

Highlights for the first quarter of 2007

- The unemployment rate increased to 4 percent this quarter, a normal seasonal change. However, it was lower than the 4.2-percent unemployment rate in the metro area. This is the first time since the City began tracking this data in 1990 that Minneapolis had a lower unemployment rate than the metro area. *see page 4*
- The number of permits for new multifamily housing in Minneapolis rose, while new single-family permits decreased considerably in the metro area. *see page 13*
- Rental vacancy rates in Minneapolis tended to increase again, and rent was stagnant in both the city and the metro. *see page 25-29*
- Housing sales slowed considerably in Minneapolis and the metro area, and median sale prices decreased from last year. *see page 30*
- Foreclosures increased in the city to 678 this quarter, more than twice the number from the same period last year. The number of vacant and boarded buildings in the city also increased. *see page 31*
- Quarterly office vacancy rates dropped to 14 percent in the Minneapolis central business district (CBD), a lower rate than the metro area's 14.1-percent office vacancy rate. *see page 33*
- The quarterly retail vacancy rate in the Minneapolis CBD decreased from 11 percent last quarter to 8.9 percent, and the average price per square foot increased. *see page 35*

Jobs and Wages- Highlights for the third quarter 2006

- Jobs in Minneapolis increased in the second and third quarters of 2006. In the third quarter there were 7,473 more jobs (2.6 percent) than in the third quarter of 2005. In the metro area, jobs increased by 0.7 percent over the same 12 month period. *see pages 5-7*
- Average weekly third quarter wages increased by only 0.7 percent in inflation-adjusted dollars in Minneapolis from a year ago, and decreased by 2.6 percent in the metro area in inflation-adjusted dollars. *see pages 8,9*

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



first quarter 2007



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

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Minneapolis Trends



first quarter 2007

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Economic Indicators

New measures added this quarter:

- *Labor force, employment and unemployment for the 7 county metro area (see page 14 for geographical area definition)*
- The unemployment rate increased slightly to 4 percent this quarter, a normal seasonal change. But the city's rate was lower than the metro area's, which rose to 4.2 percent. This is the first quarter since 1990 that the city had a lower unemployment rate than the metro area.
- The number of city residents with jobs decreased this quarter, but it was still slightly higher than a year ago; in the metro area the number of people with jobs also decreased, to almost the same level from a year ago.
- The number of jobs in Minneapolis increased in the second and third quarters of 2006. In the third quarter there were 2.6 percent more jobs than in the third quarter of 2005, largely due to increases in the service sector. This is the third quarter in a row that the 12 month rate of job growth in the city exceeded the metro and state job growth rates for comparable periods.
- Average weekly third quarter wages did not fare as well as the number of job increases. Minneapolis wages increased by only 0.7 percent in inflation-adjusted dollars from a year ago, while the metro and state wages decreased by 2.6 and 2.1 percent respectively in inflation-adjusted dollars in the same period.

Labor force

Employment of Minneapolis residents went down to slightly more than 206,800 – almost the same number as the first quarter last year. Employment for city and metro area residents decreased since last quarter by 2.2 percent. Unemployment was 4 percent this quarter in the city, but 4.2 percent in the metro area – the first time since the city started consistently tracking them that the rate is lower in the city than in the metro area. Unemployment in the metro area rose faster than employment. It also rose faster than unemployment in Minneapolis.

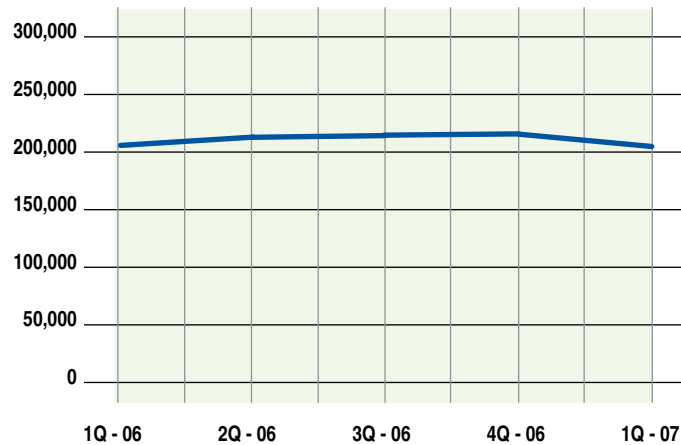
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	2006 1Q-06	2Q-06	3Q-06	4Q-06	2007 1Q-07
Minneapolis					
Labor Force	215,357	217,174	219,816	219,534	215,570
Employment	206,837	209,293	211,159	211,555	206,842
Unemployment Rate	4.0%	3.6%	3.9%	3.6%	4.0%
Metro area*					
Labor Force	1,598,703	1,608,099	1,625,708	1,627,300	1,602,972
Employment	1,535,326	1,553,559	1,567,412	1,570,351	1,535,362
Unemployment Rate	4.0%	3.4%	3.6%	3.5%	4.2%

* For metro area definition, see page 11

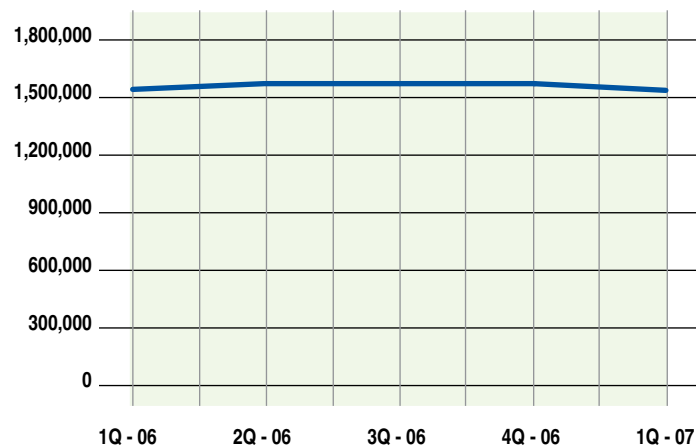
Source: Minnesota Department of Employment and Economic Development (DEED)
- Labor Market Information.

Figure 1: **AVERAGE EMPLOYMENT – Minneapolis**



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

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



* For metro area definition, see page 11

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

Jobs

The most recent figures available are from the third quarter of 2006. The number of jobs located in Minneapolis was stable in comparison with the previous quarter, but increased 2.6 percent from the same quarter the previous year. Categories showing the most year-to-year growth in overall number of jobs were Finance and insurance (adding 2,535 jobs) for a year-to-year growth rate of 9.1 percent, and Health care and social assistance (adding 2,448 jobs) for a year-to-

year growth rate of 5.7 percent. Educational services added 1,677 jobs, a 6.7 percent increase over the same period in 2005. Management of companies and enterprises and Professional and technical services added 1,202 and 1,137 jobs respectively, and Administrative and waste services added 1,060 jobs. The three last sectors grew at 8.2 percent, 3.9 percent and 7.2 percent respectively. On the other hand, the Retail sector lost 1,902 jobs and the Information sector lost 820.

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

	3Q-2005	4Q- 2005	1Q- 2006	2Q-2006	3Q-2006
Total, all industries ¹	288,744	292,006	290,287	296,075	296,217
Manufacturing	16,688	16,610	16,605	16,649	16,630
Utilities*	3,114	3,145	3,038	3,069	3,092
Wholesale trade	9,829	9,688	9,592	9,594	9,789
Retail trade	16,622	17,262	15,069	15,194	14,720
Transportation and warehousing*	4,311	4,576	4,372	4,337	4,236
Information	11,637	11,497	11,131	10,893	10,817
Finance and insurance*	27,948	28,016	30,333	30,459	30,483
Real estate and rental and leasing	6,433	6,365	6,219	6,299	6,343
Professional and technical services*	29,299	29,405	29,749	30,211	30,436
Management of companies & enterprises	14,589	15,223	16,108	15,992	15,791
Administrative and waste services*	14,694	15,236	14,421	15,369	15,754
Educational services	25,182	27,610	28,295	29,236	26,859
Health care and social assistance	42,656	42,594	43,159	43,437	45,104
Arts, entertainment and recreation*	4,899	4,980	4,486	5,026	5,084
Accommodation and food services	22,689	22,288	21,609	23,006	23,109
Other services*	10,654	10,702	10,226	10,625	10,546
Public administration	13,293	12,865	12,361	12,618	13,128

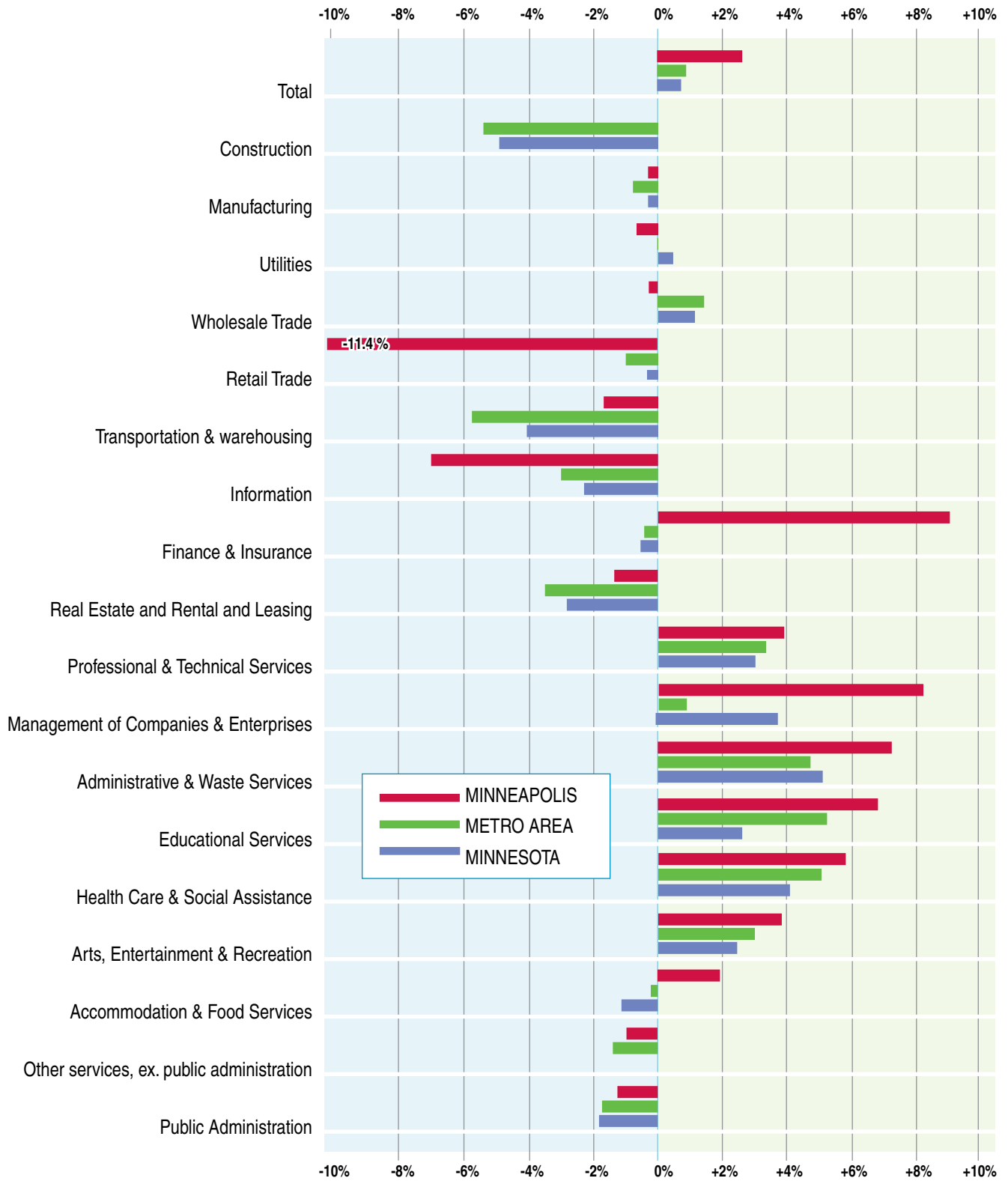
* Private jobs only

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.

