

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



second quarter 2012

Highlights for the second quarter of 2012

| | 2Q-12 | change from | |
|---|-----------------------------------|-------------|--------|
| | | 1Q-12 | 2Q-11 |
| Labor force | 216,199 residents | ▲ | ▲ |
| Residents employed | 204,389 | ▲ | ▲ |
| Unemployment rate | 5.5% | ▼ | ▼ |
| New residential permitted units | 141 units | ▼ | ▲ |
| Permitted residential conversions, remodels and additions | 141 buildings \$ 47.1 million | ▲ ▼ | ▼ ▲ |
| Permitted non-residential conversions, remodels and additions | 144 buildings \$ 121.7 million | ▲ ▲ | ▲ ▲ |
| Residential units demolished | 44 units | ▼ | ▲ |
| Rental vacancy rate | 1.8 % | ▼ | ▼ |
| Average rent in inflation-adjusted dollars | \$ 1,011 | ▲ | ▲ |
| Residential units sold | | | |
| Traditional | 1,008 units | ▲ | ▲ |
| Lender-mediated | 469 units | ▲ | ▼ |
| Median sale price of residential units | | | |
| Traditional | \$ 212,000 | ▲ | ▲ |
| Lender-mediated | \$ 94,900 | ▲ | ▲ |
| Foreclosures | 405 | ▲ | ▼ |
| Condemned and vacant buildings | 771 | ▼ | ▼ |
| Minneapolis CBD office vacancy rate | 16.6% | ▼ | ▼ |
| Minneapolis CBD retail vacancy rate | 13.3% | — | ▼ |



Vol. 11, No. 2

2012

Highlights for the fourth quarter of 2011 – Jobs and wages

| | 4Q-11 | 3Q-11 | 4Q-10 |
|-------------------------------------|-------------------|-------|-------|
| Number of jobs | 290,665 employees | ▲ | ▲ |
| Wages in inflation-adjusted dollars | \$ 1,224 | ▲ | ▼ |

Minneapolis Trends



second quarter 2012

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Economic indicators

- Employment increased by 1.7 percent and labor force increased at slightly lower rate of 1.5 percent, thus decreasing the unemployment rate to 5.5 percent from 5.6 percent in the first quarter of the year. In comparison with the same quarter last year, about 3,200 more residents were working.
- As of fourth quarter 2011 there were 290,700 jobs in Minneapolis, about 800 (0.3 percent) more than the previous quarter, and about 6,000 more (2.1 percent) than the fourth quarter of the previous year. Over the same 12-month period the metro and state also added jobs, but at a slower pace of 1.7 percent. The city had about 98 percent of all jobs that it had in fourth quarter 2007 at the beginning of the recession, and 99 percent of private jobs.
- Average real wages for fourth quarter 2011 were almost 8 percent lower than a year before. Real wages in the metro area also decreased by nearly 8 percent and by 7 percent in the state.

Labor force

This quarter about 3,200 more people (1.5 percent) joined the labor force, and about 3,400 more residents (1.7 percent) were working. As a result, the unemployment rate decreased from 5.6 percent in first quarter to 5.5 percent in the second quarter.

In the metro area employment grew at a similar rate as in Minneapolis, but labor force grew more slowly resulting in an unemployment rate of 5.3 percent, 0.2 percent lower than the city.

In comparison with the second quarter last year, the city added more than 3,200 workers and the metro added about 24,300 workers, with labor force increasing at a slow rate. The unemployment rate decreased 0.9 percent in the city and 1 percent in the metro area.

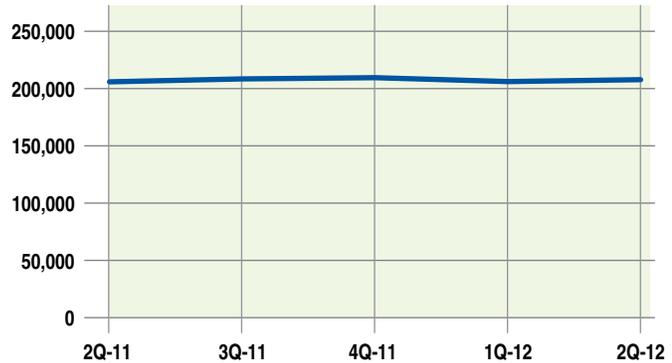
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Minneapolis | | | | | |
| Labor Force | 214,891 | 217,287 | 216,639 | 212,979 | 216,199 |
| Employment | 201,144 | 202,731 | 204,576 | 201,016 | 204,389 |
| Unemployment rate | 6.4% | 6.7% | 5.6% | 5.6% | 5.5% |
| Metro area | | | | | |
| Labor Force | 1,610,110 | 1,625,265 | 1,621,258 | 1,601,648 | 1,619,547 |
| Employment | 1,509,110 | 1,521,018 | 1,534,865 | 1,508,153 | 1,533,456 |
| Unemployment rate | 6.3% | 6.4% | 5.3% | 5.8% | 5.3% |

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

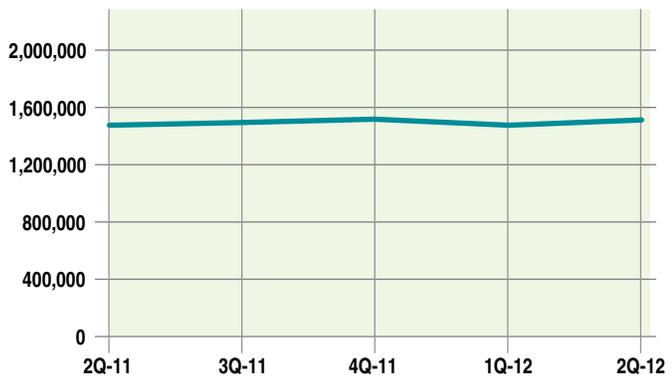
* For metro area definition, see [page 14](#).

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 14](#)

Jobs

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY** – Minneapolis¹

| | 4Q-2010 | 1Q-2011 | 2Q-2011 | 3Q-2011 | 4Q-2011 | 2011 Annual Avg. |
|---|---------|---------|---------|---------|---------|---------------------|
| Total, All Industries | 284,620 | 281,468 | 288,839 | 289,829 | 290,665 | 287,700 |
| Construction | 5,678 | 5,061 | 5,686 | 6,227 | 5,788 | 5,691 |
| Manufacturing | 14,173 | 13,676 | 13,871 | 14,027 | 13,887 | 13,865 |
| Utilities | 2,922 | 2,969 | 3,019 | 3,039 | 2,976 | 3,001 |
| Wholesale Trade | 8,361 | 8,468 | 8,607 | 8,638 | 8,623 | 8,584 |
| Retail Trade | 14,121 | 13,452 | 14,950 | 14,906 | 14,592 | 14,475 |
| Transportation and Warehousing | 7,445 | 7,213 | 7,073 | 6,846 | 7,017 | 7,037 |
| Information | 10,660 | 10,662 | 10,652 | 10,651 | 10,730 | 10,674 |
| Finance and Insurance | 27,152 | 27,195 | 27,520 | 27,829 | 27,858 | 27,601 |
| Real Estate and Rental and Leasing | 5,988 | 6,436 | 6,530 | 6,387 | 6,273 | 6,407 |
| Professional and Technical Services | 31,022 | 31,103 | 31,355 | 31,835 | 31,975 | 31,567 |
| Management of Companies and Enterprises | 16,547 | 17,292 | 17,625 | 18,298 | 18,410 | 17,906 |
| Administrative and Waste Services | 13,936 | 13,733 | 14,283 | 14,588 | 14,563 | 14,292 |
| Educational Services | 30,587 | 30,028 | 29,725 | 27,826 | 30,281 | 29,465 |
| Health Care and Social Assistance | 47,178 | 47,359 | 48,143 | 47,641 | 48,952 | 48,024 |
| Arts, Entertainment, and Recreation | 5,476 | 4,865 | 5,614 | 5,719 | 4,868 | 5,267 |
| Accommodation and Food Services | 22,269 | 21,128 | 22,832 | 23,415 | 22,776 | 22,538 |
| Other Services, Ex. Public Admin | 9,298 | 9,167 | 9,515 | 9,490 | 9,355 | 9,382 |
| Public Administration | 11,680 | 11,485 | 11,660 | 12,226 | 11,557 | 11,732 |

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 fourth quarter 2011, the number of jobs located in Minneapolis was about 290,700, slightly more than the previous quarter. In comparison with the same quarter in 2010, the number of jobs increased by 2.1 percent (about 6,000 jobs). In the fourth quarter Minneapolis had about 98 percent of the jobs that it had in fourth quarter 2007, at the beginning of the recession. In comparison the metro area and the state had only recovered 97 percent of the jobs in the same period.

Note that some of the increases or decreases of jobs in Table 2 are subject to seasonal variations. For example, construction grows during the spring and summer but drops in the winter. However, construction showed a gain in fourth quarter 2011 compared with the same quarter in 2010, which could be attributed to improving economic conditions.

12 month change – 4th quarter 2010 to 4th 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 about **1,900 net jobs (11 percent)**, most of them in corporate and regional managing offices.
- **Health care and social assistance** added nearly **1,800 net jobs (4 percent)**, with high growth in jobs for individual and family home health care, and child day care services. Some activities such as nursing care declined.
- **Professional and technical services** grew by more than **950**

net jobs (3 percent), mainly due to high increase in computer design, advertising, and other services such as marketing research and opinion polls.

- **Finance and insurance** added about **700 net jobs (3 percent)** with credit, securities and commodity contracts services, and financial advice and portfolio management adding the most jobs.
- **Administrative and waste services** gained more than **600 net jobs (4.5 percent)**, with employment services and investigation and security services growing the most.
- **Hotels and food services** added approximately **500 net jobs (2 percent)** with restaurants increasing at 6 percent while hotels, drinking places and food services lost jobs.
- **Other activities growing jobs included: retail** (general merchandise stores, building material stores, food and beverage stores, electronics and appliances stores); **real estate** (real estate leasing, property management, property appraisal); **wholesale** (motor vehicles and parts); **construction** (residential building construction); **information** (web service providers, search portals, data processing); **services provided by** business, professional, labor and other organizations, and personal care, and **utilities**.

Sectors which experienced job losses:

- **Arts, entertainment and recreation** lost about **600 net jobs (-11 percent)**, across all activities except for independent artists, writers and performers which

actually had a small gain in jobs but could not offset the losses in other activities. Promoters of entertainment events including sports and arts sustained the largest losses.

- **Transportation and warehousing** lost more than **400 net jobs (-6 percent)**, mainly in the postal service.
- **Education** cut slightly over **300 net jobs (-1 percent)**, mainly because of large losses in colleges, universities and professional school employment.
- **Manufacturing** decreased by nearly **300 net jobs (-2 percent)** mostly in machinery, furniture and printing manufacturing, with smaller losses in metal products, computer and apparel manufacturing.
- **Government** lost more than **100 net jobs (-1 percent)**, the bulk of them in human resource programs.

Quarter to quarter change- 3rd quarter to 4th quarter 2011

Sectors which gained the most net jobs:

- **Education** gained about **2,500 net jobs (9 percent growth)** in most sectors, as schools, colleges and other educational institutions hired staffs for the new school year starting after Labor Day.
- **Health care and social assistance** gained over **1,300 net jobs (3 percent growth)**, mainly in individual family services and home health care.
- **Transportation and warehousing** grew by over **170 net jobs (2.5 percent)**, with gains mostly in transit and ground passenger transportation, and courier and messenger services.

Jobs

- To a lesser extent, the following activities also added jobs in the same period: **professional and technical services** (accounting, computer systems design, consulting services); **management of companies** (managing offices, offices of holding companies - except banks); **information** (internet service providers, search portals, data processing), and **finance and insurance** (banks and financial activities such as consumer lending, credit card issuing, credit to real estate).
- The following activities also lost jobs: **manufacturing** (machinery, metal products, computers and electronics), **services** such as social advocacy, personal services, civil and social organizations, automotive repair and maintenance, **real estate and leasing** (activities related to real estate, general rental centers, offices of real estate agents, automotive equipment rental), **utilities, administrative and waste services** (services such as packaging and labeling, convention and trade show organizing), and **wholesale** (hardware and plumbing and heating equipment, professional and commercial equipment).

