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Prepared By:
CRE Partners

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate decreased 0.3 percentage points from 3.8% in July 2016 to 3.5% in July 2017. The unemployment rate decreased 0.7% compared to January 2017. The current rate compares favorably to Minnesota (3.7%) and the US (4.4). The Mpls-St Paul metropolitan statistical area nonfarm job increased 51,200 jobs over the past year. Office using jobs (information, professional and business services and financial activities) added 7,000 jobs during the past year.

Market Overview

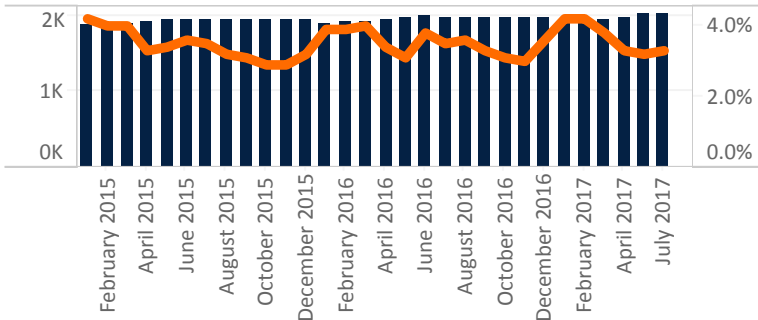
The Mpls-St Paul market recorded 83,403 square feet (sf) of negative total absorption during 3Q 2017 and 635,891 sf negative absorption year to date. The total vacancy rate increased from 15.4% to 17.8% year-over-year. Direct vacancy increased 1.8 percentage points during the same period posting 16.8% at the close of 3Q 2017. Comparing year-over-year direct vacancy rates Class A vacancy rate increased 2.5 percentage points, Class B vacancy rate increased 1.6 percentage points and Class C vacancy rate increased 0.4 percentage points. Weighted average asking rents in all markets and classes increased from \$25.22 per square foot (psf) in 3Q 2016 to \$25.28 psf in 3Q 2017.

Market Highlights

Mpls-St Paul market recorded 5 consecutive quarters of total negative absorption. Quarters Q3 2016, Q4 2016 and Q1 2017 were primarily due to companies moving from multi-tenant properties to single tenant HQ properties. Quarters Q2 2017 and Q3 2017 were primarily due to tenants vacating subleased spaces. Q2 2017 recorded 82,000 sf positive direct absorption and 3Q 2017 recorded 33,074 sf positive direct absorption. Mpls CBD Core market recorded the most positive absorption of 26,329 sf and West market was second recording 24,740 sf. The Northeast market reported 31,290 sf negative absorption primarily due to UTC vacating 75,601 sf of sublease space while they closed and moved out of the country. There is 2,105,389 sf under construction during the 3Q 2017 period.

Mpls-St Paul Employment

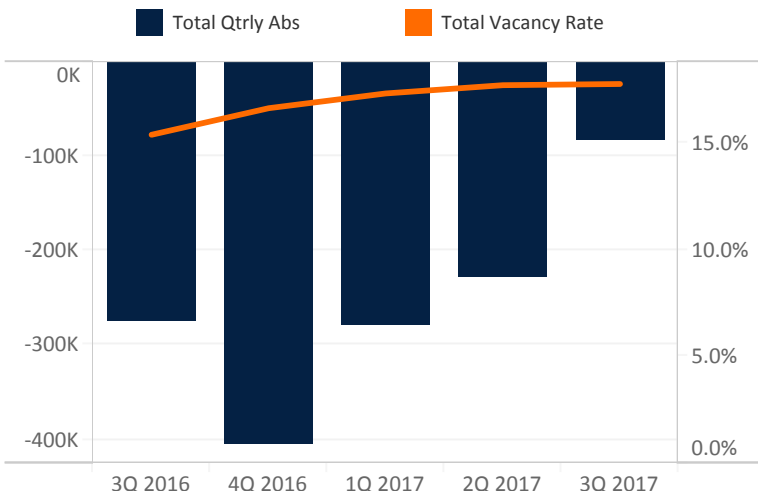
Source: BLS



Market Recap

Inventory (sf)	80,758,657
# of Bldgs	653
Qrtly Abs (sf)	-83,403
Total Avail Rate	20.8%
Total Vacancy Rate	17.8%
U/C Inventory (sf)	2,105,389
Delivered (sf)	0
Weighted Average Asking Rate (FSG)	\$25.28

Absorption and Vacancy Rate



Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
A	32,939,849	6,441,430	5,672,760	17.2%	39,778	-248,117
B	43,494,992	9,498,226	7,983,139	18.4%	-156,407	-395,142
C	4,323,816	851,958	686,855	15.9%	33,226	7,368
Overall	80,758,657	16,791,614	14,342,754	17.8%	-83,403	-635,891

