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INDUSTRIAL MARKET REPORT

Minneapolis-St. Paul

4th Quarter 2015

Produced in partnership with

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E X C H A N G E

Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.

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The Minneapolis-St. Paul tracked set consists of an inventory of buildings considered to be competitive by the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for the market area.

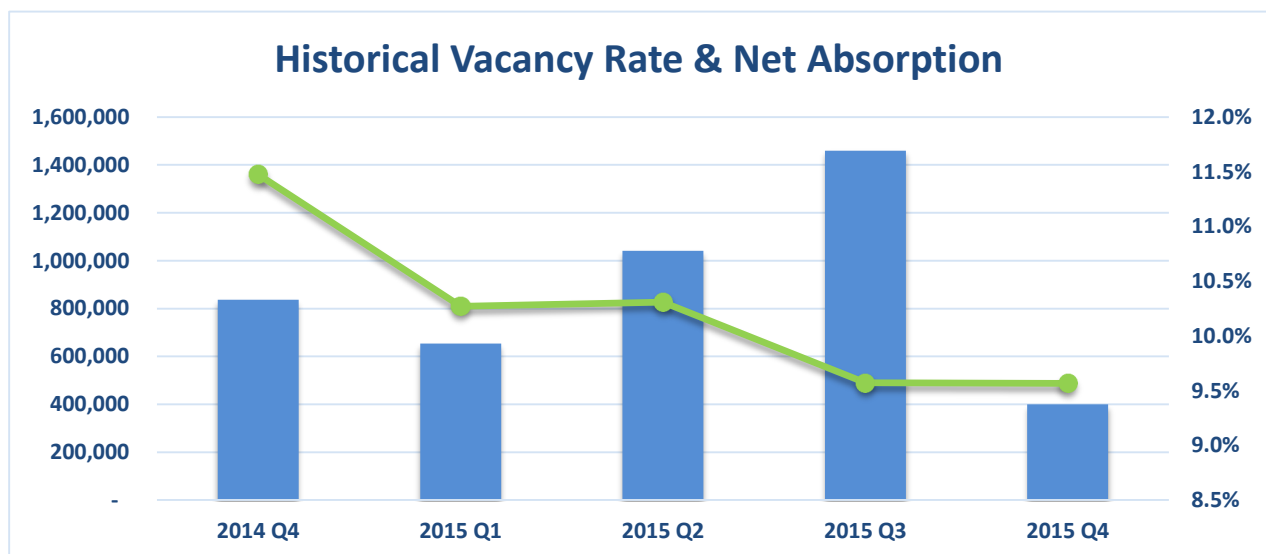
Inventory	The total square feet of all existing multi-tenant buildings greater than 20,000 SF or are part of a complex that totals greater than 20,000 SF located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.
Total Available SF	All of the available leasable space within a 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 including both direct and sublease space.
Sublease Space	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.



