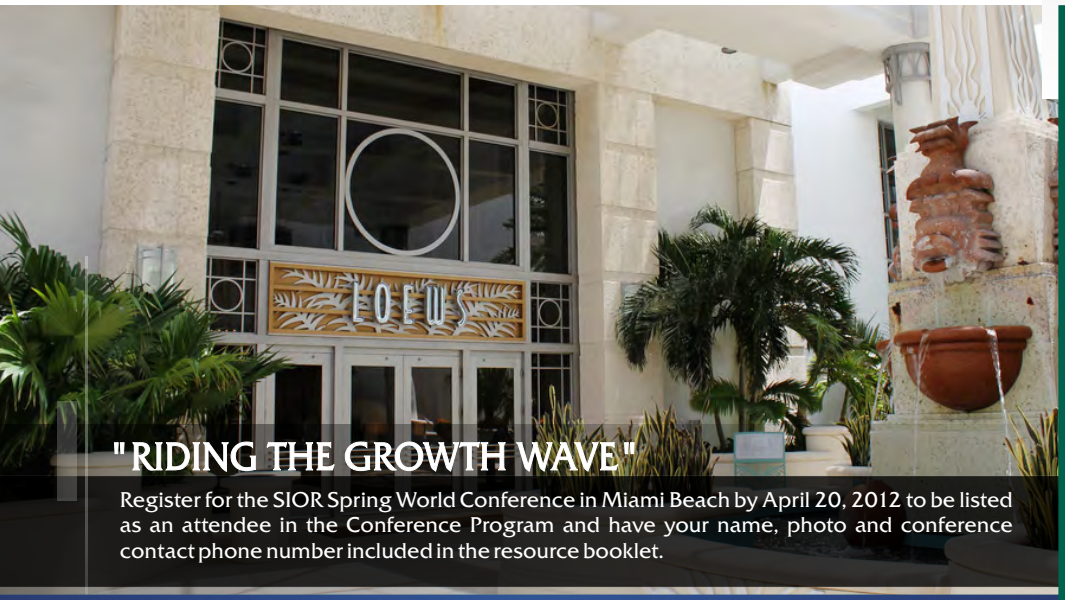
MINNESOTA ADVISIOR™

SIOR MINNESOTA CHAPTER ® Expect more.

NEWSLETTER - SPRING 2012



"RIDING THE GROWTH WAVE"

Register for the SIOR Spring World Conference in Miami Beach by April 20, 2012 to be listed as an attendee in the Conference Program and have your name, photo and conference contact phone number included in the resource booklet.

INSIDE THIS ISSUE:

UPCOMING CHAPTER EVENTS

March 14 – CHAPTER MEETING 3:30-5:30pm
Where: Minneapolis Club – 729 Second Avenue South, Minneapolis, MN 55402
Cost: Free (Chapter members and invited guests)
Speakers: Dave Menke (Opus Group) & Matt Reichert, CCIM (Aspen Group)

April 24 – CHAPTER MEETING 4:00-5:30pm
Where: Cushman Wakefield/Northmarq Offices
3600 American Boulevard, Bloomington, MN
Cost: Free (Chapter members and invited guests)
Speaker: Dan Eshbaugh of First Mercantile

May 17th – SIOR/MNCAR EVENT 11:00 a.m-2:00pm
Where: DoubleTree Park Place Hotel – 1500 Park Place Blvd., Minneapolis, MN 55416
More information coming soon.

October – SIOR/CCIM EVENT (TBD)

December 5 – CHAPTER MEETING 8:00 a.m-10:00am
Location: Metropolitan, Golden Valley, MN
Time and Cost: TBD
Speaker: Stewart Title with Dr. Ted Jones presenting

Aaron J. Barnard, CCIM, SIOR
2012 President
Minnesota Chapter SIOR

President's Message

SIOR Colleagues:

2012 is starting off with a bang! Everyone I talk to indicates that business is up and inquiries, showings and LOI's are on the increase. As SIOR's we continue to bring top value to our clients keeping our heads down and putting in the extra hours. Our chapter to is off to a running start as well. Carrying the momentum from a great 2011, we have our calendar loaded for the year and have all our events scheduled. You have, and will be seeing "save the date" emails and registration details for all our upcoming events. Our recruiting efforts are right on target. I'm honored to announce that Kevin O'Neil -- Colliers has recently joined the ranks. We are also well on our way with three more recruits that are in various stages of the application process.

