



## MARKET UPDATE

### Current Conditions



line with last quarter's prediction, the increase in leasing activity has continued and can be attributed to the following:

- Tenants are very cost conscious and are willing to move to save money, which they can do because Landlords have been very aggressive with incentives.
- Tenants delayed their real estate decisions during the tumultuous economic slide. Now that the economic picture is improving, Tenants are back in the market.

While it remains to be seen if this improvement will continue and lead us back to equilibrium, I am confident that the worst is behind us. The market is still soft, but not as soft as it was 12 months ago. Across market segments, office/showroom properties have great leasing activity, whereas the office/warehouse and bulk warehouse segments have struggled. This separation is a result of poor performance within the manufacturing sector. According to a recent *Star Tribune* article, Minnesota has lost nearly 42,000 manufacturing jobs since 2000, and local companies continue to struggle with soft demand and fierce pricing competition from overseas manufacturers. In contrast, office users and med/tech companies are staging a comeback which has led to the leasing strength in the office/showroom segment.

There has been minimal new development in the southern Twin Cities. CSM Corporation may break ground on the Waters V this Fall if they can sign leases at other vacancies within the park. Spectrum has nearly finished construction on Phase II of their 312,000-square foot development. The Grand Oak Business Park will have room to grow next Spring at the northwest corner of Highways 149 & 55. Look for office and retail development at this site.

### The City Approval Process

Many industrial companies create a Catch-22 situation for city government – the government welcomes the tax revenue and jobs that industrial companies provide, but dislikes the use and image of these companies. Because zoning regulations have been created to regulate how and where land is developed within a city, they play a large part in where industrial companies locate – as mandated by the Met Council in conjunction with city officials.

Semi-truck traffic, rail service and outside storage are common requirements for heavy industrial users. However, these requirements can create "eye sores" for surrounding homeowners and businesses. In order to solve problems with homeowners, city governments often attempt to buffer industrial areas by locating multi-family, retail, or office uses between industrial and single family residential uses. When the proposed industrial use does not fit within the zoning guidelines, then companies are required to apply for a Conditional Use Permit, or CUP.

A CUP is a permit issued by the city that allows a business or property owner to use their property for something that is not permitted under the current zoning. For example, a general contractor may need to store machinery outside, and because outside storage is a conditional use, the general contractor will need to apply for a CUP. The process would be as follows:

- Meet with the City staff and prepare CUP application with staff's assistance.
- Present proposed CUP application to Planning Commission. The Planning Commission then reviews the application and offers a recommendation to the City Council.
- Present proposed CUP application to City Council.
- City Council votes on proposed CUP.

Experience has taught me that a decision by the City Council is completely unpre-

dictable. Some CUP's that should be a rubber stamp require multiple applications and many hours of extra work to gain approval. Other CUP's that are more complex are approved within 5 minutes. The 'attitude' of the City Council is often difficult to gauge. In order to have the best chance at success, the applicant should communicate well with the staff, prepare a presentation that addresses the concerns of the City Council, and have an articulate speaker with intimate knowledge of the CUP process present the application to both the Planning Commission and City Council. The CUP process can take 45 – 90 days, depending upon the scope of the project, preparation time required to complete the CUP application, and the schedule of the City Council.

Zoning regulations can be complex, but the purpose they serve creates a safer community and utilizes land for its highest and best use within a community. If you have questions about the CUP process, contact your local city government and ask for the planning department.

[www.tedcarlson.com](http://www.tedcarlson.com)

The Web site has been overhauled and the new & improved version is fully operational! Check it out – this site offers information on the real estate process, background information on how this all got started, and detailed information on my listings. Tony Carlson and Theresa Cook did an excellent job with the Web site – I hope that you find it informative. As always, feedback is appreciated.



*"You were born to be a player. You were meant to be here. This moment is yours."*  
Herb Brooks (1938 – 2003), a Minnesota icon and legendary hockey coach.



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## HIGHLIGHTED PROPERTIES

### *Gopher Warehouse* *Eagan, MN*

- Stand-alone building on a well-traveled corner lot
- Great visibility and access to Highway 149
- Outside storage is available
- Dock and drive-in loading
- Local ownership & management



### *Eagandale Business Campus I-IV* *Eagan, MN*

- Four-building campus, 240,326 square feet total
- Vacancies from 2,200 sf – 35,410 sf
- Low operating expenses
- Excellent location
- Aggressive lease rates and tenant incentives



## PENALTY BOX AWARD

### *OH WHAT A HONEYMOON!*

**S**outh Windsor, CT – A North Haven bride spent part of her wedding night in a jail cell after police said that she hurled things at reception hall workers who closed the bar. Adrienne T. Samen, 18, was arrested on criminal mischief and breach of peace charges. When workers closed the bar, Samen began throwing things, including the wedding cake and vases. She then left the bar and police found her walking down the road in her gown. While being taken into custody, she kicked the door of the squad car and tried to bite an officer. Wow! And I thought that only Tennessee and Alabama had weddings like this.



### *U.S.S. BEER BARGE*

As summer draws to a close, I want to share with you information about the much heralded but somewhat secretive U.S.S. Beer Barge. Some of you may know Captain Bob "Gin & Tonic" Carlson. Others may know First Mate Linda "You're Going Too Fast, Where's My Visor?" Carlson. The U.S.S. Beer Barge was commissioned on Balsam Lake, Wisconsin in the spring of 1980. The "Barge" is 24' long, is propelled by a 40 horsepower Honda 4-stroke engine, and used to have a swimming ladder (which is now at the bottom of the lake – it sank sometime during "Beerfest 2003"). The Barge is a seaworthy vessel, and rides are free. If you would like a ride on the Barge complete with a tour of Balsam Lake, please give me a call and I will connect you with the ticket agent. The only requirement for passengers is that you arrive thirsty because the suds are always cold on the Barge!