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

Jobs

Figure 3: **JOBS** – 3Q-2005 TO 3Q-2006 – percent change



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

Jobs

When compared to the region and the state, Minneapolis had higher rates of job growth due to large increases in the service sector including Finance and insurance, Management of companies, Administrative and waste services, Educational services and Health care and social assistance. In Minneapolis, Finance and insurance had the highest growth, but the sector lost jobs in the region and the state. Utility Jobs increased outside the city and the region, while wholesale jobs tended to grow in the metro and the State but decreased in the city. The city was hit hardest in the retail sector, losing 11.4 percent of its jobs. The city lost more than 1,900 retail jobs, a higher number than the total retail jobs lost in the metro (1,660) and in the State (916). Real estate decreased in the city, the metro and state but less than retail. The number of public administration jobs declined by 1.2 percent in the city but gained 1.7 percent in the metro area and 1.8 percent in the state.

Wages

The average weekly wage in Minneapolis in the third quarter of 2006 was \$1,027, a nominal increase of \$25 (\$7 in inflation-adjusted dollars*) from the same period the previous year. In fact, in inflation-adjusted dollars, wages decreased in half of the economic sectors during this time. The sector with the highest year-to-year wage increases was Health care and social assistance, which increased its real wages 6.8 percent, or \$61 in inflation-adjusted dollars. Real estate, which had benefited from the housing boom, increased weekly wages by \$53 (\$36 in inflation-adjusted dollars*). The other two sectors that increased the most during the year were Utilities (which increased \$50 – \$21 in inflation-adjusted dollars*) and Finance and insurance (which increased \$45 – \$19 in inflation-adjusted dollars*). Nine sectors saw their average weekly wages decline over the year in inflation-adjusted dollars: Retail trade; Management of companies; Transportation and warehousing; Administrative and waste services; Arts, entertainment and recreation; Wholesale trade, Manufacturing; Other services and Accommodation and food services.

* For conversion index, see page 11

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

Industry	3Q-2005	4Q-2005	1Q-2006	2Q-2006	3Q-2006
Total, all industries ¹	\$1,002	\$1,044	\$1,110	1,009	\$1,027
Manufacturing	\$940	\$1,053	\$1,026	\$945	\$934
Utilities*	\$1,634	\$1,622	\$2,018	\$1,571	\$1,684
Wholesale trade	\$1,076	\$1,160	\$1,109	\$1,065	\$1,070
Retail trade	\$623	\$588	\$499	\$526	\$511
Transportation & warehousing*	\$699	\$686	\$625	\$661	\$645
Information	\$1,071	\$1,115	\$1,187	\$1,074	\$1,100
Finance & insurance*	\$1,502	\$1,688	\$2,418	\$1,467	\$1,547
Real estate & rental and leasing	\$988	\$1,071	\$1,148	\$1,835	\$1,041
Professional & technical services*	\$1,409	\$1,716	\$1,426	\$1,383	\$1,440
Management of companies & enterprises	\$1,617	\$1,508	\$1,477	\$1,774	\$1,565
Administrative & waste services*	\$591	\$572	\$592	\$572	\$562
Educational services	\$1,026	\$900	\$988	\$854	\$1,047
Health care & social assistance	\$873	\$895	\$882	\$887	\$949
Arts, entertainment & recreation*	\$1,298	\$931	\$1,005	\$1,093	\$1,287
Accommodation & food services	\$342	\$339	\$338	\$337	\$343
Other services*	\$554	\$542	\$534	\$534	\$554
Public administration	\$987	\$1,066	\$1,048	\$1,057	\$1,007

* 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.

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

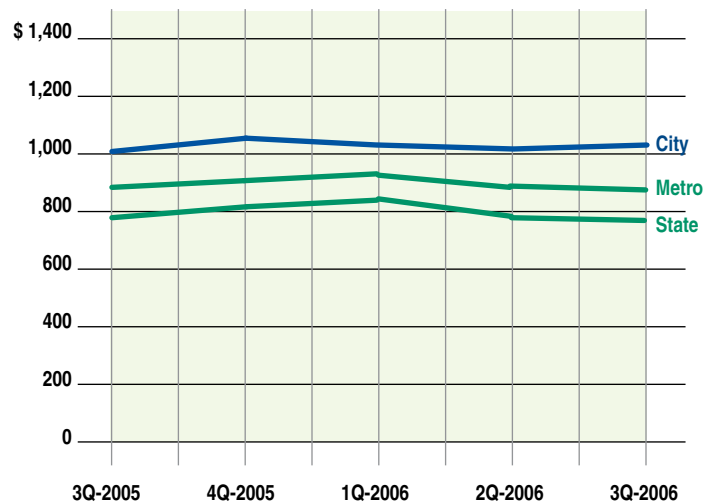
Wages

In general, jobs in Minneapolis continued to command higher average weekly wages than jobs in the metropolitan area or the state. Third-quarter wages in Minneapolis increased by 2.5 percent (0.7 percent in inflation-adjusted dollars*). At the same time, metro area average wages decreased by 0.9 percent (2.6 percent in inflation-adjusted dollars), and state average wages also decreased by 0.5 percent or 2.1 percent in inflation-adjusted dollars*.

Most industries experienced decreased wages in inflation-adjusted dollars since the third quarter of 2005 in the metro area and the state. Wages decreased in Information, Finance and insurance, and Public administration only in this two jurisdictions but not in Minneapolis. In the city wages grew most in Health care and social assistance; in the metro, Real estate had an increase in wages of 2.5 percent in inflation-adjusted dollars. In the state, it was Educational services the sector with the highest growth in wages – 1.9 percent in inflation-adjusted dollars.

* For conversion index, see page 11

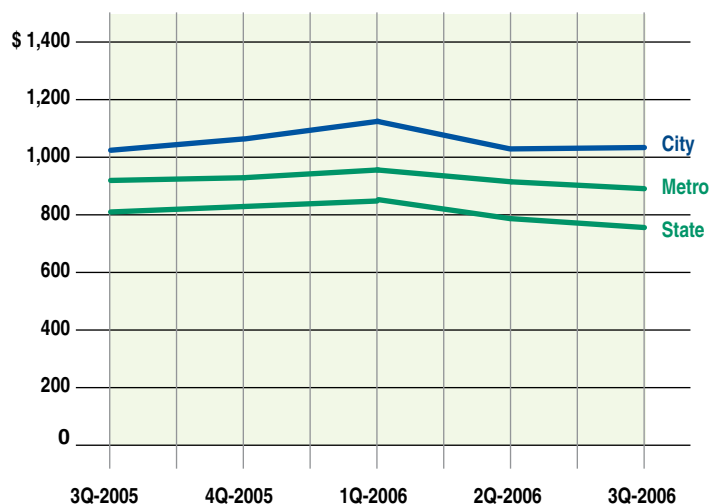
Figure 4: **AVERAGE WEEKLY WAGES – 3Q-05-3Q-06**
in current dollars



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

	3Q-2005	4Q-2005	1Q-2006	2Q-2006	3Q-2006
Minneapolis	\$1,002	\$1,044	\$1,110	1,009	\$1,027
Metro	\$899	\$922	\$955	\$902	\$891
State	\$790	\$809	\$830	\$790	\$786

Figure 5: **AVERAGE WEEKLY WAGES – 3Q-0-3Q-06**
in adjusted inflation dollars

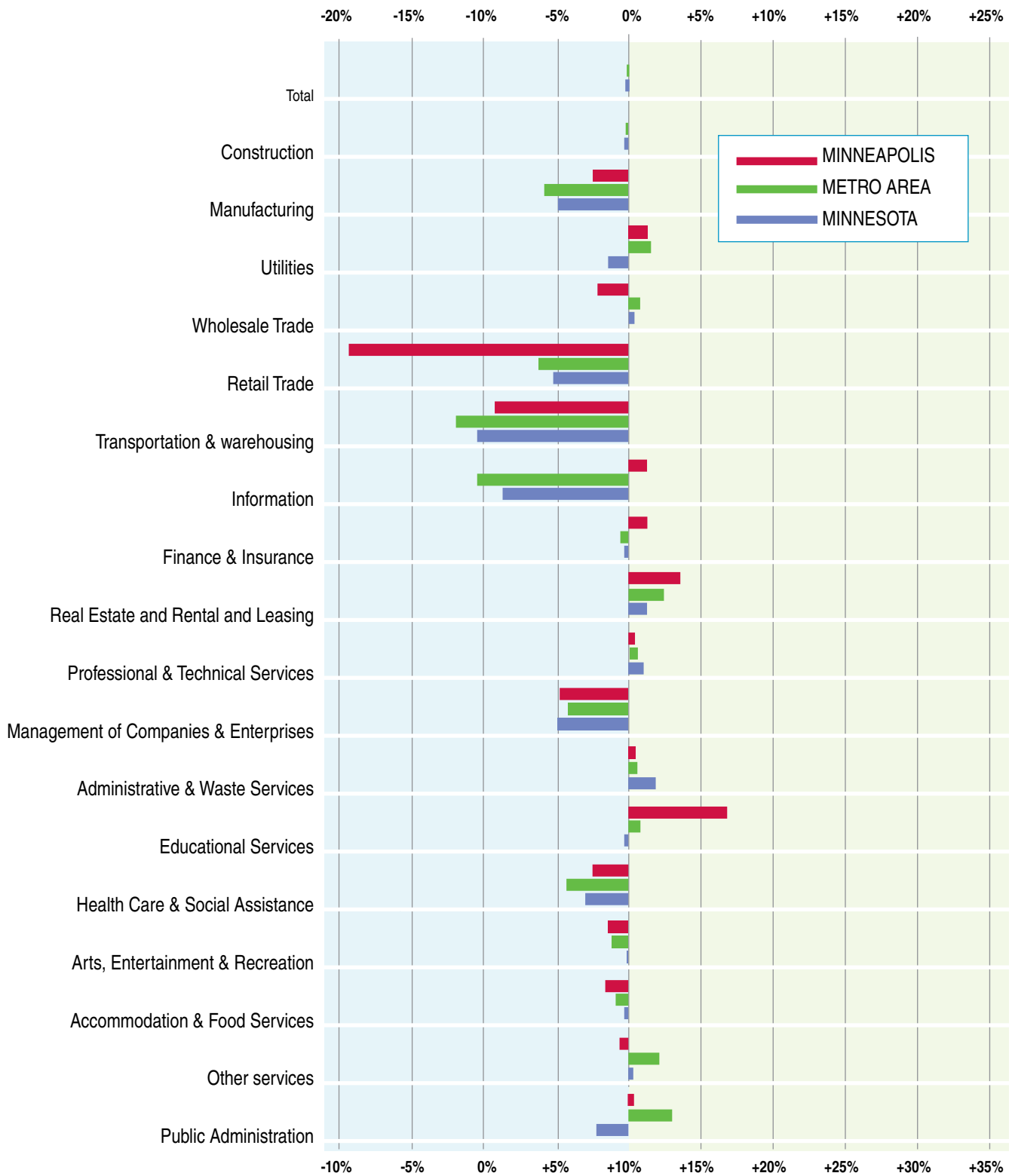


Source: Minnesota Department of Employment and Economic Development (DEED)

in constant dollars	3Q-2005	4Q-2005	1Q-2006	2Q-2006	3Q-2006	Change
Minneapolis	\$1,020	\$1,062	\$1,123	\$1,020	\$1,027	\$7
Metro	\$915	\$938	\$966	\$912	\$891	-\$24
State	\$803	\$822	\$835	\$795	\$786	-\$17

Wages

Figure 5: **AVERAGE WEEKLY SALARIES** – 3Q-05 – 3Q-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 third 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

- In spite of a general slowdown of the housing market, the number of permits issued to build new multifamily units increased in Minneapolis in the first quarter and exceeded the level of a year ago. Most of the activity is due to the construction of the Eitel building in Loring Park, which will add 213 new rental units.
- Single-family construction decreased substantially in the metro area and in Minneapolis, where the average cost of single-family construction increased because of a few very high-cost homes.
- The number of permits for residential and non-residential remodeling decreased from past quarters. No significant activity converting office or industrial space into residences took place during the first quarter.

New residential construction

In Minneapolis, the number of permits issued to build new units increased from the last quarter's low level. For the metro area the number of permits issued for new units this quarter fell 27.7 percent from last quarter and fell 29.2 percent from a year ago. Single-family construction decreased the most and kept total construction numbers low.

In Minneapolis new multifamily units permitted were up to 259 from 130 the last quarter, and were 30 units more than in the first quarter 2006. The relatively high performance of multifamily construction prevented the total number of permitted units from falling further.

