Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

first quarter 2012

Highlights for the first quarter of 2012

	1Q-12	change from 4Q-11	change from 1Q-11
Labor force	212,996 residents	▼	▼
Residents employed	201,065	▼	▲
Unemployment rate	5.6%	▲	▼
New residential permitted units	459 units	▲	▲
Permitted residential conversions, remodels and additions	122 buildings	▲	▲
	$ 14.9 million	▼	▼
Permitted non-residential conversions, remodels and additions	109 buildings	▼	▲
	$ 89.2 million	▲	▲
Residential units demolished	67 units	▼	▼
Rental vacancy rate	1.9 %	▼	▼
Average rent in inflation-adjusted dollars	$ 978	▲	▲
Residential units sold			
Traditional	518 units	▼	▲
Lender-mediated	448 units	▲	▼
Median sale price of residential units			
Traditional	$ 190,000	▼	▼
Lender-mediated	$ 72,500	▼	▼
Foreclosures	339	▼	▼
Condemned and vacant buildings	807	▼	▲
Minneapolis CBD office vacancy rate	16.7%	▼	▼
Minneapolis CBD retail vacancy rate	13.3%	—	▲

Highlights for the third quarter of 2011 – Jobs and wages

	3Q-11	2Q-11	3Q-10
Number of jobs	288,515 employees	▲	▲
Wages in inflation-adjusted dollars	$ 1,156	▼	▲

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

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Minneapolis Trends

first quarter 2012

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- Employment declined by 1.8 percent but labor force declined by 1.7 percent, thus increasing the unemployment rate to 5.6 percent from 5.5 percent in the first quarter of the year. In comparison with the same quarter last year, about 600 more residents were working.
- As of third quarter 2011 there were 288,515 jobs in Minneapolis, similar to the previous quarter, and about 5,300 more (1.9 percent) than the third quarter the previous year. Over the same 12-month period, the metro and state also added jobs, but at a slower pace. The city had about 98 percent of the jobs that it had in fourth quarter 2007, at the beginning of the recession.
- Average real wages for third quarter 2011 were almost 2 percent higher than a year before. Real wages in the metro area increased by nearly 1 percent and by more than 1 percent in the state.

Labor force

After the end of the holiday season in the last quarter, people left the labor force and employment declined, by 1.7 percent and 1.8 percent respectively. The unemployment rate increased 0.1 percent to 5.6 percent this quarter.

The metro area experienced a similar trend, with fewer employed people and a declining labor force. The unemployment rate in the metro area rose from 5.3 percent in the 4th quarter to 5.8 percent in the first quarter.

In comparison with the first quarter last year, the city added more than 600 workers and the metro added about 16,500 workers, with labor force increasing at a slow rate. The unemployment rate decreased 0.7 percent in the city and 0.8 percent in the metro area.

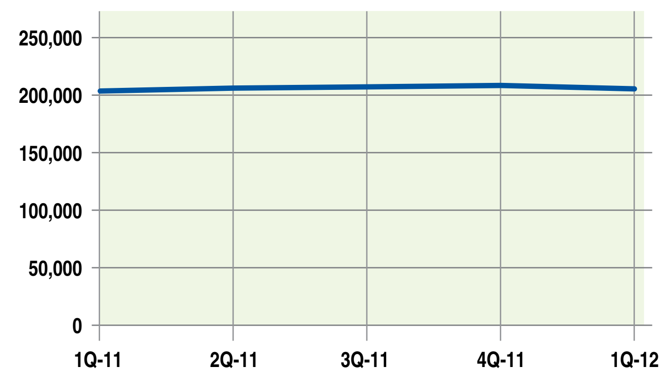
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis					
Labor Force	213,874	216,787	220,022	216,729	212,996
Employment	200,441	202,570	204,582	204,736	201,065
Unemployment rate	6.3%	6.6%	7.0%	5.5%	5.6%
Metro area					
Labor Force	1,597,620	1,611,981	1,633,031	1,613,722	1,601,792
Employment	1,492,024	1,507,872	1,522,853	1,527,992	1,508,520
Unemployment rate	6.6%	6.5%	6.7%	5.3%	5.8%

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

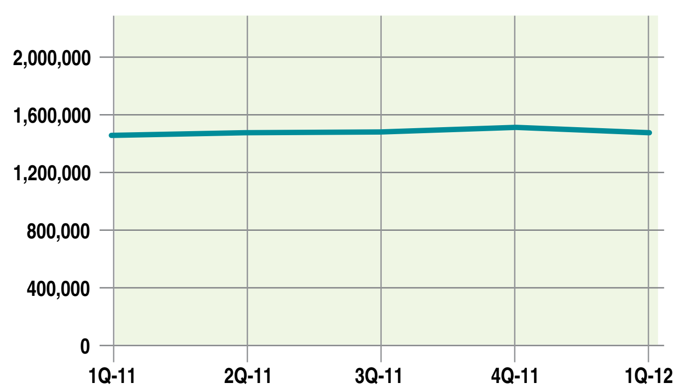
* For metro area definition, see page 13.

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]

	3Q-2010	4Q-2010	1Q-2011	2Q-2011	3Q-2011	% change 3Q-10 to 3Q-11
Total, All Industries	283,221	284,512	281,237	288,478	288,515	1.9%
Construction	5,886	N/a	N/a	5,673	6,195	5.2%
Manufacturing	14,416	14,166	13,473	13,660	13,809	-4.2%
Utilities	2,951	2,922	2,969	3,019	3,039	3.0%
Wholesale Trade	8,304	8,356	8,464	8,613	8,637	4.0%
Retail Trade	14,966	14,118	13,529	15,004	14,977	0.1%
Transportation and Warehousing	7,213	7,445	7,213	7,070	6,817	-5.5%
Information	10,609	10,645	10,648	10,641	10,638	0.3%
Finance and Insurance	26,894	27,146	27,190	27,516	27,812	3.4%
Real Estate and Rental and Leasing	5,836	5,988	6,426	6,514	6,365	9.1%
Professional and Technical Services	30,666	30,996	31,080	31,284	31,707	3.4%
Management of Companies and Enterprises	16,575	16,547	17,291	17,625	18,302	10.4%
Administrative and Waste Services	13,974	13,935	13,732	14,269	14,635	4.7%
Educational Services	27,780	30,576	30,013	29,711	27,138	-2.3%
Health Care and Social Assistance	47,150	47,168	47,341	48,116	47,551	0.9%
Arts, Entertainment, and Recreation	5,834	5,476	4,862	5,613	5,659	-3.0%
Accommodation and Food Services	22,411	22,268	21,126	22,828	23,320	4.1%
Other Services, Ex. Public Admin	9,388	9,281	9,156	9,482	9,439	0.5%
Public Administration	12,251	11,680	11,485	11,659	12,226	-0.2%

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.

Jobs

As of third quarter 2011, the number of jobs located in Minneapolis was about 288,500, essentially the same as the previous quarter. In comparison with the same quarter in 2010, the number of jobs increased by 1.9 percent (about 5,300 jobs). In the third quarter Minneapolis had about 98 percent of the jobs that it had in fourth quarter 2007, at the beginning of the recession.

12 month change – 3rd quarter 2010 to 3rd quarter 2011

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

Sectors which gained the most net jobs:

- **Management of companies** gained over **1,700 net jobs (10 percent growth)** all of them in corporate, subsidiary and regional managing offices. Banks and other holding companies lost jobs or were stable.
- **Professional and Technical Services** gained about **1,000 net jobs (3 percent growth)**, mainly in advertising and computer systems design.
- **Finance and Insurance** grew by over **900 net jobs (3 percent)**, with gains in most subsectors, but large losses in insurance.
- **Hotels and food services** added about **900 net jobs (4 percent)** because of strong job growth in restaurants, and to a lesser degree, in special food services.
- To a lesser extent, the following activities also added jobs in the same period: **employment services; real estate property leasing; hospitals,** and c**hild day care services; wholesale of motor vehicles and parts,** and **specialty construction** such as foundations, building exterior, equipment and building finishing.

Sectors which experienced job losses:

- **Education** lost about **640 net jobs (-2 percent)**, in colleges, universities and professional schools, and also in specialized schools such as Yoga, diction, first-aid, life guard, public speaking, self-defense and others.
- **Manufacturing** lost more than **600 net jobs (-4 percent)**, mainly in industries such as printing, machinery, furniture, medical equipment, fabricated metal products, and computer and electronic products manufacturing.
- **Transportation and warehousing** lost nearly **400 net jobs (-5.5 percent)**, more than half of them in the Postal Service, followed by transit and ground passenger transportation.
- **Arts, entertainment and recreation** lost almost **200 net jobs (3 percent)** in all subsectors except fitness and recreational sports centers.
- **Government** lost about **25 net jobs** particularly in the administration of human resource programs.

Quarter to quarter change- 2nd quarter to 3rd quarter 2011

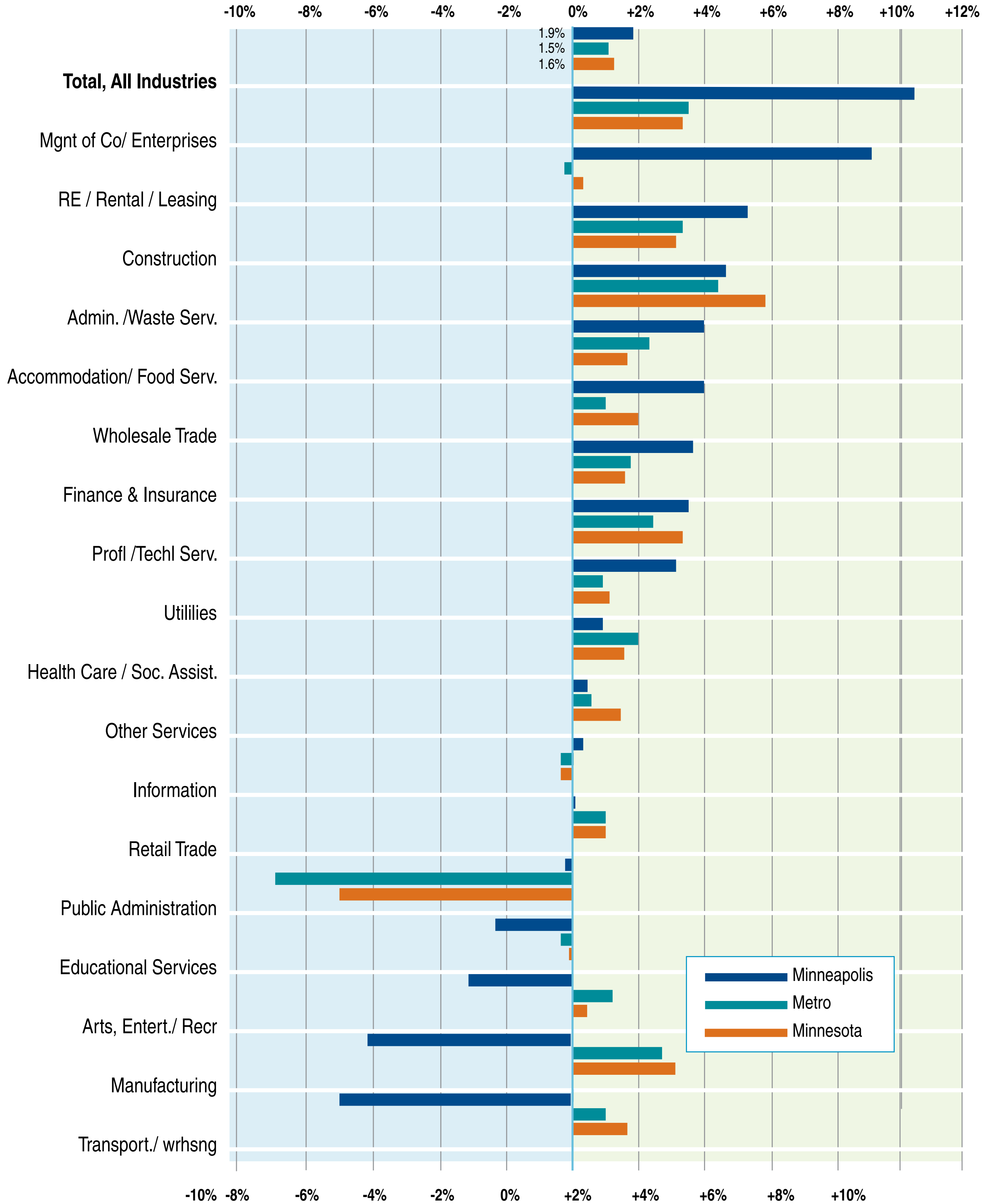
The following sectors increased the most:

- **Management of companies** gained almost **700 net jobs (4 percent)** most of them in corporate, subsidiary and regional managing offices.
- **Government** gained nearly **600 net jobs (5 percent)** in most subsectors except the administration of human resources.
- **Construction** added more than **500 net jobs (9 percent)**, mostly in construction of building foundations, structures and exterior, and also in heavy and civil engineering construction.
- **Hotels and food services** increased nearly **500 net jobs (2 percent)**, mostly in restaurants and special food services.
- To a lesser extent the following sectors also added jobs this quarter: **Professional and technical services** (computer design, and management and technical consulting); **administrative and waste services** (support and employment services); **finance and insurance** (securities and commodity contracts and financial investment); **manufacturing** (food, chemical and machinery).

