Minneapolis/St. Paul, MN

1st Quarter 2015

OFFICE

Market Trends

MNCAR

PROVIDERS OF THE

EXCHANGE

POWERED BY XCELIGENT

Xceligent®

COMMERCIAL REAL ESTATE INFORMATION

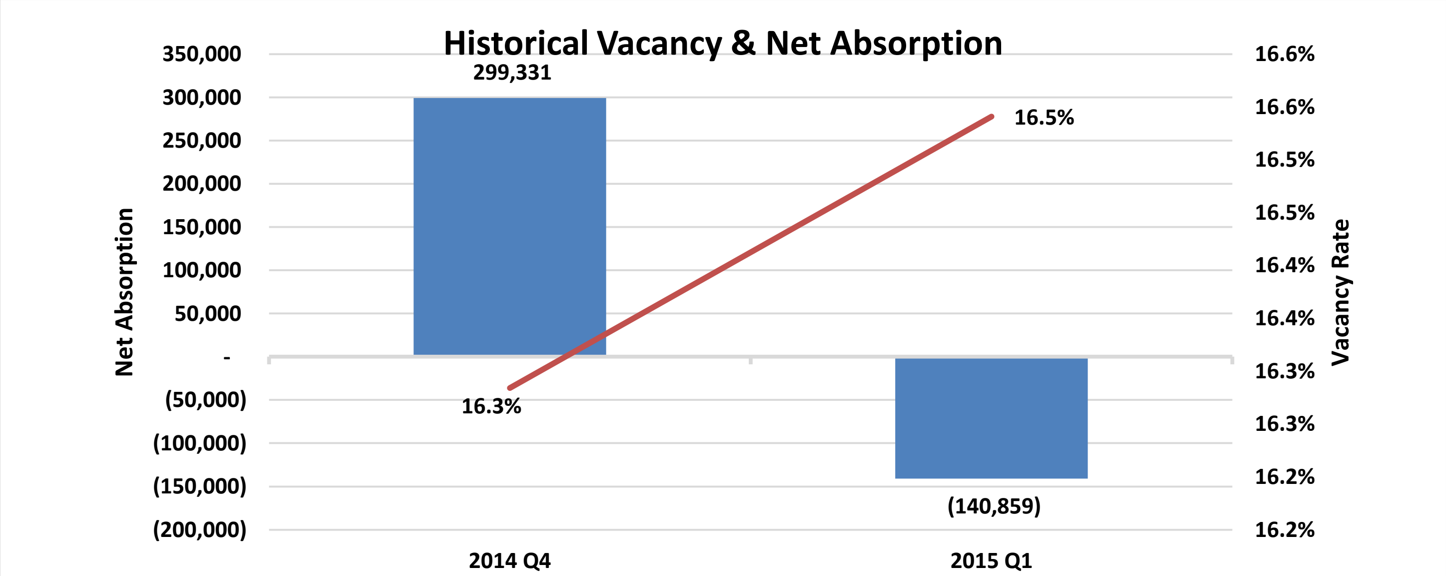
Table of Contents/Methodology of Tracked Set	2
Minneapolis Office Market Maps	3
Q1 2015 Overview	4
Overview by Submarket / Building Class	5
CBD v Suburbs	6-7
Lease Rates	8
Vacancy & Absorption	9
Biggest Absorption Changes	10
Notable Transactions	11
New Developments	12
Xceligent Advisory Board and Contacts	13

The Minneapolis tracked set consists of an inventory of buildings considered to be competitive within the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by

Inventory	The total square feet of all existing multi-tenant buildings 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 based on fiscal vacancy.
Sublease Space	Space that is offered for lease by a current tenant, or his agent, within a property.
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.


Saint Cloud
Western WI - North
Northeast
Northwest
- West
Minneapolis CBD
West
Western WI - South
Saint Paul CBD
Southwest
Southeast
St Paul CBD
Pine City
Cumberland
Coon Rapids
Minneapolis
Bloomington
Lakeville
Redwood Falls
Red Wing
New Ulm
Faribault

- The Twin Cities office market experienced 140,859 SF of negative absorption for the quarter
- Wells Fargo Home Mortage created the largest negative absorption of 145,060 sf in the Southeast market
- Campbell Mithun vacated 57,952 SF in Mpls CBD
- Cenveo created the largest positive absorption of 26,246 SF
- Class A properties experienced negative absorption of 87,149 SF.



