

# Minneapolis Trends

*A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis*



first quarter 2010

## Highlights for the first quarter of 2010

	1Q-10	4Q-09	1Q-09
Labor force	215,574 residents	▼	▲
Residents employed	201,067	▲	▲
Unemployment rate	6.7%	▼	▼
New residential permitted units	67 units	▼	▲
Permitted residential conversions, remodels and additions	117 buildings	▼	▲
Permitted non-residential conversions, remodels and additions	78 buildings	▼	▲
Residential units demolished	31 units	▼	▼
Rental vacancy rate	6.5%	▼	▲
Average rent in inflation-adjusted dollars	\$ 953	▲	▲
Residential units sold			
Traditional	533 units	▼	▲
Lender-mediated	360 units	▼	▼
Median sale price of residential units			
Traditional	\$ 192,500	▼	▼
Lender-mediated	\$ 69,700	▼	▲
Foreclosures	575	▲	▲
Condemned and vacant buildings	828	▼	▼
Minneapolis CBD office vacancy rate	17.6%	▼	▲
Minneapolis CBD retail vacancy rate	11.7%	▲	▲



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

Vol. 9, No. 1

2010

## Highlights for the third quarter of 2009 – Jobs and Wages

	3Q-09	2Q-09	3Q-08
Number of jobs	278,478 employees	▼	▼
Wages in inflation-adjusted dollars	\$ 1,064	▼	▼

# Minneapolis Trends



first quarter 2010

## Contents

<b>Economic indicators</b>	<b>3</b>
Labor force	4
Jobs	5
Wages	10
Definitions & sources	15
<b>Development indicators</b>	<b>16</b>
New construction	17
Cost of residential construction	19
Conversions, remodels & additions	20
Major construction projects	23
Demolitions	24
Definitions & sources	25
<b>Housing stock &amp; the real estate market</b>	<b>27</b>
Residential vacancy rates & average apartment rents	28
Residential sales	33
Foreclosures	35
Condemned & vacant buildings	37
Office space	38
Retail space	40
Industrial space	42
Definitions & sources	44

## Economic indicators

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- The number of people working increased slightly in the city, labor force was stable and the unemployment rate dropped. Almost 6,000 more people were working this quarter than in the first quarter last year. The unemployment rate was 6.7 percent in comparison with 7.1 percent the same quarter the previous year.
- In the third quarter of 2009 there were nearly 278,500 jobs in Minneapolis, about 3,000 fewer (1.1 percent) than the previous quarter and roughly 13,300 fewer (4.6 percent) than in the third quarter the previous year. During this same 12-month period however, the city lost jobs at a lower pace (4.6 percent) than the metro (5.5 percent) and state (5 percent.)
- Average wages for the third quarter of 2009 were 2 percent lower in inflation-adjusted dollars than a year before. Wages in the metro area decreased by 3.5 percent and by 2.7 percent in the state in inflation-adjusted dollars.

## Labor force

The number of city residents who were employed increased 0.1 percent in the first quarter. Labor force was stable and the unemployment rate decreased to 6.7 percent from 6.9 percent in the 4<sup>th</sup> quarter.

The unemployment rate was lower this quarter than in the same quarter last year, which was at 7.1 percent. The number of employed city residents was higher in the first quarter than the same period last year and employment grew faster than labor force.

In the metro area employment decreased from the previous quarter and decreased faster than labor force. The result was a 0.4 percent increase in the unemployment rate. However, in comparison with the same quarter last year, employment this quarter increased faster than labor force and the unemployment rate dropped.

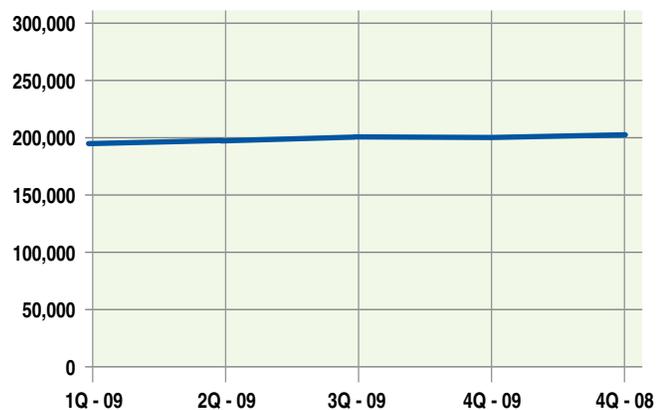
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
not seasonally adjusted

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
<b>Minneapolis</b>					
Labor Force	210,465	214,400	217,908	215,605	215,574
Employment	195,430	198,122	201,012	200,818	201,067
Unemployment rate	7.1%	7.6%	7.8%	6.9%	6.7%
<b>Metro area</b>					
Labor Force	1,580,189	1,603,372	1,623,110	1,611,037	1,606,728
Employment	1,458,302	1,478,385	1,499,957	1,498,511	1,488,263
Unemployment rate	7.7%	7.8%	7.6%	7.0%	7.4%

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

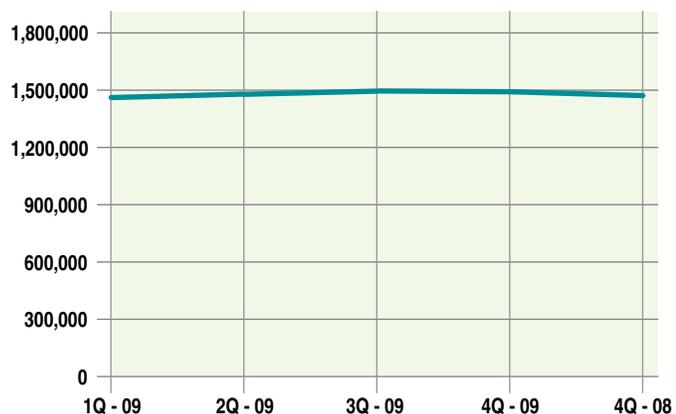
\* For metro area definition, see [page 15](#).

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



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

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



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

\* For metro area definition, see [page 15](#).

## Jobs

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY** – Minneapolis<sup>1</sup>

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09	2Q-09 to 3Q-09
<b>Total, All Industries</b>	<b>291,763</b>	<b>291,564</b>	<b>280,979</b>	<b>281,521</b>	<b>278,478</b>	<b>-1.1%</b>
Construction	6,933	6,356	5,432	5,707	5,894	3.3%
Manufacturing	16,627	16,208	15,227	14,482	14,529	0.3%
Utilities	3,028	3,016	2,962	3,008	2,988	-0.7%
Wholesale Trade	9,396	9,115	8,792	8,686	8,573	-1.3%
Retail Trade	14,794	14,473	13,641	14,092	13,942	-1.1%
Transportation and Warehousing	7,686	7,936	7,563	7,442	7,317	-1.7%
Information	10,630	10,470	11,010	10,785	10,781	0.0%
Finance and Insurance	27,442	27,424	27,077	26,687	26,446	-0.9%
Real Estate and Rental and Leasing	6,166	6,083	5,803	5,876	5,947	1.2%
Professional and Technical Services	30,857	30,567	30,246	29,513	28,946	-1.9%
Management of Companies and Enterprises	17,489	17,438	16,706	16,397	16,428	0.2%
Administrative and Waste Services	15,377	14,881	13,192	13,402	13,195	-1.5%
Educational Services	25,854	29,288	28,773	28,447	26,351	-7.4%
Health Care and Social Assistance	46,046	46,209	45,698	46,340	46,573	0.5%
Arts, Entertainment, and Recreation	5,779	5,487		5,277	5,707	8.1%
Accommodation and Food Services	23,759	24,158	23,666	21,939	22,802	3.9%
Other Services, Ex. Public Admin	10,546	10,522	10,357	9,328	9,523	2.1%
Public Administration	12,302	12,777	12,413	12,161	12,300	1.1%

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

<sup>1</sup> Natural resource-based industries and agriculture, fishing, and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up. Table reflects latest revision by Minnesota Department of Employment and Economic Development.

## Jobs

The number of jobs located in Minneapolis decreased 1.1 percent in third quarter 2009. In comparison with the same quarter the previous year the number of jobs decreased by 4.6 percent (13,285 jobs).

The third quarter of the year is the latest period for which city data from the quarterly census of employment and wages (QCEW) is available. To give an idea of the latest developments, preliminary data from the Bureau of Labor Statistics show that since fourth quarter 2009 to first quarter 2010, job losses in the Minneapolis-St. Paul-Bloomington metro area amounted to about 43,000, while nearly 2 million jobs were lost nationwide. However, the same data show that between January and March the nation gained approximately 1.3 million jobs and the metro area added about 6,000. These data point to a recovery in progress.

### **Quarter to quarter change- 2nd quarter to 3rd quarter 2009**

Seven sectors increased and eleven decreased jobs. The largest job increases (between 280 and 180 net job gains) from second to third quarter took place in:

**Public administration:** Most job gains were in justice, public order and safety, followed by environmental programs and general government.

**Health care and social assistance:** All subsectors except hospitals gained jobs. A high growth in ambulatory care services was offset by a similar loss in hospital employment.

**Construction:** Heavy and civil engineering construction, specialty trade construction and building construction added jobs, partly reflecting public work programs and a new emphasis on building rehabilitation.

The largest job decreases (between 2,000 and 200 net job loss) were in:

**Educational services:** This sector lost more than 2,000 net jobs especially in elementary and secondary schools, followed by colleges and universities.

**Professional and technical services:** It lost close to 600 net jobs across the board, a large part of them in architectural and legal services, accounting and computer systems design.

**Finance and insurance:** It decreased by more than 200 jobs mainly because losses in financial investment activity, followed by banks.

To a lesser extent, **Services** other than public administration, administrative services, retail and transportation, and warehousing lost jobs. These sectors together shed almost 700 net jobs principally in subsectors such as retail of building materials, administrative and support services and membership organizations.

### **12 month change - 3rd quarter 2008 to 3rd quarter 2009**

On a year to year basis most sectors lost jobs, except for three.

**Sectors which gained net jobs:** **Health care and social assistance** gained more than 500 net jobs (1 percent growth), mostly the result of increasing jobs in ambulatory health care, including doctor offices, nursing and residential care, and social assistance.

**Educational services** gained almost 500 net jobs (2 percent growth). More than half of these jobs were the result of growth in colleges and universities, followed by elementary and secondary schools.

**Information** gained more than 150 net jobs (1 percent growth) because of increasing jobs in wired telecommunications. The rest of this sector continued to shed jobs.

### **Sectors which lost about 1,000 net jobs or more:**

The **administrative and waste service** sector lost more than 2,100 jobs (14 percent), across all subsectors. More than 60 percent of the decrease was in employment services.

**Manufacturing** lost more than a net of 2,000 jobs (13 percent) in all activities except in food manufacturing.

**Professional and technical services** shed 1,900 net jobs (6 percent.) There were losses in all activities except computer system design services which gained more than 300 jobs.

**Accommodation and food services** shed almost 1,400 net jobs (9 percent) over the twelve-month period due mostly to losses in restaurant and hotel employment.

**Services** other than public administration lost almost 1,200 net jobs (11 percent.) Most activities in this sector lost jobs except commercial machinery and household goods repair and maintenance. Losses were concentrated in personal services such as beauty salons, and civic and social organizations.

**Management of companies** lost more than 1,000 net jobs (6 percent.) Managing offices were the most affected, although bank holding offices also suffered loss of jobs.

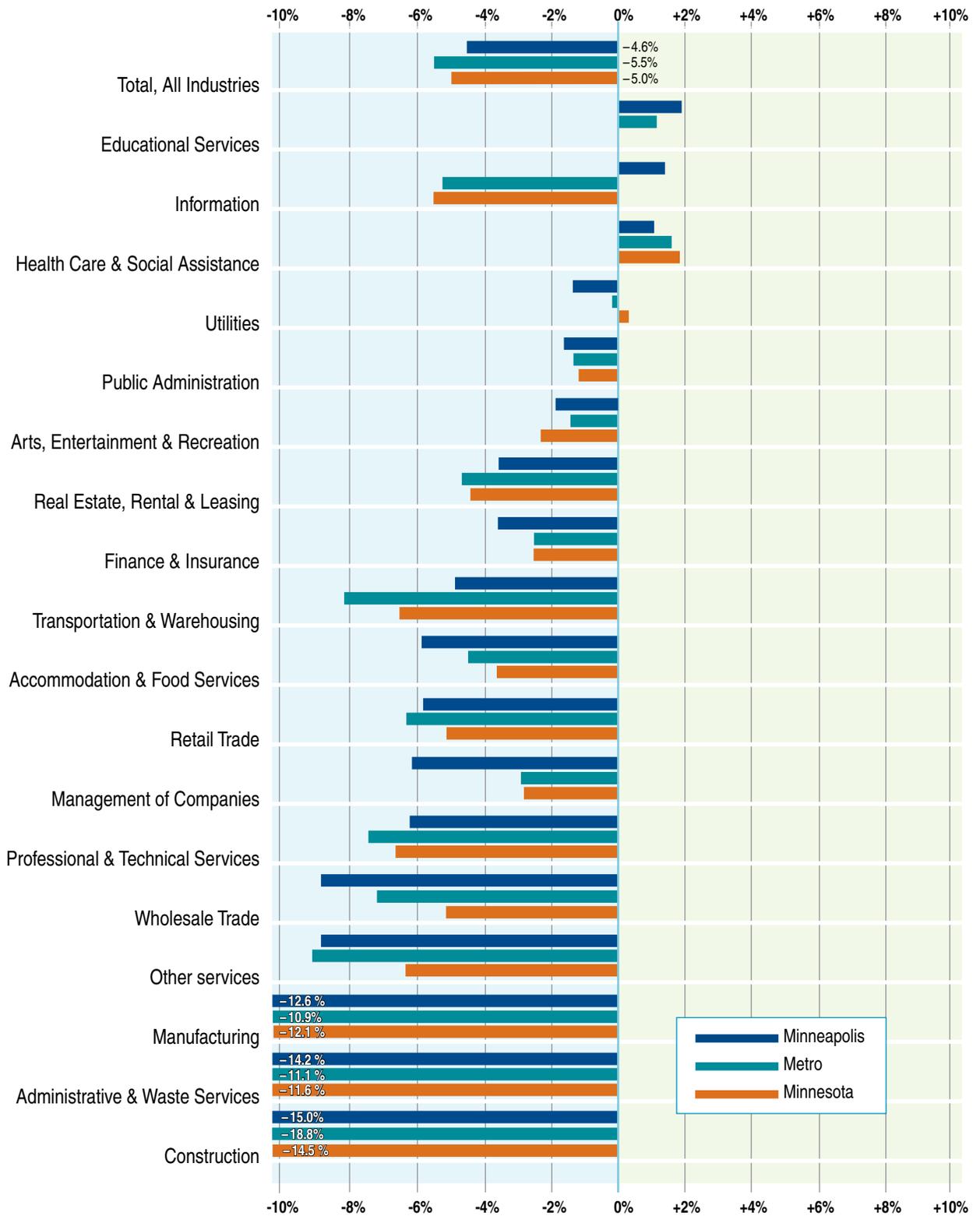
**Construction** lost more than 1,000 net jobs (15 percent) across the sector. The less affected subsector was heavy and engineering construction

which lost fewer jobs than the rest of the sector.

