

Highlights for the fourth quarter of 2004

- Unemployment decreased in the city and the metropolitan area *page 5*
- Strong new residential construction in Minneapolis *page 15*
- Brisk multifamily construction activity *page 17*
- Conversions from commercial into residential units in the city increased sharply *page 19*
- The number of demolitions also increased in the city *page 22*
- Average vacancies in Minneapolis' rental market decreased *page 29*
- In the city, condominium units and townhouses sold briskly; average sale values for single family and condominium units increased *page 32*
- Office markets in the Minneapolis central business district and the metropolitan area continued to be weak *page 33*

Highlights for the year 2004

- Personal income rose faster in the city than in the metropolitan area or the country as a whole *page 4*
- Unemployment and employment decreased in the city *page 5*
- While new single-family housing construction activity decreased, multifamily construction increased to a peak level *page 15*
- Conversions of commercial into residential buildings increased sharply in the city *page 19*
- Private developer expenditures in new multifamily housing projects in the city increased *page 21*
- Vacancy rates declined and rents rose *page 29*
- Housing prices increased gradually, but housing sales increased sharply *page 32*

Minneapolis Trends

A Quarterly Overview of Socioeconomic and Housing Trends in Minneapolis



fourth quarter 2004



Minneapolis
City of Lakes

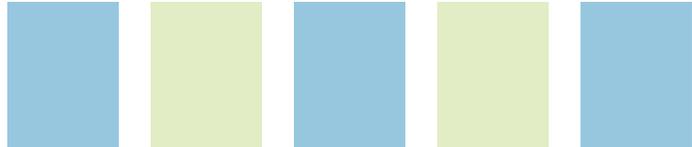
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fourth quarter 2004



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DEMOGRAPHIC AND ECONOMIC INDICATORS

- Population numbers remained flat in Minneapolis and increased at an average rate of 1.25 percent per year in the metropolitan area since 2000.
- City and regional household size began to decrease slightly in 2001
- Between 2002 to 2003 income in the city rose at a faster rate than either the metropolitan area or the country. In absolute terms however, it still lags behind the metropolitan area.
- Unemployment decreased in both the metropolitan area and the city, while remaining higher in the city
- Through the second quarter of 2004, the three business sectors with the highest rates of growth in Minneapolis were real estate, accommodation and food services, and management of companies and enterprises.
- For all industries, Minneapolis based employees commanded the highest average weekly salary when compared with the metropolitan area and the state. From 2000 to 2004, salaries kept up with inflation.

POPULATION AND INCOME

Recent estimates reveal that between 2000 and 2003, population remained flat in the city. In 2003 the city shows approximately 323 fewer people than in 2000. The metro area has added almost 33,000 people per year between 2000 and 2003.

Since 2001, however, it decreased slightly from 2.25 people per household to 2.23 in 2002-2003. In the metro area, household size decreased in the 1990s and dropped after 2000.

In 2003, median household income and median family income were lower in Minneapolis than either the United States or the four surrounding counties. However, income per capita was higher in Minneapolis than in the United States. The different income measures show how wealthy the surrounding counties in the metropolitan area are compared to the country as a whole and compared to Minneapolis.

Between 2002 and 2003 all categories of income grew in Minneapolis: median household, median family and per capita income increased by about 16 percent, 2 percent and 11 percent respectively in 2004 dollars. Meanwhile, all income categories for the other two geographies show decreases in income except for per capita income in the metropolitan area, which increased by 4 percent.

Table 1: **POPULATION AND HOUSEHOLDS**

| Year | MINNEAPOLIS | | | 7-COUNTY METRO ⁴ | | |
|------|-------------------------|-------------------------|---------------------------------------|-----------------------------|-------------------------|---------------------------------------|
| | Population ¹ | Households ² | Population per household ³ | Population ¹ | Households ² | Population per household ³ |
| 2003 | 382,295 | 162,505 | 2.23 | 2,740,985 | 1,067,453 | 2.57 |
| 2002 | 382,700 | 163,237 | 2.23 | 2,708,916 | 1,053,853 | 2.57 |
| 2001 | 382,446 | 162,275 | 2.25 | 2,674,838 | 1,036,074 | 2.58 |
| 2000 | 382,618 | 162,352 | 2.25 | 2,642,056 | 1,021,454 | 2.59 |
| 1990 | 368,383 | 160,682 | 2.19 | 2,288,721 | 875,504 | 2.61 |

Source: U.S. Census Bureau American Community Survey

- 1 Metropolitan Council estimates for the years 2001 to 2003; U.S. Census figures for 2000 and 1990 Population includes people living in group quarters
- 2 Metropolitan Council estimates for the years 2001 to 2003; U.S. Census figures for 2000 and 1990
- 3 Based on State Demographer estimates and U.S. Census figures
- 4 The metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties

Table 2: **INCOME**

| AREA | 2002 | 2003 | % CHANGE |
|--------------------------------|----------|----------|----------|
| Median household income | | | |
| Minneapolis | \$35,708 | \$42,010 | 17.6% |
| Metropolitan counties* | \$56,147 | \$56,744 | 1.1% |
| United States | \$43,057 | \$43,564 | 1.2% |
| Median family income | | | |
| Minneapolis | \$50,605 | \$52,661 | 4.1% |
| Metropolitan counties* | \$70,316 | \$70,662 | 0.5% |
| United States | \$51,742 | \$52,273 | 1.0% |
| Income per capita | | | |
| Minneapolis | \$23,979 | \$27,117 | 13.1% |
| Metropolitan counties* | \$27,804 | \$29,437 | 5.9% |
| United States | \$22,759 | \$23,110 | 1.5% |

Source: U.S. Census Bureau American Community Survey

- * The metropolitan counties include Anoka, Hennepin, Dakota and Ramsey

LABOR FORCE

Quarter

In the city, in comparison with the 4th quarter of 2003, employment and unemployment decreased as fewer people were counted. In the metropolitan area, with a larger labor force, employment increased and unemployment declined to a low of 3.7 percent.

Year

Total figures show that unemployment was lower in 2004 than in 2003 both in the city and in the metropolitan area. In 2004 in Minneapolis the labor force decreased, but the metropolitan area had increasing employment and an expanded labor force. In the city, employment decreased from 217,800 in 2003 to 212,400 in 2004. On the other hand, there were about 35,000 more people employed in the metropolitan area in 2004.

Table 3: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

| | CITY | METRO AREA | CITY | METRO AREA |
|-------------------|-------------------------|------------|-----------------|------------|
| | 4th Quarter 2004 | | YTD 2004 | |
| Labor Force | 225,070 | 1,673,107 | 223,575 | 1,661,478 |
| Employment | 214,859 | 1,611,145 | 212,431 | 1,592,995 |
| Unemployment rate | 4.50% | 3.70% | 5.00% | 4.10% |
| | 3rd Quarter 2004 | | | |
| Labor Force | 226,999 | 1,681,528 | 223,076 | 1,657,602 |
| Employment | 214,473 | 1,608,326 | 211,622 | 1,586,945 |
| Unemployment rate | 5.50% | 4.40% | 5.10% | 4.30% |
| | 2nd Quarter 2004 | | | |
| Labor Force | 223,956 | 1,664,399 | 221,115 | 1,645,639 |
| Employment | 212,849 | 1,596,151 | 210,196 | 1,576,255 |
| Unemployment rate | 5.00% | 4.90% | 4.90% | 4.20% |
| | 1st Quarter 2004 | | | |
| Labor Force | 218,273 | 1,626,878 | 218,273 | 1,626,878 |
| Employment | 207,543 | 1,556,360 | 207,543 | 1,556,360 |
| Unemployment rate | 4.90% | 4.40% | 4.90% | 4.40% |
| | 4th Quarter 2003 | | | |
| Labor Force | 230,258 | 1,640,491 | 229,842 | 1,638,075 |
| Employment | 218,572 | 1,568,229 | 217,789 | 1,557,880 |
| Unemployment rate | 5.10% | 4.40% | 5.20% | 4.60% |

Source: City of Minneapolis Community Planning and Economic Development Department with data from Minnesota Department of Employment and Economic Development (DEED), labor market information numbers reflect new revisions made by DEED

JOBS

Minneapolis' average number of jobs was more than 286,000 in the second quarter of 2004. Health care and social assistance accounted for 14.9 percent of those jobs. Professional and technical services made up nearly 10 percent of the total, and finance and insurance and educational services had about 9.5 percent each of the total number of jobs.

In the second quarter, the average number of jobs in Minneapolis decreased by 0.7 percent, a loss of 2,025 jobs from the second quarter of last year. The sectors that lost the most jobs were public administration and manufacturing, with more than 1,300 fewer jobs than in the second quarter of last year. However, accommodation and food services and management of companies and enterprises had an average gain of nearly 1,900 jobs.

Table 4: **AVERAGE NUMBER OF JOBS BY INDUSTRY - Minneapolis**

| | 2Q-03 | 3Q-03 | 4Q-03 | 1Q-04 | 2Q-04 | 2Q-04 YTD |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Manufacturing | 17,644 | 17,190 | 18,520 | 16,485 | 16,745 | 16,615 |
| Utilities | 3,250 | 3,210 | 3,363 | 3,162 | 3,295 | 3,229 |
| Wholesale trade | 11,029 | 10,950 | 11,312 | 10,755 | 10,932 | 10,844 |
| Retail trade | 16,373 | 16,170 | 17,320 | 15,947 | 16,335 | 16,141 |
| Transportation & warehousing | 4,308 | 4,210 | 4,777 | 4,060 | 4,173 | 4,117 |
| Information | 12,600 | 12,370 | 13,702 | 12,048 | 11,857 | 11,952 |
| Finance & insurance | 28,096 | 28,210 | 28,120 | 27,471 | 27,535 | 27,503 |
| Real estate, rental & leasing | 5,257 | 5,310 | 5,305 | 5,611 | 5,862 | 5,736 |
| Professional & technical services | 28,980 | 28,720 | 29,547 | 27,888 | 28,414 | 28,151 |
| Management of companies & enterprises | 13,223 | 13,630 | 13,321 | 14,240 | 14,320 | 14,280 |
| Administrative & waste services | 14,068 | 14,310 | 15,524 | 12,894 | 13,987 | 13,440 |
| Educational services | 26,376 | 23,580 | 27,870 | 27,411 | 26,761 | 27,086 |
| Health care & social assistance | 42,512 | 42,270 | 42,091 | 41,712 | 42,515 | 42,114 |
| Arts, entertainment & recreation | 5,020 | 4,950 | 4,818 | 4,626 | 4,943 | 4,785 |
| Accommodation & food services | 20,492 | 21,080 | 20,540 | 20,419 | 21,669 | 21,044 |
| Other services | 11,455 | 11,170 | 11,825 | 10,757 | 10,822 | 10,790 |
| Public administration | 13,525 | 13,470 | 13,473 | 12,554 | 12,590 | 12,572 |
| Total, all industries ¹ | 288,260 | 285,291 | 296,410 | 280,781 | 286,235 | 283,508 |

¹ Natural resources-based industries as well as 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.

Source: CPED with data from the Minnesota Department of Employment and Economic Development (DEED), *Minnesota Quarterly Census Employment and Wages*

JOBS

In the second quarter of 2004, Minneapolis had 2,025 fewer jobs than in the same period the previous year, but the metropolitan area gained more than 10,000 jobs in the same period. The state gained about 23,700.

The city, metropolitan area and Minnesota all continued to lose manufacturing jobs. Figure 1, page 8, illustrates percentage changes in jobs.

