

Minneapolis Trends

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



second quarter 2006

Highlights for the second quarter of 2006

- Unemployment was lower than one year ago and employment increased in the city. *see page 4*
- The number of permits for new residential units in Minneapolis increased from the low hit last quarter but remained similar to the level reached this time last year *see page 13*
- Rental housing had a lower vacancy rate than this time last year, and rent costs more *see page 24*
- The number of residential sales dropped sharply, but the prices were higher than last year. *see page 27*
- Office vacancy rates decreased in the Minneapolis central business district, while the average asking lease price slightly increased. *see page 29*



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

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Minneapolis Trends

second quarter 2006



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ECONOMIC INDICATORS

- Unemployment decreased to 3.8 percent and remained lower than the rate in the same quarter last year. The labor force also decreased, but employment increased (Table 1).
- In the fourth quarter of 2005, there were 3,175 more jobs in the city than in the same period of 2004 (Table 2).
- In the 4th quarter of 2005, overall wage and salary levels decreased in inflation-adjusted dollars in Minneapolis since the same period last year, as they did in the region and the state.

LABOR FORCE

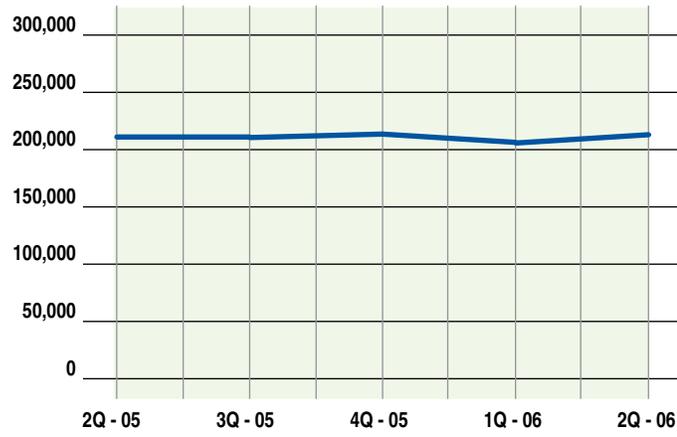
Employment was up by 0.4 percent from the same time a year earlier. The number of unemployed people was 10.1 percent lower than the second quarter of the previous year and 9.7 percent lower than the previous quarter. The labor force (people with jobs and people looking for work) decreased by 0.1 percent from a year earlier. The labor force and employment did not reach the high of the fourth quarter of 2005.

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

	2005 2Q-04	3Q-04	4Q-05	2006 1Q-06	2Q-06
Labor Force	222,571	223,195	223,389	219,613	222,241
Employment	213,250	213,884	214,949	210,328	214,060
Unemployment Rate	4.2%	4.2%	3.8%	4.2%	3.8%

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

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis



Source: CPED with data from Minnesota Department of Employment and Economic Development (DEED) - labor market information

JOBS

The most recent figures available are from the fourth quarter of 2005. The number of jobs located in Minneapolis increased from the previous quarter by 1.2 percent and increased from the previous year by 1.1 percent. Jobs grew most throughout 2005 in the management of companies and enterprises, which added 918 jobs — growth of 6.4 percent. Finance and insurance increased by 812 jobs and administrative and waste services added 800 new jobs.

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

	4Q-2004	1Q-2005	2Q-2005	3Q-2005	4Q-2005
Manufacturing	16,652	16,645	16,619	16,771	16,795
Utilities*	3,231	3,267	3,158	3,114	3,145
Wholesale trade	10,853	9,451	9,571	9,853	9,728
Retail trade	17,320	16,048	16,737	16,642	17,316
Transportation and warehousing*	4,906	4,489	4,448	4,368	4,600
Information	11,327	11,200	11,528	11,632	11,579
Finance and insurance*	27,249	27,135	27,612	27,973	28,061
Real estate and rental and leasing	6,095	6,098	6,266	6,400	6,361
Professional and technical services*	28,594	27,895	28,188	29,096	29,176
Management of companies and enterprises	14,272	14,755	14,857	14,583	15,190
Administrative and waste services*	14,400	13,099	13,951	14,666	15,200
Educational services	27,427	27,714	27,140	25,107	27,612
Health care and social assistance	42,222	42,119	42,152	42,648	42,634
Arts, entertainment and recreation*	4,837	4,591	5,011	4,898	5,055
Accommodation and food services	22,027	21,118	22,111	22,624	22,209
Other services*	10,823	10,294	10,566	10,677	10,668
Public administration	12,805	12,772	12,943	13,293	12,865
Total, all industries¹	288,952	282,104	286,699	288,555	292,127

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

* Private jobs only

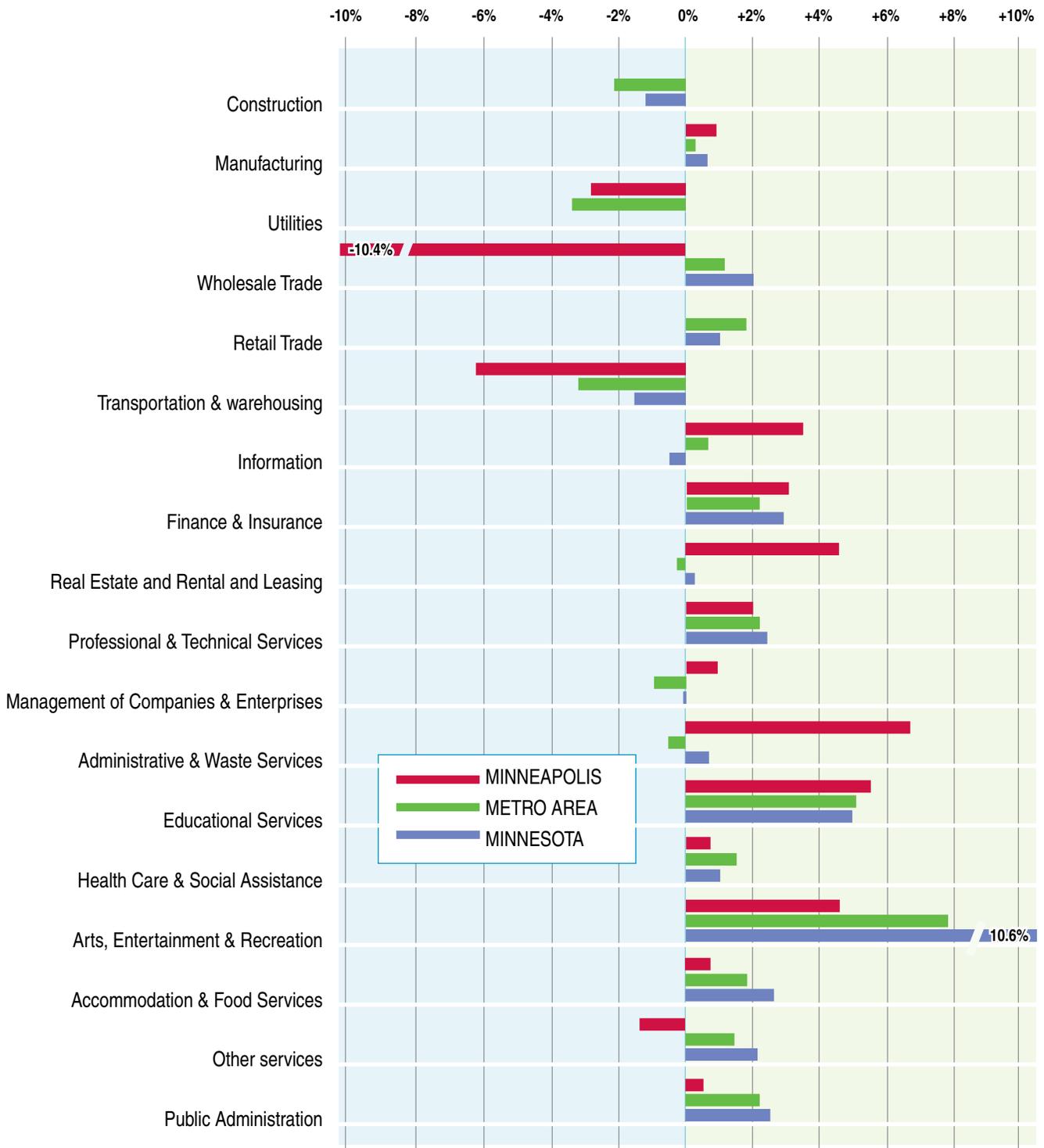
¹ Natural resources-based industries and agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up.

JOBS

In the fourth quarter of 2005, the number of jobs increased in most economic sectors. Arts, entertainment and recreation did particularly well in the state and the metro area where it expanded by 10.6 percent and 7.8 percent respectively. Management of companies and enterprises grew very well in the city but not at all in the metro area and a little in the state. Administrative and waste services had high growth rates in all three jurisdictions. In contrast, the city lost more than 6 percent of its jobs in the transportation and warehouse sectors and more than 10 percent in the wholesale trade sector. The wholesale sector increased jobs in the state and the metro area.

Figure 2: **JOBS** – 4Q-04 to 4Q-05 – percent change

Source: CPED with revised data from DEED



WAGES

The average weekly wage in Minneapolis in the fourth quarter of 2005 was \$1,044, a nominal decrease of \$22 (\$56 in inflation-adjusted dollars*) from the same period the previous year. Wages decreased in most economic sectors during this period. Since the same quarter the previous year, the average weekly pay for utilities (a sector with diminishing jobs) increased by \$196 (\$151 in inflation-adjusted dollars*). The only other sector that saw wages increase was educational services, and that rose only \$5 in inflation-adjusted dollars*.

* For conversion index, see page 10

Table 3: **AVERAGE WAGE PER WEEK – Minneapolis**
in current dollars

INDUSTRY	4Q-04	1Q-05	2Q-05	3Q-05	4Q-05
Manufacturing	\$1,042	\$962	\$911	\$939	\$1,047
Utilities*	1,426	1,594	1,595	1,634	1,622
Wholesale Trade	1,222	1,124	1,020	1,072	1,158
Retail Trade	591	539	583	623	587
Transportation & Warehousing*	720	599	638	698	686
Information	1,085	1,121	1,044	1,072	1,109
Finance & Insurance*	1,708	2,288	1,430	1,500	1,684
Real Estate and Rental and Leasing	1,038	1,194	916	989	1,071
Professional & Technical Services*	1,720	1,327	1,455	1,410	1,711
Management of Companies & Enterprises	1,874	1,806	1,578	1,617	1,510
Administrative & Waste Services*	567	562	555	589	572
Educational Services	885	928	912	1,048	918
Health Care & Social Assistance	887	793	830	873	898
Arts, Entertainment & Recreation*	1,148	947	1,154	1,299	923
Accommodation & Food Services	344	311	323	341	338
Other services*	563	511	528	553	542
Public Administration	1,077	964	996	987	1,066
Total, all industries¹	\$1,066	\$1,052	\$970	\$1,003	\$1,044

Source: CPED with data from DEED - Minnesota Quarterly Census, Employment and Wages

* Only private wages

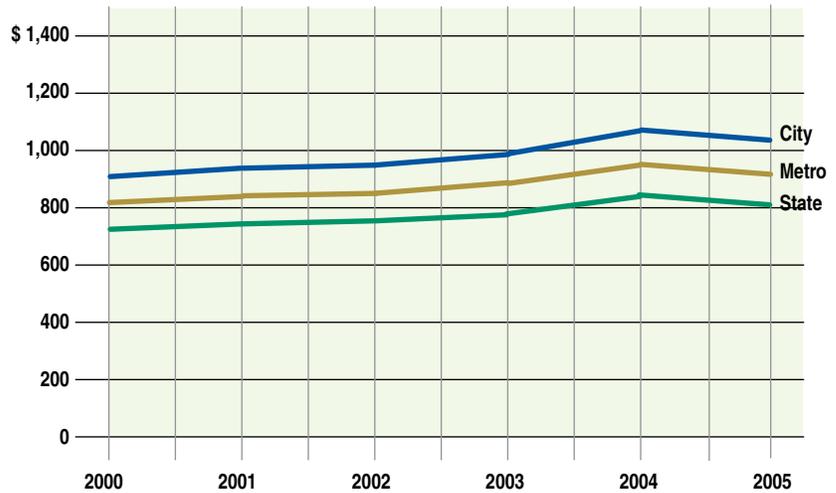
¹ Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

WAGES

For all industries, employees in Minneapolis commanded higher average weekly wages than employees in the metropolitan area or the state. Minneapolis fourth-quarter wages decreased 2.1 percent in current dollars and 5.1 percent in inflation-adjusted dollars from the same period in the previous year. The city decline was still lower than declines sustained in the metro area (a decline of 6.5 percent) and the state (a decline of 6.2 percent) in inflation-adjusted dollars* during the same period.