**Finance and insurance** lost almost 1,000 net jobs (4 percent), most of them in financial investment and insurance. Banks actually gained jobs but not enough to offset the lost in the other two subsectors.

# Jobs

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



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

## Jobs

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As shown in Figure 3, the city, metro area, and state all lost jobs over the twelve-month period. The city's job base decreased by 4.6 percent, less than the 5.5 percent decrease in the metro area, and the 5 percent decrease posted statewide.

Of the few sectors posting growth this quarter, educational services at 2 percent, grew faster in the city than in the metro area or the state.

There was a more than 1 percent growth in the city's information sector, which decreased in the metro area and statewide.

Health care and social assistance grew in all three geographies but less in the city than in the metro or state.

The seven-county metro area lost the largest proportion of construction jobs (almost 19 percent), while the state lost more than 14.5 percent and the city decreased the proportion of construction jobs by 15 percent in the same period.

Administrative and waste services and Manufacturing were other struggling sectors. Administrative and waste services declined 14 percent in the city, 11 percent in the metro and nearly 12 percent in the state. Manufacturing decreased almost 13 percent in Minneapolis. In comparison the sector decreased 11 percent in the metro area and 12 percent in the state.

## Wages

The average weekly wage in Minneapolis in the third quarter of 2009 was \$1,064, 2 percent lower than the previous year. Consumer prices were lower and inflation was subdued. The following sectors had higher wages than a year earlier:

**Information** (6 percent): Information wages increased in almost all subsectors except publishing. Wages of internet site portals, search portals, data processing and telecommunications increased the most.

**Utilities** (5 percent): Utilities increased their wages in power generation and supply.

**Services** other than public administration (4 percent): Personal services such as barbers increased the most, but it was offset by decreases in repair and maintenance service wages.

**Public administration** (1 percent): Wages for community and housing programs increased the most, followed by executive, legislative and general government. In the first case,

federal government increasing wages accounted for the difference. In the second case the state government was responsible for more than a quarter percent of the subsector's raise.

**Educational services** (1 percent): The growth in this sector responded to increasing wages in business, computer and management training centers followed by colleges and universities.

Table 3: **AVERAGE WEEKLY WAGE – Minneapolis<sup>1</sup>**  
in current dollars

	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09	% change 2Q to 3Q-09
<b>Total, All Industries</b>	<b>\$1,086</b>	<b>\$1,155</b>	<b>\$1,163</b>	<b>\$1,066</b>	<b>\$1,064</b>	<b>-0.2%</b>
Construction	\$1,127	\$1,223	\$1,132	\$1,144	\$1,064	-7.0%
Manufacturing	\$1,042	\$1,184	\$1,125	\$1,011	\$1,046	3.5%
Utilities	\$1,512	\$1,567	\$1,670	\$1,525	\$1,593	4.5%
Wholesale Trade	\$1,162	\$1,310	\$1,190	\$1,191	\$1,138	-4.5%
Retail Trade	\$568	\$583	\$541	\$555	\$536	-3.4%
Transportation and Warehousing	\$845	\$965	\$864	\$938	\$857	-8.6%
Information	\$1,167	\$1,216	\$1,370	\$1,233	\$1,236	0.2%
Finance and Insurance	\$1,661	\$1,718	\$2,225	\$1,560	\$1,524	-2.3%
Real Estate and Rental and Leasing	\$1,265	\$1,369	\$1,572	\$1,146	\$1,061	-7.4%
Professional and Technical Services	\$1,602	\$1,998	\$1,551	\$1,554	\$1,578	1.5%
Management of Companies and Enterprises	\$1,553	\$1,626	\$1,684	\$1,762	\$1,512	-14.2%
Administrative and Waste Services	\$672	\$682	\$710	\$658	\$664	0.9%
Educational Services	\$1,124	\$1,038	\$1,011	\$992	\$1,139	14.8%
Health Care and Social Assistance	\$939	\$959	\$968	\$904	\$928	2.7%
Arts, Entertainment, and Recreation	\$1,217	\$999	\$854	\$1,044	\$1,074	2.9%
Accommodation and Food Services	\$364	\$365	\$346	\$345	\$357	3.5%
Other Services, Ex. Public Admin	\$578	\$579	\$600	\$575	\$603	4.9%
Public Administration	\$1,124	\$1,166	\$1,176	\$1,167	\$1,140	-2.3%

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

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

## Wages

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**Transportation and warehousing** (1 percent): couriers and messengers followed by the Postal service increased real wages more than the average for the whole sector.

The sectors with the highest year-to-year wage decrease were:

**Real estate** (16 percent): Real estate leasing agencies decreased their real wages by 22 percent, more than the average for the sector.

**Arts, entertainment and recreation** (12 percent): Amusement, gambling and recreation activities decreased real wages more than the average for the whole sector.

**Finance and insurance** (8 percent): Banks decreased wages more than the average for the whole sector.

**Construction** (6 percent): Specialty trade constructors such as building foundation, exteriors, equipment and finishing construction decreased their real wages more than the average for the whole sector.

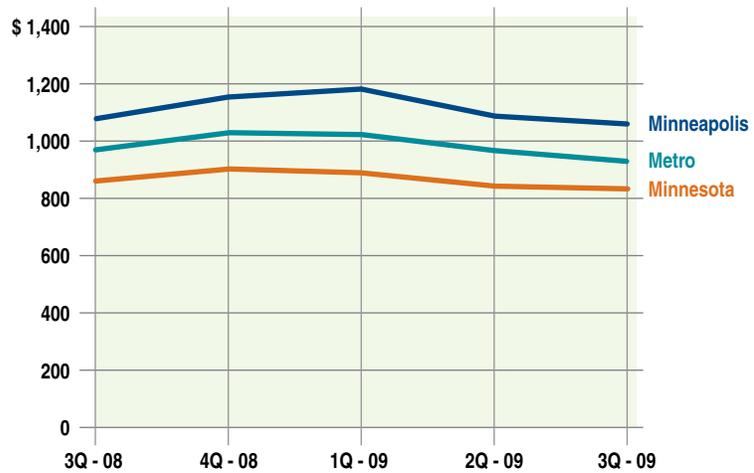
## Wages

In general, jobs in Minneapolis command higher average weekly wages than jobs in the metropolitan area or the state.

Third-quarter wages in inflation-adjusted dollars decreased 2 percent in Minneapolis from a year earlier. Wages also declined from the previous quarter by 1.8 percent. On a year to year basis, average wages declined in the metro area by 3.5 percent and in the state, by nearly 3 percent. Wages decreased mainly because employers continued cutting work hours.

\* For conversion factors, see [page 15](#).

Figure 4: **AVERAGE WEEKLY WAGES – 3Q-08 to 3Q-09**  
in inflation-adjusted dollars

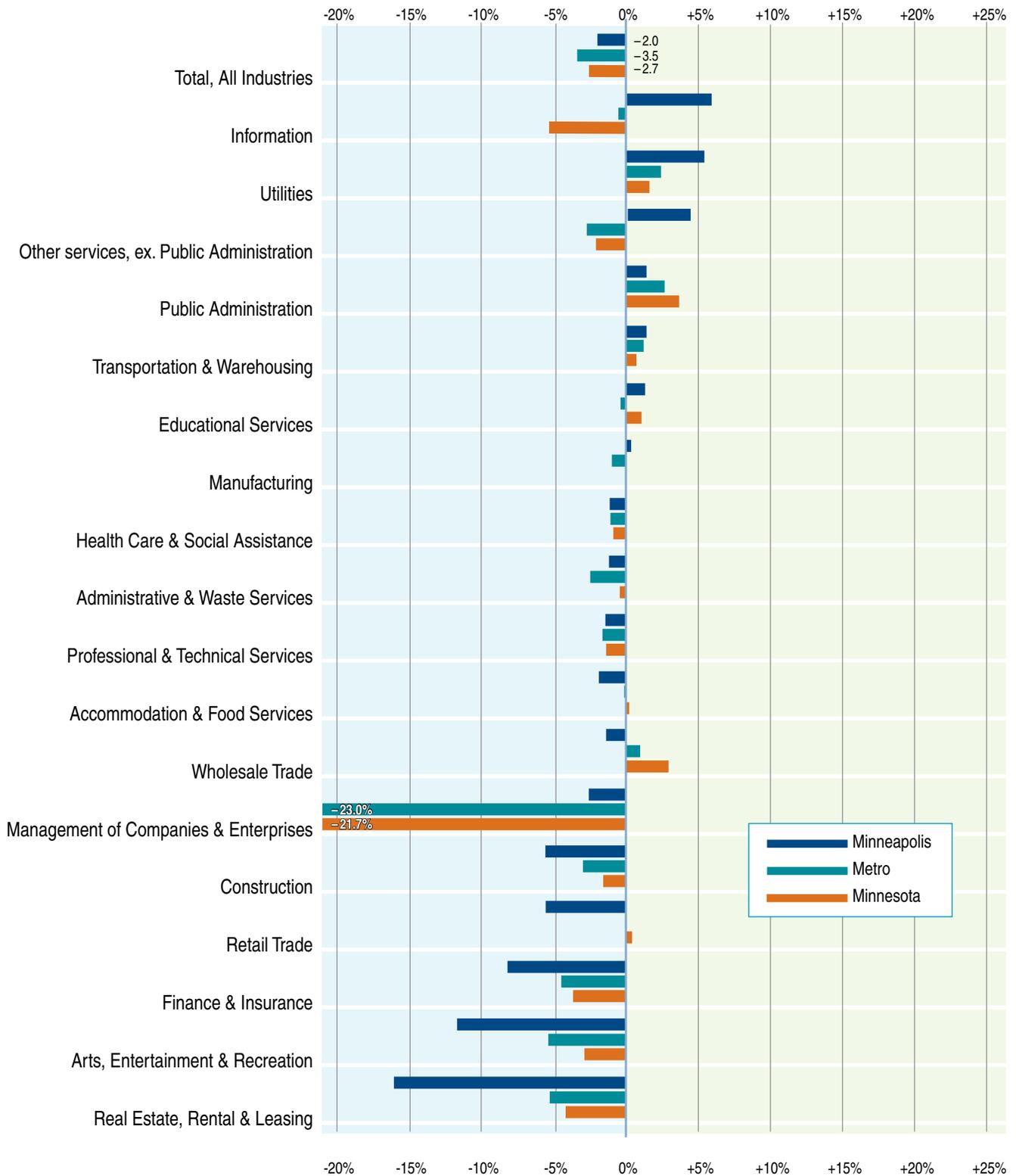


	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09	\$ change 3Q-08 - 3Q-09	% change 3Q-08 - 3Q-09
Minneapolis	\$ 1,086	\$ 1,155	\$ 1,182	\$ 1,084	\$ 1,064	\$ (22)	-2.0%
Metro area	978	1,031	1,024	964	944	(34)	-3.5%
Minnesota	859	905	894	849	836	(23)	-2.7%

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

# Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 2Q-08 to 2Q-09  
percent change in inflation-adjusted dollars



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

## Wages

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The city decreased real wages\* but less than the metro or the state. Seven sectors out of 18 increased real wages in Minneapolis from the third quarter of 2008 to the third quarter of 2009. Only three sectors grew in all the three geographies in the same period. As per the graph on the previous page, the following sectors exhibited the highest percentage increase in average wages within the city, and in comparison with the metro and the state:

**Information** real wages posted nearly 6 percent growth in the city, but contracted 0.5 percent in the metro and 5.5 percent in the state.

**Transportation and warehousing** average weekly wages increased in Minneapolis more than in the metro or the state.

**Public administration** real wages grew faster in the state than in the city or the metro area.

Industries which experienced the steepest decline in real wages in Min-

neapolis included:

**Real estate and rental and leasing** average real weekly wages fell in the city by 16 percent, by 5 percent in the metro and by 4 percent in the state.