Q1 2015 Market Overview by Building Class

	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
A	88	29,492,592	5,434,582	4,072,381	13.8%	3,817,126	12.9%	460,332	(87,149)	(87,149)
B	438	40,656,383	8,723,872	7,452,006	18.3%	7,125,658	17.5%	612,716	(56,283)	(56,283)
C	85	4,606,415	866,875	840,912	18.3%	840,912	18.3%	435	2,573	2,573
Grand Total	**611**	**74,755,390**	**15,025,329**	**12,365,299**	**16.5%**	**11,783,696**	**15.8%**	**1,073,483**	**(140,859)**	**(140,859)**

Overview by Submarket / Building Class

	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
Northeast	105	7,652,881	1,852,572	1,518,341	19.8%	1,511,218	19.7%	22,045	49,964	49,964
A	6	1,065,604	468,950	313,950	29.5%	313,950	29.5%	0	4,475	4,475
B	89	6,139,936	1,209,000	1,016,259	16.6%	1,009,136	16.4%	22,045	40,248	40,248
C	10	447,341	174,622	188,132	42.1%	188,132	42.1%	0	5,241	5,241
Northwest	55	3,625,853	795,296	780,609	21.5%	780,609	21.5%	0	5,914	5,914
A	1	350,631	88,246	28,063	8.0%	28,063	8.0%	0	6,178	6,178
B	44	2,844,125	652,830	705,126	24.8%	705,126	24.8%	0	5,527	5,527
C	10	431,097	54,220	47,420	11.0%	47,420	11.0%	0	(5,791)	(5,791)
Southeast	107	6,953,524	1,605,812	1,497,236	21.5%	1,412,553	20.3%	133,533	(126,158)	(126,158)
A	6	960,722	128,258	78,664	8.2%	68,064	7.1%	55,600	28,993	28,993
B	79	5,035,758	1,257,860	1,203,889	23.9%	1,129,806	22.4%	77,933	(146,768)	(146,768)
C	22	957,044	219,694	214,683	22.4%	214,683	22.4%	0	(8,383)	(8,383)
Southwest	142	15,714,277	3,495,142	2,556,674	16.3%	2,418,232	15.4%	311,708	22,118	22,118
A	26	6,059,786	1,147,566	840,375	13.9%	779,438	12.9%	77,808	(3,293)	(3,293)
B	103	9,072,387	2,263,058	1,616,264	17.8%	1,538,759	17.0%	233,900	15,991	15,991
C	13	582,104	84,518	100,035	17.2%	100,035	17.2%	0	9,420	9,420
Minneapolis CBD	96	26,262,728	4,577,144	3,786,683	14.4%	3,539,442	13.5%	411,750	(31,461)	(31,461)
A	25	15,456,147	2,773,951	2,090,289	13.5%	1,984,191	12.8%	229,966	(59,452)	(59,452)
B	55	9,507,074	1,576,519	1,510,958	15.9%	1,369,815	14.4%	181,784	18,963	18,963
C	16	1,299,507	226,674	185,436	14.3%	185,436	14.3%	0	9,028	9,028
Saint Paul CBD	36	6,894,332	1,418,043	1,426,241	20.7%	1,371,772	19.9%	54,904	(29,569)	(29,569)
A	5	1,923,691	397,908	392,117	20.4%	346,937	18.0%	45,180	(30,376)	(30,376)
B	21	4,305,300	953,356	969,286	22.5%	959,997	22.3%	9,289	(2,543)	(2,543)
C	10	665,341	66,779	64,838	9.7%	64,838	9.7%	435	3,350	3,350
West	70	7,651,795	1,281,320	799,515	10.4%	749,870	9.8%	139,543	(31,667)	(31,667)
A	19	3,676,011	429,703	328,923	8.9%	296,483	8.1%	51,778	(33,674)	(33,674)
B	47	3,751,803	811,249	430,224	11.5%	413,019	11.0%	87,765	12,299	12,299
C	4	223,981	40,368	40,368	18.0%	40,368	18.0%	0	(10,292)	(10,292)
Grand Total	**611**	**74,755,390**	**15,025,329**	**12,365,299**	**16.5%**	**11,783,696**	**15.8%**	**1,073,483**	**(140,859)**	**(140,859)**