Table 5: **EMPLOYMENT BY ECONOMIC SECTOR**

| | Minneapolis | | Metro Area | | Minnesota | |
|--|----------------|----------------|------------------|------------------|------------------|------------------|
| | 2Q-2003 | 2Q-2004 | 2Q-2003 | 2Q-2004 | 2Q-2003 | 2Q-2004 |
| Construction | n/a | n/a | 75,479 | 77,724 | 132,858 | 137,503 |
| Manufacturing | 17,644 | 16,745 | 188,257 | 184,480 | 344,974 | 341,751 |
| Utilities | 3,250 | 3,295 | 6,021 | 6,014 | 13,430 | 13,297 |
| Wholesale trade | 11,029 | 10,932 | 82,303 | 81,881 | 130,072 | 130,123 |
| Retail trade | 16,373 | 16,335 | 168,287 | 167,260 | 301,369 | 300,525 |
| Transportation & warehousing | 4,308 | 4,173 | 66,851 | 66,479 | 98,507 | 98,326 |
| Information | 12,600 | 11,857 | 43,026 | 42,999 | 65,146 | 65,086 |
| Finance & Insurance | 28,096 | 27,535 | 105,915 | 105,178 | 137,750 | 137,625 |
| Real estate, rental & leasing | 5,257 | 5,862 | 28,777 | 29,898 | 37,852 | 39,069 |
| Professional /technical services | 28,980 | 28,414 | 94,662 | 94,043 | 118,839 | 119,538 |
| Management of companies and enterprises | 13,223 | 14,320 | 53,106 | 57,704 | 58,913 | 63,437 |
| Administrative & waste services | 14,068 | 13,987 | 87,407 | 89,545 | 118,789 | 122,694 |
| Educational services | 26,376 | 26,761 | 114,558 | 116,953 | 207,660 | 209,842 |
| Health care & social assistance | 42,512 | 42,515 | 181,316 | 184,678 | 352,264 | 360,486 |
| Arts, entertainment & recreation | 5,020 | 4,943 | 27,109 | 26,589 | 39,043 | 38,411 |
| Accommodation & food services | 20,492 | 21,669 | 113,837 | 117,999 | 197,871 | 202,862 |
| Other services | 11,455 | 10,822 | 55,493 | 54,808 | 88,746 | 87,902 |
| Public administration | 13,525 | 12,590 | 64,896 | 63,027 | 118,234 | 116,902 |
| Total, all industries¹ | 288,260 | 286,235 | 1,571,397 | 1,581,446 | 2,601,982 | 2,625,688 |

Source: CPED with data from DEED, Minnesota Quarterly Census Employment and Wages

¹ Natural resources as well as agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues. Numbers are rounded, so totals do not add up.

JOBS

Figure 1: **JOBS** percent change 2Q-2003 and 2Q-2004



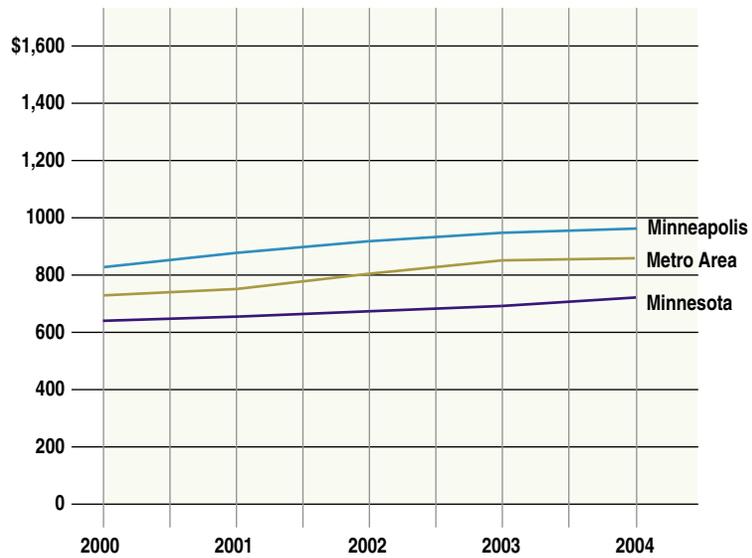
Source: CPED with data from DEED

¹ Natural resources as well as agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues. Numbers are rounded, so totals do not add up.

JOBS

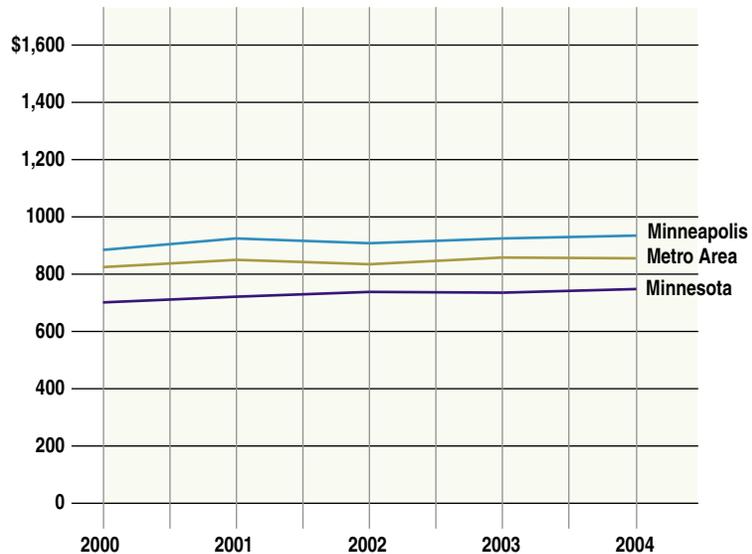
In the second quarter the average weekly salary paid in Minneapolis was \$932. The industries paying the highest weekly salary were finance and insurance, management of companies and enterprises, utilities, and professional and technical services. The lowest paying industries were accommodation and food services, administrative and waste services, other services including repair and personal services, and retail.

Figure 2: **AVERAGE WEEKLY WAGES** in current dollars



Overall average salary increased by \$3 in constant dollars in the second quarter from the same period last year. Retail salaries increased by 12 percent while real estate salaries decreased by almost 24 percent. Health care and social assistance and public administration barely increased salaries.

Figure 3: **AVERAGE WEEKLY WAGES** in 2004 dollars



Source: CPED with data from DEED. Total values converted to inflation-adjusted dollars based on Bureau of Labor Statistics' Consumer Price Index for all urban consumer goods.

JOBS

For all industries, employees in Minneapolis continued to command a higher average weekly salary than those in the metropolitan area or the state. However, average weekly salaries increased by only \$3 in Minneapolis and the metropolitan area, and rose by \$5 in Minnesota. From 2000 to 2004, salaries in all areas kept up with inflation.

In general, most industries improved weekly wages in the second quarter of 2004. Figure 4, page 11 graph shows percent changes by industry in the three geographic areas. Wages that substantially decreased in Minneapolis were in real estate; rental and leasing activities; arts, entertainment and recreation and utilities. In the real estate sector, salaries decreased while the number of jobs increased.

Table 6: **AVERAGE WAGE PER WEEK** - Minneapolis
in current dollars

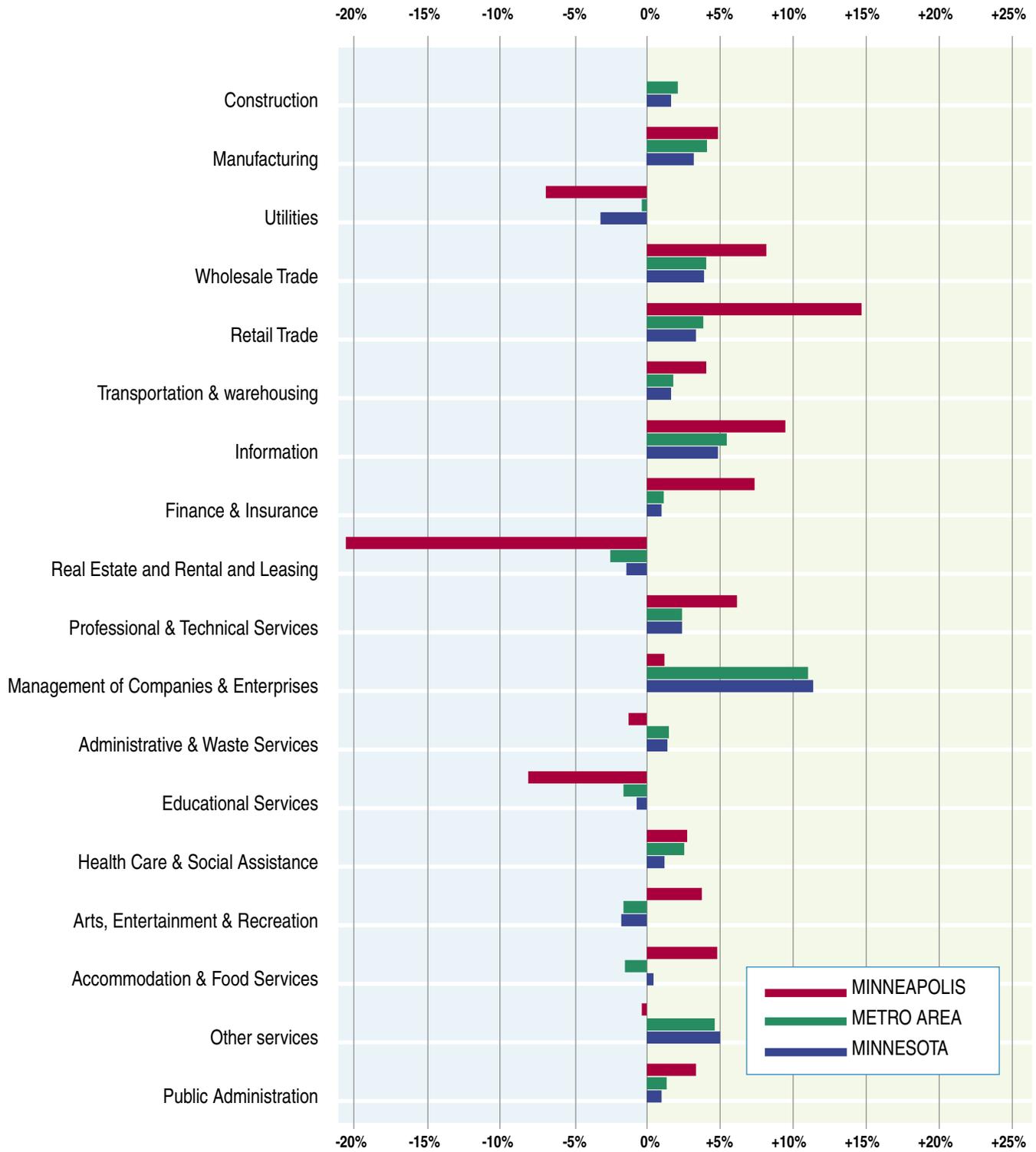
| Industry | 2Q-2003 | 3Q-2003 | 4Q-2003 | 1Q-2004 | 2Q-2004 |
|---|--------------|--------------|--------------|----------------|--------------|
| Manufacturing | \$855 | \$882 | \$977 | \$978 | \$897 |
| Utilities | \$1,464 | \$1,274 | \$1,381 | \$2,243 | \$1,363 |
| Wholesale trade | \$985 | \$1,040 | \$1,151 | \$1,083 | \$1,064 |
| Retail trade | \$496 | \$520 | \$562 | \$585 | \$568 |
| Transportation & warehousing | \$608 | \$607 | \$668 | \$629 | \$632 |
| Information | \$982 | \$993 | \$1,041 | \$1,126 | \$1,071 |
| Finance & insurance | \$1,363 | \$1,336 | \$1,654 | \$2,257 | \$1,461 |
| Real estate & rental and leasing | \$840 | \$853 | \$987 | \$625 | \$658 |
| Professional & technical services | \$1,264 | \$1,232 | \$1,579 | \$1,285 | \$1,344 |
| Management of companies and enterprises | \$1,401 | \$1,496 | \$1,242 | \$1,538 | \$1,420 |
| Administrative & waste services | \$510 | \$516 | \$526 | \$528 | \$504 |
| Educational services | \$941 | \$884 | \$985 | \$898 | \$864 |
| Health care & social assistance | \$791 | \$769 | \$836 | \$777 | \$813 |
| Arts, entertainment & recreation | \$1,067 | \$1,160 | \$966 | \$901 | \$1,108 |
| Accommodation & food services | \$309 | \$317 | \$328 | \$316 | \$324 |
| Other services | \$530 | \$550 | \$553 | \$531 | \$529 |
| Public administration | \$938 | \$966 | 991 | \$976 | \$969 |
| Total, all industries ¹ | \$905 | \$904 | \$994 | \$1,029 | \$932 |

