

# The CoStar Office Report

Third Quarter 2016

## Duluth Office Market



**CoStar**<sup>TM</sup>  
The knowledge market

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## Methodology

The CoStar Office Report, unless specifically stated otherwise, calculates office statistics using CoStar Group's entire database of existing and under construction office buildings in each metropolitan area. Included are office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings. CoStar Group's national database includes approximately 80.7 billion square feet of coverage in 3.5 million properties. All rental rates reported in the CoStar Office Report have been converted to a Full Service equivalent rental rate.

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## Terms & Definitions

**Availability Rate:** The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

**Available Space:** The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

**Build-to-Suit:** A term describing a particular property, developed specifically for a certain tenant to occupy, with structural features, systems, or improvement work designed specifically for the needs of that tenant. A build-to-suit can be leased or owned by the tenant. In a leased build-to-suit, a tenant will usually have a long term lease on the space.

**Buyer:** The individual, group, company, or entity that has purchased a commercial real estate asset.

**Cap Rate:** Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

**CBD:** Abbreviation for Central Business District. (See also: Central Business District)

**Central Business District:** The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

**Class A:** A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

**Class B:** A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Class C:** A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Construction Starts:** Buildings that began construction during a specific period of time. (See also: Deliveries)

**Contiguous Blocks of Space:** Space within a building that is, or is able to be joined together into a single contiguous space.

**Deliveries:** Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certifi-

cate of occupancy must have been issued for the property.

**Delivery Date:** The date a building completes construction and receives a certificate of occupancy.

**Developer:** The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

**Direct Space:** Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

**Existing Inventory:** The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

**Flex Building:** A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

**Full Service Rental Rate:** Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

**Gross Absorption:** The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing Activity, which is the sum of all space leased over a certain period of time. Unless otherwise noted Gross Absorption includes direct and sublease space.

**Growth in Inventory:** The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

**Industrial Building:** A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

**Landlord Rep:** (Landlord Representative) In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

**Leased Space:** All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

**Leasing Activity:** The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

**Market:** Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

**Multi-Tenant:** Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different

tenant needs. (See also: Tenancy).

**Net Absorption:** The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

**Net Rental Rate:** A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

**New Space:** Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

**Occupied Space:** Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

**Office Building:** A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

**Owner:** The company, entity, or individual that holds title on a given building or property.

**Planned/Proposed:** The status of a building that has been announced for future development but not yet started construction.

**Preleased Space:** The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

**Price/SF:** Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

**Property Manager:** The company and/or person responsible for the day-to-day operations of a building, such as cleaning, trash removal, etc. The property manager also makes sure that the various systems within the building, such as the elevators, HVAC, and electrical systems, are functioning properly.

**Quoted Rental Rate:** The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

**RBA:** Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

**Region:** Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

**Relet Space:** Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

**Rentable Building Area:** (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

**Rental Rates:** The annual costs of occupancy for a particular space quoted on a per square foot basis.

**Sales Price:** The total dollar amount paid for a particular property at a particular point in time.

**Sales Volume:** The sum of sales prices for a given group of buildings in a given time period.

**Seller:** The individual, group, company, or entity that sells a particular commercial real estate asset.

**SF:** Abbreviation for Square Feet.

**Single-Tenant:** Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

**Sublease Space:** Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

**Submarkets:** Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

**Suburban:** The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

**Tenancy:** A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

**Tenant Rep:** Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

**Time On Market:** A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

**Under Construction:** Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place. Abbreviated UC.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

**Weighted Average Rental Rate:** Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

**Year Built:** The year in which a building completed construction and was issued a certificate of occupancy.

**YTD:** Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

# Duluth Office Market



Overview

## Duluth's Vacancy Decreases to 2.6% Net Absorption Positive 27,257 SF in the Quarter

The Duluth Office market ended the third quarter 2016 with a vacancy rate of 2.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 27,257 square feet in the third quarter. Vacant sublease space remained unchanged in the quarter, ending at 0 square feet. Rental rates ended the third quarter at \$13.60, an increase over the previous quarter. There were no properties under construction at the end of the quarter.

### Absorption

Net absorption for the overall Duluth office market was positive 27,257 square feet in the third quarter 2016. That compares to positive 264,421 square feet in the second quarter 2016, positive 7,713 square feet in the first quarter 2016, and positive 2,268 square feet in the fourth quarter 2015.

Tenants moving out of large blocks of space in 2016 include: Viant Crane moving out of 6,430 square feet at 501 Belknap St.

The Class-A office market recorded net absorption of negative (1,871) square feet in the third quarter 2016, compared to positive 220,568 square feet in the second quarter 2016, negative (10,655) in the first quarter 2016, and positive 5,355 in the fourth quarter 2015.

The Class-B office market recorded net absorption of positive 4,620 square feet in the third quarter 2016, compared to positive 20,512 square feet in the second quarter 2016, positive 5,118 in the first quarter 2016, and 0 in the fourth quarter 2015.

The Class-C office market recorded net absorption of positive 24,508 square feet in the third quarter 2016 compared

to positive 23,341 square feet in the second quarter 2016, positive 13,250 in the first quarter 2016, and negative (3,087) in the fourth quarter 2015.

### Vacancy

The office vacancy rate in the Duluth market area decreased to 2.6% at the end of the third quarter 2016. The vacancy rate was 3.0% at the end of the second quarter 2016, 3.7% at the end of the first quarter 2016, and 3.8% at the end of the fourth quarter 2015.

Class-A projects reported a vacancy rate of 2.0% at the end of the third quarter 2016, 1.8% at the end of the second quarter 2016, 1.8% at the end of the first quarter 2016, and 0.6% at the end of the fourth quarter 2015.

Class-B projects reported a vacancy rate of 2.7% at the end of the third quarter 2016, 2.8% at the end of the second quarter 2016, 3.5% at the end of the first quarter 2016, and 3.7% at the end of the fourth quarter 2015.

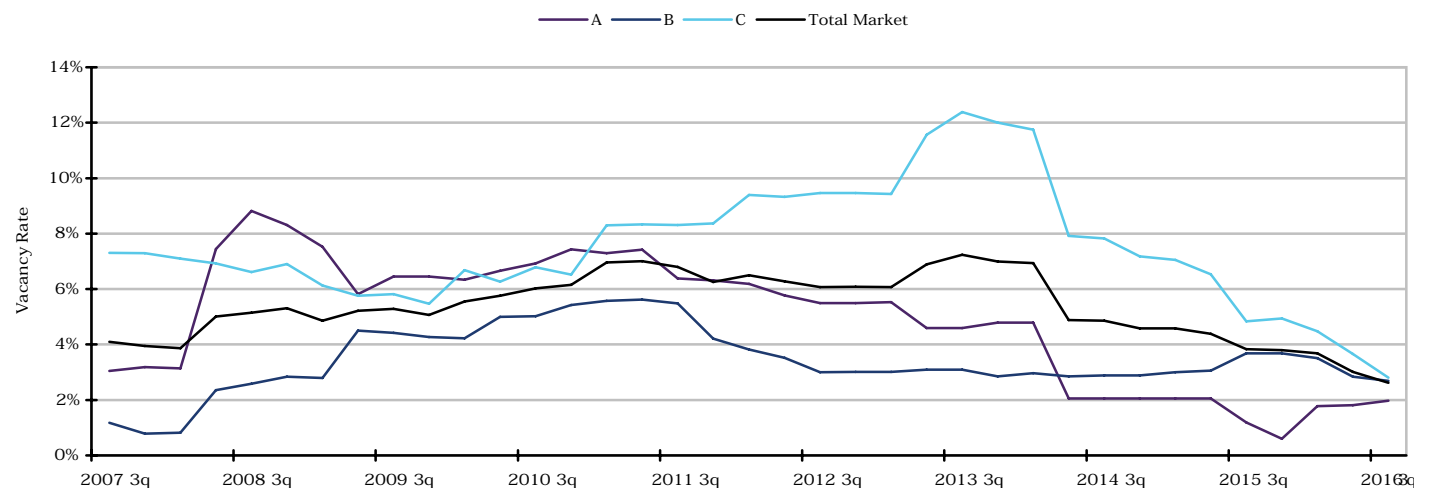
Class-C projects reported a vacancy rate of 2.8% at the end of the third quarter 2016, 3.7% at the end of second quarter 2016, 4.5% at the end of the first quarter 2016, and 4.9% at the end of the fourth quarter 2015.

### Sublease Vacancy

The amount of vacant sublease space in the Duluth market stayed the same at 0 square feet by the end of the third quarter 2016 from the end of the fourth quarter 2015.

Duluth's Class-A projects reported vacant sublease space of 0 square feet at the end of third quarter 2016 from the end of the fourth quarter 2015.

## Vacancy Rates by Class 2007-2016



Source: CoStar Property®



# Duluth Office Market

Overview

Class-B projects reported vacant sublease space of 0 square feet at the end of the third quarter 2016 the end of the fourth quarter 2015.

Class-C projects reported no vacant sublease space from the second quarter 2016 since the end of the fourth quarter 2015.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$13.60 per square foot per year at the end of the third quarter 2016 in the Duluth market area. This represented a 1.3% increase in quoted rental rates from the end of the second quarter 2016, when rents were reported at \$13.42 per square foot.

The average quoted rate within the Class-A sector was \$17.51 at the end of the third quarter 2016, while Class-B rates stood at \$11.86, and Class-C rates at \$12.33. At the end of the second quarter 2016, Class-A rates were \$20.84 per square foot, Class-B rates were \$11.91, and Class-C rates were \$11.52.

## Deliveries and Construction

During the third quarter 2016, no new space was completed in the Duluth market area. This compares to one building totaling 225,000 square feet that were completed in the

second quarter 2016, nothing completed in the first quarter 2016, and nothing completed in the fourth quarter 2015.

There were 0 square feet of office space under construction at the end of the third quarter 2016.

The only delivery in 2016 has been Maurices HQ Building, a 225,000-square-foot facility that delivered in second quarter 2016 and is now 96% occupied.

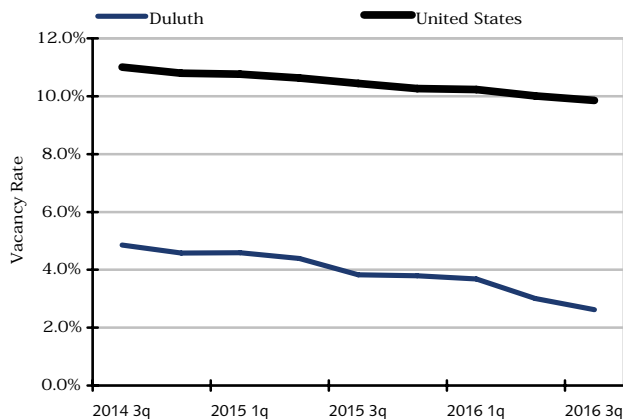
## Inventory

Total office inventory in the Duluth market area amounted to 7,071,940 square feet in 455 buildings as of the end of the third quarter 2016. The Class-A office sector consisted of 1,136,362 square feet in 10 projects. There were 74 Class-B buildings totaling 3,077,348 square feet, and the Class-C sector consisted of 2,858,230 square feet in 371 buildings. Within the Office market there were 14 owner-occupied buildings accounting for 533,622 square feet of office space.