The following sectors had net job decreases:

- **Education** lost more than **2,500 net jobs (-9 percent)**, mostly in elementary and secondary schools, schools for special instruction such as diction, first aid, yoga and others, and colleges and universities.
- **Health care and social assistance** lost about **600 net jobs (-1 percent)**, mostly in individual and family services.
- **Transportation and warehousing** lost about **250 net jobs (-4 percent)** across most subsectors; however, transit and ground passenger transportation sustained the heaviest losses.

Figure 3: **JOBS** –3Q-10 to 3Q-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

- To a lesser extent, the following industries also lost jobs: **Real estate and rental and leasing** (property leasing), **services** such as repair and maintenance, **retail** (building materials and garden equipment), and **information** (motion picture and sound recording).

As shown in Figure 3, the city, metro area, and state all gained jobs over the twelve-month period. The city's job base increased by 1.9 percent, more than the 1.5 percent increase in the metro area, and 1.6 percent increase in the state.

Of the sectors **posting growth** over this period, **management of companies** was the fastest growing sector in the city at more than 10 percent, while it grew much more slowly in the metro area and the state.

Seven sectors grew in the city faster than in either the metro or state: **construction, administrative services, accommodation and food services, wholesale trade, finances, professional and technical services,** and **utilities**. **Real estate** grew fast in the city **(over 9 percent),** diminished in the metro and grew slowly in the estate. **Information** grew slowly in the city but declined in the metro and state. **Retail** grew faster in the metro and estate than in the city.

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

The third 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 October (beginning of the fourth quarter) to March 2012, the 13-county Minneapolis-St. Paul-Bloomington metro area lost 33,400 jobs. The area began to slow down in the last quarter of 2011.

Wages

The average weekly wage in Minneapolis in the third quarter of 2011 was $1,156, $63 more in nominal dollars from the previous year, but $18 higher in inflation-adjusted dollars.

All but three sectors increased their average weekly wages. The following sectors **increased average weekly real wages** the most **from a year earlier:**

- **Real estate and rental and leasing (16 percent):** The increase in average weekly real wages was led by leasing of real estate, especially leasing of non-residential buildings, with real average weekly wages growing by more than $270 or 20 percent. Leasing of non-financial intangible assets increased wage gains by more than $230 or 39 percent, and real estate agents and brokers gained about $200 more in average weekly wages, or 12 percent.
- **Management of companies (7 percent):** Average weekly real wages for corporate, subsidiary and regional managing offices increased by almost $120 or 7 percent, and offices of holding companies gained nearly $140 more or 6 percent.
- **Arts, entertainment and recreation (5.5 percent):** average weekly real wages increased especially in recreation activities such as tourist guide services, summer day camps, soccer clubs, rowing clubs, river rafting, miniature golf courses, kayaking, fishing clubs, and others. Real average weekly wages in this broad subsector increased by about $50 percent or 15 percent.
- The following sectors also increased real wages but at a slower pace than the first group: **Information, public administration, finances and insurance, utilities, transportation and warehousing, administrative and waste services.**

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

	3Q-2010	4Q-2010	1Q-2011	2Q-2011	3Q-2011	% change 3Q-10 to 3Q-11
Total, All Industries	**$ 1,093**	**$ 1,273**	**$ 1,260**	**$ 1,152**	**$ 1,156**	**5.8%**
Construction	$ 1,068	$ 1,173	$ 1,111	$ 1,087	$ 1,124	5.2%
Manufacturing	$ 1,083	$ 1,404	$ 1,128	$ 1,066	$ 1,132	4.5%
Utilities	$ 1,566	$ 1,723	$ 2,366	$ 1,659	$ 1,672	6.8%
Wholesale Trade	$ 1,210	$ 1,369	$ 1,295	$ 1,232	$ 1,281	5.9%
Retail Trade	$ 521	$ 535	$ 478	$ 500	$ 515	-1.2%
Transportation & Warehousing	$ 910	$ 1,052	$ 894	$ 984	$ 987	8.5%
Information	$ 1,259	$ 1,515	$ 1,466	$ 1,346	$ 1,362	8.2%
Finance & Insurance	$ 1,578	$ 1,949	$ 2,911	$ 1,656	$ 1,684	6.7%
Real Estate & Rental & Leasing	$ 1,126	$ 1,426	$ 1,648	$ 1,294	$ 1,361	20.9%
Professional and Technical Services	$ 1,634	$ 2,142	$ 1,607	$ 1,681	$ 1,685	3.1%
Management of Companies & Enterprises	$ 1,556	$ 1,986	$ 2,081	$ 2,141	$ 1,735	11.5%
Administrative and Waste Services	$ 632	$ 693	$ 677	$ 653	$ 693	9.7%
Educational Services	$ 1,124	$ 1,073	$ 971	$ 1,050	$ 1,084	-3.6%
Health Care & Social Assistance	$ 923	$ 1,033	$ 888	$ 950	$ 967	4.8%
Arts, Entertainment, & Recreation	$ 1,431	$ 900	$ 880	$ 1,370	$ 1,572	9.9%
Accommodation & Food Services	$ 378	$ 392	$ 363	$ 371	$ 396	4.8%
Other Services, Ex. Public Admin	$ 612	$ 643	$ 595	$ 602	$ 642	4.9%
Public Administration	$ 1,161	$ 1,367	$ 1,166	$ 1,263	$ 1,259	8.4%

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.

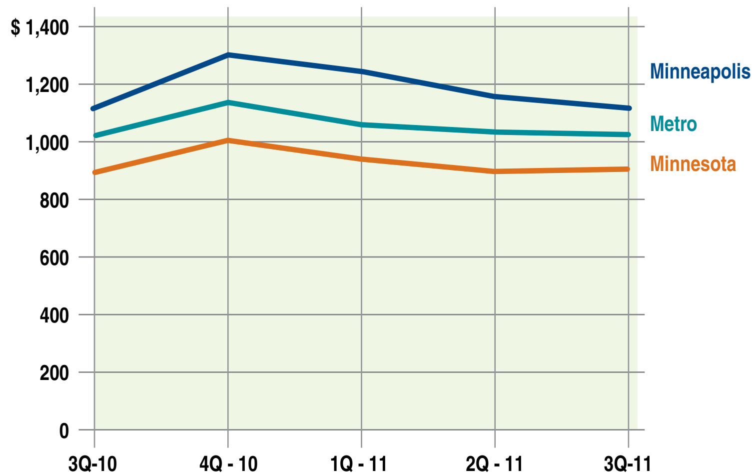
Wages

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

- **Education (-7 percent):** Average weekly wages declined in all subsectors.
- **Retail (-5 percent):** Average weekly real wages decreased as much as $200 or 32.5 percent for general merchandise stores, and $5 or 1 percent for food and beverage stores.
- **Professional and technical services (-1 percent):** Average weekly wage in this sector decreased as much as $80 or 7 percent for specialized design services. Although some subsectors increased their average weekly real wages such as accounting and tax preparation ($115 or 7.5 percent), 5 out of 9 subsectors suffered a decline in their average weekly real wage.

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. Third-quarter wages in inflation-adjusted dollars increased nearly 2 percent in Minneapolis from a year earlier, while the metro area and the state grew about 1 percent.

Figure 4: **AVERAGE WEEKLY WAGES** – 3Q-10 to 3Q-11
in inflation-adjusted dollars



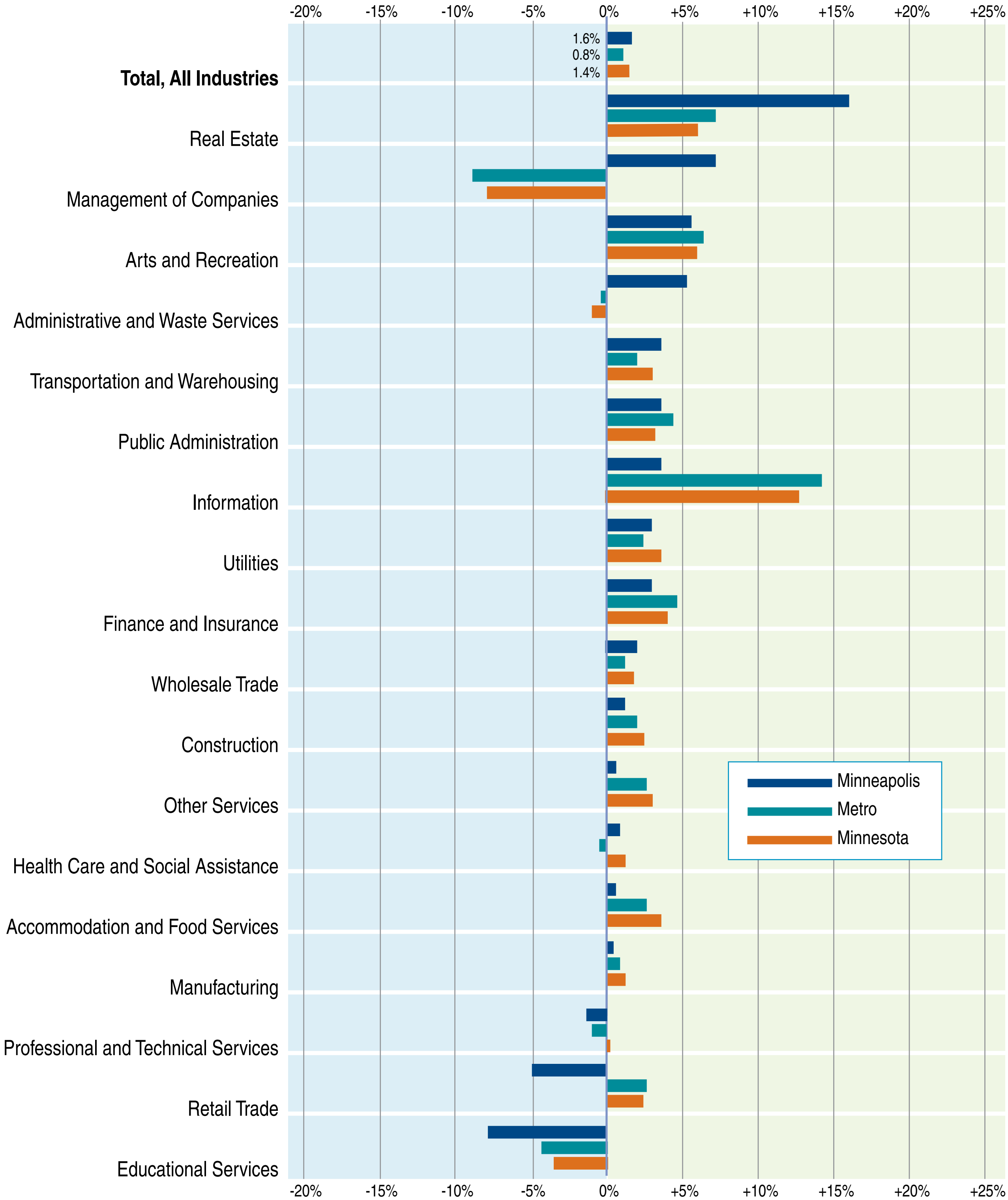
	3Q-10	4Q-10	1Q-11	2Q-11	3Q-11	$ change 3Q-10 to 3Q-11	% change 3Q-10 to 3Q-11
Minneapolis	$ 1,138	$ 1,326	$ 1,283	$ 1,173	$ 1,156	$ 18	1.6%
Metro area	$ 1,026	$ 1,144	$ 1,094	$ 1,036	$ 1,034	$ 8	0.8%
Minnesota	$ 902	$ 1,007	$ 942	$ 908	$ 915	$ 13	1.4%

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

For conversion factors, see page 13

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 3Q-10 to 3Q-11
percent change in inflation-adjusted dollars*



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

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

Wages

Wages in the following sectors grew in Minneapolis in comparison with the metro area and the state from third quarter 2010 to third quarter 2011:

- **Real estate, transportation and warehousing**, and **wholesale trade** grew average weekly real wages faster in the city than in the metro or the state. In the first sector wages increased more than **16 percent** in comparison with 7 percent in the metro and 6 percent statewide. Most gains resulted from building leasing activity.
- **Management of company's** real wages grew in the city at **7 percent**, while they decreased in the metro and state. Similar trends took place in the **administrative service sector** where real average weekly wages grew in the city but declined in the metro and state.
- In the **art and recreation sector** real wages increased slower in the city than in the metro area and the state. In **public administration** wages in the city rose at a slower pace than in the metro but faster than in the state.
- In **information, finance and insurance, construction, hotels and food services**, and **manufacturing** real wages increased slowly in comparison with the metro and state. **Information** increased 4 percent in the city, but 14 percent in the metro and 13 percent in the state.

