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OFFICE 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.

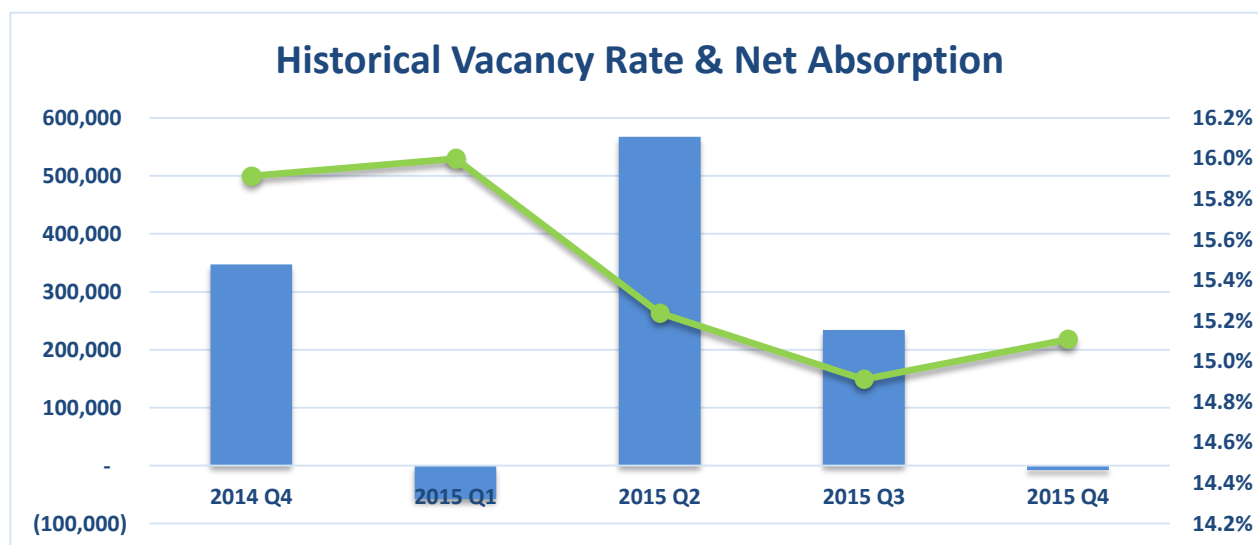
Inventory	The total square feet of all existing multi-tenant buildings greater than 20,000 SF or are part of a complex located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties. Medical and Government properties are excluded.
Class A	Most prestigious buildings competing for premier 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 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.
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.



