

# Minneapolis Trends

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

## **Highlights for the second quarter of 2005**

- Employment increased and unemployment decreased. *see page 3*
- New residential construction picked up again while demolitions continued to fall from their peak at the end of last year. *see page 12*
- The average vacancy rate in Minneapolis' rental housing is decreasing, but rents are not keeping up with inflation. *see page 23*
- Median housing sales are slowing down, but prices are increasing. *see page 26*
- Vacancy rates are declining for both office and retail space. *see page 27*
- Industrial properties have a rising vacancy rate, but lease prices are stable in Minneapolis. *see page 29*



second quarter 2005



**Minneapolis**  
City of Lakes

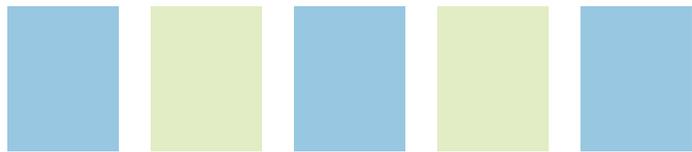
Department of  
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# Minneapolis Trends

## second quarter 2005



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## ECONOMIC INDICATORS

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- Employment increased in Minneapolis, and unemployment decreased to its lowest level since the fourth quarter of 2002. More people were available for work, and the labor force expanded.
- More jobs existed in the city at the end of 2004 than the year before, and most economic sectors posted growth.
- Figures for 2004 show that wages improved in Minneapolis in most economic sectors but not as much as they did in the region or the state.

# LABOR FORCE

Employment rose 1.2 percent from the same time the previous year, while unemployment shrank to 4.2 percent. The labor force (people with jobs and people looking for work) increased slightly by 0.4 percent.

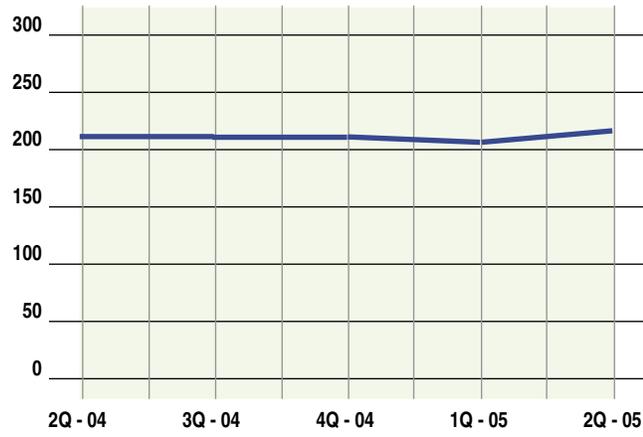
Since last quarter, the city's labor force and employment both increased, by 1.6 percent and 1.9 percent respectively.

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

	2004 2Q-04	3Q-04	4Q-04	2005 1Q-05	2Q-05
Labor Force	223,956	226,999	225,070	221,358	224,866
Employment	212,849	214,473	214,859	211,485	215,474
Unemployment Rate	5%	5.5%	4.5%	4.5%	4.2%

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

Figure 1: **MINNEAPOLIS: AVERAGE EMPLOYMENT**  
in thousands



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

## JOBS

Minneapolis had more than 286,600 jobs in the fourth quarter of 2004. Health care and social assistance accounted for 14.7 percent of those positions. Professional and technical services made up 10 percent of the total. Educational services and finance and insurance jobs comprised 9.6 and 9.5 percent respectively.

The average number of jobs in the quarter increased by 0.9 percent, a gain of nearly 2,600 jobs from the same quarter of the previous year. The sectors that gained the most jobs were educational services (more than 1,300 jobs) and accommodation and food services (about 1,300), followed by real estate services (about 670). Sectors that lost jobs included information (more than 1,000 jobs), finance and insurance (about 500) and manufacturing (more than 400).

Table 2: **MINNEAPOLIS: AVERAGE NUMBER OF JOBS BY INDUSTRY**

	4Q-2003	1Q-2004	2Q-2004	3Q-2004	4Q-2004
Manufacturing	16,913	16,318	16,598	16,705	16,480
Utilities	3,169	3,162	3,295	3,184	3,231
Wholesale trade	10,771	10,750	10,931	10,859	10,876
Retail trade	17,069	16,074	16,486	16,698	17,327
Transportation and warehousing	4,464	4,059	4,431	4,354	4,907
Information	12,312	12,052	11,841	11,306	11,275
Finance and insurance	27,746	27,488	27,453	27,163	27,245
Real estate and rental and leasing	5,394	5,643	5,871	6,192	6,067
Professional and technical services	28,636	27,923	28,362	28,335	28,575
Management of companies and enterprises	11,883	11,943	12,154	12,371	12,188
Administrative and waste services	14,182	12,859	13,947	14,299	14,376
Educational services	26,105	27,404	26,762	25,299	27,427
Health care and social assistance	42,135	41,606	42,386	42,314	42,265
Arts, entertainment and recreation	5,053	4,631	4,951	4,805	4,843
Accommodation and food services	20,724	20,509	21,619	22,414	22,025
Other services	11,171	10,779	10,855	10,677	10,827
Public administration	12,615	12,639	12,819	13,095	12,805
<b>Total, all industries<sup>1</sup></b>	<b>284,071</b>	<b>278,567</b>	<b>284,236</b>	<b>284,592</b>	<b>286,644</b>

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

<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

In the fourth quarter of 2004, nearly all economic sectors posted growth in comparison with the same period last year. The percentage of jobs in transportation and warehousing, real estate, educational services and accommodation and food services grew more than other fields in the city did. In contrast, the information sector tended to decrease throughout the region, with Minneapolis losing 8 percent of its information jobs. Information industries, which include publishing, internet publishing and telecommunication, lost employment. Arts, entertainment and recreation jobs also experienced declines in all three geographical areas, but Minneapolis lost a comparatively larger share of its total. Manufacturing expanded in the metropolitan area and the state but shrank in the city.

Figure 2: **AVERAGE NUMBER OF JOBS – 4Q-03 to 4Q-04**  
percent change

Source: CPED with data from DEED



## JOBS

The average weekly salary in Minneapolis in the fourth quarter was \$1,062, an increase of \$74 (or \$44 in constant dollars) from the same period last year. The highest salaries were found in management of companies and enterprises, professional and technical services, finance and insurance and utilities. The lowest paying industries were accommodation and food services, other services (which includes repair and personal services), administrative and waste services, and retail.

Salaries for management of companies and enterprises increased by \$690 on average (\$652 in constant dollars), while educational services salaries decreased \$98 on average (\$128 in constant dollars)\*.

\* For conversion factors, see page 10

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

SECTOR	4Q-03	1Q-04	2Q-04	3Q-04	4Q-04
Manufacturing	\$ 976	\$ 978	\$ 897	\$ 938	\$ 1,044
Utilities	1,512	2,243	1,363	1,391	1,426
Wholesale Trade	1,151	1,083	1,064	1,132	1,221
Retail Trade	565	583	574	607	591
Transportation & Warehousing	668	630	633	633	720
Information	937	1,125	1,070	1,107	1,090
Finance & Insurance	1,642	2,256	1,458	1,411	1,708
Real Estate and Rental and Leasing	991	624	658	699	1,040
Professional & Technical Services	1,575	1,283	1,345	1,338	1,721
Management of Companies & Enterprises	1,243	1,538	1,432	1,392	1,933
Administrative & Waste Services	525	529	507	518	567
Educational Services	984	899	885	941	886
Health Care & Social Assistance	836	778	815	821	884
Arts, Entertainment & Recreation	968	901	1,016	1,166	1,146
Accommodation & Food Services	328	315	324	325	343
Other services	552	531	528	520	563
Public Administration	989	975	973	977	1,077
<b>Total, all industries</b>	<b>\$ 988</b>	<b>\$ 1,024</b>	<b>\$ 931</b>	<b>\$ 938</b>	<b>\$ 1,062</b>

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

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 DEEDS.

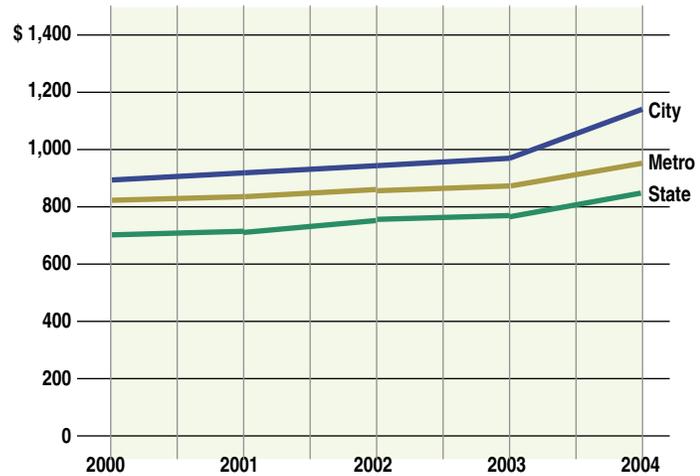
# JOBS

For all industries, employees commanded higher average weekly wages in Minneapolis than in the metropolitan area or the state. However, when those fourth-quarter wages are in 2004 dollars and compared to the same period from the previous year, Minneapolis' growth of 4.6 percent lags behind the 5.1 percent rise for the metropolitan area and the 7.6 percent rise for the state.

