

Minneapolis Trends

Highlights for the first quarter of 2004

- Unemployment dropped in the city and remained unchanged in the metropolitan area.
see page 5
- New residential construction decreased in the city, but not as much as in the region. Total construction costs increased in the city, but the average construction cost for a single-family unit decreased.
see page 13
- Downtown Minneapolis continues to attract new residential buildings, remodels and conversion of existing buildings into residential.
see page 15
- Multifamily construction costs increased sharply.
see page 18
- Average vacancy rate in the rental market in the city increased, and so did average rents.
see page 22
- Office vacancy rates in the region and the Minneapolis central business district increased, and lease rates decreased.
see page 25
- Industrial vacancy rate decreased, but lease rates remained unchanged.
see page 25
- The City department of Community Planning and Economic Development (CPED) doubled the number of units financed in multifamily projects.
see page 26

A Quarterly Overview of Socioeconomic and Housing Trends in Minneapolis



first quarter 2004



Minneapolis
City of Lakes

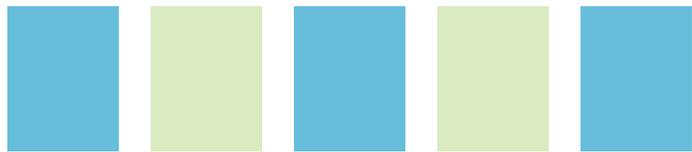
Department of
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Minneapolis Trends

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DEMOGRAPHIC AND ECONOMIC INDICATORS

Population: Figures for the City of Minneapolis and the metropolitan area include the Minnesota State Demographic Center estimates for the years 2001 and 2002 and the U.S. Census Bureau numbers for 2000 and 1990. Unless otherwise specified, the metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties.

Households: According to the U.S. Census Bureau, "A household includes all of the people who occupy a housing unit." A household may or may not consist of people related to the householder.

Income: Income estimates are calculated by the Census Bureau for the American Community Survey. Beginning in 2003, this information is available for every year. The bureau includes eight kinds of incomes reported separately by the population 15 years old and older. Table three presents data on median household income, median family income and income per capita in Minneapolis, four counties in the metro area, and the United States.

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 three presents quarterly and year-to-date information for the city and the metropolitan area.

Jobs and Wages: Employment by place of work is based on data of all establishments covered under the Unemployment Insurance System, about 97 percent of Minnesota employment. Some categories of employment are excluded, including proprietors and self-employed, railroad workers, elected government officials and others working on a commission basis. Tables five to seven show data by industry at two digits North American Industrial Code (NAIC) level for Minneapolis, the seven-county metro area, Minnesota and the United States. Percentage changes are not shown for the United States because of slightly different categories.

Consumer Price Index: This index, developed by the United States Bureau of Labor Statistics (USBLS), is based on consumer surveys of urban households for items such as food and beverages, housing, apparel, medical care, recreation, education and others. Bi-annual and annual information is available. Table four presents a comparison of urban consumers in the Midwest, the United States and the Minneapolis-Saint Paul metropolitan area as defined by the U.S. Office of Management and Budget (OMB). This information is updated every six months.

Inflation-adjusted figures: Values reported in tables in this report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget (OMB).

POPULATION AND INCOME

In 2000, Minneapolis had about 14,000 or 3.9 percent more people than in 1990. In the seven-county metropolitan area, population in households increased by more than 353,000, nearly the total population of the City of Minneapolis.

Recent estimates reveal that between 2000 and 2002 population has changed slightly in the city. In 2002 the city shows approximately 82 more people than in 2000. The metro area has added more than 35,000 people per year between 2000 and 2002.

Population per household or household size increased substantially in the city between 1990 and 2000. By 2002 it decreased slightly to 2.23 people per household from 2.25.

In the metro area household size decreased in the 1990s and continued to drop after 2000.

In 2002, median household income and median family income were lower in Minneapolis than either the United States or the four neighboring counties in its metropolitan area. However, income per capita was higher in Minneapolis in comparison with the United States. The different income measures show how wealthy the surrounding counties in the metro area are in comparison with the country as a whole or the city.

TABLE 1: POPULATION

AREA	2002 ²	2001 ²	2000 ³	1990 ³	GROWTH ⁴
Minneapolis	382,700	382,446	382,618	368,383	3.9%
7-county metro¹	2,708,916	2,674,838	2,642,056	2,288,721	15.4%

¹ The metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties

² State Demographic Center estimates

³ 2000 U.S. Census of Population and Housing

⁴ Percent population growth between 1990 and 2000

TABLE 2: HOUSEHOLD SIZE

AREA	2002 ²	2001 ²	2000 ³	1990 ³
Minneapolis	2.23	2.25	2.25	2.19
7-county metro¹	2.57	2.58	2.59	2.61

¹ The metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties

² State Demographic Center estimates

³ 2000 U.S. Census of Population and Housing

TABLE 3: INCOME ESTIMATES 2002

	MINNEAPOLIS	METRO COUNTIES ¹	UNITED STATES
Median household income	\$ 35,708	\$ 56,147	\$ 43,075
Median family income	50,605	70,316	51,742
Income per capita	43,075	51,742	22,759

Source: U.S. Census Bureau American Community Survey

¹ The four-county area includes Anoka, Hennepin, Dakota and Ramsey counties

EMPLOYMENT

In comparison with the fourth quarter of 2003, the labor force and employment decreased in both the city and the metro area. Fewer people were working and some dropped from the labor force. As a result, the unemployment rate dropped in the city, but remained unchanged in the metro area.

In the same period last year the city had a larger labor force and more people were employed; unemployment was lower. The metro area shows a different situation with more people working in the first quarter. Employment increased and unemployment decreased.

TABLE 4: MINNEAPOLIS LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

	CITY	METRO AREA	CITY	METRO AREA
1Q-03			2003	YTD average
Labor Force	225,262	1,612,265	225,262	1,612,265
Employment	214,456	1,538,695	214,456	1,538,695
Unemployment Rate	4.8%	4.6%	4.8%	4.6%
2Q-03				YTD average
Labor Force	230,442	1,641,417	227,852	1,626,841
Employment	218,153	1,546,318	216,305	1,542,506
Unemployment Rate	5.3%	4.6%	5.3%	4.6%
3Q-03				YTD average
Labor Force	233,407	1,658,125	229,703	1,637,269
Employment	219,973	1,578,278	217,527	1,554,543006
Unemployment Rate	5.8%	4.8%	5.3%	4.7%
4Q-03				YTD average
Labor Force	230,258	1,640,491	229,491	1,638,075
Employment	218,572	1,568,229	217,789	1,557,880
Unemployment Rate	5.1%	4.4%	5.2%	4.6%
1Q-04			2004	YTD average
Labor Force	218,319	1,628,176	218,319	1,628,176
Employment	207,572	1,556,577	207,572	1,556,577
Unemployment Rate	4.9%	4.4%	4.9%	4.4%

Source: Community Planning and Economic Development Department with data from Minnesota Department of Employment and Economic Development, Labor Market Information
Numbers reflect new revisions made by DEED

JOBS AND WAGES

Minneapolis had an average number of jobs of slightly more than 273,000 in 2003. Health care and social assistance accounted for 15.5 percent of those jobs. Professional and technical services and finance and insurance made up more than 10 percent each of the total.

In the fourth quarter, the average number of jobs dropped by 0.8 percent in comparison to the first quarter of the year, a loss of 2,236 jobs. Two important sectors, manufacturing and educational services, cut employment by 5.5 percent and 5.3 percent respectively, and public administration by a high 6.4 percent. Accommodation and food services gained 6.6 percent and retail 5.4 percent.

In the fourth quarter of 2003 Minneapolis had almost 9,500 fewer jobs than in the same period the previous year. The metro area, however, had an average of about 10,000 jobs more in the same period. The State showed a job decrease, but not as steep as the city's. The state posted a loss of nearly 14,700, while the United States lost more than 270,000.

In the city, the sectors that suffered the most were educational services and manufacturing with nearly 1,850 and 1,550 jobs lost respectively. Other sectors that sustained heavy losses were waste and administrative services, information and professional and technical services. Management of companies and enterprises created 700 jobs, and arts, entertainment, accommodations and food services increased by little over 500.

In the metro area, in the state and in the United States, information and manufacturing showed the most losses. Manufacturing decreased by more than 600,000 jobs nationwide. However, the metro area created more jobs than were eliminated, adding more than 21,000 in transportation and warehousing, finance and insurance, and health and social assistance services.

The chart on page 7 illustrates percent changes in jobs.