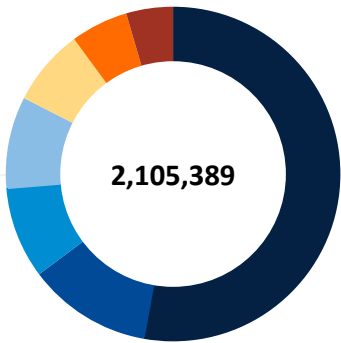
Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
Mpls CBD-Core	A	14,854,907	2,419,679	2,360,493	15.9%	-17,928	-44,612
	B	6,296,805	1,958,328	1,849,642	29.4%	30,257	83,827
	C	961,416	231,986	197,823	20.6%	14,000	13,100
	Subtotal	22,113,128	4,609,993	4,407,958	19.9%	26,329	52,315
Mpls CBD-East	A	387,907	130,364	125,119	32.3%	-14,048	38,281
	B	280,000	40,729	0	0.0%	5,297	5,297
	C	131,797	37,424	3,078	2.3%	-1,123	-3,078
	Subtotal	799,704	208,517	128,197	16.0%	-9,874	40,500
Mpls CBD-Loring	B	162,561	9,755	4,042	2.5%	0	-4,042
	Subtotal	162,561	9,755	4,042	2.5%	0	-4,042
Mpls CBD-NE	A	200,739	45,333	119,208	59.4%	8,462	21,348
	B	1,789,743	258,367	191,687	10.7%	-16,568	532
	C	148,181	7,000	7,000	4.7%	0	7,000
	Subtotal	2,138,663	310,700	317,895	14.9%	-8,106	28,880
Mpls CBD-Nthloop	A	966,782	177,029	230,139	23.8%	-745	22,632
	B	782,207	153,814	122,924	15.7%	-15,302	-23,071
	C	73,800	17,000	17,000	23.0%	0	-17,000
	Subtotal	1,822,789	347,843	370,063	20.3%	-16,047	-17,439
Mpls CBD-Whse	A	434,333	0	0	0.0%	0	93,390
	B	1,555,491	474,353	228,145	14.7%	-33,691	-87,988
	C	56,000	0	0	0.0%	0	0
	Subtotal	2,045,824	474,353	228,145	11.2%	-33,691	5,402
Northeast	A	925,289	301,932	299,766	32.4%	14,365	-6,783
	B	5,805,219	1,385,642	1,083,681	18.7%	-47,905	-63,626
	C	416,336	77,365	91,330	21.9%	2,250	-2,436
	Subtotal	7,146,844	1,764,939	1,474,777	20.6%	-31,290	-72,845
Northwest	A	509,685	187,142	26,507	5.2%	3,337	22,130
	B	3,035,238	494,174	448,218	14.8%	16,492	-31,953
	C	433,296	70,321	59,194	13.7%	-4,410	5,937
	Subtotal	3,978,219	751,637	533,919	13.4%	15,419	-3,886
Southeast	A	1,133,377	189,257	133,036	11.7%	19,392	107,133
	B	5,569,483	1,227,433	1,016,084	18.2%	-21,257	-100,594
	C	933,773	167,346	164,497	17.6%	8,343	5,330
	Subtotal	7,636,633	1,584,036	1,313,617	17.2%	6,478	11,869
Overall		80,758,657	16,791,614	14,342,754	17.8%	-83,403	-635,891

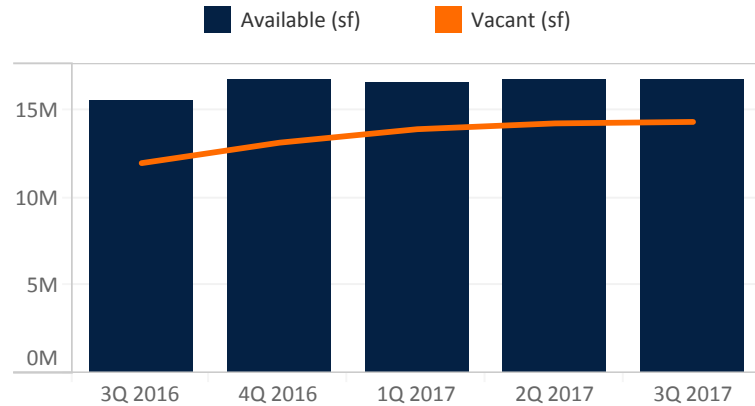
Overview by Market (Total) Cont'd

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Southwest	A	7,051,519	1,675,266	1,421,566	20.2%	-3,190	-444,032
	B	9,246,703	1,990,927	1,618,037	17.5%	-42,748	77,092
	C	537,542	118,193	70,355	13.1%	11,331	-937
	Subtotal	16,835,764	3,784,386	3,109,958	18.5%	-34,607	-367,877
St Paul CBD	A	2,804,699	759,714	531,133	18.9%	1,112	2,671
	B	4,092,889	779,063	840,228	20.5%	-26,701	-189,569
	C	521,708	113,315	64,570	12.4%	2,835	-548
	Subtotal	7,419,296	1,652,092	1,435,931	19.4%	-22,754	-187,446
West	A	3,670,612	555,714	425,793	11.6%	29,021	-60,275
	B	4,878,653	725,641	580,451	11.9%	-4,281	-61,047
	C	109,967	12,008	12,008	10.9%	0	0
	Subtotal	8,659,232	1,293,363	1,018,252	11.8%	24,740	-121,322
Overall		80,758,657	16,791,614	14,342,754	17.8%	-83,403	-635,891

