

MARKET TRENDS

Q2 2019 | Mpls-St Paul | Office

Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	1,950,668	
Area Unemployment	2.7	
U.S. Unemployment	3.6	
Office Jobs	513,700	

Source: BLS

*Employment figures and area unemployment are based on Mpls-St Paul MSA data.

Market Recap

All Properties

Total Inventory (sf)	127,285,045
Absorption	131,671
Vacancy	11.3%
Asking Rate (FSG)	\$24.30
New Construction (sf)	1,881,985

Multi-tenant Properties

Total Inventory (sf)	90,550,542
Absorption	175,045
Vacancy	14.9%
Asking Rate (FSG)	\$24.29

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) increased 40 basis points to 2.7% for May 2019 from 2.3% for May 2018. The unemployment rate for the US was at 3.6% in May 2019, down from 3.8% Y-o-Y for the US. The Mpls-St Paul MSA saw an decrease in office job growth, professional, financial and information increased by 1,200 during the same period.

Market Overview

The Mpls-St Paul office market, consisting of over 127 msf of space in seven counties across the metro posting 131,600 sf positive absorption for Q2 2019. The vacancy rate for the market stands at 11.3% for all properties for Q2 2019. Total year to date absorption is 256,750 sf. Multi-tenant properties posted 14.9% with 175,000 sf positive absorption. The average asking lease rate for Mpls-St Paul came in at \$24.30 psf FSG. To date, there are 15 construction projects throughout the market totaling over 2.7 msf.

Market Highlights

During the second quarter 2019 the market experienced over 1.1 msf of leasing activity and the vacancy rate finished the quarter at 11.3% in total. Class A properties ended the quarter at 8.6% for all properties and 12.7% for multi-tenant properties. The West market posted the lowest vacancy rate at 11.3% for multi-tenant properties. For the second quarter the West Market carried the market with the most positive absorption of 63,000 sf. St Paul CBD posted the largest negative absorption of 90,000 sf.

Market Statistics by Building Class (All Properties)

Total

Bldg Class	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
A	154	50,998,311	5,701,147	4,393,057	89,119	106,642	8.6%
B	685	64,122,398	10,579,831	8,775,727	66,565	311,086	13.7%
C	174	12,164,336	1,138,310	1,260,335	(24,013)	(160,978)	10.4%
Grand Total	1,013	127,285,045	17,419,288	14,429,119	131,671	256,750	11.3%

Direct

Bldg Class	# of Bldgs	Inventory	Direct Avail	Direct Vacant	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
A	154	50,998,311	5,197,421	4,211,173	142,411	152,940	8.3%
B	685	64,122,398	9,374,057	8,019,464	(18,638)	256,260	12.5%
C	174	12,164,336	1,110,043	1,252,310	(31,498)	(159,663)	10.3%
Grand Total	1,013	127,285,045	15,681,521	13,482,947	92,275	249,537	10.6%

Sublease

Bldg Class	# of Bldgs	Inventory	Sublease Avail	Sublease Vacant	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
A	154	50,998,311	503,726	181,884	(53,292)	(46,298)	0.4%
B	685	64,122,398	1,205,774	756,263	85,203	54,826	1.2%
C	174	12,164,336	28,267	8,025	7,485	(1,315)	0.1%
Grand Total	1,013	127,285,045	1,737,767	946,172	39,396	7,213	0.7%

Market Statistics by Building Class (Multi-Tenant)

Total

Bldg Class	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
A	117	34,640,698	5,696,051	4,387,961	89,119	106,642	12.7%
B	574	48,048,504	9,453,622	8,089,746	115,664	360,185	16.8%
C	132	7,861,341	894,348	1,054,537	(29,738)	(5,215)	13.4%
Grand Total	823	90,550,542	16,044,021	13,532,244	175,045	461,612	14.9%

Direct

Bldg Class	# of Bldgs	Inventory	Direct Avail	Direct Vacant	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
A	117	34,640,698	5,192,325	4,206,077	142,411	152,940	12.1%
B	574	48,048,504	8,607,948	7,627,643	106,062	380,960	15.9%
C	132	7,861,341	866,081	1,046,512	(37,223)	(3,900)	13.3%
Grand Total	823	90,550,542	14,666,354	12,880,232	211,250	530,000	14.2%

Sublease

Bldg Class	# of Bldgs	Inventory	Sublease Avail	Sublease Vacant	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
A	117	34,640,698	503,726	181,884	(53,292)	(46,298)	0.5%
B	574	48,048,504	845,674	462,103	9,602	(20,775)	1.0%
C	132	7,861,341	28,267	8,025	7,485	(1,315)	0.1%
Grand Total	823	90,550,542	1,377,667	652,012	(36,205)	(68,388)	0.7%

