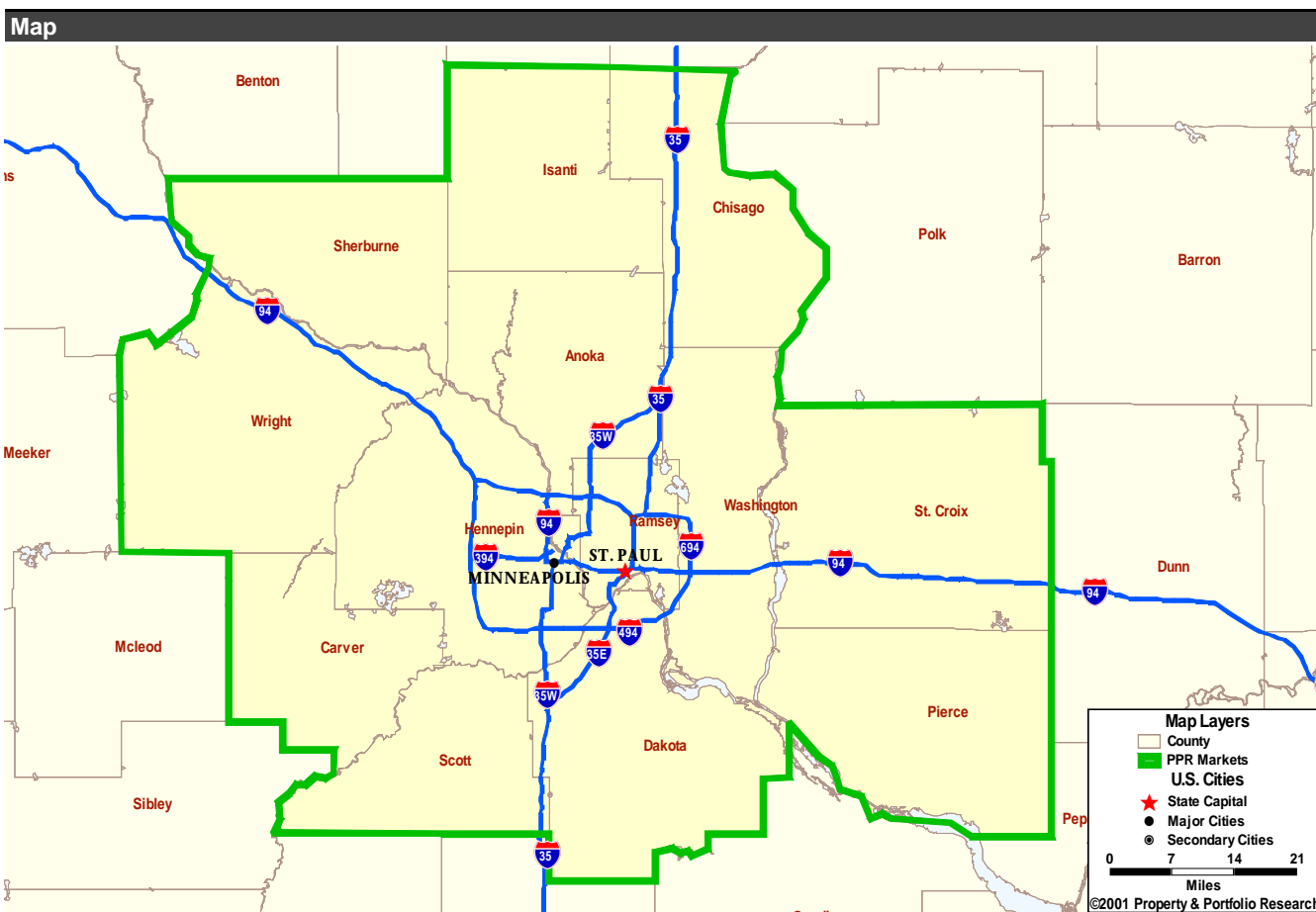


MINNEAPOLIS

Overview



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*				Net New Supply (000SF)**				Net Absorption (000SF)**			
Apartment	↑	3.1%			↓	3,324			↓	-122		
	1.6%		6.6%	937		9,734	-122				7,644	
	00:4		91:2	92:4		86:4	02:1				86:4	
Office	↑	14.0%			↓	3,679			↓	-1,713		
	5.7%		20.7%	66		5,830	-1,713				5,472	
	98:2		89:1	93:4		87:3	02:1				87:2	
Retail	↑	10.4%			↑	2,131			↓	-607		
	7.2%		18.1%	728		3,683	-1,117				5,138	
	00:3		82:2	94:3		91:3	82:1				00:1	
Warehouse	↑	12.3%			↓	1,818			↓	-195		
	5.5%		12.3%	461		3,448	-195				4,297	
	82:1		02:1	93:3		88:2	02:1				88:4	
Hotel	↓	60.9%			↓	1,022			↓	-1,715		
	72.1%		59.5%	-93		2,598	-1,715				1,694	
	95:1		88:2	93:4		83:1	02:1				92:3	