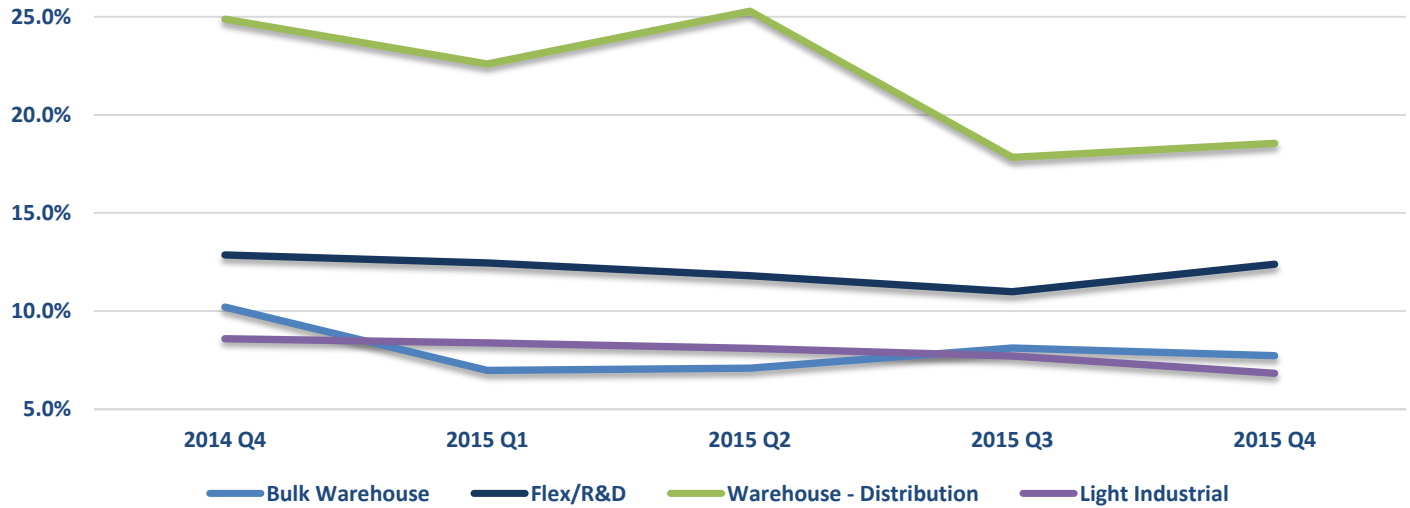
Overview

- The Minneapolis-St Paul industrial market remained strong showing five straight quarters of positive absorption with 400,000 square feet absorbed fourth quarter 2015 and ending 2015 with 3.5 million square feet positive absorption.
- Vacancy rates continue to drop in Minneapolis-St Paul market ending fourth quarter 2015 at 9.6% which is about 2% lower compared to fourth quarter 2014.
- The high demand for industrial space resulted in strong growth in new developments most notably in northwest and southwest markets. During 2015 the