

# Minneapolis Trends

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



first quarter 2011

## Highlights for the first quarter of 2011

	1Q-11	change from	
		4Q-10	1Q-10
Labor force	213,870 residents	▼	▼
Residents employed	200,439	▼	▼
Unemployment rate	6.3%	▼	▼
New residential permitted units	27 units	▼	▼
Permitted residential conversions, remodels and additions	32 buildings \$ 30.6 million	▲	▲
Permitted non-residential conversions, remodels and additions	79 buildings \$ 56.5 million	▲	▼
Residential units demolished	24 units	▼	▼
Rental vacancy rate	2.9 %	▼	▼
Average rent in inflation-adjusted dollars	\$ 958	▲	—
Residential units sold			
Traditional	426 units	▼	▼
Lender-mediated	428 units	▲	▲
Median sale price of residential units			
Traditional	\$ 180,000	▼	▼
Lender-mediated	\$ 77,000	▼	▲
Foreclosures	453	▲	▼
Condemned and vacant buildings	792	▲	▼
Minneapolis CBD office vacancy rate	17.8%	▲	▲
Minneapolis CBD retail vacancy rate	12.9%	▲	▲

## Highlights for the third quarter of 2010 – Jobs and wages

	3Q-10	2Q-10	3Q-10
Number of jobs	280,590 employees	▼	▲
Wages in inflation-adjusted dollars	\$ 1,097	▼	▲



City of Minneapolis  
Community Planning &

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2011

# Minneapolis Trends



first quarter 2011

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## Economic indicators

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- The labor force decreased faster than employment, thereby reducing the unemployment rate from 6.5 percent in the fourth quarter to 6.3 percent in the first quarter of the year. There were fewer people working than in first quarter last year.
- As of third quarter 2010 there were 280,600 jobs in Minneapolis, about 550 fewer (-0.2 percent) than the previous quarter but about 1,500 more (0.5 percent) than the third quarter the previous year. Over the same 12-month period, the metro and state also added jobs at slow pace.
- Average wages for third quarter 2010 were 1.7 percent higher in inflation-adjusted dollars than a year before. Wages in the metro area increased by 3.2 percent and by 2.9 percent in the state in inflation-adjusted dollars.

## Labor force

Data from DEED shows that the number of city residents who were employed decreased by 1.7 percent from last quarter. However, the labor force also decreased at a greater pace, 1.9 percent. As a result the unemployment rate dropped from 6.5 percent in fourth quarter to 6.3 percent in first quarter this year. The unemployment rate was lower this quarter than in the same quarter last year, but the number of employed city residents was also lower in the same period.

Because these figures are not seasonally adjusted, the decrease in employment from last quarter may have resulted from seasonal factors, such as the end of the Christmas holidays which is normally a period of job slowdown but it is not reflected in these figures. These seasonal factors may have contributed to the weak labor market.

In the metro area employment also decreased from the previous quarter while labor force decreased but not as fast as employment. As a result the unemployment rate in the metro increased to 6.6 percent from 6.4 percent the previous quarter. In the twelve-month period, employment this quarter was only 0.3 percent higher, but labor force was 0.6 percent lower, and so the unemployment rate dropped from 7.4 percent in first quarter last year to 6.6 percent this quarter.

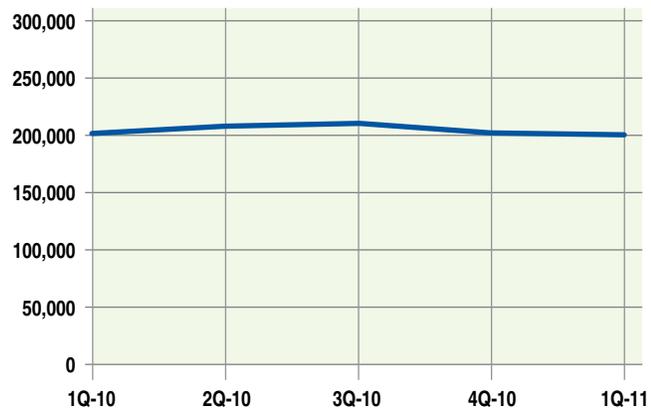
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
not seasonally adjusted

	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
<b>Minneapolis</b>					
Labor Force	215,560	219,321	222,103	217,947	213,870
Employment	201,058	205,432	206,585	203,876	200,439
Unemployment rate	6.7%	6.3%	7.0%	6.5%	6.3%
<b>Metro area</b>					
Labor Force	1,606,526	1,626,311	1,641,739	1,612,988	1,597,674
Employment	1,488,195	1,520,573	1,529,102	1,509,053	1,492,013
Unemployment rate	7.4%	6.5%	6.9%	6.4%	6.6%

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

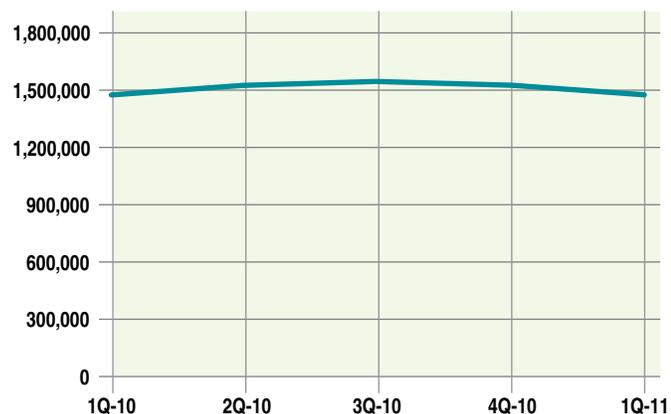
\* For metro area definition, see [page 13](#).

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



Source: Minnesota Department of Employment and Economic Development (DEED)  
- Labor Market Information- Preliminary data for 4Q-10

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 13](#)

## Jobs

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY – Minneapolis<sup>1</sup>**

	3Q-2009	4Q-2009	1Q-2010	2Q-2010	3Q-2010	% change 2Q-10 to 3Q-10
Total, All Industries	279,086	281,066	275,447	281,137	280,590	-0.2%
Construction	5,946	5,680	5,008	N/A	5,825	n/a
Manufacturing	14,561	14,112	13,815	14,017	14,369	2.5%
Utilities	2,988	2,975	2,874	2,924	2,951	0.9%
Wholesale Trade	8,613	8,505	8,157	8,192	8,137	-0.7%
Retail Trade	14,095	13,976	13,724	15,206	14,919	-1.9%
Transportation and Warehousing	7,318	7,533	7,398	7,303	7,194	-1.5%
Information	10,852	10,705	10,445	10,491	10,576	0.8%
Finance and Insurance	26,428	26,201	26,650	26,718	26,869	0.6%
Real Estate and Rental and Leasing	5,885	5,997	5,854	5,885	5,834	-0.9%
Professional and Technical Services	29,095	29,612	29,407	29,570	29,962	1.3%
Management of Companies and Enterprises	16,430	16,228	16,156	16,314	16,525	1.3%
Administrative and Waste Services	13,248	13,435	12,666	13,518	13,741	1.6%
Educational Services	26,390	29,460	29,956	29,189	27,329	-6.4%
Health Care and Social Assistance	46,635	46,841	46,683	46,907	46,772	-0.3%
Arts, Entertainment, and Recreation	5,707	5,702	5,247	5,936	5,805	-2.2%
Accommodation and Food Services	22,803	22,642	20,750	22,312	22,350	0.2%
Other Services, Ex. Public Admin	9,383	9,192	9,006	9,341	9,132	-2.2%
Public Administration	12,574	12,149	11,563	11,736	12,183	3.8%

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

<sup>1</sup> 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

As of third quarter 2010, the number of jobs located in Minneapolis was nearly 280,600, a decrease of 0.2 percent (about 550 jobs) from second quarter 2010. In comparison with the same quarter the previous year, the number of jobs increased by 0.5 percent (1,500 jobs).

### Quarter to quarter change- 2nd quarter 2010 to 3rd quarter 2010

The following sectors increased the most:

- **Government** gained nearly 450 net jobs: job gains were mostly in police protection, in the administration of environmental programs and to a lesser degree, in fire protection.
- **Professional and technical services** added little over 390 net jobs with the bulk of the increase in architectural and engineering services, and computer aided design. To a lesser extent, management and technical consulting, advertisement, legal services, and scientific research and development also gained jobs.
- **Manufacturing** added more than 350 net jobs in all subsectors except miscellaneous manufacturing. Fabricated metal products added the highest number of net jobs - 85 jobs.

The following sectors had net job decreases:

- **Educational Services** lost 1,860 net jobs, the largest decrease so far in any individual sector in comparison with the last quarter. Elementary and secondary schools sustained the most significant drop.

- **Retail** lost more than 280 net jobs, mainly in building materials and garden supply stores, and establishments such as office supply, stationary and gifts stores. On the other hand, general merchandise, clothing, health and personal care, and electronics and appliance stores increased their number of jobs. However they could not offset losses in the aforementioned sub-sectors.
- **Services** such as membership organizations and associations, personal services, private households and repair and maintenance lost about 210 net jobs. The first subsector mentioned sustained the heaviest losses.

### 12 month change – 3rd quarter 2009 to 3rd quarter 2010

On a year – to - year basis sectors that gained significant numbers of jobs were the following:

Sectors which **gained** net jobs:

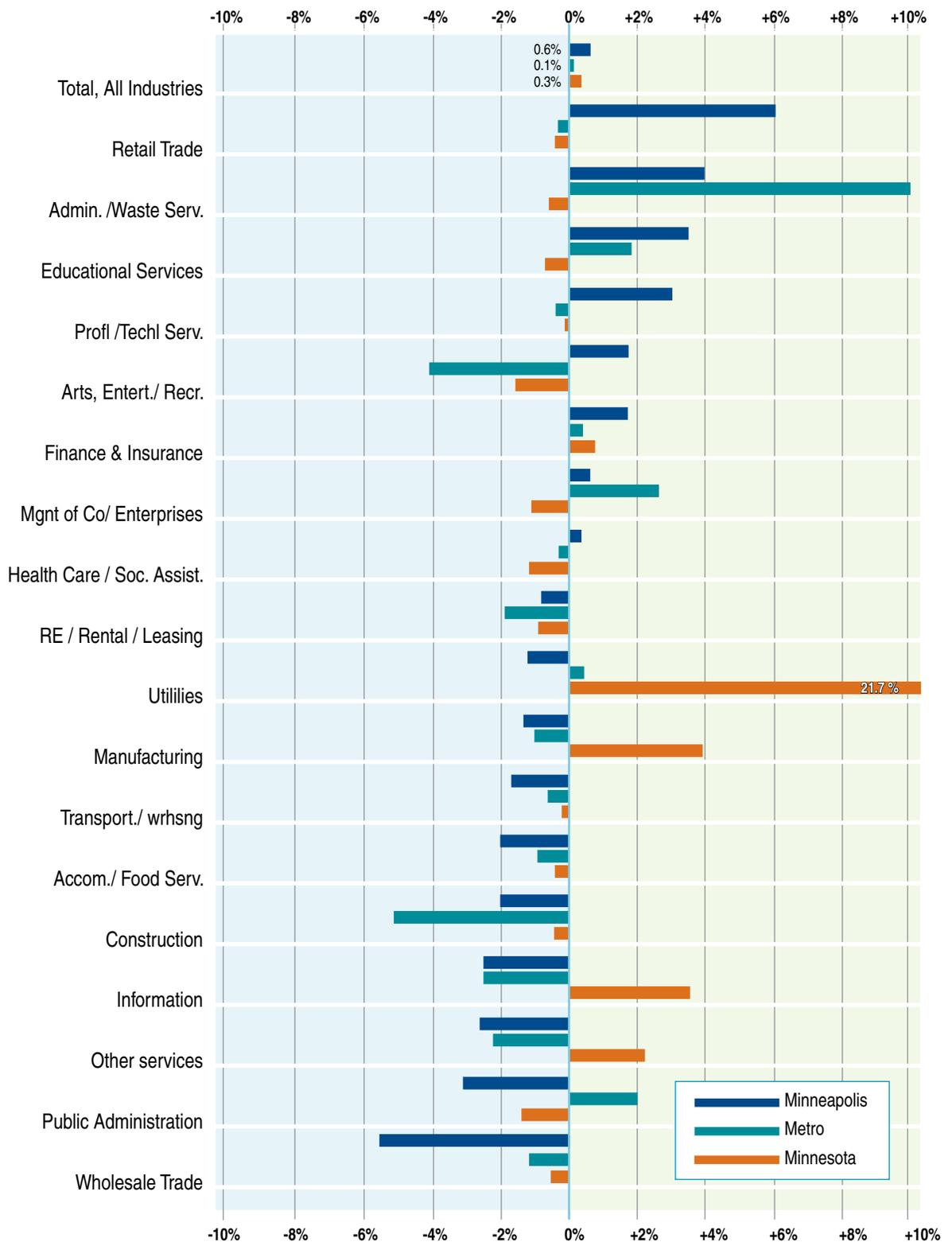
- **Education** gained more than 900 net jobs (3.6 percent growth) mostly in elementary and secondary schools, and colleges and universities.
- **Professional and technical services** gained more than 860 net jobs (3.0 percent growth). Computer systems design, advertising, and management and technical consulting services were particularly strong.
- **Retail** grew by about 840 net jobs (6.0 percent). The most significant growth was in stores such as art suppliers, calendar shops, closet organizer stores, collector's items shops and other miscellaneous.

