

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



second quarter 2010

Highlights for the second quarter of 2010

	2Q-10	change from	
		1Q-10	2Q-09
Labor force	219,302 residents	▲	▲
Residents employed	205,448	▲	▲
Unemployment rate	6.3%	▼	▼
New residential permitted units	143 units	▲	▲
Permitted residential conversions, remodels and additions	123 buildings	▲	▼
Permitted non-residential conversions, remodels and additions	86 buildings	▲	▼
Residential units demolished	39 units	▲	▼
Rental vacancy rate	5.0 %	▼	▼
Average rent in inflation-adjusted dollars	\$ 946	▼	▲
Residential units sold			
Traditional	1,200 units	▲	▲
Lender-mediated	399 units	▲	▼
Median sale price of residential units			
Traditional	\$ 199,700	▲	▼
Lender-mediated	\$ 77,800	▲	▲
Foreclosures	546	▼	▲
Condemned and vacant buildings	776	▼	▼
Minneapolis CBD office vacancy rate	17.8%	▲	▲
Minneapolis CBD retail vacancy rate	12.3%	▲	▲



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

Vol. 9, No. 2

2010

Highlights for the fourth quarter of 2009 – Jobs and Wages

	4Q-09	3Q-09	4Q-08
Number of jobs	280,092 employees	▲	▼
Wages in inflation-adjusted dollars	\$ 1,203	▲	▲

Minneapolis Trends



second quarter 2010

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Economic indicators

- The number of people working increased in the city faster than labor force thus the unemployment rate dropped. Almost 5,000 more city residents were working this quarter than in the second quarter last year. The unemployment rate was 6.3 percent in comparison to the metro rate of 6.5 percent.
- In the fourth quarter of 2009 there were nearly 280,100 jobs in Minneapolis, about 1,550 more (0.6 percent) than the previous quarter but 11,600 fewer (4 percent) than in the fourth quarter the previous year. However, during the last 12-month period, the city lost jobs at a lower pace (4 percent) than the metro (4.9 percent) and state (4.3 percent.)
- Average wages for the fourth quarter of 2009 were 4.2 percent higher in inflation-adjusted dollars than a year before. Wages in the metro area increased by 2 percent and by 2.5 percent in the state in inflation-adjusted dollars.

Labor force

The number of city residents who were employed increased 2.2 percent in the second quarter. Labor force increased slower than employment; as a result the unemployment rate dropped from 6.7 percent in the 1st quarter to 6.3 percent.

The unemployment rate was much lower this quarter than in the same quarter last year, which was at 7.7 percent. The number of employed city residents was 2 percent higher in the second quarter than the same period last year and employment grew faster than labor force.

In the metro area as in the city employment increased from the previous quarter and increased faster than labor force. The result was a 0.9 percent decrease in the unemployment rate. In comparison with the same quarter last year, employment this quarter also increased faster than labor force and the unemployment rate dropped from 7.8 percent to 6.5 percent.

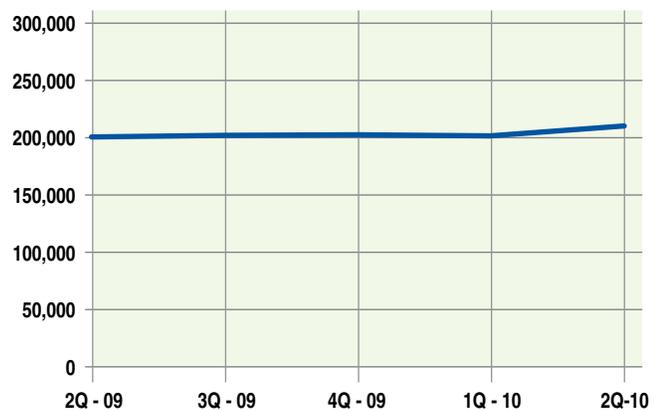
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis					
Labor Force	218,420	220,521	218,123	215,560	219,302
Employment	201,570	202,915	203,072	201,058	205,448
Unemployment rate	7.7%	8.0%	6.9%	6.7%	6.3%
Metro area*					
Labor Force	1,620,327	1,629,614	1,616,739	1,606,526	1,626,316
Employment	1,491,987	1,501,936	1,503,099	1,488,195	1,520,690
Unemployment rate	7.9%	7.8%	7.0%	7.4%	6.5%

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

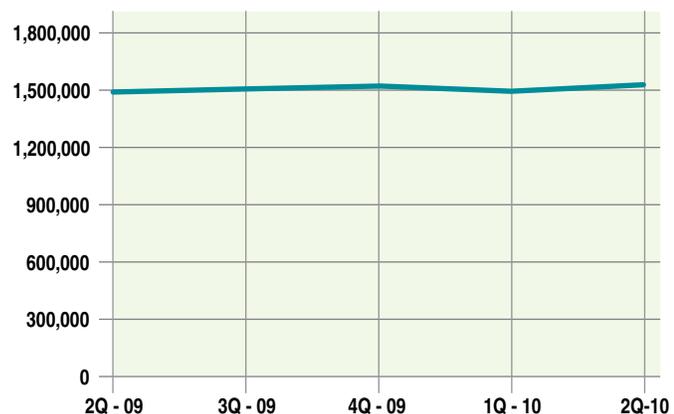
* For metro area definition, see [page 15](#).

Figure 1: **AVERAGE EMPLOYMENT – Minneapolis**
not seasonally adjusted



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

Figure 2: **AVERAGE EMPLOYMENT – Metro area***
not seasonally adjusted



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

* For metro area definition, see [page 15](#)

Jobs

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY** – Minneapolis¹

	4Q-08	1Q-09	2Q-09	3Q-09	4Q-09	3Q-09 to 4Q-09
Total, All Industries	291,710	281,145	281,413	278,547	280,092	0.6%
Construction	6,360	5,435	5,689	5,890	5,613	-4.7%
Manufacturing	16,208	15,234	14,487	14,557	14,271	-2.0%
Utilities	3,016	2,962	3,008	2,988	2,975	-0.4%
Wholesale Trade	9,139	8,816	8,708	8,597	8,475	-1.4%
Retail Trade	14,485	13,650	14,095	13,908	13,909	0.0%
Transportation and Warehousing	7,936	7,562	7,440	7,318	7,497	2.4%
Information	10,470	11,012	10,783	10,794	10,693	-0.9%
Finance and Insurance	27,427	27,075	26,685	26,401	26,208	-0.7%
Real Estate and Rental and Leasing	6,094	5,859	5,878	5,881	5,990	1.9%
Professional and Technical Services	30,583	30,261	29,529	29,061	29,026	-0.1%
Management of Companies and Enterprises	17,438	16,706	16,397	16,430	16,264	-1.0%
Administrative and Waste Services	14,905	13,201	13,359	13,287	13,527	1.8%
Educational Services	29,279	28,774	28,448	26,390	29,262	10.9%
Health Care and Social Assistance	46,210	45,702	46,269	46,512	46,804	0.6%
Arts, Entertainment, and Recreation	5,487	5,271	5,713	5,706	5,708	0.0%
Accommodation and Food Services	23,750	21,990	22,883	22,742	22,403	-1.5%
Other Services, Ex. Public Admin	10,402	9,332	9,580	9,367	9,183	-2.0%
Public Administration	12,413	12,161	12,300	12,574	12,149	-3.4%

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

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

Jobs

The number of jobs located in Minneapolis increased 0.6 percent (1,500 jobs) in fourth quarter 2009 to 280,092. In comparison with the same quarter the previous year the number of jobs decreased by 4 percent (11,618 jobs).

The fourth quarter of the year is the latest period for which city data from the quarterly census of employment and wages (QCEW) is available. To give an idea of the latest developments, preliminary data from the Bureau of Labor Statistics show that since January to May 2010, the Minneapolis-St. Paul-Bloomington metro area has been steadily increasing jobs with a modest gain of about 54,700 (3.3 percent) in the 5-month period. Jobs also grew nationwide, although at a lower rate of 2.8 percent. Preliminary data show that between January and June the nation added approximately 3.8 million jobs. Although not at a robust pace, the recovery is gaining momentum.

Quarter to quarter change - - 3rd quarter to 4th quarter 2009

Seven sectors increased and eleven decreased jobs, although the largest increase took place in one sector alone.

- **Educational Services gained nearly 2,900 jobs:** Most job gains were in elementary schools. To a lesser extent colleges and universities increased jobs, as did fine art schools.

Two sectors added more than 200 net jobs each:

- **Health care and social assistance:** Most subsectors gained jobs, but home health care services, residential care facilities and offices of physicians gained the most.
- **Administrative and waste services:** Temporary help services increased jobs the most, by about 12 percent. Other support services such as bottle exchanges, coin pick up services, and coupon processing services among other categories also added jobs.

Two sectors added more than 100 net jobs each:

- **Transportation and warehousing:** Couriers and messengers grew the most followed by school and employee bus transportation services.
- **Real estate, rental and leasing:** Leasing and management of non-residential buildings added most of the jobs in this sector.

The largest job decreases (between 400 and 200 net job loss) were in:

- **Public Administration:** This sector lost more than 400 net jobs especially in police and fire protection, followed by public finance activities and regulation of commercial sectors.
- **Accommodation and food services:** It lost more than 300 net jobs across the board, a large part of them in restaurants and drinking places.

- **Manufacturing:** It decreased by almost 300 net jobs across the board with the exception of food and apparel manufacturing.
- **Construction** lost nearly 300 net jobs in every subsector except equipment building contracting such as boiler, elevator, antenna, ATMs, pipes installation and dismantling large scale machinery, and land subdivision.

12 month change - 4th quarter 2008 to 4th quarter 2009

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

Sectors which gained net jobs:

- **Health care and social assistance** gained nearly 600 net jobs (1 percent growth), mostly the result of increasing jobs in services for the elderly and disabled, home residential care services, community housing services and doctor offices.
- **Information** gained more than 200 net jobs (2 percent growth), a result of 46 percent growth of wired telecommunication carriers alone.
- **Arts, entertainment and recreation** gained more than 200 net jobs (4 percent growth) because of increasing jobs in recreational activities such as sport teams and leagues, recreational canoeing and kayaking, guide services and similar.

Jobs

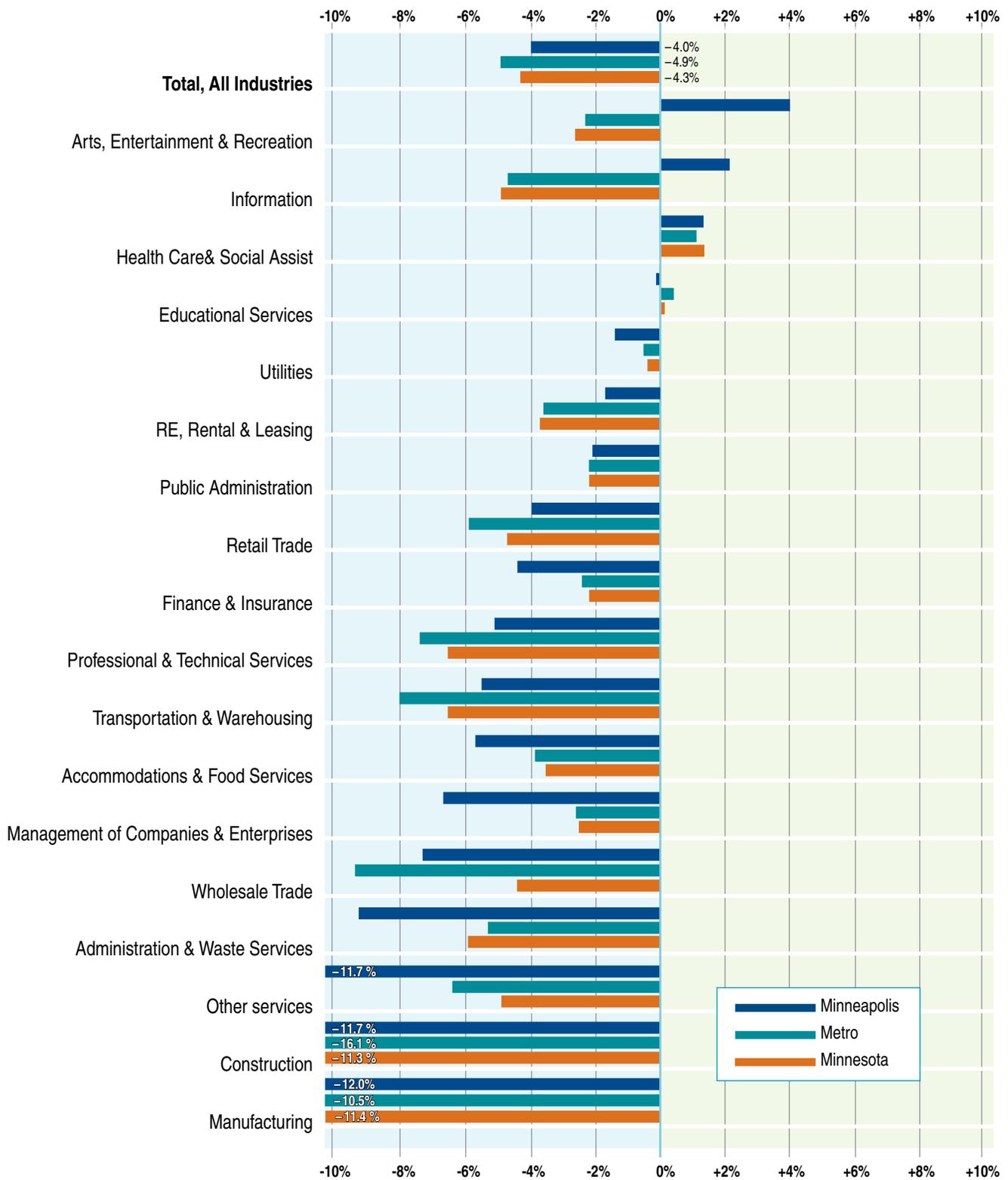
Sectors which lost

about 1,000 net jobs or more:

