

Highlights for the fourth quarter of 2007

- The labor force and the number of employed residents both declined within the city and throughout the metro area. *see page 4*
- The number of employed residents decreased, but the unemployment rate decreased too - from 4.3 percent last quarter to 4.1 percent. *see page 4*
- The number of permit issued for new residential units in Minneapolis increased over the last year because of the number of permits for apartment buildings. *see page 13*
- Permits for residential demolitions were trending upward, in part due to the city's more aggressive approach to clearing out boarded and vacant units. *see page 21*
- The rental vacancy rate increased since last quarter, and since a year ago. The cost of rent in inflation-adjusted dollars decreased since last quarter. *see page 26*
- Minneapolis housing sales were 19.2 percent lower than a year ago, and median prices were lower at \$212,000. In the metro area, both housing sales and prices were both also lower than a year ago. *see page 30*
- Foreclosures doubled since a year ago, but they were 10.6 percent lower since last quarter. The number of vacant and boarded buildings in the city more than doubled since a year ago. *see page 31*
- The office vacancy rate in the Minneapolis central business district decreased to 14.2 percent since a year ago. *see page 33*
- The quarterly retail vacancy rate in the Minneapolis central business district decreased substantially to 5.7 percent since a year ago. The average asking lease price increased. *see page 35*

Jobs and wages- highlights for the second quarter of 2007

- There were 1,748 fewer jobs in the second quarter of 2007 than a year ago, a decrease of 0.6 percent. *see page 5*
- Wages in the second quarter increased by 3 percent in inflation-adjusted dollars since a year earlier. *see page 8*

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



fourth quarter 2007



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

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Minneapolis Trends



fourth quarter 2007

Contents

Economic indicators	3
Labor force	4
Jobs	5
Wages	8
Definitions & sources	11
Development indicators	12
New construction	13
Cost of residential construction	15
Conversions, remodels & additions	17
Major construction projects	20
Demolitions	21
Definitions & sources	22
Housing stock & the real estate market	24
Residential vacancy rates & average apartment rent	25
Residential sales	30
Foreclosure sales	31
Condemned & vacant buildings	32
Office space	33
Retail space	35
Industrial space	37
Definitions & sources	39

Economic indicators

- Compared to the previous quarter, the labor force and the number of employed residents both declined within the city and throughout the metro area. Total employment was lower than last quarter, and because the labor force was smaller, unemployment rates for both the City and metro area decreased slightly. Unemployment rates for both city and metro area were one half percent higher compared to one year earlier, reflecting the slow down in the economy.
- In the second quarter of 2007 the city grew jobs by 1.4 percent from the first quarter, but over the previous twelve- month period there were 0.6 percent or 1,748 fewer jobs. Over the same twelve-month period, the state and the metro area grew jobs slowly – at a rate of 0.4 percent.
- After three quarters of steady growth in average wages, in the second quarter of 2007 [latest available report] both nominal and inflation adjusted wages declined in the city, in the metro and in the state compared to the previous quarter. Despite this downturn, wages in Minneapolis increased by 3 percent in inflation-adjusted dollars from a year earlier. In the metro area and in Minnesota they increased faster, by 3.3 and 3.4 percent respectively.

Labor force

In the fourth quarter 210,614 Minneapolis residents had jobs – that’s 0.4 percent or 941 fewer people employed than a year ago. Compared to last quarter, employment for Minneapolis residents decreased by 0.2 percent or about 500 people. The City is following the same trend as the metro area in which employment has decreased during the last year and unemployment has started to increase.

Unemployment in Minneapolis increased from 3.6 percent this time last year to 4.1 percent, but it was down from 4.6 percent last quarter. This is because the labor force was smaller in the fourth quarter; fewer people were looking for jobs.

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

	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Minneapolis					
Labor Force	219,534	215,570	218,564	221,256	219,692
Employment rate	211,555	206,842	209,479	211,111	210,614
Unemployment rate	3.6%	4.0%	4.2%	4.6%	4.1%
Metro*					
Labor Force	1,627,300	1,602,972	1,620,310	1,637,065	1,629,058
Employment rate	1,570,351	1,535,362	1,554,938	1,567,052	1,563,368
Unemployment rate	3.5%	4.2%	4.0%	4.3%	4.0%

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

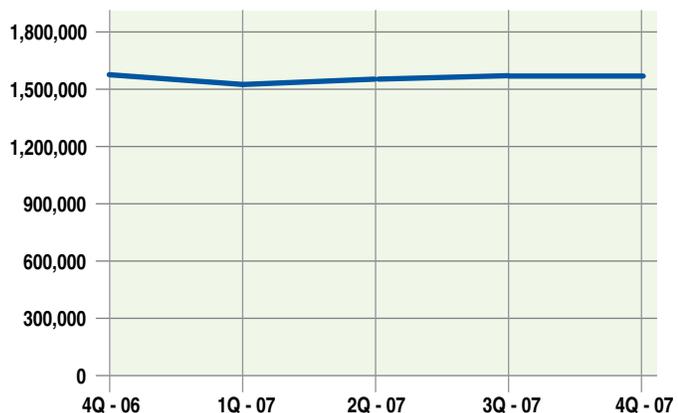
* For metro area definition, see page 11.

Figure 1: **AVERAGE EMPLOYMENT – Minneapolis**



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

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



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

* For metro area definition, see page 11.

Jobs

The most recent figures available are from the second quarter of 2007. The number of jobs located in Minneapolis increased since the first quarter, but it decreased 0.6 percent since a year earlier. In comparison with a year earlier, the City had almost 1,750 fewer jobs. But some sub-sectors showed growth: health care and social assistance added almost 2,330 jobs – about 1,500 jobs were in ambulatory health care service- a sub-category that includes the offices of physicians and other health practitioners. Accommodation and food services added 825 jobs- a 3.6-percent increase. Administrative and waste services increased by 4.4 percent adding almost 670 jobs.

Other sub-sectors with smaller job increases were retail; professional and

technical services; public administration; wholesalers; management of companies; arts, entertainment and recreation and real estate and rental and leasing.

On the other hand, losses sustained by finance and insurance (3,188 jobs lost), educational services (1,116 jobs lost), utilities (420 jobs lost) and a combined 450 jobs lost in transportation and warehousing, manufacturing, other services and information, outnumbered the gains. Finance and insurance was affected by a financial crisis in the mortgage market, resulting from a wave of property foreclosures. This was reflected in the loss of 935 jobs in the subcategory of credit intermediation, which includes commercial banks and real estate credit.

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

	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07**
Total, all industries ¹	295,776	295,981	295,849	290,022	294,028
Manufacturing	16,633	16,509	16,474	16,488	16,503
Utilities*	3,069	3,092	2,779	2,685	2,649
Wholesale trade	9,612	9,803	9,742	9,631	9,800
Retail trade	15,201	14,766	15,221	15,006	15,519
Transportation and warehousing*	4,201	4,152	4,280	4,045	4,031
Information	11,022	10,971	11,087	11,164	10,980
Finance and insurance*	30,527	30,565	28,624	27,488	27,339
Real estate and rental and leasing	6,253	6,296	6,283	6,221	6,288
Professional and technical services*	30,053	30,310	30,425	30,191	30,339
Management of companies and enterprises	15,992	15,615	15,862	15,857	16,139
Administrative and waste services*	15,292	15,662	16,032	15,129	15,963
Educational services	29,262	26,863	28,966	28,694	28,146
Health care and social assistance	43,389	45,090	45,058	45,417	45,717
Arts, entertainment and recreation*	4,788	4,925	4,841	4,468	4,931
Accommodation and food services	23,170	23,418	22,999	22,698	23,995
Other services*	10,695	10,620	10,670	10,256	10,587
Public administration	12,618	13,063	12,704	12,846	12,881

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

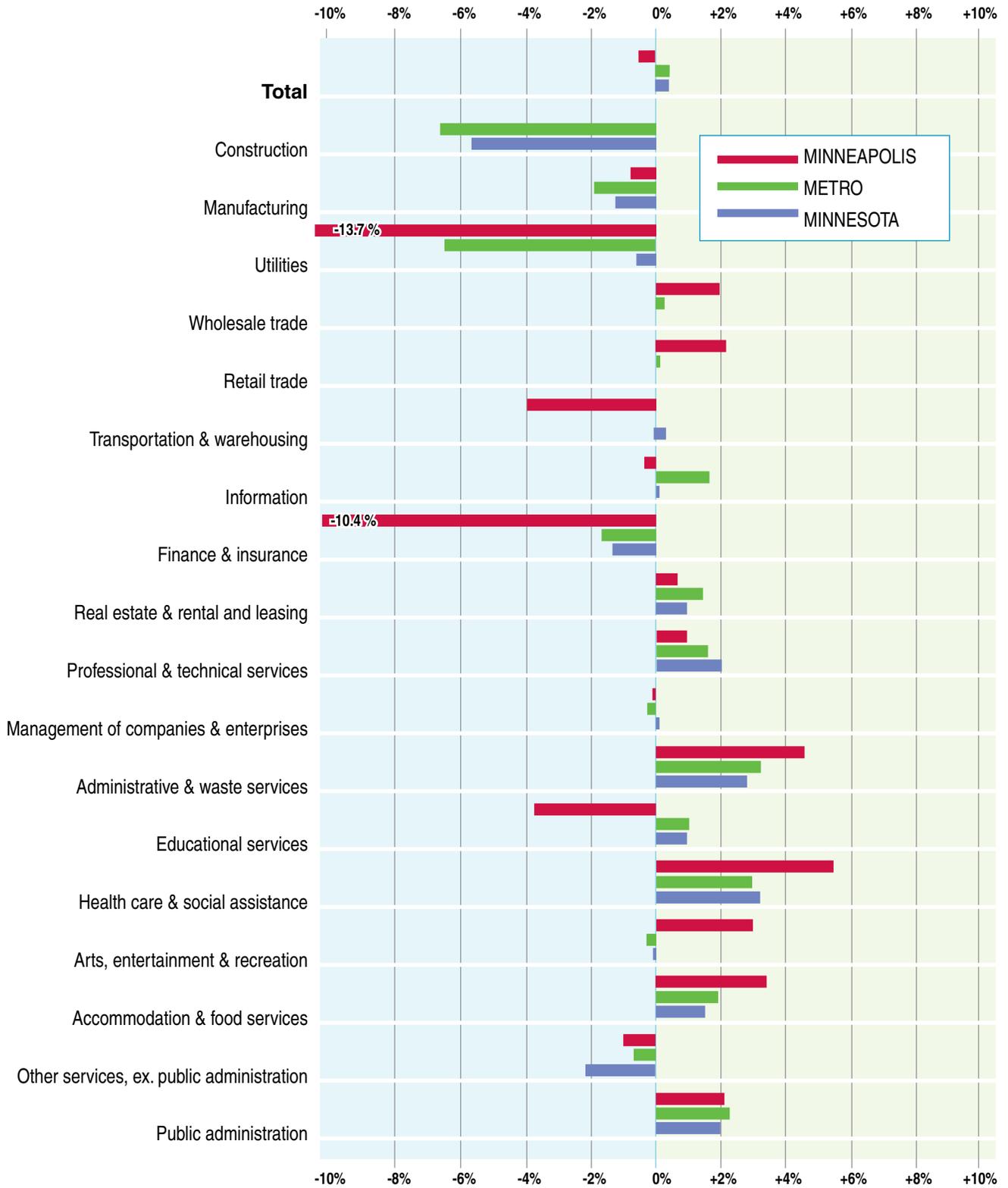
* Private jobs only

** This is the most current information available.

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

Jobs

Figure 3: **JOBS** – 2Q-07 to 2Q-07
percent change



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

Jobs

As noted above, between the second quarter of 2006 and the second quarter of 2007, Minneapolis lost jobs. In the state and the metro area, the number of jobs grew but very weakly. The health care and social assistance sub-sector grew at a fairly fast pace, especially in the city, where it increased by more than 5 percent. This sub-sector added more than 12,200 (3.2 percent) jobs statewide including nearly 5,700 (2.9 percent) in the metro area.