*Occupancy for Hotels

**Apartment and Hotel data are in units.

MINNEAPOLIS

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON** – Total employment continues to contract at an above-average rate in Minneapolis. **The metro shed nearly 23,000 jobs** during the year ending in March. **Backbreaking cuts in the manufacturing sector were responsible for almost half of these losses** as firms such as 3M, ADC, and Honeywell trimmed payrolls during the period. **The TCPU sector has also endured severe losses** led by layoffs at Qwest, which will cut another 2,000 employees companywide this year in addition to 11,000 last year. While FIRE sector employers have not been immune to the slowdown, and some, such as American Express, have cut jobs recently, **on net, firms such as Wells Fargo, U.S. Bancorp, and even American Express were contributing to mildly positive growth** in the sector of 0.3% as of March. The unemployment rate rose to 4.3%, more than one percentage point higher than the average rate last year. **Population growth is expected to match the national average over the forecast.**
- **APT** – **Apartment vacancies have been rising**, but this market continues to perform extremely well as strong net in-migration and relatively moderate construction activity (in comparison to the late 1980s boom) have kept fundamentals stable. **Recent apartment-renting household growth has been robust**, posting a pace of more than 1% annually over the last three years versus slight declines at the national level. Construction activity has eased, but **high-growth communities such as Plymouth continue to attract new interest**, with JPI underway on its 301-unit Jefferson at Plymouth and the Sand Co.'s 318-unit Shadow Hills under construction. **New legislation will lower the metro's oppressive property tax on apartment buildings by 25% this year**, perhaps attracting a new wave of developer interest. **Vacancies are expected to tighten to below 3% levels** late in the forecast as the local economy recovers.
- **OFF** – The local office market has been embattled by new construction since vacancies bottomed out in the mid-1990s. Unlike most other office markets, where the major story is tenants cutting back on space, in Minneapolis, **build-to-suit construction has overwhelmingly contributed to rising vacancies**. Current conditions have undoubtedly been exacerbated by the weak economy, however, as employers engaged in new construction, such as ADC and American Express, **have found they need less space than anticipated**. Among the larger projects to complete recently were one million SF+ build-to-suits for American Express and Target in the CBD, while Best Buy is underway with a 1.5 million SF complex in Richfield and Wells Fargo is constructing a 400,000 SF operations center in Shoreview. **Vacancies are expected to remain in the mid-teens next year**, as large amounts of backfill space continue to hit the market.
- **RET** – Weaker consumer confidence and recent job losses have translated into **higher economic vacancies in the local retail market**. Additionally, **the drop in tourism post-September 11th has not gone unnoticed** at the Mall of America. New construction has remained steady as **strong residential growth in the northwestern and southwestern suburbs has attracted retailers**. Target is expanding rapidly here (its home market) and the discount retailer's 206,000 SF store in the CBD is one of the highest profile projects to complete recently. **Developers have stepped forward with a myriad of proposals**, including Rouse Development's 750,000 SF regional mall in Maple Grove, Continental Development Group's 400,000 SF National Market Center in Blaine, and Mills Corp.'s 1.4 million SF Arden Hills TownScape.
- **WHS** – Vacancies have climbed to historical highs due to the release of **as much as two million SF of sublease space**, primarily in the Northwest and Southwest submarkets. Further downgrading fundamentals is the possibility that Kmart could vacate its one million SF facility in Shakopee. Fingerhut's facility north of the metro in St. Cloud may also come on the market soon. With demand for its products dried up, **ADC is shedding space in the Southwestern submarket**, a dramatic turnaround from its now-abandoned expansion plans. One of the few boons to the market in recent quarters was ConAgra's 232,000 SF lease in Shakopee.
- **HOT** – **Hotel occupancies continue to fall this year** as demand from both business travelers and tourists has dropped off. Completions are easing from last year's level of nearly 1,200 rooms. **Lower occupancies have prevented a number of projects from getting out of the ground.**

Demographic Trends

Category	2002*		Annual Growth Rates					
	Market	U.S.	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Population	3,053	288,644	1.5%	1.0%	1.5%	1.2%	0.9%	0.9%
Households	1,167	107,714	1.9%	1.3%	1.6%	1.3%	1.0%	1.0%
Median Household Income	\$67,013	\$44,333	4.1%	4.4%	6.2%	3.7%	3.1%	3.1%
Apartment-Renting Households	316	35,788	3.6%	1.7%	0.0%	0.5%	1.2%	1.0%
Real Retail Sales Per Capita	\$5,188	\$4,518	1.8%	1.4%	1.3%	1.7%	1.5%	1.7%

Employment Trends

SIC Category	2002*		Annual Growth Rates					
	Employment	Location Quotient	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Total Services	527	1.0	4.3%	4.3%	3.3%	3.7%	2.6%	2.5%
Business Services	139	1.1	6.7%	6.6%	5.5%	6.2%	3.1%	3.0%
Other Services	388	0.9	3.7%	3.8%	2.6%	3.0%	2.4%	2.4%
Retail Trade	306	1.0	2.4%	2.5%	2.3%	2.0%	0.9%	1.6%
Government	239	0.9	2.2%	1.6%	2.0%	1.3%	0.7%	0.7%
Manufacturing	261	1.2	0.6%	-0.6%	0.1%	-0.6%	0.6%	0.1%
F.I.R.E.	130	1.3	3.2%	2.2%	2.8%	1.5%	0.7%	0.9%
Wholesale Trade	103	1.1	1.5%	1.3%	1.7%	1.4%	1.7%	1.2%
Trans., Comm., Util.	89	1.0	2.4%	1.1%	1.4%	2.0%	0.7%	1.1%
Construction	82	0.9	2.3%	1.4%	5.5%	4.2%	0.8%	0.3%
Mining	0	0.0	#DIV/0!	-6.0%	#DIV/0!	-1.6%	NA	-1.1%
Total Employment	1,737	1.0	2.5%	1.9%	2.2%	2.0%	1.4%	1.4%
Office-Using Employment	438	1.1	3.9%	3.0%	3.2%	2.9%	1.8%	1.9%
Trucking/Warehouse Employment	122	1.0	1.5%	1.5%	2.0%	1.7%	1.6%	1.2%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

Employment Growth 3/02	Labor Force Growth 3/02	Unemployment Rate 3/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100)	
					Business	Living
-1.3%	1.2%	4.3%	0.9	10.0	103	104

