

Minneapolis Trends

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

Highlights for the third quarter of 2004

- Although more people were working, unemployment increased in the city. Unemployment decreased in the metropolitan area.
see page 5
- New multifamily residential construction increased sharply in the metropolitan area
see page 12
- Multifamily construction costs per unit increased in the city and in the metropolitan area.
see pages 17 -18
- Average vacancies in Minneapolis' rental market decreased sharply, and average rents went up.
see page 22
- Housing units in the city sold at a record number, but average sale values decreased in constant dollars.
see page 23
- The office market continued to be depressed, with high vacancy rates and negative absorption
see page 24



third quarter 2004



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Minneapolis Trends

third quarter 2004



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DEMOGRAPHIC AND ECONOMIC INDICATORS

Definitions and sources

Population: Figures for the City of Minneapolis and the metropolitan area include the Twin Cities Metropolitan Council estimates for 2001 to 2003 and the U.S. Census Bureau numbers for 2000 and 1990. Unless otherwise specified, the metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties.

Households: According to the U.S. Census Bureau, "A household includes all of the people who occupy a housing unit." Families are people related to the householder and occupy a housing unit. Data are based on the Minnesota State Demographic Center estimates for 2001 to 2003 and the U.S. Census Bureau numbers for 2000 and 1990.

Income: Income estimates for the past 12 months are calculated by the Census Bureau for its American Community Survey. The bureau includes eight kinds of incomes reported separately by people 15 years old and older. Table three presents data on median household income, median family income and income per capita in Minneapolis, four counties in the metropolitan area and the United States.

Labor Force, Employment and Unemployment: Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Economic Development. Labor force is the average number of non-farm workers employed or looking for a job at a given time. Table four presents quarterly and year-to-date information for the city and the seven-county metropolitan area.

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 five to seven show data by industry at a level to two digits 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.

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

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 Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget.

POPULATION AND INCOME

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

Recent estimates reveal that between 2000 and 2003, population has changed slightly in the city. In 2003 the city shows approximately 323 fewer people than in 2000. The metro area added almost 33,000 people per year between 2000 and 2003.

Household size in Minneapolis increased substantially between 1990 and 2000. Since 2001, however, it is decreasing. In the metro area, household size decreased in the 1990s and continues to drop after 2000.

In 2003, median household income and median family income were lower in Minneapolis than either the United States or the four metro counties. However, income per capita was higher in Minneapolis in comparison with the United States, while the metro counties' income per capita was even higher. The different income measures show how wealthy the four counties in the metropolitan area are compared to Minneapolis alone or the country as a whole.

Between 2002 and 2003, all measures of income in constant dollars grew in Minneapolis: median household income increased by about 16 percent, median family income increased by 2 percent and per capita income increased by 11 percent. Meanwhile, the United States decreased in all income categories, and the four counties in the Twin Cities metropolitan area decreased in two categories but increased by 4 percent in per capita income.

TABLE 1: POPULATION

	MINNEAPOLIS	7-COUNTY METRO ¹	
2003 ²	382,295	2,740,985	¹ The metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties ² Metropolitan Council estimates ³ U.S. Census of Population and Housing ⁴ Percent population growth between 1990 and 2000
2002 ²	382,700	2,708,916	
2001 ²	382,446	2,674,838	
2000 ³	382,618	2,642,056	
1990 ³	368,383	2,288,721	
GROWTH⁴	3.9%	15.4%	

TABLE 2: HOUSEHOLD SIZE

	MINNEAPOLIS	7-COUNTY METRO ¹	
2003 ²	2.23	2.57	¹ The metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties ² State Demographic Center estimates ³ U.S. Census of Population and Housing
2002 ²	2.23	2.57	
2001 ²	2.25	2.58	
2000 ³	2.25	2.59	
1990 ³	2.19	2.61	

TABLE 3: INCOME

	ESTIMATES 2003	MINNEAPOLIS	METRO COUNTIES ¹	UNITED STATES
Median household income		\$ 42,010	\$ 56,744	\$ 43,564
Median family income		52,661	70,662	52,273
Income per capita		27,117	29,437	23,110
	2002	MINNEAPOLIS	METRO COUNTIES ¹	UNITED STATES
Median household income		\$ 35,708	\$ 56,147	\$ 43,075
Median family income		50,605	70,316	51,724
Income per capita		23,979	27,804	22,759

Source: U.S. Census Bureau American Community Survey

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

EMPLOYMENT

In comparison with the second quarter of 2004, labor force and employment both increased in both the city and the seven-county metropolitan area. More people were working, but in Minneapolis more people were unemployed also. In the metropolitan area, the unemployment rate decreased in the third quarter to 4.4 percent.

Compared to the third quarter in 2003 (the same period last year), Minneapolis has a smaller labor force and fewer people employed, and unemployment is higher. In the metro area, on the contrary, labor force and employment were higher this year than the third quarter of 2003. Unemployment dropped to 4.4 percent from 4.8 percent last year.

TABLE 4: MINNEAPOLIS LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

	CITY	METRO AREA	CITY	METRO AREA
3Q-03			2003	YTD average
Labor Force	233,407	1,658,125	229,703	1,637,269
Employment	219,973	1,578,278	217,527	1,554,543
Unemployment Rate	5.8%	4.8%	5.3%	4.7%
4Q-03				YTD average
Labor Force	230,258	1,640,491	229,491	1,638,075
Employment	218,572	1,568,229	217,789	1,557,880
Unemployment Rate	5.1%	4.4%	5.2%	4.6%
1Q-04			2004	YTD average
Labor Force	218,319	1,628,176	218,319	1,628,176
Employment	207,572	1,556,577	207,572	1,556,577
Unemployment Rate	4.9%	4.4%	4.9%	4.4%
2Q-04				YTD average
Labor Force	223,956	1,664,399	221,115	1,645,639
Employment	212,849	1,596,151	210,196	1,576,255
Unemployment Rate	5.0%	4.9%	4.1%	4.2%
3Q-04				YTD average
Labor Force	226,999	1,681,528	223,076	1,657,602
Employment	214,473	1,608,326	211,622	1,586,945
Unemployment Rate	5.5%	4.4%	5.1%	4.3%

Source: Minneapolis Community Planning and Economic Development department (CPED) with data from Minnesota Department of Employment and Economic Development (DEED), Labor Market Information

Numbers reflect new revisions made by DEED

JOBS AND WAGES

Minneapolis had an average of more than 286,000 jobs in the second quarter of 2004. Health care and social assistance accounted for 14.9 percent of those jobs. Professional and technical services made up nearly 10 percent of the total, and finance and insurance and educational services had about 9.5 percent each of the total number of jobs.

In the second quarter, the average number of jobs decreased by 0.7 percent from the second quarter of last year, a loss of 2,025 jobs. The sectors that lost more jobs were public administration and manufacturing. However, accommodation and food services and management of companies and enterprises had a gain of nearly 1,900 jobs on average.

In the second quarter of 2004 Minneapolis had fewer jobs than in the same period the previous year, but the metropolitan area gained more than 10,000 jobs in the same period. The state gained about 23,700.

In the metropolitan area and in Minnesota, manufacturing continued to lose employment. Graph 1, on page 8, illustrates percentage changes in jobs.