*Reports compiled by: Lauren Kraemer, Research Manager and the Minneapolis Research Team.*

## U.S. Vacancy Comparison

Past 9 Quarters



Source: CoStar Property®

# Duluth Office Market



Markets

## CoStar Submarkets

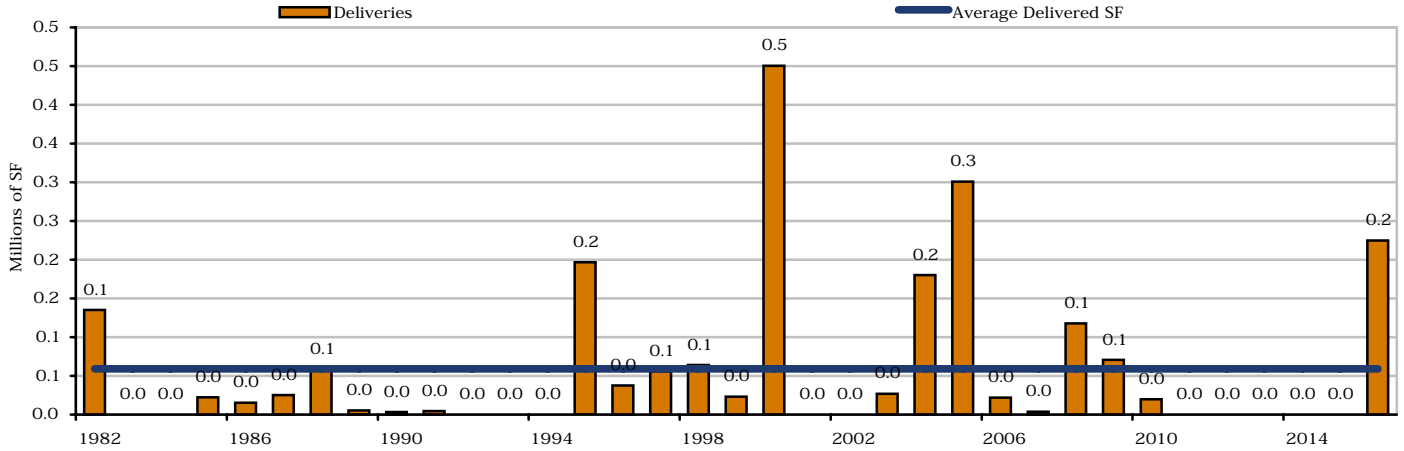
In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Markets are then divided into Submarket Clusters, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

Submarket Clusters
Carlton County
Downtown CBD
East Central
Lakeside/East End
Lincoln Park/Garfield
Miller Hill/Airpark
North Duluth
North St Louis County
Outlying Douglas County
South St Louis County
Superior
West End



## Historical Deliveries

1982 - 2016



Source: CoStar Property® \* Future deliveries based on current under construction buildings.

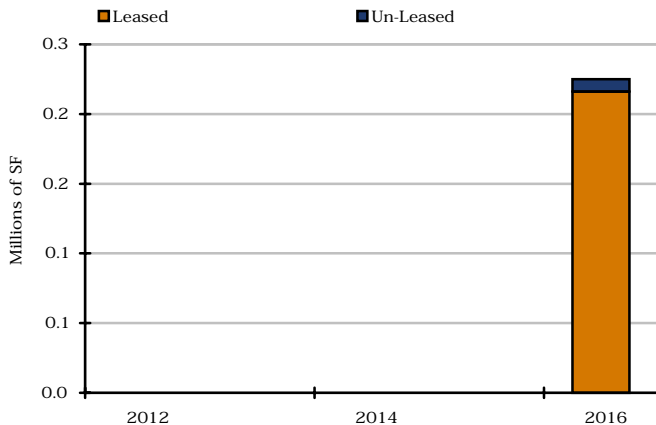
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Superior	0	0	0	0.0%	10,592	0
Carlton County	0	0	0	0.0%	4,626	0
Downtown CBD	0	0	0	0.0%	49,514	0
East Central	0	0	0	0.0%	9,564	0
Lakeside/East End	0	0	0	0.0%	3,895	0
Lincoln Park/Garfield	0	0	0	0.0%	6,672	0
Miller Hill/Airpark	0	0	0	0.0%	5,419	0
North Duluth	0	0	0	0.0%	23,859	0
North St Louis County	0	0	0	0.0%	8,121	0
South St Louis County	0	0	0	0.0%	6,311	0
All Other	0	0	0	0.0%	7,322	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>15,543</b>	<b>0</b>

Source: CoStar Property®

## Recent Deliveries

Leased & Un-Leased SF in Deliveries Since 2012



Source: CoStar Property®

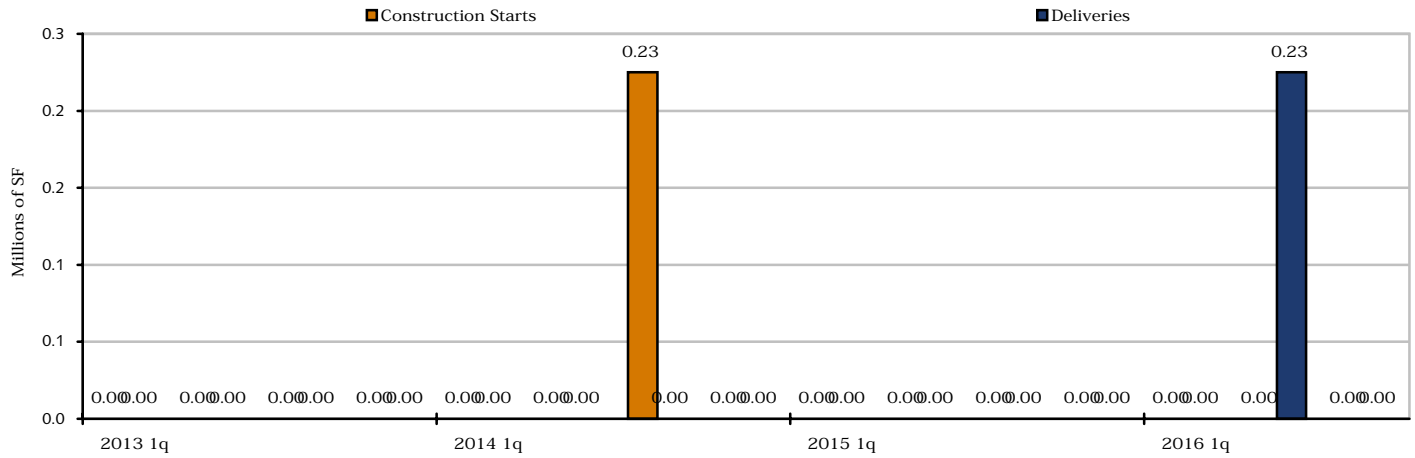
# Duluth Office Market



Inventory & development

## Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

## RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

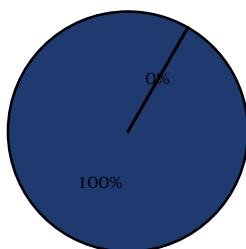
Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	0	0	0	0.0%	\$0.00	0	0
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	1	225,000	216,000	96.0%	\$0.00	0	225,000
250,000 SF - 499,999 SF	0	0	0	0.0%	\$0.00	0	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2016 Deliveries      No Properties Under Construction



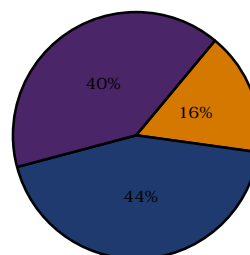
■ Multi    ■ Single

Source: CoStar Property®

## Existing Inventory Comparison

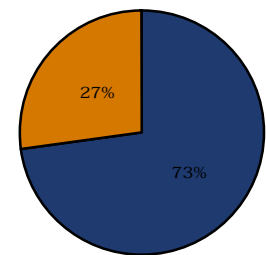
Based on Total RBA

By Class      By Space Type



■ Class A    ■ Class B    ■ Class C

Source: CoStar Property®



■ Multi    ■ Single



## Select Year-to-Date Deliveries

Based on Project Square Footage

### 1. Maurices HQ Building

Submarket: **Downtown CBD**  
RBA: **225,000**  
# Floors: **15**  
Class: **A**  
Occupied: **96%**  
Quoted Rate: **Negotiable**  
Grnd Brk Date: **Third Quarter 2014**  
Deliv Date: **Second Quarter 2016**  
Leasing Co: **N/A**  
Developer: **McGough Properties**  
Architect: **N/A**

## Duluth Office Market



Figures at a Glance

## Class A Market Statistics

Third Quarter 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Carlton County	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown CBD	7	996,932	22,478	22,478	2.3%	206,445	225,000	0	\$17.22
East Central	2	91,430	0	0	0.0%	1,597	0	0	\$27.61
Lakeside/East End	0	0	0	0	0.0%	0	0	0	\$0.00
Lincoln Park/Garfield	0	0	0	0	0.0%	0	0	0	\$0.00
Miller Hill/Airpark	0	0	0	0	0.0%	0	0	0	\$0.00
North Duluth	0	0	0	0	0.0%	0	0	0	\$0.00
North St Louis County	0	0	0	0	0.0%	0	0	0	\$0.00
Outlying Douglas County	0	0	0	0	0.0%	0	0	0	\$0.00
South St Louis County	0	0	0	0	0.0%	0	0	0	\$0.00
Superior	1	48,000	0	0	0.0%	0	0	0	\$0.00
West End	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>10</b>	<b>1,136,362</b>	<b>22,478</b>	<b>22,478</b>	<b>2.0%</b>	<b>208,042</b>	<b>225,000</b>	<b>0</b>	<b>\$17.51</b>

Source: CoStar Property®

## Class B Market Statistics

Third Quarter 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Carlton County	2	17,192	0	0	0.0%	0	0	0	\$0.00
Downtown CBD	29	2,314,642	81,082	81,082	3.5%	27,450	0	0	\$11.69
East Central	1	3,586	0	0	0.0%	0	0	0	\$0.00
Lakeside/East End	1	17,425	0	0	0.0%	0	0	0	\$0.00
Lincoln Park/Garfield	0	0	0	0	0.0%	0	0	0	\$0.00
Miller Hill/Airpark	2	41,779	0	0	0.0%	0	0	0	\$0.00
North Duluth	2	159,500	0	0	0.0%	0	0	0	\$0.00
North St Louis County	16	192,619	0	0	0.0%	0	0	0	\$0.00
Outlying Douglas County	1	1,344	0	0	0.0%	0	0	0	\$0.00
South St Louis County	7	83,524	0	0	0.0%	0	0	0	\$16.80
Superior	9	150,710	1,800	1,800	1.2%	2,800	0	0	\$12.99
West End	4	95,027	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>74</b>	<b>3,077,348</b>	<b>82,882</b>	<b>82,882</b>	<b>2.7%</b>	<b>30,250</b>	<b>0</b>	<b>0</b>	<b>\$11.86</b>

Source: CoStar Property®



# Duluth Office Market

Figures at a Glance

## Class C Market Statistics

Third Quarter 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Carlton County	62	278,879	6,172	6,172	2.2%	2,820	0	0	\$11.12
Downtown CBD	48	847,579	27,463	27,463	3.2%	11,324	0	0	\$12.52
East Central	31	230,153	0	0	0.0%	0	0	0	\$12.00
Lakeside/East End	10	25,415	0	0	0.0%	0	0	0	\$0.00
Lincoln Park/Garfield	13	86,738	0	0	0.0%	0	0	0	\$0.00
Miller Hill/Airpark	31	137,039	1,500	1,500	1.1%	4,170	0	0	\$11.00
North Duluth	6	31,370	0	0	0.0%	0	0	0	\$0.00
North St Louis County	59	416,434	27,824	27,824	6.7%	34,607	0	0	\$12.00
Outlying Douglas County	6	22,158	0	0	0.0%	0	0	0	\$0.00
South St Louis County	22	99,501	0	0	0.0%	1,250	0	0	\$9.74
Superior	63	574,503	15,492	15,492	2.7%	6,928	0	0	\$15.12
West End	20	108,461	1,743	1,743	1.6%	0	0	0	\$6.25
<b>Totals</b>	<b>371</b>	<b>2,858,230</b>	<b>80,194</b>	<b>80,194</b>	<b>2.8%</b>	<b>61,099</b>	<b>0</b>	<b>0</b>	<b>\$12.33</b>

Source: CoStar Property®

## Total Office Market Statistics

Third Quarter 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Carlton County	64	296,071	6,172	6,172	2.1%	2,820	0	0	\$11.12
Downtown CBD	84	4,159,153	131,023	131,023	3.2%	245,219	225,000	0	\$13.60
East Central	34	325,169	0	0	0.0%	1,597	0	0	\$21.24
Lakeside/East End	11	42,840	0	0	0.0%	0	0	0	\$0.00
Lincoln Park/Garfield	13	86,738	0	0	0.0%	0	0	0	\$0.00
Miller Hill/Airpark	33	178,818	1,500	1,500	0.8%	4,170	0	0	\$11.00
North Duluth	8	190,870	0	0	0.0%	0	0	0	\$0.00
North St Louis County	75	609,053	27,824	27,824	4.6%	34,607	0	0	\$12.00
Outlying Douglas County	7	23,502	0	0	0.0%	0	0	0	\$0.00
South St Louis County	29	183,025	0	0	0.0%	1,250	0	0	\$12.77
Superior	73	773,213	17,292	17,292	2.2%	9,728	0	0	\$14.15
West End	24	203,488	1,743	1,743	0.9%	0	0	0	\$6.25
<b>Totals</b>	<b>455</b>	<b>7,071,940</b>	<b>185,554</b>	<b>185,554</b>	<b>2.6%</b>	<b>299,391</b>	<b>225,000</b>	<b>0</b>	<b>\$13.60</b>

