

Minneapolis Trends

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

Highlights for the first quarter of 2005

- Employment increased and unemployment decreased. *page 4*
- New residential construction slowed, and demolitions fell slightly from their peak last quarter. *page 11*
- The average vacancy rate in Minneapolis' rental housing is decreasing, but rents are not keeping up with inflation. *page 21*
- Housing sale prices are increasing. *page 24*
- Vacancy rates are declining for both office and retail space. *page 25*
- Renovation of industrial buildings for industrial uses continued at a brisk pace. *page 27*
- Industrial properties have a rising vacancy rate and lower prices. *page 27*



first quarter 2005



Minneapolis
City of Lakes

Department of
Community Planning &
Economic Development

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Minneapolis Trends

first quarter 2005



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DEMOGRAPHIC AND ECONOMIC INDICATORS

- Employment improved in Minneapolis and unemployment declined. More people were available for work and the labor force expanded.
- More jobs existed in 2004 than in 2003. The job market started to recover in 2004 after reaching a three-year low point in 2003.
- 2004 figures show that wages while growing slowly, are growing faster in Minneapolis than in the metropolitan area or statewide.

RESIDENTIAL EMPLOYMENT

Since one year ago, employment has risen by 1.9 percent, while unemployment shrank to 4.5 percent of the labor force. The labor force, which consists of people with jobs and people looking for work, increased by 1.4 percent.

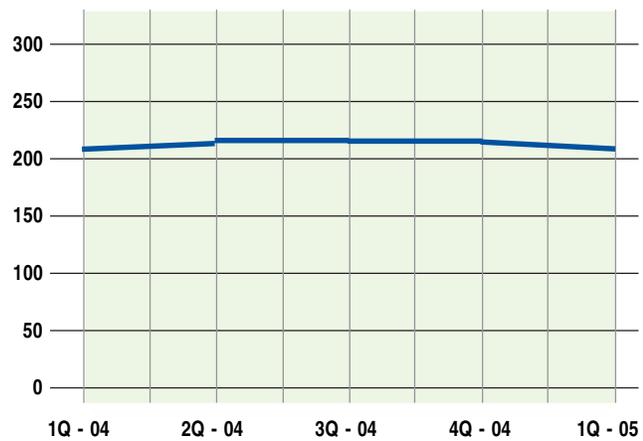
Since last quarter, the city's labor force and employment both decreased, by 1.7 percent and 1.6 percent respectively; unemployment remained at 4.5 percent

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

	2004				2005
	1Q-04	2Q-04	3Q-04	4Q-04	1Q-05
Labor Force	218,273	223,956	226,999	225,070	221,358
Employment	207,543	212,849	214,473	214,859	211,485
Unemployment Rate	4.9%	5%	5.5%	4.5%	4.5%

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

Figure 1: **AVERAGE NUMBER OF RESIDENTS EMPLOYED - Minneapolis**
in thousands



Source: CPED with data from Minnesota Department of Employment and Economic Development (DEED) - labor market information. Numbers reflect new revisions made by DEED

JOBS

Minneapolis had more than 287,000 jobs in the third quarter of 2004. Health care and social assistance accounted for 14.8 percent of those jobs. Professional and technical services made up nearly 10 percent of the total, and finance and insurance jobs comprised 9.4 percent.

The average number of jobs in that quarter had increased by 0.7 percent, a gain of about 2,000 jobs from the same quarter of the previous year. The sectors that gained the most jobs were educational services (more than 1,700 jobs) and management of companies and enterprises, followed by accommodation and food services and real estate. Information and finance and insurance lost more than 1,000 jobs each.

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

	3Q-2003	4Q-2003	1Q-2004	2Q-2004	3Q-2004
Manufacturing	17,190	18,520	16,485	16,745	16,874
Utilities	3,210	3,363	3,162	3,295	3,184
Wholesale trade	10,950	11,312	10,755	10,932	10,847
Retail trade	16,170	17,320	15,947	16,335	16,593
Transportation and warehousing	4,210	4,777	4,060	4,173	4,354
Information	12,370	13,702	12,048	11,857	11,287
Finance and insurance	28,210	28,120	27,471	27,535	27,147
Real estate and rental and leasing	5,310	5,305	5,611	5,862	6,192
Professional and technical services	28,720	29,547	27,888	28,414	28,402
Management of companies and enterprises	13,630	13,321	14,240	14,320	15,124
Administrative and waste services	14,310	15,524	12,894	13,987	14,362
Educational services	23,580	27,870	27,411	26,761	25,284
Health care and social assistance	42,270	42,091	41,712	42,515	42,485
Arts, entertainment and recreation	4,950	4,818	4,626	4,943	4,803
Accommodation and food services	21,080	20,540	20,419	21,669	22,443
Other services	11,170	11,825	10,757	10,822	10,638
Public administration	13,470	13,473	12,554	12,590	13,095
Total, all industries ¹	285,291	296,410	280,781	286,235	287,297

Source: (DEED) - Minnesota Quarterly Census, Employment and Wages

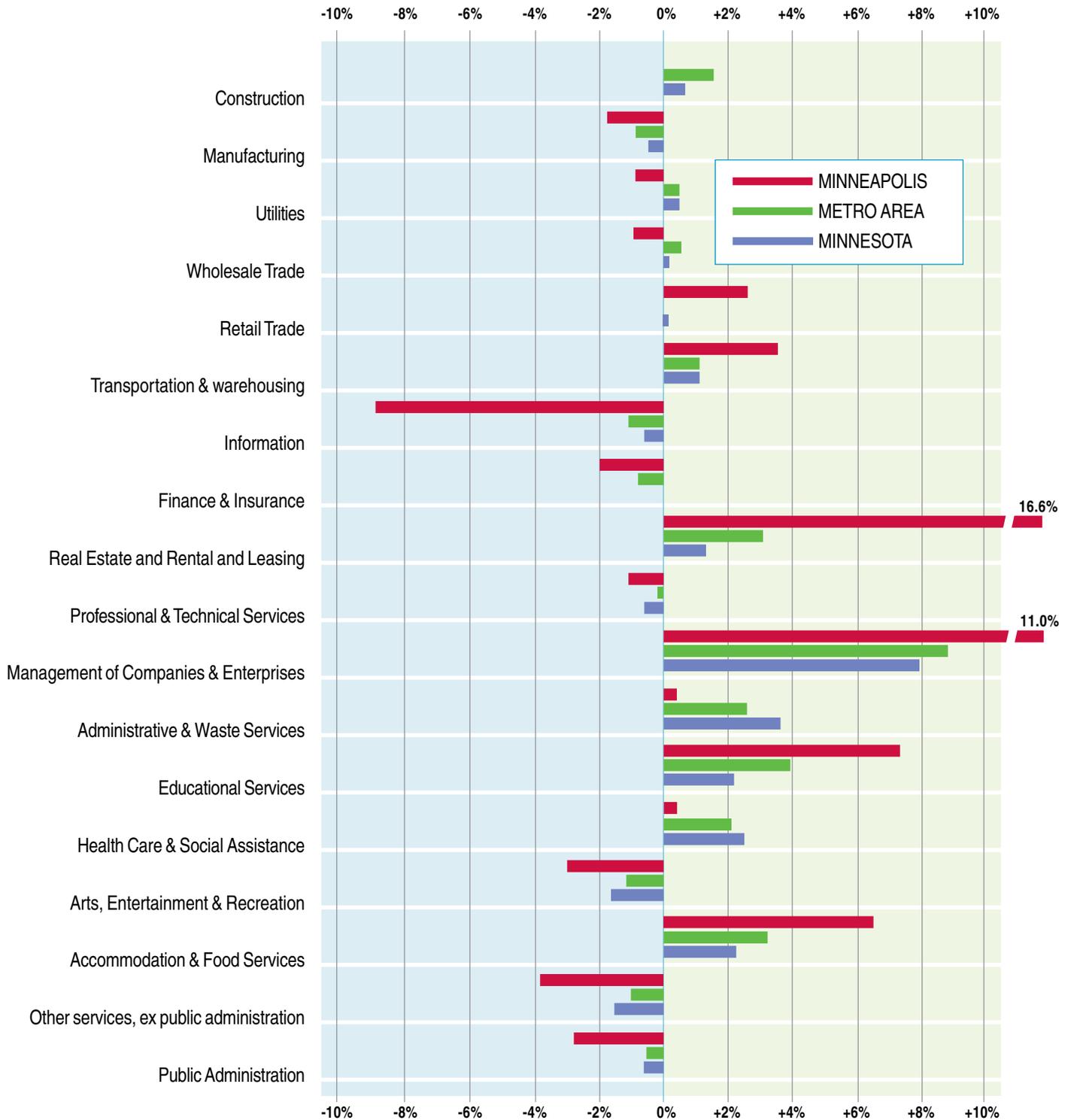
- ¹ Natural resources-based industries and agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up.

JOBS

Jobs in real estate grew by more than 16 percent in Minneapolis while jobs in information decreased by almost 9 percent. In the metropolitan area and in the state, employment in manage-

ment of companies and enterprises increased by almost 9 percent and by almost 8 percent respectively; the same sector increased in Minneapolis by 11 percent.

