

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



third quarter 2007

Highlights for the third quarter of 2007

- Although the number of employed residents increased, the unemployment rate rose too - from 4.2 percent last quarter to 4.6 percent. *see page 4*
- The number of new residential units permitted in Minneapolis decreased sharply over the last year, affecting both multifamily and single-family housing. *see page 13*
- The rental vacancy rate decreased since last quarter, but it was slightly higher than one year ago. The cost of rent in inflation-adjusted dollars increased. *see page 25*
- Housing sales were 13 percent lower than a year ago, but prices were stable at \$223,000. In the metro area, both housing sales and prices were lower than a year ago. *see page 30*
- Foreclosures nearly doubled in the last year. The number of vacant and boarded buildings in the city doubled. *see page 31*
- The office vacancy rate in the Minneapolis central business district (14.3 percent) was lower than a year ago. *see page 33*
- The quarterly retail vacancy rate in the Minneapolis central business district (8.5 percent) decreased since a year ago. The average asking lease price was higher. *see page 35*

Jobs and Wages

- There were 1,077 more jobs in the first quarter of 2007 than a year earlier, a small increase of 0.4 percent. *see page 5*
- Wages in the first quarter increased by 3.2 percent in inflation-adjusted dollars since a year earlier. *see page 8*



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

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Minneapolis Trends



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Economic Indicators

- Total employment in Minneapolis was higher than last quarter, but the number of people looking for a job was even higher, and as a result, the unemployment rate increased to 4.6 percent this quarter. This rate was higher than the metro area's, which increased to 4.3 percent.
- In the first quarter there were 0.4 percent more jobs (1,077) than a year earlier but 1.6 percent less than one quarter earlier, a sign that the economy was slowing down. The number of jobs in the metro and the state also grew slowly – by 0.5 percent in the metro area in a year and 0.2 percent in Minnesota over the same period.
- Wages in Minneapolis increased by 3.2 percent in inflation-adjusted dollars from a year ago. In the metro area they increased by 2.8 percent, and in Minnesota, by 2.9 percent.

Labor force

In the third quarter, 211,111 Minneapolis residents had jobs – that’s almost the same number as one year earlier.

Compared to one quarter earlier though, employment for Minneapolis residents increased by 0.7 percent or about 1,600 more people.

Unemployment in Minneapolis jumped from 3.9 percent this time last year and from 4.2 percent last quarter to 4.6 percent. It also increased substantially in the metro area from 3.6 percent this time last year and from 4 percent last quarter to 4.3 percent. Even though employment was high in Minneapolis, the number of people looking for jobs was increasing.

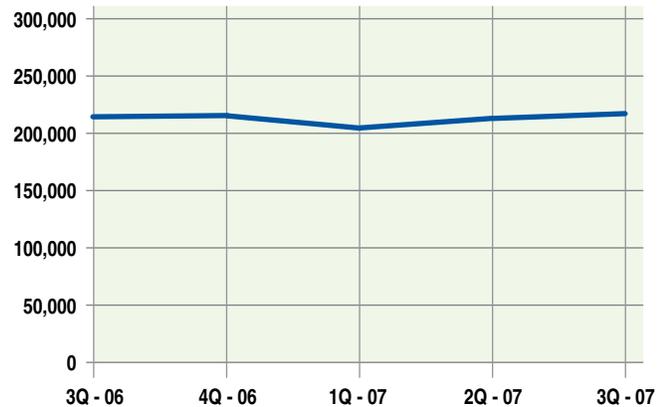
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis					
Labor Force	219,816	219,534	215,570	218,564	221,256
Employment rate	211,159	211,555	206,842	209,479	211,111
Unemployment rate	3.9%	3.6%	4.0%	4.2%	4.6%
Metro area*					
Labor Force	1,625,708	1,627,300	1,602,972	1,620,310	1,637,065
Employment rate	1,567,412	1,570,351	1,535,362	1,554,938	1,567,052
Unemployment rate	3.6%	3.5%	4.2%	4.0%	4.3%

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

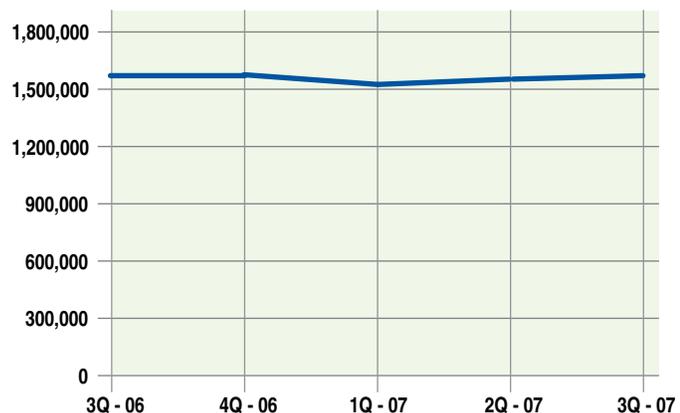
* For the metro area definition, see page 11

Figure 1: **AVERAGE EMPLOYMENT – Minneapolis**



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

Figure 2: **AVERAGE EMPLOYMENT – metro area***



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

* For metro area definition, see page 11

Jobs

The most recent figures available are from the first quarter of 2007. The number of jobs located in Minneapolis declined since the previous quarter, but it was 0.4 percent higher than one year earlier. The categories showing the most job growth were health care and social assistance (adding 2,200 jobs – a 5.1-percent increase), and accommodation and food services (adding 953 jobs – a 4.4-percent increase). Government, educational services and administrative and waste services also gained jobs.

The first quarter had 485 more jobs – 3.9 percent more – than a year earlier. Educational and administrative gained 369 jobs and waste services gained 309. On the other hand, finance and insurance lost more than 3,100 jobs, and professional and technical services lost more than 1,200 jobs.

The only economic sectors that didn't lose jobs from the previous quarter were health care and public assistance, which added 390 jobs, and public administration, which added 77.

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

	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07**
Total, all industries ¹	290,268	296,085	296,323	296,170	291,345
Manufacturing	16,629	16,680	16,663	16,670	16,417
Utilities*	3,038	3,069	3,092	2,779	2,681
Wholesale trade	9,586	9,597	9,795	9,730	9,629
Retail trade	14,984	15,209	14,738	15,175	14,543
Transportation and warehousing*	4,215	4,189	4,141	4,259	4,043
Information	11,197	11,014	10,885	11,047	10,636
Finance and insurance*	30,357	30,483	30,501	28,492	27,216
Real estate and rental and leasing	6,206	6,293	6,331	6,307	6,193
Professional and technical services*	29,783	30,246	30,501	30,591	28,568
Management of companies and enterprises	16,043	15,991	15,793	16,052	16,032
Administrative and waste services*	14,482	15,280	15,634	15,991	14,791
Educational services	28,300	29,263	26,865	28,945	28,669
Health care and social assistance	43,164	43,326	44,998	44,974	45,364
Arts, entertainment and recreation*	4,484	5,025	5,129	5,043	4,678
Accommodation and food services	21,695	23,098	23,261	22,908	22,648
Other services*	10,237	10,644	10,558	10,593	10,188
Public administration	12,361	12,618	13,128	12,769	12,846

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

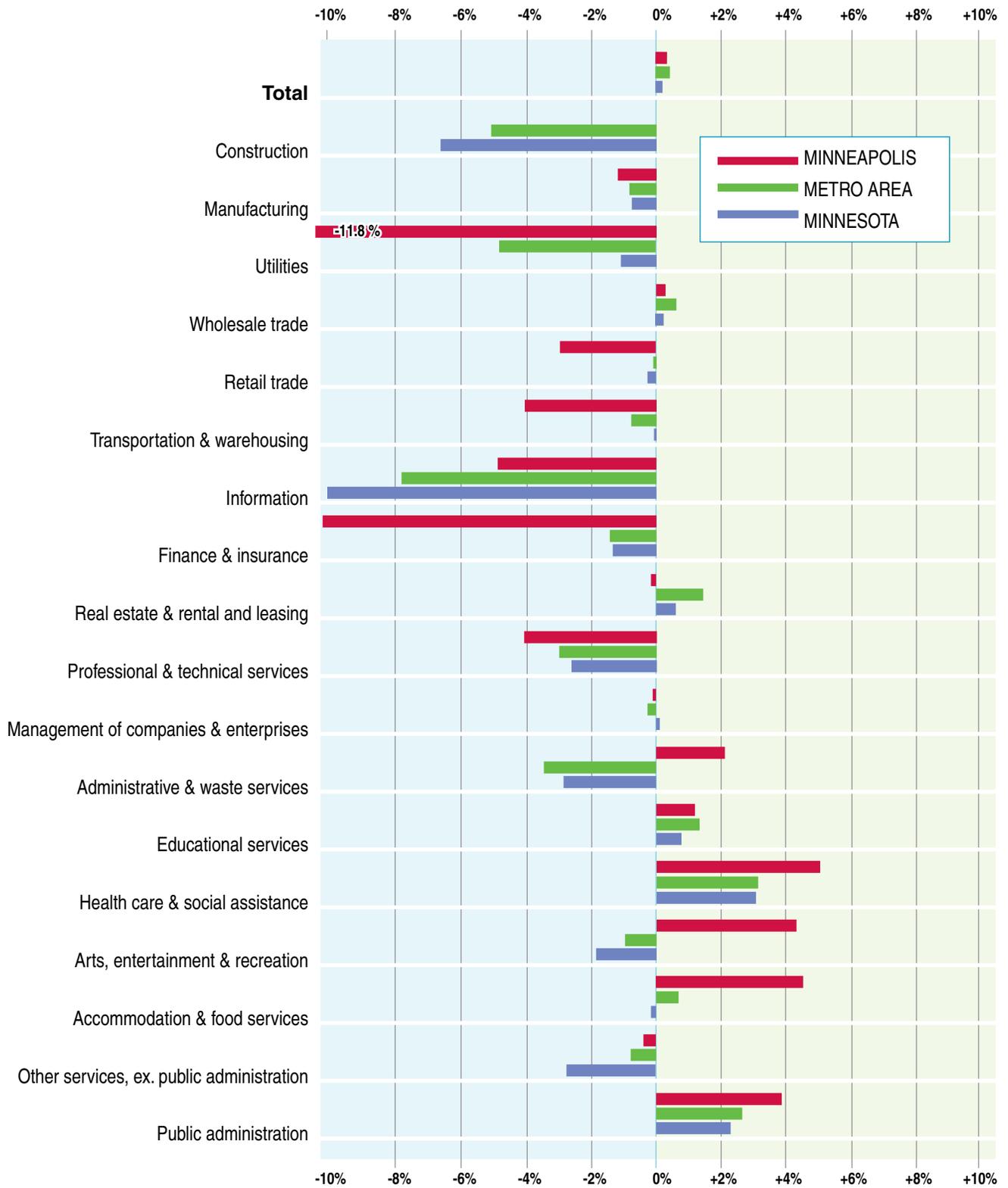
* Private jobs only

** This is the most current information available.

¹ Natural resources-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 DEED.

