Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

third quarter 2011

Highlights for the third quarter of 2011

	3Q-11	change from 2Q-11	change from 3Q-10
Labor force	219,925 residents	▲	▲
Residents employed	204,521	▲	▲
Unemployment rate	7.0%	▲	▼
New residential permitted units	138 units	▲	▲
Permitted residential conversions, remodels and additions	149 buildings	▼	▼
	$ 33.5 million	▲	▲
Permitted non-residential conversions, remodels and additions	129 buildings	▲	▲
	$ 59.3 million	▼	▲
Residential units demolished	71 units	▲	▼
Rental vacancy rate	1.5%	▼	▼
Average rent in inflation-adjusted dollars	$ 965	▲	▲
Residential units sold			
Traditional	822 units	▲	▲
Lender-mediated	431 units	▼	▲
Median sale price of residential units			
Traditional	$ 192,500	▼	▼
Lender-mediated	$ 65,600	▼	▼
Foreclosures	393	▼	▼
Condemned and vacant buildings	776	▼	▲
Minneapolis CBD office vacancy rate	16.9%	▼	▼
Minneapolis CBD retail vacancy rate	13.3%	▼	▲

Highlights for the first quarter of 2011 – Jobs and wages

	1Q-11	4Q-10	1Q-10
Number of jobs	278,056 employees	▼	▲
Wages in inflation-adjusted dollars	$ 1,256	▼	▲

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Minneapolis Trends

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Economic indicators

- Employment increased but at a slower pace than the labor force, thus raising the unemployment rate to 7 percent from 6.6 percent in the second quarter of the year. In comparison with the same quarter last year, about 1,400 more residents were working.
- As of first quarter 2011 there were nearly 278,100 jobs in Minneapolis, about 5,400 fewer (1.9 percent) than the previous quarter but about 2,300 more (0.8 percent) than the first quarter the previous year. Over the same 12-month period, the metro and state also added jobs, but at a slightly faster pace.
- Average real wages for first quarter 2011 were almost 3 percent higher than a year before. Real wages in the metro area increased by 3.5 percent and by 2.6 percent in the state.

Labor force

Data from Department of Employment and Economic Development (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, 1.4 percent. As a result the unemployment rate increased from 6.6 percent in second quarter to 7 percent in third quarter this year. A comparison with the third 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 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.

Usually more people enter the labor market in the summer, but it takes time to absorb the new entries. Thus for a few months the unemployment rate increases, only to decline later on in the fourth quarter with the holiday season. This year, the trend is comparable with the same quarter last year, but the unemployment rate was lower, a signal that economic activity was growing albeit at a slower pace than expected.

In the metro area employment also increased from the previous quarter at the same rate as Minneapolis, while the labor force increased at slower pace than the city. The result was a higher unemployment rate of 6.7 percent. In the twelve-month period, the metro added nearly 15,000 to payrolls this quarter, with labor force increasing at a slower rate.

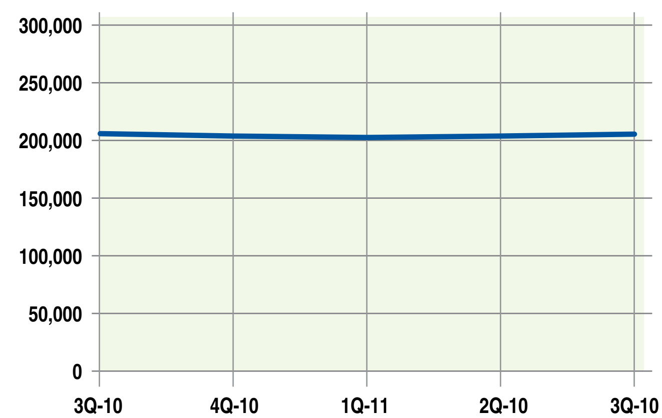
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis					
Labor Force	218,818	215,828	213,874	216,787	219,925
Employment	203,106	201,785	200,441	202,570	204,521
Unemployment rate	7.2%	6.5%	6.3%	6.6%	7.0%
Metro area					
Labor Force	1,626,364	1,605,992	1,597,620	1,611,196	1,632,436
Employment	1,511,864	1,502,029	1,492,024	1,507,635	1,522,401
Unemployment rate	7.0%	6.5%	6.6%	6.4%	6.7%

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

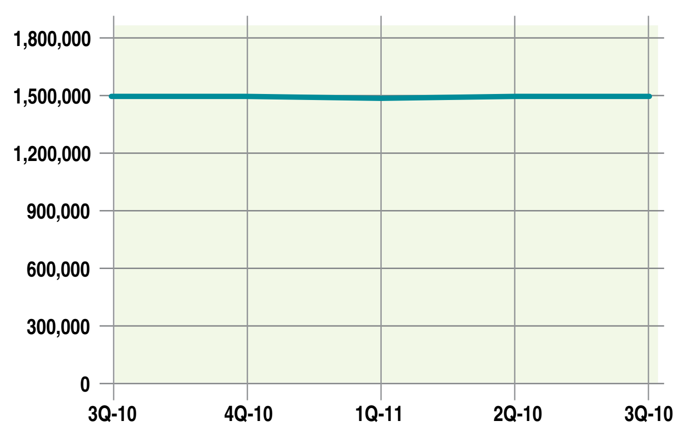
* For metro area definition, see page 13.

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis
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]

	1Q-2010	2Q-2010	3Q-2010	4Q-2010	1Q-2011	% change 4Q-10 to 1Q-11
Total, All Industries	275,761	281,561	282,122	283,450	278,056	-1.9%
Construction	N/A	N/A	5,878	N/A	N/A	N/A
Manufacturing	13,824	14,031	14,422	14,159	13,442	-5.1%
Utilities	2,874	2,924	2,951	2,922	2,969	1.6%
Wholesale Trade	8,169	8,200	8,152	8,202	8,319	1.4%
Retail Trade	13,749	15,246	14,935	14,081	13,494	-4.2%
Transportation and Warehousing	7,407	7,309	7,203	7,437	7,207	-3.1%
Information	10,451	10,496	10,600	10,632	10,654	0.2%
Finance and Insurance	26,693	26,722	26,888	27,123	27,633	1.9%
Real Estate and Rental and Leasing	5,865	5,896	5,805	5,964	6,346	6.4%
Professional and Technical Services	29,475	29,670	30,152	30,454	28,855	-5.3%
Management of Companies and Enterprises	16,155	16,336	16,552	16,530	16,767	1.4%
Administrative and Waste Services	12,682	13,559	13,853	13,911	13,640	-1.9%
Educational Services	29,970	29,211	27,777	30,571	30,017	-1.8%
Health Care and Social Assistance	46,720	46,962	47,087	47,174	47,276	0.2%
Arts, Entertainment, and Recreation	5,254	5,936	5,825	5,464	5,018	-8.2%
Accommodation and Food Services	20,708	22,290	22,377	22,195	20,745	-6.5%
Other Services, Ex. Public Admin	9,030	9,369	9,296	9,180	N/A	N/A
Public Administration	11,630	11,805	12,251	11,680	11,482	-1.7%

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 first quarter 2011, the number of jobs located in Minneapolis was about 278,000, a decrease of 1.9 percent (about 5,400 jobs) from fourth quarter 2010. However, in comparison with the same quarter the previous year, the number of jobs increased by 0.8 percent (about 2,300 jobs).

12 month change – 1st quarter 2010 to 1st quarter 2011

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

Sectors which gained net jobs:

- **Administrative and waste services** gained nearly 960 net jobs (7.6 percent growth) mostly in employment services, including employment placement and executive search agencies, temporary help services and professional employer organizations.
- **Finance and insurance** gained 940 net jobs (3.5 percent growth). Banks gained the most followed by security companies.
- **Management of companies and enterprises** grew by about 610 net jobs (3.8 percent), with the bulk of this gain in jobs in managing offices.
- **Health care and social assistance** added more than 550 net jobs (1.2 percent) because of strong growth in social assistance services.
- To a lesser extent, **real estate, information, wholesale, utilities** and **education** also added net jobs from the same period last year.

Sectors which experienced major job losses:

- **Professional and technical services** lost 620 net jobs (2.1 percent). Gains in advertising and public relations, and architecture and engineering services could not offset losses in computer systems design services which lost almost 1,300 jobs.
- **Manufacturing** lost about 380 net jobs (2.8 percent), mainly in machinery, printing, surgical appliances, and computer manufacturing.
- **Retail** lost more than 250 net jobs (1.9 percent). Subsectors such as general merchandising stores, sporting goods, hobby and musical instruments, and specialized lines of merchandises accounted for most of the losses.
- **Arts, entertainment and recreation** lost more than 230 net jobs (4.5 percent). Performing arts companies had steep decline in jobs, followed by promoters of performing arts and sports, and fitness and recreational sports centers.
- **Transportation and warehousing and government** lost more than 100 net jobs each. Transportation and warehousing had sharp losses in postal service jobs, and government sustained losses in most subsectors.

Quarter to quarter change- 4th quarter 2010 to 1st quarter 2011

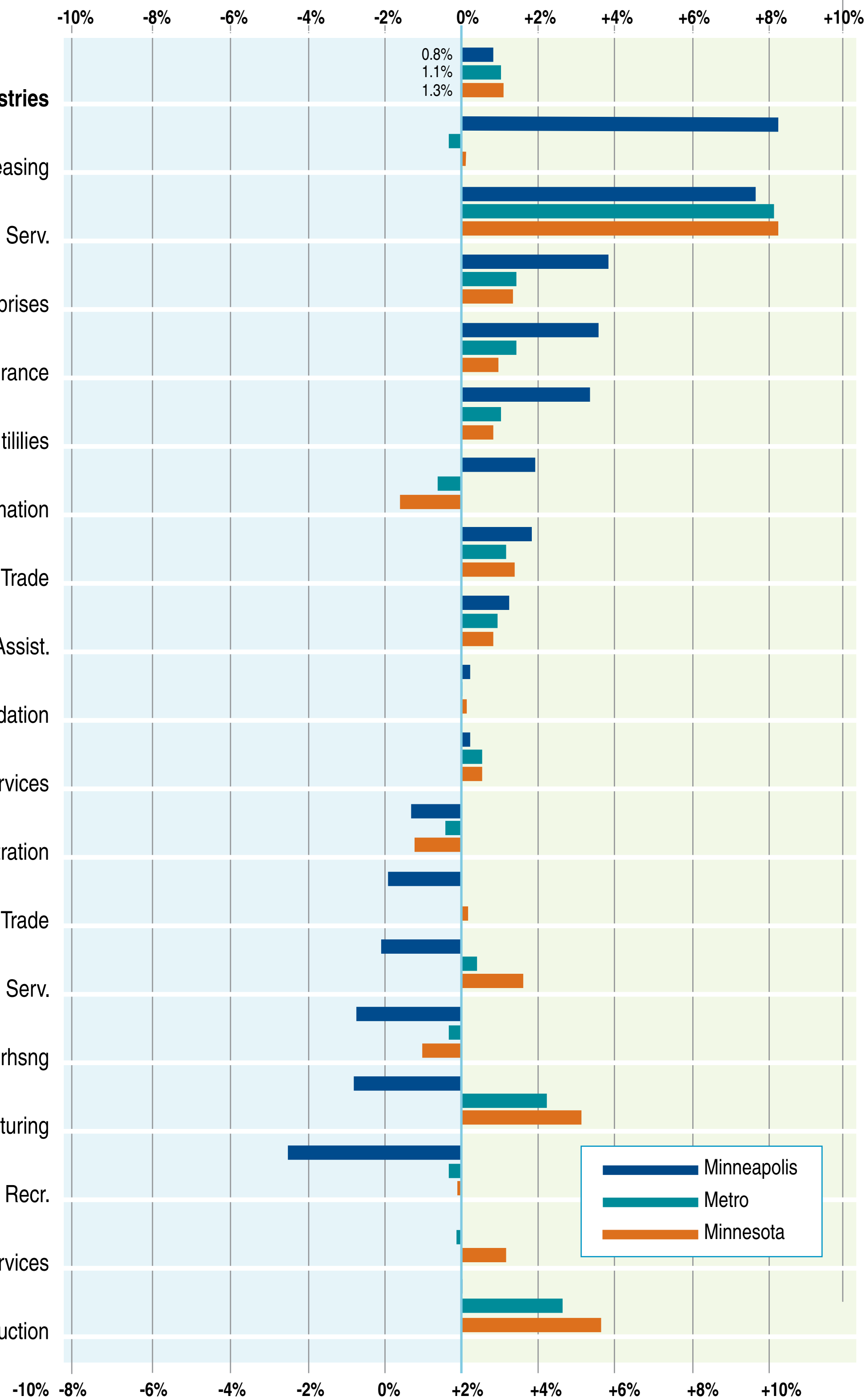
The following sectors increased the most:

- **Finance and insurance** gained more than 500 net jobs (1.9 percent) in security and commodity contract companies, and banks.
- **Real estate and rental and leasing** gained about 380 net jobs (6.4 percent) most of them in real estate, while rental and leasing services lost jobs.
- **Management of companies and enterprises** added more than 230 net jobs (1.4 percent) mostly in managing offices of companies.
- To a lesser extent the following sectors also added jobs from the previous quarter: **Wholesale** added jobs in motor vehicles wholesale; **Health care and social assistance** increased hospital and social assistance jobs; **utilities** grew and **information** added jobs in data processing services.

