



First Quarter
2013

Twin Cities
Industrial Market Report



Twin Cities Industrial Market: A Top Performer

The Twin Cities industrial market continues its comeback as it posted over 275,000 Square Feet (SF) of positive absorption and marked the eleventh consecutive quarter of absorption. Leasing activity combined with owner-user purchases of vacant buildings helped to reduce the vacancy to 6.1%.

Market fundamentals continue to improve in the Twin Cities, and we are nearing market equilibrium. Tenants continue to take advantage of the remaining modern warehouse vacancies in the market, as the supply is rapidly declining and we are starting to approach a landlord market. Rents are starting to actually increase in some of the quality, functional, well-located buildings, as the supply of this product is getting thin. Companies continue to seek high-bay, distribution space with clear heights of 24' or greater and the remaining large blocks of this type of space are rapidly being absorbed.

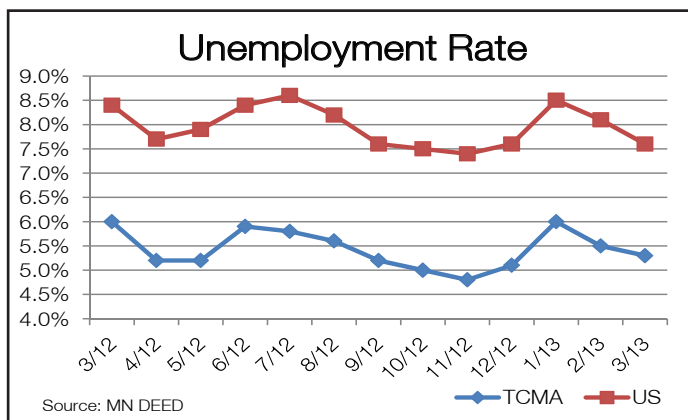
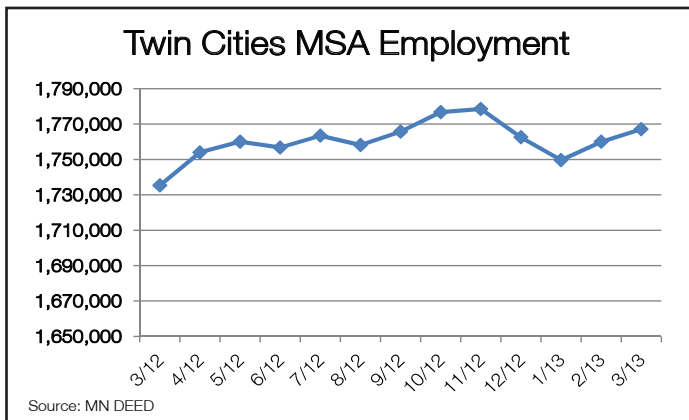
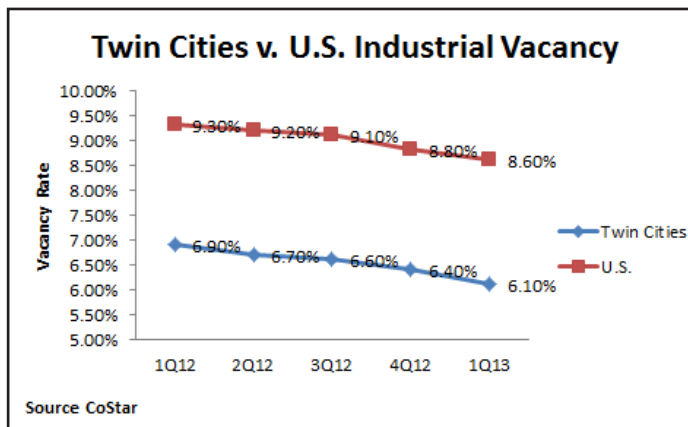
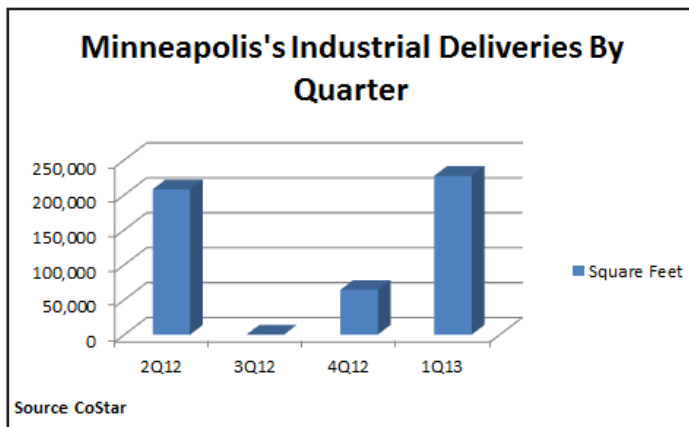
Investment sales continue their brisk pace of transactions, as there were 21 sales of industrial assets completed in the 4th Quarter and represent more than 2,400,000 SF of product. There was quite a bit of diversity in the investment market, as Delta Airlines sold their 329,000 SF data center to Digital Realty Trust for \$37 million and Praxis Foods purchased the 470,000 SF former Silgan Container building for \$2 million. Overall, the investment market was fairly active, but, slower than the previous two quarters in 2012. It is expected that the investment market will pick-up in the second and third quarter, as IRET and Hoyt Properties both put industrial portfolios on the market.

