Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

third quarter 2009

Highlights for the third quarter of 2009

	3Q-09	2Q-09	3Q-08
Labor force	217,827 residents	▲	▼
People employed	200,984	▲	▼
Unemployment rate	7.7%	▲	▲
New residential permitted units	19 units	▲	▼
Permitted residential conversions, remodels and additions	161 buildings	▲	▼
Permitted non-residential conversions, remodels and additions	99 buildings	▲	▼
Residential units demolished	64 units	▼	▼
Rental vacancy rate	6.5%	▲	▲
Average rent in inflation-adjusted dollars	$ 908	▼	▼
Residential units sold			
Traditional	1,159 units	▲	▲
Lender-mediated	618 units	▼	▲
Median sale price of residential units			
Traditional	$ 195,000	▼	▼
Lender-mediated	$ 75,000	▲	▲
Foreclosed properties	594	▲	▼
Condemned and vacant buildings	841	▼	▼
Minneapolis CBD office vacancy rate	17.2%	▲	▲
Minneapolis CBD retail vacancy rate	10.9%	▲	▲

Highlights for the first quarter of 2009 – Jobs and Wages

	1Q-09	4Q-08	1Q-08
Number of jobs	281,935 employees	▼	▼
Wages in inflation-adjusted dollars	$ 1,158	▲	▼

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

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Minneapolis Trends

third quarter 2009

Contents

Economic indicators

- The number of people working increased in both the city and across the metro area for the second consecutive quarter. The labor force however, increased faster in the city, resulting in higher unemployment. The unemployment rate increased to 7.7 percent from 7.6 percent this past quarter, and from 5.7 percent in the third quarter last year.
- In the first quarter of 2009 there were a nearly 282,000 jobs in Minneapolis, about 9,700 fewer than in the previous quarter and roughly 7,200 fewer (-2.5 percent) than in the first quarter the previous year. During this same 12-month period however, the city lost jobs at a lower pace than the metro (-3.6 percent) and state (-3.3 percent.)
- First quarter weekly wages were -2.7 percent lower in inflation-adjusted dollars than a year before. Wages in the metro area decreased by 3.2 percent and by 1.9 percent in the state in inflation-adjusted dollars.

Labor force

In the third quarter employment of city residents grew at a rate of 1.4 percent from last quarter and the labor force grew by 1.6 percent. Because the labor force increased faster than employment, the unemployment rate increased to 7.7 from 7.6 percent. About 2,900 more city residents were employed and about 600 more were looking for a job.

Although economic conditions have improved since first quarter 2009 when employment fell by 4 percent, employment was still 2.7 percent lower than the third quarter last year. Unemployment was well above 2008 third quarter rate of 5.7 percent.

Employment has grown steadily since the beginning of the year, while the labor force has also increased.

The metro area followed Minnesota trends, which were slightly different than Minneapolis. In the metro area as well as in the state, employment increased faster than the labor force, resulting in a lower unemployment rate.

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

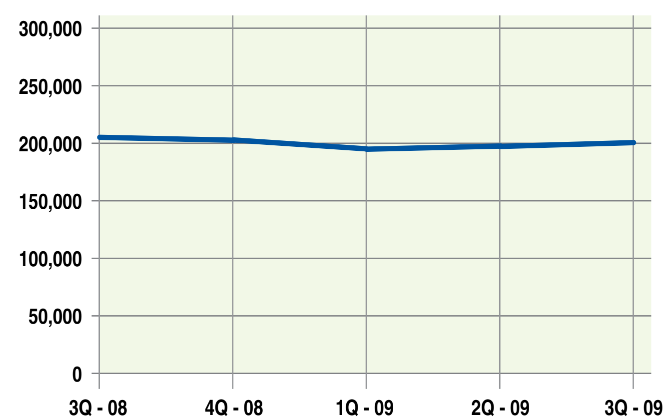
	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis					
Labor Force	219,036	215,696	210,465	214,400	217,827
Employment	206,630	203,623	195,430	198,122	200,984
Unemployment rate	5.7%	5.6%	7.1%	7.6%	7.7%
Metro Area					
Labor Force	1,628,823	1,609,610	1,580,189	1,603,372	1,622,568
Employment	1,541,875	1,519,437	1,458,302	1,478,385	1,499,751
Unemployment rate	5.3%	5.6%	7.7%	7.8%	7.6%

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

Numbers reflect latest revisions by DEED

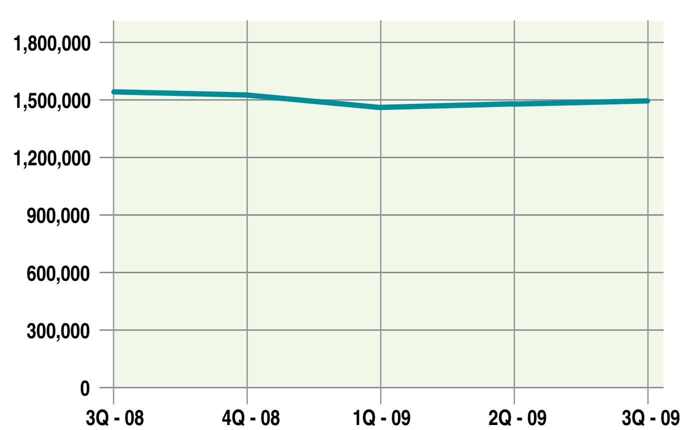
* For metro area definition, see page 13.

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



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

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



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

* For metro area definition, see page 13.

Jobs

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

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09	% change 1Q-08-1Q-09
Total, All Industries	**289,090**	**291,928**	**291,925**	**291,643**	**281,935**	**-2.5%**
Manufacturing	16,699	16,745	16,626	16,206	15,220	-8.9%
Utilities*	2,657	2,705	2,736	2,754	2,730	2.7%
Wholesale Trade	9,423	9,528	9,396	9,114	8,766	-7.0%
Retail Trade	15,019	15,337	14,793	14,460	13,632	-9.2%
Transportation and Warehousing**	6,611	6,663	6,637	6,840	6,554	-0.9%
Information	10,328	10,514	10,618	10,463	11,024	6.7%
Finance and Insurance*	27,157	27,233	27,414	27,390	27,254	0.4%
Real Estate and Rental and Leasing	6,090	6,094	6,164	6,067	5,887	-3.3%
Professional and Technical Services**	30,688	30,512	30,786	30,494	29,301	-4.5%
Management of Companies and Enterprises	17,043	17,254	17,486	17,438	17,115	0.4%
Administrative and Waste Services**	14,788	15,134	15,308	14,781	13,080	-11.5%
Educational Services	29,031	28,065	26,107	29,541	29,194	0.6%
Health Care and Social Assistance	44,966	45,737	46,084	46,218	45,649	1.5%
Arts, Entertainment, and Recreation*	5,021	5,327	5,385	5,119	4,960	-1.2%
Accommodation and Food Services	22,722	23,759	24,167	23,675	21,997	-3.2%
Other Services, Ex. Public Admin**	10,319	10,521	10,491	10,318	9,867	-4.4%
Public Administration	12,459	12,302	12,777	12,413	12,249	-1.7%

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

* Private jobs only

** Including private and federal or state government jobs

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

The number of jobs located in Minneapolis decreased 3.3 percent in the first quarter 2009. In comparison with the same quarter the previous year the number of jobs decreased by 2.5 percent (7,155 jobs).

The first quarter of the year is the latest period for which data for the city from the quarterly census of employment and wages (QCEW) is available. The Bureau of Labor Statistics has reported that since 1st quarter, the rate of job losses has slowed down nationwide, including in the Minneapolis-St Paul-Bloomington area.

Quarter to quarter change- 4th quarter 2008 to 1st quarter 2009

All sectors except Information decreased jobs, but the largest job decreases (about 1,000 net jobs lost) from fourth to first quarter took place in:

- **Administrative and waste services sector,** with most of the job loss in employment services.
- **Accommodation and food services,** all subsectors across the board lost jobs including restaurants, eating and drinking places and traveler accommodations.
- **Professional and technical services,** all subsectors, except accounting services, lost jobs. Computer systems design, architectural and engineering services, legal services and advertising had a net loss combined of little more than 960 jobs.
- **Manufacturing** lost nearly 1,000 net jobs, a large part of them in furniture manufacturing, fabricated metal products, machinery manufacturing and printing.

Only one sector increased jobs in this period:

- **Information,** which added a net of almost 700 jobs. Most of these job increases were in telecommunications, followed by ISP, search portals and data processing.

12 month change – 1st quarter 2008 to 1st quarter 2009

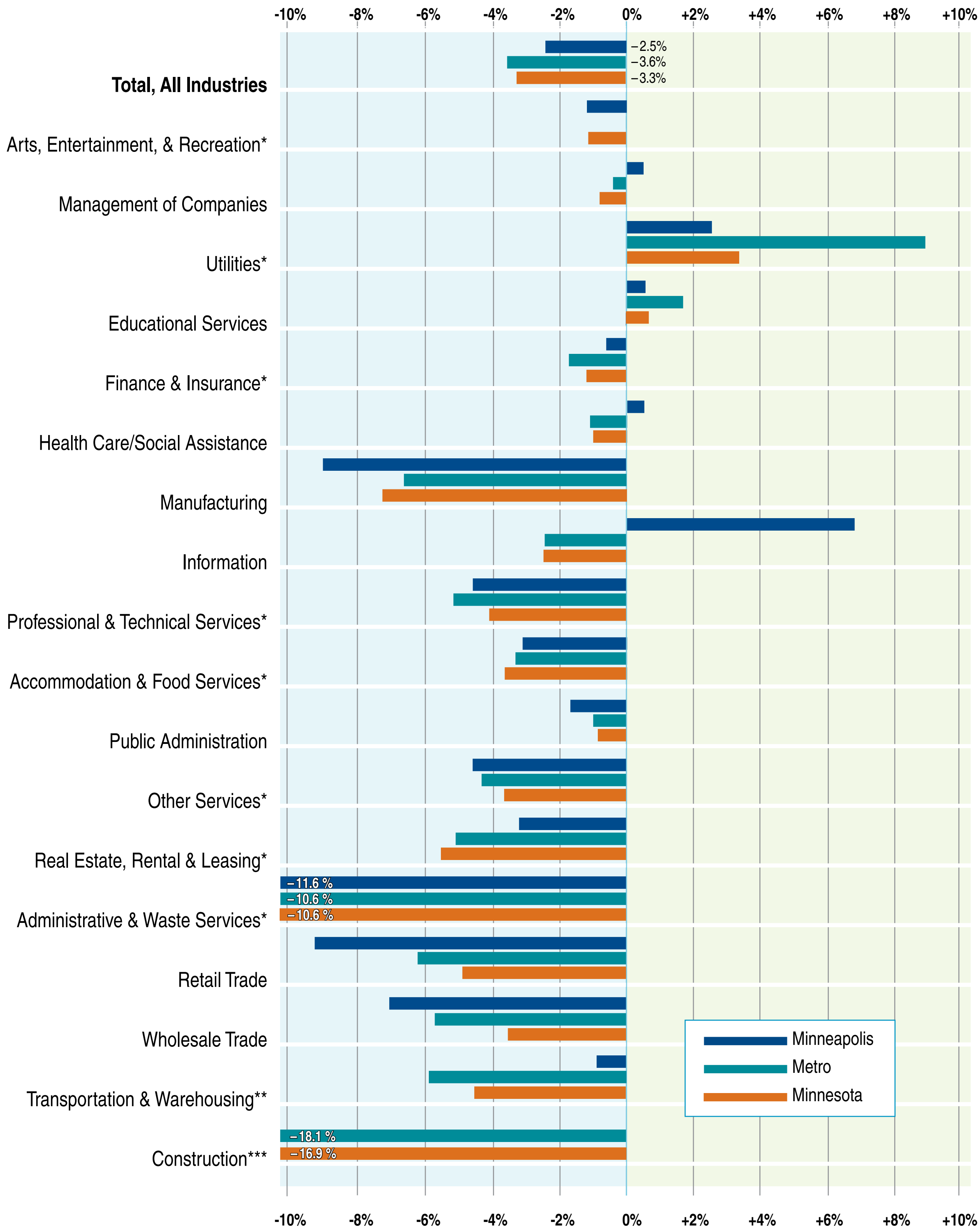
Sectors which gained net jobs:

- **Information (7 percent growth):** Although the publishing industry continued to shed jobs, telecommunications and ISP, search portals and data processing added together more than 1,000 net jobs.
- **Health care and social assistance (1.5 percent growth)** gained almost 700 net jobs in hospitals, health care offices, and nursing and residential care facilities.
- **Educational services (0.6 percent growth):** Of all educational service subsectors only elementary and secondary schools added jobs.
- **Finance and insurance (0.4 percent growth):** growth was mostly the result of banking activity.
- **Utilities: (2.7 percent growth):** added jobs in power generation and supply.
- **Management of companies (0.4 percent growth):** continued its steady growth adding most jobs in managing offices, with some growth in offices of bank holding companies.