TABLE 5: MINNEAPOLIS: AVERAGE NUMBER OF JOBS BY INDUSTRY

INDUSTRY	2Q-03	3Q-03	4Q-03	1Q-04	2Q-04	04 YTD AVG
Manufacturing	17,644	17,190	18,520	16,485	16,745	16,615
Utilities	3,250	3,210	3,363	3,162	3,295	3,229
Wholesale Trade	11,029	10,950	11,312	10,755	10,932	10,844
Retail Trade	16,373	16,170	17,320	15,947	16,335	16,141
Transportation & Warehousing	4,308	4,210	4,777	4,060	4,173	4,117
Information	12,600	12,370	13,702	12,048	11,857	11,952
Finance & Insurance	28,096	28,210	28,120	27,471	27,535	27,503
Real Estate & Rental and Leasing	5,257	5,310	5,305	5,611	5,862	5,736
Professional & Technical Services	28,980	28,720	29,547	27,888	28,414	28,151
Management of Companies & Enterprises	13,223	13,630	13,321	14,240	14,320	14,280
Administrative & Waste Services	14,068	14,310	14,310	12,894	13,987	13,440
Educational Services	26,376	23,580	23,580	27,411	26,761	27,086
Health Care & Social Assistance	42,512	42,270	42,270	41,712	42,515	42,114
Arts, Entertainment & Recreation	5,020	4,950	4,950	4,626	4,943	4,785
Accommodation & Food Services	20,492	21,080	21,080	20,419	21,669	21,044
Other services	11,455	11,170	11,170	10,757	10,822	10,790
Public Administration	13,525	13,470	13,470	12,544	12,590	12,572
Total, all industries¹	288,260	285,291	296,410	280,781	286,235	283,508

Source: CPED with data from the DEED, *Minnesota Quarterly Census Employment and Wages*.

¹ Natural resources-based industries as well as agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues. Totals do not add up.

JOBS AND WAGES

TABLE 6: QUARTERLY EMPLOYMENT BY ECONOMIC SECTOR

INDUSTRY ¹	MINNEAPOLIS		METRO AREA	
	2Q-03	2Q-04	2Q-03	2Q-04
Construction	n/a	n/a	75,479	77,724
Manufacturing	17,644	16,745	184,480	184,480
Utilities	3,250	3,295	6,014	6,014
Wholesale Trade	11,029	10,932	81,881	81,881
Retail Trade	16,373	16,335	165,260	167,260
Transportation & warehousing	4,308	4,173	66,479	66,479
Information	12,600	11,857	42,999	42,999
Finance & Insurance	28,096	27,535	104,178	105,178
Real Estate and Rental and Leasing	5,257	5,862	29,852	29,898
Professional & Technical Services	28,980	28,414	94,662	94,043
Management of Companies & Enterprises	13,223	14,320	57,704	57,704
Administrative & Waste Services	14,068	13,987	89,545	89,545
Educational Services	26,376	26,761	116,953	116,953
Health Care & Social Assistance	42,512	42,515	184,678	184,678
Arts, Entertainment & Recreation	5,020	4,943	26,589	26,589
Accommodation & Food Services	20,492	21,669	117,999	117,999
Other services, ex. Public Administration	11,455	10,822	54,808	54,808
Public Administration	13,525	12,590	63,027	63,027
Total, All Industries	288,260	286,235	1,571,397	1,581,446

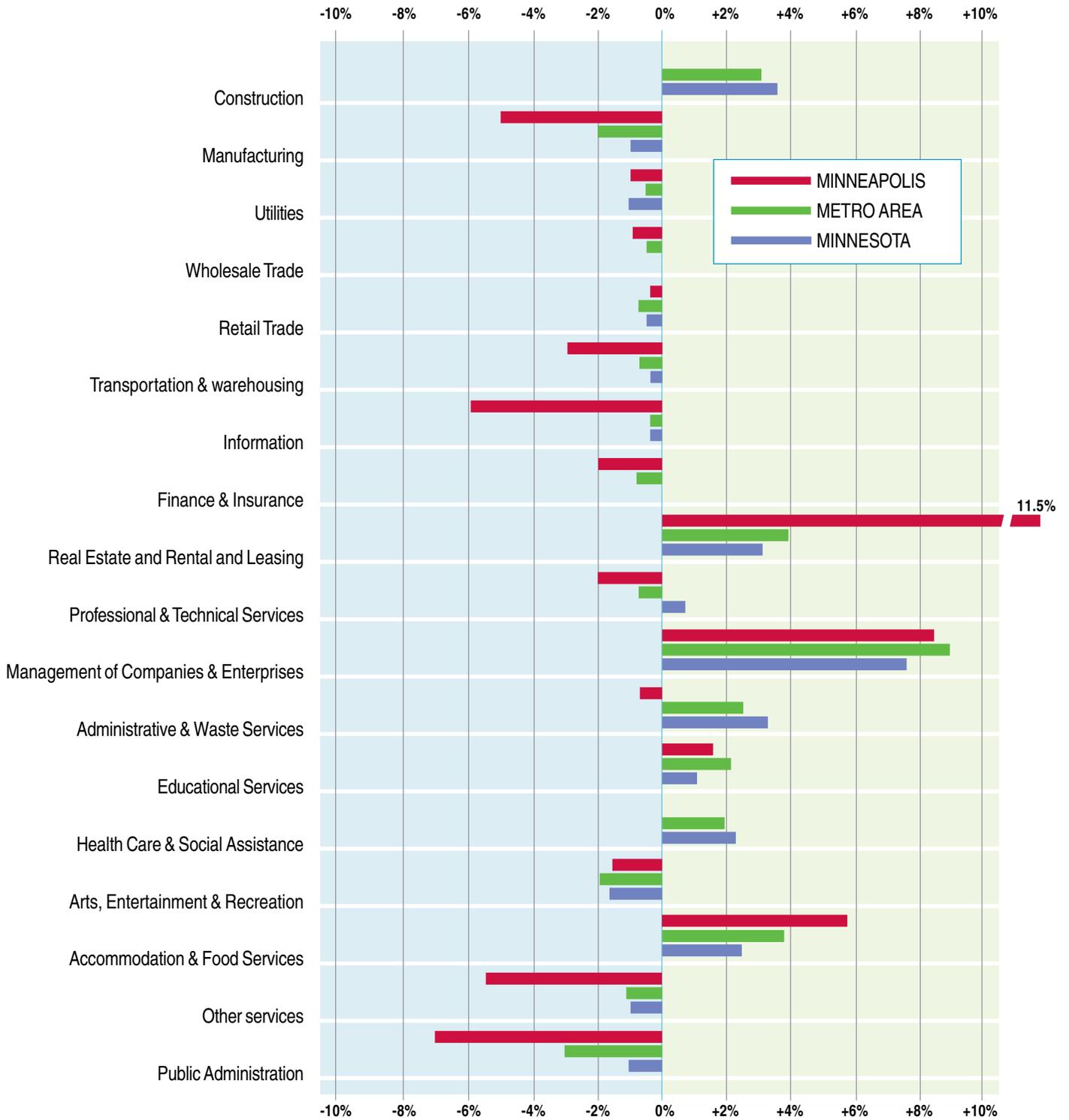
INDUSTRY ¹	MINNESOTA	
	2Q-03	2Q-04
Construction	132,858	137,503
Manufacturing	344,480	341,751
Utilities	13,430	13,297
Wholesale Trade	130,072	130,123
Retail Trade	301,369	300,525
Transportation & Warehousing	98,507	98,326
Information	65,146	65,086
Finance & Insurance	137,750	137,625
Real Estate & Rental and Leasing	37,852	39,069
Professional & Technical Services	118,839	119,538
Management of Companies & Enterprises	58,913	63,437
Administrative & Waste Services	118,789	122,694
Educational Services	207,660	209,660
Health Care & Social Assistance	352,264	360,486
Arts, Entertainment & Recreation	39,043	38,411
Accommodation & Food Services	197,871	202,862
Other services, ex. Public Administration	88,746	87,902
Public Administration	118,234	116,902
Total, All Industries	2,601,982	2,625,688

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

¹ Natural resources as well as agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues. Totals do not add up.