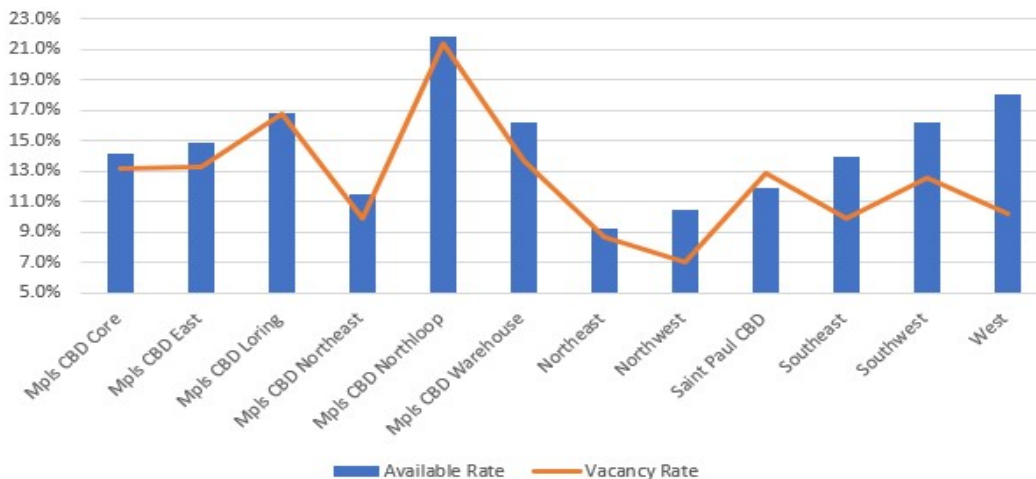
Market Statistics by Market (All Properties)

Market	Bldg Class	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Mpls CBD Core	A	27	18,992,611	2,362,523	1,783,773	12,479	(92,572)	9.4%
	B	28	7,401,080	1,439,655	1,659,966	18,821	62,021	22.4%
	C	8	746,060	36,217	123,083	0	0	16.5%
	Subtotal	63	27,139,752	3,838,395	3,566,822	31,300	(30,551)	13.1%
Mpls CBD East	A	5	1,291,336	5,096	5,096	0	0	0.4%
	B	5	926,220	315,182	288,684	0	39,701	31.2%
	C	3	183,316	36,447	25,416	0	15,378	13.9%
	Subtotal	13	2,400,872	356,725	319,196	0	55,079	13.3%
Mpls CBD Loring	B	3	140,530	28,118	28,118	0	0	20.0%
	C	1	26,848			0	0	0.0%
	Subtotal	4	167,378	28,118	28,118	0	0	16.8%
Mpls CBD Northeast	A	1	191,610	26,331	26,331	0	0	13.7%
	B	27	2,543,272	275,832	285,655	14,991	34,842	11.2%
	C	6	424,311	59,131		3,585	3,585	0.0%
	Subtotal	34	3,159,193	361,294	311,986	18,576	38,427	9.9%
Mpls CBD Northloop	A	6	1,492,299	240,550	266,881	15,520	11,420	17.9%
	B	15	881,956	286,458	264,565	35,331	20,454	30.0%
	C	3	186,976	32,456	17,345	0	0	9.3%
	Subtotal	24	2,561,231	559,464	548,791	50,851	31,874	21.4%
Mpls CBD Warehouse	A	1	218,020			0	0	0.0%
	B	14	1,633,117	321,082	271,503	(1,525)	(9,001)	16.6%
	C	2	126,185			0	0	0.0%
	Subtotal	17	1,977,322	321,082	271,503	(1,525)	(9,001)	13.7%
Mpls CBD	A	40	22,185,876	2,634,500	2,082,081	27,999	(81,152)	9.4%
	B	92	13,526,176	2,666,327	2,798,491	67,618	148,017	20.7%
	C	23	1,693,696	164,251	165,844	3,585	18,963	9.8%
	Subtotal	155	37,405,748	5,465,078	5,046,416	99,202	85,828	13.5%

Market Statistics by Market (All Properties Continued)

Market	Bldg Class	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Northeast	A	21	4,766,148	176,041	162,048	4,308	(47,700)	3.4%
	B	151	14,870,376	1,621,921	1,505,127	22,860	111,897	10.1%
	C	44	2,634,210	262,836	251,566	(8,291)	(146,236)	9.5%
	Subtotal	216	22,270,734	2,060,798	1,918,741	18,877	(82,039)	8.6%
Northwest	A	6	2,540,342	58,279	45,574	1,413	1,413	1.8%
	B	73	4,093,358	654,663	409,641	11,225	16,386	10.0%
	C	21	1,001,669	83,204	82,596	(3,574)	(5,020)	8.2%
	Subtotal	100	7,635,369	796,146	537,811	9,064	12,779	7.0%
Saint Paul CBD	A	11	3,599,188	549,296	527,906	(19,292)	(26,731)	14.7%
	B	29	6,472,504	641,267	770,108	(69,111)	41,496	11.9%
	C	8	969,816	121,182	121,182	(1,736)	(4,465)	12.5%
	Subtotal	48	11,041,509	1,311,745	1,419,196	(90,139)	10,300	12.9%
Southeast	A	17	3,645,617	354,937	335,149	17,619	54,936	9.2%
	B	128	7,929,986	1,574,066	1,016,233	11,393	(54,828)	12.8%
	C	33	2,847,037	84,134	78,015	(5,900)	(4,873)	2.7%
	Subtotal	178	14,422,640	2,013,137	1,429,397	23,112	(4,765)	9.9%
Southwest	A	42	10,529,036	1,167,142	868,677	27,066	71,238	8.3%
	B	152	11,540,515	2,424,711	1,861,151	(11,194)	6,329	16.1%
	C	34	2,234,003	334,896	308,325	(7,447)	(9,451)	13.8%
	Subtotal	228	24,303,554	3,926,749	3,038,153	8,425	68,116	12.5%
West	A	17	3,732,105	760,952	371,622	30,006	134,638	10.0%
	B	60	5,689,483	996,876	414,976	33,774	41,789	7.3%
	C	11	783,904	87,807	252,807	(650)	(9,896)	32.2%
	Subtotal	88	10,205,492	1,845,635	1,039,405	63,130	166,531	10.2%
Grand Total		1,013	127,285,045	17,419,288	14,429,119	131,671	256,750	11.3%

