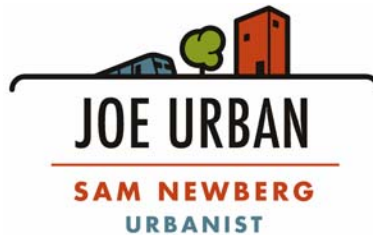


**Market Study**  
**Lyn-Lake Small Area Plan**  
**Minneapolis, Minnesota**

**Joe Urban, Inc.**  
**October 17, 2008**







October 17, 2008

Amanda Arnold  
Project Coordinator  
Community Planning & Economic Development  
250 South 4<sup>th</sup> Street – Room 110  
Minneapolis, MN 55415

Dear Ms. Arnold:

Attached is our report assessing the market potential for commercial and housing development in the Lyn-Lake area, as it pertains to the Lyn-Lake Small Area Plan. We appreciate this opportunity to provide a market analysis for this potential project.

We believe there is significant long-term potential for commercial and housing development in this dynamic, walkable urban area of Minneapolis. The area has strong market potential because of a relatively high quality urban fabric, as well as the fact that it is well located in Minneapolis near the chain of lakes, Uptown and downtown. Demographic trends favor long-term development of apartments and condominiums in the area.

Specifically, the commercial market holds significant potential, but current issues such as parking, crime, a lack of synergy among tenants and underutilized properties must be addressed. The area will likely see significant interest from a variety of tenants in the mid- to long-term, including regional and national tenants. Housing has been a major part of real estate development on infill sites in recent years, and that is likely to continue in the future.

We thank you again for the opportunity to work on this assignment, and hope the information proves valuable. Do not hesitate to call with any questions you have.

Sincerely,

Sam Newberg  
Joe Urban, Inc.



**Market Study  
Lyn-Lake Small Area Plan  
Minneapolis, Minnesota**

**Joe Urban, Inc.**

***Acknowledgments:***

*Sam Newberg wrote this report, based on market research and fieldwork.*

***The following people and organizations provided data for this report:***

*City of Minneapolis*

*Metropolitan Council*

*Colliers Turley Martin Tucker*

*DSU/Bonestroo*

*U.S. Bureau of the Census*

*Various developers, business owners, and building owners in the Lyn-Lake area of Minneapolis*

*Streetsense*

*The Option of Urbanism, Christopher B. Leinberger*

*Martin & Associates*

*A.C. Nelson*



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*October 17, 2008*

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# EXECUTIVE SUMMARY

**EXECUTIVE SUMMARY**

- The client seeks market analysis to determine demand for commercial and housing development as part of the Lyn-Lake Small Area Plan.
- We analyzed the Lyn-Lake Focus Area in detail, and researched real estate development patterns and trends in the Influence Area and greater southwest Minneapolis area. In general, the area is a popular, vibrant urban place with a variety of housing and commercial development and good recreational amenities.
- Lyn-Lake is well located near downtown Minneapolis employment and entertainment, the Minneapolis “chain of lakes,” and also the nearby Uptown neighborhood, which is a well known vibrant urban neighborhood with a variety of shops, grocery stores, restaurants, and entertainment. In some respects, Uptown and Lyn-Lake are considered to be the same or very similar neighborhood.
- Specifically, the Lyn-Lake Focus Area includes a major focal point, the intersection of Lyndale Avenue and Lake Street. This intersection forms the core of the neighborhood, as the intersection of Hennepin and Lake does one half mile to the west. This intersection creates value for the neighborhood and is the focus of substantial traffic and activity.
- The Lyn-Lake Focus Area is relatively stable. It has experienced significant recent development, particularly housing development, which has raised its profile as an exciting, eclectic neighborhood. A soon-to-be-completed rebuilding of Lake Street and portion of Lyndale Avenue has improved the streetscape of the area. Lyn-Lake also has relatively good urban fabric, although this is less so east of Garfield Avenue on Lake Street, where crime is also a bigger issue.
- Several underutilized properties exist in the Focus Area, and these properties would be candidates for redevelopment with potentially much denser mixed-use development.
- Our demographic analysis reveals that all four neighborhoods that surround Lyn-Lake are growing gradually and forecast to continue to do so. Owner occupied housing makes up 20% of all units in the area, but that is likely to increase as new development occurs. The area population is very young, on average. Incomes and housing values generally increase from northeast to southwest in the neighborhood, driven partly by proximity to the chain of lakes.
- Future demographic trends favor the development of apartments and condominiums, as future households will increasingly be childless and prefer alternatives to the single-family home. This indicates that there will be continued demand for development of apartments and condominiums in the area.

- The commercial market in the Lyn-Lake area is strong and experiencing increasing rents and the introduction of new tenants. However, there is little synergy among tenants, and many shoppers make just one stop before leaving.
- There is likely to be increased interest over time among regional and national chains seeking space in the Lyn-Lake area. There is some fear that this, along with increasing rents overall, will push existing businesses out. It is likely that all of the above are true, and while it is not necessarily possible to prevent this from occurring, a strong business association can help mitigate the impacts.
- Housing demand is generally strong and will likely recover well after the current economic and market downturn. So far this decade 787 housing units opened in the four neighborhoods bordering Lyn-Lake. Continued development will occur on infill sites along the Midtown Greenway and major commercial corridors, including Lake Street and Lyndale Avenue.
- The current economic conditions will undoubtedly affect real estate development projects in the near term in Lyn-Lake. Current and pending projects could be delayed, canceled or repositioned based on market demand and/or the availability of credit.
- We do not believe that the current economic and lending situation will affect long term market demand for commercial and housing development in the Lyn-Lake area. While it is difficult to forecast economic changes, the location of Lyn-Lake remains constant and forecast demographic shifts are not likely to change dramatically, and both favor continued demand for housing and commercial space in the Lyn-Lake area.



**INTRODUCTION  
AND  
PROJECT DESCRIPTION**

**INTRODUCTION**

The City of Minneapolis Community Planning and Economic Development (CPED) department has hired Joe Urban, Inc. to perform market research for the long term potential for commercial and housing development in the Lyn-Lake area. The study is part of the Lyn-Lake Small Area Plan being created by the City of Minneapolis.

Nationwide, cities, downtowns and urban neighborhoods have enjoyed a resurgence in popularity, adding housing, retail, restaurants, entertainment and overall vibrancy. Reasons for this are due to demographic shifts in household preference, overall reduction in crime in many cities, and a general preference among many for a walkable urban environment. The greater Lyn-Lake area is part of this general trend, and together with the Uptown area and other portions of the city, it has experienced substantial development and revitalization in recent years.

It is likely that Lyn-Lake will continue to gain in popularity, and development interest will remain high in the long-term. It is therefore important to understand the market dynamics so that the city, private development industry and local stakeholders can best prepare for future development as it occurs.

**PROJECT DESCRIPTION**

This market study includes an assessment of the Lyn-Lake area as it relates to the greater city, nearby neighborhoods, and considers that area as a location for commercial and residential development. It also provides a demographic overview, providing key data as they pertain to current and future development. The report also contains a residential and commercial analysis, and provides conclusions and recommendations for the Lyn-Lake area.

**NEIGHBORHOOD ANALYSIS,  
SITE ANALYSIS  
AND  
SITE POSITIONING IN AREA**

## **INTRODUCTION**

This section provides an overview of the location of the Lyn-Lake area with regard to its positioning within the metro area and the city, as well as its orientation and relationship to surrounding neighborhoods.

## **DEFINITION OF “FOCUS AREA” AND “INFLUENCE AREA”**

### Focus Area

The Focus Area includes all parcels fronting Lyndale Avenue between 26<sup>th</sup> Street on the north and 31<sup>st</sup> Street on the south, including parcels on all four corners of the Lyndale Avenue/26<sup>th</sup> Street node. The Focus Area also includes all parcels fronting Lake Street between Blaisdell Avenue on the east and Bryant Avenue on the west. As well, it includes all parcels on the west side of Garfield Avenue between 28<sup>th</sup> and 31<sup>st</sup> Streets, all parcels on the east side of Aldrich Avenue between 29<sup>th</sup> and 31<sup>st</sup> Streets, and the entire block bounded by Aldrich Avenue, Bryant Avenue, 29<sup>th</sup> Street and Lake Street.

### Influence Area

The Influence Area includes an area encompassed by Interstate 94 on the north, 35<sup>th</sup> Street on the south, Garfield Avenue on the east and Aldrich Avenue on the west. It also includes the entire area between 28<sup>th</sup> Street on the north and 31<sup>st</sup> Street on the south, stretching east to Blaisdell Avenue and west to Bryant Avenue, and also the two block area west of Bryant Avenue bounded by 29<sup>th</sup> Street on the north, Dupont Avenue on the west and Lake Street on the south.

**The map on the following page and all subsequent maps in this report show the Focus Area outlined in red and the Influence Area outlined and filled with light red hatch marks.**

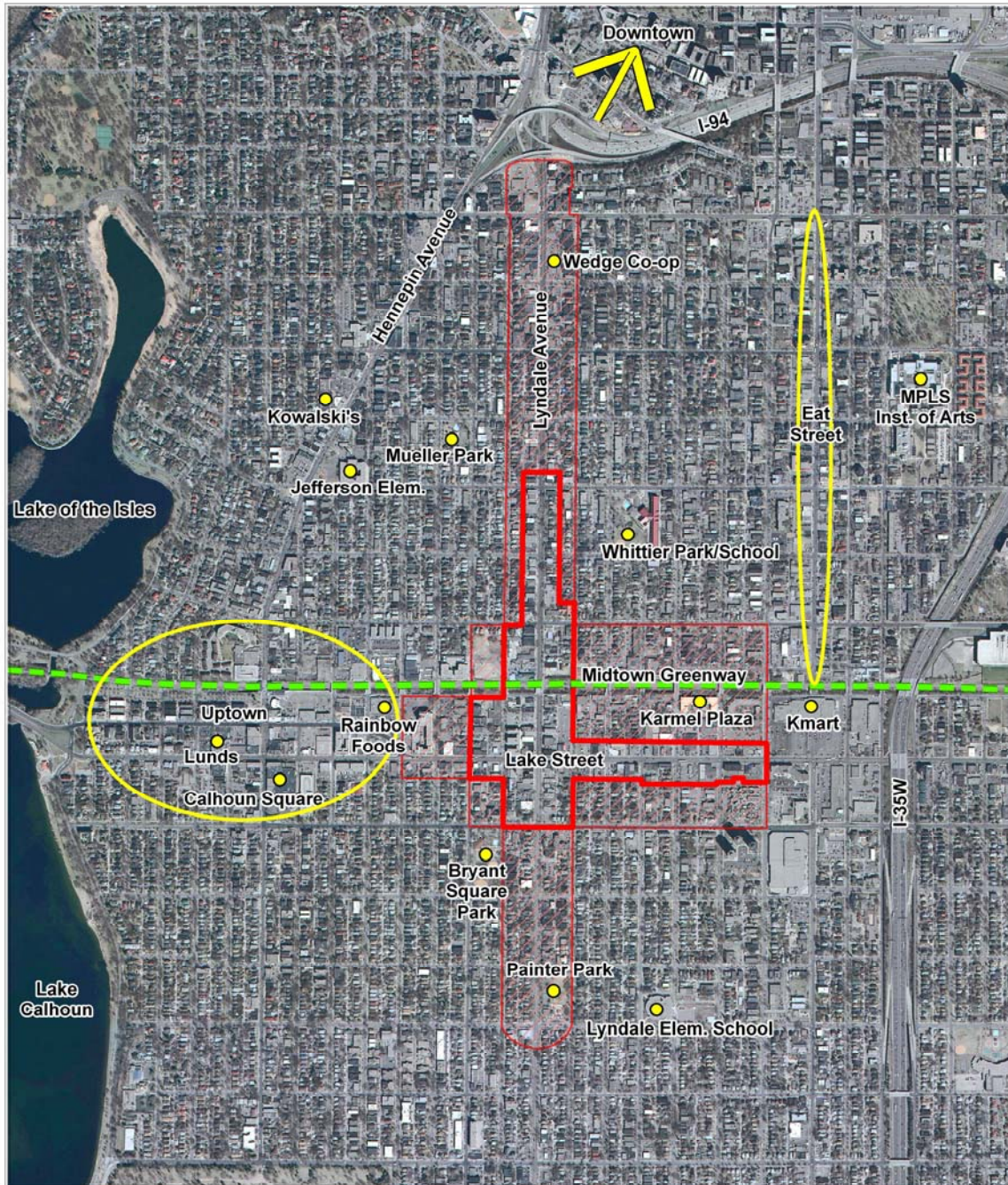
## **NEIGHBORHOOD ORIENTATION**

The Lyn-Lake focus area and influence area are in the southwest portion of the city. The intersection of Lyndale Avenue and Lake Street, which forms the core of the Lyn-Lake area, is somewhat of a central location in southwest Minneapolis.

A map showing the relationship of focus area and influence area with regard to destinations and amenities in the greater area is shown on the following page.

- **Lyn-Lake is one half mile east of the core of Uptown**, which is considered to be the intersection of Hennepin Avenue and Lake Street. Uptown is a well-known area for shopping, dining, entertainment and housing, and the proximity to Uptown increases the market potential in Lyn-Lake.





