

Minneapolis/St. Paul, MN

3rd Quarter 2015

INDUSTRIAL

Market Trends

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COMMERCIAL REAL ESTATE INFORMATION

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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 members of the Advisory Boards for each market area.

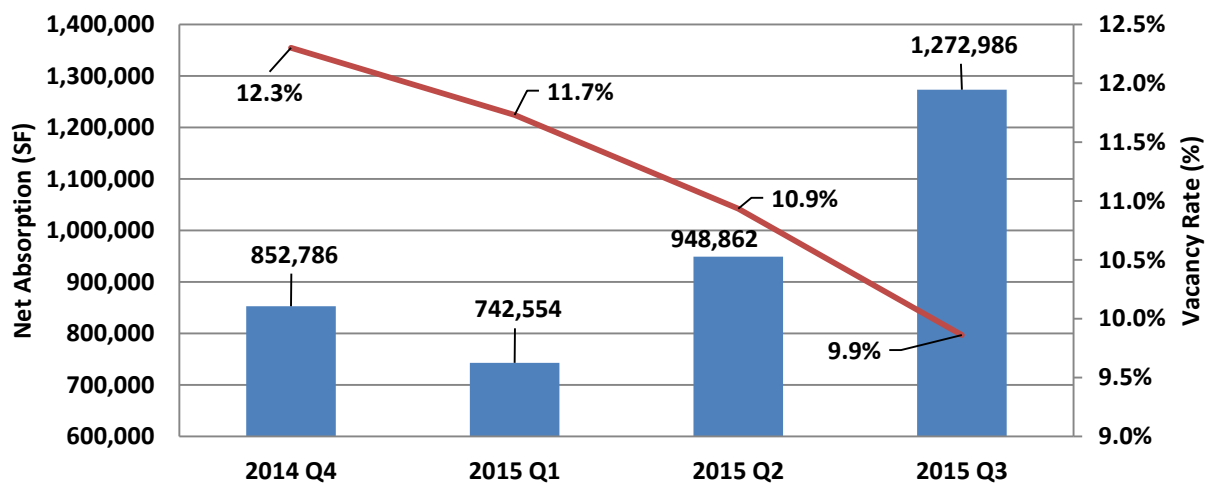
Inventory	The total square feet of all existing multi-tenant buildings greater than 20,000 SF or are part of a complex that totals greater than 20,000 SF located in Anoka, Carver, Dakota, Hennepin, Ramsey,
Total Available SF	All of the available leasable space within a building, whether it is occupied 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 SF	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.



- The Twin Cities Industrial market absorbed 1,272,986 square feet for the quarter with a majority of the absorption credited to Polaris leasing 870,128 SF in the Southwest market.
- Last quarter Bunzl absorbed the largest amount of space while this quarter they vacated just over 100,000 SF. They moved from the Northeast market into the Northwest market and produced a net gain of over 55,000 SF for the year.
- As the industrial market remains strong and the vacancy rate drops we are also seeing strong growth in both speculative and build to suit projects that will be delivered over the next year. There is currently 2.1 million square feet under construction and 1 million square feet was delivered Q3.
- Overall the Twin Cities Industrial market continues to show no signs of slowing down with just shy of 3 million square feet absorbed for the year and a 9.5% direct vacancy.

	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
Light Industrial	661	46,498,261	5,489,494	3,957,000	8.5%	3,752,609	8.1%	478,639	189,183	801,332
Flex/R&D	421	27,910,470	4,941,174	3,269,578	11.7%	3,168,653	11.4%	219,161	229,364	522,893
Warehouse - Distribution	53	9,339,142	1,871,214	1,733,109	18.6%	1,681,509	18.0%	51,600	902,001	1,179,535
Bulk Warehouse	175	30,688,059	2,849,978	2,325,059	7.6%	2,304,387	7.5%	58,726	(47,562)	460,642
Grand Total	1,310	114,435,932	15,151,860	11,284,746	9.9%	10,907,158	9.5%	808,126	1,272,986	2,964,402