- **Manufacturing** lost almost 2,100 net jobs (12 percent), across all subsectors, led by printing, fabricated metal products, machinery manufacturing and furniture. Food manufacturing was the only subsector which had an actual gain.
- **Professional and technical services** lost more than 1,500 net jobs (5 percent) in most activities. The activities that lost the most were architectural and engineering services, scientific research and development, legal services, computer system design and accounting services. Advertising gained more than 200 jobs but could not offset the lost in the other subsectors.
- **Administrative and waste services** shed nearly 1,400 net jobs (9 percent.) Losses were concentrated in temporary help and janitorial services activities, although most activities lost jobs. A few subsectors including security guards and patrol services, had a gain.
- **Accommodation and food services** shed more than 1,300 net jobs (6 percent) over the twelve-month period due mostly to losses in hotels and limited-service restaurants.
- Services such as **personal care, social advocacy organization and car repair and maintenance** lost over 1,200 net jobs (12 percent.) Finance and insurance also decreased by the same amount (4 percent), especially because losses in investment activity and insurance agency jobs.
- **Management of companies** lost almost 1,200 net jobs (7 percent.) Managing offices and offices of holding companies both lost jobs.

Jobs

Figure 3: **JOBS** –4Q-08 to 4Q-09
percentage change



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

Jobs

As shown in Figure 3, the city, metro area, and state all lost jobs over the twelve-month period. The city's job base decreased by 4 percent, less than the 4.9 percent decrease in the metro area, and the 4.3 percent decrease posted statewide.

Of the few sectors posting growth over this period, the arts, entertainment and recreation sector was the fastest growing in the city at 4 percent. This sector decreased in the metro area and the state. The same trend occurred in the information sector, which grew at 2 percent but declined by almost 5 percent in the metro area and the state.

Health care and social assistance grew in all three geographies with the

city growing as much as the state (1.3 percent.)

The seven-county metro area lost the largest proportion of construction jobs (almost 16 percent), while the state lost more than 11 percent and the city 12 percent in the same period.

Manufacturing and other services including personal care, social advocacy and automotive repair were other struggling sectors. Manufacturing declined 12 percent in the city, 10.5 percent in the metro and about 11 percent in the state. Other services which include such subsectors as automotive repair, personal care and social advocacy organizations, decreased almost 12 percent in Minneapolis. In comparison this service sector decreased 6 percent in the metro area and 5 percent in the state.

Wages

The average weekly wage in Minneapolis in the fourth quarter of 2009 was \$1,203, 4 percent higher than the previous year. Consumer prices were lower and inflation was subdued. Because there is no inflation, even with a decreasing job base, wages increased in most economic sectors. The following sectors **increased wages** the most from a year earlier:

- **Public administration** (10.1 percent): government wages increased in almost all subsectors except in the administration of transportation programs. Wages of human resource program administration, legal counsel and prosecution and courts increased the most.
- **Services other than public administration** (8.3 percent each): Death care, personal care and civic and social organization services were able to increase their wages the most, but increases in these subsectors were offset to some extent by decreases in repair service wages such as electronic equipment, commercial machinery and household goods repair.
- **Utilities** (8.1 percent): The sector grew faster than the average for the city. Weekly wages for one subsector, water, sewerage and other systems provided by governments grew by almost 18 percent.

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis¹
in current dollars

	4Q-08	1Q-09	2Q-09	3Q-09	4Q-09	% change 4Q-08 to 4Q-09
Total, All Industries	\$ 1,155	\$ 1,163	\$1,067	\$ 1,064	\$ 1,203	4.2%
Construction	1,223	\$ 1,132	\$1,144	1,060	1,161	-5.1%
Manufacturing	1,184	1,124	1,011	1,045	1,240	4.7%
Utilities	1,567	1,670	1,525	1,593	1,693	8.1%
Wholesale Trade	1,310	1,192	1,192	1,138	1,313	0.2%
Retail Trade	583	541	555	537	595	2.1%
Transportation and Warehousing	965	864	937	857	987	2.3%
Information	1,216	1,370	1,233	1,234	1,310	7.7%
Finance and Insurance	1,718	2,225	1,561	1,524	1,823	6.1%
Real Estate and Rental and Leasing	1,367	1,564	\$1,145	1,070	1,318	-3.6%
Professional and Technical Services	1,998	1,552	\$1,555	1,574	2,038	2.0%
Management of Companies and Enterprises	1,626	1,684	1,762	1,512	1,715	5.5%
Administrative and Waste Services	682	710	660	661	691	1.3%
Educational Services	1,039	1,011	992	1,137	1,101	6.0%
Health Care and Social Assistance	959	968	906	931	1,021	6.5%
Arts, Entertainment, and Recreation	999	854	1,044	1,067	894	-10.5%
Accommodation and Food Services	365	345	345	357	376	3.0%
Other Services, Ex. Public Administration	579	599	575	602	627	8.3%
Public Administration	1,166	1,176	1,167	1,140	1,284	10.1%

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

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

Wages

- **Information** (7.7 percent): The sound recording studio subsector increased average weekly wages by 65 percent. Other information services, another subsector including services such as clipping services, stock photo agencies, and telephone-based recorded information services, raised wages by 16 percent.

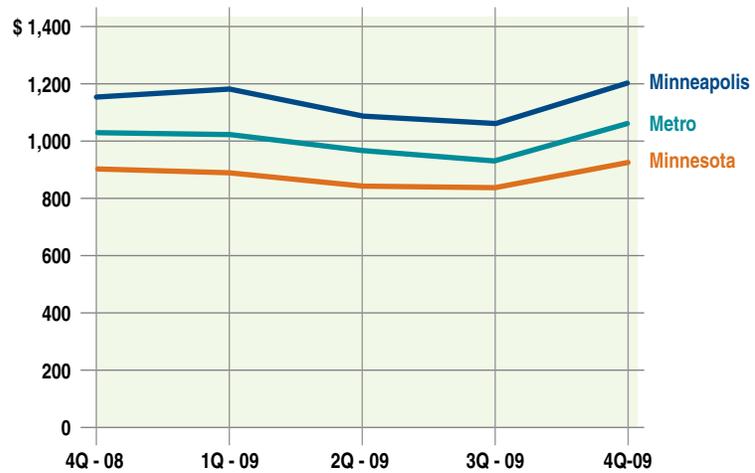
The sectors with the highest **year-to-year wage decrease** were:

- **Arts, entertainment and recreation** (-10.5 percent): Nature parks decreased real wages by 19 percent, more than the average for the sector. Other subsectors (musical groups and artist and promoters with facilities) also decreased wages, but this decrease was below the average for the whole sector.
- **Construction** (-5.1 percent): Land subdivision services decreased their real wages the most, followed by building foundation and exteriors contractors.
- **Real estate** (-3.6 percent): The real estate non-residential leasing agency subsector decreased real wages by 28 percent, much more than the average for the sector.

Wages

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. Fourth-quarter wages in inflation-adjusted dollars increased 4 percent in Minneapolis from a year earlier. Wages also increased from the previous quarter by 13 percent. On a year to year basis, average wages grew in the metro area by 2 percent and in the state, by nearly 2.5 percent. Wages increased mainly because there was a rebound of economic activity and inflation was tame.

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

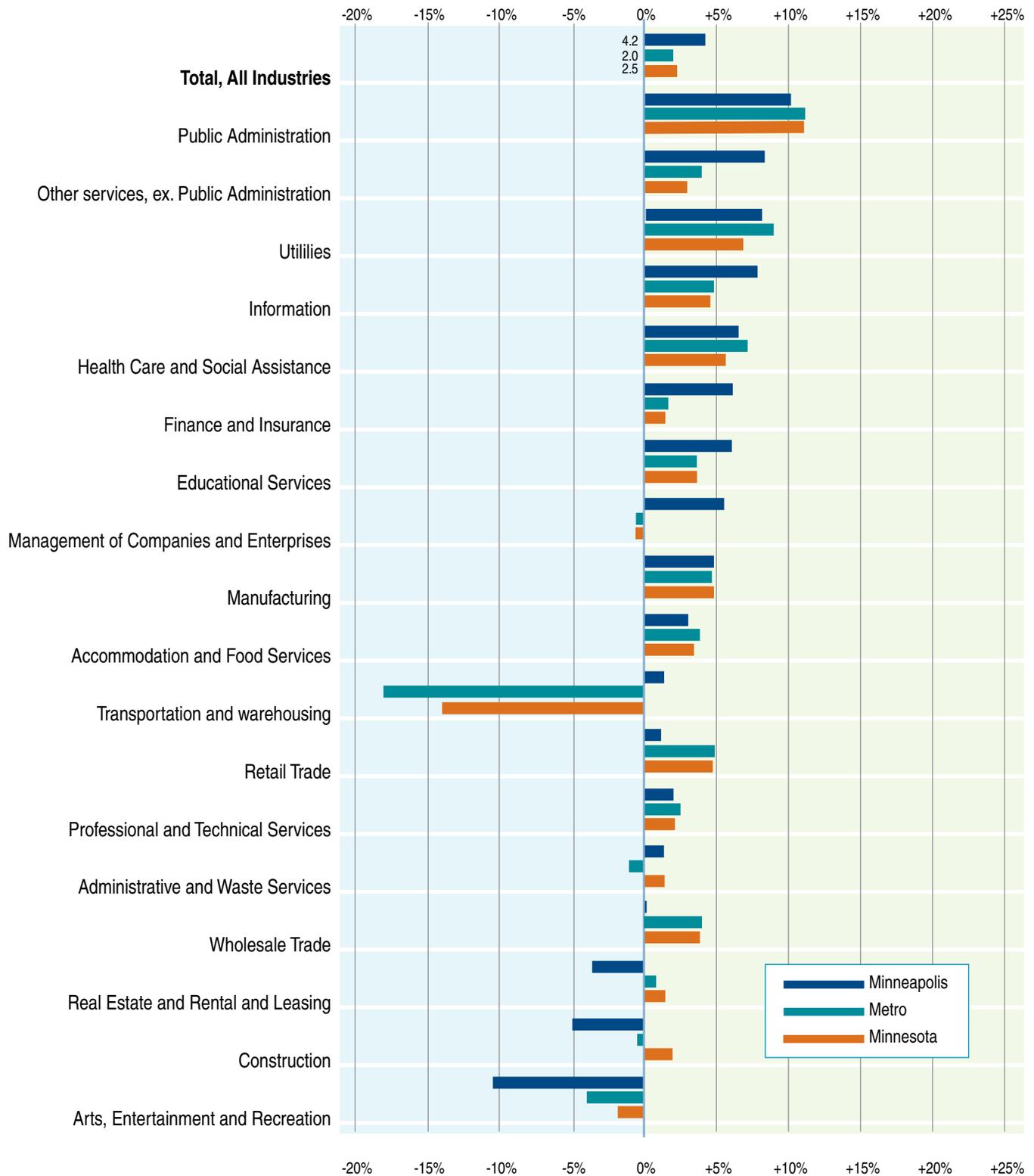


	4Q-08	1Q-09	2Q-09	3Q-09	4Q-09	\$ change 4Q-08 - 4Q-09	% change 4Q-08 - 4Q-09
Minneapolis	\$ 1,155	\$ 1,182	\$ 1,085	\$ 1,064	\$ 1,203	\$ 48	4.2%
Metro area	1,031	1,024	964	944	1,052	21	2.0%
Minnesota	905	894	853	836	928	23	2.5%

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

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 4Q-08 to 4Q-09
percent change in inflation-adjusted dollars*



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

* For conversion factors, see page 15

Wages

The city increased real wages* and increased more than the metro or the state. All sectors except real estate, arts and entertainment, and construction increased real wages in Minneapolis from the fourth quarter of 2008 to the fourth quarter of 2009. Most sectors grew in all the three geographies in the same period. As per the graph above, the following sectors exhibited the highest percentage increase in average wages within the city, and in comparison with the metro and the state:

- **Public administration** real wages posted about 10 percent growth in the city and 11 percent in the metro and the state.
- For **services** such as personal care, repair and others, average weekly wages increased in Minneapolis much more than in the metro or the state.
- **Utilities** real wages grew faster in the metro than in the city or the state.