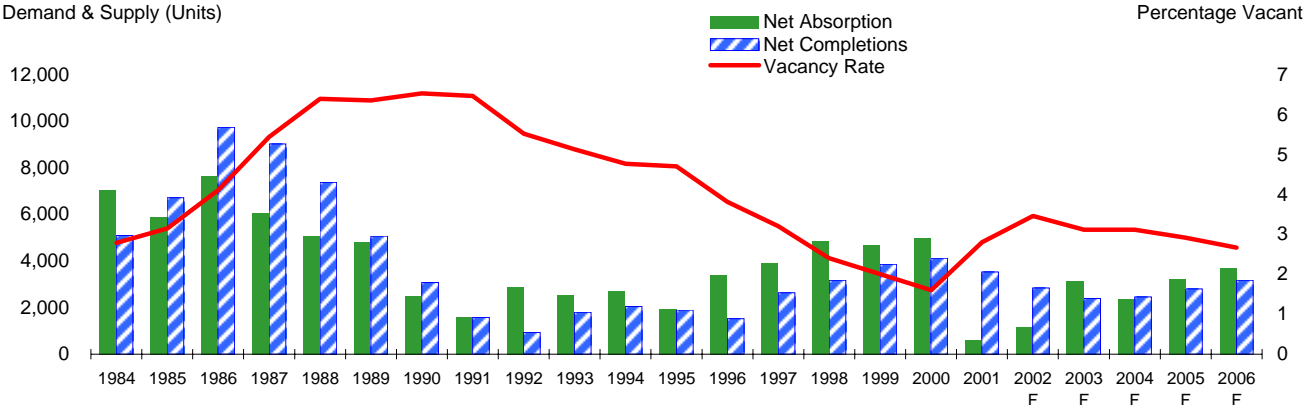
Sources: PPR; Economy.com

MINNEAPOLIS

Apartment

Supply, Demand, and Vacancy

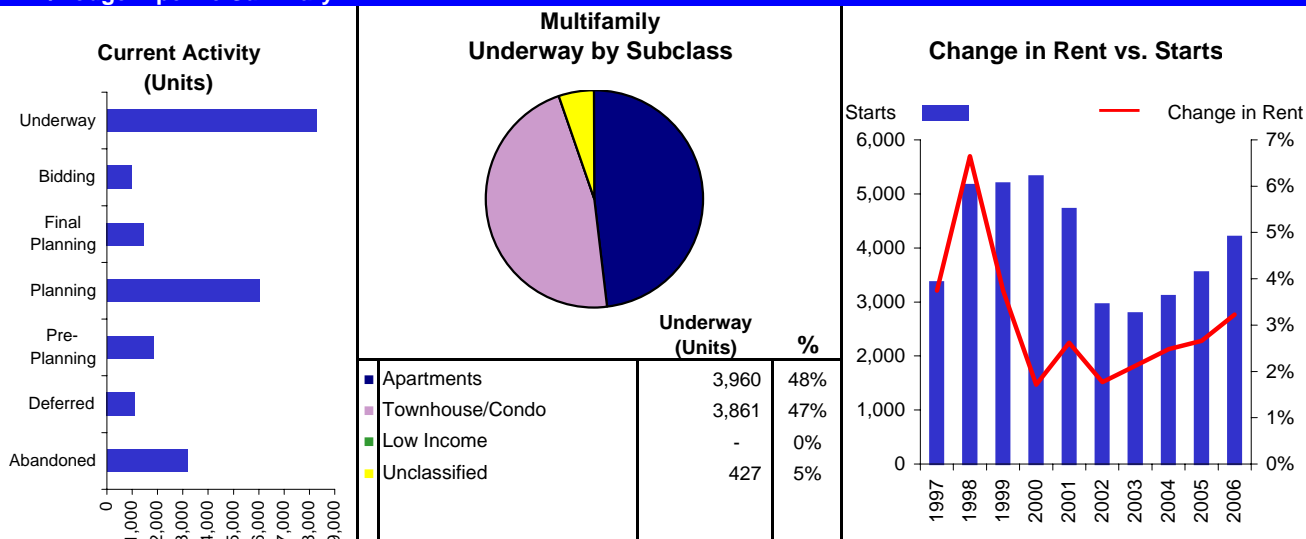
Demand & Supply (Units)



Apartment Market Statistics (Units)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apt. Vacancy	3.2%	2.4%	2.0%	1.6%	2.8%	3.5%	3.1%	3.1%	2.9%	2.7%
Apt. Net Absorption	3,896	4,880	4,678	4,972	622	1,183	3,133	2,386	3,215	3,699
% Growth	1.8%	2.3%	2.1%	2.2%	0.3%	0.5%	1.4%	1.0%	1.4%	1.5%
Multifamily Starts	3,362	5,162	5,192	5,323	4,718	2,954	2,791	3,109	3,545	4,205
% Change	43.1%	53.5%	0.6%	2.5%	-11.4%	-37.4%	-5.5%	11.4%	14.0%	18.6%
Net Apt. Completions	2,635	3,178	3,853	4,121	3,522	2,843	2,383	2,458	2,804	3,178
Apt. Inventory	222,329	225,506	229,359	233,480	237,002	239,845	242,228	244,686	247,490	250,668
% Growth	1.2%	1.4%	1.7%	1.8%	1.5%	1.2%	1.0%	1.0%	1.1%	1.3%
Apt. Rent Index	104	111	115	117	120	122	125	128	131	135
% Change	3.7%	6.6%	3.7%	1.7%	2.6%	1.8%	2.1%	2.5%	2.7%	3.2%

PPR/Dodge Pipeline Summary



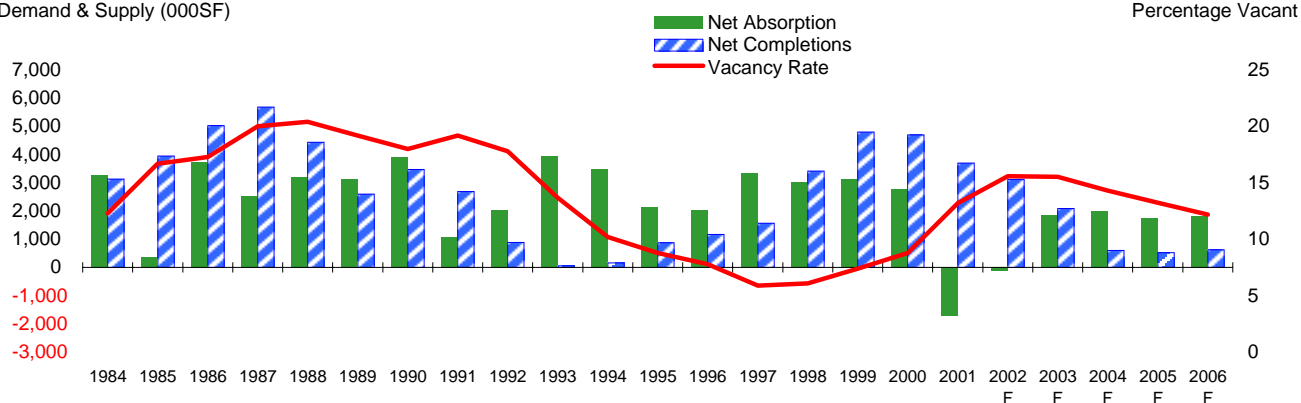
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