Sectors which experienced major job **losses**:

- **Wholesale** lost about 470 net jobs (5.5 percent), across most subsectors. Electronic goods and electronic markets and agents sustained heavy losses.
- **Accommodation and food services** lost nearly 460 net jobs (2 percent), mainly in hotels and special food services. Restaurants and other eating places gained jobs, but could not offset the loss in the other mentioned subsectors.
- **Government** lost about 390 net jobs (3.1 percent). Except in the administration of environmental and economic programs, public employment declined in all subsectors.

# Jobs

Figure 3: **JOBS** –3Q-09 to 3Q-10  
percentage change



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

Minneapolis industries are sorted from high to low  
For metro area definition, see [page 13](#)

## Jobs

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As shown in Figure 3, the city, metro area, and state all gained jobs over the twelve-month period. The city's job base increased by 0.6 percent, more than the 0.1 percent increase in the metro area, and the 0.3 percent increase statewide.

Of the sectors posting growth over this period, retail was the fastest growing in the city at 6 percent. While the city increased retail employment, the metro and state dropped 0.3 and 0.4 percent respectively. Professional and technical services, and the arts, entertainment and recreation sectors also grew in the city while metro and state decreased jobs. In educational services the city led in growth.

Administrative and waste services grew in the city and even more so in the metro area, while dropping in the state. Finance and insurance jobs increased in all three areas, but more in Minneapolis than in the metro or state. Management of companies grew in the city and metro, but the metro grew at a faster rate, while health care and social assistance only expanded in the city.

While decreasing in the City, utilities had a remarkable increase in the state.

The third 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 (Current Economic Survey-CES) show that from October 2010 to March 2011, the Minneapolis-St. Paul-Bloomington metro area lost 35,300 jobs. The metro area lost jobs at the end of last year and beginning of the current year, but gained in March.

Deed reported that sectors that grew in Minnesota in March 2011 included leisure and hospitality, education, health services, construction and manufacturing.

## Wages

The average weekly wage in Minneapolis in the third quarter of 2010 was \$1,097, \$33 more in nominal dollars from the previous year, but only \$18 more in inflation-adjusted dollars. Average weekly wages decreased from second quarter.

The following sectors increased average weekly real wages the most from a year earlier (see Table 3 for percentage change in current dollars):

- **Arts, entertainment and recreation** (33 percent): average weekly real wages increased in all subsectors- performing arts and

spectator sports; museum, parks and historical sites, and amusement, gambling and recreation. The first subsector' gains made up most of the sector's increase in average weekly wages, due mainly to increases for theater companies.

- **Transportation and warehousing** (5 percent): Weekly wage increases in this sector were driven up mostly by specialized freight trucking, and couriers and messengers.
- **Wholesale trade** (5 percent): average weekly real wages in-

creased most for druggists' goods wholesalers, which grew by 18 percent and drove overall wage increases in this sector.

- **Accommodation and food services** (5 percent): hotels increased their average wages by 13 percent and special food services increased by 12 percent.

The sectors with the highest year-to-year average weekly wage decrease in inflation-adjusted dollars were:

- **Administrative and waste services** (-7 percent): although waste services increased by

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis<sup>1</sup>  
in current dollars

	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10	% change 3Q-09 to 3Q-10
Total, All Industries	\$ 1,064	\$ 1,206	\$ 1,184	\$ 1,127	\$ 1,097	3.1%
Construction	1,054	1,151	n/a	n/a	1,072	1.7%
Manufacturing	1,045	1,240	1,111	1,088	1,084	3.7%
Utilities	1,593	1,693	2,118	1,581	1,566	-1.7%
Wholesale Trade	1,139	1,317	1,181	1,205	1,210	6.2%
Retail Trade	531	582	508	548	519	-2.3%
Transportation and Warehousing	857	985	871	972	911	6.3%
Information	1,236	1,316	1,339	1,268	1,261	2.0%
Finance and Insurance	1,529	1,826	2,542	1,626	1,577	3.1%
Real Estate and Rental and Leasing	1,070	1,317	1,615	1,231	1,125	5.1%
Professional and Technical Services	1,574	2,065	1,561	1,636	1,645	4.5%
Management of Companies and Enterprises	1,512	1,717	1,952	2,364	1,560	3.2%
Administrative and Waste Services	666	694	629	625	629	-5.6%
Educational Services	1,137	1,106	937	981	1,142	0.4%
Health Care and Social Assistance	929	1,015	877	904	928	-0.1%
Arts, Entertainment, and Recreation	1,067	894	922	1,215	1,434	34.4%
Accommodation and Food Services	357	374	349	359	379	6.2%
Other Services, Ex. Public Admin	602	624	582	582	617	2.5%
Public Administration	1,140	1,284	1,148	1,241	1,161	1.8%

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

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

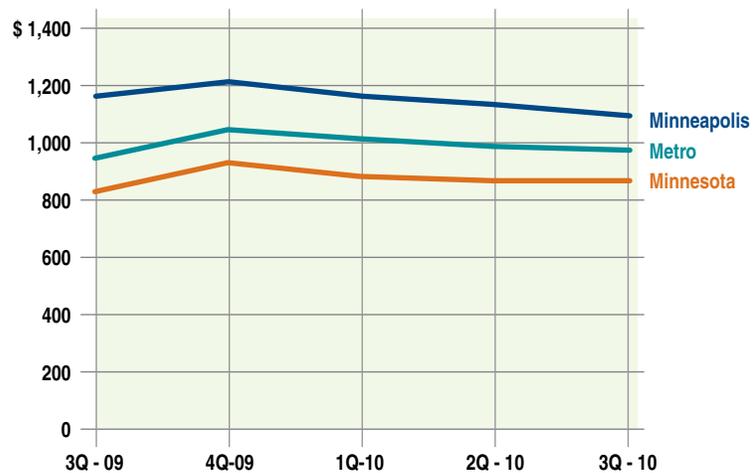
## Wages

5 percent, most services to businesses declined as much as 30 percent.

- **Retail** (-4 percent): Even when some subsectors such as home furnishing stores posted increases up to 14 percent, in other subsectors weekly wages declined in real dollars. The most affected subsectors were miscellaneous retailer- stores such as art suppliers, calendar shops, closet organizer stores, collector's items shops and similar. This subsector decreased wages by 11 percent. Building materials and garden suppliers average weekly wages declined another 8 percent.
- **Utilities** (-3 percent): All subsectors decreased real wages, including power generation, and water supply and irrigation systems.

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. Third-quarter wages in inflation-adjusted dollars increased nearly 2 percent in Minneapolis from a year earlier, but increased more in the metro area (more than 3 percent) and the state (almost 3 percent).

Figure 4: **AVERAGE WEEKLY WAGES – 3Q-09 to 3Q-10**  
in inflation-adjusted dollars



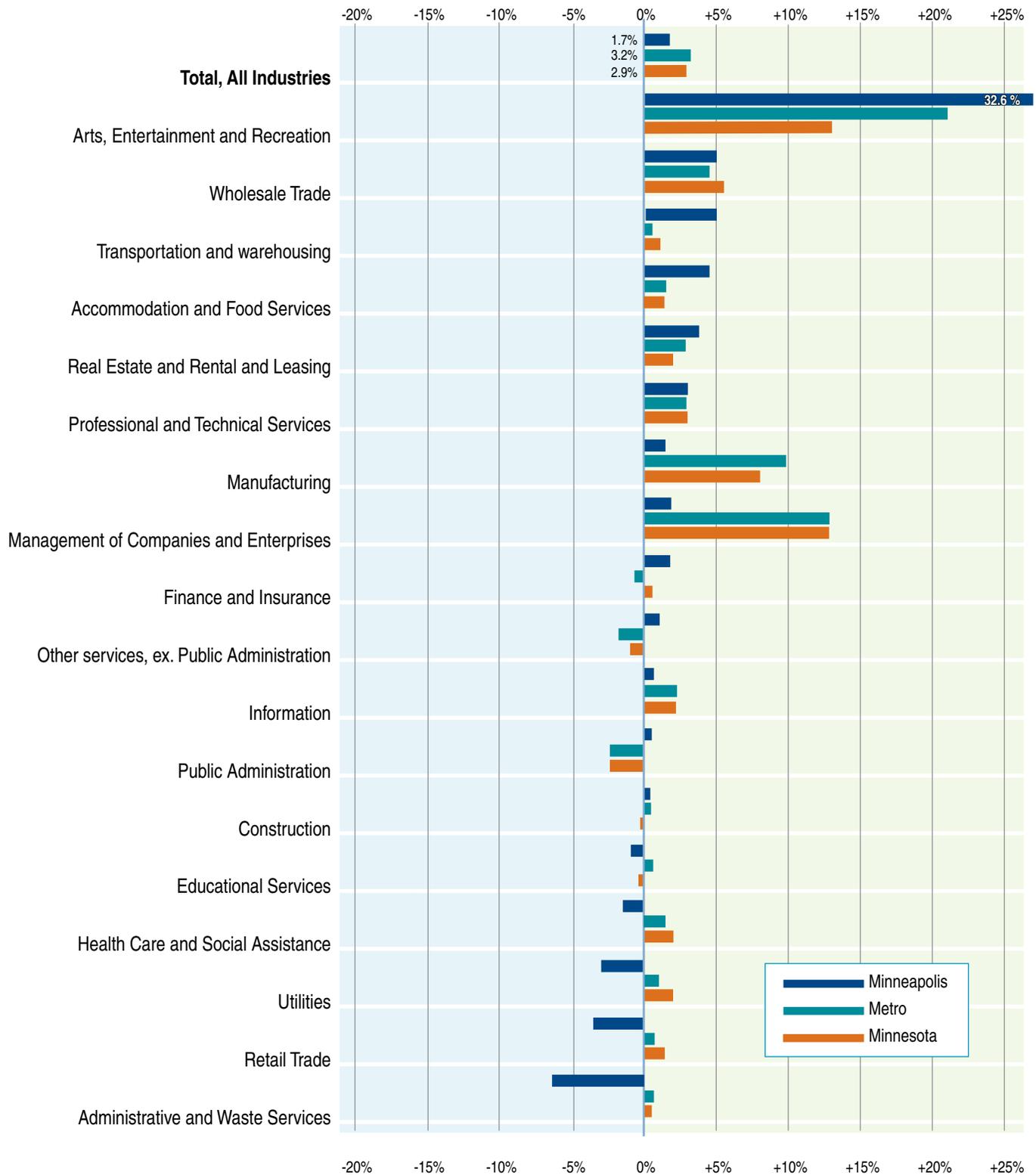
	3Q-09	4Q-09	1Q-10	2Q-10	3Q-10	\$ change 3Q-09 to 3Q-10	% change 3Q-09 to 3Q-10
Minneapolis	\$ 1,079	\$ 1,223	\$ 1,193	\$ 1,135	\$ 1,097	\$ 18	1.7%
Metro area	957	1,066	1,018	991	988	31	3.2%
Minnesota	849	941	888	872	874	25	2.9%

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

\* For metro area definition, see [page 13](#)

# Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 3Q-09 to 3Q-10  
percent change in inflation-adjusted dollars\*



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

\* For for conversion factors, see [page 13](#)  
Minneapolis industries are sorted from high to low.  
For metro area definition, see [page 13](#)

## Wages

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Most sectors increased real wages in Minneapolis from third quarter 2009 to third quarter 2010.

The following sectors grew in Minneapolis in comparison with the metro area and the state:

- **Arts, entertainment and recreation** real wages, at 33 percent, grew faster in the city than in the metro or the state.
- Real wages for **wholesale trade** posted about 5 percent growth in the city, 4 percent in the metro, and 5 percent in the state.
- **Transportation and warehousing** average weekly wages increased in Minneapolis at 5 percent, while the metro and the state grew very slowly.
- **Accommodation and food services**' real wages grew also at nearly 5 percent in the city, but barely over 1 percent in the metro and the state.