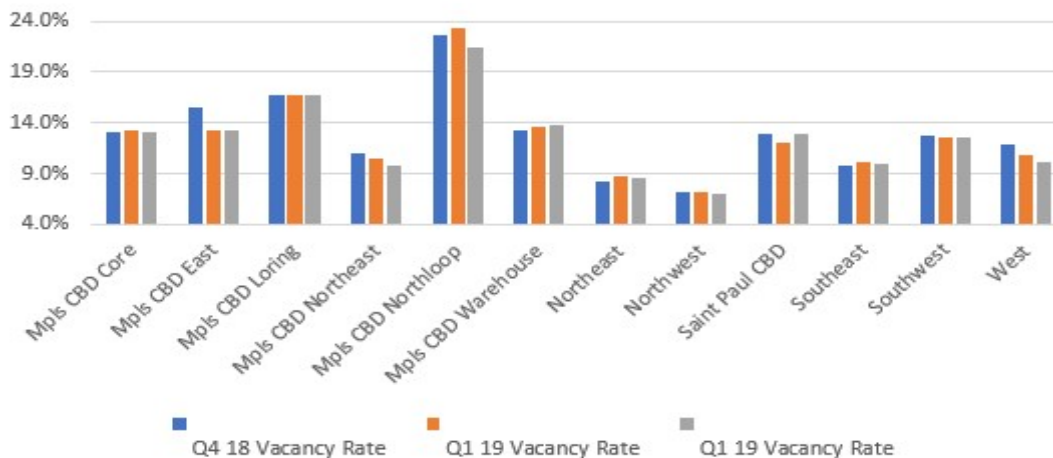
Available and Vacancy Rates (All Properties)



Lease and Vacancy Rates (All Properties)

Market	Bldg Class	Q4 18	Q1 19	Q2 19	Q4 18	Q1 19	Q2 19
		Vacancy Rate	Vacancy Rate	Vacancy Rate	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)
Mpls CBD Core	A	8.9%	9.5%	9.4%	\$34.39	\$33.65	\$35.02
	B	23.3%	22.7%	22.4%	\$27.27	\$27.35	\$28.67
	C	16.5%	16.5%	16.5%	\$23.38	\$23.38	\$23.49
	Subtotal	13.0%	13.3%	13.1%	\$30.07	\$29.78	\$30.94
Mpls CBD East	A	0.4%	0.4%	0.4%			
	B	35.5%	31.2%	31.2%	\$26.32	\$26.32	\$26.27
	C	22.3%	13.9%	13.9%	\$18.20	\$16.86	\$16.86
	Subtotal	15.6%	13.3%	13.3%	\$22.26	\$22.54	\$22.51
Mpls CBD Loring	B	20.0%	20.0%	20.0%	\$21.17	\$21.17	\$21.75
	C	0.0%	0.0%	0.0%			
	Subtotal	16.8%	16.8%	16.8%	\$21.17	\$21.17	\$21.75
Mpls CBD Northeast	A	13.7%	13.7%	13.7%	\$26.07	\$25.51	\$25.52
	B	12.6%	11.8%	11.2%	\$23.48	\$24.46	\$24.01
	C	0.8%	0.8%	0.0%	\$26.15	\$25.08	\$24.00
	Subtotal	11.1%	10.5%	9.9%	\$23.83	\$24.61	\$24.10
Mpls CBD Northloop	A	18.6%	18.9%	17.9%	\$36.18	\$37.00	\$37.75
	B	32.3%	34.0%	30.0%	\$27.12	\$26.77	\$27.55
	C	9.3%	9.3%	9.3%	\$25.43	\$25.43	\$25.43
	Subtotal	22.7%	23.4%	21.4%	\$29.78	\$30.33	\$30.81
Mpls CBD Warehouse	A	0.0%	0.0%	0.0%			
	B	16.1%	16.5%	16.6%	\$24.50	\$25.92	\$27.78
	C	0.0%	0.0%	0.0%			
	Subtotal	13.3%	13.7%	13.7%	\$24.50	\$25.92	\$27.78
Mpls CBD	A	9.0%	9.5%	9.4%	\$34.33	\$34.06	\$35.25
	B	21.8%	21.2%	20.7%	\$25.45	\$25.87	\$26.57
	C	10.9%	10.0%	9.8%	\$22.04	\$22.43	\$21.69
	Subtotal	13.7%	13.8%	13.5%	\$27.38	\$27.72	\$28.33