JOBS AND WAGES

GRAPH 1: JOBS : 2Q-2003 AND 2Q-2004 percent change



Source: CPED with data from DEED

JOBS AND WAGES

In the second quarter the average weekly salary paid in Minneapolis was \$932. The industries paying the highest weekly salaries were finance and insurance, management of companies and enterprises, utilities, and professional and technical services. The lowest paid were accommodation and food services, administrative and waste services, other services including repair and personal services, and retail.

The average overall salary increased by \$3 (adjusted for inflation) from the same period last year. Retail salaries increased by 12 percent while real estate salaries decreased by almost 24 percent. Health care and social assistance and public administration had barely increased salaries.

For all industries, Minneapolis commanded a higher average weekly salary than the metropolitan area and the state did. However, average weekly salaries increased in the last year by only \$3 in Minneapolis and the metropolitan area, and stayed the same in Minnesota.

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

SECTOR	1Q-03	2Q-03	3Q-03	4Q-03	1Q-04	2Q-04
Manufacturing	\$ 929	\$ 855	\$ 882	\$ 977	\$ 978	\$ 897
Utilities	1,518	1,464	1,274	1,381	2,243	1,363
Wholesale Trade	1,053	985	1,040	1,151	1,083	1,064
Retail Trade	489	496	520	562	586	568
Transportation & Warehousing	600	608	607	668	629	632
Information	1,031	982	993	1,041	1,126	1,071
Finance & Insurance	2,006	1,363	1,336	1,654	2,257	1,461
Real Estate and Rental and Leasing	957	840	853	987	625	658
Professional & Technical Services	1,242	1,264	1,232	1,579	1,285	1,344
Management of Companies & Enterprises	1,412	1,401	1,496	1,242	1,538	1,420
Administrative & Waste Services	526	510	516	526	525	504
Educational Services	820	941	884	985	898	864
Health Care & Social Assistance	741	791	769	836	777	813
Arts, Entertainment & Recreation	798	1,067	1,160	966	901	1,108
Accommodation & Food Services	306	309	317	328	316	324
Other services	534	530	550	553	531	529
Public Administration	940	938	966	991	976	969
Total, all industries	\$ 960	\$ 905	\$ 904	\$ 994	1,029	\$ 932

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

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

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

	2Q-2003	2Q-2004
Minneapolis	\$ 905	\$ 932
Metro Area	822	847
Minnesota	723	743

Source: CPED with data from DEED

PRICES

In the first half of 2004, prices for all consumer goods and services in the Minneapolis-Saint Paul metropolitan area and in the United States increased by 3 points since the second half of last year. In comparison with the same period (first half) of last year however, price growth in the United States was lower than in the Twin Cities. In the Midwest urban areas, price increases were lower than either Minneapolis-Saint Paul or the United States.

Housing prices were 2.8 points higher in the first part of 2004 than in the second half of 2003 and 5.1 points higher since the first half of 2003. Although the price index remains relatively lower in the metropolitan area than in both the United States and the Midwest urban areas, it rose in the Twin Cities.

TABLE 9: CONSUMER PRICE INDEX (CPI)

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

2003		MINNEAPOLIS	MID-WEST	US
First Half	All Items	181.7	177.8	183.3
	Housing	170.7	175.2	184.0
Second Half	All Items	183.6	178.8	184.6
	Housing	173.5	176.5	185.6
Annual	All Items	182.7	178.3	184.0
	Housing	171.9	175.8	184.8

2004		MINNEAPOLIS	MID-WEST	US
First Half	All Items	186.6	181.4	187.6
	Housing	175.8	178.2	188.1

Source: Bureau of Labor Statistics, (Updates provided semi-annually)

DEVELOPMENT INDICATORS

Definitions and Sources

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

Tables ten and thirteen are based on monthly Census Bureau figures on the City of Minneapolis and metropolitan area counties. 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 from each other slightly for the same period. Census Bureau numbers do not include additions, remodels or demolitions.

Single family buildings include only one unit in the structure.

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

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

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

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

Building permits for residential remodeling, additions and conversions: Table 11 and map two are based on data from the City of Minneapolis Inspections Division. Information includes all projects for remodels, additions and conversions submitted to the City for approval with a value of \$50,000 or more.

Building permits for demolitions or wrecking: These data are obtained from the City of Minneapolis Inspections Division and include all buildings that were demolished either partially or totally. The categories within multifamily buildings and units include 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 based on the U.S. Bureau of Labor Statistics' Consumer Price Index for housing in the Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget.

NEW CONSTRUCTION

In Minneapolis new residential construction increased in the third quarter of 2004, but it was at about the same level as in the third quarter of 2003. In the metropolitan area growth also increased in comparison with the second quarter and it was about 8 percent higher than in the third quarter of last year.

Construction of single-family housing in Minneapolis continued at a very slow pace since the fourth quarter of 2003, and was very low in comparison with the same period last year. The metropolitan area's single family construction slowed down after an increase in the second quarter. It was about 2 percent lower than in the same period last year. The city's share of permits in the metropolitan area declined to 1.2 percent from 3 percent in the third quarter of 2003.

Multifamily construction in the metropolitan area increased fast, and it was about 28 percent higher than in the third quarter last year. In the city, permitted multifamily units had a very high performance in the year period, increasing by almost 23 percent since the third quarter of 2003.

TABLE 10: NEW RESIDENTIAL CONSTRUCTION

	SF UNITS	MF UNITS	TOTAL	SF UNITS	MF UNITS	TOTAL
3Q-03				2003 YTD		
City	121	335	456	266	689	955
Metro Area	4,034	1,904	5,938	10,592	4,405	14,997
City Share	3.0%	17.6%	7.7%	2.5%	15.6%	6.4%
4Q-03				YTD		
City	51	322	373	317	1,011	1,328
Metro Area	3,730	2,306	6,036	14,322	6,711	21,033
City Share	1.4%	14.0%	6.2%	2.2%	15.1%	6.3%
1Q-04				2004 YTD		
City	69	236	305	69	236	305
Metro Area	2,497	1,039	3,536	2,497	1,039	3,536
City Share	2.8%	22.7%	8.6%	2.8%	22.7%	8.6%
2Q-04				YTD		
City	72	201	273	141	437	578
Metro Area	4,166	1,251	5,417	6,663	2,290	8,953
City Share	1.7%	16.1%	5.0%	2.1%	19.1%	6.5%
3Q-04				YTD		
City	47	411	458	188	848	1,036
Metro Area	3,964	2,441	6,405	10,627	4,731	15,358
City Share	1.2%	16.8%	7.2%	1.8%	17.9%	6.7%