Historical Vacancy & Net Absorption



Overview by Market / Specific Use



	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
Northeast	404	37,250,691	4,469,929	3,473,321	9.3%	3,215,290	8.6%	235,111	107,682	451,664
Light Industrial	243	19,161,024	2,150,481	1,611,806	8.4%	1,466,894	7.7%	144,912	(823)	44,662
Flex/R&D	98	7,429,199	1,303,971	988,485	13.3%	926,966	12.5%	38,599	97,717	166,816
Warehouse - Distribution	8	1,072,247	340,097	243,679	22.7%	192,079	17.9%	51,600	0	7,172
Bulk Warehouse	55	9,588,221	675,380	629,351	6.6%	629,351	6.6%	0	10,788	233,014
Northwest	360	33,140,186	4,466,805	3,500,814	10.6%	3,433,082	10.4%	135,189	48,914	765,353
Light Industrial	159	10,398,947	1,110,959	760,452	7.3%	713,392	6.9%	74,873	89,866	409,140
Flex/R&D	103	6,600,260	913,117	663,723	10.1%	663,723	10.1%	9,733	10,626	26,479
Warehouse - Distribution	19	2,457,459	1,065,827	1,043,723	42.5%	1,043,723	42.5%	0	6,772	268,719
Bulk Warehouse	79	13,683,520	1,376,902	1,032,916	7.5%	1,012,244	7.4%	50,583	(58,350)	61,015
Southeast	218	17,674,330	2,054,823	1,629,485	9.2%	1,623,466	9.2%	108,299	101,401	218,184
Light Industrial	98	6,294,537	751,592	554,823	8.8%	548,804	8.7%	66,602	73,793	112,648
Flex/R&D	83	4,808,196	872,010	707,688	14.7%	707,688	14.7%	33,554	27,608	117,745
Warehouse - Distribution	15	2,562,912	202,842	189,259	7.4%	189,259	7.4%	0	0	(17,259)
Bulk Warehouse	22	4,008,685	228,379	177,715	4.4%	177,715	4.4%	8,143	0	5,050
Southwest	328	26,370,725	4,160,303	2,681,126	10.2%	2,635,320	10.0%	329,527	1,014,989	1,529,201
Light Industrial	161	10,643,753	1,476,462	1,029,919	9.7%	1,023,519	9.6%	192,252	26,347	234,882
Flex/R&D	137	9,072,815	1,852,076	909,682	10.0%	870,276	9.6%	137,275	93,413	211,853
Warehouse - Distribution	11	3,246,524	262,448	256,448	7.9%	256,448	7.9%	0	895,229	920,903
Bulk Warehouse	19	3,407,633	569,317	485,077	14.2%	485,077	14.2%	0	0	161,563
Grand Total	1,310	114,435,932	15,151,860	11,284,746	9.9%	10,907,158	9.5%	808,126	1,272,986	2,964,402