- **Information** real wages grew faster in the city than in the state or the metro.

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

- **Art, entertainment and recreation** wages also decreased in all geographic areas, but more in Minneapolis (10.5 percent) than in the metro (4 percent) or state (2 percent.)
- **Construction** wages also declined faster in the city (5 percent) than in the state (2 percent) or the metro area (0.5 percent.)
- **Real estate and rental and leasing** average real weekly wages fell in the city almost 4 percent, but they increased in the metro by 0.7 percent and by 1.4 percent in the state.

* For conversion factors, see [page 15](#).

Definitions & 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 Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. For complete definitions go to: <http://www.bls.gov/opub/hom/pdf/homch1.pdf>
- Metro area: The following counties make up the seven-county metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.
- Jobs and wages: Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area and Minnesota. To see how the “digits” work, go to www.census.gov/epcd/naics02.
- Inflation-adjusted figures: Values reported in table 3 are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the fourth quarter of 2009, dollars have been converted with an index reflecting the CPI for the second half and first half of 2009 and second half of 2008 with 2009 as a base year. To look at the indexes go to: [Consumer Price Index Home Page](#) and click on “get detailed CPI statistics - All urban consumers (current series).”

Development indicators

- The number of new residential units permitted was two and a half times as much as last quarter. With 143 units permitted, activity was much higher than second quarter last year when only 8 units were permitted.
- More residential remodeling, conversion and addition projects costing \$50,000 or more were permitted this quarter and the total value was 27 percent higher than the previous quarter.
- Thirteen commercial and residential projects costing at least \$1 million were permitted this quarter, totaling \$64 million. This was 82 percent higher than last quarter. The largest single project was a 24,000 square feet mausoleum in Lakewood Cemetery. The second largest project was Covenair Care assisted living building in the Standish neighborhood.

New construction

New residential permitted units this quarter increased two and a half times from last quarter to 143 units, and from just 8 units permitted in second quarter last year. In the metro area, the volume of units permitted increased 13 percent from last quarter, and was 31 percent higher than the same quarter of 2009.

In the city construction picked up in the spring and summer with the addition of three multifamily buildings totaling 130 units. There were also 13 single-family homes permitted.

Table 4: NEW RESIDENTIAL UNITS PERMITTED

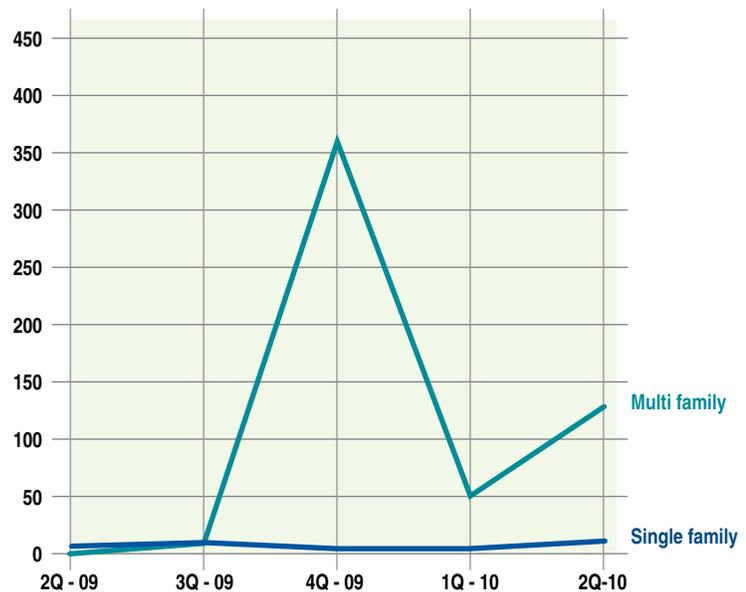
	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Single-family					
Minneapolis	8	9**	7	6	13
Metro area	798	978	897	690	927
Multifamily					
Minneapolis	0	10	360	50	130
Metro area	69	162	452	320	210
Total Units					
Minneapolis	8	19	367	56	143
Metro area*	867	1,140	1,349	1,010	1,137

Source: U.S. Census Bureau, based on estimated number of permits with imputation

* Estimated number of permits with imputation: The Census Bureau estimates that about 8 percent of the total number of units permitted are underreported by counties in the metro area.

** Including one single-family residential unit which was not counted by the Census Bureau in September

Figure 6: NEW RESIDENTIAL UNITS PERMITTED – Minneapolis



Source: U.S. Census Bureau -estimated units with imputation.

New construction

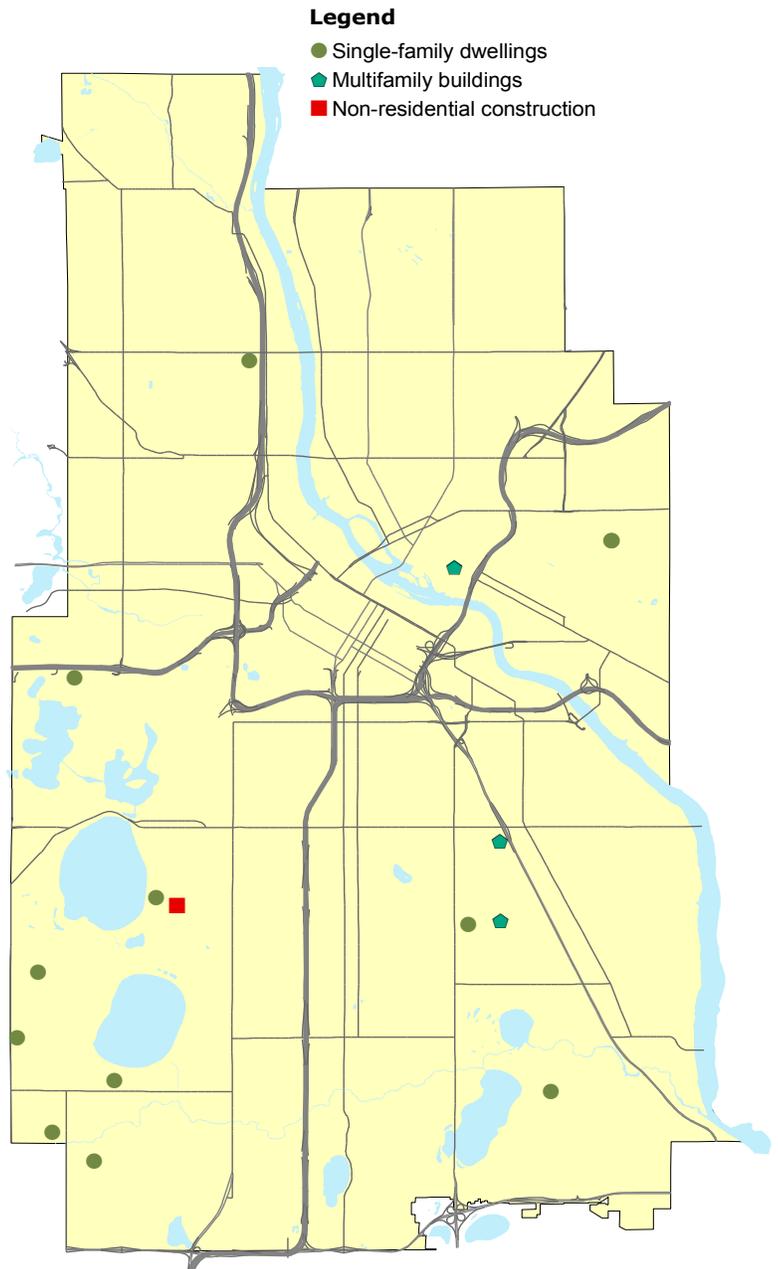
A new assisted care building with 77 units (Covenair Care), a 43-unit (Clare Housing) and eight-unit apartment buildings were permitted this quarter. The first two buildings will be located in South Minneapolis on 23rd Ave S, about seven blocks away from each other, while the 8-unit apartment building will be built on University Ave. SE.

There were thirteen new single-family homes permitted, more than half of them in southwest Minneapolis.

Only one non-residential building was permitted, the largest project so far in the city this quarter. This is a 24,000 square feet, 2 story mausoleum in Lakewood Cemetery.

Map 1: **NEW CONSTRUCTION** – 2Q-10

Source: *Minneapolis Regulatory Services*

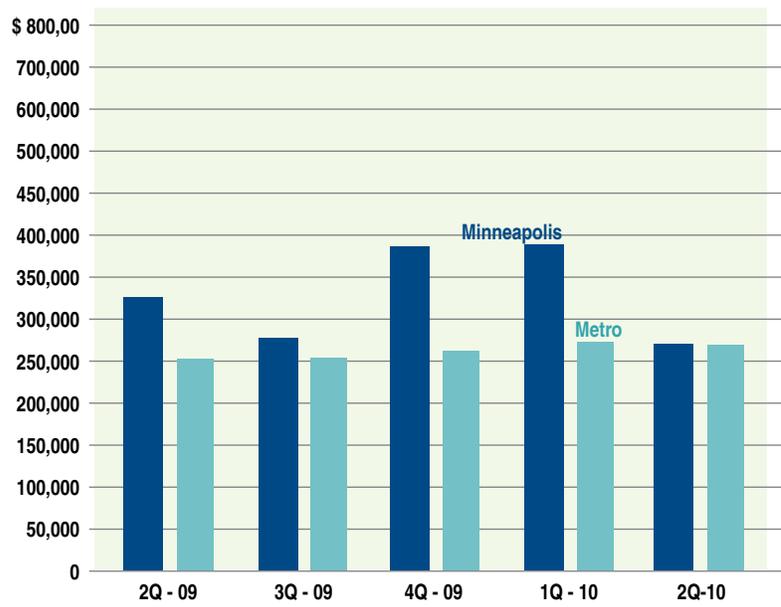


Cost of residential construction

The average construction cost for single-family homes was lower this quarter. In Minneapolis it was 32 percent lower, decreasing from about \$389,000 to \$263,500. It also decreased 18 percent from the same quarter last year. This quarter the average construction cost for single-family homes in the city and the metro area was comparable, with the city slightly ahead of the metro area by 0.5 percent.

This quarter the average cost per multifamily unit increased in the city by 39 percent, and in the metro it increased by 34 percent from last quarter. The metro area's average construction cost per unit was similar to Minneapolis, with cost in the city 4 percent higher than in the metro.

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

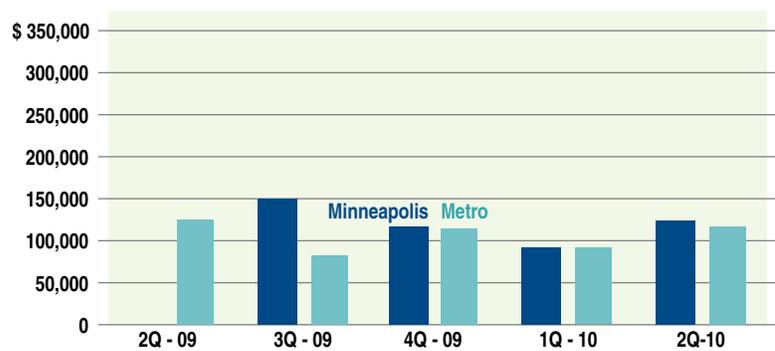


	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis	\$ 322,580	\$ 275,013	\$ 382,081	\$ 389,336	\$ 263,564
Metro area	251,849	250,505	257,554	266,864	262,331

Source: U.S. Census Bureau

Table values are not adjusted for inflation

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



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis	\$ 0	\$ 150,000*	\$ 120,172	\$ 90,752	\$ 125,187
Metro area	135,541	79,652	118,197	90,440	120,888

Source: U.S. Census Bureau

* City of Minneapolis Regulatory Services
Values in table are not adjusted for inflation

Conversions, remodels & additions

More residential remodeling, conversion and addition projects were permitted this quarter and the total value was 27 percent higher than the previous quarter. This quarter several duplexes were converted into single-family houses with the resulting loss of housing units. However, this was offset by the conversion of 2 floors in Dinkydome into 16 unit student housing.

Permitting for non residential construction was 57 percent higher than last quarter, with overall projected cost at \$42.5 million. However, compared with second quarter 2009 there were 3 fewer projects and projected costs were 59 percent lower.

