



XCELIGENT[™]
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INDUSTRIAL MARKET REPORT

Minneapolis-St. Paul

2nd Quarter 2016

Produced in partnership with

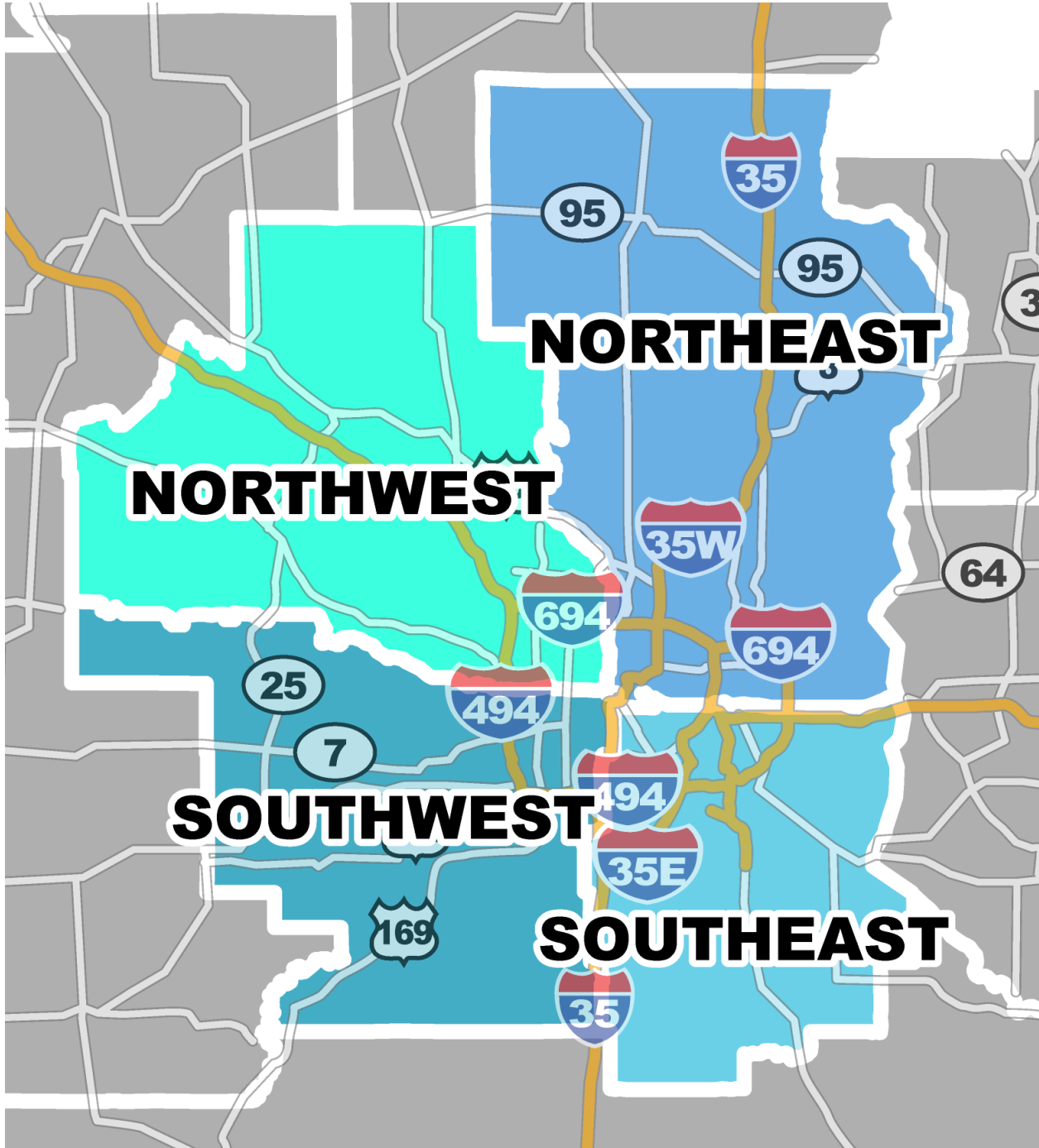
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E X C H A N G E

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.

