



**XCELIGENT**<sup>™</sup>  
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## OFFICE MARKET REPORT

# Minneapolis-St. Paul

**3rd Quarter 2016**

Produced in partnership with

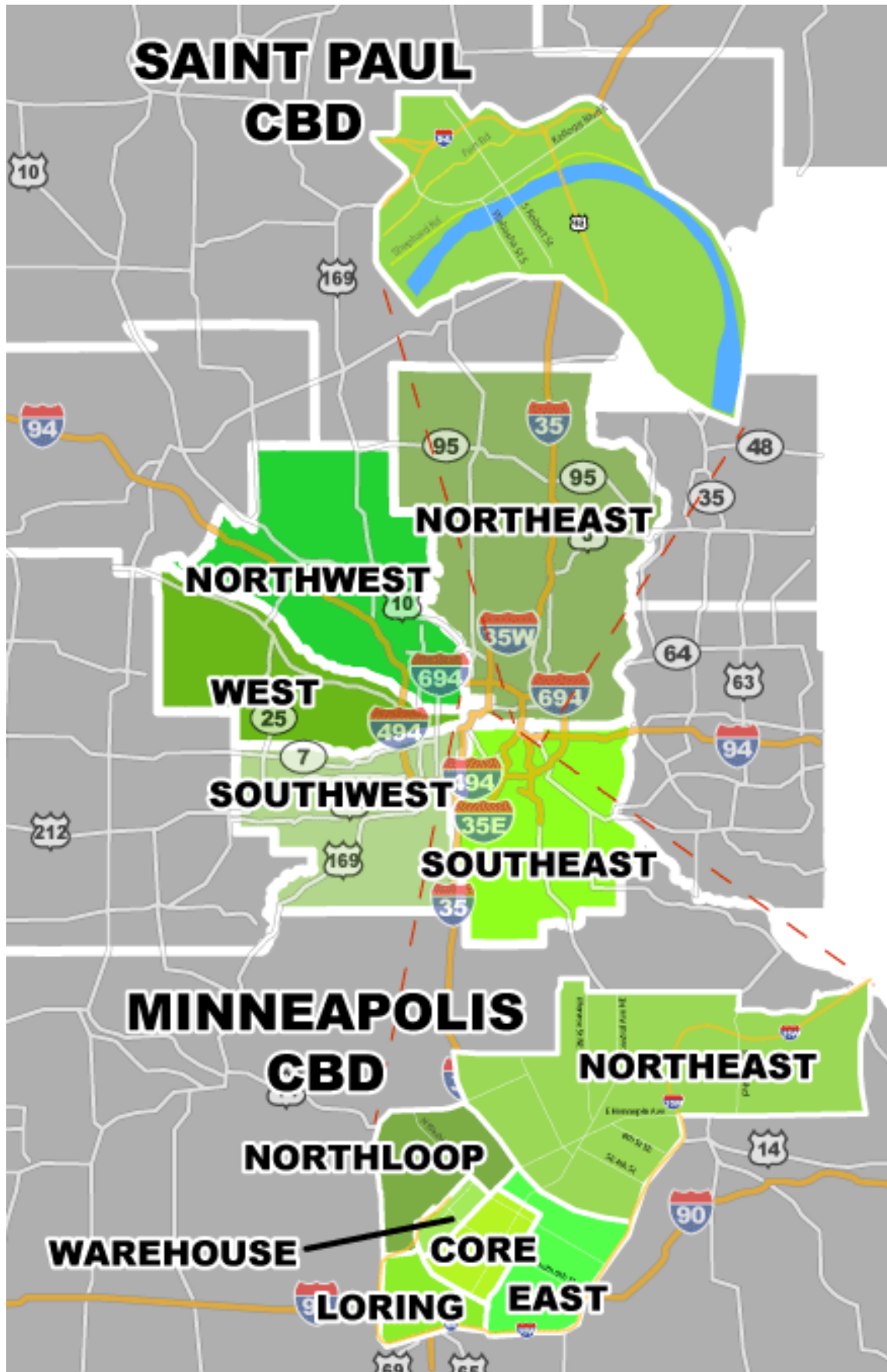
**MNCAR**  
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**E X C H A N G E**

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.**

<b>Inventory</b>	The total square feet (sf) 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.
<b>Class A</b>	Most prestigious buildings competing for premier office users with asking rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
<b>Class B</b>	Buildings competing for a wide range of office users with average asking rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
<b>Class C</b>	Buildings competing for office users requiring functional office space with asking rents below the market average for the area.
<b>Total Available (sf)</b>	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.
<b>Total Vacant (sf)</b>	The total of all the vacant square feet within a building based on fiscal vacancy.
<b>Sublease Space</b>	Space that is offered for lease by a current tenant, or his agent, within a property.
<b>Net Absorption</b>	The net change in occupancy from quarter to quarter, expressed in square feet.
<b>Weighted Average Direct Lease Rate</b>	The weighted average of all direct asking rental 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

