Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

first quarter 2009

Highlights for the first quarter of 2009

	1Q-09	From 4Q-08	From 1Q-08
Unemployment rate	7.1%	▲	▲
Labor force	210,460 residents	▼	▼
People employed	195,430	▼	▼
New residential permitted units	5 units	▼	▼
Permitted residential conversions, remodels and additions	97 buildings	▼	▼
Permitted non-residential conversions, remodels and additions	60 buildings	▼	▼
Residential units demolished	42 units	▼	▲
Rental vacancy rate	4.6%	▲	▲
Average rent in inflation-adjusted dollars	$ 916	▼	▲
Residential units sold			
Traditional	403 units	▼	▼
Lender-mediated	649 units	▲	▲
Median sale price of residential units			
Traditional	$ 216,700	▼	▼
Lender-mediated	$ 57,900	▲	▼
Foreclosed properties	554	▼	▼
Condemned and vacant buildings	835	▼	▼
Minneapolis CBD office vacancy rate	13.6%	▲	▼
Minneapolis CBD retail vacancy rate	9.4%	▲	▲

Highlights for the fourth quarter of 2008 – Jobs and Wages

	4Q-08	From 3Q-08	From 4Q-07
Number of jobs	291,046 employees	▼	▼
Wages in inflation-adjusted dollars	$ 1,152	▲	▼

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

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Minneapolis Trends

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Contents

Economic indicators

- The unemployment rate increased to 7.1 percent from 5.7 percent in the last quarter, and from 4.2 percent in the first quarter last year. The unemployment rate in Minneapolis was 0.6 percent lower than in the metro area. The labor force and the number of people working declined both in the city and across the metro area.
- In the fourth quarter of 2008 there were a little over 291,000 jobs in Minneapolis, about 390 fewer than in the previous quarter and nearly 4,360 fewer (-1.5 percent) than in the fourth quarter the previous year. During this same 12-month period, the metro and state also lost jobs, by -1.6 percent and -1.2 percent respectively.
- Fourth quarter weekly wages were -2.3 percent lower in inflation-adjusted dollars than a year before. Wages in the metro area decreased by -1.4 percent and by -0.6 percent in the state in inflation-adjusted dollars.

Labor force

In the first quarter of 2009 the labor force in Minneapolis decreased as many people left the labor market. Approximately 195,400 had jobs, a decrease of 3.6 percent from the previous quarter and 4.6 percent from the previous year. The unemployment rate was 1.4 percent higher than last quarter, and almost 3 percent higher than the first quarter of 2008. In the metro area the unemployment rate increased 2 percent from the fourth quarter, and was 3.3 percent higher than last year.

The local and regional increases in unemployment were consistent with national trends, with U.S. unemployment at 9 percent in March, according to DEED.

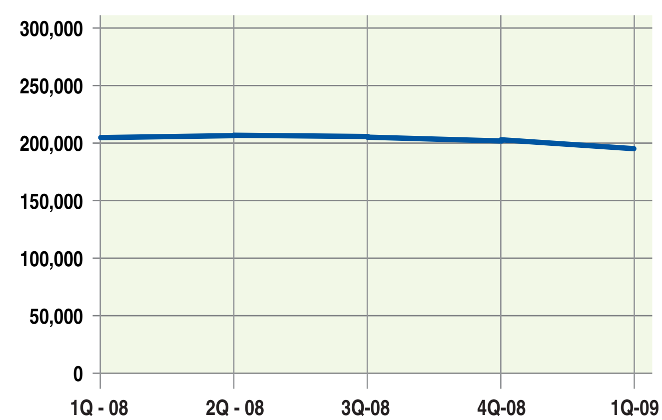
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis					
Labor Force	213,838	216,756	218,131	215,088	210,460
Employment	204,900	206,554	205,143	202,785	195,430
Unemployment rate	4.2%	4.7%	6.0%	5.7%	7.1%
Metro*					
Labor Force	1,603,370	1,620,252	1,625,254	1,608,438	1,580,148
Employment	1,532,220	1,544,590	1,534,035	1,516,402	1,458,303
Unemployment rate	4.4%	4.7%	5.6%	5.7%	7.7%

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

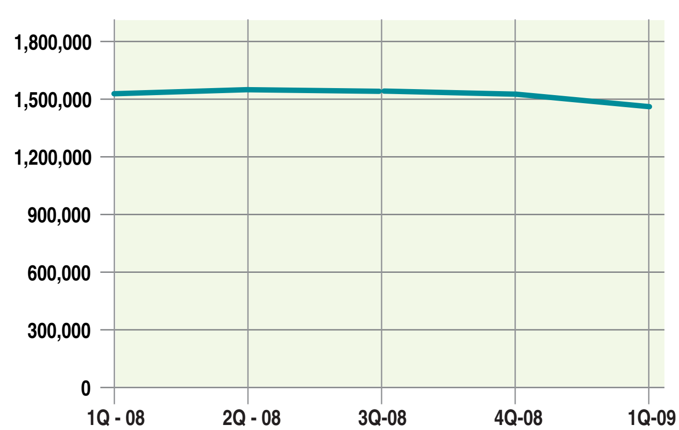
* For metro area definition, see page 13.

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

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

	4Q-07	1Q-08	2Q-08	3Q-08	4Q-08**
Total, All Industries	**295,404**	**288,832**	**291,657**	**291,438**	**291,046**
Manufacturing	16,411	16,699	16,745	16,625	16,209
Utilities*	2,690	2,657	2,705	2,736	2,754
Wholesale Trade	9,674	9,414	9,520	9,385	9,104
Retail Trade	15,357	15,028	15,342	14,799	14,463
Transportation and Warehousing*	4,261	3,725	3,790	3,786	3,991
Information	10,642	10,328	10,514	10,618	10,462
Finance and Insurance*	27,518	27,158	27,230	27,413	27,365
Real Estate and Rental and Leasing	6,329	6,105	6,105	6,177	6,069
Professional and Technical Services*	31,045	30,642	30,453	30,867	30,448
Management of Companies and Enterprises	16,527	17,043	17,254	17,486	17,418
Administrative and Waste Services*	15,550	14,762	15,138	15,281	14,801
Educational Services	29,137	29,031	28,065	26,107	29,534
Health Care and Social Assistance	46,541	44,973	45,738	46,079	46,238
Arts, Entertainment, and Recreation*	4,623	5,022	5,327	5,300	5,033
Accommodation and Food Services	23,875	22,667	23,701	24,016	23,375
Other Services, Ex. Public Admin*	10,475	10,115	10,293	10,266	10,113
Public Administration	12,775	12,459	12,302	12,777	12,411

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.

1 Natural resource-based industries and agriculture, fishing, and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up. Table reflects latest revision by Minnesota Department of Employment and Economic Development.

Jobs

The number of jobs located in Minneapolis decreased -0.1 percent in fourth quarter 2008. In comparison with the same quarter the previous year the number of jobs decreased by -1.5 percent (4,358 jobs).

Quarter to quarter change- 3rd to 4th quarter 2008

Most sectors decreased jobs, but the largest job decreases from third to fourth quarter took place in:

- **Accommodation and food services**, including restaurants, other food places and drinking establishments.
- **Administrative and waste services** (employment business support services, travel arrangements, security services).
- **Professional and technical services** (mostly legal and architectural and engineering services).
- **Manufacturing** (printing, primary metal, computers, machinery).

Some sectors that increased jobs in this period included:

- **Educational services** (mostly elementary and secondary schools, colleges and universities).
- **Transportation and warehousing** (transit and ground passenger transportation).
- **Health care** (ambulatory health care such as doctor's offices, and nursing and residential care).
- **Utilities** (power generation and supply).

12 month change – 4th quarter 2007 to 4th quarter 2008

Sectors which gained jobs:

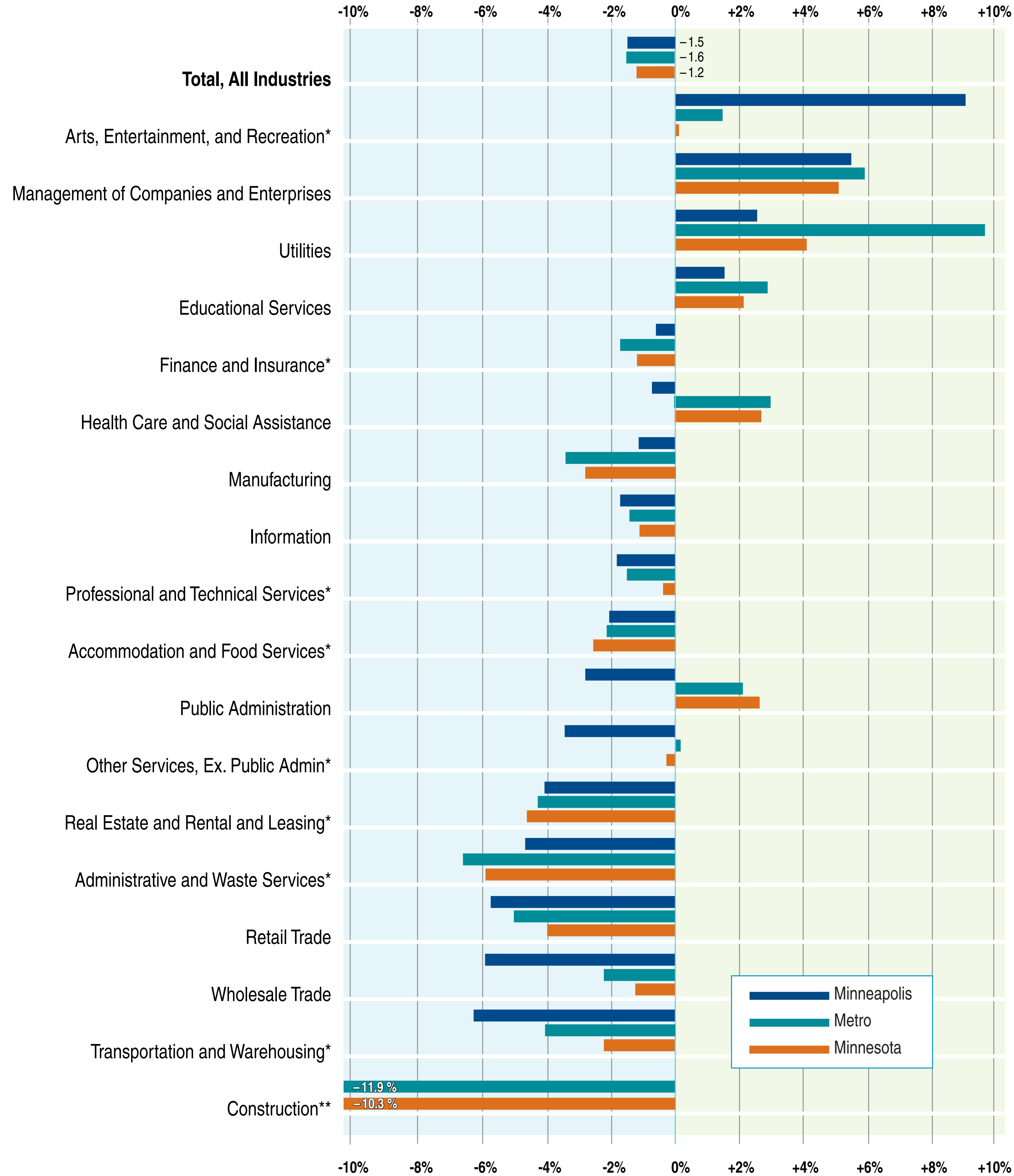
- **Management of companies** continued its steady growth, adding about 890 net jobs in the fourth quarter (5.4 percent growth). Most of the job growth was in managing offices, with some growth in offices of bank holding companies.
- **Arts, entertainment and recreation** added about 400 net jobs (9 percent growth). Fitness and recreational sport centers were responsible for most of the job growth.
- **Educational services** added almost 400 net jobs (1.4 percent growth). Elementary and secondary schools added over 390 jobs.
- **Utilities** added a net of nearly 60 jobs (2.4 percent), mostly in power generation and supply.

Sectors which lost jobs:

- **Retail trade** lost almost 900 net jobs over the twelve-month period due mostly to losses in furniture stores, motor vehicles, building materials and food and beverage stores.
- The **administrative and waste service** sector lost almost 750 net jobs (5 percent). Losses were felt mainly in employment services (a loss of 450 jobs), business support services and services to buildings and residential dwellings.
- **Professional and technical services** lost about 600 net jobs (2 percent) mainly because of losses in scientific research and development services, such as bio-medical research, followed by architectural and engineering services and management and technical consulting.
- **Wholesale trade** lost almost 570 net jobs (6 percent), mainly because of job losses in wholesale of durable goods such as electric goods (261 jobs) and machinery suppliers (90 jobs).

