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INDUSTRIAL MARKET REPORT

Minneapolis-St. Paul

4th Quarter 2016

Produced in partnership with

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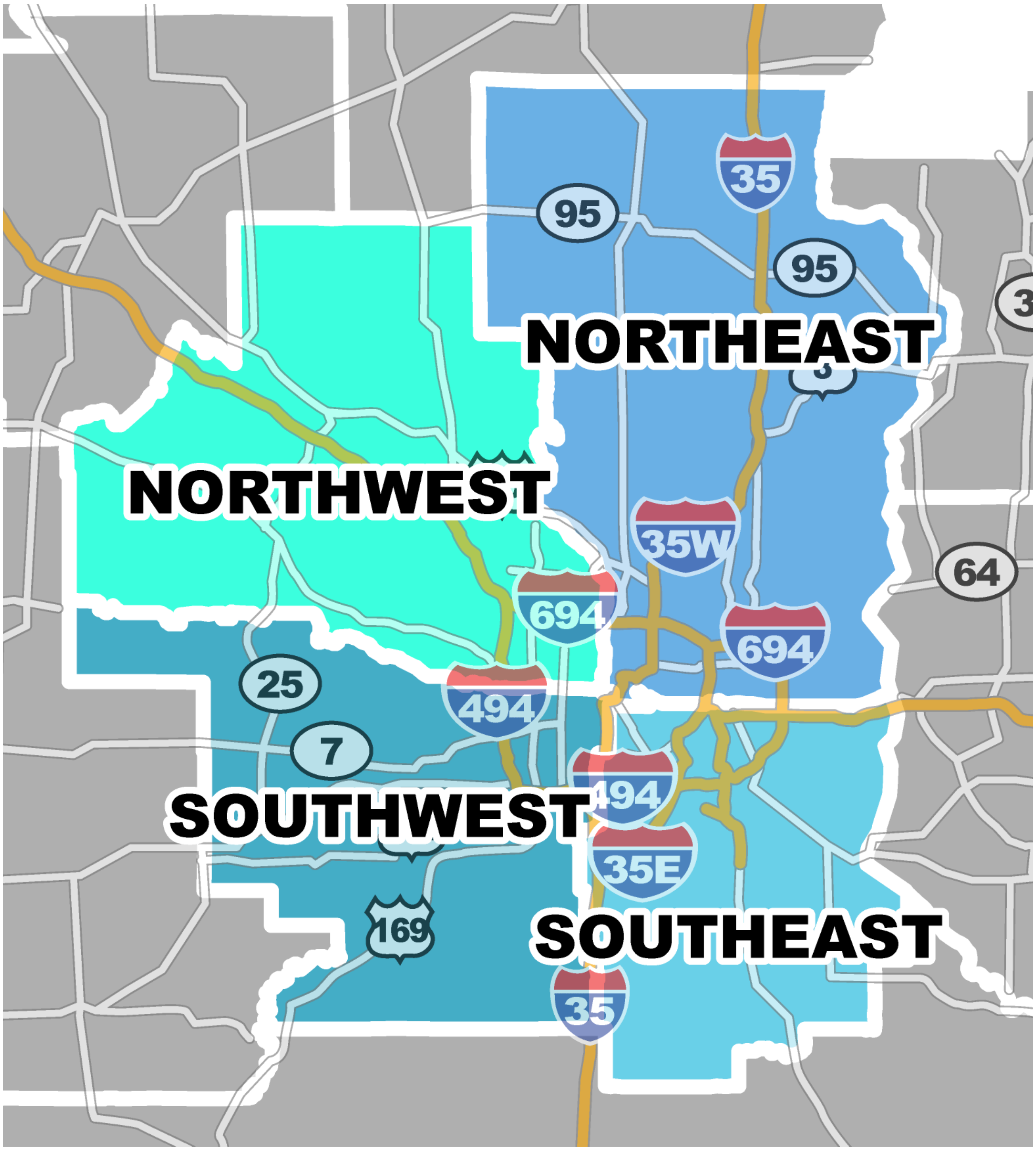
Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.

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 (sf) 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 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.
Weighted Average Rents	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.


NORTHEAST
NORTHWEST
SOUTHWEST
SOUTHEAST
35
95
95
35W
694
694
494
494
35E
35
25
7
169
64

Overview

- The Minneapolis - St Paul industrial market closed 4Q 2016 with 603,000 square feet (sf) of positive absorption with year-end total absorption topping 3,000,000 sf.