Source: CPED with data from DEED, Minnesota Quarterly Census Employment and Wages

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

JOBS

Figure 4: **AVERAGE WEEKLY WAGES** percent change 2Q-2003 and 2Q-2004



Source: CPED with data from DEED

PRICES

In 2004, prices for all consumer goods and services in the Minneapolis-Saint Paul metropolitan area increased by five points since last year, from 182.7 to 187.9. For the entire country, the increase was slightly lower, from 184 to 188.9. In the Midwest urban areas, price increases were lower than either Minneapolis-Saint Paul or the United States.

Housing prices increased in the Twin Cities by five points since last year, from 171.9 to 176.9. The price index remains lower in the metropolitan area than in both the United States and the Midwest urban areas.

Table 7: **CONSUMER PRICE INDEX (CPI)**

For all consumers, not seasonally adjusted; base period: 1982 to 84=100

| Area | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | |
|------------------------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|
| | Annual All items | Housing |
| Minneapolis-Saint Paul | | | | | | | | | | |
| Metropolitan area | 170.1 | 156.2 | 176.5 | 163.2 | 179.6 | 167.8 | 182.7 | 171.9 | 187.9 | 176.9 |
| Midwest | 168.3 | 163.9 | 172.8 | 169.2 | 174.9 | 171.8 | 178.3 | 175.8 | 182.6 | 179.5 |
| United States | 172.2 | 169.6 | 177.1 | 176.4 | 179.9 | 180.3 | 184 | 184.8 | 188.9 | 189.5 |

Source: Bureau of Labor Statistics

DEFINITIONS AND SOURCES

Population: Figures for the City of Minneapolis and the metropolitan area are based on Twin Cities Metropolitan Council estimates and the U.S. Census Bureau numbers for 2000 and 1990. Unless otherwise specified, the metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties.

Households: According to the U.S. Census Bureau, “A household includes all of the people who occupy a housing unit.” Families are people related to the householder and occupy a housing unit. Data are based on State Demographic Center estimates.

Income: Income estimates for the past 12 months are calculated by the Census Bureau for its American Community Survey, a nationwide survey that will replace the long form in future censuses. The bureau includes eight kinds of incomes reported separately by people 15 years old and older. Table three presents data on median household income, median family income and income per capita in Minneapolis, four counties in the metropolitan area and the United States.

Labor Force, Employment and Unemployment: Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Economic Development. Labor force is the average number of non-farm workers employed or looking for a job at a given time. Table four presents quarterly and year-to-date information for the city and the metropolitan area.

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 five to seven show data by industry at a level to two digits in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area, Minnesota and the United States. Percentage changes are not shown for the United States because of slightly different categories.

Consumer Price Index: This index, developed by the United States Bureau of Labor Statistics, is based on consumer surveys of urban households for items such as food and beverages, housing, apparel, medical care, recreation, education and others. Bi-annual and annual information is available. Table nine presents a comparison of urban consumers in the Midwest, the United States and the Minneapolis-Saint Paul metropolitan area as defined by the U.S. Office of Management and Budget, including Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix county in Wisconsin.

Inflation-adjusted figures: Values reported in tables in this section of the report 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 for all urban consumer goods in the Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget.

DEVELOPMENT INDICATORS

- New residential construction in Minneapolis, driven primarily by a surge in multifamily housing construction, increased by 22 percent between 2003 and 2004.
- The average construction cost per permitted unit in 2004 Minneapolis multifamily buildings increased by almost 75 percent.
- In 2004 the city had 25.5 percent of the dollar volume of the entire metropolitan area's permitted multifamily housing construction.
- The number of residential units converted or added to existing buildings in Minneapolis increased by more than 1,000 units during 2004, about five times the total number of converted or added units in 2003.
- A substantial number of industrial buildings in Minneapolis were renovated.

NEW RESIDENTIAL CONSTRUCTION

Quarter

In Minneapolis new residential construction increased in the fourth quarter of 2004 to almost double the fourth quarter of 2003 level. In the metropolitan area growth decreased since the third quarter to about 11 percent lower than the level in the fourth quarter of last year.

Year

Activity increased in Minneapolis to a total of 1,700 permits issued in 2004. In the metropolitan area the total number of permits in 2004 was about 1 percent smaller than the figure for 2003, increasing the city's share in the metropolitan area from 6.3 percent to 8.2 percent in 2004. quarter of 2003, but were about 90 percent more than in the same period last year.

Table 8: NEW RESIDENTIAL CONSTRUCTION

| | SF UNITS | MF UNITS | TOTAL | SF UNITS | MF UNITS | TOTAL |
|--------------|-------------|-------------|-----------------|-------------|-------------|--------|
| 4Q-03 | | | 2003 YTD | | | |
| City | 51 | 322 | 373 | 317 | 1,011 | 1,328 |
| Metro Area | 3,730 | 2,306 | 6,036 | 14,322 | 6,711 | 21,033 |
| City Share | 1.4% | 14.0% | 6.2% | 14.0% | 15.1% | 6.3% |
| 1Q-04 | | | 2004 YTD | | | |
| City | 69 | 236 | 305 | 69 | 236 | 305 |
| Metro Area | 2,497 | 1,039 | 3,536 | 2,497 | 1,039 | 3,536 |
| City Share | 2.8% | 22.7% | 8.6% | 2.8% | 22.7% | 8.6% |
| 2Q-04 | | | 2004 YTD | | | |
| City | 72 | 201 | 273 | 141 | 437 | 578 |
| Metro Area | 4,166 | 1,251 | 5,417 | 6,663 | 2,290 | 8,953 |
| City Share | 1.7% | 16.1% | 5.0% | 16.1% | 19.1% | 6.5% |
| 3Q-04 | | | 2004 YTD | | | |
| City | 47 | 411 | 458 | 188 | 848 | 1,036 |
| Metro Area | 3,964 | 2,441 | 6,405 | 10,627 | 4,731 | 15,358 |
| City Share | 1.2% | 16.8% | 7.2% | 1.8% | 17.9% | 6.7% |
| 4Q-04 | | | 2004 YTD | | | |
| City | 50 | 614 | 664 | 238 | 1,462 | 1,700 |
| Metro Area | 3,254 | 2,110 | 5,364 | 13,881 | 6,841 | 20,722 |
| City Share | 1.5% | 29.1% | 12.4% | 1.7% | 21.4% | 8.2% |

Source: CPED with data from the U.S. Census Bureau, based on permit information

NEW RESIDENTIAL CONSTRUCTION

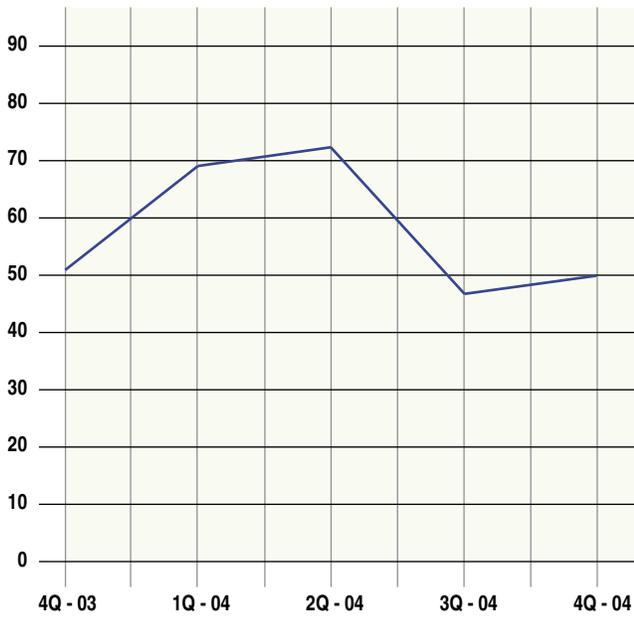
Quarter

Construction of single-family housing in Minneapolis was slightly lower than it was the fourth quarter of 2003 but increased somewhat since the third quarter of this year. The metropolitan area's single family construction continued to slow down after a steep increase in the second quarter. It was almost 13 percent below the level of the same period last year. The city's share of single-family permits in the metropolitan area increased to 1.5 percent from 1.4 percent in the fourth quarter of 2003.

Year

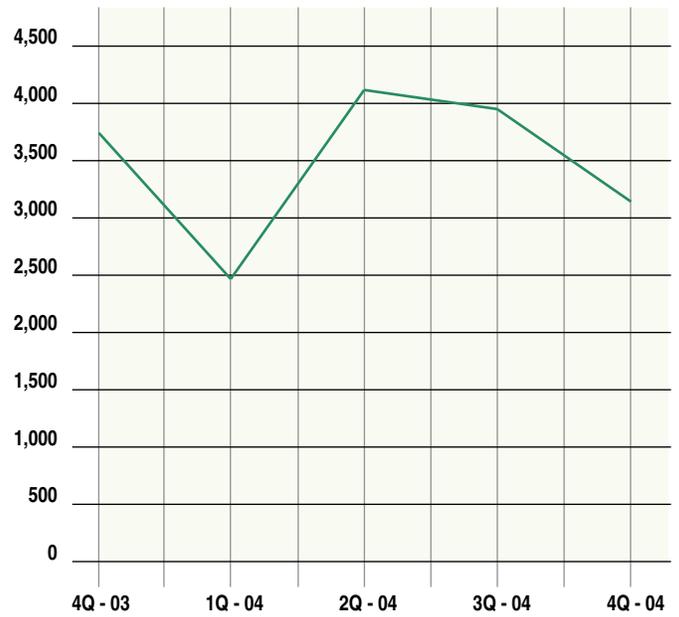
Single-family construction activity for 2004 slowed down in Minneapolis by about 25 percent since 2003, while in the metropolitan area it decreased by 3 percent.

