



XCELIGENT[™]
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OFFICE MARKET REPORT

Minneapolis-St. Paul

1st Quarter 2016

Produced in partnership with

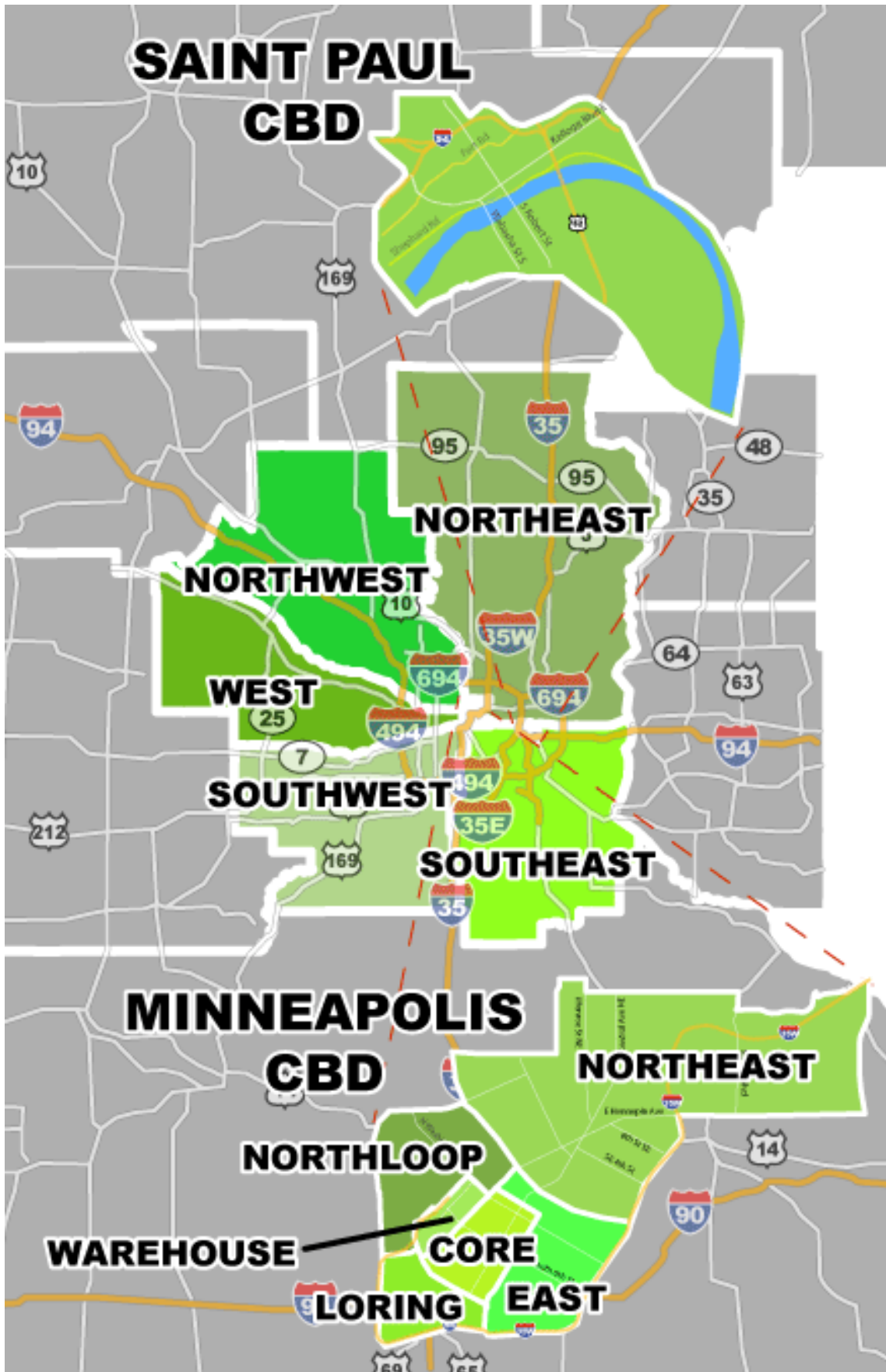
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E X C H A N G E

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.

Table of Contents and Methodology/Map	2-3
Market Overview	4-5
Statistics by Market	6
Vacancy Rates & Asking Rates	7-8
Leasing & Absorption	9-10
New Construction	11
Office Advisory Board Members	12
Xceligent Team	13

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. 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

