

Market Research

INDUSTRIAL | THIRD QUARTER | 2008



MARKET INDICATORS

	Q3 08 Actual	Q4 08 Estimated
VACANCY RATE	↗	↗
NET ABSORPTION	→	→
CONSTRUCTION	→	↗
RENTAL RATE	↗	→

SIGNIFICANT TRANSACTION



Carmen Distribution Center
 Inver Grove Heights, MN
 Buyer: TA Associates Realty of Boston
 Seller: Capri Capital Advisors
 Size: 174,267 SF
 Price: \$37 PSF



TURLEY
MARTIN
TUCKER

Commercial Real Estate Services

As Autumn Dawns, Industrial Market Continues to Fall

The Twin Cities industrial market experienced negative absorption for the third consecutive quarter, with negative absorption of 333,430 SF for the quarter and negative 870,364 SF for the year.

The negative absorption has led to the availability of numerous options on the market. It is truly a renter's market at this time, as a search for available space reveals so many options that the tenant can be very selective about where they wish to locate. Landlords with prime locations can still fill their vacancies quickly, but those not as fortunate must find additional ways to convince tenants to come through their space and sign on the dotted line.

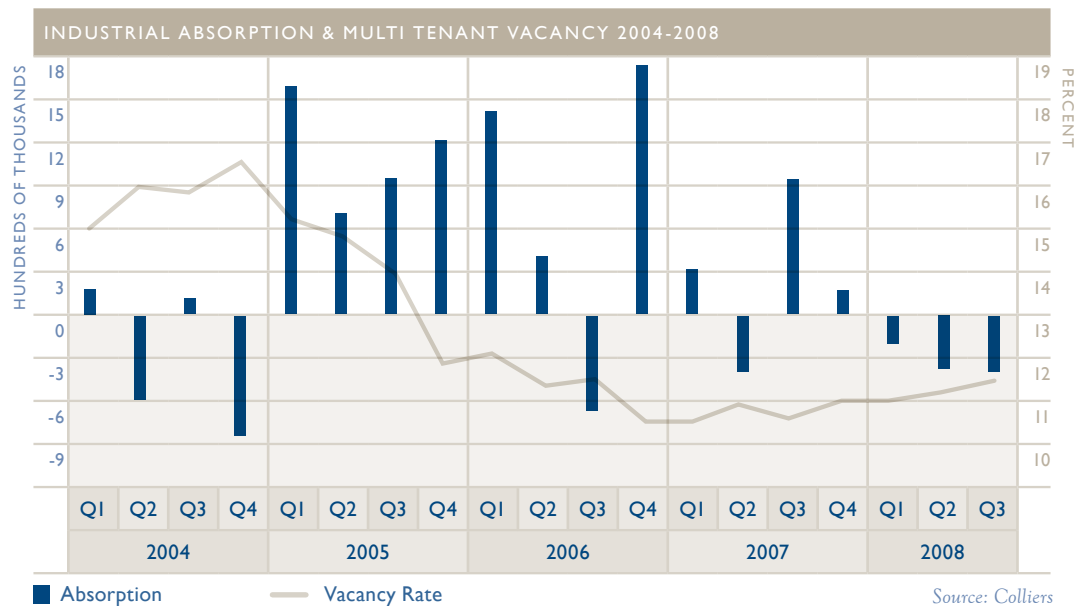
Another challenge for the market is the increase in sublease space. There is close to 2,000,000 SF of sublease space on the market. That is twice as much as the 982,000

OVERALL (MULTI AND SINGLE TENANT) IND. VACANCY RATE BY MARKET SECTOR	
Scott County	13.4%
Southwest Sector	9.6%
St. Paul	8.1%
Dakota County	7.3%
Twin Cities Metro	6.6%
Washington County	6.3%
Anoka County	4.5%
Minneapolis	4.3%
Northeast Sector	3.7%
Northwest Sector	3.6%

Source: Colliers

SF of sublease on the market a year ago and almost three times as much as the 734,000 SF from two years ago.

