

## Highlights for the fourth quarter and year end 2006

- The unemployment rate decreased to 3.7 percent, which was the lowest rate since the second quarter of 2001, before the economic slowdown *see page 4*
- Lead by multifamily housing, Minneapolis ended the year with 1,757 new residential units permitted, a 16.7 percent increase over 2005 levels. *see page 13*
- Average annual rental vacancy rates in Minneapolis and the metro area trended downward, but rents are still declining in inflation-adjusted dollars *see page 25*
- The housing market slowed in 2006, but overall median sale prices increased from last year *see page 29*
- Foreclosures sales continued to increase, with 1,610 foreclosure sales for the year, approximately half of them in the north side *see page 30*
- Quarterly office vacancy rates increased slightly in the Minneapolis central business district (CBD), but the average asking lease price continued to increase, reaching its highest level in nominal prices since the fourth quarter of 2002. On an annual basis, rates in both Minneapolis CBD and the metro area continued a downward trend which started two years ago *see page 32,33*
- Minneapolis CBD lost occupied retail space, while the quarterly vacancy rate increased to 11 percent from last quarter and the price per square foot declined *see page 34*

## In the second quarter of 2006

(the most recent data available for employment information)

- There were 9,182 (3.2 percent) more jobs in the city than in the same period last year. This rate of growth outpaced job growth in the metro area, which was 1.4 percent *see page 5*
- Overall wage and salary levels in Minneapolis increased 2.5 percent in inflation-adjusted dollars, ahead of the metro area and the state *see page 8*

# Minneapolis Trends

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



fourth quarter 2006



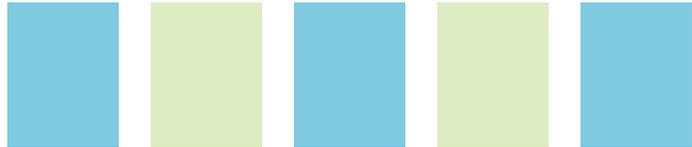
**City of Minneapolis**  
Department of Community Planning  
& Economic Development - CPED

Vol. 5, No. 4

2006

# Minneapolis Trends

## fourth quarter 2006



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## ECONOMIC INDICATORS

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- The number of jobs located in Minneapolis continued to increase in the second quarter of 2006\*, adding 9,182 jobs from one year earlier, for a 3.2 percent increase over 12 months. This compared to 1.4 percent increase in metro area jobs for the same period.
- In inflation-adjusted dollars weekly wages grew 2.5 percent in the city during the second quarter of 2006 – ahead of the 2.4 percent wage growth in the metro area and 0.6 percent in the state\*.
- The unemployment rate decreased to 3.7 percent the fourth quarter, which is slightly lower than the same quarter last year. It is the lowest unemployment rate reported since the second quarter of 2001.
- On an annual basis, the unemployment rate averaged 3.9 percent for 2006, down from 4.2 percent in 2005, and the lowest annual rate since 2001.

\* *Most current available data*

## LABOR FORCE

### Fourth quarter

Employment levels of Minneapolis residents were up slightly, by 0.3 percent, from the same quarter a year ago. Unemployment was 3.7 percent this quarter, down from 4 percent last quarter and down from 3.8 percent in the fourth quarter last year.

### 2006 average

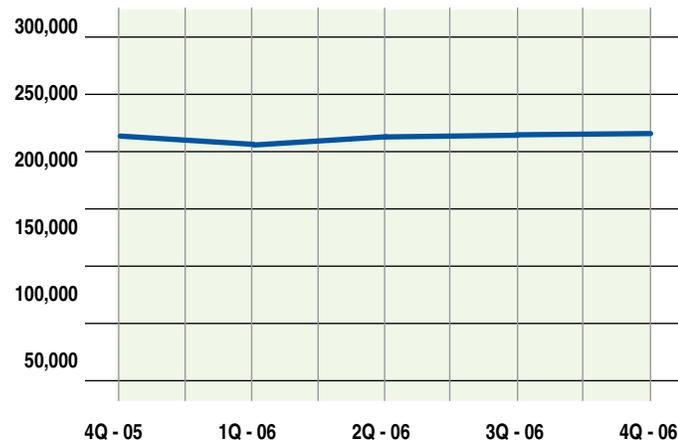
Overall for the year, the city's average employment increased by 0.4 percent, to 213,707, compared to 212,872 in 2005. The unemployment rate declined from 4.2 percent in 2005 to 3.9 percent in 2006.

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

	2005 4Q-05	2006 1Q-06	2Q-06	3Q-06	4Q-06	2006 Average
Labor Force	223,389	219,613	222,241	223,815	223,424	222,424
Employment	214,949	210,328	214,060	214,931	215,507	213,707
Unemployment Rate	3.8%	4.2%	3.8%	4.0%	3.7%	3.9%

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

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis



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

## JOBS

The most recent figures available are from the second quarter of 2006. The number of jobs located in Minneapolis increased from the previous quarter by 2 percent and from the same quarter the previous year by 3.2 percent, showing a clear acceleration from the last quarter and the same time last year. Categories showing the most year-to-year growth in overall number of jobs were finance and insurance (adding 2,815 jobs) for a year-to-year growth rate of 10.2 percent,

and Educational services (adding almost 1,700 jobs) for a year-to-year growth rate of 6.2 percent. Professional and technical services added 1,533 jobs, a 5.4 percent increase over the same period in 2005. Health care and social assistance, the management of companies and enterprises, and administrative and waste services added more than 1,300 jobs each. The two last sectors grew at 8.8 percent and 9.9 percent respectively.

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

	2Q-2005	3Q-2005	4Q-2005	1Q-2006	2Q-2006
Manufacturing	16,611	16,762	16,776	16,859	16,892
Utilities*	3,158	3,114	3,145	3,038	3,069
Wholesale trade	9,569	9,816	9,691	9,648	9,667
Retail trade	16,756	16,644	17,308	15,065	15,275
Transportation and warehousing*	4,445	4,312	4,577	4,372	4,328
Information	11,524	11,637	11,505	11,156	10,919
Finance and insurance*	27,626	27,979	28,052	30,403	30,441
Real estate and rental and leasing	6,271	6,439	6,374	6,258	6,339
Professional and technical services*	28,236	29,163	29,253	29,359	29,769
Management of companies & enterprises	14,857	14,583	15,216	16,108	16,166
Administrative and waste services*	13,977	14,693	15,240	14,398	15,366
Educational services	27,401	25,441	27,880	28,565	29,096
Health care and social assistance	42,164	42,686	42,604	42,956	43,629
Arts, entertainment and recreation*	5,011	4,899	4,980	4,497	5,027
Accommodation and food services	22,057	22,593	22,324	21,628	22,828
Other services*	10,575	10,685	10,727	10,263	10,686
Public administration	12,943	13,293	12,865	12,361	12,618
<b>Total, all industries<sup>1</sup></b>	<b>287,023</b>	<b>288,947</b>	<b>292,460</b>	<b>290,453</b>	<b>296,205</b>

Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment and Wages. Figures show latest DEED information.

\* Private jobs only

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

## JOBS

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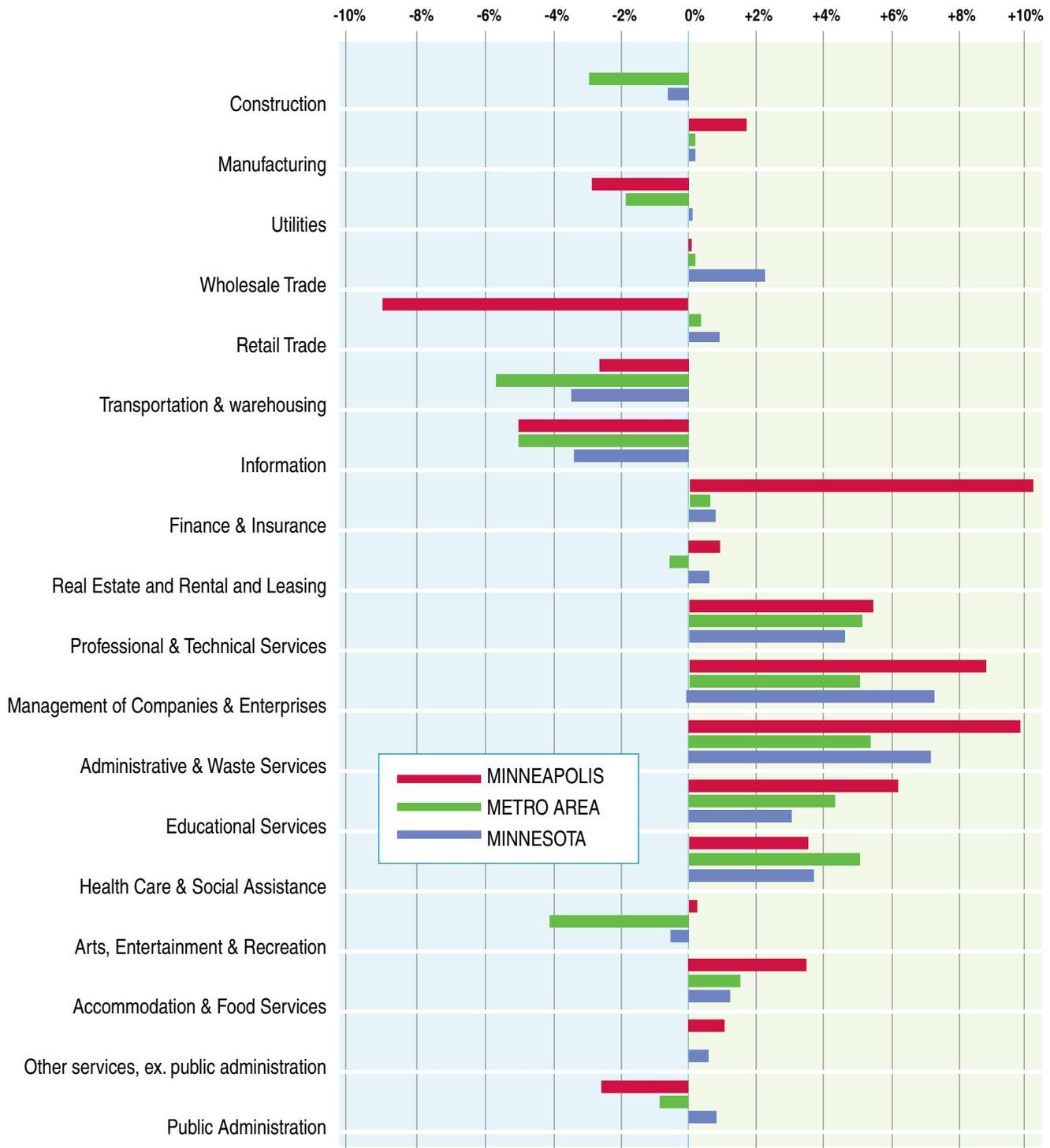
From the second quarter of 2005 to the second quarter of 2006, the number of jobs increased in many economic sectors and decreased in about half as many. Nine sectors grew in Minneapolis, in the region and in the state: finance, professional and technical services, management of companies, administrative and waste services, educational services, health care, accommodation and food services, manufacturing, and wholesale trade. In Minneapolis, finance and insurance had the highest growth, adding 10.2 percent more jobs, but it grew less in the region and the state. Professional and technical services jobs increased at similar rates in the three jurisdictions, adding the most jobs across the state. Jobs in the management of companies and in administrative and waste services grew most in Minneapolis, followed by the state and finally the metro area. Educational services demonstrated good performance in Minneapolis, but also

expanded considerably in the other two jurisdictions, while health care and social assistance grew the most in the state. Accommodation and food services and manufacturing increased faster in Minneapolis than in the other two areas, while wholesale trade was slower in the city. In contrast, the information sector lost jobs everywhere. The same tendency prevailed in the transportation and warehousing sector. The city was hit hardest in the retail sector, losing 8.8 percent of its jobs. Jobs in utilities declined in the City of Minneapolis and the metro area, but grew slightly statewide. The category of arts, entertainment and recreation was hit hardest in the metro area where it lost more than 4 percent of its jobs. Real estate grew slightly in the city and state but decreased in the metro area. The number of public administration jobs declined by 2.5 percent in the city and 0.9 percent in the metro area; it grew slightly in the state.