- **Real estate and rental and leasing** average weekly wages grew at about 4 percent in the city, but they increased not as much in the metro and the state.
- **Professional and technical services** average weekly wages hovered around 3 percent in all three areas.
- **Manufacturing** average weekly wage increases were weak in the city, but strong in the metro or the state.
- **Management of companies**, traditionally a strong sector in the city, had a very slow increase in average weekly wages in comparison with the metro and state.

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

- **Administrative and waste service** wages decreased by -6 percent in the city, but increased below 1 percent in the metro and the state.
- **Retail** wages declined fast in the city (-4 percent) while increasing in the metro and the state (around 1 percent).
- Average weekly wages in **utilities, health care and social assistance, and education** declined in the city while increasing in the other two areas.

## Definitions & sources

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- **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 <http://www.census.gov/eos/www/naics/>
- **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 third quarter of 2010, dollars have been converted with an index reflecting the CPI for the second half of 2010 and first half of 2009 with 2010 as a base year for Minneapolis and metro area, and the state. To look at the indexes go to: <http://www.bls.gov/cpi/> then go to databases and to “All urban consumers (current series).”

## Development indicators

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- New residential units permitted dropped from 582 last quarter to 25 units in the first quarter.
- Although the number of individual remodeling projects was lower this quarter, the total value of residential remodeling, conversion and addition projects costing \$50,000 or more was almost twice as high as the previous quarter, and five times higher than the same quarter last year. The high values reflect the beginning of the \$65 million, two-year renovation of Riverside Plaza.
- Sixteen commercial and residential projects costing at least \$1 million were permitted this quarter, totaling \$91.9 million. This was 19 percent lower than last quarter. The largest single project was the Riverside Plaza apartment complex renovation, and the second largest was the roof replacement of the Metrodome.

## New construction

New residential permitted units dropped this quarter from a high level of almost 600 last quarter to 25 this quarter, reflecting a significant slow down in new rental construction. This quarter's volume was also lower than the 56 units permitted the first quarter last year. In the metro area, the volume of units permitted also decreased by 2/3 from last quarter, and by half from the same quarter of 2010.

Only one mixed-use building with 12 units and eight townhouses totaling 20 units were permitted this quarter in the city. Five single-family units were also permitted.

Table 4: NEW RESIDENTIAL UNITS PERMITTED

	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
<b>Single-family</b>					
City	6	13	13	9	5
Metro area	690	927	837	699	518
<b>Multifamily</b>					
City	50	130	84	573**	20**
Metro area	320	210	347	786	30
<b>Total Units</b>					
City	56	143	97	582	25
Metro area*	1,010	1,137	1,184	1,485	548

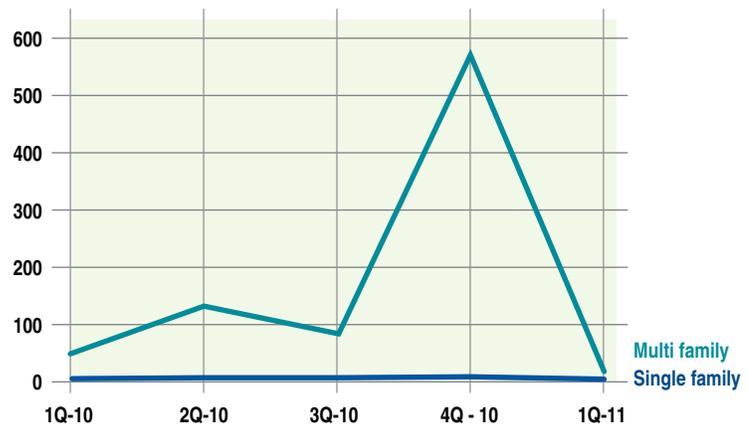
Source: U.S. Census Bureau, based on estimated number of permits with imputation

\* 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.

\*\* City of Minneapolis, Regulatory Services

For metro area definition, see [page 13](#)

Figure 6: NEW RESIDENTIAL UNITS PERMITTED – Minneapolis



Source: U.S. Census Bureau, and Minneapolis Regulatory Services

## New construction

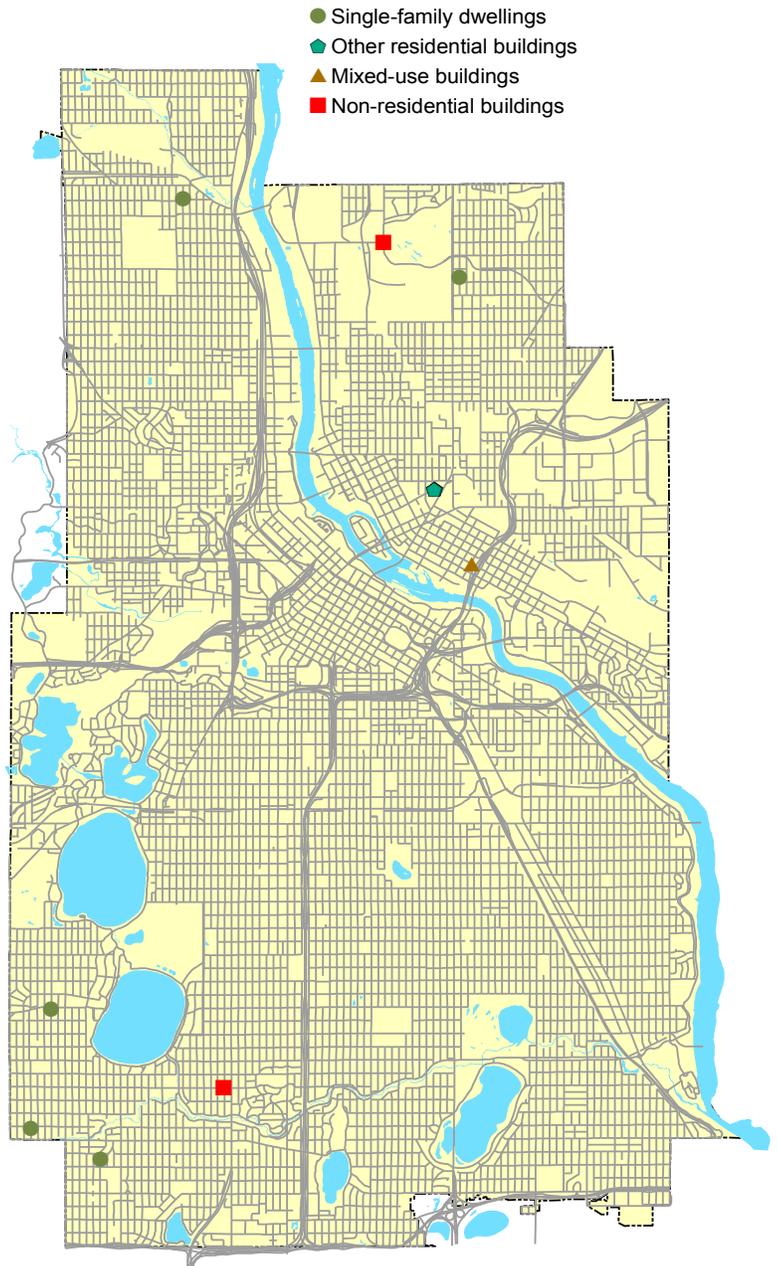
The eight townhouses already mentioned are on 3rd Ave NE, and the mixed-use development called Limelight, is on 4th St SE. The location of these buildings is shown on Map 1.

The five new single-family homes permitted this quarter had estimated construction costs ranging from \$154,500 to \$320,600.

Of the two non-residential buildings permitted, the largest project was a one-story commercial building at 50 St W and Bryant Ave in the Lynnhurst neighborhood. This is a replacement for the structure that burned in 2010 and housed Heidi Restaurant, Blackbird Café and a retail shop called Patina.

Map 1: **NEW CONSTRUCTION** – 1Q-11

Source: Minneapolis Regulatory Services



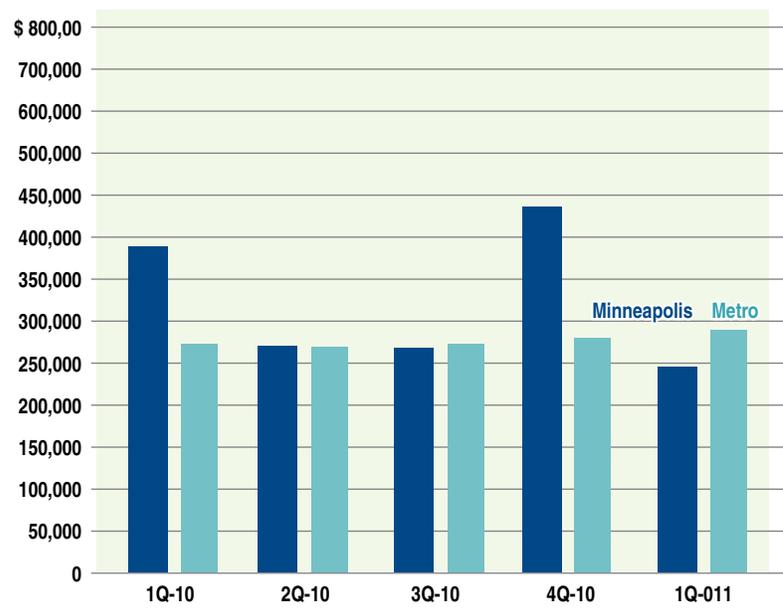
## Cost of residential construction

Because less expensive homes were built this quarter, the average construction cost per single-family unit decreased in the city by 44 percent from last quarter, and by 40 percent from the same quarter last year.

On the other hand, in the metro it increased 3 percent from last quarter and 7.5 percent from last year. The city's average construction cost per unit was 86 percent the average cost in the metro area.

The average construction cost of multifamily units increased this quarter in both the city and the metro area, from last quarter as well as a year ago. It was about 16 percent higher from last quarter in both geographies. It was nearly 17 percent higher in the city than the previous year, and almost 24 percent higher in the metro area compared to the same period. The average construction cost of a multifamily unit was slightly lower in the city than in the metro area.

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

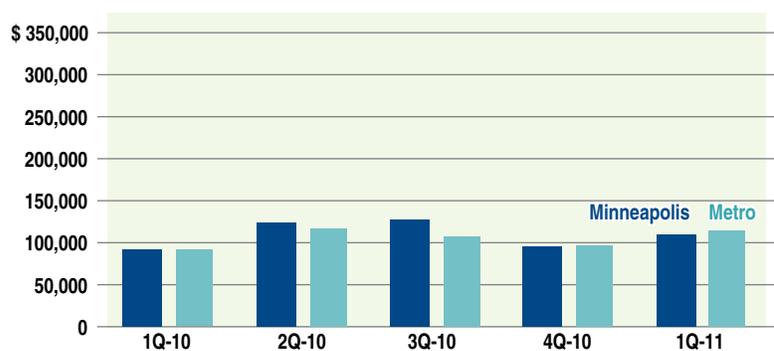


	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis	\$ 389,336	\$ 263,564	\$ 265,622	\$ 443,293	\$ 246,034
Metro area	266,864	262,331	271,940	279,283	286,834

Source: U.S. Census Bureau

Table values are not adjusted for inflation  
For metro area definition, see [page 42](#)

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



	4Q-09	1Q-10	2Q-10	3Q-10	4Q-10
Minneapolis	\$ 90,752	\$ 125,187	\$ 128,702	\$ 93,034	\$ 107,640
Metro area	90,440	120,888	104,470	96,328	111,936

Source: U.S. Census Bureau

\* Calculated on City of Minneapolis Regulatory Services' data.  
Values in table are not adjusted for inflation  
For metro area definition, see [page 13](#)

## Conversions, remodels & additions

Fewer **residential** remodeling, conversion and addition projects were permitted this quarter, but their total value was 97 percent higher than last quarter. These high values are the result of Riverside Plaza renovations, an apartment building complex in Cedar Riverside. The two-year renovation program started this quarter with permits for work at a cost of \$48.4 million. The project will total \$65 million in renovations with \$7 million of that going towards site and common area improvements. The renovation, one of

the largest HUD-supported projects in the U.S., will improve 1,303 units of affordable housing.

At \$56.5 million, overall projected cost of **non residential** construction was 27 percent higher than last quarter, doubling the cost of first quarter last year. However, the number of non-residential projects was almost the same as last year. This quarter the most costly non-residential remodeling project was the Metrodome roof replacement at a cost of almost \$18 million.