TABLE 5: MINNEAPOLIS: AVERAGE NUMBER OF JOBS BY INDUSTRY

INDUSTRY	1Q-2003	2Q-2003	3Q-2003	4Q-2003	AVG. 2003
Manufacturing	17,955	17,649	17,155	16,972	17,433
Utilities	3,269	3,250	3,207	3,190	3,229
Wholesale Trade	10,998	11,032	10,963	10,765	10,940
Retail Trade	16,213	16,387	16,179	17,083	16,466
Transportation & Warehousing	4,383	4,305	4,214	4,452	4,339
Information	12,951	12,604	12,368	12,329	12,563
Finance & Insurance	28,066	28,150	28,201	27,717	28,034
Real Estate & Rental and Leasing	5,176	5,243	5,353	5,389	5,290
Professional & Technical Services	29,126	28,989	28,754	28,351	29,055
Management of Companies & Enterprises	13,488	13,223	13,628	14,021	13,590
Administrative & Waste Services	13,899	14,058	14,326	14,063	14,087
Educational Services	27,478	26,370	23,603	26,027	25,870
Health Care & Social Assistance	42,095	42,503	42,387	42,119	42,276
Arts, Entertainment & Recreation	4,816	5,042	4,946	5,049	4,963
Accommodation & Food Services	19,527	20,465	20,982	20,813	20,447
Other services	11,239	11,454	11,212	10,963	11,217
Public Administration	13,478	13,537	13,434	12,618	13,267
Total, all industries¹	274,157	275,261	270,912	271,921	273,063

Source: Minnesota Department of Economic Development

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

TABLE 6: EMPLOYMENT BY INDUSTRY

INDUSTRY ¹	MINNEAPOLIS		METRO AREA	
	4Q-2002	4Q-2003	4Q-2002	4Q-2003
Construction	-	0	78,270	77,530
Manufacturing	18,520	16,970	191,340	187,430
Utilities	3,360	3,190	5,660	5,880
Wholesale Trade	11,310	10,760	81,690	82,640
Retail Trade	17,320	17,080	175,550	174,490
Transportation & warehousing	4,780	4,450	53,380	67,550
Information	13,700	12,330	47,550	41,760
Finance & Insurance	28,120	27,720	102,350	105,450
Real Estate and Rental and Leasing	5,300	5,390	28,840	28,670
Professional & Technical Services	29,550	28,350	95,240	94,510
Management of Companies & Enterprises	13,320	14,020	55,340	54,780
Administrative & Waste Services	15,520	14,060	88,390	89,330
Educational Services	27,870	26,030	116,390	115,720
Health Care & Social Assistance	42,090	42,120	176,570	180,540
Arts, Entertainment & Recreation	4,820	5,050	24,130	24,250
Accommodation & Food Services	20,540	20,810	111,470	114,440
Other services, ex. Public Administration	11,820	10,960	56,280	54,410
Public Administration	13,470	12,620	62,500	61,490
Total, All Industries	281,410	271,920	1,550,940	1,560,870

INDUSTRY ¹	MINNESOTA		UNITED STATES ²	
	4Q-2002	4Q-2003	4Q-2002	4Q-2003
Construction	134,960	136,800	6,771,670	6,847,330
Manufacturing	352,260	343,730	15,008,330	14,370,670
Utilities	13,510	13,150	590,270	578,400
Wholesale Trade	128,740	129,630	5,644,300	5,600,800
Retail Trade	310,730	308,880	15,327,430	15,260,430
Transportation & warehousing	101,970	99,730	4,267,270	4,208,400
Information	70,050	63,400	3,326,330	3,175,000
Finance & Insurance	134,520	136,540	5,853,370	5,918,300
Real Estate & Rental and Leasing	37,360	37,230	2,027,500	2,057,470
Professional & Technical Services	120,520	118,180	6,605,300	6,619,500
Management of Companies & Enterprises	60,020	60,490	1,697,330	1,680,230
Administrative & Waste Services	121,150	120,820	7,695,000	7,917,130
Educational Services	210,830	209,800	2,819,370	2,878,830
Health Care & Social Assistance	344,920	351,860	13,727,600	14,004,030
Arts, Entertainment & Recreation	33,490	33,570	1,698,200	1,681,670
Accommodation & Food Services	191,340	193,930	10,192,800	10,298,970
Other services, ex. Public Administration	89,580	86,320	5,385,330	5,373,330
Public Administration	116,240	113,470	21,950,33	21,904,670
Total, All Industries	2,572,190	2,557,530	130,587,730	130,375,160

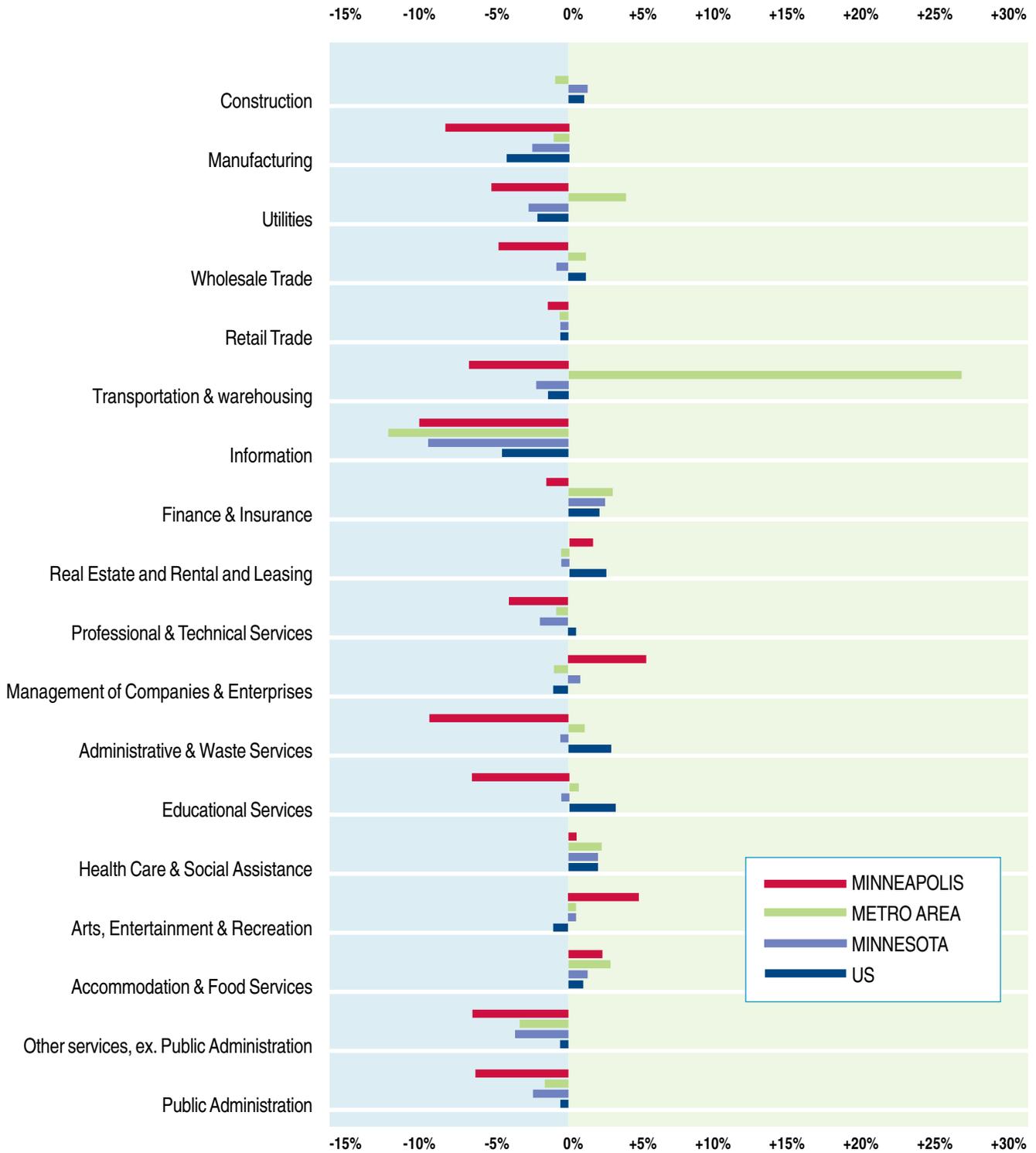
Source: Minnesota Department of Economic Development

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

² U.S. Bureau of Labor Statistics

JOBS

GRAPH 1: JOBS : 4Q-2003 AND 4Q-2003 percent change



WAGES

The average weekly salary paid by industry in Minneapolis was \$941 in 2003. The industries paying the highest weekly salary were finance and insurance, utilities, management of companies and enterprises and professional and technical services. The lowest paid were accommodation and food services, retail and administrative and waste services.

Salary tended to deteriorate in the first three quarters of the year, but increased in most of the industries in the last quarter. In comparison with the first quarter, workers earned 24 dollars more in constant dollars (adjusted to second half of 2003 rates) in the fourth quarter. However, three of the highest paid industries, utilities, finance and insurance and management of companies and enterprises saw their salaries in the fourth quarter drop in comparison with the first quarter. Professional and technical services gained on average more than \$300 per week at the end of the year.

For all industries, Minneapolis commands the highest average weekly salary when compared with the metro area and the state. Moreover, gains in the city tended to be higher than in the other two geographical areas, even in constant dollars. While in this one-year period salaries in the city increased by 2.8 percent in constant dollars, they only increased by 1.5 percent in the metro area.

In general, most industries improved weekly wages in the 2003 4th quarter. The following graph shows percent increases (or decreases) by industry in the three geographical areas. The only industry that experienced a substantial decrease was utilities.

The chart on page 10 illustrates percent changes in average weekly wages.