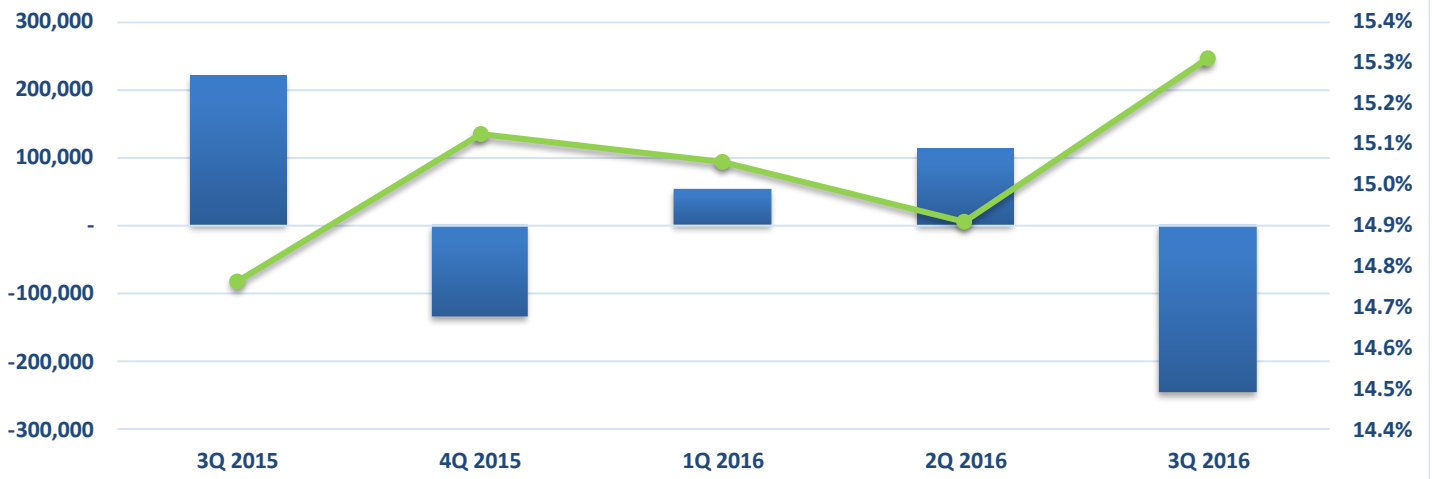
- The Minneapolis - Saint Paul office market closed the third quarter of 2016 with -246,000 square feet (sf) of absorption with sublease space accounting for 92,000 sf of the negative absorption. Over the last 5 quarters the market has seen a net gain of 6,000 sf and for 2016 year to date a total of -81,000 sf absorption.
- Driving the negative absorption, Wells Fargo and Xcel vacated 279,000 and 111,000 sf respectively as they move into their new headquarters. The moves contributed to vacancy rates increasing .5 percentage points since last quarter.
- The Saint Paul CBD and Northwest markets vacancy rates have continued to decrease over the last 5 quarters. Saint Paul CBD has dropped 2.9% points year-over-year while the Northwest market experienced a year-over-year decrease of 3.8% points. The Southwest and West markets are seeing a different trend with year-over-year changes for Southwest market increasing 1.8% points up to 16.2% and West market increasing 1.4% points up to 11.1%.
- The Minneapolis - Saint Paul office market currently has just over 2,000,000 sf under construction with the Southeast market leading the way with 762,000 sf under construction in 4 buildings.

	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Quarterly Net Absorption (sf)	YTD Net Absorption (sf)
A	94	30,688,677	6,205,201	4,164,631	13.6%	-21,678	-20,557
B	461	42,286,066	8,733,437	7,009,984	16.6%	-227,542	-80,646
C	83	4,397,361	746,033	671,854	15.3%	2,846	19,947
<b>Overall</b>	<b>638</b>	<b>77,372,104</b>	<b>15,684,671</b>	<b>11,846,469</b>	<b>15.3%</b>	<b>-246,374</b>	<b>-81,256</b>