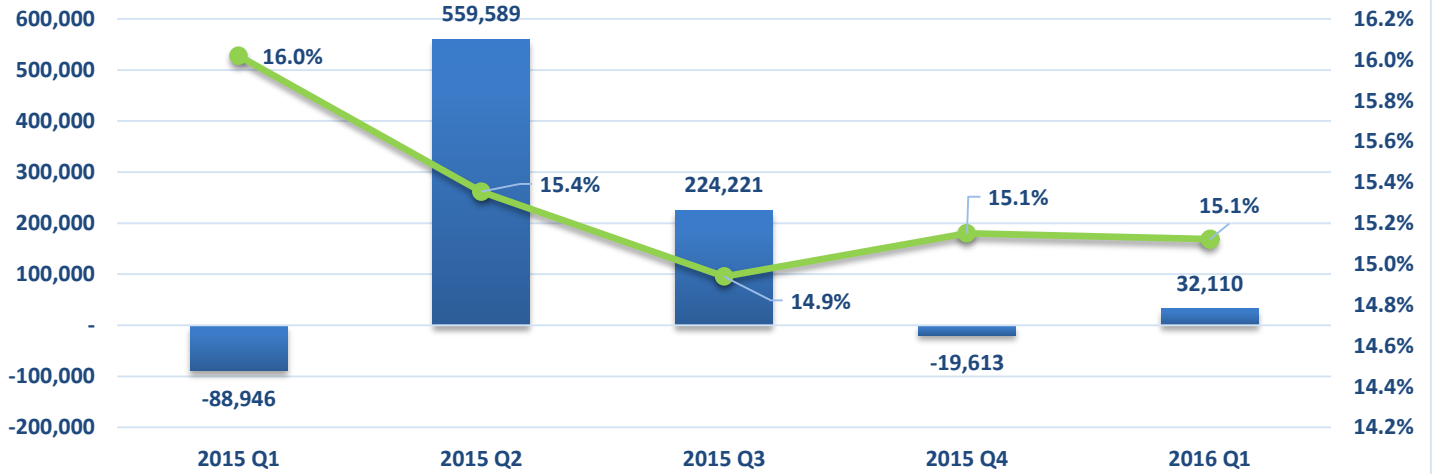
- The Minneapolis-St Paul Office market ended the first quarter of 2016 with positive 32,110 feet of total net absorption.
- The class A properties ended the last two quarters with negative absorption due largely impart to large tenants vacating their leases to occupy properties they have built.
- While the vacancy rate remained steady at 15.1% for the first quarter but has improved by 1% since first quarter last year. The Mpls Northloop CBD market was the lowest with 6.4% total vacancy.
- With over 1 million square feet in new development the Mpls CBD market has two of the largest office buildings under construction. There is over 12 million square feet of new development that is currently proposed.

	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
A	95	30,727,449	6,265,172	4,188,595	13.6%	-64,640	-64,640
B	454	41,736,925	8,289,085	6,762,689	16.2%	89,933	89,933
C	87	4,608,955	777,907	703,465	15.3%	6,817	6,817
Grand Total	636	77,073,329	15,332,164	11,654,749	15.1%	32,110	32,110

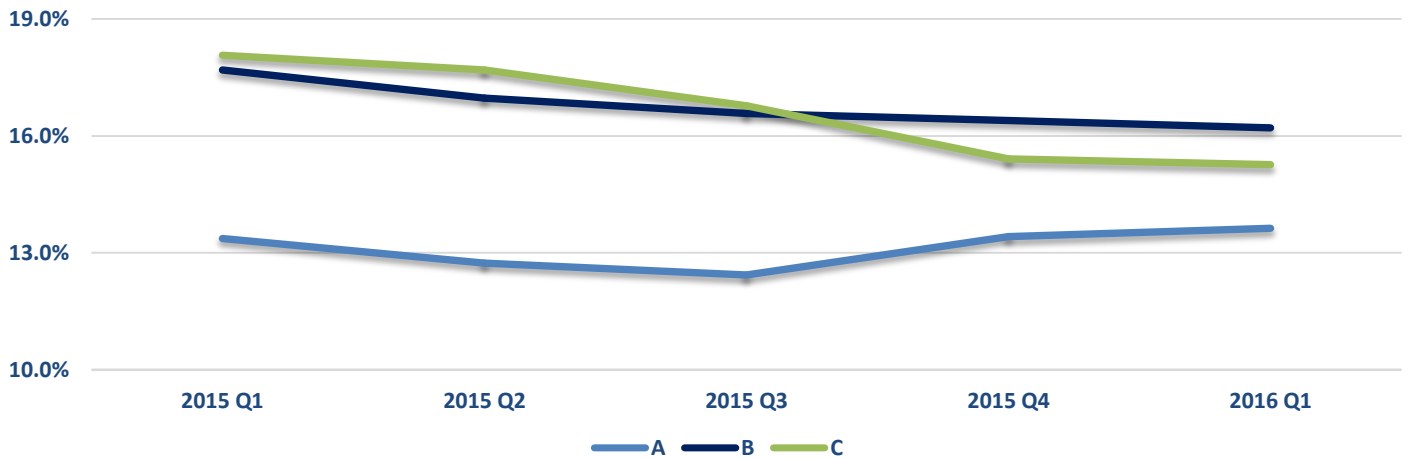
	# of Bldgs	Inventory (SF)	Direct Available (SF)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (SF)	YTD Direct Net Absorption (SF)
A	95	30,727,449	5,598,022	4,047,666	13.2%	-59,412	-59,412
B	454	41,736,925	7,804,802	6,476,325	15.5%	104,395	104,395
C	87	4,608,955	742,762	703,465	15.3%	2,993	2,993
Grand Total	636	77,073,329	14,145,586	11,227,456	14.6%	47,976	47,976