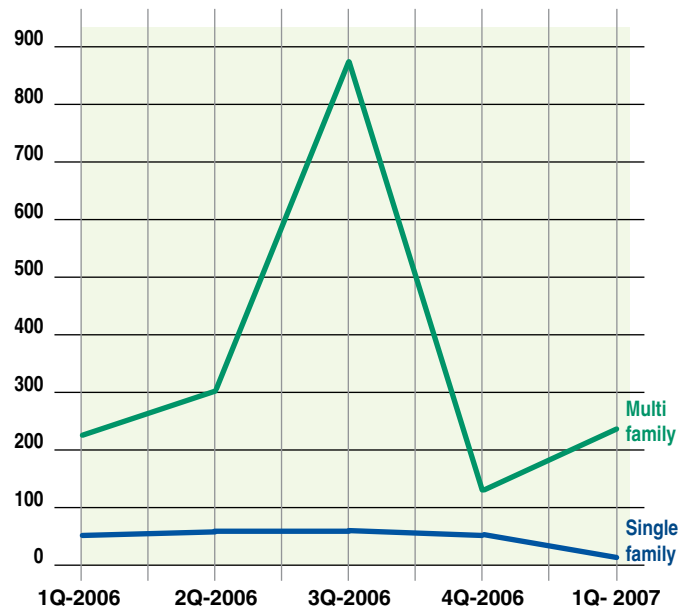
Table 4: **NEW RESIDENTIAL CONSTRUCTION PERMITS ISSUED**
by unit

	1Q-2006	2Q-2006	3Q-2006	4Q-2006	1Q-2007
Single-family					
Minneapolis	51	58	58	51	19
Metro area	2,040	2,677	2,130	1,695	1,269
Multifamily					
Minneapolis	229	308	872	130	259*
Metro area	485	855	1,330	777	519
Total number of units					
Minneapolis	280	366	930	181	278
Metro area	2,525	3,552	3,460	2,472	1,788

*This number provided by Minneapolis Regulatory Services

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

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



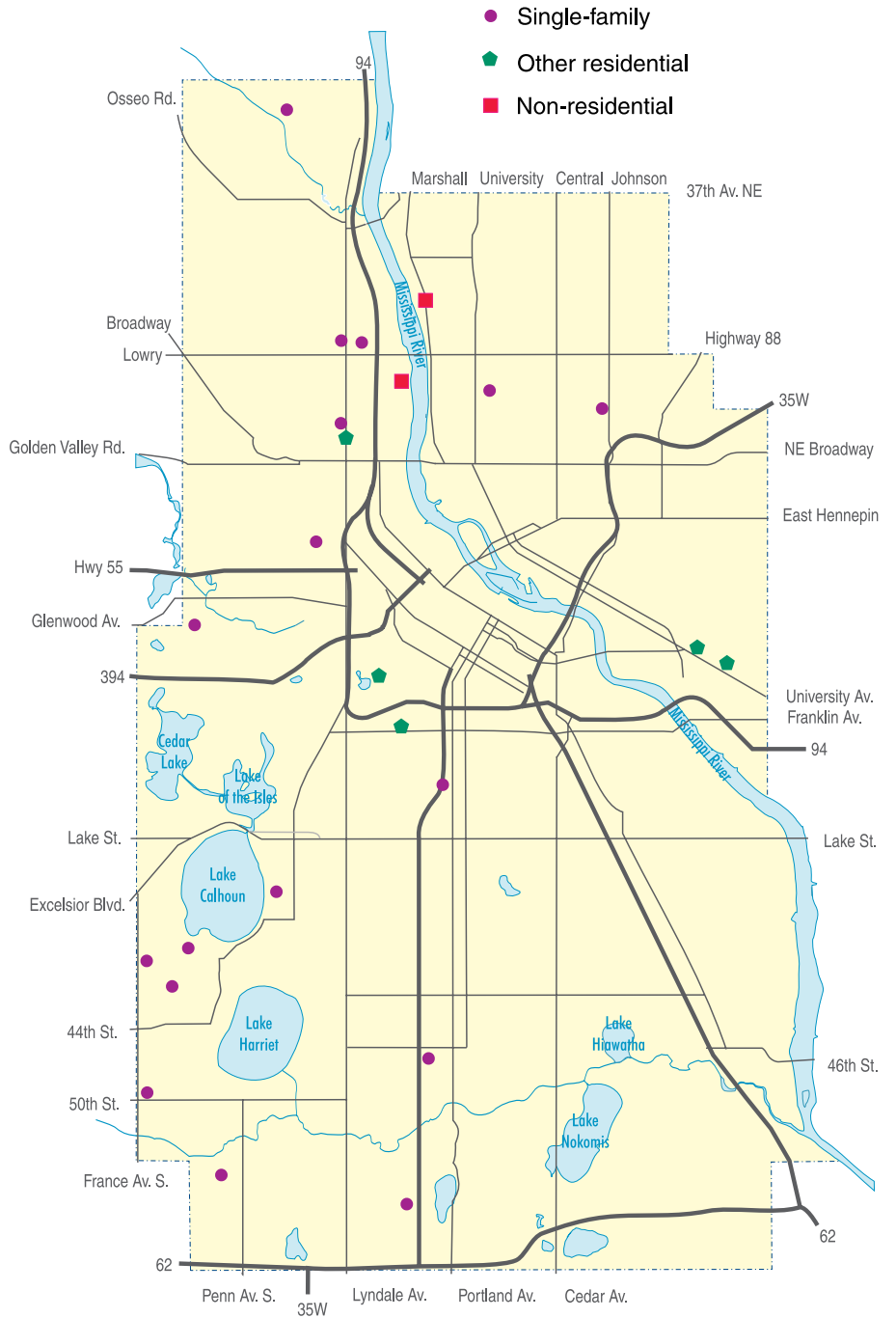
Source: U.S. Census Bureau based on permits issued

New construction

Most permits issued for new construction of single-family dwellings were in the western part of the city, almost equally divided between the north and the southwest. In the southwest, most new construction was mainly south of Lake Calhoun, including a home with an estimated cost of more than \$1 million. The Eitel will add 213 rental units in Loring Park neighborhood and M Flats will add 44 new condo units in Prospect Park neighborhood. Plans for Eat Street Flats at 15 Franklin Ave. were revised to add nine more units to the original 54. E. Xcel Energy was permitted to build two electric power units in Marshall Terrace neighborhood.

Map 1: NEW CONSTRUCTION
1Q-07

Source: Minneapolis Regulatory Services



Cost of residential construction

In Minneapolis, the estimated total spent on new residential construction decreased by 24.9 percent since one year ago and decreased by 4.4 percent since the last quarter. The total spent on single-family construction decreased almost by half in the last year, while multi-family construction cost decreased by 19.3 percent.

In the seven-county metropolitan area, the estimated total spent on new residential construction decreased by 30.1 percent since a year ago. The slowdown was driven by a decrease in permits for single-family units.

The dollar amount spent on single-family construction (the bulk of new residential construction) was down 32.6 percent.

Table 5: **RESIDENTIAL CONSTRUCTION COST**

	1Q-2006	2Q-2006	3Q-2006	4Q-2006	1Q-2007
Single-family					
Minneapolis	\$9,315,354	\$13,185,282	\$13,508,232	\$10,324,424	\$5,030,569
Metropolitan area	\$505,437,798	\$634,980,815	\$493,157,132	\$420,724,043	\$340,577,810
Multifamily					
Minneapolis	\$34,987,500	\$43,313,637	\$139,590,469	\$24,482,487	\$28,247,383
Metropolitan area	\$65,922,178	\$117,477,464	\$200,318,688	\$95,854,110	\$58,923,130
Total					
Minneapolis	\$44,302,854	\$56,498,919	\$153,098,701	\$34,806,911	\$33,277,952
Metropolitan area	\$571,359,976	\$752,458,279	\$693,475,820	\$516,578,153	\$399,500,940

Source: U.S. Census Bureau

Table values are not adjusted for inflation

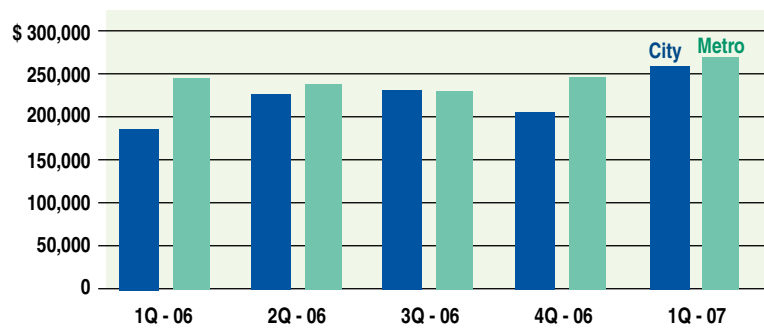
Cost of residential construction

In Minneapolis the average construction cost for single-family houses increased by 45 percent over the last year, from \$182,654 to \$264,767.

In the metropolitan area the average construction cost for single-family houses increased by 7.7 percent over the last year, from \$247,764 to \$268,383.

In Minneapolis, the average construction cost for multifamily units decreased since a year ago. The cost per unit dropped from \$152,784 to \$125,544 — a drop of 17.8 percent. In the metropolitan area, the average cost decreased 16.5 percent, from \$135,922 to \$113,532. Builders withdrew or postponed projects but tried to fit more units into the remaining projects.

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

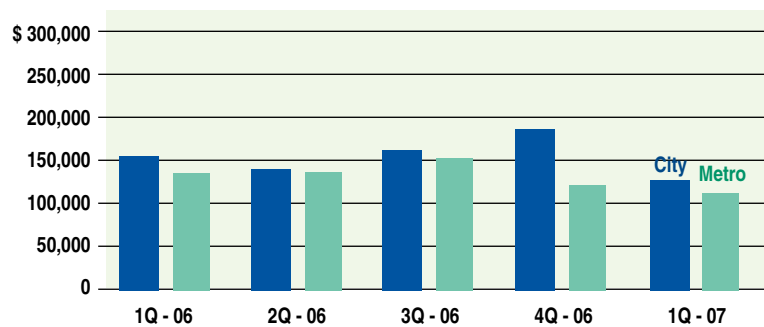


City	\$182,654	\$227,332	\$232,901	\$202,440	\$264,767
Metro	\$247,764	\$237,199	\$231,529	\$248,215	\$268,383

Table values are not adjusted for inflation

Source: U.S. Census Bureau

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



City	\$152,784	\$140,629	\$160,081	\$188,327	\$125,544
Metro	\$135,922	\$137,401	\$150,616	\$123,364	\$113,532

Values in graph are not adjusted for inflation

Source: U.S. Census Bureau

Conversions, remodels & additions

In the first quarter of 2007, the City issued permits for remodeling and renovations in 103 residential buildings. Two of these buildings were planned for conversion. One would be converted from a duplex into a single-family home. The other will transform one building that has one individual unit and six shared-bath units into four individual units. These two conversions will decrease the housing stock by four units.

The total amount spent this quarter on residential remodeling and conversion projects costing \$50,000 or more is estimated at about \$22.2 million — 36.9 percent less than last quarter, but 32.1 percent more than a year ago. The estimated amount spent on conversions was insignificant so most of the projects were remodels.

The estimated amount spent on non-residential conversions, remodels and additions decreased 50.4 percent since a year ago and the number of buildings decreased from 114 to 105.

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

	1Q-2006	2Q-2006	3Q-2006	4Q-2006	1Q-2007
A- Residential ¹					
Number of buildings	103	166	158	129	103
Total value	\$16,861,000	\$44,978,000	\$35,828,000	\$35,293,000	\$22,264,000
Remodels					
Number of buildings	100	161	154	124	101
Value	\$16,267,000	\$21,588,000	\$24,025,000	\$28,774,000	\$22,139,000
Conversions and additions ²					
Number of buildings	3	5	4	5	2
Number of units	-6	167	102	39	-4
Value	\$594,000	\$23,391,000	\$11,803,000	\$6,519,000	\$125,000
B- Non-residential ¹					
Number of buildings ³	114	133	130	114	105
Value	\$68,589,000	\$60,443,000	\$57,961,000	\$50,296,000	\$34,027,000

(1) Residential and non-residential building listings may include structural work, buildouts and other improvements.