MINNEAPOLIS

Office

Supply, Demand, and Vacancy

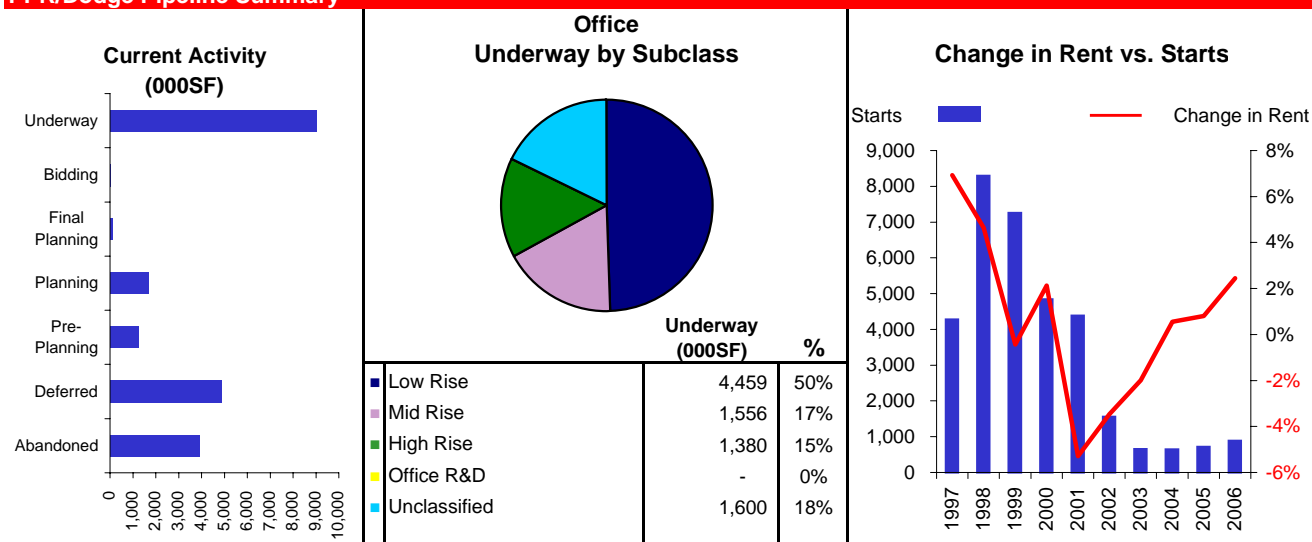
Demand & Supply (000SF)



Office Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	5.9%	6.1%	7.4%	8.8%	13.2%	15.6%	15.5%	14.3%	13.2%	12.2%
Net Absorption	3,324	3,015	3,117	2,783	-1,699	-118	1,843	1,985	1,744	1,831
% Growth	3.7%	3.2%	3.2%	2.8%	-1.7%	-0.1%	1.8%	1.9%	1.7%	1.7%
Starts	4,278	8,296	7,260	4,843	4,384	1,558	653	641	714	886
% Change	102.1%	93.9%	-12.5%	-33.3%	-9.5%	-64.5%	-58.1%	-1.8%	11.3%	24.2%
Net Completions	1,569	3,421	4,802	4,695	3,706	3,123	2,090	604	525	627
Inventory	98,816	102,237	107,039	111,734	115,440	118,563	120,654	121,258	121,783	122,410
% Growth	1.6%	3.5%	4.7%	4.4%	3.3%	2.7%	1.8%	0.5%	0.4%	0.5%
Rent Index	107	112	111	114	108	104	102	103	103	106
% Change	6.9%	4.6%	-0.4%	2.1%	-5.3%	-3.5%	-2.0%	0.6%	0.8%	2.4%

PPR/Dodge Pipeline Summary



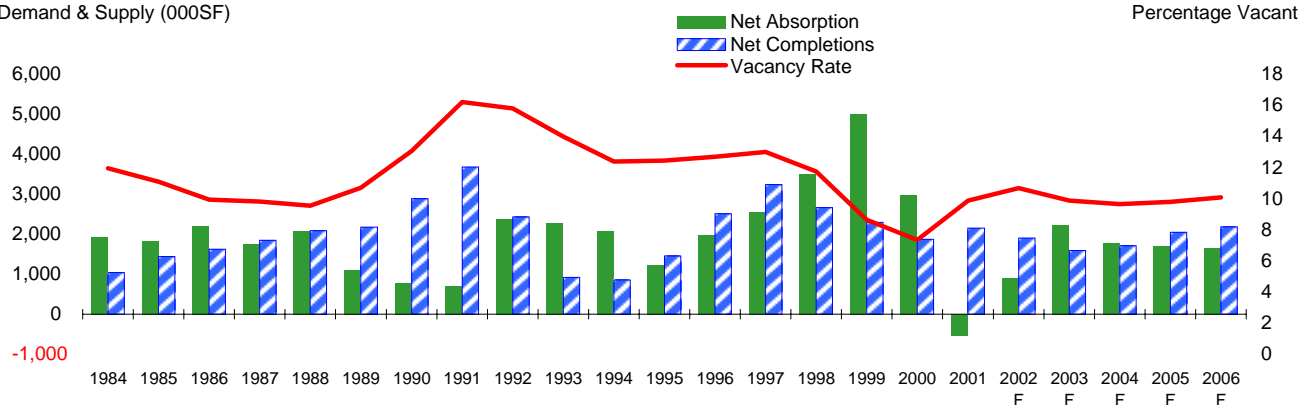
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