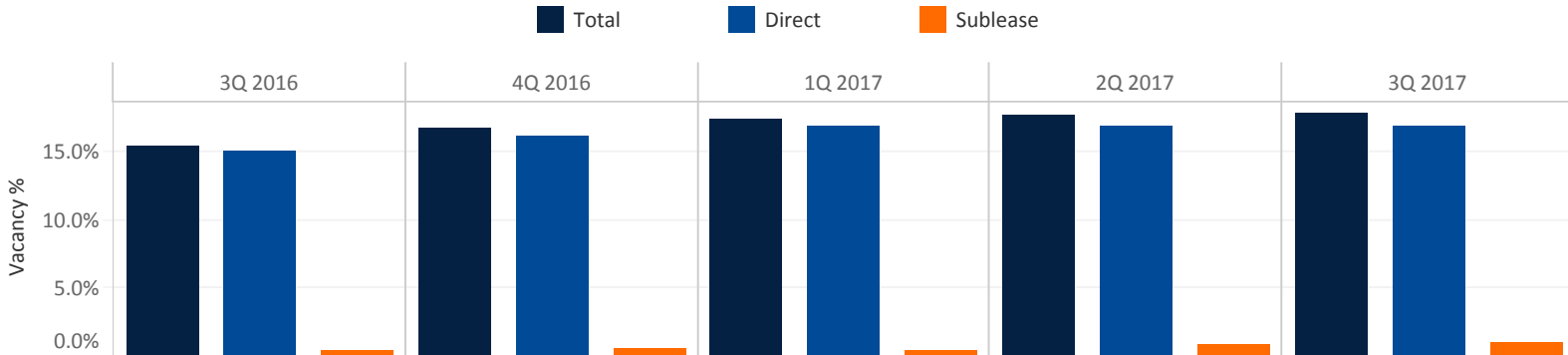
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	32,939,849	5,952,108	5,293,454	16.1%	64,339	30,822
B	43,494,992	8,957,220	7,575,648	17.4%	-65,491	-239,437
C	4,323,816	838,253	685,855	15.9%	34,226	8,368
Overall	80,758,657	15,747,581	13,554,957	16.8%	33,074	-200,247

Overview by Class (Sublease)

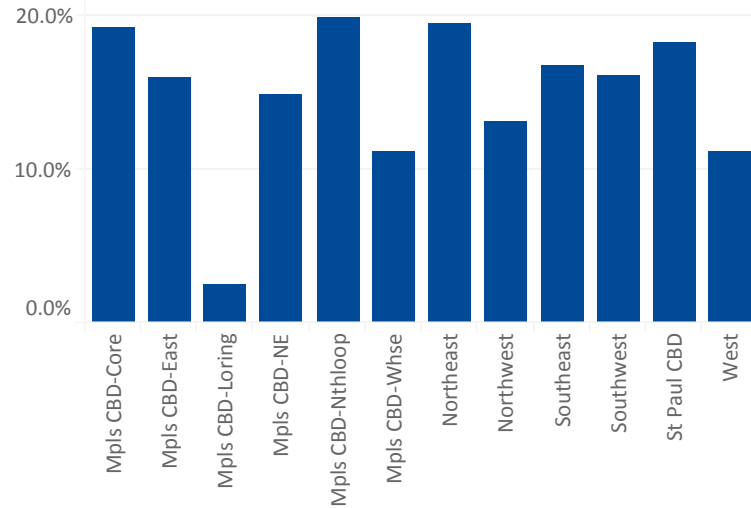
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	32,939,849	489,322	379,306	1.2%	-24,561	-278,939
B	43,494,992	541,006	407,491	0.9%	-90,916	-155,705
C	4,323,816	13,705	1,000	0.0%	-1,000	-1,000
Overall	80,758,657	1,044,033	787,797	1.0%	-116,477	-435,644

