Research &
Forecast Report

MINNEAPOLIS-ST. PAUL MEDICAL OFFICE

Second Half 2016

Colliers INTERNATIONAL

Accelerating success.

Medical Office Development Remains Strong

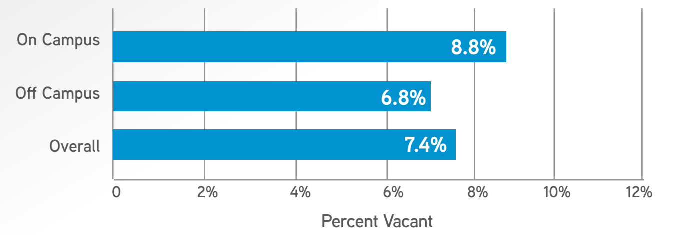
Highlights

- Absorption numbers continue to be positive in the second half of 2016 with absorption for the year at +100,323 square feet.
- The Southwest submarket has the lowest vacancy rate of all off-campus submarkets at a rate of 2.5 percent, compared with 6.8 percent vacancy for the overall off-campus market.
- On-Campus vacancy continues to decrease from 9.5 percent to 8.8 percent, nearly half of the vacancy can be attributed to activity at St. Joseph's and the Mercy Campus.
- 2016 brought over 445,000 square feet of new medical office space, with over 1 million square feet of additional space currently under construction.
- Southeast/East metro construction is ramping up with seven large projects under construction totaling over 550,000 square feet.

Market Indicators

Relative to prior period	Q4 2016
VACANCY	↓
NET ABSORPTION	↑
RENTAL RATE	↔

Vacancy



Spotlight Trend: Open Conversations on Mental Health

Behavioral health services continue to grow across the Twin Cities. Though, this is largely due to expanded coverage by the Affordable Care Act (Obamacare) and implementation directly into all sectors of healthcare. Additional growth can be attributed to the social acknowledgement and reduced stigma of mental health illness. Organizations such as HealthPartners have launched ad campaigns to directly encourage open conversations and to raise awareness about mental health. This expansion of behavioral and mental health dialogue has correlated to more awareness by mental health providers to accommodate the need and demand for these types of additional behavioral services. Recent expansions by mental health providers such as PrairieCare and Meridian Health help support this trend.

New Developments

PROPERTY NAME	DEVELOPER	ADDRESS	CITY	SIZE (SF)	STATUS	NOTES
University of Minnesota Ambulatory Care Center	University of Minnesota	909 Fulton St SE	Minneapolis	330,000	Complete	$160.5 million Ambulatory Care Center
Fairview Central Park Commons Clinic	CSM Corporation	Pilot Knob & Yankee Doodle	Eagan	42,000	Complete	Part of Lockheed Martin Redevelopment
Park Nicollet at The Grove	Ryan Companies	15315 Grove Circle N	Maple Grove	26,000	Complete	Park Nicollet PT & Physician's Neck & Back Clinic
Foliage Medical Building	Elder-Jones	15160 Foliage Ave	Apple Valley	18,000	Complete	Anchored by MN Mental Health
North Memorial New Hope Clinic	The Davis Group	8100 42nd Ave. N	New Hope	14,740	Complete	Reverse Build-to-Suit in Hy-Vee Outlot
Maplewood Heights Health Center	Launch Properties	2001 Beam Ave	Maplewood	14,000	Complete	14,000 SF PrairieCare Clinic.
HCMC Downtown	Mortenson	8th St S & Park Ave	Minneapolis	322,000	U/C	$191 million Downtown Expansion
Hazelwood Medical Commons	The Davis Group	Beam Ave & Hazelwood St	Maplewood	148,000	U/C	HealthEast Primary Care and Ambulatory Surgery
HealthPartners Neuroscience Center	HealthPartners	295 Phalen Blvd	St. Paul	128,000	U/C	Four-story Neuroscience Center
TRIA Woodbury	Elion Partners	CityPlace	Woodbury	75,000	U/C	$48 Million Outpatient Care Center
Summit Orthopedics Eagan	MSP Commercial	2620 Eagan Woods Drive	Eagan	71,000	U/C	Expected to open in March 2017
Twin Cities Orthopedcs Edina	Frauenshuh	7700 France Ave S	Edina	70,197	U/C	Expansion of services in Edina
Allina Hastings Clinic	Mortenson	Hwy 55 & N Frontage Rd	Hastings	50,000	U/C	50,000 SF Clinic
Twin Cities Orthopedics Blaine	Frauenshuh	XXX Ulysses St NE	Blaine	50,000	U/C	Break ground in May 2017
Twin Cities Orthopedics Woodbury	Frauenshuh	4040 Radio Drive	Woodbury	50,000	U/C	Two Story TCO Clinic
610 Zane Medical Office Building	Ryan Companies	Hwy 610 & Zane Ave	Brooklyn Park	41,000	U/C	Anchored by PrairieCare
Minnesota Eye Consultants Woodbury	MSP Commercial	SWQ of 494 & Tamarack Rd	Woodbury	41,000	U/C	August 2017. Additional 40,000 SF of Expansion.
Allina Isanti Clinic	MSP Commercial	300 5th Ave SE	Isanti	17,000	U/C	Expected to open in early 2017
Allina Buffalo Clinic	MedCraft	755 Crossroads Campus Dr	Buffalo	15,000	U/C	15,000 SF Clinic
Allina River Falls Clinic	MSP Commercial	1629 E Division St	River Falls	13,500	U/C	New Allina Clinic River Falls Area Hospital
The Dental Specialists Coon Rapids	Frauenshuh	3600 Northdale Blvd	Coon Rapids	6,600	U/C	Expected to open in June 2017
Twin Cities Orthopedics Eagan	Kraus Anderson	Vikings Development	Eagan	88,000	Planned	Part of Viking HQ and Practice Facility
Woodbury Medical Building	MSP Commercial	SWQ of 494 & Tamarack Rd	Woodbury	35,000	Planned	Phase II of MN Eye Consultants Development
Maple Grove Medical	MSP Commercial	XXX Grove Cir N	Maple Grove	28,000	Planned	Break ground in Spring 2017
Twin Cities Orthopedics Vadnais Heights	Frauenshuh	3545 Highway 61	Vadnais Heights	20,416	Planned	Break ground in April or May of 2017
Wayzata Medical Building	The Davis Group	1120 East Wayzata Blvd	Wayzata	16,000	Proposed	Proposed 16,000 SF MOB