**Art, entertainment and recreation** wages also decreased in all geographic areas, but more in Minneapolis (almost 12 percent) than in the metro (5 percent) or state (3 percent.)

**Finance and insurance** wages decreased in Minneapolis more than 8 percent, which is higher than the metro (4.5 percent) or the state (4 percent.)

**Retail** wages fell in the city but not in the metro or the state, while **construction** fell in all three geographies but contracted more in the city.

**Management of company** wages decreased in the metro by 23 percent and in the state by 22 percent. In the city they were 3 percent lower.

\* For conversion factors, see [page 15](#).

## Definitions & sources

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- Labor Force, Employment and Unemployment: Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. For complete definitions go to: <http://www.bls.gov/opub/hom/pdf/homch1.pdf>
- Metro area: The following counties make up the seven-county metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.
- Jobs and wages: Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area and Minnesota. To see how the “digits” work, go to [www.census.gov/epcd/naics07](http://www.census.gov/epcd/naics07).
- **Inflation-adjusted figures:** Values reported in table 3 are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the third quarter of 2009, dollars have been converted with an index reflecting the CPI for the second half and first half of 2009 and second half of 2008 with 2009 as a base year. To look at the indexes go to: [Consumer Price Index Home Page](#) and click on “get detailed CPI statistics - All urban consumers (current series).”

## Development indicators

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- Permits for new construction of residential units decreased in comparison to last quarter, in part due to normally slow seasonal activity in the first quarter. However, with 56 units in multifamily buildings permitted, activity was much higher than first quarter last year.
- There were 21 percent more residential building remodels for projects costing \$50,000 or more than first quarter 2009. However, the amount spent on residential remodeling decreased 8 percent in the same period. Non-residential remodels were 30 percent higher, but the amount spent on them was more than 50 percent lower than the previous year.
- Ten commercial and residential projects costing at least \$1 million were permitted this quarter, totaling \$35 million. This was 50 percent lower than last quarter. The largest single project was a 125- unit apartment building build-out, Sydney Hall located in the University area. The second largest project was Nicollet Square, a new 42-unit mixed-use development in South Minneapolis.

## New construction

New residential permitted units this quarter decreased to 56, after a leap in the last quarter of 2009. Still, Minneapolis had a good performance in comparison with only 5 permits in the first quarter last year. In the metro area, the volume of units permitted decreased 25 percent from last quarter, but it was 67 percent higher than the same quarter of 2009.

Construction slowed down a bit in the city since last quarter when there were 360 new units permitted in four multi-family buildings. This quarter there were two new multifamily buildings with 50 units in total. There were a few single-family homes permitted but construction of single-family homes remained at a low pace.

Table 4: NEW RESIDENTIAL UNITS PERMITTED

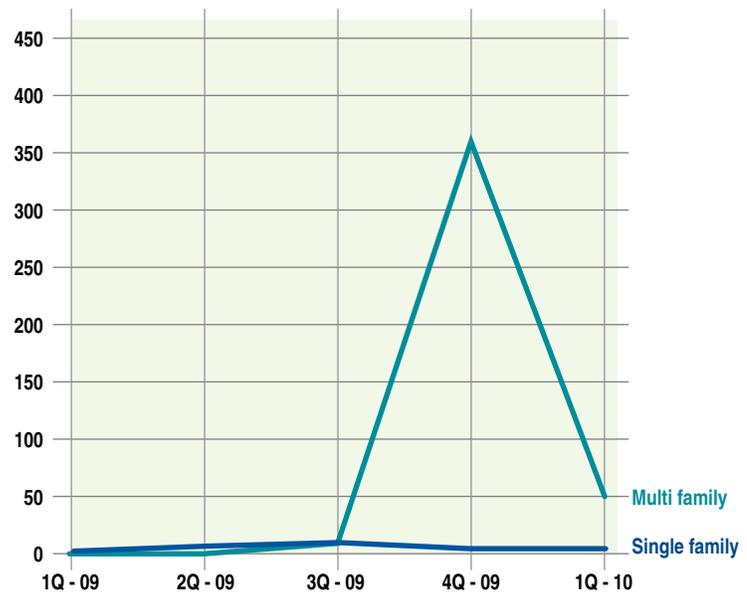
	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
<b>Single-family</b>					
City	5	8	9**	7	6
Metro area	381	798	978	897	690
<b>Multifamily</b>					
City	0	0	10	360	50
Metro area	225	69	162	452	320
<b>Total Units</b>					
City	5	8	19	367	56
Metro area*	606	867	1,140	1,349	1,010

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

\* Estimated number of permits with imputation: The Census Bureau estimates that about 8 percent of the total number of units permitted are underreported by counties in the metro area.

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

Figure 6: NEW RESIDENTIAL UNITS PERMITTED – Minneapolis



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

## New construction

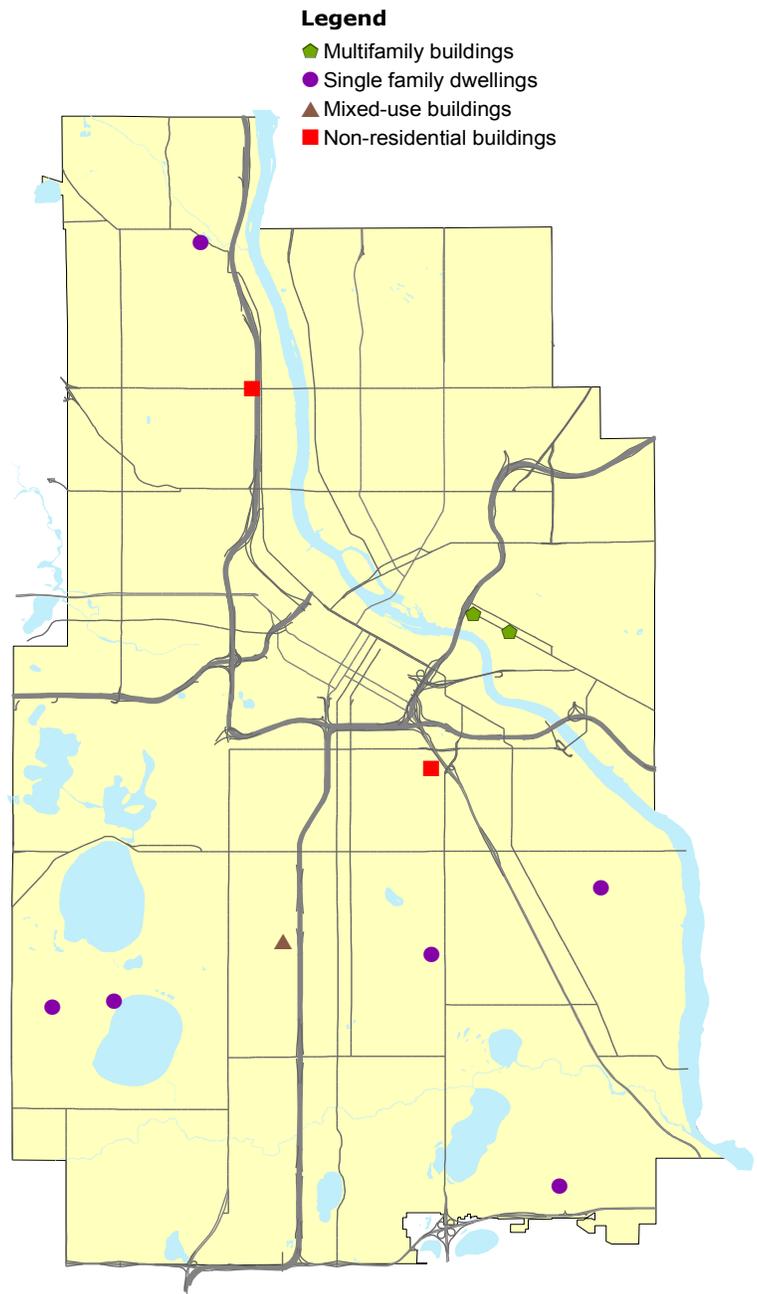
A new mixed-use building with 42 units (Nicollet Square) and an 8-unit multifamily building were permitted this quarter. Another building, Sydney Hall which started construction last year, had a permit for build-out. The site for the first building is located in South Minneapolis on Nicollet Ave, while the other two are in the University of Minnesota area.

There were five single-family homes permitted south of downtown and another in North Minneapolis.

Of the two new non-residential buildings permitted this quarter, the largest was the East Phillips Cultural and Community Center that will have meeting space and a gym. The other is a maintenance garage on Lowry Ave N.

Map 1: **NEW CONSTRUCTION** – 1Q-10

Source: *Minneapolis Regulatory Services*



## Cost of residential construction

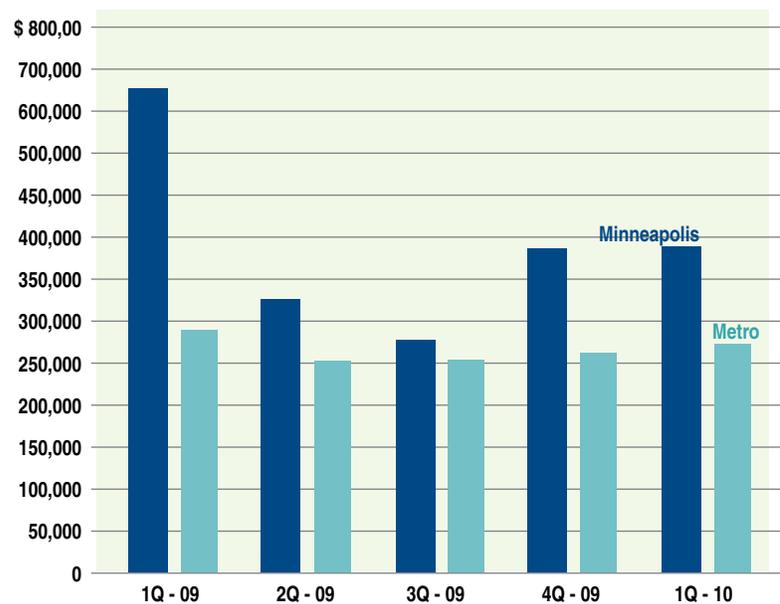
In Minneapolis the average construction cost for single-family homes was 41 percent lower than a year ago, decreasing from about \$659,000 to approximately \$389,000. This decrease reflected a return to a more typical price structure compared to the higher-end homes built earlier last year.

The average construction cost for single-family homes in the metropolitan area was about 5 percent lower than a year ago and about 4 percent higher than last quarter.

The average construction cost for a single-family home in the metro area was 31 percent lower than the average cost for a single-family home in Minneapolis where fewer homes were built at a higher cost.

This quarter the average cost per unit decreased in the city by almost 25 percent from last quarter. The metro area's average construction cost per unit was similar to Minneapolis, decreasing also from last quarter and from last year.

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

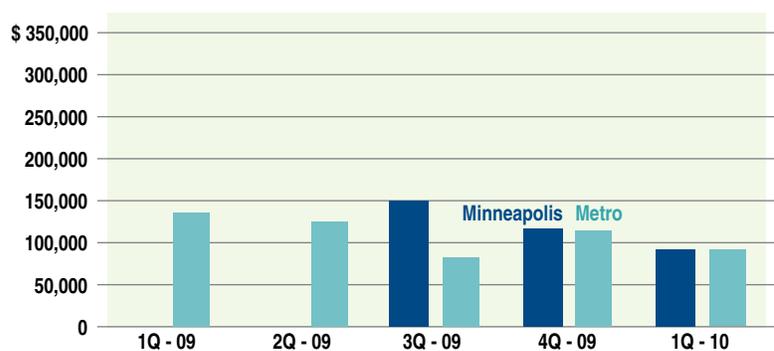


	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis	\$ 658,973	\$ 322,580	\$ 275,013	\$ 382,081	\$ 389,336
Metro area	281,418	251,849	250,505	257,554	266,864

Source: U.S. Census Bureau

Table values are not adjusted for inflation

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis	\$ 0	\$ 0	\$ 150,000*	\$ 120,172	\$ 90,752
Metro area	138,808	135,541	79,652	118,197	90,440

Source: U.S. Census Bureau

\* City of Minneapolis Regulatory Services  
Values in table are not adjusted for inflation

## Conversions, remodels & additions

Fewer **residential** remodeling, conversion and addition projects were permitted this quarter and the total value was more than 50 percent lower than the previous quarter. Remodeling activity this quarter consisted mostly of repairs and rehabilitation of small buildings, mainly single-family units, duplexes and four-plexes. In the twelve-month period, the number of remodeling projects was 21 percent higher than first quarter the previous year, but the projects' projected costs were 8 percent lower.

Permitting for **non residential** construction was slower than last quarter, with overall projected cost at \$27 million, or 45 percent lower. However, compared with first quarter 2009 permitting activity measured by number of projects was 30 percent higher though its projected cost was 52 percent lower. Non-residential permitting activity reflected the effect of the economic downturn in commercial real estate, which has been increasing vacant space at a fast pace.