Figure 5 **NEW CONSTRUCTION PERMITS - Minneapolis**
Single family units



Source: CPED with data from the U.S. Bureau of the Census

Figure 6: **NEW CONSTRUCTION PERMITS - Metro area**
Single family units



Source: CPED with data from the U.S. Bureau of the Census

NEW RESIDENTIAL CONSTRUCTION

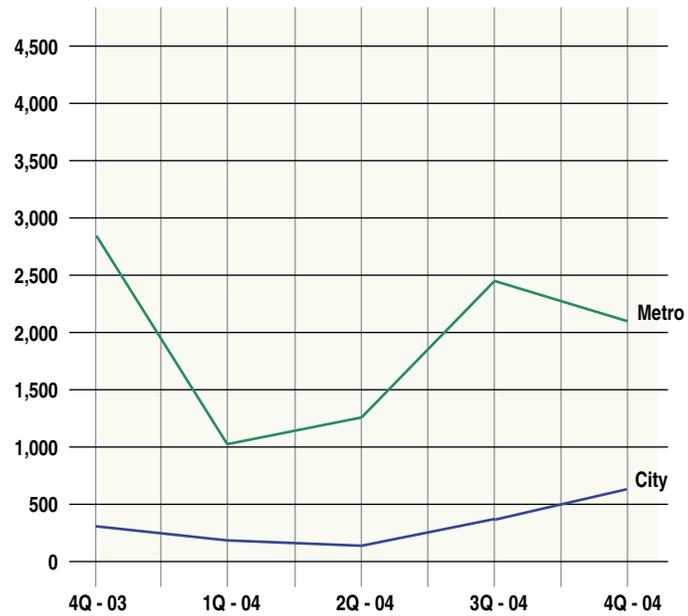
Quarter

Minneapolis' multifamily housing construction activity increased steadily since the second quarter of 2004, and it was about 48 percent higher than it was in the fourth quarter last year. In the metropolitan area, multifamily unit permits decreased since the third quarter and went 8.5 percent lower in the fourth quarter than in the same period last year.

Year

In 2004, 451 more multifamily units were built in the city than last year. In the metropolitan area, only 130 more were built this year.

Figure 7: **PERMITS FOR NEW CONSTRUCTION**
multifamily units



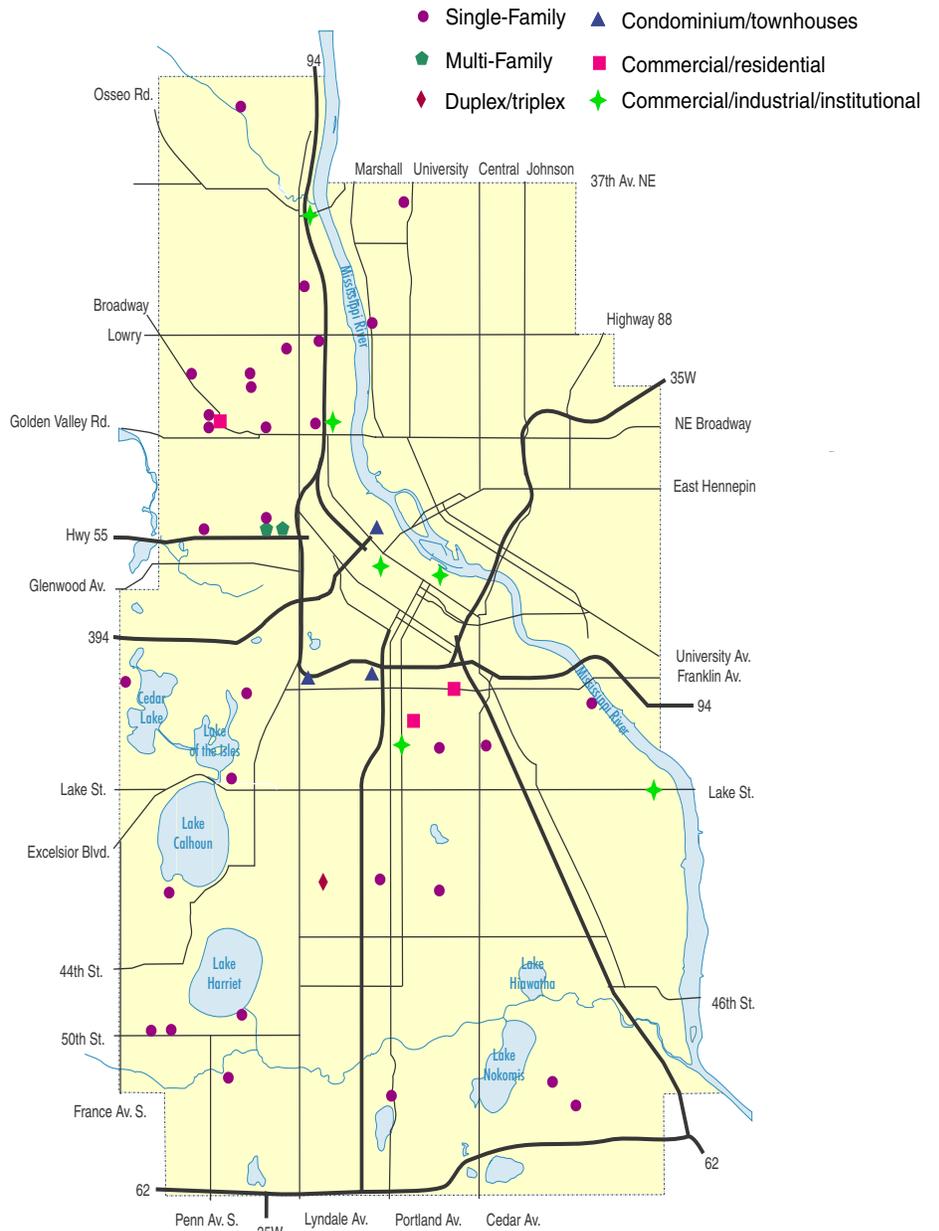
Source: CPED with data from the U.S. Census Bureau

NEW RESIDENTIAL CONSTRUCTION

Construction of new single-family units continued to concentrate in the Near North community, between Lowry Avenue and West Broadway Avenue. Scattered sites were found all over the city but to a lesser degree in Northeast. Two seven-story condominiums were permitted in Downtown and its southern edges totaling 301 units; one senior housing building and an apartment building were permitted on Van White Memorial Boulevard and Marshall Terrace respectively, totaling 176 units. Three mixed-use developments were projected on Franklin and Chicago avenues in the Phillips neighborhood and on West Broadway in the Near North community, totaling 135 units.

Six new non-residential buildings obtained permits, including the permit for final work on the new Central Library on Nicollet Mall.

Map 1: **NEW CONSTRUCTION - Minneapolis**
Q4-04



Source: CPED with data from Regulatory Services

REMODELS, ADDITIONS AND CONVERSIONS

The number of residential units converted from another use (with work costing equal to or more than \$50,000) increased by more than 670 units, from 48 in the last quarter of 2003 to 720 in the fourth quarter of 2004. This remarkable increase happened in large degree because of the conversion of the former Sears building and the conversion of a warehouse on North Washington Avenue into condominiums. These two projects when completed will add 442 residential units to the market. For the entire year, conversions and additions totaled 1,030 residential units, a fivefold increase over the 2003 volume of 206.

The number of converted or remodeled residential buildings at a cost of \$50,000 or more increased by 12 percent from last year. Their projected construction cost, however, increased by more than 400 percent from the cost reported in the 4th quarter of 2003. The number and the cost of residential remodels, additions and conversions outpaced non-residential projects.

Because of the activity in the 4th quarter, the projected construction cost for residential additions and conversions for the entire year 2004 increased by more than 150 percent. On the other hand, non-residential remodeling and conversion projected cost decreased by almost 20 percent in the same period.

Table 9: MINNEAPOLIS: CONVERSIONS, REMODELS & ADDITIONS \$50,000+

| Type of Building | Buildings ¹ | Units in converted building | Value |
|----------------------------|------------------------|-----------------------------|---------------|
| 4Q-2004 | | | |
| A- Residential conversions | 128 | | \$86,732,308 |
| and additions | 8 | | \$72,880,291 |
| # of units ² | | 720 | |
| B- Non-Residential | 114 | | \$41,310,674 |
| 4Q-2003 | | | |
| A- Residential conversions | 114 | | \$15,876,740 |
| and additions | 5 | | \$3,122,440 |
| # of units ² | | 48 | |
| B- Non-Residential | 116 | | \$66,082,216 |
| 4Q-2004 YTD | | | |
| A- Residential conversions | 549 | | \$179,374,790 |
| and additions | 20 | | \$107,757,419 |
| # of units ² | | 1,030 | |
| B- Non-Residential | 472 | | \$221,846,528 |
| 4Q-2003 YTD | | | |
| A- Residential conversions | 404 | | \$71,111,768 |
| and additions | 12 | | \$19,958,721 |
| # of units ² | | 206 | |
| B- Non-Residential | 431 | | \$276,015,616 |

Source: CPED with data from Regulatory Services

¹ Residential and non-residential buildings. Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings. Residential and non-residential building listings may include structural work, build-outs, and other improvements.

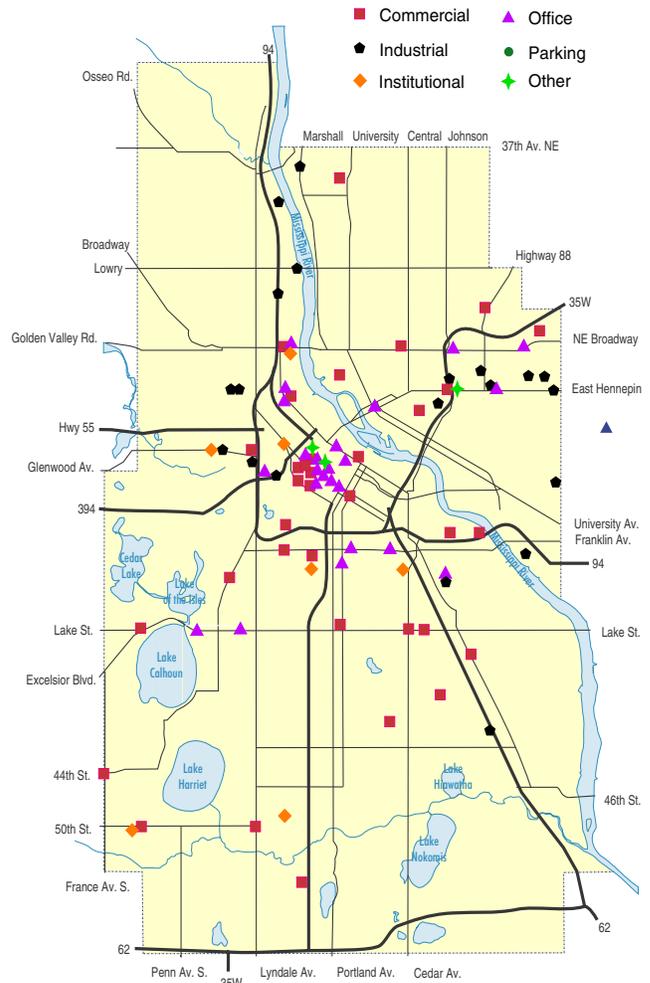
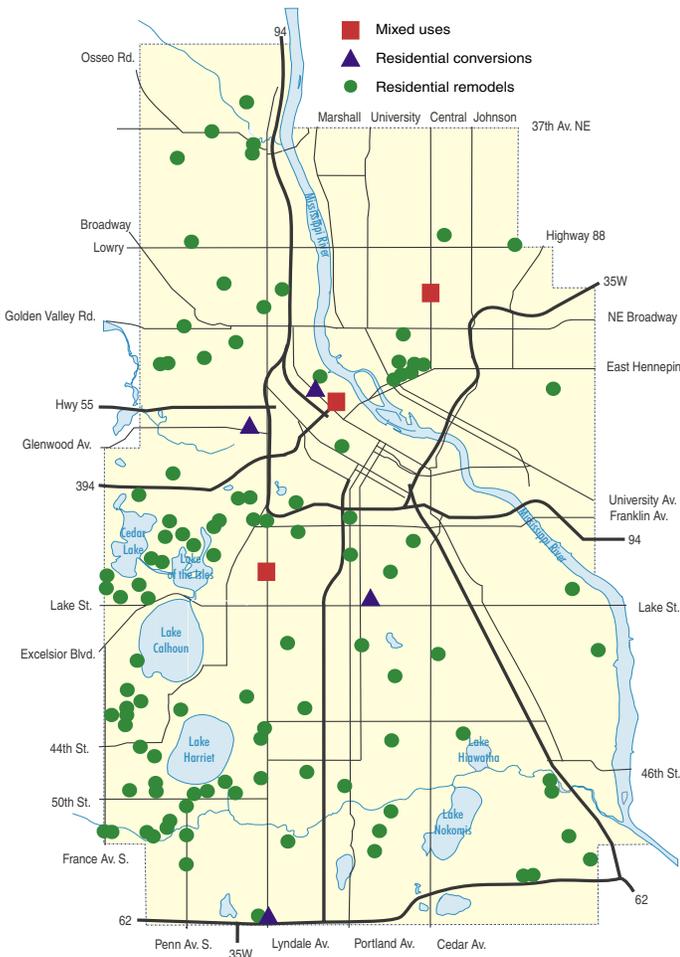
² Conversions may consist of a change in uses, e.g. from an office building to residential apartments.