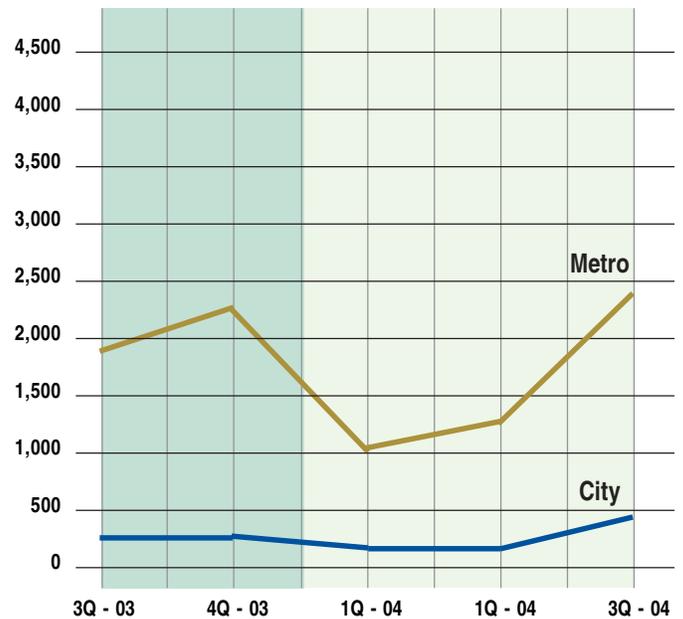
Source: CPED with data from the U.S. Bureau of the Census

GRAPH 3: NEW CONSTRUCTION PERMITS: SINGLE FAMILY UNITS



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

GRAPH 4: NEW CONSTRUCTION PERMITS: MULTIFAMILY UNITS



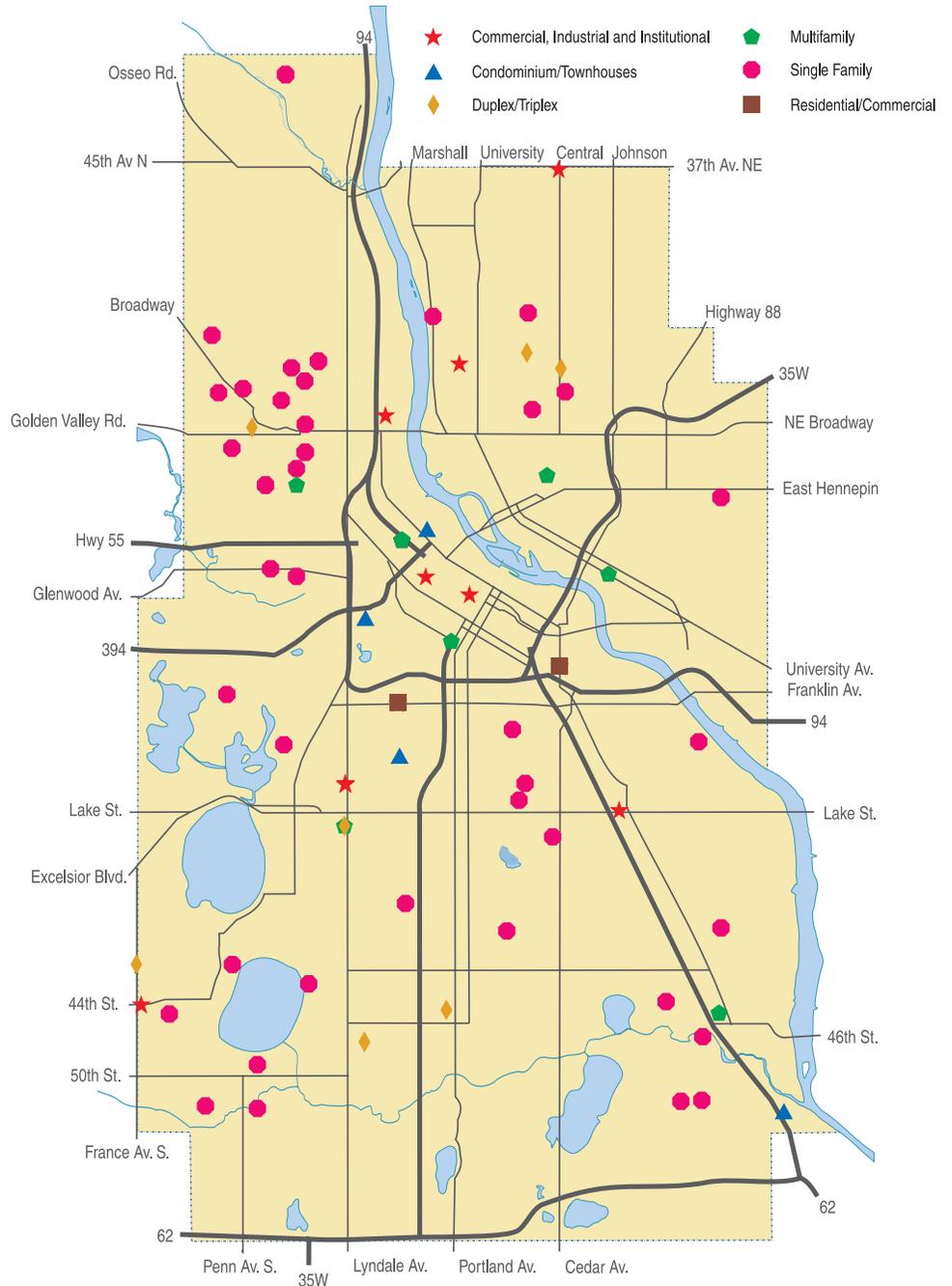
Source: CPED with data from the U.S. Bureau of the Census

NEW CONSTRUCTION

Although construction of new single-family units continued to concentrate in the Near North community, many new units were permitted in other sectors of the city, especially near Lake Harriet and in Minnehaha and Phillips neighborhoods. Two multifamily developments and two condominiums were permitted in and near Downtown and

south of the Hiawatha Corridor. Two mixed-use developments were permitted, one on West Franklin Avenue and one east of Interstate 35W in Cedar Riverside neighborhood. Eight new non-residential structures were permitted, including a skyway in Downtown.

MAP 1: MINNEAPOLIS PERMITS FOR NEW CONSTRUCTION third quarter 2004



Source: CPED with data from Regulatory Services and Inspections Division

REMODELS

The number of residential units remodeled, converted and added to existing buildings (with at least \$50,000 of work) increased by 15 units, or 22 percent, from the third quarter of last year. However, the amount of money spent decreased by more than 26 percent. During the third quarter of this year, three buildings were converted from commercial into residential uses and two other buildings were already residential but there was a change in tenure from rental into condominium. The largest conversions in terms of value were two buildings located on Washington Ave. N.

One hundred and sixty residential remodels, additions and conversions with a value of \$50,000 or more were permitted in this quarter for a total of more than \$28.5 million. The projects were distributed mainly in the southern half of the city and in Downtown with a concentration in the lakes area.

Non-residential projects were concentrated mostly in Downtown, but also to the south, between Franklin Avenue and Lake Street and along East Hennepin Avenue. Non-residential permits valued at \$50,000 or more totaled 131 projects with a total cost of \$71.7 million.

Following is a list of major projects permitted in the city of 1 Million dollars and over in the third quarter of 2004.

