

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate increased 0.1 percentage point from 3.1% in May 2016 to 3.2% in May 2017. The unemployment rate decreased 1% percent compared to February 2017. This current rate compares favorably to Minnesota (3.7%) and the US (4.3%). The Mpls-St Paul metropolitan statistical area nonfarm job creation totaled 38,500 over the past year. Office using jobs (information, professional and business services and financial activities) added 9,400 jobs during the past year.

Market Overview

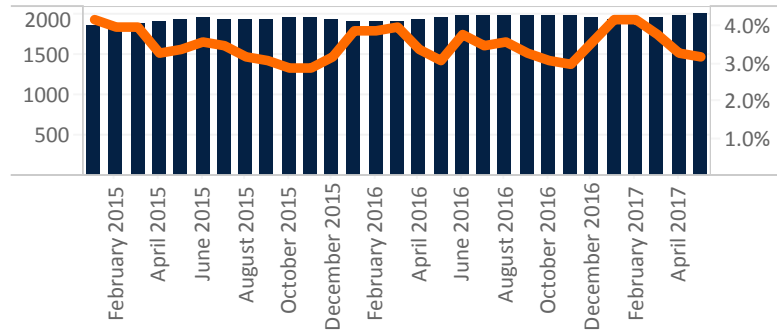
The Mpls-St Paul office market recorded 226,943 square feet of negative absorption during 2Q 2017. The total vacancy rate has increased 2.5 percentage points from 15.1% in 2Q 2016 to 17.6% at the close of 2Q 2017. Direct vacancy rates increased 2.0 percentage points from 14.8% to 16.8% during the same time period. Weighted average rent growth continued to improve during 2Q 2017 especially in Class A properties in Mpls CBD Northloop submarket. Weighted average asking rents in all classes increased 1%, recording \$25.26 per square foot (psf) at the close of 2Q 2017 compared to 2Q 2016. Class A weighted average rents increased 0.4% year-over-year, recording \$31.18 psf at the close of 2Q 2017. Class C rents increased 6.4% year-over-year, recording \$18.67 psf at the close of 2Q 2017.

Market Highlights

Mpls-St Paul market recorded four consecutive quarters of negative absorption primarily due to companies moving from multi-tenant properties to single tenant properties. This trend has slowed down for 2Q 2017 although Wells Fargo vacated another 109,000 sf. Direct space recorded 82,000 sf of positive absorption. Mpls CBD market posted the largest gain with 186,000 sf of positive absorption with Jack Links leasing 78,500 sf and Ryan Companies moving into 55,000 sf in Mpls CBD submarkets. The Southwest and St Paul CBD markets posted the most negative absorption with 179,000 sf and 141,000 sf respectively. Cargill vacated 255,000 sf in the Southwest market and Ecolab vacated 77,300 sf in St Paul CBD and both are sublease spaces.

Mpls-St Paul Employment

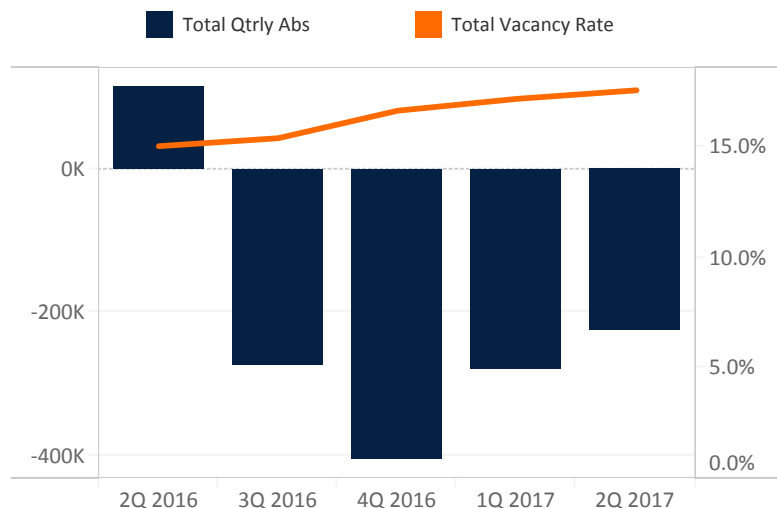
Source: BLS



Market Recap

Inventory (sf)	80,312,442
# of Bldgs	654
Qrtly Abs (sf)	-226,943
Total Avail Rate	21.0%
Total Vacancy Rate	17.6%
U/C Inventory (sf)	1,990,887
Delivered (sf)	0
Weighted Average Asking Rate (FSG)	\$25.26

Absorption and Vacancy Rate



Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
A	32,703,444	6,458,280	5,553,386	17.0%	-179,137	-287,895
B	43,233,310	9,564,978	7,876,701	18.2%	-60,815	-238,855
C	4,375,688	834,093	700,671	16.0%	13,009	-25,858
Overall	80,312,442	16,857,351	14,130,758	17.6%	-226,943	-552,608