CBD v Suburbs

Xceligent®

Minneapolis CBD

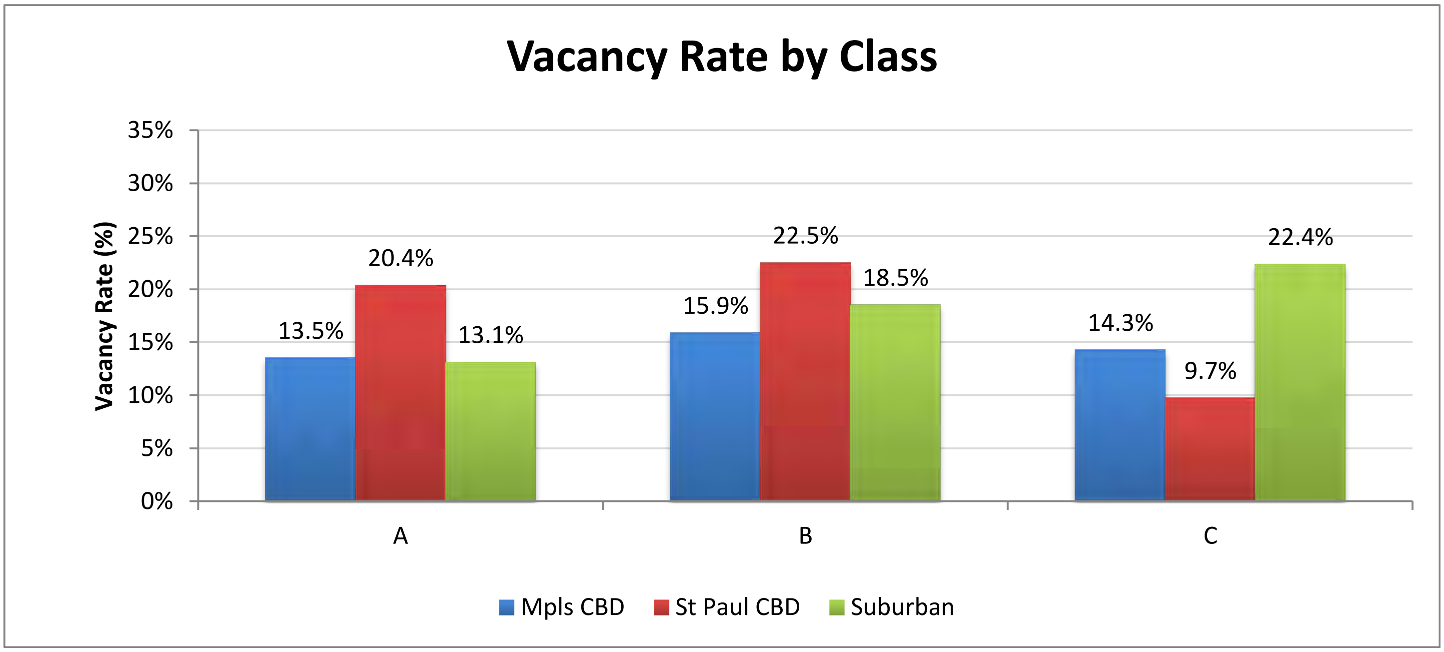
	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Qtrly Net Absorption (SF)	YTD Net Absorption (SF)
A	25	15,456,147	2,773,951	2,090,289	13.5%	1,984,191	12.8%	229,966	-59,452	-59,452
B	55	9,507,074	1,576,519	1,510,958	15.9%	1,369,815	14.4%	181,784	18,963	18,963
C	16	1,299,507	226,674	185,436	14.3%	185,436	14.3%	0	9,028	9,028
Total	**96**	**26,262,728**	**4,577,144**	**3,786,683**	**14.4%**	**3,539,442**	**13.5%**	**411,750**	**-31,461**	**-31,461**