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

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

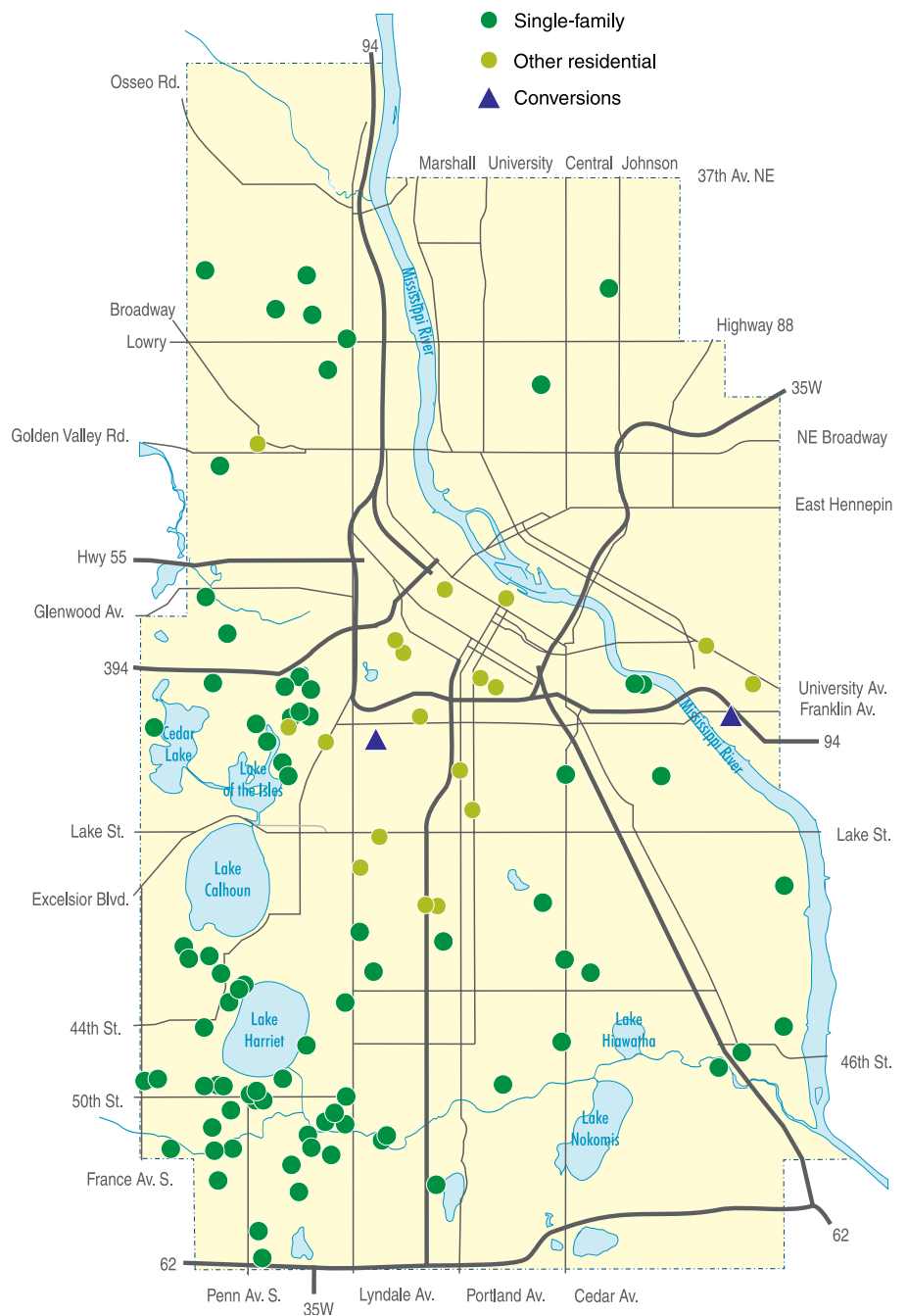
Source: Minneapolis Regulatory Services

Conversions, remodels & additions

Permits for single-family residential remodeling mainly concentrated in the Chain of Lakes area, then elsewhere in south Minneapolis. Other types of residential permits (mainly condos and apartments) were for buildings mainly in and near Downtown, then extending south of Lake Street.

Map 2: **RESIDENTIAL REMODELING, RENOVATION CONVERSION**
 projects \$50,000 +
 1Q-07

Source: Minneapolis Regulatory Services

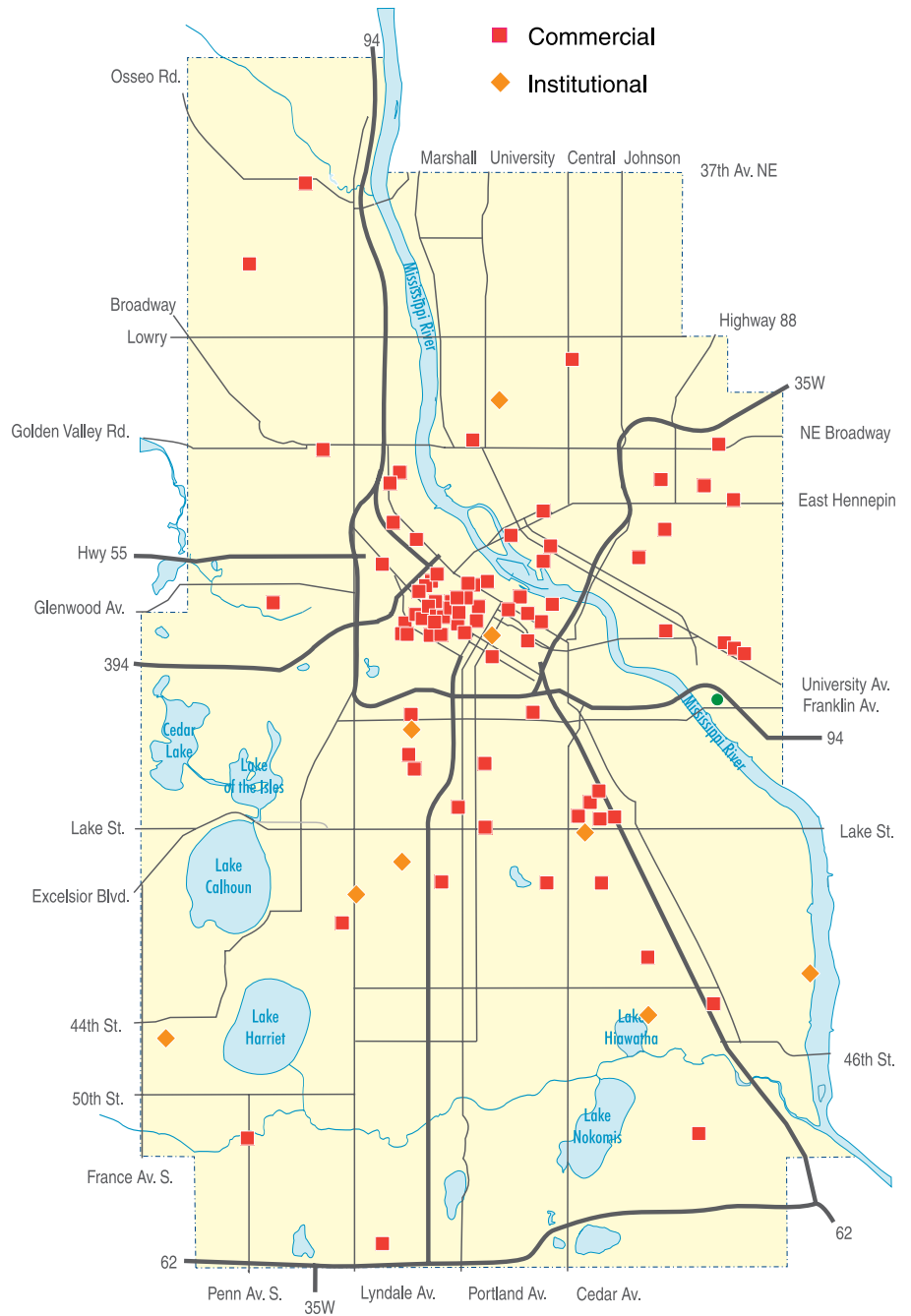


Conversions, remodels & additions

Permits issued in the first quarter for non-residential remodeling and renovations were mainly concentrated in Downtown – Downtown accounted for 51 percent of commercial office projects in the city and 30 percent of institutional remodeling. Major renovations were permitted for a UPS facility on Second Avenue, the Target headquarters building on Nicollet Mall, the Marquette Hotel, the Fifth Street Towers, and the Wells Fargo Midland building. Outside Downtown, permits for remodeling commercial buildings include locations along East Lake Street, University Avenue Southeast and near Main Street on the east bank of the river. Institutional buildings including schools, churches, hospital and clinic facilities and shelters received permits for remodeling mostly in south Minneapolis. In downtown a permit was issued for a major renovation of the Hennepin County Medical Center psychiatric ward, and in Corcoran neighborhood a renovation of the South High School auditorium was permitted — each of these projects has estimated costs of more than \$1 million.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION**
projects \$50,000 + 1Q-07

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 first quarter of 2007.

The highest cost project is the new construction of Eitel Apartments, a 213-unit apartment building in Loring Park.

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

Description	Address	Neighborhood	Ward	Projected construction cost
Eitel Building: 213 units apartment building	1367 Willow St	Loring Park	7	\$22,110,000
Xcel Energy: building of two power units	2900 Marshall St NE	Marshall Terrace	1	\$10,028,052
Eat Street Flats: 63-unit condo building	15 Franklin Ave E	Whittier	6	\$8,900,000
M Flats: 44-unit condo building	2900 University Ave S	Prospect Park East River Road	2	\$5,837,383
Hope Lodge: 40-guest-room transient residential facility	2500 University Ave SE	Prospect Park East River Road	2	\$5,136,390
The Falls: exterior repair	110 First Ave NE	Nicollet Island East Bank	3	\$4,250,000
The Bridge for Runaway Youth: addition to existing building	1111 22nd St W	East Isles	10	\$3,255,329
Hennepin County Medical Center: remodeling of Psychiatric Ward	701 Park Ave	Elliot Park	7	\$2,572,372*
UPS: remodeling of existing lower level room	255 Second Ave S	Downtown West	7	\$ 2,468,830
Addition to single-family home	4833 E Lake Harriet Parkway	Lynhurst	13	\$1,460,750
Target office building: several floor remodeling	1000 Nicollet Mall	Downtown West	7	\$1,407,633*
South High School remodeling	3131 19th Ave S	Corcoran	9	\$1,300,000
The Marquette Hotel: remodeling	710 Marquette Ave	Downtown West	7	\$1,277,631
Fifth Street Tower: remodeling – several tenants	100 Fifth St S	Downtown West	7	\$1,127,443*
Wells Fargo Midland: remodeling	401 Second Ave S	Downtown West	7	\$1,032,794
City County Federal Credit Union: remodeling	1101 W Broadway	Near North	5	\$1,030,000*
New single-family home	4116 Zenith Ave S	Linden Hills	13	\$1,010,000

* Multiple building permits

Source: Minneapolis Regulatory Services

Demolitions

The number of residential demolitions decreased from last quarter, and was lower than one year ago. This quarter, permits for demolitions included 16 single-family homes, eight units in duplexes and six units in triplexes.

Permits showed the 30 residential demolitions this quarter were located mainly in the north along or near Lowry and West Broadway avenues, and a few were along the Hiawatha corridor. The rest were scattered around the city. Eleven commercial buildings were permitted for demolitions with one, at 2910 University Ave. SE, to be removed to make room for M Flats, a residential building.