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

- **Education** sustained a decline of real wages **of 7 percent** in the city, larger than any other sector. However, these sectors' wages decreased more slowly in the metro area and statewide.
- Wages in **retail** declined in the city (about **5 percent**), but grew in the metro area and the state.
- **Professional and technical services** average weekly wages decreased in the city and metro but did not change in the state.

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

Development indicators

- The number of new residential permitted units this quarter was 34 percent higher than last quarter. In comparison with first quarter last year, this number was 17 times higher.
- Permitted multifamily units have been steadily rising for the last year, to 448 units this quarter. Single family units added another 11 units for a total of 459.
- Although the number of individual remodeling projects increased more than threefold this quarter in comparison with the same quarter last year, their total cost dropped 75 percent. There were a large number of small projects this quarter, while just one project- Cedar Riverside Apartments remodeling- added most of the value last year.
- Nineteen commercial and residential projects costing at least $1 million were permitted this quarter, totaling $103.7 million. The largest single project was the construction of 222 Hennepin, a 283-unit apartment building with commercial space on Hennepin Ave in the North Loop. The second largest was 701 N Street, a new apartment building also in the North Loop.

New construction

Total new units permitted this quarter increased, especially because multifamily housing starts were up by 37 percent in comparison with the fourth quarter last year. The construction of 222 Hennepin, a mixed-use building at the site of the old Jaguar Dealership, accounted for 63 percent of the new permitted units.

This quarter's volume was much higher than 2011 first quarter, for single as well as for multifamily buildings, and city as well as metrowide. Total number of permitted units in the city were 17 times higher than first quarter last year. In the metro two and a half times more units were permitted in the same period. Multifamily activity accounted for much of this increase, with the city accounting for almost 70 percent of the multifamily units that were permitted in the metro area.

Construction of multifamily units greatly increased in the first quarter, after rising steadily from first quarter last year. Since 1Q-11, fourteen apartment buildings were permitted; one of them was a shelter. These numbers do not reflect remodeling and conversion projects, which are discussed on page 25. 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**

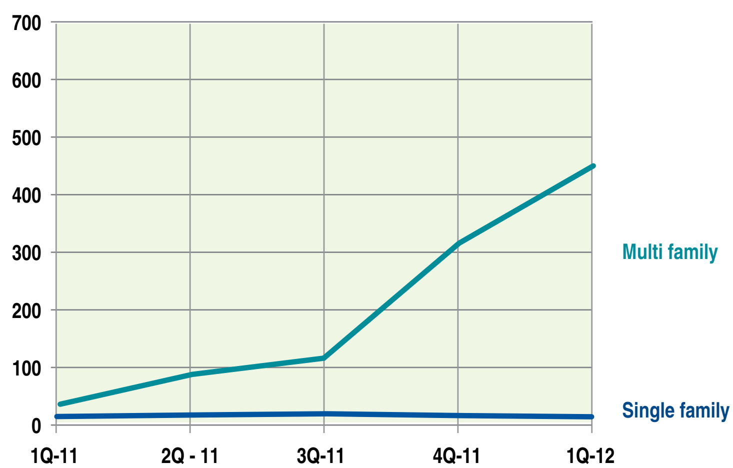
	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Single-family					
City	5	14	16	14	11
Metro area	518	894	963	851	706
Multifamily					
City	22	95	122	328	448
Metro area	30	268	362	722	668
Total Units					
City	27	109	138	342	459
Metro area*	548	1,162	1,325	1,573	1,374

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

Four new apartment buildings, two of them mixed-use, totaling 448 units were permitted this quarter. These four buildings are:

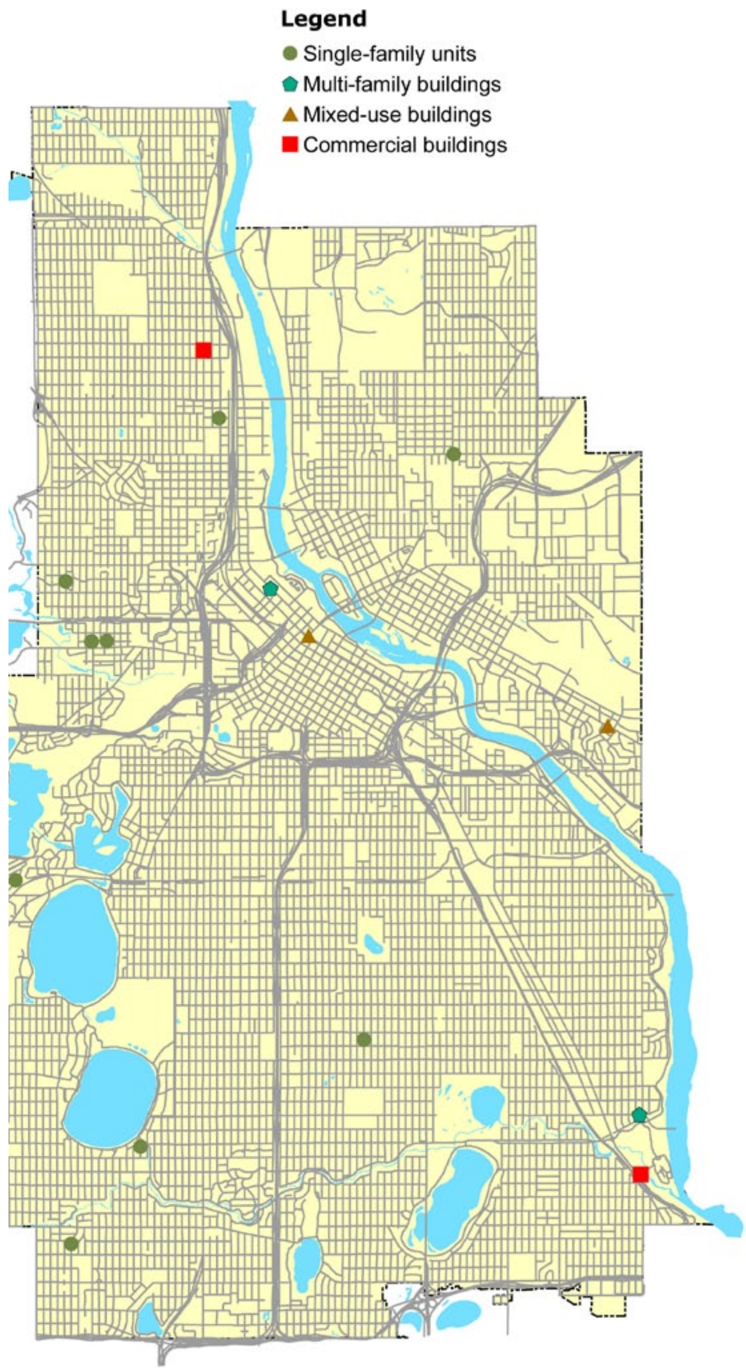
- 701 2nd St N, a six story, 100- unit apartment building;
- 4556 46th St E, a 48-unit apartment building;
- 3020 University Ave SE, a 4-story 17-unit mixed use apartment building with commercial space on first floor; and
- 222 Hennepin Ave, a 6 story 283-unit apartment building with first floor retail and a 4-level parking garage.

  Map 1 shows the location of these four projects. These projects are listed on Table 6 – Major Construction Projects.

Two non-residential buildings were permitted: a grocery store on North Lyndale Ave, and a power generation equipment building on Minnehaha Ave.

Map 1: **NEW CONSTRUCTION** – 1Q-12

Source: Minneapolis Regulatory Services



Cost of residential construction

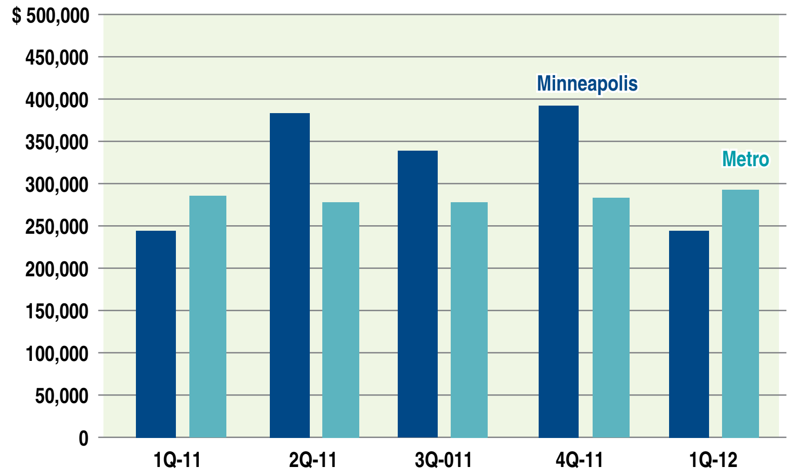
The eleven new single-family homes permitted this quarter had estimated construction costs ranging from $155,000 to $475,000.

The average single-family construction cost in the city decreased by 38 percent this quarter in comparison with last quarter, but rose 4 percent in the metro area.

This quarter, the average construction value of a single-family home in Minneapolis was 82 percent of the value in the metro area.

This quarter the average construction cost of multifamily units increased in both the city and the metro area from last quarter, and from a year ago. It was about 12 percent higher from last quarter in the city and about 16 percent higher in the metro area. It was about 32 percent higher in the city than the previous year, and 25 percent higher in the metro area compared to the same period. The average cost per unit in Minneapolis reflected new apartment buildings permitted in the last quarter which will cater to a higher income group of renters.

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

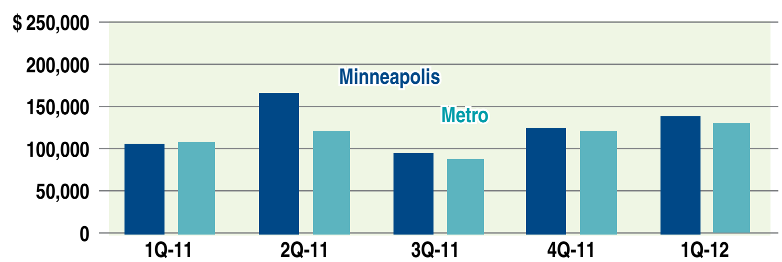


	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis	$ 246,000	$ 388,400	$ 341,800	$ 392,700	$ 244,400
Metro area	286,800	273,700	271,100	285,700	297,600

Source: U.S. Census Bureau

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

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis	$ 107,600	$ 166,500	$ 98,600	$ 126,700	$ 141,900
Metro area	111,900	119,600	86,500	121,000	140,000

Source: U.S. Census Bureau

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

Conversions, remodels & additions

About 1 percent more **residential** remodeling, conversion and addition projects with a value of $50,000 or more were permitted this quarter, but their total value was about 70 percent lower than last quarter. The decrease in value was the result of the two building conversions permitted last quarter that will add about 250 rental units in total once completed, with more than $30 million in construction cost. This quarter there was not comparable residential remodeling or conversion projects. In comparison with first quarter 2011, the number of projects was about four times higher, but the total value for those projects was 75 percent lower because of the Cedar Riverside Apartments multimillion dollar renovation permitted last year.