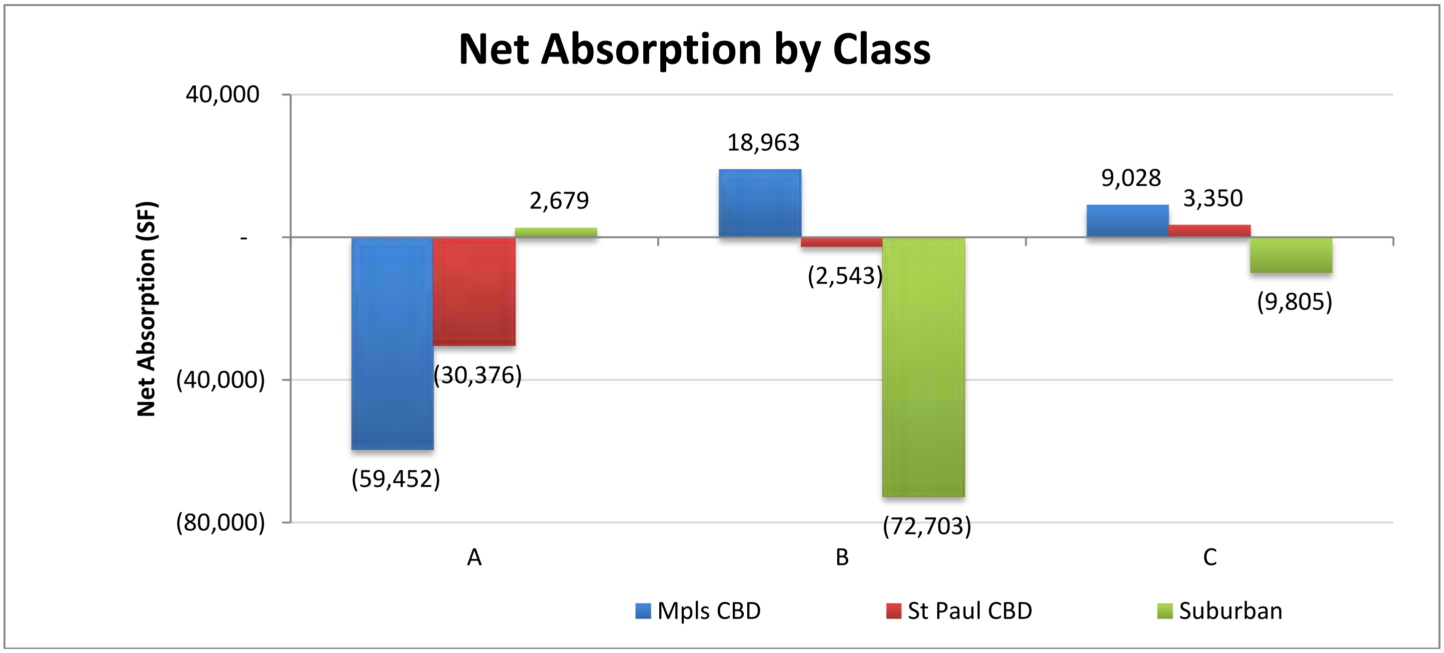
St Paul CBD

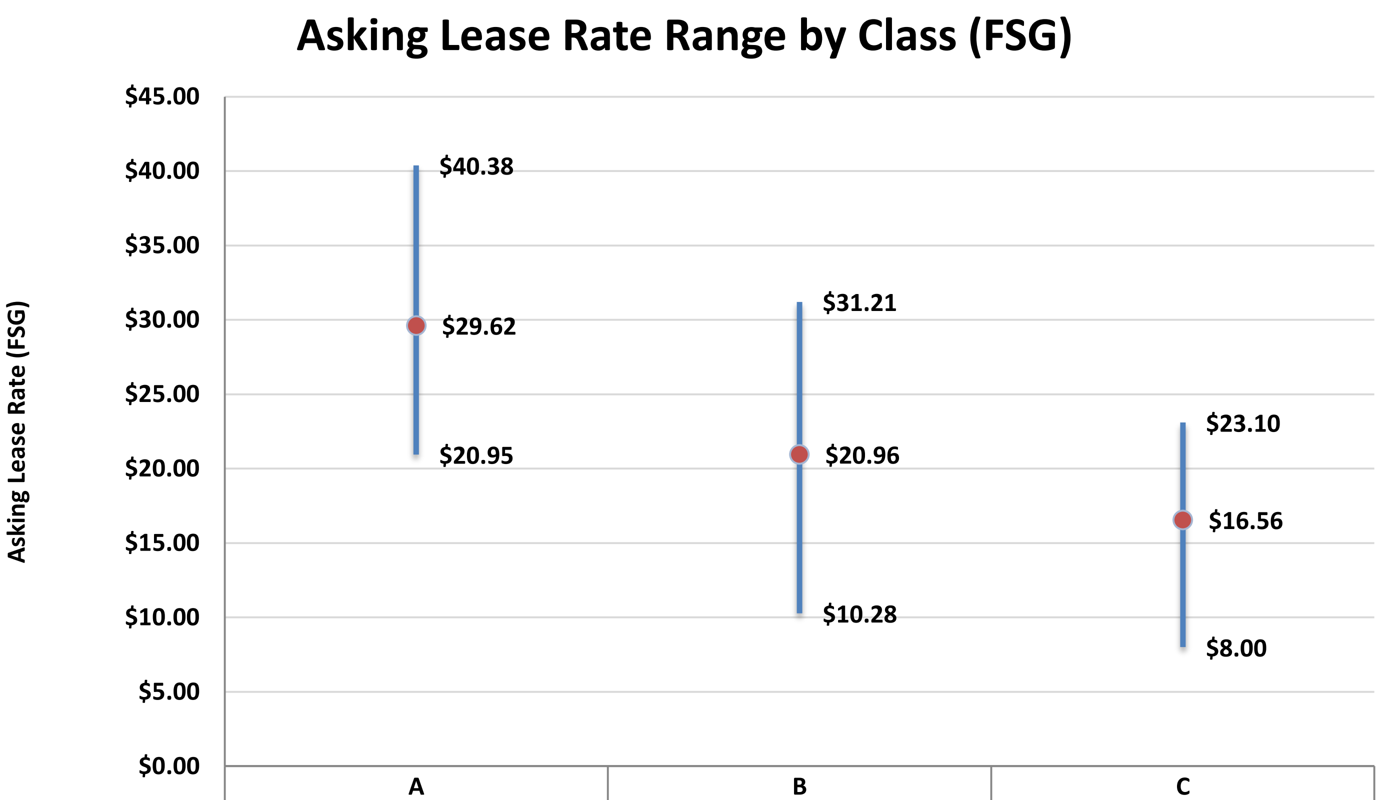
	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Qtrly Net Absorption (SF)	YTD Net Absorption (SF)
A	5	1,923,691	397,908	392,117	20.4%	346,937	18.0%	45,180	-30,376	-30,376
B	21	4,305,300	953,356	969,286	22.5%	959,997	22.3%	9,289	-2,543	-2,543
C	10	665,341	66,779	64,838	9.7%	64,838	9.7%	435	3,350	3,350
Total	**36**	**6,894,332**	**1,418,043**	**1,426,241**	**20.7%**	**1,371,772**	**19.9%**	**54,904**	**-29,569**	**-29,569**