Trends

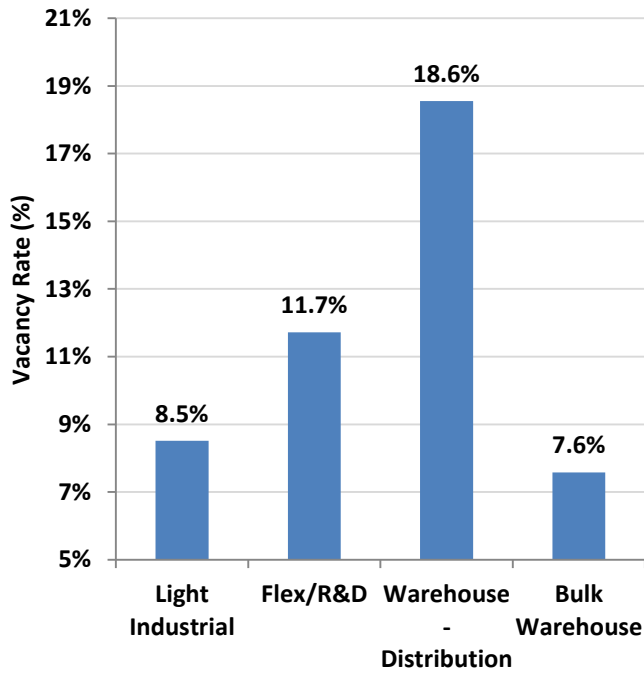


	Direct Vacancy Rate %				Asking Direct Lease Rate (NNN)			
	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Northeast	10.00%	9.81%	9.05%	8.63%	\$8.00	\$8.26	\$8.27	\$8.31
Light Industrial	8.42%	8.45%	7.96%	7.66%	\$7.68	\$7.84	\$7.89	\$7.97
Flex/R&D	14.18%	13.66%	13.69%	12.48%	\$8.66	\$9.12	\$9.03	\$9.17
Warehouse - Distribution	18.58%	17.91%	17.91%	17.91%	\$7.50	\$7.94	\$7.87	\$7.76
Bulk Warehouse	8.99%	8.70%	6.68%	6.56%	\$7.55	\$7.53	\$7.32	\$6.61
Northwest	12.37%	11.78%	10.59%	10.36%	\$8.37	\$9.17	\$8.22	\$8.22
Light Industrial	11.06%	10.57%	7.99%	6.86%	\$8.59	\$8.77	\$7.74	\$7.88
Flex/R&D	10.46%	11.17%	10.22%	10.06%	\$8.93	\$9.05	\$9.16	\$9.06
Warehouse - Distribution	51.33%	43.75%	42.75%	42.47%	\$7.16	\$12.82	\$7.34	\$7.37
Bulk Warehouse	7.84%	7.25%	6.97%	7.40%	\$7.48	\$7.81	\$7.86	\$7.81
Southeast	10.45%	10.31%	9.79%	9.19%	\$8.44	\$8.60	\$8.67	\$8.49
Light Industrial	10.60%	10.62%	9.99%	8.72%	\$7.73	\$8.07	\$8.34	\$8.20
Flex/R&D	17.17%	16.71%	15.29%	14.72%	\$9.09	\$9.25	\$9.21	\$9.11
Warehouse - Distribution	6.71%	6.71%	7.38%	7.38%	\$8.11	\$7.94	\$8.06	\$8.00
Bulk Warehouse	4.56%	4.43%	4.43%	4.43%	\$6.94	\$6.01	\$6.27	\$6.27
Southwest	15.99%	14.62%	13.92%	9.99%	\$8.23	\$8.23	\$8.32	\$8.36
Light Industrial	11.88%	10.47%	9.92%	9.62%	\$7.85	\$7.84	\$8.12	\$8.04
Flex/R&D	12.12%	11.01%	10.78%	9.59%	\$8.82	\$8.89	\$8.91	\$9.05
Warehouse - Distribution	36.26%	36.26%	35.47%	7.90%	\$6.47	\$6.12	\$6.12	\$5.59
Bulk Warehouse	19.82%	16.57%	14.24%	14.24%	\$6.33	\$6.29	\$5.97	\$5.45
Grand Total	12.14%	11.57%	10.74%	9.53%	\$8.25	\$8.57	\$8.34	\$8.33