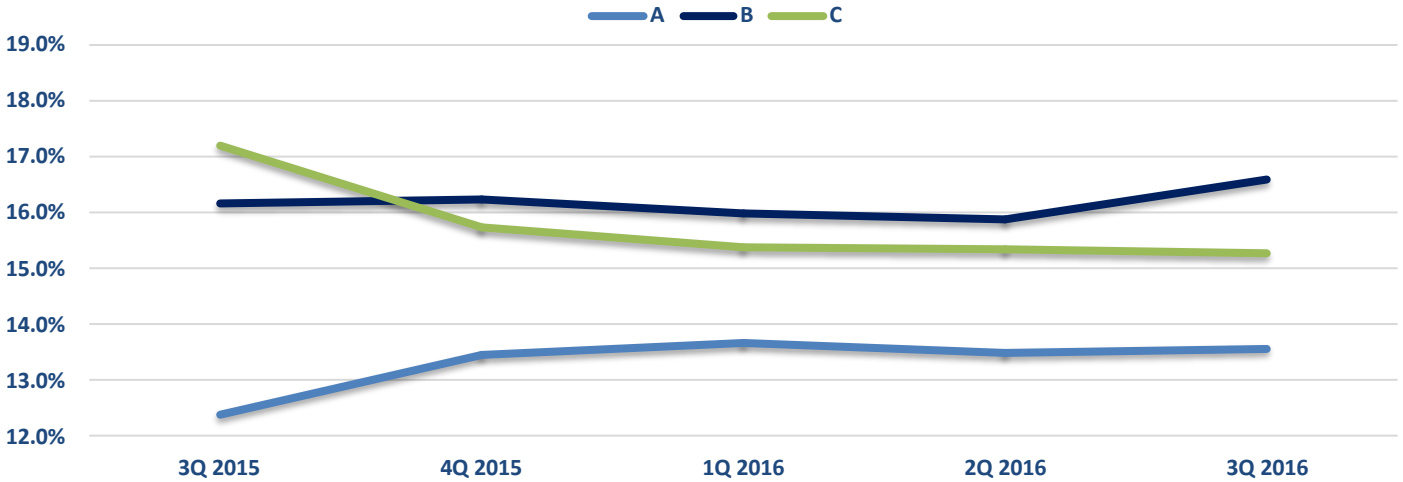
	# of Bldgs	Inventory (sf)	Direct Available (sf)	Direct Vacant (sf)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (sf)	YTD Direct Net Absorption (sf)
A	94	30,688,677	5,628,961	3,971,355	12.9%	27,596	36,094
B	461	42,286,066	8,165,461	6,770,715	16.0%	-183,939	-34,928
C	83	4,397,361	743,881	671,854	15.3%	2,846	16,123
<b>Overall</b>	<b>638</b>	<b>77,372,104</b>	<b>14,538,303</b>	<b>11,413,924</b>	<b>14.8%</b>	<b>-153,497</b>	<b>17,289</b>

	# of Bldgs	Inventory (sf)	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (sf)	YTD Sublease Net Absorption (sf)
A	94	30,688,677	576,240	193,276	0.6%	-49,274	-56,651
B	461	42,286,066	567,976	239,269	0.6%	-43,603	-45,718
C	83	4,397,361	2,152	-	0.0%	-	3,824
<b>Overall</b>	<b>638</b>	<b>77,372,104</b>	<b>1,146,368</b>	<b>432,545</b>	<b>0.6%</b>	<b>-92,877</b>	<b>-98,545</b>

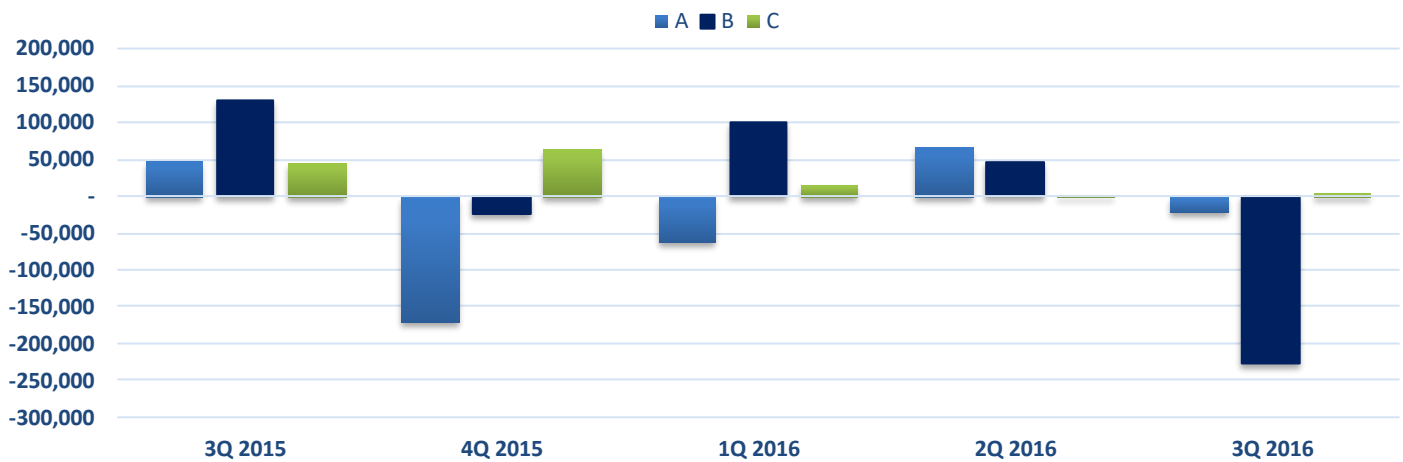
### Historical Vacancy Rate & Net Absorption



