



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

# Minneapolis-St. Paul

**4th Quarter 2016**

Produced in partnership with

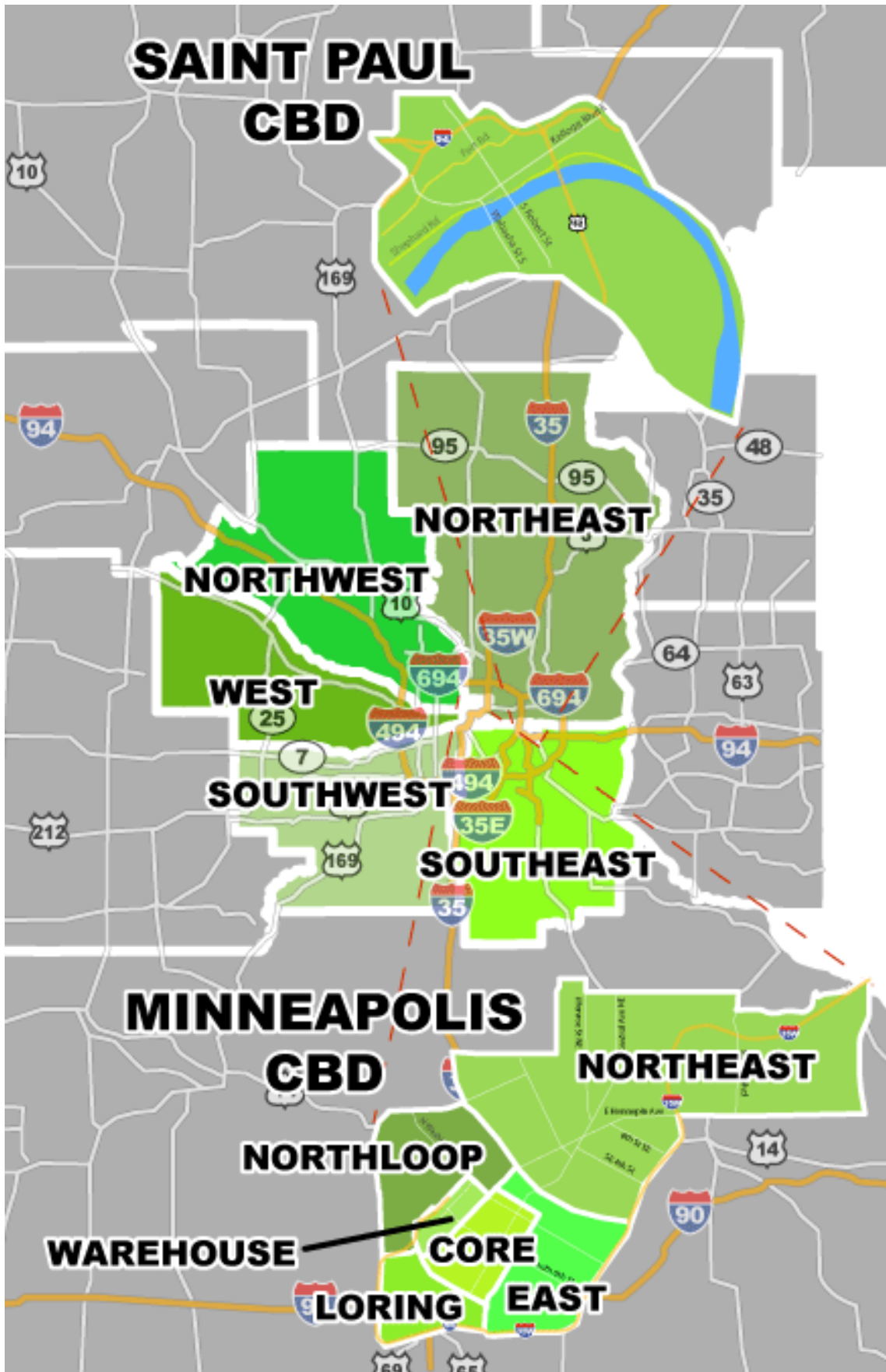
**MNCAR**  
— PROVIDERS OF THE —  
**E X C H A N G E**

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>Direct Vacant (sf)</b>	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
<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 Rents</b>	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.