Map 4: PERMITS FOR DEMOLITIONS – 1Q-07

Source: Minneapolis Regulatory Services

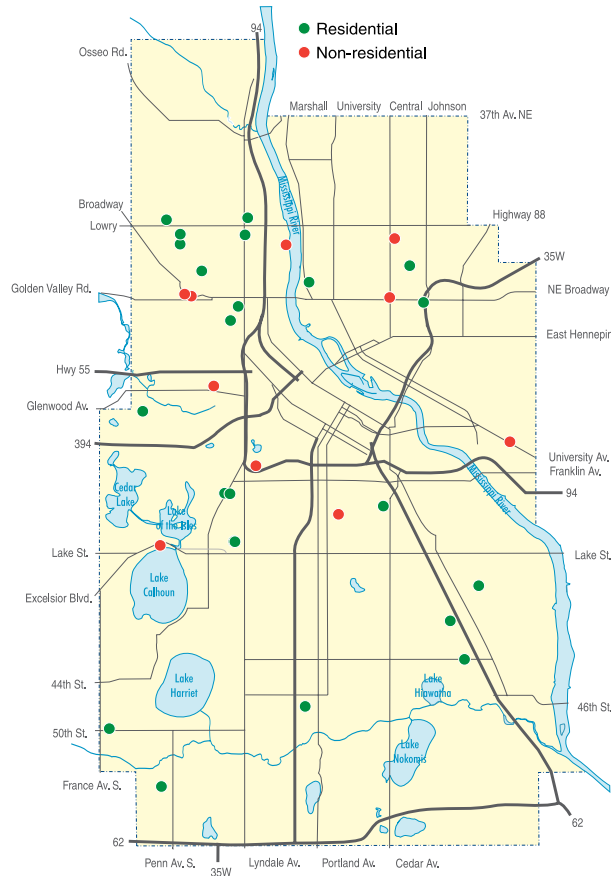
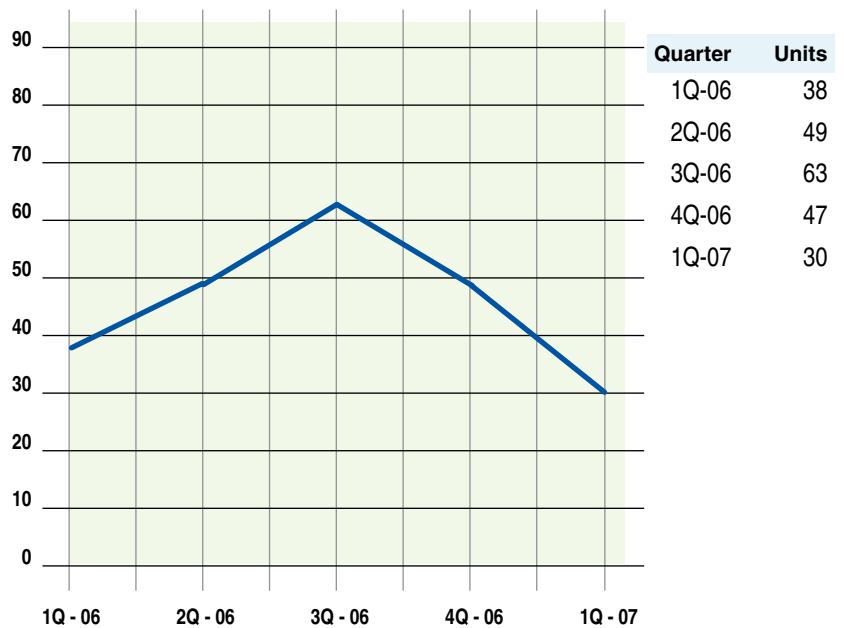


Figure 10: BUILDING PERMITS FOR DEMOLITION number of permits



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 Department of Regulatory Services.

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 town-houses.

Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units. It also includes transient housing for health-care purposes.

Non-residential use: means all buildings that do not have a residential component. Also includes structures such as communications towers and skyways.

Map 2 - Residential remodels with a construction cost of \$50,000 or more:

Single-family includes all detached single-family dwellings with permits for renovations, additions or improvements.

Other residential includes all residential buildings that are not detached single-family dwellings, including units in buildings with two or more units. It includes remodeling or buildouts of one or more individual units and remodeling of the entire building.

Conversions consist of the construction of new residential units in non-residential buildings such as factories, warehouses, hotels and others and remodeling of a building for residential uses. It does not include conversions of apartment units to condominiums. It includes changing two or more residential units into a single residence or the subdivision of a single unit into several.

Map 3 - Non-residential remodels, additions and improvements with a cost of \$50,000 or more

Commercial includes offices, warehouses, factories, restaurants and retail buildings in general. It may be a buildout of an office space or several floors, or it may be the remodeling of an entire building. Several tenant remodels at one address are considered one project, i.e. renovation of 33 S. Sixth St. (the former Multifoods Tower) downtown.

Institutional: This category includes hospitals, clinics, churches, schools, eldercare facilities, correctional centers and any other institutional use.

Transportation related includes parking, skyways and bus and rail terminals.

Map 4 - Demolitions

Residential: all residential buildings (single- and multifamily units)

Non-residential: all non-residential buildings and structures

Housing stock & the real estate market

New measures added this quarter:

- *Vacancy rates by city geographic sectors (see page 39 for sector definition)*
- *Minneapolis and metro area real estate residential sales and median sale price with data from the Minneapolis Area Association of Realtors.*
- *Minneapolis foreclosures by wards*
- *Condemned, boarded and vacant buildings in Minneapolis*
- The average vacancy rate for Minneapolis multifamily housing steadily declined until the third quarter of 2006, then it increased until it reached 3.8 percent this quarter. But this was still lower than one year ago.
- Average rent this quarter declined in the city, but it was higher than one year ago in current dollars by \$12, but just \$1 when adjusted for inflation. In the metro area rents were the same as last year when adjusted for inflation.
- Housing sales slowed considerably in Minneapolis and the metro area: the overall median price was lower by 1.3 percent and 1 percent in the city and the metro respectively.
- Foreclosure sales hit 678 this quarter, more than twice the number of foreclosures a year ago. Approximately 61 percent of the foreclosures were concentrated in wards 3, 4 and 5 in north Minneapolis.
- This quarter the Minneapolis central business district (CBD) showed an office vacancy rate of 14 percent, which is lower than the 14.1 percent in the metro area – the first time Minneapolis' was lower since the fourth quarter of 2003. The average asking price per square foot is slightly higher in the city than in the metro.
- The retail vacancy rate in Minneapolis dropped from 11 percent last quarter to 8.9 percent, and average asking prices increased. Occupied retail space in the CBD increased at a higher rate than the metro.
- Occupied industrial space increased from last quarter in Midway, Minneapolis and the metro while vacancy rates, which continued to be low, declined further. Prices declined in Minneapolis and the metro.

Residential vacancy rates

The Minneapolis vacancy rate for multifamily rental housing was 3.8 percent, up 0.5 percent from last quarter but down 0.8 percent from a year ago. In the metropolitan area, the vacancy rate was 4.4 percent, down 0.3 percent from last quarter and down by 1.1 percent from a year ago.

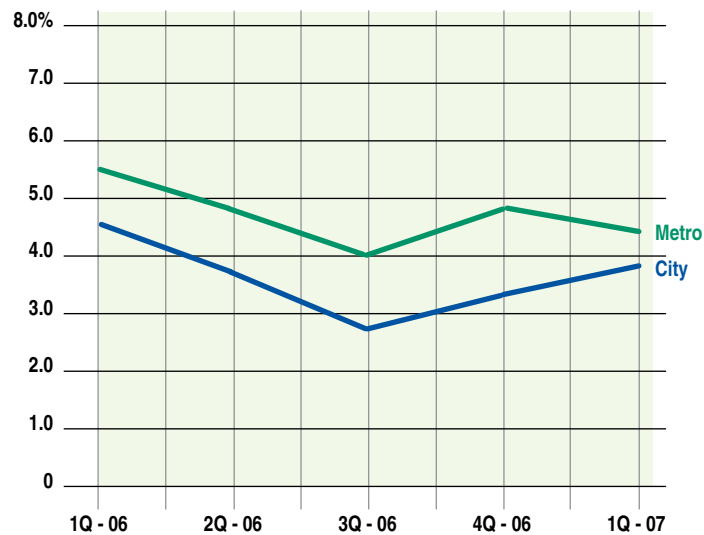
Table 8: **VACANCY RATE AND AVERAGE RENT**
in current dollars

	2006 1Q-06	2Q-06	3Q-06	4Q-06	2007 1Q-07
Minneapolis					
Units surveyed	15,209	15,281	15,315	15,228	15,356
Vacant units	702	559	421	509	585
Average rent	\$832	\$836	\$842	\$848	\$844
Vacancy rate	4.6%	3.7%	2.7%	3.3%	3.8%
Metro area					
Units surveyed	116,256	116,616	117,035	115,570	116,767
Vacant units	6,402	5,615	4,623	5,408	5,161
Average rent	\$855	\$860	\$867	\$871	\$876
Vacancy rate	5.5%	4.8%	4%	4.7%	4.4%

Recorded data for the last month of the quarter

Source: GVA Marquette Advisors Reports,
based on a sample survey of market-rate rental properties

Figure 11: **RENTAL VACANCY RATE**
Minneapolis & Metro area



Recorded data for the last month of the quarter

Source: GVA Marquette Advisors

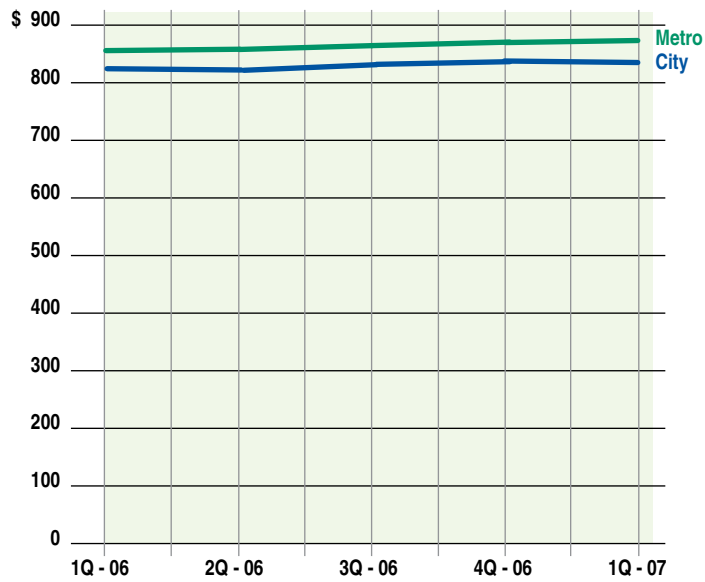
Residential vacancy rates

The average rent was \$844, \$4 less (\$21 less in inflation-adjusted dollars*) than last quarter and \$12 more (\$1 more in inflation-adjusted dollars*) than a year ago. In the metro area average rent was \$876, an increase of \$5 from last quarter, but this was actually a decrease of \$12 in inflation-adjusted dollars*. Since one year ago, the metro area rent increase was \$21, but when adjusted for inflation, rent actually remained the same.

Two areas in the city had below average vacancy rates: the southeast/University of Minnesota area and south Minneapolis, and three areas had above average vacancy rates: east, downtown 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 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 is still lower this quarter than a year ago. In south Minneapolis, which has the largest number in the city of rental units at an affordable price for many people, the vacancy rate decreased steadily.

* For conversion factors see page 40

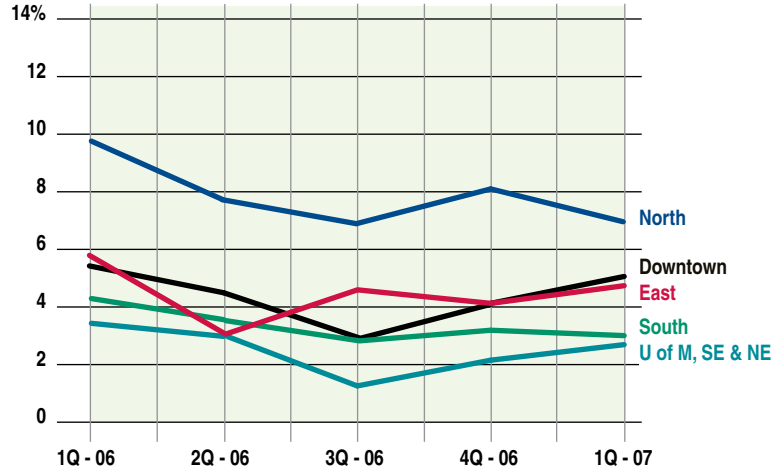
Figure 12: **AVERAGE APARTMENT RENT**
in current dollars



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

Source: GVA Marquette Advisors

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



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

* For sector definitions, see page 39

Source: GVA Marquette Advisors

	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Downtown	5.5%	4.4%	3.1%	4.1%	5.2%
South	4.3%	3.6%	3.0%	3.2%	3.1%
North	9.7%	7.7%	6.9%	8.1%	7.0%
East	5.8%	3.1%	4.6%	4.1%	4.8%
U of M, Southeast & Northeast	3.4%	3.1%	1.4%	2.1%	2.8%

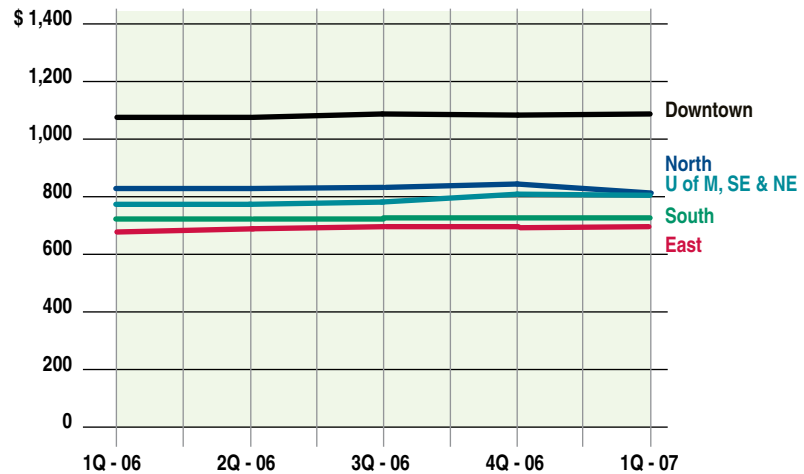
Residential vacancy rates

Downtown commanded the highest rent in Minneapolis. Average rent in this area is stable, although in inflation-adjusted dollars it decreased. In the first quarter 2007 it was 1.5 percent lower than last quarter and 1.3 percent lower than a year ago.

