

Minneapolis Trends

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

Highlights for the first quarter of 2006

- Unemployment rates increased slightly to reach the third quarter 2005 level, reflecting a normal first quarter uptick. However, it was lower than the same quarter last year *see page 4*
- The building permits issued for new residential units in Minneapolis decreased from last quarter's high, but were more than twice as high as the same quarter last year *see page 12*
- The rental housing vacancy rate decreased but is higher than the first quarter 2005 rate; the average cost of rent was up, but went down when adjusted for inflation *see page 23*
- Residential sales are dropping, and the increase of sale prices began to slow down. *see page 26*
- Vacancy rates declined for both office and retail space in the city. *see page 29*

Note: Beginning this quarter, "Minneapolis Trends" is reporting figures on foreclosure sales, hotel occupancy and Minneapolis Convention Center attendance.



first quarter 2006



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

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Minneapolis Trends

first quarter 2006



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ECONOMIC INDICATORS

- Unemployment increased slightly to 4.2 percent, which was still lower than the same quarter last year. The labor force and employment declined (Table 1).
- There were 1,660 more jobs in the city in the third quarter of 2005 than in the third quarter of 2004 (Table 2).
- Overall wage and salary levels increased in inflation-adjusted dollars in Minneapolis since the same period last year, as they did in the region and the state.

LABOR FORCE

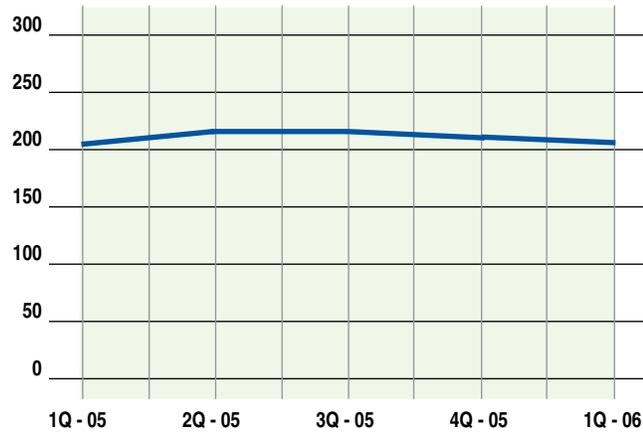
Employment was up by 0.4 percent from the same time the previous year. Unemployment was 0.3 percent lower than the previous year but 0.4 percent higher than the previous quarter. The labor force (people with jobs and people looking for work) increased by 0.2 percent. Although the labor force and employment continuously increased from the first quarter to the fourth quarter last year, they dipped this quarter.

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

	2005 1Q-05	2Q-04	3Q-04	4Q-05	2006 1Q-06
Labor Force	219,232	222,571	223,195	223,389	219,613
Employment	209,404	213,250	213,884	214,949	210,328
Unemployment Rate	4.5%	4.2%	4.2%	3.8%	4.2%

Source: Minnesota Department of Employment and Economic Development (DEED), Labor Market Information. Revised with new DEED figures.

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis
in thousands



Source: CPED with data from Minnesota Department of Employment and Economic Development (DEED) - labor market information. Numbers reflect new revisions made by DEED.

JOBS

The number of jobs located in Minneapolis increased by 1,660 from the third quarter of 2004 to the third quarter of 2005. This increase was led by finance and insurance (787 jobs), professional services (565 jobs), and health care and social assistance (415 jobs). Arts, entertainment and recreation grew at 8 percent (adding 385 jobs), while real estate services grew at 2.4 percent (adding 146 jobs).

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

	3Q-2004	4Q-2004	1Q-2005	2Q-2005	3Q-2005
Manufacturing	16,866	16,648	16,641	16,612	16,773
Utilities*	3,183	3,231	3,266	3,158	3,115
Wholesale trade	10,840	10,853	9,481	9,605	9,767
Retail trade	16,690	17,320	16,065	16,769	16,528
Transportation and warehousing*	4,354	4,906	4,442	4,400	4,321
Information	11,305	11,327	11,200	11,514	11,549
Finance and insurance*	27,097	27,243	27,096	27,560	27,884
Real estate and rental and leasing	6,210	6,092	6,098	6,280	6,356
Professional and technical services*	28,468	28,587	27,879	28,154	29,033
Management of companies and enterprises	14,476	14,272	14,755	14,857	14,593
Administrative and waste services*	14,300	14,400	13,099	13,934	14,472
Educational services	25,296	27,427	27,714	27,140	25,263
Health care and social assistance	42,438	42,199	42,091	42,126	42,853
Arts, entertainment and recreation*	4,802	4,837	4,580	5,133	5,187
Accommodation and food services	22,446	22,019	21,126	22,134	22,530
Other services*	10,680	10,822	10,288	10,548	10,728
Public administration	13,095	12,805	12,772	12,943	13,293
Total, all industries¹	286,766	288,900	282,054	286,762	288,429

Source: Minnesota Department of Employment and Economic Development (DEED) - Minnesota Quarterly Census, Employment and Wages. Updated from previous Trends reports.

* Private jobs only

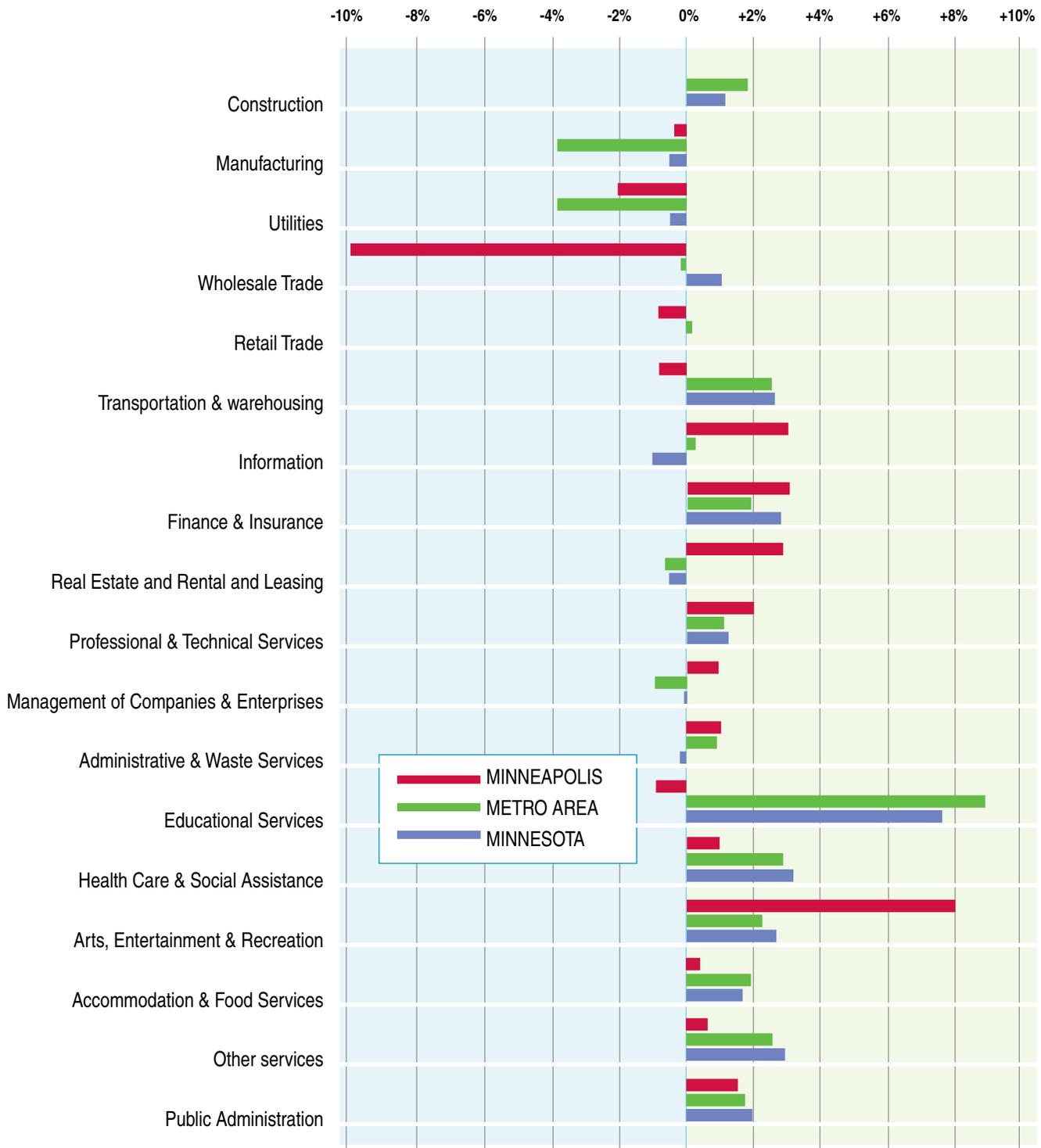
¹ Natural resources-based industries and agriculture, fishing and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up. Table reflects latest revision by DEED.

JOBS

In the third quarter of 2005, most economic sectors gained jobs. Gains were widespread in sectors such as finance and insurance; professional and technical services; arts, entertainment and recreation; and health and social assistance services. Arts, entertainment and recreation did particularly well in Minneapolis where it expanded at a rate of 8 percent. The information sector grew well in the city, but it was slower in the metropolitan area. On the other hand, the city lost about 10 percent of the jobs in the wholesale trade sector. A few other sectors also lost jobs in the city including education, manufacturing, utilities, transportation and warehousing and retail. Manufacturing increased jobs in the metropolitan area and the state. Retail increased in the metropolitan area, and transportation and warehousing expanded in the state.

Figure 2: **JOBS** – 3Q-04 to 3Q-05 – percent change

Source: CPED with revised data from DEED.



WAGES

The average weekly wage in the third quarter of 2005 for people who work in Minneapolis was \$1,001, a nominal increase of \$60 (\$37 in inflation-adjusted dollars)* higher than the same period the previous year. Wages grew in most economic sectors this quarter. Because of a booming real estate market, the steadily increasing real estate service wages climbed \$288 per week (\$271 in inflation-adjusted dollars)* above the same quarter the previous year. While the utilities jobs diminished, pay in the sector increased by \$242 per week (\$207 in inflation-adjusted dollars)*. Four sectors had declining weekly wages (in inflation-adjusted dollars)* this period: manufacturing, wholesale trade, information and public administration.

