Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

second quarter 2011

Highlights for the second quarter of 2011

	2Q-11	change from 1Q-11	change from 2Q-10
Labor force	216,629 residents	▲	▲
Residents employed	202,538	▲	▲
Unemployment rate	6.5%	▲	▼
New residential permitted units	109 units	▲	▼
Permitted residential conversions, remodels and additions	166 buildings	▲	▲
	$ 25.3 million	▼	▲
Permitted non-residential conversions, remodels and additions	119 buildings	▲	▲
	$ 102.1 million	▲	▲
Residential units demolished	39 units	▲	—
Rental vacancy rate	2.0 %	▼	▼
Average rent in inflation-adjusted dollars	$ 953	▼	▼
Residential units sold			
Traditional	741 units	▲	▼
Lender-mediated	427 units	▼	▲
Median sale price of residential units			
Traditional	$ 194,000	▲	▼
Lender-mediated	$ 72,450	▲	▼
Foreclosures	461	▲	▼
Condemned and vacant buildings	785	▼	▲
Minneapolis CBD office vacancy rate	17.0%	▼	▼
Minneapolis CBD retail vacancy rate	13.5%	▲	▲

Highlights for the fourth quarter of 2010 – jobs and wages

	4Q-10	3Q-10	4Q-10
Number of jobs	283,169 employees	▲	▲
Wages in inflation-adjusted dollars	$ 1,274	▲	▲

City of Minneapolis
Community Planning &

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Minneapolis Trends

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Economic indicators

- Employment increased but at a slower pace than the labor force, raising the unemployment rate to 6.5 percent from 6.3 percent in the first quarter of the year. In comparison with the same quarter last year, 1,400 more residents were working.
- As of fourth quarter 2010 there were nearly 283,200 jobs in Minneapolis, about 1,330 more (0.5 percent) than the previous quarter and about 2,000 more (0.7 percent) than the fourth quarter the previous year. Over the same 12-month period, the metro and state also added jobs, but at a slightly slower pace.
- Average real wages for fourth quarter 2010 were 4.1 percent higher than a year before. Real wages in the metro area increased by 3.1 percent and by 3.5 percent in the state.

Labor force

Data from DEED shows that the number of city residents who were employed grew by 1 percent from last quarter. However, the labor force grew at a greater pace, 1.3 percent. As a result the unemployment rate increased from 6.3 percent in first quarter to 6.5 percent in second quarter this year. A comparison with the second quarter last year shows that about 1,400 additional residents were employed. Meanwhile the increase in the number of people in the labor force was much lower than the increase in the number of those employed. The result was a lower unemployment rate this quarter than in the same quarter last year.

The labor force was boosted this quarter in comparison with first quarter because of a seasonal factor which affects the city more than the metro area: young college graduates traditionally enter the market at this time of the year.

In the metro area employment also increased from the previous quarter, while labor force increased but not as fast as employment. As a result the unemployment rate in the metro decreased to 6.4 percent from 6.6 percent the previous quarter. In the twelve-month period, the metro added nearly 16,000 to payroll this quarter, with labor force increasing at a slower rate.

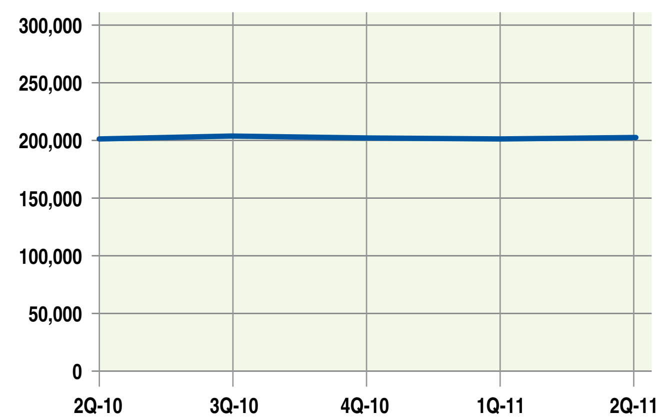
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis					
Labor Force	215,878	218,818	215,828	213,874	216,629
Employment	201,143	203,106	201,785	200,441	202,538
Unemployment rate	6.8%	7.2%	6.5%	6.3%	6.5%
Metro area					
Labor Force	1,609,736	1,626,364	1,605,992	1,597,620	1,611,196
Employment	1,497,252	1,511,864	1,502,029	1,492,024	1,507,635
Unemployment rate	7.0%	7.0%	6.5%	6.6%	6.4%

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

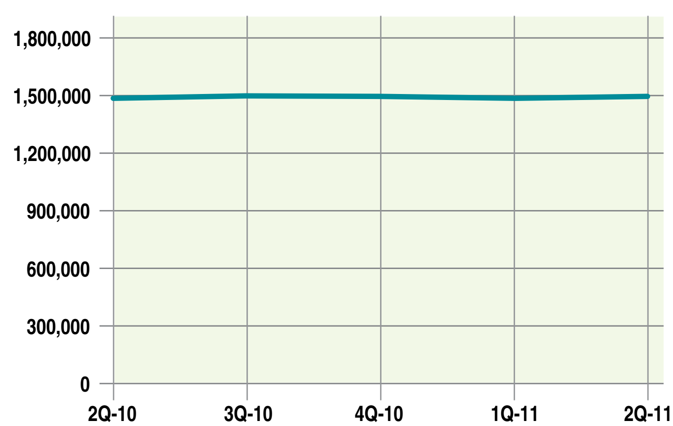
* For metro area definition, see page 13.

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis
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

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY –** Minneapolis[1]

	4Q-2009	1Q-2010	2Q-2010	3Q-2010	4Q-2010	Year 2010
Total, All Industries	**281,155**	**275,723**	**281,515**	**281,837**	**283,169**	**280,561**
Construction	5,685	N/ A	N/A	5,873	N/A	n/a
Manufacturing	14,112	13,824	14,031	14,419	14,155	14,107
Utilities	2,975	2,874	2,924	2,951	2,917	2,917
Wholesale Trade	8,507	8,167	8,198	8,144	8,212	8,180
Retail Trade	13,991	13,747	15,233	14,935	14,054	14,492
Transportation and Warehousing	7,533	7,407	7,309	7,202	7,437	7,339
Information	10,697	10,449	10,495	10,596	10,628	10,542
Finance and Insurance	26,238	26,693	26,714	26,889	27,122	26,855
Real Estate and Rental and Leasing	5,999	5,861	5,892	5,801	5,953	5,877
Professional and Technical Services	29,655	29,466	29,668	30,096	30,416	29,912
Management of Companies and Enterprises	16,228	16,155	16,336	16,552	16,535	16,395
Administrative and Waste Services	13,445	12,682	13,558	13,843	13,896	13,495
Educational Services	29,461	29,957	29,177	27,761	30,530	29,356
Health Care and Social Assistance	46,867	46,718	46,960	47,014	47,140	46,958
Arts, Entertainment, and Recreation	5,708	5,253	5,936	5,821	5,459	5,617
Accommodation and Food Services	22,596	20,708	22,290	22,377	22,157	21,883
Other Services, Ex. Public Admin	9,189	9,027	9,390	9,193	9,116	9,182
Public Administration	12,149	11,630	11,805	12,251	11,680	11,842

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 fourth quarter 2010, the number of jobs located in Minneapolis was nearly 283,200, an increase of 0.5 percent (about 1,330 jobs) from third quarter 2010. In comparison with the same quarter the previous year, the number of jobs increased by 0.7 percent (about 2,000 jobs).

12 month change – 4th quarter 2009 to 4th quarter 2010

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

Sectors which gained net jobs:

- **Education** gained almost 1,100 net jobs (3.6 percent growth) in schools such as fine arts, language, and driving instruction, followed by colleges and universities and technical and trade schools.
- **Finance and insurance** gained more than 880 net jobs (3.4 percent growth). Banks gained the most followed by insurance companies.
- **Professional and technical services** grew by about 760 net jobs (2.6 percent). Almost half of the job gains were in advertising. Other subsectors had also a strong performance including computer systems design, architectural and engineering services, and management and technical consulting.
- **Administrative and waste services a**dded more than 450 net jobs (3.4 percent) because of strong growth in employment services.

Sectors which experienced major job losses:

- **Government** lost nearly 470 net jobs (3.9 percent). Losses were spread across all government subsectors, with justice and safety decreasing the most.
- **Accommodation and food services** lost nearly 440 net jobs (1.9 percent), mainly in hotels. Other subsectors such as restaurants gained jobs, but special food service and drinking places lost them.
- **Wholesale trade** lost about 300 net jobs (3.5 percent). Wholesalers lost most jobs in the following subsectors: electronic markets and agents, electric goods, professional and commercial goods, hardware and plumbing, and motor vehicles and parts.
- **Arts, entertainment and recreation** lost about 250 net jobs (4.4 percent). Amusement, gambling and recreation had steep decline in jobs, followed by museums, parks and historical sites.

Quarter to quarter change- 3rd quarter 2010 to 4th quarter 2010

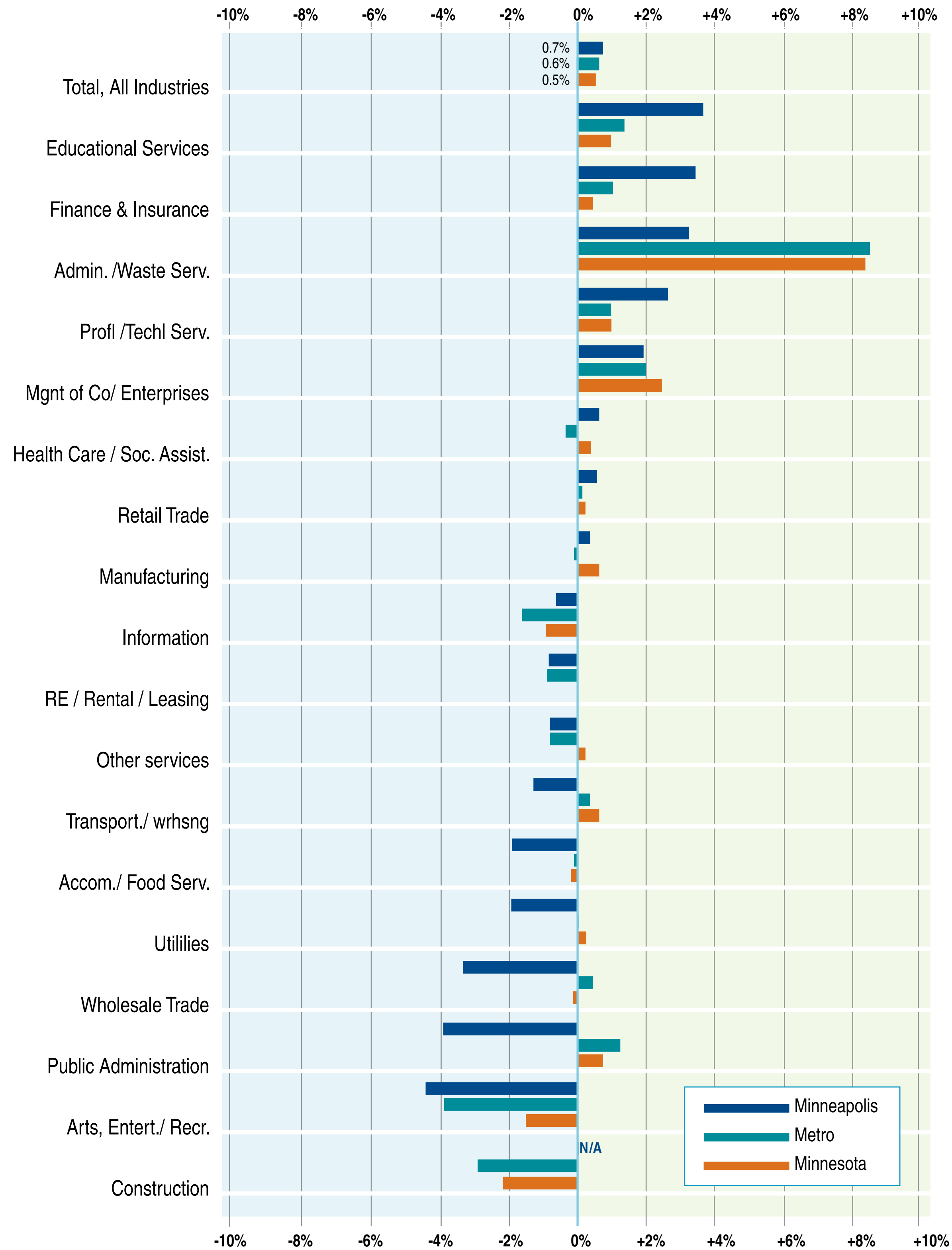
The following sectors increased the most:

- **Educational services** gained nearly 2,800 net jobs (10.0 percent): Although elementary and secondary schools lost jobs in comparison with last year, the subsector had a very strong growth in comparison with the third quarter contributing by about half of the net job increase in the whole sector. Except for educational support services, all other subsectors posted a gain.
- **Professional and technical services** gained 320 net jobs (1.1 percent) with the bulk of the increase in advertising, and computer systems design. To a lesser extent, specialized design services, accounting, and management and technical consulting also gained jobs.
- **Transportation and warehousing** added more than 230 net jobs (3.3 percent) mostly in transit and ground passenger transport, and couriers and messengers.
- Finance and Insurance **i**ncreased by more than 230 net jobs (0.9 percent) mainly in banking and to a lesser degree in investment activity.