The twelve-month change in jobs underscores the impact of the current recession in Minneapolis, which started nationwide in December 2007. In the fourth quarter many employers were not hiring. Consumer confidence was low and people were cutting spending. Lack of demand and credit prompted firms to cut factory orders.

Figure 3: **JOBS –4Q-07 TO 4Q-08**
percent change



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

* Private sector jobs only

** Minneapolis construction figures are not disclosed because of privacy of information

Jobs

As shown in Figure 3, the city, metro area, and state all lost jobs over the twelve-month period. The city's job base decreased by -1.5 percent, less than the -1.6 percent losses in the metro area, but more than the -1.2 percent posted statewide. The metro area suffered more than the city because jobs in construction, manufacturing and retail, which also decreased in the metro area and the state, are mostly concentrated in the Twin Cities metro area.

There was strong growth in the city in sectors such as arts, entertainment and recreation, and management of companies, and to a lesser degree, in educational services.

In 4Q-08 the city was hit harder than the metro or state in the transportation and warehousing and wholesale trade sectors. In proportion it lost more jobs than the state or metro in retail, public administration, professional and technical services, information and health care.

Wages

The average weekly wage in Minneapolis in the fourth quarter of 2008 was $1,152, which was slightly higher in nominal dollars than the previous year but 2.3 percent lower in inflation-adjusted dollars*. Falling wages were mostly the result of sectors such as finance and insurance and management of companies which cut wages significantly. In inflation-adjusted dollars some sectors had higher wages than a year earlier:

- **Real estate and rental and leasing** (+6 percent)
- **Arts, entertainment and recreation** (+4 percent)
- **Manufacturing** (+2 percent)

Real estate wages increased the most because of leasing of real estate operations. Within professional and technical services, architectural and engineering services, and physical, engineering and biological research wages grew much more than the average for the sector.

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

- **Finance and insurance** (-8 percent)
- **Management of companies** (-8 percent)
- **Transportation and warehousing** (-9 percent)

Loss in weekly wages for the management of companies sector was the result of decreasing wages in the office management subsector. Most of the losses in financial services wages were sustained by financial investment firms. Most activities in transportation such as truck transportation, transit and ground passenger transportation, and postal services reduced their worker's wages in real dollars.

* For conversion factors, see page 13.

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

	4Q-07	1Q-08	2Q-08	3Q-08	4Q-08**
Total, All Industries	**$ 1,136**	**$ 1,202**	**$ 1,073**	**$ 1,087**	**$ 1,152**
Manufacturing	1,120	1,126	1,037	1,042	1,184
Utilities	1,590	2,219	1,549	1,556	1,620
Wholesale Trade	1,274	1,198	1,164	1,162	1,309
Retail Trade	557	587	659	569	583
Transportation and Warehousing*	802	727	717	702	755
Information	1,212	1,325	1,167	1,168	1,217
Finance and Insurance*	1,805	2,630	1,600	1,660	1,717
Real Estate and Rental and Leasing	1,244	1,516	1,357	1,264	1,370
Professional and Technical Services*	1,927	1,527	1,527	1,603	2,000
Management of Companies and Enterprises	1,697	1,898	1,752	1,554	1,628
Administrative and Waste Services*	686	676	674	668	677
Educational Services	976	1,060	987	1,111	1,028
Health Care and Social Assistance	970	925	896	939	959
Arts, Entertainment, and Recreation*	968	905	1,146	1,273	1,043
Accommodation and Food Services	370	357	349	366	370
Other Services, Ex. Public Admin*	575	566	553	584	584
Public Administration	1,043	1,101	1,150	1,125	1,067

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

* Private jobs only

** Table reflects the most current information available.

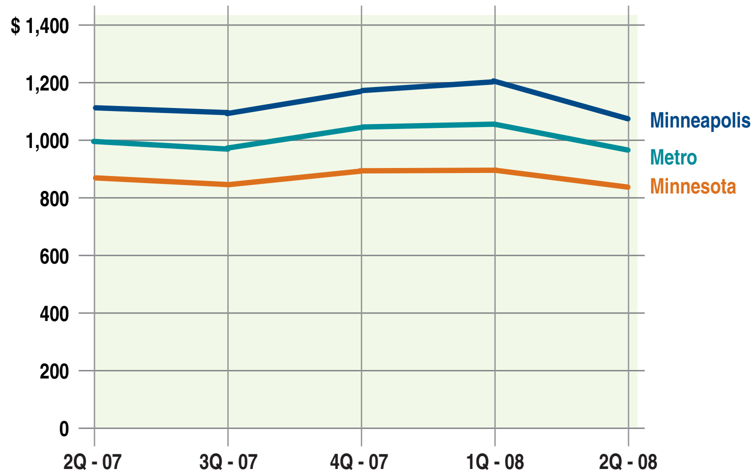
1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

In general, jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state. However, fourth-quarter wages in Minneapolis decreased by -2.3 percent in inflation-adjusted dollars* from a year earlier. Average wages decreased in the metro area by -1.4 percent, and by -0.6 percent in the state in inflation-adjusted dollars*.

* For conversion factors, see *page 13.*

Figure 4: **AVERAGE WEEKLY WAGES – 4Q-07 TO 4Q-08**
in inflation-adjusted dollars, t*he broken lines represent nominal dollars*

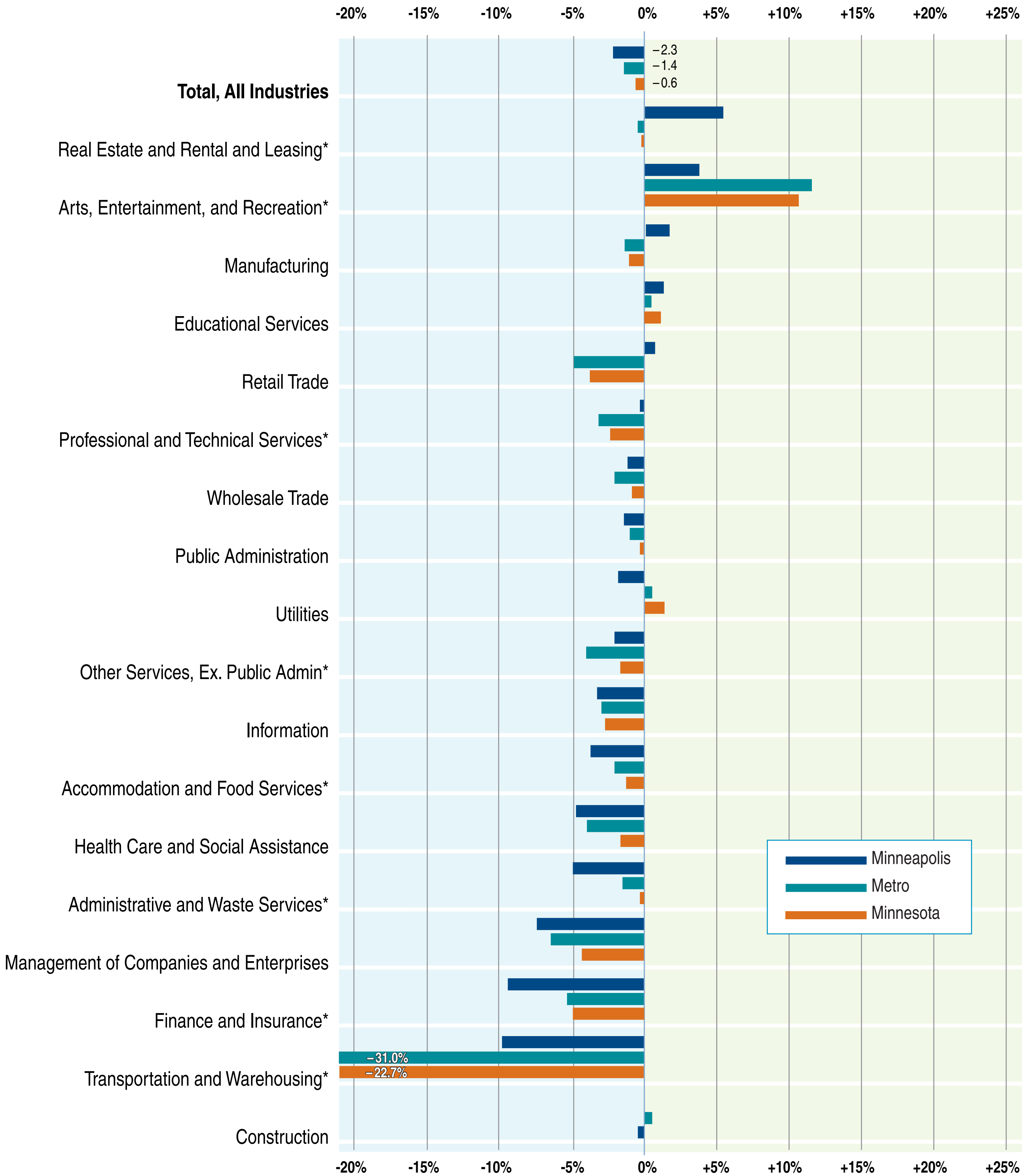


	4Q-07	1Q-08	2Q-08	3Q-08	4Q-08	$ change 4Q-07 to 4Q-08	% change 4Q-07 to 4Q-08
Minneapolis	$ 1,180	$ 1,210	$ 1,080	$ 1,086	$ 1,152	$ (28)	-2.3%
Metro	1,047	1,059	975	978	1,032	(15)	-1.4%
Minnesota	912	913	854	862	907	(5)	-0.6%

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

Wages

Figure 5: **AVERAGE WEEKLY WAGES –** 4Q-07 to 4Q-08
percent change in inflation-adjusted dollars



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

* Only private sector wages

** Minneapolis construction figures are not disclosed because of privacy of information

* For conversion factors, see page 13.

Wages

Wages decreased in most industries in inflation-adjusted dollars from fourth quarter 2007 to fourth quarter 2008. However, some sectors actually grew. The following sectors exhibited the highest percentage increase in average wages within the city, and in comparison with the metro and the state:

- **Real estate and rental and leasing** average weekly wages increased in Minneapolis but, as shown in Figure 5, wages decreased in the metro and the state.
- **Arts, entertainment and recreation** wages increased by almost 4 percent in Minneapolis, but by more than 10 percent in the metro and the state.
- **Manufacturing** posted increased wages in the city, but wages in the sector decreased in the metro and the state.
- **Educational services** had higher wage increases in the city than in the estate or the metro.
- **Retail**, a sector that cut jobs, had small average weekly wage increase in the city, while decreasing in the state and metro.

Industries which experienced the steepest decline in real wages included:

- **Transportation and warehousing:** average wages decreased in the city by more than 9 percent, while increasing by more than 20 percent in the state and by more than 30 percent in the metro.
- **Finances and insurance** decreased in all geographic areas, but more in Minneapolis than in the metro or state.
- **Management of companies**, like financial services, also had a wage decrease in Minneapolis that was larger than in the metro or the state.

* For conversion factors, see *page 13*.

Definitions & sources

- **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.**

- **Inflation-adjusted figures:** Values reported in table 3 are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the fourth quarter of 2008, dollars have been converted with an index reflecting the CPI for the second half of 2007 and second half of 2008, with 2008 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

- Only five new residential units were permitted this quarter in Minneapolis, all single-family. This was the lowest quarterly number of units permitted since fourth quarter 1996. Metro-wide permitted units also decreased sharply.
- The number residential projects costing $50,000 or more permitted for remodeling and improvements in the city was about 27 percent lower than last year. The number of non-residential buildings permitted for remodeling and improvements decreased by 43 percent in comparison with last year.
- 11 commercial and residential projects costing at least $1 million were permitted this quarter, totaling $306.4 million. This list includes finishing of the North Loop ballpark totaling more than $257 million.

New construction

Only five residential units were permitted this quarter, less than half the number permitted in fourth quarter, and approximately five percent of the number permitted in first quarter 2008. New residential construction in the city was at its lowest level since fourth quarter 1996, when there were 18 permitted units. In the metro area, the volume of units permitted declined since last quarter by 34 percent, and was 33 percent lower than the same quarter 2008. Large inventories of unsold new houses and lack of credit have prompted developers to cut back production of new housing.

This quarter, only five single-family units and no new multifamily units were permitted. Minneapolis permits for new multifamily units — usually the main component of new residential construction in the city— fell to zero in comparison with 80 units permitted the same quarter in 2008.