The same pattern is evident in most neighborhoods: rent increased in current dollars but decreased when adjusted for inflation. There were two exceptions: north Minneapolis and U of M/south-east/northeast. In north Minneapolis rent declined since last quarter and last year, in both current and inflation-adjusted dollars*. In inflation-adjusted dollars rent in the north was \$852 last quarter and \$847 last year. In the U of M/southeast/northeast area, rent increased 2 percent in inflation-adjusted dollars* from \$790 a year ago.

* for conversion factors, see page 40

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



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

Source: GVA Marquette Advisors

	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Downtown	\$1,081	\$1,083	\$1,093	\$1,088	\$1,093
South	\$ 723	\$ 728	\$ 729	\$ 731	\$ 732
North	\$ 827	\$821	\$825	\$ 836	\$809
East	\$ 685	\$ 691	\$ 699	\$699	\$700
U of M, Southeast & Northeast	\$ 771	\$ 772	\$ 786	\$ 807	\$806

Residential vacancy rates

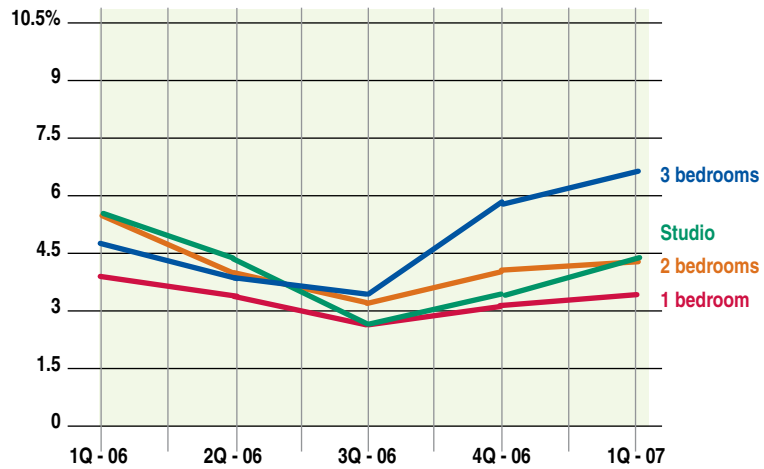
Since the third quarter of 2006, vacancy rates for three-bedroom apartments increased the most, from 4.6 percent a year ago to 6.5 percent. All vacancy rates are higher than they were last quarter.

The average rent for studio and one-bedroom apartments in Minneapolis slightly increased from last quarter, but for all apartment types rent decreased when adjusted for inflation. Inflation was particularly high in the first three months of the year. Since last quarter, rent decreased by \$5 for studios and \$95 for the largest units*.

Since last year rent increased for all apartment types except for three-bedroom apartments, but in inflation-adjusted dollars rent actually decreased for all apartment types. The decrease was small compared to the decrease last quarter.

* For conversion factors, see page 40

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

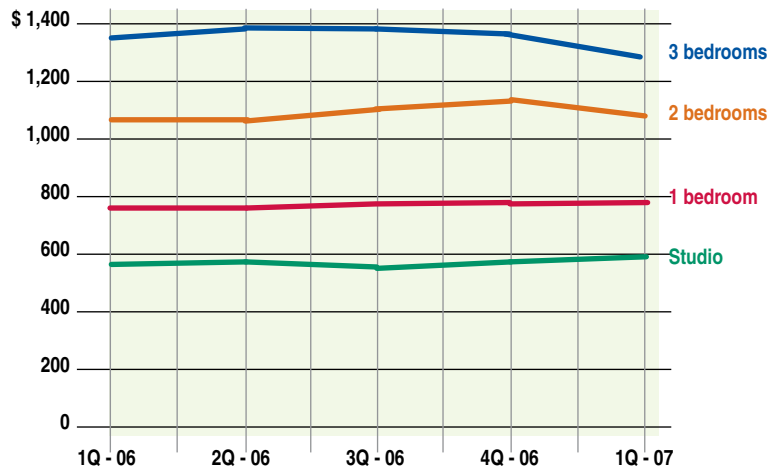


Recorded data for the last month of the quarter

Source: GVA Marquette Advisors

	Studio	One bedroom	Two bedrooms	Three bedrooms
1Q-06	5.5%	4.0%	5.5%	4.6%
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%

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



Recorded data for the last month of the quarter

Source: GVA Marquette Advisors

	Studio	One bedroom	Two bedrooms	Three bedrooms
1Q-06	\$579	\$770	\$1,083	\$1,340
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

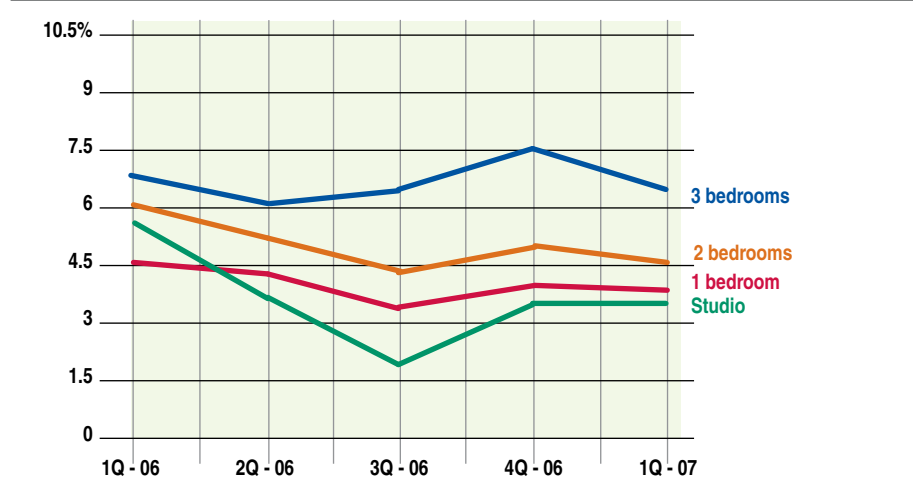
Residential vacancy rates

Since last quarter, the metro area vacancy rate decreased for all apartment types, except for studios, which were stable. Since last year, the vacancy rate declined for all types of apartments except for three-bedroom apartments.

In the metro, the average rent rose in current dollars from last quarter for all types of apartments except for three-bedroom apartments and studios. In inflation-adjusted dollars though, rent decreased for all apartment types, from a \$9-decrease for one-bedroom units to a \$28-decrease* for the largest units. 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 by \$1*.

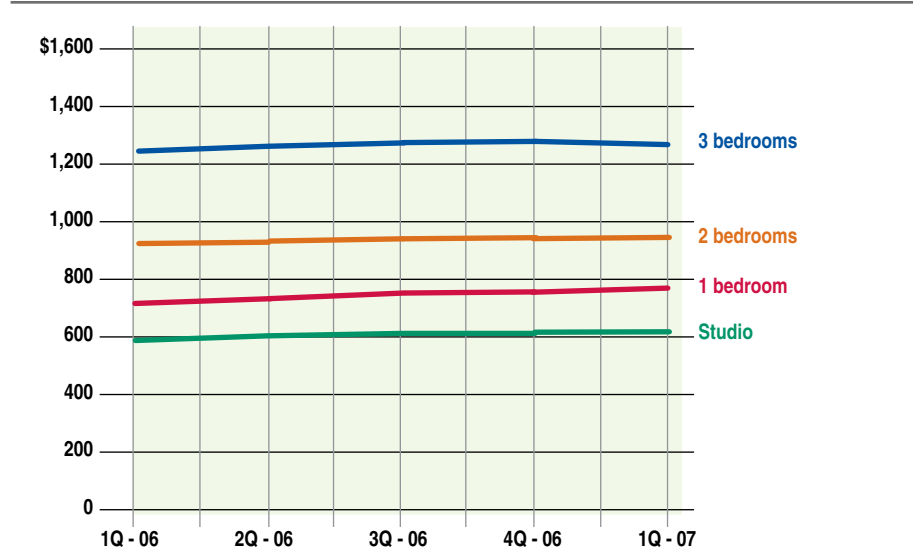
* For conversion factors, see page 40

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



	Studio	One bedroom	Two bedrooms	Three bedrooms
1Q-06	5.0%	4.6%	6.1%	6.7%
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%

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



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

Source: GVA Marquette Advisors

	Studio	One bedroom	Two bedrooms	Three bedrooms
1Q-06	\$596	\$738	\$931	\$1,231
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

Residential sales

After a large increase in Minneapolis housing sales in the second quarter of 2006, the number declined considerably in the first quarter of 2007. The median price increased since last quarter by 3.3 percent, from \$215,000 to \$222,000. The median price dropped 1.3 percent from \$225,000 a year ago.

In the metro area, the number of housing units sold declined by 21.9 percent since last quarter and by 14.9 percent since a year ago. Meanwhile, the median sale price decreased 1.4 percent since last quarter and 1 percent since last year.

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

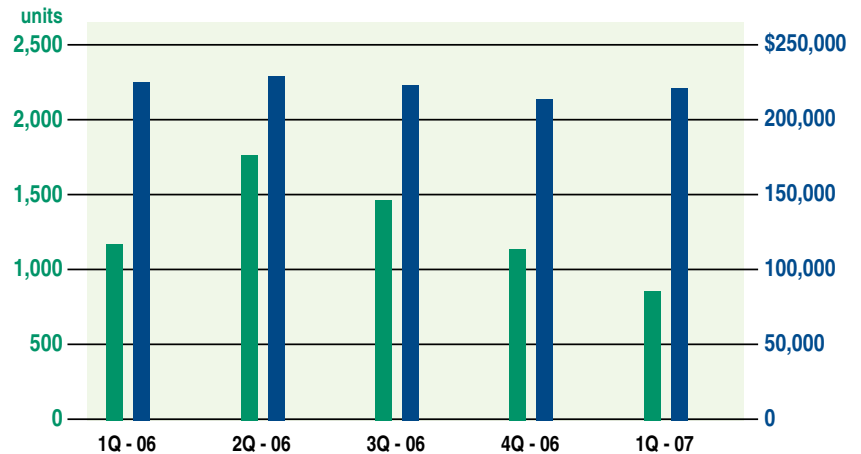
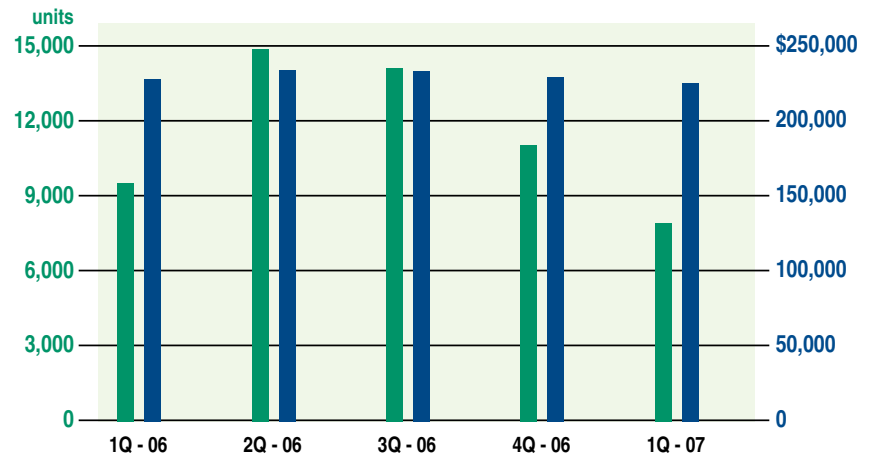


Figure 20: **CLOSED SALES AND MEDIAN SALE PRICE** – Metro area*



* 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. or metro area definition see page ??

