Minneapolis, MN

4th Quarter 2014

OFFICE

Market Trends

Xceligent®

COMMERCIAL REAL ESTATE INFORMATION

The Minneapolis tracked set consists of an inventory of buildings considered to be competitive within the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by

Inventory	The total square feet of all existing multi-tenant buildings greater than 20,000 SF, located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties. Medical and Government properties are excluded.
Class A	Most prestigious buildings competing for premier office users with rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
Class B	Buildings competing for a wide range of office users with average market rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
Class C	Buildings competing for office users requiring functional office space at rents below the market average for the area.
Total Available SF	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant SF	The total of all the vacant square footage within a building based on fiscal vacancy.
Sublease Space	Space that is offered for lease by a current tenant, or his agent, within a property.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Weighted Average Direct Lease Rate	The weighted average of all direct asking lease rates expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rates (such as NNN) have been grossed up to reflect a full service/gross rate.


Pine City
Saint Cloud
Cumberland
Western WI - North
Northeast
Northwest
Coon Rapids
- West
Minneapolis
Minneapolis CBD
West
Western WI - South
Saint Paul CBD
Southwest
Bloomington
St Paul CBD
Southeast
Lakeville
Redwood Falls
Red Wing
New Ulm
Faribault

Q4 2014 Overview

Xceligent®

- Class A office space in the Twin Cities continues to enjoy the lowest vacancy rates. In Q4, Class A was 12.1% vacant, compared with 15.2% for the market as a whole.
- The market absorbed 389,014 square feet of office space this quarter, the bulk of which (285,429 square feet) was Class B space.
- Southwest office locations continue to lead in attracting tenants with 115,474 square feet of quarterly absorption.
- The West market is the tightest in the metro, with only 8.7% of its space vacant.

Q4 2014 Market Overview by Building Class

	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Qtrly Net Absorption (SF)
A	30,110,364	4,916,035	3,640,051	12.1%	104,133
B	41,244,501	8,948,078	7,171,666	17.4%	285,429
C	4,757,080	812,981	754,874	15.9%	-548
Grand Total	**76,111,945**	**14,677,094**	**11,566,591**	**15.2%**	**389,014**