# JOBS

Figure 2: **JOBS** – 2Q-2005 TO 2Q-2006 – percent change

Source: CPED with revised data from DEED



## WAGES

The average weekly wage in Minneapolis in the second quarter of 2006 was \$1,007, a nominal increase of \$38 (\$24 in inflation-adjusted dollars\*) from the same period the previous year. Wages increased in most economic sectors during this time. The sector with the highest year-to-year wage increases was real estate, which had benefited from the housing boom but slowed in the fourth quarter due to reduced housing sales. This sector increased weekly wages by \$913 (\$900 in inflation-adjusted dollars\*). The other two sectors that increased the most during the year were management of companies (which increased \$182 – \$160 in inflation-adjusted dollars\*) and public administration (which increased \$61 – \$47 in inflation-adjusted dollars\*). Five sectors saw their average weekly wages decline over the year: professional and technical services; retail trade; arts, entertainment and recreation; educational services; and utilities. Professional and technical services, which is adding jobs, saw its weekly wage drop by \$79 (\$99 in inflation-adjusted dollars\*).

\* For conversion index, see page 11

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

INDUSTRY	2Q-05	3Q-05	4Q-05	1Q-06	2Q-06
Total, all industries (1)	\$969	\$1,002	\$1,043	\$1,110	\$1,007
Manufacturing	\$911	\$939	\$1,045	\$1,024	\$941
Utilities*	\$1,595	\$1,634	\$1,622	\$2,018	\$1,571
Wholesale trade	\$1,020	\$1,074	\$1,158	\$1,107	\$1,063
Retail trade	\$582	\$623	\$588	\$495	\$519
Transportation & warehousing*	\$638	\$699	\$686	\$625	\$662
Information	\$1,043	\$1,071	\$1,115	\$1,188	\$1,080
Finance & insurance*	\$1,431	\$1,500	\$1,685	\$2,420	\$1,472
Real estate & rental and leasing	\$916	\$986	\$1,069	\$1,145	\$1,829
Professional & technical services*	\$1,454	\$1,409	\$1,716	\$1,421	\$1,375
Management of companies & enterprises	\$1,578	\$1,617	\$1,508	\$1,477	\$1,76
Administrative & waste services*	\$552	\$590	\$571	\$590	\$567
Educational services	\$904	\$1,035	\$909	\$995	\$858
Health care & social assistance	\$830	\$873	\$895	\$885	\$884
Arts, entertainment & recreation*	\$1,154	\$1,298	\$931	\$1,003	\$1,093
Accommodation & food services	\$324	\$340	\$338	\$336	\$337
Other services*	\$528	\$553	\$541	\$533	\$533
Public administration	\$996	\$987	\$1,066	\$1,048	\$1,057

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

\* Only private wages

1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues. Table reflects the latest revisions by DEED.

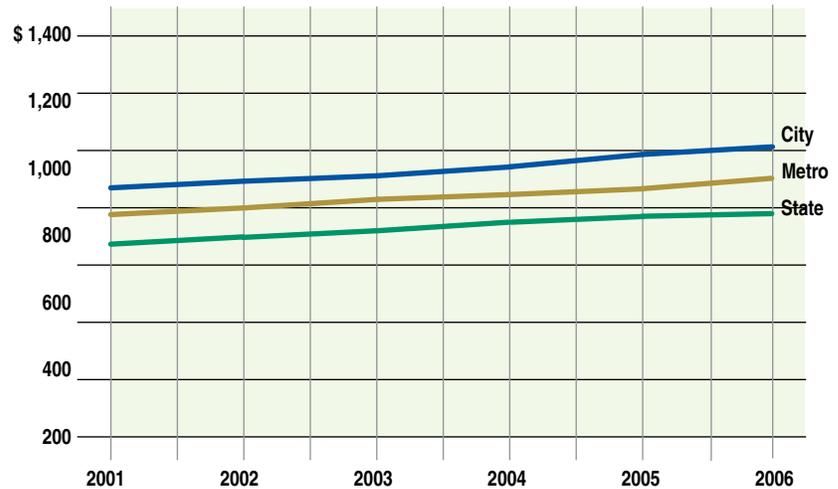
## WAGES

In general, jobs in Minneapolis continued to command higher average weekly wages than jobs in the metropolitan area or the state did. Second-quarter wages in Minneapolis increased 3.9 percent from 2005 to 2006 or 2.5 percent adjusted for inflation\*. This is higher than the state's wage growth of 3.8 percent or 0.6 percent adjusted for inflation\* and the metro area's wage growth of 3.8 percent or 2.4 percent adjusted for inflation.

Most industries increased wages in inflation-adjusted dollars since the first quarter of 2005 in the city, the metro area and the state. Two industries decreased wages in the three jurisdictions: utilities and educational services. In Minneapolis, wages in retail trade had a large drop of 12 percent, while professional and technical services and arts, entertainment and recreation decreased 6.7 percent and 6.6 percent respectively. In the metro area and the state, the transportation and warehousing sector had the largest decrease in wages — 9.9 percent and 9.7 percent respectively.

\* For conversion index, see page 10

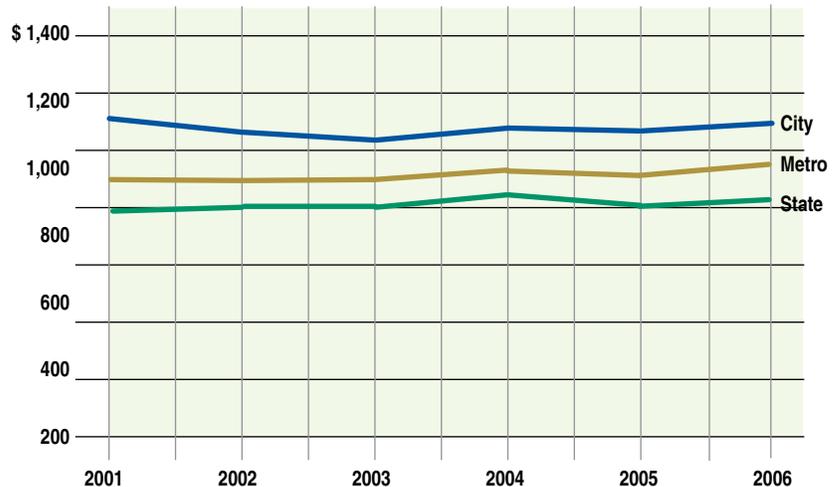
Figure 3: **AVERAGE WEEKLY WAGES** – 2nd quarter  
in current dollars



Source: CPED with data from DEED.

	2001	2002	2003	2004	2005	2006
Minneapolis	\$865	\$881	\$905	\$933	\$969	\$1,007
Metro area	\$786	\$801	\$822	\$846	\$867	\$900
Minnesota	\$689	\$704	\$723	\$742	\$760	\$789

Figure 4: **AVERAGE WEEKLY WAGES** – 2nd quarter  
in first half of year 2006 dollars



Source: CPED with data from DEED

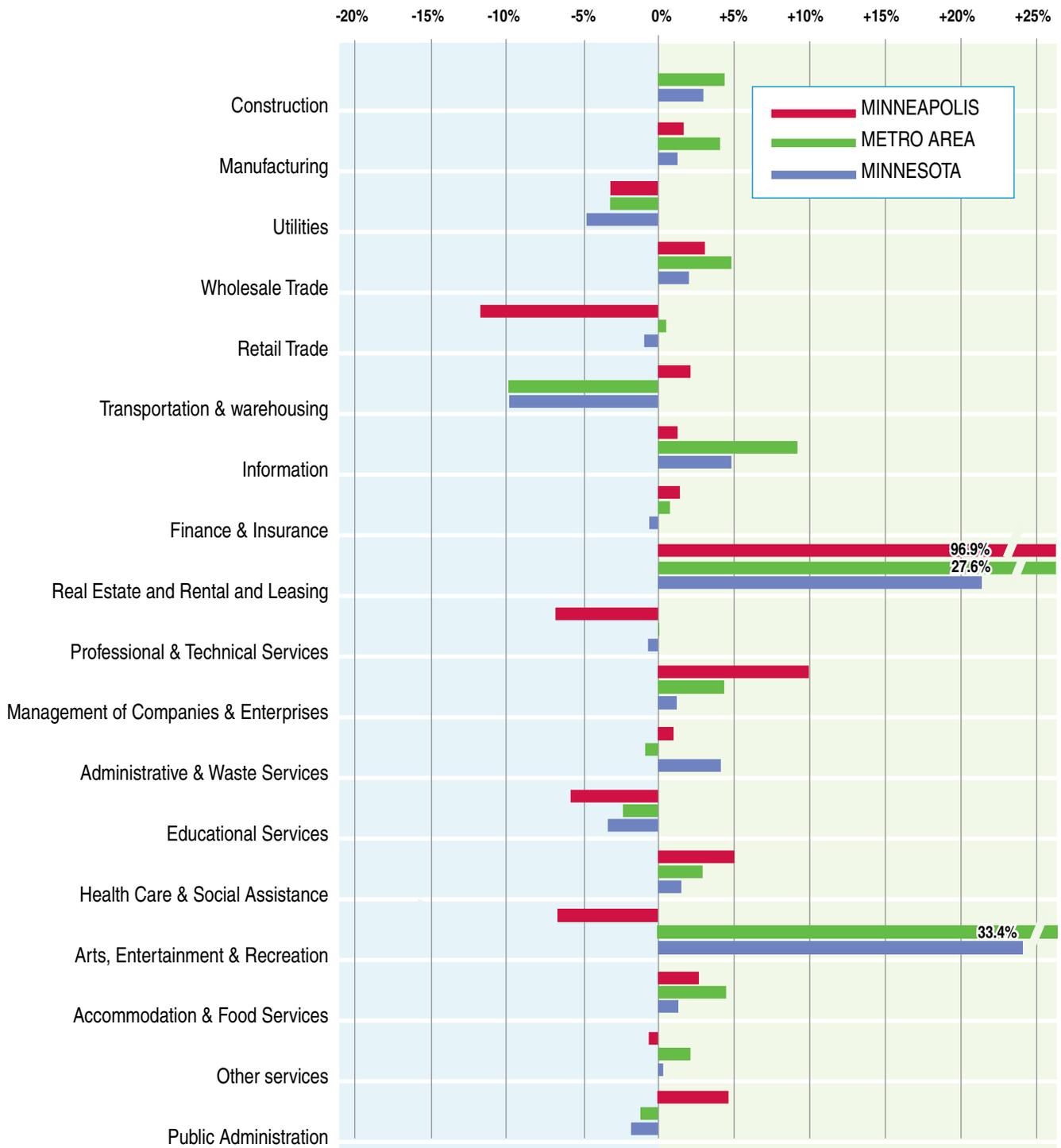
Total values adjusted to dollars for the first half of 2006 based on Bureau of Labor Statistics' Consumer Price Index for all urban consumer goods.

	2001	2002	2003	2004	2005	2006
Minneapolis	\$963	\$959	\$972	\$976	\$983	\$1,007
Metro area	\$875	\$872	\$883	\$885	\$879	\$900
Minnesota	\$767	\$779	\$782	\$787	\$784	\$789

# WAGES

Figure 5: **AVERAGE WEEKLY SALARIES** – 2Q-05 to 2Q-06  
in inflation-adjusted dollars

Source: CPED with data from DEED



**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 is the average number of non-farm workers employed or looking for a job at a given time. Table 1 presents quarterly information for the city.

**Jobs and wages:** Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area and Minnesota. To see how the “digits” work, go to [www.census.gov/epcd/naics02](http://www.census.gov/epcd/naics02)

**Inflation-adjusted figures:** Values reported in most tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the first quarter of 2006, dollars have been converted with an index reflecting the CPI for the first half of the respective years from 2000 to 2006, with 2006 as a base year. To look at the indexes go to: [www.bls.gov/cpi/home.htm](http://www.bls.gov/cpi/home.htm) and click on “All urban consumers (current series).”

## DEVELOPMENT INDICATORS

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- Due to a general slowdown of the housing market, the number of permits issued to build new residential units – especially new multifamily units – decreased sharply in Minneapolis and the metro area in the fourth quarter.
- In spite of the slowdown in the fourth quarter, Minneapolis ended the year with 16.7 percent more permits for new units than last year, a total of 1,757 units compared to 1,506 in 2005. Almost half (44.6 percent) of the permits for new multifamily units in the metro area were located in the city.
- While the number of permits for new construction fell, the number of permits for residential remodeling rose from 40 in the last quarter of 2005 to 129 in the last quarter of 2006. As a result, the total estimated cost of remodeling was much higher for this period than in the same period last year.
- For 2006 overall, there were 2,059 residential units permitted in Minneapolis, including new construction and conversions, the highest annual total in the city since 2004.

## NEW CONSTRUCTION

### Fourth quarter

In Minneapolis, the rate of new multi-family residential construction fell steeply from 814 units a year ago and 872 units in the last quarter to 130 units this quarter. The number of single family permits in the city remained low but stable. The number of permits in the metropolitan area declined for single- and multifamily units. The deceleration reflects the overall slowdown of the housing market, as developers have built up inventories and sales are proceeding more slowly. In the metropolitan area, new residential construction permits decreased by 28.6 percent since last quarter and by 45 percent since last year at this time.