Minneapolis grew faster than the state and the metro area in the sector of accommodation and food services, administrative and waste services and retail. In arts, entertainment and recreation, job growth in the city was strong, while the state and metro area actually lost jobs in that area.

The city lost of 13.7 percent of its utility jobs, and was particularly affected by job loss in finance and insurance services. The Finance sub-sector is one of the largest and was hit with the loss of more than 3,000 jobs. The other two areas- the state and the metro area- were very affected by losses in construction and manufacturing, and finance and insurance also straggled.

Wages

The average weekly wage in Minneapolis in the second quarter of 2007 was \$1,069 – that was \$60 (\$31 in inflation-adjusted dollars*) more than a year earlier. In inflation-adjusted dollars, wages increased the most in three sub-sectors: management of companies (\$396), finance and insurance (\$171) and arts, entertainment and recreation (\$113). The finance sub-sector increased real (adjusted for inflation) wages while losing jobs. The sub-sector with the highest year-to-year

wage decrease was real estate, rental and leasing, which decreased its average real weekly wages 40.3 percent – \$764 in inflation-adjusted dollars*, reflecting the real estate downturn and the mortgage crisis. The other two sub-sectors that decreased the most during the year were utilities (which decreased \$51 per week in inflation-adjusted dollars*) and health care and social assistance (which decreased \$17 per week in inflation-adjusted dollars*)

* For conversion factors, see page 11..

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

	2Q - 06	3Q - 06	4Q - 06	1Q - 07	2Q - 07**
Total, all industries ¹	\$ 1,009	\$ 1,026	\$ 1,104	\$ 1,180	\$ 1,069
Manufacturing	946	940	1,062	1,100	991
Utilities*	1,571	1,684	1,562	2,152	1,565
Wholesale trade	1,064	1,069	1,198	1,169	1,136
Retail trade	528	509	524	539	568
Transportation and warehousing*	668	652	717	664	713
Information	1,072	1,103	1,138	1,317	1,204
Finance and insurance*	1,466	1,551	1,846	2,807	1,679
Real estate and rental and leasing	1,844	1,047	1,240	1,263	1,132
Professional and technical services*	1,383	1,440	1,832	1,466	1,469
Management of companies and enterprises	1,771	1,561	1,650	1,711	2,217
Administrative and waste services*	573	564	588	643	616
Educational services	853	1,047	914	1,008	916
Health care and social assistance	886	946	955	941	894
Arts, entertainment and recreation*	1,129	1,311	1,020	929	1,274
Accommodation and food services	337	343	356	350	347
Other services*	533	553	556	553	550
Public administration	1,057	1,008	1,127	1,070	1,083

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

* Only private wages

** Table reflects the most current information available.

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

Wages

In general, jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state.

Second-quarter wages in Minneapolis increased by 5.9 percent (3 percent in inflation-adjusted dollars*) from a year earlier. At the same time, average wages increased more in the metro area than in the city, by 6.2 percent (3.3 percent in inflation-adjusted dollars), and average wages in the state increased by 5.7 percent (3.4 percent in inflation-adjusted dollars*).

Wages increased in most industries in inflation-adjusted dollars from the second quarter of 2006 to the second quarter of 2007. Transportation and warehousing wages increased in the metro by almost 30 percent and in the state by 23 percent, while in the city they grew only about 4 percent. By the second quarter of 2007, real wages in the sub-sector were above the average in the metro area and the state, and below the average in the City.

Wages continued increasing in management of companies even more in the City than in the other two areas. Real wages in arts, entertainment and recreation increased more in Minneapolis (9.7 percent), than in the metro area and the state. Real estate, rental and leasing experienced a steep fall in average weekly wages in Minneapolis, as noted above. In the metro area and the state the fall of average weekly real wages in this sub-sector was not as sharp as in the city.

* For conversion factors, see page 11.

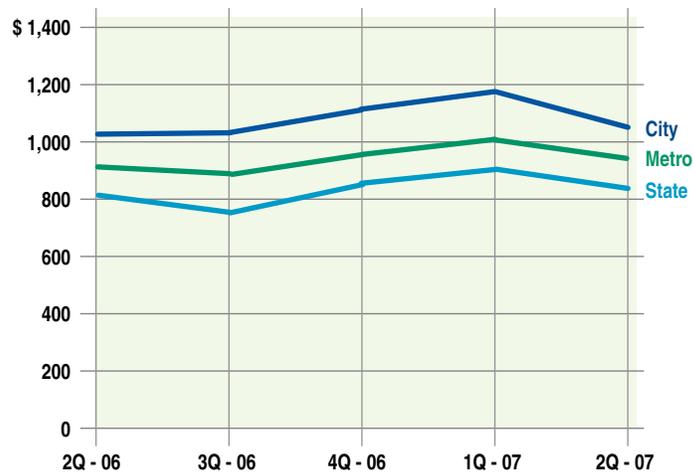
Figure 4: **AVERAGE WEEKLY WAGES – 2Q-06 to 2Q-07**
in current dollars



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis	\$ 1,009	\$ 1,026	\$ 1,104	\$ 1,180	\$ 1,069
Metro	899	890	955	1,010	955
State	788	785	840	872	833

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

Figure 5: **AVERAGE WEEKLY WAGES – 2Q-06 to 2Q-07**
in inflation adjusted dollars

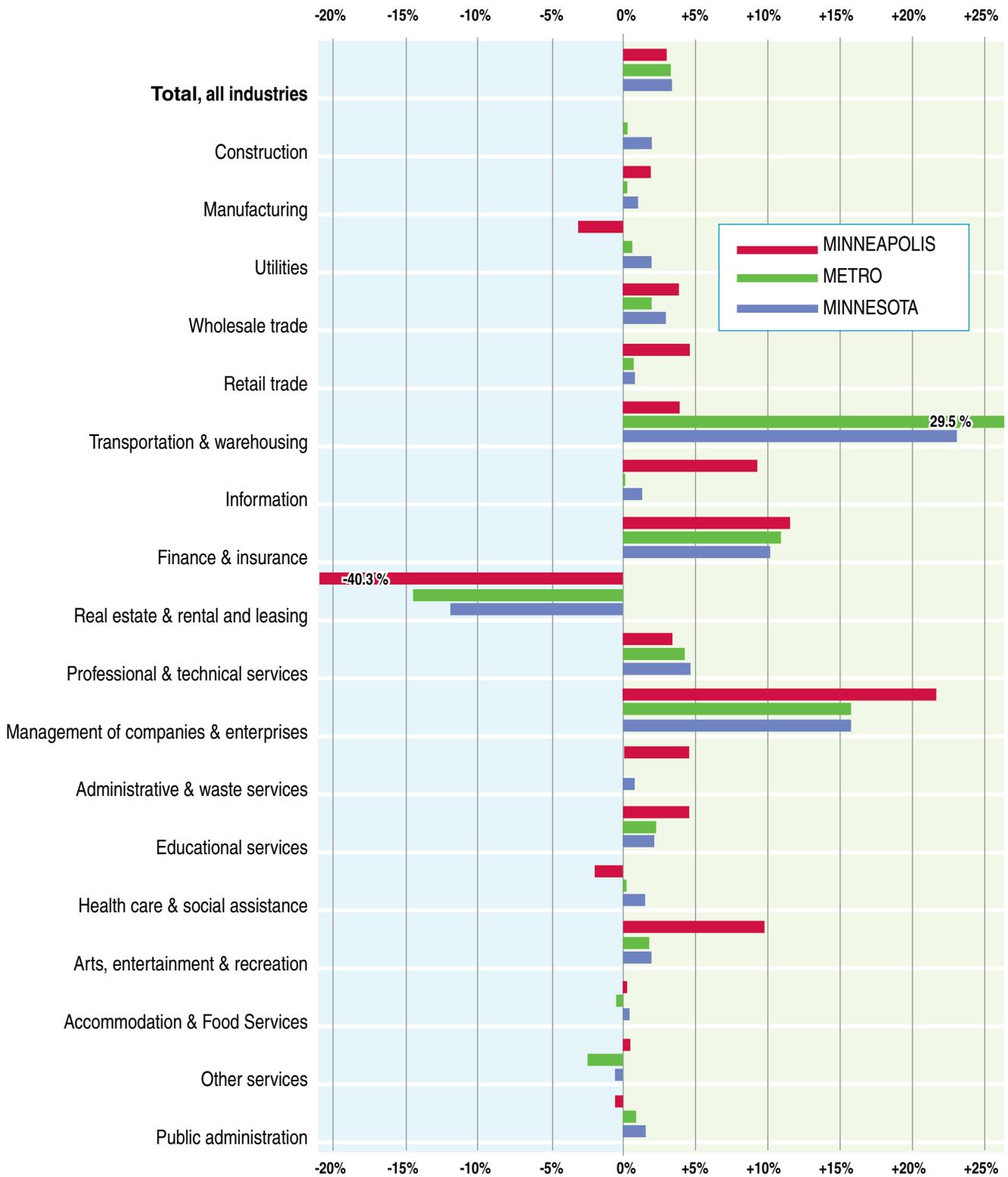


	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07	2Q-06 to 2Q-07 change
Minneapolis	\$ 1,038	\$ 1,043	\$ 1,123	\$ 1,180	\$ 1,069	\$ 29 3.0%
Metro	924	905	971	1,010	955	31 3.3%
State	805	797	853	872	833	28 3.4%

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

Wages

Figure 5: **AVERAGE WEEKLY SALARIES** – 2Q-06 to 2Q-07
in inflation-adjusted dollars



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

* For conversion factors, see page 11.

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

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

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

www.census.gov/epcd/naics02.

Inflation-adjusted figures: Values reported in most tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the second quarter of 2007, dollars have been converted with an index reflecting the CPI for the first half of 2007 and first and second half of the years 2006, with 2007 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

- Reflecting the downturn in the housing market, the numbers of residential units permitted in both Minneapolis and the metro area were substantially down from 2006 levels; despite this annual downturn, total units permitted in Minneapolis during the 4th quarter were up from the previous quarter and from the 4th quarter of 2006. The number of new permitted housing units has been increasing since the second quarter in Minneapolis. In the metro area however, it has been decreasing and is almost 38 percent lower than a year ago.
- Single-family construction permits in the metro area decreased more than 39 percent since a year ago. In Minneapolis only 25 permits were issued in the fourth quarter to build new single-family houses - about half as many as a year ago, but the number of units permitted for multifamily buildings increased from 130 a year ago to 282.
- In Minneapolis, the average cost of a single-family unit increased by 39 percent since a year ago. The average cost of a multifamily unit decreased by 25 percent, reflecting a market shift toward the construction of apartments and away from more expensive condominiums.
- The number of permits issued for residential remodeling projects costing \$50,000 or more in the city declined, and their total cost also decreased. Also, there were fewer permits for non-residential conversion, remodels and additions, and their total cost was slightly lower than a year ago.
- Demolitions are trending upward, in part due to the city's more aggressive approach to clearing out boarded and vacant units.