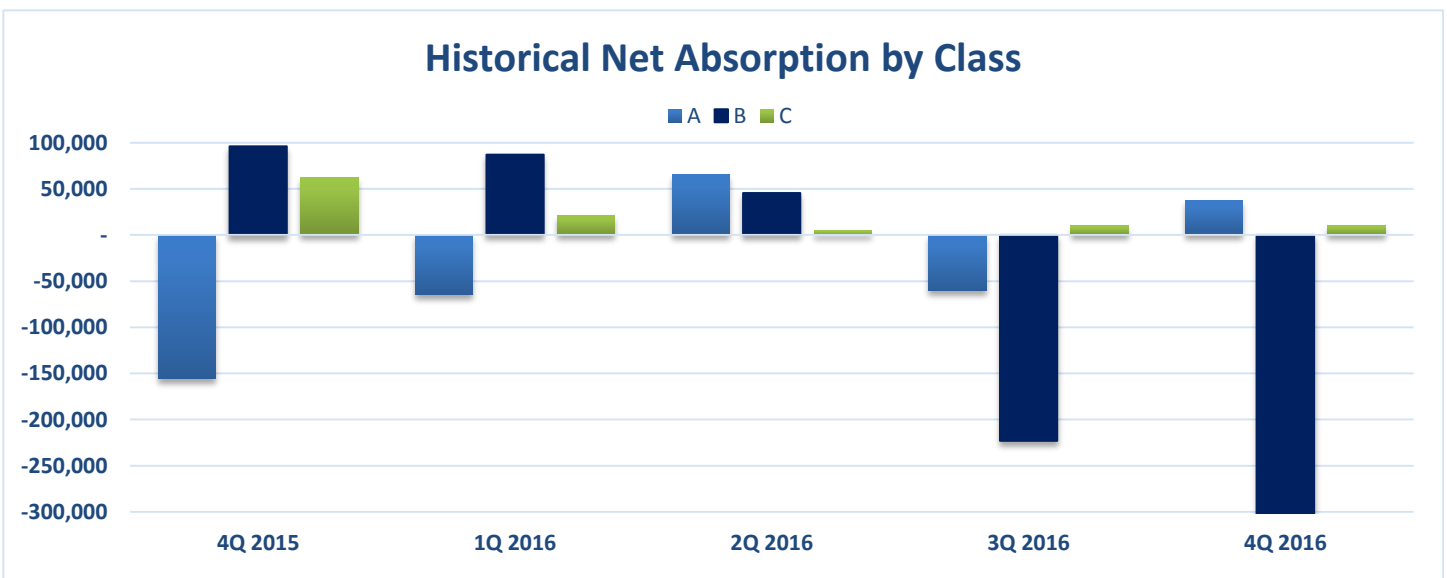
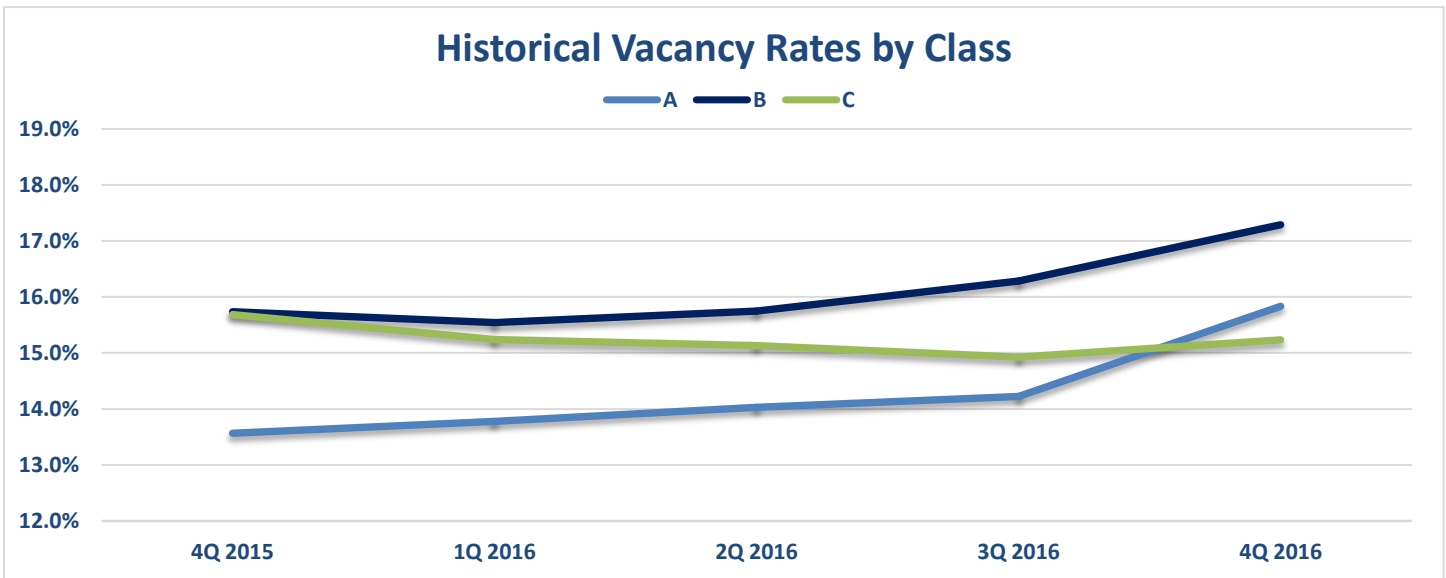