### Historical Vacancy Rates by Class



### Historical Net Absorption by Class

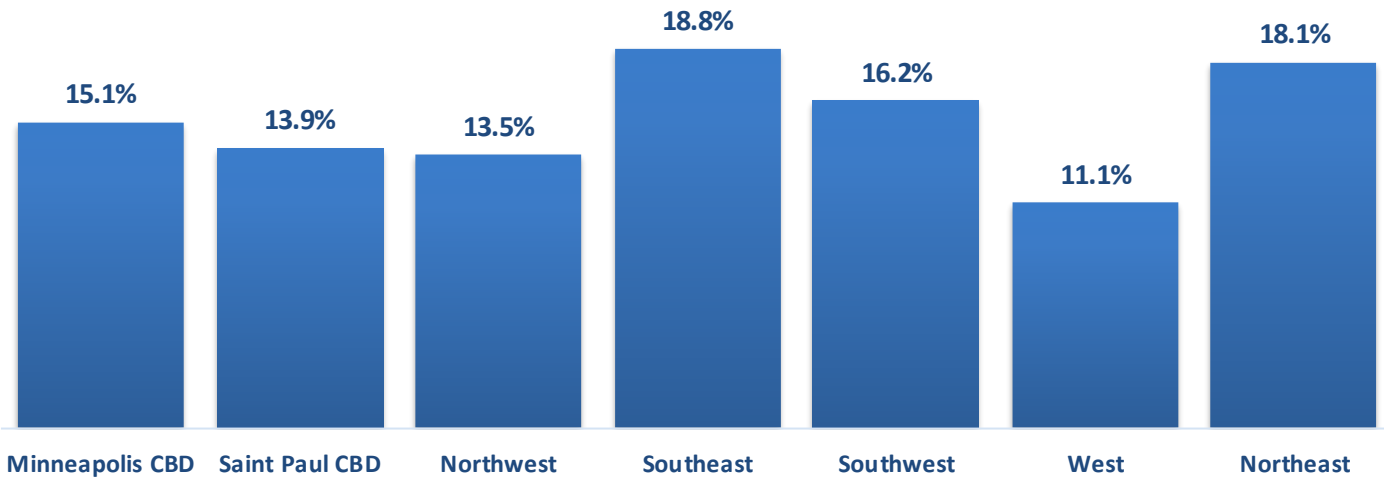




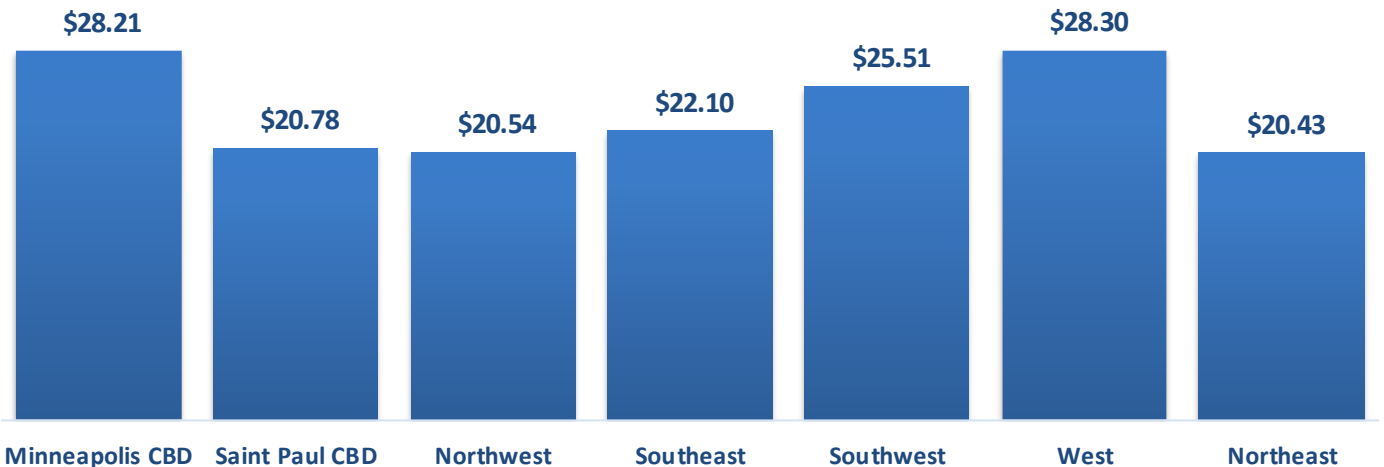
	# of Bldgs	Inventory (sf)	Total Vacant (sf)	Direct Vacant (sf)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (sf)	YTD Total Net Absorption (sf)
<b>Minneapolis CBD</b>	110	27,696,065	4,195,183	3,931,902	15.1%	-155,545	-21,009
<b>Northloop</b>	14	1,607,083	126,993	120,296	7.9%	-25,736	-28,675
A	3	741,697	53,302	46,605	7.2%	-22,979	-20,967
B	9	756,627	70,491	70,491	9.3%	-2,757	-4,508
C	2	108,759	3,200	3,200	2.9%	-	-3,200
<b>Core</b>	51	21,027,762	3,424,620	3,168,036	16.3%	-173,649	-182,172
A	19	14,053,391	1,770,769	1,645,803	12.6%	49,037	77,993
B	22	6,012,955	1,440,528	1,308,910	24.0%	-225,581	-227,401
C	10	961,416	213,323	213,323	22.2%	2,895	-32,764
<b>Warehouse</b>	15	2,045,824	239,572	239,572	11.7%	-7,330	25,460
A	1	434,333	93,390	93,390	21.5%	-	9,235
B	13	1,555,491	146,182	146,182	9.4%	-7,330	16,225
C	1	56,000	-	-	0.0%	-	-
<b>East</b>	8	636,304	5,297	5,297	0.8%	4,829	6,741
A	2	224,507	-	-	0.0%	-	-
B	4	280,000	5,297	5,297	1.9%	2,874	4,786
C	2	131,797	-	-	0.0%	1,955	1,955
<b>Loring</b>	4	295,074	51,871	51,871	17.6%	11,299	11,237
B	4	295,074	51,871	51,871	17.6%	11,299	11,237
<b>Northeast</b>	18	2,084,018	346,830	346,830	16.6%	35,042	146,400
A	1	200,739	142,919	142,919	71.2%	-	-4,263
B	16	1,735,098	189,911	189,911	10.9%	35,042	94,434
C	1	148,181	14,000	14,000	9.4%	-	56,229
<b>Saint Paul CBD</b>	34	6,905,507	956,507	943,144	13.9%	26,486	174,203
A	6	2,136,982	240,059	227,964	11.2%	-924	62,281
B	20	4,191,542	666,388	665,120	15.9%	28,040	108,827
C	8	576,983	50,060	50,060	8.7%	-630	3,095
<b>Northwest</b>	58	3,737,005	504,279	504,279	13.5%	36,128	98,123
A	1	350,631	46,084	46,084	13.1%	1,043	-645
B	47	2,953,078	387,479	387,479	13.1%	35,159	108,127
C	10	433,296	70,716	70,716	16.3%	-74	-9,359
<b>Southeast</b>	106	7,088,003	1,329,075	1,296,307	18.8%	14,133	12,482
A	7	1,135,262	247,886	222,885	21.8%	-3,386	-2,502
B	78	5,019,664	906,671	898,904	18.1%	11,190	8,482
C	21	933,077	174,518	174,518	18.7%	6,329	6,502
<b>Southwest</b>	149	16,476,848	2,662,205	2,610,793	16.2%	-84,645	-293,274
A	29	6,850,683	887,410	881,117	13.0%	-43,251	-90,287
B	108	9,105,061	1,708,170	1,663,051	18.8%	-34,174	-198,450
C	12	521,104	66,625	66,625	12.8%	-7,220	-4,537
<b>West</b>	72	8,659,783	965,337	929,021	11.1%	33,881	127
A	19	3,671,163	380,322	362,098	10.4%	-3,265	-70,507
B	50	4,878,653	572,815	554,723	11.7%	36,738	70,234
C	3	109,967	12,200	12,200	11.1%	408	400
<b>Northeast</b>	109	6,808,893	1,233,883	1,198,478	18.1%	-116,812	-51,908
A	6	889,289	302,490	302,490	34.0%	2,047	19,105
B	90	5,502,823	864,181	828,776	15.7%	-118,042	-72,639
C	13	416,781	67,212	67,212	16.1%	-817	1,626
<b>Overall</b>	638	77,372,104	11,846,469	11,413,924	15.3%	-246,374	-81,256