The following sectors had net job decreases:

- **Retail** lost approximately 880 net jobs (-5.9 percent), the largest decrease so far in any individual sector in comparison with the last quarter. Miscellaneous stores such as florists, tobacco stores, used merchandise stores, and art dealers among others, reported the largest drop in jobs, followed by general merchandise stores which include department stores, and building material and garden supply stores.
- **Government** lost about 570 net jobs (-4.7 percent), with the largest losses in justice and safety activities.
- **Arts, entertainment and recreation** lost more than 360 net jobs (-6.2 percent), with all subsectors losing jobs. Performing arts and spectators sport lost about 300 jobs.
- **Manufacturing** lost more than 260 net jobs (-1.8 percent) in most manufacturing subsectors. Machinery manufacturing sustained the heaviest lost – about 100 jobs.
- **Accommodation and food services** lost about 220 net jobs (-1.0 percent) in restaurants, eating places and drinking establishments.

Figure 3: **JOBS** –4Q-09 to 4Q-10
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

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 0.7 percent, more than the 0.6 percent increase in both the metro area, and the state.

Of the sectors **posting growth** over this period, **education** was the fastest growing in the city at 3.6 percent. Education also grew in the metro and the state, but at a slower rate: 1.3 and 0.7 percent respectively. **Finance and insurance** also grew in the three geographies but the rate in the city was much faster than in the other two. The same pattern is apparent in other two industries, **professional and technical services** and **retail**, although retail increased very slowly.

Other industries expanded employment faster in the metro area and or the state than in the city. This is the case of **administrative and waste services**, and **management of companies**.

Information jobs **decreased** in all three areas, but this decrease was slower in the city than in the other two areas, while **arts, entertainment and recreation**, and **accommodation and food services** decreased faster in the city than in the metro or the state.

Construction is not reported for the city, but it shrank in the metro and the state by about 3 percent.

Government decreased by more than 4 percent in the city, but grew in the metro by more than 1 percent and in the state by nearly 1 percent. **Transportation and warehousing** also lost jobs in the city but not in the other two areas.

The fourth 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 January to June 2011, the Minneapolis-St. Paul-Bloomington metro area gained 72,500 jobs. The metro area has been gaining jobs since January, and posted strong growth of 2.7 percent in the second quarter.

Wages

The average weekly wage in Minneapolis in the fourth quarter of 2010 was $1,274, $67 more in nominal dollars from the previous year, and $50 more in inflation-adjusted dollars. Average weekly wages also increased from third quarter.

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

- **Management of companies and enterprises** (14 percent): The increase in average weekly real wages was led by bank holding companies which increased their real wages by about 50 percent. A decrease of about 27 percent in holding companies other than banks did not offset the total for the sector.
- **Information** (14 percent): All subsectors grew their weekly real wages in this period led by telecommunications, and also by internet, search portals and data processing.
- **Manufacturing** (12 percent): average weekly real wages increased the most in food manufacturing, where the average weekly wage in dollar-adjusted dollars increased by 90 percent, followed by apparel manufacturing and textile product mills, which increased 26 and 18 percent respectively.
- **Finance and insurance** (5 percent): Financial investment increased average wages by 10 percent and banks increased by 4 percent. Insurance activity was unchanged in comparison with last year.

Only four sectors **decreased** year-to-year average weekly wage in inflation-adjusted dollars. They were:

- **Retail** (-9 percent): although many retail subsectors gained wage value, in a few of them led by general merchandise stores

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

	4Q-09	1Q-10	2Q-10	3Q-10	4Q-10	Year 2010
Total, All Industries	$ 1,207	$ 1,185	$ 1,126	$ 1,094	$ 1,274	$ 1,170
Construction	1,150	n/a	n/a	1,068	n/a	n/a
Manufacturing	1,240	1,111	1,088	1,083	1,405	1,172
Utilities	1,693	2,118	1,581	1,566	1,721	1,747
Wholesale Trade	1,317	1,181	1,205	1,211	1,368	1,241
Retail Trade	583	509	549	520	535	528
Transportation and Warehousing	985	870	972	910	1,052	951
Information	1,316	1,338	1,268	1,260	1,515	1,345
Finance and Insurance	1,828	2,554	1,625	1,577	1,950	1,927
Real Estate and Rental and Leasing	1,316	1,614	1,230	1,127	1,428	1,350
Professional and Technical Services	2,065	1,561	1,635	1,643	2,159	1,750
Management of Companies and Enterprises	1,717	1,952	2,361	1,558	1,989	1,965
Administrative and Waste Services	696	630	626	631	688	644
Educational Services	1,106	937	982	1,125	1,074	1,030
Health Care and Social Assistance	1,014	876	903	925	1,034	935
Arts, Entertainment, and Recreation	895	923	1,216	1,432	900	1,118
Accommodation and Food Services	374	348	359	379	393	370
Other Services, Ex. Public Admin	624	581	582	616	634	603
Public Administration	1,284	1,148	1,242	1,161	1,367	1,230

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

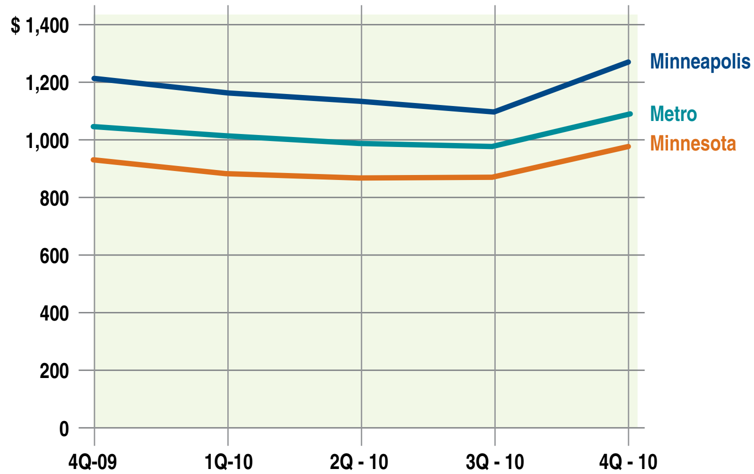
1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

which include department stores, real wages decreased 43 percent. This was the steepest decline in all retail subsectors.

- **Education** (-4 percent): Subsectors such as elementary and secondary schools, technical and trade schools and educational support services posted increases up to 40 percent, but in two other subsectors weekly wages declined in real dollars. They were schools such as fine arts, language schools, and driving instruction among others, and colleges and universities. The first subsector (other schools and instruction) decreased wages by 39 percent. In the second subsector average weekly wages declined 4.5 percent.
- **Administrative and waste services** (-2 percent): This sector decreased real wages because of declining wages in employment services, business support services, and services to buildings and dwellings. On the other hand, office administrative services increased their average weekly real wages by 49 percent but could not offset negative changes in other subsectors.
- **Arts, entertainment and recreation** (-1 percent): Losses in this sector were driven by declining real wages in performing arts and spectators sports, especially for promoters of events with their own facility. The subsector lost 9 percent of wage value.

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. Fourth-quarter wages in inflation-adjusted dollars increased a little more than 4 percent in Minneapolis from a year earlier, but increased less in the metro area (about 3 percent) and the state (3.5 percent).

Figure 4: **AVERAGE WEEKLY WAGES** – 4Q-09 to 4Q-10
in inflation-adjusted dollars



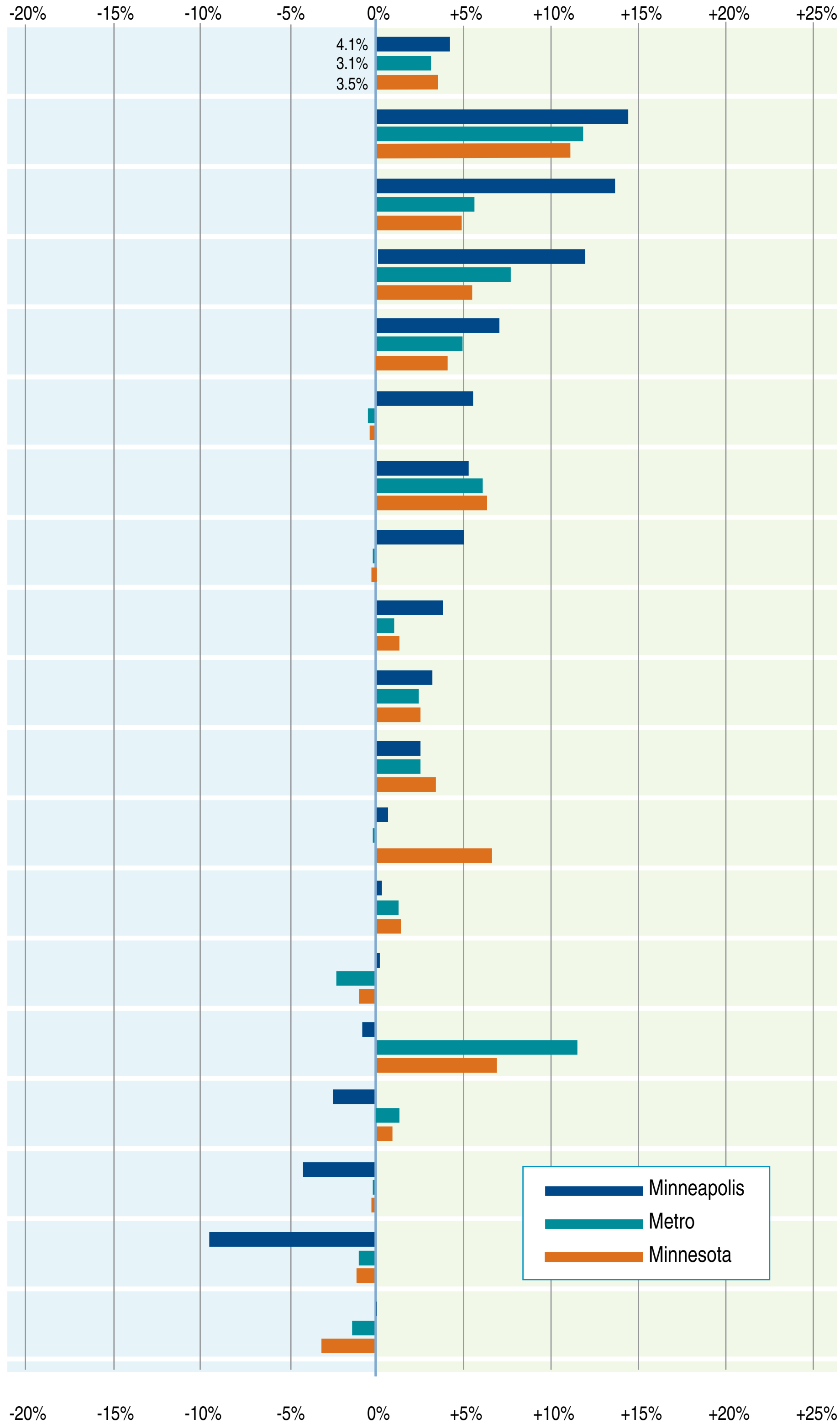
	4Q-09	1Q-10	2Q-10	3Q-10	4Q-10	$ change 4Q-09 to 4Q-10	% change 4Q-09 to 4Q-10
Minneapolis	$ 1,224	$ 1,194	$ 1,134	$ 1,094	$ 1,274	$ 50	4.1%
Metro area	1,066	1,017	990	986	1,100	34	3.1%
Minnesota	941	888	873	873	974	33	3.5%

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

* For metro area definition, see page 13

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 4Q-09 to 4Q-10
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 sectors grew in Minneapolis in comparison with the metro area and the state from fourth quarter 2009 to fourth quarter 2010:

- **Management of companies**, while decreasing jobs, had a 14 percent increase in real average weekly wages in comparison with the nearly 12 percent in the metro and 11 percent statewide.
- **Information and manufacturing**, both sectors grew their real wages in the city at over 10 percent, while the metro and state increased at about 5 percent.
- **Real estate** real wages, at 7 percent, grew faster in the city than in the metro or the state. Faster growth in real average weekly wages in the city than in the metro or estate took place also in **accommodation and food services**, and in **professional and technical services**.
- Real wages for wholesale trade posted about 5 percent growth in the city, but decreased in the metro and the estate. The same trend was clear in **government** wages, which posted growth in the city and decline in the other two areas.
- **Finances and utilities'** real wages grew more slowly in the city, than in the metro and the state.
- **Wholesale and health care sectors'** average weekly wages grew faster statewide than either the city or metro. In the metro area, health care wages in fact decreased.