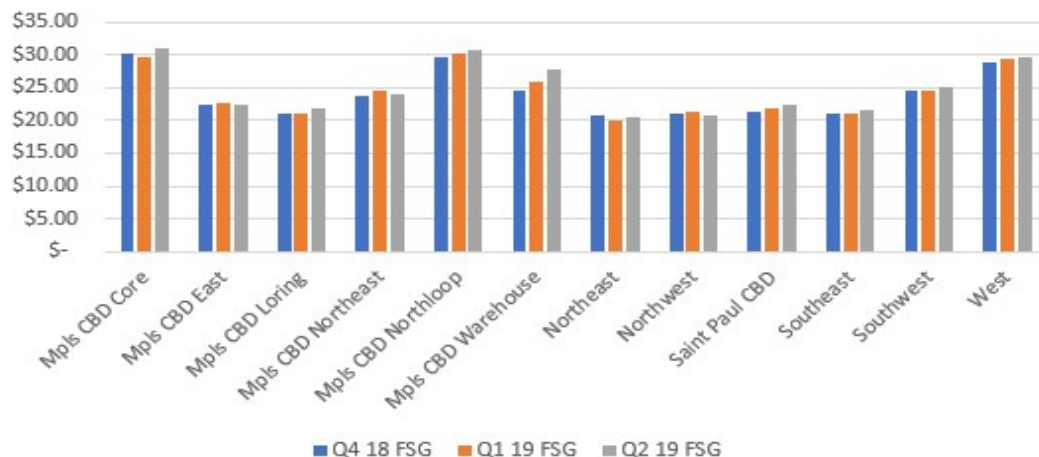
Vacancy Rates by Market (All Properties)



Lease and Vacancy Rates (All Properties Continued)

Market	Bldg Class	Q4 18	Q1 19	Q2 19	Q4 18	Q1 19	Q2 19
		Vacancy Rate	Vacancy Rate	Vacancy Rate	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)
Northeast	A	2.4%	3.5%	3.4%	\$21.79	\$21.87	\$21.82
	B	10.9%	10.3%	10.1%	\$21.38	\$20.31	\$21.03
	C	4.0%	9.2%	9.5%	\$15.65	\$15.73	\$16.09
	Subtotal	8.2%	8.7%	8.6%	\$20.73	\$19.89	\$20.47
Northwest	A	1.8%	1.8%	1.8%	\$29.56	\$29.56	\$30.27
	B	10.4%	10.3%	10.0%	\$21.53	\$22.01	\$21.39
	C	7.7%	7.9%	8.2%	\$17.84	\$18.10	\$18.32
	Subtotal	7.2%	7.2%	7.0%	\$21.01	\$21.37	\$20.87
Saint Paul CBD	A	13.9%	14.1%	14.7%	\$24.42	\$26.16	\$26.55
	B	12.5%	10.8%	11.9%	\$18.74	\$19.58	\$20.62
	C	12.0%	12.3%	12.5%	\$20.64	\$19.49	\$19.08
	Subtotal	12.9%	12.0%	12.9%	\$21.41	\$21.85	\$22.51
Southeast	A	10.7%	9.7%	9.2%	\$27.41	\$27.21	\$27.13
	B	12.1%	13.0%	12.8%	\$20.80	\$20.83	\$21.39
	C	2.6%	2.5%	2.7%	\$18.36	\$17.94	\$19.18
	Subtotal	9.9%	10.1%	9.9%	\$21.18	\$21.01	\$21.65
Southwest	A	8.9%	8.5%	8.3%	\$30.37	\$30.51	\$32.24
	B	16.2%	16.0%	16.1%	\$22.86	\$22.86	\$23.45
	C	13.4%	13.5%	13.8%	\$20.78	\$21.49	\$21.31
	Subtotal	12.8%	12.5%	12.5%	\$24.48	\$24.55	\$25.21
West	A	13.6%	10.8%	10.0%	\$35.89	\$37.02	\$37.11
	B	8.0%	7.9%	7.3%	\$26.87	\$27.26	\$27.73
	C	31.0%	32.2%	32.2%	\$24.10	\$23.49	\$24.44
	Subtotal	11.8%	10.8%	10.2%	\$28.95	\$29.31	\$29.53
Grand Total		11.5%	11.4%	11.3%	\$23.88	\$23.82	\$24.30

Lease Rates by Market (All Properties)



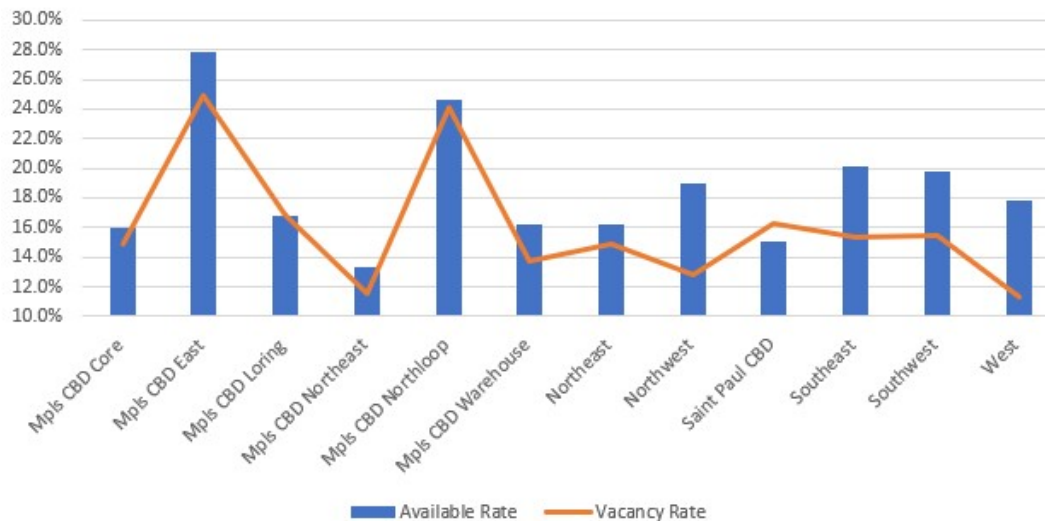
Market Statistics by Market (Multi-Tenant)

