

Highlights for the second quarter of 2007

- Employment of City residents rose, but the labor force expanded faster. As a result, the unemployment rate increased from 4 percent last quarter to 4.2 percent this quarter. *see page 4*
- The number of new residential units permitted in Minneapolis decreased by 2/3 compared with the same quarter last year, with multifamily housing particularly affected. *see page 13*
- Rental vacancy rates in Minneapolis decreased again after an upsurge in the first quarter, but real rents decreased from the same time last year. *see page 25*
- Housing sales recovered in Minneapolis and the metro area from last quarter's slump; however, compared to last year, the number of sales was about 25 percent lower in Minneapolis and 17 percent lower in the metro area. Median prices were 4.5 percent lower in the City and 1.7 percent lower in the metro area from the same period last year. *see page 30*
- Foreclosures decreased slightly in the City to 643 this quarter, but they are still twice the number from the same period last year. The number of vacant and boarded buildings in the city was more than 50 percent higher than in the second quarter last year. *see page 31*
- Quarterly office vacancy rates in the Minneapolis central business district (CBD), increased slightly this quarter to 14.1 percent, but it was still lower than the 16.5 percent in the second quarter last year. *see page 33*
- The quarterly retail vacancy rate in the Minneapolis CBD decreased from 8.9 percent last quarter to 8.7 percent, and the average price per square foot increased. *see page 35*

Jobs and Wages- Highlights for the fourth quarter 2006

- There were 4,115 more jobs in the fourth quarter of 2006 than in the fourth quarter of 2005, a 1.4 percent increase. For the year, Minneapolis gained nearly 7,700 jobs from 2005 to 2006, a 2.7 percent increase.
- Average weekly fourth quarter wages increased by 4.3 percent in inflation-adjusted dollars from a year ago. Between 2005 and 2006, average weekly wages grew by 3.1 percent in real dollars.

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



second quarter 2007



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

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Minneapolis Trends



second quarter 2007

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Economic Indicators

- The unemployment rate increased to 4.2 percent this quarter. The City's rate was higher than the metro area's, which decreased to 4.0 percent. The unemployment rate was higher in the City because the increase in people looking for jobs was greater than the increase in residents who had jobs.
- In the fourth quarter there were 1.4 percent more jobs than in the fourth quarter of 2005, largely due to increases in health care and the business service sectors. Jobs in the metro and in the state increased at a lower rate in the same period. In 2006, Minneapolis gained 7,688 jobs from the previous year.
- Average weekly fourth quarter wages in Minneapolis increased by 4.3 percent in inflation-adjusted dollars from a year ago, compared to 1.9 percent in the metro area, and 1.4 percent in the State. On an annual basis, between 2005 and 2006, average weekly wages in Minneapolis grew by 3.1 percent in real dollars.

Labor force

The number of Minneapolis residents employed increased to nearly 209,500 – about 190 more than the second quarter last year. Employment for City and metro area residents increased since last quarter by 1.3 percent. However, unemployment increased in the City to 4.2 percent this quarter from 4 percent last quarter and from 3.6 percent the same time last year. It declined to 4 percent from 4.2 percent last quarter in the metro area, but it was higher than the 3.4 percent it was last year. The unemployment rate was higher in Minneapolis because the increase of people looking for jobs was greater than the increase in residents who had jobs.

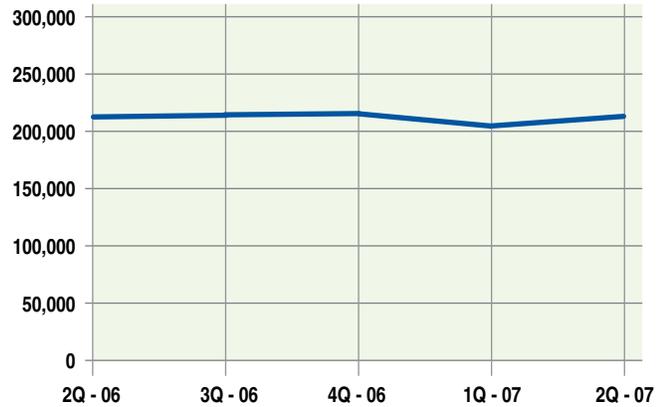
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis					
Labor Force	217,174	219,816	219,534	215,570	218,564
Employment	209,293	211,159	211,555	206,842	209,479
Unemployment Rate	3.6%	3.9%	3.6%	4.0%	4.2%
Metro area*					
Employment	1,553,559	1,567,412	1,570,351	1,535,362	1,554,938
Unemployment Rate	3.4%	3.6%	3.5%	4.2%	4.0%*

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

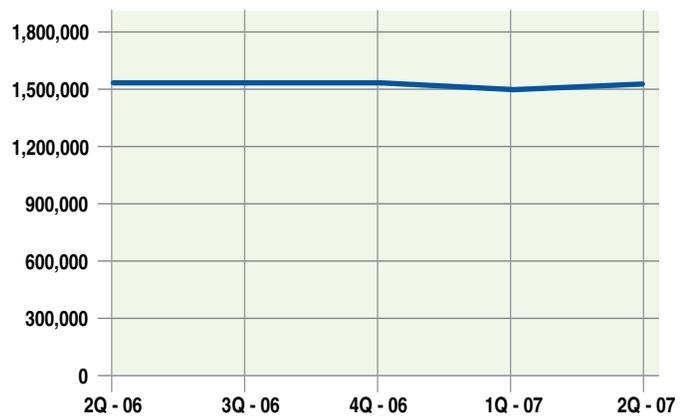
* For metro area definition, see page 11

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 fourth quarter of 2006. The number of jobs located in Minneapolis was stable in comparison with the previous quarter, but increased 1.4 percent from the same quarter the previous year. Categories showing the most year-to-year growth in overall number of jobs were health care and social assistance (adding 2,348 jobs at a 5.5 percent increase), and educational services (adding 1,327 jobs at a 4.8 percent increase). Professional and technical services added 1,115 jobs, a 3.8 percent increase over the same period in 2005. Administrative and waste

services added 834 jobs and management of companies and enterprises added 821 jobs. The last two sectors grew at 5.5 percent and 5.4 percent respectively. On the other hand, the retail sector lost 2,048 jobs and the information sector lost 499.

In comparison with the third quarter of 2006, educational services continued growing at a fast pace (7.7 percent), and the retail sector recovered somewhat from the losses since last year. Financial services declined by about 2,000 in the last quarter of 2006.

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

	4Q- 05	1Q- 06	2Q-06	3Q-06	4Q-06	avg-06
Total, all industries (1)	292,082	290,365	296,153	296,269	296,197	294,746
Manufacturing	16,610	16,605	16,650	16,633	16,625	16,603
Utilities*	3,145	3,038	3,069	3,092	3,139	3,085
Wholesale trade	9,688	9,584	9,586	9,780	9,701	9,643
Retail trade	17,258	15,029	15,156	14,719	15,210	15,016
Transportation and warehousing*	4,589	4,384	4,349	4,236	4,420	4,336
Information	11,528	11,163	10,980	10,865	11,029	10,970
Finance and insurance*	28,016	30,356	30,483	30,514	28,513	28,350
Real estate and rental and leasing	6,361	6,220	6,304	6,336	6,315	6,290
Professional and technical services*	29,425	29,779	30,234	30,467	30,540	30,162
Management of companies and enterprises	15,223	16,113	15,996	15,791	16,044	15,985
Administrative and waste services*	15,256	14,450	15,391	15,777	16,090	15,422
Educational services	27,610	28,295	29,258	26,857	28,937	28,325
Health care and social assistance	42,596	43,165	43,329	44,999	44,944	43,926
Arts, entertainment and recreation*	4,980	4,485	5,026	5,123	5,043	4,919
Accommodation and food services	22,288	21,605	23,039	23,113	22,560	22,571
Other services*	10,702	10,226	10,625	10,546	10,486	10,465
Public administration	12,865	12,361	12,618	13,128	12,772	12,720

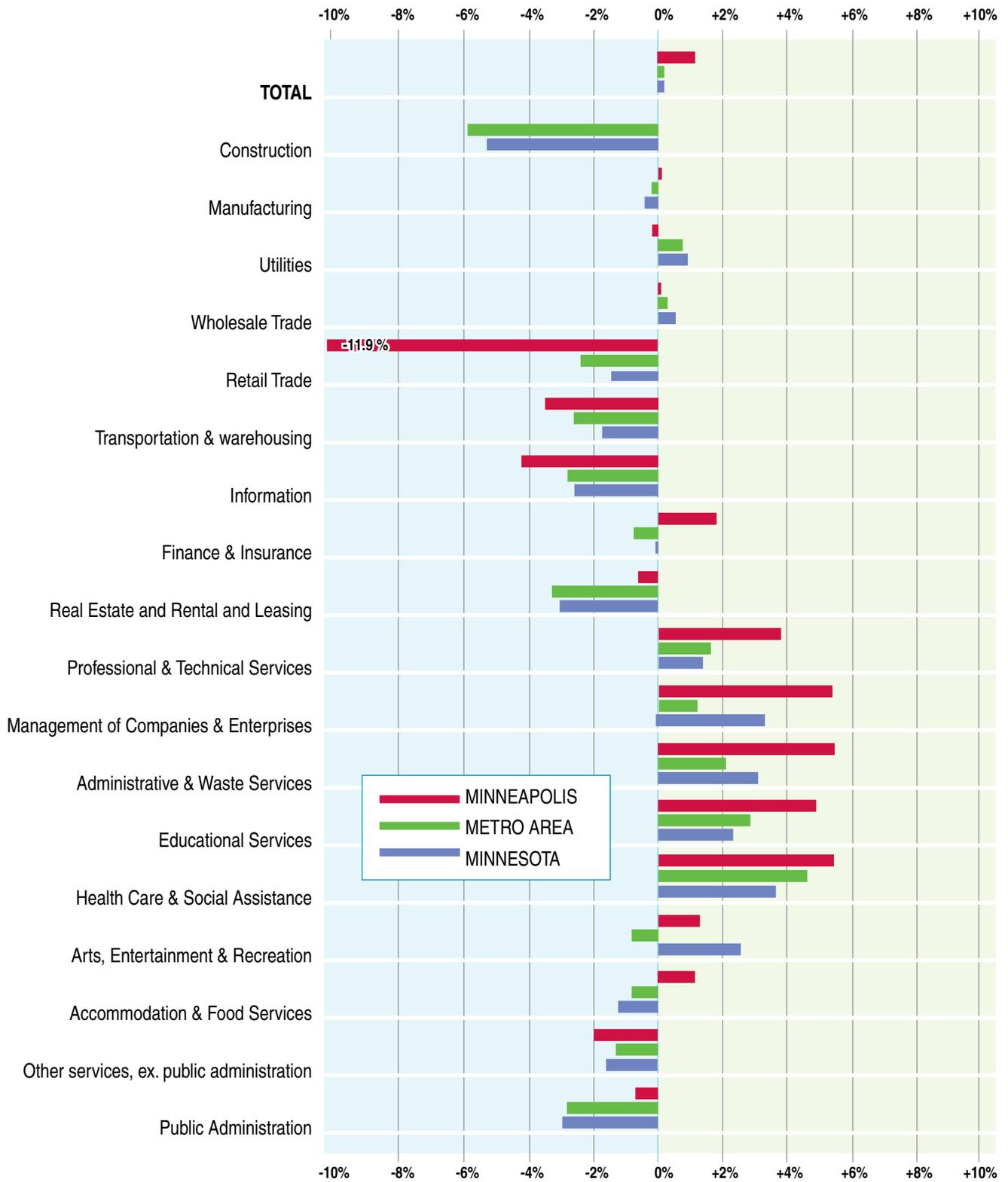
Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment and Wages. Figures show latest DEED information.