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

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
<b>Total Residential<sup>1</sup></b>					
Number of buildings	97	149	161	147	117
Total value	\$ 14,044,631	\$ 17,425,076	\$ 18,462,483	\$ 27,430,349	\$ 12,890,305
<b>Remodels</b>					
Number of buildings	94	142	157	138	115
Value	\$ 13,686,881	\$ 16,825,399	\$ 17,975,418	\$ 18,129,578	\$ 12,762,505
<b>Conversions and additions<sup>2</sup></b>					
Number of buildings	3	7	4	9	2
Net number of units	-1	-6	5	71	-2
Value	\$ 357,750	\$ 599,677	\$ 487,065	\$ 9,300,771	\$ 127,800
<b>Total non-residential<sup>1</sup></b>					
Number of buildings <sup>3</sup>	60	89	99	84	78
Value	\$ 56,399,582	\$ 103,826,776	\$ 32,928,808	\$ 49,227,969	\$ 27,046,891

Source: Minneapolis Regulatory Services

1 Residential and non-residential building listings may include structural work, build-outs (other than new building build-outs) and other improvements.

2 Residential conversions consist of a change in uses (e.g. from an office building to residential apartments) or subdividing or consolidating residential units.

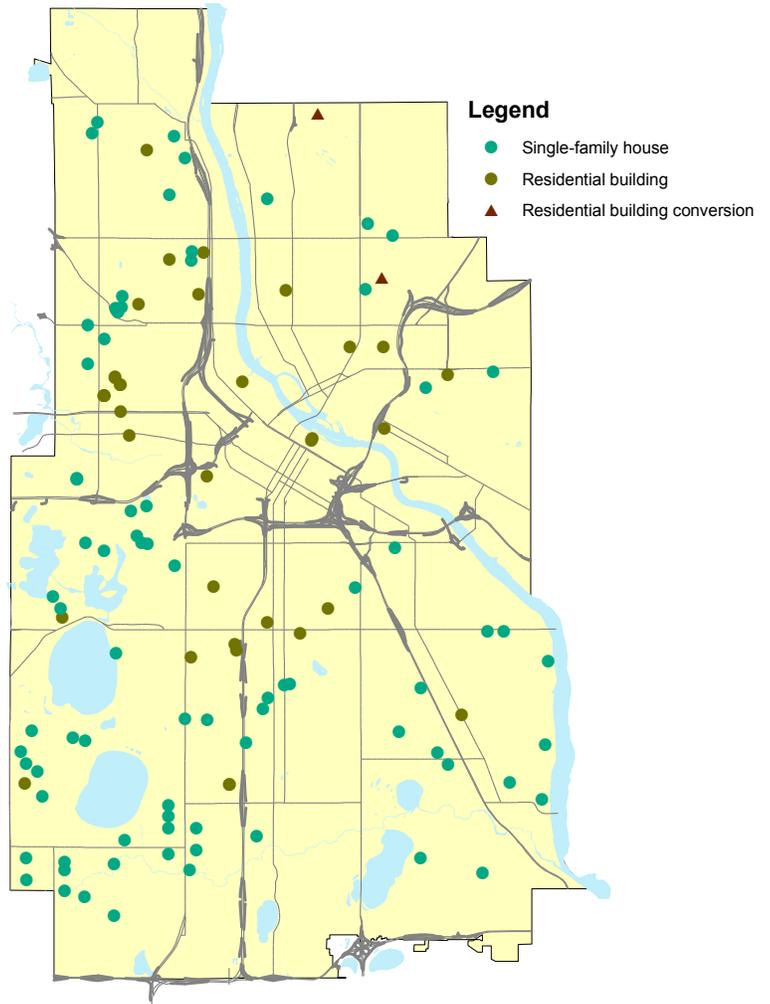
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

## Conversions, remodels & additions

About 67 percent of residential construction permits were issued for remodeling and improvement of single-family dwellings. Two duplexes were converted into single-family houses.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION – 1Q-10**  
projects \$50,000 +

*Source: Minneapolis Regulatory Services*

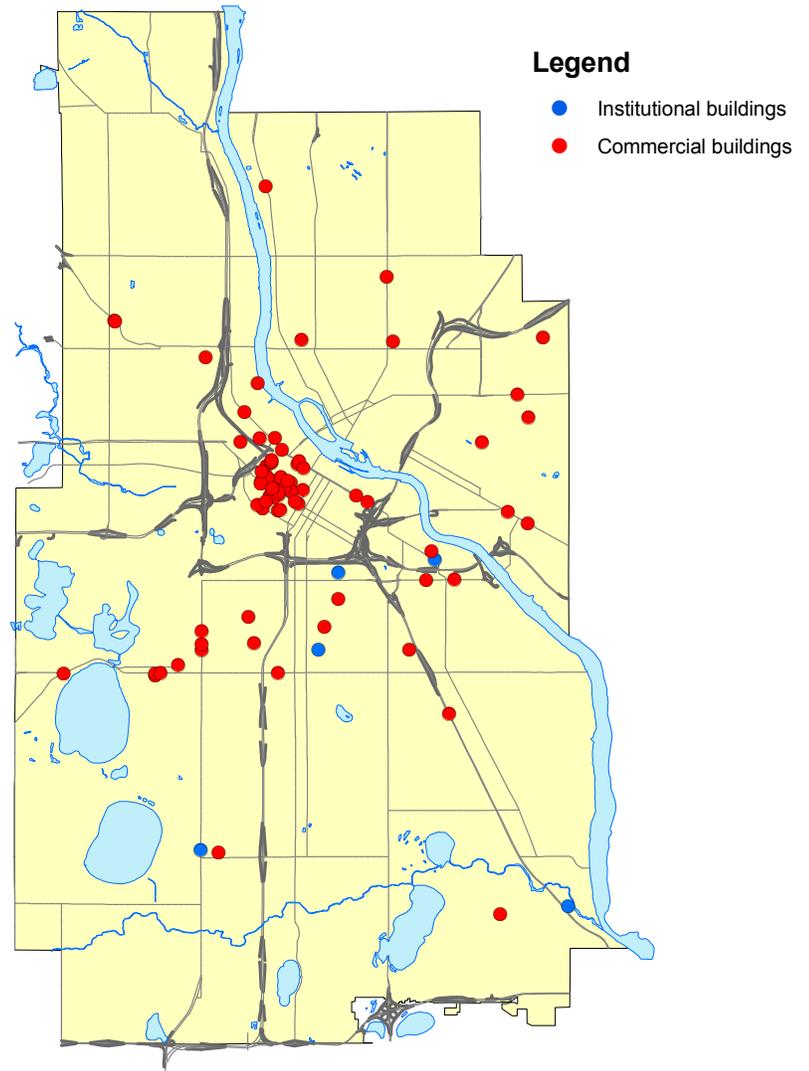


## Conversions, remodels & additions

Permitting activity for non-residential remodeling and renovations tends to occur primarily in the downtown area. This quarter downtown had 42 percent of all permit/projects. Permits for renovation of non-residential buildings included commercial, institutional and parking facilities improvements and build-outs and change of uses. Two of the most important projects permitted this quarter were an addition to the Veteran's Home and an addition to the Nokomis Library.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 1Q-10**  
projects \$50,000 +

Source: Minneapolis Regulatory Services



## Major construction projects

The following list shows major projects permitted in Minneapolis in the first quarter of 2010. The listed amount only reflects projected construction cost (not including soft cost) for permits issued

that quarter. The highest cost project was the Sydney Hall build-out followed by a new mixed-use building, Nicollet Square.

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

Description	Address	Neighborhood	Ward	Projected cost
Sydney Hall: new 125 unit apartment building interior build-out	312 15th Ave SE	UMN	2	\$12,000,000
Nicollet Square: 42-unit mixed use building	3700 Nicollet Ave	King Field	8	\$5,296,000
Veteran's home addition	5101 Minnehaha Ave	Hiawatha	12	\$3,546,000
Nokomis Library addition	5100 34th Ave S	Keewaydin	12	\$3,078,000
East Phillips Cultural and Community Center new building	2307 17th Ave S	Ventura Village/ East Phillips	9	\$2,693,000
Urban Anthology interior build-out	3018 Hennepin Ave	ECCO	10	\$1,722,000
Calhoun Square: Moxie build-out*	3001 Hennepin Ave	CARAG	10	\$1,643,000
New social security office*	250 Marquette Ave	Downtown West	7	\$1,631,000
MN Oncology: tenant build-out*	910 26th St E	Midtown Phillips	9	\$1,343,000
Fairview Hospital: Pharmacy and chapel remodel*	2450 Riverside Ave	Cedar Riverside	2	\$1,198,000
1015 University Ave: new 8-unit apartment building	1015 University Ave SE	Marcy Holmes	3	\$1,006,000
<b>Total value</b>				<b>\$35,256,000</b>

\* Includes more than one permit at one address

## Demolitions

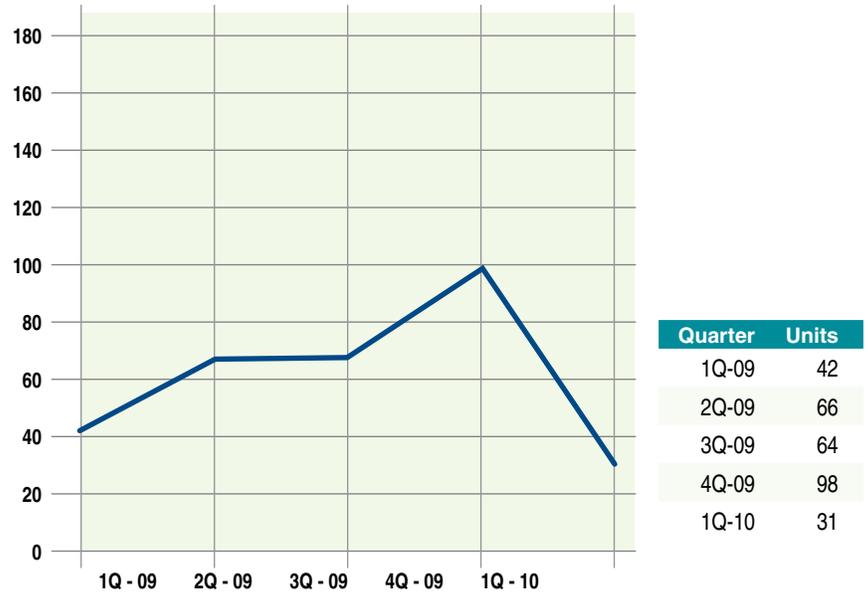
Permits for residential demolitions decreased by 68 percent this quarter from the fourth quarter, and the number was 26 percent lower than in the first quarter of the previous year.

Residential demolitions this quarter included about 20 single-family homes, 14 duplex units, 12 units in 4-plexes, and a 6-unit building.

About 39 percent of the residential structures permitted for demolition this quarter were in South Minneapolis and 35 percent were in North Minneapolis.

Non-residential demolition permits included demolitions of two industrial and one commercial buildings. The industrial buildings are two office-warehouses slated for demolition in North Minneapolis on 2nd Street North south of West Broadway. The commercial building is located on Marshall St NE.

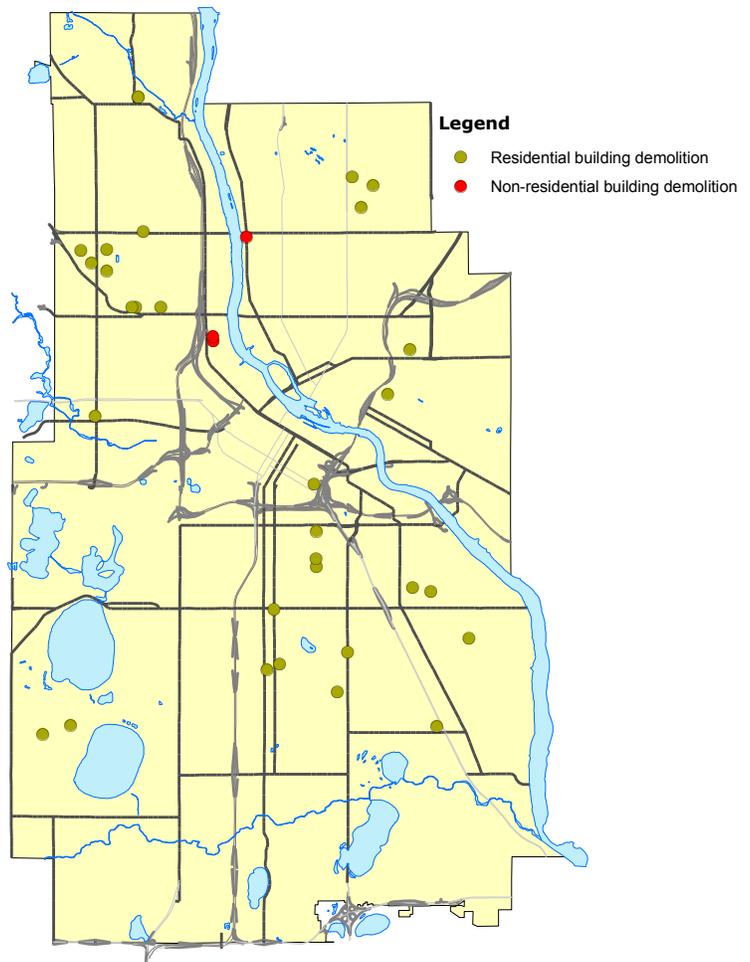
Figure 9: **RESIDENTIAL UNITS DEMOLISHED – Minneapolis**  
in units



Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS – 4Q-09**

Source: Minneapolis Regulatory Services



## Definitions & sources

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

- **Maps – Building uses:** Categories listing the uses of buildings are based on descriptions from their permits. The following categories are used:
- **Map 1 – New buildings**
  - Single-family:** means detached dwellings.
  - Other residential:** means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including town-houses. It also includes temporary housing for health-care purposes.
  - Non-residential use:** means all buildings that do not have a residential component. Also includes structures such as communications towers and skyways.
- **Map 2 – Residential remodels with a construction cost of \$50,000 or more:**
  - Single-family** includes all detached single-family dwellings with permits for renovations, additions or improvements.
  - Other residential** includes all residential buildings that are not detached single-family dwellings, including units in buildings with two or more units. It includes remodeling or build-outs of one or more individual units and remodeling of the entire building.
  - Conversions** consist of the construction of new residential units in non-residential buildings such as factories, warehouses, hotels and others and remodeling of a building for residential uses. It does not include conversions of apartment units to condominiums. It includes changing two or more residential units into a single residence or the subdivision of a single unit into several.
- **Map 3 – Non-residential remodels, additions and improvements with a cost of \$50,000 or more**
  - Commercial** includes offices, warehouses, factories, restaurants and retail buildings in general. It may be a build-out of an office space or several floors, or it may be the remodeling of an entire building. Several tenant remodels at one address are considered one project, i.e. renovation of 33 S. Sixth St. (the former Multifoods Tower) downtown.
  - Institutional:** This category includes hospitals, clinics, churches, schools, eldercare facilities, correctional centers and any other institutional use.
  - Transportation** related includes parking, skyways and bus and rail terminals.
- **Map 4 – Demolitions**
  - Residential:** all residential buildings (single-family and multifamily units)
  - Non-residential:** all non-residential buildings and structures

## Housing stock & the real estate market

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- The average apartment vacancy rate in Minneapolis decreased from 7.2 in the fourth quarter to 6.5 percent. This is the first quarter that the vacancy rate in the city dropped after increasing continuously since third quarter 2008.
- The number of housing units sold decreased 35 percent from last quarter and 17 percent from a year ago. However, the volume of traditional sales was up 28 percent from a year ago, while median sale prices were 11 percent lower. Lender-mediated sales were 45 percent lower than the previous year but their prices were 21 percent higher.
- The number of condemned, boarded, and vacant buildings in the city was 828, a decrease of 2 percent from the previous quarter and 1 percent from a year ago.
- Foreclosure sales increased to 575, 4 percent higher than last quarter and the previous year. The number was much lower though than the 870 sales registered in second quarter 2008.
- Office vacancy rate in the Minneapolis central business district (CBD), slightly decreased this quarter to 17.6 percent from 17.7 percent last quarter. The rate was much higher than the 13.6 percent registered in the first quarter last year. Retail vacancies were 11.7 percent, 1.2 percent higher this quarter than the previous, and 2.3 percent higher than first quarter last year.

## Residential vacancy rates & average apartment rents

The Minneapolis vacancy rate for multifamily rental housing was 6.5 percent, a decrease from 7.2 percent last quarter. This quarter the vacancy rate fell to the same level of the third quarter last year, but it was still higher than first quarter the previous year. The improving conditions of the labor market with a falling unemployment rate are also improving the outlook for the rental market.

In the metro area, the vacancy rate also decreased. It was 6.1 percent, 1.2 percentage point lower than last quarter but still higher than first quarter 2009.

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

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
<b>Minneapolis</b>					
Units surveyed	15,874	16,126	15,013	13,196	13,432
Vacant units	738	961	974	946	879
Average rent	\$ 916	\$ 943	\$ 908	\$ 948	\$ 953
Vacancy rate	4.6%	6.0%	6.5%	7.2%	6.5%
<b>Metro area</b>					
Units surveyed	116,939	118,208	111,314	110,016	110,616
Vacant units	5,714	7,077	7,178	7,987	6,803
Average rent	\$ 908	\$ 904	\$ 908	\$ 906	\$ 902
Vacancy rate	4.9%	6.0%	6.4%	7.3%	6.1%

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

Recorded data for the last month of the quarter

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



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

## Residential vacancy rates & average apartment rent

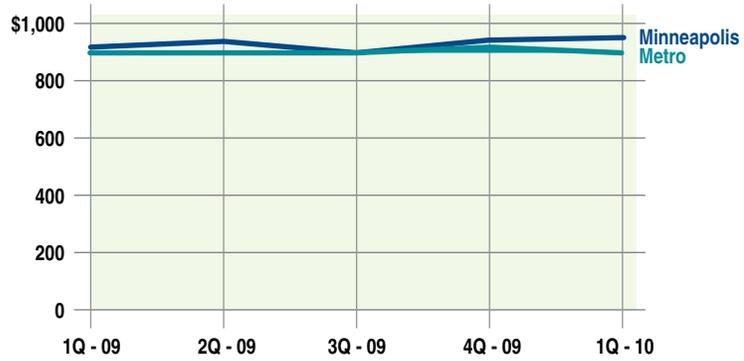
In Minneapolis the average rent was \$953, only \$1 higher in inflation-adjusted dollars\* than last quarter, and \$36\* higher than a year ago. In the metro area average rent was \$901, \$9 dollars lower than last quarter. The average rent in the metro area decreased 8 dollars after adjusting for inflation from first quarter the previous year.

Rents in inflation-adjusted dollars continued to increase in the city but not in the metro area. Rents in the metro responded to high vacancy rates and a recovering but still weak labor market.

Except for North Minneapolis, vacancy rates were lower than 4th quarter. However, vacancy rates remained higher than in the same quarter last year in all areas. South Minneapolis had the highest vacancy rate, followed by Downtown. East Minneapolis had the lowest rate and Southwest had probably the most stable rate.

\* For conversion factors, see [page 46](#).

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



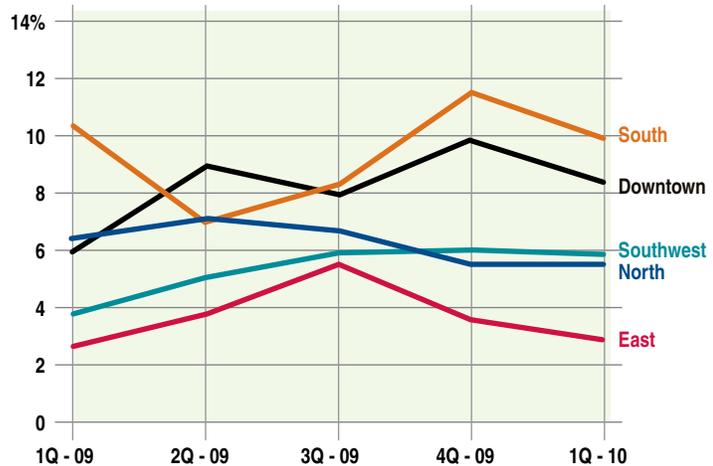
	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis	\$ 916	\$ 943	\$ 908	\$ 948	\$ 953
	917	940	905	952	953
Metro area	908	904	908	906	901
	909	901	905	910	901

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

Recorded data for the last month of the quarter

Rents in inflation-adjusted dollars are in parenthesis

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Downtown	6.0%	8.9%	7.9%	9.8%	8.4%
Southwest	3.8%	5.0%	5.9%	6.0%	5.8%
North	6.4%	7.2%	6.4%	5.6%	5.7%
South	9.4%	7.1%	8.3%	11.6%	9.9%
East	2.7%	3.8%	5.6%	3.6%	2.9%

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

Recorded data for the last month of the quarter\*

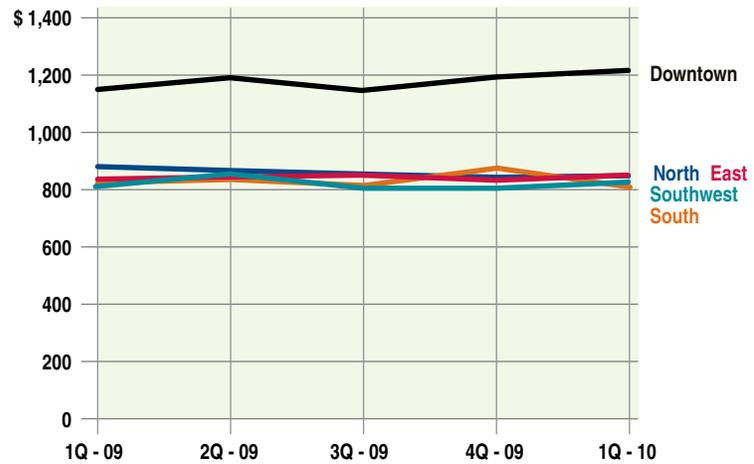
For sector definitions, see [page 44](#).

## Residential vacancy rates & average apartment rent

This quarter average rents in *inflation-adjusted dollars* increased in all parts of the city except in East Minneapolis (see new sector definitions on page 42) They increased the most in South Minneapolis where they went up \$73 (9 percent), followed by Downtown where they increased \$57 (5 percent) from third quarter in *inflation-adjusted dollars*\*. In comparison with fourth quarter the previous year rents were higher \$43 on average (4 percent) in Downtown followed by Southwest Minneapolis (\$34 or 4 percent)\*.

\* For conversion factors, see [page 46](#).

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



	1Q-09	2Q-09	3Q-08	4Q-08	1Q-10
Downtown	\$1,144 <i>1,146</i>	\$1,192 <i>1,188</i>	\$1,150 <i>1,146</i>	\$1,197 <i>1,203</i>	\$1,203 <i>1,203</i>
Southwest	807 <i>808</i>	848 <i>845</i>	815 <i>812</i>	815 <i>819</i>	836 <i>836</i>
North	891 <i>892</i>	877 <i>874</i>	862 <i>859</i>	857 <i>861</i>	863 <i>863</i>
South	837 <i>838</i>	839 <i>836</i>	824 <i>821</i>	890 <i>894</i>	803 <i>803</i>
East	850 <i>851</i>	863 <i>860</i>	859 <i>856</i>	839 <i>843</i>	863 <i>863</i>

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

Recorded data for the last month of the quarter.

Rents in inflation-adjusted dollars are in italics.

\* For sector definition, see [page 44](#).

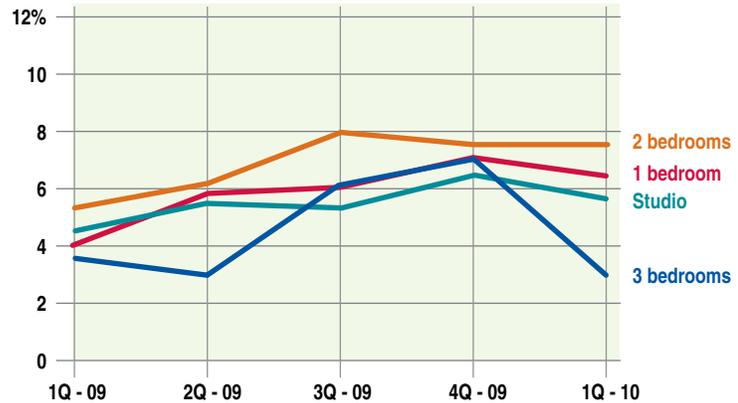
## Residential vacancy rates & average apartment rent

Vacancy rates for all apartment types decreased in comparison with fourth quarter. Still the rates were higher than first quarter 2009, except for large apartment types (three units) which decreased from 3.7 percent last year to 3.1 percent this quarter. This was the lowest rate of the quarter for any apartment type.

Average rent increased this quarter in inflation-adjusted dollars for all apartment types, except for one-bedroom units. Average rent for studio apartments increased 1 percent and for three-bedroom units increased nearly 1 percent from last quarter. In comparison with the same quarter a year ago, rents for the smallest unit types increased almost 6 percent, the highest increase of any type.

\* For conversion factors, see [page 46](#).

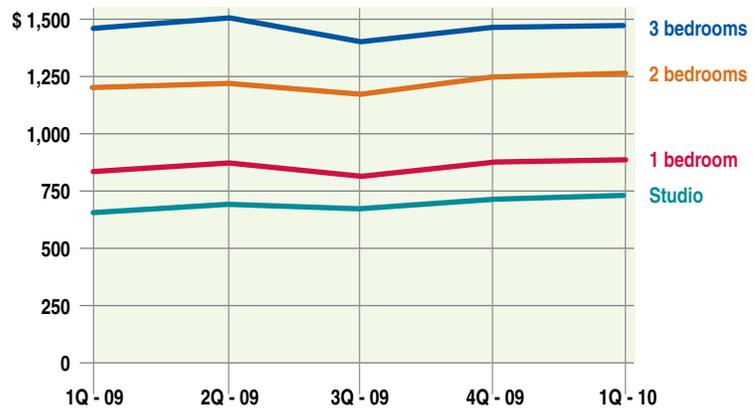
Figure 14: **APARTMENT RENTAL VACANCY RATE – Minneapolis**  
in percent



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Studio	4.5%	5.6%	5.4%	6.5%	5.6%
One-bedroom	4.0%	5.9%	6.0%	7.0%	6.5%
Two-bedroom	5.2%	6.2%	7.9%	7.4%	7.4%
Three-bedroom	3.7%	3.0%	6.2%	7.0%	3.1%

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

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Studio	\$ 645 <i>646</i>	\$ 669 <i>667</i>	\$ 663 <i>660</i>	\$ 673 <i>676</i>	\$ 683
One-bedroom	840 <i>841</i>	868 <i>865</i>	831 <i>828</i>	882 <i>886</i>	884
Two-bedroom	1,207 <i>1,209</i>	1,223 <i>1,219</i>	1,192 <i>1,187</i>	1,249 <i>1,255</i>	1,256
Three-bedroom	1,468 <i>1,470</i>	1,501 <i>1,496</i>	1,401 <i>1,396</i>	1,471 <i>1,478</i>	1,489

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)  
Recorded data for the last month of the quarter  
Rents in inflation-adjusted dollars are in italics.