With the exception of educational services and utilities in Minneapolis, all industries saw improved weekly wages when compared to the fourth quarter of 2003.

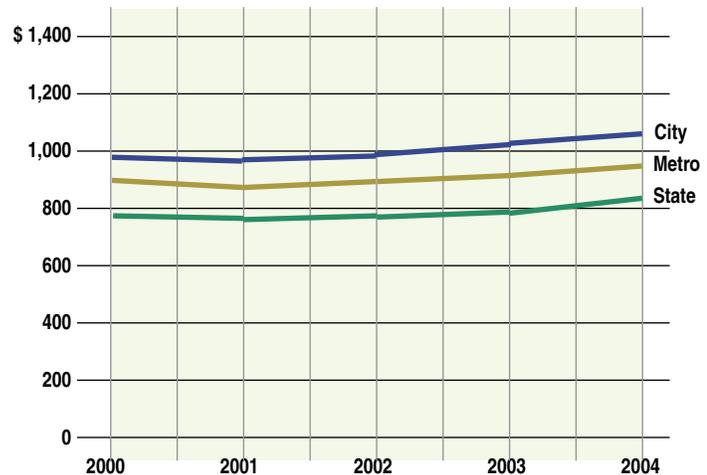
The graph on the following page shows percentage changes by industry in the three geographic areas.

Figure 3: **AVERAGE WEEKLY WAGES** - fourth quarter  
in current dollars



Source: CPED with data from DEED.

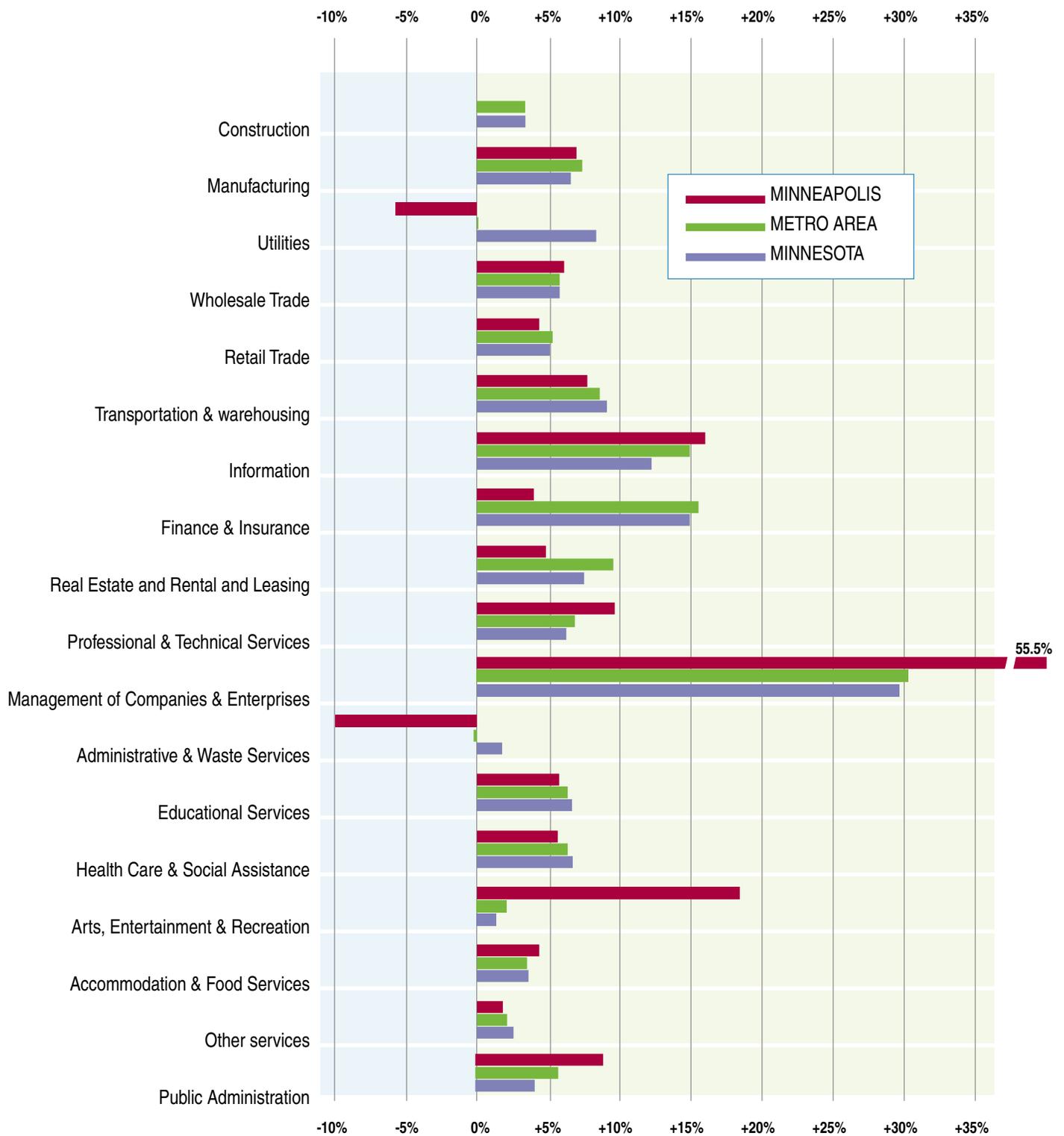
Figure 4: **AVERAGE WEEKLY WAGES** - fourth quarter  
in 2004 dollars



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

# JOBS

Figure 5: **WAGES** – 4Q-03 to 4Q-04  
percent change



Source: CPED with data from DEED

## DEFINITIONS AND 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 Economic Development. Labor force is the average number of non-farm workers employed or looking for a job at a given time. Table one presents quarterly information for the city.

**Jobs and Wages:** Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables two and three show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area, Minnesota and the United States. Percentage changes are not shown for the United States because of slightly different categories.

**Inflation-adjusted figures:** Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget, and in the Midwest urban areas when applied. For the fourth quarter of 2004, dollars have been converted with an index of 1.03050109 reflecting CPI for the second half of 2003 (183.6) and CPI for the second half of 2004 (189.2). For the Midwest urban areas the corresponding indexes are: 183.9 (second half 2004) and 178.8 (second half 2003), which yield an index of 1.02852349.

## DEVELOPMENT INDICATORS

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- New residential construction in Minneapolis picked up again after a sluggish first quarter.
- Construction of multifamily units led the activity in the city and the metropolitan area.
- Average construction cost per multifamily unit in the city increased by more than 100 percent in constant dollars.
- Construction of new housing took place mainly in the vicinity of the Heritage Park development and in Ventura Village neighborhood.
- The number of permitted demolitions decreased after a sharp increase at the end of last year.

## NEW RESIDENTIAL CONSTRUCTION

In Minneapolis and the metropolitan area, new residential construction this quarter recovered from the low level of activity in the first quarter of the year, but it was still below the second-quarter figures from 2004.