At $89.2 million, overall projected cost of **non- residential** construction was nearly 60 percent higher than last quarter, and more than 60 percent higher than first quarter 2011. The increase in value from the previous year reflected increases in the number of large projects (those of one million dollars and over) and smaller projects as well. The number of projects was about 40 percent higher this quarter. Fairview, Abbott Northwestern, and HCMC had permits for remodeling for several million dollars. Financial offices and a grocery, Lunds, also added to the number and value of remodeling and improvement projects this quarter.

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

	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Total Residential[1]					
Number of buildings	32	166	149	121	122
Total value	$ 60,191,900	$ 25,334,100	$ 33,537,000	$ 47,453,100	$ 14,900,500
Remodels					
Number of buildings	30	164	145	118	120
Value	$ 59,858,900	$ 24,744,400	$ 20,322,000	$ 17,247,700	$ 14,581,500
Conversions and additions[2]					
Number of buildings	2	2	4	3	2
Net number of units	0	-2	120	251	0
Value	$ 333,000	$ 589,800	$ 13,215,000	$ 30,205,300	$ 319,000
Total non-residential[1]					
Number of buildings[3]	79	119	129	119	109
Value	$ 56,508,100	$ 102,084,700	$ 59,285,600	$ 54,875,300	$ 89,184,700

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.

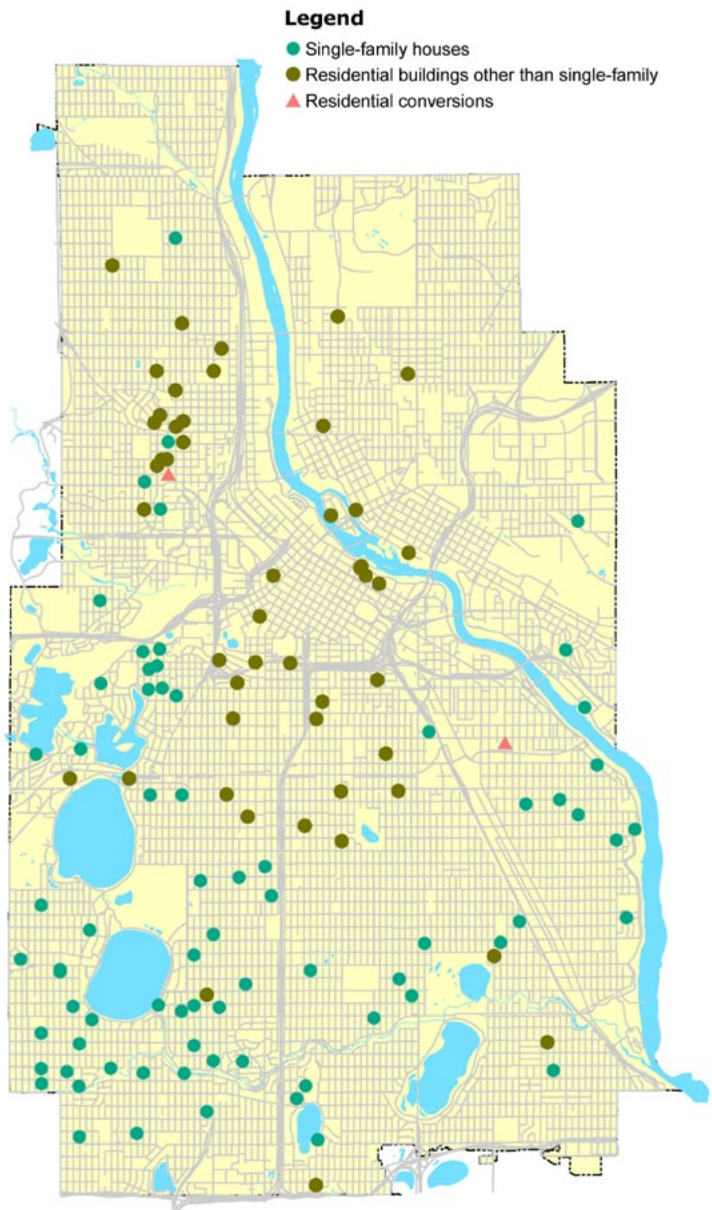
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

Conversions, remodels & additions

About 60 percent of residential buildings with remodeling permits this quarter were single-family dwellings. Of these 72 single-family buildings, more than half were located in the western part of the city between the city border and 35W as shown on Map 2. Of all the other residential buildings, 30 percent were located in the city's North-side, many of them on the path of last summer's tornado, and 23 percent were in the south to the east of 35W.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 1Q-12
projects $50,000 +

Source: Minneapolis Regulatory Services



Conversions, remodels & additions

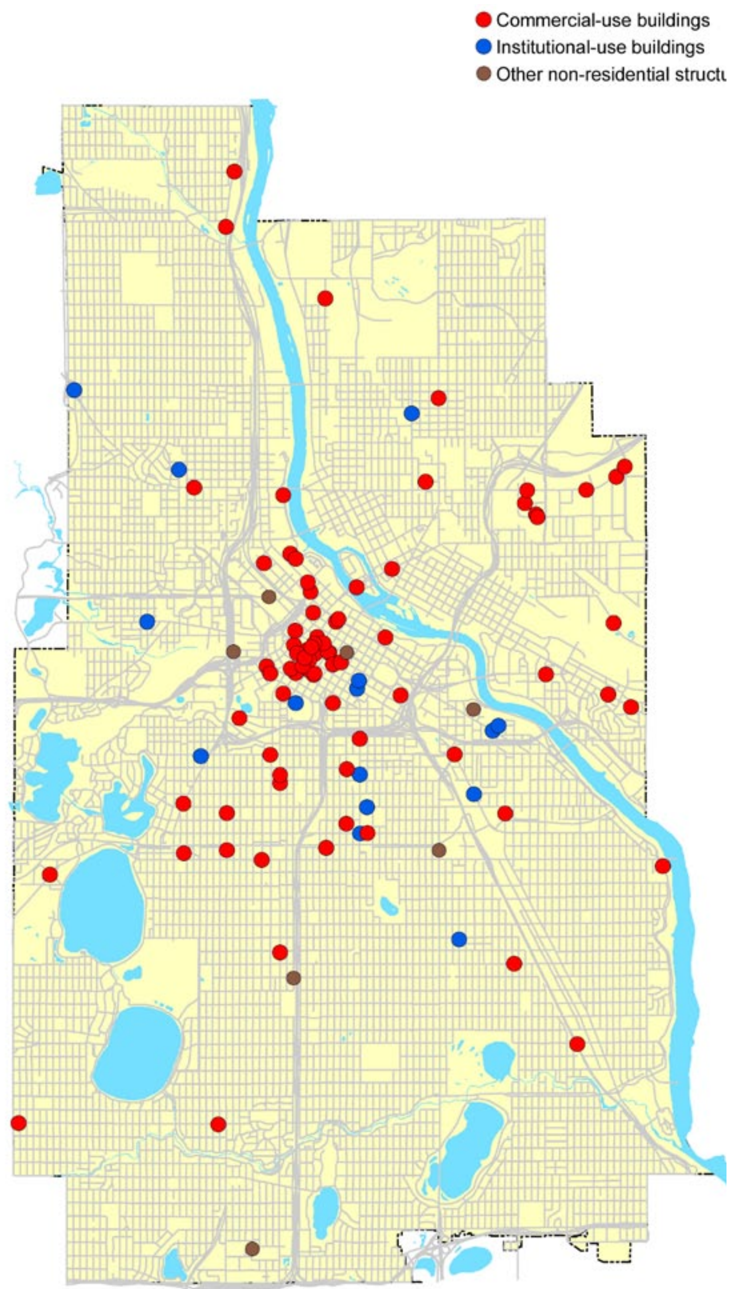
The downtown area had more than 40 percent of the permitted non-residential projects valued $50,000 or more. From these projects, most were office build-outs and remodels. Phillips and Whittier also had a large number of commercial projects such as office build-outs.

There were three institutional projects in downtown, two of which were related to the remodel and improvement of Hennepin County Medical Center. But other institutional projects which obtained permits were outside downtown, and were related to improvements in Fairview-University and Abbott-Northwestern.

Other non-residential structures including mainly communication equipment are shown on the map.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 1Q-12
projects $50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the first quarter of 2012. 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 222 Hennepin in the North Loop, consisting in 283 apartment units with commercial space ($45.3 million), followed by the construction of a new apartment building at 701 N 2nd St also in North Loop ($11.9 million).

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

Description	Address	Neighborhood	Projected construction $	CPED Involvement [1]
222 Hennepin: 283-unit apartment mixed-use building with retail	222 Hennepin Ave	North Loop	$ 45,266,760	●
701 N 2nd St: New 100-unit apartment building	701 N 2nd St	North Loop	$ 11,870,870	
Fairview Hospital: Riverside East Building staged remodel	2450 Riverside Ave*	Cedar-Riverside	$ 7,059,340	
Starquest at Dain Rauscher Plaza: Office remodel	501 Nicollet Mall*	Downtown West	$ 6,320,760	
Abbott Northwestern Hospital Children's Mother and Baby addition	902 26th St E	Midtown Phillips	$ 5,476,320	●
Parkway West Apartments: New 48-unit apartment building	4556 46th St E	Hiawatha	$ 4,700,000	●
Thrivent: Skyway level cafeteria and conference area remodel	625 4th Ave S	Downtown West	$ 3,430,450	
One Financial Plaza: Floors 5 to 10 office remodel for Canadian Pacific	120 6th St S*	Downtown West	$ 2,436,100	
Lunds: Interior build-out for groceries	1201 Hennepin Ave	Loring Park	$ 2,375,000	●
Prospect Place: New mixed-use 17-unit apartment building	3020 University Ave SE	Prospect Park	$ 2,331,420	●
Formerly Shiners building: Remodeling for new restaurant	733 Hennepin Ave	Downtown West	$ 1,800,000	
Well Fargo Center: Floors 51 to 53 office remodel for Abbot Downing	90 7th St S	Downtown West	$ 1,525,650	
Hennepin County Medical Center: Remodels and improvements	701 Park Ave*	Elliot Park	$ 1,512,200	
Lunds Wine Market: Building remodeling	1208 Harmon Pl	Loring Park	$ 1,435,000	●
Abbott Northwestern Hospital: Pathology lab and radiology admissions remodel	800 28th St E*	Midtown Phillips	$ 1,414,250	
Kinnard Financial Center: Office remodels for various tenants	920 2nd Ave S*	Downtown West	$ 1,308,590	
US Bank Plaza: Alteration to Ernst & Young existing offices	220 6th St S	Downtown West	$ 1,304,000	
The Star Tribune: Main building improvements	800 1st St N	North Loop	$ 1,175,000	
Mill City Museum: Building roof improvements	704 2ND ST S	Downtown East	$ 1,007,000	

Source: Minneapolis Regulatory Services and CPED

* Includes more than one permit at one address

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

Demolitions

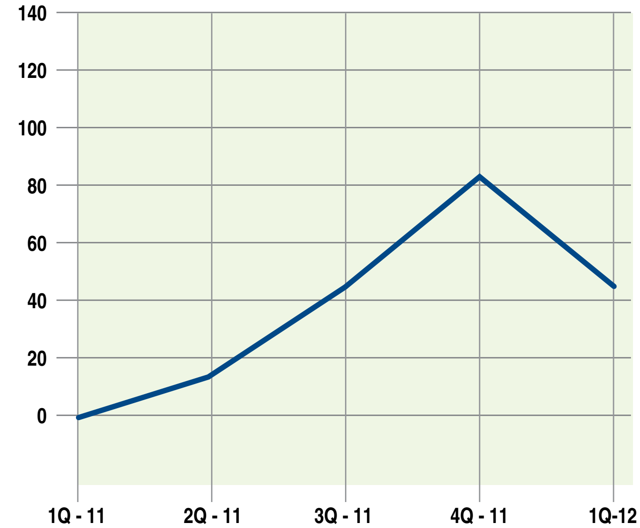
Residential units with permits for demolitions increased steadily during last year to drop 38 percent in the first quarter 2012. But the number of buildings scheduled for demolition this quarter was still over twice the number permitted last year in the first quarter.