Table 4: **NEW RESIDENTIAL UNITS**

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Single-family					
Minneapolis	14	24	8	7	5
Metro	624	1,089	1006	703	381
Multifamily					
Minneapolis	80*	139**	84	5	0
Metro	280	271	702	218	225
Total Units					
Minneapolis	94	163	92	12	5
Metro***	904	1,360	1,708	921	606

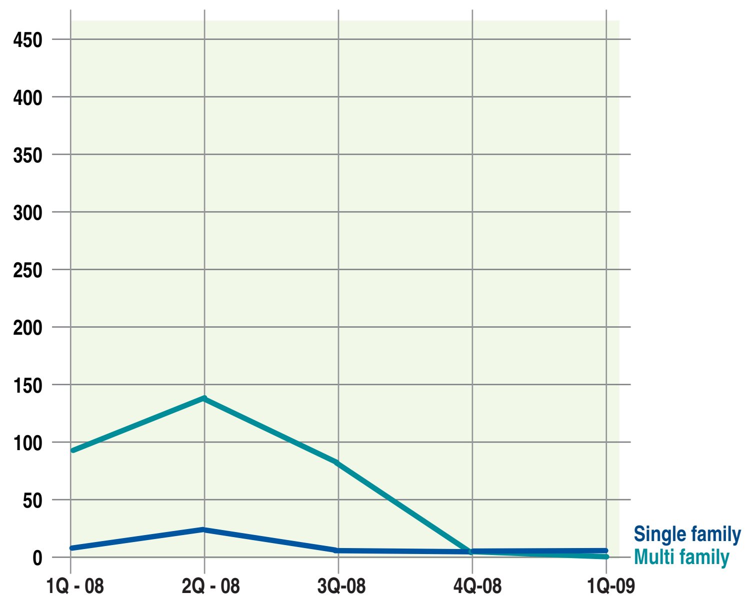
Source: U.S. Census Bureau, based on estimated number of permits with imputation

* 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, the final construction permit was issued in April 2008 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 under reported 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 2008 includes 80 units of Phoenix on the River Condos

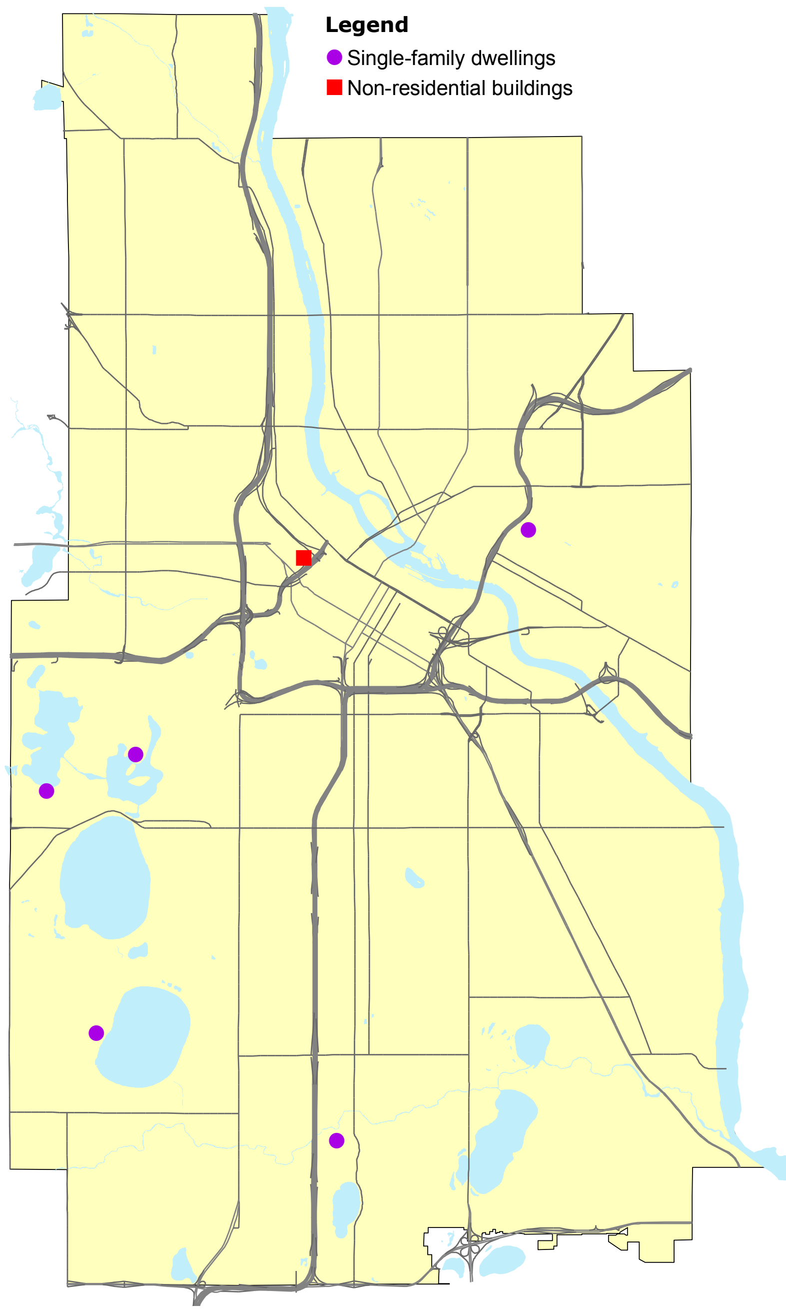
New construction

Three of the five single-family houses permitted in the city were planned in the Lakes area. No large residential buildings were permitted this quarter.

Permits were issued for one commercial building: the ballpark in the North Loop.

Map 1: **NEW CONSTRUCTION** – 1Q-09

Source: City of Minneapolis Regulatory Services



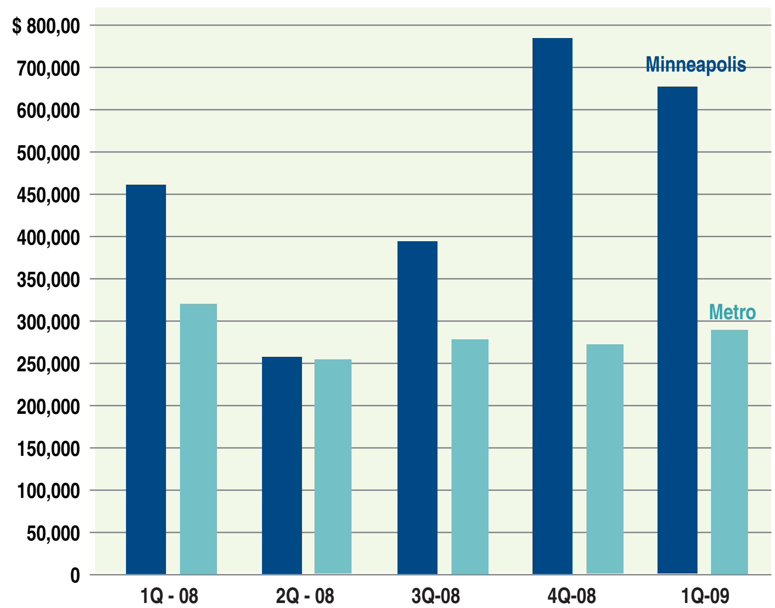
Cost of residential construction

In Minneapolis the average construction cost for single-family homes increased by 45 percent from a year ago, from $460,708 to $658,973, reflecting the relative high cost of the few homes permitted this quarter.

The average construction cost for single-family homes in the metropolitan area decreased from a year ago by about 10 percent, from $311,009 to $281,418.

No multifamily units were permitted in the city this quarter. In the metropolitan area the average cost increased. The graph reflects one $24 million building with 171 units in St. Paul and almost no activity anywhere else.

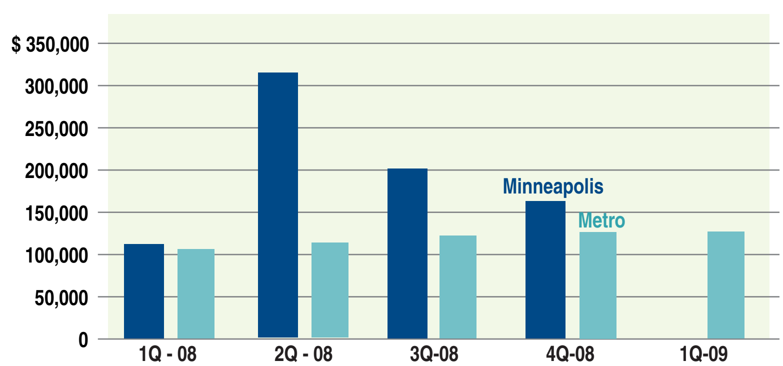
Figure 7: **SINGLE-FAMILY CONSTRUCTION COST**
per unit



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis	$ 460,708	$ 252,117	$ 392,770	$ 770,702	$ 658,973
Metro	311,009	251,914	261,322	268,324	281,418

Table values are not adjusted for inflation

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis	$ 111,476	$ 339,104	$ 151,526	$ 159,890	$ 0
Metro	107,353	106,873	126,027	135,841	138,808

Values in table are not adjusted for inflation

Conversions, remodels & additions

In the first quarter of 2009, the City issued permits for remodeling and renovations for 97 residential buildings, 35 fewer buildings (-27 percent) than the same quarter the previous year. It also issued permits for remodels and/or renovations in 60 non-residential buildings, 46 fewer buildings (-43 percent) than in first quarter 2008.

The total amount spent this quarter on **residential** remodeling and conversion projects costing more than $50,000 is estimated at about $14 million, which was 34 percent lower than a year ago. The projected cost of **non-residential** remodeling and addition permit work was $56.4 million, 21 percent lower than in the first quarter the previous year.

The drop in permitting for remodeling and renovation projects is a consequence of market weakness: investors and property owners were waiting for the market to start moving again.

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

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Total Residential[1]					
Number of buildings	132	180	195	121	97
Total value	$ 21,297,000	$ 22,686,000	$ 32,643,817	$ 18,712,614	$ 14,044,631
Remodels					
Number of buildings	127	177	192	119	94
Value	$ 17,843,000	$ 22,407,000	$ 27,049,001	$ 18,597,494	$ 13,686,881
Conversions and additions[2]					
Number of buildings	5	3	3	2	3
Net number of units	30	2	30	0	-1
Value	$ 3,454,000	$ 279,000	$ 5,594,816	$ 115,120	$ 357,750
Total non-residential[1]					
Number of buildings[3]	106	141	137	107	60
Value	$ 71,660,000	$ 73,263,000	$ 104,757,942	$ 156,548,055	$ 56,399,582

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.

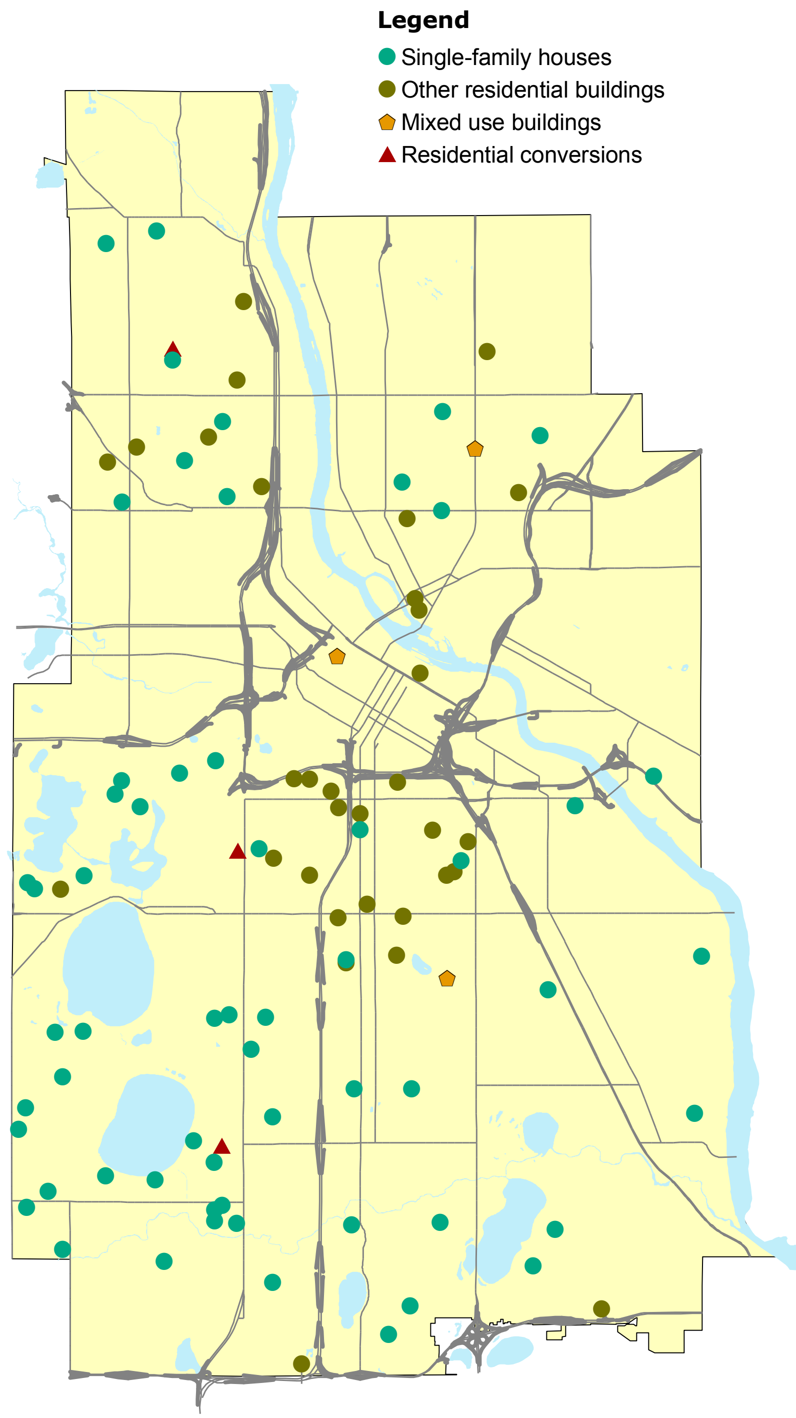
3 Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings.