REMODELS, ADDITIONS AND CONVERSIONS

Permits for residential remodels, additions and conversions are distributed mainly in the southern half of the city with a concentration in the lakes area and in Downtown, the east bank of the Mississippi River and in lesser degree in the northwestern quadrant of the city. Residential conversions, totaling 573 units, are located mainly in and near Downtown.

Map 2: **PERMITTED RESIDENTIAL REMODELING AND RENOVATIONS \$50,000+ 4Q-04**

Map 3: **PERMITTED NON-RESIDENTIAL REMODELING AND RENOVATIONS \$50,000+ 4Q-04**



Source: CPED with data from Regulatory Services

Source: CPED with data from Regulatory Services

MAJOR PROJECTS

Table 10: MAJOR PROJECTS - Minneapolis

| Address | Value | Residential units | Zip code | Description |
|------------------------|--------------|-------------------|----------|--|
| 310 Nicollet Mall | \$65,916,100 | | 55401 | New Central Library |
| 2929 Chicago Ave. | \$23,907,423 | 308 | 55407 | Residential conversion |
| 317 Groveland Ave. | \$23,670,000 | 133 | 55403 | New condo |
| 401 2nd St N. | \$20,620,875 | 136 | 55401 | New condo |
| 290 Market St. | \$14,116,000 | | 55405 | Residential conversion |
| 700 Washington Ave. N. | \$13,762,813 | 134 | 55401 | Residential conversion |
| 616 3rd St. S. | \$12,750,428 | 90 | 55415 | Residential conversion |
| 350 Van White Memorial | \$10,138,178 | 102 | 55405 | New senior housing apartments |
| 2401 Chicago Ave. | \$8,570,000 | 81 | 55404 | New commercial/ residential building |
| 1434 Marshall St. NE | \$7,250,000 | 74 | 55413 | New apartment building |
| 711 2nd St. S. | \$4,484,000 | | 55401 | New parking garage |
| 1400 Franklin Ave. E. | \$3,985,300 | 28 | 55404 | New commercial/ residential building |
| 1800 Clinton Ave. | \$3,947,612 | 32 | 55404 | New condo |
| 1931 West Broadway | \$3,875,643 | 26 | 55411 | New commercial/ residential building |
| 5500 Stevens Ave. | \$3,857,000 | | 55419 | Conversion to museum |
| 6130 Lyndale Ave. S. | \$3,500,871 | | 55419 | Residential conversion |
| 3311 Broadway St. NE | \$2,656,019 | | 55413 | Printing space remodel |
| 127 5th St. NE | \$2,629,625 | 35 | 55413 | Residential conversion |
| 2215 Park Ave. | \$2,556,671 | | 55404 | Addition to medical office |
| 2400 3rd Ave. S. | \$2,500,000 | | 55404 | Remodel of Minneapolis Institute of Arts |
| 90 7th St. S. | \$2,462,776 | | 55402 | Office remodel |
| 2100 Lake St. E. | \$1,959,445 | | 55407 | Shopping center remodel |
| 33 6th St. S. | \$1,371,521 | | 55402 | Office remodel |
| 300 6th St. S. | \$1,212,750 | | 55402 | Office improvement |
| 4320 Lake St. E. | \$1,029,498 | | 55406 | New gas station/store |

Source: CPED with data from City Regulatory Services!

DEMOLITIONS

Building permits for residential demolition

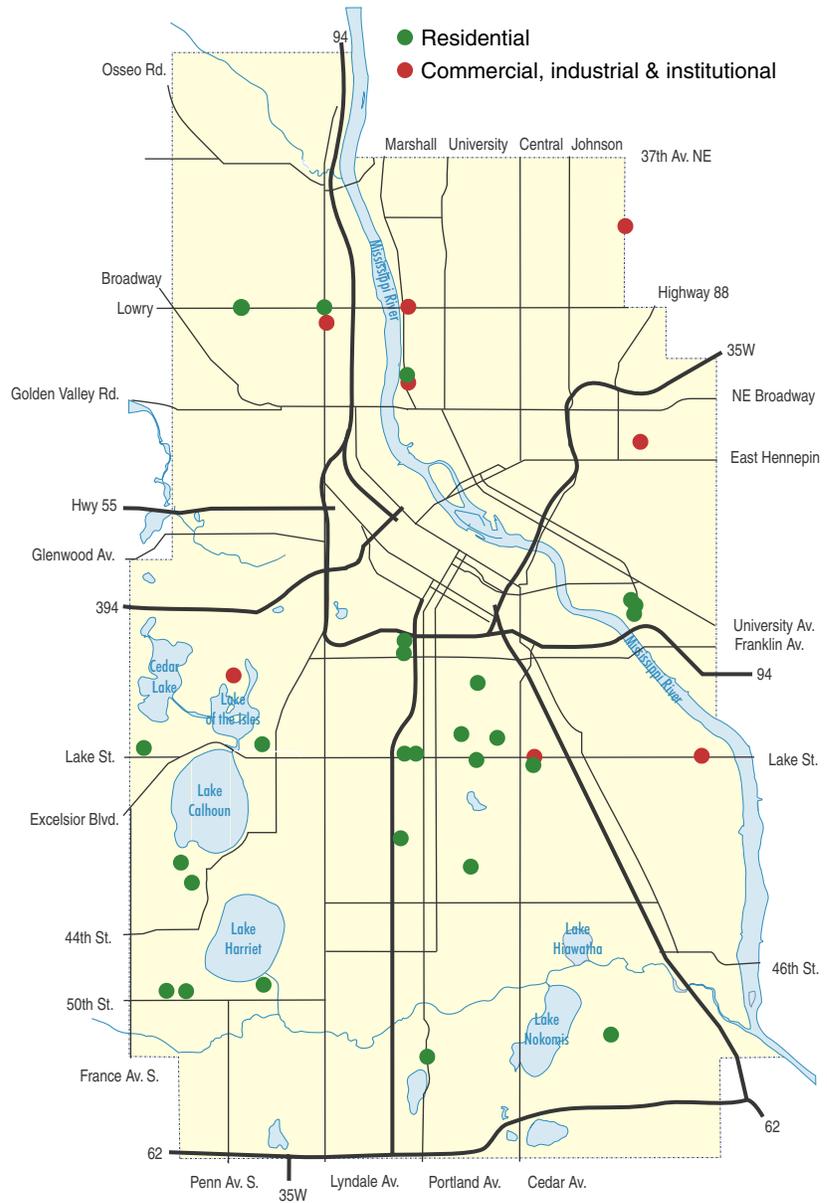
Quarter

In the fourth quarter of 2004, 43 residential demolitions with a total of 73 units showed an increase over the 16 residential demolitions with 22 total units in the same period last year. Single-family units accounted for 45 percent of residential demolitions this quarter and they were mostly in the south with a concentration in the Phillips neighborhood. In addition, 10 non-residential buildings were demolished, including four gas/service stations.

Year

In total, 124 residential units were demolished in 2004, compared to 85 in 2003. The fourth quarter was the most active period of the current year.

Map 4: PERMITS FOR BUILDING DEMOLITIONS
4Q-04



Source: CPED with data from Regulatory Services

RESIDENTIAL CONSTRUCTION COSTS

Quarter

Total new residential construction expenditures by private developers in constant dollars increased tremendously in Minneapolis, from \$28.4 million in the fourth quarter of 2003 to \$99.2 million in the fourth quarter of 2004. The increased expenditures were the result of increased multifamily dwelling construction. In the seven-county metropolitan area, expenditures in new construction decreased by about 4 percent in constant dollars in the same period. The city's share of total construction in the fourth quarter of 2004 was 10.5 percent of the metropolitan area, higher than its 2.9 percent share from the same period last year.

Year

Total expenditures by private developers in the city during 2004 increased by about 81 percent in constant dollars from more than \$129.2 million in 2003. In the metropolitan area it increased very slightly, by about 0.8 percent, from \$3.53 billion last year. As a result, the city share was about 6.6 percent of the total residential construction expenditure in the metropolitan area, up from 3.7 percent in 2003.

Table 11: RESIDENTIAL CONSTRUCTION COST

| | SF UNITS | MF UNITS | SF UNITS | MF UNITS |
|--------------|----------------|----------------|------------------------------|----------------|
| 4Q-03 | | | 2003 YTD (cumulative) | |
| City | \$7,891,208 | \$ 20,022,135 | \$ 51,456,156 | \$ 74,127,417 |
| Metro Area | \$722,829,942 | \$ 239,989,604 | \$2,757,458,459 | \$ 673,591,242 |
| City Share | 1.1% | 8.3% | 1.9% | 11.0% |
| 1Q-04 | | | 2004 YTD (cumulative) | |
| City | \$ 10,106,796 | \$ 35,642,235 | \$ 10,106,796 | \$ 35,642,235 |
| Metro Area | \$ 513,519,041 | \$ 132,607,120 | \$ 513,519,041 | \$ 132,607,120 |
| City Share | 2.0% | 26.9% | 2.0% | 26.9% |
| 2Q-04 | | | 2004 YTD (cumulative) | |
| City | \$ 11,784,048 | \$ 23,964,912 | \$ 21,890,844 | \$ 59,607,147 |
| Metro Area | \$ 826,547,245 | \$147,277,651 | \$1,340,066,286 | \$ 279,884,771 |
| City Share | 1.4% | 16.3% | 1.6% | 21.3% |
| 3Q-04 | | | 2004 YTD (cumulative) | |
| City | \$ 11,584,711 | \$ 41,755,679 | \$ 33,475,555 | \$ 101,362,826 |
| Metro Area | \$ 787,911,264 | \$ 208,498,890 | \$2,127,977,550 | \$ 488,383,661 |
| City Share | 1.5% | 20.0% | 1.6% | 20.8% |
| 4Q-04 | | | 2004 YTD (cumulative) | |
| City | \$ 7,864,399 | \$ 91,357,608 | \$ 41,339,954 | \$ 192,720,434 |
| Metro Area | \$ 674,806,252 | \$ 266,739,535 | \$2,802,783,802 | \$ 755,123,196 |
| City Share | 1.2% | 34.2% | 1.5% | 25.5% |

Source: CPED with data from the U.S. Census Bureau

Table values are not adjusted for inflation

RESIDENTIAL CONSTRUCTION COSTS

Figure 8: **PERMITTED SINGLE-FAMILY CONSTRUCTION**
- Minneapolis
in millions of dollars



Quarter

Single-family housing construction costs in the city decreased by 2.2 percent in constant dollars from the same period last year. In the metropolitan area the decrease was 8.4 percent.

