

Highlights for the first quarter of 2008

Despite a national and statewide economic slow-down this quarter, the City's unemployment rate (4.2%) was lower than the metro-wide rate (4.4%); *see page 5*

Following national and statewide construction trends, new residential units permitted declined substantially in both Minneapolis and the metro area; however following a three year trend, Minneapolis continued to permit more units than any other metro city. *see page 15*

In spite of declining construction nationwide, the City permitted 19 projects of at least \$1 million - including both residential and commercial - this quarter, totaling \$122.3 million; *see page 15*

The rental market continued to be tight, with vacancy rates in Minneapolis edging downward since last quarter and since a year ago; *see page 26*

The volume of housing sales plummeted in Minneapolis and the metro area. The median sale price was 17 percent lower in Minneapolis and 13 percent lower in the metro area than a year ago. *see page 31*

Foreclosures increased by 20 percent in the city since a year ago, and by over 51% county-wide. The number of vacant and boarded buildings in the city almost doubled since a year ago. *see page 32*

The office vacancy rate at 14.1 percent barely changed in the Minneapolis central business district since a year ago. *see page 34*

The retail vacancy rate increased to 9% in the Minneapolis central business district, and increased to 6.2% metro-wide. *see page 36*

Jobs and Wages - Highlights for the third quarter of 2007

Total jobs declined by 0.1 percent since the second quarter and 0.9 percent over the previous year.

Average weekly wages increased by 1.9 percent since the third quarter 2006. Average weekly wages were lower in inflation-adjusted dollars than in the second quarter, but declined at a slower pace in the city than in the state or the metro area. *see page 5*

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



first quarter 2008



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

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Minneapolis Trends



first quarter 2008

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Economic indicators

- The labor force and the number of employed residents continued to decline both within the city and throughout the metro area since the third quarter 2007. Total employment was lower than last quarter, and unemployment rates for both the city and metro area increased. This quarter, like in the first quarter last year, the city's unemployment rate (4.2 percent) was lower than the metro area's rate (4.4 percent.)
- In the third quarter of 2007 there were almost 170 fewer jobs than in the previous quarter; over a 12 month period there were 0.9 percent fewer jobs. Over the same 12 month period, the metro area and the state experienced a modest (+0.5% and +0.6%) job growth.
- Third quarter weekly wages were 1.9 percent higher in inflation-adjusted dollars than a year before but declined since the second quarter. Wages in the state and the metro area declined faster than in the city since the second quarter.

Labor force

In the first quarter of 2008, 204,923 Minneapolis residents had jobs – that's 0.1 percent or about 120 more people employed than a year ago. Historically the first quarter is the slowest of the year; compared to the 4th quarter of 2007, the number of city residents who were employed decreased by 1.2 percent or about 2,600 people. Employment also decreased in the metro area since the previous quarter. Unemployment increased in the city (by 0.1% to 4.2%) but increased faster in the metro area: (by 0.4% to 4.4%)

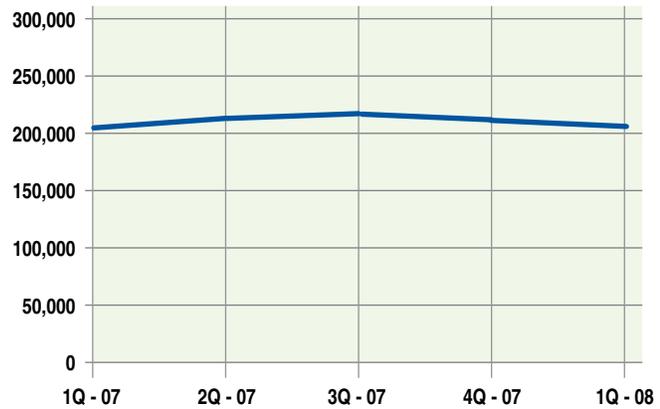
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis					
Labor Force	213,513	215,625	218,248	216,481	213,864
Employment rate	204,802	206,576	208,243	207,517	204,923
Unemployment rate	4.1%	4.2%	4.6%	4.1%	4.2%
Metro*					
Labor Force	1,599,204	1,610,002	1,626,528	1,616,900	1,603,587
Employment rate	1,531,487	1,544,753	1,557,212	1,551,784	1,532,388
Unemployment rate	4.2%	4.1%	4.3%	4.0%	4.4%

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

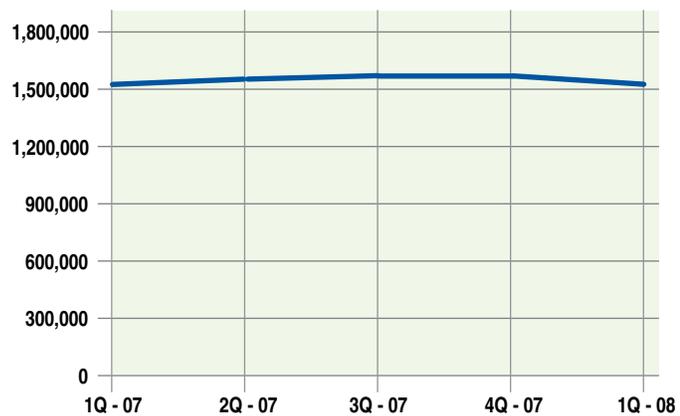
* For metro area definition, see page 13.

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 11.

Jobs

The number of jobs located in Minneapolis in the third quarter 2007 decreased since the second quarter by 170 jobs, or 0.1%. In comparison with the same period last year, there were about 2,600 fewer jobs.

12 month change

(3rd quarter 2006-3rd quarter 2007)

Some sectors gained jobs:

- **Health care and social assistance** continued its past strong growth, adding almost 1,255 jobs – about 860 jobs in the offices of physicians, home health care services, and services for the elderly and disabled;
- **Accommodation and food services** increased by 4.6 percent, adding more than 1,000 jobs, 900 of them in restaurants alone;

- **Management of companies** also added about 700 jobs, most of them in managing offices;
- **Professional and technical services** added more than 500 jobs, mostly in services such as advertising and computer systems design followed by law, accounting and marketing consulting.

Other sectors lost jobs:

- **Finance and insurance**, which continued to sustain job losses, lost almost 3,000 jobs over the last twelve months. The largest component of this loss was in real estate credit services, which lost more than 1,200 jobs, reflecting the crisis in the real estate market.
- **Educational services** decreased by almost 1,000 jobs, most of them in the public educational system (all levels.)

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

	3Q-2006	4Q-2006	1Q-2007	2Q-2007	3Q-2007
Total, all industries (1)	295,985	295,893	289,497	293,517	293,346
Manufacturing	16,544	16,494	16,463	16,468	16,416
Utilities*	3,092	2,779	2,685	2,649	2,656
Wholesale trade	9,775	9,751	9,625	9,814	9,821
Retail trade	14,756	15,297	14,580	15,124	14,966
Transportation and warehousing*	4,155	4,283	4,032	4,019	3,986
Information	10,970	11,094	11,148	10,969	10,625
Finance and insurance*	30,558	28,634	27,494	27,340	27,575
Real estate and rental and leasing	6,274	6,275	6,202	6,300	6,374
Professional and technical services*	30,442	30,582	30,336	30,569	30,971
Management of companies and enterprises	15,629	15,881	15,887	16,115	16,345
Administrative and waste services*	15,644	16,011	15,123	15,948	15,876
Educational services	26,864	28,827	28,525	27,769	25,867
Health care and social assistance	45,153	45,122	45,495	45,897	46,408
Arts, entertainment and recreation*	4,893	4,801	4,424	4,904	4,852
Accommodation and food services	23,393	23,003	22,718	23,992	24,469
Other services*	10,569	10,611	10,263	10,631	10,414
Public administration	13,063	12,704	12,846	12,881	13,274

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

* Private jobs only

1 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

- The city continued to lose jobs in **Utilities**, with a loss of more 430 jobs (14 percent), the largest percentage for any sub-sector in the quarter so far in the city.
- **Information** lost more than 300 jobs because of losses in telecommunications, publishing and search portals and data processing.

Quarter to quarter change (2nd quarter 2007-3rd quarter 2007)

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

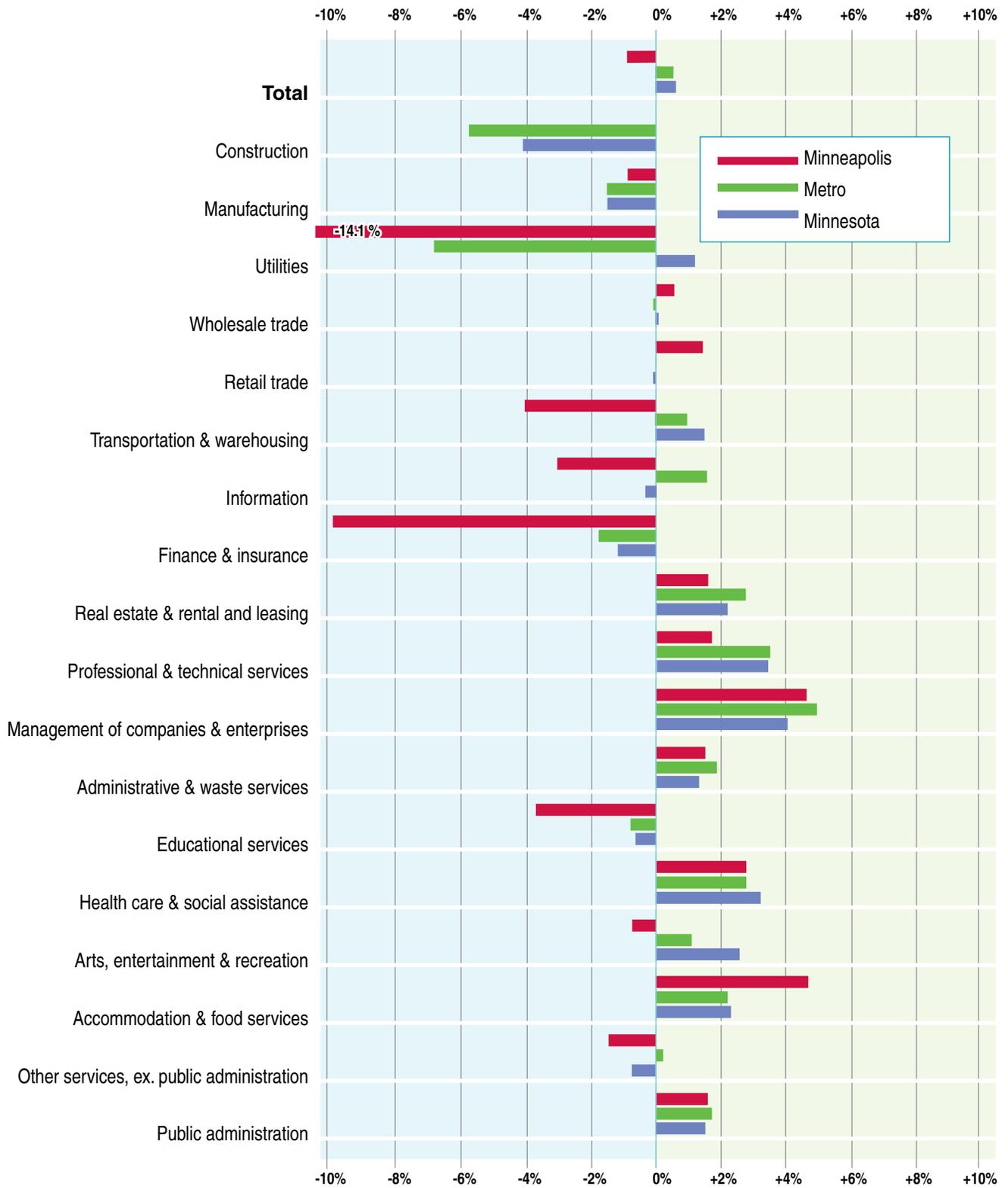
- **Health care and social assistance** (home health care, hospitals, vocational rehabilitation);
- **Accommodation and food services** (restaurants);
- **Professional and technical services** (law, accounting, computer programming.)