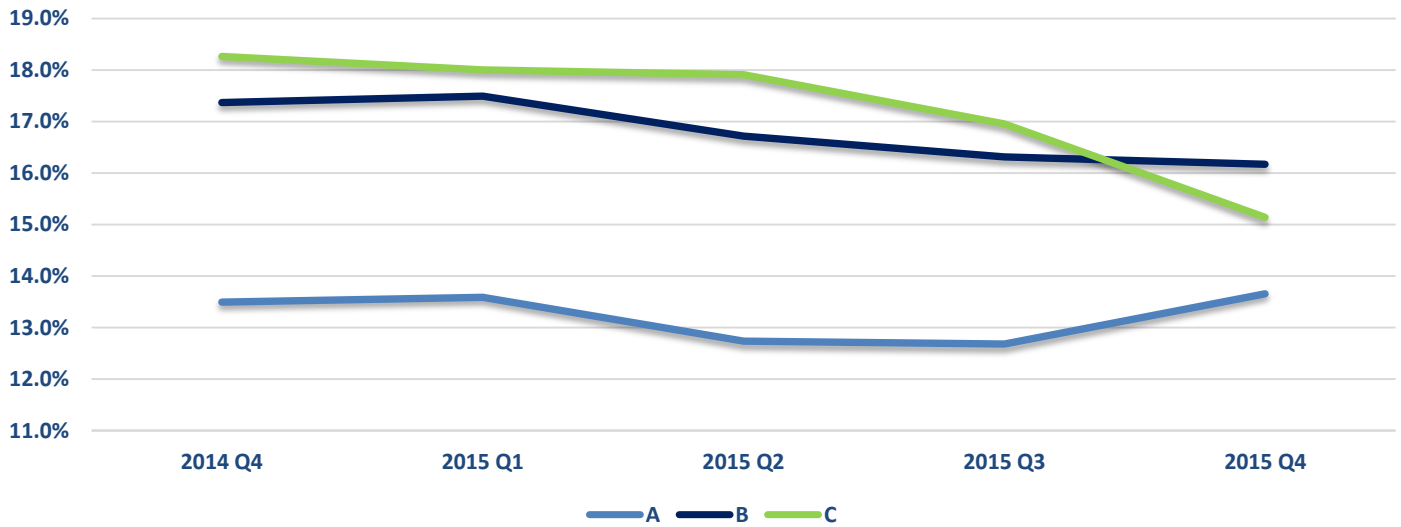
Overview

- The Minneapolis-St Paul office market saw a slight drop in absorption showing (7,839) square feet negative absorption for the fourth quarter dropping the total for 2015 to 696,000 square feet of positive absorption.
- Vacancy rates in Minneapolis-St Paul market saw a slight uptick to 15.1% during the fourth quarter but the vacancy rate for 2015 saw an overall drop from 15.9% from fourth quarter 2014.
- The southeast market showed the largest gain with 133,500 square feet in positive absorption while the northeast market showed 205,400 square feet negative absorption.
- Overall lease rates have increased each quarter for 2015 and ended \$1.50 higher compared to fourth quarter 2014 with \$25.03 for fourth quarter 2015.
- While the fourth quarter experienced negative absorption it was not entirely indicative of the overall health of the market. Two major developments resulted in Be The Match and CenterPoint vacating their previous multi-tenant locations and moving into their own single tenant properties. Be The Match vacated 203,738 square feet in two buildings in northeast market and moved into their newly built 293,000 square feet building in Minneapolis. CenterPoint vacated 62,511 square feet and moved into its new location in Minneapolis as well. This resulted in 266,249 square feet of negative absorption which was never recaptured.

