Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

fourth quarter 2011

Highlights for the fourth quarter of 2011

	4Q-11	change from 3Q-11	change from 4Q-10
Labor force	216,615 residents	▼	▲
Residents employed	204,682	▲	▲
Unemployment rate	5.5%	▼	▼
New residential permitted units	342 units	▲	▼
Permitted residential conversions, remodels and additions	121 buildings	▼	▲
	$ 47.5 million	▲	▲
Permitted non-residential conversions, remodels and additions	119 buildings	▼	▲
	$ 54.9 million	▼	▲
Residential units demolished	108 units	▲	▼
Rental vacancy rate	2.1 %	▲	▼
Average rent in inflation-adjusted dollars	$ 960	▼	▲
Residential units sold			
Traditional	597 units	▼	▲
Lender-mediated	424 units	▼	▲
Median sale price of residential units			
Traditional	$ 192,250	▼	▼
Lender-mediated	$ 84,000	▲	▼
Foreclosures	412	▲	▼
Condemned and vacant buildings	826	▲	▲
Minneapolis CBD office vacancy rate	17.0%	▲	▼
Minneapolis CBD retail vacancy rate	13.3%	—	▲

Highlights for the second quarter of 2011 – Jobs and wages

	2Q-11	1Q-11	2Q-10
Number of jobs	287,004 employees	▲	▲
Wages in inflation-adjusted dollars	$ 1,153	▼	▼

City of Minneapolis
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Minneapolis Trends

fourth quarter 2011

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- Employment was stable but labor force declined slightly, thus lowering the unemployment rate to 5.5 percent from 7 percent in the third quarter of the year. In comparison with the same quarter of 2010, about 2,900 more residents were working.
- As of second quarter 2011 there were 287,000 jobs in Minneapolis, about 6,900 more (2.5 percent) than the previous quarter, and about 5,300 more (1.9 percent) than the second quarter the previous year. Over the same 12-month period, the metro and state also added jobs, but at a slower pace.
- Average real wages for second quarter 2011 were almost 1 percent lower than a year before. Real wages in the metro area increased by nearly 1 percent and by 0.5 percent in the state.

Labor force

Data from DEED shows that the number of city residents who were employed was stable from last quarter. However, the labor force declined by 1.5 percent. As a result the unemployment rate decreased from 7 percent in third quarter to 5.5 percent in the last quarter this year. A comparison with the fourth quarter last year shows that about 2,900 additional residents were employed. Meanwhile the number of people in the labor force increased very slowly. The result was a one percent lower unemployment rate this quarter than in the same quarter last year.

Usually the unemployment rate decline in fourth quarter with the holiday season. This year's trend is comparable with the same quarter last year, but the unemployment rate was much lower, a signal of improving economic activity.

The same trend of stable employment and declining labor force took place in the metro area, lowering the unemployment rate from 6.7 to 5.3 percent, which was slightly lower than the city's. In the twelve-month period, the metro added nearly 21,600 jobs this quarter, with labor force increasing at a slow rate.

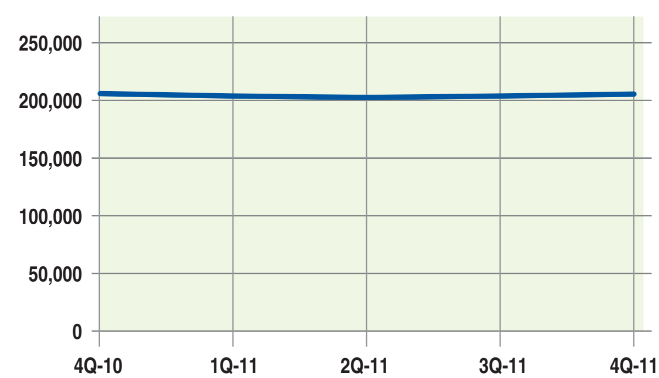
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis					
Labor Force	215,828	213,874	216,787	219,925	216,615
Employment	201,785	200,441	202,570	204,521	204,682
Unemployment rate	6.5%	6.3%	6.6%	7.0%	5.5%
Metro area					
Labor Force	1,605,992	1,597,620	1,611,196	1,632,436	1,608,862
Employment	1,502,029	1,492,024	1,507,635	1,522,401	1,523,594
Unemployment rate	6.5%	6.6%	6.4%	6.7%	5.3%

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

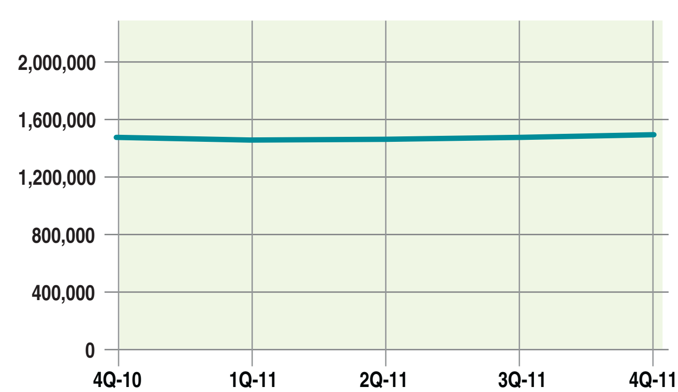
* For metro area definition, see page 13.

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis
not seasonally adjusted



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

Figure 2: **AVERAGE EMPLOYMENT** – Metro area*
not seasonally adjusted



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[1]

	2Q-2010	3Q-2010	4Q-2010	1Q-2011	2Q-2011	% change 2Q-10 to 2Q-11
Total, All Industries	281,732	282,260	283,532	280,133	287,004	1.9%
Construction	n/a	5,873	n/a	n/a	5,615	n/a
Manufacturing	14,020	14,412	14,164	13,445	13,638	-2.7%
Utilities	2,924	2,951	2,922	2,969	3,020	3.3%
Wholesale Trade	8,308	8,267	8,316	8,425	8,539	2.8%
Retail Trade	15,244	14,932	14,084	13,482	14,982	-1.7%
Transportation and Warehousing	7,305	7,203	7,436	7,204	7,051	-3.5%
Information	10,509	10,604	10,637	10,654	n/a	n/a
Finance and Insurance	26,742	26,875	27,122	27,597	27,883	4.3%
Real Estate and Rental and Leasing	5,898	5,812	5,969	6,406	6,474	9.8%
Professional and Technical Services	29,670	30,163	30,457	30,518	30,636	3.3%
Management of Companies and Enterprises	16,336	16,552	16,522	16,786	17,121	4.8%
Administrative and Waste Services	13,553	13,847	13,828	13,625	14,144	4.4%
Educational Services	29,211	27,777	30,571	30,005	29,705	1.7%
Health Care and Social Assistance	46,962	47,093	47,122	47,313	48,054	2.3%
Arts, Entertainment, and Recreation	5,943	5,825	5,464	4,842	5,589	-6.0%
Accommodation and Food Services	22,329	22,389	22,258	21,067	22,661	1.5%
Other Services, Ex. Public Admin	9,373	9,318	9,212	9,112	9,438	0.7%
Public Administration	11,805	12,251	11,680	11,485	11,652	-1.3%

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

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.

As of second quarter 2011, the number of jobs located in Minneapolis was about 287,000, an increase of 2.5 percent (about 6,900 jobs) from first quarter 2011. In comparison with the same quarter the previous year, the number of jobs increased by 1.9 percent (about 5,300 jobs).

12 month change – 2nd quarter 2010 to 2nd quarter 2011

On a year – to - year basis sectors that gained significant numbers of jobs were the following:

Sectors which gained the most net jobs:

- **Finance and Insurance** gained over **1,100 net jobs (4 percent growth)** mostly in securities and commodity contracts through financial and brokerage firms. Banks and other financial firms and funds also increased employment.
- **Health Care and Social Assistance** gained nearly **1,100 net jobs (2 percent growth)**, mainly in individual and family services and hospitals.
- **Professional and Technical Services** grew by almost **970 net jobs (3 percent)**, with large gains in jobs in advertising and in lesser degree in computer systems design, and architectural and engineering services.
- **Management of Companies** added almost **790 net jobs (5 percent)** because of strong job growth in corporate, subsidiary, and regional managing offices.
- To a lesser extent, the following activities also added jobs in the same period: **employment services; real estate property leasing; teaching of sports and recreation, and languages; restaurants; wholesale of motor vehicles and parts, and utility firms** in production, transmission and distribution of electricity.

Sectors which experienced job losses:

- **Manufacturing** lost about **380 net jobs (3 percent)**, in industries such as machinery, printing, medical equipment, sign manufacturing, furniture, and beverage and tobacco manufacturing.
- **Arts, entertainment and recreation** lost more than **350 net jobs (6 percent)**, with performing art companies sustaining a large part of the losses.
- **Retail** lost more than **260 net jobs (2 percent)**. General merchandise stores had steep decline in jobs, followed by sporting goods, hobby, books and music stores. Other stores also lost jobs including clothing stores, building material stores, and to a lesser degree, motor vehicle stores and non-store retailers.
- **Transportation and warehousing** lost more than **250 net jobs (3.5 percent)** with sharp losses in postal service jobs.
- **Government** lost more than **150 net jobs**. Except in activities of public safety and the administration of housing programs, most government subsectors lost jobs.

Quarter to quarter change - 1st quarter to 2nd quarter 2011

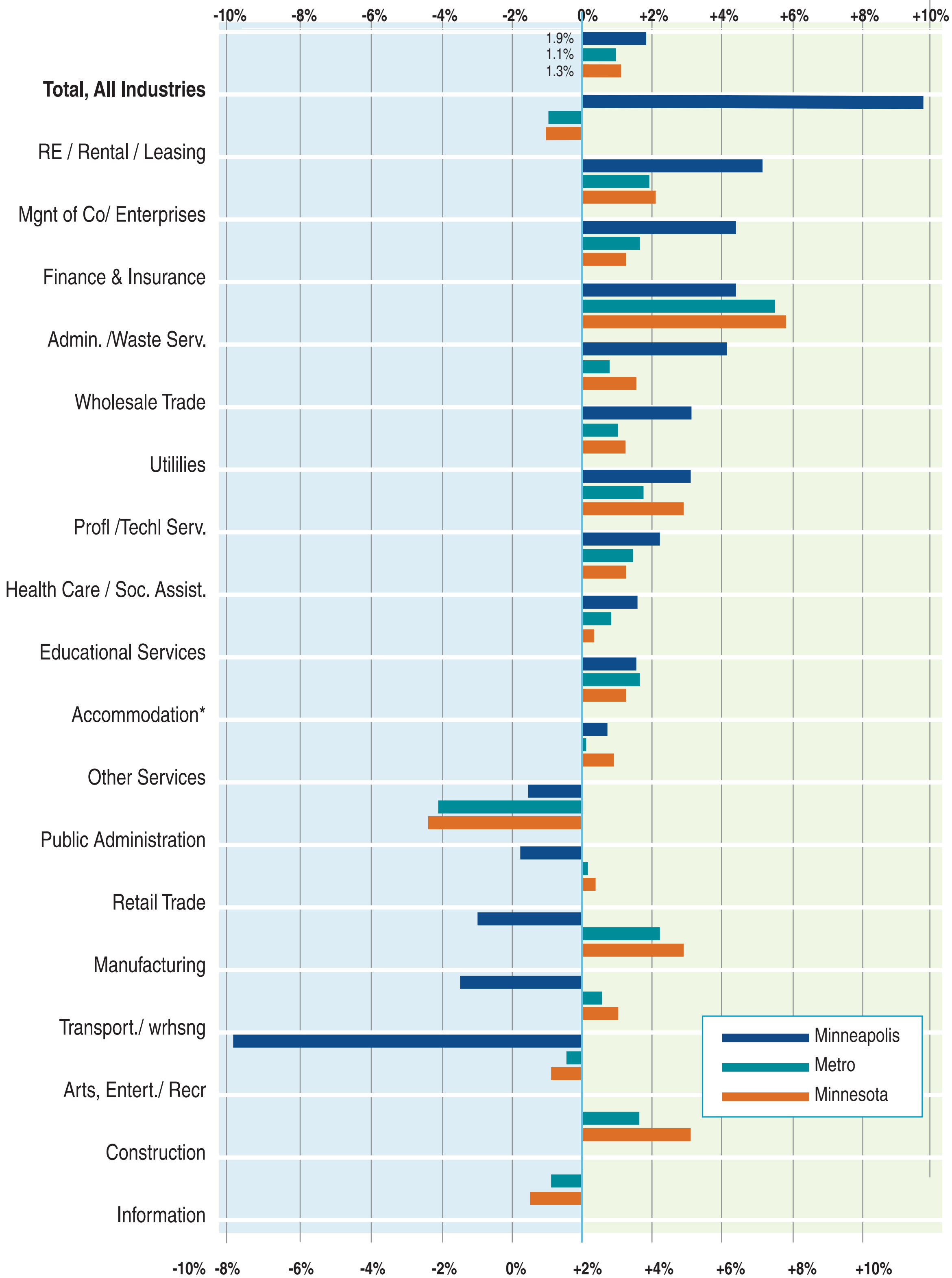
The following sectors increased the most:

- **Hotels and food services** gained almost **1,600 net jobs (8 percent)** across all subsectors including hotels, restaurants and drinking places.
- **Retail** gained **1,500 net jobs (11 percent)**, most of them in stores carrying special lines of merchandises, and building materials supply stores.
- **Arts, entertainment and recreation** added nearly **750 net jobs (15 percent)**, mostly in companies promoting performing arts, sports and other events. While performing arts companies lost employment, they could not offset gains in other subsectors.
- **Health care and social assistance** increased more than **750 net jobs (2 percent)**, mostly in individual and family services and hospitals.
- To a lesser extent the following sectors also added jobs from the previous quarter: **Administrative and waste services** (employment services); **management of companies** (corporate, subsidiary and regional managing); **other services** (social advocacy and parking lots and garages); **finance and insurance** (securities and commodity contracts and brokerage); **manufacturing** (metal products and food); **government** (public safety); **professional and technical services** (advertising and legal services); **wholesale** (durable goods and electronic markets); **real estate** (related activity and general rental centers), and **utilities**.