The following sectors had net job decreases:

- **Professional and technical services** lost approximately 1,600 net jobs (-5.3 percent). Computer systems design services dropped the most, followed by management, scientific and technical consulting services.
- **Accommodation and food services** lost 1,450 net jobs (-6.5 percent), with the largest losses in restaurants, followed by hotels. All subsectors lost jobs.
- **Manufacturing** lost more than 700 net jobs (-5.1 percent), with printing, fabricated metal products, machinery, and surgical appliances having the heaviest losses.
- **Retail** lost more than 580 net jobs (-4.2 percent). Major subsectors losing jobs were sporting goods, hobby and musical instrument stores, clothing, building materials stores and stores such as office supply, used merchandise and specialized good stores.
- **Education** lost more than 550 net jobs (-1.8 percent) mostly in colleges, universities and professional schools.
- Other sectors that lost jobs were: **Arts, entertainment and recreation, administrative and waste services, transportation and warehousing,** and **government.**

Figure 3: **JOBS** –1Q-10 to 1Q-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 0.8 percent, less 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 8.2 percent. However, it declined in the metro area and grew slowly in the state. Management of companies, finances, utilities, wholesale trade, and health care and social assistance grew in all three geographies, but at a higher rate in the city than the metro and the state. Information grew in the city but not in the other areas. Accommodation and food services expanded slowly in the city and the state, but was stable in the metro area.

Of the economic sectors **decreasing jobs** in the city, Art, entertainment and recreation decreased faster in the city than any other sector. It declined slowly in the metro area and the state. Public administration declined in all three areas, but faster in the city. Retail, professional and technical services, transportation and warehousing, and manufacturing decreased in the city but grew in the metro area and the state.

The first 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 April (beginning of the second quarter) to August 2011, the large 13-county Minneapolis-St. Paul-Bloomington metro area gained 28,200 jobs. The area has been gaining jobs since January, and posted strong growth of 2.7 percent in the second quarter. In July it lost jobs for the first time since the beginning of the year.

Wages

The average weekly wage in Minneapolis in the first quarter of 2011 was $1,256, $71 more in nominal dollars from the previous year, and $35 more in inflation-adjusted dollars. Average weekly wages decreased from fourth quarter by $18 in nominal dollars and by $47 in inflation-adjusted dollars.

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

- **Finance and insurance** (17.5 percent): The increase in average weekly real wages was led by security and commodity contracts companies which increased their real wages by $840 or 23 percent. Banks also increased compensation by 23 percent, but the amount was only $430 increase of average weekly salary. Insurance companies decreased wages by 2 percent.
- **Utilities** (8 percent): Electric power generation and transmission weekly real wages increased 10 percent in this period.
- **Wholesale** (6 percent): average weekly real wages increased in most subsectors led by wholesale merchants dealing with miscellaneous goods such as sporting and recreational goods, toys and hobbies, recyclable material, and precious stones and metals, among other things. Real average weekly wages in this subsector increased by 26 percent followed by metal and mineral wholesale businesses which increased 22 percent on average.
- **Information** (6 percent): Average weekly real wages increased in most subsectors, but raised the most in the motion picture and sound recording industry where it increased 17 percent in the 12-month period.

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

	1Q-2010	2Q-2010	3Q-2010	4Q-2010	1Q-2011	% change 4Q-10 to 1Q-11
Total, All Industries	**$ 1,185**	**$ 1,126**	**$ 1,094**	**$ 1,274**	**$ 1,256**	**6.0%**
Construction	n/a	n/a	1,068	n/a	n/a	n/a
Manufacturing	1,111	1,088	1,083	1,405	1,132	1.9%
Utilities	2,118	1,581	1,566	1,721	2,366	11.7%
Wholesale Trade	1,181	1,205	1,211	1,368	1,295	9.7%
Retail Trade	509	549	520	535	477	-6.3%
Transportation & Warehousing	870	972	910	1,052	895	2.9%
Information	1,338	1,268	1,260	1,515	1,463	9.3%
Finance & Insurance	2,554	1,625	1,577	1,950	3,092	21.1%
Real Estate & Rental & Leasing	1,614	1,230	1,127	1,428	1,659	2.8%
Professional and Technical Services	1,561	1,635	1,643	2,159	1,587	1.7%
Management of Companies & Enterprises	1,952	2,361	1,558	1,989	1,767	-9.5%
Administrative and Waste Services	630	626	631	688	667	5.9%
Educational Services	937	982	1,125	1,074	970	3.5%
Health Care & Social Assistance	876	903	925	1,034	889	1.5%
Arts, Entertainment, & Recreation	923	1,216	1,432	900	850	-7.9%
Accommodation & Food Services	348	359	379	393	364	4.6%
Other Services, Ex. Public Admin	581	582	616	634	n/a	n/a
Public Administration	1,148	1,242	1,161	1,367	1,163	1.3%

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

- The following sectors also increased real wages but at a slow pace: Administrative and waste services, education, and accommodation and food services.

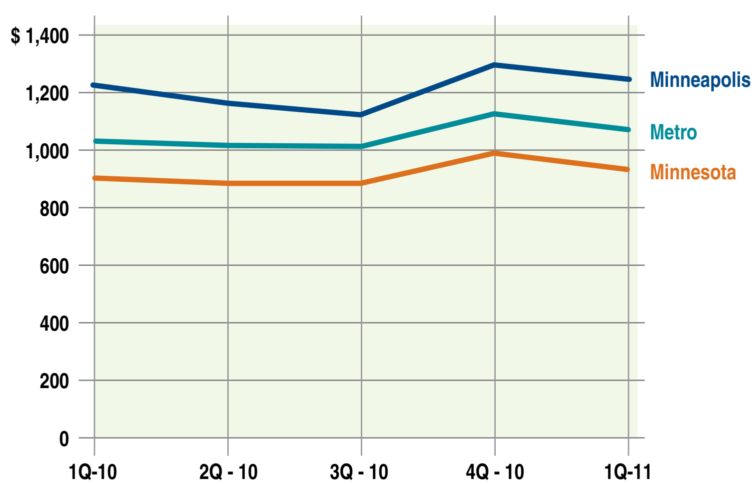
Nine sectors **decreased** year-to-year average weekly wage in inflation-adjusted dollars. Those that decreased the most were:

- **Management of companies and enterprises** (-12 percent): although offices of bank holding companies gained wage value, in the other two sub-sectors – offices of holding companies (other than banks) and managing offices - average real wages decreased 1 and 13 percent respectively.
- **Arts, entertainment and recreation** (-11 percent): Except for two subsectors- performing arts companies and fitness and recreational sport centers – all subsectors reduced average weekly real wages as much as 15 percent (promoters of performing arts and sports) and 13 percent (independent artists, writers and performers).
- **Retail** (-9 percent): This sector decreased real wages mainly because of declining wages in general merchandise stores including department stores, electronics and appliance, health and personal care stores, and motor vehicle dealers. General merchandise stores decreased real wages by about 45 percent.
- Other sectors decreasing wages included: Government, health care and social assistance, professional and technical services, manufacturing, transportation and warehousing, real estate and rental and leasing.

Wages

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. First-quarter wages in inflation-adjusted dollars increased nearly 3 percent in Minneapolis from a year earlier, but increased less than the metro area (about 3.5 percent) but more than the state (2.6 percent).

Figure 4: **AVERAGE WEEKLY WAGES** – 1Q-10 to 1Q-11
in inflation-adjusted dollars

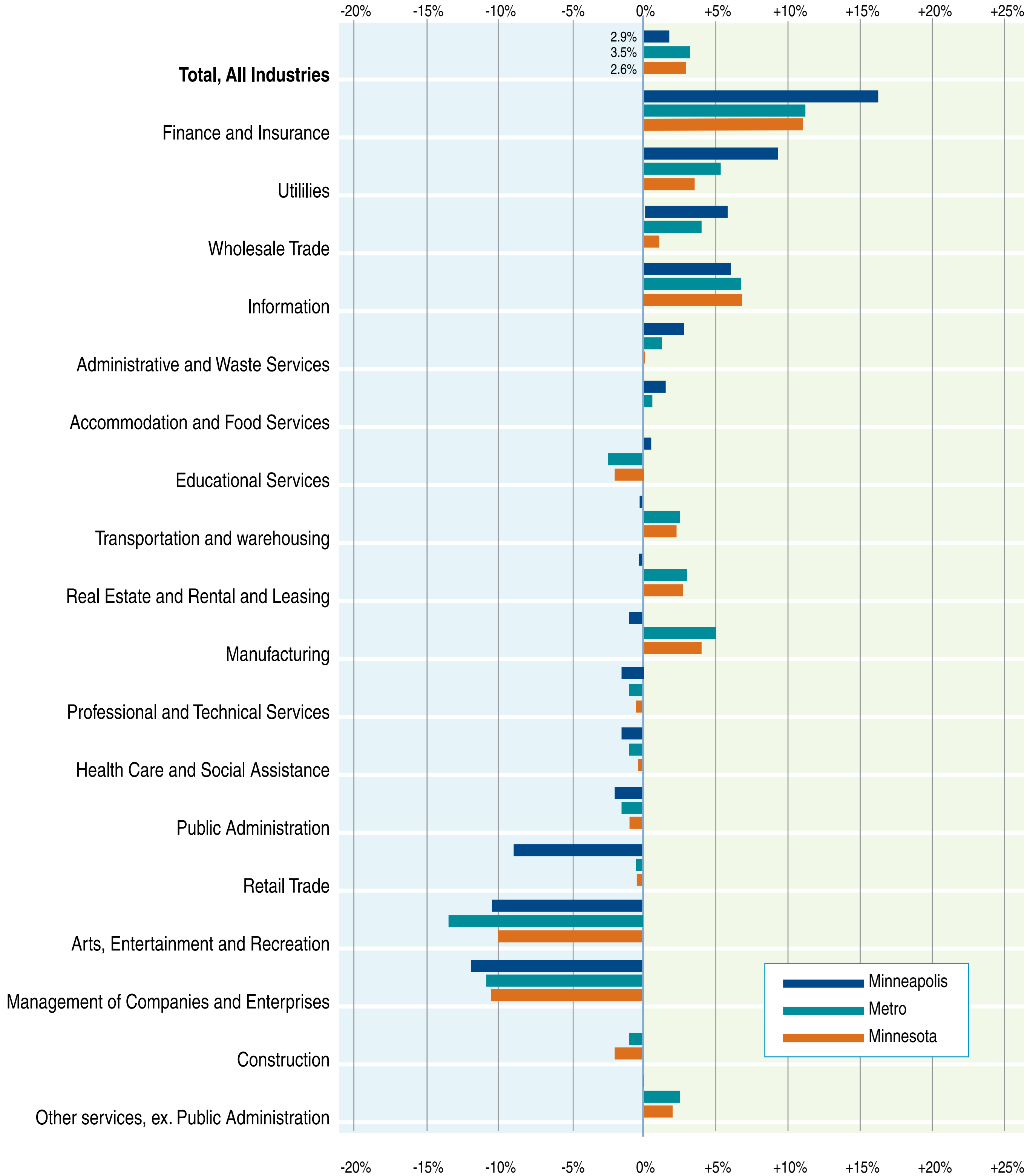


	1Q-10	2Q-10	3Q-10	4Q-10	4Q-11	$ change 1Q-10 to 1Q-11	% change 1Q-10 to 1Q-11
Minneapolis	$ 1,221	$ 1,160	$1,119	$ 1,303	$ 1,256	$ 35	2.9%
Metro area	1,041	1,013	1,009	1,124	1,077	36	3.5%
Minnesota	908	893	893	995	932	24	2.6%

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

For conversion factors, see page 13

Figure 5: **AVERAGE WEEKLY WAGES** – 1Q-10 to1Q-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 sectors grew in Minneapolis in comparison with the metro area and the state from first quarter 2010 to first quarter 2011:

- **Finance and insurance, Utilities,** and **Wholesale** grew average weekly real wages faster in the city than in the metro or the state. In the first sector wages increased 17.5 percent in comparison with 12 percent in the metro and nearly 12 percent statewide.
- **In the Information sector**, real wages grew in the city at 6 percent, a slower rate than in the metro and the state which increased almost 7 percent each.
- **Administrative and waste services,** and **accommodation and food services**, real wages increased relatively slowly. However, wages grew faster in the city than in the metro area. Neither of the two sector average weekly real wages increased in the state.
- In **Education** real wages increased just 0.5 percent per week in the city, but decreased relatively fast in the metro area (-2.6 percent) and the state (-2.4 percent).