* For conversion index, see page 10

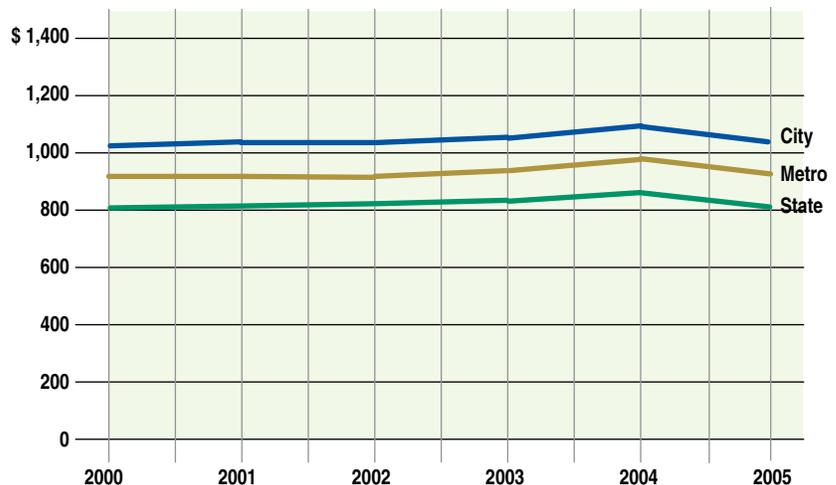
Figure 3: **AVERAGE WEEKLY WAGES**— fourth quarter
in current dollars



Source: CPED with data from DEED.

	2000	2001	2002	2003	2004	2005
Minneapolis	\$ 904	\$ 927	\$ 948	\$ 997	\$ 1,066	\$ 1,044
Metro area	824	835	853	889	955	921
Minnesota	722	733	752	784	835	808

Figure 4: **AVERAGE WEEKLY WAGES** – fourth quarter
in December 2005 dollars



Source: CPED with most current available data from DEED.

Total values adjusted to December 2005 dollars based on Bureau of Labor Statistics' Consumer Price Index for all urban consumer goods.

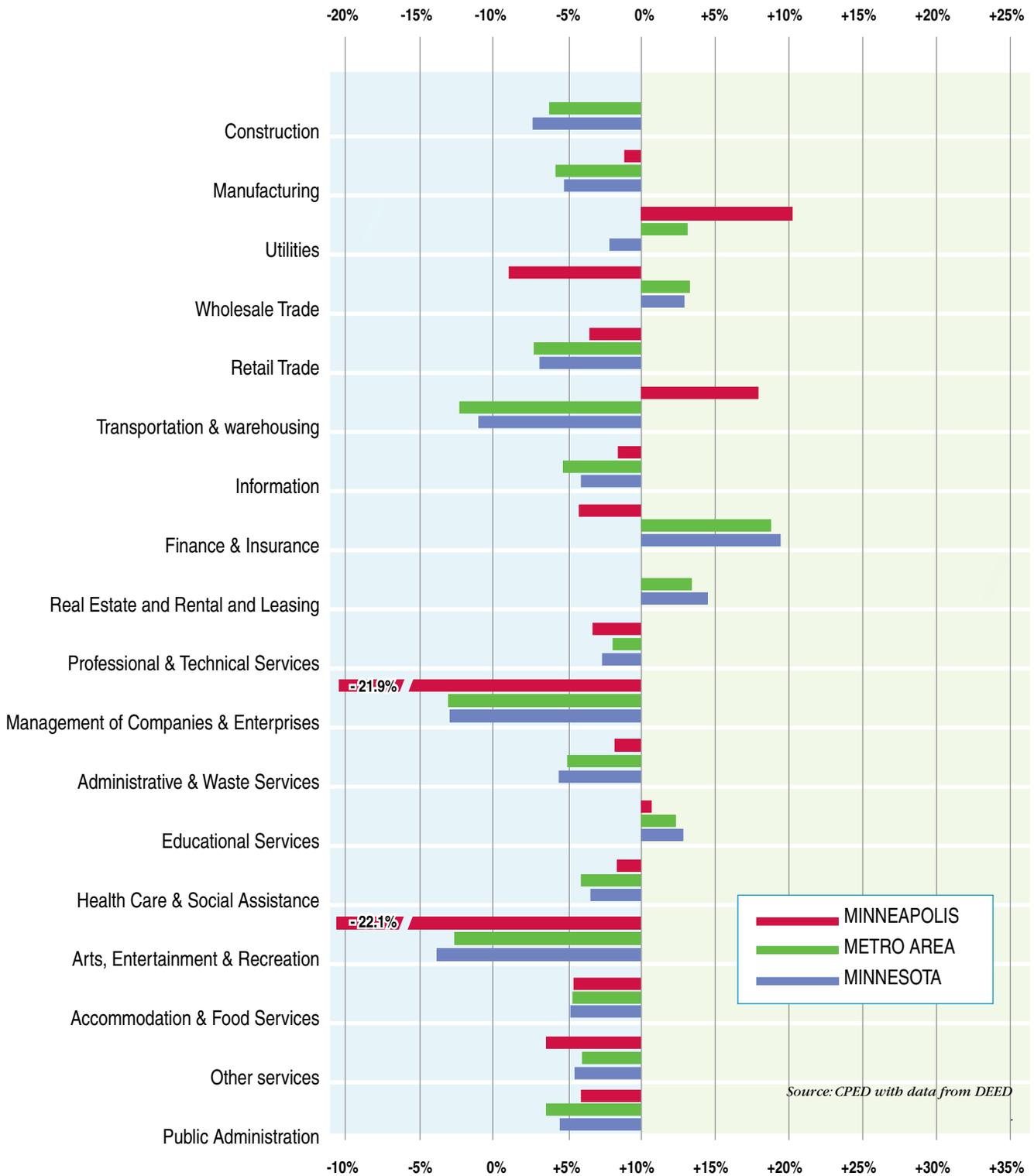
	2000	2001	2002	2003	2004	2005
Minneapolis	\$ 1,009	\$ 1,022	\$ 1,022	\$ 1,056	\$ 1,100	\$ 1,044
Metro area	920	921	919	942	985	921
Minnesota	805	809	813	834	862	808

WAGES

With a few exceptions in Minneapolis, the overwhelming majority of industries lost wage values due to inflation from the fourth quarter of 2004 to the fourth quarter

of 2005. The following graph shows percentage changes by industry in the city, the metro area and the state.

Figure 5: **AVERAGE WEEKLY SALARIES** – 4Q-04 to 4Q-05
in inflation-adjusted dollars



Source: CPED with data from DEED

DEFINITIONS AND SOURCES

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

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.

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 Midwest urban areas Size A (metropolitan areas of 1,500,000 people or more) and the Midwest urban areas. For the fourth quarter of 2005, dollars have been converted with an index reflecting the CPI for December of the respective years from 2000 to 2005 with 2005 as a base year. To look at the indexes go to: www.bls.gov/cpi/home.htm and click on "All urban consumers (current series)."

DEVELOPMENT INDICATORS

- In Minneapolis new construction picked up from the previous quarter and remained similar to last year's second quarter.
- The number of permits issued for new residential units slowed down in the metro area since the second quarter last year, but it increased from last quarter.
- The number of permits for residential and non-residential buildings remodeling and conversions to new uses in the city increased from the last quarter and one year ago. Conversion projects will add 150 new residential units.
- The amount of money spent on remodeling and conversion projects increased 57 percent from last year in inflation-adjusted dollars. The conversion of a manufacturing building into the CW Lofts at 730 Stinson Parkway will add 124 residential units at a cost of more than \$16 million.
- The average construction cost per single-family home increased in the city by 18.7 percent and decreased for multifamily units by 46.6 percent in inflation-adjusted dollars, in part because more modest apartment were constructed.

NEW RESIDENTIAL CONSTRUCTION

In Minneapolis, new residential construction picked up since last quarter, returning very close to last year's level but still less than half the heights of the fourth quarter 2005. In the metropolitan area new residential construction was almost 40 percent higher than the previous quarter, but 23 percent lower than the previous year.

In Minneapolis there was an upsurge of new construction for both single- and multifamily units since last quarter. The increase in multifamily unit construction was about 35 percent higher than in the first quarter and 3 percent higher than last year. Single family units, however, had 12 percent fewer units than one year ago.

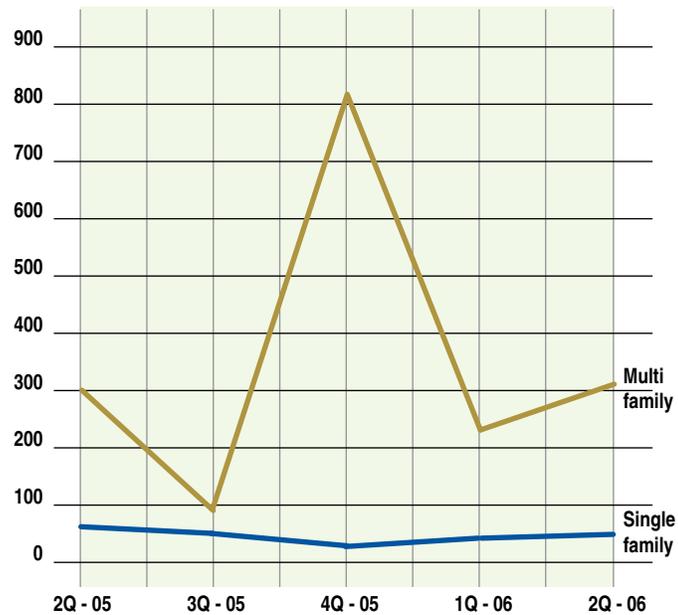
In the metropolitan area both multifamily and single-family construction increased from one quarter ago, but they both declined from one year ago. The number of permits declined in the period for new single-family units by 24 percent and for new multifamily units by 22 percent.