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

	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Total Residential ¹					
Number of buildings	149	161	147	117	123
Total value	\$ 17,425,076	\$ 18,462,483	\$ 27,430,349	\$ 12,890,305	\$ 16,388,458
Remodels					
Number of buildings	142	157	138	115	115
Value	\$ 16,825,399	\$ 17,975,418	\$ 18,129,578	\$ 12,762,505	\$ 13,204,525
Conversions and additions ²					
Number of buildings	7	4	9	2	8
Net number of units	-6	5	71	-2	9
Value	\$ 599,677	\$ 487,065	\$ 9,300,771	\$ 127,800	\$ 3,183,933
Total non-residential ¹					
Number of buildings ³	89	99	84	78	86
Value	\$ 103,826,776	\$ 32,928,808	\$ 49,227,969	\$ 27,046,891	\$ 42,524,310

Source: Minneapolis Regulatory Services

1 Residential and non-residential building listings may include structural work, build-outs (other than new building build-outs) and other improvements.

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

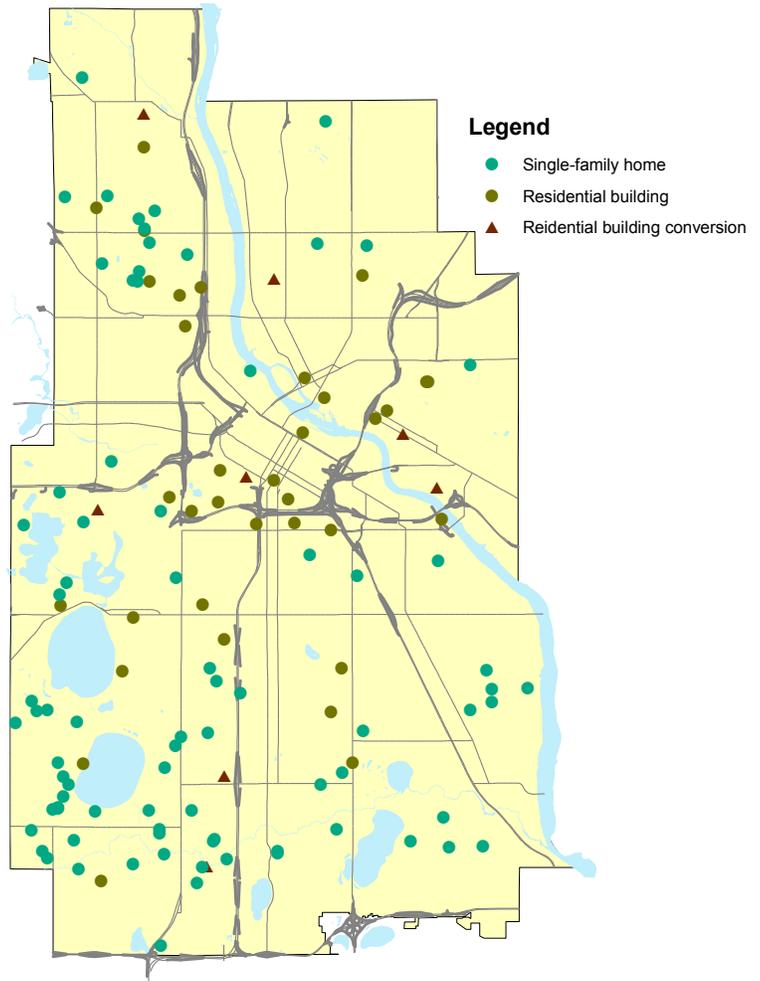
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

Conversions, remodels & additions

About 65 percent of residential buildings with permits for remodeling and improvements in projects valued \$50,000 or more were single-family dwellings. Seven duplexes were converted into single-family homes, and 2 floors of commercial space were converted into 16 housing units.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION – 2Q-10**
projects \$50,000 +

Source: Minneapolis Regulatory Services

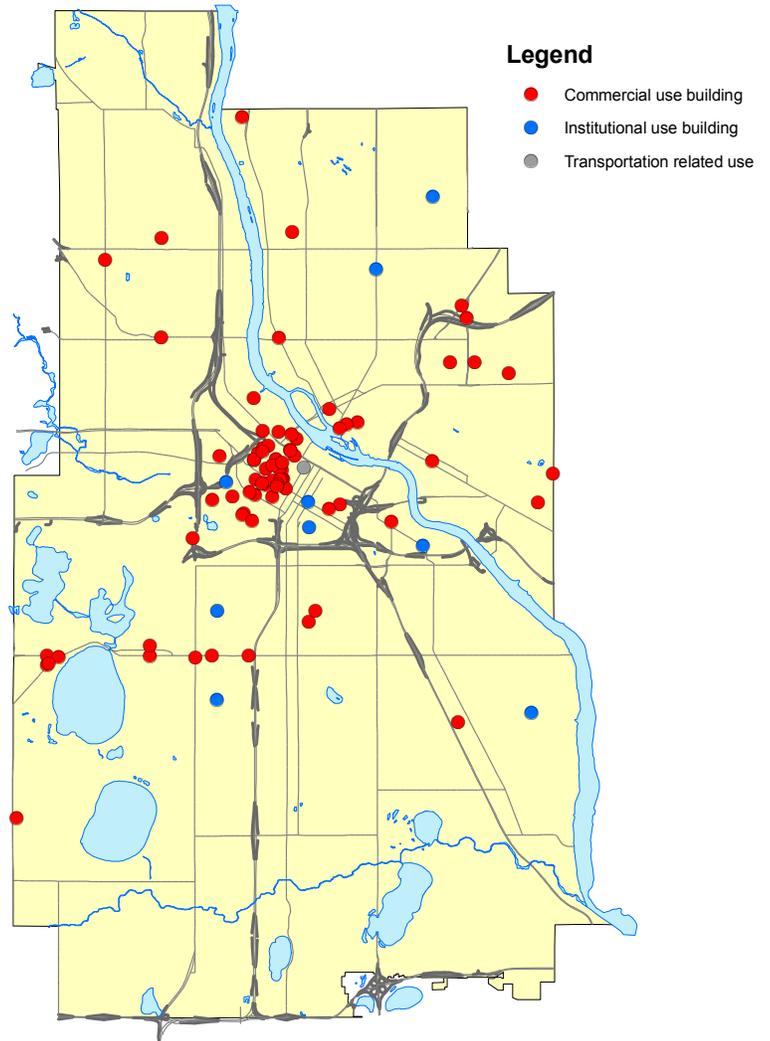


Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations tends to occur primarily in the downtown area. This quarter downtown had 55 percent of all permit/projects. Permits for renovation of non-residential buildings included commercial, institutional, and skyway improvements and build-outs. The most important project to be permitted this quarter was the remodeling and renovation of facilities at the Hennepin County Medical Center.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 2Q-10**
projects \$50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the second quarter of 2010. The listed amount only reflects projected construction cost (not including soft costs) for permits issued

that quarter. The highest cost project was a Lakewood Cemetery mausoleum followed by Covenair Assisted Care, a 77-unit residential building.

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

Description	Address	Neighborhood	Projected cost	CPED Involvement
Lakewood Cemetery: new mausoleum	3600 Hennepin Ave	East Harriet	\$ 22,954,307	
Covenair Care: assisted living building	3717 23rd Ave S	Standish	10,083,000	●
Hennepin County Medical Ctr: renovation*	701 Park Ave	Elliot Park	6,737,483	
Clare Housing: 45-unit apartment building	3105 23rd Ave S	Corcoran	5,589,331	●
OATI: Office buildout	3660 Technology Dr	Columbia Park	3,494,813	●
Wells Fargo Computer Ctr: installation of exterior security bollards	255 2nd Ave S	Downtown West	2,750,000	
MCTC: remodeling*	1501 Hennepin Ave	Loring Park	2,745,400	
Northeast Library addition	2200 Central Ave NE	Holland	2,360,000	
Dinkydome: conversion of two floor to 16 student apartments*	1501 University Ave SE	University	1,992,873	●
Calhoun Square: remodeling*	3001 Hennepin Ave	Carag	1,949,952	
Linden Hills coop remodel*	3815 Sunnyside Ave	Linden Hills	1,242,000	●
First Bank Building: improvements on 27th and 28th floor*	225 6th St S	Downtown West	1,107,242	
Ahern's Irish Pub: interior build out of restaurant*	126 5th St N	Downtown West	1,077,080	
Total			\$ 64,083,481	

Source: Minneapolis Regulatory Services and CPED

* Includes more than one permit at one address

Demolitions

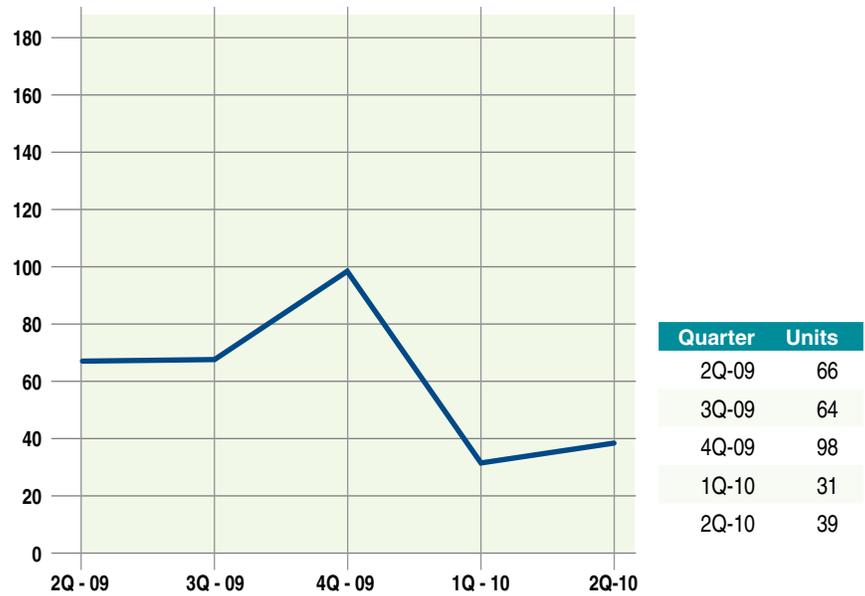
Residential units with permits for demolitions increased by 26 percent this quarter from first quarter, but the number was 41 percent lower than in second quarter the previous year.

Units scheduled for demolitions this quarter included 22 single-family homes, 10 duplex units, a triplex, and a 4-plex.

About 45 percent of the residential structures permitted for demolition this quarter were in North Minneapolis and 21 percent were in Southwest Minneapolis.

Non-residential demolition permits included demolitions of 3 commercial buildings, a warehouse, and a gas station. The commercial buildings slated for demolition are located in North Minneapolis. The warehouse is located on Hiawatha Ave, and the gas station is located on University Ave SE.

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



Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS – 2Q-10**

Source: Minneapolis Regulatory Services



- **Building permits for new construction:** Permits represent construction projects (residential and non-residential) approved by the City. Typically there is a time lag between issuing a permit and actual construction.
- Table four and figures six to eight are based on monthly figures for the city of Minneapolis and metropolitan area provided by the U.S. Census Bureau. For mapping purposes, data on new building construction, remodels, conversions and demolitions for the city are based on permit information by address from the City's Regulatory Services Department. Numbers from the U.S. Census Bureau and Minneapolis Regulatory Services may differ slightly for the same period because of a time-lag in reporting. Census Bureau numbers do not include additions, remodels or demolitions.
- **Single-family** buildings have only one unit in the building.
- **Multifamily** buildings have two or more units in the building, except when noted that triplexes and duplexes are counted separately (in that case, multifamily buildings have four or more units.)
- **Cost of residential construction** is based on the cost developers report on permit requests for their projects.
- **Construction cost per unit** refers to the total construction cost reported divided by the number of units permitted during the period considered.
- **Non-residential** buildings include any kind of use except residential. Cost is based on the amount the developer reports to the City's Regulatory Services Department.
- **Building permits for residential remodeling, additions and conversions:** Table five and maps two and three are based on data from the City of Minneapolis Regulatory Services Department. Information includes all City-approved projects for remodeling, additions and conversions with a value of \$50,000 or more.
- **Building permits for demolitions:** These data were obtained from the City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings. The multifamily building category includes rentals and condominiums.

