

MINNEAPOLIS-ST. PAUL MEDICAL OFFICE MARKET REPORT



Medical Office Market Activity Dominated by Large Group Practices

VACANCY AND ABSORPTION TRENDS

Medical office market activity overall was flat and vacancy stands at 9.1%. On-campus vacancy is 7.8% while off campus properties are 9.7% vacant. Vacancy in properties located in prime, non-inner-city campuses is very low while HCMC and Mercy campuses post high vacancy rates of 22.2% and 28.5%, respectively. St. Paul's St. Joseph campus posted a vacancy rate of almost 50%. If the properties in the HCMC, Mercy and St. Joseph's campuses are removed from the calculation, the vacancy rate in the On Campus submarket would be a low 4.5%.

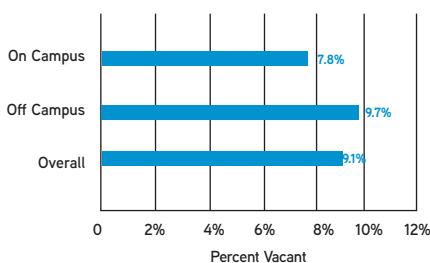
The activity and absorption is lead by large group practices rather than smaller private companies. Larger group practices such as Allina and HealthEast are purchasing smaller groups in addition to the internal growth occurring in these companies. They are driving the development we will see in the next few years.

FUTURE TRENDS

We expect increased development in 2012 and 2013 mostly in the On Campus sector in campuses with low vacancy. Activity will continue to be lead by large group practices as they absorb existing space and development of new properties support the growth within this type of organization.

As Sanford Health continues to expand closer to the Twin Cities market, you can expect their presence in the metro market within the next year or two.

VACANCY



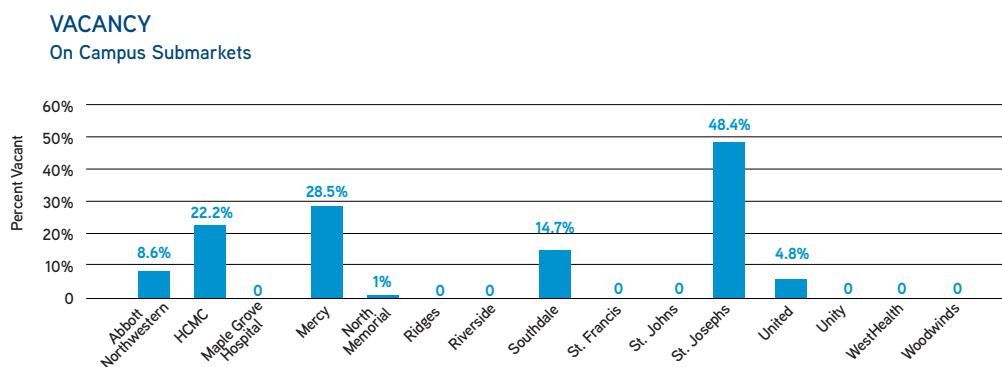
SIGNIFICANT TRANSACTIONS

TENANT	PROPERTY	CITY	SIZE (SF)	DESCRIPTION
New Medical Clinic	Former Borders Bookstore	St. Paul	22,721	A new clinic will be built at the former site of a Borders Bookstore
Veterans Administration Clinic	Kennard East	Maplewood	14,000	Kennard East will be the future site of a Veterans Administration Clinic scheduled for completion in Q3 2012
HealthEast	Kennard Professional Building	Maplewood	12,000	Leasing the remaining vacancy at the Kennard Professional Building

Market Statistics

SUBMARKET	BASE	VACANT SF	% VACANT	W/SUBLEASE	% VACANT W/ SUBLEASE	SUBLEASE VACANT	NET ASK RATE	AVERAGE TAX/OP	Q3 ABSORPTION	Q3 YTD ABSORPTION
Minneapolis	588,966	79,233	13.5%	96,663	16.4%	17,430	\$15.00		(5,417)	(2,812)
NE	583,871	52,938	9.1%	52,938	9.1%	0	\$15.13	\$12.46	13,829	(2,558)
NW	1,740,648	203,136	11.7%	232,147	13.3%	29,011	\$14.93	\$10.75	2,138	24,333
SE	1,454,227	119,865	8.2%	122,274	8.4%	2,409	\$15.56	\$11.13	11,984	22,227
St Paul	924,866	98,711	10.7%	98,711	10.7%	0	\$8.75	\$6.07	(22,563)	(26,922)
SW	1,845,930	135,202	7.3%	150,373	8.1%	15,171	\$15.29	\$11.84	(1,922)	1,147
Off Campus	7,138,508	689,085	9.7%	753,106	10.5%	64,021	\$14.37	\$9.76	(1,951)	15,415
Abbott Northwestern	424,766	36,674	8.6%	36,674	8.6%	0	\$20.00	\$14.35	0	(2,546)
HCMC	161,057	35,765	22.2%	35,765	22.2%	0		\$13.44	1,992	(768)
Maple Grove Hospital	250,000	0	0.0%	0	0.0%	0			0	0
Mercy	92,256	26,258	28.5%	26,258	28.5%	0	\$17.00	\$12.37	0	0
North Memorial	250,000	2,430	1.0%	2,430	1.0%	0		\$13.05	(2,430)	(2,430)
Ridges	89,700	0	0.0%	0	0.0%	0			0	0
Riverside	255,000	0	0.0%	0	0.0%	0			0	0
Southdale	383,392	56,199	14.7%	61,710	16.1%	5,511		\$15.08	5,511	16,829
St Francis	60,000	0	0.0%	0	0.0%	0			0	0
St Johns	102,437	0	0.0%	0	0.0%	0			0	0
St Josephs	105,329	51,007	48.4%	51,007	48.4%	0		\$12.72	(6,514)	(6,514)
United	435,541	20,964	4.8%	35,195	8.1%	14,231	\$21.00	\$16.55	(458)	6,106
Unity	78,500	0	0.0%	0	0.0%	0			0	0
WestHealth	181,600	0	0.0%	0	0.0%	0			2,237	2,237
Woodwinds	74,938	0	0.0%	0	0.0%	0		\$14.65	0	0
On Campus	2,944,516	229,297	7.8%	249,039	8.5%	19,742	\$20.17	\$15.16	338	12,914
Markets Total	10,083,024	918,382	9.1%	1,002,145	9.9%	83,763			(1,613)	28,329

The above table is summarized data on multi-tenant medical office properties greater than 20,000 square feet.



512 offices in
61 countries on
6 continents

- \$1.5 billion in annual revenue
- 979 million square feet under management
- Over 12,500 professionals

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