Conversions, remodels & additions

Most permits were issued for remodel and improvement of single-family dwellings, duplexes and units in condominiums. Repair, remodeling and renovation work was being done in four multifamily buildings totaling approximately 46 units.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 1Q-09
projects $50,000 +

Source: City of Minneapolis Regulatory Services

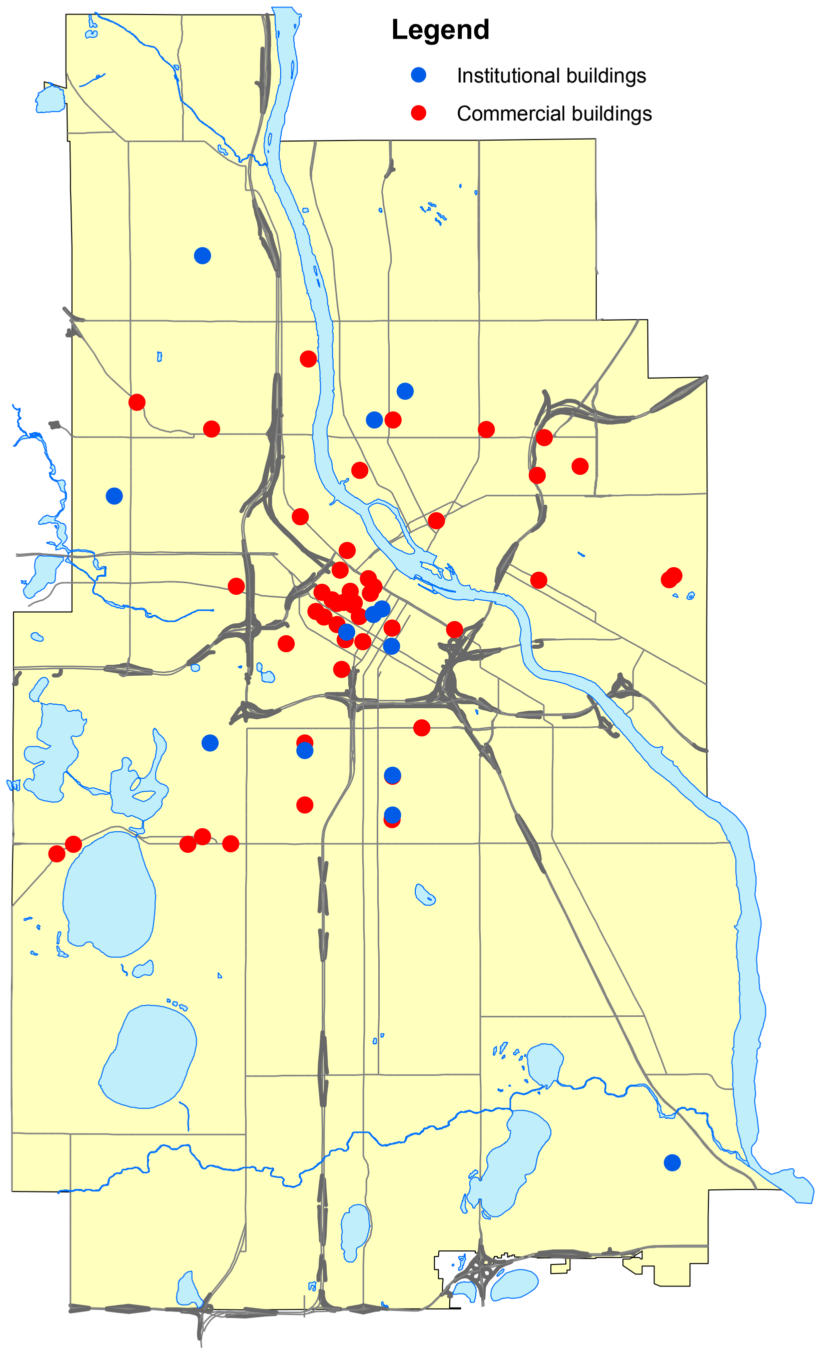


Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations in the third quarter occurred primarily in downtown, followed by northeast Minneapolis, and the area between Franklin Avenue and Lake Street. Permits for renovation of non-residential buildings included mainly office, industrial, commercial and retail space improvements and build-outs. Institutional remodel and improvement permits were mainly hospital, church and school work. Institutional improvements included the Hennepin County Juvenile Court remodel and the Fairview Hospital addition among others. Fairview was the largest renovation permitted this quarter at an estimated cost of more than $107 million.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 1Q-09 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 first quarter of 2008. The listed amount only reflects projected construction cost for that quarter. The highest cost project is the Ballpark build-out and finishing, in the North Loop. The second largest project is the seven-story addition to Children's hospital, and the build-out of one of its clinics/office, both on Chicago Ave in Phillips. The third largest project is the Target Center arena green roof in downtown.

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

Description	Address	Neighborhood	Ward	Projected cost
Ballpark build-out	353) 5th St N	North Loop	7	$ 257,257,085
Children's Hospital 7 story addition	2525 Chicago Ave	Midtown Phillips	9	25,000,000
Children's Hospital Clinic/office building build-out	2530 Chicago Ave	Phillips West	6	7,891,000
Target Center Arena green roof	600 1st Ave N	Downtown West	7	5,322,922
Calhoun Square shopping mall addition	3001 Hennepin Ave	CARAG	10	3,053,240
Midtown Medical Building- Reproductive Medicine: building finishing	2828 Chicago Ave	Phillips West	6	1,769,218
Learning in Style: Conversion of existing funeral parlor to adult learning center	2200 Nicollet Ave	Whittier	9	1,344,145
5th St Towers: Office remodel	100 5th St S*	Downtown West	7	1,291,683
MPHA: Building units remodel	1815 Central Ave NE	Logan Park	1	1,236,413
New home	2615 Newton Ave S	Kenwood	7	1,220,000
Hennepin County Health Service: Office remodel	525 Portland Ave	Elliot Park	7	1,028,750

* Includes more than one permit at one address

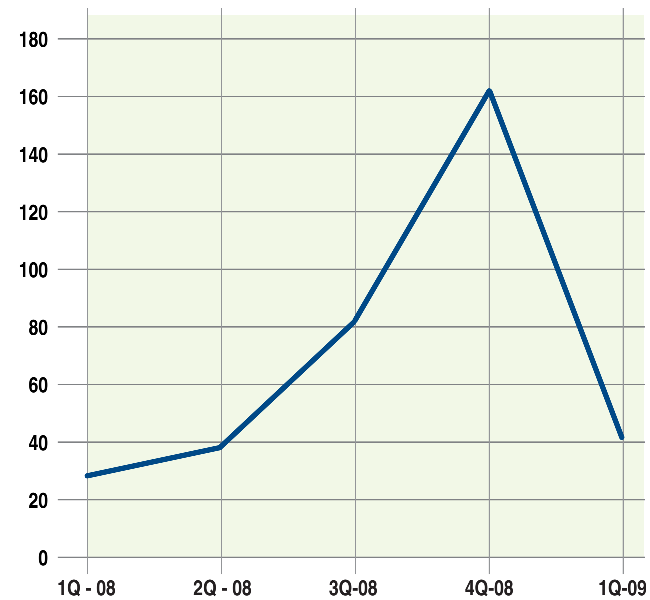
Demolitions

Permits for residential demolitions decreased sharply this quarter from the 4th quarter and included: two multifamily buildings with 14 units in total, four duplexes, three triplexes, one four-plex, and 10 single-family dwellings.

A large number of this quarter's residential demolitions were in North Minneapolis, mainly along West Broadway and Lowry Avenues, both areas undergoing redevelopment. Part of the reason that demolitions decreased was because of the decrease in the number of buildings condemned by the City in the North Side since third quarter last year.

Non-residential demolition permits included four commercial structures in the 1500 block of 5th St S, which will be replaced with new residential development.

Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis in demolition permits

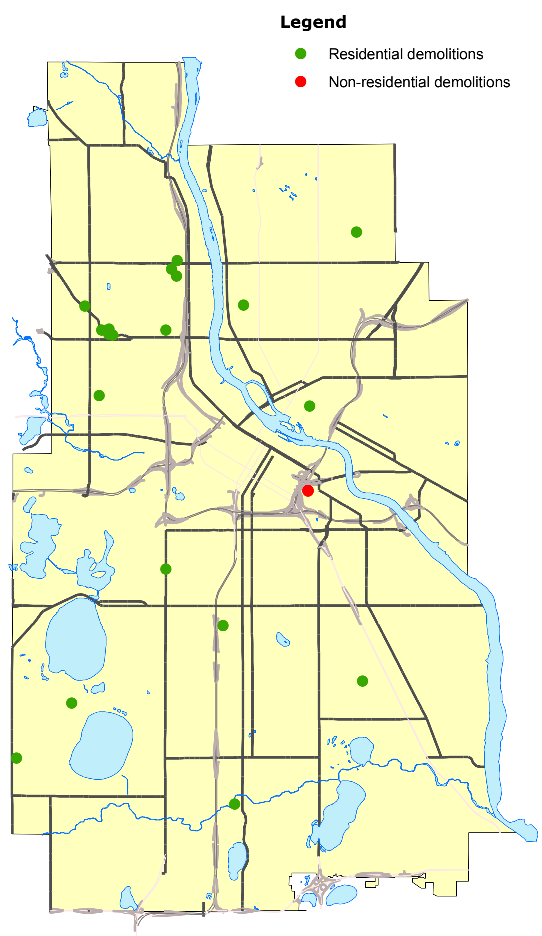


Quarter	Units
1Q-08	28
2Q-08	38
3Q-08	82
4Q-08	161
1Q-09	42

Source: City of Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** – 1Q-09

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

- **Single-family buildings** have only one unit in the building. **Multifamily buildings** have two or more units in the building, except when noted that triplexes and duplexes are counted separately (in that case, multifamily buildings have four or more units).

- **Cost of residential construction** is based on the cost developers report on permit requests for their projects.

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

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

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

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

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

- **Map 1** – New buildings

  Single-family: means detached dwellings.

  Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including townhouses. It also includes temporary housing for health-care purposes.

  Non-residential use: means all buildings that do not have a residential component. Also includes structures such as communications towers and skyways.

- **Map 2** – Residential remodels 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

- The average apartment vacancy rate in Minneapolis increased from 4.2 to 4.6 percent. Average rents decreased slightly in *inflation-adjusted* dollars.
- In Minneapolis and the metro area the number of housing units sold decreased from last quarter but were higher than a year ago. Median sale prices in Minneapolis were just over half the price of first quarter 2008 with 62 percent of all sales being lender-mediated. In the metro area median sales prices were 31 percent lower than the previous year, as lender-mediated sales depressed values and inventories remained at high levels.
- There were 554 foreclosures in Minneapolis this quarter, a 10 percent decline from the previous quarter and a 31 percent decline from a year ago.
- The number of condemned, boarded, and vacant buildings in the city was 835, a decrease of 4 percent from last quarter and 8 percent from a year ago.
- The office vacancy rate in the Minneapolis central business district (CBD) increased from 12.5 to 13.5 percent, but was lower than the first quarter last year. The CBD vacancy rate continued to be lower than the metro rate for the fourth consecutive quarter.