TABLE 7: MINNEAPOLIS: AVERAGE WAGE PER WEEK
in current dollars

SECTOR	1Q-2003	2Q-2003	3Q-2003	4Q-2003	AVG YTD
Manufacturing	\$ 929	\$ 854	\$ 883	\$ 977	\$ 911
Utilities	1,518	1,464	1,274	\$1,381	1,409
Wholesale Trade	1,054	985	1,039	1,151	1,057
Retail Trade	489	495	520	562	517
Transportation & Warehousing	600	601	607	668	619
Information	1,031	982	993	1,041	1,012
Finance & Insurance	2,005	1,363	1,336	1,654	1,590
Real Estate and Rental and Leasing	959	842	849	987	909
Professional & Technical Services	1,242	1,263	1,231	1,579	1,329
Management of Companies & Enterprises	1,412	1,401	1,496	1,242	1,388
Administrative & Waste Services	526	510	516	526	520
Educational Services	821	942	883	985	908
Health Care & Social Assistance	741	791	768	836	784
Arts, Entertainment & Recreation	798	1,060	1,162	966	997
Accommodation & Food Services	306	309	314	328	314
Other services	534	531	549	553	542
Public Administration	940	938	968	991	959
Total, all industries	\$ 960	\$905	\$ 904	\$ 994	\$ 941

Source: Minnesota Department of Economic Development

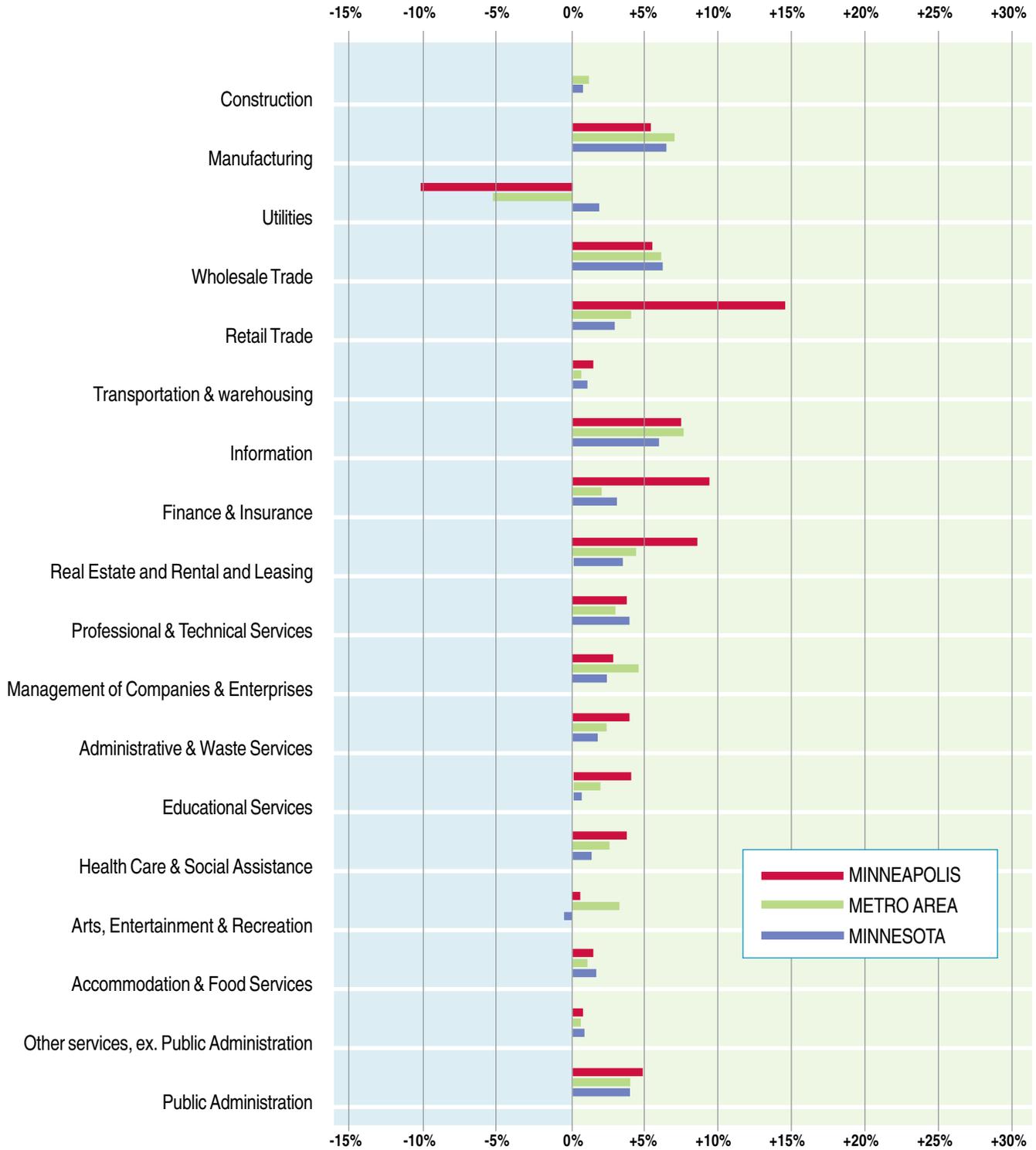
¹ Natural resources as well as agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

TABLE 8: AVERAGE WEEKLY WAGES IN ALL INDUSTRIES
in current dollars

	4Q-2002	4Q-2003
Minneapolis	\$ 948	\$ 994
Metro Area	853	883
Minnesota	752	777

WAGES

GRAPH 2: **AVERAGE WEEKLY WAGES** percent change 4Q-2002 and 4Q-2003



PRICES

In the second half of 2003, prices for all consumer goods and services in the Minneapolis-Saint Paul metropolitan area increased by 1.9 percentage points in comparison with the first half of the year, and by 3.6 in comparison with the same period last year. Annual CPI for 2003 grew by 3.1 percentage points in the Twin Cities metro compared with the year 2002. The United States annual CPI in 2003 jumped by 4.1 percentage points, and in the Midwest urban areas it rose by 3.9 percentage points compared to 2002.

Housing prices increased by 4.7 percentage points in the second part of 2003 in comparison with the second half of last year and by 2.3 points since the first half of 2003. Although the price index remains relatively lower in the metro area than in both the United States and the Midwest urban areas, it tended to rise quickly in 2003.

TABLE 9: CONSUMER PRICE INDEX (CPI)

For all consumers, not seasonally adjusted; base period: 1982-84=100

2002		MINNEAPOLIS	MID-WEST	US
First Half	All Items	179.3	173.8	178.9
	Housing	167.4	170.7	179.2
Second Half	All Items	180.0	175.9	180.9
	Housing	168.3	173.0	181.4
Annual	All Items	179.6	174.9	179.9
	Housing	167.8	171.8	180.3
2003		MINNEAPOLIS	MID-WEST	US
First Half	All Items	181.7	177.8	183.3
	Housing	170.7	175.2	184.0
Second Half	All Items	183.6	178.8	184.6
	Housing	173.5	176.5	185.6
Annual	All Items	182.7	178.3	184.0
	Housing	171.9	175.8	184.8

Source: Bureau of Labor Statistics

DEVELOPMENT INDICATORS

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 ten and thirteen are based on monthly figures from the City of Minneapolis and metropolitan area counties provided by the 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 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 structure.

Multifamily buildings include two or more units in the structure.

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 divided by the number of units permitted during the period considered.

Non-residential buildings include any kind of use except residential. Value is based on the amount the developer reports to the City Inspections Division.

Building permits for residential remodeling, additions and conversions: Map two is based on data from the City of Minneapolis Inspections Division. Information includes all projects for remodels, additions and conversions submitted to the City for approval with a value of \$50,000 or more.

Building permits for demolitions or wrecking: These data were obtained from the City of Minneapolis Inspections Division, and include all buildings that were demolished either partially or totally.

Inflation-adjusted figures: See page 3.

NEW CONSTRUCTION

In Minneapolis new residential construction decreased in the first quarter of the year, but it was 8.5 percent higher than figures for the first quarter of 2003. In the metro area there was a sharp decline after a continuous growth for all the four quarters of 2003. In the first quarter of the year, permitting activity was 4.3 percent lower in the metro area than in the first quarter last year.

Construction of single-family housing in Minneapolis increased after low activity in the fourth quarter of 2003, and was very high in comparison with the same period last year. In the metro area the permitted number of single family units fell by 33 percent from 3,730 units in the fourth quarter of last year. It was about 5 percent lower than in the same period last year. The city's share of units permitted in the metropolitan area increased to 2.8 percent from 1.3 percent in the first quarter of 2003.

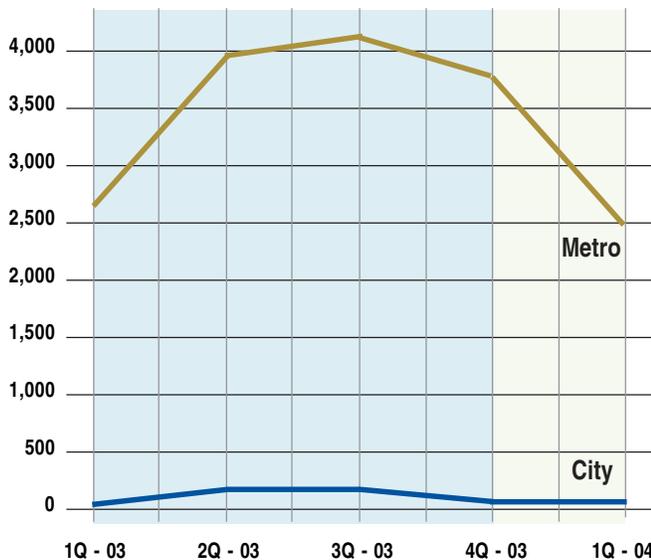
Multifamily construction in the metro area declined sharply after the fourth quarter of 2004. Thirty-four fewer units were permitted in comparison with the same period of 2003. In the city, permitted multifamily units also declined in the first quarter of the year in comparison with the fourth and the first quarter of last year.