* For conversion index, see page 10

Table 3: **AVERAGE WAGE PER WEEK - Minneapolis**
in current dollars

SECTOR	3Q-04	4Q-04	1Q-05	2Q-05	3Q-05
Manufacturing	\$ 934	\$ 1,042	\$ 963	\$ 912	\$ 940
Utilities*	\$1,392	\$ 1,426	\$1,595	\$1,595	\$1,634
Wholesale Trade	\$1,133	\$1,222	\$1,122	\$1,020	\$1,061
Retail Trade	\$607	\$ 591	\$539	\$582	\$633
Transportation & Warehousing*	\$633	\$ 720	\$592	\$633	\$695
Information	\$1,107	\$1,085	\$1,121	\$1,045	\$1,074
Finance & Insurance*	\$1,412	\$1,709	\$2,290	\$1,431	\$1,502
Real Estate and Rental and Leasing	\$699	\$1,038	\$1,194	\$913	\$987
Professional & Technical Services*	\$1,333	\$1,720	\$1,327	\$1,454	\$1,402
Management of Companies & Enterprises	\$1,407	\$1,874	\$1,806	\$1,578	\$1,621
Administrative & Waste Services*	\$518	\$ 567	\$562	\$555	\$593
Educational Services	\$942	\$885	\$911	\$898	\$1,042
Health Care & Social Assistance	\$820	\$887	\$794	\$829	\$869
Arts, Entertainment & Recreation*	\$1,167	\$1,148	\$946	\$1,122	\$1,225
Accommodation & Food Services	\$324	\$344	\$311	\$323	\$341
Other services*	\$520	\$ 563	\$511	\$528	\$537
Public Administration	\$977	\$ 1,077	\$964	\$996	\$987
Total, all industries¹	\$ 941	\$ 1,066	\$ 1,050	\$ 967	\$ 1,001

Source: CPED with data from 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. DEED data for the fourth quarter of 2005 will be shown in the next issue of "Minneapolis Trends".

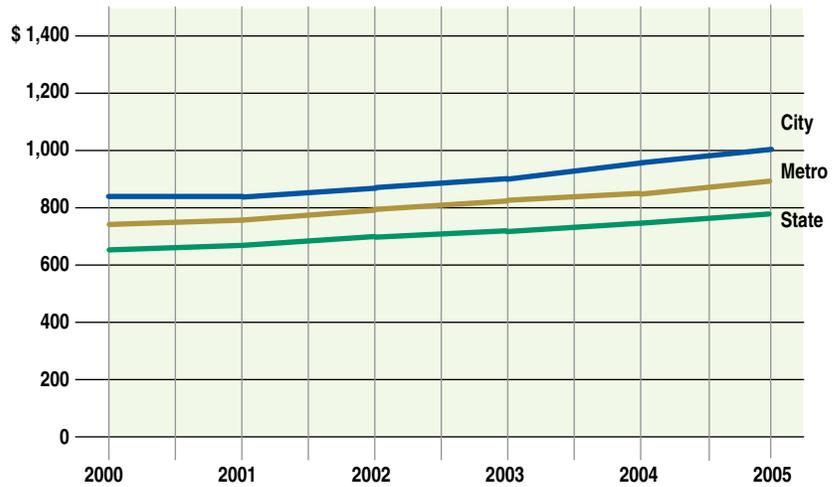
WAGES

For all industries, employees in Minneapolis commanded higher average weekly wages than employees in the metropolitan area or the state. When third-quarter wages are adjusted to 2005 dollars and compared to the same period from 2004, Minneapolis' growth is 6.4 percent in current dollars and 3.8 percent in inflation-adjusted dollars. This level of real wage growth exceeded growth in the metro area, which was 2.7 percent in inflation-adjusted dollars, and the state, which grew by 1.2 percent in inflation-adjusted dollars*.

With a few exceptions, most industry wages grew in real terms since the third quarter of 2004. The following graph shows percentage changes by industry in Minneapolis, the metro area and Minnesota.

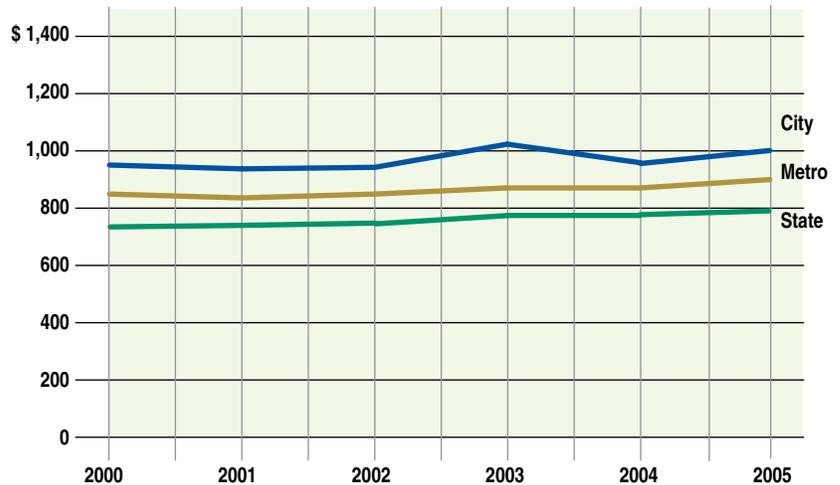
* For conversion index, see page 10

Figure 3: **AVERAGE WEEKLY WAGES**— third quarter
in current dollars



Source: CPED with data from DEED.

Figure 4: **AVERAGE WEEKLY WAGES** – third quarter
in second half 2005 dollars

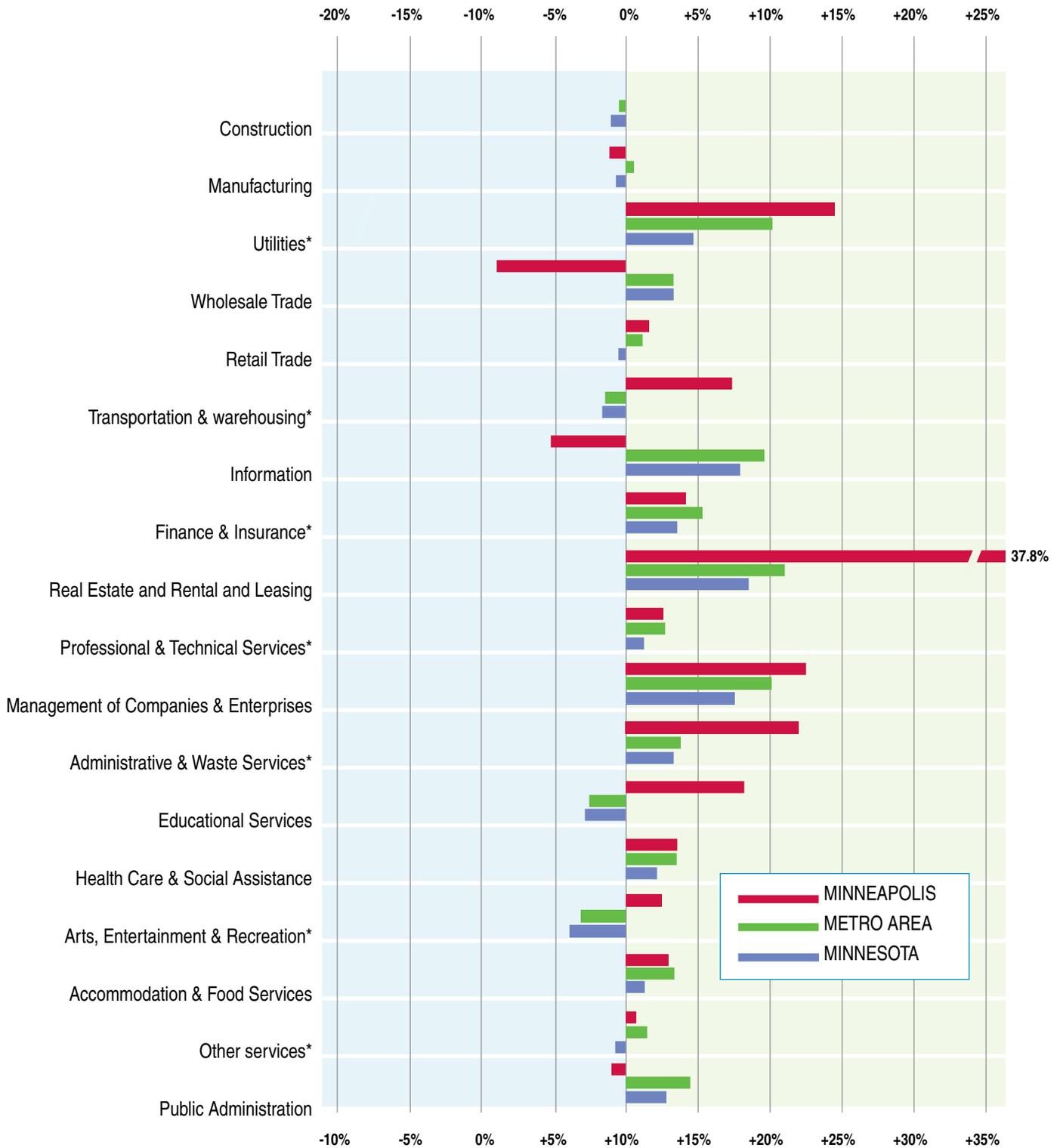


Source: CPED with data from DEED.

Note: Total values converted to constant dollars adjusted to first-half of 2005 dollars based on Bureau of Labor Statistics' Consumer Price Index for all urban consumer goods.

WAGES

Figure 5: **AVERAGE WEEKLY SALARIES** – 3Q-04 to 3Q-05
in constant dollars**



Source: CPED with data from DEED

* only private wages

** for conversion indexes see page 10.

DEFINITIONS AND SOURCES

Labor Force, Employment and Unemployment: Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Economic Development. Labor force is the average number of non-farm workers employed or looking for a job at a given time. Table 1 presents quarterly information for the city.

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.

Inflation-adjusted figures: Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul-Wisconsin metropolitan area as defined by the U.S. Office of Management and Budget, and in the Midwest urban areas when applied. For the third quarter of 2005 (Figure 4), dollars have been converted with an index reflecting the CPI for the second half of the respective years from 2000 to 2005 with 2005 as a base year. To look at the indexes go to:

www.bls.gov/cpi/home.htm and click on "All urban consumers (current series)."

DEVELOPMENT INDICATORS

- The number of construction permits issued for new residential units slowed down in Minneapolis since the end of last year, but it was still increasing and more than double the number of permits issued the first quarter of 2005.
- The number of permits issued for construction of both single and multi-family residential units declined in the metropolitan area.
- The number of permits issued for remodeling residential and non-residential buildings in the city increased from last quarter and a year ago. The Westin Hotel in Downtown will be a conversion from an office building on Sixth Street.
- The average construction cost per single-family home and multifamily unit decreased in the city by 17 percent and 13 percent respectively in inflation-adjusted dollars, in part because of more modest construction.

NEW RESIDENTIAL CONSTRUCTION

In Minneapolis, new residential construction slowed from last quarter, but it was more than 100 percent higher than one year ago. In the metropolitan area, residential new construction was 14 percent lower than the previous year and 44 percent lower than the previous quarter.

