Market Research

OFFICE | SECOND QUARTER | 2007

MARKET INDICATORS

	Q2 07 Actual	Q3 07 Estimated
VACANCY RATE	↘	↘
NET ABSORPTION	↗	↗
CONSTRUCTION	↗	↗
RENTAL RATE	→	↗

SIGNIFICANT TRANSACTION

One Southwest Crossing

Seller: Talcott Realty

Buyer: Geneva Organization

Size: 237,025 SF

Price: $42,500,000

Southwest Development Picks Up

This could be the year that office development picks up once again. After a couple of prior years of limited development, there are several projects in the works right now. These new developments are not spread across the entire market. Most of the notable projects will be in the growing Southwest market sector. Not all of these new or proposed developments are multi-tenant deals, but they will all have an impact on the overall market.

TOLD Development is in the process of developing a 100,000 SF new headquarters for Alliant Techsystems. This would be a single-tenant development in Eden Prairie, at the corner of Hwy 212 and 494. Solomon Real estate is developing a mixed-use site in Eden Prairie at Windsor Plaza. The project will have 20,000 SF of retail with over 100,000 SF of Class A multi-tenant office space. Duke Realty is constructing a 322,000 SF Class A office tower in Bloomington. This project will be complete and available for move-in by October of this year.

There are several other projects that are planned and being seriously considered for ground breaking in the near future. These include Market Pointe II, a 237,000 SF proposed building by Ryan Companies which will be anchored by CBRE, and a new office tower that United Properties is looking to develop in the Normandale area. All of this development in the Southwest market sector indicates the strength and vitality of that area of the Twin Cities metro.

In other news, the former Science Museum in St. Paul is now under new ownership. The Church of Scientology purchased the one year

SECOND QUARTER OFFICE SALE TRANSACTIONS

PROPERTY NAME	CITY, STATE	$/SF	YEAR BUILT
One Southwest Crossing	Eden Prairie, MN	$179	1986
Currell Centre	Woodbury, MN	$173	1998
4800 Olson Memorial Hwy	Golden Valley, MN	$146	2003
Broadway Office Package	Minneapolis, MN	$133	1985/1988/2000
9905 45th Ave N	Plymouth, MN	$122	1995
10601 Wayzata Blvd	Minnetonka, MN	$120	1971
The Pence Building (Carmichael Lynch)	Minneapolis, MN	$90	1909
Northstar Ctr	Minneapolis, MN	$76	1916
5740 Green Circle Dr	Hopkins, MN	$70	1978
701 Bldg	Minneapolis, MN	$55	1983

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vacant 80,000 SF building. The previous tenant, Minnesota Business Academy, moved out last summer. Due to the change in use for the building, it will undergo some renovations to fit its new needs. The Gallery Professional Building next door is also planning a two million dollar renovation.

The Twin Cities office market continued its strong overall trend of positive absorption into the second quarter of 2007. The 500,000 SF of absorption from first quarter was surpassed by the 577,000 SF in the second quarter. The overall vacancy rate dropped from 15.5% to 14.8%.

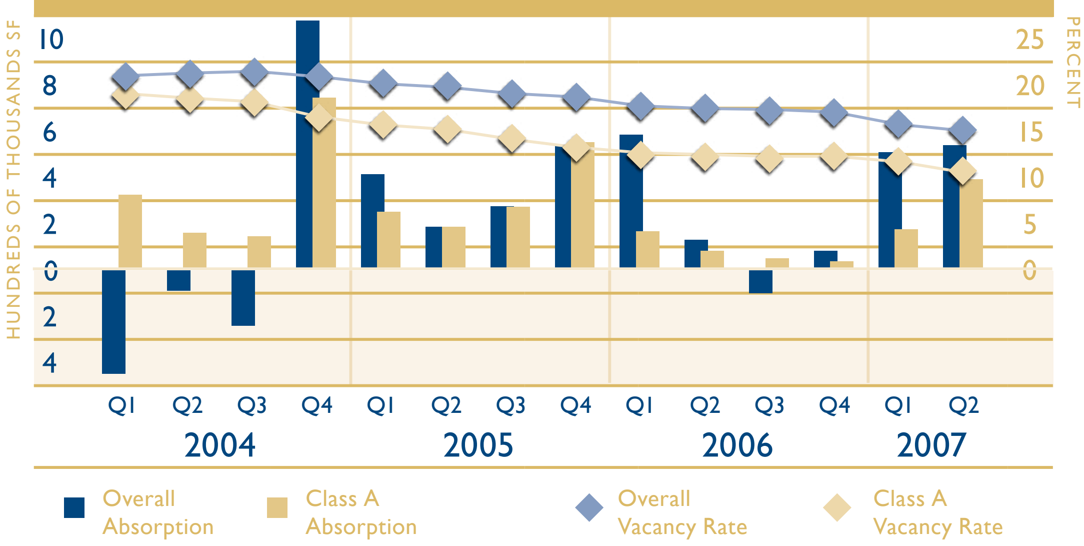
The top performing markets for absorption in the second quarter were the Minneapolis CBD with 219,685 SF, the West market sector with 98,475 SF, and the Minneapolis Non-CBD with 96,857 SF.

Class A absorption was the highest of all the classes with 385,555 SF absorption and a 10.3% vacancy. Class B is the class that had the most buildings removed, and a positive absorption of 168,628 SF and vacancy of 17.7%. Class C had absorption of 22,791 and vacancy of 20.8%

SECOND QUARTER OFFICE MARKET STATISTICS BY SECTOR

SECTOR	INVENTORY	NET ABSORPTION	VACANCY RATE Q1/07	VACANCY RATE Q2/07	VACANCY CHANGE
Anoka County	599,755	-1,552	6.8%	6.5%	-0.3%
Dakota County	3,083,443	28,388	14.7%	13.8%	-0.9%
Minneapolis CBD	24,418,181	219,685	16.9%	16.0%	-0.9%
Minneapolis Non-CBD	2,185,497	96,857	15.6%	11.2%	-4.4%
Northeast Sector	3,105,060	-13,799	17.4%	17.9%	0.5%
Northwest Sector	1,278,216	47,905	17.6%	18.5%	0.9%
St. Paul CBD	7,728,615	83,645	24.7%	23.6%	-1.1%
St. Paul Non-CBD	2,037,211	33,474	8.3%	6.7%	-1.6%
Southwest Sector	14,055,390	-27,518	12.0%	12.6%	0.6%
Washington County	644,430	11,414	19.4%	17.6%	-1.8%
West Sector	8,152,902	98,475	9.9%	8.7%	-1.2%
Twin Cities Metro	67,288,700	576,974	15.5%	14.8%	-0.7%

OFFICE ABSORPTION & VACANCY 2004–2007



267 OFFICES IN 57 COUNTRIES ON 6 CONTINENTS

Americas 129
Asia Pacific 53
EMEA 85

$63.5 billion in annual transaction volume

672.9 million square feet under management

10,171 Professionals

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