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

	# units	1Q-2006 sale	# units	2Q-2006 sale	# units	3Q-2006 sale	# units	4Q-2006 sale	# units	1Q-2007 sale
Minneapolis	1,183	\$225,000	1,734	\$229,200	1,465	\$223,000	1,128	\$215,000	872	\$222,000
Metro area*	9,258	\$226,000	14,578	\$233,575	13,976	\$233,000	10,089	\$227,000	7,883	\$223,750

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 39

Table values are not adjusted for inflation.

Source: Minneapolis Area Association of Realtors (MAAR)

Foreclosure sales

During the first quarter of 2007, 678 housing units went to public auction because of their owners' failure to pay mortgages or other contractual property fees – mostly mortgages. That's an increase of 43 percent from the previous quarter. In the first quarter the city had more than twice the foreclosure sales than one year ago. Foreclosures in wards 3, 4 and 5 totaled 60.9 percent of the total foreclosure sales in the city.

MAP 5: FORECLOSURE SALES

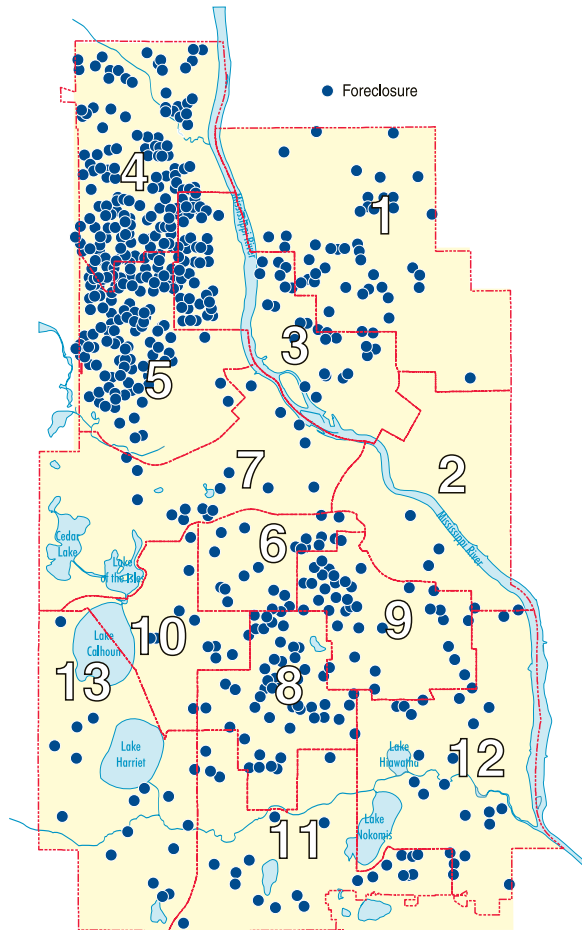


Table 12: FORECLOSURE SALES by wards

Ward	#	1Q-06 %	#	2Q-06 %	#	3Q-06 %	#	4Q-06 %	#	1Q-07 %
1	17	5.3%	24	6.2%	32	7.5%	28	5.9%	45	6.6%
2	2	0.6%	2	0.5%	5	1.2%	10	2.1%	3	0.4%
3	46	14.4%	51	13.1%	57	13.3%	52	11.0%	92	13.6%
4	68	21.3%	75	19.2%	93	21.8%	112	23.6%	177	26.1%
5	79	24.8%	102	26.2%	90	21.1%	95	20.0%	144	21.2%
6	11	3.4%	14	3.6%	13	3.0%	20	4.2%	14	2.1%
7	10	3.1%	12	3.1%	15	3.5%	14	3.0%	27	4.0%
8	31	9.7%	35	9.0%	37	8.7%	51	10.8%	53	7.8%
9	18	5.6%	36	9.2%	28	6.6%	27	5.7%	47	6.9%
10	3	0.9%	8	2.1%	9	2.1%	8	1.7%	12	1.8%
11	15	4.7%	8	2.1%	20	4.7%	27	5.7%	24	3.5%
12	12	3.8%	16	4.1%	22	5.2%	25	5.3%	27	4.0%
13	7	2.2%	7	1.8%	6	1.4%	5	1.1%	13	1.9%
Total	319*	100%	390*	100%	427*	100%	474	100%	678	100%

* Figures revised from last quarter

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

Source: Hennepin County Sheriff's Office.

Condemned & vacant buildings

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.

In this quarter, the number of condemned, boarded and vacant buildings in the city increased 28.7 percent, while last quarter they increased by only 9.1 percent. A large increase is shown for buildings that are vacant but not condemned — unoccupied buildings with some maintenance and code violations. However, boarded and condemned buildings — which are deemed uninhabitable — made up the majority of the group, or about 64 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 31.

Map 6 CONDEMNED AND VACANT BUILDINGS

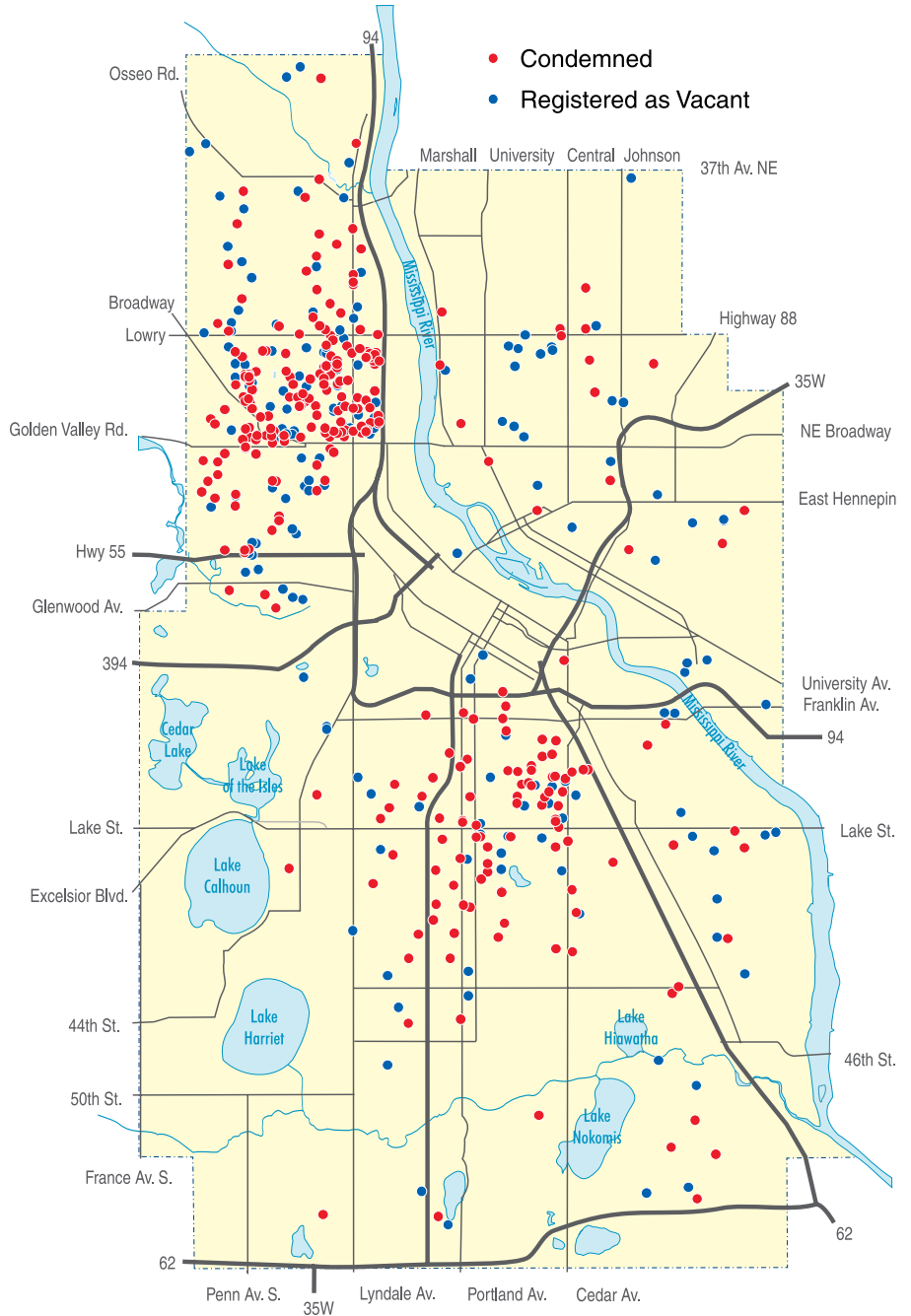


Table 11: CONDEMNED AND VACANT BUILDINGS

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

Numbers for the 1st quarter 2006 are not available

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

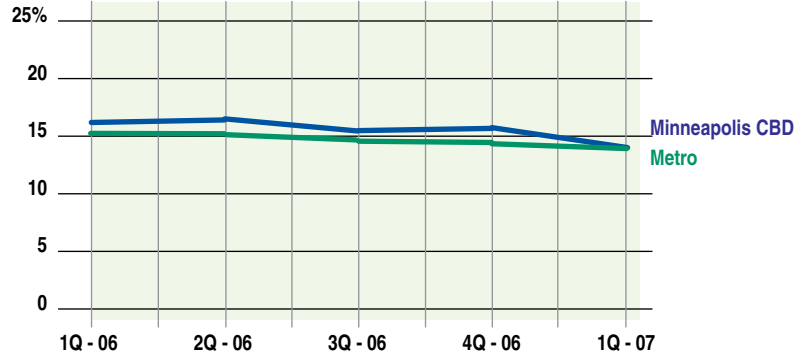
Source: Minneapolis Regulatory Services

Office space

The vacancy rate for office space in the Minneapolis central business district (CBD) dropped from 16.2 percent a year ago and from 15.6 percent last quarter to 14 percent in the first quarter of 2007. 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. This quarter, the Minneapolis CBD showed a lower vacancy rate than the metro area's for the first time since the fourth quarter of 2003.

Average asking lease rates in the Minneapolis central business district (CBD) increased in current dollars from last quarter – from \$10.37 to \$11.47 – and remained higher than last year's rate. This is the highest price since the fourth quarter of 2002, when average asking prices were \$10.78 per square foot. Prices in the Minneapolis CBD this quarter slightly surpassed those in the metro area. The metro area prices also increased from \$10.38 a year ago and from \$10.82 last quarter to \$11.40 this quarter.