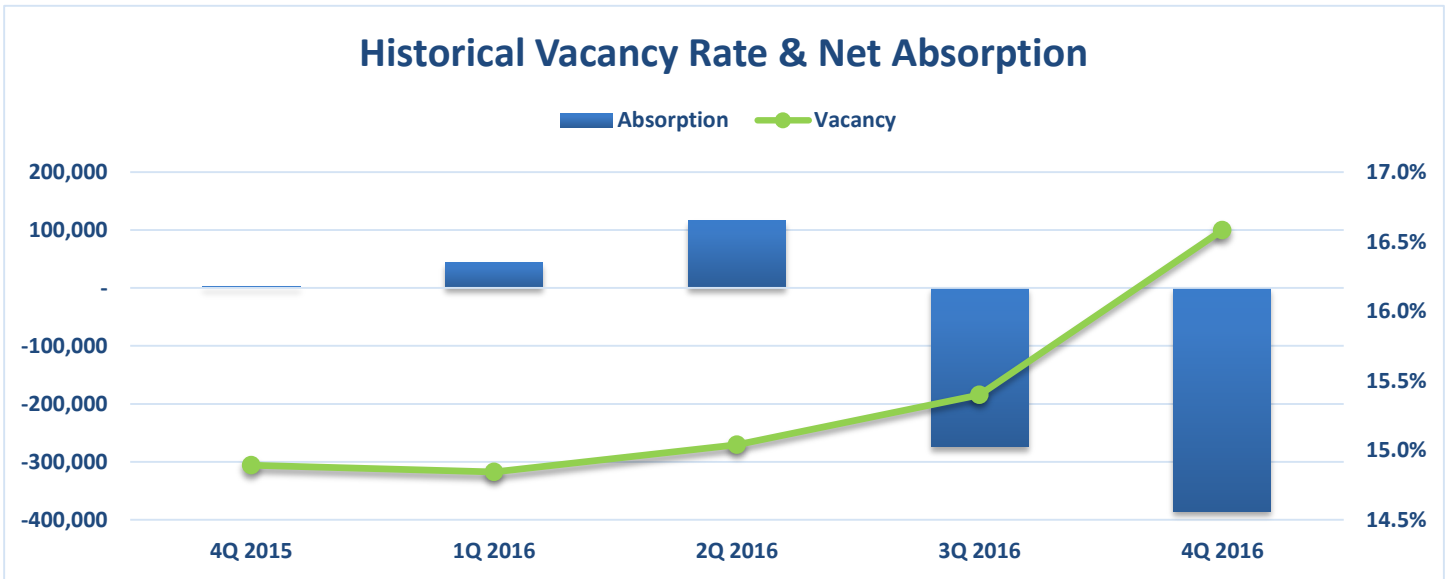
## Overview