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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 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

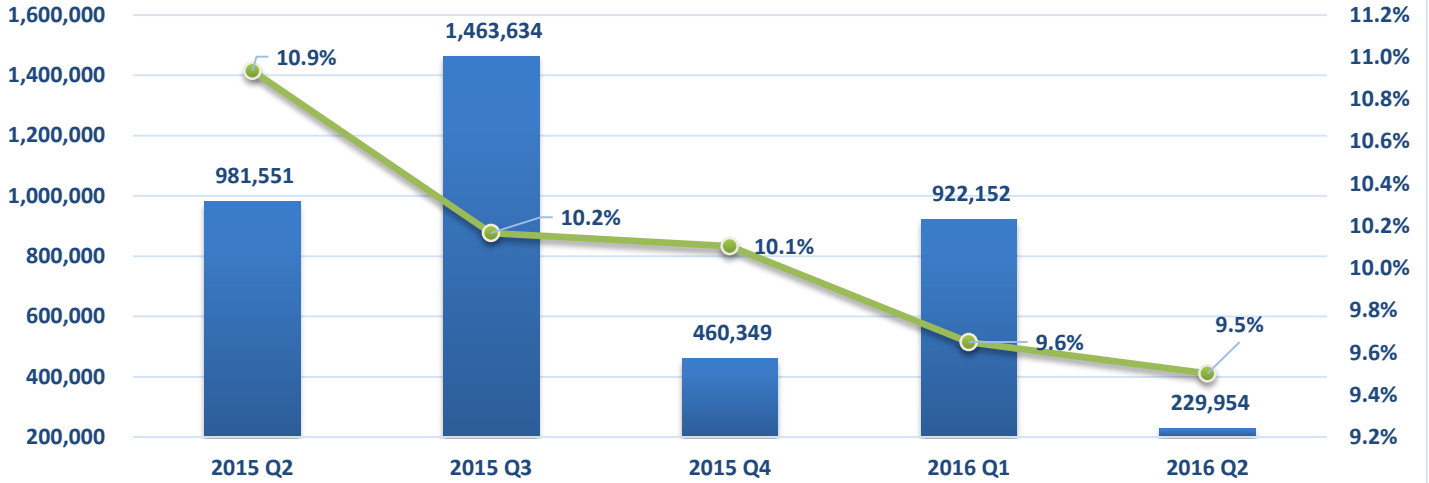
- The Minneapolis - St Paul Industrial market saw a marginal gain compared to previous quarters with 230,000 square feet of positive absorption.
- The vacancy rate has continued to decrease over the last six quarters and is now 9.5% overall. The Southwest market has the lowest vacancy rate of 7.9% while the Northwest market has the highest vacancy rate of 13.2%.
- The Southwest market saw the largest positive gain with 248,000 square feet absorbed and the Northwest market lost 161,000 square feet in absorption.
- The largest increase was the purchase of 119,000 square foot Crosstown North facility by Stein Industries while the largest loss resulted from Room and Board Distribution Center vacating 259,000 square feet from Diamond Lake 2.
- Absorption may have slowed but sales continue to be strong with FedEx Ground building selling for over \$44,000,000 and Berkshire Corporate Center selling for \$23,000,000 for the top two sales this quarter.

	# 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	28,514,253	5,141,362	3,546,774	12.4%	57,203	-30,708
Warehouse - Distribution	81	13,037,973	1,760,395	1,522,497	11.7%	54,564	276,232
Light Industrial	651	44,717,330	4,394,971	2,695,393	6.0%	313,565	442,016
Bulk Warehouse	155	25,650,625	3,467,740	2,869,273	11.2%	-195,378	469,566
Grand Total	1,321	111,920,181	14,764,468	10,633,937	9.5%	229,954	1,157,106