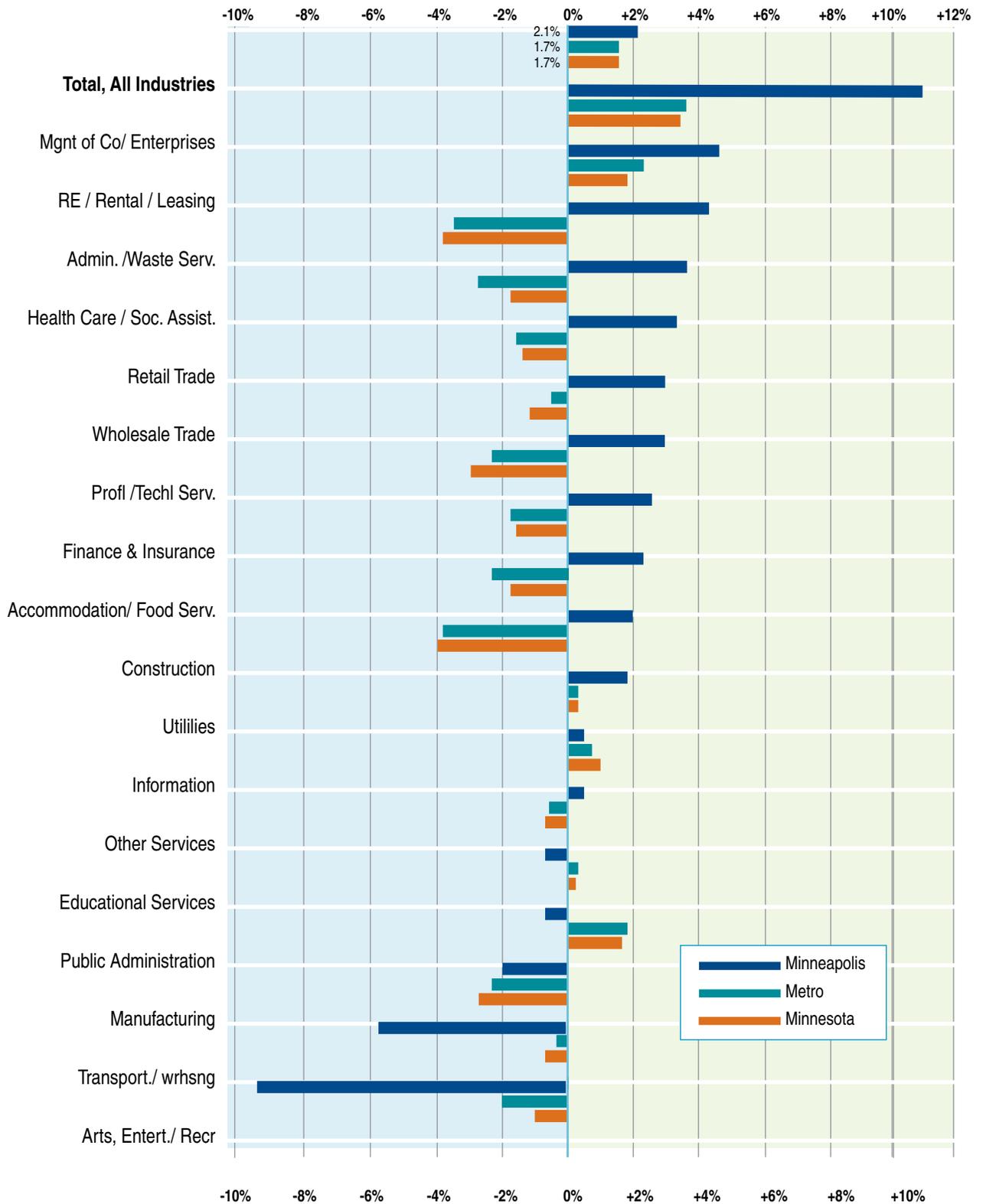
Sectors which experienced job

losses:

- **Arts, entertainment and recreation** lost about **850 net jobs (-15 percent)**, even when performing arts companies gained employment, performers of arts, sports and other events lost about 700 jobs, enough to offset any gains in other subsectors.
- **Public administration** lost about **670 net jobs (-5.5 percent)** across the board with the heaviest losses in justice, public order and safety activities.
- **Hotels and food services** lost more than **600 net jobs (-3 percent)**, 80 percent of which was in restaurants. To a lesser extent, all other subsectors lost jobs.
- **Construction** lost more than **400 net jobs (7 percent)** in most subsectors. Building finishing contractors lost nearly a quarter of those jobs.
- **Retail** lost more than **300 net jobs**: florists, gift, office supply, used merchandise and other similar stores lost about 800 jobs, partly offset by gains in general merchandise stores, clothing, and food and beverage stores.

Jobs

Figure 3: **JOBS** –4Q-10 to 4Q-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 14](#)

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 2.1 percent, more than the 1.7 percent increase in the metro area and the state.

Of the sectors **posting growth** over this period, **management of companies** was the fastest growing sector in the city at more than 11 percent, while it grew much slower in the metro area and the state. In addition to management of companies, **real estate** and **utilities** grew in the city faster than in either the metro or state.

The following sectors grew in the city but not in the metro or the state:

administrative services, health care and social assistance, retail, wholesale, professional and technical services, finance and insurance, accommodation and food services, and construction, and services such as repair and maintenance, personal services, religious organizations and grant-making. The following sectors grew in Minneapolis and both metro and state: **management of companies** grew fast in the city (**over 11 percent**), but slowly in the metro and state (**3.6 and 3.4 percent respectively**). Similar trends can be observed in **real estate** and **utilities** - faster growth in the city and slower growth in the metro and state. **Information** was the only sector growing slowly in the city in comparison with the metro and the state, while **other services** such as maintenance, personal care, organization services, and household services grew very slowly in the city (**less than 1 percent**), but lost jobs in the other two geographic areas.

Of the economic sectors decreasing jobs in the city, **arts, entertainment and recreation** decreased much

faster in the city (**-11 percent**) than the metro or state (**-2.5 and -2.8 percent respectively**). Similar trends appeared in **transportation and warehousing**, while **manufacturing** job losses were slower in the city than in either the metro or the state.

In **education** and **public administration**, jobs decreased in the city at about **1 percent**, but they expanded in the metro and state with public administration increasing faster than education.

The fourth quarter of the year is the latest period for which city data from the Quarterly Census of Employment and Wages (QCEW) is available. To give an idea of the **latest developments**, preliminary data from the Bureau of Labor Statistics (Current Economic Survey-CES) show that in second quarter 2012, the 13-county Minneapolis-St. Paul-Bloomington metro area gained 47,000 jobs. The area added jobs steadily from January (beginning of the first quarter 2012) to June 2012.

Wages

The average weekly wage in Minneapolis in the **fourth quarter** of 2011 was \$1,224, about \$50 lower in nominal dollars from the previous year, and more than \$100 lower in inflation-adjusted dollars. In **calendar year** 2011 average weekly wages increased about \$30 in nominal dollars compared to 2010, but were about \$13 lower in inflation-adjusted dollars. Note that even with increasing employment, shorter working hours may curtail average weekly wages.

All but three sectors saw lower average weekly wages in nominal dollars. However in only one sector, **wholesale trade**, average weekly wages

increased in real dollars by about \$30 (2.3%). Within this sector real wages rose mainly in groceries and related products, apparel, non-durable goods, and motor vehicles and their parts.

Average weekly real wages decreased the most from a year earlier in the following sectors:

- **Management of companies (-21 percent):** Average weekly real wages decreased in all subsectors, led by offices of bank holding companies, which dropped wages by more than \$900 or 25 percent in comparison with the same quarter a year earlier.
- **Manufacturing (-18 percent):** Average weekly real wages for most manufacturing industries fell sharply, with food and apparel manufacturing declining more than 50 percent from second quarter 2010. The first dropped \$760, and the second \$460.
- **Transportation and warehousing (-13 percent):** average weekly real wages decreased in all activities, led by the postal service, which suffered a drop of about \$220 in real dollars, or 16 percent in comparison with the fourth quarter the year before.

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis¹
in current dollars

| | 4Q-2010 | 1Q-2011 | 2Q-2011 | 3Q-2011 | 4Q-2011 | 2011 Annual Avg. |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Total, All Industries | \$ 1,273 | \$ 1,260 | \$ 1,152 | \$ 1,154 | \$ 1,224 | \$ 1,198 |
| Construction | \$ 1,201 | \$ 1,093 | \$ 1,088 | \$ 1,121 | \$ 1,177 | \$ 1,122 |
| Manufacturing | \$ 1,404 | \$ 1,126 | \$ 1,067 | \$ 1,129 | \$ 1,200 | \$ 1,131 |
| Utilities | \$ 1,723 | \$ 2,366 | \$ 1,659 | \$ 1,672 | \$ 1,656 | \$ 1,838 |
| Wholesale Trade | \$ 1,369 | \$ 1,295 | \$ 1,234 | \$ 1,286 | \$ 1,458 | \$ 1,318 |
| Retail Trade | \$ 535 | \$ 478 | \$ 500 | \$ 515 | \$ 518 | \$ 503 |
| Transportation & Warehousing | \$ 1,052 | \$ 894 | \$ 984 | \$ 985 | \$ 955 | \$ 955 |
| Information | \$ 1,514 | \$ 1,461 | \$ 1,346 | \$ 1,362 | \$ 1,378 | \$ 1,306 |
| Finance & Insurance | \$ 1,949 | \$ 2,911 | \$ 1,656 | \$ 1,684 | \$ 1,871 | \$ 2,031 |
| Real Estate & Rental & Leasing | \$ 1,426 | \$ 1,647 | \$ 1,292 | \$ 1,358 | \$ 1,366 | \$ 1,416 |
| Professional and Technical Services | \$ 2,142 | \$ 1,607 | \$ 1,680 | \$ 1,686 | \$ 2,141 | \$ 1,779 |
| Management of Companies & Enterprises | \$ 1,986 | \$ 2,081 | \$ 2,141 | \$ 1,737 | \$ 1,628 | \$ 1,897 |
| Administrative and Waste Services | \$ 692 | \$ 677 | \$ 653 | \$ 693 | \$ 712 | \$ 684 |
| Educational Services | \$ 1,073 | \$ 970 | \$ 1,050 | \$ 1,058 | \$ 1,105 | \$ 1,046 |
| Health Care & Social Assistance | \$ 1,033 | \$ 888 | \$ 950 | \$ 966 | \$ 996 | \$ 950 |
| Arts, Entertainment, & Recreation | \$ 900 | \$ 880 | \$ 1,370 | \$ 1,558 | \$ 891 | \$ 1,175 |
| Accommodation & Food Services | \$ 392 | \$ 364 | \$ 371 | \$ 396 | \$ 388 | \$ 380 |
| Other Services, Ex. Public Admin | \$ 642 | \$ 595 | \$ 602 | \$ 642 | \$ 629 | \$ 617 |
| Public Administration | \$ 1,367 | \$ 1,166 | \$ 1,263 | \$ 1,259 | \$ 1,285 | \$ 1,243 |

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

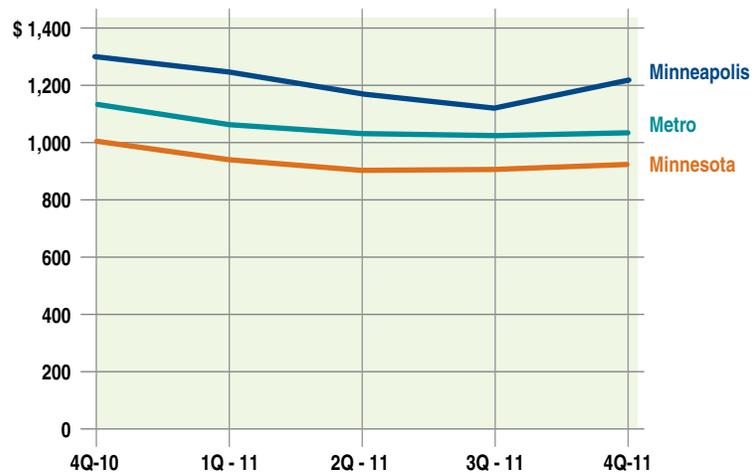
¹ Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

- Information (-13 percent):**
 Except for motion pictures, all other subsectors had a lower average weekly real wage in fourth quarter 2011 than in the same quarter of 2010. Telecommunications declined nearly \$290 or 17 percent, and internet service providers, search portals and data processing lost about \$280 or 14 percent.
- The following sectors also decreased real wages but at a slower pace than the first group: **public administration** (all subsectors and mainly human resource programs), **real estate** and **rental** (general rental centers, lessors of real estate), **finances and insurance** (all subsectors but mainly investment pools and funds), **utilities**, **health care** and **social assistance** (dentists, home health care services), **retail** (electronics and appliances, building material and garden equipment), among others.

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. Fourth-quarter wages in inflation-adjusted dollars decreased almost 8 percent in Minneapolis from a year earlier; the metro area and the state experienced a similar decrease in real wages.