Market	Bldg Class	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Mpls CBD Core	A	23	16,074,406	2,362,523	1,783,773	12,479	(92,572)	11.1%
	B	27	7,294,184	1,439,655	1,659,966	18,821	62,021	22.8%
	C	7	681,840	36,217	123,083	0	0	18.1%
	Subtotal	57	24,050,431	3,838,395	3,566,822	31,300	(30,551)	14.8%
Mpls CBD East	A	2	150,659			0	0	0.0%
	B	5	926,220	315,182	288,684	0	39,701	31.2%
	C	3	183,316	36,447	25,416	0	15,378	13.9%
	Subtotal	10	1,260,195	351,629	314,100	0	55,079	24.9%
Mpls CBD Loring	B	3	140,530	28,118	28,118	0	0	20.0%
	C	1	26,848			0	0	0.0%
	Subtotal	4	167,378	28,118	28,118	0	0	16.8%
Mpls CBD Northeast	A	1	191,610	26,331	26,331	0	0	13.7%
	B	25	2,100,684	275,832	285,655	14,991	34,842	13.6%
	C	6	424,311	59,131		3,585	3,585	0.0%
	Subtotal	32	2,716,605	361,294	311,986	18,576	38,427	11.5%
Mpls CBD Northloop	A	5	1,203,483	240,550	266,881	15,520	11,420	22.2%
	B	15	881,956	286,458	264,565	35,331	20,454	30.0%
	C	3	186,976	32,456	17,345	0	0	9.3%
	Subtotal	23	2,272,415	559,464	548,791	50,851	31,874	24.2%
Mpls CBD Warehouse	A	1	218,020			0	0	0.0%
	B	14	1,633,117	321,082	271,503	(1,525)	(9,001)	16.6%
	C	2	126,185			0	0	0.0%
	Subtotal	17	1,977,322	321,082	271,503	(1,525)	(9,001)	13.7%
Mpls CBD	A	32	17,838,178	2,629,404	2,076,985	27,999	(81,152)	11.6%
	B	89	12,976,692	2,666,327	2,798,491	67,618	148,017	21.6%
	C	22	1,629,476	164,251	165,844	3,585	18,963	10.2%
	Subtotal	143	32,444,346	5,459,982	5,041,320	99,202	85,828	15.5%

Market Statistics by Market (Multi-Tenant Continued)

Market	Bldg Class	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Northeast	A	13	874,072	176,041	162,048	4,308	(47,700)	18.5%
	B	106	6,397,900	1,158,088	1,068,246	42,859	131,896	16.7%
	C	30	1,604,289	101,348	90,078	(8,291)	15,252	5.6%
	Subtotal	149	8,876,260	1,435,477	1,320,372	38,876	99,448	14.9%
Northwest	A	2	475,350	58,279	45,574	1,413	1,413	9.6%
	B	62	3,162,498	654,663	409,641	11,225	16,386	13.0%
	C	14	568,087	83,204	82,596	(3,574)	(5,020)	14.5%
	Subtotal	78	4,205,935	796,146	537,811	9,064	12,779	12.8%
Saint Paul CBD	A	11	3,599,188	549,296	527,906	(19,292)	(26,731)	14.7%
	B	23	4,195,226	641,267	770,108	(69,111)	41,496	18.4%
	C	7	909,769	121,182	121,182	(1,736)	(4,465)	13.3%
	Subtotal	41	8,704,184	1,311,745	1,419,196	(90,139)	10,300	16.3%
Southeast	A	12	1,573,292	354,937	335,149	17,619	54,936	21.3%
	B	111	6,481,269	1,403,968	987,133	40,493	(25,728)	15.2%
	C	28	1,079,531	84,134	78,015	(5,900)	(4,873)	7.2%
	Subtotal	151	9,134,092	1,843,039	1,400,297	52,212	24,335	15.3%
Southwest	A	32	7,036,188	1,167,142	868,677	27,066	71,238	12.3%
	B	128	9,488,593	2,138,771	1,641,151	(11,194)	6,329	17.3%
	C	23	1,473,358	252,422	264,015	(13,172)	(15,176)	17.9%
	Subtotal	183	17,998,139	3,558,335	2,773,843	2,700	62,391	15.4%
West	A	15	3,244,431	760,952	371,622	30,006	134,638	11.5%
	B	55	5,346,326	790,538	414,976	33,774	41,789	7.8%
	C	8	596,830	87,807	252,807	(650)	(9,896)	42.4%
	Subtotal	78	9,187,587	1,639,297	1,039,405	63,130	166,531	11.3%
Grand Total		823	90,550,542	16,044,021	13,532,244	175,045	461,612	14.9%