Units scheduled for demolitions this quarter included 33 single-family homes, 6 duplexes, 1 triplex, a 17-unit apartment building located on Penn Ave N, and a mixed use building with 2 apartment units and commercial space.

The number of residential demolitions, most of them single family homes, continued to be higher in North Minneapolis. Some demolitions clear the area that was heavily damaged by a tornado last summer. Dwellings that were damaged and couldn't be remodeled are being removed. About 57 percent of all single-family units to be demolished are in North Minneapolis.

The only non-residential demolition permit was issued for a commercial building located in North Minneapolis on the 2500 block of Penn Ave N.

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

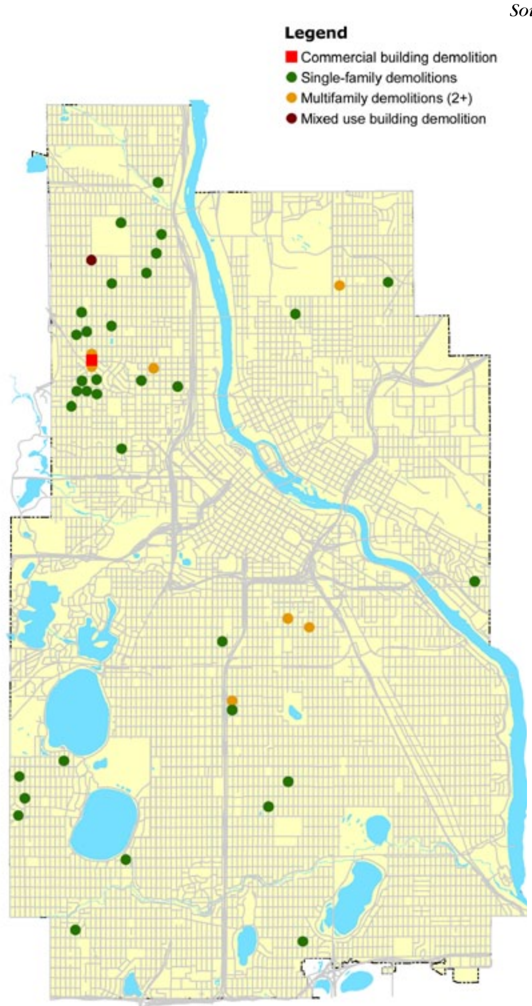


Quarter	Units
1Q-11	24
2Q-11	39
3Q-11	71
4Q-11	108
1Q-12	67

Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** –1Q-12

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, multifamily buildings have four or more units.)

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

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

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

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

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

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

Map 1 – New buildings

Single-family: means detached dwellings.

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

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

Map 2 – Residential remodels with a construction cost of $50,000 or more:

Single-family includes all detached single-family dwellings with permits for renovations, additions or improvements.

Other residential includes all residential buildings that are not detached single-family dwellings, including units in buildings with two or more units. It includes remodeling or build-outs of one or more individual units and remodeling of the entire building.

Conversions consist of the construction of new residential units in non-residential buildings such as factories, warehouses, hotels and others and remodeling of a building for residential uses. It does not include conversions of apartment units to condominiums. It includes changing two or more residential units into a single residence or the subdivision of a single unit into several.

Map 3 – Non-residential remodels, additions and improvements with a cost of $50,000 or more

Commercial includes offices, warehouses, factories, restaurants and retail buildings in general. It may be a build-out of an office space or several floors, or it may be the remodeling of an entire building. Several tenant remodels at one address are considered one project, i.e. renovation of 33 S. Sixth St. (the former Multifoods Tower) downtown.

Institutional: This category includes hospitals, clinics, churches, schools, nursing homes, correctional centers and any other institutional use.

Transportation related includes parking, skyways and bus and rail terminals.

Map 4 – Demolitions

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

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

Non-residential: All non-residential buildings and structures

Housing stock & the real estate market

- The average apartment vacancy rate in Minneapolis decreased to 1.9 percent, from 2.1 percent in the fourth quarter.
- Following normal seasonal patterns, the number of traditional housing sales this quarter was 14 percent lower than fourth quarter, and their median prices decreased 3 percent. On a year-to-year basis, traditional sales increased 37 percent but prices decreased 3 percent. Lender-mediated sales increased this quarter, but decreased 8 percent from first quarter last year.
- The number of condemned, boarded and vacant buildings in the city decreased by 3 percent from the previous quarter, but increased by 2 percent from first quarter 2011.
- Foreclosure sales decreased 18 percent to 339, the lowest quarterly total since first quarter 2006.
- The direct office vacancy rate in the Minneapolis central business district (CBD), decreased slightly from 17.0 percent last quarter to 16.7 percent this quarter. Retail vacancies including subleases remained unchanged at 13.3 percent, both according to CB Richard Ellis.

Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multifamily rental housing decreased to 1.9 percent from 2.1 percent last quarter. The vacancy rate decreased after rising at the end of the year for the first time since the end of 2010. Although many apartment buildings have been built in the last two years, demand for rental housing continued to put pressure on supply.

Supply is increasing: more than 880 new rental apartments were permitted in 2010 and more than 500 were permitted in 2011, part of them still under construction. Conversions added another 370 units in 2010 and 2011 (see part 2 of this report).

In the metro area, the vacancy rate was 2.8 percent, unchanged from the fourth quarter. Construction of new apartments took place mainly in Hennepin County, with Minneapolis accounting for almost 70 percent of the new units.

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

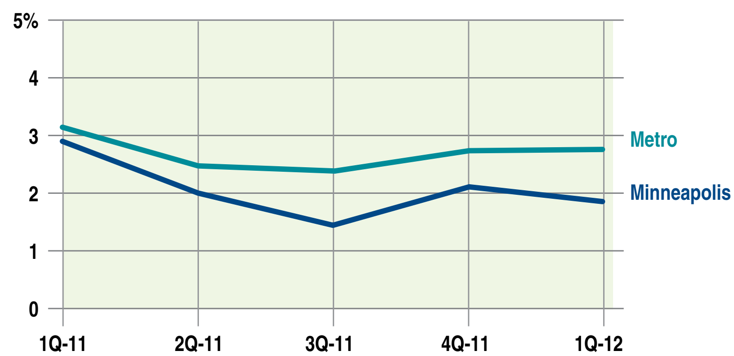
	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis					
Units surveyed	15,441	14,387	14,390	14,971	15,388
Vacant units	450	286	213	310	291
Average rent	$ 958	$ 953	$ 965	$ 960	$ 978
Vacancy rate	2.9%	2.0%	1.5%	2.1%	1.9%
Metro area					
Units surveyed	113,791	106,986	107,649	109,707	108,820
Vacant units	3,515	2,561	2,518	3,062	3,072
Average rent	$ 916	$ 921	$ 925	$ 927	$ 935
Vacancy rate	3.1%	2.4%	2.3%	2.8%	2.8%

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

Recorded data for the last month of the quarter

For metro area definition, see page 42

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



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

Recorded data for the last month of the quarter

For metro area definition, see page 42

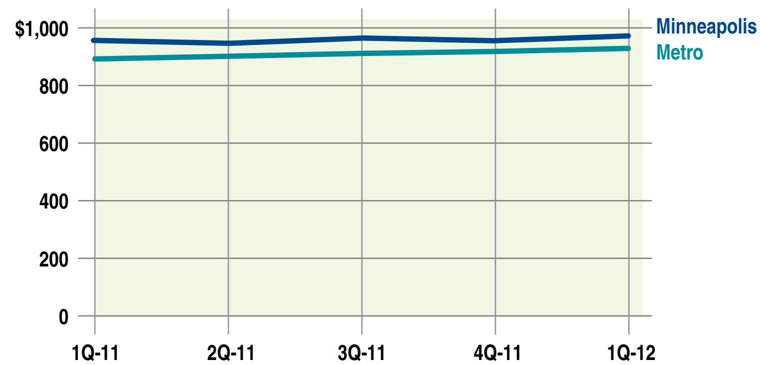
Apartment vacancy rates & average rents

At $978, Minneapolis average rent increase in inflation-adjusted dollars was about $14 (1.5 percent) higher than at the end of last year. It was only $7 dollars higher than the first quarter of last year. In the metro area average rent was $935, increasing by about $5 in inflation-adjusted dollars in comparison with fourth quarter. It was $6 higher than the first quarter of 2011 after adjusting for inflation.

Except in South Minneapolis, the vacancy rate was lower than first quarter last year. Vacancy rates declined in Southwest and South from fourth quarter, but increased in North and East Minneapolis. Downtown' s vacancy rate was unchanged and equaled the city's rate of 1.9 percent. Southwest and East Minneapolis were below the city's rate. The highest rate was in North Minneapolis with 3.9 percent. Generally a vacancy rate of 5 percent is considered the point at which supply and demand are balanced, and all sectors in the city were far below.

* For conversion factors, see page 43.

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

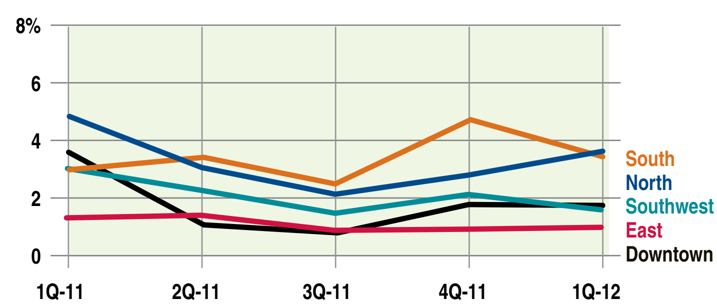


	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis	$ 958	$ 953	$ 965	$ 960	$ 978
	971	*959*	*965*	*964*	*978*
Metro area	$ 916	$ 921	$ 925	$ 927	$ 935
	929	*927*	*925*	*930*	*935*

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

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

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Downtown	3.5%	1.2%	1.0%	1.9%	1.9%
Southwest	3.0%	2.3%	1.8%	2.2%	1.8%
North	5.0%	3.1%	2.2%	2.8%	3.9%
South	3.0%	3.8%	2.6%	4.9%	3.8%
East	1.6%	1.7%	1.1%	1.1%	1.2%

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.

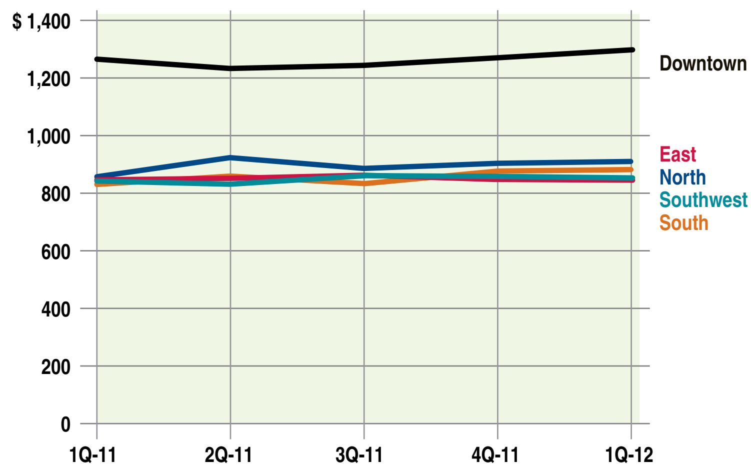
Apartment vacancy rates & average rents

Average rents in inflation-adjusted dollars increased in East Minneapolis by nearly 3 percent in real dollars, followed by Downtown (2 percent). Average rents in North Minneapolis increased slightly. On the other hand, rents decreased by almost 1 percent in Southwest Minneapolis (-0.9 percent), and decreased very slowly in South Minneapolis (-0.4 percent).

On a year to year basis, rents increased the most in South Minneapolis (more than 3 percent, or nearly $36 in real dollars), followed by North Minneapolis (more than 21 percent or $21 in inflation-adjusted dollars). In Downtown and Southwest average rents decreased slightly from first quarter last year.

* For conversion factors, see page 43.