* Private jobs only

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** – 4Q-05 to 4Q-06
percent change



Source: Minnesota Department of Employment and Economic Development (DEED) with revised data from CPED

Jobs

When compared to the region and the state between 4th quarter 2005 and 4th quarter 2006, Minneapolis had higher rates of job growth in 2006 due to large increases in the service sector. Although in this period, total jobs increased faster in the City than in the other two geographical areas, the state and the metro area also added jobs at a good pace in health care and public assistance, management of companies, administrative and waste services and educational services. In Financial services, arts, entertainment and recreation, and accommodation and food services, jobs increased in the City but not in the metro or the state. Health care and social assistance was the leading sector across jurisdictions creating the highest number of job increases. Finance and insurance, a sector that increased fast in past quarters, grew slowly in Minneapolis, but lost jobs in the region and in the state. The City was hit hardest in the retail sector, losing more than 2,000 jobs or 11.9 percent of retail jobs. This loss of retail jobs in the City accounted for 49 percent of the retail jobs lost in the metro area, and 43 percent of retail job lost in the state. The slow activity in the housing market affected the real estate sector which decreased jobs across jurisdictions, and hit the metro area the hardest. The number of public administration jobs declined by 0.7 percent in the City but the metro area gained 2.7 percent and the state increased by 3 percent.

Wages

The average weekly wage in Minneapolis in the fourth quarter of 2006 was \$1,106, a nominal increase of \$62 (\$44 in inflation-adjusted dollars*) from the same period the previous year. In inflation-adjusted dollars, wages decreased only in three sectors during this time: retail, utilities and manufacturing. The sector with the highest year-to-year wage increases was real estate rental and leasing, which increased its real wages 13.5 percent, or \$147 in inflation-adjusted dollars.*

Real estate, which had benefited from the housing boom, was one of the few sectors that lost employment. The other two sectors that increased the most during the year were finance and insurance (which increased \$122 in inflation-adjusted dollars*) and management of companies (which increased \$121 in inflation-adjusted dollars*). The City's retail sector wages experienced a sharp decline, decreasing weekly salaries by 12.1%, or \$72 in inflation-adjusted dollars.*

* For conversion factors, see page 11

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

Industry	4Q-05	1Q-06	2Q-06	3Q-06	4Q-06	year 06
TOTAL, all industries¹	\$ 1,044	\$ 1,114	\$ 1,009	\$ 1,026	\$ 1,106	\$ 1,062
Manufacturing	1,053	1,026	945	933	1,053	989
Utilities**	1,622	2,018	1,571	1,684	1,638	1,726
Wholesale trade	1,160	1,109	1,065	1,070	1,199	1,109
Retail trade	588	500	526	511	526	516
Transportation and warehousing**	685	624	660	645	708	660
Information	1,118	1,191	1,071	1,101	1,139	1,125
Finance and insurance**	1,688	2,416	1,466	1,546	1,840	1,834
Real estate and rental and leasing	1,072	1,148	1,833	1,041	1,238	1,316
Professional and technical services**	1,716	1,424	1,383	1,440	1,831	1,522
Management of companies and enterprises	1,508	1,477	1,774	1,565	1,655	1,617
Administrative and waste services**	573	592	572	563	586	578
Educational services	900	988	853	1,047	914	948
Health care and social assistance	895	882	887	948	956	922
Arts, entertainment and recreation**	931	1,004	1,093	1,277	995	1,095
Accommodation and food services	339	338	337	343	356	344
Other services**	542	534	534	554	563	546
Public administration	1,066	1,048	1,057	1,007	1,124	1,059

Source: DEED - Minnesota Quarterly Census, Employment and Wages

** Only private wages

¹ Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues. Table reflects the latest revisions by DEED.

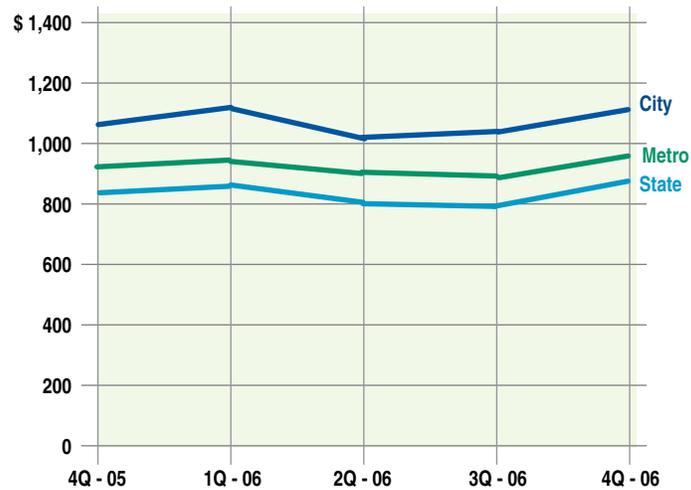
Wages

In general, jobs in Minneapolis continued to command higher average weekly wages than jobs in the metropolitan area or the state. Fourth-quarter wages in Minneapolis increased by 5.9 percent (4.1 percent in inflation-adjusted dollars*). At the same time, metro area average wages increased by 3.6 percent (1.8 percent in inflation-adjusted dollars), and state average wages also increased by 3.8 percent or 2.2 percent in inflation-adjusted dollars*.

Most industries experienced increased wages in inflation-adjusted dollars since the fourth quarter of 2005 across jurisdictions. Wages decreased in manufacturing, utilities and retail, and except in Minneapolis, wages decreased also in administrative and waste services and in public administration. In the City, wages grew mostly in real estate, rental and leasing (13.7 percent), in management of companies (8 percent) and in finance and insurance (7.3 percent). In the metro, arts, entertainment and recreation had an increase in weekly wages of 8.9 percent; wholesale trade had 5.4 percent, and real estate, rental and leasing had 4.6 percent- all figures are in inflation-adjusted dollars*. In the state, it was arts, entertainment and recreation the sector with the highest growth in wages (9 percent) followed by information (8 percent) and wholesale trade (4 percent)*.

* For conversion index, see page 11

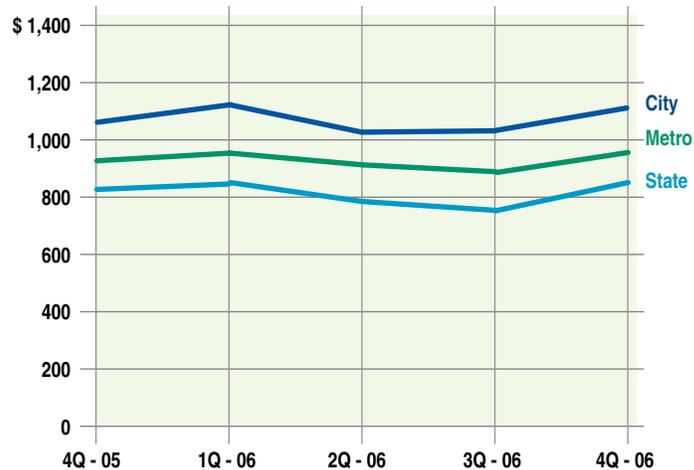
Figure 4: **AVERAGE WEEKLY WAGES** – 4Q-05 to 4Q-06
in current dollars



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

* For conversion index, see page 11

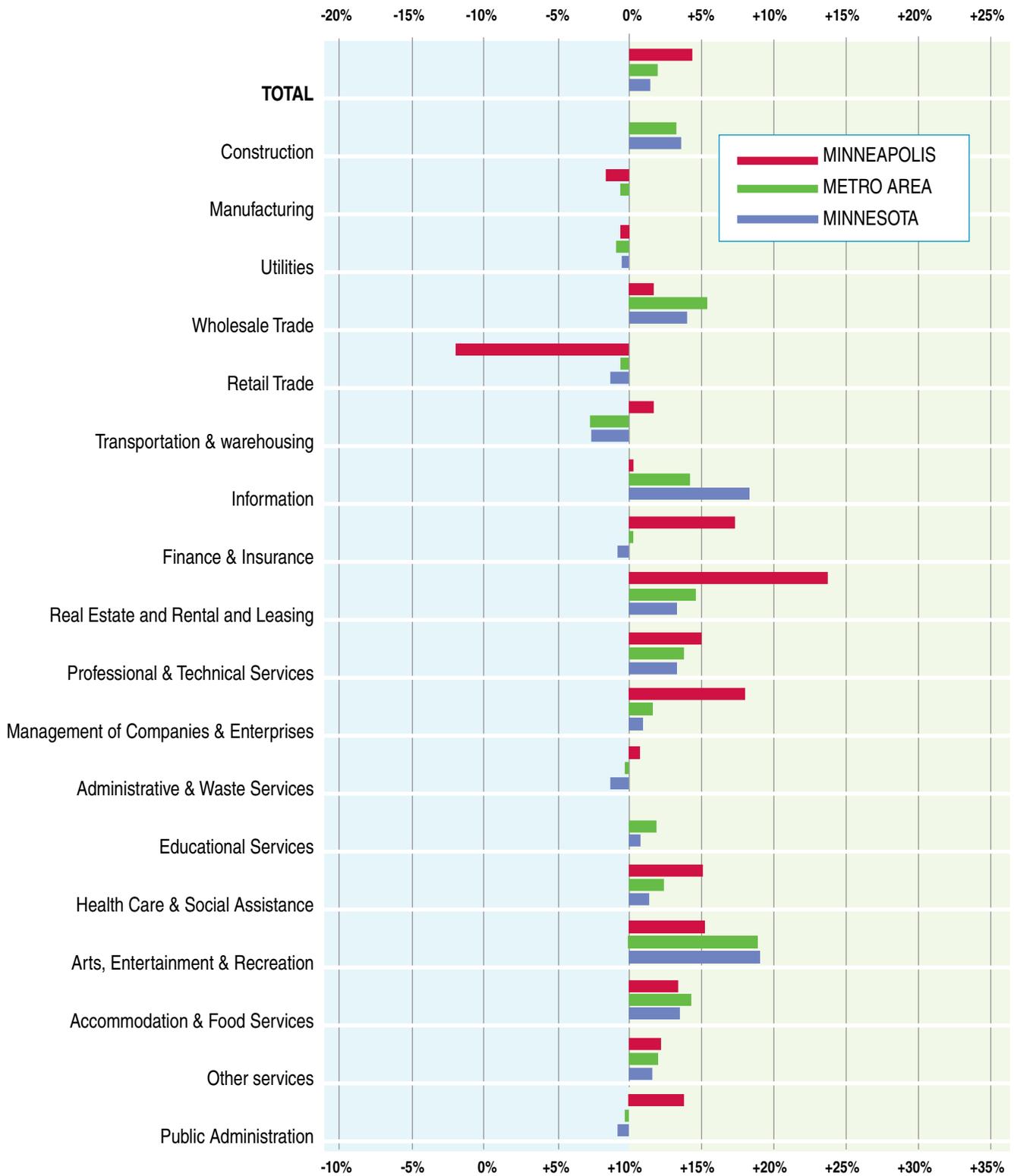
Figure 5: **AVERAGE WEEKLY WAGES** – 4Q-05 to 4Q-06
in inflation adjusted dollars



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

Wages

Figure 5: **AVERAGE WEEKLY SALARIES** – 4Q-05 to 4Q-06
in inflation-adjusted dollars



* For conversion index, see page 11

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

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 is the average 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 7-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 fourth quarter of 2006, dollars have been converted with an index reflecting the CPI for the second half of 2005 and first and second half of the years 2006, with 2006 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

- Reflecting the general downturn in the housing market, the number of new units permitted in Minneapolis decreased sharply, particularly in multifamily units. Most of the 74 permitted multifamily units will be added by a new condo building in Downtown East -The Zenith.
- Single-family construction in the metro area recovered somewhat from last quarter, but activity was far from the level of the second quarter last year. In Minneapolis the average cost of single-family construction increased because of a few very high-cost homes.
- The number of residential remodeling and improvement 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 25 percent higher from the same quarter a year ago.