Sectors which lost more than 1,000 net jobs:

- The **administrative and waste service** sector shed **11.5 percent** of the sector's jobs. Losses were felt mainly in employment and business support services.
- **Manufacturing** lost **9 percent** jobs mainly in printing activities, furniture manufacturing, primary metal manufacturing, fabricated metal products, machinery manufacturing and miscellaneous manufacturing.
- **Retail trade** shed **9 percent jobs** over the twelve-month period due mostly to losses in general merchandise stores, miscellaneous store retailers, furniture stores and building materials stores.
- **Professional and technical services** lost **4.5 percent** jobs mainly because of losses in computer systems design services, followed by architectural and engineering, scientific research and development, legal and accounting services.

Figure 3: **JOBS** –1Q-08 to 1Q-09
percentage change



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

* Private sector jobs only
** Including private and federal government jobs
***Minneapolis construction job figures are not disclosed because of the small number of construction firms

Jobs

As shown in Figure 3, the city, metro area, and state all lost jobs over the twelve-month period. The city's job base decreased by 2.5 percent, less than the 3.6 percent losses in the metro area, and the -3.3 percent posted statewide. The Twin Cities metro area and the state lost more than 15 percent of their construction jobs in the period.

There was strong growth in the city in the information sector, which decreased in the metro area and statewide.

Utilities, health care and education grew in all the three geographies but less in the city than in the metro or state. The city posted a small growth in financial services and management of companies, both sectors showing negative growth in the metro and state.

Wages

The average weekly wage in Minneapolis in the first quarter of 2009 was $1,158, which was lower in nominal dollars than the previous year (3.7 percent). In *inflation-adjusted dollars** the fall was 2.7 percent. Because of the economic recession, inflation was much lower than last year. Falling real wages were mostly the result of sectors such as finance and insurance, management of companies and utilities which cut wages significantly. The following sectors had higher wages (in inflation-adjusted dollars) than a year earlier:

- **Information (8 percent)**: Information wages increased the most because of rising wages of wired telecommunication carriers.
- **Public administration (8 percent):** Even when public administration wages increased across the board, federal and state governments raised wages faster.
- **Real estate and rental and leasing (6 percent):** Wages for leasing of intangible assets such as patents, trademarks and franchise agreements grew faster than the average wage for the real estate and rental and leasing sector.
- **Health care and social assistance (6 percent):** In the health care sector wages increased more in services such as ambulance, blood donor and health screening services and also nursing care and residential mental health care.
- **Administrative and waste services (5 percent):** wages in this sector increased because of increasing wages in support services such as packaging and labeling, conventions and trade show organization, and services to buildings and dwellings.
- **Manufacturing (1 percent):** net wages increases in this sector followed a more-than-average wage increase in architectural and structural metal manufacturing, forging and stamping and machine shops.

The sectors with the highest year-to-year wage decreases in *inflation-adjusted dollars* were:

- **Utilities (-22 percent):** power generation and supply decreased real wages
- **Finance and insurance (-15 percent):** credit intermediation such as loans and mortgage brokers and agencies, clearinghouse operations and investment activities decreased real wages.
- **Management of companies (-10 percent):** security firms decreased real wages more than the average for other companies.

* For conversion factors, see *page 13.*

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

	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09
Total, All Industries	**$ 1,202**	**$ 1,073**	**$ 1,085**	**$ 1,155**	**$ 1,158**
Manufacturing	1,126	1,037	1,042	1,184	1,128
Utilities	2,219	1,549	1,556	1,620	1,709
Wholesale Trade	1,199	1,166	1,163	1,310	1,188
Retail Trade	587	659	569	583	541
Transportation and Warehousing**	856	903	816	939	838
Information	1,325	1,167	1,168	1,217	1,413
Finance and Insurance*	2,630	1,599	1,660	1,718	2,223
Real Estate and Rental and Leasing	1,518	1,358	1,265	1,370	1,585
Professional and Technical Services*	1,528	1,527	1,603	2,001	1,513
Management of Companies and Enterprises	1,898	1,752	1,554	1,627	1,697
Administrative and Waste Services*	676	675	668	679	704
Educational Services	1,060	987	1,111	1,028	995
Health Care and Social Assistance	925	896	939	959	966
Arts, Entertainment, and Recreation*	905	1,146	1,257	1,030	859
Accommodation and Food Services	356	349	364	366	345
Other Services, Ex. Public Admin*	562	549	578	579	564
Public Administration	1,101	1,150	1,125	1,167	1,176

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

* Private jobs only

** Including private and federal government jobs

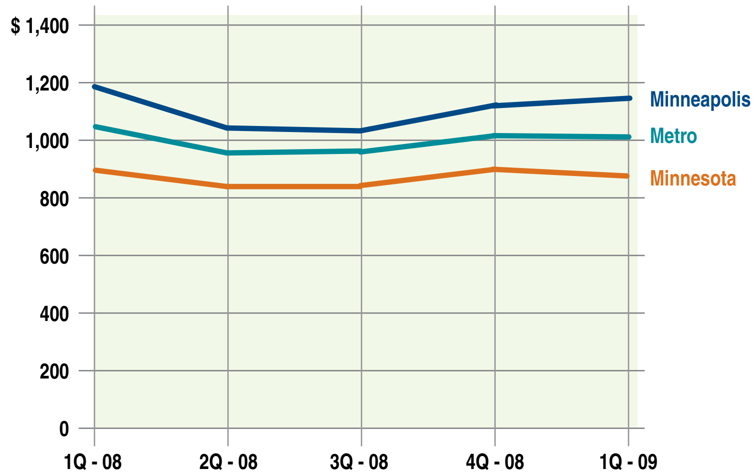
1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

In general, jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state. However, first-quarter wages in Minneapolis decreased by 2.7 percent in *inflation-adjusted dollars** from a year earlier. Average wages decreased in the metro area even more than in the city (3.2 percent), but decreased less in the state, by 1.9 percent in *inflation-adjusted dollars**. Wages decreased mainly because employers cut work hours.

* For conversion factors, see page 13.

Figure 4: **AVERAGE WEEKLY WAGES** – 1Q-08 to 1Q-09
in inflation-adjusted dollars

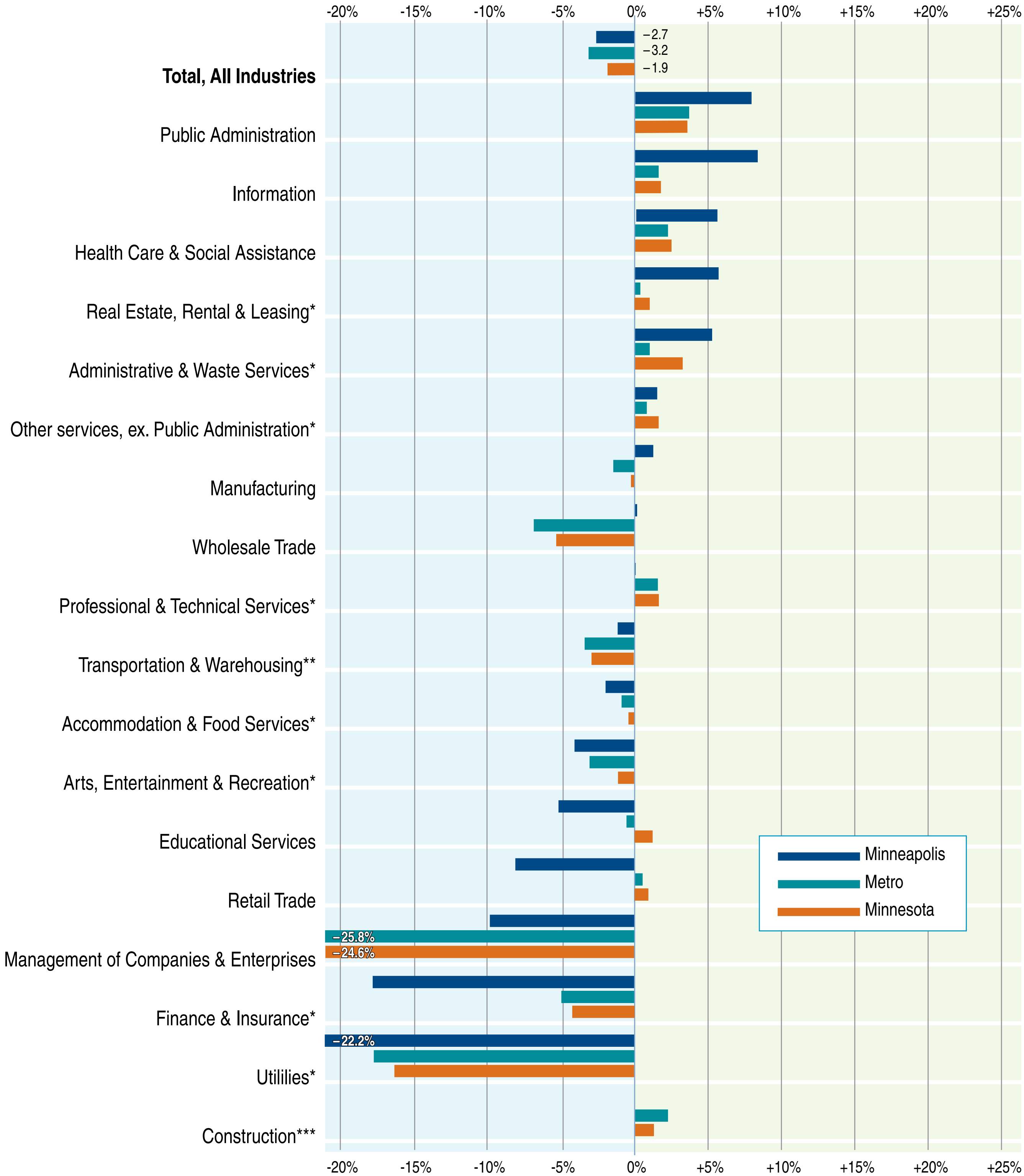


	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09	$ change 1Q-08 to 1Q-09	% change 1Q-08 to 1Q-09
Minneapolis	$ 1,190	$ 1,062	$ 1,067	$ 1,136	$ 1,158	$ (32)	-2.7%
Metro area	1,041	959	962	1,015	1,008	(33)	-3.2%
Minnesota	899	840	847	892	882	(17)	-1.9%

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

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 1Q-08 to 1Q-09
percent change in inflation-adjusted dollars



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

* Only private sector wages
** Including private and federal government jobs
***Minneapolis construction figures are not disclosed because of privacy of information

Wages

Wages did not decrease as much as would be expected given the economic situation because inflation was tame. Seven sectors out of 18 decreased real wages in Minneapolis, the metro area and the state in i*nflation-adjusted dollars* from the first quarter of 2008 to the first quarter of 2009. Six sectors actually grew in all the three geographies in the same period. As per the graph above, the following sectors exhibited the highest percentage increase in average wages within the city, and in comparison with the metro and the state:

- **Public administration** average weekly wages increased in Minneapolis more than in the metro or the state.
- The same trends occurred in **Information, Health care, Real estate, administrative services,** and **other services** such as repair and maintenance and personal services.
- **Manufacturing** posted increased wages in the city, but wages in the sector decreased in the metro and the state.
- Industries which experienced the steepest decline in real wages in Minneapolis included:
- **Utilities:** average wages decreased in the city by more than 22 percent, by 16 percent in the metro and by over 12 percent in the state.
- **Finances and insurance:** also decreased in all geographic areas, but more in Minneapolis (almost 15 percent) than in the metro (5 percent) or state (4 percent).
- **Management of companies:** also had a wage decrease in Minneapolis (nearly 10 percent), but it was much smaller than in the metro or the state which showed losses of -26 and -25 percent respectively.

* For conversion factors, see *page 13*.

- **Labor Force, Employment and Unemployment:** Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. For complete definitions go to: http://www.bls.gov/opub/hom/pdf/homch1.pdf

- **Metro area:** The following counties make up the seven-county metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

- **Jobs and wages:** Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area and Minnesota. To see how the "digits" work, go to www.census.gov/epcd/naics02.

- **Inflation-adjusted figures:** Values reported in table 3 are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the first quarter of 2009, dollars have been converted with an index reflecting the CPI for the first half of 2009 and first half of 2008, with 2009 as a base year. To look at the indexes go to: Consumer Price Index Home Page and click on "get detailed CPI statistics - All urban consumers (current series)."

Development indicators

- Permits for new construction of single-family units increased slightly since last quarter. Also, for the first time since the beginning of the year, a new mixed use multifamily building with 10 residential units was permitted in the third quarter. Metro-wide permitted units increased 31.5 percent from last quarter. The numbers of permits issued in the city as well as in the metro area were still far below third quarter level last year.
- This quarter there were 8 percent more residential building remodels and 11 percent more non-residential remodels for projects costing $50,000 or more than last quarter. However, in comparison with 3rd quarter last year, building remodels were 17 percent lower for residential projects and 30 percent lower for non-residential projects.
- Fourteen commercial and residential projects costing at least $1 million were permitted this quarter, totaling $40.4 million. This was 61 percent down from last quarter. The largest single project was a new family medical clinic, part of Hennepin County Medical Center at 28th and Nicollet Ave South.