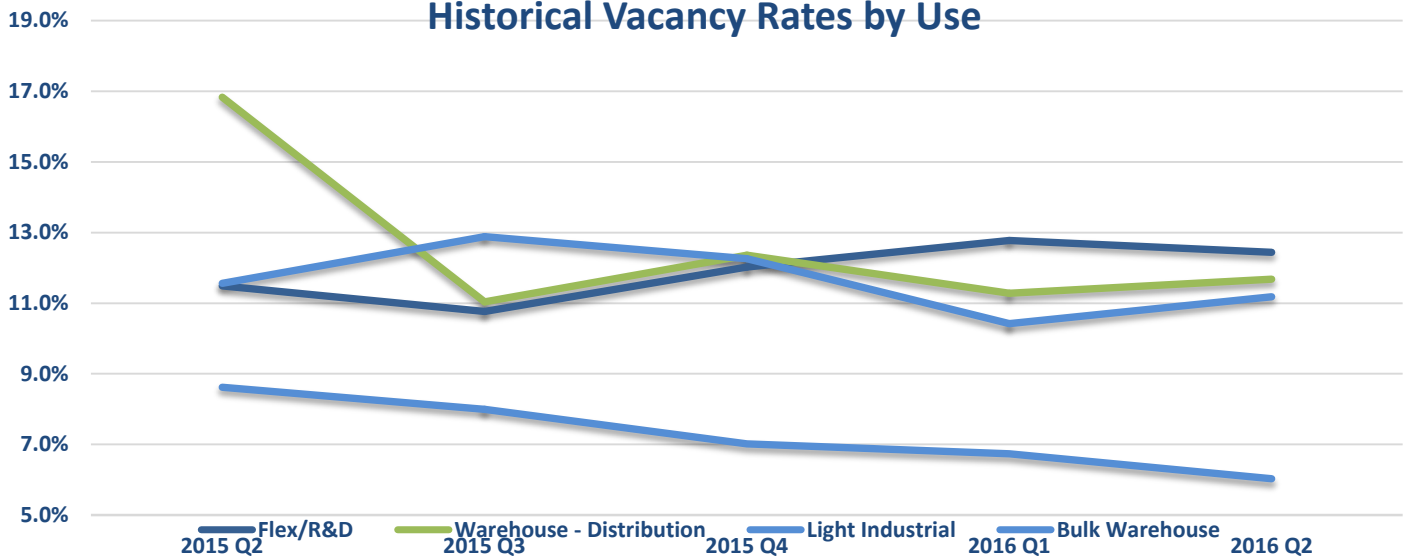
	# of Bldgs	Inventory (SF)	Sum of Direct Available SF	Direct Vacant (SF)	Direct Vacancy Rate (%)	Direct Quarterly Net Absorption (SF)	YTD Direct Net Absorption (SF)
Flex/R&D	434	28,514,253	4,767,421	3,404,445	11.9%	131,340	41,163
Warehouse -	81	13,037,973	1,740,945	1,503,047	11.5%	54,564	276,232
Light Industrial	651	44,717,330	4,207,463	2,653,037	5.9%	299,248	332,974
Bulk Warehouse	155	25,650,625	3,008,874	2,615,671	10.2%	-145,500	530,244
Grand Total	1,321	111,920,181	13,724,703	10,176,200	9.1%	339,652	1,180,613

	# 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	28,514,253	373,941	142,329	0.5%	-74,137	-71,871
Warehouse - Distribution	81	13,037,973	19,450	19,450	0.1%	-	-
Light Industrial	651	44,717,330	187,508	47,356	0.1%	14,317	109,042
Bulk Warehouse	155	25,650,625	458,866	253,602	1.0%	-49,878	-60,678
Grand Total	1,321	111,920,181	1,039,765	462,737	0.4%	-109,698	-23,507

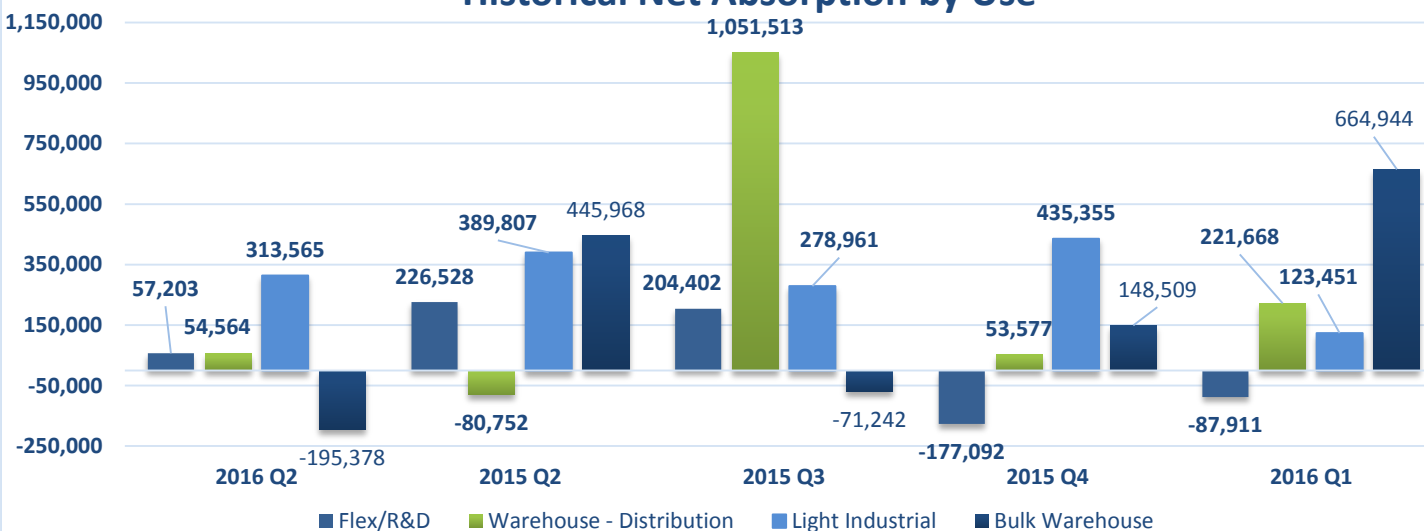
Historical Vacancy Rate & Net Absorption