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

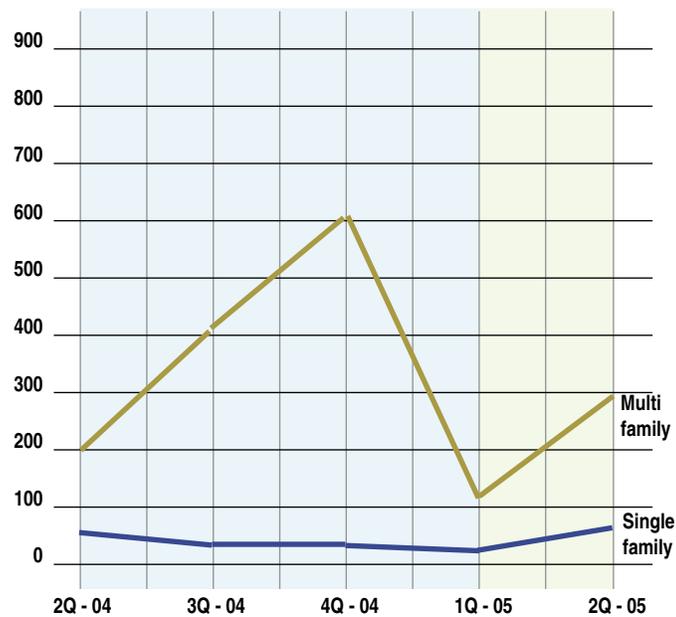
	2004			2005	
	2Q-2004	3Q-2004	4Q-2004	1Q-2005	2Q-2005
<b>Single-family</b>					
City	72	47	50	30	66
Metropolitan area	4,166	3,964	3,254	2,256	3,502
<b>Multifamily</b>					
City	201	411	614	111	299
Metropolitan area	1,251	2,441	2,110	668	1,098
<b>Total number of units</b>					
City	273	458	664	137	365
Metropolitan area	5,417	6,405	5,364	2,924	4,600

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

In Minneapolis, single-family housing construction was still 8 percent lower in the second quarter than in the same period last year. However, multifamily unit construction increased by 49 percent with nearly a hundred more units built than in 2004's second quarter.

Single-family and multifamily construction in the metropolitan area also picked up since the first quarter, but it decreased by 15 percent from the more than 5,400 units permitted in the second quarter of 2004.

Figure 6: **PERMITTED NEW RESIDENTIAL UNITS - Minneapolis**



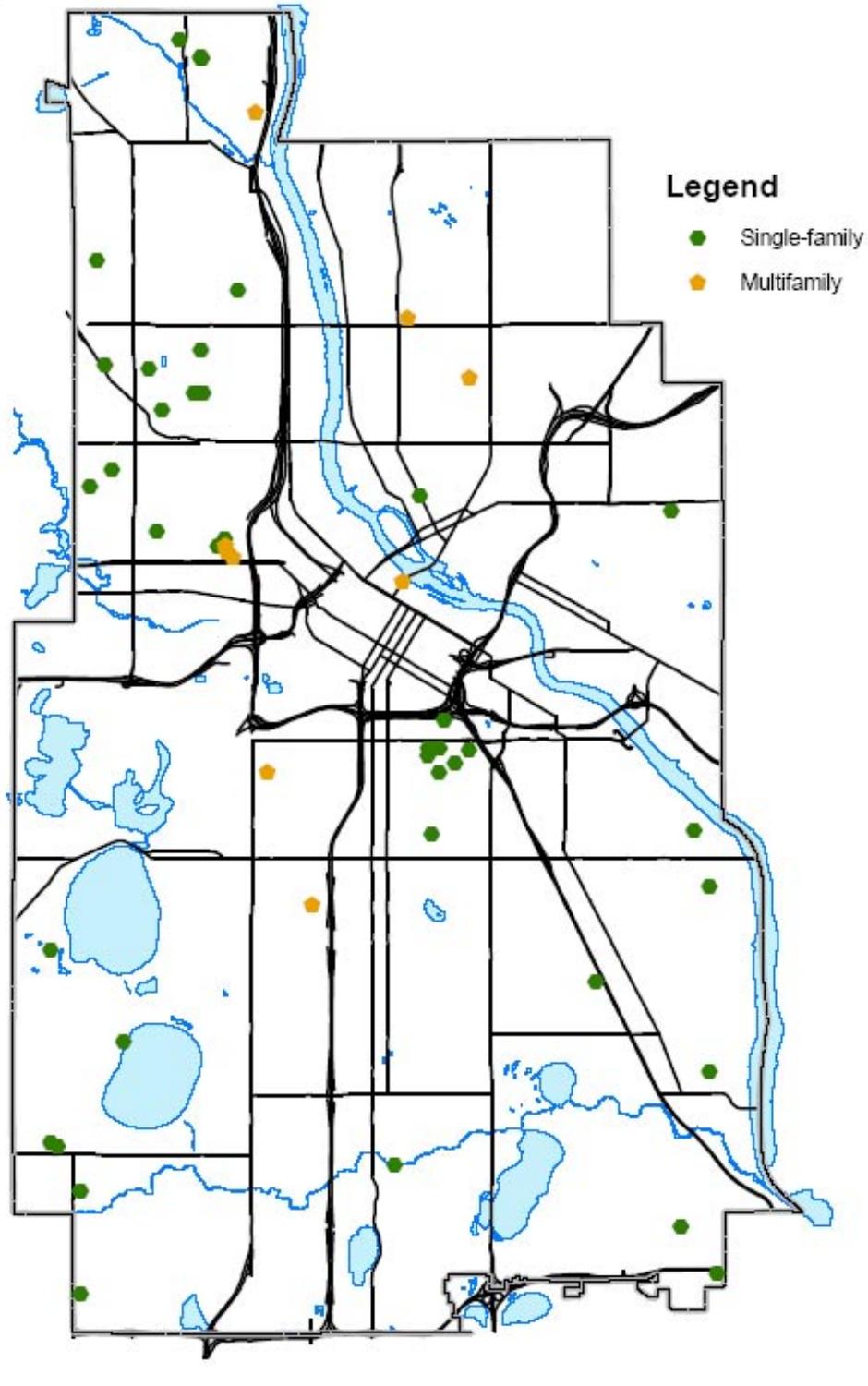
Source: CPED with data from the U.S. Census Bureau

## NEW RESIDENTIAL CONSTRUCTION

New single-family housing was permitted this quarter mainly on the north side of the city and in Ventura Village, on the near south side. A total of 299 new multifamily buildings were permit-

ted, with the largest being a high-rise 255-unit condominium building at 100 Third Ave. S.

Map 1: PERMITS FOR NEW HOUSING CONSTRUCTION second quarter 2005



Source: CPED with data from Regulatory Services

## CONVERSIONS, REMODELS, AND ADDITIONS

Consolidation of units in apartment buildings converted into condominiums resulted in 15 fewer units this quarter.

The projected construction costs of residential buildings in projects costing \$50,000 or more increased by near 15 percent from the dollar amounts reported in the second quarter of 2004 (in constant dollars)\*. However, the second quarter of 2005 involved 19 fewer buildings. The cost of non-residential projects increased by nearly 28 percent over the same period.

\* For conversion factors see page 21

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

	2Q-2004	UNITS	BUILDINGS <sup>1</sup>	VALUE
A – Residential			154	\$ 32,796,093
Remodels			150	21,894,694
Conversions and additions # of units <sup>2</sup>	136		4	10,901,399
B – Non-Residential			127	47,636,830
	3Q-2004	UNITS	BUILDINGS <sup>1</sup>	VALUE
A – Residential			160	\$ 28,558,979
Remodels			158	23,283,979
Conversions and additions # of units <sup>2</sup>	68		2	5,275,000
B – Non-Residential			131	71,656,841
	4Q-2004	UNITS	BUILDINGS <sup>1</sup>	VALUE
A – Residential			128	\$ 86,732,308
Remodels			120	13,852,017
Conversions and additions # of units <sup>2</sup>	720		8	72,880,291
B – Non-Residential			114	41,310,674
	1Q-2005	UNITS	BUILDINGS <sup>1</sup>	VALUE
A – Residential			110	\$ 19,883,398
Remodels			108	19,536,398
Conversions and additions # of units <sup>2</sup>	-2		2	0
B – Non-Residential			100	104,073,352
	2Q-2005	UNITS	BUILDINGS <sup>1</sup>	VALUE
A – Residential			136	\$ 29,652,150
Remodels			133	25,578,798
Conversions and additions # of units <sup>2</sup>	-15		3	4,073,352
B – Non-Residential			126	62,472,207

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

## REMODELS, ADDITIONS AND CONVERSIONS

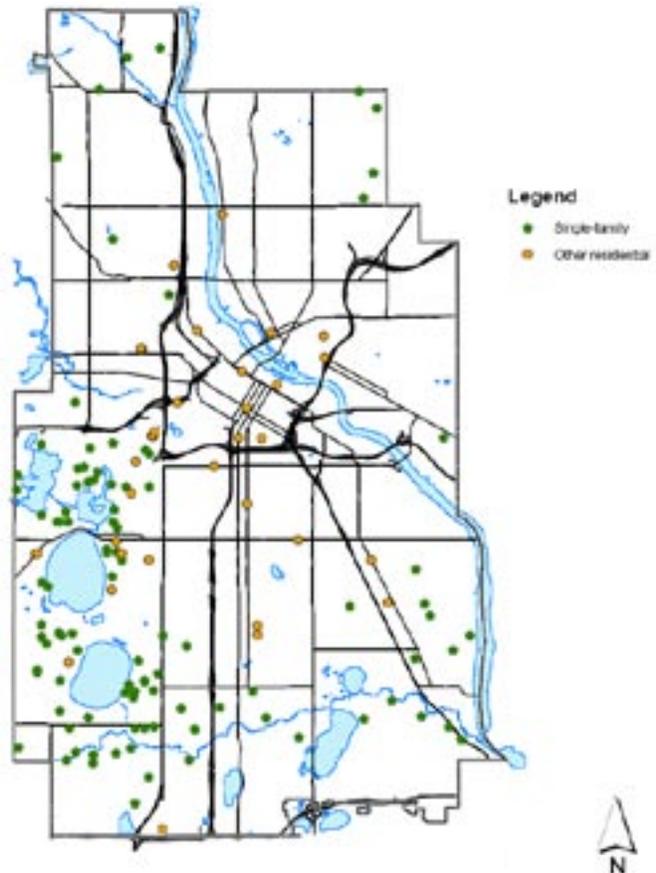
Permits for housing remodeling were for places mainly in the southern half of the city, with a larger concentration in the lakes area. Downtown, the east bank of the Mississippi River and neighborhoods east of the Hiawatha rail line also developed substantially, with a mix of single-family and other residential buildings, including multifamily and townhouses.

