

## Highlights for the second quarter of 2008

Total employment of Minneapolis residents increased from the previous quarter. However, the number of people looking for jobs increased more so the unemployment rate increased from 4.2 percent to 4.7 percent, equal to the metro rate.

*see page 4*

Residential permit volume in the city increased from the previous quarter and from one year ago. Two large multifamily projects - Phoenix on the River and Van Cleave Apartments - comprised the bulk of this activity. *see page 15*

At 163 units, Minneapolis permitted more residential units than any other metro city this quarter. *see page 15*

Both the volume and median sale price of housing sales recovered somewhat in Minneapolis and the metro area from last quarter. However, the median sale price was still 11 percent lower in Minneapolis than a year ago. *see page 17*

Foreclosures decreased 5 percent in the city from last quarter, but increased 20 percent from a year ago. The number of vacant and boarded buildings in the city increased 77 percent from a year ago.

*see page 32*

Apartment average vacancy rates in Minneapolis inched up since last quarter and since a year ago. *see page 26*

The office vacancy rate in the Minneapolis central business district declined to 12.7 percent from 14.1 percent a year ago, which was lower than the metro-wide rate for the first time since the 1<sup>st</sup> quarter of 2007. *see page 35*

The retail vacancy rate in the Minneapolis central business district, declined from 8.7 percent a year ago to 8.3 percent in the second quarter. *see page 37*

## Jobs and Wages- Highlights for the fourth quarter of 2007

The city added 1,915 more jobs from the third to the fourth quarter, but over a 12-month period total jobs in the city declined slightly. Wages kept up with inflation in this same period. *see page 5*

# Minneapolis Trends

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



second quarter 2008



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

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# Minneapolis Trends



second quarter 2008

## **Contents**

<b>Economic indicators</b>	<b>3</b>
Labor force	4
Jobs	5
Wages	9
Definitions & sources	13
<b>Development indicators</b>	<b>14</b>
New construction	15
Cost of residential construction	17
Conversions, remodels & additions	18
Major construction projects	21
Demolitions	22
Definitions & sources	23
<b>Housing stock &amp; the real estate market</b>	<b>25</b>
Residential vacancy rates & average apartment rent	26
Residential sales	31
Foreclosures	32
Condemned & vacant buildings	34
Office space	35
Retail space	37
Industrial space	39
Definitions & sources	41

## Economic indicators

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- The number of employed residents increased both within the city and throughout the metro area from the previous quarter. Total employment was almost the same as in 2Q-2007, but unemployment rates for both the city and metro area increased because there were more people looking for jobs. This quarter, the city's unemployment rate was the same as the metro area's rate (4.7 percent.)
- In the fourth quarter of 2007 there were just over 1,900 jobs more than in the previous quarter; over a 12 month period (2Q-07 to 2Q-08) total jobs in the city declined slightly by 0.2 percent. Over the same 12 month period, the state and the metro area experienced a very slight (+0.5% and +0.6%) growth in jobs.
- Fourth quarter weekly wages were 0.5 percent higher in inflation-adjusted dollars than a year before. Wages in the state and the metro area increased by 2.0 and 3.1 percent respectively.

## Labor force

In the first quarter of 2008, 206,579 Minneapolis residents had jobs, an increase of 0.8 percent from the previous quarter but approximately the same as a year ago. Compared to the 1st quarter, the number of city residents who were employed increased by 0.8 percent or about 1,680 people. Employment also increased in the metro area from the previous quarter in the same proportion as in the city. However, due to an increase in the number of people looking for work, unemployment increased in both the city and the metro area to 4.7 percent.

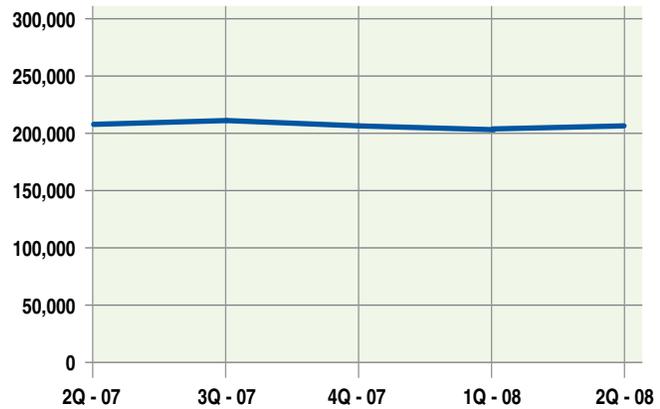
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
<b>Minneapolis</b>					
Labor Force	215,625	218,248	216,481	213,838	216,779
Employment	206,576	208,243	207,517	204,900	206,579
Unemployment rate	4.2%	4.6%	4.1%	4.2%	4.7%
<b>Metro area</b>					
Labor Force	1,610,002	1,626,528	1,616,900	1,603,370	1,620,397
Employment	1,544,753	1,557,212	1,551,784	1,532,220	1,544,772
Unemployment rate	4.1%	4.3%	4.0%	4.4%	4.7%

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

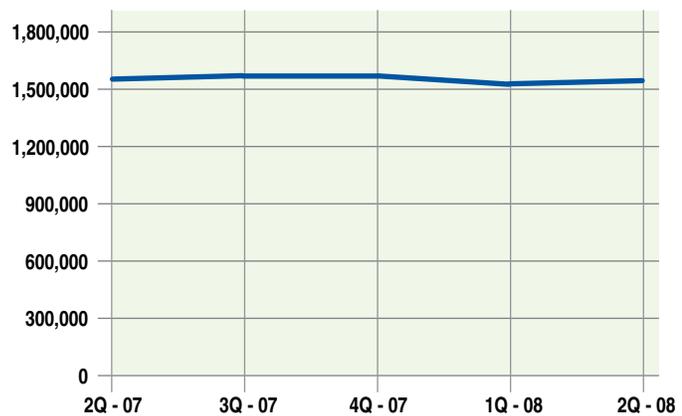
\* For metro area definition, see page 13.

Figure 1: **AVERAGE EMPLOYMENT – Minneapolis**



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

Figure 2: **AVERAGE EMPLOYMENT – Metro\***



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

\* For metro area definition, see page 13.

## Jobs

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The number of jobs located in Minneapolis increased since the third quarter by 1,915 jobs. As a result of the relatively strong performance of the economy in the fourth quarter, the average number of jobs for the year 2007 was stable in comparison with 2006.

### **Quarter to quarter change- 3rd to 4th quarter**

Most of the growth from the third to the fourth quarter took place in

- **Educational services**  
(elementary and secondary schools, colleges and universities.)
- **Retail trade** (department stores, meat markets, furnishing stores.)
- **Transportation and warehousing**  
(general warehousing and storage.)

Most of the job reduction from the third to the fourth quarter took place in

- **Accommodation and food services**  
(hotels, restaurants, food service contractors.)
- **Public administration** (conservation programs, police, fire protection.)
- **Administrative and waste services**  
(temporary help, landscaping services.)

### **12 month change - 4<sup>th</sup> quarter to 4<sup>th</sup> quarter**

#### ***Gainners:***

- **Health care and social assistance**  
continued its past strong growth, adding 1,250 jobs – 2.8 percent growth - about 1,100 jobs in the offices of physicians, services for the elderly and disabled, residential mental and substance abuse care, offices of mental health practitioners and home health care services.
- **Accommodation and food services**  
increased by 3.8 percent, adding more than 860 jobs, most of them in restaurants.
- **Management of companies** added almost 640 jobs - a 4 percent growth.
- **Professional and technical services** added almost 350 jobs (1.1 percent), most of them in computer systems design, law and research and development.

#### ***Losers:***

- On the other side were **finance and insurance**, which continued to sustain job losses, lost almost 1,180 jobs over the twelve-month period due mostly to continuous losses in real estate financial services.
- The **administrative and waste services** sector lost more than 500 jobs (-3.3 percent); most of the losses were in temporary help services.
- **Information** lost about 470 net jobs mainly because of losses in newspapers, periodicals and data processing.

## Jobs

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

	4Q-2006	1Q-2007	2Q-2007	3Q-2007	4Q-2007 **	2007	% change from 2006
Total, all industries <sup>1</sup>	295,893	289,497	293,517	293,346	295,261	292,280	0.0
Manufacturing	16,494	16,463	16,468	16,416	16,474	16,401	-0.9
Utilities*	2,779	2,685	2,649	2,656	2,690	2,670	-10.9
Wholesale trade	9,751	9,625	9,814	9,821	9,666	9,728	0.6
Retail trade	15,297	14,580	15,124	14,966	15,375	14,930	-1.1
Transportation and warehousing*	4,283	4,032	4,019	3,986	4,251	4,070	-3.2
Information	11,094	11,148	10,969	10,625	10,623	10,841	-1.9
Finance and insurance*	28,634	27,494	27,340	27,575	27,455	27,466	-3.3
Real estate and rental and leasing	6,275	6,202	6,300	6,374	6,342	6,268	0.6
Professional and technical services*	30,582	30,336	30,569	30,971	30,929	30,614	2.1
Management of companies and enterprises	15,881	15,887	16,115	16,345	16,518	16,185	1.9
Administrative and waste services*	16,011	15,123	15,958	15,876	15,485	15,514	1.1
Educational services	28,827	28,525	27,769	25,867	29,121	27,820	-1.7
Health care and social assistance	45,122	45,495	45,897	46,408	46,372	46,005	4.5
Arts, entertainment and recreation*	4,801	4,424	4,904	4,852	4,644	4,701	-0.9
Accommodation and food services	23,003	22,718	23,992	24,469	23,870	23,623	3.6
Other services*	10,611	10,263	10,631	10,414	10,453	10,422	-1.1
Public administration	12,704	12,846	12,881	13,274	12,836	12,960	2.3

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

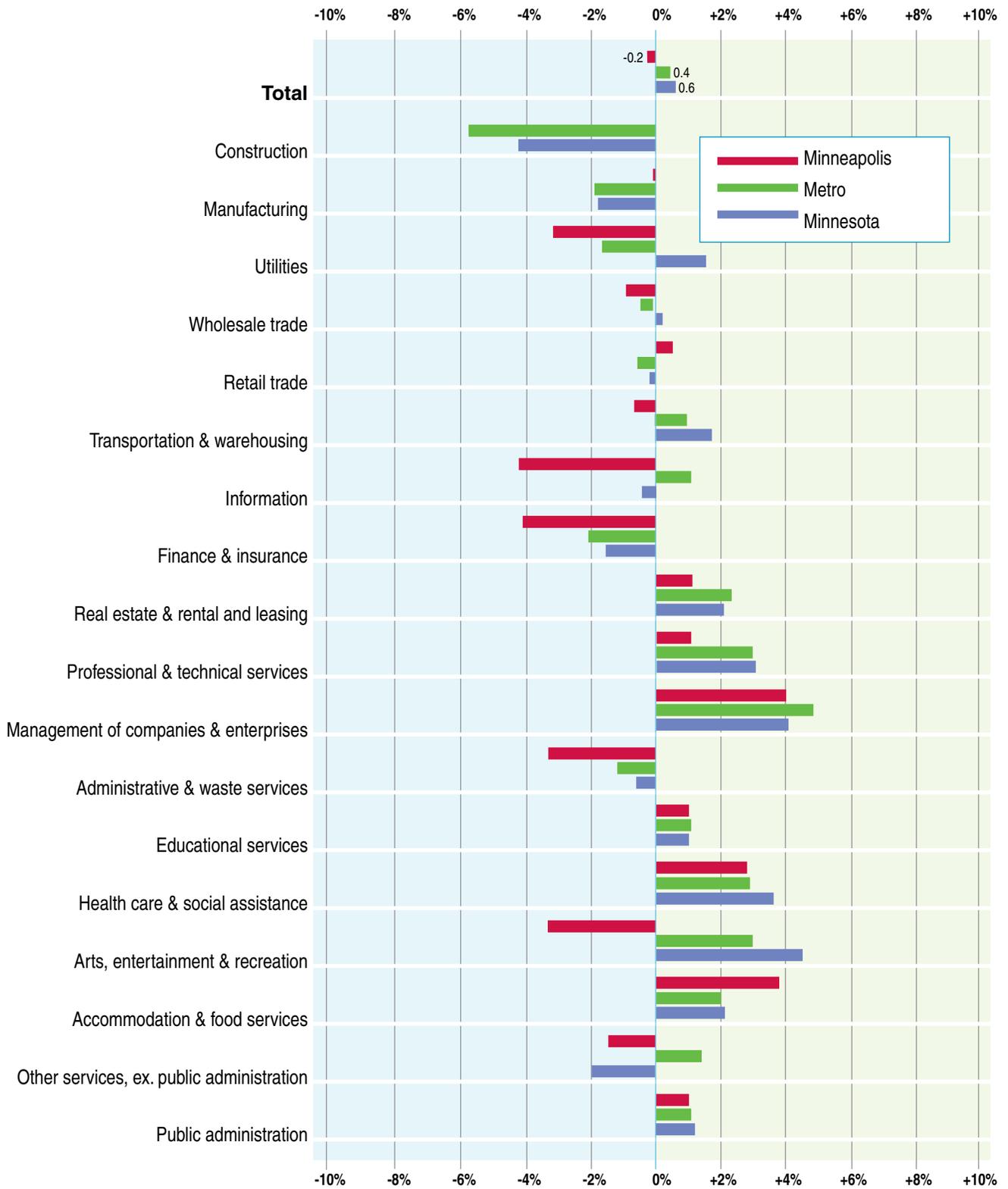
\* Private jobs only

\*\* This is the most current information available.