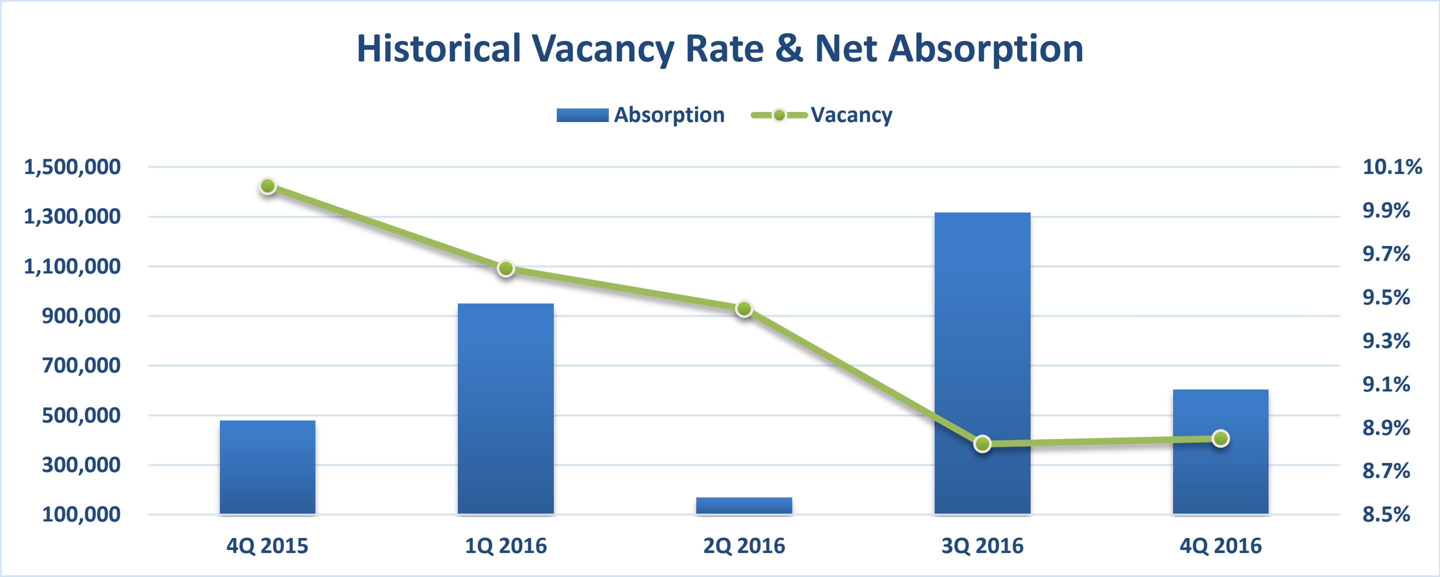
- The Southeast market vacancy rate decreased from 10% in 1Q 2016 to 7.0% at the end of 4Q 2016. The larger lease transactions driving the vacancy rate down this year were Amazon, Ikea and Bell International.

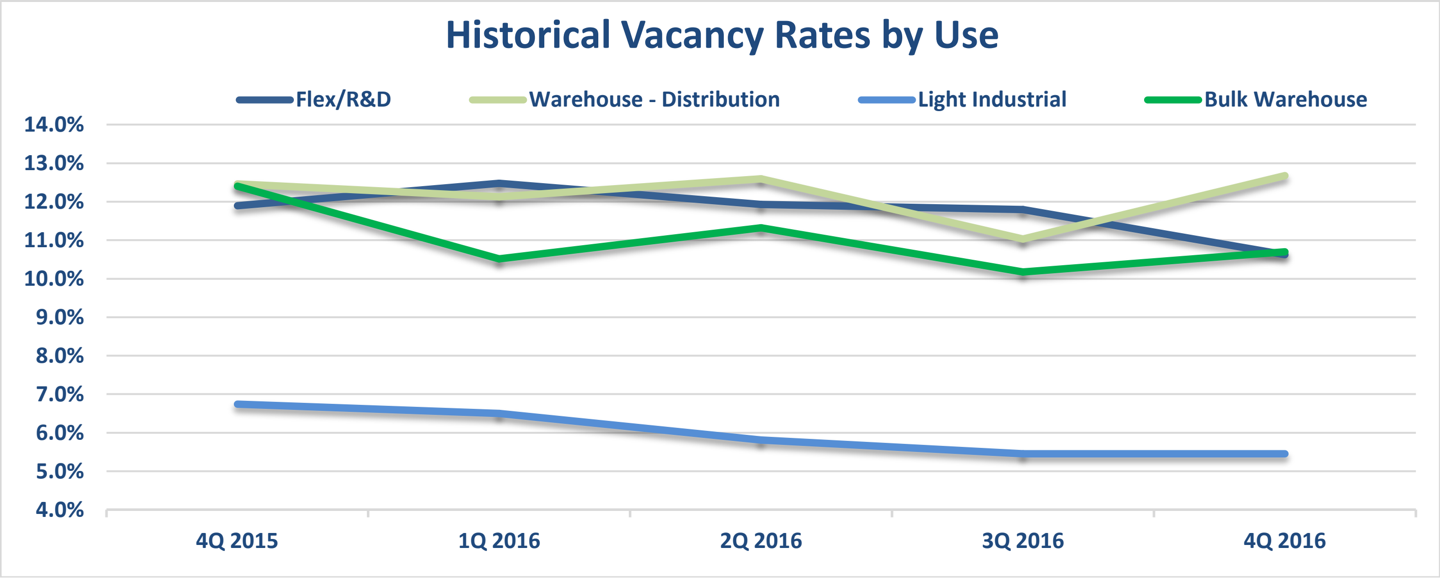
- New Construction continues to be strong with the Northeast market accounting for half of the over 1 million square feet of space underway. During 4Q 2016, seven properties were delivered totaling 879,000 sf.