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

	2005 1Q-05	2Q-05	3Q-05	4Q-05	2006 1Q-06
Single-family					
Minneapolis	30	66	60	42	51
Metropolitan area	2,256	3,502	3,368	2,896	2,040
Multifamily					
Minneapolis	107	299	88	814	229
Metropolitan area	668	1,098	1,082	1,599	485
Total number of units					
Minneapolis	137	365	148	856	280
Metropolitan area	2,924	4,600	4,450	4,496	2,525

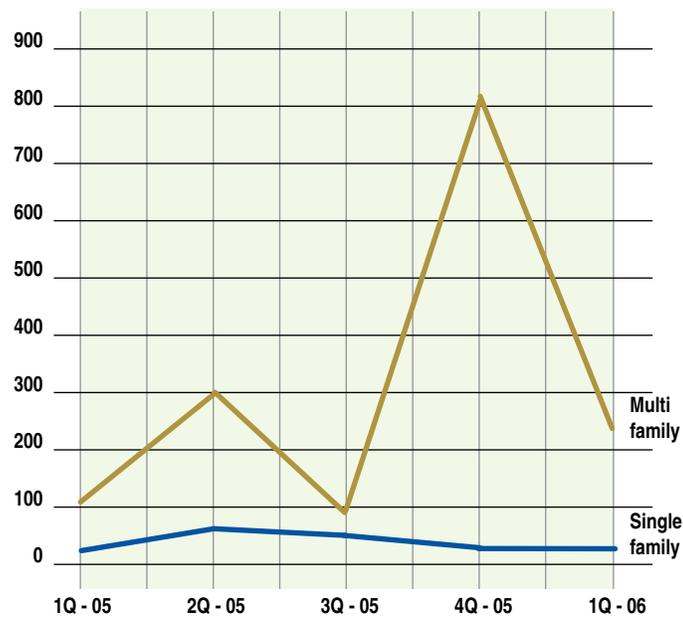
Source: CPED with data from the U.S. Census Bureau, based on permit information

Activity slowed down in Minneapolis this quarter because of a sudden decrease in construction of new multifamily units. However, this quarter still showed more multifamily construction than the first and third quarters of 2005. New single-family units increased from last quarter, and construction was 70 percent higher than a year ago. Most permits for single-family homes were located in north Minneapolis.

In the metropolitan area, multifamily and single-family construction both decreased. The number of permits issued for new multifamily units declined by 70 percent since last quarter, and by 27 percent from a year ago.

Single-family construction in the metropolitan area decreased since the previous quarter by 30 percent and since last year by 10 percent.

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



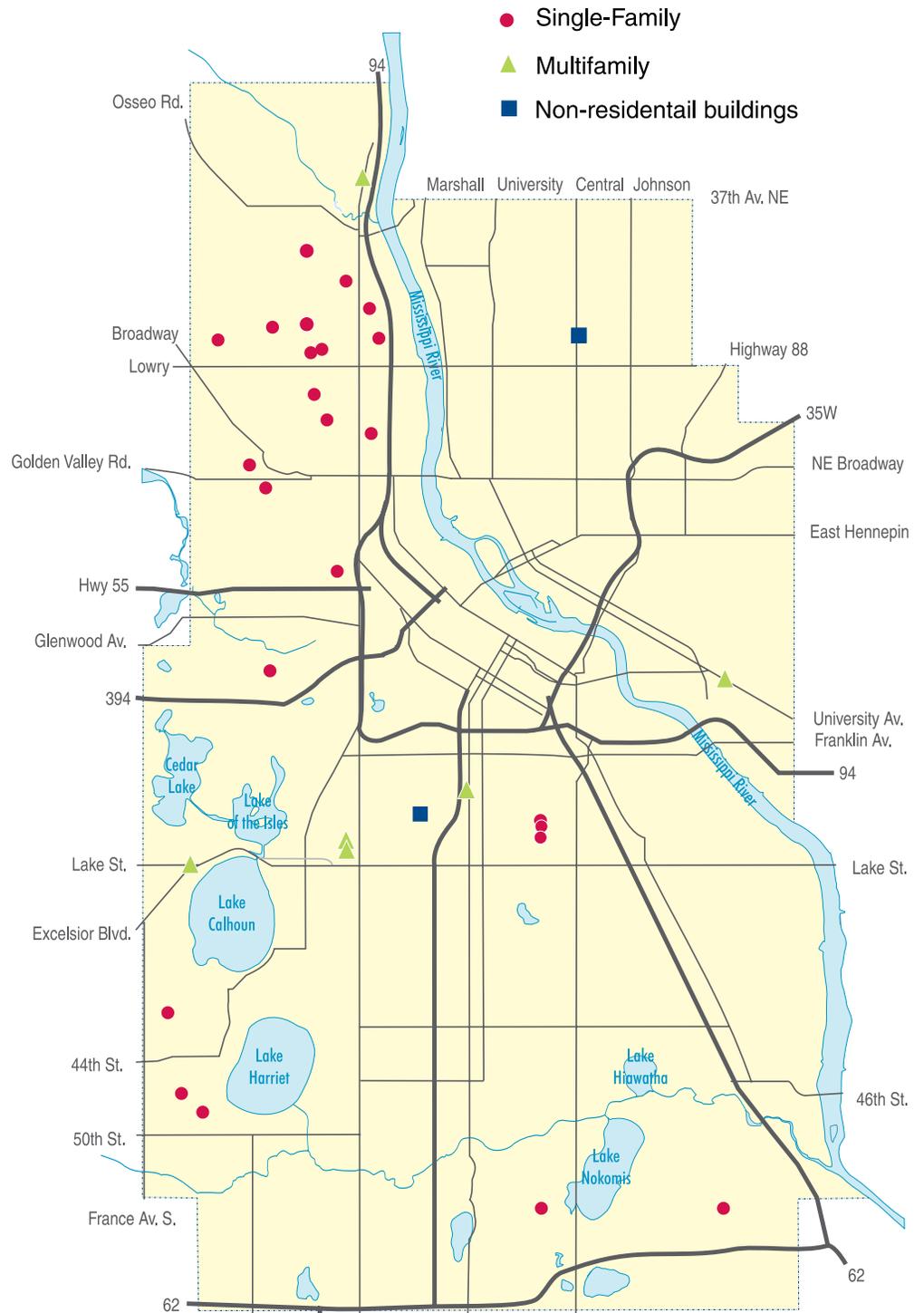
Source: CPED with data from the U.S. Census Bureau

NEW RESIDENTIAL CONSTRUCTION

New single-family housing permits this quarter were concentrated in the north side of the city, as they have been for several years. The rest of the permits were scattered citywide. Loop Calhoun condominiums with a total of 122 units was permitted in Uptown, and University Lofts with 79

units will be built at 2600 University Ave. S. A complex of three buildings with 27 units total, part of the Urban Village project, was permitted at 2808 Aldrich Ave. S. A 23-unit apartment building was permitted on Lyndale Avenue North in the Lind-Bohanon neighborhood.

Map 1: NEW RESIDENTIAL CONSTRUCTION – first quarter 2006



Source: CPED with data from Regulatory Services

COST OF RESIDENTIAL CONSTRUCTION

In Minneapolis, the total projected amount spent on new residential construction increased by nearly 80 percent (74 percent in inflation-adjusted dollars)* since one year ago. The amounts spent on new single-family and multifamily construction both increased, with multifamily construction leading the way at an increase of \$16.7 million (\$16.2 million in inflation-adjusted dollars)*.

In the seven-county metropolitan area, the total spent on new residential construction decreased, with the multifamily construction cost declining by 23 percent (25 percent when adjusted for inflation)*. The amount spent on single-family construction actually increased by 1 percent, but decreased by 2 percent in inflation-adjusted dollars.*

* For conversion index see page 22

Table 5: **RESIDENTIAL CONSTRUCTION COSTS**

	1Q-2005	2Q-2005	3Q-2005	4Q-2005	1Q-2006
Single family					
Minneapolis	\$6,440,616	\$12,263,689	\$10,472,695	\$ 8,313,893	\$ 9,315,354
Metropolitan area	\$6,440,616	\$12,263,689	\$10,472,695	\$ 8,313,893	\$ 9,315,354
Multifamily					
Minneapolis	\$500,110,698	\$756,363,387	\$718,624,444	\$672,278,335	\$505,437,798
Metropolitan area	\$85,918,361	\$196,893,442	\$127,558,968	\$260,941,872	\$ 65,922,178
Total number of units					
Minneapolis	\$24,685,279	\$88,662,886	\$ 27,761,920	\$160,839,016	\$ 44,302,854
Metropolitan area	\$586,029,059	\$953,256,829	\$846,183,412	\$933,220,207	\$571,359,976

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

Table values are not adjusted for inflation

COST OF RESIDENTIAL CONSTRUCTION

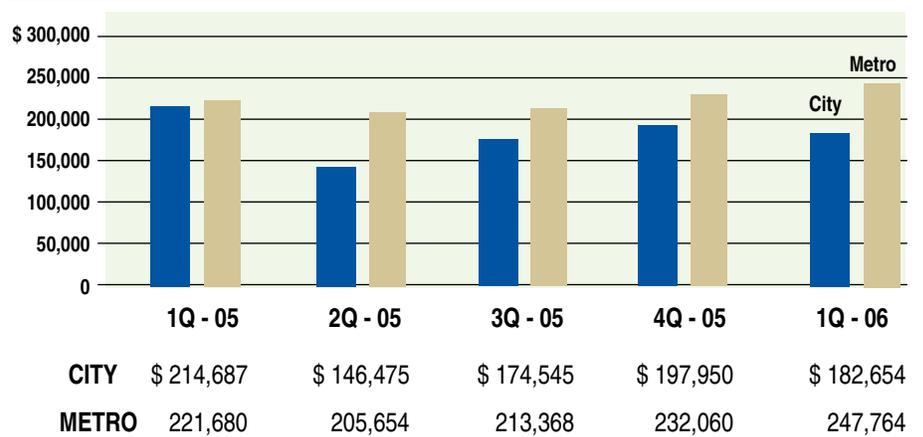
The average cost of building a house in Minneapolis decreased by 15 percent (17 percent in inflation-adjusted dollars)* in the first quarter of 2006, from \$214,700 (\$221,000 in inflation-adjusted dollars)* in the first quarter of 2005 to \$182,700 in the first quarter of 2006.

In the metropolitan area the average cost of building a house increased by 12 percent from \$221,700 (9 percent from \$228,200 in inflation-adjusted dollars)* in the first quarter of 2005 to \$247,800 in the first quarter of 2006.

The average cost of constructing a multifamily unit in Minneapolis decreased since the first quarter of 2005. The cost per unit declined 10 percent from \$170,511 (\$175,500 in inflation-adjusted dollars)* to \$152,800. For the metropolitan area, the cost rose by 6 percent (3 percent in inflation-adjusted dollars.)* Lower construction costs in the city reflect a decline in the luxury condominium market and the construction of more modest apartments.