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

	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
<b>Total Residential<sup>1</sup></b>					
Number of buildings	117	123	162	100	32
Total value	\$ 12,890,305	\$ 16,388,458	\$ 23,479,035	\$ 30,591,867	\$ 60,191,898
<b>Remodels</b>					
Number of buildings	115	115	157	95	30
Value	\$ 12,762,505	\$ 13,204,525	\$ 22,409,518	\$ 30,049,481	\$ 59,858,898
<b>Conversions and additions<sup>2</sup></b>					
Number of buildings	2	8	5	5	2
Net number of units	-2	9	2	-6	0
Value	\$ 127,800	\$ 3,183,933	\$ 1,069,517	\$ 542,386	\$ 333,000
<b>Total non-residential<sup>1</sup></b>					
Number of buildings <sup>3</sup>	78	86	126	113	79
Value	\$ 27,046,891	\$ 42,524,310	\$ 47,437,444	\$ 44,440,391	\$ 56,508,088

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.

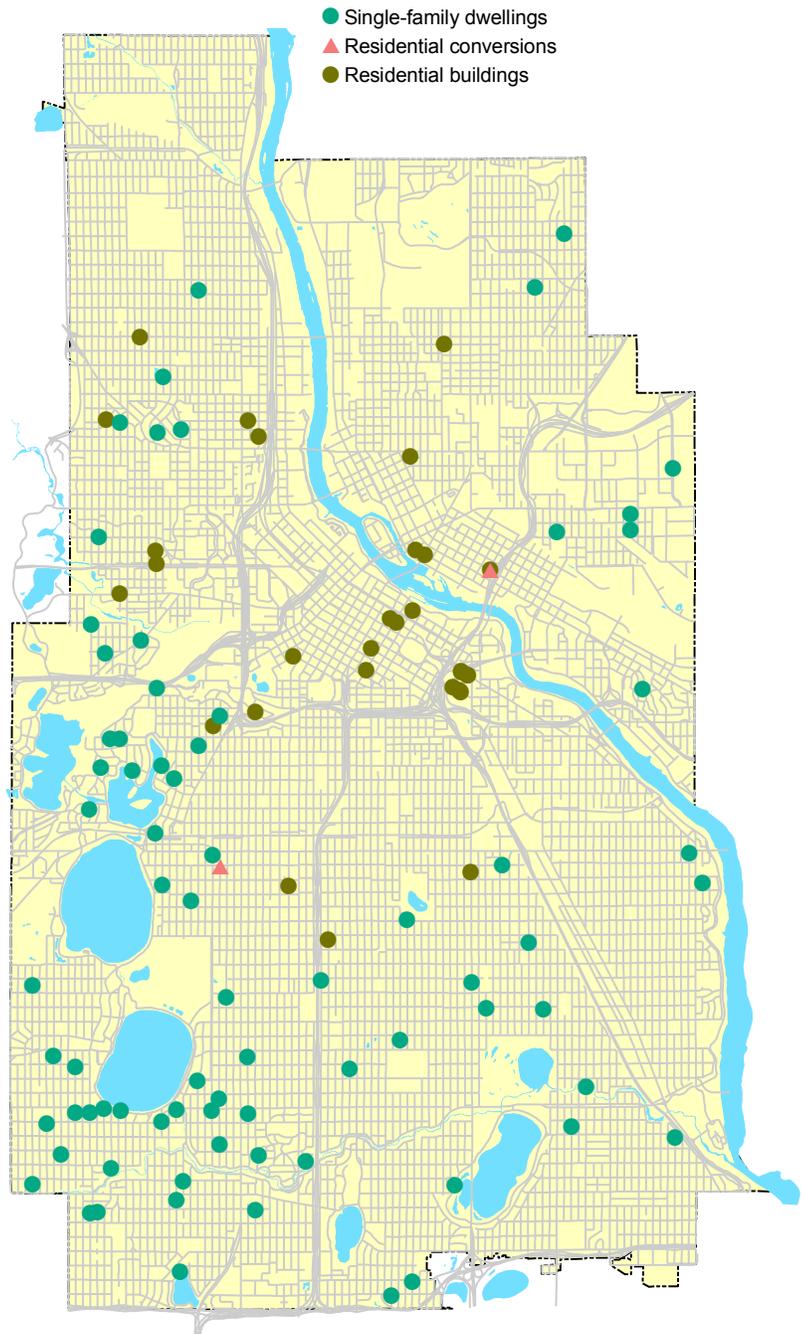
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

## Conversions, remodels & additions

About 71 percent of residential buildings with remodeling permits were single-family dwellings. A triplex was converted into a duplex, while a mixed-use structure with 3 residential units was converted into a four-unit apartment building.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION – 1Q-11**  
projects \$50,000 +

*Source: Minneapolis Regulatory Services*



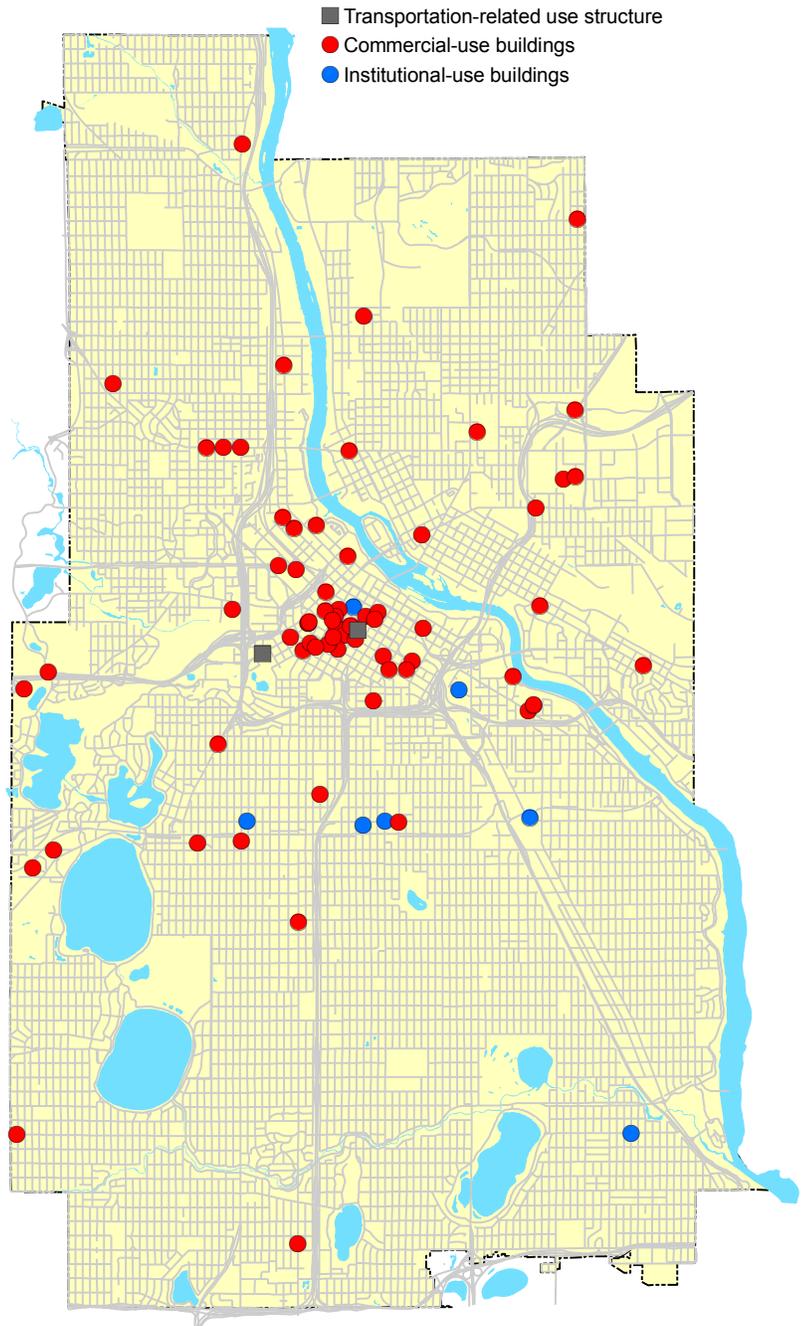
## Conversions, remodels & additions

The downtown area had more than half of the permitted commercial projects valued \$50,000 or more, but only 1 out of seven of the institutional projects.

Transportation related projects were all in downtown. Northeast had 16 percent of permitted commercial projects, while South Minneapolis had 5 out of 7 institutional projects permitted. The highest cost for a remodeling project this quarter was the remodeling of Riverside Plaza in Cedar Riverside, including several buildings and totaling more than \$48 million.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 1Q-11**  
projects \$50,000 +

Source: Minneapolis Regulatory Services



## Major construction projects

The following list shows major projects permitted in Minneapolis in the first quarter of 2011. The listed amount only reflects projected construction cost (not including land acquisition or soft

costs) for permits issued that quarter. The highest cost project was Riverside Plaza (\$48.5 million) mentioned already, followed by the Metrodome roof replacement at almost \$18 million.

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

Description	Address	Neighborhood	Projected construction \$	CPED Involvement <sup>1</sup>
Cedar Riverside Apts renovation, several buildings including skyway, parking structure, and new charter school*	1500-1600 6th & 4th St S	Cedar Riverside	\$ 48,478,758	●
Metrodome roof replacement*	900 5th St S	Downtown W	17,923,245	
Ford Building remodel and walkway addition*	420 5th St N	North Loop	7,915,000	●
Crave: Restaurant remodel on Hennepin Ave skyway level	825 Hennepin Av	Downtown W	2,519,684	
Salem English Evangelical Lutheran Church remodel	610 28th St W	Whittier	2,300,000	●
Peer House: new restaurant finishing	200 1st St N	North Loop	1,847,025	
New mixed use building at 811 4th St SE: 12 apartments and 2 commercial units	811 4th St SE	Marcy Holmes	1,540,887	
Schawk Inc.: Remodel of engraving plant for office, meeting and production areas.	2626 2nd St NE	Marshall Terr	1,462,582	
New one-story commercial building	813 50th St W	Lynnhurst	1,298,755	
Fairview Hospital: rehab of existing facilities*	2450 Riverside Av	Cedar Riverside	1,153,455	
Multifood Tower: Several office remodels*	33 6th St S	Downtown W	1,147,677	
Metro Transit office building and garage: computer room remodel	560 6th Av N	North Loop	1,138,000	
12th Floor telecommunication remodel at 420 3rd Ave S	420 3rd Av S	Downtown W	1,092,209	
New townhouses on 3rd Ave NE	931-941 3rd Av NE	St. Anthony E	1,084,000	
Ophthalmology-Pediatric clinic remodel	701 25th Av S	Cedar Riverside	1,054,000	
Somali Community Center at Riverside Plaza: alterations on third floor for charter school	125 4th St S	Cedar Riverside	1,004,400	●
<b>Total</b>			<b>\$ 91,875,677</b>	

Source: Minneapolis Regulatory Services and CPED

\* Includes more than one permit at one address

<sup>1</sup> Community Planning and Economic Development (CPED) assists construction projects in the City by land assembly, property purchases, grants for land remediation, financial assistance through bonds or small loans for business, and technical assistance on land use regulatory matters.

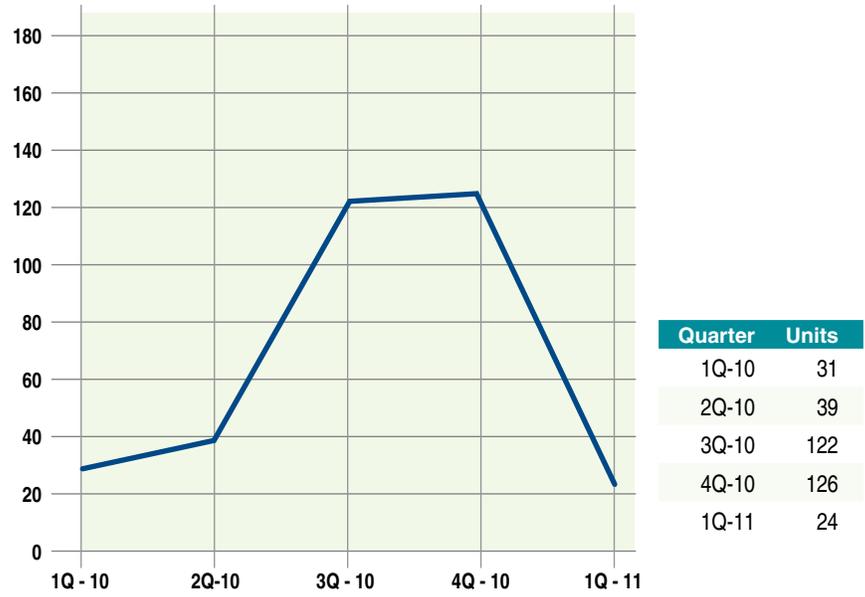
## Demolitions

Residential units with permits for demolitions dropped to only 24 from a high of 126 last quarter. The number of demolitions appears to have slowed down, mainly due to a lower number of boarded and condemned buildings. The city has followed a very aggressive policy to remove dilapidated and abandoned buildings, and many of them were removed last year.