	Vacancy Rate %					Weighted Asking Rate (FSG)				
	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016
<b>Minneapolis CBD</b>	<b>13.9%</b>	<b>15.1%</b>	<b>14.9%</b>	<b>14.6%</b>	<b>15.1%</b>	<b>\$27.59</b>	<b>\$27.66</b>	<b>\$28.27</b>	<b>\$28.14</b>	<b>\$28.21</b>
<b>Northloop</b>	<b>6.1%</b>	<b>6.1%</b>	<b>6.4%</b>	<b>6.3%</b>	<b>7.9%</b>	<b>\$24.63</b>	<b>\$24.07</b>	<b>\$24.59</b>	<b>\$24.93</b>	<b>\$25.69</b>
A	4.8%	4.4%	4.4%	4.1%	7.2%	\$26.67	\$26.65	\$27.81	\$28.81	\$28.81
B	8.4%	8.7%	9.0%	9.0%	9.3%	\$20.92	\$22.33	\$22.67	\$22.76	\$24.02
C	-	-	2.9%	2.9%	2.9%	-	-	\$23.17	\$29.67	\$31.17
<b>Core</b>	<b>15.2%</b>	<b>15.4%</b>	<b>15.7%</b>	<b>15.5%</b>	<b>16.3%</b>	<b>\$28.69</b>	<b>\$29.15</b>	<b>\$29.74</b>	<b>\$29.85</b>	<b>\$29.94</b>
A	12.7%	13.0%	13.2%	12.9%	12.6%	\$31.11	\$31.32	\$32.04	\$32.76	\$33.08
B	20.2%	20.2%	20.5%	20.2%	24.0%	\$24.70	\$24.12	\$23.57	\$25.04	\$25.84
C	18.7%	18.8%	19.7%	22.5%	22.2%	\$21.20	\$22.05	\$22.20	\$22.31	\$22.64
<b>Warehouse</b>	<b>12.2%</b>	<b>13.0%</b>	<b>11.4%</b>	<b>11.4%</b>	<b>11.7%</b>	<b>\$27.13</b>	<b>\$27.27</b>	<b>\$25.43</b>	<b>\$25.57</b>	<b>\$25.39</b>
A	23.6%	23.6%	21.5%	21.5%	21.5%	\$31.59	\$31.59	\$31.59	\$31.59	\$31.59
B	9.4%	10.4%	8.9%	8.9%	9.4%	\$23.53	\$24.95	\$24.95	\$25.05	\$24.95
C	-	-	-	-	-	-	-	-	-	-
<b>East</b>	<b>2.1%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.6%</b>	<b>0.8%</b>	<b>\$27.16</b>	<b>\$18.11</b>	<b>\$22.48</b>	<b>\$22.41</b>	<b>\$19.24</b>
A	-	-	-	-	-	\$28.92	\$16.00	\$26.53	\$26.53	\$26.53
B	4.0%	3.6%	3.5%	2.9%	1.9%	\$22.51	\$22.76	\$21.66	\$21.53	\$21.23
C	1.5%	1.5%	1.5%	1.5%	-	\$23.96	\$24.18	\$24.18	\$24.18	\$14.00
<b>Loring</b>	<b>20.5%</b>	<b>21.4%</b>	<b>21.4%</b>	<b>21.4%</b>	<b>17.6%</b>	<b>\$21.50</b>	<b>\$22.34</b>	<b>\$22.64</b>	<b>\$22.64</b>	<b>\$23.00</b>
A	-	-	-	-	-	-	-	-	-	-
B	20.5%	21.4%	21.4%	21.4%	17.6%	\$21.50	\$22.34	\$22.64	\$22.64	\$23.00
C	-	-	-	-	-	-	-	-	-	-
<b>Northeast</b>	<b>11.8%</b>	<b>23.7%</b>	<b>20.2%</b>	<b>18.3%</b>	<b>16.6%</b>	<b>\$22.63</b>	<b>\$22.79</b>	<b>\$22.92</b>	<b>\$22.07</b>	<b>\$22.27</b>
A	-	69.1%	71.2%	71.2%	71.2%	\$25.22	\$25.22	\$25.22	\$25.57	\$25.57
B	8.9%	16.4%	13.8%	13.0%	10.9%	\$21.50	\$21.48	\$21.42	\$20.54	\$21.04
C	61.5%	47.4%	26.3%	9.4%	9.4%	\$20.50	\$21.25	\$21.25	\$13.50	\$12.00