New construction

In Minneapolis, the number of permitted new units decreased significantly to approximately 1/3 of the level of the second quarter 2006. Multifamily construction decreased the most, to 74 units, the smallest number of multifamily units permitted since the second quarter 2001 when only 45 units were permitted. In the metro area the number of permitted units this quarter rose 15 percent from last quarter, but it was 42 percent lower than a year ago.

In Minneapolis, new multifamily units permitted were down to 74 from 259 last quarter, and were 274 units fewer than in the second quarter 2006. Single-family units permitted rose to 48 units, from a low of 19 last quarter, which is similar to numbers in the other quarters since the second quarter last year. Of these single-family permits, 19, or about 40 percent, were in the Near North-Sumner Glenwood area, site of the ongoing project of Heritage Park.

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

	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Single-family					
Minneapolis	58	58	51	19	48
Metropolitan area	2,677	2,130	1,695	1,269	1,934
Multifamily					
Minneapolis	308	872	130	225*	74
Metropolitan area	855	1,330	777	519	398
Total number of units					
Minneapolis	366	930	181	278	122
Metropolitan area	3,552	3,460	2,472	1,788	2,056

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

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

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



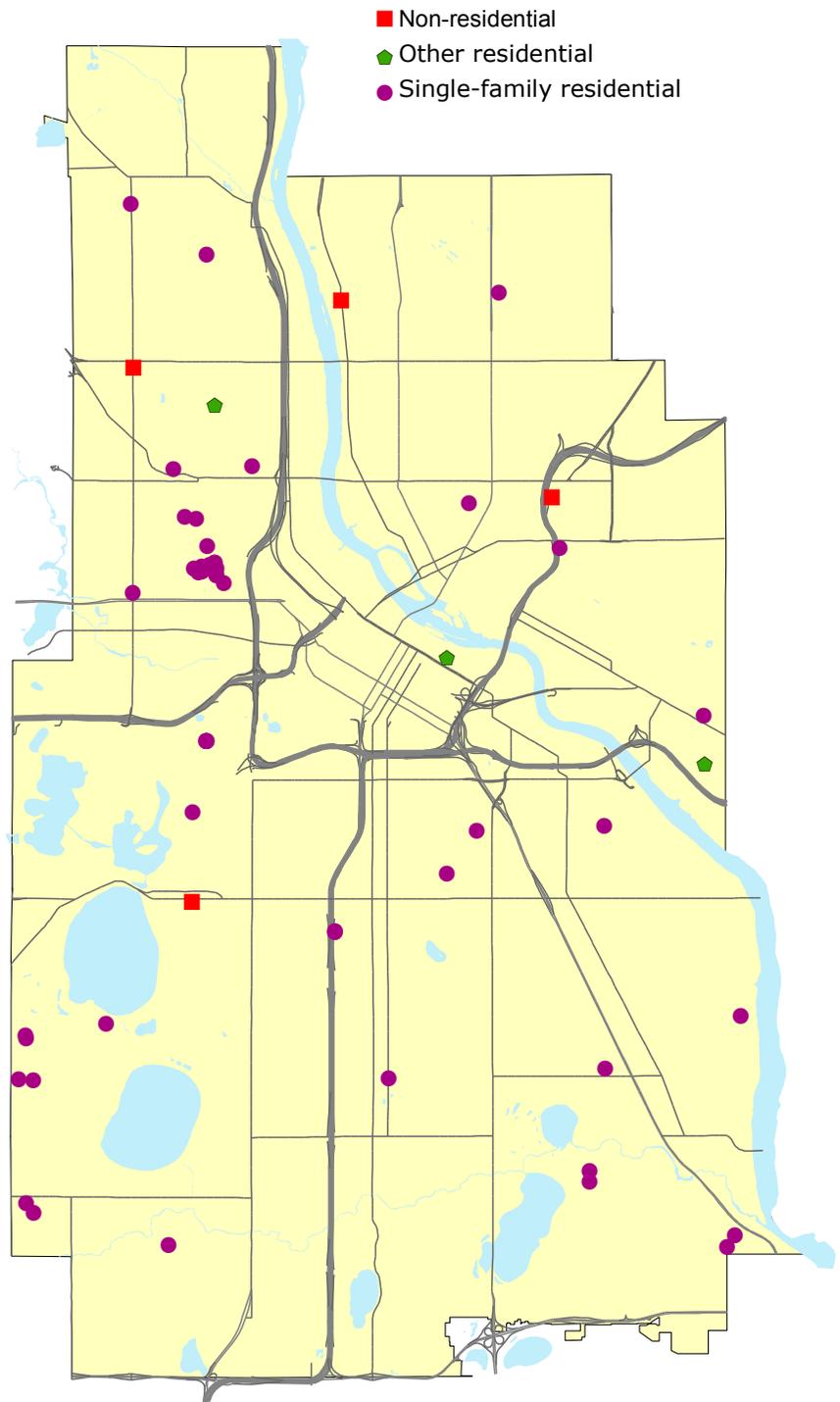
Source: U.S. Census Bureau based on permits issued

New construction

Most permits issued for new construction of single-family dwellings were in the western part of the city, with a concentration in the north side in Ward 5 between Lyndale Ave, 6th Ave N and West Broadway- an offshoot of Heritage Park development. In the southwest, most new construction was mainly near the western city boundary in Ward 13 close to France Ave S. The Zenith will add 65 condo units in Downtown East - this was the most substantial project this quarter. A new multi-use building, part of the Penn-Lowry Crossing project, was permitted at Penn Avenue N and Lowry Ave and will house offices and an Aldi grocery store as a retail anchor. Xcel obtained a final permit to finish the power generation building that is under construction in Marshall St NE.

Map 1: NEW CONSTRUCTION – 2Q-07

Source: Minneapolis Regulatory Services



New construction

Cost of residential construction

In Minneapolis, the estimated total spent on new residential construction decreased by 27 percent since one year ago, but increased by 24 percent since the last quarter. The total spent on multifamily construction decreased 44 percent in the last year, while single-family construction cost increased by almost 30 percent.

In the seven-county metropolitan area, the estimated total spent on new residential construction decreased by 25 percent since a year ago. The slowdown was driven by a remarkable decrease in single as well as multifamily units permitted.

Table 5: **RESIDENTIAL CONSTRUCTION COST**

	2Q-06	3Q-06	4Q-06	1Q-07	2Q-06
Single-family					
Minneapolis	\$ 13,185,282	\$ 13,508,232	\$ 10,324,424	\$ 5,030,569	\$ 17,079,182
Metropolitan area	634,980,815	493,157,132	420,724,043	340,577,810	491,692,569
Multifamily					
Minneapolis	43,313,637	139,590,469	24,482,487	28,247,383	24,236,614
Metropolitan area	117,477,464	200,318,688	95,854,110	58,923,130	65,577,182
Total					
Minneapolis	56,498,919	153,098,701	34,806,911	33,277,952	41,315,796
Metropolitan area	752,458,279	693,475,820	516,578,153	399,500,940	561,269,751

Source: U.S. Census Bureau

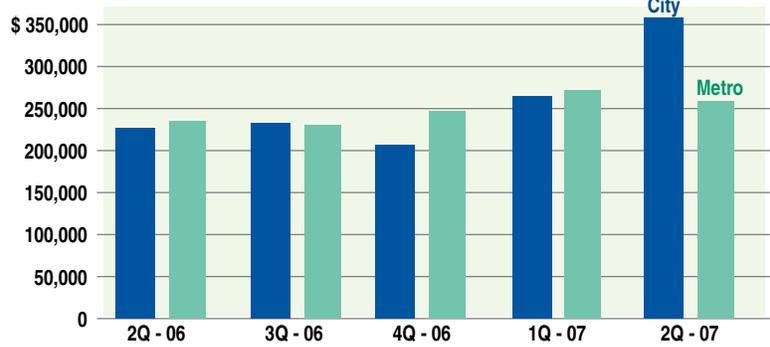
Table values are not adjusted for inflation

Cost of residential construction

In Minneapolis the average construction cost for single-family homes increased 57 percent over the last year, from \$227,332 in the second quarter of 2006 to \$355,816. A few units at the higher end of the market accounted for this increase.

In the metropolitan area the average construction cost for single-family homes increased by 7.2 percent over the same quarter last year, from \$237,199 to \$254,236 at the end of the second quarter. In Minneapolis, the average construction cost for multifamily units increased since a year ago. The cost per unit went up from \$140,629 to \$327,522 — more than twice the unit cost a year ago. In the metropolitan area, the average cost increased 27 percent, from \$137,401 to \$174,817. A combination of factors seem to be at work for the increase: rise in construction material costs coupled with some higher end construction in Minneapolis.

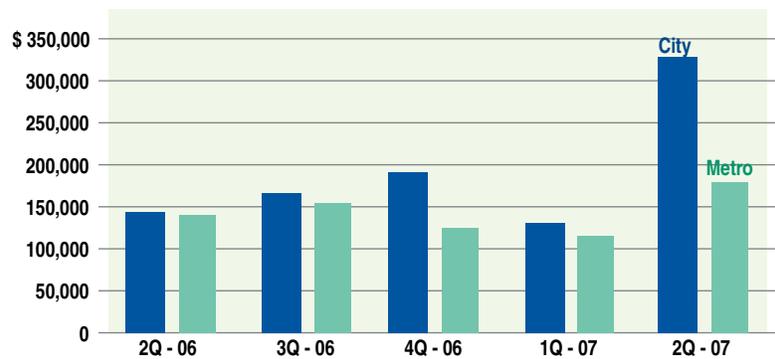
Figure 8: **SINGLE-FAMILY CONSTRUCTION COST**
per unit



City	\$ 227,332	\$ 232,901	\$ 202,440	\$ 264,767	\$ 355,816
Metro	237,199	231,529	248,215	268,383	254,236

Table values are not adjusted for inflation

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



City	\$ 140,629	\$ 160,081	\$ 188,327	\$ 125,544	\$ 327,522
Metro	137,401	150,616	123,364	113,532	174,817

Values in graph are not adjusted for inflation

Conversions, remodels & additions

In the second quarter of 2007, the City issued permits for remodeling and renovations in 151 residential buildings. Four of these projects involved minor conversions that will add four 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 \$21.3 million — 4 percent less than last quarter, and 53 percent less than a year ago. Conversions

accounted for only 2 percent of the total estimated value for the second quarter.

The most costly project permitted in this category was the remodeling of a single-family home in Linden Hills.

The estimated amount planned for **non-residential** conversions, remodels and additions more than doubled in comparison with the last quarter and is almost 25 percent higher since the same quarter a year ago.