Figure 2: **AVERAGE NUMBER OF JOBS** – 3Q-04 to 3Q-04
percent change



Source: CPED with data from DEED

LABOR FORCE

In the third quarter the average weekly salary in Minneapolis was \$940. The highest salaries were found in finance and insurance, utilities, management of companies and enterprises, and professional and technical services. The lowest paying industries were accommodation and food services, administrative and waste services, other services including repair and personal services, and retail.

The overall average salary increased in the third quarter by \$8¹ (in constant dollars) since the same period last year. Retail salaries increased by almost 14 percent, but real estate salaries decreased by almost 21 percent. The management of companies and enterprises sector decreased by about 11 percent.

Overall average salaries decreased by \$5² (in constant dollars) since the second quarter of 2004.

¹ For conversion factors, see page 10

² For conversion factors, see page 10

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

SECTOR	3Q-03	4Q-03	1Q-04	2Q-04	3Q-04
Manufacturing	\$ 882	\$ 977	\$ 978	\$ 897	\$ 933
Utilities	1,274	1,381	2,243	1,363	1,391
Wholesale Trade	1,040	1,151	1,083	1,064	1,132
Retail Trade	520	562	585	568	609
Transportation & Warehousing	607	668	629	632	633
Information	993	1,041	1,126	1,071	1,108
Finance & Insurance	1,336	1,654	2,257	1,461	1,411
Real Estate and Rental and Leasing	853	987	625	658	698
Professional & Technical Services	1,232	1,579	1,285	1,344	1,335
Management of Companies & Enterprises	1,496	1,242	1,538	1,420	1,369
Administrative & Waste Services	1,496	1,242	1,538	1,420	1,369
Educational Services	884	985	898	864	941
Health Care & Social Assistance	769	836	777	813	820
Arts, Entertainment & Recreation	1,160	966	901	1,108	1,167
Accommodation & Food Services	317	328	316	324	325
Other services	550	553	531	529	520
Public Administration	966	991	976	969	977
Total, all industries	\$ 904	\$994	\$1,029	\$932	\$940

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

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

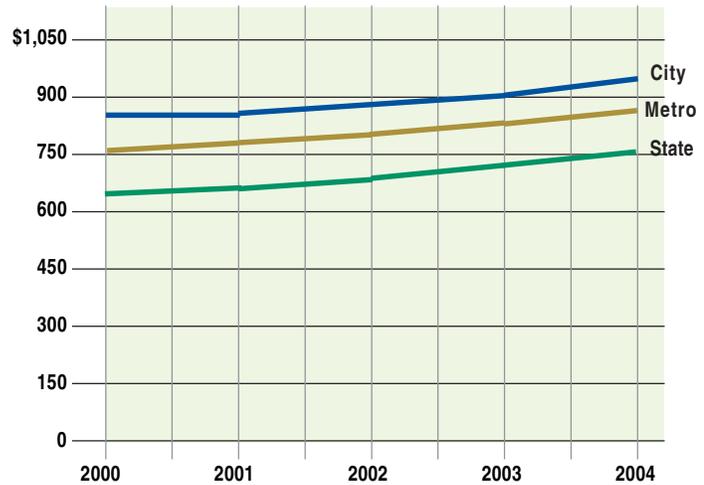
LABOR FORCE

For all industries, employees commanded higher average weekly wages in Minneapolis than in the metropolitan area or the state. Moreover, average weekly wages grew in Minneapolis by \$8 (0.9 percent) and by \$2 statewide since the third quarter 2003, while decreasing by \$2 in the overall metropolitan area. However, salaries in Minneapolis in *constant* dollars³ had not returned up yet to 2000 levels.

In general, most industries improved weekly wages in the third quarter of 2004 compared to the same period last year. The following graph shows percentage changes by industry in the three geographic areas. Wages substantially decreased (in current as well as in constant dollars) in Minneapolis in real estate, rental and leasing activities, management of companies and enterprises, and various services that include personal and repair services. In the real estate and in the management of companies sectors, salaries decreased while the number of jobs increased. In the sector comprising various services, both salaries and jobs decreased.

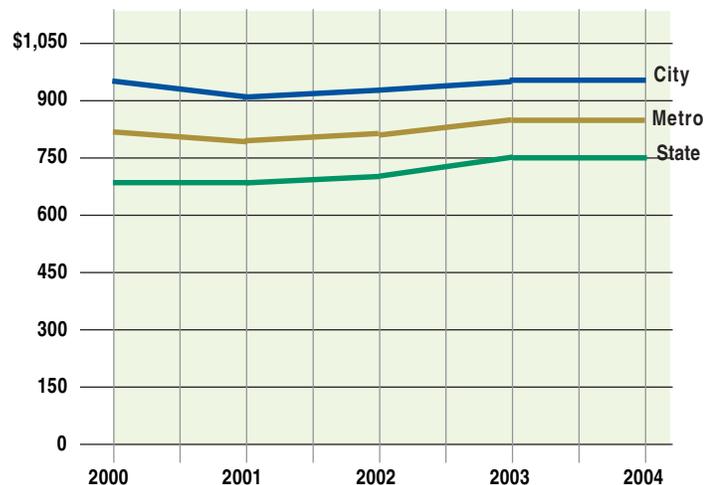
³ For conversion factors, see page 10

Figure 4: **AVERAGE WEEKLY WAGES** - third quarter
in current dollars



Source: CPED with data from DEED. Total values converted to inflation-adjusted dollars based on Bureau of Labor Statistics' Consumer Price Index for all urban consumer goods. Figures are adjusted to second-half year 2004.

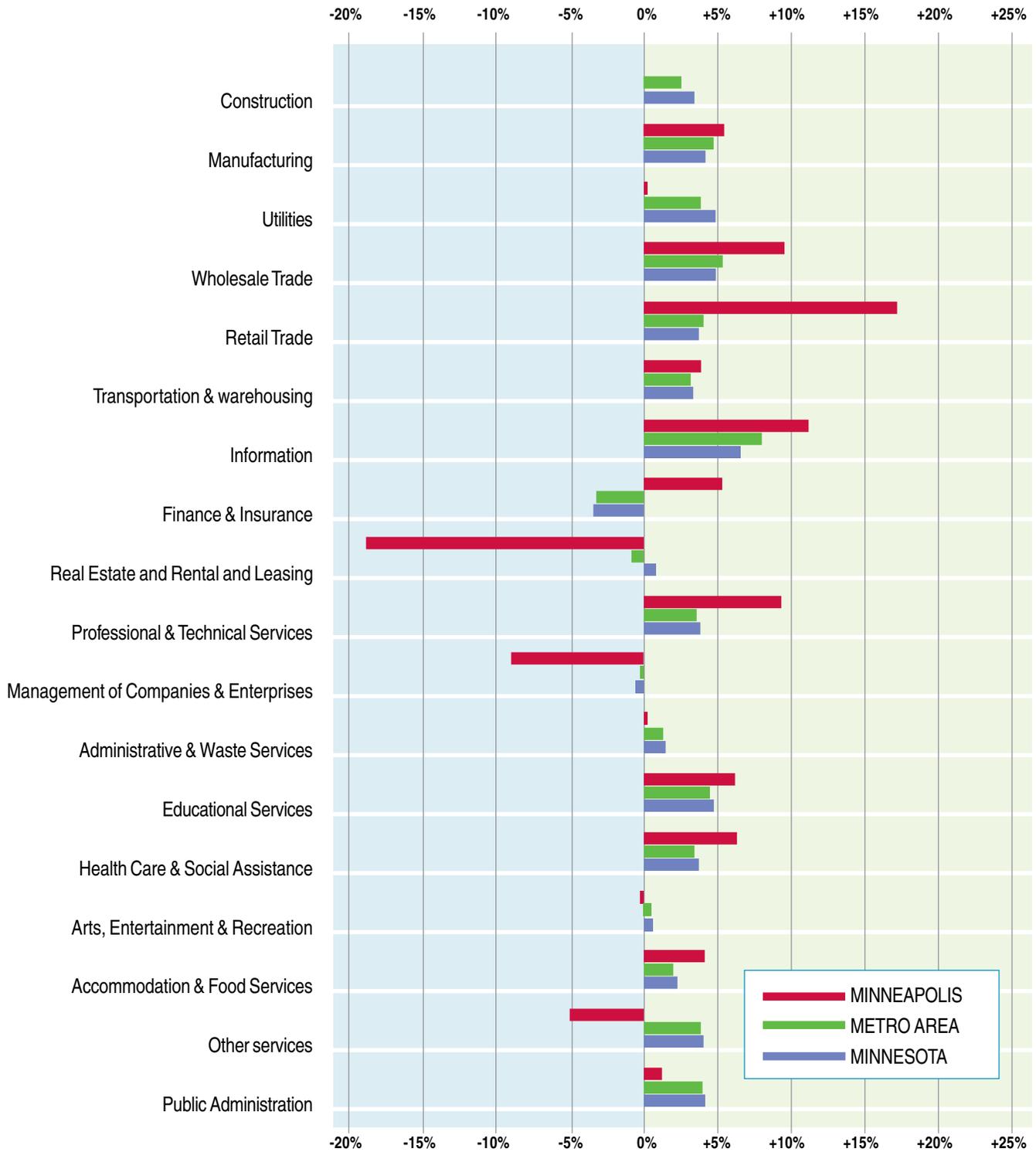
Figure 5: **AVERAGE WEEKLY WAGES** - third quarter
in 2004 dollars



Source: CPED with data from DEED. Total values converted to inflation-adjusted dollars based on Bureau of Labor Statistics' Consumer Price Index for all urban consumer goods. Figures are adjusted to second-half year 2004.