	# of Bldgs	Inventory (SF)	Sublease Available (SF)	Sublease Vacant (SF)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (SF)	YTD Sublease Net Absorption (SF)
A	95	30,727,449	667,150	140,929	0.5%	-5,228	-5,228
B	454	41,736,925	484,283	286,364	0.7%	-14,462	-14,462
C	87	4,608,955	35,145	-	0.0%	3,824	3,824
Grand Total	636	77,073,329	1,186,578	427,293	0.6%	-15,866	-15,866

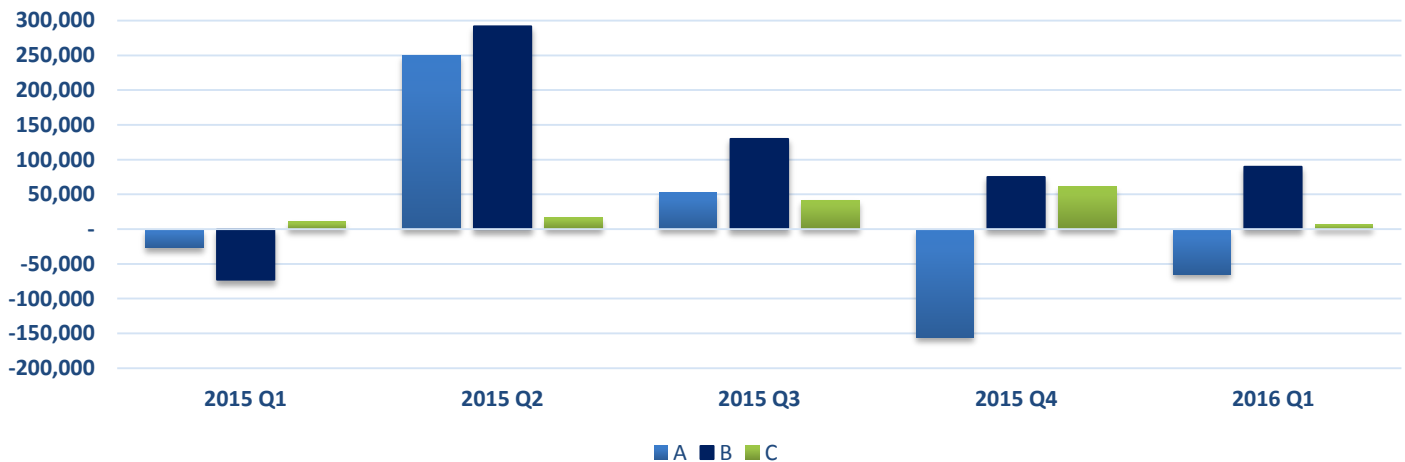
Historical Vacancy Rate & Net Absorption