New construction

Reflecting a general downturn in the housing market, the number of new units permitted in the metro area decreased by 32 percent from 2006 to 2007*, and almost by 38 percent in the fourth quarter since a year ago. In Minneapolis, the total number of units permitted decreased by 46 percent in 2007 since 2006*. However, the total number of units permitted in the city in the fourth quarter actually increased from 181 to 307 since a year ago. The increase in the city was mainly the result of a boost in the number of permitted multifamily units. That has continued to increase since the second quarter because of the development community's renewed interest in rental property – apartments.

In Minneapolis, permits for new multifamily units were up from 248 last quarter to 282, a 13.7 percent increase, and more than double the second quarter 2006. Permits for single-family units were up to 25 units from 23 last quarter.

* See Minneapolis Trends, 4th quarter 2006.

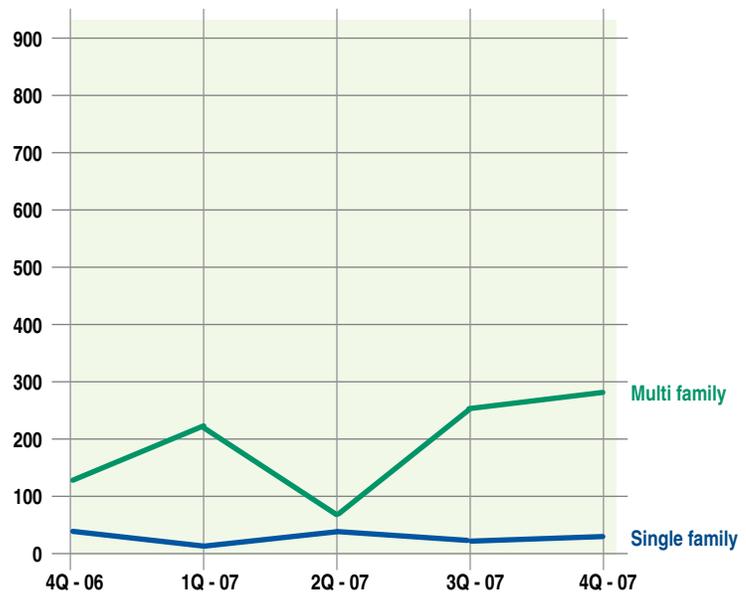
Table 4: **NEW RESIDENTIAL PERMITS ISSUED**
by unit

	4Q - 06	1Q - 07	2Q - 07	3Q - 07	4Q - 07
Single-family					
Minneapolis	51	19	48	23	25
Metro	1,695	1,269	1,934	1,382	1,030
Multifamily					
Minneapolis	130	225*	74	248	282
Metro	777	519	398	681	509
Total units					
Minneapolis	181	244	122	271	307
Metro	2,472	1,788	2,056	1,653	1,539

Source: U.S. Census Bureau, based on reported permit information

* This number includes 179 units in the Eitel Building. Another 34 units converted from the former Eitel Hospital are included in the "units converted" count in Table 6.

Figure 7: **NEW RESIDENTIAL PERMITS ISSUED – Minneapolis**



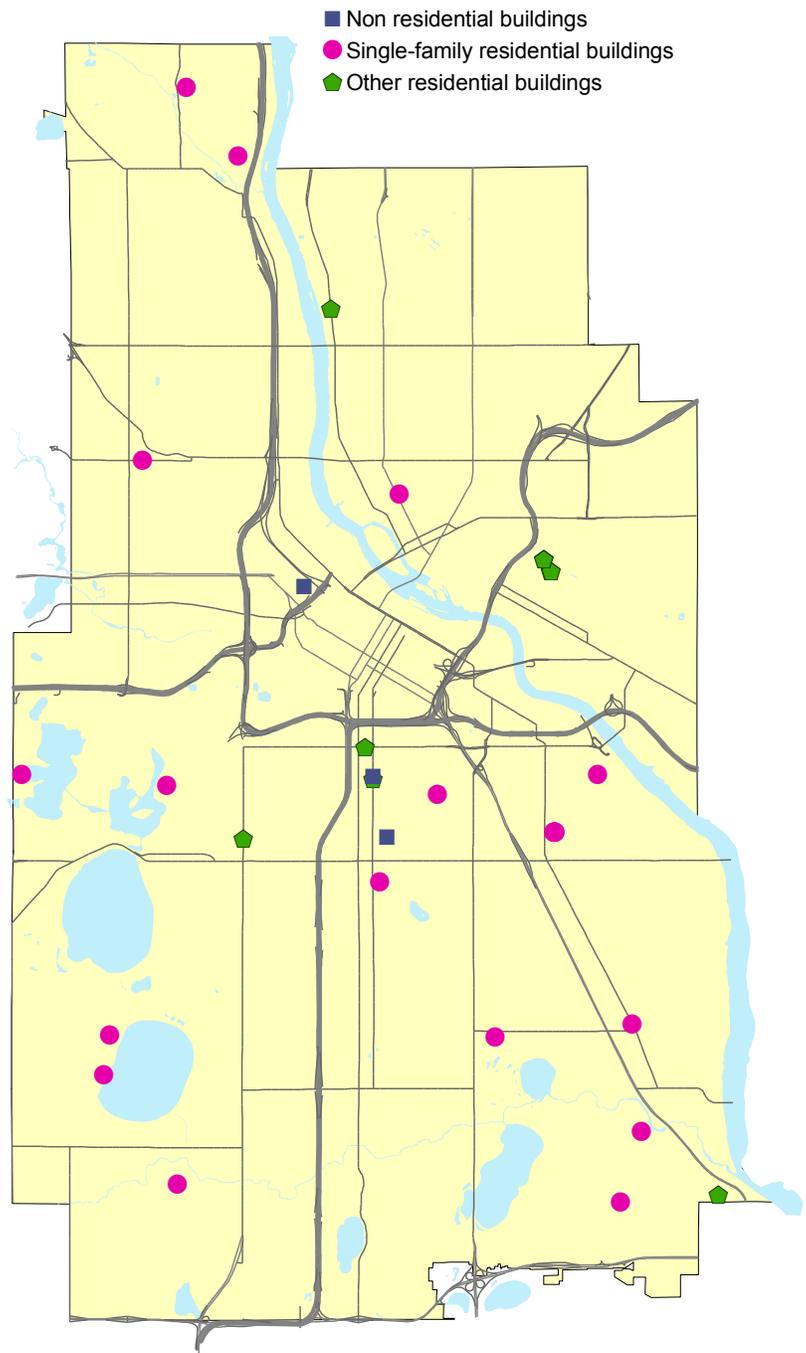
Source: U.S. Census Bureau reported units

New construction

This quarter the location pattern of permits issued to build single-family homes shows a shift from the North Side to southern parts of the city. In fact, most permits issued were for the southeastern quadrant of the city. Five apartment buildings will also be added: one, Murals of Lynlake, at 2835 Lyndale Ave. S., will have 108 units and retail. Another- The Wellstone - at 620 Franklin Ave E with have 49 units. A third, a mixed use development (Center for Changing Lives) at 2418 Park Ave, will add 48 residential units and a new office building. The two other apartment buildings are Vintage Flats, at 5355 Minnehaha with a projected 37 units, and Van Cleve Court at 932 12th Ave SE with a projected 35 units. Three commercial buildings were permitted: The ballpark will start construction soon, since the main permit has been issued. The two other commercial buildings are a clinic and an office building in Phillips West (part of Center for Changing Lives).

Map 1: **NEW CONSTRUCTION** – 4Q-07

Source: City of Minneapolis Regulatory Services



Cost of residential construction

In Minneapolis, the estimated dollar amount spent on new residential construction (single-family and multifamily) increased by 34 percent since a year ago and almost 36 percent since last quarter. The total spent on multifamily construction increased nearly 62 percent in the last year, which accounts for the growth of total construction in the city.

In the seven-county metropolitan area, the estimated amount of money spent on new residential construction decreased by 31 percent in the last year. The slowdown was driven by a significant decrease in construction for both single-family and multifamily units. The same trend is also apparent since the previous quarter.

Table 5: **RESIDENTIAL CONSTRUCTION COST**

	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Single-family					
Minneapolis	\$ 10,324,424	\$ 5,030,569	\$ 17,079,182	\$ 6,465,451	\$ 7,035,574
Metro	420,724,043	340,577,810	491,692,569	359,109,519	290,441,744
Multifamily					
Minneapolis	24,482,487	28,247,383	24,236,614	27,848,692	39,613,048
Metro	95,854,110	58,923,130	69,577,182	76,201,817	66,198,174
Total					
Minneapolis	34,806,911	33,277,952	41,315,796	34,314,143	46,648,622
Metro	516,578,153	399,500,940	561,269,751	435,311,336	356,639,918

Source: U.S. Census Bureau reported permit information

Table values are not adjusted for inflation

Cost of residential construction

In Minneapolis the average construction cost for single-family homes increased 39 percent since a year ago, from \$202,440 to \$281,423. The increase is the result of a small number of more expensive homes being built in south Minneapolis.

In the metropolitan area the average construction cost for single-family homes increased by 13.6 percent since a year ago, from \$248,215 to \$281,982, a cost very similar to the city's.

In Minneapolis, the average construction cost for multifamily units decreased since a year ago. The cost per unit went down from \$188,327 to \$140,472 — a 25.4-percent decrease. Permits were issued for apartments and small apartment buildings, which tend to cost less than condominiums, which were the trend last year. In the metropolitan area, the average cost increased 5.4 percent, from \$123,364 to \$130,055, but stayed below the cost in Minneapolis.