Figure 7: **NEW UNITS ADDED TO EXISTING BUILDINGS OR IN BUILDINGS CONVERTED FROM ANOTHER USE - Minneapolis**



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

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

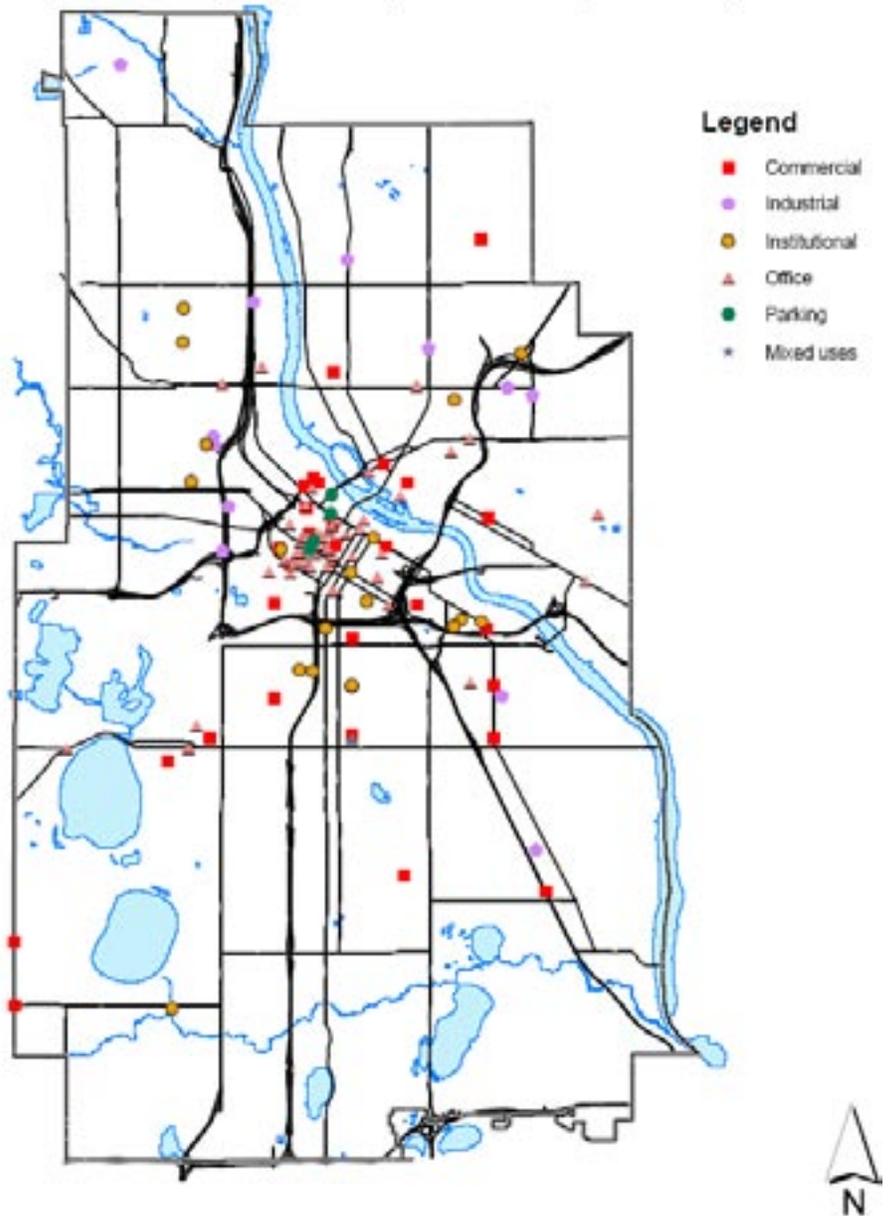


Source: CPED with data from Regulatory Services

## REMODELS, ADDITIONS AND CONVERSIONS

Non-residential remodeling and renovation permits issued in the second quarter were mostly for downtown projects and, to a lesser degree, for projects in two other areas: to the south of Downtown between Franklin Avenue and Lake Street, and along East Hennepin and along Interstate 94 to the north.

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



Source: CPED with data from Regulatory Services

## REMODELS, ADDITIONS AND CONVERSIONS

Following is a list of major projects (valued at \$1 million or more) permitted in Minneapolis in the second quarter of 2005. By far the highest cost project is a new high-rise 42-story condominium, The Carlyle, to be built in downtown, followed by the Sheraton Hotel buildout.

Table 7: MAJOR CONSTRUCTION PROJECTS \$1,000,000 +

ADDRESS	ZIP CODE	VALUE	DESCRIPTION
100 3rd Ave S	55401	\$ 71,231,486	New high- rise condo building (255 units)
2901 Chicago Ave*	55407	\$ 9,691,561	Sheraton Hotel buildout
6150 Lyndale Ave S	55419	\$ 4,857,000	New retail building
3310 Nicollet Ave	55408	\$ 4,352,007	New condo building (35 units)
1007 14th St E*	55404	\$ 4,350,150	Nursing home remodel
901 Hennepin Ave	55402	\$ 3,847,100	Chambers Hotel renovation
2925 Chicago Ave	55407	\$ 3,601,591	Expansion of Allina office space
2002 Lowry Ave N	55412	\$ 3,050,000	New fire station # 14
2450 Riverside Ave*	55454	\$ 2,457,909	Hospital remodel
225 6th St S*	55402	\$ 2,220,190	Remodel various office spaces
2426 West Broadway	55411	\$ 2,055,947	New CVS Apothecary
52 Groveland Terrace	55403	\$ 1,838,381	Convert 62 apart. to 59 condo units
80 8th St S*	55402	\$ 1,807,310	Remodel various office spaces
90 7th St S*	55402	\$ 1,796,342	Remodel various office spaces
800 Washington Ave N*	55401	\$ 1,566,593	Exterior restoration
107 3rd Ave N	55401	\$ 1,468,000	Restaurant/nightclub addition/renovation
48 Groveland Terr ace	55403	\$ 1,464,473	Convert 57 apart. to 47condo units
1203 Bryant Ave N	55411	\$ 1,200,000	Church and warehouse conversion into school and community center
610 15th St E	55404	\$ 1,200,000	Remodel apartment building
2917 Bryant Ave S	55408	\$ 1,175,000	Restaurant remodel
521 7th St S	55415	\$ 1,133,000	Preparation for remodeling
843 8th Ave N	55411	\$ 1,048,070	Eight new dwellings
60 6th St S*	55401	\$ 1,031,223	Remodel various office spaces