Historical Vacancy Rates by Use



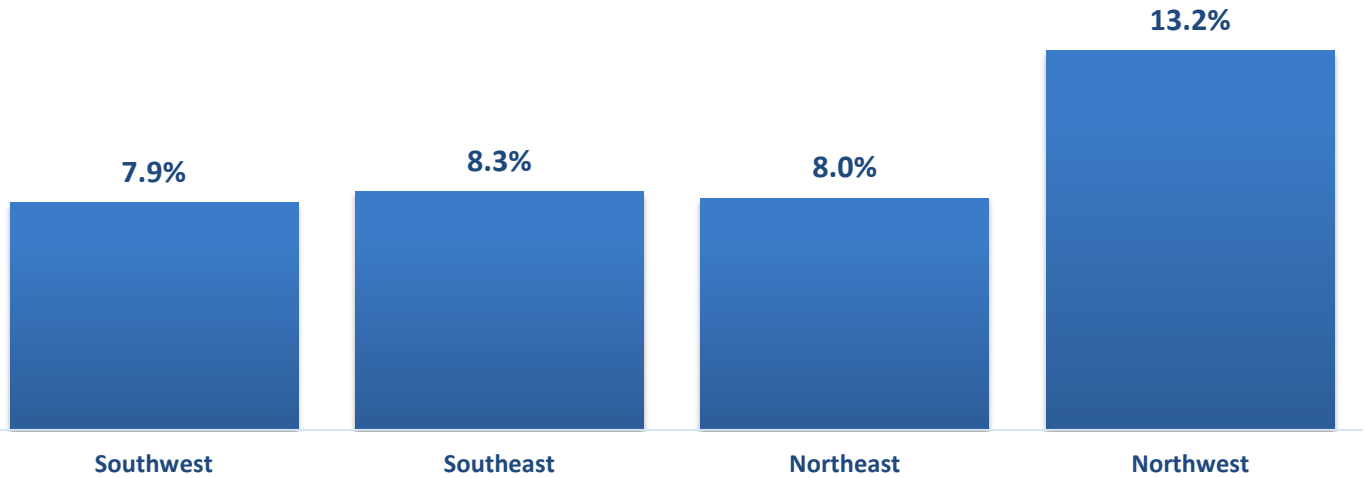
Historical Net Absorption by Use



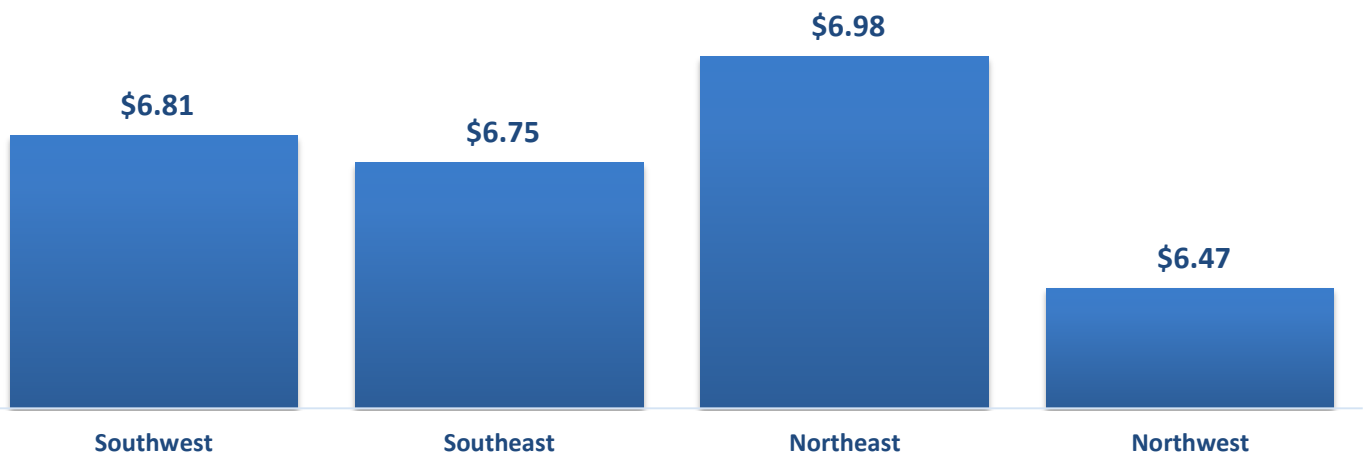
	# of Bldgs	Inventory (SF)	Total Vacant (SF)	Direct Vacant (SF)	Vacancy Rate (%)	Total Quarterly Absorption	YTD Total Net Absorption (SF)
Northeast	400	35,400,143	2,847,235	2,776,755	8.0%	-2,671	455,153
Flex/R&D	99	7,230,080	932,617	892,387	12.9%	26,376	39,017
Warehouse -	24	3,658,213	361,347	341,897	9.9%	13,625	21,422
Light Industrial	236	18,310,035	1,245,407	1,245,407	6.8%	-106,083	-1,286
Bulk Warehouse	41	6,201,815	307,864	297,064	5.0%	63,411	396,000
Northwest	366	31,802,345	4,189,519	3,940,586	13.2%	-161,328	196,727
Flex/R&D	108	7,048,088	894,051	874,839	12.7%	-8,312	-58,038
Warehouse -	31	3,726,119	1,060,617	1,060,617	28.5%	55,199	69,792
Light Industrial	159	10,138,360	416,151	379,354	4.1%	95,966	156,799
Bulk Warehouse	68	10,889,778	1,818,700	1,625,776	16.7%	-304,181	28,174
Southeast	222	18,188,186	1,503,237	1,433,627	8.3%	144,971	97,873
Flex/R&D	87	5,057,309	808,095	783,363	16.0%	15,845	-9,300
Warehouse -	15	2,703,954	38,092	38,092	1.4%	-14,260	-14,260
Light Industrial	96	5,891,862	343,661	348,661	5.8%	133,197	111,244
Bulk Warehouse	24	4,535,061	313,389	263,511	6.9%	10,189	10,189
Southwest	333	26,529,507	2,093,946	2,025,232	7.9%	248,982	407,353
Flex/R&D	140	9,178,776	912,011	853,856	9.9%	23,294	-2,387
Warehouse -	11	2,949,687	62,441	62,441	2.1%	-	199,278
Light Industrial	160	10,377,073	690,174	679,615	6.7%	190,485	175,259
Bulk Warehouse	22	4,023,971	429,320	429,320	10.7%	35,203	35,203
Grand Total	1,321	111,920,181	10,633,937	10,176,200	9.5%	229,954	1,157,106