Year

In 2004 single-family new construction expenditures by private developers in constant dollars in the city decreased by almost 22 percent, from \$52.9 million in 2003. The same expenditures decreased in the metropolitan area by 1.2 percent from \$2.83 billion in 2003.

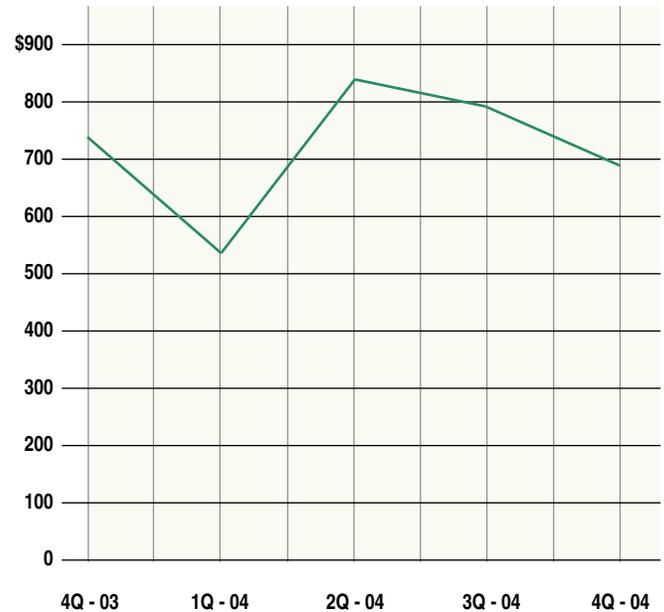
Quarter

In the fourth quarter, the cost of building a single-family residential unit in Minneapolis decreased slightly by 0.3 percent, from \$157,800 in the same period last year. In the metropolitan area the cost of building a single family unit increased by 5 percent from the same period last year, from \$197,600 in constant dollars.

Year

In 2004, permits showed an average cost of \$173,700 to build a single-family unit in Minneapolis and \$201,900 in the metropolitan area, an increase of 4 percent and 1.9 percent respectively in constant dollars from 2003.

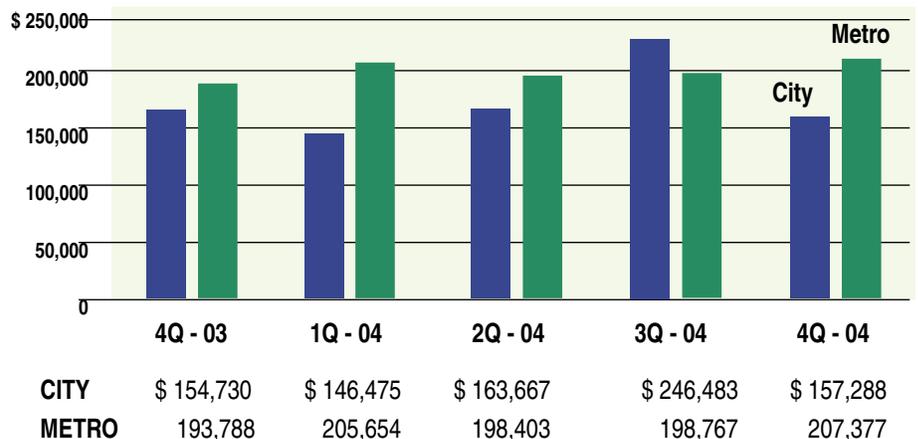
Figure 9: **PERMITTED SINGLE-FAMILY CONSTRUCTION**
- Metro area
in millions of dollars



Source: CPED with data from the U.S. Census Bureau

Values in graph are not adjusted for inflation

Figure 10: **SINGLE FAMILY CONSTRUCTION COST** per unit



Source: CPED with data from the U.S. Census Bureau

Table values are not adjusted for inflation

RESIDENTIAL CONSTRUCTION COSTS

Quarter

Permitted multifamily construction expenditures increased in both the city and the metropolitan area from the fourth quarter of 2003. In the city, developers reported projects worth \$91.3 million this year, while they reported \$20.4 million spent in same period last year. In the metropolitan area, costs reported were 9 percent more in the current period, up from \$244.7 million in the last quarter of 2003.

Year

Developers pulled permits showing expenditures in Minneapolis two and a half times higher in 2004 than in 2003 for multifamily housing construction. In the metropolitan area, expenditures went up 9 percent in 2004 in constant dollars from \$693.2 million in 2003.

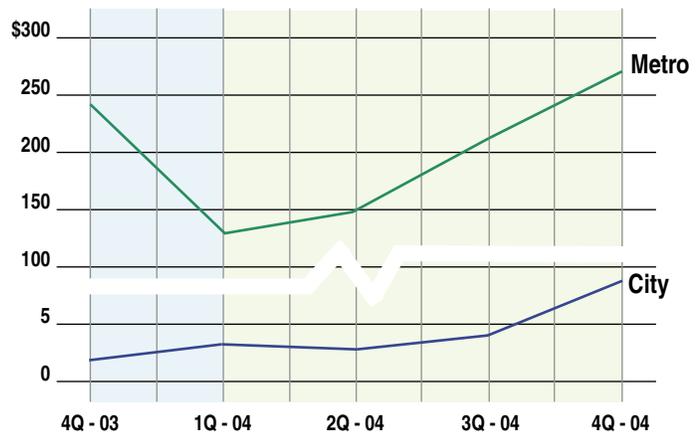
Quarter

The average construction cost of building a multifamily unit in the city in the fourth quarter was about \$148,800 – more than twice the cost for the same period last year in constant dollars. The cost per unit built in the metropolitan area increased by about 19 percent from \$106,100 in constant dollars.

Year

For 2004 the average construction cost of building a multifamily unit in the city was \$131,800, an increase of almost 75 percent in constant dollars compared to 2003. In the same period the cost per unit built in the metropolitan area increased by about 7 percent from \$103,300 in constant dollars.

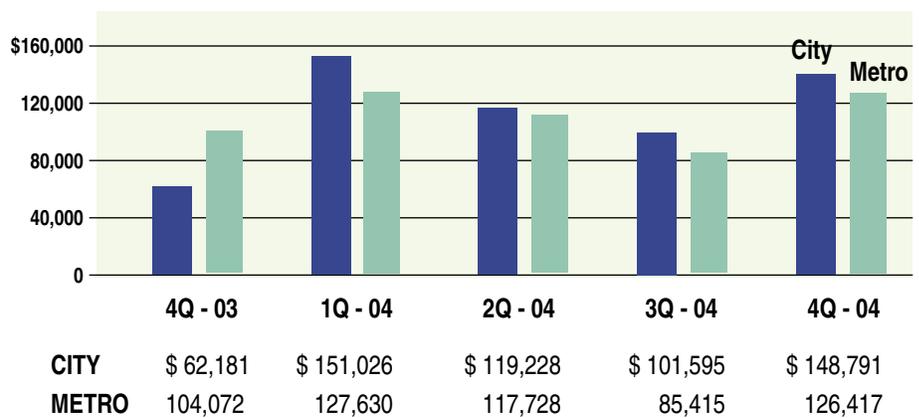
Figure 11: **DOLLAR VOLUME OF PERMITTED MULTI-FAMILY CONSTRUCTION** in millions of dollars



Source: CPED with data from the U.S. Census Bureau

Values in graph are not adjusted for inflation

Figure 12: **MULTIFAMILY CONSTRUCTION COST** per unit



Source: CPED with data from the U.S. Census Bureau

Table values are not adjusted for inflation

DEFINITIONS AND SOURCES

Building permits for new construction: Permits represent construction projects (residential and non-residential) submitted to the City for approval. Typically there is a time lag between permitting a project and actual construction.

Tables eight and 11 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 provided by the City's Regulatory Services and Inspections Division. Numbers from the Census Bureau and City Inspections may differ slightly for the same period. Census Bureau numbers do not include additions, remodels or demolitions.

Single-family buildings include only one unit in the building.

Multifamily buildings include two or more units in the building, except when noted that triplexes and duplexes are accounted separately.

Cost of residential construction is based on the amount of dollars that developers report as cost of 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-value is based on the amount the developer reports to the City Inspections Division.

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

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

Inflation-adjusted figures: Values reported in tables in this section of the report 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. Inflation adjustment is based on the U.S. Bureau of Labor Statistics' Consumer Price Index for housing in the Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget.

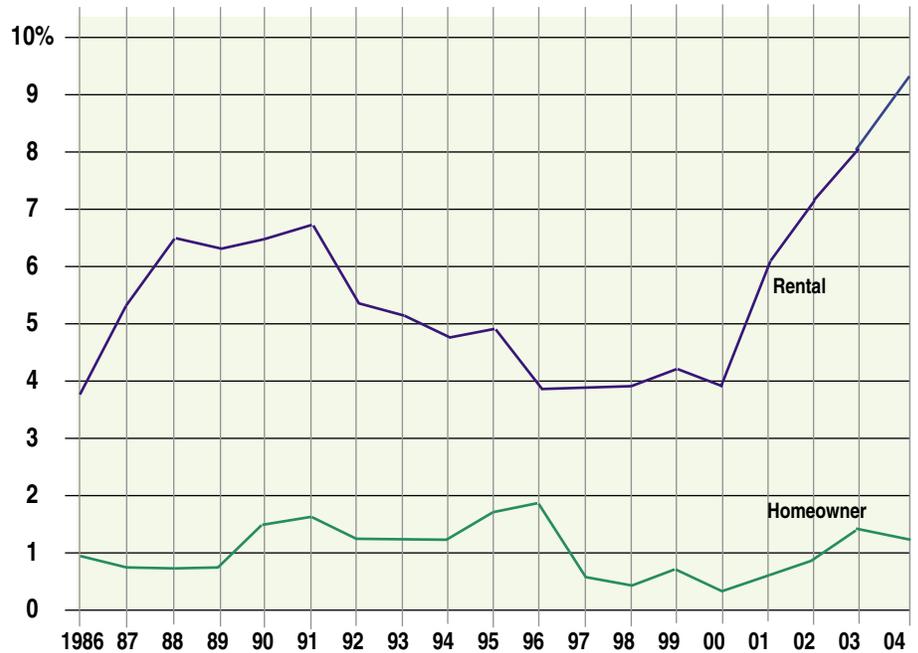
THE REAL ESTATE MARKET

- In Minneapolis, average residential rental vacancy rates have consistently gone down since the beginning of 2004, while average rents have gradually increased.
- Average residential rental vacancy rates in the metropolitan area increased in 2004 and rents rose gradually.
- More housing units were sold in 2004 than in 2003, but average prices were lower in 2004 in constant dollars for all types of housing except single family dwellings.
- In the city single-family housing units sold in the last quarter of 2004 for 11 percent more than in the last quarter of last year.
- The average vacancy rate for office space continued to increase, and the ratio of occupied office space to all office space (absorption) was low.
- The average retail vacancy rate also increased throughout the region and in the city, but absorption increased in the metropolitan area.
- Occupied industrial space increased in Minneapolis by a low 0.09 percent since the third quarter of 2004.