A top goal this year was to secure an administrator. I am pleased to announce that we have retained Jacquie Williams. Surely you've seen emails from Jacquie concerning our newsletter content and upcoming events. Be sure to add her to a 'safe sender' list in your email should you have an overzealous spam filter. Jacquie will be coordinating our events, managing our website and assisting in assembling our newsletter. Look for communication directly from Jacquie in the near future. Her email is *admin@siormn.com*.

The Chapter Board members are all working to give you the great value for your continued membership. We have nearly all local chapter member dues collected as of printing time, and appreciate the timeliness of submitting your dues. In addition to our programs as set forth above, look for a print ad this fall and a member directory. Our #1 goal is member benefits and as the torch is passed along to me I promise to continue that very effort!

On the national front, nearly 90% of the members have renewed membership as of February 29th. National has received 32 applications in the first two months of 2012. Also, notably in 2011, SIOR grew by fifteen NET members! This is a testament to the prestige of the designation as many organizations struggle to maintain existing member base and many of our friends retire permanently "up north" or to the golf course.

Again, on behalf of the Board thank you for your continued support. Go to the free meetings, get involved, and reap the benefits of the designation. Best wishes on a very prosperous 2012, and I hope to see you in Miami.

Sincerely,
Aaron J. Barnard, SIOR, CCIM
2012 SIOR Minnesota Chapter President

SPRING WORLD CONFERENCE

May 10-12, 2012 – Miami Beach, Florida

If you haven't already done so, register now for the SIOR Spring World Conference in South Beach Miami, FL on May 10-12, 2012! Below are some of the educational sessions on tap that will help YOU *ride the growth wave*:

- Brokerage Management SPB: Strategic Alliances to Enhance Firm Revenues
- Joint Tenant Representation SPB & Breakout Session: Teaming
- Corporate Services SPB: Profitable Manufacturing in High Cost Locations
- Investment SPB: International Capital Flow for Investing in US Commercial Real Estate
- How Independent Firms Can Better Leverage the Over 1,200 Worldwide Independent SIOR Brokers to Market and Build their Business
- Why Companies Pursue New Workplace Strategies in a Down Economy
- Land SPB: Industrial Land Use Alternatives

For registration information contact SIOR Events at 202.449.8218 or email events@sior.com.

SPRING 2012

NEWS & UPDATES

SIOR MINNESOTA CHAPTER ®

SIOR VOLUME

Some Notable Transactions by your SIOR Colleagues:

Tom Burton
Chamilia Inc.
100 Washington Avenue, Minneapolis
Office Lease
32,205 RSF

Mike Salmen (Transwestern) & Steve Chirhart (TaTonka)
BMO Harris – formerly M&I Bank (Salmen) & Associated Bank (Chirhart)
7860 42nd St., Oakdale, MN 55128
Sale
6,400 sf stand-alone bank

Jill Rasmussen
Allina, Aspen Medical Clinic
Bandana Square
Lease
67,000 RSF

Jill Rasmussen
Jamestown Hospital
Jamestown Medical Office Building
Lease
22,000 RSF

Jill Rasmussen
Essentia
Jamestown Medical Office Building
Lease
20,000 RSF

Jill Rasmussen
IRET/PrairieCare
Physicians Building
Lease
24,000 RSF

GLOBAL SIOR'S AT A GLANCE

National Membership
- Total Members 2,995
- Active 2,608
- Associate 207
- Retired 180
- SIOR grew by 15 members in 2011

International Membership
- Members: 78
- New International Members to Date: 3
- New Countries Represented: Indonesia and Sweden

Recent International Events
London Luncheon January 26th: More than 40 professionals from nine countries including, France, Germany, Ireland, the Netherlands, Poland, Sweden, Switzerland, the United States and the United Kingdom attended the event. Featured keynote speaker Alan Dornford, Director, Capita Symonds, discussed major issues for industrial and office occupiers in 2012.