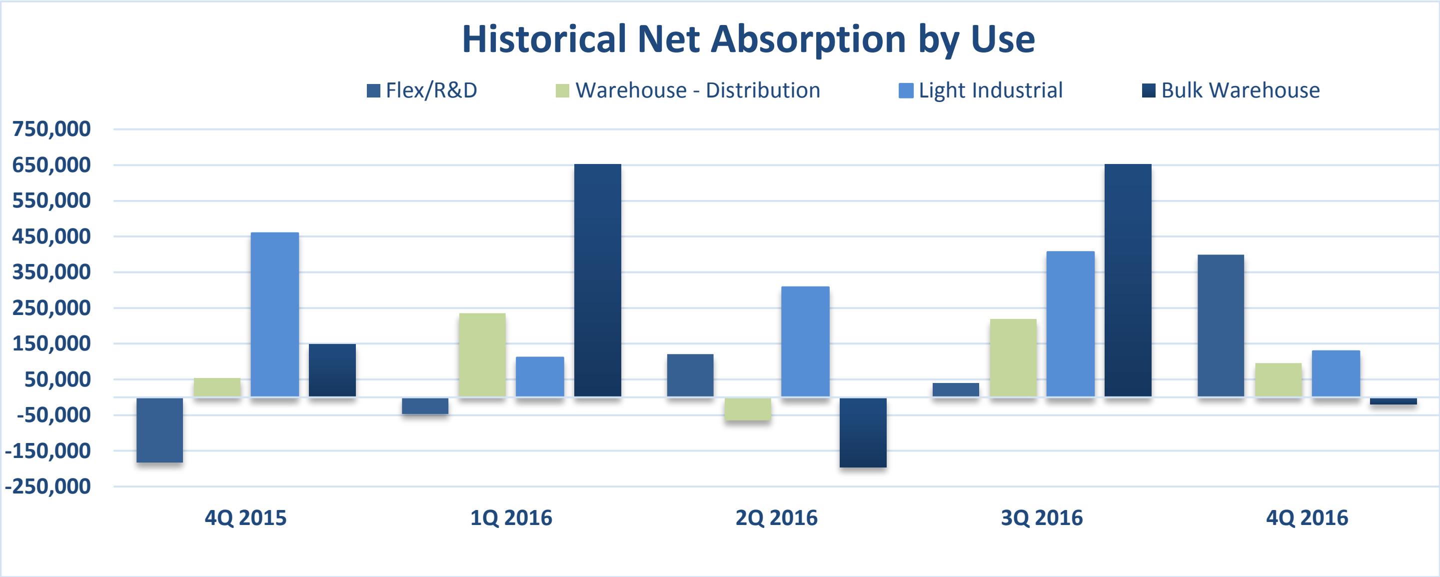
	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (sf)	YTD Total Net Absorption (sf)
Flex/R&D	437	29,155,144	4,800,498	3,096,713	10.6%	399,101	512,468
Warehouse - Distribution	86	14,314,338	1,991,997	1,815,215	12.7%	95,334	483,778
Light Industrial	652	44,836,583	4,142,103	2,444,916	5.5%	128,412	952,925
Bulk Warehouse	156	24,809,447	3,466,458	2,654,305	10.7%	-19,300	1,089,588
Overall	**1,331**	**113,115,512**	**14,401,056**	**10,011,149**	**8.9%**	**603,547**	**3,038,759**

	# 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	437	29,155,144	4,496,834	3,014,659	10.3%	385,861	530,062
Warehouse - Distribution	86	14,314,338	1,972,547	1,795,765	12.5%	95,334	483,778
Light Industrial	652	44,836,583	3,940,718	2,389,607	5.3%	123,667	846,836
Bulk Warehouse	156	24,809,447	3,100,670	2,334,019	9.4%	47,384	1,216,950
Overall	**1,331**	**113,115,512**	**13,510,769**	**9,534,050**	**8.4%**	**652,246**	**3,077,626**