* For conversion index see page 22

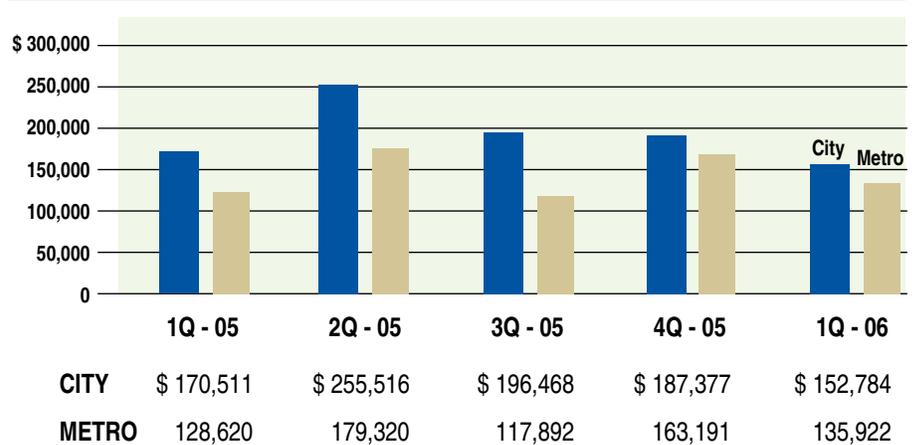
Figure 7: **SINGLE FAMILY CONSTRUCTION COSTS**
per unit



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

Table values are not adjusted for inflation

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



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

Values in graph are not adjusted for inflation

CONVERSIONS, REMODELS AND ADDITIONS

In the first quarter, 100 residential buildings were remodeled, repaired or improved. Three of these buildings consolidated units: a duplex was converted into a single-family home, two units in a condominium were converted into one unit, and a 14-unit apartment building was converted into 10-unit condominiums.

The projected construction cost of residential remodeling projects of \$50,000 or more was about \$16.8 million, \$10.9 million higher than last quarter and \$3 million (\$3.6 million when adjusted for inflation)* lower than last year. There were no significant conversion projects. The number of buildings remodeled was 7.4 percent lower than last year.

The amount spent on non-residential projects decreased by 34 percent (36 percent in inflation-adjusted dollars)* from last year.

* For conversion index see page 22

Table 6: **CONVERSIONS, REMODELS AND ADDITIONS**
residential & non-residential projects of \$50,000 +

	1Q-2005	UNITS	BUILDINGS ³	VALUE
A – Residential ¹			110	\$ 19,883,398
Remodels			108	19,536,398
Conversions and additions ²		-2	2	0
B – Non-Residential ¹			100	104,073,352
	2Q-2005	UNITS	BUILDINGS ³	VALUE
A – Residential ¹			136	\$ 29,652,150
Remodels			133	25,578,798
Conversions and additions ²		-15	3	4,073,352
B – Non-Residential ¹			126	62,472,207
	3Q-2005	UNITS	BUILDINGS ³	VALUE
A – Residential ¹			159	\$ 47,800,240
Remodels			152	23,928,691
Conversions and additions ²		217	7	23,871,549
B – Non-Residential ¹			107	43,379,389
	4Q-2005	UNITS	BUILDINGS ³	VALUE
A – Residential ¹			40	\$ 5,941,525
Remodels			38	5,656,525
Conversions and additions ²		-2	2	285,000
B – Non-Residential ¹			59	37,868,665
	1Q-2006	UNITS	BUILDINGS ³	VALUE
A – Residential ¹			103	\$ 16,860,567
Remodels			100	16,293,567
Conversions and additions ²		-6	3	567,000
B – Non-Residential ¹			114	68,588,879

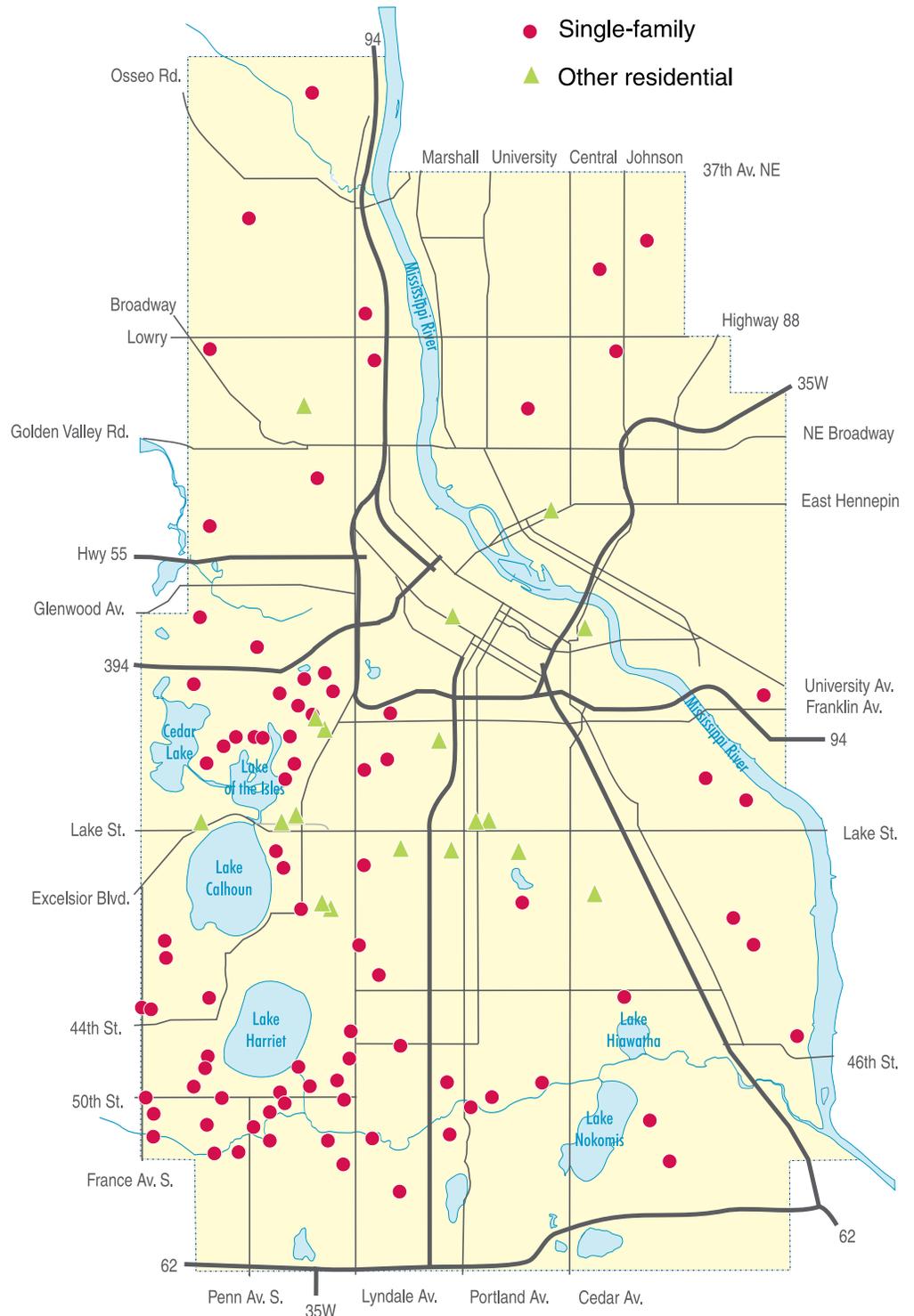
Source: CPED with data from Regulatory Services

- 1 Residential and non-residential buildings listed may include structural work, buildouts, and other improvements.
- 2 Residential conversions consist of a change in uses, e.g. from an office building to residential apartments or subdividing or consolidating residential units.
- 3 Types of non-residential buildings vary, including parking ramps; communication equipment and public works, commercial or industrial buildings.

CONVERSIONS, REMODELS AND ADDITIONS

Permits for residential remodeling were mainly issued in the southern half of the city, with a larger concentration in the lakes area.

Map 2: **PERMITTED RESIDENTIAL REMODELING, RENOVATION & CONVERSIONS**
projects \$50,000 +
first quarter 2006

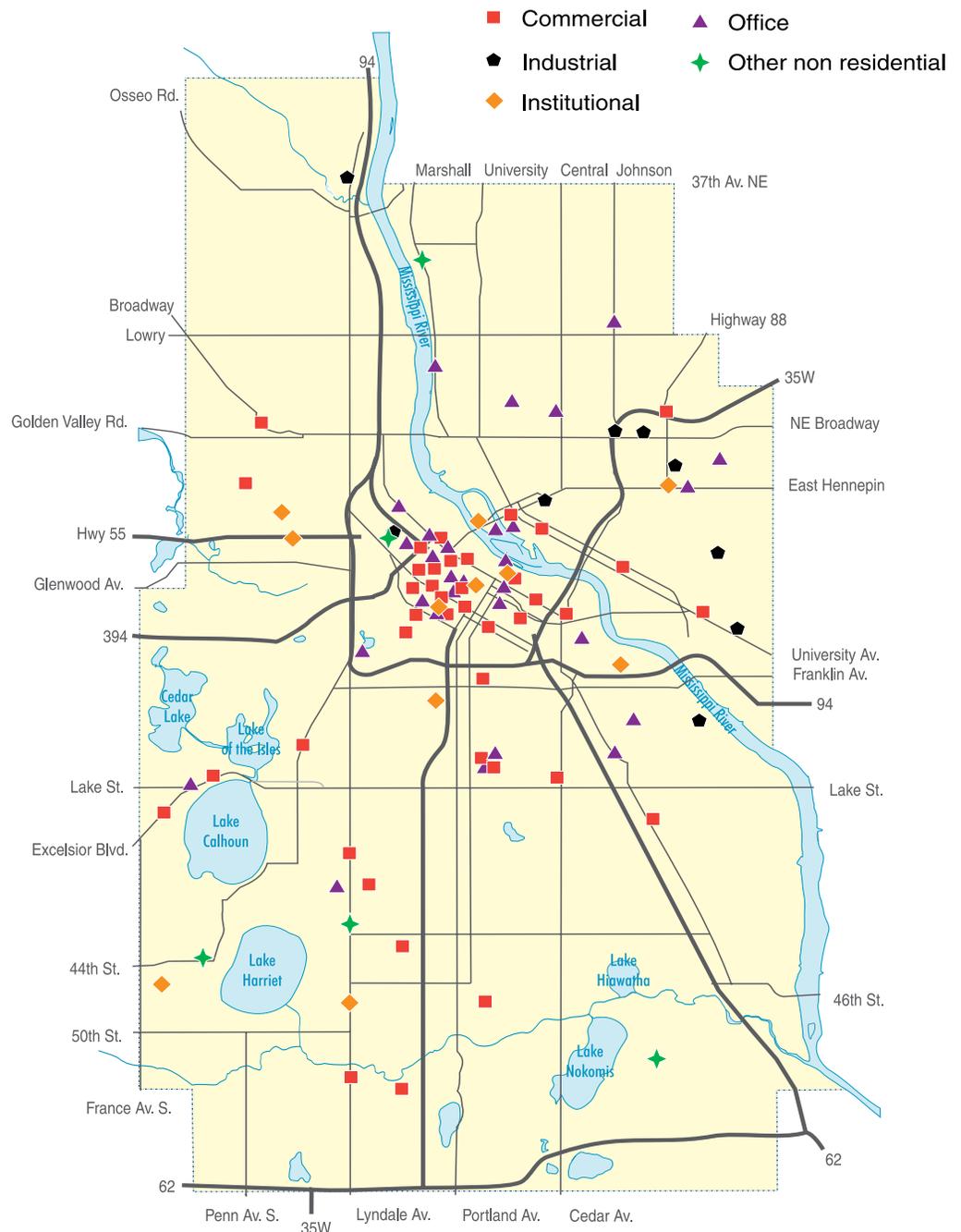


Source: CPED with data from Regulatory Services

CONVERSIONS, REMODELS AND ADDITIONS

Permits issued in the first quarter for commercial and office remodeling and renovation were mostly for downtown projects. There was also significant activity in south Minneapolis. At 88 Sixth St. S. in downtown, a permit was issued for the conversion of an office building into a 214-room hotel.