TABLE10: NEW RESIDENTIAL CONSTRUCTION

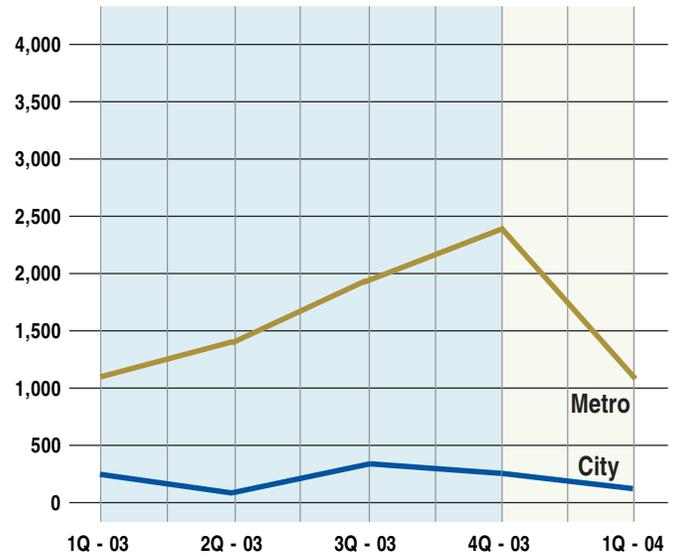
	SF UNITS	MF UNITS	TOTAL	SF UNITS	MF UNITS	TOTAL
1Q-03				2003 YTD		
City	33	248	281	33	248	281
Metro Area	2,621	1,073	3,694	2,621	1,073	3,694
City Share	1.3%	23.1%	7.6%	1.3%	23.1%	7.6%
2Q-03				YTD		
City	112	106	218	145	354	499
Metro Area	3,937	1,428	5,365	6,558	2,501	9,059
City Share	2.8%	7.4%	4.1%	2.2%	14.2%	5.5%
3Q-03				YTD		
City	121	335	456	266	689	955
Metro Area	4,034	1,904	5,938	10,592	4,405	14,997
City Share	3.0%	17.6%	7.7%	2.5%	15.6%	6.4%
4Q-03				YTD		
City	51	322	373	317	1,011	1,328
Metro Area	3,730	2,306	6,036	14,322	6,711	21,033
City Share	1.4%	14.0%	6.2%	2.2%	15.1%	6.3%
1Q-04				2004 YTD		
City	69	236	305	69	236	305
Metro Area	2,497	1,039	3,536	2,497	1,039	3,536
City Share	2.8%	22.7%	8.6%	2.8%	22.7%	8.6%

Source: US Bureau of the Census

GRAPH 3: NEW CONSTRUCTION PERMITS: SINGLE FAMILY UNITS



GRAPH 4: NEW CONSTRUCTION PERMITS: MULTIFAMILY UNITS



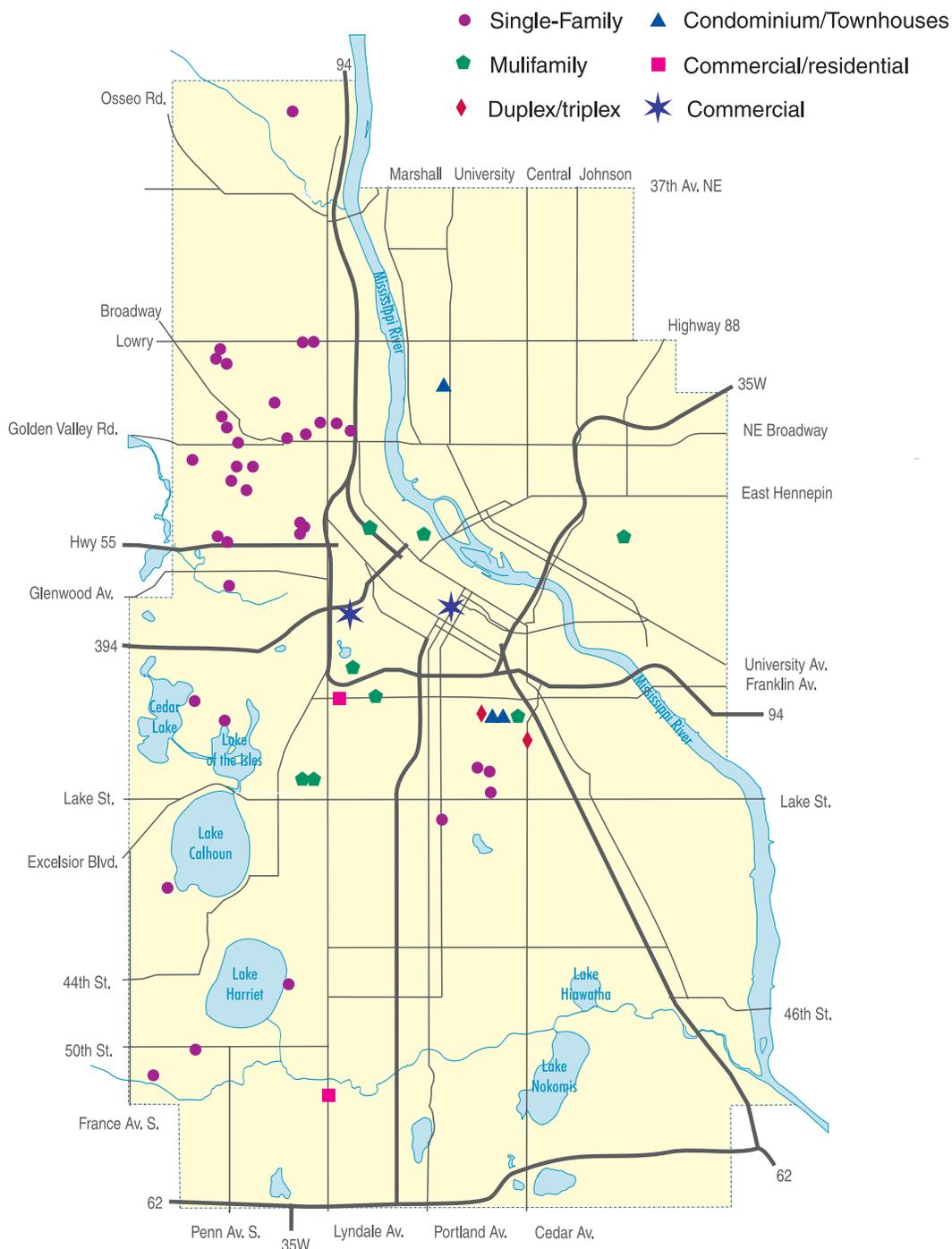
NEW CONSTRUCTION (RESIDENTIAL AND NON-RESIDENTIAL)

Permits issued during the first quarter in the City of Minneapolis show that construction of new single-family units continued to occur mainly in the Near North community, and to a lesser extent in Phillips and in the west, in the lake area. Nine apartment buildings were permitted, all of them north of Lake Street and south of Hennepin Avenue. Three of these were under construction in

downtown: a 59-unit condominium building on Oak Street, a 55-unit apartment building on First Street North, and a 60-unit owner-occupied building at Fourth Street North.

Two permits were issued for a parking facility and a skyway connection on Fifth Street, both in downtown.

MAP 1: MINNEAPOLIS PERMITS FOR NEW CONSTRUCTION first quarter 2004



RESIDENTIAL AND NON-RESIDENTIAL REMODELS

The number of residential units remodeled, converted and added to existing buildings did not change much in comparison with the first quarter of last year for work equal to or more than \$50,000. However, the cost increased by almost 190 percent. The reason for such a steep increase was the value cost of conversions and additions undertaken in 2004 when more units were added to five existing buildings and/or converted into residential uses. In comparison, only one building was converted in the first quarter of last year.

One hundred and ten permits were issued for residential remodels, additions and conversions with a value of \$50,000 or more, for a total of more than \$31.5 million and affecting 206 units. The highest concentration of these projects appears in the lake area to the west of Interstate 35W and to the south of Minnehaha Creek. The largest, at a cost of more than \$5.6 million, was the conversion of part of a building on Marquette Avenue to 21 residential units.

Non-residential projects were concentrated mostly in downtown, but also to the south, between Franklin Avenue and Lake Street and to the north, along West Broadway Avenue. Non-residential permits valued at \$50,000 or more totaled 121 permits with a total cost of \$61.2 million.

Following on page 16 is a list of major projects permitted in the city in the first quarter of 2004.

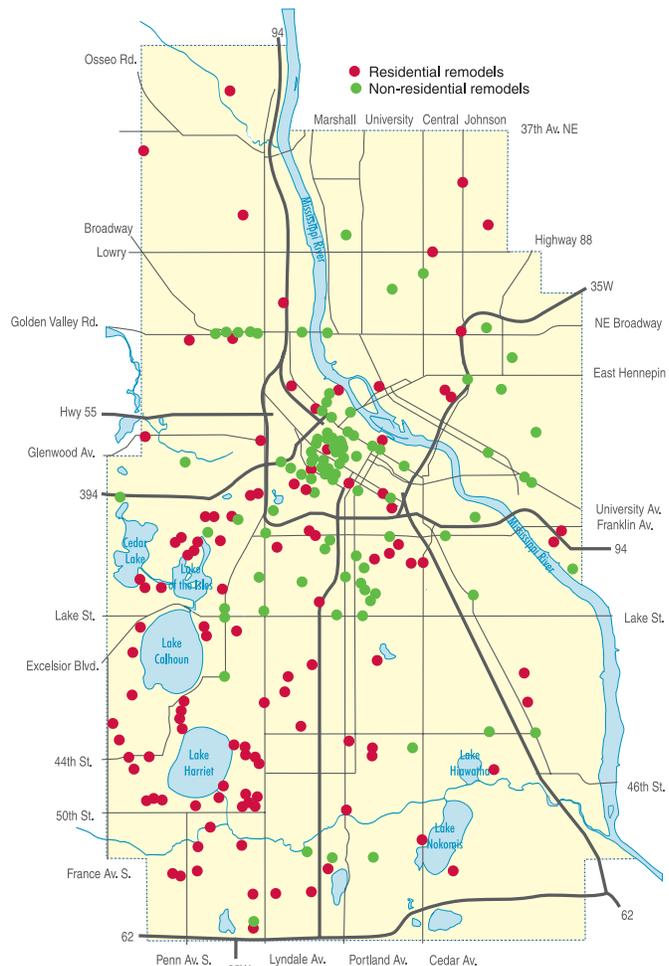
TABLE 11: MINNEAPOLIS CONVERSIONS, REMODELS AND ADDITIONS \$50,000+

1Q-2003	UNITS/BLDS ¹	VALUE
Residential	209	\$11,003,438
Conversions and additions # of units ²	42	2,180,000
Non-Residential	97	31,034,742
1Q-2004	UNITS/BLDS ¹	VALUE
Residential	206	\$31,547,410
Conversions and additions # of units ²	96	17,710,729
Non-Residential	121	61,242,184
2004 YTD	UNITS/BLDS ¹	VALUE
Residential	206	\$31,547,410
Conversions and additions # of units ²	96	17,710,729
Non-Residential	121	61,242,184