**Amenities/Destinations - Greater Lyn-Lake Area**

Map 1

Lyn - Lake Small Area Plan



- Lyn-Lake Focus Area
- Lyn-Lake Influence Area

Prepared by Bonestroo  
 September 8, 2008

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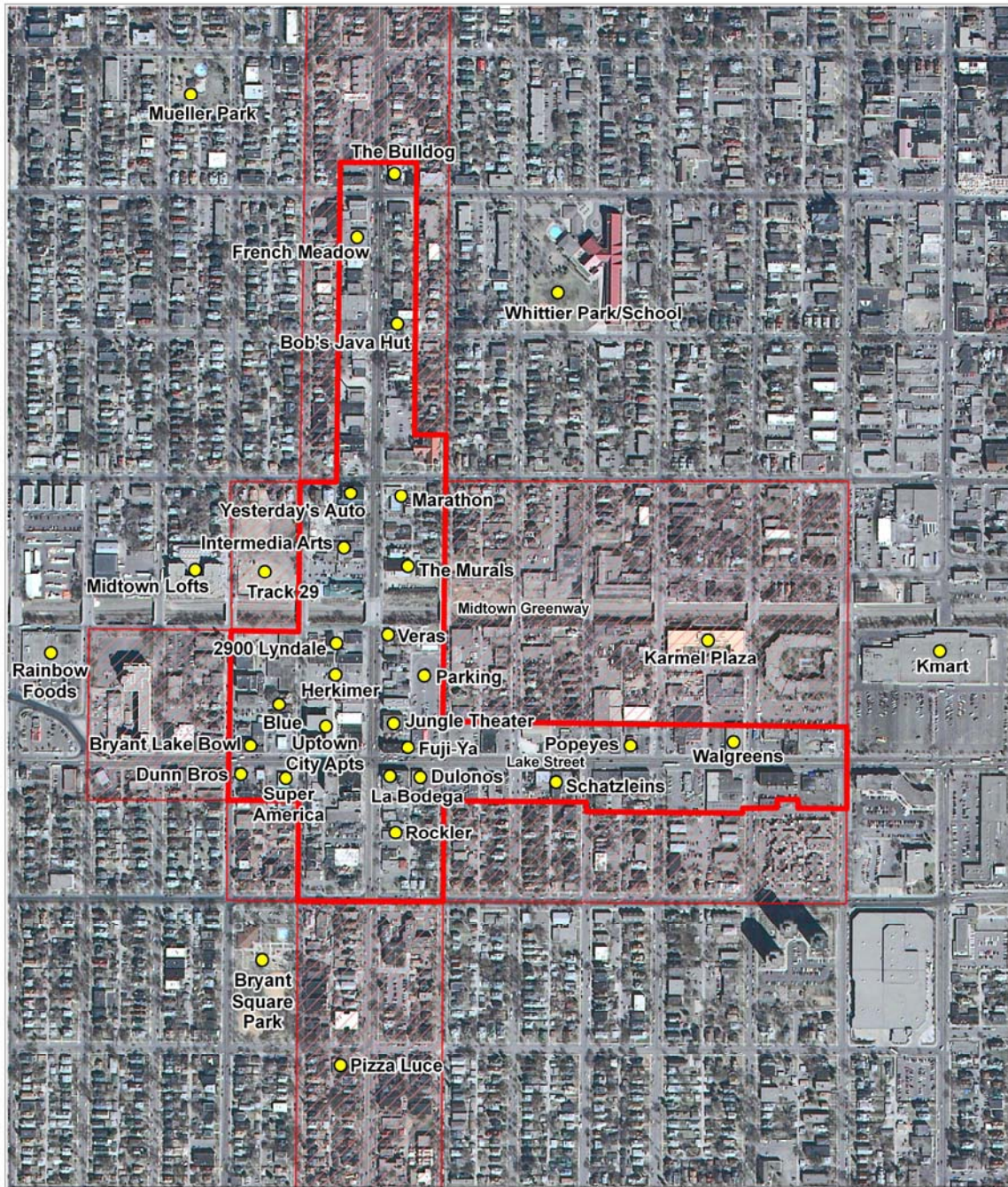
- The Lyn-Lake area is located **less than one mile west of Interstate 35W**, and **more than one mile south of Interstate 94**. **Lake Street is a major east/west thoroughfare** through Minneapolis that connects to Excelsior Boulevard, Highway 7 and Minnetonka Boulevard to the west in St. Louis Park. These major roadway connections provide access to commercial uses in the Lyn-Lake area, as well as access for Lyn-Lake residents to employment centers such as downtown Minneapolis and the southwest suburbs, and to other destinations around the metro area.
- Lake of the Isles, Lake Calhoun and Lake Harriet form the **“chain of lakes” and are located less than one mile west of the Lyn-Lake core**. As well, the **Midtown Greenway runs east/west through the Lyn-Lake area** in an abandoned rail trench, providing a walking and biking trail that crosses the city. Together, the Midtown Greenway and the trails and public space around the chain of lakes provide a recreational and commuter amenity that enhances the value of the Lyn-Lake area.
- **Downtown Minneapolis** is located slightly more than **two miles north of the Lyn-Lake area**, and is accessible in a number of ways, including via Lyndale Avenue. Downtown provides over **150,000 jobs** and a substantial amount of **retail, restaurants, entertainment and cultural amenities**, all of which increase the attractiveness of Lyn-Lake as a place to live.
- The general area around Lyn-Lake includes a **number of amenities, including neighborhood parks, retail, restaurants, and grocery stores that increase the livability** of the area.

### **FOCUS AREA ANALYSIS, AMENITIES AND DESTINATIONS**

The Focus Area contains a wide variety of commercial and housing uses. The following is a discussion of key amenities and destinations in the Lyn-Lake area. A map showing many of these places is shown on the following page.

- The Lyn-Lake area is home to an **eclectic variety of commercial uses**, including numerous well-known stores and restaurants. Notable retailers, restaurants and destinations include, but are not limited to, **Tatters, Herkimer, Schatzlein’s Saddle Shop, the Jungle Theater, Dulono’s, Bryant Lake Bowl, the French Meadow Bakery and La Bodega**. These commercial uses will be discussed more thoroughly in the Commercial Market Analysis section of this report.





**Amenities/Destinations - Focus Area**

Map 2

Lyn - Lake Small Area Plan



- Lyn-Lake Focus Area
- Lyn-Lake Influence Area

Prepared by Bonestroo  
 September 8, 2008  
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- Lyn-Lake contains a **wide range of housing** from several eras, from the 1920s to the present. The Focus Area specifically has very little single-family housing, as most residences are in duplexes, fourplexes or larger buildings. Notable recent residential development includes **Blue**, the **Murals of Lyn-Lake**, **Karmel Village** (in the Influence Area), and the **Uptown City Apartments**, which are all apartment projects. **Track 29** and the **Midtown Lofts**, both located just outside the Focus Area, are recent examples of for-sale development. A more detailed discussion of the dynamics of the housing market will be discussed in the Housing Market Analysis section of this report.
- The **Lyn-Lake area is served by bikeways and bus transit. All streets have public sidewalks on both sides, making the neighborhood very walkable.** Encouraging alternate forms of transportation, such as walking, biking and transit usage, can reduce automobile traffic and the need for parking, and thus reduce development costs. Bryant Avenue south of Lake Street has a marked bicycle lane shared with cars in each direction, and the Midtown Greenway is a grade-separated bikeway that crosses the city, and can be accessed via a paved ramp at Bryant Avenue, via stairway at the Murals of Lyn-Lake, and on a path through a community garden east of Garfield Avenue. Metro Transit currently provides five bus routes in the area, including:
  - Route 21, which runs east/west on Lake Street, serving Uptown, Midtown, east Lake Street and St. Paul with high frequency service;
  - Route 4, which runs north/south on Lyndale Avenue (Bryant Avenue south of 31<sup>st</sup> Street) and serves south Minneapolis, downtown, and northeast Minneapolis;
  - Route 53, which provides express service to St. Paul; and
  - Routes 113 and 115, which provide express service to the University of Minnesota.
- **Metro Transit is considering constructing the Southwest Corridor light rail line,** connecting downtown Minneapolis and Eden Prairie via St. Louis Park, Hopkins and Minnetonka. One possible routing for the line would be along the Midtown Greenway and **include a station at Lyndale Avenue.** A light rail station would greatly enhance the connectivity of the Lyn-Lake area with the rest of the metro area, and improve the market potential for retail, office and housing development.



- **Lyndale Avenue is one of the most heavily traveled north/south streets in Minneapolis, and Lake Street is one of the most heavily traveled east/west streets in the city. High traffic volumes can boost retail viability but also result in traffic congestion.** Traffic counts taken by the city in 2007 are as follows:
  - Lyndale Avenue, north of Lake Street: 26,000 Average Daily Trips (ADT)
  - Lyndale Avenue, south of Lake Street: 15,600 ADT
  - Lake Street, east and west of Lyndale: between 20,000 and 21,000 ADT
  - Blaisdell Avenue, north of Lake Street: 11,500 ADT
  - 26<sup>th</sup> and 28<sup>th</sup> Streets, east of Lyndale: 9,700 ADT
  - 26<sup>th</sup> and 28<sup>th</sup> Streets, west of Lyndale: between 5,300 and 5,500 ADT
- The **Focus Area is located in a diverse area of the city.** The neighborhoods surrounding the Focus Area include a wide variety of incomes and ethnic backgrounds, which adds to the range of housing and retail demand in the area.
- **Several options exist with regard to parking** in the Lyn-Lake area. **Several businesses have dedicated off-street parking** in adjacent lots. As well, a **surface parking lot** on Garfield Avenue north of Lake Street contains **160 public stalls that are available for a charge.** Additional paid public parking is available north of Lake Street and west of Lyndale Avenue in the Uptown City Apartments (65 stalls) and Blue (40 stalls when complete). The proposed 2900 Lyndale project would include 124 public stalls, and together the three projects would **total 229 stalls.** **On-street parking exists** in nearly all locations in the Lyn-Lake area, although parking is metered in areas close to the Lyndale/Lake intersection.

### *Advantages of Lyn-Lake Area*

The following are positive aspects of the Lyn-Lake area:

- **Accessibility.** The area is very accessible from nearby freeways, roadways that serve the area, by transit, and also for those on bicycle or on foot.
- **Traffic volumes.** The traffic volumes on Lake Street and Lyndale Avenue increase commercial market potential.



- **Urban fabric.** In general, the Lyn-Lake area has a good urban fabric, particularly at and near the Lyndale Avenue/Lake Street intersection. Commercial buildings are typically in good shape, and relate well to the sidewalk with little or no setback and significant windows. Sidewalks are wide enough to accommodate significant foot traffic and include amenities such as shade trees, decorative light posts, and bike racks. These pedestrian-friendly aspects improve the attractiveness of the area for both commercial and housing development.
- **Nearby lakes and trails.** The nearby chain of lakes, and related system of public trails, including the Midtown Greenway that passes through the Lyn-Lake area, have a very positive affect on the desirability of the Focus Area for both housing and commercial development.
- **Recent development activity.** New housing and commercial development in the Lyn-Lake area not only reflects its desirability in the real estate market, but can also have a positive affect by encouraging owners of existing properties to make improvements.
- **Streetscape improvements.** The rebuilding of Lake Street and of Lyndale Avenue between 29<sup>th</sup> and 31<sup>st</sup> Streets improves the appearance and function of the public realm in the Lyn-Lake area. Despite recent short term problems related to the street closure due to construction, the project should have a long term positive impact on property values and the real estate market.

### *Disadvantages of the Lyn-Lake Area*

The following are negative aspects of the Lyn-Lake area:

- **29<sup>th</sup> Street.** The condition of 29<sup>th</sup> Street along the south side of the Midtown Greenway requires improvement. The street has numerous potholes, broken curbs and aging fencing along the Greenway. Especially with new residents living near and along that street, there will likely be increased calls to address the issue.
- **Kmart.** The Kmart store at Nicollet Avenue and Lake Street has been identified by the City of Minneapolis as a main target for redevelopment. Its presence interrupts the urban fabric of Lake Street because of its substantial setback from the street and significant parking lot. Its presence has had a negative effect on land uses to the west, including those in the Focus Area, by making the corridor too suburban and auto-oriented in character. Eventual redevelopment of the Kmart site with more sensitivity to the urban fabric would have a positive impact on the Focus Area.
- **Crime.** The existence, or perception of, crime in the Lyn-Lake area, particularly to the east of Lyndale, is a deterrent to investment in the area. Although development has occurred in and near the Focus Area, additional crime prevention measures could attract increased development activity.

- **Property Upkeep/Blight.** Although new development and renovations of exiting buildings has occurred in the area, some key properties in the Focus Area have continued issues pertaining to maintenance and upkeep. Working with housing and commercial property owners, including leveraging city funded programs, will help alleviate blight in the area.
- **Surface Parking/Underutilized Parcels.** Numerous parcels along Lyndale Avenue and Lake Street contain excessive surface parking or are otherwise underutilized. This results in gaps in the urban fabric, creates an unattractive streetscape that is unfriendly to pedestrians and in some cases deters development and investment. Many of the automobile-oriented businesses are financially viable, however, but still may be on underutilized parcels. Recent infill development has been denser and has generally addressed these issues, and future development should do the same.

## **SUMMARY**

There are numerous positive aspects to the neighborhoods surrounding the Focus Area, as well as some drawbacks. In general, the Focus Area is well located within the city, and has or is near numerous amenities that positively influence both the commercial and housing markets.

Specifically, Lyn-Lake is an example of walkable urbanism with a distinct focal point at the Lyndale Avenue/Lake Street intersection. Efforts to preserve and enhance the urban fabric and various other advantages identified in the area, while improving upon the disadvantages, including upgrading transit service with a future rail station, will improve the market for a variety of land use types in the greater area.





# DEMOGRAPHIC ANALYSIS

## **INTRODUCTION**

This section analyzes current and projected economic and demographic trends affecting both the housing and commercial real estate market in the Lyn-Lake area. Included in this section are a discussion of population and household growth trends, age distribution, owner versus rental housing, and income analysis.

These key demographic indicators will be examined from a geographic perspective when possible. The intersection of Lyndale Avenue and Lake Street mark the boundaries of four neighborhoods as defined by the city of Minneapolis, with Lowry Hill East to the northwest, Whittier to the northeast, Lyndale to the southeast, and CARAG to the southwest. When possible, we separated data from the U.S. Census or metropolitan Traffic Analysis Zones (TAZs) in as similar a geographic fashion in order to analyze information for neighborhoods in each of these quadrants.

