



**GAUGHAN
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Real Estate Brief

VOLUME TWO

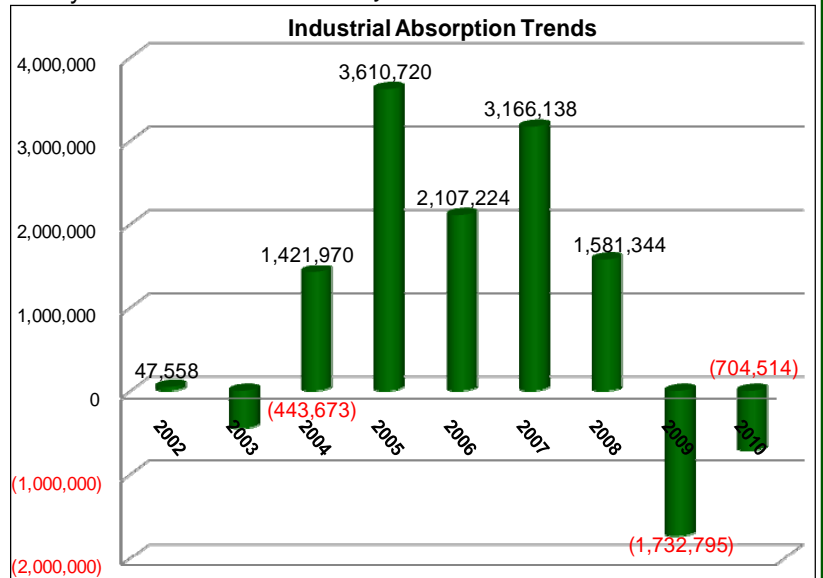
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Diversity Leads to Stability

Vacancy rates continue to climb as two consecutive years of negative absorption mitigate the small amount of user demand that exists within the marketplace. The average industrial vacancy rate is currently 13.1%, up from 12.5% in 2009. This rate is only slightly higher than the nine year average total market industrial vacancy rate of 12.9%.

Here in the Midwest, we tend to take a more conservative approach that provides for greater stability. We are fortunate to have a diverse business base with many viable segments to drive our economy forward. As a result, our market typically doesn't experience the dramatic swings that are seen in other parts of the country. Minnesota is home to more than 500 medical companies and health care organizations.

Most of these businesses are located in a geographic swath known as "The Medical Alley", which starts in Duluth and cuts through the Twin Cities area down to Rochester. This sector represents a \$7 billion industry in Minnesota and is still growing faster than any other segment of the economy.



Source: 2010 NAIOP Industrial Update

Agent Perspective

Industrial Wrestling Match – Dollars Vs. Demand

It should come as no surprise that the industrial market, like other commercial real estate segments, has taken a palpable hit in the recent past. After 5 consecutive years of positive absorption, we are looking at our second year in a row of negative absorption, with over 704,000 SF coming back to the market.

In a typical year, our market would see 20 to 27 projects under construction or planned. This year we find a meager nine new projects on the boards. This can be attributed to two primary factors; dollars and demand.

Dollars: Although interest rates remain historically low, many banks have taken a hit and are operating under caution, increased scrutiny and regulation. This is making new project financing difficult if not impossible to obtain. For those lucky enough to have cash, it feels good in one's pocket and will remain there until the market bottoms out.

Demand: The manufacturing sector is one of the strongest segments of our sluggish economy. Unfortunately we are a service economy and manufacturing represents only a tiny portion of the overall economy and is nowhere close to generating the number of jobs that would be required to warrant increased development activity. In addition to this, many organizations have surplus space that they don't need. Until this space is filled with people or products, demand will lag.



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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 Affinity Medical Technology on their 4,000 SF location at Chisago Industrial Park. The brokers who assisted in the completion of this transaction were Julie Nash Smith and Lou Suski from Gaughan Companies.



Congratulations to Verizon Wireless on their new 1,250 SF location at Brinks Retail Center located at 11506 Brink Avenue, Chisago City. The brokers who assisted in the completion of this transaction were George Bestrom from George Bestrom & Associates, Inc. and George and Mandy Novak from Gaughan Companies.



Congratulations to Primerica Financial Services on their 900 SF location at 199 Building in Coon Rapids. Julie Nash Smith from Gaughan Companies assisted in the completion of this transaction.



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