### Year 2006

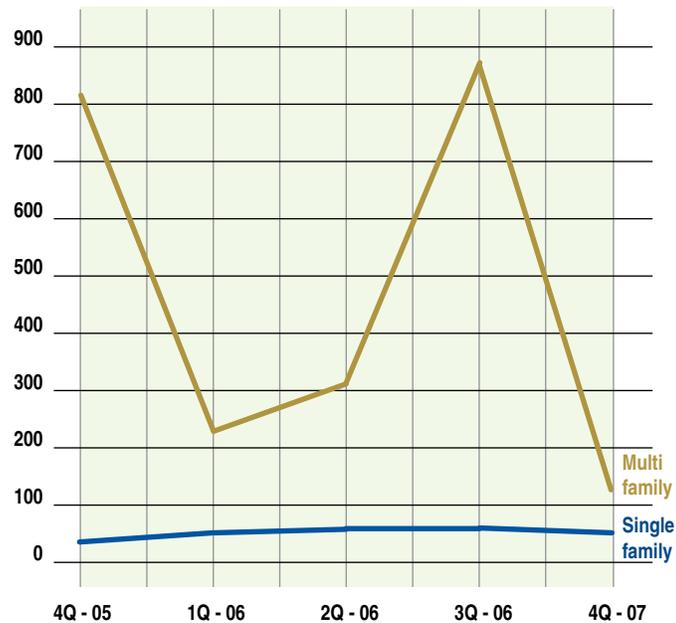
In spite of falling activity levels in the fourth quarter, Minneapolis ended the year with permits for 16.7 percent more units than last year — 251 more units. The numbers come from both single-family and multifamily construction, with more activity in multifamily; single-family construction remained at low levels for the whole year. In the metro area there was a clear reduction in the number of permits, with the total number 37.5 percent lower than last year. Almost half (44.6 percent) of the permits for multi-family units in the metro area were for construction in the city.

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

	2005 4Q-05	1Q-06	2006 2Q-06	3Q-06	4Q-06	2006 total
<b>Single-family</b>						
Minneapolis	42	51	58	58	51	218
Metropolitan area	2,896	2,040	2,677	2,130	1,695	8,542
<b>Multifamily</b>						
Minneapolis	814	229	308	872	130	1,539
Metropolitan area	1,599	485	855	1,330	777	3,447
<b>Total number of units</b>						
Minneapolis	856	280	366	930	181	1,757
Metropolitan area	4,496	2,525	3,552	3,460	2,472	10,299

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

Figure 6: **NEW RESIDENTIAL PERMITS ISSUED – Minneapolis**



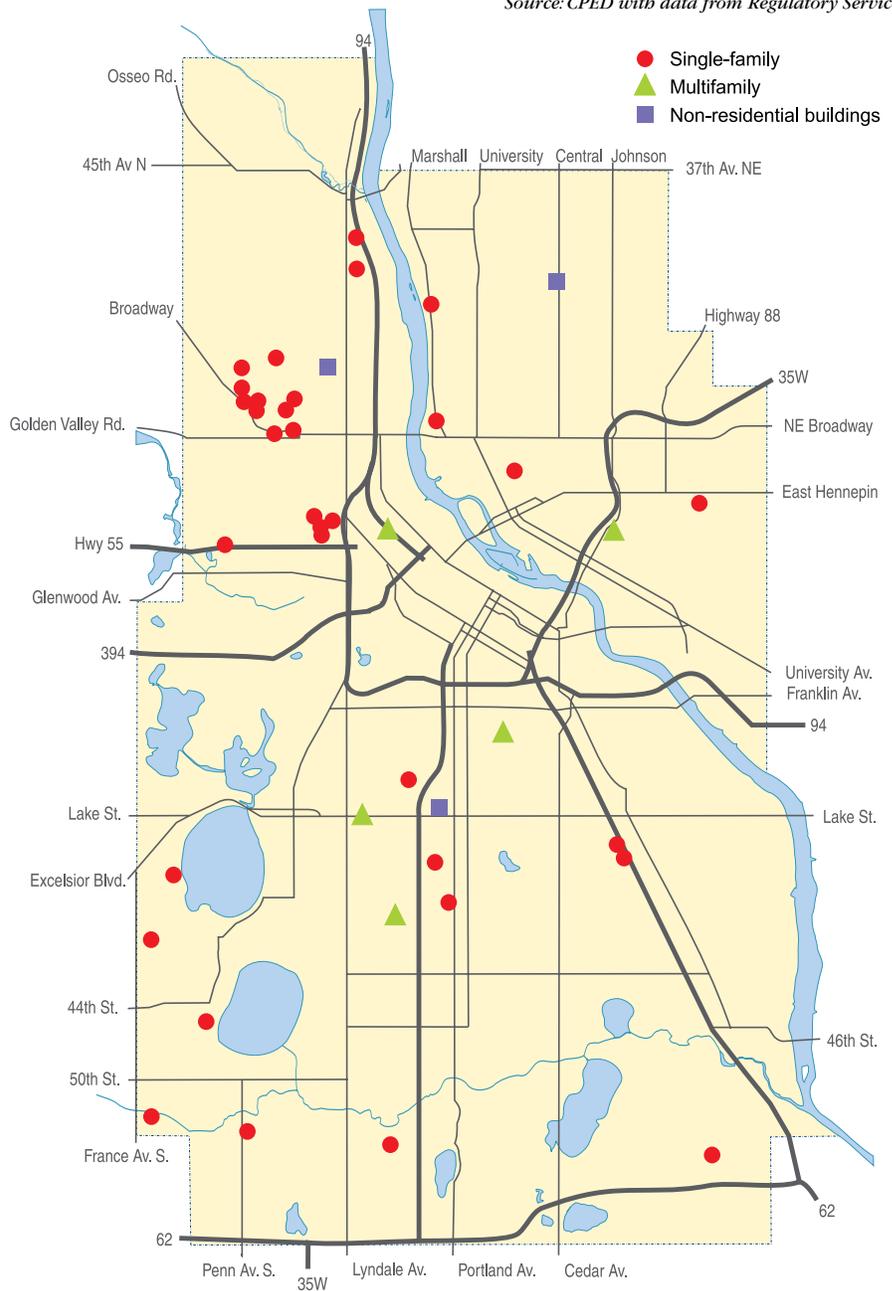
Source: CPED with data from the U.S. Census Bureau

# NEW CONSTRUCTION

Several new single-family dwellings were permitted in North Minneapolis with a concentration between West Broadway and Lowry Avenue North, north of Olson Memorial Highway and west of Interstate 94. Other single-family units appeared scattered in the rest of the city. This quarter the City issued permits for two condominium multifamily buildings — a high-rise with 111 units in the North Loop (730 Lofts) and an eight-unit apartment building on 38th Street West.

**Map 1: NEW CONSTRUCTION**  
4Q-06

Source: CPED with data from Regulatory Services



## RESIDENTIAL CONSTRUCTION COSTS

### **Fourth quarter**

In Minneapolis, the estimated total spent on new residential construction decreased by 78.4 percent in the last year, and by 77.3 percent since last quarter. The decrease was driven by a substantial decrease in multifamily construction. Single-family construction, by contrast, was up by 24.2 percent

In the seven-county metropolitan area, the total estimated amount spent on new construction decreased by 44.6 percent from a year ago. The slowdown was driven by a decrease in permitting for single-family and multifamily units.

### **Year 2006**

Because of the decline in the amount of permits requested, the estimated amount spent on construction in Minneapolis was 4.4 percent lower this year than in 2005. A 23.6-percent increase in estimated amount spent for single-family housing prevented a further fall.

In the seven-county metro area, the number of permits went down 23.7 percent, with the estimated amount spent on multifamily construction declining by 28.6 percent and single-family by 22.4 percent.

Table 5: **RESIDENTIAL CONSTRUCTION COST**

	4Q-2005	1Q-2006	2Q-2006	3Q-2006	4Q-2006	Year-end 2006
<b>Single family</b>						
Minneapolis	\$8,313,893	\$9,315,354	\$13,185,282	\$13,508,232	\$ 10,324,424	\$ 46,333,292
Metropolitan area	\$672,278,335	\$505,437,798	\$634,980,815	\$493,157,132	\$420,724,043	\$2,054,299,788
<b>Multifamily</b>						
Minneapolis	\$152,525,123	\$34,987,500	\$43,313,637	\$139,590,469	\$ 24,482,487	\$ 242,374,093
Metropolitan area	\$260,941,872	\$65,922,178	\$117,477,464	\$200,318,688	\$ 95,854,110	\$ 479,572,440
<b>Total number of units</b>						
Minneapolis	\$160,839,016	\$44,302,854	\$56,498,919	\$153,098,701	\$34,806,911	\$288,707,385
Metropolitan area	\$933,220,207	\$571,359,976	\$752,458,279	\$693,475,820	\$516,578,153	\$2,533,872,228

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

Table values are not adjusted for inflation

## RESIDENTIAL CONSTRUCTION COSTS

### Fourth quarter

The average construction cost for single-family houses in Minneapolis increased by 2.3 percent, from \$197,950 in the fourth quarter of 2005 to \$202,440 in the fourth quarter of 2006.

In the metropolitan area the average construction cost for single-family houses increased by 6.9 percent, from \$232,140 in the fourth quarter of 2005 to \$248,215 in the fourth quarter of 2006.

### 2006 average

The average construction cost for single-family houses in Minneapolis increased by 12.2 percent, from \$189,348 in 2005 to \$212,538 in 2006.

In the metropolitan area the average construction cost for single-family houses increased by 9.2 percent, from \$220,211 in 2005 to \$240,494 in 2006.

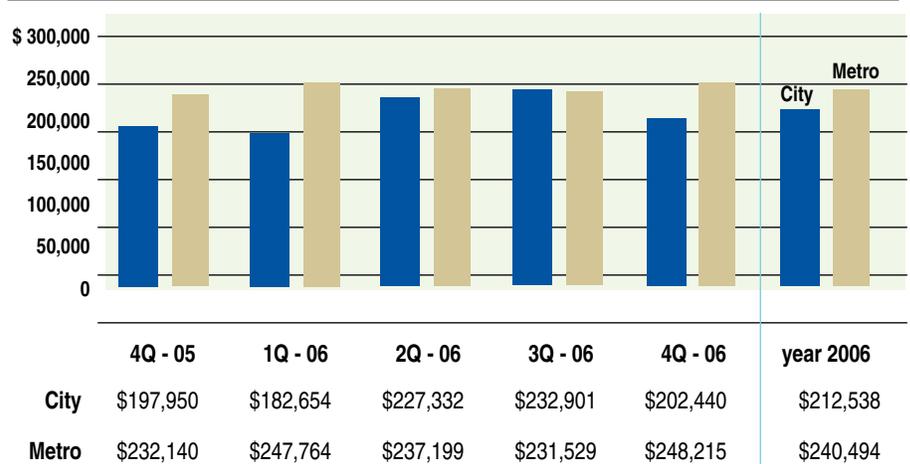
### Fourth quarter

The average construction cost (per unit) for multifamily units in Minneapolis rose since the fourth quarter of 2005. The cost per unit increased a little from \$187,377 to \$188,327 — 0.5 percent higher. For the metropolitan area, the average cost decreased by 32.3 percent, from \$163,191 to \$123,364.

### 2006 average

The average construction cost (per unit) for multifamily units in Minneapolis decreased by 22.1 percent, from \$187,377 in 2005 to \$157,488 in 2006. In the metro area the average cost for multifamily units decreased by 7.8 percent, from \$150,891 in 2005 to \$139,127 in 2006.

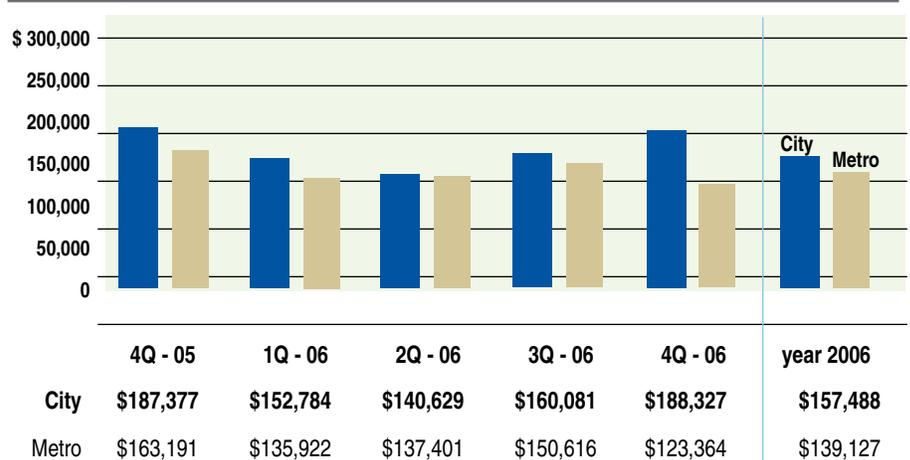
Figure 7: SINGLE FAMILY CONSTRUCTION COST per unit



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

Table values are not adjusted for inflation

Figure 8: MULTI FAMILY CONSTRUCTION COST per unit



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

Table values are not adjusted for inflation

## CONVERSIONS, REMODELS & ADDITIONS

### Fourth quarter

In the fourth quarter, the City issued permits for remodeling and renovations in 129 residential buildings. Five of these buildings were planned for conversion, either from commercial or industrial uses to residential uses or from two or more residential units into a single residential unit. These conversions would add 39 net new residential units. Two duplexes and a triplex were slated for conversion into single-family dwellings. A conversion of a warehouse will add 42 new residential units at 618 Washington Ave. N., and one story of a commercial building also on Washington Avenue North will be changed into a single residential unit.