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

- **Management of companies** sustained a decline of real wages of 12 percent in the city, larger than any other sector. However, this sector's wages grew in the metro area (11 percent) and statewide (10 percent).
- Wages in **Transportation and warehousing, real estate,** and **manufacturing** had a small decline in the city (about 0.2 percent in the first two sectors and 1 percent in the third), but grew in the metro area and the state, in the case of manufacturing at 5 and 4 percent respectively.
- **Professional and technical services, health care and social assistance,** and **public administration** average weekly wages decreased in Minneapolis faster than in the metro and the state.
- **Retail** average real weekly wages decreased much faster in Minneapolis (9 percent) than in the metro area (less than 1 percent), while growing very slowly statewide (less than 0.5 percent).
- **Arts, entertainment and recreation** wages decreased fast in Minneapolis (11 percent), the metro area (13 percent) and the state (10 percent).

- **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 138 new residential units permitted this quarter reflected a 27 percent increase from last quarter, and a 42 percent increase from last year.
- 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 30 percent higher than last quarter, reflecting the conversion of the Holden Building into residential/commercial mixed uses. In comparison with third quarter last year, the value of residential remodels was more than 40 percent higher this quarter.
- Twenty-one commercial and residential projects costing at least $1 million were permitted this quarter, totaling $82.2 million. The largest single project was the Stadium Village Flats, and the second largest was the Holden Building warehouse conversion into residential/commercial uses.

New construction

There were 29 more new residential permitted units this quarter than last quarter, reflecting increases in both multifamily and single-family units.

This quarter's volume was higher than in the third quarter last year primarily because more multifamily units were permitted.

In the metro area construction expanded by 14 percent in comparison with last quarter, and was 12 percent higher than last year. The increase was the result of new single-family units being built mainly in Carver and Scott counties, and new multifamily units being built in Hennepin, Dakota and Ramsey counties.

Construction of multifamily units increased for the second consecutive quarter. One new apartment building, the Stadium Village Flats, will add 120 units to the city housing stock. Although not reflected in the graph above, another building, the old Holden Warehouse, will be converted to add 120 units in a mixed-use development. 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**

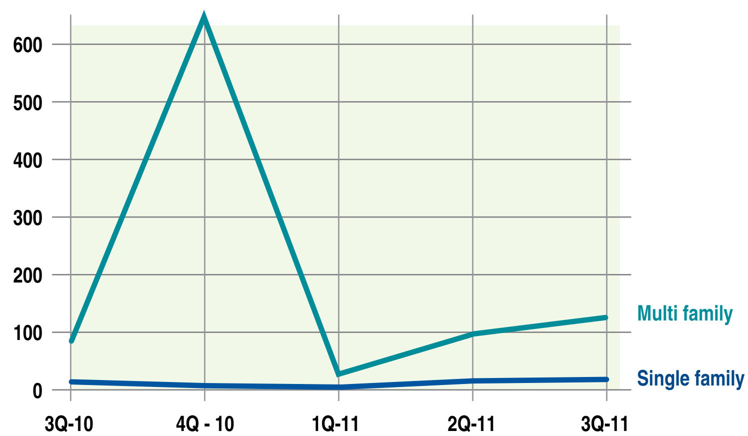
	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Single-family					
City	13	9	5	14	16
Metro area	837	699	518	894	963
Multifamily					
City	84	675	22	95	122
Metro area	347	786	30	268	362
Total Units					
City	97	582	25	109	138
Metro area*	1,184	1,485	548	1,162	1,325

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

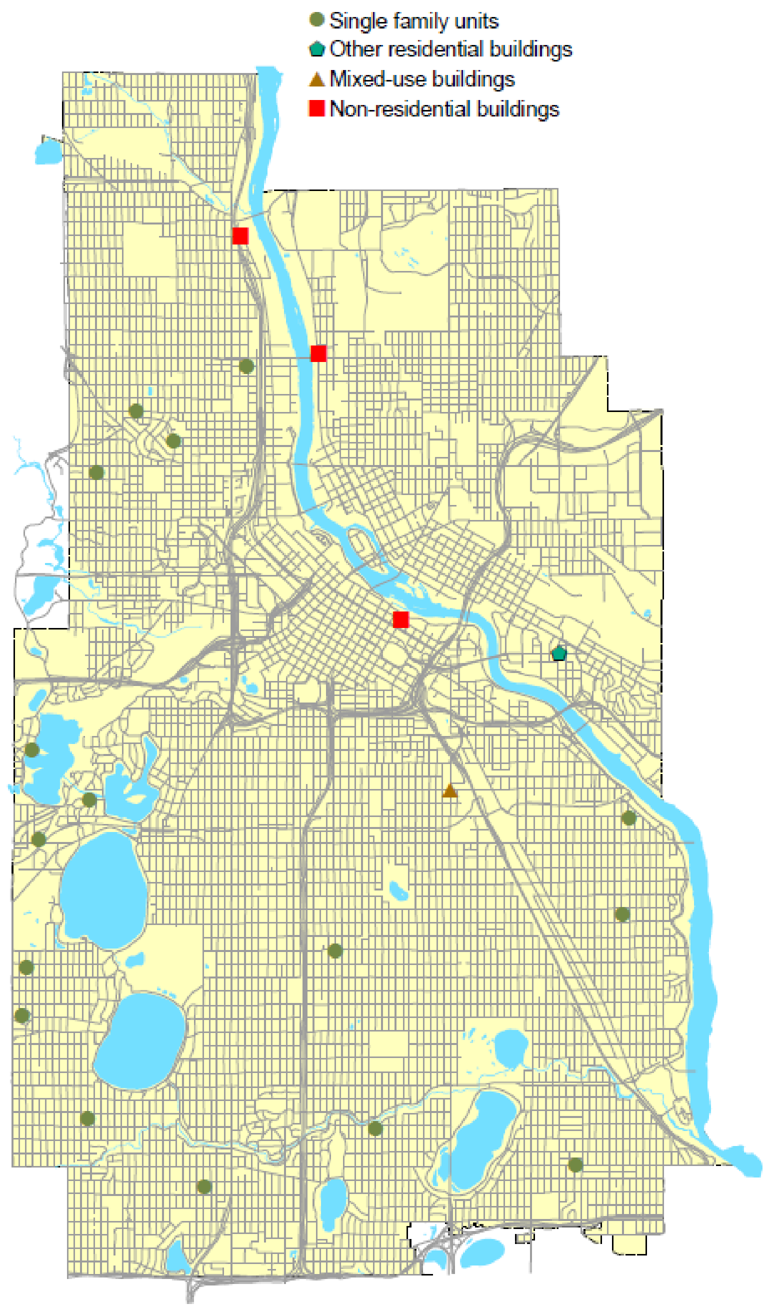
New construction

A new apartment building, the 120-unit Stadium Village Flats, will be located on Washington Ave in the Prospect Park neighborhood. A new mixed-use building with commercial on the first floor- Cedar Foods- and 2 dwelling units on the second, will be located on Cedar Ave west of the Hiawatha light rail train line. The location of these buildings is shown on Map 1.

Of the three non-residential buildings permitted, the largest project was the American Academy of Neurology, a 5-story office building at 201 Chicago Ave S in Downtown East. The other two projects were: The Mississippi Watershed Management Center, a two-story office building with a learning center on Marshall St, and a lumber shed in a property damaged by the tornado in North Minneapolis for ILY Lumber and Plywood.

Map 1: **NEW CONSTRUCTION** – 3Q-11

Source: Minneapolis Regulatory Services



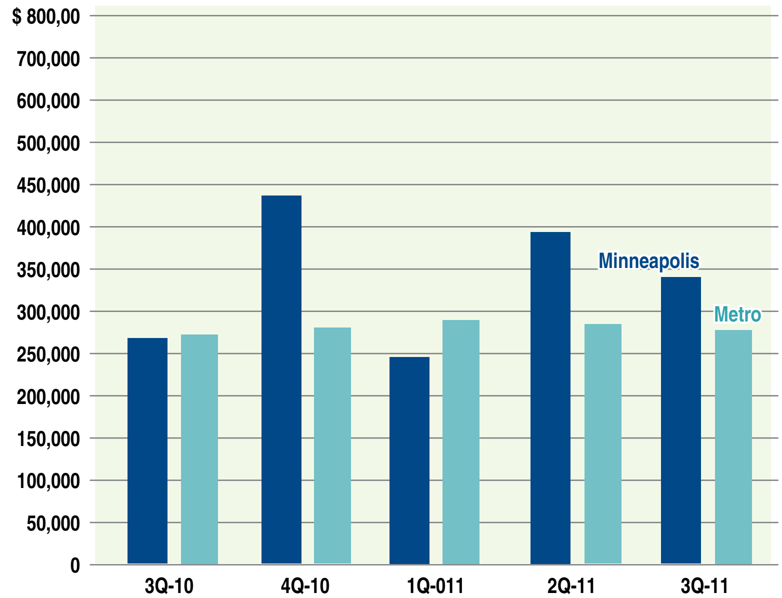
Note that the 120 units of the Holden Warehouse conversion are not considered new construction, but rather remodeling work and appear on Map 2.

Cost of residential construction

Although the average single-family construction cost did not rise this quarter, the value was relatively high because of the construction of two more expensive homes.

This quarter the average construction cost of multifamily units decreased in both the city and the metro area from last quarter, and from a year ago. It was about 40 percent lower from last quarter in the city and about 28 percent in the metro area. It was 23 percent lower in the city than the previous year, and 17 percent lower in the metro area compared to the same period.

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

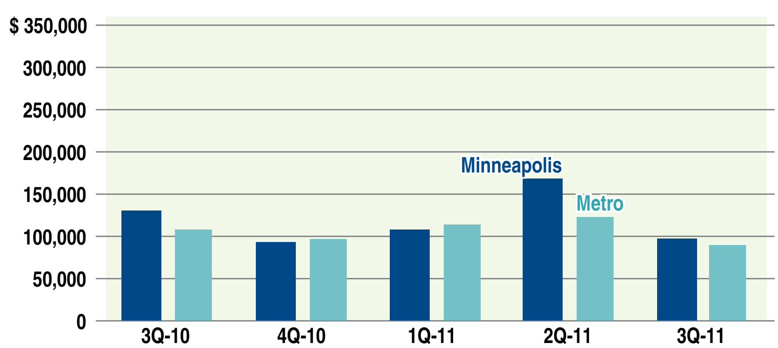


	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis	$ 265,622	$ 443,293	$ 246,034	$ 388,424	$ 341,830
Metro area	271,940	$279,283	286,834	273,673	271,072

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis	$ 128,702	$ 93,034	$ 107,640	$ 166,485	$98,592
Metro area	104,470	96,328	111,936	119,606	$86,542

Source: U.S. Census Bureau

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

Conversions, remodels & additions

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 30 percent higher than last quarter. The increase in value was the result of the Holden Building conversion project already mentioned. In comparison with third quarter last year, the number of projects decreased but the value for those projects was more than 40 percent higher.