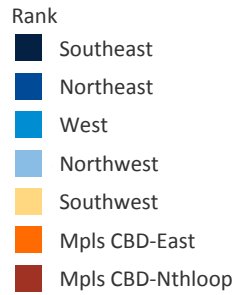
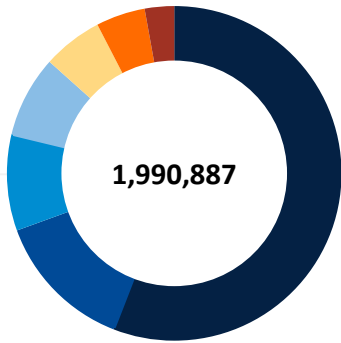
Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Mpls CBD-Core	A	14,854,907	2,405,575	2,342,565	15.8%	-31,294	-26,684
	B	6,016,548	2,042,700	1,916,899	31.9%	31,811	53,570
	C	961,416	243,296	211,823	22.0%	2,340	-900
	<i>Subtotal</i>	21,832,871	4,691,571	4,471,287	20.5%	2,857	25,986
Mpls CBD-East	A	387,907	125,119	111,071	28.6%	52,329	52,329
	B	280,000	23,337	5,297	1.9%	5,043	0
	C	131,797	16,721	1,955	1.5%	-1,955	-1,955
	<i>Subtotal</i>	799,704	165,177	118,323	14.8%	55,417	50,374
Mpls CBD-Loring	B	162,561	9,755	4,042	2.5%	0	-4,042
	<i>Subtotal</i>	162,561	9,755	4,042	2.5%	0	-4,042
Mpls CBD-NE	A	200,739	127,670	127,670	63.6%	0	12,886
	B	1,789,743	243,649	175,119	9.8%	16,910	17,100
	C	148,181	7,000	7,000	4.7%	7,000	7,000
	<i>Subtotal</i>	2,138,663	378,319	309,789	14.5%	23,910	36,986
Mpls CBD-Nthloop	A	966,782	143,858	229,394	23.7%	20,828	23,377
	B	782,207	145,119	107,622	13.8%	6,549	-7,769
	C	73,800	17,000	17,000	23.0%	0	-17,000
	<i>Subtotal</i>	1,822,789	305,977	354,016	19.4%	27,377	-1,392
Mpls CBD-Whse	A	434,333	0	0	0.0%	93,390	93,390
	B	1,555,491	421,352	194,454	12.5%	-16,069	-54,297
	C	56,000	0	0	0.0%	0	0
	<i>Subtotal</i>	2,045,824	421,352	194,454	9.5%	77,321	39,093
Northeast	A	925,289	314,131	314,131	33.9%	-27,642	-21,148
	B	5,811,656	1,355,418	1,046,507	18.0%	-31,082	-19,841
	C	470,098	82,449	93,580	19.9%	53	-4,686
	<i>Subtotal</i>	7,207,043	1,751,998	1,454,218	20.2%	-58,671	-45,675
Northwest	A	509,685	188,496	29,844	5.9%	19,896	18,793
	B	3,035,238	520,986	464,710	15.3%	-2,550	-48,445
	C	433,296	65,915	54,784	12.6%	3,655	10,347
	<i>Subtotal</i>	3,978,219	775,397	549,338	13.8%	21,001	-19,305
Southeast	A	1,136,756	238,961	152,428	13.4%	2,746	87,741
	B	5,581,621	1,116,810	997,065	17.9%	-34,104	-75,337
	C	933,773	172,840	172,840	18.5%	1,616	-3,013
	<i>Subtotal</i>	7,652,150	1,528,611	1,322,333	17.3%	-29,742	9,391
Overall		80,312,442	16,857,351	14,130,758	17.6%	-226,943	-552,608

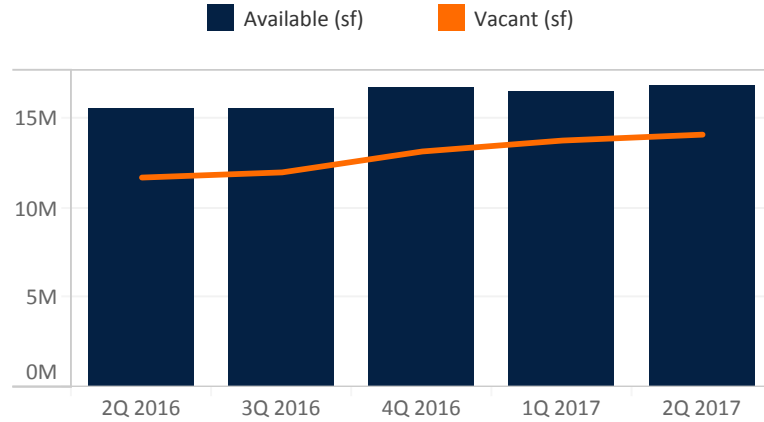
Overview by Market (Total) Cont'd

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Southwest	A	7,051,519	1,789,387	1,418,376	20.1%	-284,856	-440,842
	B	9,246,703	2,142,582	1,575,289	17.0%	105,157	119,840
	C	537,542	123,233	81,686	15.2%	673	-12,268
	<i>Subtotal</i>	16,835,764	4,055,202	3,075,351	18.3%	-179,026	-333,270
St Paul CBD	A	2,564,915	588,227	373,093	14.5%	522	1,559
	B	4,092,889	834,457	813,527	19.9%	-141,128	-162,868
	C	519,818	93,631	47,995	9.2%	-373	-3,383
	<i>Subtotal</i>	7,177,622	1,516,315	1,234,615	17.2%	-140,979	-164,692
West	A	3,670,612	536,856	454,814	12.4%	-25,056	-89,296
	B	4,878,653	708,813	576,170	11.8%	-1,352	-56,766
	C	109,967	12,008	12,008	10.9%	0	0
	<i>Subtotal</i>	8,659,232	1,257,677	1,042,992	12.0%	-26,408	-146,062
Overall		80,312,442	16,857,351	14,130,758	17.6%	-226,943	-552,608