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

- **Educational services** (Elementary and secondary schools, fine arts schools)
- **Information** (Publishing, Search portals and data processing)
- **Other services** (Membership organizations and associations)

Jobs

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



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

Jobs

After two consecutive calendar years of job growth, the City's job base contracted (0.9%) over the previous twelve month period ending September 30, 2007. During the same twelve-month period the state and the metro area both experienced modest job growth, 0.6 and 0.5 percent respectively.

Wages

The average weekly wage in Minneapolis in the third quarter of 2007 was \$1,071, or \$44 (\$20 in inflation-adjusted dollars*) more than a year earlier. In inflation-adjusted dollars, wages increased the most in three sectors:

- **Management of companies** (\$200),
- **Wholesale trade** (\$180) and
- **Information** (\$90).

Wholesale trade wages increased the most for wholesalers dealing with electronic parts, druggist's goods and medical equipment. In the information sub-sector, newspapers and data processing services were responsible for the increase.

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

- **Utilities** (almost \$260);
- **Arts, entertainment and recreation** (\$70) and
- **Health care** (\$30)

Reorganization of power-generation companies has impacted wages in the utilities sub-sector. The wages of workers in arts, entertainment and recreation were affected by a fall in wages for performance companies and for art and sport promoters. A drop in wages in ambulatory care and youth and family services affected overall wages in the health care and social services sub-sector.

*For conversion factors, see Page 13.

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

	3Q-2006	4Q-2006	1Q-2007	2Q-2007	3Q-2007
Total, all industries (1)	\$ 1,027	\$ 1,105	\$ 1,180	\$ 1,071	\$ 1,071
Manufacturing	939	1,061	1,102	992	989
Utilities*	1,684	1,562	2,152	1,565	1,464
Wholesale trade	1,071	1,206	1,168	1,136	1,277
Retail trade	510	524	522	542	525
Transportation and warehousing*	653	718	664	718	696
Information	1,104	1,139	1,317	1,203	1,220
Finance and insurance*	1,552	1,846	2,805	1,678	1,631
Real estate and rental and leasing	1,048	1,240	1,265	1,133	1,083
Professional and technical services*	1,439	1,831	1,468	1,469	1,499
Management of companies and enterprises	1,564	1,650	1,703	2,225	1,799
Administrative and waste services*	564	588	642	616	634
Educational services	1,047	916	1,014	929	1,126
Health care and social assistance	945	954	940	897	940
Arts, entertainment and recreation*	1,320	1,024	934	1,279	1,282
Accommodation and food services	343	356	350	347	352
Other services*	555	559	553	550	589
Public administration	1,008	1,127	1,070	1,083	1,047

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

* Only private wages

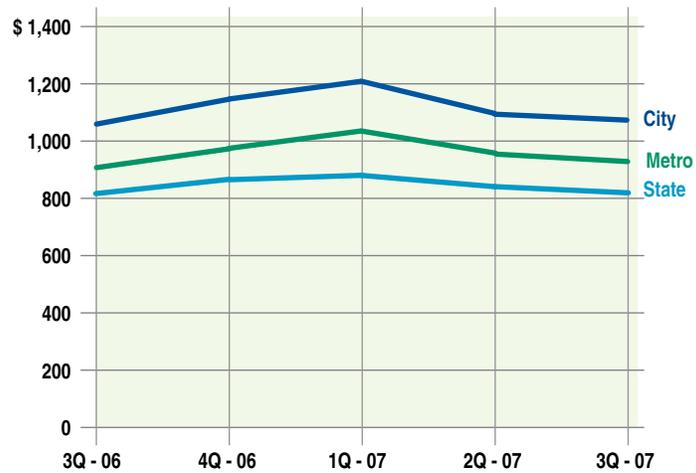
1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

In general, jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state. Third-quarter wages in Minneapolis increased by 1.9 percent in inflation-adjusted dollars* from a year earlier, but declined from the second quarter level. Average wages increased in the city more than in the state and less than in the metro area in inflation-adjusted dollars*.

* For conversion factors, see page 13.

Figure 4: **AVERAGE WEEKLY WAGES** – 3Q-06 to 3Q-07
in inflation adjusted dollars

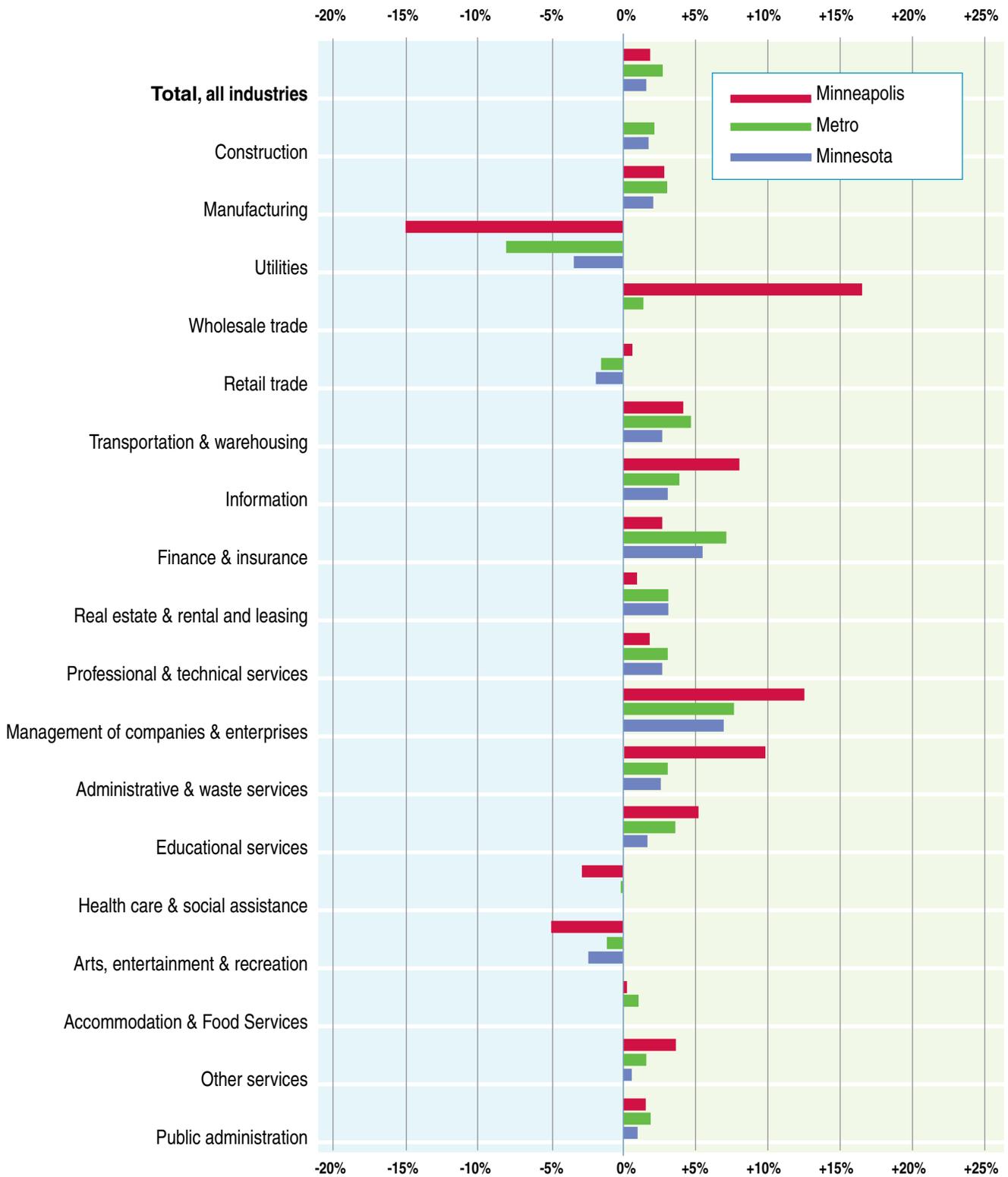


	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07	3Q-06 to 3Q-07 change
Minneapolis	\$ 1,051	\$ 1,131	\$ 1,187	\$ 1,078	\$ 1,071	\$ 20 1.9%
Metro area	912	977	1,016	962	936	24 2.7%
Minnesota	810	866	886	847	823	13 1.6%

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

Wages

Figure 5: **AVERAGE WEEKLY SALARIES** 3Q-06 to 3Q-07
in inflation-adjusted dollars



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

* For conversion factors, see page 13.

Wages

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

- In **Wholesale trade**, a sector where the number of jobs has hardly changed, wages increased by about 17 percent in Minneapolis, in part responding to higher wages in the wholesale medical equipment sub-sector;
- **Management of companies** wages increased by 12.5 percent;
- **Administrative and waste services** also increased the most in Minneapolis (9.7 percent), more than in the metro area and the state. In Minneapolis the raise in wages in this sector was driven by wages in employment services.

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

- **Utilities** wages declined by 15 percent;
- **Arts, entertainment and recreation** (-5.5 percent)
- **Health care and social assistance** (-3.3 percent)
- **Educational services** (-2.4 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 actively looking for a job in the past four weeks. 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 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 third 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

- Following national and statewide construction trends, new residential units permitted declined substantially in both Minneapolis and the metro area; however compared to one year prior, this decline was smaller in Minneapolis (-32% units permitted) than metro-wide (-53% fewer units permitted); and, following a three year trend, Minneapolis continued to permit more units than any other metro city this quarter.
- In Minneapolis, the average cost of a single-family unit increased by 74 percent since a year ago driven by a few high end residences.
- The number of permits issued for residential remodeling projects costing \$50,000 or more in the city were about 27 percent more than a year earlier, but this number declined since last quarter. The number of permits for non-residential conversion, remodels and additions was stable in comparison with last year but almost doubled in cost.
- In spite of slower construction, 19 projects (including commercial and residential) of at least \$1 million were permitted this quarter, totaling \$122,3 million. This list includes the Phoenix, an 80-unit condo project on the riverfront; a new Hilton Hotel on the south side of downtown, and a major renovation of the Hennepin County Medical Center Trauma Center.

New construction

Reflecting a general downturn in the housing market, the number of permits for new units in the city and metro area grew very slowly. In the city, the number of permits decreased by almost half since last quarter and by one-third since a year ago. According to the Minneapolis Area Association of Realtors, the supply of new units in the metro area was more than 4,000 units by the end of March, or 10.9 months worth of inventory, compared to 5 months supply at which the market is considered to be balanced between buyers and sellers. As a result, construction of new residential units proceeded slowly.

However, Minneapolis still led all major cities in the metro area in number of residential units permitted. In the metro area, the number of permits declined by nearly half since the last quarter and since the first quarter last year. This is the lowest quarterly permitted unit count registered in the decade in the metro area.

In Minneapolis, permits for new multifamily units — which drove the totals in the last two quarters — decreased to only 150 units compared to 282 last quarter; these units came from two projects: the Phoenix and Hiawatha Flats, a 70 unit rental project along the Hiawatha LRT line.