Residential vacancy rates & average apartment rents

The Minneapolis vacancy rate for multifamily rental housing was 4.6 percent, an increase from 4.2 percent last quarter. Although increasing, the vacancy rate was still below 5 percent, at which the market is considered to be balanced.

The vacancy rate was 1 percent higher than the previous year. The tight economic conditions had a negative effect on the market: with high unemployment and a scarcity of jobs, people were not moving as frequently and some were sharing the cost of renting with roommates. On the supply side, projects were on hold and new units were not flowing into the market.

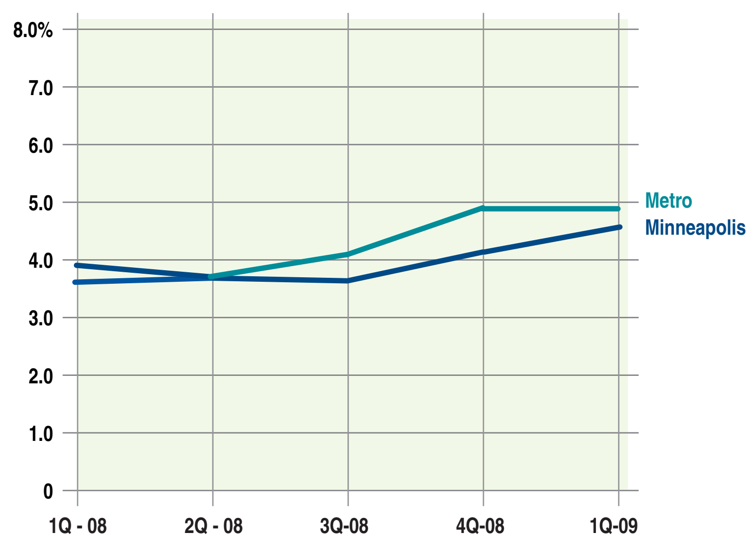
In the metro area, the vacancy rate, at 4.9 percent, was stable from last quarter, but 1 percent higher than a year ago.

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

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis					
Units surveyed	14,989	15,606	15,536	15,621	15,874
Vacant units	541	581	553	661	738
Average rent	$ 892	$ 905	$ 929	$ 914	$ 916
Vacancy rate	3.6%	3.7%	3.6%	4.2%	4.6%
Metro					
Units surveyed	111,233	115,046	113,212	119,435	116,939
Vacant units	4,284	4,217	4,673	5,805	5,714
Average rent	$ 908	$ 910	$ 922	$906	$ 908
Vacancy rate	3.9%	3.7%	4.1%	4.9%	4.9%

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

In Minneapolis the average rent was $916, $1 lower in *inflation-adjusted dollars** than last quarter, and $28* more than a year ago. In the metro area average rent was $908, a decrease of $1 in *inflation-adjusted dollars** from last quarter. Rents decreased slightly in real dollars from last quarter because inflation was somewhat higher. Rents in the metro area decreased $4* from a year ago.

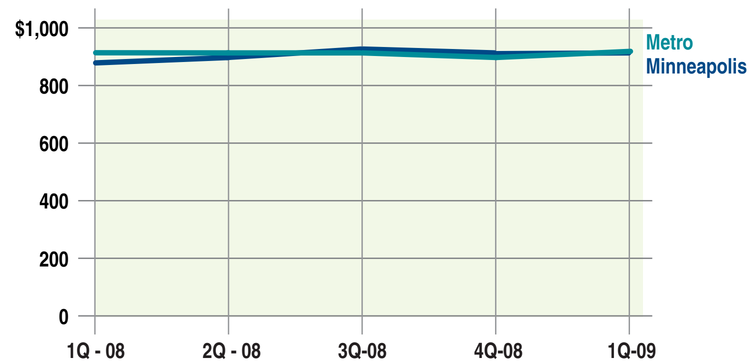
As of March, two areas in Minneapolis had below-average vacancy rates (4.6 percent): the Southeast/University of Minnesota area and South Minneapolis.

Three areas had above-average vacancy rates: North Minneapolis, Downtown and East Minneapolis.

Average vacancy rates increased in all city areas except in East Minneapolis from the previous quarter. In comparison with first quarter 2008, vacancy rates increased in Downtown, South Minneapolis and the University area, but decreased in North and East Minneapolis. In North Minneapolis, an area with a relatively small number of market rental units, vacancies were 3 percentage points lower than last year, but increased this quarter from the fourth quarter rates. In South Minneapolis, an area that has the largest number of affordable rental units in Minneapolis, the vacancy rate was still below city average, but had been increasing since third quarter last year. In Downtown, apartment demand was affected by general economic conditions, and even when landlords gave incentives to entice renters, the vacancy rate increased. According to GVA Marquette Advisors, vacancy rates increased in Downtown because of "the introduction of new upscale communities in Loring Park and Uptown." In East Minneapolis, the vacancy rate was lower this quarter than in first quarter 2008. The high vacancy rate is the result of new apartments filling up slowly.

*For conversion factors, see page 43.

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

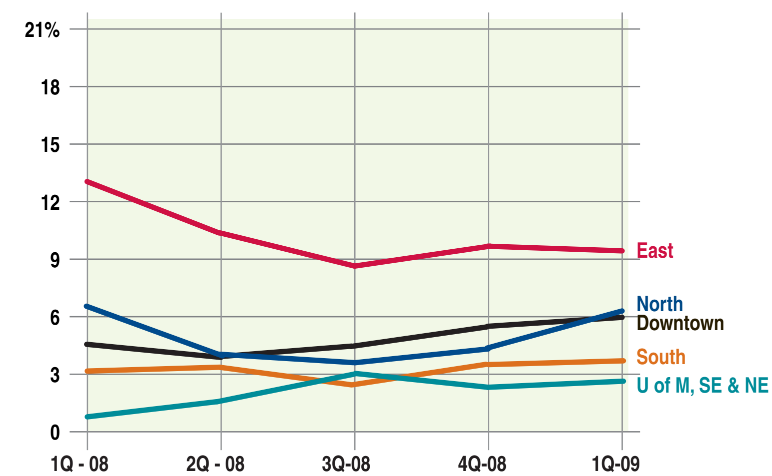


	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis	$ 892 (888)	$ 905 (885)	$ 929 (914)	$ 914 (917)	$ 916 (916)
Metro area	908 (904)	910 (890)	922 (908)	906 (909)	908 (908)

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter
Rents in inflation-adjusted dollars are in parenthesis

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Downtown	4.5%	4.1%	4.5%	5.6%	6.0%
South	3.1%	3.2%	2.4%	3.5%	3.8%
North	6.7%	4.2%	3.7%	4.4%	6.4%
East	13.1%	9.6%	8.6%	10.0%	9.4%
U of M, SE & NE	1.0%	2.6%	3.0%	2.5%	2.7%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter
* For sector definitions, see page 41.

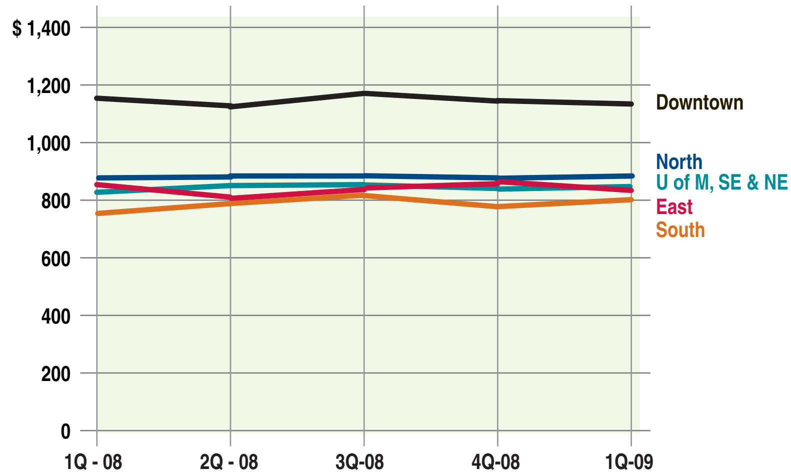
Residential vacancy rates & average apartment rent

Downtown continues to command the highest average rent in Minneapolis. This quarter average rents increased $5 (0.5 percent) from first quarter last year in *inflation-adjusted dollars**. But in comparison with fourth quarter, it decreased $17 on average (-1.5 percent)*. Rents dropped in East Minneapolis by 1.8 percent in a year-to-year basis, and almost 4 percent from the previous month.

In the other three sectors of the city, average rent increased in *inflation-adjusted dollars** from last year and also increased from last quarter, except in the University area. They increased the most in South Minneapolis: 5.4 percent in real dollars ($41) from the previous year and 2.7 percent ($21) from the previous month.

* For conversion factors, see page 43.

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Downtown	$ 1,144 (1,139)	$ 1,135 (1,110)	$ 1,173 (1,155)	$1,157 (1,161)	$ 1,144
South	769 (766)	793 (776)	816 (803)	783 (786)	807
North	864 (860)	872 (853)	879 (865)	877 (880)	891
East	856 (852)	811 (793)	826 (813)	866 (869)	837
U of M, SE & NE	825 (821)	862 (843)	870 (856)	857 (860)	850

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter.

Rents in inflation-adjusted dollars are in parenthesis.

* For sector definition, see page 41.

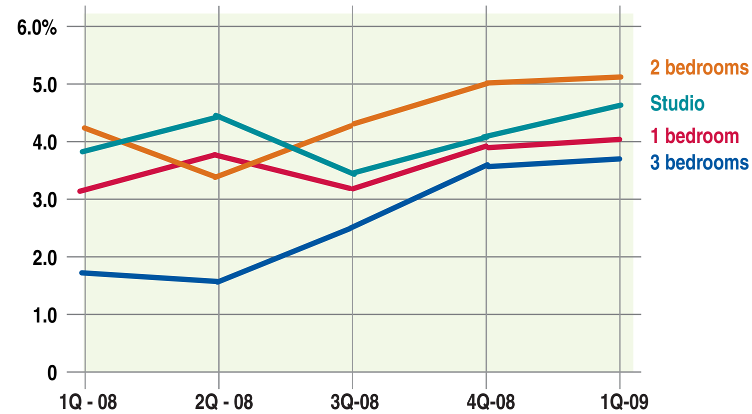
Residential vacancy rates & average apartment rent

All apartment types increased their vacancy rates in comparison with first quarter, and with the last quarter of 2008. The lowest rate was for three-bedroom units at 3.7 percent. The largest vacancy rate was for two-bedroom units at 5.2 percent. More than 50 percent of the apartments surveyed in the city have only one bedroom and therefore they have great impact on the overall city average vacancy rate. Two-bedroom apartments comprise 24 percent of the apartment stock and had the highest vacancy rate.

Average rent for all apartment types increased since last year in *inflation-adjusted dollars*. Rents for studios increased the most, by 5 percent. However, the largest types increased near 5 percent, which in real dollars is $67 for three-bedrooms and $54 for two-bedrooms. One-bedroom units increased moderately, $21 from last year. Three-bedroom units were $81 more expensive in first quarter than in the previous quarter.

* For conversion factors, see *page 43.*

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

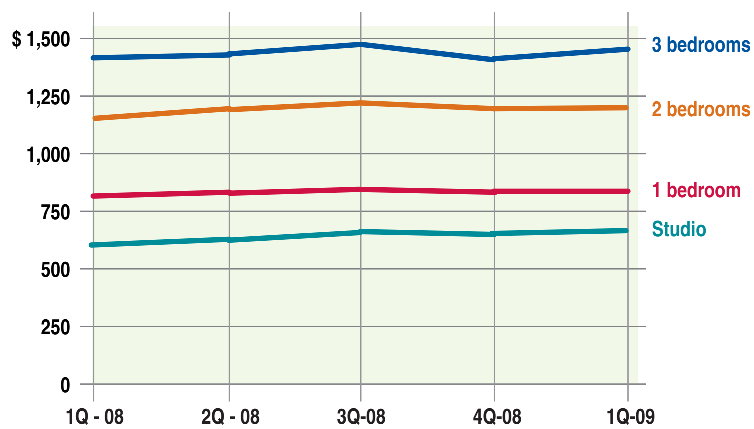


	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Studio	3.8%	4.4%	3.4%	4.1%	4.5%
One bedroom	3.2%	3.7%	3.2%	3.9%	4.0%
Two bedrooms	4.2%	3.3%	4.3%	5.0%	5.2%
Three bedrooms	1.7%	1.6%	2.5%	3.6%	3.7%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Studio	$ 617 (614)	$ 627 (613)	$ 643 (633)	$ 640 (630)	$ 645
One bedroom	823 (819)	834 (821)	848 (835)	841 (844)	840
Two bedrooms	1,158 (1,153)	1,199 (1,173)	1,223 (1,204)	1,193 (1,197)	1,207
Three bedrooms	1,407 (1,401)	1,413 (1,382)	1,484 (1,461)	1,382 (1,387)	1,468

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter
Rents in inflation-adjusted dollars are in parenthesis.