<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 Minnesota Department of Employment and Economic Development.

# Jobs

Figure 3: **JOBS** – 4Q-06 to 4Q-07  
percent change



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

## Jobs

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As shown in Figure 3, the City's job base slightly contracted (-0.2 percent) over the corresponding twelve-month period; over this same period the metro area and the state increased jobs slowly, by 0.4 and 0.6 percent respectively. Much of the general economic sluggishness was reflected in job decreases in finance and insurance, information, administrative services, and arts, entertainment and recreation, sectors in which the city took the brunt of the reductions.

On the other hand, there was a 4<sup>th</sup> quarter to 4<sup>th</sup> quarter strong growth in sectors such as management of companies, health care and social assistance, and accommodation and food services in the state, the region and the city. In accommodation and food services much of the growth was concentrated in the city during this particular period.

## Wages

The average weekly wage in Minneapolis in the fourth quarter of 2007 was \$1,136, or \$31 (\$5 in inflation-adjusted dollars\*) more than a year earlier. In inflation-adjusted dollars, wages increased the most in three sectors:

- **Administrative and waste services** (\$80)
- **Transportation and warehousing** (\$69)
- **Professional and technical services** (\$57)

Administrative service wages increased the most for court reporting and stenotype services and for temporary help agencies. Transportation and warehousing weekly wages increased mostly for general warehousing and storage, school and employee bus transportation and postal service. Professional services gained the most in activities

such as public relations, opinion poll services, logistic consulting.

The sub-sectors with the highest year-to-year wage decreases in inflation-adjusted dollars were

- **Public administration** (\$109)
- **Finance and insurance** (\$80)
- **Arts, entertainment and recreation** (\$79)

Workers in public administration activities such as police protection and conservation programs saw their wages decrease in real dollars. Finance and insurance sector wages were affected by the financial crisis, especially in activities such as securities brokerage, portfolio management, credit intermediation and commercial banking. Entertainment and recreation was affected by a fall in wages for promoters and for workers in recreational sport centers.

\* For conversion factors, see Page 13.

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

	4Q-2006	1Q-2007	2Q-2007	3Q-2007	4Q-2007	2007	% change from 2006
Total, all industries (1)	\$ 1,105	\$ 1,180	\$ 1,071	\$ 1,071	\$ 1,136	\$1,115	5.1
Manufacturing	1,061	1,102	992	989	1,117	1,051	5.8
Utilities*	1,562	2,152	1,565	1,464	1,590	1,694	-1.0
Wholesale trade	1,206	1,168	1,136	1,277	1,274	1,214	9.3
Retail trade	524	522	542	525	557	535	3.7
Transportation and warehousing*	718	664	718	696	804	722	7.8
Information	1,139	1,317	1,203	1,220	1,213	1,239	10.0
Finance and insurance*	1,846	2,805	1,678	1,631	1,809	1,981	7.8
Real estate and rental and leasing	1,240	1,265	1,133	1,083	1,243	1,184	-10.4
Professional and technical services*	1,831	1,468	1,469	1,499	1,930	1,593	4.7
Management of companies and enterprises	1,650	1,703	2,225	1,799	1,701	1,858	15.0
Administrative and waste services*	588	642	616	634	682	646	11.6
Educational services	916	1,014	929	1,126	977	1,009	6.3
Health care and social assistance	954	940	897	940	973	938	1.8
Arts, entertainment and recreation*	1,024	934	1,279	1,282	969	1,122	0.0
Accommodation and food services	356	350	347	352	371	355	3.5
TOther services*	559	553	550	589	569	565	3.7
Public administration	1,127	1,070	1,083	1,047	1,044	1,061	0.1

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

\* Only private wages

\*\* Table reflects the most current information available.

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

## Wages

In general jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state. Fourth-quarter wages in Minneapolis increased slightly by 0.5 percent in inflation-adjusted dollars\* from a year earlier, but remained lower than the first quarter peak levels. Average wages increased more in the metro area and the state than in the city, by 3.1 percent and by 2 percent in inflation-adjusted dollars\* respectively.

\* For conversion factors, see page 13.

Figure 4: **AVERAGE WEEKLY WAGES** – 4Q-06 to 4Q-07  
in inflation-adjusted dollars

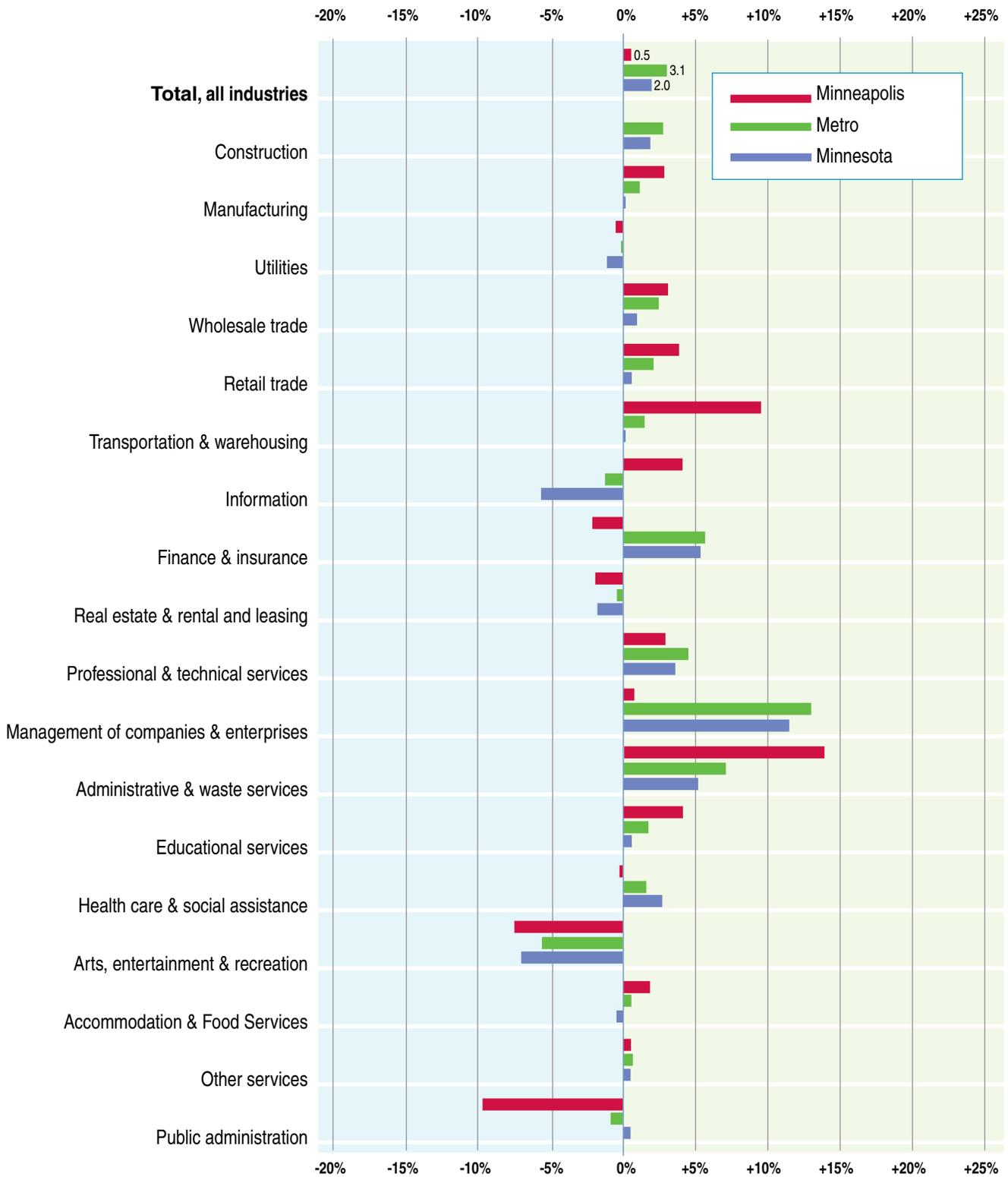


	4Q-06	1Q-07	2Q-07	3Q-07	4Q-07	\$ change	% change
Minneapolis	1,131	1,187	1,078	1,071	1,136	5	0.5
Metro area	977	1,016	962	936	1,007	30	3.1
Minnesota	866	886	847	823	883	17	2.0

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

# Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 4Q-06 to 4Q-07  
percent change in inflation-adjusted dollars



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

## Wages

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Wages increased in most industries in inflation-adjusted dollars from the fourth quarter of 2006 to the fourth quarter of 2007, with the following sectors exhibiting the highest percentage increase in average wages within the City:

- **In administrative services**, a sector where the number of jobs contracted, wages increased more than 13 percent in Minneapolis, in part responding to higher wages in court reporting and stenotype services.
- **Transportation and warehousing** wages increased by 9.4 percent in Minneapolis and only 1.5 percent in the metro area.
- **Educational services** also increased the most in Minneapolis (4.2 percent), more than in the metro area and the state. In Minneapolis the raise in wages in this sector was driven by wages in colleges and universities.

Industries which experienced a decline in real wages within the City included:

- **Public administration**  
(-9.5 percent)
- **Arts, entertainment and recreation** (-7.5 percent)
- **Finance and insurance**  
(-4.2 percent)

*\* For conversion factors, see Page 13.*

- **Labor Force, Employment and Unemployment:** Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. Table 1 presents quarterly information for the city and the metro area.
- **Metro area:** The following counties make up the seven-county metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.
- **Jobs and wages:** Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area and Minnesota. To see how the “digits” work, go to [www.census.gov/epcd/naics02](http://www.census.gov/epcd/naics02).
- **Inflation-adjusted figures:** Values reported in most tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the fourth quarter of 2007, dollars have been converted with an index reflecting the CPI for the first and second half of 2007 and second half of 2006, with 2007 as a base year. To look at the indexes go to: [Consumer Price Index Home Page](#) and click on “get detailed CPI statistics - All urban consumers (current series).”