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

	2005 2Q-05	3Q-05	4Q-05	2006 1Q-06	2Q-06
Single-family					
Minneapolis	66	60	42	51	58
Metropolitan area	3,502	3,368	2,896	2,040	2,677
Multifamily					
Minneapolis	299	88	814	229	308
Metropolitan area	1,098	1,082	1,599	485	855
Total number of units					
Minneapolis	365	148	856	280	366
Metropolitan area	4,600	4,450	4,496	2,525	3,552

Source: CPED with data from the U.S. Census Bureau, based on permit information

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

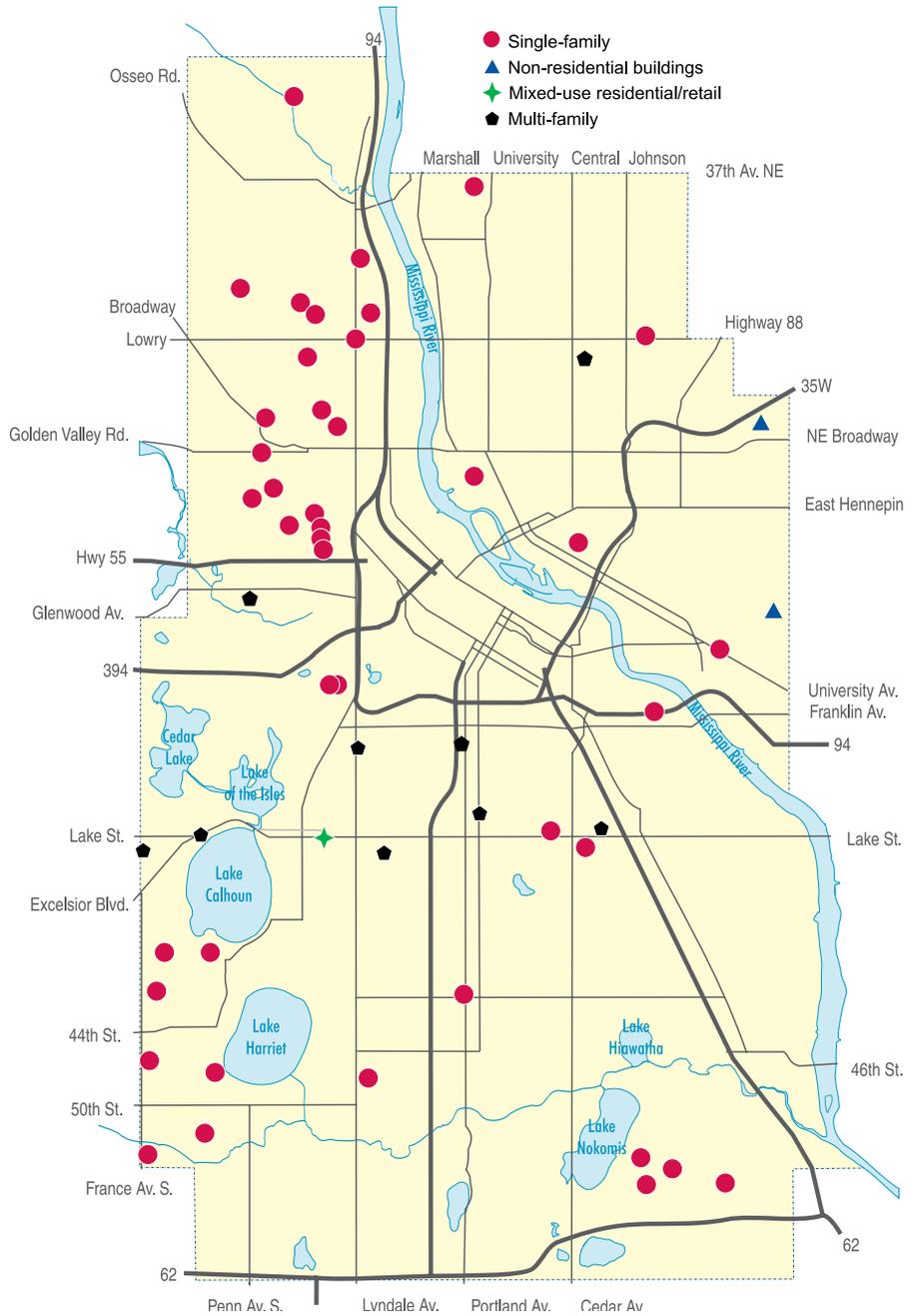


Source: CPED with data from the U.S. Census Bureau

NEW RESIDENTIAL CONSTRUCTION

The highest concentration of new single-family housing permits this quarter was in the north side of the city, as has been the case for several years because of Heritage Park. There were also smaller concentrations in the Chain of Lakes area and east of Lake Nokomis. Five new multifamily buildings (with more than 10 units each) were permitted this quarter. The largest is Lake Calhoun City Apartments in the lakes area with 158 units. One hundred five condominium (ownership) units were permitted in four buildings; two were mixed-use: Le Parisien Flats at 2301 Lyndale Ave. and Lumen at the Lagoon at 2930 Emerson Ave. S. The number of apartment (rental) units totaled 201, including 12 units in four buildings of three units each.

Map 1: NEW RESIDENTIAL CONSTRUCTION
second quarter 2006



Source: CPED with data from Regulatory Services

COST OF RESIDENTIAL CONSTRUCTION

In Minneapolis, the total projected cost of new residential construction decreased by 36 percent (38 percent in inflation-adjusted dollars) since the second quarter of 2005. The decrease was driven by a 43-percent decrease (45 percent in inflation-adjusted dollars*) in multifamily construction

In the seven-county metropolitan area, the total spent on new construction decreased, with the multifamily construction cost declining by 40 percent (42 percent when adjusted for inflation) and single-family declining by 16 percent (18.5 percent in inflation-adjusted dollars*).

* For conversion index see page 21

Table 5: **RESIDENTIAL CONSTRUCTION COSTS**

	2Q-2005	3Q-2005	4Q-2005	1Q-2006	2Q-2006
Single family					
Minneapolis	\$12,263,689	\$10,472,695	\$ 8,313,893	\$ 9,315,354	\$13,185,282
Metropolitan area	756,363,387	718,624,444	672,278,335	505,437,798	634,980,815
Multifamily					
Minneapolis	76,399,197	17,289,225	152,525,123	34,987,500	43,313,637
Metropolitan area	196,893,442	127,558,968	260,941,872	65,922,178	117,477,464
Total number of units					
Minneapolis	88,662,886	27,761,920	160,839,016	44,302,854	56,498,919
Metropolitan area	953,256,829	846,183,412	933,220,207	571,359,976	752,458,279

Source: CPED with data from the U.S. Census Bureau

Table values are not adjusted for inflation

COST OF RESIDENTIAL CONSTRUCTION

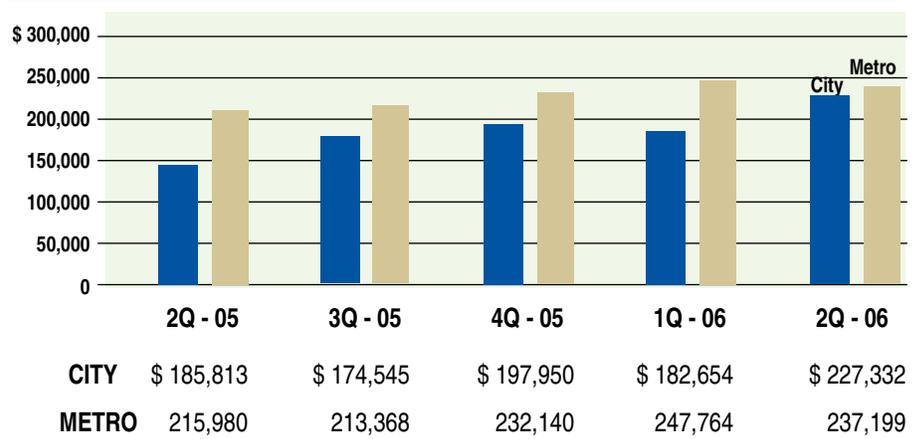
The average cost of building a house in Minneapolis increased by 22.3 percent (18.7 percent in inflation-adjusted dollars*) in the last year, from \$185,800 (\$191,500 in inflation-adjusted dollars*) in the second quarter of 2005 to \$227,300 in the second quarter of 2006.

In the metropolitan area the average cost of building a house increased by 9.8 percent (6.6 percent in inflation-adjusted dollars*), from \$216,000 (\$222,600 in inflation-adjusted dollars*) in the second quarter of 2005 to \$237,200 in the second quarter of 2006.

The average cost of constructing a multi-family unit in Minneapolis decreased since the second quarter of 2005. The cost per unit declined from \$255,500 (\$263,300 in inflation-adjusted dollars*) to \$140,600, 45 percent lower. For the metropolitan area, cost decreased by 23.4 percent (25.6 percent in inflation-adjusted dollars*), from \$179,300 (\$184,000 in inflation-adjusted dollars*) to \$137,400. Lower construction costs may reflect a trend in building more modest apartments and fewer luxury apartments.

* For conversion index see page 21

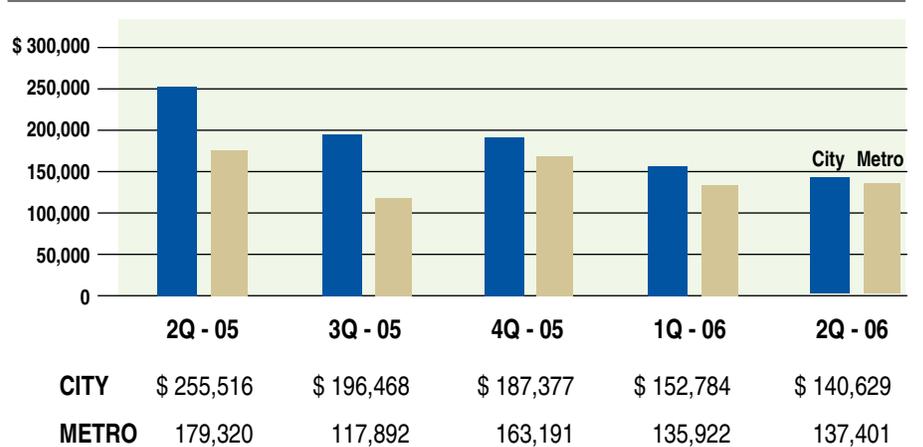
Figure 7: **SINGLE FAMILY CONSTRUCTION COST**
per unit



Source: CPED with data from U.S. Census Bureau

Table values are not adjusted for inflation

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



Source: CPED with data from U.S. Census Bureau

Values in graph are not adjusted for inflation

CONVERSIONS, REMODELS AND ADDITIONS

In the second quarter, 166 residential buildings were remodeled, repaired, added or renewed. Three of these buildings were converted to residential uses from commercial or industrial uses, which added 150 new residential units, and one was a conversion to a single-family dwelling from a duplex. The largest conversion will add 124 residential units at 730 Stinson Parkway.

The total projected construction value this quarter of residential remodeling and conversion projects costing \$50,000 or more was about \$47.9 million, nearly three times higher than last quarter and 61 percent (57 percent adjusted for inflation*) higher than the same period last year. Conversion projects accounted for almost half the total value. The number of buildings remodeled (excluding conversions and additions) was 21.8 percent higher than the number from the same period of 2005.

The amount spent on non-residential conversion, remodeling and additions decreased by 3.2 percent (6.1 percent in inflation-adjusted dollars*) from the same period the previous year.