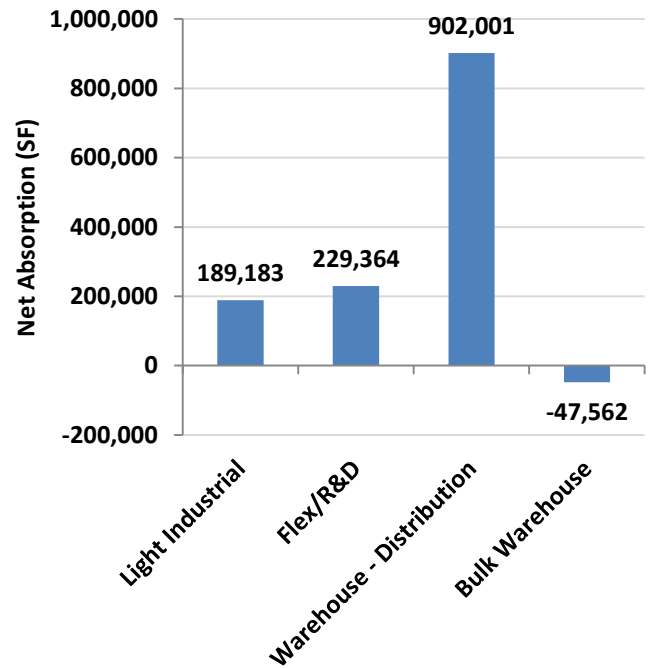
Asking Lease Rate Range by Class (NNN)