At $59.3 million, overall projected cost of **non residential** construction was over 40 percent lower than last quarter, but 25 percent higher than third quarter last year. The increase in value from last year reflected a small increase in the number of projects but also larger projects. Downtown, for example, had several permits for office remodels and build outs that together added millions of dollars. Also two major hospitals, Children's and HCMC, are expanding and improving their facilities.

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

	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Total Residential[1]					
Number of buildings	162	100	32	166	149
Total value	$ 23,479,035	$ 30,591,867	$ 60,191,898	25,334,106	$33,536,955
Remodels					
Number of buildings	157	95	30	164	145
Value	$ 22,409,518	$30,049,481	$ 59,858,898	$24,744,349	$20,321,955
Conversions and additions[2]					
Number of buildings	5	5	2	2	4
Net number of units	2	-6	0	-2	120
Value	$1,069,517	$542,386	$ 333,000	$ 589,757	$13,215,000
Total non-residential[1]					
Number of buildings[3]	126	113	79	119	129
Value	$ 47,437,444	$ 44,440391	$ 56,508,088	$ 102,084,729	$ 59,285,639

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

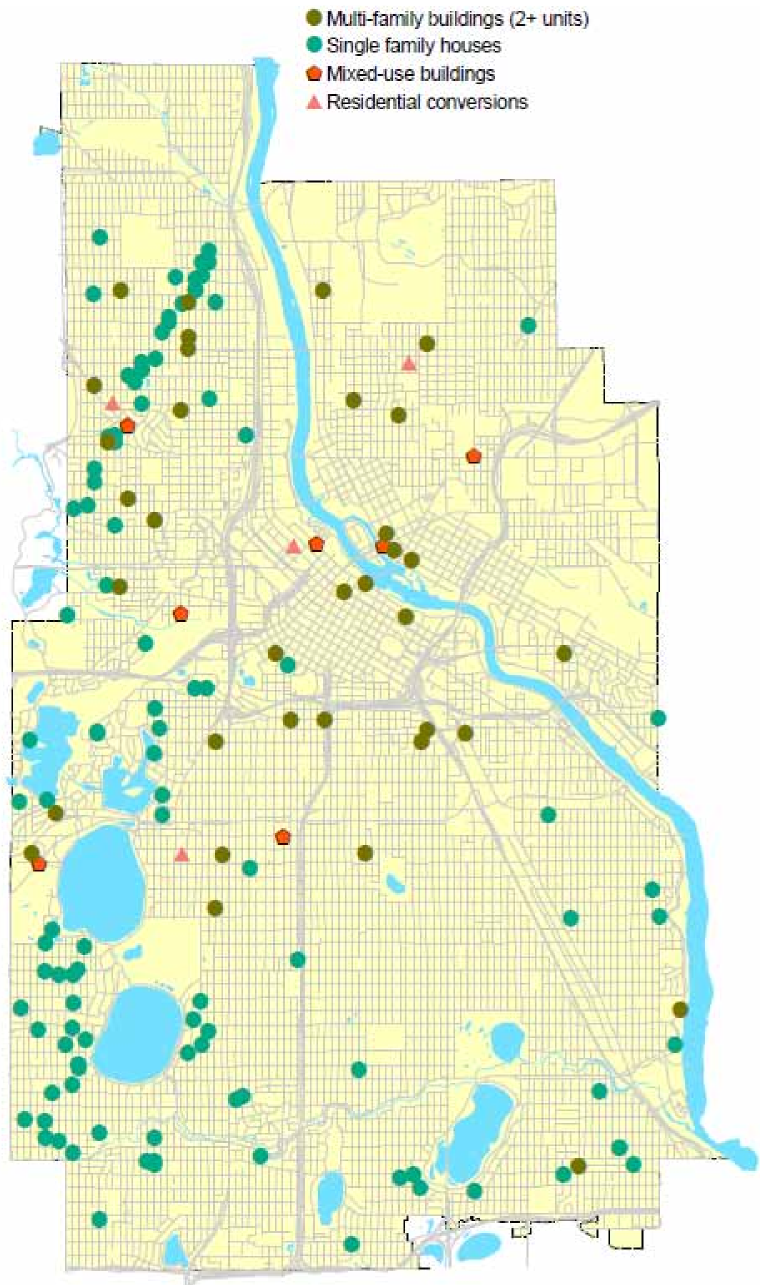
About 70 percent of residential buildings with remodeling permits were single-family dwellings. Map 2 shows two well-defined clusters: N Minneapolis and the Lakes area. In the first, a line running diagonally from the Minneapolis western border to 40th Ave N reflects houses that were damaged by the tornado this summer, which are being repaired. It should be noted that this map only shows permitted repairs that exceed $50,000 which are a small fraction of the 3,800 homes that sustained tornado-related damage.

Houses in the Lakes area in general have higher value remodels than in other city areas. This quarter two houses are being remodeled at a cost of more than a million dollars.

Of the four building conversions, the Holden Building is an old warehouse in the North Loop that used to house a printing company. The building will be converted into mixed use commercial/residential.

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

Source: Minneapolis Regulatory Services



Conversions, remodels & additions

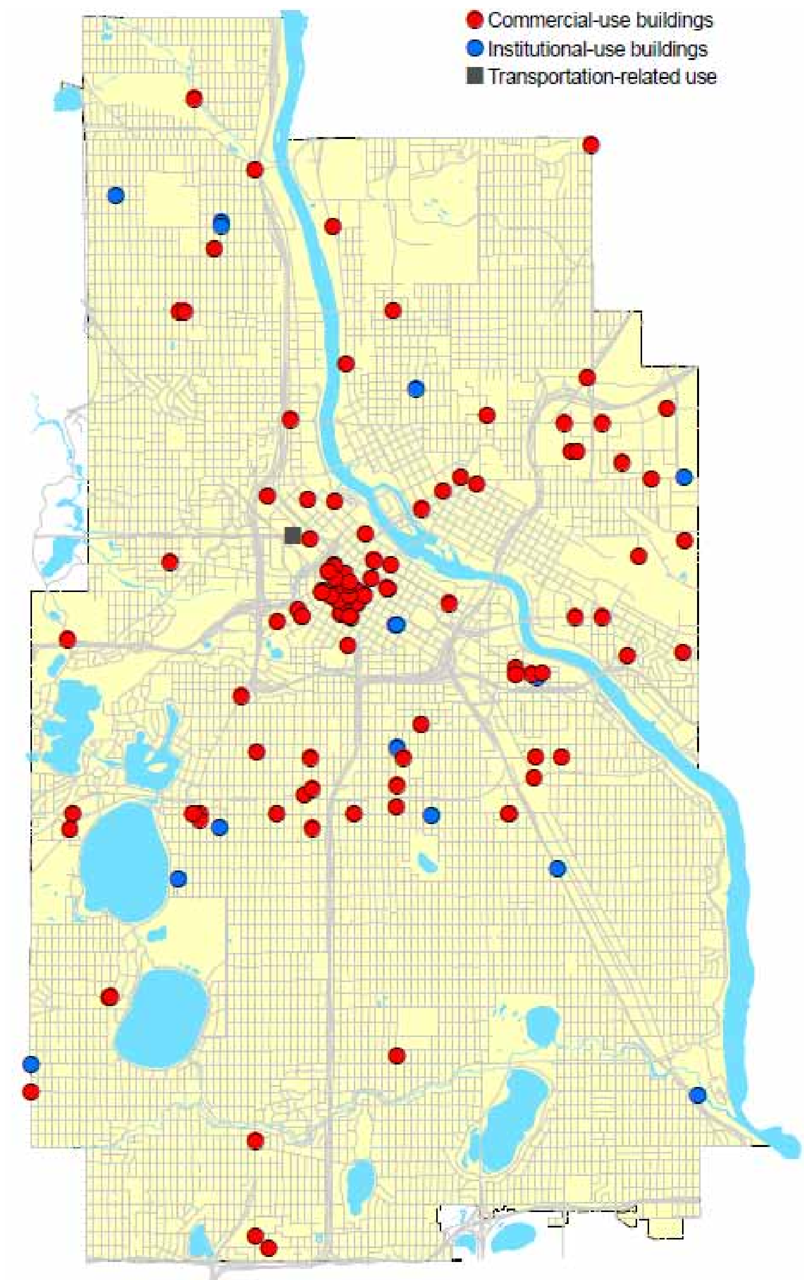
The downtown area had about 40 percent of the permitted commercial projects valued $50,000 or more. From these projects, about 47 percent were office build-outs and remodels. There were two institutional projects related with the remodeling of two buildings at Hennepin County Medical Center.

There was also a cluster of activity at the University of Minnesota and Riverside Medical Center in Cedar Riverside where spaces were being remodeled for a Family Center, Women's Clinic, and Children's Delta Clinic.

In the NE Mid-City industrial area several office remodels were taking place, and in the Uptown area, restaurants and eating places had permits for improvements.

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

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the third 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 construction of the Stadium Village Flats in Prospect Park ($16.3 million), followed by the conversion of the Holden Building into apartment and commercial uses in the North Loop ($12.9 million). Of the six large projects (those $1 million and over) in Downtown West, four are office remodels in the AT&T Tower, City Center, 100 Washington Square and the Baker Center.

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

Description	Address	Neighborhood	Projected construction $	CPED Involvement [1]
Stadium Village Flats: 120 apartment-units over commercial space	810 Washington Ave SE	Prospect Park-East River Rd	$ 16,270,989	●
Holden Building: conversion to retail and 120 apartment units*	607 Washington Ave N	North Loop	12,937,500	
American Academy of Neurology: new 5-story office building	201 Chicago Ave S	Downtown East	10,817,435	●
Ford Building: office remodel*	420 5th St N	North Loop	6,671,093	
Children's Hospital and Clinics: foundation for addition*	2525 Chicago Ave	Midtown Phillips	5,310,227	●
AT&T Tower: finishing floors 29 to 31*	901 Marquette Ave	Downtown West	4,292,433	
Mississippi Watershed Management: new two-story office building	2522 Marshall St NE	Marshall Terrace	3,482,000	●
Hennepin County Medical Center (HCMC): two-story addition	716 7th St S	Elliot Park	3,117,804	
HCMC: medical rooms remodel*	701 Park Ave	Elliot Park	2,818,105	
Home remodel*	1700 block Franklin Ave W	Lowry Hill	1,900,000	
100 Washington Square: office remodel	100 Washington Ave S	Downtown West	1,743,453	
Metro Transit Garage: tank room addition	560 6th Ave N	North Loop	1,540,000	
Multifood Tower/City Center: office remodel*	33 6th St S	Downtown West	1,455,227	
Metro Transit Nicollet Garage: tank room addition	3106 Nicollet Ave	Lyndale	1,399,000	
Oceanaire Seafood Room: remodel*	50 6th St S	Downtown West	1,380,206	
Baker Center: office remodel*	720 2nd Ave S	Downtown West	1,293,329	
Calhoun Square: phase II addition	3045 Hennepin Ave	CARAG	1,250,000	
New home	2100 block Cedar Lake Pkwy	Bryn-Mawr	1,200,767	
Home remodel	1800 block Knox Ave S	Lowry Hill	1,135,549	
Riverside Professional Building: office remodel	606 24th Ave S	Cedar Riverside	1,100,000	
Radisson Plaza Hotel building: office remodel*	45 7th St S	Downtown West	1,086,638	

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 71 units in the third quarter from a low of 24 units in the first quarter.

Units scheduled for demolition this quarter included 30 single-family homes, 2 four-plexes, and 14 duplexes.