- **Maps – Building uses:** Categories listing the uses of buildings are based on descriptions from their permits. The following categories are used:
- **Map 1 – New buildings**
 - Single-family:** means detached dwellings.
 - Other residential:** means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including town-houses. It also includes temporary housing for health-care purposes.
 - Non-residential use:** means all buildings that do not have a residential component. Also includes structures such as communications towers and skyways.
- **Map 2 – Residential remodels with a construction cost of \$50,000 or more:**
 - Single-family** includes all detached single-family dwellings with permits for renovations, additions or improvements.
 - Other residential includes all residential buildings that are not detached single-family dwellings, including units in buildings with two or more units. It includes remodeling or build-outs of one or more individual units and remodeling of the entire building.
 - Conversions** consist of the construction of new residential units in non-residential buildings such as factories, warehouses, hotels and others and remodeling of a building for residential uses. It does not include conversions of apartment units to condominiums. It includes changing two or more residential units into a single residence or the subdivision of a single unit into several.
- **Map 3 – Non-residential remodels, additions and improvements with a cost of \$50,000 or more**
 - Commercial** includes offices, warehouses, factories, restaurants and retail buildings in general. It may be a build-out of an office space or several floors, or it may be the remodeling of an entire building. Several tenant remodels at one address are considered one project, i.e. renovation of 33 S. Sixth St. (the former Multifoods Tower) downtown.
 - Institutional:** This category includes hospitals, clinics, churches, schools, nursing homes, correctional centers and any other institutional use.
 - Transportation** related includes parking, skyways and bus and rail terminals.
- **Map 4 – Demolitions**
 - Residential:** all residential buildings (single-family and multifamily units)
 - Non-residential:** all non-residential buildings and structures

Housing stock & the real estate market

- The average apartment vacancy rate in Minneapolis decreased from 6.5 in the first quarter to 5 percent, and it was one percent lower than second quarter last year.
- The number of housing units sold increased nearly 80 percent from last quarter, but decreased 3 percent from a year ago. Traditional sales doubled over the first quarter and lender-mediated sales also increased by 9 percent. Median sale prices went up 24 percent in large part because lender-mediated median sale prices were 14 percent higher than the previous quarter.
- The number of condemned, boarded, and vacant buildings in the city was 776, a decrease of 6 percent from the previous quarter and 10 percent from a year ago.
- Foreclosure sales decreased to 546, 5 percent lower than last quarter, but 2.6 percent higher than the previous year. The number was much lower though than the 870 sales registered in second quarter 2008.
- Office vacancy rate in the Minneapolis central business district (CBD), increased this quarter to 17.8 percent from 17.6 percent last quarter. The rate was much higher than the 15.2 percent registered in the second quarter last year. Retail vacancies were 12.3 percent, 0.6 percent higher this quarter than the previous, and 2.0 percent higher than second quarter last year.

Residential vacancy rates & average apartment rents

The Minneapolis vacancy rate for multifamily rental housing decreased to 5 percent from 6.5 percent last quarter. This quarter the vacancy rate was lower than the same quarter in 2009. The improving conditions of the labor market with a falling unemployment rate may be contributing to an improved outlook for the rental market.

In the metro area, the vacancy rate also decreased to 5 percent from 6.1 percent in the first quarter.

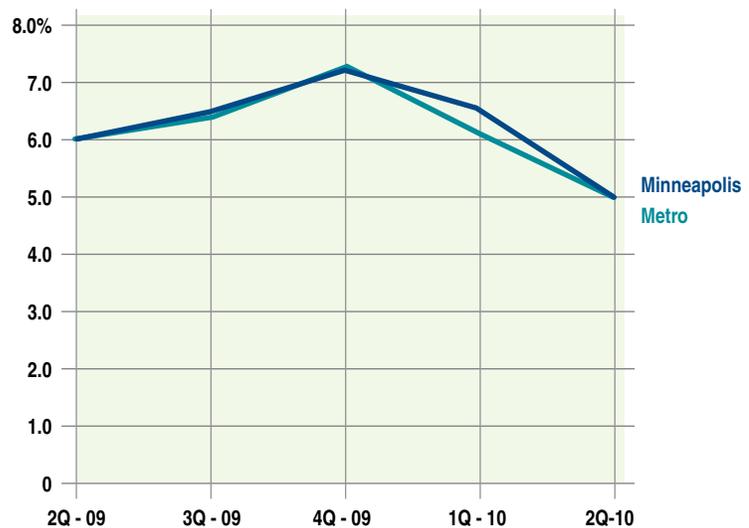
Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis					
Units surveyed	16,126	15,013	13,196	13,432	13,699
Vacant units	961	974	946	879	685
Average rent	\$ 943	\$ 908	\$948	\$ 953	\$ 946
Vacancy rate	6.0%	6.5%	7.2%	6.5%	5.0%
Metro area					
Units surveyed	118,208	111,314	110,016	110,616	107,610
Vacant units	7,077	7,178	7,987	6,803	5,398
Average rent	\$ 904	\$ 908	\$ 906	\$ 902	\$ 902
Vacancy rate	6.0%	6.4%	7.3%	6.1%	5.0%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Figure 10: **RENTAL VACANCY RATES**
in percent



Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Residential vacancy rates & average apartment rent

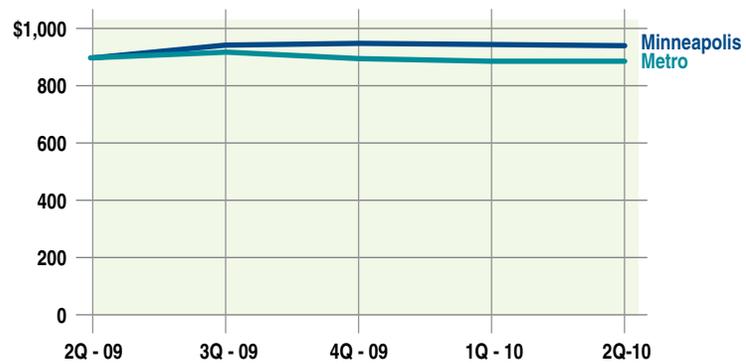
In Minneapolis the average rent was \$946, only \$4 lower in inflation-adjusted dollars* than last quarter, and \$3* higher than a year ago. In the metro area average rent was \$902, \$4 dollars higher than last quarter. The average rent in the metro area decreased 2 dollars after adjusting for inflation from second quarter the previous year.

Rents responded to an improved but still weak labor market, while lack of inflationary pressure kept them more or less stable in comparison with 2q09.

Except for South and North Minneapolis, vacancy rates were lower than 1st quarter and a year ago. South Minneapolis had the highest rate; one apartment building with 23 percent vacancy skewed the average. Downtown dropped the most, from 8.9 percent in the second quarter last year to 6 percent this year.

* For conversion factors, see [page 46](#).

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



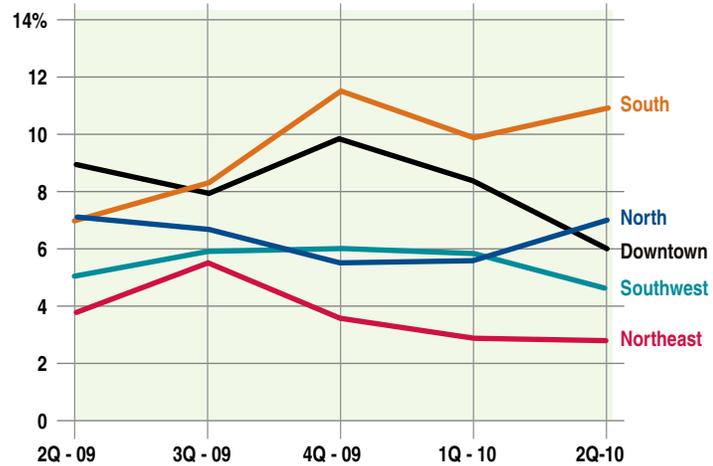
	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis	\$ 943	\$ 908	\$ 948	\$ 953	\$ 946
	<i>943</i>	<i>909</i>	<i>941</i>	<i>950</i>	<i>946</i>
Metro area	904	908	906	901	902
	<i>904</i>	<i>909</i>	<i>899</i>	<i>898</i>	<i>902</i>

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Rents in inflation-adjusted dollars are in italics

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



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Downtown	8.9%	7.9%	9.8%	8.4%	6.0%
Southwest	5.0%	5.9%	6.0%	5.8%	4.8%
North	7.2%	6.4%	5.6%	5.7%	6.9%
South	7.1%	8.3%	11.6%	9.9%	10.9%
Northeast	3.8%	5.6%	3.6%	2.9%	2.8%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter*

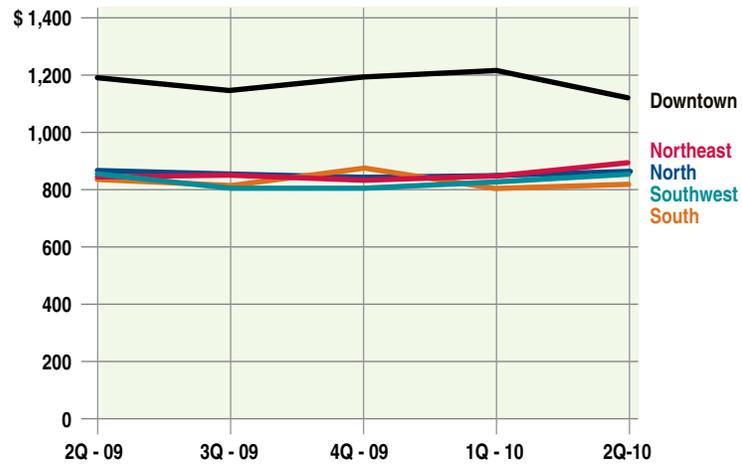
For sector definitions, see [page 44](#).

Residential vacancy rates & average apartment rent

This quarter average rents in inflation-adjusted dollars increased in all sectors of the city except in Downtown (see new sector definitions on page 61.) In Downtown rents declined \$65 (5 percent.) They increased the most in Southwest where they increased \$25 (3 percent) followed by South Minneapolis where they went up \$23 (3 percent), from first quarter in inflation-adjusted dollars*. In comparison with second quarter, previous year rents were higher \$15 on average (2 percent) in South Minneapolis and East Minneapolis. Average rents decreased in Downtown in inflation-adjusted dollars \$58 (5 percent.) In North Minneapolis, rents declined \$14 (2 percent) in the same period.

* For conversion factors, see [page 46](#).

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



	2Q-09	3Q-08	4Q-08	1Q-10	2Q-10
Downtown	\$ 1,192 <i>1,193</i>	\$ 1,150 <i>1,151</i>	\$ 1,197 <i>1,188</i>	\$ 1,203 <i>1,200</i>	\$ 1,135 <i>1,135</i>
Southwest	848 <i>848</i>	815 <i>816</i>	815 <i>809</i>	836 <i>834</i>	859 <i>859</i>
North	877 <i>877</i>	862 <i>863</i>	857 <i>851</i>	863 <i>861</i>	863 <i>863</i>
South	839 <i>839</i>	824 <i>825</i>	890 <i>883</i>	803 <i>801</i>	824 <i>824</i>
Northeast	863 <i>863</i>	859 <i>860</i>	839 <i>833</i>	863 <i>861</i>	878 <i>878</i>

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.

Rents in inflation-adjusted dollars are in italics.

* For sector definition, see [page 44](#).

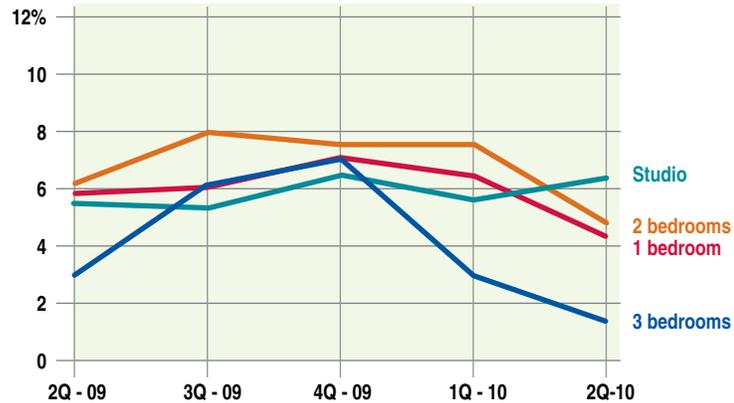
Residential vacancy rates & average apartment rent

Vacancy rates for all apartment types decreased in comparison with the last quarter and second quarter last year, except for studio apartments. The rate for three-bedroom apartments decreased sharply, from 3.1 percent in first quarter to 1.4 percent. This was the lowest rate of the quarter for any apartment type. In Downtown, North and East Minneapolis, where population tend to be younger or have lower income, there were no vacant three-bedroom units in the market. This may suggest that rent-sharing practices in these areas are taking place.

Average rent increased this quarter in inflation-adjusted dollars for one and three-bedroom units. While vacancy rate decreased for three-bedroom units, average rent in real dollars increased 3.7 percent from the previous quarter and 2.5 percent from the 2nd quarter last year. Average rent for two-bedrooms decreased 5.2 percent and 3 percent from last quarter and last year respectively.

* For conversion factors, see [page 46](#).