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

	3Q-2003	UNITS	BUILDINGS ¹	VALUE
A – Residential			130	\$ 28,531,535
Conversions and additions # of units ²		67	3	10,760,000
B – Non-Residential			113	48,505,132
	3Q-2004	UNITS	BUILDINGS ¹	VALUE
A – Residential			160	\$ 28,588,979
Conversions and additions # of units ²		82	5	7,911,968
B – Non-Residential			131	71,656,841
	2004 YTD	UNITS	BUILDINGS ¹	VALUE
A – Residential			421	\$ 92,642,482
Conversions and additions # of units ²		250	13	36,914,096
B – Non-Residential			358	180,535,855

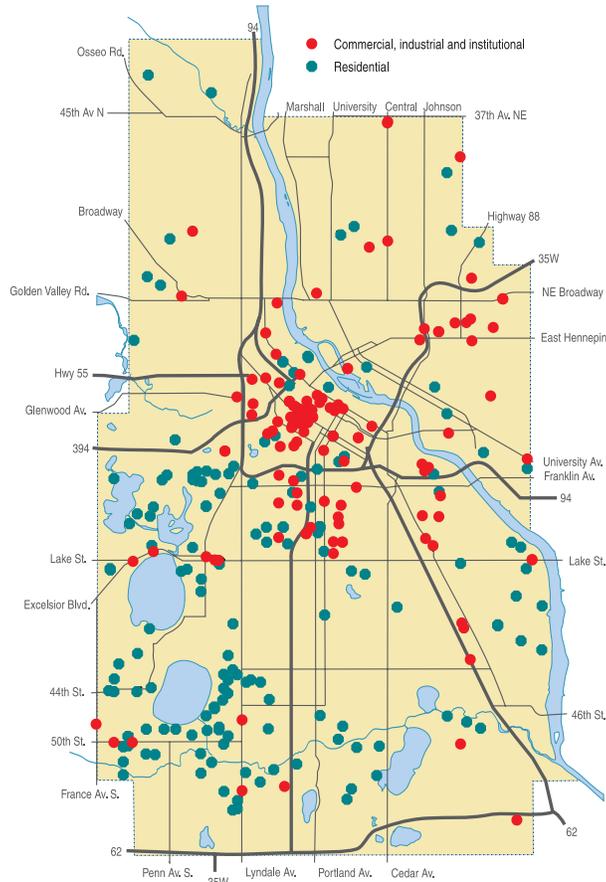
Source: CPED with data from Inspections Division

¹ Residential units and non-residential projects. Non-residential projects vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings. Both residential and non-residential projects may consist also of structural work, build-outs, and other improvements.

² Conversions may consist of a change in uses, e.g. from an office building to residential apartments.

³ Estimated number of units

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



Source: CPED with data from Regulatory Services and Inspections Division

MAJOR PROJECTS

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

ADDRESS	ZIPCODE	VALUE	PROJECT DESCRIPTION
2400 3 rd Ave S	55404	\$ 12,263,940	Children's theater addition
1301 University Ave S	55414	12,200,000	Apartment and retail
526 4 th St N	55401	10,427,955	High rise w/ parking
4824 53 rd St E	55417	7,762,771	Condo w/ parking
10 26 th St E	55404	5,499,887	Condo building
9 Franklin Ave W	55404	5,331,130	Condo, retail w/ parking
4540 Snelling Ave	55406	4,927,350	Apartment building
404 Washington Ave N	55401	4,875,000	Conversion to residential
2929 Chicago Ave	55407	4,606,513	Remodel and restoration
33 6 th St S	55402	4,500,000	Remodel
929 Central Ave NE	55413	4,250,000	Apartment building
2701 Wells Fargo Way	55408	3,156,735	Remodel
200 6 th St S	55402	3,065,644	Office buildout
501 10 th St S	55404	2,580,000	Apartment building (townhomes)
2650 Wells Fargo Way	55408	2,305,469	Skyway and remodel
3655 Central Ave NE	55418	2,289,965	Retail building
700 Washington Ave N	55401	2,072,968	Remodel
225 6 th St S	55402	2,064,000	Office remodel
2701 Wells Fargo Way	55408	1,880,131	Office remodel
401 2 nd St N	55401	1,875,000	Condo building
800 28 th St E	55407	1,690,000	Remodel
2525 Elliot Ave	55404	1,500,000	Addition to parking ramp

Source: CPED with data from City Regulatory Services/Inspections Division and CPED

RESIDENTIAL CONSTRUCTION COST

New residential construction costs in constant dollars increased in the city by more than 25 percent from the third quarter of last year. Growth resulted from increased multifamily construction. The increase for the seven-county metropolitan area was less than 1 percent in constant dollars for the same period. The city's share of the metropolitan area total construction in the third quarter of 2004 was 5.4 percent, higher than its 4.3 percent share in the same period last year.

Single-family construction in the city decreased by almost 45 percent in constant dollars since the same period of last year, while in the metropolitan area it decreased by less than 1 percent.

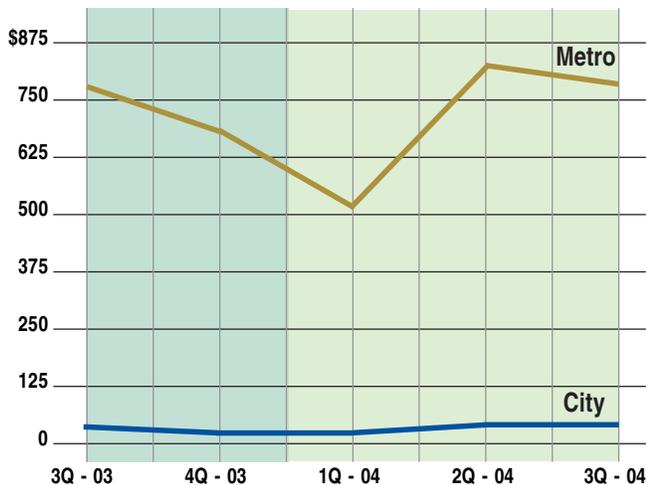
Multifamily construction price in constant dollars increased in both the city and the metropolitan area from the third quarter of 2003 to the third quarter of 2004. In the city, it increased by more than 90 percent.

TABLE 13: RESIDENTIAL CONSTRUCTION COST

	SF UNITS	MF UNITS	SF UNITS	MF UNIT
3Q-03		2003 YTD		
City	\$ 20,645,386	\$ 21,319,760	\$ 43,564,948	\$ 54,105,282
Metro Area	785,047,181	189,370,664	2,034,628,517	433,601,638
City Share	2.6%	11.3%	2.1%	12.5%
4Q-03		YTD		
City	\$ 7,891,208	\$ 20,022,135	\$ 51,456,156	\$ 74,127,417
Metro Area	722,829,942	239,989,604	2,757,458,459	673,591,242
City Share	1.1%	8.3%	1.9%	11.0%
1Q-04		2004 YTD		
City	\$ 10,106,796	\$ 35,642,235	\$ 10,106,796	\$ 35,642,235
Metro Area	513,519,041	132,607,120	513,519,041	132,607,120
City Share	2.0%	26.9%	2.0%	26.9%
2Q-04		YTD		
City	\$ 11,784,048	\$ 23,964,912	\$ 21,890,147	\$ 59,607,147
Metro Area	826,547,245	147,277,651	1,340,066,286	279,884,771
City Share	1.4%	16.3%	1.6%	21.3%
3Q-04		YTD		
City	\$ 11,584,711	\$ 41,755,679	\$ 33,475,555	\$ 101,362,826
Metro Area	787,911,264	208,498,890	2,127,977,550	488,383,661
City Share	1.5%	20.0%	1.6%	20.8%

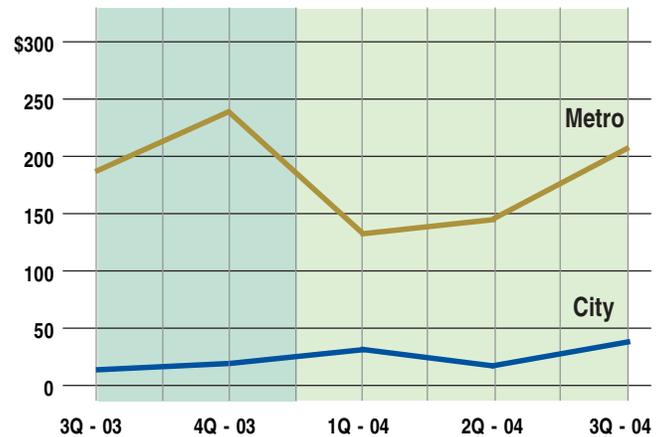
Source: CPED with data from U.S. Census Bureau
Table values are not adjusted for inflation.