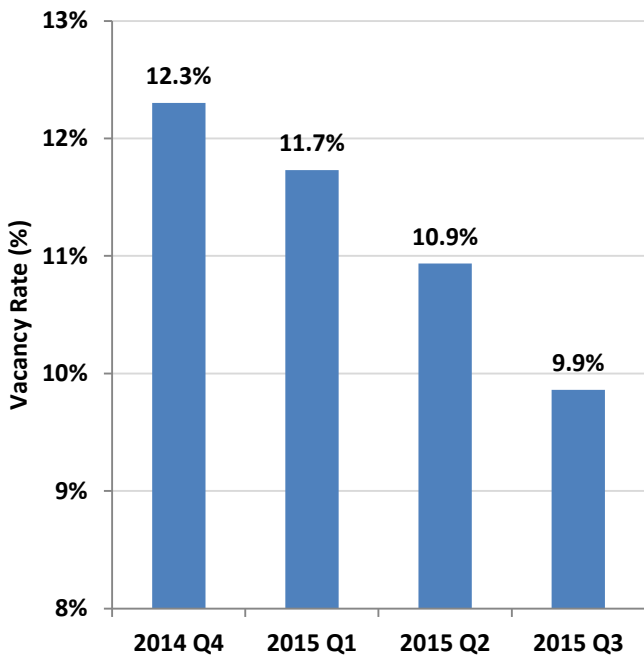
Vacancy Rate by Type



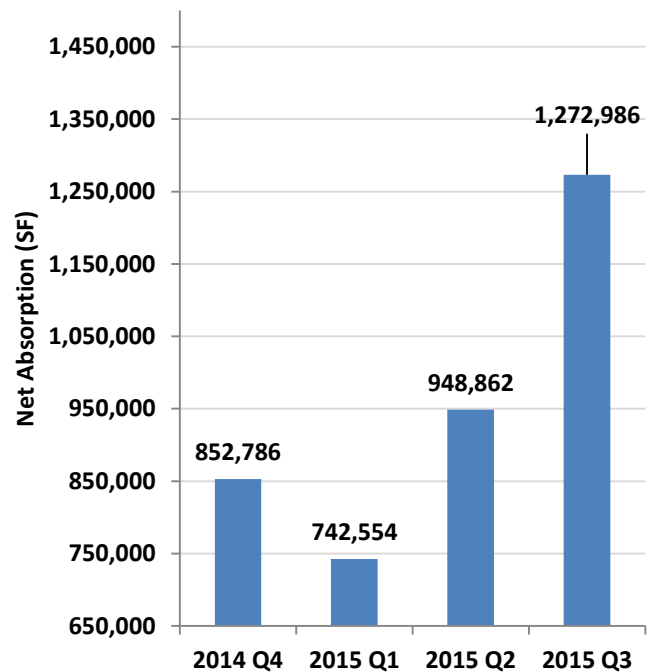
Net Absorption by Type

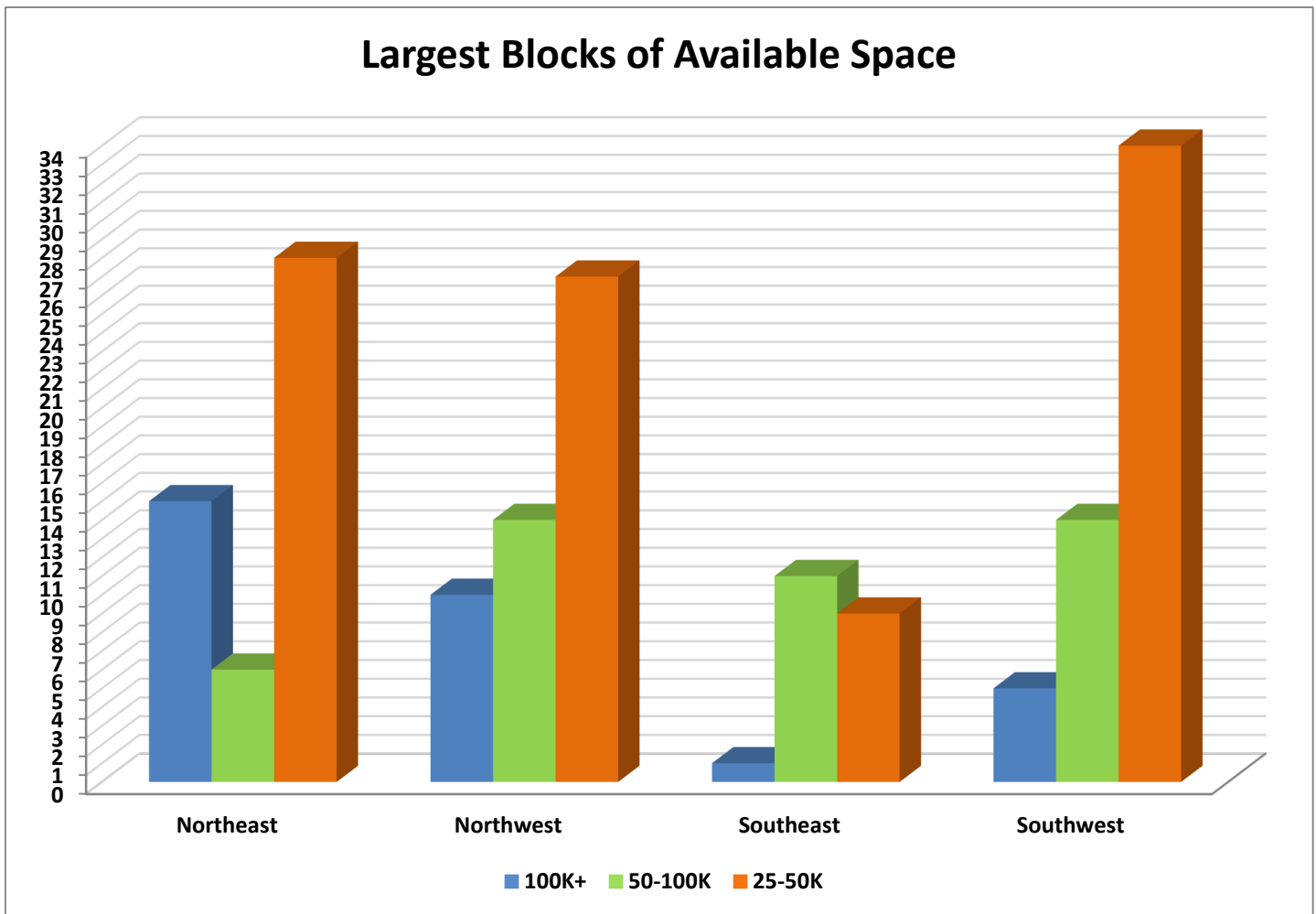


Vacancy Rate by Quarter



Net Absorption by Quarter





Historic Blocks of Space

Quarter	100K+	50-100K	25-50K
2014 Q4	35	43	105
2015 Q1	30	49	106
2015 Q2	29	48	108
2015 Q3	31	45	98