Table 4: NEW RESIDENTIAL UNITS

	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Single-family					
Minneapolis	19	48	23	25	14
Metro	1,269	1,934	1,382	1,030	576
Multifamily					
Minneapolis	225*	74	248	282	150**
Metro	519	398	681	509	260
Total units					
Minneapolis	244	122	271	307	164
Metro***	1,788	2,056	1,653	1,539	836

Source: U.S. Census Bureau, based on reported permit information

* This number includes 179 units in the Eitel Building. Another 34 units converted from the former Eitel Hospital are included in the "units converted" count in Table 6.

** Including 70 units of Hiawatha Flats, not reported by the Census Bureau.

*** 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 reported units

Units reported by the Census Bureau do not include Hiawatha Flats, a three-story, 70-unit apartment building. This would increase the number of permitted units in Minneapolis to 150.

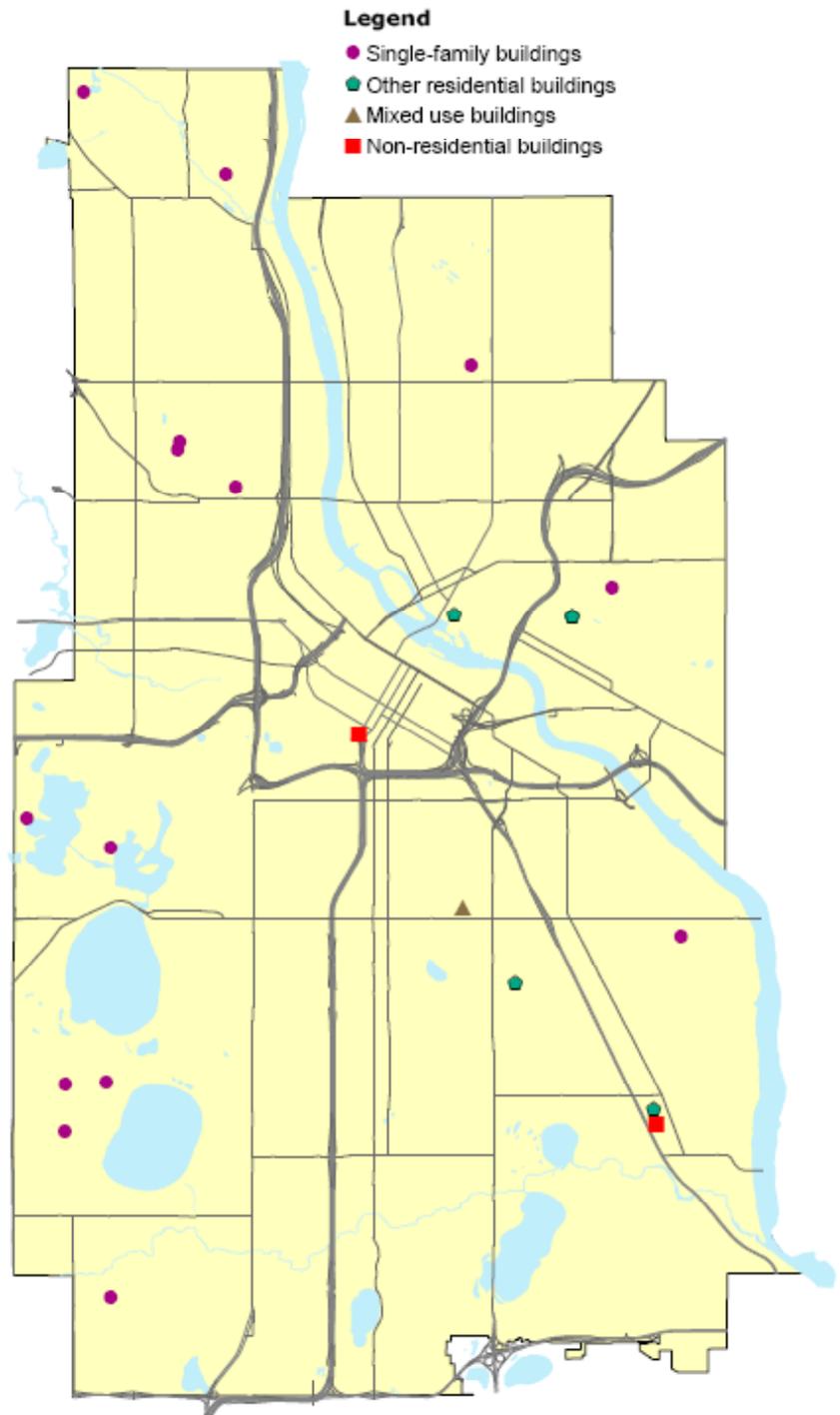
New construction

A few single-family houses are expected to be built this quarter, mainly in the Chain of Lakes area, as shown on the map. In addition, one 18-story, 80-unit condo building called Phoenix on the River will go up at 222 Second Ave. SE on the riverfront. Another, Hiawatha Flats, will add 70 apartment units on 43rd Street along the Hiawatha light-rail line.

Two commercial buildings were permitted: The Hilton Garden Inn, a 10-story hotel with 210 rooms in Downtown, and an office building on 44th Street East near Hiawatha Avenue.

Map 1: **NEW CONSTRUCTION** – 1Q-08

Source: City of Minneapolis Regulatory Services



Cost of residential construction

In Minneapolis, the average construction cost for single-family homes increased 74 percent since a year ago, from \$264,767 to \$460,708. The increase is the result of a small number of more expensive homes being built in south Minneapolis, including one \$2.8 million residence.

The average construction cost for single-family homes in the metropolitan area increased by 17 percent since a year ago from \$268,383 to \$313,215, but it was still lower than the average single-family home in the city.

In Minneapolis, the average construction cost for multifamily units decreased slightly since a year ago, from \$125,544 to \$111,476 — an 11-percent decrease. Developers that are still able to build are cutting costs in order to sell their units in a downward market. In the metropolitan area, the average cost decreased 6 percent, from \$113,532 to \$106,579.

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

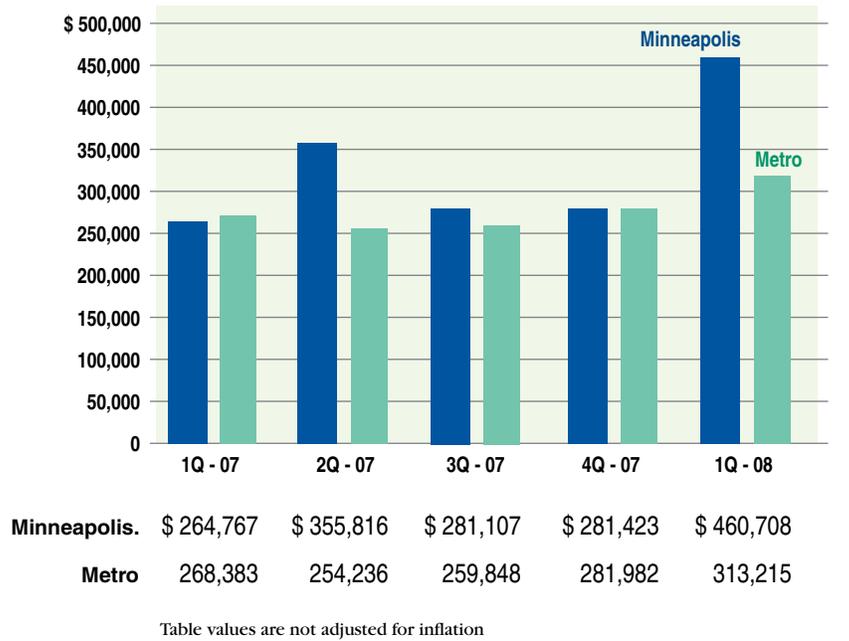
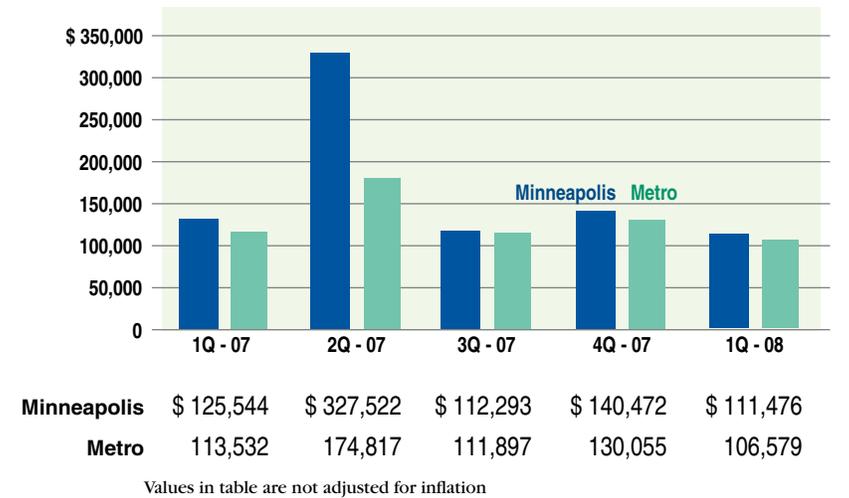


Figure 8: **MULTIFAMILY CONSTRUCTION COST**
per unit



Conversions, remodels & additions

In the first quarter of 2008, the City issued permits for remodeling and renovations for 132 residential buildings. One of these projects involved a conversion of a downtown hotel/restaurant into 32 apartment units – one of the few major conversions undertaken since last year.

The total amount spent this quarter on **residential** remodeling and conversion projects costing more than \$50,000 is

estimated at about \$21.3 million — 8.1 percent more than last quarter but 4.3 percent less than a year ago. Conversions accounted for 16.2 percent of the total estimated value for the first quarter.

The dollar amount shown in the permits for **non-residential** remodels and additions more than doubled from last year, and was almost one and a half more the amount shown last quarter.

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

	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Total Residential ¹					
# of buildings	104	151	164	134	132
Total value	\$ 22,264,000	\$ 21,320,000	\$ 24,162,000	\$ 19,698,000	\$ 21,297,000
Remodels					
# of buildings	101	147	162	132	127
Value	\$ 22,139,000	\$ 20,940,000	\$ 23,945,000	\$ 19,438,000	\$ 17,843,000
Conversions & additions ²					
# of buildings	3	4	2	2	5
Net # of units	37*	4	3	-2	30
Value	\$125,000	\$381,000	\$ 217,000	\$ 260,000	\$ 3,454,000
Total non-residential ¹					
# of buildings ³	105	131	105	108	106
Value	\$ 34,027,000	\$ 75,486,000	\$ 67,705,000	\$ 49,506,000	\$ 71,660,000

Source: Regulatory Services

* This figure includes 34 units in the former Eitel Hospital. A permit for new construction and the conversion of the Eitel Hospital was issued in January 2007.

1 Residential and non-residential building listings may include structural work, buildouts 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.