Figure 8: **SINGLE-FAMILY CONSTRUCTION COST**
per unit

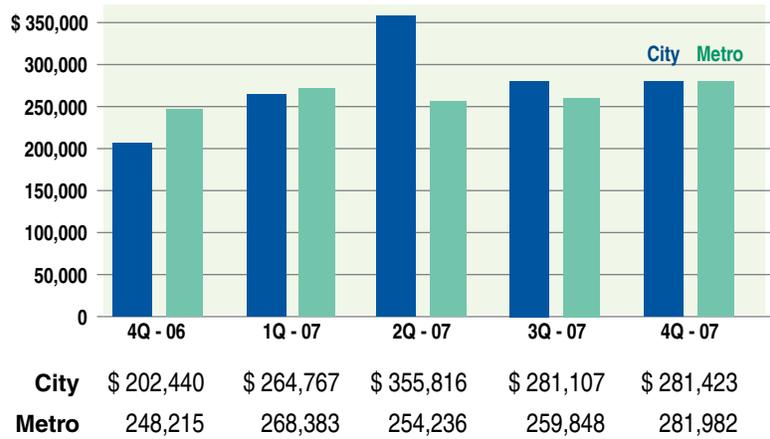
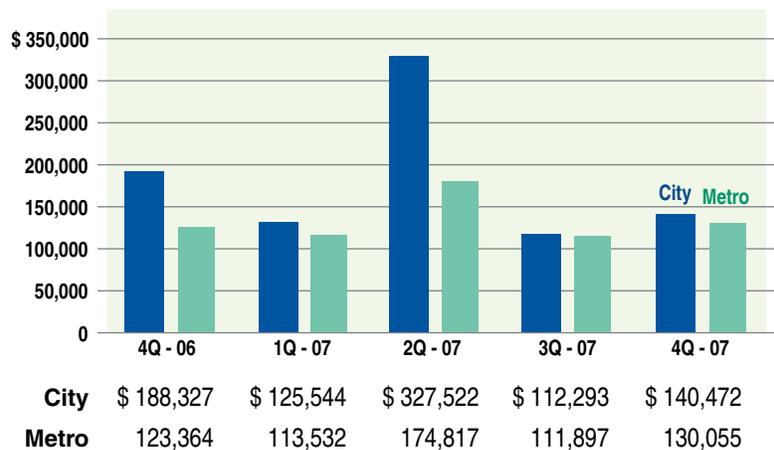


Table values are not adjusted for inflation

Figure 9: **MULTIFAMILY CONSTRUCTION COST**
per unit



Values in table are not adjusted for inflation

Conversions, remodels & additions

In the fourth quarter of 2007, the City issued permits for remodeling and renovations for 134 residential buildings. Two of these projects involved minor conversions of duplexes into single-family dwellings.

The total amount spent this quarter on residential remodeling and conversion projects costing \$50,000 or more each is estimated at about \$19.7million —

that's 18.5 percent less than last quarter and 44.2 percent less than a year ago. Conversions accounted for only 1.3 percent of the total estimated value for the fourth quarter.

The dollar amount shown in the permits for non-residential conversions, remodels and additions was almost 27 percent lower than last quarter and 1.6 percent lower than a year ago.

Table 6: **CONVERSIONS, REMODELS AND ADDITIONS** projects \$50,000 + in thousand dollars

	4Q - 06	1Q - 07	2Q - 07	3Q - 07	4Q - 07
Total Residential ¹					
Number of buildings	129	104	151	164	134
Total value	\$35,293	\$22,264	\$21,320	\$24,162	\$ 19,698
Remodels					
Number of buildings	124	101	147	162	132
Value	\$28,774	\$22,139	\$20,940	\$23,945	\$19,438
Conversions and additions ²					
Number of buildings	5	3	4	2	2
Number of units	39	37*	4	3	-2
Value	\$6,519	\$125	\$381	\$217	\$260
Total Non-residential ¹					
Number of buildings ³	114	105	131	105	108
Value	\$50,296	\$34,027	\$75,486	\$67,705	\$49,506

Source: City of Minneapolis Regulatory Services

* This figure includes 34 units in the former Eitel Hospital. A permit for new construction and the conversion of the Eitel Hospital was issued in January 2007.

¹ Residential and non-residential building listings may include structural work, buildouts and other improvements.

² Residential conversions consist of a change in uses (e.g. from an office building to residential apartments) or subdividing or consolidating residential units.

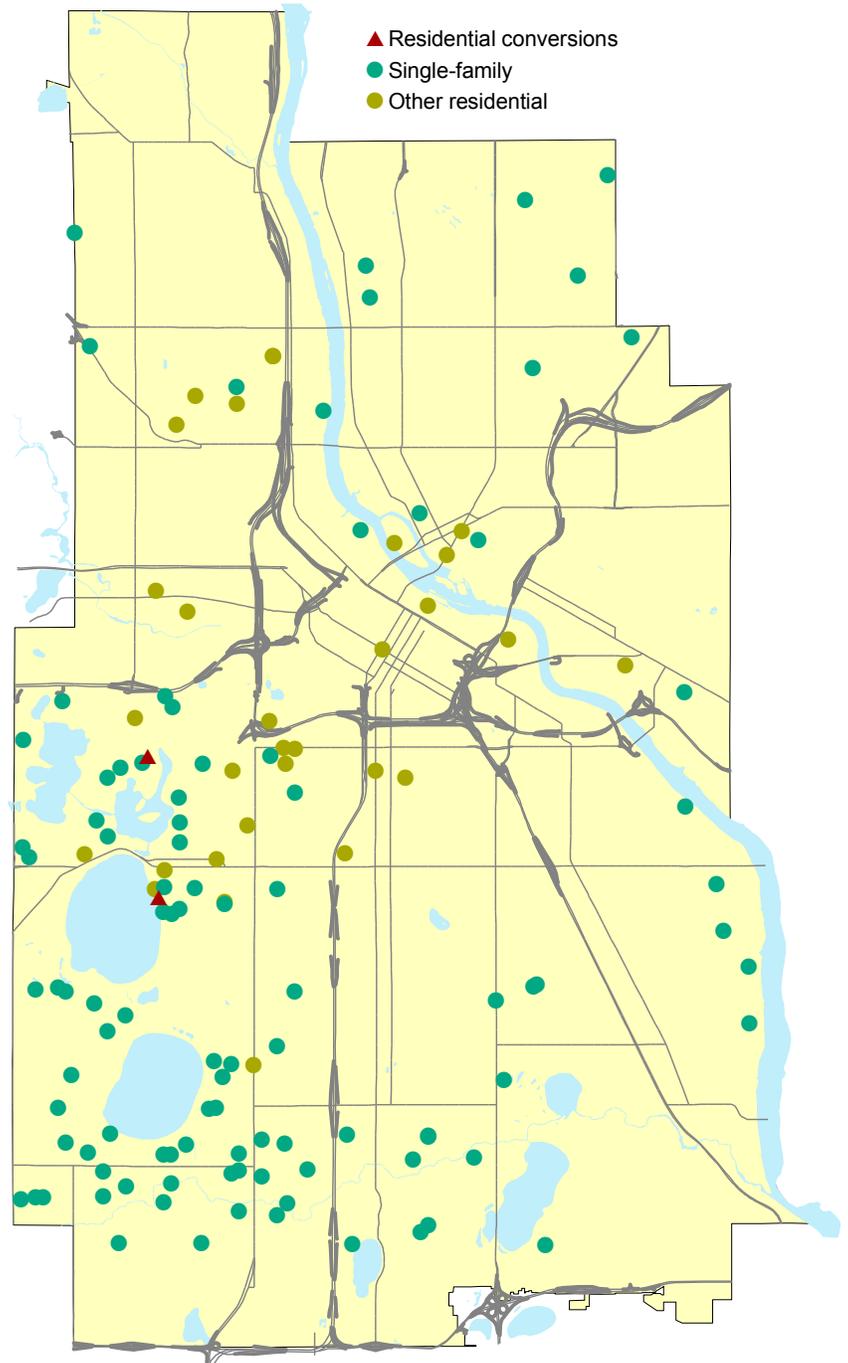
³ Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings.

Conversions, remodels & additions

Remodeling and improvements to single-family housing in projects \$50,000 or more took place mainly in the Chain of Lakes area. Most remodeling and improvements for condos and apartments took place Downtown and Northeast across the river from Downtown.

Map 2: **RESIDENTIAL REMODELING, RENOVATION & CONVERSION – 4Q-07**
projects \$50,000 +

Source: City of Minneapolis Regulatory Services

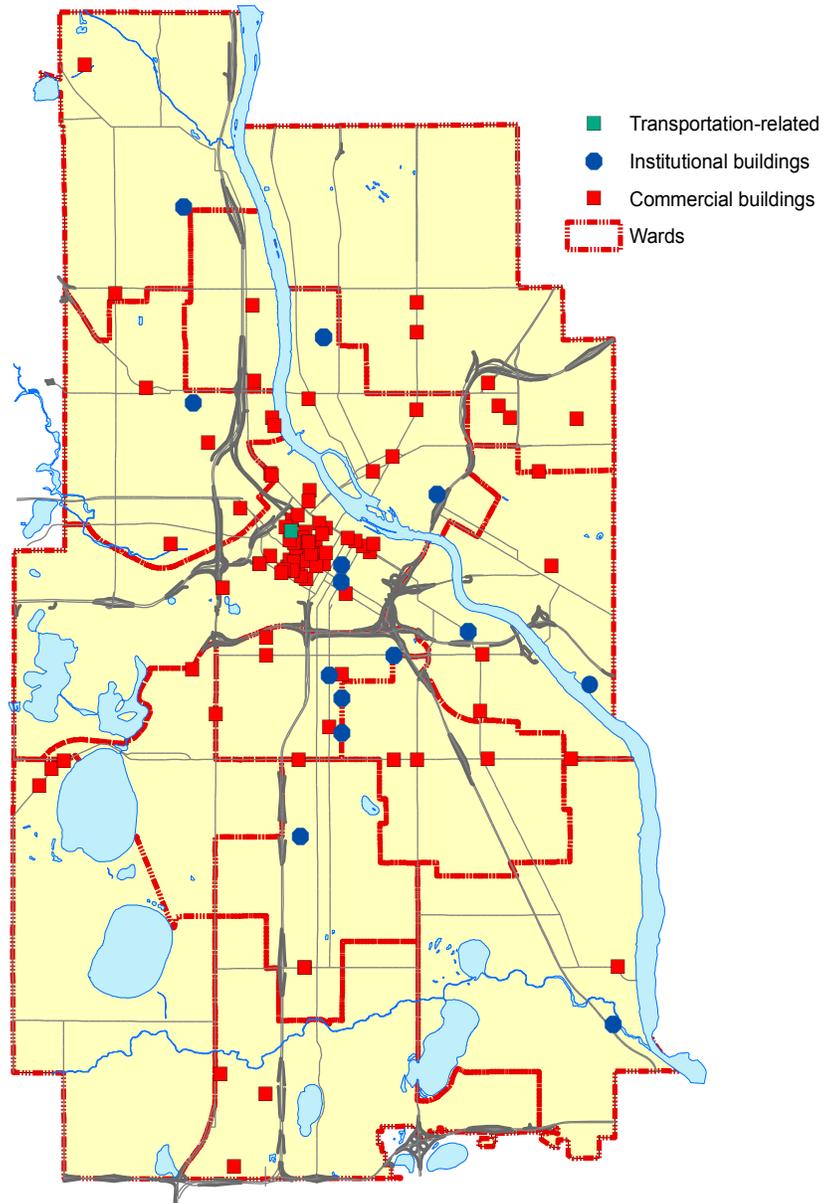


Conversions, remodels & additions

Permits for non-residential remodeling and renovations in the fourth quarter were mainly concentrated in Downtown. Major renovations include converting the Foshay Tower into a hotel, remodeling bathrooms in the Marquette Hotel, and renovations of the Wells Fargo Computer Center. Outside downtown, permits for remodeling non-residential buildings included office remodel for Teen Challenge on Chicago Avenue.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 4Q-07**
projects \$50,000 +

Source: City of Minneapolis Regulatory Services



Major construction projects

The following list shows major (projected at \$1 million or more) projects permitted in Minneapolis in the fourth quarter of 2007. The highest cost project by far is the ballpark in the North Loop. The listed amount only reflects permits issued last quarter.