Jobs

Figure 3: **JOBS** – 1Q-06 to 1Q-07
percent change



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

Jobs

Between the first quarter of 2006 and the first quarter of 2007, Minneapolis jobs did not grow much, but employment was better in the city than in the state. At 0.5 percent the metro area had a rate of job growth barely higher than the city. Many sectors lost jobs in the city, the metro area and the state, but the health care and social assistance sector was an exception. This sector added more than 11,000 jobs in the state, including more than 6,000 in the metro area and 2,200 in the city.

Minneapolis also increased jobs in accommodation and food services and in government (953 and 485 jobs respectively). Government jobs also had strong growth in the state and the metro area. Job growth in the education sector was robust in the metro area.

The city lost the most jobs in finance and insurance services, professional and business services, and information. These three sectors also lost jobs in the state and the metro area.

Wages

The average weekly wage in Minneapolis in the first quarter of 2007 was \$1,182, a nominal increase of \$69 (\$37 in inflation-adjusted dollars*) from a year earlier. In inflation-adjusted dollars, wages decreased in three sectors: arts and entertainment, educational services and public administration. The sector with the highest year-to-year wage increase was finance and insurance services, which increased its weekly wages 12.7 percent – \$317 in inflation-adjusted dollars*.

The other two sectors that increased the most during the year were management of companies (which increased \$178 per week in inflation-adjusted dollars*) and professional and technical services (which increased \$85 per week in inflation-adjusted dollars*). Although the average wages increased, two of these three sectors (finance and insurance and professional and technical services) also lost the most jobs in the period.

* For conversion index, see page 11

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

	1Q - 06	2Q - 06	3Q - 06	4Q - 06	1Q - 07**
Total, all industries ¹	\$ 1,113	\$ 1,009	\$ 1,027	\$ 1,103	\$ 1,182
Manufacturing	1,028	944	932	1,051	1,107
Utilities*	2,018	1,571	1,684	1,562	2,148
Wholesale trade	1,109	1,065	1,070	1,199	1,170
Retail trade	501	528	510	525	521
Transportation & warehousing*	636	669	653	719	666
Information	1,190	1,072	1,102	1,139	1,314
Finance & insurance*	2,418	1,466	1,547	1,839	2,803
Real estate & rental and leasing	1,148	1,835	1,042	1,238	1,266
Professional & technical services*	1,424	1,383	1,438	1,829	1,482
Management of companies & enterprises	1,480	1,772	1,566	1,651	1,700
Administrative & waste services*	593	573	565	589	620
Educational services	989	853	1,047	915	1,008
Health care & social assistance	882	887	948	955	942
Arts, entertainment & recreation*	1,003	1,092	1,275	995	909
Accommodation & food services	337	337	344	356	350
Other services*	534	534	554	558	554
Public administration	1,048	1,057	1,007	1,125	1,070

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

* Only private wages

** Table reflects the most current information available.

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

Wages

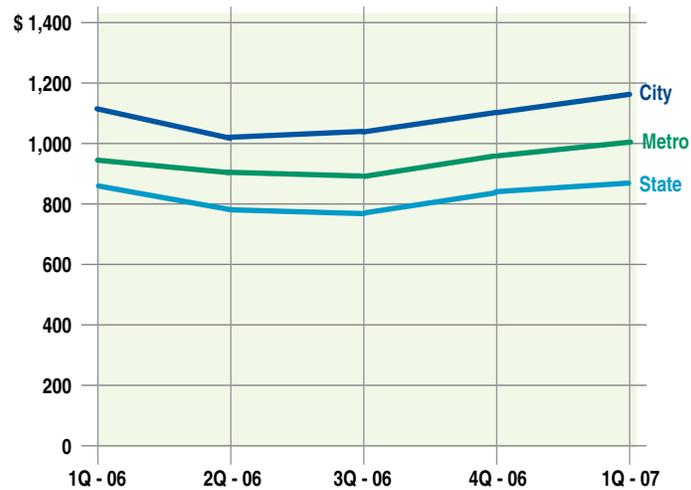
In general, jobs in Minneapolis continued to command higher average weekly wages than jobs in the metropolitan area or the state. First-quarter wages in Minneapolis increased by 6.2 percent (3.2 percent in inflation-adjusted dollars*) from a year earlier. At the same time, average wages in the metro area increased by 5.8 percent (2.8 percent in inflation-adjusted dollars), and average wages in the state increased by 5.2 percent (2.9 percent in inflation-adjusted dollars*).

Wages increased in most industries in inflation-adjusted dollars since the first quarter of 2006. Retail wages decreased in the metro by 3 percent and in the state by 2.2 percent, but not in Minneapolis.

Wages in other services including personal services, repair and not-for-profits declined in the metro area by 1.3 percent. Wages for educational services declined by 0.9 percent in the city and by 0.6 percent in the metro, and public administration wages decreased by 0.7 percent in the city and by 0.3 percent in the metro area.

* For conversion index, see page 11

Figure 4: **AVERAGE WEEKLY WAGES** – 1Q-06 to 1Q-07
in current dollars

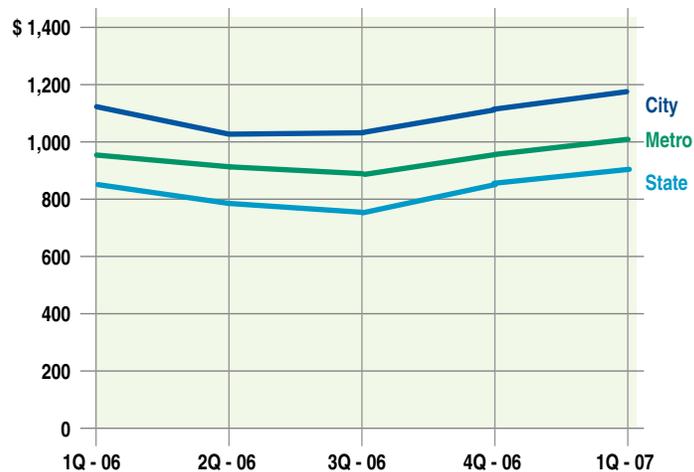


	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis	\$ 1,113	\$ 1,009	\$ 1,027	\$ 1,103	\$ 1,182
Metro	956	901	\$891	954	1,011
State	831	790	\$786	840	874

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

* For conversion index, see page 11

Figure 5: **AVERAGE WEEKLY WAGES** – 1Q-06 to 1Q-07
in inflation adjusted dollars

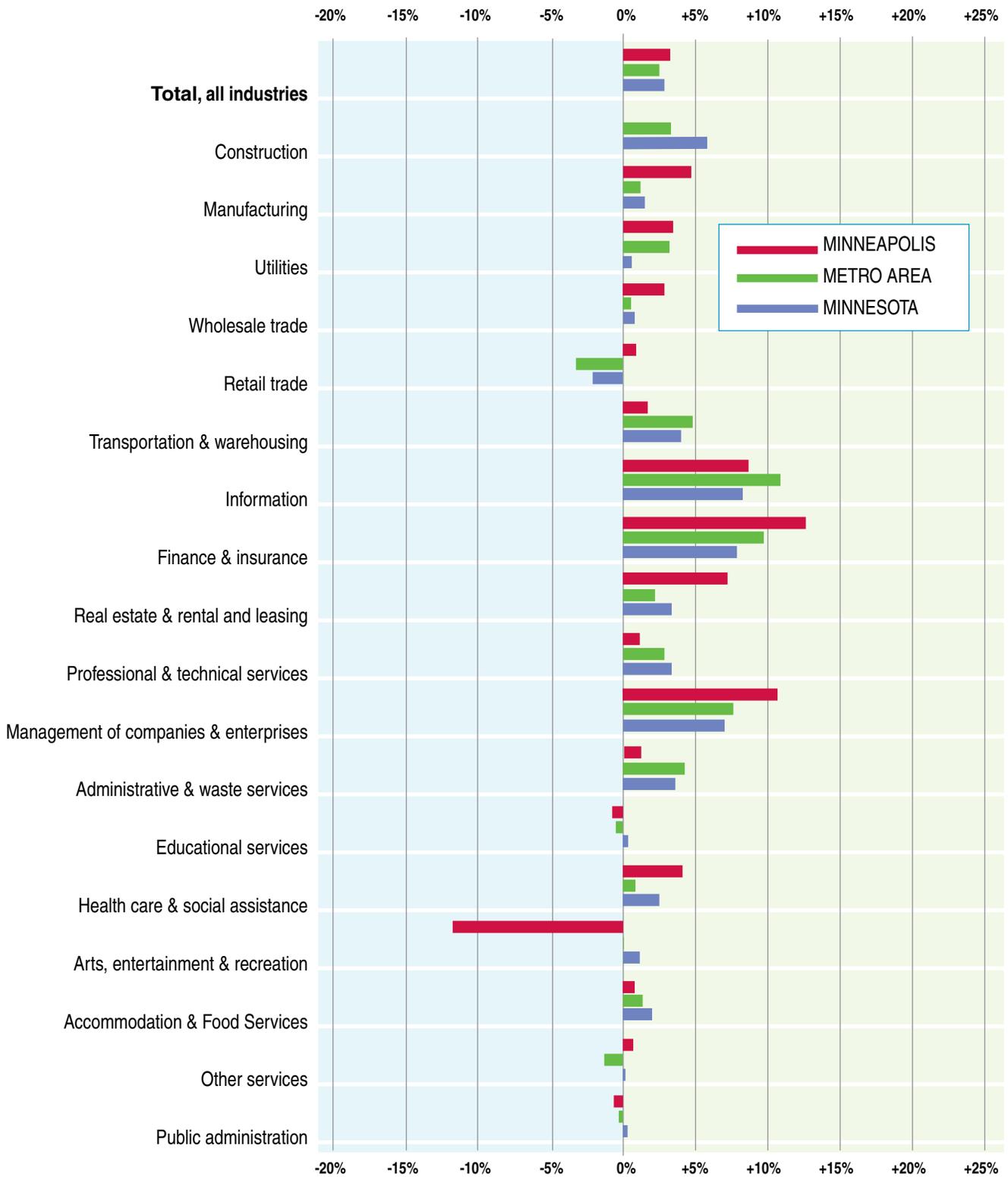


	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07	1Q-06 to 1Q-07 change
Minneapolis	\$ 1,145	\$ 1,038	\$ 1,044	\$ 1,122	\$ 1,182	\$ 37 / 3.3%
Metro	983	927	906	970	1,011	28 / 2.8%
State	849	807	798	853	874	25 / 2.9%

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

Wages

Figure 5: **AVERAGE WEEKLY SALARIES** – 1Q-06 to 1Q-07
in inflation-adjusted dollars



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

* For conversion index, see page 11

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. Table 1 presents quarterly information for the city and the metro area.