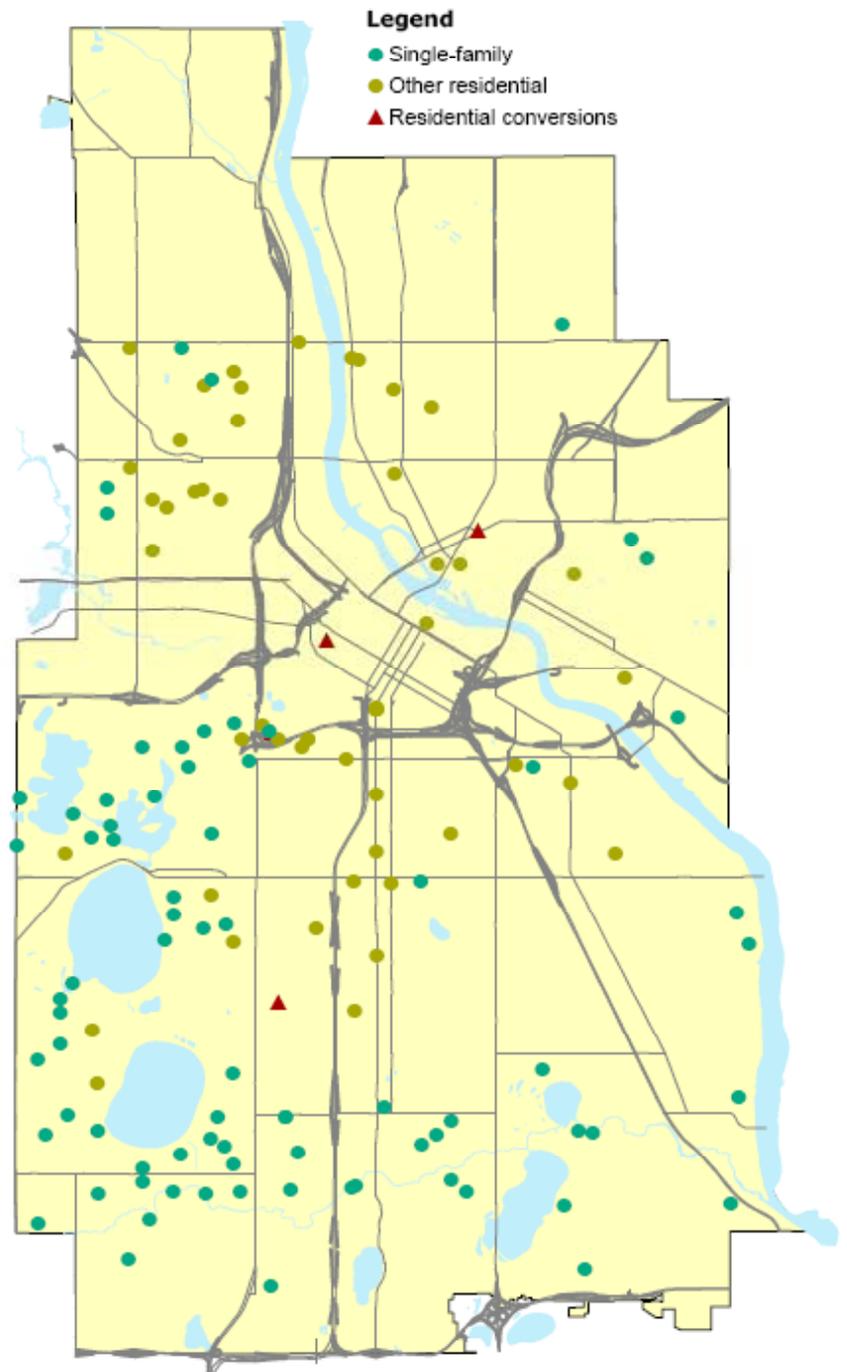
3 Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings.

Conversions, remodels & additions

Remodeling and improvements to single-family housing in projects \$50,000 or more continued to take place mainly in the Chain of Lakes area. Other than single-family, this quarter, several permits were issued to remodel and improve individual apartments and apartment buildings throughout the city. In North Minneapolis, permits were issued for several duplex remodeling and improvement. A major conversion of a building into apartments -already mentioned- was permitted in Downtown.

Map 2: **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 1Q-08
projects \$50,000 +

Source: City of Minneapolis Regulatory Services

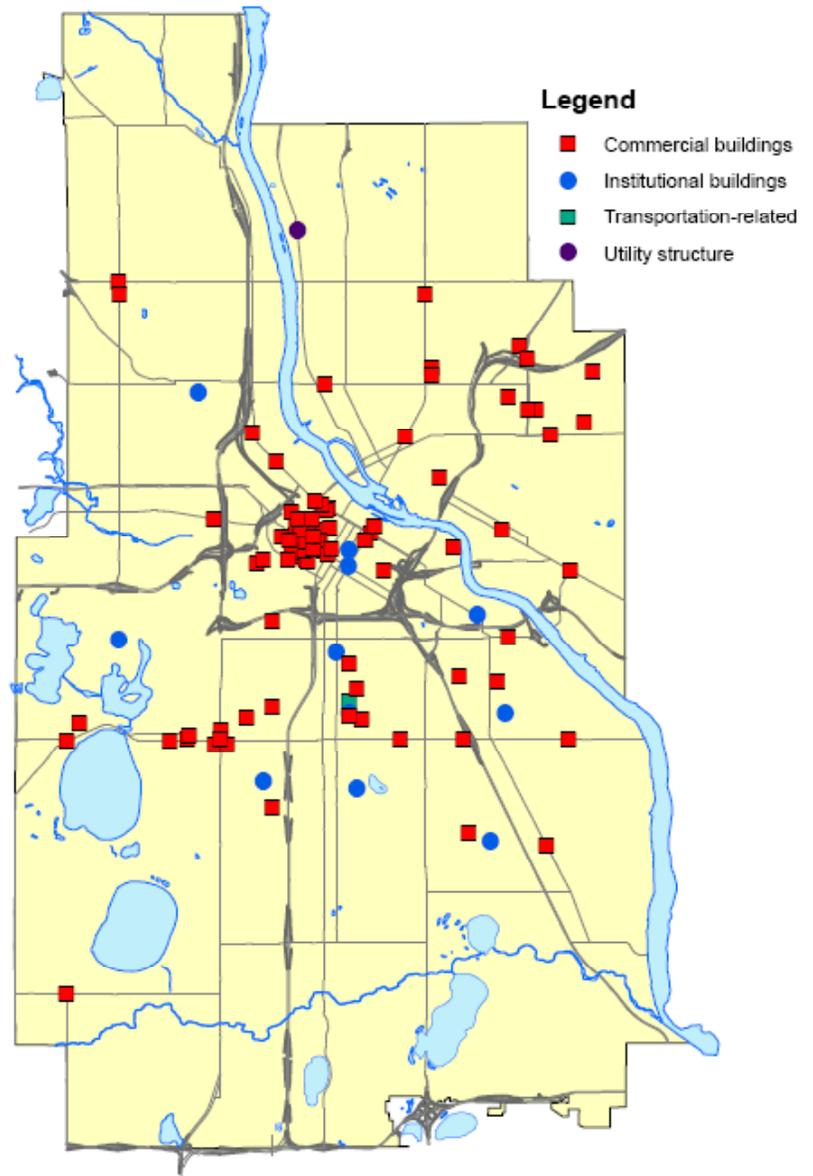


Conversions, remodels & additions

Permits for non-residential remodeling and renovations in the first quarter were mainly concentrated in Downtown, but also there were minor concentrations in northeast, along Park Avenue and the Lake Street corridor. The major renovation permitted this quarter was the remodeling of the Trauma Center at the Hennepin County Medical Center, a renovation approaching \$18 million. Other projects include a new addition to the Quarry Center in Northeast Minneapolis and the initial remodeling of 225 South 6th Street which is being renamed the Capella Tower due to a major expansion of Capella University.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 1Q-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 first quarter of 2008. The listed amount only reflects permits issued that quarter. The highest cost project is on the Minneapolis riverfront, a new 18-story, 80-unit condo building called Phoenix on the River

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

Description	Address	Neighborhood	Ward	Cost
Phoenix on the River: 80 units, 18 story condo	222 2nd Ave SE	Marcy Holmes	5	\$ 37,981,000
Hilton Garden Inn: 210 unit, 10 story hotel	1101 4th Ave S *	Downtown West	7	22,752,000
Hennepin County Medical Center: trauma center remodel	701 Park Ave	Elliot Park	7	18,095,000
Hiawatha Flats: 70 unit, 3 story apartment building	3635 43rd St E	Hiawatha	12	7,290,000
Quarry Center: addition to front of the store	1600 New Brighton Blvd	Northeast Park	1	5,473,000
AT&T Tower: office remodel	901 Marquette Ave*	Downtown West	7	4,477,000
Riverside Market: 2 story addition	2823 Franklin Ave E	Seward	2	3,819,000
YMCA: 2 story addition	3335 Blaisdell Ave	Lyndale	10	3,793,000
Conversion of hotel into 32 apartment/restaurant	814 Hennepin Ave	Downtown West	7	2,940,000
New home	2528 West Lake of the Isles Pkwy	Kenwood	7	2,850,000
Phillips Eye Institute: structural addition	2215 Park Ave	Phillips West	6	2,402,000
Foshay Hotel: kitchen/bar and restaurant area	821 Marquette Ave	Downtown West	7	2,000,000
Minneapolis Community Tech College: office remodel	1300 Harmon Place	Loring Park	7	1,599,000
International Center: office remodel - various tenants	900 2nd Ave S*	Downtown West	7	1,450,000
5th St Tower: office remodel- various tenants	100 5th St S*	Downtown West	7	1,123,000
Center for Asian/Pacific Islands: office remodel	3702 Lake St E	Longfellow	9	1,087,000
Fairview Hospital: alteration to Emergency Department	2450 Riverside Ave	Cedar Riverside	2	1,080,000
100 Washington Square: office remodel	100 Washington Ave S	Downtown West	7	1,070,000
225 South Sixth (Capella Tower): office remodel	225 6th St S	Downtown West	7	1,035,000

Source: City of Minneapolis Regulatory Services

* Multiple building permits

Demolitions

Permits for residential demolitions dropped, in part because of low seasonal activity during the winter months, but also because of the decline of new construction. This quarter, permits for demolitions included 15 single-family houses, five duplexes and one triplex.

New permits continued to be issued this quarter for demolishing residential buildings in the area between West Broadway and Lowry avenues as 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.

Non-residential demolition permits included a manufacturing/office building on River Road in Cedar Riverside and an office/warehouse building on 25th Avenue Southeast.