Historical Vacancy Rates by Class



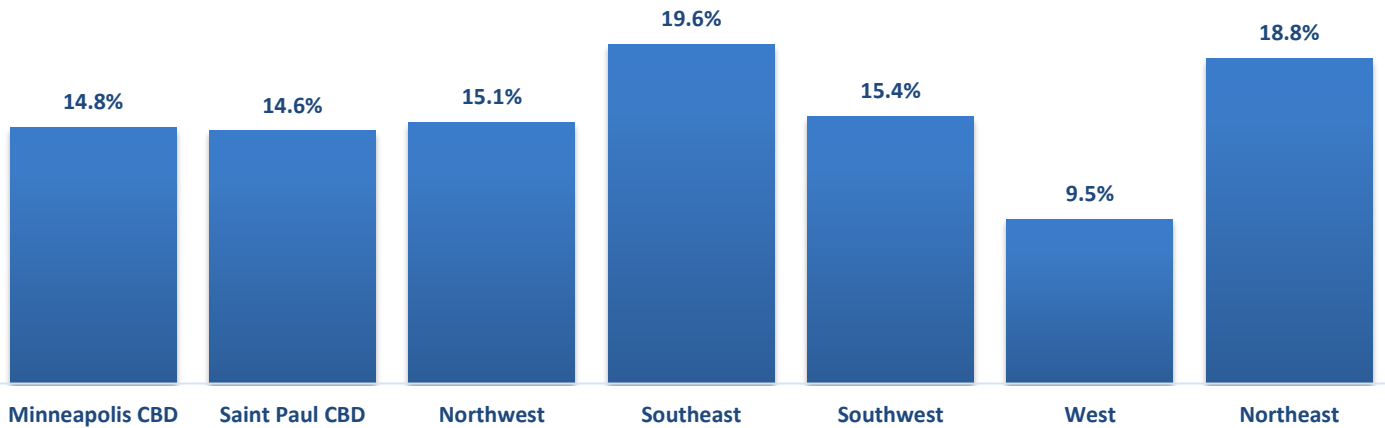
Historical Net Absorption by Class



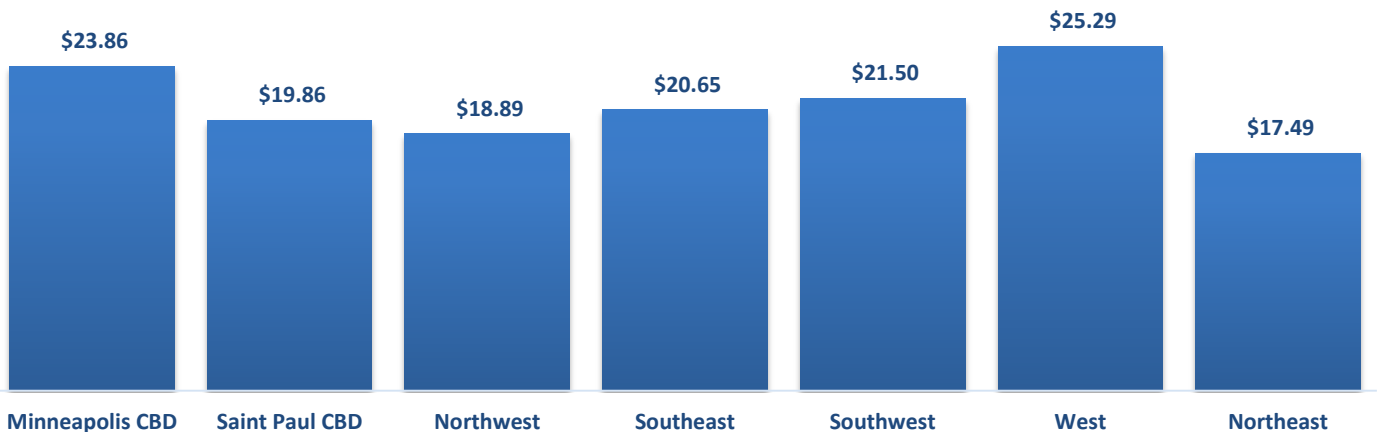
	# of Bldgs	Inventory (SF)	Total Vacant (SF)	Direct Vacant (SF)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (SF)	YTD Total Net Absorption (SF)
Minneapolis CBD	110	27,697,333	4,097,568	3,869,762	14.8%	32,927	32,927
Northloop	14	1,616,224	103,440	103,440	6.4%	-5,122	-5,122
A	3	741,697	32,335	32,335	4.4%	-	-
B	9	756,627	67,905	67,905	9.0%	-1,922	-1,922
C	2	117,900	3,200	3,200	2.7%	-3,200	-3,200
Core	51	21,019,889	3,266,028	3,040,396	15.5%	-67,137	-67,137
A	19	14,053,391	1,872,408	1,779,416	13.3%	-24,491	-24,491
B	22	6,012,955	1,234,188	1,101,548	20.5%	-17,264	-17,264
C	10	953,543	159,432	159,432	16.7%	-25,382	-25,382
Warehouse	15	2,045,824	232,437	230,263	11.4%	32,595	32,595
A	1	434,333	93,390	93,390	21.5%	9,235	9,235
B	12	1,515,224	139,047	136,873	9.2%	23,360	23,360
C	2	96,267	-	0	0.0%	-	-
East	8	636,304	11,624	11,624	1.8%	414	414
A	2	224,507	-	0	0.0%	-	-
B	4	280,000	9,669	9,669	3.5%	414	414
C	2	131,797	1,955	1,955	1.5%	-	-
Loring	4	295,074	63,170	63,170	21.4%	-62	-62
B	4	295,074	63,170	63,170	21.4%	-62	-62
Northeast	18	2,084,018	420,869	420,869	20.2%	72,239	72,239
A	1	200,739	142,919	142,919	71.2%	-4,263	-4,263
B	16	1,735,098	237,768	237,768	13.7%	45,305	45,305