LABOR FORCE

Figure 6: **AVERAGE WEEKLY SALARIES** – 3Q-04 to 3Q-04
percent change



Source: CPED with data from DEED
Dollar values are not adjusted for inflation

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 one 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 two and three show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area, Minnesota and the United States. Percentage changes are not shown for the United States because of slightly different categories.

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 Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget. For the third quarter of 2004, dollars have been converted with an index of 1.03050109 reflecting CPI for the second half of 2003 (183.6) and CPI for the second half of 2004 (189.2).

DEVELOPMENT INDICATORS

- New residential construction in Minneapolis slowed considerably after two quarters of high-volume activity.
- Multifamily construction slowed down sharply in the city – down by 53 percent from the same period last year.
- Average construction cost per single-family unit increased by 30 percent in constant dollars.
- Construction of new housing in the Near North decreased after sustained activity for several periods. This was primarily due to the completion of phase 3 of the Heritage Park development.
- The number of permitted demolitions increased sharply, reversing a sustained decrease since 2000.
- A substantial number of industrial buildings in Minneapolis continue to be renovated.

NEW RESIDENTIAL CONSTRUCTION

In Minneapolis, new residential permitted construction this quarter decreased to almost half of where it was one year ago. In the metropolitan area, the number of units permitted decreased in the first quarter to about 17 percent lower than last year.

Permitted new housing decreased sharply in the first quarter.

Single-family housing construction is down by 40 percent since last quarter and by more than half since last year at this time. Multifamily housing construction is 82 percent lower than it was last quarter when construction activity was peaking and 53 percent lower than this period last year.

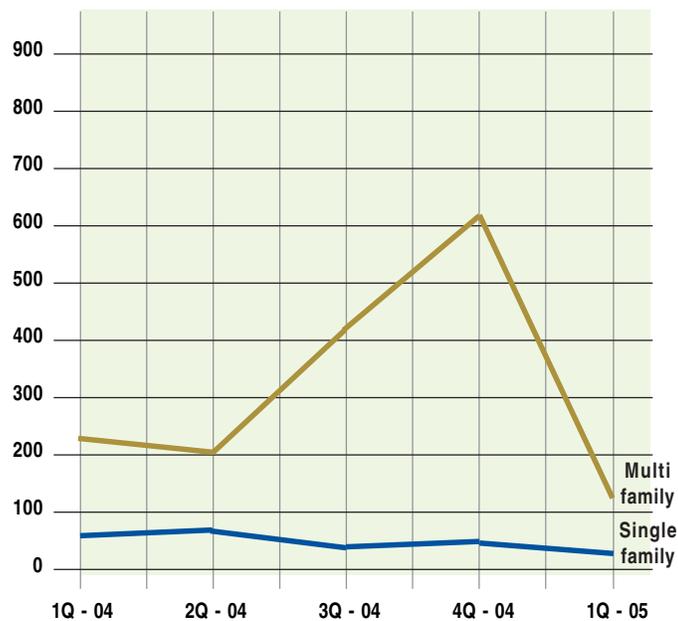
The metropolitan area's multifamily construction also slowed down, to almost 36 percent lower than this time last year.

Table 5: **PERMITTED NEW RESIDENTIAL CONSTRUCTION**
by unit

	2004				2005
	1Q-2004	2Q-2004	3Q-2004	4Q-2004	1Q-2005
Single-family					
City	69	72	47	50	30
Metropolitan area	2,497	4,166	3,964	3,254	2,256
Multifamily					
City	236	201	411	614	111
Metropolitan area	1,039	1,251	2,441	2,110	668
Total number of units					
City	305	273	458	664	141
Metropolitan area	3,536	5,417	6,405	5,364	2,924

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

FIGURE 5: **PERMITTED NEW RESIDENTIAL UNITS - Minneapolis**

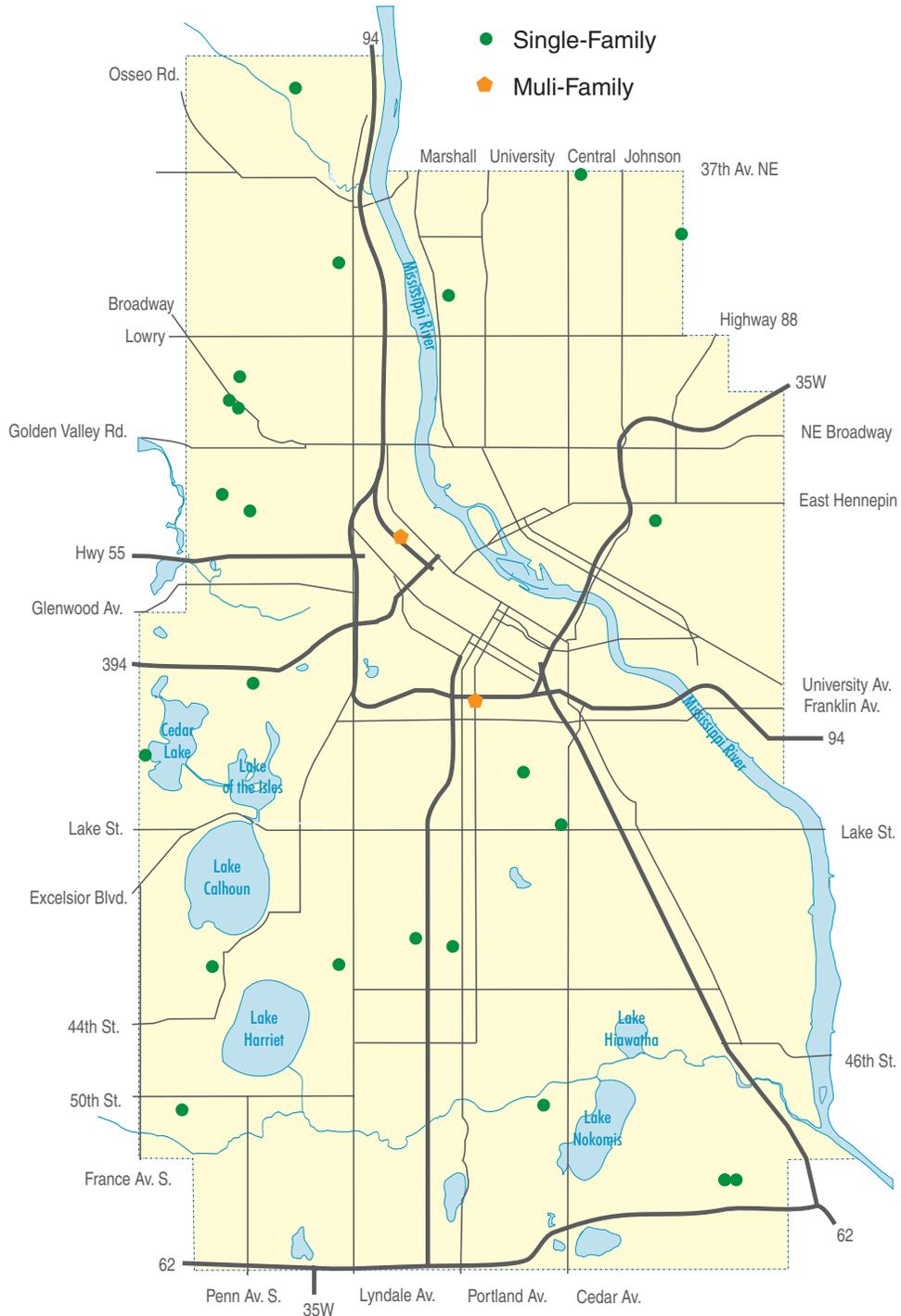


Source: CPED with data from the U.S. Census Bureau

NEW RESIDENTIAL CONSTRUCTION

Fewer permits were requested this quarter than last quarter to build new single-family units. Only two permits were pulled for new multifamily buildings, one in the North Loop and another south of Downtown, close to Interstate 35W.

Map 1: **PERMITS FOR NEW HOUSING CONSTRUCTION** first quarter 2005



Source: CPED with data from Regulatory Services

REMODELS, ADDITIONS AND CONVERSIONS

No buildings were converted into housing from another use this quarter, a sharp contrast to the 720 units created this way last quarter.

Meanwhile, the number of remodeled residential units costing \$50,000 or more was the same as last year. Their projected construction cost, however, decreased by about 40 percent from the cost reported in the first quarter of 2004 (in constant dollars)¹. But on the other hand, the cost of non-residential projects² increased by 65 percent at the same time.