Only two sectors had net job decreases:

- **Education** lost **300 net jobs (-1 percent)**, mostly in elementary, secondary schools, colleges and universities.
- **Transportation and warehousing** lost about **150 net jobs (-2 percent)**, mostly because of sustained losses in the Postal Service.

Figure 3: **JOBS** –2Q-10 to 2Q-11
percentage change



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

Minneapolis industries are sorted from high to low

For metro area definition, see page 13

Jobs

As shown in Figure 3, the city, metro area, and state all gained jobs over the twelve-month period. The city's job base increased by 1.9 percent, more than the 1.1 percent increase in the metro area, and 1.3 percent increase in the state.

Of the sectors **posting growth** over this period, **real estate** was the fastest growing sector in the city at 10 percent. However, it declined in the metro area and the state.

Several sectors grew in the city faster than in either the metro or state: **Management of companies, finances, wholesale trade, utilities, professional and technical services, health care and social assistance**, and **education**. **Administrative services** grew in the city but at slower pace than either the metro or state. **Accommodation and food services** expanded in the city at the same rate as the metro area, but it was slower in the state.

Of the economic sectors **decreasing** jobs in the city, **public administration** decreased less in the city than the metro or state. On the other hand, **arts, entertainment and recreation** declined faster in the city than in the other two areas. **Transportation and warehousing, manufacturing**, and **retail** decreased in the city but grew in the metro area and the state.

The second quarter of the year is the latest period for which city data from the Quarterly Census of Employment and Wages (QCEW) is available. To give an idea of the **latest developments**, preliminary data from the Bureau of Labor Statistics (Current Economic Survey-CES) show that from July (beginning of the third quarter) to November 2011, the 13-county Minneapolis-St. Paul-Bloomington metro area gained 25,300 jobs. The area had a strong growth in the first six months of the year, but slowed down in the second half. Between January and June it grew 4.4 percent in comparison with 1.5 percent between July and November 2011.

Wages

The average weekly wage in Minneapolis in the second quarter of 2011 was $1,153, $27 more in nominal dollars from the previous year, but $7 lower in inflation-adjusted dollars.

Nine out of fifteen sectors increased their average weekly wages. The following sectors **increased average weekly real wages** the most **from a year earlier:**

- **Arts, entertainment and recreation (10 percent):** The increase in average weekly real wages was led by sport team promoters which increased their real wages by more than $170 or 35 percent. Museums and similar institutions also increased compensation but by less than 1 percent.
- **Education (4 percent):** Average weekly real wages for educational support services such as educational testing, counseling, and college selection grew by more than 20 percent in the year. Average weekly real wages for colleges, universities and professional schools increased by 9 percent.
- **Real estate and rental (2 percent):** average weekly real wages increased especially in the rental of equipment such as discs and videotapes, and automotive. Real average weekly wages in these two subsectors increased by 77 percent and 25 percent respectively.
- The following sectors also increased real wages but at a slower pace than the first group: **Health care and social assistance, professional and technical services, administrative and waste services, finance and insurance,** and **hotels and food services.**

The sectors that decreased year-to-year average weekly wage the most in inflation-adjusted dollars were:

- **Management of companies and enterprises (-12.5 percent)**: Average weekly wages declined in all subsectors.

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis[1]
in current dollars

	2Q-2010	3Q-2010	4Q-2010	1Q-2010	2Q-2011	% change 2Q-10 to 2Q-11
Total, All Industries	**$ 1,126**	**$ 1,093**	**$ 1,274**	**$ 1,260**	**$ 1,153**	**2.4%**
Construction	n/a	$ 1,068	n/a	n/a	$ 1,092	n/a
Manufacturing	$ 1,089	$ 1,083	$ 1,404	$ 1,130	$ 1,067	-2.0%
Utilities	$ 1,581	$ 1,566	$ 1,723	$ 2,366	$ 1,659	4.9%
Wholesale Trade	$ 1,203	$ 1,207	$ 1,365	$ 1,294	$ 1,226	1.9%
Retail Trade	$ 549	$ 520	$ 535	$ 478	$ 500	-8.9%
Transportation & Warehousing	$ 972	$ 910	$ 1,053	$ 895	$ 986	1.4%
Information	$ 1,267	$ 1,259	$ 1,515	$ 1,463	n/a	n/a
Finance & Insurance	$ 1,623	$ 1,578	$ 1,950	$ 3,093	$ 1,676	3.3%
Real Estate & Rental & Leasing	$ 1,228	$ 1,128	$ 1,428	$ 1,649	$ 1,296	5.5%
Professional and Technical Services	$ 1,635	$ 1,639	$ 2,157	$ 1,614	$ 1,693	3.5%
Management of Companies & Enterprises	$ 2,361	$ 1,558	$ 1,989	$ 1,765	$ 2,129	-9.8%
Administrative and Waste Services	$ 626	$ 631	$ 692	$ 677	$ 652	4.2%
Educational Services	$ 981	$ 1,124	$ 1,073	$ 971	$ 1,050	7.0%
Health Care & Social Assistance	$ 903	$ 924	$ 1,034	$ 888	$ 951	5.3%
Arts, Entertainment, & Recreation	$ 1,215	$ 1,431	$ 899	$ 882	$ 1,374	13.1%
Accommodation & Food Services	$ 359	$ 379	$ 393	$ 363	$ 372	3.6%
Other Services, Ex. Public Admin	$ 581	$ 612	$ 641	$ 591	$ 596	2.6%
Public Administration	$ 1,242	$ 1,161	$ 1,367	$ 1,166	$ 1,264	1.8%

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

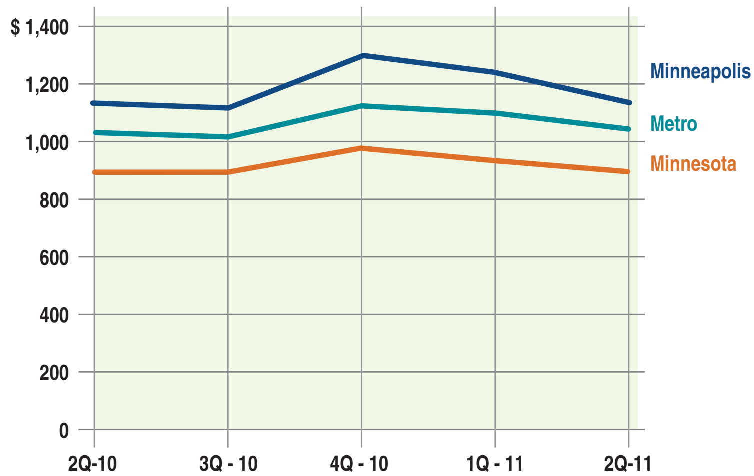
1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

- **Retail (-12 percent):** Most subsectors reduced average weekly real wages as much as 50 percent (general merchandise stores) and 1 percent (gasoline stations and sporting goods, hobby, books and music stores).
- **Manufacturing (5 percent):** Average weekly wages in this sector decreased as much as 19 percent (chemical manufacturing). Except for textile product mills which increased 2 percent, and plastic and rubber products which was stable, most industries declined their average weekly real wages.
- *Other sectors* also reducing average weekly real wages in the same period were: **Transportation and warehousing, public administration, wholesale, and services such as repair and maintenance, and grantmaking**.

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. Second-quarter wages in inflation-adjusted dollars decreased nearly 1 percent in Minneapolis from a year earlier, while the metro area and the state grew about 1 percent.

Figure 4: **AVERAGE WEEKLY WAGES** – 2Q-10 to 2Q-11
in inflation-adjusted dollars



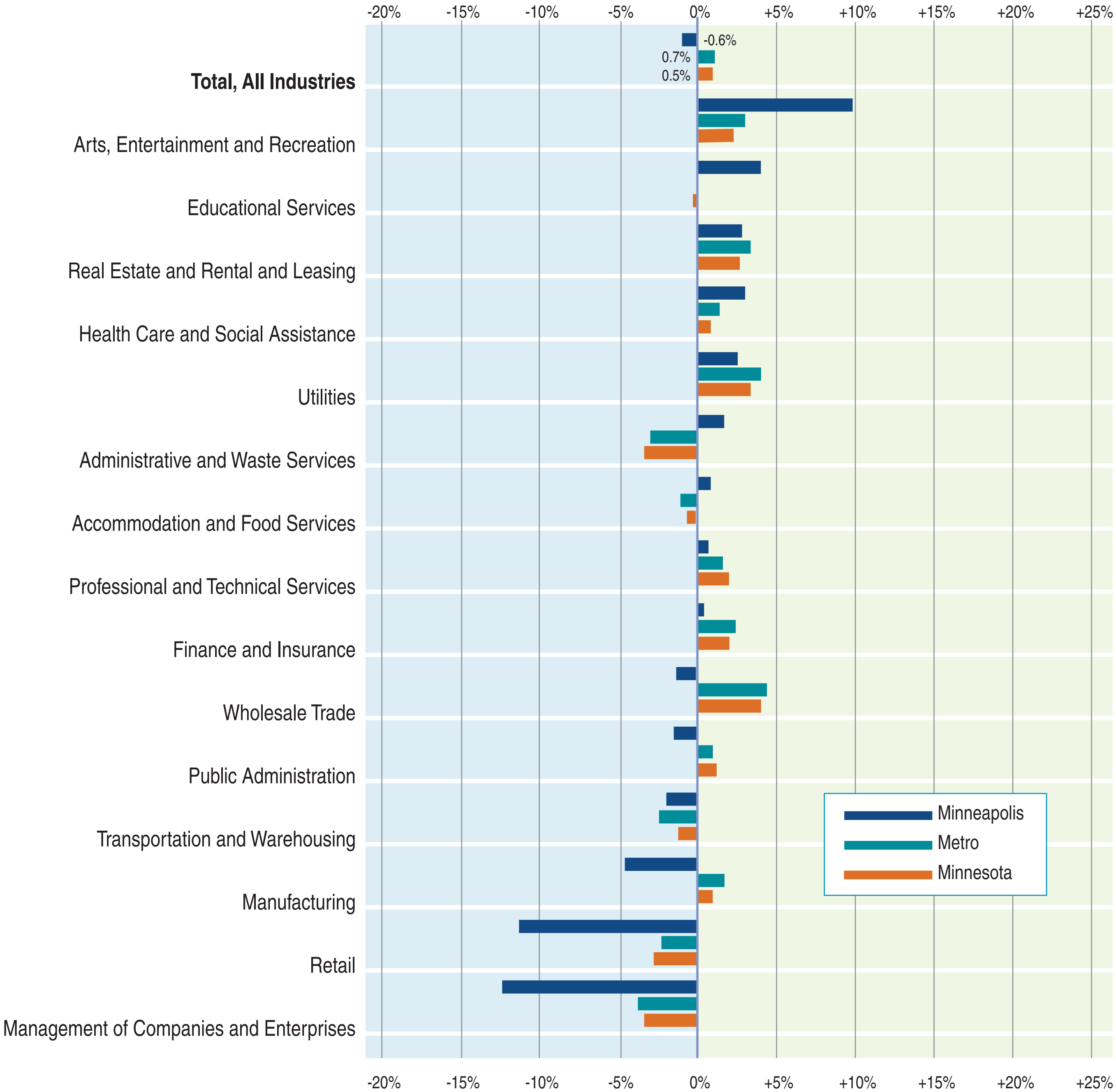
	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11	$ change 2Q-10 to 1Q-11	% change 2Q-10 to 1Q-11
Minneapolis	$ 1,160	$ 1,118	$ 1,303	$ 1,260	$ 1,153	$ (7)	-0.6%
Metro area	1,013	1,009	1,123	1,076	1,020	7	.7%
Minnesota	893	893	995	931	897	4	.5%

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

For conversion factors, see page 13

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 2Q-10 to 2Q-11
percent change in inflation-adjusted dollars*



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

* For for conversion factors, see page 13
Minneapolis industries are sorted from high to low.
For metro area definition, see page 13

Wages

The following sector's real wages grew in Minneapolis in comparison with the metro area and the state from second quarter 2010 to second quarter 2011:

- **Arts, entertainment and recreation**, and **health care and social assistance** grew average weekly real wages faster in the city than in the metro or the state. In the first sector wages increased nearly **10 percent** in comparison with almost 3 percent in the metro and 2 percent statewide. As pointed out on page 9, this increase was led by sport team promoters.
- In the **utilities sector**, real wages grew in the city at almost **2 percent**, a slower rate than in the metro and the state which increased more than 3 percent in the metro and nearly 3 percent in the state.
- In the **professional and technical services** and **finance and insurance sectors**, real wages increased slowly in the city. However, wages grew faster in the metro area and the state.
- In **education** real wages increased almost **3 percent** per week in the city, increased slowly in the metro area (0.1percent) and decreased slowly in the state (-0.2 percent).
- In **real estate and rental**, average wages per week increased in the city (**2 percent**), but increased more in the metro (3 percent), and were about the same in the state (2 percent).
- In two sectors, **administrative and waste services**, and **accommodation and food services**, average weekly wages grew in the city by about 1 percent each, but declined in the metro and estate.