Table 6: **CONVERSIONS, REMODELS AND ADDITIONS**
projects of \$50,000 and more

	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
A - Residential ¹					
Number of buildings	166	158	129	104	151
Total value	\$44,978,000	\$35,828,000	\$35,293,000	\$22,264,000	\$21,320,000
Remodels					
Number of buildings	161	154	124	101	147
Value	\$21,588,000	\$24,025,000	\$28,774,000	\$22,139,000	\$20,940,000
Conversions and additions ²					
Number of buildings	5	4	5	3	4
Number of units	167	102	39	37*	4
Value	\$23,391,000	\$11,803,000	\$6,519,000	\$125,000	\$381,000
B - Non-residential ¹					
Number of buildings ³	133	130	114	105	131
Value	\$60,443,000	\$57,961,000	\$50,296,000	\$34,027,000	\$75,486,000

Source: Regulatory Services

* It includes 34 units in the former Eitel Hospital. A permit for a new building including the conversion of the Eitel Hospital was issued in January 2007.

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

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

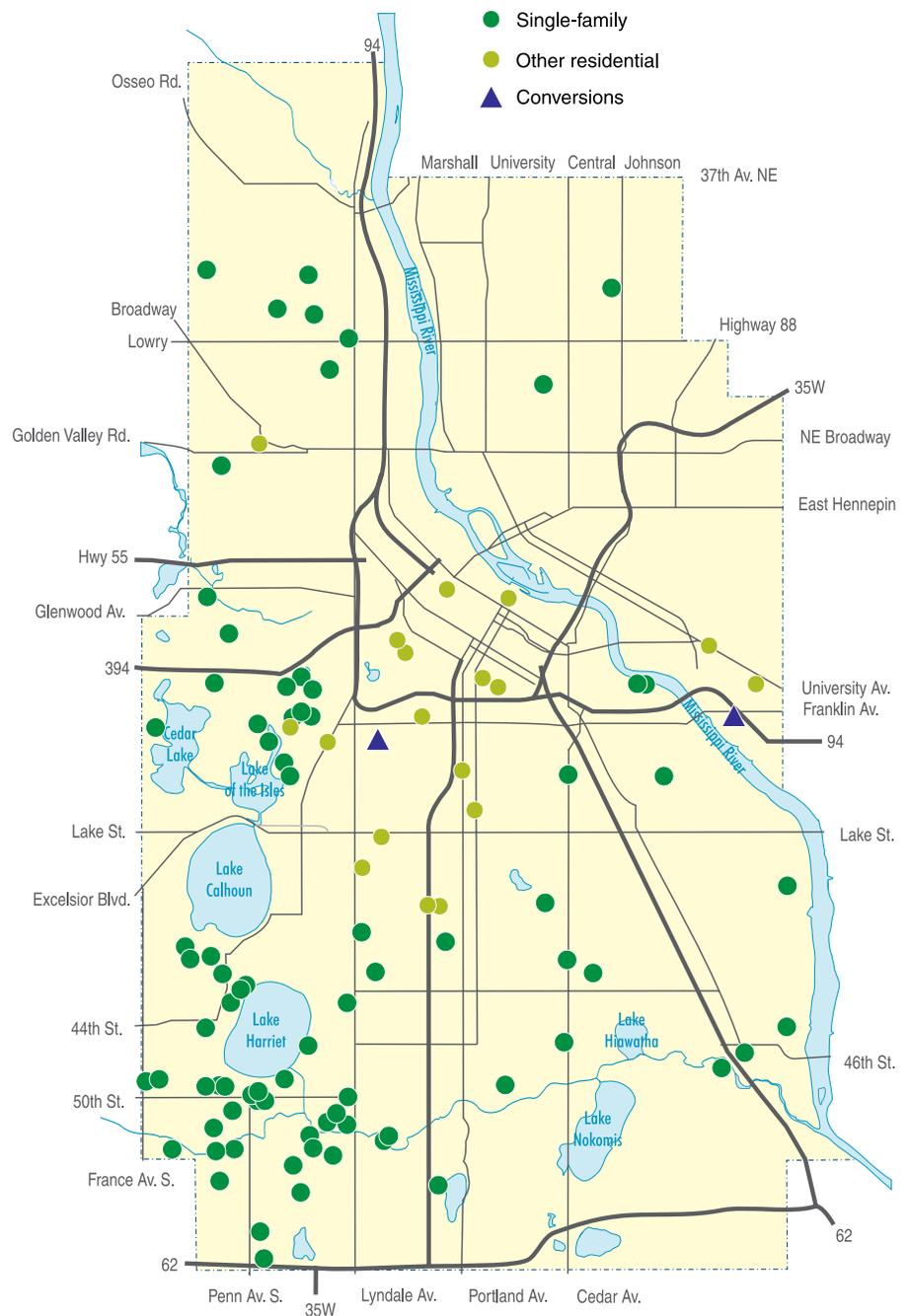
3 Types of non-residential buildings vary, including parking ramps; communication equipment; and public works, commercial or industrial buildings.

Conversions, remodels & additions

Permits for single-family residential remodeling mainly concentrated in the Chain of Lakes area, but the North side also obtained part of the share. Other types of residential permits (mainly condos and apartments) were for buildings located Downtown and to the east and southwest.

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

Source: Minneapolis Regulatory Services

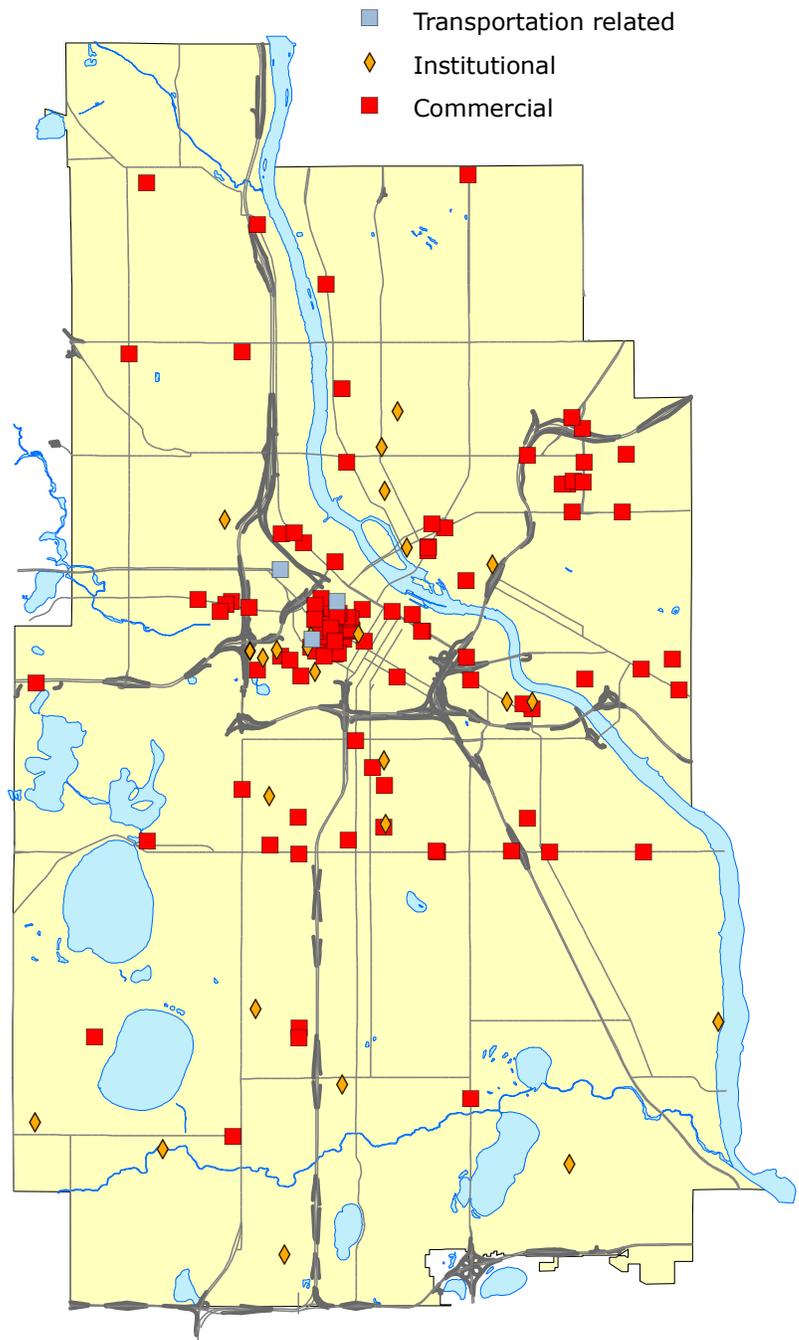


Conversions, remodels & additions

Permits issued in the second quarter for non-residential remodeling and renovations were mainly concentrated in the core of downtown. Major renovations included the restoration of the Foshay Tower and the restoration of the Crystal Court in the IDS building. Outside permits for remodeling non-residential buildings included remodeling of classrooms at the Minneapolis Community and Technical College, remodeling of the former Dolly Fitterman Fine Arts Gallery at 100 University Ave SE and an addition to the Minnehaha Academy on West River Parkway.

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

Source: Minneapolis Regulatory Services



Major construction projects

Following is a list of major (estimated at \$1 million or more) projects permitted in Minneapolis in the second quarter of 2007. The highest cost project is the construction of Zenith Condominiums, a 65-unit condo building in Downtown East.

Table 7: **MAJOR CONSTRUCTION**
projects \$1,000,000+

Description	Address	Neighborhood	Ward	Projected construction cost
Zenith Condominiums: 65 unit building	901 2ND ST S	Downtown East	7	\$ 23,192,050
Minneapolis Community Technical College: Remodel of classrooms	1301 HENNEPIN AVE	Loring Park	7	13,845,000
Minnehaha Academy: school remodel and addition	4200 WEST RIVER PKWY	Hiawatha	12	7,248,769
Xcel Energy: Construction of power generation building*	2900 MARSHALL ST NE	Marshall Terrace	1	3,739,664
New family home	3811 SHERIDAN AVE S	Linden Hills	13	3,700,000
Conversion of retail to Norman's restaurant	700 HENNEPIN AVE	Downtown West	7	3,501,251
Penn-Lowry Crossing: Aldi grocery store and office	3120 PENN AVE N	Jordan	4	3,406,400
Foshay Tower: office conversion to hotel	821 MARQUETTE AVE	Downtown West	7	2,500,000
Marriot Hotel: improvements*	30 7TH ST S	Downtown West	7	2,277,094
First Bank Building: Remodel of several offices*	225 6TH ST S	Downtown West	7	2,199,082
Conversion of Art Gallery (Dolly Fiterman) into office (Phillips)*	100 UNIVERSITY AVE SE	Marcy Holmes	3	2,149,050
IDS: Restoration of Crystal Court roof and office space*	80 8TH ST S	Downtown West	7	1,474,040
Commercial remodel- several spaces *	800 LASALLE AVE	Downtown West	7	1,342,853
Office remodel and parking repair*	801 NICOLLET MALL	Downtown West	7	1,335,785
Graco Minnesota: two story entry addition	88 11TH AVE NE	St Anthony W	3	1,250,600
Hennepin County Medical Center: Office remodel *	701 PARK AVE	Elliot Park	7	1,182,000
New attached dwelling unit	1301 MOUNT CURVE AVE	Lowry Hill	7	1,172,450
New attached dwelling unit	1303 MOUNT CURVE AVE	Lowry Hill	7	1,172,450
Piper Jaffrey Tower: Office Remodeling for various tenants*	222 9TH ST S	Downtown West	7	1,126,859
New attached dwelling unit	1307 MOUNT CURVE AVE	Lowry Hill	7	1,076,847
New attached dwelling unit	1305 MOUNT CURVE AVE	Lowry Hill	7	1,070,994
new retail building	3008 HENNEPIN AVE	Ecco	10	1,036,000
Allina Health System: Offices and clinic remodeling*	710 24TH ST E	Phillips West	6	1,005,000

Source: City Regulatory Services

* Multiple building permits

Demolitions

The number of residential demolitions increased substantially from last quarter, and was higher than one year ago. This quarter, permits for demolitions included 18 units in duplexes, 31 single-family homes, 4 units in an apartment building and a rooming house with 17 units.