¹ For conversion factors see page 21

² For conversion factors see page 21

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

1Q-2004	UNITS	BUILDINGS ¹	VALUE
A – Residential		110	\$31,987,410
Remodels		104	13,286,681
Conversions and additions # of units ²	105	6	18,700,729
B – Non-Residential		100	61,242,184
2Q-2004	UNITS	BUILDINGS ¹	VALUE
A – Residential		154	\$ 32,796,093
Remodels		150	21,894,694
Conversions and additions # of units ²	136	4	10,901,399
B – Non-Residential		127	47,636,830
3Q-2004	UNITS	BUILDINGS ¹	VALUE
A – Residential		160	\$ 28,558,979
Remodels		158	23,283,979
Conversions and additions # of units ²	68	2	5,275,000
B – Non-Residential		131	71,656,841
4Q-2004	UNITS	BUILDINGS ¹	VALUE
A – Residential		128	\$ 86,732,308
Remodels		120	13,852,017
Conversions and additions # of units ²	720	8	72,880,291
B – Non-Residential		114	41,310,674
1Q-2005	UNITS	BUILDINGS ¹	VALUE
A – Residential		110	\$ 19,883,398
Remodels		110	19,883,398
Conversions and additions # of units ²	0	0	0
B – Non-Residential		100	104,108,793

Source: CPED with data from Regulatory Services

¹ Residential and non-residential building listings may include structural work, build-outs, and other improvements

² Residential conversions consist of a change in uses, e.g. from an office building to residential apartments

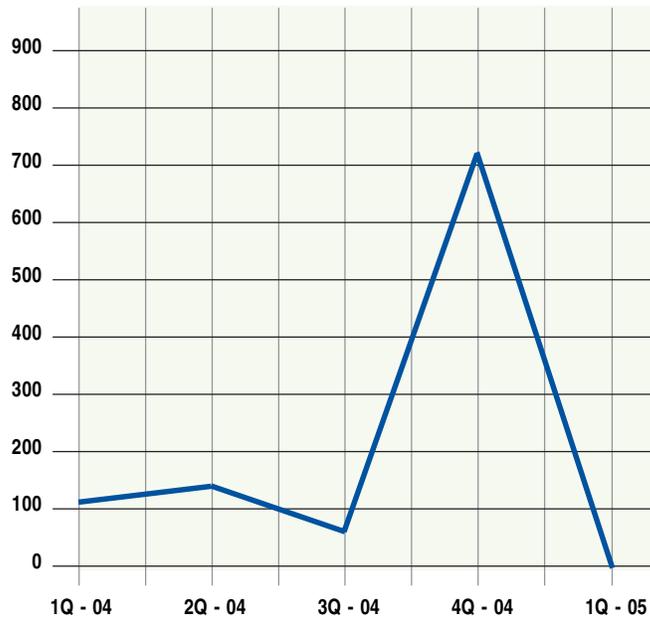
³ Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings

REMODELS, ADDITIONS AND CONVERSIONS

No buildings were converted into housing from another use this quarter, a sharp contrast to the 720 units created this way last quarter.

Meanwhile, the number of remodeled residential units costing \$50,000 or more was the same as last year. Their projected construction cost, however, decreased by about 40 percent from the cost reported in the first quarter of 2004 (in constant dollars)¹. But on the other hand, the cost of non-residential projects² increased by 65 percent at the same time.

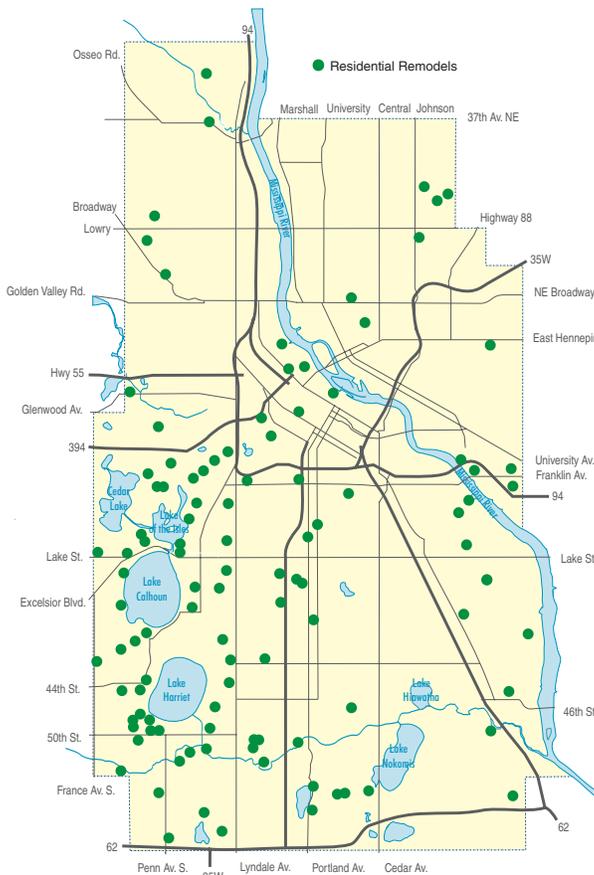
Figure 5: **NEW UNITS ADDED TO EXISTING BUILDINGS OR IN BUILDINGS CONVERTED FROM ANOTHER USE - Minneapolis**



Source: Minneapolis Community Planning and Economic Development with data from Regulatory Services

Permits for housing remodeling were concentrated mainly in the southern half of the city with a concentration in the lakes area. Downtown, the east bank of the Mississippi River and neighborhoods east of the Hiawatha rail line also developed substantially.

Map 2: **PERMITS FOR HOUSING REMODEL AND RENOVATION** projects \$50,000 + first quarter 2005



Source: CPED with data from Regulatory Services

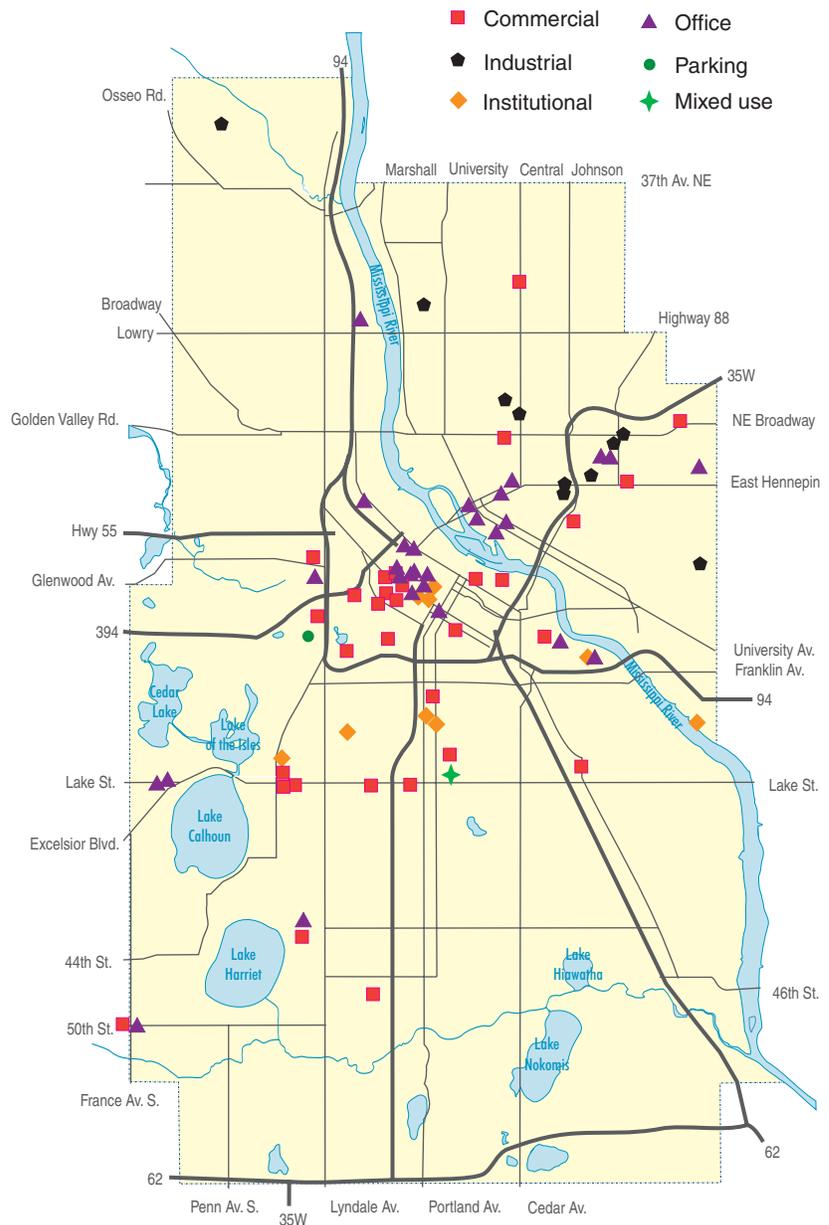
¹ For conversion factors, see page 21

² For conversion factors, see page 21

REMODELS, ADDITIONS AND CONVERSIONS

Non-residential permits concentrated mostly in Downtown, but also between Franklin Avenue and Lake Street, along East Hennepin Avenue and along Interstate 94 to the north. Several industrial renovation projects appeared along Interstate 94 and along Hennepin Avenue East in the Mid-industrial Area

Map 3: **PERMITS FOR NON-RESIDENTIAL REMODELING AND RENOVATION** projects \$50,000 + first quarter 2005



Source: CPED with data from Regulatory Services

MAJOR PROJECTS

Following is a list of major projects (valued at \$1 million or more) permitted in Minneapolis in the first quarter of 2005. Among them is the exterior remodeling of Midtown Exchange, the former Sears building, a mixed-use residential and commercial development. Remodeling and converting the residential units was reported in previous issues.