The number of residential demolitions has increased, with the bulk of them in North Minneapolis following the spring tornado that heavily impacted the area. Dwellings that were damaged and couldn't be remodeled were removed.

Non-residential demolition permits included demolitions of 7 commercial buildings scattered around the city, four of them near or along the river-front. Three of these buildings along the riverfront included the former Scherer Brothers property, a lumberyard acquired by the Park and Recreation Board with plans to convert the place into a regional park. Two other buildings were located on Oak Street: one is the Oak St Cinema, and the other is a restaurant.

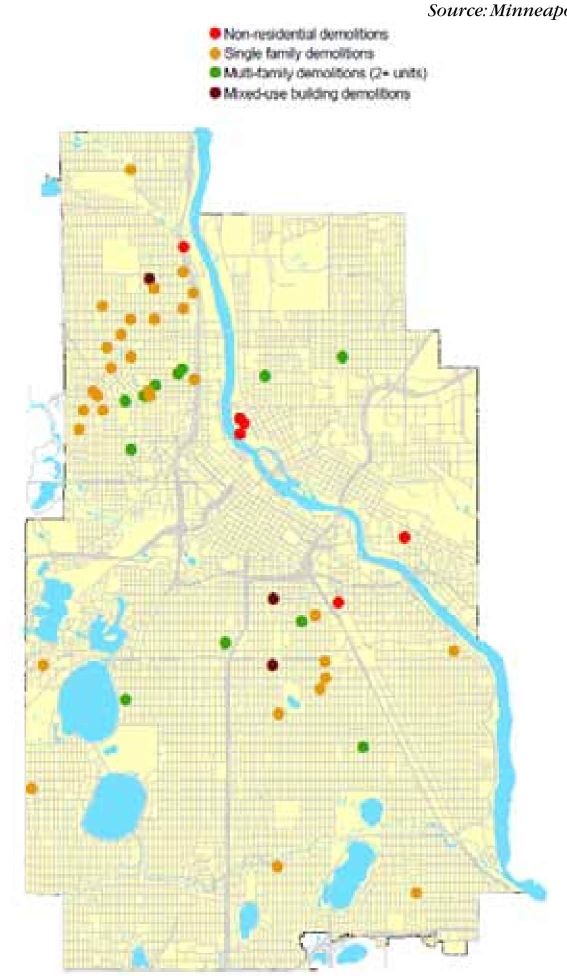
Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis
in units of permits for residential demolition

Quarter	Units
3Q-10	122
4Q-10	126
1Q-11	24
2Q-11	39
3Q-11	71

Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** –3Q-11

Source: Minneapolis Regulatory Services



Definitions & sources

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

- **Commercia**l 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. renovations at 33 S. Sixth St. 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 decreased from an already low 2.0 percent in the second quarter to an 8–year low of 1.5 percent, showing that rental market demand was continuing to grow faster than supply of new units.
- The number of traditional housing sales this quarter was 9 percent higher than second quarter, but median prices decreased 1 percent. On a year-to-year basis, traditional sales increased 23 percent and prices decreased 10 percent. Lender-mediated sales fell, but were up 33 percent from last year as lenders cleared out inventory.
- 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 decreased 15 percent to 393, and dropped 47 percent from third quarter last year. this is the lowest quarterly total since second quarter, 2006.
- Office vacancy rate in the Minneapolis central business district (CBD), decreased slightly from 17.0 percent last quarter to 16.9 percent this quarter. Retail vacancies also decreased from 13.5 percent to 13.3 percent, both according to CB Richard Ellis.

Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multi-family rental housing declined again to only 1.5 percent from 2.0 percent last quarter. The vacancy rate is the lowest since at least 2003. The steady decrease in the vacancy rate shows that construction of rental housing was not keeping up with demand. It should be noted that this rate does not take into account the shadow market consisting of condominium units as well as single-housing units, which are competing for the same pool of renters. However, with more people willing to rent, developers were beginning to respond by building new apartments.

About 240 apartment units were permitted this quarter as pointed out in section 2 of this report.

In the metro area, the vacancy rate also declined from 2.4 percent in the second quarter to 2.3 percent, also a historical low in the last eight years.

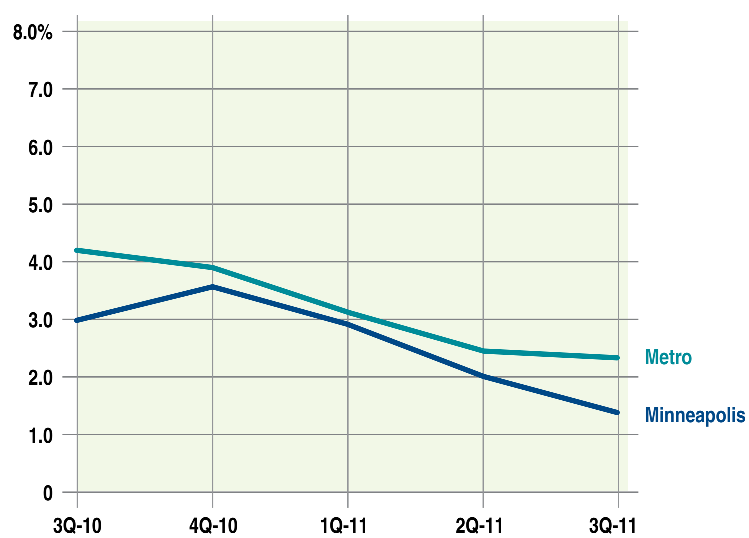
Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis					
Units surveyed	13,825	13,647	15,441	14,387	14,390
Vacant units	420	471	450	286	213
Average rent	$ 926	$ 935	$ 958	$ 953	$ 965
Vacancy rate	3.0%	3.5%	2.9%	2.0%	1.5%
Metro area					
Units surveyed	108,662	108,794	113,791	106,986	107,649
Vacant units	4,519	4,178	3,515	2,561	2,518
Average rent	$ 905	$ 908	$ 916	$ 921	$ 925
Vacancy rate	4.2%	3.8%	3.1%	2.4%	2.3%

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 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

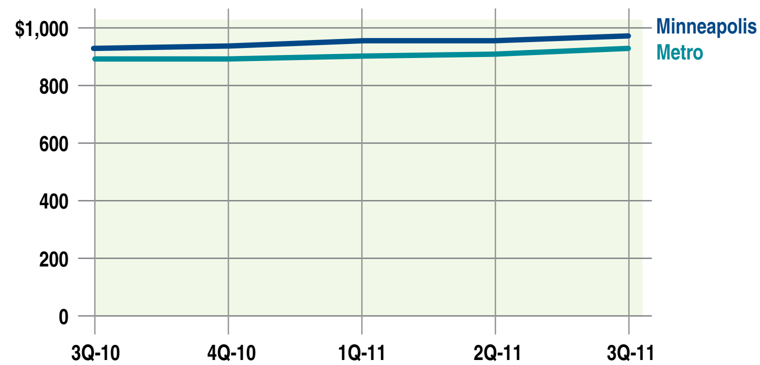
Apartment vacancy rates & average rents

It took some time but Minneapolis average rent increased in inflation-adjusted dollars, as could be expected. It was about $6 higher in inflation-adjusted dollars* than last quarter, and $23 higher than a year ago. In the metro area average rent was $925, increasing modestly in comparison with third quarter last year. It was only $2 higher than last quarter after adjusting for inflation.

The vacancy rate decreased in all areas in the city in comparison with last quarter. Vacancy rates in third quarter were lower than the city average of 1.5 percent in downtown and East Minneapolis (NE and SE), and higher in Southwest, North and South. In downtown it reached a very low rate of 1.0 percent, in comparison with 3.1 percent a year ago. The highest rate was in South Minneapolis with 2.6 percent. Generally a vacancy rate of 5 percent is considered the point at which supply and demand are balanced.

* For conversion factors, see page 44.

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis	$ 926	$ 935	$ 958	$ 953	$ 965
	942	*955*	*972*	*959*	*965*
Metro area	905	908	916	921	925
	921	*927*	*929*	*927*	*925*

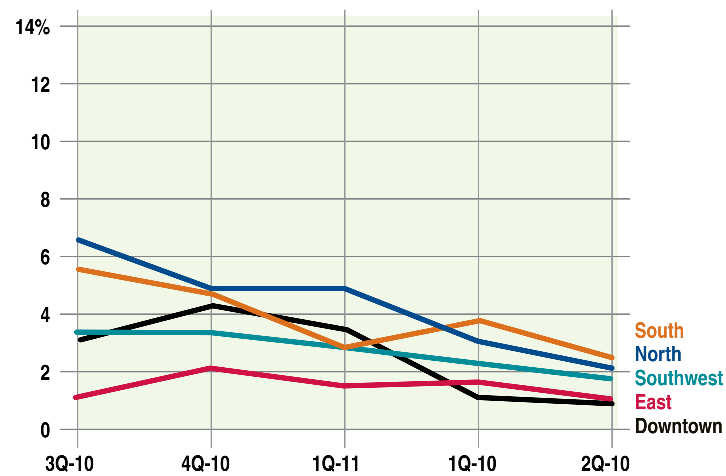
Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

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 MINNEAPOLIS SECTORS***
in percent



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Downtown	3.1%	4.2%	3.5%	1.2%	1.0%
Southwest	3.4%	3.4%	3.0%	2.3%	1.8%
North	6.5%	5.0%	5.0%	3.1%	2.2%
South	5.7%	5.4%	3.0%	3.8%	2.6%
East	1.2%	2.1%	1.6%	1.7%	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.

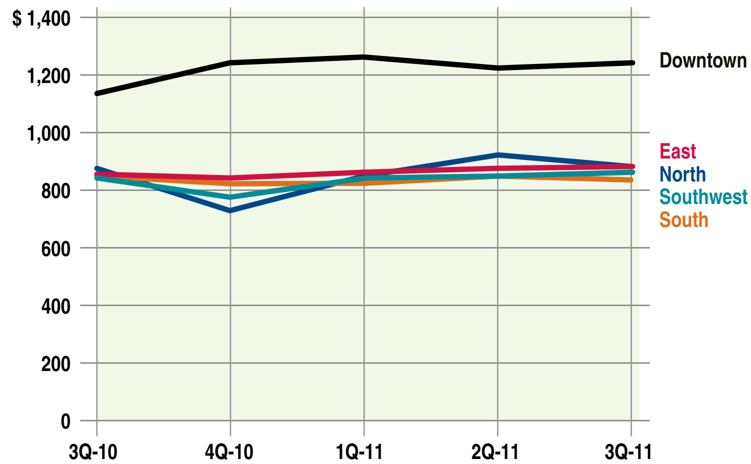
Apartment vacancy rates & average rents

Average rents in inflation-adjusted dollars increased in Downtown and Southwest, but decreased in the rest of the city, and most sharply in North Minneapolis where it dropped by more than 6 percent in respond to unusual high rents in the second quarter.

On a year to year basis, rents in Downtown increased more than 6 percent from third quarter last year, and more than 1 percent in East Minneapolis. Average rents in inflation-adjusted dollars decreased in the three other city sectors.

* For conversion factors, see page 44.

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Downtown	$ 1,138 *1,158*	$ 1,244 *1,270*	$ 1,264 *1,282*	$ 1,213 *1,221*	$ 1,230 *1,230*
Southwest	846 *861*	791 *808*	836 *848*	839 *844*	857 *857*
North	882 *897*	747 *763*	854 *866*	931 *937*	879 *879*
South	830 *844*	813 *830*	814 *826*	849 *855*	837 *837*
East	857 *872*	851 *869*	855 *867*	879 *885*	882 *882*

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 44.