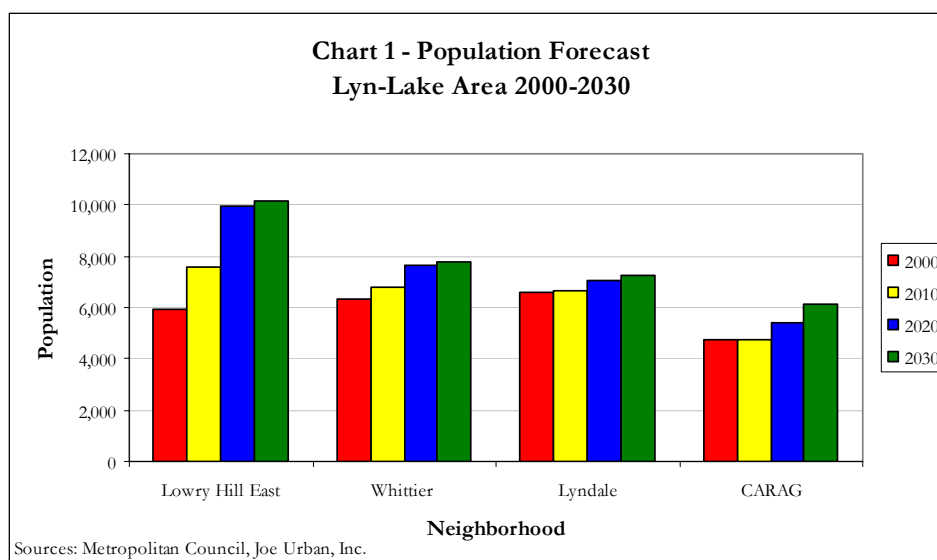
A map of Metropolitan Council TAZ areas is shown on the following page, and areas 334, 337, 373 and 375 were used in our analysis.

## **KEY DEMOGRAPHIC INDICATORS**

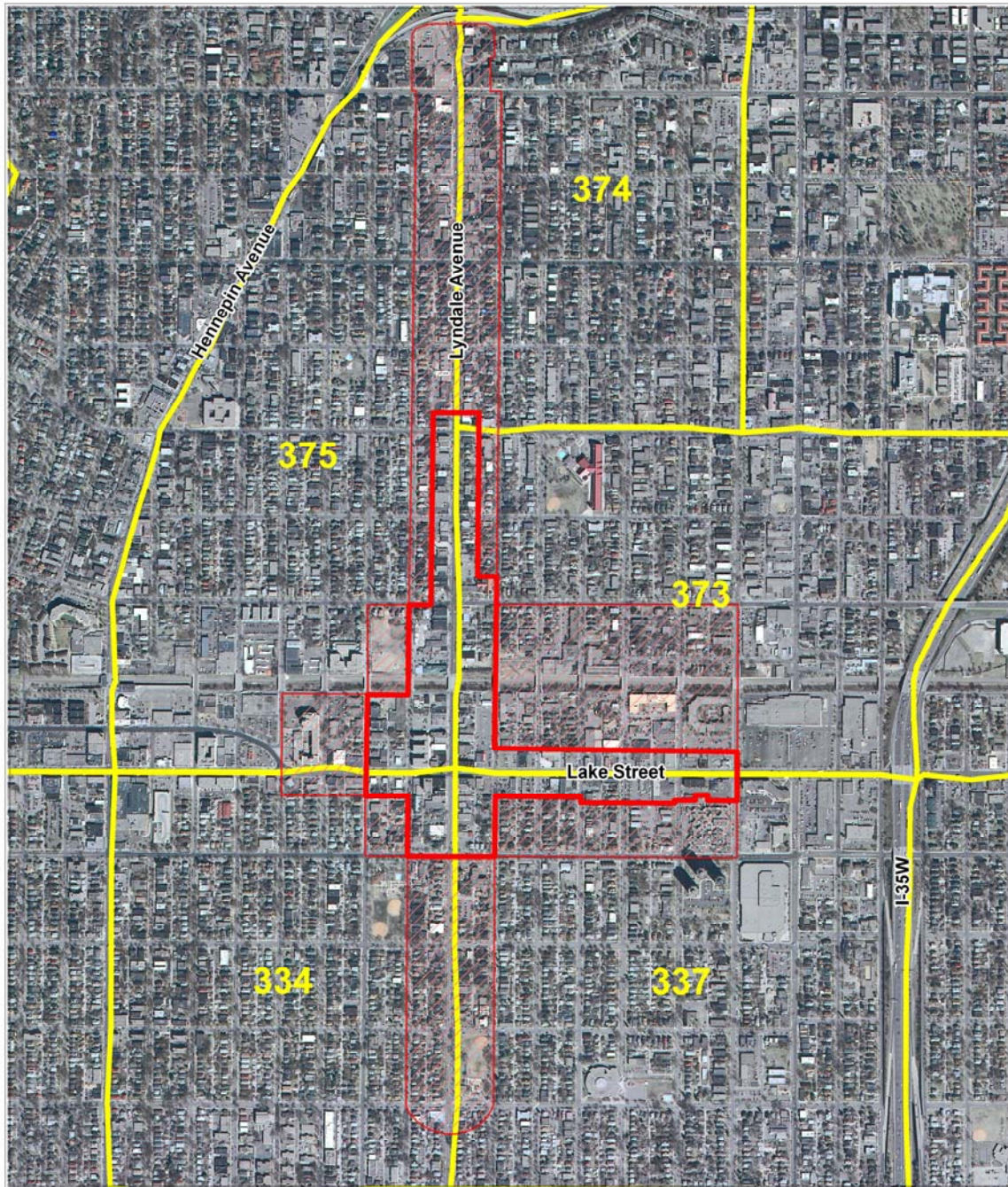
### ***Population and Household Growth***

Chart 1 shows projected population growth for the four neighborhoods bordering the Lyn-Lake area between 2000 and 2030, based on forecasts generated by the City of Minneapolis and published by the Metropolitan Council.

Population forecasts are based on change in housing units combined with typical household size.



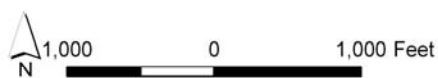
The chart shows that **all four neighborhoods bordering the Lyn-Lake area are forecast to add population between 2000 and 2030**, primarily as a result of new infill housing in each of the neighborhoods.






**Traffic Analysis Zones (TAZ)**

Map 3

Lyn - Lake Small Area Plan

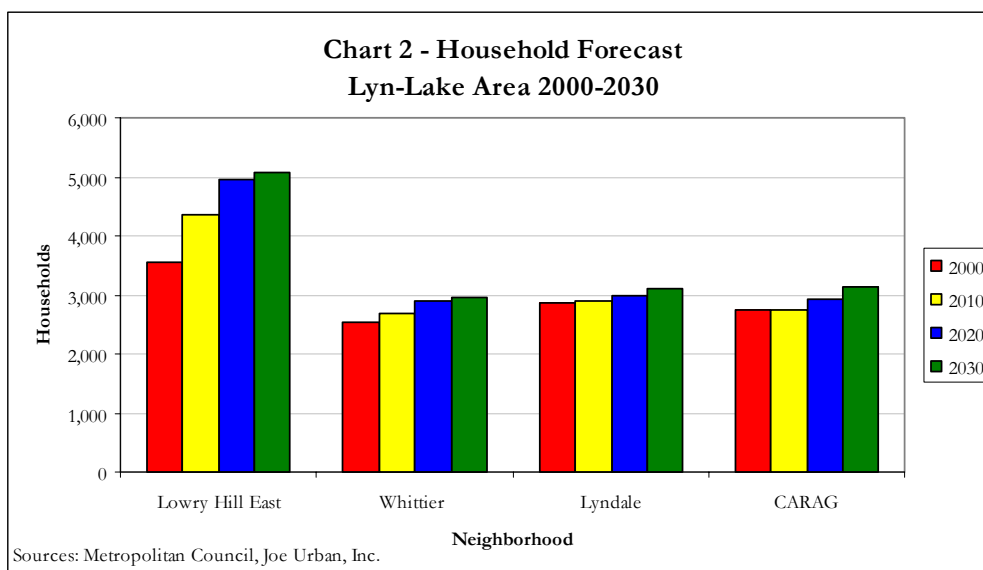


-  TAZ Boundary
-  Lyn-Lake Focus Area
-  Lyn-Lake Influence Area

Prepared by Bonestroo  
September 8, 2008  
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Household forecasts more closely represent increases or decreases in housing units. Chart 2 shows similar growth trends across each of the four bordering neighborhoods. Whereas all neighborhoods are forecast to grow, the Lowry Hill East neighborhood is forecast to accommodate the greatest increase of housing units between 2000 and 2030, with over 1,500 units forecast. In all, the four neighborhoods collectively are **forecast to grow from 11,706 households in 2000 to 14,240 in 2030, an increase of 2,534**. This represents an **increase of 21.6% in 30 years**.

**Lowry Hill East is forecast to add more housing units compared to other neighborhoods primarily because there are several large parcels guided for housing development. These parcels are former industrial and**



**commercial uses along the north side of the Midtown Greenway, and some have already been redeveloped**, including the Midtown Lofts, a 72-unit condominium development that opened in 2005, and Track 29, a 122-unit townhome and condominium project in mid-development. Additional sites along the Midtown Greenway are likely to accommodate housing between now and 2030. Of the 1,500-plus units forecast between 2000 and 2030, nearly 500 have already been built or are under construction.

**Other housing development has occurred along commercial corridors**, often replacing underutilized or vacant property with multistory housing. Examples of this include Blue and Murals at Lyn-Lake, both of which are apartment projects located within the Focus Area.

### ***Age and Household Tenure***

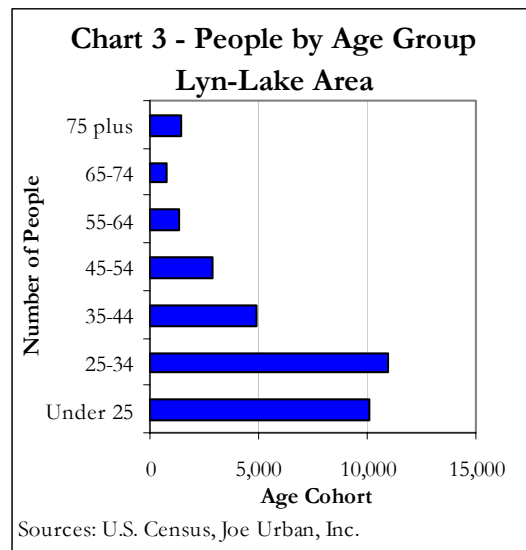
Another measure of demographic analysis is population by age group (cohort) and household tenure (whether households own or rent their housing unit, not a reference to the length of time a household resides in a particular housing unit). Chart 3 shows population by age, according to the United States Census, in the tracts bordering the Lyn-Lake area.

What is notable about Chart 3 is the population **age distribution, which shows a vast majority of residents to be under age 35, and few residents are over age 55**. This general area of Minneapolis, including Uptown and Lyn-Lake, has long been popular among a younger

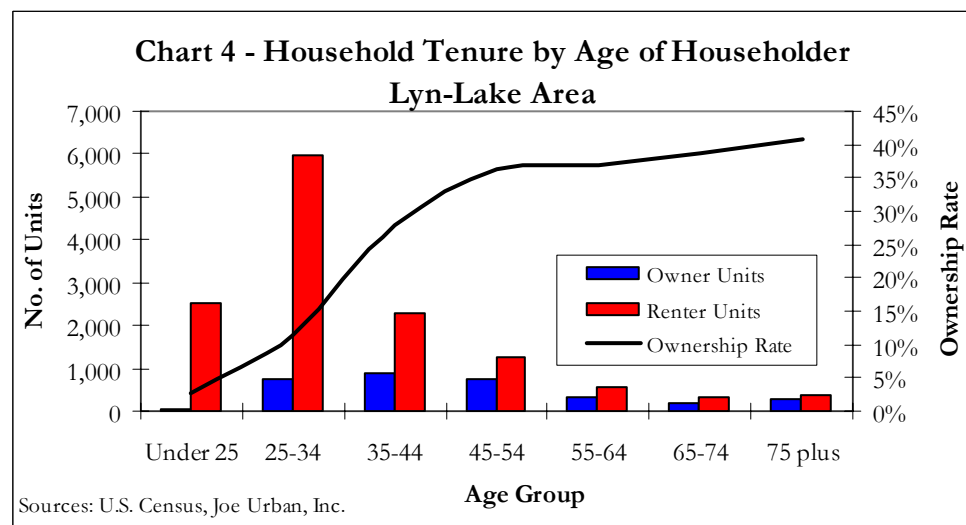
generation due to its range of restaurants and bars, and proximity to downtown employment.

The typical age distribution for the United States population peaks in the 45 to 54 or 55 to 64 cohorts. The Lyn-Lake area has the greatest number of people in the age 25 to 34 cohort, with the under-25 cohort ranking second.

Chart 4 shows household tenure by age of householder in the Lyn-Lake area. Red bars represent the number of households that rent their housing, whereas blue bars show the number that own. The left axis shows the number of households as they correspond to the red and blue bars, whereas the axis on the right shows the percentage of households that own their housing, which corresponds with the black line.



The greatest amount of households are in the age 25 to 34 cohort. The vast majority of those households rent their housing. This is fairly consistent with trends across the metro area and the state of Minnesota. However, whereas ownership is far more common across older age cohorts, in the Lyn-Lake area every single cohort has more renters than owners.





The statewide homeownership rate is higher than 70%, and it is 55% in the City of Minneapolis. However, it is only 20% in the Lyn-Lake area, driven primarily by the sheer number of young persons who have a propensity to rent their housing.

Recent housing development in the area has included a substantial number of owner occupied housing units, primarily condominiums. However, while the ownership rate is likely to grow gradually over time, the area is still a popular place for rental housing, as evidenced by projects such as Blue and the Murals at Lyn-Lake.

**Demographic Drivers of Housing Demand**

Projected household growth in key types and age groups is likely to dramatically affect the housing market in this decade and beyond. In the 2000 Census, for the first time, two-parent households with children fell below 25% of all households. From 1970 to 2000, the percentage of nuclear families among all U.S. Households dropped from 43% to 24%.