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

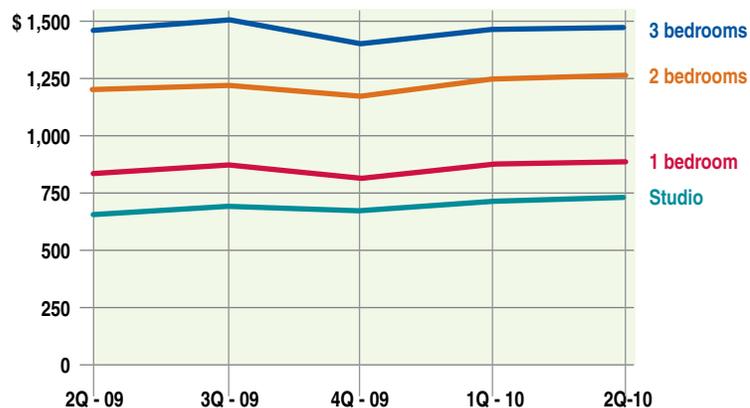


	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Studio	5.6%	5.4%	6.5%	5.6%	6.3%
One-bedroom	5.9%	6.0%	7.0%	6.5%	4.6%
Two-bedroom	6.2%	7.9%	7.4%	7.4%	5.0%
Three-bedroom	3.0%	6.2%	7.0%	3.1%	1.4%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

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



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Studio	\$ 669	\$ 663	\$ 673	\$ 683	\$ 675
One-bedroom	868	831	882	884	885
Two-bedroom	1,223	1,192	1,249	1,256	1,187
Three-bedroom	1,501	1,401	1,471	1,489	1,540

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter. Numbers in Italics are adjusted for inflation. Rents in inflation-adjusted dollars are in italics.

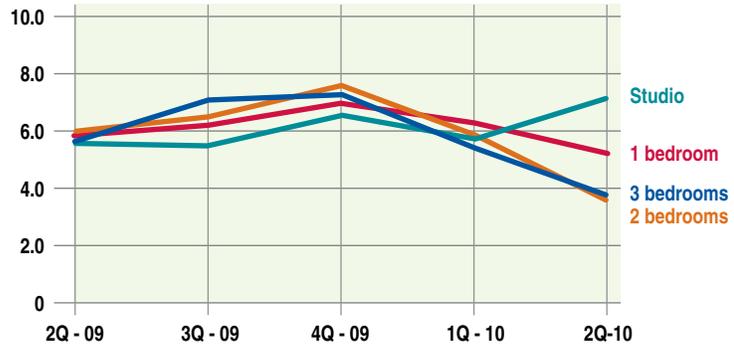
Residential vacancy rates & average apartment rent

Average vacancy rates for all apartment types except studios decreased in comparison with first quarter and they were lower than second quarter the previous year. The largest unit types, two and three-units, had an average vacancy rates below the 5 percent metro-wide average. Studio units had the highest vacancy rate of any apartment type in the metro area.

In comparison with the previous quarter, average rent in inflation-adjusted dollars decreased for studio and one-bedroom apartments. In comparison with the second quarter the previous year rents were lower this quarter for one and two-bedrooms. Rents were stable for studio apartments, and increased 1.5 percent for three-bedroom units.

* For conversion factors, see [page 46](#).

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

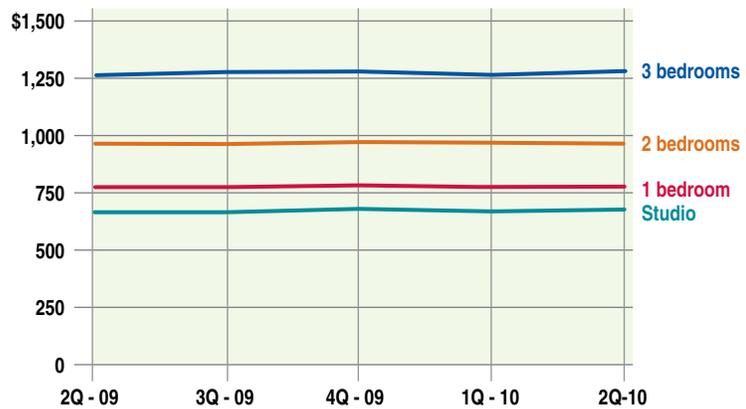


	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Studio	5.7%	5.5%	6.5%	5.8%	7.1%
One-bedroom	5.9%	6.2%	7.0%	6.3%	5.3%
Two-bedroom	6.0%	6.5%	7.4%	5.9%	4.7%
Three-bedroom	5.7%	6.9%	7.0%	5.6%	3.8%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Figure 17: **AVERAGE APARTMENT MONTHLY RENT – Metro area**
in current dollars



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Studio	\$ 667 <i>667</i>	\$ 664 <i>665</i>	\$ 671 <i>666</i>	\$ 671 <i>669</i>	\$ 667
One-bedroom	787 <i>787</i>	788 <i>789</i>	789 <i>783</i>	786 <i>787</i>	785
Two-bedroom	980 <i>980</i>	983 <i>984</i>	980 <i>973</i>	976 <i>973</i>	974
Three-bedroom	1,260 <i>1,261</i>	1,274 <i>1,275</i>	1,274 <i>1,264</i>	1,262 <i>1,258</i>	1,279

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multi family rentals are excluded.)

Recorded data for the last month of the quarter

Rents in inflation-adjusted dollars are in italics.

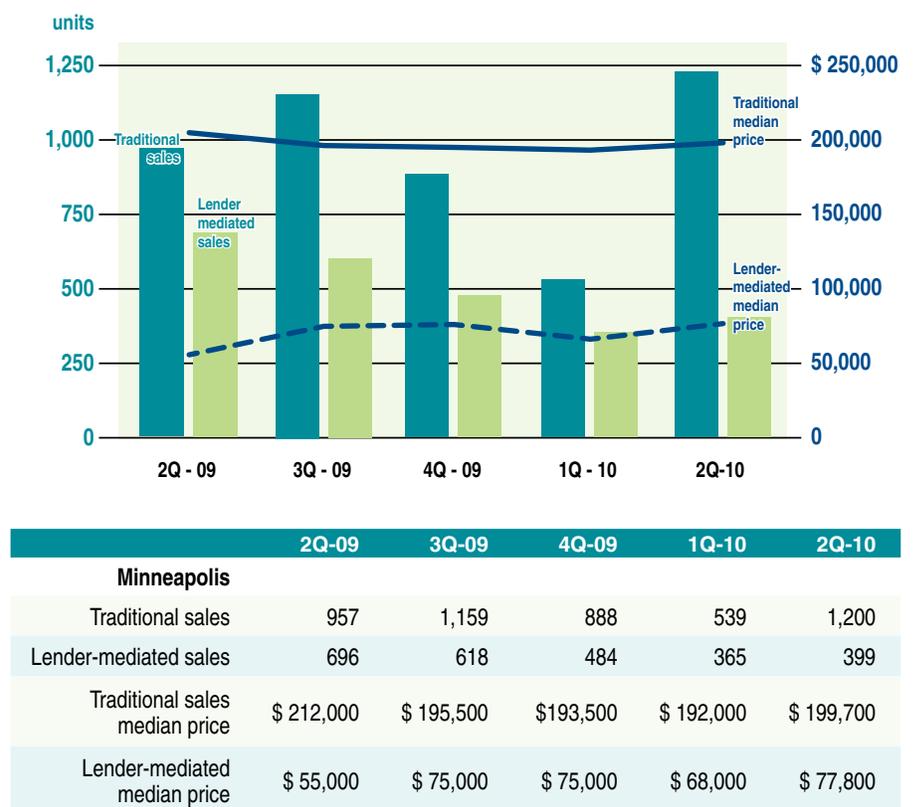
* For conversion factors, see [page 46](#).

Residential sales

The number of traditional housing sales this quarter was more than twice the number in the first quarter, and the median sale price was 4 percent higher. Compared to last year, this category of sales is also 25 percent higher, but the median sale price was still 6 percent lower than the same quarter last year. Lender-mediated sales increased 9 percent but were 43 percent lower than the same quarter in 2009. Their median sale prices were 14 percent higher than last quarter and 41.5 percent higher than last year.

It was the first time that median price for traditional housing sales increased since first quarter last year, while lender-mediated sales were higher than in any other quarter since 2nd quarter 2008.

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



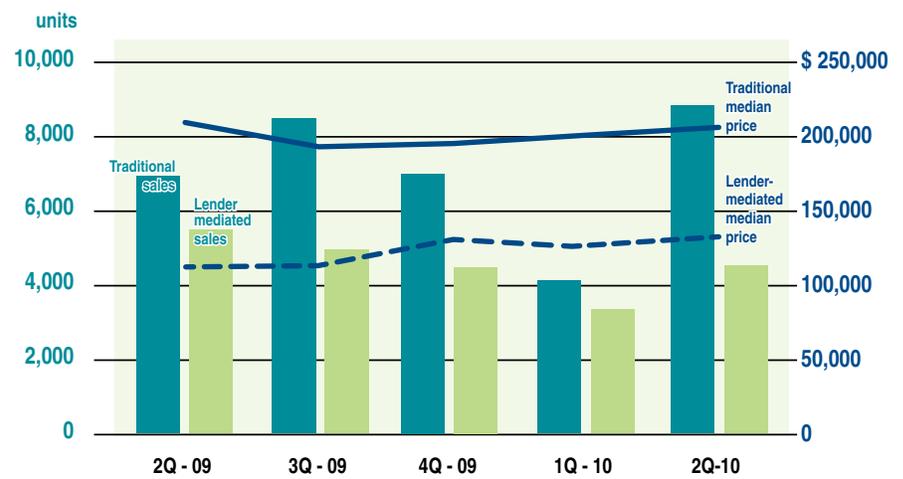
Source: Minneapolis Area Association of Realtors (MAAR)

Residential sales

In the metro area the number of traditional sales was double than in the first quarter and 23.5 percent more than last year. Lender-mediated sales increased by 25 percent from last quarter, but decreased by 22 percent from last year. Sale prices for traditional units increased 2 percent from last quarter, but were about 2 percent lower than last year. Lender-mediated median prices were about 6 percent higher than the previous quarter and 8 percent higher than second quarter last year.

Minneapolis Area Association of Realtors showed a 0.6 percent drop in the housing inventory for sale this quarter in the metro area in comparison with the same quarter last year due mainly to lack of new construction.

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



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Metro area					
Traditional sales	7,036	8,501	7,014	4,017	8,687
lender-mediated sales	5,564	5,148	4,430	3,457	4,327
Traditional sales median price	\$ 209,000	\$ 192,950	\$ 195,000	\$ 200,000	\$ 204,945
lender-mediated median price	\$ 122,900	\$ 125,000	\$ 130,000	\$ 125,400	\$ 132,900

Source: Minneapolis Area Association of Realtors (MAAR)

* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors.
For metro area definition, see [page 44](#)

Foreclosures

This quarter 546 properties were sold at public auction. There was a 5 percent decrease in the number of foreclosed properties from first quarter 2010. However, the number of foreclosed properties was still 2.6 percent higher than second quarter 2009. Ward 4, 5 and 8 accounted for 44 percent of the total foreclosures in the city.