Units scheduled for demolitions this quarter included 15 single-family homes and 8 duplex units.

Non-residential demolition permits included demolitions of 5 commercial buildings scattered around the city. These buildings included an industrial structure, a school, retail, and bar and food places.

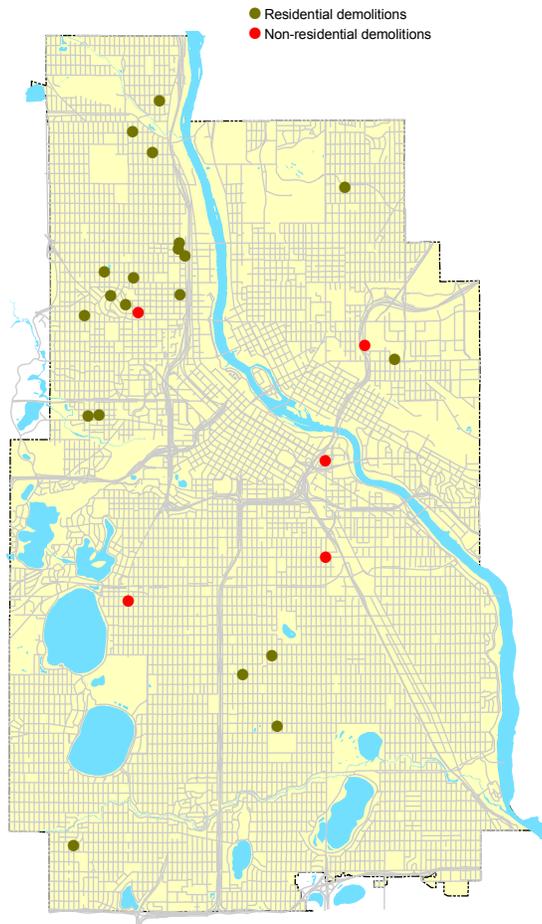
Figure 9: **RESIDENTIAL UNITS DEMOLISHED – Minneapolis**  
in units



Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS –1Q-11**

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**

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**

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)

## Housing stock & the real estate market

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- The average apartment vacancy rate in Minneapolis decreased from an already low 3.5 percent in the fourth quarter to 2.9 percent, showing that rental market demand was outpacing supply.
- The number of traditional housing sales this quarter was 15 percent lower than in fourth quarter, and median prices decreased 10 percent. Lender-mediated sales decreased 7 percent, but their median prices increased 3 percent.
- The number of condemned, boarded and vacant buildings in the city increased almost 1 percent due to growing numbers of vacant but not condemned buildings.
- Foreclosure sales increased to 453, only three more than last quarter, but 21 percent lower than a year ago. The quarterly number was close to levels registered in third and fourth quarter 2006 at the beginning of the housing market collapse.
- Office vacancy rate in the Minneapolis central business district (CBD), increased from 17.5 percent last quarter to 17.8 percent this quarter. Retail vacancies also increased from 11.8 percent to 12.9 percent, both according to CB Richard Ellis.

## Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multifamily rental housing declined to 2.9 percent from 3.5 percent last quarter. The vacancy rate was comparable with the 2.8 percent in the 3rd quarter 2007 before the recession that started in the 4th quarter the same year. The decrease in the vacancy rate showed how fast new units coming to market in the last few months were being absorbed. Higher demand included renters who returned to the market after finding a job, those who prefer to rent, and those who can not purchase their own unit because of tighter financial requirements.

In the metro area, the vacancy rate also declined from 3.8 percent in 4th quarter to 3.1 percent, an historical low in the last eight years.

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

	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
<b>Minneapolis</b>					
Units surveyed	13,432	13,699	13,825	13,647	15,441
Vacant units	879	685	420	471	450
Average rent	\$ 953	\$ 946	\$ 926	\$ 935	\$ 958
Vacancy rate	6.5%	5.0%	3.0%	3.5%	2.9%
<b>Metro area</b>					
Units surveyed	110,616	107,610	108,662	108,794	113,791
Vacant units	6,803	5,398	4,519	4,178	3,515
Average rent	\$ 902	\$ 902	\$ 905	\$ 908	\$ 916
Vacancy rate	6.1%	5.0%	4.2%	3.8%	3.1%

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 metro area definition, see [page 42](#)

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

For metro area definition, see [page 42](#)

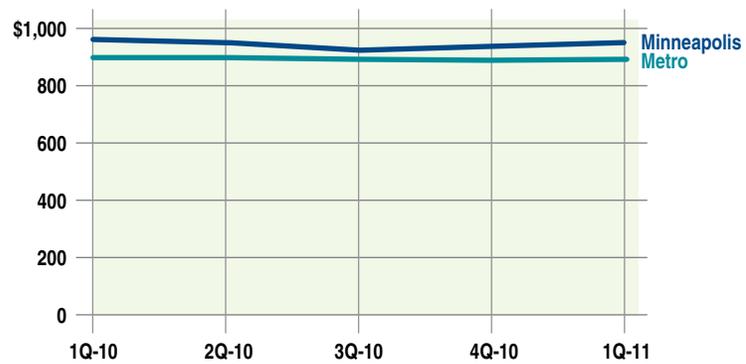
## Apartment vacancy rates & average rents

In Minneapolis the average rent was \$958, about \$17 lower in inflation-adjusted dollars\* than last quarter, but stable from a year ago. In the metro area average rent was \$916, \$2 dollars higher than last quarter, and \$10 higher than in first quarter last year after adjusting for inflation.

The vacancy rate decreased in all areas in the city except in North Minneapolis where it was stable in comparison with last quarter. All vacancy rates in the first quarter were higher than the city average of 2.9 percent, except in East Minneapolis (NE and SE) where the rate slipped to 1.6 percent. The highest rate was in North Minneapolis with 5 percent. Generally a rate of 5 percent is considered the point at which supply and demand are balanced.

\* For conversion factors, see [page 44](#).

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis	\$ 958	\$ 946	\$ 926	\$ 935	\$ 958
	<i>958</i>	<i>949</i>	<i>929</i>	<i>941</i>	<i>958</i>
Metro area	901	902	905	908	916
	<i>906</i>	<i>905</i>	<i>908</i>	<i>914</i>	<i>916</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 conversion factors, see [page 44](#).

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Downtown	8.4%	6.0%	3.1%	4.2%	3.5%
Southwest	5.8%	4.8%	3.4%	3.4%	3.0%
North	5.7%	6.9%	6.5%	5.0%	5.0%
South	9.9%	10.9%	5.7%	5.4%	3.0%
East	2.9%	2.8%	1.2%	2.1%	1.6%

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

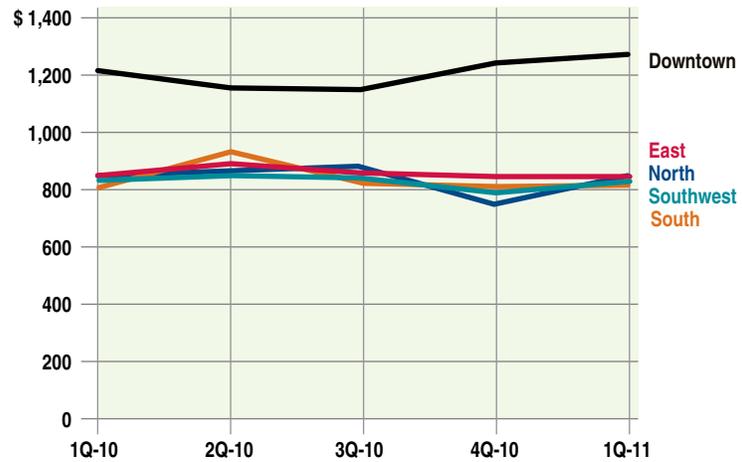
\* For sector definitions, see [page 42](#).

## Apartment vacancy rates & average rents

In spite of tight vacancy rates, average rents in inflation-adjusted dollars did not increase in all sectors of the city, as might be expected. From quarter to quarter average rents increased in Downtown less than 1 percent, in Southwest 5 percent, and in North Minneapolis 14 percent. On the other hand, they declined in South and East Minneapolis. From the same quarter last year, average rents in inflation-adjusted dollars increased in Downtown 4.5 percent and in South Minneapolis less than 1 percent.

\* For conversion factors, see [page 44](#).

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
<b>Downtown</b>	\$ 1,203 <i>1,210</i>	\$ 1,135 <i>1,138</i>	\$ 1,138 <i>1,141</i>	\$ 1,244 <i>1,253</i>	\$ 1,264 <i>1,264</i>
<b>Southwest</b>	836 <i>841</i>	859 <i>861</i>	846 <i>848</i>	791 <i>796</i>	836 <i>836</i>
<b>North</b>	863 <i>868</i>	863 <i>865</i>	882 <i>885</i>	747 <i>752</i>	854 <i>854</i>
<b>South</b>	803 <i>808</i>	824 <i>826</i>	830 <i>832</i>	813 <i>819</i>	814 <i>814</i>
<b>East</b>	863 <i>868</i>	878 <i>880</i>	857 <i>860</i>	851 <i>857</i>	855 <i>855</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 on table in Italics.

\* For conversion factors, see [page 44](#).

\*\* For City sectors definition see [page 42](#).

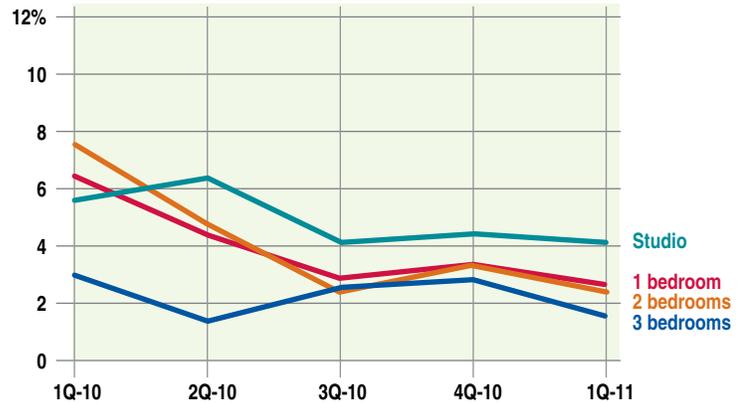
## Apartment vacancy rates & average rents

Vacancy rates by unit were down for all type of units from fourth quarter and first quarter last year. Rates were the lowest for three-bedroom apartments, at 1.6 percent and decreased the most for two-bedroom units.

Average rents increased this quarter in inflation-adjusted dollars from last quarter for all types of apartments. On the other hand, average rents decreased from a year ago in inflation-adjusted dollars. From last year, average rents for three-bedroom apartments were 5 percent lower, for two-bedrooms they were 3 percent lower, and for studios they were 2 percent lower. One-bedroom units, which comprised more than half of the rental units stock kept their value.

\* For conversion factors, see [page 44](#).

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

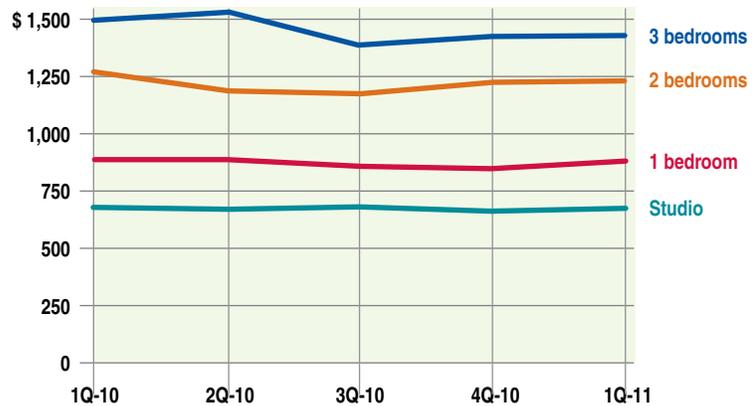


	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Studio	5.6%	6.3%	4.1%	4.3%	4.1%
One-bedroom	6.5%	4.6%	3.0%	3.1%	2.7%
Two-bedroom	7.4%	5.0%	2.5%	3.4%	2.5%
Three-bedroom	3.1%	1.4%	2.7%	3.1%	1.6%

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 UNIT MONTHLY RENT – Minneapolis**  
in current dollars



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Studio	\$ 683 <i>687</i>	\$ 675 <i>677</i>	\$ 678 <i>680</i>	\$ 659 <i>664</i>	\$ 674 <i>674</i>
One-bedroom	884 <i>889</i>	885 <i>887</i>	855 <i>858</i>	859 <i>865</i>	888 <i>888</i>
Two-bedroom	1,256 <i>1,263</i>	1,187 <i>1,190</i>	1,170 <i>1,173</i>	1,218 <i>1,226</i>	1,228 <i>1,228</i>
Three-bedroom	1,489 <i>1,498</i>	1,540 <i>1,544</i>	1,387 <i>1,391</i>	1,412 <i>1,422</i>	1,426 <i>1,426</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.