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 most 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 (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 2007, dollars have been converted with an index reflecting the CPI for the first half of 2007 and first and second half of the years 2006, with 2007 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

- The number of new housing units in Minneapolis and in the metro area decreased sharply from a year ago.
- Single-family construction in the metro area decreased by 35 percent since a year ago. In Minneapolis only 23 houses were permitted in the third quarter, less than half the amount of a year ago.
- In Minneapolis, the average cost of a multifamily unit decreased by 30 percent, reflecting a market shift toward the construction of apartments and away from the more expensive condominiums.
- The number of permitted residential remodeling projects of \$50,000 or more in the city declined, and their total cost also decreased. On the other hand, the estimated amount planned for non-residential conversions, remodels and additions was almost 17 percent higher than a year ago.

New construction

Following a general downturn in the housing market, the number of permits to build new units decreased more than 70 percent in Minneapolis and more than 50 percent in the metro area since a year ago. The decrease in the city was mainly the result of a sharp decline in the number of multifamily units.

In Minneapolis, permits for new multifamily units were up from 74 last quarter to 248 but fewer by 624 units than one year earlier. Permits for single-family units were down to 23 units from a relative high of 48 last quarter. Of these single-family permits, most of them were split between the Chain of Lakes area and the Northside.

Table 4: **NEW RESIDENTIAL CONSTRUCTION PERMITS ISSUED**
by unit

	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Single-family					
Minneapolis	58	51	19	48	23
Metropolitan area	2,130	1,695	1,269	1,934	1,382
Multifamily					
Minneapolis	872	130	225*	74	248
Metropolitan area	1,330	777	519	398	681
Total units					
Minneapolis	930	181	244	122	271
Metropolitan area	3,460	2,472	1,788	2,056	1,653

Source: U.S. Census Bureau, based on permit information

* This number includes 179 units in the Eitel Building. Another 34 units converted from the former Eitel Hospital are included in the "units converted" count in Table 6.

Figure 7: **NEW RESIDENTIAL PERMITS ISSUED – Minneapolis**



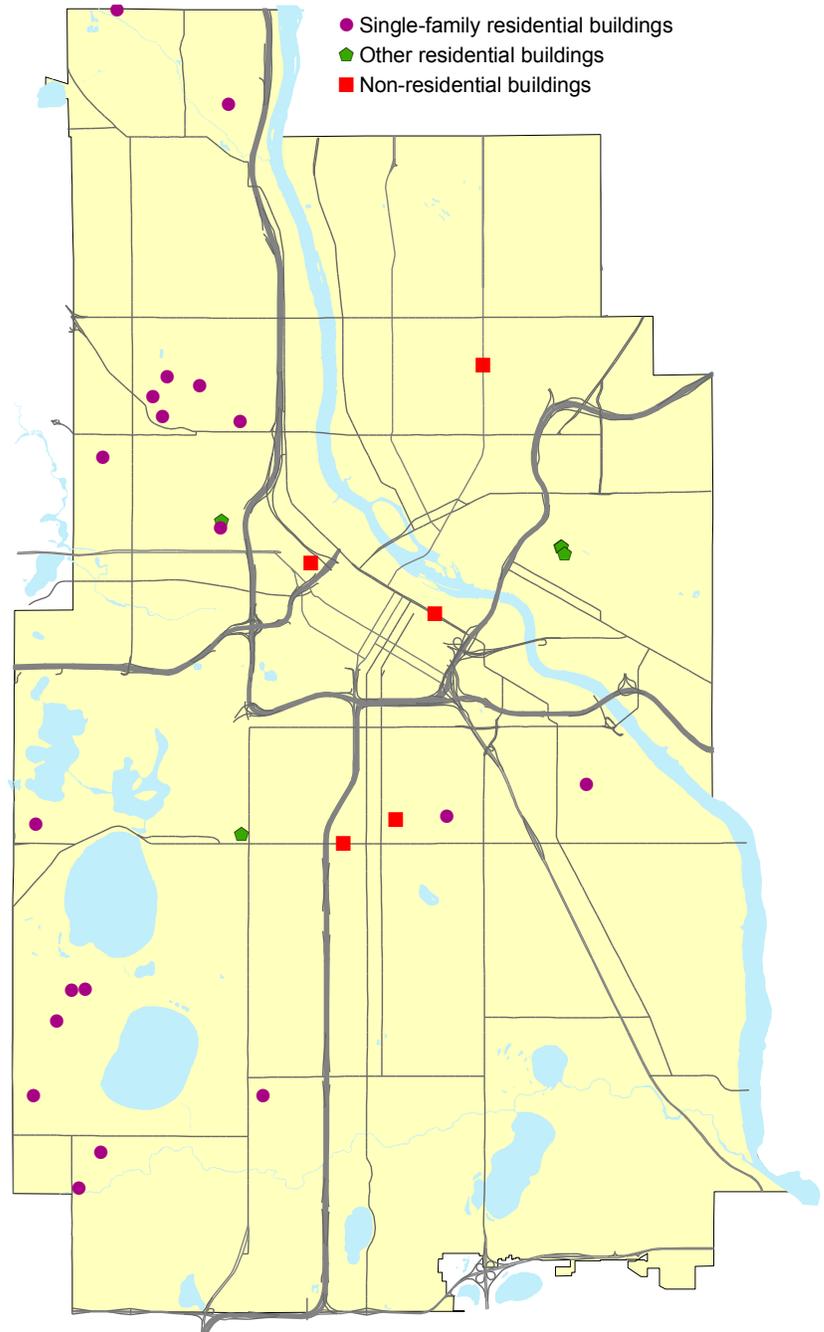
Source: U.S. Census Bureau

New construction

Most permits issued to build single-family homes were for the western part of the city, with a concentration in the Chain of Lakes area (south of Lake Calhoun) and on the Northside (north of West Broadway). Four apartment buildings will also be added; one, at 2920 Aldrich Ave. S., will have 242 units. The other three are projected to be small buildings with three or four units each. Four commercial buildings were permitted. A new hotel, Aloft, will add 155 rooms in the Downtown East neighborhood. A new Porky's restaurant was permitted on the 1800 block of Central Avenue Northeast, and a parking ramp was permitted at 2824 Chicago Ave. S.. A branch of the M&I Bank was permitted at Lake Street East in the East Phillips neighborhood. And finally, foundation work for the Ballpark was permitted in North Loop.

Map 1: **NEW CONSTRUCTION** – 3Q-07

Source: City of Minneapolis Regulatory Services



Cost of residential construction

In Minneapolis, the estimated total spent on new residential construction (single- and multifamily) decreased by 78 percent in the last year and by 17 percent since last quarter. The total spent specifically on multifamily construction decreased 80 percent in the last year while the amount spent on single-family construction decreased by 52 percent.

In the seven-county metropolitan area, the estimated money spent on new residential construction decreased by 37 percent in the last year. The slow-down was driven by a remarkable decrease in building both single-family and multifamily units.

Table 5: **RESIDENTIAL CONSTRUCTION COST**

	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Single-family					
Minneapolis	\$ 13,508,232	\$ 10,324,424	\$ 5,030,569	\$ 17,079,182	\$ 6,465,451
Metropolitan area	493,157,132	420,724,043	340,577,810	491,692,569	359,109,519
Multifamily					
Minneapolis	139,590,469	24,482,487	28,247,383	24,236,614	27,848,692
Metropolitan area	200,318,688	95,854,110	58,923,130	69,577,182	76,201,817
Total					
Minneapolis	153,098,701	34,806,911	33,277,952	41,315,796	34,314,143
Metropolitan area	693,475,820	516,578,153	399,500,940	561,269,751	435,311,336

Source: U.S. Census Bureau

Table values are not adjusted for inflation

Cost of residential construction

In Minneapolis the average construction cost for single-family homes increased 21 percent over the last year, from \$232,901 to \$281,107. The average in this case was close to the median: almost half of the units cost more than the average, and almost half cost less.

In the metropolitan area the average construction cost for single-family homes increased by 12 percent over the last year, from \$231,529 to \$259,848.

In Minneapolis, the average construction cost for multifamily units decreased since a year ago. The cost per unit went down from \$160,081 to \$112,293 — a 30-percent decrease. Permits were issued for apartments and small apartment buildings, which tend to cost less than condominiums, the trend last year. In the metropolitan area, the average cost decreased 26 percent, from \$150,616 to \$111,897.

Figure 8: **SINGLE-FAMILY CONSTRUCTION COST**
per unit

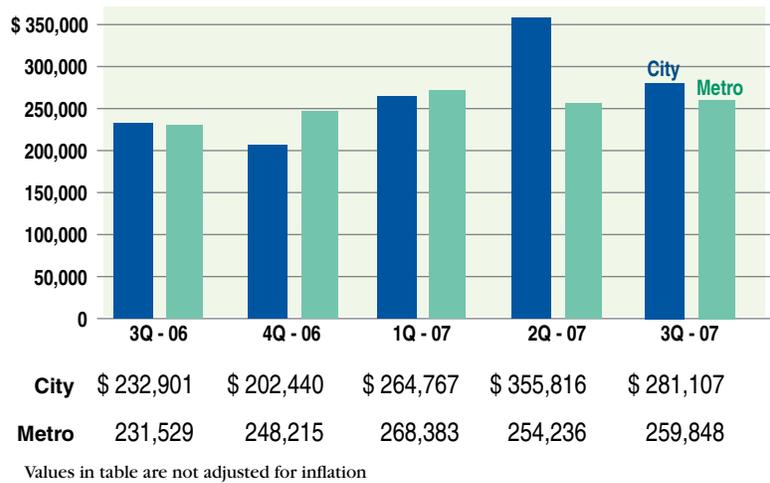
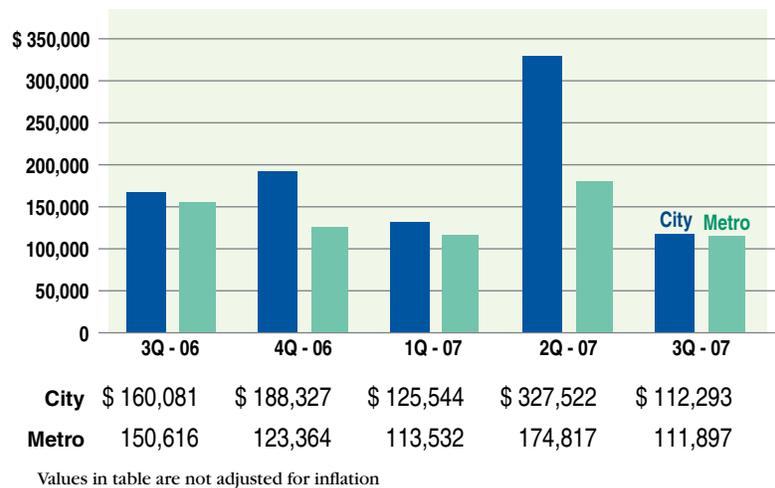


Figure 9: **MULTIFAMILY CONSTRUCTION COST**
per unit



Conversions, remodels & additions

In the third quarter of 2007, the City issued permits for remodeling and renovations in 164 residential buildings. Four of these projects involved minor conversions that will add three units to the housing stock.

