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Real Estate Brief

VOLUME ONE

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Office Vacancy Highest In Decade

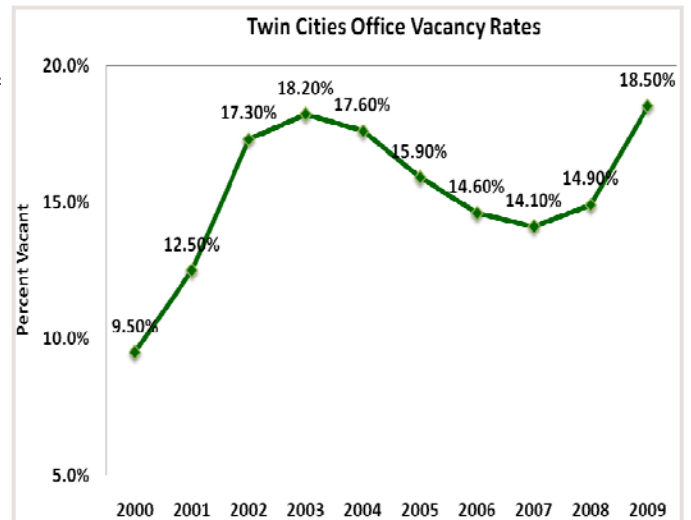
With the highest vacancy rate in over a decade at 18.5%, the Twin Cities office market appears to have peaked less than .5% above that of 2003 (18.2%). Without question, from 2000 to 2003, the increase in vacancy was the direct result of new construction, which added over twelve million square feet of available space; increasing the market by twenty percent.

By contrast, 2009 saw only three new office buildings adding just over 400,000 SF to the market. More importantly, the current availability of multi-tenant office space in the Twin Cities metro area should remain at 77 million square feet through 2010 with no new projects currently under construction.

Although high, the current vacancy rate is not unmanageable. Office vacancy throughout the decade ranged from a low of 9.5% in 2000 to the current high of 18.5%. The average vacancy rate was 15.3%.

Negative absorption hit the market hard in 2009 with 1.6M square feet. Nevertheless, it remained 25% less than the level reached in 2003, (2.1M square feet).

More importantly, the vacancy rate for Class A office space in the Minneapolis CBD, the Twin Cities largest and most significant submarket, is only 12.6%, remaining virtually unchanged from 2008.



Source: 2009 NAIOP Office Market Report

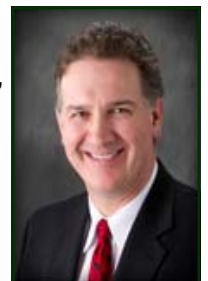
Agent Perspective

A Hint of Recovery?

“How’s the real estate market?” From the start of the recession through 2008, commercial real estate activity was almost non-existent.

Fortunately, activity rebounded slightly in late 2009. Although deals were still scarce, some transactions were completed. Owners began accepting offers that they would not have considered twelve months earlier. Listing prices fell nearly one third. Lease rates dropped as well, as landlords were again offering concessions such as free rent and larger build-out allowances.

Currently, the overall market appears to be improving for 2010. Although vacancies remain high and absorption is still negative, we are beginning to see growth. Leasing activity is up in both the office and industrial sectors. Sublease space is decreasing. Investment capital is coming back into the market. Though not a full blown recovery, we are starting to see evidence that the market may be making a comeback.



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Commercial Team



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Commercial Real Estate Services

Gaughan Companies is a locally owned commercial real estate firm established in 1969 and continues to grow and expand services to satisfy clients' commercial real estate needs.

We provide valuable services and solutions that create value for our clients. Our real estate experts have the insight to provide the right strategy to meet your real estate needs. Our brokerage model owes its success to the individuals who offer a strong platform that focuses on the needs of the client first.

Our wide range of services includes brokerage, development, investment sales, property management, maintenance, and tenant improvement construction services.

"We have a culture built on a foundation of respect, integrity, service and excellence."

- Patrick Gaughan

Congratulations



Congratulations to Tavern Grill on their new location at Club West Plaza in Blaine. Hemisphere Group, doing business as the Tavern Grill, also owns and operates The Mission, Tavern on France, Atlas Grill, and Flame. The brokers who were involved and completed the transaction were Jerry Vlainick from Hospitality Consulting Services and Dan



Congratulations to Sullivan Cotter and Associates on their new office headquarters at Wells Fargo Center in downtown Minneapolis. Sullivan Cotter is a national consulting firm with offices throughout the country. They specialize in executive, physician and employee compensation. Lou Suski of Gaughan Companies represented Sullivan Cotter in their search for space and lease negotiations.



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