* For conversion index see page 21

Table 6: **CONVERSIONS, REMODELS AND ADDITIONS**
projects of \$50,000 and more

	2Q-2005	3Q-2005	4Q-2005	1Q-2006	2Q-2006
A- Residential¹					
# of buildings	136	159	40	103	166
Total value	\$29,652,150	\$47,800,240	\$ 5,941,525	\$16,860,567	\$47,924,082
Remodels					
# of buildings	133	152	38	100	162
Value	25,578,798	23,928,691	5,656,525	16,293,567	27,478,955
Conversions & additions²					
# of buildings	3	7	2	3	4
# of units	-15	217	-2	-5	150
Value	4,073,352	23,871,549	285,000	567,000	20,445,127
B- Non-residential					
# of buildings ³	126	107	59	114	133
Value	62,472,207	43,379,389	37,868,665	68,588,879	60,443,483

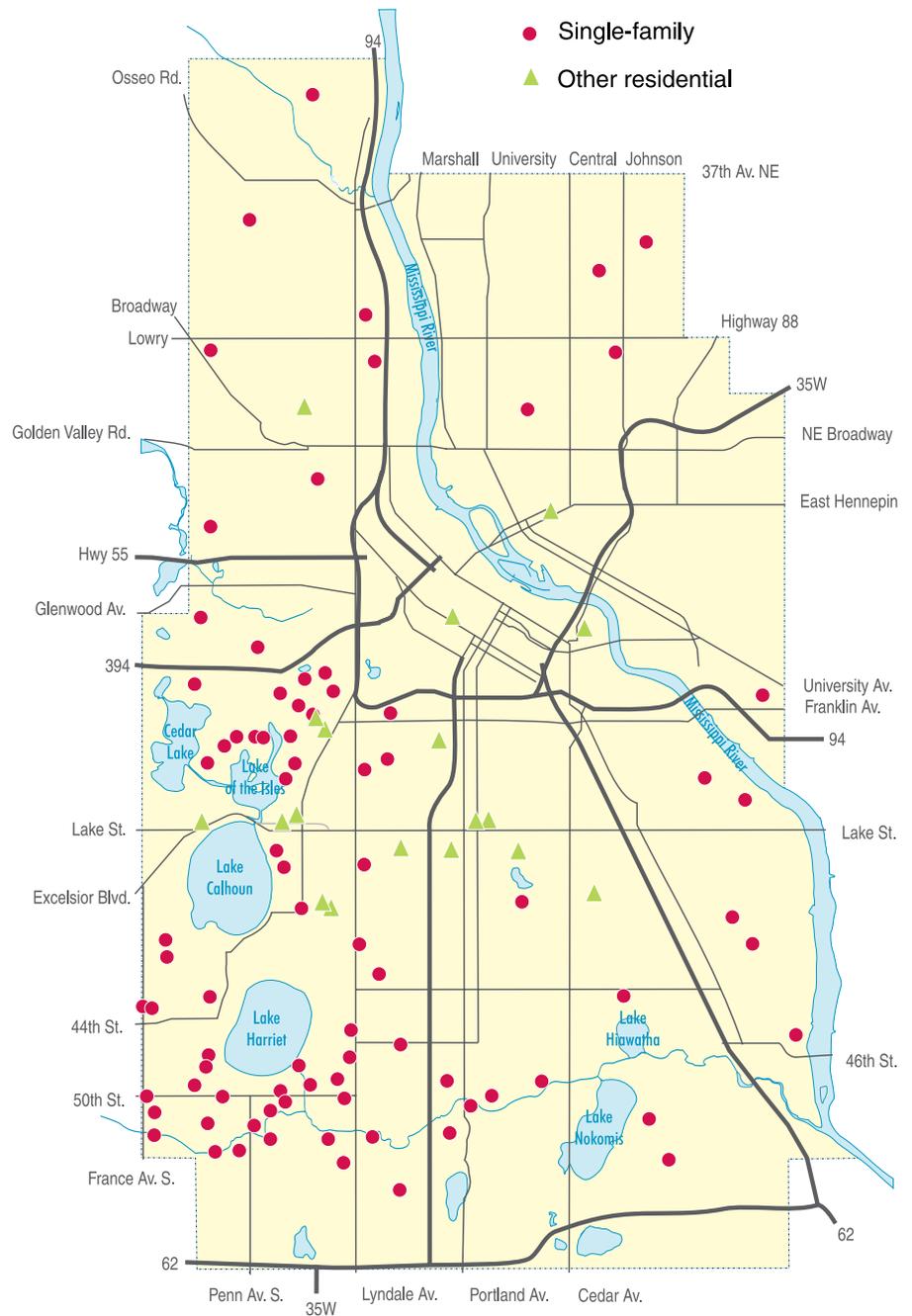
Source: CPED with data from Regulatory Services

- 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 AND ADDITIONS

Permits for residential remodeling were mainly issued in the southern half of the city, with a larger concentration in the Chain of Lakes area. Other areas seeing improvements were north and northeast Minneapolis.

Map 2: **PERMITTED RESIDENTIAL REMODELING, RENOVATION & CONVERSION**
 projects \$50,000 +
 second quarter 2006

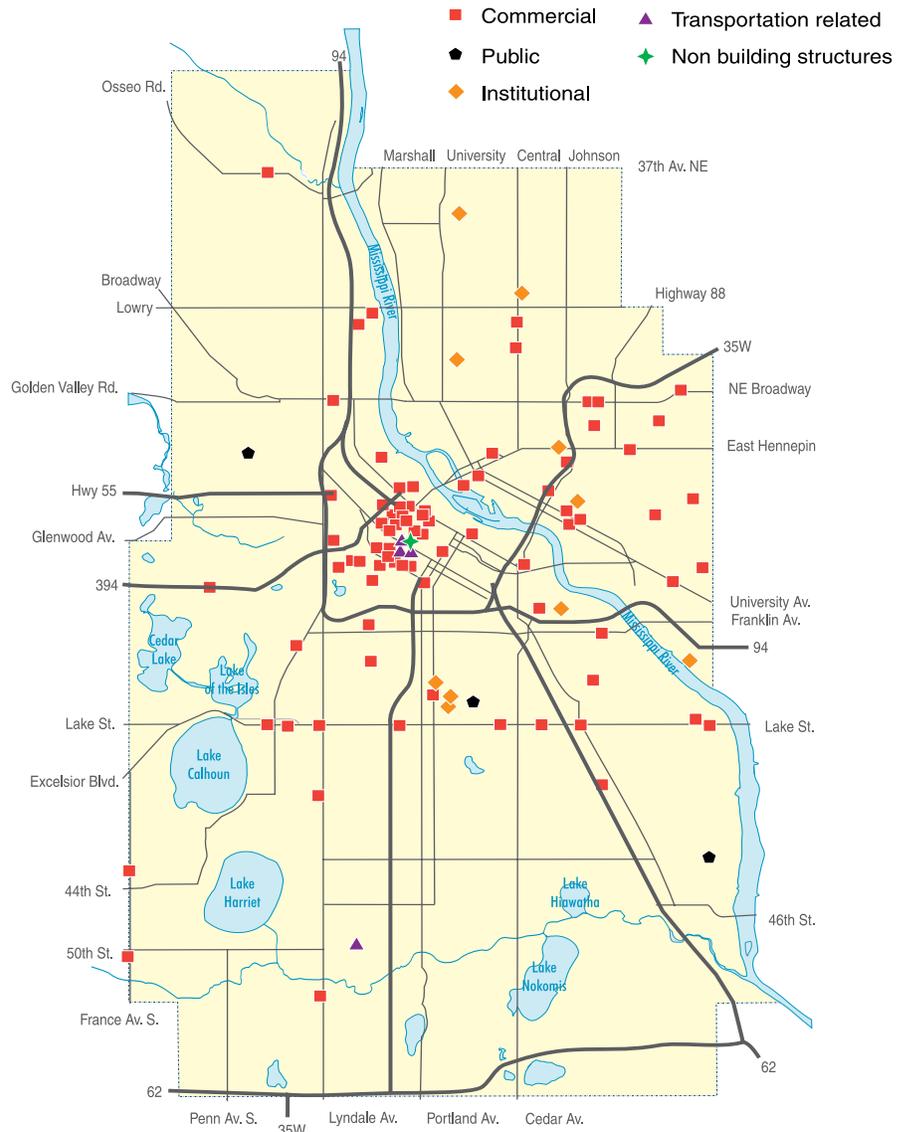


Source: CPED with data from Regulatory Services

CONVERSIONS, REMODELS AND ADDITIONS

Permits issued in the second quarter for non-residential remodeling and renovation were mainly east of Interstate 94, north of Lake Street and south of Lowry Avenue. The most significant concentration was found in Downtown. During the second quarter several permits were issued in Downtown for various office remodels, including the remodel of the Xcel Energy building at 414 Nicollet Mall.

Map 3: PERMITTED NON-RESIDENTIAL REMODELING AND RENOVATION projects \$50,000 + second quarter 2006



Source: CPED with data from Regulatory Services

MAJOR CONSTRUCTION PROJECTS

Following is a list of major projects (projected construction cost estimated at \$1 million or more) permitted in Minneapolis in the second quarter of 2006. The highest

cost project is the conversion of a manufacturing building into the 124 units of CW Lofts at 730 Stinson Parkway.

Table 7: **MAJOR CONSTRUCTION** – Minneapolis projects (\$1,000,000+)

ADDRESS	ZIP CODE	VALUE	DESCRIPTION
730 Stinson Parkway	55413	\$16,417,127	CW Lofts: Conversion of manufacturing building into 124 dwelling units
3036 Lake St W	55416	\$16,200,000	Lake Calhoun City Apartments: 158 apartments
2930 Emerson Ave S	55408	\$ 9,594,000	Lumen on Lagoon: New retail with 44 residential units
2929 21st Ave S	55407	\$ 6,025,000	Corridor Flats: 36 units new condo
414 Nicollet Mall*	55401	\$ 5,915,173	Xcel Energy: Commercial remodel
715 23rd Ave S*	55454	\$ 5,336,445	Augsburg College: Addition To Melby Hall
300 Queen Ave N*	55405	\$ 7,737,754	Ripley Gardens: New buildings and rehab for apartment. complex
2727 Central Ave NE	55418	\$ 4,479,973	Salvation Army: Community center addition
2601 49th Ave N	55430	\$ 4,141,000	Real Estate Recycling: New office/warehouse
714 Washington Ave N	55401	\$ 3,928,000	Soho Lofts: Conversion of industrial building to 24 units
1629 5th St NE	55413	\$ 2,900,000	St Mary Orthodox Cathedral: Remodel
500 Stinson Parkway	55413	\$ 2,692,332	Ucare office buildout
3810 31st St W	55416	\$ 2,468,581	Uptown Chateau: New 12-unit condo
400 1st Ave N*	55401	\$ 2,235,500	Wyman Building: Office buildout
47 Groveland Terrace	55403	\$ 1,850,000	Conversion of two family dwellings into one
2301 Lyndale Ave S*	55405	\$ 1,790,921	Le Parisien: new 13-unit condo
225 6th St S*	55402	\$ 1,701,420	First Bank: Various office remodels
1750 Hennepin Ave	55403	\$ 1,609,200	Walker Art Center: Office buildout
2101 Kennedy St NE	55413	\$ 1,531,380	R&D Systems: Office remodel
1335 Industrial Blvd	55413	\$ 1,523,733	MN Dental Association: New office building
45 Groveland Terrace	55403	\$ 1,350,000	Conversion of two family dwellings into one
1515 University Ave S*	55414	\$ 1,300,000	Northwestern Chi Psi fraternity: interior remodel
701 Park Ave*	55415	\$ 1,284,040	Hennepin County Medical Center: Remodel for psychiatric facility
25 University Ave S	55414	\$ 1,177,258	Lunds grocery store buildout
2124 Lake St E	55407	\$ 1,175,000	Hi Lake Retail: New retail building
601 13th Ave SE	55414	\$ 1,115,000	Pease Academy: School remodel
80 8th St S*	55402	\$ 1,069,943	IDS: Various office remodels
1521 Hennepin Ave*	55403	\$ 1,030,000	Minneapolis Community College: Office building remodel
900 2nd Ave S*	55402	\$ 1,000,000	Office remodel: various tenants

Source: CPED with data from City Regulatory Services

* More than one building permit included

DEMOLITIONS

Demolition permits

A total of 38 residential and non-residential buildings were demolished in the second quarter, only one more than the second quarter last year.