<b>Saint Paul CBD</b>	<b>16.8%</b>	<b>16.4%</b>	<b>14.7%</b>	<b>14.2%</b>	<b>13.9%</b>	<b>\$20.57</b>	<b>\$19.41</b>	<b>\$19.73</b>	<b>\$20.88</b>	<b>\$20.78</b>
A	13.9%	14.1%	12.0%	11.2%	11.2%	\$25.87	\$22.91	\$22.85	\$23.25	\$23.20
B	19.4%	18.5%	17.0%	16.6%	15.9%	\$18.01	\$18.55	\$18.49	\$20.14	\$19.97
C	8.9%	9.2%	8.3%	8.6%	8.7%	\$13.32	\$9.75	\$11.67	\$11.94	\$12.28
<b>Northwest</b>	<b>17.3%</b>	<b>16.1%</b>	<b>14.5%</b>	<b>14.5%</b>	<b>13.5%</b>	<b>\$21.02</b>	<b>\$20.71</b>	<b>\$21.14</b>	<b>\$20.15</b>	<b>\$20.54</b>
A	13.0%	13.0%	14.6%	13.4%	13.1%	\$27.44	\$27.44	\$27.54	\$27.54	\$27.54
B	18.3%	16.8%	14.6%	14.3%	13.1%	\$19.93	\$19.36	\$19.76	\$19.90	\$20.15
C	14.6%	14.2%	14.1%	16.3%	16.3%	\$15.69	\$15.58	\$15.60	\$15.80	\$15.84
<b>Southeast</b>	<b>18.7%</b>	<b>18.9%</b>	<b>18.7%</b>	<b>19.0%</b>	<b>18.8%</b>	<b>\$20.47</b>	<b>\$23.30</b>	<b>\$23.15</b>	<b>\$21.55</b>	<b>\$22.10</b>
A	7.1%	21.6%	22.2%	21.5%	21.8%	\$25.48	\$34.14	\$32.65	\$30.43	\$30.22
B	20.2%	18.2%	17.7%	18.3%	18.1%	\$20.79	\$21.09	\$20.90	\$21.09	\$21.10
C	22.3%	19.4%	20.1%	19.4%	18.7%	\$17.58	\$17.67	\$19.01	\$17.00	\$18.64
<b>Southwest</b>	<b>14.4%</b>	<b>14.4%</b>	<b>15.4%</b>	<b>15.6%</b>	<b>16.2%</b>	<b>\$25.44</b>	<b>\$25.63</b>	<b>\$25.57</b>	<b>\$25.64</b>	<b>\$25.51</b>
A	11.4%	11.6%	12.2%	12.3%	13.0%	\$31.60	\$31.95	\$32.99	\$32.75	\$32.75
B	16.7%	16.6%	18.0%	18.4%	18.8%	\$22.89	\$22.83	\$22.62	\$22.61	\$22.54
C	13.8%	11.9%	12.7%	11.4%	12.8%	\$18.08	\$18.03	\$17.97	\$17.76	\$17.95
<b>West</b>	<b>9.7%</b>	<b>10.3%</b>	<b>10.8%</b>	<b>10.7%</b>	<b>11.1%</b>	<b>\$27.28</b>	<b>\$27.51</b>	<b>\$28.22</b>	<b>\$28.03</b>	<b>\$28.30</b>
A	9.6%	8.4%	9.8%	10.3%	10.4%	\$33.92	\$33.75	\$34.52	\$34.68	\$34.32
B	9.8%	11.7%	11.5%	11.0%	11.7%	\$23.55	\$23.53	\$23.70	\$24.00	\$23.90
C	9.2%	11.5%	14.3%	11.5%	11.1%	\$19.07	\$19.23	\$18.53	\$19.23	\$19.34
<b>Northeast</b>	<b>17.8%</b>	<b>17.5%</b>	<b>17.1%</b>	<b>16.5%</b>	<b>18.1%</b>	<b>\$19.32</b>	<b>\$19.37</b>	<b>\$19.82</b>	<b>\$20.38</b>	<b>\$20.43</b>
A	35.5%	36.2%	35.5%	34.2%	34.0%	\$25.56	\$25.38	\$25.56	\$26.57	\$26.50
B	14.8%	14.5%	14.2%	13.7%	15.7%	\$19.02	\$19.11	\$19.56	\$20.23	\$20.25
C	18.9%	16.5%	15.6%	15.9%	16.1%	\$15.94	\$13.53	\$14.45	\$14.76	\$14.40
<b>Overall</b>	<b>14.8%</b>	<b>15.1%</b>	<b>15.1%</b>	<b>14.9%</b>	<b>15.3%</b>	<b>\$24.62</b>	<b>\$24.86</b>	<b>\$25.17</b>	<b>\$25.03</b>	<b>\$25.22</b>