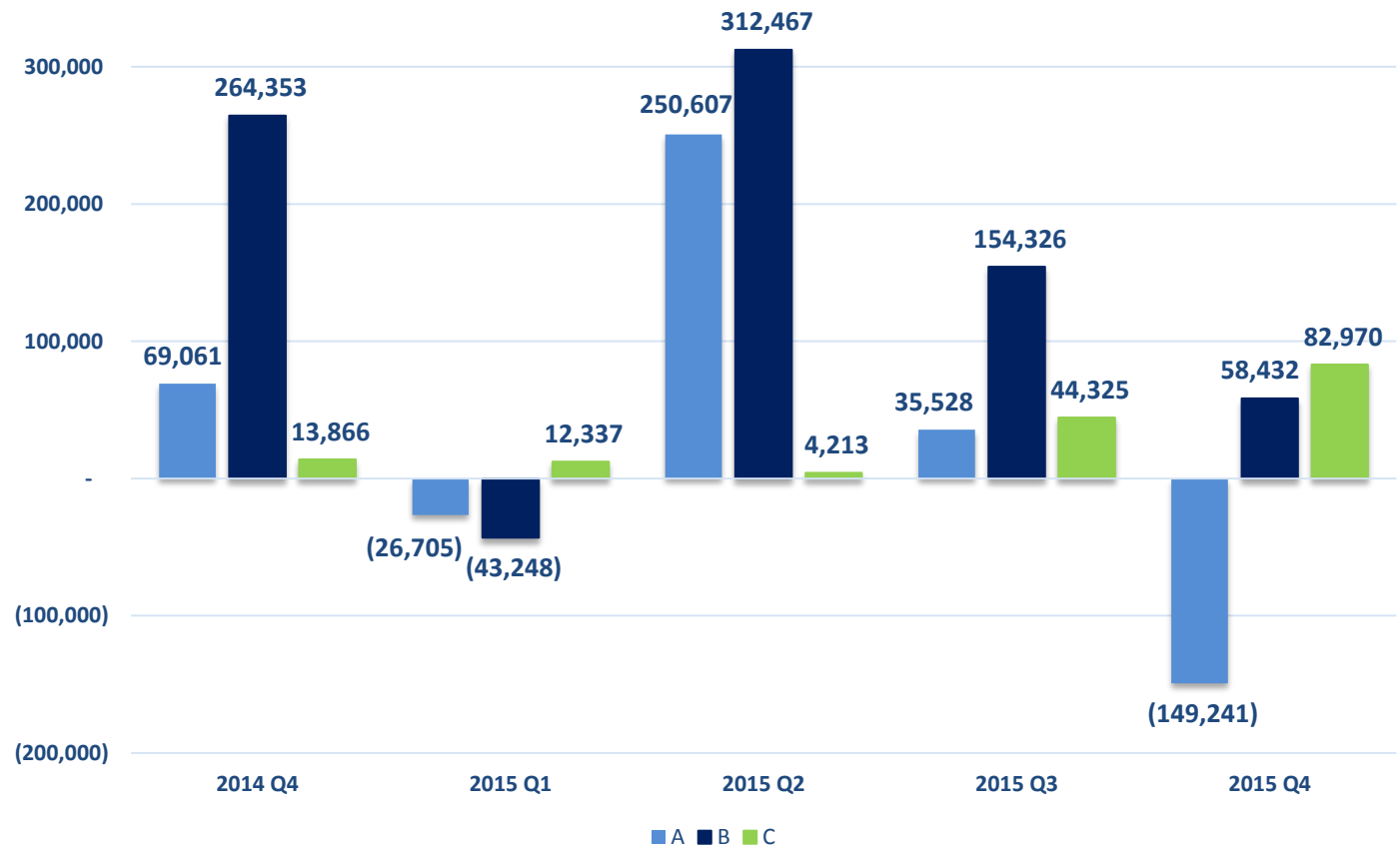
	# of Bldgs	Inventory (SF)	Available Sublease (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption
A	93	30,475,326	358,723	13.7%	(149,241)	61,287
B	448	41,470,973	502,139	16.2%	58,432	490,877
C	90	4,672,422	50,873	15.1%	82,970	143,845
Grand Total	631	76,618,721	911,735	15.1%	(7,839)	696,009