Direct Vacancy Rates

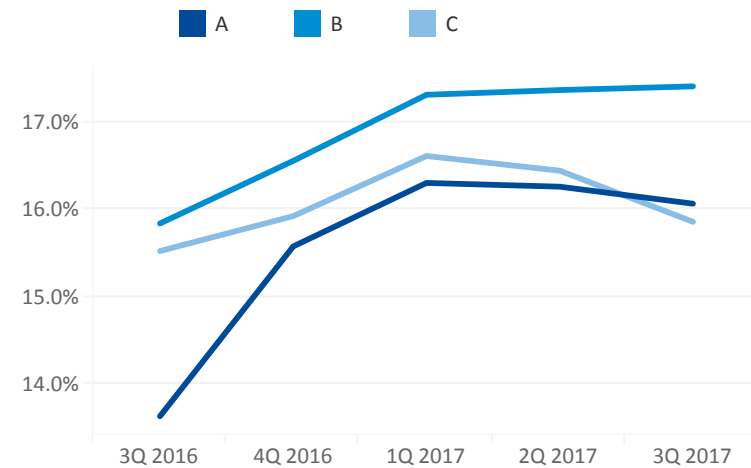
By Market and Class

Market Name	Class	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Mpls CBD-Core	A	13.0%	15.4%	15.3%	15.5%	15.7%
	B	21.2%	27.9%	29.9%	29.3%	27.7%
	C	22.2%	21.9%	21.9%	22.0%	20.5%
	Subtotal	15.8%	19.2%	19.6%	19.6%	19.3%
Mpls CBD-East	A	0.0%	42.1%	42.1%	28.6%	32.3%
	B	1.9%	1.9%	3.7%	1.9%	0.0%
	C	0.0%	0.0%	0.0%	1.5%	2.3%
	Subtotal	0.8%	21.1%	21.7%	14.8%	16.0%
Mpls CBD-Loring	B	17.6%	0.0%	2.5%	2.5%	2.5%
	Subtotal	17.6%	0.0%	2.5%	2.5%	2.5%
Mpls CBD-NE	A	71.2%	70.0%	63.6%	63.6%	59.4%
	B	11.1%	11.3%	10.7%	9.8%	10.7%
	C	9.4%	9.4%	9.4%	4.7%	4.7%
	Subtotal	16.9%	16.9%	15.6%	14.5%	14.9%
Mpls CBD-Nthloop	A	6.3%	26.1%	25.7%	23.7%	23.8%
	B	11.5%	12.7%	14.6%	13.8%	14.8%
	C	0.0%	0.0%	23.0%	23.0%	23.0%
	Subtotal	8.6%	19.3%	20.8%	19.4%	19.9%
Mpls CBD-Whse	A	21.5%	21.5%	21.5%	0.0%	0.0%
	B	9.5%	9.0%	11.5%	12.3%	14.7%
	C	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	11.8%	11.4%	13.3%	9.3%	11.2%
Northeast	A	32.8%	31.7%	31.0%	33.9%	32.4%
	B	15.1%	16.6%	16.7%	17.8%	17.3%
	C	13.7%	18.9%	19.9%	19.9%	21.9%
	Subtotal	17.3%	18.7%	18.8%	20.0%	19.5%
Northwest	A	13.1%	9.5%	9.8%	5.9%	5.2%
	B	12.9%	10.7%	14.8%	15.0%	14.5%
	C	16.3%	15.0%	13.5%	12.6%	13.7%
	Subtotal	13.3%	11.0%	14.0%	13.6%	13.2%
Southeast	A	19.6%	19.7%	12.3%	12.0%	10.1%
	B	17.0%	16.8%	16.9%	17.5%	17.9%
	C	18.7%	18.1%	18.7%	18.5%	17.6%
	Subtotal	17.6%	17.4%	16.5%	16.8%	16.7%
Southwest	A	13.3%	13.6%	15.9%	16.4%	16.1%
	B	18.2%	18.0%	17.3%	16.3%	16.3%
	C	12.8%	13.3%	15.0%	15.2%	13.1%
	Subtotal	16.0%	16.0%	16.6%	16.3%	16.1%
St Paul CBD	A	10.7%	10.3%	17.1%	19.0%	18.9%
	B	15.9%	15.8%	16.4%	18.0%	18.6%
	C	12.0%	12.8%	12.8%	12.9%	12.4%
	Subtotal	13.9%	13.9%	16.4%	18.0%	18.3%
West	A	9.9%	9.5%	10.6%	11.2%	10.4%
	B	11.4%	10.3%	11.4%	11.4%	11.8%
	C	11.1%	10.9%	10.9%	10.9%	10.9%
	Subtotal	10.7%	9.9%	11.0%	11.3%	11.2%
Overall		15.0%	16.1%	16.9%	16.9%	16.8%

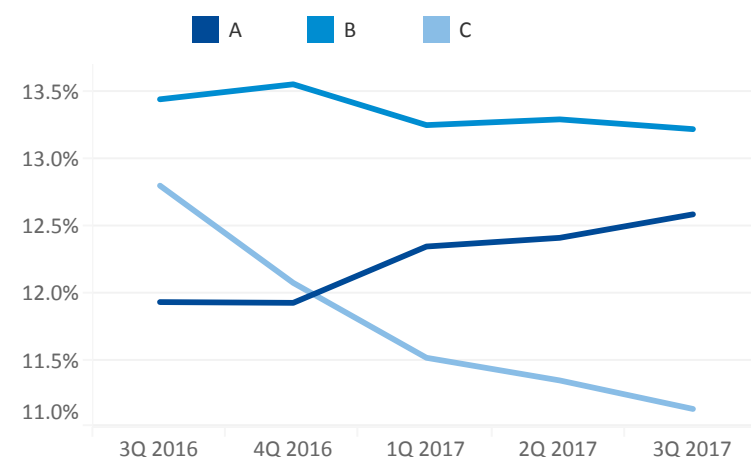
By Market



Mpls-St Paul by Class



National by Class

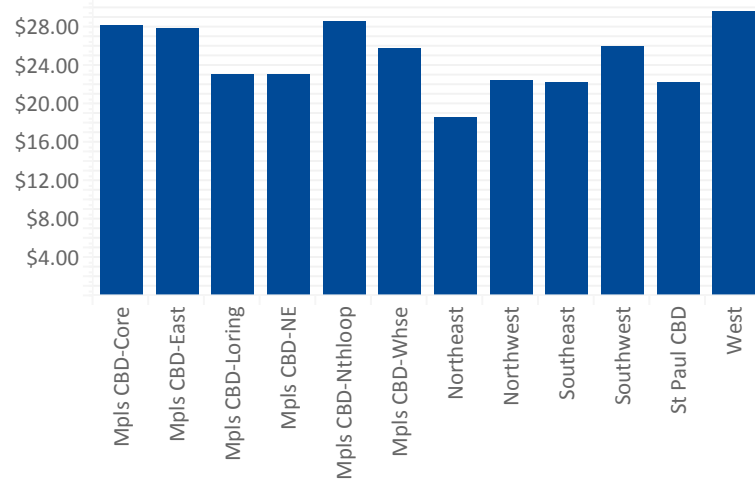


Direct Weighted Average Asking Rates (FSG)

