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Small spaces staying vacant .

BUILD-TO-SUIT ACTIVITY The 2007 industrial real estate market is fragmented into two sectors; < 25,000 sf & > 25,000 square feet. Likewise, the office market is separated by spaces < 10,000 square feet and > 10,000 square feet. For each product type, the larger space is in demand, while smaller spaces are less desirable. I have tried to quantify this separation; the market trend is what alerted me to the discrepancy.

The lack of large, quality, vacant space has led to significant new industrial development in the southeastern Twin Cities. Three recent Eagan transactions highlight this trend.

Uline, a leading distributor of shipping, industrial and packing materials required 100,000 square feet of 28' clear space in the southeast metro area to accommodate growth. After a lengthy search, we secured 113,000 square feet in the new Dart IV distribution center on Highway 55 in Eagan. Construction of the 226,000 square foot, 32' clear building is scheduled for completion in January 2008. Absorption for the market: 113,000 square feet.

Lifeworks Services required 25,000 square feet of office/warehouse space to accommodate their headquarters and client services group. Another long search led to a 25,000 square foot lease with CSM Corporation at Waters VII; this building is under construction and planned for completion in December 2007. The total building is 38,000 square feet, providing Lifeworks future expansion capability and allowing CSM to lower initial costs by constructing a larger building, also lowering Lifeworks' leasing costs. Absorption for the market: 7,000 square feet.

Staywell Health Management has also experienced significant growth and required 72,000 square feet to accommodate office, call center and printing functions. A twelve month site selection process led Staywell to the Boulder Lakes Business Center, an 80-acre master planned Interstate Partners development on the Eagan/Inver Grove Heights border. Staywell's space is 57,000 square feet of office, 5,000 square feet of tech, and 10,000 square feet of warehouse. The 18' clear office/showroom/warehouse hybrid is scheduled for completion in May 2008. Absorption for the market: 36,000 square feet.

LARGE SPACES IN DEMAND



Each of these companies identified their space needs well before they needed to move, which enabled each to consider build-to-suit buildings. In the end, each Tenant has a new facility designed to their specifications and lease terms that allow for space flexibility. The Landlord has secured quality tenants for the foreseeable future.

In the office market, the same trend of large companies securing space holds true.

Internet Broadcasting Systems was focused on the Grand Oak X office building, until Mendota Insurance came swooping in and aced IBS out of that space. IBS re-focused their efforts and leased 70,000 square feet at Wellington's new building in St. Paul, a deal subsidized by the St. Paul Port Authority. Mendota Insurance secured a 45,000 square foot space in the Grand Oak building.

ATK Systems has agreed to lease 120,000 square feet in a new office building developed by Told in Eden Prairie. ATK is a leading manufacturer of space and weapons systems. CB Richard Ellis will occupy 70,000 square feet next year in Marketpointe II, a new Class A building on I-494 in West Bloomington. Unless you live underneath a rock, you know that Cargill is taking 600,000 sf in a new Class A Opus project in Hopkins.

What is the office market trend? Large companies continue to expand and drive absorption within the real estate market, provided they can occupy new facilities and work with the developer to design space to fit their specific needs.

In summary, both the office and industrial markets have experienced significant leasing activity as a result of large tenants securing new space. Meanwhile, smaller vacancies continue to remain vacant. It seems that large companies have the resources to navigate the murky economic waters; while small companies are unsure about how to deal with the turbulence. When smaller vacancies begin to fill up, it will be a significant sign that the economy has stabilized; an encouraging sign for continued commercial real estate development.

www.tedcarlson.com

The website evolution continues, a new home page is the latest update.

Please visit my site if you have questions about the commercial real estate market.

“Let's get it on.”

QUOTES

Marcus Luttrell, former USN SEAL and author of *Lone Survivor, The Eyewitness Account of Operation Redwing and the Lost Heroes of SEAL Team 10* I highly recommend reading this book, it provides a unique insight into the incredible bravery prevalent in the US military and the operational challenges they encounter throughout the world.

quotes



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RECENT TRANSACTIONS



Staywell Health Management
Boulder Lakes Business Park, Eagan, MN

- 72,000 square foot build-to-suit
- Office/flex building, 5.0/1,000 parking ratio
- 70% office, 20% tech, 10% printing
- Long-term lease with flexible lease terms to accommodate growth



Uline
Dart IV Distribution Center

- 113,000 square foot lease in a speculative building
- 32' clear, ESFR, 24 dock doors
- Highway 55 access and visibility
- Medium-term lease to accommodate growth



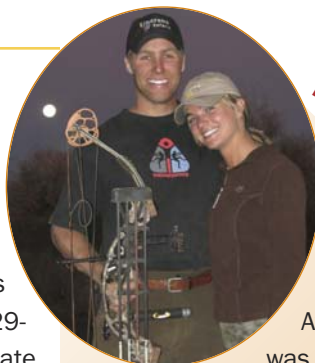
PENALTY BOX AWARD

It's Good to Be a Prisoner:



Faced with overcrowding, the British government announced earlier this year that 25,500 inmates would be early-released, and since that would take away their "free" housing for the remainder of their sentences, awarded each released person "room and board" expenses to live on until their terms expired. [Daily Mail (London), 6-29-07]. Britain's Prison Service announced in May that inmate obesity was such a problem that it had hired "dozens" of fitness trainers to serve at 25 U.K. jails. Trainers will provide individualized exercise routines and "holistic, alternative therapy(ies)," according to a report in The Sun. [The Sun (London), 5-30-07].

These stories, when combined with the \$100,000 settlement award by the Minneapolis City Council to a repeat offender facing two homicide charges, makes me wonder if crime does in fact 'pay'!



AFRICA



**BY SAND AND SEA,
 FANGS AND JAWS!**

I continue to be incredibly lucky. After completing the LTF triathlon in July I was off to South Africa for a bowhunting and great white shark diving adventure. I was able to take eight animals in ten days of hunting; the highlight was confronting an angry lion at a distance of 21 feet. After proving my mettle against Africa's finest, I was joined by my girlfriend Amy for a few more days of hunting; and then we toured wine country and Cape Town. The highlight of the trip was cage diving with the great white sharks near Dyer Island, off the coastal town of Gansbaai. We are still smiling at how much fun we had in Africa.