Source: CPED with data from City Regulatory Services

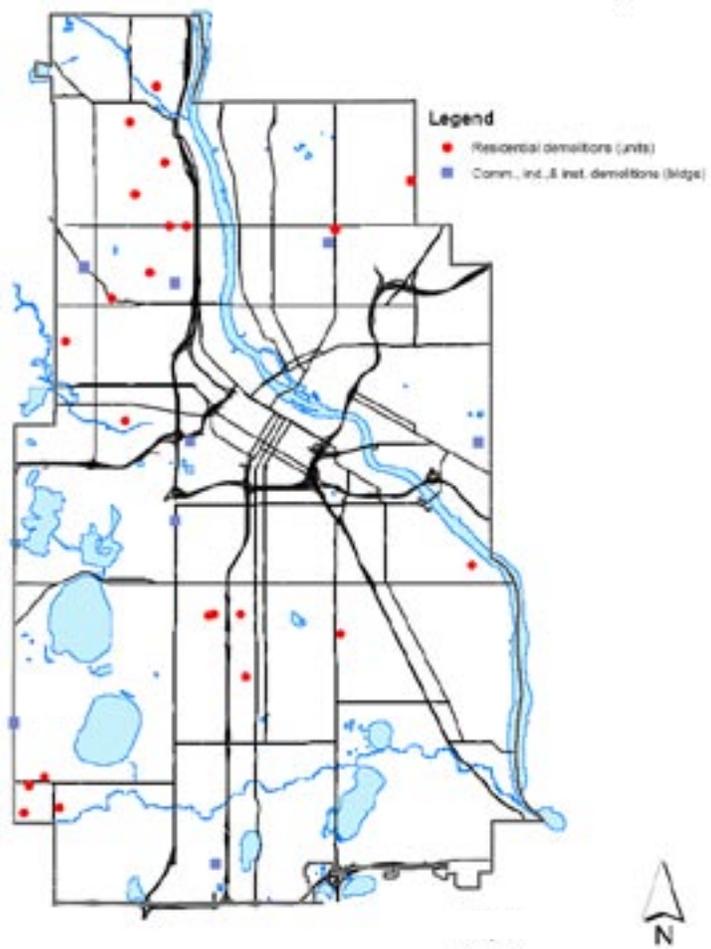
\* More than one permit is involved

# DEMOLITIONS

## Building permits for demolition

Demolitions decreased in the second quarter of 2005. There were 37 housing units destroyed during the quarter, compared to a high of 73 reached at the end of 2004. Despite this decrease, demolitions were still higher than in the second quarter of last year. Residential demolitions included a 10-unit building at 2441 Central Avenue.

Map 3: PERMITS FOR DEMOLITIONS second quarter 2005



Source: CPED with data from Regulatory Services

Figure 8: RESIDENTIAL DEMOLITIONS in units



Source: CPED with data from Regulatory Services

## RESIDENTIAL CONSTRUCTION COST

In Minneapolis, the total cost of new residential construction increased by almost 150 percent (143 percent in constant dollars) from the second quarter of 2004. Single-family and multifamily new construction both increased, with multifamily construction leading the way at an increase of more than \$52 million (\$51.9 million in constant dollars)\*.

In the seven-county metropolitan area, the total cost of new construction continued to decrease, although the multifamily construction cost grew by 34 percent (31 percent when adjusted for inflation).

\* For conversion index see page21

Table 8: **RESIDENTIAL CONSTRUCTION COST**

	2Q-2004	3Q-2004	4Q-2004	1Q-2005	2Q-2005
<b>Single family</b>					
Minneapolis	\$ 11,784,048	\$ 11,584,711	\$ 7,864,399	\$ 6,440,616	\$ 12,263,689
Metropolitan area	826,547,245	787,911,264	674,806,252	500,110,698	765,363,387
<b>Multifamily</b>					
Minneapolis	23,964,912	41,755,679	91,357,608	18,244,663	76,399,197
Metropolitan area	147,277,651	208,498,890	266,739,535	85,918,361	196,893,422
<b>Total number of units</b>					
Minneapolis	35,748,960	53,340,390	99,222,007	24,685,279	88,662,866
Metropolitan area	973,824,896	996,410,154	941,545,787	586,029,059	953,256,829

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

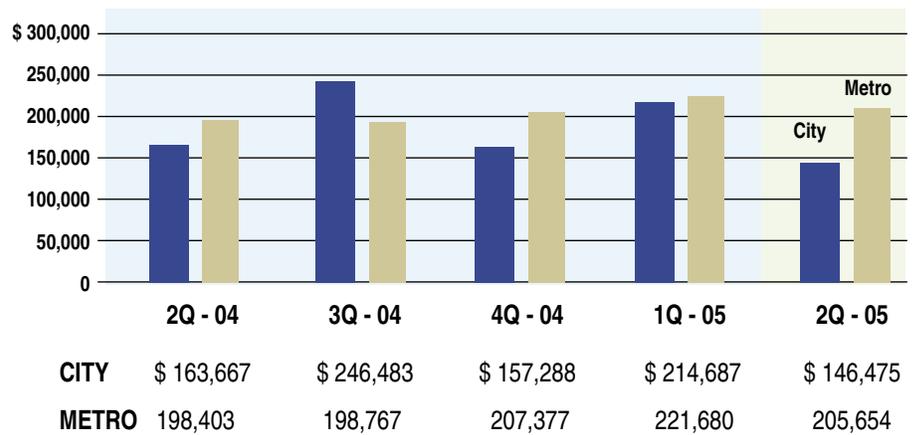
Table values are not adjusted for inflation

## RESIDENTIAL CONSTRUCTION COST

The average cost of building a house in Minneapolis increased by 13.5 percent (11.4 percent in constant dollars) in the second quarter of 2005, from \$163,700 (\$166,700 in constant dollars) in the same period last year\* to \$185,813.

In the metropolitan area the average cost of building house increased by 9 percent (6.9 percent in constant dollars), from \$198,400 (\$202,100 in constant dollars in this period last year\* to \$215, 980 now.

Figure 9: **SINGLE FAMILY CONSTRUCTION COST** per unit

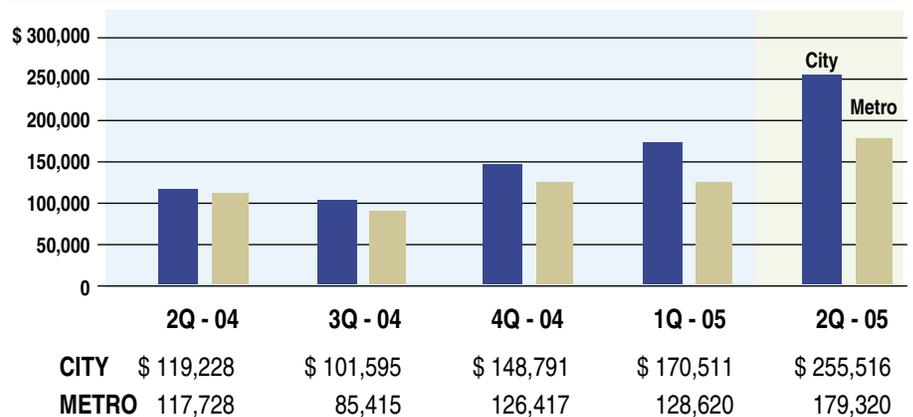


Source: CPED with data from the U.S. Census Bureau

Values in graph are not adjusted for inflation

For both Minneapolis and the metropolitan area, the average construction costs for buildings and multifamily units reached three-year highs in the second quarter. The cost per unit increased in Minneapolis from \$119,228 (\$121,500 in constant dollars)<sup>5</sup> in the same period last year to \$255,516 in the current quarter, more than double what the value was in the second quarter of 2004. In the metropolitan area the increase in cost was lower than the city's, but it still was substantial: about 50 percent in constant dollars. The hike reflected the high percentage of luxury buildings under construction.

Figure 10: **MULTIFAMILY CONSTRUCTION COST** per unit



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

<sup>5</sup> For conversion index see page 21

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

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

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

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

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

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

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

**Building permits for residential remodeling, additions and conversions:** Table seven and maps two and three are based on data from City of Minneapolis Regulatory Services and the Inspections Division. Information includes all City-approved projects for remodeling, additions and conversions with a value of \$50,000 or more.

**Building permits for demolitions or wrecking:** These data were obtained from City of Minneapolis Regulatory Services and the Inspections Division and include all partially or totally demolished buildings. The multifamily building category includes condominiums.

**Inflation-adjusted figures:** Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars. Inflation adjustment is based on the U.S. Bureau of Labor Statistics' Consumer Price Index for all items in the Midwest urban areas. For the second quarter of 2005, dollars have been converted with an index of 1.0245499 reflecting CPI June 2005 (187.8) and CPI for June 2004 (183.3). For housing the corresponding index is 1.018785, calculated with a CPI 181.0 for June 2004 and a CPI 184.4 for June 2005.

# HOUSING STOCK AND THE REAL ESTATE MARKET

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- Average vacancy rates went down, but average rents also decreased in real value since the same quarter of last year.
- The average vacancy rate for office space has been decreasing in both the Minneapolis central business district and the metropolitan area, and it is lower than in the second quarter last year. The average price asked per square foot increased, but square footage remained stable.
- The average retail vacancy rate also decreased throughout the region, but it is still high and prices went down in the city's central business district.
- The industrial vacancy rate continued to decrease in Minneapolis, but the average asking lease price per square foot is stable.