overall industrial market delivered over 3.3 million square feet of new construction with northwest market delivering 2.5 million square feet.

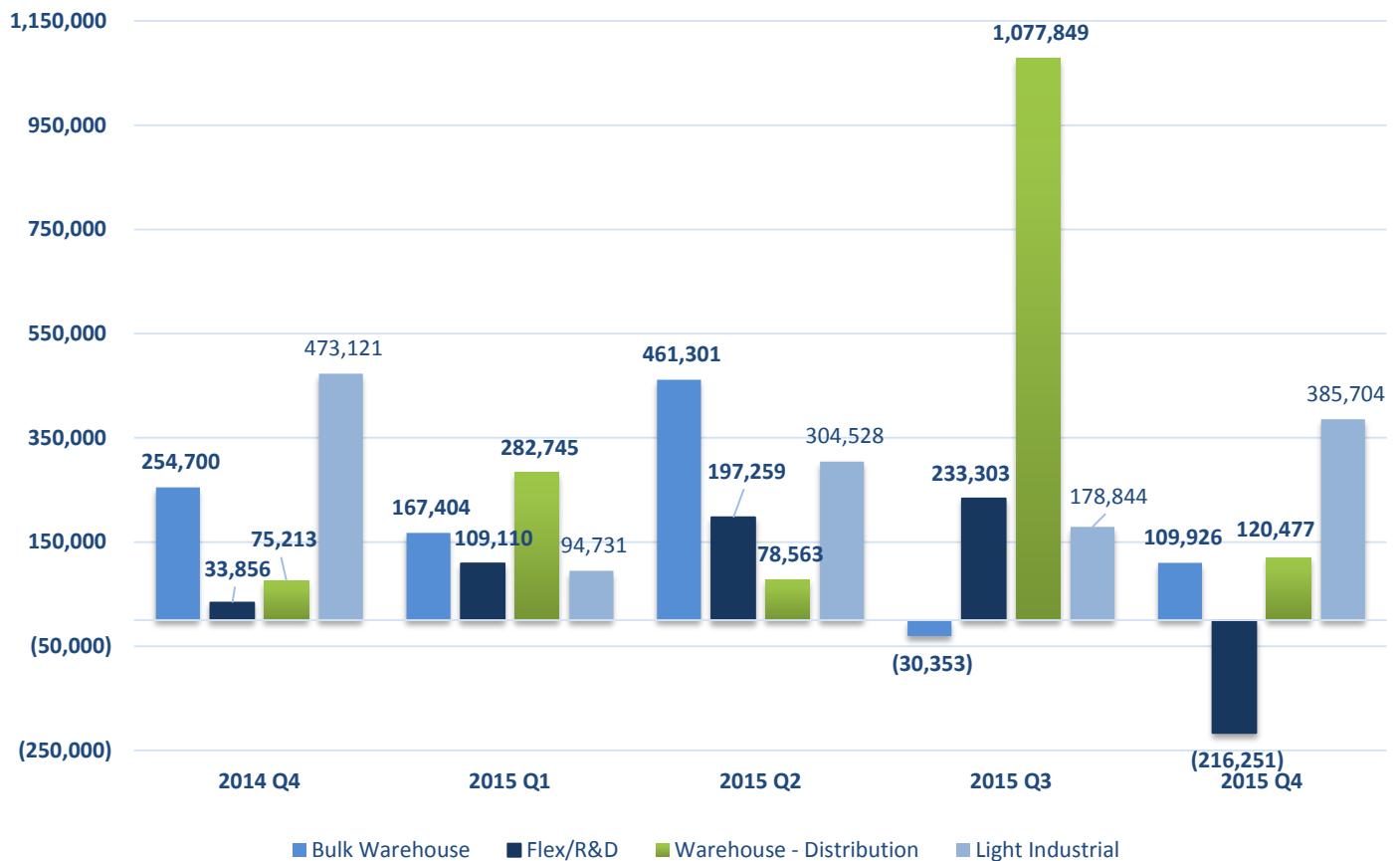
	# of Bldgs	Inventory (SF)	Available Sublease (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption
Bulk Warehouse	173	30,088,427	115,117	7.7%	109,926	708,278
Flex/R&D	431	28,295,785	235,838	12.4%	(216,251)	323,421
Warehouse - Distribution	63	10,889,805	0	18.6%	120,477	1,559,634
Light Industrial	652	44,871,403	335,699	6.8%	385,704	963,807
Grand Total	1,319	114,145,420	686,654	9.6%	399,856	3,555,140



