

MINNESOTA ADVISORTM



NEWSLETTER - SUMMER 2012

UPCOMING CHAPTER EVENTS

MN SIOR Chapter Boat Cruise CE Event on Lake Minnetonka

When: Tuesday, July 31st 1:00-4:00pm
Must arrive between 12:30-12:45pm for boat boarding.
Cost: FREE!

Where: Wayzata Bay Charters, 687 Excelsior Blvd, Excelsior, MN 55331
You MUST preregister online. Limited to 50 people.
Bill Burgess, SIOR, CCIM, will be presenting the SIOR seminar "Ethics & Professional Standards"
1.5 Hours of MN Real Estate credit applied for

MN SIOR Chapter/Minnesota Dakotas CCIM Chapter Joint Event October 2012

More details on this event coming soon

MN SIOR Chapter/Stewart Title Joint Event

When: December 5th, 2012 8-10am
Where: Metropolitan Ballroom, Golden Valley, MN
Speaker: Dr. Ted Jones
More details and registration coming soon



SIOR Miami Conference 2012

Left to right back row: Mike Salmen, Jill Rasmussen, Sonja Dusil, Aaron Barnard, Matt Olson, John Thompson, & Doug Brockhouse Left to right front row: Kevin O'Neil, Mike Ohmes

INSIDE THIS ISSUE:

President's Message, Event Calendar, Farwell Ray Reese, SIOR Volume, Market Updates, Jacquie Williams Spotlight, Jill Rasmussen Elected to BOD.

President's Message

Fellow SIOR's:

I do hope your summer is going very well and you are enjoying time "up north" with family and friends. The upper Midwest truly shines in the months between May and October.

Recent events in the industry have me reflecting upon the many relationships that our profession affords. We are truly blessed to work with such talented and high caliber professionals. We all go about our daily lives at record paces and the market starts to turn for the better. The passing of a few industry folks in recent weeks is a reminder of how precious life is and how special our friends, family, clients and colleagues are. The relationship is at the very heart of what we do and how we do it. Superior client service comes from embracing projects and clients as family. The SIOR family is the fulcrum of such relationships. The designation is more than acronyms following your name on a calling card, more than production, education and ethics – it is the "something bigger than yourself" that makes moves you higher personally and professionally.

Now for a little chapter "business". We are half way through the year and I am so pleased to report that we've exceeded our recruitment goals! We are also able to report that 100% of our chapter members have renewed. This is something to be very proud given the market realities of the last few years. We are set with our summer, fall and December program. I do hope to see all of you at every event! This is where you connect and truly enjoy the relationships that are so precious in life.

Best wishes for a prosperous Q3 and Q4 2012!

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



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



Raymond J. Reese
SIOR, CCIM

Farewell to our Amazing Colleague and my Friend Ray Reese

10/28/45 – 7/14/12

by Dennis McClinton

Ray was extremely proud of the SIOR designation. He embodies everything SIOR is supposed to be about. He had a passion for the commercial real estate business and became one of the great practitioners in the industry. Following are some of the many comments/quotes that came in to me last week from around the country:

1. From a major institutional investor "I have met no one in this country that had a broader base of knowledge in the commercial real estate industry".
2. A former senior broker in the local market place said this "He was the best presenter on his feet that I have ever seen".
3. One young broker in the local marketplace said Ray was "The Encyclopedia Britannica of commercial real estate".
4. Using a baseball analogy someone said "He was the Ace of the CBRE Pitching Staff".
5. Ray delivered exceptional "Customer Service". His motto was "Over Promise the Customer" then "Over Deliver" on that promise and he did. He truly had a passion for his customers.
6. Mentoring young brokers was a passion of Ray's and many, many mid-tier experienced brokers told me Ray was instrumental in their career.

NEWS & UPDATES



SIOR VOLUME

Some Notable Transactions by your SIOR Colleagues:

Jim Damiani w/Steve Chirhart

Client Name - DKS Systems
Building Name - Westwood Lake Office Park
Type - Lease SF or Sale Price
- 5,585 SF

Jim Damiani w/Tom Tracy

Client Name - Vizio, Inc.
Building Name - Normandale 8500 Tower
Type - Lease
SF or Sale Price - 2,036 SF

Jim Damiani w/Brad Bohlman

Client Name - Global Tax Network
Building Name - Arbor Lakes North End Offices Type - Lease SF or Sale Price - 6,502 SF

Jim Damiani w/Ron Scholder

Client Name - Willette Land LLC
Building Name - 7901 Computer Avenue
Type - Sale
SF or Sale Price - \$1,500,000

Larry Chevalier

Client Name - Midwest Reliability Organization
Building Name - Lawson Commons Building, St. Paul
Type - Lease
SF or Sale Price - 19,000 SF

Brad Bohlman

Murphy Warehouse Company
905 Yankee Doodle Road, Eagan MN
Sale 350,000 SF / \$6,550,000

Eric Rapp

Represented Bank Mutual (sold to MSP Commercial)
604 Bielenberg Drive, Woodbury MN
Sale
for \$1,700,000

