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INDUSTRIAL MARKET REPORT

Minneapolis-St. Paul

1st Quarter 2016

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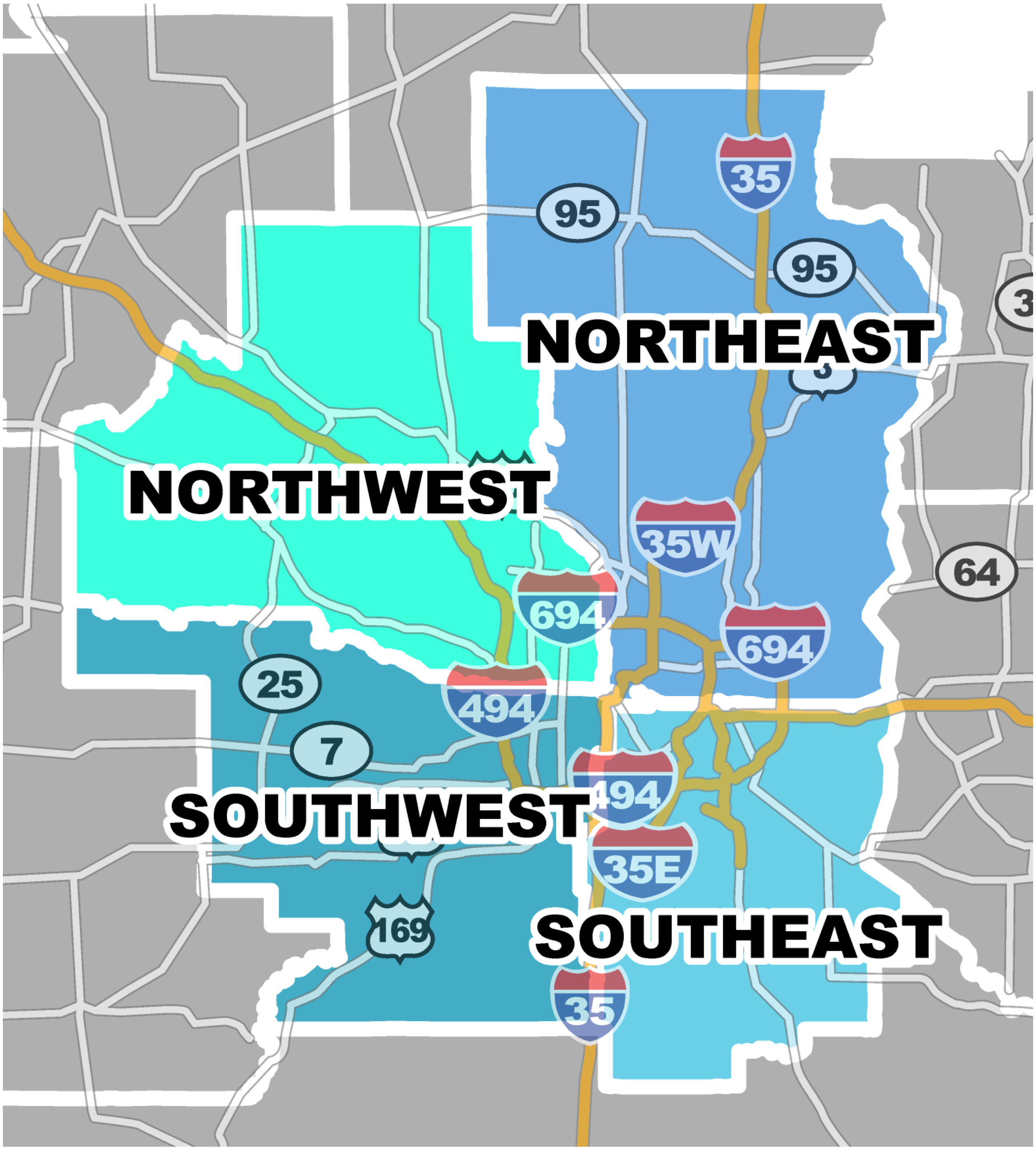
Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.

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 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.