Current Market Conditions

Businesses that have been waiting on the sidelines watching to see if the national economy recovers are now engaged in expansions, relocations, and investments. The general belief seems to be that we are well on our way to a full recovery. While some concern about the sustainability of the recovery still remains, companies have been stagnant for so long that now they must make some real estate decisions. As earlier stated, companies will continue to pursue quality, functional real estate to reduce overhead and increase efficiencies. The market remains stable as the amount of functional space continues to shrink.

1Q 2013 Trends

Vacancy	Net Absorption	New Construction
↓	↑ +275,000 SF	↑ + 277,054 SF added



Lease Activity

Seven of the top ten notable leases for the first quarter were new leases. IMRIS, the designers of the world's first intra-operative MRI system, signed the largest new lease, leasing 169,414 SF of Shady Oak Lake Corporate Center in Minnetonka. The largest renewal was also an expansion with Synovis-Baxter leasing 76,329 SF in the Westgate Business Center IV. This renewal and expansion occurred shortly after Baxter an Illinois based medical device company acquired Synovis for \$325 million.

Notable Lease Transactions, January - March 2013

Property	City	Size SF	Type	Tenant
Shady Oak Lake Corporate Center	Minnetonka	169,414	New	IMRIS
Shakopee Distribution Center	Shakopee	105,600	New	Milestone AV Technologies
Westgate Business Center IV	St. Paul	76,329	Renewal Expansion	Synovis-Baxter
Edina Interchange V	Edina	70,000	Renewal Expansion	Arkray
20845 Kenbridge Ct	Lakeville	65,012	New	Malt-O-Meal
Shingle Creek Commerce Center I	Brooklyn Center	64,000	New	Bernick's Pepsi
Corporate Square B	Eagan	61,000	Renewal	Rich Products
6455 City West Pkwy	Eden Prairie	60,849	New	Help/Systems LLC
2001 94th St. W.	Bloomington	55,808	New	Illume
2300 Berkshire Ln N	Plymouth	50,000	New	Covidien

Construction Trends

The first quarter of 2013 saw the completion of one building, the 227,054 SF Liberty Industrial Park at Diamond Lake. This compares favorably with the one building of 64,444 SF completed in the fourth quarter of 2012, third quarter of 2012 no buildings were completed. The end of first quarter 2013 also, saw two large projects underway, 3325 Heiser St. 640,000SF and 3700 4th Ave E. 571,000SF. The completion of Industrial Park coupled with the two largest projects that were underway at the end of the first quarter of 2013 shows that the market is rebalancing and the growing shortage of functional space.

Sales Activity

In addition to renewing and expanding its space at the Westgate Business Center, Baxter, a \$14 billion-a-year medical device company, also purchased the 215,000 SF Genmab building. Baxter purchased Genmab Building from Genmab MN Inc. for \$9.9 million. In other signs manufacturing growth in the Twin Cities market area Quad/Graphics Marketing acquired Valley Industrial Center I&II for \$5.6 million as a small part of their \$267 million acquisition of Vertis Communications.

Notable Sales Transactions, January - March 2013

Property	City	Size SF	Price	\$/SF
Genmab	Brooklyn Park	187,982	\$9,900,000.00	\$52.66
Valley Industrial Center I & II	Shakopee	164,278	\$5,600,000.00	\$34.09
677 Transfer Road	St. Paul	123,128	\$3,925,000.00	\$31.88
Cahill Business Center	Edina	68,196	\$3,000,000.00	\$44.00
405 Hardman	South St. Paul	47,734	\$2,425,000.00	\$50.80
Geckler Building	Lakeville	44,000	\$2,150,000.00	\$48.86
7585 Viron Rd	Fridley	80,450	\$2,000,000.00	\$24.86
8625 Xylon Ct. N	Brooklyn Park	50,466	\$2,000,000.00	\$39.63
2289 Cedar St	Lina Lakes	40,604	\$1,480,000.00	\$36.45
Grainger Building	Minneapolis	21,780	\$1,475,000.00	\$67.72
7075 Amundson Ave	Edina	17,625	\$1,220,000.00	\$69.22
7101 Madison Ave W	Golden Valley	23,852	\$1,200,000.00	\$50.31
Nordquist Building	Minneapolis	37,104	\$1,090,000.00	\$29.38
7900 Computer Ave S.	Edina	26,364	\$1,030,000.00	\$39.07
Berggren Business Center	Ham Lake	34,800	\$1,000,000.00	\$28.74

About NAI Everest

NAI Everest brings industry-leading resources to its disposition and acquisition services. Speed, agility, and keen insight are hallmarks of our services. The result is connecting properties with our exclusive list of investors and institutions. NAI Everest disposition services rely upon the skills and insight of our experienced team of brokerage, marketing and data resource management professionals. Our process begins with an internal launch meeting that unifies clients' objectives with marketing and sales strategies. This launch is the beginning of a process that involves the following phases:

Comprehensive Property Profile - market analysis, competitive review, capital market summary

Marketing Promotional Strategy Development - advertising, direct mail, e-mail, web listings, and public relations tactical outline

Sales Planning & Execution - database profile analysis, identification of network connections, direct contact with exclusive list of buyers

Client Communication - communication of progress through activity reports and updates

Maximum Price - the result is the capitalization of market dynamics in achieving a competitive bid environment and the maximum sales price



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