# Minneapolis Trends

*A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis*

fourth quarter 2009

## Highlights for the fourth quarter of 2009

| | 4Q-09 | 3Q-09 | 4Q-08 |
|---|---|---|---|
| Labor force | 215,605 residents | ↓ | ↓ |
| Residents employed | 200,818 | ↓ | ↓ |
| Unemployment rate | 6.9% | ↓ | ↑ |
| New residential permitted units | 367 units | ↑ | ↑ |
| Permitted residential conversions, remodels and additions | 147 buildings | ↑ | ↓ |
| Permitted non-residential conversions, remodels and additions | 84 buildings | ↓ | ↓ |
| Residential units demolished | 98 units | ↑ | ↓ |
| Rental vacancy rate | 7.2% | ↑ | ↑ |
| Average rent in inflation-adjusted dollars | $ 948 | ↑ | ↑ |
| Residential units sold | | | |
| Traditional | 888 units | ↓ | ↑ |
| Lender-mediated | 484 units | ↓ | ↓ |
| Median sale price of residential units | | | |
| Traditional | $ 193,500 | ↓ | ↓ |
| Lender-mediated | $ 75,000 | — | ↑ |
| Condemned and vacant buildings | 849 | ↑ | ↓ |
| Minneapolis CBD office vacancy rate | 17.7% | ↑ | ↑ |
| Minneapolis CBD retail vacancy rate | 10.5% | ↓ | ↑ |

## Highlights for the second quarter of 2009 – Jobs and Wages

| | 2Q-09 | 1Q-09 | 2Q-08 |
|---|---|---|---|
| Number of jobs | 281,736 employees | ↑ | ↓ |
| Wages in inflation-adjusted dollars | $ 1,064 | ↓ | ↑ |


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



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2009

# Minneapolis Trends

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## Contents

# Economic indicators

- The number of people working decreased slightly in both the city and across the metro area. The labor force however, decreased faster in both areas, resulting in a lower unemployment rate. The unemployment rate decreased to 6.9 percent from 7.8 percent this past quarter in the city and to 7 percent from 7.6 percent in the metro area.
- In the second quarter of 2009 there were nearly 282,000 jobs in Minneapolis, about the same as in the previous quarter and roughly 10,200 fewer (3.5 percent) than in the second quarter the previous year. During this same 12-month period however, the city lost jobs at a lower pace than the metro (4.7 percent) and state (3.6 percent.)
- Average wages for the second quarter of 2009 were 0.3 percent higher in inflation-adjusted dollars than a year before. Wages in the metro area decreased by 1.2 percent and by 0.3 percent in the state in inflation-adjusted dollars.

## Labor force

The number of city residents who were employed fell 0.1 percent in the fourth quarter. About 2,300 (1.1 percent) people dropped out of the labor force, resulting in the unemployment rate decreasing to 6.9 percent.

Even with a falling unemployment this quarter, the rate was still 1.3 percent higher than the same quarter last year. However, comparing the four quarters of 2009, the unemployment rate decreased and the number of employed city residents was higher in the fourth quarter than in the first quarter.

In the metro area similar trends were at work, but because the labor force did not decrease as fast as in Minneapolis, the unemployment rate was higher in the metro area than in the city. In the metro area the unemployment rate was lower than in the first quarter and employment tended to increase.

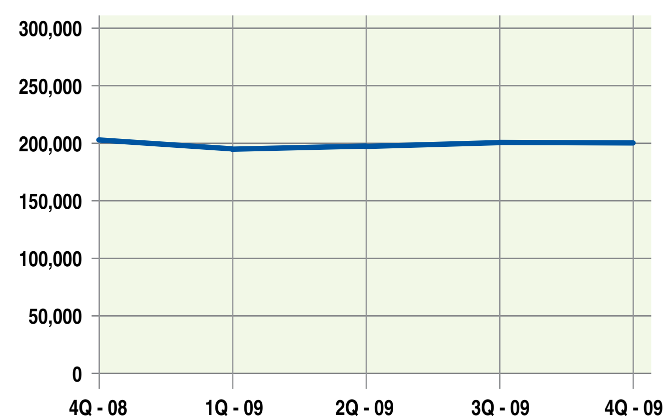
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| **Minneapolis** | | | | | |
| Labor Force | 215,696 | 210,465 | 214,400 | 217,908 | 215,605 |
| Employment | 203,623 | 195,430 | 198,122 | 201,012 | 200,818 |
| Unemployment rate | 5.6% | 7.1% | 7.6% | 7.8% | 6.9% |
| **Metro area** | | | | | |
| Labor Force | 1,609,610 | 1,580,189 | 1,603,372 | 1,623,110 | 1,611,037 |
| Employment | 1,519,437 | 1,458,302 | 1,478,385 | 1,499,957 | 1,498,511 |
| Unemployment rate | 5.6% | 7.7% | 7.8% | 7.6% | 7.0% |

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

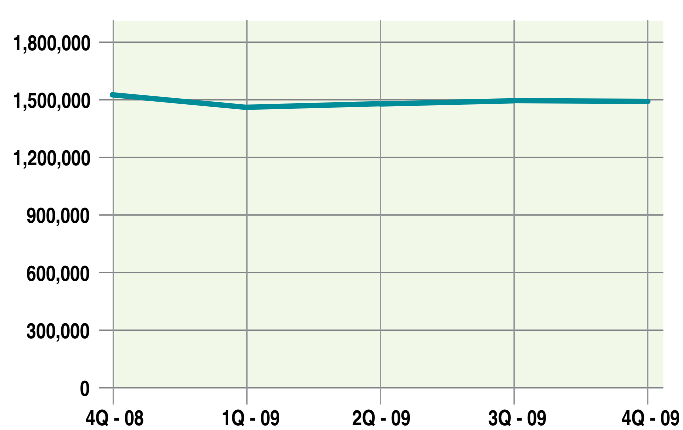
* For metro area definition, see page 14.

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]

| | 2Q-08 | 3Q-08 | 4Q-08 | 1Q-09 | 2Q-09 | % change 2Q-09-1Q-09 |
|---|---|---|---|---|---|---|
| **Total, All Industries[1]** | **291,919** | **291,923** | **291,686** | **281,478** | **281,736** | **0.1%** |
| Construction | 6,469 | 6,937 | 6,361 | 5,462 | 5,683 | 4.0% |
| Manufacturing | 16,745 | 16,626 | 16,206 | 15,217 | 14,449 | -5.0% |
| Utilities | 2,969 | 3,028 | 3,016 | 2,961 | 3,004 | 1.5% |
| Wholesale Trade | 9,531 | 9,396 | 9,113 | 8,785 | 8,684 | -1.1% |
| Retail Trade | 15,339 | 14,794 | 14,470 | 13,529 | 13,914 | 2.8% |
| Transportation and Warehousing | 7,765 | 7,695 | 7,946 | 7,657 | 7,545 | -1.5% |
| Information | 10,518 | 10,624 | 10,468 | 10,990 | 10,758 | -2.1% |
| Finance and Insurance | 27,260 | 27,441 | 27,417 | 27,241 | 26,845 | -1.5% |
| Real Estate and Rental and Leasing | 6,095 | 6,163 | 6,068 | 5,774 | 5,826 | 0.9% |
| Professional and Technical Services | 30,561 | 30,846 | 30,545 | 30,248 | 29,467 | -2.6% |
| Management of Companies and Enterprises | 17,254 | 17,489 | 17,438 | 16,602 | 16,274 | -2.0% |
| Administrative and Waste Services | 15,217 | 15,378 | 14,883 | 13,126 | 13,312 | 1.4% |
| Educational Services | 28,065 | 26,107 | 29,541 | 29,254 | 29,094 | -0.5% |
| Health Care and Social Assistance | 45,702 | 46,048 | 46,190 | 45,813 | 46,406 | 1.3% |
| Arts, Entertainment, and Recreation | 5,694 | 5,779 | 5,487 | 5,277 | 5,707 | 8.1% |
| Accommodation and Food Services | 23,759 | 24,158 | 23,666 | 21,939 | 22,802 | 3.9% |
| Other Services, Ex. Public Admin | 10,546 | 10,522 | 10,357 | 9,328 | 9,523 | 2.1% |
| Public Administration | 12,302 | 12,777 | 12,413 | 12,161 | 12,300 | 1.1% |

*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 increased 0.1 percent in second quarter 2009. In comparison with the same quarter the previous year the number of jobs decreased by 3.5 percent (10,183 jobs).

The second quarter of the year is the latest period for which city data from the quarterly census of employment and wages (QCEW) is available. The Bureau of Labor Statistics has reported that since second quarter, the rate of job losses has slowed down nationwide, but in December there was an uptick: more jobs were lost than in November.

### Quarter to quarter change- 1st quarter 2008 to 2nd quarter 2009

Ten sectors increased and eight decreased jobs. The largest job increases (between 900 and 400 **net** jobs gained) from first to second quarter took place in:

- **Accommodation and food services:** Most job gains were in restaurants and drinking establishments.
- **Health care and social assistance:** All subsectors except emergency services and child day care gained jobs, especially individual and family services and home health care services.
- **Arts, entertainment and recreation:** This sector increased jobs because of performing arts and sports promotion activity, and in lesser degree due to increases in the number of independent artists, writers and/or performers.
- **Retail:** It increased by nearly 400 net jobs, with very robust gains in building materials and garden supply store employment.

The largest job decreases (between 800 and 400 net jobs) were in:

- **Professional and technical services:** This sector lost almost 800 net jobs across the board in nearly all subsectors, and especially in architectural and engineering services, accounting and computer design and related services.
- **Manufacturing:** It lost close to 800 net jobs, a large part of them in printing and related support activities, machinery manufacturing and fabricated metal products. The only subsector growing in this period was food manufacturing.
- **Finance and insurance:** It decreased by almost 400 jobs mainly because losses in security and commodity investment activity.
- **Management of companies:** This sector shed more than 300 net jobs in headquarters and regional managing offices of corporations located in the city.

### 12 month change – 2nd quarter 2008 to 2nd quarter 2009

On a year to year basis most sectors lost jobs, except for a few.

**Sectors which gained net jobs:**

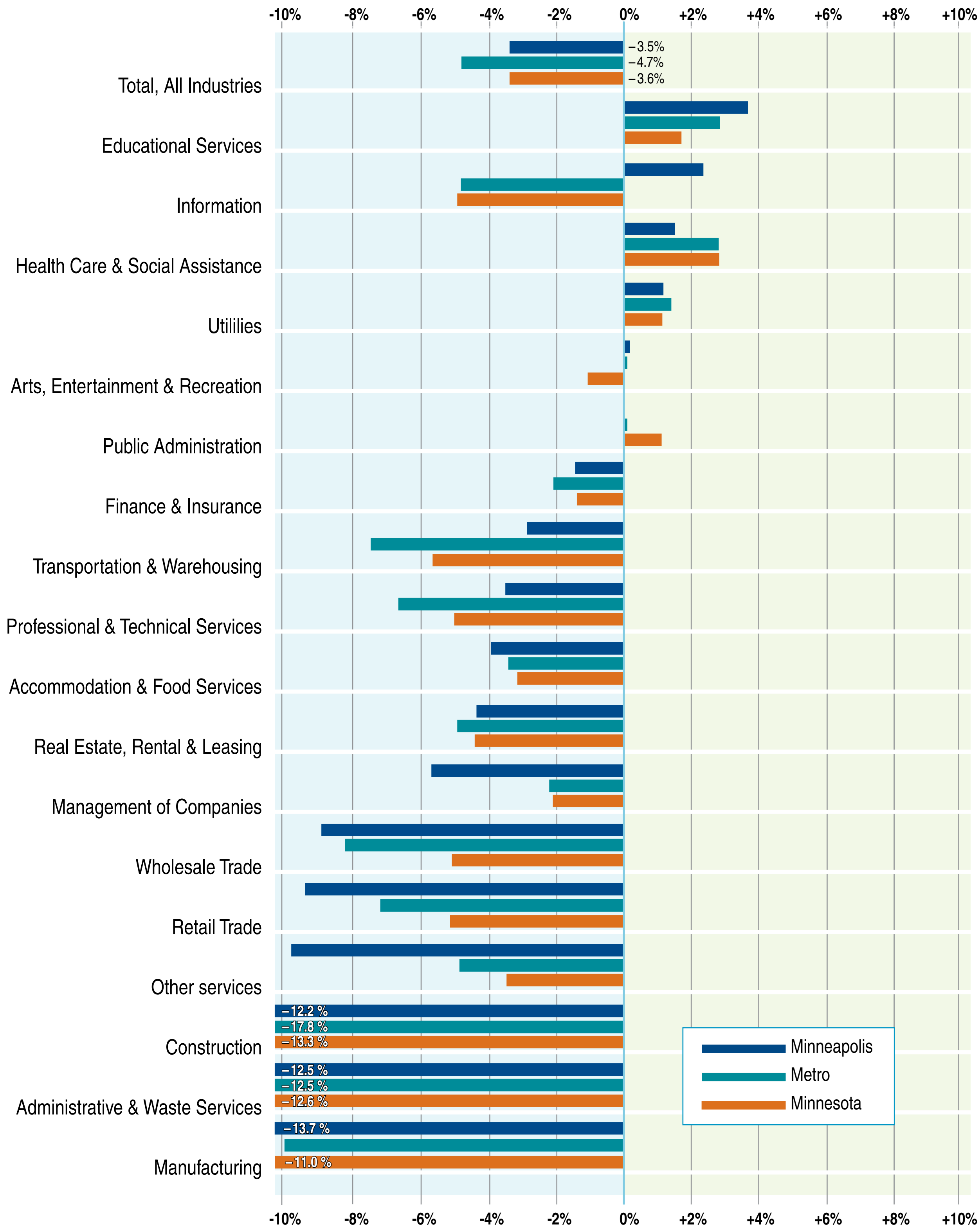
- **Educational services** gained more than **1,000 net jobs (3.7 percent growth),** mostly the result of increasing jobs in colleges and universities followed by elementary and secondary schools.
- **Health care and social assistance** gained more than **700 net jobs (1.5 percent growth)**. Half of these jobs were the result of growth in emergency and other relief services, which comprises establishments primarily engaged in providing food, shelter, clothing, medical relief, resettlement, and counseling to victims of domestic or international disasters or conflicts. Home health care and the offices of physicians made up the other half of the net growth observed in this sector.
- **Information** gained nearly **250 net jobs (2.3 percent growth)** because of increasing jobs in wired telecommunications. The rest of this sector continued to shed jobs.
- **Utilities (1.2 percent growth)** and **Arts, entertainment and recreation (0.2 percent growth)** added about 50 net jobs, mostly the result of increases in performing arts and sport promoters in the second sector.

