MARKET UPDATE
April 11, 2016

CBRE
Blake Hastings
MSP Managing Director

RYAN
Tony Barranco
Vice President of Development
Agenda

- Office (CBRE Research)
  - Vacancy Rates
  - Rental Rates
  - Absorption
  - Planned and Under Construction

- Industrial (CBRE Research)
  - Vacancy Rates
  - Rental Rates
  - Absorption
  - Completed Construction

- Retail (CBRE Research)
  - Vacancy Rates
  - Rental Rates
  - Absorption
  - Under Construction and Completed
  - Active retailers

- Healthcare (CBRE Research & RYAN Companies)
- Multifamily (CBRE Investment Properties | Multifamily)
  - Rental Rates
  - Vacancy Rates
  - Class A Cap Rates
  - Planned and Under Construction

- Hospitality (RYAN Companies)
- Senior Living (RYAN Companies)
OFFICE

Target Northern Campus
Brooklyn Park, MN

Shutterfly
Shakopee, MN

MarketPointe
Bloomington, MN
Historical Rental Rates

**Historical Metro Net Rental Rates**

- **Class A**: $13.96, $14.45, $13.74, $13.70, $13.59, $14.11, $14.97, $15.52, $16.68, $16.99
- **Class B**: $10.67, $11.15, $10.98, $10.85, $10.73, $10.93, $11.33, $11.87, $12.22, $12.10
- **Class C**: $8.36, $8.91, $9.21, $9.27, $9.15, $8.82, $9.75, $9.63, $10.83, $10.88

**Historical Suburban Net Rental Rates**

- **Class A**: $15.73, $15.89, $15.24, $14.82, $14.03, $14.51, $15.02, $15.06, $16.77, $17.29
- **Class B**: $11.90, $11.71, $11.57, $11.46, $11.38, $11.19, $11.46, $11.92, $12.04, $12.34
- **Class C**: $8.01, $8.60, $8.94, $8.75, $8.66, $8.93, $9.51, $9.44, $9.66, $10.09
INDUSTRIAL

Cardiovascular Solutions, Inc.
New Brighton, MN

Olympus Surgical Technologies
Brooklyn Park, MN

Amazon Fulfillment Center
Shakopee, MN
Rental Rates

Bulk Warehouse
Office Warehouse
Office Showroom (Blended)

Yearly Rental Rates from 2008 to 2016 YTD.
RETAIL

The Quarry
Minneapolis, MN

222 Hennepin
Whole Foods
Minneapolis, MN

The Grove
Maple Grove, MN
## Under Construction and Completed

### Notable Twin Cities Retail Construction Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sq. Ft.</th>
<th>Submarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Park Commons</td>
<td>434,100</td>
<td>Eagan</td>
</tr>
<tr>
<td>Menards Brooklyn Park</td>
<td>211,000</td>
<td>Brookdale</td>
</tr>
<tr>
<td>City Place</td>
<td>150,000</td>
<td>Woodbury</td>
</tr>
<tr>
<td>Shingle Creek</td>
<td>106,000</td>
<td>Brookdale</td>
</tr>
<tr>
<td>Hy-Vee Savage</td>
<td>98,000</td>
<td>Burnsville</td>
</tr>
<tr>
<td>Bielenberg Gardens</td>
<td>70,000+</td>
<td>Woodbury</td>
</tr>
</tbody>
</table>

### Historic Construction Completions

![Historic Construction Completions Graph](image)
Active Retailers

- QSR
  - Naf Naf Grill
  - Café Zupa
- Fresh Thymes
- Big Lots
- Sierra Trading Post
- Starbucks
- Mattress Firm
- AT&T
Healthcare

- Fifteen Metro hospital campuses
  - Four of the Fifteen have near zero vacancy
  - Approximately half have less than 5% vacancy

- 10,000,000 SF in total Twin Cities MOB space, 8.6% overall vacancy

- Approximately 500,000 SF in annual medical office building space absorption

- 27 new MOB/Clinic projects in the Twin Cities – 2015 (50,000 SF avg size)

- Second highest job growth sector in the Twin Cities

- This sector will continue to grow (vs. others that decline with economic cycles)
Average Rent Rates, Vacancy Class A Cap Rates

CBRE | Investment Properties – MPLS Multi-Housing Group
Apartment Trends by Marquette Advisors

Average Rent | Cap Rates | Vacancy | Average Cap Rate
---|---|---|---
$840 | $860 | $880 | $900
$920 | $940 | $960 | $980
$1,020


Note: The graph shows trends in average rent, cap rates, vacancy, and average cap rate from 2000 to 2015.
HOSPITALITY

W Foshay
Minneapolis, MN

Sheraton Midtown Exchange
Minneapolis, MN
16 new hotels just opened or under construction in Twin Cities
  ▪ 2 full service hotels
    • J.W. Marriott at MOA
    • Embassy Suites in Downtown Minneapolis
  ▪ 14 are limited service hotels

Growth in both Leisure and Business travel to Twin Cities drives this sector

Average Daily Rates (ADR’s) and occupancies in Twin Cities Hotels are now at their peak.

New full service hotel development projects will be difficult as room rates do not align with new construction costs in most submarkets.
SENIOR LIVING

Silvercreek on Main
Maple Grove, MN

Grand Living Lake Lorraine
Sioux Falls, SD

Thomas Place
Orland Park, IL
Senior Living

- 750 Twin Cities Senior Living facilities
  - CCRC
  - Independent living
  - Memory Care
  - Subsidized (non profit)

- Typical market rate senior living rental project is 3-4 stories, 160 units

- Senior Living sector will continue to grow in down cycle
  - Driven by 75 – 85 year old population growth
CONCLUSION / QUESTIONS

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