- The Minneapolis - Saint Paul office market closed 4Q 2016 with -385,000 square feet (sf) of total absorption, including -37,000 sf of sublease space. Year-to-date the market closed with -533,000 sf of absorption with Wells Fargo accounting for -804,029 sf of absorption this year.
- Driving the negative absorption, Wells Fargo vacated 525,000 sf during 4Q 2016 as they moved into their new headquarters. The move contributed to overall vacancy rates increasing 1.2% and Minneapolis CBD increasing 3.5% over last quarter.
- The trend of declining vacancy rates in the Northwest market continues at the end of 4Q 2016, dropping 200 basis points from last quarter. Minneapolis CBD Northloop and East markets had an increase in vacancy resulting from T3 and Millwright spec buildings being delivered.
- The Minneapolis - Saint Paul office market currently has just over 1,380,000 sf under construction with the majority in the Southeast market with 12 buildings adding 807,852 sf.

	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Quarterly Net Absorption (sf)	YTD Net Absorption (sf)
A	101	32,040,196	6,739,039	5,072,829	15.8%	37,314	-59,993
B	474	43,202,446	9,503,600	7,468,421	17.3%	-432,724	-519,797
C	87	4,719,820	814,266	719,040	15.2%	10,184	45,904
<b>Overall</b>	<b>662</b>	<b>79,962,462</b>	<b>17,056,905</b>	<b>13,260,290</b>	<b>16.6%</b>	<b>-385,226</b>	<b>-533,886</b>

	# of Bldgs	Inventory (sf)	Direct Available (sf)	Direct Vacant (sf)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (sf)	YTD Direct Net Absorption (sf)
A	101	32,040,196	6,152,066	4,944,913	15.4%	-48,546	-68,202
B	474	43,202,446	8,993,225	7,205,333	16.7%	-309,281	-329,160
C	87	4,719,820	806,114	719,040	15.2%	10,184	39,341
<b>Overall</b>	<b>662</b>	<b>79,962,462</b>	<b>15,951,405</b>	<b>12,869,286</b>	<b>16.1%</b>	<b>-347,643</b>	<b>-358,021</b>