THE REAL ESTATE MARKET

In 2000, vacancy rates reached their lowest levels but began climbing in subsequent years. In the Twin Cities metropolitan area, the 2004 annual vacancy rates in the *rental* market were at their highest point in 18 years. Vacancy rates in the *homeowner* market were highest in 1996. From 2003 to 2004, homeowner vacancy rates decreased again by 2 percentage points.

Figure 13: **RENTAL AND HOMEOWNER VACANCY RATES** - Minneapolis & Metro area



Source: U.S. Census Bureau, Housing Vacancy Survey, Annual Statistics

Quarter

The average Minneapolis vacancy rate in the fourth quarter for multifamily rental units was 4.8 percent. The average rent was \$822, down \$15 from the third quarter. The average vacancy rate decreased since the third quarter and is much lower than the vacancy rate in the same period last year.

Table 12: **VACANCY RATE AND AVERAGE RENT** Minneapolis & Metro area

| BY QUARTER | 4Q-03 | 1Q-04 | 2Q-04 | 3Q-04 | 4Q-04 |
|---------------------|---------|---------|---------|---------|---------|
| MINNEAPOLIS | | | | | |
| Units surveyed | 17,451 | 17,308 | 17,110 | 16,460 | 15,686 |
| Vacant Units | 1,142 | 1,169 | 1,086 | 811 | 748 |
| Average rent | \$815 | \$822 | \$828 | \$837 | \$822 |
| Vacancy Rate | 6.5% | 6.8% | 6.3% | 4.9% | 4.8% |
| METRO AREA | | | | | |
| Units surveyed | 124,920 | 125,410 | 123,941 | 123,814 | 121,641 |
| Vacant Units | 9,552 | 9,554 | 8,807 | 8,325 | 8,905 |
| Average rent | \$845 | \$847 | \$850 | \$851 | \$849 |
| Vacancy Rate | 7.6% | 7.4% | 7.1% | 6.7% | 7.3% |
| YTD AVERAGES | | | | | |
| MINNEAPOLIS | | | | | |
| Units surveyed | 17,501 | 17,308 | 17,209 | 16,959 | 16,641 |
| Vacant Units | 1,100 | 1,169 | 1,128 | 1,022 | 954 |
| Average rent | \$812 | \$822 | \$825 | \$829 | \$827 |
| Vacancy Rate | 6.3% | 6.8% | 6.6% | 6.0% | 5.7% |
| METRO AREA | | | | | |
| Units surveyed | 124,552 | 125,410 | 124,676 | 124,388 | 123,702 |
| Vacant Units | 8,678 | 9,554 | 9,181 | 8,895 | 8,898 |
| Average rent | \$844 | \$847 | \$849 | \$849 | \$849 |
| Vacancy Rate | 7.0% | 7.6% | 7.4% | 7.2% | 7.2% |

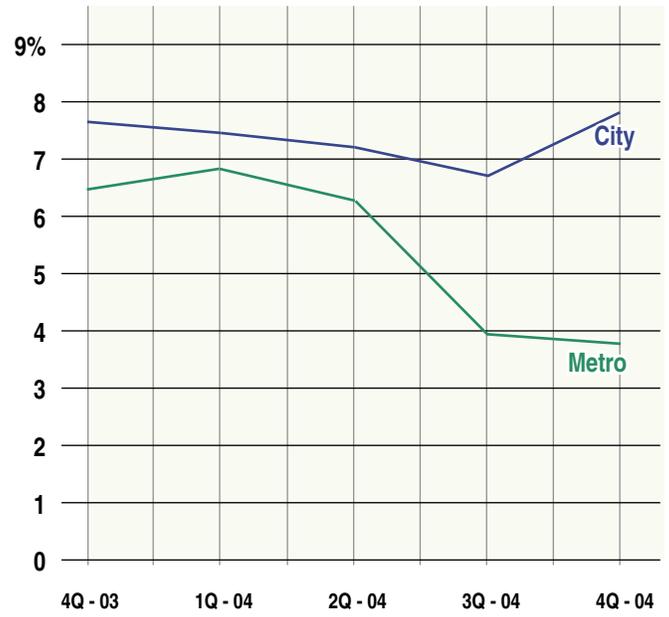
Source: GVA Marquette Advisors Report 2003 and 2004 based on property survey

Recorded data for the last month of the quarter

THE REAL ESTATE MARKET

In the metropolitan area, the average vacancy rate was 7.3 percent, a decrease from 7.6 percent in the same period last year. Average rents increased by \$4 in the same period.

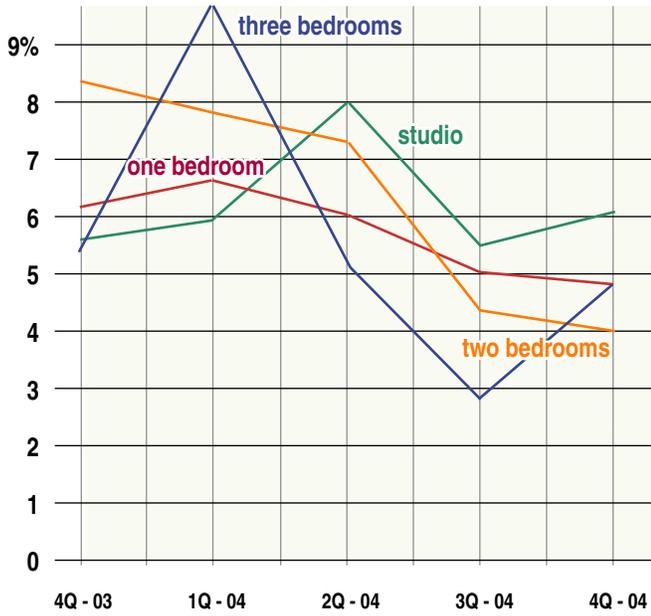
Figure 14: RENTAL VACANCY RATE



Source: CPED with data from GVA Marquette Advisors

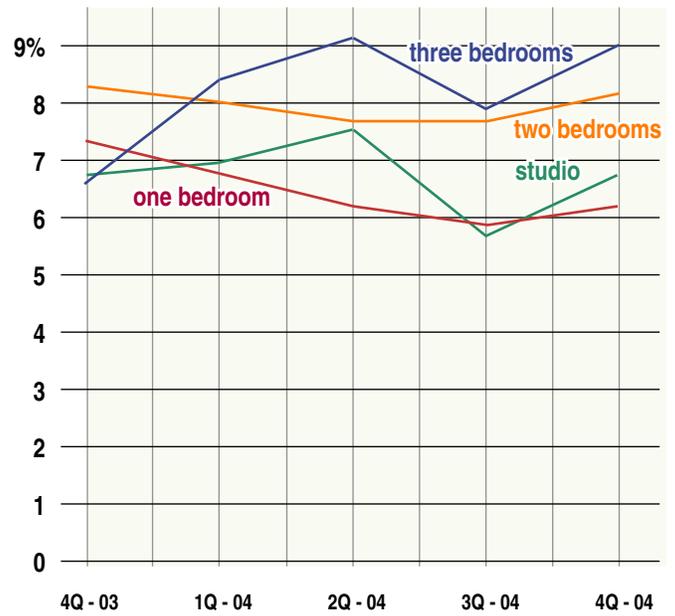
THE REAL ESTATE MARKET

Figure 15: VACANCY RATE BY APARTMENT TYPE - Minneapolis



Source: CPED with data from GVA Marquette Advisors

Figure 16: VACANCY RATE BY APARTMENT TYPE - Metro Area



Source: CPED with data from GVA Marquette Advisors

Year

At the end of 2004, the vacancy rate in Minneapolis had decreased to 5.7 percent from 6.3 percent in 2003, and the average rent had increased by almost 2 percent from \$812 to \$827 in the same period. In the metropolitan area, the vacancy rate was higher in 2004 than in 2003 and so were average rents.

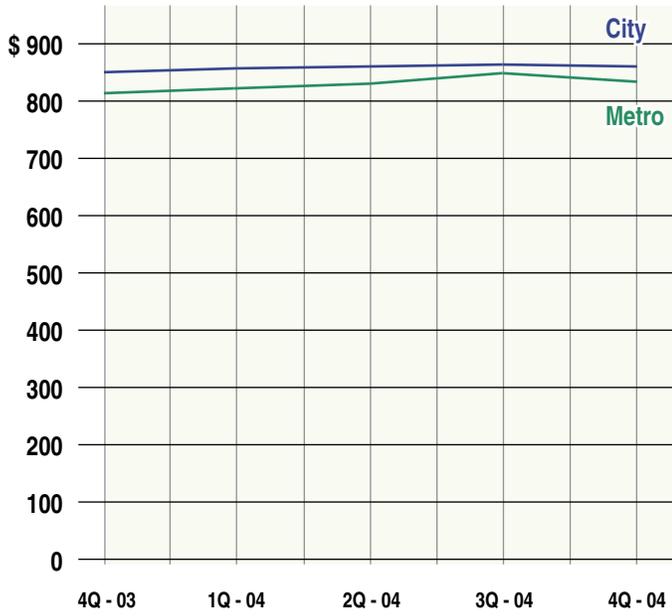
Figure 17: AVERAGE RENTAL VACANCY RATES -



Source: CPED with data from GVA Marquette Advisors

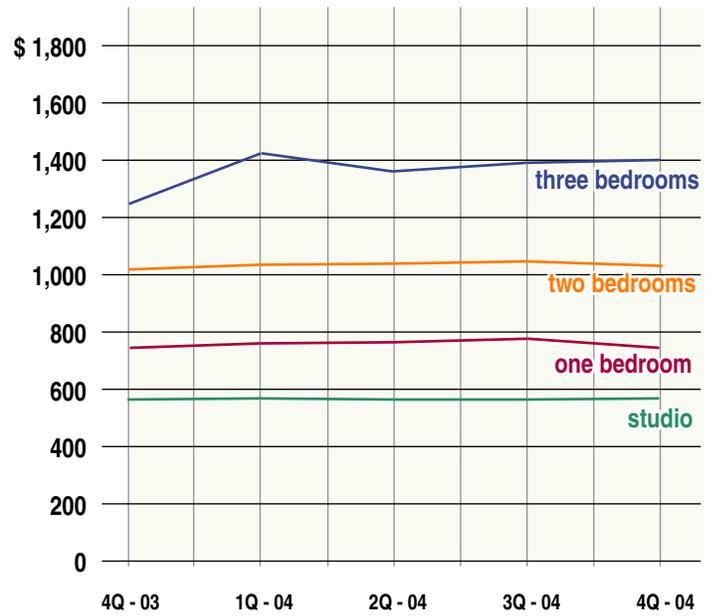
THE REAL ESTATE MARKET

Figure 18: APARTMENT AVERAGE RENT



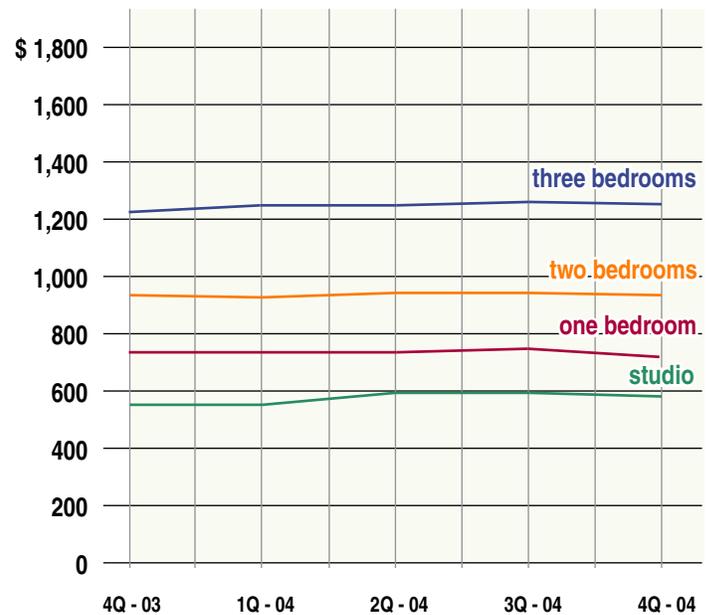
Source: CPED with data from GVA Marquette Advisors

Figure 19: AVERAGE RENT - Minneapolis



Source: CPED with data from GVA Marquette Advisors

Figure 20: AVERAGE RENT - Metro area



Source: CPED with data from GVA Marquette Advisors

RESIDENTIAL SALES

Quarter

The total number of housing units sold decreased by 5.5 percent to 1,397 units from 1,479 units sold during the same period last year. However, condominium units and townhouses sold briskly.

