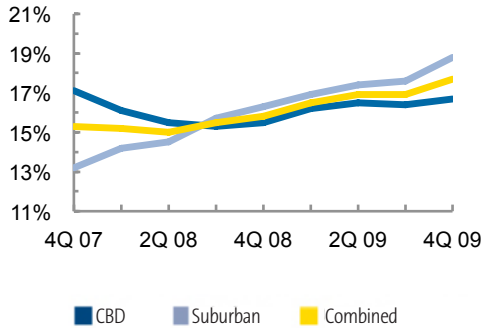


Vacancy Rate

Quarterly

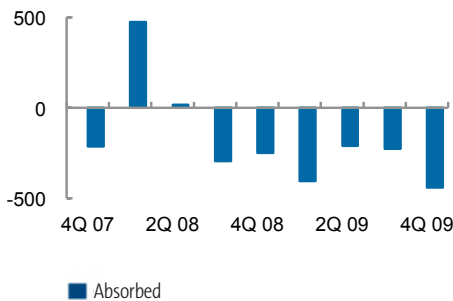


Office Market Waiting for Recovery

The Twin Cities office market will likely be waiting longer to experience a recovery than other real estate sectors. Typically one of the last sectors to heal, the office market relies on employment before it sees improvement. Even after companies start hiring, changes in the way companies utilize their office space could have a negative impact on absorption. Simply changing from a private office environment to an open workstation environment can reduce space requirements. With more employees working part-time from home, the need for office space may be reevaluated by companies of all shapes and sizes.

Absorption

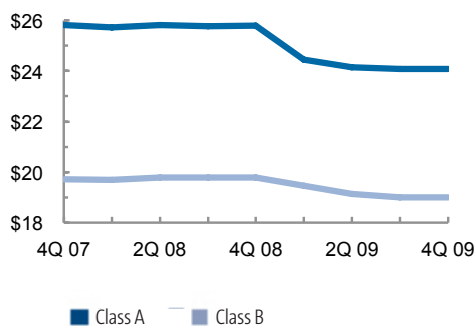
Quarterly (in Thousands of SF)



One indicator that the office market will not recover in the near future is the absence of speculative building. Opus Northwest pulled out of the 276,000 square foot Xenia Ridge office project on Interstate 394 in the Northwest/West submarket after more than two years due to a failure to find and secure an anchor tenant. With overall office vacancy rates in the Twin Cities hovering between 20 and 21 percent, large speculative office development is impossible to finance.

Asking Rental Rates

Quarterly (\$/SF/Yr. Full Service)



As 2009 rolled to an end the question on everyone's mind was, "When will the office market recover?" As previously mentioned, the office market depends on employment. The Federal Reserve Bank of Minneapolis reported unemployment rates in Minnesota near 8 percent. The forecast for 2010 shows no improvement to this number. If that is the case, 2010 could be a very flat year for the office market.

This all amounts to good news for office tenants. Although many landlords are running short on cash, many are willing to cut \$2.00 to \$3.00 off of listed rental rates to secure a new tenant or even a renewal. Landlords are looking for way to get deals done without high out of pocket costs. This makes renewing existing tenants more important than ever. Office users would be wise to consider renewing their leases early if they are in the position to do so.

FORECAST

- Vacancy rate likely to stay flat in Twin Cities office market.
- Multiple buildings that can accommodate 100,000 square feet or more of contiguous space provide incentive filled openings for relocation of large credit-worthy tenants.
- Unemployment rate needs to come down before office market feels a recovery.