Market Statistics

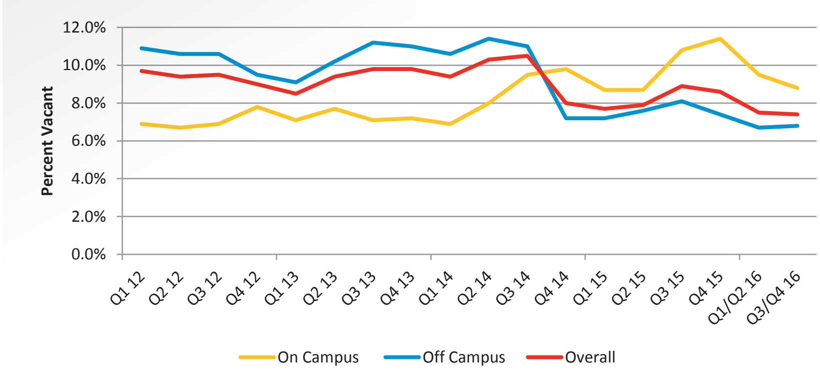
Submarket	Building SF	Direct Vacant SF	% Vacant Direct	Sublease Vacant SF	% Vacant W/ Sublease	Asking Rate	Average Operating	YTD Absorption	First Half 2016 Absorption
Minneapolis	351,336	34,836	9.9%	0	9.9%	$10.00	$10.55	0	3,982
NE	1,263,868	83,762	6.6%	5,491	7.1%	$18.48	$12.42	11,040	6,890
NW	1,650,341	103,434	6.3%	1,500	6.4%	$17.38	$12.05	8,211	23,763
Saint Cloud	294,587	62,890	21.3%	0	21.3%	$14.00	$11.69	0	(5,218)
SE	1,673,378	137,703	8.2%	7,936	8.7%	$18.75	$12.27	-7,749	12,856
St. Paul	348,069	39,465	11.3%	0	11.3%	$10.50	$10.50	0	0
SW	1,943,999	49,487	2.5%	4,150	2.8%	$20.50	$14.00	1,491	9,747
Total Off Campus	**7,525,578**	**511,577**	**6.8%**	**19,077**	**7.1%**	**$18.30**	**$12.80**	**12,993**	**52,020**
Abbott Northwestern	480,532	13,460	2.8%	0	2.8%	$17.13	$16.86	3,221	28,958
HCMC	161,057	18,205	11.3%	0	11.3%	$12.00	$16.07	(3,655)	2,475
Maple Grove Hospital	90,000	0	0.0%	0	0.0%			0	1,725
Mercy	207,256	78,712	38.0%	0	38.0%	$17.00	$11.50	0	0
North Memorial	126,533	7,003	5.5%	0	5.5%	$15.00	$12.41	6,180	6,180
Ridges	222,700	21,939	9.9%	0	9.9%	$21.00	$16.54	0	0
Riverside	237,212	11,791	5.0%	0	5.0%	$21.00	$18.33	11,103	(7,207)
Southdale	451,316	43,965	9.7%	0	9.7%	$21.85	$16.17	0	564
St. Francis	144,360	0	0.0%	0	0.0%			0	0
St. Johns	102,437	3,013	2.9%	0	2.9%	$18.50	$15.64	958	985
St. Josephs	100,114	46,209	46.2%	0	46.2%	$15.00	$12.71	5,256	5,256
United	435,443	22,219	5.1%	0	5.1%	$19.88	$20.48	-2,713	10,245
Unity	128,500	5,847	4.6%	0	4.6%	$20.00	$15.23	0	0
WestHealth	181,600	4,820	2.7%	0	2.7%	$22.00	$23.26	872	(878)
Woodwinds	74,938	0	0.0%	0	0.0%	$23.50	$17.33	0	0
Total On Campus	**3,143,998**	**277,183**	**8.8%**	**0**	**8.8%**	**$18.79**	**$16.02**	**21,222**	**48,303**

Total All Markets

Off Campus	7,525,578	511,577	6.8%	19,077	7.1%	$18.13	$12.48	12,993	52,020
On Campus	3,143,998	277,183	8.8%	0	8.8%	$18.86	$16.78	21,222	48,303
Totals:	**10,669,576**	**788,760**	**7.4%**	**19,077**	**7.6%**	**$18.34**	**$13.66**	**34,215**	**100,323**

The above table is summarized data on medical office properties greater than 20,000 square feet.

Vacancy



554 offices in
66 countries on
6 continents

United States: **153**
Canada: **34**
Latin America: **24**
Asia Pacific: **231**
EMEA: **112**

$2.5
billion in
annual revenue

2
billion square feet
under management

16,000
professionals
and staff

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