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Downtown	$ 1,264 *1,282*	$ 1,213 *1,220*	$ 1,230 *1,225*	$1,248 *1,248*	$1,277 *1,277*
Southwest	836 *848*	839 *844*	857 *857*	$852 *855*	$847 *847*
North	854 *866*	931 *937*	879 *879*	880 *883*	887 *887*
South	814 *825*	849 *854*	837 *837*	861 *864*	861 *861*
East	855 *867*	879 *884*	882 *882*	847 *850*	847 *847*

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

Recorded data for the last month of the quarter.

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

* For conversion factors, see page 43.

** For City sectors definition see page 42.

Apartment vacancy rates & average rents

Vacancy rates declined citywide for all types of units. Two-bedrooms were very low at 1.3 percent, but three-bedrooms declined the most from last quarter: 1.1 percent, from 2.9 to 1.8 percent.

In comparison with the first quarter of 2011, vacancy rates for all apartment types were lower this quarter, except for three-bedrooms which actually increased from 1.6 percent to 1.8.

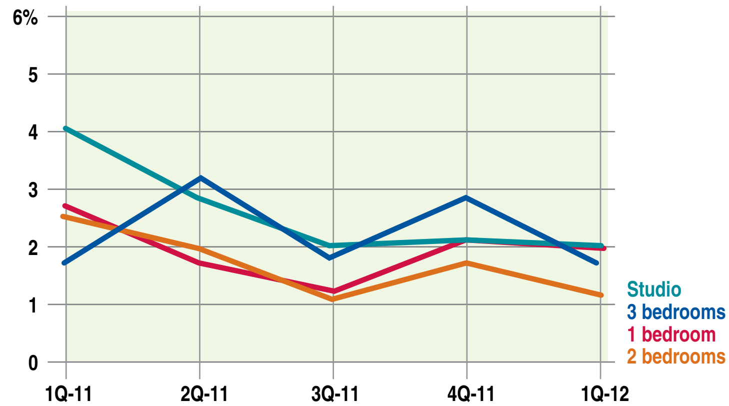
Average rents in inflation-adjusted dollars also increased this quarter for one and two-bedroom units, but were almost unchanged for studio and three-bedroom units. Average rents also increased slowly from a year ago in inflation-adjusted dollars for studios and two-bedrooms, and remained stable for one-bedrooms. On the other hand, for three-bedroom apartments average monthly rents decreased by 3.5 percent.

With an improving labor market, demand was redirected toward smaller units, rather than large units that were attractive for sharing arrangements during the economic slowdown.

A factor to take into account in the slow growth in rents is the high number of new units coming to market. Older units have to be offered at a lower price in order to compete with newly built apartments.

* For conversion factors, see page 43.

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

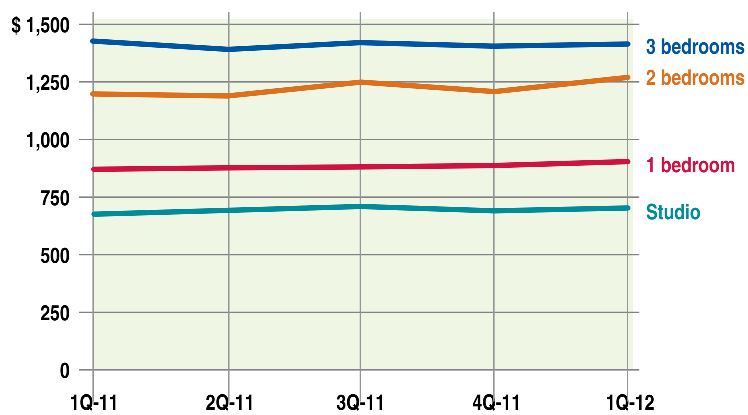


	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Studio	4.1%	2.9%	2.0%	2.1%	2.0%
One-bedroom	2.7%	1.7%	1.4%	2.1%	2.0%
Two-bedroom	2.5%	1.9%	1.2%	1.7%	1.3%
Three-bedroom	1.6%	3.1%	1.9%	2.9%	1.8%

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

Recorded data for the last month of the quarter

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Studio	$ 674 *683*	$ 680 *684*	$ 697 *697*	$ 687 *690*	$ 689 *689*
One-bedroom	$ 888 *900*	$ 885 *890*	$ 884 *884*	$ 883 *886*	$ 899 *899*
Two-bedroom	$ 1,228 *1,245*	$ 1,224 *1,232*	$ 1,250 *1,250*	$ 1,238 *1,243*	$ 1,258 *1,258*
Three-bedroom	$ 1,426 *1,446*	$ 1,375 *1,383*	$ 1,398 *1,398*	$ 1,389 *1,394*	$ 1,395 *1,395*

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

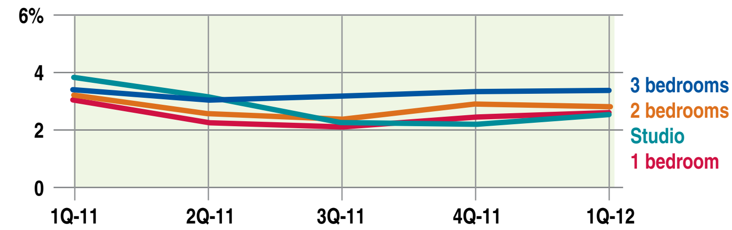
Recorded data for the last month of the quarter.
Numbers in Italics are adjusted for inflation.

Apartment vacancy rates & average rents

Except for two-bedroom apartments, average vacancy rates increased for all other apartment types in comparison with fourth quarter. In comparison with first quarter last year, rates dropped for all types of apartments except for three-bedroom units which were unchanged.

Average rents in inflation-adjusted dollars in the metro area decreased for all types of apartments except two-bedroom units which rose less than 1 percent. In comparison with first quarter last year, average rents increased by one percent for studios and two-bedroom units, less than one percent for one-bedrooms and dropped for three-bedrooms. Average change in real dollars was minimal.

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



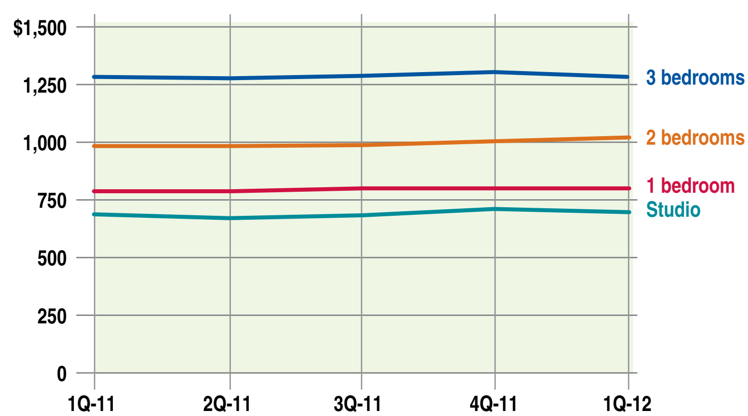
	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Studio	3.9%	3.1%	2.2%	2.2%	2.6%
One-bedroom	3.0%	2.2%	2.1%	2.5%	2.7%
Two-bedroom	3.1%	2.5%	2.5%	3.0%	2.9%
Three-bedroom	3.4%	3.0%	3.1%	3.3%	3.4%

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Studio	$ 671 *680*	$ 679 *683*	$ 692 *692*	$ 685 *688*	$ 687 *687*
One-bedroom	$ 797 *808*	$ 801 *806*	$ 803 *803*	$ 811 *814*	$ 812 *812*
Two-bedroom	$ 991 *1,005*	$ 998 *1,004*	$ 1,004 *1,004*	$ 1,003 *1,007*	$ 1,015 *1,015*
Three-bedroom	$ 1,279 *1,297*	$ 1,303 *1,311*	$ 1,285 *1,285*	$ 1,291 *1,296*	$ 1,294 *1,294*

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

Recorded data for the last month of the quarter

Numbers in Italics are adjusted for inflation.

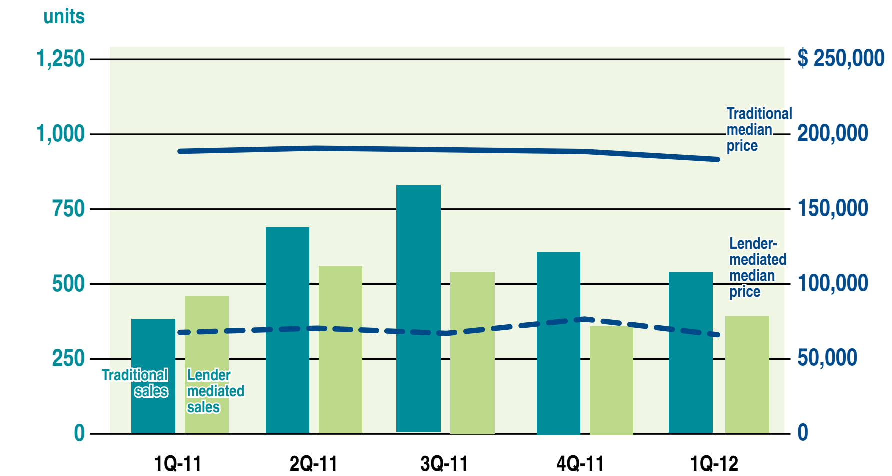
For metro area definition, see page 42

Residential sales

Housing sales decreased during the first quarter in Minneapolis, following normal seasonal patterns. However, lender- mediated housing sales this quarter grew by 6 percent, and median prices dropped for lender-mediated as well as traditional housing sales.

Over a twelve-month period, the number of traditional housing sales increased by 37 percent, while lender-mediated sales decreased by 8 percent. Median sale prices were still down: -3 percent for traditional sales and -12 percent for lender-mediated sales. Lender-mediated sales including foreclosures were still a drag on prices in the Minneapolis housing market even when foreclosures were slowing down (see graph 20, page 50).

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



	1Q-11	2Q-11	3Q-11	4Q11	1Q-12
Traditional sales	379	688	771	605	518
Lender-mediated sales	488	518	517	424	448
Traditional sales median price	$ 190,000	$ 195,000	$ 194,000	$ 192,250	$ 184,900
Lender-mediated median price	$ 75,000	$ 78,355	$ 72,400	$ 84,000	$ 72,500

Source: Minneapolis Area Association of Realtors (MAAR)

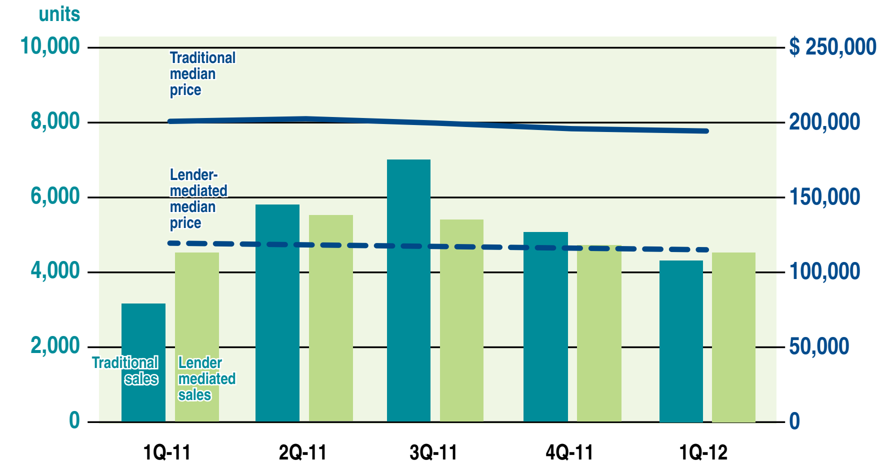
Residential sales

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

In comparison with the same quarter the previous year, the number of sales was up with traditional sales increasing 38 percent and lender-mediated sales growing 4 percent. However, prices continued to drop.

The Case-Shiller home price index (not seasonally adjusted) for February (the last available figure) indicated that home prices in the Twin Cities were slightly lower than in January, but 0.3 percent higher than in February 2011. It appeared that the market was starting to improve slowly. The volume of homes for sale in the market has been decreasing, together with the time it takes to sell them. According to the Minneapolis Area Association of Realtors (MAAR) the inventory of homes for sale in the Twin Cities area on average was about 16,700, a decrease of 30 percent over the first quarter 2011. This represented approximately 4.6 months of supply on average in comparison with 7.6 months in the first quarter 2011.

