



XCELIGENT[™]
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OFFICE MARKET REPORT

Minneapolis-St. Paul

2nd Quarter 2016

Produced in partnership with

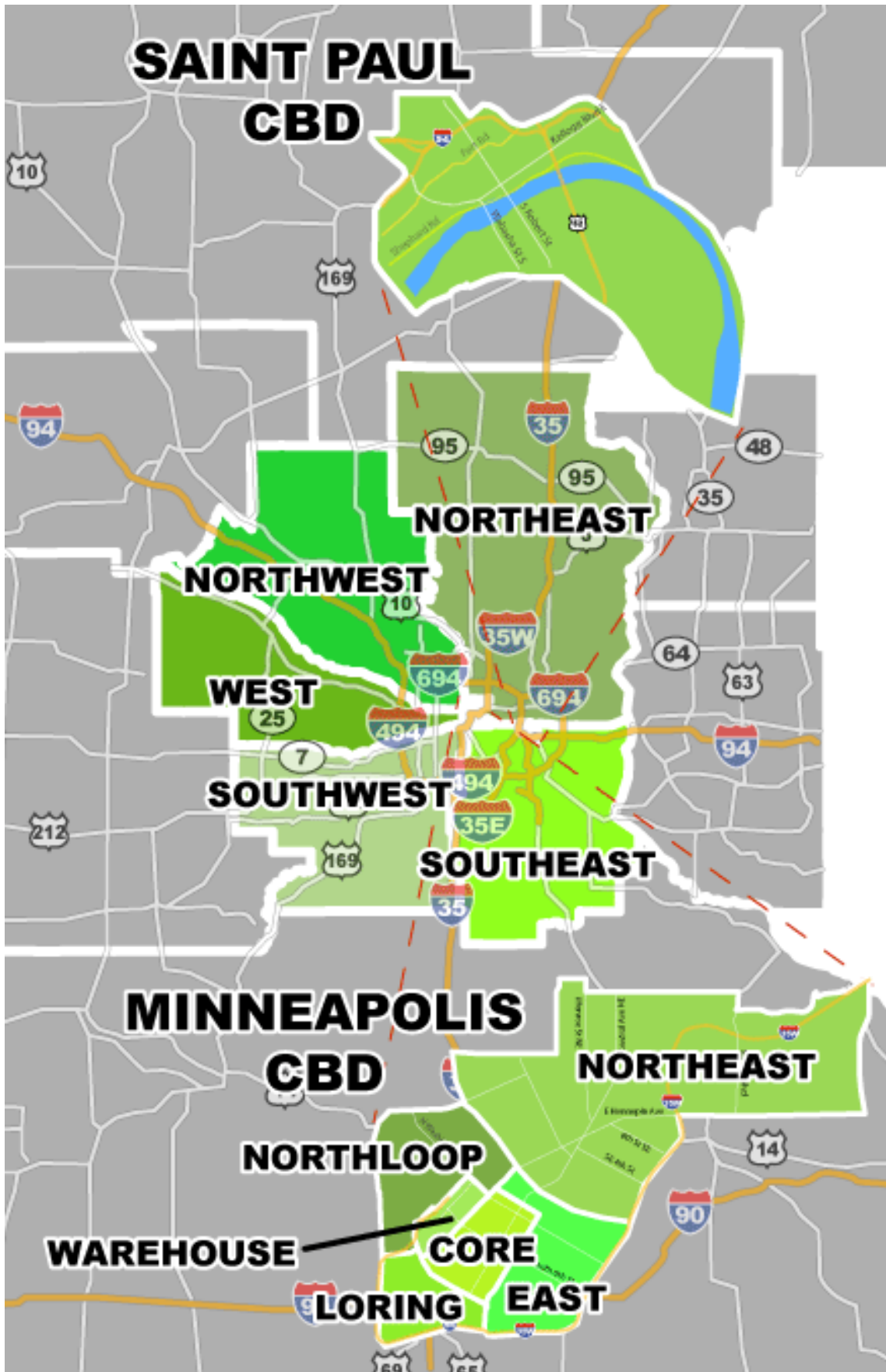
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E X C H A N G E

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. 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