	# 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	437	29,155,144	303,664	82,054	0.3%	13,240	-17,594
Warehouse - Distribution	86	14,314,338	19,450	19,450	0.1%	-	-
Light Industrial	652	44,836,583	201,385	55,309	0.1%	4,745	106,089
Bulk Warehouse	156	24,809,447	365,788	320,286	1.3%	-66,684	-127,362
Overall	**1,331**	**113,115,512**	**890,287**	**477,099**	**0.4%**	**-48,699**	**-38,867**


Historical Vacancy Rate & Net Absorption
Absorption
Vacancy
1,500,000
1,300,000
1,100,000
900,000
700,000
500,000
300,000
100,000
10.1%
9.9%
9.7%
9.5%
9.3%
9.1%
8.9%
8.7%
8.5%
4Q 2015
1Q 2016
2Q 2016
3Q 2016
4Q 2016

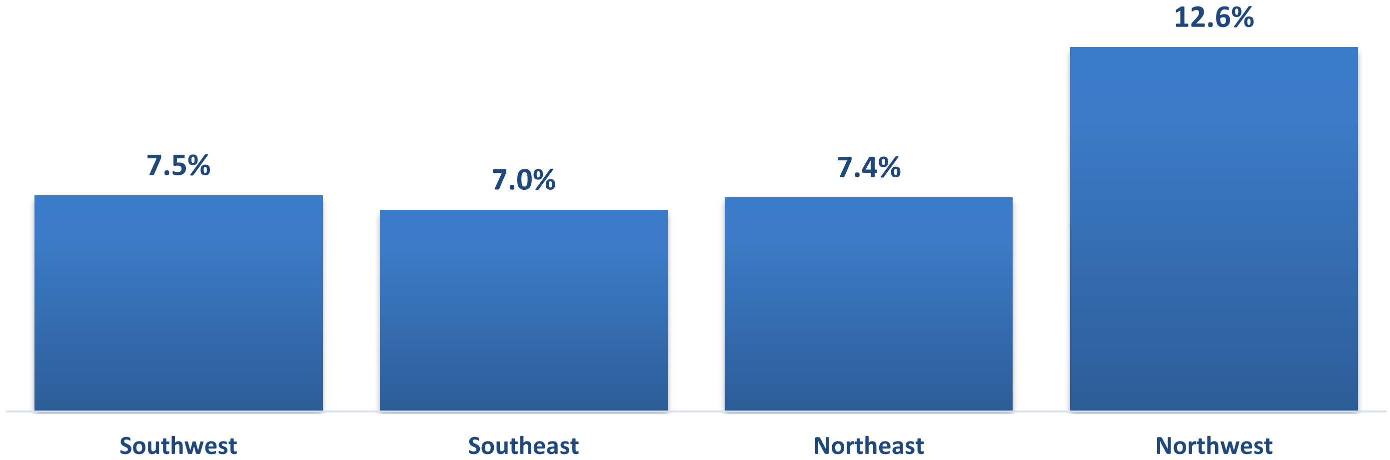

Historical Vacancy Rates by Use
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse
14.0%
13.0%
12.0%
11.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
4Q 2015
1Q 2016
2Q 2016
3Q 2016
4Q 2016


Historical Net Absorption by Use
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse
750,000
650,000
550,000
450,000
350,000
250,000
150,000
50,000
-50,000
-150,000
-250,000
4Q 2015
1Q 2016
2Q 2016
3Q 2016
4Q 2016