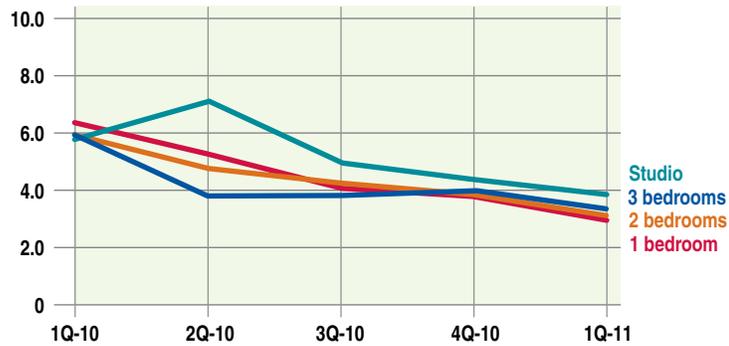
Numbers in Italics are adjusted for inflation.

## Apartment vacancy rates & average rents

Average vacancy rates for all apartment types continued to decrease in comparison with fourth quarter, and were lower than first quarter the previous year. The metro area tends to have larger units than the city, and three-unit types had the same average vacancy rate as the metro-wide average. At 3 percent, one-bedroom units had the lowest vacancy rate of all apartment types in the metro area.

In the first quarter, average rents in inflation-adjusted dollars in the metro area were slightly over fourth quarter 2010 averages, except for two-bedroom units which barely declined. In comparison with first quarter last year, average rents for all apartment types except studios increased about one percent.

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



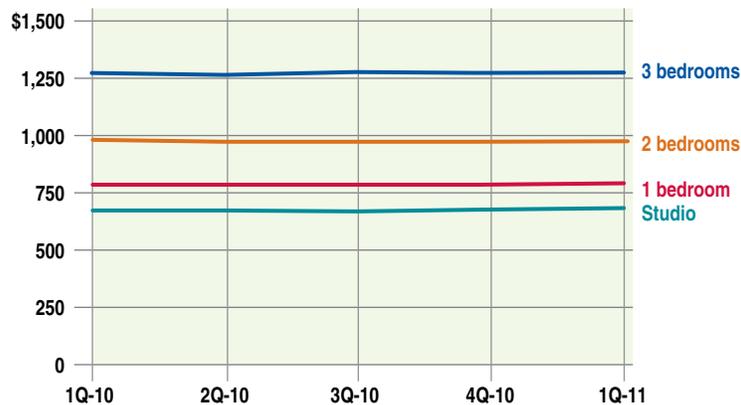
	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Studio	5.8%	7.1%	4.9%	4.3%	3.9%
One-bedroom	6.3%	5.3%	4.1%	3.7%	3.0%
Two-bedroom	5.9%	4.7%	4.2%	3.9%	3.1%
Three-bedroom	5.6%	3.8%	3.8%	4.0%	3.4%

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

For metro area definition, see [page 42](#)

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Studio	\$ 671 <i>675</i>	\$ 667 <i>669</i>	\$ 672 <i>674</i>	\$ 664 <i>669</i>	\$ 671 <i>671</i>
One-bedroom	786 <i>790</i>	785 <i>787</i>	785 <i>787</i>	787 <i>792</i>	797 <i>797</i>
Two-bedroom	976 <i>982</i>	974 <i>977</i>	980 <i>983</i>	985 <i>992</i>	991 <i>991</i>
Three-bedroom	1,262 <i>1,269</i>	1,279 <i>1,283</i>	1,276 <i>1,280</i>	1,268 <i>1,277</i>	1,279 <i>1,279</i>

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

Numbers in Italics are adjusted for inflation.

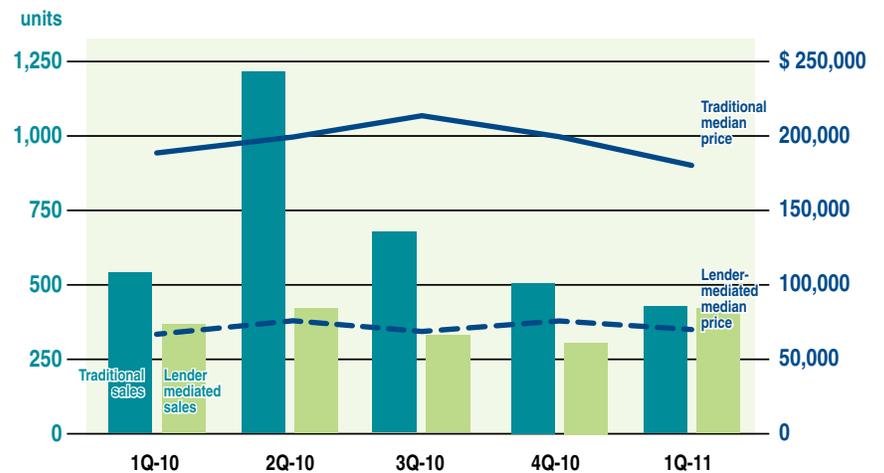
For metro area definition, see [page 42](#)

## Residential sales

The number of traditional housing sales this quarter was 15 percent lower than fourth quarter. Traditional sales were also 21 percent lower than the same quarter last year. The median sale price decreased 10 percent from the previous quarter, and 6 percent from the previous year.

On the other hand the number of lender-mediated sales increased, 40 percent from last quarter and 17 percent from last year. Lender-mediated median sale prices were down from last quarter but up from last year.

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Traditional sales	540	1,215	671	503	426
Lender-mediated sales	365	415	324	306	428
Traditional sales median price	\$ 191,500	\$ 199,800	\$ 213,200	\$ 200,000	\$ 179,900
Lender-mediated median price	68,000	76,050	69,000	75,000	70,000

Source: Minneapolis Area Association of Realtors (MAAR)

## Residential sales

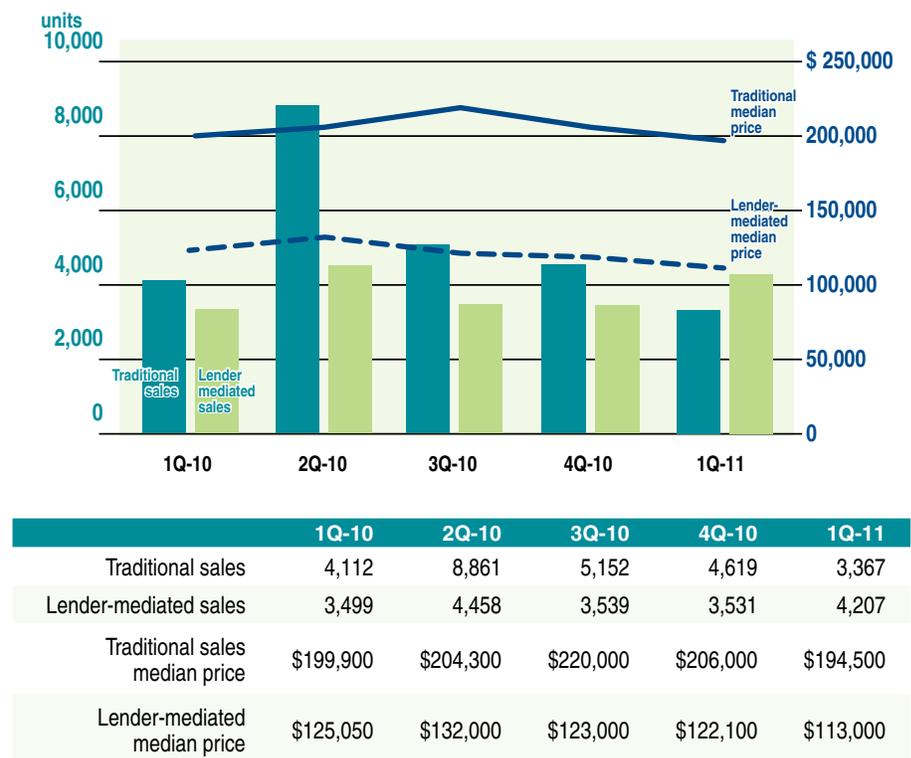
In the metro area the number of traditional sales also fell. They decreased 27 percent from fourth quarter, and 18 percent from the same quarter last year. Metro area median sale prices fell compared to last quarter and to last year.

Lender-mediated sales also increased in the metro area, 19 percent from last quarter, and 20 percent from last year. Median sale prices for these units decreased 7 percent from last quarter, and 10 percent from last year.

Short sales and foreclosure property sales were driving the market, as at the beginning of the housing collapse, putting downward pressure on median sale prices.

The Case-Shiller home price index seasonally adjusted released in April indicated that in February home prices in the Twin Cities were lower than in March 2009. Among the 20 largest metropolitan areas in the US, the Twin Cities ranked 14th. A large supply of units, a result of too many houses built during the housing boom and the high number of short sales and foreclosed properties, is expected to depress home prices further for some time. According to the Minneapolis Area Association of Realtors (MAAR) the average monthly home supply in the last three months of the year was 24,000 homes, or 7.6 months of supply. In comparison there were 23,400 homes for sale in the same period in 2010, or 6.1 months of supply.

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



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 42](#)

## Foreclosures

This quarter 453 properties were sold at public auction, just 3 more than the previous quarter. This was a 21 percent drop from first quarter last year. Ward 4, 5 and 8 accounted for 40 percent of total foreclosures in the city.