MINNEAPOLIS

Retail

Supply, Demand, and Vacancy

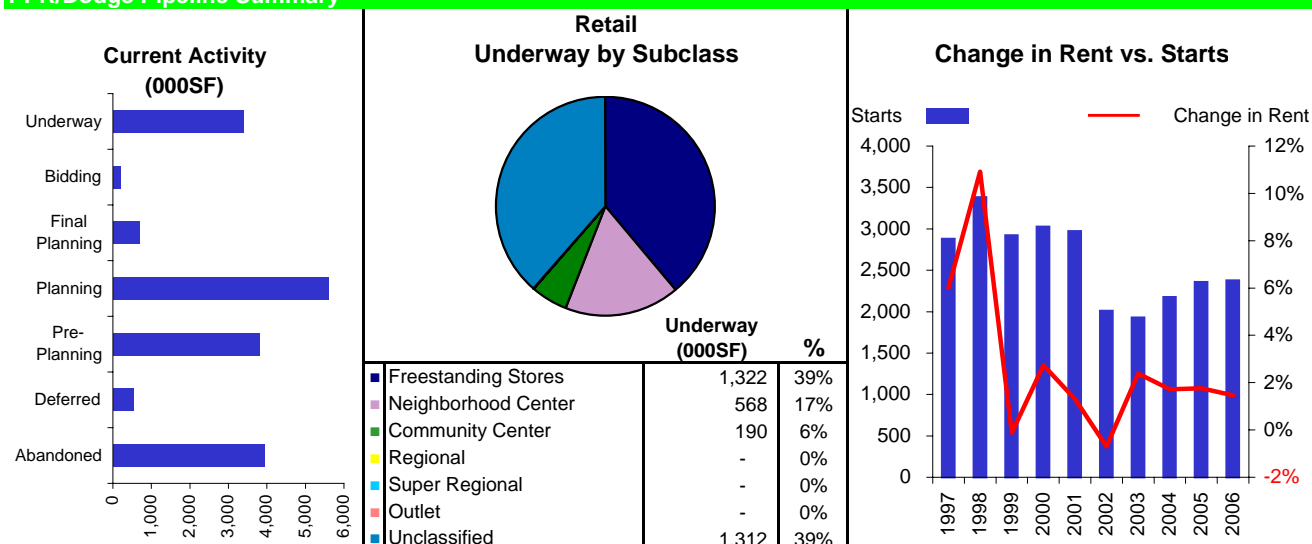
Demand & Supply (000SF)



Retail Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	13.0%	11.7%	8.6%	7.3%	9.9%	10.7%	9.9%	9.7%	9.8%	10.1%
Net Absorption	2,548	3,499	5,015	2,967	-539	915	2,237	1,785	1,700	1,646
% Growth	3.3%	4.4%	6.1%	3.4%	-0.6%	1.0%	2.5%	1.9%	1.8%	1.7%
Starts	2,878	3,383	2,922	3,028	2,973	2,010	1,927	2,174	2,359	2,378
% Change	-31.0%	17.5%	-13.6%	3.6%	-1.8%	-32.4%	-4.2%	12.9%	8.5%	0.8%
Net Completions	3,240	2,661	2,300	1,874	2,156	1,902	1,589	1,714	2,048	2,183
Inventory	91,123	93,784	96,084	97,958	100,114	102,016	103,605	105,320	107,367	109,551
% Growth	3.7%	2.9%	2.5%	2.0%	2.2%	1.9%	1.6%	1.7%	1.9%	2.0%
Rent Index	106	118	117	121	122	121	124	126	129	131
% Change	6.0%	10.9%	-0.1%	2.7%	1.3%	-0.7%	2.4%	1.7%	1.8%	1.5%

PPR/Dodge Pipeline Summary



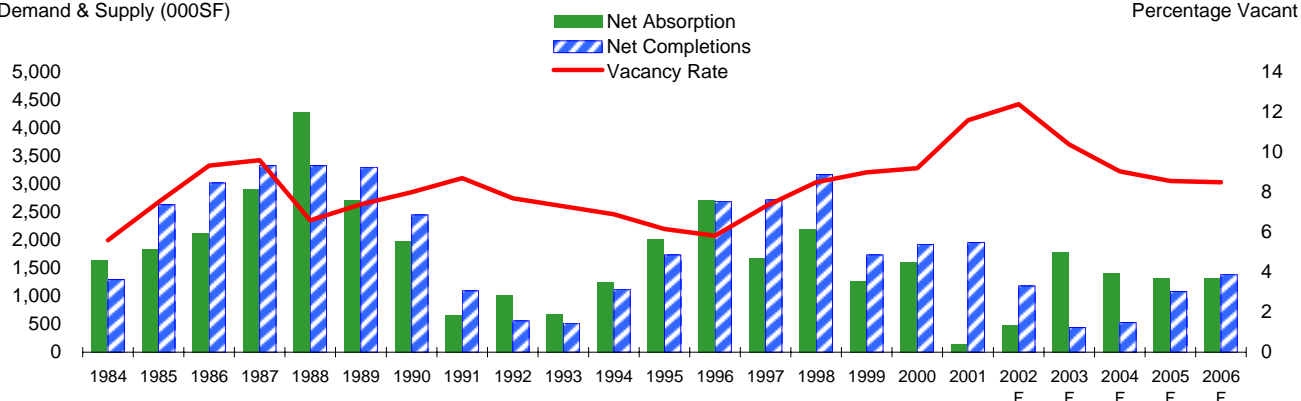
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

