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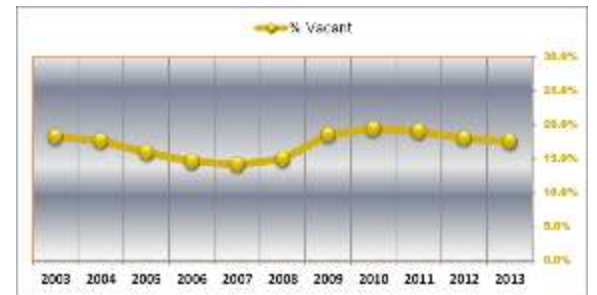
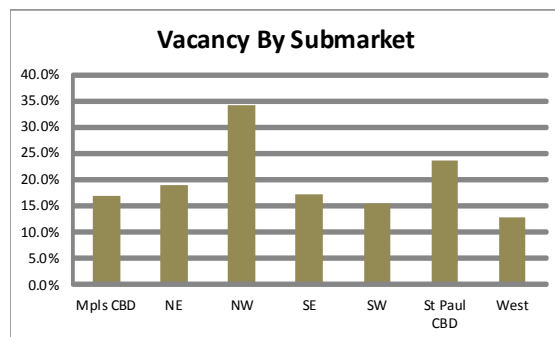
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MARKET *Notes* Volume 9

2014 Twin Cities Office Market Outlook

Positive sentiment and increased certainty improve market dynamics as economic stability returns. Unemployment in Minnesota dropped to 4.8% tightening labor markets. The stock market started the year near record highs boosting consumer and business confidence yet demand for space remains flat as Tenant's seek to control costs and improve space utilization.

Vacancy fell modestly by half a percent to 17.5% market wide, but varied widely from a high of 33.7% in the northwestern suburbs to a low of 11.6% in the western submarket. Demand for Class A space continues to outshine B and C space where vacancy rates hover near 20%. Upper level vacancies within the Minneapolis CBD have dropped to nearly 2% putting increased pressure on rental rates and creating greater variation in quoted rents. This will change, due to current build-to-suit activity for Wells Fargo Bank and Xcel Energy, which will increase vacancies within the Minneapolis CBD by over 1,000,000 SF by the year 2016.



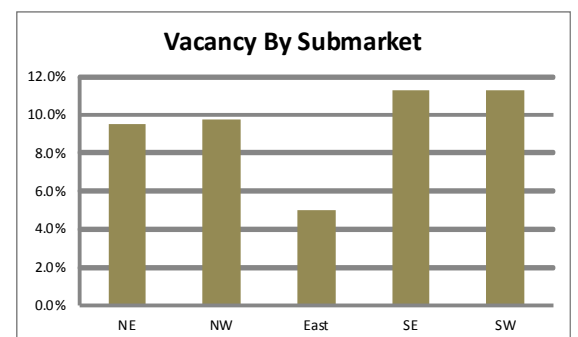
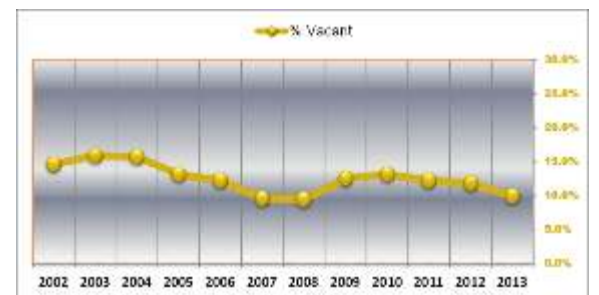
Lack of demand in the later part of 2013 resulted in an absorption rate of just 504,000 SF, only half the absorption rate for 2012. Tenant improvement allowances for turnkey improvements are still standard, while rental concessions have diminished slightly and vary with occupancy and landlord motivation.

2014 Twin Cities Industrial Market Outlook

Vacancy and absorption results for the industrial market were a stark contrast to the office market in 2013. Vacancy rates were near their lowest in a decade at 9.9% market wide. Absorption was up 200,000 SF to 1,483,000 SF sparking 1.2M SF of new development, both speculative and build-to-suit. The lack of available inventory has put upward pressure on rental rates and downward pressure on incentives. The highest vacancy rates were in the southeast and southwest submarkets and the lowest vacancy rates were in the east submarket. By product type, vacancy rates were lowest for bulk warehouse (8.7%) followed by office warehouse (9.1%) and office showroom (13.0%). Class A properties were in greatest demand while Class C properties continued to struggle.

Manufacturing is making a recovery across the US as higher overseas labor costs, concern over patent security, and quality of finished product have shifted in favor of US manufacturers.

We see a strong 2014 with greater activity in the area of build-to-suit development, with the energy, technology, and healthcare sectors continuing to experience growth.



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.

Thanks For a Great Year

TaTonka would like to thank its clients for a strong year in 2013. Our company history tells us that 85% of our business comes from either past clients or referrals and that is a very important statistic to us. As a locally based company, we pride ourselves on doing things differently than our competition and working harder to always represent our client’s best interests.

Thank you again for your trust in TaTonka and your continued support. We continue to grow our business by adding quality clients. We know there are many businesses in the Twin Cities not receiving the benefits representation brings. On that note, if you think of an acquaintance or business relationship that you think would benefit from our real estate services, please pass on the TaTonka name and we would be glad to help. We look forward to a great year and appreciate the loyalty and support of all our clients.

Recent Transactions

Office Leases

Halleland & Habicht Law Offices

Renewal - Minneapolis, MN

Executive Suites of MN

Renewal - Minneapolis, MN

Associated Bank

New Lease - Minneapolis, MN

Financial Recovery Services

Edina, MN

Summit Investment Advisors

Roseville, MN

Retail Leases

Z Wireless (Verizon)

Woodbury, MN

Tin Whiskers Brewery

St. Paul, MN

Associated Healthcare Credit Union

Eagan, MN

Bachman Printing

Minneapolis, MN

Industrial Leases

Card Cells

Expansion - White Bear Lake, MN

UHS

Duluth, MN

Budget Plumbing

Plymouth, MN

Sublease

Viterra / Novu

St. Louis Park, MN

Land Sales

3.68 Acres Kozlaks Restaurant

Shoreview, MN

1.43 Acres Countryside Restaurant

Roseville, MN

Investment / Sales

**Investment Sales of Office Properties located in
Bloomington, Minneapolis & Brooklyn Center**

Totaling 218,000 SF

Associated Bank

Rochester, MN 40,000 SF

Mardell Law Office

Apple Valley, MN 4,000 SF

Hopkins Crossroads Retail Center

Hopkins, MN

Medical Professional Leases

Dr. Nancy Norling

Renewal - St. Louis Park, MN

Consulting Radiologists

Minneapolis, MN

Dr. Matthew Alvord

Eden Prairie, 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 | • Retail |
| • Industrial | • Land |
| • Medical | • Investment |



TaTonka
Real Estate Advisors

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