## RESIDENTIAL VACANCY RATES

The Minneapolis vacancy rate for multifamily rental units was 4.3 percent, down from 6.3 percent at the end of the second quarter last year. The average rent was \$808, down \$16 from last quarter, and \$20 (\$36 in constant dollars)\* from the same period last year. The average vacancy rate in Minneapolis for multifamily rental units increased since last quarter by one percentage point, but is much lower than the vacancy rate from the same quarter last year.

In the metropolitan area, the average vacancy rate was 6 percent, down from 7.1 percent in the same period last year. Average rent decreased by \$2 (\$18 in constant dollars) in the same period.

\* For conversion index see page 30

Table 9: VACANCY RATE & AVERAGE RENT - Minneapolis and Metro area

	2004			2005	
	2Q-04	3Q-04	4Q-04	1Q-05	2Q-05
<b>MINNEAPOLIS</b>					
Units surveyed	17,110	16,460	15,686	15,683	15,052
Vacant units	1,086	811	748	661	647
Average rent	\$ 828	\$ 837	\$ 822	\$ 824	\$ 808
Vacancy rate	6.3%	4.9%	4.8%	4.2%	4.3%
	2004			2005	
	2Q-04	3Q-04	4Q-04	1Q-05	2Q-05
<b>METRO AREA</b>					
Units surveyed	123,941	123,814	121,641	119,728	117,709
Vacant units	8,807	8,325	8,905	8,262	7,033
Average rent	\$ 850	\$ 851	\$ 849	\$ 850	\$ 848
Vacancy rate	7.1%	6.7%	7.3%	6.9%	6.0%

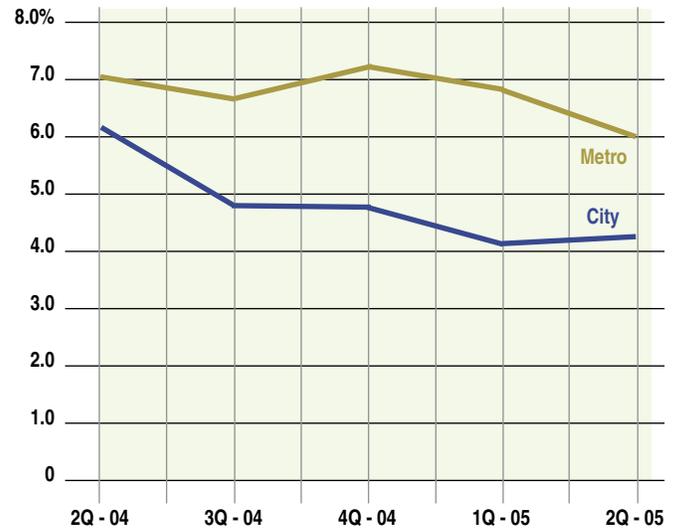
Source: GVA Marquette Advisors Report  
Recorded data for the last month of the quarter

# RESIDENTIAL VACANCY RATES

The vacancy rate in Minneapolis was lower than it was in the same period last year for all types of apartments, except three-bedroom units. The vacancy rate for large apartments increased from 5.1 percent to 8.5 percent in the second quarter last year.

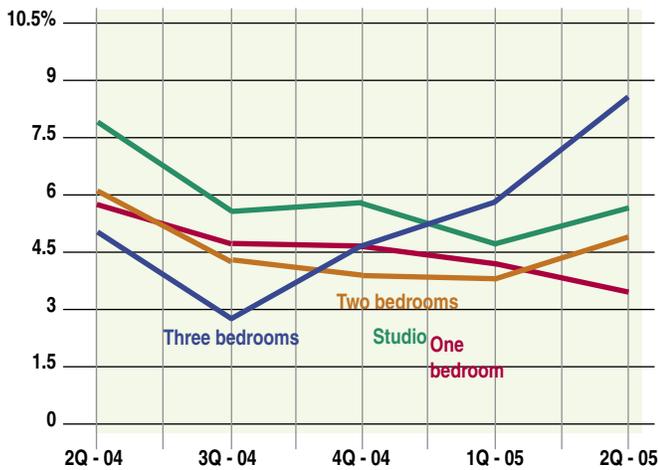
In the metropolitan area, vacancy rates for all sizes of apartments decreased in the second quarter from highs reached during the same period last year.

Figure 11: **RENTAL VACANCY RATE** - Minneapolis & Metro area



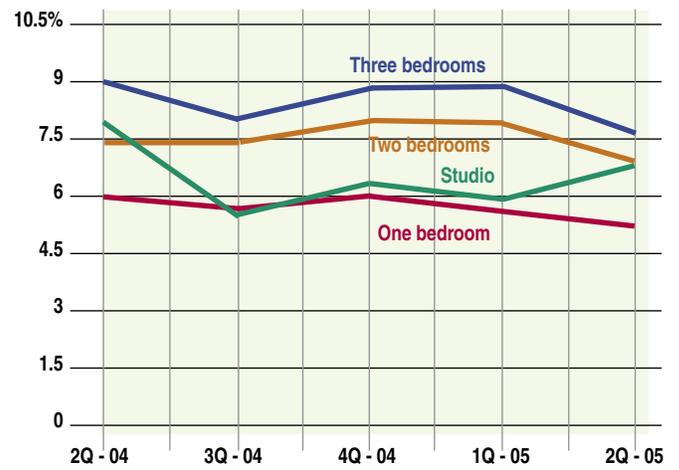
Source: CPED with data from GVA Marquette Advisors  
Recorded data for the last month of the quarter

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



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

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



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

# RESIDENTIAL VACANCY RATES

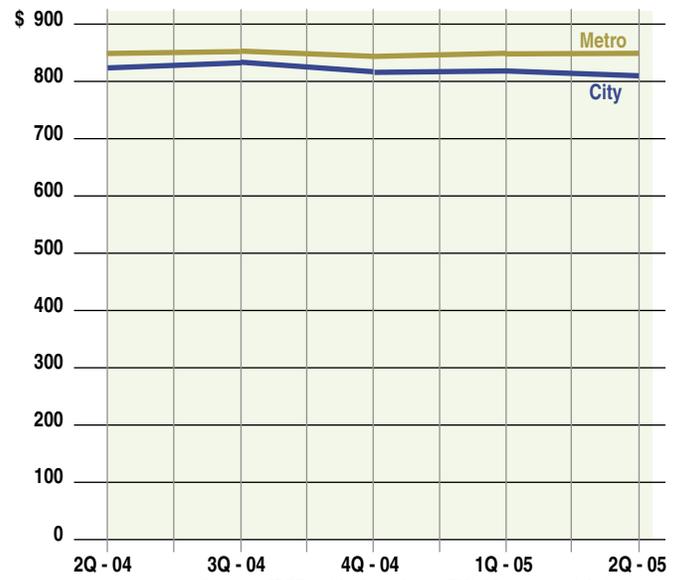
Average rent decreased in Minneapolis from \$824 last quarter to \$808 this quarter, a drop of \$16. The dollar amount has decreased by \$20 (\$36 in constant dollars from \$844) since the second quarter last year<sup>2</sup> In the metropolitan area, average rent decreased by \$2 (\$18 in constant dollars) since the second quarter last year.

Average rent for all types of apartments in Minneapolis have gone down since 2004. For large apartments (three bedrooms), rent went from \$1,365 (\$1,391 in constant dollars)\* for the second quarter of 2004 to \$1,299, a decrease of about 5 percent (6.6% in constant dollars).

Rents for all classifications of apartments also declined throughout the Twin Cities metropolitan area. However, these decreases were not as dramatic as the ones in Minneapolis. Three-bedroom units went down the most in the metro area, from \$1,231 (\$1,254 in constant dollars) in the second quarter of 2004<sup>2</sup> to \$1,219, a drop of about 1 percent (3 percent in constant dollars).