Historical Vacancy Rates by Use

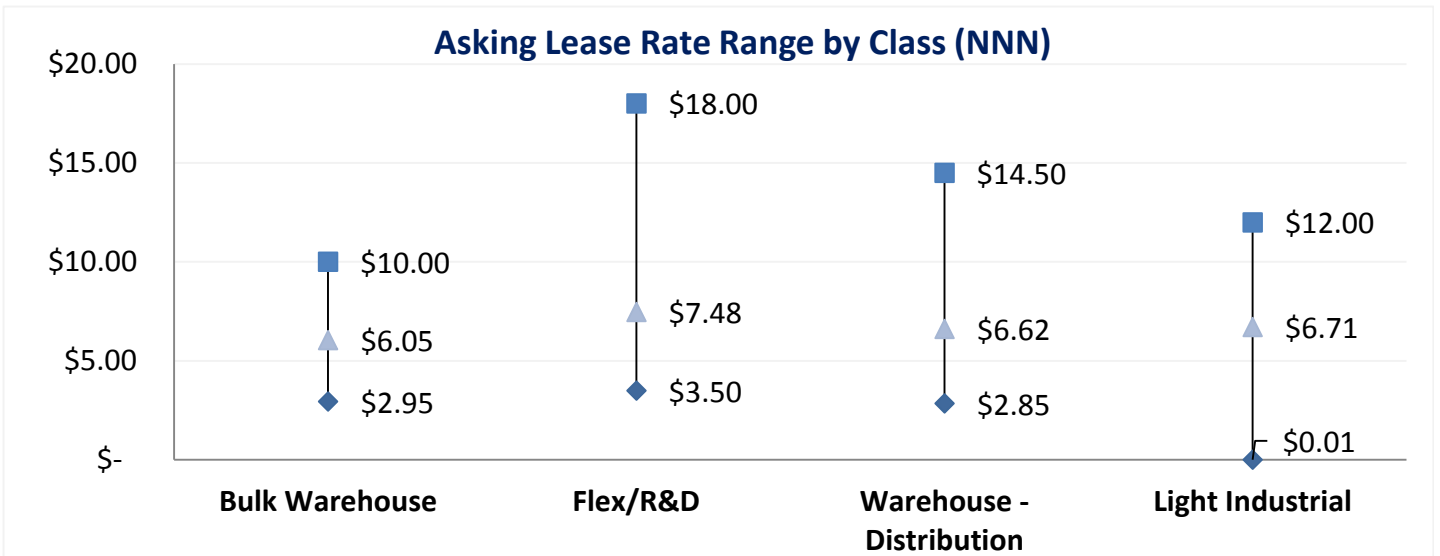