**MAP 5: PROPERTIES FORECLOSED – 1Q-11**  
by wards

Source: Hennepin County

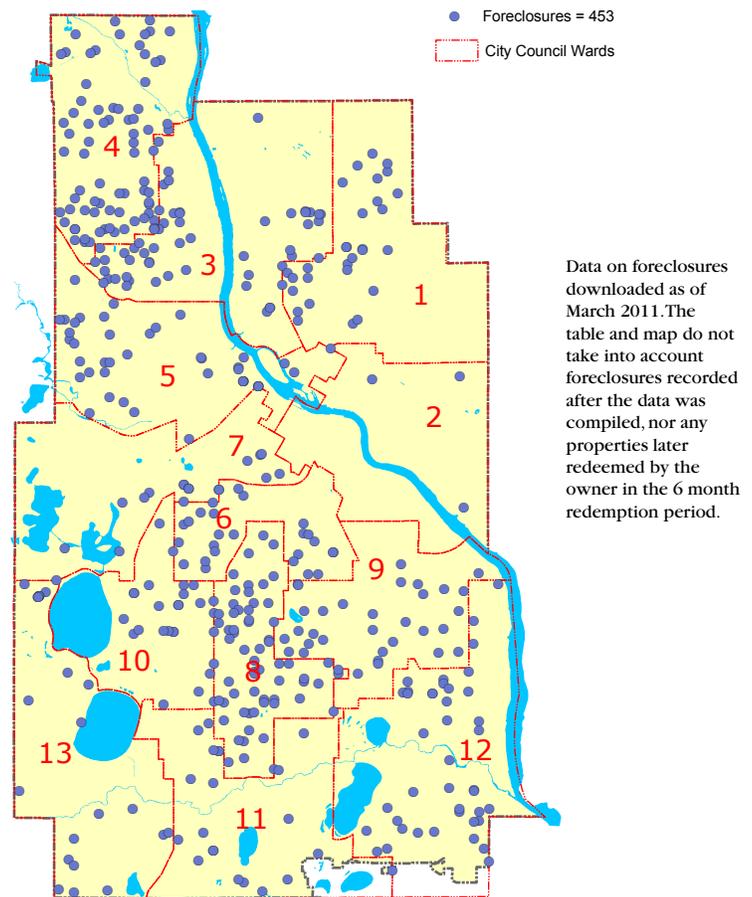


Table 8: **FORECLOSURE PROPERTIES – Minneapolis**  
by ward

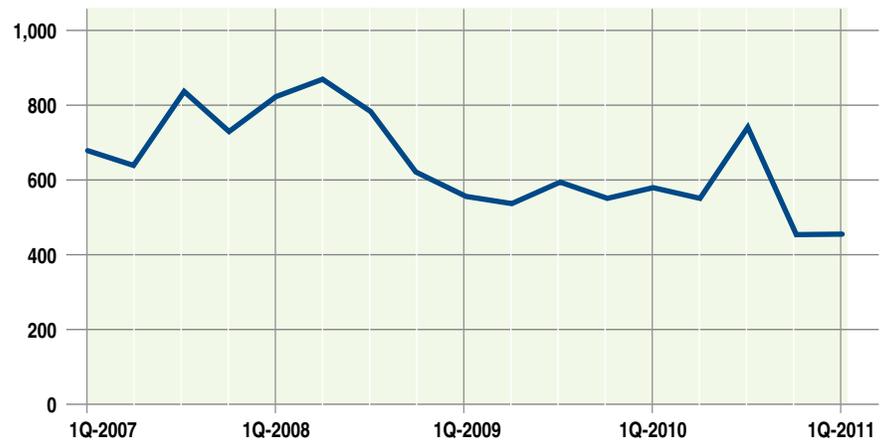
Ward	1Q-10		2Q-10		3Q-10		4Q-10		1Q-11	
	Number	Percent								
1	43	7%	46	8%	45	6%	38	8%	37	8%
2	11	2%	11	2%	14	2%	8	2%	3	1%
3	47	8%	43	8%	49	7%	41	9%	36	8%
4	111	19%	107	20%	172	23%	88	20%	74	16%
5	95	17%	59	11%	86	12%	53	12%	45	10%
6	17	3%	39	7%	24	3%	17	4%	22	5%
7	37	6%	30	5%	32	4%	25	6%	23	5%
8	54	9%	73	13%	59	8%	41	9%	61	13%
9	56	10%	44	8%	135	18%	45	10%	33	7%
10	19	3%	15	3%	26	4%	17	4%	26	6%
11	22	4%	23	4%	28	4%	24	5%	28	6%
12	50	9%	40	7%	48	7%	32	7%	42	9%
13	13	2%	16	3%	18	2%	21	5%	23	5%
<b>Total</b>	<b>575</b>	<b>100%</b>	<b>546</b>	<b>100%</b>	<b>736</b>	<b>100%</b>	<b>450</b>	<b>100%</b>	<b>453</b>	<b>100%</b>

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/webforeclosure/>.

## Foreclosures

The volume of foreclosed property sales in Minneapolis decreased from 575 in first quarter 2010 to 453 foreclosures this quarter, after a peak of 736 in third quarter 2010. This quarter the number was close to the levels of 3rd and 4th quarters 2006, when foreclosures began to increase at the beginning of the housing crisis.

Figure 20: **RESIDENTIAL 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 increased less than 1 percent from fourth quarter, but was 4 percent lower than a year ago. These numbers reflected the increase of vacant but not condemned buildings in the city. They increased 1.2 percent from last quarter and 13 percent from last year. Vacant but not condemned buildings in the first quarter were 52 percent of the total number of vacant, boarded and condemned buildings. Condemned buildings have been stable in the last quarter and have decreased in the last year, in part because many have been demolished due to an aggressive city policy to remove blighted buildings.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of March 2011

Source: Minneapolis Regulatory Services

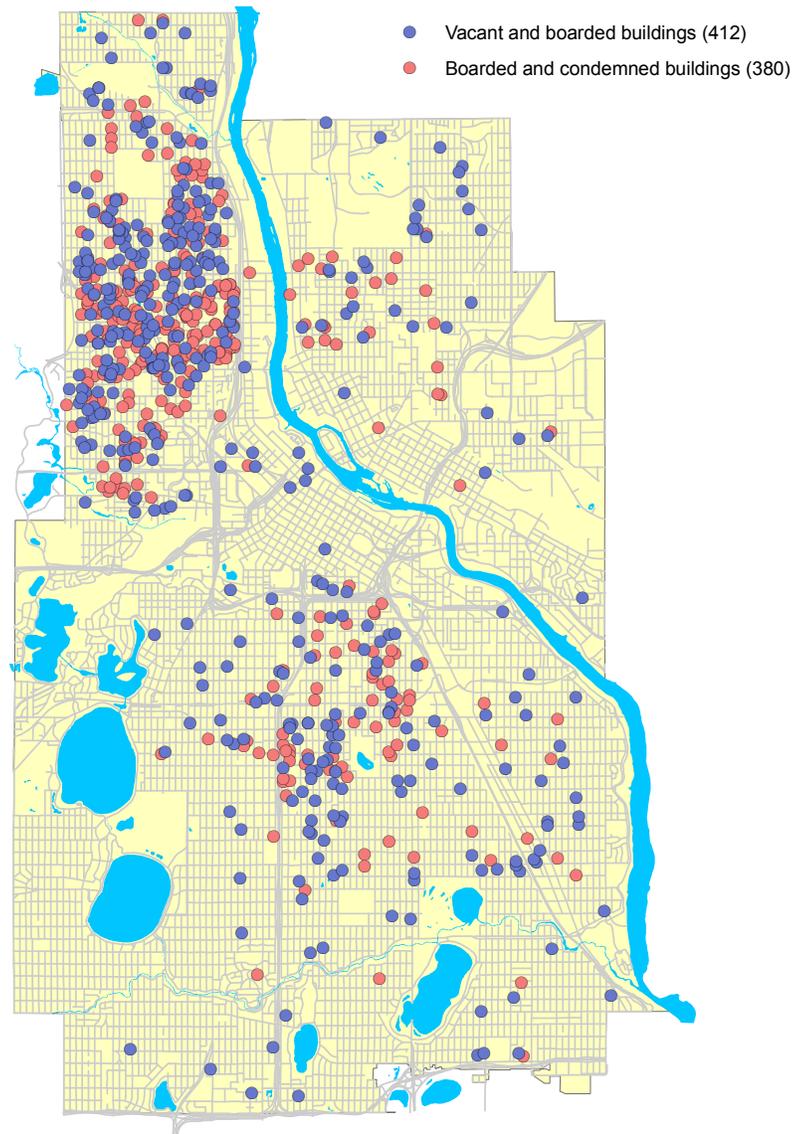


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis  
as of the end of quarter

	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Boarded and condemned buildings	456	419	380	379	380
Vacant but not condemned	372	357	377	407	412
<b>Total</b>	<b>828</b>	<b>776</b>	<b>757</b>	<b>786</b>	<b>792</b>

Source: Minneapolis Regulatory Services

Numbers at the end of quarter

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.

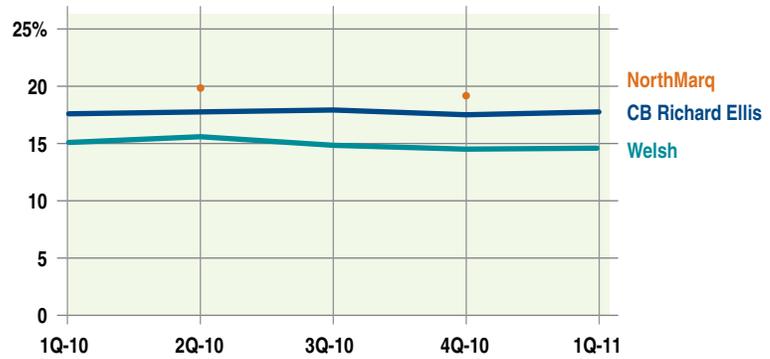
## Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) increased this quarter according to two of three real estate firms. It was also higher than last year, not taking into account subleases. When they are added, the total vacancy rate ranged between 16.6 percent and 19.1 percent, which pointed to a still large surplus of available space that has to be absorbed for the vacancy rate to drop.

The average vacancy rate in the metro area was higher than last quarter and the first quarter last year. Adding sub-leases brings the vacancy rate up in a range of 16.8 to 20.3 percent.

The office real estate market was affected this quarter by slow economic growth due to a combination of higher oil prices and bad winter conditions which delayed construction and may have contributed to a delay in job growth. As a result, demand for office space, except for Class A properties, was low and vacancies increased.

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

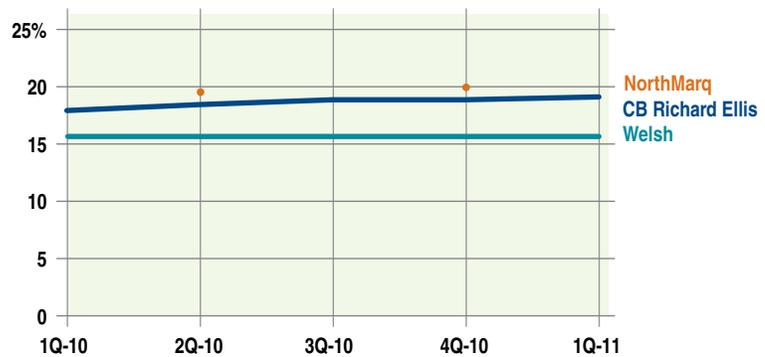


	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
CB Richard Ellis	17.6%	17.8%	17.9%	17.5%	17.8%
Welsh	15.1%	15.4%	14.9%	14.3%	14.6%
NorthMarq		19.7%		19.1%	

Sources: CB Richard Ellis, Welsh and NorthMarq Compass

See explanation of sources on [page 43](#)

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
CB Richard Ellis	17.9%	18.3%	18.8%	18.8%	19.0%
Welsh	15.5%	15.6%	15.6%	15.5%	15.5%
NorthMarq		19.6%		19.9%	

Sources: CB Richard Ellis, Welsh and NorthMarq Compass

See explanation of sources on [page 43](#)

## Office space

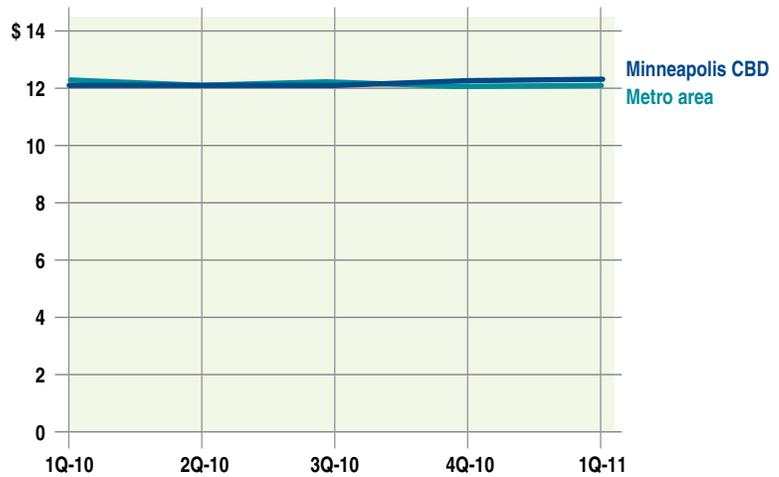
The average asking lease rate per square foot in the Minneapolis central business district (CBD) increased somewhat this quarter, and it was higher than first quarter a year ago. In the metro area it rose slightly from last quarter, but it was lower than last year.

In general, vacant space continued to put downward pressure on prices, but in the Minneapolis CBD more demand in class A buildings encouraged landlords to ask higher prices for quality spaces.

Both Minneapolis CBD and the metro area experienced slight negative absorption this quarter. Even with small losses of less than 1 percent of the total space available, the market was still weak.

Activity was mainly in class A buildings because tenants were able to upgrade at relatively low prices with good deals. But new upgrades in A class buildings did not offset loss of space in Classes B and C. This quarter, at least two large leases were signed: Eide Bailly is moving its headquarters from Bloomington to the US Bank Plaza, and Nuveen Investments, a Chicago firm, is locating its Minneapolis office at the ATT Tower.

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

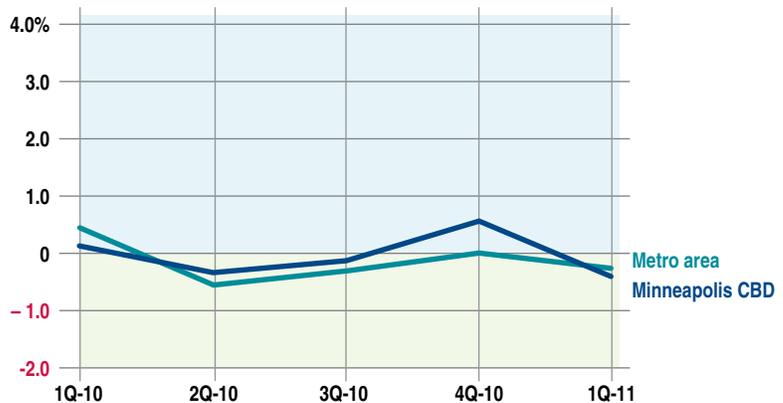


	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis CBD	\$12.06	\$12.10	\$12.07	\$12.30	\$12.35
Metro area	\$12.16	\$12.10	\$12.13	\$12.05	\$12.07

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis CBD	0.12%	-0.24%	-0.12%	0.49%	-0.36%
Metro area	0.39%	-0.49%	-0.26%	0.00%	-0.25%

Source: CB Richard Ellis

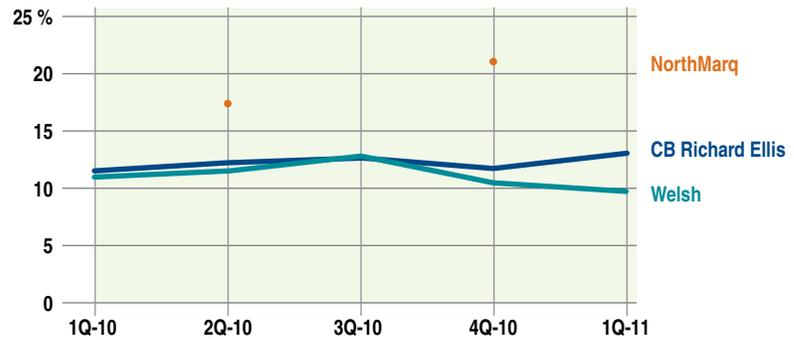
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

## Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD fluctuated between 13 and 10 percent according to two of the above commercial real estate firms; NorthMarq reported a 21 percent vacancy for the last half of last year.