Table 1 shows the change in households over this decade, which is seeing a continuing shift away from the nuclear family. During this decade, households with children will *decline* by 87,000, while **households with no children – including childless couples, singles, roommates and adult relatives living together – will increase by nearly 12 million.** This growth is likely to continue in the future, and will have a profound affect on the housing market. The demographic changes currently underway in the United States will favor the development of smaller housing units such as apartments and condominiums. As a result, urban neighborhoods such as Lyn-Lake stand to benefit from these changes.

<b>Total Household Change</b>	<u>Household Type</u>					
	<u>Without Children</u>				<u>With Children</u>	
	Married without Children	Single Persons	Adult Relatives Living Together	Roommates	Single-Parents	Married with Children
<b>11,732,000</b>	5,276,000	4,948,000	1,023,000	572,000	(11,000)	(76,000)
						
	<b>11,819,000</b>				<b>(87,000)</b>	

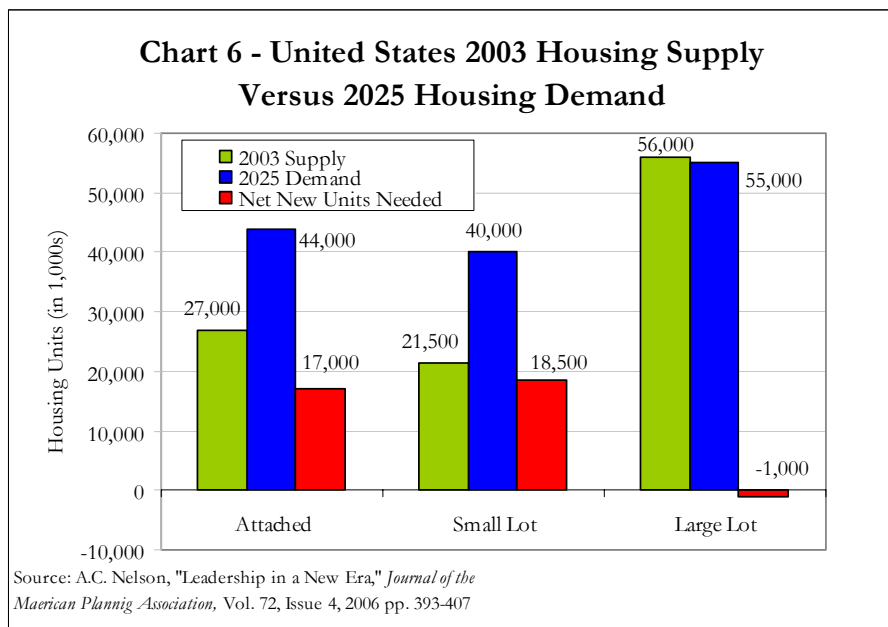
*Sources: Bureau of the Census, Martin & Associates, DSU Research, Joe Urban, Inc.*

Chart 6 shows the effects of demographic changes on the supply and demand of housing types in the United States.

The green bars show the number of existing housing units in 2003 (in thousands) by category, including attached housing (apartments, townhomes and condominiums), small lot single-family homes and large lot single-family homes. The blue bars show forecast demand for these housing types in 2025, with the red bars showing the difference between the two.

The striking finding illustrated in Chart 6 is demand will actually decline slightly for large lot single-family homes in the next 15-plus years. In that time, **there will be demand for 18.5 million more small lot single-family homes and 17 million additional attached homes.**

It is **the 17 million attached homes that are an encouraging indicator for continued demand for housing in the Lyn-Lake area.** Land values and availability of sites dictates that most new housing in the Lyn-Lake area will indeed be attached, as is evidenced by recent housing, and will likely be condominiums, townhomes or apartments.



### **Income**

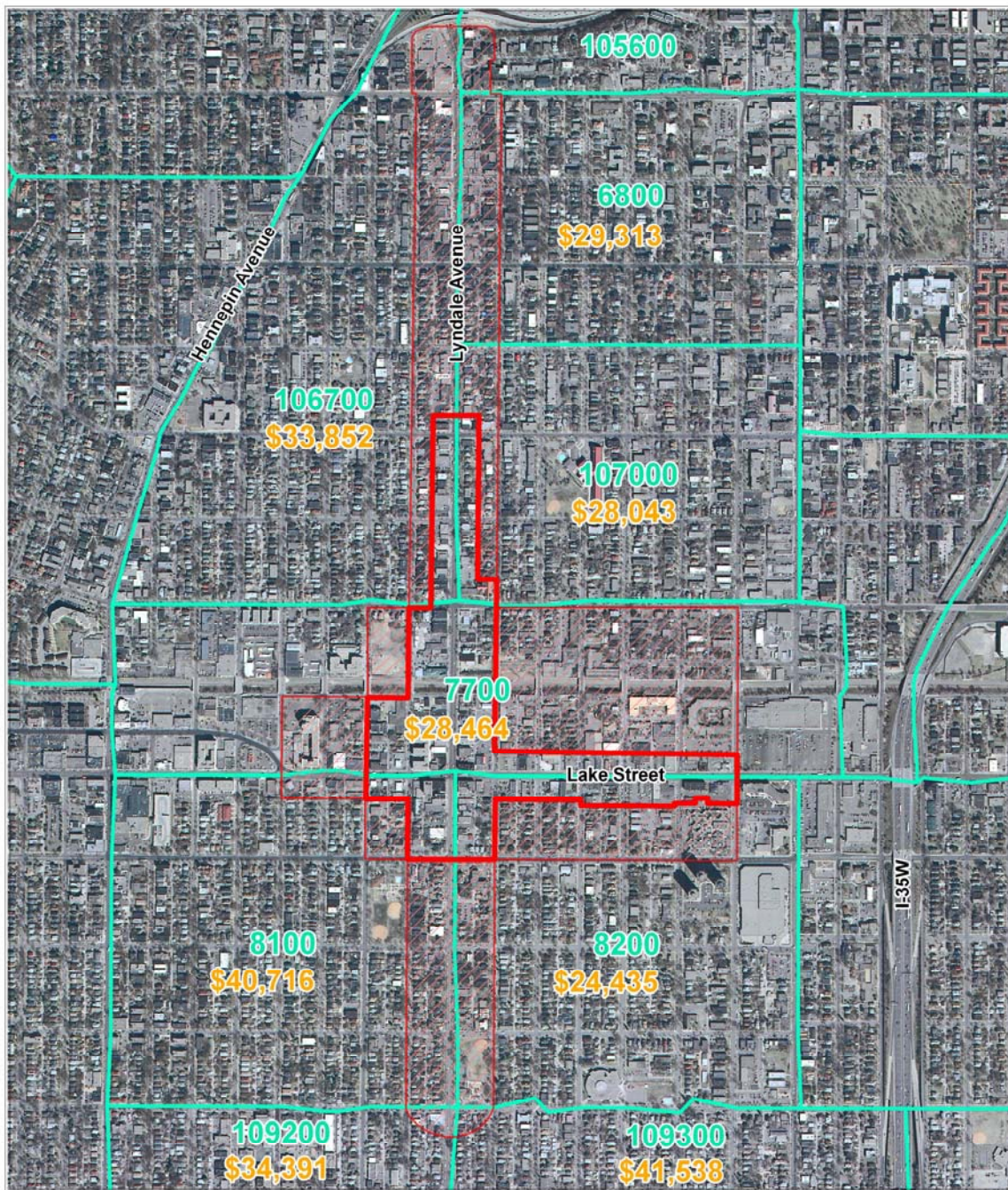
The map on the following page shows the median income for the various Census tracts in and around the Lyn-Lake area.

The income data is based on 1999 incomes from the 2000 Census, and while it is likely that incomes have risen since that time, the relationship of incomes between Census tracts is similar.

The map shows that tracts to the **west of Lyndale Avenue have higher median incomes than those located to the east.** Similarly, tracts to the **south of Lake Street have higher incomes than those to the north.** This variety of incomes in the area affects both the amount of spending power households have, which impacts retail demand, and the amount of rent or mortgage payments households can afford, which is an influence on the housing market.

### **SUMMARY**

The Lyn-Lake area is forecast to add population and households in the next 20 or so years. It is an area with a very young population with a high propensity to rent their housing, and with a range of incomes. Long term demographic trends favor the type of urban housing commonly found in the Lyn-Lake area.



**Census Tracts and Median Income**

Map 4

Lyn - Lake Small Area Plan

1234 Census Tracts and ID

\$1,234 Median Income

Lyn-Lake Focus Area

Lyn-Lake Influence Area



Prepared by Bonestroo  
 September 8, 2008

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# COMMERCIAL MARKET ANALYSIS

## **INTRODUCTION**

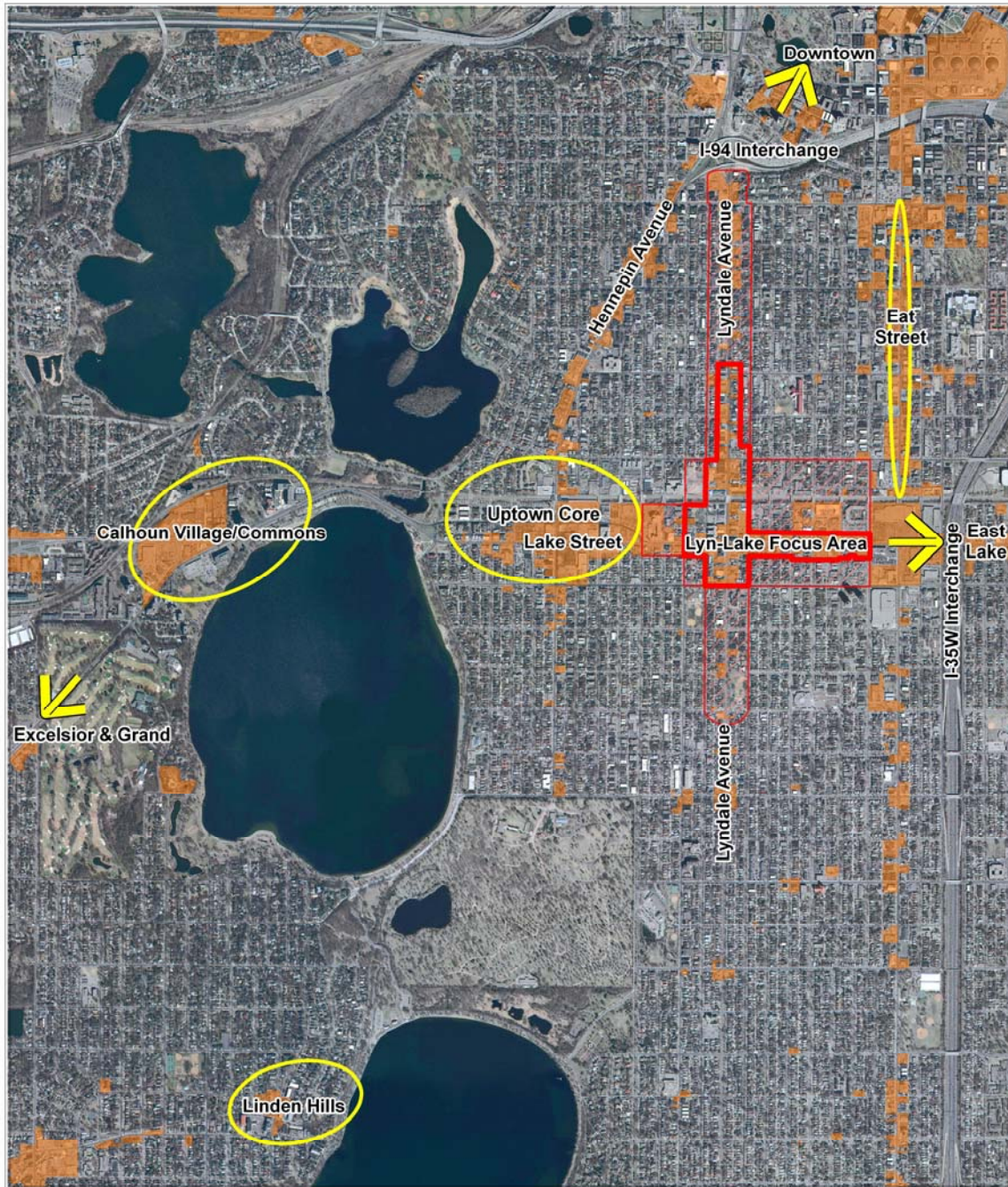
This section assesses the commercial market in the Lyn-Lake area. It considers commercial orientation, existing businesses, new and recent additions to the commercial mix, and future demand for commercial space. The analysis uses both qualitative and quantitative analysis to arrive at conclusions for market trends and demand.

## **COMMERCIAL ORIENTATION**

An understanding of the commercial orientation of the Lyn-Lake area is fundamental to analysis and recommendations for the area. The following bullet points highlight the Lyn-Lake area and its relationship to the surrounding community from a commercial development perspective.

A map showing the commercial orientation of the Lyn-Lake area is shown on the following page.

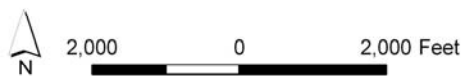
- **The Lyn-Lake area is a local and a regional draw.** Lyn-Lake has numerous retail stores and restaurants that attract customers from both the immediate area and the greater city and metro. Some store owners report that most of their customers come from within a one to two-mile radius, whereas Schatzlein's Saddle Shop, for example, draws customers who own horse farms on the edge of the metro area and beyond.
- **Access to the Lyn-Lake area can be made from the regional freeway system from interchanges at Lake Street and Interstate 35W and Lyndale/Hennepin Avenue and Interstate 94.** Lyndale Avenue provides major access from the south, and Lake Street/Minnetonka Boulevard/Excelsior Boulevard/Highway 7 provides substantial access from the west. The neighborhood is also **served by transit, has good bike access and is very walkable**, enabling nearby residents to easily access businesses.
- As noted in the site analysis section of this report, the Lyn-Lake area has **substantial traffic on both Lyndale Avenue and Lake Street**, as well as 26<sup>th</sup>, 28<sup>th</sup> and 31<sup>st</sup> Streets. In addition to good access by transit, bicycle and foot, these traffic counts add to the commercial potential of the area.
- **Retail districts that compete** with Lyn-Lake include **Uptown, Calhoun Village/Calhoun Commons, Eat Street, downtown Minneapolis**, and to a lesser extent **retailers to the east along Lake Street, Excelsior and Grand, Linden Hills and 50<sup>th</sup> and France**.
- Despite other nearby commercial nodes, **direct competition is not as pronounced due to the wide variety and eclectic nature of retailers** in the Lyn-Lake area. The advantage of one-of-a-kind retailers brings in a variety of local and regional shoppers, but it also leads to a lack of synergy among retailers because customers often shop at just one store but don't browse others.