The total estimated amount to be spent this quarter on residential remodeling and conversion projects costing \$50,000 or more is about \$35.3 million — 1.5 percent lower than last quarter. Compared to about \$6 million in the fourth quarter last year, the estimated amount spent

on residential remodeling in the city is now 29.4 million higher. The difference is more conversion projects, which accounted for 18.5 percent of the total estimated amount spent in the fourth quarter 2006.

The estimated amount spent on non-residential conversions, remodels and additions increased 32.8 percent since last year. This amount covers 114 buildings this quarter compared to 59 in the same quarter last year.

### Year 2006 Total

In 2006 there were 111 more residential buildings to be remodeled than a year earlier, plus 104 more units added in building conversions than a year earlier. The estimated total cost of remodeling was 28.7 percent higher.

There were 99 more non-residential building remodels than in 2005, but the total estimated amount spent was 4.3 percent lower.

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

	4Q-2005	1Q-2006	2Q-2006	3Q-2006	4Q-2006	year 2006
<b>A- Residential</b> <sup>1</sup>						
Number of buildings	40	103	166	158	129	556
Total value	\$5,942	\$16,861	\$44,978	\$35,828	\$ 35,293	\$135,905
Remodels						
Number of buildings	38	100	161	154	124	540
Value	\$5,657	\$16,267	\$21,588	\$24,025	\$28,774	\$96,515
<b>Conversions &amp; additions</b> <sup>2</sup>						
Number of buildings	2	3	5	4	5	16
Number of units	-2	-6	167	102	39	302
Value	\$285	\$594	\$23,391	\$11,803	\$6,519	\$39,390
<b>B- Non-residential</b> <sup>1</sup>						
Number of buildings <sup>3</sup>	59	114	133	130	114	491
Value	\$37,869	\$68,589	\$60,443	\$57,961	\$50,296	\$237,290

Source: CPED with data from Regulatory Services

<sup>1</sup> Residential and non-residential building listings may include structural work, build-outs and other improvements.

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

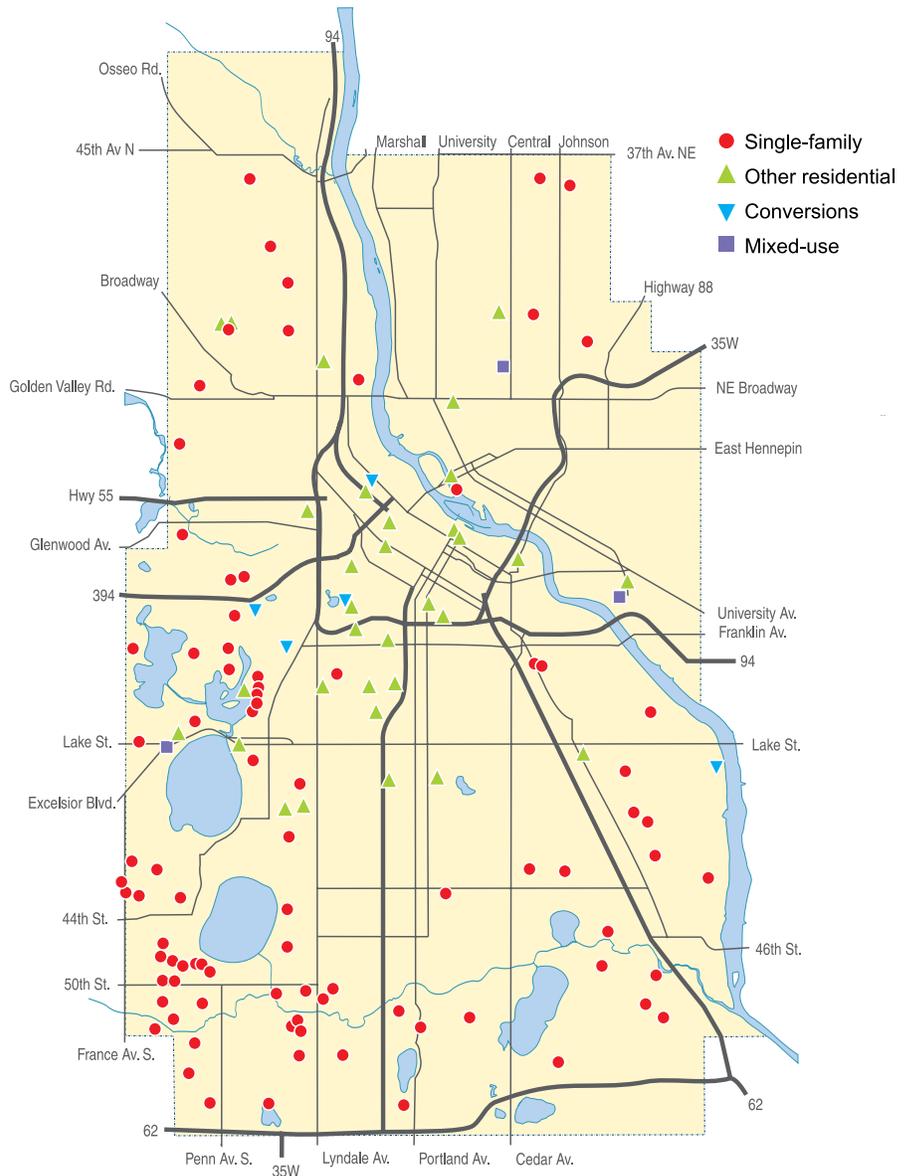
<sup>3</sup> Types of non-residential buildings vary, including parking ramps, communication equipment and public works, commercial or industrial buildings.

## CONVERSIONS, REMODELS & ADDITIONS

Permits for single-family residential remodeling tended to concentrate in the Chain of Lakes area, and to a lesser degree elsewhere in south Minneapolis. Other types of residential permits (including condo and apartment units) tended to locate in and near Downtown, especially south of Franklin Avenue and west of Interstate 35W. A warehouse conversion at 618 Washington Ave. N. called Harvester Lofts was permitted for condos in the North Loop.

Map 2: **RESIDENTIAL REMODELING, RENOVATION & CONVERSION**  
 projects \$50,000 +  
 4Q-06

Source: CPED with data from Regulatory Services

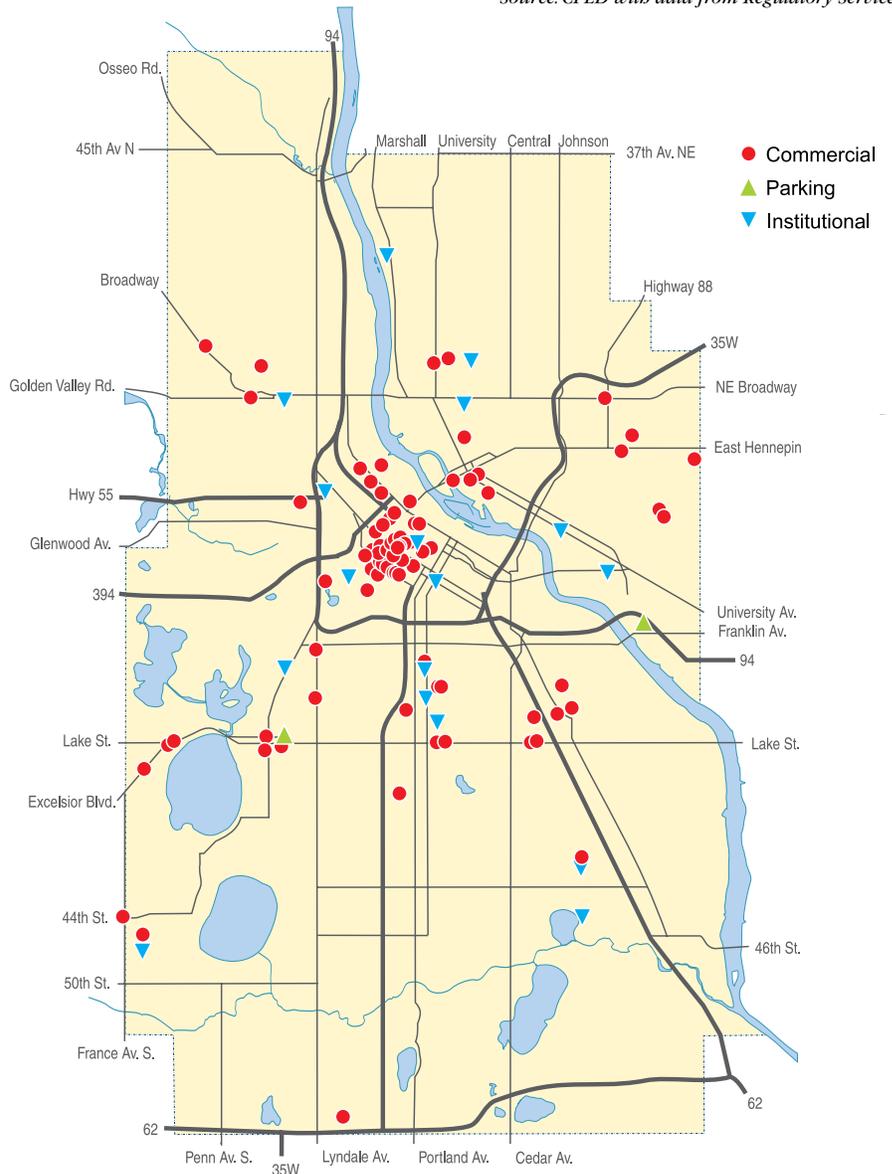


## CONVERSIONS, REMODELS & ADDITIONS

Permits issued in the fourth quarter for non-residential remodeling and renovations were mainly concentrated in Downtown, which accounted for the majority of commercial office remodeling projects. The downtown Marriott Hotel received a permit for a major renovation of rooms and corridors. Outside of Downtown, remodeled commercial buildings were permitted mainly along Hennepin Avenue Northeast, Lake Street and Park Avenue South. Institutional buildings including schools, classrooms and shelters received permits for remodeling in north, northeast and south Minneapolis and Downtown.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION**  
projects \$50,000 +  
4Q-06

Source: CPED with data from Regulatory Services



## MAJOR CONSTRUCTION PROJECTS

Following is a list of major projects (estimated at \$1 million or more) permitted in Minneapolis in the fourth quarter of 2006. The highest cost project is the new construction of 730 Lofts, a 111-unit condominium in the North Loop.

Table 7: **MAJOR CONSTRUCTION** – Minneapolis projects (\$1,000,000+) \* More than one building permit included

ADDRESS	ZIP CODE	PROJECTED CONSTRUCTION COST	DESCRIPTION
730 4th St N	55401	\$ 22,157,257	730 Lofts: 111 condominium units
30 7th St S*	55402	\$ 8,280,825	Marriott Hotel: Renovation of rooms and corridors
618 Washington Ave N	55401	\$ 6,299,000	Harvester Lofts: warehouse conversion into 42 residential units
2924 4th Ave S	55408	\$ 5,600,000	Cristo Rey High School construction finishing
1323 Lake St W	55408	\$ 4,968,457	Calhoun Square: ramp expansion
150 5th St S	55401	\$ 3,500,000	Fifth Street Tower: office tenant remodel
701 Park Ave*	55415	\$ 2,227,822	Hennepin County Medical Center: elevator addition
828 Kasota Ave*	55414	\$ 2,133,876	New French Bakery: Remodel
88 6th St S	55402	\$ 2,000,000	Westin Hotel conversion: restaurant buildout
3408 Zenith Ave S	55416	\$ 1,900,000	New private home
110 1st Ave NE	55413	\$ 1,860,000	Falls Condos: exterior remodel
4600 Beard Ave S	55410	\$ 1,665,735	Southwest High School: auditorium remodel
901 Marquette Ave*	55402	\$ 1,477,578	A&T Tower: office remodel (various tenants)
1805 Lake St W*	55409	\$ 1,472,370	The Edgewater: tenant buildouts
1101 West Broadway*	55411	\$ 1,386,846	Commercial building improvements
2020 28th St E	55407	\$ 1,343,980	Smiley Clinic buildout
4807 Sheridan Ave S	55410	\$ 1,215,000	Private home remodel and addition
19 38th St W	55409	\$ 1,100,000	New eight-unit apartment building
50 10th St S*	55402	\$ 1,012,454	American Linen Office Building: office remodel
2304 Park Ave	55404	\$ 1,000,000	St Mary's University: classrooms and office remodel

\* More than one building permit

Source: CPED with data from City Regulatory Services

# DEMOLITIONS

## Building permits for demolition

### Fourth quarter

Residential demolitions decreased sharply from last quarter, to 27 percent above the level one year ago. This quarter, permits for demolitions included 34 single-family homes, 10 units in duplexes and three units in a triplex. A demolition of a hospital wing on Willow Street was permitted to make room for a residential building

### 2006

The year 2006 ended with 9.4 percent more demolitions than 2005.