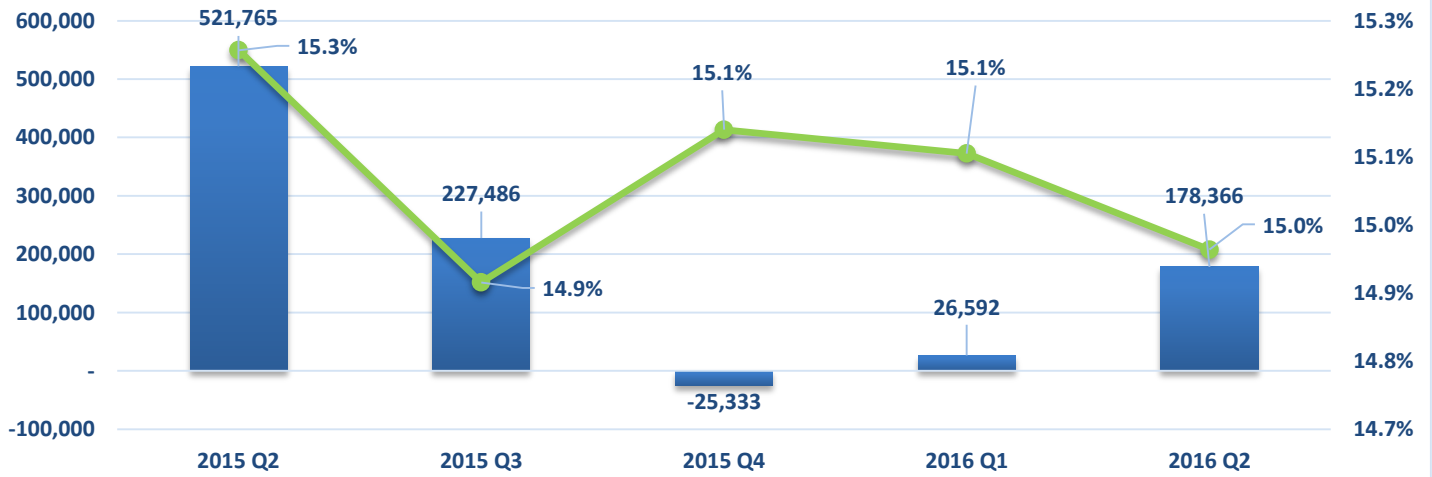
- The Minneapolis - St Paul office market absorbed 178,000 square feet during second quarter of 2016.
- CBRE provided the largest gain by leasing over 30,000 square feet in LaSalle Plaza in the Minneapolis CBD district. The Southwest market took the biggest hit when Bluestem Brands vacated 93,000 square feet.
- The vacancy rate decreased by 0.1% from last quarter and by 0.3% from last year and is currently 15%.
- We are starting to see a shift from the Southwest and West markets as the vacancy rates have been rising and the other markets are dropping slightly.

	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
A	94	30,693,880	6,165,429	4,105,307	13.4%	88,607	23,063
B	454	41,812,287	8,714,754	6,747,769	16.1%	87,964	181,794
C	83	4,387,289	667,281	653,027	14.9%	1,795	101
Grand Total	631	76,893,456	15,547,464	11,506,103	15.0%	178,366	204,958

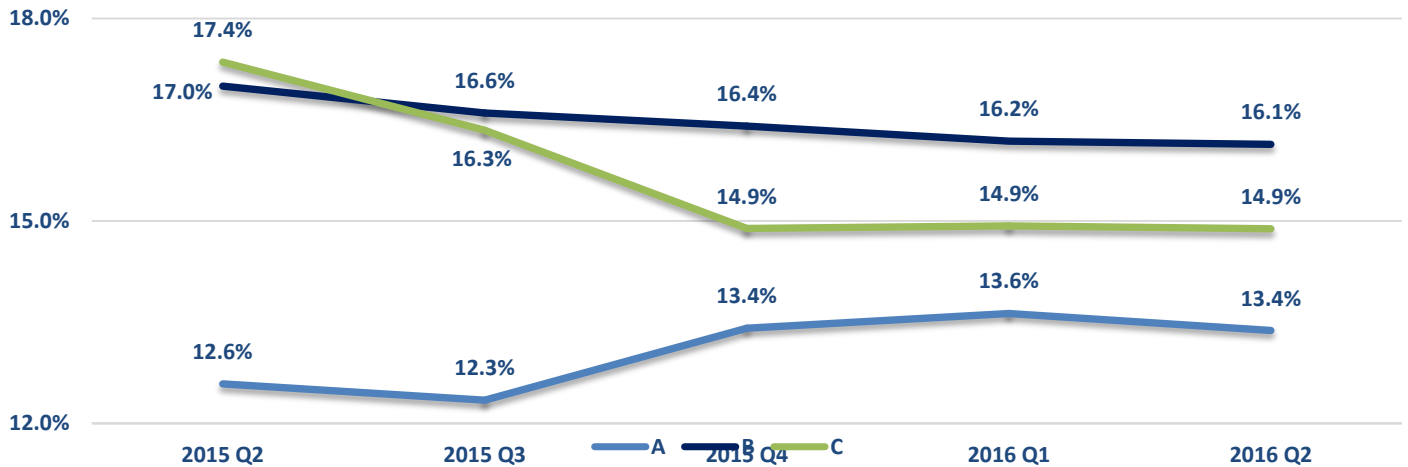
	# of Bldgs	Inventory (SF)	Direct Available (SF)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (SF)	YTD Direct Net Absorption (SF)
A	94	30,693,880	5,524,445	3,961,305	12.9%	90,756	30,440
B	454	41,812,287	8,208,250	6,478,717	15.5%	77,003	185,295
C	83	4,387,289	666,281	653,027	14.9%	1,795	-3,723
Grand Total	631	76,893,456	14,398,976	11,093,049	14.4%	169,554	212,012