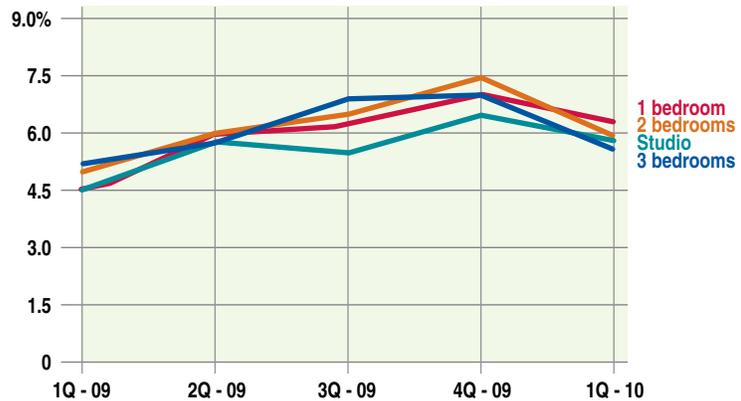
## Residential vacancy rates & average apartment rent

Average vacancy rates for all apartment types decreased in comparison with fourth quarter though they were still higher than first quarter the previous year. Except for one-bedroom units, average vacancy rates were below the 6.1 percent metro-wide average. One-bedroom units had the highest vacancy rate of any apartment type in the metro area.

In comparison with the previous quarter, average rent in inflation-adjusted dollars decreased for all unit types. In comparison with the first quarter the previous year rents were lower this quarter except for studio apartments, which increased 2 percent.

\* For conversion factors, see [page 46](#).

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

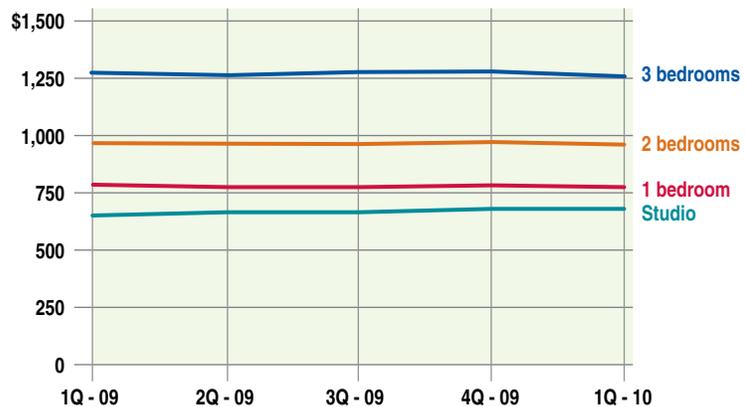


	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Studio	4.5%	5.7%	5.5%	6.5%	5.8%
One-bedroom	4.5%	5.9%	6.2%	7.0%	6.3%
Two-bedroom	5.0%	6.0%	6.5%	7.4%	5.9%
Three-bedroom	5.3%	5.7%	6.9%	7.0%	5.6%

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

Recorded data for the last month of the quarter

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Studio	\$ 656 <i>657</i>	\$ 667 <i>665</i>	\$ 664 <i>661</i>	\$ 671 <i>674</i>	\$ 671
One-bedroom	791 <i>792</i>	787 <i>784</i>	788 <i>785</i>	789 <i>793</i>	787
Two-bedroom	985 <i>986</i>	980 <i>977</i>	983 <i>979</i>	980 <i>985</i>	977
Three-bedroom	1,264 <i>1,266</i>	1,260 <i>1,256</i>	1,274 <i>1,269</i>	1,274 <i>1,280</i>	1,260

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

Recorded data for the last month of the quarter

Rents in inflation-adjusted dollars are in italics..

\* For conversion factors, see [page 46](#).

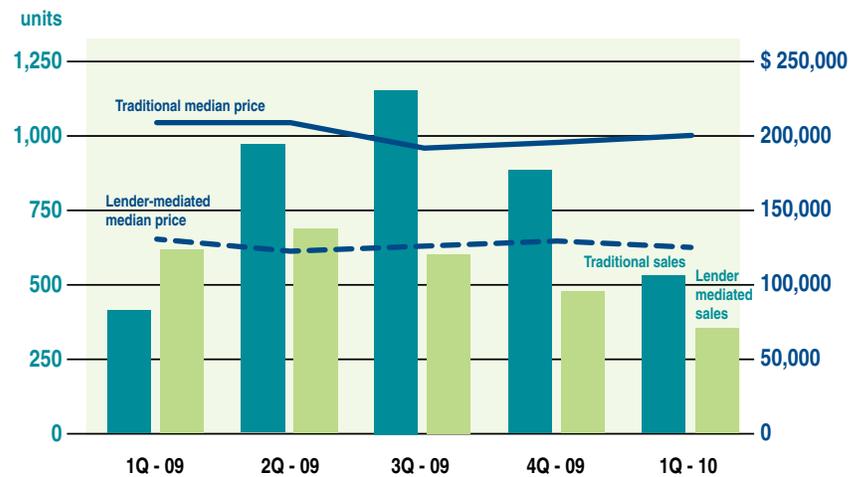
## Residential sales

The number of traditional housing sales decreased this quarter 40 percent again after a peak in third quarter last year; however, this category of sales was still 28 percent higher than first quarter the previous year. Lender-mediated sales dropped 26 percent and were 45 percent lower than the same quarter in 2009.

Traditional sale prices were 0.5 percent lower than last quarter and 11 percent lower than first quarter 2009. Sale prices for lender-mediated sales were also lower (-7 percent,) but were 21 percent higher than first quarter 2009.

Median price for traditional housing sales have been falling since first quarter last year, while lender-mediated sales fell this quarter after being stable for two consecutive quarters.

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
<b>Minneapolis</b>					
Traditional sales	415	957	1,159	888	533
Lender-mediated sales	660	696	618	484	360
Traditional sales median price	\$ 215,500	\$ 212,000	\$195,500	\$ 193,500	\$ 192,542
Lender-mediated median price	\$ 57,500	\$ 55,000	\$ 75,000	\$ 75,000	\$ 69,683

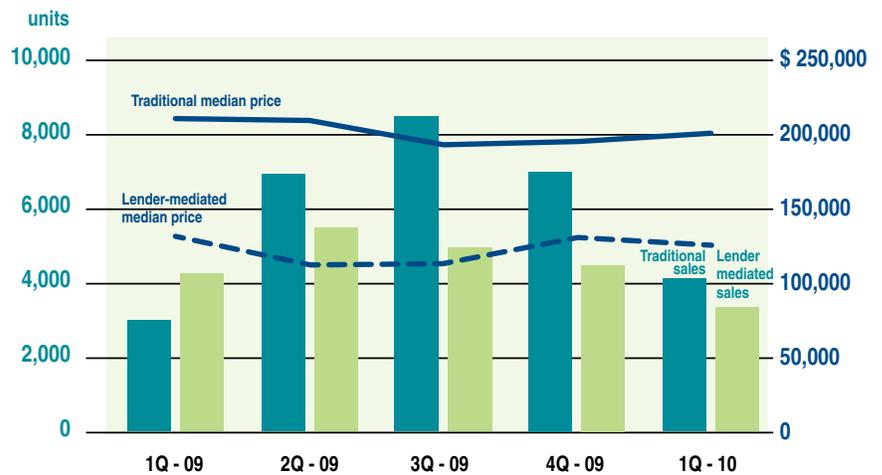
Source: Minneapolis Area Association of Realtors (MAAR)

## Residential sales

In the metro area the number of traditional sales decreased almost 43 percent from last quarter, while lender-mediated sales decreased by 22 percent. Traditional sales were 32 percent higher than first quarter last year, and lender-mediated sales were about 18 percent lower. Sale prices for traditional units increased about 3 percent from last quarter, but were 5 percent lower than last year. Lender-mediated prices were about 3.5 percent lower than the previous quarter and 4 percent lower than first quarter last year.

Minneapolis Area Association of Realtors showed a 17 percent drop in the housing inventory for sale this quarter in the metro area in comparison with the same quarter last year due mainly to lack of new construction. This fact may explain the increase in median sale value this quarter.

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



Source: Minneapolis Area Association of Realtors (MAAR)

\* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors.

For metro area definition, see [page 44](#)

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
<b>Metro area</b>					
Traditional sales	3,043	7,036	8,501	7,014	4,017
Lender-mediated sales	4,240	5,564	5,148	4,430	3,457
Traditional sales median price	\$ 210,000	\$ 209,000	\$ 192,950	\$ 195,000	\$ 200,000
Lender-mediated median price	\$ 131,275	\$ 122,900	\$ 125,000	\$ 130,000	\$ 125,400

Source: Minneapolis Area Association of Realtors (MAAR)

\* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For metro area definition, see Page 61.

## Foreclosures

This quarter 575 properties were sold at public auction. There was a 4 percent increase in the number of foreclosed properties from fourth quarter 2009 and also from first quarter 2009. Ward 4, 5 and 9 accounted for 46 percent of the total foreclosures in the city.

**MAP 5: PROPERTIES FORECLOSED – 1Q-010**  
by wards

Source: Hennepin County

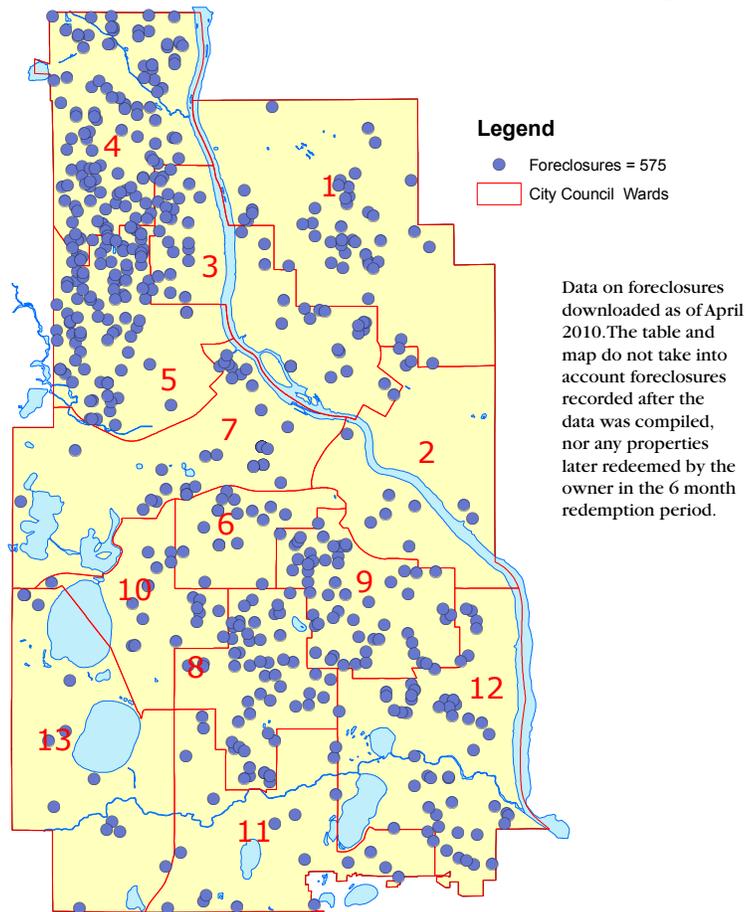


Table 9: **FORECLOSURE PROPERTIES – Minneapolis**  
by wards

Ward	1Q-09		2Q-09		3Q-09		4Q-09		1Q-10	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1	47	8.5%	50	9.4%	42	7.1%	55	10%	43	7%
2	3	0.5%	3	0.6%	3	0.5%	3	1%	11	2%
3	54	9.7%	50	9.4%	58	9.8%	50	9%	47	8%
4	122	22.0%	105	19.7%	110	18.5%	115	21%	111	19%
5	93	16.8%	81	15.2%	97	16.3%	97	17%	95	17%
6	34	6.1%	22	4.1%	28	4.7%	17	3%	17	3%
7	18	3.2%	24	4.5%	12	2.0%	30	5%	37	6%
8	63	11.4%	62	11.7%	81	13.6%	61	11%	54	9%
9	47	8.5%	48	9.0%	58	9.8%	47	8%	56	10%
10	18	3.2%	19	3.6%	27	4.5%	14	3%	19	3%
11	20	3.6%	18	3.4%	23	3.9%	21	4%	22	4%
12	27	4.9%	34	6.4%	38	6.4%	28	5%	50	9%
13	8	1.4%	16	3.0%	17	2.9%	17	3%	13	2%
<b>Total</b>	<b>554</b>	<b>100.0%</b>	<b>532</b>	<b>100.0%</b>	<b>594</b>	<b>100.0%</b>	<b>555</b>	<b>100%</b>	<b>575</b>	<b>100%</b>

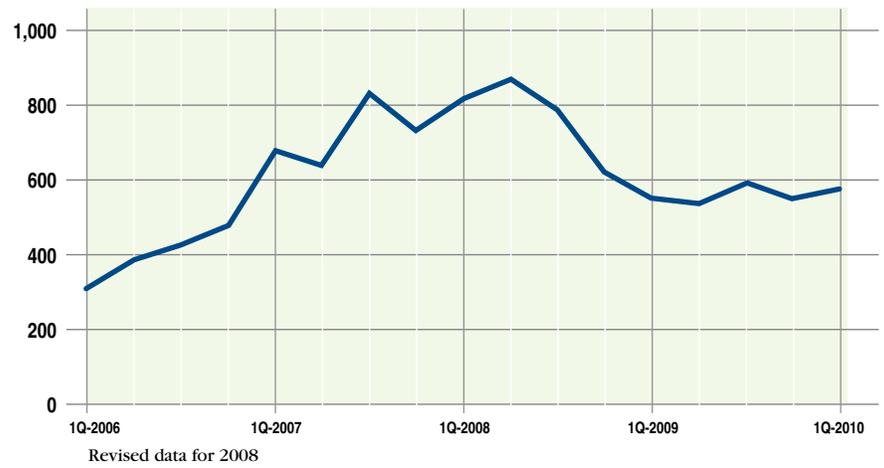
Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; for complete and current foreclosure listings, please see the Hennepin County Sheriff's website at <http://www4.co.hennepin.mn.us/webforeclosure/>.