Industries which experienced the steepest decline in real wages in Minneapolis in comparison with the metro area and the state included:

- **Management of companies**, and **retail** sustained a decline of real wages of **12.5** and **12 percent respectively** in the city, larger than any other sector. However, these sectors' wages decreased more slowly in the metro area and statewide.
- Wages in **manufacturing, public administration**, and **wholesale** declined in the city (about **5 percent** in the first sector and about **1 percent** in the other two), but grew in the metro area and the state.
- **Transportation and warehousing** average weekly wages decreased in all three geographies.

- **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. For complete definitions go to: http://www.bls.gov/opub/hom/pdf/homch1.pdf

- **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 http://www.census.gov/eos/www/naics/

- **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 first quarter of 2010, dollars have been converted with an index reflecting the CPI for the first half of 2011 and first half of 2010 with 2011 as a base year for Minneapolis and metro area, and the state. To look at the indexes go to: http://www.bls.gov/cpi/ then go to databases and to "All urban consumers (current series)."

Development indicators

- The number of new residential permitted units doubled this quarter in comparison with last quarter. For 2011 as a whole there were 616 new units permitted, compared to 878 in 2010.
- The number of new and converted units permitted in 2011 totaled 985 units, compared to 881 permitted in 2010. Of this total, CPED assisted at least 460 units.
- The number of individual remodeling projects was lower this quarter than last quarter. However, the total value of residential remodeling, conversion and addition projects costing $50,000 or more was over 40 percent higher than last quarter, reflecting the conversion of the Precision Building into residential/commercial mixed uses, and the Buzza Building into affordable housing apartment units. In comparison with fourth quarter of 2010, the value of residential remodels was more than 50 percent higher this quarter.
- Twenty-two commercial and residential projects costing at least $1 million were permitted this quarter, totaling $106.6 million. The largest single project was the Precision Building conversion into residential/commercial uses, and the second largest was Oaks Station Place, a new apartment building.

New construction

There were twice as many more new residential permitted units this quarter than last quarter, reflecting increases in multifamily units driven in part by the low rental vacancy rate in the last six quarters.

However, this quarter's volume was much lower than in the 2010 fourth quarter primarily because the number of multifamily permitted units fell by half. In the whole year 2011 the city permitted 567 new multifamily units compared with 837 built in 2010.

In the metro area construction expanded by 21 percent in comparison with third quarter, and was 7 percent higher than the 2010 fourth quarter. The increase was the result of new single-family units being built mainly in Hennepin, Anoka and Ramsey counties.

Construction of multifamily units increased steadily from the first quarter. However, this increase could not offset the large number of units permitted in fourth quarter 2010. These numbers do not reflect remodeling and conversion projects, which are discussed on page 18. Remodeling and conversion projects are reported separately from new building permits, and appear in Table 5 and Map 2.

Table 4: **NEW RESIDENTIAL UNITS PERMITTED**

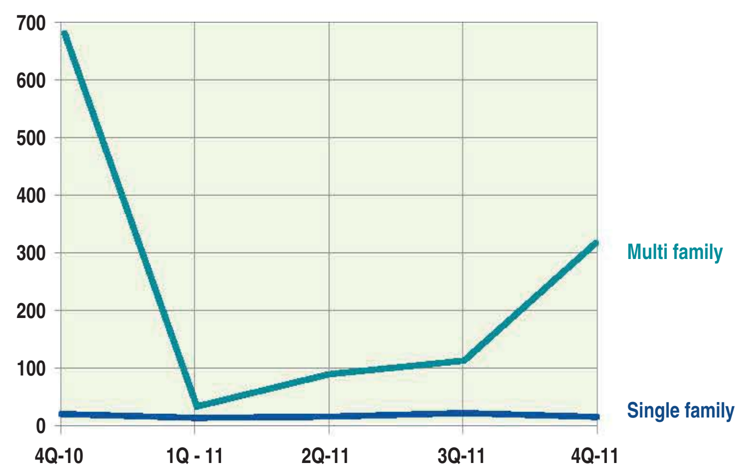
	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Single-family					
City	9	5	14	16	14
Metro area	699	518	894	963	851
Multifamily					
City	675	22	95	122	328
Metro area	786	30	268	362	722
Total Units					
City	684	27	109	138	342
Metro area*	1,485	548	1,162	1,325	1,573

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

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

For metro area definition, see page 13

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



Source: U.S. Census Bureau, and Minneapolis Regulatory Services

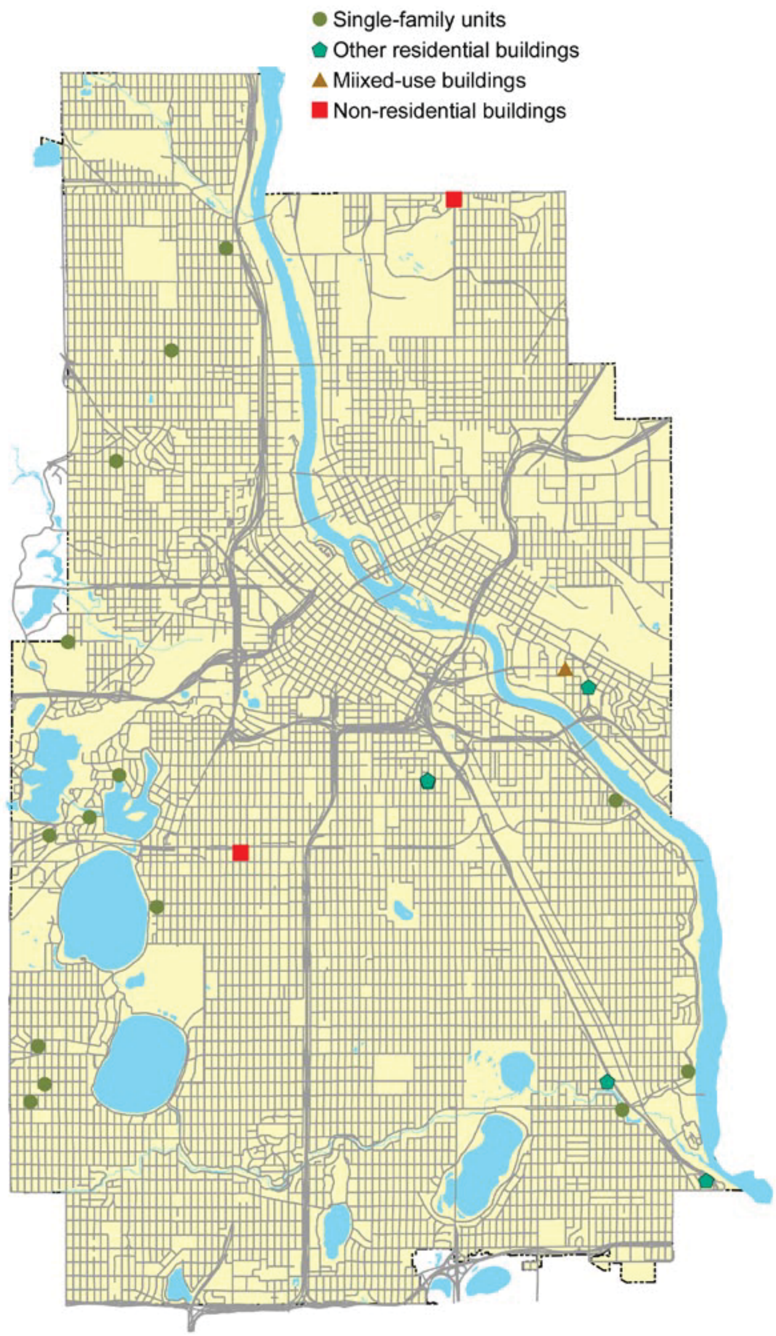
New construction

Five apartment buildings, totaling 328 units were permitted this quarter. A new mixed-use building with commercial space and 60 apartment units will be located on Oak St SE, in the place of the old Oak St Cinema recently demolished. As shown on Map 1, four projects will be located west of the Hiawatha light rail train line. Two of these projects, Bii Di Gain-Anwebi Elder Housing East and West, on Bloomington Ave, are located on the 2400 block, across the street from each other. These projects are listed on Table 6 – Major Construction Projects.

Two non-residential buildings were permitted: a repair garage at the north edge of the city on Central Ave, and a building for telephone equipment on Garfield Ave, near Lake St.

Map 1: **NEW CONSTRUCTION** – 4Q-11

Source: Minneapolis Regulatory Services



Cost of residential construction

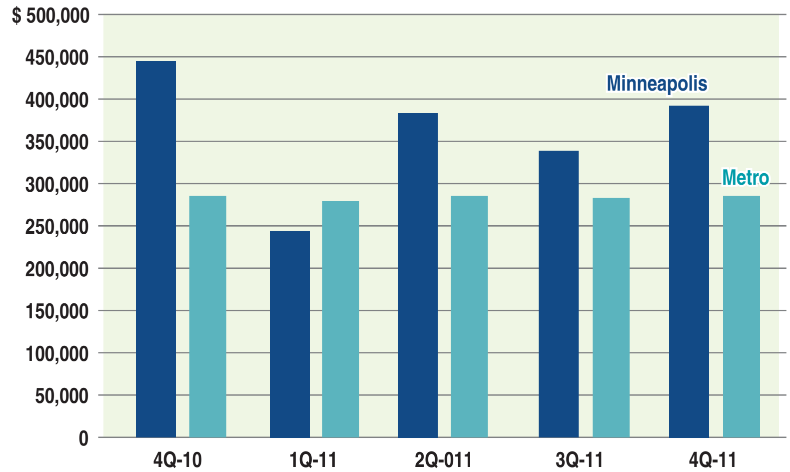
The fourteen new single-family homes permitted this quarter had estimated construction costs ranging from $170,000 to $800,000.

The average single-family construction cost rose by 15 percent this quarter in comparison and 5 percent in the metro area.

The construction of a few very expensive homes has kept the average value of single family homes in Minneapolis above the metro area.

This quarter the average construction cost of multifamily units increased in both the city and the metro area from last quarter, and from a year ago. It was about 30 percent higher from last quarter in the city and about 40 percent in the metro area. It was more than 35 percent higher in the city than the previous year, and more than 25 percent higher in the metro area compared to the same period. The average cost per unit in Minneapolis reflected new apartment buildings permitted in the last year which will cater to a higher income group of renters.

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

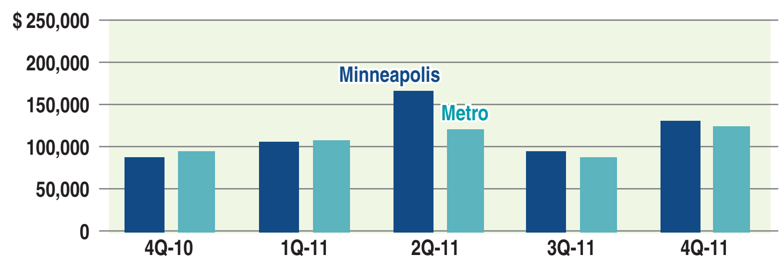


	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis	$ 443,300	$ 246,000	$ 388,400	$ 341,800	$ 392,700
Metro area	279,300	286,800	273,700	271,100	285,700

Source: U.S. Census Bureau

Table values are not adjusted for inflation
For metro area definition, see page 13

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



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis	$ 93,000	$ 107,600	$ 166,500	$ 98,600	$ 126,700
Metro area	96,300	111,900	119,600	86,500	121,000

Source: U.S. Census Bureau

Values in table are not adjusted for inflation
For metro area definition, see page 13

Conversions, remodels & additions

About 20 percent fewer **residential** remodeling, conversion and addition projects with a value of $50,000 or more were permitted this quarter, but their total value was more than 40 percent higher than last quarter. The increase in value was the result of the two building conversion projects that are planned to deliver 252 rental units to the market (see list of major projects on pages 21). In comparison with fourth quarter 2010, the number of projects increased by 21 percent and the change in total value for those projects was more than 50 percent higher.