\* For conversion index see page 30

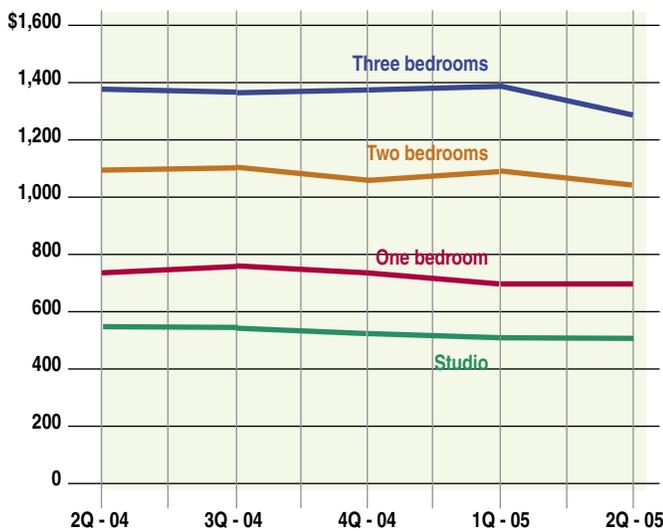
Figure 15: **AVERAGE APARTMENT RENT** in current dollars



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

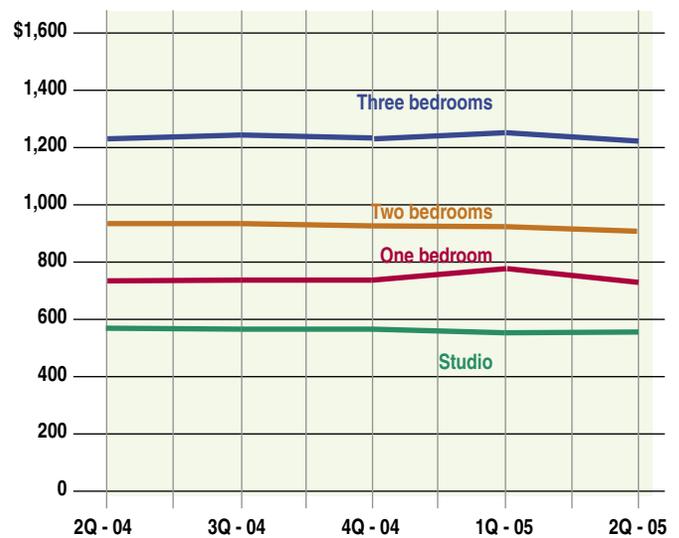
Figure 16: **AVERAGE RENT** by apartment type - Minneapolis



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

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



Source: CPED with data from GVA Marquette Advisors

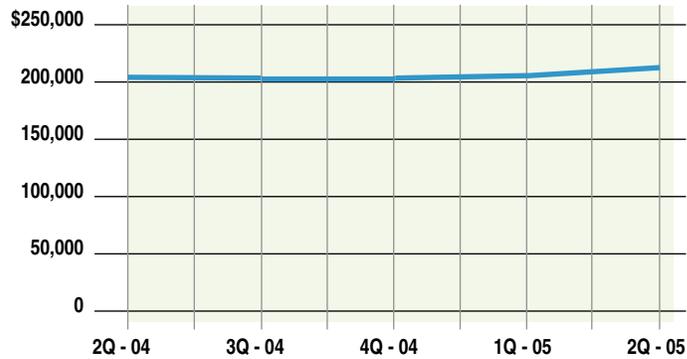
Numbers in table are not adjusted for inflation  
Recorded data for the last month of the quarter

## RESIDENTIAL SALES

Median sale prices (in June 2005 dollars) for all housing have steadily increased. The dollar amount has climbed nearly 9 percent since the second quarter of 2004, and by 6.5 percent from the previous quarter. All housing types increased in value, and median prices of condominium/townhouses appreciated the most – by 17.3 percent in constant dollars since the second quarter last year. While prices increased, the number of units sold decreased.\*

\* For conversion index, see page 30

Figure 17: **MEDIAN HOING PRICES** in June 2005 dollars



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

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

Table 10: **MINNEAPOLIS RESIDENTIAL UNITS SOLD AND AVERAGE SALE VALUES** <sup>1</sup>

	2Q-2004		3Q-2004		4Q-2004		1Q-2005		2Q-2005	
	# UNITS	MED. SALE								
Single-Family	1,846	\$ 198,000	1,827	\$ 201,000	1,341	\$ 200,000	852	\$ 199,450	1,144	\$ 215,000
Duplex/Triplex	278	240,500	311	257,000	246	245,000	151	250,000	169	266,000
Condominium/ Townhouse	427	208,000	536	202,947	565	222,000	292	242,500	241	248,500
<b>TOTAL</b>	<b>2,551</b>	<b>\$ 203,000</b>	<b>2,674</b>	<b>\$ 208,500</b>	<b>2,152</b>	<b>\$ 209,900</b>	<b>1,295</b>	<b>\$ 214,000</b>	<b>1,554</b>	<b>\$ 225,000</b>

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

Table values are not adjusted for inflation

<sup>1</sup> Numbers do not include apartments, vacant land sold or unclassified residential units.

## OFFICE SPACE

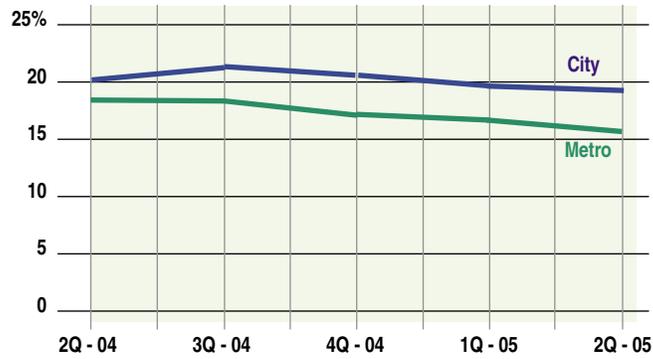
The average vacancy rate for office space in both the Minneapolis central business district and the metropolitan area continued a downward trend in the second quarter of 2005. In Minneapolis it went from 19.5 percent last quarter and from 20.3 percent a year ago to 18.8 percent. In the metro area the rate went from 17.1 percent last quarter and from 18.3 percent a year ago to 16.2 percent.

Average asking lease rates in Minneapolis increased from \$9.33 per square foot in the first quarter of 2005 to \$9.65 in the second quarter. In the second quarter of 2004, the average was \$9.60, or 0.5 percent lower than the current numbers. However, in constant dollars, the 2004 average was a higher \$9.84. In the metro area, prices declined from \$10.52 (\$10.82 in constant dollars) a year ago to \$10.38 this quarter\*.

\* For conversion index, see page 30

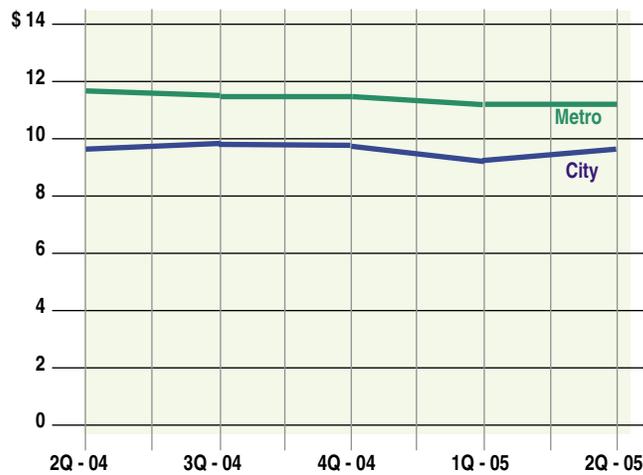
Office space continues to fill in both the city and the metropolitan area, reversing a negative trend seen since the third quarter of 2004. However, growth slowed in Minneapolis from a faster pace at the end of last year and beginning of 2005. Absorption declined because, even when the vacancy rate went down, the space available remained the same.

Figure 18: OFFICE VACANCY RATE



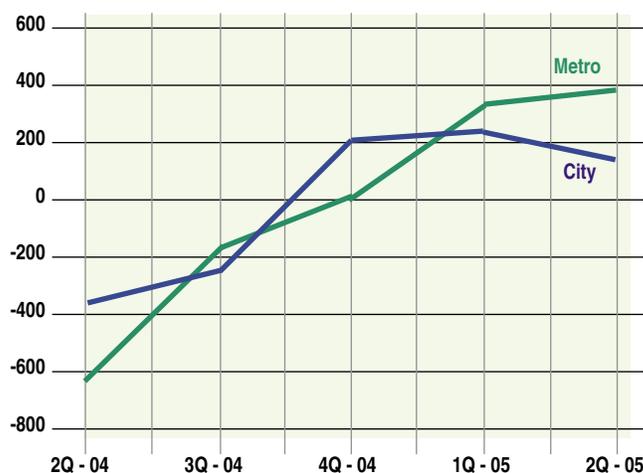
Source: CPED with data from CB Richard Ellis  
Class A, B and C office buildings 10,000 square feet and larger

Figure 19: OFFICE SPACE - AVERAGE ASKING LEASE RATE  
in dollars per square foot



Source: CPED with data from CB Richard Ellis  
Figures are not adjusted for inflation  
Class A, B and C office buildings 10,000 square feet and larger

Figure 20: OFFICE SPACE - ABSORPTION  
in thousands of square feet



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

## RETAIL SPACE

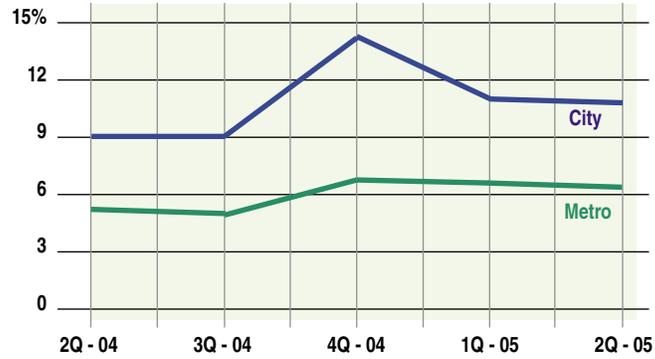
Although falling, the retail vacancy rate in the Minneapolis central business district is still high compared to this period last year. The rate also fell in the metropolitan area and is still somewhat higher than last year's rate. However, the metro-wide rate is not as high as Minneapolis'.