One potential positive point for industrial owners is something called the "oil factor." As described in an article in the Star Tribune, the higher cost of oil is having a positive affect on local manufacturing. Many companies shifted operations to Asia in order to leverage cheap labor, but over



Source: Colliers

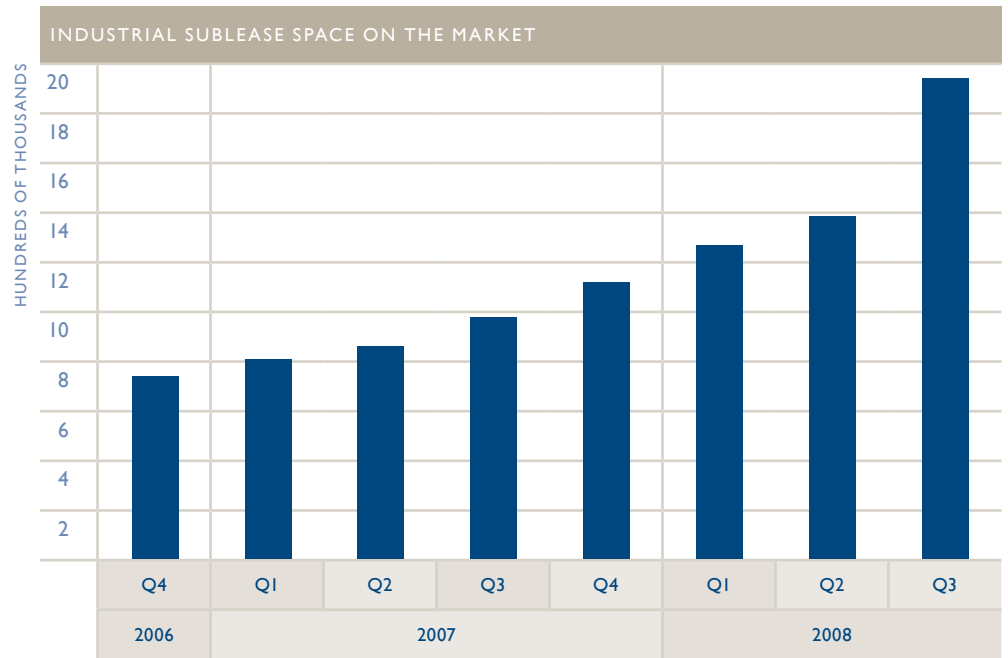
the summer, as oil prices neared \$150 per barrel, the cost to ship products across the ocean rose dramatically. The cost of shipping is just one aspect that is causing local manufacturers to reconsider overseas manufacturing. The rising cost of global salaries and the weakening dollar also factor into the equation. This doesn't mean that all those jobs shipped overseas will return, but the higher cost of shipping does have manufacturers considering where their customers are located, and what the most economical way to manufacture and distribute the product is.

Construction season is starting to wrap up for the year in Minnesota, and with that, the 35W Bridge in Minneapolis re-opened in late September. While many businesses did not appear to be affected directly by the bridge closing, the re-opening will help the flow of traffic and reduce travel distances for many drivers. This is particularly good news for consumers, as gas prices remain high but have held relatively steady over the past quarter.

The average asking rate for industrial properties was mixed in the third quarter. Bulk Warehouse rates rose 1% to \$4.30; Office Showroom rates climbed 1.5% to \$4.72; while Office Warehouse rates fell 2% to \$4.35.

Bulk Warehouse space was the least affected, with negative absorption of 6,255 SF for the third quarter. Office Warehouse space had negative absorption of 95,941 SF and Office Showroom had a negative 231,234 SF.

Bulk Warehouse vacancy remained unchanged at 15.8%. Office warehouse space rose slightly from 9.5% to 9.6% and Office Showroom space climbed from 12.1% to 13.3%. The overall vacancy climbed from 11.2% to 11.5%. When the single tenant buildings are factored into the mix, vacancy climbed from 6.4% to 6.6%.



Source: Colliers

SELECTED THIRD QUARTER INDUSTRIAL SALE TRANSACTIONS

PROPERTY NAME	CITY, STATE	\$/SF	YEAR BUILT
14520 Main St.	Rogers, MN	\$272	1981
Colorspan Building-1st Floor	Hopkins, MN	\$55	1980
7215 Cahill Rd.	Minneapolis, MN	\$50	1965
Northland Drive	St. Paul, MN	\$50	1974
Carmen Distribution Center	Inver Grove Heights, MN	\$37	1988
900 N. 3rd St.	Minneapolis, MN	\$36	1919