Biggest Absorption Changes



Property Name	SF	Company Name	Market	Type
Canterbury Distribution Center	870,128	Polaris	Southwest	Warehouse - Distribution
Diamond Lake Industrial Center 1	60,874	McKesson	Northwest	Bulk Warehouse
University Industrial Park III	57,873	Anagram	Northeast	Bulk Warehouse
Northern Stacks Bldg 1	53,370	OnTrac/Express Messenger	Northeast	Bulk Warehouse
610 Commerce Center	48,449	Scholastic Book Fairs	Northwest	Light Industrial
Hampshire Technology Center	37,951	Braun Intertec Corporation	Southwest	Flex/R&D
Kasota Business Center II	36,243	Amazon	Northeast	Light Industrial
Staring Lake Corporate Center	33,043	Aphrodite Womens Health	Southwest	Flex/R&D
Lakeview VI	31,499	SAC Wireless and Staples	Northeast	Flex/R&D
River Bend Business Park I	30,643	College Prep Elementary	Southeast	Light Industrial
Saint Paul Industrial Properties 23/24	-20,340	Industrial Custom Products	Northeast	Light Industrial
Second Street Business Center	-21,340	Art Needle Craft	Northeast	Light Industrial
Crosstown North Business Center V	-25,713	Wurth Adams Nut & Bolt	Northwest	Bulk Warehouse
Fisk Building	-26,342	Alfa Wood, Kahler Photo, Quality Lazer and Bavolak	Northeast	Light Industrial
France Avenue Business Park IV	-27,340	Bard Davol	Northwest	Light Industrial
2701-2715 Nevada Ave N	-45,000	The owner (Checker Machine)	Northwest	Bulk Warehouse
Crosstown North Business Center XII	-72,000	Archway	Northwest	Bulk Warehouse
MSP Midway Industrial Park Bldg 13	-83,462	Superior Logistics	Northeast	Light Industrial
River Road Distribution Center	-100,456	Bunzl	Northeast	Bulk Warehouse

Notable Transactions



Notable Sale Transactions (Includes tracked and non-tracked properties)					
Property Name	Square Feet	Buyer	Market	Seller	Price
River Road Industrial Center 4800 E River Rd	561,000	Gramercy Property Trust	Northeast	Hyde Development and M.A. Mortenson Co	\$46,800,000
Shoreview Corporate Center 1020 County Road F W	111,173	Shoreview Ridge LLC	Northeast	JPMCC 2006-LDP7 Gramsie Road LLC	\$21,000,000
Feltl Road Business Center 5400-5590 Feltl Rd	135,240	DCII-5400-5510 Feltl Road LLC c/o Carter Validus	Southwest	Liberty Property LP	\$19,900,000
Distribution Alternatives 435 Park Ct	265,400	WI MN AB Biynah LLC	Northeast	Lino Lakes Realty LLC	\$16,050,000
Powers Pointe 8100 Powers Blvd	140,800	JCC 8100 Powers Boulevard LLC	Southwest	United Properties De- velopment LLC	\$14,200,000

Notable Lease Transactions (Based on when lease is signed and includes tracked and non-tracked properties)			
Property Name	Square Feet	Tenant	Market
7300 Northland Dr	185,500	Data Recognition Corp - renewal	Northwest
I-94 Distribution Center 22000 Industrial Blvd	116,042	Guardian Building	Northwest
Hennepin Business Center Bldg A 1001 10th Ave	95,000	Wells Fargo - renewal	Northeast
2100 N Xenium Ln	64,134	LSI Corporation - renewal	Northwest
Minneapolis Business Center II 4821 N Xerxes Ave	60,000	Ferguson	Northwest
Northern Stacks Bldg 1 4607 E River Rd	53,370	OnTrac/Express Messenger	Northeast
Kasota Distribution Center 2565 Kasota Ave	51,600	Sky Group Inc - sublease	Northeast
747-755 Prior Ave N	45,000	Goodwill Industries - expansion	Northeast
4250 Norex Dr	41,506	Bailiwick Inc - sublease	Southwest
Boulder Lakes Office III	37,065	Reliance One - renewal	Southeast
Technology Park VIII 7600-7650 Golden Triangle Dr	33698	Master Technology	Southwest
Kasota Business Center II 745-769 Kasota Ave SE	36243	Amazon	Northeast
Staring Lake Corporate Center 13200 Pioneer Trl	33043	Aphrodite Womens Health	Southwest
Wycliff Industrial Center 2327 Wycliff St	31944	Vida Recycling	Northeast