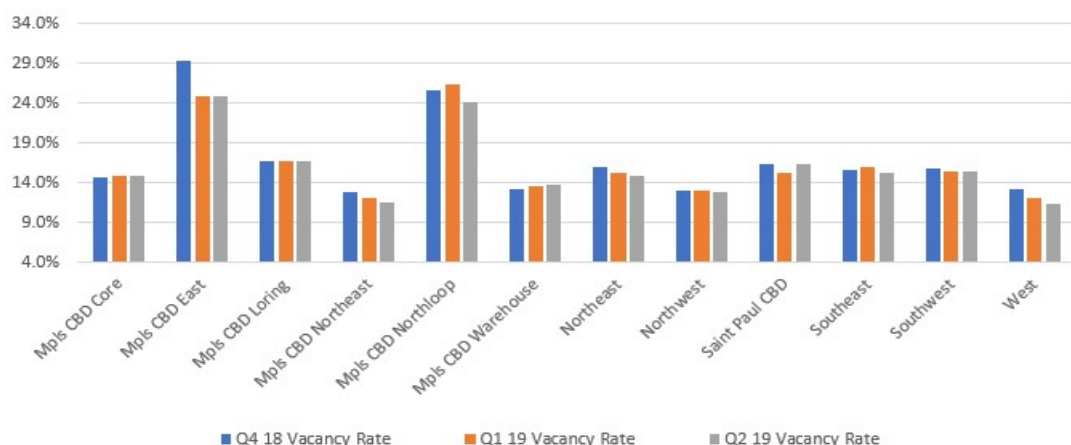
Available and Vacancy Rates (Multi-Tenant)



Lease and Vacancy Rates (Multi-Tenant)

Market	Bldg Class	Q4 18	Q1 19	Q2 19	Q4 18	Q1 19	Q2 19
		Vacancy Rate	Vacancy Rate	Vacancy Rate	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)
Mpls CBD Core	A	10.5%	11.2%	11.1%	\$34.39	\$33.65	\$35.02
	B	23.6%	23.0%	22.8%	\$27.27	\$27.35	\$28.67
	C	18.1%	18.1%	18.1%	\$23.38	\$23.38	\$23.49
	Subtotal	14.7%	15.0%	14.8%	\$30.07	\$29.78	\$30.94
Mpls CBD East	A	0.0%	0.0%	0.0%			
	B	35.5%	31.2%	31.2%	\$26.32	\$26.32	\$26.27
	C	22.3%	13.9%	13.9%	\$18.20	\$16.86	\$16.86
	Subtotal	29.3%	24.9%	24.9%	\$22.26	\$22.54	\$22.51
Mpls CBD Loring	B	20.0%	20.0%	20.0%	\$21.17	\$21.17	\$21.75
	C	0.0%	0.0%	0.0%			
	Subtotal	16.8%	16.8%	16.8%	\$21.17	\$21.17	\$21.75
Mpls CBD Northeast	A	13.7%	13.7%	13.7%	\$26.07	\$25.51	\$25.52
	B	15.3%	14.3%	13.6%	\$23.48	\$24.46	\$24.01
	C	0.8%	0.8%	0.0%	\$26.15	\$25.08	\$24.00
	Subtotal	12.9%	12.2%	11.5%	\$23.83	\$24.61	\$24.10
Mpls CBD Northloop	A	23.1%	23.5%	22.2%	\$36.18	\$37.00	\$37.75
	B	32.3%	34.0%	30.0%	\$27.12	\$26.77	\$27.55
	C	9.3%	9.3%	9.3%	\$25.43	\$25.43	\$25.43
	Subtotal	25.6%	26.4%	24.2%	\$29.78	\$30.33	\$30.81
Mpls CBD Warehouse	A	0.0%	0.0%	0.0%			
	B	16.1%	16.5%	16.6%	\$24.50	\$25.92	\$27.78
	C	0.0%	0.0%	0.0%			
	Subtotal	13.3%	13.7%	13.7%	\$24.50	\$25.92	\$27.78
Mpls CBD	A	11.2%	11.8%	11.6%	\$34.33	\$34.06	\$35.25
	B	22.7%	22.1%	21.6%	\$25.45	\$25.87	\$26.57
	C	11.3%	10.4%	10.2%	\$22.04	\$22.43	\$21.69
	Subtotal	15.8%	15.8%	15.5%	\$27.38	\$27.72	\$28.33

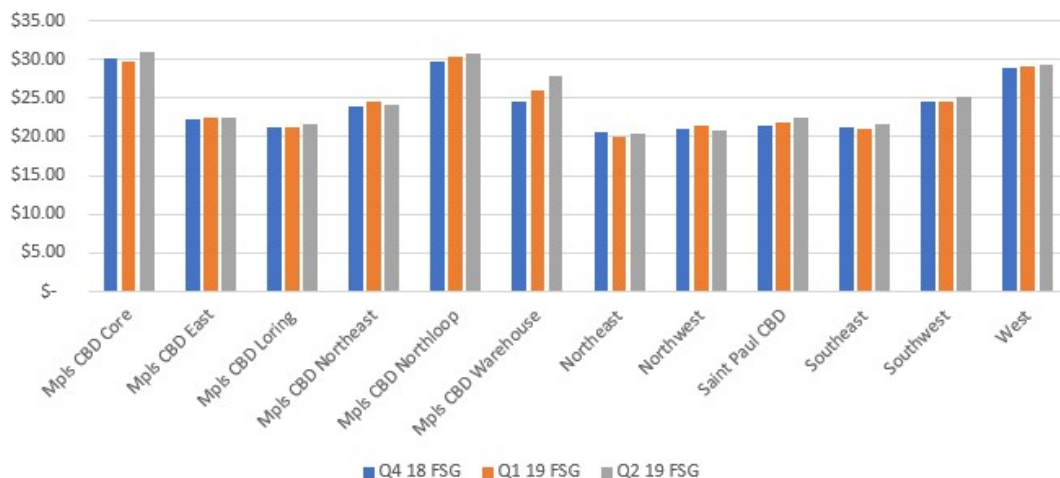
Vacancy Rates by Market (Multi-Tenant)