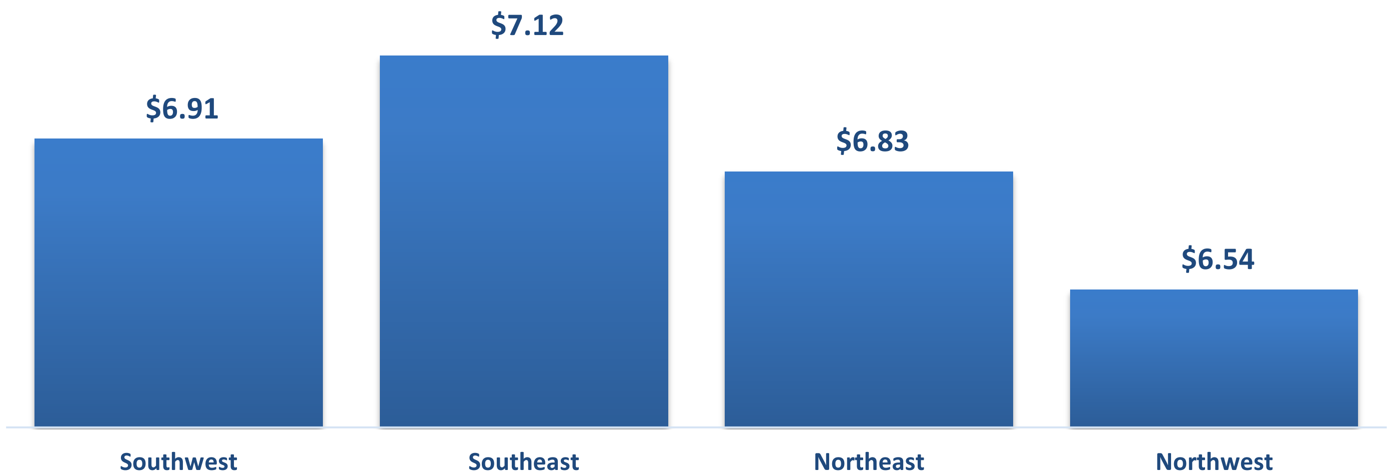
	# of Bldgs	Inventory (sf)	Total Vacant (sf)	Direct Vacant (sf)	Vacancy Rate (%)	Total Quarterly Absorption (sf)	YTD Total Net Absorption (sf)
Northeast	404	35,925,926	2,668,794	2,639,344	7.4%	173,333	946,660
Flex/R&D	102	7,530,834	858,210	848,210	11.4%	84,952	126,264
Warehouse - Distribution	26	4,539,196	523,812	504,362	11.5%	-96,818	79,534
Light Industrial	236	18,346,064	1,164,483	1,164,483	6.3%	132,132	190,864
Bulk Warehouse	40	5,509,832	122,289	122,289	2.2%	53,067	549,998
Northwest	367	31,940,032	4,038,481	3,650,401	12.6%	141,832	437,140
Flex/R&D	109	7,096,088	835,195	797,741	11.8%	33,008	48,584
Warehouse - Distribution	30	3,607,645	927,328	927,328	25.7%	97,372	83,521
Light Industrial	159	10,133,837	399,060	368,720	3.9%	24,390	133,859
Bulk Warehouse	69	11,102,462	1,876,898	1,556,612	16.9%	-12,938	171,176
Southeast	225	17,939,350	1,255,705	1,214,116	7.0%	179,148	669,010
Flex/R&D	86	4,973,438	623,427	598,695	12.5%	48,025	185,677
Warehouse - Distribution	18	3,010,354	243,139	243,139	8.1%	94,780	80,520
Light Industrial	97	5,913,181	318,389	301,532	5.4%	-36,296	153,395
Bulk Warehouse	24	4,042,377	70,750	70,750	1.8%	72,639	249,418
Southwest	335	27,310,204	2,048,169	2,030,189	7.5%	109,234	985,949
Flex/R&D	140	9,554,784	779,881	770,013	8.2%	233,116	151,943
Warehouse - Distribution	12	3,157,143	120,936	120,936	3.8%	-	240,203
Light Industrial	160	10,443,501	562,984	554,872	5.4%	8,186	474,807
Bulk Warehouse	23	4,154,776	584,368	584,368	14.1%	-132,068	118,996
Overall	**1,331**	**113,115,512**	**10,011,149**	**9,534,050**	**8.9%**	**603,547**	**3,038,759**

	Vacancy Rate %					Weighted Average Asking Rent (NNN)				
	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
Northeast	9.0%	7.9%	7.9%	7.1%	7.4%	$7.01	$7.00	$6.98	$7.05	$6.83
Flex/R&D	13.1%	12.9%	12.5%	12.5%	11.4%	$8.25	$8.24	$7.89	$8.05	$7.87
Warehouse - Distribution	7.4%	9.0%	8.7%	5.5%	11.5%	$6.49	$6.37	$6.47	$6.48	$6.04
Light Industrial	6.7%	6.0%	6.6%	6.4%	6.3%	$6.47	$6.58	$6.55	$6.58	$6.49
Bulk Warehouse	12.2%	6.4%	5.3%	3.2%	2.2%	$6.33	$6.30	$6.89	$6.32	$6.40
Northwest	12.4%	12.3%	13.1%	12.9%	12.6%	$6.41	$6.39	$6.47	$6.45	$6.54
Flex/R&D	10.6%	13.1%	12.6%	11.6%	11.8%	$7.60	$7.73	$7.76	$7.75	$7.95
Warehouse - Distribution	28.0%	27.6%	29.4%	28.4%	25.7%	$6.42	$6.27	$6.28	$6.10	$6.58
Light Industrial	5.3%	4.7%	3.7%	4.2%	3.9%	$6.20	$6.33	$6.34	$6.40	$6.43
Bulk Warehouse	15.2%	13.9%	16.7%	16.8%	16.9%	$5.78	$5.58	$5.85	$6.08	$5.98
Southeast	9.0%	10.0%	8.8%	7.0%	7.0%	$6.79	$6.95	$6.76	$7.06	$7.12
Flex/R&D	16.2%	16.8%	15.4%	13.5%	12.5%	$7.10	$7.56	$7.38	$7.54	$7.60
Warehouse - Distribution	0.6%	4.9%	5.4%	5.4%	8.1%	$7.28	$7.59	$7.36	$7.98	$7.85
Light Industrial	7.6%	8.0%	5.8%	4.8%	5.4%	$6.81	$6.68	$6.49	$6.50	$6.44
Bulk Warehouse	7.9%	7.9%	7.7%	3.5%	1.8%	$6.05	$6.21	$4.97	$5.31	$4.11
Southwest	9.2%	8.5%	7.6%	7.5%	7.5%	$6.34	$6.49	$6.63	$6.62	$6.91
Flex/R&D	9.7%	9.5%	9.2%	10.5%	8.2%	$7.08	$6.95	$7.30	$7.16	$7.79
Warehouse - Distribution	11.6%	5.1%	5.1%	3.8%	3.8%	$4.37	$5.93	$5.92	$6.11	$6.44
Light Industrial	7.8%	8.3%	6.5%	5.5%	5.4%	$6.70	$6.66	$6.68	$6.69	$6.57
Bulk Warehouse	9.6%	9.6%	8.6%	8.2%	14.1%	$5.53	$5.25	$5.25	$5.32	$5.89
Overall	**10.0%**	**9.6%**	**9.4%**	**8.8%**	**8.9%**	**$6.60**	**$6.65**	**$6.67**	**$6.71**	**$6.77**