Source: CPED Planning with data from Inspections Division

- ¹ Residential units and non-residential building projects. Non-residential projects may consist of different types of work, i.e. parking ramps, communication equipment, and public works, commercial or industrial buildings. Non-residential and residential projects may consist also of structural work, build-outs, and other improvements
- ² Conversions may consist of a change in uses, i.e. from an office building to residential apartments.

MAP 2: MINNEAPOLIS REMODEL AND RENOVATION PROJECTS \$50,000 + first quarter 2004



RESIDENTIAL AND NON-RESIDENTIAL MAJOR PROJECTS

TABLE 12: MINNEAPOLIS: MAJOR PROJECTS \$1,000,000 + first quarter 2004

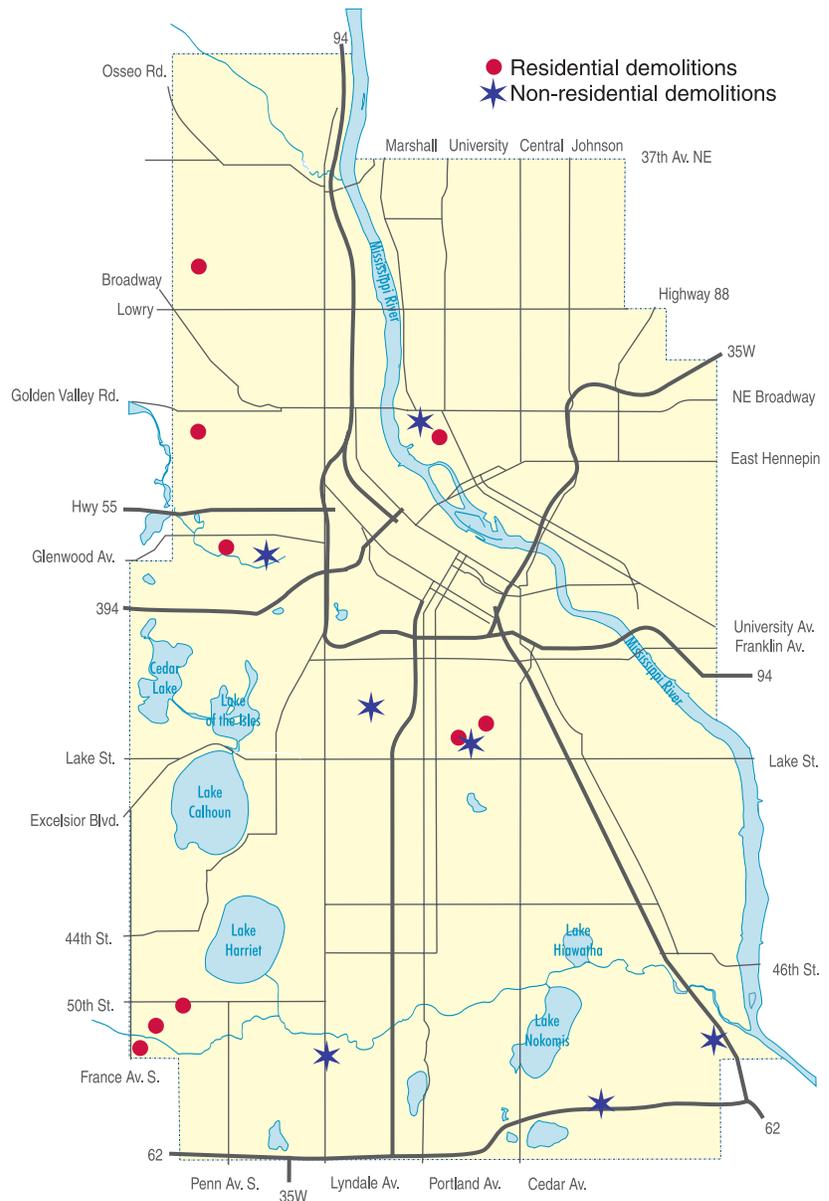
ADDRESS	ZIP	VALUE	PROJECT DESCRIPTION
800 28th St E	55407	\$12,822,343	build out com. bldg
301 Oak Grove St	55403	11,986,076	new condo apt bldg (59 units)
2515 Chicago Ave	55404	9,400,000	build out com. bldg
212 1st St N	55401	8,525,000	new res/com (55 units)
601 Marquette Ave	55402	5,620,000	partial conv. (21 resd. units)
15 Grant St E	55403	5,266,193	rmdl hi-rise, add (14 units)
2845 Colfax Ave S	55408	4,788,139	new condo apt bldg (28 units)
2840 Bryant Ave S	55408	4,788,139	new condo apt bldg (28 units)
800 28th St E	55407	4,542,605	build out and rmdl
1420 Hennepin Ave	55403	4,400,000	parking add to existing ramp
5320 Lyndale Ave S	55419	4,162,835	new mix occ bldg
901 3rd St N	55401	3,757,536	partial off. conv. (32 res units)
521 9th St S	55404	3,017,000	bldg conv (24 units)
111 4th Ave N	55401	2,929,451	build-out com. bldg
2823 Colfax Ave S	55408	2,736,079	new condo bldg (16 units)
701 West Broadway	55411	2,313,000	conv. Target store to Cub Foods
1314 Franklin Ave E	55404	2,269,400	library rmdl and add
2515 Chicago Ave	55404	2,000,000	add. to comm bldg
1601 24th St E	55404	1,620,782	new apt. bldg (10 units)
1535 24th St E	55404	1,620,782	new apt. bldg (10 units)
500 Franklin Ave W	55403	1,386,215	new wood framed structure
2701 Wells Fargo Way	55408	1,253,954	conference ctr. rmdl
2024 Lyndale Ave N	55411	1,244,750	add. to Salvation Army
301 Kenwood Pkwy	55403	1,206,000	res. build out
2400 3rd Ave S	55404	1,164,993	theater add.

Source: City Inspections Division and CPED

BUILDING PERMITS FOR DEMOLITIONS

In the first quarter of 2004, there were 11 residential and seven non-residential demolitions. There were 14 residential demolitions in the same period last year. All residential demolitions were single-family units scattered around the city, especially in the west. Non-residential demolitions involved commercial buildings and a gas station.

MAP 3: MINNEAPOLIS PERMITS FOR BUILDING DEMOLITIONS first quarter 2004



RESIDENTIAL CONSTRUCTION COST

Total new residential construction costs increased remarkably in the city by more than 100 percent in constant values in comparison with the first quarter of last year. This increase was fueled by growth in multifamily construction cost, which grew by more than 116 percent. The seven-county metropolitan area grew by about 3 percent in the same period. The city's share in the first quarter of 2004 was 7.1 percent of the metro total construction cost, double its 3.5 percent in the same period last year.

Single-family construction cost rose by more than 90 percent in the city compared with the same period of the previous year, but in the metro area it declined by 2.2 percent in constant dollars.

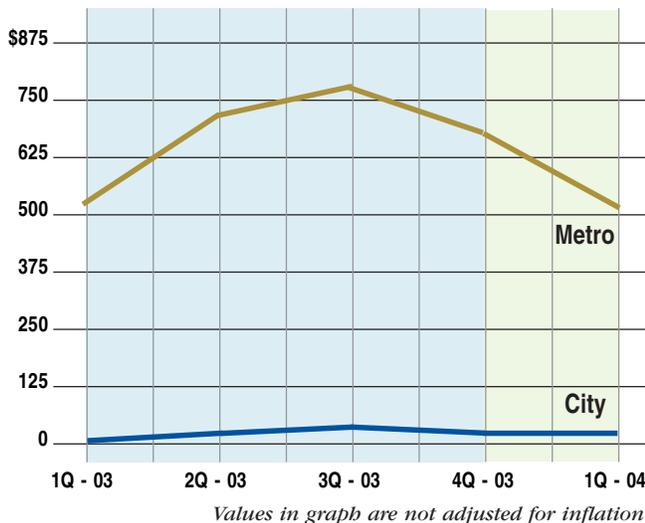
In the first quarter, multifamily construction cost increased in the city and the metro area when compared with the same period last year, with the city increasing by more than 100 percent in constant values. While the number of units declined, the cost per unit increased.