**Sectors which lost about 1,000 net jobs or more:**

- **Manufacturing** lost almost 2,300 jobs **(14 percent)** in most activities. About half of the loss was in printing, fabricated metal products and furniture manufacturing.
- The **administrative and waste service** sector shed **1,900 jobs (12.5 percent.)** Losses were felt mainly in employment and business support services.
- **Retail trade** shed **1,400 jobs (9 percent)** over the twelve-month period due mostly to losses in department stores.
- **Professional and technical services** lost **1,100** jobs **(4 percent):** Losses were concentrated in architectural and engineering, legal services and advertising.
- **Other services i**ncluding repairs, personal care and private households lost **1,000 jobs (10 percent.)** Personal care services suffered the most.
- **Management of companies** lost nearly **1,000** jobs **(6 percent),** mainly in security companies and corporate or regional offices.

## Jobs

Figure 3: **JOBS** –2Q-08 to 2Q-09
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 3.5 percent, less than the 4.7 percent decrease in the metro area, and the 3.6 percent decrease posted statewide.

Of the few sectors posting growth this quarter, educational services at 4 percent grew faster in the city than in the metro area or the state.

There was a more than 2 percent growth in the city's information sector, which decreased in the metro area and statewide.

Health care and social assistance grew in all the three geographies but less in the city than in the metro or state. The city posted a small growth in arts, entertainment and recreation, a sector showing negative growth in the state.

The seven-county metro area lost the largest proportion of construction jobs (almost 18 percent), while the state lost more than 13 percent and the city decreased the proportion of construction jobs by more than 12 percent in the same period.

Manufacturing and Administrative and waste services were other struggling sectors. Manufacturing decreased by nearly 14 percent in Minneapolis. In comparison the sector decreased 11 percent in the state and 10 percent in the metro area. Administrative and waste services declined 12.5 percent in the city and metro and 13 percent in the state.

## Wages

The average weekly wage in Minneapolis in the second quarter of 2009 was $1,064, which was lower in nominal dollars than the previous year (0.7 percent). In *inflation-adjusted dollars** there was a gain of 0.3 percent because consumer prices were in check. The following sectors had higher wages (in *inflation-adjusted dollars*) than a year earlier:

- **Services (7 percent):** Personal, membership organizations and repair services increased their wages. Personal services increased their wages the most.
- **Information (5 percent):** Information wages increased the most because of rising wages of sound recording industries, data processing and wired telecommunication carriers.
- **Wholesale trade (3 percent):** This sector increases followed steep raises in wages for druggists wholesalers, and in lesser degree for farm products and lumber supply wholesalers.
- **Utilities (3 percent):** Wages for water supply and irrigation systems and for power generation and supply grew faster than the average wage for the utilities sector as a whole.
- **Professional and technical services (3 percent):** The growth in this sector responded to increasing wages in computer system design and advertising services, both of which grew faster than the sector as a whole.

* For conversion factors, see *page 14.*

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

| | 2Q-08 | 3Q-08 | 4Q-08 | 1Q-09 | 2Q-09 | % change 1Q to 2Q-09 |
|---|---|---|---|---|---|---|
| **Total, All Industries** | **$1,072** | **$1,085** | **$1,154** | **$1,161** | **$1,064** | **-8.4%** |
| Construction | 1,269 | 1,127 | 1,223 | 1,129 | 1,146 | 1.5% |
| Manufacturing | 1,036 | 1,042 | 1,184 | 1,125 | 1,011 | -10.1% |
| Utilities | 1,494 | 1,512 | 1,567 | 1,669 | 1,524 | -8.7% |
| Wholesale Trade | 1,165 | 1,163 | 1,310 | 1,190 | 1,191 | 0.1% |
| Retail Trade | 658 | 568 | 583 | 538 | 554 | 3.0% |
| Transportation and Warehousing | 936 | 844 | 964 | 865 | 937 | 8.3% |
| Information | 1,167 | 1,167 | 1,216 | 1,372 | 1,211 | -11.7% |
| Finance and Insurance | 1,599 | 1,661 | 1,718 | 2,225 | 1,553 | -30.2% |
| Real Estate and Rental and Leasing | 1,357 | 1,265 | 1,369 | 1,577 | 1,150 | -27.1% |
| Professional and Technical Services | 1,526 | 1,602 | 1,999 | 1,551 | 1,555 | 0.3% |
| Management of Companies and Enterprises | 1,751 | 1,553 | 1,626 | 1,692 | 1,772 | 4.7% |
| Administrative and Waste Services | 679 | 672 | 682 | 700 | 663 | -5.3% |
| Educational Services | 986 | 1,111 | 1,027 | 993 | 968 | -2.5% |
| Health Care and Social Assistance | 896 | 939 | 959 | 966 | 904 | -6.4% |
| Arts, Entertainment, and Recreation | 1,109 | 1,217 | 999 | 854 | 1,045 | 22.4% |
| Accommodation and Food Services | 348 | 364 | 365 | 346 | 346 | 0.0% |
| Other Services, Ex. Public Admin | 549 | 579 | 579 | 602 | 580 | -3.7% |
| Public Administration | 1,150 | 1,124 | 1,166 | 1,176 | 1,167 | -0.8% |

*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 wage decreases in *inflation-adjusted dollars* were:

- **Retail (15 percent):** general merchandise stores such as department stores decreased the most in terms of real wages. Building material and garden supply and furniture and home furnishing stores decreased real wages below the average for the whole sector.
- **Real estate (14 percent):** real estate leasing and general rental centers decreased real wages more than the average for the sector.
- **Construction (9 percent):** non-residential building construction, land subdivision and residential building construction decreased real wages more than the average for the whole sector.

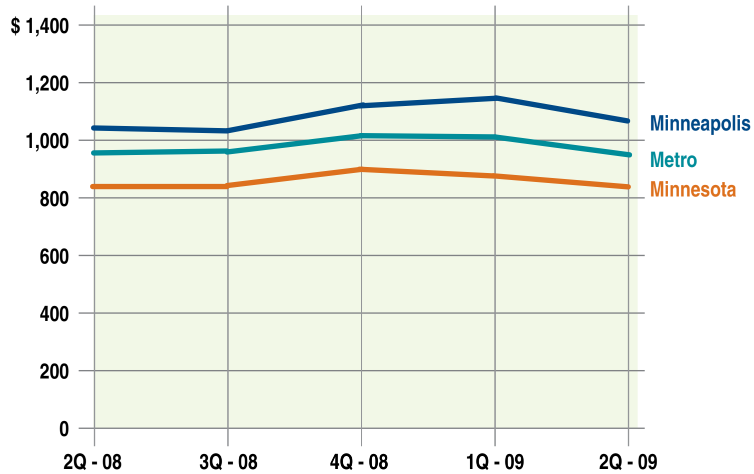
* For conversion factors, see *page 14.*

## Wages

In general, jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state. Second-quarter wages in Minneapolis increased just 0.3 percent in *inflation-adjusted dollars** from a year earlier. However, wages declined from the previous quarter. On a year to year basis, average wages declined in the metro area by 1.2 percent and in the state, by 0.3 percent in *inflation-adjusted dollars**. Wages decreased mainly because employers continued cutting work hours.

* For conversion factors, see page 14.

Figure 4: **AVERAGE WEEKLY WAGES** – 2Q-08 to 2Q-09
in inflation-adjusted dollars

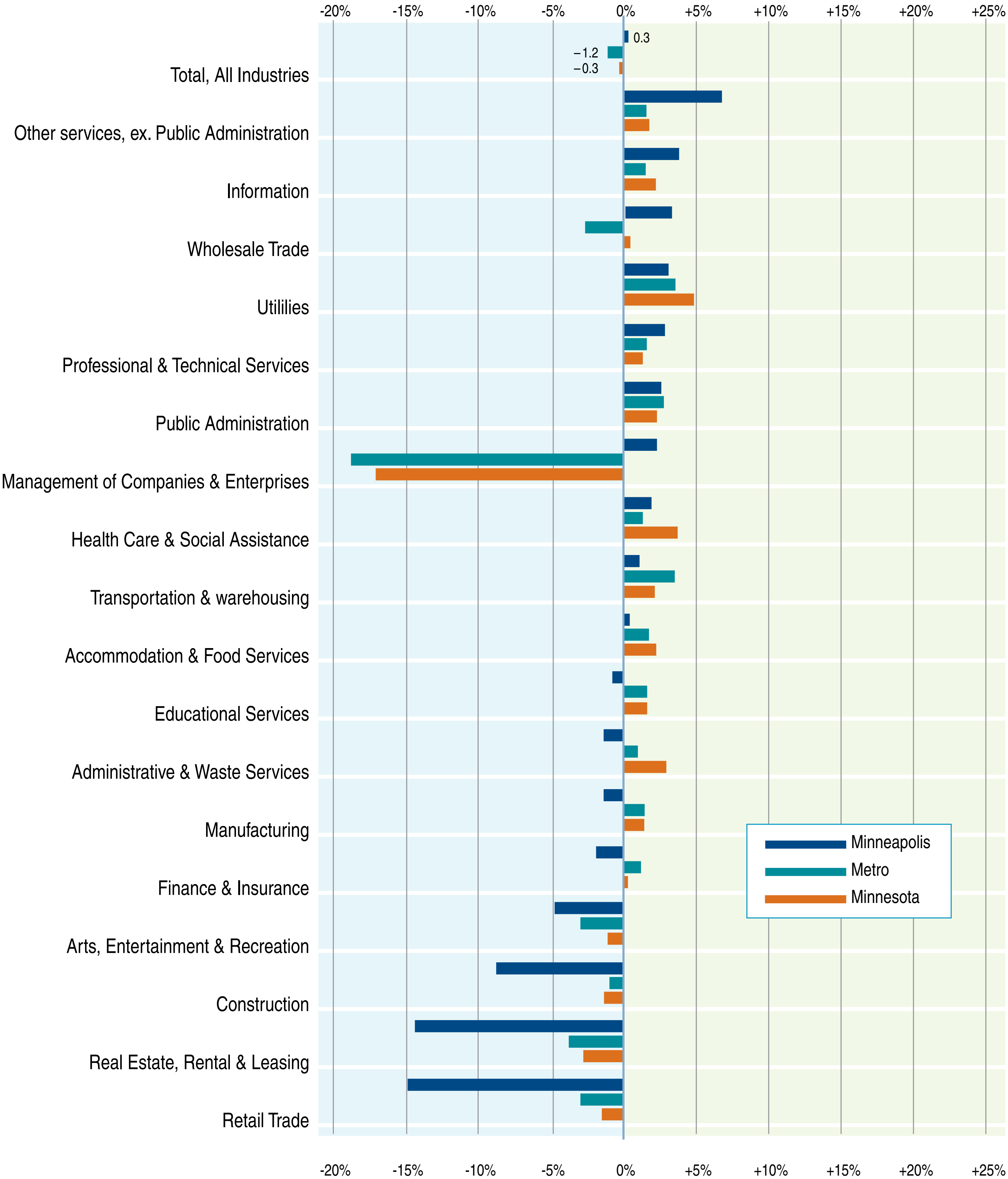



| | 2Q-08 | 3Q-08 | 4Q-08 | 1Q-09 | 2Q-09 | $ change 2Q-08 to -09 | % change 2Q-08 to -09 |
|---|---|---|---|---|---|---|---|
| Minneapolis | $ 1,061 | $ 1,067 | $ 1,135 | $ 1,161 | $ 1,064 | $ 3 | 0.3% |
| Metro area | 959 | 962 | 1,014 | 1,007 | 948 | (11) | -1.2% |
| Minnesota | 839 | 846 | 892 | 881 | 836 | (3) | -0.3% |

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

## Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 2Q-08 to 2Q-09
percent change in inflation-adjusted dollars




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

## Wages

The city increased real wages albeit very slowly, while inflation was kept in check. Ten sectors out of 18 increased real wages in Minneapolis in *inflation-adjusted dollars* from the second quarter of 2008 to the second quarter of 2009. Six sectors grew in all the three geographies in the same period. As per the graph above, the following sectors exhibited the highest percentage increase in average wages within the city, and in comparison with the metro and the state:

- **Management of company** real wages posted more than 2 percent growth in the city, but contracted about 17 percent in the metro and the state.
- **Services** (including personal services, membership organizations and repair) average weekly wages increased in Minneapolis more than in the metro or the state.
- The same trends occurred in **information and professional and technical services**

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

- **Retail** average real weekly wages decreased in the city by almost 15 percent, by 3 percent in the metro and by more than 1 percent in the state.
- **Real estate** wages also decreased in all geographic areas, but more in Minneapolis (over 14 percent) than in the metro (4 percent) or state (3 percent.)
- **Construction** wages decreased in Minneapolis nearly 9 percent, which is higher than the metro (1 percent) or the state (1.4 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 second quarter of 2009, dollars have been converted with an index reflecting the CPI for the first half of 2009 and first half of 2008, with 2009 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

- Permits for new construction of residential units soared in comparison to the sluggish activity registered in the first three quarters of the year. Four multifamily buildings were permitted in the last three months of the year. Also, two permits were issued for additions of more residential units to existing buildings.
- There were 21 percent more residential building remodels for projects costing $50,000 or more than the last quarter of 2008. The amount spent on residential remodeling increased 47 percent in the same period. On the other hand, non-residential remodels were 21 percent lower and the amount spent on them was 69 percent lower than the previous year.
- Sixteen commercial and residential projects costing at least $1 million were permitted this quarter, totaling $75.4 million. This was an 86 percent increase from last quarter. The largest single project was a 174- unit apartment building, the Mill District City Apartments on Portland Ave. The second largest project was the Schubert Theater rehabilitation in downtown Minneapolis.