NORTHEAST
NORTHWEST
SOUTHWEST
SOUTHEAST
35
95
95
35W
694
694
494
494
35E
35
25
7
169
64

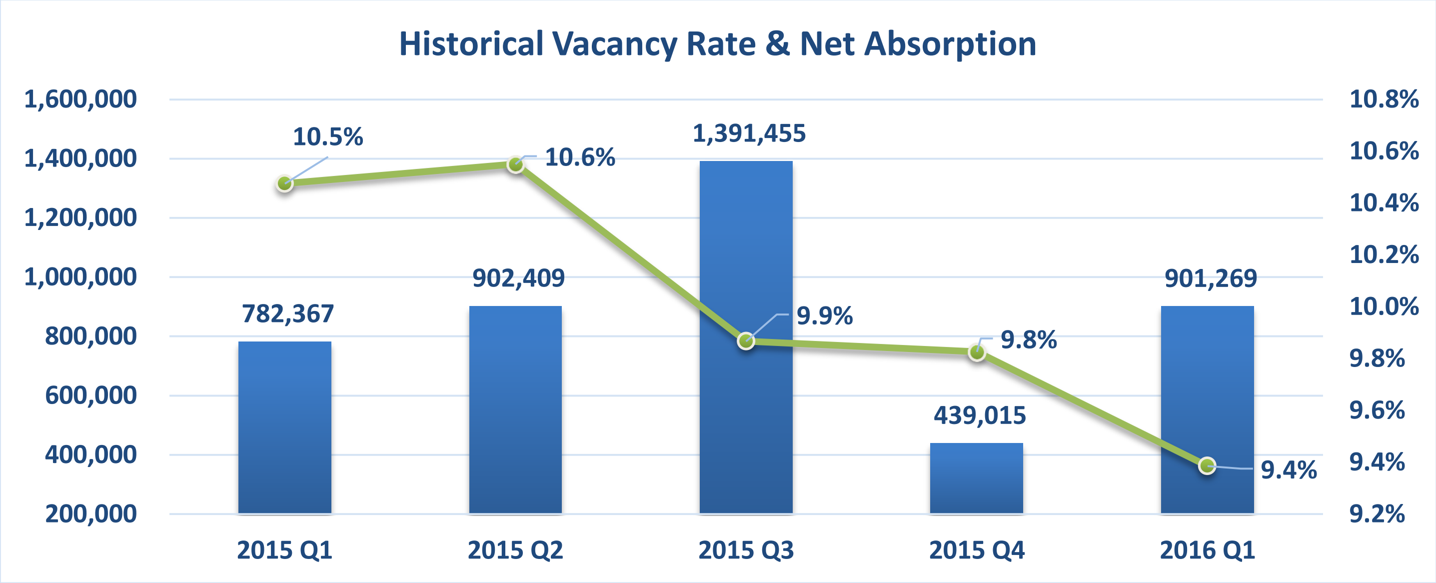
Overview

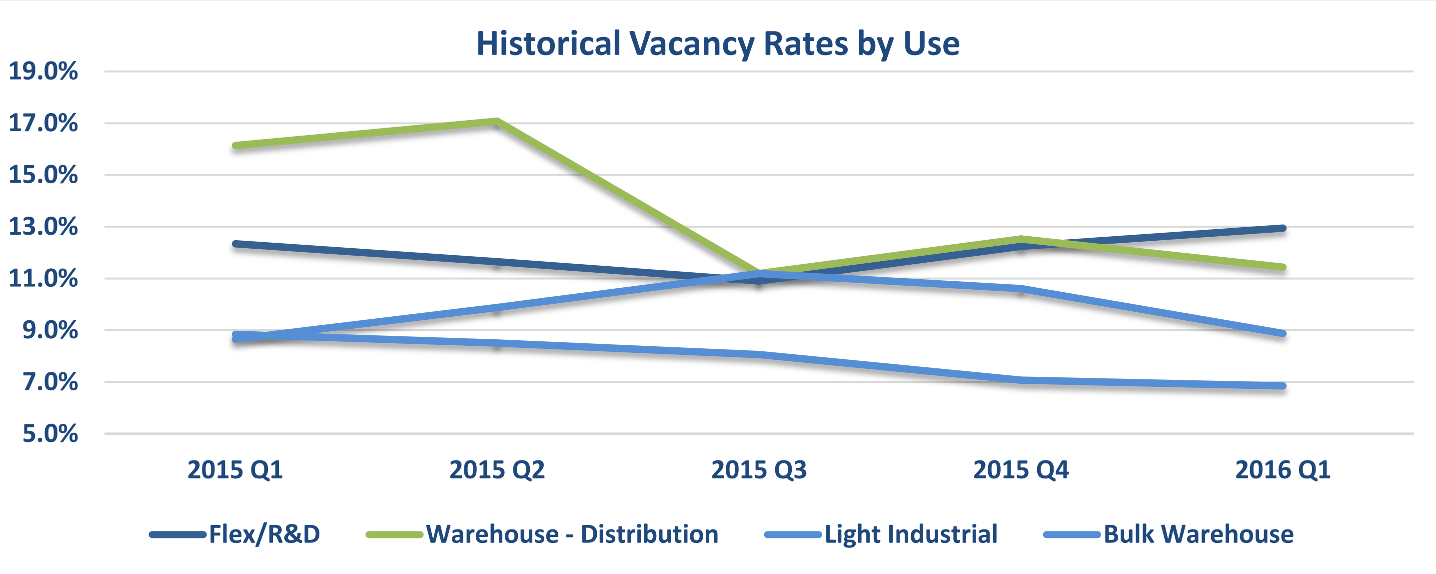
- The Minneapolis - St Paul Industrial market ended the first quarter of 2016 with 900,000 square feet of positive absorption. Over the last five quarters the Industrial market has absorbed over 4.4 million square feet.
- Bulk Warehouse made up the majority of activity with 664,000 square feet of positive absorption. Flex/R&D made up most of the negative activity with 85,000 square feet of negative absorption.
- At the end of the quarter the Industrial total vacancy rate was down to 9.4% compared to 10.6% one year ago.
- New development continues to be strong with the Southwest market building out over 1 million square feet of new construction while there is over 20 million square feet proposed for future development.