	# of Bldgs	Inventory (SF)	Sublease Available (SF)	Sublease Vacant (SF)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (SF)	YTD Sublease Net Absorption (SF)
A	94	30,693,880	640,984	144,002	0.5%	-2,149	-7,377
B	454	41,812,287	506,504	269,052	0.6%	10,961	-3,501
C	83	4,387,289	1,000	-	0.0%	-	3,824
Grand Total	631	76,893,456	1,148,488	413,054	0.5%	8,812	-7,054

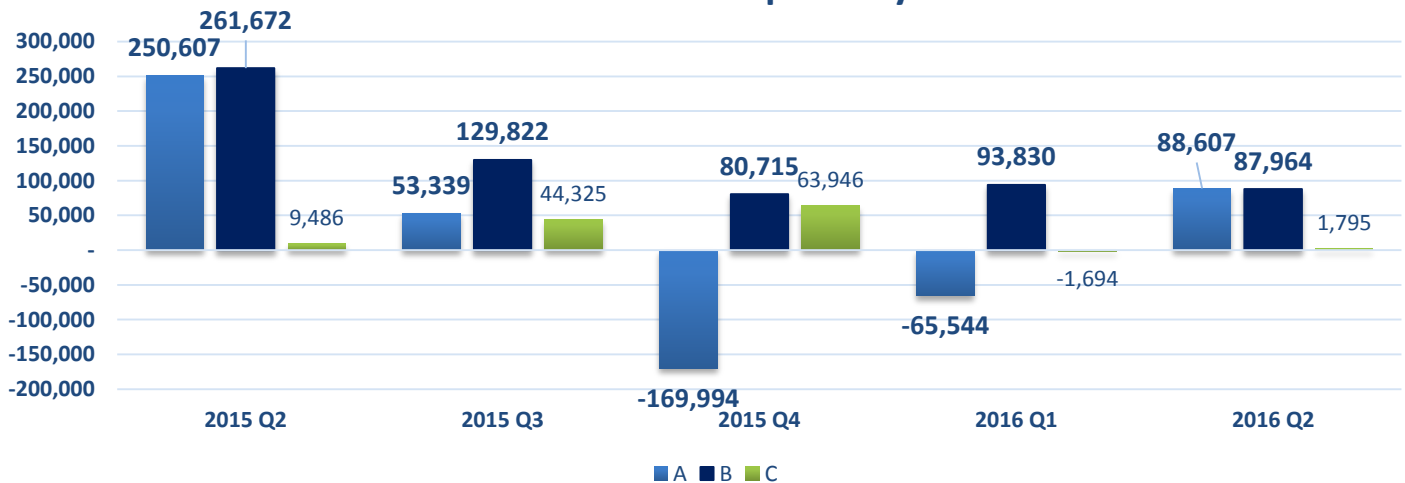
Historical Vacancy Rate & Net Absorption



