



Minneapolis, Minnesota

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

Our unusually mild winter may have been the result of the local real estate market heating up as activity in all sectors is on the rise. Total employment in the region continues a steady, if gradual, climb (unemployment is hovering in the 5.6% range), and regional economic indicators seem to be steadily improving. These upbeat trends are fueling gradual increases in rental rates and declining vacancies in better quality spaces across the market. Large blocks of space are becoming increasingly difficult to find and the incentives that were subsidizing deals a year ago are diminishing. High fuel prices and a potential shortage of skilled labor are the two most likely factors to slow the growth we currently foresee.

Market Trends

- Occupancy in all sectors continues to rise, and we don't see this trend reversing for at least 12 months.
- While there is little-to-no speculative development going on, rumors of competition for good land sites suggests new buildings may be just around the corner.
- Free rent was a common incentive six months ago. While the concept remains, the amounts have diminished in top properties.
- Institutional investors continue to have an appetite for good office and industrial product in the region.
- Subleases, once abundant in the market, are now scarcer, and the discounts are diminishing.

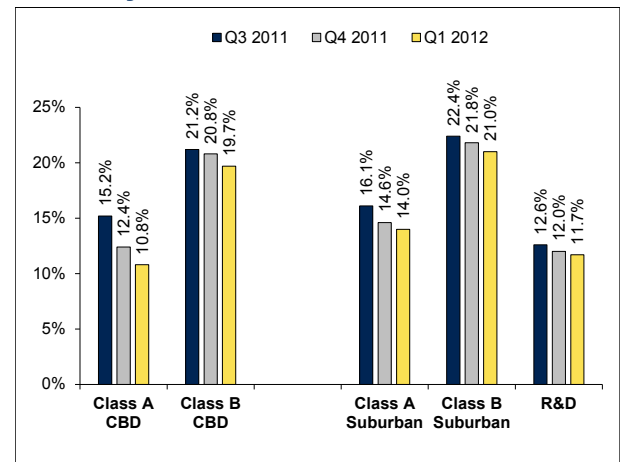
Tenant's Perspective

For tenants who can predict their future with any degree of certainty, we are encouraging an aggressive approach and quick decision making. We see a widening gap between the rents in prime buildings vs. marginal facilities, creating an opportunity for the creative class and those who are less sensitive to location or building grade. Small users still have plenty of options and relatively little leverage with institutional owners. Mid-size tenants are in high demand, and larger users often have fewer choices than they would like. Virtually all the current regional market trends favor landlords.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
SPS Commerce	115,000	Office	Lease
Target Corp	485,000	Office	Lease
Accenture	47,500	Office	Lease
Allina Clinic	67,500	Med Off.	Lease
Walden University	25,000	Office	Lease
Lind Jensen	20,000	Office	Lease
Opportunity Ptrns	180,000	Industrial	Purchase

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$26.00	\$26.75	\$28.00
Class B Office	\$21.50	\$22.00	\$23.25
Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$24.00	\$25.00	\$27.00
Class B Office	\$21.00	\$22.00	\$23.00
R&D	\$6.85	\$6.90	\$7.00