Industries which experienced the steepest decline in real wages in Minneapolis included:

- **Retail** wages declined faster in the city (-9 percent) than any other sector, but they also declined in the metro and the state (about 1 percent).
- Wages in **educational services** also declined faster in the city, at 4 percent, than either in the metro or state.
- **Arts, entertainment and recreation** and **administrative and waste** services average weekly wages decreased in Minneapolis, while increasing in the metro and the state. The first sector grew at 11 percent in the metro, more so than in the other geographies.

* For conversion factors, see page 13

- **Labor Force, Employment and Unemployment:** Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. 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 fourth quarter of 2010, dollars have been converted with an index reflecting the CPI for the second half of 2010 and second half of 2009 with 2010 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

- New residential units permitted increased from 25 last quarter to 109 units in the second quarter. In comparison with the same quarter last year, the number of residential units was 24 percent lower.
- The number of individual remodeling projects was higher this quarter than last quarter. However, the total value of residential remodeling, conversion and addition projects costing $50,000 or more was 58 percent lower than last quarter. The high values last quarter reflect the beginning of the $65 million, two-year renovation of Riverside Plaza. In comparison with second quarter last year, the value of residential remodels was 87 percent higher this quarter.
- Twenty three commercial and residential projects costing at least $1 million were permitted this quarter, totaling $144.1 million. This was 56 percent higher than last quarter. The largest single project in terms of construction value was the Ford Building remodel and tenant build-out, and the second largest was the new building for the Minneapolis Public School Educational Service Center.

New construction

There were 84 more new residential permitted units this quarter than last quarter, resulting from an increase in new multifamily and single-family units.

This quarter's volume was lower than in the second quarter last year, when more multifamily units were permitted.

In the metro area construction doubled in comparison with last quarter, and was 2 percent higher than last year. The increase was the result of new single-family as well as new multifamily buildings being built in Hennepin, Washington, Ramsey and Dakota counties.

Construction of multifamily units rebounded from last quarter's meager 20 units. Single-family units increased almost 3 times. One apartment building, 29th Avenue Apartments, and a shelter, Jerome Boxleitner Place, totaling 95 units were permitted this quarter in the city.

Table 4: **NEW RESIDENTIAL UNITS PERMITTED**

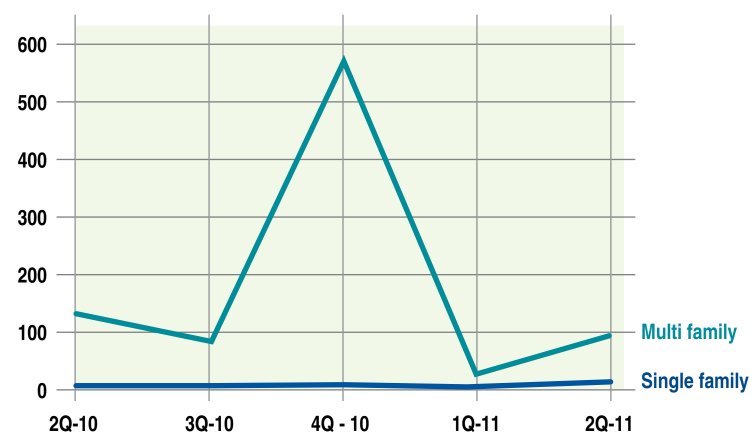
	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Single-family					
City	13	13	9	5	14
Metro area	927	837	699	518	894
Multifamily					
City	130	84	573**	20**	95
Metro area	210	347	786	30	268
Total Units					
City	143	97	582	25	109
Metro area*	1,137	1,184	1,485	548	1,162

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 underreported by counties in the metro area.

** City of Minneapolis, Regulatory Services

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



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

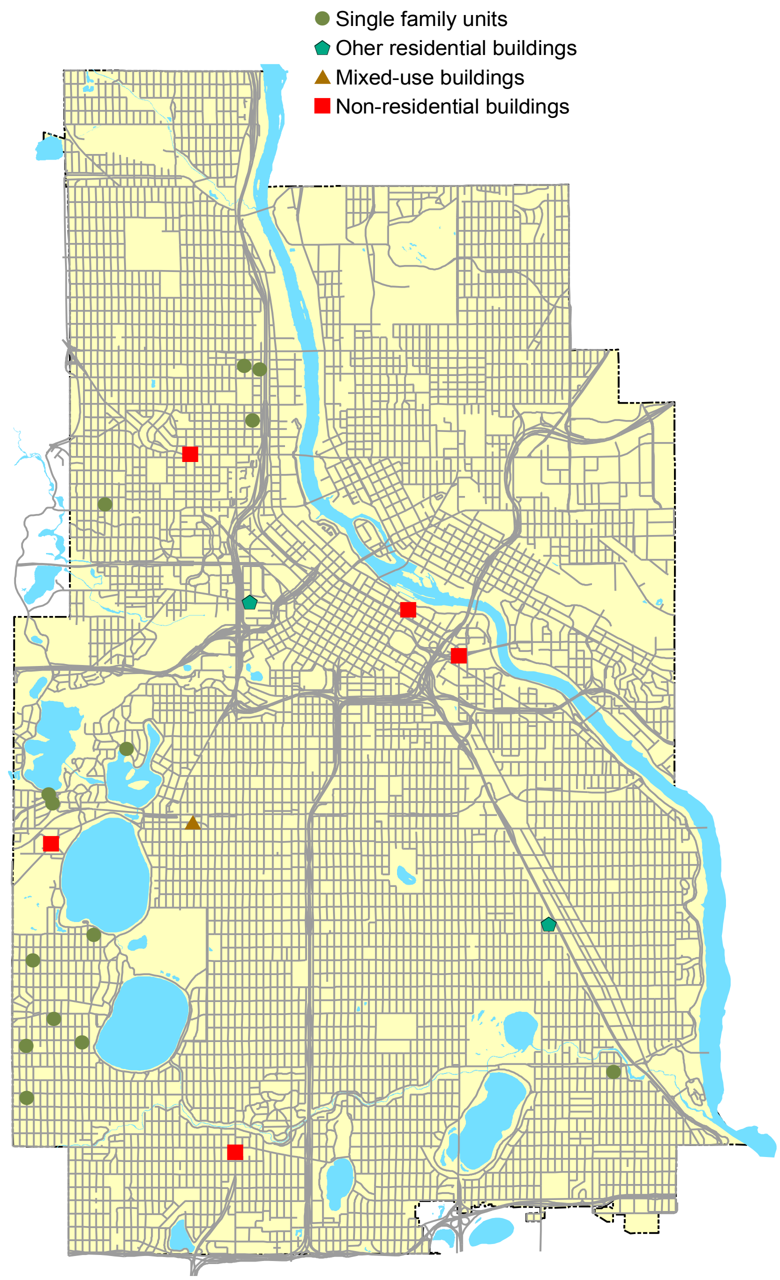
New construction

The new apartment building, 29th Avenue Apartments already mentioned, will be located on 29th Ave S. along the Hiawatha line, and the shelter, Jerome Boxleitner Place also mentioned, will be located on Glenwood Ave in the North Loop. The location of these buildings is shown on Map 1.

Of the five non-residential buildings permitted, the largest project was the Minneapolis Public School Educational Service Center at 1250 West Broadway in the Jordan neighborhood. The other four projects were: The Mozaic, a commercial mixed-use building at Lagoon Ave in Uptown; the Lehman's Garage, a repair facility on Lyndale Ave S in the Windom neighborhood; the headquarters for the American Academy of Neurology on Chicago Ave in Downtown East, and the light rail transit station at Cedar Ave in Cedar-Riverside.

Map 1: **NEW CONSTRUCTION** – 1Q-11

Source: Minneapolis Regulatory Services



Cost of residential construction

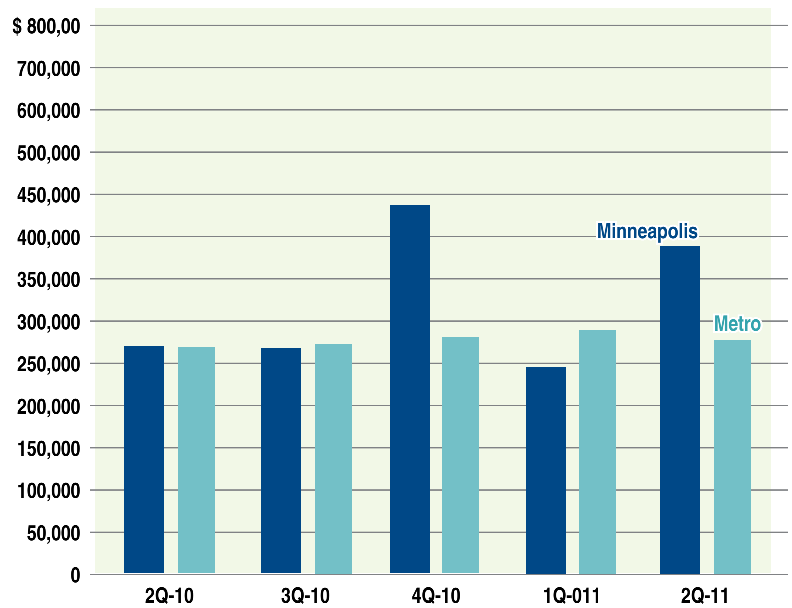
The fourteen new single-family homes permitted this quarter had estimated construction costs ranging from $158,300 to $1,900,000.

The average single-family construction cost rose because of the construction of one expensive home. Not counting this project, the average falls to $272,100, and the increase would be only 11 percent from last quarter and only 3 percent from last year.

In the metro it decreased about 5 percent from last quarter and slightly over 4 percent from last year. Without the costly project this quarter the city's average construction cost per unit would have been a little lower than the metro. Including this expensive home the average cost was 1 and a half higher in the city than in the metro.

The average construction cost of multi-family units increased this quarter in both the city and the metro area, from last quarter, but decreased in the metro area from a year ago. It was about 55 percent higher from last quarter in the city and about 7 percent in the metro area. It was 32 percent higher in the city than the previous year, and 1 percent lower in the metro area compared to the same period. What increased the cost this quarter was the shelter construction already mentioned. This shelter will have 31 residential units in three of seven floors. When the shelter is not considered, the average construction cost falls to $93,000, similar to fourth quarter last year.

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

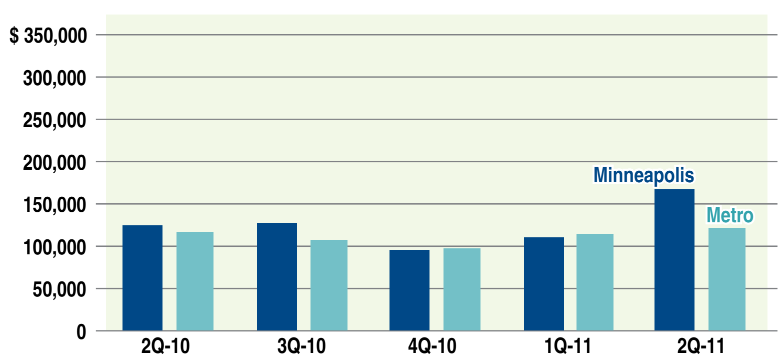


	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis	$ 263,564	$ 265,622	$ 443,293	$ 246,034	$ 388,424
Metro area	262,331	271,940	279,283	286,834	273,673

Source: U.S. Census Bureau

Table values are not adjusted for inflation
For metro area definition, see page 42

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis	$125,187	$ 128,702	$ 93,034	$ 107,640	$166,485
Metro area	120,888	104,470	$96,328	111,936	119,606

Source: U.S. Census Bureau

* Calculated on City of Minneapolis Regulatory Services' data.
Values in table are not adjusted for inflation
For metro area definition, see page 13

Conversions, remodels & additions

More **residential** remodeling, conversion and addition projects with a value of $50 thousand or more were permitted this quarter, but their total value was 58 percent lower than last quarter. Last quarter's high value reflected the beginning of Riverside Plaza renovations, an apartment building complex in Cedar Riverside.

The value of residential remodels was 87 percent higher this quarter than the same quarter last year.

At $102.1 million, overall projected cost of **non residential** construction was 81 percent higher than last quarter, and the cost was more than twice that of second quarter last year. The increase in value reflected the increase in the number of projects, which was 38 percent higher than last year. This quarter the most costly non-residential remodeling project was the remodel of the Ford Building near Target Field at more than $20 million.