Lease and Vacancy Rates (Multi-Tenant Continued)

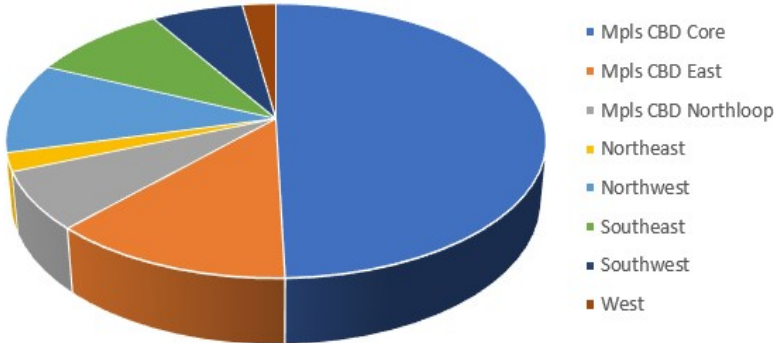
Market	Bldg Class	Q4 18	Q1 19	Q2 19	Q4 18	Q1 19	Q2 19
		Vacancy Rate	Vacancy Rate	Vacancy Rate	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)	Ave Lease Rate (FSG)
Northeast	A	13.1%	19.0%	18.5%	\$21.79	\$21.87	\$21.82
	B	18.8%	17.4%	16.7%	\$21.25	\$20.43	\$21.08
	C	6.6%	5.1%	5.6%	\$15.65	\$15.20	\$15.60
	Subtotal	16.0%	15.3%	14.9%	\$20.61	\$19.96	\$20.49
Northwest	A	9.9%	9.9%	9.6%	\$29.56	\$29.56	\$30.27
	B	13.5%	13.3%	13.0%	\$21.53	\$22.01	\$21.39
	C	13.7%	13.9%	14.5%	\$17.84	\$18.10	\$18.32
	Subtotal	13.1%	13.0%	12.8%	\$21.01	\$21.37	\$20.87
Saint Paul CBD	A	13.9%	14.1%	14.7%	\$24.42	\$26.16	\$26.55
	B	19.3%	16.7%	18.4%	\$18.74	\$19.58	\$20.62
	C	12.8%	13.1%	13.3%	\$20.64	\$19.49	\$19.08
	Subtotal	16.4%	15.3%	16.3%	\$21.41	\$21.85	\$22.51
Southeast	A	24.8%	22.4%	21.3%	\$27.41	\$27.21	\$27.13
	B	14.8%	15.9%	15.2%	\$20.80	\$20.83	\$21.39
	C	6.8%	6.7%	7.2%	\$18.36	\$17.94	\$19.18
	Subtotal	15.6%	15.9%	15.3%	\$21.18	\$21.01	\$21.65
Southwest	A	13.4%	12.7%	12.3%	\$30.37	\$30.51	\$32.24
	B	17.4%	17.2%	17.3%	\$22.86	\$22.86	\$23.45
	C	16.9%	17.0%	17.9%	\$20.78	\$21.49	\$21.31
	Subtotal	15.8%	15.4%	15.4%	\$24.48	\$24.55	\$25.21
West	A	15.6%	12.4%	11.5%	\$35.89	\$37.02	\$37.11
	B	8.5%	8.4%	7.8%	\$26.87	\$27.00	\$27.37
	C	40.7%	42.2%	42.4%	\$24.10	\$23.49	\$24.44
	Subtotal	13.1%	12.0%	11.3%	\$28.95	\$29.17	\$29.36
Grand Total	15.5%	15.1%	14.9%	\$23.88	\$23.85	\$24.29	

Lease Rates by Market (Multi-Tenant)



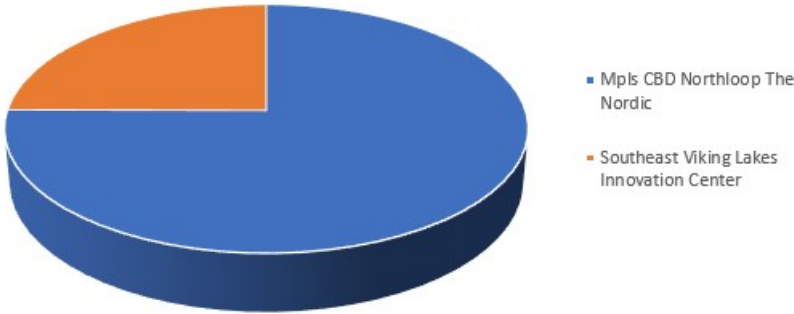
New Developments

Under Construction by Market



Market	Bldg Size
Mpls CBD Core	1,382,000
Mpls CBD East	350,000
Mpls CBD Northloop	190,000
Northeast	60,000
Northwest	298,000
Southeast	266,000
Southwest	178,293
West	65,436
Grand Total	2,789,729