Historical Vacancy Rates by Class



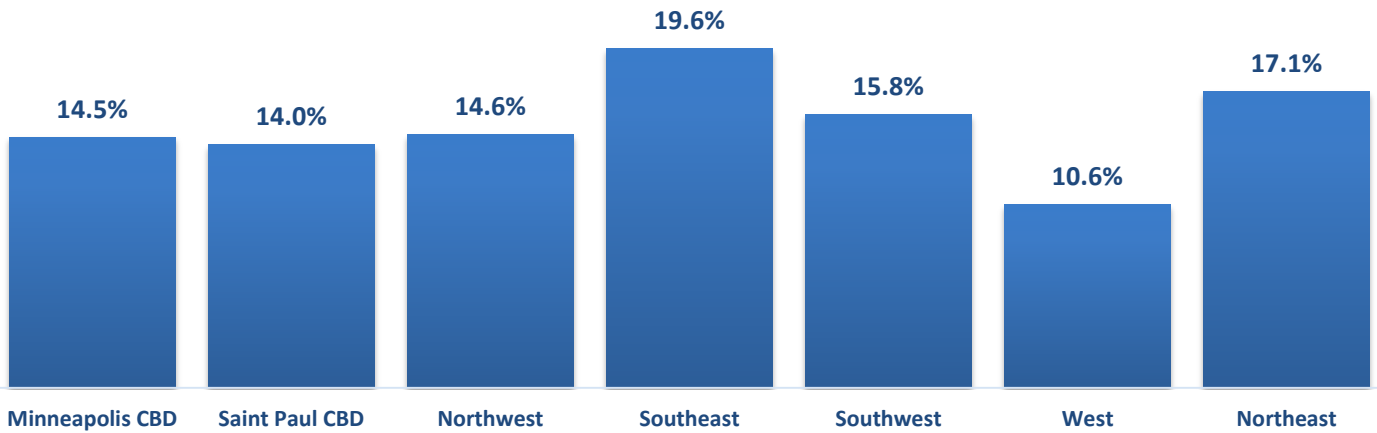
Historical Net Absorption by Class



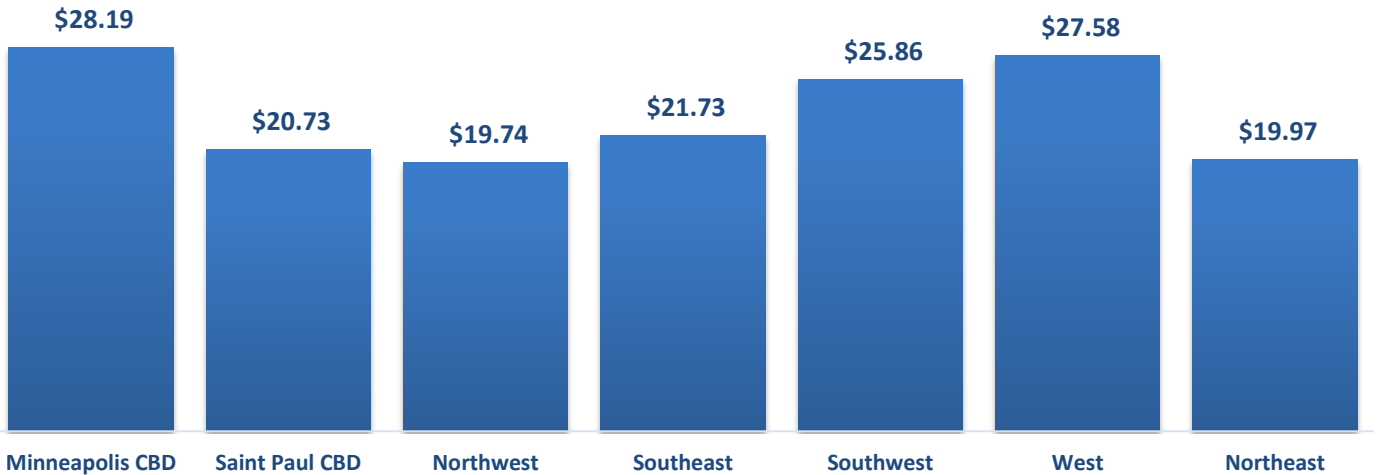
	# of Bldgs	Inventory (SF)	Total Vacant (SF)	Direct Vacant (SF)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (SF)	YTD Total Net Absorption (SF)
Minneapolis CBD	110	27,688,192	4,007,237	3,771,079	14.5%	92,627	123,223
Northloop	14	1,607,083	101,257	90,633	6.3%	2,183	-2,939
A	3	741,697	30,323	23,626	4.1%	2,012	2,012
B	9	756,627	67,734	63,807	9.0%	171	-1,751
C	2	108,759	3,200	3,200	2.9%	0	-3,200
Core	51	21,019,889	3,223,736	2,998,202	15.3%	49,632	-19,836
A	19	14,053,391	1,814,244	1,720,328	12.9%	61,243	34,643
B	22	6,012,955	1,214,947	1,083,329	20.2%	15,666	-1,820
C	10	953,543	194,545	194,545	20.4%	-27,277	-52,659
Warehouse	15	2,045,824	232,242	232,242	11.4%	195	32,790
A	1	434,333	93,390	93,390	21.5%	0	9,235
B	13	1,555,491	138,852	138,852	8.9%	195	23,555
C	1	56,000	0	0	0.0%	0	0
East	8	636,304	10,126	10,126	1.6%	1,498	1,912
A	2	224,507	0	0	0.0%	0	0
B	4	280,000	8,171	8,171	2.9%	1,498	1,912
C	2	131,797	1,955	1,955	1.5%	0	0
Loring	4	295,074	63,170	63,170	21.4%	0	-62
B	4	295,074	63,170	63,170	21.4%	0	-62
Northeast	18	2,084,018	376,706	376,706	18.1%	39,119	111,358
A	1	200,739	142,919	142,919	71.2%	0	-4,263
B	16	1,735,098	219,787	219,787	12.7%	14,087	59,392