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



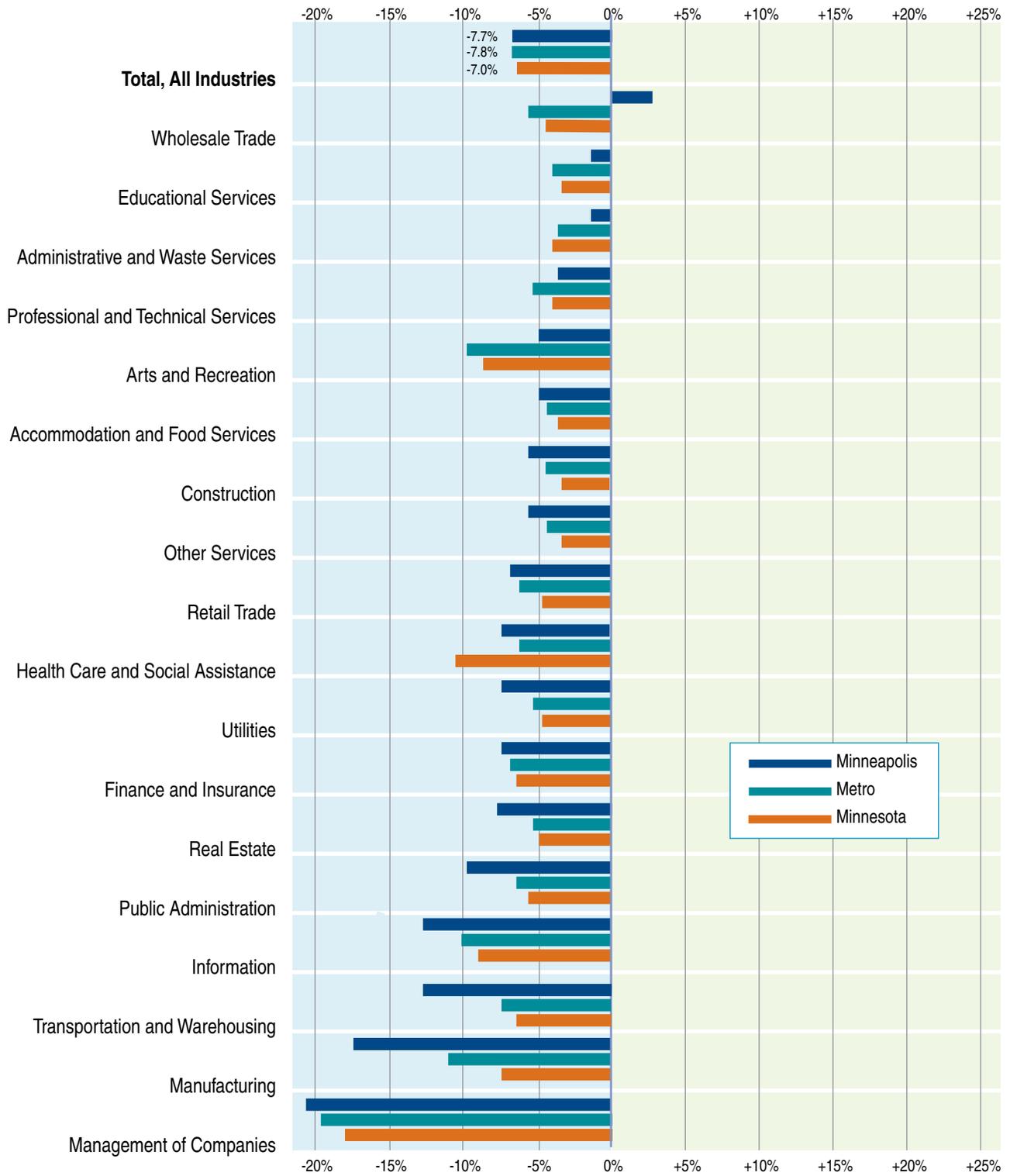
| | 4Q-10 | 1Q-11 | 2Q-11 | 3Q-11 | 4Q-11 | \$ change 4Q-10 to 4Q-11 | % change 4Q-10 to 4Q-11 |
|-------------|----------|----------|----------|----------|----------|--------------------------------|-------------------------------|
| Minneapolis | \$ 1,326 | \$ 1,283 | \$ 1,173 | \$ 1,154 | \$ 1,224 | \$ (102) | -7.7% |
| Metro area | \$ 1,144 | \$ 1,094 | \$ 1,036 | \$ 1,033 | \$ 1,054 | \$ (90) | -7.8% |
| Minnesota | \$ 1,007 | \$ 942 | \$ 908 | \$ 915 | \$ 936 | \$ (71) | -7.0% |

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

For conversion factors, see [page 44](#)

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 4Q-10 to 4Q-11
percent change in inflation-adjusted dollars*



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

* For conversion factors, see [page 43](#)
Minneapolis industries are sorted from high to low.
For metro area definition, see [page 14](#)

Wages

The only sector in Minneapolis that saw average real weekly wages growth was **wholesale** trade. Wages decreased in all the other industries in the economic sectors across the city, metro and state between 4th quarter 2011 and 4th quarter 2010, as shown in Figure 5 above. Wholesale wage growth was high in Minneapolis for wholesale of grocery and related products, as well as apparel and motor vehicles and their parts.

- In **education, administrative services, arts and recreation** average weekly real wages declined more slowly in the city than in the metro or state. In the first sector wages decreased just over **1 percent** in the city compared with about 4 percent in the metro and statewide.

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

- **Management of companies** real wages declined in the city at **more than 21 percent**, while they also decreased in the metro and state at a high but slower rate than in the city. Similar trends took place in **manufacturing, transportation and warehousing, and information**. Manufacturing wages declined in the city by nearly 18 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 fourth 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

- 141 new residential units were permitted this quarter, about 69 percent lower than last quarter, but 29 percent higher than the same quarter last year.
- Permitted new construction of multifamily units, which have been steadily rising for the last year, fell sharply to 121 units this quarter.
- However, as a result of conversions to residential uses and additions to existing buildings, 187 new units were added to the housing stock.
- Twenty three commercial and residential projects costing at least \$1 million were permitted this quarter, totaling \$147.4 million. The largest single project was the remodeling of Orchestra Hall on Nicollet Mall. The second largest was the interior finishing of an addition to Children's Hospital.

New construction

Although permitting of single-family units increased, the total number of new permitted units slowed down from last quarter. Only one large 119- unit- apartment building (Oak Grove Apartments) was permitted compared with four large buildings with a total of 448 multifamily units in the first quarter. The metro area increased permitting by 36 percent, due to an increase in single-family units.

This quarter's volume was higher than 2011 second quarter, for single as well as for multifamily buildings, and for city as well as metrowide. Total number of permitted units in the city were 29 percent higher than second quarter last year. In the metro 61 percent more units were permitted in the same period, fueled by a surge in single-family construction which was 47 percent higher than the same quarter last year.

Construction of multifamily units fell to the levels of third quarter last year after a continuous increase throughout 2011. 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

| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|----------------------|-------|-------|-------|-------|-------|
| Single-family | | | | | |
| City | 14 | 16 | 14 | 11 | 20 |
| Metro area | 894 | 963 | 851 | 706 | 1318 |
| Multifamily | | | | | |
| City | 95 | 122 | 328 | 448 | 121 |
| Metro area | 268 | 362 | 722 | 668 | 555 |
| Total Units | | | | | |
| City | 109 | 138 | 342 | 459 | 141 |
| Metro area* | 1,162 | 1,325 | 1,573 | 1,374 | 1873 |

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

* Estimated number of permits with imputation: The Census Bureau estimates that about 8 percent of the total number of units permitted are underreported by counties in the metro area. For metro area definition, see [page 14](#)

Figure 6: NEW RESIDENTIAL UNITS PERMITTED – Minneapolis



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

New construction

Twenty single-family dwellings were permitted, half of them in the southwestern part of the city.

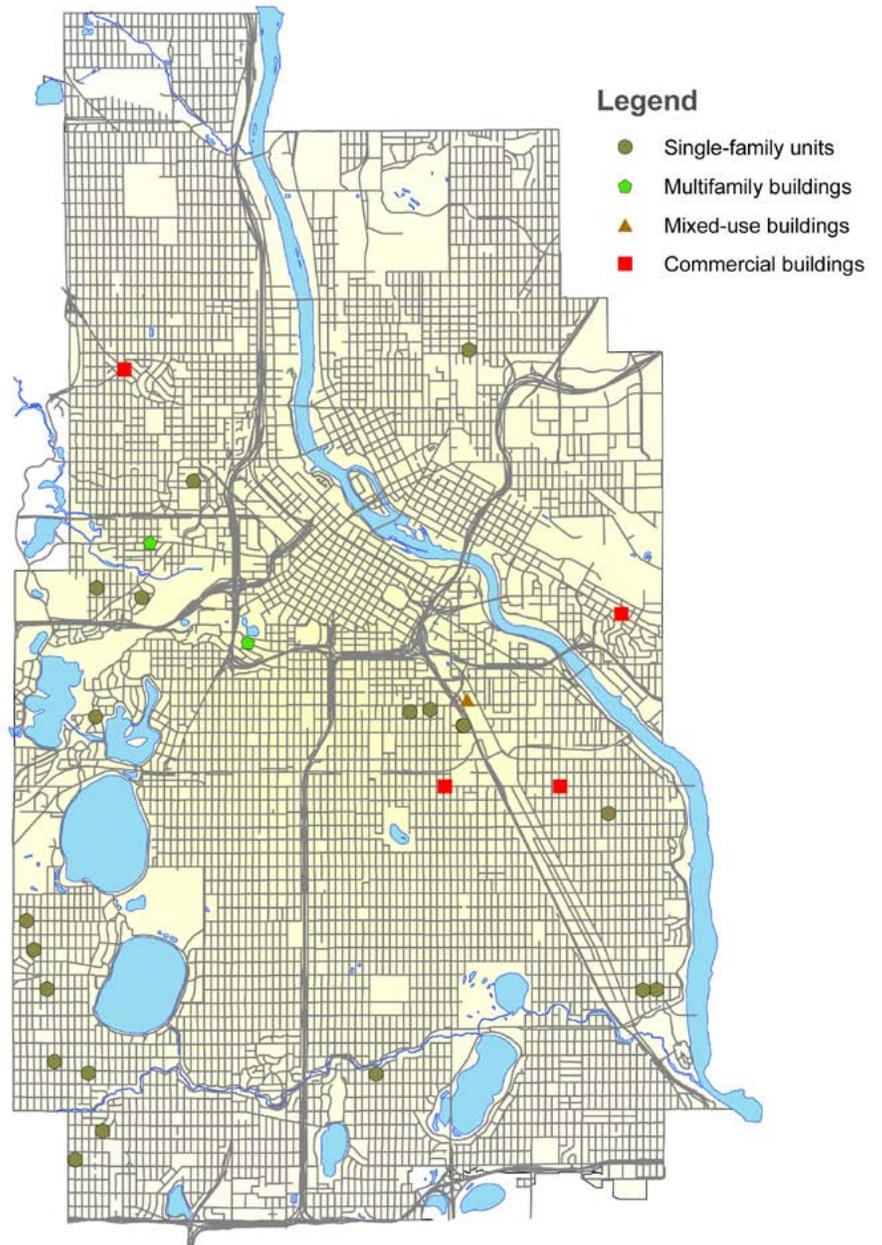
A 119-unit new apartment building was permitted in the Loring Park neighborhood, a two-family dwelling was permitted on Glenwood Ave in the Harrison neighborhood, and a 40-unit supportive housing mixed-use building was permitted on Snelling Ave in the Seward neighborhood near the Hiawatha rail line.

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

The construction of the new Central Light Rail 29th St platform was permitted this quarter in the Prospect Park neighborhood. Three non-residential buildings were also permitted: the construction of a new McDonalds on East Lake St, a retail auto parts store also on East Lake, and a liquor store on West Broadway.

Map 1: **NEW CONSTRUCTION** – 2Q-12

Source: Minneapolis Regulatory Services

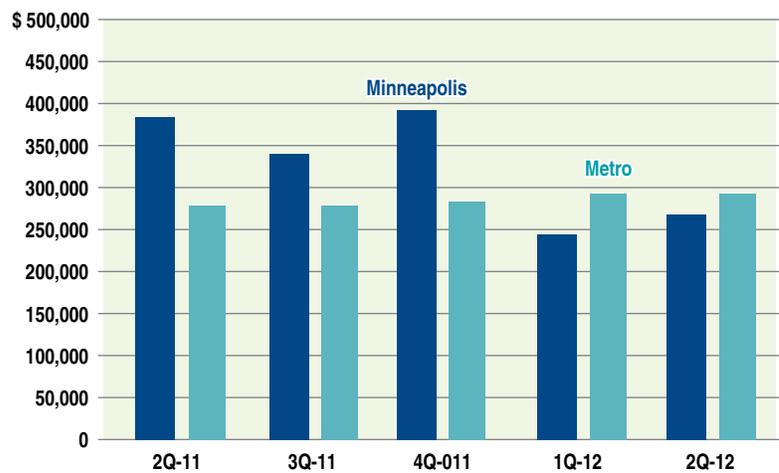


Cost of residential construction

The twenty new single-family homes permitted this quarter had estimated construction costs ranging from \$85,000 to \$710,000.

The average single-family construction cost in the city increased by 5 percent this quarter in comparison with last quarter, but decreased 34 percent compared with the same quarter last year. In the metro area construction costs decreased 3 percent, but increased about 6 percent compared with 2nd quarter last year.