Map 3: **PERMITTED NON-RESIDENTIAL REMODELING AND RENOVATION**
 projects \$50,000 +
 first quarter 2006



Source: CPED with data from Regulatory Services

MAJOR CONSTRUCTION PROJECTS

Following is a list of major projects (projects with projected construction costs estimated at \$1 million or more each) permitted in Minneapolis in the first quarter of 2006. The highest-cost project is the construction of a new 122-unit condominium building, the Loop Calhoun condominiums, at 3104 W. Lake St., facing Lake Calhoun.

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

ADDRESS	ZIP CODE	VALUE	DESCRIPTION
3104 Lake St W*	55416	\$ 25,966,000	Loop Calhoun: New 122-unit condominium building
88 6 th St S*	55402	\$ 23,689,659	Conversion from office building to Westin Hotel
2600 University Ave S	55414	\$ 7,198,000	University Lofts: New 79-unit condominium building
2808 Aldrich Ave S*	55408	\$ 5,678,982	Urban Village: Three 9-unit residential buildings
4643 Lyndale Ave N	55412	\$ 4,050,000	Camden Apartments: New 23-unit apartment building
33 6 th St S*	55402	\$ 3,273,257	MultifoodsTower/City Center: 3rd floor buildout
500 Stinson Pkwy*	55413	\$ 3,032,346	Warehouse remodel
1313 Penn Ave N	55411	\$ 2,250,000	Medical clinic remodel
700 Nicollet Mall*	55402	\$ 1,974,000	Marshall Field's interior remodel
1750 Hennepin Ave	55403	\$ 1,750,000	Walker Art Center completion
1101 Washington Ave S	55415	\$ 1,509,815	Commercial building remodel
2200 Sheridan Ave S	55405	\$ 1,500,000	Single family home remodel
200 6 th St S*	55402	\$ 1,384,141	Pillsbury Tower: 33rd floor office space remodel
110 31 st St W	55408	\$ 1,316,491	Findley Place Townhomes remodeling
1120 Mount Curve Ave	55403	\$ 1,200,000	Two story addition to single-family home
2843 Elliot Ave*	55407	\$ 1,050,692	Midtown Exchange: Vendor spaces buildout
1925 Chicago Ave	55404	\$ 1,013,097	Building addition and alteration

Source: CPED with data from City Regulatory Services

* More than one building permit included

DEMOLITIONS

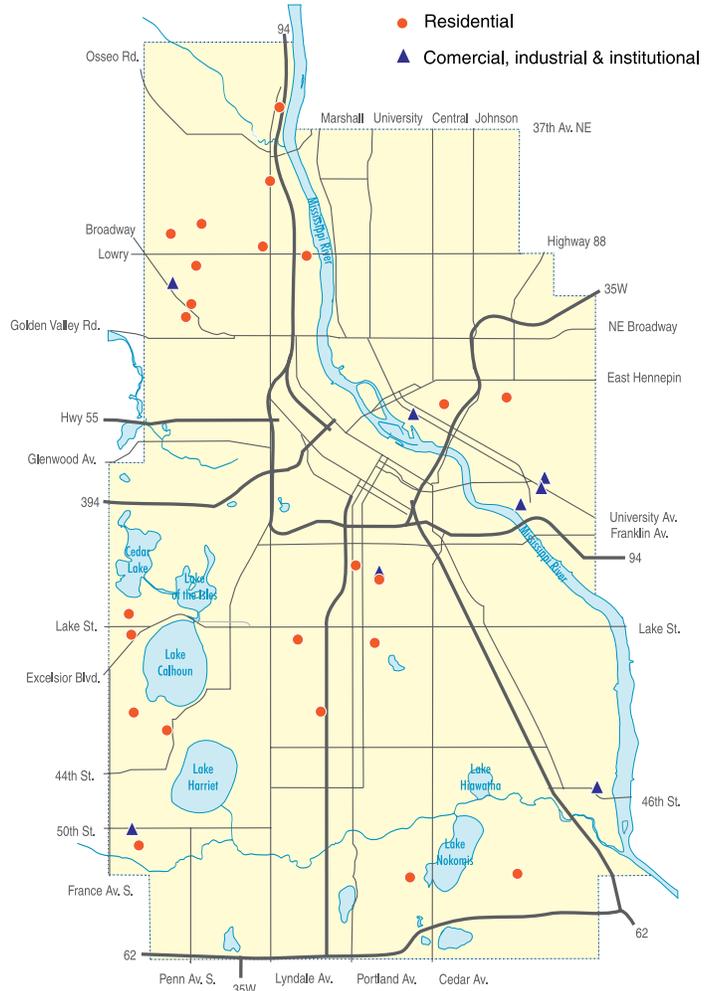
Building permits for demolition

A total of 37 residential and non-residential buildings were affected by demolitions in the first quarter.

Demolitions were scattered around the city, but most were permitted in the northwestern and southwestern quadrants.

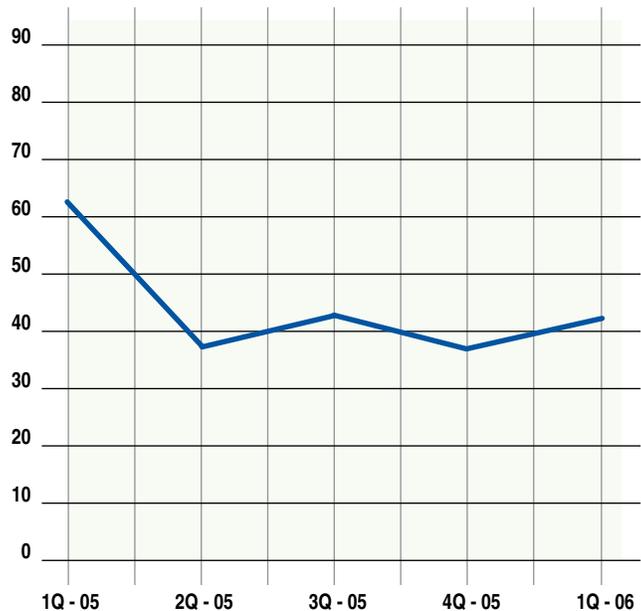
Residential demolitions increased slightly from last quarter but decreased by 33 percent since last year. During the first quarter this year, 18 single-family homes, 12 units in duplexes and 12 units in two apartment buildings were demolished.

Map 4: PERMITS FOR DEMOLITIONS – first quarter 2006



Source: CPED with data from Regulatory Services

Figure 9: RESIDENTIAL UNITS DEMOLISHED
number of permits



Source: CPED with data from 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 for a project and actual construction.

Tables four and five 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 Minneapolis Regulatory Services Department 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 counted 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-value is based on the amount the developer reports to the Regulatory Services Department.

Building permits for residential remodeling, additions and conversions: Table six and maps one to four are based on data from 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 City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings. The multifamily building category includes condominiums.

Inflation-adjusted figures: Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars. Inflation adjustment is based on the U.S. Bureau of Labor Statistics' Consumer Price Index for all items in the Midwest urban areas. For the first quarter of 2006, dollars have been converted with an index of 1.029208710 reflecting the CPI for March 2006 (193.8) and the CPI for March 2005 (188.3).

HOUSING STOCK AND THE REAL ESTATE MARKET

- Vacancy rates for multifamily housing in Minneapolis declined slightly this quarter, but they were still higher than a year ago. Meanwhile, rent was \$16 lower in inflation-adjusted dollars than a year ago. City vacancy rates continued lower than the metro area.
- The volume of housing units sold continued to drop in Minneapolis, and the median sale price in inflation-adjusted dollars was 0.9 percent lower than it was a year ago.
- Less office space was vacant in both the Minneapolis central business district (CBD) and the metropolitan area. In the city CBD the average vacancy rate was at its lowest level since the fourth quarter of 2003. The average price asked per square foot increased slightly in the city, and occupied space continued to grow but at a slower pace.
- The retail vacancy rate in the Minneapolis CBD also continued to decrease. It was 1.1 percent lower in the first quarter of 2006 than a year earlier, but average asking lease price was 48 percent lower than the prices a year earlier.
- The vacancy rate in Minneapolis industrial areas and Midway continued declining. The average asking lease price per square foot increased in Minneapolis and declined in Midway. Occupied industrial space rose at a slower pace.

RESIDENTIAL VACANCY RATES

The Minneapolis rate for multifamily rental units was 4.6 percent, down 2 percent from the previous quarter but higher than the previous year.

The average rent was \$832, up \$6 since the previous quarter and up \$8 (down \$16 in inflation-adjusted dollars)* from the previous year.

In the metropolitan area, the average vacancy rate was 5.5 percent, down from 6.9 percent a year earlier. Average rent increased by \$5, (a decrease of \$20 in inflation-adjusted dollars)*.