Permits showed a concentration of residential demolitions in the north side between Lowry and Girard Avenues, and another concentration in the southwest near France Ave. The rest were scattered around the city. Fifteen commercial buildings were permitted for demolitions with small clusters in the vicinity of West Lake St, another to the south of East Hennepin Avenue and another near Penn Ave N and West Broadway in north side Minneapolis.

Map 4: **DEMOLITIONS – 2Q-07**

Source: Minneapolis Regulatory Services

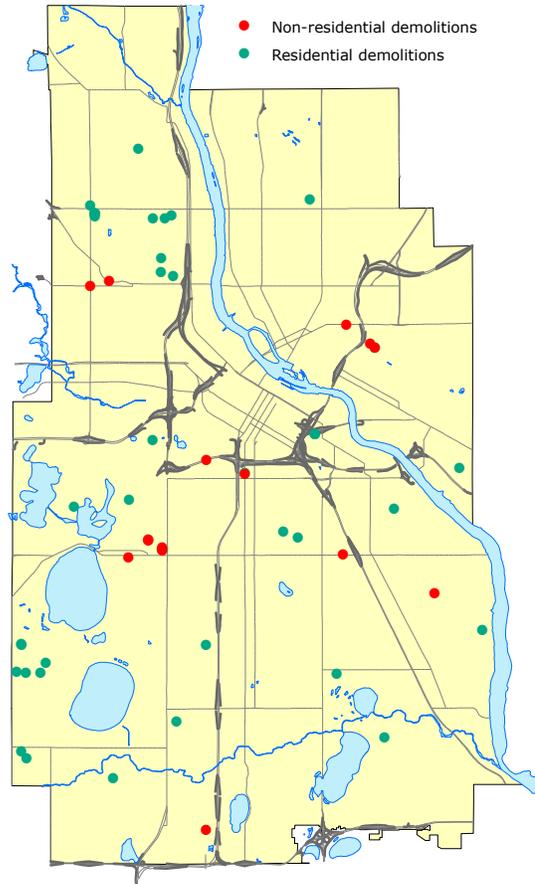
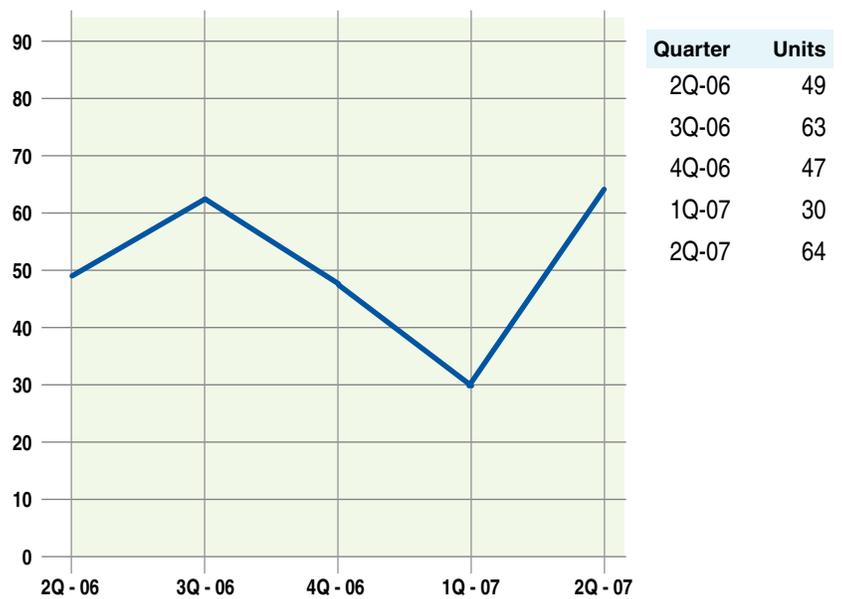


Figure 10: **RESIDENTIAL UNITS DEMOLISHED**
number of permits



Source: 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, provided by the City's Regulatory Services Department. Numbers from the U.S. Census Bureau and City Regulatory Services may differ slightly for the same period. 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.

Cost of residential construction is based on the amount of dollars that developers report as the cost of their projects.

Construction cost per unit refers to the total construction cost reported divided by the number of units permitted during the period considered.

Non-residential buildings include any kind of use except residential. Cost 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.rail terminals.

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- 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 second quarter after an upsurge in the first quarter of 2007, and it is lower than one year ago. Vacancy rates continued to be lower than metro rates.
- Average rent this quarter increased in the City to \$855, and in inflation-adjusted dollars, it was \$1.24 lower than one year ago. In the metro area, rents increased by \$7 to \$883 from last year.
- Although housing sales picked up again in Minneapolis and in the metro area since last quarter, they are considerably lower than the second quarter last year. Median prices were 4.5 percent lower in the City and 1.7 percent lower in the metro compared to last year.
- Foreclosure sales were 5 percent lower this quarter than the previous quarter, but 65 percent higher than a year ago. Wards 3, 4 and 5 in north Minneapolis continued to have the majority of foreclosures in the city.
- Although increasing slightly from last quarter, the office vacancy rate in the Minneapolis central business district (CBD) continued to be lower than the rate in the second quarter last year. The average asking price per square foot declined and was lower in the City than in the metro.
- The retail vacancy rate in Minneapolis dropped slightly from 8.9 percent last quarter to 8.7 percent, and average rents increased. Occupied retail space grew in the CBD but declined in the metro.

Residential vacancy rates

The Minneapolis vacancy rate for multifamily rental housing was 3.4 percent, down 0.4 percent from last quarter and down 0.3 percent from a year ago. In the metropolitan area, the vacancy rate was 3.9 percent, down 0.5 percent from last quarter and down by 0.9 percent from a year ago.

The average rent was \$855, \$11 more (\$7.09 more in inflation-adjusted dollars*) than last quarter and \$19 more (\$1.2 less in inflation-adjusted dollars*) than a year ago. In the metro area average rent was \$883, an increase of \$7 from last quarter, but this was actually an increase of about \$3 in inflation-adjusted dollars*. Since one year ago, the metro area rent increase was \$23, but when adjusted for inflation, rent actually went up about \$2.

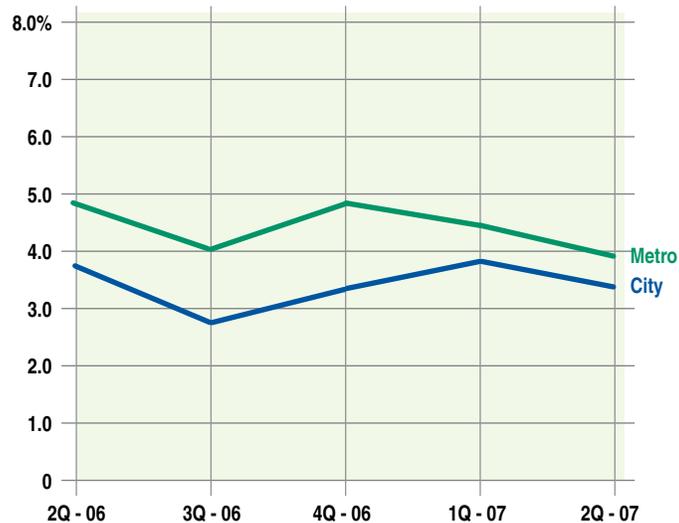
* For conversion factor, see page 40.

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

	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis					
Units surveyed	15,281	15,315	15,228	15,356	15,160
Vacant units	559	421	509	585	512
Average rent	\$836	\$842	\$848	\$844	\$855
Vacancy rate	3.7%	2.7%	3.3%	3.8%	3.4%
Metro area					
Units surveyed	116,616	117,035	115,570	116,767	116,429
Vacant units	5,615	4,623	5,408	5,161	4,522
Average rent	\$860	\$867	\$871	\$876	\$883
Vacancy rate	4.8%	4%	4.7%	4.4%	3.9%

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



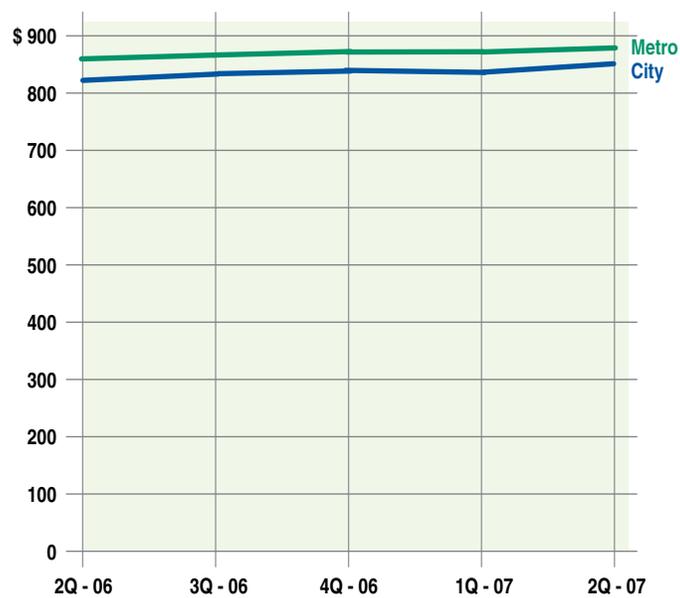
Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Residential vacancy rates

Three areas in the City had below average vacancy rates: the southeast/University of Minnesota area, south Minneapolis and downtown Minneapolis. Two areas had above average vacancy rates: east and north. Southeast/U of M has a very low vacancy rate. This area has a large student housing supply and vacancies tend 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. The neighborhoods in the area are mainly composed of single-family homes, and many of the existing apartment units are subsidized. The vacancy rate there was higher this quarter than a year ago. In south Minneapolis, an area that has the largest number of rental units in the City at an affordable price, the vacancy rate has decreased steadily until the second quarter of 2007 when it rose slightly.