Data for 2008 have been revised.

## Foreclosures

The volume of foreclosed property sales in Minneapolis increased again from 555 in 4Q-09 to 575 foreclosures this quarter, after declining from a peak of 870 in 2Q-08.

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



## Condemned & vacant buildings

The number of condemned, boarded and vacant buildings in the city decreased 2 percent from fourth quarter, and it was 1 percent lower than a year ago. Boarded and condemned buildings continued to make up the majority of the group but their numbers decreased from last quarter.

Buildings that were vacant but not condemned increased 5 percent from the previous quarter. These buildings had some code violations but no major problems. Vacant buildings which were not condemned were 21 percent more than a year ago.

These buildings are located mainly in the city's north and south-central areas. Almost sixty percent of boarded and condemned buildings are located in North Minneapolis; most of these buildings will eventually be demolished. South Minneapolis accounts for 23 percent of these properties.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of 1st quarter

Source: Minneapolis Regulatory Services

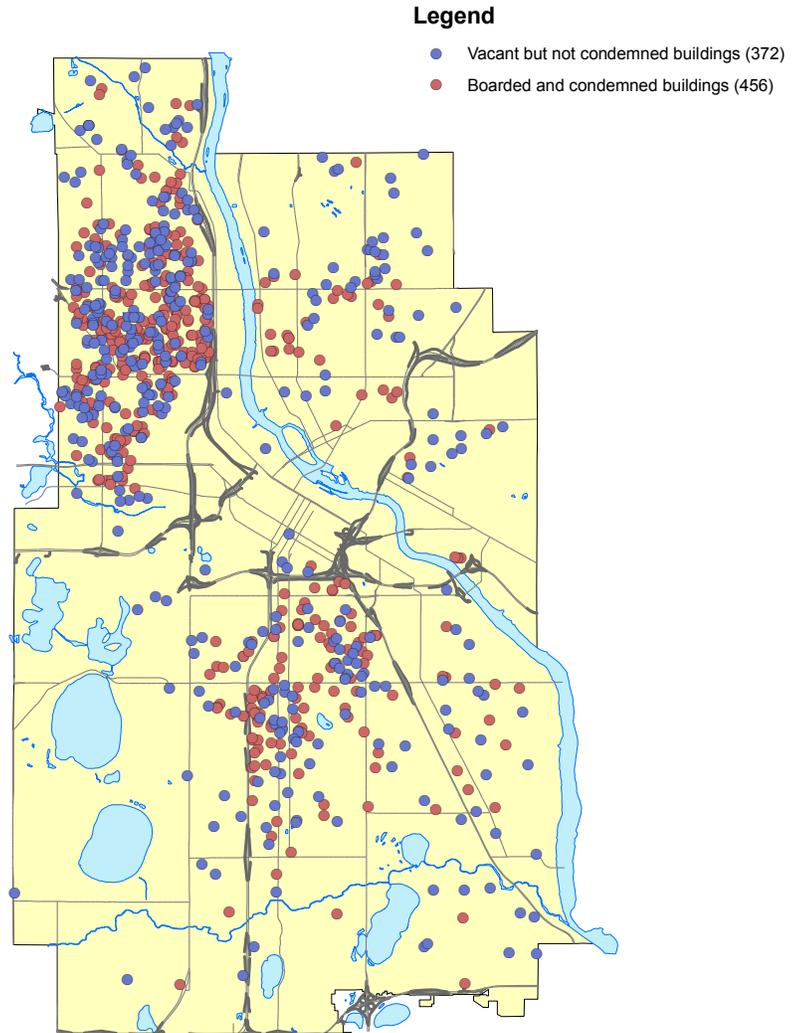


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis  
as of the end of 1st quarter

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Boarded and condemned buildings	528	534	495	495	456
Vacant but not condemned	307	324	338	354	372
<b>Total</b>	<b>835</b>	<b>858</b>	<b>833</b>	<b>849</b>	<b>828</b>

Source: Minneapolis Regulatory Services

Note: About 98 percent of the buildings in the table are residential. Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

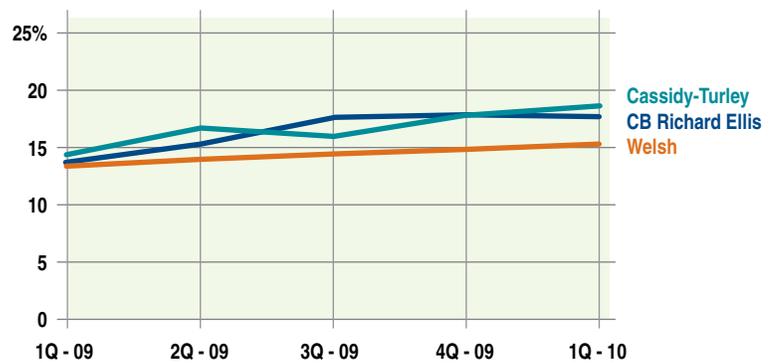
## Office space

The direct vacancy rate for office space in the Minneapolis central business district (CBD) was much higher than last year. This figure do not take into account subleases; when they are added, the total vacancy rate climbed to more than 19 percent, according to commercial real estate firms.

This quarter's metro area direct vacancy rate (not including subleases) was higher than Minneapolis CBD.

The average vacancy rate in the metro area was, like Minneapolis, much higher than last year.

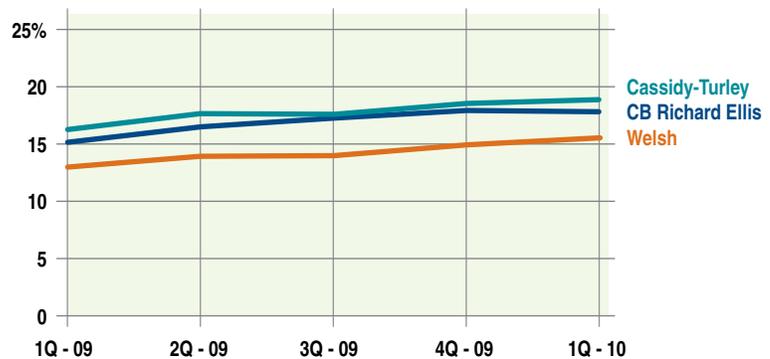
Figure 21: **OFFICE SPACE VACANCY RATE – Minneapolis CBD**  
in percent



	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10
CB Richard Ellis	13.6%	15.2%	17.2%	17.7%	17.6%
Cassidy-Turley	14.1%	16.6%	16.0%	17.9%	18.4%
Welsh	13.3%	14.0%	14.2%	14.8%	15.1%

Sources: CB Richard Ellis, Cassidy-Turley, Welsh

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



	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10
CB Richard Ellis	15.1%	16.5%	17.2%	17.9%	17.9%
Cassidy-Turley	16.3%	17.7%	17.2%	18.6%	18.9%
Welsh	13.0%	13.9%	14.1%	15.0%	15.5%

Source: CB Richard Ellis

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

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

## Office space

The average asking lease rates per square foot in the Minneapolis central business district (CBD) continued to decrease, and were a little bit lower than the previous year's first quarter. The same happened in the metro area. Increasing vacant space was putting pressure on prices while the market was converted into a "tenant's market."

With landlords charging lower rents per square foot and an improved economic outlook, the Minneapolis CBD as well as the metro area were becoming competitive again and attracting tenants. This quarter the city CBD and the metro area both had more occupied office space. The market was improving but not yet recovered.

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

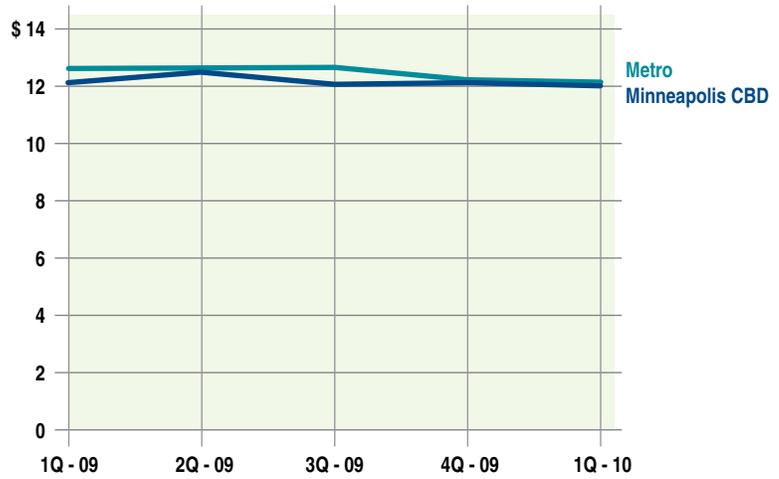
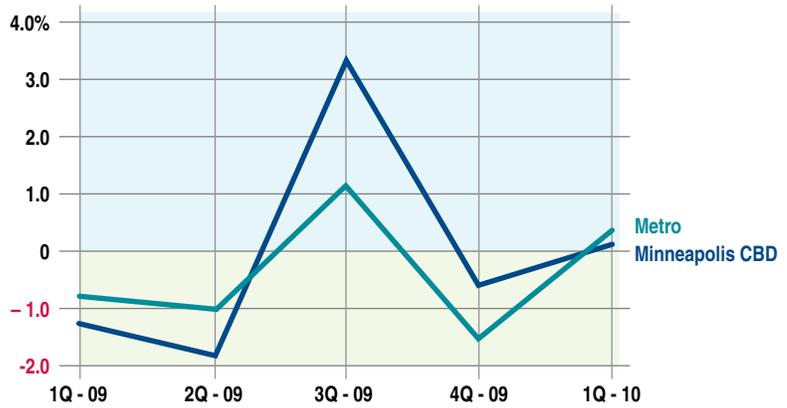


Figure 24: **OCCUPIED OFFICE SPACE – rate of growth**  
in percent



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis CBD	-1.26	-1.85%	3.37%	-0.60%	0.12%
Metro area	-0.07	-1.05%	1.14%	-1.42%	0.39%

Source: CB Richard Ellis

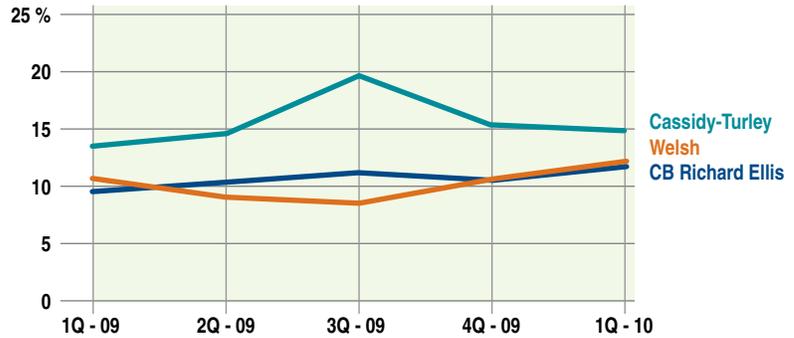
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

## Retail space

The retail total vacancy rate (including subleases) in the Minneapolis CBD increased this quarter from the previous quarter according to commercial real estate firms. Although economic conditions began to improve, demand was still constrained by low consumer spending related to high unemployment. The total vacancy rate was much higher than it was first quarter last year.

The vacancy rate in the metro area increased again this quarter and was higher than a year ago according to commercial real estate firms. Even when increasing, first quarter rate was below that of Minneapolis CBD. So much vacant space remains in the market that it will be difficult to absorb it in a short time.