Aaron Barnard

158,000 SF Renewal
Building Name: First Bank Building St. Paul, MN

Several Transactions for Thomas D. Simon of CBRE:

Deere & Co
Helgesen Industrial Center
Janesville, WI
Lease
235,000 SF/ \$2,372,625

Industrial Realty Group
IGH Business Park, Inver Grove Heights, MN
Sale
440,000 SF/\$4,400,000
Pioneer Seed
Albert Lea Public Warehouse, Albert Lea, MN
Lease
121,000 SF/\$270,000

Chart, Inc
Lemond Building, Owatonna, MN
Lease
140,000 SF/\$2,000,000

Lee Holdings, LLC
Park Drive, Owatonna, MN
Sale
62,000 SF/\$600,000
Miniature Precision Components
Helgesen Industrial Center, Janesville, WI
Lease
325,000 SF/\$5,565,813

SafePark, LLC
Plymouth DC, Plymouth, MN
Sale
28,500 SF/\$1,250,000

Cummins
Helgesen Industrial Center, Janesville, WI
Lease
100,000 SF/\$500,000

MARKET UPDATES

Q2 OFFICE UPDATE AS PREPARED BY COLLIERS INTERNATIONAL, MINNEAPOLIS, MN

Slow but steady growth continues in the office market. 167,175 square feet of space was absorbed during quarter two of 2012, marking the fifth consecutive quarter of positive absorption. Vacancy stands at 16.5 percent and vacancy including available sublease space is 17.8 percent. Smaller and mid-sized companies remain cautious while larger corporations with good credit and cash flow are expanding. Across all submarkets, there is still stiff competition for tenants and significant lease concessions are available. We are seeing a turn towards longer lease terms, indicating increasing confidence among tenants.

Activity in terms of movement among tenants is up although not always reflected as positive absorption. Many leasing transactions are not involving an increase in the use of office space. Tenants are decreasing their space requirements to more appropriately meet business needs. This results in many companies moving from one property to another, leaving space behind. Other tenants are staying at the same location but renewing their leases for less space than they previously occupied. The reduction of space required is often the result of the economic downturn and a subsequent decrease in overall workforce. We are also seeing companies reducing the average square foot of office space utilized per employee. Technology is enabling more employees to work from home and companies are increasingly willing to accommodate and encourage this practice to realize cost savings and offer attractive work environments. In addition, a trend towards more collaborative work environments with shared office spaces and increased options for group participation is further reducing space needs.

Steady but slow growth should continue through year-end with positive absorption exceeding 500,000 square feet for the year. Competing landlords will continue to offer significant concessions although some class A landlords will be able to charge higher effective rates as these spaces lease up.

Southwest

Absorption in the Southwest submarket was 112,871 square feet and vacancy stands at 16.5 percent. Activity in the Southwest was the strongest of the submarkets in our report. For the first time in several years, we are seeing an uptick in smaller users looking for space. In addition, those companies with access to capital are increasingly looking at purchasing properties which is translating into more activity on sale listings. There are still significant lease concessions available in the market. Class B and C buildings continue to struggle to attract tenants and must offer very competitive packages.

Movement from class B to class A properties has occurred as tenants seek to upgrade space while maintaining low costs. Some class A landlords have been able to tighten their concession packages. We continue to see very gradual improvement in market activity. We expect an uptick in absorption in class B space reflecting activity at well-located, upgraded B spaces. It will likely be years before older, class B properties in less-desirable locations and much of the class C market recovers. Many of these buildings are functionally obsolete and some will likely be repurposed. We expect the Southwest to continue to experience steady activity through the third and fourth quarters of 2012.

(cont. on page 3)



Jacquie Williams
(and Son Travis)

OUR CHAPTER ADMINISTRATOR JACQUIE WILLIAMS

Jacquie started as the Chapter Administrator for the Minnesota SIOR Chapter in January of 2012 and also is the Chapter Administrator of the Minnesota Dakotas CCIM Chapter since April 2010. She has also worked for ASL Interpreting Services as the Accounting/Office Administrator for the past 8 years.

Jacquie comes with an exceptional background of experience ranging from marketing, administration web site creation and design, advertising creation and design, and event planning. She attended St. Cloud State University where she studied business. Jacquie has grown up with real estate in her blood and hopes to enter the field full time one day soon.

Jacquie and her husband Kevin have 2 children – Andrea, 13, and Travis, 9 and a variety of pets included her beloved dog, Comet. She loves gardening, canoeing, walking and spending all of her free time in the summer at her camper by Mora, Minnesota.

Submitted by Carol Ebert, CCIM
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612.746.0417

Farewell to Ray Reese

(cont. from page 1)

7. Ray won so many "Sales Achievement Awards" that he ran out of room on the walls of the offices/cubicles he occupied.

8. He was a very caring individual and never turned down any one who needed help. I've seen him numerous times stop everything he was doing to help someone else.