Historical Vacancy Rates by Class



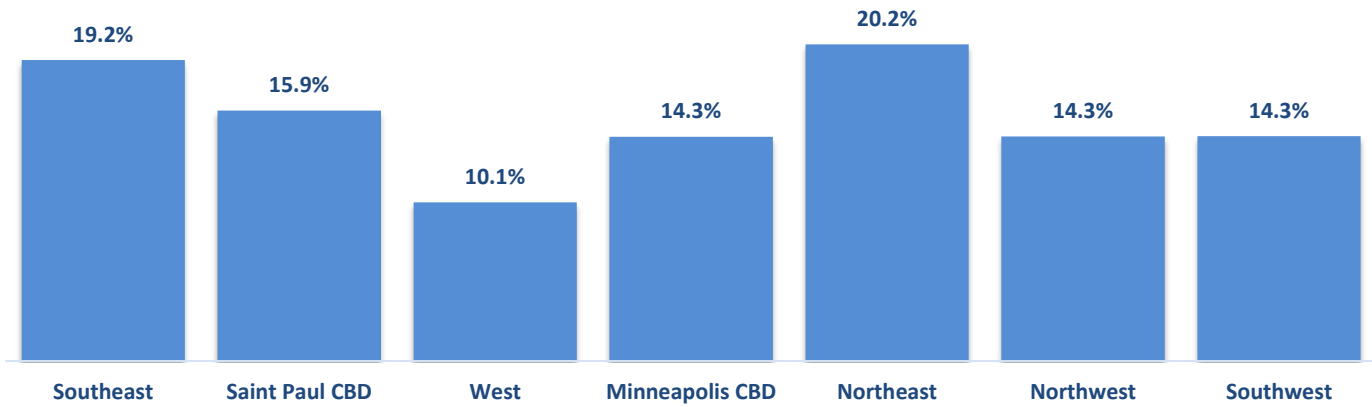
Historical Net Absorption by Class



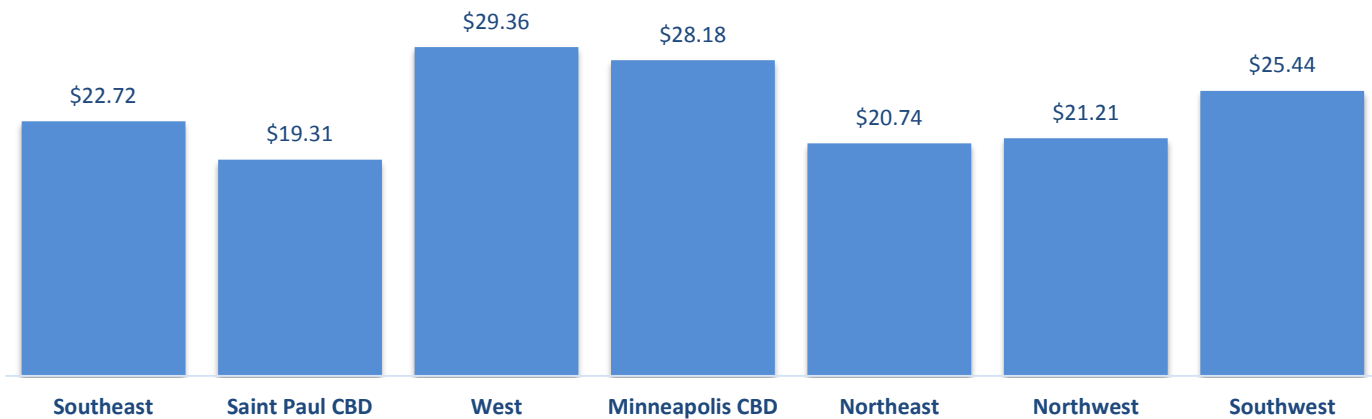
	# of Bldgs	Inventory (SF)	Total Available (SF)	Available Sublease (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption
Southeast	107	7,087,303	1,555,925	178,454	19.2%	133,568	116,139
A	7	1,130,722	297,828	70,001	21.7%	(7,008)	35,622
B	78	4,999,537	1,052,447	88,453	18.6%	113,566	59,258
C	22	957,044	205,650	20,000	18.9%	27,010	21,259
Saint Paul CBD	36	6,849,929	963,133	28,427	15.9%	84,730	198,770
A	5	1,924,033	254,369	12,095	15.8%	(7,125)	30,774
B	21	4,260,555	653,609	16,332	17.2%	93,733	160,328
C	10	665,341	55,155	-	8.3%	(1,878)	7,668
West	72	7,617,593	1,097,478	65,522	10.1%	65,803	(35,307)
A	19	3,676,011	463,698	47,004	8.4%	50,533	(14,661)
B	48	3,779,453	614,340	18,518	11.7%	16,791	(19,980)
C	5	162,129	19,440	-	12.0%	(1,521)	(666)
Minneapolis CBD	94	25,789,456	4,934,359	360,506	14.3%	(76,493)	174,049
A	25	15,453,104	2,406,511	124,598	12.8%	(26,869)	150,877
B	53	9,036,845	2,291,716	208,859	17.2%	(48,572)	(8,486)
C	16	1,299,507	236,132	27,049	11.5%	(1,052)	31,658
Northeast	120	8,324,276	1,792,745	51,110	20.2%	(205,410)	6,519
A	7	1,090,028	456,497	-	41.8%	(139,507)	(128,509)
B	99	6,659,048	1,169,544	47,286	15.7%	(114,733)	73,562
C	14	575,200	166,704	3,824	31.2%	48,830	61,466
Northwest	56	4,491,979	748,993	22,294	14.3%	57,303	165,401
A	1	350,631	134,505	12,278	13.5%	-	(11,501)
B	45	3,710,251	540,715	10,016	14.4%	55,519	196,630
C	10	431,097	73,773	-	14.2%	1,784	(19,728)
Southwest	146	16,458,185	4,129,389	205,422	14.3%	(67,340)	70,438
A	29	6,850,797	1,910,146	92,747	11.9%	(19,265)	(1,315)
B	104	9,025,284	2,157,155	112,675	16.3%	(57,872)	29,565
C	13	582,104	62,088	-	10.7%	9,797	42,188
Grand Total	631	76,618,721	15,222,022	911,735	15.1%	(7,839)	696,009