## Development indicators

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- The number of new residential units permitted this quarter grew 34 percent from the same period the previous year in Minneapolis. The metro area had a 50 percent growth this quarter from the previous quarter, but was still almost 34 percent lower than in the same period of 2007. Minneapolis authorized more units than any other metro city this quarter, the result of new two multifamily buildings with 130 units in total.
- The number of permits issued for residential remodeling projects costing \$50,000 or more in the city were about 19 percent more than a year earlier, and 36 percent more than last quarter. The number of non-residential buildings with authorization for remodels and additions increased 8 percent in comparison with last year but their cost decreased by 3 percent.
- In spite of slower construction, 17 projects (including commercial and residential) of at least \$1 million were permitted this quarter, totaling \$87.5 million. This list includes the Phoenix, an 80-unit condo project on the riverfront. It also includes two downtown buildings with remodels for various tenants as well as the Fairview Data Center addition and the new office building for Coloplast.

## New construction

The number of new units permitted in the city picked up in the second quarter. The number of authorized units increased by 73 percent since last quarter and by 34 percent since a year ago. However, permitting activity remained below third and fourth quarters last year. In the metro area, permitting activity increased by 50 percent from last quarter, although it was still almost 34 percent below the number of units authorized in the second quarter the previous year. According to the Minneapolis Area Association of Realtors, at the end of June the supply of new units in the metro area was near 4,000 units, or 10.6 months worth of inventory, compared to 5 months supply, at which the market is considered to be balanced between buyers and sellers.

In spite of the slowdown, figures from the Census Bureau show that Minneapolis ranked first of major cities in the metro area in number of residential units permitted during the second quarter. Minneapolis was ahead of Maple Grove with 87 new permitted residential units, and Blaine with 66.

In Minneapolis permits for new multi-family units — the main component of new residential construction— increased to 139 units compared to 80 last quarter; 130 of these units came from just two projects: Phoenix on the River on the Minneapolis waterfront, and Van Cleave Apartments, a rental project near Van Cleave Park in the Marcy Holmes neighborhood.

Note: Due to the erroneous unit count in the first quarter, it was mistakenly reported that Minneapolis ranked first of major cities in the metro area in number of residential units permitted. In fact, St. Paul authorized more units last quarter than Minneapolis: 137 units.

Table 4: NEW RESIDENTIAL UNITS

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
<b>Single-family</b>					
Minneapolis	48	23	25	14	24
Metropolitan area	1,934	1,382	1,095	624	1,089
<b>Multifamily</b>					
Minneapolis	74	248	282	80*	139**
Metropolitan area	398	681	562	280	271
<b>Total number of units</b>					
Minneapolis	122	271	307	94	163
Metropolitan area***	2,056	1,653	1,657	904	1,360

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

\* Excludes 70 units of Hiawatha Flats which were erroneously counted twice by the City.

\*\* Including 80 units of the Phoenix on the River not reported by the Census Bureau this quarter. Although a permit for The Phoenix' structure was issued in February 2008 (1Q-08), the final construction permit was issued in April and should be included in the 2nd quarter.

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

Figure 6: NEW RESIDENTIAL UNITS – Minneapolis



Source: U.S. Census Bureau –estimated units with imputation. Units reported in the second quarter includes 80 units of Phoenix on the River Condos

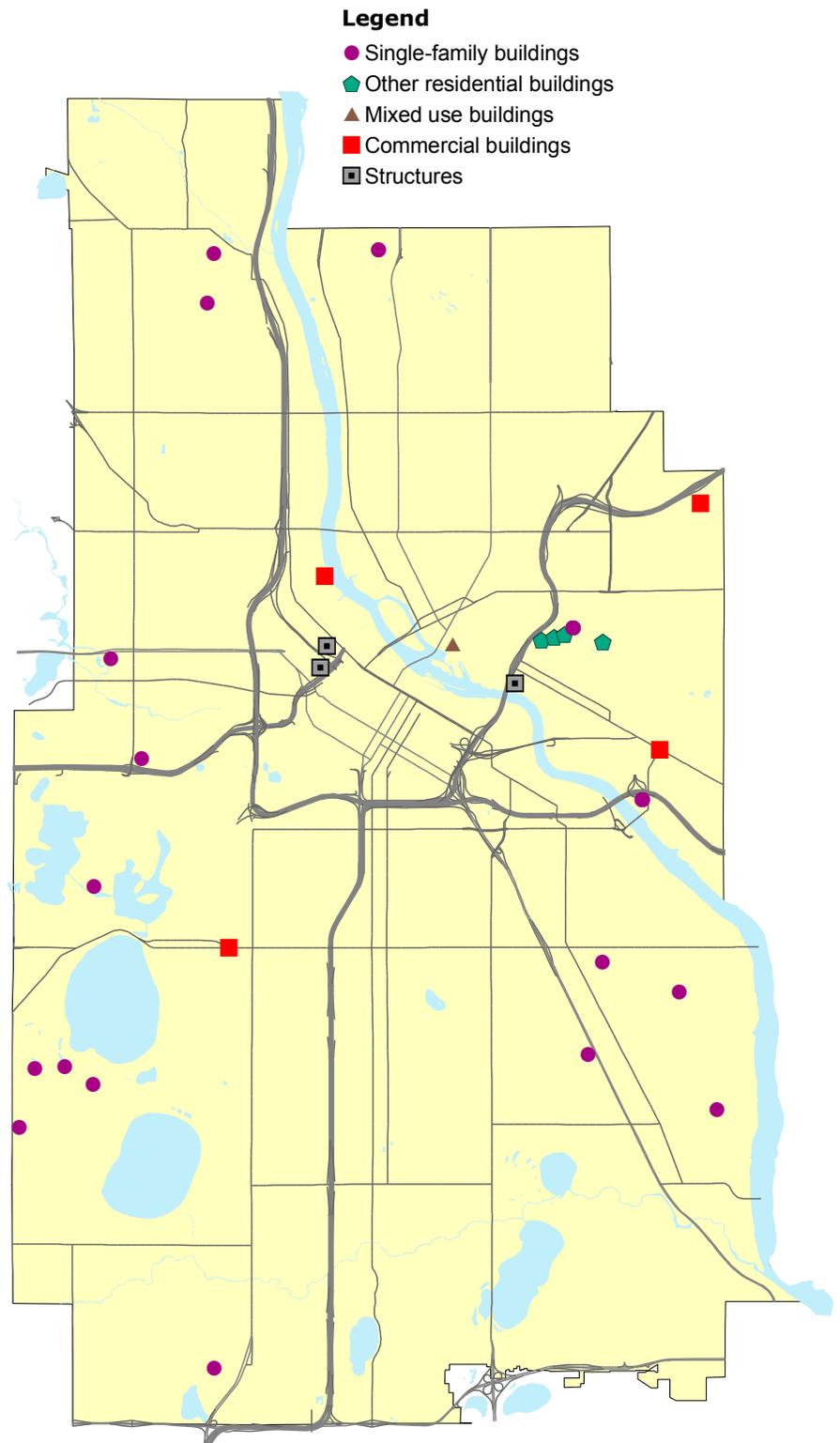
## New construction

This quarter most single-family houses in the city were permitted in the Chain of Lakes area, Longfellow and North Minneapolis. In addition four town-houses were permitted at Yale Avenue in the University of MN area and five more on 13th St SE. Phoenix on the River, the 18-story, 80-unit condo building obtained its final permit this quarter. Another, Van Cleve Apartments West, will add 50 apartment units on 12th Street SE.

Permits were issued for four commercial buildings and three non-building structures. One building that was planned to begin construction in the second quarter is a new office for Coloplast, a Danish medical equipment manufacturer that recently moved its headquarters to Minneapolis on W River Rd. Two non-residential structures permitted were light rail station platforms; these platforms will be built on 4th Ave N and 5th St N and will be part of the future North Star rail line, a commuter rail which will link the St Cloud area with Downtown Minneapolis. The construction is scheduled to coincide with the current construction of the new stadium in the North Loop.

Map 1: NEW CONSTRUCTION – 2Q-08

Source: City of Minneapolis Regulatory Services



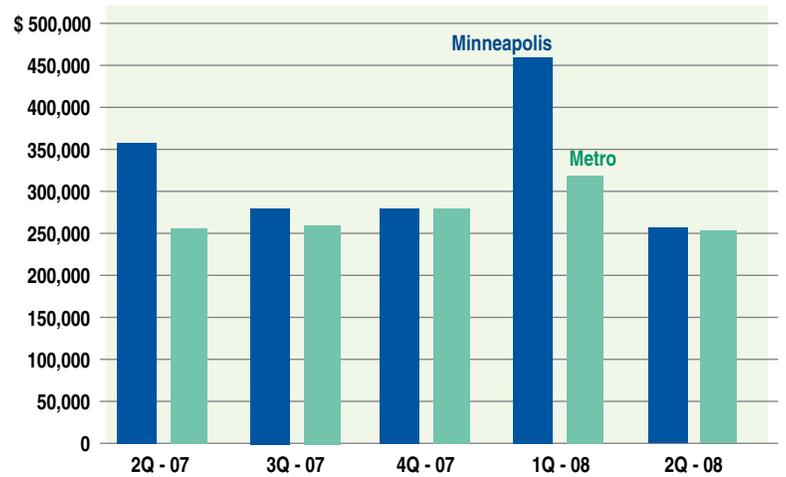
## Cost of residential construction

In Minneapolis the average construction cost for single-family homes decreased 29 percent since a year ago, from \$355,816 to \$252,117, due to less expensive homes being built this quarter.

The average construction cost for single-family homes in the metropolitan area decreased less than 1 percent since a year ago, from \$254,236 to \$251,914, still lower than the average single-family home in the city.

In Minneapolis the average construction cost for multifamily units decreased by 4.1% since a year ago, from \$327,522 to \$314,022, but it was high in comparison with the average cost in the metro area. The cost was high due to the Phoenix on the River, a luxury condo tower on the Riverfront. In the metropolitan area the average cost decreased 39 percent, from \$174,817 to \$106,879. About 96 percent of the total number of units in the metro area were authorized in Carver, Dakota and Hennepin Counties.

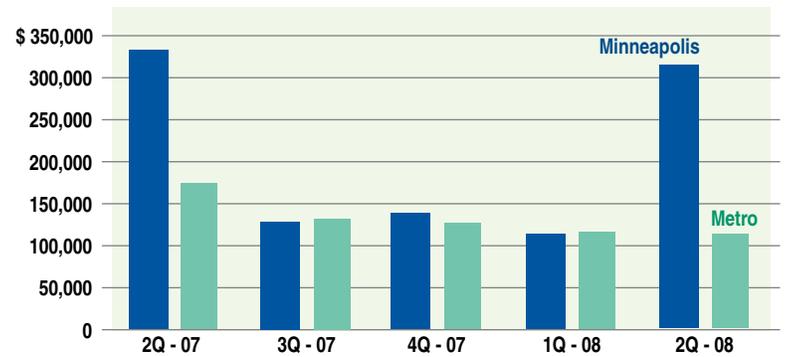
Figure 7: **SINGLE-FAMILY CONSTRUCTION COST**  
per unit



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
<b>Minneapolis</b>	355,816	281,107	281,423	460,708	252,117
<b>Metro area</b>	254,236	259,848	281,469	311,009	251,914

Table values are not adjusted for inflation

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
<b>Minneapolis</b>	\$ 327,522	\$ 112,293	\$ 140,472	\$ 111,476	\$ 314,022
<b>Metro area</b>	174,817	111,897	132,624	107,353	106,879

Values in table are not adjusted for inflation

## Conversions, remodels & additions

In the second quarter of 2008, the City issued permits for remodeling and renovations for 180 residential buildings, 19 percent more than the same quarter the previous year. It also issued permits for 141 non-residential buildings, a 7.6 percent increase from 4th quarter 2007.

The total amount spent this quarter on residential remodeling and conversion projects costing more than \$50,000 is estimated at about \$22.7million — 6.4 percent more than a year ago. The cost of non-residential remodeling was \$73.3 million, almost 3 percent lower than in the second quarter the previous year.