The total amount spent this quarter on residential remodeling and conversion projects costing \$50,000 or more is

estimated at about \$24.2 million — 13.3 percent more than last quarter, but 32.6 percent less than a year ago. Conversions accounted for only 0.9 percent of the total estimated value for the third quarter.

The estimated amount for non-residential conversions, remodels and additions was 10 percent lower than last quarter but almost 17 percent higher than a year ago.

Table 6: **CONVERSIONS, REMODELS AND ADDITIONS** projects \$50,000 + in thousand dollars

	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
A - Residential ¹					
Number of buildings	158	129	104	151	164
Total value	\$ 35,828	\$ 35,293	\$ 22,264	\$ 21,320	\$ 24,162
Remodels	154	124	101	147	162
Value	\$ 24,025	\$ 28,774	\$ 22,139	\$ 20,940	\$ 23,945
Conversions and additions ²	4	5	3	4	2
Number of units	102	39	37*	4	3
Value	\$ 11,803	\$ 6,519	\$ 125	\$ 381	\$ 217
B - Non-residential ¹					
Number of buildings ³	130	114	105	131	105
Value	\$ 57,961	\$ 50,296	\$ 34,027	\$ 75,486	\$ 67,705

Source: City of Minneapolis, Regulatory Services

* This figure includes 34 units in the former Eitel Hospital. A permit for new construction and the conversion of the Eitel Hospital was issued in January 2007.

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

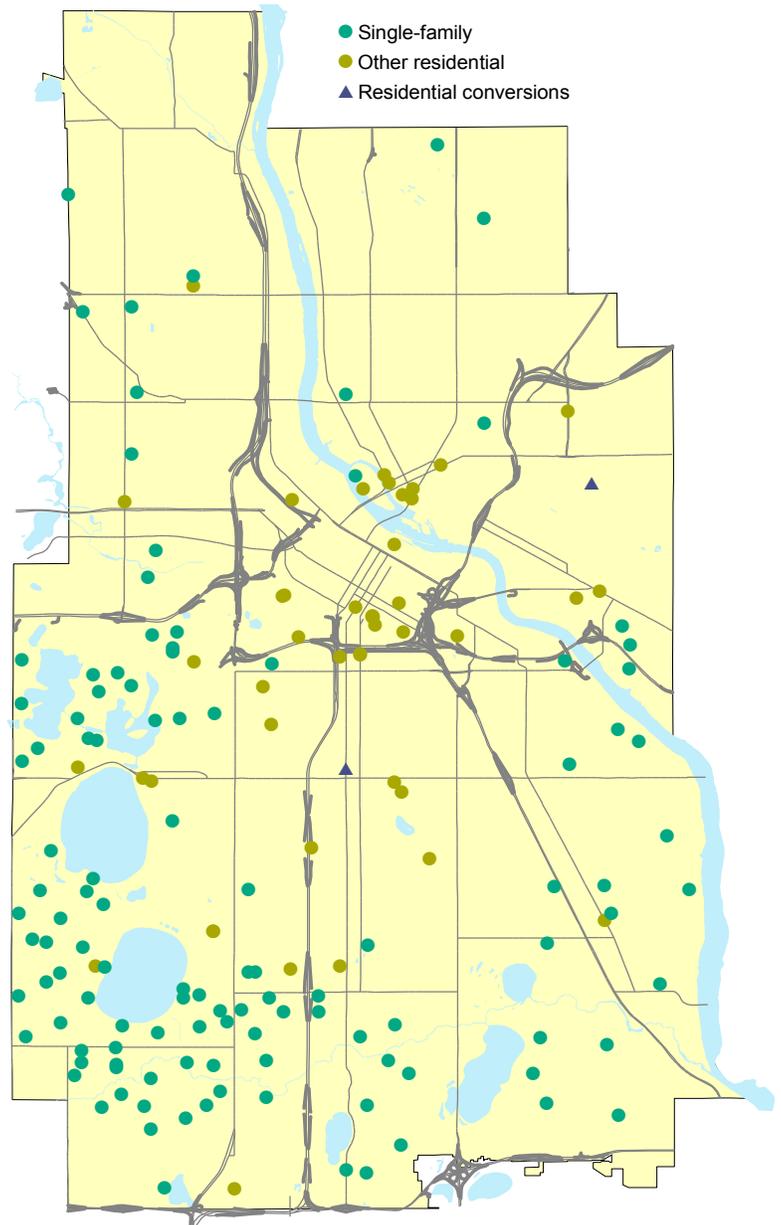
3 Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings.

Conversions, remodels & additions

Remodeling and improvements to single-family housing took place mainly in the Chain of Lakes area. Most remodeling and improvements for condos and apartments took place Downtown and Northeast, across the river from Downtown.

Map 2: **RESIDENTIAL REMODELING, RENOVATION & CONVERSION – 3Q-07**
projects \$50,000 +

Source: Minneapolis Regulatory Services

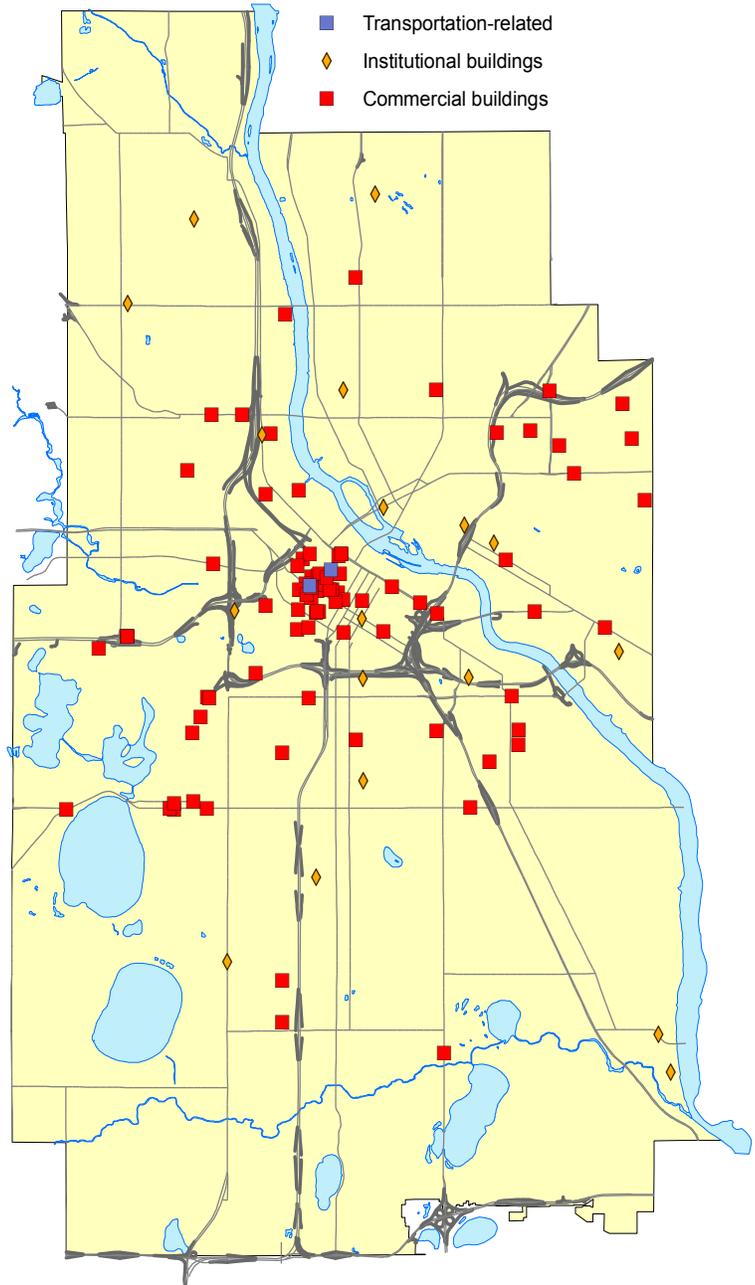


Conversions, remodels & additions

Permitted non-residential remodeling and renovations in the third quarter were mainly concentrated in Downtown. Major renovations include converting the office building at 215 S. Fourth St. downtown into the Minneapolis Hotel, a new hotel of 224 rooms, and remodeling the Westminster Presbyterian Church on Nicollet and Marquette avenues in Loring Park neighborhood. Outside downtown, permits for remodeling non-residential buildings included the interior remodel of Target (former Dayton's Credit Center) on Wayzata Avenue and preparations for future remodeling of a Honeywell plant at 1433 Stinson Parkway.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 3Q-07**
projects \$50,000 +

Source: City of Minneapolis Regulatory Services



Major construction projects

The following list shows major (estimated at \$1 million or more) projects permitted in Minneapolis in the third quarter of 2007. The highest cost project is the construction of a 242-unit apartment building in Lowry Hill East neighborhood.

Table 7: **MAJOR CONSTRUCTION PROJECTS** projects \$1,000,000+ in thousands of dollars

Description	Address	Neighborhood	Ward	Projected cost
Aldrich Avenue South: 242 new apartments	2920 Aldrich Ave. S.	Lowry Hill East	10	\$ 26,749
Hotel Minneapolis: Conversion of office building to a 224-room hotel	215 4th St. S.	Downtown West	7	24,632
Aloft Hotel: New 155-room hotel	900 Washington Ave. S.	Downtown East	7	14,005
Westminster Presbyterian Church: Addition and remodeling*	1200 Marquette Ave.	Loring Park	7	6,198
Ballpark: foundation	419 5th St N	North Loop	7	5,149
New parking ramp	2824 Chicago Ave.	Phillips West	6	4,658
Kirschbaum-Krupp Metal Co: Addition to existing building	1728 Second St. N.	Near North	5	3,063
Hennepin County Medical Center: Rheumatology Clinic Remodel*	701 Park Ave.	Elliot Park	7	2,896
City Center: office remodeling – various tenants*	33 Sixth St. S.	Downtown West	7	1,749
Central Community Housing Trust: Remodel of existing apartment building*	1822 Park Ave.	Ventura Village	6	1,453
Wells Fargo Center: Interior alteration*	90 Seventh St. S.	Downtown West	7	1,344
M&I Bank: new building	320 Lake St. E.	Central	8	1,278
Nicollet Mall: Office remodels – various tenants*	800 Nicollet Mall	Downtown West	7	1,264
Target: Interior remodel	3701 N. Wayzata Blvd	Bryn Mawr	7	1,100
The Whitney: Interior remodel – various units*	150 Portland Ave.	Downtown East	7	1,019

Source: City of Minneapolis Regulatory Services

* Multiple building permits

Demolitions

The number of residential demolitions decreased since both last quarter and one year ago. This quarter, permits for demolitions included 17 single-family houses, six units in duplexes, six units in triplexes and 23 units in apartment buildings of four or more units.