Map 4: PERMITS FOR DEMOLITIONS – 4Q-06

Source: CPED with data from Regulatory Services

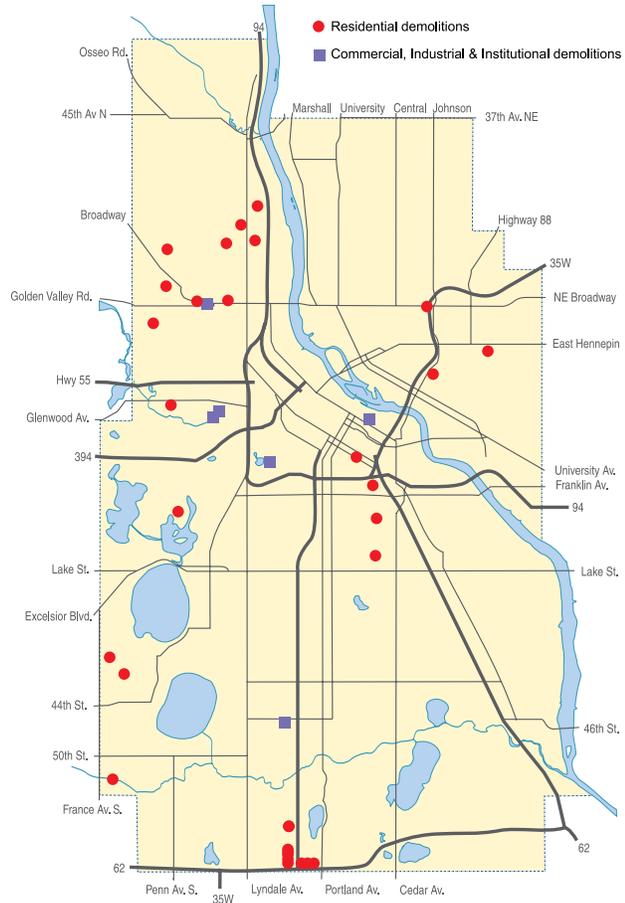
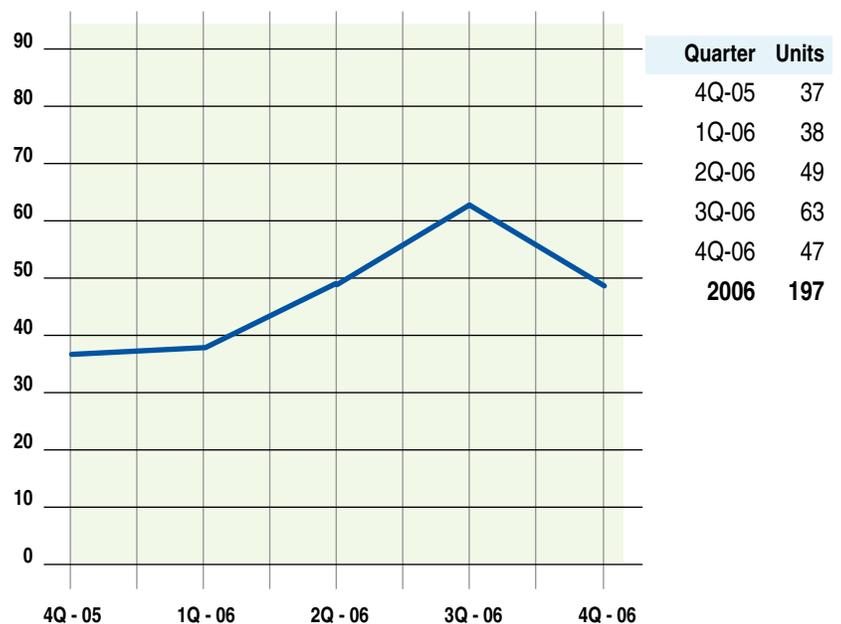


Figure 9: RESIDENTIAL UNITS DEMOLISHED  
number of permits



Source: CPED with data from Regulatory Services.  
Revised figures from last quarter

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

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

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

Multifamily buildings have two or more units in the building, except when noted that triplexes and duplexes are accounted separately.

Cost of residential construction is based on the amount of dollars that developers report as the cost of their projects.

Construction cost per unit refers to the total construction cost reported divided by the number of units permitted during the period considered.

Non-residential buildings include any kind of use except residential. Cost is based on the amount the developer reports to the City Department of Regulatory Services.

**Building permits for residential remodeling, additions and conversions:** Table three and maps 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 or wrecking:** These data were obtained from the City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings. The multifamily building category includes condominiums.

**Maps - Building uses:** Categories listing the uses of buildings are based on descriptions from their permits. The following categories are used:

### **Map 1 - New buildings**

**Single-family** means detached and attached dwellings such as townhouses.

**Multifamily** means buildings with two (duplex and double bungalow), three (triplex) or more residential units.

**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 may include remodeling or build-outs of one or more individual units or 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 part of one project, i.e. renovation of Multifoods Towers downtown.

**Institutional:** This category includes hospitals, clinics, churches, schools, elder care facilities, correctional centers and any other institutional use.

**Transportation related** includes parking, skyways and bus and rail terminals.

### **Map 4 - Demolitions**

**Residential:** all residential buildings (single- and multifamily units)

**Non-residential:** all non-residential buildings and structures

## HOUSING STOCK & THE REAL ESTATE MARKET

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- After declining steadily for the first three quarters of 2006, average vacancy rates for Minneapolis multifamily housing increased this quarter to 3.3 percent. But this was still lower than the same quarter last year.
- Average rent this quarter was higher than one year ago by \$11 in Minneapolis and \$9 in the metro area in inflation-adjusted dollars.
- The housing market slowed, but the overall median price increased from last year after remaining stable for the last three quarters.
- Foreclosure sales hit 474 this quarter, an increase of 48.6 percent since the beginning of the year. Approximately half of the foreclosures were concentrated in two north Minneapolis zip codes: 55411 and 55412.
- Although the office vacancy rate in the Minneapolis central business district (CBD) increased slightly this quarter to 0.3 percent, the average asking price per square foot continued to rise, reaching its highest level since the fourth quarter of 2002.
- The retail vacancy rate in Minneapolis increased from 10 percent last quarter to 11 percent, and average asking prices declined. Occupied retail space in the CBD declined.
- Occupied industrial space declined from last quarter in Midway and Minneapolis, while slightly increasing in the metro area. Because of a lack of suitable industrial sites, vacancy rates tend to be low, but they did increase slightly this quarter in Minneapolis.

# RESIDENTIAL VACANCY RATES

## Fourth quarter

The Minneapolis vacancy rate for multifamily rental units was 3.3 percent, up 6 percent from the previous quarter but down 1.5 percent from a year ago.

The average rent was \$848 up \$6 from the previous quarter and up \$22 (\$11 in inflation-adjusted dollars\*) from a year ago.

In the metropolitan area, the average rental housing vacancy rate was 4.7 percent, up 0.7 percent from last quarter and down by 1.4 percent a year ago. Average rent was \$871, an increase of \$20, but this was actually only a \$9 increase in inflation-adjusted dollars\*.

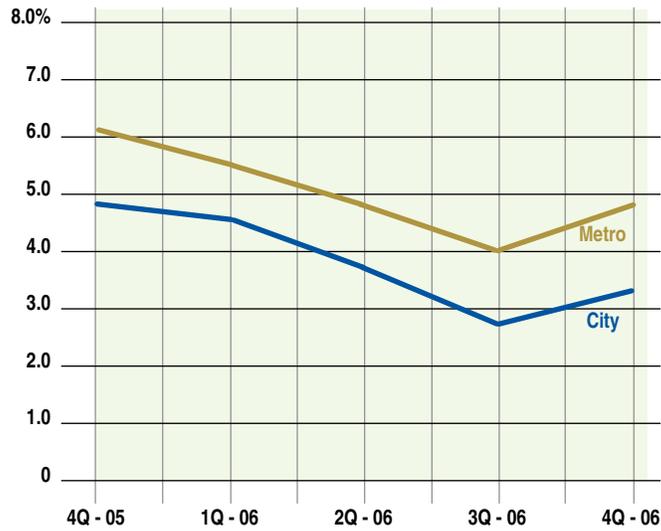
## 2006 average

The average 2006 vacancy rate for rental housing in Minneapolis was 3.6 percent, a decrease from 4.4 percent in 2005. The vacancy rate has been declining since 2003, when it reached 6.3 percent. The metro area's rate also declined, from 6.2 percent in 2005 to 4.7 percent in 2006. It has been declining since it reached 7.2 percent in 2004.

At the same time, rent appeared to inch up but actually declined when adjusted for inflation. In Minneapolis the average apartment rent in 2006 was \$840, an increase of \$14 in current dollars, but an actual decline of \$2.80. In the metro area the average annual rent increased by \$12, but actually lost \$4.50 when corrected for inflation\*.

\*For conversion factors see page 40

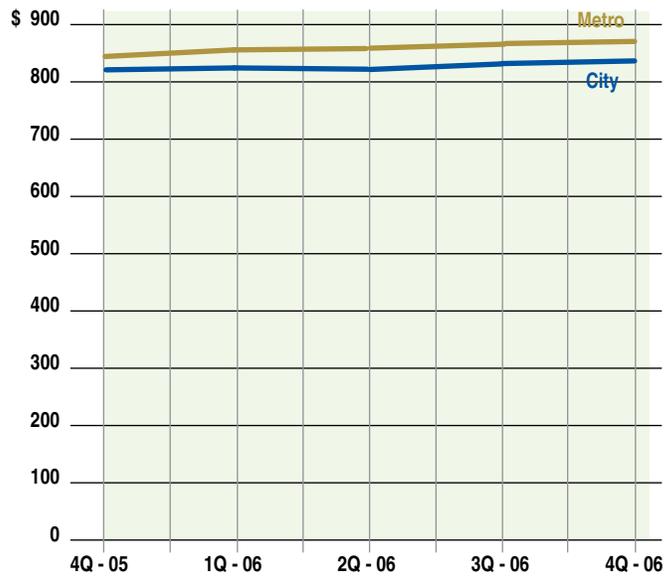
Figure 10: **RENTAL VACANCY RATE**  
Minneapolis & Metro area



Source: CPED with data from GVA Marquette Advisors

Recorded data for the last month of the quarter

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



Source: CPED with data from GVA Marquette Advisors

Numbers in table are not adjusted for inflation

Recorded data for the last month of the quarter

## RESIDENTIAL VACANCY RATES

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

<b>MINNEAPOLIS</b>	<b>2005 4Q-05</b>	<b>2006 1Q-06</b>	<b>2Q-06</b>	<b>3Q-06</b>	<b>4Q-06</b>	<b>2006 YEAR</b>
Units surveyed	15,021	15,209	15,281	15,315	15,228	15,258
Vacant units	722	702	559	421	509	548
Average rent	\$826	\$832	\$836	\$842	\$848	\$840
Vacancy rate	4.8%	4.6%	3.7%	2.7%	3.3%	3.6%
<b>METRO AREA</b>	<b>2005 4Q-05</b>	<b>2006 1Q-06</b>	<b>2Q-06</b>	<b>3Q-06</b>	<b>4Q-06</b>	<b>2006 YEAR</b>
Units surveyed	114,455	116,256	116,616	117,035	115,570	116,369
Vacant units	6,979	6,402	5,615	4,623	5,408	5,512
Average rent	\$851	\$855	\$860	\$867	\$871	\$863
Vacancy rate	6.1%	5.5%	4.8%	4.0%	4.7%	4.7%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties

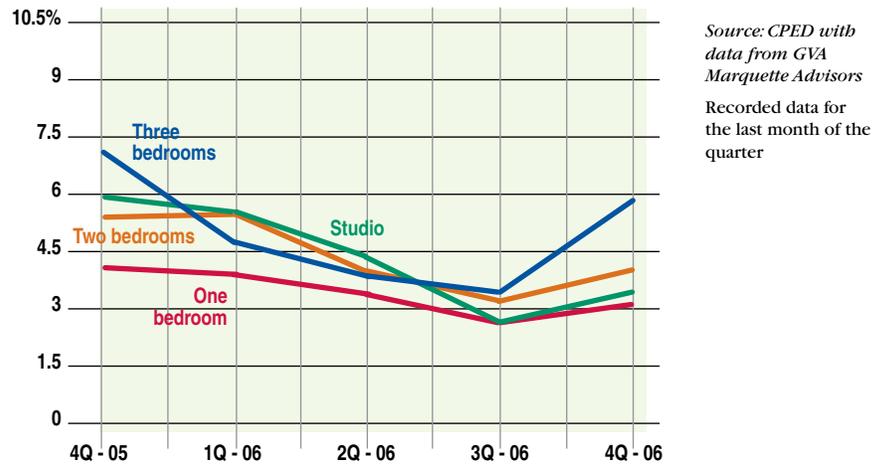
Recorded data for the last month of the quarter

## RESIDENTIAL VACANCY RATES

Vacancy rates in Minneapolis decreased for all apartment types since a year ago. Vacancy rates for studio apartments decreased the most, from 5.9 percent last year to 3.5 percent. But all vacancy rates are higher than last quarter.

