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MARKET *Notes* Volume 10

2015 Twin Cities Office Market Outlook

The Twin Cities economy is one of the strongest in the nation with an unemployment rate of 3.3% which is more than 2.4% below the national average. The strength of the economy is having a positive effect on overall office market and is creating demand for new development.

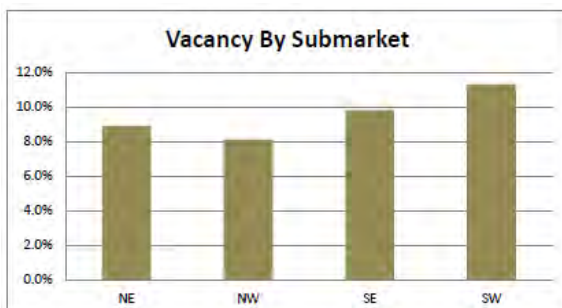
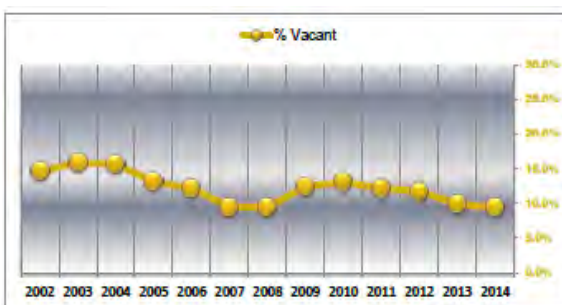
Overall vacancy continues to decrease and fell to 16.0%, the lowest since 2008. Absorption totaled 604,000 SF versus 504,000 SF of absorption in 2013. Vacancy rates, by market, ranged from a high of 24.2% in the Northwestern submarket, 17.1% in the Southwestern submarket to a low of 11.8% in the Western submarket. The Minneapolis CBD vacancy rate has dropped to 15.5%.

There has been an overall flight to quality buildings throughout the Twin Cities as the Class A vacancy fell to 13.5%. This trend has caused Class A rental rates to increase by as much as 20%. As a result of a strengthening economy and an improved real estate market, the first speculative office building since 2009 is under construction. The 170,000 sf Offices @ MOA is located in Bloomington and scheduled to be completed in the fall of 2015. Also, a speculative development in the Downtown Minneapolis North Loop has been announced and construction is planned to begin in 2015.

As reported in previous Market Notes, it is anticipated there will be some large vacancies occurring in 2015-17, as Wells Fargo, Be the Match, Xcel Energy, United Health Group and TCF relocate to new corporate facilities and Target downsizes as a result of recent corporate layoffs. These vacancies will create great opportunities for tenants looking for space in both the suburbs and the Minneapolis CBD.



2015 Twin Cities Industrial Market Outlook



Things are heating up in the Twin Cities Industrial Market. Increased demand and lack of supply have shifted the market in favor of landlords. Market wide vacancy rates dropped to 9.4% and absorption was 1,880,000 SF, just slightly down from last year. The Northeast submarket experienced the largest absorption 269,545 SF and the Northwest submarket had the lowest vacancy rate of 8.1%. Vacancy rates are highest in manufacturing buildings and lowest in warehouse-distribution facilities.

New speculative and build-to-suit development in the Northwest submarket has kicked off as a direct result of low vacancy rates and a lack of large block options. Market factors suggest we can expect some new development in the Northeast and Southwest submarket as well.

2015 continues to look healthy for the Industrial Market. Concessions have tightened for Tenants but that situation may reverse course as new product comes on-line. Lower vacancy rates have put upward pressure on lease rates. Low interest rates and a strong business outlook have caused an increase in purchase activity and subsequently higher prices for industrial properties.



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 and spirit, and thrives under adverse conditions. It was chosen to symbolize the values of our organization and the energy we put into serving our clients.

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.

Recent Transactions

Office Leases

Vanco Payment Solutions, LLC

New lease - Bloomington, MN

Nichols Kaster

Renewal - Minneapolis, MN

Shakopee Public Schools

New lease - Shakopee, MN

Receivables Control Corporation

Renewal - Maple Grove, MN

American Greetings

New lease - Minneapolis, MN

Lee F. Murphy Insurance

Renewal - Roseville, MN

Industrial Leases

HDM

Renewal - Oakdale, MN

Holmberg

Renewal - Plymouth, MN

The Wedding Shoppe

New lease - St. Paul, MN

Land Sales

3.68 Acres Kozlak Family Trust

Shoreview, MN

1.00 Acre Associated Bank

Rochester, MN

1.43 Acre

Roseville, MN

Investment / Sales

Minnesota Corporate Center

94,240 SF - Minnetonka, MN

7450 South Park Drive

10,168 SF - Savage, MN

Build-to-Suit Development

Cardiovascular Systems, Inc.

125,000 SF - New Brighton, MN

Medical Professional Leases

Consulting Radiologists

New lease - Edina, MN

Austin Family Dental

Renewal - St. Paul, 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



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