New construction

New residential permitted units this quarter increased to 19 in comparison with 8 last quarter, reflecting a small improvement since the beginning of the year. However, construction of new units was still 80 percent below last year's level in the third quarter. In the metro area, the volume of units permitted also increased since last quarter, but was 33 percent lower than the same quarter in 2008.

This quarter, nine single-family units and ten multifamily units were permitted. This was the first time since the beginning of the year that there was permitting activity for new multifamily units which will be built in a mixed use development, Prospect Place, with retail and office space.

Table 4: **NEW RESIDENTIAL UNITS PERMITTED**

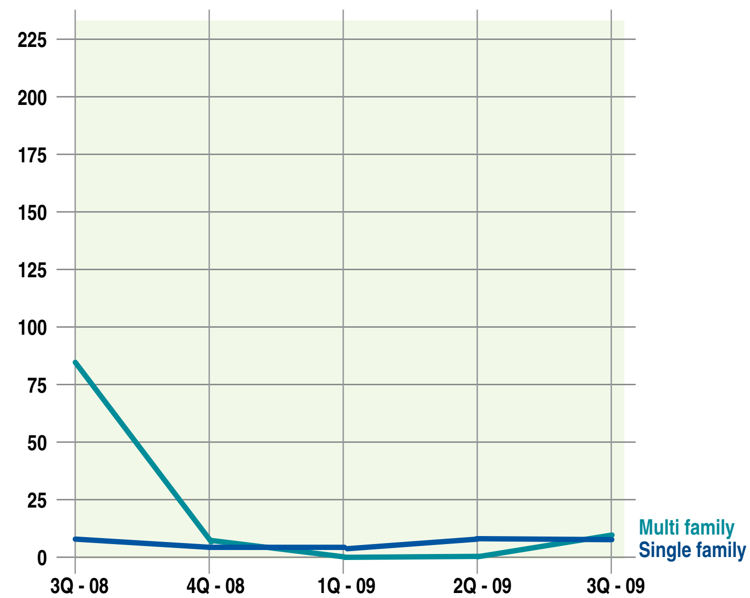
	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Single-family					
City	8	7	5	8	9**
Metro area	1006	703	381	798	978
Multifamily					
City	84	5	0	0	10
Metro area	702	218	225	69	162
Total Units					
City	92	12	5	8	19
Metro area*	1,708	921	606	867	1,140

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.

** Including one single-family residential unit which was not counted by the Census Bureau in September

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



Source: U.S. Census Bureau –estimated units with imputation.

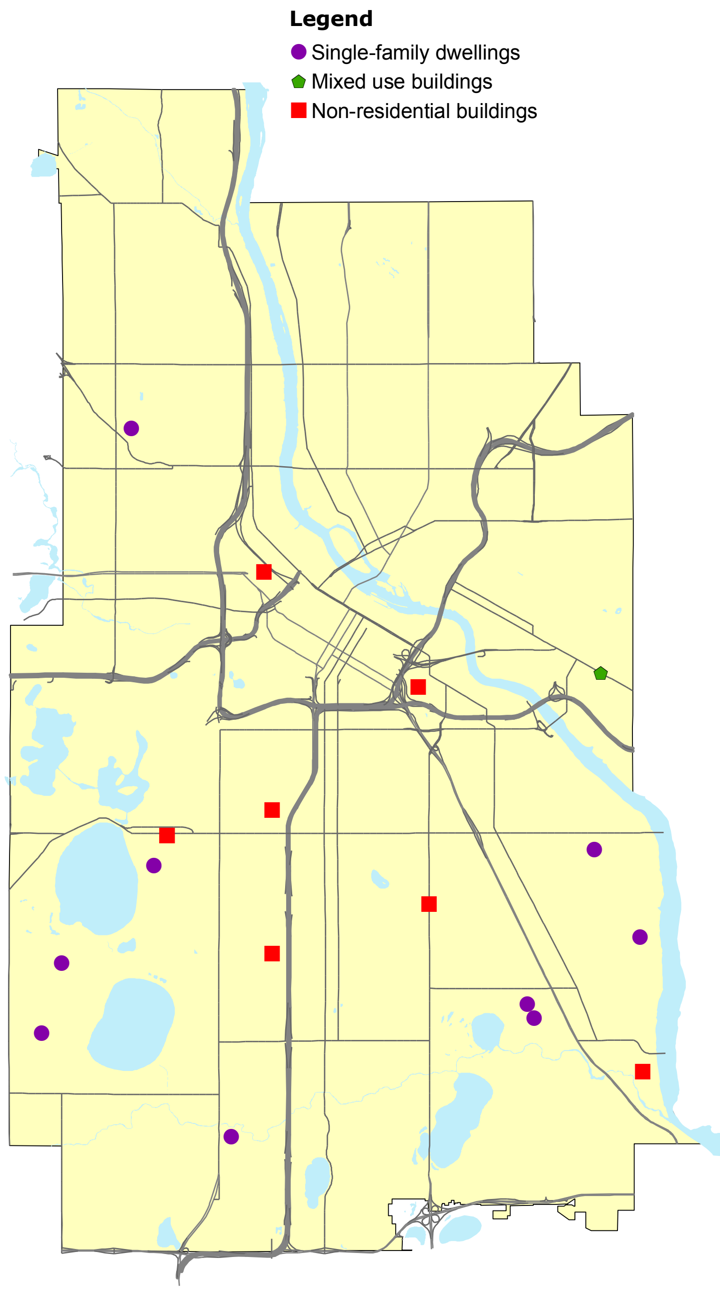
New construction

There were mostly single-family homes permitted this quarter and a multifamily building with retail and office at 3020 University Ave SE.

From seven new commercial buildings permitted this quarter, the largest two were the Hennepin County Medical Center Family Clinic at 2810 Nicollet Avenue, and the Holiday Station store at 601 5th St N, a gas station with retail and car wash.

Map 1: **NEW CONSTRUCTION** – 3Q-09

Source: City of Minneapolis Regulatory Services



Cost of residential construction

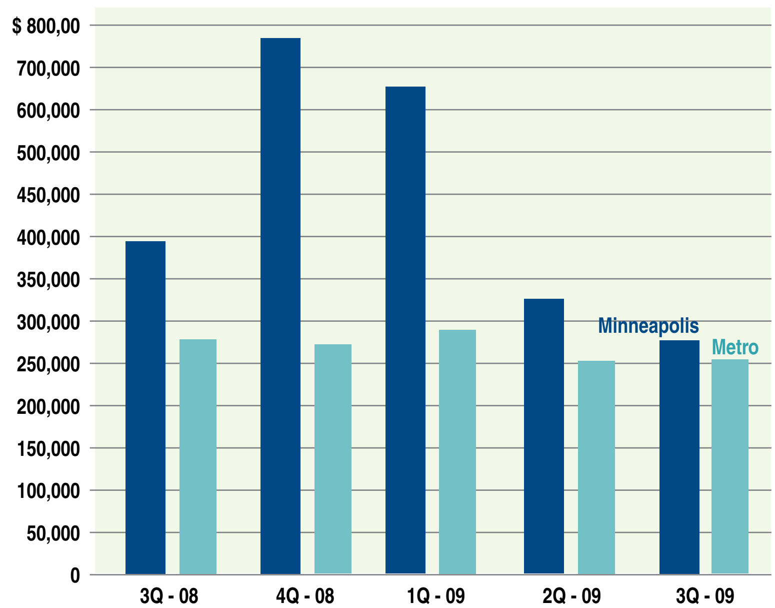
In Minneapolis the average construction cost for single-family homes permitted this quarter was 15 percent lower than a year ago, decreasing from $392,770 to $275,013.

The average construction cost for single-family homes in the metropolitan area was about 4 percent lower than a year ago and only 0.5 percent lower than last quarter.

A single-family home in the metro area was 91 percent of the cost of a single-family home in Minneapolis

After two quarters with no multifamily construction, the city permitted a new mixed use building with 10 units. The cost per unit was only 1 percent lower than the previous year. In the metropolitan area the average cost decreased by 41 percent from the previous quarter and was 37 percent lower than a year ago.

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

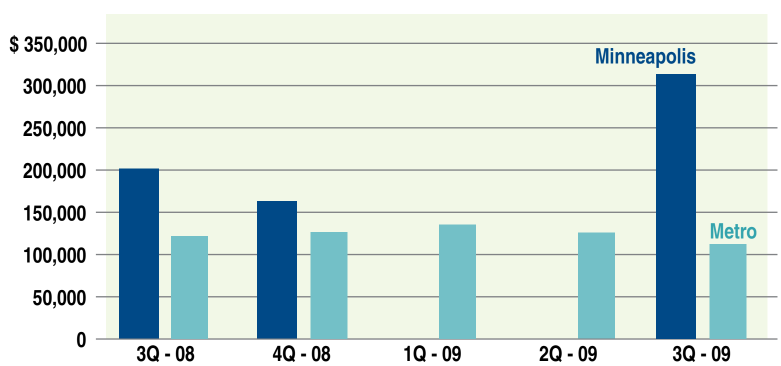


	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis	$ 392,770	$ 770,702	$ 658,973	$ 322,580	$ 275,013
Metro area	261,322	268,324	281,418	251,849	250,505

Source: US Census Bureau

Table values are not adjusted for inflation

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis	$ 151,526	$ 159,890	$ 0	$ 0	$ 150,000*
Metro area	126,027	135,841	138,808	135,541	79,652

*Source: US Census Bureau * City of Minneapolis Regulatory Services*

Values in table are not adjusted for inflation

Conversions, remodels & additions

Permitted remodeling activity picked in third quarter, with an 8 percent increase in the number of projects. In comparison with last year though, permitting activity for residential remodeling was 17 percent lower.

Permitting for non residential construction increased 11 percent. More buildings were renovated than last quarter, but overall volume was about 30 percent lower than third quarter last year.

The total amount to be spent this quarter on **residential** remodeling and conversion projects costing more than $50,000 was estimated at about $18.5 million. This was 6 percent higher than the previous quarter, but 43 percent lower than the third quarter the previous year. The projected cost of **non-residential** remodeling and addition permit work was $32.9 million, 68 percent lower than the second quarter and 69 percent lower than the third quarter the previous year.

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

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Total Residential [1]					
Number of buildings	195	121	97	149	161
Total value	$ 32,643,817	$ 18,712,614	$ 14,044,631	$ 17,425,076	$ 18,462,483
Remodels					
Number of buildings	192	119	94	142	157
Value	$ 27,049,001	$ 18,597,494	$ 13,686,881	$ 16,825,399	$ 17,975,418
Conversions and additions [2]					
Number of buildings	3	2	3	7	4
Net number of units	30	0	-1	-6	5
Value	$ 5,594,816	$ 115,120	$ 357,750	$ 599,677	$ 487,065
Total non-residential [1]					
Number of buildings [3]	137	107	60	89	99
Value	$ 104,757,942	$ 156,548,055	$ 56,399,582	$ 103,826,776	$ 32,928,808

Source: City of Minneapolis Regulatory Services

1 Residential and non-residential building listings may include structural work, 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.