C	1	148,181	40,182	40,182	27.1%	31,197	31,197
Saint Paul CBD	35	7,036,177	1,026,273	1,012,910	14.6%	114,251	114,251
A	6	2,137,033	256,095	244,000	12.0%	46,245	46,245
B	20	4,249,303	722,055	720,787	17.0%	62,974	62,974
C	9	649,841	48,123	48,123	7.4%	5,032	5,032
Northwest	57	3,678,823	555,116	553,730	15.1%	58,775	58,775
A	1	350,631	53,201	53,201	15.2%	-5,762	-5,762
B	46	2,897,095	440,902	439,516	15.2%	64,193	64,193
C	10	431,097	61,013	61,013	14.2%	344	344
Southeast	107	7,076,616	1,387,006	1,278,191	19.6%	7,468	7,468
A	7	1,130,722	252,024	227,023	22.3%	-6,640	-6,640
B	79	5,012,817	947,790	863,976	18.9%	20,280	20,280
C	21	933,077	187,192	187,192	20.1%	-6,172	-6,172
Southwest	147	16,503,269	2,546,522	2,497,987	15.4%	-172,284	-172,284
A	29	6,855,876	826,596	815,755	12.1%	-36,801	-36,801
B	105	9,065,289	1,653,559	1,615,865	18.2%	-131,204	-131,204
C	13	582,104	66,367	66,367	11.4%	-4,279	-4,279
West	73	8,492,912	806,934	799,427	9.5%	-35,075	-35,075
A	20	3,709,231	344,004	344,004	9.3%	-48,135	-48,135
B	48	4,621,552	447,259	439,752	9.7%	9,291	9,291
C	5	162,129	15,671	15,671	9.7%	3,769	3,769
Northeast	107	6,588,199	1,235,330	1,215,449	18.8%	26,048	26,048
A	6	889,289	315,623	315,623	35.5%	5,972	5,972
B	89	5,295,891	799,377	779,496	15.1%	14,568	14,568
C	12	403,019	120,330	120,330	29.9%	5,508	5,508
Grand Total	636	77,073,329	11,654,749	11,227,456	15.1%	32,110	32,110