**Commercial Orientation**

Lyn - Lake Small Area Plan

- Lyn-Lake Focus Area
- Lyn-Lake Influence Area
- Commercial Properties



Map 5

Prepared by Bonestroo  
 September 8, 2008  
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**EXISTING BUSINESSES**

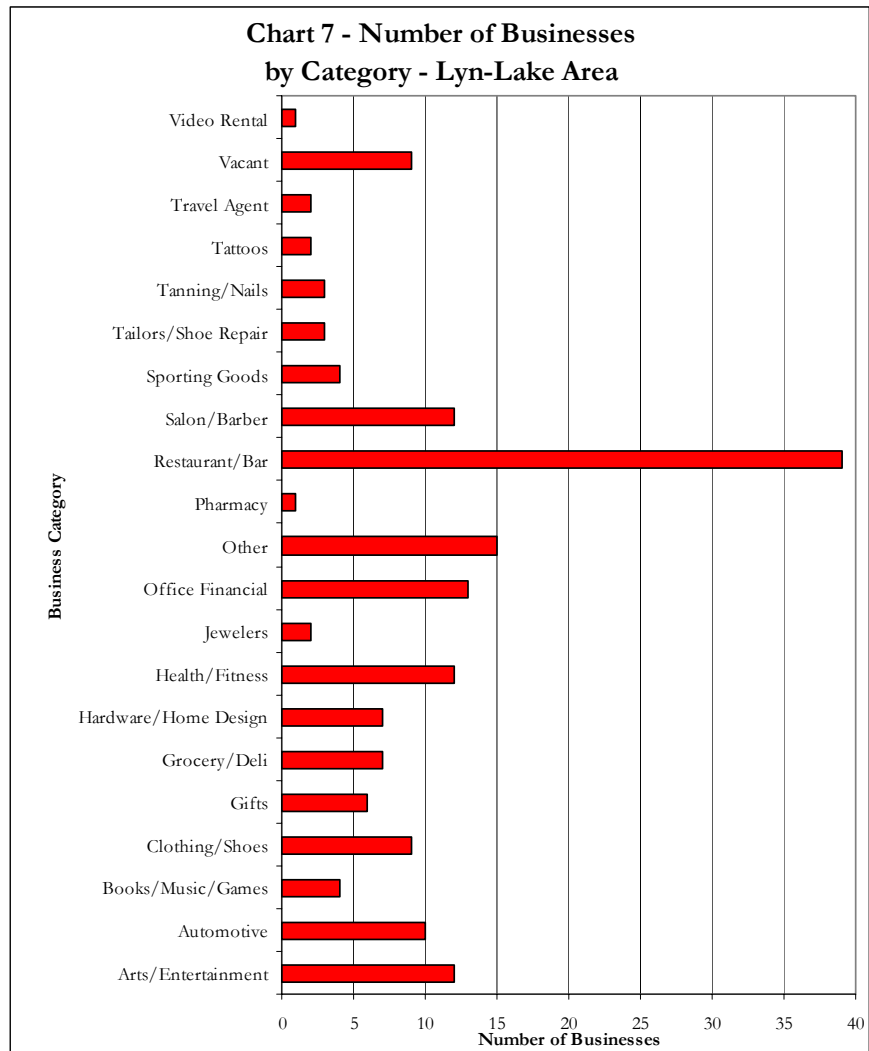
We inventoried every commercial business in the Lyn-Lake Focus area, and analyzed them by type, location, orientation, size and category. The following bullet points summarize our findings.

- The Lyn-Lake Focus Area contains a total of 173 businesses in a wide variety of categories. Categories in the area include Arts/Entertainment, Automotive, Clothing/Shoes, Health/Fitness, Office/Financial, Restaurant/Bar and Salon/Barber.

- Chart 7 shows a breakdown of all businesses by number in the Lyn-Lake area.

- By a significant margin, the **Restaurant/Bar** category is most represented in the Lyn-Lake area. Of the 173 total businesses, 39 are restaurants or bars, or 23% of the total.

- Other leading categories of business include **Office/Financial, Arts/Entertainment, Salon/Barber** and **Health/Fitness**. The Lyn-Lake area has a high proportion of fitness/yoga/pilates studios and hair salons, which represent a recent trend in retail leasing in the market in general.



- Another category is **“Other,”** which actually has the second-highest number of businesses in the area. The “other” category includes retail or office uses that don’t fit neatly in to a category. This is an example of just how diverse and eclectic the commercial market is in Lyn-Lake.

- The **nine vacant commercial spaces in the Lyn-Lake area represent a 5.2% vacancy rate.** This is normal for a healthy commercial area, as 5% to 7% represents the industry standard for a well-balanced market.
- Using City of Minneapolis Assessor's data for lot sizes and building footprint size, we estimated as nearly as possible the square footage of commercial space in the Lyn-Lake area. When possible, we used real estate agent or building owner data to verify tenant space sizes. Although this is the best information available, we caution that this data can have discrepancies and should only be used for general comparison use, not detailed analysis.
- We believe the total **commercial space in the Lyn-Lake area is approximately 600,000 square feet.** This figure is an estimate, and includes space that is not purely retail, such as auto repair, office, shop/assembly space. **Commercial space within a two-block radius of the Lyndale/Lake intersection is approximately 275,000 square feet.** That compares to **155,000 square feet in the combined Calhoun Commons/Calhoun Village centers and 154,000 square feet in Calhoun Square** alone. Of course, the greater Uptown area around Calhoun Square likely contains slightly more square footage than the Lyn-Lake area, but we did not specifically research that figure.
- By comparison, Colliers International, a brokerage with offices in Minneapolis, estimates that **downtown Minneapolis contains 1.36 million square feet** of retail space, Southdale contains 1.34 million square feet and the **Galleria in Edina has 420,000 square feet.**

### ***Trends in Rents and Sales in Area***

Table 2 shows a range of properties in the Lyn-Lake focus area that are for lease, for sale, or have recently signed leases. Most listings are for the nine vacant spaces identified in Chart 7, and others represent additional spaces or properties in the area that either have recently sold or signed leases, or not yet constructed and therefore don't count in the vacant space tally.

- Surveyed rents in the Lyn-Lake area range from **\$18 to \$26 per square foot for ground floor retail space**, and **\$12 to \$18 per square foot for office space** located on floors one through five. Lease rates vary widely depending on building age, access, amenities and condition.
- Table 2 shows several **retail spaces listed for more than \$20 per square foot** on a net basis (taxes, utilities and common area maintenance (CAM) are paid in addition to, and counted separately from, base rent) versus gross (all expenses are included in the rent). Historically, Lyn-Lake has not frequently seen rents in excess of \$20 per square foot, but that is becoming more commonplace as the area becomes more attractive to a variety of retailers.
- Lease **rates farther west, in the Uptown core, are in some cases significantly higher**, than the \$20 per square foot that is becoming more common in the Lyn-Lake area. Asking rates in several retail spaces along Lake Street/Lagoon Avenue between Bryant and Hennepin are in the \$25 to \$30 range.

**Table 2**  
**Vacant Commercial Space**  
**Lyn-Lake Area**  
**October 2008**

Complex Name/Address	Year Built	Building Size	Available Square Feet	Rent Range		Comments
				Low	High	
<b>2900 Lyndale</b> 2900 Lyndale	2009	64,000	64,000	\$16.00	\$26.00	Developer/Owner: Greco Leasing Company: Colliers Building Style/Type: Four-Story Retail/Office Space Location/Type: All Floors
<b>Lyn-Lake Building</b> 621 West Lake	1920s	N/A	315	\$27.05	\$27.05	Developer/Owner: N/A Leasing Company: Ackerberg Building Style/Type: Three-Story Retail/Office Space Location/Type: 3rd Floor Office
<b>201 West Lake</b> 201 West Lake Industrial/Auto Repair Space	1932	15,000	7,800	\$4.50		Developer/Owner: N/A Leasing Company: Java Properties Building Style/Type: One-Story Retail/Industrial Space Location/Type: All Floors
<b>Blue</b> NWC Aldrich/Lake Retail Space in Blue Project	2008	15,000	13,609	\$26.00		Developer/Owner: Greco Leasing Company: Colliers Building Style/Type: Five-Story Mixed-Use Space Location/Type: Two Spaces - 6,566 & 7,043 SF
<b>117 West Lake</b> 117 West Lake	N/A	37,376	1,500	\$18.00		Developer/Owner: N/A Leasing Company: Welsh Companies Building Style/Type: One-Story Retail Space Location/Type: Entire Building
<b>2736 Lyndale</b> 2736 Lyndale 871-2407	N/A			\$17.65	\$22.11	Developer/Owner: N/A Leasing Company: Owner Building Style/Type: Two-Story Commercial Space Location/Type: Second Story Office
<b>2649 Building</b> 2649 Lyndale 518-8448	1921 (2008 Add'n)	6,000	1,300	\$17.00		Developer/Owner: DPS Properties Leasing Company: Java Properties Building Style/Type: Two-Story Commercial Space Location/Type: Second Story Office
<b>404 West Lake</b> 404 West Lake For-Sale/Lease	1966	5,000	5,000	\$16.00		Developer/Owner: N/A Leasing Company: Welsh Companies Building Style/Type: One-Story Retail Space Location/Type: Entire Building
<b>401 West Lake Building</b> 405 West Lake 822-9999	1910s		2,500	\$18.25		Developer/Owner: KS 1 LLC Leasing Company: Owner Building Style/Type: Two-Story Mixed-Use Space Location/Type: Ground Floor Retail
<b>2800 Lyndale</b> 2800 Lyndale Fitness Studio	1911		5,000	\$13.00		Developer/Owner: Hagen Leasing Company: Owner Building Style/Type: Two-Story Commercial Space Location/Type: 2nd Story Studio
<b>Bryant Lake Bowl Building</b> 810 West Lake Will be gelato shop	1920s		3,200	\$20.00		Developer/Owner: 810-822 West Lake LLC Leasing Company: Leverage Real Estate Building Style/Type: Two-Story Mixed-Use Space Location/Type: Ground Floor Retail
<b>Theater Antiques Space</b> 2934 Lyndale	N/A	5,000	5,000	\$22.00		Developer/Owner: Gregory and Lorraine Scott Leasing Company: Colliers Building Style/Type: Two-Story Mixed-Use Space Location/Type: Ground Floor Retail
<b>Plaza Isabella</b> 515 West Lake	1931	8,821	2,000	\$16.00		Developer/Owner: 515 Lake Street Ventures Leasing Company: Java Properties Building Style/Type: One-Story Retail/Office Space Location/Type: Office
<b>Calhoun Building</b> 711 West Lake (763) 424-6355	1914		1,500 to 2,000	\$12.00	\$14.00	Developer/Owner: 711 Lake Street LLC Leasing Company: Arrow Real Estate Building Style/Type: Five-Story Mixed-Use Space Location/Type: Office/Studio
<b>Space and Lease Rate Ranges</b>		<b>315</b>	<b>- 64,000</b>	<b>\$4.50 - \$27.05</b>		

Sources: Building Owners, Brokers/Leasing Agents, Joe Urban, inc.



- It has historically been the case that, on average, **rents along the Lake Street corridor are highest at, and west of, Hennepin Avenue, and decline gradually to Interstate 35W to the east.** Lyn-Lake lies between the two. Our findings support this, and Table 2 shows several properties east of Lyndale Avenue with asking rates less than \$20 per square foot, whereas our survey of space west on Lake Street found rates consistently in the \$20-plus per square foot range.
- Despite the historic trend of a sliding scale of rents from west to east in the area, **rents have also increased collectively in the Uptown and Lyn-Lake area** over time as owners and tenants have invested in and upgraded their space. This began over two decades ago in Uptown as some building owners improved their properties and attracted tenants (and Calhoun Square was built), leading others in the area to feel more confident investing in their properties, to the benefit of the collective.
- This trend has continued along Lake Street to the east of Hennepin, as several new developments have been built, and numerous buildings have been updated and attracted new tenants in recent years. However, to date, this trend has not reached east of Lyndale Avenue. Although our survey shows that vacancy rates are not any different east of Lyndale Avenue along Lake Street, and businesses there are as vibrant as to the west, rents are lower and the degree of building renovation and updating is less. This is likely to change over time as tenants change over and new opportunities for investment, renovation and even redevelopment occur.
- Other listings in the area include \$4.50 per square foot for industrial/shop space along Lake Street, and \$28 per square foot for a vacant lot on the 2600 block of Lyndale that would likely be assembled with an adjacent lot for a larger residential redevelopment.
- Although not located in the Focus Area, the Karmel Plaza retail center located between Pleasant and Pillsbury Avenues south of the Midtown Greenway has been developed in recent years as a mini-mall catering to the retail and service needs of the Somali community. Karmel Plaza is in the Influence Area. Additional businesses along Lake Street east of Lyndale Avenue clearly cater to both the Somali and Latino communities, and represent the dynamic variety of retail potential in the area. Again, many of these businesses in Karmel Plaza and along Lake Street east of Garfield Avenue may be perceived in the general community as being substandard in terms of finish or building condition, or too automobile-oriented, but they clearly have businesses that are just as thriving, or more so, than retail development in the core of Lyn-Lake or in Uptown to the west.

### ***Planned Projects and Retail Trends in Area***

- Greco, the developer of the Blue apartment and retail project located on the 2900 block of Aldrich between 29<sup>th</sup> and Lake Streets, is also planning a mixed-use project at 2900 Lyndale Avenue. It will consist of a 64,000 square foot, four-story building, with 16,000 square feet of ground floor retail space and 48,000 square feet of office space on floors two through four. The

Minneapolis office of Colliers International is marketing the project, and the project requires 40% of the space to be preleased before construction starts.