TABLE 13: RESIDENTIAL CONSTRUCTION COST

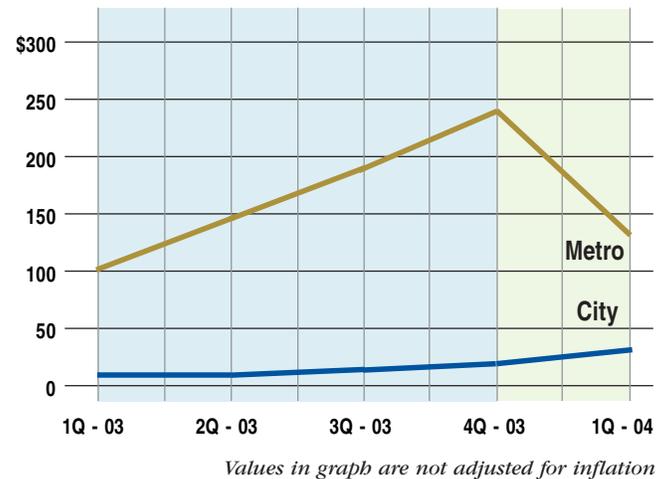
	SF UNITS	MF UNITS	SF UNITS	MF UNITS
1Q-03			2003 YTD	
City	\$ 5,178,427	\$ 16,222,344	\$ 5,178,427	\$ 16,222,344
Metro Area	518,254,676	101,240,227	518,254,676	101,240,227
City Share	1.0%	16.0%	1.0%	16.0%
2Q-03			YTD	
City	\$ 17,741,135	\$ 16,563,178	\$ 22,919,562	\$ 32,785,522
Metro Area	731,326,660	142,990,747	1,249,581,336	244,230,974
City Share	2.4%	11.6%	1.8%	13.4%
3Q-03			YTD	
City	\$ 20,645,386	\$ 21,319,760	\$ 43,564,948	\$ 54,105,282
Metro Area	785,047,181	189,370,664	2,034,628,517	433,601,638
City Share	2.6%	11.3%	2.1%	12.5%
4Q-03			YTD	
City	\$ 7,891,208	\$ 20,022,135	\$ 51,456,156	\$ 74,127,417
Metro Area	722,829,942	239,989,604	2,757,458,459	673,591,242
City Share	1.1%	8.3%	1.9%	11.0%
1Q-04			2004 YTD	
City	\$ 10,106,796	\$ 35,642,235	\$ 10,106,796	\$ 35,642,235
Metro Area	513,519,041	132,607,120	513,519,041	132,607,120
City Share	2.0%	26.9%	2.0%	26.9%

*Table values are not adjusted for inflation.
Source: US Bureau of the Census*

GRAPH 4: SINGLE FAMILY CONSTRUCTION COST
in millions of dollars



GRAPH 5: MULTIFAMILY CONSTRUCTION COST
in millions of dollars



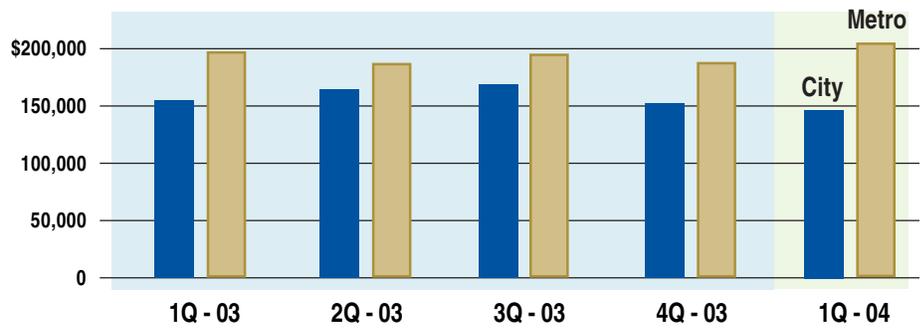
RESIDENTIAL CONSTRUCTION COST

In the first quarter, average construction cost per single-family unit in the city decreased by about 8 percent in comparison with the first quarter last year in constant figures. This decline reflects the cost of building more units than last year. In the metro area in constant dollars it was 2.6 percent higher than the same period last year.

The average construction cost of building a multifamily unit in the city in the first quarter was about \$151,000, a hike in comparison with the fourth and first quarters of the previous year. Construction cost for this type of housing increased by almost 128 percent compared with the same period last year in constant dollars. Although the cost was very high, it compared favorably with the second quarter of last year.

In the metro area cost growth was moderate, only 33.5 percent higher than in the first quarter of 2003 in constant figures.

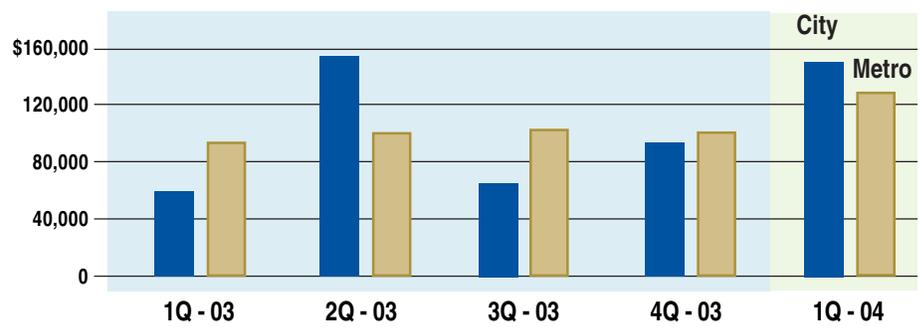
GRAPH 6: AVERAGE SINGLE FAMILY CONSTRUCTION COST per unit



	1Q - 03	2Q - 03	3Q - 03	4Q - 03	1Q - 04
CITY	\$156,922	\$158,403	\$170,623	\$154,730	\$146,475
METRO	197,732	185,757	194,608	193,788	205,654

Table values are not adjusted for inflation.

GRAPH 7: AVERAGE MULTIFAMILY CONSTRUCTION COST per unit



	1Q - 03	2Q - 03	3Q - 03	4Q - 03	1Q - 04
CITY	\$59,319	\$156,256	\$63,641	\$90,245	\$151,026
METRO	94,352	100,134	99,459	98,224	127,630

Table values are not adjusted for inflation.

THE HOUSING STOCK AND THE REAL ESTATE MARKET

Single- and multifamily: Table 14 was derived from the Minneapolis Assessor's Office based on property tax records from the Hennepin County Property Tax Department. Hennepin County certifies the records for the city every year. As a result, table 14 will be updated yearly because accurate data is not available quarterly.

Structure refers to a building that may have one or more units. The number of units and structures 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 structures 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 percent of unoccupied housing units in the total number of housing units. Overall vacancy rates for the city and metro area are available in the 2000 and 1990 Census of Population and Housing. The Census Bureau Housing Vacancy Survey presents annual rental and homeowner vacancy rates for the Twin Cities metropolitan area. This metro area according to the U.S. Office of Management and Budget (OMB) definition includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

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 reported home prices to the Hennepin County Property Tax Department. 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 and yearly asked lease price per square foot, for Minneapolis (industrial space), or Minneapolis central business district and the Twin Cities metro area. The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries.

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

Average asking lease rate: determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Average vacancy rate: Vacant building feet divided by the net rentable area.

Affordable housing: Several programs in the City work to make housing available for middle and lower income residents.

CPED funding: The City of Minneapolis assists with housing mainly through the Department of Community Planning and Economic Development (CPED), which uses a large portion of federal funding to subsidize production. CPED contracts and partners with private developers and nonprofit organizations to increase production of affordable housing.

Tables 19 and 20 show the number of units to be built in closed projects. “Closed projects” are those in which the project funding and conveyance have occurred and are finalized. There are usually only two days between the project closing and the construction start. The numbers include new construction and rehabilitation.

An affordable unit is a housing unit affordable to households earning 50 percent or less of area median income as adjusted for family size. A unit affordable to households at 50 to 150 percent of area median income is called here “moderate to market” unit. This could be slightly below market level price.

HUD funding: The U.S. Department of Housing and Urban Development provides funding for housing intended to help low-income families and elderly, disabled or handicapped individuals whose annual gross income does not exceed 50 percent of HUD’s median income guidelines. Low-income families may also receive direct rental assistance through Section 8 vouchers. Table 21 does not include homes receiving vouchers. The table includes a few properties receiving financial aid under Section 236 of the 1994 Housing Act.

Publicly owned housing: These are units owned by the Minneapolis Public Housing Authority (MPHA). The MPHA manages properties, provides rental assistance and services to residents, builds new units and preserves the existing stock.

Inflation-adjusted figures: See page 3.

HOUSING STOCK

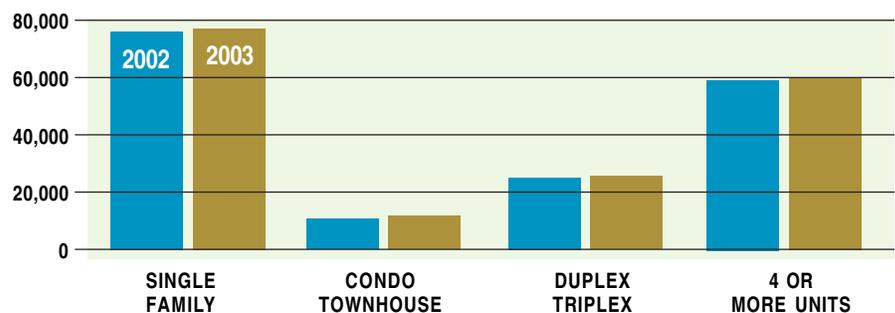
In 2003 Minneapolis had 170,788 housing units. Of these almost 44.2 percent were single-family and nearly 35 percent were multifamily with four or more units in a structure. There were 1,671 units added since 2002: 169 single-family dwellings; 381 condominiums/townhouses and 1,261 units in multifamily buildings with four or more units.