At $54.9 million, overall projected cost of **non residential** construction was over 7 percent lower than last quarter, but 23 percent higher than fourth quarter 2010. The increase in value from the previous year reflected increases in the number of large projects (those of one million dollars and over) and smaller projects as well. HCMC and other medical facilities expanded and added improvements, a new skyway over 3rd Ave in Downtown was permitted, and the Hyatt Hotel and the Convention Center are remodeling their guest and meeting rooms.

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

	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Total Residential[1]					
Number of buildings	100	32	166	149	121
Total value	$ 30,591,900	$ 60,191,900	$ 25,334,100	$ 33,537,000	$ 47,453,100
Remodels					
Number of buildings	95	30	164	145	118
Value	$ 30,049,500	$ 59,858,900	$ 24,744,400	$ 20,322,000	$ 17,247,700
Conversions and additions[2]					
Number of buildings	5	2	2	4	3
Net number of units	-6	0	-2	120	251
Value	$542,400	$333,000	$589,800	$13,215,000	$30,205,300
Total non-residential[1]					
Number of buildings[3]	113	79	119	129	119
Value	$44,440,400	$56,508,100	$102,084,700	$59,285,600	$54,875,300

Source: Minneapolis Regulatory Services

1 Residential and non-residential building listings may include structural work, build-outs (other than new building 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

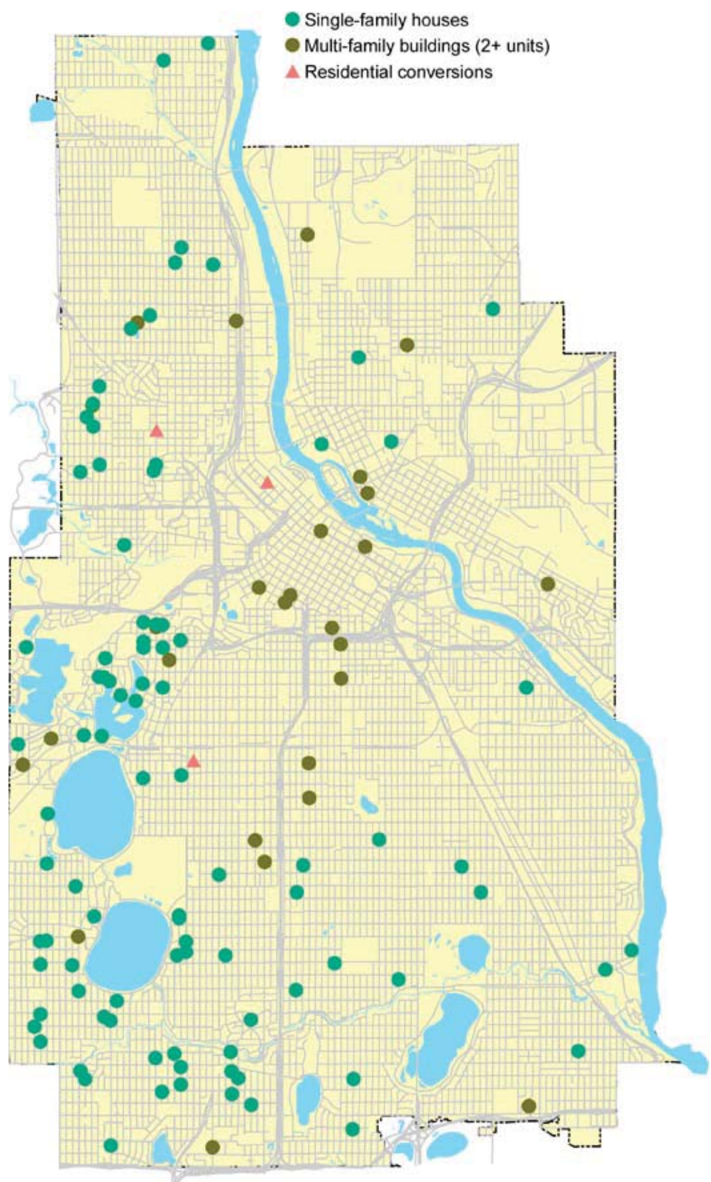
About 75 percent of residential buildings with remodeling permits were single-family dwellings. Map 2 shows that residential remodels and improvements continued to take place toward the western side of the city. It also shows that there are still many houses that were damaged by the tornado this summer being repaired in North Minneapolis.

Of the three building conversions, the Precision Building in the North Loop, housed Precision Associates, a company making rubber gaskets and seals. The building will be converted into 116 apartment units with commercial space. The other conversion, the Buzza Historical Lofts, used to be home to the Buzza Greeting Card Company which later was used by Minneapolis Public schools. Now it will be converted into 137 apartment units of affordable housing.

The third conversion permit was issued to a duplex to be converted into a single-family dwelling on West Lake St.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 4Q-11
projects $50,000 +

Source: Minneapolis Regulatory Services

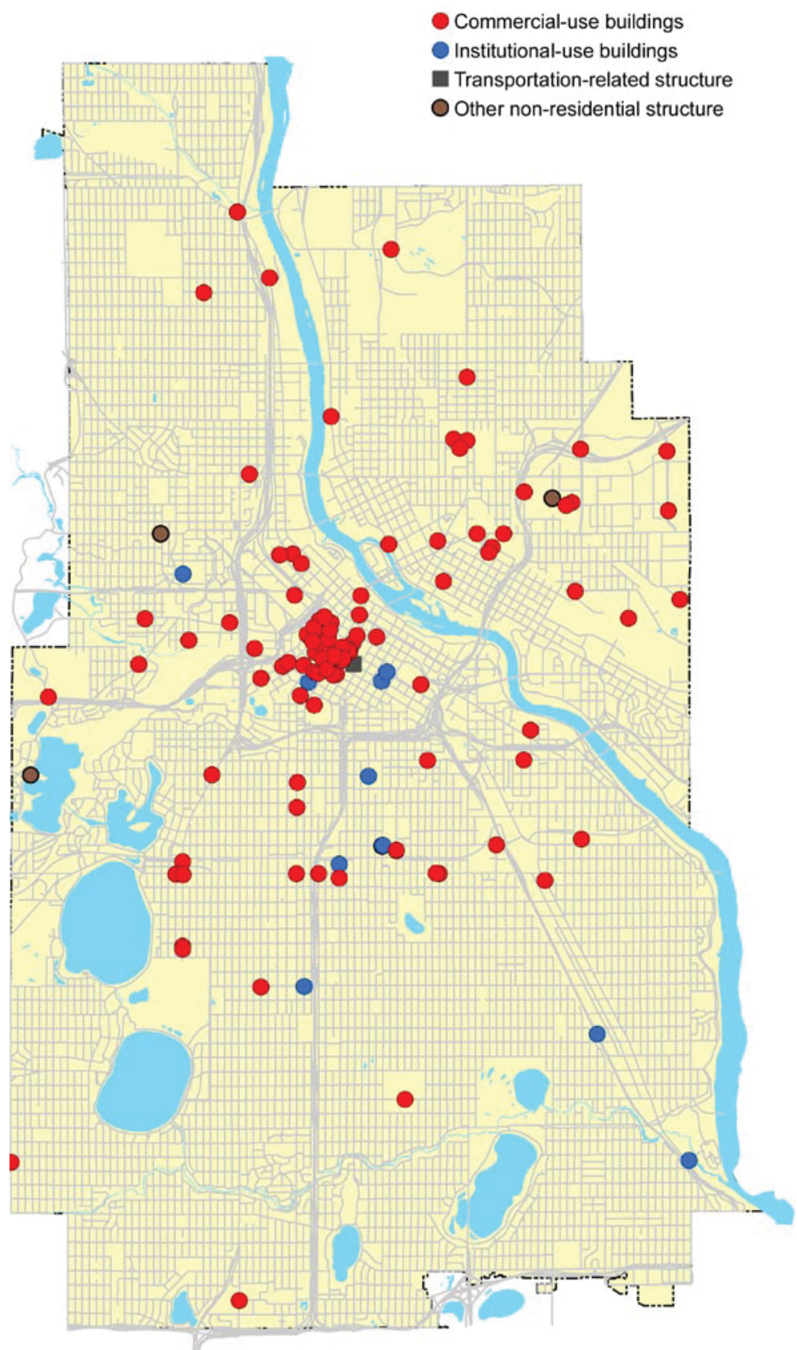


Conversions, remodels & additions

The downtown area had about 45 percent of the permitted commercial projects valued $50,000 or more. From these projects, about 63 percent were office build-outs and remodels. There were three institutional projects, one of which was related to the remodel and improvement of Hennepin County Medical Center.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 4Q-11
projects $50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the fourth quarter of 2011. The dollar amounts only reflect projected construction cost (not including land acquisition or soft costs) for permits issued that quarter. The highest cost project was the conversion of the Precision Building in the North Loop into a mixed-use apartments with commercial space ($16.6 million), followed by the construction of a new apartment building in South Minneapolis ($15.5 million).

Table 6: **MAJOR MINNEAPOLIS CONSTRUCTION PROJECTS**
projects $1,000,000+

Description	Address	Neighborhood	Projected construction $	CPED Involvement [1]
Precision Building: Factory conversion to 116-unit apartments with commercial space	730 Washington Ave N	North Loop	$16,649.160	●
Oak Station Place: New 104-unit apartment building with commercial space	3650 46th St E	Ericsson	15,500,000	●
Buzza Historical Lofts: School conversion to 136-unit apartment building	1006 Lake St w	Lowry Hill East	13,456,000	●
515 Huron Apartments: New 75-unit apartment building with commercial space	515 Huron Blvd SE	Prospect Park – East River Rd	7,760,000	●
Edge on Oak: New 60-unit apartment building with commercial space	309 Oak St SE	Prospect Park – East River Rd	6,925,000	●
Riverview Apartments: New 42-unit apartment building	5360 Riverview Rd	Minnehaha	5,603,301	●
Piper Jaffrey Tower office remodel *	222 9th St S	Downtown West	5,393,923	
HCMC remodels and improvements*	701 Park Ave	Elliot Park	4,995,890	
Hyatt Hotel lobby and guest-suites remodel*	1300 Nicollet Mall	Loring Park	4,303,486	
Bii Di Gain-Anwebi Elder Housing East: New 29-unit apartment building	2415 Bloomington Ave	Midtown Phillips	4,060,571	●
New skyway over 3rd Ave S*	333 7th St S	Downtown West	3,389,653	
Bii Di Gain-Anwebi Elder Housing West: New 18-unit apartment building	2400 Bloomington Ave	Midtown Phillips	2,870,400	●
Qwest Building replacement of cooling tower	200 5th St S	Downtown West	2,294,660	
Future Lunds grocery store: Shell addition to existing building	1201 Hennepin Ave	Loring Park	2,000,000	●
100 Washington Square remodel*	100 Washington Ave S	Downtown East	1,921,098	
Hiawatha Business Center: Greenway Surgery Outpatient Clinic build-out	2020 28th St E	East Phillips	1,586,099	
Remodel for new eating and drinking place*	428 Hennepin Ave	Downtown West	1,544,617	
Minneapolis Convention Center meeting rooms remodel*	1301 2nd Ave S	Loring Park	1,466,291	
Abbott Northwestern Hospital remodel*	800 28th St E	Midtown Phillips	1,313,525	
Ford Building: 5th floor office build-out	420 5th St N	North Loop	1,253,000	
Fairview Riverside Women's: Dental Clinic remodel	701 25th Ave S	Cedar Riverside	1,200,000	
Capella Tower: CCVL Attorneys office remodel*	225 6th St S	Downtown West	1,184,418	

Source: Minneapolis Regulatory Services and CPED

* Includes more than one permit at one address

1 Community Planning and Economic Development (CPED) assists selected construction projects in the City with land assembly, property purchases, grants for land remediation, financial assistance through bonds or small loans for business, and technical assistance on land use regulatory matters.

Demolitions

Residential units with permits for demolitions increased steadily during the year. Between the third and fourth quarter there were more than 50 percent increase in the number of units scheduled to be demolished. However, they were 14 percent lower than in fourth quarter 2010.

Units scheduled for demolitions this quarter included 51 single-family homes, 18 duplexes, 3 triplexes, one four-plex, and an 8-unit apartment building located on the 1200 block of 7th St S.

The number of residential demolitions has increased, with the bulk of them in North Minneapolis. Some demolitions continued to clear the area that was heavily damaged by a tornado in the summer. Dwellings that were damaged and couldn't be remodeled are being removed.

Non-residential demolition permits included demolitions of 10 commercial buildings in Downtown, North, Southeast and East Minneapolis. Two of them are located in Downtown, a warehouse in the North Loop and a commercial building on 10th St. In SE Minneapolis four permits were issued to wreck a factory on 5th St S. One permit was issued to demolish the Northside Market store on Lyndale Ave. N. In East Minneapolis a church on E 42nd St, a commercial shed on 41st st, and a commercial building on 27th Ave S are scheduled for demolition.