Residential demolition permits on the north side showed a concentration mainly between West Broadway and Lowry avenues. Most of the buildings slated for demolition were single-family houses, plus three apartment buildings totaling 14 units. In south Minneapolis, nine single-family houses, an apartment building and two duplexes were permitted for demolitions, and in the southeast it was two triplexes and one apartment building.

Map 4: **DEMOLITIONS – 3Q-07**

Source: City of Minneapolis Regulatory Services

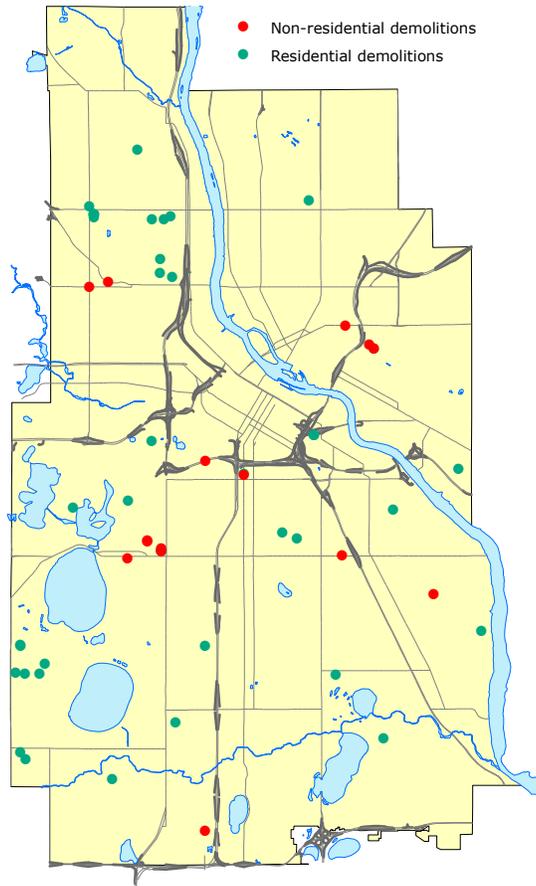
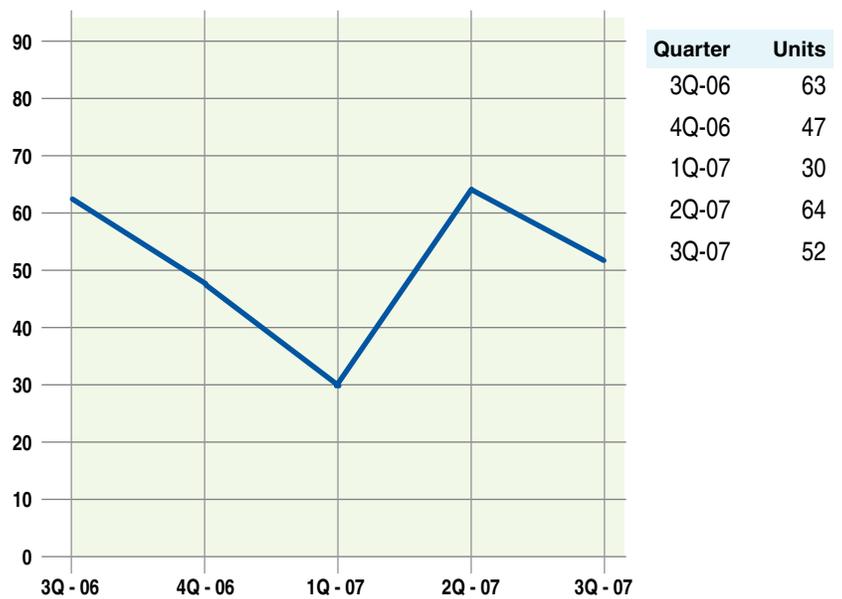


Figure 10: **RESIDENTIAL UNITS DEMOLISHED**
number of permits



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.

Tables four and five and figures seven to nine 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 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 accounted separately (in that case, multifamily buildings have four or more units).

Cost of residential construction is based on the cost developers report on 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 six 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 or wrecking: 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 condominiums.

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

Map 1 – New buildings

Single-family: means detached and attached dwellings such as townhouses.

Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units. It also includes transient 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 buildouts 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 buildout 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- and multifamily units)

Non-residential: all non-residential buildings and structures

Housing stock & the real estate market

- The average vacancy rate for Minneapolis rental housing declined in the third quarter, but it was slightly higher than it was one year ago. Vacancy rates continued to be lower in Minneapolis than the metro area.
- Average rent this quarter increased in the city to \$868, \$2 higher than one year ago (adjusted for inflation). In the metro area, rent decreased by \$1 since last year to \$890.
- Home sales this quarter were considerably lower than a year ago, 13 percent lower in Minneapolis and 15.5 percent lower in the metro area. Median prices were the same as last year in Minneapolis and increased since last quarter. In the metro area, median sale prices were lower by 1.3 percent than last year at this time.
- Foreclosure sales jumped this quarter to 831, a 29-percent increase from the previous quarter and a 94.6-percent increase from a year ago.
- Although increasing from last quarter, the office vacancy rate in the Minneapolis central business district stayed lower than a year ago. The average asking lease price per square foot increased and landed slightly below the metro's.
- The retail vacancy rate in both Minneapolis and the metro area decreased, and the average cost of rent increased. Occupied retail space grew in the central business district, but it increased even more in the metro area.

Residential vacancy rates & average apartment rent

The Minneapolis vacancy rate for multifamily rental housing was 2.8 percent, down 0.6 percent from last quarter and up 0.1 percent from a year ago. In the metropolitan area, the vacancy rate was 3.6 percent, down 0.3 percent from last quarter and down by 0.4 percent from a year ago.

Table 8: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis					
Units surveyed	15,315	15,228	15,356	15,160	15,260
Vacant units	421	509	585	512	423
Average rent	\$ 842	\$ 848	\$ 844	\$ 855	\$ 868
Vacancy rate	2.7%	3.3%	3.8%	3.4%	2.8%
Metro area					
Units surveyed	117,035	115,570	116,767	116,429	116,686
Vacant units	4,623	5,408	5,161	4,522	4,238
Average rent	\$ 867	\$ 871	\$ 876	\$ 883	\$ 890
Vacancy rate	4%	4.7%	4.4%	3.9%	3.6%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties
Recorded data for the last month of the quarter

Figure 11 : **RENTAL VACANCY RATES**
Minneapolis & metro area



Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

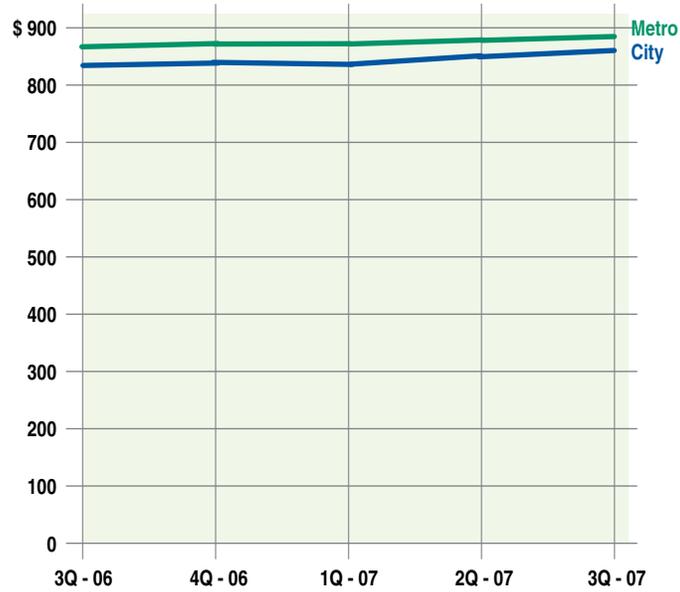
Residential vacancy rates & average apartment rent

The average rent was \$868, \$13 more (\$11 more in inflation-adjusted dollars*) than last quarter and \$26 more (\$2 more in inflation-adjusted dollars*) than a year ago. In the metro area average rent was \$890, an increase of \$21 from last quarter — about \$7 in inflation-adjusted dollars*. Since one year ago, the metro area rent appeared to increase by \$23, but when adjusted for inflation, it actually went down about \$1.

Two areas in Minneapolis had below-average vacancy rates: the southeast/University of Minnesota area and eastern Minneapolis. Two areas had above-average vacancy rates: north Minneapolis and downtown. In south Minneapolis the average vacancy rate was the same as the citywide rate. The southeast/University of Minnesota area traditionally has a very low vacancy rate, with a large student housing supply and vacancies tending to fluctuate with the student population. In the summer months, vacancies tend to increase. In north Minneapolis which has the highest vacancy rate, the market for apartments is small because the neighborhoods in the area are mainly composed of single-family homes. The vacancy rate there was higher this quarter than a year ago. In south Minneapolis, an area that has the largest number of affordable rental units in Minneapolis, the vacancy rate has decreased steadily since the first quarter of the year.

* for conversion factors, see page 40.

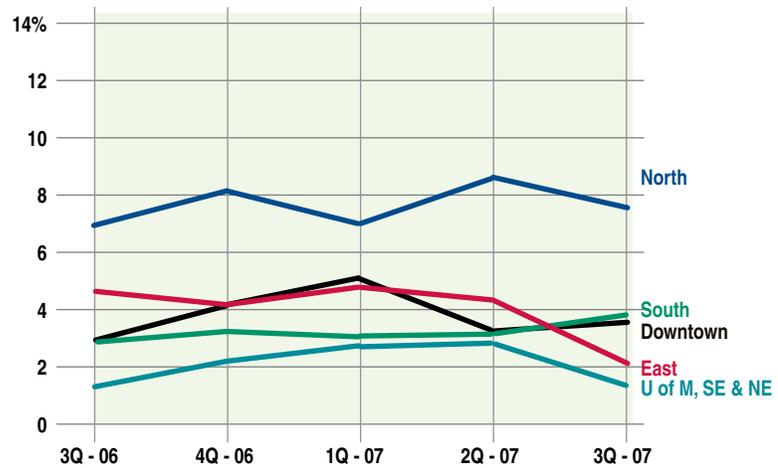
Figure 12: **AVERAGE APARTMENT RENT** – Minneapolis & Metro area in current dollars



Source: GVA Marquette Advisors

Numbers in table are not adjusted for inflation
Recorded data for the last month of the quarter

Figure 13: **VACANCY RATES BY CITY SECTOR*** in percent



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Downtown	3.1	4.1	5.2	3.3	3.6
South	3.0	3.2	3.1	3.2	2.8
North	6.9	8.1	7.0	8.4	7.6
East	4.6	4.1	4.8	4.4	2.1
U of M, Southeast & Northeast	1.4	2.1	2.8	3.0	1.4

Source: GVA Marquette Advisors

* For sector definitions, see page 39
Recorded data for the last month of the quarter

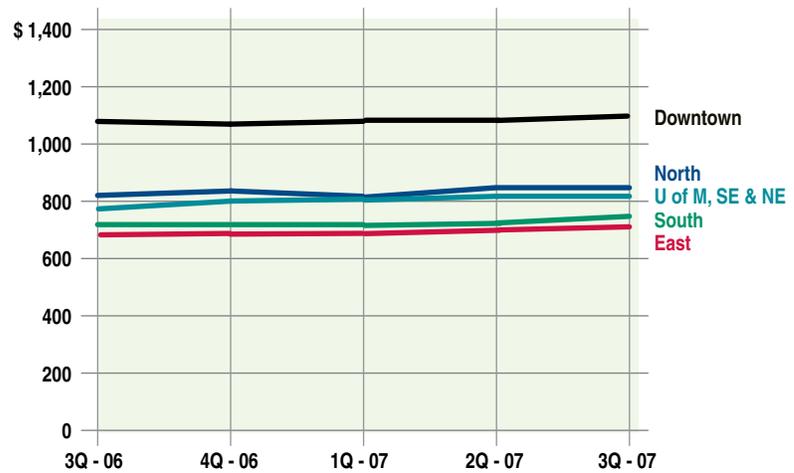
Residential vacancy rates & average apartment rent

Downtown continues to command the highest rent in Minneapolis. average rent in this area has been rising since the beginning of the year, although in inflation-adjusted dollars it decreased by 2.1 percent from a year ago.