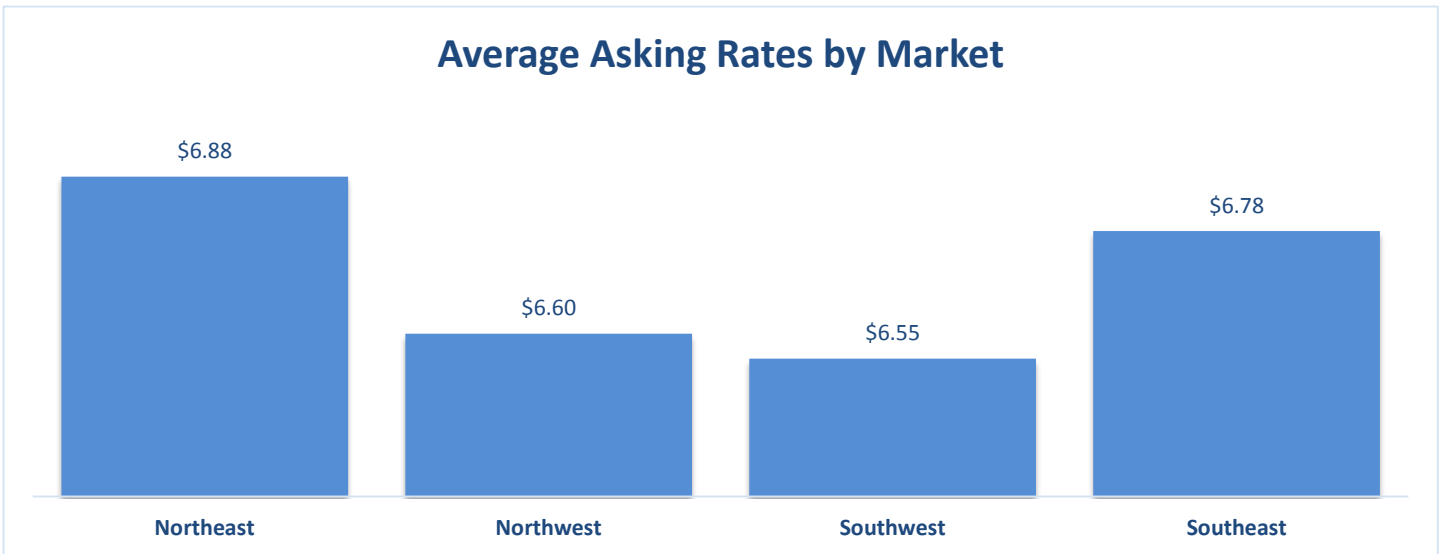
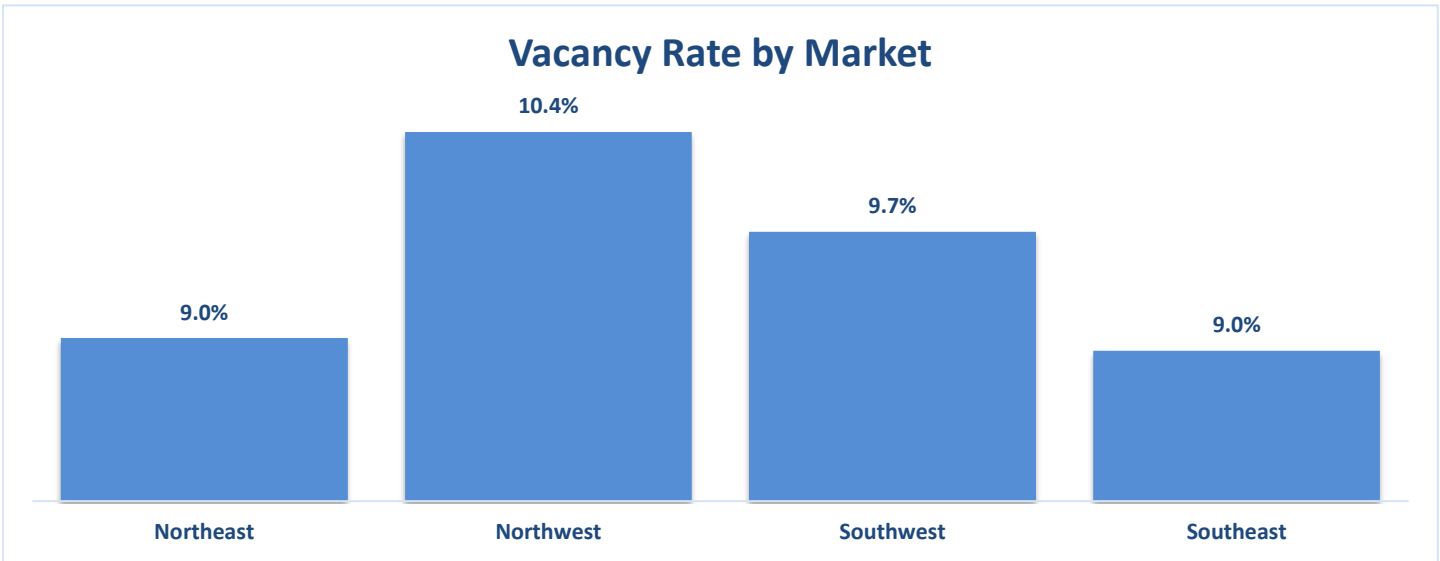