### Vacancy Rate by Market



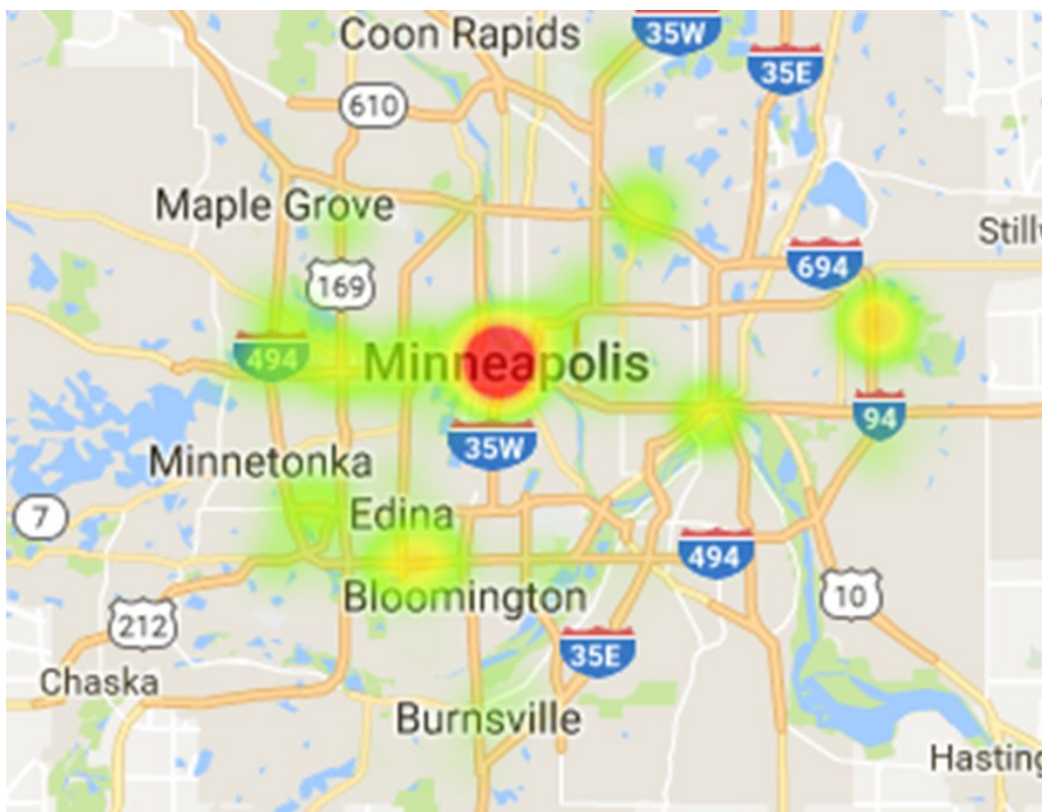
### Weighted Average Asking Rent by Market (FSG)



