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**W**hat happened to all of the land in the Southeast Twin Cities? Most of the land available for industrial/commercial development is under contract, sold, or has been rezoned to residential use. The lack of commercial land is going to have a profound impact on lease rates, construction costs, and commute times when the next development cycle hits full stride.

### Office Land

Many companies have a desire to own property (the reasons have been discussed in prior issues of The Ted Report) and that desire has led to a shortage of land, as companies pursue sites to build. Companies looking to build an office building in the Eagan/Mendota Heights area are limited to the following options. There are three sites on the east-side of Pilot Knob Road, just south of I-494, that are currently zoned for hotel/restaurant use. Two of the three sites are under contract; the buyer intends to convert the sites to office condo use. The third Pilot Knob Road/I-494 site has significant interest and will likely be sold within the next 6-9 months. Duke has a 3-acre office site near Pilot Knob Road and Yankee Doodle Road; this site also has strong activity. On the north side of I-494, United Properties is down to four remaining office sites, and they strongly prefer build-to-lease development, and each site has strong activity. Office space users should act quickly; within the next 24 months I expect that there will be very limited office land available for purchase within the Eagan/Mendota Heights area.

### Industrial Land

There are only two industrial sites remaining within Mendota Heights, and both have high levels of activity. There were six industrial sites within Mendota Heights

only 24 months ago. In Eagan, there are very few land options. Most of the industrial landowners are not active sellers, want way too much money, or they are holding out for lease deals. A company that requires five acres of industrial land within Eagan would be hard pressed to find a site that is easily developable. Many remaining sites are challenged with environmental, topographic, zoning or accessibility issues.

### Land Shortage Effect

The lack of developable land in Eagan will lead to increased values down the Highway 52 corridor as the next development cycle begins. The roadway upgrades performed on Highway 52 over the past five years have created easier access to the I-494 loop and the MSP International Airport. Residential development has traversed down the Highway 52 corridor, and commercial development will be the next to follow. Industrial users will begin to focus on Rosemount. Sewer and water access is available in parts of Rosemount, and the city is taking a proactive approach to planning commercial development to create a professional business park setting. However, purchasing land in this area will still be challenging. There are very few willing sellers in the area. The Pine Bend Refinery is an unsightly monstrosity, and the cost of distributing utilities through the available sites will be extensive. When combined with high construction costs, the asking prices that many landowners currently require to sell will not support traditional industrial development. Therefore, one of a few scenarios will occur. Landowners will sell for a lower price; lease rates will go up, or vacancy rates at "close-in" properties will drop to the low single digits. My guess? A combination of all three scenarios will take place, and industrial

development will eventually make its way down the Highway 52 corridor. Look for industrial development to start in Rosemount within the next 5 – 7 years.

### Throw a Wrench in It

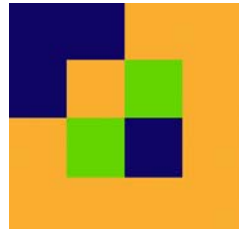
Just as I finish the first draft of the Spring 2005 Ted Report, I read a *Star Tribune* article titled "Orders to U.S. Factories for Durable Goods fall in March by largest amount in 2 ½ years." (Durable goods are items that are not destroyed by use, such as vehicles, or appliances). Great news. Just as I think that the economy is recovering, a negative indicator creeps back into the equation. However, I then realize that the article is right on the money. There have been very few manufacturing companies looking to expand. Most recent commercial real estate activity is related to electronics, tech or health care. I expect this trend to continue, as manufacturing is out-sourced overseas.

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The picture shown here depicts the mighty Hurricanes after winning the annual spring Minnetonka Men's League Tournament. The team is composed of Badgers, Sioux, Gophers, Pioneers and even a few Tommies – believe it or not we all manage to get along very well, although the Gophers & Sioux still don't like to pass the puck. Look for the Hurricanes to tryout as replacement players for the NHL... and promptly take an ambulance ride to the hospital afterwards!



The pitcher has got only a ball. I've got a bat. So the percentage of weapons is in my favor and I let the fellow with the ball do the fretting.  
- Hank Aaron (1934 - ), All-time homerun leader with 755



## HIGHLIGHTED PROPERTIES

**Apollo Distribution Center – For Sale or Lease**  
 Eagan, MN

- 312,265 square feet on 28.42 acres
- 20' & 28' clear height, 29 docks, 1 drive-in, rail access
- Expandable to 433,000 sf, divisible to 150,000 sf
- Outside storage available with a CUP
- Low operating expenses



**Oakview Business Center – For Lease**  
 Eagan, MN

- Excellent location, easy access to I-35E & I-494
- 17,111 SF, 7,500 SF & 6,140 SF suites available for lease
- 17' clear height, docks and drive-ins
- Office space built-to-suit



## PENALTY BOX AWARD

**Would be Burglar Locks Self in Trunk**

**A** man attempting to burglarize a car locked himself in the trunk and was swiftly arrested, police said. A security guard at an apartment complex in southeast Fresno followed a trail of blood to a banging noise coming from the trunk in the early morning hours. Authorities responding to the scene expected to find a victim, but instead discovered the burglar. “Genius, pure genius,” said Fresno County Sheriff Lt. Louis Hernandez. Police said that the burglar cut himself while robbing another car. “He popped the trunk from the inside of the car and crawled into the trunk, ransacking every inch,” Hernandez said. “But then he grabs the trunk to heave himself out and closes it on top of him.

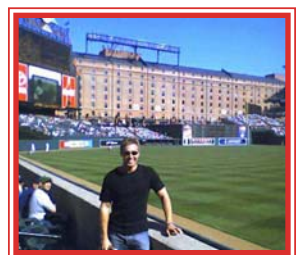


He’s got to be the dumbest criminal of the day.” This is one of those things that really makes me wonder what has happened to our society – the apocalypse must be coming!

## BASEBALL SEASON IS HERE!!!

**STADIUM DEBATE**

I grew up a Twins fan and am fortunate to enjoy 10-15 Twins games per season. A recent trip to Washington D.C. allowed me to enjoy one of the finer things in life: outdoor baseball. I was in D.C. taking an exam to get some letters behind my name (CCIM). On a Saturday afternoon I was trying to stay awake during a review class, and I just couldn’t take it anymore. It was 80° and sunny - Baltimore was only 60 minutes away, and the Orioles were playing the Yankees. So I ditched class, rented a 2005 Mustang, and drove to Camden Yards. The park was beautiful, vibrant, and the atmosphere was incredible. Then on Monday after I passed the exam, I went to RFK Stadium to watch the Nationals play the Marlins. RFK is an old stadium, but being outside on a clear night to watch baseball was a joy. I sincerely hope that the Twins are successful in their quest for a new ballpark; it will be a great tribute to Minnesota. To support the ballpark via email, visit:



<http://geo.commissions.leg.state.mn.us/districts/start.html>.