Table 7: **MAJOR CONSTRUCTION** projects \$1,000,000 +

ADDRESS	ZIP CODE	VALUE	DESCRIPTION
2929 Chicago Ave	55407	\$54,413,119	Exterior remodel of former Sears building
2935 10th Ave S	55407	\$15,569,621	New parking structure
2925 Chicago Ave	55407	\$10,728,941	Allina Commons buildout
320 Market St	55405	\$ 4,555,458	New parking ramp and skyway
40 7th St S	55402	\$ 2,735,600	Common areas remodel
1000 LaSalle Ave	55403	\$ 2,259,467	Terrence Murphy Hall cafeteria remodel
818 Dunwoody Blvd	55403	\$ 2,100,000	Two-story infill addition
333 12th St S	55404	\$ 2,100,000	New church bell tower
1121 Jackson St NE	55413	\$ 2,021,000	Remodel and convert to multiuse building
2910 Pillsbury Ave	55408	\$ 2,019,800	New commercial building
800 28th St E	55407	\$ 1,802,350	Wasie Center for child care remodel
100 5th St S	55401	\$ 1,796,867	Remodel skyway level of building
212 1st St N	55401	\$ 1,724,687	Residential building buildout
2655 E Lake of the Isles	55405	\$ 1,500,000	Single-family addition
2919 26th Ave S	55406	\$ 1,500,000	Remodel Rainbow Foods store
401 1st St S	55401	\$ 1,428,470	Residential units remodel
2215 Park Ave	55404	\$ 1,371,702	Commercial building buildout
334 Lake St E	55408	\$ 1,293,717	Commercial building addition and remodel
1301 2nd Ave S	55403	\$ 1,136,220	Facility management remodel
60 6th St S	55401	\$ 1,126,600	Dain Rauscher office remodel
1650 Kenwood Pkwy	55405	\$ 1,050,000	New single family dwellings

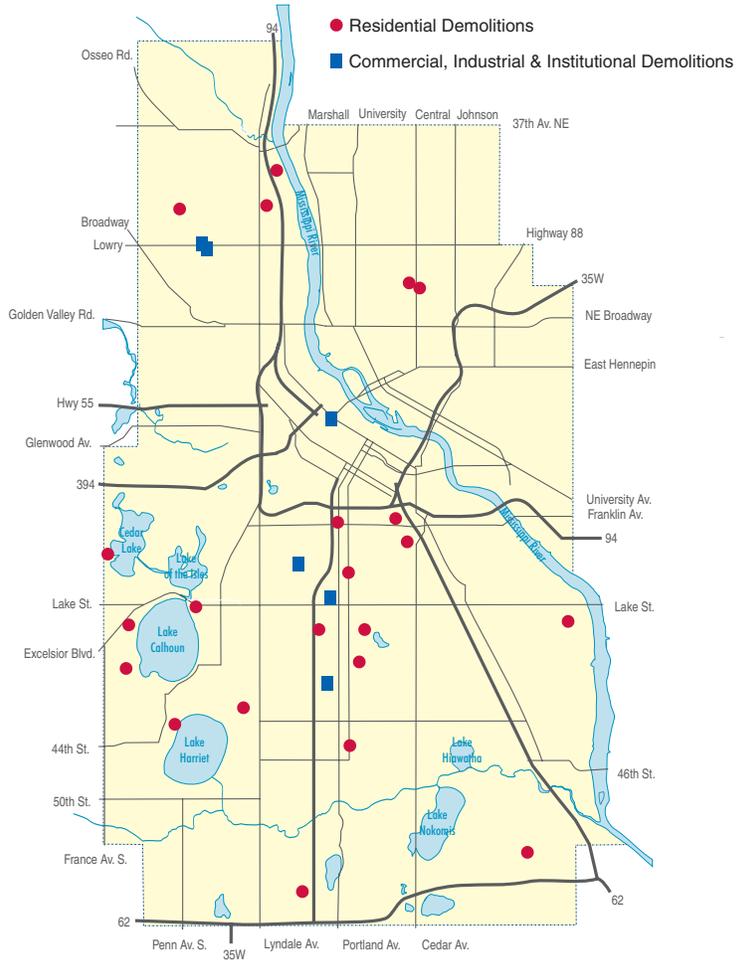
Source: CPED with data from City Regulatory Services

DEMOLITIONS

Building permits for demolition

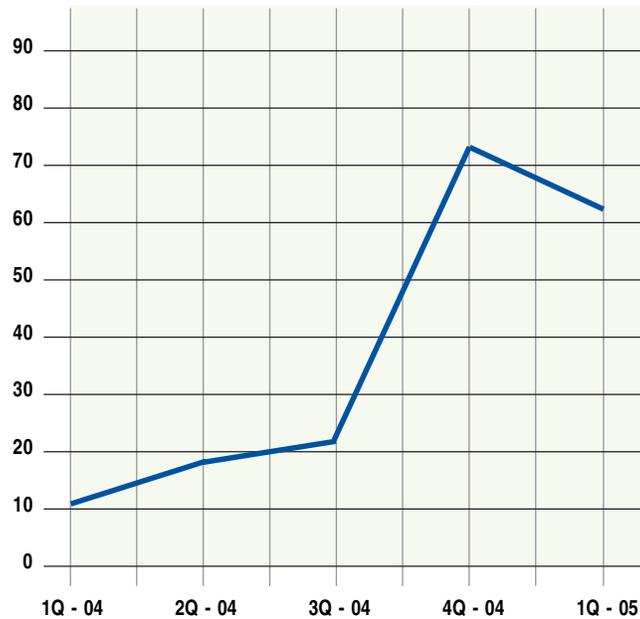
In the first quarter of 2005, housing demolitions showed one of the most pronounced increases since 2000 with a total of 62 units demolished. Demolitions increased from 26 in the same quarter last year and from 11 last quarter. Single-family units accounted for 29 percent of residential demolitions this quarter, and 71 percent were multifamily units, including one building with 28 units on West Lake Street. In addition, six non-residential buildings and a nursing home were demolished

Map 4: **PERMITS FOR DEMOLITIONS** first quarter 2005



Source: CPED with data from Regulatory Services

Figure 8: **PERMITS FOR RESIDENTIAL DEMOLITIONS**



Source: CPED with data from Regulatory Services

RESIDENTIAL CONSTRUCTION COST

Because of slow construction activity, total dollars spent on new residential construction (in *constant* dollars) decreased by almost half in Minneapolis since this period last year, from \$47.1 million (45.7 in current dollars) to \$24.7 million¹. Single-family and multifamily new construction both decreased. In the seven-county metropolitan area, the amount spent on new construction

decreased by almost 12 percent in *constant* dollars in the same period.

Money spent on single family housing construction in Minneapolis decreased by 38.1 percent in *constant* dollars from \$10.4 million in the same period last year. Investment in multifamily construction fell by 50 percent, from \$36.7 million.

¹ For conversion factors see page 21

Table 8: **RESIDENTIAL CONSTRUCTION COST**

	1Q-2004	2Q-2004	3Q-2004	4Q-2004	1Q-2005
Single family					
Minneapolis	\$ 10,106,796	\$ 11,784,048	\$ 11,584,711	\$ 7,864,399	\$ 6,440,616
Metropolitan area	513,519,041	826,547,245	787,911,264	674,806,252	500,110,698
Multifamily					
Minneapolis	35,642,235	23,964,912	41,755,679	91,357,608	18,244,663
Metropolitan area	132,607,120	147,277,651	208,498,890	266,739,535	85,918,361
Total number of units					
Minneapolis	45,749,031	35,748,960	53,340,390	99,222,007	24,685,279
Metropolitan area	646,126,161	973,824,896	996,410,154	941,545,787	586,029,059

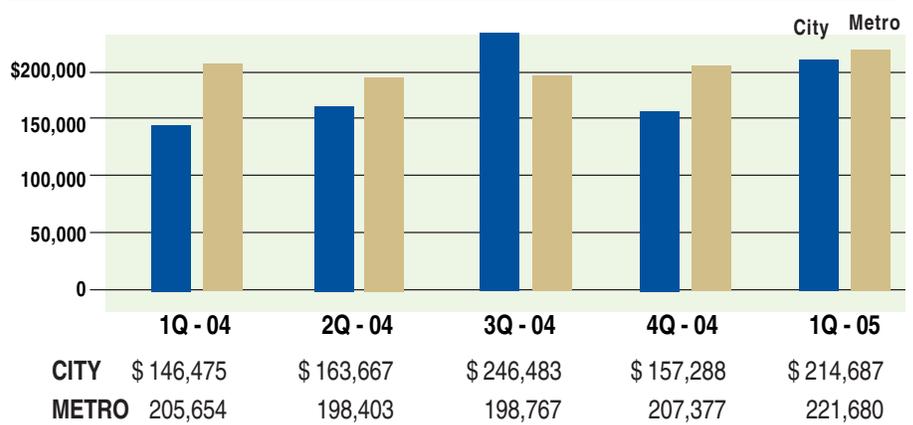
Source: CPED with data from the U.S. Census Bureau

Table values are not adjusted for inflation

RESIDENTIAL CONSTRUCTION COST

Although the number of permitted units fell, reported dollar cost in construction increased. As a result, the average reported cost per single-family unit increased by 30 percent from \$150,800 (\$146,500 in current dollars) in Minneapolis and by 5 percent in the metropolitan area from \$211,700¹.