## New construction

New residential permitted units this quarter increased to 367, an impressive improvement in comparison with 32 during the first three quarters of the year. In the metro area, the volume of units permitted increased 18 percent from last quarter, and by 50 percent compared to the same quarter of 2008.

Construction made a dramatic comeback in the city with the permitting of four multifamily buildings. In comparison, single-family construction remained at low pace adding only 7 new units this quarter.

A 175 unit apartment building (Mill District City Apartments) and a 30-unit apartment building (Creekside Commons) were permitted in October. Then in November, the City gave a permit to build Lowry Apartments, another residential building with 30 units, and in December a permit was issued for a new 125-unit new apartment building (Sydney Hall) in the university area.

Table 4: **NEW RESIDENTIAL UNITS PERMITTED**

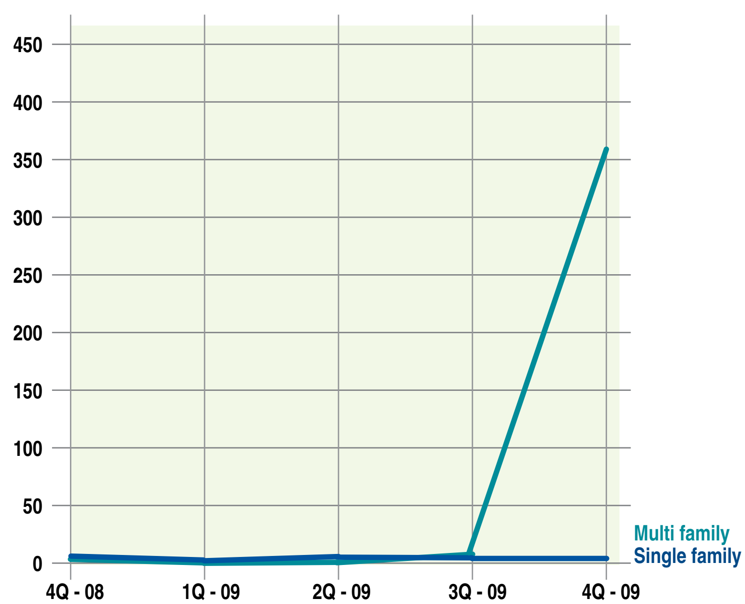
| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Single-family | | | | | |
| City | 7 | 5 | 8 | 9** | 7 |
| Metro area | 703 | 381 | 798 | 978 | 897 |
| Multifamily | | | | | |
| City | 5 | 0 | 0 | 10 | 360 |
| Metro area | 218 | 225 | 69 | 162 | 452 |
| Total Units | | | | | |
| City | 12 | 5 | 8 | 19 | 367 |
| Metro area* | 921 | 606 | 867 | 1,140 | 1,349 |

*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 undereported 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

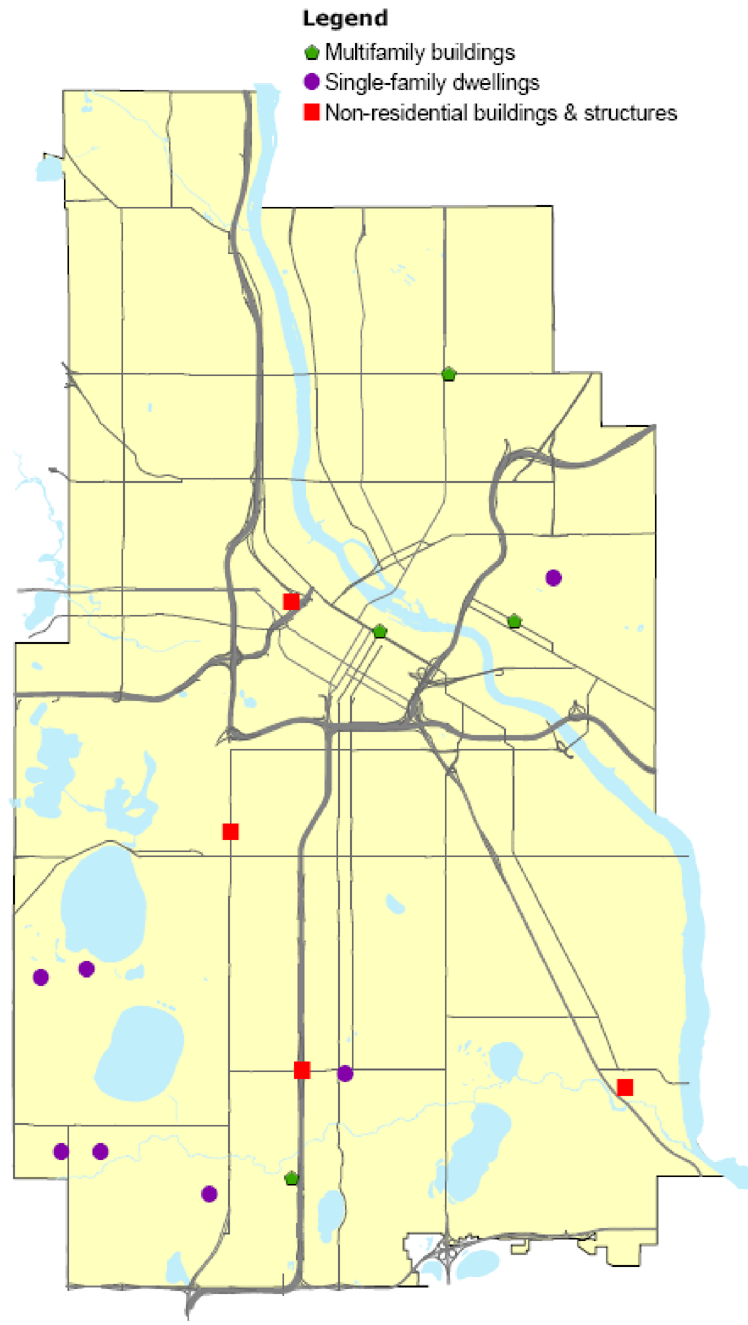
As mentioned, 4 multifamily buildings were permitted this quarter totaling 360 units, one in downtown on Portland Ave, another in northeast Minneapolis on Lowry Ave, the third on 54th St E in the Tangletown neighborhood and the fourth on 4th St SE near UMN campus.

Single-family homes continued to be built in the southwestern quadrant of the city.

Of the four new non-residential buildings permitted this quarter, the largest two were transportation-related structures: a new skyway between the Twin Cities Ballpark and a parking facility, and the Kingfield transit station. A bank, Trustone Financial, and a dairy were the other two new buildings.

Map 1: **NEW CONSTRUCTION** – 4Q-09

*Source: Minneapolis Regulatory Services*



## Cost of residential construction

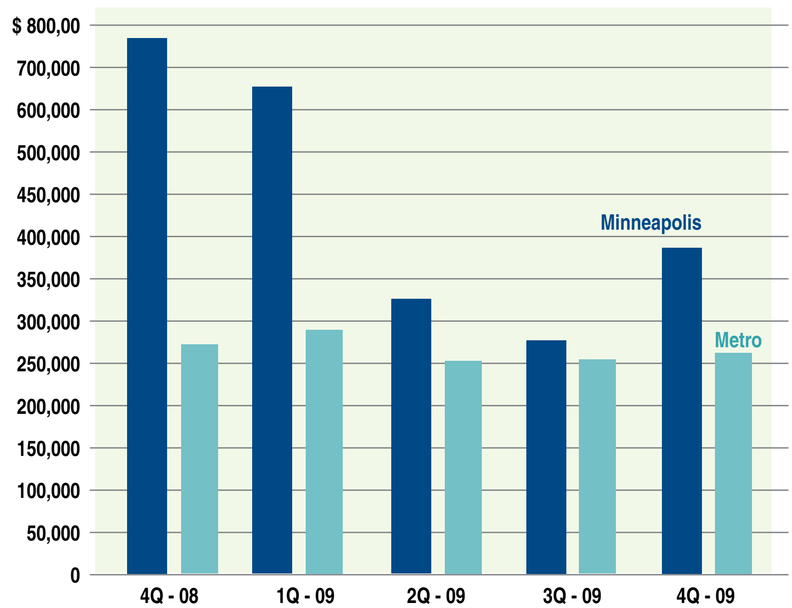
In Minneapolis the average construction cost for single-family homes permitted this quarter was 50 percent lower than a year ago, decreasing from $770,702 to $382,081. This decrease reflected a return to a more typical price structure compared to the higher-end homes built earlier this year.

The average construction cost for single-family homes in the metropolitan area was about 4 percent lower than a year ago but about 3 percent higher than last quarter.

The average construction cost for a single-family home in the metro area was 67 percent of the average cost for a single-family home in Minneapolis where fewer homes were built at a higher cost.

**With** the high number of apartment units being build this quarter, the cost per unit decreased by 20 percent from last quarter and by 25 percent from the last quarter of 2008. The metro area's average construction cost per unit was similar to Minneapolis.

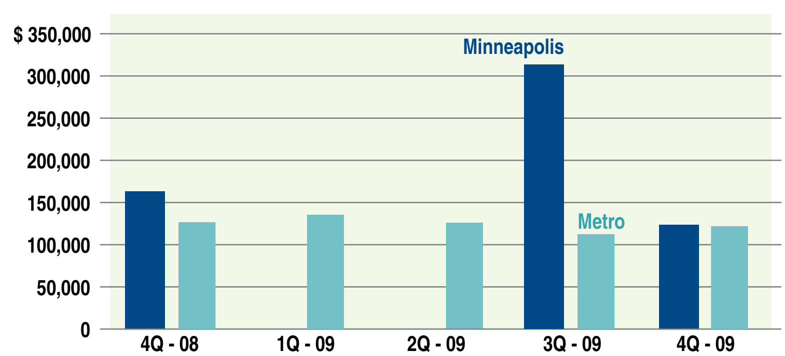
Figure 7: **SINGLE-FAMILY CONSTRUCTION COST**
per unit




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis | $ 770,702 | $ 658,973 | $ 322,580 | $ 275,013 | $ 382,081 |
| Metro area | 268,324 | 281,418 | 251,849 | 250,505 | 257,554 |

Table values are not adjusted for inflation

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




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis | $ 159,890 | $ 0 | $ 0 | $ 150,000* | $ 120,172 |
| Metro area | 135,841 | 138,808 | 135,541 | 79,652 | 118,197 |

** Minneapolis Regulatory Services*

Values in table are not adjusted for inflation

## Conversions, remodels & additions

Although fewer **residential** remodeling, conversion and addition projects were permitted this quarter, the total value was 49 percent higher than the previous quarter. Remodeling activity this quarter included the addition of 61 units to two Alliance Apartments buildings. In the twelve-month period, the number of remodeling projects was 21.5 percent higher than 4th quarter the previous year and the projects' projected cost was 47 percent higher.

Permitting for **non residential** construction was slower than last quarter, but the work's projected cost at $44.9, was 50 percent higher. However, permitting activity was 21.5 percent lower and its projected cost was 69 percent below that of fourth quarter 2008. Non-residential permitting activity reflected the effect of the economic downturn in commercial real estate, which has been increasing vacant space at a fast pace.