- New tenants in the area fall in to the category of hair salons, restaurants, fitness, banks, and specialty/eclectic stores. A hair salon is expected to move in to Blue in spring 2009. Examples of new restaurants include Tiger Sushi in the Murals of Lyn-Lake, a new restaurant in the former Macchu Picchu space at 2940 Lyndale, and a gelato shop at the corner of Lake Street and Bryant Avenue. A fitness studio is opening in the second floor of 2800 Lyndale, a credit union is planned for the site to the north of Murals of Lyn-Lake, and ZRS Fossils moved from Calhoun Square to the 3000 block of Lyndale in the past year.

## **INTERVIEWS**

We interviewed a number of brokers, building owners and business owners in the area to seek their observations and comments on the Lyn-Lake commercial market. The following is a summary of those comments, divided between brokers/developers and building/business owners.

### ***Broker and Developer Comments***

- **Most brokers and developers are bullish on the long-term commercial potential in the area.** The area has established itself as a destination unique to Uptown and elsewhere for retail, restaurants and entertainment. Although distinct from Uptown, the area also feeds off of the energy in Uptown, Lyndale is only one-half mile east of Hennepin and offers many of the same kinds of things, including restaurants, bars, galleries and eclectic retail space. Vacancies tend to be filled quickly and with an evolving range of retailers, such as salons, fitness studios, new restaurants and unique shops.
- **As additional restaurants open in the area, the intersection of Lyndale Avenue and Lake Street will really take off.** New restaurants are expected to open in the former Macchu Picchu space, and Tiger Sushi is opening in the Murals of Lyn-Lake. Retail brokers seeking a potential restaurant in one of the two retail spaces in the Blue project, and a couple other restaurants are rumored in the general area.
- **Parking is an issue in the area.** Numerous retailers in the area have little or no dedicated off street parking, and on-street parking is often difficult to find, particularly in the evenings and on weekends when restaurants are busiest. Furthermore, there has been a loss of public parking in surface lots on the 2900 block of Lyndale as development has occurred. Although much of this parking has been or will be replaced by indoor parking in new projects, some of it is not well marked and confusing to navigate, particularly in the Uptown City Apartments.
- **National chains don't understand the Lyn-Lake area yet.** Very few regional and national chains and franchises exist in Lyn-Lake. Part of this is due to the general notion that urban markets are more sophisticated and less homogeneous than suburban markets, presenting higher



barriers of entry, and also because older, urban neighborhoods often don't have the right size space or number of adjacent off-street parking spaces. Several brokers and developers believe this will change over time.

- **The right national chains or franchises can be a good fit in the area.** Although the Lyn-Lake area prides itself on having mostly independent businesses, appropriate regional or national chains or franchises can be a good fit in the neighborhood. Over the past couple decades, numerous chains and franchise stores have opened in Uptown. While many have done very well, some have closed. One developer attributes success to good local management and an effort to fit in with the neighborhood and really understand the nuances of shoppers in the area. In other words, stores that “plug in” to the neighborhood fabric and life are more successful than those that are “stamped down” and operated with little local interaction. Examples the developer cited are Bruegger’s Bagels and Urban Outfitters, which are substantial regional and national chains but are operated locally and fit well in the urban fabric of the Uptown area, and correspondingly they are successful, popular and have been around for a long time.
- **National tenants are likely to show increased interest in the area.** Several brokers and developers believe as Lyn-Lake becomes more desirable that rents will increase and, correspondingly, national tenants will realize the business potential and seek space there. This is similar to what has happened around Hennepin and Lake in the past 20 years.
- **It is difficult to find independent (“ma and pa”) retailers able to pay \$25 per square foot in rent.** One challenge to an evolving area is the risk that increasing rents push out old, established independent businesses with national chains with better credit. It is likely that franchises and chains will increasingly be interested in the Lyn-Lake area in the coming years, and rents will continue to climb in the long term, which will encourage reinvestment and increased revenue for building owners. And just as many of the tenants in Lyn-Lake moved from Uptown because of increasing rents, the same thing is likely to occur to some degree in Lyn-Lake in the mid- to long-term.
- **A stronger business association and/or the creation of a special services district would bolster Lyn-Lake.** The comment points out that the Uptown Association, the business association for Uptown, includes 175 members and promotes public safety and handles some maintenance and snow removal issues, as well as a major event, the Uptown Art Fair. In general, this is a larger and more active business association, and the Lyn-Lake Business Association could look to Uptown and other business associations as a model for its own operation, and in some cases working together to benefit each. We have been made aware that the city is in the process of creating a special services district that covers an area that is approximate to that of the Focus Area.
- **The office market is very local with small users.** The general Uptown office market is mostly located in small office spaces, many of which are on upper floors of retail buildings. One of the few other office buildings in the area is the Lake Calhoun Executive Center, located on the northwest shore of Lake Calhoun, which is nearly full, according to the owner. Brokers and

developers feel there is additional demand in the long term for multitenant office space, which can be especially vital at the Mozaic and 2900 Lyndale projects if a light rail station is adjacent.

### ***Building Owner and Business Owner Comments***

- **Key retail types are missing from the Lyn-Lake area.** Although Lyn-Lake has a very diverse range of retail and commercial tenants, some categories are missing. Included on this list are bookstores, a grocery store, copy shop, bank, florist, and pharmacy. Several of these retailers exist nearby, but not in the Focus Area. Although a full service grocer is not located in the Focus Area, several are located within one mile, including Rainbow, Lund's, Kowalski's and the Wedge Co-op (in the Influence Area). It must be noted that, although the intersection of Lyndale and Lake doesn't have a pharmacy, a Walgreen's is located in the Focus Area, at Lake Street and Pillsbury Avenue. As well, a credit union is proposed for the 2800 block of Lyndale.
- **There is not enough daytime traffic in the area.** This is due to a number of factors, including the number of destination restaurants that attract mainly evening and weekend traffic, and the relative lack of office space in the area. Potential new office development planned for the area may start to change this, as would marketing efforts that draw daytime shoppers.
- **Many businesses fear increasing rents.** Several tenants in the Lyn-Lake area moved from a location in Uptown, partially because of increased rents. They perceive the same thing will happen in Lyn-Lake as more development occurs and the area becomes more popular. This observation is supported by our analysis of increasing lease rates and our interviews with brokers and developers.
- **There is not enough synergy among businesses.** A large number of commercial and retail tenants in the area represent niche markets, and as a result, their customers often may be drawn to just one store and are not inclined to browse others.
- **Lyn-Lake is what Uptown wants to be.** This comment is interpreted to mean that while Uptown has become too upscale and streamlined, Lyn-Lake remains quirky and funky with an eclectic mix of predominantly independent businesses. Many people in the area cite this aspect as a source of pride in the neighborhood. However, the opposite comment, **Uptown is what Lyn-Lake wants to be**, was also offered in interviews, and that is interpreted to mean that Uptown has been more successful, a notion that can be supported by generally higher retail rents in Uptown versus Lyn-Lake, on average.
- **The Lyn-Lake Business Association, while active, could be more.** Several building and business owners commented that they are involved with the local business association, but that the organization could be more active, add members and broaden its scope to address more issues that would benefit all businesses in the area.
- **Kmart has a detrimental effect on Lyn-Lake.** The Kmart store, built in the 1970s immediately east of the Focus Area, has too much surface parking and doesn't fit well in its

urban surroundings. Furthermore, it closed Nicollet Avenue and restricted traffic flow. Both urban design and traffic issues therefore reduce the retail potential of the surrounding area, including along Lake Street west of Interstate 35W.

## **SUMMARY**

The commercial market in the Lyn-Lake area is diverse and holds much future potential. Critical mass, synergy, parking and upkeep on some properties are an issue, but there are a number of positive trends in the area.

The area is a major location for restaurants and bars, as they make up nearly one quarter of all businesses in the area. This is likely to remain so, as new restaurants are opening and planned in the area. Other tenant types that are popular include hair salons, fitness studios, as well as eclectic businesses that are difficult to categorize.

Although commercial rents are increasing, opportunities continue to exist for a variety of new tenants to open in the Lyn-Lake area. Several underutilized properties exist in the Focus Area, particularly along Lake Street east of Garfield Avenue, which could become available for redevelopment, or at a minimum re-tenanting in the near- to mid-term.



# HOUSING MARKET ANALYSIS

## **INTRODUCTION**

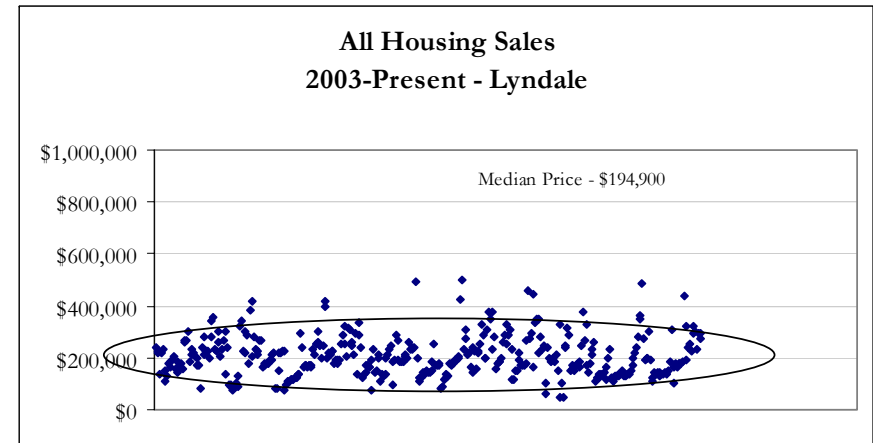
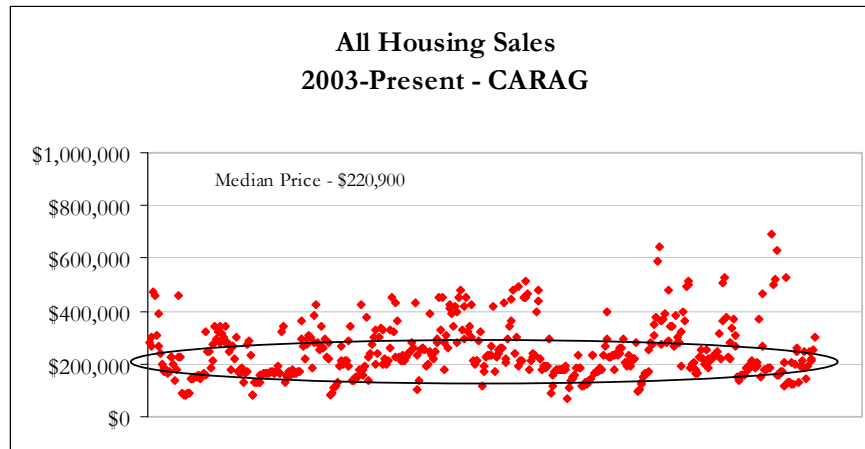
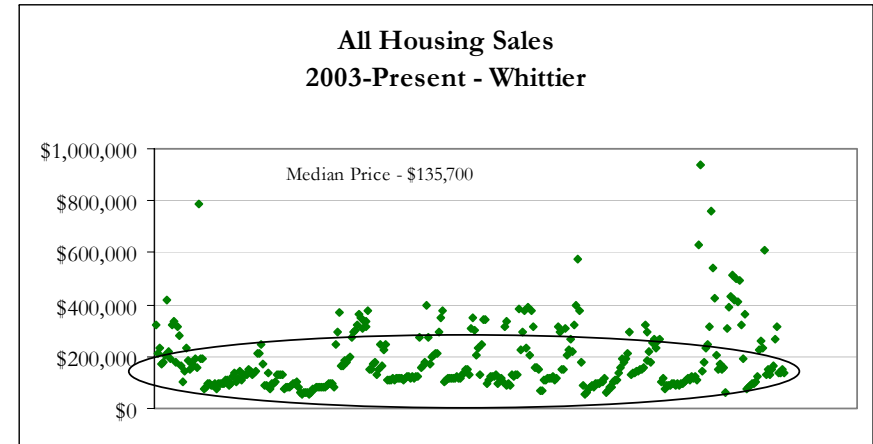
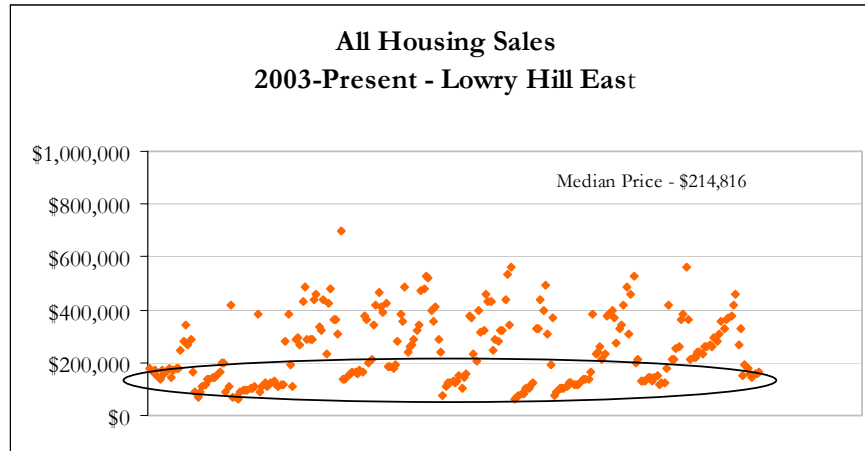
This section analyzes the housing market in the Lyn-Lake area. It looks at current home sales trends and apartment rents, recent and planned residential development, buyer and renter profiles and considers future residential needs in the area.

