lease price also decreased in the metropolitan area, and it was $0.25 lower than last year. In comparison, landlords were asking $6.8 more in the Minneapolis CBD than in the metro area.

Occupied retail space in the Minneapolis central business district (CBD) decreased by 0.2 percent, a smaller drop than last quarter and a year ago. Activity was flat as retailers, landlords, and tenants waited for an improvement in the economic climate.

In the rest of the metro area occupied retail space also decreased 0.2 percent, contrasting with the 4.3 percent expansion in the third quarter last year. With fewer leases and slow pace in new construction, large regional centers have in fact lost tenants, although eating places such as Little Caesars Pizza and Leann Chin are still opening.

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

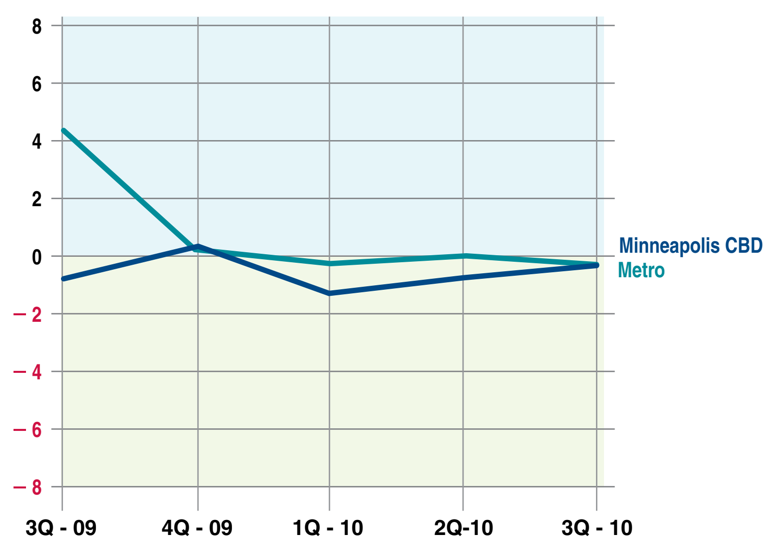


	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis CBD	$24.53	$25.54	$24.81	$24.37	$23.66
Metro area	$17.13	$17.35	$17.21	$17.15	$16.88

Source: CB Richard Ellis

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

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



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis CBD	-0.7%	0.4%	-1.3%	-0.7%	-0.2%
Metro area	4.3%	0.3%	-0.3%	0.0%	-0.2%

Source: CB Richard Ellis

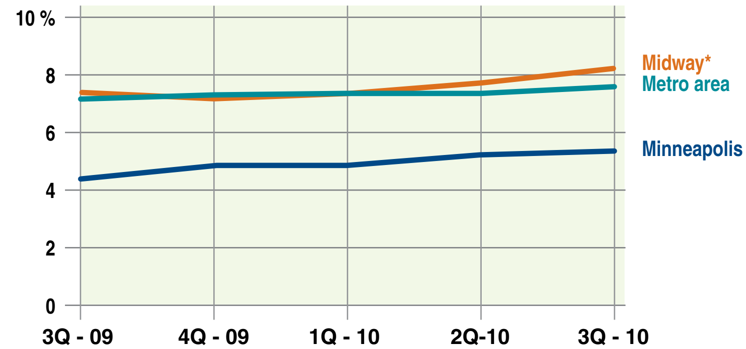
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space direct vacancy rate (not including sublease space) increased in the metro area as a whole, and in Minneapolis and Midway, from last quarter and from last year.

The average asking lease price for warehouse space slightly decreased in the metro area, and in Minneapolis industrial areas and Midway since last quarter. Asking lease prices were much lower in the metro area and Midway in comparison with third quarter last year, but it was higher in Minneapolis industrial areas.

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



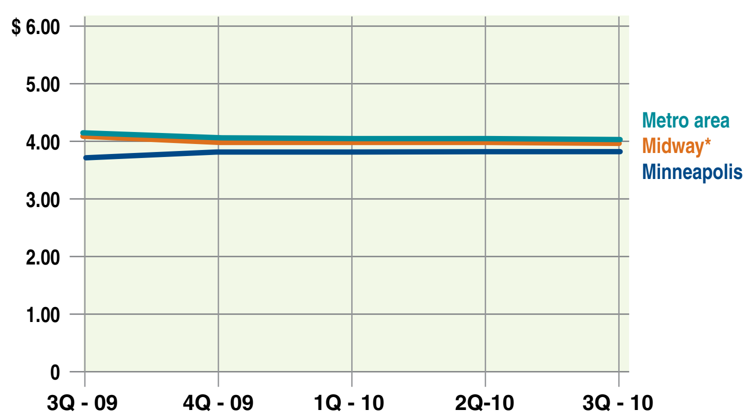
	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis	4.4%	4.9%	4.9%	5.3%	5.4%
Midway	7.4%	7.2%	7.4%	7.7%	8.2%
Metro area	7.1%	7.3%	7.4%	7.4%	7.6%

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.

* Midway industrial area includes parts of Northeast Minneapolis and Saint Paul.