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

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
<b>Total Residential<sup>1</sup></b>					
Number of buildings	151	164	134	132	180
Total value	\$ 21,320,000	\$ 24,162,000	\$ 19,698,000	\$ 21,297,000	\$ 22,686,000
<b>Remodels</b>					
Number of buildings	147	162	132	127	177
Value	\$ 20,940,000	\$ 23,945,000	\$ 19,438,000	\$ 17,843,000	\$ 22,407,000
<b>Conversions &amp; additions<sup>2</sup></b>					
Number of buildings	4	2	2	5	3
Net number of units	4	3	-2	30	2
Value	\$ 381,000	\$ 217,000	\$ 260,000	\$ 3,454,000	\$ 279,000
<b>Total non-residential<sup>1</sup></b>					
Number of buildings <sup>3</sup>	131	105	108	106	141
Value	\$ 75,486,000	\$ 67,705,000	\$ 49,506,000	\$ 71,660,000	\$ 73,263,000

Source: Regulatory Services

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

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

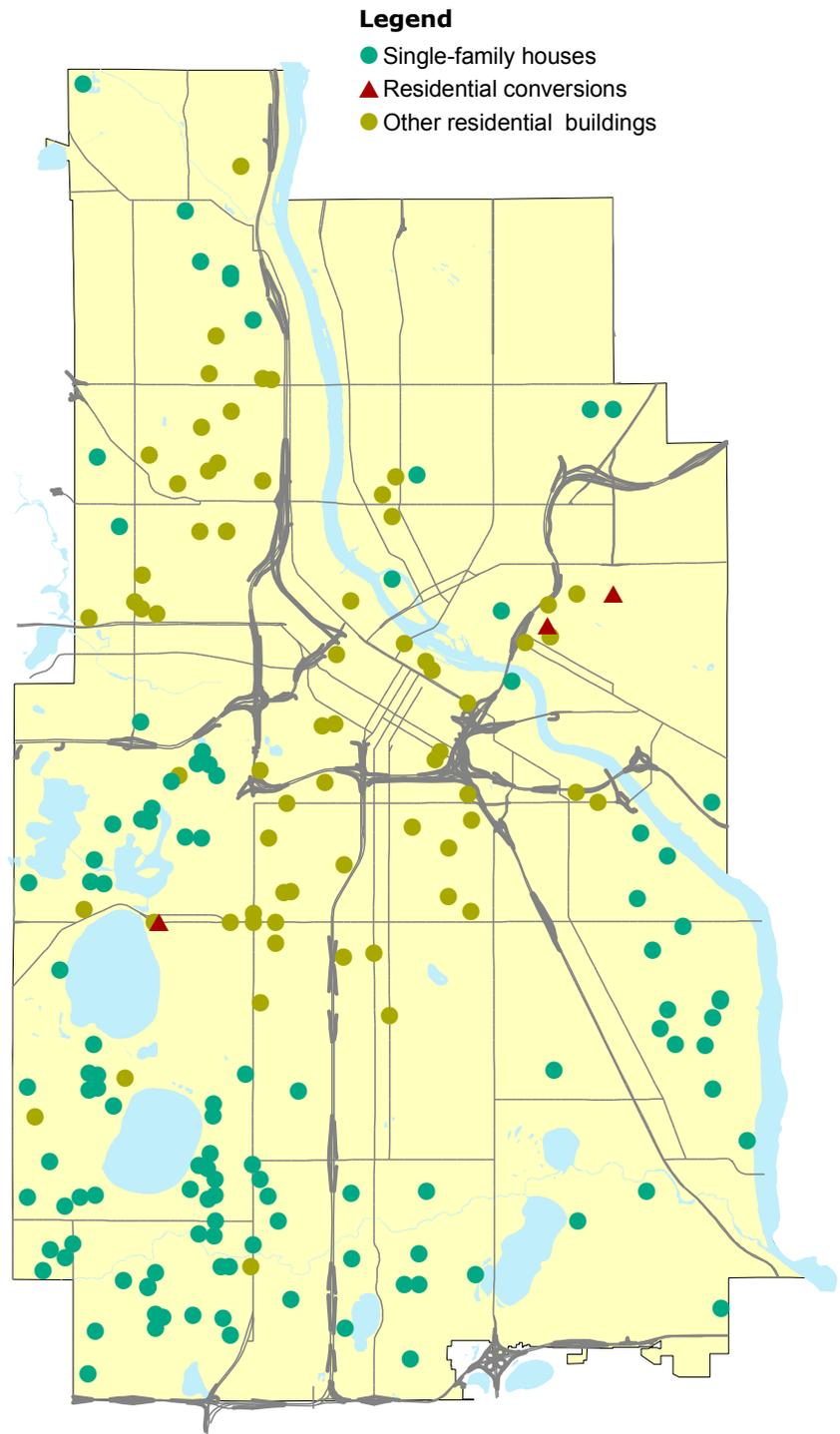
3 Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings.

## Conversions, remodels & additions

Remodeling and improvements to single-family housing in projects \$50,000 or more continued to take place mainly in southwestern part of the city, and to a lesser extent in the Longfellow community to the east of the Hiawatha corridor and the south. The north and northeast had some activity. Several permits were issued to remodel and improve duplexes throughout the city.

Map 2: **RESIDENTIAL REMODELING, RENOVATION & CONVERSION – 2Q-08**  
projects \$50,000 +

*Source: City of Minneapolis Regulatory Services*

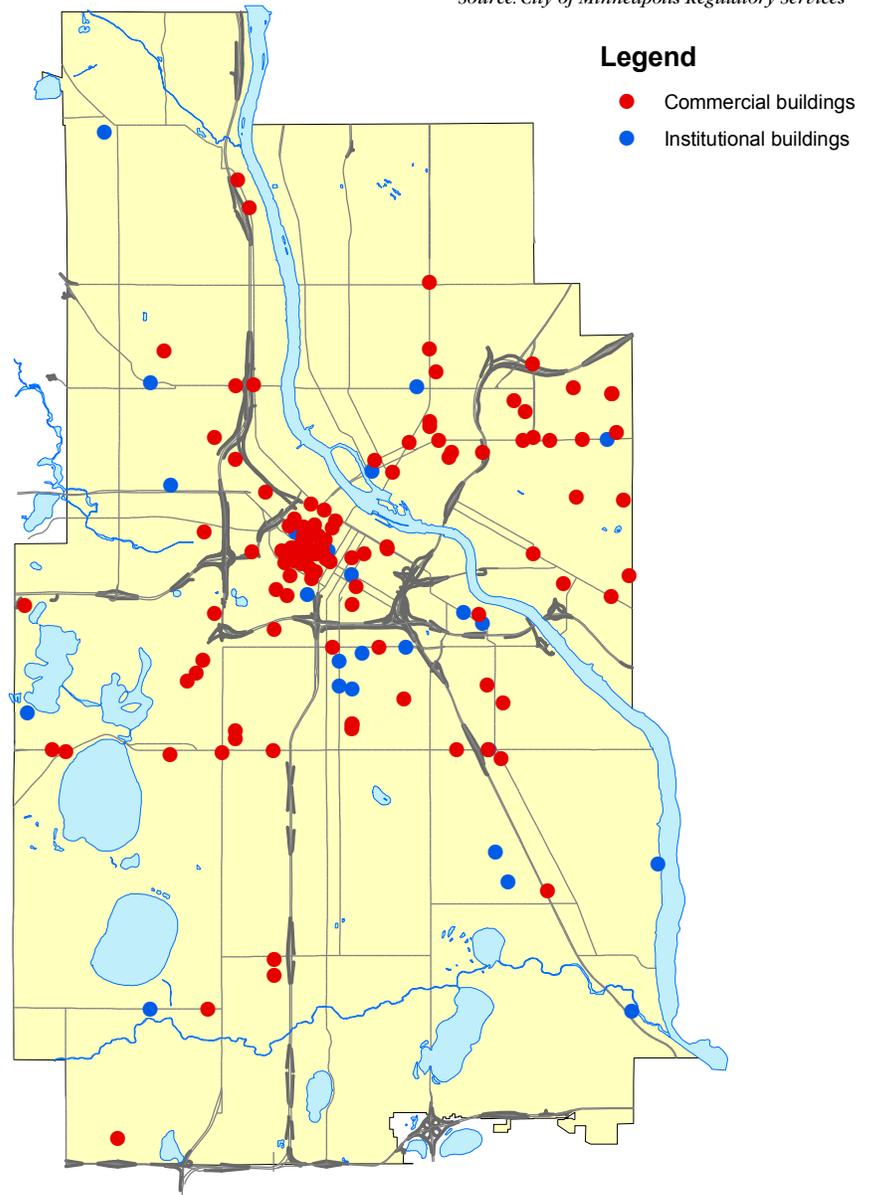


## Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations in the second quarter occurred primarily in downtown, but also in northeast Minneapolis, along Hennepin Avenue E. Permits for renovation of institutional buildings were issued mainly in the Phillips area, and in Downtown with projects including Children's Hospital expansion in Phillips West and the Hennepin County Medical center remodel in downtown. The largest renovation permitted this quarter was the Fairview Data Center addition, with estimated costs of more than \$16 million.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 2Q-08**  
projects \$50,000 +

Source: City of Minneapolis Regulatory Services



## Major construction projects

The following list shows major (projected at \$1 million or more) projects permitted in Minneapolis in the second quarter of 2008. The listed amount only reflects permits issued that quarter. The highest cost project is the Phoenix on the River on the riverfront, an 80-unit condomini-

um building with some retail. The second largest project is the Fairview Data Center addition on Stinson Parkway. The third largest project is a five-story office building for Coloplast with more than \$13 million of estimated cost.

Table 6: **MAJOR CONSTRUCTION PROJECTS** projects \$1,000,000+ in thousands of dollars

Description	Address	Neighborhood	Ward	Proj.constr.cost
Phoenix on the River: new 80-condo units with retail	222 2nd St SE	Marcy Holmes	3	\$ 37,981,366
Fairview Data Center Addition	323 Stinson Pkwy	Como	1	16,606,352
Coloplast: New five-story office building	1601 West River Rd N	Near North	5	13,542,412
Van Cleve Apartments West: New 50 unit apartments	919 12Th Ave SE	Marcy Holmes	3	7,571,338
Capella Tower- Various office remodels*	225 6th St S	Downtown West	7	5,101,367
YMCA: Renovation and addition to existing facility	1711 West Broadway	Willard Hay	5	4,096,692
Target remodel of retail store	2500 Lake St E	Longfellow	9	4,009,110
Medical Office Bldg Improvements	2828 Chicago Ave	Midtown Phillips	9	3,600,000
Fairview Hospital remodel	2450 Riverside Ave	Cedar-Riverside	2	3,514,241
Internationale Nederlanden Groep (ING) home office remodel*	20 Washington Ave S	Downtown West	7	2,584,725
Children's Hospital expansion	2525 Chicago Ave	Phillips West	6	1,825,000
Hennepin County Medical Center remodel*	701 Park Ave	Elliot Park	7	1,606,239
New home	2584 Upton Ave S	Kenwood	7	1,240,000
Home addition*	4623 Humboldt Ave S	Lynnhurst	13	1,100,000
Piper Jaffrey Tower- Various office remodels*	222 9th St S	Downtown West	7	1,077,336
New train station platform	408 4th Ave N	North Loop	7	1,075,975
Northstar East building repairs*	608 2nd Ave S	Downtown West	7	1,004,400

Source: City of Minneapolis Regulatory Services

\* Multiple building permits

# Demolitions

Permits for residential demolitions increased again this quarter. Permits for demolitions included 23 single-family houses, six duplexes and one triplex. As a result of the city efforts to control boarded and vacant buildings, North Minneapolis concentrated 29 percent of the total number of demolitions in the city.

Almost one third of this quarter's residential demolitions and one half of non-residential demolitions were in North Minneapolis. This is part of the City's and community's continued efforts to address blight in this area. Most of the buildings slated for demolition are single-family houses. Another area with a concentration of demolitions is near the Central Avenue corridor.

Non-residential demolition permits included 19 commercial structures.