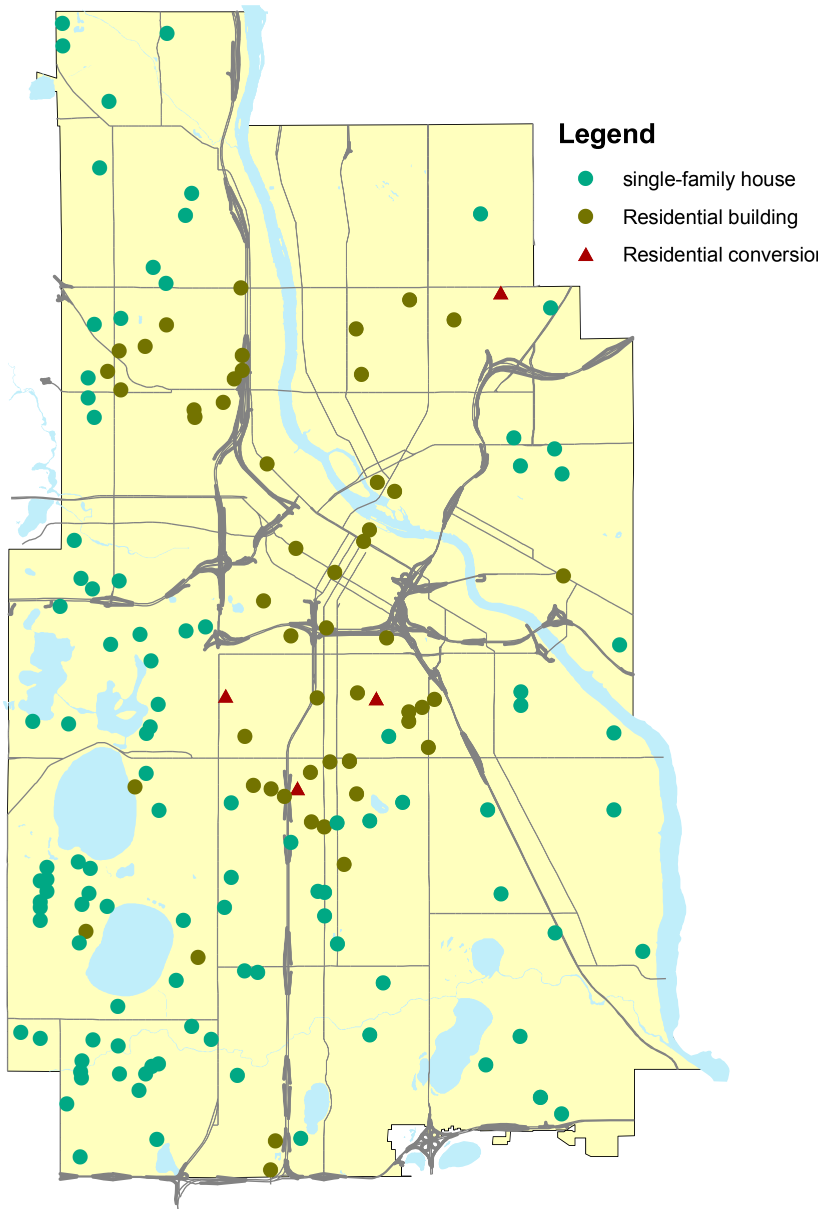
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings

Conversions, remodels & additions

About 64 percent of residential construction permits were issued for remodeling and improvement of single-family dwellings. Repair, remodeling and renovation work was being done in several multi-family buildings, 3 of them totaling approximately 235 apartment units. Three duplexes were converted into single-family houses, and a four-unit building was converted into a duplex. This conversion activity resulted in five fewer units out of 10 before conversions.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 3Q-09
projects $50,000 +

Source: City of Minneapolis Regulatory Services

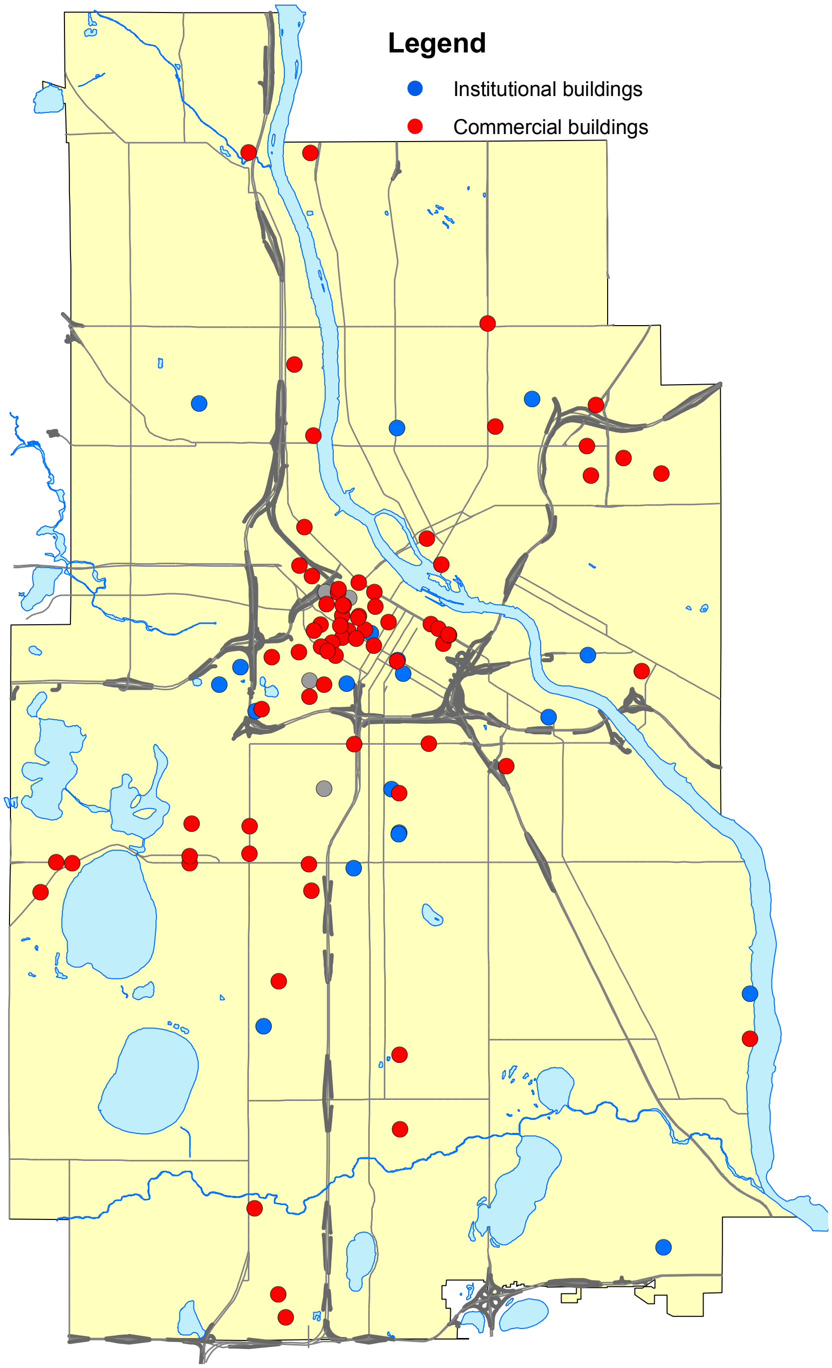


Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations tends to occur primarily in downtown. This quarter downtown had 49 percent and the Lake Street area, 13 percent of all permit/projects. Permits for renovation of non-residential buildings included commercial, institutional and parking facilities improvements and build-outs and change of uses. The Metropolitan Community and Technical College and Capella University as well as Riverside and Abbott Northwestern hospitals were pursuing major renovations this quarter. Some renovations were intended for a change of use. For example, a few office-warehouses were converting all their space into offices.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 3Q-09
projects $50,000 +

Source: City of Minneapolis Regulatory Services



Major construction projects

The following list shows major (projected at $1 million or more) projects permitted in Minneapolis in the third quarter of 2008. The listed amount only reflects projected construction cost for permits issued that quarter. The highest cost project by far is the new Hennepin County Medical Center family clinic in Whittier at a cost of more than $15 million.

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

	Address	Neighborhood	Ward	Projected construction cost
HCMC Family Medical Clinic: new 2-story building with parking	2810 Nicollet Ave	Whittier	6	$ 15,448,075
MDOT 5th St Garage: alterations	516 2nd Ave N	Downtown W	7	5,850,000
Holiday Station Store: new motor vehicle fueling station, retail and car wash	601 5th St N	N. Loop	5	2,011,898
Holiday Station Store: new motor vehicle fueling station, retail and car wash	3550 Cedar Ave S	Powderhorn Park	9	1,504,229
Prospect Place: mixed use building (office, retail, residential)	3020 University Ave S	Prospect Park	2	1,500,000
Urban Anthology: new retail building	3014 Hennepin Ave	ECCO	10	1,420,000
Kitchen Window: retail sales build-out	3001 Hennepin Ave	CARAG	10	2,271,104
Fairview Hospital: remodel of 3rd floor	2450 Riverside Ave	Cedar Riverside	2	2,016,128
Karmel Village: parking and apartments build-out	2848 Pleasant Ave	Whittier	6	2,004,570
MCTC campus: plaza remodeling	1501 Hennepin Ave	Loring Park	7	1,571,379
Capella University: interior remodel	225 6th St S	Downtown W	7	1,343,792
Abbott Northwestern Hospital: Mental health unit remodel	800 28th St E	Midtown Phillips	9	1,279,531
Hennepin Energy Resource facility: commercial improvements	505 6th Ave N	N. Loop	5	1,105,000
MPHA: Apartment building remodel	600 18th Ave N	Near North	5	1,080,800

* Includes more than one permit at one address

Demolitions

Permits for residential demolitions decreased 3 percent this quarter from the 2nd quarter, and were 22 percent lower than last year. Residential demolitions this quarter included about 28 single-family homes, ten duplexes, a triplex, a nine-unit apartment building and a mixed-use building with four residential units. A duplex in North Minneapolis was moved to another location.

About 30 percent of the residential structures permitted for demolition this quarter were in North Minneapolis, and 10 percent were in the Phillips community. In North Minneapolis, a large number are located in the Jordan and Hawthorne neighborhoods and along West Broadway and Lowry avenues, areas which are undergoing redevelopment.

Non-residential demolition permits included demolitions of seven commercial buildings and two miscellaneous structures.

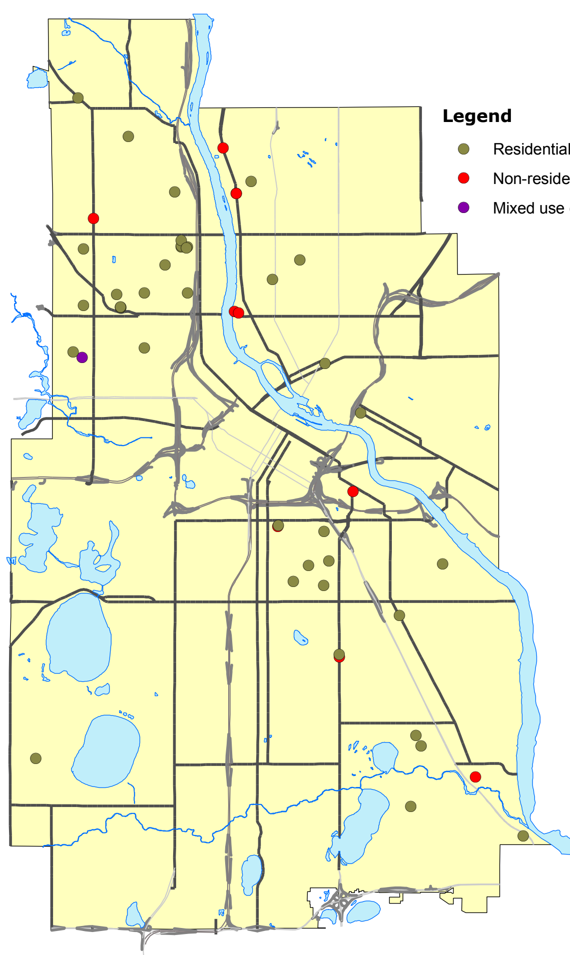
Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis
in permits

Quarter	Units
3Q-08	82
4Q-08	161
1Q-09	42
2Q-09	66
3Q-09	64

Source: City of Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** – 2Q-09

Source: City of Minneapolis Regulatory Services



- **Building permits for new construction:** Permits represent construction projects (residential and non-residential) approved by the City. Typically there is a time lag between issuing a permit and actual construction.
- Table four and figures six to eight are based on monthly figures for the city of Minneapolis and metropolitan area provided by the U.S. Census Bureau. For mapping purposes, data on new building construction, remodels, conversions and demolitions for the city are based on permit information by address from the City's Regulatory Services Department. Numbers from the U.S. Census Bureau and Minneapolis Regulatory Services may differ slightly for the same period because of a time-lag in reporting. Census Bureau numbers do not include additions, remodels or demolitions.
- **Single-family** buildings have only one unit in the building.
- **Multifamily** buildings have two or more units in the building, except when noted that triplexes and duplexes are counted separately (in that case, multifamily buildings have four or more units).
- **Cost of residential construction** is based on the cost developers report on permit requests for their projects.
- **Construction cost per unit** refers to the total construction cost reported divided by the number of units permitted during the period considered.
- **Non-residential** buildings include any kind of use except residential. Cost is based on the amount the developer reports to the City's Regulatory Services Department.
- **Building permits for residential remodeling, additions and conversions:** Table five and maps two and three are based on data from the City of Minneapolis Regulatory Services Department. Information includes all City-approved projects for remodeling, additions and conversions with a value of $50,000 or more.
- **Building permits for demolitions:** These data were obtained from the City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings. The multifamily building category includes rentals and condominiums.

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

Map 1 – New buildings

Single-family: means detached dwellings.

Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including town-houses. It also includes temporary housing for health-care purposes.

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

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

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

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

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

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

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

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

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

Map 4 – Demolitions

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

Non-residential: all non-residential buildings and structures

Housing stock & the real estate market

- The average apartment vacancy rate in Minneapolis increased from 6 to 6.5 percent. Average rents decreased to $908 from $943 the previous quarter, a decline of 4 percent.
- The number of housing units sold increased 7.5 percent from last quarter and were 12 percent higher than a year ago. The volume of traditional sales increased 13 percent from a year ago, but median sale prices were lower. Prices for lender-mediated sales were 36 percent higher than last quarter and 7 percent higher than the previous year.
- There were 594 foreclosures this quarter, a 12 percent increase from the previous quarter, but 24 percent decline from a year ago.
- The number of condemned, boarded, and vacant buildings in the city was 841, a decrease of 3 percent from the previous quarter and a decrease of 12 percent from a year ago.
- Real estate vacancy rates in the Minneapolis central business district (CBD), including office and retail, increased this quarter. The rates were higher than last year. Office vacancies were 17.2 percent and retail vacancies were 10.9 percent. The CBD and metro area office vacancy rates this quarter were the same.