	Vacancy Rate %					Weighted Asking Rate (FSG)				
	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Southeast	18.9%	20.7%	19.3%	19.1%	19.2%	\$20.94	\$20.57	\$20.36	\$20.21	\$22.72
A	11.6%	8.5%	7.4%	7.1%	21.7%	\$26.86	\$25.79	\$26.11	\$25.43	\$31.42
B	19.8%	22.7%	21.2%	20.9%	18.6%	\$21.08	\$20.67	\$20.87	\$20.48	\$21.05
C	21.1%	22.0%	21.8%	21.7%	18.9%	\$16.57	\$17.50	\$16.40	\$17.46	\$17.38
Saint Paul CBD	18.8%	19.2%	18.1%	17.2%	15.9%	\$19.18	\$19.87	\$20.36	\$20.54	\$19.31
A	17.4%	18.8%	16.4%	15.4%	15.8%	\$25.38	\$25.57	\$25.54	\$26.13	\$23.06
B	20.9%	21.0%	20.4%	19.4%	17.2%	\$17.36	\$17.30	\$17.91	\$17.82	\$18.30
C	9.4%	8.7%	8.1%	8.0%	8.3%	\$10.86	\$12.40	\$12.62	\$13.32	\$9.75
West	9.6%	9.9%	11.5%	11.0%	10.1%	\$25.44	\$26.96	\$27.68	\$28.32	\$29.36
A	8.0%	9.1%	9.9%	9.8%	8.4%	\$31.43	\$33.06	\$33.19	\$33.71	\$33.43
B	11.1%	10.4%	12.8%	12.1%	11.7%	\$22.64	\$24.63	\$24.87	\$25.01	\$25.90
C	11.9%	19.5%	19.5%	11.3%	12.0%	\$16.83	\$17.19	\$17.66	\$18.80	\$19.16
Minneapolis CBD	15.0%	15.0%	14.0%	14.0%	14.3%	\$26.80	\$26.71	\$28.05	\$28.38	\$28.18
A	13.7%	14.1%	12.7%	12.6%	12.8%	\$32.02	\$31.37	\$30.64	\$31.06	\$30.76
B	17.1%	16.9%	16.3%	16.6%	17.2%	\$21.60	\$22.59	\$22.00	\$24.31	\$23.76
C	13.9%	12.6%	12.2%	11.4%	11.5%	\$17.62	\$18.73	\$21.09	\$21.24	\$22.40
Northeast	20.2%	19.7%	19.1%	17.7%	20.2%	\$20.53	\$20.75	\$20.14	\$20.78	\$20.74
A	30.0%	29.5%	28.8%	29.0%	41.8%	\$27.16	\$26.91	\$26.11	\$25.98	\$25.98
B	16.8%	16.3%	15.3%	14.0%	15.7%	\$19.61	\$19.93	\$19.76	\$19.65	\$19.67
C	41.8%	40.9%	44.4%	39.6%	31.2%	\$17.20	\$17.31	\$15.36	\$18.27	\$17.59
Northwest	18.0%	18.0%	15.0%	15.6%	14.3%	\$21.25	\$21.29	\$20.69	\$21.48	\$21.21
A	10.2%	8.5%	7.4%	13.5%	13.5%	\$27.27	\$28.12	\$27.62	\$27.62	\$27.62
B	19.7%	19.7%	16.0%	15.9%	14.4%	\$20.67	\$20.51	\$20.48	\$20.43	\$19.91
C	9.7%	11.0%	13.0%	14.6%	14.2%	\$16.03	\$15.03	\$15.34	\$15.37	\$15.17
Southwest	15.1%	14.6%	14.1%	13.9%	14.3%	\$23.77	\$24.03	\$24.37	\$25.25	\$25.44
A	12.6%	12.0%	11.8%	11.7%	11.9%	\$28.39	\$29.21	\$29.50	\$30.79	\$31.24
B	16.7%	16.6%	15.9%	15.7%	16.3%	\$22.09	\$22.12	\$22.53	\$22.77	\$22.83
C	17.9%	16.3%	12.7%	12.3%	10.7%	\$17.01	\$16.91	\$16.90	\$17.82	\$17.83
Grand Total	15.9%	16.0%	15.2%	14.9%	15.1%	\$23.32	\$23.67	\$23.78	\$24.61	\$24.82