Figure 9: SINGLE FAMILY CONSTRUCTION COST per unit

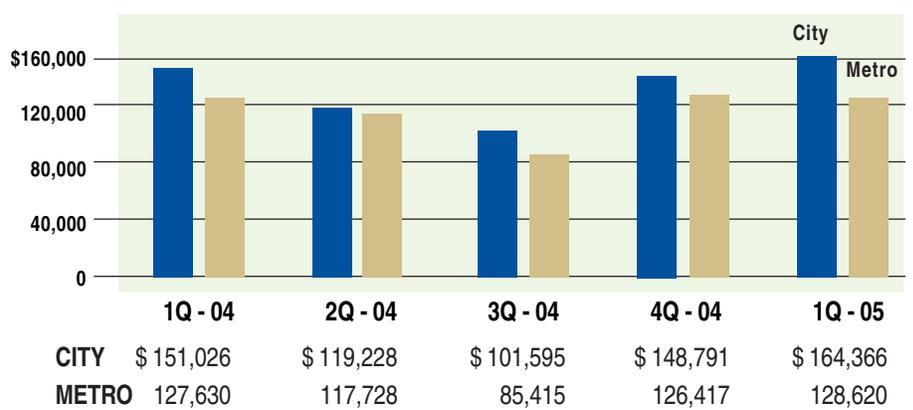


Source: CPED with data from the U.S. Census Bureau
Values in graph are not adjusted for inflation

The average reported construction cost for a multifamily unit in the city in the first quarter was about \$164,400, about \$9,000 more than the reported cost in the same period last year (in *constant* dollars). The cost per unit built in the metropolitan area decreased by about 2 percent from \$131,400 (in *constant* dollars)¹.

¹ For conversion factors see page 21

Figure 10: MULTIFAMILY CONSTRUCTION COST per unit



Source: CPED with data from the U.S. Census Bureau
Values in graph are not adjusted for inflation

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

Tables 5 and 8 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 and Inspections Division. Numbers from the Census Bureau and City Inspections may differ slightly for the same period. Census Bureau numbers do not include additions, remodels or demolitions.

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

Multifamily buildings include 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 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 Inspections Division.

Building permits for residential remodeling, additions and conversions: Table 7 and maps 2 and 3 are based on data from City of Minneapolis Regulatory Services and the Inspections Division. 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 City of Minneapolis Regulatory Services and the Inspections Division 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. For the first quarter of 2005, dollars have been converted with an index of 1.029281768 reflecting CPI for March 2004 (181) and CPI for March 2005 (186.3).

THE HOUSING STOCK AND THE REAL ESTATE MARKET

- Average vacancy rates went down, but average rents also decreased in real value since the same quarter of last year.
- Not as many housing units sold in the city, but average prices are increasing in real dollars.
- Since the third quarter of 2004, the average vacancy rate for office space decreased, but it is still high compared to the first quarter last year. In the metropolitan area vacancy rates are lower than in the same period last year. The average price asked per square foot decreased and more office space was added.
- The average retail vacancy rate also decreased throughout the region. Especially in the city's central business district, prices recovered and more square feet of space were occupied.
- The industrial vacancy rate increased sharply in Minneapolis, and the average asking lease price per square foot decreased.

HOUSING STOCK

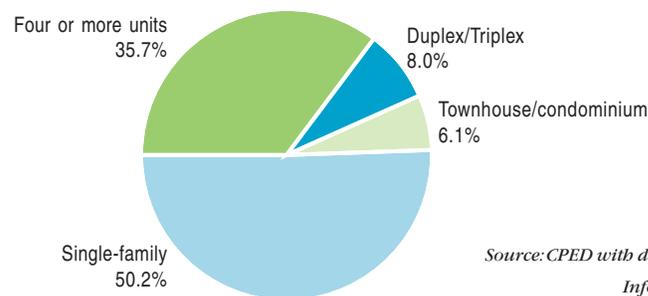
At the end of 2004 and beginning of 2005 Minneapolis had 171,209 housing units. Little more than half of them were single-family (one unit per structure) and 36 percent were multifamily (four or more units in one building). The remaining of the housing stock were townhouses, condominium, duplexes and triplexes. Single housing increased because of conversion of two to three family buildings into single family. Multifamily units also increased their share in the total.

Table 9: **MINNEAPOLIS HOUSING STOCK** - units by housing type

	2002		2003		2004	
	UNITS	PERCENT	UNITS	PERCENT	UNITS	PERCENT
Single-family	75,402	44.6%	75,571	44.2%	85,997	50.2%
Townhouse/ condominium	10,145	6.0%	10,526	6.2%	10,383	6.1%
Duplex/Triplex	25,198	14.9%	25,058	14.7%	13,716	8.0%
Four or more units	58,372	34.5%	59,633	34.9%	61,113	35.7%
Total units	169,117	100.0%	170,788	100.0%	171,209	100.0%

Source: CPED with data from Minneapolis Assessor's Office
Information for January 2, 2005

Figure 11: **MINNEAPOLIS HOUSING TYPES**



Source: CPED with data from City Assessor's Office
Information for January 2, 2005

RESIDENTIAL VACANCY RATES

The Minneapolis vacancy rate for multifamily rental units was 4.2 percent, down from 4.8 percent at the end of last quarter. The average rent was \$824, up \$2 from last quarter. The average vacancy rate decreased since last quarter and is much lower than the vacancy rate from the same quarter last year.

Table 10: **VACANCY RATE & AVERAGE RENT** - Minneapolis and Metro are

	2004				2005
	1Q-04	2Q-04	3Q-04	4Q-04	1Q-05
MINNEAPOLIS					
Units surveyed	17,308	17,110	16,460	15,686	15,683
Vacant units	1,169	1,086	811	748	661
Average rent	\$ 822	\$ 828	\$ 837	\$ 822	\$ 824
Vacancy rate	6.8%	6.3%	4.9%	4.8%	4.2%
METRO AREA					
Units surveyed	125,410	123,941	123,814	121,641	119,728
Vacant units	9,554	8,807	8,325	8,905	8,262
Average rent	\$ 847	\$ 850	\$ 851	\$ 849	\$ 850
Vacancy rate	7.4%	7.1%	6.7%	7.3%	6.9%

Recorded data for the last month of the quarter
Source: GVA Marquette Advisors Report 2003 and 2004 based on property survey

RESIDENTIAL VACANCY RATES

In the metropolitan area, the average vacancy rate was 6.9 percent, down from 7.4 percent in the same period last year. Average rents increased by \$3 in the same period.

In the metropolitan area, since the first quarter last year, vacancy rates decreased for all sizes of apartments except three-bedroom units.