	Vacancy Rate %					Average Weighted Direct Asking Rate				
	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2
Northeast	8.7%	8.7%	9.1%	8.0%	8.0%	\$6.81	\$6.70	\$7.01	\$7.00	\$6.98
Flex/R&D	11.8%	10.7%	13.4%	13.3%	12.9%	\$7.77	\$7.72	\$8.25	\$8.25	\$7.90
Warehouse - Distribution	5.6%	5.6%	8.0%	10.3%	9.9%	\$6.07	\$6.07	\$6.49	\$6.48	\$6.47
Light Industrial	7.9%	7.8%	6.8%	6.2%	6.8%	\$6.64	\$6.53	\$6.48	\$6.58	\$6.55
Bulk Warehouse	9.3%	11.1%	11.3%	6.0%	5.0%	\$6.46	\$6.28	\$6.33	\$6.19	\$6.89
Northwest	11.3%	12.6%	12.6%	12.5%	13.2%	\$6.09	\$6.03	\$6.29	\$6.27	\$6.47
Flex/R&D	10.2%	10.2%	10.6%	13.2%	12.7%	\$7.10	\$7.27	\$7.60	\$7.73	\$7.76
Warehouse - Distribution	22.1%	26.7%	28.0%	27.6%	28.5%	\$5.99	\$5.86	\$6.08	\$5.96	\$6.28
Light Industrial	7.4%	6.8%	5.7%	5.1%	4.1%	\$6.11	\$6.09	\$6.20	\$6.33	\$6.34
Bulk Warehouse	12.8%	15.1%	15.2%	13.9%	16.7%	\$5.31	\$5.27	\$5.78	\$5.58	\$5.85
Southeast	10.2%	8.9%	8.8%	9.1%	8.3%	\$6.64	\$6.70	\$6.89	\$7.06	\$6.75
Flex/R&D	14.5%	13.6%	15.7%	16.2%	16.0%	\$7.05	\$7.31	\$7.13	\$7.56	\$7.38
Warehouse - Distribution	0.9%	0.9%	0.9%	0.9%	1.4%	\$7.64	\$7.78	\$7.78	\$8.13	\$7.36
Light Industrial	11.9%	9.1%	7.7%	8.2%	5.8%	\$6.57	\$6.59	\$6.81	\$6.68	\$6.49
Bulk Warehouse	8.9%	8.5%	7.1%	7.1%	6.9%	\$5.38	\$5.33	\$6.02	\$6.18	\$4.95
Southwest	13.9%	10.1%	9.4%	8.8%	7.9%	\$6.45	\$6.38	\$6.55	\$6.82	\$6.81
Flex/R&D	10.6%	9.8%	9.9%	10.2%	9.9%	\$7.41	\$7.52	\$7.84	\$7.66	\$7.85
Warehouse - Distribution	40.0%	9.0%	9.0%	2.1%	2.1%	\$4.10	\$3.50	\$3.87	\$6.12	\$6.12
Light Industrial	9.2%	8.9%	8.3%	8.5%	6.7%	\$6.80	\$6.65	\$6.78	\$6.71	\$6.71
Bulk Warehouse	14.7%	14.7%	11.5%	11.5%	10.7%	\$5.46	\$5.34	\$5.56	\$5.83	\$5.34
Grand Total	10.9%	10.2%	10.1%	9.6%	9.5%	\$6.45	\$6.39	\$6.62	\$6.70	\$6.71