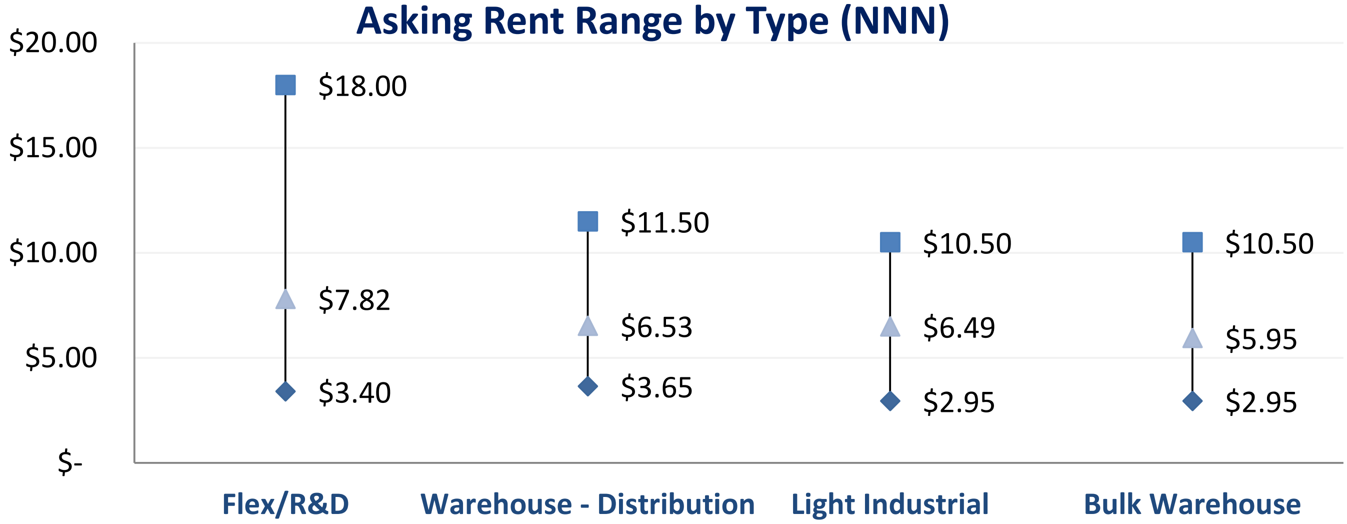
Vacancy Rate by Market

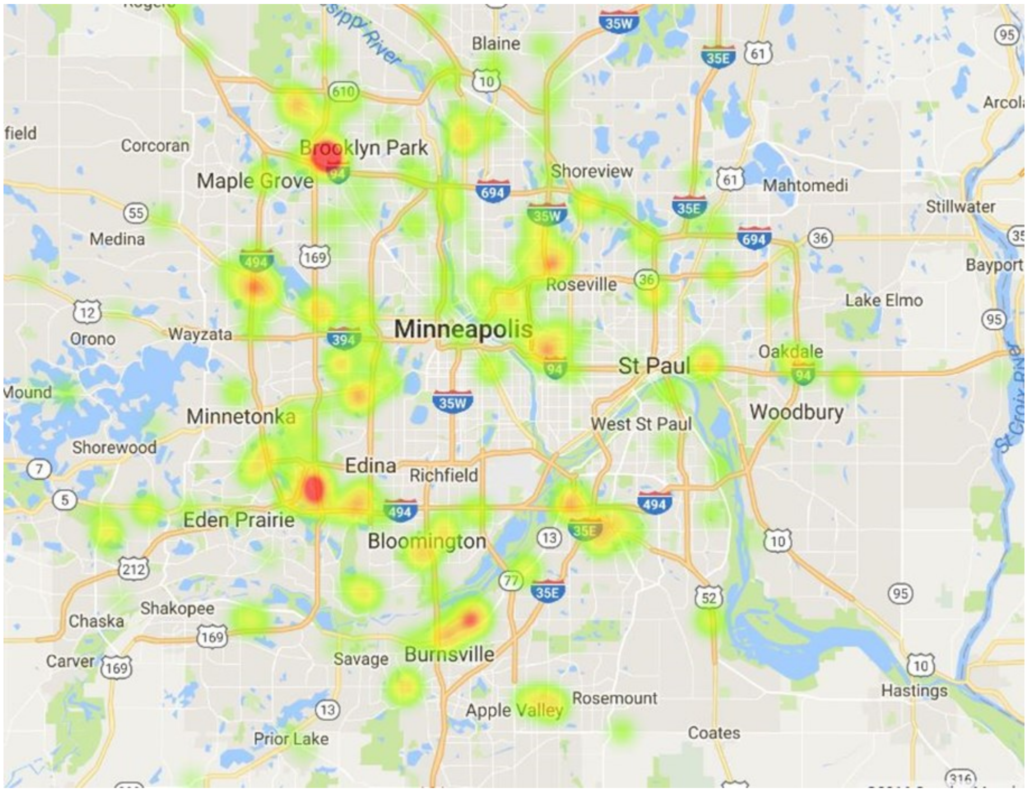