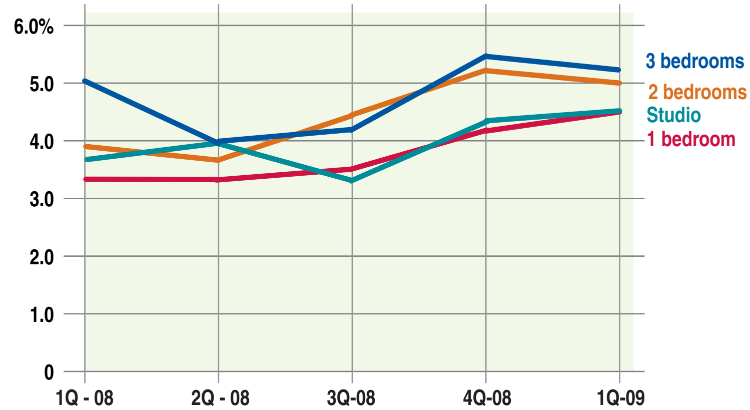
Residential vacancy rates & average apartment rent

In the metro area the largest units (two and three bedrooms) had higher vacancy rates than the metro average of 4.9 percent. On the other hand, studios and one-bedroom apartment vacancy rates were lower than the metro average. All apartment types had higher vacancy rates in first quarter than in the same period the previous year. Vacancy rates were also higher than in fourth quarter for studios and one-bedroom units.

Average rent in the metro area in *inflation-adjusted dollars** increased the most for studio units ($24) from a year ago, but it decreased $9 for three-bedrooms in comparison with a year earlier. Rents in real dollars for one bedrooms and two-bedrooms increased moderately in the same period ($9 and $5 respectively.) In comparison with fourth quarter, rents for three bedrooms decreased the most in inflation-adjusted dollars ($25), and were stable for one-bedrooms. On the other hand, average rent for studios increased $5 and $6 for two-bedrooms.

* For conversion factors, see page 43.

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

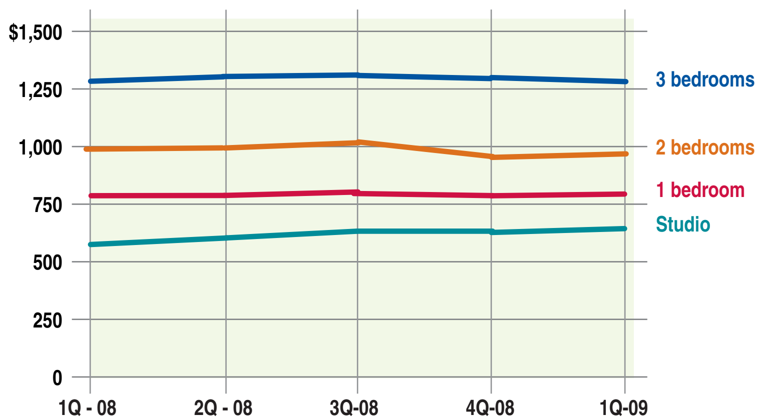


	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Studio	3.8%	4.0%	3.4%	4.4%	4.5%
One bedroom	3.4%	3.4%	3.6%	4.3%	4.5%
Two bedrooms	4.0%	3.7%	4.6%	5.3%	5.0%
Three bedrooms	5.1%	4.0%	4.3%	5.5%	5.3%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Studio	$ 635 (632)	$ 640 (626)	$ 650 (640)	$ 649 (651)	$ 656
One bedroom	786 (782)	784 (767)	796 (784)	788 (791)	791
Two bedrooms	984 (980)	992 (970)	1,004 (988)	976 (979)	985
Three bedrooms	1,279 (1,273)	1,295 (1,267)	1,289 (1,269)	1,285 (1,289)	1,264

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Rents in inflation-adjusted dollars are in parenthesis.

* For conversion factors, see page 43.

Residential sales

Lender-mediated sales, driven by foreclosure and short sales, increased in the city from 29 percent of all sales in first quarter of 2008 to 62 percent this quarter, while the median sale price decreased 36 percent. However, the median sale price of a house in Minneapolis which was not a lender-mediated sale was $216,700, less than one percent lower than in first quarter 2008.

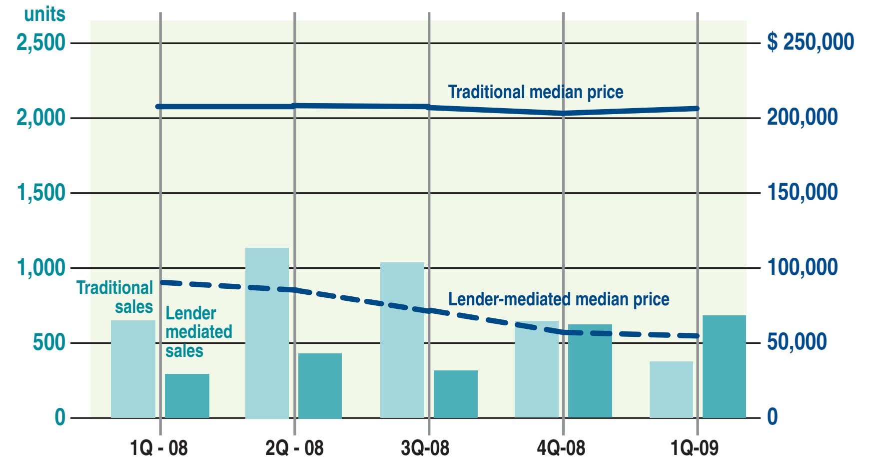
In Minneapolis the number of housing units sold in first quarter was 13 percent lower than fourth quarter but 13 percent higher than a year earlier. However, prices continued to decline. The total median sale price, which includes both traditional and lender-mediated sales, at $110,000, was 20 percent lower than the previous quarter, and it was half of the previous year's price.

In the metro area the total number of units sold decreased by 15 percent from last quarter, and 5 percent from last year. Meanwhile, the total median sale price was 12 percent lower than last quarter and 23 percent lower than a year ago.

Several factors held the prices down in the city and the metro area: a large inventory of unsold units (new and pre-owned), a high percentage and an increase in lender-mediated sales, credit tightening, and job losses.

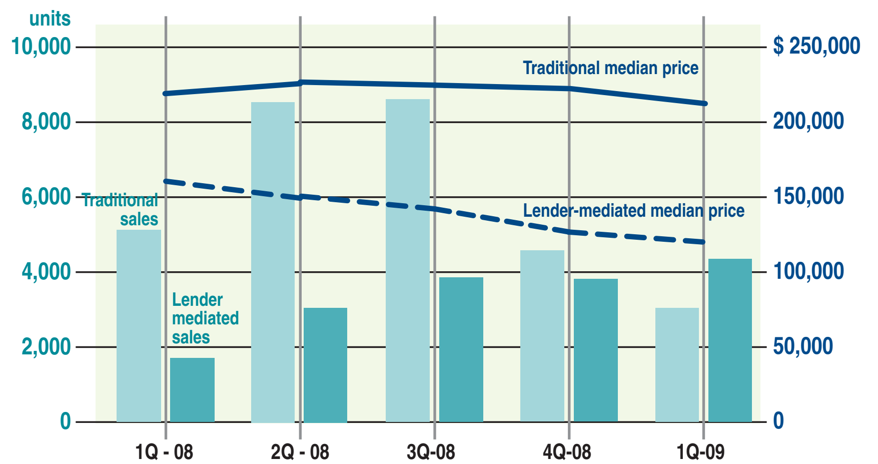
Lender-mediated sales doubled since first quarter last year and median prices were down 22 percent. On the other hand, traditional sales decreased 41 percent but median sale prices decreased only 4 percent in the same period.

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



Source: Minneapolis Area Association of Realtors (MAAR)

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 41.

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

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis					
Units	935	1,554	1,586	1,202	1,052
Median sale price	$ 193,640	$ 194,250	$ 175,000	$ 138,000	$ 110,000
Metro*					
Units	6,876	11,146	12,216	8,498	7,191
Median sale price	$ 200,000	$ 207,000	$ 198,000	$ 176,000	$ 155,000

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.

* 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 41.

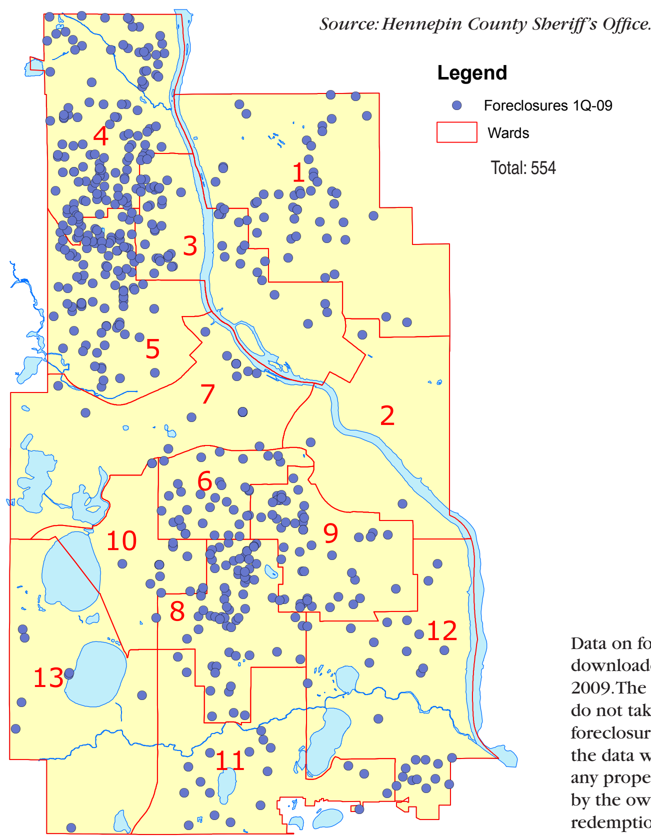
Not adjusted for inflation

Foreclosures

Foreclosed properties continued to decline in first quarter 2009. In this quarter 554 properties were sold at public auction. This is a 10-percent decrease from last quarter and a 31 percent decrease from a year ago. Wards 4, 5 and 8 accounted for half of the total foreclosures in the city.

As pointed out in the previous section, the large quantity of foreclosures has depressed property values throughout the city and the region. In fact lender-mediated sales, which include foreclosure sales, drove the residential property market in Minneapolis in the first quarter as investors and first-time owners took advantage of the lower prices.

MAP 5: PROPERTIES FORECLOSED – 1Q-09
by wards



Data on foreclosures downloaded as of April 16, 2009. The table and map do not take into account foreclosures recorded after the data was compiled, nor any properties later redeemed by the owner in the 6 month redemption period.

Table 9: **FORECLOSURE PROPERTIES –** Minneapolis
by wards

	1Q-08		2Q-08		3Q-08		4Q-08		1Q-09	
Ward	#	%	#	%	#	%	#	%	#	%
1	64	7.9%	64	7.4%	63	8.0%	54	8.8%	47	8.5%
2	7	0.9%	9	1.0%	9	1.1%	8	1.3%	3	0.5%
3	91	11.2%	86	9.9%	85	10.9%	55	8.9%	54	9.7%
4	196	24.1%	170	19.5%	175	22.3%	103	16.7%	122	22.0%
5	158	19.4%	150	17.2%	118	15.1%	107	17.4%	93	16.8%
6	32	3.9%	30	3.4%	19	2.4%	19	3.1%	34	6.1%
7	17	2.1%	27	3.1%	19	2.4%	14	2.3%	18	3.2%
8	71	8.7%	96	11.0%	88	11.2%	94	15.3%	63	11.4%
9	80	9.8%	105	12.1%	87	11.1%	71	11.5%	47	8.5%
10	14	1.7%	34	3.9%	29	3.7%	19	3.1%	18	3.2%
11	26	3.2%	37	4.3%	27	3.4%	18	2.9%	20	3.6%
12	31	3.8%	40	4.6%	48	6.1%	36	5.8%	27	4.9%
13	21	2.6%	22	2.5%	16	2.0%	18	2.9%	8	1.4%
Total	**813**	**100.0%**	**870**	**100.0%**	**783**	**100.0%**	**616**	**100.0%**	**554**	**100.0%**

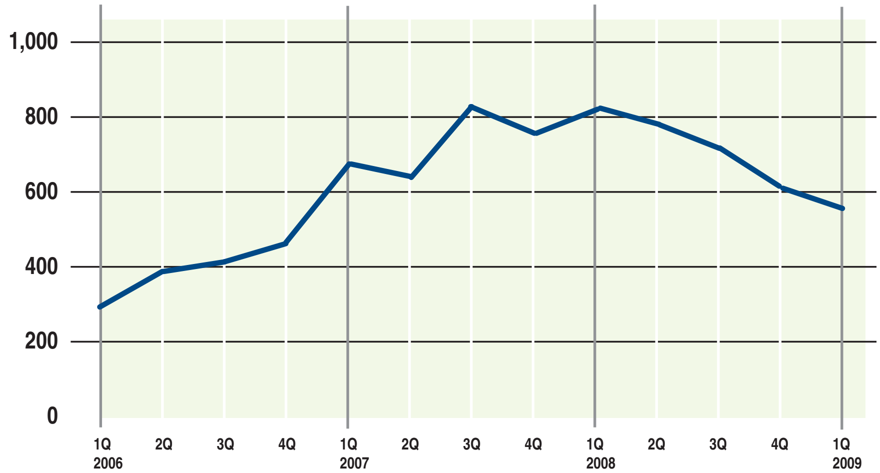
Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; for complete and current foreclosure listings, please see the Hennepin County Sheriff's website at http://www4.co.hennepin.mn.us/webforeclosure/.