MINNEAPOLIS

Warehouse

Supply, Demand, and Vacancy

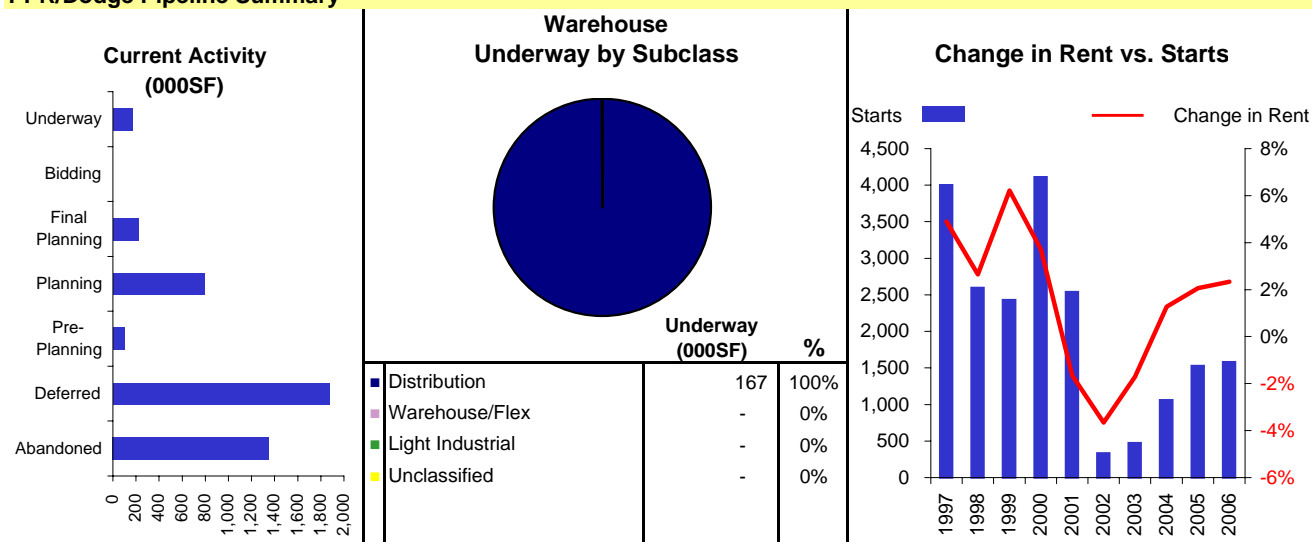
Demand & Supply (000SF)



Warehouse Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	7.3%	8.5%	9.0%	9.2%	11.6%	12.4%	10.4%	9.0%	8.6%	8.5%
Net Absorption	1,688	2,193	1,268	1,619	150	491	1,796	1,415	1,330	1,320
% Growth	3.2%	4.0%	2.2%	2.8%	0.3%	0.8%	3.0%	2.3%	2.1%	2.0%
Starts	4,002	2,594	2,431	4,111	2,538	331	474	1,061	1,526	1,579
% Change	53.3%	-35.2%	-6.3%	69.1%	-38.3%	-86.9%	43.0%	123.8%	43.9%	3.5%
Net Completions	2,721	3,172	1,736	1,924	1,960	1,185	441	531	1,087	1,394
Inventory	59,092	62,264	64,000	65,924	67,884	69,069	69,510	70,041	71,128	72,522
% Growth	4.8%	5.4%	2.8%	3.0%	3.0%	1.7%	0.6%	0.8%	1.6%	2.0%
Rent Index	105	108	114	119	117	112	110	112	114	117
% Change	4.9%	2.6%	6.2%	3.7%	-1.7%	-3.7%	-1.7%	1.3%	2.1%	2.3%