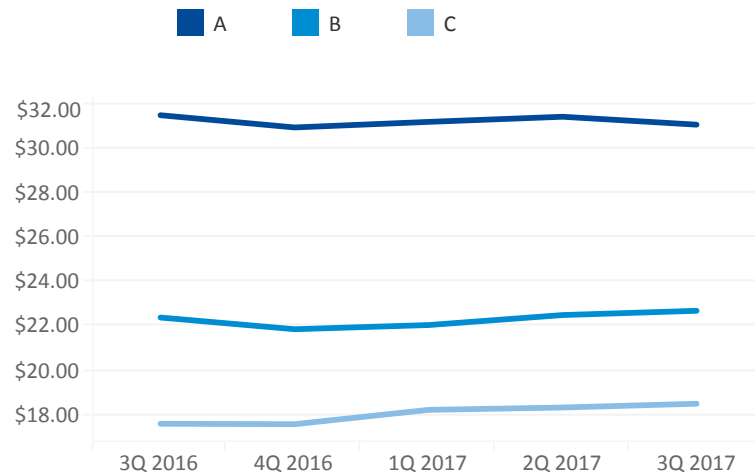
By Market and Class

Market Name	Class	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Mpls CBD-Core	A	\$33.08	\$32.11	\$32.15	\$32.75	\$32.49
	B	\$25.84	\$22.78	\$22.87	\$23.92	\$24.28
	C	\$22.64	\$22.64	\$22.76	\$23.10	\$22.81
	Subtotal	\$29.94	\$27.67	\$27.80	\$28.61	\$28.24
Mpls CBD-East	A	\$26.53	\$26.53	\$27.22	\$27.22	\$29.28
	B	\$21.23	\$21.67	\$21.00	\$20.00	\$26.00
	C	\$14.00	\$14.00	\$25.81	\$25.81	\$24.98
	Subtotal	\$19.24	\$17.30	\$22.74	\$23.84	\$27.87
Mpls CBD-Loring	B	\$23.00	\$23.00	\$23.00	\$23.00	\$23.00
	Subtotal	\$23.00	\$23.00	\$23.00	\$23.00	\$23.00
Mpls CBD-NE	A	\$25.57	\$25.57	\$25.57	\$25.57	\$25.57
	B	\$20.98	\$20.38	\$20.31	\$22.64	\$22.59
	Subtotal	\$22.56	\$22.06	\$22.25	\$23.69	\$23.13
Mpls CBD-Nthloop	A	\$28.81	\$31.55	\$31.19	\$31.97	\$32.13
	B	\$24.25	\$24.73	\$25.87	\$26.19	\$25.78
	C	-	-	-	-	-
	Subtotal	\$25.69	\$29.47	\$28.63	\$28.92	\$28.67
Mpls CBD-Whse	A	\$31.59	-	-	-	-
	B	\$24.97	\$24.86	\$25.75	\$25.85	\$25.77
	C	-	-	-	-	-
	Subtotal	\$25.40	\$24.86	\$25.75	\$25.85	\$25.77
Northeast	A	\$25.03	\$24.84	\$24.99	\$25.82	\$25.76
	B	\$20.28	\$20.41	\$20.22	\$19.89	\$18.30
	C	\$14.86	\$15.29	\$15.33	\$14.95	\$14.87
	Subtotal	\$20.30	\$20.21	\$19.97	\$19.90	\$18.56
Northwest	A	\$27.54	\$26.36	\$27.52	\$27.46	\$27.44
	B	\$20.21	\$19.84	\$20.82	\$20.62	\$20.89
	C	\$16.14	\$16.13	\$16.69	\$16.76	\$17.13
	Subtotal	\$20.51	\$21.85	\$22.44	\$22.27	\$22.49
Southeast	A	\$30.22	\$30.07	\$32.14	\$31.88	\$30.12
	B	\$20.84	\$20.94	\$21.04	\$21.48	\$21.81
	C	\$16.99	\$16.90	\$17.76	\$17.34	\$17.28
	Subtotal	\$21.44	\$21.58	\$22.33	\$22.57	\$22.15
Southwest	A	\$32.27	\$31.66	\$31.86	\$32.06	\$32.29
	B	\$22.95	\$22.58	\$22.88	\$23.13	\$23.18
	C	\$17.95	\$17.92	\$18.37	\$18.42	\$18.33
	Subtotal	\$25.81	\$25.41	\$25.86	\$25.97	\$26.04
St Paul CBD	A	\$23.28	\$23.29	\$23.42	\$24.41	\$24.80
	B	\$19.87	\$19.45	\$19.70	\$20.70	\$21.24
	C	\$13.09	\$12.94	\$13.88	\$13.84	\$13.76
	Subtotal	\$20.37	\$20.06	\$20.29	\$21.33	\$22.19
West	A	\$34.73	\$35.02	\$35.14	\$35.01	\$34.85
	B	\$24.09	\$24.05	\$24.39	\$24.53	\$26.01
	C	\$19.34	\$19.33	\$19.47	\$19.47	\$19.47
	Subtotal	\$28.92	\$29.33	\$29.62	\$29.36	\$29.57
Overall		\$25.22	\$24.82	\$25.02	\$25.35	\$25.28