Source: CoStar Property®

## Duluth Office Market



Figures at a Glance

## Class A Market Statistics

Third Quarter 2016

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2016 3q	10	1,136,362	22,478	22,478	2.0%	(1,871)	0	0	0	0	\$17.51
2016 2q	10	1,136,362	20,607	20,607	1.8%	220,568	1	225,000	0	0	\$20.84
2016 1q	9	911,362	16,175	16,175	1.8%	(10,655)	0	0	1	225,000	\$21.26
2015 4q	9	911,362	5,520	5,520	0.6%	5,355	0	0	1	225,000	\$23.73
2015 3q	9	911,362	10,875	10,875	1.2%	7,875	0	0	1	225,000	\$23.07
2015 2q	9	911,362	18,750	18,750	2.1%	0	0	0	1	225,000	\$23.12
2015 1q	9	911,362	18,750	18,750	2.1%	0	0	0	1	225,000	\$23.12
2014 4q	9	911,362	18,750	18,750	2.1%	0	0	0	1	225,000	\$23.12
2014 3q	9	911,362	18,750	18,750	2.1%	0	0	0	1	225,000	\$21.89
2014 2q	9	911,362	18,750	18,750	2.1%	24,866	0	0	0	0	\$21.09
2014 1q	9	911,362	43,616	43,616	4.8%	0	0	0	0	0	\$22.89
2013	9	911,362	43,616	43,616	4.8%	6,460	0	0	0	0	\$23.75
2012	9	911,362	50,076	50,076	5.5%	7,418	0	0	0	0	\$22.77
2011	9	911,362	57,494	57,494	6.3%	10,272	0	0	0	0	\$22.78
2010	9	911,362	67,766	67,766	7.4%	(8,974)	0	0	0	0	\$23.21
2009	9	911,362	58,792	58,792	6.5%	16,969	0	0	0	0	\$22.95

Source: CoStar Property®

## Class B Market Statistics

Third Quarter 2016

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2016 3q	74	3,077,348	82,882	82,882	2.7%	4,620	0	0	0	0	\$11.86
2016 2q	74	3,077,348	87,502	87,502	2.8%	20,512	0	0	0	0	\$11.91
2016 1q	74	3,077,348	108,014	108,014	3.5%	5,118	0	0	0	0	\$12.03
2015 4q	74	3,077,348	113,132	113,132	3.7%	0	0	0	0	0	\$12.82
2015 3q	74	3,077,348	113,132	113,132	3.7%	(19,034)	0	0	0	0	\$12.62
2015 2q	74	3,077,348	94,098	94,098	3.1%	(1,590)	0	0	0	0	\$12.57
2015 1q	74	3,077,348	92,508	92,508	3.0%	(3,878)	0	0	0	0	\$12.21
2014 4q	74	3,077,348	88,630	88,630	2.9%	0	0	0	0	0	\$13.12
2014 3q	74	3,077,348	88,630	88,630	2.9%	(982)	0	0	0	0	\$12.37
2014 2q	74	3,077,348	87,648	87,648	2.8%	3,553	0	0	0	0	\$12.83
2014 1q	74	3,077,348	91,201	91,201	3.0%	(3,612)	0	0	0	0	\$13.60
2013	74	3,077,348	87,589	87,589	2.8%	5,187	0	0	0	0	\$15.19
2012	74	3,077,348	92,776	92,776	3.0%	36,703	0	0	0	0	\$14.15
2011	74	3,077,348	129,479	129,479	4.2%	37,502	0	0	0	0	\$13.19
2010	74	3,077,348	166,981	166,981	5.4%	(16,341)	1	20,000	0	0	\$13.20
2009	73	3,057,348	130,640	130,640	4.3%	24,550	2	70,529	0	0	\$11.31

Source: CoStar Property®

## Total Office Market Statistics

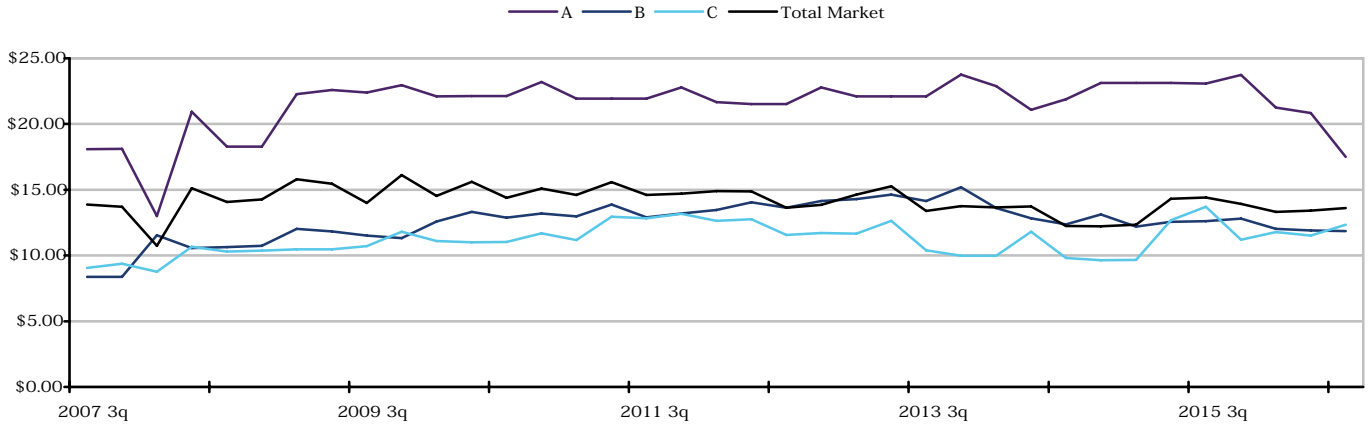
Third Quarter 2016

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2016 3q	455	7,071,940	185,554	185,554	2.6%	27,257	0	0	0	0	\$13.60
2016 2q	455	7,071,940	212,811	212,811	3.0%	264,421	1	225,000	0	0	\$13.42
2016 1q	454	6,846,940	252,232	252,232	3.7%	7,713	0	0	1	225,000	\$13.32
2015 4q	454	6,846,940	259,945	259,945	3.8%	2,268	0	0	1	225,000	\$13.92
2015 3q	454	6,846,940	262,213	262,213	3.8%	(7,589)	0	0	1	225,000	\$14.41
2015 2q	455	6,895,060	302,744	302,744	4.4%	13,410	0	0	1	225,000	\$14.31
2015 1q	455	6,895,060	316,154	316,154	4.6%	(261)	0	0	1	225,000	\$12.35
2014 4q	455	6,895,060	315,893	315,893	4.6%	18,875	0	0	1	225,000	\$12.22
2014 3q	455	6,895,060	334,768	334,768	4.9%	1,857	0	0	1	225,000	\$12.24
2014 2q	455	6,895,060	336,625	336,625	4.9%	104,473	0	0	0	0	\$13.72
2014 1q	456	6,935,060	481,098	481,098	6.9%	3,725	0	0	0	0	\$13.66
2013	456	6,935,060	484,823	484,823	7.0%	(64,777)	0	0	0	0	\$13.75
2012	457	6,936,960	421,946	421,946	6.1%	11,816	0	0	0	0	\$13.85
2011	457	6,936,960	433,762	433,762	6.3%	(6,806)	0	0	0	0	\$14.71
2010	457	6,936,960	426,956	426,956	6.2%	(56,159)	1	20,000	0	0	\$15.10
2009	456	6,916,960	350,797	350,797	5.1%	83,510	2	70,529	0	0	\$16.12

Source: CoStar Property®

## Historical Rental Rates

Based on Full-Service Equivalent Rental Rates

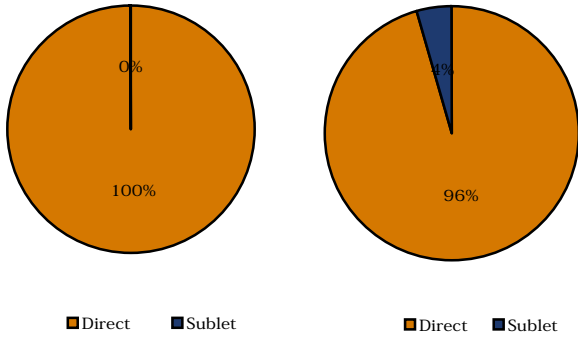


Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Duluth United States

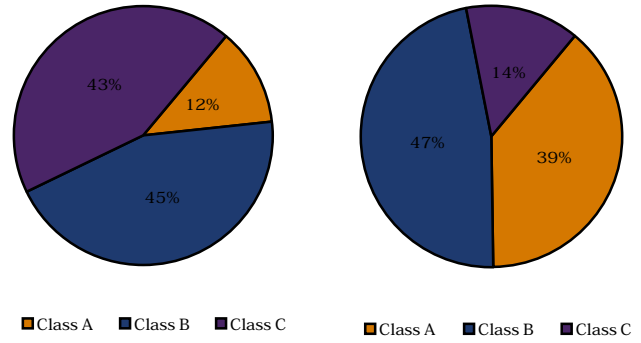


Source: CoStar Property®

## Vacancy by Class

Percent of All Vacant Space by Class

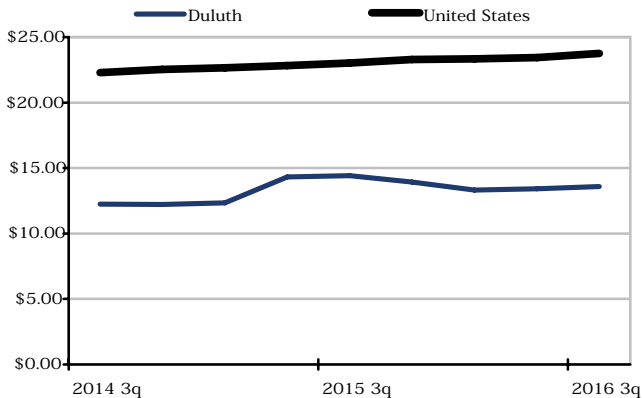
Duluth United States



Source: CoStar Property®

## U.S. Rental Rate Comparison

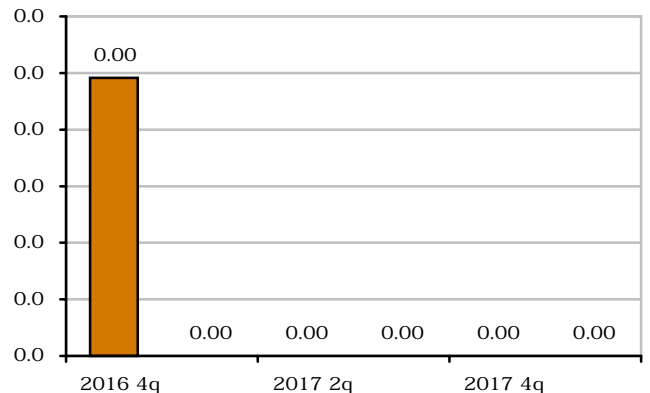
Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

## Future Space Available

Space Scheduled to be Available for Occupancy\*



\* Includes Under Construction Spaces

Source: CoStar Property®

# Duluth Office Market



Leasing Activity

## Select Top Office Leases Based on Leased Square Footage For Deals Signed in 2016

Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company
1 11057 E Hwy 37	North St Louis County	8,000	2nd	N/A	N/A	Northern Environmental Svcs In
2 Paulucci Building	Downtown CBD	4,200	2nd	N/A	N/A	Oneida Realty Company
3 1401 Tower Ave	Superior	2,800	3rd	N/A	N/A	Timothy Sauter
4 Arrowhead Place	Downtown CBD	2,673	2nd	N/A	N/A	ADN Properties
5 Paulucci Building	Downtown CBD	2,500	2nd	N/A	N/A	Oneida Realty Company
6 Providence Building	Downtown CBD	2,100	2nd	N/A	N/A	Tom Stender
7 1832 Maple Grove Rd	Miller Hill/Airpark	1,710	2nd	N/A	N/A	Miller Hill Dental
8 Lakewalk Center	East Central	1,597	2nd	N/A	N/A	A & L Properties
9 Salo Building	Downtown CBD	1,400	2nd	N/A	N/A	Tender Loving Care of Duluth, Inc.
10 Amendola Building	Downtown CBD	1,294	1st	N/A	N/A	F.I. Salter Real Estate Co, Inc.
11 Northland Medical Center South	Downtown CBD	723	2nd	N/A	N/A	Melhus Management
12 Lonsdale Building	Downtown CBD	682	2nd	N/A	N/A	Oneida Realty Company
13 Board of Trade Building	Downtown CBD	520	1st	N/A	N/A	F.I. Salter Real Estate Co, Inc.
14 Board of Trade Building	Downtown CBD	420	3rd	N/A	N/A	F.I. Salter Real Estate Co, Inc.
15 Duluth Technology Village	Downtown CBD	247	2nd	N/A	N/A	A & L Properties
16 Duluth Technology Village	Downtown CBD	233	2nd	N/A	N/A	A & L Properties
17 Duluth Technology Village	Downtown CBD	204	2nd	N/A	N/A	A & L Properties
18 Arrowhead Place	Downtown CBD	149	2nd	N/A	Direct Deal	ADN Properties