Map 4: **DEMOLITIONS** – 2Q-08

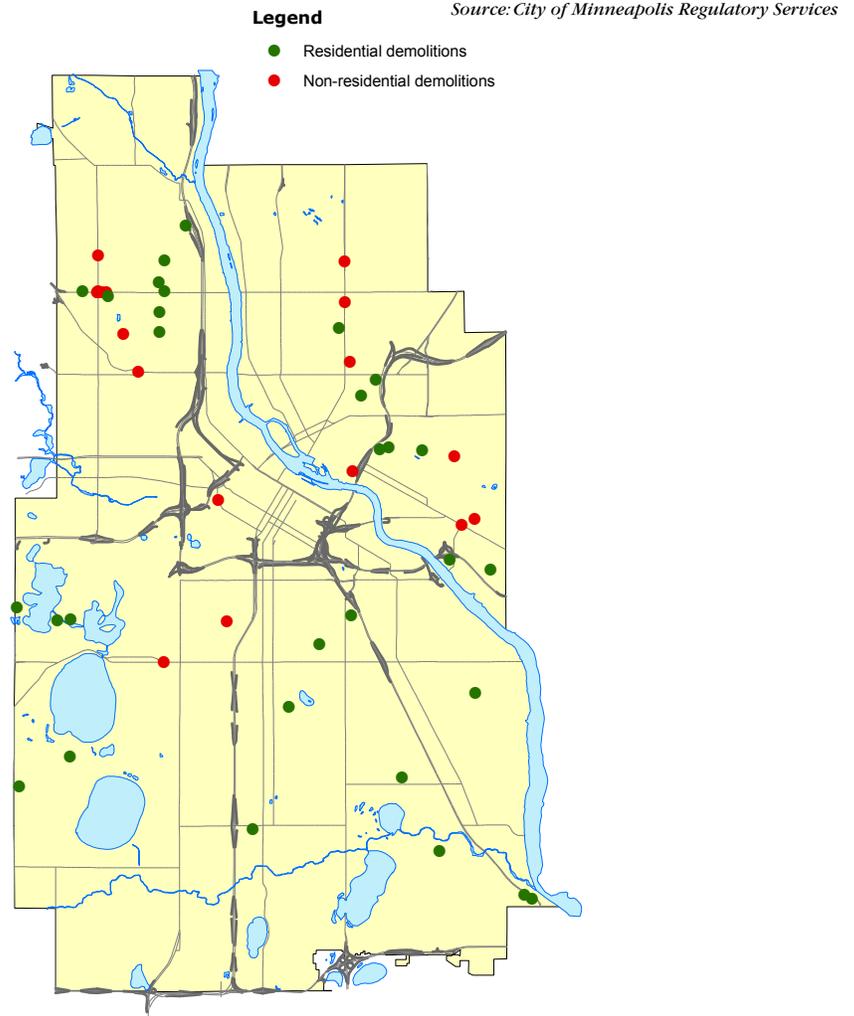


Figure 9: **RESIDENTIAL UNITS DEMOLISHED** in permits



*Source: City of Minneapolis Regulatory Services.*

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

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

- **Single-family** buildings have only one unit in the building.
- **Multifamily** buildings have two or more units in the building, except when noted that triplexes and duplexes are counted separately (in that case, multifamily buildings have four or more units).
- **Cost of residential construction** is based on the cost developers report on permit requests for their projects.
- **Construction cost per unit** refers to the total construction cost reported divided by the number of units permitted during the period considered.
- **Non-residential** buildings include any kind of use except residential. Cost is based on the amount the developer reports to the City's Regulatory Services Department.
- **Building permits for residential remodeling, additions and conversions:** Table six and maps two and three are based on data from the City of Minneapolis Regulatory Services Department. Information includes all City-approved projects for remodeling, additions and conversions with a value of \$50,000 or more.
- **Building permits for demolitions:** These data were obtained from the City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings. The multifamily building category includes condominiums.

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

## Housing stock & the real estate market

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- The apartment market continued to be tight, but facing competition from condo units and houses for rent, average vacancy rates in Minneapolis increased to 3.7 percent.
- Average rent this quarter slightly increased in the city to \$905, \$21 higher in inflation-adjusted dollars than last year. In the metro area it was \$910, \$2 lower than a year ago.
- In Minneapolis and the metro area the number of housing units sold increased from last quarter's low level, with sales in Minneapolis near the levels of the second quarter last year. However, median sale prices were 11 percent lower in Minneapolis and 10 percent lower in the metro area than a year ago.
- Foreclosures decreased 5 percent from the previous quarter to 773, but increased 20 percent from a year ago.
- The number of condemned, boarded and vacant buildings in the city continued to increase, rising 4 percent from last quarter and 77 percent from a year ago.
- The office vacancy rate in the Minneapolis central business district (CBD) declined to 12.7 percent, a considerable fall from the 14.1 percent last quarter and second quarter last year. The CBD vacancy rate was lower this quarter than the metro rate for the first time since the first quarter 2007.

## Residential vacancy rates & average apartment rent

The Minneapolis vacancy rate for multi-family rental housing was 3.7 percent, a slight increase from 3.6 percent last quarter, and also an increase from 3.4 percent a year ago.

In the metropolitan area, the vacancy rate was the same as the city's 3.7 percent, a decrease from 3.9 percent last quarter and a year ago.

The rental vacancy rate has been below 4 percent in the city since the second quarter of 2006. In part as a consequence of the downturn in the ownership housing market, demand for rental units is increasing. Developers have responded to demand by building more apartment buildings and fewer condominiums. Also, many owners are putting their houses and condos in the rental market. Rents in the city have tended to increase from last year and the average vacancy rate has slightly increased as well.

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

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
<b>Minneapolis</b>					
Units surveyed	15,160	15,260	15,175	14,989	15,606
Vacant units	512	423	657	541	581
Average rent	\$ 855	\$ 868	\$ 876	\$ 892	\$ 905
Vacancy rate	3.4%	2.8%	4.3%	3.6%	3.7%
<b>Metro area</b>					
Units surveyed	116,429	116,686	113,113	111,233	115,046
Vacant units	4,522	4,238	4,765	4,284	4,217
Average rent	\$ 883	\$ 890	\$ 899	\$ 908	\$ 910
Vacancy rate	3.9%	3.6%	4.2%	3.9%	3.7%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties  
Recorded data for the last month of the quarter

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



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

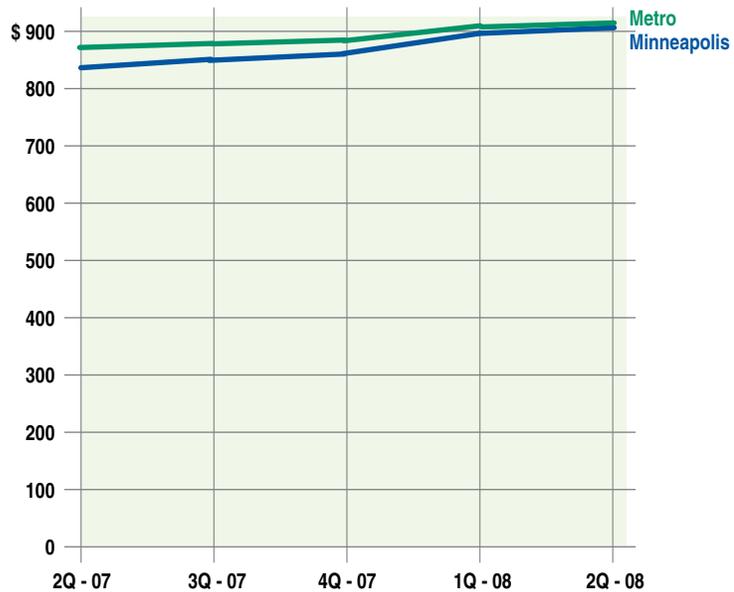
## Residential vacancy rates & average apartment rent

As of July, two areas in Minneapolis had below-average vacancy rates (3.7 percent): the Southeast/University of Minnesota area and south Minneapolis.

Three areas had above-average vacancy rates: north Minneapolis, downtown and east Minneapolis.

Responding to higher demand, there has been a drop in average vacancy rates except in the University area and in South Minneapolis. The Southeast/University of Minnesota area increased its vacancy rate because at the end of the school year many students vacate their premises. In North Minneapolis, which is the part of the city most affected by the foreclosure crisis, demand for rental increased, bringing the vacancy rate to low levels in comparison with previous quarters. In south Minneapolis, an area that has the largest number of affordable rental units in Minneapolis, the vacancy rate was the same as a year ago. In downtown, where rents tend to be high, the vacancy rate increased in part because of competition from condo units being rented out. In East Minneapolis, vacancy rates were falling after a peak in fourth quarter 2007, the result of a new apartment building that was filling up very slowly.

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



Source: GVA Marquette Advisors

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

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Downtown	3.3%	3.6%	5.0%	4.5%	4.1%
South	3.2%	2.8%	3.4%	3.1%	3.2%
North	8.4%	7.6%	9.1%	6.7%	4.2%
East	4.4%	2.1%	18.3%	13.1%	9.6%
U of M, Southeast & Northeast	3.0%	1.4%	1.2%	1.0%	2.6%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

\* For sector definitions, see page 42

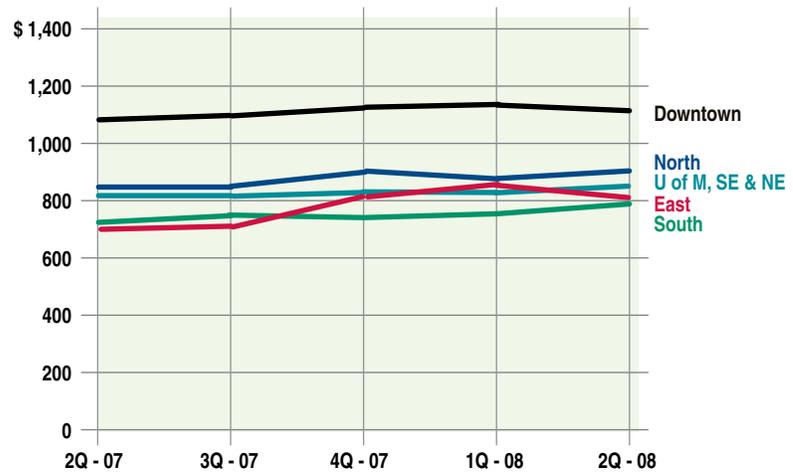
## Residential vacancy rates & average apartment rent

Although downtown continues to command the highest average rent in Minneapolis, this quarter average rents increased only \$4 (0.4 percent) from the second quarter last year in inflation-adjusted dollars\*. In comparison with the first quarter, it dropped \$29 on average (-2.5 percent)\*. More than in any other place in the city, downtown rentals face competition from owner occupied units that are rented out.

In all sectors of the city, average rent increased in inflation-adjusted dollars\* from a year ago, except in North Minneapolis where average rents decreased by three dollars. East Minneapolis average rent increased the most, \$72 in inflation-adjusted dollars\*. In comparison with the first quarter, average rents decreased except in South Minneapolis and in the UMN area. In East Minneapolis rents fell down from last quarter the most in inflation-adjusted dollars by almost 7 percent\*.

\* For conversion factors, see page 41

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Downtown	\$ 1,094	\$ 1,100	\$ 1,123	\$ 1,144	\$ 1,135
South	737	756	750	769	793
North	847	844	888	864	872
East	715	721	815	856	811
U of M, Southeast & Northeast	813	818	817	825	862

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Not adjusted for inflation\*

\* For sector definition, see page 41.

## Residential vacancy rates & average apartment rent

Three and two-bedroom apartments had lower vacancy rates than the city's average, while studios had the highest vacancy rates. Since the third quarter last year, three-bedroom vacancies have declined to a very low rate of 1.6 percent. More than 50 percent of the apartments surveyed in the city have only one bedroom and they have great impact on the overall city average vacancy rate. One-bedroom apartment vacancy rate declined from the second quarter the previous year, but increased since the first quarter. On the other hand for two-bedroom apartments, which also comprise a large percentage of the apartment stock (24 percent), the vacancy rate declined since the second quarter 2007 and also since the first quarter.