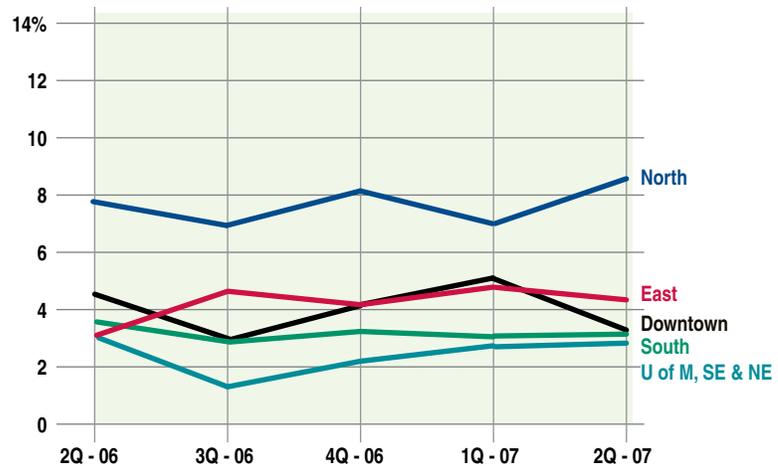
Figure 12: **AVERAGE APARTMENT RENT – Minneapolis & Metro area**
in current dollars



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



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Downtown	4.4%	3.1%	4.1%	5.2%	3.3%
South	3.6%	3.0%	3.2%	3.1%	3.2%
North	7.7%	6.9%	8.1%	7.0%	8.4%
East	3.1%	4.6%	4.1%	4.8%	4.4%
U of M, Southeast & Northeast	3.1%	1.4%	2.1%	2.8%	3.0%

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

* For sector definitions, see page 39

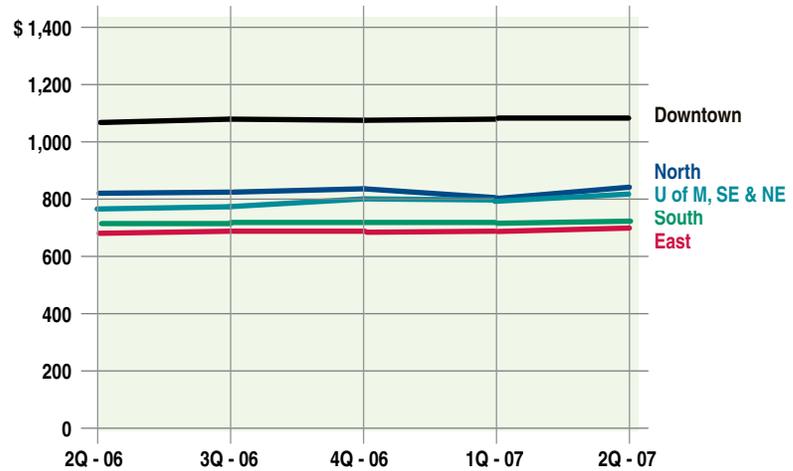
Residential vacancy rates

Downtown commanded the highest rent in Minneapolis. Average rent in this area is stable, although in inflation-adjusted dollars it decreased. In the second quarter 2007 it was 0.4 percent lower than last quarter and 1.4 percent lower than a year ago.*

In most neighborhoods, rent increased in current dollars but decreased when adjusted for inflation. There were two exceptions: north Minneapolis and U of M/southeast/northeast. In North Minneapolis rent increased since last quarter and last year, in both current and inflation-adjusted dollars*. In inflation-adjusted dollars, average rent in the north increased since last quarter by 4.2 percent and by 0.7 percent since last year. In the U of M/southeast/northeast area, average rent increased in inflation-adjusted dollars* by 1.7 percent since last quarter and by 1 percent since a year ago.

* for conversion factors, see page 40

Figure 14: **AVERAGE RENT BY CITY SECTOR***



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Downtown	\$1,083	\$1,093	\$1,088	\$1,093	\$1,094
South	728	729	731	732	737
North	821	825	836	809	847
East	691	699	699	700	715
U of M, Southeast & Northeast	772	786	807	806	813

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter
Average rents on table are not adjusted for inflation
* For sector definitions, see page 38

Residential vacancy rates

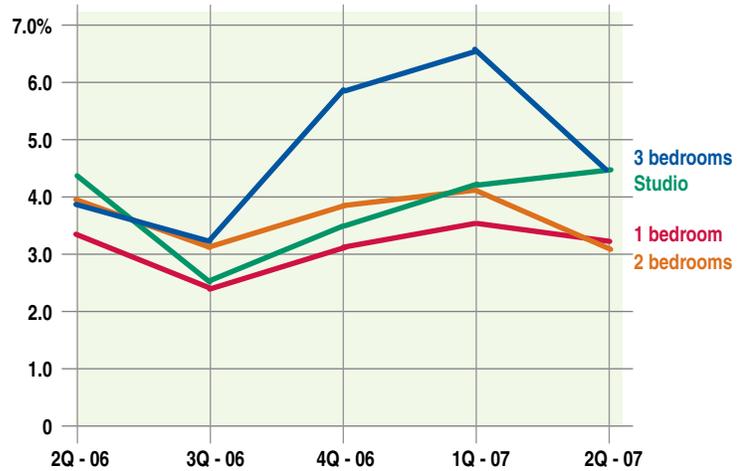
Vacancies in two of the four types (one and two-bedrooms) were down in the last year. Vacancy rates for three-bedroom apartments increased the most, from 3.8 percent a year ago to 4.5 percent. Vacancy rates for studio apartments were much higher than they were last quarter.

The average rent for studio apartments in Minneapolis decreased from last quarter and from last year. However, for all apartment types except studios, rent increased in the same period. In real dollars and since last quarter, rent increased by \$57 for the largest the largest units*.

Since last year rent increased for all apartment types except for three-bedroom apartments, and in inflation-adjusted dollars, rent actually decreased for one-bedroom and three-bedroom units by \$4 and \$49 respectively*

* For conversion factors, see page 40

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

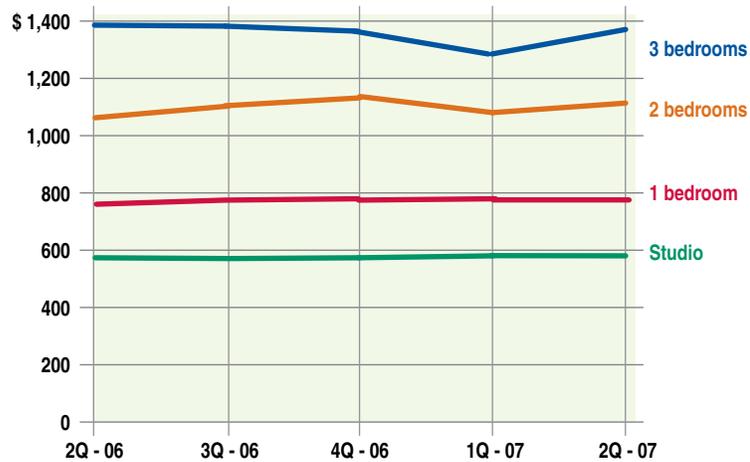


	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-06	4.3%	3.4%	3.9%	3.8%
3Q-06	2.6	2.6	3.2	3.3
4Q-06	3.5	3.1	3.8	5.8
1Q-07	4.3	3.5	4.2	6.5
2Q-07	4.5	3.2	3.1	4.5

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

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



	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-06	\$ 583	\$ 774	\$ 1,084	\$ 1,386
3Q-06	582	778	1,100	1,390
4Q-06	583	782	1,113	1,376
1Q-07	589	785	1,092	1,308
2Q-07	587	789	1,124	1,371

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Residential vacancy rates

Since last quarter and last year, the metro area vacancy rate decreased for all apartment types except for studios, which increased 1 percent since last quarter and 0.7 percent since last year. In comparison with the second quarter last year, the vacancy rate decreased the most for two-bedrooms, by 1.2 percent.

In the metro, the average rent rose in current dollars from last quarter for all types of apartments. In inflation-adjusted dollars though, rent decreased for the largest apartment types. Three-bedrooms decreased on average \$4 since March in inflation-adjusted dollars.* Since a year ago, average rent in current dollars increased for all apartment types. In inflation-adjusted dollars, however, rent decreased for all types except one-bedroom units. In this case the increase was \$3.* The largest units (three-bedrooms) decreased the most: \$18 in inflation-adjusted dollars.*

* For conversion factors, see page 40

Figure 17: **RENTAL VACANCY RATE – Metro area**
by apartment type

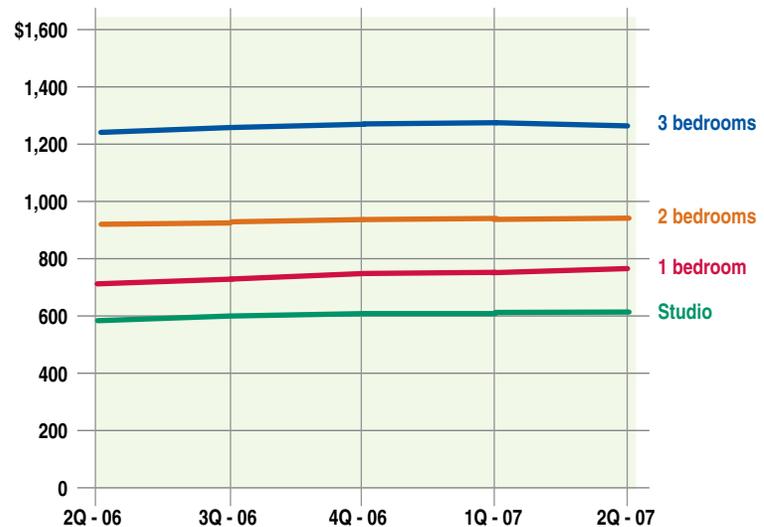


	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-06	3.7%	4.2%	5.2%	6.1%
3Q-06	2.1	3.4	4.3	6.4
4Q-06	3.4	3.9	5.1	7.5
1Q-07	3.4	3.8	4.6	6.9
2Q-07	4.4	3.5	4.0	5.1

Source: GVA Marquette Advisors

Recorded data for the last month of the quarter

Figure 18: **AVERAGE RENT – Metro area**
by apartment type



	Studio	One bedroom	Two bedrooms	Three bedrooms
2Q-06	\$ 599	\$ 742	\$ 936	\$ 1,241
3Q-06	605	750	946	1,249
4Q-06	605	751	947	1,255
1Q-07	605	757	949	1,251
2Q-07	613	763	958	1,253

Source: GVA Marquette Advisors

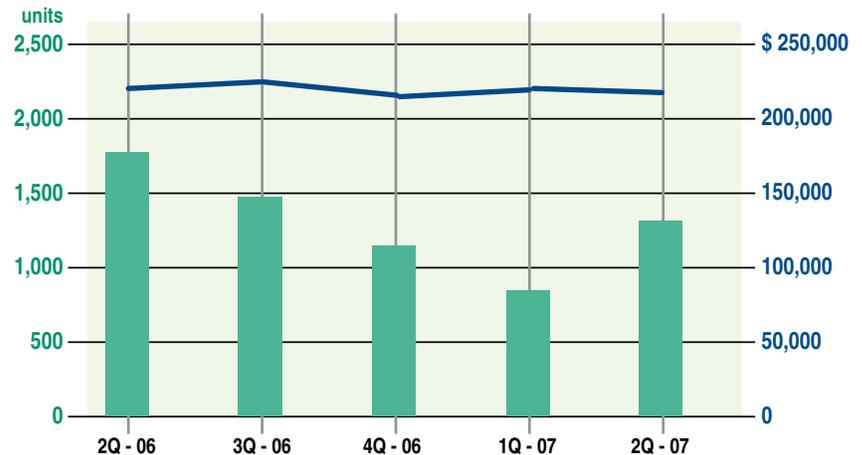
Numbers in table are not adjusted for inflation
Recorded data for the last month of the quarter

Residential sales

After a slump in housing sales in the first quarter of 2007, sales increased in the second quarter. However, the number of housing units sold declined considerably compared to the second quarter of 2006. The median price decreased since last quarter by 1.4 percent, from \$222,000 to \$219,000. The median price dropped 4.5 percent from \$229,200 a year ago.