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Traditional sales	3,042	5,887	6,574	5,299	4,198
Lender-mediated sales	4,601	5,736	5,492	4,968	4,786
Traditional sales median price	$ 202,000	$ 206,000	$ 200,000	$ 192,270	$ 190,000
Lender-mediated median price	$ 115,000	$ 115,000	$ 115,000	$ 114,000	$ 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.

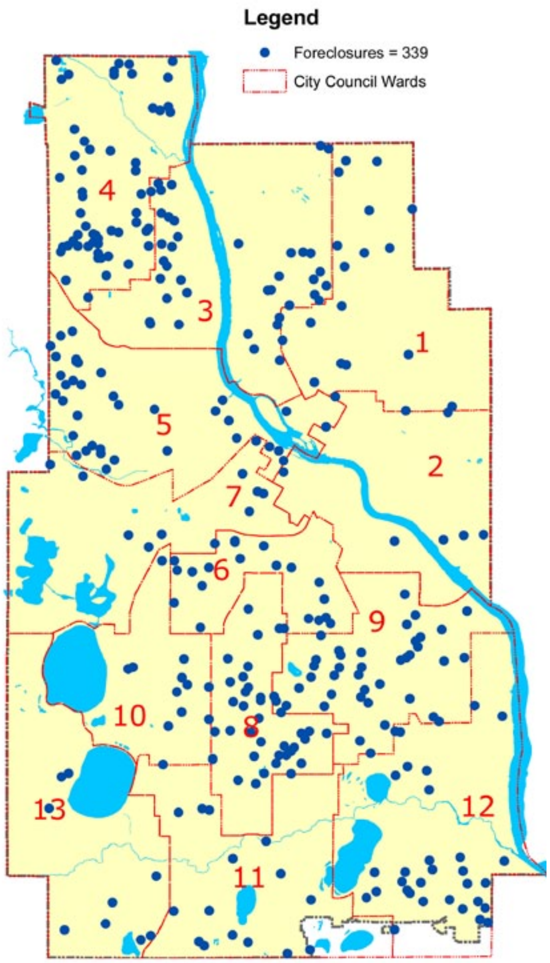
For metro area definition, see page 42

Foreclosures

This quarter 339 properties were sold at public auction, 18 percent fewer than the previous quarter, and 25 percent fewer than first quarter 2010. Ward 4, 3, 9, 5 and 8 accounted for 62 percent of total foreclosures in the city, with Ward 4 accounting for 17 percent of the total.

MAP 5: PROPERTIES FORECLOSED – 1Q-12
by wards

Source: Hennepin County



Data on foreclosures downloaded as of March 2012. 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

	1Q-11		2Q-11		3Q-11		4Q-11		1Q-12	
Ward	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
1	37	8%	39	8%	37	9%	31	8%	18	5%
2	3	1%	9	2%	4	1%	3	1%	8	2%
3	36	8%	30	7%	26	7%	27	7%	39	12%
4	74	16%	85	18%	82	21%	80	19%	56	17%
5	45	10%	55	12%	48	12%	46	11%	38	11%
6	22	5%	23	5%	21	5%	22	5%	22	6%
7	23	5%	30	7%	21	5%	17	4%	12	4%
8	61	13%	44	10%	37	9%	37	9%	37	11%
9	33	7%	40	9%	38	10%	44	11%	41	12%
10	26	6%	20	4%	11	3%	23	6%	13	4%
11	28	6%	25	5%	21	5%	29	7%	15	4%
12	42	9%	40	9%	32	8%	36	9%	31	9%
13	23	5%	21	5%	15	4%	17	4%	9	3%
Total	**453**	**100%**	**461**	**100%**	**393**	**100%**	**412**	**100%**	**339**	**100%**

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

Foreclosures

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

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

Source: Hennepin County

Data for 2008 have been revised.

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city decreased by 2 percent from fourth quarter, and was 2 percent higher than the end of the previous year. The numbers of vacant but not condemned buildings as well as boarded and condemned buildings in the city both decreased from the previous quarter. Condemned buildings have been decreasing more or less steadily since third quarter 2008 and were 8 percent lower than in the first quarter 2011. Many of the buildings have already been demolished due to an aggressive city policy to remove blighted buildings, while saving as many as possible for rehab. As shown on the map, the largest concentration of these buildings is in North Minneapolis, a target area for improvements and upgrading, as well as the site of last year's tornado.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of March 2012

Source: Minneapolis Regulatory Services

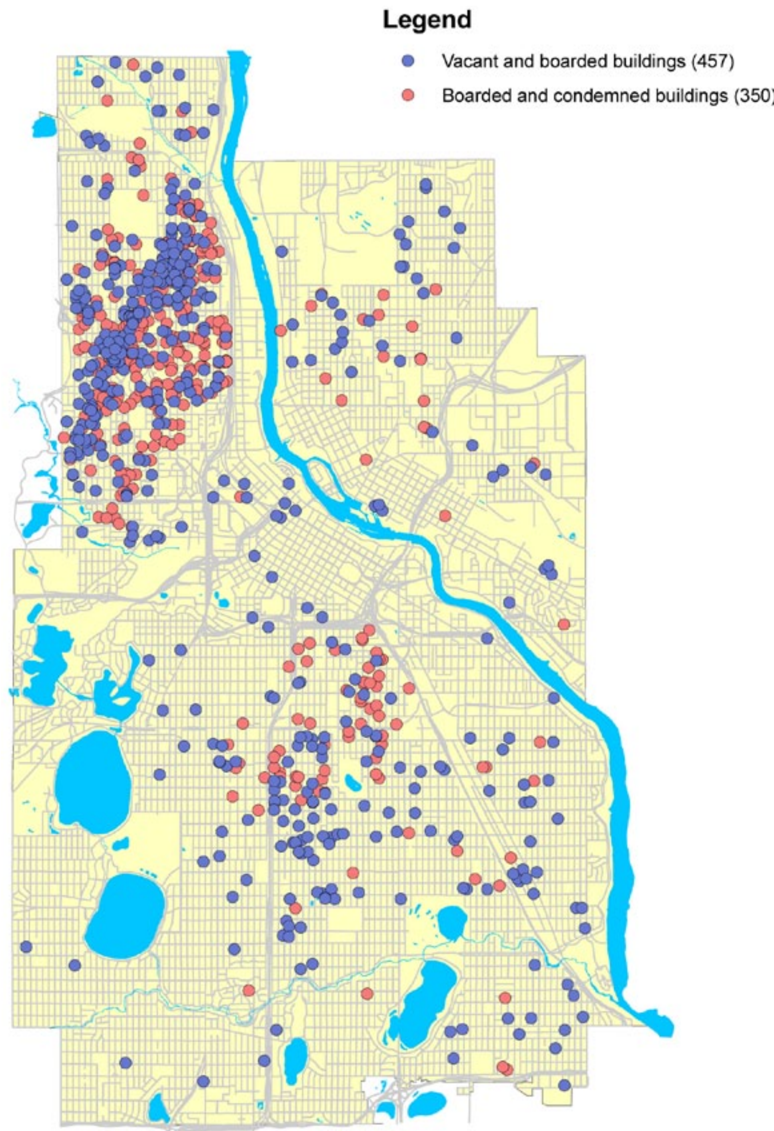


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis
as of the end of quarter

	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Boarded and condemned buildings	380	360	352	362	350
Vacant but not condemned	412	425	424	464	457
Total	792	785	776	826	807

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.

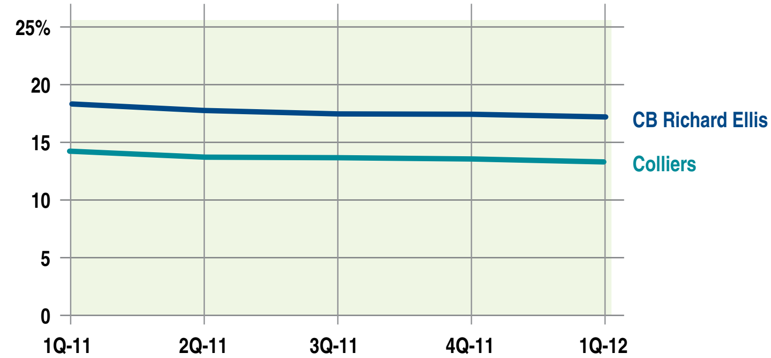
Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) decreased this quarter, and was lower than first quarter last year according to two real estate firms. When subleases are counted, the total vacancy rate ranged between 15.5 percent and 18 percent. High demand and lack of construction have resulted in a small supply of class A properties. While demand continued for Class A properties, a number of small tenants leased space in Class B and C properties where there was a surplus of available space. All this activity accounted for the decrease in the vacancy rate.

The average vacancy rate in the metro area fluctuated between 19 percent and 15.9 percent, according to two real estate firms. Adding sub-leases brings the total vacancy rate up in a range of 17.2 to 19.7 percent.

Like in Minneapolis CBD, demand in the office real estate market in the Twin Cities tended to concentrate in Class A properties, which in the first quarter were already experiencing a very short supply.

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

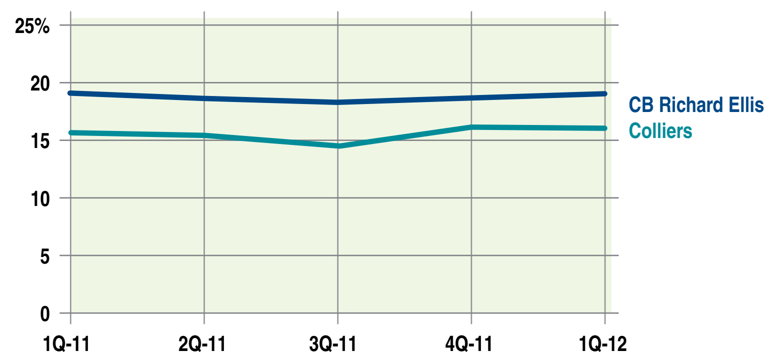


	1Q-10	2Q-11	3Q-11	4Q-11	1Q-12
CB Richard Ellis	17.8%	17.0%	16.9%	17.0%	16.7%
Colliers	14.6%	13.1%	13.2%	13.1%	12.9%

Sources: CB Richard Ellis and Colliers

See explanation of sources on page 43

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
CB Richard Ellis	19.0%	18.2%	18.0%	18.3%	19.0%
Colliers	15.5%	15.2%	14.8%	16.0%	15.9%

Sources: CB Richard Ellis and Colliers

See explanation of sources on page 43

Office space

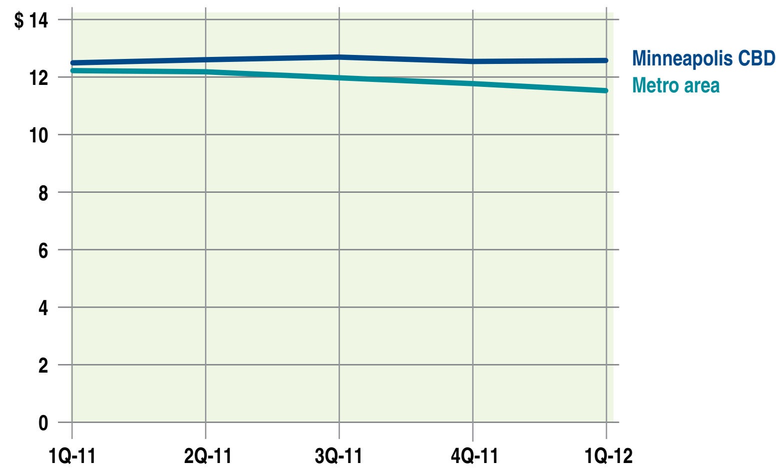
The average asking lease rate per square foot in the Minneapolis central business district (CBD) increased this quarter, and it was higher than first quarter last year. The metro area continued its downward trend, with landlords asking lower rent per square feet than last quarter.

High demand this quarter in Minneapolis CBD especially in Class A properties supported landlord ability to ask for higher and increasing prices, but overall regional demand was still weak and consequently average asking prices went down in the metro area.

In the first three months of the year Downtown Minneapolis increased occupied office space by more than 165,000 square feet. Specifically, Target leased almost 450,000 square feet at 50 S 10th St., contributing in large degree to positive absorption. Outside Downtown, a new building, MoZaic had 23 percent of its new offices leased.

The metro area also posted increasing occupied office space growth. Many tenants in the metro renewed their leases and a few others took new space such as High Jump Software and Activision, both in Bloomington.