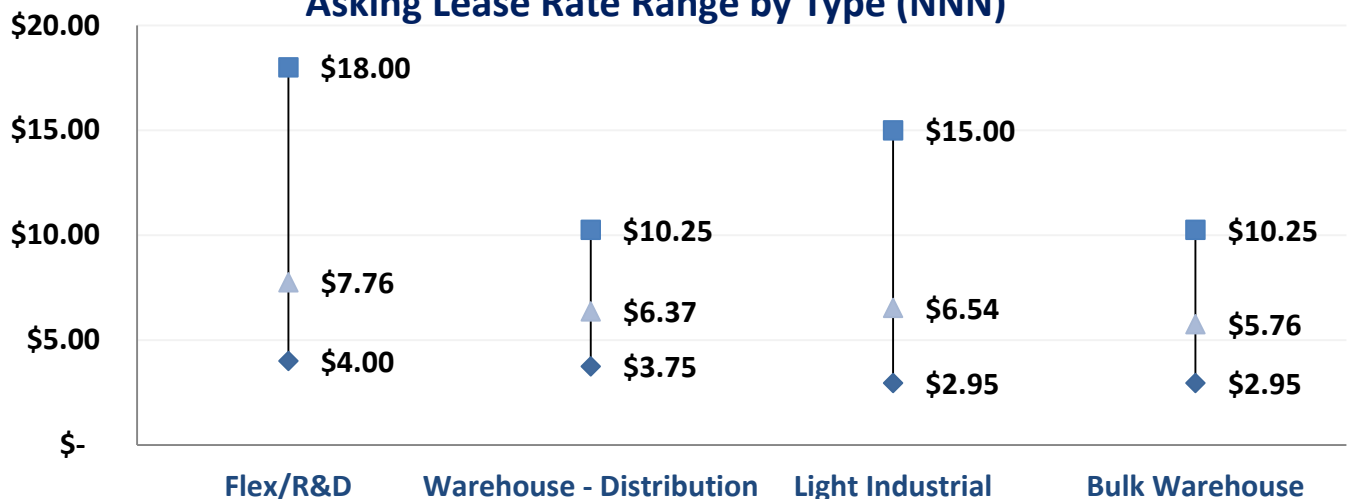
Vacancy Rate by Submarket

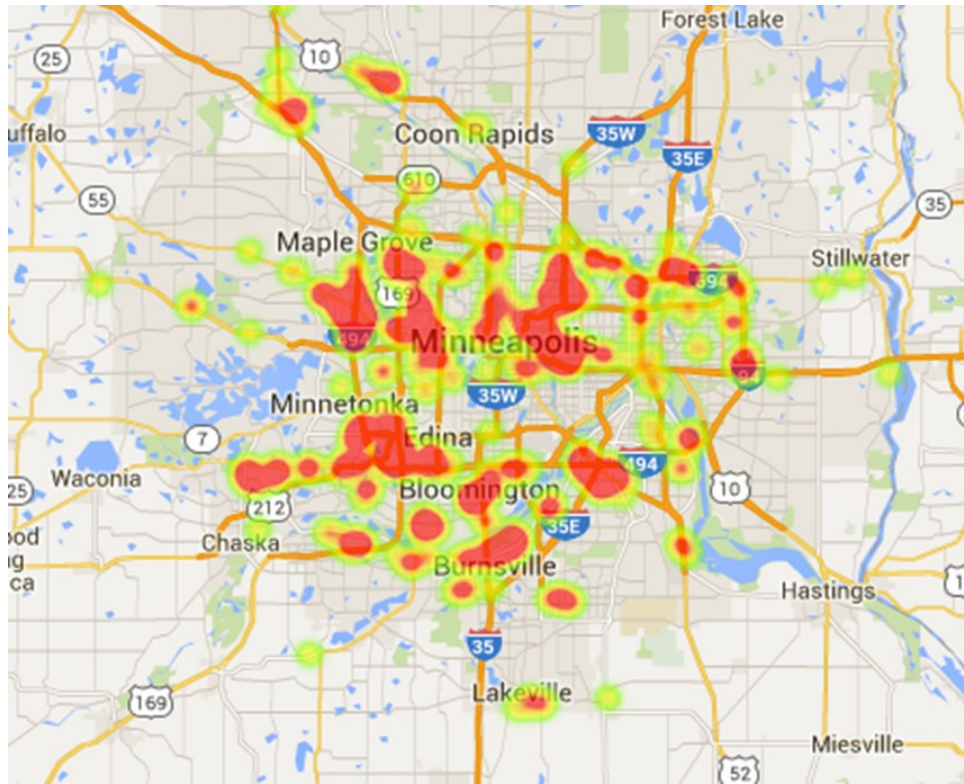


Average Weighted Asking Rates by Submarket



Asking Lease Rate Range by Type (NNN)