Reflecting increasing demand, average rent for all apartment types (except for the largest units) increased since last year in inflation-adjusted dollars. Rents rose in nominal dollars from the last quarter, but inflation eroded the gains and all apartment types (except for two-bedroom units) decreased average rents in inflation-adjusted dollars\*.

\* For conversion factors, see page 41

Figure 14: **RENTAL VACANCY RATE – Minneapolis**  
by apartment type

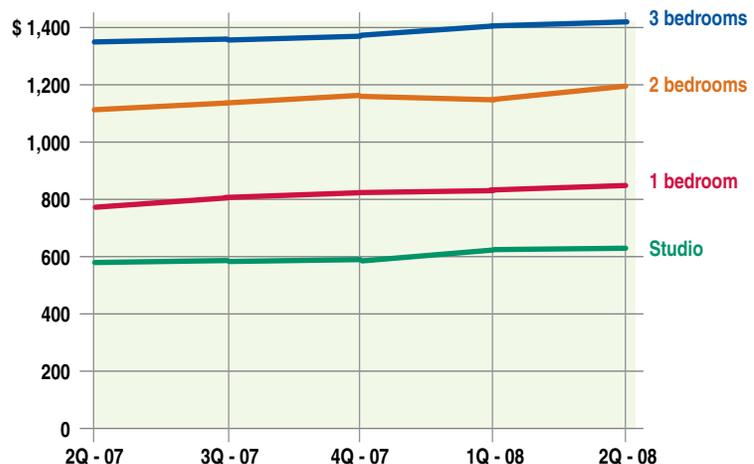


	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Studio	4.5	3.2	4.6	3.8	4.4
One bedroom	3.2	2.5	4.4	3.2	3.7
Two bedrooms	3.1	2.8	3.9	4.2	3.3
Three bedrooms	4.5	6.2	5.0	1.7	1.6

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Figure 15: **AVERAGE MONTHLY RENT – Minneapolis**  
by apartment type



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Studio	\$ 587	\$ 594	\$ 597	\$ 617	\$ 627
One bedroom	789	801	809	823	834
Two bedrooms	1,124	1,140	1,162	1,158	1,199
Three bedrooms	1,371	1,373	1,382	1,407	1,413

Source: GVA Marquette Advisors

Not adjusted for inflation

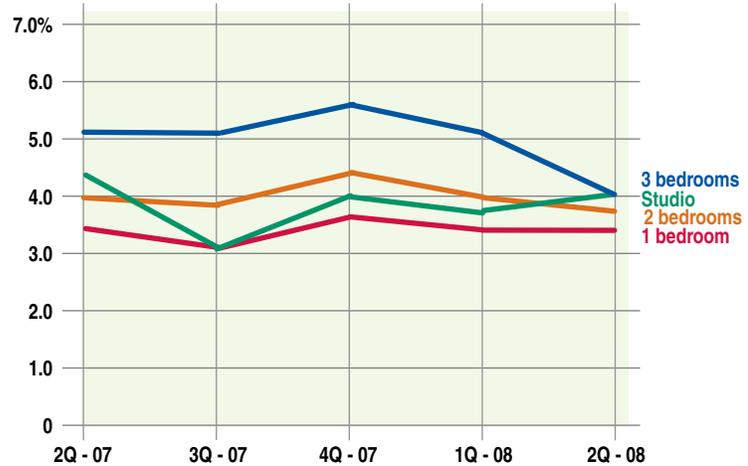
## Residential vacancy rates & average apartment rent

In the metro area the smallest and largest units had higher vacancy rates than the metro average of 3.7 percent. On the other hand, one-bedroom units had a lower vacancy rate than the total metro average. All apartment types had lower vacancy rates in the second quarter than in the same period the previous year. These vacancy rates were also lower than in the first quarter, except for one-bedroom apartments for which the vacancy rate was stable.

Rent in the metro area in inflation-adjusted dollars\* did not increase very much since a year ago for studios and two-bedroom apartment; decreased for one-bedroom units and was stable for the largest units. It increased the most in inflation-adjusted dollars – by \$7 – for studio apartments \*. Average rent in inflation-adjusted dollars for all apartment types in the metro area decreased since last quarter as much as \$16 dollars for one-bedroom apartments and as little as \$6 for studios\*

\* For conversion factors, see page 40.

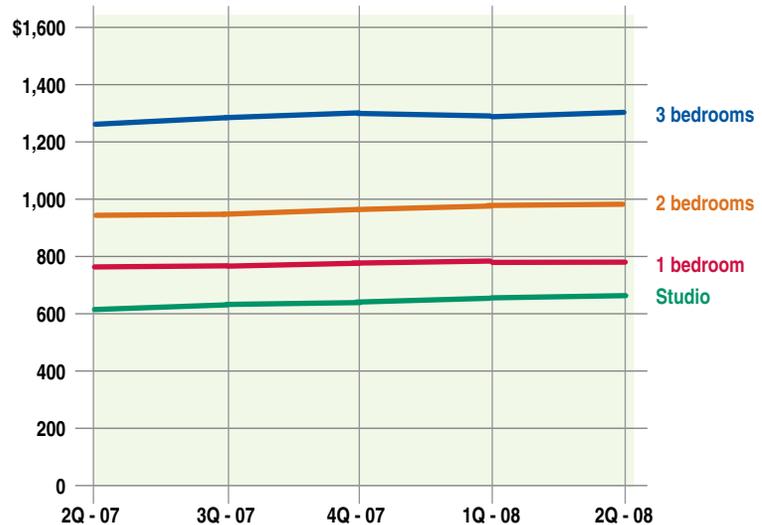
Figure 16: **RENTAL VACANCIES – Metro**  
by apartment type



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Studio	4.4	3.2	4.1	3.8	4.0
One bedroom	3.5	3.2	3.7	3.4	3.4
Two bedrooms	4.0	3.8	4.4	4.0	3.7
Three bedrooms	5.1	5.1	5.6	5.1	4.0

Source: GVA Marquette Advisors

Figure 17: **AVERAGE MONTHLY RENT – Metro**  
by apartment type



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Studio	\$ 613	\$ 624	\$ 628	\$ 635	\$ 640
One bedroom	763	768	778	786	784
Two bedrooms	958	969	976	984	992
Three bedrooms	1,253	1,268	1,285	1,279	1,295

Source: GVA Marquette Advisors

Not adjusted for inflation  
Recorded data for the last month of the quarter

## Residential sales

Housing sales made a surprising come back. In Minneapolis the number of housing units sold in the second quarter of 2008 was only 1.3 percent lower than a year earlier and 64.4 percent higher than the first quarter of 2008, when sales were at their lowest. The median price also recovered somewhat this quarter: it was about 0.6 percent higher than the previous quarter. However, median prices are still 11 percent lower than a year ago.

In the metro area the number of units sold increased by 60.5 percent since last quarter, but they were 11 percent below the number of units sold a year ago. Meanwhile, the median sale price was 3.5 percent higher than last quarter but 9.6 percent lower than a year ago.

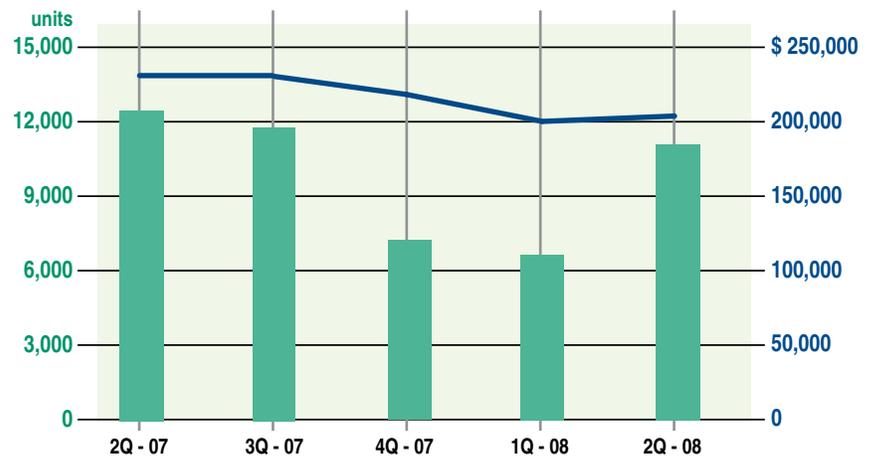
Figure 18: **CLOSED SALES AND MEDIAN SALE PRICE\*** – Minneapolis



Source: Minneapolis Area Association of Realtors (MAAR)

With updated information, numbers have been revised upward as of July 24, 2008

Figure 19: **CLOSED SALES AND MEDIAN SALE PRICE\*** – Metro\*



Source: Minneapolis Area Association of Realtors (MAAR)

With updated information, numbers have been revised upward as of July 24, 2008

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

Table 8: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES**

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
<b>Minneapolis</b>					
Units	1,557	1,423	1,007	935	1,537
Median sale price	\$ 219,000	\$ 223,000	\$ 214,450	\$ 193,640	\$ 194,850
<b>Metro area</b>					
Units	12,399	11,417	7,916	6,876	11,035
Median sale price	\$ 228,900	\$ 229,900	\$ 216,500	\$ 200,000	\$ 207,000

Source: Minneapolis Area Association of Realtors (MAAR)

Numbers include only single-family detached units, attached units and condominiums. They include all sales closed between buyers and sellers.

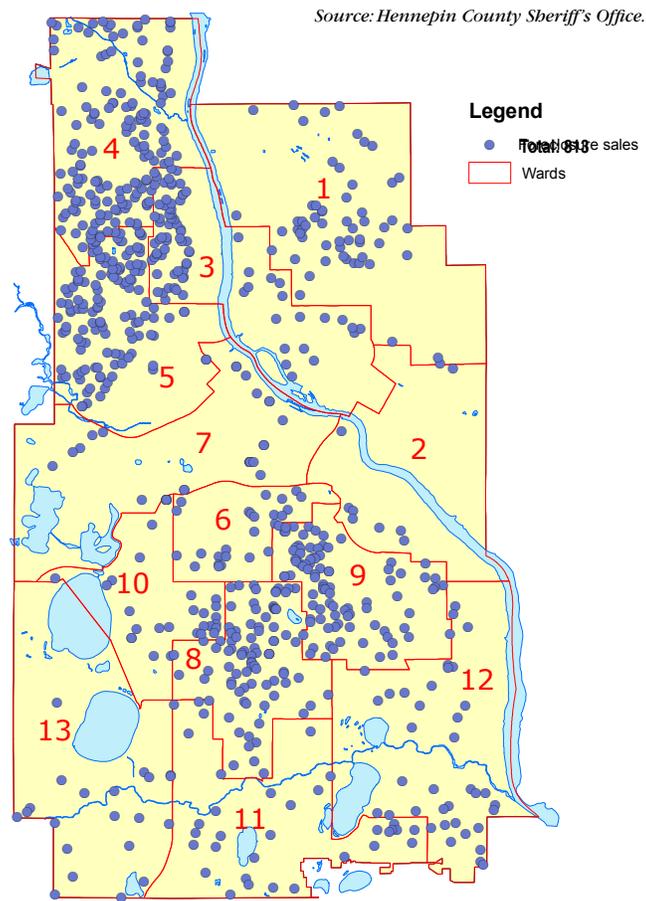
Not adjusted for inflation

\* Metro area" refers to the 13-county area covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For the metro area definition, [see page 13](#).

## Foreclosures

During the second quarter of 2008, 773 properties were sold at public auction. This is a 4.9-percent decrease since the previous quarter and a 20.2 percent increase since a year ago. Wards 3, 4, and 5 accounted for 46 percent of total foreclosures in the city. Adding Wards 8 and 9 increase this total to 69 percent.