Table 7: **MAJOR CONSTRUCTION PROJECTS** projects \$1,000,000+ in thousands of dollars

Description	Address	Neighborhood	Ward	Projected cost
Ballpark	419 5th St N*	North Loop	7	\$ 88,969
Murals of Lynlake: 108-units retail & apt. bldg	2835 Lyndale Ave S	Whittier	6	15,129
Center for Changing Lives: 48-unit apt. retail and office	2418 Park Ave*	Phillips West	6	14,343
The Wellstone: 49-unit apt. bldg	620 Franklin Ave E	Ventura Village	6	7,992
Foshay Hotel conversion	821 Marquette Ave	Downtown West	7	6,594
Midtown Medical: New clinic	2828 Chicago Ave	Phillips West	6	5,986
Van Cleve Court: 35-unit apt. bldg	932 12th Ave SE	Marcy Holmes	3	5,040
Vintage Flats: 37-unit apt. bldg	5355 Minnehaha Ave	Minnehaha	12	4,696
Teen Challenge: institutional and office remodel	2300 Chicago Ave*	Phillips West	6	4,537
Marquette Hotel: Bathrooms remodel	710 Marquette Ave	Downtown West	7	3,114
Wells Fargo Computer Center: Firewall room remodel	255 2nd Ave S	Downtown West	7	2,433
Hennepin County Medical Center: area remodel	701 Park Ave*	Elliot Park	7	1,782
Whole Foods: Remodel	3060 Excelsior Blvd	West Calhoun	13	1,696
Shriners Hospital: Lab remodel	2025 East River Pkwy	Prospect Park	2	1,378
New home	2519 Lake Place	East Isles	10	1,200
American Express Financial Center: Office remodel	901 3rd Ave S*	Downtown West	7	1,177
Home addition and remodel	4300 Fremont Ave S	East Harriet	13	1,160

Source: City of Minneapolis Regulatory Services

* Multiple building permits

Demolitions

Permits for residential demolitions were trending upward, in part due to the city's more aggressive approach to clearing out boarded and vacant units. The number of residential demolitions increased since both last quarter and one year ago. This quarter, permits for demolitions included 31 single-family houses, 32 units in duplexes, and four units in an apartment building.

Residential demolition permits on the north side showed a concentration mainly between West Broadway and Lowry avenues. Most of the buildings slated for demolition were single-family houses, plus an apartment building with four units. In south Minneapolis, four duplexes and several single-family houses were permitted for demolition. In Downtown the only residential buildings slated for demolition were duplexes.

Non-residential demolition permits included a hotel in Downtown, a warehouse on Madeira Avenue, a church at 26th Street and Columbus Avenue, and a commercial building at 1 19th Avenue South.

Map 4: **DEMOLITIONS – 4Q-07**

Source: City of Minneapolis Regulatory Services

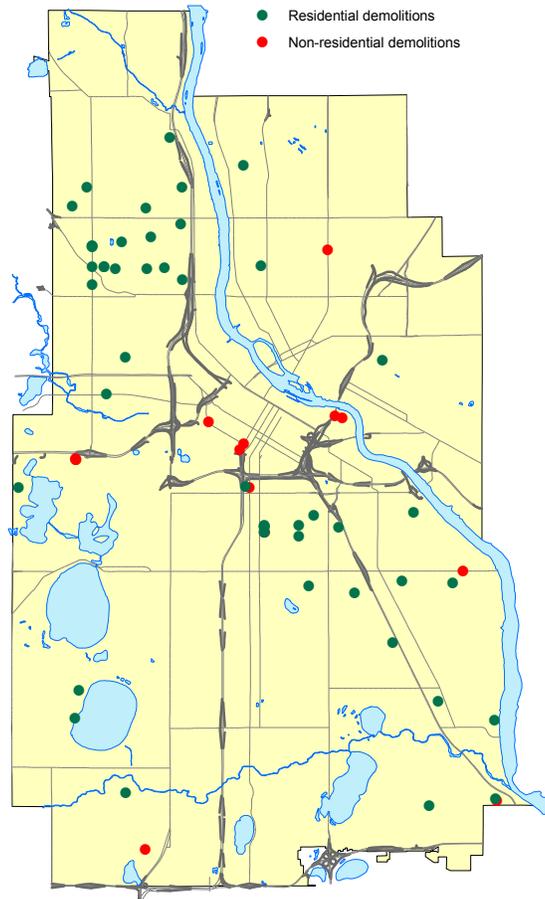
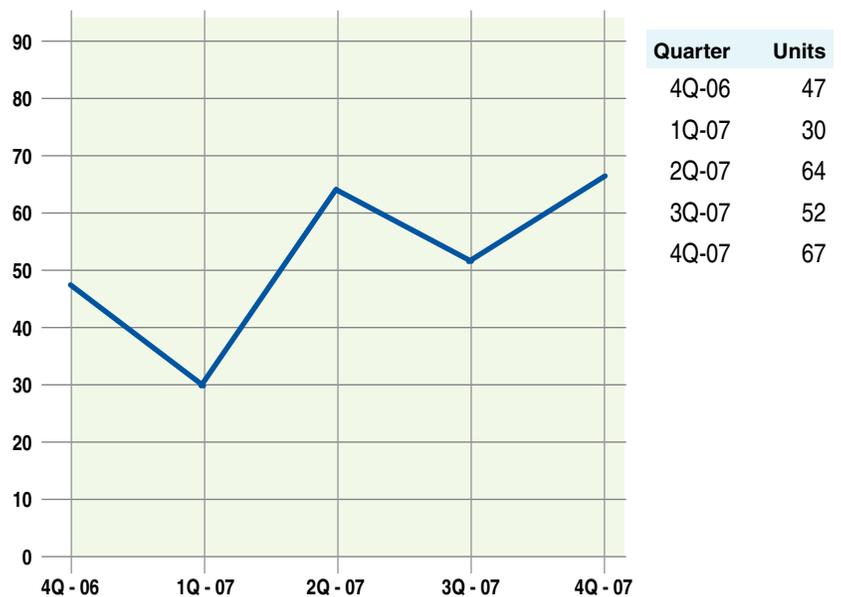


Figure 10: **RESIDENTIAL UNITS DEMOLISHED**
number of permits



Source: City of Minneapolis Regulatory Services.

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

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

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

Multifamily buildings have two or more units in the building, except when noted that triplexes and duplexes are accounted 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 six 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 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 and attached dwellings such as townhouses.

Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units. It also includes transient 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 buildouts 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 buildout 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 vacancy rate for Minneapolis rental housing increased in the fourth quarter to 4.3 percent, slightly above the metro average vacancy rate for the first time in several years.
- Average rent this quarter increased in the city to \$876 and in the metro area to \$899, \$11 higher than a year ago (adjusted for inflation).
- Reflecting the lagging regional real estate market, both the volume and average prices of homes declined in Minneapolis and the metro area. The volume of home sales this quarter was considerably lower than a year ago, 19.2 percent lower in Minneapolis and 28.3 percent lower in the metro area. Average sales prices in Minneapolis (\$212,000) continued to lag slightly behind the metro area as a whole (\$216,000).
- Foreclosures decreased this quarter to 743, a 10.6 percent decrease from the previous quarter but a 56.8 percent increase from a year ago.
- The number of condemned, boarded and vacant buildings counted in the city rose nearly 15 percent since last quarter and more than doubled since a year ago.
- The office vacancy rate in the Minneapolis central business district (CBD), was at 14.2 percent, which lower than a year ago. The average asking lease price per square foot increased again and landed slightly below the metro's.
- The retail vacancy rate in the Minneapolis CBD, decreased substantially to 5.7 percent, and the average asking lease price increased. In the metro area, average asking lease prices were easing up somewhat but remained higher than prices in the Minneapolis CBD.

Residential vacancy rates & average apartment rent

The Minneapolis vacancy rate for multi-family rental housing was 4.3 percent, up from 2.8 percent last quarter and up from 3.3 percent a year ago. Increasing vacancy rates in the city were the result of more units in the market. New apartment buildings are competing for tenants with increasing numbers of condominium units which are being offered for rent.

In the metropolitan area, the vacancy rate was 4.2 percent, up from 3.6 percent last quarter but down from 4.7 percent a year ago.

In Minneapolis the average rent was \$876, \$8 more (\$13 more in inflation-adjusted dollars*) than last quarter and \$28 more (\$11 more in inflation-adjusted dollars*) than a year ago. In the metro area average rent was \$899, an increase of \$9 from last quarter — about \$14 more in inflation-adjusted dollars*. Since one year ago, the metro area rent appeared to increase like the city's by \$28, but when adjusted for inflation, it actually went up only \$11.

* For conversion factors, see page 40.

Table 8: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	4Q - 06	1Q - 07	2Q - 07	3Q - 07	4Q - 07
Minneapolis					
Units surveyed	15,228	15,356	15,160	15,260	15,175
Vacant units	509	585	512	423	657
Average rent	\$ 848	\$ 844	\$ 855	\$ 868	\$ 876
Vacancy rate	3.3%	3.8%	3.4%	2.8%	4.3%
Metro					
Units surveyed	115,570	116,767	116,429	116,686	113,113
Vacant units	5,408	5,161	4,522	4,238	4,765
Average rent	\$ 871	\$ 876	\$ 883	\$ 890	\$ 899
Vacancy rate	4.7%	4.4%	3.9%	3.6%	4.2%

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

Figure 11 : **RENTAL VACANCY RATES**
Minneapolis & Metro



Source: GVA Marquette Advisors

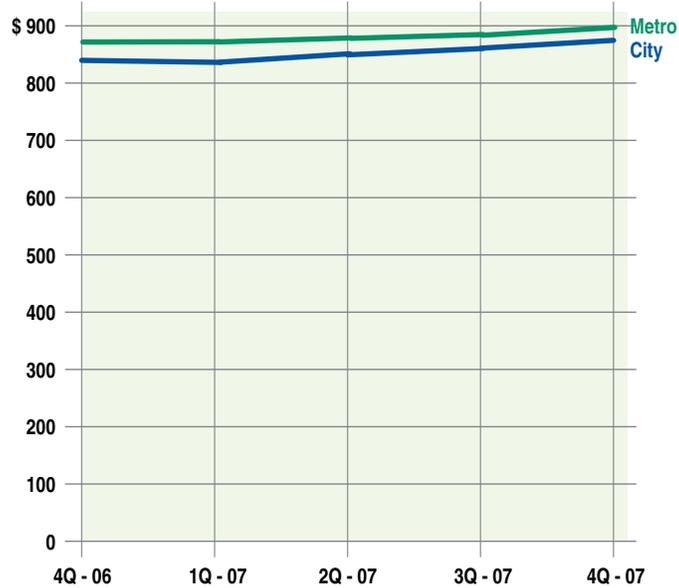
Recorded data for the last month of the quarter

Residential vacancy rates & average apartment rent

Two areas in Minneapolis had below-average vacancy rates: the Southeast/University of Minnesota area and south Minneapolis. Three areas had above-average vacancy rates: north Minneapolis, downtown and east Minneapolis. In east Minneapolis the average vacancy rate rose to an unusual 18.3 percent as a result of a new apartment building that is filling up very slowly. The Southeast/University of Minnesota area traditionally has a very low vacancy rate, with a large student housing supply and vacancies tending to fluctuate with the student population. In the winter months, vacancies tend to decrease. In north Minneapolis which has a very high vacancy rate, the market for apartments is small because the neighborhoods in the area are mainly composed of single-family homes. The vacancy rate there was higher this quarter than a year ago. In south Minneapolis, an area that has the largest number of affordable rental units in Minneapolis, the vacancy rate increased slightly this quarter because of an increasing number of units in the market.