Suburban

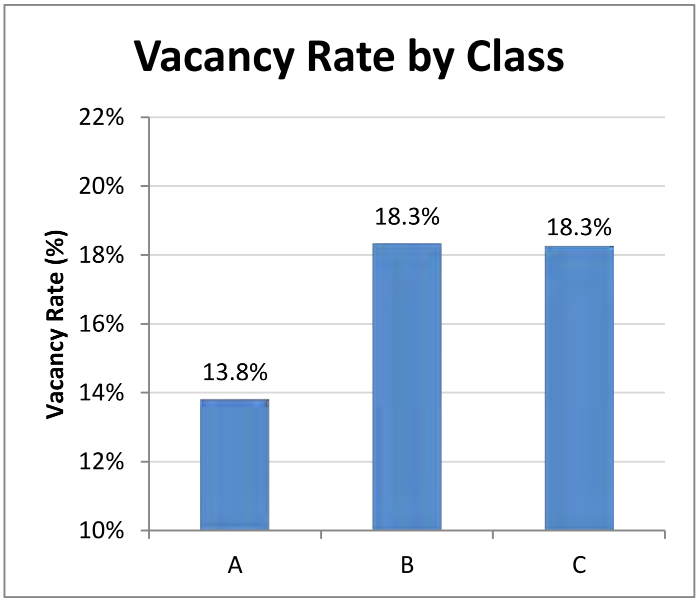
	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Qtrly Net Absorption (SF)	YTD Net Absorption (SF)
A	58	12,112,754	2,262,723	1,589,975	13.1%	1,485,998	12.3%	185,186	2,679	2,679
B	362	26,844,009	6,193,997	4,971,762	18.5%	4,795,846	17.9%	421,643	-72,703	-72,703
C	59	2,641,567	573,422	590,638	22.4%	590,638	22.4%	0	-9,805	-9,805
Total	**479**	**41,598,330**	**9,030,142**	**7,152,375**	**17.2%**	**6,872,482**	**16.5%**	**606,829**	**-79,829**	**-79,829**