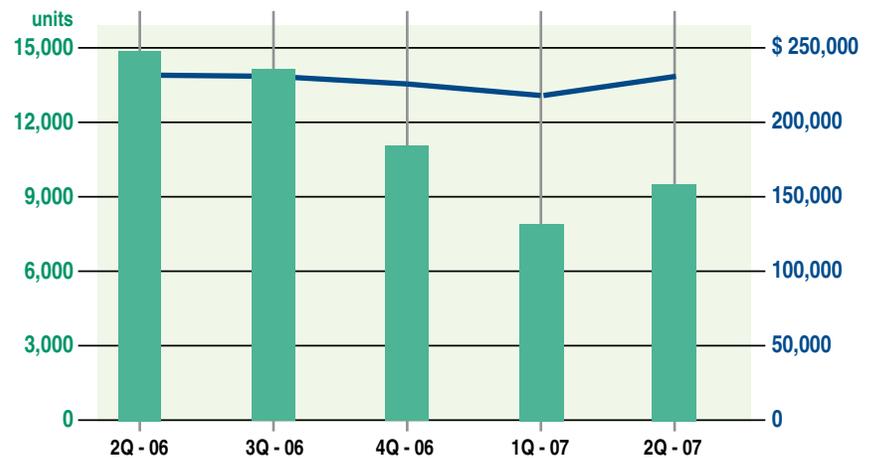
In the metro area, the number of housing units sold increased by 54.3 percent since last quarter, but declined by 16.6 percent since a year ago. Meanwhile, the median sale price increased 2.7 percent since last quarter and declined 1.7 percent since last year.

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 county service area covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For metro area definition see page 51

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

	# units	2Q-2006 sale	# units	3Q-2006 sale	# units	4Q-2006 sale	# units	1Q-2007 sale	# units	2Q-2007 sale
Minneapolis	1,734	\$229,200	1,465	\$223,000	1,128	\$215,000	872	\$222,000	1,303	\$219,000
Metro area*	14,578	233,575	13,976	233,000	10,089	227,000	7,883	223,750	12,161	229,700

Source: Minneapolis Area Association of Realtors (MAAR)

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

* The metro area refers to the 13 county service area covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors. For metro area definition see page 51

Table values are not adjusted for inflation.

Foreclosure sales

During the second quarter of 2007, 643 housing units went to public auction because of their owners' failure to pay mortgages or other contractual property fees – mostly mortgages. That's a 5 percent decrease from the previous quarter. But the City still had twice the number of foreclosures than one year ago. Foreclosures in wards 3, 4 and 5 totaled 58.8 percent of the total foreclosure sales in the city.

MAP 5: FORECLOSURE SALES
by wards

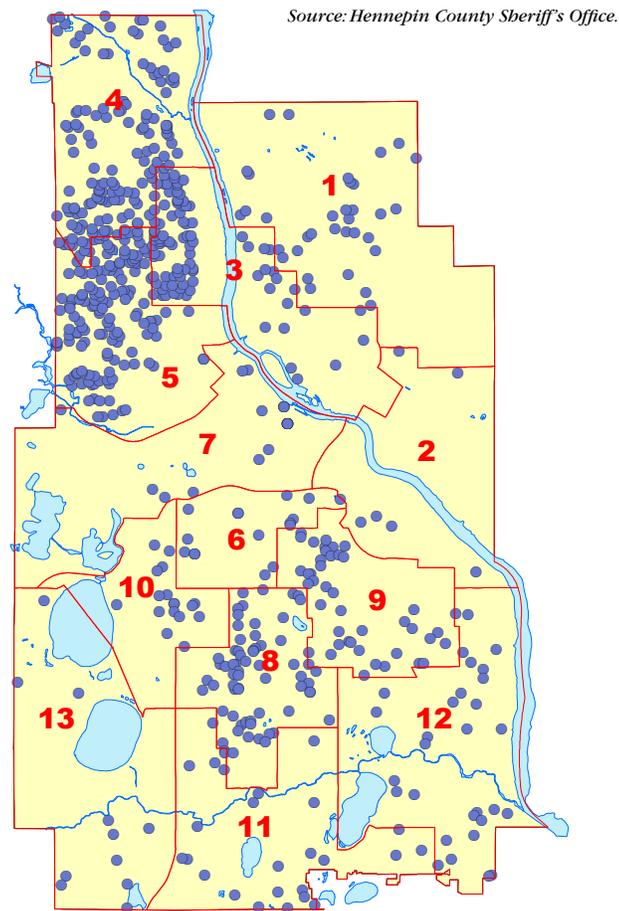


Table 12: FORECLOSURE SALES
by wards

Ward	2Q-2006		3Q-2006		4Q-2006		1Q-2007		2Q-2007	
	#	%	#	%	#	%	#	%	#	%
1	24	6.2	32	7.5	28	5.9	45	6.6	34	5.3
2	2	0.5	5	1.2	10	2.1	3	0.4	6	0.9
3	51	13.1	57	13.3	52	11.0	92	13.6	88	13.7
4	75	19.2	93	21.8	112	23.6	177	26.1	139	21.6
5	102	26.2	90	21.1	95	20.0	144	21.2	151	23.5
6	14	3.6	13	3.0	20	4.2	14	2.1	16	2.5
7	12	3.1	15	3.5	14	3.0	27	4.0	18	2.8
8	35	9.0	37	8.7	51	10.8	53	7.8	63	9.8
9	36	9.2	28	6.6	27	5.7	47	6.9	43	6.7
10	8	2.1	9	2.1	8	1.7	12	1.8	17	2.6
11	8	2.1	20	4.7	27	5.7	24	3.5	27	4.2
12	16	4.1	22	5.2	25	5.3	27	4.0	30	4.7
13	7	1.8	6	1.4	5	1.1	13	1.9	11	1.7
Total	390	100%	427	100%	474	100%	678	100%	643	100.0%

Source: Hennepin County Sheriff's Office. Numbers do not include mislabeled addresses

Condemned & vacant buildings

In this quarter, the number of condemned, boarded and vacant buildings in the city increased 54.3 percent since the same period last year, and increased by 15.6 percent since last quarter. 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 62.4 percent of the total.

These buildings are located mainly in the north and the south central area of Minneapolis. Their locations follow similar patterns as the foreclosures shown in the map on page 40.

Map 6: CONDEMNED AND VACANT BUILDINGS

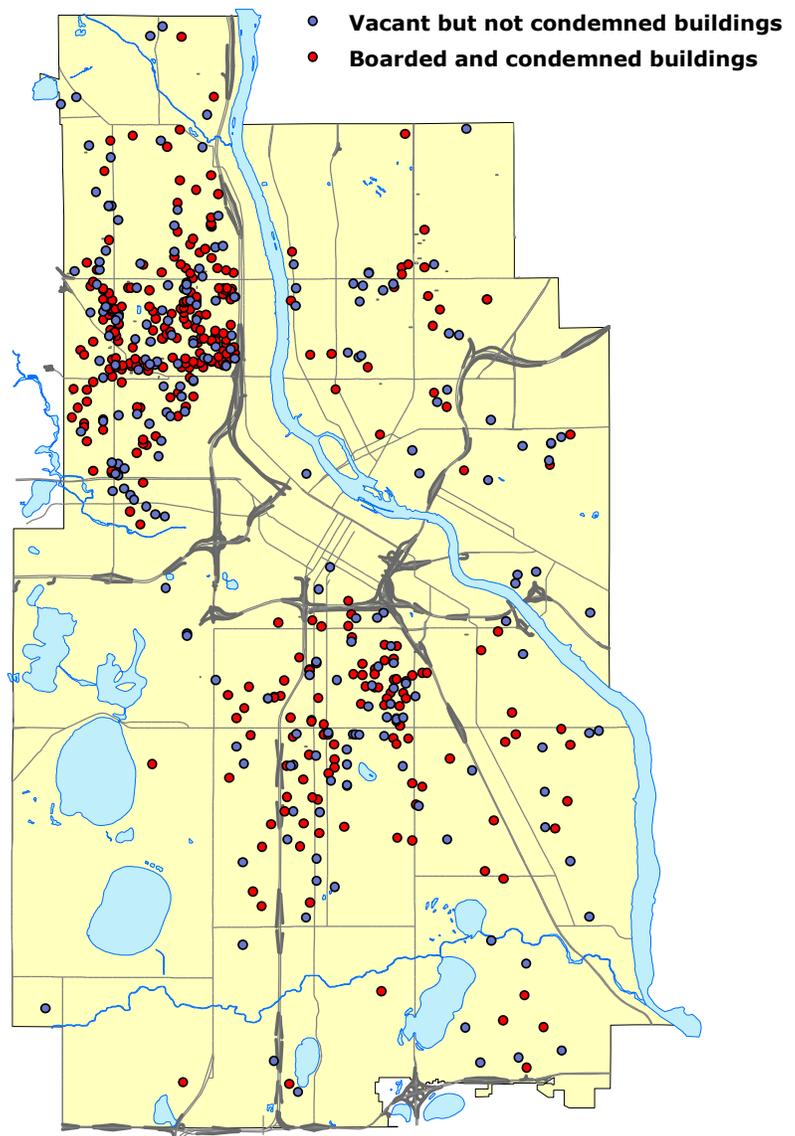


Table 11: CONDEMNED AND VACANT BUILDINGS

	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Boarded and condemned buildings	222	216	241	296	333
Vacant but not condemned	124	113	118	166	201
Total	346	329	359	462	534

Source: Minneapolis Regulatory Services

Numbers for the 1st quarter 2006 are not available

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

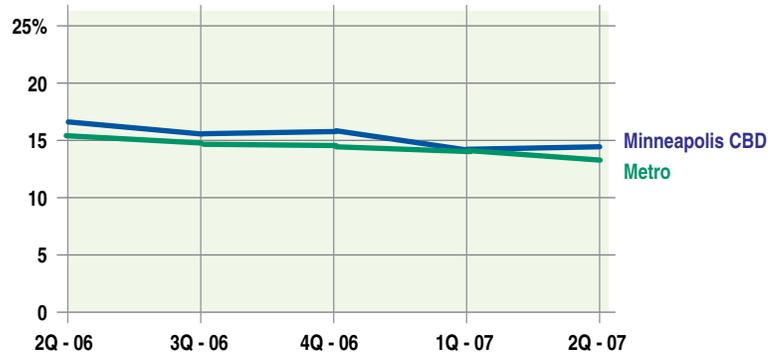
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) slightly increased last quarter from 14 percent to 14.1 percent, but it is still lower than the rate in the second quarter 2006. The metro area average vacancy rate has continued declining almost without interruption since the second quarter of 2004 when it was at 18.3 percent.

Average asking lease rates in the Minneapolis central business district (CBD) decreased in current dollars from last quarter – from \$11.47 to \$10.35 – and remained higher than last year's rate. The metro area prices also decreased this quarter from last quarter's \$11.40. Prices in the metro area are slightly higher than a year ago.