Demolitions were scattered throughout the city. Most permits for demolition showed addresses in the northwestern and southwestern quadrants of the city, plus a few in the Phillips area.

Residential demolitions decreased slightly from last quarter, almost to the same level as one year ago. This quarter, the demolitions included 27 single-family homes, six units of duplexes, four units from an apartment building, and one group home for the elderly.

Map 4: PERMITS FOR DEMOLITIONS – second quarter 2006

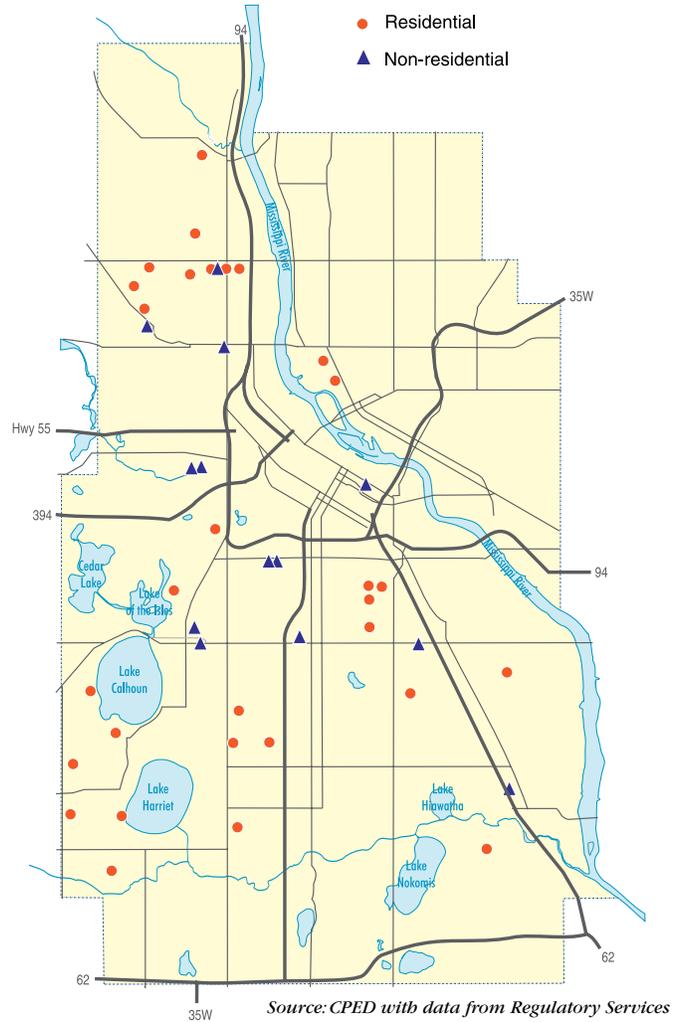
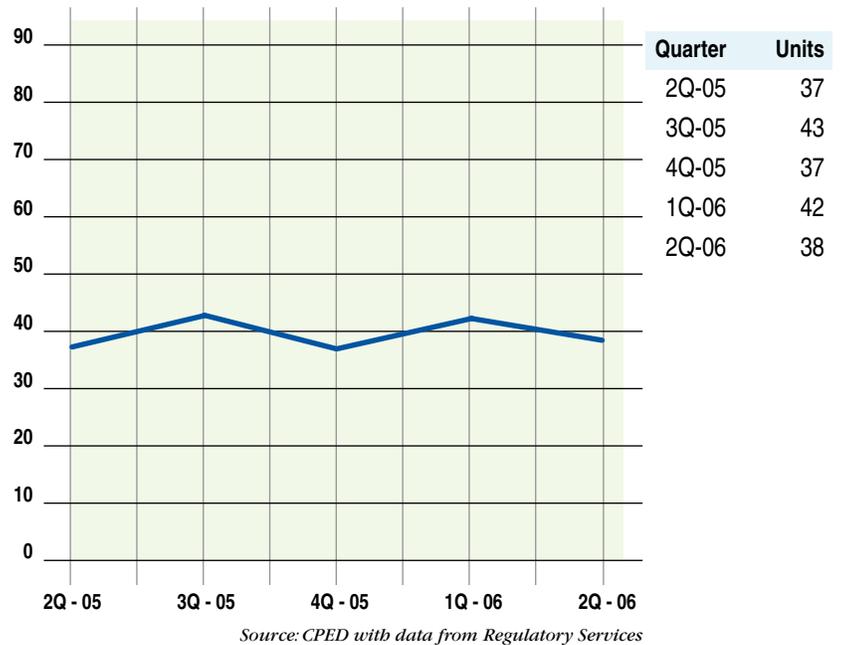


Figure 9: RESIDENTIAL UNITS DEMOLISHED
number of permits



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

Tables four and five 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 provided by the City's Regulatory Services Department. Numbers from the U.S. Census Bureau and City Regulatory Services may differ slightly for the same period. 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.

Cost of residential construction is based on the amount of dollars that developers report as the cost of 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/value is based on the amount the developer reports to the City Department of Regulatory Services.

Building permits for residential remodeling, additions and conversions: Table three and maps six and one to four 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 or wrecking: 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.

Inflation-adjusted figures: Values reported in 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. Inflation adjustment is based on the U.S. Bureau of Labor Statistics' Consumer Price Index for all items in the Midwest urban areas category, cities sized "class A." For the second quarter of 2006, dollars have been converted with an index of 1.030558483 reflecting CPI June 2006 (195.6) and CPI for June 2005 (189.8).

HOUSING STOCK AND THE REAL ESTATE MARKET

- Average vacancy rates for multifamily housing in Minneapolis declined this quarter; they were much lower than the second quarter last year, while average rent this quarter was \$10 higher (adjusted for inflation*) for the same period. Vacancy rates continued to be lower in the city than the metro area.
- The volume of housing units sold in Minneapolis dropped to slightly more than half of the figure from the second quarter 2005, but the median sale price in inflation-adjusted dollars was 0.9 percent higher.
- Foreclosure sales of residential properties increased 22 percent over the first quarter.
- Office space vacancies increased slightly in the Minneapolis central business district (CBD), but they were stable in the metropolitan area. The average lease price asked per square foot increased slightly in the city (although it decreased in inflation-adjusted dollars), and the amount of occupied space dropped.
- The retail vacancy rate in the Minneapolis CBD was nine percentage points lower in the second quarter of 2006 than the second quarter of 2005. Average asking lease price was 47 percent lower than the second quarter 2005 prices.
- The vacancy rate in Minneapolis industrial areas continued a declining trend, but vacancies increased in Midway and the metro area. The average asking lease price per square foot decreased in Minneapolis, Midway and the metro area in inflation-adjusted dollars.

RESIDENTIAL VACANCY RATES

The second quarter 2006 Minneapolis vacancy rate for multifamily rental units was 3.7 percent, down 9 percentage points from the first quarter of 2006 and down 6 percentage points from the second quarter of 2005.

The average rent was \$836, up \$4 since the previous quarter and up \$28 (\$10 in inflation-adjusted dollars*) from the same period of 2005.

In the metropolitan area, the average vacancy rate was 4.8 percent, down from 5.5 percent a year ago. Average rent increased by \$12, but this was actually a \$7 decrease in inflation-adjusted dollars*.

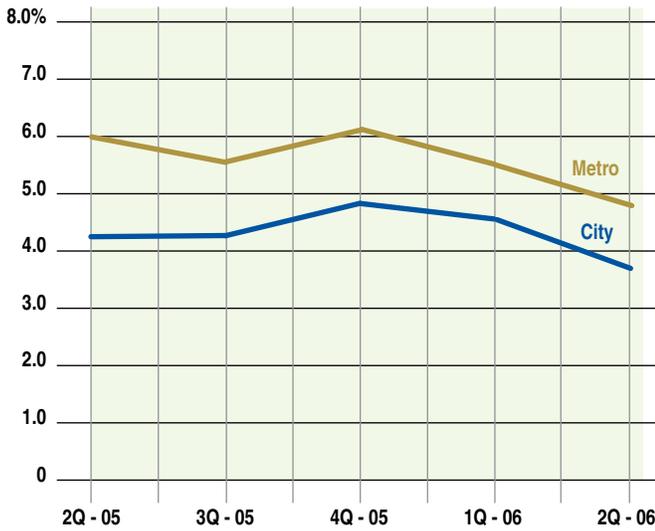
* For conversion index see page 35

Table 8: VACANCY RATE & AVERAGE RENT
in current dollars

MINNEAPOLIS	2005			2006	
	2Q-05	3Q-05	4Q-05	1Q-06	2Q-06
Units surveyed	15,052	15,364	15,021	15,209	15,281
Vacant units	647	659	722	702	559
Average rent	\$808	\$820	\$826	\$832	\$836
Vacancy rate	4.3%	4.3%	4.8%	4.6%	3.7%
METRO AREA	2005			2006	
	2Q-05	3Q-05	4Q-05	1Q-06	2Q-06
Units surveyed	117,709	116,699	114,455	116,256	116,616
Vacant units	7,033	6,564	6,979	6,402	5,615
Average rent	\$848	\$848	\$851	\$855	\$860
Vacancy rate	6.0%	5.6%	6.1%	5.5%	4.8%

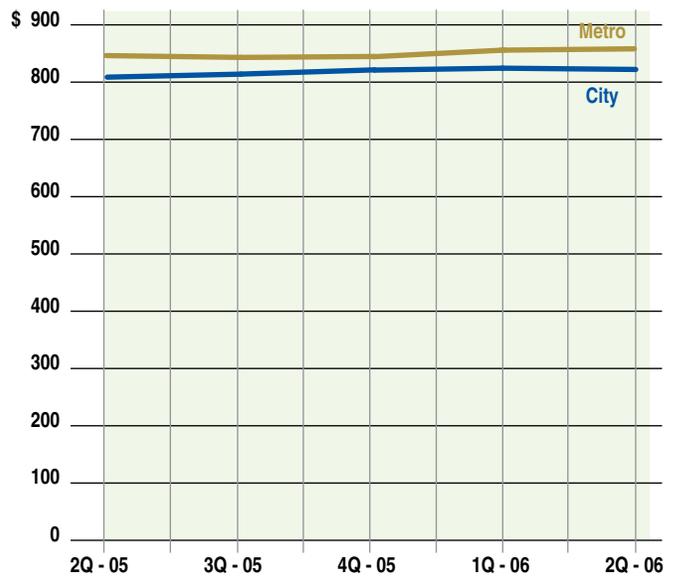
Source: GVA Marquette Advisors Reports, based on a sample survey of market rate of rental properties
Recorded data for the last month of the quarter

Figure 10: RENTAL VACANCY RATE
Minneapolis & Metro area



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

Figure 11: AVERAGE APARTMENT RENT
in current dollars



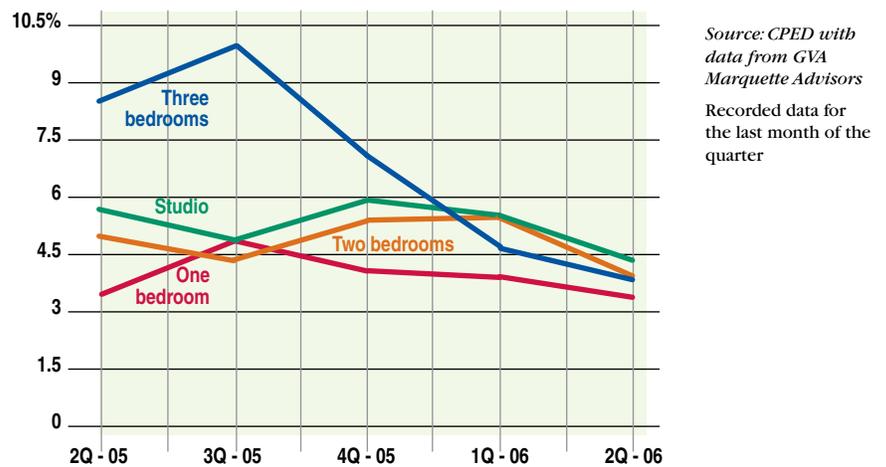
Source: CPED with data from GVA Marquette Advisors
Recorded data for the last month of the quarter
Numbers in table are not adjusted for inflation

RESIDENTIAL VACANCY RATES

Vacancy rates in Minneapolis decreased for all apartment types. Vacancy rates for three-bedroom units decreased the most, to 3.8 percent from 8.5 percent the previous year.