Residential vacancy rates & average apartment rents

The Minneapolis vacancy rate for multi-family rental housing was 6.5 percent, an increase from 6 percent last quarter. The vacancy rate has increased steadily since the third quarter last year.

The vacancy rate was 2.9 percent higher than the previous year. The conditions of last quarter continued into this quarter: unemployment was still high and jobs were scarce. As a result, people were not moving as frequently and some were sharing the cost of renting with others.

In the metro area, the vacancy rate increased to 6.4 percent from 6 percent last quarter, and was 2.3 percent higher than a year ago.

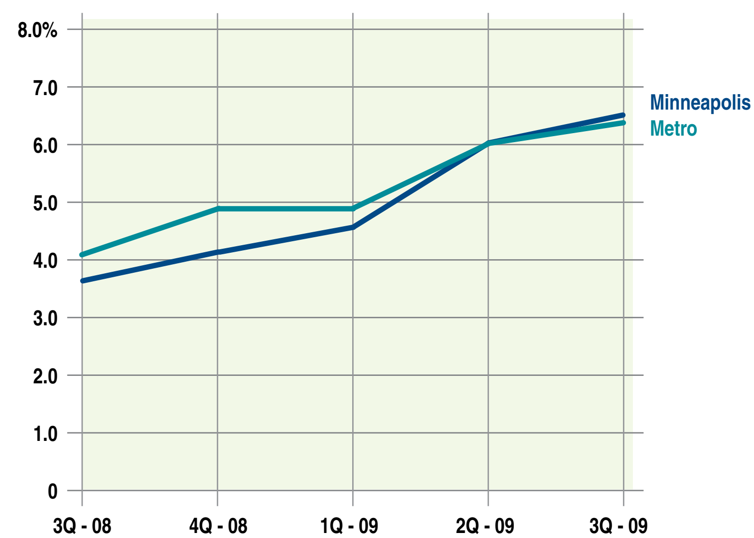
Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
MInneapolis					
Units surveyed	15,536	15,621	15,874	16,126	15,013
Vacant units	553	661	738	961	974
Average rent	$ 929	$ 914	$ 916	$ 943	$ 908
Vacancy rate	3.6%	4.2%	4.6%	6.0%	6.5%
Metro area					
Units surveyed	113,212	119,435	116,939	118,208	111,314
Vacant units	4,673	5,805	5,714	7,077	7,178
Average rent	$ 922	$ 906	$ 908	$ 904	$ 908
Vacancy rate	4.1%	4.9%	4.9%	6.0%	6.4%

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

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



Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Residential vacancy rates & average apartment rent

In Minneapolis the average rent was $908, $35 lower in inflation-adjusted dollars* than last quarter, and $11* lower than a year ago. In the metro area average rent was $908, an increase of $4 from last quarter and a decrease of $4 from the third quarter 2008 in inflation-adjusted dollars*.

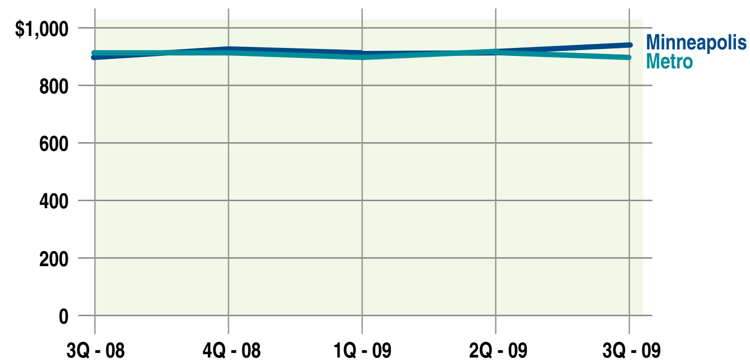
Rents decreased, pushed down by high vacancy rates which reflected the negative conditions of the labor market. With a lessening demand, landlords gave more concessions.

Vacancy rates were lower in Downtown and North Minneapolis, while they were higher in the other three sectors. In comparison with a year ago, all sectors experienced increased vacancy rates except East Minneapolis.

Downtown rates decreased after increasing consistently since third quarter 2008 and were 3.4 percent higher than the same quarter last year. East Minneapolis, which this quarter had the highest rate was 0.4 percent above Downtown, but it was still below 3Q-08. The UMN, southeast and northeast sector had the lowest vacancy rate, but well above third quarter 2008 rates.

* For conversion factors, see page 44.

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



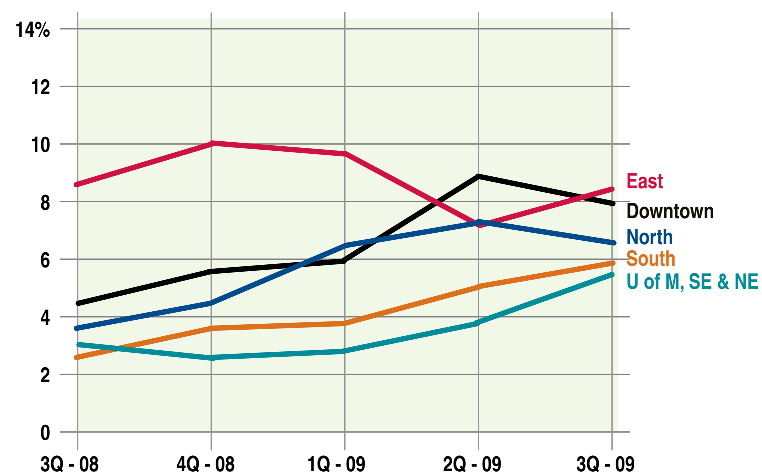
	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis	$ 929 $ (919)	$ 914 $ (922)	$ 916 $ (921)	$ 943 $ (943)	$ 908 $ (908)
Metro area	922 (912)	906 (914)	908 (913)	904 (904)	908 (908)

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 parenthesis

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Downtown	4.5%	5.6%	6.0%	8.9%	7.9%
South	2.4%	3.5%	3.8%	5.0%	5.9%
North	3.7%	4.4%	6.4%	7.2%	6.4%
East	8.6%	10.0%	9.4%	7.1%	8.3%
U of M, SE and NE	3.0%	2.5%	2.7%	3.8%	5.6%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

* For sector definitions, see page 42.

Although decreasing, Downtown continues to command the highest average rent in Minneapolis. This quarter average rents were down $43 (4 percent) from second quarter in *inflation-adjusted dollars**. In comparison with third quarter last year rents were lower $11 on average (1 percent)*.

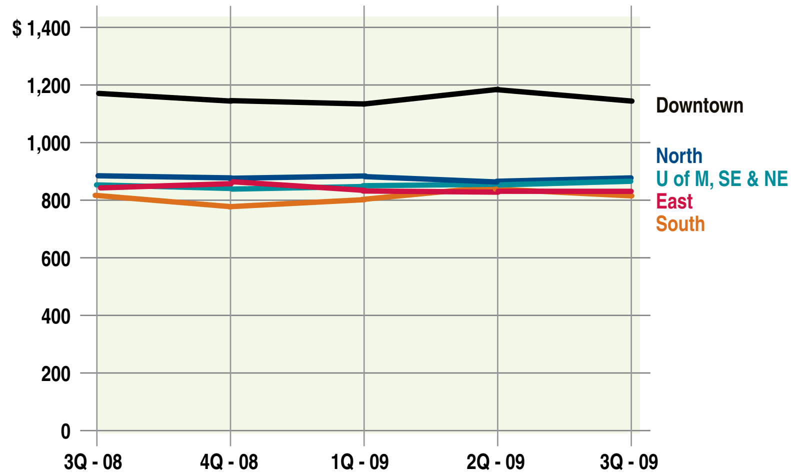
In South Minneapolis rents dropped from the first quarter but were still 1 percent higher than last year.

In East Minneapolis average rents had been increasing since fourth quarter 2008 in *inflation-adjusted dollars,* but they dropped this quarter by almost 2 percent. They were still nearly 1 percent higher than a year ago.

In North Minneapolis, which has a small number of market rental units and many foreclosure properties that could be leased, the average rent declined from the second quarter and was lower than a year ago. Rents in the UMN area also decreased in the last quarter and were 0.2 percent lower than the previous year.

* For conversion factors, see *page 44.*

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-08
Downtown	$ 1,173 ($ 1,161)	$ 1,157 ($ 1,167)	$ 1,144 ($ 1,150)	$ 1,192 ($ 1,193)	$ 1,150 ($ 1,150)
South	816 (807)	783 (790)	807 (811)	848 (848)	815 (815)
North	879 (870)	877 (885)	891 (896)	877 (877)	862 (862)
East	826 (817)	866 (874)	837 (841)	839 (839)	824 (824)
U of M, Southeast and Northeast	870 (861)	857 (864)	850 (855)	863 (863)	859 (859)

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 parenthesis.

* For sector definition, see *page 42.*

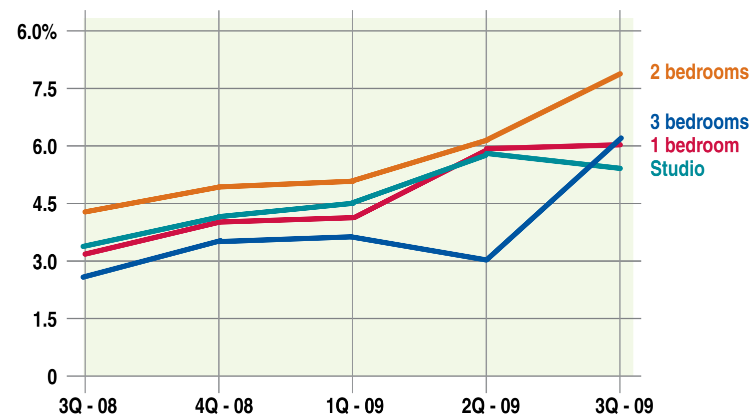
Residential vacancy rates & average apartment rent

Vacancy rates for all apartment types, except studios, increased in comparison with second quarter. Most apartment types doubled their vacancy rates in comparison with third quarter 2008. The lowest rate this quarter of 5.4 percent was for studio apartments. The largest vacancy rate was for two-bedroom units at 7.9 percent. More than 50 percent of the apartments surveyed in the city have only one bedroom.

Average rent decreased this quarter in *inflation-adjusted dollars* except for studio apartments which had an increase of 3.5 percent. Average rent decreases for the largest units were almost 7 percent. In comparison with the same quarter last year, rents for studios increased little bit more than 4 percent. For all other apartment types average rents decreased; again, the largest units had the largest decrease of 4.5 percent. As renters cut costs, demand for smaller units increased more than for the largest units and therefore rents for small units increased too. Prices decreased for the largest units which were more difficult to rent.

* For conversion factors, see *page 44.*

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

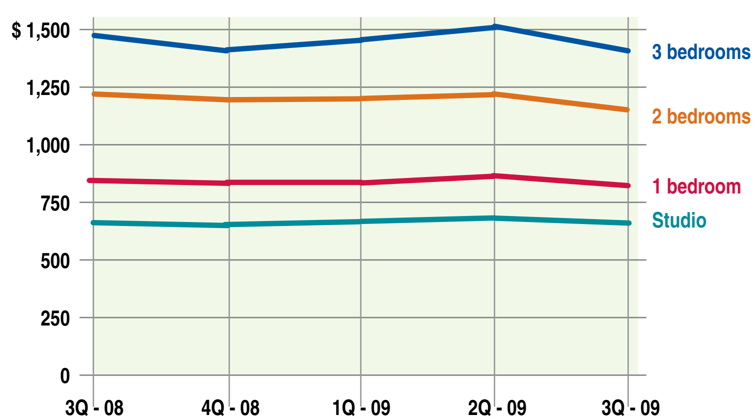


	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Studio	3.4%	4.1%	4.5%	5.6%	5.4%
One bedroom	3.2%	3.9%	4.0%	5.9%	6.0%
Two bedrooms	4.3%	5.0%	5.2%	6.2%	7.9%
Three bedrooms	2.5%	3.6%	3.7%	3.0%	6.2%

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

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Studio	$ 643 ($ 636)	$ 640 ($ 646)	$ 645 ($ 648)	$ 669 ($ 640)	$ 663 ($ 663)
One bedroom	848 (839)	841 (848)	840 (844)	868 (868)	831 (831)
Two bedrooms	1,223 (1,210)	1,193 (1,203)	1,207 (1,213)	1,223 (1,224)	1,192 (1,192)
Three bedrooms	1,484 (1,468)	1,382 (1,394)	1,468 (1,476)	1,501 (1,502)	1,401 (1,401)

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 parenthesis.