	Vacancy Rate %					Weighted Asking Rate (FSG)				
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1
Minneapolis CBD	15.0%	13.9%	13.8%	14.9%	14.8%	\$22.53	\$22.78	\$23.44	\$23.54	\$23.86
Northloop	6.5%	6.4%	6.1%	6.1%	6.4%	\$20.27	\$19.74	\$21.43	\$21.09	\$21.68
A	4.7%	5.1%	4.8%	4.4%	4.4%	\$22.35	\$22.85	\$23.35	\$23.35	\$24.51
B	8.5%	7.8%	8.4%	8.7%	9.0%	\$18.57	\$17.89	\$17.95	\$19.56	\$20.00
C	5.2%	5.2%	-	-	2.7%	\$16.00	\$16.00	-	-	\$20.37
Core	16.2%	15.1%	15.0%	15.2%	15.5%	\$23.41	\$24.44	\$24.19	\$24.22	\$24.68
A	14.6%	13.1%	12.9%	13.1%	13.3%	\$25.92	\$25.22	\$25.56	\$25.41	\$25.96
B	19.6%	19.9%	20.3%	20.2%	20.5%	\$20.25	\$21.13	\$21.51	\$20.92	\$20.53
C	16.3%	14.4%	13.9%	14.1%	16.7%	\$21.86	\$22.74	\$21.86	\$22.15	\$22.86
Warehouse	14.7%	12.2%	12.2%	13.0%	11.4%	\$21.05	\$21.97	\$23.52	\$23.72	\$23.41
A	23.6%	23.6%	23.6%	23.6%	21.5%	-	-	\$25.67	\$25.67	\$26.43
B	13.1%	9.8%	9.7%	10.7%	9.2%	\$21.73	\$21.97	\$21.79	\$22.62	\$22.59
C	-	-	-	-	-	\$12.00	-	-	\$22.91	\$26.50
East	2.1%	2.1%	2.1%	1.9%	1.8%	\$21.63	\$21.78	\$22.03	\$24.36	\$20.91
A	-	-	-	-	-	\$22.30	\$22.30	\$22.30	\$25.87	\$19.91
B	4.0%	4.0%	4.0%	3.6%	3.5%	\$20.90	\$20.90	\$20.90	\$20.99	\$21.12
C	1.5%	1.5%	1.5%	1.5%	1.5%	\$17.17	\$17.91	\$23.96	\$20.29	\$20.29
Loring	23.6%	20.6%	20.5%	21.4%	21.4%	\$14.05	\$13.95	\$21.50	\$22.34	\$21.86
A	-	-	-	-	-	-	-	-	-	-
B	23.6%	20.6%	20.5%	21.4%	21.4%	\$14.05	\$13.95	\$21.50	\$22.34	\$21.86
C	-	-	-	-	-	-	-	-	-	-
Northeast	13.6%	12.6%	11.8%	23.9%	20.2%	\$20.06	\$18.92	\$20.05	\$20.64	\$20.21
A	-	-	-	69.1%	71.2%	\$21.99	\$21.01	\$21.01	\$21.01	\$21.01
B	9.7%	8.4%	8.9%	16.6%	13.7%	\$19.38	\$19.39	\$19.22	\$19.00	\$19.18
C	78.4%	78.4%	62.3%	48.2%	27.1%	\$19.00	\$14.93	\$20.50	\$26.75	\$26.25
Saint Paul CBD	18.6%	17.5%	16.6%	16.2%	14.6%	\$19.35	\$19.42	\$20.00	\$19.32	\$19.86
A	16.9%	14.8%	13.9%	14.1%	12.0%	\$21.81	\$21.75	\$22.25	\$19.43	\$20.38
B	21.0%	20.3%	19.3%	18.5%	17.0%	\$18.45	\$18.61	\$19.06	\$19.88	\$20.40
C	8.6%	8.0%	7.9%	8.2%	7.4%	\$13.57	\$13.88	\$14.82	\$11.20	\$12.58
Northwest	20.3%	17.3%	17.4%	16.3%	15.1%	\$18.60	\$18.95	\$19.58	\$19.19	\$18.89
A	8.5%	7.4%	13.5%	13.5%	15.2%	\$23.32	\$22.82	\$22.82	\$22.82	\$22.92
B	23.1%	19.1%	18.3%	16.9%	15.2%	\$18.00	\$18.81	\$18.96	\$18.34	\$17.96
C	11.0%	13.0%	14.6%	14.2%	14.2%	\$15.49	\$16.23	\$17.25	\$17.32	\$15.28
Southeast	20.7%	19.4%	19.5%	19.7%	19.6%	\$18.02	\$18.10	\$17.92	\$20.01	\$20.65
A	8.5%	7.4%	7.1%	21.7%	22.3%	\$21.53	\$21.98	\$21.77	\$29.86	\$29.68
B	22.7%	21.2%	21.3%	19.3%	18.9%	\$18.04	\$18.27	\$18.04	\$17.93	\$18.22
C	22.6%	22.3%	22.3%	19.4%	20.1%	\$16.22	\$16.22	\$16.27	\$16.39	\$18.34
Southwest	15.1%	14.9%	14.4%	14.4%	15.4%	\$20.27	\$20.64	\$21.18	\$21.30	\$21.50
A	11.5%	12.2%	11.2%	11.5%	12.1%	\$23.71	\$24.05	\$25.05	\$25.40	\$26.21
B	17.7%	17.1%	16.9%	16.8%	18.2%	\$19.02	\$19.34	\$19.41	\$19.39	\$19.56
C	16.3%	12.7%	12.3%	10.7%	11.4%	\$16.45	\$18.45	\$19.58	\$19.52	\$19.23
West	9.0%	10.4%	9.9%	9.1%	9.5%	\$23.03	\$23.64	\$24.26	\$24.85	\$25.29
A	8.8%	9.6%	9.5%	8.0%	9.3%	\$27.53	\$27.63	\$28.12	\$27.82	\$28.73
B	8.9%	10.8%	10.2%	9.9%	9.7%	\$21.31	\$21.62	\$21.86	\$22.34	\$22.14
C	19.5%	19.5%	11.3%	12.0%	9.7%	\$15.77	\$16.17	\$18.13	\$18.37	\$18.53
Northeast	21.3%	21.0%	19.5%	19.1%	18.8%	\$18.10	\$17.67	\$17.53	\$17.32	\$17.49
A	36.2%	35.3%	35.5%	36.2%	35.5%	\$22.02	\$21.93	\$21.18	\$21.07	\$21.40
B	18.3%	17.6%	15.8%	15.4%	15.1%	\$17.88	\$17.34	\$17.34	\$17.20	\$17.32
C	28.0%	33.0%	32.7%	31.2%	29.9%	\$15.83	\$16.83	\$15.54	\$12.98	\$13.53
Grand Total	16.0%	15.4%	14.9%	15.1%	15.1%	\$20.63	\$20.70	\$21.33	\$21.49	\$21.82