Source: CoStar Property®

\* Renewal





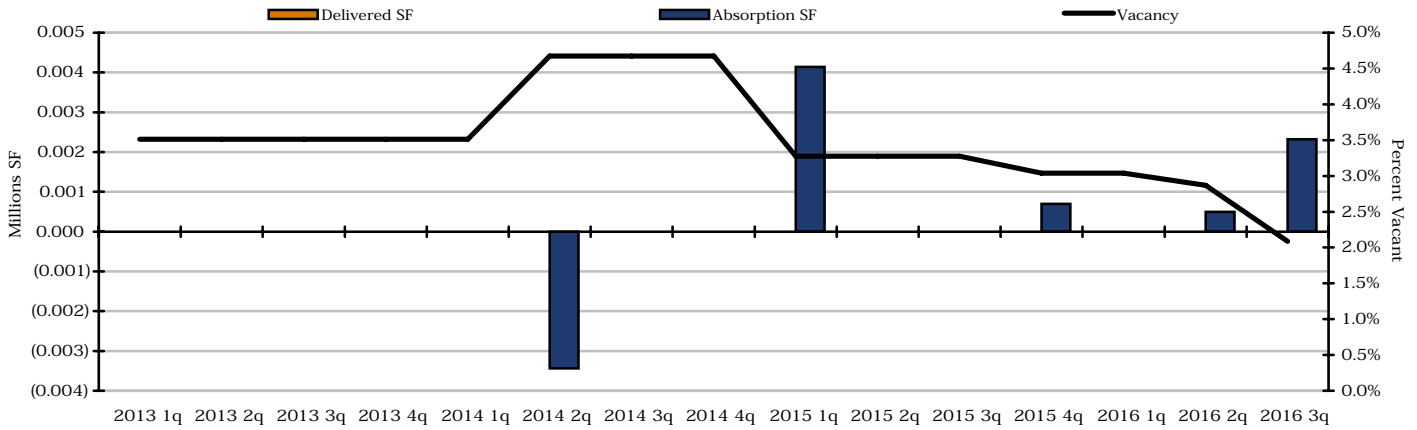
# Duluth Office Market

Carlton County Market

Market Highlights - Class "A, B & C"

## Deliveries, Absorption & Vacancy

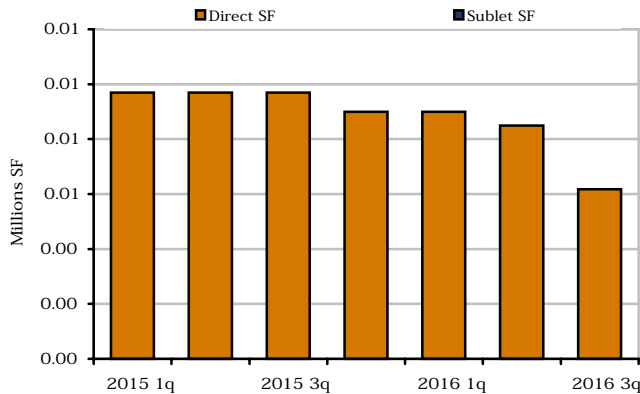
Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

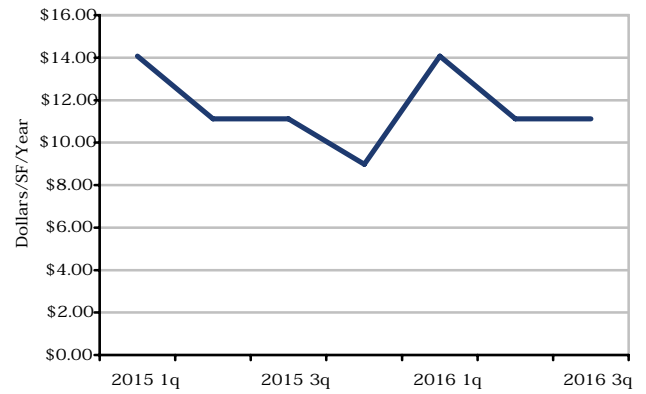
Historical Analysis, All Classes



Source: CoStar Property®

## Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	64	296,071	6,172	2.1%	2,320	0	0	0	0	\$11.12
2016 2q	64	296,071	8,492	2.9%	500	0	0	0	0	\$11.12
2016 1q	64	296,071	8,992	3.0%	0	0	0	0	0	\$14.08
2015 4q	64	296,071	8,992	3.0%	700	0	0	0	0	\$8.97
2015 3q	64	296,071	9,692	3.3%	0	0	0	0	0	\$11.12
2015 2q	64	296,071	9,692	3.3%	0	0	0	0	0	\$11.12
2015 1q	64	296,071	9,692	3.3%	4,140	0	0	0	0	\$14.08
2014 4q	64	296,071	13,832	4.7%	0	0	0	0	0	\$8.97
2014 3q	64	296,071	13,832	4.7%	0	0	0	0	0	\$11.12
2014 2q	64	296,071	13,832	4.7%	(3,440)	0	0	0	0	\$11.12
2014 1q	64	296,071	10,392	3.5%	0	0	0	0	0	\$14.08
2013 4q	64	296,071	10,392	3.5%	0	0	0	0	0	\$8.88
2013 3q	64	296,071	10,392	3.5%	0	0	0	0	0	\$10.68
2013 2q	64	296,071	10,392	3.5%	0	0	0	0	0	\$10.68
2013 1q	64	296,071	10,392	3.5%	0	0	0	0	0	\$12.21
2012 4q	64	296,071	10,392	3.5%	0	0	0	0	0	\$8.82

Source: CoStar Property®

# Duluth Office Market

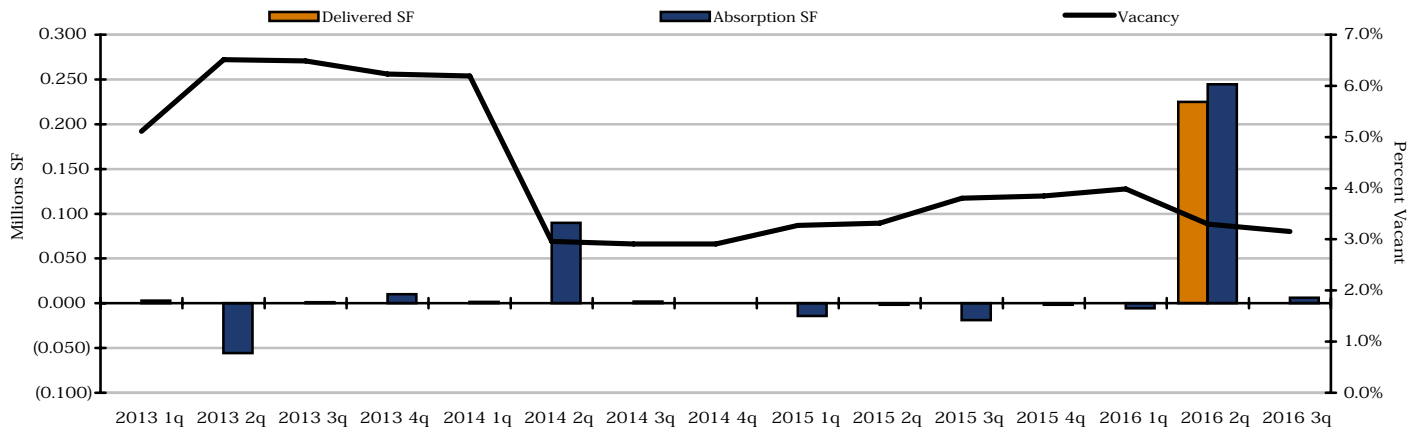


## Downtown CBD Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

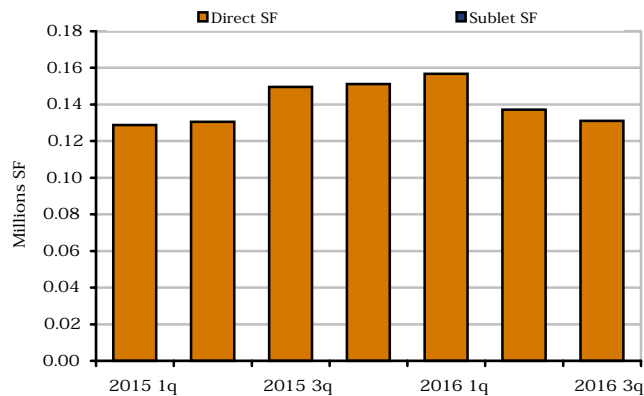
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

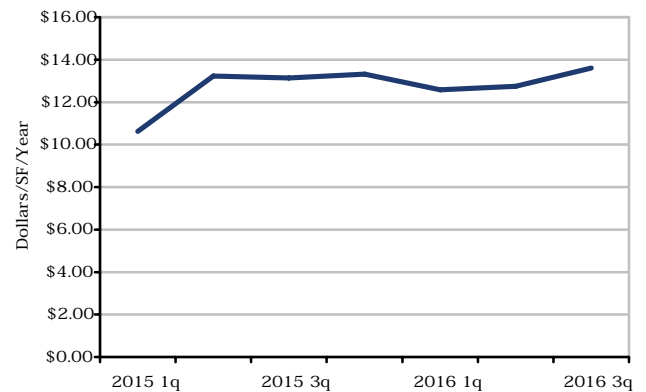
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	84	4,159,153	131,023	3.2%	6,161	0	0	0	0	\$13.60
2016 2q	84	4,159,153	137,184	3.3%	244,595	1	225,000	0	0	\$12.74
2016 1q	83	3,934,153	156,779	4.0%	(5,537)	0	0	1	225,000	\$12.58
2015 4q	83	3,934,153	151,242	3.8%	(1,718)	0	0	1	225,000	\$13.32
2015 3q	83	3,934,153	149,524	3.8%	(19,034)	0	0	1	225,000	\$13.14
2015 2q	83	3,934,153	130,490	3.3%	(1,690)	0	0	1	225,000	\$13.23
2015 1q	83	3,934,153	128,800	3.3%	(14,250)	0	0	1	225,000	\$10.61
2014 4q	83	3,934,153	114,550	2.9%	0	0	0	1	225,000	\$10.98
2014 3q	83	3,934,153	114,550	2.9%	1,898	0	0	1	225,000	\$10.91
2014 2q	83	3,934,153	116,448	3.0%	89,769	0	0	0	0	\$12.77
2014 1q	84	3,974,153	246,217	6.2%	1,428	0	0	0	0	\$12.14
2013 4q	84	3,974,153	247,645	6.2%	10,148	0	0	0	0	\$12.49
2013 3q	84	3,974,153	257,793	6.5%	1,000	0	0	0	0	\$12.04
2013 2q	84	3,974,153	258,793	6.5%	(55,676)	0	0	0	0	\$14.00
2013 1q	84	3,974,153	203,117	5.1%	2,830	0	0	0	0	\$13.35
2012 4q	84	3,974,153	205,947	5.2%	588	0	0	0	0	\$12.30