The vacancy rate in the metro area was more or less stable, according to the above real estate firms. With rising prices of gas and food, people had less pocket money to expend in first quarter. However, consumer spending increased in the metro area, and some retailers expanded in the areas of restaurants and general retail. Other retailers were expecting to expand in the near future, for example, Wal-Mart in Lakeville and Toys R US in Minnetonka.

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

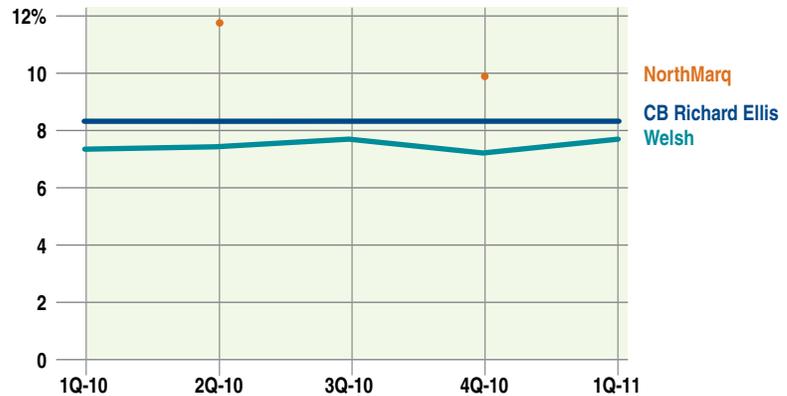


	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
CB Richard Ellis	11.7%	12.3%	12.5%	11.8%	12.9%
Welsh	10.9%	11.3%	12.8%	10.6%	9.7%
NorthMarq		17.3%		21.0%	

Sources: CB Richard Ellis, Welsh and NorthMarq Compass

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

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
CB Richard Ellis	8.7%	8.7%	8.7%	8.7%	8.6%
Welsh	7.4%	7.5%	7.7%	7.3%	7.7%
NorthMarq		11.5%		9.8%	

Sources: CB Richard Ellis, Welsh and NorthMarq Compass

CB Richard Ellis and Welsh include all multi-tenant retail buildings 30,000 square feet and larger, and buildings under construction. NorthMarq includes multi-tenant retail buildings greater than 20,000 SF.

## Retail space

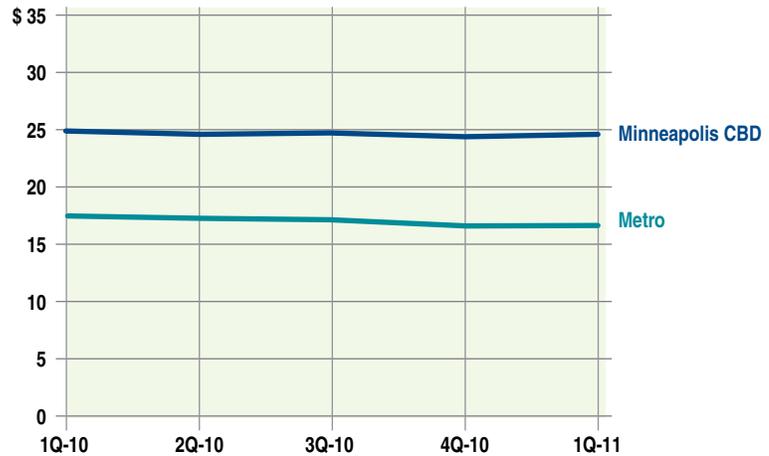
With a very weak demand for leasing retail space, the average asking lease price continued to decline in Minneapolis central business district (CBD). In first quarter it was nearly 10 percent lower than in the same period last year.

The average asking lease price slightly decreased in the metropolitan area, and it was \$0.40 lower than last year. Still prices were much lower in the region than in the CBD. Demand in the Minneapolis CBD may increase if prices continue to decline.

Occupied retail space in the Minneapolis central business district (CBD) decreased by 1.2 percent. With high vacancies at Block E, its owners have proposed to convert the site to a casino and entertainment center.

The metro area gained retail space this quarter, a positive sign and an improvement to both last quarter and the same quarter last year. Leased space grew because of more activity in the retail sector with a few stores new to the Twin Cities market such as Big Lots and Dick's Sporting Goods.

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis CBD	\$24.81	\$24.37	\$23.66	\$23.17	\$22.38
Metro area	\$17.21	\$17.15	\$16.88	\$16.79	\$16.81

Source: CB Richard Ellis

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction. NorthMarq includes multi-tenant retail buildings greater than 20,000 SF.

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis CBD	-1.3%	-0.7%	-0.2%	0.8%	-1.2%
Metro area	-0.3%	0.0%	-0.2%	0.0%	0.1%

Source: CB Richard Ellis

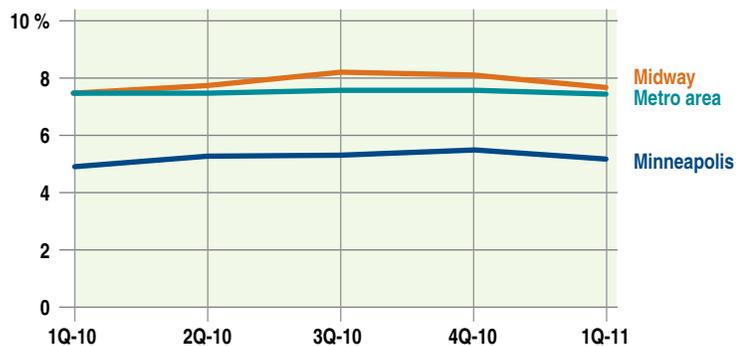
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

## Industrial space

With manufacturing picking up in the region, demand for industrial space increased. As a result, the industrial space direct vacancy rate (not including sublease space) fell from last quarter in all three markets- Minneapolis, Midway and the metro area.

The average asking lease price for warehouse space was more or less stable in the metro area and in Minneapolis industrial areas, but was slightly lower in comparison with the same quarter last year. With relatively low asking prices per square foot and higher demand for space, many tenants committed to long term leases.

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



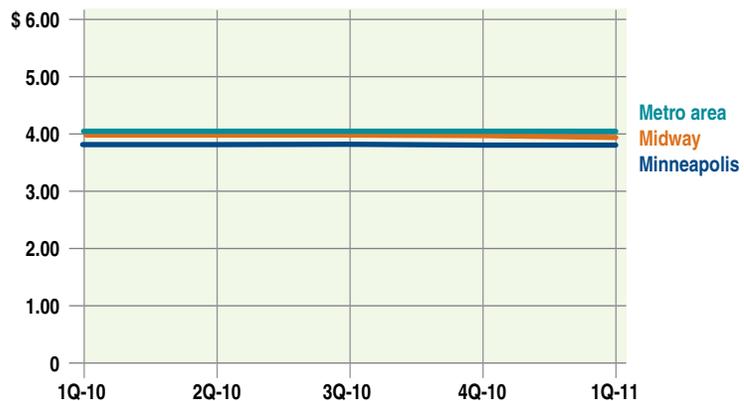
	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis	4.9%	5.3%	5.4%	5.5%	5.2%
Midway	7.4%	7.7%	8.2%	8.1%	7.6%
Metro area	7.4%	7.4%	7.6%	7.6%	7.5%

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis	\$3.83	\$3.82	\$3.81	\$3.81	\$3.82
Midway	\$3.99	\$3.98	\$3.97	\$3.96	\$3.97
Metro area	\$4.04	\$4.02	\$4.01	\$4.01	\$4.01

Source: CB Richard Ellis

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

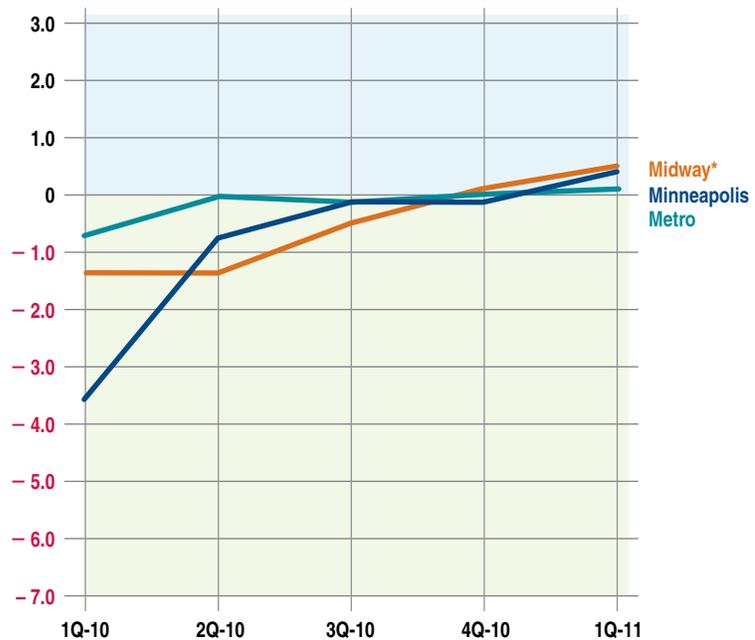
Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

## Industrial space

Occupied industrial space increased in all three markets. According to Creighton University regional report for Minnesota and the Institute of Supply Managers, in March manufacturing was expanding at a faster pace statewide than nationwide. New orders and production grew, especially for the international market, but employment lagged behind. According to the Federal Reserve Bank Beige Book, several Minnesota metal fabricators, which are strong in Minneapolis and surrounding metro area, responded to increased demand in orders. Once employment picks up, occupied industrial space will need to expand accordingly to accommodate the workforce.

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



	1Q-10	2Q-10	3Q-10	4Q-10	1Q-11
Minneapolis	-3.5%	-0.7%	-0.1%	-0.1%	0.4%
Midway*	-1.3%	-1.3%	-0.5%	0.1%	0.5%
Metro area	-0.7%	-0.1%	-0.1%	0.0%	0.1%

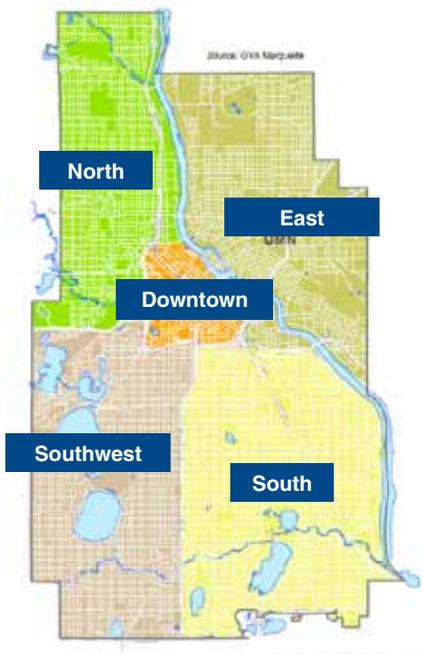
Source: CB Richard Ellis

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

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- **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 changed 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 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 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 i

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](http://www.cbre.com)) include office, retail and industrial space vacancy rates, average asking 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, Welsh (<http://www.welshco.com/News-and-Resources/Industry-Research-and-Resources.aspx>), and NorthMarq (<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 three different firms: CB Richard Ellis, 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 first quarter 2011, dollars have been converted with an index of 1.00572, the result of the relation between the CPI for March 2011 (199.783) and the CPI for March 2010 (198.647). For the period from first quarter 2011 to fourth quarter 2010, the index is 1.0069, obtained by dividing 199.783 (March 2011) by 198.409 (December 2010).



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