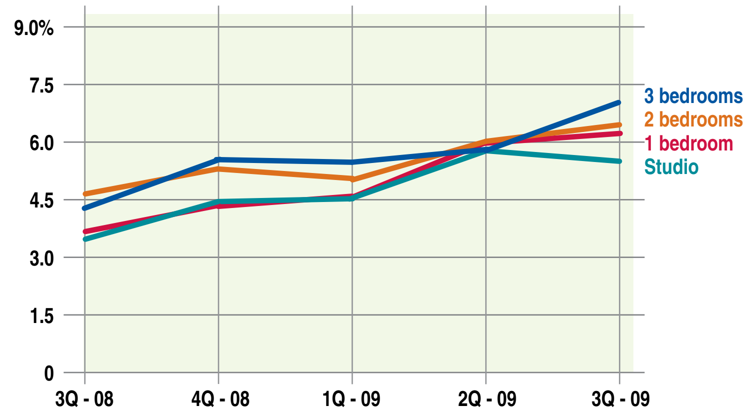
Residential vacancy rates & average apartment rent

Average vacancy rates for all apartment types increased in comparison with third quarter a year ago. Demand for smaller units kept the vacancy rate for studios and one-bedroom units below the average vacancy rate for the region as a whole. From second to third quarter all vacancy rates increased except for studio units.

This quarter average rent in *inflation-adjusted dollars* decreased for studio apartments, but increased a bit for all other unit types. In comparison with a year ago, average rents were still higher this quarter for studios in *inflation-adjusted dollars*, and were stable for one-bedroom units. Average rent for larger units (two and three bedrooms) experienced a slight decrease.

* For conversion factors, see page 44.

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

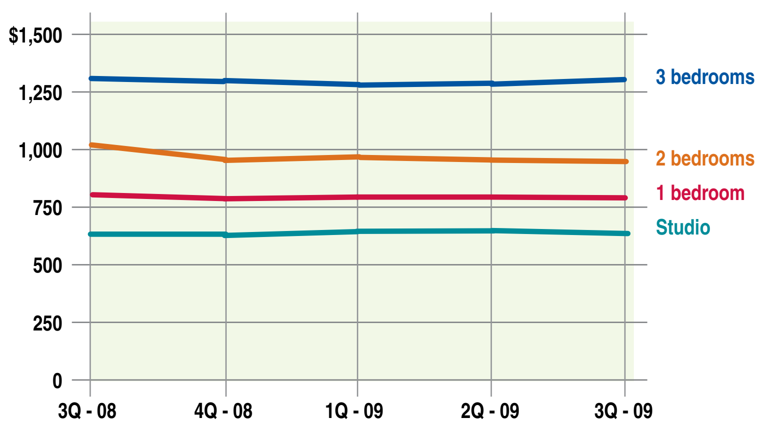


	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Studio	3.4%	4.4%	4.5%	5.7%	5.5%
One bedroom	3.6%	4.3%	4.5%	5.9%	6.2%
Two bedrooms	4.6%	5.3%	5.0%	6.0%	6.5%
Three bedrooms	4.3%	5.5%	5.3%	5.7%	6.9%

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

Recorded data for the last month of the quarter

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Studio	$ 650 ($ 643)	$ 649 ($ 655)	$ 656 ($ 659)	$ 667 ($ 667)	$ 664 ($ 664)
One-bedroom	796 (788)	788 (795)	791 (795)	787 (787)	788 (788)
Two-bedrooms	1,004 (994)	976 (984)	985 (990)	980 (980)	983 (983)
Three- bedrooms	1,289 (1,276)	1,285 (1,296)	1,264 (1,271)	1,260 (1,261)	1,274 (1,274)

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

Recorded data for the last month of the quarter

Rents in inflation-adjusted dollars are in parenthesis.

Residential sales

Traditional housing sales increased again this quarter and lender-mediated sales, which had been growing steadily, dropped by 11 percent. In comparison with a year ago, traditional sales were 13 percent above the level of third quarter 2008 and lender-mediated sales were 9 percent higher.

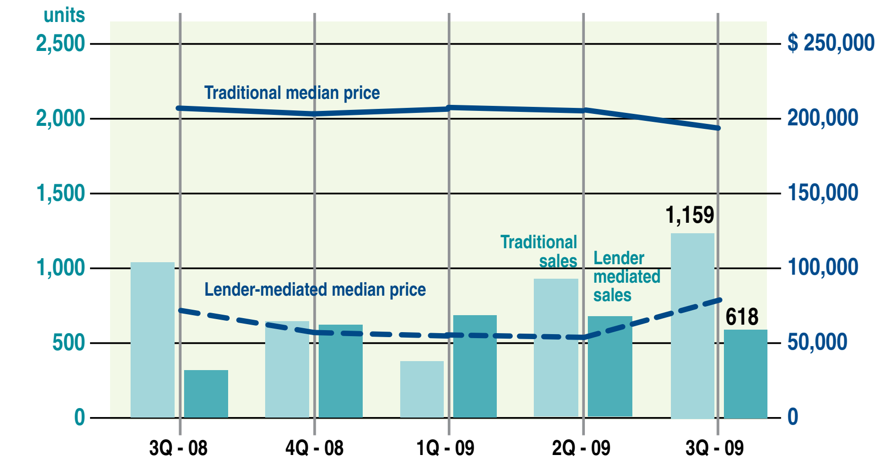
For traditional sales prices were 8 percent lower than last quarter, but remained slightly higher than the metro area for the 3rd consecutive quarter. Traditional median sale prices were 9 percent lower than the previous year. For lender-mediated sales however, median prices were 36 percent and 7 percent higher than the previous quarter and previous year respectively.

The increase in traditional sales reflected a more confident market. Decrease in lender-mediated sales this quarter and rise in their average sale prices signify that the number of "problem" properties offered in the Minneapolis market is smaller.

The number of traditional sales increased nearly 21 percent from last quarter, while lender-mediated sales decreased by 7.5 percent. Traditional sales were slightly lower than last year, and lender-mediated sales were about 38 percent higher. Median sale prices for traditional units dropped about 8 percent from last quarter and 13 percent from last year. On the other hand, lender-mediated sales median prices were about 2 percent higher than the previous quarter but nearly 17 percent lower than the third quarter last year.

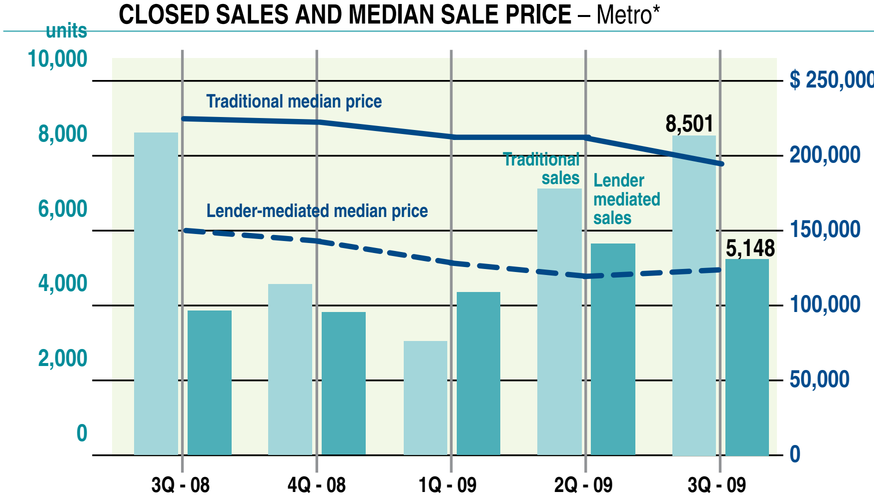
In Minneapolis the total number of housing units sold in the third quarter, including traditional and lender-mediated sales, increased 7.5 percent from second quarter, and it was 12 percent higher than a year earlier. Median sale prices increased 5 percent, prompted by in-

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



Source: Minneapolis Area Association of Realtors (MAAR)

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



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 44.

Table 8: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES**

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis					
Units	1,590	1,212	1,075	1,653	1,777
Median sale price	$ 175,000	$ 137,750	$ 110,000	$ 156,750	$ 164,040
Metro area					
Units	12,245	8,544	7,283	12,600	13,649
Median sale price	$ 198,000	$ 176,000	$ 154,900	$ 167,500	$ 173,750

Source: Minneapolis Area Association of Realtors (MAAR)

Numbers include only single-family detached units, attached units and condominiums. They include all sales (traditional and lender-mediated).

Note that numbers for previous quarters have been revised upward by MAAR.

* Metro area refers to the 13-county area covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For the metro area definition, see page 44.

Not adjusted for inflation

creasing numbers of traditional sales and rising median prices of lender-mediated sales. However, the total median sale price was still 6 percent lower than the previous year.

In the metro area the total number of units sold increased 8 percent from last quarter, and 11.5 percent from last year. The total median sale price was 4 percent higher than last quarter but 12 percent lower than a year ago.

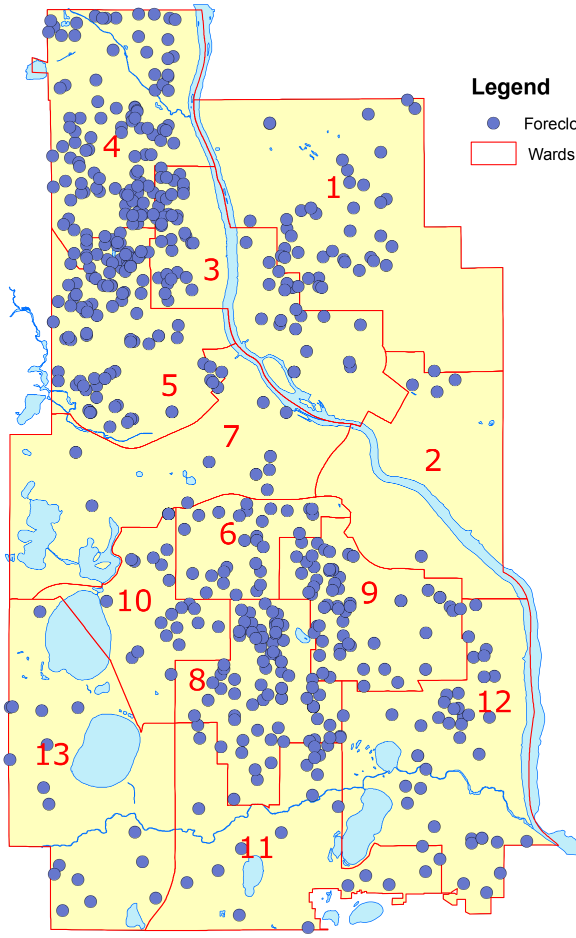
Traditional sale increases in Minneapolis and the metro area were driven by new developments in the market. On the one hand, inventories of distressed properties were lower, probably reduced with the help of an $8,000 federal tax-credit for first-time buyers. In Minneapolis, for example, the number of foreclosure properties was much lower than a year ago. In the metro area, the Minneapolis Area Association of Realtors reported that inventories of foreclosed housing declined 60 percent in the last year. On the other hand, in the metro area, and in a lesser degree in the city, housing construction was slowly coming back and the market began to add newly built units.

Foreclosures

After declining steadily from 3Q-08, there was a 12 percent increase in the volume of foreclosed properties from second quarter 2009. However, foreclosed property numbers were 24 percent lower than a year ago. This quarter 594 properties were sold at public auction. Ward 4 accounted for 18.5 percent of the total foreclosures in the city. And wards 3, 5, 8 and 9 combined had 50 percent of the total number of foreclosure sales.

MAP 5: PROPERTIES FORECLOSED – 3Q-09
by wards

Source: Hennepin County.



Data on foreclosures downloaded as of September 15, 2009. 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 9: **FORECLOSURE PROPERTIES –** Minneapolis
by wards

Ward	3Q-08 #	3Q-08 %	4Q-08 #	4Q-08 %	1Q-09 #	1Q-09 %	2Q-09 #	2Q-09 %	3Q-09 #	3Q-09 %
1	63	8.0%	54	8.8%	47	8.5%	50	9.4%	42	7.1%
2	9	1.1%	8	1.3%	3	0.5%	3	0.6%	3	0.5%
3	85	10.9%	55	8.9%	54	9.7%	50	9.4%	58	9.8%
4	175	22.3%	103	16.7%	122	22.0%	105	19.7%	110	18.5%
5	118	15.1%	107	17.4%	93	16.8%	81	15.2%	97	16.3%
6	19	2.4%	19	3.1%	34	6.1%	22	4.1%	28	4.7%
7	19	2.4%	14	2.3%	18	3.2%	24	4.5%	12	2.0%
8	88	11.2%	94	15.3%	63	11.4%	62	11.7%	81	13.6%
9	87	11.1%	71	11.5%	47	8.5%	48	9.0%	58	9.8%
10	29	3.7%	19	3.1%	18	3.2%	19	3.6%	27	4.5%
11	27	3.4%	18	2.9%	20	3.6%	18	3.4%	23	3.9%
12	48	6.1%	36	5.8%	27	4.9%	34	6.4%	38	6.4%
13	16	2.0%	18	2.9%	8	1.4%	16	3.0%	17	2.9%
Total	**783**	**100.0%**	**616**	**100.0%**	**554**	**100.0%**	**532**	**100.0%**	**594**	**100.0%**

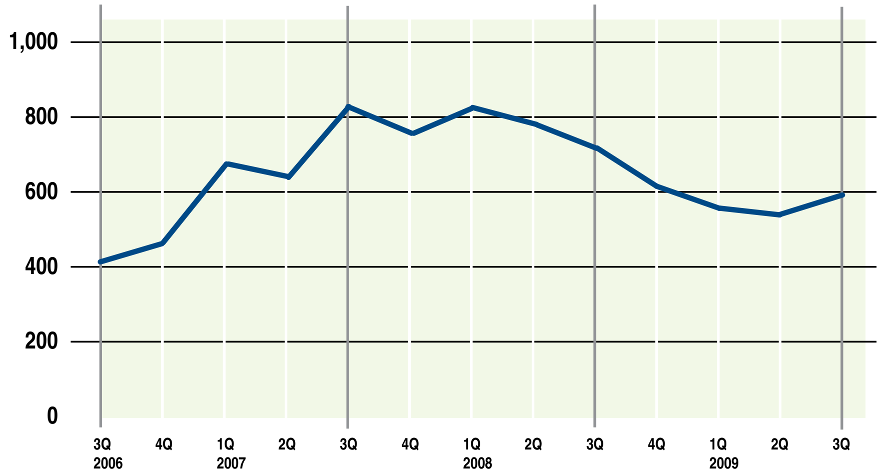
Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; f or complete and current foreclosure listings, please see the Hennepin County Sheriff's website at http://www4.co.hennepin.mn.us/webforeclosure/.