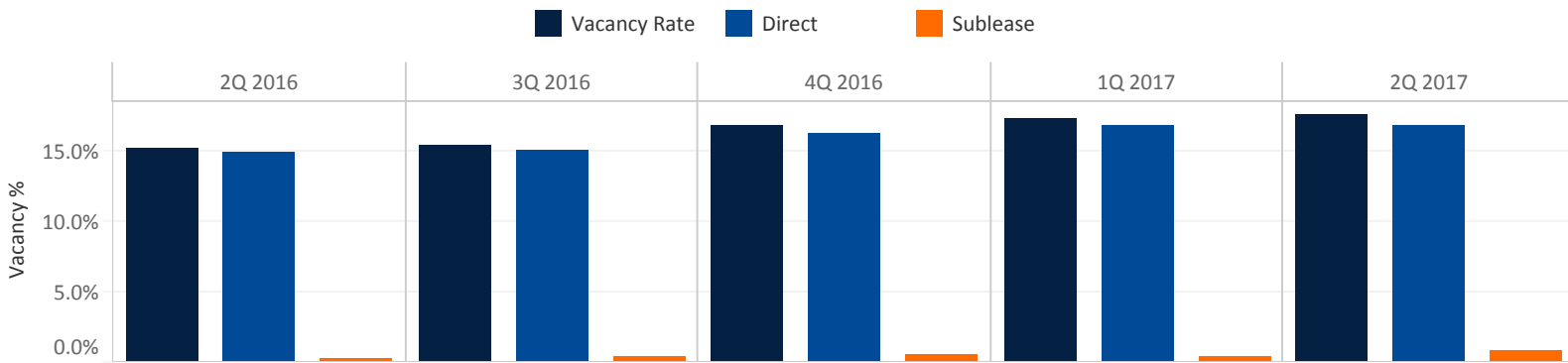
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	32,703,444	5,923,883	5,205,709	15.9%	68,481	-68,134
B	43,233,310	9,133,889	7,560,126	17.5%	7,145	-179,780
C	4,375,688	820,388	700,671	16.0%	7,367	-25,858
Overall	80,312,442	15,878,160	13,466,506	16.8%	82,993	-273,772

Overview by Class (Sublease)

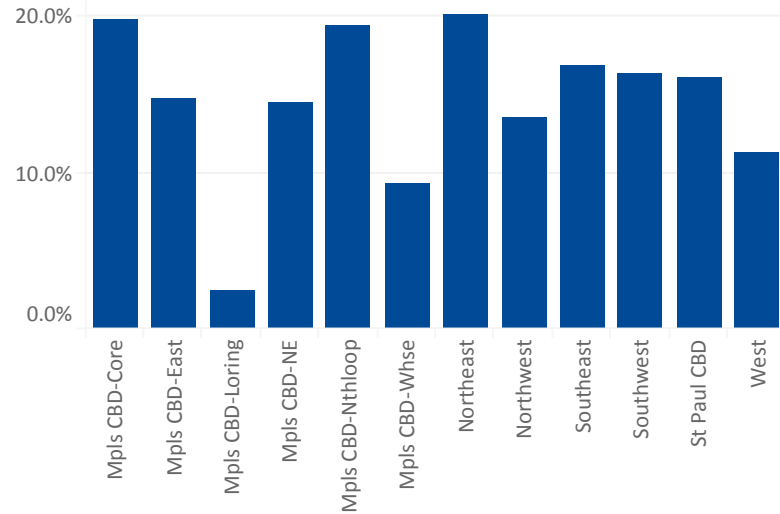
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	32,703,444	534,397	347,677	1.1%	-247,618	-219,761
B	43,233,310	431,089	316,575	0.7%	-67,960	-59,075
C	4,375,688	13,705	0	0.0%	5,642	0
Overall	80,312,442	979,191	664,252	0.8%	-309,936	-278,836