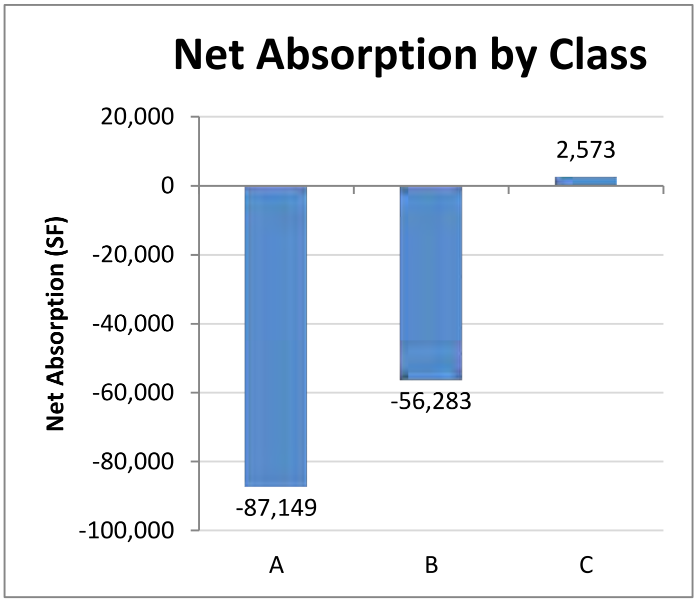

Vacancy Rate by Class
35%
30%
25%
20%
15%
10%
5%
0%
Vacancy Rate (%)
13.5%
20.4%
13.1%
15.9%
22.5%
18.5%
14.3%
9.7%
22.4%
A
B
C
Mpls CBD
St Paul CBD
Suburban

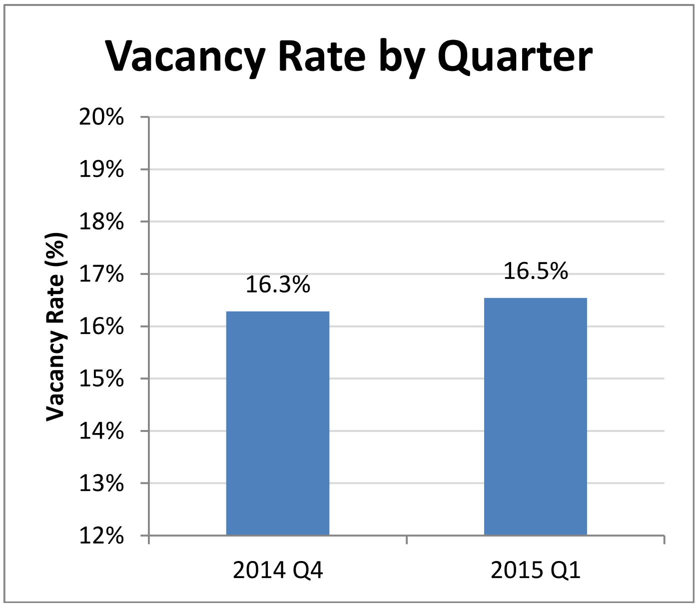

Net Absorption by Class
40,000
-
(40,000)
(80,000)
Net Absorption (SF)
(59,452)
(30,376)
2,679
18,963
(2,543)
(72,703)
9,028
3,350
(9,805)
A
B
C
Mpls CBD
St Paul CBD
Suburban