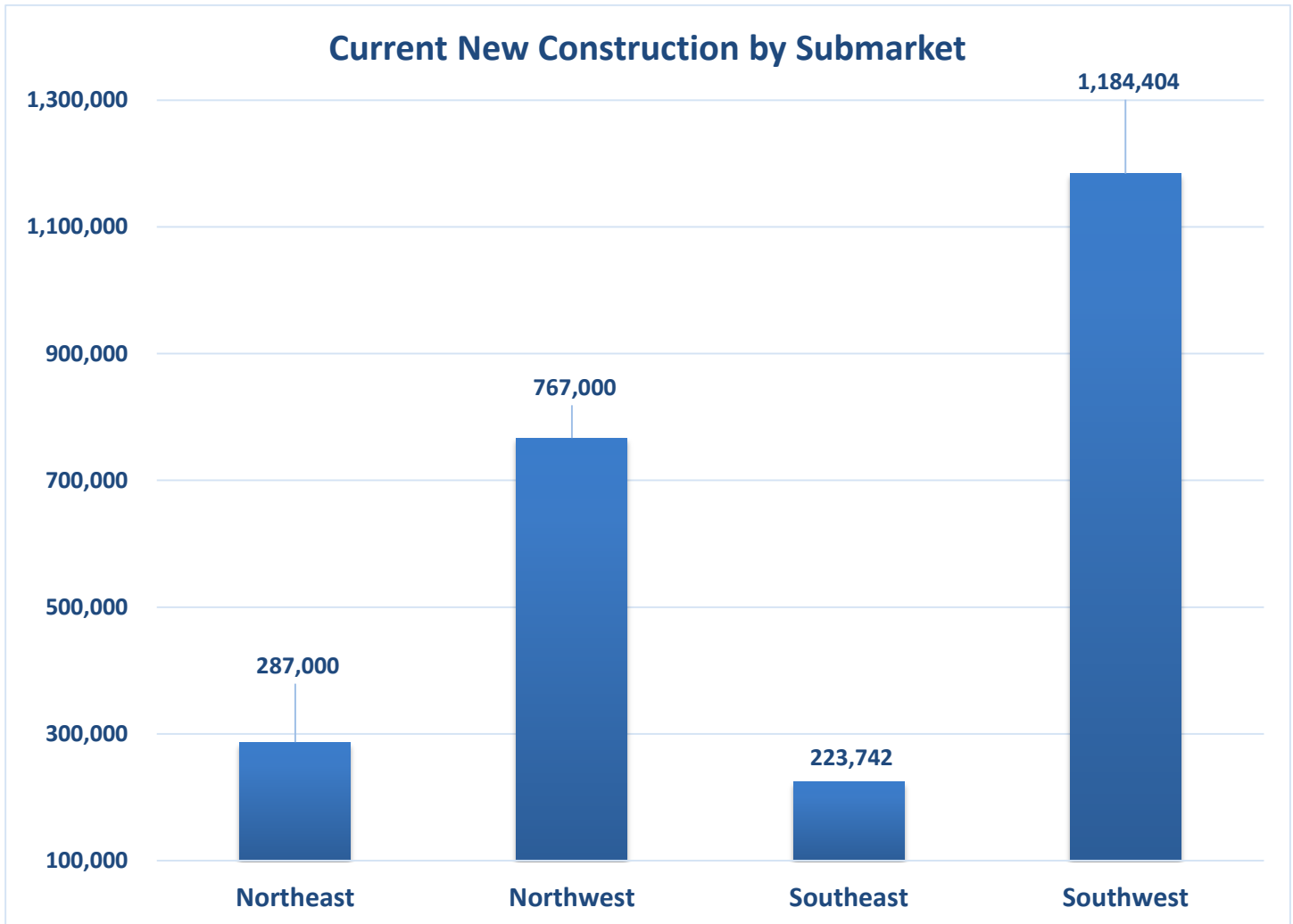




Largest Absorption Changes

Property Name	SF Occupied or Vacated	Tenant Name	Market	Specific Use
Crosstown North	119,560	Property purchased by Stein Industries	Northwest	Warehouse - Distribution
610 Commerce Center	96,538	Blackhawk leased 61,758 SF; Point B leased 34,780 SF	Northwest	Light Industrial
Pioneer Press Production Facility	69,759	Owner will occupy 69,759 SF	Southeast	Light Industrial
Highcrest Distribution Center	63,411	Cafe Imports leased 63,411 SF	Northeast	Bulk Warehouse
Blaine Preserve Business Park Bldg 2	49,383	Arrowhead Products leased 49,383 SF	Northeast	Warehouse - Distribution
Interstate West	-50,854	Nevers Industries, Inc vacated 50,854 SF	Northwest	Warehouse - Distribution
New Brighton Corporate Center	-51,646	Dynamex Operations East vacated 51,646 SF	Northeast	Light Industrial
McKee Warehouse	-79,324	Gopher Resources vacated 79,324 SF	Southeast	Light Industrial
8800 Valley Forge Ln	-84,000	Red Line Healthcare and McKesson Medical-Surgical vacated combined space of 84,000 SF	Northwest	Bulk Warehouse