Figure 12: **RENTAL VACANCY RATE** - Minneapolis & Metro area

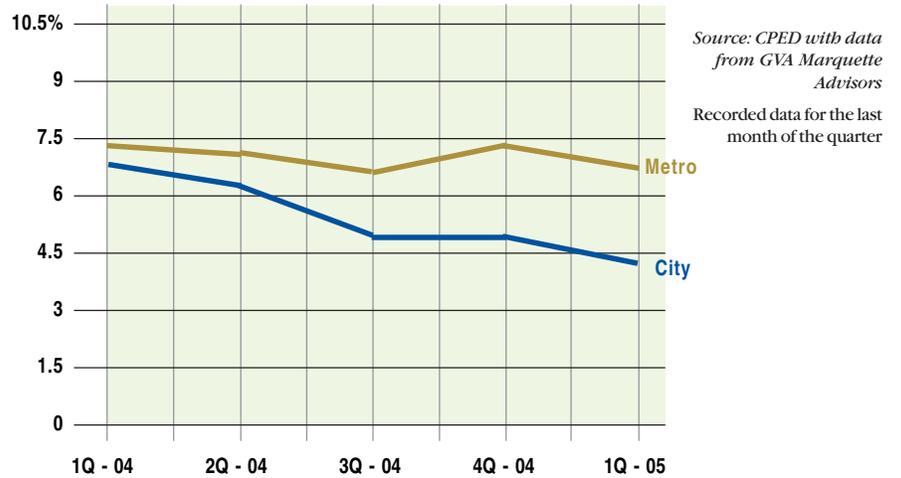


Figure 13: **RENTAL VACANCY RATE** by apartment type - Minneapolis

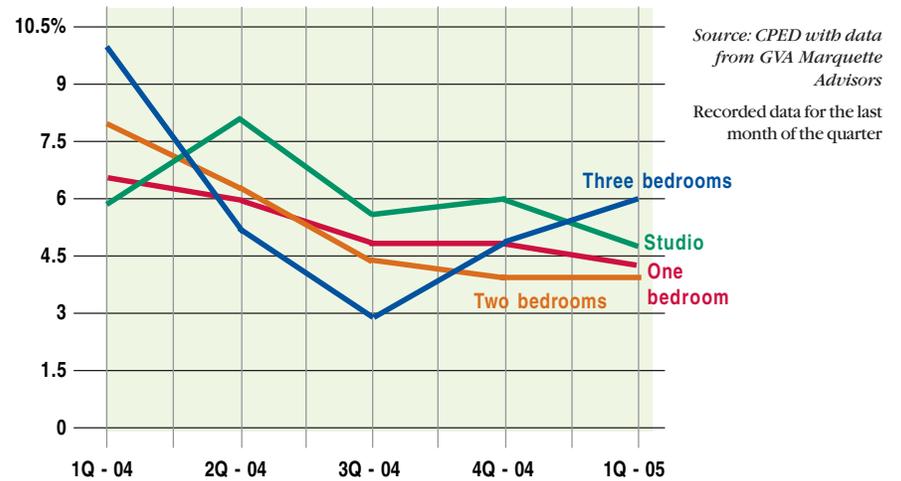
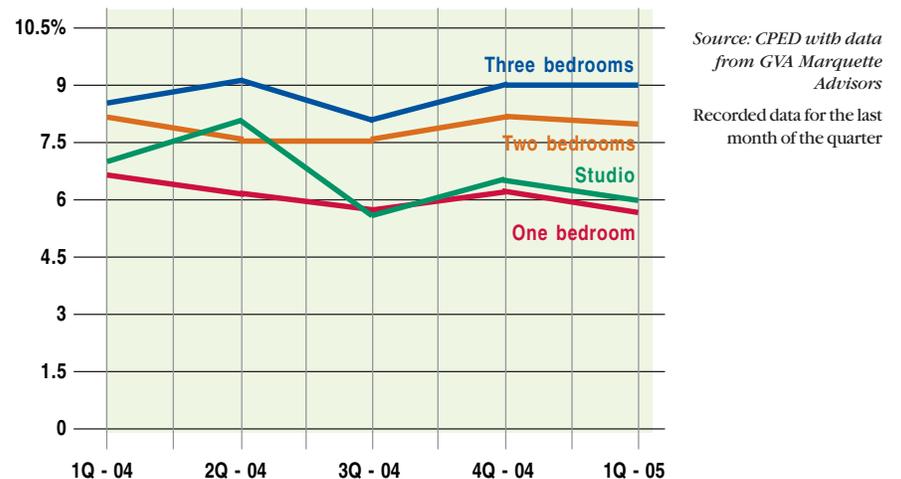


Figure 14: **RENTAL VACANCY RATE** by apartment type - Metro area



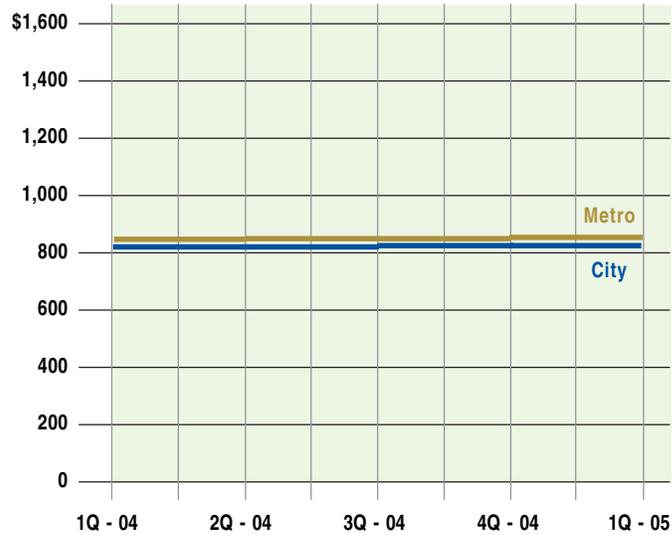
RESIDENTIAL VACANCY RATES

Average rent decreased in Minneapolis by \$5 (in constant dollars) from \$828 last quarter to \$824 this quarter. It has decreased by \$17 since the first quarter last year¹. In the metropolitan area, average rent decreased by \$17 since the first quarter last year, and by \$6 since last quarter.

Average rent for two-bedroom apartments in Minneapolis increased by 1.9 percent in the last year. It increased by 0.8 percent for three-bedroom units since the last quarter. For all the other apartment types, average rents decreased. In constant dollars, average rents decreased for all apartment types with no exception.

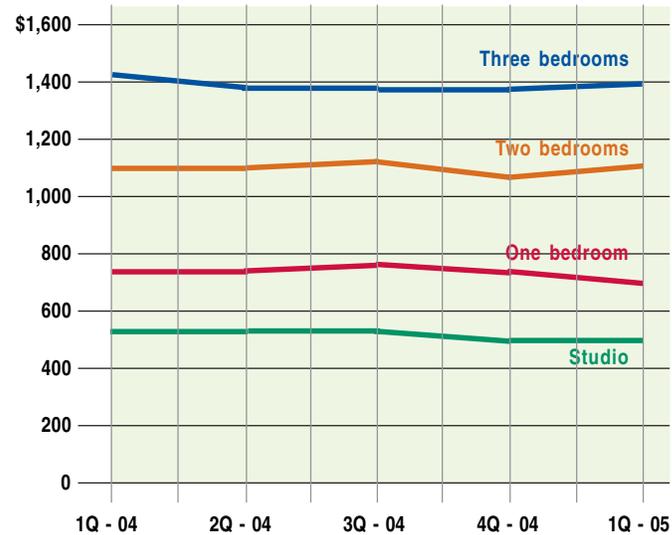
¹ For conversion factors see page 30

Figure 15: **AVERAGE APARTMENT RENT** in current dollars



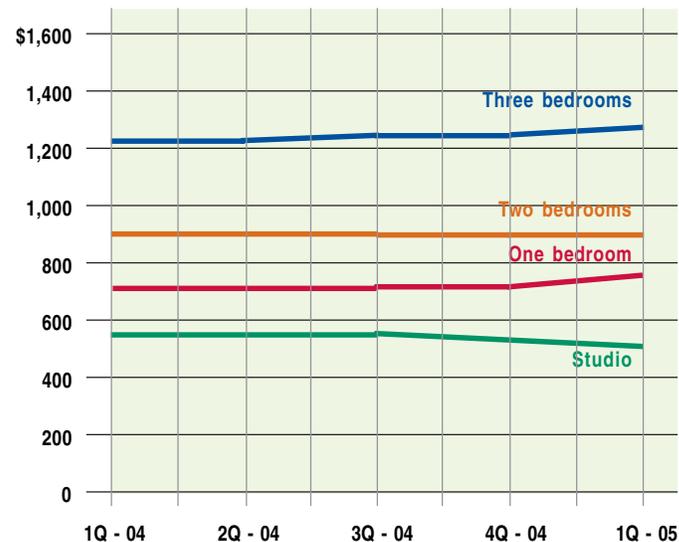
Source: CPED with data from GVA Marquette Advisors
Recorded data for the last month of the quarter

Figure 16: **AVERAGE RENT** by apartment type - Minneapolis



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

Figure 17: **AVERAGE RENT** by apartment type - Metro area



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

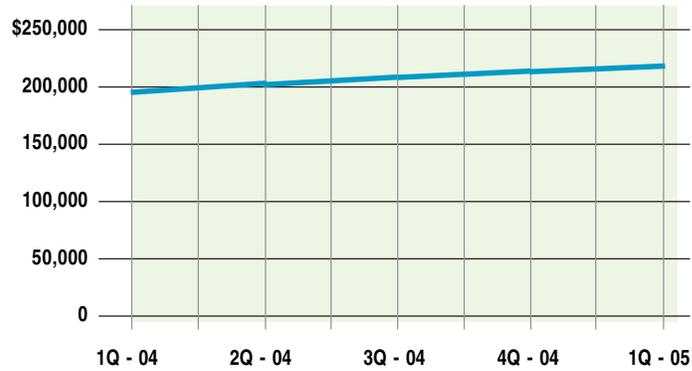
RESIDENTIAL SALES

The total number of housing units sold decreased by 27.5 percent since the same period last year.

Median sale prices (in *constant* dollars) for all housing units steadily increased in all periods since last year¹. Since the first quarter last year, median sale prices increased by 9.7 percent. Since the last quarter of 2004, though, single family housing lost about 1 percent of median value, but condominium and townhouses gained about 8 percent.

¹ For conversion factors see page 30

Figure 18: **MEDIAN HOUSING PRICES** in March 2004 dollars



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

Figures converted into constant dollars using CPI index for housing - Midwest urban areas

Table 16: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES**¹ - Minneapolis

	1Q-2004		2Q-2004		3Q-2004		4Q-2004		1Q-2005	
	# UNITS	MED. SALE								
Single-Family	1,158	\$ 184,375	1,846	\$ 198,000	1,827	\$ 201,000	1,341	\$ 200,000	852	\$ 199,450
Duplex/Triplex	233	229,000	278	240,500	311	257,000	246	245,000	151	250,000
Condominium/ Townhouse	240	194,950	427	208,000	536	202,947	565	222,000	292	242,500
TOTAL	1,631	\$ 190,600	2,551	\$ 203,000	2,674	\$ 208,500	2,152	\$ 209,900	1,295	\$ 214,000

Source: City of Minneapolis Assessor's Office

Table values are not adjusted for inflation

¹ Numbers do not include apartments, vacant land sold or unclassified residential units.

OFFICE SPACE

During the first quarter of 2005, the average vacancy rate for office space in both the Minneapolis central business district (CBD) and the metropolitan area continued to decrease. In Minneapolis it went from 20.5 percent last quarter to 19.5 percent, although it was still high compared to the first quarter of last year. In the metro area it decreased from 17.6 percent last quarter and from 17.5 percent a year ago to 17.1 percent.