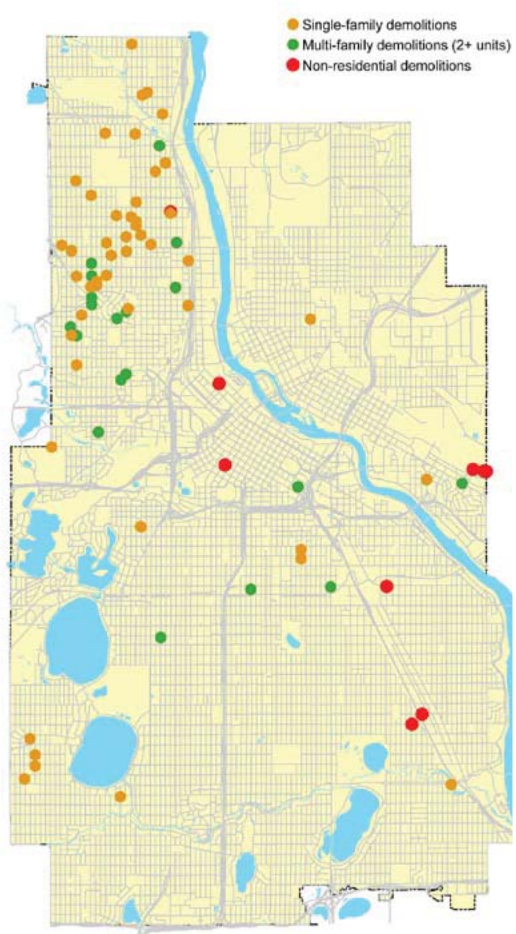
Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis
in units of permits for residential demolition

Quarter	Units
4Q-10	126
1Q-11	24
2Q-11	39
3Q-11	71
4Q-11	108

Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** –4Q-11

Source: 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, multi-family 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, nursing homes, correctional centers and any other institutional use.
- **Transportation** related includes parking, skyways and bus and rail terminals.

Map 4 – Demolitions

Single family buildings: All detached residential buildings with one unit in the structure.

Multi-family buildings: All residential buildings with 2 or more units in the structure.

Non-residential: All non-residential buildings and structures.

Housing stock & the real estate market

- The average apartment vacancy rate in Minneapolis increased to 2.1 percent from a very low 1.5 percent in the third quarter.
- The number of traditional housing sales this quarter was 25 percent lower than third quarter, and median prices decreased 1 percent. On a year-to-year basis, traditional sales increased 16 percent and prices decreased 8 percent. Lender-mediated sales fell, but were up 29 percent from last year as lenders cleared out inventory.
- The number of condemned, boarded and vacant buildings in the city increased by 3 percent, but decreased by 4.5 percent from the last quarter 2010.
- Foreclosure sales increased 5 percent to 412, and dropped 8 percent from fourth quarter 2010.
- The direct office vacancy rate in the Minneapolis central business district (CBD), increased slightly from 16.9 percent last quarter to 17.0 percent this quarter. Retail vacancies including subleases remained unchanged at 13.3 percent, both according to CB Richard Ellis.

Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multifamily rental housing increased to 2.1 percent from a low of 1.5 percent last quarter. The vacancy rate increased for the first time since the end of 2010 after steadily decreasing for the last three quarters. Many apartment buildings have been built in the last year as construction of rental housing catches up with demand.

More than 880 new rental apartments were permitted in 2010, which are already part of the housing stock (most of which are available or already occupied), and about 565 were built in 2011, part of them still under construction. Conversions added another 370 units in 2011 (see part 2 of this report).

In the metro area, the vacancy rate also rose from 2.3 percent in the third quarter to 2.8 percent last quarter, following construction of new apartments in Dakota, Hennepin, Ramsey and Washington Counties.

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

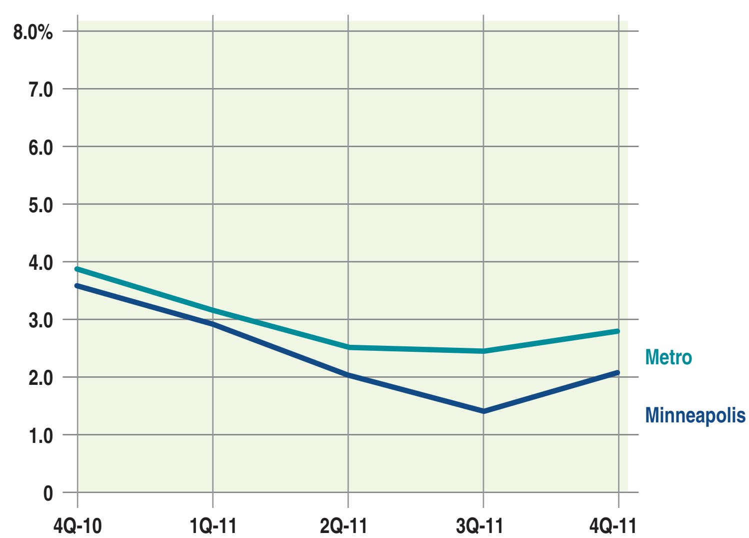
	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis					
Units surveyed	13,647	15,441	14,387	14,390	14,971
Vacant units	471	450	286	213	310
Average rent	$ 935	$ 958	$ 953	$ 965	$ 960
Vacancy rate	3.5%	2.9%	2.0%	1.5%	2.1%
Metro area					
Units surveyed	108,794	113,791	106,986	107,649	109,707
Vacant units	4,178	3,515	2,561	2,518	3,062
Average rent	$ 908	$ 916	$ 921	$ 925	$ 927
Vacancy rate	3.8%	3.1%	2.4%	2.3%	2.8%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, see page 42

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



Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, see page 42

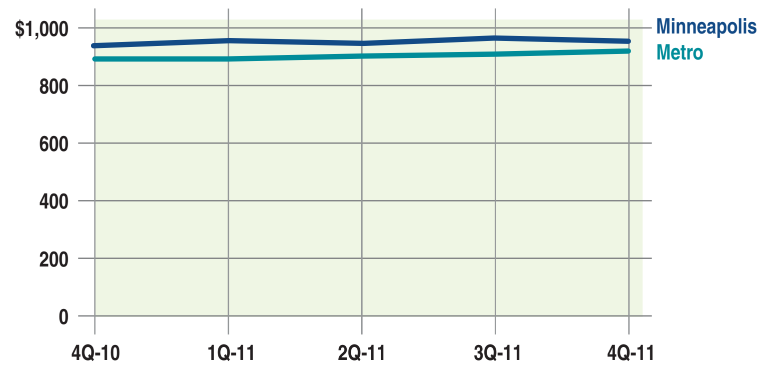
Apartment vacancy rates & average rents

At $960, Minneapolis average rent decreased in inflation-adjusted dollars from the previous quarter. It was about $2 lower in inflation-adjusted dollars* than at the end of the third quarter. Between the end of 2010 and the end of 2011, it increased $8 (less than 1 percent). In the metro area average rent was $927, increasing by about $6 in inflation-adjusted dollars in comparison with third quarter. It was only $3 higher than the last quarter of 2010 after adjusting for inflation.

Except in East Minneapolis (NE and University area), the vacancy rate increased in all areas in the city in comparison with last quarter. Vacancy rates in fourth quarter were lower than the city average of 2.1 percent in East Minneapolis and Downtown, and higher in South, North and Southwest. In East it was unchanged from the previous quarter at a very low rate of 1.1 percent, but it was one percentage lower in comparison with the same quarter the previous year. The highest rate was in South Minneapolis with 4.9 percent, the result of an existing apartment building with unusually high vacancies. Generally a vacancy rate of 5 percent is considered the point at which supply and demand are balanced.

* For conversion factors, see page 43.

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

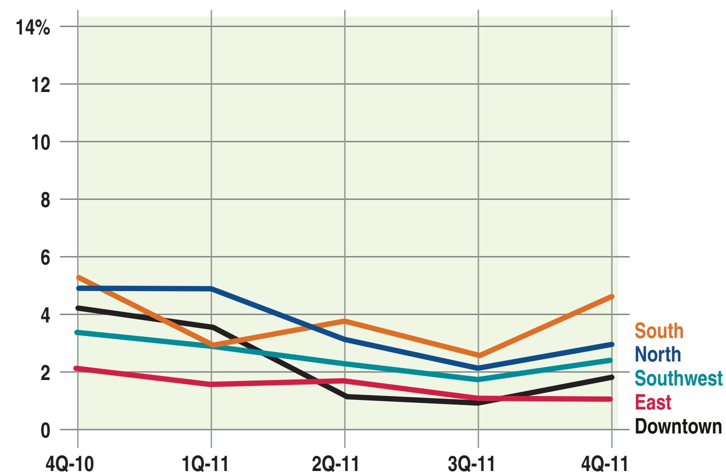


	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis	$ 935	$ 958	$ 953	$ 965	$ 960
	951	*968*	*955*	*961*	*960*
Metro area	$ 908	$ 916	$ 921	$ 925	$ 927
	924	*925*	*923*	*921*	*927*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter
Rents in inflation-adjusted dollars are in italics
* For conversion factors, see page 43.

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



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Downtown	4.2%	3.5%	1.2%	1.0%	1.9%
Southwest	3.4%	3.0%	2.3%	1.8%	2.2%
North	5.0%	5.0%	3.1%	2.2%	2.8%
South	5.4%	3.0%	3.8%	2.6%	4.9%
East	2.1%	1.6%	1.7%	1.1%	1.1%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter
* For sector definitions, see page 42.

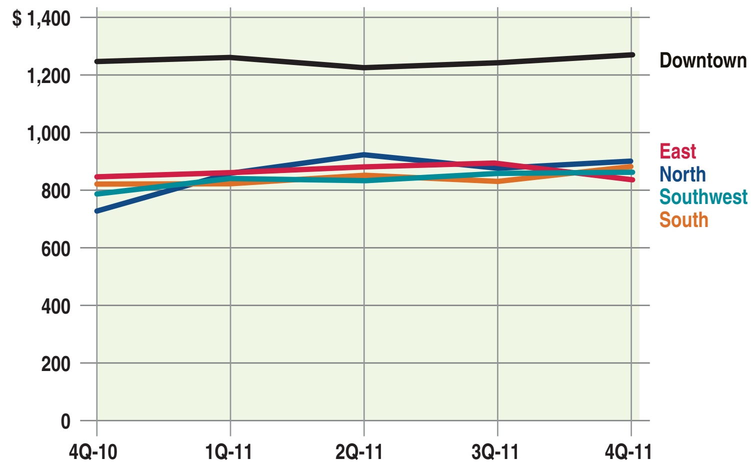
Apartment vacancy rates & average rents

Average rents in inflation-adjusted dollars increased in South Minneapolis by more than 3 percent in real dollars, followed by North (0.5 percent) and Downtown (0.2 percent). On the other hand, rents decreased sharply in East Minneapolis (-3.6 percent), where the vacancy rate was stable from the previous quarter.

On a year to year basis, rents in Downtown decreased 3 percent from fourth quarter last year and by 2.2 percent in East Minneapolis. Average rents in inflation-adjusted dollars increased in the three other city sectors, but increased the most in North Minneapolis where real rents were almost 16 percent higher than in the last quarter of 2010.

* For conversion factors, see page 43.

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



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Downtown	$ 1,244 *1,265*	$ 1,264 *1,277*	$ 1,213 *1,216*	$ 1,230 *1,225*	$1,248 *1,248*
Southwest	791 *805*	836 *845*	839 *841*	857 *854*	$852 *852*
North	747 *760*	854 *863*	931 *933*	879 *875*	880 *880*
South	813 *827*	814 *822*	849 *851*	837 *834*	861 *861*
East	851 *866*	855 *864*	879 *881*	882 *878*	847 *847*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.

Rents in inflation-adjusted dollars are on table in Italics.

* For conversion factors, see page 43.

** For City sectors definition see page 42.

Apartment vacancy rates & average rents

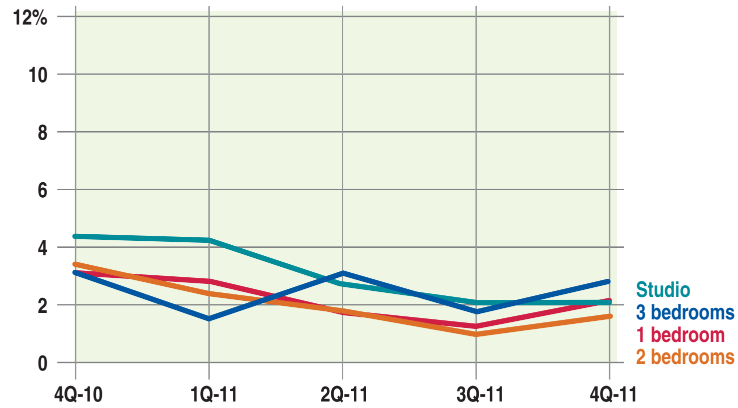
The vacancy rate rose citywide, and affected all type of units. Vacancy rates for one-bedroom and studio apartments increased to the same level of the city as a whole, 2.1 percent. But two bedroom units still had a vacancy which was below the citywide rate, in spite of an increase from last quarter. The three-bedroom unit rate was higher than the rate for the whole city.

In comparison with the last quarter of 2010, vacancy rates for all apartment types were still lower this quarter.