GRAPH 4: SINGLE FAMILY CONSTRUCTION COST
in millions of dollars



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

GRAPH 5: MULTIFAMILY CONSTRUCTION COST
in millions of dollars



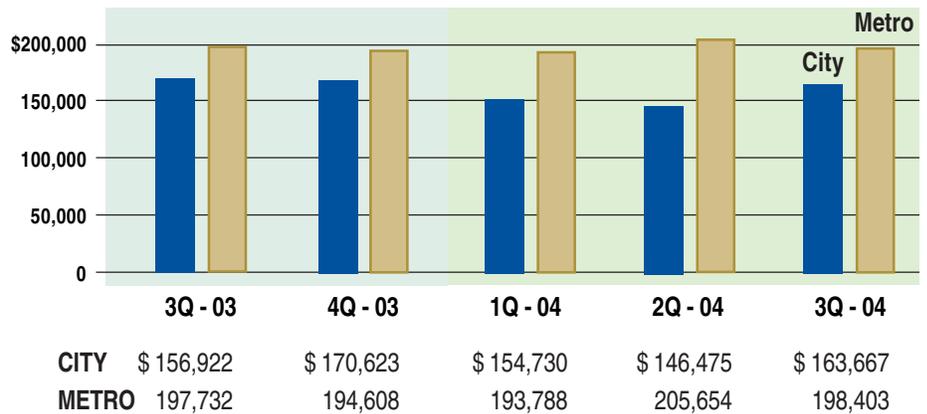
Source: CPED with data from U.S. Census Bureau

RESIDENTIAL CONSTRUCTION COST

In the third quarter, the average Minneapolis construction cost in constant dollars per single-family unit increased almost 43 percent, from \$172,900 in the third quarter last year. In the metropolitan area the cost of building a single family unit was only 0.8 percent higher than the same period last year, increasing from \$197,200 in constant dollars.

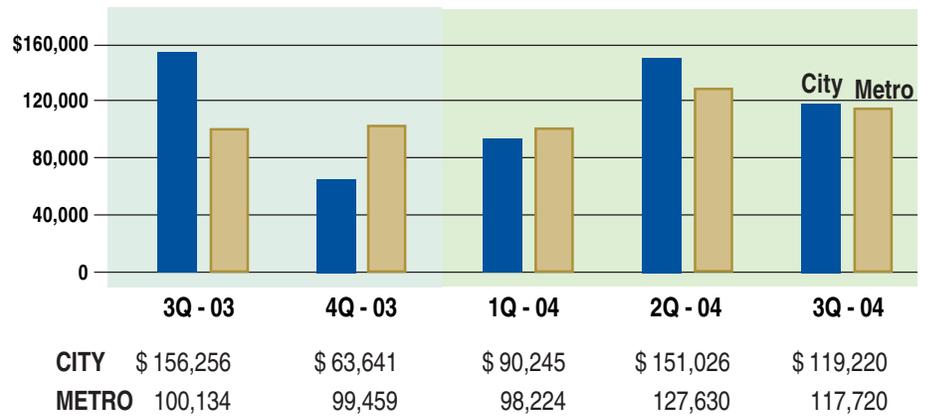
The average construction cost of building a multifamily unit in the city in the third quarter was about \$101,600, approximately 57 percent higher than in the same period last year, increasing from \$64,500 in constant dollars. The cost increased in the metropolitan area by about 99 percent from \$100,800 in constant dollars per unit built.

GRAPH 6: SINGLE FAMILY CONSTRUCTION COST per unit



Source: CPED with data from U.S. Census Bureau
Table values are not adjusted for inflation.

GRAPH 7: MULTIFAMILY CONSTRUCTION COST per unit



Source: CPED with data from U.S. Census Bureau
Table values are not adjusted for inflation.

THE HOUSING STOCK AND THE REAL ESTATE MARKET

Definitions and Sources

Single-family and multifamily: Table 14 was derived from 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 14 is updated yearly because accurate data are not available on a quarterly basis.

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

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

Housing Vacancy Rate: Vacancy rate is the percent of unoccupied housing units in the total number of housing units. The Census Bureau Housing Vacancy Survey presents annual rental and homeowner vacancy rates for the Twin Cities metropolitan area. This metropolitan area according to the U.S. Office of Management and Budget includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

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

Average sale values: These values are based on 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) include office, retail and industrial space vacancy rates, yearly lease price per square foot and absorption of square feet for Minneapolis (industrial space) or Minneapolis central business district and the Twin Cities metropolitan area. 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

Affordable Housing: Several programs in the City work to make housing available for middle- and lower-income residents. An affordable unit is a housing unit that costs 1/3 or less of household income in a household earning 50 percent or less of area median income (adjusted for family size). A unit affordable to households at 50 to 150 percent of area median income is called here a “moderate to market” unit. This could be slightly below market level price.

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

Tables 16 and 17 show the number of units to be built in closed projects. “Closed projects” are those in which the project funding and conveyance have occurred and are finalized. There are usually only two days between the project closing and the construction start. The numbers include new construction and rehabilitation.

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 and housing in the Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget.

HOUSING STOCK

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

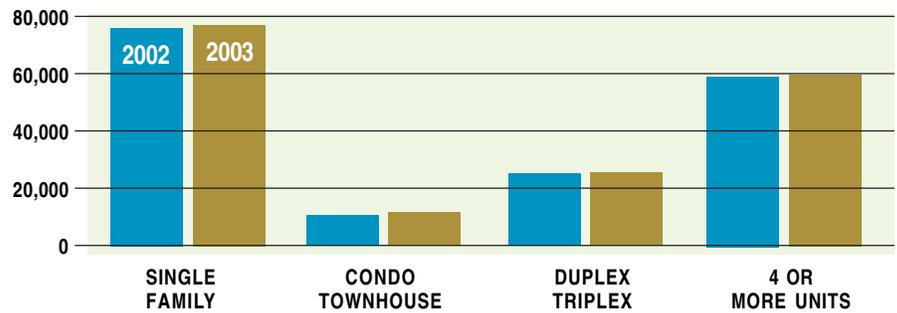
TABLE 14: MINNEAPOLIS HOUSING STOCK

2002	SINGLE FAMILY	CONDO TOWNHOUSE	DUPLEX/ TRIPLEX	4 UNITS OR MORE	TOTAL
Units	75,402	10,145	25,198	58,372	169,117
% of all Units	44.6%	6.0%	14.9%	34.5%	100.0%

2003	SINGLE FAMILY	CONDO TOWNHOUSE	DUPLEX/ TRIPLEX	4 UNITS OR MORE	TOTAL
Units	75,571	10,526	25,058	59,633	170,788
% of all Units	44.2%	6.2%	14.7%	34.9%	100.0%

Source: CPED with data from Minneapolis Assessor's Office
Information updated yearly

GRAPH 8: MINNEAPOLIS HOUSING UNITS



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

VACANCY RATE

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

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



Source: Census Bureau, Housing Vacancy Survey, Annual Statistics

The average vacancy rate through the third quarter in Minneapolis for the multifamily rental market was 4.9 percent. The average rent was \$837, up \$9 from the second quarter. The average vacancy rate decreased since the second quarter and is also lower than the rate in the same period last year.