TABLE 14: MINNEAPOLIS HOUSING STOCK

	2002	SINGLE FAMILY	CONDO TOWNHOUSE	DUPLEX/ TRIPLEX	4 UNITS OR MORE	TOTAL
Structures		75,402	10,145	12,119	3,449	101,115
Units		75,402	10,145	25,198	58,372	169,117
% of all Structures		74.6%	10.0%	12.0%	3.4%	100.0%
% of all Units		44.6%	6.0%	14.9%	34.5%	100.0%
	2003	SINGLE FAMILY	CONDO TOWNHOUSE	DUPLEX/ TRIPLEX	4 UNITS OR MORE	TOTAL
Structures		75,571	10,526	12,050	3,442	101,589
Units		75,571	10,526	25,058	59,633	170,788
% of all Structures		74.4%	10.4%	11.9%	3.4%	100.0%
% of all Units		44.2%	6.2%	14.7%	34.9%	100.0%

Source: Minneapolis Assessor's Office

GRAPH 8: MINNEAPOLIS HOUSING UNITS



Source: Minneapolis Assessor's Office

VACANCY RATE

Between 1990 and 2000 the overall vacancy rate, including all types of housing units, dropped from 6.9 percent in 1990 to 3.7 percent in 2000 in Minneapolis. It also decreased in the metro area from 5.1 percent to 2.5 percent. Between 2000 and 2003, the rental vacancy rate in the metro area climbed steadily from less than 4 to more than 8 percent. Homeowner vacancy rate also increased.

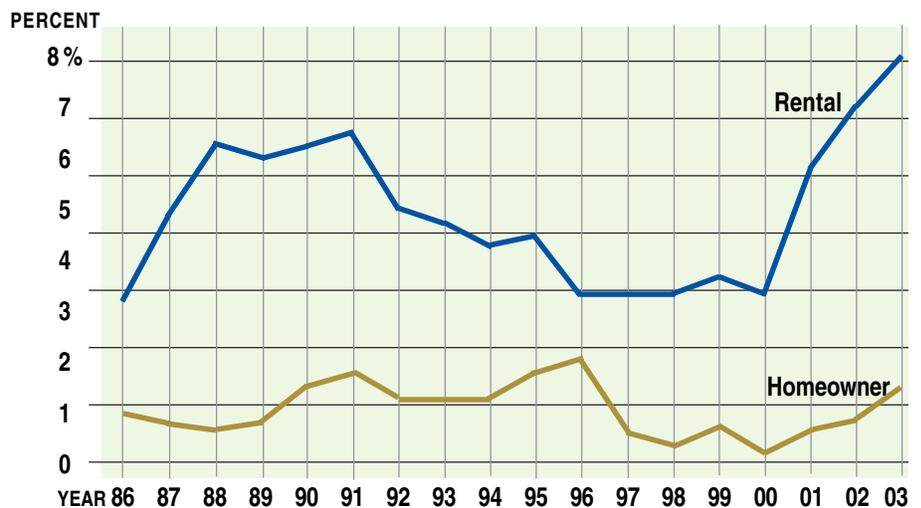
TABLE 11: OVERALL VACANCY RATE

	2000	1990
Minneapolis	3.7%	6.9%
Metro Area	2.5%	5.1%

Source: Census of Population & Housing

In the Twin Cities metropolitan area in 2003, annual vacancy rates in the rental market reached the highest point in the last 18 years. Vacancy rates in the homeowner market were highest in 1996, and increased again by 6 percentage points since 2002. In 2000, vacancy rates were at their lowest level but began climbing in the following years.

GRAPH 9: ANNUAL VACANCY RATES Minneapolis-St. Paul-Wisconsin Metro Region



Source: Census Bureau, Housing Vacancy Survey, Annual Statistics

VACANCY RATE

The average vacancy rate in the multifamily rental market in Minneapolis was 6.8 percent and the average rent was \$822, \$7 up from the fourth quarter of 2003. The average vacancy rate increased in comparison with the fourth quarter and is much higher than the rate in the same period last year.

In the metro area the rental vacancy rate declined in comparison with the last quarter of 2003, but it is still higher than in the first quarter of the previous year.

The average apartment rent in the city increased by \$11 in constant figures since the first quarter of last year, but it is still lower than the average in the metro area.

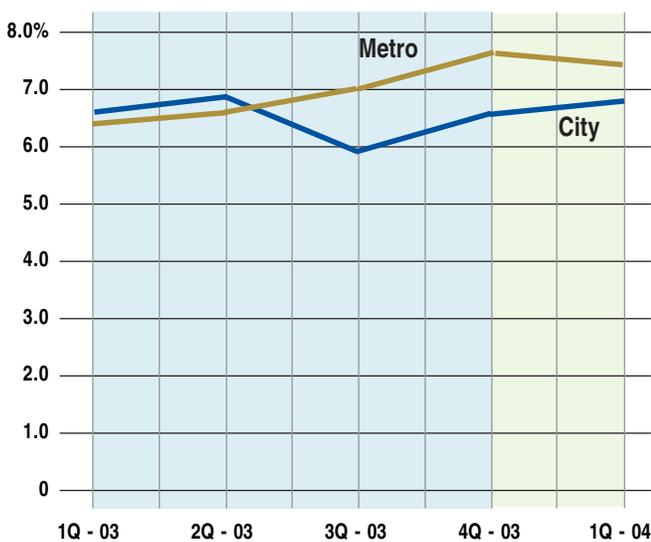
TABLE 16: VACANCY RATE AND AVERAGE RENT

MINNEAPOLIS	2003				2004	YTD	
	1Q-03	2Q-03	3Q-03	4Q-03	1Q-04	2003	2004
Units surveyed	17,831	17,285	17,437	17,451	17,308	17,831	17,308
Vacant units	1,124	1,126	1,007	1,142	1,169	1,124	1,169
Average rent	\$ 799	\$ 816	\$ 816	\$ 815	\$ 822	\$ 799	\$ 822
Vacancy rate	6.3%	6.5%	5.8%	6.5%	6.8%	6.3%	6.8%

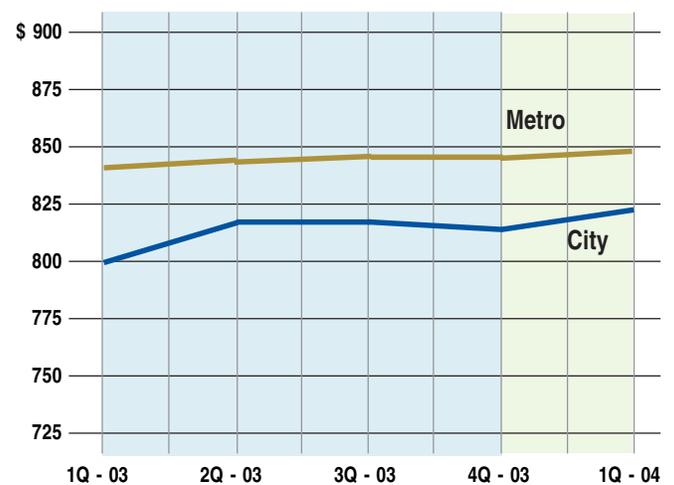
METRO AREA	2003				2004	YTD	
	1Q-03	2Q-03	3Q-03	4Q-03	1Q-04	2003	2004
Units surveyed	124,086	124,107	125,094	124,920	125,410	124,086	125,410
Vacant units	8,124	8,331	8,705	9,552	9,554	8,124	9,554
Average rent	\$ 841	\$ 843	\$ 845	\$ 845	\$ 847	\$ 841	\$ 847
Vacancy rate	6.5%	6.7%	7.0%	7.6%	7.4%	6.5%	7.4%

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

GRAPH 10: MINNEAPOLIS RENTAL VACANCY RATE



GRAPH 11: MINNEAPOLIS APARTMENT AVERAGE RENT



HOUSING SALES IN MINNEAPOLIS

Total sale values decreased by 1.1 percent in constant dollars (adjusted to dollars in the second half of 2003), but the total number of units sold increased by 30 percent from the first quarter of last year. While housing units in general gained in value, these tended to decrease for townhouses and single-family dwellings. Most notably, townhouses selling at a high of \$475,000 in constant dollars

in the first quarter last year dropped to \$268,000 in the current period.

The average sale value for a single-family house sold in Minneapolis in the first quarter of 2004 was about \$205,500, a decrease of 2.1 percent in constant dollars compared to the same period last year. Compared to the fourth quarter of 2003, total values were 1.7 percent higher year-to-date in 2003.