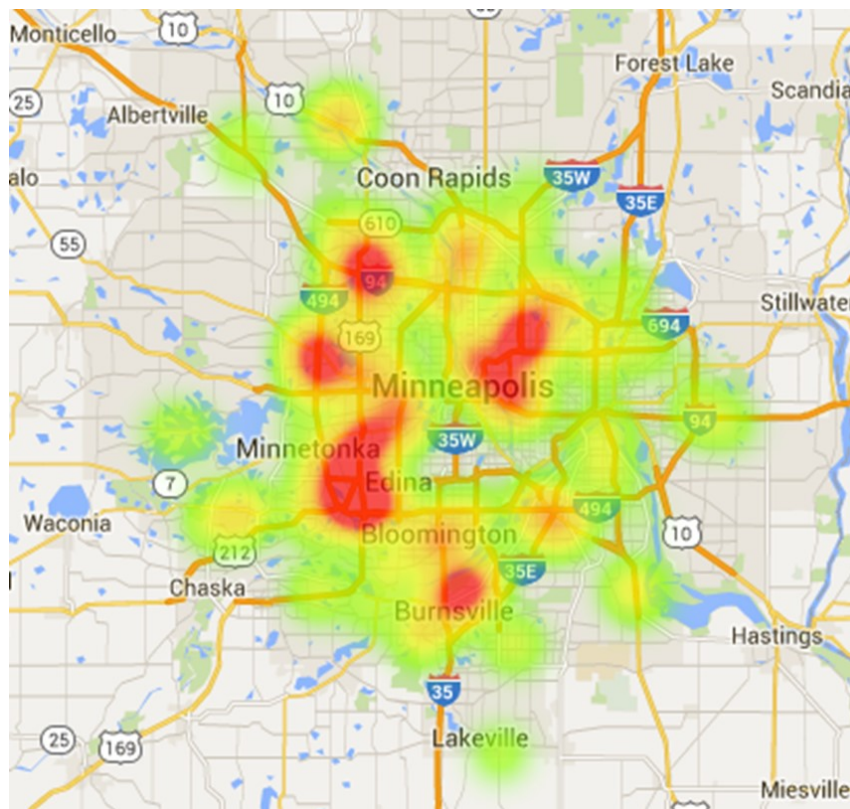
Historical Net Absorption by Use



	# of Bldgs	Inventory (SF)	Total Available (SF)	Available Sublease (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption
Northeast	405	37,196,579	4,232,348	306,665	9.0%	(75,757)	433,647
Bulk Warehouse	56	9,663,721	717,795	82,717	6.8%	(24,927)	208,087
Flex/R&D	99	7,209,379	1,260,828	37,738	14.0%	(148,662)	5,202
Warehouse - Distribution	11	1,525,711	526,342	0	29.9%	(83,543)	(55,371)
Light Industrial	239	18,797,768	1,727,383	186,210	6.6%	181,375	275,729
Northwest	361	32,458,782	4,565,730	129,923	10.4%	221,786	1,115,659
Bulk Warehouse	75	12,832,594	1,621,909	32,400	8.6%	47,311	243,836
Flex/R&D	107	6,951,618	1,009,027	49,726	10.9%	(28,061)	4,400
Warehouse - Distribution	21	2,669,802	1,238,644	0	37.7%	105,000	517,159
Light Industrial	158	10,004,768	696,150	47,797	5.0%	97,536	350,264
Southwest	334	26,708,231	3,893,396	151,126	9.7%	153,759	1,643,416
Bulk Warehouse	19	3,405,589	554,342	0	12.4%	26,292	187,855
Flex/R&D	141	9,219,094	1,701,861	116,036	9.9%	(22,856)	208,768
Warehouse - Distribution	15	3,728,258	408,540	0	9.7%	99,020	1,115,105
Light Industrial	159	10,355,290	1,228,653	35,090	8.7%	51,303	131,688
Southeast	219	17,781,828	2,117,013	98,940	9.0%	100,068	362,418
Bulk Warehouse	23	4,186,523	173,732	0	3.6%	61,250	68,500
Flex/R&D	84	4,915,694	994,224	32,338	16.8%	(16,672)	105,051
Warehouse - Distribution	16	2,966,034	259,537	0	6.6%	0	(17,259)
Light Industrial	96	5,713,577	689,520	66,602	7.3%	55,490	206,126
Grand Total	1,319	114,145,420	14,808,487	686,654	9.6%	399,856	3,555,140

	Vacancy Rate %					Asking Direct Lease Rate				