C	1	148,181	14,000	14,000	9.4%	25,032	56,229
Saint Paul CBD	34	6,923,408	970,527	957,164	14.0%	49,721	163,972
A	6	2,136,992	222,880	210,785	10.4%	33,215	79,460
B	20	4,209,433	698,217	696,949	16.6%	17,813	80,787
C	8	576,983	49,430	49,430	8.6%	-1,307	3,725
Northwest	58	3,734,806	546,507	545,121	14.6%	1,834	60,609
A	1	350,631	47,127	47,127	13.4%	4,074	-1,688
B	47	2,953,078	428,738	427,352	14.5%	7,389	71,582
C	10	431,097	70,642	70,642	16.4%	-9,629	-9,285
Southeast	105	7,007,899	1,372,292	1,263,477	19.6%	28,639	38,053
A	7	1,135,262	244,500	219,499	21.5%	7,524	884
B	77	4,939,560	946,945	863,131	19.2%	14,770	36,996
C	21	933,077	180,847	180,847	19.4%	6,345	173
Southwest	145	16,295,557	2,568,558	2,535,107	15.8%	-41,472	-212,049
A	29	6,855,876	836,831	830,538	12.2%	-11,440	-47,036
B	104	8,918,577	1,672,322	1,645,164	18.8%	-36,994	-167,696
C	12	521,104	59,405	59,405	11.4%	6,962	2,683
West	72	8,665,633	918,101	918,101	10.6%	8,161	-33,754
A	19	3,671,163	368,556	368,556	10.0%	-19,107	-67,242
B	50	4,884,503	536,937	536,937	11.0%	24,205	33,496
C	3	109,967	12,608	12,608	11.5%	3,063	-8
Northeast	107	6,577,961	1,122,881	1,103,000	17.1%	38,856	64,904
A	6	889,289	304,537	304,537	34.2%	11,086	17,058
B	88	5,271,891	751,949	732,068	14.3%	29,164	45,403
C	13	416,781	66,395	66,395	15.9%	-1,394	2,443
Grand Total	631	76,893,456	11,506,103	11,093,049	15.0%	178,366	204,958