In all sectors of the city except for north Minneapolis, rent increased in current dollars and in inflation-adjusted dollars*. In north Minneapolis, average rent in inflation-adjusted dollars* decreased since last quarter by 0.6 percent and since last year by 0.5 percent. On the other hand, in the U of M/southeast/northeast area, average rent increased in inflation-adjusted dollars* by 0.4 percent since last quarter and by 1.2 percent since a year ago.

* for conversion factors, see page 40

Figure 14: **AVERAGE MONTHLY RENT BY CITY SECTOR***
in current dollars



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Downtown	\$ 1,093	\$ 1,088	\$ 1,093	\$ 1,094	\$ 1,100
South	729	731	732	737	756
North	825	836	809	847	844
East	699	699	700	715	721
U of M, Southeast & Northeast	786	807	806	813	818

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter
Not adjusted for inflation

* For sector definition, see page 39

Residential vacancy rates & average apartment rent

Studios and one-bedroom apartments had lower vacancy rates than larger apartments. Vacancy rates for three-bedroom apartments were the highest and increased from last quarter. Vacancy rates for all the other types have been decreasing steadily since the beginning of the year. Vacancy rates for studio apartments and three-bedroom apartments increased over the last year.

The average rent for all apartment types in Minneapolis increased since last quarter. The average rent also increased since last year with the exception of three-bedroom apartments. Since last year, rent decreased by \$56 for the largest units and \$4 for studios (adjusted for inflation*).

* For conversion factors, see page 40

Figure 15: **RENTAL VACANCY RATE – Minneapolis**
by apartment type



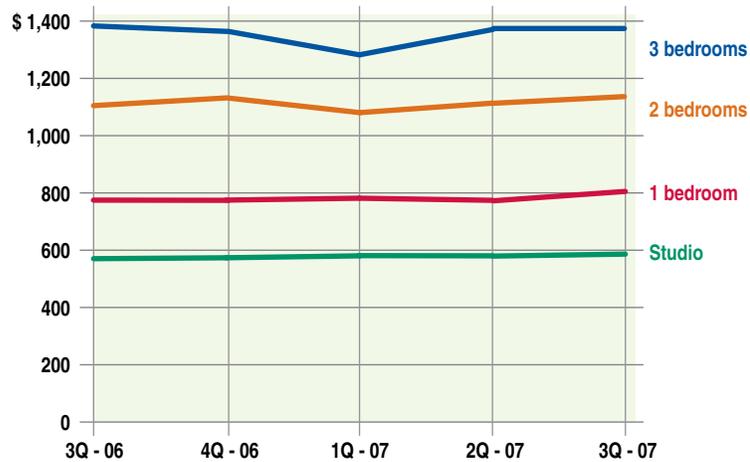
	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Studio	2.6	3.5	4.3	4.5	3.2
One bedroom	2.6	3.1	3.5	3.2	2.5
Two bedrooms	3.2	3.8	4.2	3.1	2.8
Three bedrooms	3.3	5.8	6.5	4.5	5.0

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

* For conversion index, see page 40

Figure 16: **AVERAGE MONTHLY RENT – Minneapolis**
by apartment type



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Studio	\$ 582	\$ 583	\$ 589	\$ 587	\$ 594
One bedroom	778	782	785	789	801
Two bedrooms	1,100	1,113	1,092	1,124	1,140
Three bedrooms	1,390	1,376	1,308	1,371	1,373

Source: GVA Marquette Advisors

Not adjusted for inflation

Recorded data for the last month of the quarter

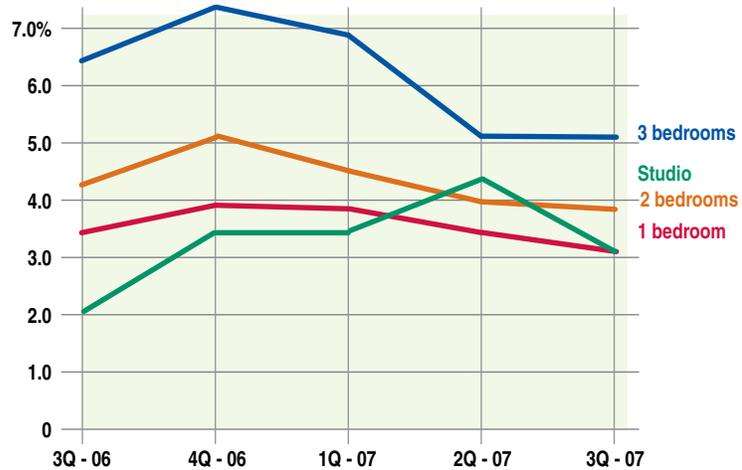
Residential vacancy rates & average apartment rent

Since last quarter and last year, the metro area vacancy rate decreased for all apartment types. However, the vacancy rate for three-bedroom apartments was stable since last quarter.

In the metro area since last quarter, the average rent rose for all types of apartments. Since a year ago, however, average rent decreased in inflation-adjusted dollars* for all types except studios. Studios increased by \$2. Rent for the largest units (three-bedrooms) decreased the most: \$16 in inflation-adjusted dollars*.

* For conversion factors, see page 40

Figure 17: **RENTAL VACANCIES** – metro area
by apartment type

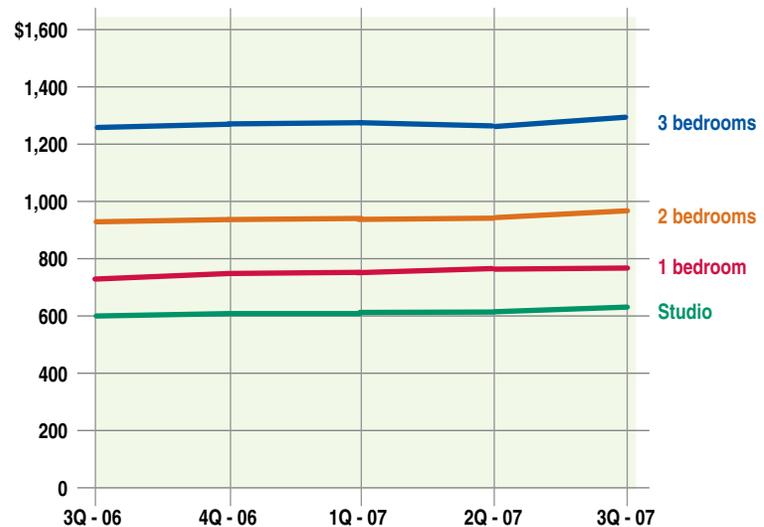


	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Studio	2.1	3.4	3.4	4.4	3.2
One bedroom	3.4	3.9	3.8	3.5	3.2
Two bedrooms	4.3	5.1	4.6	4.0	3.8
Three bedrooms	6.4	7.5	6.9	5.1	5.1

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Figure 18: **AVERAGE MONTHLY RENT** – metro area
by apartment type



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Studio	\$ 605	\$ 605	\$ 605	\$ 613	\$ 624
One bedroom	750	751	757	763	768
Two bedrooms	946	947	949	958	969
Three bedrooms	1,249	1,255	1,251	1,253	1,268

Source: GVA Marquette Advisors

Not adjusted for inflation

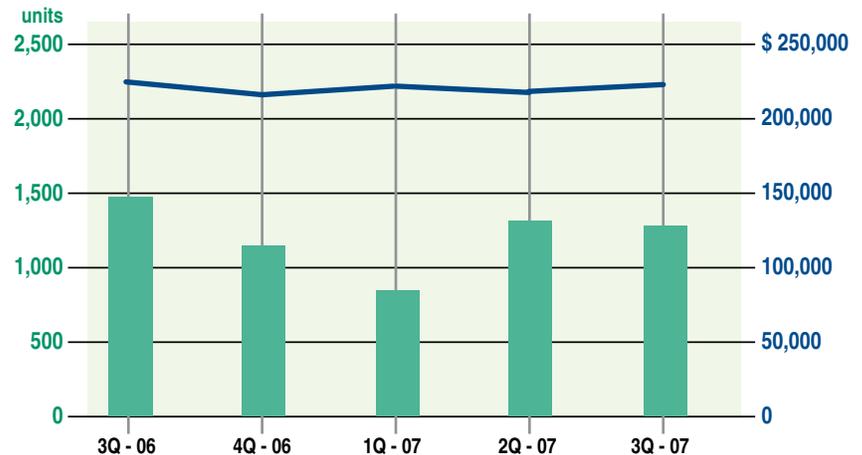
Recorded data for the last month of the quarter

Residential sales

Housing sales slumped in the first quarter of 2007, increased in the second quarter and decreased slightly again in the third quarter. The number of housing units sold in the third quarter of 2007 was 13 percent lower than a year earlier. The median price remained at \$223,000 since a year ago.

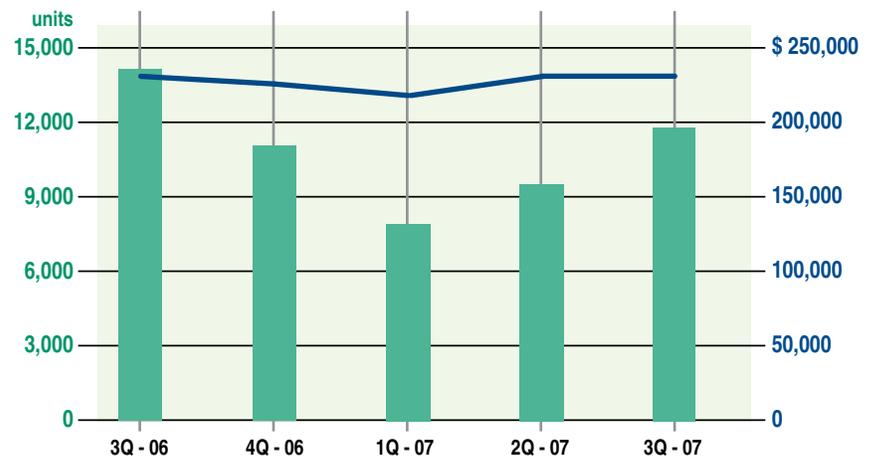
In both the metro area and the city, the number of housing units sold decreased since both last quarter and a year ago. In the metro area, the number of units sold decreased by 2.9 percent since last quarter and by 15.5 percent since a year ago. Meanwhile, the median sale price was 0.1 percent higher than last quarter and 1.3 percent lower than last year.