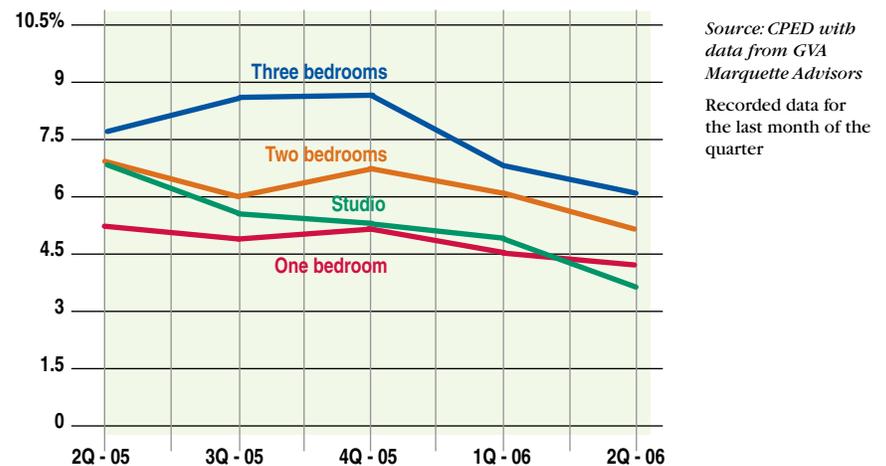
In the metropolitan area, vacancy rates continued to decrease for all sizes of apartments. Vacancy rates for studio apartments decreased the most, from 6.4 percent in the second quarter last year to 3.7 percent this year.

Figure 12: **RENTAL VACANCY RATE – Minneapolis**
by apartment type



	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-05	5.6%	3.6%	4.9%	8.5%
3Q-05	5.0%	3.9%	4.4%	9.7%
4Q-05	5.9%	4.2%	5.4%	7.1%
1Q-06	5.5%	4.0%	5.5%	4.6%
2Q-06	4.3%	3.4%	3.9%	3.8%

Figure 13: **RENTAL VACANCY RATE – Metro area**
by apartment type



	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-05	6.4%	5.2%	6.5%	7.6%
3Q-05	5.5%	4.9%	6.0%	8.5%
4Q-05	5.3%	5.2%	6.8%	8.6%
1Q-06	5.0%	4.6%	6.1%	6.7%
2Q-06	3.7%	4.2%	5.2%	6.1%

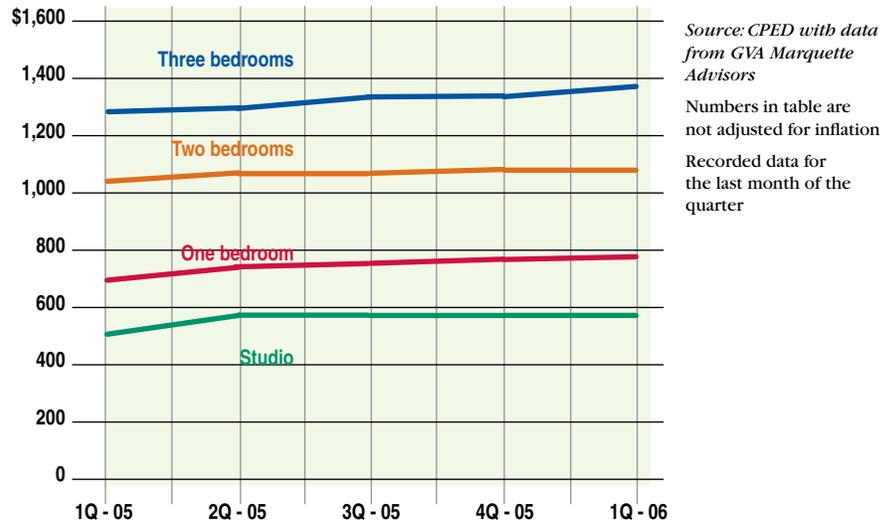
RESIDENTIAL VACANCY RATES

The average rent for all types of apartments increased in Minneapolis. Rent for three-bedroom apartments went up the most. It was \$87 higher in the second quarter of 2006 than a year earlier (\$59 higher in inflation-adjusted dollars*).

In the metropolitan area also, the average rent rose. But in inflation-adjusted dollars, it increased only for studio apartments and by just \$1. Inflation-adjusted rent for one-, two- and three-bedroom apartments in the metro area decreased by \$7, \$9, and \$5 respectively.

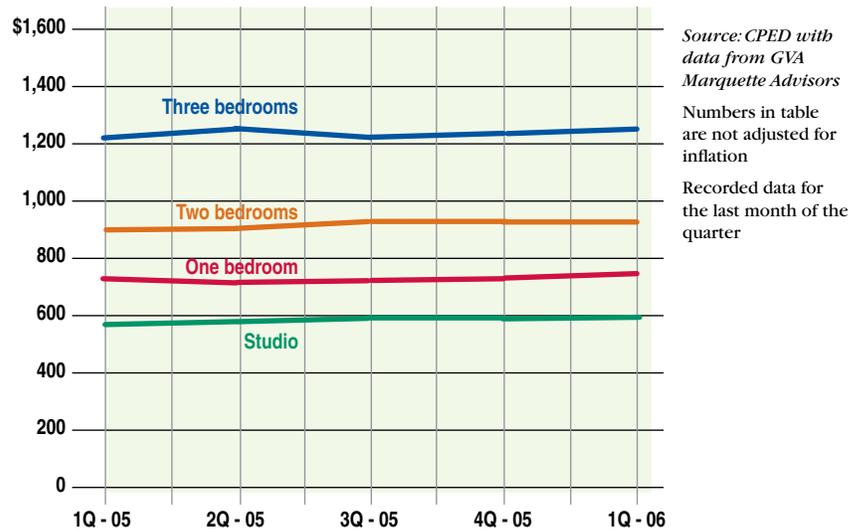
* For conversion index see page 35

Figure 14: **AVERAGE RENT**– Minneapolis



	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-05	\$ 546	\$ 748	\$ 1,055	\$ 1,299
3Q-05	571	757	1,072	1,309
4Q-05	577	768	1,071	1,332
1Q-06	579	770	1,083	1,340
2Q-06	583	774	1,084	1,386

Figure 15: **AVERAGE RENT** – Metro area



	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-05	\$ 585	\$ 733	\$ 925	\$ 1,219
3Q-05	590	731	925	1,232
4Q-05	595	735	928	1,224
1Q-06	596	738	931	1,231
2Q-06	\$ 599	\$ 742	\$ 936	\$ 1,241

RESIDENTIAL SALES

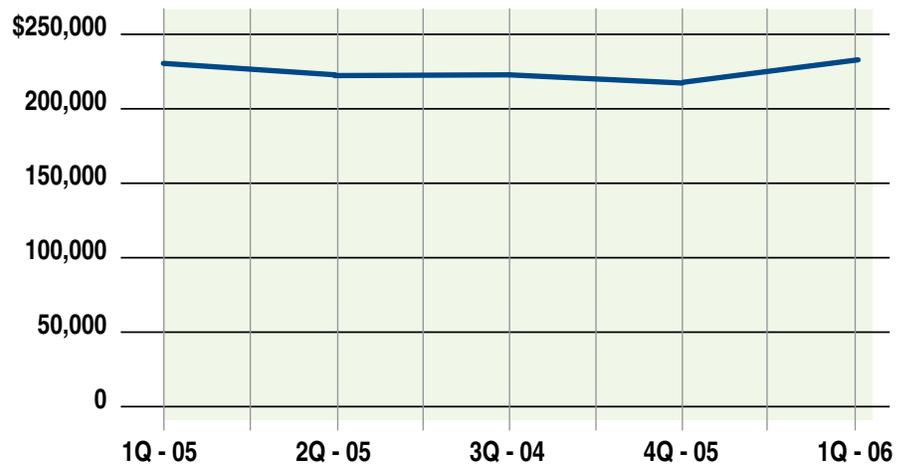
The total number of housing units sold this quarter dropped to slightly more than half the number sold during the same quarter one year ago. It was also 3.7 percent lower than the number sold the first quarter of 2006. Median sale prices increased \$7,000 since the second quarter last year.

Since the second quarter of 2005, single-family houses have gained \$13,400 in value (\$8,700 in inflation-adjusted dollars*), while condominiums dropped in value by \$7,700 (\$5,300 in inflation-adjusted dollars*).

In June 2006 dollars, median home sale prices were \$11,800 higher than in the first quarter and \$2,080 higher than in the second quarter last year. Prices are up in spite of a downturn in condominium and duplex/triplex sales since the second quarter last year.

* For conversion index see page 35

Figure 16: **MEDIAN RESIDENTIAL HOUSING PRICES – Minneapolis**
in June 2006 dollars*



Source: CPED with data from the City Assessor's Office and the U.S. Bureau of Labor Statistics

Residential housing includes single-family housing, duplexes, triplexes, condominiums and townhouses. It does not include apartments.

Figures converted into constant dollars using the U.S. Bureau of Labor Statistics' Consumer Price Index for housing – Midwest urban areas - Class A city
Figures are rounded.

Table 9: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES**¹ – Minneapolis

	2Q-2005		3Q-2005		4Q-2005		1Q-2006		2Q-2006	
	# UNITS	MED. SALE								
Single-Family	1,806	\$213,300	1,711	\$216,500	1,208	\$215,000	816	\$208,000	904	\$226,700
Duplex/Triplex	339	\$267,800	298	\$271,800	251	\$260,000	125	\$265,000	116	\$260,000
Condominium/ Townhouse	650	\$249,000	462	\$220,000	290	\$250,000	354	\$226,500	227	\$241,300
TOTAL	2,795	\$225,000	2,471	\$223,900	1,749	\$225,000	1,295	\$219,200	1,247	\$232,000

Source: CPED with data from the City Assessor

Table values are not adjusted for inflation

Table values are rounded.