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

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| **Total Residential**[1] | | | | | |
| Number of buildings | 121 | 97 | 149 | 161 | 147 |
| Total value | $ 18,712,614 | $ 14,044,631 | $ 17,425,076 | $ 18,462,483 | $ 27,430,349 |
| **Remodels** | | | | | |
| Number of buildings | 119 | 94 | 142 | 157 | 138 |
| Value | $ 18,597,494 | $ 18,597,494 | $ 13,686,881 | $ 16,825,399 | $ 17,975,418 |
| **Conversions and additions** [2] | | | | | |
| Number of buildings | 2 | 3 | 7 | 4 | 9 |
| Net number of units | 0 | -1 | -6 | 5 | 71 |
| Value | $ 115,120 | $ 357,750 | $ 599,677 | $ 487,065 | $ 9,300,771 |
| **Total non-residential** [1] | | | | | |
| Number of buildings [3] | 107 | 60 | 89 | 99 | 84 |
| Value | $ 156,548,055 | $ 56,399,582 | $ 103,826,776 | $ 32,928,808 | $ 49,227,969 |

*Source: 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.

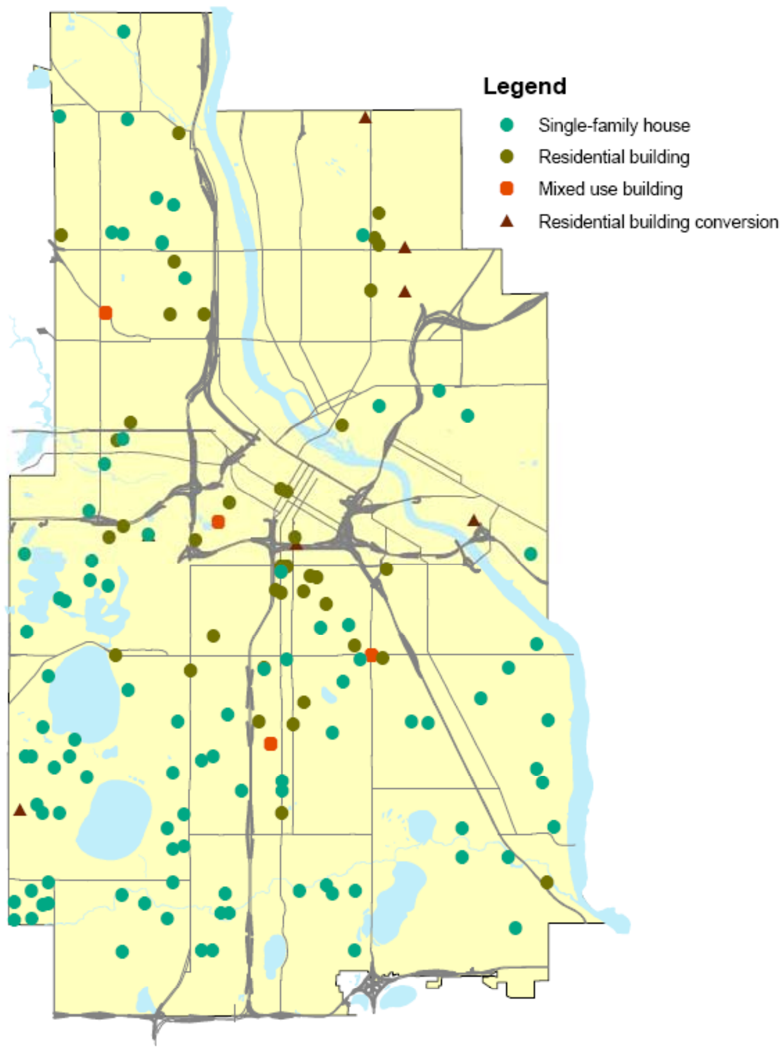
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

## Conversions, remodels & additions

About 64 percent of all residential construction permits were issued for remodeling and improvement of single-family dwellings. Five duplexes were converted into single-family houses, and a four-unit building was converted into a duplex. A building with 2 units was renovated and converted into 10 dwelling units. There were also additions to existing buildings. On 16 St E, 51 apartment units were planned to be added, and a new 4th floor with 19 units was permitted to be added to an apartment building on Pleasant Ave.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 4Q-09
projects $50,000 +

*Source: Minneapolis Regulatory Services*

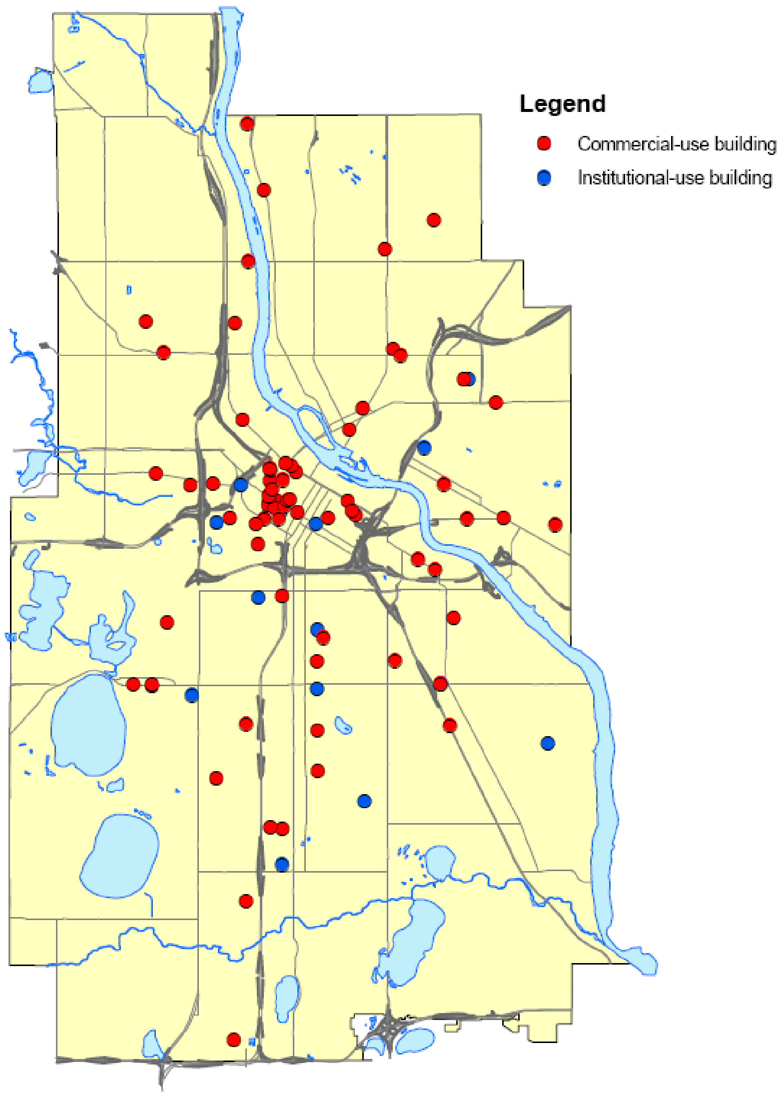


## Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations tends to occur primarily in the downtown core. This quarter downtown had 39 percent of all permit/projects. Permits for renovation of non-residential buildings included commercial, institutional and parking facilities improvements and build-outs and change of uses. One of the most important projects to be permitted this quarter is the renovation of the Schubert Theater on Hennepin Avenue in Downtown Minneapolis. Some renovations were intended for a change of use. For example, this quarter the city issued a permit to convert a nursing home on 4th Ave S into a school.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 4Q-09
projects $50,000 +

*Source: Minneapolis Regulatory Services*



## Major construction projects

The following list shows major projects permitted in Minneapolis in the third quarter of 2008. The listed amount only reflects projected construction cost (not including soft cost) for permits issued that quarter. The highest cost project was the Mill District City Apartments followed by the Schubert Theater rehabilitation.

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

| | Address | Neighborhood | Ward | Projected cost |
|---|---|---|---|---|
| Mill District City Apartments: New 175 apartment units and retail | 225 Portland Ave | Downtown W | 7 | $ 19,700,000 |
| Schubert Theater rehab | 516 Hennepin Ave | Downtown W | 7 | 18,199,442 |
| New skybridge between ballpark and parking structure* | 353 5th St N | N. Loop | 7 | 7,568,433 |
| Alliance Apartments Building A: 51 units addition | 719 16th St E | Elliot Park | 7 | 5,536,323 |
| Creekside Commons: New 30-unit apartment building | 115 54th St E | Tangletown | 11 | 5,006,760 |
| Lowry Apartments: New 30-units building | 951 Lowry Ave NE | Audubon Park | 1 | 4,111,815 |
| Minneapolis Convention Center: building re-roof * | 1301 2nd Ave S | Loring Park | 7 | 3,208,426 |
| Kingfield BRT Station: New two-level transit station | 175 46th St E | Kingfield | 8 | 1,662,208 |
| LA Fitness build out* | 3001 Hennepin Ave | CARAG | 10 | 1,615,161 |
| Alliance Apartments Building B: Building conversion from 2 dwellings to 10 | 730 17th St E | Elliot Park | 7 | 1,491,800 |
| Delisi's Building remodeling | 2119 West Broadway | Willard Hay | 5 | 1,449,949 |
| Northern States Power: Riverside plant office remodel* | 3100 Marshall St NE | Marshall Terrace | 1 | 1,199,250 |
| Trustone Financial: New bank building | 2817 Lyndale Ave S | Whittier | 6 | 1,198,525 |
| MPHA: Apartment building remodel | 2419 5th Ave S | Phillips West | 6 | 1,189,849 |
| Gale Mansion: Interior remodel | 2115 Stevens Ave | Whittier | 6 | 1,187,601 |
| Sydney Hall: 125-unit new apartment building | 1500 4th St SE | UMN | 2 | 1,025,000 |

* Includes more than one permit at one address

## Demolitions

Permits for residential demolitions increased by more than 50 percent this quarter from the third quarter, but the number was not as high as in the last quarter of the previous year.

Residential demolitions this quarter included about 41 single-family homes, 23 duplexes, a triplex, and two buildings with 4 units each. At least two houses were moved out of the city.

About half of the residential structures permitted for demolition this quarter were in North Minneapolis. Two non-residential structures were also slated for demolition in the same area: a metal processing facility on Emerson Ave N and a commercial warehouse on 7th St N. In North Minneapolis, a large number of residential structures are located in the Jordan and Hawthorne neighborhoods, areas undergoing redevelopment.

Non-residential demolition permits included demolitions of five commercial and industrial buildings, including the two structures mentioned above.

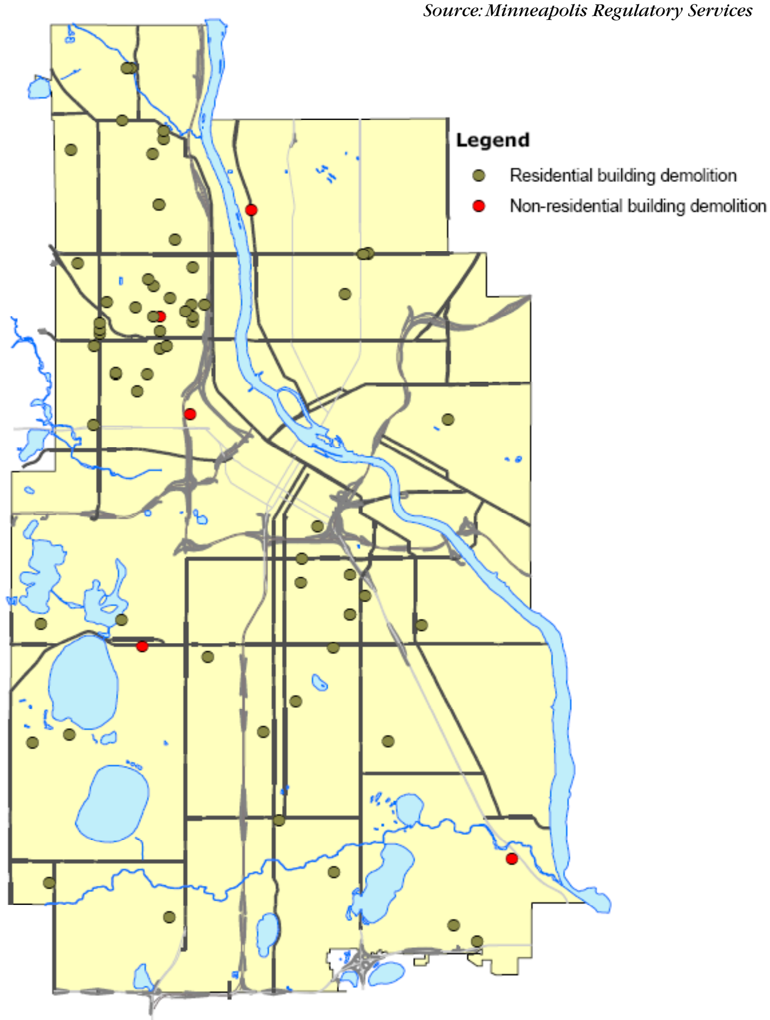
Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis
in units


| Quarter | Units |
|---|---|
| 4Q-08 | 161 |
| 1Q-09 | 42 |
| 2Q-09 | 66 |
| 3Q-09 | 64 |
| 4Q-09 | 98 |

*Source: Minneapolis Regulatory Services*

Map 4: **DEMOLITIONS** – 4Q-09

*Source: 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.

  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 temporary housing for health-care purposes.