Figure 21: **OFFICE VACANCY RATE**

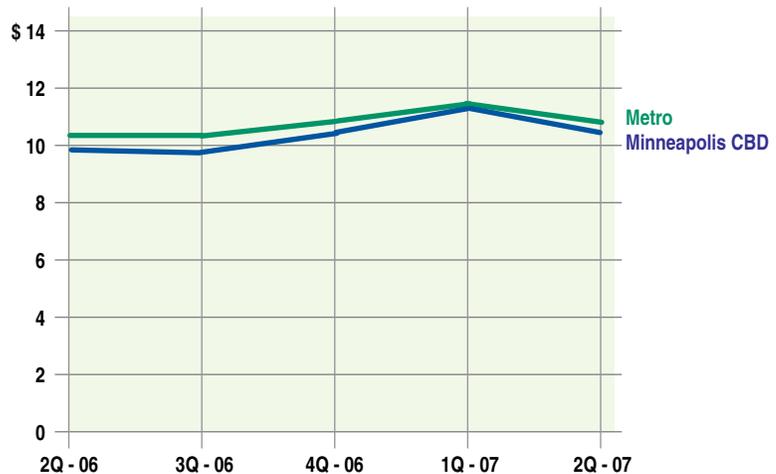


	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis CBD	16.5%	15.3%	15.6%	14.0%	14.1%
Metro	15.2	14.8	14.7	14.1	13.6

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



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis CBD	\$ 9.83	\$ 9.66	\$ 10.37	\$ 11.47	\$ 10.35
Metro area	10.41	10.45	10.82	11.40	10.86

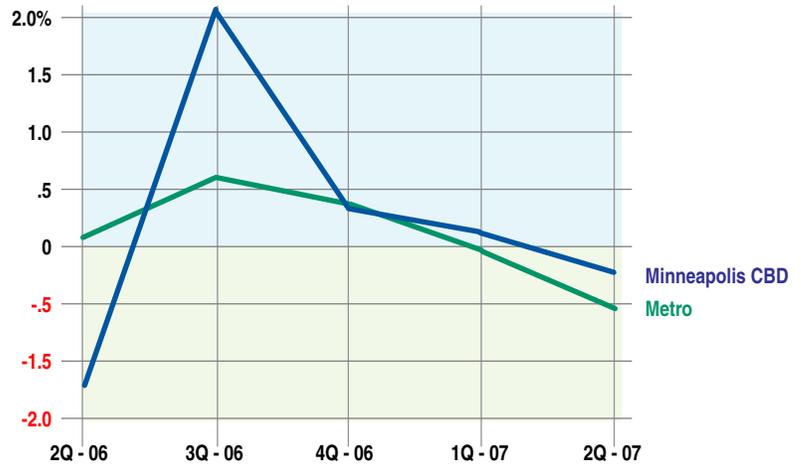
Source: CB Richard Ellis

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

Office space

This quarter occupied office space (available rentable area minus the vacancy rate) did not grow in Minneapolis CBD. Still, it compared favorably with a negative growth of 1.67 percent in the same period last year. In the metro area, the growth of occupied office space showed also negative growth, while occupied space grew in the same period last year.

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



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis CBD	1.67%	2.15%	0.41%	0.17%	-0.21%
Metro area	0.14	0.62	0.44	0.03	-0.54

Source: CB Richard Ellis

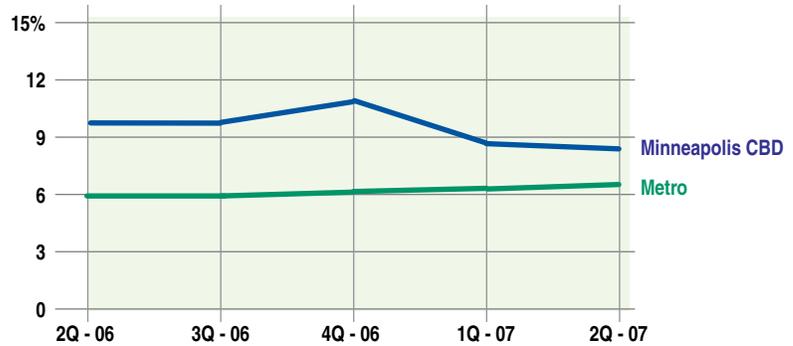
Class A, B and C office buildings 10,000 square feet and larger

Retail space

The retail vacancy rate in the Minneapolis central business district (CBD) decreased to 8.7 percent. The vacancy rate was 1.3 percent lower than last year. The vacancy rate in the metro area increased from last quarter, ending at 6.7 percent, 0.3 percent higher than last quarter and 0.7 percent higher than last year.

In the Minneapolis CBD, the average asking lease price per square foot rose from \$13.35 in the second quarter last year to \$15.76 this quarter, an 18 percent increase in a year. It was also 2.8 percent higher than last quarter. In the metropolitan area, the price increased from a year ago by 0.7 percent, but it decreased from last quarter by 0.4 percent.

Figure 24: **RETAIL VACANCY RATE**



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

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



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis CBD	\$ 13.35	\$ 13.21	\$ 11.88	\$ 15.33	\$ 15.76
Metro area	19.67	19.84	19.63	19.89	19.81

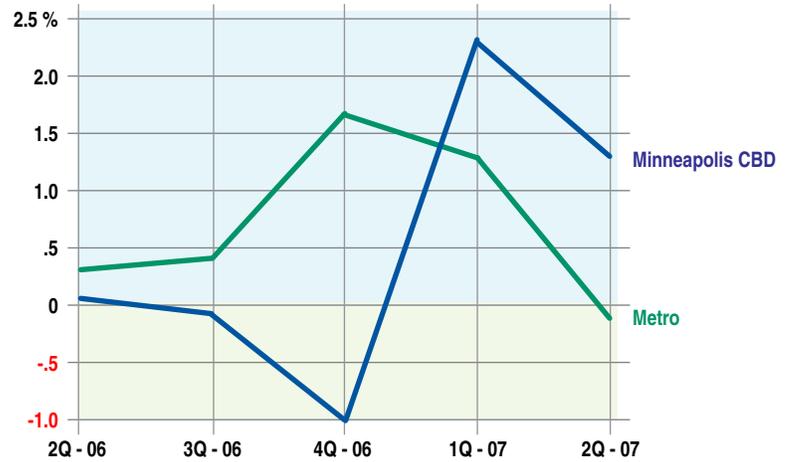
Source: CPED with data from CB Richard Ellis

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

Retail space

The Minneapolis CBD increased its occupied retail space (available rentable area minus the vacancy rate) by 0.2 percent this quarter, less than the 2.3 percent growth in the first quarter. However, it expanded more than in the second quarter last year. In the metro area, occupied space actually decreased by 0.1 percent since last quarter.

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



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis CBD	0.1%	-0.1%	-1.0%	2.3%	0.2%
Metro area	0.3	0.4	1.7	1.3	-0.1

Source: CB Richard Ellis

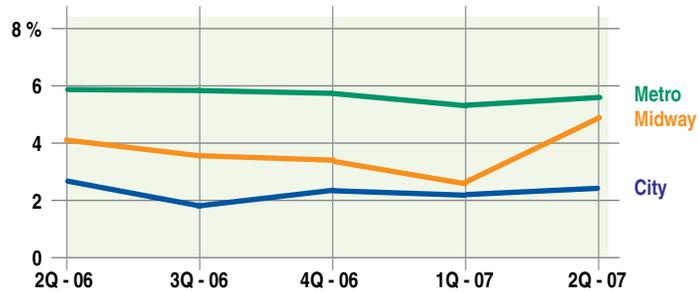
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space vacancy rate in Minneapolis, Midway and the metro area all increased from last quarter, however, Minneapolis and metro area rates were still lower than a year ago. In comparison with the second quarter last year, Midway's vacancy rate went up from 4.1 percent to 5.1 percent.

In the second quarter of 2007, the average asking lease rate for industrial space per square foot in Minneapolis and Midway increased from last quarter and also from the same quarter last year. The metro area was slightly lower than it was last quarter and higher than a year ago. In general, prices for industrial space have been stable.

Figure 27: **INDUSTRIAL VACANCY RATE**



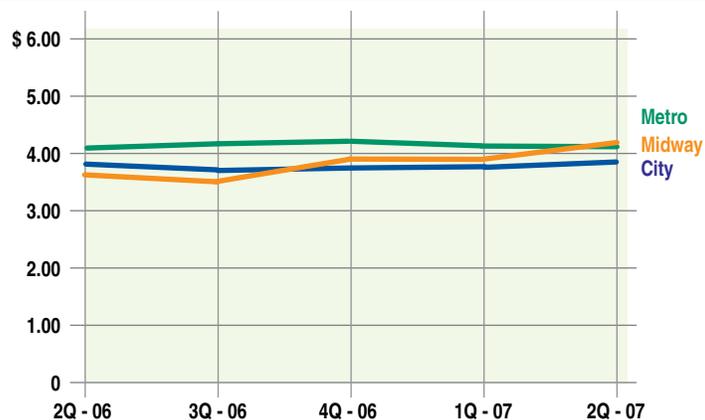
	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis	2.6%	1.8%	2.3%	2.2%	2.4%
Midway*	4.1	3.5	3.2	2.5	5.1
Metro area	5.9	5.8	5.7	5.4	5.6

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



	2Q-06	3Q-06	4Q-06	1Q-07	2Q-07
Minneapolis	\$ 3.83	\$ 3.71	\$ 3.77	\$ 3.78	\$ 3.89
Midway	3.68	3.65	3.83	3.80	4.17
Metro area	4.11	4.14	4.18	4.15	4.14

Source: CB Richard Ellis

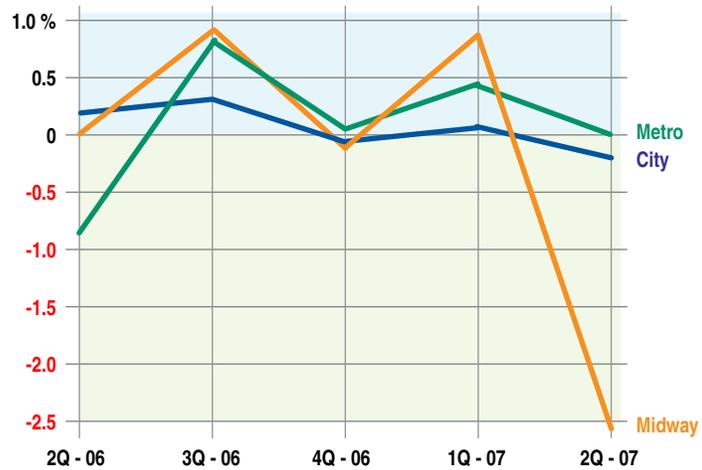
Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space in the Midway decreased in the second quarter of 2007 by 2.6 percent, and by 0.2 percent in Minneapolis. In the metro area it was stable. In the Midway, occupied space decreased considerably as vacated space rose by more than 870,000 square feet from last quarter. In comparison, the Midway area had stable growth in the second quarter of last year. A general slow down and completion of projects that were on the pipeline affected user activity leading to considerable unoccupied space especially in the Midway area.

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



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

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: Vacancy rate is the percentage of unoccupied housing units in 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. The survey also tracks the average rent paid for apartment units.

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 to the Edina and Richfield borders, including zip codes 55403, 55405, 55408, 55409, 55410 and 55419

North: north of Interstate 394, 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, borders 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 and 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 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 (see Web site at www.cbre.com) include office, retail and industrial space vacancy rates, yearly lease price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries.

Data cover approximately 5,000

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 second quarter of 2006, dollars have been converted with an index of 1.0242067, the result of the relation between the CPI for June 2007 (196.2) and the CPI for June 2006 (191.6). For the period from the first quarter of 2007 to the second quarter of 2007, the index is 1.0046331, obtained by dividing 196.2 (June '07) by 195.3 (March '07).



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