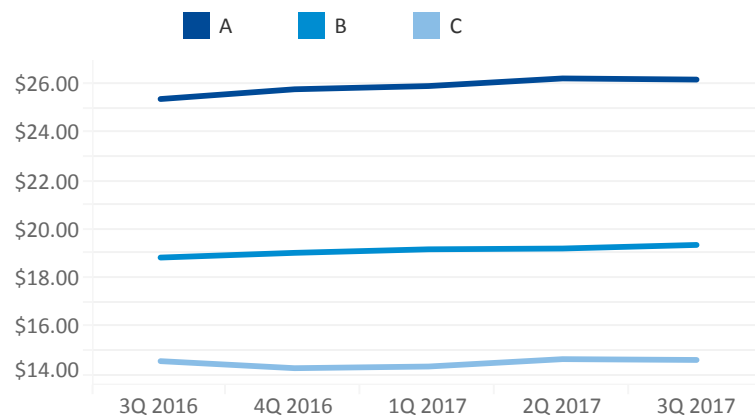
By Market



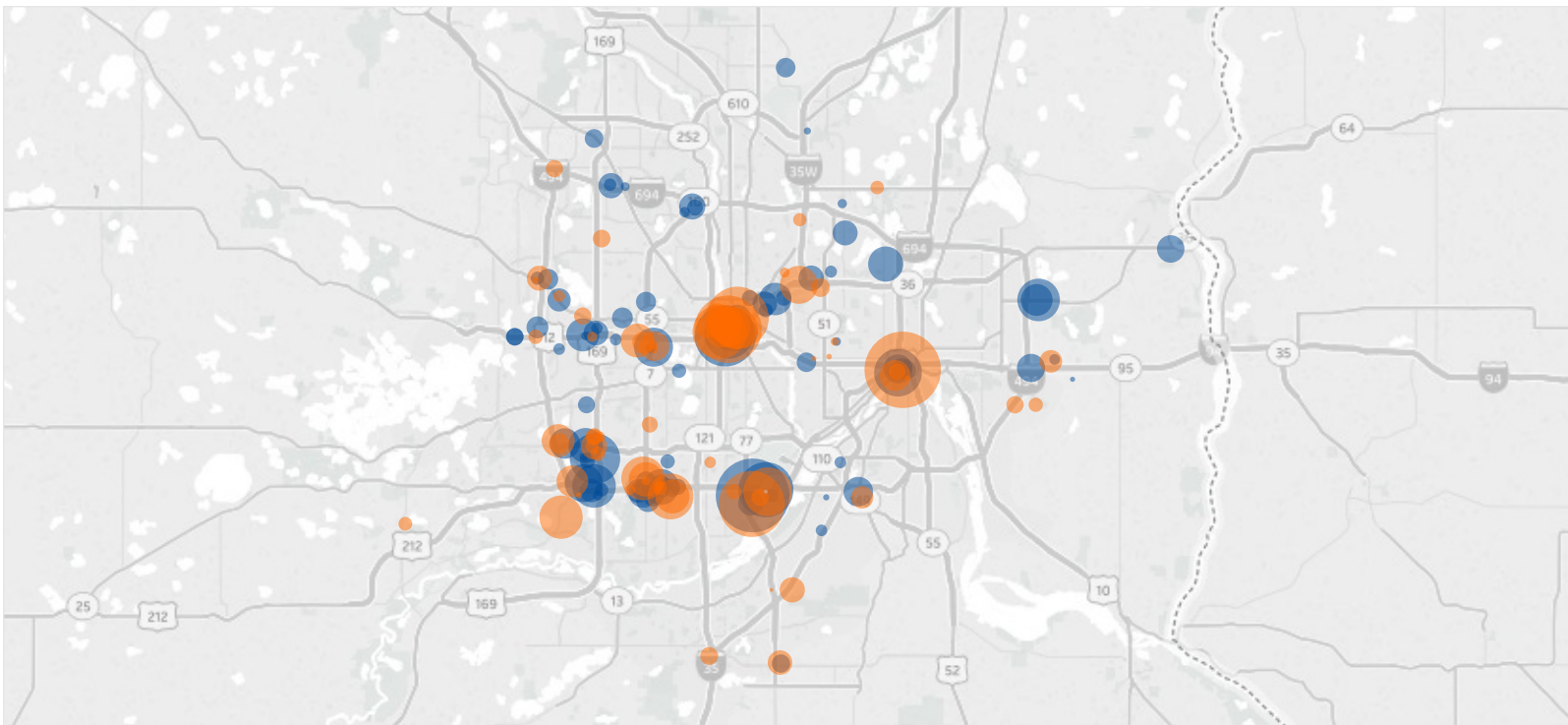
Mpls-St Paul by Class



National by Class



Absorption Map



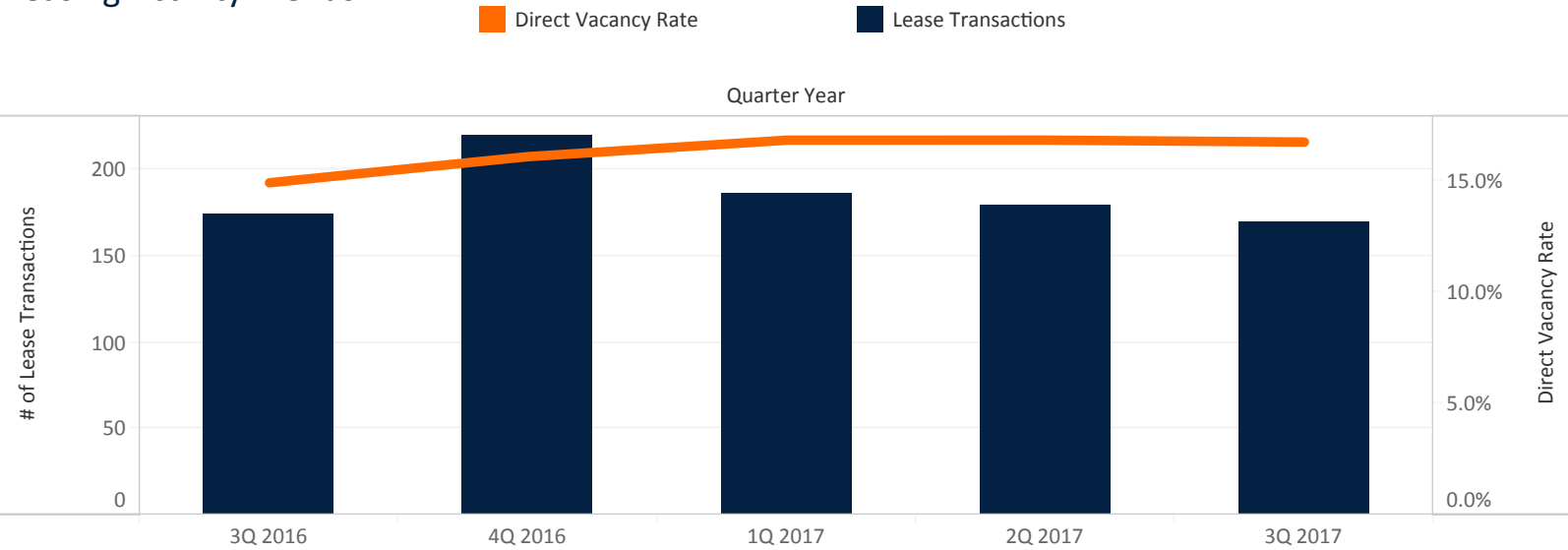
Largest Positive (Total)