**Non-residential use:** means all buildings that do not have a residential component. Also includes structures such as communica-tions 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

- The average apartment vacancy rate in Minneapolis increased from 6.5 to 7.2 percent. Average rents increased to $948 from $900 in *inflation-adjusted dollars* the previous quarter, an increase of 5 percent.
- The number of housing units sold decreased 23 percent from last quarter but was 13 percent higher than a year ago. The volume of traditional sales decreased 23 percent from a year ago, and median sale prices were l6 percent lower. Prices for lender-mediated sales were 26 percent higher than the previous year.
- The number of condemned, boarded, and vacant buildings in the city was 849, an increase of 2 percent from the previous quarter and a decrease of 2 percent from the fourth quarter of 2008.
- Office vacancy rate in the Minneapolis central business district (CBD), increased this quarter to 17.7 percent. The rate was much higher than the 12.5 percent the fourth quarter of 2008. Retail vacancies were 10.5 percent, slightly lower this quarter than the previous.

## Residential vacancy rates & average apartment rents

The Minneapolis vacancy rate for multifamily rental housing was 7.2 percent, an increase from 6.5 percent last quarter. The vacancy rate has increased steadily since the fourth quarter the previous year.

The vacancy rate was 3 percent higher than the previous year. The conditions of last quarter continued into this quarter: unemployment was still high and jobs were scarce. As a result, people were not moving as frequently and some were sharing the cost of renting with others.

In the metro area, the vacancy rate increased to 7.3 percent from 6.4 percent last quarter, and was 2.4 percent higher than a year ago.

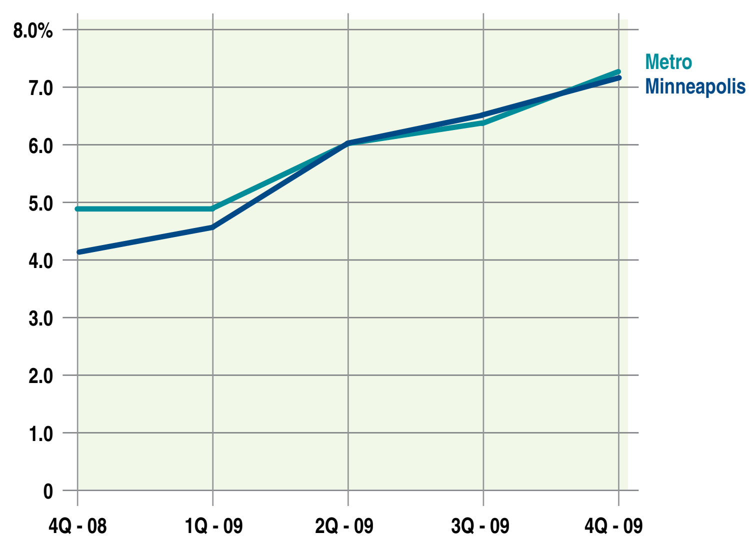
Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| **Minneapolis** | | | | | |
| Units surveyed | 15,621 | 15,874 | 16,126 | 15,013 | 13,196 |
| Vacant units | 661 | 738 | 961 | 974 | 946 |
| Average rent | $ 914 | $ 916 | $ 943 | $ 908 | $ 948 |
| Vacancy rate | 4.2% | 4.6% | 6.0% | 6.5% | 7.2% |
| **Metro area** | | | | | |
| Units surveyed | 119,435 | 116,939 | 118,208 | 111,314 | 110,173 |
| Vacant units | 5,805 | 5,714 | 7,077 | 7,178 | 7,991 |
| Average rent | $ 906 | $ 908 | $ 904 | $ 908 | $ 909 |
| Vacancy rate | 4.9% | 4.9% | 6.0% | 6.4% | 7.3% |

*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

## Residential vacancy rates & average apartment rent

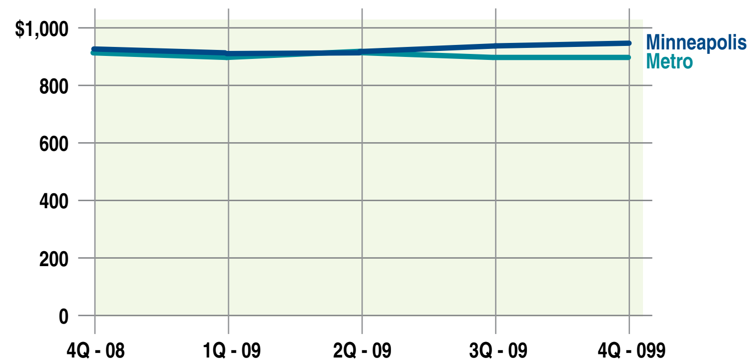
In Minneapolis the average rent was $948, $48 higher in *inflation-adjusted dollars** than last quarter, and $36* higher than a year ago. In the metro area average rent was $909, an increase of $9 from last quarter and an increase of $5 from the fourth quarter 2008 in *inflation-adjusted dollars**.

Rents in *inflation-adjusted dollars* which had been lagging, increased this quarter in the city and in the metro area as well. Rents increased despite high vacancy rates and a weak labor market which normally tends to depress demand.

Except in East (previously labeled UMN, SE and NE) and North Minneapolis, vacancy rates were higher than 3rd quarter and the same quarter the previous year. Downtown reached nearly 10 percent vacancy rate, only surpassed by South Minneapolis.

* For conversion factors, see page 44.

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



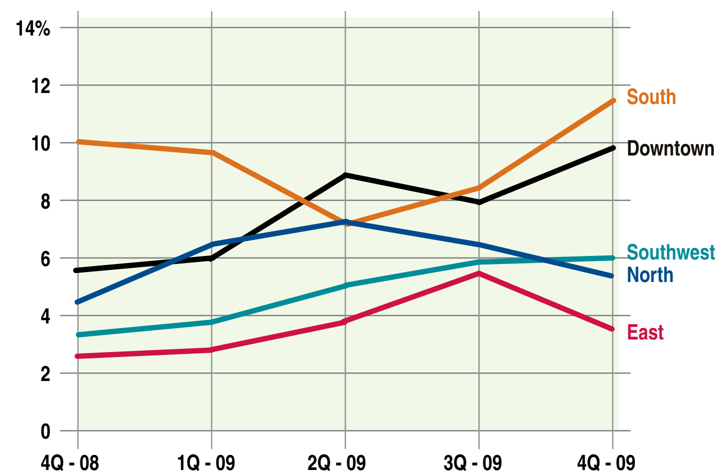

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis | $ 914 | $ 916 | $ 943 | $ 908 | $ 948 |
| | (912) | (909) | (932) | (900) | (948) |
| Metro area | 906 | 908 | 904 | 908 | 909 |
| | (904) | (901) | (893) | (900) | (909) |

*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

Rents in inflation-adjusted dollars are in parenthesis

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




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Downtown | 5.6% | 6.0% | 8.9% | 7.9% | 9.8% |
| Southwest | 3.5% | 3.8% | 5.0% | 5.9% | 6.0% |
| North | 4.4% | 6.4% | 7.2% | 6.4% | 5.6% |
| South | 10.0% | 9.4% | 7.1% | 8.3% | 11.6% |
| East | 2.5% | 2.7% | 3.8% | 5.6% | 3.6% |

*Source: GVA Marquette Advisors*

Recorded data for the last month of the quarter

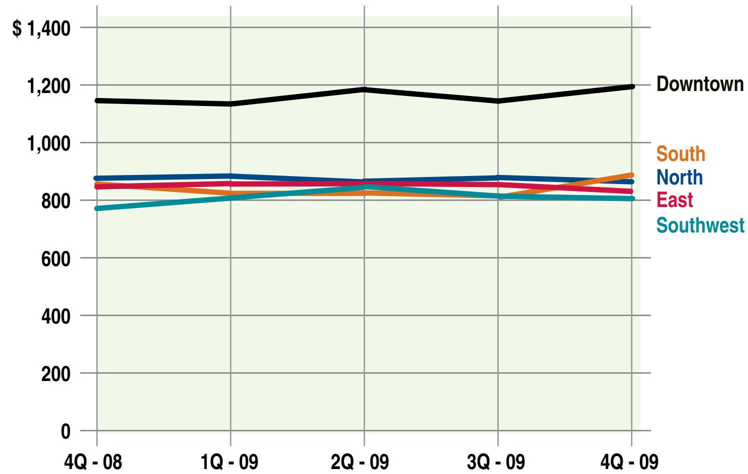
* For sector definitions, see page 42.

## Residential vacancy rates & average apartment rent

This quarter average rents in *inflation-adjusted dollars* increased in all parts of the city except in East Minneapolis (see new sector definitions on page 42) They increased the most in South Minneapolis where they went up $73 (9 percent), followed by Downtown where they increased $57 (5 percent) from third quarter in *inflation-adjusted dollars**. In comparison with fourth quarter the previous year rents were higher $43 on average (4 percent) in Downtown followed by Southwest Minneapolis ($34 or 4 percent)*.

* For conversion factors, see page 44.

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




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-08 | 4Q-08 |
|---|---|---|---|---|---|
| Downtown | $ 1,157 ($ 1,154) | $ 1,144 ($ 1,135) | $ 1,19 ($ 1,178) | $ 1,150 ($ 1,140) | $ 1,197 |
| Southwest | 783 (781) | 807 (801) | 848 (838) | 815 (808) | 815 |
| North | 877 (875) | 891 (884) | 877 (867) | 862 (855) | 857 |
| South | 866 (864) | 837 (830) | 839 (829) | 824 (817) | 890 |
| East | 857 (855) | 850 (843) | 863 (853) | 859 (852) | 839 |

*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.
Rents in inflation-adjusted dollars are in parenthesis.
* For sector definition, see page 42.

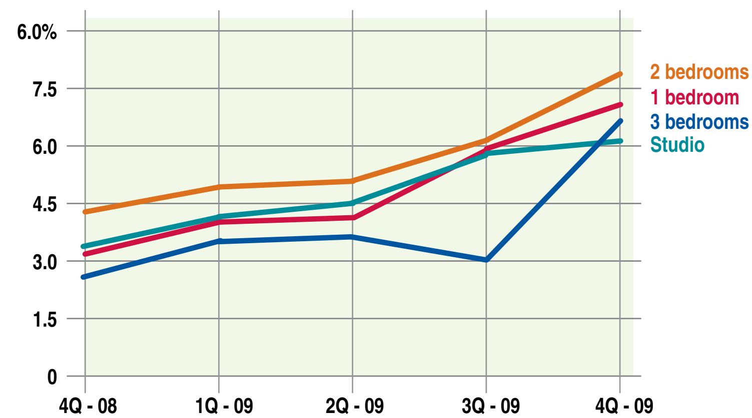
## Residential vacancy rates & average apartment rent

Vacancy rates for all apartment types increased in comparison with third quarter, except two-bedroom units which were stable at nearly 8 percent. All apartment types increased their vacancy rates in comparison with fourth quarter 2008. One and three-bedroom units increased faster than the total city rate. The lowest rate this quarter (6.2 percent) was for studio apartments. The largest vacancy rate was for two-bedroom units at 7.9 percent. More than 50 percent of the apartments surveyed in the city have only one bedroom.

Average rent increased this quarter in *inflation-adjusted dollars* for all apartment types. Average rent for one-bedroom units increased 7 percent from last quarter. In comparison with the same quarter a year ago, rents for the largest units increased 0.3 percent, the lowest increase of any type.

* For conversion factors, see *page 44.*

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

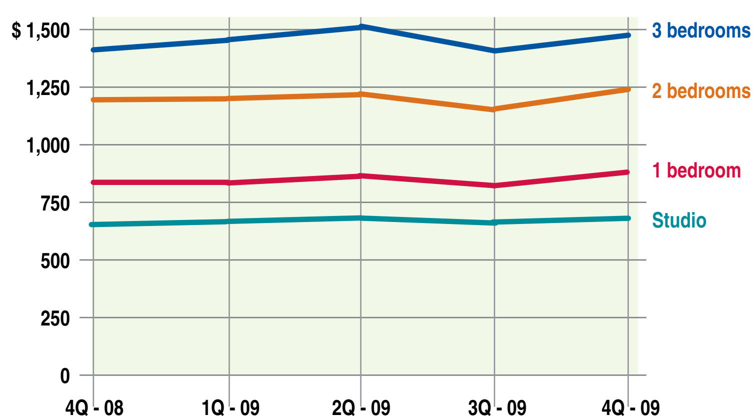



| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Studio | 4.1% | 4.5% | 5.6% | 5.4% | 6.2% |
| One bedroom | 3.9% | 4.0% | 5.9% | 6.0% | 7.0% |
| Two bedrooms | 5.0% | 5.2% | 6.2% | 7.9% | 7.9% |
| Three bedrooms | 3.6% | 3.7% | 3.0% | 6.2% | 6.8% |

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




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Studio | $ 640 ($ 638) | $ 645 ($ 640) | $ 669 ($ 661) | $ 663 ($ 658) | $ 673 |
| One bedroom | 841 (839) | 840 (833) | 868 (858) | 831 (824) | 882 |
| Two bedrooms | 1,193 (1,190) | 1,207 (1,197) | 1,223 (1,209) | 1,192 (1,182) | 1,249 |
| Three bedrooms | 1,471 (1,467) | 1,468 (1,456) | 1,501 (1,484) | 1,401 (1,389) | 1,471 |

*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

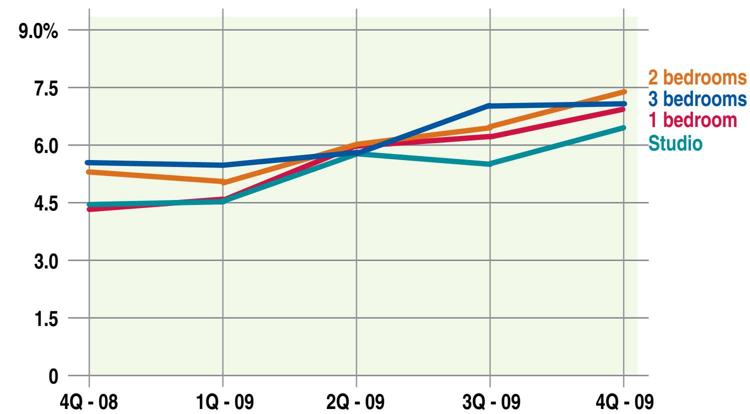
Rents in inflation-adjusted dollars are in parenthesis.