** For City sectors definition see page 42.

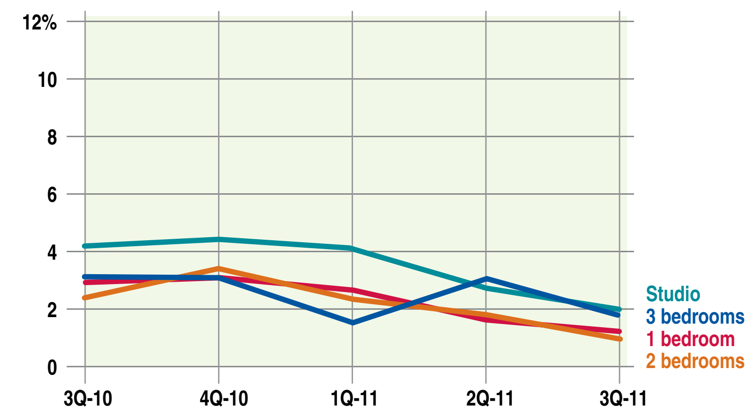
Apartment vacancy rates & average rents

Vacancy rates dropped for all type of units. Vacancy rates for three-bedroom and studio apartments decreased the most from last quarter. However one-bedroom units, which make the majority of the city housing rental stock, and two bedroom units had a vacancy which was below the 1.5 percent citywide.

With low vacancy rates for all apartment types, average rents increased this quarter in inflation-adjusted dollars from last 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 less than one percent.

* For conversion factors, see page 44.

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

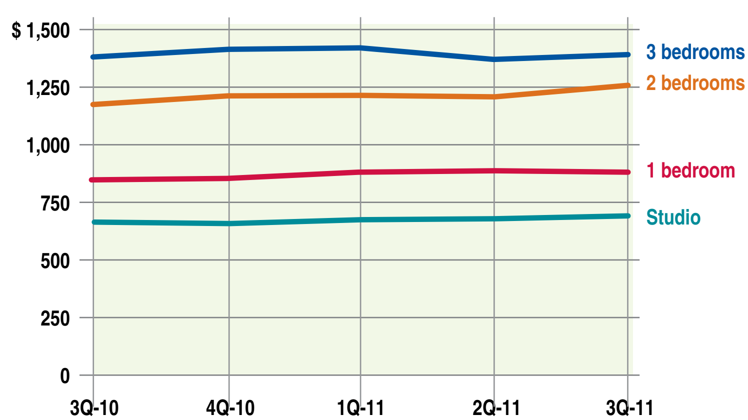


	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Studio	4.1%	4.3%	4.1%	2.9%	2.0%
One-bedroom	3.0%	3.1%	2.7%	1.7%	1.4%
Two-bedroom	2.5%	3.4%	2.5%	1.9%	1.2%
Three-bedroom	2.7%	3.1%	1.6%	3.1%	1.9%

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Studio	$ 678 *690*	$ 659 *673*	$ 674 *684*	$ 680 *684*	$ 697 *697*
One-bedroom	855 *870*	$859 *877*	$888 *901*	885 *891*	884 *884*
Two-bedroom	1,170 *1,190*	1,218 *1,244*	1,228 *1,245*	1,224 *1,232*	1,250 *1,250*
Three-bedroom	1,387 *1,411*	1,412 *1,442*	1,426 *1,446*	1,375 *1,384*	1,398 *1,398*

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.

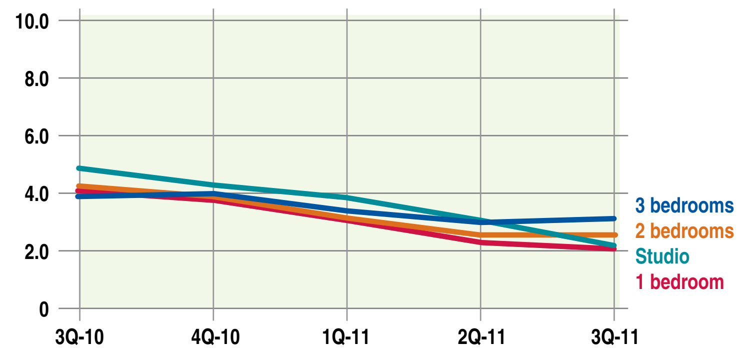
Numbers in Italics are adjusted for inflation.

Apartment vacancy rates & average rents

In the metro area, average vacancy rates for studios and on-bedroom units continued to decrease in comparison with second quarter, and were about half the rates of third quarter the previous year. Rates for two-bedroom units were stable, but much lower than last year. For three-bedroom apartments however, the vacancy rate increased slightly this quarter although it was lower than last year.

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 for one-bedroom units and dropped sharply for three bedroom apartments. In comparison with third quarter last year, average rents were much lower for larger units.

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

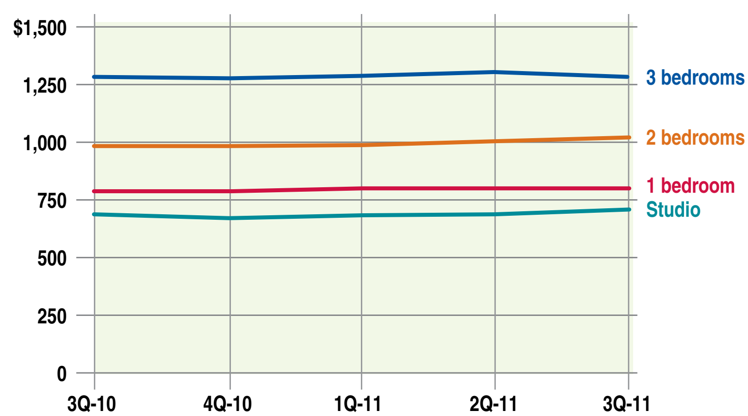


	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Studio	4.9%	4.3%	3.9%	3.1%	2.2%
One-bedroom	4.1%	3.7%	3.0%	2.2%	2.1%
Two-bedroom	4.2%	3.9%	3.1%	2.5%	2.5%
Three-bedroom	3.8%	4.0%	3.4%	3.0%	3.1%

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
For metro area definition, see page 42

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Studio	$ 672 *684*	$ 664 678	$ 671 *681*	$ 679 *683*	$ 692 *692*
One-bedroom	785 *799*	787 *804*	797 *808*	801 *806*	803 *803*
Two-bedroom	980 *997*	985 *1,006*	991 *1,005*	998 *1,004*	1,004 *1,004*
Three-bedroom	1,276 *1,298*	1,268 *1,295*	1,279 *1,297*	1,303 *1,311*	1,285 *1,285*

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.)

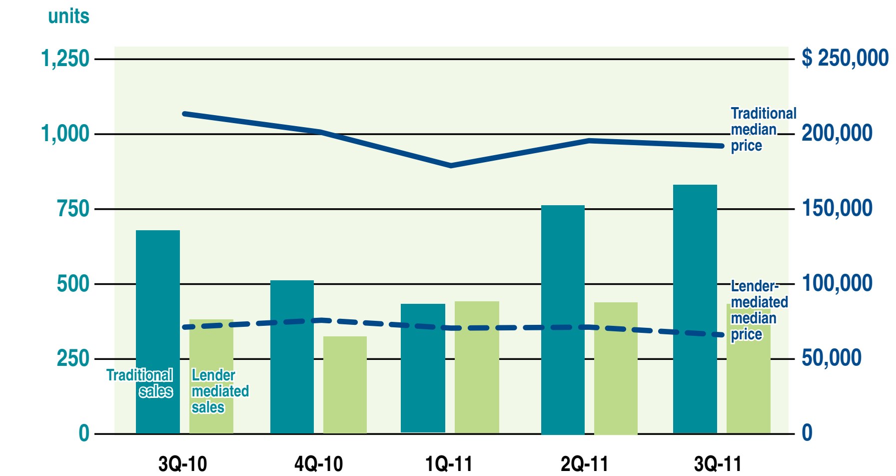
Recorded data for the last month of the quarter
Numbers in Italics are adjusted for inflation.
For metro area definition, see page 42

Residential sales

Housing sales increased during the third quarter in Minneapolis, in part because spring and summer normally have more sales activity. Traditional housing sales this quarter were 9 percent higher, but lender-mediated sales dropped 1 percent, probably reflecting a lower number of foreclosures. However median sale prices continued to drop, with 1 percent lower for traditional sales and 6 percent lower for lender-mediated sales than second quarter.

In comparison with third quarter last year, the number of traditional sales was 23 percent higher for traditional sales and 33 percent higher for lender-mediated sales. However, prices dropped by 10 percent for traditional sales and 5 percent for lender-mediated sales.

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



	3Q-10	4Q-10	1Q-11	2Q11	3Q-10
Traditional sales	671	503	427	756	822
Lender-mediated sales	324	307	431	436	431
Traditional sales median price	$ 213,200	$ 200,000	$ 179,900	$ 194,000	$ 192,500
Lender-mediated median price	$ 69,000	$ 75,000	$ 70,000	$ 69,950	$ 65,600

Source: Minneapolis Area Association of Realtors (MAAR)

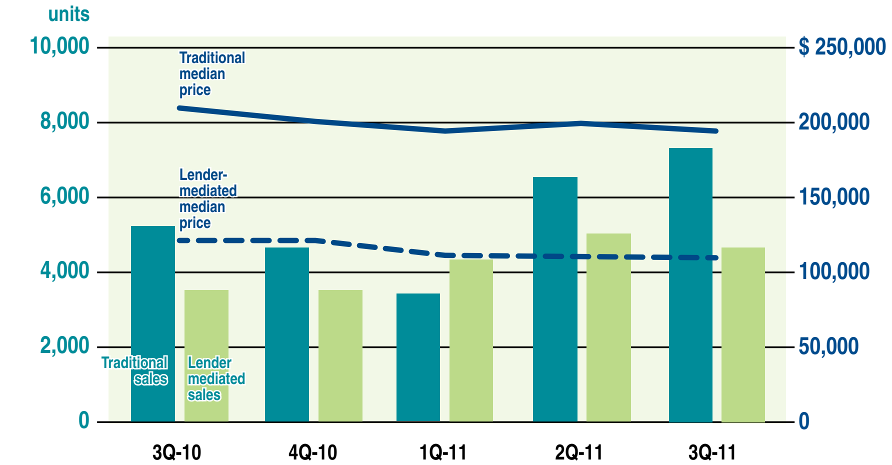
Residential sales

In the metro area the number of traditional sales increased 12 percent but lender-mediated sales decreased 8 percent. Like in Minneapolis, median sale prices for traditional sales decreased by 3 percent, slightly more than in the city. Lender-mediated sales decreased but median sale prices remained stable.

Compared to the same quarter last year, sales grew 41 percent, more than in the city, and lender-mediated sales increased by 30 percent. Average median sale prices declined in general.

The Case-Shiller home price index (seasonally adjusted) for August (the last available figure) indicated that home prices in the Twin Cities were slightly higher than in July, but 10.6 percent lower than in August last year. 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. In the third quarter ending in September and According to the Minneapolis Area Association of Realtors (MAAR) the inventory of homes for sale in the Twin Cities area on average in the third quarter was about 24,100, a decrease of 18 percent since the third quarter last year. This represented approximately 7.1 months of supply on average in comparison with 8.6 months for the third quarter last year.

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Traditional sales	5,154	4,619	3,382	6,532	7,291
Lender-mediated sales	3,542	3,534	4,232	4,997	4,589
Traditional sales median price	$ 220,000	$ 205,900	$ 194,000	$ 199,900	$ 194,000
Lender-mediated median price	$ 123,000	$ 122,000	$ 112,500	$ 110,500	$ 110,000

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

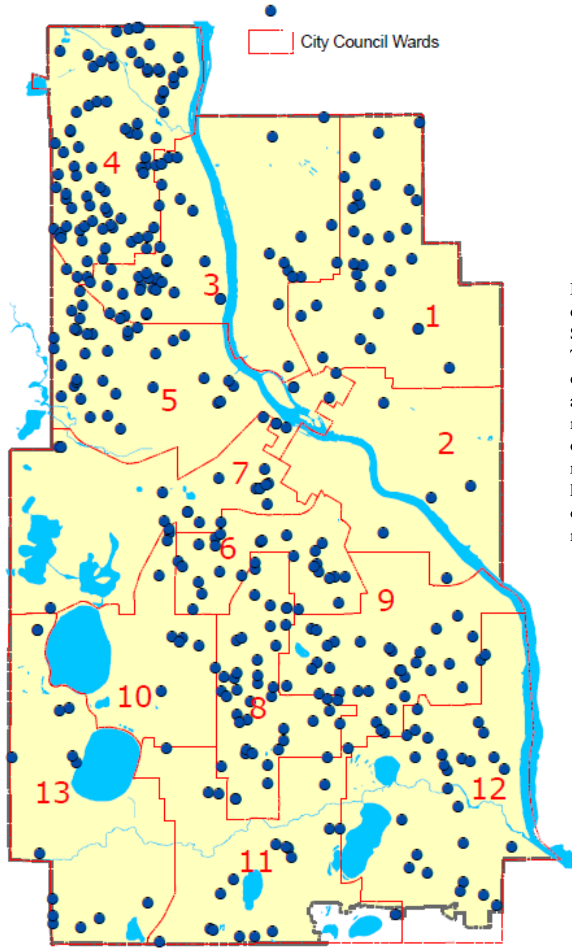
Foreclosures

This quarter 393 properties were sold at public auction, 68 fewer than the previous quarter, and about half the amount from third quarter last year. Wards 4, 5 and 9 accounted for 43 percent of total foreclosures in the city, with Ward 4 accounting for 21 percent of the total.