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

	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Total Residential[1]					
Number of buildings	123	162	100	32	166
Total value	$ 16,388,458	$ 23,479,035	$ 30,591,867	$ 60,191,898	$ 25,334,106
Remodels					
Number of buildings	115	157	95	30	164
Value	$ 13,204,525	$ 22,409,518	$ 30,049,481	$ 59,858,898	$ 24,744,349
Conversions and additions[2]					
Number of buildings	8	5	5	2	2
Net number of units	9	2	-6	0	-2
Value	$ 3,183,933	$ 1,069,517	$542,386	$ 333,000	$ 589,757
Total non-residential[1]					
Number of buildings[3]	86	126	113	79	119
Value	$ 42,524,310	$ 47,437,444	$ 44,440391	$ 56,508,088	$ 102,084,729

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.

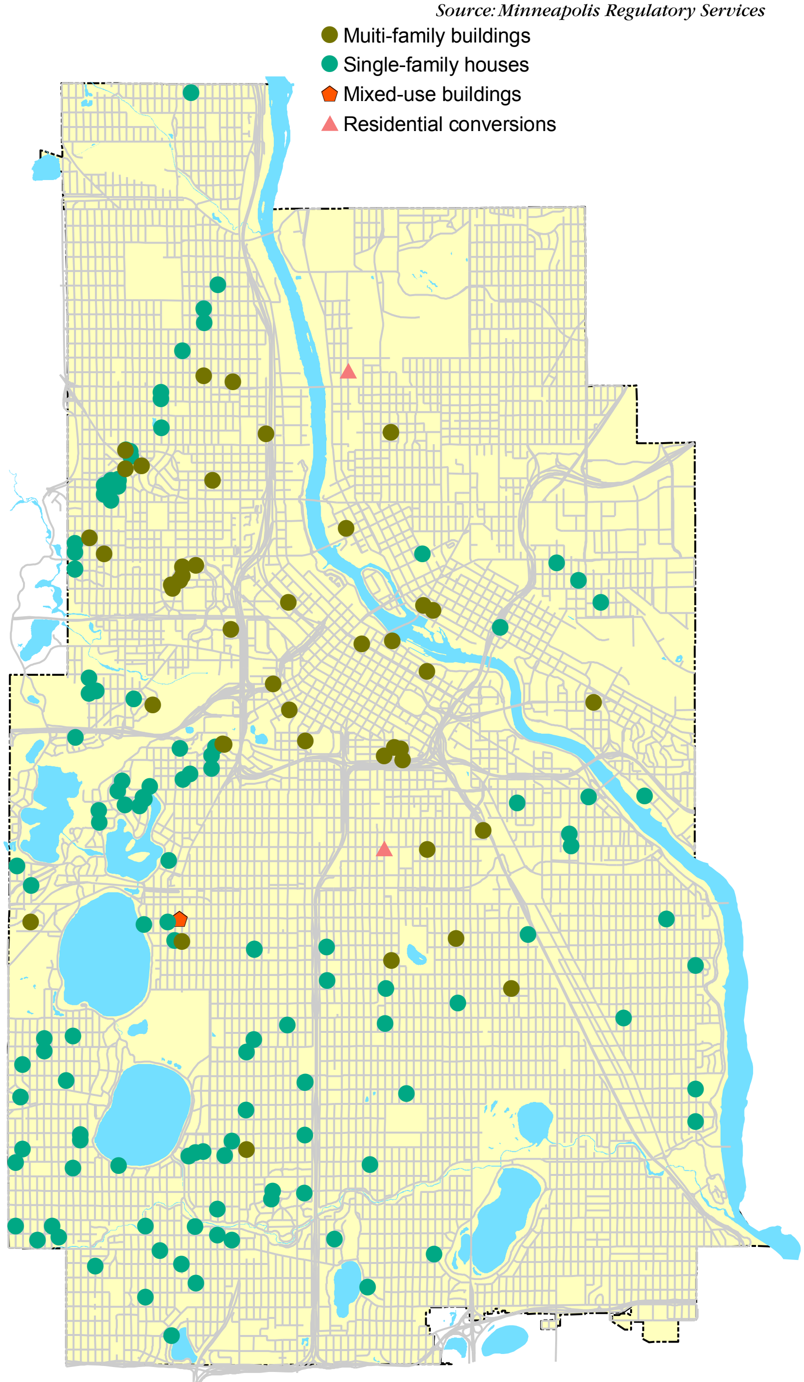
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

Conversions, remodels & additions

About 74 percent of residential buildings with remodeling permits were single-family dwellings. A duplex was converted into a single-family in northeast Minneapolis, while a triplex was converted into a birthing center on Chicago Ave.

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

Source: Minneapolis Regulatory Services

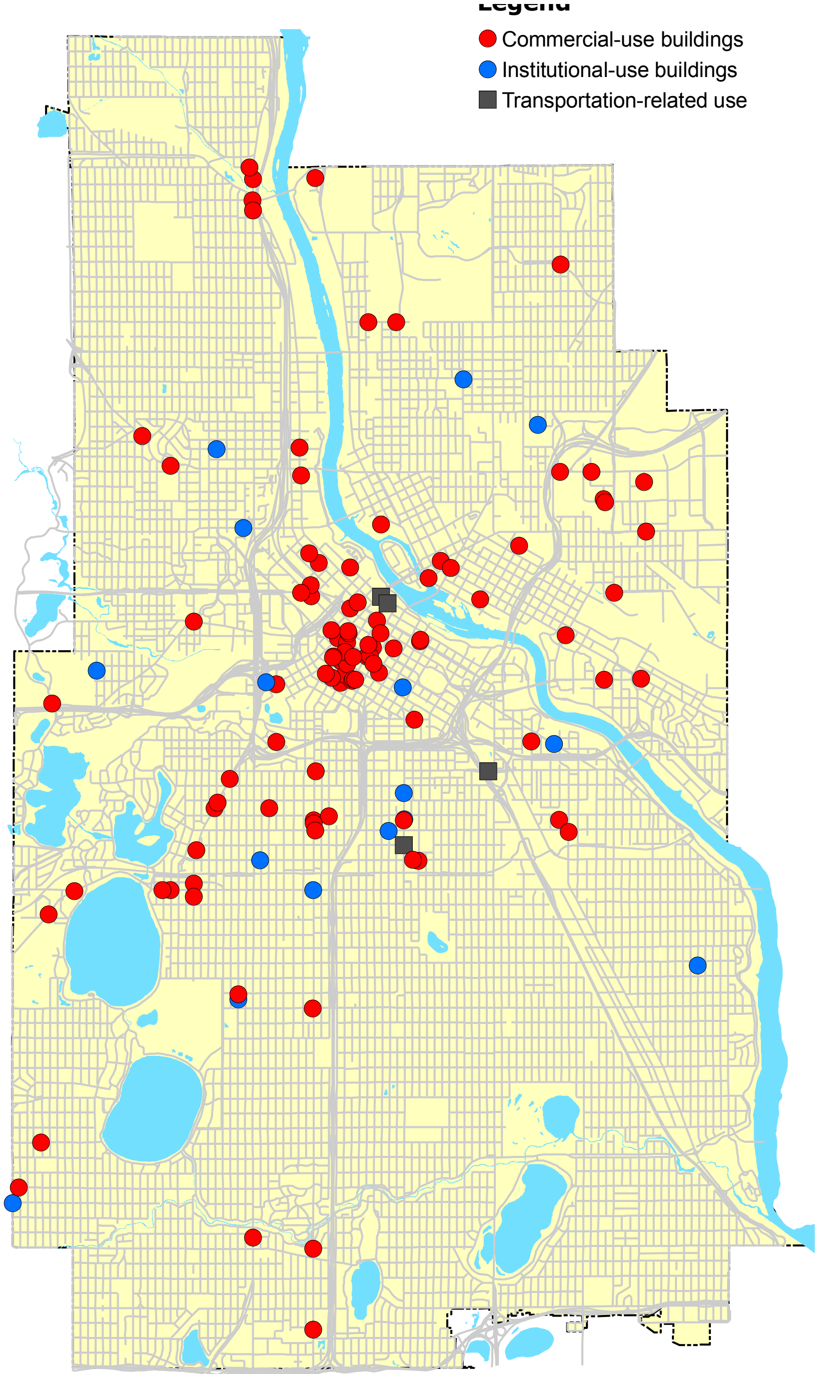


Conversions, remodels & additions

The downtown area had 40 percent of the permitted commercial projects valued $50,000 or more, but only 2 out of 17 of the institutional projects. The downtown area also had two of the four transportation related projects permitted.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 2Q-11
projects $50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the second quarter of 2011. The listed amount only reflects projected construction cost (not including land acquisition or soft costs) for permits issued that quarter. The highest cost project was the remodel of the Ford Building including HGA Architects headquarters ($20.6 million), followed by the construction of Minneapolis Public School central office at $19.2 million.

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

Description	Address	Neighborhood	Projected construction $	CPED Involvement[1]
Ford Building: remodel, and tenant buildouts*	420 5th St N	North Loop	$ 20,636,013	●
Minneapolis Public School Educational Service Center: new building for administrative offices	1250 West Broadway	Jordan	19,158,955	●
MoZaic: new mixed-use building (office, restaurant and retail)	1320 Lagoon Ave	Lowry Hill East	18,450,256	●
Allina Health Care Lab: remodel of warehouse*	2800 10th Ave S	Midtown Phillips	18,315,357	
Jerome Boxleitner Place: New seven-story emergency shelter	165 Glenwood Ave	North Loop	13,810,021	●
American Swedish Institute: event and cultural center addition	2600 Park Ave	Phillips West	13,488,500	●
Metro Transit: addition to LRT storage facility	1810 Franklin Ave E	Ventura Village	8,768,753	●
29th Avenue Apartments: New 64-unit apartment building	3725 29th Ave S	Standish	5,951,800	●
MPH Art Love Manor: remodel	800 5th Ave N	Sumner Glenwood	2,736,809	
Lehman's Garage: new auto repair facility	5431 Lyndale Ave S	Windom	2,691,300	●
Children's Hospital: extension of elevators and stairs to helideck	2525 Chicago Ave	Midtown Phillips	2,400,000	●
U.S. Bankcorp: 13th floor remodel*	800 Nicollet Mall	Downtown West	2,270,085	
ATT Tower: Syncada office remodel*	901 Marquette Ave	Downtown West	2,221,405	
New single-family home	2300 block West Lake of the Isles Pkwy	Kenwood	1,900,000	●
Rosa Mexicana: remodel	609 Hennepin Ave	Downtown West	1,701,870	
HCMC: interior remodel*	701 Park Ave	Elliot Park	1,375,510	
US Bank: addition and parking lot remodel	2420 Hennepin Ave	East Isles	1,304,869	
Southwest High School: pool locker room remodel	3510 47th St W	Linden Hills	1,296,025	
American Academy of Neurology: structural framing for new 5-story office building	201 Chicago Ave	Downtown East	1,258,000	●
Parkview Apartments: exterior improvements	1201 12th Ave N	Near North	1,239,000	
Target Corporation: office remodels*	1000 Nicollet Mall	Downtown West	1,119,327	
Metro Transit: new 2-story LRT station	275 Cedar Ave	Cedar Riverside	1,009,443	●
North Central University: Student housing remodel*	916 15th St E	Elliot Park	1,000,000	
Total			$ 144,103,298	

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 to 39 from a low of 24 units last quarter. The number of demolitions appears to have increased, with about 42 percent of them in the Chain of Lakes area.

Units scheduled for demolitions this quarter included 26 single-family homes, 4 duplexes, and a triplex.

Non-residential demolition permits included demolitions of 14 commercial buildings scattered around the city. These buildings included a medical clinic, a grain elevator, retail, a manufacturing building, repair stores and workshops. The two commercial workshops to be demolished in downtown on 12th Ave S will be replaced with a residential building.

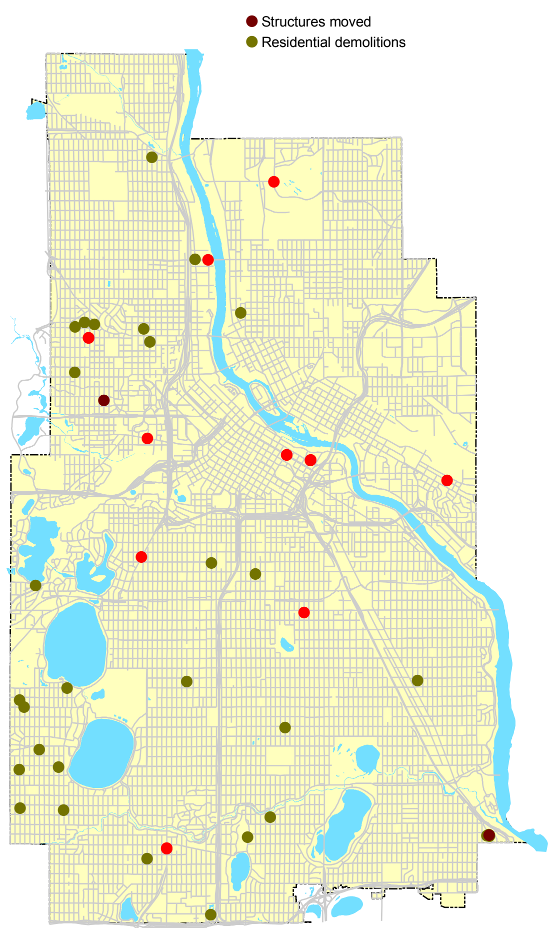
Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis
in units

Quarter	Units
2Q-10	39
3Q-10	122
4Q-10	126
1Q-11	24
2Q-11	39

Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** –2Q-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, multifamily buildings have four or more units.)