In spite of an increase in vacancy rates for all apartment types, average rents in inflation-adjusted dollars also increased this quarter, except for one-bedroom units which decreased less than one percent. Average rents also increased from a year ago in inflation-adjusted dollars except for three-bedroom apartments which decreased 1.3 percent. For two-bedroom apartment rents in inflation-adjusted dollars increased almost 5 percent or $55.

* For conversion factors, see page 43.

Figure 14: **RENTAL VACANCY RATE –** Minneapolis
in percent

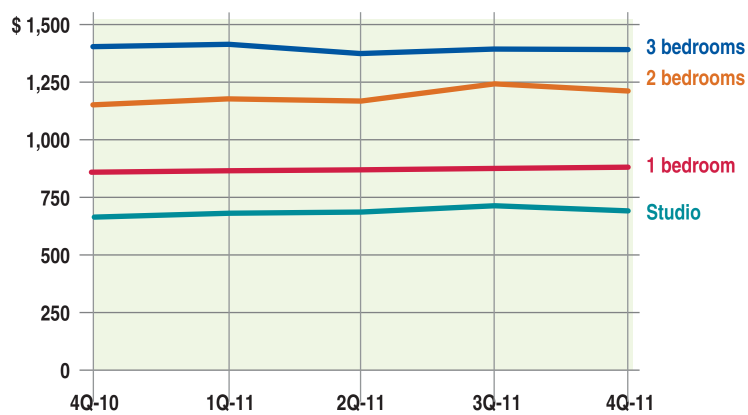


	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Studio	4.3%	4.1%	2.9%	2.0%	2.1%
One-bedroom	3.1%	2.7%	1.7%	1.4%	2.1%
Two-bedroom	3.4%	2.5%	1.9%	1.2%	1.7%
Three-bedroom	3.1%	1.6%	3.1%	1.9%	2.9%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Figure 15: **AVERAGE UNIT MONTHLY RENT –** Minneapolis
in current dollars



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Studio	$ 659 *670*	$ 674 *681*	$ 680 *682*	$ 697 *694*	$ 687 *687*
One-bedroom	$ 859 *874*	$ 888 *897*	$ 885 *887*	$ 884 *880*	$ 883 *883*
Two-bedroom	$ 1,218 *1,239*	$ 1,228 *1,241*	$ 1,224 *1,227*	$ 1,250 *1,245*	$ 1,238 *1,238*
Three-bedroom	$ 1,412 *1,436*	$ 1,426 *1,441*	$ 1,375 *1,378*	$ 1,398 *1,392*	$ 1,389 *1,389*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.

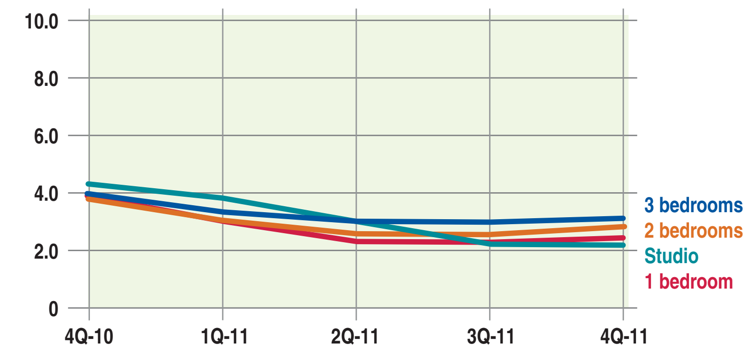
Numbers in Italics are adjusted for inflation.

Apartment vacancy rates & average rents

Except for studio apartments which remained unchanged, average vacancy rates increased for all other apartment types in comparison with third quarter, and were still low in comparison with the rates of fourth quarter the previous year. Rates for one and two-bedrooms increased the most, about 0.5 percentage points from the previous quarter.

Average rents in inflation-adjusted dollars in the metro area increased for studio apartments more than 1 percent in comparison with last quarter, and were almost stable for two-bedrooms. Average rents decreased the most for three bedroom apartments (2.2 percent). In comparison with fourth quarter the previous year, average rents increased less than one percent for most units except for three-bedrooms which dropped 1.5 percent.

Figure 16: **APARTMENT RENTAL VACANCIES –** Metro area
in percent



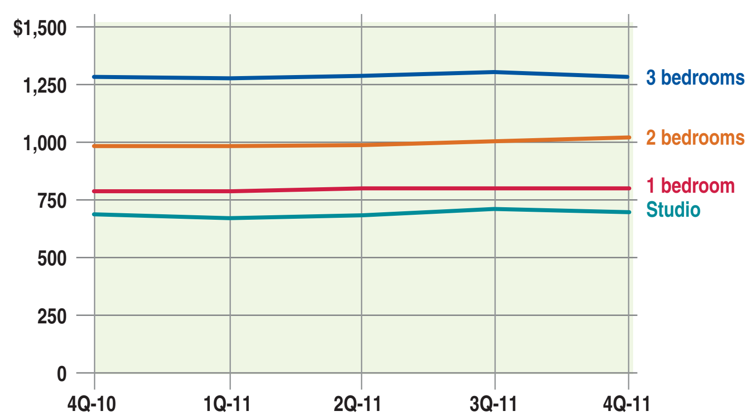
	4Q-10	1Q-10	2Q-11	3Q-11	4Q-11
Studio	4.3%	3.9%	3.1%	2.2%	2.2%
One-bedroom	3.7%	3.0%	2.2%	2.1%	2.6%
Two-bedroom	3.9%	3.1%	2.5%	2.5%	3.0%
Three-bedroom	4.0%	3.4%	3.0%	3.1%	3.3%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, see page 42

Figure 17: **AVERAGE APARTMENT MONTHLY RENT –** Metro area
in current dollars



	4Q-10	1Q-10	2Q-11	3Q-11	4Q-11
Studio	$ 664 *675*	$ 671 *678*	$ 679 *681*	$ 692 *689*	$ 685 *685*
One-bedroom	$ 787 *801*	$ 797 *805*	$ 801 *803*	$ 803 *801*	$ 811 *811*
Two-bedroom	$ 985 *1,002*	$ 991 *1,001*	$ 998 *1,000*	$ 1,004 *1,001*	$ 1,003 *1,003*
Three-bedroom	$ 1,268 *1,290*	$ 1,279 *1,292*	$ 1,303 *1,306*	$ 1,285 *1,278*	$ 1,291 *1,291*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multi family rentals are excluded.)

Recorded data for the last month of the quarter

Numbers in Italics are adjusted for inflation.

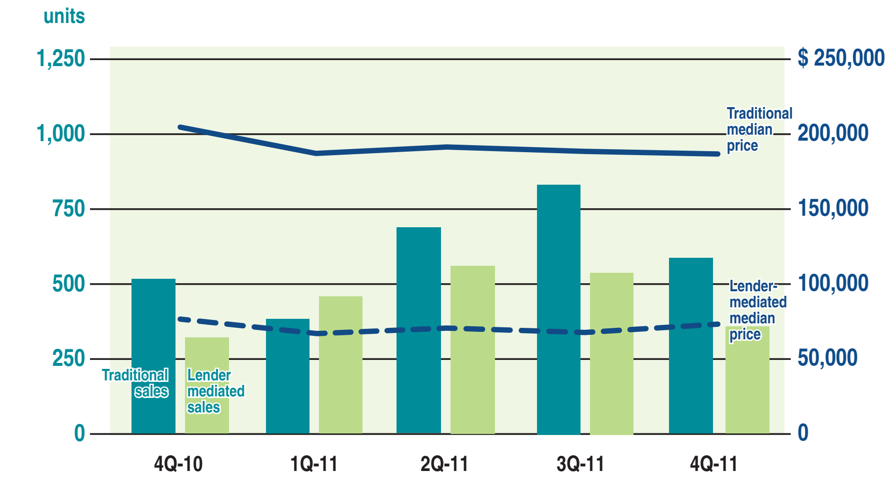
For metro area definition, see page 42

Residential sales

Housing sales decreased during the fourth quarter in Minneapolis, following normal seasonal patterns. However, traditional housing sales this quarter declined more than lender-mediated sales with the resulting drop in median prices of about 1 percent in traditional housing sales.

In comparison with the last quarter 2010, the number of housing sales increased: traditional sales were up 16 percent, but lender-mediated sales increased almost 30 percent. The results of this imbalance were drops in median sale prices of about 8 percent for traditional sales and 1 percent for lender-mediated sales.

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



	4Q-10	1Q-11	2Q-11	3Q11	4Q-11
Traditional sales	503	379	687	771	597
Lender-mediated sales	307	488	518	514	424
Traditional sales median price	$ 211,000	$ 190,000	$ 195,000	$ 194,000	$ 192,250
Lender-mediated median price	$ 84,500	$ 75,000	$ 78,355	$ 72,400	$ 84,000

Source: Minneapolis Area Association of Realtors (MAAR)

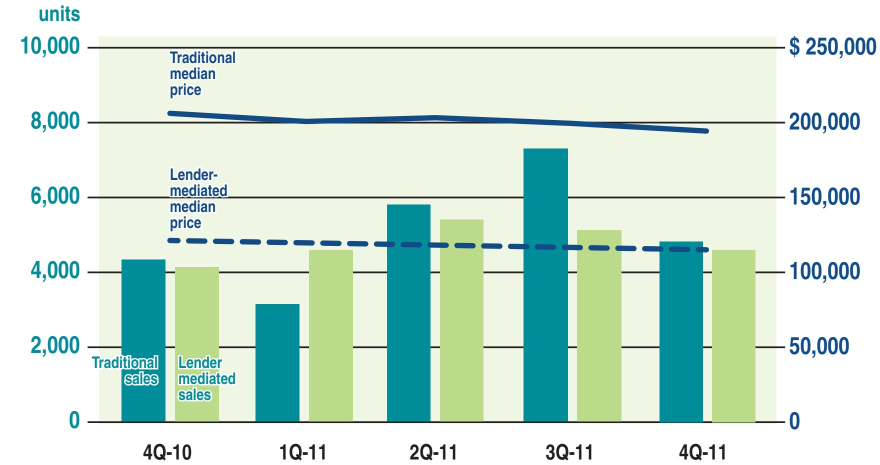
Residential sales

In the metro area sales also declined and the number of traditional sales decreased more from quarter to quarter than lender-mediated sales.

In comparison with the same quarter the previous year, sales activity was more vigorous with traditional sales increasing more than 25 percent and lender-mediated sales growing 20 percent. However, lender-mediated sales were still a heavy drag on median prices which decreased both for traditional and for lender-mediated sales, and from the previous quarter and the same period in 2010.

The Case-Shiller home price index (not seasonally adjusted) for November (the last available figure) indicated that home prices in the Twin Cities were slightly lower than in October, and 5.9 percent lower than in November 2010. A large supply of units, a result of too many houses built during the housing boom and the high number of short sales and foreclosed properties, is expected to depress home prices for some time. However, the volume of homes for sale in the market has been decreasing, together with the time it takes to sell them. According to the Minneapolis Area Association of Realtors (MAAR) the inventory of homes for sale in the Twin Cities area on average was about 18,950, a decrease of nearly 25 percent over the fourth quarter 2010. This represented approximately 5.5 months of supply on average in comparison with 8 months in the fourth quarter 2010.

Figure 19: **TRADITIONAL AND LENDER-MEDIATED CLOSED SALES AND MEDIAN SALE PRICE** – Metro area*



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Traditional sales	4,146	3,041	5,881	6,566	5,234
Lender-mediated sales	4,085	4,601	5,734	5,485	4,905
Traditional sales median price	$ 215,950	$ 202,000	$ 206,000	$ 200,000	$ 192,270
Lender-mediated median price	$ 127,000	$ 115,000	$ 115,000	$ 115,000	$ 114,000

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 metro area definition, see page 42

Foreclosures

This quarter 412 properties were sold at public auction, 19 more than the previous quarter, and 38 fewer than fourth quarter 2010. Ward 4, 5 and 9 accounted for 41 percent of total foreclosures in the city, with Ward 4 accounting for 19 percent of the total.