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

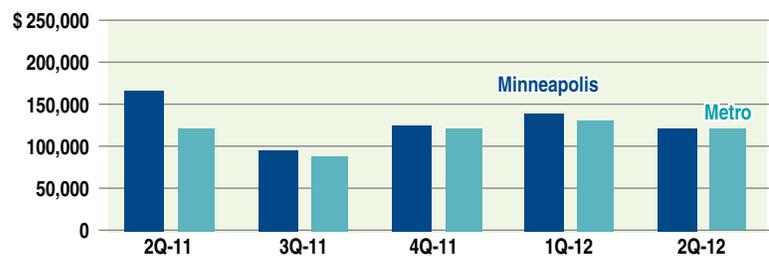


| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-------------|------------|------------|------------|------------|------------|
| Minneapolis | \$ 388,400 | \$ 341,800 | \$ 392,700 | \$ 244,400 | \$ 255,300 |
| Metro area | 273,700 | 271,100 | 285,700 | 297,600 | 289,700 |

Source: U.S. Census Bureau

Table values are not adjusted for inflation
For metro area definition, see [page 14](#)

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-------------|------------|-----------|------------|------------|------------|
| Minneapolis | \$ 166,500 | \$ 98,600 | \$ 126,700 | \$ 141,900 | \$ 126,600 |
| Metro area | 119,600 | 86,500 | 121,000 | 140,000 | 126,300 |

Source: U.S. Census Bureau

Values in table are not adjusted for inflation
For metro area definition, see [page 14](#)

Conversions, remodels & additions

About 16 percent more **residential** remodeling, conversion and addition projects with a value of \$50,000 or more was permitted this quarter, and the total value was three times higher than last quarter. These increases were the result of nine buildings that were permitted either to convert from other uses, or to add more units to existing residential structures. Compared to second quarter last year, this quarter there were 7 more permitted building additions and conversions from other residential uses. These new additions and conversions will

add nearly 190 units to the housing stock.

At \$121.7 million, overall projected cost of **non-residential** construction was 32 percent higher than last quarter, and 21 percent higher than second quarter 2011. The increase in value from the previous quarter and year reflected the high value of large projects (those of one million dollars and over), specifically the Orchestra Hall remodel and the interior finishing of Abbott Northwestern/Children's Mother and Baby unit.

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

| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|--|----------------|---------------|---------------|---------------|----------------|
| Total Residential¹ | | | | | |
| Number of buildings | 166 | 149 | 121 | 122 | 141 |
| Total value | \$ 25,334,100 | \$ 33,537,000 | \$ 47,453,100 | \$ 14,900,500 | \$ 47,063,000 |
| Remodels | | | | | |
| Number of buildings | 164 | 145 | 118 | 120 | 132 |
| Value | \$ 24,744,400 | \$ 20,322,000 | \$ 17,247,700 | \$ 14,581,500 | \$ 18,634,700 |
| Conversions and additions² | | | | | |
| Number of buildings | 2 | 4 | 4 | 2 | 9 |
| Net number of units | -4 | 120 | 250 | 0 | 187 |
| Value | \$ 589,800 | \$ 13,215,000 | \$ 30,325,300 | \$ 319,000 | \$ 28,428,300 |
| Total non-residential¹ | | | | | |
| Number of buildings ³ | 119 | 129 | 119 | 109 | 144 |
| Value | \$ 102,084,700 | \$ 59,285,600 | \$ 54,875,300 | \$ 89,184,700 | \$ 121,716,400 |

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

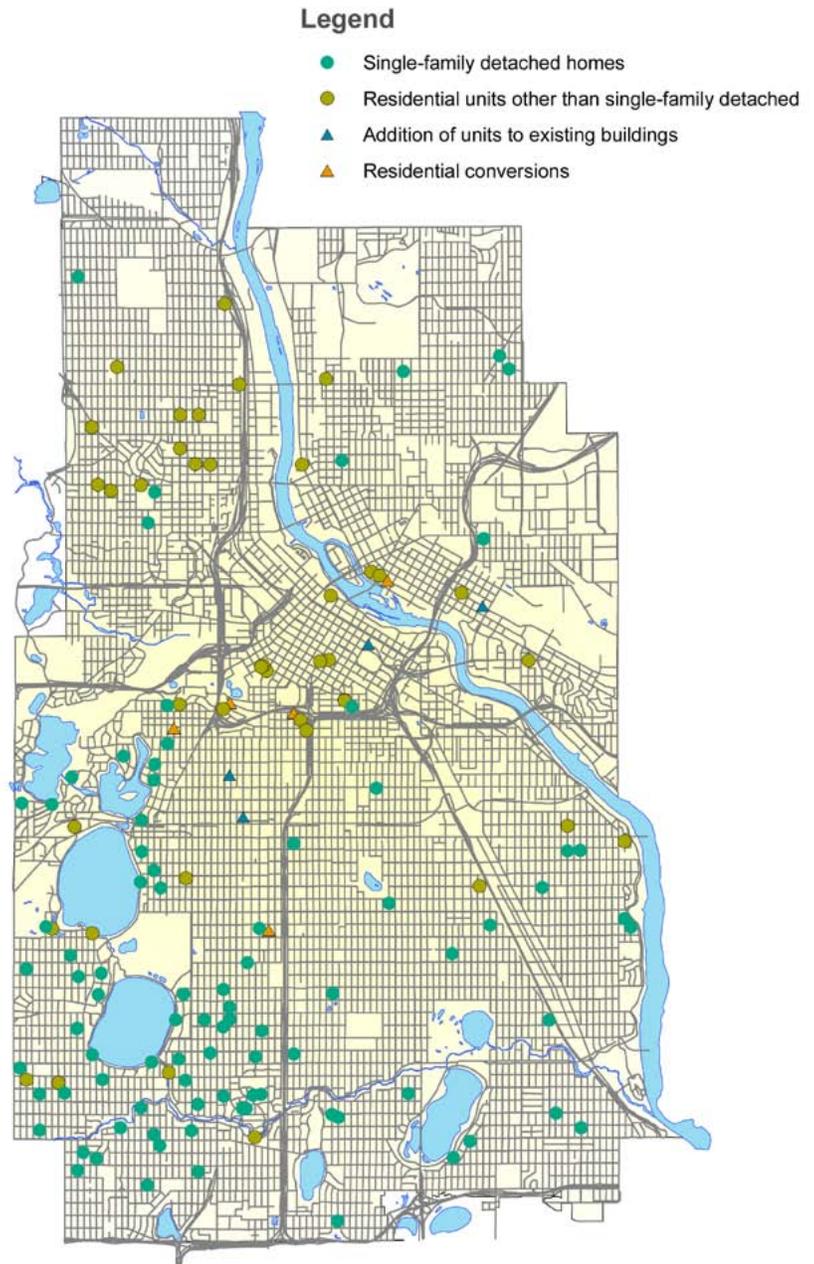
About 60 percent of **residential** buildings with remodeling permits this quarter were single-family dwellings. Of these 89 single-family buildings, 65 percent were located in the western part of the city between the city border and I-35 as shown on Map 2, particularly in the vicinity of Lake Harriet. Of all the other residential buildings including duplexes, triplexes and multifamily buildings or units in them with remodeling permits, about 28 percent were located in the city Northside, 23 percent were located in Downtown, and 19 percent were located in the southwestern part of the city.

Regarding additions and conversions, Emmanuel Housing will be remodeling an existing building and adding 101 units and commercial space on 3rd Ave S in Downtown East. Sabri Properties was permitted to add 9 units to an existing residential building on Pleasant Ave in Uptown named Machinery Lofts, and marketed to first time home buyers.

The most significant building conversion is the historic building restoration and remodel of an office building on Oak Grove St in Loring Park to be converted into a 75 unit apartment building.

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

Source: Minneapolis Regulatory Services



Conversions, remodels & additions

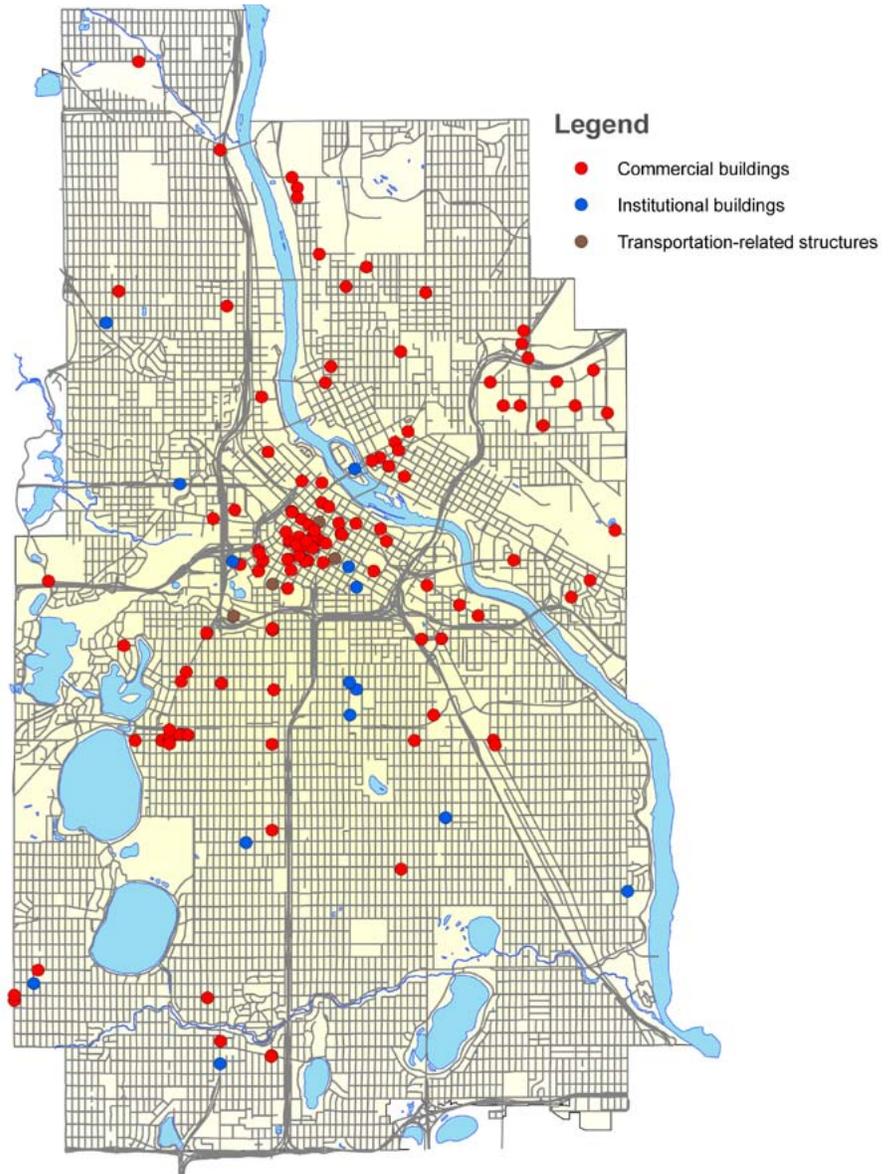
The downtown area had about 40 percent of the permitted non-residential projects valued \$50,000 or more. From these projects, most were office build-outs and remodels.

Institutional projects included hospitals (Fairview, Children's/Abbott Northwestern-HCMC), schools (La Salle, North Central University, Folwell School, Hiawatha Academy, St Anne).

Transportation-related structures included parking facilities mostly in Downtown, as shown on map 3.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 2Q-12**
projects \$50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the second quarter of 2012. The dollar amounts only reflect projected construction cost (not land acquisi-

tion or soft costs) for permits issued that quarter. The highest cost project was the Orchestra Hall remodeling in Downtown (\$39.6 million), followed by the interior finishing of a new

addition at Children's hospital (\$23.7 million) for a new joint program with Abbott Northwestern Hospital.

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

| Description | Address | Neighborhood | Projected construction \$ | CPED Involvement ¹ |
|--|-------------------------|---------------------|---------------------------|-------------------------------|
| Orchestra Hall: Lobby atrium and room addition | 1100 Marquette Ave | Downtown West | \$ 39,555,340 | ● |
| Children's Hospital/ Abbott Northwestern: Mother and Baby program, interior finishing | 902 26th St E | Midtown Phillips | \$ 23,675,455 | |
| Oak Grove Apartments: New 119-unit apartment building | 415 Oak Grove St | Loring Park | \$ 15,119,000 | ● |
| Loring Park Office Building: Conversion into 75-unit apartment building | 430 Oak Grove St | Loring Park | \$ 12,250,000 | ● |
| Emanuel Housing: Remodel and addition for mixed use including 101 new residential units | 822 3rd St S | Downtown East | \$ 11,225,689 | ● |
| R&D Systems: Warehouse remodel* | 2001 Kennedy St NE | Mid-City Industrial | \$ 9,500,402 | |
| Touchstone Supportive Housing: New 40-unit residential building | 2312 Snelling Ave | Seward | \$ 8,068,000 | ● |
| Phoenix on the River: Two penthouse units consolidation into one, and two units interior finishing* | 222 2nd St SE | Marcy Holmes | \$ 3,471,300 | |
| UMN Radisson Hotel: Remodel* | 615 Washington Ave SE | University of MN | \$ 2,954,551 | |
| Fairview Health Services: Phase 1 and 2 hospital remodel* | 2450 Riverside Ave | Cedar Riverside | \$ 2,378,637 | |
| Target: Renovation for employee fitness center | 3701 North Wayzata Blvd | Bryn-Mawr | \$ 2,147,619 | |
| 1225 LaSalle Condos: Outdoor plaza renovation and remodel of two units* | 1225 LaSalle Ave | Loring Park | \$ 1,946,233 | |
| Bar Louie (at Mozaic): New restaurant build-out* | 1348 Lagoon Ave | Lowry Hill East | \$ 1,756,803 | |
| Campbell Mithun Tower: Green Espel Law Office renovation, and API office remodel* | 222 9th St S | Downtown West | \$ 1,636,245 | |
| Capella Tower: Office remodels, including IBM's 3rd Floor remodel* | 225 6th St S | Downtown West | \$ 1,477,822 | |
| North Central University: Building remodel* | 910 Elliot Ave | Elliot Park | \$ 1,466,976 | |
| Folwell School: Remodel | 3611 20th Ave S | Standish | \$ 1,425,000 | |
| Abbott Northwestern: Parking ramp repairs and hospital building remodel | 800 28th St E | Midtown Phillips | \$ 1,375,760 | |
| Plaza Seven: Remodel of several offices* | 45 7th St S | Downtown West | \$ 1,262,442 | |
| LaSalle Plaza: World Kitchen tenant improvement, and skylight office remodel for Fox Sports Network* | 800 LaSalle Ave | Downtown West | \$ 1,230,628 | |
| 29th Ave/Prospect Park Station: New light rail platform | 315 29th Ave SE | Prospect Park | \$ 1,200,000 | |
| VA Mental Health Clinic: Remodel | 1207 Harmon Pl | Loring Park | \$ 1,200,000 | |
| Hiawatha Academy: School remodel | 3800 Pleasant Ave | King Field | \$ 1,072,507 | |

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

Since 4Q-11 residential demolitions have decreased steadily; the number of buildings scheduled for demolition this quarter was slightly higher than the number permitted last year in the second quarter.