MAP 5: PROPERTIES FORECLOSED – 2Q-010
by wards

Source: Hennepin County

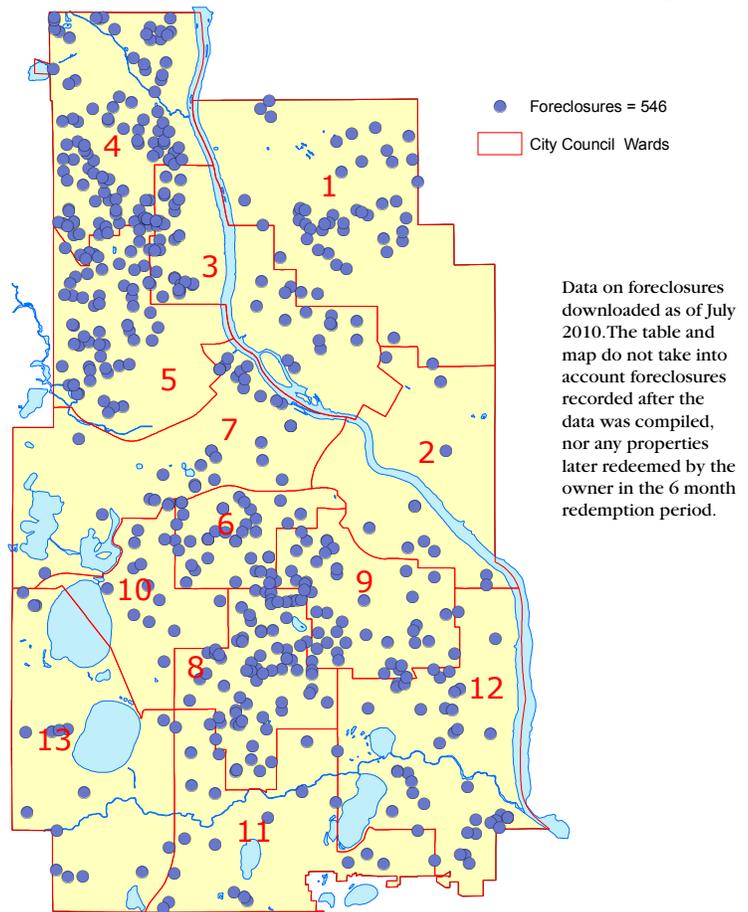


Table 8: **FORECLOSURE PROPERTIES – Minneapolis**
by ward

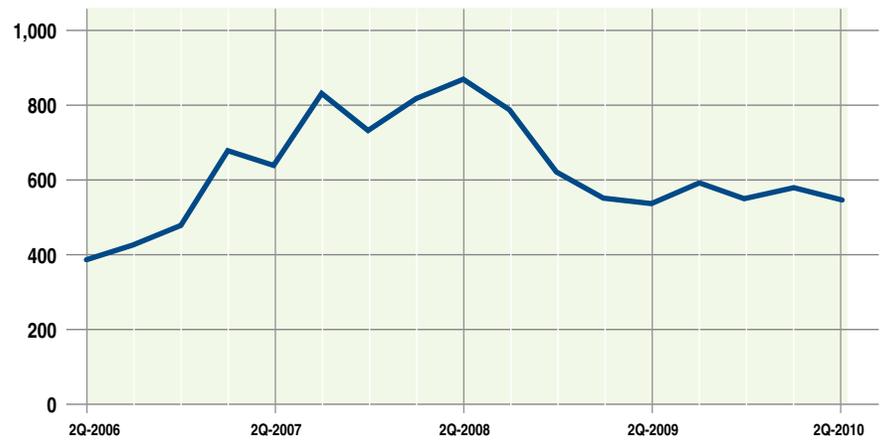
Ward	2Q-09		3Q-09		4Q-09		1Q-10		2Q-10	
	number	percent								
1	50	9.4%	42	7.1%	55	10%	43	7%	46	8%
2	3	0.6%	3	0.5%	3	1%	11	2%	11	2%
3	50	9.4%	58	9.8%	50	9%	47	8%	43	8%
4	105	19.7%	110	18.5%	115	21%	111	19%	107	20%
5	81	15.2%	97	16.3%	97	17%	95	17%	59	11%
6	22	4.1%	28	4.7%	17	3%	17	3%	39	7%
7	24	4.5%	12	2.0%	30	5%	37	6%	30	5%
8	62	11.7%	81	13.6%	61	11%	54	9%	73	13%
9	48	9.0%	58	9.8%	47	8%	56	10%	44	8%
10	19	3.6%	27	4.5%	14	3%	19	3%	15	3%
11	18	3.4%	23	3.9%	21	4%	22	4%	23	4%
12	34	6.4%	38	6.4%	28	5%	50	9%	40	7%
13	16	3.0%	17	2.9%	17	3%	13	2%	16	3%
Total	532	100.0%	594	100.0%	555	100%	575	100%	546	100%

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

Foreclosures

The volume of foreclosed property sales in Minneapolis decreased from 575 in 1Q-10 to 546 foreclosures this quarter, after declining from a peak of 870 in 2Q-08. This quarter is the lowest quarterly total since second quarter last year and the second lowest since 4th quarter 2006.

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



Source: Hennepin County

Revised data for 2008

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city decreased 6 percent from first quarter, and was 10 percent lower than a year ago. Boarded and condemned buildings continued to make up the majority of the group but their numbers decreased from last quarter and last year 8 and 22 percent respectively.

Buildings that were vacant but not condemned decreased 4 percent from the previous quarter, but were up 10 percent from a year ago. These buildings had some code violations but no major problems.

These buildings are located mainly in the city's north and south-central areas. Approximately 61 percent of boarded and condemned buildings are located in North Minneapolis; most of these buildings will eventually be demolished. South Minneapolis accounts for 22 percent of these properties.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of June

Source: Minneapolis Regulatory Services

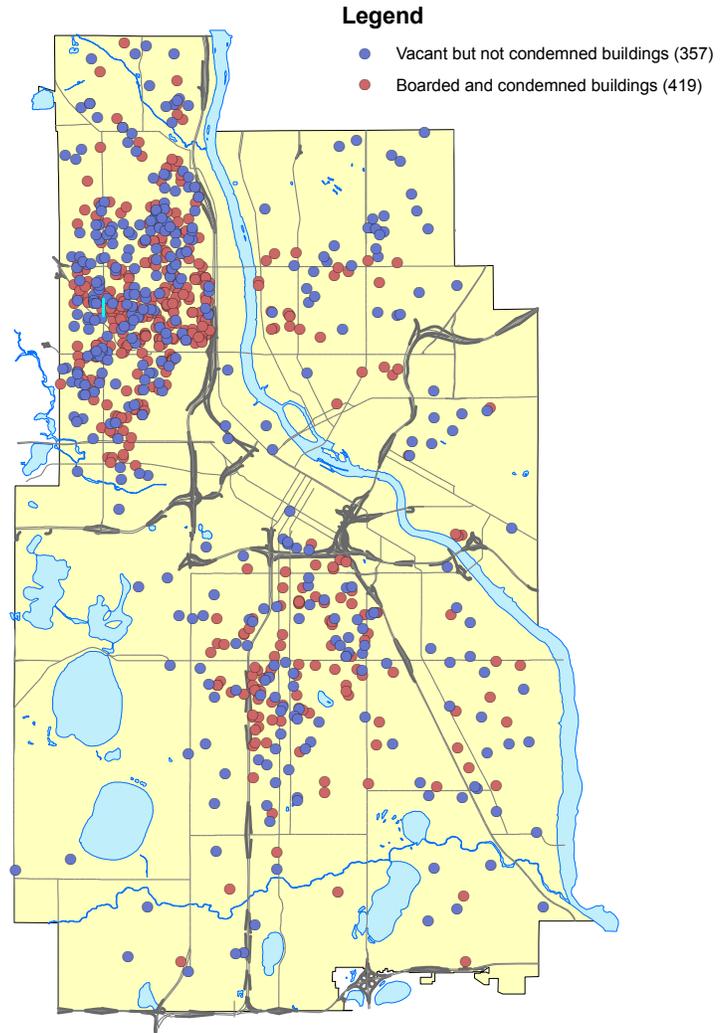


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis as of the end of June

	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Boarded and condemned buildings	534	495	495	456	419
Vacant but not condemned	324	338	354	372	357
Total	858	833	849	828	776

Source: Minneapolis Regulatory Services

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

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

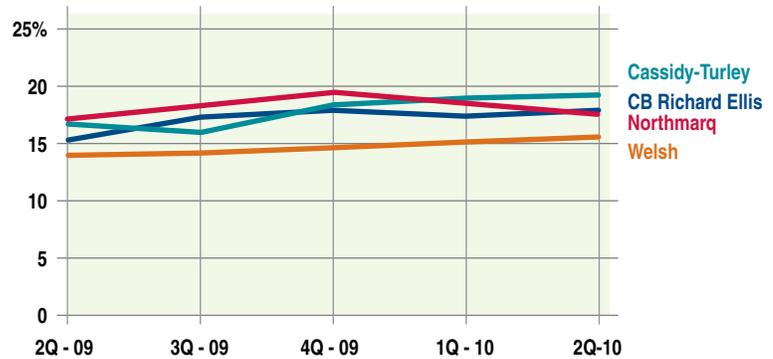
Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) increased again this quarter and was much higher than last year, not taking into account subleases. When they are added, the total vacancy rate hovered between 20 and 16 percent, according to commercial real estate firms.

The average vacancy rate in the metro area was, like Minneapolis, much higher than last year, although it tended to decrease from last quarter.

Adding sub-leases brings the vacancy rate up to between 20 and 17 percent.

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

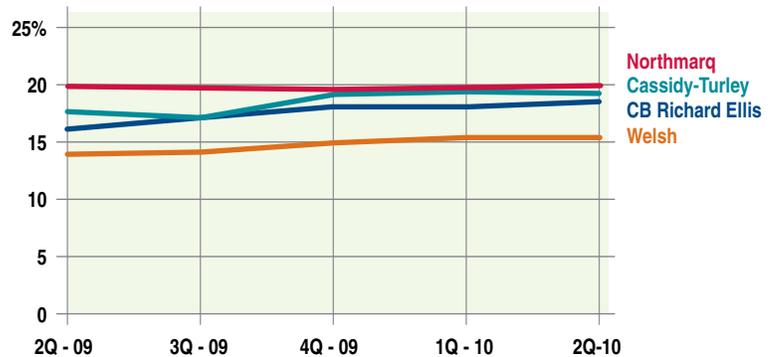


	2Q 09	3Q 09	4Q 09	1Q 10	2Q-10
CB Richard Ellis	15.2%	17.2%	17.7%	17.6%	17.8%
Cassidy -Turley	16.6%	16.0%	17.9%	18.4%	18.7%
Welsh	14.0%	14.2%	14.8%	15.1%	15.4%
Northmarq*	17.1%		19.5%		17.7%

Sources: CB Richard Ellis, Cassidy-Turley (formerly Colliers), NorthMarq (formerly United Properties), Welsh

* By half year.

Figure 22: **OFFICE SPACE VACANCY RATE – Metro area**
in percent



	2Q 09	3Q 09	4Q 09	1Q 10	2Q-10
CB Richard Ellis	16.5%	17.2%	17.9%	17.9%	18.3%
Cassidy -Turley	17.7%	17.2%	18.6%	18.9%	18.6%
Welsh	13.9%	14.1%	15.0%	15.5%	15.6%
NorthMarq*	19.9%		19.6%		19.9%

Sources: CB Richard Ellis, Cassidy-Turley (formerly Colliers), NorthMarq (formerly United Properties), Welsh

* By half year.

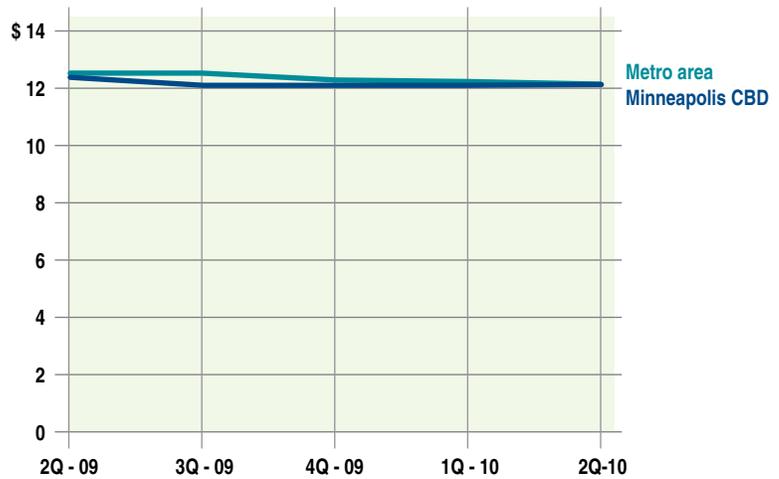
See explanation of sources on [page 44](#)

Office space

The average asking lease price per square foot in the Minneapolis central business district (CBD) increased this quarter, but was about \$0.43 lower than second quarter a year ago. In the metro area it decreased to the same level of the Minneapolis CBD and was \$0.50 lower than last year. Increasing vacant space continued to put downward pressure on prices.

Given ongoing economic uncertainty, tenants and developers were cautious about leasing and building more space. As a result, there were so many vacant properties and excess space that landlords were making many concessions either to keep old tenants or attract new ones. This quarter the city CBD and the metro area both lost occupied office space, although the loss was smaller than last year.