## Residential vacancy rates & average apartment rent

Average vacancy rates for all apartment types increased in comparison with third quarter and fourth quarter the previous year. Except for two-bedroom units, average vacancy rates were below the 7.3 percent metro-wide average. The largest and smallest units had a higher vacancy rate in the metro area than in the city.

This quarter average rent in *inflation-adjusted dollars* increased for all unit types from last quarter and from the previous year. Over the past year, rents increased the most for studio apartments.

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

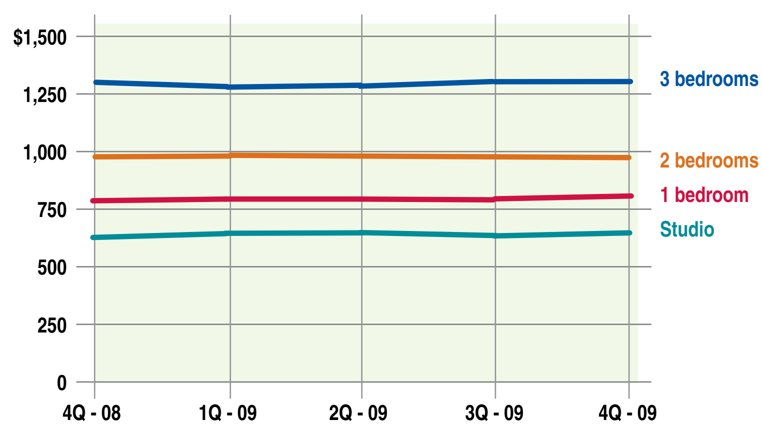



| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Studio | 4.4% | 4.5% | 5.7% | 5.5% | 6.5% |
| One bedroom | 4.3% | 4.5% | 5.9% | 6.2% | 6.9% |
| Two bedrooms | 5.3% | 5.0% | 6.0% | 6.5% | 7.4% |
| Three bedrooms | 5.5% | 5.3% | 5.7% | 6.9% | 7.0% |

*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
in current dollars




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Studio | $649 ($647) | $656 ($651) | $667 ($659) | $664 ($658) | $671 |
| One-bedroom | 788 (786) | 791 (785) | 787 (778) | $788 (781) | 795 |
| Two-bedrooms | 982 (979) | 985 (977) | 980 (969) | 983 (975) | 980 |
| Three- bedrooms | 1,271 (1,268) | 1,264 (1,254) | 1,260 (1,245) | 1,274 (1,263) | 1,274 |

*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

Rents in inflation-adjusted dollars are in parenthesis.

* For conversion factors, see page 44.

## Residential sales

**In Minneapolis**

The number of traditional housing sales decreased this quarter 23 percent after increasing steadily since the second quarter; however, this category of sales were still 46 percent higher than the fourth quarter of the previous year. Lender-mediated sales also dropped by 22 percent and were 20 percent lower than the same quarter in 2008.

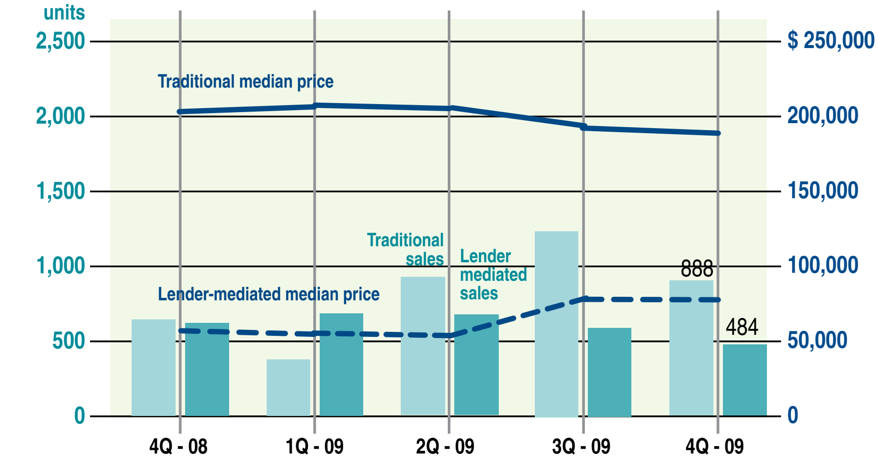
For traditional sales, prices were 1 percent lower than last quarter, and were slightly lower than the metro area. Traditional sale prices were 6 percent lower than the fourth quarter of 2008. Sale prices for lender-mediated sales remained stable, but were 26 percent higher than the fourth quarter of 2008.

**In the Metro area**

The number of traditional sales decreased 17.5 percent from last quarter, while lender-mediated sales decreased by 14 percent. Traditional sales were 52 percent higher than the fourth quarter of 2008, and lender-mediated sales were about 13 percent higher. Sale prices for traditional units increased about 1 percent from last quarter, but were 11 percent lower than last year. Lender-mediated prices were about 4 percent higher than the previous quarter but more than 10 percent lower than the fourth quarter of 2008.

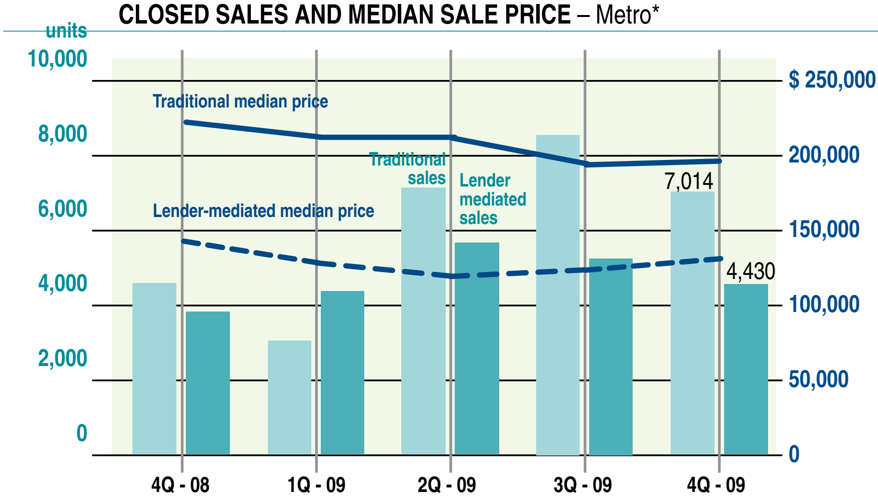
The total number of housing units sold and their median sale prices in the fourth quarter reflected changes in the market for both traditional and lender-mediated sales. Total units sales dropped 23 percent in Minneapolis and 16 percent in the metro area from last quarter. However, the number of units sold was still much higher than last year. The median sale price in Minneapolis was 10 percent higher than in the same quarter last year, but it was 5 percent lower in the metro area.

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




*Source: Minneapolis Area Association of Realtors (MAAR)*

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




*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 42

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

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| **Minneapolis** | | | | | |
| Units | 1,212 | 1,075 | 1,653 | 1,777 | 1,372 |
| Median sale price | $ 137,750 | $ 110,000 | $ 156,750 | $ 164,040 | $ 152,000 |
| **Metro area** | | | | | |
| Units | 8,544 | 7,283 | 12,600 | 13,649 | 11,444 |
| Median sale price | $ 176,000 | $ 154,900 | $ 167,500 | $ 173,750 | $ 168,000 |

*Source: Minneapolis Area Association of Realtors (MAAR)*

Numbers include only single-family detached units, attached units and condominiums. They include all sales (traditional and lender-mediated).

Note that numbers for previous quarters have been revised upward by MAAR.

* 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 44.

Not adjusted for inflation

## Foreclosures

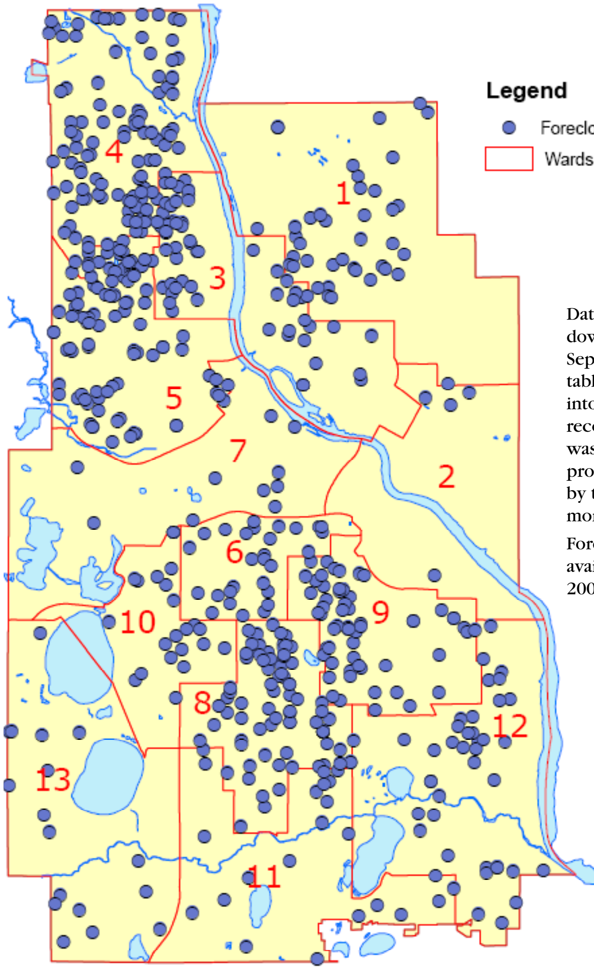
**Data for 4th quarter 2009 is not yet available.**

After declining steadily from 3Q-08, there was a 12 percent increase in the number of foreclosed properties from second quarter 2009. However, on a twelve-month basis, foreclosed property numbers were 24 percent lower than a year ago. This quarter 594 properties were sold at public auction. Ward 4 accounted for 18.5 percent of the total foreclosures in the city. And wards 3, 5, 8 and 9 combined had 50 percent of the total number of foreclosure sales.

The volume of foreclosed property sales in Minneapolis increased again from a low of 532 in 2Q-09 to 594 foreclosures this quarter, after declining from a peak of 870 in 2Q-08.

**MAP 5: PROPERTIES FORECLOSED** – 3Q-09
by wards

*Source: Hennepin County.*




Data on foreclosures downloaded as of September 2009. 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.