Source: CoStar Property®



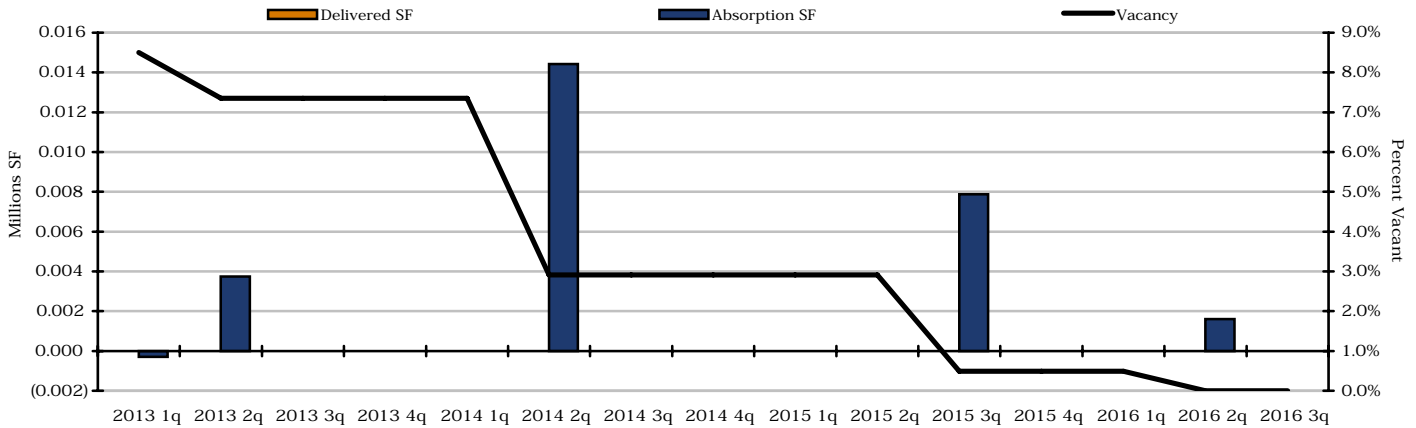
# Duluth Office Market

East Central Market

Market Highlights - Class "A, B & C"

## Deliveries, Absorption & Vacancy

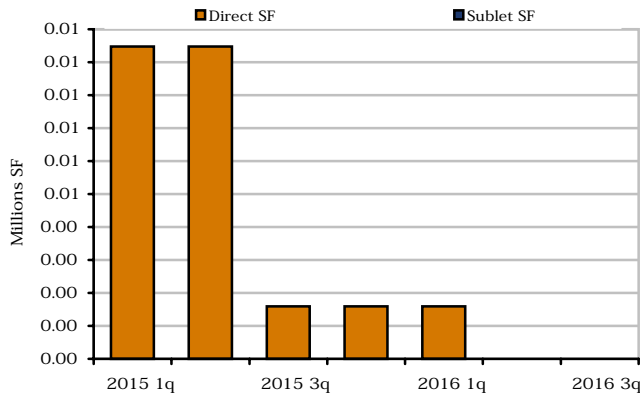
Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

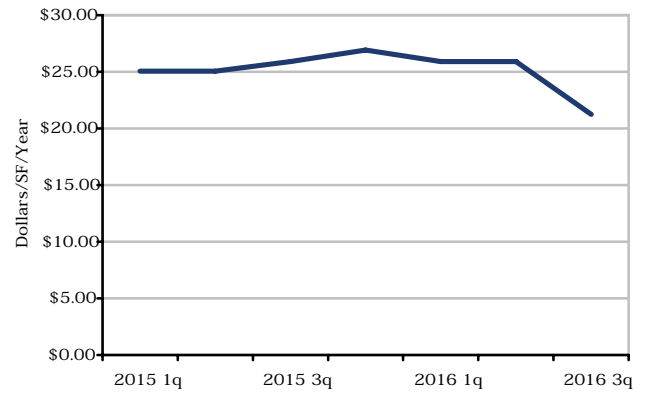
Historical Analysis, All Classes



Source: CoStar Property®

## Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	34	325,169	0	0.0%	0	0	0	0	0	\$21.24
2016 2q	34	325,169	0	0.0%	1,597	0	0	0	0	\$25.91
2016 1q	34	325,169	1,597	0.5%	0	0	0	0	0	\$25.91
2015 4q	34	325,169	1,597	0.5%	0	0	0	0	0	\$26.92
2015 3q	34	325,169	1,597	0.5%	7,875	0	0	0	0	\$25.91
2015 2q	34	325,169	9,472	2.9%	0	0	0	0	0	\$25.04
2015 1q	34	325,169	9,472	2.9%	0	0	0	0	0	\$25.04
2014 4q	34	325,169	9,472	2.9%	0	0	0	0	0	\$25.87
2014 3q	34	325,169	9,472	2.9%	0	0	0	0	0	\$23.31
2014 2q	34	325,169	9,472	2.9%	14,421	0	0	0	0	\$22.75
2014 1q	34	325,169	23,893	7.3%	0	0	0	0	0	\$24.71
2013 4q	34	325,169	23,893	7.3%	0	0	0	0	0	\$26.67
2013 3q	34	325,169	23,893	7.3%	0	0	0	0	0	\$23.29
2013 2q	34	325,169	23,893	7.3%	3,741	0	0	0	0	\$23.29
2013 1q	34	325,169	27,634	8.5%	(300)	0	0	0	0	\$23.29
2012 4q	34	325,169	27,334	8.4%	0	0	0	0	0	\$25.73

Source: CoStar Property®

# Duluth Office Market

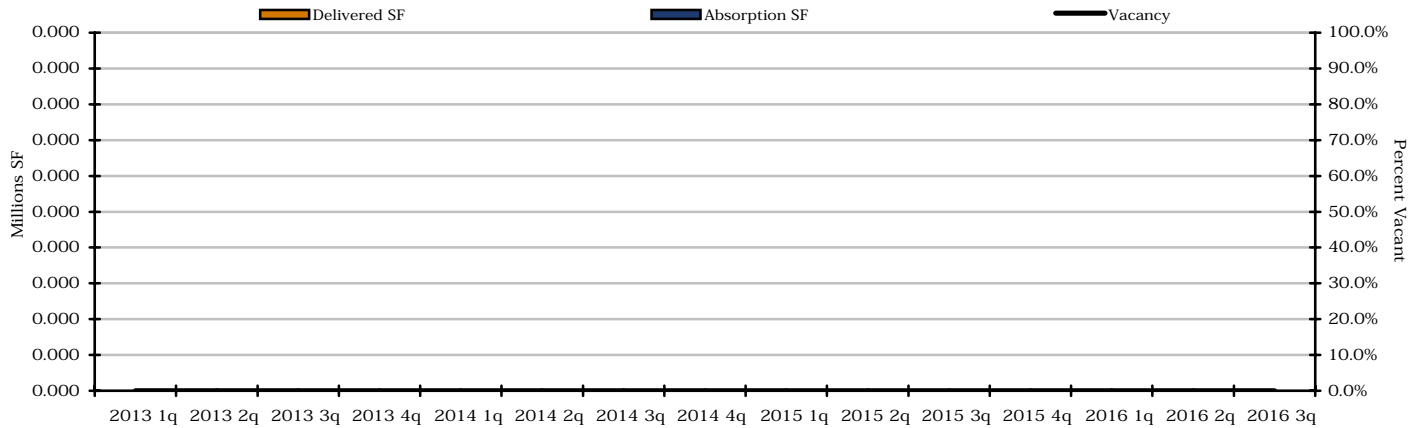


## Lakeside / East End Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

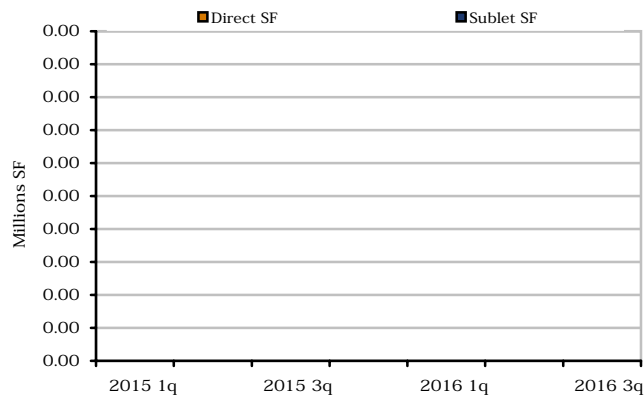
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

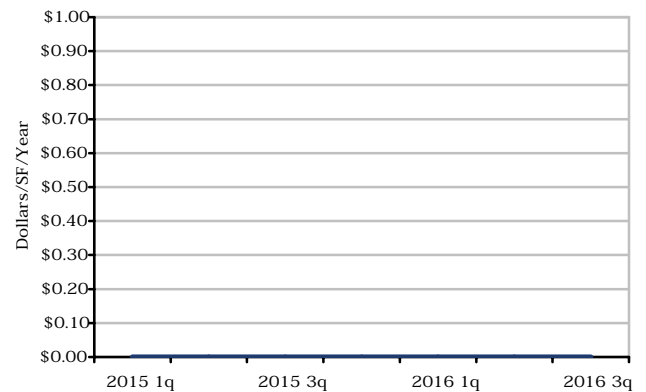
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2016 2q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2016 1q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2015 4q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2015 3q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2015 2q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2015 1q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2014 4q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2014 3q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2014 2q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2014 1q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2013 4q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2013 3q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2013 2q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2013 1q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00
2012 4q	11	42,840	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®



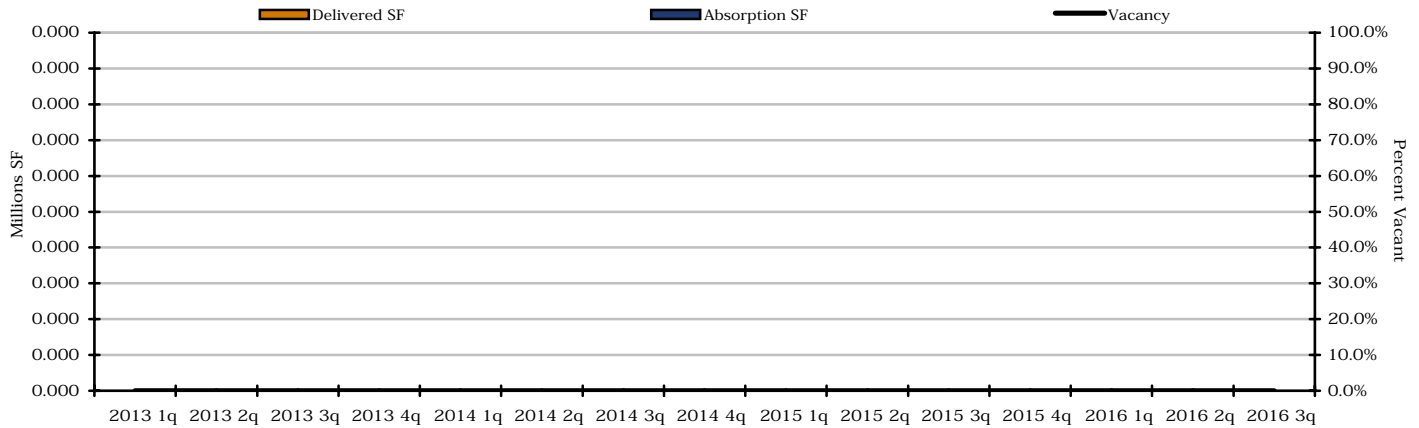
# Duluth Office Market

## Lincoln Park / Garfield Market

Market Highlights - Class "A, B & C"

### Deliveries, Absorption & Vacancy

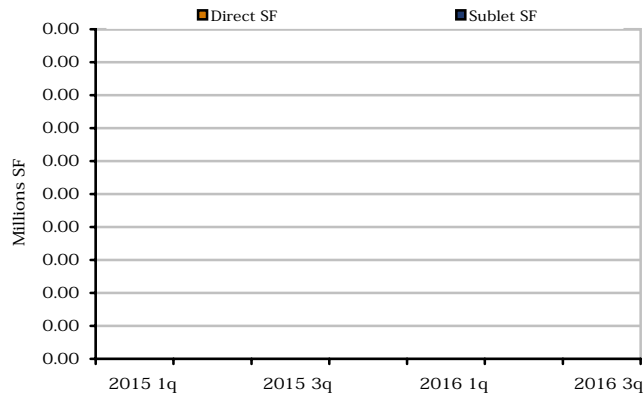
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