Under Construction

Property Name	Address	City	Market	Bldg Size	Specific Use	Tenancy	Notes
Shenandoah Business Park	1 Shenandoah Dr	Shakopee	Southwest	820,000	Warehouse - Distribution	Single-Tenant	BTS - Amazon
Kinghorn Logistics Hub	19401 Rogers Dr	Rogers	Northwest	221,000	Warehouse - Distribution	Multi-Tenant	Spec
Valley Park Business Center Bldg C	0 Innovation Blvd	Shakopee	Southwest	216,000	Bulk Warehouse	Multi-Tenant	Amerisource Bergen
1771 Energy Park Dr	1771 Energy Park Dr	Saint Paul	Northeast	189,000	Warehouse - Distribution	Multi-Tenant	Spec
North Cross Business Park Bldg 2		Brooklyn Park	Northwest	182,000	Warehouse - Distribution	Multi-Tenant	Spec - Nilfisk
Bridge Point Business Park Bldg III	201 Armour Ave	Saint Paul	Southeast	107,498	Flex/R&D	Multi-Tenant	Spec
Capstone Business Center - DRC	9317 Winnetka Ave	Brooklyn Park	Northwest	105,000	Warehouse - Distribution	Single-Tenant	BTS
1201 W 96th St	1201 W 96th St	Bloomington	Southwest	104,850	Bulk Warehouse	Single-Tenant	
Minneapolis Business Center II	4821 N Xerxes Ave	Minneapolis	Northwest	60,000	Flex/R&D	Single-Tenant	Ferguson - Mid 12/15
Red Fox Business Center Bldg 2	1235 Red Fox Rd	Arden Hills	Northeast	50,000	Flex/R&D	Multi-Tenant	
Red Fox Business Center Bldg 1	1235 Red Fox Rd	Arden Hills	Northeast	43,300	Warehouse - Distribution	Multi-Tenant	
Clark Road Complex Bldg III	10974 Clark Rd	Inver Grove Heights	Southeast	21,293	Light Industrial	Multi-Tenant	

Deliveries

Property Name	Address	City	Market	Bldg Size	Tenancy	Notes
Dayton Distribution Center Bldg I	11020 Holly Ln Osseo	Osseo	Northwest	247,004	Multi-Tenant	Spec
610 Commerce Center	9301 N Louisiana Ave Brooklyn Park	Brooklyn Park	Northwest	202,000	Multi-Tenant	Spec
Launch Park Distribution Center II	14525 Northdale Blvd Rogers	Rogers	Northwest	168,000	Multi-Tenant	Spec
Gateway North Business Center Bldg 3	6301 NE Queens Ave NE Otsego	Otsego	Northwest	150,064	Single-Tenant	BTS - Blu Dot
North Cross Business Park Bldg 1	9485 N Winnetka Ave Brooklyn Park	Brooklyn Park	Northwest	143,440	Single-Tenant	Wirth
Highcrest Distribution Center	2280 Walnut St Roseville	Roseville	Northeast	129,655	Multi-Tenant	Spec
4551 N 12th Ave	4551 N 12th Ave Shakopee	Shakopee	Southwest	120,000	Multi-Tenant	Capp Industries

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.

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