¹ Numbers do not include apartments, vacant land sold or unclassified residential units. Revised and updated as of April 2006

FORECLOSURE SALES

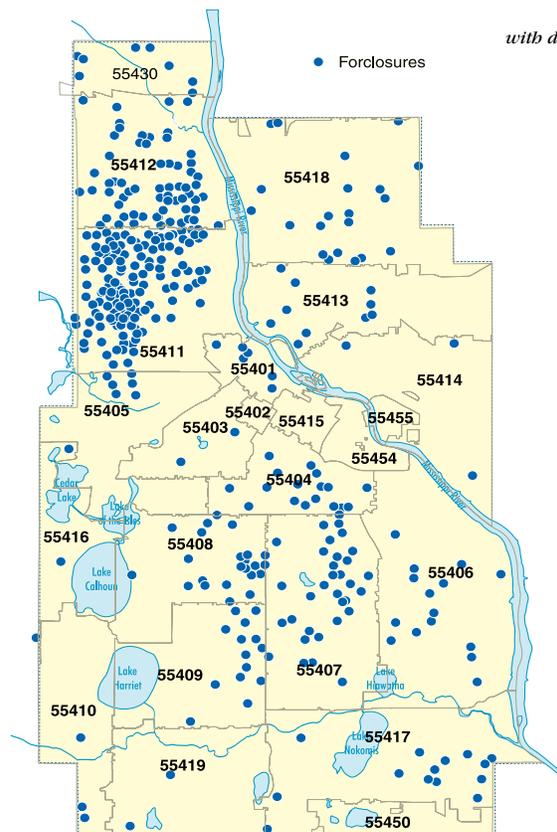
Housing units that went to public auction because of failure to pay mortgages or other contractual property fees numbered 388 during the second quarter, an increase of 21.6 percent since the first quarter. Most of the dwellings were sold in public auction by the Hennepin County Sheriff because of failure to pay mortgages. More than half of the foreclosures – 51 percent – were located in north Minneapolis in zip codes 55411 and 55412, 9 percent were located in zip codes 55407, and almost 16 percent were in zip codes 55418, 55404 and 55408.

Table 10: FORECLOSURE SALES BY ZIP CODES – Minneapolis

Zip Code	1Q-06		2Q-06	
	# of sales	Percent	# of sales	Percent
55401	5	1.6%	9	2.3%
55403	1	0.3%	2	0.5%
55404	9	2.8%	20	5.2%
55405	7	2.2%	7	1.8%
55406	13	4.1%	15	3.9%
55407	33	10.3%	35	9.0%
55408	11	3.4%	20	5.2%
55409	8	2.5%	15	3.9%
55410	4	1.3%	4	1.0%
55411	115	36.1%	129	33.2%
55412	60	18.8%	69	17.8%
55413	3	0.9%	11	2.8%
55414	1	0.3%	3	0.8%
55415	1	0.3%	0	0.0%
55416	1	0.3%	2	0.5%
55417	12	3.8%	14	3.6%
55418	19	6.0%	21	5.4%
55419	7	2.2%	2	0.5%
55430	9	2.8%	10	2.6%
Total	319	100%	388	100%

Source: CPED-Research with data from the Hennepin County Sheriff's Office

Map 5: FORECLOSURE SALES
second quarter 2006



Source: CPED
with data from Hennepin County Sheriff's Office

OFFICE SPACE

The average vacancy rate for office space in the Minneapolis central business district (CBD) inched up in the second quarter, ending a nine-month downward trend. Despite this upswing, the percentage was still lower than it was in the second quarter last year. The metropolitan area average vacancy rate was relatively stable.

Average asking lease rates in the Minneapolis CBD increased slightly from the first quarter of 2006, from \$9.63 to \$9.83. In the second quarter of 2005, the average was \$9.65, which is 1.9 percent lower than the current lease rate, but 1.2 percent higher in inflation-adjusted dollars*. In the metro area, prices increased from \$10.38 a year ago to \$10.41 this quarter. However, they declined in inflation-adjusted dollars from \$10.70* to \$10.41.

The growth rate of occupied office space (available rentable area minus the vacancy rate) experienced a marked decline in Minneapolis CBD this quarter, because of a slowdown in occupied space. Fewer square foot were occupied in downtown Minneapolis with Class B buildings experiencing the greatest loss. In the metropolitan area, growth went down as well but the decrease was less pronounced.

* For conversion index see page 35

Figure 17: OFFICE VACANCY RATE

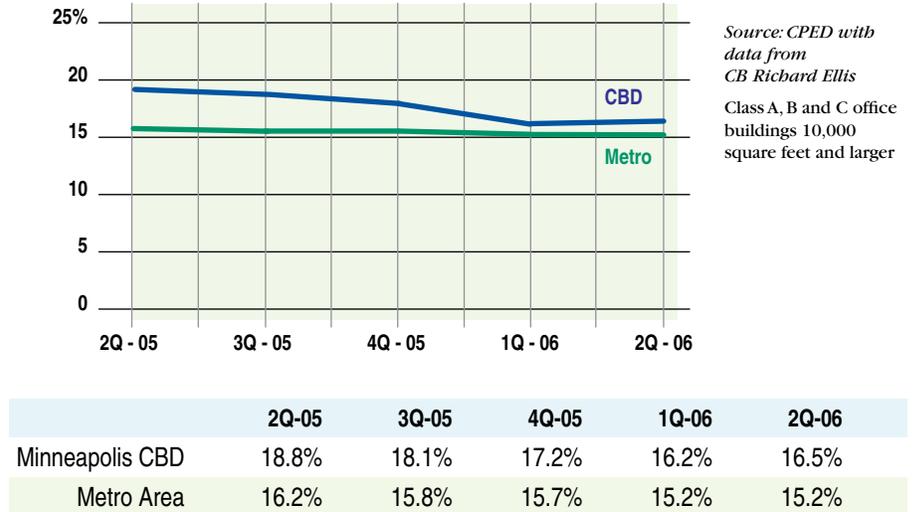
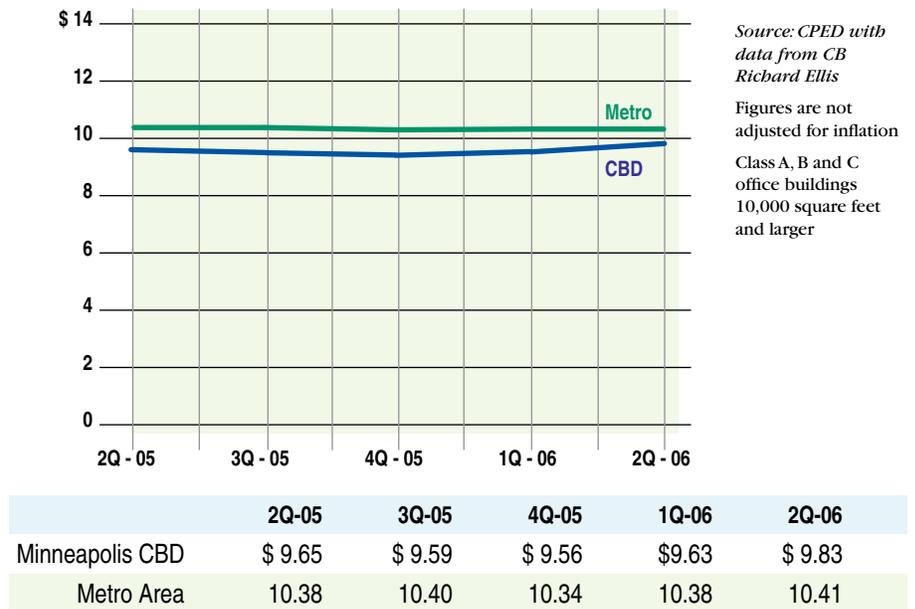
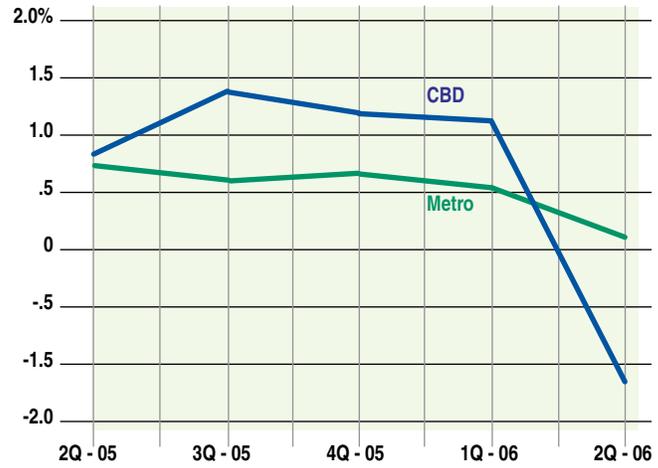


Figure 18: OFFICE AVERAGE ASKING LEASE RATE
in dollars per square foot per year



OFFICE SPACE

Figure 19: OCCUPIED OFFICE SPACE – rate of growth



Source: CPED with data from CB Richard Ellis
Class A, B and C office buildings 10,000 square feet and larger

	2Q-05	3Q-05	4Q-05	1Q-06	2Q-06
Minneapolis CBD	0.79%	1.30%	1.21%	1.17%	-1.67%
Metro Area	0.73%	0.60%	0.64%	0.55%	0.14%

RETAIL SPACE

The retail vacancy rate in the Minneapolis central business district was stable at 10 percent, 0.9 percent lower than the same period last year. The vacancy rate in the metropolitan area reached 6 percent, 0.6 percent lower than the same period last year.

In the city's central business district, the average asking lease price reached its lowest point of the last five quarters; it is 47 percent lower than in the same period last year (48 percent lower in inflation-adjusted dollars at \$25.72 per square foot). In the metropolitan area, the average was slightly down from the first quarter, but it decreased by 7.8 percent since the same quarter last year. In inflation-adjusted dollars*, that was a decrease of 10.5 percent from \$21.98.

The city's rate of growth in occupied retail space declined this quarter to 0.1 percent in the city and to 0.3 percent in the metropolitan area. Before that, the growth had reached highs of 0.6 percent and 1.5 percent respectively during the first quarter. The city added only 1,400 square feet of occupied retail space in the second quarter and 6,200 square feet since a year ago.

* For conversion index see page 35

Figure 20: **RETAIL VACANCY RATE**

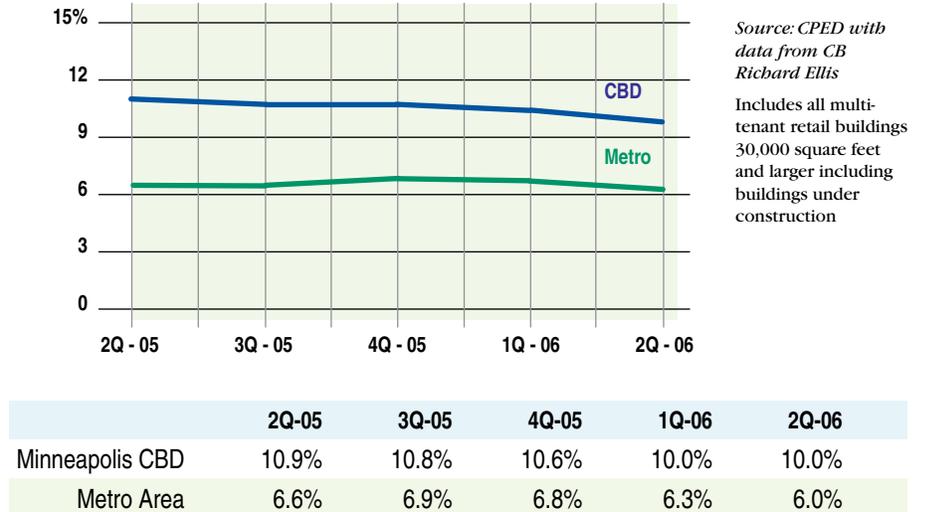
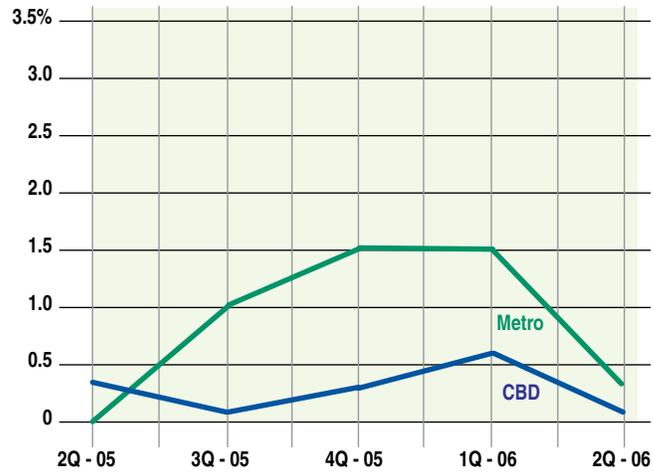