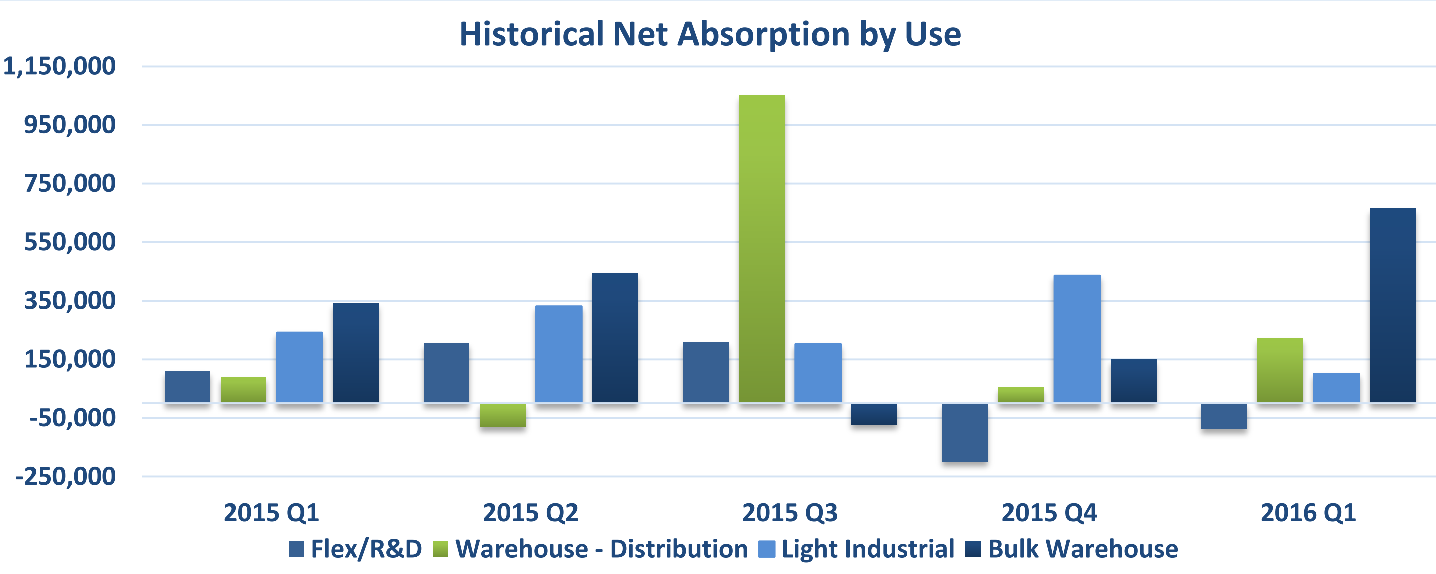
	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (SF)	YTD Total Net Absorption (SF)
Flex/R&D	434	28,475,466	5,088,413	3,684,843	12.9%	-85,609	-85,609
Warehouse - Distribution	79	12,749,616	1,895,188	1,457,501	11.4%	221,668	221,668
Light Industrial	650	44,760,938	4,641,837	3,065,449	6.8%	100,266	100,266
Bulk Warehouse	155	27,069,456	3,171,807	2,402,750	8.9%	664,944	664,944
Grand Total	**1,318**	**113,055,476**	**14,797,245**	**10,610,543**	**9.4%**	**901,269**	**901,269**

	# of Bldgs	Inventory (SF)	Sum of Direct Available SF	Direct Vacant (SF)	Direct Vacancy Rate (%)	Direct Quarterly Net Absorption (SF)	YTD Direct Net Absorption (SF)
Flex/R&D	434	28,475,466	4,891,101	3,606,586	12.7%	-71,728	-71,728
Warehouse - Distribution	79	12,749,616	1,875,738	1,438,051	11.3%	221,668	221,668
Light Industrial	650	44,760,938	4,416,054	2,998,776	6.7%	5,541	5,541
Bulk Warehouse	155	27,069,456	2,895,683	2,199,026	8.1%	675,744	675,744
Grand Total	**1,318**	**113,055,476**	**14,078,576**	**10,242,439**	**9.1%**	**831,225**	**831,225**

	# of Bldgs	Inventory (SF)	Available Sublease (SF)	Sublease Vacant (SF)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (SF)	YTD Sublease Net Absorption (SF)
Flex/R&D	434	28,475,466	197,312	78,257	0.3%	-13,881	-13,881
Warehouse - Distribution	79	12,749,616	19,450	19,450	0.2%	-	-
Light Industrial	650	44,760,938	221,624	66,673	0.1%	94,725	94,725
Bulk Warehouse	155	27,069,456	276,124	203,724	0.8%	-10,800	-10,800
Grand Total	**1,318**	**113,055,476**	**714,510**	**368,104**	**0.3%**	**70,044**	**70,044**