In the city's central business district, average asking lease prices went down since the second quarter of 2004, falling \$2.04 per square foot (\$2.70 in constant dollars from \$27.70). In the metropolitan area, prices are up from the same quarter last year\*.

\* For conversion index, see page 30

The city's central business district partially recovered from fourth-quarter losses in retail space absorption. The metropolitan area also rebounded since the fourth quarter, but occupied space declined in the second quarter in both the Minneapolis central business district and the metropolitan area. Absorption in the city is higher than it was during the same period last year.

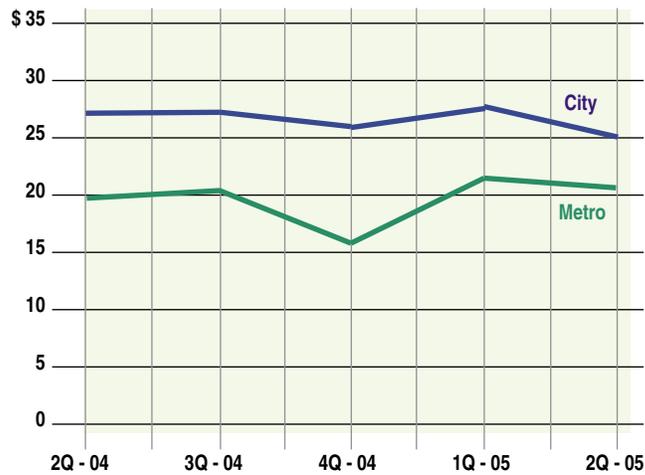
Figure 21: **RETAIL SPACE - VACANCY RATE**



Source: CPED with data from CB Richard Ellis

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

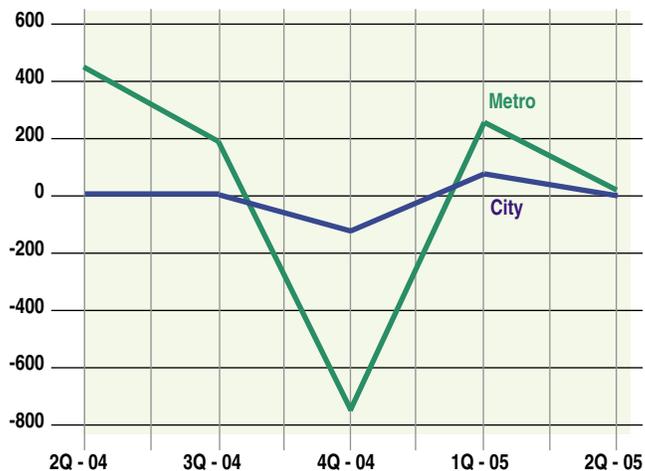
Figure 22: **RETAIL SPACE - AVERAGE ASKING LEASE RATE**  
in dollars per square foot



Source: CPED with data from CB Richard Ellis

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

Figure 23: **RETAIL SPACE - ABSORPTION**  
in thousands of square feet



Source: CPED with data from CB Richard Ellis

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

## INDUSTRIAL SPACE

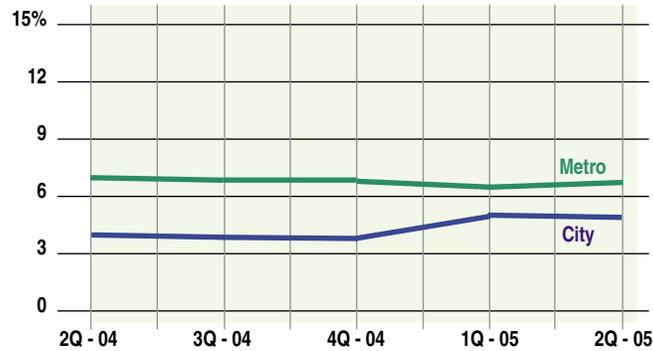
The industrial space vacancy rate increased in Minneapolis this quarter by just a percentage point from last quarter, continuing a trend that began in the fourth quarter of last year. The second-quarter rate was higher than it was during the same period last year. The vacancy rate also increased in the metropolitan area, but is still lower than last year.

The average asking lease rate for industrial space in Minneapolis has been stable for the past two quarters. In the second quarter it is about 7.4 percent lower (9.6 percent in constant dollars) than it was a year ago. In the metropolitan area, prices are higher by 1 percent, but 1.5 percent lower in constant dollars than last year\*

\* For conversion index, see page 30

Fewer square feet of industrial space in Minneapolis are occupied since the third quarter, when absorption was at its peak. In the second quarter absorption in the city was still negative, indicating that there is more available space than the market can support. The metropolitan area fell to its lowest level since the fourth quarter of 2004.

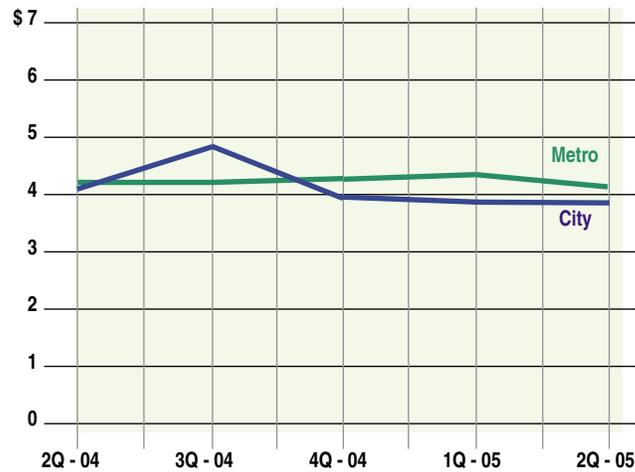
Figure 24: INDUSTRIAL SPACE - VACANCY RATE



Source: CPED with data from CB Richard Ellis

Includes industrial buildings 100,000 square feet and larger, including buildings

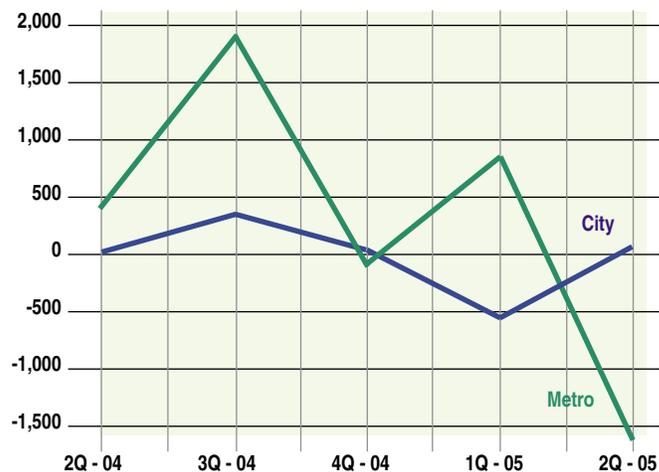
Figure 25: INDUSTRIAL SPACE - AVERAGE ASKING LEASE RATE in dollars per square foot



Source: CPED with data from CB Richard Ellis

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

Figure 26: INDUSTRIAL SPACE - ABORPTION in thousands of square feet



Source: CPED with data from CB Richard Ellis

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

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

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

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

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

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

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

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

Real estate statistics as reported by CB Richard Ellis (see Web site at [www.cbre.com](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:** Determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of all available space

**Average vacancy rate:** Vacant square feet divided by the net rentable area

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

**Inflation-adjusted figures:** Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index for all urban consumer goods in the Midwest urban areas. For the second quarter of 2005, dollars have been converted with an index of 1.02455 reflecting CPI for June 2005 (187.8) and CPI for June 2004 (183.3).

To convert housing values, a CPI for housing in Midwest urban areas is used. To compare 2005 first quarter with 2004 first quarter, the index is 1.018785, the result of the relation between CPI for June 2005 (184.4) and CPI for June 2004 (181).



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