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

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

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

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

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

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

- **Map 1 –** New buildings

  Single-family: means detached dwellings.

  Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including town-houses. 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

  Residential: all residential buildings (single-family and multifamily units)

  Non-residential: all non-residential buildings and structures

Housing stock & the real estate market

- The average apartment vacancy rate in Minneapolis decreased from an already low 2.9 percent in the first quarter to 2.0 percent, showing that rental market demand was growing faster than supply of new units.
- The number of traditional housing sales this quarter was 74 percent higher than first quarter, and median prices increased 8 percent. However, sales and prices were lagging in comparison with second quarter last year. Lender-mediated sales fell, but were up 3 percent from last year.
- The number of condemned, boarded and vacant buildings in the city decreased by 1 percent, but was higher than last year due to growing numbers of vacant but not condemned buildings.
- Foreclosure sales increased to 461, but dropped nearly 16 percent from second quarter last year.
- Office vacancy rate in the Minneapolis central business district (CBD), decreased from 17.8 percent last quarter to 17 percent this quarter. On the other hand, retail vacancies increased from 12.9 percent to 13.5 percent, both according to CB Richard Ellis.

Residential vacancy rates and average apartment rents

The Minneapolis vacancy rate for multi-family rental housing declined again to only 2 percent from 2.9 percent last quarter. The vacancy rate was even lower than the 2.7 percent in the 3rd quarter 2006 at the height of the housing boom. The steady decrease in the vacancy rate shows that construction of rental housing was not keeping up with demand. In response to these low vacancy rates, since second quarter last year more than 900 new units have been permitted for construction and over 1,000 more are planned.

In the metro area, the vacancy rate also declined from 3.1 percent in the first quarter to 2.4 percent, an historical low in the last eight years.

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

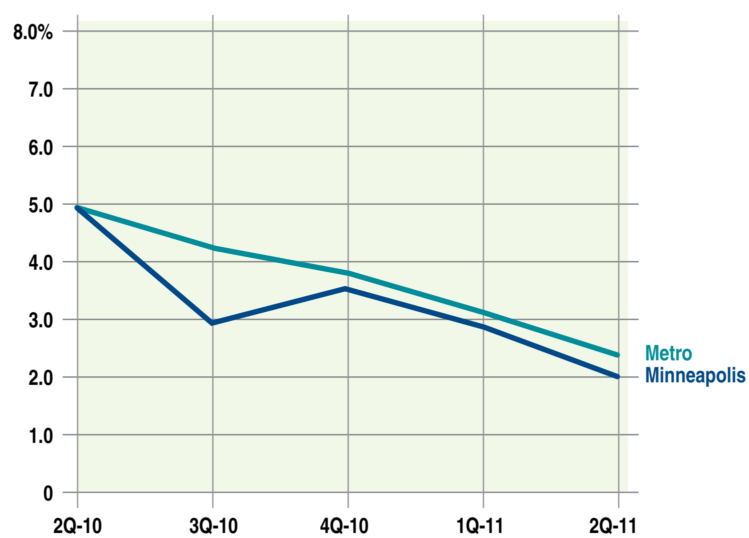
	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis					
Units surveyed	13,699	13,825	13,647	15,441	14,387
Vacant units	685	420	471	450	286
Average rent	$ 946	$ 926	$ 935	$ 958	$ 953
Vacancy rate	5.0%	3.0%	3.5%	2.9%	2.0%
Metro area					
Units surveyed	107,610	108,662	108,794	113,791	106,986
Vacant units	5,398	4,519	4,178	3,515	2,561
Average rent	$ 902	$ 905	$ 908	$ 916	$ 921
Vacancy rate	5.0%	4.2%	3.8%	3.1%	2.4%

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

Residential vacancy rates and average apartment rents

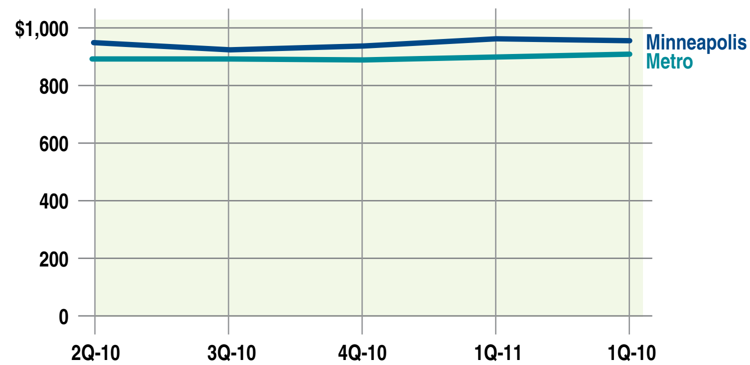
In spite of the low vacancy rate, Minneapolis average rent decreased in inflation-adjusted dollars. It was $953, about $12 lower in inflation-adjusted dollars* than last quarter, and $3 lower from a year ago. In the metro area average rent was $921, increasing modestly in comparison with second quarter last year. However, it was $2 lower than last quarter after adjusting for inflation.

The vacancy rate decreased in all areas in the city except in South Minneapolis where it increased almost 1 percent in comparison with last quarter. Vacancy rates in second quarter were lower than the city average of 2 percent in downtown and East Minneapolis, and higher in Southwest, North and South. In downtown it reached a very low rate of 1.2 percent, in comparison with 6 percent a year ago. The highest rate was in South Minneapolis with 3.8 percent. Generally a vacancy rate of 5 percent is considered the point at which supply and demand are balanced.

As per GVA Marquette Advisors, downtowns in the metro area, have attracted more renters than suburban communities. Downtown Saint Paul, for example, at 0.8 percent had one of the lowest rates of the metro, and Downtown Minneapolis had 1.2 percent, as pointed out already.

* For conversion factors, see page 44.

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

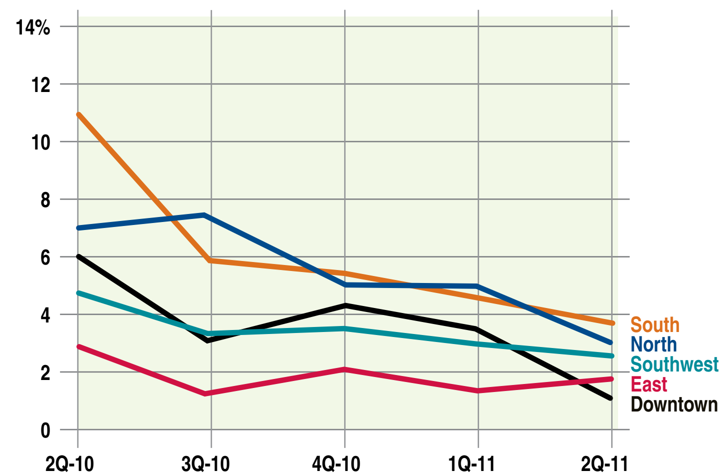


	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis	$ 946	$ 926	$935	$ 958	$ 953
	956	*936*	*949*	*965*	*953*
Metro area	902	905	908	916	921
	912	*915*	*921*	*923*	*921*

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 44.

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Downtown	6.0%	3.1%	4.2%	3.5%	1.2%
Southwest	4.8%	3.4%	3.4%	3.0%	2.3%
North	6.9%	6.5%	5.0%	5.0%	3.1%
South	10.9%	5.7%	5.4%	3.0%	3.8%
East	2.8%	1.2%	2.1%	1.6%	1.7%

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.)

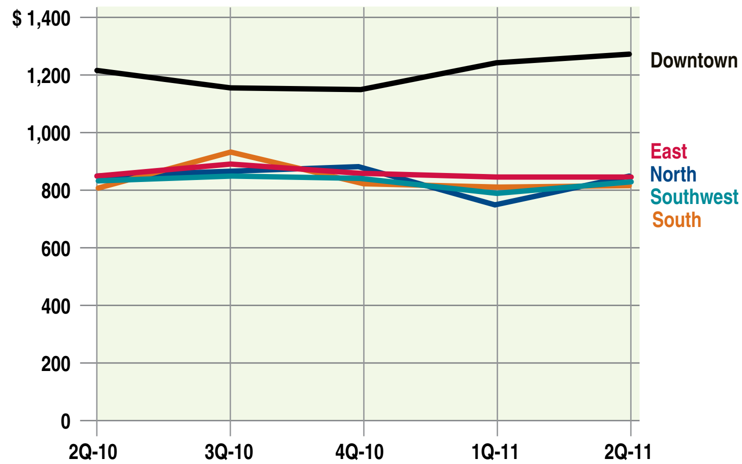
Recorded data for the last month of the quarter
* For sector definitions, see page 42.

Residential vacancy rates and average apartment rents

With tight vacancy rates, average rents in inflation-adjusted dollars increased in all sectors of the city except in Downtown, where the vacancy rate was the lowest. However rents in Downtown increased on average nearly 7 percent from the same quarter last year. In real dollars it was the highest increase of all sectors in that period.

* For conversion factors, see page 44.

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Downtown	$1,135 1,147	$1,138 1,150	$,1244 1,262	$1,264 1,274	$1,213 1,213
Southwest	859 868	846 855	791 803	836 842	839 839
North	863 872	882 891	747 758	854 861	931 931
South	824 833	830 839	813 825	814 820	849 849
East	878 887	857 866	851 864	855 862	879 879

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 the second line.

* For conversion factors, see page 44.

** For City sectors definition see page 42.

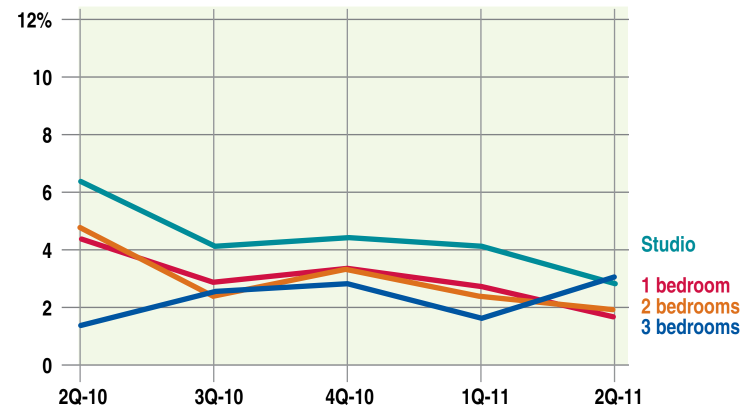
Residential vacancy rates and average apartment rents

Since the beginning of the year vacancy rates by unit have been going down for all type of units, except for large apartments. Vacancy rates for three-unit apartments increased from last quarter from a low 1.6 percent to 3.1 percent. One-bedrooms, which make the majority of the city housing rental stock, reached 1.7 percent, which was lower than the 2 percent citywide rate.

Even with low vacancy rates for all apartment types, average rents decreased this quarter in inflation-adjusted dollars from last quarter, except for studios which barely increased 0.1 percent. Average rents also decreased from a year ago in inflation-adjusted dollars except for two-bedroom apartment which increased 2 percent.

* For conversion factors, see page 44.

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

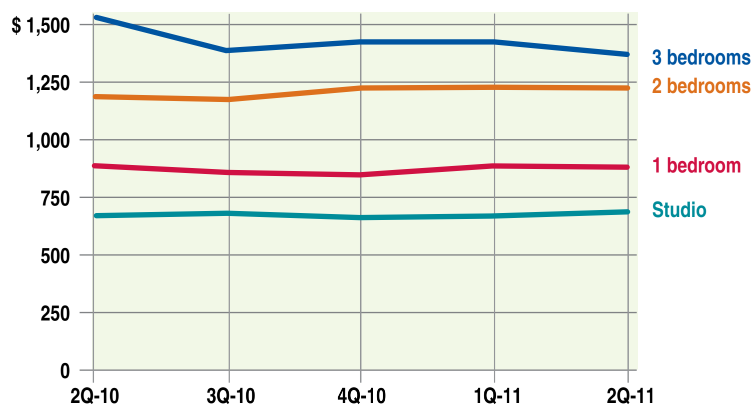


	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Studio	6.3%	4.1%	4.3%	4.1%	2.9%
One-bedroom	4.6%	3.0%	3.1%	2.7%	1.7%
Two-bedroom	5.0%	2.5%	3.4%	2.5%	1.9%
Three-bedroom	1.4%	2.7%	3.1%	1.6%	3.1%

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

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Studio	$ 675 682	$ 678 685	$ 659 669	$ 674 679	$ 680 680
One-bedroom	885 894	855 864	859 872	888 895	885 885
Two-bedroom	1,187 1,200	1,170 1,182	1,218 1,236	1,228 1,237	1,224 1,224
Three-bedroom	1,540 1,556	1,387 1,402	1,412 1,433	1,426 1,437	1,375 1,375

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 the second line.