Direct Vacancy Rates

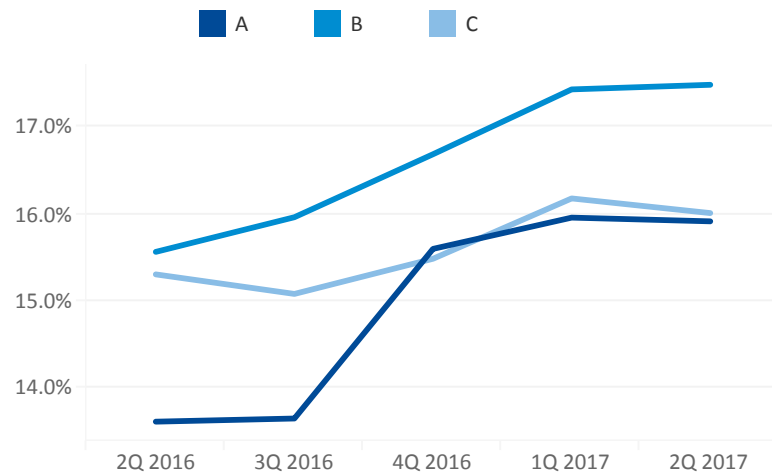
By Market and Class

Market Name	Class	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
Mpls CBD-Core	A	13.3%	13.0%	15.4%	15.3%	15.5%
	B	18.1%	21.8%	28.5%	30.5%	29.9%
	C	22.5%	22.2%	21.9%	21.9%	22.0%
Mpls CBD-East	A	0.0%	0.0%	42.1%	42.1%	28.6%
	B	2.9%	1.9%	1.9%	3.7%	1.9%
	C	1.5%	0.0%	0.0%	0.0%	1.5%
Mpls CBD-Loring	B	21.4%	17.6%	0.0%	2.5%	2.5%
Mpls CBD-NE	A	71.2%	71.2%	70.0%	63.6%	63.6%
	B	13.2%	11.1%	11.3%	10.7%	9.8%
	C	9.4%	9.4%	9.4%	9.4%	4.7%
Mpls CBD-Nthloop	A	3.2%	6.3%	26.1%	25.7%	23.7%
	B	10.1%	11.5%	12.7%	14.6%	13.8%
	C	0.0%	0.0%	0.0%	23.0%	23.0%
Mpls CBD-Whse	A	21.5%	21.5%	21.5%	21.5%	0.0%
	B	9.1%	9.5%	9.0%	11.5%	12.3%
	C	0.0%	0.0%	0.0%	0.0%	0.0%
Northeast	A	33.0%	32.8%	31.7%	31.0%	33.9%
	B	13.5%	15.2%	16.7%	16.9%	18.0%
	C	15.1%	13.7%	18.9%	19.9%	19.9%
Northwest	A	13.4%	13.1%	9.5%	9.8%	5.9%
	B	14.1%	12.9%	10.7%	14.8%	15.0%
	C	16.3%	16.3%	15.0%	13.5%	12.6%
Southeast	A	19.3%	19.6%	19.7%	12.2%	12.0%
	B	17.2%	17.0%	16.8%	17.0%	17.5%
	C	19.4%	18.7%	18.1%	18.7%	18.5%
Southwest	A	12.8%	13.4%	13.7%	16.0%	16.5%
	B	18.2%	18.3%	18.0%	17.3%	16.3%
	C	11.4%	12.8%	13.3%	15.0%	15.2%
St Paul CBD	A	10.6%	10.7%	10.3%	12.4%	14.5%
	B	16.5%	15.9%	15.8%	16.4%	18.0%
	C	8.6%	8.7%	9.4%	9.2%	9.2%
West	A	10.3%	9.9%	9.5%	10.6%	11.2%
	B	12.5%	11.4%	10.3%	11.4%	11.4%
	C	11.5%	11.1%	10.9%	10.9%	10.9%
Overall		14.8%	15.0%	16.2%	16.8%	16.8%

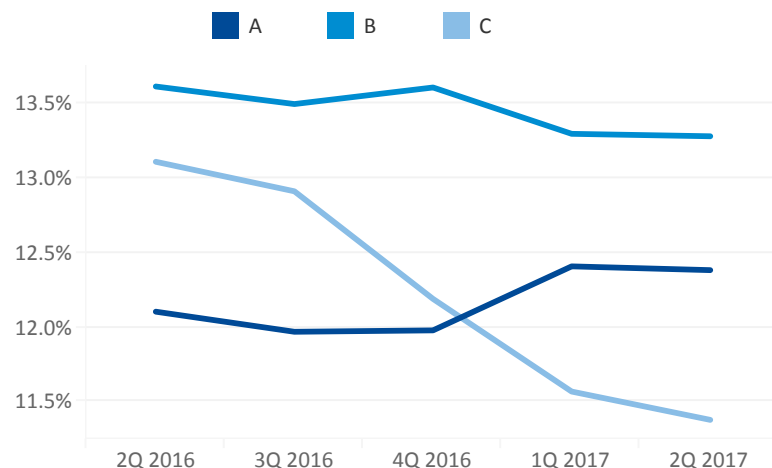
By Market



Mpls-St Paul by Class



National by Class

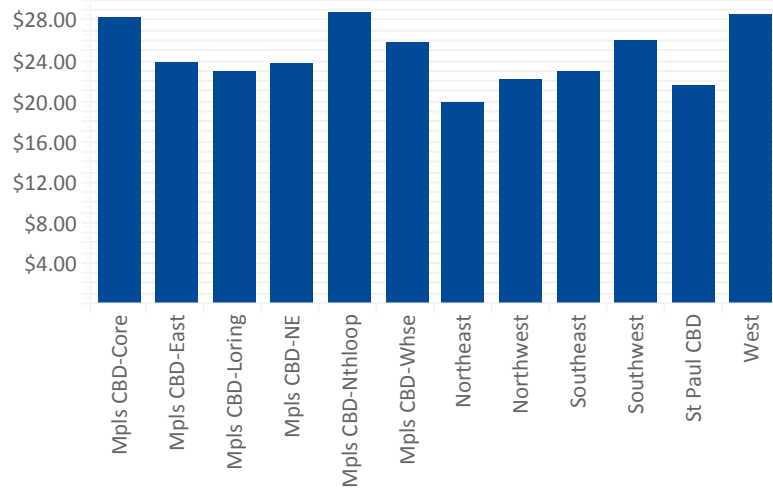


Direct Weighted Average Asking Rates (FSG)