Historical Vacancy Rate & Net Absorption
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
10.8%
10.6%
10.4%
10.2%
10.0%
9.8%
9.6%
9.4%
9.2%
782,367
902,409
1,391,455
439,015
901,269
10.5%
10.6%
9.9%
9.8%
9.4%
2015 Q1
2015 Q2
2015 Q3
2015 Q4
2016 Q1

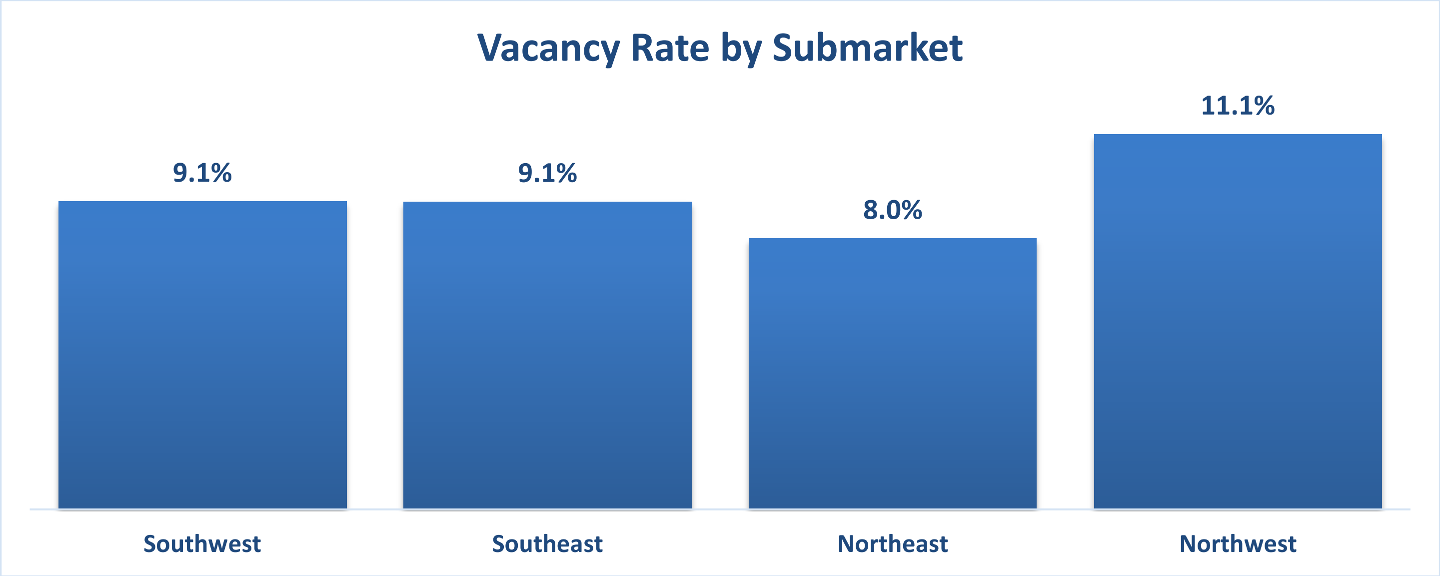

Historical Vacancy Rates by Use
19.0%
17.0%
15.0%
13.0%
11.0%
9.0%
7.0%
5.0%
2015 Q1
2015 Q2
2015 Q3
2015 Q4
2016 Q1
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse

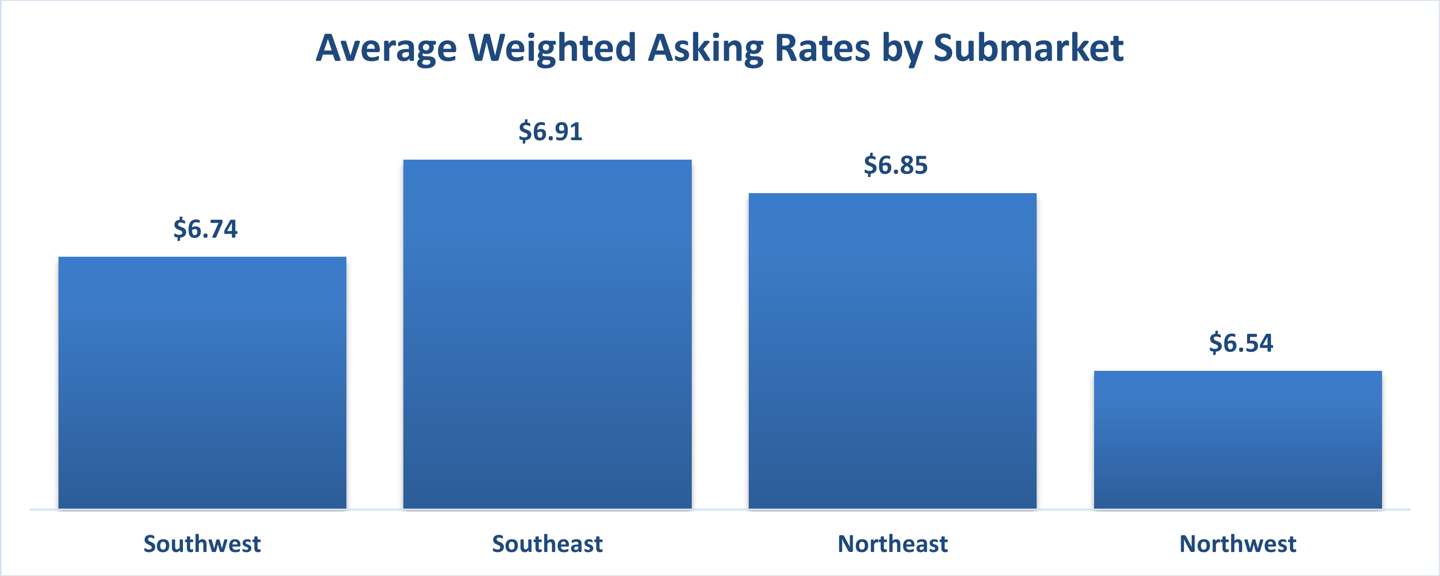

Historical Net Absorption by Use
1,150,000
950,000
750,000
550,000
350,000
150,000
-50,000
-250,000
2015 Q1
2015 Q2
2015 Q3
2015 Q4
2016 Q1
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse

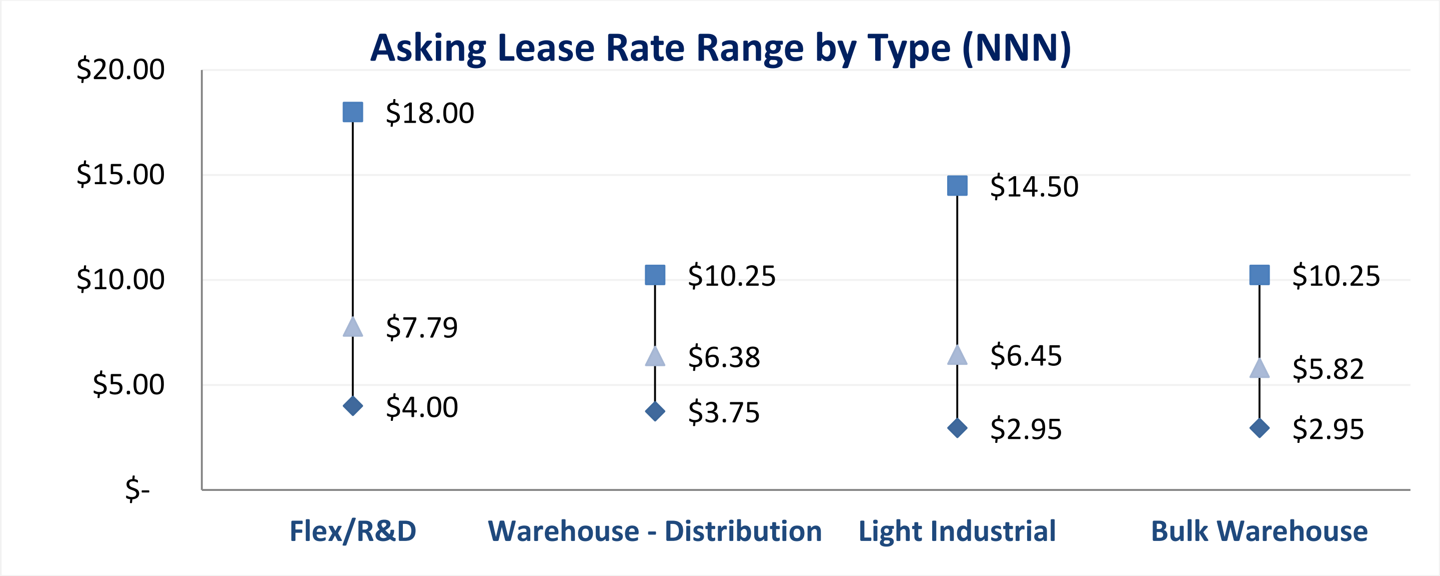
Statistics by Market

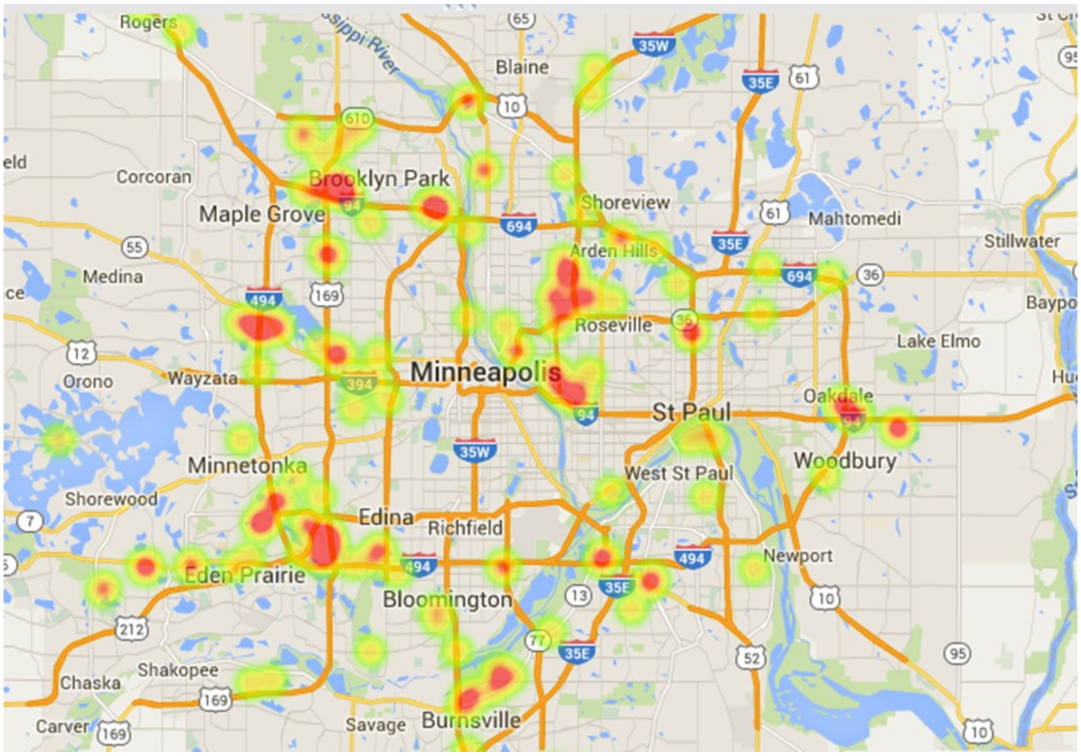
	# of Bldgs	Inventory (SF)	Total Vacant (SF)	Direct Vacant (SF)	Vacancy Rate (%)	Total Quarterly Absorption	YTD Total Net Absorption (SF)
Northeast	400	35,388,402	2,846,379	2,806,129	8.0%	467,180	467,180
Flex/R&D	99	7,212,977	945,858	935,858	13.1%	21,997	21,997
Warehouse - Distribution	24	3,658,213	374,972	355,522	10.3%	7,797	7,797
Light Industrial	236	18,315,397	1,154,274	1,154,274	6.3%	104,797	104,797
Bulk Warehouse	41	6,201,815	371,275	360,475	6.0%	332,589	332,589
Northwest	367	33,225,702	3,701,636	3,435,246	11.1%	347,455	347,455
Flex/R&D	109	7,096,088	941,199	921,987	13.3%	-44,763	-44,763
Warehouse - Distribution	31	3,682,468	996,256	996,256	27.1%	14,593	14,593
Light Industrial	159	10,138,173	520,807	466,553	5.1%	45,270	45,270
Bulk Warehouse	68	12,308,973	1,243,374	1,050,450	10.1%	332,355	332,355
Southeast	217	17,734,074	1,620,109	1,600,222	9.1%	-61,624	-61,624
Flex/R&D	86	4,987,686	869,208	855,340	17.4%	-43,267	-43,267
Warehouse - Distribution	14	2,585,576	23,832	23,832	0.9%	-	-
Light Industrial	93	5,625,751	403,491	397,472	7.2%	-18,357	-18,357
Bulk Warehouse	24	4,535,061	323,578	323,578	7.1%	-	-
Southwest	334	26,707,298	2,442,419	2,400,842	9.1%	148,258	148,258
Flex/R&D	140	9,178,715	928,578	893,401	10.1%	-19,576	-19,576
Warehouse - Distribution	10	2,823,359	62,441	62,441	2.2%	199,278	199,278
Light Industrial	162	10,681,617	986,877	980,477	9.2%	-31,444	-31,444
Bulk Warehouse	22	4,023,607	464,523	464,523	11.5%	-	-
Grand Total	**1,318**	**113,055,476**	**10,610,543**	**10,242,439**	**9.4%**	**901,269**	**901,269**