MAP 5: PROPERTIES FORECLOSED – 4Q-11
by wards

Source: Hennepin County

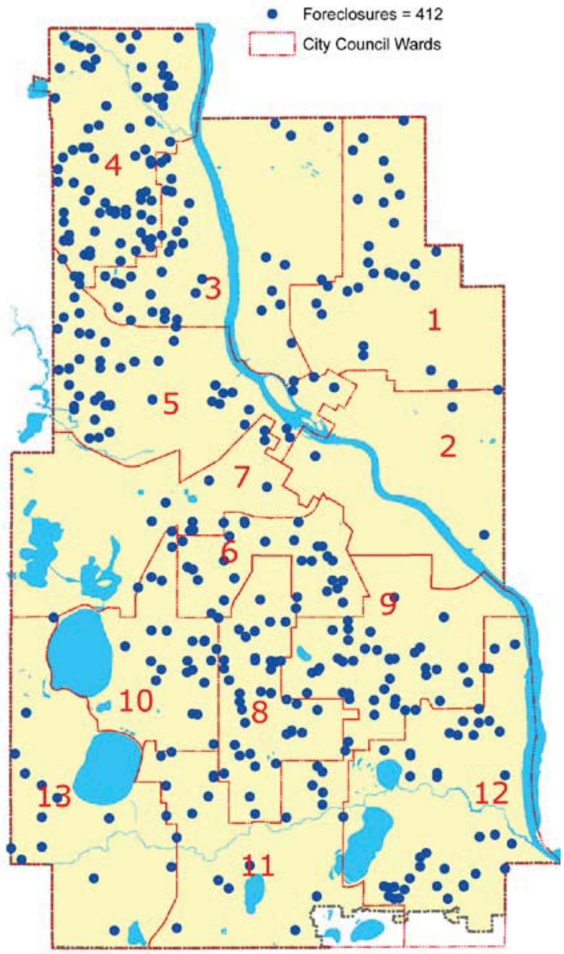


Table 8: **FORECLOSURE PROPERTIES –** Minneapolis
by ward

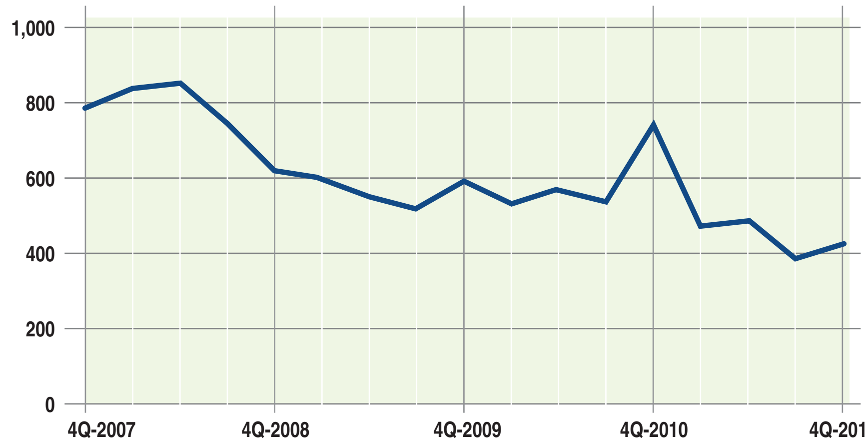
	4Q-10		1Q-11		2Q-11		3Q-11		4Q-11	
Ward	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
1	38	8%	37	8%	39	8%	37	9%	31	8%
2	8	2%	3	1%	9	2%	4	1%	3	1%
3	41	9%	36	8%	30	7%	26	7%	27	7%
4	88	20%	74	16%	85	18%	82	21%	80	19%
5	53	12%	45	10%	55	12%	48	12%	46	11%
6	17	4%	22	5%	23	5%	21	5%	22	5%
7	25	6%	23	5%	30	7%	21	5%	17	4%
8	41	9%	61	13%	44	10%	37	9%	37	9%
9	45	10%	33	7%	40	9%	38	10%	44	11%
10	17	4%	26	6%	20	4%	11	3%	23	6%
11	24	5%	28	6%	25	5%	21	5%	29	7%
12	32	7%	42	9%	40	9%	32	8%	36	9%
13	21	5%	23	5%	21	5%	15	4%	17	4%
Total	**450**	**100%**	**453**	**100%**	**461**	**100%**	**393**	**100%**	**412**	**100%**

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

Foreclosures

After peaking at 870 in second quarter 2008, foreclosures this quarter were close to the level at the end of 2006, when foreclosures began to increase at the beginning of the housing crisis.

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



Source: Hennepin County

Data for 2008 have been revised.

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city increased by 6 percent from third quarter, and was 5 percent higher than the end of the previous year. The numbers of vacant but not condemned buildings as well as boarded and condemned buildings in the city both increased from the previous quarter. Condemned buildings in the fourth quarter were 44 percent of the total number of vacant, boarded and condemned buildings. Until this quarter, condemned buildings have been decreasing steadily since third quarter 2008, and still they were 4.5 percent lower than in the last quarter 2010. Many of the buildings have already been demolished due to an aggressive city policy to remove blighted buildings, while saving as many as possible for rehab. As shown on the map, the largest concentration of these buildings is in North Minneapolis, a target area for improvements and upgrading.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of December 2011

Source: Minneapolis Regulatory Services

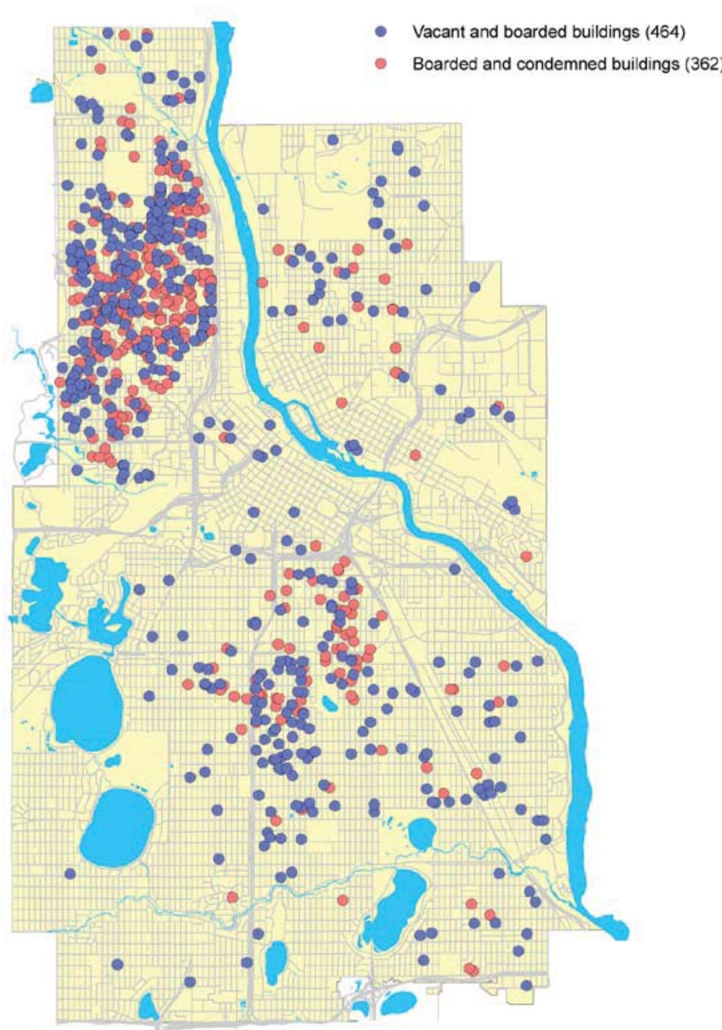


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis
as of the end of quarter

	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Boarded and condemned buildings	379	380	360	352	362
Vacant but not condemned	407	412	425	424	464
Total	786	792	785	776	826

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.

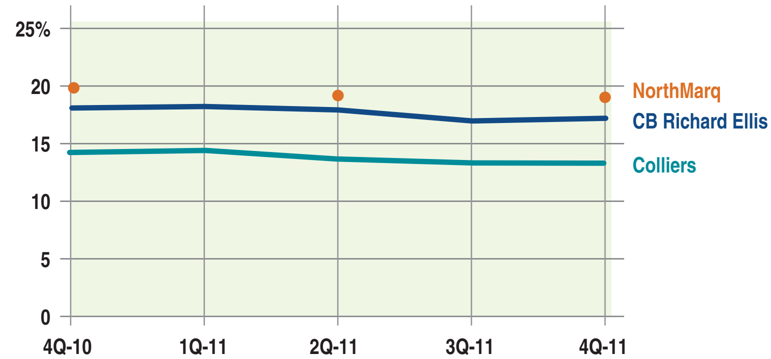
Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) slightly increased this quarter to the same level of second quarter according to two of three real estate firms. It was also lower than last year, not taking into account subleases. When subleases are counted, the total vacancy rate ranged between 14 percent and 18 percent. The still large surplus of available space especially in properties classes B and C, was keeping the vacancy rate high. There was tough competition for class A properties, mainly on Nicollet Mall where the vacancy rate was very low – about 5 percent or less, with strong demand for top floors.

The average vacancy rate in the metro area increased from last quarter, but it was lower than fourth quarter 2010, according to two real estate firms. Adding sub-leases brings the total vacancy rate up in a range of 13.2 to 19.1 percent.

Like in Minneapolis CBD, demand in the office real estate market in the Twin Cities tended to concentrate in Class A properties. Landlords were still giving concessions to keep tenants from leaving or to attract others from properties with fewer amenities.

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

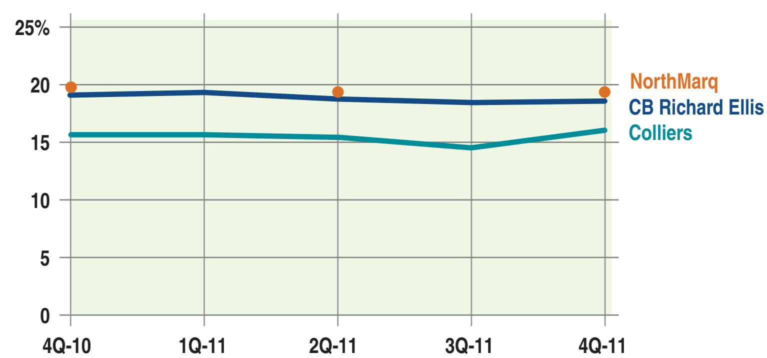


	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
CB Richard Ellis	17.5%	17.8%	17.0%	16.9%	17.0%
Colliers	14.3%	14.6%	13.1%	13.2%	13.1%
NorthMarq	19.1%		18.9%		18.0%

Sources: CB Richard Ellis, Colliers (former Welsh) and NorthMarq Compass

See explanation of sources on page 43

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



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
CB Richard Ellis	18.8%	19.0%	18.2%	18.0%	18.3%
Colliers	15.5%	15.5%	15.2%	14.8%	16.0%
NorthMarq	19.9%		19.2%		19.2%

Sources: CB Richard Ellis, Colliers (former Welsh) and NorthMarq Compass

See explanation of sources on page 43

Office space

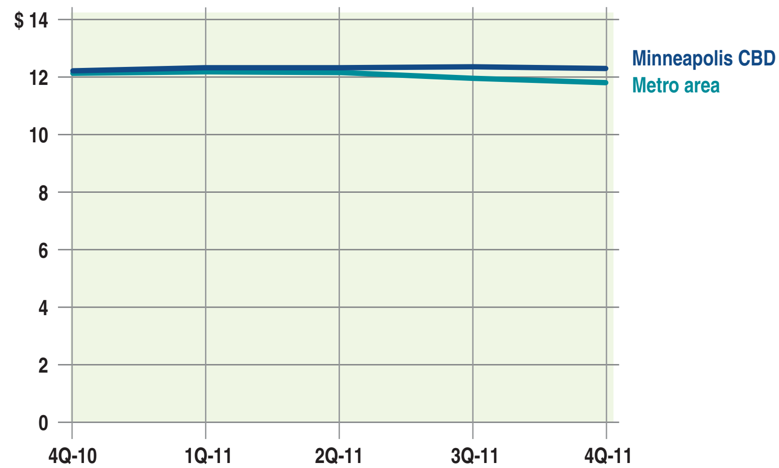
The average asking lease rate per square foot in the Minneapolis central business district (CBD) decreased somewhat this quarter, but it was higher than the last quarter the previous year. The metro area also dropped slightly from last quarter, and it was lower than fourth quarter 2010.

The activity this quarter in Minneapolis CBD especially in Class A properties were sustaining prices high, but over-all regional demand was still weak and consequently average asking prices went down.

A decrease of occupied office leased space in both Minneapolis CBD and the metro area lead to an increase in the vacancy rate this quarter. Vacant space was plentiful, especially in Class B and C properties. Although the unemployment rate begun to trend down, employment was not increasing fast enough to propel demand of office space to fill up vacan-cies and add new construction.

Most activity was in class A buildings, but one real estate firm noticed that conver-sion of commercial building into apart-ments would help absorption by taking space out of the office real estate market.