The number of residential demolitions, most of them single family homes, continued to be high in North Minneapolis, although lower than in previous quarters. Some demolitions are still related to the area that was heavily damaged by a tornado in May 2011. Dwellings that were damaged and couldn't be remodeled are being removed. Half of all single-family units to be demolished are in North Minneapolis, while a quarter are in south Minneapolis east of I-35. The rest of the units permitted for demolition included 14 units in duplexes and 6 in triplexes.

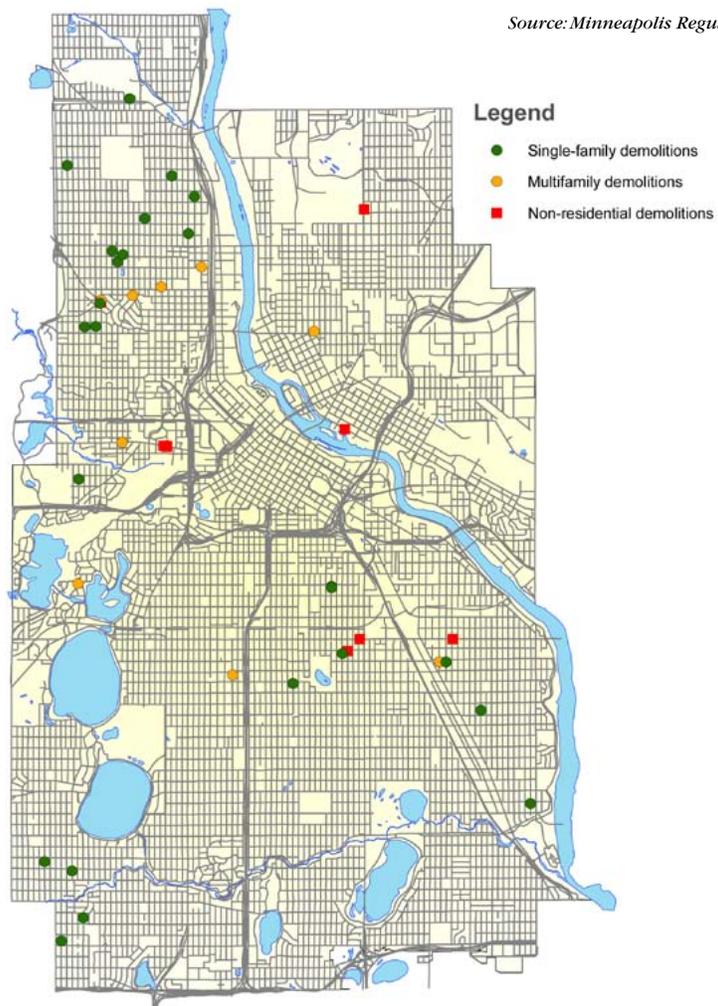
Seven commercial buildings had permits for demolition in the second quarter, two of them on Lake Street E. in Southeast.

Figure 9: RESIDENTIAL UNITS DEMOLISHED – Minneapolis



Source: Minneapolis Regulatory Services

Map 4: DEMOLITIONS –2Q-12



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.

Mixed-use residential: means buildings with other uses in addition to residential, for example, residential and commercial; residential and retail and/or office.

Non-residential use: means all buildings that do not have a residential component. It 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 from 1.9 percent in the first quarter to 1.8 percent, and also was lower than in second quarter 2011.
- The number of traditional housing sales this quarter almost doubled first quarter sales, while lender-mediated sales increased only by 4 percent. Median prices increased 15 percent for traditional sales and 30 percent for lender-mediated sales. Traditional sale prices in Minneapolis (\$212,000) exceeded the prices in the metro area (\$207,000) for the first time since the second quarter 2009. On a year-to-year basis, traditional sales increased by half and prices rose 9 percent. Lender-mediated sales decreased almost 10 percent from second quarter last year, and prices rose 21 percent.
- The number of condemned, boarded and vacant buildings in the city decreased by 4 percent from the previous quarter, and by 2 percent from second quarter 2011.
- Foreclosure sales increased 19 percent, but decreased 12 percent compared to the second quarter last year.
- The direct office vacancy rate in the Minneapolis central business district (CBD) hovered between 14.5 percent and 17 percent this quarter, depending on the firm reporting. Retail vacancies including subleases remained unchanged at 13.3 percent, according to CB Richard Ellis.

Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multifamily rental housing decreased again this quarter from 1.9 percent last quarter to 1.8 percent. Although many apartment buildings have been built in the last two years, demand for rental housing continued to exceed supply.

Supply is increasing: almost 900 new rental apartments both in new buildings and conversions were permitted in 2010 and approximately 900 more were permitted from 2011 through the first two quarters of 2012.

In the metro area, the vacancy rate was 2.7 percent, down from 2.8 percent in the first quarter. Construction of new apartments took place mainly in Hennepin, Scott, Ramsey and Dakota Counties, with Minneapolis accounting for about 22 percent of the new units.

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

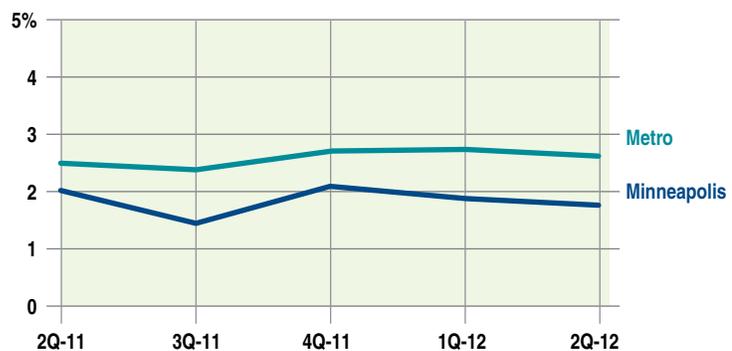
| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|--------------------|---------|---------|---------|---------|----------|
| Minneapolis | | | | | |
| Units surveyed | 14,387 | 14,390 | 14,971 | 15,388 | 15,130 |
| Vacant units | 286 | 213 | 310 | 291 | 275 |
| Average rent | \$ 953 | \$ 965 | \$ 960 | \$ 978 | \$ 1,011 |
| Vacancy rate | 2.0% | 1.5% | 2.1% | 1.9% | 1.8% |
| Metro area | | | | | |
| Units surveyed | 106,986 | 107,649 | 109,707 | 108,820 | 107,822 |
| Vacant units | 2,561 | 2,518 | 3,062 | 3,072 | 2,919 |
| Average rent | \$ 921 | \$ 925 | \$ 927 | \$ 935 | \$ 951 |
| Vacancy rate | 2.4% | 2.3% | 2.8% | 2.8% | 2.7% |

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

Recorded data for the last month of the quarter

For metro area definition, see "For metro area definition, see [page 14](#)

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 14](#)

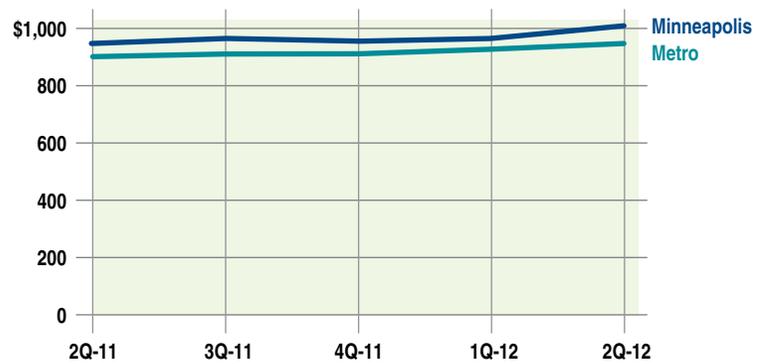
Apartment vacancy rates & average rents

At \$1,011, Minneapolis average rent increase in inflation-adjusted dollars was nearly \$30 (2.9 percent) higher than at the end of last quarter, and almost \$50 dollars higher than the second quarter of last year. In the metro area average rent was \$951, increasing by more than \$10 in inflation-adjusted dollars in comparison with the previous quarter. It was \$20 higher than the same quarter of 2011 after adjusting for inflation.

The vacancy rate was lower than first quarter in Downtown, North and South Minneapolis, but it trended up in the other two areas. Compared to the same quarter last year, the vacancy rate rose in Downtown from 1.2 percent to 1.7 percent; the higher number of apartments build in the area was modestly affecting the market. In all the other areas vacancy rates were lower than the second quarter last year. The lowest rates were in East Minneapolis and Downtown, and compared to last year, Downtown had a higher rate than East Minneapolis.

* For conversion factors, see [page 43](#).

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-------------|------------|------------|------------|------------|----------------|
| Minneapolis | \$ 953 | \$ 965 | \$ 960 | \$ 978 | \$1,011 |
| | <i>963</i> | <i>969</i> | <i>968</i> | <i>983</i> | <i>\$1,011</i> |
| Metro area | \$ 921 | \$ 925 | \$ 927 | \$ 935 | \$951 |
| | <i>931</i> | <i>929</i> | <i>935</i> | <i>939</i> | <i>\$951</i> |

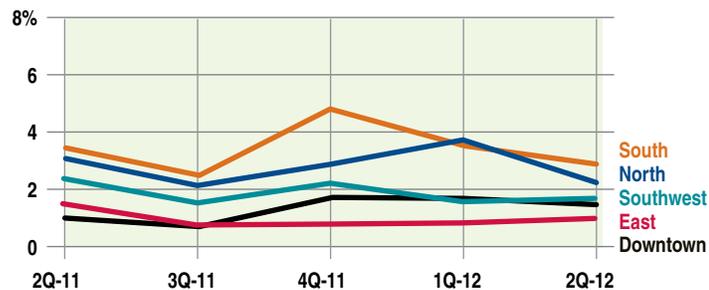
Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

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 MINNEAPOLIS GEOGRAPHIC SECTORS***
in percent



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-----------|-------|-------|-------|-------|-------|
| Downtown | 1.2% | 1.0% | 1.9% | 1.9% | 1.7% |
| Southwest | 2.3% | 1.8% | 2.2% | 1.8% | 1.9% |
| North | 3.1% | 2.2% | 2.8% | 3.9% | 2.2% |
| South | 3.8% | 2.6% | 4.9% | 3.8% | 3.1% |
| East | 1.7% | 1.1% | 1.1% | 1.2% | 1.4% |

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 sector definitions, see [page 44](#).

Apartment vacancy rates & average rents

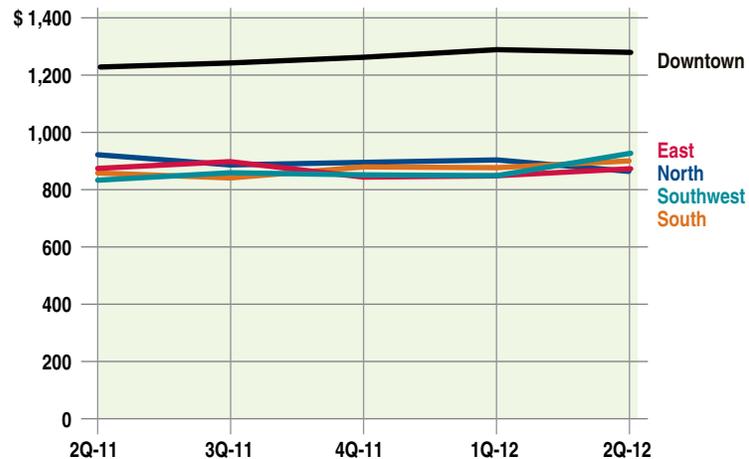
Average rents in inflation-adjusted dollars increased in Southwest by 8 percent in real dollars, followed by South Minneapolis (4 percent). Average rents in East Minneapolis were stable. On the other hand, rents decreased by 2 percent in North Minneapolis, and by 1 percent in Downtown.