## **RECENT FOR-SALE TRENDS**

### **Recent For-Sale Housing Trends**

- Chart 8 on the following page shows four sub-charts with for-sale housing prices from 2003 to the present (August 2008). The four charts are geographically arranged in to the four neighborhoods that border Lyn-Lake, with Lowry Hill East in the upper left (northwest), Whittier in the upper right (northeast), Lyndale in the lower right (southeast) and CARAG in the lower left (southwest).
- The charts are scatterplots showing all home sales in each of the four quadrants since 2003, including both multifamily (townhome and condominium) and single-family sales in that time. The charts also show the median overall home sale price in that time.
- The CARAG neighborhood had the highest median home sale price in that time, at \$220,900. Lowry Hill East followed at \$214,816, Lyndale at \$194,900 and Whittier at \$135,700. These scatterplot and median sale price figures correspond generally with the median incomes presented in the Demographic Analysis section, and reflect the greater wealth to the south of Lake Street and west of Lyndale Avenue.
- The scatterplot charts show a general concentration of sales in the \$175,000 to \$225,000 range in all quadrants, with the exception of Whittier, which has a concentration of sales less than \$200,000. Both CARAG and Lowry Hill East also had a number of sales between \$200,000 and \$600,000, and some above that total, reflecting the greater abundance of homes in that range. Whittier and Lyndale, by comparison, had very few sales in excess of \$400,000, although Whittier has a few large mansions along Blaisdell, Pillsbury and Pleasant Avenues that changed hands for very high prices.
- We analyzed median home sale prices by year for both single-family and multifamily dwellings since 2003. Overall, prices increased from 2003 through 2005/2006, and have declined back to nearly 2003 levels in the time since.

**Chart 8 – Housing Sales 2003-Present – Lyn-Lake Area**



**Recent For-Sale Development**

Table 3 shows recent for-sale developments in the general Lyn-Lake area. A map showing the location of each is on the following page.

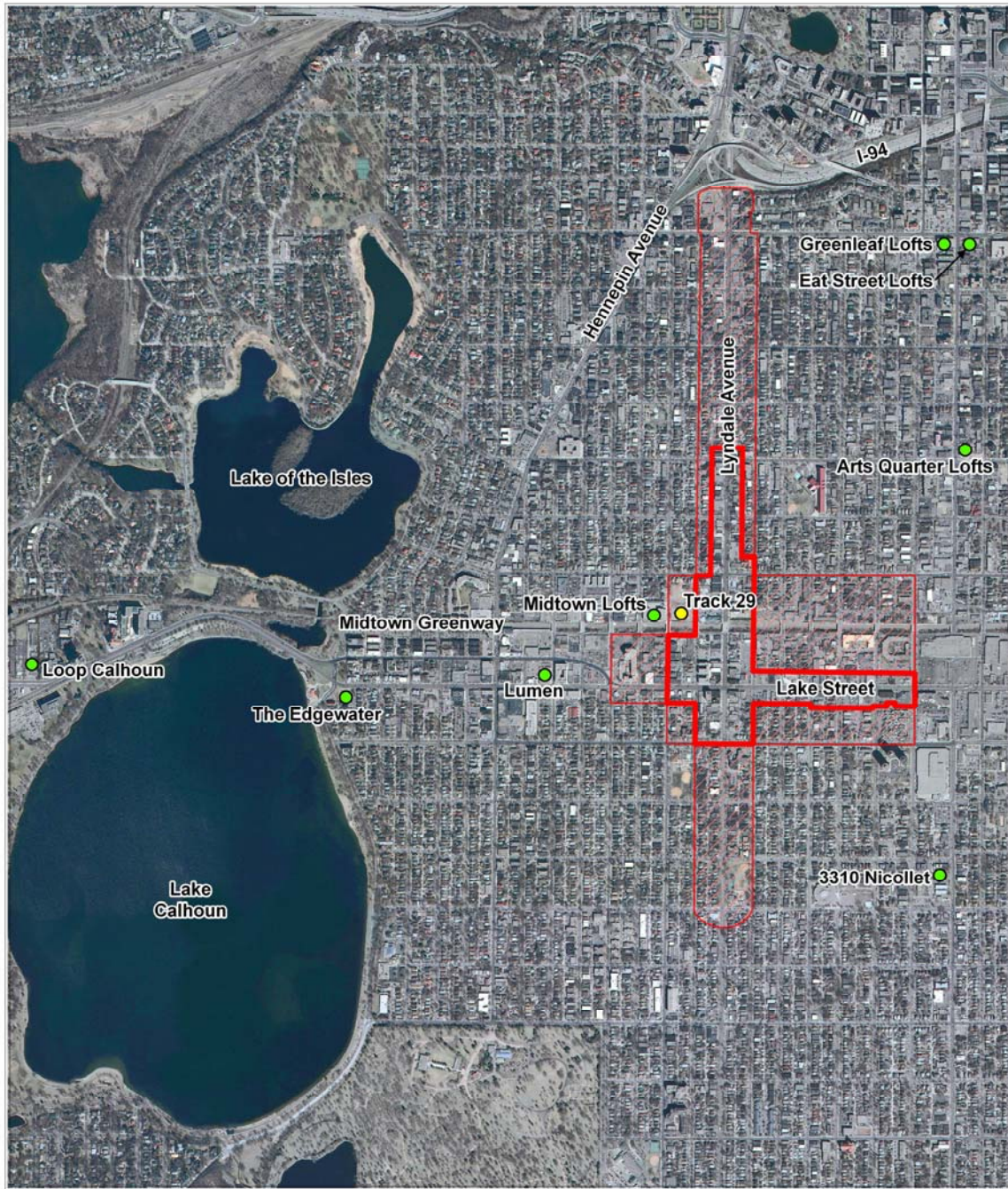
- Table 3 shows that **533 new condominium and townhome** units have been added to the general area since 2005. Nearly all have been completed and are open for occupancy. The exception is the Track 29 project, of which 27 units are complete, with the remainder to begin construction once sales allow.
- The 533 units listed account for **nearly 30% of the approximately 1,800 units** that are completed, under construction and planned in the area. This figure is **slightly more than the 20% ownership rate for all housing** units in the greater Lyn-Lake area
- Although none of these projects are located in the Focus Area, **Track 29 and the Midtown Lofts are located immediately to the west along the Midtown Greenway**. Other condo projects are **located on infill sites along major commercial streets**, including Lake Street, and Lagoon and Nicollet Avenues.
- Table 3 also shows that condominium unit prices rarely exceed \$500,000 unless located near a natural amenity such as Lake Calhoun. Prices for new condo units typically exceed those of existing condo units, but are not generally more than the highest single-family home prices nearby.
- Additional for-sale development is expected to occur on infill sites along the Midtown Greenway and major commercial corridors. Due to current market and economic conditions, this development is not likely in the near-term, but rather the mid- to long-term.

Table 3  
 Key For-Sale Housing Development - Recent and Planned  
 Lyn-Lake Area  
 October 2008

Development Name	Year Built	Total Units	Status	Stories	Price Range		Developer
					Low	High	
Track 29	2006-on	122	U/C	2 to 4	\$175,000	-\$424,900	RMF Entities
Midtown Lofts	2005	72	Open	2 to 4	\$179,900	-\$459,900	Lander Group
Greenleaf Lofts	2005	27	Open	4	\$145,000	-\$345,900	Master
Arts Quarter Lofts	2005	29	Open	4	\$175,000	-\$429,900	Master
3310 Nicollet	2006	35	Open	4	\$152,900	-\$249,900	Prima Land
The Edgewater	2006	23	Open	6	\$500,000	-\$2,000,000	FFR
Lumen on Lagoon	2006	44	Open	5	\$224,900	-\$524,900	FFR/Ackerberg
Loop Calhoun	2007	119	Open	5	\$198,768	-\$731,386	Mathwig
Eat Street Flats	2007	62	Open	4	\$153,711	-\$311,515	Lupe Development
<b>Subtotal</b>		<b>533</b>			<b>\$145,000</b>	<b>-\$2,000,000</b>	

Sources: Joe Urban, Inc.





**Condo Development**

Lyn - Lake Small Area Plan

- Lyn-Lake Focus Area
- Lyn-Lake Influence Area



- New or Recent Condos
- Planned or Under Construction

Map 6

Prepared by Bonestroo  
 September 8, 2008

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**RECENT RENTAL TRENDS**

Table 4 shows. A map on the following page shows the location of recent and pending rental development in the greater Lyn-Lake area.

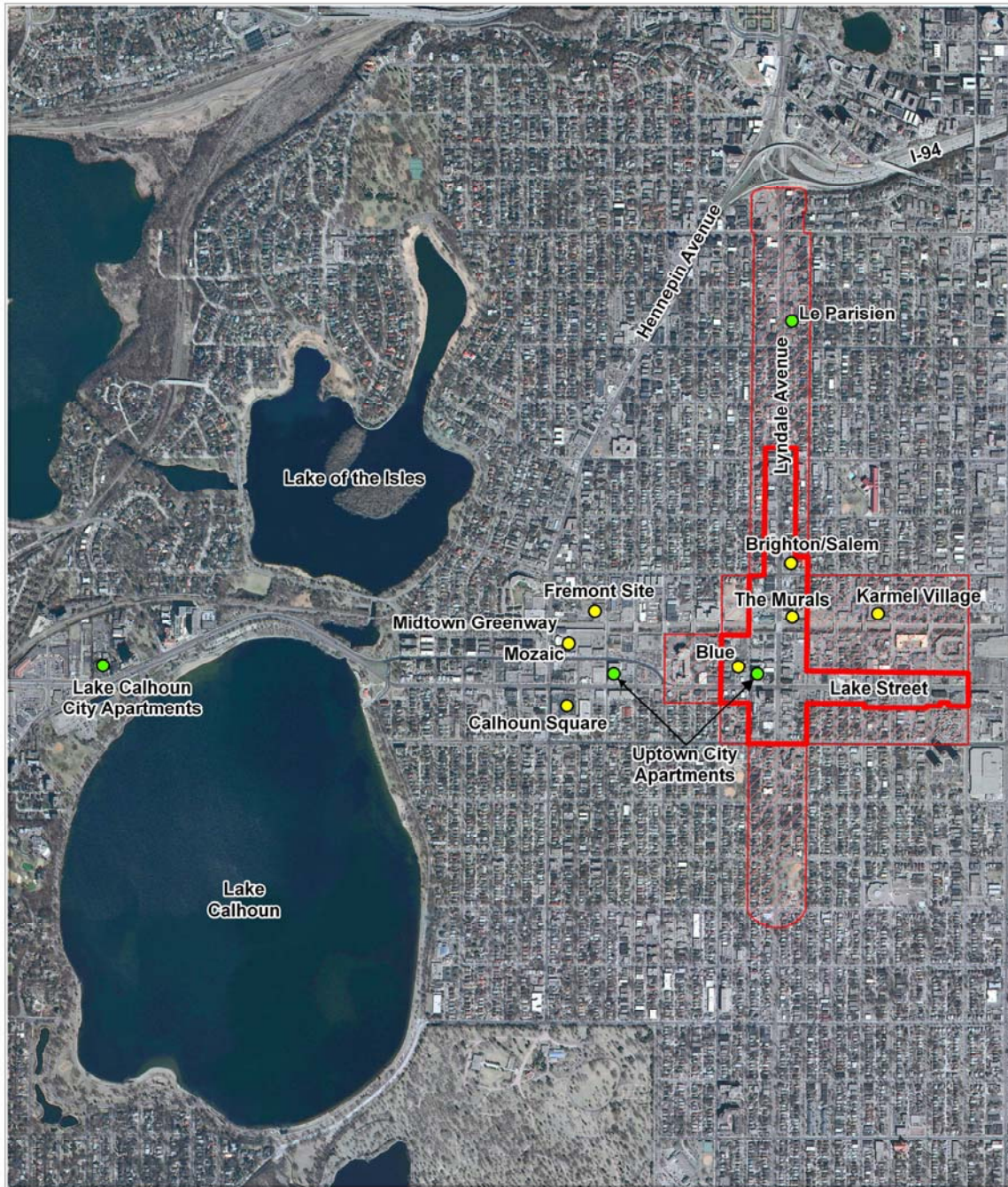
- Table 4 shows a total of **1,321 units recently developed, under construction or planned in the general area.** Four of those developments, Blue, Murals of Lyn-Lake, Uptown City Apartments (located on two sites, 91 units of which are at Lake and Aldrich) and a planned 62 unit project by Brighton Development, are located in the Focus Area.
- **The 1,321 units account for more than 70% of the total of approximately 1,800 units** recently opened, under construction or planned for the area.
- As with condo projects, the recent apartment projects in the area are **located on infill sites along the Midtown Greenway or on major commercial streets.**
- **Blue** and the **Murals of Lyn-Lake** are mixed-use rental projects that opened in 2008 in the Focus Area, adding **351 units** to the neighborhood.



**Table 4**  
**Key Rental Housing Development - Recent and Planned**  
**Lyn-Lake Area**  
**October 2008**

Development Name	Year Built	Total Units	Status	Stories	Rent Range		Developer
					Low	High	
Mozaic	N/A	155	Planned	N/A	N/A - N/A		Ackerberg
Calhoun Square	N/A	156	Planned	N/A	N/A - N/A		Capital Growth Madison Mqt.
Fremont Site	N/A	199	Planned	N/A	N/A - N/A		GRECO
Karmel Village	N/A	77	U/C	N/A	N/A - N/A		Basim Sabri
<b>Brighton/Salem</b>	<b>N/A</b>	<b>62</b>	<b>Planned</b>	<b>N/A</b>	<b>Affordable - Affordable</b>		<b>Brighton</b>
<b>Blue</b>	<b>2008</b>	<b>242</b>	<b>Open</b>	<b>5</b>	<b>\$995 - \$2,900</b>		<b>GRECO</b>
<b>Murals of Lyn-Lake</b>	<b>2008</b>	<b>109</b>	<b>Open</b>	<b>5</b>	<b>\$1,085 - \$2,300</b>		<b>Turnstone Group</b>
<b>Uptown City Apartments*</b>	<b>2004</b>	<b>163</b>	<b>Open</b>	<b>4</b>	<b>\$1,010 - \$2,400</b>		<b>Village Green</b>
Lake Calhoun City Apartments	2007	158	Open	4	\$1,035 - \$2,195		Ackerberg/Village Green
<b>Subtotal</b>		<b>1,321</b>			<b>\$995 - \$2,900</b>		

Note - Projects in **Bold** are Located Within the Focus Area  
 \* - Uptown City Apartments are in two buildings, one with at 714 West Lake in the Focus Area, the other at 1220 West Lake  
 Sources: Joe Urban, Inc.