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

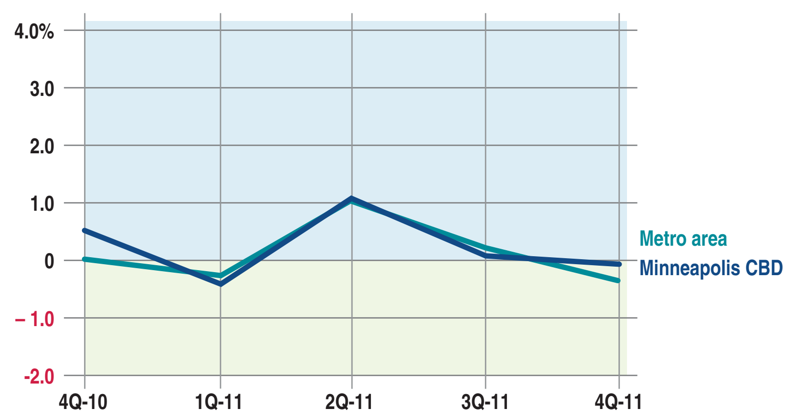


	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis CBD	$12.30	$12.35	$12.40	$12.43	$12.39
Metro area	$12.05	$12.07	$12.03	$11.96	$11.83

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



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis CBD	0.49%	-0.36%	1.09%	0.12%	-0.12%
Metro area	0.00%	-0.25%	1.03%	0.24%	-0.37%

Source: CB Richard Ellis

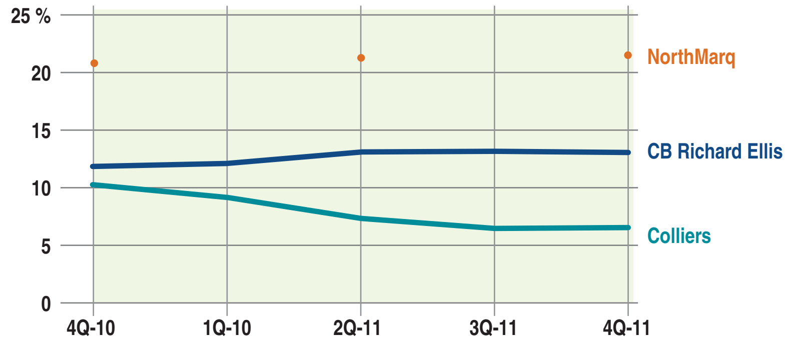
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD ranged from 6.6 to 23.9 percent according the above commercial real estate firms. There was coincidence in the general trend.

The metro area vacancy rate this quarter ranged from 6.2 percent to 9.4 percent. Retailers continued to lease previously vacant space, and stores such as Whole Foods, Target and Wal-Mart were expanding. Consumer confidence was still weak but improving because the unemployment rate decreased and more jobs were created in the last quarter of the year.

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



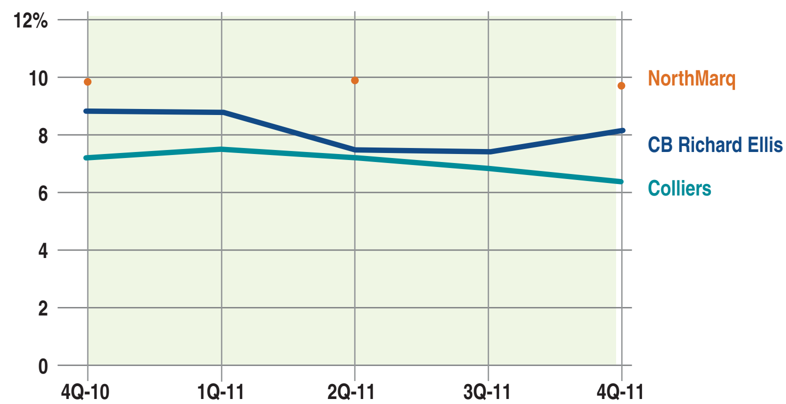
	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
CB Richard Ellis	11.8%	12.9%	13.5%	13.3%	13.3%
Colliers	10.6%	9.7%	7.7%	6.5%	6.6%
NorthMarq	21.0%		23.1%		23.9%

Sources: CB Richard Ellis, Colliers and NorthMarq Compass

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

Because square feet of retail space is relatively small in the CBD in comparison with the metro area, vacancy rates are difficult to measure accurately. Thus, the result is a large difference in the above figures.

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



	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
CB Richard Ellis	8.7%	8.6%	7.7%	7.7%	8.1%
Colliers	7.3%	7.7%	7.5%	6.5%	6.2%
NorthMarq	9.8%		9.9%		9.4%

Sources: CB Richard Ellis, Colliers and NorthMarq Compass

CB Richard Ellis and Welsh include all multi-tenant retail buildings 30,000 square feet and larger, and buildings under construction. NorthMarq includes multi-tenant retail buildings greater than 20,000 SF.

Retail space

Average asking lease price was unchanged in Minneapolis central business district (CBD), but about 5 percent lower than fourth quarter the previous year.

In the metro area, average asking lease price increased nearly 5 percent, and it was slightly higher than in the comparable period of 2010. Still prices were much higher in the CBD than in the region.

Occupied retail space in the Minneapolis central business district (CBD) was stable. No additional new retail space has been added in the CBD since at least 2003, and vacant space is being slowly absorbed. New restaurants opened up in the CBD including Rosa Mexicano, Rye Deli, and Mona, but Block E continued to lose tenants.

In the metro area occupied retail space declined this quarter because tenants moved out vacating space. Large retailers announced that they were closing stores such as Kmart in New Hope and Famous Footwear.

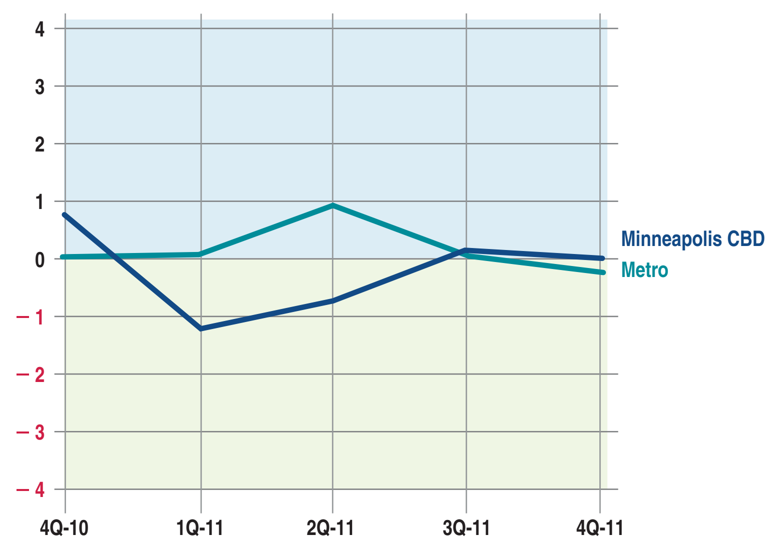
Figure 27: **RETAIL AVERAGE ASKING LEASE PRICE**
in current dollars per square foot per year

	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis CBD	$23.17	$22.38	$21.98	$22.09	$22.09
Metro area	$16.79	$16.81	$16.05	$16.10	$16.88

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



	4Q-10	1Q-10	2Q-11	3Q-11	4Q-11
Minneapolis CBD	0.8%	-1.2%	-0.7%	0.2%	0.0%
Metro area	0.0%	0.1%	1.0%	0.0%	-0.4%

Source: CB Richard Ellis

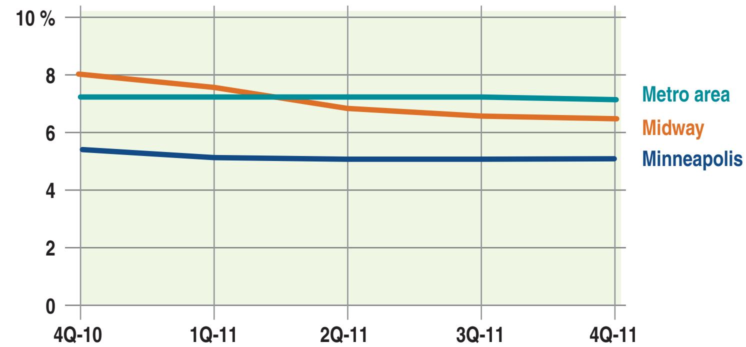
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space direct vacancy rate (not including sublease space) was mainly stable in the Minneapolis industrial area, slightly declining in Midway from last quarter. The vacancy rates were down from fourth quarter the previous year, especially in Midway where it declined 1.4 percent.

The average asking lease price for industrial space has increased slowly, moving upward from the previous quarters, when it was more or less stable. Tenants were committing to long-term leases but they also were looking at new locations to find better deals. The market is being hindered by the presence of too many old and out-of-date facilities, while investors were looking for large functional spaces.

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



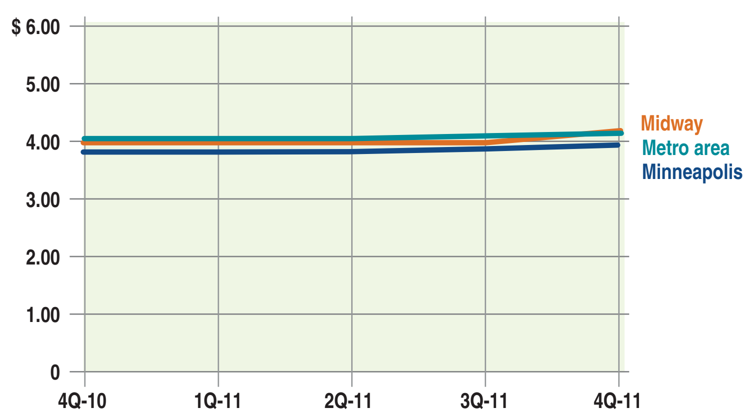
	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis	5.5%	5.2%	5.2%	5.3%	5.3%
Midway	8.1%	7.6%	6.8%	6.8%	6.7%
Metro area	7.6%	7.5%	7.5%	7.5%	7.4%

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis	$ 3.81	$ 3.82	$ 3.82	$ 3.93	$ 3.96
Midway	$ 3.96	$ 3.97	$ 3.97	$ 4.08	$ 4.10
Metro area	$ 4.01	$ 4.01	$ 4.01	$ 4.03	$ 4.08

Source: CB Richard Ellis

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

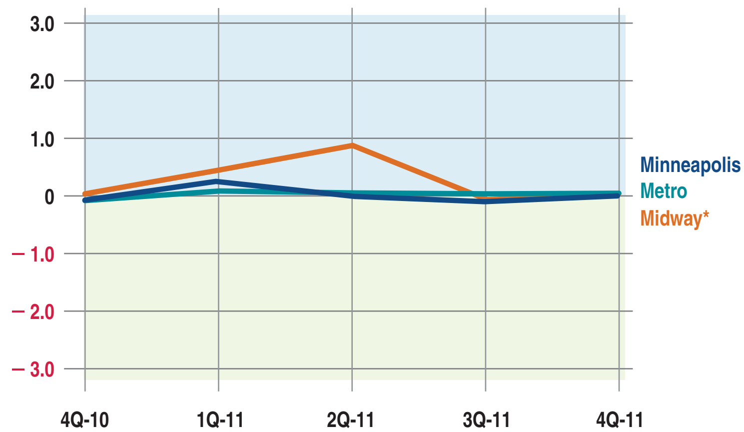
Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space did not grow in any of the above three areas. Some firms left the market while others leased, especially where there was more availability of newly built space. Bulk warehouse was in great demand thorough the area. With many obsolete industrial facilities, some manufacturing and distribution firms were building anew.

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

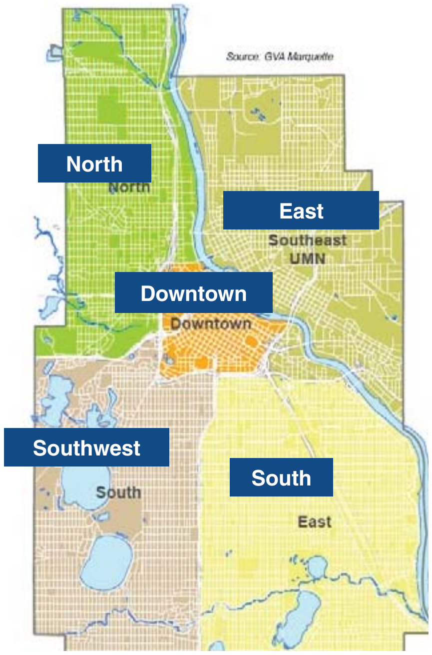


	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis	-0.1%	0.4%	0.0%	-0.1%	0.0%
Midway	0.1%	0.5%	0.9%	0.0%	0.0%
Metro area	0.0%	0.1%	0.0%	0.1%	0.0%

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, according to the map below.

  Note that we changed the Minneapolis sector names to reflect changes that GVA Marquette made at the City's request. South is now South-west; East is South, and NE, SE and UMN is East. North remains North.
- **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 reported 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 at 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, average asking lease price per square foot and absorption of square feet for the Twin Cities metropolitan area, Minneapolis and Midway (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. Minneapolis Trends also shows office and retail vacancy rates reported by other major firms, Colliers (formerly Welsh) (http://www.welshco.com/News-and-Resources/Industry-Research-and-Resources.aspx), and NorthMarq (http://www.northmarqcompass.com/Pages/Home.aspx)

  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 (not including sublets and shadow space) from the rentable space available.

- Graphs 21 and 22 report direct office vacancy rates (do not count sublease space), and graphs 25 and 26 report total retail vacancy rates (including sublease vacant space.) Office and retail rates are reported this quarter by three different firms: CB Richard Ellis, Colliers and NorthMarq. 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 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 size "class A" (more than 1.5 million people). For the fourth quarter 2011, dollars have been converted with an index of 1.0171968, the result of the relation between the CPI for December 2011 (201.821) and the CPI for December 2010 (198.409). For the period from fourth quarter 2011 to third quarter 2011, the index is 0.9960075, obtained by dividing 201.821 (December 2011) by 202.630 (September 2011).

Minneapolis
City of Lakes

Minneapolis **Community Planning & Economic Development**

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