Data for 2008 have been revised.

Foreclosures

The volume of foreclosed property sales in Minneapolis continued to decline from a peak of 870 in 2Q-08 to 554 foreclosures this quarter.

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



Source: Hennepin County Sheriff's Office

Revised data for 2008

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city was 3.7 percent lower than in fourth quarter, and it was almost 8 percent lower than a year ago. Boarded and condemned buildings continued to make up the majority of the group. Their number was stable this quarter, 3.5 percent lower than a year ago. The number of buildings that were vacant but not condemned (with some code violations but no major problems) also dropped this quarter, and their numbers were down almost 15 percent in comparison with a year ago.

These buildings are located mainly in the city's north and south-central areas. Their locations follow similar patterns as the foreclosures shown in the map on Page 44, and many properties appear on both maps, i.e. they are both foreclosed and vacant.

In an effort to control blight, the City carefully follows "problem" properties. An abandoned property may be boarded, and if it can't be rehabilitated and put in use again, it is demolished. See Figure 9 and Map 4 of this report which shows decreasing demolitions this quarter closely corresponding to a drop in vacant, boarded and condemned buildings.

Foreclosure map on *page 32.*
Demolitions map on *page 22.*

Map 6: **CONDEMNED AND VACANT BUILDINGS**
as of March 31, 2009

Source: City of Minneapolis Regulatory Services

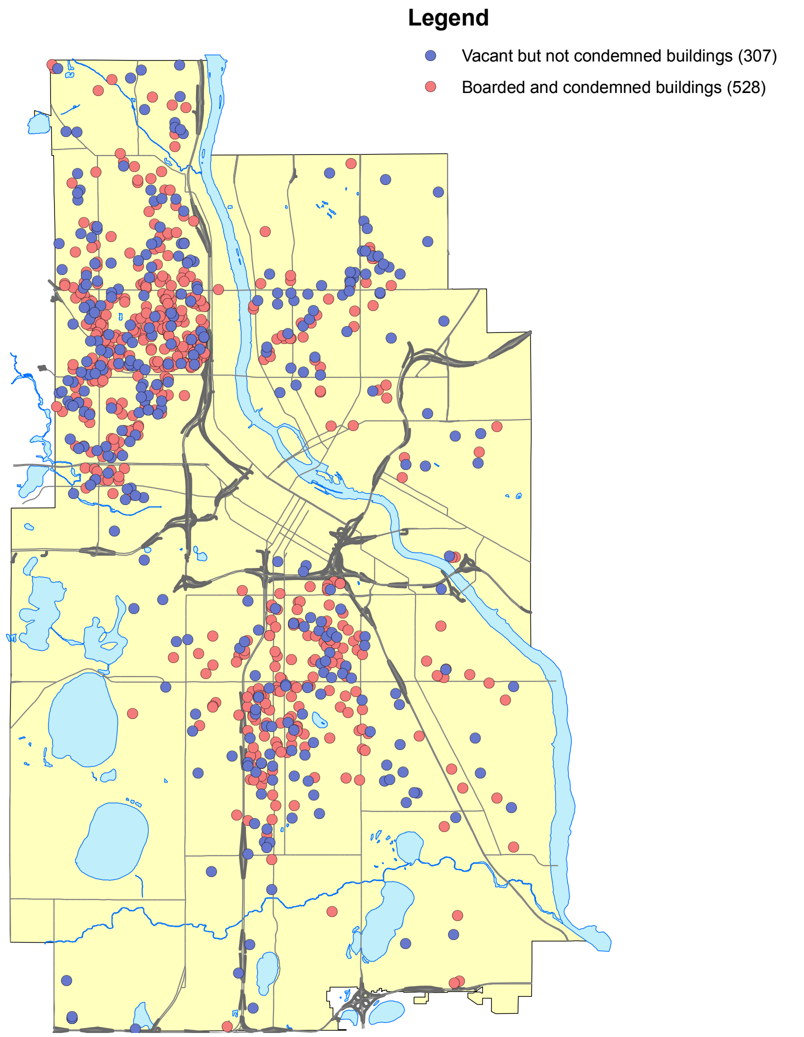


Table 10: **CONDEMNED AND VACANT BUILDINGS**
at end of quarter

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Boarded and condemned buildings	547	587	599	530	528
Vacant but not condemned	360	357	349	337	307
Total	907	944	948	867	835

Source: Minneapolis Regulatory Services

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

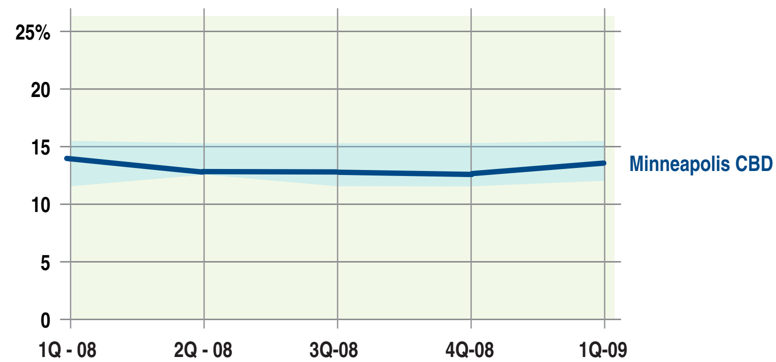
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) increased this quarter to 13.6 percent, but it was down from the same quarter last year, and remained below the metro area vacancy rate for the fourth quarter in a row. Significant economic changes were beginning to affect the office market in downtown Minneapolis and the metro area.

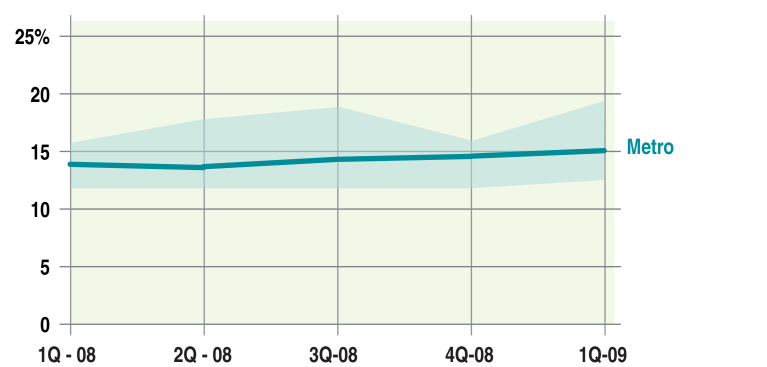
The average vacancy rate in the metro area, reacting to slow economic activity, increased to 15.1 percent from 14.6 percent last quarter, and it was also higher than last year. The economic downturn has affected industries which depend on a substantial and trained workforce such as information, financial services, professional and technical services and administrative services. A decrease in employment in these industries resulted in increased vacant space and higher vacancy rates.

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



Sources: CB Richard Ellis, Colliers, Welsh

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



Sources: CB Richard Ellis, Colliers, Welsh

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

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis CBD	14.1%	12.7%	12.7%	12.5%	13.6%
Metro	13.7%	13.6%	14.1%	14.6%	15.1%

Source: CB Richard Ellis

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

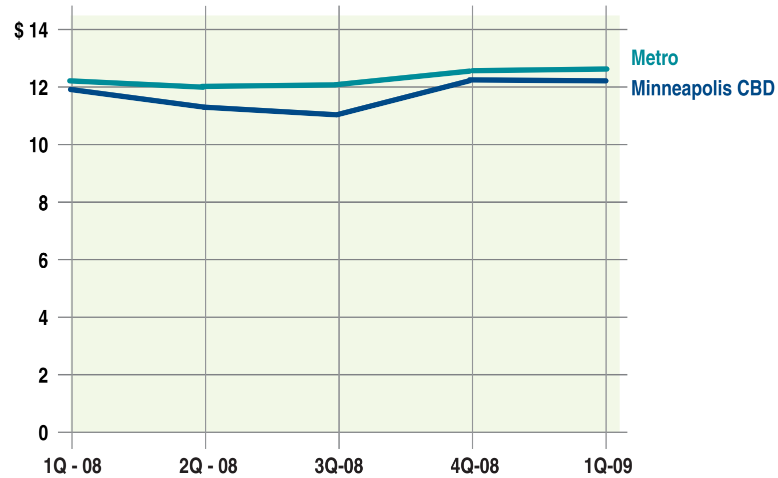
See explanation of sources in page 42.

Office space

The average asking lease rates per square foot in the Minneapolis central business district (CBD) slightly decreased since last quarter, but it was still higher than last year's first quarter. Average asking prices were lower than in the metro area where asking prices in the first quarter were just $0.52 higher than in the Minneapolis CBD. Asking prices in the metro area were about 4 percent higher than last year.

Office rentable area in the Minneapolis CBD was stable in first quarter in comparison with fourth quarter, but with an increasing vacancy rate this quarter, the occupied office space declined by 1.2 percent. In the metro area, rentable space has increased since first quarter 2008. But, as the vacancy rate increased faster, occupied office space declined albeit slightly this quarter.

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

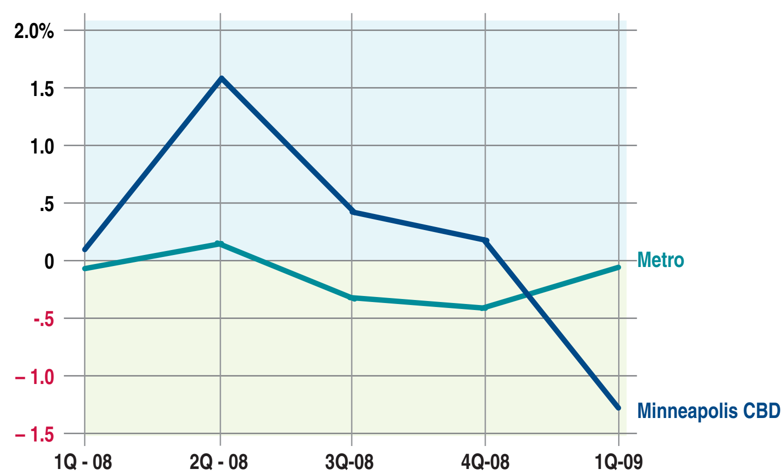


	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis CBD	$ 11.90	$ 11.31	$ 11.15	$ 12.15	$ 12.10
Metro	12.15	11.99	12.04	12.58	12.62

Source: CB Richard Ellis

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

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis CBD	0.2%	1.6%	0.4%	0.2%	– 1.26%
Metro	– 0.1%	0.2%	– 0.3%	– 0.4%	– 0.07%

Source: CB Richard Ellis

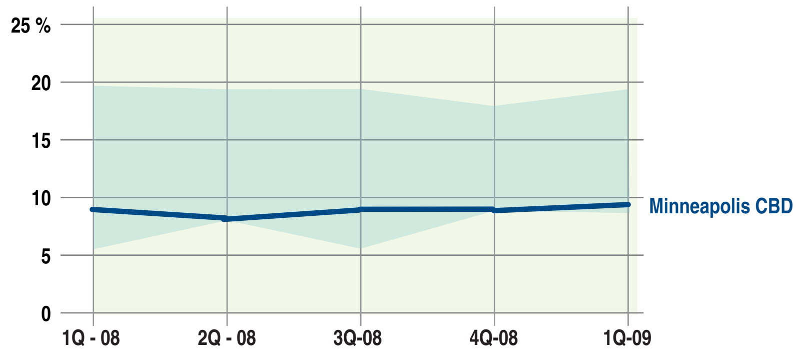
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail vacancy rate in the Minneapolis CBD increased again this quarter to 9.4 percent from the previous quarter, and was higher than 9 percent reported in the first quarter last year. Retail demand showed decreasing activity due to a tight credit market, rising unemployment and low consumer spending.