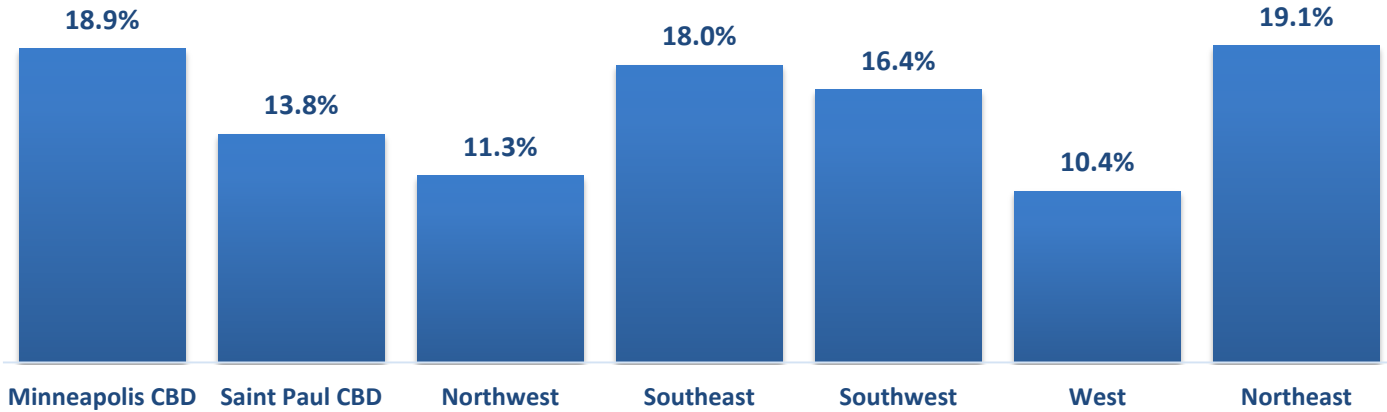
	# of Bldgs	Inventory (sf)	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (sf)	YTD Sublease Net Absorption (sf)
A	101	32,040,196	586,973	127,916	0.4%	85,860	8,209
B	474	43,202,446	510,375	263,088	0.6%	-123,443	-190,637
C	87	4,719,820	8,152	-	0.0%	-	6,563
<b>Overall</b>	<b>662</b>	<b>79,962,462</b>	<b>1,105,500</b>	<b>391,004</b>	<b>0.5%</b>	<b>-37,583</b>	<b>-175,865</b>