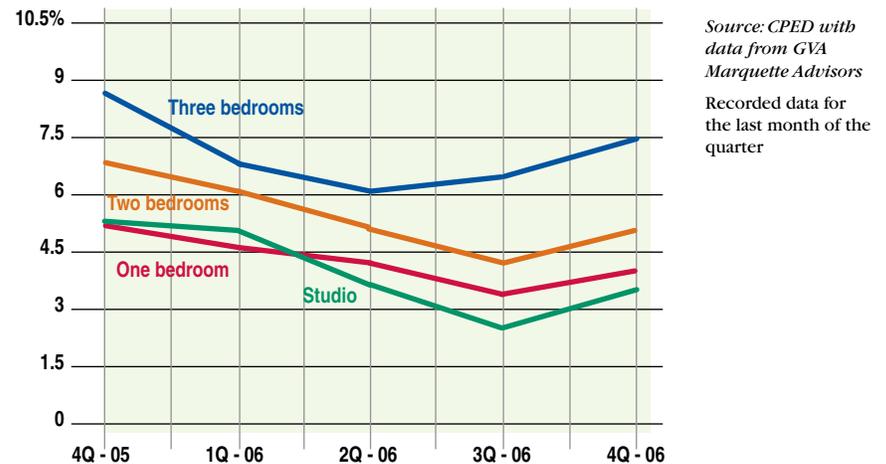
In the metropolitan area vacancy rates for all sizes of apartments increased in the last quarter but decreased in the last year. Vacancy rates for studio apartments decreased the most, from 5.3 percent to 3.4 percent.

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



	Studio	One bedroom	Two bedrooms	Three bedrooms
4Q-05	5.9%	4.2%	5.4%	7.1%
1Q-06	5.5%	4.0%	5.5%	4.6%
2Q-06	4.3%	3.4%	3.9%	3.8%
3Q-06	2.6%	2.6%	3.2%	3.3%
4Q-06	3.5%	3.1%	3.8%	5.8%

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



	Studio	One bedroom	Two bedrooms	Three bedrooms
4Q-05	5.3%	5.2%	6.8%	8.6%
1Q-06	5.0%	4.6%	6.1%	6.7%
2Q-06	3.7%	4.2%	5.2%	6.1%
3Q-06	2.1%	3.4%	4.3%	6.4%
4Q-06	3.4%	3.9%	5.1%	7.5%

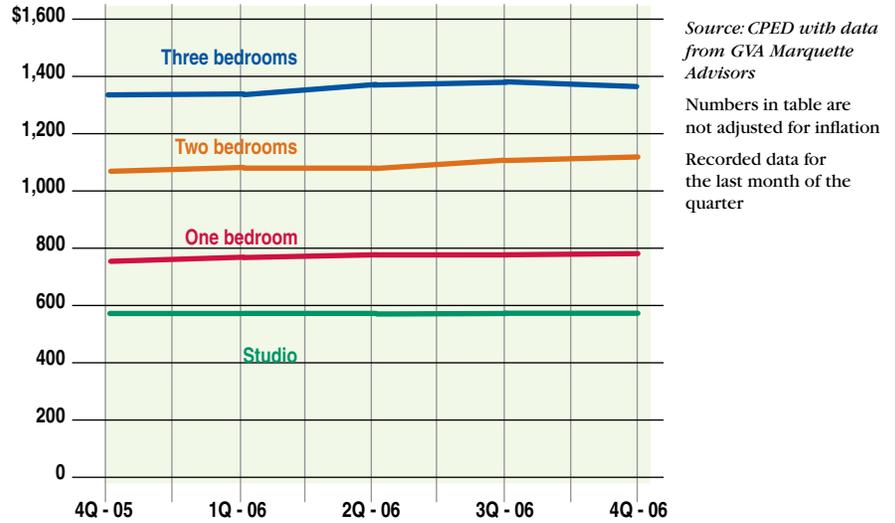
# RESIDENTIAL VACANCY RATES

The average rent for almost all types of apartments in Minneapolis increased from a year ago. Rent only decreased for studio apartments – by \$2 – in spite of the fact that studios were filling up more than other types of apartments. Rent in inflation-adjusted dollars went up the most for two-bedroom apartments, which cost \$28\* more in the fourth quarter of 2006 than a year earlier.

In the metropolitan area, the average rent rose in current dollars from a year ago for all types of apartments. In inflation-adjusted dollars though, rent increased for studio apartments by \$2, for one-bedroom apartments by \$6 and two-bedroom apartments by \$7, but decreased for three-bedroom apartments by \$15\*.

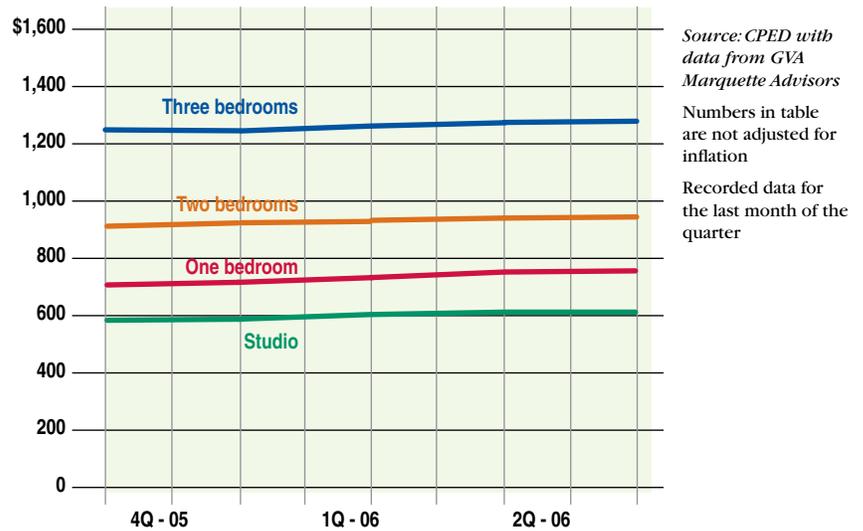
\* For conversion factors see page 40

Figure 14: **AVERAGE RENT**– Minneapolis



	Studio	One bedroom	Two bedrooms	Three bedrooms
4Q-05	\$577	\$768	\$1,071	\$1,332
1Q-06	\$579	\$770	\$1,083	\$1,340
2Q-06	\$583	\$774	\$1,084	\$1,386
3Q-06	\$582	\$778	\$1,100	\$1,390
4Q-06	\$583	\$782	\$1,113	\$1,376

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



	Studio	One bedroom	Two bedrooms	Three bedrooms
4Q-05	\$595	\$735	\$928	\$1,224
1Q-06	\$596	\$738	\$931	\$1,231
2Q-06	\$599	\$742	\$936	\$1,241
3Q-06	\$605	\$750	\$946	\$1,249
4Q-06	\$605	\$751	\$947	\$1,255

## RESIDENTIAL SALES

### Fourth quarter

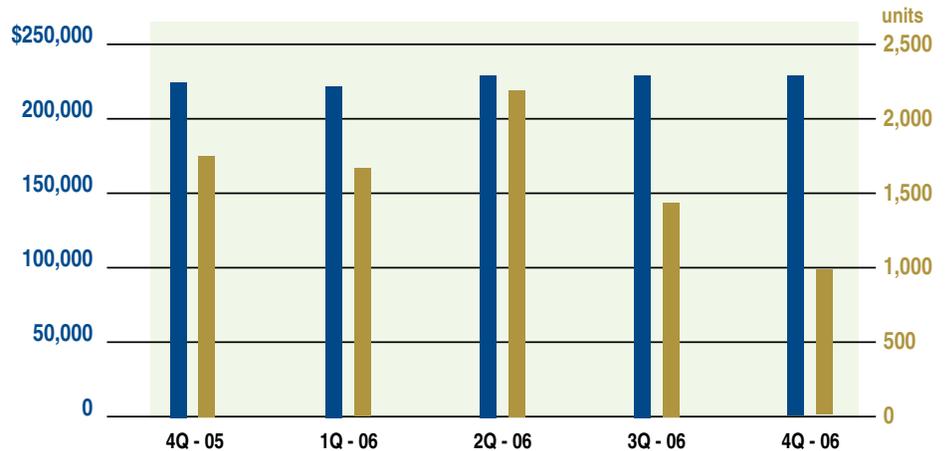
After a large increase in housing sales in the second quarter, preliminary figures for the fourth quarter show the number declining considerably, while the median price remained at \$230,000 for the last three quarters. This median price is an increase of 2.2 percent since a year ago.

The median sale price of single-family houses rose by 3.5 percent since a year ago, while the median sale price for condominiums decreased by 2.8 percent. Two- to three-unit residences dropped in value by 3.8 percent.

### 2006 year-end

The year ended with 6,616 housing units sold in Minneapolis, a drop of 10.9 percent from the 7,422 units sold in 2005 but with a 2.7-percent increase in prices. Residential sales increased for all types of housing, with single-family houses and townhouses increasing the most, but the number of sales dropped across the board, except for condominiums. Condo sales increased 28.7 percent since 2005 and prices went up 1.6 percent.

Figure 16: **MEDIAN RESIDENTIAL SALE PRICE – Minneapolis**



Source: CPED with data from the City of Minneapolis Assessor's Office.

Residential housing includes single-family housing, duplexes, triplexes, condominiums and townhouses. Fourth quarter 2006 figures are preliminary.

Table 9: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES<sup>1</sup> – Minneapolis**

	4Q-2005		1Q-2006		2Q-2006		3Q-2006		4Q-2006 (P)	
	# units	median sale	# units	med. sale	# units	med. sale	# units	med. sale	# units	med. sale
Single family <sup>2</sup>	1,224	\$215,000	1,009	\$209,000	1,474	\$225,000	1,207	\$224,500	695	\$222,600
2-3 units	248	\$260,000	186	\$270,000	211	\$263,400	160	\$273,000	102	\$250,000
Condominium	313	\$243,200	442	\$244,900	553	\$237,900	378	\$249,000	199	\$236,300
<b>Total</b>	<b>1,785</b>	<b>\$225,000</b>	<b>1,637</b>	<b>\$224,000</b>	<b>2,238</b>	<b>\$230,000</b>	<b>1,745</b>	<b>\$230,000</b>	<b>996</b>	<b>\$230,000</b>

	Units	2006 <sup>P</sup> Median Sale
Single Family <sup>2</sup>	659	\$ 220,000
Duplex-Triplex	1,572	\$ 265,000
Condominium	4,385	\$ 241,900
<b>Total</b>	<b>6,616</b>	<b>\$ 229,000</b>

Source: CPED with data from the City of Minneapolis Assessor's Office. Data from the previous quarter is revised and updated since the previous Trends Report.

Table values are not adjusted for inflation.

<sup>1</sup> Numbers do not include apartments or condominiums for sale but not yet sold, vacant land sold or unclassified residential units.

<sup>2</sup> Single family including townhouses (not condominiums)

P Preliminary numbers

## FORECLOSURE SALES

### *Fourth quarter*

During the fourth quarter, 474 housing units went to public auction because of their owners' failure to pay mortgages or other contractual property fees – mostly mortgages. That's an increase of 11 percent from the previous quarter and 48.6 percent from the first quarter of this year. Nearly half of the foreclosures – 48.7 percent – were located in north Minneapolis in zip codes 55411 and 55412.