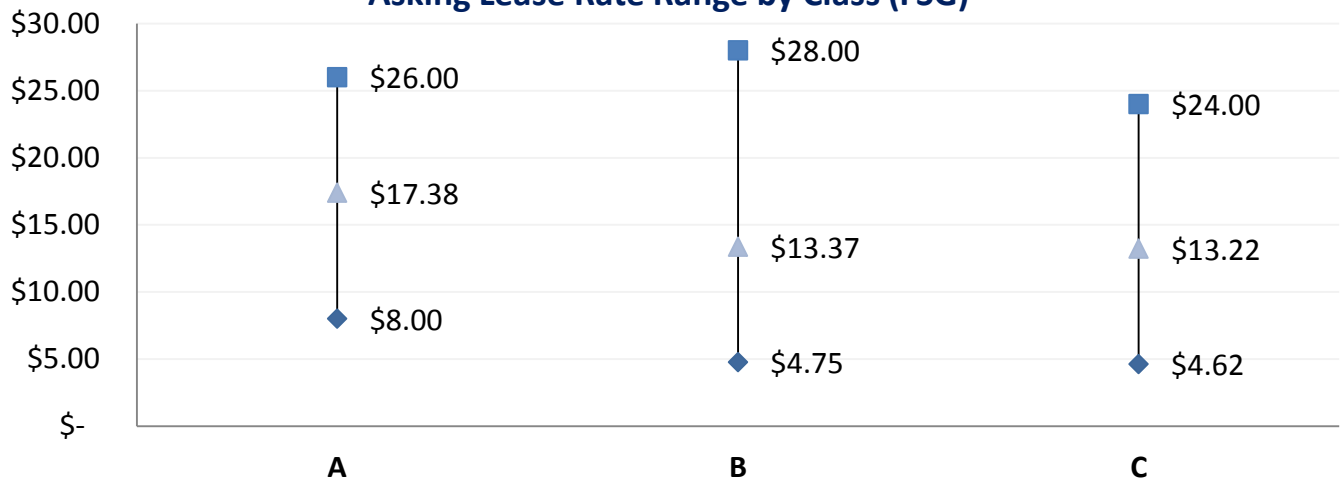
Vacancy Rate by Market

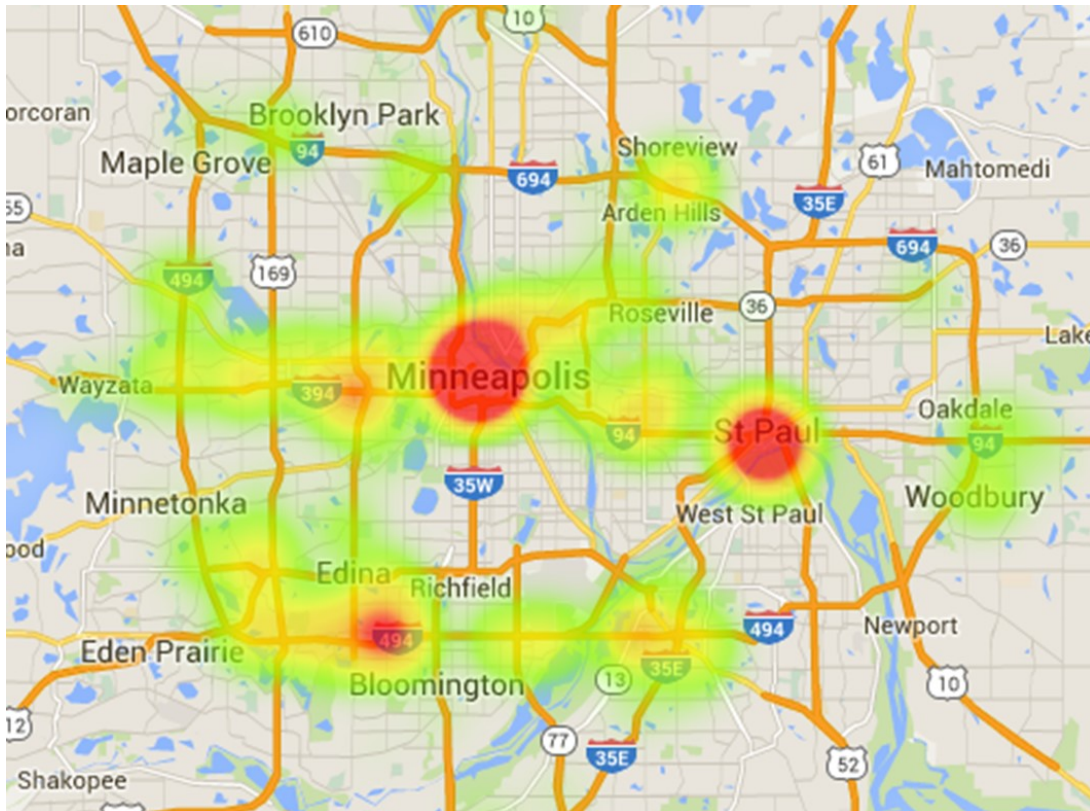


Average Asking Rates by Market



Asking Lease Rate Range by Class (FSG)