Map 4: **DEMOLITIONS – 4Q-07**

Source: City of Minneapolis Regulatory Services

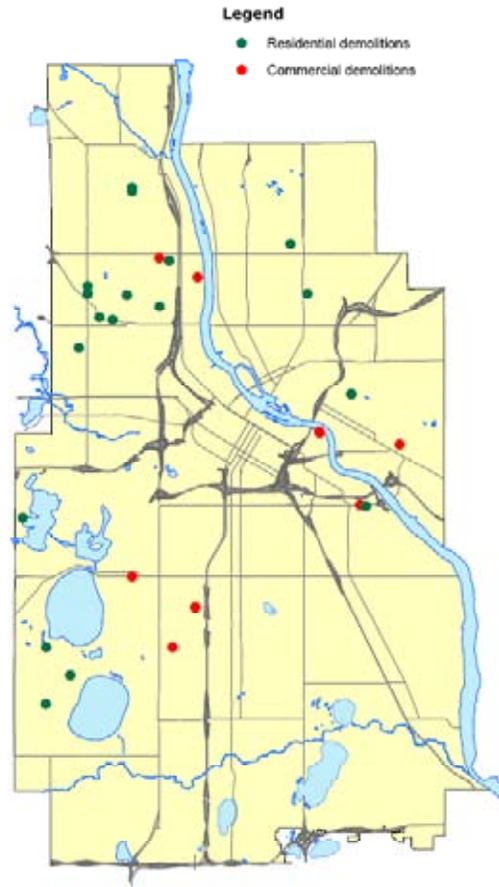
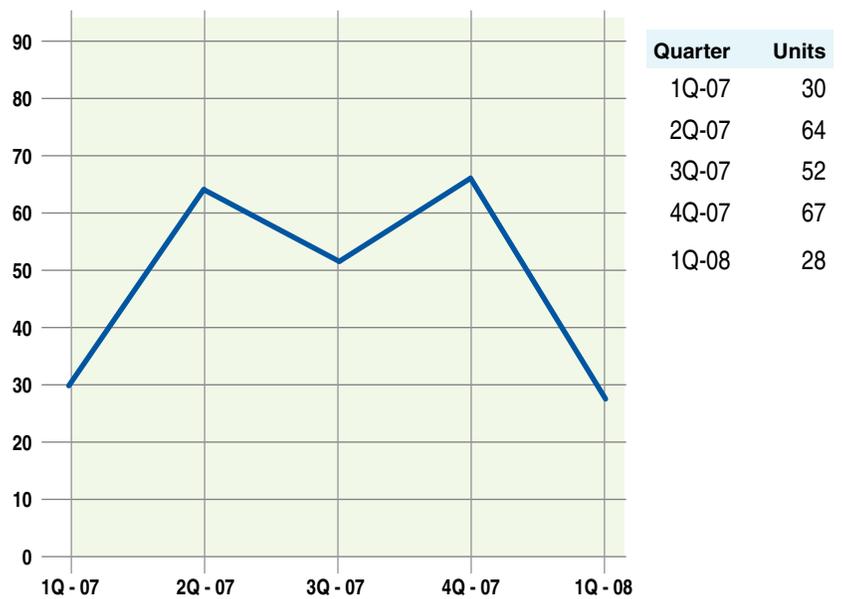


Figure 9: **AUTHORIZED RESIDENTIAL DEMOLITIONS UNITS**



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 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 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 construction**
 - Single-family:* means detached and attached dwellings such as townhouses.
 - Other residential:* means buildings with two (duplex and double bungalow), three (triplex) or more residential units. 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 remodeling, renovation & conversion, \$50,000 +**
 - 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 remodeling & renovation, \$50,000 +**
 - 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 rental market continued to be tight, with vacancy rates in Minneapolis edging downward since last quarter and since a year ago;
- Average rent this quarter increased in the city to \$892, \$31 higher in inflation-adjusted dollars than last year. In the metro area it was \$908, \$14 higher than a year ago, also adjusted for inflation.
- In Minneapolis and the metro area the number of housing units sold plummeted. Only 817 housing units were sold in Minneapolis, the lowest quarterly number of sales reported in the decade. Median sale prices were lower by 17 percent in Minneapolis and by 13 percent in the metro area than a year ago.
- Foreclosures continued to increase this quarter to 813, a 9 percent increase from the previous quarter and a 20 percent increase from a year ago. As reference, county-wide foreclosures [including Minneapolis] increased by over 51% during this same period (see Hennepin County Sheriff's website at <http://www4.co.hennepin.mn.us/webforeclosure/>)
- The number of condemned, boarded and vacant buildings in the city rose nearly 18 percent since last quarter and almost doubled from a year ago.
- The office vacancy rate in the Minneapolis central business district (CBD) was at 14.1 percent, essentially unchanged from a year ago. The average asking lease price per square foot was slightly higher than in the first quarter.

Residential vacancy rates & average apartment rent

The Minneapolis vacancy rate for multifamily rental housing was 3.6 percent, down from 4.3 percent last quarter and from 3.8 percent a year ago.

In the metropolitan area, the vacancy rate was 3.9 percent, a decrease from 4.2 percent last quarter and 4.4 percent 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 housing market, demand for rental units is increasing as homeownership costs are increasing. Developers have responded to demand by building more apartment buildings and fewer condominiums. But in the first quarter we saw more apartment buildings being remodeled and improved and less new construction.

* For conversion factors, see page 41.

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

	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis					
Units surveyed	15,356	15,160	15,260	15,175	14,989
Vacant units	585	512	423	657	541
Average rent	\$ 844	\$ 855	\$ 868	\$ 876	\$ 892
Vacancy rate	3.8%	3.4%	2.8%	4.3%	3.6%
Metro area					
Units surveyed	116,767	116,429	116,686	113,113	111,233
Vacant units	5,161	4,522	4,238	4,765	4,284
Average rent	\$ 876	\$ 883	\$ 890	\$ 899	\$ 908
Vacancy rate	4.4%	3.9%	3.6%	4.2%	3.9%

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**
Minneapolis & Metro



Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

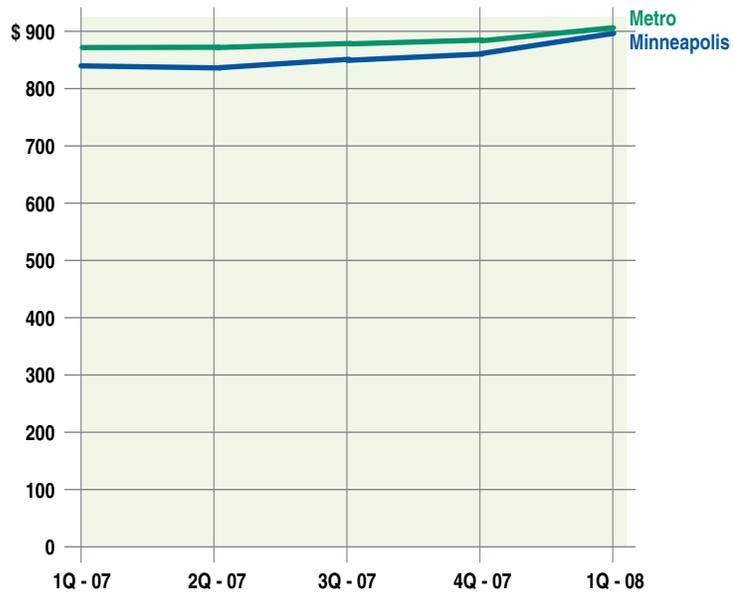
Residential vacancy rates & average apartment rent

In Minneapolis the average rent was \$892, \$19 lower in inflation-adjusted dollars* than last quarter. It was \$31 more in inflation-adjusted dollars* than a year ago. In the metro area average rent was \$908, a decrease of \$27 in inflation-adjusted dollars*. Since one year ago, the metro area rent increased by \$14.

Two areas in Minneapolis had below-average vacancy rates: the Southeast/University of Minnesota area and south Minneapolis. Three areas had above-average vacancy rates: north Minneapolis, downtown and east Minneapolis. In east Minneapolis the average vacancy rate rose to an unusual 18.3 percent at the end of 2007 as a result of a new apartment building that was filling up very slowly, but during the first quarter the vacancy rate in the area fell to 13.1 percent. The Southeast/University of Minnesota area traditionally has a very low vacancy rate, with a large student housing supply and vacancies tending to fluctuate with the student population. In the winter months, vacancies tend to decrease. In north Minneapolis, which has a very high vacancy rate, the market for apartments is small because the neighborhoods in the area are mainly composed of single-family homes. Still, the vacancy rate there was lower this quarter than a year ago. 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 and lower than last quarter.

* For conversion factors, see page 41.

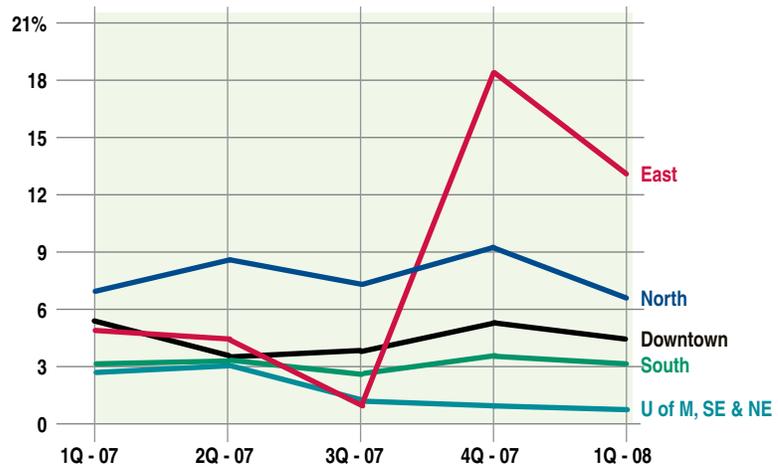
Figure 11: **AVERAGE APARTMENT RENT**
in current dollars



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



Minneapolis sectors	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Downtown	5.2%	3.3%	3.6%	5.0%	4.5%
South	3.1%	3.2%	2.8%	3.4%	3.1%
North	7.0%	8.4%	7.6%	9.1%	6.7%
East	4.8%	4.4%	2.1%	18.3%	13.1%
U of M, Southeast & Northeast	2.8%	3.0%	1.4%	1.2%	1.0%

Source: GVA Marquette Advisors

* For sector definitions, see page 40

Recorded data for the last month of the quarter

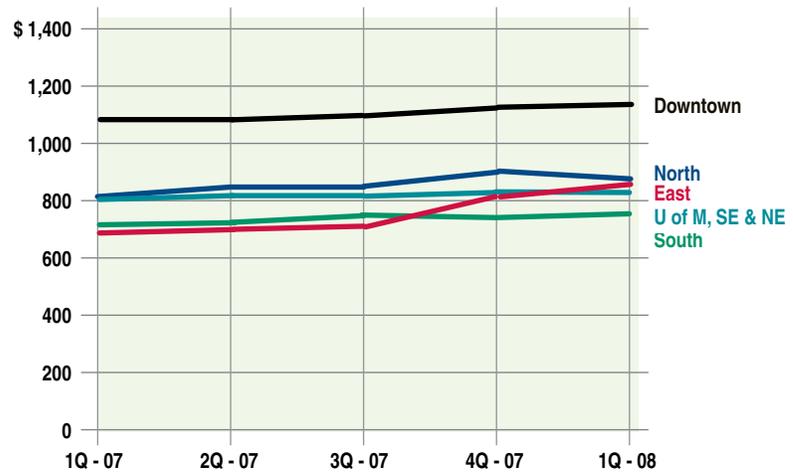
Residential vacancy rates & average apartment rent

Downtown continues to command the highest average rent in Minneapolis, rising steadily in the last five quarters. In inflation-adjusted dollars it increased by 2.6 percent from a year ago, but declined by 2 percent in the last quarter.

In all sectors of the city, average rent increased in current dollars and in inflation-adjusted dollars* from a year ago. But in every sector except east Minneapolis, the average rent decreased in the last quarter of the year in inflation-adjusted dollars. In the east, a sector with high vacancies because of a new apartment complex, the average rent increased by \$142 in inflation-adjusted dollars since last year but only by \$8 since the fourth quarter.

* For conversion factors, see page 40.

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



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Downtown	\$ 1,093	\$ 1,094	\$ 1,100	\$ 1,123	\$ 1,144
South	732	737	756	750	769
North	809	847	844	888	864
East	700	715	721	815	856
U of M, Southeast & Northeast	806	813	818	817	825

Source: GVA Marquette Advisors

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

* For sector definition, see page 40.