Figure 21: **RETAIL - AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



Figure 22: **OCCUPIED RETAIL SPACE – rate of growth**



Source: CPED with data from CB Richard Ellis
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction

	2Q05	3Q05	4Q05	1Q06	2Q06
Minneapolis CBD	0.3%	0.1%	0.3%	0.6%	0.1%
Metro Area	0.0%	1.0%	1.5%	1.5%	0.3%

INDUSTRIAL SPACE

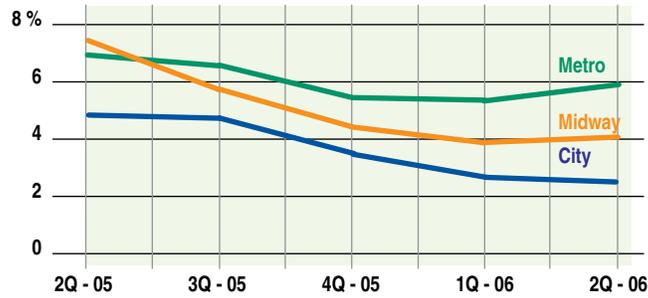
The industrial space vacancy rate in Minneapolis continued declining since the third quarter of 2005. In Midway the vacancy rate increased slightly since the first quarter, but it was still lower than the same period last year. In the metro area the vacancy rate reached 5.9 percent compared to 5.5 percent last quarter, but it was still low compared to the second quarter last year.

In the second quarter of 2006, the average asking lease rate for industrial space in Minneapolis was about 2.1 percent higher than it was a year ago, but 0.9 percent lower in inflation-adjusted dollars. In Midway it was 4.9 percent lower (7.7 percent lower in inflation-adjusted dollars) in the same period. In the metropolitan area, prices were lower by 1.9 percent and 4.8 percent lower than last year in inflation-adjusted dollars

More industrial space in Minneapolis was occupied this quarter than in the same quarter a year ago. However, its rate of growth declined from last quarter. Midway did not add more space this quarter so the rate of growth was zero, but it compared favorably with the second quarter last year when growth was negative (it lost occupied space). In the metropolitan area occupied industrial space actually decreased, so growth of occupied industrial space was negative.

* For conversion index see page 35

Figure 23: **INDUSTRIAL VACANCY RATE**



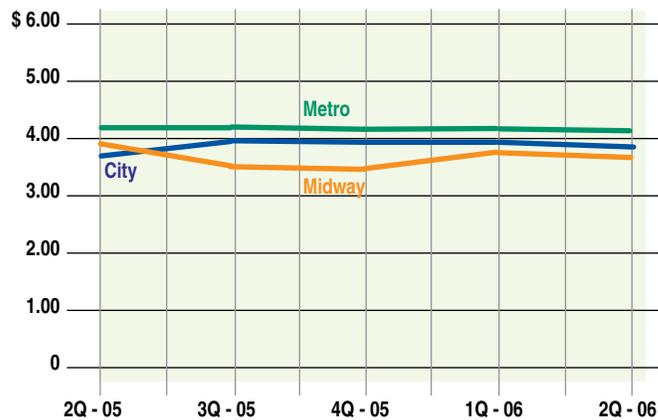
Source: CPED with data from CB Richard Ellis

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.

	2Q-05	3Q-05	4Q-05	1Q-06	2Q-06
Minneapolis	4.9%	4.8%	3.6%	2.7%	2.6%
Midway	7.4%	5.7%	4.4%	3.9%	4.1%
Metro Area	6.9%	6.6%	5.6%	5.5%	5.9%

Figure 24: **INDUSTRIAL - AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



Source: CPED with data from CB Richard Ellis

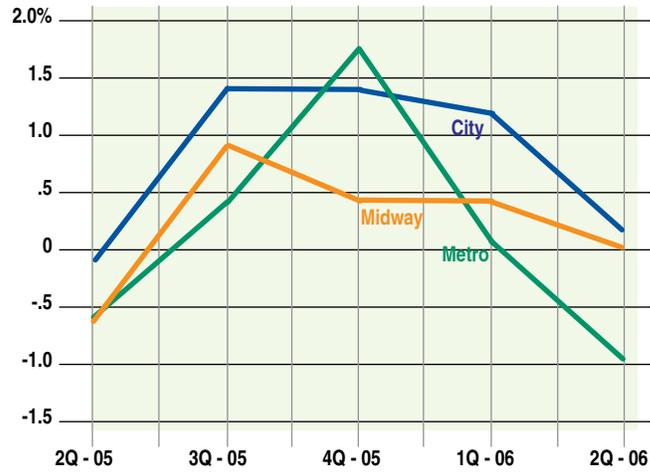
Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

	2Q-05	3Q-05	4Q-05	1Q-06	2Q-06
Minneapolis	\$ 3.75	\$ 3.97	\$ 3.96	\$ 3.95	\$ 3.83
Midway	3.87	3.52	3.49	3.73	3.68
Metro Area	4.19	4.19	4.16	4.19	4.11

INDUSTRIAL SPACE

Figure 25: **INDUSTRIAL OCCUPIED SPACE** – rate of growth



Source: CPED with data from 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.

	2Q05	3Q05	4Q05	1Q06	2Q06
Minneapolis	-0.1%	1.4%	1.3%	1.2%	0.2%
Midway	-0.7%	0.8%	0.4%	0.4%	0.0%
Metro Area	-0.6%	0.4%	1.8%	0.1%	-0.9%

HOSPITALITY

The hotel occupancy rate in Minneapolis was at 81 percent in June 2006, slightly down from 81.7 percent last year. The June '06 rate was up from the March '06 rate, though, reflecting seasonal variations. Hotel occupancy in Minneapolis usually declines in the winter and increases during the spring and summer.

The number of attendees at the Minneapolis Convention Center increased by 22.5 percent compared to the same quarter last year. A decline from the first quarter reflects seasonal variations.

Figure 26: **HOTEL OCCUPANCY RATES – Minneapolis**
last quarter of the month

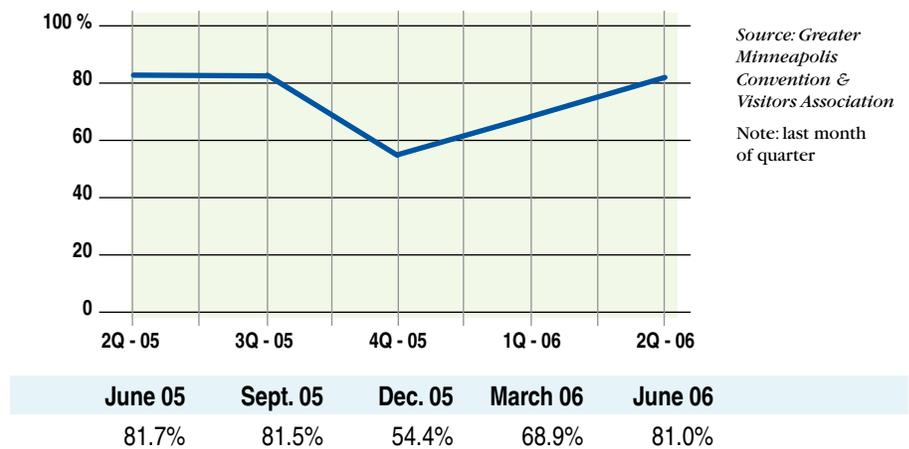
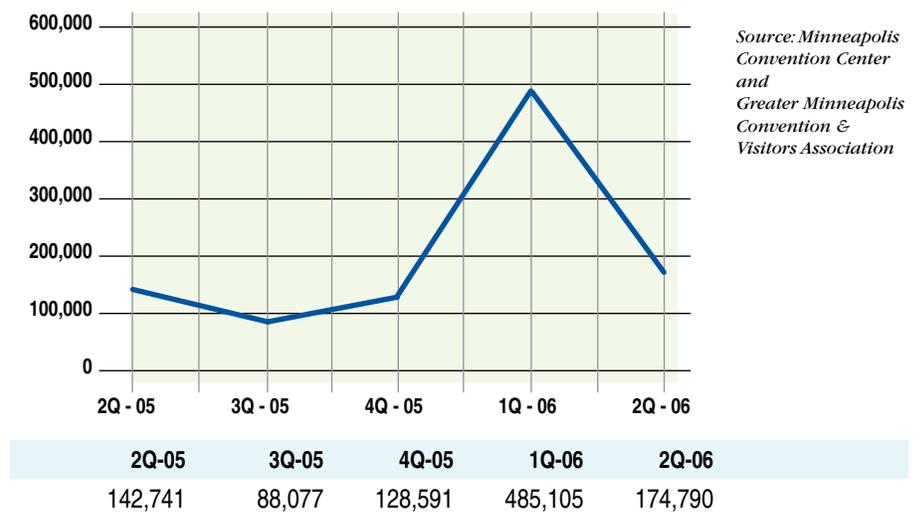


Figure 27: **MINNEAPOLIS CONVENTION CENTER**
event attendees



Housing Vacancy Rate: Vacancy rate is the percentage of unoccupied housing units in 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. The survey also tracks the average rent paid for apartment units.

Median sale values: These values are based on home prices reported to the Hennepin County Assessor. The figures are unverified and may not reflect the actual sale value.

Foreclosures sales: These sales occur when property owners are deprived of the right to redeem their properties because of failure to make payments on a mortgage when due. Data on foreclosures 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. Addresses are unverified.

Real estate statistics as reported by CB Richard Ellis (see Web site at 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 metropolitan 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, summing the products, then dividing by the sum of all available space

Average vacancy rate: This figure is vacant square feet divided by the net rentable area

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

DEFINITIONS AND SOURCES

Hotel occupancy: The occupancy rate is calculated by dividing the number of occupied hotel rooms by the total number of hotel rooms in Minneapolis. Data is supplied by the Greater Minneapolis Convention & Visitors Association, only for the months of March, June, September and December, the end of the first, second third and fourth quarters respectively

Attendance at the Minneapolis Convention Center: Attendance includes the number of total attendees at consumer shows and conventions in Minneapolis. Data is collected by the Minneapolis Convention Center and supplied by the Convention Center and Greater Minneapolis Convention & Visitors Association.

Inflation-adjusted figures: Values reported in 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 for all urban consumer goods in the Midwest urban areas category, cities sized "class A." For the second quarter of 2005, dollars have been converted with an index of 1.030558483, the result of the relation between the CPI for June 2006 (195.6) and the CPI for June 2005 (189.8).

To convert housing values, a CPI for housing in Midwest urban areas, size class A cities is used. To compare the 2006 second quarter with the 2005 second quarter, the index is 1.0218667, the result of the relation between the CPI for June 2006 (191.6) and the CPI for June 2005 (187.5).



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