* For conversion factors, see page 40.

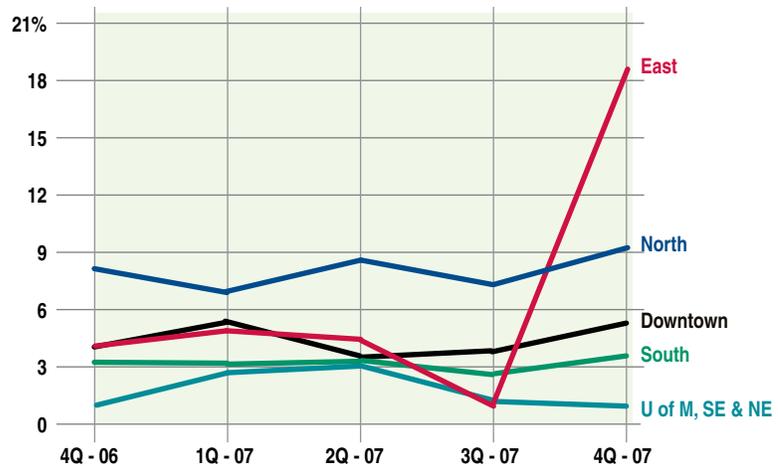
Figure 12: **AVERAGE APARTMENT RENT** – Minneapolis & Metro
in current dollars



Source: GVA Marquette Advisors

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

Figure 13: **VACANCY RATES BY CITY SECTOR***
in percent



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Downtown	4.1%	5.2%	3.3%	3.6%	5.0%
South	3.2%	3.1%	3.2%	2.8%	3.4%
North	8.1%	7.0%	8.4%	7.6%	9.1%
East	4.1%	4.8%	4.4%	2.1%	18.3%
U of M, SE and NE	2.1%	2.8%	3.0%	1.4%	1.2%

Source: GVA Marquette Advisors

* For sector definitions, see page 39
Recorded data for the last month of the quarter

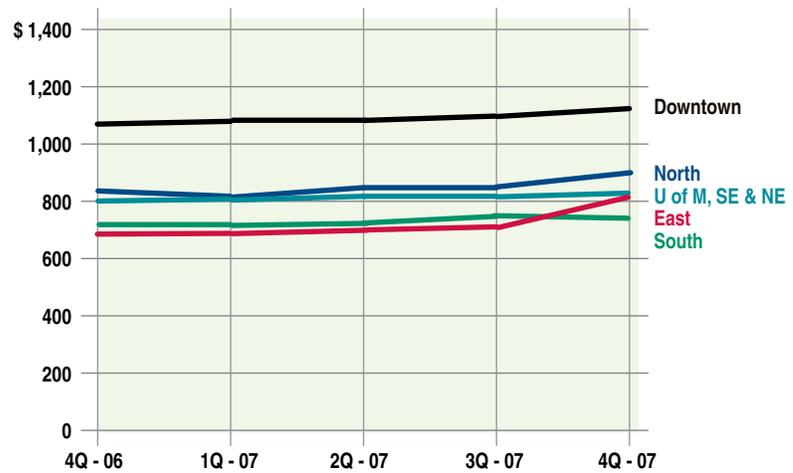
Residential vacancy rates & average apartment rent

Downtown continues to command the highest average rent in Minneapolis. Average rent in this area has been rising since the beginning of the year; in inflation-adjusted dollars it increased by 1.2 percent from a year ago.

In all sectors of the city, average rent increased in current dollars and in inflation-adjusted dollars* from a year ago. In the University of Minnesota/Southeast/Northeast area average rent in inflation-adjusted dollars* increased since last quarter by 0.4 percent but decreased since last year by 0.7 percent. In the south Minneapolis area, average rent decreased in inflation-adjusted dollars* by 0.2 percent since last quarter but increased by 0.6 percent since a year ago. Downtown rent was 2.7 percent higher in inflation-adjusted dollars since the third quarter and 1.2 percent higher since a year ago.

* For conversion factors, see page 40.

Figure 14: **AVERAGE MONTHLY RENT BY CITY SECTOR***
in current dollars



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Downtown	\$ 1,088	\$ 1,093	\$ 1,094	\$ 1,100	\$ 1,123
South	731	732	737	756	750
North	836	809	847	844	888
East	699	700	715	721	815
U of M, SE and NE	807	806	813	818	817

Source: GVA Marquette Advisors

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

* For sector definition, see page 39

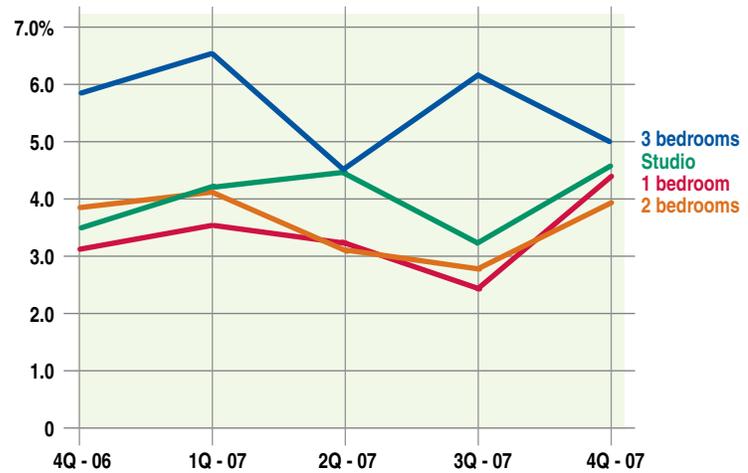
Residential vacancy rates & average apartment rent

Two-bedroom apartments had lower vacancy rates than the city's average, while three-bedrooms had the highest vacancy rates. Studios and one-bedrooms had higher vacancy rates than city's average vacancy rates. Except for three-bedroom apartments, vacancy rates increased for all apartment types from last quarter and from a year ago.

Average rents for all apartment types increased since both last year and last quarter. They rose also in inflation-adjusted dollars from last year except for the largest apartments. The three-bedrooms' average rent was \$1403 in inflation-adjusted dollars in the 4th quarter of 2006, \$21 higher than in the fourth quarter of 2007. It was \$1,365 in inflation-adjusted dollars* in the third quarter of 2006, \$17 lower than in the fourth quarter.

* For conversion factors, see page 40.

Figure 15: **RENTAL VACANCY RATE – Minneapolis**
by apartment type



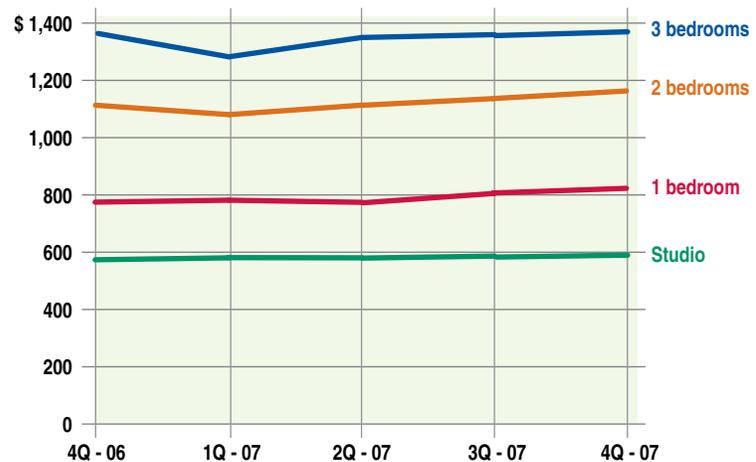
	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Studio	3.5%	4.3%	4.5%	3.2%	4.6%
One bedroom	3.1%	3.5%	3.2%	2.5%	4.4%
Two bedrooms	3.8%	4.2%	3.1%	2.8%	3.9%
Three bedrooms	5.8%	6.5%	4.5%	6.2%	5.0%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

* For conversion index, see page 40

Figure 16: **AVERAGE MONTHLY RENT – Minneapolis**
by apartment type



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Studio	\$ 583	\$ 589	\$ 587	\$ 594	\$ 597
One bedroom	782	785	789	801	809
Two bedrooms	1,113	1,092	1,124	1,140	1,162
Three bedrooms	1,376	1,308	1,371	1,373	1,382

Source: GVA Marquette Advisors

Not adjusted for inflation

Recorded data for the last month of the quarter

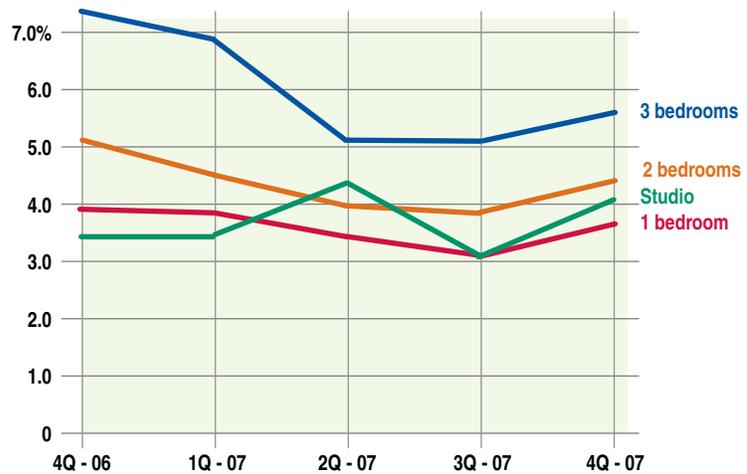
Residential vacancy rates & average apartment rent

Three-bedroom apartments in the metro area brought up its average apartment vacancy rate. Since a year ago, the metro area vacancy rate decreased for all apartment types except studios. Since last quarter however, vacancy rates tended to rise except for two-bedrooms.

Rent in the metro area increased since a year ago for all apartment types. It increased the most in inflation-adjusted dollars - by \$12 - for one-bedroom apartments *. Average rents in inflation-adjusted dollars for all apartment types in the metro area increased also since last quarter as much as \$24 dollars for three-bedrooms and as little as \$7 for studios*.

* For conversion factors, see page 40.