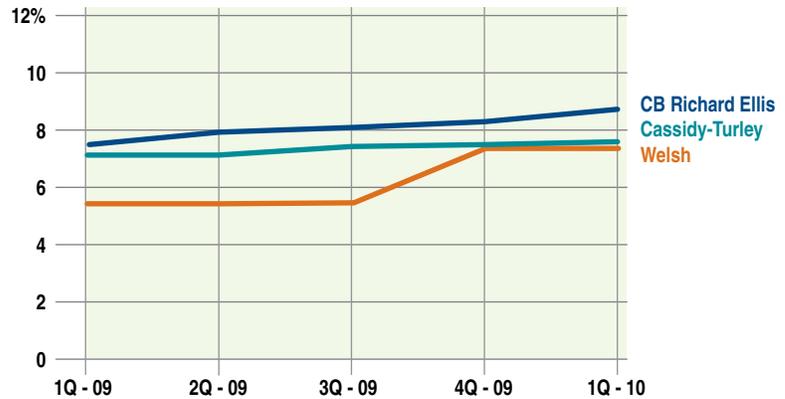
Figure 25: **RETAIL VACANCY RATE – Minneapolis CBD**  
in percent



	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10
CB Richard Ellis	9.4%	10.3%	10.9%	10.5%	11.7%
Welsh	10.8%	9.1%	8.4%	10.7%	11.9%
Cassidy-Turley	13.3%	14.7%	19.4%	15.4%	14.8%

Sources: CB Richard Ellis, Welsh and Cassidy-Turley

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



Sources: CB Richard Ellis, Colliers, Welsh, United

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

	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
CB Richard Ellis	7.5%	7.9%	8.1%	8.3%	8.7%
Welsh	5.5%	5.4%	5.4%	7.4%	7.4%
Cassidy-Turley	7.1%	7.1%	7.4%	7.5%	7.6%

Sources: CB Richard Ellis, Welsh and Cassidy-Turley

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

## Retail space

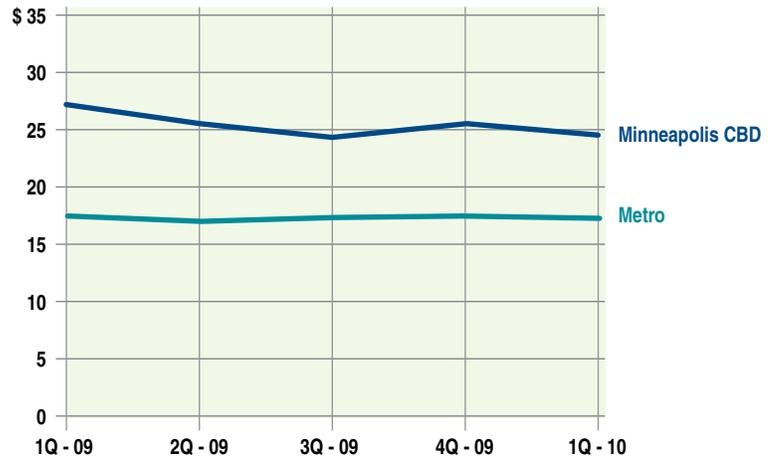
In Minneapolis central business district (CBD), the average asking lease price continued to decline. In the first quarter it was about \$0.73 lower than fourth quarter and \$2.34 lower than last year.

The average asking lease price also decreased in the metropolitan area, but it was almost stable in comparison with last year and last quarter. In comparison, landlords were asking \$7.6 more in Minneapolis CBD than in the metro area.

Occupied retail space in the Minneapolis central business district (CBD) decreased by 1.3 percent. This quarter, some businesses in downtown closed their doors, including GameWorks on Hennepin Ave, leaving about 36,000 square feet vacant in Block E. On the other hand, the opening of Target Field with a new transportation hub has begun to revitalize retail in downtown. New restaurants are opening in the Twin Cities stadium and more commuter activity is expecting to increase demand.

Occupied retail space also decreased in the metro area by 0.3 percent. Snyder Drugstores closed at many locations and also did Home Value Interiors.

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis CBD	\$ 27.15	\$ 25.63	\$ 24.53	\$ 25.54	\$ 24.81
Metro area	\$ 17.48	\$ 17.09	\$ 17.13	\$ 17.35	\$ 17.21

Source: CB Richard Ellis

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

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis CBD	-0.3%	-1.0%	-0.7%	0.4%	-1.3
Metro area	-0.8%	-4.8%	4.3%	0.3%	-0.3

Source: CB Richard Ellis

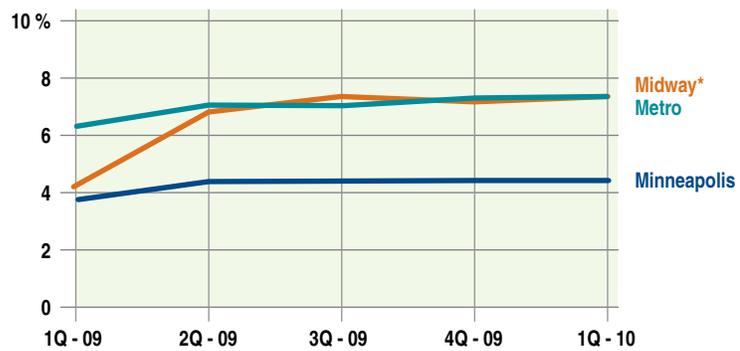
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

## Industrial space

The industrial space direct vacancy rate (not including sublease space) increased in both Midway and the metro area to 7.4 percent from last quarter 7.2 and 7.3 percent respectively. It was stable in Minneapolis industrial areas. In comparison with the same quarter the previous year the vacancy rate was much higher in all three areas.

The average asking lease price for warehouse space in the metro area decreased a little since last quarter. This rate was stable in Minneapolis and increased very slightly in the Midway area. In all three areas asking prices were lower than the same quarter last year. With a slow economic recovery, tenants continued to look for deals and landowners continued to compromise.

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



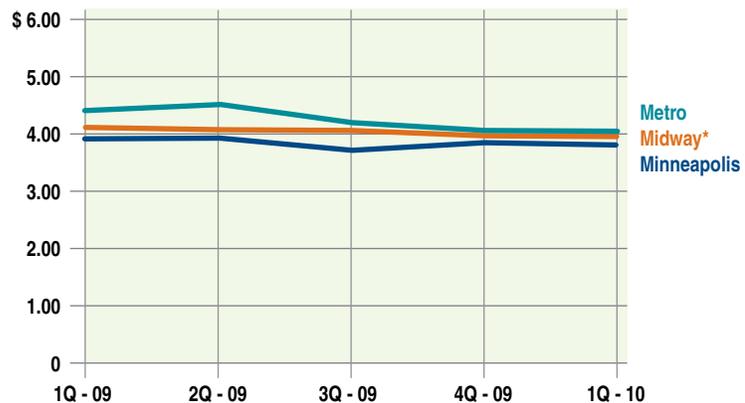
	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis	3.7%	4.4%	4.4%	4.9%	4.9%
Midway*	4.2%	6.8%	7.4%	7.2%	7.4%
Metro area	6.4%	7.1%	7.1%	7.3%	7.4%

Source: CB Richard Ellis

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

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

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis	\$ 3.89	\$ 3.90	\$ 3.71	\$ 3.83	\$ 3.83
Midway*	4.17	4.08	4.07	3.98	3.99
Metro area	4.42	4.34	4.13	4.06	4.04

Source: CB Richard Ellis

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

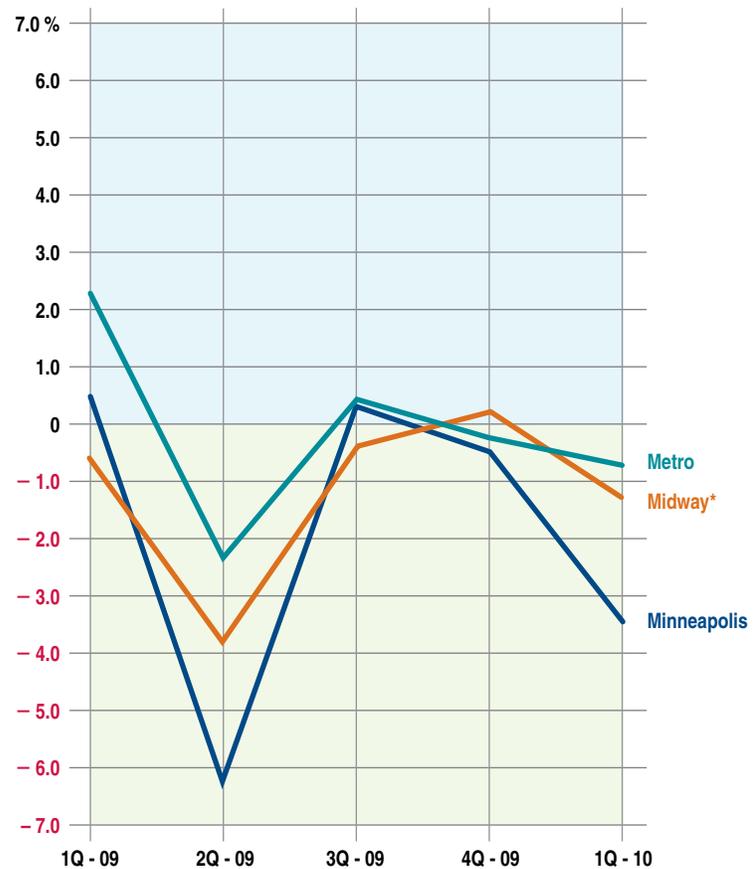
Note: For Midway and Minneapolis, the industrial average asking lease rate is only for warehousing

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

## Industrial space

Occupied industrial space decreased in all the three areas, declining the most in Minneapolis industrial areas. Firms shed more space than they leased. Office showroom space showed positive absorption in the metro area, while bulk warehouses lost the most.

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



	1Q-09	2Q-09	3Q-09	4Q-09	1Q-10
Minneapolis	0.5%	-6.3%	0.3%	-0.5%	-3.5%
Midway	-0.6%	-3.8%	-0.4%	0.2%	-1.3%
Metro area	2.3%	-2.3%	0.4%	-0.2%	-0.7%

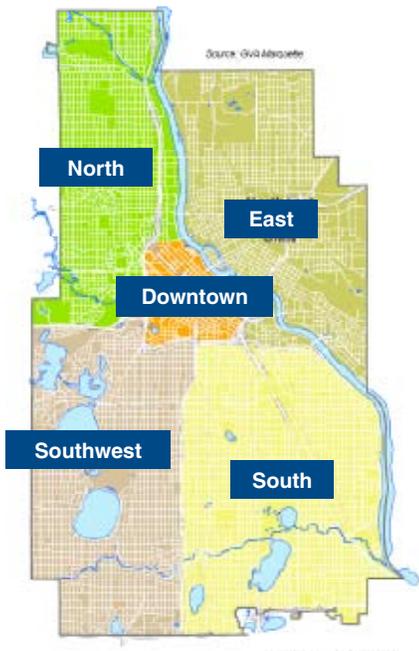
Source: CB Richard Ellis

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

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

## Definitions & sources

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- **Housing Vacancy Rate:** The vacancy rate is the percentage of unoccupied housing units among the total number of housing units.
- Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area.
- **City areas:** For data analysis purposes, GVA Marquette Advisors divides the city into five sub-areas, according to the map adjacent.
- Note that we are changing the Minneapolis sector names to reflect changes that GVA Marquette made at the City's request. South is now South-west; East is South, and NE, SE and UMN is East.
- **Median sale values:** These values are based on home prices researched by the Minneapolis Area Association of Realtors (MAAR).
- **Closed home sales:** These values are based on home sales researched by the Minneapolis Area Association of Realtors (MAAR). Closed sales mean that there is an agreement to sell and steps have been taken toward that end.
- MAAR makes a difference between traditional sales and lender-mediated sales. The first type includes all sales that are neither foreclosures nor short sales. These two define the lender-mediated sales.
- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).
- **Foreclosure sales:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are reported by the Hennepin County Sheriff to Hennepin County Taxpayer Services Department and later sent to City of Minneapolis CPED Research Division. Hennepin County's methodology is to count all foreclosure sheriff's sales categories (mortgage, assessments, associations, executions and judgments). Data include only foreclosed properties in the City of Minneapolis that were sold on public option in the specified time period.

- **Boarded and vacant buildings:** A vacant property is a property identified as such by City of Minneapolis inspectors; City Ordinance 249 requires the property's owner to register it as vacant. In addition to being vacant, the property could be condemned as uninhabitable either for being boarded more than 60 days or because of lack of maintenance. Data on boarded and vacant buildings are obtained from the City Department of Regulatory Services.
- **Real estate statistics** include office, retail and industrial space vacancy rates, yearly lease asking price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries. To compare these data from results reported by major firms go to:
  - CB Richard Ellis ([www.cbre.com](http://www.cbre.com))
  - Cassidy-Turley (<http://www.cassidyturley.com/Research.aspx>),
  - United Properties (<http://outlook.uproperties.com>); and
  - Welsh Companies ([www.welshco.com/research/CurrentMktReports.asp](http://www.welshco.com/research/CurrentMktReports.asp))

**Average asking lease rate:** This is determined by multiplying the asking net lease rate for each building by its available space, adding the products, then dividing by the sum of all available space.

**Average vacancy rate:** This is determined by dividing the number of vacant square feet by the net rentable area.

**Rate of growth and absorption:** This is the change in occupied square feet from one quarter to the next, determined by subtracting vacant space (not including sublets and shadow space) from the rentable space available.

- Graphs 21 and 22 report **direct office vacancy rates** (do not count sublease space), and graphs 25 and 26 report total retail vacancy rates (including sublease vacant space.) Office and retail rates are reported this quarter by three different firms: CB Richard Ellis, Cassidy-Turley and Welsh. Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys. Variations in retail vacancy rates are more evident than in the case of office vacancy rates. These variations result not only from the factors affecting office vacancies but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

- **Inflation-adjusted figures:** For the purpose of analyzing residential rent, text is based on values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the first quarter of 2009, dollars have been converted with an index of 1.0014, the result of the relation between the CPI for March 2010 (198.647) and the CPI for March 2009 (198.362). For the period from the first quarter of 2010 to the fourth quarter of 2009, the index is 1.0046, obtained by dividing 198.647 (March 2010) by 197.731 (December 2009.)



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### **Research**

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English: Attention. If you want help translating this information, call 311.

Spanish: Atención. Si desea recibir asistencia gratuita para traducir esta información, llame 612-673-2700.

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Hmong: Ceeb toom. Yog koj xav tau kev pab txhais cov xov no rau koj dawb, hu 612-673-2800.

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