Finally, I would just like to comment on Ray and my many, many different business relationships over the years. I've never heard of two individuals who interacted on so many different levels. Ray provided brokerage services to me when I was in Corporate Real Estate, we've been on brokerage teams together at two separate companies, I've competed against Ray as a broker at separate companies and I have been his boss and he has been my boss so we both got to know each other quite well.

In summary, it has been my privilege over the years to complete real estate transactions in almost every state in the United States and several foreign countries. A conclusion I came to a long time ago has now been confirmed to me and that is, Ray Reese is clearly the best broker/service provider I have ever encountered anywhere.

Dennis L. McClinton
Director Transaction Management
CBRE

MARKET UPDATES

(cont. from page 2)

West & Northwest

The vacancy rate in the West/Northwest market is 16.4 percent and absorption was 15,762 square feet for the second quarter of 2012. Class A properties along the interstate 394 corridor continue to see activity and decreasing vacancies, and this area is the most likely to see the announcement of new office construction. In contrast, the lack of a concentration of class A properties, large corporate users and diverse businesses results in significantly higher vacancies outside of this area in the cities of Maple Grove, Plymouth, Brooklyn Park and Brooklyn Center. Tenants are looking for flexibility in lease terms and are requesting contraction, expansion and termination rights. There are still significant concessions available across all property types but increased tenant confidence is evidenced as longer lease terms are becoming more prevalent. Companies seeking to own and occupy their facilities can find very favorable pricing and attractive financing in the owner-user market with more properties expected to be listed soon. No significant sale activity has occurred in class B and C property types due to the high vacancy and availability of leased space options. Tenants will continue to benefit from aggressive lease packages for at least the next 12 to 18 months. Concessions should then begin to decrease initially among class A properties and eventually filtering to class B and C.

Minneapolis

Absorption in the Minneapolis CBD was negative 15,514 square feet during the second quarter of 2012 and vacancy stands at 14.5 percent. The lack of availability of prime class A space could lead to additional build-to-suit activity in the next three to five years. We expect continued modest absorption through year-end 2012.

St. Paul

The St. Paul CBD submarket absorbed over 50,000 square feet of space during the second quarter of 2012, marking the second quarter in a row of positive absorption. While vacancy is the highest among Minneapolis/St. Paul submarkets at 20.7 percent, absorption was second only to the Southwest submarket. Significant concessions in the form of reduced rents, free rent and tenant improvements are still prevalent. Effective rental rates are low as landlords compete aggressively for tenants. We expect continued slow, steady absorption in St. Paul. The submarket is

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SIOR ELECTS JILL RASMUSSEN TO BOARD OF DIRECTORS

JUNE 01, 2012
WASHINGTON, DC

Jill Rasmussen, SIOR, CCIM,
Principal at The Davis Group

in Minneapolis, Minnesota, was recently elected to a two-year term on SIOR's Board of Directors as the Central Regional Director. The induction will take place during the SIOR Fall World Conference in Los Angeles, California in October. [Central Region covers: MN, ND, SD, WY, MT, MO, CO, NE, IA, KS and Western IL]

Rasmussen has over 20 years of commercial real estate experience as an office and healthcare specialist. During the past ten years, Jill has completed more than 500 medical/office transactions involving more than 3 Million square feet and over \$300 Million in value. Healthcare organizations as well as corporate office users

have enlisted Jill's services and benefited greatly from her real estate knowledge and experience. Prior to joining The Davis Group, Jill was a Senior Director for Cushman & Wakefield, and a Senior Vice President and Director of the Office and Healthcare Group for Grubb & Ellis/Northco Real Estate Services. Jill also served on both national healthcare practice groups.

An SIOR member since 1999, Jill has served in many commercial real estate leadership positions in the past, including President of her SIOR Chapter. Jill was also the 2008 recipient of the Prestigious Robert P. Boblett Award given by SIOR in recognition and appreciation of her dedication, distinguished services and commitment to the real estate profession.

"It is an exciting opportunity to join SIOR's Board as Central Regional Director. I look forward to pursuing new and existing organization initiatives working with the executive committee and the Board of Directors," said Rasmussen.

MARKET UPDATES

(cont. from page3)

highly dependent on state government for its vibrancy and budget woes along with potential cuts in government could counterbalance this positive outlook.

Airport/South of the River

Activity was minimal in the Airport/South of the River submarket as absorption totaled a negative 1,427 square feet. Vacancy is 18.5 percent, the second-highest vacancy among Minneapolis/St. Paul submarkets. With significant vacancies in the market, effective rents are low and landlords are offering generous incentives to prospective tenants. Retail in this area is experiencing significant developer interest.

St. Paul Suburban

The St. Paul Suburban submarket absorbed 5,345 square feet of space in the second quarter of 2012 and vacancy is 16.9 percent. Like the Airport/South of the River submarket, the St. Paul Suburban submarket has felt the blow of corporate users leaving large facilities vacant. Adding to the slow demand is a lack of a concentration of large companies or industries driving demand. Some positive absorption is expected by year-end 2012.

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