Figure 17: **RENTAL VACANCIES – Metro**
by apartment type

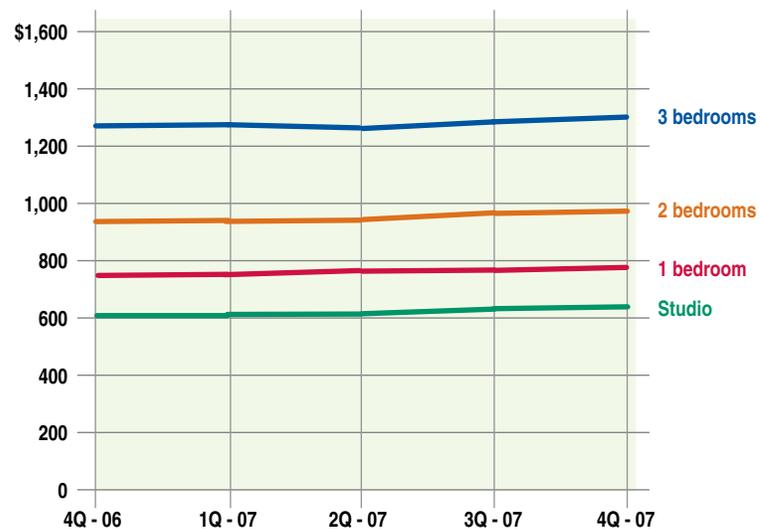


	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Studio	3.4%	3.4%	4.4%	3.2%	4.1%
One bedroom	3.9%	3.8%	3.5%	3.2%	3.7%
Two bedrooms	5.1%	4.6%	4.0%	3.8%	4.4%
Three bedrooms	7.5%	6.9%	5.1%	5.1%	5.6%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Figure 18: **AVERAGE MONTHLY RENT – Metro**
by apartment type



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Studio	\$ 605	\$ 605	\$ 613	\$ 624	\$ 628
One bedroom	751	757	763	768	778
Two bedrooms	947	949	958	969	976
Three bedrooms	1,255	1,251	1,253	1,268	1,285

Source: GVA Marquette Advisors

Not adjusted for inflation

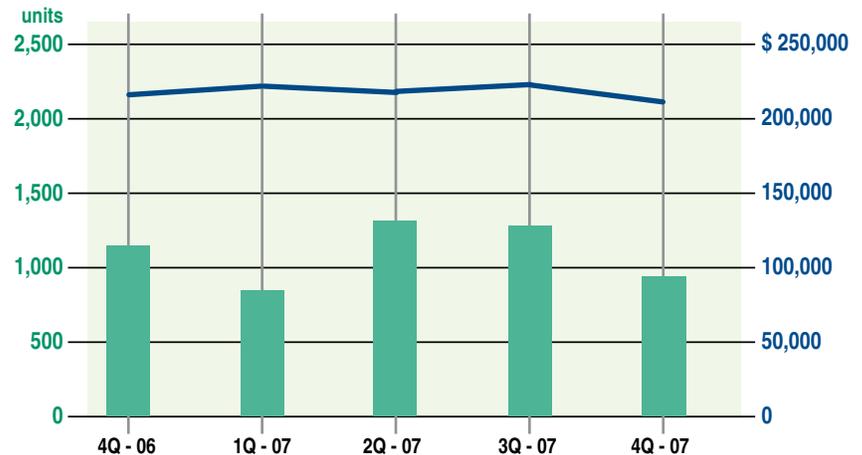
Recorded data for the last month of the quarter

Residential sales

Housing sales slumped in first quarter of 2007, increased in the second quarter, decreased slightly in the third quarter, and slumped again in the fourth quarter. The number of housing units sold in fourth quarter of 2007 was 19.2 percent lower than a year earlier and 28.3 percent lower than the third quarter. The median price was 1.4 percent lower than a year ago and 4.9 percent lower than the third quarter.

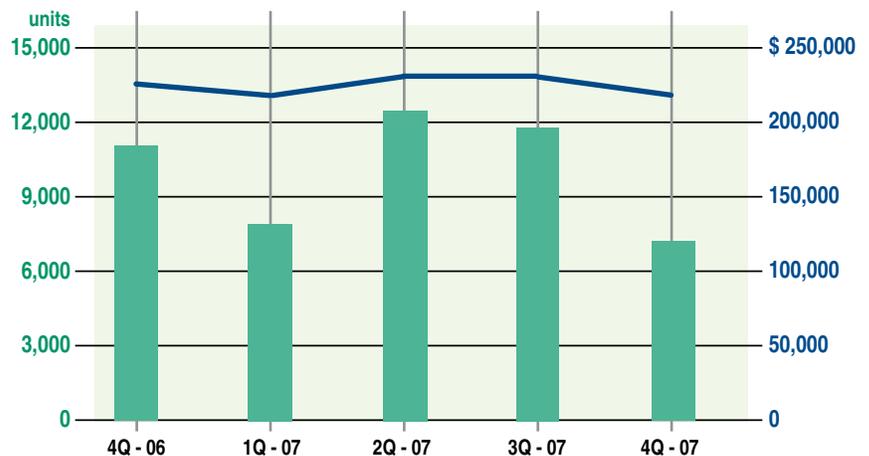
In both the metro area and the city, the number of housing units sold decreased since both last quarter and a year ago. In the metro area, the number of units sold decreased by 38.7 percent since last quarter and by 28.3 percent since a year ago. Meanwhile, the median sale price was 6.1 percent lower than last quarter and 4.8 percent lower than the fourth quarter of 2006.

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



Source: Minneapolis Area Association of Realtors (MAAR)

Figure 20: **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 the metro area definition, see page 40.

Table 10: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES**

	# units	4Q - 06 sale	# units	1Q - 07 sale	# units	2Q - 07 sale	# units	3Q - 07 sale	# units	4Q - 07 sale
Minneapolis	1,128	\$ 215,000	872	\$ 222,000	1,303	\$ 219,000	1,270	\$ 223,000	911	\$ 212,000
Metro*	10,089	227,000	7,883	223,750	12,161	229,700	11,811	230,000	7,237	216,000

Source: Minneapolis Area Association of Realtors (MAAR)

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

** Metro area* refers to the 13-county service area covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For the metro area definition see Page 27.

Not adjusted for inflation

Foreclosure sales

During the fourth quarter of 2007, 743 housing units went to public auction because of their owners' failure to pay mortgages or other contractual property fees (mostly mortgages). This is a 10.6 percent decrease since the previous quarter, but a 56.8 percent increase since a year ago. Wards 3, 4 and 5 had 54.7 percent of the total foreclosure sales in the city.

MAP 5: **FORECLOSURE SALES** – 4Q-07
by wards

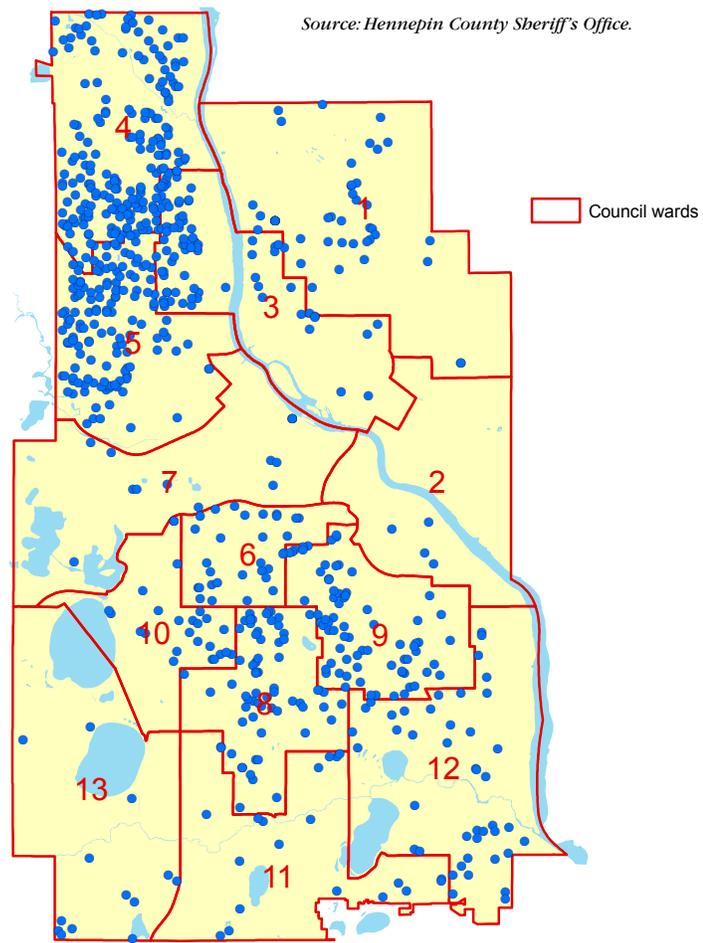


Table 12: **FORECLOSURE SALES**
by wards

Ward	4Q - 06		1Q - 07		2Q - 07		3Q - 07		4Q - 07	
	#	%	#	%	#	%	#	%	#	%
1	28	5.9	45	6.6	34	5.3	53	6.4	44	5.9
2	10	2.1	3	0.4	6	0.9	7	0.8	4	0.5
3	52	11.0	92	13.6	88	13.7	102	12.3	81	10.9
4	112	23.6	177	26.1	139	21.6	189	22.7	186	25.0
5	95	20.0	144	21.2	151	23.5	158	19.0	140	18.8
6	20	4.2	14	2.1	16	2.5	29	3.5	30	4.0
7	14	3.0	27	4.0	18	2.8	20	2.4	19	2.6
8	51	10.8	53	7.8	63	9.8	100	12.0	64	8.6
9	27	5.7	47	6.9	43	6.7	67	8.1	73	9.8
10	8	1.7	12	1.8	17	2.6	26	3.1	25	3.4
11	27	5.7	24	3.5	27	4.2	31	3.7	21	2.8
12	25	5.3	27	4.0	30	4.7	36	4.3	43	5.8
13	5	1.1	13	1.9	11	1.7	13	1.6	13	1.7
Total	474	100%	678	100%	643	100%	831	100%	743	100%

Source: Hennepin County Sheriff's Office.

Numbers do not include mislabeled addresses from Hennepin County that appear to be outside Minneapolis.

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings counted in the city rose nearly 15 percent since last quarter and more than doubled since a year ago. Part of this increase is the result of better data collection. A large increase is shown for buildings that are vacant but not condemned — buildings with some code violations but no major problems. However, the number of boarded and condemned buildings — which are deemed uninhabitable and made up the majority of the group, doubled since last year.

These buildings are located mainly north-west Minneapolis and the city's south-central area. Their locations follow similar patterns as the foreclosures shown in the map on page 31.