* For conversion index see page 30

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

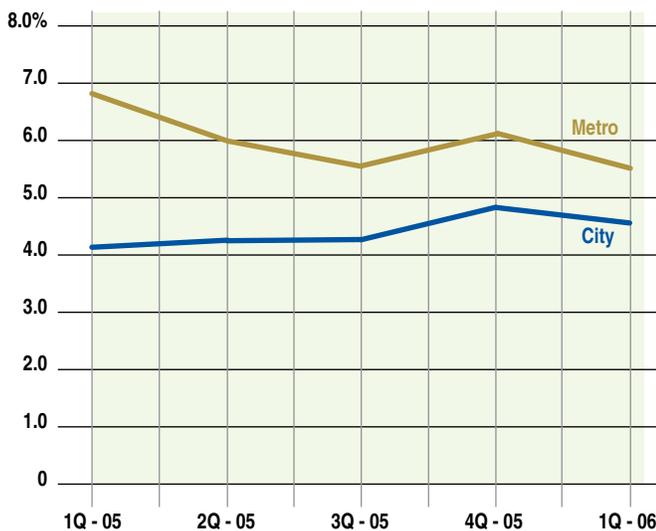
MINNEAPOLIS	2005				2006
	1Q-05	2Q-05	3Q-05	4Q-05	1Q-06
Units	15,683	15,052	15,364	15,021	15,209
Vacant units	661	647	659	722	702
Average rent	\$824	\$808	\$820	\$826	\$ 832
Vacancy rate	4.2%	4.3%	4.3%	4.8%	4.6%

METRO AREA	2005				2006
	1Q-05	2Q-05	3Q-05	4Q-05	1Q-06
Units	119,728	117,709	116,699	114,455	116,256
Vacant units	8,262	7,033	6,564	6,979	6,402
Average rent	\$850	\$848	\$848	\$ 851	\$ 855
Vacancy rate	6.9%	6.0%	5.6%	6.1%	5.5%

Source: GVA Marquette Advisors Report 2004 and 2005
based on a sample survey of market-rate rental properties.

Recorded data for the last month of the quarter

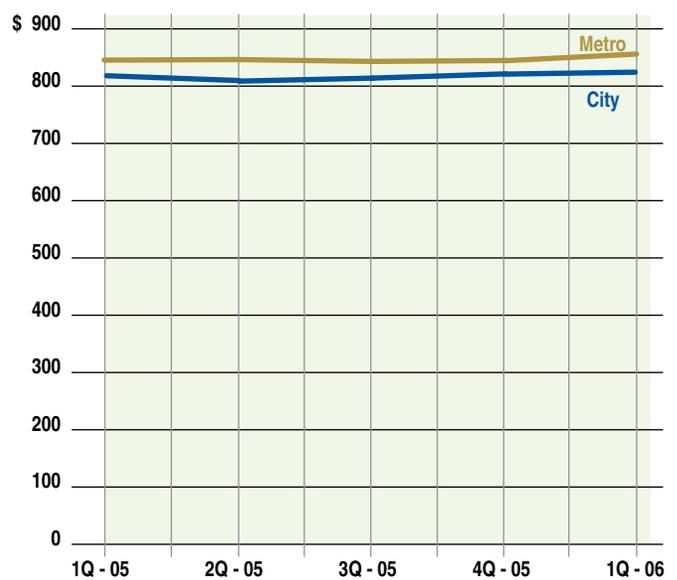
Figure 10: **RENTAL VACANCY RATE**
Minneapolis & Metro area



Source: CPED with data from GVA Marquette Advisors

Recorded data for the last month of the quarter

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



Source: CPED with data from GVA Marquette Advisors

Recorded data for the last month of the quarter

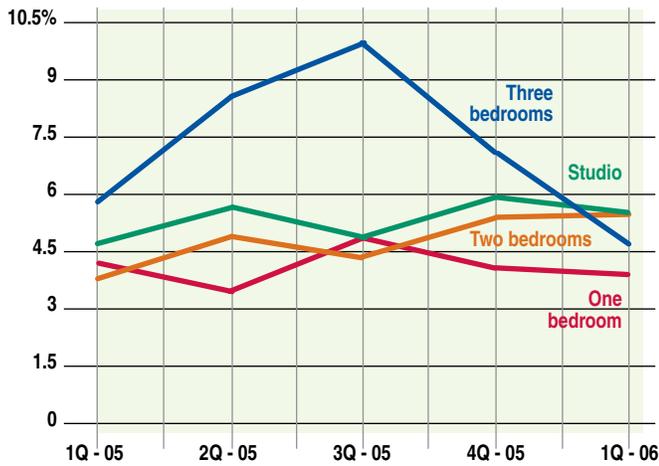
Numbers in table are not adjusted for inflation

RESIDENTIAL VACANCY RATES

Vacancy rates in Minneapolis for studio and two-bedroom apartments were higher than they were a year earlier. Vacancy rate for three-bedroom units decreased from 6 percent the previous year to 4.6 percent, while the rate for one-bedroom units decreased from 4.2 percent to 4 percent.

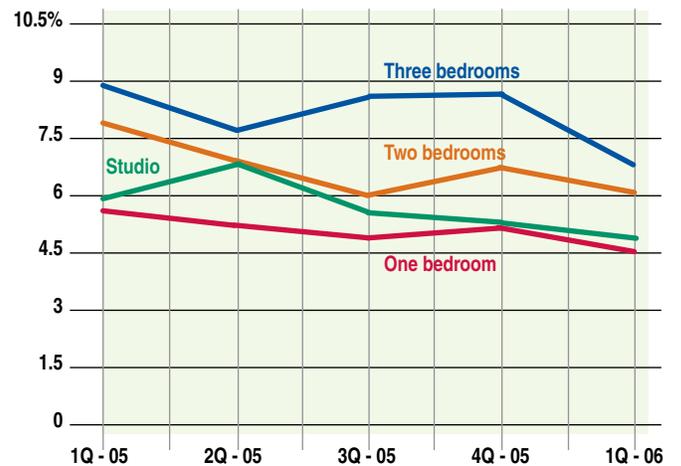
In the metropolitan area, vacancy rates for all sizes of apartments decreased in the first quarter of 2006 from highs reached the previous year. The vacancy rate decreased the most for two- and three-bedroom units. For two-bedroom units, it dropped by 1.7 percent, and for three-bedroom units it dropped 2.2 percent.

Figure 12: **RENTAL VACANCY RATE – Minneapolis**
by apartment type



Source: CPED with data from GVA Marquette Advisors
Recorded data for the last month of the quarter

Figure 13: **RENTAL VACANCY RATE – Metro area**
by apartment type



Source: CPED with data from GVA Marquette Advisors
Recorded data for the last month of the quarter

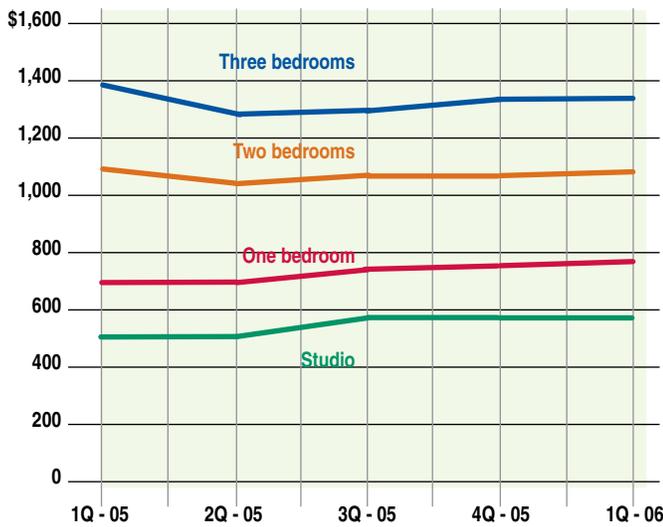
RESIDENTIAL VACANCY RATES

Average rent for studio and one-bedroom apartments in Minneapolis went up by \$24 from a year ago. Adjusted for inflation, however, rent increased by only \$8 for studios and \$2 for one-bedroom apartments. For large apartments (two and three bedrooms), rent decreased by \$22 and \$57 respectively, and by \$54 and \$98 respectively in inflation-adjusted dollars.*

Average rent for all sizes of apartments increased slightly in the last year throughout the Twin Cities metropolitan area, but adjusted for inflation it actually decreased. Average rent for large units decreased from \$1,266 to \$1,231, a decrease of 2.8 percent.*

* For conversion index see page 30

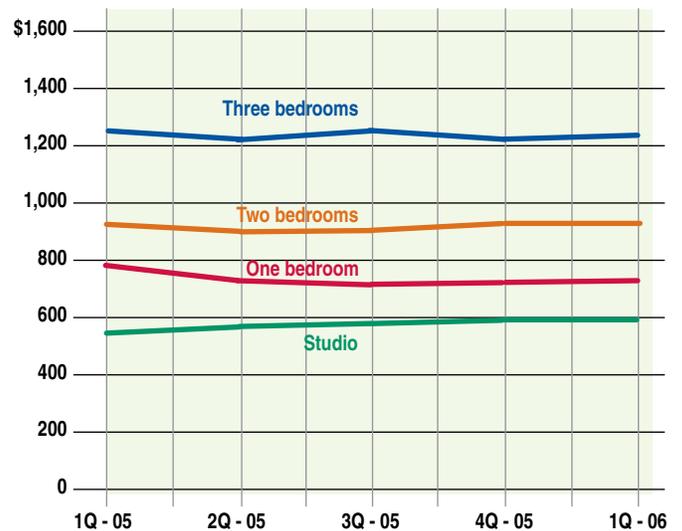
Figure 14: **AVERAGE RENT**– Minneapolis



Source: CPED with data from GVA Marquette Advisors

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

Figure 15: **AVERAGE RENT** – Metro area



Source: CPED with data from GVA Marquette Advisors

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

RESIDENTIAL SALES

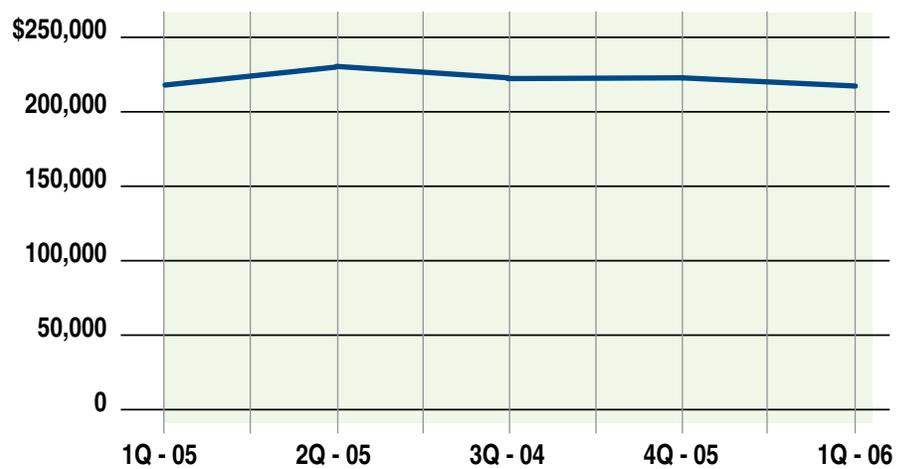
The total number of housing units sold continued dropping since the second quarter of 2005. Fewer units sold by 26 percent since last quarter and by 34 percent since last year. Median sale prices decreased \$5,800 since the last quarter, but they are still \$4,200 above prices from a year ago in dollars not adjusted for inflation.