	Vacancy Rate %					Weighted Asking Rate (FSG)				
	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2
Minneapolis CBD	14.0%	13.8%	14.9%	14.8%	14.5%	\$27.01	\$27.75	\$27.65	\$28.33	\$28.19
Northloop	6.4%	6.1%	6.1%	6.4%	6.3%	\$22.59	\$24.63	\$24.07	\$24.71	\$25.05
A	5.1%	4.8%	4.4%	4.4%	4.1%	\$26.17	\$26.67	\$26.65	\$27.81	\$28.81
B	7.8%	8.4%	8.7%	9.0%	9.0%	\$20.66	\$20.92	\$22.33	\$22.86	\$22.95
C	5.6%	-	-	2.9%	2.9%	\$16.00	-	-	\$23.17	\$29.67
Core	15.1%	15.1%	15.3%	15.6%	15.3%	\$29.55	\$28.95	\$29.18	\$29.76	\$29.88
A	13.2%	12.8%	13.0%	13.2%	12.9%	\$31.10	\$31.50	\$31.37	\$32.07	\$32.80
B	19.8%	20.2%	20.2%	20.5%	20.2%	\$24.17	\$24.70	\$24.12	\$23.57	\$25.03
C	15.2%	14.8%	14.9%	17.5%	20.4%	\$21.62	\$21.33	\$22.05	\$22.20	\$22.44
Warehouse	12.2%	12.2%	13.0%	11.4%	11.4%	\$24.33	\$26.79	\$27.00	\$25.94	\$25.56
A	23.6%	23.6%	23.6%	21.5%	21.5%	-	\$30.83	\$30.83	\$31.59	\$31.59
B	9.5%	9.4%	10.4%	8.9%	8.9%	\$24.33	\$23.53	\$24.94	\$25.50	\$25.03
C	-	-	-	-	-	-	-	-	-	-
East	2.1%	2.1%	1.9%	1.8%	1.6%	\$27.01	\$27.10	\$18.04	\$22.42	\$22.34
A	-	-	-	-	-	\$28.92	\$28.92	\$16.00	\$26.53	\$26.53
B	4.0%	4.0%	3.6%	3.5%	2.9%	\$22.51	\$22.51	\$22.76	\$21.66	\$21.53
C	1.5%	1.5%	1.5%	1.5%	1.5%	\$20.35	\$22.35	\$22.35	\$22.65	\$22.65
Loring	20.6%	20.5%	21.4%	21.4%	21.4%	\$13.01	\$21.50	\$22.67	\$22.64	\$22.64
A	-	-	-	-	-	-	-	-	-	-
B	20.6%	20.5%	21.4%	21.4%	21.4%	\$13.01	\$21.50	\$22.67	\$22.64	\$22.64
C	-	-	-	-	-	-	-	-	-	-
Northeast	12.3%	11.6%	23.4%	20.0%	18.1%	\$21.32	\$22.62	\$22.77	\$23.00	\$22.22
A	-	-	69.1%	71.2%	71.2%	\$25.22	\$25.22	\$25.22	\$25.22	\$25.57
B	8.2%	8.6%	16.1%	13.5%	12.7%	\$21.75	\$21.50	\$21.47	\$21.57	\$20.78
C	77.6%	61.5%	47.4%	26.3%	9.4%	\$14.93	\$20.50	\$21.25	\$21.25	\$13.50
Saint Paul CBD	17.7%	16.8%	16.4%	14.7%	14.0%	\$20.19	\$20.39	\$19.21	\$19.53	\$20.73
A	14.8%	13.9%	14.1%	12.0%	10.4%	\$25.26	\$25.87	\$22.91	\$22.85	\$23.25
B	20.4%	19.4%	18.5%	17.0%	16.6%	\$17.80	\$17.72	\$18.24	\$18.12	\$19.85
C	9.0%	8.9%	9.2%	8.3%	8.6%	\$12.62	\$13.32	\$9.75	\$11.67	\$11.94
Northwest	17.3%	17.4%	16.3%	14.7%	14.6%	\$20.96	\$21.73	\$21.49	\$21.20	\$19.74
A	7.4%	13.0%	13.0%	14.6%	13.4%	\$27.44	\$27.44	\$27.44	\$27.54	\$27.54
B	19.1%	18.3%	16.9%	14.8%	14.5%	\$20.81	\$20.80	\$20.33	\$19.75	\$19.37
C	13.0%	14.6%	14.2%	14.2%	16.4%	\$15.46	\$15.49	\$15.32	\$15.39	\$15.80
Southeast	19.8%	19.9%	20.1%	20.0%	19.6%	\$20.40	\$20.38	\$22.98	\$23.36	\$21.73
A	7.3%	7.1%	21.6%	22.2%	21.5%	\$26.11	\$25.48	\$32.81	\$32.65	\$30.43
B	21.8%	22.0%	19.9%	19.5%	19.2%	\$20.90	\$20.65	\$20.99	\$21.21	\$21.33
C	22.3%	22.3%	19.4%	20.1%	19.4%	\$16.55	\$17.67	\$17.67	\$19.01	\$17.00
Southwest	14.7%	14.5%	14.5%	15.5%	15.8%	\$24.61	\$25.50	\$25.71	\$25.79	\$25.86
A	11.4%	11.2%	11.5%	12.0%	12.2%	\$30.08	\$31.51	\$31.94	\$32.98	\$32.73
B	17.3%	17.1%	16.9%	18.3%	18.8%	\$22.67	\$22.86	\$22.96	\$22.94	\$22.93
C	14.2%	13.8%	11.9%	12.7%	11.4%	\$17.11	\$18.08	\$18.03	\$17.97	\$17.76
West	10.3%	9.9%	9.2%	9.7%	10.6%	\$27.76	\$28.52	\$29.26	\$29.98	\$27.58
A	9.4%	9.3%	8.2%	9.5%	10.0%	\$33.57	\$34.17	\$33.75	\$34.98	\$35.32
B	10.9%	10.3%	10.0%	9.8%	11.0%	\$24.65	\$24.91	\$25.25	\$25.49	\$23.31
C	19.3%	9.2%	11.5%	14.3%	11.5%	\$17.50	\$19.07	\$19.23	\$18.53	\$19.23
Northeast	19.9%	18.4%	18.1%	17.7%	17.1%	\$19.35	\$19.41	\$19.47	\$19.88	\$19.97
A	35.3%	35.5%	36.2%	35.5%	34.2%	\$26.27	\$25.56	\$25.38	\$25.86	\$26.96
B	17.3%	15.4%	15.1%	14.8%	14.3%	\$19.25	\$19.15	\$19.22	\$19.63	\$19.73
C	19.7%	18.9%	16.5%	15.6%	15.9%	\$15.87	\$15.94	\$13.53	\$13.96	\$14.03
Grand Total	15.3%	14.9%	15.1%	15.1%	15.0%	\$23.91	\$24.75	\$24.98	\$25.34	\$25.00