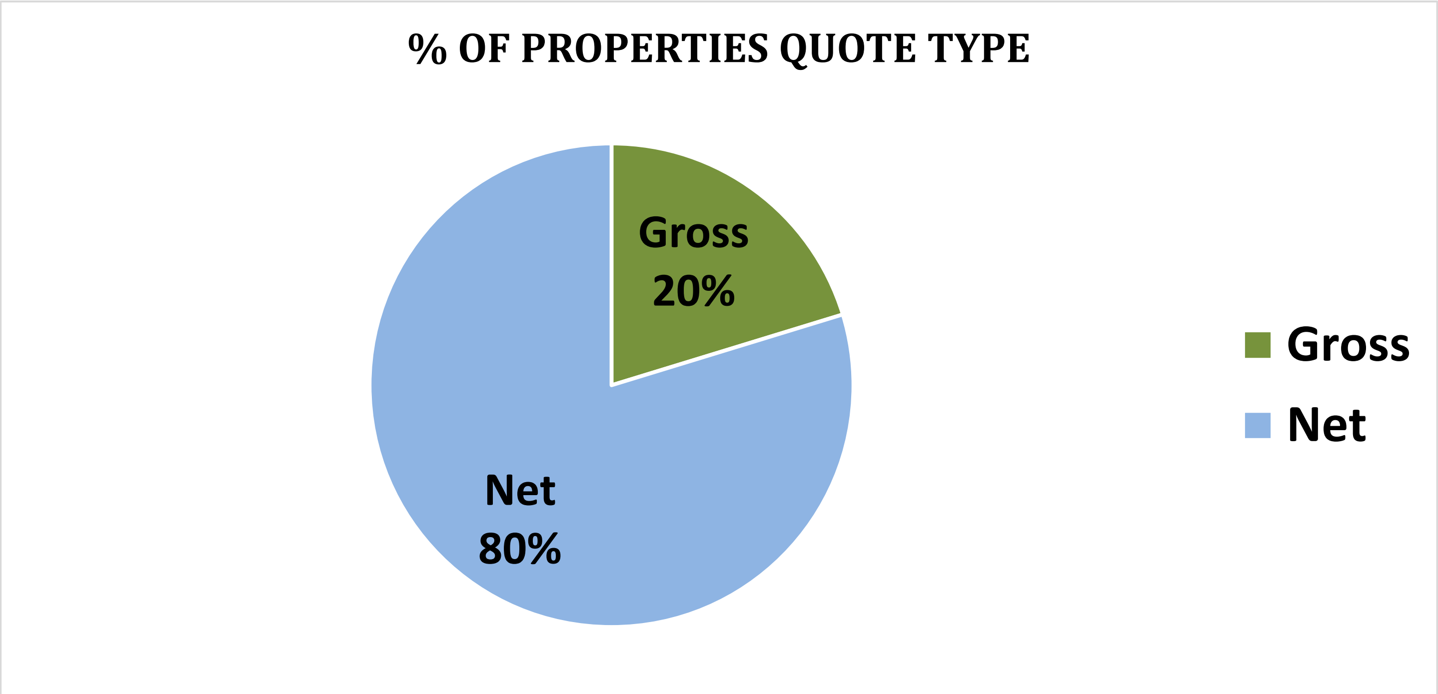
Q4 2014 Market Overview by Sub Market

	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Qtrly Net Absorption
Minneapolis CBD	26,750,433	4,645,054	3,530,157	13.2%	30,440
Southwest	15,799,811	3,376,247	2,449,255	15.5%	115,474
Saint Paul CBD	7,739,384	1,585,479	1,445,551	18.7%	34,192
West	7,651,795	1,132,571	662,851	8.7%	80,629
Northeast	7,556,602	1,446,771	1,462,648	19.4%	37,888
Southeast	6,992,873	1,617,115	1,315,974	18.8%	64,599
Northwest	3,621,047	873,857	700,155	19.3%	25,792
Grand Total	**76,111,945**	**14,677,094**	**11,566,591**	**15.2%**	**389,014**

Overview by Submarket / Property Type

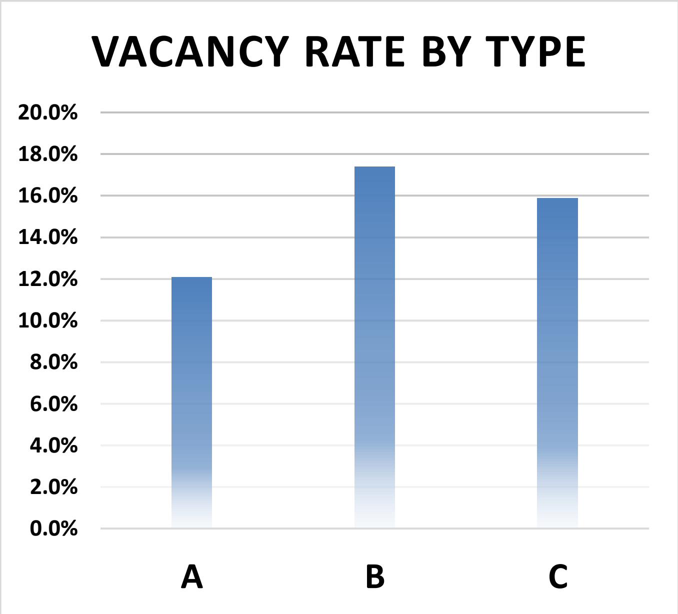
	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Qtrly Net Absorption (SF)	Average FSG Asking Rate
West	7,651,795	1,132,571	662,851	8.7%	80,629	$ 24.05
A	3,676,011	374,685	262,809	7.1%	48,886	$ 31.29
B	3,751,803	693,511	369,966	9.9%	35,495	$ 21.47
C	223,981	64,375	30,076	13.4%	-3,752	$ 16.07
Southeast	6,992,873	1,617,115	1,315,974	18.8%	64,599	$ 20.29
A	960,722	91,442	97,057	10.1%	2,566	$ 25.96
B	4,859,687	1,287,869	983,007	20.2%	67,705	$ 20.88
C	1,172,464	237,804	235,910	20.1%	-5,672	$ 17.09
Southwest	15,799,811	3,376,247	2,449,255	15.5%	115,474	$ 22.15
A	6,061,786	1,186,636	814,069	13.4%	37,150	$ 28.44
B	9,155,921	2,075,155	1,524,676	16.7%	87,143	$ 21.04
C	582,104	114,456	110,510	19.0%	-8,819	$ 16.53
Minneapolis CBD	26,750,433	4,645,054	3,530,157	13.2%	30,440	$ 22.63
A	15,436,919	2,573,909	1,789,440	11.6%	-6,874	$ 29.19
B	9,912,762	1,850,891	1,529,725	15.4%	36,834	$ 21.05
C	1,400,752	220,254	210,992	15.1%	480	$ 17.35
Northwest	3,621,047	873,857	700,155	19.3%	25,792	$ 20.09
A	350,631	94,424	34,241	9.8%	0	$ 27.01
B	2,839,319	737,246	624,285	22.0%	13,371	$ 20.72
C	431,097	42,187	41,629	9.7%	12,421	$ 16.22
Northeast	7,556,602	1,446,771	1,462,648	19.4%	37,888	$ 19.19
A	1,065,604	218,425	318,425	29.9%	583	$ 26.62
B	6,209,657	1,164,570	1,086,654	17.5%	38,331	$ 19.15
C	281,341	63,776	57,569	20.5%	-1,026	$ 14.85
Saint Paul CBD	7,739,384	1,585,479	1,445,551	18.7%	34,192	$ 18.37
A	2,558,691	376,514	324,010	12.7%	21,822	$ 26.09
B	4,515,352	1,138,836	1,053,353	23.3%	6,550	$ 17.66
C	665,341	70,129	68,188	10.2%	5,820	$ 11.22
Grand Total	**76,111,945**	**14,677,094**	**11,566,591**	**15.2%**	**389,014**	**$ 21.15**