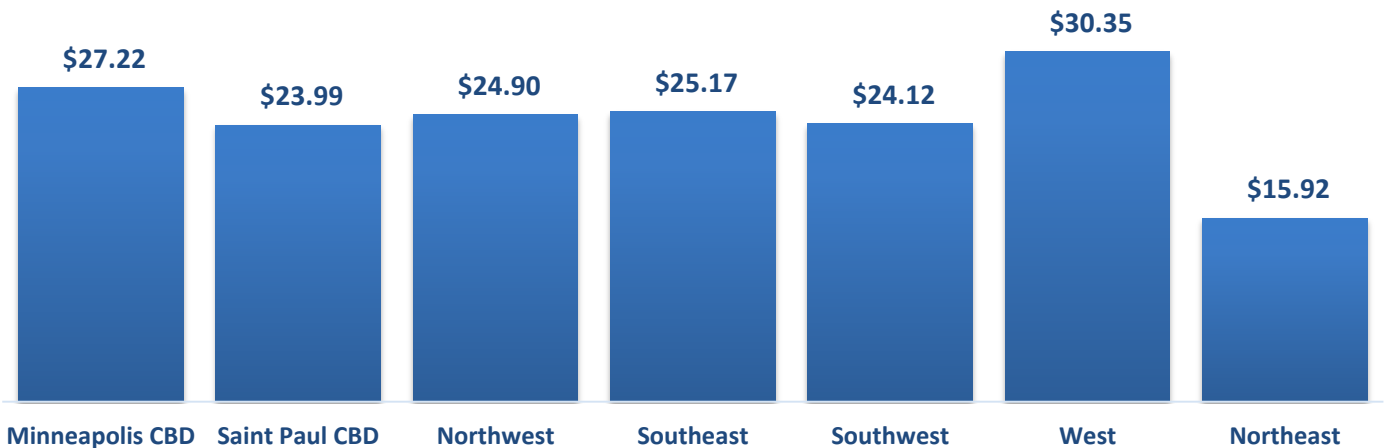
	# of Bldgs	Inventory (sf)	Total Vacant (sf)	Direct Vacant (sf)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (sf)	YTD Total Net Absorption (sf)
<b>Minneapolis CBD</b>	114	28,842,432	5,461,362	5,270,470	18.9%	-541,136	-592,275
<b>Northloop</b>	15	1,827,960	352,624	352,624	19.3%	-2,685	-35,860
A	4	966,782	252,771	252,771	26.1%	6,697	-14,270
B	9	752,419	99,853	99,853	13.3%	-12,582	-21,590
C	2	108,759	-	0	0.0%	3,200	-
<b>Core</b>	53	21,810,446	4,299,299	4,108,407	19.7%	-546,284	-760,485
A	20	14,594,933	2,257,261	2,185,747	15.5%	-89,309	-50,066
B	22	6,012,955	1,796,279	1,676,901	29.9%	-459,375	-686,776
C	11	1,202,558	245,759	245,759	20.4%	2,400	-23,643
<b>Warehouse</b>	15	2,045,824	233,547	233,547	11.4%	7,727	39,586
A	1	434,333	93,390	93,390	21.5%	-	9,235
B	13	1,555,491	140,157	140,157	9.0%	7,727	30,351
C	1	56,000	-	0	0.0%	-	-
<b>East</b>	9	808,304	177,297	177,297	21.9%	-	6,741
A	3	396,507	172,000	172,000	43.4%	-	-
B	4	280,000	5,297	5,297	1.9%	-	4,786
C	2	131,797	-	0	0.0%	-	1,955
<b>Loring</b>	4	295,074	51,820	51,820	17.6%	51	11,288
B	4	295,074	51,820	51,820	17.6%	51	11,288
<b>Northeast</b>	18	2,054,824	346,775	346,775	16.9%	55	146,455
A	1	200,739	140,556	140,556	70.0%	2,363	-1,900
B	16	1,705,904	192,219	192,219	11.3%	-2,308	92,126
C	1	148,181	14,000	14,000	9.4%	-	56,229
<b>Saint Paul CBD</b>	34	6,905,854	951,374	938,011	13.8%	5,133	179,336
A	6	2,136,982	232,008	219,913	10.9%	8,051	70,332
B	20	4,191,889	664,961	663,693	15.9%	1,427	110,254
C	8	576,983	54,405	54,405	9.4%	-4,345	-1,250
<b>Northwest</b>	60	3,950,019	444,972	436,058	11.3%	59,307	157,430
A	2	509,685	48,637	48,637	9.5%	-2,553	-3,198
B	48	3,007,038	331,204	322,290	11.0%	56,275	164,402
C	10	433,296	65,131	65,131	15.0%	5,585	-3,774
<b>Southeast</b>	110	7,488,676	1,344,699	1,305,110	18.0%	10,560	16,316
A	7	1,135,262	240,169	223,881	21.2%	7,717	5,215
B	82	5,420,337	935,399	912,098	17.3%	-2,544	-788
C	21	933,077	169,131	169,131	18.1%	5,387	11,889
<b>Southwest</b>	153	16,829,202	2,767,844	2,701,319	16.4%	88,201	-240,585
A	31	7,068,521	977,536	967,741	13.8%	78,962	-49,325
B	110	9,239,577	1,720,890	1,664,160	18.6%	12,032	-183,930
C	12	521,104	69,418	69,418	13.3%	-2,793	-7,330
<b>West</b>	72	8,659,783	896,930	860,614	10.4%	67,469	70,984
A	19	3,671,163	365,518	347,294	10.0%	14,804	-55,703
B	50	4,878,653	519,404	501,312	10.6%	52,473	126,095
C	3	109,967	12,008	12,008	10.9%	192	592
<b>Northeast</b>	119	7,286,496	1,393,109	1,357,704	19.1%	-74,760	-125,092
A	7	925,289	292,983	292,983	31.7%	10,582	29,687
B	96	5,863,109	1,010,938	975,533	17.2%	-85,900	-166,015
C	16	498,098	89,188	89,188	17.9%	558	11,236
<b>Overall</b>	<b>662</b>	<b>79,962,462</b>	<b>13,260,290</b>	<b>12,869,286</b>	<b>16.6%</b>	<b>-385,226</b>	<b>-533,886</b>