Foreclosures (data is not available for 4th quarter 2009)

Table 9: **FORECLOSURE PROPERTIES** – Minneapolis
by wards

| Ward | 3Q-08 Number | 3Q-08 Percent | 4Q-08 Number | 4Q-08 Percent | 1Q-09 Number | 1Q-09 Percent | 2Q-09 Number | 2Q-09 Percent | 3Q-09 Number | 3Q-09 Percent |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 63 | 8.0% | 54 | 8.8% | 47 | 8.5% | 50 | 9.4% | 42 | 7.1% |
| 2 | 9 | 1.1% | 8 | 1.3% | 3 | 0.5% | 3 | 0.6% | 3 | 0.5% |
| 3 | 85 | 10.9% | 55 | 8.9% | 54 | 9.7% | 50 | 9.4% | 58 | 9.8% |
| 4 | 175 | 22.3% | 103 | 16.7% | 122 | 22.0% | 105 | 19.7% | 110 | 18.5% |
| 5 | 118 | 15.1% | 107 | 17.4% | 93 | 16.8% | 81 | 15.2% | 97 | 16.3% |
| 6 | 19 | 2.4% | 19 | 3.1% | 34 | 6.1% | 22 | 4.1% | 28 | 4.7% |
| 7 | 19 | 2.4% | 14 | 2.3% | 18 | 3.2% | 24 | 4.5% | 12 | 2.0% |
| 8 | 88 | 11.2% | 94 | 15.3% | 63 | 11.4% | 62 | 11.7% | 81 | 13.6% |
| 9 | 87 | 11.1% | 71 | 11.5% | 47 | 8.5% | 48 | 9.0% | 58 | 9.8% |
| 10 | 29 | 3.7% | 19 | 3.1% | 18 | 3.2% | 19 | 3.6% | 27 | 4.5% |
| 11 | 27 | 3.4% | 18 | 2.9% | 20 | 3.6% | 18 | 3.4% | 23 | 3.9% |
| 12 | 48 | 6.1% | 36 | 5.8% | 27 | 4.9% | 34 | 6.4% | 38 | 6.4% |
| 13 | 16 | 2.0% | 18 | 2.9% | 8 | 1.4% | 16 | 3.0% | 17 | 2.9% |
| **Total** | **783** | **100.0%** | **616** | **100.0%** | **554** | **100.0%** | **532** | **100.0%** | **594** | **100.0%** |

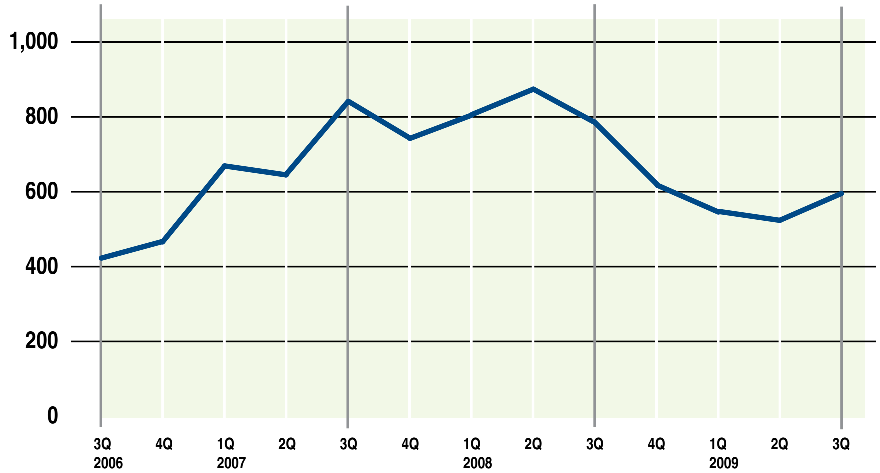
*Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; f0or complete and current foreclosure listings, please see the Hennepin County Sheriff's website at* http://www4.co.hennepin.mn.us/webforeclosure/.

Data for 2008 have been revised.

## Foreclosures

The volume of foreclosed property sales in Minneapolis increased again from a low of 532 in 2Q-09 to 594 foreclosures this quarter, after declining from a peak of 870 in 2Q-08.

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




Revised data for 2008

## Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city increased 2 percent from third quarter, and it was 2 percent lower than a year ago. Boarded and condemned buildings continued to make up the majority of the group but were stable from last quarter. Buildings that were vacant but not condemned increased 5 percent from the previous quarter. These buildings had some code violations but no major problems. Vacant buildings were 5 percent more than the previous year.

These buildings are located mainly in the city's north and south-central areas. Sixty two percent of boarded and condemned buildings are located in North Minneapolis; most of these buildings will eventually be demolished. The locations for the two property categories, boarded and condemned and vacant, follow similar patterns as the foreclosures shown in the map on Page 45, suggesting that many properties were both foreclosed and vacant. Map 4 also shows location patterns of demolitions in the city where about half of the demolitions permitted this quarter will take place in North Minneapolis.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – at end of 4th quarter

*Source: Minneapolis Regulatory Services*

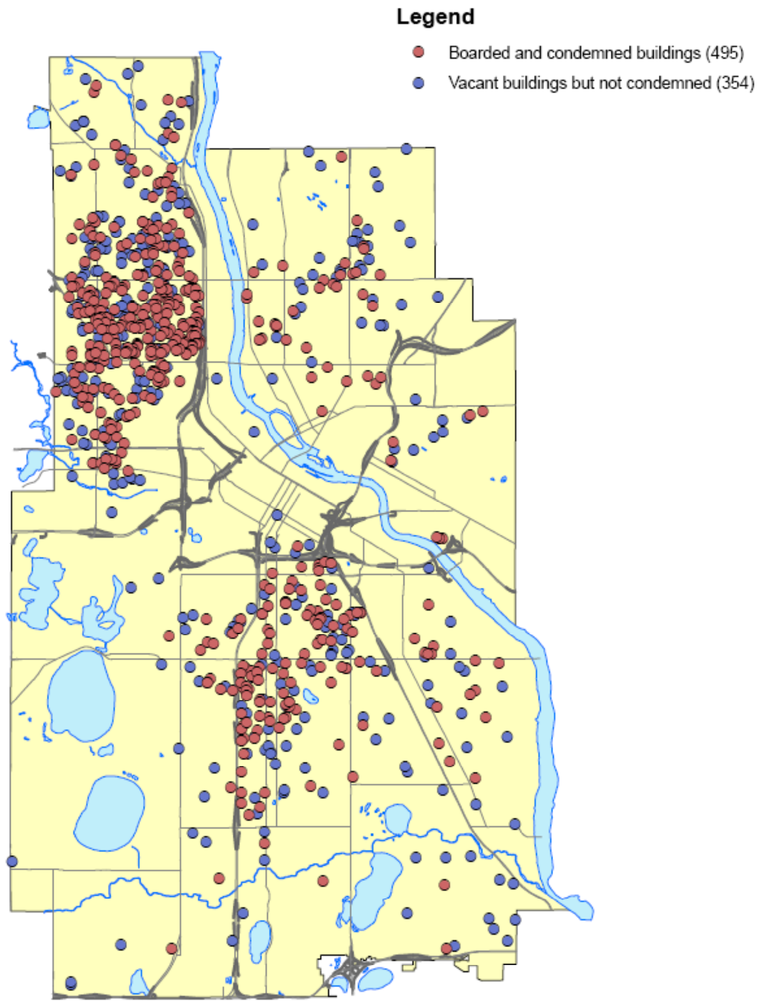



Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis at end of 4th quarterr

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Boarded and condemned buildings | 530 | 528 | 534 | 495 | 495 |
| Vacant but not condemned | 337 | 307 | 324 | 338 | 354 |
| Total | 867 | 835 | 858 | 833 | 849 |

*Source: Minneapolis Regulatory Services*

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

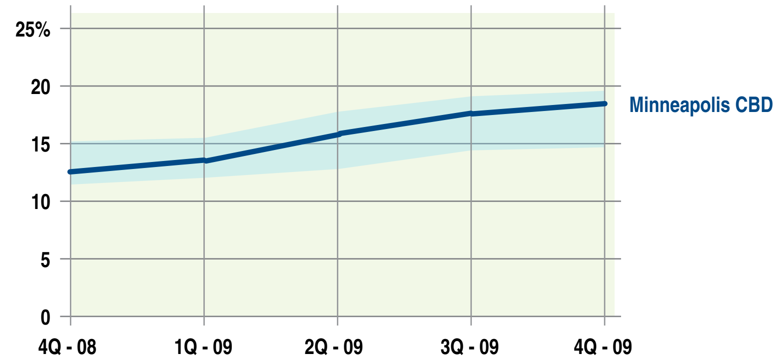
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

## Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) increased this quarter to 17.7 percent, up by 5.2 percent from the same quarter last year. This figure did not take into account subleases and shadow space; when they were added, the total vacancy rate climbed to 19.6 percent. This quarter's metro area vacancy rate (not including subleases and shadow space) was 0.2 percent higher than Minneapolis CBD.

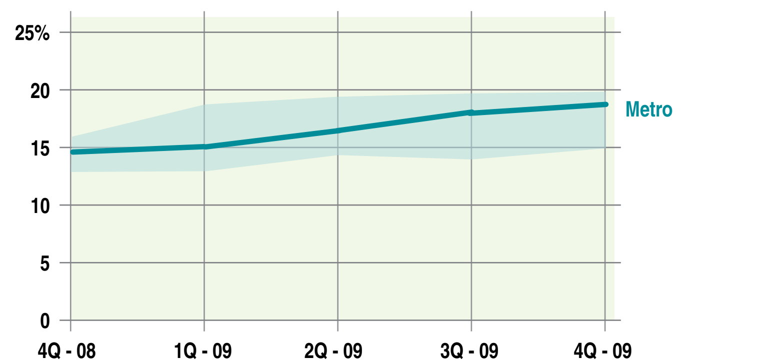
The average vacancy rate in the metro area increased to 17.9 percent from 17.2 percent last quarter; it was also much higher than the previous year.

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




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

Figure 22: **OFFICE SPACE VACANCY RATE** – Metro area
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 two other commercial market firms compared to the base estimate made by CB Richard Ellis.

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis CBD | 12.5% | 13.6% | 15.2% | 17.2% | 17.7% |
| Metro area | 14.6% | 15.1% | 16.5% | 17.2% | 17.9% |

*Source: CB Richard Ellis*

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

See explanation of sources in page 43.

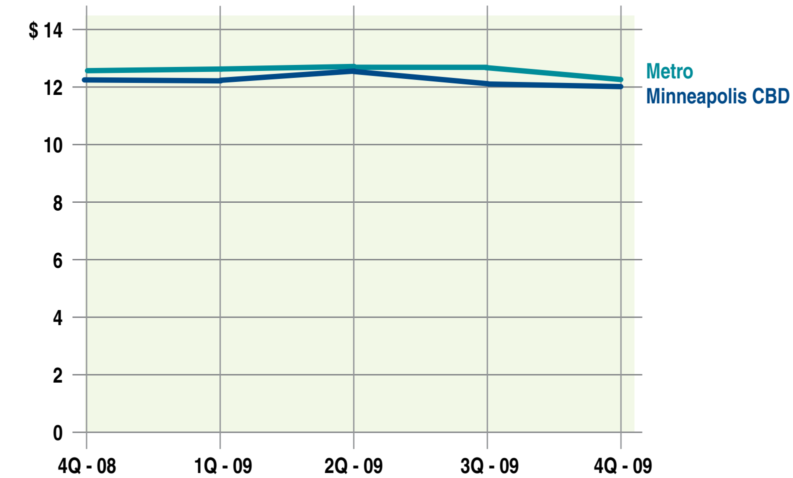
## Office space

As vacancies increased, the average asking lease rates per square foot in the Minneapolis central business district (CBD) decreased, but were still higher than the previous year's fourth quarter. Increasing vacant space was putting pressure on prices while the market was converted into a "tenant's market." Asking prices in the metro area declined to $12.24 per square foot per year, about $0.34 lower than fourth quarter 2008.

The Minneapolis CBD lost occupied office space this quarter when available space increased faster than tenants were able to occupy it. With a high unemployment rate, tenants were looking for smaller spaces and landowners had difficulties attracting them even with concessions in rents and improvements.

In the metro area occupied office space also decreased. The metro area had been adding new rentable space until third quarter 2008 and now there was more available space than tenants to lease.

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

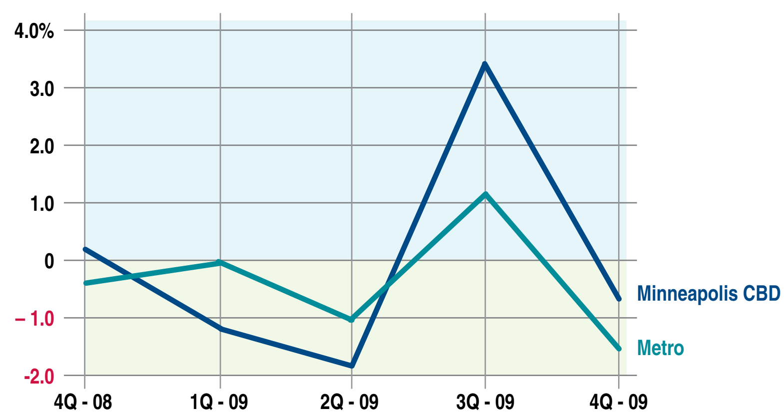



| | 4Q-08 | 1Q-08 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis CBD | $ 12.15 | $ 12.10 | $ 12.53 | $ 12.08 | $ 12.06 |
| Metro area | 12.58 | 12.62 | 12.60 | 12.60 | 12.24 |

*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




| 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 | 3Q-09 |
|---|---|---|---|---|---|
| Minneapolis CBD | 0.2% | -1.26 | -1.85% | 3.37% | -0.60% |
| Metro area | -0.4 | -0.07 | -1.05% | 1.14% | -1.42% |

*Source: CB Richard Ellis*

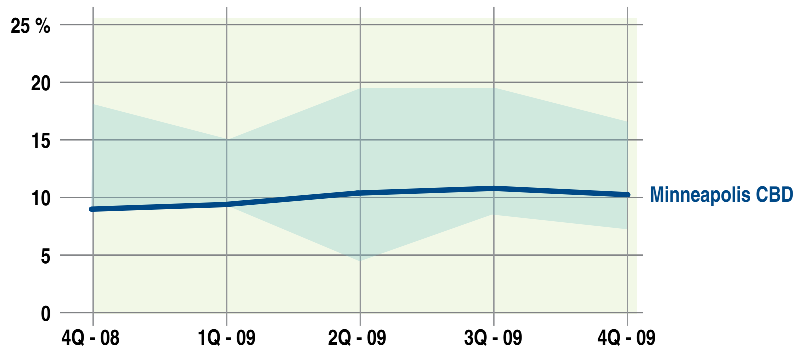
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

## Retail space

The retail vacancy rate in the Minneapolis CBD decreased this quarter to 10.5 percent from the previous quarter, but was 1.4 percent higher than the fourth quarter of 2008. Economic conditions seemed to improve this quarter, and retail demand in the CBD benefited from a strong shopping season at the end of the year. However, demand was still constrained by low consumer spending related to high unemployment.

