

# Market Notes

Volume 6



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## MNCAR Recognizes TaTonka's Michael Foods Purchase as the Industrial Transaction of the Year

The Minnesota Commercial Association of Realtors recently recognized Michael Foods' 230,000 SF industrial purchase in Chaska as the most significant industrial transaction of the year. After a search of the Twin Cities metro area, Greater Minnesota and Wisconsin, Minneapolis-based TaTonka Real Estate Advisors found the right building for food processor Michael Foods Inc. in Chaska. However, the building wasn't on the market and already had a tenant. By thinking outside of the box, TaTonka Real Estate Advisors negotiated a buyout with the existing tenant, allowing the proceeds of termination to be applied to the purchase price and giving Michael Foods the opportunity to buy a building they could fully occupy. Michael Foods will relocate this summer from its former facility near the University of Minnesota campus.



## 2010 Office Market Highlights

Vacancy Rates by Submarket	
Mpls CBD	16.9%
Southeast	24.3%
Southwest	22.4%
St. Paul CBD	24.3%
St. Paul Suburban	16.9%
West/Northwest	16.2%
Avg Vacancy Rate	18.7%
This represents a 2.2% increase over the previous year.	
Total Universe: 76,117,298 SF	

Source: MNCAR Data 1st Qtr 2010

	Avg Quoted Net Rental Rates	Avg Tax & Op Costs	Avg Gross Rent
<b>Class A</b>	\$15.60	\$11.68	\$27.28
<b>Class B</b>	\$12.35	\$10.01	\$22.36
<b>Class C</b>	\$11.72	\$8.71	\$20.43

The net change in occupied space was a negative 1,437,464 SF for the total market. The above rates are quoted only, as actual rates will vary by submarket and property type. In addition, landlord motivation, building occupancy levels and other factors including credit of tenant, lease term, tenant allowances and concessions will also impact the actual rates negotiated.

## 2010 Industrial Market Highlights

Vacancy Rates by Submarket	
East	11.3%
Northeast	12.4%
Northwest	11.4%
Southeast	18.1%
Southwest	15.2%
Avg Vacancy Rate	13.6%
This represents a 2.8% increase over the previous year.	
Total Universe: 113,089,836 SF	

Source: MNCAR Data 1st Qtr 2010

	Avg Quoted Net Rental Rates		Common Area Maintenance	Avg Taxes
	Office	Warehouse		
<b>Bulk Warehouse</b>	\$7.75	\$4.34	\$2.03	\$1.35
<b>Office/Showroom</b>	\$9.81	\$5.41	\$4.04	\$2.14
<b>Office/Warehouse</b>	\$8.39	\$4.77	\$2.18	\$1.66

The net change in occupied space was a negative 2,903,717 SF for the total market. The above rates are quoted only, as actual rates will vary by submarket and property type. In addition, landlord motivation, building occupancy levels and other factors including credit of tenant, lease term, tenant allowances and concessions will all impact the actual rates negotiated.

What is different with this market correction is that rather than overbuilding and increasing vacancies due to an increase in supply, we simply have weak demand. With marginal job growth in both the office and industrial markets, we will see little new demand for space. Existing mortgage debt is also a concern for many commercial property owners. Lending standards which have increased, combined with a decrease in building values has placed added pressure on owners to increase their equity positions as loans mature or rollover. The credit strength of both tenants and landlords has also become increasingly important in negotiations. Also, many tenants seeking rent relief or additional improvements have sought early renewals. While this can be beneficial, the unique circumstances of each transaction require careful consideration. Maximum leverage is optimized by seeking competitive proposals in either a lease renewal or relocation.

## TaTonka

TaTonka is a Dakota Indian term for the mighty American Buffalo. It is a symbol of strength, health and vitality. It is respected for its energy, spirit and integrity and thrives under adverse conditions. It was chosen to symbolize the values of our organization.

If you wish to discuss any requirement confidentially or have a market related question, please feel free to contact us at 612.466.7300. You may also visit our website at [www.TATONKAre.com](http://www.TATONKAre.com).

## Law Firms on the Move in Downtown Minneapolis



TaTonka Real Estate Advisors recently represented four Minneapolis Law Firms in their search and negotiations for office space within the Minneapolis CBD. These firms included Barnes & Thornburg, Chestnut & Cambronne, Halleland Habicht PA, and Messerli & Kramer, P.A. totaling approximately 100,000 SF of leasing activity.

## InstyMeds & Williams Sound to expand in Eden Prairie



TaTonka Real Estate Advisors recently represented two Golden Triangle tenants in their negotiations for office and warehouse space in Eden Prairie. These leases totaled in excess of 50,000 SF and represent positive absorption of nearly 15,000 SF. Despite an increase in space of nearly 30%, overall occupancy costs were only slightly changed reflecting the attractive terms available to tenants in today's market.

## Qwinstar Completes its Relocation in Vadnais Heights



Qwinstar Corporation recently completed its relocation to new facilities in Vadnais Heights. This industrial transaction was referred to TaTonka Real Estate Advisors nationally by Newmark Knight Frank for TaTonka's expertise in handling industrial transactions in Minneapolis and St. Paul. Qwinstar will lease 21,808 SF of industrial space at 3500 Willow Lake Boulevard.

Market Notes Newsletter is published to highlight market trends and transactions, and to communicate helpful information to our clients and users of commercial space.

## Sample List of Recent Transactions

### Office

**American Cancer Society**  
St. Cloud, MN  
**Dolliff Insurance**  
St. Louis Park, MN  
**Wells Fargo Home Mortgage**  
Bloomington, MN  
**Wells Fargo Bank, N.A.**  
Minneapolis, MN  
**Financial Recovery Services**  
Superior, WI  
**Lee F. Murphy Inc.**  
Roseville, MN

### Industrial

**Liberty Systems**  
St. Paul, MN

### National Referrals

**Qwinstar Corporation**  
Vadnais Heights, MN  
**Central Bancorp**  
Minneapolis, MN

### Retail

**Spire Federal Credit Union**  
St. Paul, MN  
**Soo Line Credit Union**  
Brooklyn Park, MN

### Sales

**Chestnut & Cambronne**  
Minneapolis, MN

### Subleases

**Jobs2Web**  
Minnetonka, MN

### Medical

**Consulting Radiologists, Ltd**  
Minneapolis, MN  
**Physicians Neck & Back Clinics**  
Coon Rapids, MN  
**Downtown Dental Associates**  
Minneapolis, MN

## Services

- Advisory and Consulting Services
- Tenant Representation
- Lease Renewals
- Buyer Representation
- Asset Disposition
- Build-to-Suit Client Representation
- Site Search and Selection
- Sublease Assignments
- National and International Network Connections

## Areas of Specialization

- Office
- Industrial
- Medical
- Retail
- Land
- Investment