Retention
2012 Dues Renewal
- 90% of members have renewed as of March 12
- Chapter Retention Chairs are currently contacting unpaid members
- Renewal packets including dues invoices mailed on 12/2
- Can now pay in full online at www.sior.com
- Dual payment plan option is available by completing the indicated section on the invoice and faxing or mailing with first payment
- *2012 Attrition*
- 40 quits in good standing as of 2/1

Recruitment & New Members
- YTD Applications Received 15
- 2012 New Members to date 16
- 2011 New Members 147

Annual Average of 2006-2010 Transaction Volume
- 2011 data will be available in March

MARKET UPDATES

INDUSTRIAL MN MARKET UPDATE – Cushman & Wakefield | Northmarq
January 2012 Compass Report

Twin Cities Multi-Tenant Industrial Market Remains In Recovery Mode
- Market remains relatively soft; modest absorption reported
- Vacancy rate remains highest in a decade
- Build-to-suit development takes off
- Rates are flat; concessions are starting to diminish
- Landlords with the best product have some pricing power
- User-building sales gain traction across all submarkets; pricing is aggressive
- Investors gain confidence in local industrial assets
- Alternative users continue leasing industrial space

Overview The Twin Cities multi-tenant industrial market continued its slow and sometimes rocky road to recovery. Although the market hit bottom in 2010, it is not quite out of the woods yet. Job creation and economic growth are needed for companies to grow again and take on more space.

Deals with some traction were offset by companies downsizing, consolidating, relocating into single-user buildings, or leaving the market. Many users simply traded spaces looking to gain efficiency. Leasing activity was modest with 71,667 square feet of positive absorption, down from 541,582 sf in the first half. The vacancy rate is 17%, one of the highest vacancy rates in a decade. Approximately 17.2 million square feet is vacant (21 msf with sublease space). The good news is that 2011 ended the year with 613,249 sf of positive absorption—the first positive absorption reported since 2008.

The Northwest submarket was tightest with a 14.4% vacancy rate. The Southwest, at 17%, dragged the market down with 220,000 sf of negative absorption, primarily the result of losing two large tenants (Digital River and Swartz). The Southeast posted the highest vacancy rate at 19.2%, and the Northeast boasted the most positive absorption with 141,940 sf following a number of smaller "bread-and-butter" deals. The Northeast's vacancy rate is 17.8%.

Bulk in Demand Bulk/warehouse properties continued to be the tightest product, reporting a 14.5% vacancy rate. The market has 33.68 msf of bulk properties, of which 4.88 msf is vacant. Few large blocks of quality bulk space are available. The Northwest boasted the tightest bulk/warehouse market at 9.6%. Tight market conditions prompted Medline Industries to develop a 300,000-sf bulk build-to-suit in Rogers. However, the Twin Cities as a whole posted 196,093 sf of negative absorption for bulk properties due to several space givebacks, including Swartz vacating 250,000 sf in the Southwest and Medtronic pulling out of 120,000 sf in the Northeast.

Showroom Struggles Office/showroom continued struggling with an 18.7% vacancy rate. Due to the higher office finishes in showroom properties, this space is more expensive to retrofit for new tenants. The product also was impacted by users vacating space, including Digital River leaving 100,000 sf in the Southwest.

Office/warehouse properties reported an 18% vacancy rate and 160,591 sf of positive absorption. Deals included Northstar Balloons expanding to 70,000 sf in the Northwest and Perfect Memorial taking 30,000 sf in the Southwest. In the Southeast, Interstate Partners announced it will break ground on a 126,111-sf office/warehouse building in South St. Paul. The developer signed lead tenant BW Systems Inc., but the rest will be speculative.