PPR/Dodge Pipeline Summary

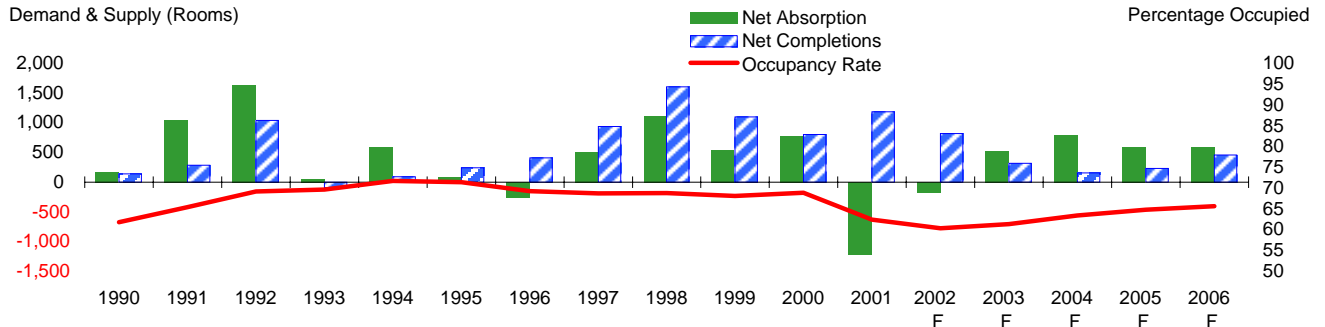


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

MINNEAPOLIS

Hotel

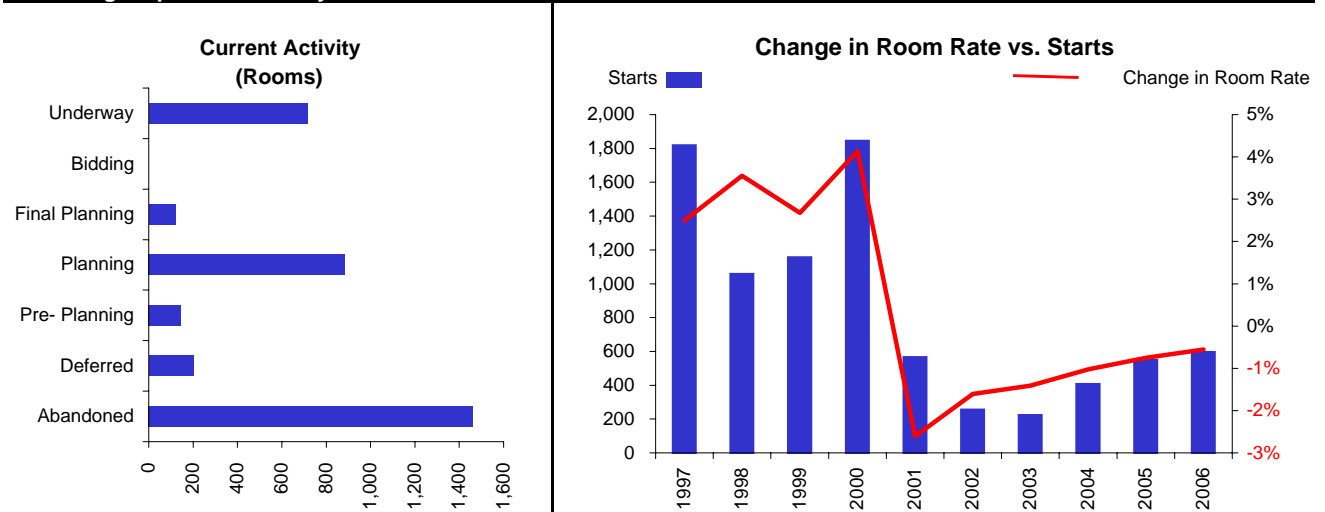
Supply, Demand, and Occupancy



Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	68.8%	68.8%	68.1%	68.9%	62.4%	60.3%	61.3%	63.4%	64.8%	65.7%
Net Absorption	510	1,115	547	782	-1,221	-168	528	788	593	594
% Growth	2.8%	6.0%	2.8%	3.9%	-5.8%	-0.9%	2.7%	3.9%	2.8%	2.8%
Starts	1,818	1,057	1,156	1,844	566	256	223	406	549	596
% Change	96.1%	-41.9%	9.4%	59.5%	-69.3%	-54.8%	-12.9%	82.1%	35.2%	8.6%
Net Completions	940	1,606	1,101	804	1,188	820	316	155	232	460
Inventory	26,875	28,481	29,582	30,386	31,574	32,394	32,710	32,865	33,097	33,557
% Growth	3.6%	6.0%	3.9%	2.7%	3.9%	2.6%	1.0%	0.5%	0.7%	1.4%
Room Rate Index	102	106	109	113	111	109	107	106	105	105
% Change	2.5%	3.6%	2.7%	4.1%	-2.6%	-1.6%	-1.4%	-1.0%	-0.8%	-0.6%
RevPar Index	99	102	106	111	90	88	90	93	94	95
% Change	-1.2%	3.7%	3.3%	4.7%	-18.7%	-1.8%	2.3%	2.4%	1.2%	1.1%

PPR/Dodge Pipeline Summary

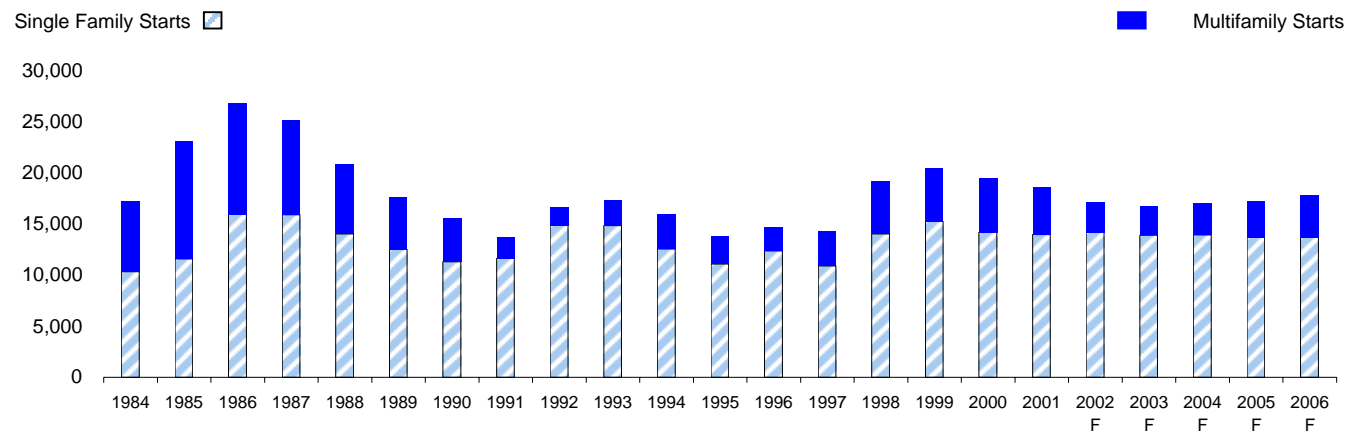


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

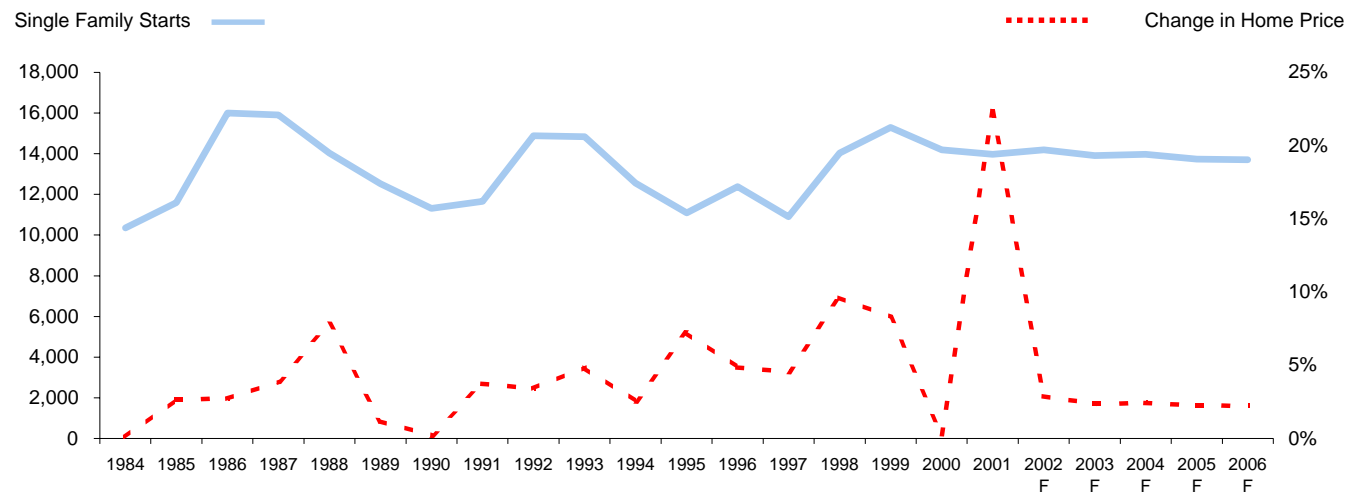
MINNEAPOLIS

Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Starts	10,902	14,032	15,295	14,191	13,976	14,194	13,912	13,965	13,731	13,710
% Change	-12.0%	28.7%	9.0%	-7.2%	-1.5%	1.6%	-2.0%	0.4%	-1.7%	-0.2%
Completions	11,167	12,562	15,299	14,853	13,606	14,301	13,976	13,944	13,833	13,688