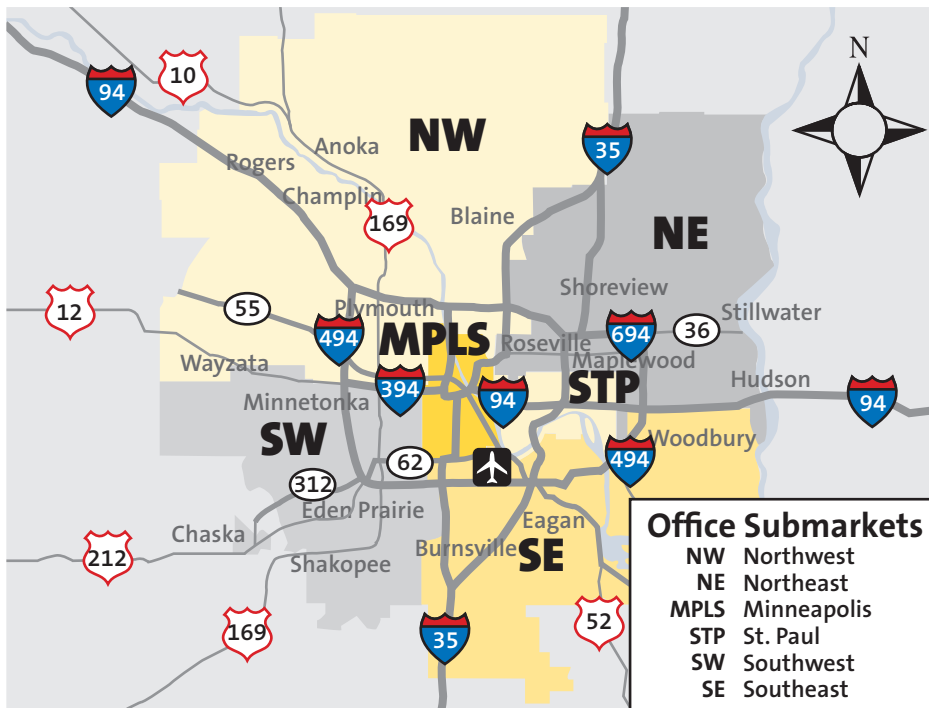
Office Trends Report—Fourth Quarter 2009

Minneapolis, MN



By Submarket	Total SF	Vacant SF	VACANCY %		NET ABSORPTION		Under Construction SF	ASKING RENT	
			Direct	Total	Current	Year To Date		Class A	Class B
Minneapolis	28,327,260	4,767,038	15.0%	16.8%	(153,047)	(967,830)	160,000	\$24.08	\$16.05
St. Paul Midway	10,077,739	1,649,886	15.8%	16.4%	104,143	67,976	-	\$21.88	\$16.88
CBD Total	38,404,999	6,416,924	15.2%	16.7%	(48,904)	(899,854)	160,000	\$23.72	\$16.40
Northeast	2,418,545	433,270	17.8%	17.9%	(96,577)	(40,862)	144,430	\$22.18	\$19.13
Northwest	5,309,121	847,942	15.6%	16.0%	(21,962)	19,437	27,000	\$24.51	\$18.28
Southeast	4,615,151	940,134	18.3%	20.4%	(33,960)	4,956	-	\$20.47	\$19.61
Southwest	19,974,577	3,846,538	16.9%	19.3%	(237,680)	(354,923)	20,000	\$23.80	\$19.73
Suburban Total	32,317,394	6,067,884	16.9%	18.8%	(390,179)	(371,392)	191,430	\$23.22	\$19.39
Totals	70,722,393	12,484,808	16.0%	17.7%	(439,083)	(1,271,246)	351,430	\$23.46	\$17.80

By Class	Total SF	Vacant SF	Direct	Total	Current	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	34,990,666	6,496,213	16.3%	18.6%	(538,595)	(519,678)	284,430	389,331	663,028
Class B	31,331,625	5,131,435	15.7%	16.4%	125,676	(726,465)	67,000	124,582	190,988
Class C	4,400,102	857,160	16.1%	19.5%	(26,164)	(25,103)	-	147,100	-
Totals	70,722,393	12,484,808	16.0%	17.7%	(439,083)	(1,271,246)	351,430	661,013	854,016



Grubb & Ellis—Minneapolis Real Estate Advisors

Heather Alderink
Senior Associate
952-820-1607
halderink@northco.com

Matt Boehlke
Vice President
952-820-1616
mboehlke@northco.com

Cameron Peterson
Senior Associate
952-820-1688
cpeterson@northco.com

Dick Allendorf
Senior Vice President
952-820-1656
rallendorf@northco.com

OFFICE TERMS AND DEFINITIONS

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

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.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

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. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted 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.*