Average asking lease rates in Minneapolis decreased from \$9.90 (in *constant* dollars) per square foot last quarter and from \$9.80 a year ago to \$9.30 this quarter. In the metro area, prices in *constant* dollars decreased from \$10.60 last quarter and from \$11 a year ago to \$10.30 this quarter¹.

Office space continues to fill in both the city and the metropolitan area, reversing a negative trend since the third quarter of 2004.

¹ For conversion factors, see page 30

Figure 19: OFFICE VACANCY RATE



Figure 20: OFFICE SPACE - AVERAGE ASKING LEASE RATE in dollars per square foot

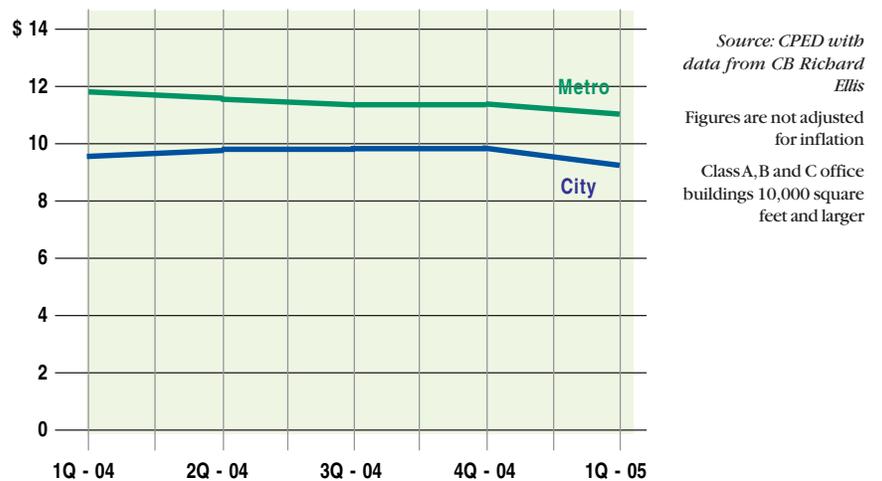


Figure 21: OFFICE SPACE - ABORPTION in thousands of square feet



RETAIL SPACE

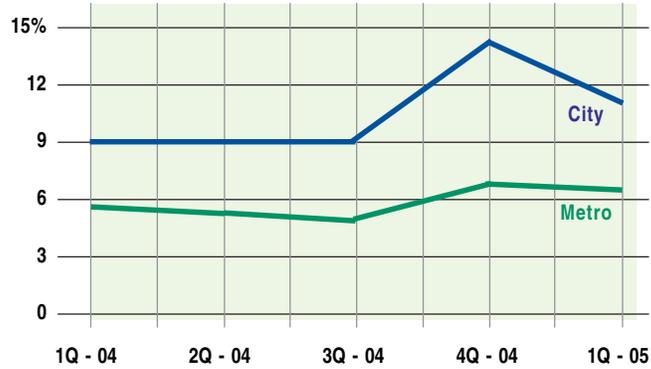
The retail vacancy rate in the Minneapolis central business district fell from a high of 14.1 percent last quarter, but it is still high compared to last year at this time. In the metropolitan area, the rate fell also but not as sharply as it did in the city.

Average asking lease prices in *constant* dollars went up since last quarter in the city's central business district, rising \$1.30 per square foot from \$26.20. Prices are still low compared to the first quarter of last year, when they stood at \$31 per square foot. In the metropolitan area, prices recovered since last year¹.

The city's central business district has partially recovered from fourth quarter losses in retail space absorption. The metropolitan area also rebounded since the fourth quarter, but occupied space did not increase as much as it did in the second quarter of 2004. Higher absorption this quarter was the result of using existing vacant space.

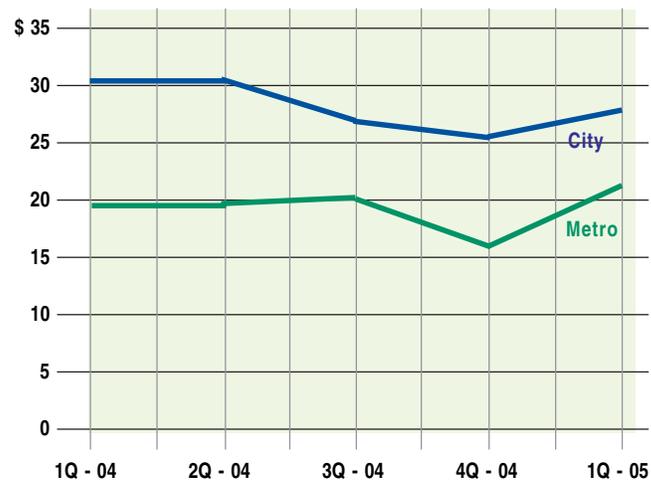
¹ For conversion factors, see page 30

Figure 22: **RETAIL SPACE VACANCY RATE**



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

Figure 23: **RETAILSPACE - AVERAGE ASKING LEASE RATE**
in dollars per square foot



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

Figure 24: **RETAIL SPACE - ABORPTION**
in thousands of square feet



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

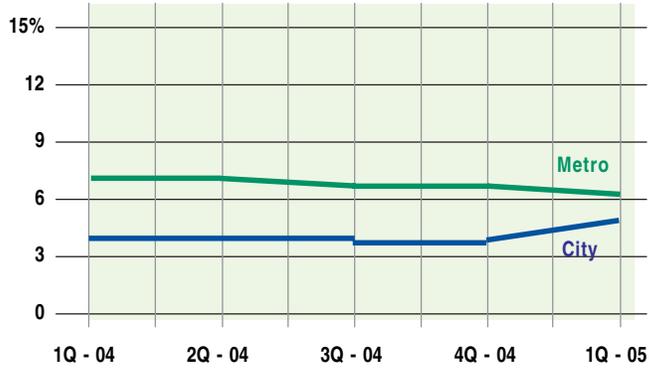
INDUSTRIAL SPACE

The industrial space vacancy rate increased in Minneapolis this quarter, reversing a trend. On the other hand, the vacancy rate continued to go down in the metropolitan area.

The average asking lease rate for industrial space in Minneapolis decreased since last quarter and is also low compared to prices from a year ago. In the metropolitan area, prices are increasing, very slightly (in *constant* dollars).

Less industrial space in Minneapolis is occupied since the third quarter, when absorption was at its peak. On the other hand, the metropolitan area has now rebounded from negative absorption in the last quarter of 2004.

Figure 25: INDUSTRIAL SPACE VACANCY RATE

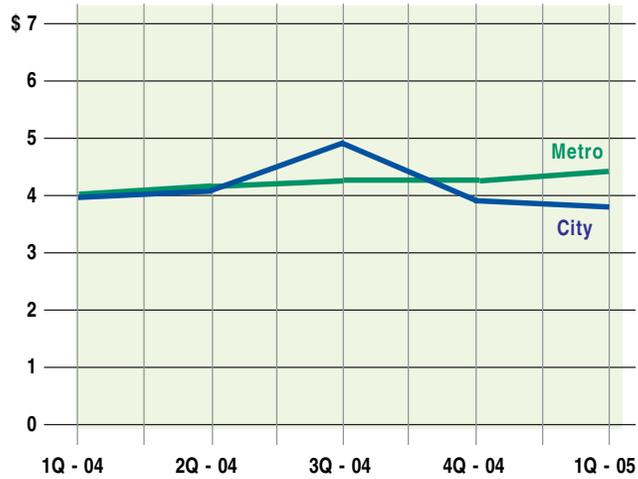


Source: CPED with data from CB Richard Ellis

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

11

Figure 26: INDUSTRIAL SPACE - AVERAGE ASKING LEASE RATE in dollars per square foot



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

Figure 27: INDUSTRIAL SPACE - ABORPTION in thousands of square feet



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

Single- and multifamily: Table 9 uses information compiled by the Minneapolis Assessor's Office based on property tax records from the Hennepin County Assessor. Hennepin County certifies the records for the city every year. As a result, table 9 is updated yearly by April.

A building may have one or more units. The number of units and buildings for single-family is the same.

Condominium refers to a legal category of property ownership and usually designates units in high-rise buildings or other multifamily buildings that have common areas and individual properties.

Townhouses are attached single-family units that usually adopt a condominium type of home ownership.

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.

Average 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.

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: 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: Vacant square feet divided by the net rentable area

Absorption: The change in occupied square feet from one period to the next

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. For the first quarter of 2005, dollars have been converted with an index of 1.029281768 reflecting CPI for March 2004 (181) and CPI for March 2005 (186.3). For comparison with the fourth quarter of 2004, the index is 1.013601741, reflecting a CPI of 183.8 for December 2004, and 186.3 for March 2005.

To convert housing values, a CPI for housing in Midwest urban areas is used. To compare 2005 first quarter with 2004 first quarter, the index is 1.023609, the result of the relation between CPI for March 2005 (182.1) and CPI for March 2004 (177.9). To compare the first quarter of 2005 with the fourth quarter of 2004, the index is 1.008305648, reflecting the CPI for March 2005 and the CPI for December 2004 (180.6).



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