	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Northeast	8.7%	8.6%	8.7%	8.6%	9.0%	\$6.60	\$6.79	\$6.57	\$6.45	\$6.88
Bulk Warehouse	5.6%	5.3%	5.4%	6.6%	6.8%	\$5.97	\$5.63	\$5.31	\$5.25	\$5.88
Flex/R&D	13.0%	12.6%	12.1%	10.8%	14.0%	\$8.10	\$8.37	\$7.77	\$7.72	\$8.27
Warehouse - Distribution	16.0%	15.5%	24.4%	24.4%	29.9%	\$6.08	\$6.50	\$6.93	\$6.92	\$6.86
Light Industrial	8.1%	8.1%	7.7%	7.6%	6.6%	\$5.98	\$6.30	\$6.30	\$6.14	\$6.11
Northwest	9.4%	8.6%	9.3%	10.4%	10.4%	\$6.46	\$6.47	\$6.38	\$6.35	\$6.60
Bulk Warehouse	7.0%	6.4%	7.2%	8.9%	8.6%	\$5.81	\$5.50	\$5.63	\$5.80	\$6.27
Flex/R&D	10.9%	11.4%	10.5%	10.5%	10.9%	\$7.11	\$7.08	\$7.22	\$7.44	\$7.59
Warehouse - Distribution	36.6%	26.4%	30.6%	35.6%	37.7%	\$6.59	\$6.68	\$6.63	\$6.25	\$6.42
Light Industrial	6.7%	6.1%	6.9%	6.0%	5.0%	\$6.29	\$6.40	\$6.07	\$6.07	\$6.20
Southwest	18.2%	14.5%	14.2%	10.3%	9.7%	\$5.64	\$5.59	\$6.45	\$6.38	\$6.55
Bulk Warehouse	34.5%	15.5%	13.2%	13.2%	12.4%	\$5.36	\$4.89	\$4.88	\$4.75	\$5.17
Flex/R&D	12.1%	11.1%	10.7%	9.7%	9.9%	\$7.51	\$7.51	\$7.39	\$7.50	\$7.80
Warehouse - Distribution	38.3%	37.2%	37.9%	12.4%	9.7%	\$3.40	\$3.40	\$5.52	\$4.84	\$4.94
Light Industrial	10.0%	9.5%	9.3%	9.2%	8.7%	\$6.48	\$6.51	\$6.62	\$6.63	\$6.75
Southeast	10.4%	10.3%	9.6%	9.0%	9.0%	\$6.50	\$6.53	\$6.54	\$6.58	\$6.78
Bulk Warehouse	5.3%	5.5%	5.5%	5.1%	3.6%	\$3.85	\$3.81	\$3.90	\$3.95	\$4.47
Flex/R&D	16.9%	16.5%	15.3%	14.6%	16.8%	\$7.07	\$7.14	\$7.02	\$7.26	\$7.08
Warehouse - Distribution	6.0%	6.0%	6.6%	6.6%	6.6%	\$7.06	\$7.00	\$7.03	\$7.11	\$7.09
Light Industrial	10.9%	11.0%	9.4%	8.3%	7.3%	\$6.45	\$6.44	\$6.67	\$6.66	\$6.86
Grand Total	11.5%	10.3%	10.3%	9.6%	9.6%	\$6.23	\$6.27	\$6.48	\$6.42	\$6.69