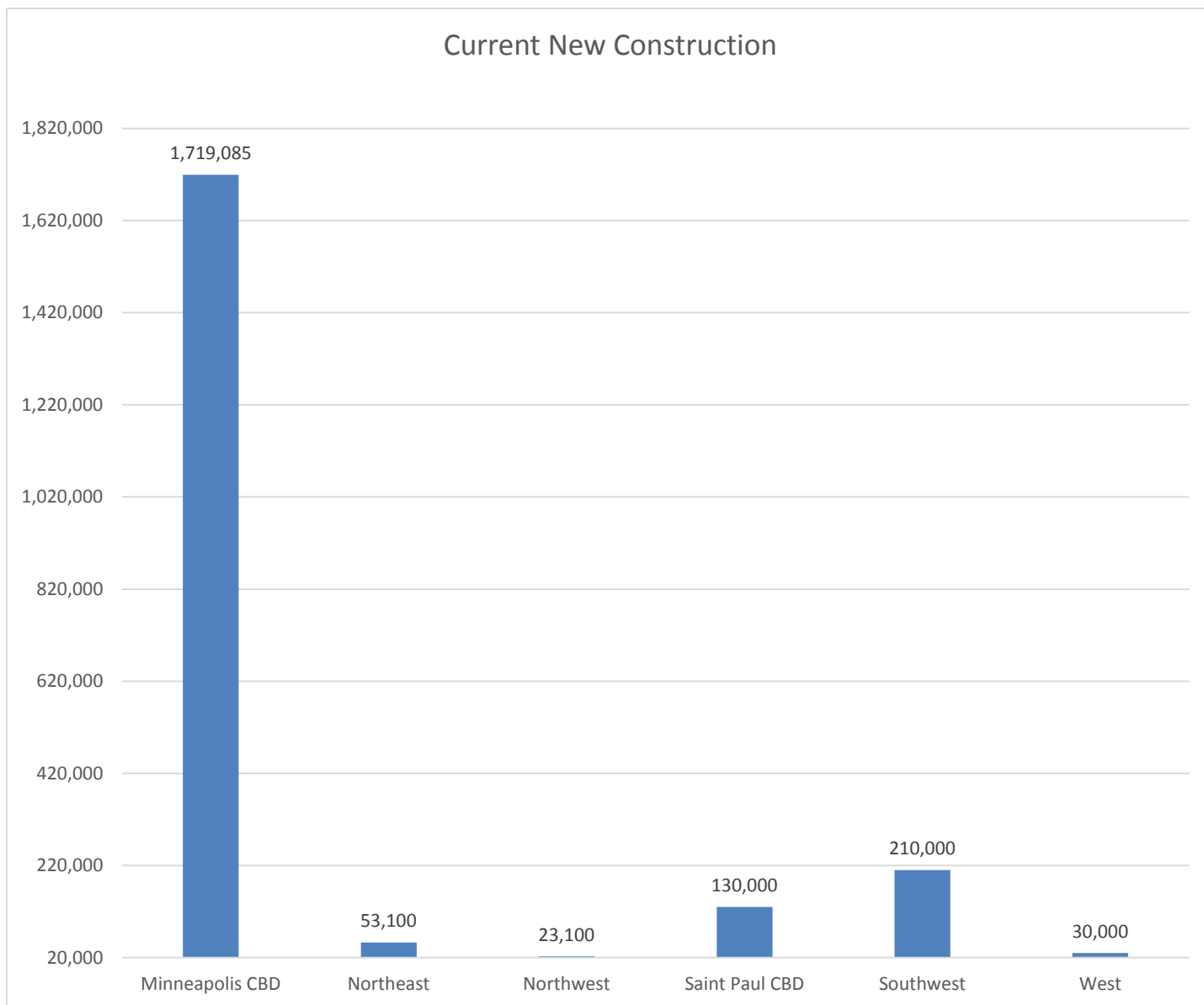




Largest Absorption Changes

Property Name	SF Change	Tenant Name	Market	Building Class
Crosswind Centre	70,000	Prime Therapeutics	Southeast	B
180 5th St E	51,424	Green Tree	St Paul CBD	B
Crescent Ridge 2	32,326	AON	West	A
River Park Plaza	27,391	Pioneer Press	St Paul CBD	B
RBC Plaza Office	20,395	Industrious	Mpls CBD	A
Fifth Street Towers	16,765	Wagner Falconer and Judd	Mpls CBD	A
Wyman-Partridge	(18,500)	Carmichal Lynch	Mpls CBD	B
Crosstown Centre	(47,933)	Bioscrip	Southwest	B
2100 NE Summer St	(60,589)	Ucare	Northeast	B
LaSalle Plaza	(62,511)	Centerpoint	Mpls CBD	A
Broadway Place East	(65,082)	Be The Match	Northeast	B
Broadway Ridge	(138,656)	Be The Match	Northeast	A

Top Transactions						
Property Name	Sale Price	SF Sold	Buyer	Seller	Market	Building Class
RSM Plaza	\$78,350,000	415,824	Golub & Co and Oaktree Capital	Midwest Real Estate Holdings	Mpls CBD	B
Canadian Pacific Plaza	\$68,550,000	393,902	Artis REIT	Ladder Capital Corp	Mpls CBD	B
Be The Match	\$68,215,185	293,000	Transwestern Investment Management	United Properties	Mpls CBD	A