Vacancy Rate by Market

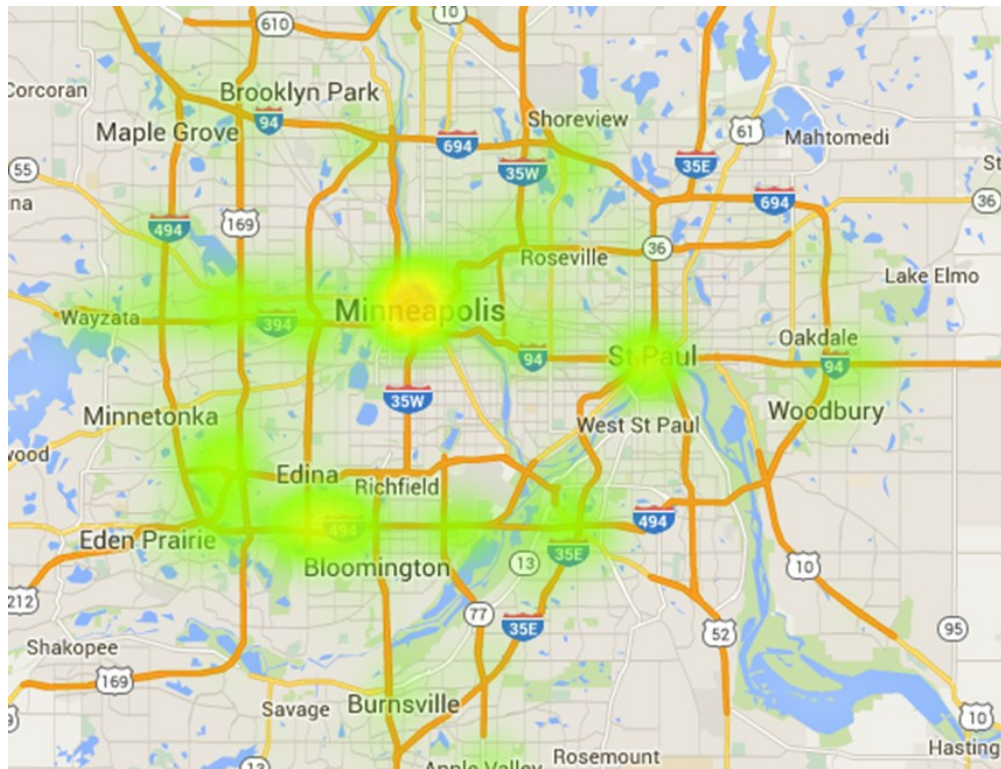


Average Weighted Asking Rates by Market (FSG)



Asking Lease Rate Range by Class (FSG)