Compared to a year ago single-family houses gained \$12,000 in value (\$6,300 in inflation adjusted dollars)*, while condominiums dropped \$20,700 (\$27,900 in inflation adjusted dollars)*.

In March 2006 dollars, median sale prices were \$7,700 lower than last quarter and about \$2,000 lower than a year ago. The drop in prices reflects mainly lower values in the condominium market.

* For conversion index see page 30

Figure 16: **MEDIAN RESIDENTIAL SALE PRICES** – Minneapolis
in December 2005 dollars*



Source: CPED with data from the City Assessor's Office and the U.S. Bureau of Labor Statistics

Residential housing includes single-family housing, duplexes, triplexes, condominiums and townhouses. It does not include apartments.

Figures adjusted for inflation using CPI index for housing – Midwest urban areas- Class A city

Table 9: **RESIDENTIAL UNITS SOLD AND MEDIAN SALE VALUES** ¹ – Minneapolis

	1Q-2005		2Q-2005		3Q-2005		4Q-2005		1Q-2006	
	# UNITS	MED. SALE								
Single-Family	1,212	\$ 196,000	1,806	\$ 213,300	1,711	\$ 216,500	1,208	\$ 215,000	816	\$ 208,000
Duplex/Triplex	248	\$ 250,000	339	\$ 267,800	298	\$ 271,800	251	\$ 260,000	125	\$ 265,000
Condominium/ Townhouse	511	\$ 247,160	650	\$ 249,000	462	\$ 220,000	290	\$ 250,000	354	\$ 226,500
TOTAL	1,971	\$ 215,000	2,795	\$ 225,000	2,471	\$ 223,900	1,749	\$ 225,000	1,295	\$ 219,200

Source: CPED with data from City of Minneapolis Assessor's Office

Table values are not adjusted for inflation

¹ Numbers do not include apartments, vacant land sold or unclassified residential units. Revised and updated as of April 2006

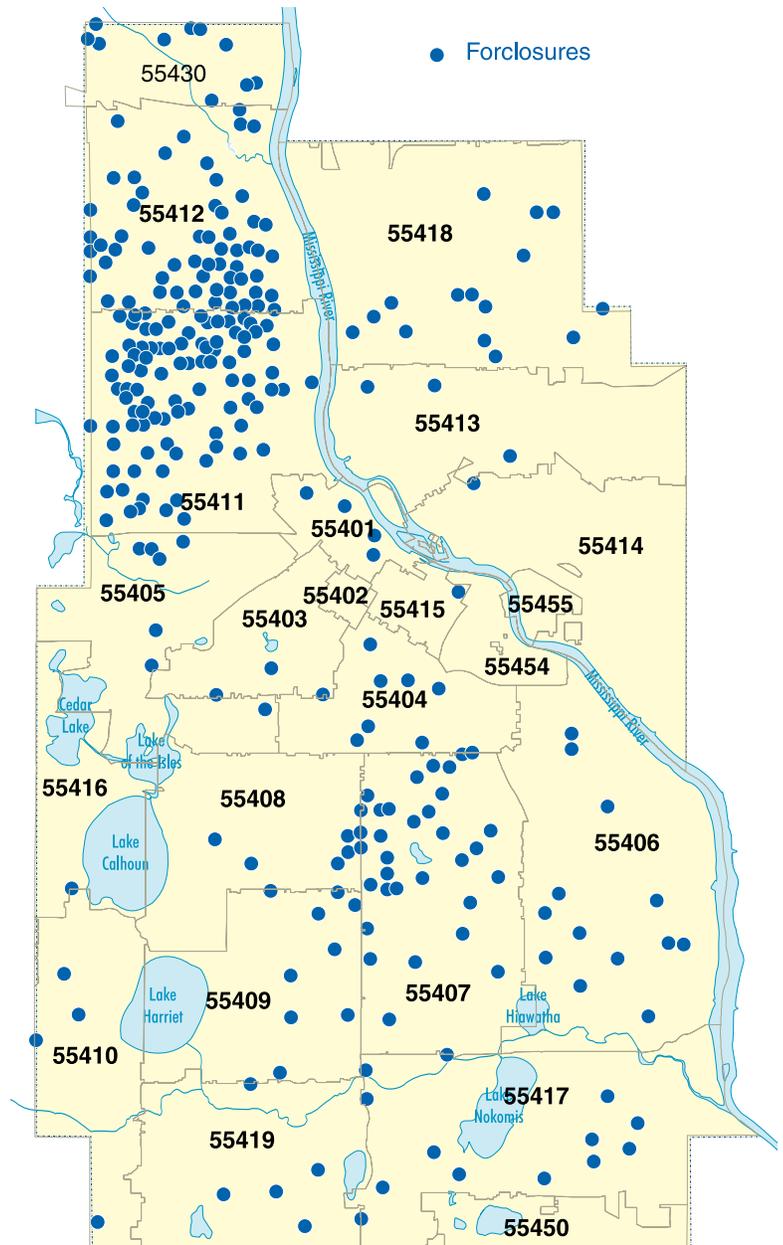
FORECLOSURE SALES

The number of foreclosures (housing units that went to public auction because of failure to pay mortgages or other contractual property fees) numbered 319 in Minneapolis during the first quarter. Nearly all of the units – 97 percent – were sold at public auction by Hennepin County because of failure to pay mortgages. More than half of the foreclosures – 54.9 percent – were located on the north side of Minneapolis (in zip codes 55411 and 55412), and 10 percent were located in zip code 55407.

Map 5: FORECLOSURE SALES – first quarter 2006

Table 10: FORECLOSURE SALES BY ZIP CODES

Zip Codes	Foreclosure sales	Percent
55401	5	1.6%
55403	1	0.3%
55404	9	2.8%
55405	7	2.2%
55406	13	4.1%
55407	33	10.3%
55408	11	3.4%
55409	8	2.5%
55410	4	1.3%
55411	115	36.1%
55412	60	18.8%
55413	3	0.9%
55414	1	0.3%
55415	1	0.3%
55416	1	0.3%
55417	12	3.8%



Source: CPED with data from Hennepin County Sheriff's Office

OFFICE SPACE

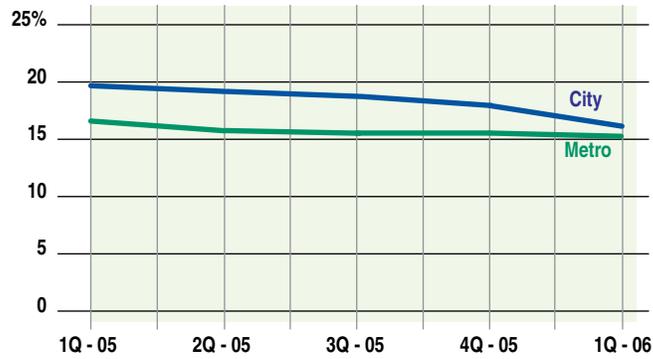
The average vacancy rate for office space in both the Minneapolis central business district (CBD) and the metropolitan area continued declining in the first quarter of 2006. In Minneapolis, vacancies went down from 19.5 percent a year ago and from 17.2 percent last quarter to 16.2 percent. In the CBD, the vacancy rate reached its lowest level since the fourth quarter of 2003, when it stood at 16.5 percent. In the metro area, the office space vacancy rate went from 17.1 percent a year ago and from 15.7 percent last quarter to 15.2 percent. The gap between city and metropolitan vacancy rates continued to narrow.

Average asking lease rates in Minneapolis increased slightly from \$9.56 per square foot last quarter to \$9.63. One year ago, the average was \$9.33, which is 3.2 percent lower than it was the first quarter. In inflation-adjusted dollars, the lease rate one year ago was \$9.60 per square foot,* 0.3 percent lower than it was the last quarter. In the metro area, prices increased from \$10.33 a year ago to \$10.38 but declined from \$10.63 in inflation-adjusted dollars*.

* For conversion index see page 30

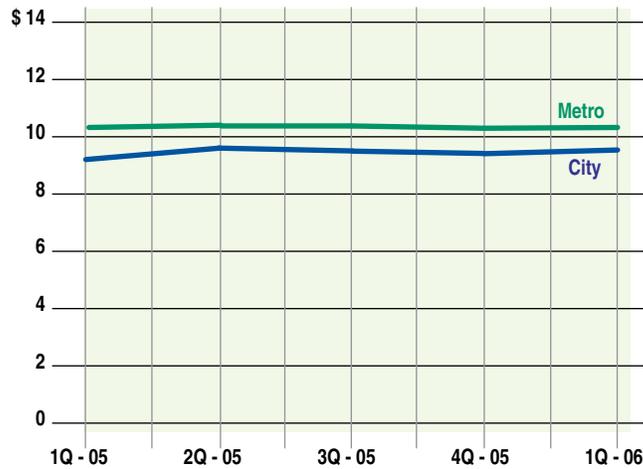
Office space continues to fill in the city central business district (CBD) but at a slower pace than in the third and fourth quarters. In the metropolitan area, growth slowed down slightly since the last quarter and one year ago.

Figure 17: OFFICE VACANCY RATE



Source: CPED with data from CB Richard Ellis
Class A, B and C office buildings 10,000 square feet and larger

Figure 18: OFFICE AVERAGE ASKING LEASE RATE
in dollars per square foot per year



Source: CPED with data from CB Richard Ellis
Figures are not adjusted for inflation
Class A, B and C office buildings 10,000 square feet and larger

Figure 19: OCCUPIED OFFICE SPACE – rate of growth

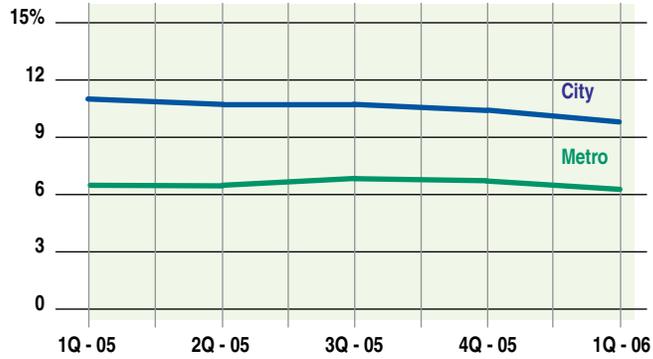


Source: CPED with data from CB Richard Ellis
Class A, B and C office buildings 10,000 square feet and larger

RETAIL SPACE

The retail vacancy rate in the Minneapolis central business district fell to 10 percent – 1.1 percent lower than one year ago. The vacancy rate in the metropolitan area fell to 6.3 percent, 4 percent lower than one year ago.