	Vacancy Rate %					Weighted Average Asking Rent (FSG)				
	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
<b>Minneapolis CBD</b>	14.7%	14.6%	14.7%	15.4%	18.9%	\$27.04	\$29.23	\$28.96	\$28.60	\$27.22
<b>Northloop</b>	6.9%	7.2%	7.1%	9.0%	19.3%	\$24.91	\$26.57	\$26.86	\$26.57	\$30.46
A	4.4%	4.4%	4.1%	7.2%	26.1%	\$28.45	\$31.38	\$32.38	\$28.81	\$31.98
B	10.4%	10.7%	10.6%	11.6%	13.3%	\$22.52	\$23.76	\$23.94	\$24.97	\$24.88
C	-	2.9%	2.9%	2.9%	-	-	\$22.73	\$29.23	\$31.17	-
<b>Core</b>	14.9%	15.2%	15.6%	16.6%	19.7%	\$27.99	\$30.37	\$30.25	\$29.95	\$27.76
A	13.0%	13.2%	13.8%	13.8%	15.5%	\$30.42	\$32.84	\$33.46	\$33.08	\$32.34
B	18.5%	18.7%	18.5%	22.2%	29.9%	\$22.11	\$23.83	\$25.04	\$25.84	\$23.69
C	18.5%	18.8%	20.9%	20.6%	20.4%	\$21.15	\$21.71	\$21.99	\$23.25	\$17.24
<b>Warehouse</b>	11.7%	11.5%	11.5%	11.8%	11.4%	\$25.02	\$26.39	\$26.41	\$25.50	\$24.92
A	23.6%	21.5%	21.5%	21.5%	21.5%	-	\$33.30	\$33.30	\$31.59	-
B	8.6%	9.2%	9.1%	9.5%	9.0%	\$25.02	\$25.79	\$25.78	\$25.06	\$24.92
C	-	-	-	-	-	-	-	-	-	-
<b>East</b>	1.9%	1.8%	1.6%	0.8%	21.9%	\$21.85	\$25.72	\$25.74	\$17.41	\$15.88
A	-	-	-	-	43.4%	-	\$26.78	\$26.78	\$26.53	\$26.53
B	3.6%	3.5%	2.9%	1.9%	1.9%	\$21.71	\$25.47	\$25.47	\$26.76	\$26.76
C	1.5%	1.5%	1.5%	-	-	\$22.35	\$22.65	\$22.65	\$14.00	\$14.00
<b>Loring</b>	21.4%	21.4%	21.4%	17.6%	17.6%	\$17.50	\$21.26	\$21.26	-	-
A	-	-	-	-	-	-	-	-	-	-
B	21.4%	21.4%	21.4%	17.6%	17.6%	\$17.50	\$21.26	\$21.26	-	-
C	-	-	-	-	-	-	-	-	-	-
<b>Northeast</b>	24.0%	20.5%	18.6%	16.9%	16.9%	\$23.29	\$24.47	\$23.82	\$23.36	\$23.09
A	69.1%	71.2%	71.2%	71.2%	70.0%	\$26.11	\$27.88	\$28.23	\$25.57	\$25.57
B	16.7%	14.0%	13.2%	11.1%	11.3%	\$21.33	\$22.05	\$21.32	\$22.00	\$21.81
C	47.4%	26.3%	9.4%	9.4%	9.4%	-	-	-	-	-
<b>Saint Paul CBD</b>	16.4%	14.7%	14.2%	13.9%	13.8%	\$20.42	\$17.83	\$19.18	\$23.99	\$23.99
A	14.1%	12.0%	11.2%	11.2%	10.9%	\$23.42	\$19.37	\$19.63	\$26.94	\$26.97
B	18.5%	17.0%	16.6%	15.9%	15.9%	\$17.90	\$16.20	\$18.86	\$22.16	\$22.05
C	9.2%	8.3%	8.6%	8.7%	9.4%	-	-	-	-	-
<b>Northwest</b>	15.9%	14.3%	14.3%	13.3%	11.3%	\$21.37	\$19.35	\$18.23	\$22.82	\$24.90
A	13.0%	14.6%	13.4%	13.1%	9.5%	\$27.25	\$22.92	\$22.92	\$32.16	\$30.31
B	16.5%	14.3%	14.1%	12.9%	11.0%	\$19.71	\$18.10	\$17.63	\$21.19	\$20.99
C	14.2%	14.1%	16.3%	16.3%	15.0%	\$16.17	\$16.18	\$16.42	\$16.86	\$16.86
<b>Southeast</b>	18.3%	18.3%	18.3%	18.1%	18.0%	\$22.64	\$20.70	\$19.33	\$25.15	\$25.17
A	21.6%	22.2%	21.5%	21.8%	21.2%	\$34.29	\$29.68	\$27.25	\$33.42	\$32.92
B	17.4%	17.2%	17.4%	17.2%	17.3%	\$19.98	\$18.42	\$18.68	\$24.26	\$24.43
C	19.4%	20.1%	19.4%	18.7%	18.1%	\$18.30	\$18.06	\$16.15	\$19.00	\$18.99
<b>Southwest</b>	14.7%	15.7%	16.0%	16.4%	16.4%	\$24.52	\$22.00	\$22.00	\$29.06	\$24.12
A	12.2%	12.7%	12.9%	13.5%	13.8%	\$31.14	\$26.21	\$26.07	\$34.42	\$21.48
B	16.6%	18.1%	18.5%	18.8%	18.6%	\$21.41	\$20.18	\$20.09	\$26.67	\$26.36
C	11.9%	12.7%	11.4%	12.8%	13.3%	\$14.95	\$14.99	\$14.99	\$17.17	\$15.14
<b>West</b>	9.3%	9.8%	11.5%	11.1%	10.4%	\$29.33	\$25.34	\$23.19	\$30.00	\$30.35
A	8.4%	9.8%	10.3%	10.4%	10.0%	\$33.48	\$28.73	\$28.45	\$36.11	\$36.19
B	9.9%	9.7%	12.5%	11.7%	10.6%	\$25.35	\$21.97	\$20.41	\$25.77	\$25.86
C	11.5%	14.3%	11.5%	11.1%	10.9%	\$19.86	\$19.86	\$19.86	\$19.86	\$19.86
<b>Northeast</b>	17.4%	16.6%	16.1%	17.8%	19.1%	\$19.79	\$18.36	\$18.18	\$23.19	\$15.92
A	34.9%	34.2%	33.0%	32.8%	31.7%	\$25.55	\$21.46	\$22.54	\$28.63	\$4.34
B	14.7%	14.1%	13.6%	15.8%	17.2%	\$19.03	\$18.17	\$17.90	\$23.00	\$20.20
C	15.2%	14.0%	14.2%	12.9%	17.9%	\$15.14	\$13.58	\$13.71	\$13.99	\$17.06
<b>Overall</b>	<b>14.9%</b>	<b>14.8%</b>	<b>15.0%</b>	<b>15.4%</b>	<b>16.6%</b>	<b>\$24.69</b>	<b>\$23.90</b>	<b>\$23.39</b>	<b>\$27.57</b>	<b>\$24.91</b>