On a year to year basis, rents decreased the most in North Minneapolis (8 percent, or nearly \$70 in real dollars), followed by East Minneapolis (about 1 percent or \$13 in inflation-adjusted dollars). In three areas average rents increased from the second quarter last year. They increased an 8 percent in Southwest (about \$70), a 5 percent in South (about \$43) and a 3 percent in Downtown (\$41 on average).

Rents fell in Downtown after a steady increase in recent quarters, but they continued to increase in other areas of high demand such as Southwest. The fact is that many people need to rent because they can't afford a mortgage, even with historical low interest rates. Others prefer to rent because housing ownership is no longer an investment, keeping rents at a high levels. This is a good incentive for developers who are building apartments at record numbers.

* For conversion factors, see [page 44](#).

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-----------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Downtown | \$ 1,213 <i>1,226</i> | \$ 1,230 <i>1,235</i> | \$ 1,248 <i>1,259</i> | \$ 1,277 <i>1,283</i> | \$ 1,267 <i>1,267</i> |
| Southwest | 839 <i>848</i> | 857 <i>861</i> | 852 <i>859</i> | 847 <i>851</i> | 918 <i>918</i> |
| North | 931 <i>941</i> | 879 <i>883</i> | 880 <i>887</i> | 887 <i>891</i> | 869 <i>869</i> |
| South | 849 <i>858</i> | 837 <i>841</i> | 861 <i>868</i> | 861 <i>865</i> | 901 <i>901</i> |
| East | 879 <i>889</i> | 882 <i>886</i> | 861 <i>868</i> | 874 <i>878</i> | 876 <i>876</i> |

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 43](#).

Apartment vacancy rates & average rents

Vacancy rates declined citywide for studio apartments and were unchanged for one-bedroom units. Larger units saw an increase in their vacancy rates.

In comparison with the second quarter of 2011, vacancy rates for all apartment types were lower this quarter, except for one-bedrooms which actually increased from 1.7 percent to 2.0 percent.

Although vacancy rates increased for two and three bedroom units, average rents in inflation-adjusted dollars increased this quarter for all types of units. Rents for studio apartments increased more than the other types. Average rents also increased from a year ago in inflation-adjusted dollars for all types of apartments, from 7 percent for studios to 1 percent for three-bedroom units.

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. Rents were still growing in spite of the high number of new units coming to market, with a consequent rise in vacancies.

* For conversion factors, see [page 44](#).

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

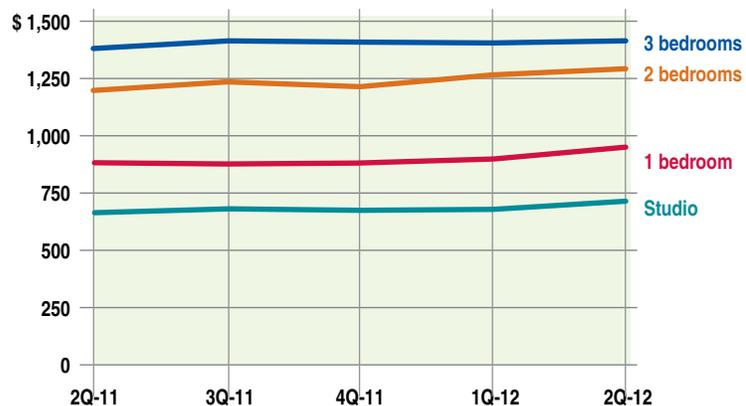


| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|---------------|-------|-------|-------|-------|-------|
| Studio | 2.9% | 2.0% | 2.1% | 2.0% | 1.7% |
| One-bedroom | 1.7% | 1.4% | 2.1% | 2.0% | 2.0% |
| Two-bedroom | 1.9% | 1.2% | 1.7% | 1.3% | 1.6% |
| Three-bedroom | 3.1% | 1.9% | 2.9% | 1.8% | 2.1%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

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

Recorded data for the last month of the quarter

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|---------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Studio | \$ 680 <i>687</i> | \$ 697 <i>700</i> | \$ 687 <i>693</i> | \$ 689 <i>692</i> | \$ 736 <i>736</i> |
| One-bedroom | \$ 885 <i>895</i> | \$ 884 <i>888</i> | \$ 883 <i>890</i> | \$ 899 <i>903</i> | \$ 930 <i>930</i> |
| Two-bedroom | \$ 1,224 <i>1,237</i> | \$ 1,250 <i>1,256</i> | \$ 1,238 <i>1,248</i> | \$ 1,258 <i>1,264</i> | \$ 1,282 <i>1,282</i> |
| Three-bedroom | \$ 1,375 <i>1,390</i> | \$ 1,398 <i>1,404</i> | \$ 1,389 <i>1,401</i> | \$ 1,395 <i>1,402</i> | \$ 1,409 <i>1,409</i> |

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.

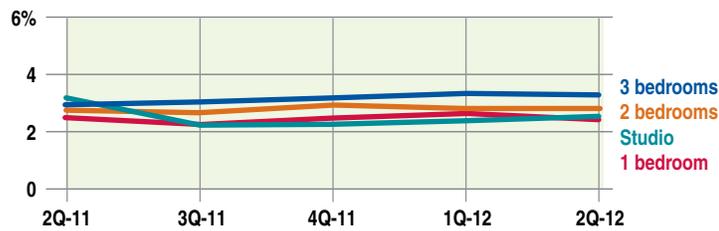
Apartment vacancy rates & average rents

In the metro area vacancy rates increased only for studio apartments, while the rate for two-bedrooms was unchanged.

Compared with the second quarter last year, vacancy rates for all apartment types increased this quarter except for studio apartments.

Average rents in *inflation-adjusted* dollars in the metro area increased for all types of apartments except three-bedroom units which remained unchanged. In comparison with second quarter last year, average rents increased for all apartment types, except for three-bedrooms which decreased by 1 percent.

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



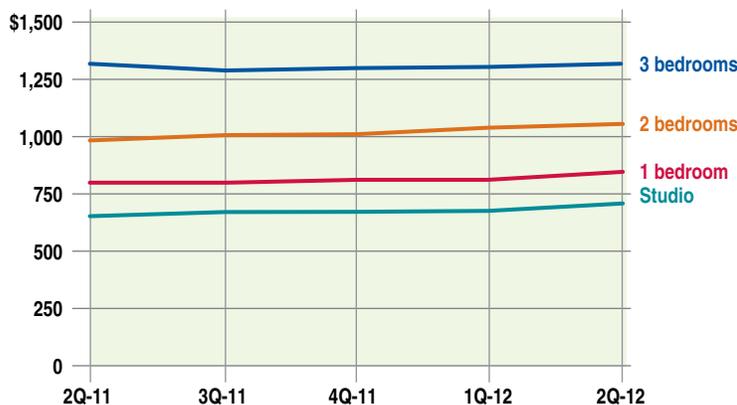
| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|---------------|-------|-------|-------|-------|-------|
| Studio | 3.1% | 2.2% | 2.2% | 2.6% | 2.7% |
| One-bedroom | 2.2% | 2.1% | 2.5% | 2.7% | 2.4% |
| Two-bedroom | 2.5% | 2.5% | 3.0% | 2.9% | 2.9% |
| Three-bedroom | 3.0% | 3.1% | 3.3% | 3.4% | 3.3% |

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

Recorded data for the last month of the quarter

For metro area definition, see [page 14](#)

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|---------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Studio | \$ 679 <i>686</i> | \$ 692 <i>695</i> | \$ 685 <i>691</i> | \$ 687 <i>690</i> | \$ 712 <i>712</i> |
| One-bedroom | \$ 801 <i>810</i> | \$ 803 <i>807</i> | \$ 811 <i>818</i> | \$ 812 <i>816</i> | \$ 830 <i>830</i> |
| Two-bedroom | \$ 998 <i>1,009</i> | \$ 1,004 <i>1,008</i> | \$ 1,003 <i>1,011</i> | \$ 1,015 <i>1,020</i> | \$ 1,030 <i>1,030</i> |
| Three-bedroom | \$ 1,303 <i>1,317</i> | \$ 1,285 <i>1,291</i> | \$ 1,291 <i>1,302</i> | \$ 1,294 <i>1,300</i> | \$ 1,301 <i>1,301</i> |

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 14](#)

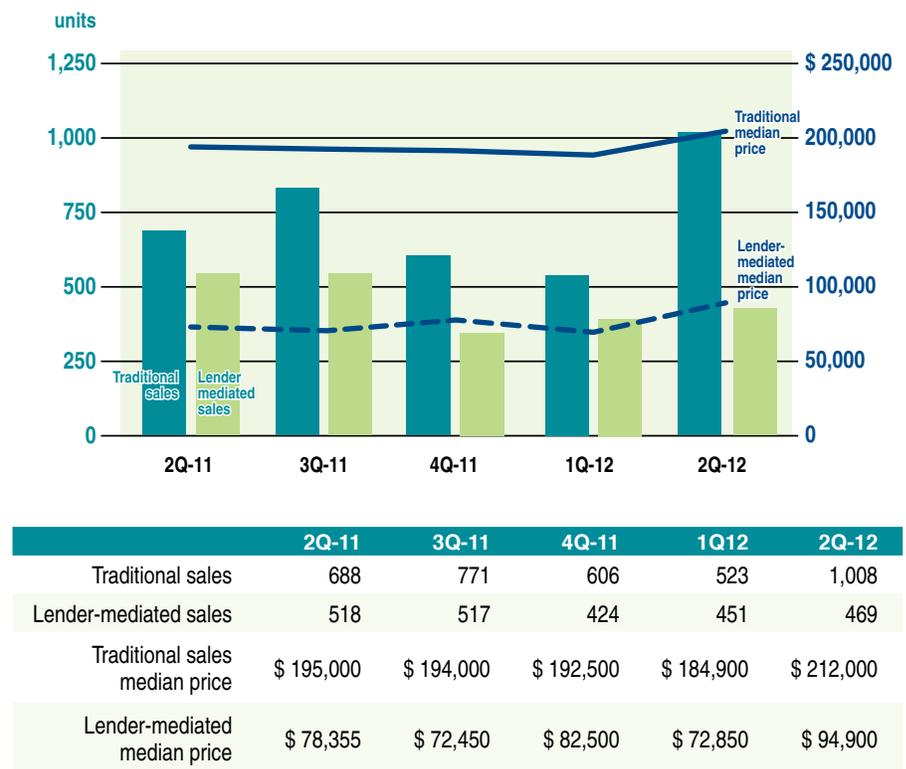
Residential sales

Housing sales moved briskly this spring increasing 93 percent compared with the first quarter, while lender-mediated housing sales this quarter grew by 4 percent. Average prices in the quarter also increased. Traditional sale prices went up by 15 percent, and lender-mediated increased 30 percent. For the first time since the second quarter 2009, the median price of traditional sales in Minneapolis (\$212,000) exceeded that of the region (\$207,000).

Over a twelve-month period, the number of traditional housing sales increased by 47 percent, while lender-mediated sales decreased by nearly 10 percent.

Median sale prices increased as well: 9 percent for traditional sales and 21 percent for lender-mediated sales. This quarter lender-mediated sales including foreclosures were 32 percent of all housing sales in the city, while they accounted for 43 percent in the second quarter last year. Consider also that at the beginning of 2009 lender-mediated sales represented more than 60 percent of the total housing sales in Minneapolis. As lender-mediated sales continue to decline, median sale prices will tend to improve.

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



Source: Minneapolis Area Association of Realtors (MAAR)

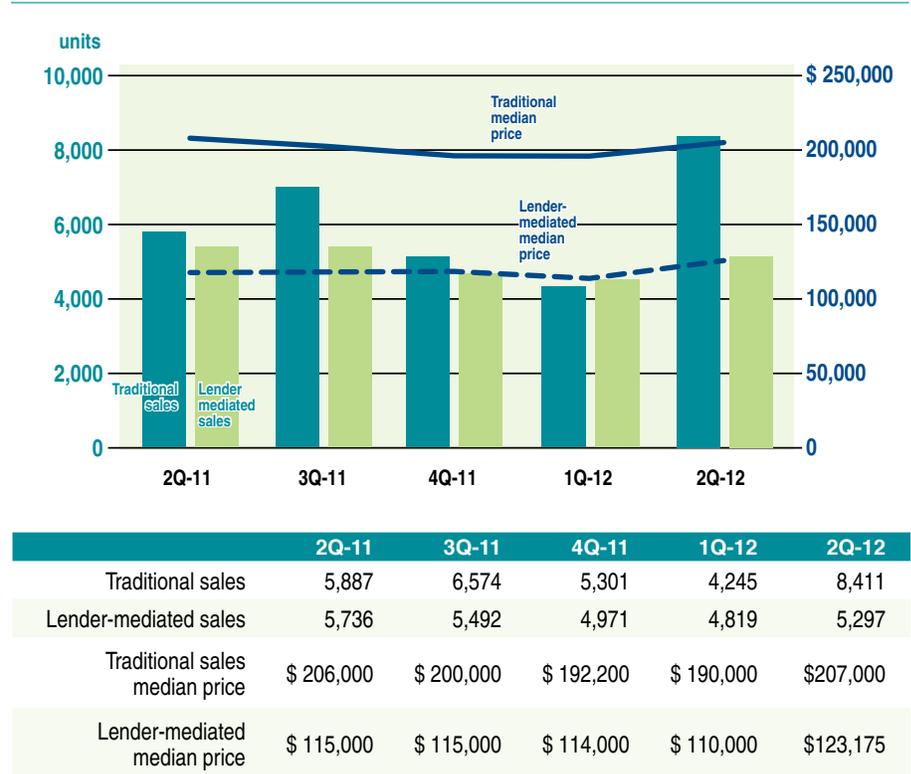
Residential sales

As in Minneapolis, metro area sales also grew from the previous quarter, and the number of traditional sales increased more than lender-mediated sales. In the metro area traditional sales almost doubled with prices increases at 9 percent.