YTD New Deliveries (sf)

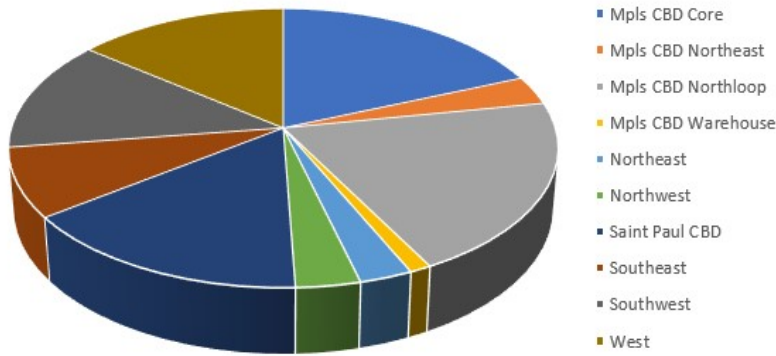


Market	Bldg Size
Mpls CBD Northloop	180,549
Southeast	59,900
Total	240,449

Leasing Activity

PROPERTY	SIZE (sf)	MARKET	TENANT	LANDLORD
Lawson Commons 380 St Peter St	144,000	St Paul CBD	Infor	1944 Rice St LLC
4FRONT Technology & Office Campus 2 1 Imation Pl	63,829	Northeast	Slumberland	Larson Family Real Estate LLP aka Slumberland
Western Container 500 N 3rd St	40,000	Mpls CBD	Publicis Groupe c/o Fallon	Bloomington Investments, LLC
Western Container 500 N 3rd St	34,808	Mpls CBD	Fallon	Textron
Baker Center 733 Marquette Ave	34,516	Mpls CBD	Foodsby	St. Paul Properties, Inc

Leased (sf)

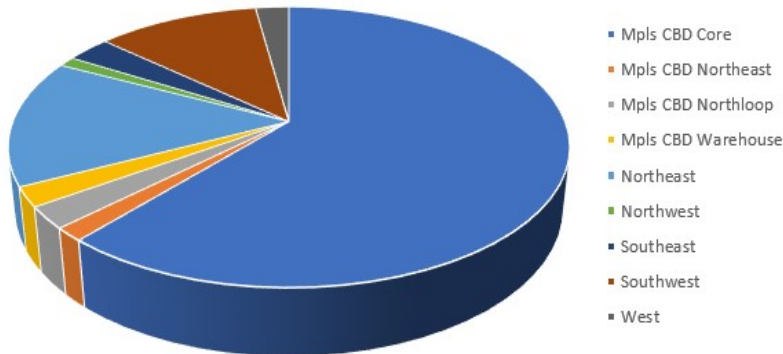


Market	Leased (sf)
Mpls CBD Core	215,609
Mpls CBD Northeast	38,297
Mpls CBD Northloop	232,476
Mpls CBD Warehouse	12,924
Northeast	31,582
Northwest	38,289
Saint Paul CBD	177,197
Southeast	92,409
Southwest	149,427
West	164,226
Grand Total	1,152,436

Sales Activity

PROPERTY	PRICE	MARKET	BUYER	SELLER
Wells Fargo Center 90 7th St S	\$313,600,000	Mpls CBD	WFM Office Owner, LLC c/o Starwood Capital Group	NWC Limited Partnership c/o Hines/Blackstone Group
Lumber Exchange Building 417 Hennepin Ave	\$24,250,000	Mpls CBD	10 South 5th Street, LP c/o R2 Cos	Lumber Minnesota, LLC c/o Ken Sherman
Plymouth City Center Medical Bldg 15655 N 37th Ave	\$14,119,774	Northwest	GAHC4 Plymouth MN MOB, LLC c/o Griffin American Healthcare REIT	US HSAPC Plymouth I, LLC
4000 Lexington Ave N	\$13,800,000	Northeast	Eleven Investments, LLC c/o Property Resources Group	The Shoppes at Osgood, LLC c/o Eagle Ridge Partners
Edina Business Plaza 7550 France Ave S	\$12,800,000	Northwest	ACKY-7550, LLC c/o The Ackerberg Group	Edina Business Plaza, LLC

Building (sf)



Market	Building (sf)
Mpls CBD Core	1,728,093
Mpls CBD Northeast	43,558
Mpls CBD Northloop	70,800
Mpls CBD Warehouse	63,190
Northeast	414,625
Northwest	32,500
Southeast	84,338
Southwest	314,090
West	64,358
Grand Total	2,815,552

Methodology

The Mpls-St Paul market consists of single and multi-tenant office buildings 20,000 sf or larger or part of a complex larger than 20,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does not include medical or government properties. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on a FSG terms with Net type leases grossed up.

The Mpls-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 each market area.

Terminology

Inventory	The total square feet (sf) of existing single and 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 feet within a building including both direct and sublease space.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
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.
Average Asking Rate	The average lease rate expressed as a per square foot value in FSG terms with Net type leases grossed up.

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