Diamond Lake 2	-259,000	Room & Board Distribution Center vacated 259,000 SF	Northwest	Bulk Warehouse

Top Transactions						
Property Name	Sale Price	SF Sold	Buyer	Seller	Market	Specific Use
FedEx Ground	\$44,620,704	313,553	MDC Coastal 4 LLC c/o Realty Income	Scannell Properties #172 LLC	Northwest	Bulk Warehouse
Berkshire Corporate Center	\$23,200,000	245,091	Berkshire Promenade LLC and Berkshire Equities LLC c/o Felton Properties Inc	OA-AREP III Berkshire Associates LLC c/o The Excelsior Group	Northwest	Flex/R&D
Sportech	\$7,777,000	105,000	Meritex Elk River LLC	Envision 3 LLC c/o Sportech	Northwest	Warehouse - Distribution
Crosstown North	\$7,380,000	119,560	Stein Industries	AX TC Industrial LP	Northwest	Warehouse - Distribution
Beacon Bluff Business Center	\$7,000,000	57,760	St Paul Authority	Neptune Industrial USA	Northeast	Manufacturing
The Waters Phase I	\$5,885,000	91,595	Lone Oak LLC	Waters Ventures LLC	Southeast	Flex/R&D
River Road Distribution Center	\$5,759,500	100,456	GDL LLC c/o Commercial Partners Exchange LLC	SFERS Real Estate Corp TT	Northeast	Bulk Warehouse



Minneapolis - St Paul

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