Data for 2008 have been revised.

Foreclosures

The volume of foreclosed property sales in Minneapolis increased again from a low of 532 in 2Q-09 to 594 foreclosures this quarter, after declining from a peak of 870 in 2Q-08.

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



Source: Hennepin County Sheriff's Office

Revised data for 2008

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city decreased 3 percent from second quarter, and it was 12 percent lower than a year ago. Boarded and condemned buildings continued to make up the majority of the group and decreased by 7 percent from last quarter. Buildings that were vacant but not condemned increased 4 percent. These buildings had some code violations but no major problems. Both categories were down since a year ago.

These buildings are located mainly in the city's north and south-central areas. Their locations follow similar patterns as the foreclosures shown in the map on Page 46, suggesting that many properties were both foreclosed and vacant.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – at end of quarter

Source: City of Minneapolis Regulatory Services

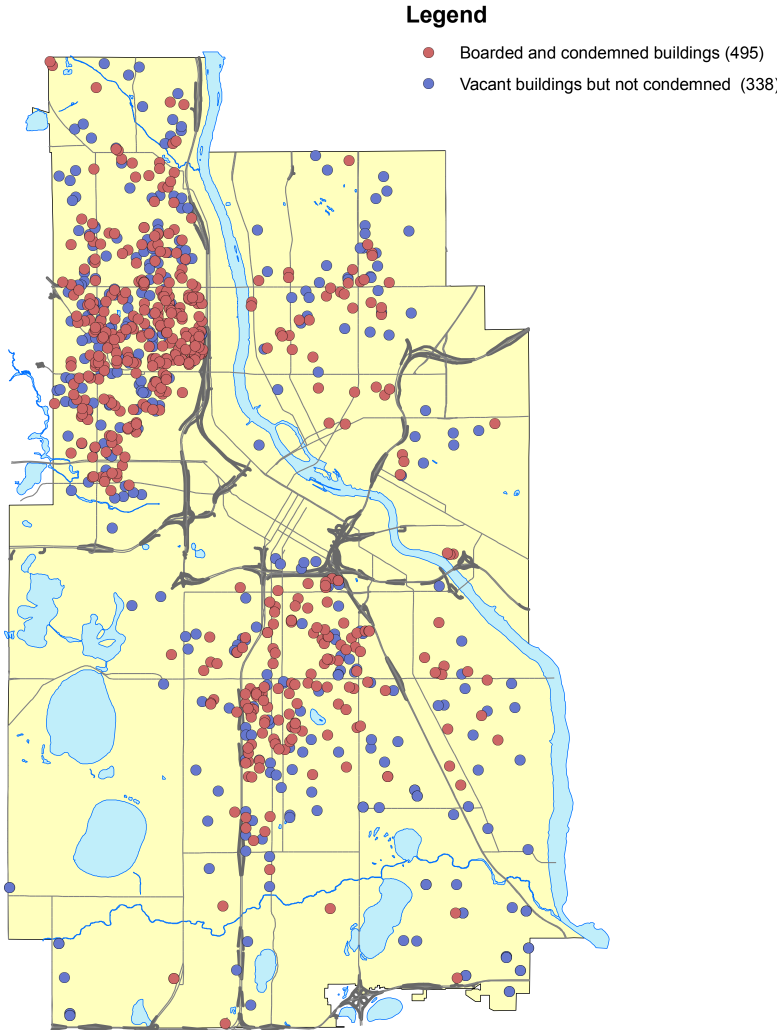


Table 10: **CONDEMNED AND VACANT BUILDINGS**
at end of quarter

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Boarded and condemned buildings	599	530	528	534	495
Vacant but not condemned	349	337	307	324	338
Total	**948**	**867**	**835**	**858**	**833**

Source: City of Minneapolis Regulatory Services

Note: About 98 percent of the buildings in the table are residential.

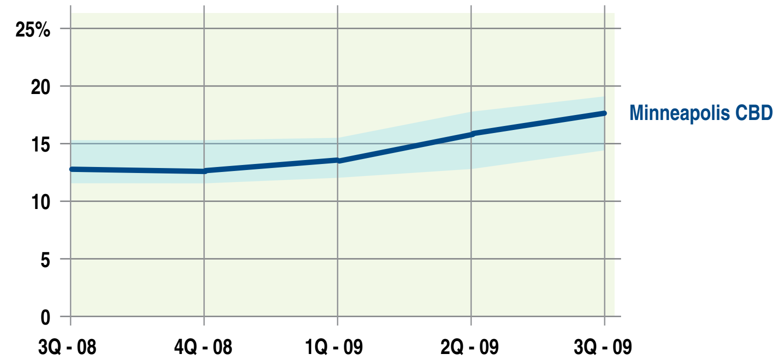
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) increased this quarter to 17.2 percent, up by 4.5 percent from the same quarter last year. This figure did not take into account subleases and shadow space; when they were added, the total vacancy rate climbed to 18.3 percent. This quarter the CBD and metro area's vacancy rates (not including subleases and shadow space) were the same. Facing poor business conditions, firms were moving to smaller spaces or vacating their premises.

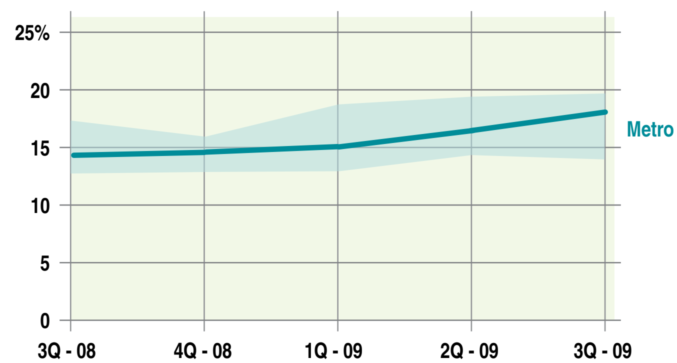
The average vacancy rate in the metro area increased to 17.2 percent from 16.5 percent last quarter; it was also much higher than last year.

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



Sources: CB Richard Ellis, Colliers, Welsh

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



Sources: CB Richard Ellis, Colliers, Welsh

High (H) and low (L) in the two graphs above refer to estimates made by two other commercial market firms compared to the base estimate made by CB Richard Ellis.

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis CBD	12.7%	12.5%	13.6%	15.2%	17.2%
Metro area	14.1%	14.6%	15.1%	16.5%	17.2%

Source: CB Richard Ellis

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

See explanation of sources in page 43.

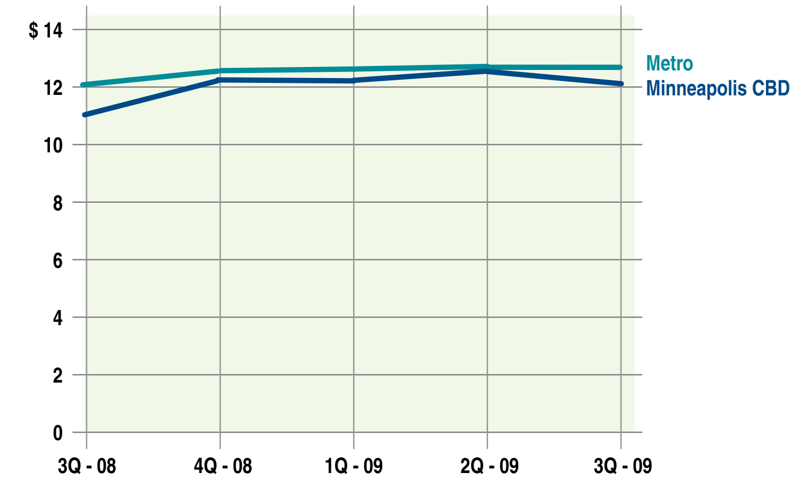
Office space

As vacancies increased, the average asking lease rates per square foot in the Minneapolis central business district (CBD) decreased, but were still higher than last year's third quarter. Increasing vacant space was putting pressure on prices while the market was converted into a "tenant's market." Asking prices in the metro area were stable at $12.6 per square foot per year, and about $0.56 higher than last year.

Although the vacancy rate was increasing this quarter, occupied office area in the Minneapolis CBD also increased from the second quarter: it was 3.4 percent higher than last quarter. More prime space was available because Macy's and Ameriprise leased out extra space. The growth in occupied space showed the consequences of a "tenant market" where tenants had many choices. As landlords tried to retain tenants, they offered many concessions in prices. As a result, some companies were choosing to lease in Downtown over many suburban locations.

In the metro area occupied office space increased by 1.1 percent, even when there was shadow space available as a result of space recently vacated by some large companies (Northwest Airlines Headquarters, for example.) The metro area has added new rentable space since first quarter 2008.

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

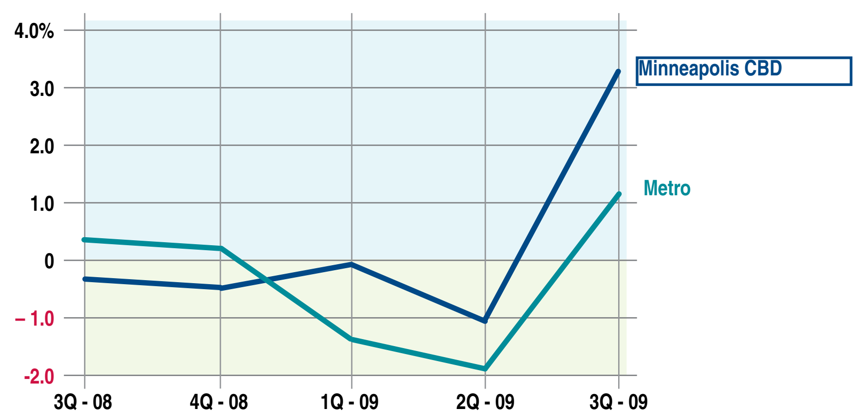


	3Q-08	4Q-08	1Q-08	2Q-09	3Q-09
Minneapolis CBD	$ 11.15	$ 12.15	$ 12.10	$ 12.53	$ 12.08
Metro area	12.04	12.58	12.62	12.60	12.60

Source: CB Richard Ellis

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

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis CBD	0.4%	0.2%	-1.26	-1.85%	3.37%
Metro	-0.3%	-0.4	-0.07	-1.05%	1.14%

Source: CB Richard Ellis

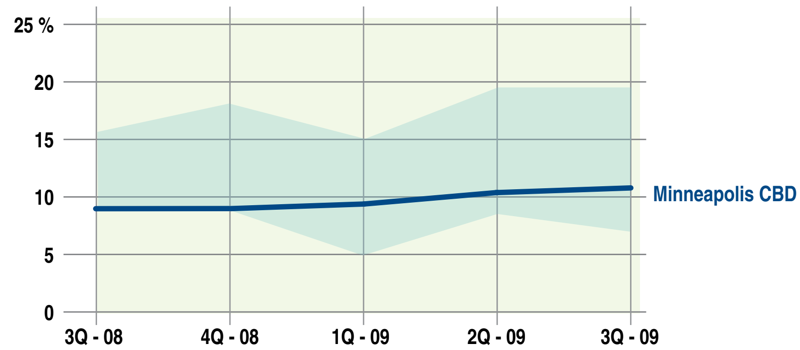
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The retail vacancy rate in the Minneapolis CBD increased again this quarter to 10.9 percent from the previous quarter, and was 1.9 percent higher than the third quarter last year. Although the economic conditions seemed to improve this quarter, retail demand in the CBD as elsewhere was still suffering from a tight credit market, low consumer spending and high unemployment. The Conference Board reported that consumer confidence nationwide deteriorated in September after gaining in August. Consumers remained cautious and this had a negative effect on the retail market.