### *2006 year-end*

2006 closed with 1,610 foreclosure sales, half of them (50.5 percent) concentrated in zip codes 55411 and 55412, on the north side.

Table 10: FORECLOSURE SALES – Minneapolis

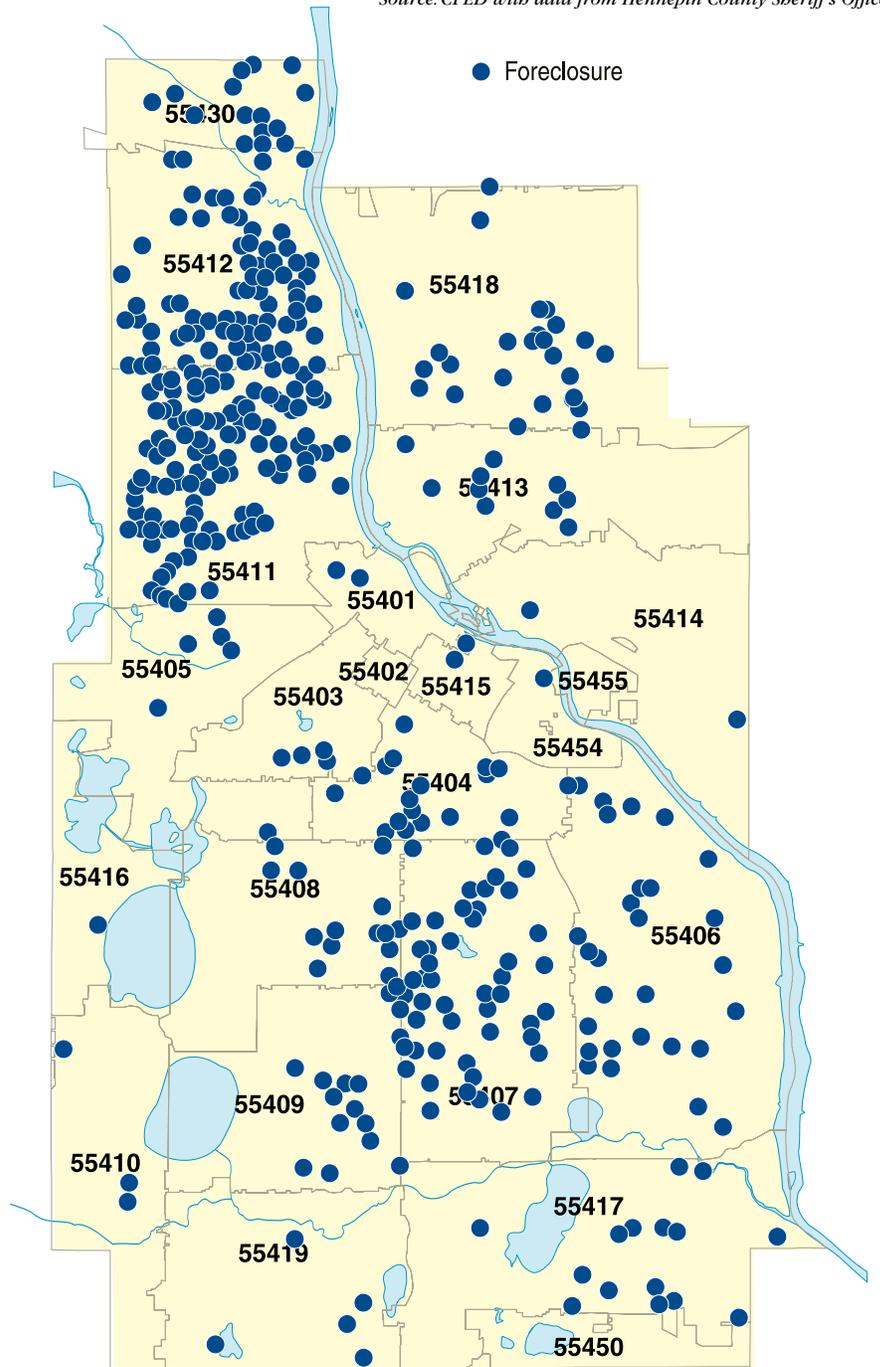
Zip Codes	4Q-06 sales	Percent	2006 sales	Percent
55401	3	0.6%	23	1.4%
55403	5	1.1%	11	0.7%
55404	21	4.4%	64	4.0%
55405	6	1.3%	30	1.9%
55406	27	5.7%	76	4.7%
55407	52	11.0%	147	9.1%
55408	16	3.4%	68	4.2%
55409	21	4.4%	57	3.5%
55410	3	0.6%	15	0.9%
55411	132	27.8%	499	31.0%
55412	99	20.9%	314	19.5%
55413	13	2.7%	41	2.5%
55414	2	0.4%	6	0.4%
55415	7	1.5%	13	0.8%
55416	1	0.2%	6	0.4%
55417	18	3.8%	74	4.6%
55418	26	5.5%	95	5.9%
55419	4	0.8%	19	1.2%
55430	16	3.4%	50	3.1%
55454	2	0.4%	2	0.1%
<b>City total</b>	<b>474</b>		<b>1,610</b>	

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

# FORECLOSURE SALES

Map 5: FORECLOSURE SALES – 4Q-06  
by zipcode

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

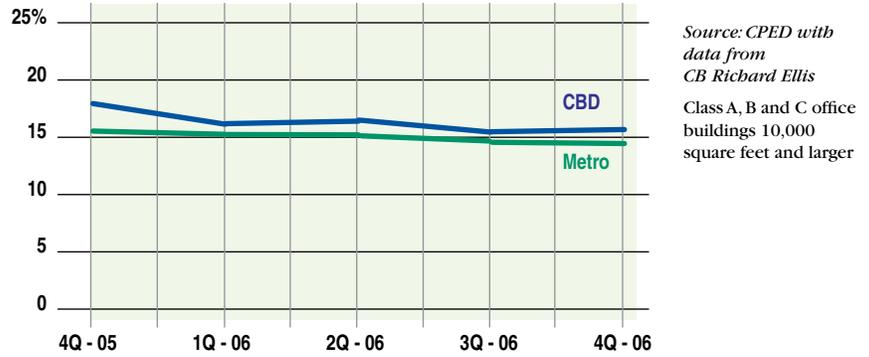


## OFFICE SPACE

The vacancy rate for office space in the Minneapolis central business district (CBD) inched up from 15.3 percent in the third quarter to 15.6 percent in the fourth quarter, but it was still 1.6 percent lower than last year. The metropolitan area average vacancy rate continued declining, almost without interruption since the second quarter of 2004 when it was at 18.3 percent.

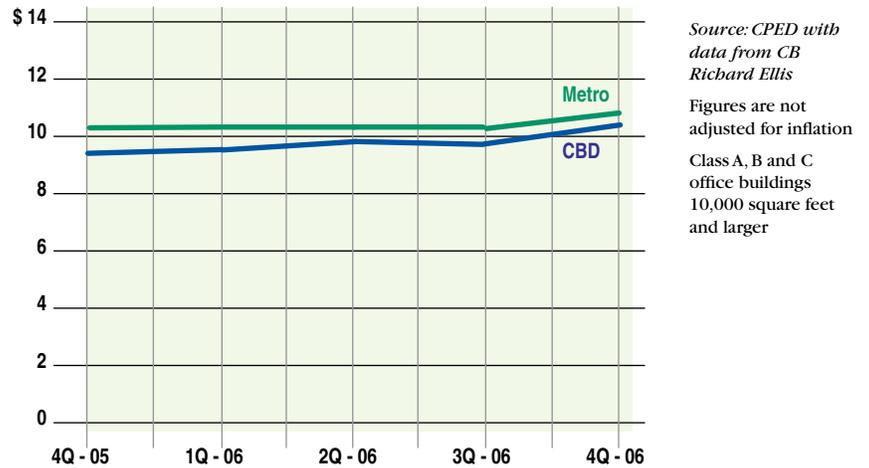
Average asking lease rates in the Minneapolis central business district (CBD) increased in current dollars from last quarter – from \$9.66 to \$10.37 – and also remained ahead of last year’s rate. This is the highest increase in current prices since the fourth quarter of 2002, when average asking prices soared to \$10.57 per square foot. Prices in the Minneapolis CBD this quarter approached those in the metro area. The metro area prices also increased – from \$10.45 last quarter and from \$10.34 a year ago to \$10.82 now.

Figure 17: OFFICE VACANCY RATE



	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06	2006
Minneapolis CBD	17.2%	16.2%	16.5%	15.3%	15.6%	15.9%
Metro area	15.7%	15.2%	15.2%	14.8%	14.7%	15.0%

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



	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06	2006
Minneapolis CBD	\$9.56	\$9.63	\$9.83	\$9.66	\$10.37	\$9.87
Metro area	\$10.34	\$10.38	\$10.41	\$10.45	\$10.82	\$10.82

## OFFICE SPACE

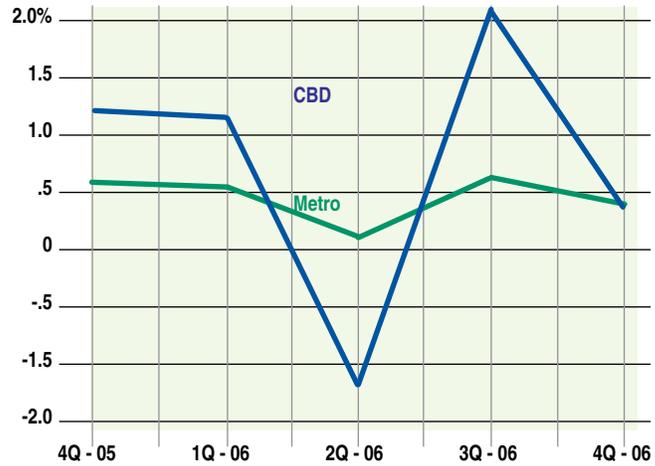
Although office space continued filling in the Minneapolis CBD, the growth of occupied office space (available rentable area minus the vacancy rate) slowed down from the last quarter's fast pace. With no new projects to add new square footage, tenants were renting much of the existing available space. In the metropolitan area, occupied space growth slowed down slightly, but in general it is steady.

### 2006 Averages

Office space vacancy rates in both the Minneapolis CBD and the metro area continued a downward trend that started two years ago. Vacancies in the CBD declined from 18.4 percent last year to 15.9 percent this year. The metro area went from 16.2 percent last year to 15 percent this year.

With more demand for space, the average asking price per square foot increased in the Minneapolis CBD from \$9.53 last year to \$9.87 this year. In the metro area prices rose from \$10.36 last year to \$10.82 this year.

Figure 19: OCCUPIED OFFICE SPACE – rate of growth



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

	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06
Minneapolis CBD	1.21%	1.17%	-1.67%	2.15%	0.41%
Metro area	0.64%	0.55%	0.14%	0.62%	0.44%

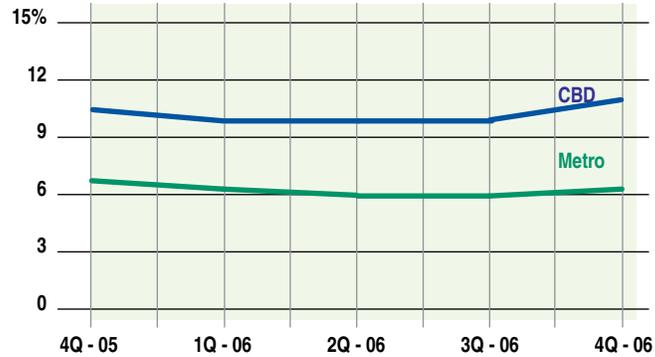
## RETAIL SPACE

### Fourth quarter

The retail vacancy rate in the Minneapolis central business district increased this quarter to 11 percent after remaining at 10 percent for three quarters. The vacancy rate is 0.4 percent higher than one year ago. The vacancy rate in the metropolitan area also increased from last quarter, ending at 6.3 percent, but still 0.5 percent lower than one year ago.

In the city's central business district, the average asking lease price per square foot continued to decline; it was 25.8 percent lower than it was one year ago. In the metropolitan area, the price also decreased from a year ago, but by only 2.4 percent.