Average sale prices for all housing increased in constant dollars from the same period last year by 7.6 percent. The average single-family house sold in Minneapolis in the fourth quarter

of 2004 for about \$239,000, an increase of 11 percent from the same period last year. Condominium prices gained almost 2 percent.

Year

A total of 40 percent more housing units sold in 2004 than in 2003, but average housing prices in constant dollars were less than one percent above 2003 prices. All types of housing units experienced an increase in sales but a decrease in real values, except single-family housing which appreciated by 1 percent.

Table 13: RESIDENTIAL UNITS SOLD AND AVERAGE SALE VALUES ¹ Minneapolis

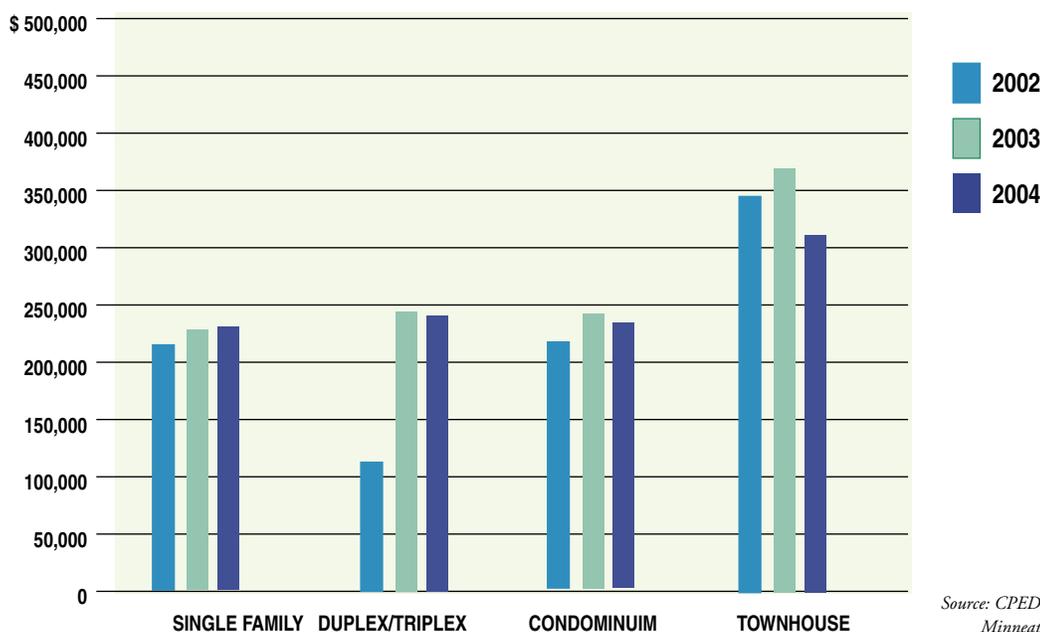
| | 4Q-2003 | | 1Q-2004 | | 2Q-2004 | | 3Q-2004 | | 4Q-2004 | |
|----------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
| | # UNITS | AVG. SALE |
| Single-Family | 1,185 | \$209,187 | 1,219 | \$205,539 | 1,754 | \$221,134 | 1,844 | \$231,593 | 1,033 | \$238,967 |
| Duplex/Triplex | 179 | \$242,196 | 261 | \$237,502 | 274 | \$249,590 | 326 | \$258,165 | 164 | \$235,742 |
| Condominium | 109 | \$236,499 | 210 | \$254,386 | 275 | \$239,637 | 282 | \$237,230 | 177 | \$247,695 |
| Townhouse | 6 | \$390,818 | 29 | \$267,874 | 23 | \$433,814 | 21 | \$360,228 | 23 | \$206,471 |
| TOTAL | 1,479 | \$215,932 | 1,719 | \$217,411 | 2,326 | \$228,777 | 2,473 | \$236,831 | 1,397 | \$239,159 |
| | 2003 YTD | | 2004 YTD | | YTD | | YTD | | YTD | |
| Single-Family | 4,384 | \$215,920 | 1,219 | \$205,539 | 2,973 | \$214,740 | 4,817 | \$221,191 | 5,850 | \$224,330 |
| Duplex/Triplex | 624 | \$241,679 | 261 | \$237,502 | 535 | \$243,693 | 861 | \$249,172 | 1,025 | \$247,024 |
| Condominium | 607 | \$239,047 | 210 | \$254,386 | 485 | \$246,024 | 767 | \$242,790 | 944 | \$243,7104 |
| Townhouse | 47 | \$353,588 | 29 | \$267,874 | 52 | \$341,271 | 73 | \$346,724 | 96 | \$313,122 |
| TOTAL | 5,662 | \$222,381 | 1,719 | \$217,411 | 4,045 | \$223,947 | 6,518 | \$228,835 | 7,915 | \$230,657 |

Source: CPED with data from the Minneapolis Assessor's Office

Table values are not adjusted for inflation.

Numbers do not include apartments, vacant land sold or unclassified residential units.

Figure 22: AVERAGE YEARLY HOUSING SALE PRICES - Minneapolis
in current dollars



Source: CPED with data from the Minneapolis Assessor's Office

OFFICE, RETAIL AND INDUSTRIAL VACANCY RATES AND ABSORPTION

During the fourth quarter of 2004, the average vacancy rate for office space in both the Minneapolis central business district (CBD) and the metropolitan area continued to increase. In Minneapolis it increased from 16.5 percent in the fourth quarter of 2003 to 20.5 percent in the fourth quarter of 2004, while in the metro area it increased from 16.6 percent to 17.6 percent in the same period. Average asking lease rates in Minneapolis remained at \$9.80 per square foot in constant dollars. In the metro area, prices in constant dollars decreased very slightly from \$10.90 in the last quarter of 2003 to \$10.50 in the last quarter of 2004.

Retail space vacancies in the Minneapolis central business district had a steep increase of almost 6 percent between the third quarter of last year and the same period of this year. In the metro area, vacancy rates increased also, but not as sharply as they did in the city's central business district. Prices asked for available space in Minneapolis decreased by \$3.50 per square foot in constant dollars and in the metropolitan area by about \$3.

Lease rates for industrial space declined slightly in Minneapolis from \$4 in constant dollars in the last quarter of 2003 and increased in the metropolitan area from \$4.20 in the same period.

Absorption figures show that the office markets in the Minneapolis central business district and the metropolitan area continued to be weak. Less space was occupied in the third quarter of 2004 than in the same period last year.

Retail continues to increase in the metropolitan area with nearly 300,000 more occupied square feet since last year, but occupied retail space in the Minneapolis central business district is decreasing. Moreover, occupied retail space in the city central business district decreased even more since the third quarter of 2004.

The industrial market continued to be tight and most of the existing space was occupied. However, between the third and fourth quarters of 2004 industrial occupied space increased slightly in Minneapolis by 1.2 percent and declined somewhat in the metropolitan area.

Table 14: **VACANCY RATES AND ASKING LEASE RATE**

Office, retail and industrial space

| | AVERAGE VACANCY RATE | | AVERAGE ASKING LEASE RATE \$/SQ.FEET/YEAR | |
|-------------------------------|----------------------|-------|---|---------|
| | Q4-03 | Q4-04 | Q4-03 | Q4-04 |
| OFFICE¹ | | | | |
| Minneapolis CBD | 16.5% | 20.5% | \$ 9.50 | \$ 9.80 |
| Metro Area | 16.6% | 17.6% | 10.60 | 10.50 |
| RETAIL² | | | | |
| Minneapolis CBD | 8.4% | 14.1% | 28.50 | 25.80 |
| Metro Area | 5.8% | 6.8% | 18.50 | 16.20 |
| INDUSTRIAL³ | | | | |
| Minneapolis | n/a | 3.8% | 3.90 | 3.90 |
| Metro area | n/a | 7.0% | 4.10 | 4.30 |

Source: CPED with data from CBRichard Ellis

Table values are not adjusted for inflation

- ¹ Class A, B and C office buildings 10,000 square feet and greater in size
- ² Includes all multi-tenant retail buildings 30,000 square feet and greater in size, including buildings under construction
- ³ Includes all competitive industrial buildings 100,000 square feet and greater in size, including buildings under construction. Market consists of bulk warehouses, office warehouses and office showrooms, manufacturing and

Table 15: **ABSORPTION²** Office, retail and industrial space –

| | Q2-03 | Q2-04 | 2Q-03 to 2Q-04 |
|---------------------------|------------|-------------|----------------|
| OFFICE¹ | | | |
| Minneapolis CBD | 18,370,941 | 17,658,641 | (712,300) |
| Metro Area | 54,032,771 | 52,802,198 | (1,230,573) |
| RETAIL | | | |
| Minneapolis CBD | 2,103,315 | 1,974,213 | (129,103) |
| Metro Area | 52,418,738 | 52,714,099 | 295,361 |
| INDUSTRIAL | | | |
| Minneapolis | n/a | 31,665,529 | n/a |
| Metro area | n/a | 296,160,406 | n/a |

Source: CPED with data from CBRichard Ellis

¹ Class A, B and C buildings

² Absorption: the change in occupied square feet of space between one period to the other

DEFINITIONS AND SOURCES

Housing Vacancy Rate: Vacancy rate is the percent of unoccupied housing units in the total number of housing units. The Census Bureau Housing Vacancy Survey presents annual rental and homeowner vacancy rates for the Twin Cities metropolitan area. This metropolitan area according to the U.S. Office of Management and Budget definition includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

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. The survey also tracks the average rent paid for apartment units.

Average sale values: These values are based on home prices reported to the Hennepin County Assessor. The figures are unverified and may not reflect the actual sale value.

Real estate statistics as reported by CB Richard Ellis (see Web site at 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 metropolitan area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries.

Data cover approximately 5,000 industrial buildings, 370 retail buildings and 65 million square feet of office space in the Twin Cities metropolitan area.

Average asking lease rate: Determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of all available space

Average vacancy rate: Vacant square feet divided by the net rentable area

Absorption: The change in occupied square feet from one period to the next

Inflation-adjusted figures: Values reported in tables in this section of the report 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 for all urban consumer goods and housing in the Minneapolis-Saint Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget.



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