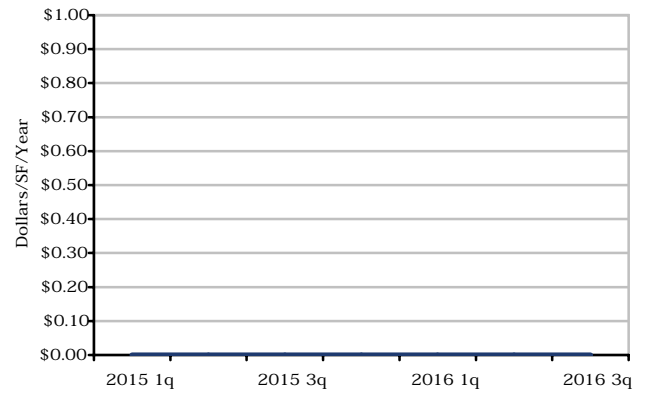
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2016 2q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2016 1q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2015 4q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2015 3q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2015 2q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2015 1q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2014 4q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2014 3q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2014 2q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2014 1q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2013 4q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2013 3q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2013 2q	13	86,738	0	0.0%	0	0	0	0	0	\$0.00
2013 1q	13	86,738	0	0.0%	0	0	0	0	0	\$13.75
2012 4q	13	86,738	0	0.0%	1,425	0	0	0	0	\$13.75

Source: CoStar Property®

# Duluth Office Market

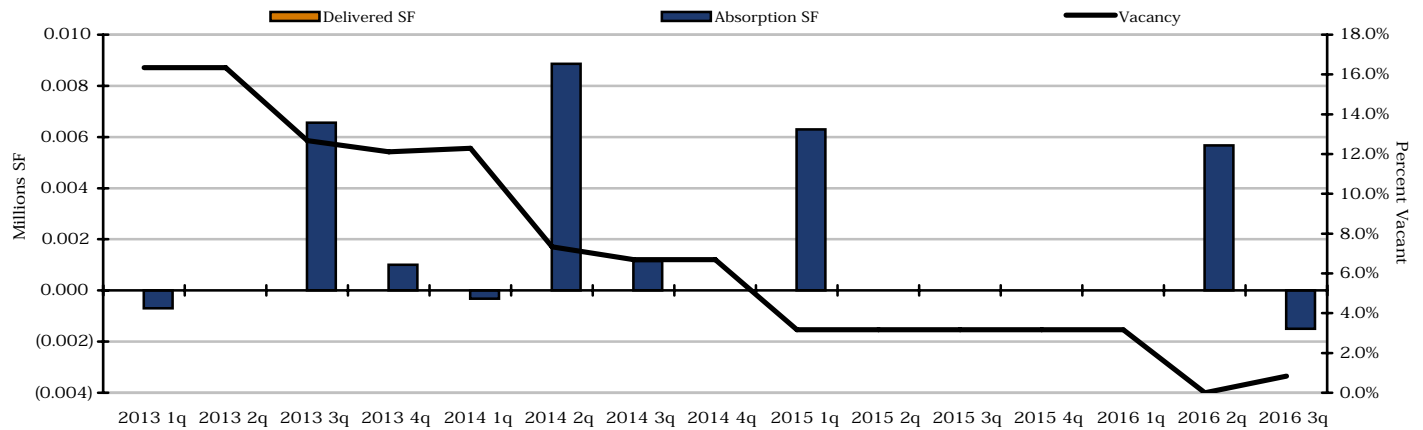


## Miller Hill/Airpark Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

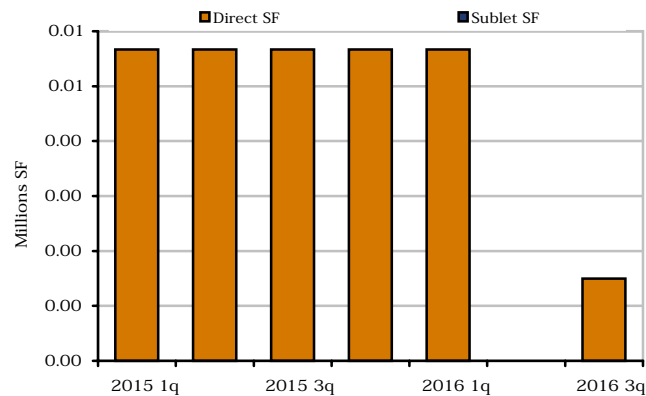
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

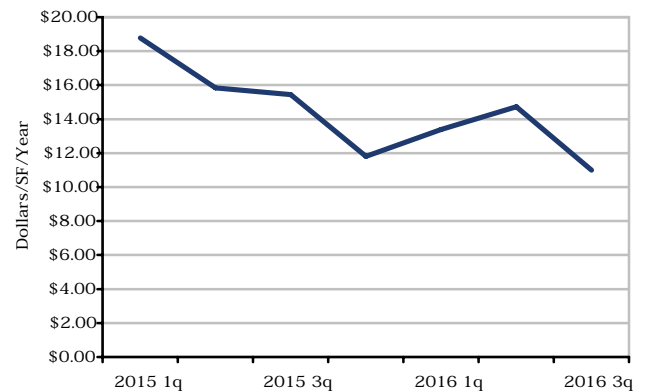
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	33	178,818	1,500	0.8%	(1,500)	0	0	0	0	\$11.00
2016 2q	33	178,818	0	0.0%	5,670	0	0	0	0	\$14.73
2016 1q	33	178,818	5,670	3.2%	0	0	0	0	0	\$13.40
2015 4q	33	178,818	5,670	3.2%	0	0	0	0	0	\$11.81
2015 3q	33	178,818	5,670	3.2%	0	0	0	0	0	\$15.44
2015 2q	33	178,818	5,670	3.2%	0	0	0	0	0	\$15.84
2015 1q	33	178,818	5,670	3.2%	6,300	0	0	0	0	\$18.77
2014 4q	33	178,818	11,970	6.7%	0	0	0	0	0	\$15.84
2014 3q	33	178,818	11,970	6.7%	1,159	0	0	0	0	\$15.44
2014 2q	33	178,818	13,129	7.3%	8,860	0	0	0	0	\$16.35
2014 1q	33	178,818	21,989	12.3%	(320)	0	0	0	0	\$17.46
2013 4q	33	178,818	21,669	12.1%	1,000	0	0	0	0	\$15.16
2013 3q	33	178,818	22,669	12.7%	6,554	0	0	0	0	\$17.43
2013 2q	33	178,818	29,223	16.3%	0	0	0	0	0	\$18.20
2013 1q	33	178,818	29,223	16.3%	(700)	0	0	0	0	\$18.54
2012 4q	33	178,818	28,523	16.0%	0	0	0	0	0	\$16.45

Source: CoStar Property®



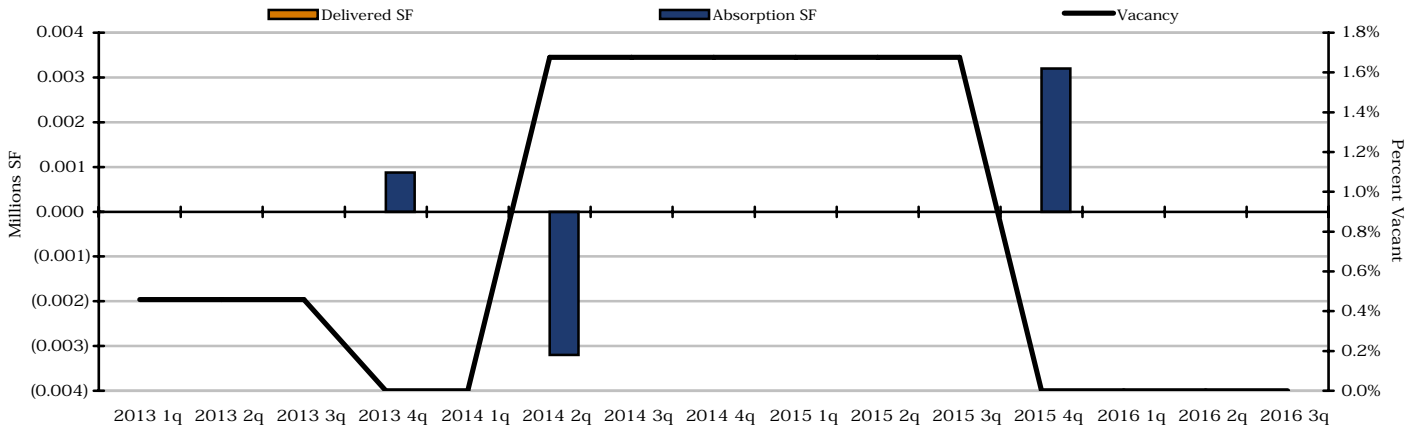
# Duluth Office Market

## North Duluth Market

Market Highlights - Class "A, B & C"

### Deliveries, Absorption & Vacancy

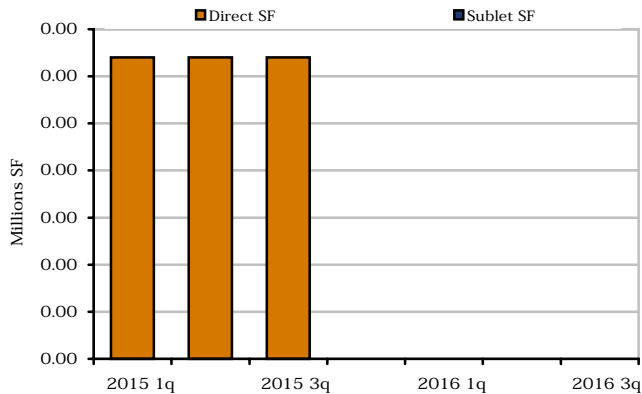
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

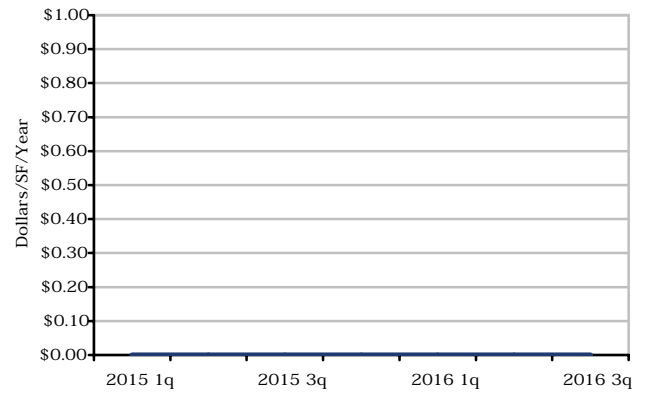
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	8	190,870	0	0.0%	0	0	0	0	0	\$0.00
2016 2q	8	190,870	0	0.0%	0	0	0	0	0	\$0.00
2016 1q	8	190,870	0	0.0%	0	0	0	0	0	\$0.00
2015 4q	8	190,870	0	0.0%	3,200	0	0	0	0	\$0.00
2015 3q	8	190,870	3,200	1.7%	0	0	0	0	0	\$0.00
2015 2q	8	190,870	3,200	1.7%	0	0	0	0	0	\$0.00
2015 1q	8	190,870	3,200	1.7%	0	0	0	0	0	\$0.00
2014 4q	8	190,870	3,200	1.7%	0	0	0	0	0	\$0.00
2014 3q	8	190,870	3,200	1.7%	0	0	0	0	0	\$16.00
2014 2q	8	190,870	3,200	1.7%	(3,200)	0	0	0	0	\$16.00
2014 1q	8	190,870	0	0.0%	0	0	0	0	0	\$16.00
2013 4q	8	190,870	0	0.0%	875	0	0	0	0	\$18.44
2013 3q	8	190,870	875	0.5%	0	0	0	0	0	\$18.44
2013 2q	8	190,870	875	0.5%	0	0	0	0	0	\$18.44
2013 1q	8	190,870	875	0.5%	0	0	0	0	0	\$16.00
2012 4q	8	190,870	875	0.5%	0	0	0	0	0	\$18.44