Source: Colliers

SELECTED THIRD QUARTER INDUSTRIAL LEASE TRANSACTIONS

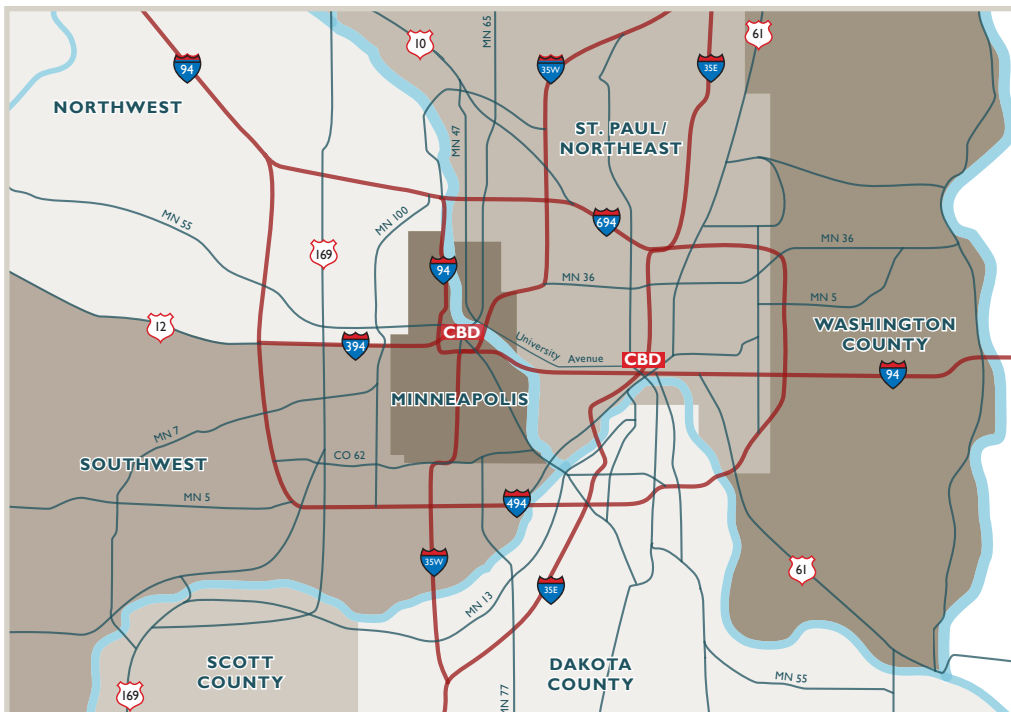
PROPERTY NAME	TENANT	CITY, STATE	SF
Wickes Distribution Center	Arden Fasteners	Brooklyn Center, MN	87,000
Louisiana Distribution Center	Innoflex Corporation	New Hope, MN	72,731
Lemar Building	Reflections Printing, Inc.	St. Louis Park, MN	51,648
Interstate Distribution Center	ABC Supply	Burnsville, MN	51,500
Huntington Building	ABC Supply	Savage, MN	51,000
Interstate West	Storage Equipment	Plymouth, MN	41,848
Plymouth Industrial Bldg C	WW Grainger Inc.	Plymouth, MN	35,402
Golden Hills II	Textron	Golden Valley, MN	25,891
50th Ave Distribution Center	Allied Building Products	Brooklyn Center, MN	15,000
Park West Industrial Center	Cintas	Brooklyn Park, MN	13,122
Evergreen Industrial Bldg 13	Catheter & Medical Design Inc.	Roseville, MN	12,000
Park Industrial Village Bldg G	Camp Bow Wow	Plymouth, MN	11,250
Waterbury Building	Mercy Vineyard Church	Minneapolis, MN	9,133
Evergreen Industrial Bldg 12	Premium Carpet Installations	Roseville, MN	9,040
Timberland North I	Abel Conn	Brooklyn Park, MN	5,623
Lyndale Commons I	Avant Energy, Inc.	Bloomington, MN	4,200
Airport Business Plaza	Reluminate Inc.	Mendota Heights, MN	3,867

Source: Colliers

THIRD QUARTER INDUSTRIAL MARKET STATISTICS BY SECTOR

SECTOR	INVENTORY (SF)	NET ABSORPTION (SF)	VACANCY RATE		VACANCY CHANGE
			Q2/08	Q3/08	
Dakota County	14,524,666	(109,789)	12.8%	13.6%	0.8%
Minneapolis	13,071,618	(73,019)	8.4%	9.0%	0.6%
Northwest Sector	28,741,133	(129,046)	11.0%	11.5%	0.5%
Scott County	3,499,106	25,990	13.4%	12.7%	-0.7%
Southwest Sector	24,873,959	(16,967)	13.8%	13.9%	0.1%
St. Paul/Anoka/NE	29,427,851	39,784	9.1%	9.0%	-0.1%
Washington County	3,062,954	(70,388)	11.6%	13.9%	2.3%
Twin Cities Metro	117,201,287	(333,430)	11.2%	11.5%	0.3%

Source: Colliers

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTSAmericas 136
Asia Pacific 62
EMEA 95\$73 billion in annual
transaction volume868 million square feet
under management

11,048 Professionals

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