	Vacancy Rate %					Average Weighted Direct Asking Rate				
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1
Northeast	8.7%	8.8%	8.8%	9.1%	8.0%	$6.97	$6.72	$6.59	$6.87	$6.85
Flex/R&D	12.4%	11.8%	10.7%	13.4%	13.1%	$8.37	$7.77	$7.72	$8.25	$8.20
Warehouse - Distribution	6.5%	5.6%	5.6%	8.0%	10.3%	$6.50	$6.50	$6.49	$6.49	$6.48
Light Industrial	8.4%	8.0%	7.9%	6.9%	6.3%	$6.30	$6.28	$6.10	$6.06	$6.24
Bulk Warehouse	6.3%	9.3%	11.1%	11.3%	6.0%	$6.94	$6.46	$6.28	$6.33	$6.19
Northwest	9.1%	10.0%	11.1%	11.2%	11.1%	$6.49	$6.38	$6.31	$6.55	$6.54
Flex/R&D	11.1%	10.2%	10.2%	10.8%	13.3%	$7.08	$7.22	$7.44	$7.59	$7.72
Warehouse - Distribution	16.6%	21.5%	26.1%	27.5%	27.1%	$6.80	$6.74	$6.35	$6.49	$6.36
Light Industrial	6.9%	7.6%	6.8%	5.6%	5.1%	$6.41	$6.11	$6.09	$6.20	$6.33
Bulk Warehouse	7.9%	9.0%	11.1%	11.2%	10.1%	$5.51	$5.48	$5.46	$6.04	$5.82
Southeast	10.3%	9.6%	8.9%	8.8%	9.1%	$6.52	$6.53	$6.57	$6.78	$6.91
Flex/R&D	16.2%	15.1%	14.3%	16.6%	17.4%	$7.14	$7.02	$7.27	$7.10	$7.53
Warehouse - Distribution	0.3%	0.9%	0.9%	0.9%	0.9%	$6.67	$6.85	$7.09	$7.09	$7.25
Light Industrial	11.0%	9.4%	8.2%	6.8%	7.2%	$6.41	$6.64	$6.63	$6.84	$6.68
Bulk Warehouse	8.9%	8.9%	8.5%	7.1%	7.1%	$5.30	$5.38	$5.33	$6.02	$6.18
Southwest	14.5%	14.2%	10.4%	9.8%	9.1%	$5.58	$6.45	$6.38	$6.55	$6.74
Flex/R&D	11.2%	10.8%	9.8%	10.0%	10.1%	$7.53	$7.41	$7.52	$7.84	$7.66
Warehouse - Distribution	42.7%	41.8%	9.4%	9.4%	2.2%	$3.19	$4.10	$3.50	$3.50	$5.72
Light Industrial	10.2%	9.7%	9.5%	8.9%	9.2%	$6.55	$6.77	$6.63	$6.81	$6.71
Bulk Warehouse	13.7%	14.3%	14.7%	11.5%	11.5%	$4.89	$5.46	$5.34	$5.56	$5.33
Grand Total	**10.5%**	**10.6%**	**9.9%**	**9.8%**	**9.4%**	**$6.32**	**$6.51**	**$6.44**	**$6.67**	**$6.72**


Vacancy Rate by Submarket
9.1%
9.1%
8.0%
11.1%
Southwest
Southeast
Northeast
Northwest