**MAP 5: PROPERTIES FORECLOSED – 2Q-08**  
by wards



**Table 9: FORECLOSURE PROPERTIES**  
by wards

Ward	2Q-07		3Q-07		4Q-07		1Q-08		2Q-08	
	#	%	#	%	#	%	#	%	#	%
1	34	5.3	53	6.4	44	5.9	65	8.0	58	7.5
2	6	0.9	7	0.8	4	0.5	7	0.9	8	1.0
3	88	13.7	102	12.3	81	10.9	91	11.2	81	10.5
4	139	21.6	189	22.7	186	25.0	195	24.0	145	18.8
5	151	23.5	158	19	140	18.8	159	19.6	130	16.8
6	16	2.5	29	3.5	30	4.0	33	4.1	24	3.1
7	18	2.8	20	2.4	19	2.6	16	2.0	25	3.2
8	63	9.8	100	12	64	8.6	72	8.9	85	11.0
9	43	6.7	67	8.1	73	9.8	83	10.2	93	12.0
10	17	2.6	26	3.1	25	3.4	14	1.7	32	4.1
11	27	4.2	31	3.7	21	2.8	26	3.2	34	4.4
12	30	4.7	36	4.3	43	5.8	31	3.8	37	4.8
13	11	1.7	13	1.6	13	1.7	21	2.6	21	2.7
<b>Total</b>	<b>643</b>	<b>100</b>	<b>831</b>	<b>100</b>	<b>743</b>	<b>100</b>	<b>813</b>	<b>100</b>	<b>773</b>	<b>100.0</b>

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

## Foreclosures

Historical data shows that since first quarter 2006, foreclosures sales peaked in third quarter 2007, and then declined unevenly to 773 foreclosures this quarter.

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



Source: Hennepin County Sheriff's Office

## Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city rose 4 percent since last quarter and 77 percent since a year ago. Part of this increase is the result of better data collection and part is due to city aggressive policies to address deterioration of the housing stock. After a continuing ascending trend since 1st quarter 2007 in the number of buildings that are vacant but not-condemned - buildings with some code violations but no major problems - the number dropped this quarter. However, in comparison with a year ago, the numbers are up almost 78 percent. Boarded and condemned buildings, which made up the majority of the group, continued to increase.

These buildings are located mainly in north Minneapolis and the city's south-central area. Their locations follow similar patterns as the foreclosures shown in the map on [page 34](#).

Map 6: **CONDEMNED AND VACANT BUILDINGS**  
as of June 30, 2008

Source: City of Minneapolis Regulatory Services

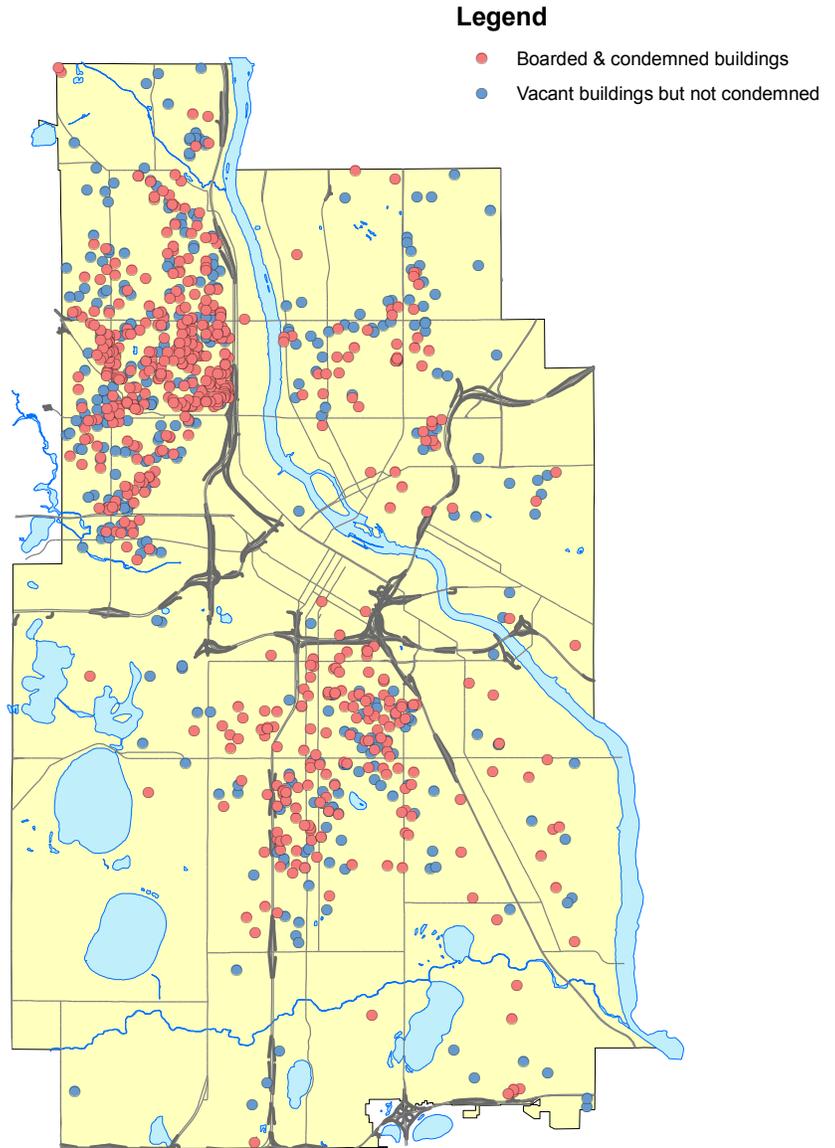


Table 10: **CONDEMNED AND VACANT BUILDINGS**  
at end of quarter

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Boarded and condemned buildings	333	414	484	547	587
Vacant but not condemned	201	256	285	360	357
<b>Total</b>	<b>534</b>	<b>670</b>	<b>769</b>	<b>907</b>	<b>944</b>

Source: Minneapolis Regulatory Services

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

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

## Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) declined in the second quarter. Data from the various sources show a declining tendency since the second quarter of 2007. However, Colliers shows an increase from 12.9 percent (2Q-07) to 15.3 percent in the same period.

Since the second quarter of 2007, the square footage of available space has not changed.

The average vacancy rate in the metro area was flat since the second quarter last year, with very small fluctuations during the five quarters. The average vacancy rate for office buildings was higher this quarter in the metro area than in the Minneapolis CBD for the first time since the first quarter 2007.

Figure 21: **OFFICE VACANCY RATE – Minneapolis CBD**

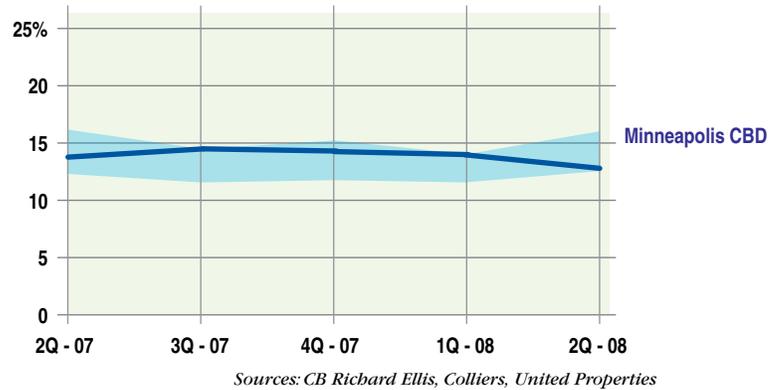
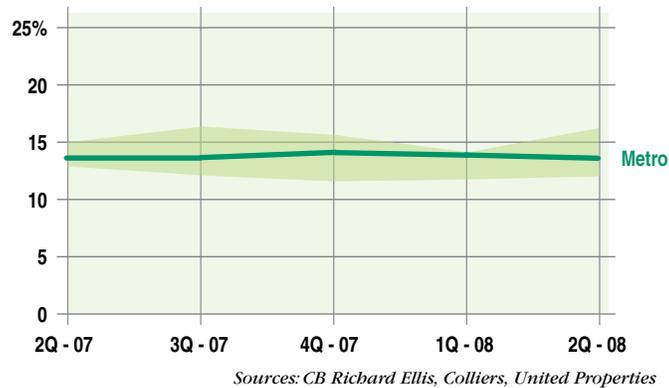


Figure 22: **OFFICE VACANCY RATE – Metro**



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

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis CBD	14.1%	14.3%	14.2%	14.1%	12.7%
Metro area	13.6%	13.6%	13.8%	13.7%	13.6%

Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

See explanation of sources in [page 41](#)

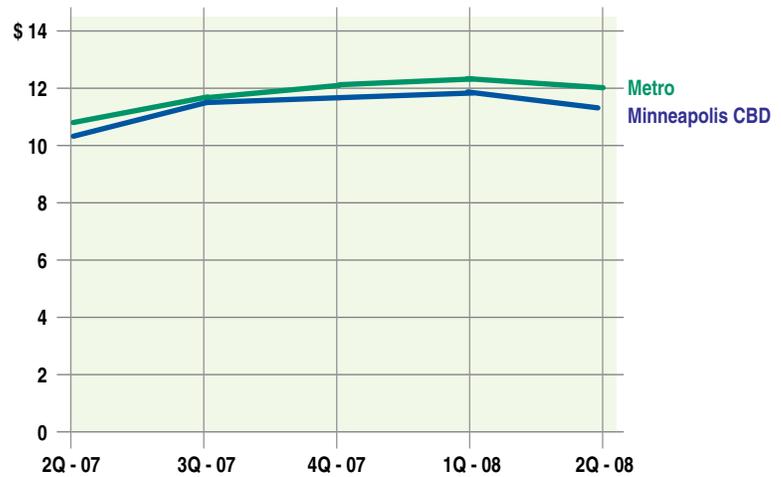
Note: Beginning with 1Q-08  
"Minneapolis Trends," CPED tracks data  
from several commercial market firms.

## Office space

The average asking lease rates per square foot in the Minneapolis central business district (CBD) increased 9 percent since last year. The rates remained lower than in the metro area where asking prices in the first quarter were \$0.68 higher than in the Minneapolis CBD. Asking prices were 10 percent higher in the metro area than last year.

This quarter, the occupied office space (available rentable area minus the vacancy rate) in Minneapolis' central business district (CBD) increased again by 1.55 percent. More than 291,000 square feet were added to the already occupied space in the Minneapolis CBD and subtracted from the available vacant space in the market. In the metro area, occupied office space also increased but not as fast as in the Minneapolis CBD.

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis CBD	\$ 10.35	\$ 11.56	\$ 11.69	\$ 11.90	\$ 11.31
Metro area	10.86	11.70	12.07	12.15	11.99

Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis CBD	-0.21%	-0.21%	0.08%	0.17%	1.55%
Metro area	-0.54%	0.20%	0.32%	-0.05%	0.18%

Source: CB Richard Ellis

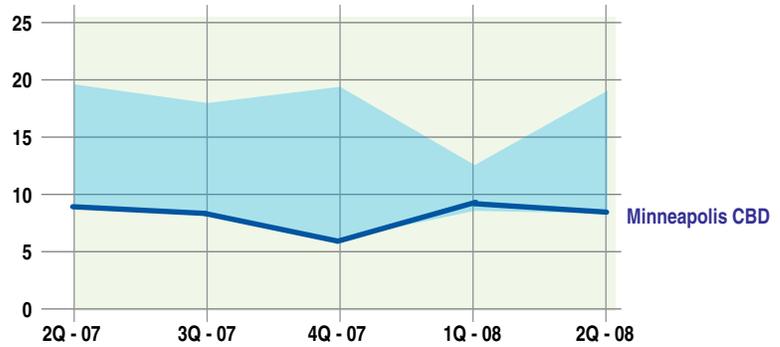
Class A, B and C office buildings 10,000 square feet and larger

## Retail space

The retail vacancy rate in the Minneapolis central business district (CBD) decreased since last quarter and since a year ago to 8.3 percent. Much of the vacant square footage that remained at the end of last year, when several large retailers left downtown, has already filled up. For example, Crate and Barrel's space was occupied by Target Office furniture store.