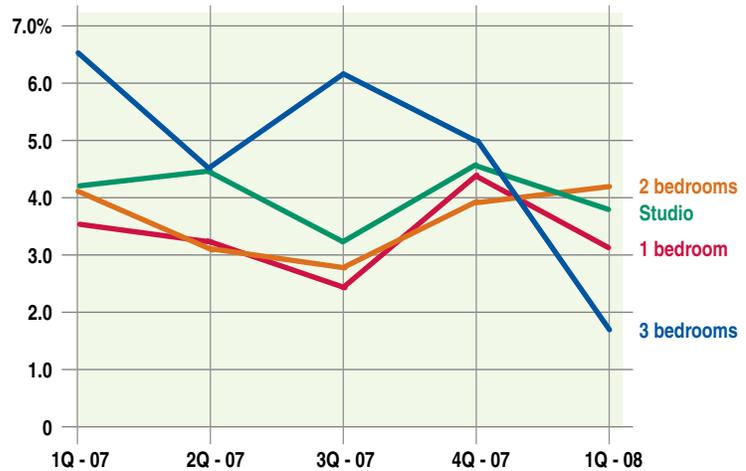
Residential vacancy rates & average apartment rent

Three-bedroom, one-bedroom and studio apartments had lower vacancy rates than the city's average, while two-bedrooms had the highest vacancy rates. All apartment types, except two-bedrooms, had lower vacancy rates than a year ago and last quarter. Rates for two-bedrooms were stable. Vacancy rates for two-bedrooms increased since the last quarter of the year.

Reflecting increasing demand, average rent for all apartment types increased since both last year and last quarter, except for two-bedroom apartments. They rose also in inflation-adjusted dollars from last year, but in the last quarter of the year, rent did not keep up with inflation.

* For conversion factors, see page 40.

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

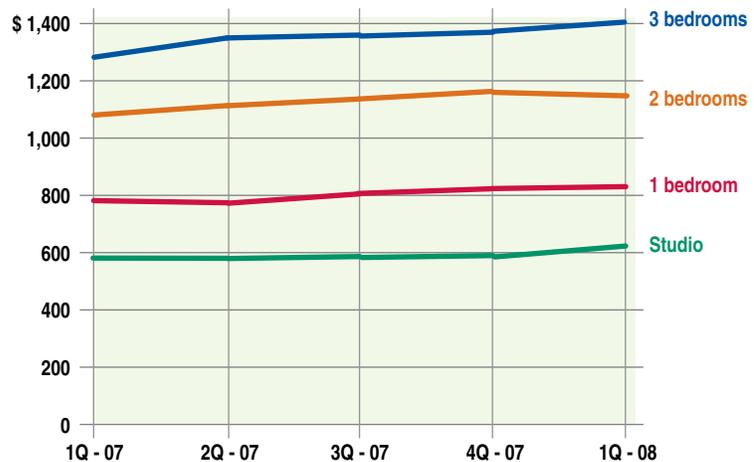


	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Studio	4.3%	4.5%	3.2%	4.6%	3.8%
One bedroom	3.5%	3.2%	2.5%	4.4%	3.2%
Two bedrooms	4.2%	3.1%	2.8%	3.9%	4.2%
Three bedrooms	6.5%	4.5%	6.2%	5.0%	1.7%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

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



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Studio	\$ 589	\$ 587	\$594	\$ 597	\$ 617
One bedroom	785	789	801	809	823
Two bedrooms	1,092	1,124	1,140	1,162	1,158
Three bedrooms	1,308	1,371	1,373	1,382	1,407

Source: GVA Marquette Advisors

Not adjusted for inflation

Recorded data for the last month of the quarter

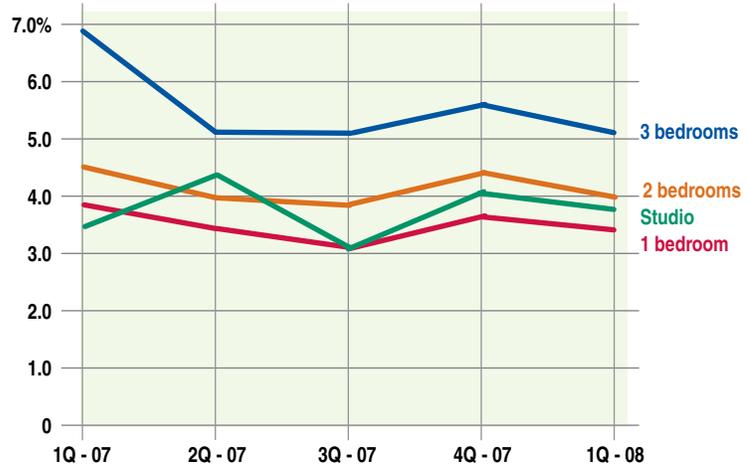
Residential vacancy rates & average apartment rent

In the metro area two and three-bedroom apartments had higher vacancy rates than studios and one-bedroom units. But demand kept vacancies for all apartment types lower than last year and last quarter.

Rent in the metro area increased since a year ago for all apartment types except the largest units. It increased the most in inflation-adjusted dollars – by \$18 – for studio apartments *. Average rent in inflation-adjusted dollars for all apartment types in the metro area decreased since last quarter as much as \$57 dollars for three-bedroom apartments and as little as \$18 for studios*.

* For conversion factors, see page 40.

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

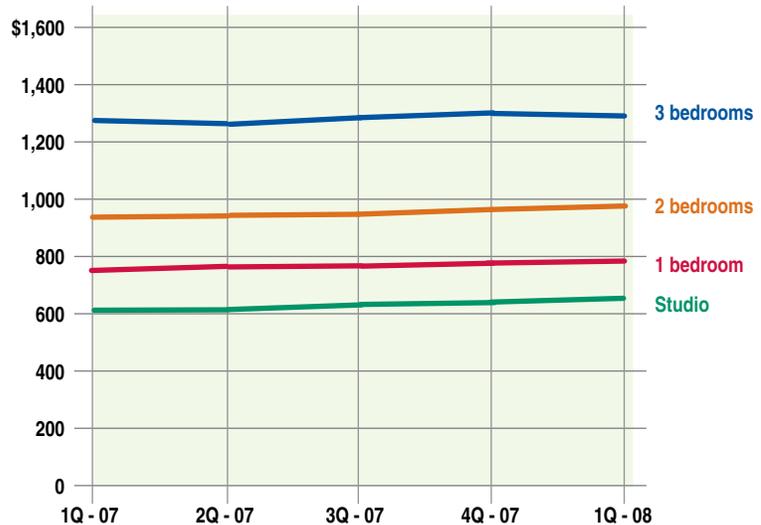


	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Studio	3.4%	4.4%	3.2%	4.1%	3.8%
One bedroom	3.8%	3.5%	3.2%	3.7%	3.4%
Two bedrooms	4.6%	4.0%	3.8%	4.4%	4.0%
Three bedrooms	6.9%	5.1%	5.1%	5.6%	5.1%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

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



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Studio	\$605	\$613	\$624	\$628	\$635
One bedroom	\$757	\$763	\$768	\$778	\$786
Two bedrooms	\$949	\$958	\$969	\$976	\$984
Three bedrooms	\$1,251	\$1,253	\$1,268	\$1,285	\$1,279

Source: GVA Marquette Advisors

Not adjusted for inflation

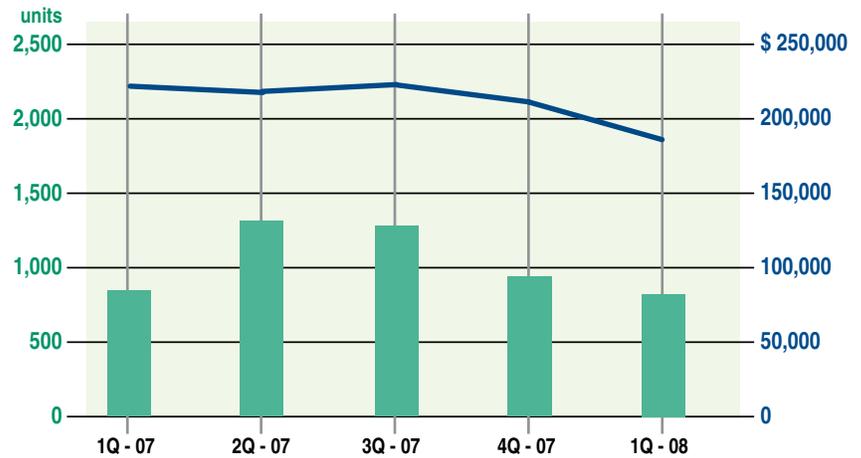
Recorded data for the last month of the quarter

Residential sales

Housing sales continued a declining trend since the third quarter of 2007 in the city and the metro area. In Minneapolis the number of housing units sold in the first quarter of 2008 was 6.3 percent lower than a year earlier and 37.3 percent lower than the second quarter of 2007, when sales were very high. It was the lowest number of quarterly sales in the city this decade. The median price was about 17 percent lower than a year ago and 15 percent lower than the fourth quarter. With foreclosures increasing throughout the region, (see Page 45), median sale prices fell below \$200,000 for both the city and the metro area.

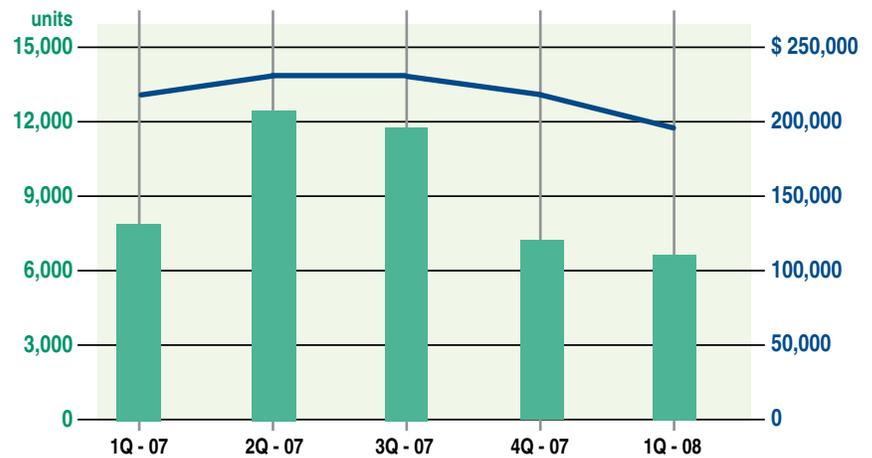
In the metro area, the number of units sold decreased by 7.6 percent since last quarter and by 15.2 percent since a year ago. Meanwhile, the median sale price was 9.7 percent lower than last quarter and 12.8 percent lower than a year ago.

Figure 18: **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)

* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For the metro area definition, see page 40.

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

	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis					
Units	872	1,303	1,270	911	817
Median sale price	\$ 222,000	\$ 219,000	\$ 223,000	\$ 212,000	\$ 183,654
Metro					
Units	7,883	12,161	11,811	7,237	6,685
Median sale price	\$ 223,750	\$ 229,700	\$ 230,000	\$ 216,000	\$ 195,000

Source: Minneapolis Area Association of Realtors (MAAR)

Not adjusted for inflation

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

* 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 27.

Foreclosure sales

During the first quarter of 2008, 813 properties were sold at public auction because of their owners' failure to pay mortgages or other contractual property fees (mostly mortgages). This is a 9.4-percent increase since the previous quarter and a 20 percent increase since a year ago. Wards 3, 4, 5 and 9 accounted for about 65 percent of the total foreclosure sales in the city.

