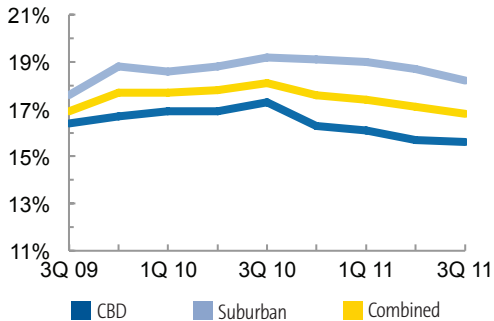
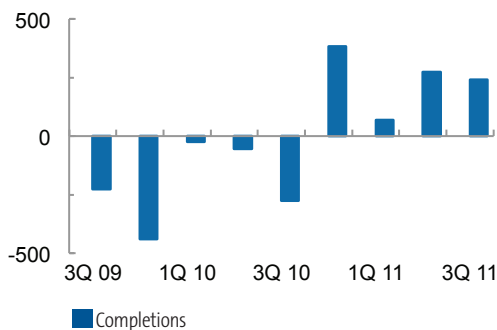


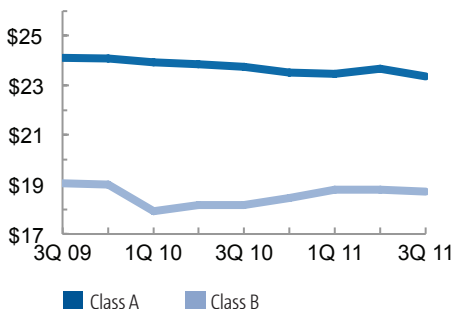
Vacancy Rate



Completions (in Thousands of SF)



Asking Rental Rates (\$/SF/Yr. Full Service)



Office Sector Recovery

Vacancy rates decreased once again in the Twin Cities, keeping with the occupancy improvement trend. The second and third quarters of 2011 each showed a decrease in vacancy rates of 30 basis points from the prior quarter. Despite the “Labor Day Slow Down”, the office sector surged ahead. The increased transaction level is a good indicator that the office market is in a stage of recovery. As occupancy levels recover and rates stabilize, tenants are trying to take advantage of the end of the down cycle. Many of the larger real estate trusts are already pulling back on concessions like early renewals, lower rates on renewals, hefty tenant improvement allowances and free rent. It is only logical that the local players in the market will follow suit.

The available sublease space on the market decreased 510 basis points in the third quarter, mostly in the Class A building sector. This activity is a combination of office leases transitioning into direct vacant space and successful completions of sublease transactions. Either way, it results in less competition for the direct vacancies on the market, which helps landlords reduce leasing concessions. The economy will be the determining factor in whether or not the recovery continues in the Minneapolis/St. Paul office market.

In the Southwest submarket, Grubb & Ellis|Northco Real Estate Services represented Comcast in a full-floor 24,000-square-foot office lease for a 10-year term at The Colonnade in Golden Valley that commenced in the third quarter. The Colonnade is a 355,800-square-foot Class A office building near the popular *Shops at West End* retail development on Interstate 394 & Highway 100. Office vacancy rates in this small niche area have dropped to near 6 percent as tenants are lured by the abundant amenities within walking distance. Duke Realty is actively seeking a kick-off anchor tenant for its 1,100,000-square-foot Class A office project in this area showing further evidence that the office market is making a comeback especially for well located buildings.

FORECAST

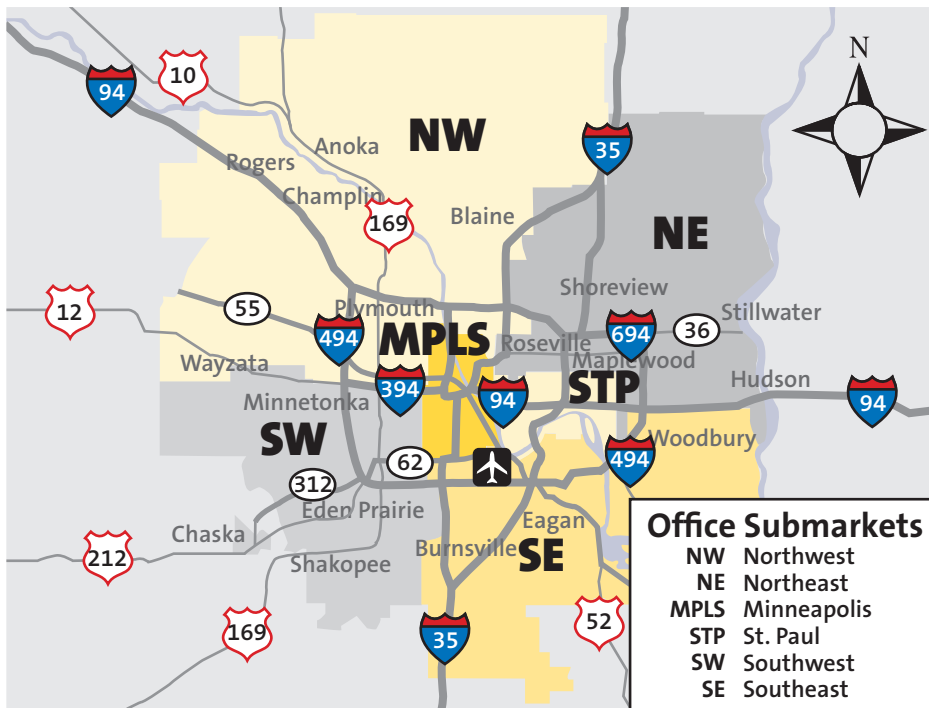
- Leasing activity increasing.
- Decreasing vacancy rates and reduction of sublease space stabilizes rental rates.
- Fewer leasing concessions contribute to landlords once again making buildings profitable instead of signing deals to cover costs.

Office Trends Report—Third Quarter 2011

Minneapolis-St. Paul, MN

By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		Class A	Class B
Northeast	2,387,967	482,741	20.2%	22.9%	(5,867)	54,632	-	\$22.20	\$19.98
Northwest	5,380,557	993,539	18.5%	22.5%	49,036	(11,154)	-	\$24.73	\$18.10
Southeast	4,611,797	810,664	17.6%	19.7%	10,304	19,426	-	\$19.59	\$19.83
Southwest	19,896,623	3,595,960	18.1%	22.9%	165,809	281,103	-	\$24.31	\$20.14
Suburban Total	32,276,944	5,882,904	18.2%	22.4%	219,282	344,007	-	\$23.45	\$19.66
Minneapolis	28,299,243	4,112,773	14.5%	16.3%	62,710	231,889	-	\$23.29	\$17.85
St. Paul Midway	10,059,518	1,856,717	18.5%	21.0%	(40,236)	19,495	-	\$23.05	\$17.89
CBD Total	38,358,761	5,969,490	15.6%	17.5%	22,474	251,384	-	\$23.24	\$17.87
Totals	70,635,705	11,852,394	16.8%	19.7%	241,756	595,391	-	\$23.35	\$18.72

By Class	Total SF	Vacant SF	Vacant %	Available %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	34,999,116	5,262,428	15.0%	17.8%	217,045	740,269	-	324,431	259,581
Class B	31,262,281	5,544,481	17.7%	20.9%	94,139	(57,925)	-	280,947	124,120
Class C	4,374,308	1,045,485	23.9%	26.4%	(69,428)	(86,953)	-	167,931	-
Totals	70,635,705	11,852,394	16.8%	19.7%	241,756	595,391	-	773,309	383,701



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OFFICE TERMS AND DEFINITIONS

Total SF: 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.

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.*

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