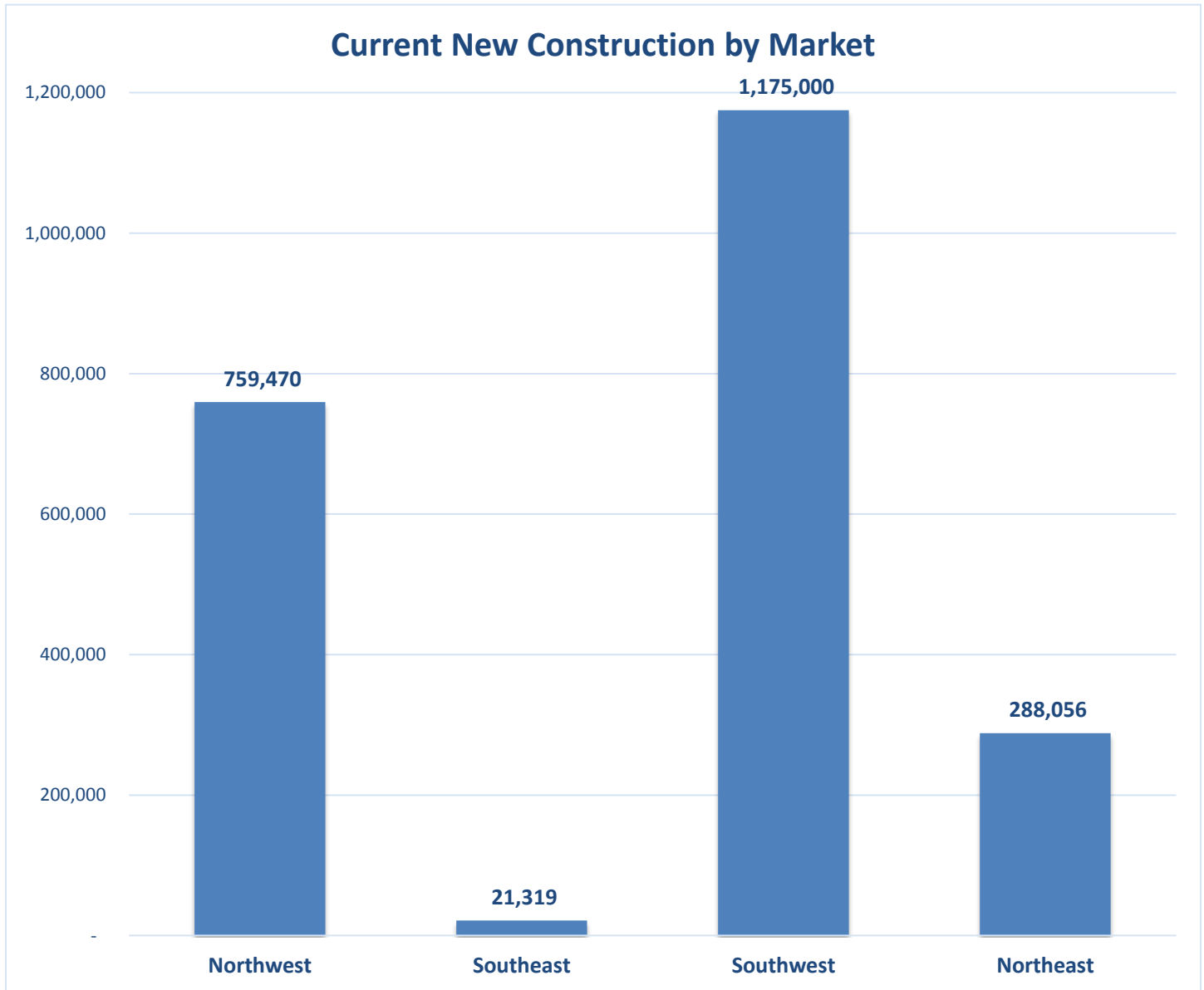




Largest Absorption Changes

Property Name	SF Changed	Tenant Name	Market	Specific Use
MSP Midway Industrial Park 9	128,967	Murphy Rigging and Erection	Northeast	Light Industrial
Capstone Business Center - DRC	105,000	Design Ready Controls	Northwest	Warehouse Distribution
Shakopee Industrial Center II	79,989	Conklin	Southwest	Warehouse Distribution
Crosstown North Business Center XII	72,000	Graybar	Northwest	Bulk Warehouse
IGH Distribution Center	61,250	Flint Hills Resources Pine Bend	Southeast	Bulk Warehouse
Kasota Distribution Center	51,600	Sky Group	Northeast	Warehouse Distribution
Flying Cloud Business Center	(41,337)	HID	Southwest	Light Industrial
Mounds View Business Park Bldg G	(46,028)	Albert's Organics	Northeast	Bulk Warehouse
Crosstown North Business Center I	(48,144)	Scholastic Book Fairs	Northwest	Bulk Warehouse
West Bloomington Technology Park I	(60,057)	Questar	Southwest	Flex
Energy Park Distribution Center	(85,655)	FedEx Home Delivery	Northeast	Warehouse Distribution
Shoreview Corporate Center	(159,710)	DeluxeCorp	Southwest	Flex

Top Transactions						
Property Name	SF Sold	Sale Price	Buyer	Seller	Market	Specific Use
Murphy Warehouse	706,029	\$17,975,000	U of M	Murphy Warehouse	Northeast	Warehouse Distribution
8840-8880 NW Evergreen Blvd	261,805	\$14,000,000	Shopoff Realty Investments	GPC Acquisition	Northeast	Flex
1080 Park Pl	299,600	\$12,750,000	United Properties	H-B Tempe	Southwest	Flex
Eden Woods Business Center	159,035	\$11,770,350	Alidade Capital	Onward Investors	Southwest	Flex
Valley Park Business Center Bldg A	197,956	\$11,027,360	Liberty Property Trust	Opus Development	Southwest	Bulk Warehouse
Rudolph Technologies Campus	110,517	\$9,425,000	2737 West Service Road LLP	Interstate Partners	Southwest	Flex



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CGC Commercial Real Estate	Chris Garcia
Colliers International Minneapolis-St. Paul	Nick Leviton
Liberty Property Trust	Dan Lofgren
Cushman & Wakefield/NorthMarq	Brent Masica
CSM	Andy McIntosh
CBRE	Matt Oelschlager
Transwestern	Duane Poppe
Colliers International Minneapolis-St. Paul	Eric Rossbach
Paramount	Phil Simonet
Cushman & Wakefield/NorthMarq	Tom Sullivan
CBRE	Jack Tornquist

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