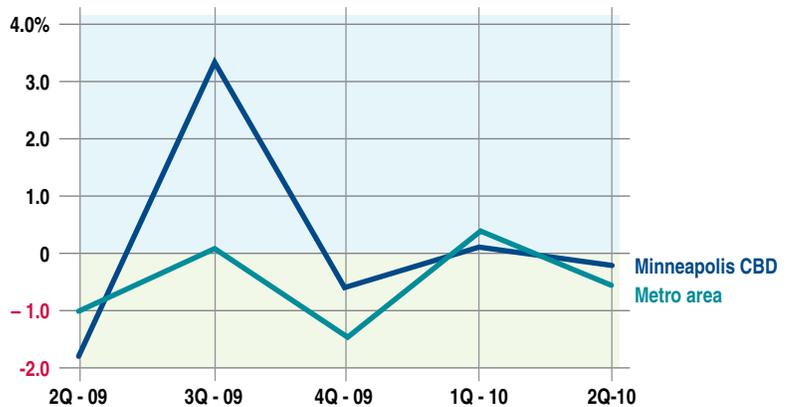
Figure 23: **OFFICE AVERAGE ASKING LEASE PRICE**
in current dollars per square foot per year



Source: CB Richard Ellis

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

Figure 24: **OCCUPIED OFFICE SPACE – rate of growth**
in percent



Source: CB Richard Ellis

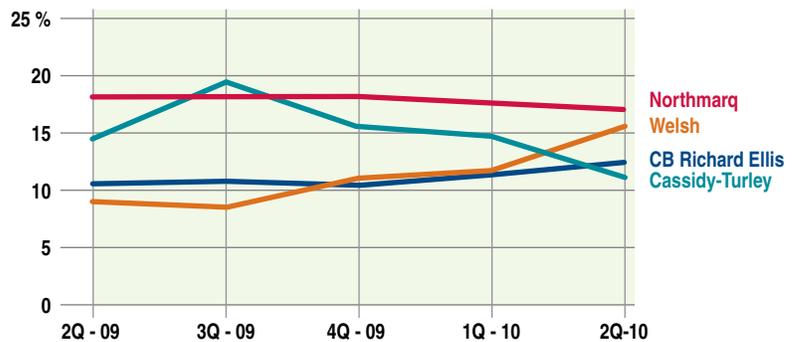
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD fluctuated between 15.7 and 11.7 percent according to commercial real estate firms. Although economic conditions began to improve, demand was still constrained by low consumer spending related to high unemployment.

The vacancy rate in the metro area increased again this quarter and was higher than a year ago according to commercial real estate firms. Even when increasing, first quarter rate was below that of Minneapolis CBD.

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

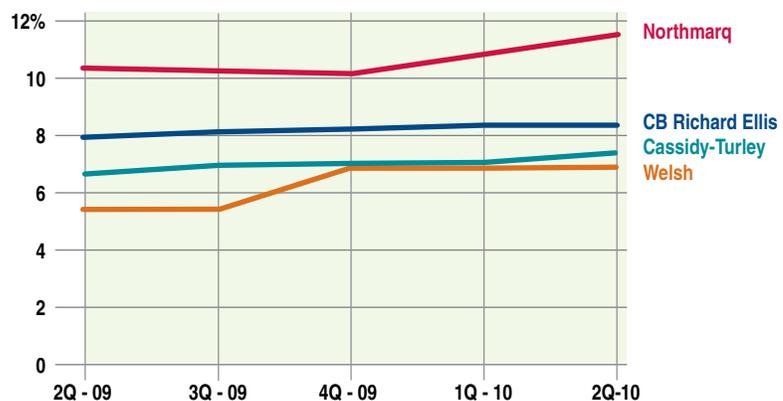


	2Q 09	3Q 09	4Q 09	1Q 10	2Q-10
CB Richard Ellis	10.3%	10.9%	10.5%	11.7%	12.3%
Cassidy-Turley	14.7%	19.4%	15.4%	14.8%	11.3%
Welsh	9.1%	8.4%	10.7%	11.9%	15.7%
NorthMarq*	18.0%		18.0%		17.3%

Sources: CB Richard Ellis, Cassidy-Turley (formerly Colliers), NorthMarq (formerly United Properties), Welsh

* By half year

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



Sources: CB Richard Ellis, Colliers, Welsh, United

High (H) and low (L) in the two graphs above refer to estimates made by two other commercial market firms compared to the base estimate made by CB Richard Ellis.

	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
CB Richard Ellis	7.9%	8.1%	8.3%	8.7%	8.7%
Welsh	5.4%	5.4%	7.4%	7.4%	7.5%
Cassidy-Turley	7.1%	7.4%	7.5%	7.6%	8.1%
NorthMarq*	10.3%		10.1%		11.5%

Sources: CB Richard Ellis, Cassidy-Turley (formerly Colliers), NorthMarq (formerly United Properties), Welsh

* By half year

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

Retail space

In Minneapolis central business district (CBD), the average asking lease price continued to decline. In second quarter it was about \$0.44 lower than first quarter and \$1.26 lower than last year.

The average asking lease price also decreased in the metropolitan area, but it was \$0.06 higher than last year. In comparison, landlords were asking \$7.2 more in the Minneapolis CBD than in the metro area.

Occupied retail space in the Minneapolis central business district (CBD) decreased by 0.7 percent, less than last quarter and a year ago. This quarter activity was flat when a block of vacant space was added with the closing of Game-Works in Block E on Hennepin Ave last quarter.

Outside the downtown area, Calhoun Square opened after expansion, adding new retailers. In the rest of the metro area occupied retail space did not change, but decreased almost 5 percent from a year ago. Blockbuster closed at many locations and also did Hollywood Video. Second-hand stores expanded but were unable to offset the increasing vacancies in the market.

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



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis CBD	\$ 25.63	\$ 24.53	\$ 25.54	\$ 24.81	\$ 24.37
Metro area	17.09	17.13	17.35	17.21	17.15

Source: CB Richard Ellis

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

Figure 28: **OCCUPIED RETAIL SPACE – rate of growth**
in percent



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis CBD	-1.0%	-0.7%	0.4%	-1.3%	-0.7%
Metro area	-4.8%	4.3%	0.3%	-0.3%	0.0%

Source: CB Richard Ellis

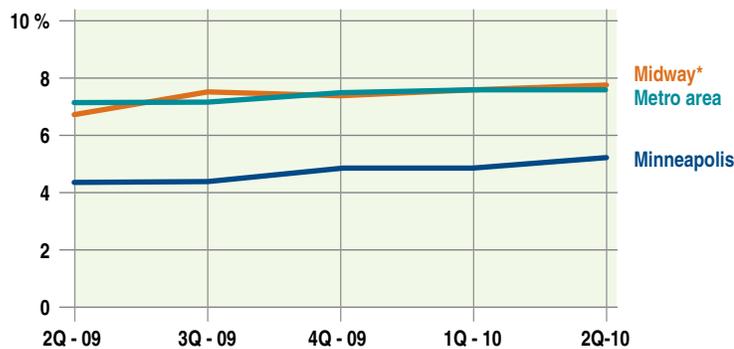
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space direct vacancy rate (not including sublease space) increased in both Midway and Minneapolis from 7.4 and 4.9 percent last quarter to 7.7 and 5.3 percent respectively. It was stable in the metro area. In comparison with the same quarter the previous year the vacancy rate was much higher in all three areas.

The average asking lease price for warehouse space slightly decreased in Minneapolis industrial areas and Midway since last quarter, but it was stable in the metro area. In all three areas asking prices were lower than the same quarter last year.

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



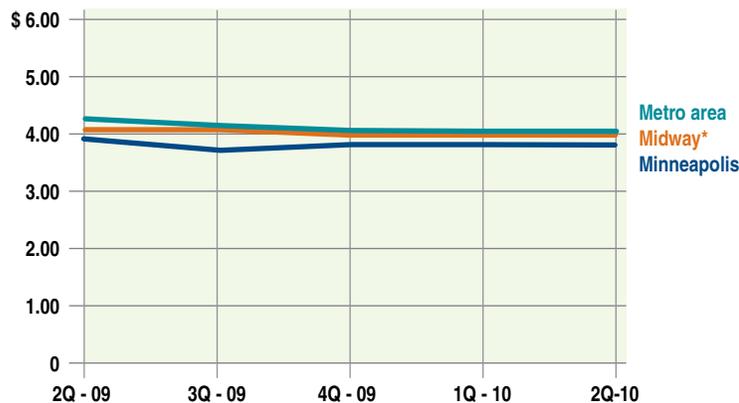
	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis	4.4%	4.4%	4.9%	4.9%	5.3%
Midway	6.8%	7.4%	7.2%	7.4%	7.7%
Metro area	7.1%	7.1%	7.3%	7.4%	7.4%

Source: CB Richard Ellis

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

* Midway industrial area includes parts of Northeast Minneapolis and Saint Paul.

Figure 30: **INDUSTRIAL AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis	\$ 3.90	\$ 3.71	\$ 3.83	\$ 3.83	\$ 3.82
Midway	4.08	4.07	3.98	3.99	3.98
Metro area	4.34	4.13	4.06	4.04	4.02

Source: CB Richard Ellis

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

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

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

Industrial space

Occupied industrial space decreased in all the three areas, declining the most in Midway. However, the decline was less steep than the same quarter a year ago. Firms shed more space than they leased while looking for the lowest price. Landlords tried to keep tenants and often gave concessions. Tenants preferred bulk warehouses.

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



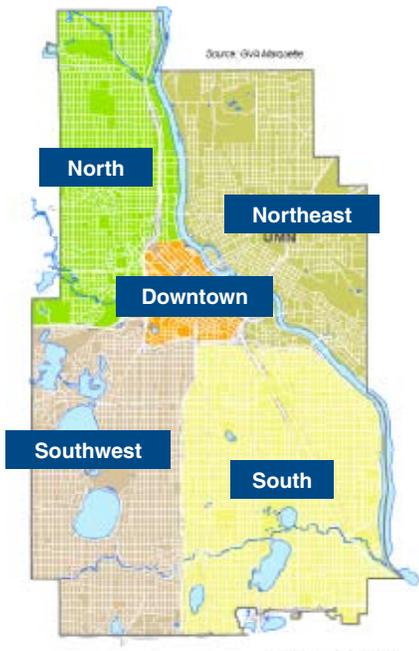
	2Q-09	3Q-09	4Q-09	1Q-10	2Q-10
Minneapolis	-6.3%	0.3%	-0.5%	-3.5%	-0.7%
Midway	-3.8%	-0.4%	0.2%	-1.3%	-1.3%
Metro area	-2.3%	0.4%	-0.2%	-0.7%	-0.1%

Source: CB Richard Ellis

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

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Definitions & sources



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

Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area.
- **City areas:** For data analysis purposes, GVA Marquette Advisors divides the city into five sub-areas, according to the map below.

Note that we are changing the Minneapolis sector names to reflect changes that GVA Marquette made at the City's request. South is now South-west; East is South, and NE, SE and UMN is Northeast. North remains North.
- **Median sale values:** These values are based on home prices researched by the Minneapolis Area Association of Realtors (MAAR).
- **Closed home sales:** These values are based on home sales reported by the Minneapolis Area Association of Realtors (MAAR). Closed sales mean that there is an agreement to sell and steps have been taken toward that end.

MAAR makes a difference between traditional sales and lender-mediated sales. The first type includes all sales that are neither foreclosures nor short sales. These two define the lender-mediated sales.
- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).
- **Foreclosure sales:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are reported by the Hennepin County Sheriff to Hennepin County Taxpayer Services Department and later sent to City of Minneapolis CPED Research Division. Hennepin County's methodology is to count all foreclosure Sheriff's sales categories (mortgage, assessments, associations, executions and judgments). Data include only foreclosed properties in the City of Minneapolis that were sold at public option in the specified time period.

- **Boarded and vacant buildings:** A vacant property is a property identified as such by City of Minneapolis inspectors; City Ordinance 249 requires the property's owner to register it as vacant. In addition to being vacant, the property could be condemned as uninhabitable either for being boarded more than 60 days or because of lack of maintenance. Data on boarded and vacant buildings are obtained from the City Department of Regulatory Services.
- **Real estate statistics** as reported by CB Richard Ellis (www.cbre.com) include office, retail and industrial space vacancy rates, yearly lease price per square foot and absorption of square feet for the Twin Cities metropolitan area, Minneapolis and Midway (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries. Minneapolis Trends also shows office and retail vacancy rates reported by other major firms: Cassidy-Turley (formerly Colliers (<http://www.cassidyturley.com/Research.aspx>); Welsh Companies (www.welshco.com/research/CurrentMktReports.asp); NorthMarq (Formerly United Properties) <http://www.northmarqcompass.com/Pages/Home.aspx>

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

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

Rate of growth and absorption: This is the change in occupied square feet from one quarter to the next, determined by subtracting vacant space (not including sublets and shadow space) from the rentable space available.

Graphs 21 and 22 report direct office vacancy rates (do not count sublease space), and graphs 25 and 26 report total retail vacancy rates (including sublease vacant space.) Office and retail rates are reported this quarter by four different firms: CB Richard Ellis, Cassidy-Turley, Welsh and NorthMarq. Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys. Variations in retail vacancy rates are more evident than in the case of office vacancy rates. These variations result not only from the factors affecting office vacancies but also —

and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

Inflation-adjusted figures: For the purpose of analyzing residential rent, text is based on values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the second quarter 2009, dollars have been converted with an index of 1.0005, the result of the relation between the CPI for June 2010 (199.223) and the CPI for June 2009 (199.319). For the period from second quarter 2010 to first quarter 2010, the index is 0.9971, obtained by dividing 199.223 (June 2010) by 198.647 (March 2010.)



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