In the metropolitan area the rental vacancy rate slightly increased since the second quarter, and it is higher than it was in the third quarter of last year.

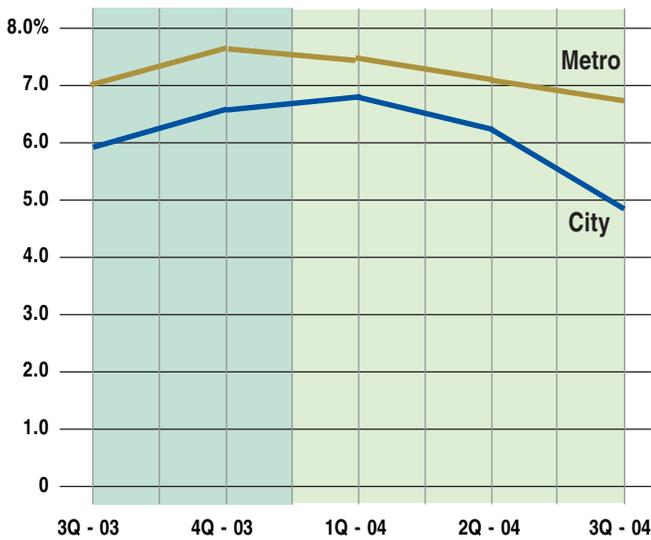
The average apartment rent in the city increased by \$16 since the third quarter of last year, but it is still lower than the average in the metropolitan area.

TABLE 15: VACANCY RATE AND AVERAGE RENT

	2003		2004			3Q-2003	2004
	3Q-03	4Q-03	1Q-04	2Q-04	3Q-04	avg YTD	avg YTD
MINNEAPOLIS							
Units surveyed	17,437	17,451	17,308	17,110	16,460	17,518	16,959
Vacant units	1,007	1,142	1,169	1,086	811	1,086	1,022
Average rent	\$ 816	\$ 815	\$ 822	\$ 828	\$ 837	\$ 811	\$ 829
Vacancy rate	5.8%	6.5%	6.8%	6.3%	4.9%	6.2%	6.0%
METRO AREA							
Units surveyed	125,094	124,920	125,410	123,941	123,814	124,429	124,388
Vacant units	8,705	9,552	9,554	8,807	8,325	8,387	8,895
Average rent	\$ 845	\$ 845	\$ 847	\$ 850	\$ 851	\$ 843	\$ 849
Vacancy rate	7.0%	7.6%	7.4%	7.1%	6.7%	6.7%	7.2%

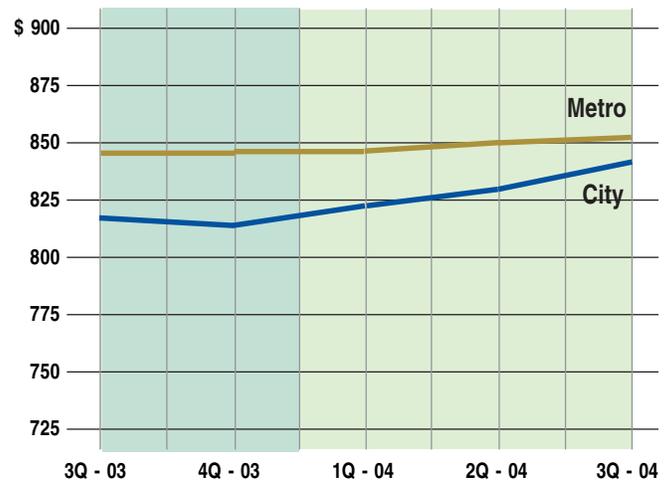
Source: Marquette Report 2003 and 2004 based on property survey
Recorded data for the last month of the quarter

GRAPH 10: MINNEAPOLIS RENTAL VACANCY RATE



Source: CPED with data from Marquette Advisers

GRAPH 11: MINNEAPOLIS APARTMENT AVERAGE RENT



Source: CPED with data from Marquette Advisers

HOUSING SALES IN MINNEAPOLIS

Since the third quarter of last year, average sale values for all types of housing units decreased by 5.4 percent in constant dollars. The total number of units sold increased by 64 percent to 2,473 units, surpassing sales in the second quarter.

Average prices in constant dollars for all types of housing are declining since the same period last year. The average single-family house sale in Minneapolis in the third quarter of 2004 was about \$231,600, a decrease of 4.6 percent. Compared to

last quarter, however, average values for single-family homes were 4.7 percent higher this quarter. Townhouses, the highest priced, have lost just 0.3 percent of their average value compared to last year's prices, and condominiums lost 13.6 percent of their average value.