Property Name	Significant Transactions	Market Name	Class	
The Offices @ MOA	Triple 5 Mgmt & Bloomington Convention and Visitors Bureau	Southeast	A	44,702
121 S 8th St	ADM & Greiner Construction leases	Mpls CBD-Core	B	30,764
Superior Office Center	Foss North America lease	Southwest	B	20,651
Capella Tower	Ogletree Deakins & Cobb, Strecker, Dunphy & Zimmerman leases	Mpls CBD-Core	A	19,866
Alliance Bank Center	Numerous tenants expanded for total of 18,500 SF	St Paul CBD	B	18,500
Metro Office Park	SeaTec, SGH leases and two tenant expansions	Southeast	B	18,221
Oakview Office Building	Curtis Squire bought the building for HQ occupying 17,799 SF	Southwest	B	15,369
Mpls Grain Exchange Main	CoCo expansion	Mpls CBD-Core	C	15,000

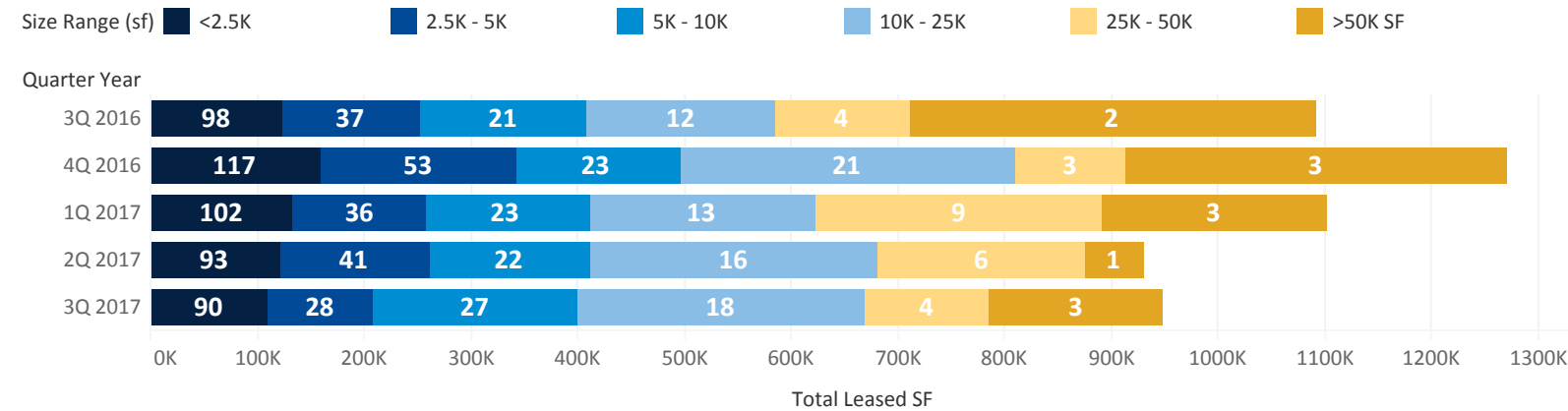
Largest Negative (Total)

Property Name	Significant Transactions	Market Name	Class	
1275 Building	UTC vacating on a sublease	Northeast	B	-75,601
Park Square Court Building	Minnesota Housing Finance vacancy	St Paul CBD	B	-48,000
7700 France	Dell vacating on a sublease	Southwest	B	-38,596
Fifth Street Towers	Cobb Strecker Dunphy & Zimmermann; Forde, Gray, Monson, & Hager	Mpls CBD-Core	A	-37,316
BLN Office Park II	Wells Fargo vacancy	Southeast	B	-35,770
Riverplace: One Main	Code42 vacancy	Mpls CBD-NE	B	-31,953
The Pence Building	The Art Institutes International Minnesota and Azul 7 vacancies	Mpls CBD-Whse	B	-23,910
International Plaza	Bloomington Convention vacancy & Commvault downsizing	Southeast	A	-19,265