Map 6: CONDEMNED AND VACANT BUILDINGS – 4Q-07

Source: City of Minneapolis Regulatory Services

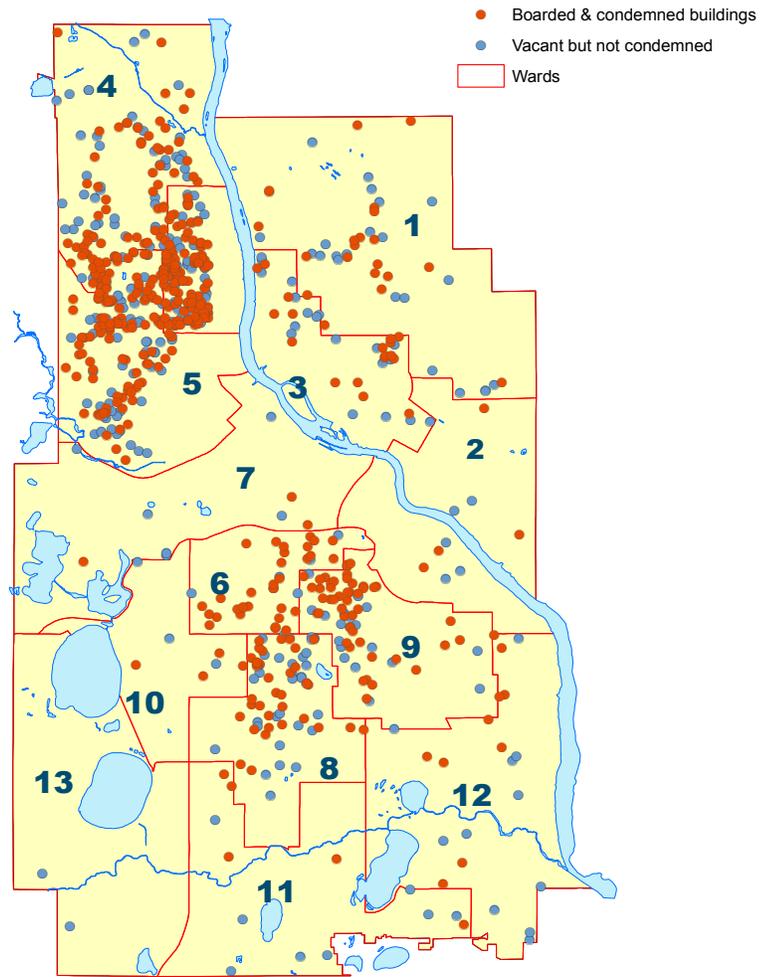


Table 11: CONDEMNED AND VACANT BUILDINGS

	4Q - 06	1Q - 07	2Q - 07	3Q - 07	4Q - 07
Boarded and condemned buildings	241	296	333	414	484
Vacant but not condemned	118	166	201	256	285
Total	359	462	534	670	769

Source: City of Minneapolis Regulatory Services

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

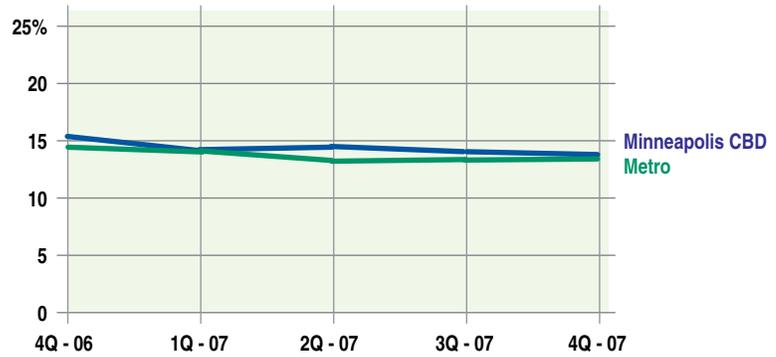
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) decreased in the last quarter from 14.3 percent to 14.2 percent, and it was also lower than it was a year ago. The average vacancy rate in the metro area rose slightly since last quarter, but like Minneapolis, it was still lower than it was a year ago.

Lease rates in the Minneapolis central business district (CBD) increased slightly from last quarter – from \$11.56 to \$11.69– and remained higher than last year’s rate. The metro area prices also increased this quarter from last quarter’s \$11.70. Prices in the metro area are higher than a year ago and slightly above the Minneapolis CBD rate.

Figure 21: **OFFICE VACANCY RATE**
in percent

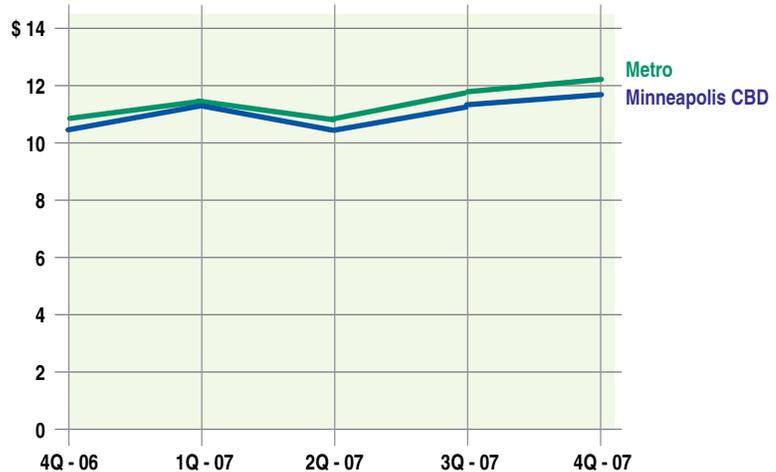


	4Q - 06	1Q - 07	2Q - 07	3Q - 07	4Q - 07
Minneapolis CBD	15.6%	14.0%	14.1%	14.3%	14.2%
Metro	14.7%	14.1%	13.6%	13.6%	13.8%

Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

Figure 22: **OFFICE AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	Q - 06	1Q - 07	2Q - 07	3Q - 07	4Q - 07
Minneapolis CBD	\$ 10.37	\$ 11.47	\$ 10.35	\$ 11.56	\$ 11.69
Metro	10.82	11.40	10.86	11.70	12.07

Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

Office space

This quarter, the occupied office space (available rentable area minus the vacancy rate) in Minneapolis' central business district increased. This increase is not as large as a significant expansion that took place in the third and fourth quarters a year ago. In the metro area, occupied office space grew this quarter but not as much as it grew in the fourth quarter of 2006.

Figure 23: **OCCUPIED OFFICE SPACE** – rate of growth in percent



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Minneapolis CBD	0.41%	0.17%	-0.21%	-0.21%	0.08%
Metro	0.44%	0.03%	-0.54%	0.20%	0.32%

Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

Retail space

The retail vacancy rate in the Minneapolis central business district decreased significantly since last quarter and since a year ago to 5.7 percent. The vacancy rate in the metro area decreased also, ending at 5.9 percent, slightly above the CBD's rate.

In the Minneapolis central business district, the average asking lease price rose from \$11.88 per square foot a year ago and from \$15.92 last quarter to \$16.07 this quarter – an increase of 35.3 percent since last year. In the metropolitan area, the price increased from a year ago by 2.1 percent, but it decreased from last quarter by 1 percent.

Figure 24: **RETAIL VACANCY RATE**
in percent



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Minneapolis CBD	11%	8.9%	8.7%	8.5%	5.7%
Metro	6.3%	6.4%	6.7%	6.4%	5.9%

Source: CB Richard Ellis

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

Figure 25: **RETAIL – AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Minneapolis CBD	\$ 11.88	\$ 15.33	\$ 15.76	\$ 15.92	\$ 16.07
Metro	19.63	19.89	19.81	20.25	20.04

Source: CB Richard Ellis

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

Retail space

The Minneapolis central business district (CBD) increased its occupied retail space (available rentable area minus the vacancy rate) by 3 percent this quarter and nearly 6 percent since a year ago. In the metro area, occupied space increased more this year than last year. Growth picked up the pace due to retail projects such as community centers, restaurant expansion, mixed use developments, and mainly in the suburbs, big box retailing.

Figure 26: **OCCUPIED RETAIL SPACE** – rate of growth in percent



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Minneapolis CBD	-1.0%	2.3%	0.2%	0.2%	3.0%
Metro	1.7%	1.3%	-0.1%	0.7%	6.8%

Source: CB Richard Ellis

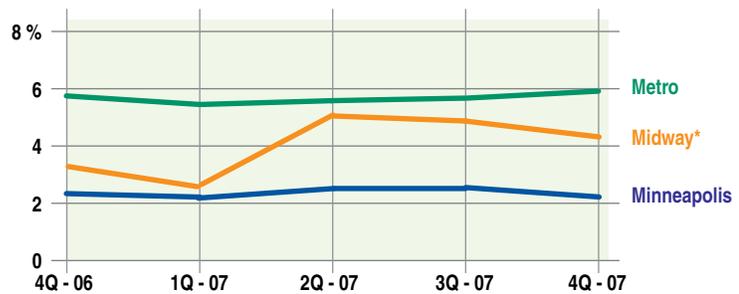
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space vacancy rate decreased in the industrial areas of Minneapolis from last quarter and a year ago. Since last quarter, it also decreased in Midway, but rose in the metro area. Since a year ago, the vacancy rates increased in Midway and the metro area.

The lease rate for industrial space in Minneapolis was 3.7 percent higher than a year ago and 2.4 percent higher than last quarter. In Midway it increased steadily from the second quarter and landed in the fourth quarter 10.2 percent higher than it was a year ago. In the metro area prices for industrial space have been generally declining and the average lease rate was 1.7 percent lower than a year ago, and 1.2 percent lower than last quarter.

Figure 27: **INDUSTRIAL VACANCY RATE**
in percent



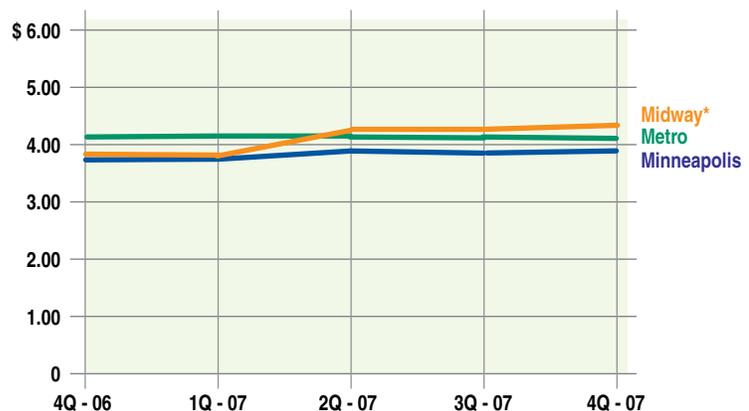
	4Q-06	1Q-07	2Q-07	3Q-06	4Q-07
Minneapolis	2.3%	2.2%	2.4%	2.4%	2.2%
Midway*	3.2%	2.5%	5.1%	4.9%	4.3%
Metro	5.7%	5.4%	5.6%	5.7%	5.9%

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 includes industrial areas of northeast Minneapolis and Saint Paul.

Figure 28: **INDUSTRIAL - AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Minneapolis	\$ 3.77	\$ 3.78	\$ 3.89	\$ 3.82	\$ 3.91
Midway*	3.83	3.80	4.17	4.18	4.22
Metro	4.18	4.15	4.14	4.16	4.11

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 includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

In the last half of the year, Midway and Minneapolis increased their occupied industrial space after losing occupied space in the second quarter. The metro area increased occupied space steadily. Growth in industrial space was forced by demand for infill sites, while new construction proceeded at a good pace.

Figure 29: **OCCUPIED INDUSTRIAL SPACE** – rate of growth in percent



	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07
Minneapolis	-1.0%	0.1%	-0.2%	0.0%	0.2%
Midway*	-0.2%	0.7%	-2.6%	0.2%	0.6%
Metro	0.1%	0.4%	0.0%	0.02%	0.1%

Source: CB Richard Ellis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Real estate statistics as reported by CB Richard Ellis (www.cbre.com) include office, retail and industrial space vacancy rates, yearly lease price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries.

Data cover approximately 5,000 industrial buildings, 370 retail buildings and 65 million square feet of office space in the Twin Cities metropolitan area.

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

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

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

Inflation-adjusted figures: Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For the purpose of analyzing residential rent, however, text is based on the values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the fourth quarter of 2006, dollars have been converted with an index of 1.0196973, the result of the relation between the CPI for December 2007 (195.374) and the CPI for December 2006 (191.6). For the period from the third quarter of 2007 to the fourth quarter of 2007, the index is 0.9944165, obtained by dividing 195.374 (December '07) by 196.471 (September '07).



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