Source: CoStar Property®

# Duluth Office Market

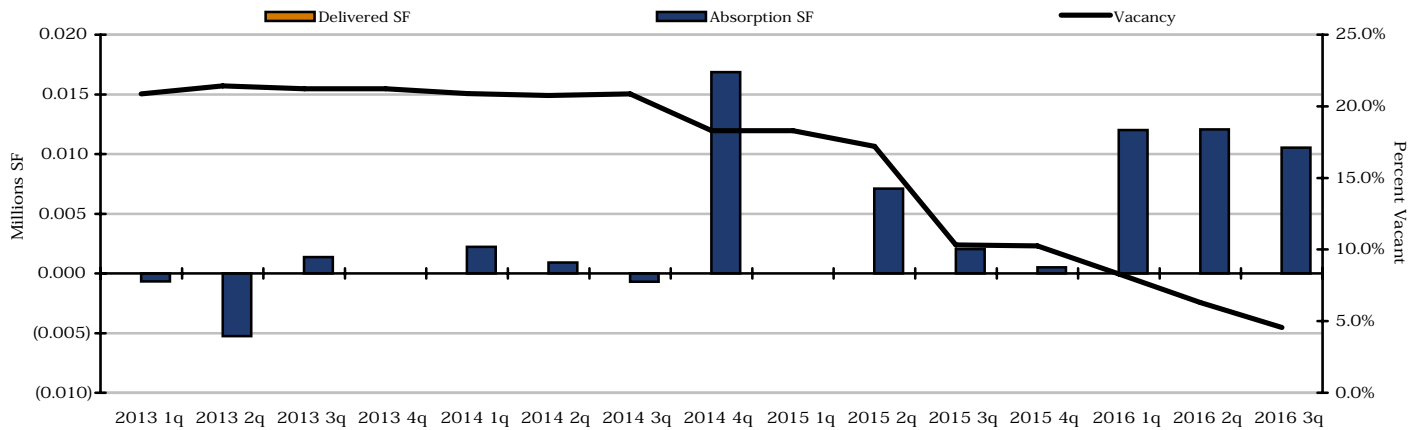


## North St Louis County Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

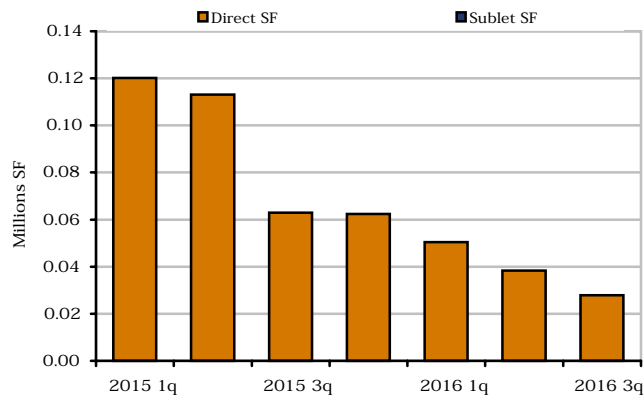
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

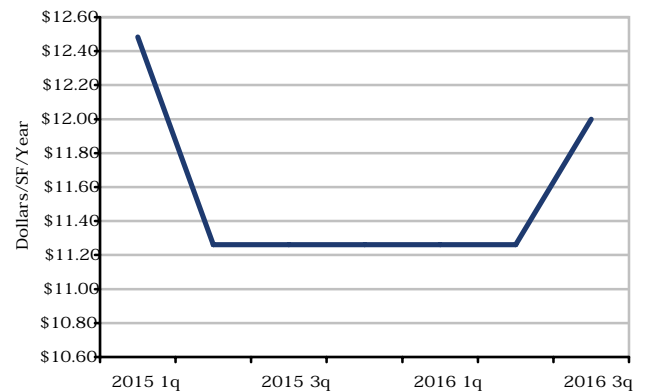
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	75	609,053	27,824	4.6%	10,548	0	0	0	0	\$12.00
2016 2q	75	609,053	38,372	6.3%	12,059	0	0	0	0	\$11.26
2016 1q	75	609,053	50,431	8.3%	12,000	0	0	0	0	\$11.26
2015 4q	75	609,053	62,431	10.3%	500	0	0	0	0	\$11.26
2015 3q	75	609,053	62,931	10.3%	2,050	0	0	0	0	\$11.26
2015 2q	76	657,173	113,101	17.2%	7,100	0	0	0	0	\$11.26
2015 1q	76	657,173	120,201	18.3%	0	0	0	0	0	\$12.48
2014 4q	76	657,173	120,201	18.3%	16,875	0	0	0	0	\$12.48
2014 3q	76	657,173	137,076	20.9%	(700)	0	0	0	0	\$12.48
2014 2q	76	657,173	136,376	20.8%	900	0	0	0	0	\$12.37
2014 1q	76	657,173	137,276	20.9%	2,217	0	0	0	0	\$11.47
2013 4q	76	657,173	139,493	21.2%	0	0	0	0	0	\$11.28
2013 3q	76	657,173	139,493	21.2%	1,380	0	0	0	0	\$11.28
2013 2q	76	657,173	140,873	21.4%	(5,261)	0	0	0	0	\$11.69
2013 1q	77	659,073	137,512	20.9%	(680)	0	0	0	0	\$10.05
2012 4q	77	659,073	136,832	20.8%	(2,457)	0	0	0	0	\$10.06

Source: CoStar Property®





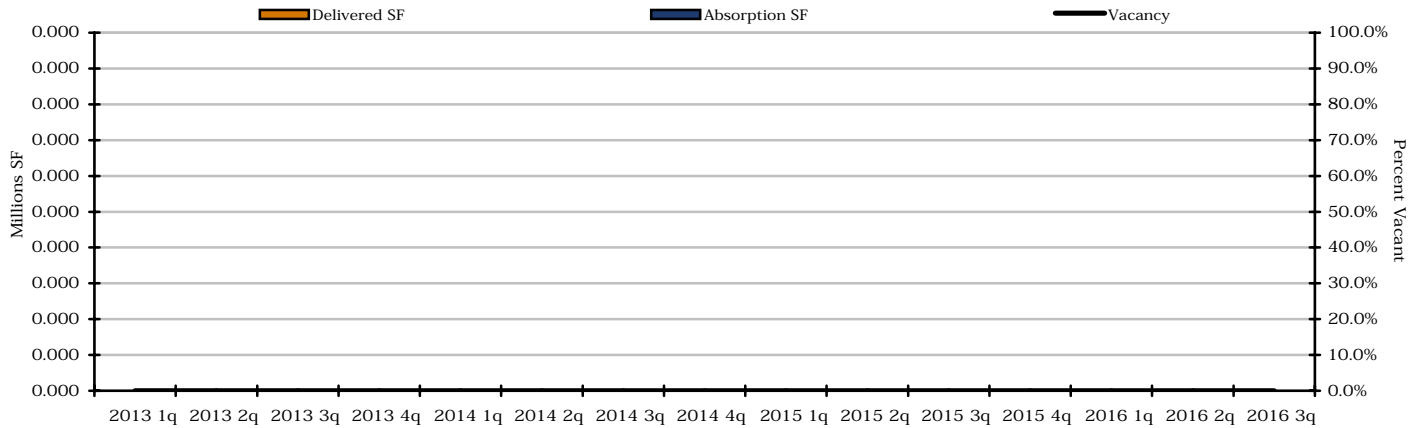
# Duluth Office Market

Outlying Douglas County Market

Market Highlights - Class "A, B & C"

## Deliveries, Absorption & Vacancy

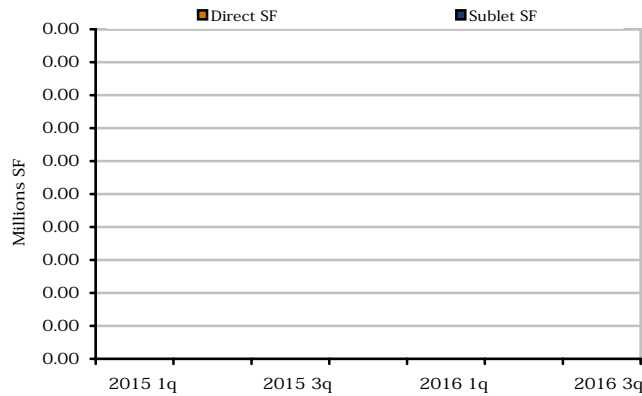
Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

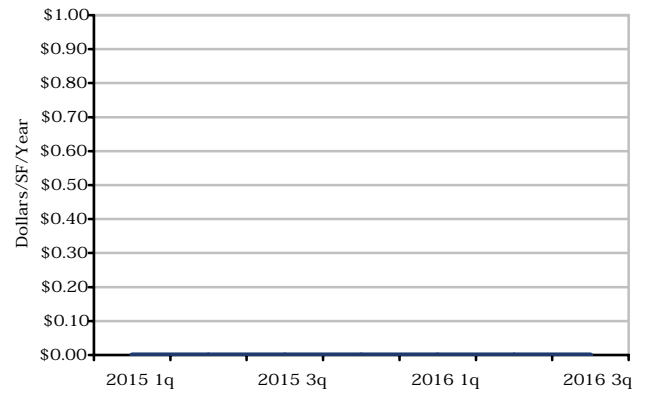
Historical Analysis, All Classes



Source: CoStar Property®

## Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2016 2q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2016 1q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2015 4q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2015 3q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2015 2q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2015 1q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2014 4q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2014 3q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2014 2q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2014 1q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2013 4q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2013 3q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2013 2q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2013 1q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00
2012 4q	7	23,502	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®

# Duluth Office Market

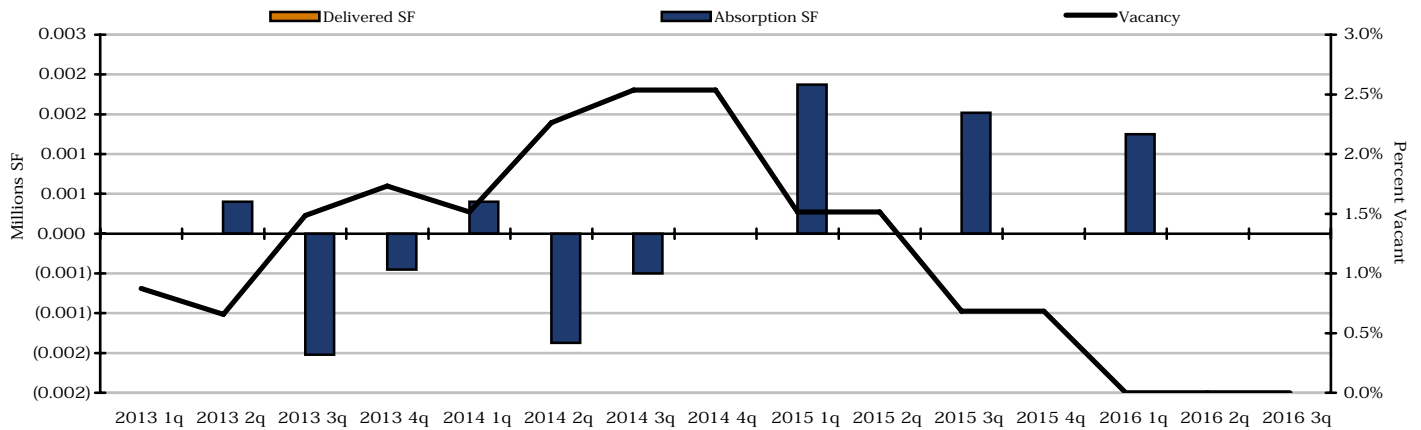


## South St. Louis County Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

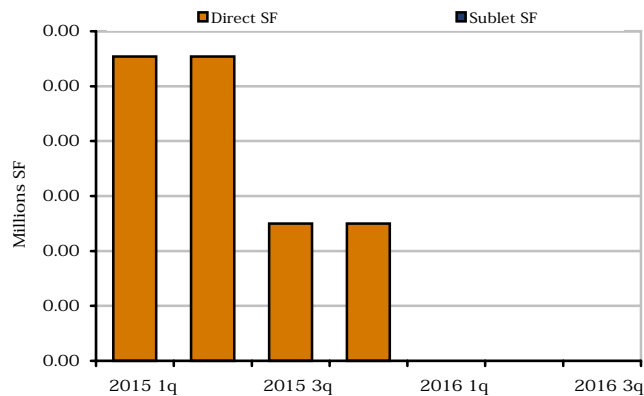
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