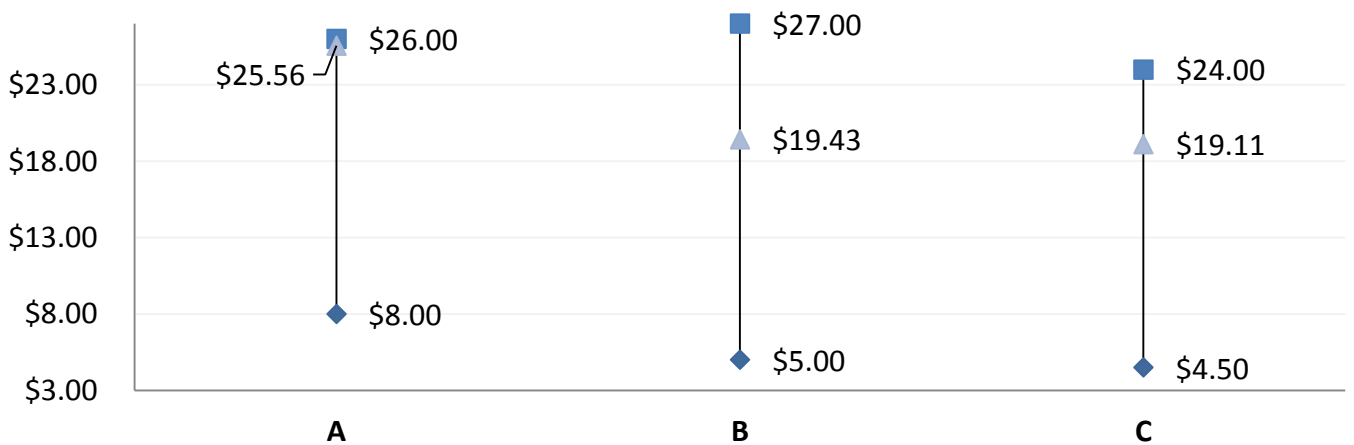
Vacancy Rate by Market

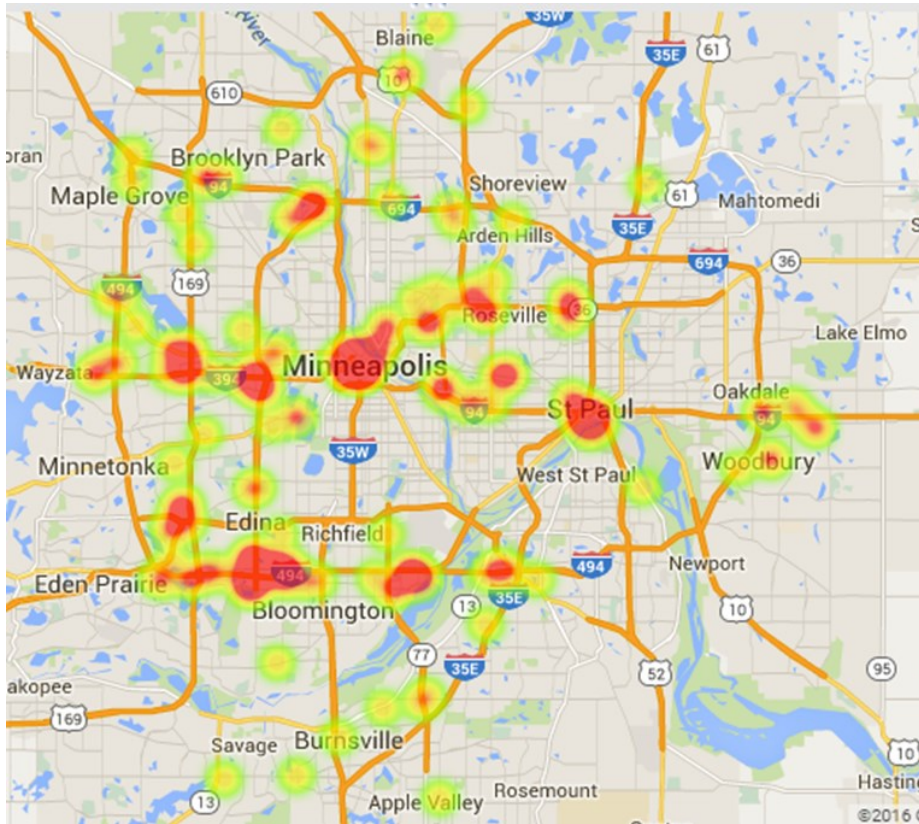


Average Weighted Asking Rates by Market (FSG)



Asking Lease Rate Range by Class (FSG)