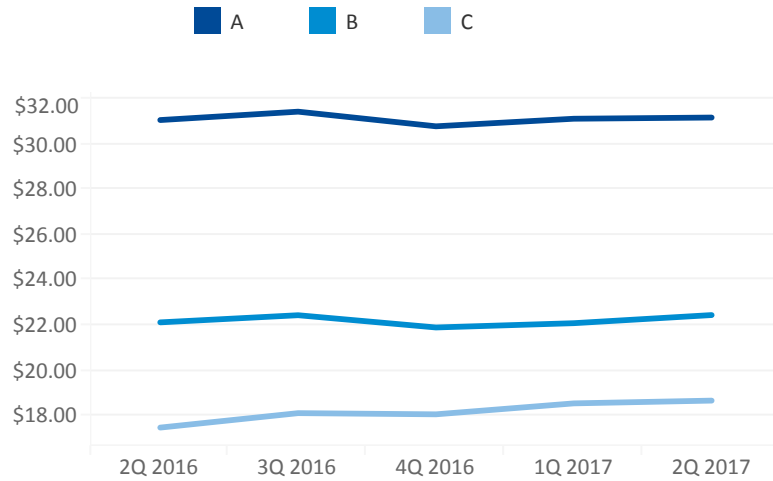
By Market and Class

Market Name	Class	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
Mpls CBD-Core	A	\$32.76	\$33.08	\$32.34	\$32.15	\$32.43
	B	\$24.98	\$25.84	\$22.78	\$22.87	\$23.92
	C	\$22.31	\$22.64	\$22.64	\$22.76	\$23.10
Mpls CBD-East	A	\$26.53	\$26.53	\$26.53	\$27.22	\$27.22
	B	\$21.53	\$21.23	\$21.67	\$21.00	\$20.00
	C	\$24.18	\$14.00	\$14.00	\$25.81	\$25.81
Mpls CBD-Loring	B	\$21.86	\$23.00	\$23.00	\$23.00	\$23.00
Mpls CBD-NE	A	\$25.57	\$25.57	\$25.57	\$25.57	\$25.57
	B	\$21.24	\$20.73	\$20.38	\$20.31	\$22.43
Mpls CBD-Nthloop	A	\$28.81	\$28.81	\$31.55	\$31.19	\$31.97
	B	\$23.00	\$23.31	\$23.10	\$25.87	\$26.19
	C	-	-	-	-	-
Mpls CBD-Whse	A	\$31.59	\$31.59	-	-	-
	B	\$25.03	\$24.97	\$24.86	\$25.75	\$25.85
	C	-	-	-	-	-
Northeast	A	\$25.23	\$25.03	\$24.84	\$24.99	\$25.82
	B	\$20.46	\$20.50	\$20.33	\$20.07	\$19.74
	C	\$13.03	\$13.13	\$14.59	\$14.50	\$14.37
Northwest	A	\$27.54	\$27.54	\$26.36	\$27.52	\$27.46
	B	\$19.08	\$19.35	\$19.14	\$20.48	\$20.27
	C	\$15.80	\$15.84	\$15.77	\$16.44	\$16.54
Southeast	A	\$30.43	\$30.22	\$30.07	\$32.14	\$31.88
	B	\$20.86	\$20.76	\$21.16	\$21.28	\$21.42
	C	\$17.09	\$18.82	\$18.80	\$18.57	\$17.92
Southwest	A	\$32.67	\$32.75	\$31.66	\$31.86	\$32.06
	B	\$22.89	\$22.93	\$22.64	\$22.94	\$23.19
	C	\$17.76	\$17.95	\$17.92	\$18.37	\$18.42
St Paul CBD	A	\$23.25	\$23.28	\$23.29	\$23.42	\$24.41
	B	\$19.85	\$19.97	\$19.88	\$20.16	\$21.09
	C	\$12.81	\$13.09	\$12.94	\$13.88	\$13.84
West	A	\$34.79	\$34.19	\$34.10	\$34.76	\$34.55
	B	\$23.09	\$23.15	\$23.29	\$22.93	\$22.94
	C	\$19.23	\$19.34	\$19.33	\$19.47	\$19.47
Overall		\$25.02	\$25.39	\$24.84	\$25.19	\$25.26