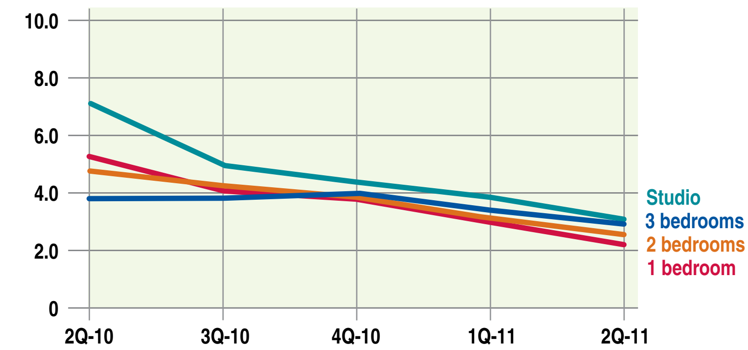
* For conversion factors, see page 44.

Residential vacancy rates and average apartment rents

Average vacancy rates for all apartment types continued to decrease in comparison with first quarter, and were lower than second quarter the previous year. One-bedroom apartments had a lower average vacancy rate than the metro-wide average. It was also the lowest vacancy rate of all apartment types in the metro area.

Average rents in *inflation-adjusted dollars* in the metro area decreased somewhat in comparison with last quarter for one and two-bedroom apartments; for three-bedrooms it increased over one percent. In comparison with the same quarter last year, average rents increased modestly for all apartment types.

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

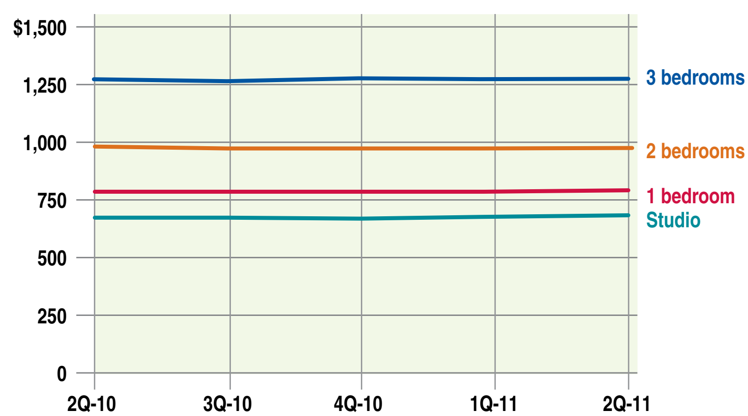


	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Studio	7.1%	4.9%	4.3%	3.9%	3.1%
One-bedroom	5.3%	4.1%	3.7%	3.0%	2.2%
Two-bedroom	4.7%	4.2%	3.9%	3.1%	2.5%
Three-bedroom	3.8%	3.8%	4.0%	3.4%	3.0%

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Studio	$ 667 674	$ 672 679	$ 664 674	$ 671 676	$ 679 679
One-bedroom	785 793	785 793	787 799	797 803	801 801
Two-bedroom	974 984	980 990	985 999	991 999	998 998
Three-bedroom	1,279 1,292	1,276 1,290	1,268 1,287	1,279 1,289	1,303 1,303

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
Rents in inflation-adjusted dollars are on the second line.
For metro area definition, see page 42

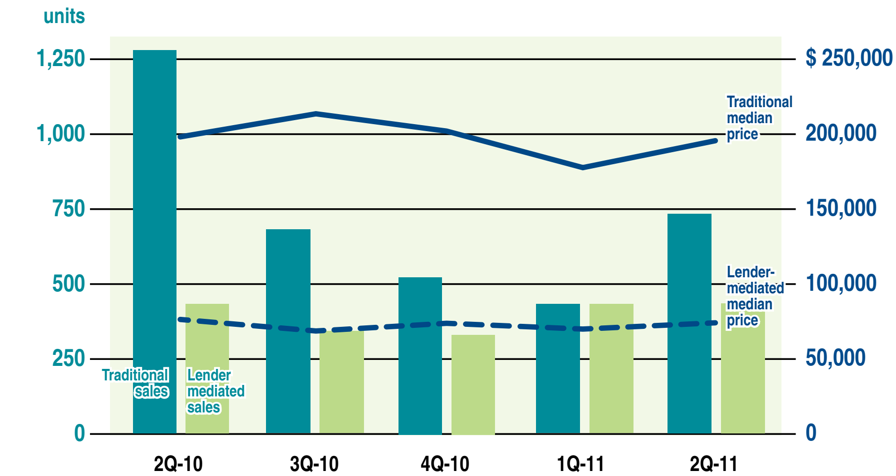
Residential sales

Housing sales rebounded during the second quarter in Minneapolis. The number of traditional housing sales this quarter was 74 percent higher and median sale prices were 8 percent higher than first quarter. The increase in numbers this quarter was probably related to the beginning of the spring home sales season after the winter months.

However, the number of traditional sales was 39 percent behind the number in the same period last year, when the special federal tax credit still existed.

And in comparison with last year, distressed sales were up 3 percent.

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q11
Traditional sales	1,215	671	503	427	741
Lender-mediated sales	415	324	307	431	427
Traditional sales median price	$ 199,800	$ 213,200	$ 200,000	$ 179,000	$ 194,500
Lender-mediated median price	$ 76,050	$ 69,000	$ 75,000	$ 70,000	$ 72,450

Source: Minneapolis Area Association of Realtors

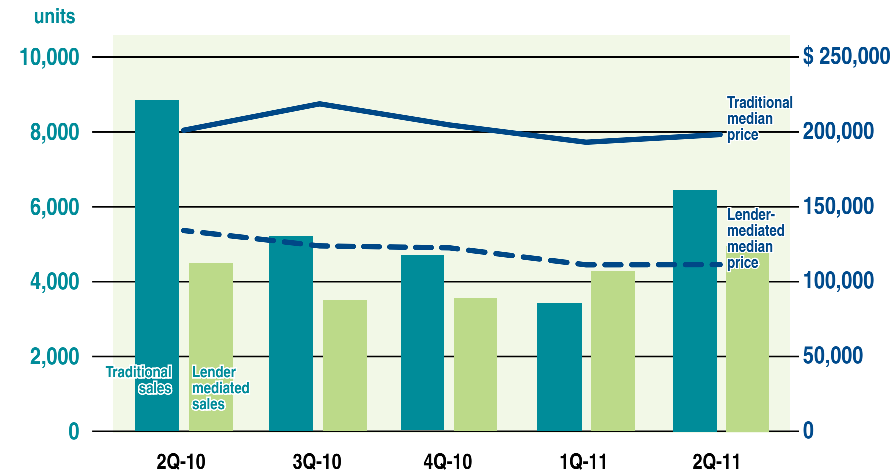
Residential sales

In the metro area the number of traditional sales increased 91 percent and lender-mediated sales increased 17 percent. However, median sale prices for traditional sales rose a paltry 3 percent, and lender-mediated sales were actually selling for less on average than in the first quarter.

Compared to the same quarter last year, sales declined 27 percent, less than in the city, but lender-mediated sales increased by 11 percent. Average median sale prices declined in general.

The Case-Shiller home price index (seasonally adjusted) for June indicated that in May home prices in the Twin Cities were higher than in April, but 11.9 percent lower than in May last year. Higher prices in May reflected normal seasonal variations. 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 further 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 June was nearly 24,900, or 7.9 months of supply. In comparison there were 29,400 homes for sale in the same period in 2010, or 8.1 months of supply.

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Traditional sales	8,869	5,154	4,619	3,380	6,441
Lender-mediated sales	4,458	3,541	3,534	4,229	4,941
Traditional sales median price	$ 204,000	$ 220,000	$ 205,900	$ 194,000	$ 199,900
Lender-mediated median price	$ 132,000	$ 123,000	$ 122,000	$ 112,550	$ 111,800

Source: Minneapolis Area Association of Realtors (MAAR)

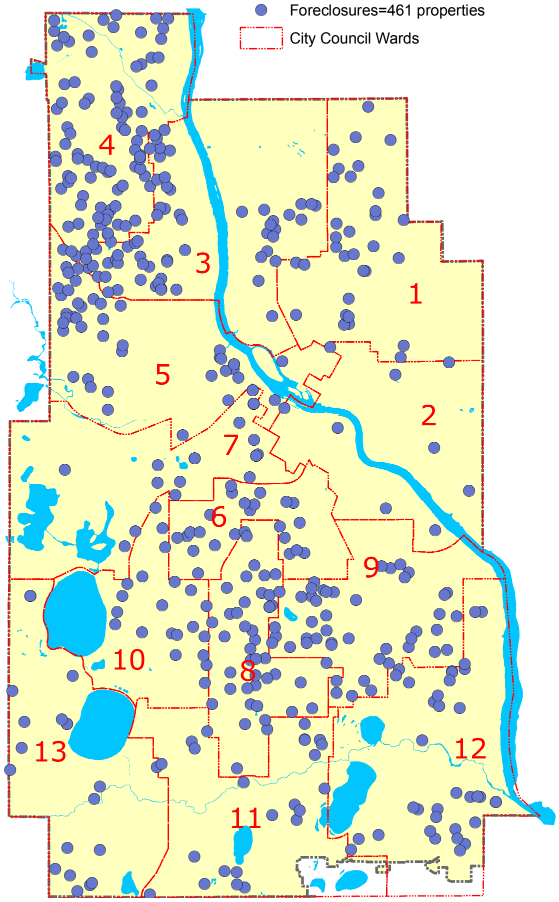
* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For metro area definition, see page 42

Foreclosures

This quarter 461 properties were sold at public auction, just 8 more than the previous quarter. But foreclosed properties dropped nearly 16 percent from second quarter last year, which could lower the pressure on housing prices in general. Ward 5, 6 and 8 accounted for 40 percent of total foreclosures in the city.

MAP 5: PROPERTIES FORECLOSED – 2Q-11
by wards

Source: Hennepin County



Data on foreclosures downloaded as of June 2011. The table and map do not take into account foreclosures recorded after the data was compiled, nor any properties later redeemed by the owner in the 6 month redemption period.

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

Ward	2Q-10		3Q-10		4Q-10		1Q-11		2Q-11	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1	46	8%	45	6%	38	8%	37	8%	39	8%
2	11	2%	14	2%	8	2%	3	1%	9	2%
3	43	8%	49	7%	41	9%	36	8%	30	7%
4	107	20%	172	23%	88	20%	74	16%	85	18%
5	59	11%	86	12%	53	12%	45	10%	55	12%
6	39	7%	24	3%	17	4%	22	5%	23	5%
7	30	5%	32	4%	25	6%	23	5%	30	7%
8	73	13%	59	8%	41	9%	61	13%	44	10%
9	44	8%	135	18%	45	10%	33	7%	40	9%
10	15	3%	26	4%	17	4%	26	6%	20	4%
11	23	4%	28	4%	24	5%	28	6%	25	5%
12	40	7%	48	7%	32	7%	42	9%	40	9%
13	16	3%	18	2%	21	5%	23	5%	21	5%
Total	**546**	**100%**	**736**	**100%**	**450**	**100%**	**453**	**100%**	**461**	**100%**

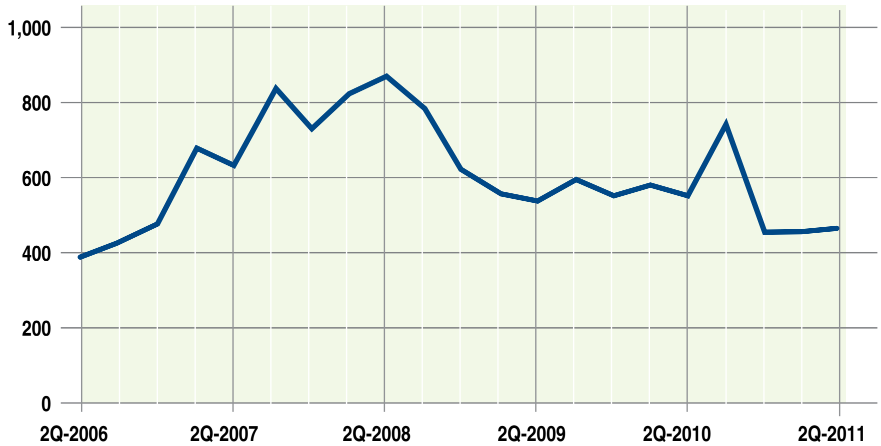
Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; for complete and current foreclosure listings, please see the Hennepin County Sheriff's website at http://www4.co.hennepin.mn.us/webforeclosure/.