**Rental Housing**

Lyn - Lake Small Area Plan

- Lyn-Lake Focus Area
- Lyn-Lake Influence Area

- New or Recent Rental Housing
- Planned or Under Construction



Map 7

Prepared by Bonestroo  
 September 8, 2008

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- **Rents at newer apartment projects are significantly higher than typical existing rental buildings in the Lyn-Lake area.** Typical rents for existing buildings range from less than **\$600 for studios** to not usually more than **\$1,100 for a two-bedroom unit**, and per square foot rents range from **\$0.90 to \$1.25 per square foot**. At new projects **studios are typically more than \$1,000**, with **rents for large units approaching \$3,000**, and units are approximately **\$2.00 per square foot**.
- **Vacancy rates in the area are low.** We surveyed several existing and recent apartment buildings that have reached stabilized occupancy (projects that have been open long enough to allow them to be fully leased, which can take as long as 18 months for larger projects) and found the general area to have approximately a **3% vacancy rate**. This is well below the 7% considered to be an industry standard for market equilibrium. At **Blue and Murals of Lyn-Lake, leaseup is reported to be stronger than expected**, as both projects appear to have significant demand.

## **INTERVIEWS**

We interviewed developers, leasing agents and housing experts in the area to gather opinions on the strengths and weaknesses of the housing market in Lyn-Lake. The following bullet points summarize these interviews.

- Keys to housing desirability in the area include **nearby amenities such as shopping and open space, as well as employment**.
- **Nearby mixed-use development**, with a variety of commercial options, including retail, restaurants and entertainment in the Lyn-Lake, Uptown and downtown areas are a major attraction for residents in the area. Being in a **walkable urban environment** is an added plus, as area residents are thus not reliant on their automobiles for all trips and generally like the urban fabric.
- The Chain of Lakes and Midtown Greenway are **significant recreational and commuter amenities** for area residents.
- **Employment is a major driver of housing demand**, particularly for rental housing in the Lyn-Lake area. The proximity of major employment centers in downtown Minneapolis, and along Interstates 394 and 494 in the southwest and west metro area drives substantial demand for housing. Agents at Blue and Murals on Lyn-Lake indicate that many of their renters work for either Target or General Mills, which are Fortune 500 companies located in downtown Minneapolis and Golden Valley, respectively. The nearby University of Minnesota and other colleges in the area also generate demand for housing in the area.

- Recent **housing development in the area is not distinguishable between rental and for-sale product**. Whereas suburban development patterns typically separate for-sale housing (single-family homes and townhomes) from rental housing (garden-style apartments), and therefore for-sale and rental housing are geographically and visually distinctive from one another, development in the general Lyn-Lake area in recent years has been indistinguishable between apartments and condos. This is an indication of the overall desirability of the neighborhood for a broad range of renters and buyers who seek a vibrant urban environment, and may indeed be willing to either rent or own simply to be in the neighborhood.
- Leasing agents at Blue and Murals of Lyn-Lake report that renters fall in to typical demographic profiles, including young professional singles and couples, and mid-career professionals who rent by choice or are recent transplants. However, **agents report an unexpectedly large number of older, baby-boomer renters**. This is an indication that the general Uptown/Lyn-Lake area is popular enough among an older age group that they are willing to give up owning their housing in order to live in a good urban location with amenities within close and even walking distance.

## **SUMMARY**

The Lyn-Lake area has been a popular place to live for a long time, and is continuing to attract new housing development. Nearly 800 new housing units have been added to the surrounding neighborhoods since 2000, and hundreds more are planned or proposed, pending economic and real estate market conditions. However, with an attractive, walkable urban neighborhood fabric, with nearby commercial and recreational amenities and employment, the Lyn-Lake area will see continued residential development in the mid- to long-term.



**CONCLUSIONS  
AND  
RECOMMENDATIONS**

## **INTRODUCTION**

This section reviews the site and neighborhood, demographic, commercial and housing analysis presented in earlier sections of this report, draws conclusions and makes recommendations based on research.

## **CONCLUSIONS**

### **Overall Conclusions**

In general, the broader southwest Minneapolis area around Lyn-Lake is a popular place to live, shop, dine and be entertained. The Lyn-Lake Focus Area encompasses an area that is very mixed-use in nature, with a generally good urban fabric, and is accessible by automobile, transit, bicycle and on foot.

Demographic trends support the continued development of rental and for-sale housing in the Lyn-Lake area.

Current market and economic conditions present uncertainties that may negatively affect development in the short term, and announced projects may be stalled and vacancies may rise. However, we believe that long-term demographic and development trends favor the Lyn-Lake area for a variety of reasons.

### **Key Conclusions**

- The Lyn-Lake area is a popular destination for living, shopping, eating and entertainment due to its good urban setting and variety of eclectic stores and restaurants. The area is walkable, well-served by transit and is close to employment centers in the Twin Cities.
- Recent streetscape and street reconstruction has improved the appearance of the area, despite temporarily inconveniencing area businesses. Although these upgrades have improved an already strong urban fabric, vacant or underutilized parcels remain, particularly east of Garfield Avenue along Lake Street. One or more of these parcels could become available in the market in the short- to mid-term, and could support a combination of housing and/or commercial space.
- Demographic trends show an increase in childless households, including singles, couples, roommates and adult family members living together. Attached housing in apartments, townhomes or condominiums are among the housing types that will be favored in the marketplace in this scenario. Lyn-Lake has the ability to capture demand for housing like this in the future.



- The commercial market in the Lyn-Lake area is strong, and there exists a wide variety of eclectic businesses with an emphasis on restaurants and bars. Lease rates in the area are gradually increasing, and will likely continue to do so over time as the area gains popularity.
- Rent increases can be a positive for building owners, developers and many businesses, but they can also result in smaller “ma and pa” stores leaving the area, possibly reducing the eclectic variety of retail in the area.
- There is also a fear among existing business owners that increased rents in the area will lead to numerous national franchise stores and restaurants, which could negatively impact the charm and variety of the area.
- With the possible exception of the cluster of restaurants near the Lyndale/Lake intersection, the retail market lacks synergy, due to the wide variety of stores and their location with respect to each other in the area.
- The eventual redevelopment of the Kmart site with a high quality urban mixed-use development that allows Nicollet Avenue to become a through street will benefit the Lyn-Lake Focus Area. This has been identified as a priority in past city planning documents, and should be pursued.
- New housing in the Lyn-Lake area alone will not necessarily create demand for new businesses. With 11,706 households (as of 2000) in the four neighborhoods that border Lyn-Lake, the addition of the 787 units added to the area this decade (a 7% increase) provides an increased customer base in the immediate area that can bolster existing businesses. However, it will require thousands of new housing units to support new businesses by themselves. A common industry threshold for a new grocery store, for example, is 10,000 new housing units. Lyn-Lake businesses will need to continue to rely on customers from the broader area, although new residents will certainly provide new customers, particularly among businesses that cater to young professionals or empty nesters.
- There will be long-term housing demand in the Lyn-Lake area for both rental and for-sale product targeted to a variety of income levels. Rental housing will likely make up the majority of new housing units, but for-sale housing will be a larger share than the current 20% of existing households that own their housing.
- Most recent housing in the area has been mid- to upscale in terms of price point and rents. Although this trend will continue, there also will be continued demand for affordable and moderately priced housing in the area, although high land prices may make development of these housing types difficult.
- Should the Southwest corridor light rail line be built, and if it follows the route through Uptown and Lyn-Lake along the Midtown Greenway, there will likely be a station at Lyndale Avenue. Studies nationwide show that, when rail service begins, condominiums and

apartments increase in value as much as 45% within a quarter mile of a station, although a 10% to 20% increase may be most realistic. Office and retail rents also increase with close proximity to rail. We strongly believe that a light rail station at Lyndale Avenue and the Midtown Greenway would increase demand for a variety of development types in the area, particularly housing.

## RECOMMENDATIONS

### Specific Recommendations – Commercial Market

- Although we don't recommend drastically increasing parking in the Lyn-Lake area, particularly in its core, we recommend a parking strategy that encourages shared parking whenever possible and improved signage and wayfinding from parking to retail areas. Encouraging businesses to provide discounts for customers who bike, walk or take transit is one additional way to reduce parking demand.
- It was noted earlier in the report that approximately 160 off street parking stalls are located in the public lot along Garfield, north of Lyndale Avenue. An additional 105 stalls are located in the Uptown City Apartments and Blue projects together, and 124 stalls are planned for the 2900 Lyndale project. Together, this paid, off-street parking totals 389 stalls. With approximately 275,000 square feet of commercial space in the Lyn-Lake core, this equates to 1.4 stalls per thousand square feet. Add the approximately 310 on-street spaces in the Lyn-Lake core, and the ratio increases to 2.5 stalls per thousand square feet. Typical suburban shopping centers have a parking ratio of four or more stalls per thousand square feet. We acknowledge that parking is occasionally difficult to find and some tenants view this as a problem. However, considering the large and growing population within walking distance of the Lyn-Lake area, and the fact that the area is well served by transit, we believe that parking options in the Lyn-Lake area are generally sufficient. Constructing a parking garage on the Garfield Avenue lot is an option, as it would improve retail viability somewhat, but it a parking garage is also expensive, a cost that would require additional scrutiny.
- The Business Association can encourage more synergy among businesses by working with prospective tenants to locate them in similar areas of the district, as well as encouraging programming, events and promotions, and similar business hours.
- Retail center developers typically cluster stores by type and category (see Figure 1). In the



existing core of the Lyn-Lake area, stores are not in any particular arrangement, due mainly to the variety of building owners. The possible exception is the relative concentration of restaurants near the Lyndale/Lake intersection. Short of the ability to concentrate retailers by type, providing maps that show retailers broken down by category on a color-coded map may help visitors navigate the area businesses.

- As demand increases for regional and national franchises and chain retail and restaurants, the Business Association can work with building owners, brokers, developers and prospective tenants to ensure that new tenants are a “good fit” with the neighborhood. Although it is ultimately the decision of each individual building owner as to what tenants are in place, at a minimum, this strategy can help stakeholders work together in a way that may benefit all.
- We encourage the creation of a Special Services District or Business Improvement District, and support the recent efforts on behalf of the City of Minneapolis to create a Special Services District. These districts can provide a number of things above the baseline services of the city (although some of these can be achieved with the existing business district). The following ideas are listed in relative order of complexity, starting with the simplest, or “low-hanging fruit:”
  - 1) Cleaning, including power washing of sidewalks, more garbage cans, litter pickup;
  - 2) Improved safety using “ambassadors” roving the streets, providing directions and reporting disturbances;
  - 3) Entertainment or events to increase visitors to the district;
  - 4) Signage or wayfinding to help drivers, bikers and pedestrians find destinations;
  - 5) Branding and marketing of the area; and
  - 6) Working with building owners and brokers to recruit particular types of businesses to encourage better mix.
- Additional steps for the Special Services District that are also worth considering, although they may be more complex, could include land assembly to encourage new development, gap financing for development, joint venturing with private developers on projects, and developing initial demonstration projects to catalyze future development. These steps would require strong partnerships between a) the City, b) private developers and c) local stakeholders such as neighborhood and business associations are critical for future development. This is especially true in the Lyn-Lake area, since many new development proposals will be mixed-use and a combination of commercial and housing.
- The Lyn-Lake area is well-known among locals as a distinct area of the city, whereas to those from outside the area and newcomers, it is generally considered to be part of Uptown. For branding and marketing purposes, it makes sense to recognize the value the relationship to Uptown brings, while still maintaining an identity as a unique node in the city.

### **Specific Recommendations – Housing Market**

- With continued demand for rental and for-sale housing at a variety of income levels, there will be proposals for a variety of housing types and styles, including the possibility in the mid- to long-term of a proposal for a housing tower of significant height. An example of this occurred recently with the Mosaic project, proposed by the Ackerberg Group at Lagoon Avenue east of Hennepin. The opportunity for redevelopment is rare, and sites are often small in size, and, as a result, developers often propose additional density or height in order to make the project “pencil out.” Even if a proposed building is acceptable to the city and neighborhood groups, it is critical that the ground level contain a pedestrian-scale presence. This enhances value of the project itself but also its neighbors. Also, consider mechanisms that keep the façade facing the commercial street lower in height, but stepping-up to greater building height away from the street.
- Compared to Uptown and in particular locations closer to the chain of lakes, the Lyn-Lake area has generally lower housing prices. This makes Lyn-Lake more attractive to renters and buyers of housing because of a lower price per square foot. Developers in the Lyn-Lake area can use this to their advantage by offering housing units at a slightly better relative value compared to those to the west.
- Many of the larger sites in the Lyn-Lake area have been already built upon, although some await redevelopment. Future sites will likely be very small in size, often not exceeding one acre. Several good examples of infill can be found around the city that can be used as examples for developers to follow in the Lyn-Lake area.

- West River Commons is a 56-unit residential development that includes 8,000 square feet of retail space. It is located on a one-acre site at Lake Street and West River Road, and is a very good example of mixing uses, good design, creating good private/public space and hiding all parking under or behind the building.



- Hiawatha Square is a 16 unit condominium building with a ground floor coffee shop and indoor parking. It is a very good example of utilizing a very small site – approximately 10,000 square feet or a quarter acre - for mixed use-development.



## **SUMMARY**

The Lyn-Lake area is a popular place to live, work, shop and be entertained. Demographic and long range real estate development trends indicate the area will enjoy continued popularity.

We recommend increased coordination by the Business Association and the newly-created Special Services District to improve the operations, appearance and potentially the makeup of the commercial uses in the Lyn-Lake area.

Housing demand, including affordable and moderate income, will continue in the mid- to long-term. Likely future development will be quite dense in style.

The City of Minneapolis will need to consider examples of infill, mixed-use and dense urban development from elsewhere in the city and in other urban areas when seeking guidance on design, massing, parking, and other regulatory issues as additional development occurs.