MAP 5: FORECLOSURE SALES – 1Q-08
by wards

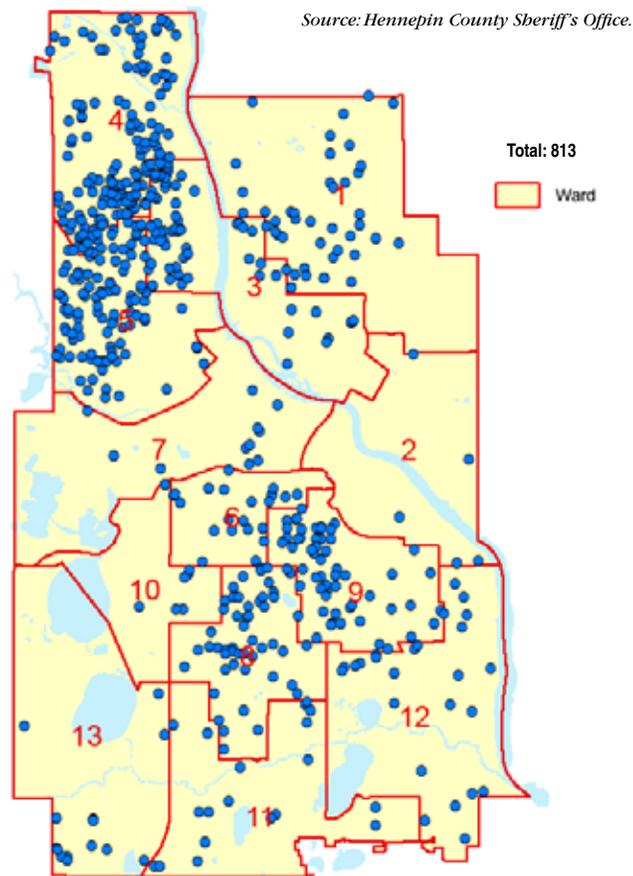


Table 9: FORECLOSURE SALES
by wards

Ward	1Q-07		2Q-07		3Q-07		4Q-07		1Q-08	
	#	%	#	%	#	%	#	%	#	%
1	45	6.6	34	5.3	53	6.4	44	5.9	65	8.0
2	3	0.4	6	0.9	7	0.8	4	0.5	7	0.9
3	92	13.6	88	13.7	102	12.3	81	10.9	91	11.2
4	177	26.1	139	21.6	189	22.7	186	25.0	195	24.0
5	144	21.2	151	23.5	158	19.0	140	18.8	159	19.6
6	14	2.1	16	2.5	29	3.5	30	4.0	33	4.1
7	27	4.0	18	2.8	20	2.4	19	2.6	16	2.0
8	53	7.8	63	9.8	100	12.0	64	8.6	72	8.9
9	47	6.9	43	6.7	67	8.1	73	9.8	83	10.2
10	12	1.8	17	2.6	26	3.1	25	3.4	14	1.7
11	24	3.5	27	4.2	31	3.7	21	2.8	26	3.2
12	27	4.0	30	4.7	36	4.3	43	5.8	31	3.8
13	13	1.9	11	1.7	13	1.6	13	1.7	21	2.6
Total	678	100.0	643	100.0	831	100.0	743	100.0	813	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/>.

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings counted in the city rose almost 18 percent since last quarter and almost doubled since a year ago. Part of this increase is the result of better data collection and part is due to aggressive policies in the city to contain deterioration in the city's neighborhoods. A large increase is shown for buildings that are vacant but not condemned — buildings with some code violations but no major problems. However, the number of boarded and condemned buildings, which are deemed uninhabitable and made up the majority of the group, more than doubled since last year.

These buildings are located mainly in northwest Minneapolis and the city's south-central area. Their locations follow similar patterns as the foreclosures shown in the map on [page 32](#).

Map 6: **CONDEMNED AND VACANT BUILDINGS** – 1Q-08
as of March 31, 2008

Source: City of Minneapolis Regulatory Services

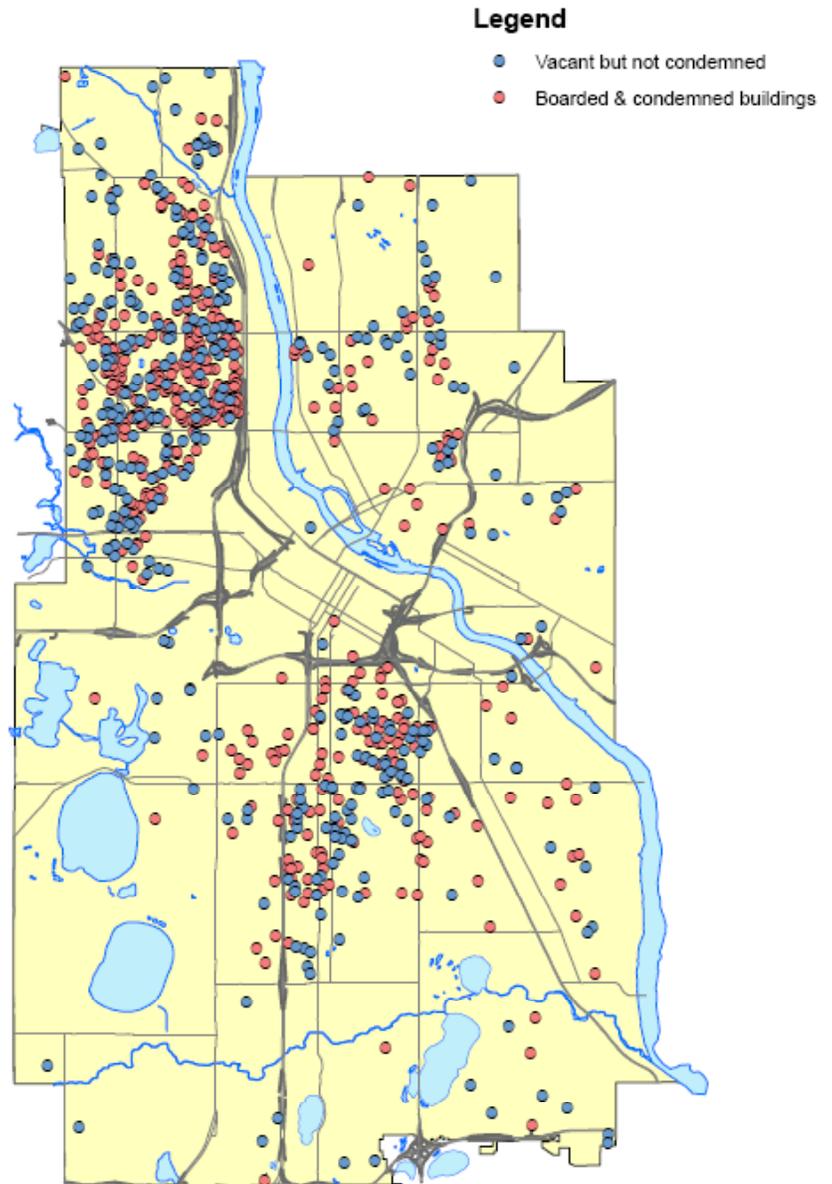


Table 10: **CONDEMNED AND VACANT BUILDINGS**

	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Boarded and condemned buildings	296	333	414	484	547
Vacant but not condemned	166	201	256	285	360
Total	462	534	670	769	907

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

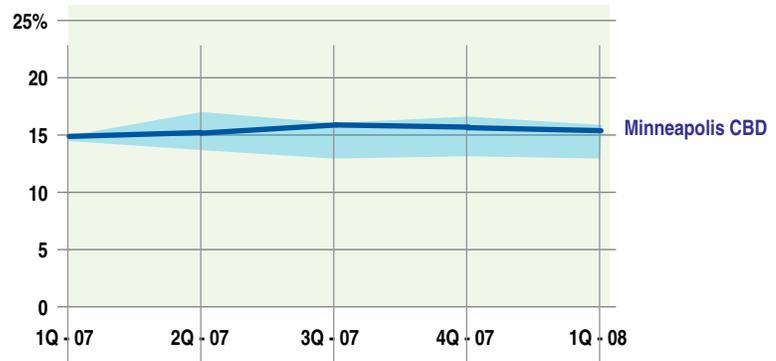
The graphs show variation in vacancy rates reported by four different firms: CB Richard Ellis, United Properties, Colliers and Welsh, with CB Richard Ellis as the benchmark.¹ Differences in definitions and differences in the number, frequency, and geographical location of buildings included in the surveys account for variations in reporting. However, they all support the trend of a slight decline in office vacancies in the metro area and of a flat or slightly declining office vacancy rate in the Minneapolis central business district.

Data from CB Richard Ellis show that the vacancy rate for office space in the Minneapolis CBD has been almost flat in the last five quarters. Since the second quarter of 2007, the square footage of available space has not changed. The average vacancy rate in the metro area also was flat since the second quarter last year, but it is slightly lower (0.3 percent) than the first quarter of 2007.

¹ We are using data from CB Richard Ellis as a benchmark for continuity with past Minneapolis Trends reports and displaying high (H) and low (L) estimates against the original CB Richard Ellis values for the same period.

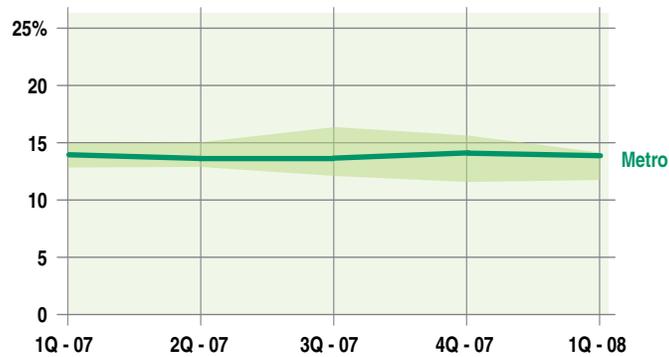
Note: Beginning with this edition of "Minneapolis Trends," CPED will track office and retail data from several commercial market firms and display the "high" and "low" marks against the estimate from CB Richard Ellis which we will continue to use as our baseline.

Figure 20: **OFFICE VACANCY RATE – Minneapolis CBD**



Sources: CB Richard Ellis, Colliers, United Properties and 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.

Figure 21: **OFFICE VACANCY RATE – Metro**



Sources: CB Richard Ellis, Colliers, United Properties and 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-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis CBD	14.0%	14.1%	14.3%	14.2%	14.1%
Metro	14.1%	13.6%	13.6%	13.8%	13.7%

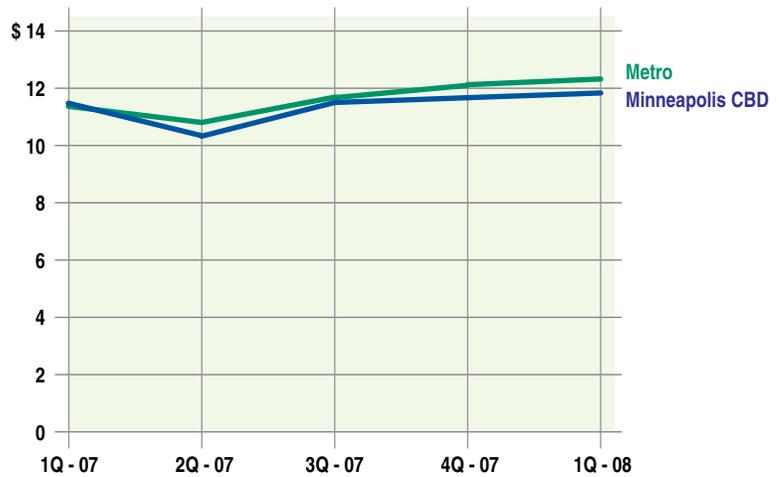
Sources: CB Richard Ellis, Colliers, United Properties and Welsh
Class A, B and C office buildings 10,000 square feet and larger

Office space

The average asking lease rates in the Minneapolis central business district (CBD) are similar to the first quarter of last year, increasing slightly – by only \$0.43 per square feet. The rates remained lower than in the metro area where asking prices in the first quarter were \$0.25 higher than in the Minneapolis CBD. Asking prices were \$0.75 higher in the metro area than in the same period last year.