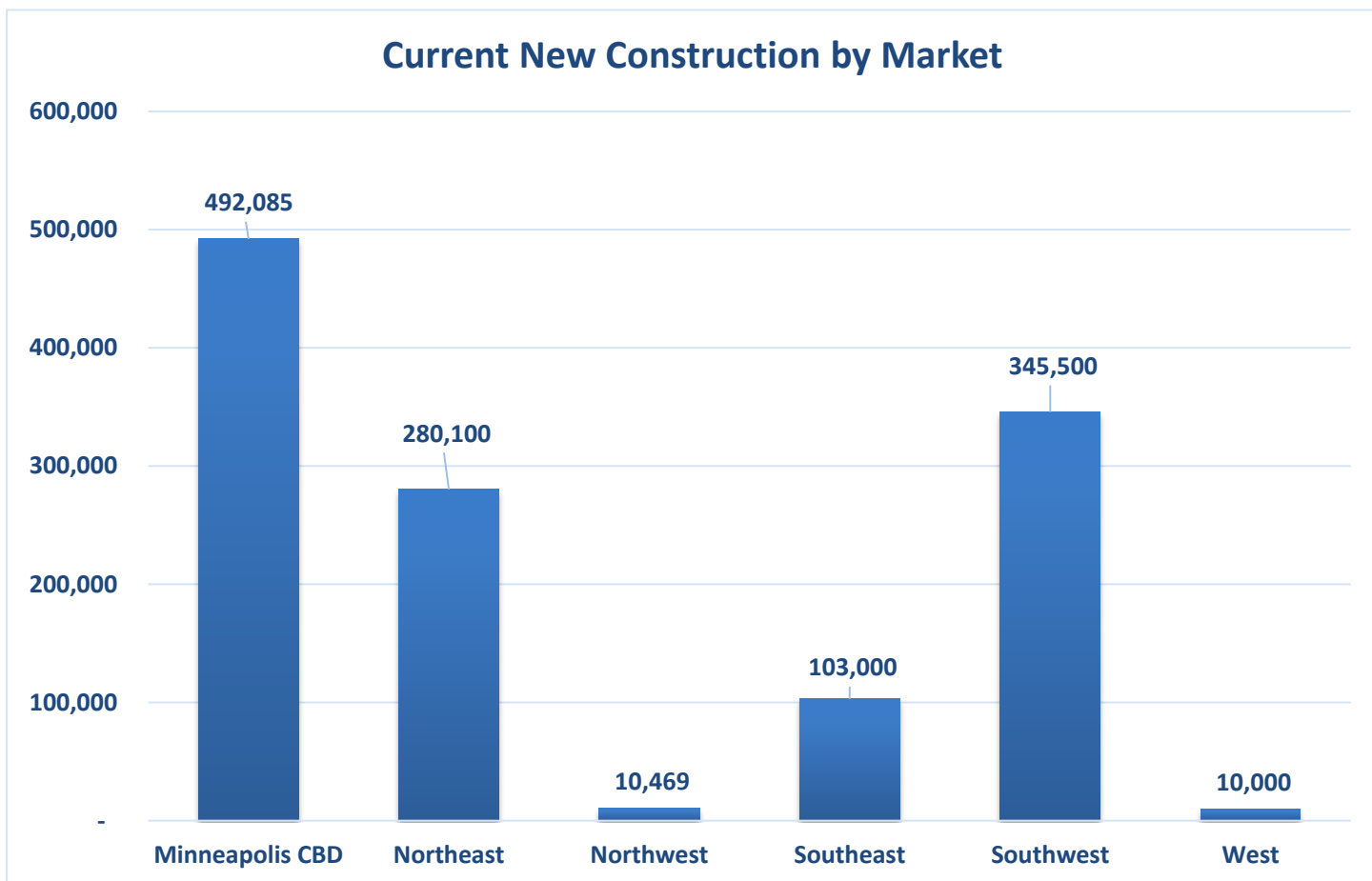




Largest Absorption Changes

Property Name	SF Occupied or Vacated	Tenant Name	Market	Building Class
LaSalle Plaza	40,167	CBRE leased 30,557 SF; Reader Link leased 3,496 SF; Energizer leased 3,436 SF; Northwest leased 2,678 SF	Minneapolis CBD	A
Highlight Center	25,032	Ishure leased 12,100 SF; One Ome leased 5,061 SF; Foundation leased 5,500 SF; Kipsu leased 921 SF; 1,450 SF was leased to four tenants to use as storage	Minneapolis CBD	C
Broadway Place East	24,127	Kraus Anderson leased 24,127 SF	Minneapolis CBD	B
111 Washington Square	21,010	Dow Jones leased 21,010 SF	Minneapolis CBD	B
6625 S Lyndale Ave	20,100	Hennepin County leased 20,100 SF	Southeast	B
Northpark Corporate Center - 1200 Bldg	20,000	Nystrom & Associates leased 20,000 SF	Northeast	B
Wyman-Partridge	18,500	Four 51 leased 18,500 SF	Minneapolis CBD	B
Minnetonka Corporate Campus II & III	17,500	Office Centers leased 17,500 SF	Southwest	B
1600 Tower at West End	-17,780	Viterra vacated 8,476 SF; Dakota Pasta Growers vacated 9,304 SF	West	A
One Main at Riverplace	-18,587	Code42 vacated 18,587 SF	Minneapolis CBD	B
Normandale 8500 Tower	-20,595	Varde vacated 20,595 SF	Southwest	A
Minneapolis Grain Exchange Main Building	-27,049	Jamf Software vacated 27,049 SF	Minneapolis CBD	C
Colwell Building	-27,777	Dow Jones vacated 20,304 SF; Univocal Publishing vacated 2,329 SF; Healthtel vacated 3,719 SF	Minneapolis CBD	B
Superior Office Center	-93,146	Bluestem Brands Inc vacated 93,146 SF	Southwest	B

Top Transactions						
Property Name	Sale Price	SF Sold	Buyer	Seller	Market	Building Class
Plaza Seven	\$82,000,000	335,974	Franklin Street Properties Corp	City Center Realty Partners LLC and Angelo, Gordon & Co	Mpls CBD	A
Colonial Warehouse	\$29,500,000	203,318	GRE Colonial Warehouse Owner LLC c/o The Excelsior Group	C.W. Inc	Mpls CBD	B
7500 Flying Cloud Dr	\$26,040,000	201,495	The Excelsior Group	Cornerstone Real Estate Advisors LLC	Southwest	A
Roseville West	\$6,875,000	88,644	2277 Roseville West LLC c/o Team Properties	Life Insurance Company of the Southwest	Northeast	B
Birch Run Health Center	\$6,713,314	28,350	Birch Run Medical Investment Partners c/o The Davis Group	1747 Beam LLC	Northeast	B
Winsor Office Plaza	\$6,600,000	74,758	724 Associates LLLP c/o CTD Properties	Timberland Partners XV LLC	Northeast	B
Victor Gardens Medical Center	\$6,024,642	21,629	DOC-14688 Everton Avenue MOB LLC c/o Physicians Realty Trust	14688 Everton LLC	Northeast	B



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/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
Lee & Associates	Kai Thomsen
NTH	Lynette Dumalag
Transwestern	Reed Christianson
	Mike Honsa

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Chris Allen	Director of Analytics	(612) 819-9520	callen@xceligent.com
Jon Holm	Director of Client Services	(952) 908-1795	jholm@xceligent.com