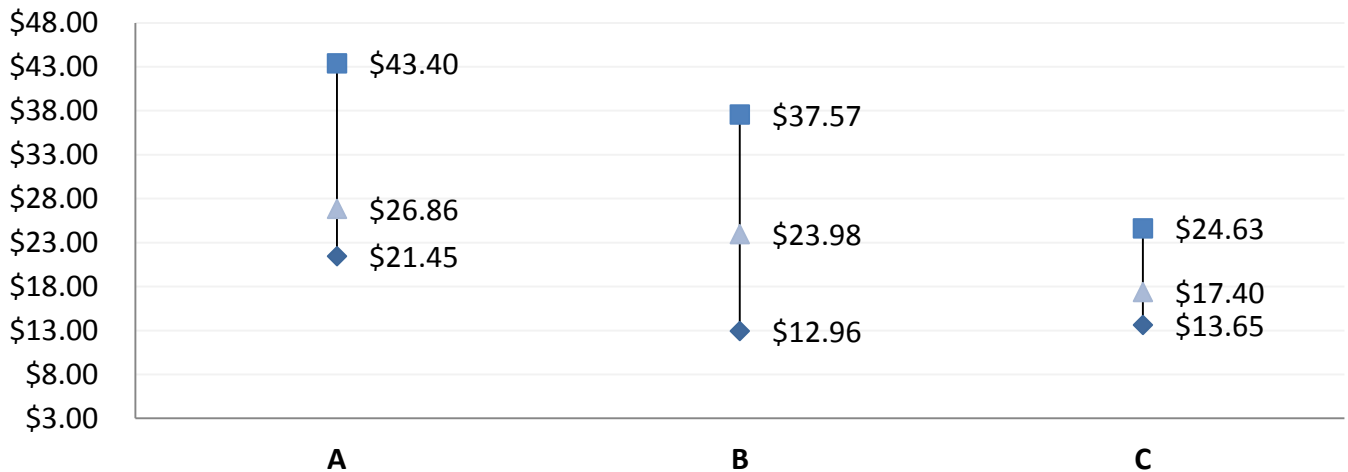
### Vacancy Rate by Market



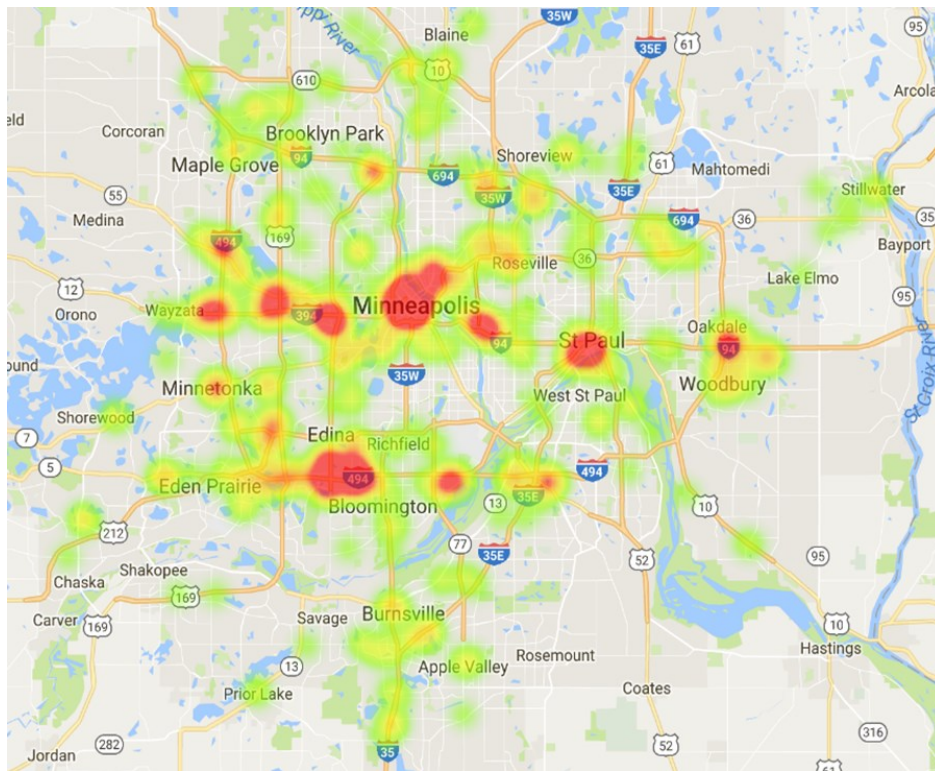
### Weighted Average Asking Rent by Market (FSG)



### Asking Rent Range by Class (FSG)







### Largest Absorption Changes

Property Name	Occupied or Vacated (sf)	Tenant Name	Market	Building Class
400 Metropoint	42,494	Amtrust, Froehling Anderson and Namsa leases	West	B
Microgrid Technology Center	36,788	OATI (owner) occupying on new delivery	Southwest	A
Brenwood IV	33,585	Eden Prairie Islamic Community on purchase	Southwest	B
Fifth Street Towers	31,203	Mass Mutual, Teplinsky Law Group and Modern Impact leases	Minneapolis CBD	A
111 Washington Square	25,010	CEB and Crowdstrike leases	Minneapolis CBD	B
Minnesota Center	22,127	AMEC/Fringe Benefits, Kantar Media and Benson, Storz, Nelson Law leases; Kforce downsized.	Southwest	A
Golden Hills Office Center	-16,642	Liberty Mutual Insurance vacancy	West	A
Investors Building - Office	-31,885	Wells Fargo vacancy	Minneapolis CBD	B
Capella Tower	-55,001	Capella University vacancy	Minneapolis CBD	A
599 Cardigan Rd	-100,721	DJO Global vacancy	Northeast	B
Northstar East - Office	-221,718	Wells Fargo vacancy	Minneapolis CBD	B
Northstar Center West - Office	-271,426	Wells Fargo vacancy	Minneapolis CBD	B

Top Transactions						
Property Name	Sale Price	Sold (sf)	Buyer	Seller	Market	Building Class
City Center 33 S 6th St 40 S 7th St	\$315,000,000	1,357,914	33 City Center Holding LLC c/o HNA Group	SRI Ten City Center LLC c/o Shorenstein Properties	Minneapolis CBD	A
Lincoln Corporate Center 5901 Lincoln Dr	\$25,300,000	307,314	FFIV MN Edina LLC	Riversource REO 1 LLC	Southwest	B
The Pinehurst Building 4999 France Ave S	\$18,000,000	41,385	Scott Webber	France Partners LLC c/o Pinehurst Properties	Southwest	A
Twin Lakes Health 1835 W County Rd C	\$15,270,000	65,000	HP Roseville C LLC c/o Hammes Co	Ryan Co	Northeast	A
Maplewood Professional Building 1655 Beam Ave E	\$12,600,000	51,676	Maplewood MOB LLC c/o Healthcare Realty Trust	Maplewood Professional Building LP	Northeast	B
Southdale Professional Center 3250 W 66th St 6550 S York Ave	\$11,850,000	93,490	DLC Residential	Wayzata Investment Partners	Southwest	B
One Corporate Center IV 7301 Ohms Ln	\$10,200,000	112,085	ICM (IX) OCC LP	LSREF2 Oreo (Direct) LLC	Southwest	B



<b>Minneapolis - St Paul</b>	
CBRE	Jerry Driessen
	Brent Karkula
	Brian Wasserman
	Mike Wilhelm
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
Frauenshuh	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
Zeller	Mary Burnton

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