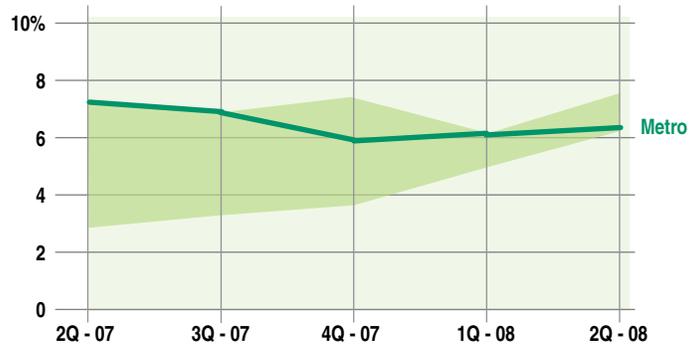
The vacancy rate in the metro area decreased also in comparison with the previous year but less so than in the CBD, ending at 6.4 percent, below the CBD's rate, but above the level of the first quarter.

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



Sources: CB Richard Ellis, Colliers, United Properties, Welsb

Figure 26: **RETAIL VACANCY RATE – Metro**



Sources: CB Richard Ellis, Colliers, United Properties, Welsb

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

	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis CBD	8.7%	8.5%	5.7%	9.0%	8.3%
Metro area	6.7%	6.4%	5.9%	6.2%	6.4%

Source: CB Richard Ellis

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

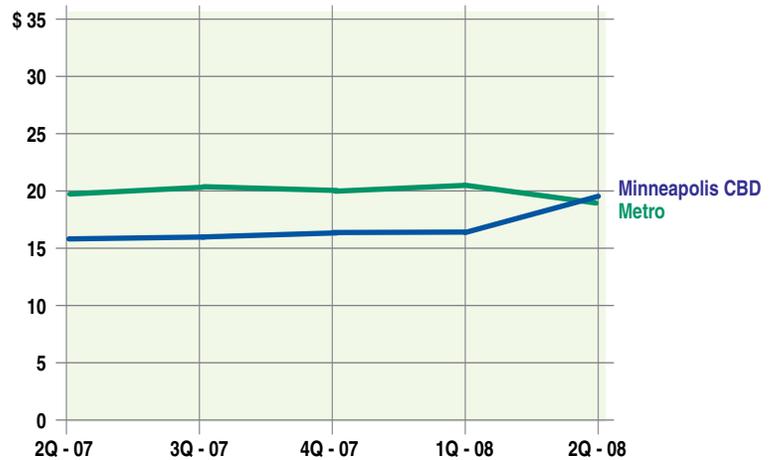
## Retail space

In the Minneapolis central business district, the average asking lease price rose from \$15.8 per square foot a year ago to \$19.5 this quarter, an increase of 24 percent since last year, and 21 percent since the first quarter. In the metropolitan area, the price declined by 3 percent in comparison with the same quarter last year and by 5 percent since the previous quarter.

Occupied retail space increased in the Minneapolis central business district (CBD) in the second quarter of the year. A large part of the vacant space left last quarter was taken during the second quarter.

Occupied space grew more in the metro area than in the CBD. Vacancies were reduced in community retail centers, grocery stores, regional centers, and street and strip-line retail stores.

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

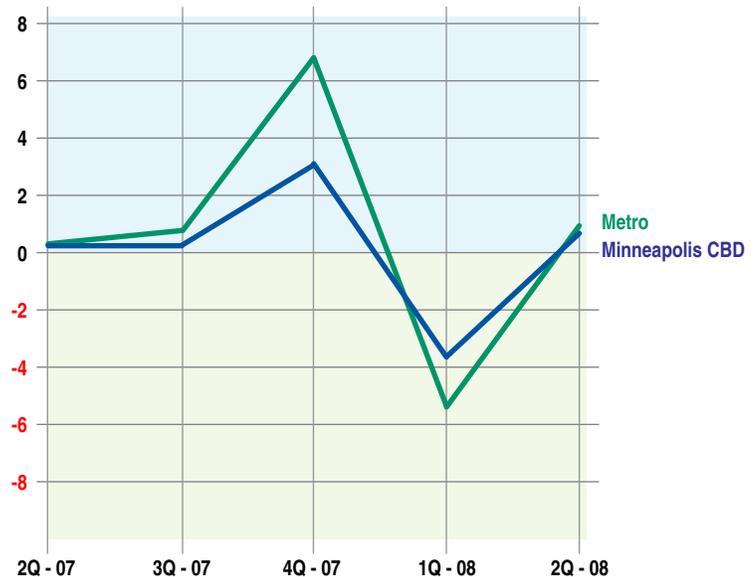


	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis CBD	\$ 15.76	\$ 15.92	\$ 16.07	\$ 16.07	\$ 19.49
Metro area	19.81	20.25	20.04	20.21	19.19

Source: CB Richard Ellis

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

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis CBD	0.2%	0.2%	3.0%	-3.5%	0.8%
Metro area	-0.1%	0.7%	6.8%	-5.4%	0.9%

Source: CB Richard Ellis

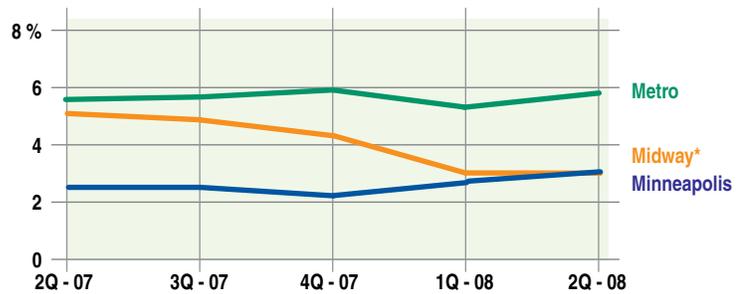
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

## Industrial space

The industrial space vacancy rate increased in the industrial areas of Minneapolis and the metro area since a year ago, and was also higher than last quarter. However, since the first quarter, it has been stable in the Midway.

The average asking lease rate for industrial space in the metro area has continued to rise, but in Minneapolis and the Midway asking lease rates dropped in the second quarter. They were also lower than a year ago. In the metro area prices reflected higher cost of new construction and demand for warehouse space.

Figure 29: **INDUSTRIAL VACANCY RATE**

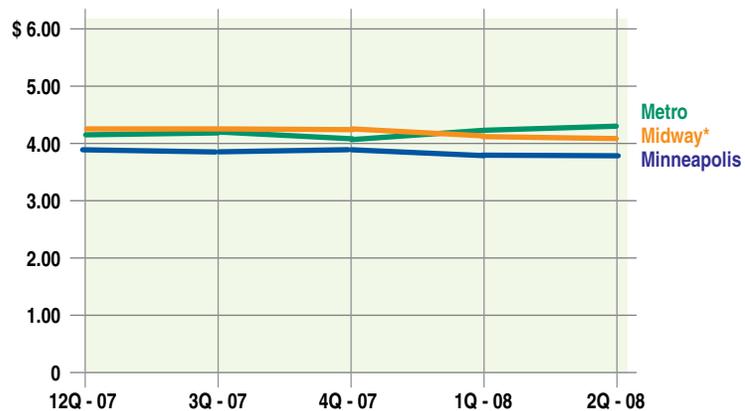


	2Q-07	3Q-06	4Q-06	1Q-08	2Q-08
Minneapolis	2.4%	2.4%	2.2%	2.7%	3.5%
Midway	5.1%	4.9%	4.3%	3.1%	3.1%
Metro area	5.6%	5.7%	5.9%	5.5%	5.7%

Source: CB Richard Ellis

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

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis	\$3.89	\$3.82	\$3.91	\$3.72	\$3.85
Midway	4.17	4.18	4.22	4.24	4.07
Metro area	4.14	4.16	4.11	4.26	4.32

Source: CB Richard Ellis

Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Midway includes industrial areas of northeast Minneapolis and Saint Paul.

## Industrial space

From the previous quarter, Minneapolis, the Midway and the metro area decreased their occupied industrial space. With more rentable area that remained vacant, growth declined in the Midway, Minneapolis and the metro area. The steepest decline from the first quarter took place in the Midway area, although in comparison with the second quarter the previous year, Midway growth did not slow down as fast as in the other two areas.

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



	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08
Minneapolis	-0.2%	0%	0.2%	-0.4%	-0.2%
Midway	-2.6%	0.2%	0.6%	1.4%	-0.7%
Metro area	0%	0.02%	0.1%	0.4%	-0.2%

Source: CB Richard Ellis

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

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

- **Housing Vacancy Rate:** The vacancy rate is the percentage of unoccupied housing units among the total number of housing units.  
Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area.
- **City areas:** For data analysis purposes, GVA Marquette Advisors divides the city into five sub-areas:
  - Downtown:** including zip codes 55401, 55402, 55403 and 55415
  - South:** west of Interstate 35W, south of Interstate 394, bordering Edina and Richfield, including zip codes 55403, 55405, 55408, 55409, 55410 and 55419
  - North:** north of Interstate 394, west and north of downtown, west of the Mississippi River, bordering Robbinsdale and Brooklyn Center, including zip codes 55411 and 55412
  - East:** east of Interstate 35W, south of Interstate 94, bordering Richfield, including zip codes 55404, 55406, 55407 and 55417
  - University of Minnesota, Southeast and Northeast:** north of Interstate 94, east of the Mississippi River, bordering Saint Paul, St. Anthony and Columbia Heights, including zip codes 55413, 55414, 55418, 55454, 55455, plus a few properties in 55406 on the south side of Interstate 94 near Cedar-Riverside neighborhood.
- **Median sale values:** These values are based on home prices researched by the Minneapolis Area Association of Realtors (MAAR).
- **Closed home sales:** These values are based on home sales researched by the Minneapolis Area Association of Realtors (MAAR). Closed sales mean that there is an agreement to sell and steps have been taken toward that end.
- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).
- **Foreclosures:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are obtained from Hennepin County Sheriff records and include only foreclosed properties in the City of Minneapolis that were sold on public option in the specified time period.

- **Boarded and vacant buildings:** A vacant property is a property identified as such by City of Minneapolis inspectors; City Ordinance 249 requires the property's owner to register it as vacant. In addition to being vacant, the property could be condemned as uninhabitable either for being boarded more than 60 days or because of lack of maintenance. Data on boarded and vacant buildings are obtained from the City Department of Regulatory Services.
- **Real estate statistics** as reported by CB Richard Ellis ([www.cbre.com](http://www.cbre.com)) include office, retail and industrial space vacancy rates, average asking lease price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries. To compare these data from results reported by other major firms go to:

Collier Turley Martin Tucker ([www.colliers.com/Markets/Minneapolis](http://www.colliers.com/Markets/Minneapolis)),

United Properties (<http://outlook.uproperties.com>); and

Welsh Companies

([www.welshco.com/research/CurrentMktReports.asp](http://www.welshco.com/research/CurrentMktReports.asp))

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

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

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

**Note:** Beginning with "Minneapolis Trends" 1<sup>st</sup> quarter 2008, CPED will track office and retail data from several commercial market firms and display the "high" and "low" marks against the estimate from CB Richard Ellis which we will continue to use as our baseline.

Graphs 21 and 22 (office vacancy rates), and graphs 24 and 25 (retail vacancy rates) show variation in vacancy rates reported by four different firms: CB Richard Ellis, United Properties, Colliers and Welsh, with CB Richard Ellis as the benchmark. Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys. Variations in retail vacancy rates are more evident than in the case of office vacancy rates. These variations result not only from the factors affecting office vacancies but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

- **Inflation-adjusted figures:** Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For the purpose of analyzing residential rent, however, **text** is based on the values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the second quarter of 2008, dollars have been converted with an index of 1.0334084, the result of the relation between the CPI for June 2008 (202.794) and the CPI for June 2007 (196.238). For the period from the first quarter of 2008 to the second quarter of 2008, the index is 1.0177152, obtained by dividing 202.794 (June '08) by 199.264 (March '08).



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