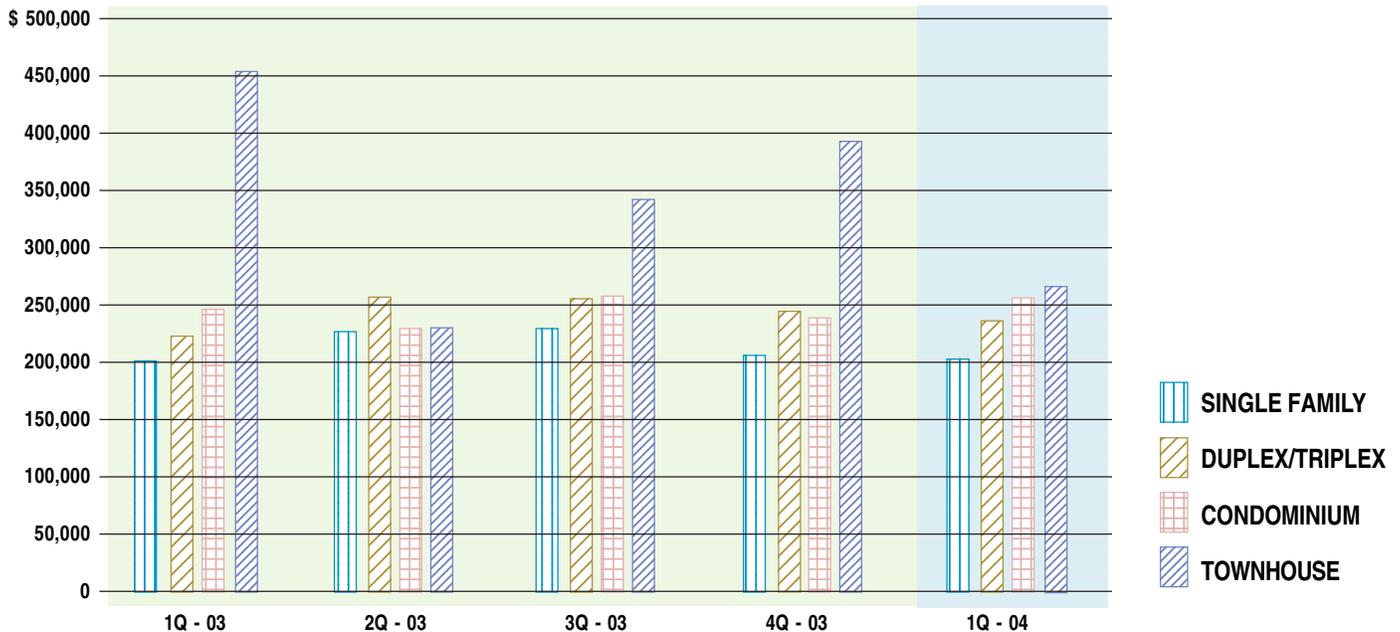
TABLE 17: MINNEAPOLIS RESIDENTIAL UNITS SOLD AND AVERAGE SALE VALUES ¹

	1Q-2003		2Q-2003		3Q-2003		4Q-2003		1Q-2004	
	# UNITS	AVG. SALE	# UNITS	AVG. SALE	# UNITS	AVG. SALE	# UNITS	AVG. SALE	# UNITS	AVG. SALE
Single-Family	967	\$ 207,195	1,052	\$ 221,371	1,180	\$ 224,971	1,185	\$ 209,187	1,219	\$ 205,539
Duplex/Triplex	173	222,530	118	251,743	154	254,879	179	242,196	261	237,502
Condominium	168	245,320	175	220,856	155	254,578	109	236,499	210	254,386
Townhouse	14	469,099	12	223,404	15	335,034	6	390,818	29	267,874
TOTAL	1,322	\$ 216,820	1,357	\$ 223,963	1,504	\$ 232,183	1,479	\$ 215,932	1,719	\$ 217,411
	2003 YTD		YTD		YTD		YTD		2004 YTD	
Single-Family	967	\$ 207,195	2,019	\$ 214,581	3,199	\$ 218,414	4,384	\$ 215,920	5,219	\$ 205,539
Duplex/Triplex	173	222,530	291	234,376	445	241,471	624	241,679	1,261	237,502
Condominium	168	245,320	343	232,839	498	239,605	607	239,047	210	254,386
Townhouse	14	469,099	26	355,701	41	348,140	47	353,583	29	267,874
TOTAL	1,322	216,820	2,679	220,438	4,183	224,661	5,662	\$ 222,381	7,719	\$ 217,411

Source: City of Minneapolis Assessor's Office

¹ Numbers do not include apartments or vacant land sold
Table values are not adjusted for inflation.

GRAPH 12: MINNEAPOLIS HOUSING: AVERAGE SALE VALUE



Source: City of Minneapolis Assessor's Office

REAL ESTATE TRENDS

During the first quarter of 2004, the average vacancy rate for office space in the Minneapolis central business district (CBD) as well as in the metropolitan area tended to increase. In Minneapolis it increased by 2.4 percent in comparison with the same period the previous year, while in the metro area the increase was lower, 1.4 percent. As a result of much available space in the market, average asking lease rates declined in Minneapolis and to a lesser degree in the metro area.

Vacancy rates for retail space in the Minneapolis CBD also increased, but only 1 percentage point between the first quarter of last year and the same period of 2004. In the metro area, vacancy rates declined. Despite the higher vacancy rate, prices asked for available space increased in Minneapolis. In the metro area, with a declining vacancy, lease rates increased from \$17.8 in the first quarter of last year to \$19.3 during the current year.

In Minneapolis there was a significant drop in the average vacancy rate for industrial space, from 6.3 percent in the first quarter of 2003 to 4.1 percent during the current period. The vacancy rate went down in the metro area too, but not as much as in the city. Lease rates did not change.

**TABLE 18: OFFICE, RETAIL AND INDUSTRIAL SPACE:
VACANCY RATES AND ASKING LEASE RATE**

	AVERAGE VACANCY RATE		AVERAGE ASKING LEASE RATE / SQ.FEET/YEAR	
	Q1-03	Q1-04	Q1-03	Q1-04
OFFICE ¹				
Minneapolis CBD	16.3%	18.7%	\$ 9.9	\$ 9.5
Metro Area	16.1%	17.5%	\$ 11.1	\$ 10.74
RETAIL ²				
Minneapolis CBD	9.0%	9.1%	\$30.1	\$ 30.2
Metro Area	5.8%	5.7%	\$ 17.8	\$ 19.3
INDUSTRIAL ³				
Minneapolis	6.3%	4.1%	\$4.0	\$ 4.0
Metro area	8.3%	7.2%	\$4.1	\$ 4.1

Source: CBRichard Ellis

¹ Class A, B and C office buildings 10,000 square feet and greater in size

² Includes all multi-tenant retail buildings 30,000 square feet and greater in size, including buildings under construction

³ Includes all competitive industrial buildings 100,000 square feet and greater in size, including buildings under construction. Market consists of bulk warehouses, office warehouses and office showrooms, manufacturing and specialty buildings.

AFFORDABLE HOUSING

CPED-ASSISTED HOUSING

Five multifamily housing projects financed by CPED closed in the first quarter. CPED financed 458 units, more than double the units closed in the first quarter of 2003. Of the total number of units, about 57 percent were affordable or 134 more units than in the same period last year.

In the first quarter of 2004, CPED sold developers 28 lots or properties for rehabilitation or new construction for single-housing units. The information on income level for buyers of these properties is not available. However, the Greater Metropolitan Housing Corporation (GMHC) Century Homes program requires its buyers to earn less than 115 percent of median income. CPED sold 16 more properties than in the same period last year, but one less than in the fourth quarter of 2003.

TABLE 19: MINNEAPOLIS NEW CONSTRUCTION AND REHABILITATION: MULTIFAMILY PROJECTS FINANCED BY CPED

	2003				2004
	1Q-03	2Q-03	3Q-03	4Q-03	1Q-04
Number of projects	6	5	6	11	5
Affordable Units*	125	762	292	429	259
Moderate to market**	0	11	25	269	43
Market Units	91	35	411	422	156
TOTAL	216	808	728	1,120	458

Source: Minneapolis Community Planning & Economic Development Department (CPED)

* at 50% of income level or below

** at more than 50% of income level

TABLE 20: MINNEAPOLIS NEW CONSTRUCTION AND REHABILITATION: SINGLE FAMILY LOTS SOLD TO DEVELOPERS BY CPED

	2003				YTD	2004
	1Q-03	2Q-03	3Q-03	4Q-03	2003	1Q-04
Affordable Units*	2	6	3	0	11	16
Moderate to market	0	9	2	0	11	40
Other**	10	17	53	29	109	24
TOTAL	12	32	58	29	131	80

Source: CPED, former Minneapolis Community Development Agency (MCDA)

* at 50% of income level or below

** At 115 % of income level or units for which information on income level is not available.

PUBLIC HOUSING

More than 80 percent of public housing units in Minneapolis are in high rise buildings. The total number of units did not change from 2002.

In addition to CPED and the MPHA, the U.S. Department of Housing and Urban Development (HUD) assists with housing in the city. HUD's assistance is through Section 8 of the Housing Assistance Payment Program and Section 236 of the 1964 Housing Act. In the first quarter the number of assisted units in these programs diminished by three in comparison with the previous quarter.

TABLE 21: MINNEAPOLIS HOUSING UNITS OWNED AND MANAGED BY THE MINNEAPOLIS PUBLIC HOUSING AUTHORITY

TYPE OF HOUSING	NUMBER	PERCENT
Multifamily	4,856	84.1%
Single-Family	731	12.7%
Row Houses	184	3.2%
Total	5,771	100.0%

Source: Minneapolis Public Housing Authority (MPHA)

HUD ASSISTED HOUSING

TABLE 22: MINNEAPOLIS SECTION 8 & SECTION 236 HOUSING

	2003				2004
	1Q-03	2Q-03	3Q-03 ¹	4Q-03 ²	1Q-04 ³
Number of Units	4,610	4,638	4,638	4,636	4,633
Possible Market Units	1,490	1,559	1,559	1,559	1,559
Total	6,100	6,197	6,197	6,195	6,192

Source: HUD

¹ as of Oct 31, 2003 ² as of Feb. 25, 2004 ³ as of May 20, 2004



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