This quarter, the occupied office space (available rentable area minus the vacancy rate) in Minneapolis' central business district increased again, and growth was the same as in the first quarter last year. There was slightly less available rentable space than last year. Occupied space grew because there was available vacant space in the market, but no new construction. In the metro area, occupied office space declined this quarter because of new developments in the market.

Figure 22: **OFFICE AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis CBD	\$11.47	\$10.35	\$11.56	\$11.69	\$11.90
Metro	\$11.40	\$10.86	\$11.70	\$12.07	\$12.15

Source: CB Richard Ellis

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

Figure 23: **OCCUPIED OFFICE SPACE – rate of growth**
in percent



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis CBD	0.17%	-0.21%	-0.21%	0.08%	0.17%
Metro area	0.03%	-0.54%	0.20%	0.32%	-0.05%

Source: CB Richard Ellis

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

Retail space

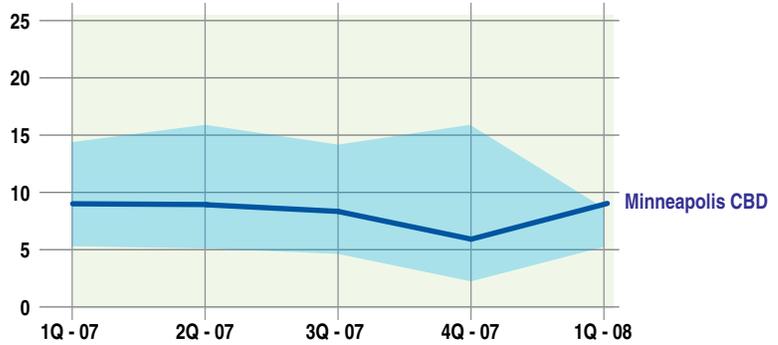
Variations in retail vacancy rates reported by the four commercial firms (CB Richard Ellis, Colliers, United Properties and Welsh) are more evident than in the case of office vacancy rates. These variations result not only from the factors already pointed out for office vacancies but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

According to CB Richard Ellis data, the retail vacancy rate in the Minneapolis central business district increased significantly since last quarter and since a year ago to 9 percent. Supporting the data, several high-profile retailers left downtown or closed at the beginning of the year including Borders, Crate and Barrel and Badiners Jewelry.

The vacancy rate in the metro area increased also, ending at 6.2 percent, well below the CBD's rate, and below the level of the first quarter 2007.

Note: Beginning with this edition of "Minneapolis Trends," CPED will track data from several commercial market firms.

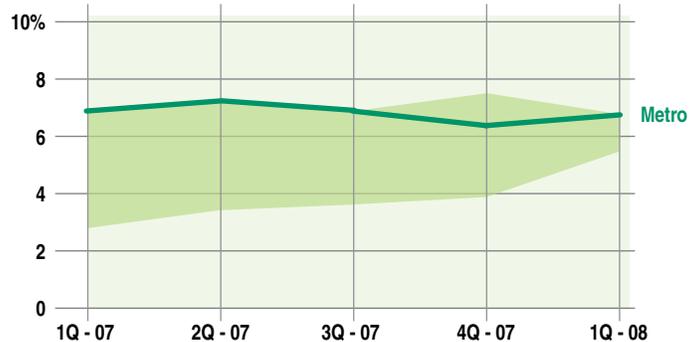
Figure 24: **RETAIL VACANCY RATE – Minneapolis CBD**



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.

Figure 25: **RETAIL VACANCY RATE – Metro**



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-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis CBD	8.9%	8.7%	8.5%	5.7%	9.0%
Metro	6.4%	6.7%	6.4%	5.9%	6.2%

Source: CB Richard Ellis

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

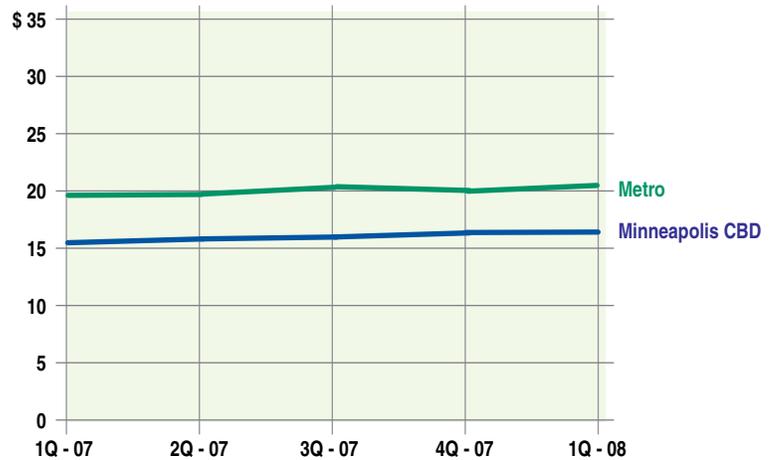
Retail space

In the Minneapolis central business district, the average asking lease price rose from \$15.33 per square foot a year ago to \$16.07 this quarter – an increase of 5 percent since last year. In the metropolitan area, the price had only very small variations and was mainly stable since last year.

Occupied retail space and its growth rate decreased sharply in the Minneapolis central business district (CBD) in the first quarter of the year. There was no new added space; the fall in occupied space growth was simply the result of a lot of vacant space.

The drop in retail growth was very much affected by a consumer spending decline in the Minneapolis CBD and the rest of the metro area. The rate of growth fell sharply from an increase to an actual decline. Available space increased in the metro area throughout the year. In the fourth quarter, the square footage of vacant space was almost insignificant, but in the first quarter it increased sharply and landed slightly below the level of the previous year. As a result, the rate of growth of occupied space fell since last year in the Minneapolis CBD.

Figure 26: **RETAIL – AVERAGE ASKING LEASE RATE**
in dollars per square foot per year

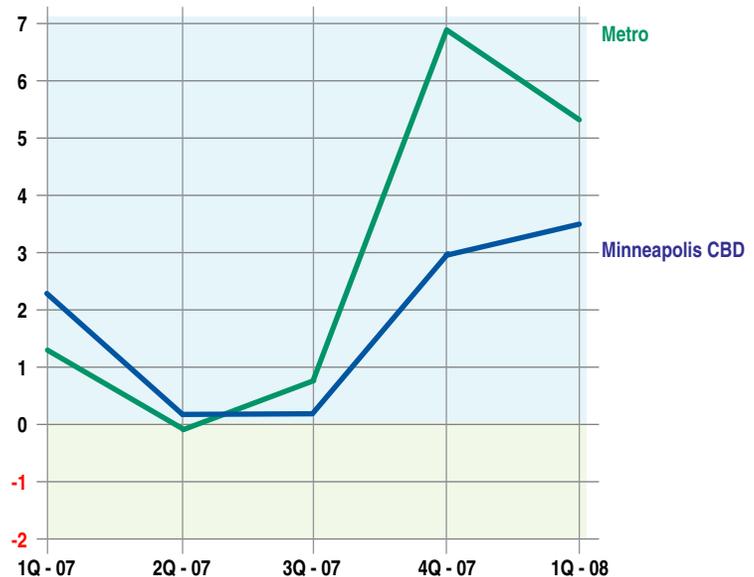


	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis CBD	\$15.33	\$15.76	\$15.92	\$16.07	\$16.07
Metro	\$19.89	\$19.81	\$20.25	\$20.04	\$20.21

Source: CB Richard Ellis

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

Figure 27: **OCCUPIED RETAIL SPACE – rate of growth**
in percent



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis CBD	2.3%	0.2%	0.2%	3.0%	3.5%
Metro	1.3%	0.1%	0.7%	6.8%	5.4%

Source: CB Richard Ellis

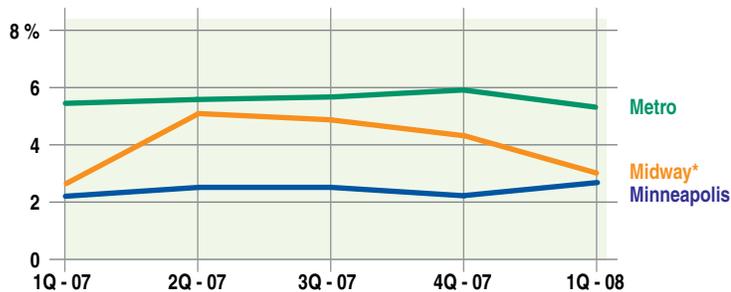
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space vacancy rate increased in the industrial areas of Minneapolis since a year ago, and it was also higher than last quarter. However, since the second quarter, it has been decreasing in Midway. It also decreased in the metro area since the fourth quarter. All areas show a rate above last year's.

The average asking lease rate for industrial space in Minneapolis, Midway and the metro area were higher than a year ago but lower than last quarter. In Midway, the average asking lease rate has been increasing steadily in the last five quarters. In the metro area, asking prices for industrial space were 2.7 percent higher than a year ago and slightly higher than last quarter.

Figure 28: **INDUSTRIAL VACANCY RATE**



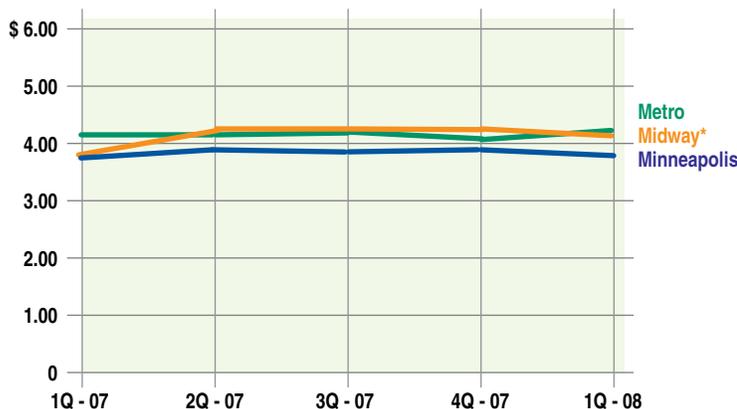
	1Q-07	2Q-07	3Q-06	4Q-06	1Q-08
Minneapolis	2.2%	2.4%	2.4%	2.2%	2.7%
Midway	2.5%	5.1%	4.9%	4.3%	3.1%
Metro	5.4%	5.6%	5.7%	5.9%	5.5%

Source: CB Richard Ellis

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

* Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Figure 29: **INDUSTRIAL - AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08
Minneapolis	\$ 3.78	\$ 3.89	\$ 3.82	\$ 3.91	\$ 3.72
Midway	3.80	4.17	4.18	4.22	4.24
Metro	4.15	4.14	4.16	4.11	4.26

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 includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

In the previous quarter, Midway and the metro area increased their occupied industrial space. With more rentable area and less vacant space, the Midway rate of growth in occupied space was quite high. The metro area increased occupied space steadily. After adding rentable space for the last four quarters, vacant space fell by about 7 percent in the first quarter. Growth in the Minneapolis submarket was negative since last quarter (occupied space actually declined). Growth in the metro and the Midway submarket was propelled by demand in bulk warehouses.

Figure 30: **OCCUPIED INDUSTRIAL SPACE** – rate of growth in percent



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

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).
- **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 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) 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.
- **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 first quarter of 2008, dollars have been converted with an index of 1.020125, the result of the relation between the CPI for March 2008 (199.264) and the CPI for March 2007 (195.333). For the period from the fourth quarter of 2007 to the first quarter of 2008, the index is 1.040000, obtained by dividing 199.264 (March '08) by 195.374 (December '07).



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