Data for 2008 have been revised.

Foreclosures

The volume of foreclosed property sales in Minneapolis decreased from 546 in second quarter 2010 to 461 foreclosures this quarter, after peaking at 736 in third quarter 2010. This quarter the number was close to the levels of 4th quarter 2006, when foreclosures began to increase at the beginning of the housing crisis.

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



Source: Hennepin County

Revised data for 2008

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city decreased by 1 percent from first quarter, but was more than 1 percent higher than a year ago. These numbers reflected the increase of vacant but not condemned buildings in the city, which increased 3 percent from last quarter and 19 percent from last year. Vacant buildings in the second quarter were 54 percent of the total number of vacant, boarded and condemned buildings. Condemned buildings have been decreasing steadily since third quarter 2008, and dropped 14 percent in comparison with the second quarter last year. 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, a large number of these buildings are in North Minneapolis, a target area for improvements and upgrading.

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

Source: Minneapolis Regulatory Services

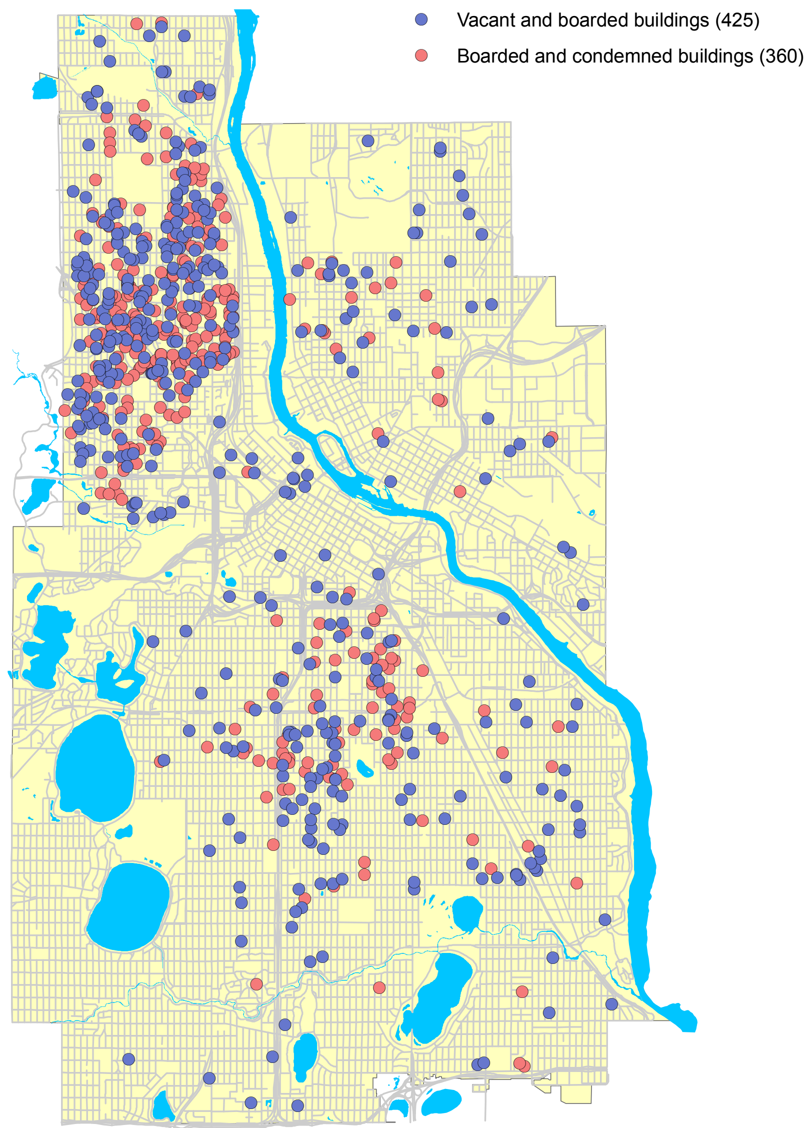


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis
as of the end of quarter

	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Boarded and condemned buildings	419	380	379	380	360
Vacant but not condemned	357	377	407	412	425
Total	**776**	**757**	**786**	**792**	**785**

Source: Minneapolis Regulatory Services

Numbers at the end of quarter

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.

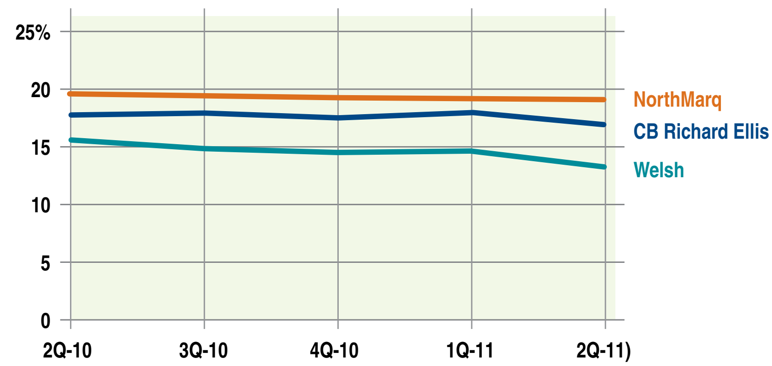
Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) dropped this quarter according to three real estate firms. It was also lower than last year, not taking into account subleases. When they are added, the total vacancy rate ranged between 15.2 percent and 22 percent. The still large surplus of available space especially in properties B and C, is being absorbed gradually with class A properties at the front.

The average vacancy rate in the metro area was lower than last quarter and the second quarter last year. Adding sub-leases brings the vacancy rate up in a range of 16.3 to 21.8 percent.

The office real estate market in the Twin Cities showed a rebound of activity this quarter as sublease space dropped and absorption took place. Tenants tried to secure longer term leases in the face of low interest rates, lenders concerns and landlords still giving incentives to keep them from moving out.

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

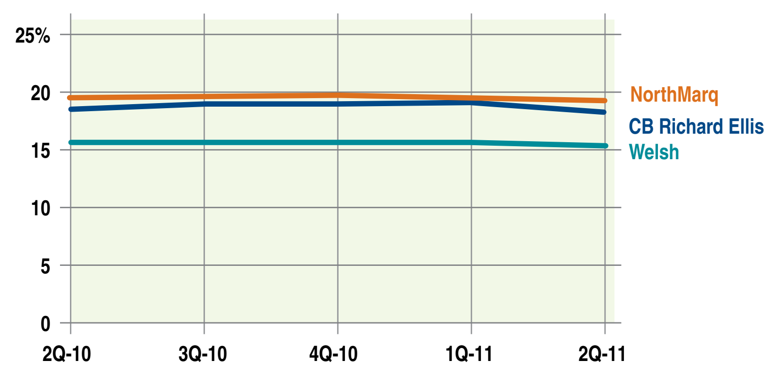


	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
CB Richard Ellis	17.8%	17.9%	17.5%	17.8%	17.0%
Welsh	15.4%	14.9%	14.3%	14.6%	13.1%
NorthMarq	19.7%		19.1%		18.9%

Sources: CB Richard Ellis, Welsh and NorthMarq Compass

See explanation of sources on page 43

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
CB Richard Ellis	18.3%	18.8%	18.8%	19.0%	18.2%
Welsh	15.6%	15.6%	15.5%	15.5%	15.2%
NorthMarq	19.6%		19.9%		19.2%

Sources: CB Richard Ellis, Welsh and NorthMarq Compass

See explanation of sources on page 43

Office space

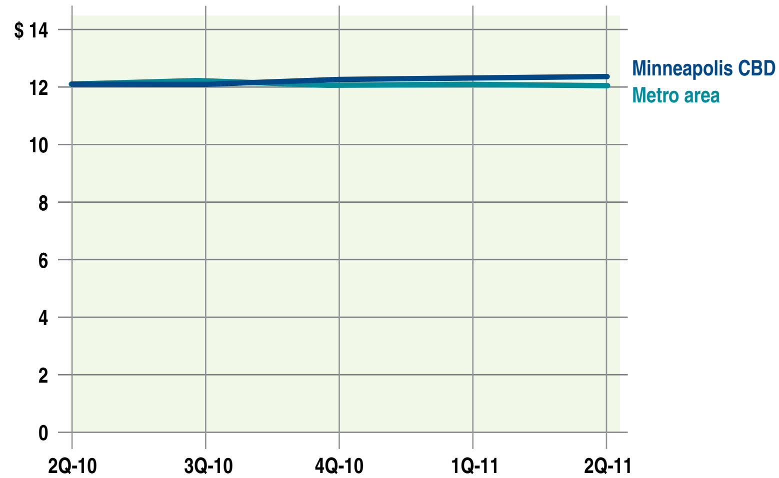
The average asking lease rate per square foot in the Minneapolis central business district (CBD) increased somewhat this quarter, and it was higher than second quarter a year ago. On the other hand, it dropped in the metro area slightly from last quarter, and it was lower than last year.

The activity this quarter in Minneapolis CBD especially in Class A properties pushed prices up, but metro wide demand was still somewhat weak. Employment was increasing slowly, vacant space was plenty and lenders put more conditions to their loans. As a result, landlords asked smaller lease price per square feet.

In both Minneapolis CBD and the metro area occupied office leased space increased this quarter.

Most activity was in class A buildings where tenants hunted for relatively low prices with good deals. Activity was strong in Class A buildings for the last six quarters, so much so that analysts point out that available Class A space is vanishing in the CBD main commercial corridors. The renovation of the Ford Building in the North Loop will add more Class A multi-tenant space in Downtown Minneapolis. In the second quarter Minneapolis CBD accounted for about half of Class A multi-tenant space in the whole metro area.

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

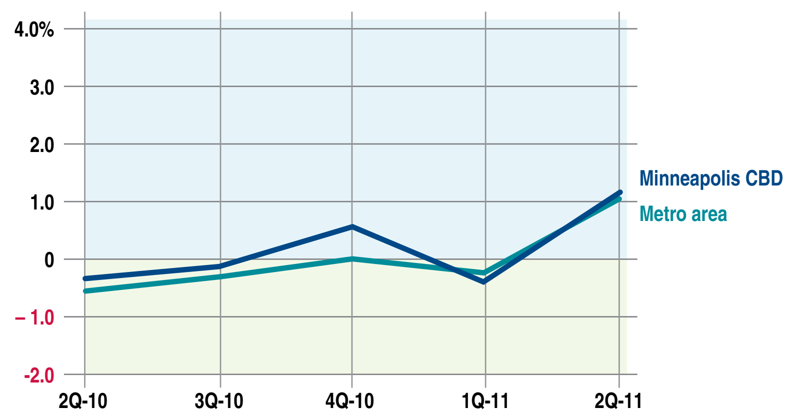


	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis CBD	$ 12.10	$ 12.07	$ 12.30	$ 12.35	$ 12.40
Metro area	12.10	12.13	12.05	12.07	12.03

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis CBD	-0.24%	-0.12%	0.49%	-0.36%	1.09%
Metro area	-0.49%	-0.26%	0.00%	-0.25%	1.03%

Source: CB Richard Ellis

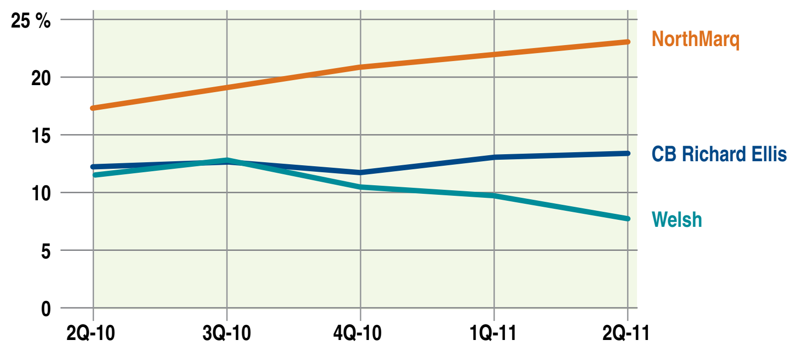
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD ranged from 23.1 to 7.7 percent according the above commercial real estate firms; NorthMarq reported a 23 percent vacancy for the first half of the year, two percentages more than in the last half of last year.

The vacancy rate in the metro area decreased this quarter according to the above real estate firms, ranging from 9.9 percent to 7.5 percent. Retailers leased previously vacant space thus reducing the vacancy rate. Regional malls and shopping centers such as Maplewood Mall and Southdale were under renovation, while Aldi's grocery store opened in Oak Park Heights. Consumer confidence though was still low in the last two months of the quarter, according to the Conference Board, with people worrying about future earnings and a weak job market.