The vacancy rate in the metro area increased again this quarter to 7.5 percent and was higher than a year ago when it was 6.2 percent. The first quarter rate was 1.9 percent bellow that of the CBD. According to CB Richard Ellis this rate is the highest in 15 years. With low consumer spending, many shops are closing or reducing size, resulting in vacant space.

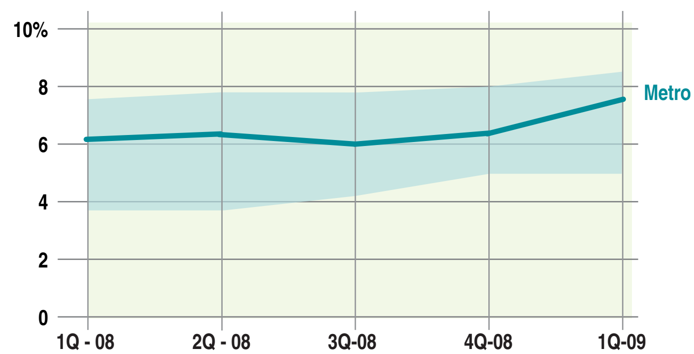
Figure 25: **RETAIL VACANCY RATE** – Minneapolis CBD
in percent



Sources: CB Richard Ellis, Colliers, Welsh

High (H) and low (L) in these two graphs refer to estimates made by two other commercial market firms compared to the base estimate made by CB Richard Ellis.

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



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

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.

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis CBD	9.0%	8.3%	9.0%	9.1%	9.4%
Metro area	6.2%	6.4%	6.0%	6.4%	7.5%

Source: CB Richard Ellis

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

Retail space

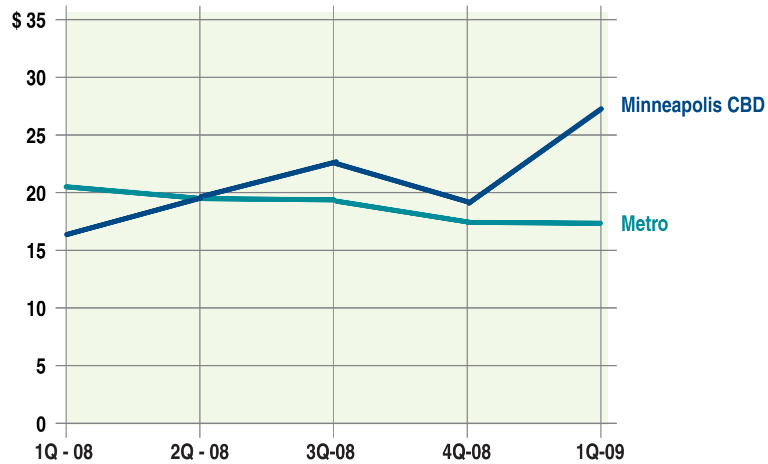
In the Minneapolis central business district (CBD), the average asking lease price was 44 percent higher this quarter than last quarter, and 69 percent higher than last year. This high rate reflects recently vacated space on Nicollet Mall that pushed the average asking lease price up. As landlords try to entice tenants to take a new lease or renew their old one, lower rates may be expected.

The asking lease price declined in the metropolitan area by 2 percent from the last quarter, and by 14 percent since the previous year.

Occupied retail space in the Minneapolis central business district (CBD) decreased again resulting in negative absorption of 0.3 percent.

Occupied retail space decreased in the metro area by less than 1 percent. Occupied space decreased due to closing of stores such as Circuit City, Snyder Drug Stores, and others.

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

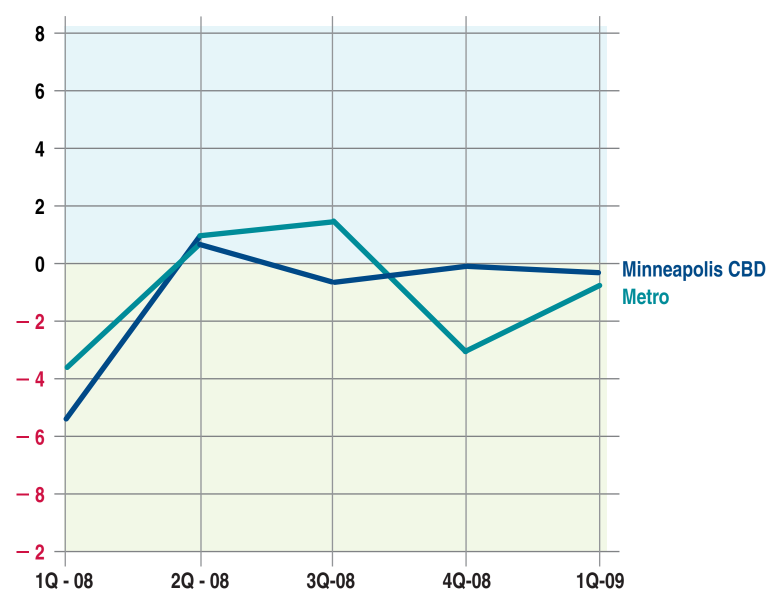


	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis CBD	$ 16.07	$ 19.49	$ 22.72	$ 18.84	$ 27.15
Metro area	20.21	19.19	18.72	17.80	17.48

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis CBD	– 3.5%	0.8%	– 0.8%	– 0.1%	– 0.3%
Metro area	– 5.4%	0.9%	1.4%	0.0%	– 0.8%

Source: CB Richard Ellis

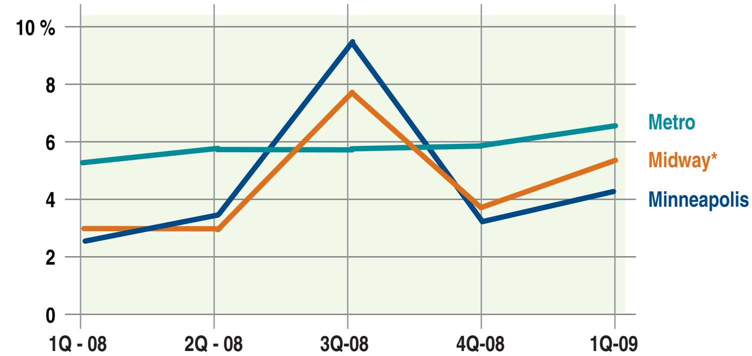
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space vacancy rate increased from last quarter and from the same quarter last year in the industrial areas of Minneapolis, Midway, and the metro. Throughout the area many warehouses vacated their premises in first quarter because industrial orders declined following declining demand.

The average asking lease rate for warehouse space in Minneapolis and the metro area increased since last year, and increased slightly since last quarter. In Midway, asking lease rates decreased in first quarter.

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



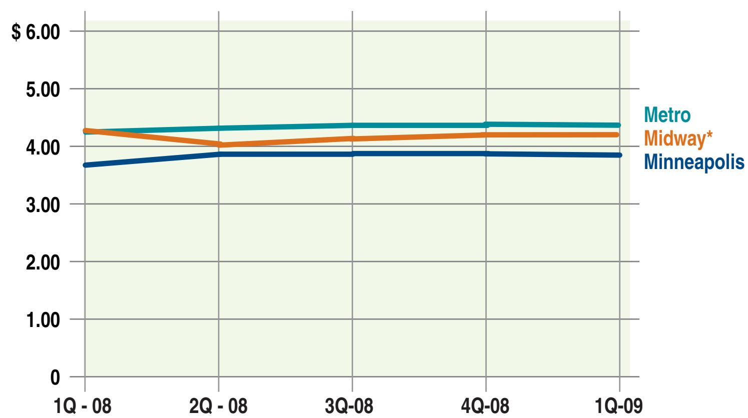
	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis	2.7%	3.5%	9.4%	3.4%	3.7%
Midway	3.1%	3.1%	6.7%	3.6%	4.2%
Metro	5.5%	5.7%	5.7%	5.9%	6.4%

Source: CB Richard Ellis

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

Midway industrial area includes parts of Northeast Minneapolis and Saint Paul.

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis	$3.72	$3.85	$3.88	$3.88	$3.89
Midway	$4.24	$4.07	$4.17	$4.18	$4.17
Metro area	$4.26	$4.32	$4.35	$4.40	$4.42

Source: CB Richard Ellis

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

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

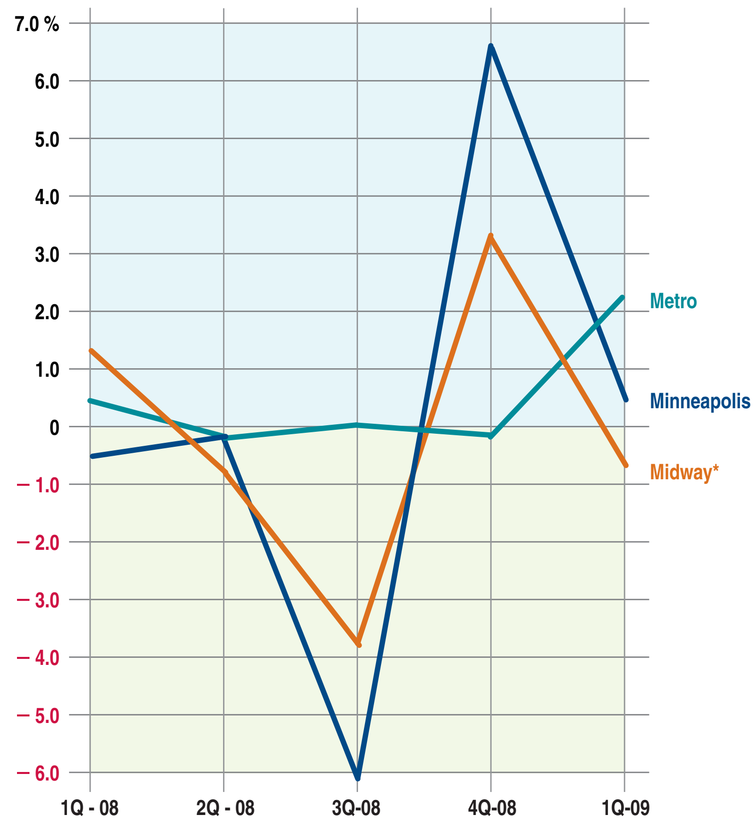
Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space increased slightly in Minneapolis and decreased in Midway. Because of a weakened economy and decreasing exports, inventories and factory orders declined, affecting the demand for warehouse space.

New projects were on hold and tenants were seeking short-term leases throughout the metro area. In the metro area occupied space increased due to the completion of new industrial buildings that were immediately occupied northwest of Minneapolis.

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



	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Minneapolis	– 0.4%	– 0.2%	– 6.1	6.6%	0.5%
Midway	1.4%	– 0.7%	– 3.7	3.3%	– 0.6%
Metro area	0.4%	– 0.2%	0.1	– 0.2%	2.3%

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.

- **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. MAAR makes a difference between *traditional sales* and *lender-mediated sales*. The first type includes all sales that are neither foreclosures nor short sales. These two define the lender-mediated sales.

- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).

- **Foreclosure sales:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are reported by the Hennepin County Sheriff to Hennepin County Taxpayer Services Department and later sent to City of Minneapolis CPED Research Division. Hennepin County's methodology is to count all foreclosure sheriff's sales categories (mortgage, assessments, associations, executions and judgments). Data include only foreclosed properties in the City of Minneapolis that were sold 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) include office, retail and industrial space vacancy rates, yearly lease price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (industrial space) or Minneapolis central business district (office and retail space). The 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),
  United Properties (http://outlook.uproperties.com); and
  Welsh Companies (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" 1st quarter 2008, CPED tracks 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 25 and 26 (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:** For the purpose of analyzing residential rent, text is based on values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the first quarter of 2008, dollars have been converted with an index of 1.0045472, the result of the relation between the CPI for March 2008 (199.3) and the CPI for March 2009 (198.362). For the period from the first quarter of 2009 to the fourth quarter of 2008, the index is 0.9966627, obtained by dividing 198.362 (March 2009) by 197.7 (December 2008.)

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