Weighted Average Asking Rent by Market (NNN)



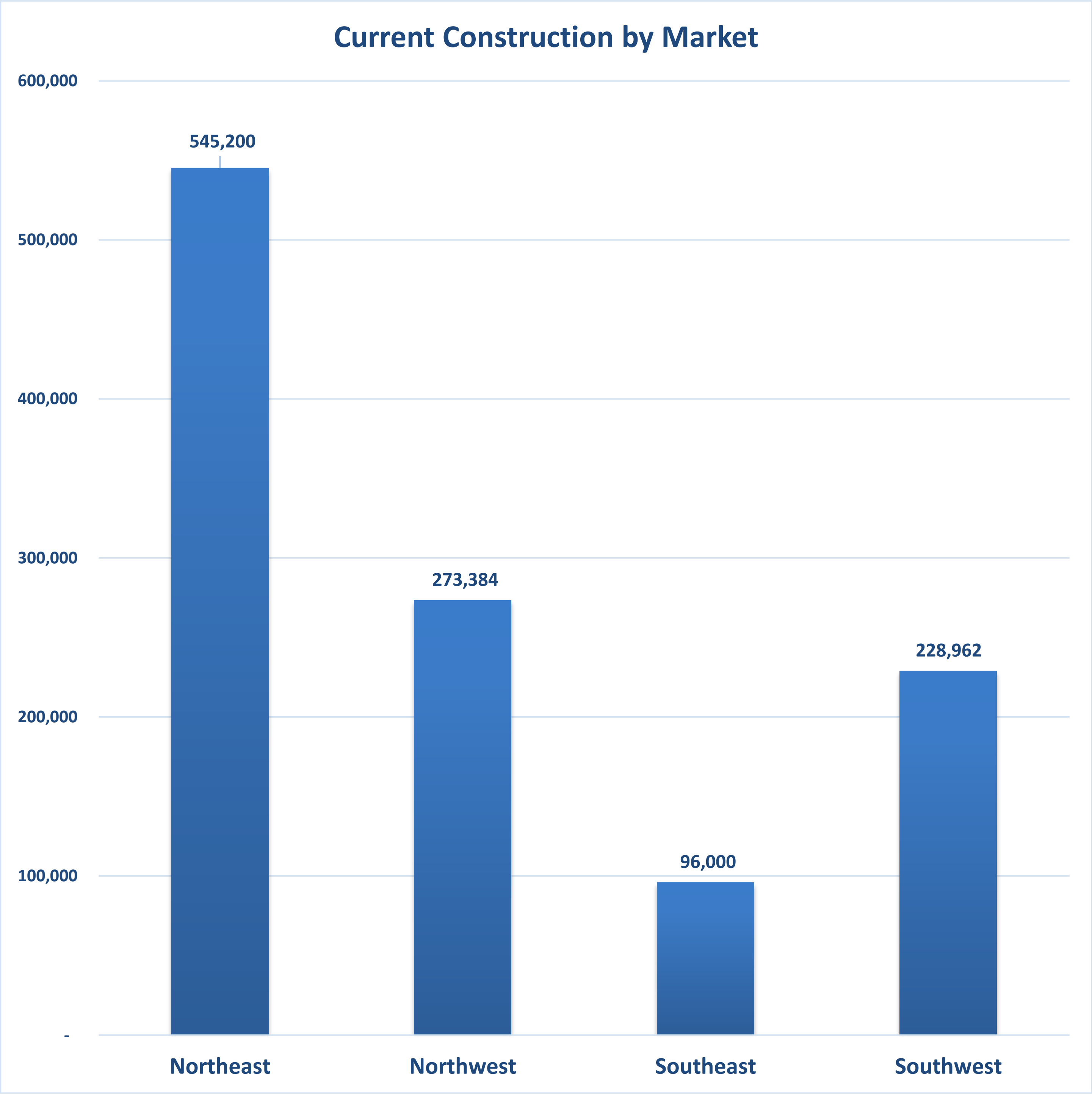
Asking Rent Range by Type (NNN)