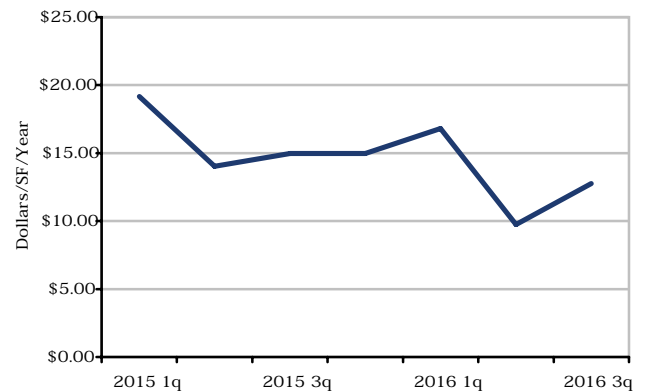
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	29	183,025	0	0.0%	0	0	0	0	0	\$12.77
2016 2q	29	183,025	0	0.0%	0	0	0	0	0	\$9.74
2016 1q	29	183,025	0	0.0%	1,250	0	0	0	0	\$16.80
2015 4q	29	183,025	1,250	0.7%	0	0	0	0	0	\$14.96
2015 3q	29	183,025	1,250	0.7%	1,520	0	0	0	0	\$14.96
2015 2q	29	183,025	2,770	1.5%	0	0	0	0	0	\$14.04
2015 1q	29	183,025	2,770	1.5%	1,872	0	0	0	0	\$19.15
2014 4q	29	183,025	4,642	2.5%	0	0	0	0	0	\$14.96
2014 3q	29	183,025	4,642	2.5%	(500)	0	0	0	0	\$14.96
2014 2q	29	183,025	4,142	2.3%	(1,372)	0	0	0	0	\$15.76
2014 1q	29	183,025	2,770	1.5%	400	0	0	0	0	\$19.03
2013 4q	29	183,025	3,170	1.7%	(450)	0	0	0	0	\$15.35
2013 3q	29	183,025	2,720	1.5%	(1,520)	0	0	0	0	\$14.91
2013 2q	29	183,025	1,200	0.7%	400	0	0	0	0	\$14.40
2013 1q	29	183,025	1,600	0.9%	0	0	0	0	0	\$16.96
2012 4q	29	183,025	1,600	0.9%	0	0	0	0	0	\$16.23

Source: CoStar Property®



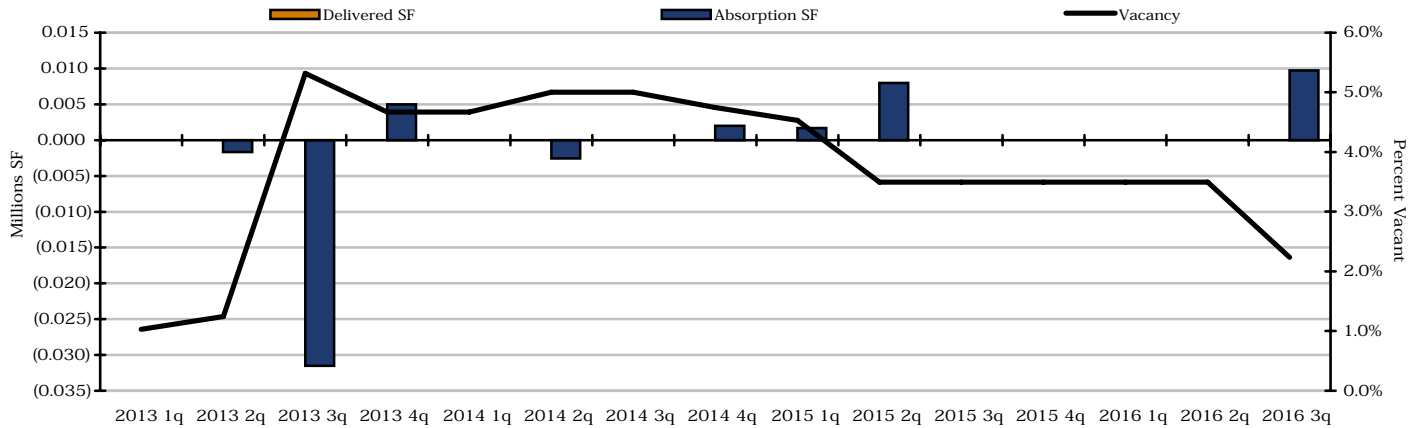
# Duluth Office Market

Superior Market

Market Highlights - Class "A, B & C"

## Deliveries, Absorption & Vacancy

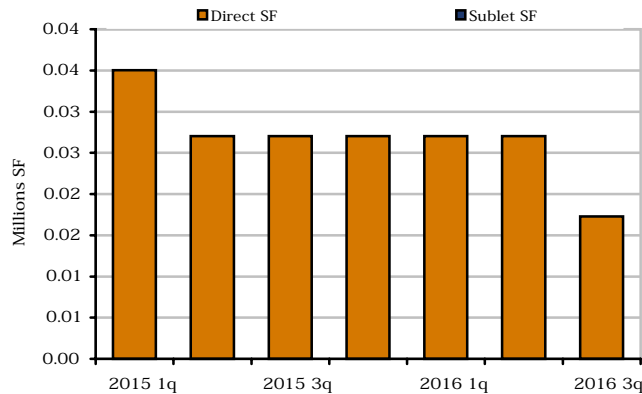
Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

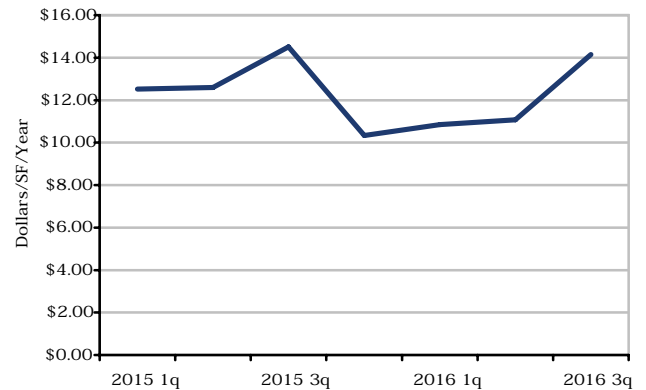
Historical Analysis, All Classes



Source: CoStar Property®

## Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	73	773,213	17,292	2.2%	9,728	0	0	0	0	\$14.15
2016 2q	73	773,213	27,020	3.5%	0	0	0	0	0	\$11.07
2016 1q	73	773,213	27,020	3.5%	0	0	0	0	0	\$10.85
2015 4q	73	773,213	27,020	3.5%	0	0	0	0	0	\$10.34
2015 3q	73	773,213	27,020	3.5%	0	0	0	0	0	\$14.51
2015 2q	73	773,213	27,020	3.5%	8,000	0	0	0	0	\$12.60
2015 1q	73	773,213	35,020	4.5%	1,677	0	0	0	0	\$12.52
2014 4q	73	773,213	36,697	4.7%	2,000	0	0	0	0	\$10.61
2014 3q	73	773,213	38,697	5.0%	0	0	0	0	0	\$14.21
2014 2q	73	773,213	38,697	5.0%	(2,570)	0	0	0	0	\$12.85
2014 1q	73	773,213	36,127	4.7%	0	0	0	0	0	\$12.60
2013 4q	73	773,213	36,127	4.7%	5,000	0	0	0	0	\$10.62
2013 3q	73	773,213	41,127	5.3%	(31,500)	0	0	0	0	\$12.67
2013 2q	73	773,213	9,627	1.2%	(1,677)	0	0	0	0	\$12.67
2013 1q	73	773,213	7,950	1.0%	0	0	0	0	0	\$10.10
2012 4q	73	773,213	7,950	1.0%	0	0	0	0	0	\$12.68

Source: CoStar Property®

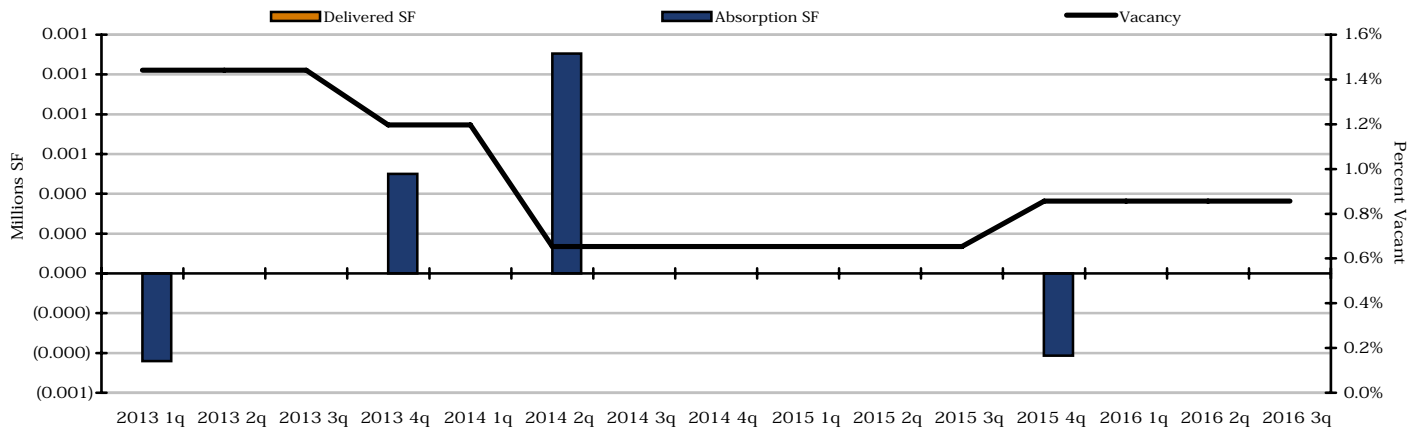
# Duluth Office Market



## West End Market Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

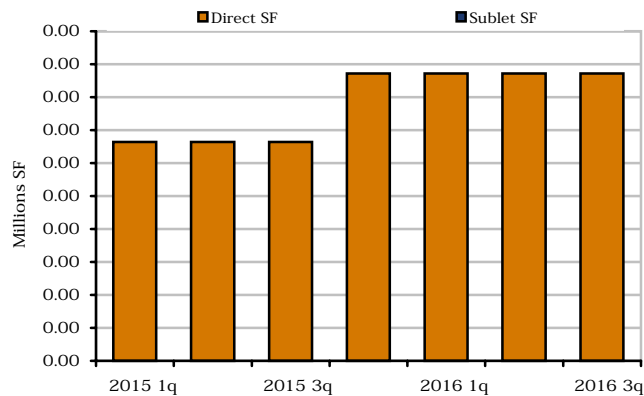
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

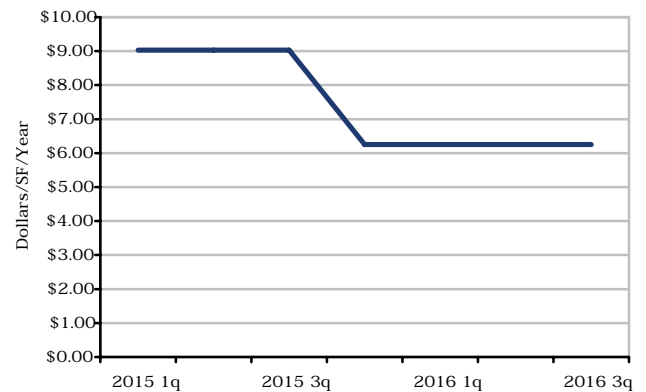
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 3q	24	203,488	1,743	0.9%	0	0	0	0	0	\$6.25
2016 2q	24	203,488	1,743	0.9%	0	0	0	0	0	\$6.25
2016 1q	24	203,488	1,743	0.9%	0	0	0	0	0	\$6.25
2015 4q	24	203,488	1,743	0.9%	(414)	0	0	0	0	\$6.25
2015 3q	24	203,488	1,329	0.7%	0	0	0	0	0	\$9.03
2015 2q	24	203,488	1,329	0.7%	0	0	0	0	0	\$9.03
2015 1q	24	203,488	1,329	0.7%	0	0	0	0	0	\$9.03
2014 4q	24	203,488	1,329	0.7%	0	0	0	0	0	\$6.25
2014 3q	24	203,488	1,329	0.7%	0	0	0	0	0	\$9.03
2014 2q	24	203,488	1,329	0.7%	1,105	0	0	0	0	\$9.03
2014 1q	24	203,488	2,434	1.2%	0	0	0	0	0	\$9.03
2013 4q	24	203,488	2,434	1.2%	500	0	0	0	0	\$6.25
2013 3q	24	203,488	2,934	1.4%	0	0	0	0	0	\$9.03
2013 2q	24	203,488	2,934	1.4%	0	0	0	0	0	\$10.11
2013 1q	24	203,488	2,934	1.4%	(441)	0	0	0	0	\$10.11
2012 4q	24	203,488	2,493	1.2%	0	0	0	0	0	\$15.21

Source: CoStar Property®