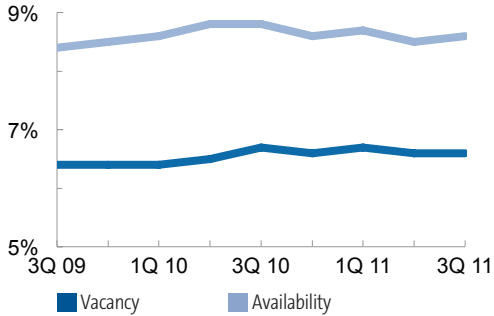
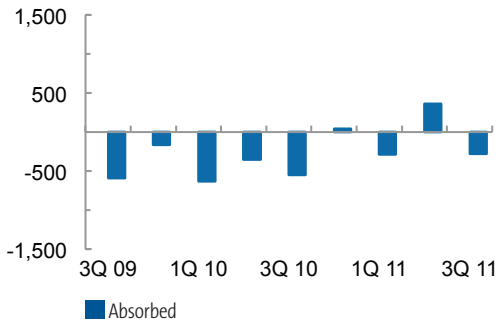


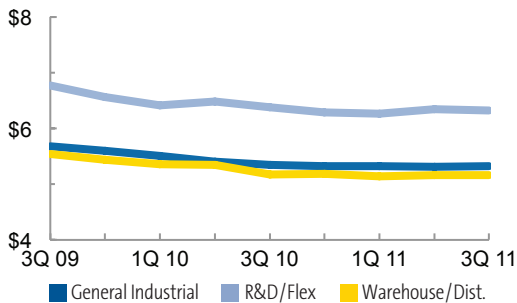
### Vacancy & Availability Rates



### Absorption (in Thousands of SF)



### Asking Rental Rates (\$/SF/Yr./Triple Net)



## Where Will We Go From Here?

The promising second quarter positive net absorption of 357,712 square feet was followed in the third quarter with negative net absorption of 280,383 square feet, the most significant portion coming in the Southwest and St. Paul Midway submarkets. The Southwest also had the highest second quarter positive net absorption. This begs the question for the overall Twin Cities market; is stability on the way? Was the positive net absorption from the second quarter just a function of tenants taking advantage of low rates, free rent and other concessions, creating a bubble of positive absorption? Vacancy rates for the total market increased by less than 9 basis points, holding at 6.6 percent. Expect more tenant movement with limited expansion, and new tenants to the market over the next few quarters.

Leasing rates remained steady for the market with an average rate of \$5.42 net per square foot. Leasing concessions remain prevalent across all submarkets with free rent, reduced rent, reduced rent escalators and increased improvement allowances being offered by landlords. With the current conditions of the market, it is truly still a tenant's market.

The demand for Minneapolis industrial locations has made it the only submarket to show a decrease in vacancy in the third quarter. Minneapolis posted decreased vacancy rates from 4.9 percent to 4.8 percent. The other markets remained flat or had to slight increases. Overall there was little change and is expected to remain flat for the near future.

### FORECAST

- Rental rates should remain flat for the remainder of 2012.
- Flat absorption for the fourth quarter of 2011.
- Vacancy rates will remain constant for the fourth quarter of 2011.

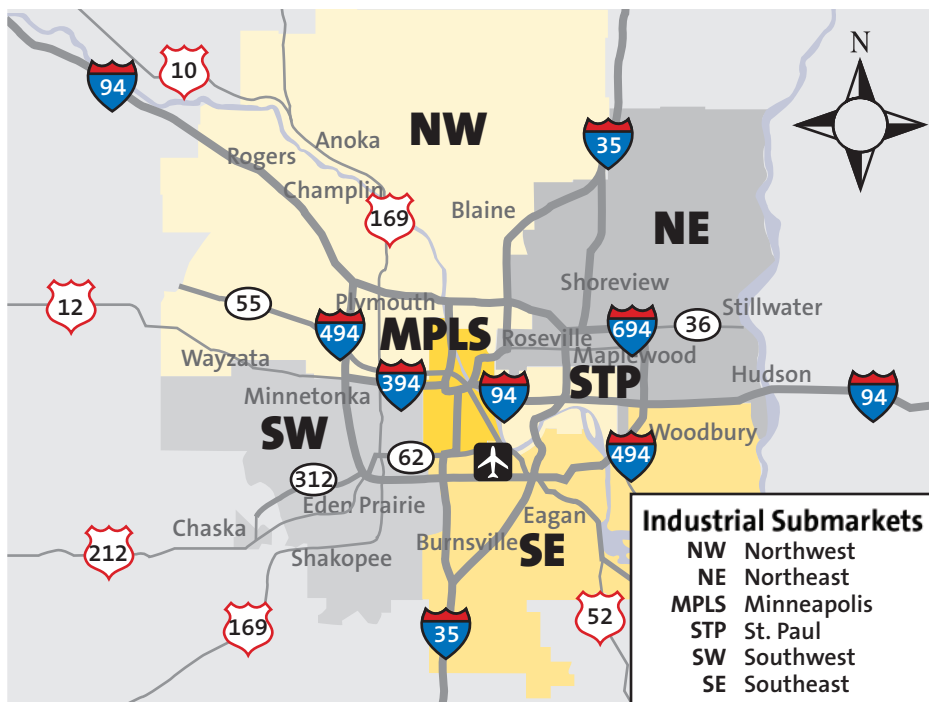
# Industrial Trends Report—Third Quarter 2011

## Minneapolis-St. Paul, MN



By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		WH/Dist	R&D/Flex
Minneapolis	43,968,445	1,754,797	4.0%	4.8%	22,623	21,119	-	\$3.57	\$5.66
Northeast	31,171,300	1,834,493	5.9%	6.9%	2,095	(148,657)	-	\$5.57	\$6.48
Northwest	96,166,932	6,650,020	6.9%	9.6%	19,122	(56,737)	-	\$5.48	\$6.02
Southeast	47,480,858	3,689,464	7.8%	10.5%	23,632	(41,816)	-	\$4.94	\$6.36
Southwest	73,088,539	5,993,878	8.2%	10.6%	(245,793)	(2,483)	-	\$5.16	\$6.57
St. Paul Midway	41,943,603	2,265,052	5.4%	6.1%	(102,062)	21,982	-	\$5.31	\$5.72
<b>Totals</b>	<b>333,819,677</b>	<b>22,187,704</b>	<b>6.6%</b>	<b>8.6%</b>	<b>(280,383)</b>	<b>(206,592)</b>	<b>-</b>	<b>\$5.16</b>	<b>\$6.32</b>

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT
					Current Qtr	Year To Date		
General Industrial	197,347,249	12,453,073	6.3%	8.0%	(31,149)	(123,963)	-	\$5.32
Incubator	1,145,336	117,137	10.2%	14.4%	(25,347)	(9,671)	-	\$5.30
R&D/Flex	27,521,136	3,041,829	11.1%	14.2%	(129,467)	67,118	-	\$6.32
Warehouse/Distribution	107,805,956	6,575,665	6.1%	8.3%	(94,420)	(140,076)	-	\$5.16
<b>Totals</b>	<b>333,819,677</b>	<b>22,187,704</b>	<b>6.6%</b>	<b>8.6%</b>	<b>(280,383)</b>	<b>(206,592)</b>	<b>-</b>	<b>\$5.42</b>



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## INDUSTRIAL TERMS AND DEFINITIONS

**Total SF:** Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

**Industrial Buildings Classifications:** Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and

sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance

and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

*\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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