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



	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis	$3.71	$3.83	$3.83	$3.82	$3.81
Midway	$4.07	$3.98	$3.99	$3.98	$3.97
Metro area	$4.13	$4.06	$4.04	$4.02	$4.01

Source: CB Richard Ellis

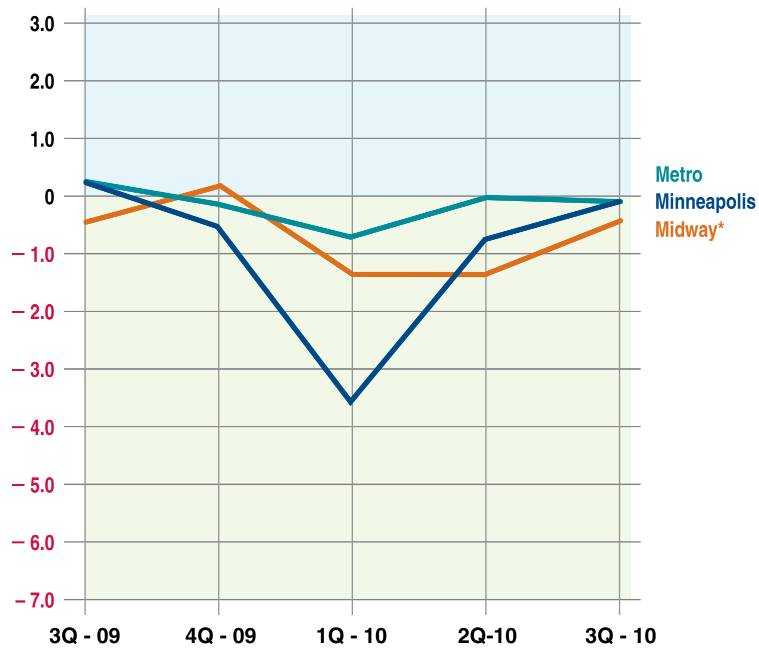
Includes all competitive industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

* Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space decreased in all three areas, declining the most in Midway. However, the declined was less steep than last quarter. A year ago only Midway showed decrease in occupied space. Firms were still shedding more space than they leased, but multi-tenant buildings were showing some progress, while tenants were looking for quality spaces.

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



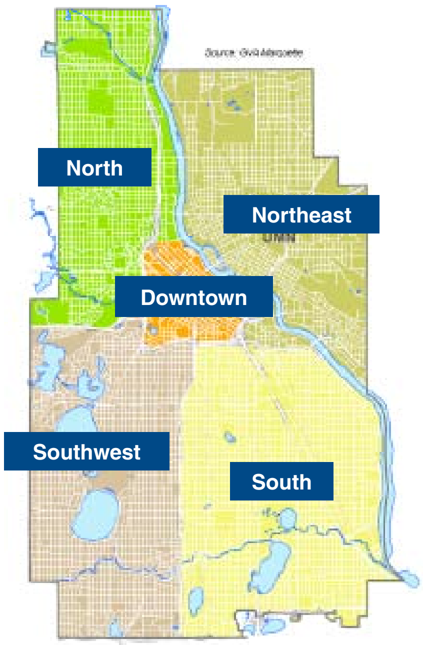
	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10
Minneapolis	0.3%	-0.5%	-3.5%	-0.7%	-0.1%
Midway	-0.4%	0.2%	-1.3%	-1.3%	-0.5%
Metro area	0.4%	-0.2%	-0.7%	-0.1%	-0.1%

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.

Definitions & sources



- **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, according to the map below.
- Note that we changed the Minneapolis sector names to reflect changes that GVA Marquette made at the City's request. South is now South-west; East is South, and NE, SE and UMN is Northeast. North remains North.
- **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 reported 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.
- MAAR makes a difference between **traditional sales and lender-mediated sales.** The first type includes all sales that are neither foreclosures nor short sales. These two define the lender-mediated sales.
- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sher-burne, 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 reported by the Hennepin County Sheriff to Hennepin County Taxpayer Services Department and later sent to City of Minneapolis CPED Research Division. Hennepin County's methodology is to count all foreclosure Sheriff's sales categories (mortgage, assessments, associations, executions and judgments). Data include only foreclosed properties in the City of Minneapolis that were sold at public option in the specified time period.

Definitions & sources

- **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, Minneapolis and Midway (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. Minneapolis Trends also shows office and retail vacancy rates reported by other major firm, Cassidy-Turley (formerly Colliers (http://www.cassidyturley.com/Research.aspx), and Welsh (http://www.welshco.com/News-and-Resources/Industry-Research-and-Resources.aspx).

- **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 (not including sublets and shadow space) from the rentable space available.

- Graphs 21 and 22 report direct office vacancy rates (do not count sublease space), and graphs 25 and 26 report total retail vacancy rates (including sublease vacant space.) Office and retail rates are reported this quarter by three different firms: CB Richard Ellis, Cassidy-Turley and Welsh. 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:** For the purpose of analyzing residential rent, text is based on 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 2009, dollars have been converted with an index of 0.9989, the result of the relation between the CPI for September 2010 (199.198) and the CPI for September 2009 (199.415). For the period from third quarter 2010 to second quarter 2010, the index is 0.9998, obtained by dividing 199.198 (September 2010) by 199.223 (June 2010.))

Minneapolis City of Lakes

Minneapolis **Community Planning & Economic Development**

Research

105 Fifth Ave. S. – Suite 210
Minneapolis, MN 55401

Project coordinator:

Cecilia Bolognesi, AICP
Principal Planner

Phone: 612-673-2495

e-mail: cecilia.bolognesi@ci.minneapolis.mn.us

Design and layout:

City of Minneapolis
Communications/Graphics

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