Rates Flat, Concessions Diminishing in Tighter Pockets Rates are flat at $4.37 and $7.98. There are still some very aggressive lease deals as well as some concessions on the table, particularly for bigger deals as landlords compete for tenants. It remains a very competitive market. Some landlords, however, are backing off on concessions. In the Northwest, for example, if a tenant was receiving five months of free net rent on a five-year lease, today the tenant might receive four months of free rent. Gross free rent is less prevalent. Across all submarkets, landlords are able to push rents on newer, well-located,

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MEMBER SPOTLIGHT

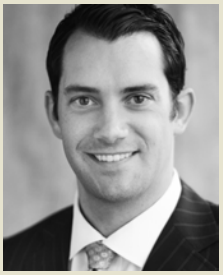
TED CARLSON, SIOR, CCIM

Ted's determination is driven by his commitment and passion to his work. Over the last decade, the 500-plus commercial real estate transactions he's brokered proves just how determined he is. Ted has a long history of finding success through hard work and talent.

Ted graduated from Madison with a double-major in real estate and finance. In 1999, he started working with Welsh Companies, immersing himself in the commercial real estate industry. Today, he advises clients on transactions throughout North America, but also has special emphasis on the Twin Cities South-metro area.

Away from work, Ted immerses himself in his other passions. He is an avid hunter, water sports enthusiast, outdoorsman and family man. His trials and tribulations in life are well documented in his newsletter, "The Ted Report," which has become a fan favorite, and can be found on his website.

In addition to being a licensed real estate broker in Minnesota, Ted is a member of the Minnesota Commercial Association of Realtors (MNCAR) and the National Association of Industrial and Office Properties (NAIOP). He has fostered a strong network within UW-Madison alumni and the Minnesota hockey community. Ted has earned his CCIM & SIOR designations. He also sits on the Board of Directors for Lifeworks.



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Jones Lang LaSalle is a global real estate services firm specializing in commercial property management, leasing, and investment management.

NEW SIOR MEMBER

BRIAN GINKEL, SIOR, CCIM

Brian Ginkel is Vice President of Jones Lang LaSalle's Tenant Representation practice in Minneapolis. Brian's talents and knowledge of corporate real estate extend into the areas of portfolio management/ optimization, transaction management, and strategic planning. Brian focuses on providing clients with the resources and direction to create and implement a successful real estate plan from a single site analysis to global portfolio management.

Brian has over 10 years of experience as a corporate advisor in client relationship and team management, strategic planning, portfolio/transaction management, acquisitions/dispositions, financial structuring, tenant representation, contract negotiation, and operational enhancements for public and private companies.

Since 2009, Brian has completed over 2.6 Million square feet of real estate transactions in the United States and Canada consisting of office, warehousing, manufacturing, distribution/fulfillment, land, and mission critical solutions.

Brian received his Bachelor of Arts degree in Economics with an emphasis in Business from the Leeds School of Business at the University of Colorado. Brian is currently pursuing his Masters in Corporate Real Estate (MCR) designation. He is also an active member CCIM, SIOR, the Urban Land Institute (ULI), CoreNet Global, The Collaborative, and the National Association of Industrial and Office Properties (NAIOP).

MARKET UPDATES

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functional, 24-foot-clear office/warehouse properties. Older struggling properties, however, continue offering hefty discounts.

Build-to-Suit Development Takes Off Several build-to-suits were announced or are underway; large functional space is becoming scarce, and this shortage is leading to build-to-suit projects. Two were announced in the Southwest for SunMar Corp. and Tri-Star. Medline is doing a build-to-suit in the Northwest. Five9s Digital has plans in the Southeast, and FedEx closed on land in the Northeast and plans to break ground in 2012.

User-Building Sales Gain Traction User-building sales activity picked up across all submarkets. There are several reasons, including low interest rates, availability of SBA loans, reduced building costs, and many companies want to own their own buildings. At least seven sales closed in the Northwest where pricing dropped 25-35% from 2007 as the "expectation gap" between buyers and sellers closed. In the Northeast, where a handful of sales closed, there is a consistent, definitive price discount of 30-40% off the listed prices. Not much quality product is for sale in the Southeast, but several sales closed. In the Southwest, at least five properties sold.