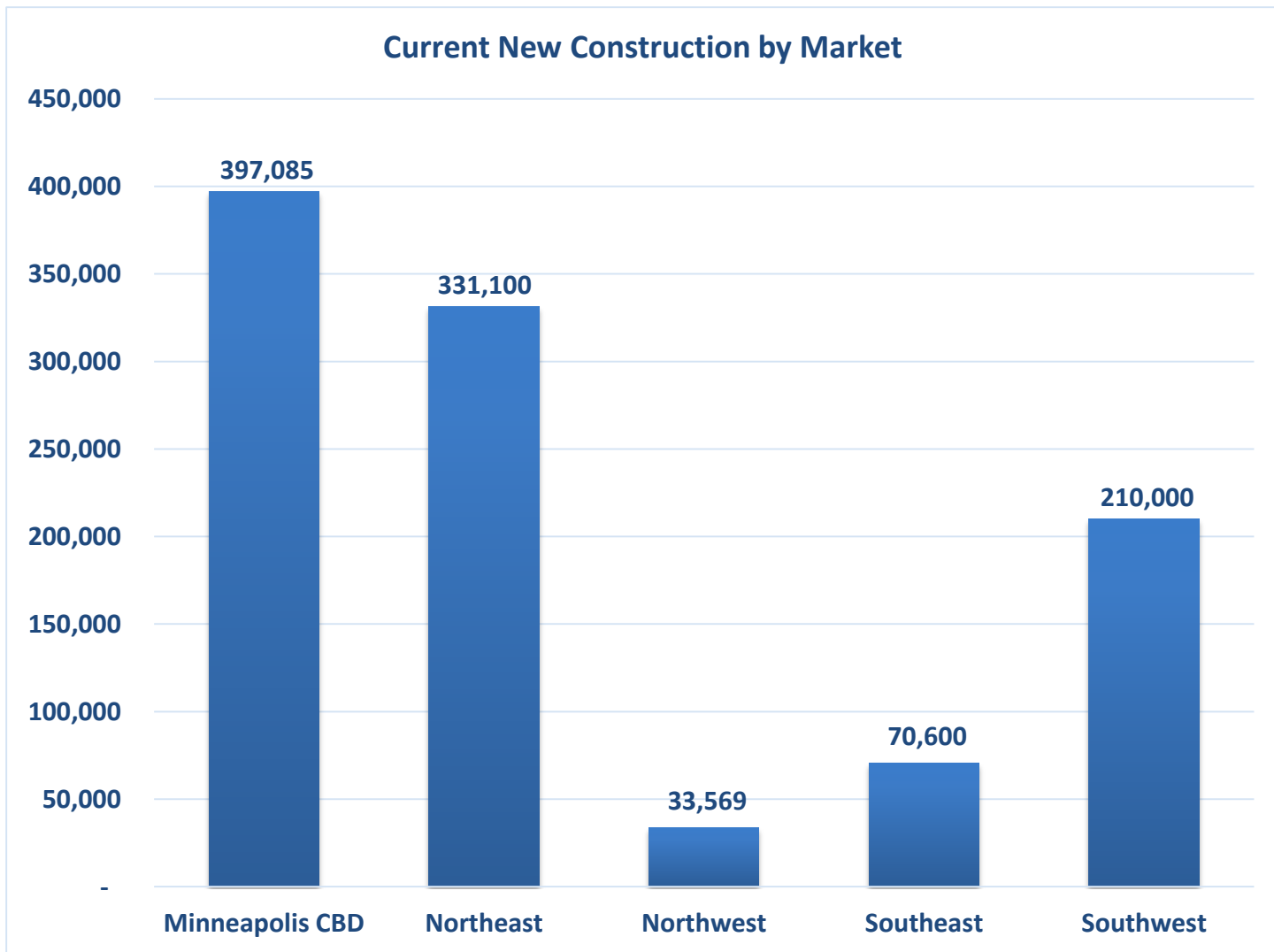




Largest Absorption Changes

Property Name	SF Occupied or Vacated	Tenant Name	Market	Building Class
River Park Plaza	88,085	Gillette Children's Hospital; Minnesota School Employees Assoc.; Child Care Aware and Comcast	Saint Paul CBD	B
Lawson Commons - Office	64,147	Travelers leased and Midwest Reliability Organization	Saint Paul CBD	A
100 Washington Square	52,084	Jamf Software	Minneapolis CBD	B
Broadway Place East	43,642	Blue Cross Blue Shield and United Steel Workers	Minneapolis CBD	B
401 1st Ave	36,290	Coyote Logistics and Broadhead	Minneapolis CBD	B
The 15 Building	-16,274	AEC Engineering	Minneapolis CBD	C
7500 Flying Cloud Dr	-20,843	Ross Nesbit Insurance and AFP- MN Insurance	Southwest	A
IDS Center	-22,253	Wagner Falconer & Judd LTD; Semper Development/ HB Development and Duke Financial	Minneapolis CBD	A
Park Square Court Building	-24,000	South Metro Human Services	Saint Paul CBD	B
One Southwest Crossing	-30,232	Cigna	Southwest	A
1550 Tower at West End	-46,908	MoneyGram	West	A
121 S 8th St	-75,085	TCF	Minneapolis CBD	B
Edina Corporate Center	-110,881	Bar Engineering Company	Southwest	B

Top Transactions						
Property Name	Sale Price	SF Sold	Buyer	Seller	Market	Building Class
Lawson Commons	\$68,430,000	436,342	Frauenschuh	Tier REIT	St Paul CBD	A
Southdale Office Centre	\$55,000,000	446,818	Southdale Office Partners LLC c/o Wildamere Properties	Southdale Office LLC and KADO Southdale Investment LLC c/o CE Capital	Southwest	B
Valley Creek Office Park	\$22,700,000	128,628	SNH Medical Office Properties Trust c/o Senior Housing Properties Trust	DRFC Valley Creek LLC c/o Frauenschuh	Northwest	B
300 Lake Dr	\$18,600,000	52,980	Physicians Realty Trust	DRF Chanhassen Medical Building LLC c/o Frauenschuh	Southwest	B
2700 Lone Oak Pkwy	\$12,836,239	610,254	MV Eagan Ventures LLC, Sheldon Road Associates LLC, M Land LLC and Eagan V Land LLC c/o Minnesota Vikings	OP4 Eagan LLC c/o The Excelsior Group	Southeast	B
1 Imation Pl	\$11,500,000	543,234	Slumberland	Imation Corp	Northeast	A
Internet Exchange Building	\$10,000,000	73,800	Swervo Development and CPM Cos	S&S Development Corp	Mpls CBD	C



Minneapolis - St Paul	
CBRE	Jerry Driessen
	Brent Karkula
	Brian Wasserman
Colliers International	Matt Delisle
	Kevin O'Neill
	Eric Rapp
	Nils Snyder
Core Commercial	Sean Coatney
Cushman & Wakefield	Kai Thomsen
Cushman & Wakefield/NorthMarq	Eric King
	Jim Montez
	Tom Stella
	Mark Stevens
Essence	Jeff Nordness
Frauenschuh	Jason Butterfield
Hines	Bob Pfefferle
JLL	Ann Rinde
KW Commercial Midwest	Andrew Manthei
NTH	Lynette Dumalag
Transwestern	Reed Christianson
	Mike Honsa

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