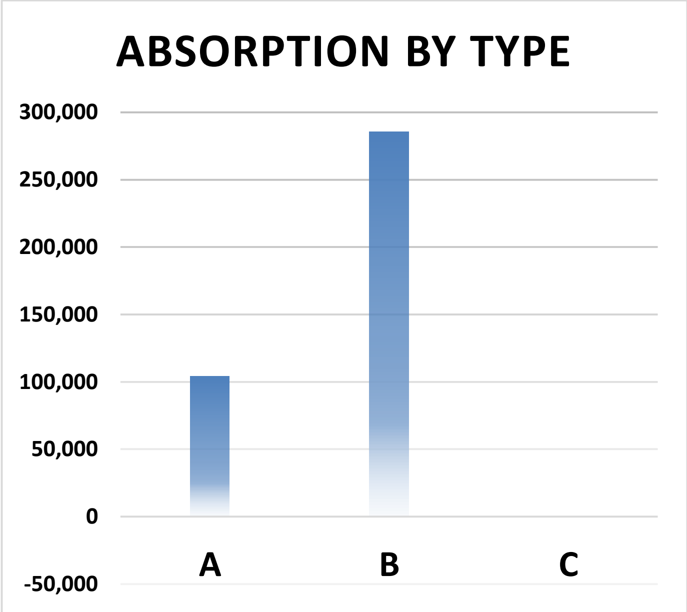

AVERAGE GROSS RATE
$40.00
$35.00
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$-
$36.01
$28.67
$20.57
$28.51
$20.45
$10.00
$22.07
$16.15
$8.00
A
B
C