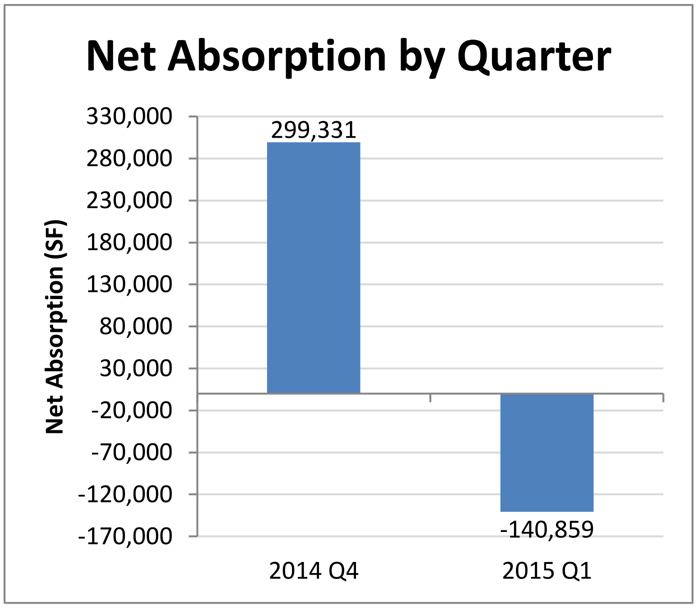


	A	B	C
Lease Rate Low	$20.95	$10.28	$8.00
Lease Rate High	$40.38	$31.21	$23.10
Average	$29.62	$20.96	$16.56


Vacancy Rate by Class
Vacancy Rate (%)
22%
20%
18%
16%
14%
12%
10%
13.8%
18.3%
18.3%
A
B
C


Net Absorption by Class
Net Absorption (SF)
20,000
0
-20,000
-40,000
-60,000
-80,000
-100,000
-87,149
-56,283
2,573
A
B
C


Vacancy Rate by Quarter
Vacancy Rate (%)
20%
19%
18%
17%
16%
15%
14%
13%
12%
16.3%
16.5%
2014 Q4
2015 Q1


Net Absorption by Quarter
Net Absorption (SF)
330,000
280,000
230,000
180,000
130,000
80,000
30,000
-20,000
-70,000
-120,000
-170,000
299,331
-140,859
2014 Q4
2015 Q1

Biggest Absorption Changes

Xceligent®

Property Name	Square Feet	Company Name	Market
International Plaza	31,213	Online Trading Academy leased; Farm Credit leased; OPIN Systems leased; Newark Group leased; I+S Group leased	Southeast
Broadway Place West	26,246	Cenveo leased	Northeast
US Bank Financial Center	19,729	IRS leased	Southeast
Butler Square	17,609	Aimia leased; Hargrove & Associates leased; Cystic Fibrosis Foundation leased	Minneapolis CBD
Fifth Street Towers	13,735	Baillon Phone leased, North Highland Group leased; Nina Hale leased	Minneapolis CBD
Shoreview Corporate Center	12,660	Benedictine Health System leased	Northeast
Two Carlson Parkway	-12,539	StoneCreek Financial leased, Otto Bock vacated, Mutual of Omaha vacated	West
Apple Valley Commons I	-13,192	Dougherty, Molenda, Solfest, Hills & Bauer, P.A. vacated, Law Office vacated	Southeast
Jacobson Building	-14,000	VDG vacated	Minneapolis CBD
180 5th St E	-15,411	Jacobson Law leased, Health Partners leased, Visi vacated, BNSF downsized	Saint Paul CBD
Crescent Ridge 2	-16,449	Siemens downsized	West
AT&T Tower	-17,688	Undisclosed	Minneapolis CBD
Southdale Office Centre	-18,586	Undisclosed	Southwest
10400 Southwest Crossing	-22,618	EMC vacated	Southwest
Bremer Tower	-24,158	Bremer Financial vacated	Saint Paul CBD
BLN Office Park	-42,252	Independent Community Bankers leased; Wells Fargo (Home Mortgage) vacated	Southeast
Campbell Mithun Tower Building	-57,952	Campbell Mithun	Minneapolis CBD
BLN Office Park II	-106,774	Wells Fargo (Home Mortgage) vacated	Southeast

Notable Transactions

Xceligent®

Notable Lease Transactions			
Property Name	**Square Feet**	**Company Name**	**Market**
Northland Plaza 3800 American Blvd W	29,451	Vanco	Southwest
US Bank Plaza Office South Tower 220 S 6th St	25,628	US Bank	Mpls CBD
IDS Center 80 S 8th St	23,304	Lazard Middle Market	Mpls CBD
First National Bank Building 332 Minnesota St	23,180	Wold Architects	Saint Paul CBD
US Bancorp Center 800 Nicollet Mall	22,580	Robert Half Finance & Accounting	Mpls CBD
Spruce Tree Centre 1600 University Ave	22,000	Undisclosed	Northeast
US Bank Financial Center 1550 E American Blvd	19,729	GSA	Southeast
5353 Wayzata Blvd	19,559	RCRI	West
Shingle Creek Plaza 5910 Shingle Creek Pkwy	18,552	Brooklyn Center School District	Northwest
Commerce Hill Medical Building Tamarack Rd and Woodbury Dr	17,000	Central Pediatrics	Northeast
Crosstown Centre 10050 Crosstown Cir	16,614	Bluestem Brands	Southwest
Valley Square Corporate Center 7500 Olson Memorial Hwy	16,583	Wenck Associates Inc	Northwest