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

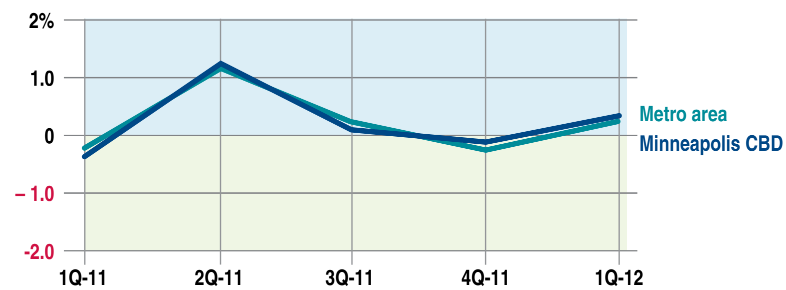


	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis CBD	$12.35	$12.40	$12.43	$12.39	$12.43
Metro area	$12.07	$12.03	$11.96	$11.83	$11.17

Source: CB Richard Ellis

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

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis CBD	-0.36%	1.09%	0.12%	-0.12%	0.36%
Metro area	-0.25%	1.03%	0.24%	-0.37%	0.31%

Source: CB Richard Ellis

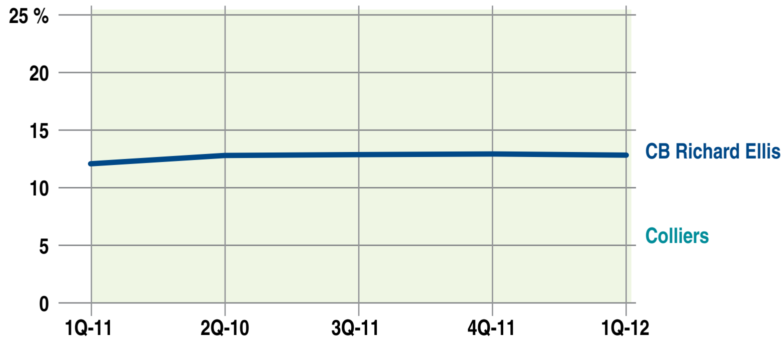
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD was 13.3 percent. The rate has been unchanged since third quarter last year.

The metro area vacancy rate this quarter ranged from 6.2 percent to 8.1 percent, according to two real estate firms. The rate was unchanged from last quarter but lower than first quarter last year. Retailers continued to lease previously vacant space, and stores such as Whole Foods, Target and Wal-Mart were expanding in locations that would take advantage of an expanding rental apartment population.

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

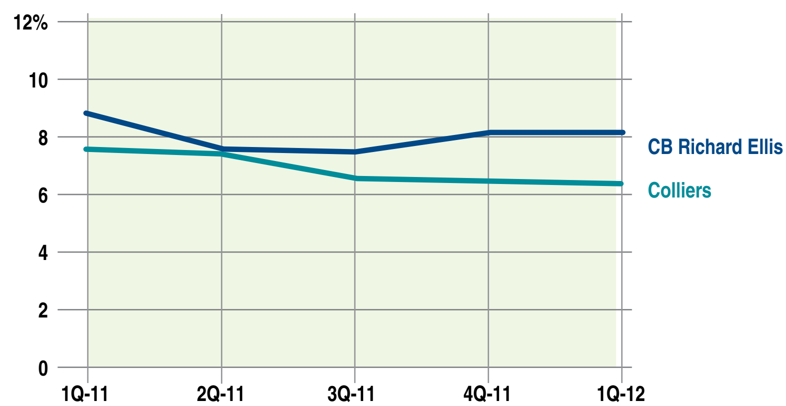


	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
CB Richard Ellis	12.9%	13.5%	13.3%	13.3%	13.3%

Sources CB Richard Ellis

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

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



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
CB Richard Ellis	8.6%	7.7%	7.7%	8.1%	8.1%
Colliers	7.7%	7.5%	6.5%	6.2%	6.2%

Sources: CB Richard Ellis and Colliers

CB Richard Ellis and Colliers include all multi-tenant retail buildings 30,000 square feet and larger, and buildings under construction.

Retail space

Average asking lease price was unchanged in Minneapolis central business district (CBD) since third quarter last year, and about 1 percent lower than a year ago, a sign that activity in this market was slow.

In the metro area, average asking lease price increased slightly, and it was higher than in the comparable period of 2011. Asking prices were still much higher in the Minneapolis CBD than in the region.

Occupied retail space in the Minneapolis central business district (CBD) was stable. No additional new retail space has been added in the CBD since at least 2003, and vacant space is being slowly absorbed. Two food stores, Whole Foods (in the new 222 Hennepin building under construction) and Lunds, also on Hennepin Ave, plan to open stores. Whole Foods leased 38,000 square feet in the first quarter. At the same time, tenants in Block E were leaving, with only one tenant (AMC Theater) remaining until September.

In the metro area occupied retail space was also stable because activity was very slow. Large retailers were planning expansion in the near future, and others such as Best Buy were closing or downsizing existing stores.

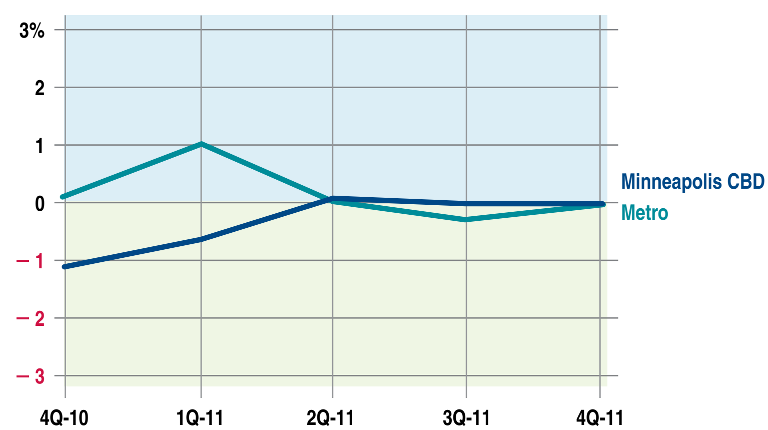
Figure 27: **RETAIL AVERAGE ASKING LEASE PRICE**
in current dollars per square foot per year

	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis CBD	$ 22.38	$ 21.98	$ 22.09	$ 22.09	$ 22.09
Metro area	$ 16.81	$ 16.05	$ 16.10	$ 16.88	$ 16.91

Source: CB Richard Ellis

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

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



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

Source: CB Richard Ellis

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

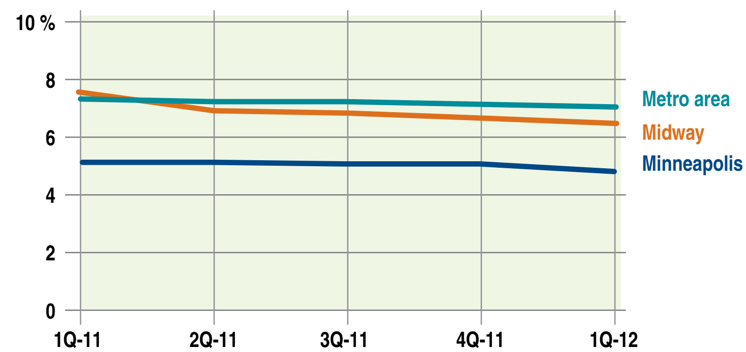
Industrial space

The industrial space direct vacancy rate (not including sublease space) declined in Minneapolis, Midway and the metro region industrial areas. The vacancy rates were down from first quarter the previous year for all three geographies.

The average asking lease price for industrial space increased slowly in Minneapolis and Midway industrial areas. In the metro area however, landlords asked for 11 percent higher lease rates in the first quarter than last quarter 2011. Asking price in the metro was 13 percent higher than first quarter last year.

Demand was high for warehouses with good location and certain specifications such as high ceilings, which were in short supply.

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



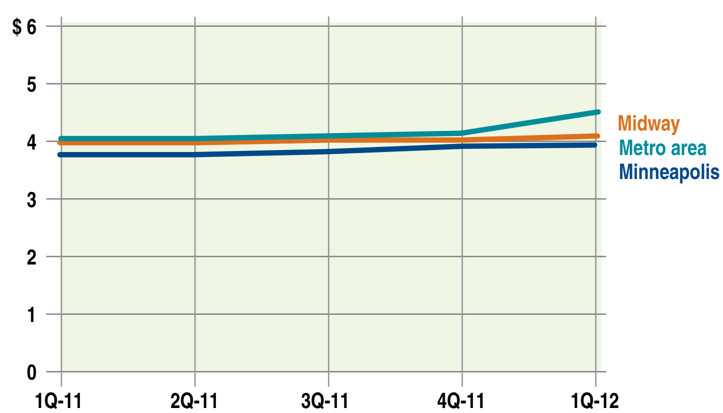
	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12
Minneapolis	5.2%	5.2%	5.3%	5.3%	5.1%
Midway	7.6%	6.8%	6.8%	6.7%	6.4%
Metro area	7.5%	7.5%	7.5%	7.4%	7.1%

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	$ 3.82	$ 3.82	$ 3.93	$ 3.96	$ 3.96
Midway	$ 3.97	$ 3.97	$ 4.08	$ 4.10	$ 4.09
Metro area	$ 4.01	$ 4.01	$ 4.03	$ 4.08	$ 4.54

Source: CB Richard Ellis

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

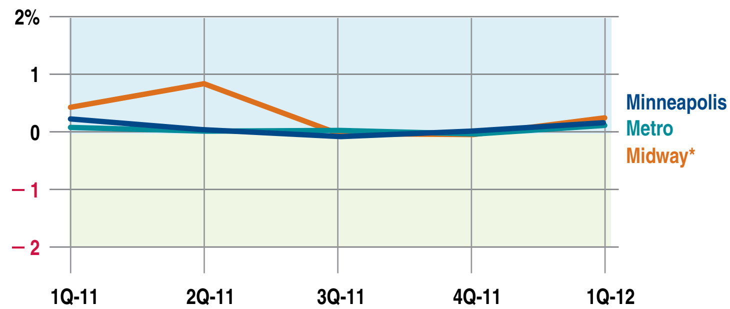
Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space grew in all of the above three areas. With industrial activity growing, businesses were also expanding. The Institute of Supply Management and Creighton University reported that in the first three months of the year manufacturing new orders and production grew faster in Minnesota than nationwide. Employment was growing as well, but slightly slower than in the country as a whole.

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

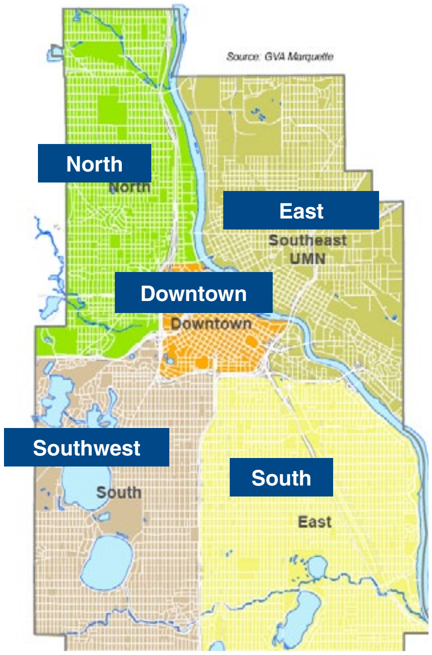


	4Q-10	1Q-11	2Q-11	3Q-11	4Q-11
Minneapolis	0.4%	0.0%	-0.1%	0.0%	0.2%
Midway	0.5%	0.9%	0.0%	0.0%	0.3%
Metro area	0.1%	0.0%	0.1%	0.0%	0.2%

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 to the left.
  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 estat**e **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 firm, Colliers (formerly Welsh) (http://www.welshco.com -Resources.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 two different firms: CB Richard Ellis and Colliers. Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys.

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 first quarter 2012, dollars have been converted with an index of 1.0139001, the result of the relation between the CPI for March 2012 (202.56) and the CPI for March 2011 (199.783). For the period from first quarter 2012 to fourth quarter 2011, the index is 1.003661661, obtained by dividing 202.56 (March 2012) by 201.821 (December 2011).

Minneapolis **Community Planning & Economic Development**

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