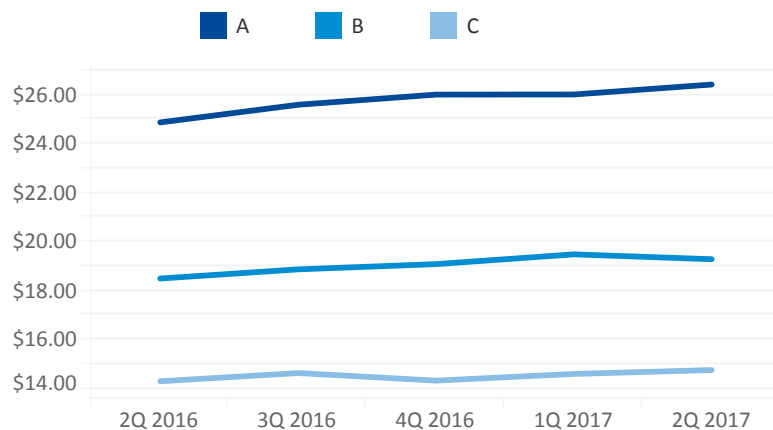
By Market



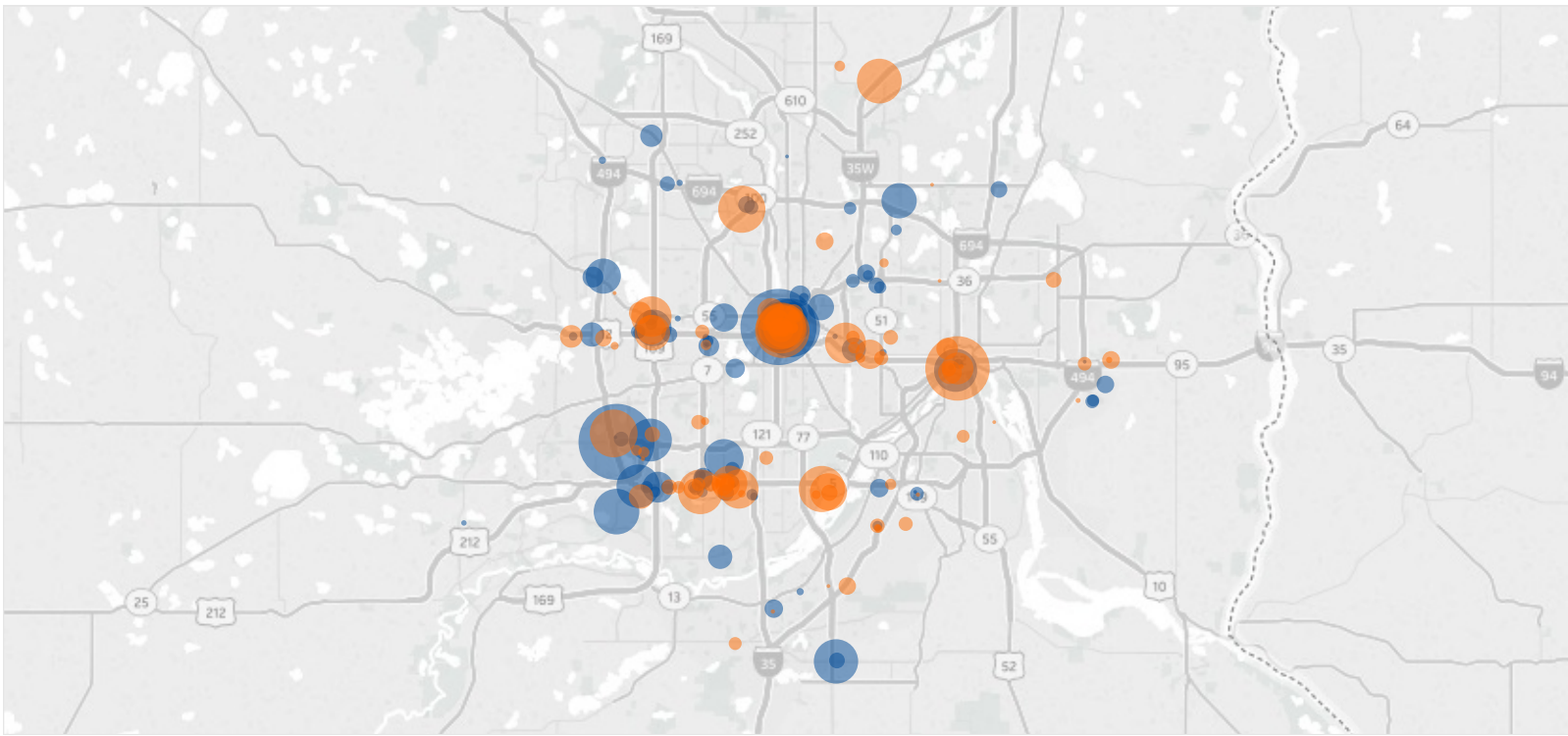
Mpls-St Paul by Class



National by Class



Absorption Map



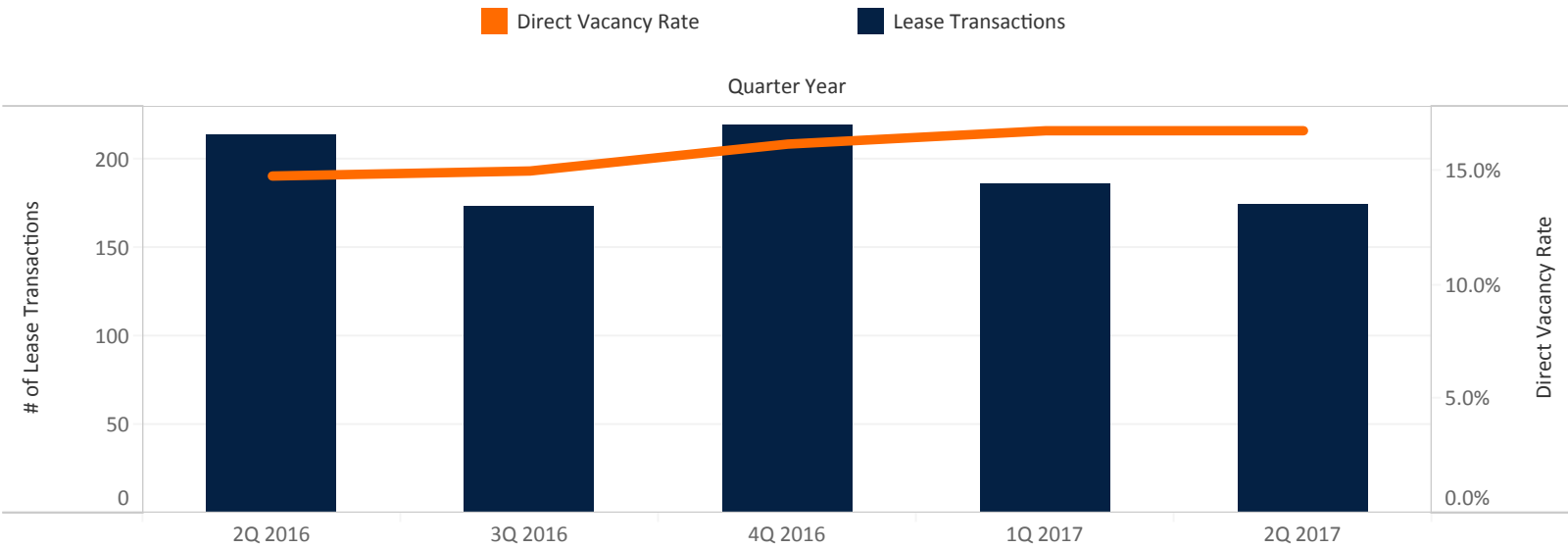
Largest Positive (Total)