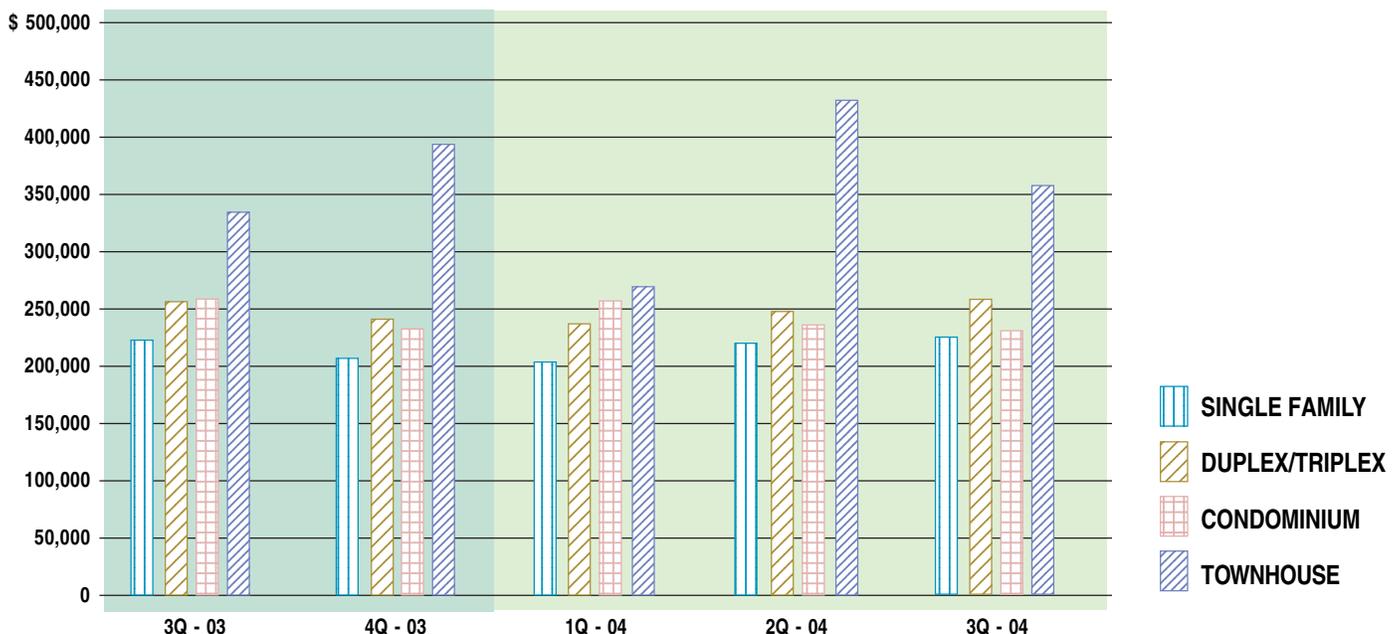
TABLE 16: MINNEAPOLIS RESIDENTIAL UNITS SOLD AND AVERAGE SALE VALUES ¹

	3Q-2003		4Q-2003		1Q-2004		2Q-2004		3Q-2004	
	# UNITS	AVG. SALE								
Single-Family	1,180	\$ 224,971	1,185	\$ 209,187	1,219	\$ 205,539	1,754	\$ 221,134	1,844	\$ 231,593
Duplex/Triplex	154	254,879	179	242,196	261	237,502	274	249,590	326	258,165
Condominium	155	254,578	109	236,499	210	254,386	275	239,637	282	237,230
Townhouse	15	335,034	6	390,818	29	267,874	23	433,814	21	360,228
TOTAL	1,504	\$ 232,183	1,479	\$ 215,932	1,719	\$ 217,411	2,326	\$ 228,777	2,473	\$ 236,831
	2003 YTD		YTD		2004 YTD		YTD		YTD	
Single-Family	3,199	\$ 218,414	4,384	\$ 215,920	5,219	\$ 205,539	2,973	\$ 214,740	4,817	\$ 221,192
Duplex/Triplex	445	241,471	624	241,679	1,261	237,502	535	243,693	861	249,172
Condominium	498	239,605	607	239,047	210	254,386	485	246,024	767	242,791
Townhouse	41	348,140	47	353,583	29	267,874	52	341,271	73	346,724
TOTAL	4,183	\$ 224,661	5,662	\$ 222,381	7,719	\$ 217,411	4,045	\$ 223,947	6,518	\$ 228,835

Source: CPED with data from the Minneapolis Assessor's Office
Table values are not adjusted for inflation.

¹ Numbers do not include apartments or vacant land sold

GRAPH 12: MINNEAPOLIS HOUSING: AVERAGE SALE VALUE



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

REAL ESTATE TRENDS

During the third quarter of 2004, the average vacancy rate for office space in both the Minneapolis central business district (CBD) and the metropolitan area increased. In Minneapolis it increased by more than 5 points from the same period the previous year, while in the metro area it also increased but by about 2 points. Average asking lease rates in Minneapolis were down in constant dollars from \$9.96 per square foot per year. In the metro area, prices in constant dollars also decreased very slightly from \$10.8 last year.

Retail space vacancies in the Minneapolis CBD increased by 5 percentage points between the third quarter of last year and the same period of 2004. In the metro area, vacancy rates declined. Prices asked for available space decreased in Minneapolis, from \$29.3 per square foot in constant dollars in the third quarter last year, to \$27 in the current period. In the metropolitan area, with a declining vacancy rate, lease rates increased from \$18.8 in constant dollars in the third quarter of last year to \$20.6 during the current period.

Lease rates for industrial space measured in constant dollars rose slightly in Minneapolis and are stable in the metropolitan area.

Absorption figures show that the office markets in the Minneapolis CBD and the metropolitan area continued to be weak. Less space was occupied in the third quarter of 2004 than in the same period last year.

Retail is increasing in the metropolitan area with more than 2 million square feet of gains in comparison with last year, but the Minneapolis CBD occupied retail space is decreasing. However, occupied space in the city CBD decreased less than it did in the second quarter.

The industrial market continued to be tight. Between the second and third quarters industrial occupied space increased in Minneapolis by 1.2 percent and in the metropolitan area by 0.6 percent.

TABLE 17: VACANCY RATE AND ASKING LEASE RATE:

	AVERAGE VACANCY RATE		AVERAGE ASKING LEASE RATE /SQ.FEET/YEAR	
	Q3-03	Q3-04	Q3-03	Q3-04
OFFICE ¹				
Minneapolis CBD	16.1%	21.4%	\$ 9.7	\$ 9.8
Metro Area	16.0%	18.2%	\$ 10.5	\$ 10.5
RETAIL ²				
Minneapolis CBD	8.5%	9.0%	\$ 28.5	\$ 27.0
Metro Area	5.5%	4.9%	\$ 18.3	\$ 20.6
INDUSTRIAL ³				
Minneapolis	n/a	3.9%	\$ 3.9	\$ 4.1
Metro area	n/a	7.0%	\$ 4.1	\$ 4.2

Source: CPED with data from CBRichard Ellis

Table values are not adjusted for inflation

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

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

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

TABLE 18: OCCUPIED SPACE AND ABSORPTION ² in square feet

THIRD QUARTER	OCCUPIED SPACE (IN SQ. FT.)		ABSORPTION ²
	Q3-03	Q3-04	3Q-03 to 3Q-04
OFFICE ¹			
Minneapolis CBD	18,456,714	17,454,340	(1,002,374)
Metro Area	54,691,526	52,788,615	(1,902,911)
RETAIL			
Minneapolis CBD	2,102,167	2,090,911	(11,256)
Metro Area	51,358,185	53,437,604	2,079,418
INDUSTRIAL			
Minneapolis	n/a	31,635,901	n/a
Metro area	n/a	296,219,087	n/a

Source: CPED with data from CBRichard Ellis

Table values are not adjusted for inflation

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

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

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

CITY OF MINNEAPOLIS-ASSISTED HOUSING

Department of Community Planning and Economic Development (CPED)

Five multifamily housing developments financed by CPED closed in the third quarter. CPED financed 176 units, a 76 percent drop from the number of units closed in the third quarter of 2003. The number of new or rehabilitated affordable units decreased by almost 43 percent from the third quarter last year.

In the third quarter of 2004, CPED sold 53 lots or properties to private developers for rehabilitation or new construction of single-family housing units, 19 lots more than in the previous period and five less than in the same period last year. Lots sold for affordable housing (units affordable to households earning 50 percent of median income or less) decreased from the previous period, and from the third quarter of 2003.

TABLE 20: MINNEAPOLIS NEW CONSTRUCTION AND REHABILITATION: MULTIFAMILY PROJECTS FINANCED BY CPED

	2003		2004			2004 YTD
	3Q-03	4Q-03	1Q-04	2Q-04	3Q-04	
Number of projects	6	11	5	7	5	17
Affordable Units*	292	429	259	385	1,012	811
Moderate to market**	25	269	43	18	7	68
Market Units	411	422	156	122	2	280
TOTAL	728	1,120	458	525	176	1,159

Source: CPED

* at 50% of income level or below

** at more than 50% of income level

TABLE 21: MINNEAPOLIS SINGLE FAMILY HOUSING UNITS BUILT OF RENOVATED LOTS SOLD TO DEVELOPERS BY CPED

	2003		2004			2004 YTD
	3Q-03	4Q-03	1Q-04	2Q-04	3Q-04	
Affordable Units*	3	0	3	6	3	10
Moderate to market	2	0	1	5	10	16
Other**	53	29	24	23	80	80
TOTAL	58	29	28	34	53	102

Source: CPED

* at 50% of income level or below

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



Project coordinator:

Cecilia Bolognesi, AICP
Principal Planner

Minneapolis Department
of Community Planning & Economic Development
Research
350 South 5th Street- Room 210
Minneapolis, MN 55415-1385

Phone: 612-673-2495

e-mail: cecilia.bolognesi@ci.minneapolis.mn.us

Design and Layout:

Marlena Bromschwig
Graphic Designer

City of Minneapolis
Communications Department