### Asking Rent Range by Class (FSG)



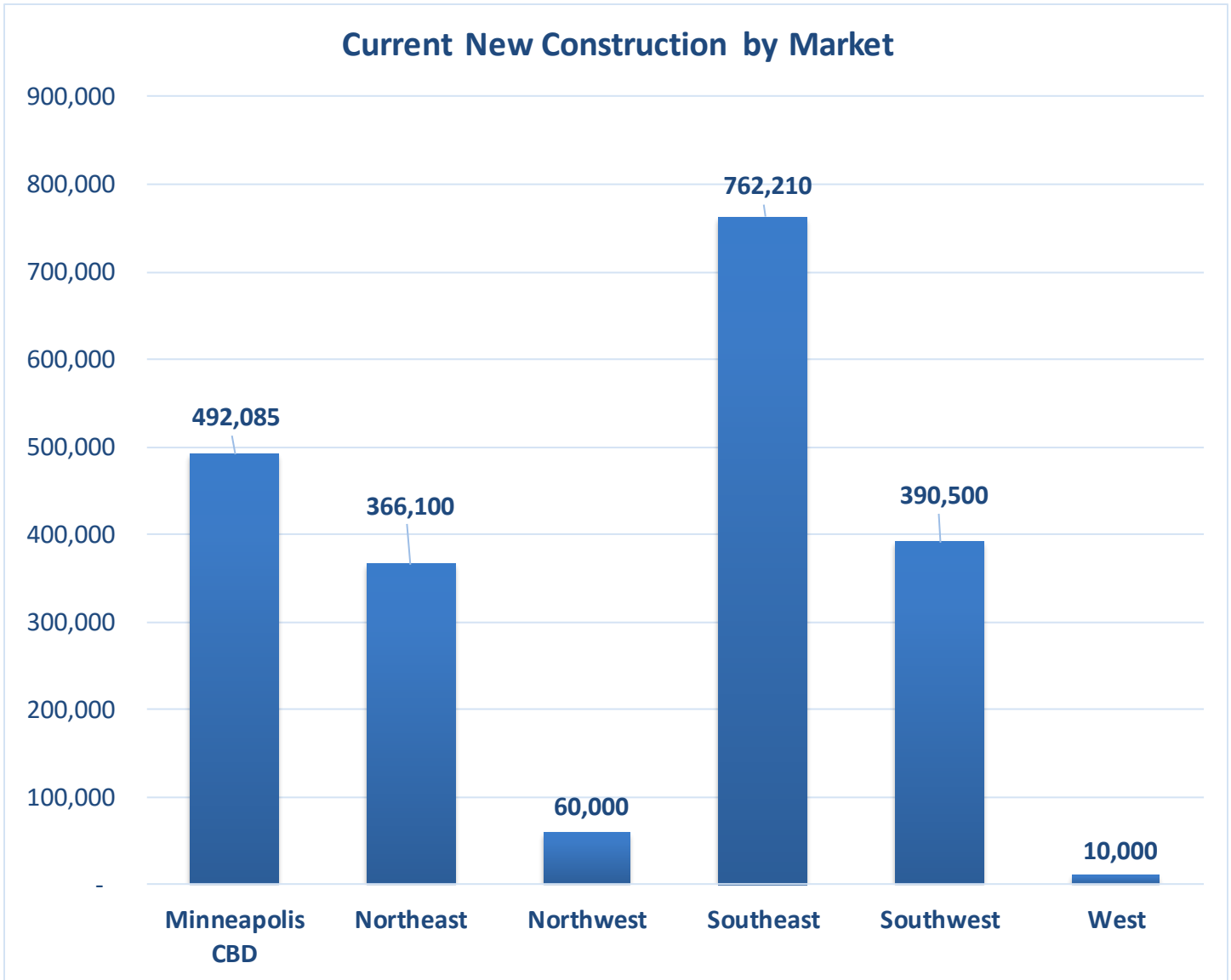




### Largest Absorption Changes

Property Name	Occupied or Vacated (sf)	Tenant Name	Market	Bldg Class
111 Washington Square	125,010	ECMC lease	Minneapolis CBD	B
PwC Plaza	51,681	PwC - PricewaterhouseCoopers lease; Parsons Corp vacancy	Minneapolis CBD	A
Fifth Street Towers	43,824	Bassford Remele lease	Minneapolis CBD	A
2100 NE Summer St	38,880	Fairview lease	Minneapolis CBD	B
Roanoke Building	-30,983	Wells Fargo vacancy	Minneapolis CBD	B
Norman Pointe I	-32,151	MAC Foundation vacancy	Southwest	A
Arden Hills Corporate Center I	-33,000	Cummins Power sublease vacancy	Northeast	B
Capella Tower	-48,177	Alliance Bernstein lease; Clothing Company lease; Alliance Bernstein vacancy; Price Waterhouse Cooper vacancy	Minneapolis CBD	A
Apollo Building	-51,202	ECMC vacancy	Northeast	B
Endeavor Building	-63,829	ECMC vacancy	Northeast	B
Marquette Plaza	-111,000	Xcel vacancy	Minneapolis CBD	B
Investors Building - Office	-248,252	Wells Fargo vacancy	Minneapolis CBD	B

Top Transactions						
Property Name	Sale Price	Sold (sf)	Buyer	Seller	Market	Bldg Class
Ameriprise Financial Center 707 S 2nd Ave	\$200,000,000	871,232	BAM 701 LLC c/o Morning Calm Management and Axar Capital Management	AEO LLC and Byte Investment Partnership 1 LLP c/o Founders Properties	Minneapolis CBD	A
Norman Point II 5600 American Blvd	\$52,500,000	330,000	Boyd Watterson Asset Management	Gramercy Property Trust	Southwest	A
River Park Plaza 10 River Park Plaza	\$42,600,000	328,947	SARA Investments Real Estate	Cohen Equities	Saint Paul CBD	B
Doctors Professional Building 280 Smith Ave	\$16,650,000	84,000	CPI/AHP St Paul MOB Owner LLC c/o AHP Management LLC	Doctors Professional Investment LLC c/o United Properties	Saint Paul CBD	A



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

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy. **For more information, please contact :**

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