In comparison with the same quarter the previous year, the number of sales was up, with traditional sales increasing 43 percent and lender-mediated sales actually declining by about 8 percent. Prices for both categories increased as well.

The Case-Shiller home price index (not seasonally adjusted) for May (the last available figure) indicated that home prices in the Twin Cities were 3.4 percentage points higher than in April, and 5.1 percent higher than in May 2011. Although home sales in the Twin-Cities rebound in the spring months, it appeared that the market was emerging from the housing crisis of the last few years. 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 was about 17,200 on average, a decrease of 30.5 percent over the second quarter 2011. This represented approximately 4.5 months of supply on average in comparison with 8.2 months in the second quarter 2011.

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



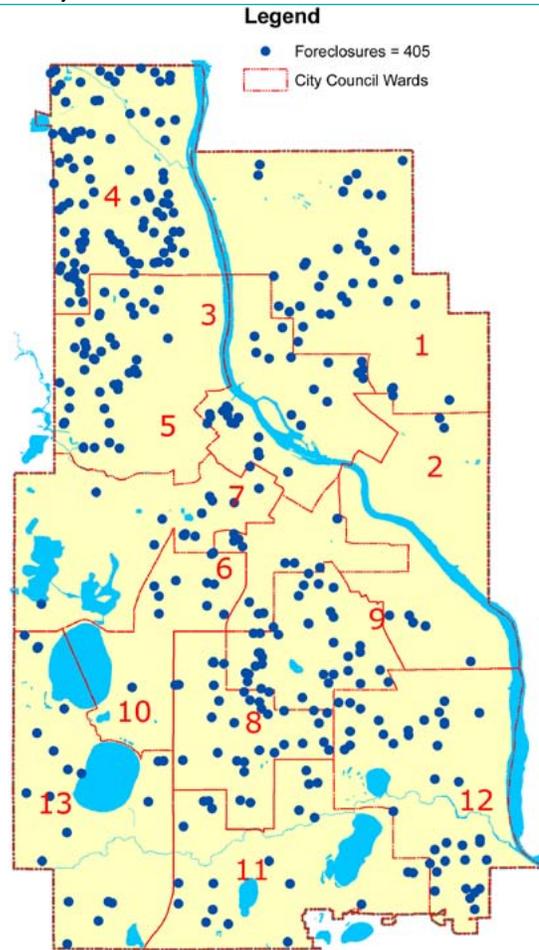
Source: Minneapolis Area Association of Realtors (MAAR)

* 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 43](#)

Foreclosures

This quarter 405 properties were sold at public auction, 19 percent more than the previous quarter, but 12 percent fewer than second quarter 2011. Ward 4, 5, 9, and 8 accounted for almost half of total foreclosures in the city, with Ward 4 accounting for 20 percent of the total.

MAP 5: PROPERTIES FORECLOSED – 2Q-12
by wards



Source: Hennepin County

Data on foreclosures downloaded as of June 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

| Ward | 2Q-11 | | 3Q-11 | | 4Q-11 | | 1Q-12 | | 2Q-12 | |
|--------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|
| | Number | Percent |
| 1 | 39 | 8% | 37 | 9% | 31 | 8% | 18 | 5% | 37 | 9% |
| 2 | 9 | 2% | 4 | 1% | 3 | 1% | 8 | 2% | 5 | 1% |
| 3 | 30 | 7% | 26 | 7% | 27 | 7% | 39 | 12% | 30 | 7% |
| 4 | 85 | 18% | 82 | 21% | 80 | 19% | 56 | 17% | 83 | 20% |
| 5 | 55 | 12% | 48 | 12% | 46 | 11% | 38 | 11% | 42 | 10% |
| 6 | 23 | 5% | 21 | 5% | 22 | 5% | 22 | 6% | 18 | 4% |
| 7 | 30 | 7% | 21 | 5% | 17 | 4% | 12 | 4% | 34 | 8% |
| 8 | 44 | 10% | 37 | 9% | 37 | 9% | 37 | 11% | 38 | 9% |
| 9 | 40 | 9% | 38 | 10% | 44 | 11% | 41 | 12% | 31 | 8% |
| 10 | 20 | 4% | 11 | 3% | 23 | 6% | 13 | 4% | 11 | 3% |
| 11 | 25 | 5% | 21 | 5% | 29 | 7% | 15 | 4% | 22 | 5% |
| 12 | 40 | 9% | 32 | 8% | 36 | 9% | 31 | 9% | 34 | 8% |
| 13 | 21 | 5% | 15 | 4% | 17 | 4% | 9 | 3% | 20 | 5% |
| Total | 461 | 100% | 393 | 100% | 412 | 100% | 339 | 100% | 405 | 100% |

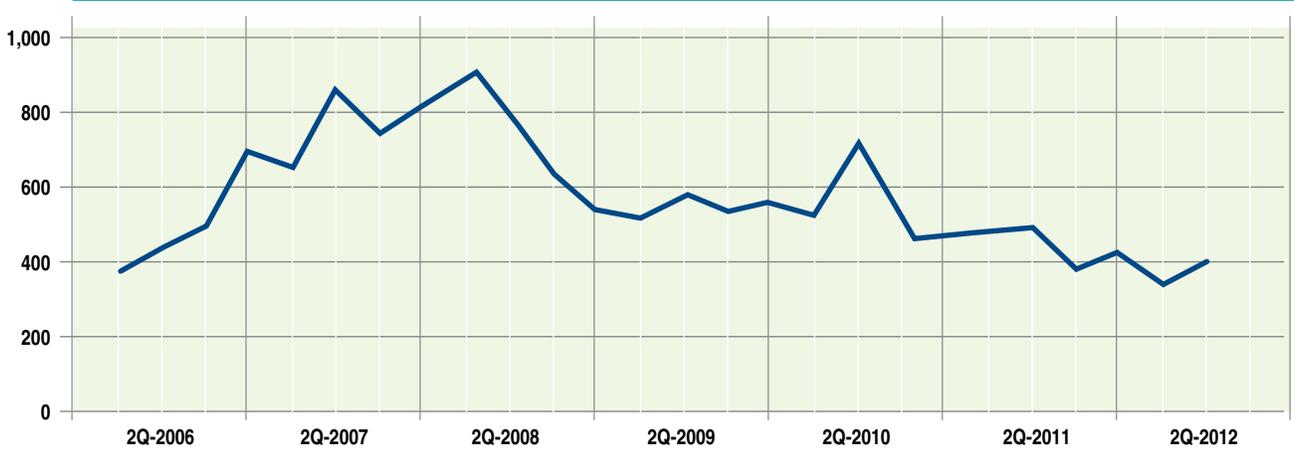
Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; for complete and current foreclosure listings,

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 second quarter 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 total number of condemned, boarded and vacant buildings in the city decreased by 4 percent from first quarter, and was 2 percent lower than the end of the previous year. Compared to the second quarter last year the number of condemned buildings dropped by 9 percent, while the number of vacant but not condemned buildings increased 4 percent. Condemned buildings have been decreasing more or less steadily since third quarter 2008. 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 June 2012

Source: Minneapolis Regulatory Services

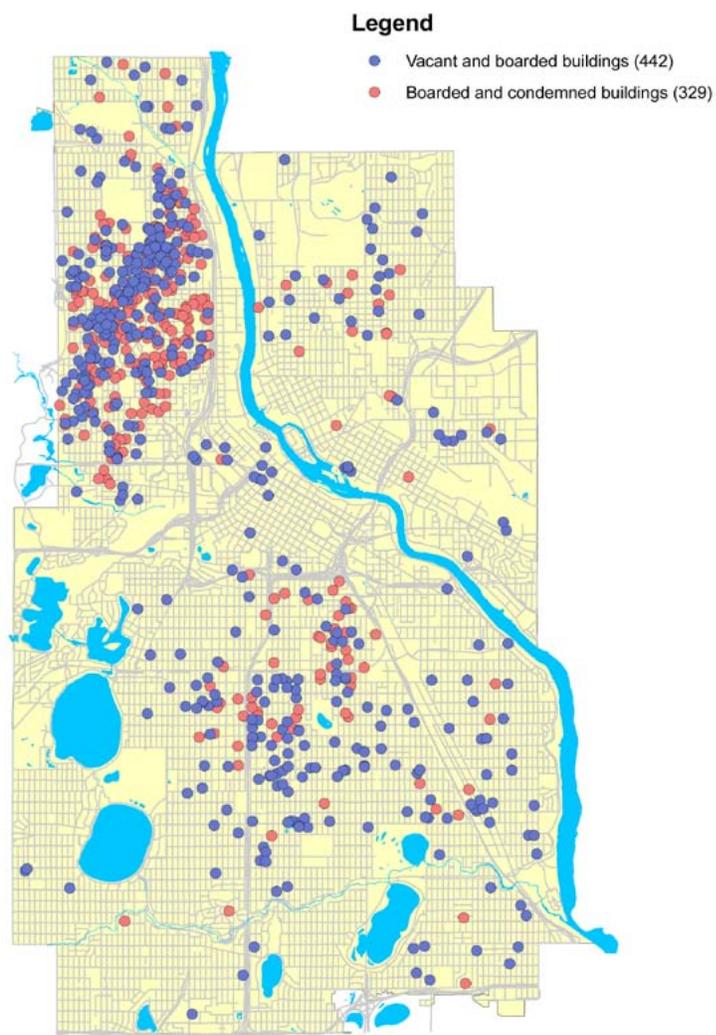


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis
as of the end of quarter

| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|---------------------------------|-------|-------|-------|-------|-------|
| Boarded and condemned buildings | 360 | 352 | 362 | 350 | 329 |
| Vacant but not condemned | 425 | 424 | 464 | 457 | 442 |
| Total | 785 | 776 | 826 | 807 | 771 |

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 office vacancy rate hovered between 14.5 percent and 17 percent according to the above real estate firms, with no agreement on the trend's direction. When subleases are counted, the total vacancy rate ranged between 17.5 percent and 19.1 percent. Because of lack of construction, supply was low in comparison with a slowly growing but steady demand. Pressure was high in Class A space, but there were still large blocks of vacant space in Class B and C properties.

The average direct vacancy rate in the metro area fluctuated between 16.5 percent and 18.6 percent, according to the above real estate firms. Adding subleases brings the total vacancy rate up in a range of 17.5 to 18.6 percent.

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

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

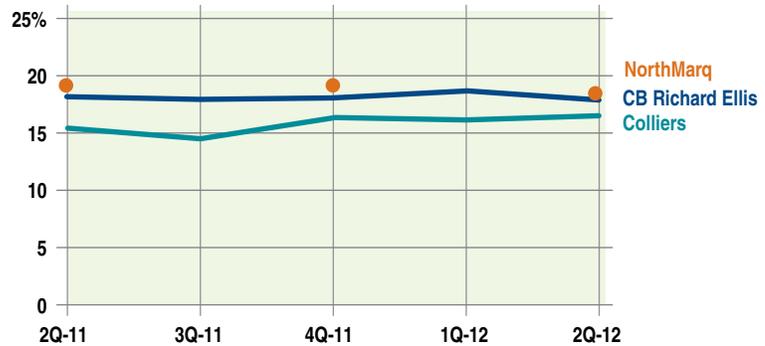


| | 2Q-10 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|------------------|-------|-------|-------|-------|-------|
| CB Richard Ellis | 17.0% | 16.9% | 17.0% | 16.7% | 16.6% |
| Colliers | 13.1% | 13.2% | 13.1% | 12.9% | 14.5% |
| NorthMarq | 18.9% | | 18.0% | | 17.0% |

Sources: CB Richard Ellis, Colliers and NorthMarq

See explanation of sources on [page 44](#)

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|------------------|-------|-------|-------|-------|-------|
| CB Richard Ellis | 18.2% | 18.0% | 18.3% | 19.0% | 18.2% |
| Colliers | 15.2% | 14.8% | 16.0% | 15.9% | 16.5% |
| NorthMarq | 19.2% | | 19.2% | | 18.6% |

Sources: CB Richard Ellis, Colliers and NorthMarq

See explanation of sources on [page 44](#)

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 second 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.