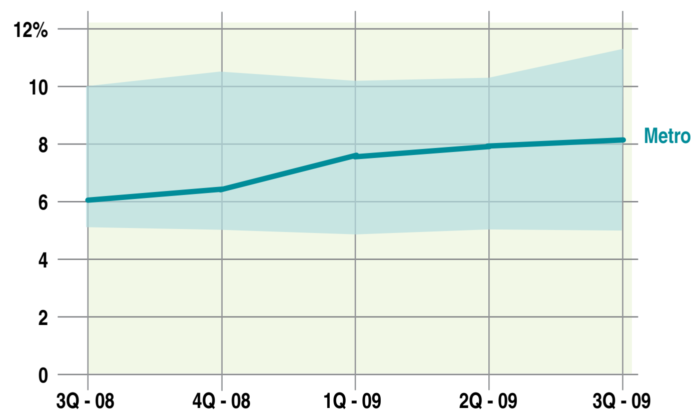
The vacancy rate in the metro area increased again this quarter to 8.1 percent and was higher than a year ago when it was 6 percent. Third quarter rate was 2.8 percent bellow that of the CBD. With low consumer spending, many shops closed or reduced size throughout the metro area, resulting in vacant space.

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



Sources: CB Richard Ellis, Colliers, Welsh

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



Sources: CB Richard Ellis, Colliers, United Properties, Welsh

High (H) and low (L) in the two graphs above refer to estimates made by the four commercial firms comparable to the base estimate made by CB Richard Ellis.

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis CBD	9.0%	9.1%	9.4%	10.3%	10.9%
Metro	6.0%	6.4%	7.5%	7.9%	8.1%

Source: CB Richard Ellis

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

Retail space

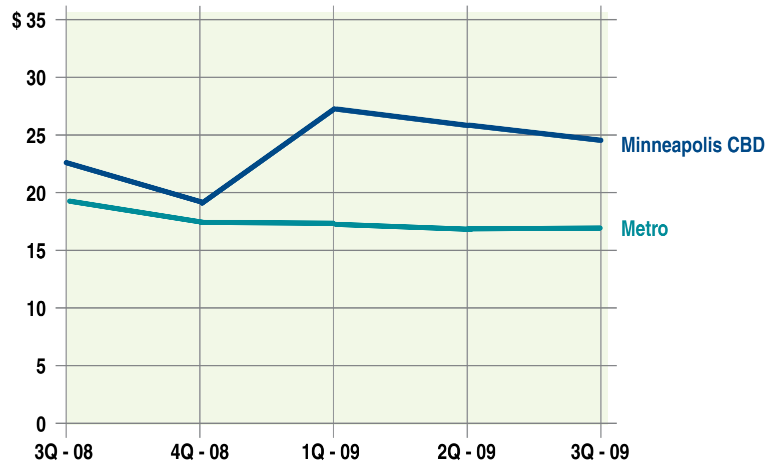
In the Minneapolis central business district (CBD), the average asking lease price declined 4 percent from second quarter, although it was 8 percent higher than last year. The high vacancy rate was putting downward pressure on lease rates; many landlords were opting for keeping tenants at a lower price.

The average asking lease price increased very little (0.2 percent) in the metropolitan area, but it was 8.5 lower than a year ago.

Occupied retail space in the Minneapolis central business district (CBD) decreased almost 1 percent. With low consumer spending, retailers continued to close stores in the CBD.

Occupied retail space increased in the metro area by 4.3 percent. This quarter retailers opened new sites including Nordstrom Rack in Maple Grove, and The Shops at West End, a retail center in St. Louis Park.

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

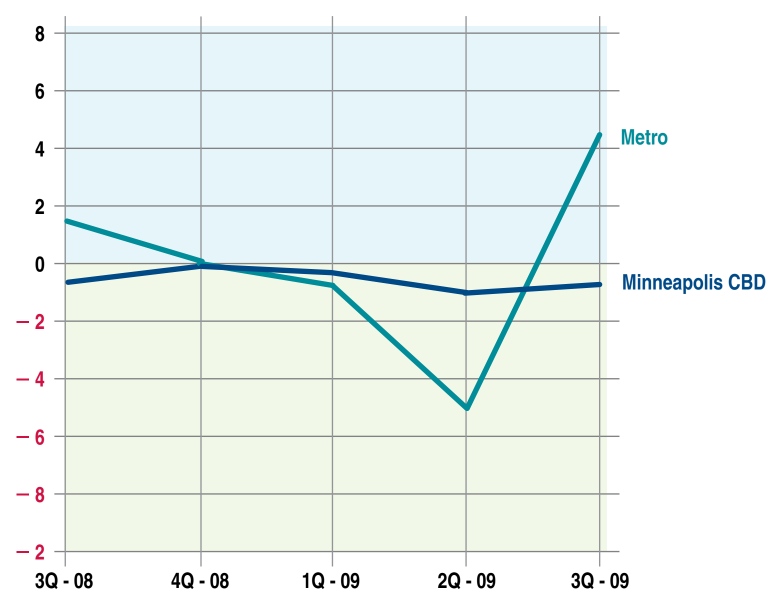


	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis CBD	$ 22.72	$ 18.84	$ 27.15	$ 25.63	$ 24.53
Metro	18.72	17.80	17.48	17.09	17.13

Source: CB Richard Ellis

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

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis CBD	-0.8%	-0.1%	-0.3%	-1.0%	-0.7%
Metro	1.4%	0.0%	-0.8%	-4.8%	4.3%

Source: CB Richard Ellis

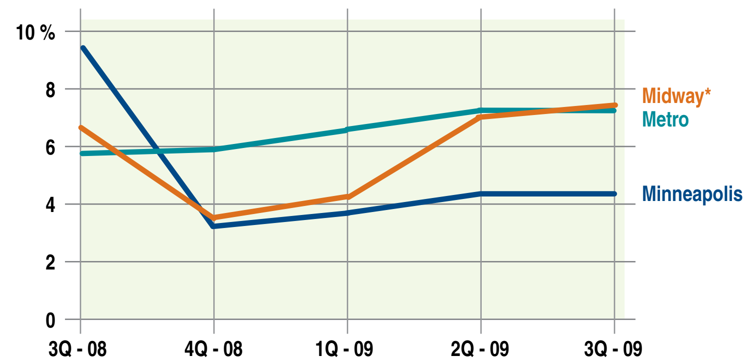
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space vacancy rate was stable in the metro and in Minneapolis industrial areas, but increased in Midway. In comparison with the same quarter last year the vacancy rate was 1.4 percent higher in the metro area and 0.7 percent higher in Midway. In Minneapolis industrial areas, the average rate was much lower.

The average asking lease rate for industrial space decreased to some extent since last quarter and in all areas they were slightly lower than the same quarter last year. Although economic conditions seemed to improve in comparison with the second quarter, tenants continued to take short-term leases.

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



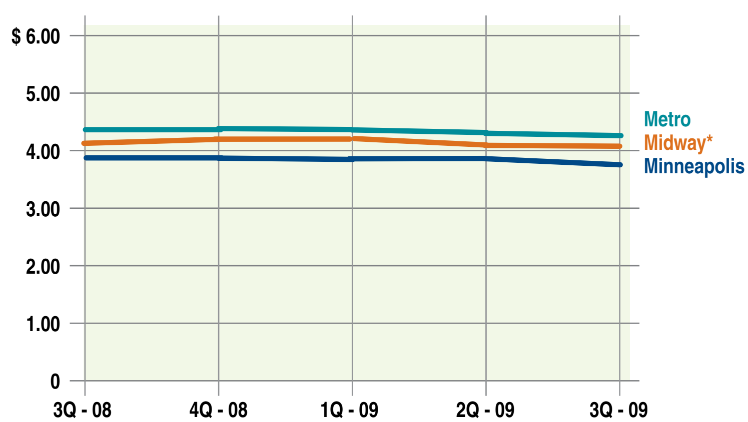
	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis	9.4%	3.4%	3.7%	4.4%	4.4%
Midway	6.7%	3.6%	4.2%	6.8%	7.4%
Metro	5.7%	5.9%	6.4%	7.1%	7.1%

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-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis	$ 3.88	$ 3.88	$ 3.89	$ 3.90	$ 3.71
Midway	4.17	4.18	4.17	4.08	4.07
Metro	4.35	4.40	4.42	4.34	4.13

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.

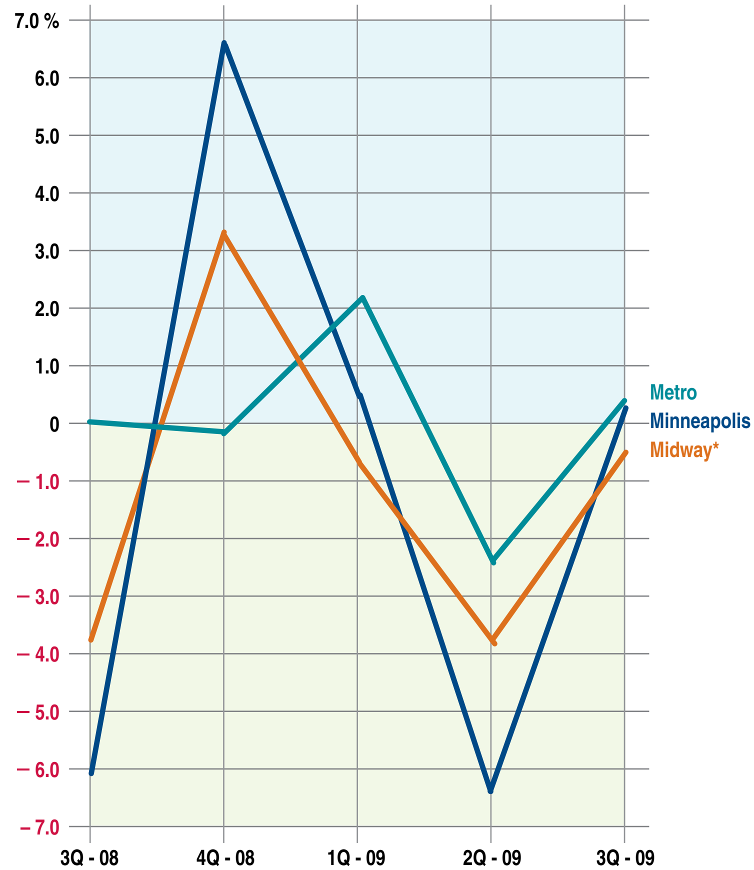
* Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

With lease prices low, occupied industrial space increased somewhat in the metro and Minneapolis industrial areas, but decreased in Midway. Industrial demand had not yet recovered and firms looked for smaller spaces or renewed their lease at lower prices. In the case of office warehouses, some firms converted from warehouse-office to office to take advantage of better office prices.

In the metro area only one large transaction took place: BP Wind Energy leased 245,000 square foot at River Rd Industrial Center.

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



	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09
Minneapolis	-6.1	6.6%	0.5%	-6.3%	0.3%
Midway	-3.7	3.3%	-0.6%	-3.8%	-0.4%
Metro	0.1	-0.2%	2.3%	-2.3%	0.4%

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.

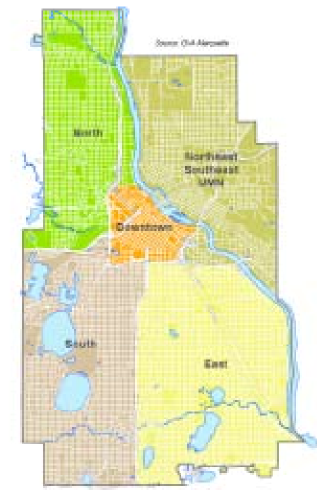
Midway includes industrial areas of northeast Minneapolis and Saint Paul.

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:



- **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 researched 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 on 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, yearly lease price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (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. To compare these data from results reported by other major firms go to:

  Collier Turley Martin Tucker (www.colliers.com/Markets/Minneapolis),
  United Properties (http://outlook.uproperties.com); and
  Welsh Companies (www.welshco.com/research/CurrentMktReports.asp)

  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.

Note: Beginning with "Minneapolis Trends" 1st quarter 2008, CPED tracks office and retail data from several commercial market firms and display the "high" and "low" marks against the estimate from CB Richard Ellis which we will continue to use as our baseline.

Graphs 21 and 22 (office vacancy rates), and graphs 25 and 26 (retail vacancy rates) show variation in vacancy rates reported by four different firms: CB Richard Ellis, United Properties, Colliers and Welsh, with CB Richard Ellis as the benchmark. Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys. Variations in retail vacancy rates are more evident than in the case of office vacancy rates. These variations result not only from the factors affecting office vacancies but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

- **Inflation-adjusted figures:** For the purpose of analyzing residential rent, text is based on values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the third quarter of 2008, dollars have been converted with an index of 0.9895544, the result of the relation between the CPI for September 2009 (199.415) and the CPI for September 2008 (201.52). For the period from the third quarter of 2009 to the second quarter of 2009, the index is 1.000482, obtained by dividing 199.415 (September 2009) by 199.319 (June 2009.

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