Property Name	Significant Transactions	Market Name	Class	
Mayo Clinic Square	Jack Links 78,502 SF and Mayo Clinic 14,888 SF	Mpls CBD-Whse	A	93,390
Associated Benefits	Associated Financial Group purchased the property	Southwest	B	93,000
Millwright Building	Ryan Companies (the owner) will occupy 55,000 SF	Mpls CBD-East	A	55,000
Marquette Plaza	GSA Immigration leased 37,000 SF	Mpls CBD-Core	B	36,953
Flying Cloud Corporate Campus Bldg E	Arcserve leased 33,496 SF	Southwest	B	33,496
Apple Valley Commons II	Wings will occupy 31,768 SF	Southeast	B	31,629
One Southwest Crossing	Nestle leased 30,232 SF	Southwest	A	30,232
US Bancorp Center	BDO and Newell-Rubbermaid	Mpls CBD-Core	A	29,932

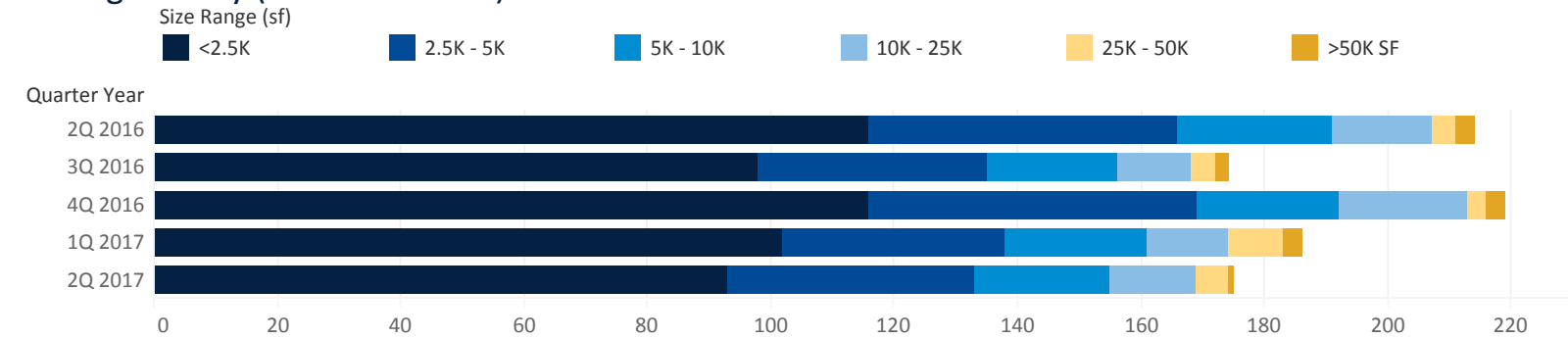
Largest Negative (Total)

Property Name	Significant Transactions	Market Name	Class	
Excelsior Crossings	Cargill vacated 254,915 SF on a sublease	Southwest	A	-254,915
Ecolab University Center	Ecolab vacated 77,300 SF 2Q2017 on a sublease	St Paul CBD	B	-77,300
Cray Plaza Office	Cray vacated 65,688 SF and Ambor Structures Inc vacated 1,070 SF	St Paul CBD	B	-66,758
705 Baker Center	Wells Fargo vacated 47,703 SF	Mpls CBD-Core	B	-47,703
Wells Fargo Center	Wells Fargo compressed 41,806 SF	Mpls CBD-Core	A	-41,806
12600 Whitewater Dr	Associated Benefits & Risk Consulting vacated 36,759 SF	Southwest	B	-36,759
Shingle Creek Plaza	owner vacated 21,290 SF; Kidney Specialists of Minnesota vacated 14,505 SF	Northwest	B	-35,795
Metro Office Park	US Citizenship and Immigration Services and St Paul District Office	Southeast	B	-34,298

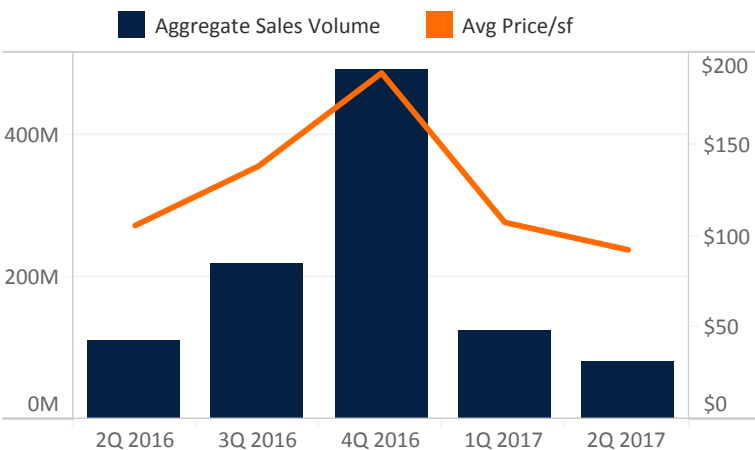
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
UBS Plaza	05/09/2017	CIG-UBS, LLC	\$14,150,000
River Road Business Center I	06/01/2017	River Road Plaza T, LLC River Road Plaza Q, LLC	\$10,600,000
2955 Centre Pointe Dr N	05/10/2017	University of Northwestern - St. Paul	\$8,825,540
Ridgeview Office Center	05/31/2017	Ridgeview Holdings LLC	\$5,500,000

Terminology

Term	Definition
Class A	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.
Class 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.
Class C	Buildings competing for office users requiring functional office space with asking rents below the market average for the area.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing multi-tenant buildings greater than 20,000 sf or are part of a complex that totals greater than 20,000 sf located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties. Medical and Government properties are excluded.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Sublease Space	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	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.
Total Vacant (sf)	The total of all the vacant square feet within a building based on fiscal vacancy.
Weighted Average Rents	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.
Xceligent Partner	MNCAR

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.