Largest Absorption Changes				
Property Name	**Occupied or Vacated (sf)**	**Tenant Name**	**Market**	**Specific Use**
1080 Park Pl	200,000	NC Minerals	Southwest	Flex/R&D
Northern Stacks Bldg II	135,000	Trio Supply and MB2 Raceway	Northeast	Light Industrial
Dayton Distribution Center Bldg I	84,837	King Solutions	Northwest	Warehouse - Distribution
Highway 55 Distribution Center Phase II	84,000	New delivery for Dart Transportation with 84,000 SF	Southeast	Warehouse - Distribution
Flying Cloud Business Centre	73,242	Vibrant Technologies	Southwest	Light Industrial
Midway Distribution Center	53,067	Fair State Brewing and Sealy Mattress	Northeast	Bulk Warehouse
Midway Stadium Business Center	52,360	Tierney Brothers leased 52,360 SF upon new delivery.	Northeast	Warehouse - Distribution
NorthPark Business Center I	50,221	Biomerics	Northwest	Bulk Warehouse
Fridley Industrial Park II	-50,820	Packaging Corp of America	Northeast	Warehouse - Distribution
Pacal Business Center	-56,000	Olympic Steel	Northeast	Warehouse - Distribution
Trio Supply Building	-69,600	Trio Supply	Northeast	Light Industrial
Energy Park Distribution Center	-70,000	Lindenmeyr Monroe	Northeast	Warehouse - Distribution
Northland Interstate Business Center IV	-87,362	Stein Industries	Northwest	Bulk Warehouse
Eagle Creek Commerce Center West	-132,068	Milestone Av Technology	Southwest	Bulk Warehouse

Top Transactions						
Property Name	Sale Price	Sold (sf)	Buyer	Seller	Market	Specific Use
Carlson Business Center I-VIII 111-181 Cheshire Ln	$25,921,262	567,262	WPT Industrial REIT	Carlson Real Estate Co	Northwest	Flex/R&D
5320 W 23rd St	$22,500,000	199,452	Westside Partners LLLP	COB LLC c/o Hillcrest	Southwest	Flex/R&D
I-94 Distribution Center 22000 Industrial Blvd	$16,400,000	297,756	Sukkot Realty c/o Dalfen America Corp	OP3 Rogers LLC c/o The Excelsior Group	Northwest	Bulk Warehouse
Clearwater Corporate Center 5801 Clearwater Dr	$5,712,500	91,043	Fledbaum Family LLP c/o Apres Party and Tent Rental	Clearwater 5801 LLC	Southwest	Flex/R&D
1530 Brewster	$5,700,000	31,320	Hmong Education Reform Company	KCK Real Estate LLC	Northeast	Truck Terminal
Osborne Commerce Center I 191-233 Osborne Rd	$5,550,000	101,600	Meritex Osborne LLC	Osborne Commerce Center LLP c/o Steiner Development	Northeast	Light Industrial
Valley View Business Center 9701-9927 Valley View Rd	$5,250,000	92,771	Valley View Associates LLC c/o The Terrace Group	Valley View Associates LLC c/o Welsh Co	Southwest	Flex/R&D
Sunlite Commerce Center 6601 Parkway Cir	$5,050,000	73,903	Kumagai Parkway LLC	BC Investors c/o Lonnie Provencher	Northwest	Light Industrial


Current Construction by Market
600,000
500,000
400,000
300,000
200,000
100,000
-
545,200
273,384
96,000
228,962
Northeast
Northwest
Southeast
Southwest

Minneapolis - St Paul	
CBRE	Matt Oelschlager
	Jack Tornquist
Colliers International	Eric Batiza
	Nick Leviton
	Eric Rossbach
CSM	Andy McIntosh
Cushman & Wakefield/NorthMarq	Nate Erickson
	Peter Fooshe
	Brent Masica
Excelsior Group	Dan Lofgren
Lee & Associates	Chris Garcia
	Duane Poppe
Paramount	Phil Simonet
Transwestern	Alex Baron

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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