Wells Fargo Plaza	\$46,250,000	434,746	City Center Realty Partners and DRA Advisors	Gateway Lake Properties	Southwest	B
First National Bank Building	\$37,250,000	662,854	Madison Equities	Nightingale Group	St Paul CBD	B
605 Waterford Park	\$31,500,000	207,598	Techny Group	Artis REIT	West	A
Park Place West	\$30,558,858	213,086	Middleton Partners	Golub Realty Services and AEW Capital Management	West	B
Park Place East	\$30,441,142	195,808	Middleton Partners	Golub Realty Services and AEW Capital Management	West	B



Minneapolis-St. Paul Metropolitan	
Frauenschuh	Jason Butterfield
Transwestern	Reed Christianson
Core Commercial Real Estate	Sean Coatney
Colliers International Minneapolis-St. Paul	Matt Delisle
CBRE	Jerry Driessen
NTH	Lynette Dumalag
Transwestern	Mike Honsa
CBRE	Brent Karkula
Cushman & Wakefield/NorthMarq	Eric King
KW Commercial Midwest	Andrew Manthei
Cushman & Wakefield/NorthMarq	Jim Montez
Essence Real Estate	Jeff Nordness
Colliers International Minneapolis-St. Paul	Kevin O'Neill
Hines	Bob Pfefferle
Colliers International Minneapolis-St. Paul	Eric Rapp
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