Figure 20: **RETAIL VACANCY RATE**

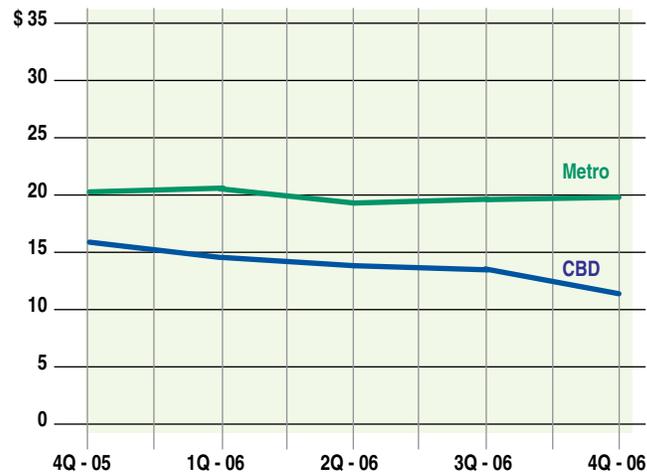


Source: CPED with data from CB Richard Ellis

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

	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06	2006
Minneapolis CBD	10.6%	10.0%	10.0%	10.0%	11.0%	10.3%
Metro area	6.8%	6.3%	6.0%	6.0%	6.3%	6.1%

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



Source: CPED with data from CB Richard Ellis

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

	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06	2006
Minneapolis CBD	\$16.02	\$14.39	\$13.35	\$13.21	\$11.88	\$13.21
Metro area	\$20.12	\$20.18	\$19.67	\$19.84	\$19.63	\$19.83

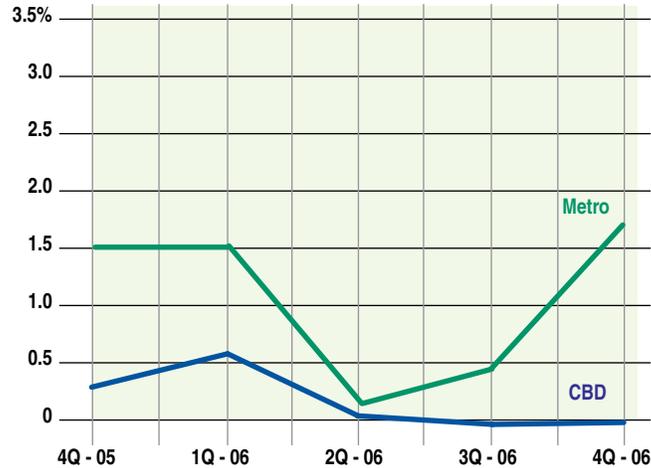
## RETAIL SPACE

The city's central business district continued to decline in occupied retail space (available rentable area minus the vacancy rate) to reach a "growth rate" of negative 0.1 percent (meaning that it was not growing, it was declining). In the metropolitan area it increased to 1.7 percent, more than the growth of 1.5 percent achieved in the first quarter.

### 2006 year-end

Retail space continued to fill at a good pace in the metro area where, because of new construction of retail projects, the available space increased but the vacancy rate decreased at the same time. In the Minneapolis CBD, the vacancy rate declined from 10.84 percent in 2005 to 10.25 percent in 2006. But with so much space in the market, prices went down from \$23.34 to \$13.21 per square foot. To a smaller degree, prices also went down in the metro area, from \$20.99 to \$19.83.

Figure 22: OCCUPIED RETAIL SPACE – rate of growth



Source: CPED with data from CB Richard Ellis

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

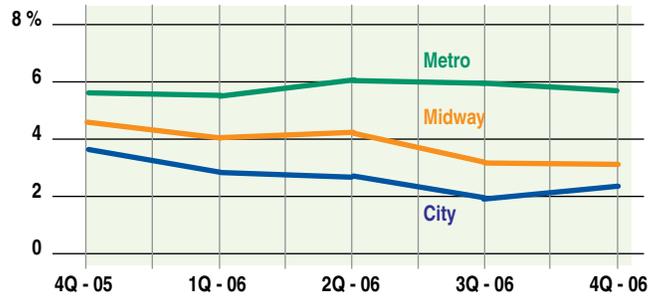
	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06
Minneapolis CBD	0.3%	0.6%	0.1%	-0.1%	-1.0%
Metro area	1.5%	1.5%	0.3%	0.4%	1.7%

## INDUSTRIAL SPACE

The industrial space vacancy rate in Minneapolis increased from last quarter, but at 2.3 percent it was still lower than last year. It was also lower than the metro and Midway rates. In Midway the vacancy rate fell from last quarter to 3.2 percent and also fell from a year ago. In the metro area the vacancy rate dropped to 5.7 percent. That was 0.1 percent lower than last quarter, but 0.1 percent higher than last year. Throughout the region industrial space with modern facilities is in short supply, and available space is occupied as soon as it reaches the market. This results in a low vacancy rate.

In the fourth quarter of 2006, the average asking lease rate for industrial space per square foot in Minneapolis was about 4.8 percent lower than it was a year ago. In Midway it was 9.7 percent higher than a year ago. In the metropolitan area, prices were slightly higher than last year – by 0.5 percent.

Figure 23: **INDUSTRIAL VACANCY RATE**



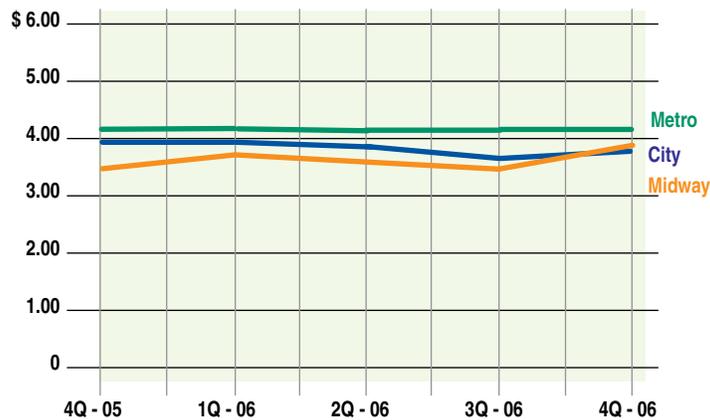
	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06	2006
Minneapolis	3.6%	2.7%	2.6%	1.8%	2.3%	2.4%
Midway*	4.4%	3.9%	4.1%	3.5%	3.2%	3.7%
Metro Area	5.6%	5.5%	5.9%	5.8%	5.7%	5.7%

Source: CPED with data from CB Richard Ellis

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

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

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



	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06	2006
Minneapolis	\$3.96	\$3.95	\$3.83	\$3.71	\$3.77	\$3.82
Midway	\$3.49	\$3.73	\$3.68	\$3.65	\$3.83	\$3.72
Metro area	\$4.16	\$4.19	\$4.11	\$4.14	\$4.18	\$4.16

Source: CPED with data from CB Richard Ellis

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

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

## INDUSTRIAL SPACE

Occupied industrial space in Minneapolis shrank in the fourth quarter, showing a negative rate of growth (meaning that it was not growing, it was declining) of -1 percent from a 1.3 percent rate of growth a year ago. Midway also saw its rate of growth decline to -0.2 percent – like Minneapolis, this area lost occupied space. In the metropolitan area, the growth of occupied industrial space slowed down to 0.1 percent but it did continue to expand.

### 2006 year-end

The square footage of occupied industrial land in the metro area rose slightly in 2006, but the vacancy rate declined because of strong demand. The vacancy rate was 6.45 percent in 2005 and 5.71 percent in 2006. The average price asked per square foot declined from \$4.23 in 2005 to \$4.14 the next year.

In Minneapolis and Midway, occupied industrial space also increased and the vacancy rate was cut almost in half. The vacancy rate decreased from 4.5 percent in Minneapolis in 2005 to 2.35 percent in 2006. In Midway, it decreased from 6.05 percent in 2005 to 3.69 percent in 2006. The average price asked per square foot declined a little in Minneapolis in the same period by 1.5 percent, but increased in Midway by 0.8 percent.

Demand for industrial land continued to exceed the availability of suitable sites, especially in the urban area of Minneapolis.

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



	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06
Minneapolis	1.3%	1.2%	0.2%	0.3%	-1.0%
Midway	0.4%	0.4%	0.0%	0.8%	-0.2%
Metro area	1.8%	0.1%	-0.8%	0.7%	0.1%

Source: CPED with data from CB Richard Ellis

Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings. Midway includes industrial areas of northeast Minneapolis and Saint Paul.

## HOSPITALITY

The hotel occupancy rate in Minneapolis was at 51 percent in December 2006, down from 54.4 percent the previous year. Because of seasonal variations hotel occupancy tends to be higher in the summer than in the winter.

### 2006 year-end

In 2006 the hotel occupancy rate in the city was lower than its 71.1 percent a year ago. The number of rooms available has not changed but demand was weaker in 2006.

The number of attendees at the Minneapolis Convention Center increased by 7.7 percent since this time last year, although fewer people attended than expected. At least one relatively large meeting took place at the Convention Center this quarter, the Minneapolis/St. Paul Power Sports Show, which attracted 10,000 people. Seven other shows attracted between 5,000 and 8,000 attendees each.

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

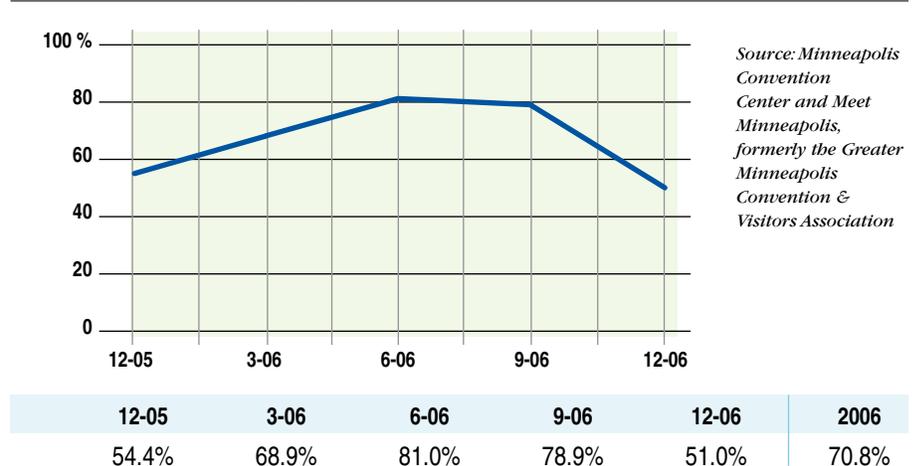
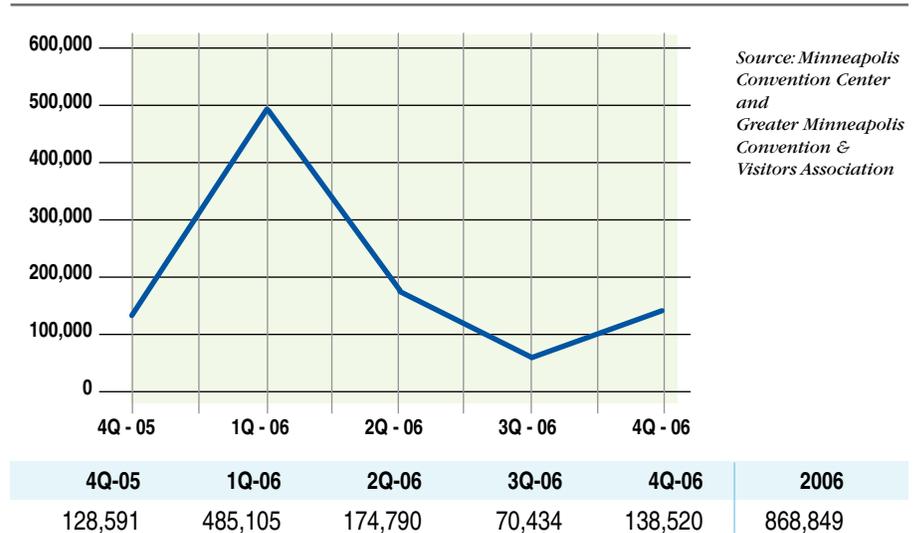


Figure 27: **MINNEAPOLIS CONVENTION CENTER**  
event attendees



**Housing Vacancy Rate:** Vacancy rate is the percentage of unoccupied housing units in the total number of housing units.

Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area. The survey also tracks the average rent paid for apartment units.

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

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

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

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

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

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

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

**Hotel occupancy:** The occupancy rate is calculated by dividing the number of occupied hotel rooms by the total number of hotel rooms in Minneapolis. Data is supplied by Meet Minneapolis, formerly the Greater Minneapolis Convention & Visitors Association.

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

**Inflation-adjusted figures:** Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For the purpose of analyzing residential rents, however, text is based on the values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1,500,000 people). For the fourth quarter of 2005, dollars have been converted with an index of 1.01322052, the result of the relation between the CPI for December 2006 (191.6) and the CPI for September 2005 (189.1). For the year 2005 to 2006 the index is 1.01975440, obtained by dividing 191 (2006) by 187.3 (2005).



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