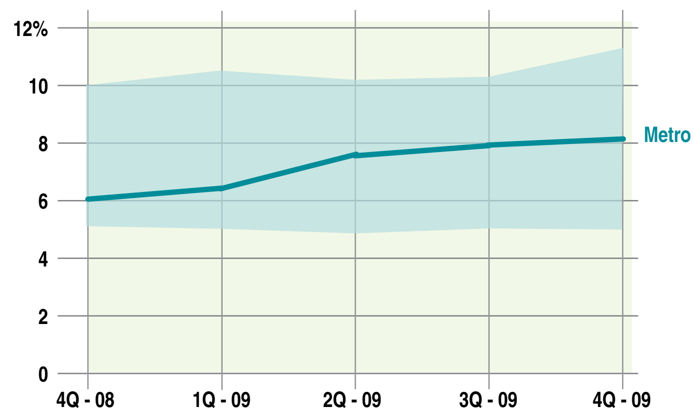
The vacancy rate in the metro area increased again this quarter to 8.3 percent and was higher than the previous year when it was 6.4 percent. Even when increasing, the fourth quarter rate was 2.2 percent below that of the Minneapolis CBD. According to real estate reports, regional malls were suffering more than other types of retail and landlords were trying to retain tenants by offering incentives.

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




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

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




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

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.

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis CBD | 9.1% | 9.4% | 10.3% | 10.9% | 10.5% |
| Metro area | 6.4% | 7.5% | 7.9% | 8.1% | 8.3% |

*Source: CB Richard Ellis*

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

## Retail space

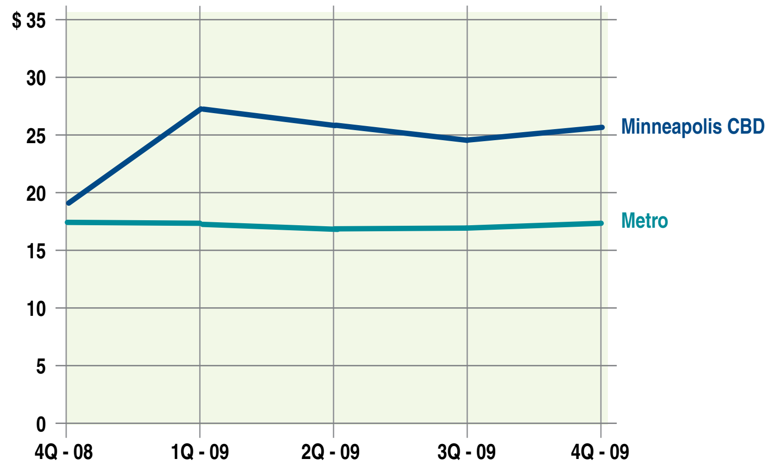
In the Minneapolis central business district (CBD), the average asking lease price increased about a dollar from third quarter, and it was higher than the previous year. An upsurge in demand at the end of the year created more expectations in the market and asking prices increased somewhat.

The average asking lease price also increased in the metropolitan area, but it was 2.5 percent lower than the fourth quarter 2008.

Occupied retail space in the Minneapolis central business district (CBD) increased by 0.4 percent. The area had not increased rentable space in the last year, so the small increase in occupied space kept the vacancy rate down. In downtown restaurants were moving and opening at new locations. One example was Vescio's Italian Restaurant which was expanding in the skyway. The opening of Target Field, the new transit hub and the new commuter railroad were creating expectations for new retail in downtown.

Occupied retail space increased in the metro area by 0.3 percent. One of the largest projects to open was The Shops at West End in St. Louis Park.

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

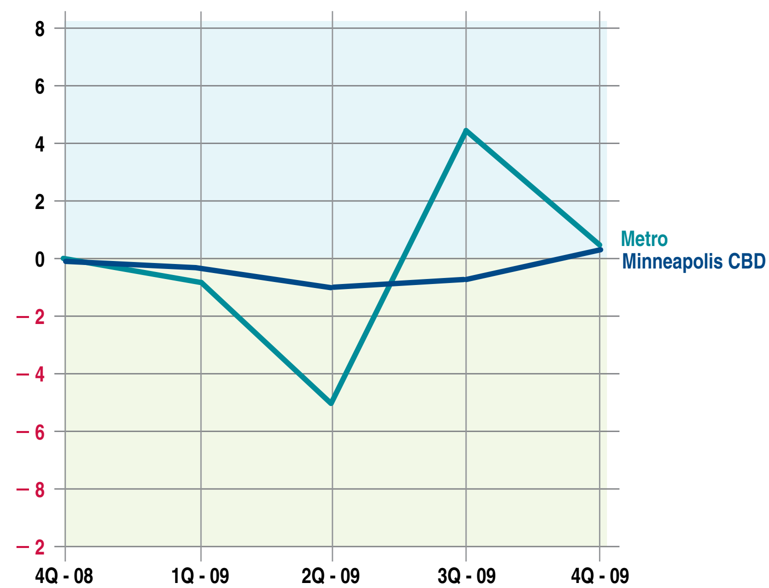



| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis CBD | $ 18.84 | $ 27.15 | $ 25.63 | $ 24.53 | $ 25.54 |
| Metro area | 17.80 | 17.48 | 17.09 | 17.13 | 17.35 |

*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




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis CBD | -0.1% | -0.3% | -1.0% | -0.7% | 0.4% |
| Metro area | 0.0% | -0.8% | -4.8% | 4.3% | 0.3% |

*Source: CB Richard Ellis*

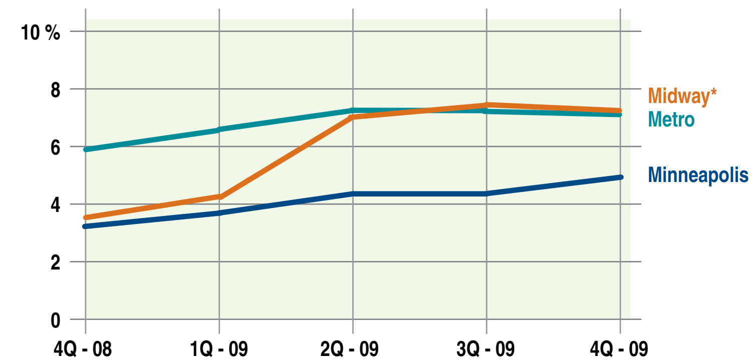
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

## Industrial space

The industrial space vacancy rate decreased in Midway by 0.2 percent, but increased in both the metro area and in Minneapolis industrial areas. In comparison with the same quarter the previous year the vacancy rate was much higher in all three areas.

The average asking lease rate for warehouse space increased to some extent since last quarter in Minneapolis, but decreased in Midway and the metro area. In all three areas prices were slightly lower than the same quarter the previous year. Although economic conditions seemed to improve this quarter, the recovery is slow and the market was not convinced. Tenants continued to look for and take short-term leases whenever possible, while landowners were pushing for long term leases with large discounts in the first year.

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



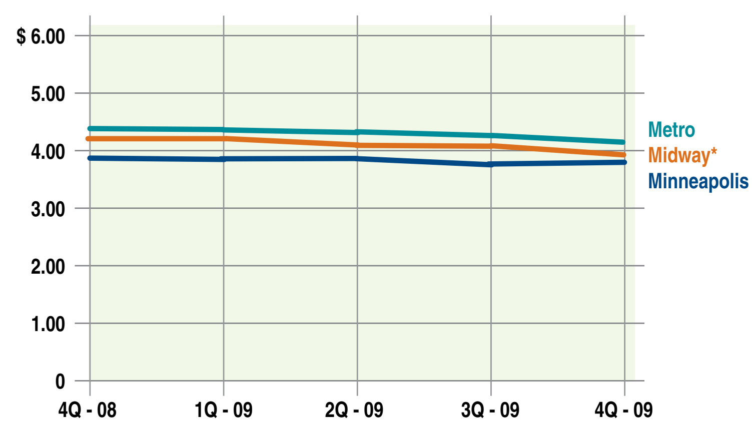

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis | 3.4% | 3.7% | 4.4% | 4.4% | 4.9% |
| Midway* | 3.6% | 4.2% | 6.8% | 7.4% | 7.2% |
| Metro area | 5.9% | 6.4% | 7.1% | 7.1% | 7.3% |

*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




| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis | $ 3.88 | $ 3.89 | $ 3.90 | $ 3.71 | $ 3.83 |
| Midway* | 4.18 | 4.17 | 4.08 | 4.07 | 3.98 |
| Metro area | 4.40 | 4.42 | 4.34 | 4.13 | 4.06 |

*Source: CB Richard Ellis*

Note: For Midway and Minneapolis, the industrial average asking lease rate is only for warehousing

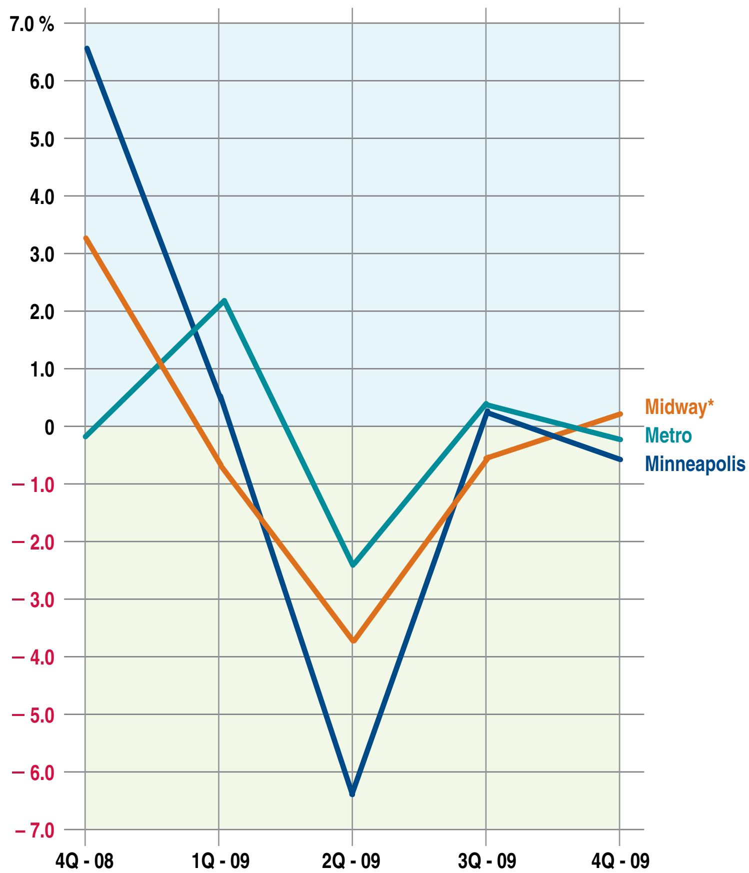
Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

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

## Industrial space

Occupied industrial space decreased in the metro and Minneapolis industrial areas, but increased somewhat in Midway. This negative growth in the first two submarkets means that firms shed more space than they leased. Warehouses leased more space than office warehouse or office showrooms, in part because, with office prices low, the companies had a choice of leasing traditional office space.

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



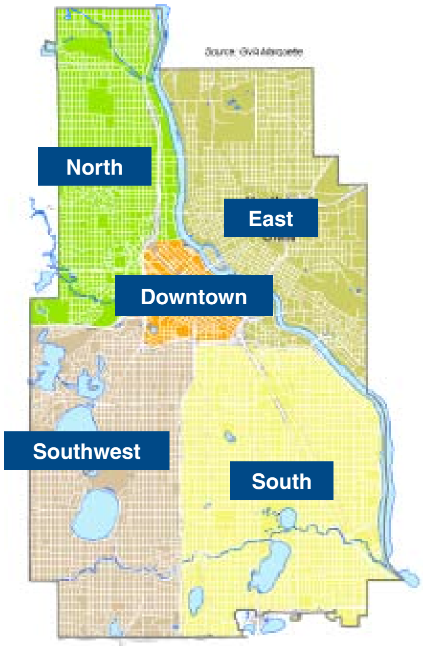

| | 4Q-08 | 1Q-09 | 2Q-09 | 3Q-09 | 4Q-09 |
|---|---|---|---|---|---|
| Minneapolis | 6.6% | 0.5% | -6.3% | 0.3% | -0.5% |
| Midway* | 3.3% | -0.6% | -3.8% | -0.4% | 0.2% |
| Metro area | -0.2% | 2.3% | -2.3% | 0.4% | -0.2% |

*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 on the left. Note that we are changing the area names in agreement with GVA Marquette. South is now South-west; East is South, and NE, SE and UMN is East.
- **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. 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, 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 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 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 (not including sublets and shadow 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 25 and 26 (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:** 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 fourth quarter of 2008, dollars have been converted with an index of 0.997, the result of the relation between the CPI for December 2009 (199.211) and the CPI for December 2008 (199.746). For the period from the fourth quarter of 2009 to the third quarter of 2009, the index is 0.992, obtained by dividing 199.211 (December 2009) by 200.877 (September 2009.)

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

**Research**
105 Fifth Ave. S. – Suite 200
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