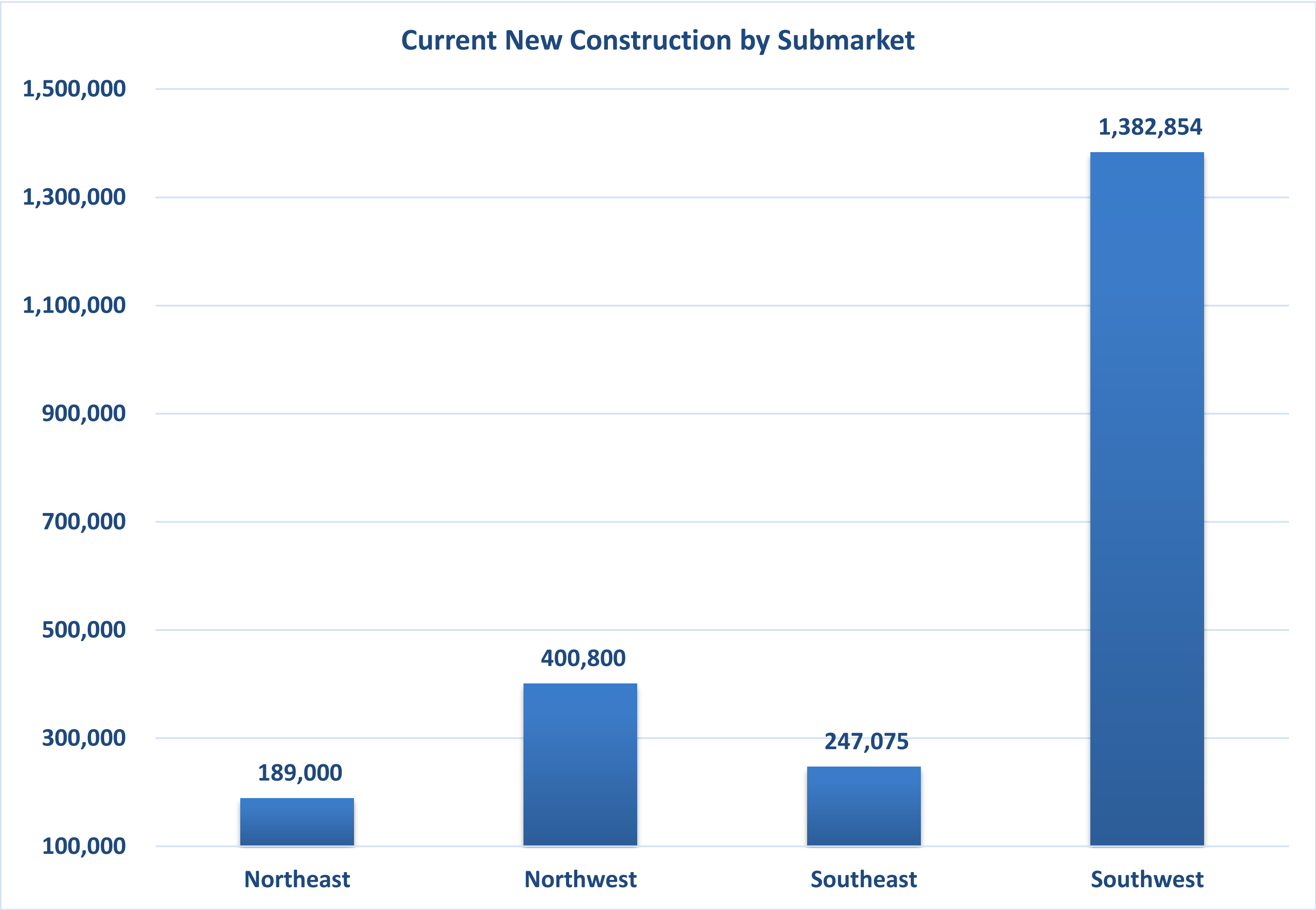

Average Weighted Asking Rates by Submarket
$6.74
$6.91
$6.85
$6.54
Southwest
Southeast
Northeast
Northwest


Asking Lease Rate Range by Type (NNN)
$20.00
$15.00
$10.00
$5.00
$-
$18.00
$7.79
$4.00
$10.25
$6.38
$3.75
$14.50
$6.45
$2.95
$10.25
$5.82
$2.95
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse



Largest Absorption Changes				
Property Name	**SF Occupied or Vacated**	**Tenant Name**	**Market**	**Specific Use**
Canterbury Distribution Center	199,278	Murphy Warehouse	Southwest	Warehouse - Distribution
Kinghorn Logistics Hub	156,000	Ruan	Northwest	Bulk Warehouse
3015-3075 Long Lake Rd	143,956	Tire Rack	Northeast	Bulk Warehouse
I-94 Distribution Center	116,042	Guardian Building	Northwest	Bulk Warehouse
MSP Midway Industrial Park Bldg 13	83,462	Strategic Warehousing sublease	Northeast	Light Industrial
Highcrest Distribution Center	66,245	Fantasy Flight	Northeast	Bulk Warehouse
Interstate North Distribution Center II	42,600	Vision Ease	Northwest	Bulk Warehouse
Southwest Tech Center - Bldg C	-30,402	Smartpress.Com	Southwest	Flex/R&D
Pure Humidifier Building	-44,822	Noise Vibration Shock Control	Southwest	Light Industrial
Freeway Business Center III	-75,000	Moneygram	Northwest	Flex/R&D

Top Transactions						
Property Name	**Sale Price**	**SF Sold**	**Buyer**	**Seller**	**Market**	**Specific Use**
7217 & 7309 W 27th St and 8401 Jefferson Hwy N	$18,950,000	213,512	GFG NC 1 LLC c/o Global Securitization Services LLC	UMIP LLC c/o Brennan Management	Southwest and Northwest	Flex/R&D
21325 Hamburg Ave	$13,240,609	265,253	Ralcorp Holdings Inc	ConAgra Foods Packaged Foods LLC	Southeast	Manufacturing
4385 Willow Dr	$12,000,000	222,798	GPI WG Acquisition Sub LLC	RGA Properties LLC	Northwest	Flex/R&D
3311 Broadway St NE	$8,300,000	175,244	Costco	Synergy 3311 LLC	Northeast	Warehouse - Distribution
Broadway Business Center	$7,800,000	154,811	TK Industrial LLC and Hamel Town Center LLC c/o Interstate Development	CORE Realty Holdings Management	Northeast	Warehouse - Distribution
Mendota Heights Business Center	$7,500,000	98,754	UPREIT	Wyatt the Pudel Pointer M.H. LLC c/o James Deanovic	Southeast	Flex/R&D
River Road Business Center	$6,525,000	125,000	MSP Fridley Industrial Buildings III & IV LLC c/o MLG Capital, Forum Equities and Steve Hoyt	FirstCal Industrial 2 Acquisition LLC c/o CalSTRS	Northeast	Flex/R&D


Current New Construction by Submarket
1,500,000
1,300,000
1,100,000
900,000
700,000
500,000
300,000
100,000
189,000
400,800
247,075
1,382,854
Northeast
Northwest
Southeast
Southwest

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

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