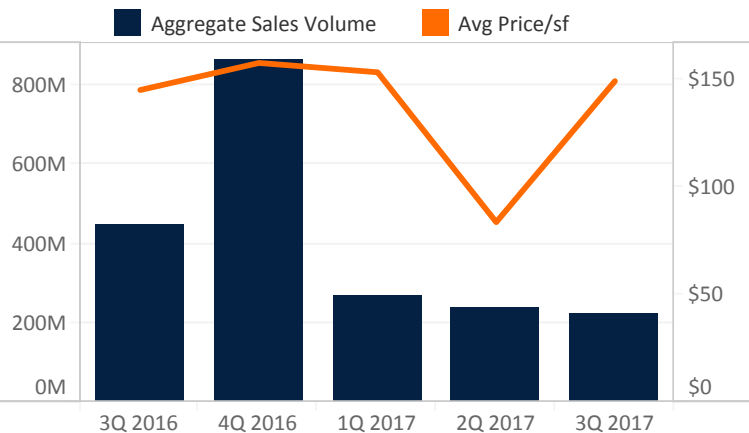
Leasing Activity Trends



Leasing Activity (# of New Deals)

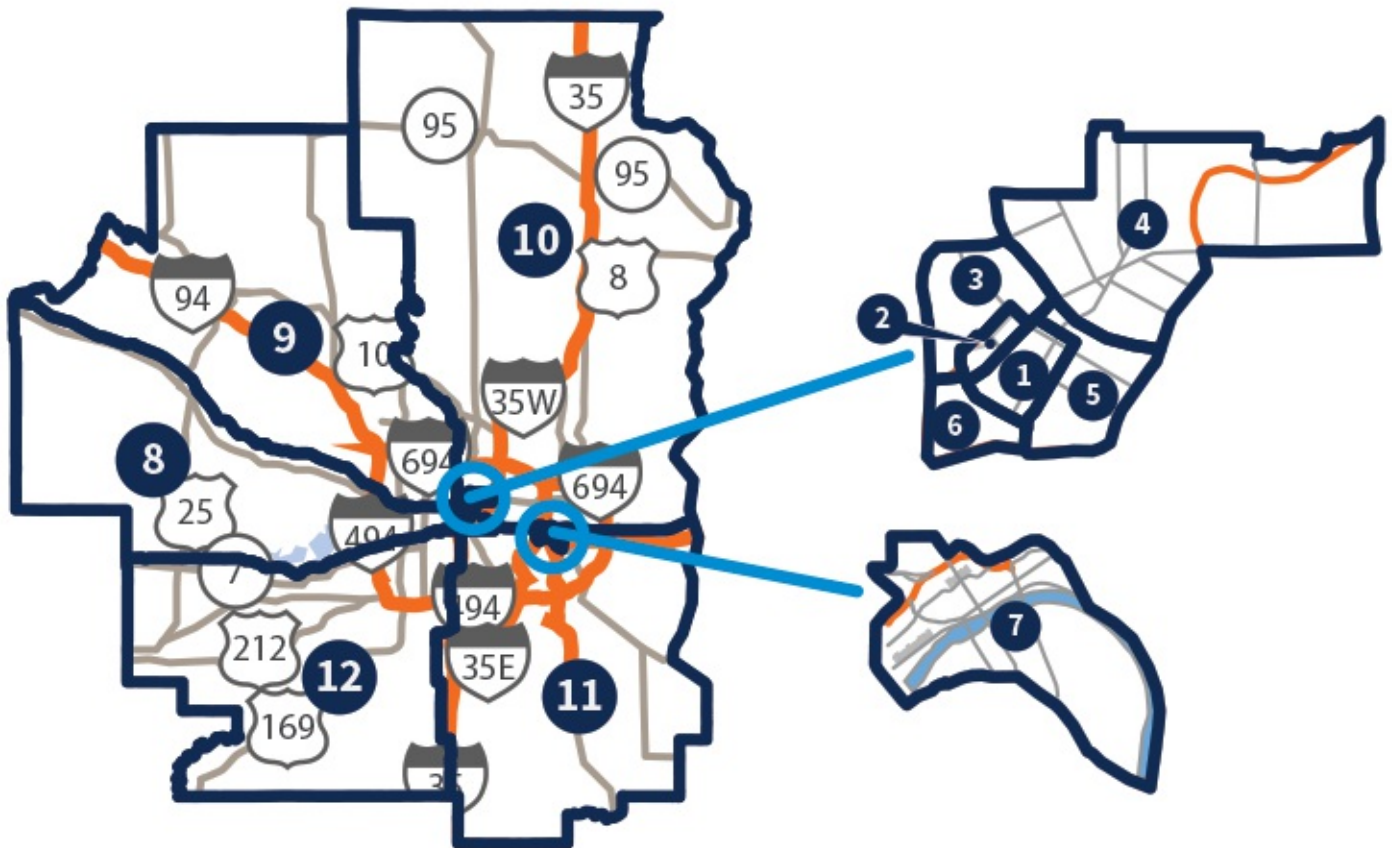


Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
The Colonnade	08/09/2017	Starwood Capital	\$100,000,000
International Market Square	07/06/2017	Eagle Ridge Partners	\$28,800,000
Renaissance Square - Office	09/21/2017	The Davis Group	\$20,300,000
Rand Tower	08/01/2017	Maven Real Estate Partners	\$18,650,000
Plymouth City Center Medical Building	07/26/2017	HSA PrimeCare / USAA	\$11,900,000



- | | |
|------------------------|------------------|
| 1 Mpls CBD - Core | 7 Saint Paul CBD |
| 2 Mpls CBD - Warehouse | 8 West |
| 3 Mpls CBD - Northloop | 9 Northwest |
| 4 Mpls CBD - Northeast | 10 Northeast |
| 5 Mpls CBD - East | 11 Southeast |
| 6 Mpls CBD - Loring | 12 Southwest |