Downtown Minneapolis increased occupied office space by more than 165,000 square feet since January. Although growing more slowly this quarter than last quarter, Downtown's office occupied existing space continued to expand. Many firms moved to another building within Downtown. Some of them reduced their space requirements while looking for better quarters in Class A buildings, while a few tenants such as the FBI, moved outside the CBD.

The metro area also posted increasing occupied office space growth. Many tenants in the metro were looking at long-term leases and renewing existing space. Most activity took place around Burnsville, Egan and Apple Valley.

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

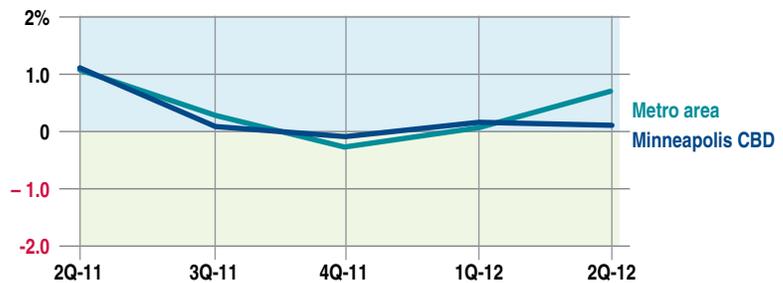


| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-----------------|----------|----------|----------|----------|----------|
| Minneapolis CBD | \$ 12.40 | \$ 12.43 | \$ 12.39 | \$ 12.43 | \$ 12.51 |
| Metro area | \$ 12.03 | \$ 11.96 | \$ 11.83 | \$ 11.77 | \$ 11.47 |

Source: CB Richard Ellis

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

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-----------------|-------|-------|--------|-------|-------|
| Minneapolis CBD | 1.09% | 0.12% | -0.12% | 0.36% | 0.12% |
| Metro area | 1.03% | 0.24% | -0.37% | 0.31% | 0.84% |

Source: CB Richard Ellis

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

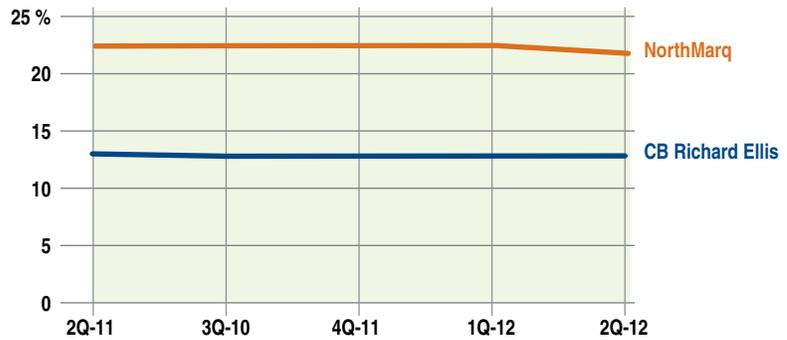
Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD was 13.3 percent according to CB Richard Ellis. The rate has been unchanged since third quarter last year. The retail vacancy rate ranged between 13.3 percent and 21.7 percent according to NorthMarq.

Note that large variations in the vacancy rate result from small amount of square feet of retail in the CBD.

The metro area vacancy rate this quarter ranged from 7 percent to 8.9 percent, with a tendency to increase from last quarter. The vacancy rate was affected by the closing of Bloomingdale's at MOA, and the fact that other retailers such as Best Buy were reducing their leasing space. On the other hand grocery stores such as Lunds and Whole Foods were expanding.

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

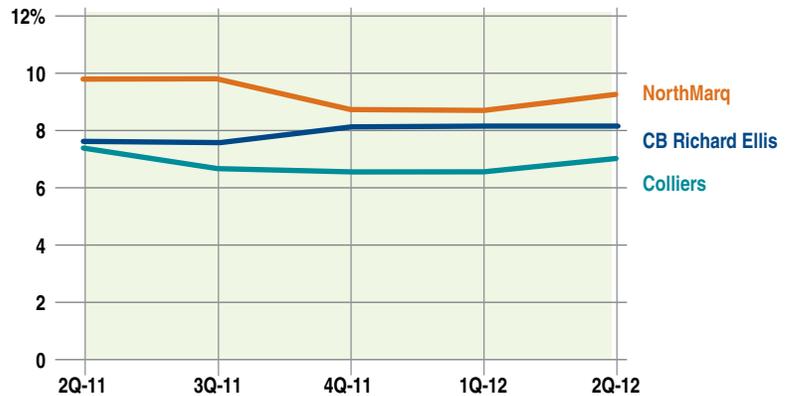


| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|------------------|-------|-------|-------|-------|-------|
| CB Richard Ellis | 13.5% | 13.3% | 13.3% | 13.3% | 13.3% |
| NorthMarq | 23.1% | 23.9% | 23.9% | 23.9% | 21.7% |

Sources CB Richard Ellis and NorthMarq

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|------------------|-------|-------|-------|-------|-------|
| CB Richard Ellis | 7.7% | 7.7% | 8.1% | 8.1% | 8.1% |
| Colliers | 7.5% | 6.5% | 6.2% | 6.2% | 7.0% |
| Northmarq | 9.9% | 9.9% | 8.4% | 8.4% | 8.9% |

Sources: CB Richard Ellis, Colliers and NorthMarq

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 higher than a year ago, a sign that activity in this market was slow.

In the metro area, average asking lease price decreased 5 percent from first quarter but decreased very slightly from second quarter last year. Asking prices in the region were 72 percent of the Minneapolis CBD.

Occupied retail space in the Minneapolis central business district (CBD) was unchanged. No additional new retail space has been added in the CBD since at least 2003, and vacant space is being slowly absorbed. Whole Foods (in the new 222 Hennepin building under construction) plans to open a store and Lunds, also on Hennepin Ave, opened a grocery in June. At the same time, tenants in Block E were leaving, with only one tenant (AMC Theater) remaining until September.

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-----------------|----------|----------|----------|----------|----------|
| Minneapolis CBD | \$ 21.98 | \$ 22.09 | \$ 22.09 | \$ 22.09 | \$ 22.09 |
| Metro area | \$ 16.05 | \$ 16.10 | \$ 16.88 | \$ 16.91 | \$ 15.99 |

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-----------------|-------|-------|-------|-------|-------|
| Minneapolis CBD | -0.7% | 0.2% | 0.0% | 0.0% | 0.0% |
| Metro area | 1.0% | 0.0% | -0.4% | 0.0% | 0.7% |

Source: CB Richard Ellis

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

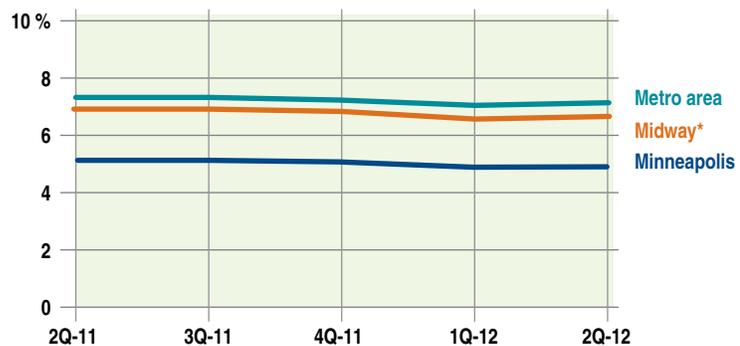
Industrial space

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

The average asking lease price for industrial space remained unchanged in Minneapolis industrial areas, but it rose in Midway and the metro area. However, it increased from the second quarter last year in all three geographic areas.

Demand continued to be 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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-------------|-------|-------|-------|-------|-------|
| Minneapolis | 5.2% | 5.3% | 5.3% | 5.1% | 5.1% |
| Midway* | 6.8% | 6.8% | 6.7% | 6.4% | 6.6% |
| Metro area | 7.5% | 7.5% | 7.4% | 7.1% | 7.2% |

Source: CB Richard Ellis

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

*Midway industrial area includes parts of Northeast Minneapolis and Saint Paul.

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



| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-------------|---------|---------|---------|---------|---------|
| Minneapolis | \$ 3.82 | \$ 3.93 | \$ 3.96 | \$ 3.96 | \$ 3.96 |
| Midway* | \$ 3.97 | \$ 4.08 | \$ 4.10 | \$ 4.09 | \$ 4.10 |
| Metro area | \$ 4.01 | \$ 4.03 | \$ 4.08 | \$ 4.54 | \$ 4.59 |

Source: CB Richard Ellis

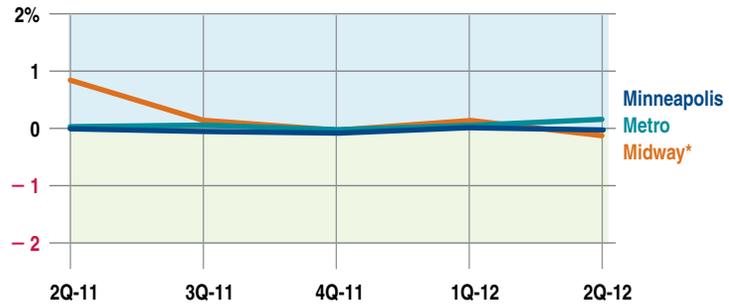
Note: For Midway and Minneapolis, the industrial average asking lease rate is only for warehousing. Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

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

Industrial space

Occupied industrial space grew in the metro area but decreased in Midway and was unchanged in the Minneapolis submarket. Industrial activity expanded steadily in the last three years fueled by exports to foreign markets. The Institute of Supply Management and Creighton University reported that in June manufacturing in Minnesota was growing, and in May and April manufacturing new orders and production grew faster in Minnesota than nationwide. Manufacturing production affects the demand for industrial space, including manufacturing facilities, warehouses and offices.

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



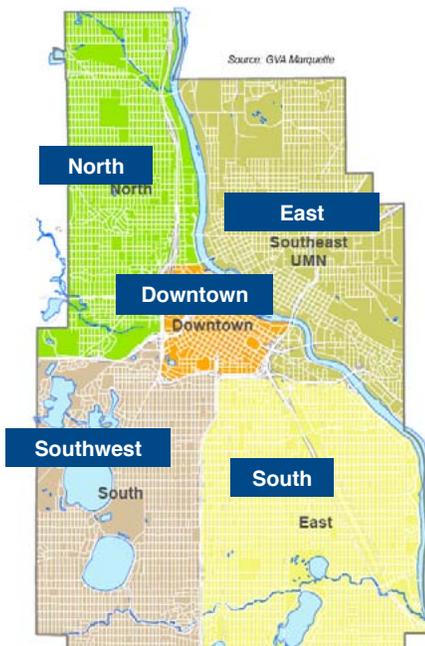
| | 2Q-11 | 3Q-11 | 4Q-11 | 1Q-12 | 2Q-12 |
|-------------|-------|-------|-------|-------|-------|
| Minneapolis | 0.0% | -0.1% | 0.0% | 0.2% | 0.0% |
| Midway* | 0.9% | 0.0% | 0.0% | 0.3% | -0.2% |
| Metro area | 0.0% | 0.1% | 0.0% | 0.2% | 0.1% |

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 metropolitan area.
- **City areas:** For data analysis purposes, GVA Marquette Advisors divides the city into five sub-areas, according to the map below. Note that we changed the Minneapolis sector names to reflect changes that GVA Marquette made at the City's request. South is now South-west; East is South, and NE, SE and UMN is East. North remains North.
- **Median sale values:** These values are based on home prices researched by the Minneapolis Area Association of Realtors (MAAR).
- **Closed home sales:** These values are based on home sales reported by the Minneapolis Area Association of Realtors (MAAR). Closed sales mean that there is an agreement to sell and steps have been taken toward that end. MAAR makes a difference between **traditional sales** and **lender-mediated sales**. The first type includes all sales that are neither foreclosures nor short sales. These two define the lender-mediated sales.
- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).
- **Foreclosure sales:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are reported by the Hennepin County Sheriff to Hennepin County Taxpayer Services Department and later sent to City of Minneapolis CPED Research Division. Hennepin County's methodology is to count all foreclosure Sheriff's sales categories (mortgage, assessments, associations, executions and judgments). Data include only foreclosed properties in the City of Minneapolis that were sold at public option in the specified time period.
- **Boarded and vacant buildings:** A vacant property is a property identified as such by City of Minneapolis inspectors; City Ordinance 249 requires the property's owner to register it as vacant. In addition to being vacant, the property could be condemned as uninhabitable either for being boarded more than 60 days or because of lack of maintenance. Data on boarded and vacant buildings are obtained from the City Department of Regulatory Services.

- **Real estate statistics** as reported by CB Richard Ellis (www.cbre.com) include office, retail and industrial space vacancy rates, average asking lease price per square foot and absorption of square feet for the Twin Cities metropolitan area, Minneapolis and Midway (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries. Minneapolis Trends also shows office and retail vacancy rates reported by other major 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 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 second quarter 2012, dollars have been converted with an index of 1.0109475, the result of the relation between the CPI for June 2012 (203.529) and the CPI for June 2011 (201.325). For the period from second quarter 2012 to first quarter 2012, the index is 1.0047838, obtained by dividing 203.529 (June) by 202.560 (March).



Minneapolis Community Planning & Economic Development

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