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



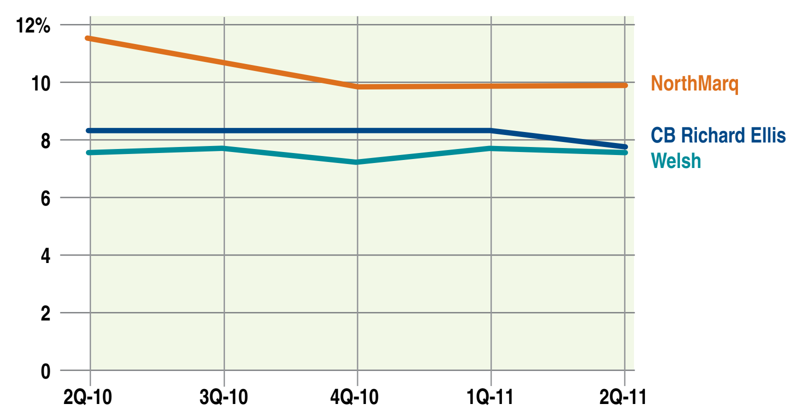
	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
CB Richard Ellis	12.3%	12.5%	11.8%	12.9%	13.5%
Welsh	11.3%	12.8%	10.6%	9.7%	7.7%
NorthMarq	17.3%		21.0%		23.1%

Sources: CB Richard Ellis, Welsh 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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
CB Richard Ellis	8.7%	8.7%	8.7%	8.6%	7.7%
Welsh	7.5%	7.7%	7.3%	7.7%	7.5%
NorthMarq	11.5%		9.8%		9.9%

Sources: CB Richard Ellis, Welsh 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

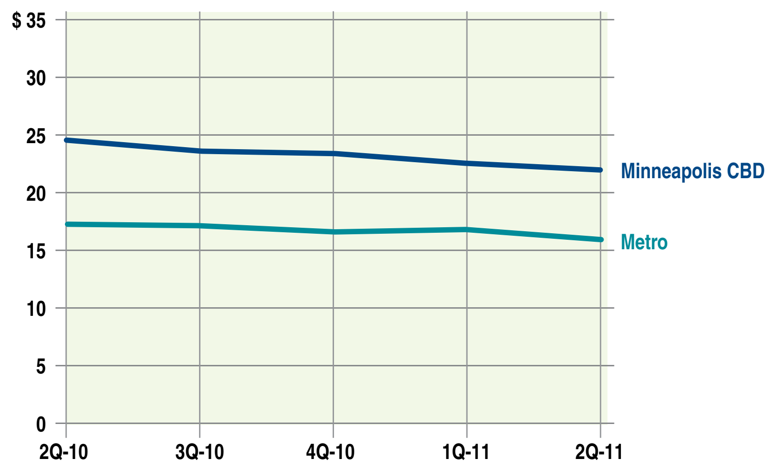
With leasing activity flat, the average asking lease price continued to decline in Minneapolis central business district (CBD). In second quarter it was 10 percent lower than in the same period last year.

The average asking lease price also decreased in the metropolitan area, and it was 6 percent lower than last year. Still prices were much higher in the CBD than in the region.

Occupied retail space in the Minneapolis central business district (CBD) decreased by 0.7 percent. No additional new retail space has been added in the CBD since at least 2003, and vacant space is being slowly absorbed. However, plans are underway to open a new Lunds supermarket on Hennepin Ave next year, taking advantage of growth in the residential population and expected growth in the office working population if the job market picks up in the near future.

The metro area gained 1 percent of occupied retail space this quarter, a positive sign and an improvement to both last quarter and the same quarter last year. Although only one new grocery store opened this quarter, other retailers leased more space to expand their existing shops. Plans are for the opening of Wal-Mart stores in St. Paul and Fridley which are under construction already. Big Lots plans to open new stores in Maple Grove, Eagan and Woodbury. MoZaic which is underway in Uptown Minneapolis will also add more retail space. Meanwhile, Borders is planning to close four stores in the metro area.

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

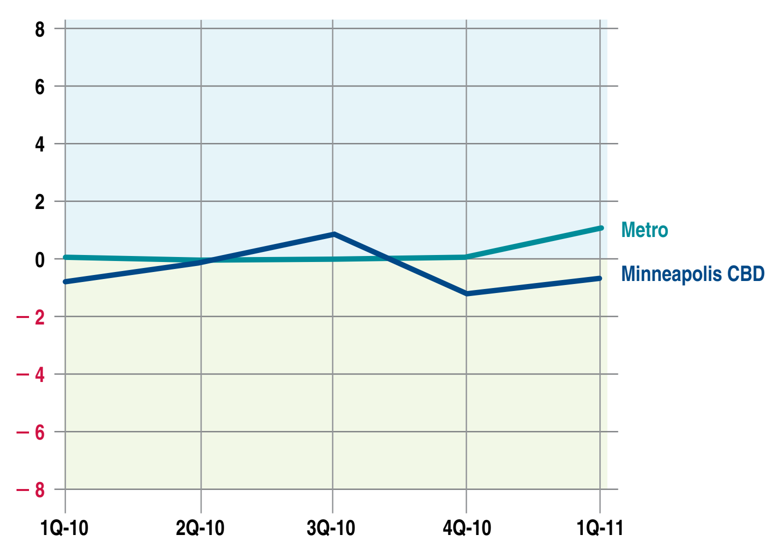


	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis CBD	$ 24.37	$ 23.66	$ 23.17	$ 22.38	$ 21.98
Metro area	17.15	16.88	16.79	16.81	16.05

Source: CB Richard Ellis

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction. NorthMarq includes multi-tenant retail buildings greater than 20,000 SF.

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



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

Source: CB Richard Ellis

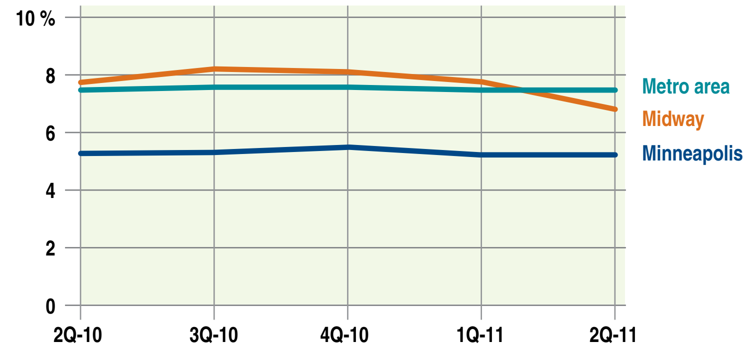
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space direct vacancy rate (not including sublease space) decreased in Midway from last quarter and the same quarter last year, but was unchanged from last quarter in Minneapolis and the metro area. Since the end of last year Midway has been added occupied space, thus reducing the vacancy rate.

The average asking lease price for industrial space has remained more or less flat for several quarters. With relatively low asking prices per square feet and higher demand, but no increase in new construction, many tenants committed to long term leases.

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



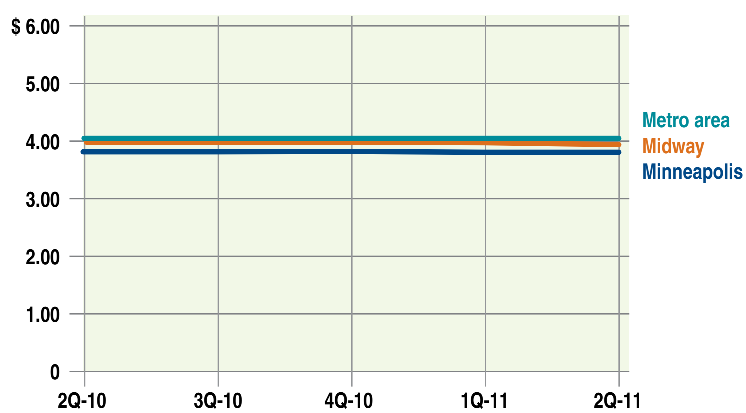
	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis	5.3%	5.4%	5.5%	5.2%	5.2%
Midway	7.7%	8.2%	8.1%	7.6%	6.8%
Metro area	7.4%	7.6%	7.6%	7.5%	7.5%

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 industrial area includes parts of Northeast Minneapolis and Saint Paul.

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



	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis	$ 3.82	$ 3.81	$ 3.81	$ 3.82	$ 3.82
Midway	3.98	3.97	3.96	3.97	3.97
Metro area	4.02	4.01	4.01	4.01	4.01

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.

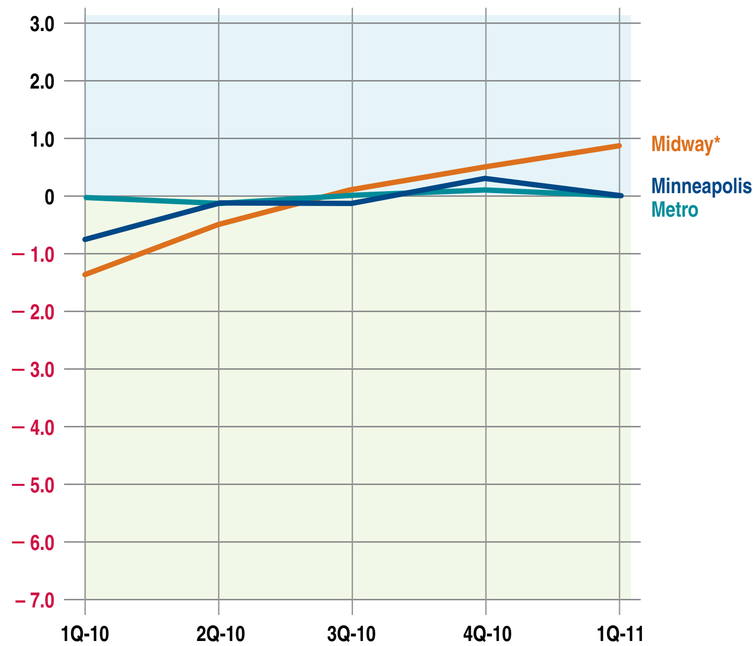
Industrial space

Occupied industrial space increased steadily in Midway, decreased in Minneapolis and remained flat in the metro area. Occupied space has grown in Midway for the last two quarters, with increasing activity in medical and industrial leases. For example, Pace Analytical leased 78,000 square feet in SE Minneapolis.

With no new space being built in the last year, and some industrial facilities already obsolete, space was becoming scarce for firms that were expanding in the last year. However, manufacturing and other industrial activity was slowing down in comparison with last year.

According to Creighton University regional report for Minnesota and the Institute of Supply Managers, in June manufacturing was expanding statewide but not as fast as in June last year. According to the Federal Reserve Bank Beige Book released in June, manufacturing increased in three of five states of the 9th District, including Minnesota. Firms had higher productivity and were increasing equipment purchases, while employment continued to lag behind.

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



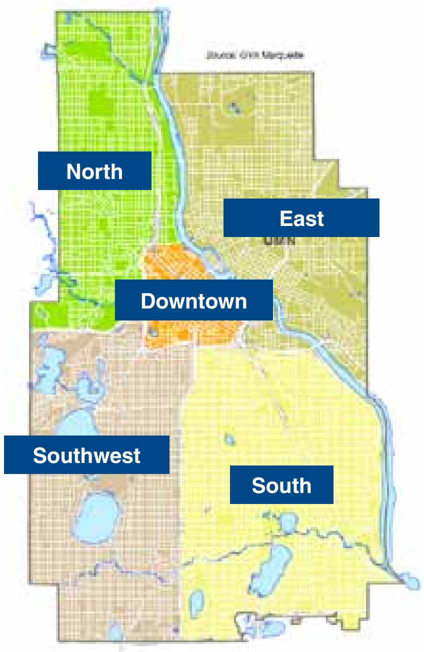
	2Q-10	3Q-10	4Q-10	1Q-11	2Q-11
Minneapolis	-0.7%	-0.1%	-0.1%	0.4%	0.0%
Midway	-1.3%	-0.5%	0.1%	0.5%	0.9%
Metro area	-0.1%	-0.1%	0.0%	0.1%	0.0%

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.

Definitions & sources



- **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 metropolit an 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, Sher-burne, 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, 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, Welsh 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 rates. These variations result not only from the factors affecting office vacancies but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

- **Inflation-adjusted figures:** For the purpose of analyzing residential rent, text is based on values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category size "class A" (more than 1.5 million people). For the second quarter 2011, dollars have been converted with an index of 1.01055, the result of the relation between the CPI for June 2011 (201.325) and the CPI for June 2010 (199.223). For the period from first quarter 2011 to second quarter 2010, the index is 1.0077, obtained by dividing 201.325 (June 2011) by 199.783 (March 2011).

Minneapolis **Community Planning & Economic Development**

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