Investment Sales Are Hot Strong investor demand exists, especially for core bulk properties (low finish and high ceilings). Institutional capital is pursuing industrial properties in the Midwest where cap rates are more attractive than the coasts. Liberty Property Trust acquired three assets totaling 450,000 sf for roughly $25 million. The Travelers Cos. acquired 11 properties in Roseville and Shoreview, UBS Realty Advisors purchased Diamond Lake I and II in Rogers, and Interstate Partners sold several buildings to Welsh Cos. This is the most sales activity in five years.

Alternative Users Take Space Due to high vacancies, nontraditional users like gymnastic groups, fitness/dance centers, training and recreational facilities, and even churches are looking to cut deals in industrial buildings. Landlords, especially those with longtime vacancies, are willing to be creative and accommodate these users to backfill space. Examples are Zero Gravity and Skyzone Indoor Trampoline Park in the Northeast.

Outlook The market could see 225,000 sf of positive absorption in the next six months and as much as 665,000 sf by year-end 2012, which will help chip away at vacancy rates. The good news is several large users are seeking space. However, recovery will be slow because the market is still negatively impacted by older, less functional product and tenants continue vacating and trading spaces. All submarkets expect large blocks of space to come back on the market, which will cause more volatility.

Rates should start to stabilize and concessions diminish as the market tightens. Landlords have some pricing power on newer office/warehouse and bulk/distribution, 24-foot-clear quality buildings. However, concessions and reduced rates will likely remain relatively widespread for less-functional buildings as landlords compete to fill space.

User-building sales will continue as the pricing gap between buyers and sellers has narrowed. Build-to-suit activity will continue with another seven or eight likely announced in 2012.

FARGO, ND – Konrad Olson CCIM, SIOR

2011 Review / 2012 Forecast of the Fargo Industrial Market The Fargo market is comprised of a little over 19 million square feet of industrial, warehouse and manufacturing space. We expected to see the vacancy rates in the market tighten, but were a little surprised by just how tight the market finished the year. The major contributing and recurrent factor is the lack of speculative development. We expect that the market will continue to be tight throughout the rest of the year as there is very little industrial construction on going as of year-end 2011.

2011 Review The overall vacancy rate at year end 2011 was 1.72% or 316,260 s.f. (including vacant sublease space). By comparison, the national vacancy rate ended the year at about 11.5%. In a market of 1,048 buildings that comprise our Industrial Survey, only 35 of those buildings had vacancies. Absorption was a meager 209,834 s.f. Construction completed in 2011 was 125,556 s.f. All construction in the pipeline, as of the survey date and likely to be completed in 2012 (250,880 s.f.) is under

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MARKET UPDATES

(cont. from page3)

construction for the owner occupant or a specific tenant. A large portion of bulk warehouse space was absorbed by 3rd Party Logistics providers - signaling an uptick in primary sector business.

2012 Forecast Muted demand for industrial space earlier in 2011 began to slowly show signs of improvement for 2012. Our office assisted Phoenix International, a John Deere company, in selecting the 22 acre site for their new 90,000 sq. ft. research and development center. Occupancy is expected in the Fall of 2012. Phoenix expects to expand this building to 150,000 in the near future. The RLN Addition North of Hector Airport, has perennially completed around 100,000 square feet of high cubic capacity warehouse, 2012 will be no different. The recent departure of Polaris' Industries G.E.M. Car subsidiary from the Fargo market will open up over 100,000 sq. ft. of warehouse/manufacturing space, demand is there for timely absorption. While Fargo is over 250 miles from the Bakken Oil Formation in Western ND, our market expects to see increased activity as users stage products and equipment for mining out west. As we warned in last years market survey, the lack of construction will limit options. Occupancy dates may be governed by the time it takes for site selection and new construction. A word of caution as you consider older warehouse space in the market, depending on occupancy type, it could be functionally obsolete by code for your use.

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