Figure 20: **RETAIL VACANCY RATE**

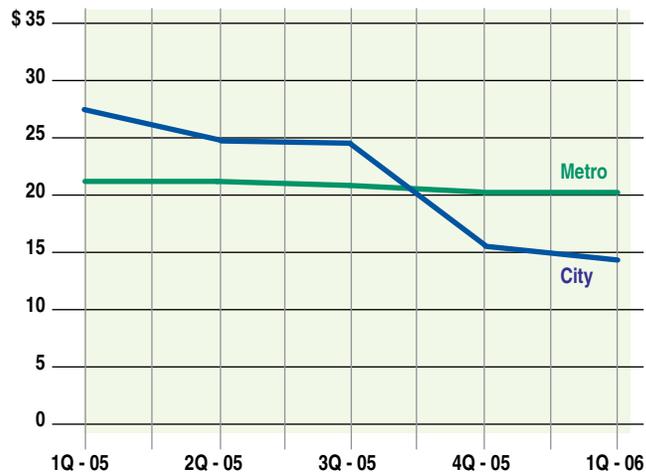


Source: CPED with data from CB Richard Ellis

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

In the city's central business district, average asking lease prices reached their lowest point in the last five quarters – 48 percent lower than one year ago (49 percent lower adjusted for inflation at \$28.28 per square foot). In the metropolitan area, prices were slightly up from the fourth quarter, but they decreased by 6.6 percent since a year ago. In inflation-adjusted dollars*, that was a decrease of 9.3 percent from \$22.24

Figure 21: **RETAIL - AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



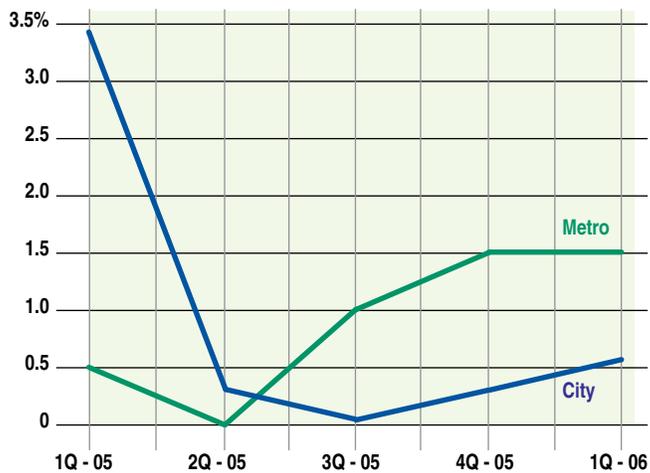
Source: CPED with data from CB Richard Ellis

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

* For conversion index see page 30

The rate of growth in Minneapolis occupied retail space surged a year ago, but since the third quarter last year has been increasing continuously and slowly. The metropolitan area continued to grow since the second quarter of last year when growth was flat, but the rate of growth was stable in the last quarter.

Figure 22: **OCCUPIED RETAIL SPACE – rate of growth**



Source: CPED with data from CB Richard Ellis

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

INDUSTRIAL SPACE

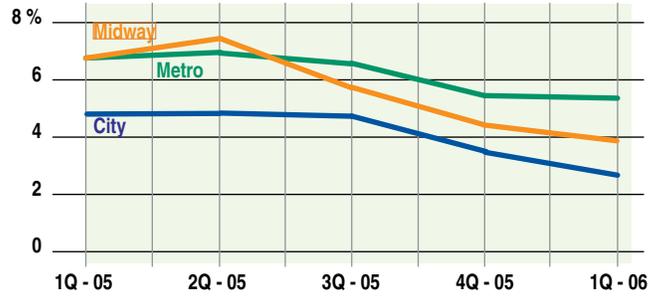
The industrial space vacancy rate decreased since the third quarter 2005 in Minneapolis and since the second quarter 2005 in Midway. The vacancy rate was 2.1 percent lower in Minneapolis than a year ago and 2.8 percent lower in Midway. The vacancy rate also decreased in the metropolitan area and was lower than last year's, but it was higher than Minneapolis' or Midway's.

In the first quarter of 2006, the average asking lease rate for industrial space in Minneapolis was about 3.9 percent higher than it was a year ago (higher by 0.7 percent when adjusted for inflation)*. In Midway it was 4.1 percent lower (6.8 percent lower when adjusted for inflation)*. In the metropolitan area, it was lower by 4.6 percent (lower by 7.3 percent when adjusted for inflation)*.

* For conversion index see page 30

More industrial space in Minneapolis was occupied this quarter than one year ago. Occupied industrial space growth in the city has been decreasing slightly from the third quarter of 2005, after increasing steadily for the first three quarters of 2005. In Midway the rate of growth in occupied space was stable since the last quarter, but is up since a year ago when occupied space was actually declining. The metropolitan area has been occupying more industrial space continuously since the second quarter, but its growth rate slowed sharply this quarter.

Figure 23: **INDUSTRIAL VACANCY RATE**

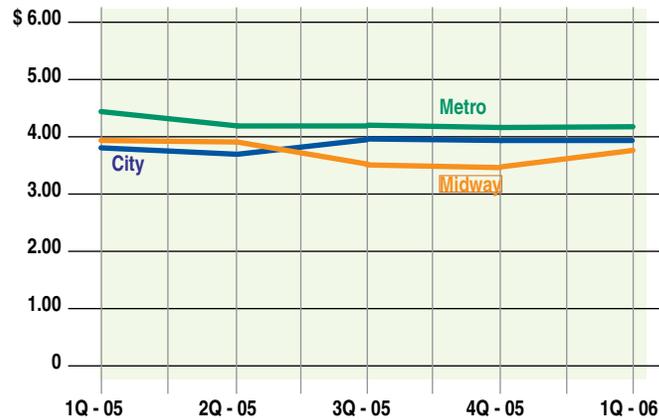


Source: CPED with data from CB Richard Ellis

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

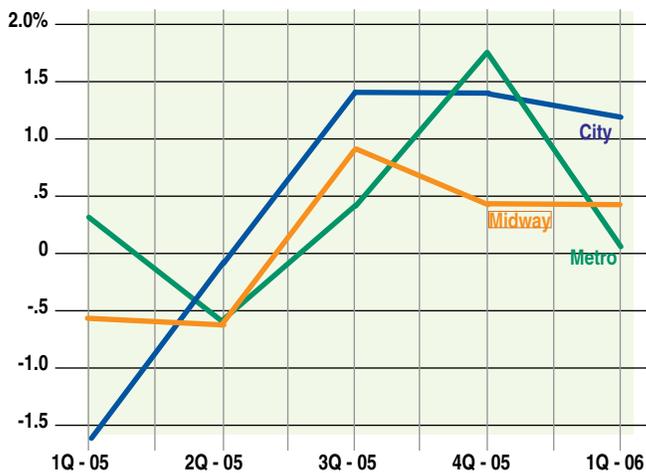


Source: CPED with data from CB Richard Ellis

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 25: **INDUSTRIAL OCCUPIED SPACE – rate of growth**



Source: CPED with data from CB Richard Ellis

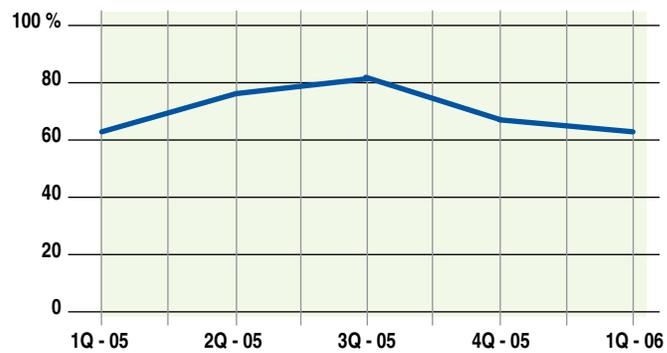
Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

Midway includes industrial areas of northeast Minneapolis and Saint Paul.

HOSPITALITY

Hotel occupancy rates in Minneapolis were at 62.9 percent, up from 61.6 percent a year ago. The rates were down from last quarter, reflecting seasonal variations.

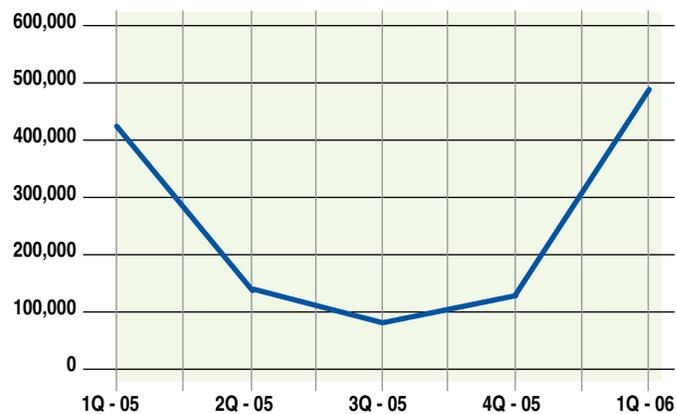
Figure 26: **HOTEL OCCUPANCY RATES – Minneapolis**



Source: Greater Minneapolis Convention & Visitors Association

The number of attendees at the Minneapolis Convention Center increased by 14 percent since a year ago. The numbers in the first quarter reflect attendance at annual consumer shows such as the Twin Cities Auto Show, which draw more than 90,000 visitors every March and draw largely from a regional audience.

Figure 27: **MINNEAPOLIS CONVENTION CENTER event attendees**



Source: Minneapolis Convention Center and Greater Minneapolis Convention & Visitors Association

DEFINITIONS AND SOURCES

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.

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

Foreclosures: When property owners are deprived of the right to redeem their properties because of failure to make payments on a mortgage when due or other contractual property fees. Data on foreclosures sales are obtained from Hennepin County Sheriff's Office records and include only foreclosed properties in the City of Minneapolis that were sold at public option in the specified time period. Addresses are unverified.

Real estate statistics as reported by CB Richard Ellis (see Web site at www.cbre.com) include office, retail and industrial space vacancy rates, yearly lease price per square foot and absorption of square feet for the Twin Cities metropolitan area and Minneapolis (industrial space) or Minneapolis central business district (office and retail space). The metropolitan area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries.

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

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

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

Rate of growth and absorption: The change in occupied square feet from one period to the next, determined by subtracting vacant space from rentable space available.

DEFINITIONS AND SOURCES

Hotel occupancy: number of occupied hotel rooms divided by the total number of hotel rooms in Minneapolis. Data supplied by the Greater Minneapolis Convention & Visitors Association and collected by Smith Travel Research.

Attendance at the Minneapolis Convention Center: Number of total attendees at consumer shows and conventions in Minneapolis. Data collected by the Minneapolis Convention Center and supplied by the Convention Center and Greater Minneapolis Convention & Visitors Association.

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To convert housing values, a CPI for housing in Midwest urban areas for class A-sized cities is used. To compare the first quarter of 2006 with the first quarter of 2005, the index is 1.02914193, the result of the relation between the CPI for March 2006 (190.7) and the CPI for March 2005



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