Notable Sale Transactions				
Property Name	**Square Feet**	**Company Name**	**Market**	**Price**
Fifth Street Towers 100 & 150 S 5th St	1,069,061	Fifth Street Towers Properties LLC c/o PIMCO	Mpls CBD	$154,000,000
The Parkdales 5353 Gamble Dr 5401 Gamble Dr 1660 Hwy 100 S 5354 Parkdale Dr 5402 Parkdale Dr 5100 Gamble Dr	558,083	Excelsior Group and Goldman Sachs & Co	West	$38,204,200
Eden Bluff Corporate Center 14800 Charlson Rd	152,214	CDHR Acquisition LLC c/o Dougherty Real Estate Advisors	Southwest	$28,000,000
1001 3rd Ave S	451,260	DCI Technology Holdings	Mpls CBD	$22,400,000
Olympic Place 7825 S Washington Ave	109,861	Altus Properties	Southwest	$7,750,000
Wedgwood Commerce Centre I 6900 Wedgwood Rd	85,404	CRE Wedwood LLC c/o Onward Investors	Northwest	$6,800,000

New Developments

Property Name	Address	City	Market	Bldg Size	Tenancy
Downtown East Block 68 & 69 - Wells Fargo Tower I	81 S 9th St	Minneapolis	Minneapolis CBD	550,000	Single-Tenant
Downtown East Block 68-69 Wells Fargo Tower II	81 S 9th St	Minneapolis	Minneapolis CBD	550,000	Single-Tenant
United Health Group - Bldg 3	1100 Optum Cir	Eden Prairie	Southwest	505,900	Single-Tenant
Be The Match	524 N 5th St	Minneapolis	Northeast	240,000	Single-Tenant
Xcel	401 Nicollet	Minneapolis	Minneapolis CBD	222,000	Single-Tenant
The Offices @ MOA	2001 Lindau Ln	Bloomington	Southeast	170,000	Multi-Tenant
Anytime Fitness	SW of 494 & 94	Woodbury	Southeast	80,000	Single-Tenant
6405 France Ave	6405 France Ave	Edina	Southwest	70,000	Multi-Tenant
Southdale Medical Center Phase III	6565 France Ave S	Edina	Southwest	57,479	Multi-Tenant
Commerce Hill Offices	9620 Tamarack Rd	Woodbury	Southeast	30,000	Multi-Tenant
Eagle Point Medical Building	8515 Eagle Point Blvd	Lake Elmo	Northeast	29,700	Multi-Tenant
Westview Commons	0 Westview	Hastings	Southeast	24,000	Multi-Tenant

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.

Minneapolis Office Advisory Board Members

Jason Butterfield
Cushman & Wakefield/NorthMarq

Reed Christianson
Transwestern

Sean Coatney
Core Commercial Real Estate

Matt Delisle
Colliers International
Minneapolis-St. Paul

Jerry Driessen
CBRE

Chris Gliedman
CBRE

Mike Honsa
Transwestern

Jeff Nordness
Essence Real Estate

Bob Pfefferle
Hines

Eric Rapp
Colliers International
Minneapolis-St. Paul

Ann Rinde
JLL

Brent Karkula
CBRE

Andrew Manthei
KW Commercial Midwest

Jim Montez
Cushman & Wakefield/NorthMarq

Nils Snyder
Colliers International
Minneapolis-St. Paul

Tom Stella
Cushman & Wakefield/NorthMarq

Mark Stevens
Cushman & Wakefield/NorthMarq

Kai Thomsen
DTZ

Brian Wasserman
CBRE

Mike Wilhelm
Zeller Realty

For additional information about this report or to discuss membership in Xceligent please contact

Chris Allen

(952) 908-1788

callen@xceligent.com

Jon Holm

(952) 908-1795

jholm@xceligent.com

Xceligent®
COMMERCIAL REAL ESTATE INFORMATION