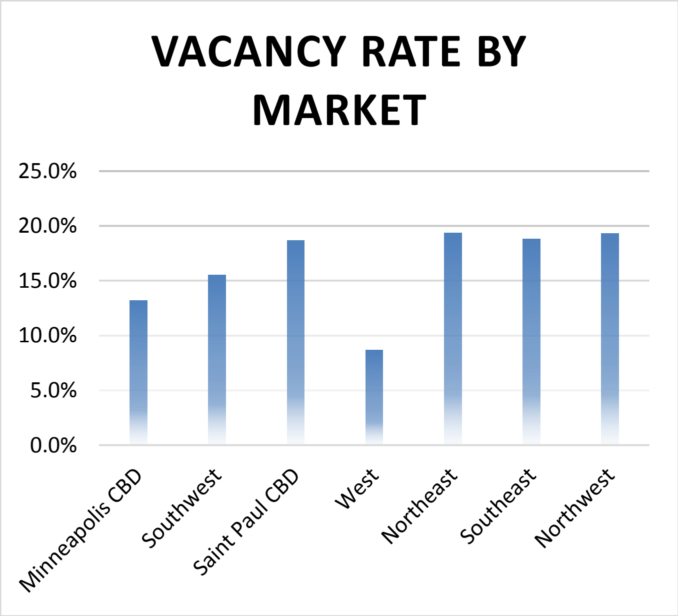

% OF PROPERTIES QUOTE TYPE
Gross
20%
Net
80%
Gross
Net

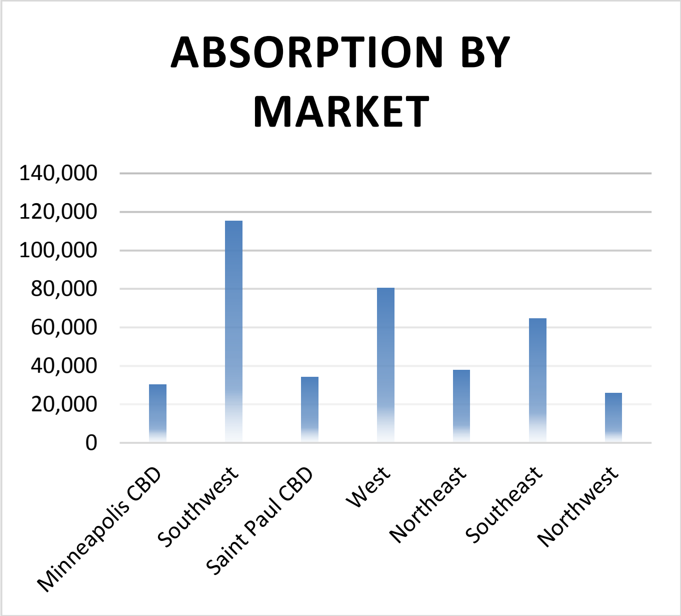
Largest Absorption Changes

Property Name	SF Occupied or Vacated	Company Name	Market	Building Class
Fifth Street Towers 150 S 5th St	31,384	Martin Williams	Mpls CBD	A
Norman Point I 5601 Green Valley Dr	30,895	MAC Foundation	Southwest	A
Grand Oak Office IV 950 Blue Gentian Rd	22,512	American Cancer Society	Southeast	B
Normandale 8300 Tower 8300 Norman Center Dr	20,363	Tata Consultancy Services	Southwest	A
International Centre 920 2nd Ave	18,244	Lommen Abdo	Mpls CBD	B
Lawson Commons 380 St Peter St	17,611	Bremer Bank	Saint Paul CBD	A
4510 Building 4510 W 77th St	(10,563)	Benchmark Learning	Southwest	C
IDS Center 80 S 8th St	(24,374)	Norton Rose	Mpls CBD	A
Norman Point II 5600 American Blvd	(38,282)	GSA	Southwest	A
Fifth Street Towers 100 S 5th St	(39,866)	Augsburg Fortruss	Mpls CBD	A


VACANCY RATE BY TYPE
20.0%
18.0%
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
A
B
C


ABSORPTION BY TYPE
300,000
250,000
200,000
150,000
100,000
50,000
0
-50,000
A
B
C


VACANCY RATE BY MARKET
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Minneapolis CBD
Southwest
Saint Paul CBD
West
Northeast
Southeast
Northwest


ABSORPTION BY MARKET
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
Minneapolis CBD
Southwest
Saint Paul CBD
West
Northeast
Southeast
Northwest

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.

Minneapolis Office Advisory Board Members

Jason Butterfield
Cushman & Wakefield/NorthMarq

Reed Christianson
Transwestern

Sean Coatney
Core Commercial Real Estate

Matt Delisle
Colliers International
Minneapolis-St. Paul

Jerry Driessen
CBRE

Chris Gliedman
CBRE

Mike Honsa
Transwestern

Jeff Nordness
Essence Real Estate

Bob Pfefferle
Hines

Eric Rapp
Colliers International
Minneapolis-St. Paul

Ann Rinde
JLL

Brent Karkula
CBRE

Andrew Manthei
KW Commercial Midwest

Jim Montez
Cushman & Wakefield/NorthMarq

Nils Snyder
Colliers International
Minneapolis-St. Paul

Tom Stella
Cushman & Wakefield/NorthMarq

Mark Stevens
Cushman & Wakefield/NorthMarq

Kai Thomsen
DTZ

Brian Wasserman
CBRE

Mike Wilhelm
Zeller Realty

For additional information about this report or to discuss membership in Xceligent please contact

Chris Allen

(952) 908-1788

callen@xceligent.com

Jon Holm

(952) 908-1795

jholm@xceligent.com

COMMERCIAL REAL ESTATE INFORMATION