Advisory Board Members

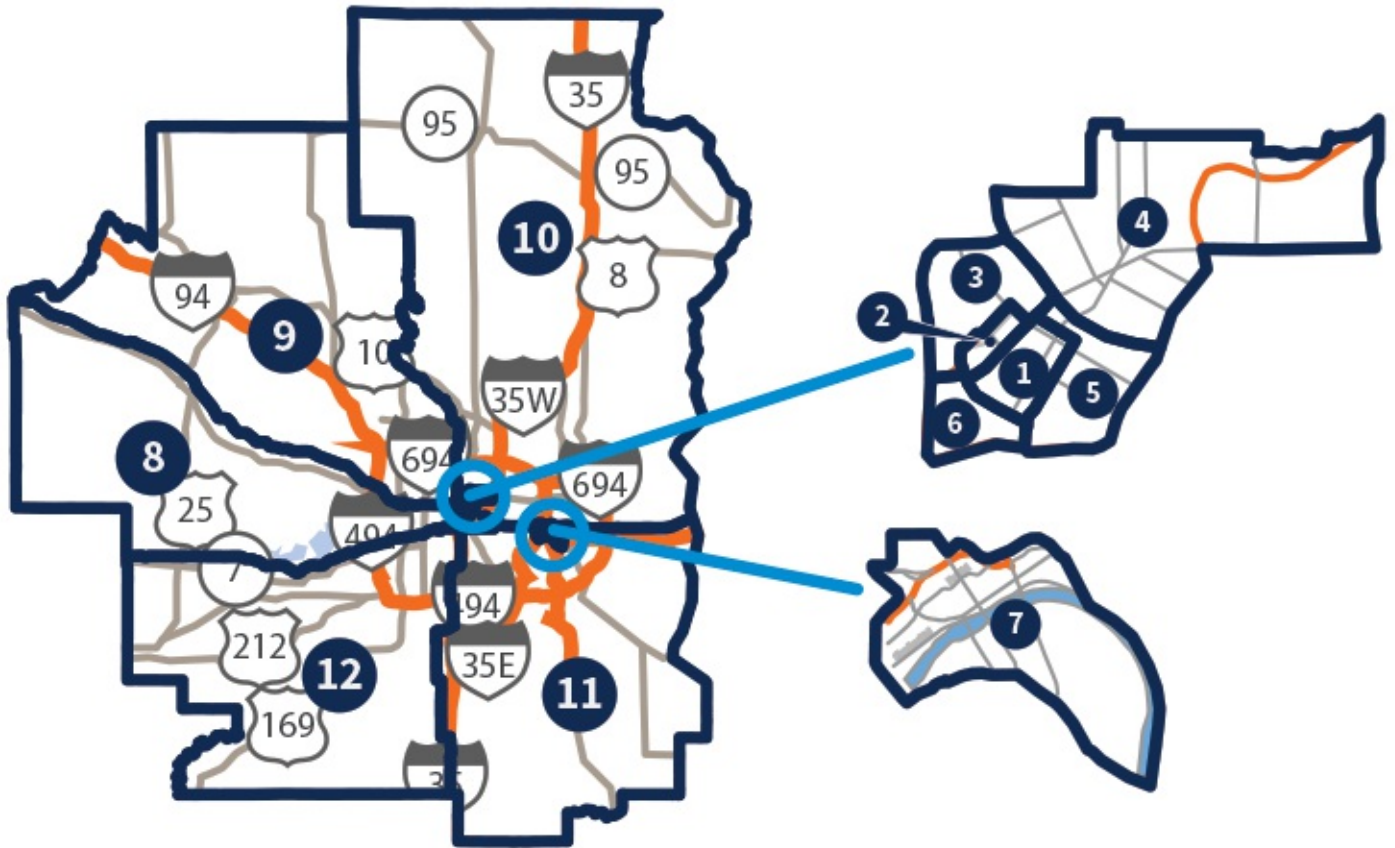
Avison Young	Chas Simcox	Cushman & Wakefield NorthMarq	Mark Stevens
CBRE	Brent Karkula		Tom Stella
	Brian Wasserman	Essence Real Estate	Jeff Nordness
	Jerry Driessen	Frauenschuh	Jason Butterfield
	Mike Wilhelm	Hines	Bob Pfefferle
Colliers International	Eric Rapp	JLL	Ann Rinde
	Kevin O'Neill	KW Commercial Midwest	Andrew Manthei
	Matt Delisle	Lee & Associates	Kai Thomsen
	Nils Snyder	NTH	Lynette Dumalag
Core Commercial Real Estate	Sean Coatney	Transwestern	Mike Honsa
Cushman & Wakefield NorthMarq	Eric King		Reed Christianson
	Jim Montez	Zeller	Mary Burnton

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Avison Young	Jacob Kurth	Colliers International	Tyler Allen
CBRE	Allyn Thorpe	Cushman & Wakefield NorthMarq	Patrick Hamilton
	Tim Tysk	JLL	Carolyn Bates
Colliers International	Andrew Brick	Newmark Grubb Knight Frank	Maura Carland
		Transwestern	Amy Wheaton

Xceligent Team

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|------------------------|------------------|
| 1 Mpls CBD - Core | 7 Saint Paul CBD |
| 2 Mpls CBD - Warehouse | 8 West |
| 3 Mpls CBD - Northloop | 9 Northwest |
| 4 Mpls CBD - Northeast | 10 Northeast |
| 5 Mpls CBD - East | 11 Southeast |
| 6 Mpls CBD - Loring | 12 Southwest |