The volume of foreclosed property sales in Minneapolis decreased from 427 in third quarter 2006 to 393 foreclosures this quarter, after peaking at 870 in second quarter 2008. This quarter the number was close to the levels of 2nd quarter 2006, when foreclosures began to increase at the beginning of the housing crisis.

MAP 5: PROPERTIES FORECLOSED – 3Q-11
by wards

Source: Hennepin County



Data on foreclosures downloaded as of September 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	3Q-10		4Q-10		1Q-11		2Q-11		3Q-11	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1	45	6%	38	8%	37	8%	39	8%	37	9%
2	14	2%	8	2%	3	1%	9	2%	4	1%
3	49	7%	41	9%	36	8%	30	7%	26	7%
4	172	23%	88	20%	74	16%	85	18%	82	21%
5	86	12%	53	12%	45	10%	55	12%	48	12%
6	24	3%	17	4%	22	5%	23	5%	21	5%
7	32	4%	25	6%	23	5%	30	7%	21	5%
8	59	8%	41	9%	61	13%	44	10%	37	9%
9	135	18%	45	10%	33	7%	40	9%	38	10%
10	26	4%	17	4%	26	6%	20	4%	11	3%
11	28	4%	24	5%	28	6%	25	5%	21	5%
12	48	7%	32	7%	42	9%	40	9%	32	8%
13	18	2%	21	5%	23	5%	21	5%	15	4%
Total	**736**	**100%**	**450**	**100%**	**453**	**100%**	**461**	**100%**	**393**	**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 575 in first quarter 2010 to 393 foreclosures this quarter, after a peak of 736 in third quarter 2010. This quarter the number was close to the levels of 3rd and 4th quarters 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 second quarter, but was 2.5 percent higher than a year ago. These numbers reflected the increase of vacant but not condemned buildings in the city. Vacant buildings in the second quarter were 55 percent of the total number of vacant, boarded and condemned buildings. Condemned buildings have been decreasing steadily since third quarter 2008, and dropped 7 percent in comparison with the third 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 September 2011

Source: Minneapolis Regulatory Services

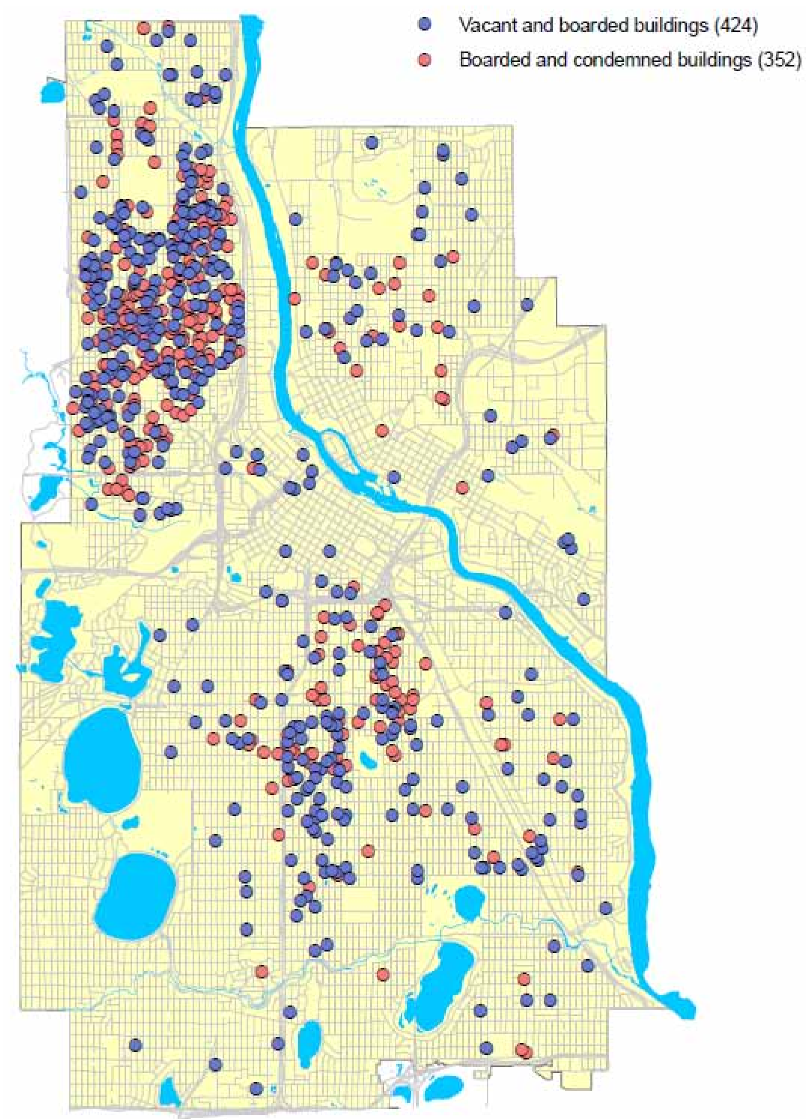


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis
as of the end of quarter

	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Boarded and condemned buildings	380	379	380	360	352
Vacant but not condemned	377	407	412	425	424
Total	757	786	792	785	776

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.

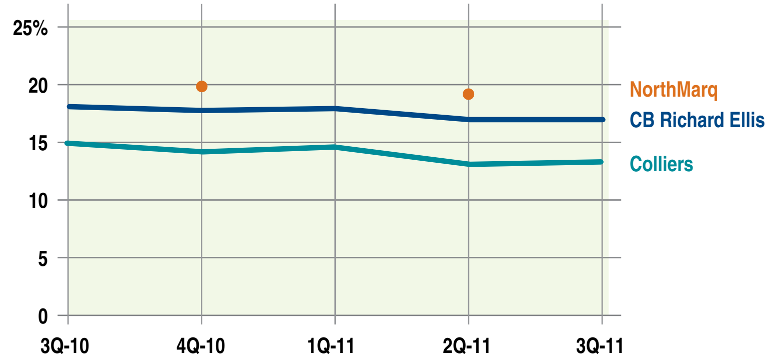
Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) dropped this quarter again according to one 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 15.1 percent and 18.1 percent. The still large surplus of available space especially in properties classes B and C, is being absorbed gradually. Class A properties are in more demand than Class B and C space.

The average vacancy rate in the metro area was lower than last quarter and the third quarter last year. Adding sub-leases brings the total vacancy rate up in a range of 16.9 to 19 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

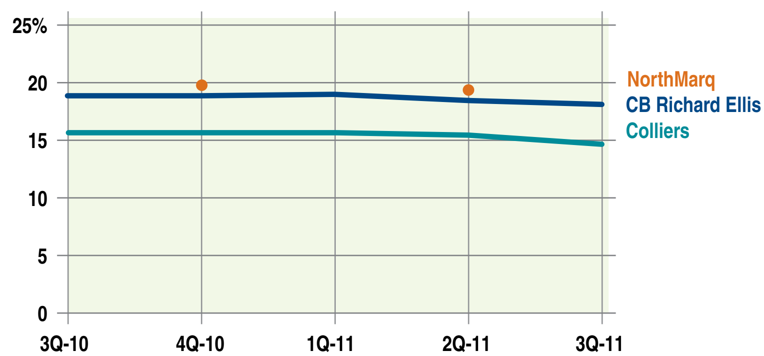


	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
CB Richard Ellis	17.9%	17.5%	17.8%	17.0%	16.9%
Colliers	14.9%	14.3%	14.6%	13.1%	13.2%
NorthMarq		19.1%		18.9%	

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
CB Richard Ellis	18.8%	18.8%	19.0%	18.2%	18.0%
Colliers	15.6%	15.5%	15.5%	15.2%	14.8%
NorthMarq		19.9%		19.2%	

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

See explanation of sources on page 43

Office space

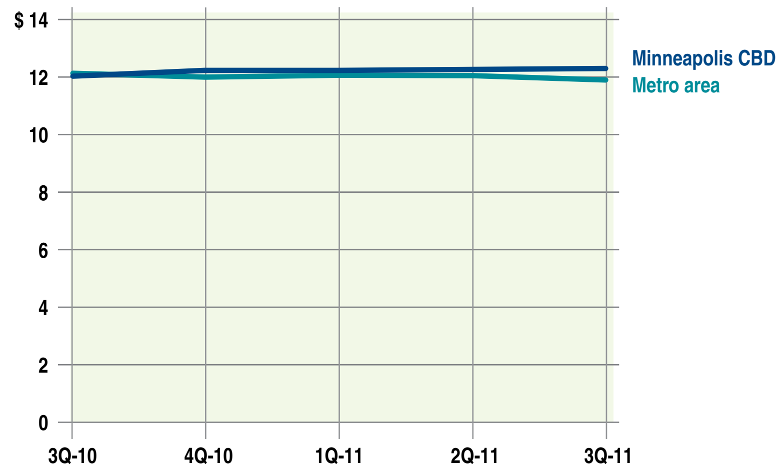
The average asking lease rate per square foot in the Minneapolis central business district (CBD) increased somewhat this quarter, and it was higher than third quarter a year ago. On the other hand, the metro area dropped slightly from last quarter, and it was lower than last year.

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 plentiful, lenders put more conditions to their loans, and the expectations of another downturn left prospective tenants and landlord waiting for more favorable conditions.

In spite of low expectations, occupied office leased space increased this quarter in both Minneapolis CBD and the metro area, although at slower pace than last quarter.

Most activity was in class A buildings, but one real estate firm noticed suburban firms moving to Class B and C spaces in the Warehouse District. Another real estate firm perceived a new trend of expanding firms moving to single tenant locations when available.

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

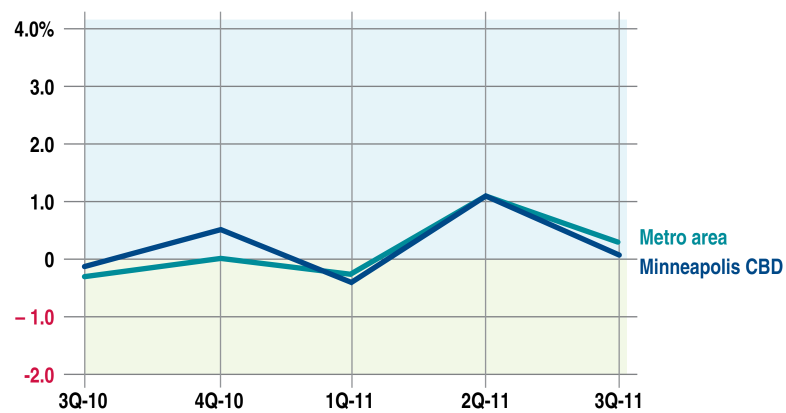


	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis CBD	$ 12.07	$ 12.30	$ 12.35	$ 12.40	$ 12.43
Metro area	12.13	12.05	12.07	12.03	11.96

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



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

Source: CB Richard Ellis

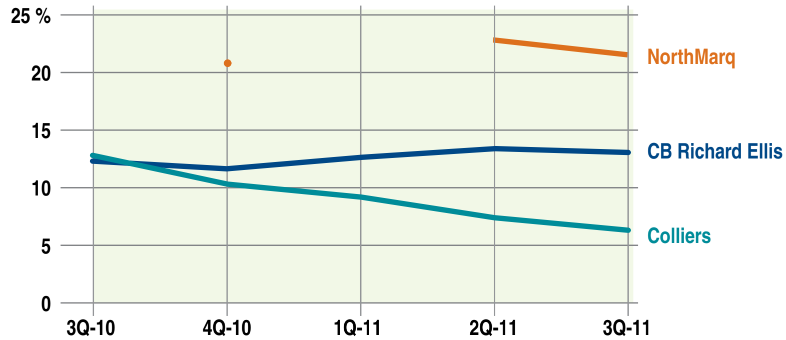
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD ranged from 6.5 to 22.6 percent according the above commercial real estate firms. Despite the large differences on the rates reported, the general trend was a decrease in the vacancy rate.