Figure 19: **CLOSED SALES AND MEDIAN SALE PRICE*** – Minneapolis



Source: Minneapolis Area Association of Realtors (MAAR)

Figure 20: **CLOSED SALES AND MEDIAN SALE PRICE*** – Metro area*



Source: Minneapolis Area Association of Realtors (MAAR)

* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For the metro area definition, see page 40.

Table 10: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES**

	# units	3Q-2006 sale	# units	4Q-2006 sale	# units	1Q-2007 sale	# units	2Q-2007 sale	# units	3Q-2007 sale
Minneapolis	1,465	\$ 223,000	1,128	\$ 215,000	872	\$ 222,000	1,303	\$ 219,000	1,270	\$ 223,000
Metro area*	13,976	233,000	10,089	227,000	7,883	223,750	12,161	229,700	11,811	230,000

Source: Minneapolis Area Association of Realtors (MAAR)

Numbers include only single-family detached units, attached units and condominiums. They include all sales closed between buyers and sellers.

* "Metro area" refers to the 13-county service area covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For the metro area definition, see page 40.

Not adjusted for inflation

Foreclosure sales

During the third quarter of 2007, 831 housing units went to public auction because of their owners' failure to pay mortgages or other contractual property fees (mostly mortgages). This is a 29-percent increase since the previous quarter and a 94.6-percent increase since a year ago. Wards 3, 4, 5 and 8 had 66.1 percent of the total foreclosure sales in the city.

MAP 5: **FORECLOSURE SALES** – 3Q-07
by wards

Source: Hennepin County Sheriff's Office.

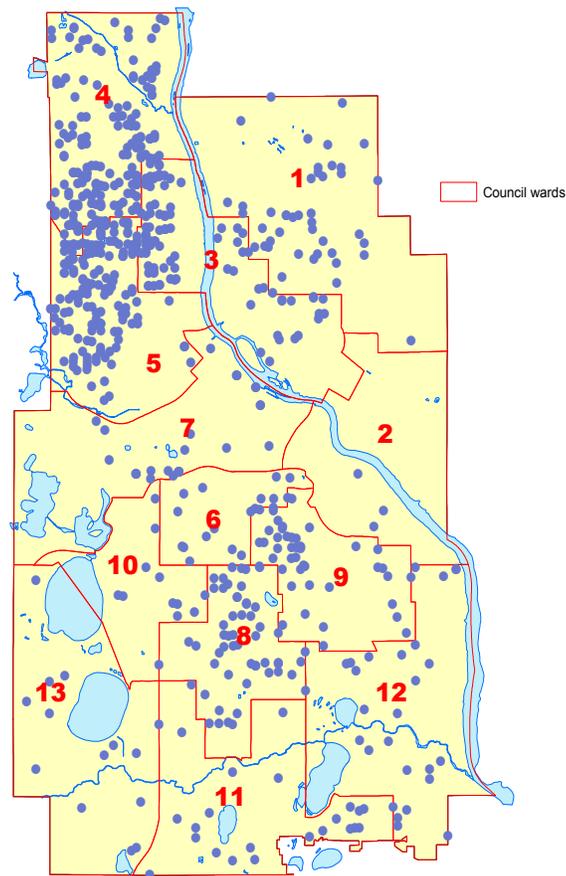


Table 12: **FORECLOSURE SALES**
by wards

Ward	3Q-2006		4Q-2006		1Q-2007		2Q-2007		3Q-2007	
	#	%	#	%	#	%	#	%	#	%
1	32	7.5	28	5.9	45	6.6	34	5.3	53	6.4
2	5	1.2	10	2.1	3	0.4	6	0.9	7	0.8
3	57	13.3	52	11.0	92	13.6	88	13.7	102	12.3
4	93	21.8	112	23.6	177	26.1	139	21.6	189	22.7
5	90	21.1	95	20.0	144	21.2	151	23.5	158	19.0
6	13	3.0	20	4.2	14	2.1	16	2.5	29	3.5
7	15	3.5	14	3.0	27	4.0	18	2.8	20	2.4
8	37	8.7	51	10.8	53	7.8	63	9.8	100	12.0
9	28	6.6	27	5.7	47	6.9	43	6.7	67	8.1
10	9	2.1	8	1.7	12	1.8	17	2.6	26	3.1
11	20	4.7	27	5.7	24	3.5	27	4.2	31	3.7
12	22	5.2	25	5.3	27	4.0	30	4.7	36	4.3
13	6	1.4	5	1.1	13	1.9	11	1.7	13	1.6
Citywide	427	100.0	474	100.0	678	100.0	643	100.0	831	100.0

Source: Hennepin County Sheriff's Office.

Numbers do not include mislabeled addresses from Hennepin County that appear to be outside Minneapolis.

Condemned & vacant buildings

The number of condemned, boarded and vacant buildings counted in the city rose 25 percent since last quarter and doubled since a year ago. Part of this increase is the result of better data collection. A large increase is shown for buildings that are vacant but not condemned — buildings with some code violations but no major problems. However, boarded and condemned buildings — which are deemed uninhabitable — made up the majority of the group, or about 62 percent of the total.

These buildings are located mainly in the central area of Minneapolis, both north and south. Their locations follow similar patterns as the foreclosures shown in the map on Page 31.

Map 6: CONDEMNED AND VACANT BUILDINGS

Source: City of Minneapolis Regulatory Services

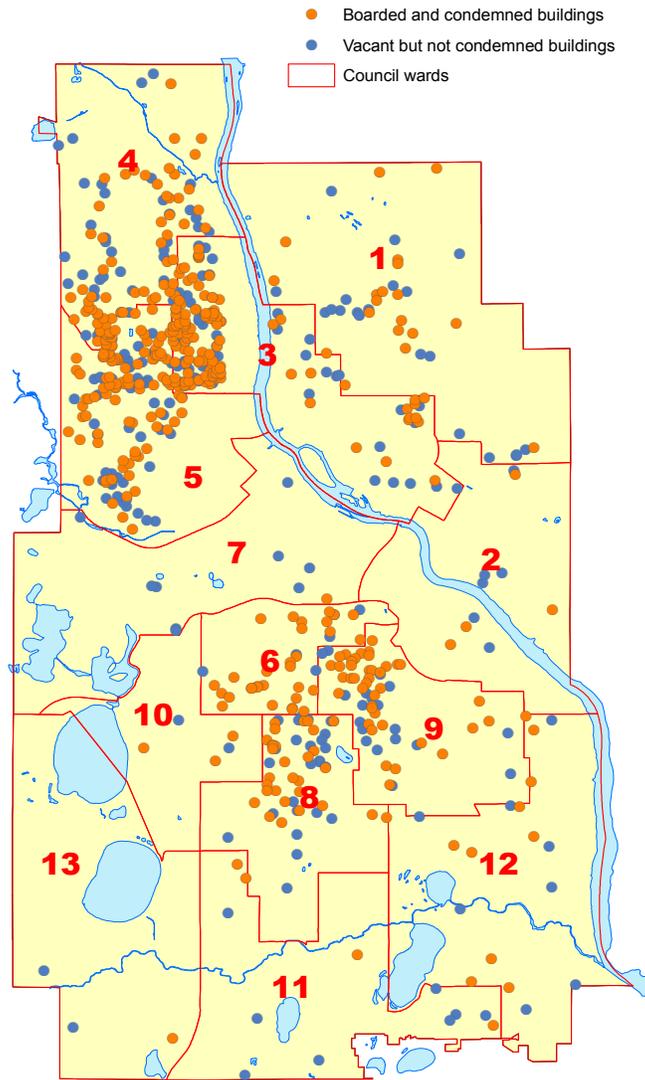


Table 11: CONDEMNED AND VACANT BUILDINGS

	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Boarded and condemned buildings	216	241	296	333	414
Vacant but not condemned	113	118	166	201	256
Total	329	359	462	534	670

Source: Minneapolis Regulatory Services

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

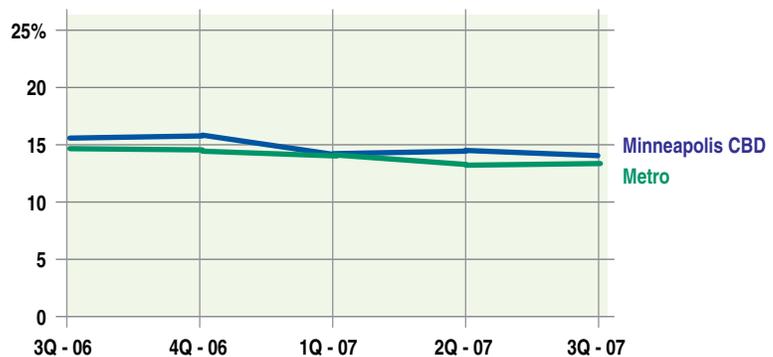
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) increased last quarter from 14.1 percent to 14.3 percent, but it is still lower than it was a year ago. The average vacancy rate in the metro area was stable since last quarter, but like Minneapolis it is still lower than it was a year ago.

Lease rates in the Minneapolis central business district (CBD) increased from last quarter – from \$10.35 to \$11.56 – and remained higher than last year’s rate. The metro area prices also increased this quarter from last quarter’s \$10.86. Prices in the metro area are higher than a year ago and slightly above the Minneapolis CBD rate.

Figure 21: **OFFICE VACANCY RATE**
in percent



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis CBD	15.3	15.6	14.0	14.1	14.3
Metro area	14.8	14.7	14.1	13.6	13.6

Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

Figure 22: **OFFICE AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis CBD	\$ 9.66	\$ 10.37	\$ 11.47	\$ 10.35	\$ 11.56
Metro area	10.45	10.82	11.40	10.86	11.70

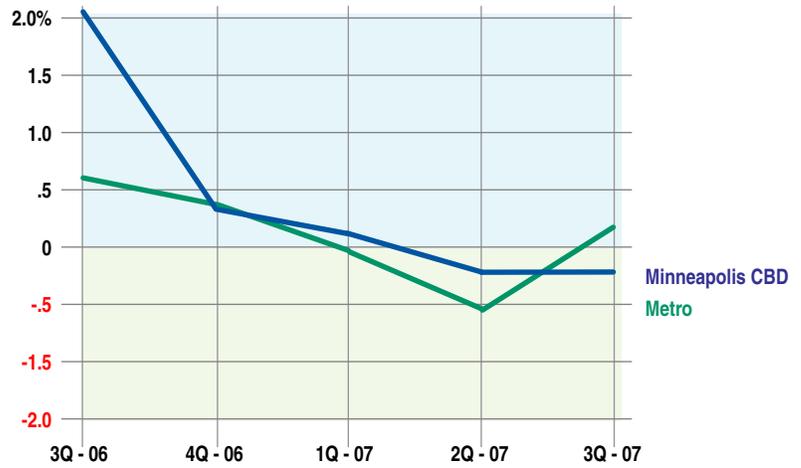
Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

Office space

This quarter, the occupied office space (available rentable area minus the vacancy rate) in Minneapolis' central business district decreased. This decrease contrasts with a significant expansion a year ago. In the metro area, occupied office space grew slightly this quarter.