Figure 21: OFFICE VACANCY RATE

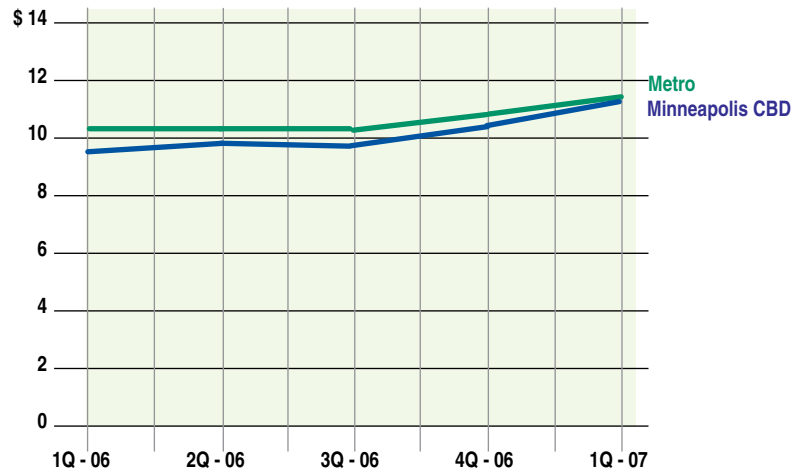


	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis CBD	16.2%	16.5%	15.3%	15.6%	14%
Metro area	15.2%	15.2%	14.8%	14.7%	14.1%

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

Source: CB Richard Ellis

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



	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis CBD	\$9.63	\$9.83	\$9.66	\$10.37	\$11.47
Metro area	\$10.38	\$10.41	\$10.45	\$10.82	\$11.40

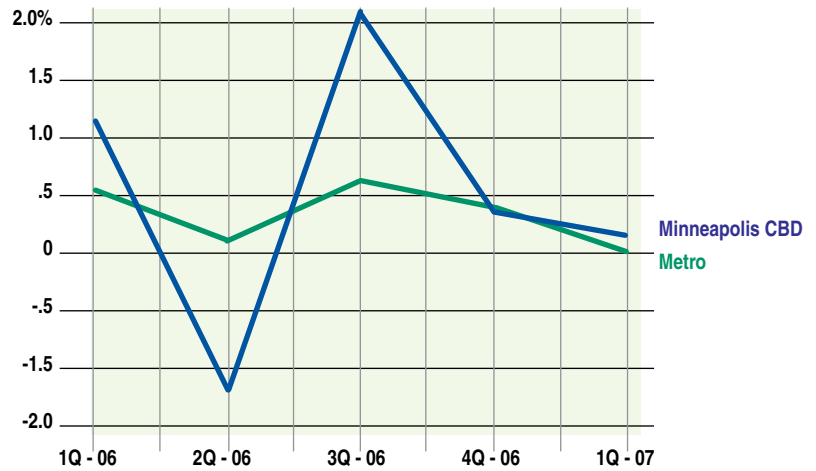
Class A, B and C office buildings 10,000 square feet and larger

Source: CB Richard Ellis

Office space

Although office space continued filling up in the Minneapolis CBD, the growth of occupied office space (available rentable area minus the vacancy rate) slowed down from last quarter's growth. Tenants were already renting much of the existing available space. In the metro area, the growth of occupied office space slowed down to 0.03 percent, while increasingly more space was added by new construction.

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



	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis CBD	1.17%	1.67%	2.15%	0.41%	0.17%
Metro area	0.55%	0.14%	0.62%	0.44%	0.03%

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

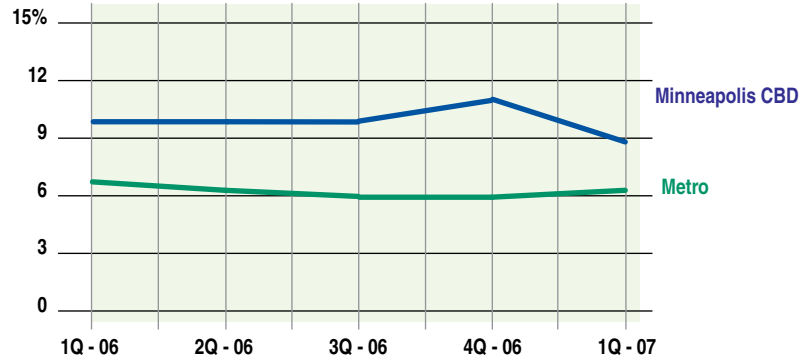
Source: CB Richard Ellis

Retail space

The retail vacancy rate in the Minneapolis central business district increased to 11 percent last quarter but decreased this quarter to 8.9 percent. The vacancy rate is 1.1 percent lower than one year ago. The vacancy rate in the metro area slightly increased from last quarter, ending at 6.4 percent, and it was 0.1 percent higher than last quarter and last year.

In the city's central business district, the average asking lease price per square foot increased to 6.5 percent higher than one year ago and 29 percent higher than last quarter. In the metropolitan area, the price decreased from a year ago by 1.4 percent, but it increased from last quarter by 1.3 percent.

Figure 24: **RETAIL VACANCY RATE**

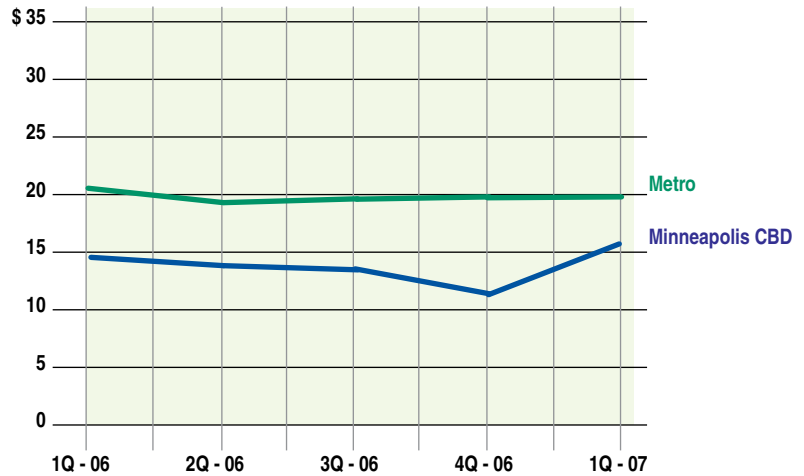


	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis CBD	10%	10%	10%	11%	8.9%
Metro area	6.3%	6%	6%	6.3%	6.4%

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

Source: CB Richard Ellis

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



	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis CBD	\$14.39	\$13.35	\$13.21	\$11.88	\$15.33
Metro area	\$20.18	\$19.67	\$19.84	\$19.63	\$19.89

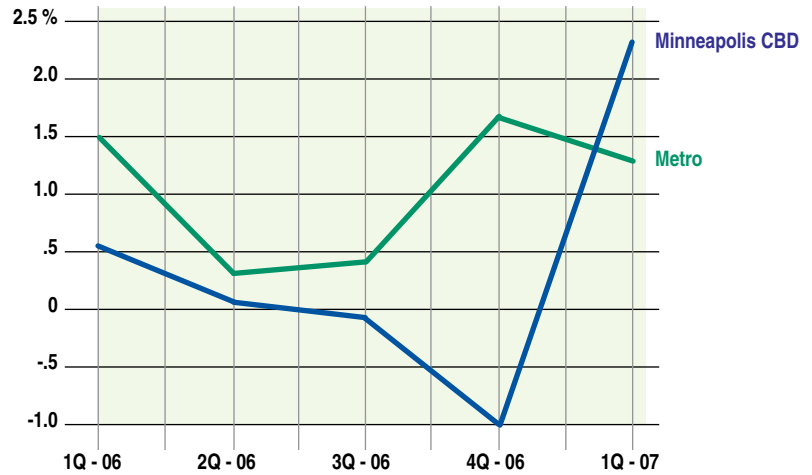
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Source: CB Richard Ellis

Retail space

The city's central business district increased its occupied retail space (available rentable area minus the vacancy rate) by 2.3 percent this quarter. In the metro area the growth decreased to 1.3 percent from 1.7 percent last quarter and from 1.5 percent the first quarter a year ago. In Downtown retailers took up new leases, and in the metro area construction of new projects such as community centers and mixed-use developments filled up after completion.

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



	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis CBD	0.6%	0.1%	-0.1%	-1.0%	2.3%
Metro area	1.5%	0.3%	0.4%	1.7%	1.3%

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

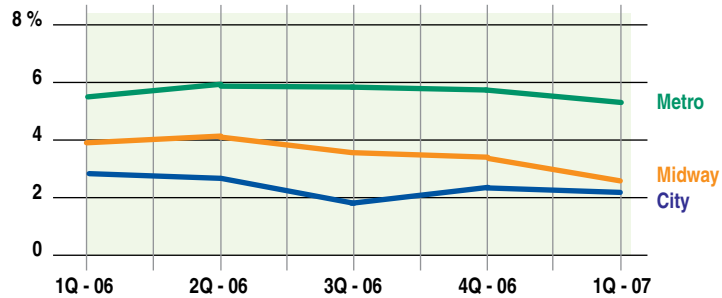
Source: CB Richard Ellis

Industrial space

The industrial space vacancy rate in Minneapolis, Midway and the metro area all decreased from last quarter and from a year ago. Midway had the sharpest decrease; its vacancy rate fell by 0.7 percent from last quarter. Throughout the region industrial space with modern facilities is in short supply. Available space tends to be occupied as soon as it reaches the market. This results in a low vacancy rate.

In the first quarter of 2007, the average asking lease rate for industrial space per square foot in Minneapolis and the metro area was slightly lower than it was a year ago: 4.3 percent lower and 1 percent lower respectively. In Midway it was 1.9 percent higher than a year ago. In general, prices for industrial space have been stable.

Figure 27: **INDUSTRIAL VACANCY RATE**



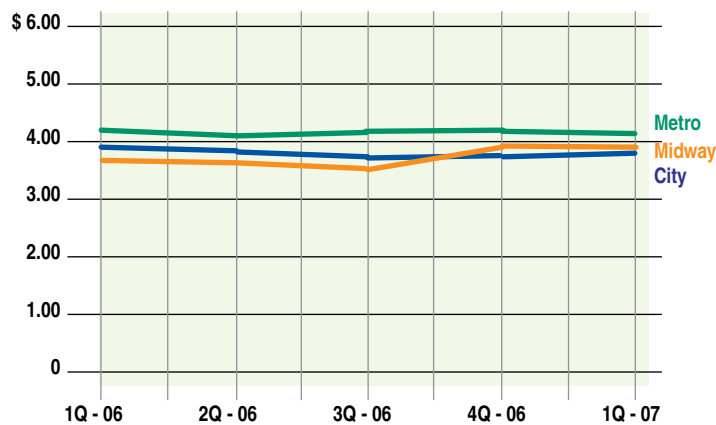
	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis	2.7%	2.6%	1.8%	2.3%	2.2%
Midway*	3.9%	4.1%	3.5%	3.2%	2.5%
Metro area	5.5%	5.9%	5.8%	5.7%	5.4%

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

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.

Source: CB Richard Ellis

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



	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis	\$3.95	\$3.83	\$3.71	\$3.77	\$3.78
Midway	\$3.73	\$3.68	\$3.65	\$3.83	\$3.80
Metro area	\$4.19	\$4.11	\$4.14	\$4.18	\$4.15

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.

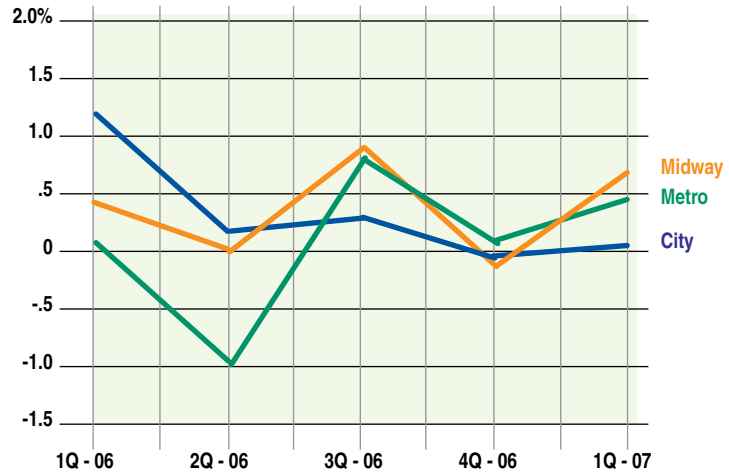
Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Source: CB Richard Ellis

Industrial space

Occupied industrial space grew in the first quarter of 2007, increasing to 0.4 percent for the metro area, 0.7 percent for Midway and 0.1 percent for Minneapolis. The growth this quarter slowed down in comparison with the same quarter last year, but it is somewhat faster than last quarter. Slow activity this quarter seems to reflect the fact that development of new projects that create more space has slowed as the costs of land and construction have risen.

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



	1Q-06	2Q-06	3Q-06	4Q-06	1Q-07
Minneapolis	1.2%	0.2%	0.3%	-1.0%	0.1%
Midway	0.4%	0.0%	0.8%	-0.2%	0.7%
Metro area	0.1%	-0.8%	0.7%	0.1%	0.4%

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.

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

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

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

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

Inflation-adjusted figures: Values reported in tables in this section of the report are expressed in current dollars (not adjusted for inflation). For the purpose of analyzing residential rent, however, text is based on the values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category sized "class A" (more than 1.5 million people). For the first quarter of 2006, dollars have been converted with an index of 1.0242947, the result of the relation between the CPI for March 2007 (195.33) and the CPI for March 2006 (190.7). For the period from the fourth quarter of 2006 to the first quarter of 2007, the index is 1.019483299, obtained by dividing 195.33 (March '07) by 191.6 (December '06).



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