The metro area vacancy rate this quarter ranged from 6.5 percent to 9.9 percent. Retailers continued to lease previously vacant space, most prominently groceries such as Aldi's and Whole Foods, Target and Wal-Mart. With employment still weak and low consumer confidence, retailers moved near high income locations that could support strong sales.

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



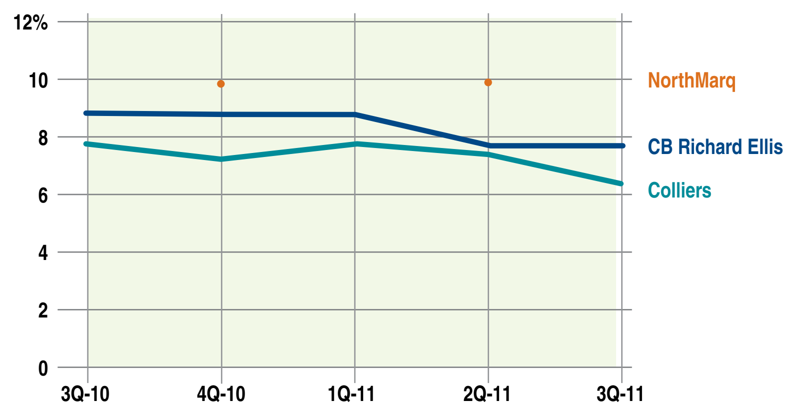
	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
CB Richard Ellis	12.5%	11.8%	12.9%	13.5%	13.3%
Colliers	12.8%	10.6%	9.7%	7.7%	6.5%
NorthMarq		21.0%		23.1%	22.6%

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



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

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

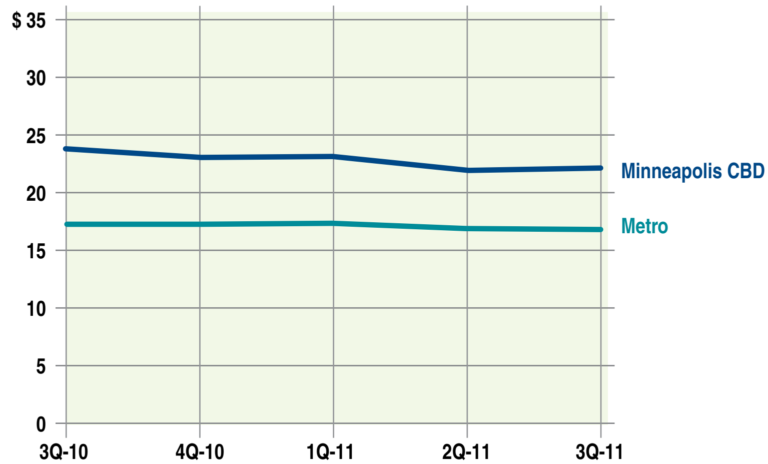
Average asking lease price was slightly up in Minneapolis central business district (CBD). The average asking lease price was just a few cents above second quarter and not even close to third quarter last year, which was 7 percent higher. M&S Grill at 50 S 6th St closed and the space left will be occupied by a new restaurant, Oceanaire Seafood Room.

The average asking lease price also increased slightly in the metropolitan area, but it was 5 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) increased by 0.2 percent. No additional new retail space has been added in the CBD since at least 2003, and vacant space is being slowly absorbed.

In the metro area occupied retail space did not grow this quarter, an improvement to the same quarter last year when occupied retail space decreased by 0.2 percent because many tenants closed or moved out. Wal-Mart and Target continued to add more grocery space but expanded in existing vacant space; new retail space has not been delivered to the market since the last quarter of the past year. However, new construction is taking place. For example, MoZaic in Uptown Minneapolis will have both office and retail space for lease when construction is completed at the beginning of next year.

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

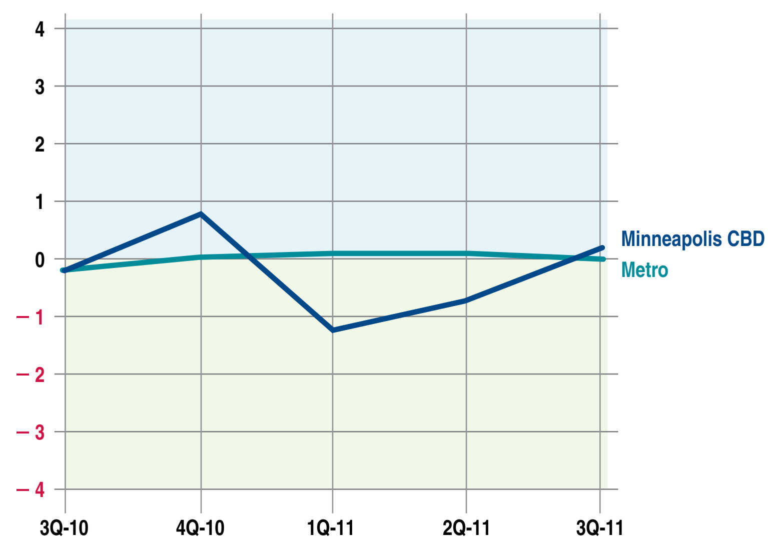


	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis CBD	$ 23.66	$ 23.17	$ 22.38	$ 21.98	$ 22.09
Metro area	16.88	16.79	16.81	16.05	16.10

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



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

Source: CB Richard Ellis

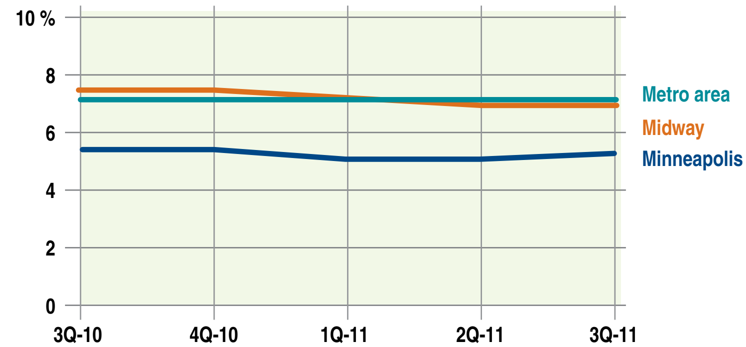
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space direct vacancy rate (not including sublease space) was mainly stable but increased slightly in the Minneapolis industrial areas from last quarter. The vacancy rates were down from third quarter last 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 last 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.

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



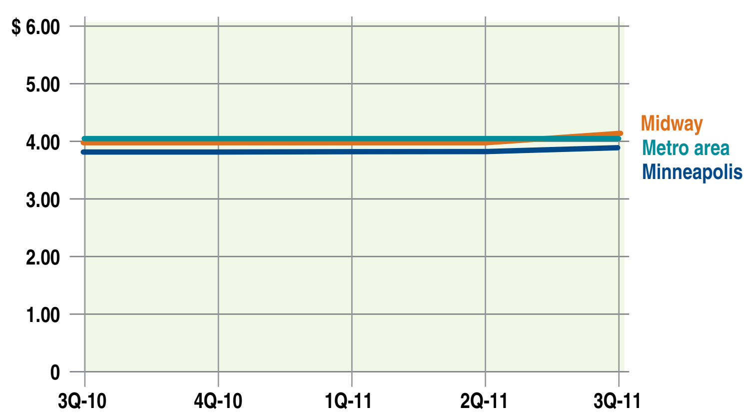
	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis	5.4%	5.5%	5.2%	5.2%	5.3%
Midway	8.2%	8.1%	7.6%	6.8%	6.8%
Metro area	7.6%	7.6%	7.5%	7.5%	7.5%

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



	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis	$ 3.81	$ 3.81	$3 .82	$ 3.82	$ 3.93
Midway	3.97	3.96	3.97	3.97	4.08
Metro area	4.01	4.01	4.01	4.01	4.03

Source: CB Richard Ellis

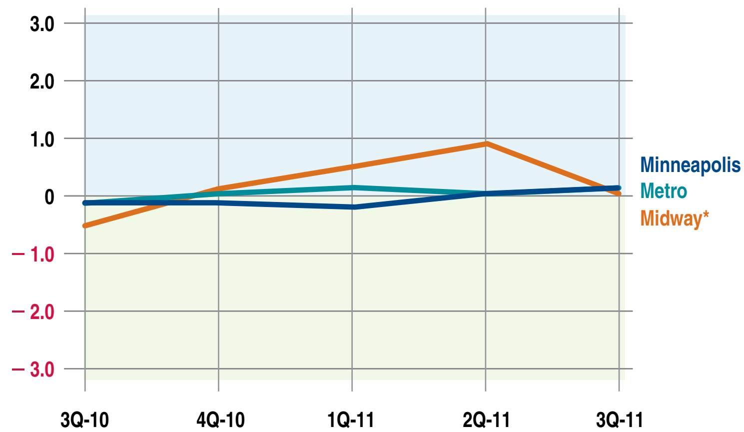
Note: For Midway and Minneapolis, the industrial average asking lease rate is only for warehousing
Includes industrial buildings 100,000 square feet and larger, including buildings under construction.
Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space decreased in Minneapolis industrial areas, and was flat in Midway because there was no activity. Occupied space grew slightly in the metro area where there was more availability of newly built space. With many obsolete industrial facilities, manufacturing and distribution firms were building anew.

According to the Creighton University regional report for Minnesota and the Institute of Supply Managers, in September manufacturing, the most important consumer of industrial real estate, was expanding statewide more than nationwide. Medical equipment and metal product manufacturing both strong sectors in the Twin Cities region, led growth in manufacturing in the state. Firms increased production to meet increasing new orders, but the employment index was below neutral growth, meaning that these firms did not hire workers. This in turn could have impacted the low level of activity in the industrial real estate market.

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

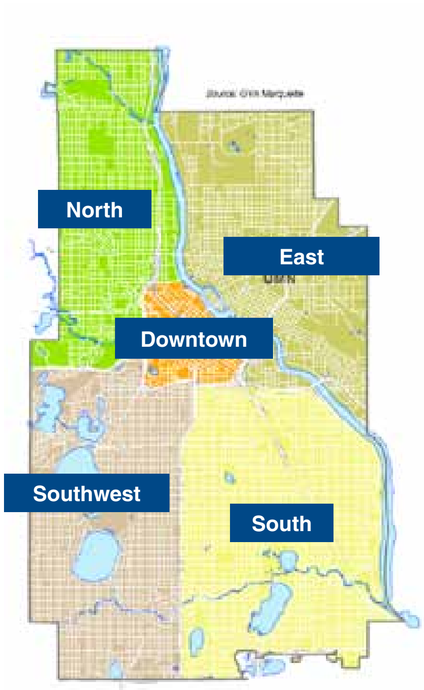


	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11
Minneapolis	-0.1%	-0.1%	0.4%	0.0%	-0.1%
Midway	-0.5%	0.1%	0.5%	0.9%	0.0%
Metro area	-0.1%	0.0%	0.1%	0.0%	0.1%

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, 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 (former 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 third quarter 2011, dollars have been converted with an index of 1.01723, the result of the relation between the CPI for September 2011 (202.630) and the CPI for September 2010 (199.198). For the period from third quarter 2011 to second quarter 2011, the index is 1.0065, obtained by dividing 202.630 (September 2011) by 201.325 (June 2011).

Minneapolis
City of Lakes

Minneapolis **Community Planning & Economic Development**

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