Figure 23: **OCCUPIED OFFICE SPACE** – rate of growth in percent



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis CBD	2.15	0.41	0.17	-0.21	-0.21
Metro area	0.62	0.44	0.03	-0.54	0.2

Source: CB Richard Ellis

Class A, B and C office buildings 10,000 square feet and larger

Retail space

The retail vacancy rate in the Minneapolis central business district decreased 1.5 percent since last year to 8.5 percent. The vacancy rate in the metro area decreased also, ending at 6.4 percent, which is 0.3 percent lower than last quarter but 0.4 percent higher than last year.

In the Minneapolis central business district, the average asking lease price rose from \$13.21 per square foot last year and from \$15.76 last quarter to \$15.92 this quarter – an increase of 20.5 percent since last year. In the metropolitan area, the price increased from a year ago by 2.1 percent and from last quarter by 2.2 percent.

Figure 24: **RETAIL VACANCY RATE**
in percent

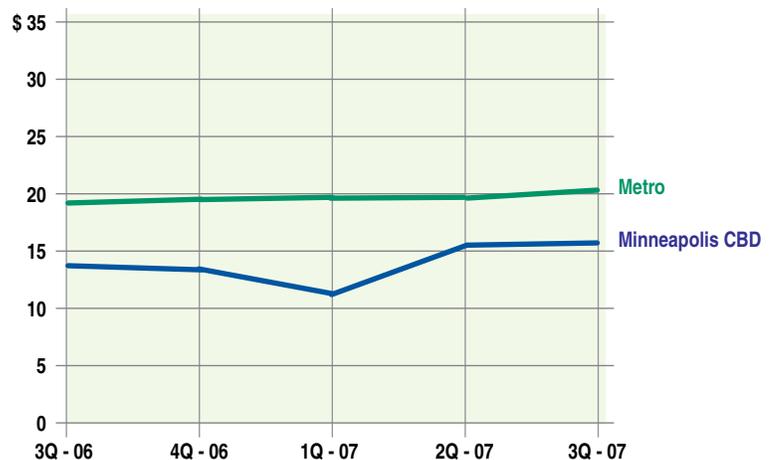


	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis CBD	10.0	11.0	8.9	8.7	8.5
Metro area	6.0	6.3	6.4	6.7	6.4

Source: CB Richard Ellis

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

Figure 25: **RETAIL – AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis CBD	\$ 13.21	\$ 11.88	\$ 15.33	\$ 15.76	\$ 15.92
Metro area	19.84	19.63	19.89	19.81	20.25

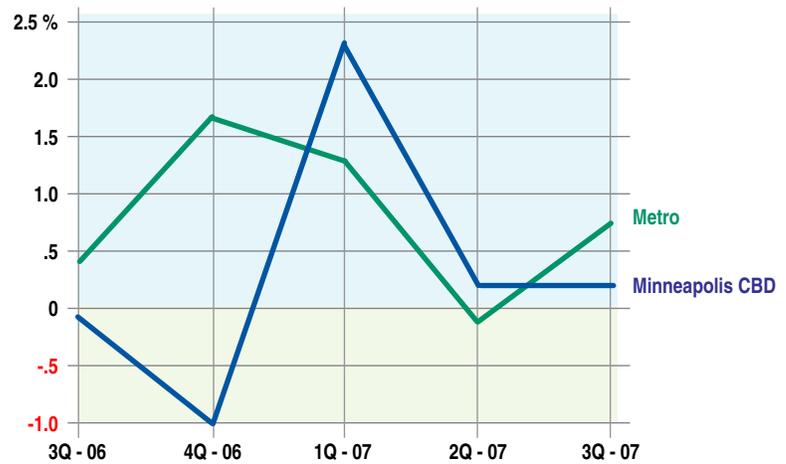
Source: CB Richard Ellis

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

Retail space

The Minneapolis central business district (CBD) increased its occupied retail space (available rentable area minus the vacancy rate) by 0.2 percent this quarter, the same increase as last quarter. In the third quarter last year the CBD lost occupied retail space. In the metro area, occupied space expanded more this year than last year.

Figure 26: **OCCUPIED RETAIL SPACE** – rate of growth in percent



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis CBD	-0.1	-1.0	2.3	0.2	0.2
Metro area	0.4	1.7	1.3	-0.1	0.7

Source: CB Richard Ellis

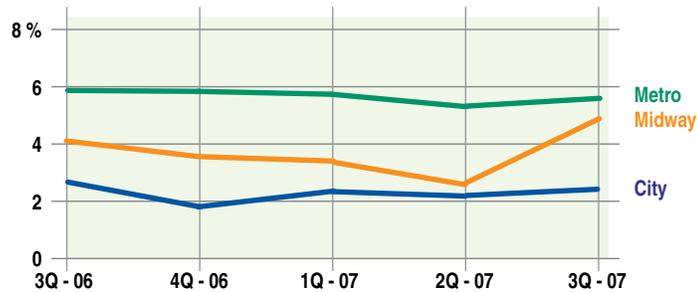
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space vacancy rate was stable in Minneapolis from last quarter, but it decreased in Midway and increased in the metro area. Since a year ago though, Minneapolis and Midway rates were higher while metro area rates were lower.

The lease rate for industrial space in Minneapolis decreased from last quarter, but it was somewhat higher than a year ago. The lease rates for Midway and the metro area both increased from last quarter and also from the same quarter last year. In general, prices for industrial space in the metro area have been stable, but the prices have been increasing in Minneapolis and Midway.

Figure 27: **INDUSTRIAL VACANCY RATE**
in percent



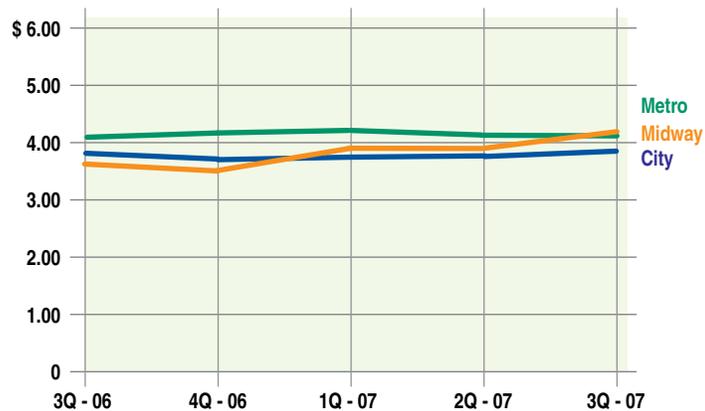
	3Q-06	4Q-06	1Q-07	2Q-07	3Q-06
Minneapolis	1.8	2.3	2.2	2.4	2.4
Midway	3.5	3.2	2.5	5.1	4.9
Metro area	5.8	5.7	5.4	5.6	5.7

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 includes industrial areas of northeast Minneapolis and Saint Paul.

Figure 28: **INDUSTRIAL - AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis	\$ 3.71	\$ 3.77	\$ 3.78	\$ 3.89	\$ 3.82
Midway	3.65	3.83	3.80	4.17	4.18
Metro area	4.14	4.18	4.15	4.14	4.16

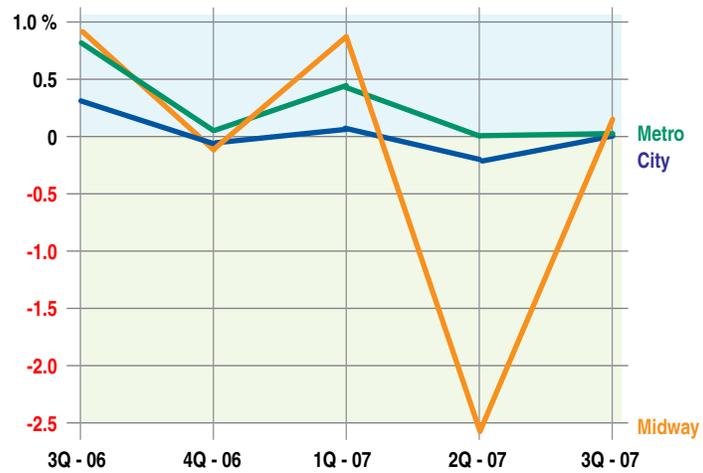
Source: CB Richard Ellis

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.

Industrial space

Occupied industrial space in Midway and the metro area increased slightly in the third quarter of 2007, while Minneapolis' was stable. In general, occupied industrial space grew much less than a year ago.

Figure 29: **OCCUPIED INDUSTRIAL SPACE** – rate of growth in percent



	3Q-06	4Q-06	1Q-07	2Q-07	3Q-07
Minneapolis	0.3	-1.0	0.1	-0.2	0.0
Midway	0.8	-0.2	0.7	-2.6	0.2
Metro area	0.7	0.1	0.4	0.0	0.02

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.

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:

Downtown: including zip codes 55401, 55402, 55403 and 55415

South: west of Interstate 35W, south of Interstate 394, bordering Edina and Richfield, including zip codes 55403, 55405, 55408, 55409, 55410 and 55419

North: north of Interstate 394, west and north of downtown, west of the Mississippi River, bordering Robbinsdale and Brooklyn Center, including zip codes 55411 and 55412

East: east of Interstate 35W, south of Interstate 94, bordering Richfield, including zip codes 55404, 55406, 55407 and 55417

University of Minnesota, Southeast and Northeast: north of Interstate 94, east of the Mississippi River, bordering Saint Paul, St. Anthony and Columbia Heights, including zip codes 55413, 55414, 55418, 55454, 55455, plus a few properties in 55406 on the south side of Interstate 94 near Cedar-Riverside neighborhood.

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.

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 obtained from Hennepin County Sheriff records and 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.

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: 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 from the rentable space available.

Inflation-adjusted figures: Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For the purpose of analyzing residential rent, however, text is based on the 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 2006, dollars have been converted with an index of **1.0279561**, the result of the relation between the CPI for September 2007 (201.2) and the CPI for September 2006 (195.7). For the period from the second quarter of 2007 to the third quarter of 2007, the index is **1.0025166**, obtained by dividing 201.2 (September '07) by 200.7 (June '07).



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