Apartment Market Statistics

Multifamily Starts	3,362	5,162	5,192	5,323	4,718	2,954	2,791	3,109	3,545	4,205
% Change	43.1%	53.5%	0.6%	2.5%	-11.4%	-37.4%	-5.5%	11.4%	14.0%	18.6%
Apartment Completions	2,635	3,178	3,853	4,121	3,522	2,843	2,383	2,458	2,804	3,178

Sources: PPR; McGraw-Hill Construction - Dodge

MINNEAPOLIS

Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
West Side Flats	Bordered by Plato Blvd, and Robert & Washaba Sts., St. Paul St. Paul CBD	900	Planned	6/02	12/06
Stoneleigh at The Reserve	I-494 and Schmitt Lake Road, Plymouth Northwest	361	Underway	12/01	9/03
Park Commons East (aka Excelsior and Grand)	Excelsior Blvd., St. Louis Park East	350	Planned		
Upper Landing (rental units)	In downtown St. Paul, bordered by Chestnut St/High Bridge/Shepherd St. St. Paul CBD	330	Planned	9/01	3/02
Shadow Hills	Hwy 169 and 45 Ave N, Plymouth Northwest	318	Underway		8/02
Jefferson at Plymouth	NE Corner of Cty Rd. 10 and Quinwood Lane, Plymouth, Plymouth Northwest	301	Underway	12/01	12/02
Southwest Metro Transit Project	Eden Prairie, Eden Prairie Southwest	264	Proposed		
Heritage Park Phase I	Near North Side Minneapolis	232	Underway		10/02
The Preserve at Commerce	Rogers West	192	Completed	12/00	12/01
Lincoln Parc	Near I-494 and Hwy. 212, Eden Prairie, Eden Prairie Southwest	186	Underway	6/00	9/02

MINNEAPOLIS

Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Best Buy HQ Tenants: Best Buy	I-494 and Penn Ave, Richfield Southwest	1,500	Underway	6/01	3/03
American Express II Tenants: American Express	10th St. and 3d Ave. S., Minneapolis Minn CBD	1,300	Completed		3/02
Target Plaza South/1000 Nicollet Mall Tenants: new HQ for Target	11th St. and Nicollet Mall Minn CBD	1,200	Completed		3/02
50 South Sixth Street Tenants: Dorsey & Whitney, Fallon & McElligott	6th St. and Nicollet Mall, Minneapolis Minn CBD	675	Completed		9/01
ADC Telecomm. Campus - phase 1 Tenants: bts for ADC	Technology Drive, Eden Prairie Southwest	430	Completed	6/99	12/01
Wells Fargo Operations Center	Road J. Rice Creek Corporate Center, Shoreview Northeast	400	Underway		6/03
General Mills HQ expansion Tenants: General Mills	Expansion of current HQ in Golden Valley, Golden Valley West	385	Planned		9/03
Medica Headquarters Tenants: Medica	Hopkins West	320	Cancelled		
401 Carlson Parkway (spec-ph 2 of Carlson Pkwy) Tenants: Michael Foods	401 Carlson Parkway, Minnetonka West	217	Underway		12/02
301 Carlson Parkway (phase 1 of Carlson Parkway) Tenants: BORN, Provell and Carlson Real Estate Co	301 Carlson Pkwy., Minnetonka West	215	Completed		6/00

MINNEAPOLIS

Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Mall of America expansion	Bloomington, Bloomington Southwest	2,000	Planned	3/03	3/05
Arden Hills TownScape	Twin Cities Army Ammunition Plant - Arden Hills North	1,400	Proposed		
Regional Mall	SE Corner of I-94 and Hwy 610, Maple Grove Northwest	750	Proposed		6/04
Tenants: Nordstrom and Marshall Field's have agreed to build stores here					
Riverdale Village Shopping Center	Int. of Hwy 10, Round Lake Blvd and Main St, Coon Rapids North	590	Underway		12/02
Tenants: Kohl's, Jo-Ann Etc., Linens 'N Things, and Old Navy					
TimberCrest (anchored by Super Target)	I-35/185th interchange. north of 185th Street, Lakeville Southwest	550	Planned		
Tenants: SuperTarget					
The Village at Blaine	35 W and Lexington Ave/109th St., Blaine, Anoka Co North	500	Completed		12/01
Tenants: Home Depot, Cub Foods, Wal-Mart					
Arbor Lakes Complex Phase 2	Maple Grove, Arbor Lakes Northwest	411	Planned		12/02
National Market Center	adjacent to National Sports Center in Blaine, Anoka County North	400	Proposed	12/02	
Lino Lakes Town Center	I-35 and Lake Drive in Lino Lakes, Anoka North	300	Underway		9/02
Tenants: SuperTarget and Kohl's					
Target Store	900 Nicollet Mall Minn CBD	206	Completed	6/00	9/01
Tenants: Target					

MINNEAPOLIS

Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Opus Rogers Industrial Pk. Prjct	South Diamond Lake Road, Rogers Industrial Park, Rogers Northwest	450	Planned		
610 Business Center	Hwy 169 and Hwy 610, Brooklyn Park	448	Planned		
Minnesota Valley Distribution Center III	Shakopee, Shakopee Southwest	232	Completed		1/01
Tenants: ConAgra					
Eagan Pointe Business Center	3169 Dodd Road in Eagan Pointe Bus. Center, Eagan Southeast	128	Completed	3/01	10/01
Tenants: EGL Eagle Global Logistics					
Spectrum Commerce Center Phase I	Eagan, Eagan Southeast	127	Completed		12/01
Tenants: Pan An International Flight Academy					

MINNEAPOLIS

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Westin Hotel with Swimming Pool	Near Mall of America, Minneapolis Hennepin	684	Planning		
Spirit Mountain - Hotel/Indoor Pool/Theater/Ballroom	Nicollet Ave between Hwy 13, Burnsville Dakota	500	Proposed		
Eagan Oakview Center Mixed-Use Development (Master Report)	SE Corner of Lone Oak Rd &, Eagan Dakota	256	Planning		
Minneapolis Lifestyle Center Mixed-Use	Hennepin Ave and 1st Ave, Minneapolis Hennepin	255	Underway	12/00	11/02
Courtyards by Marriott Hotel	225 South 3rd Ave., Minneapolis Hennepin	227	Completed	4/00	7/01
Blaine Hotel/Motel Development	9150 Central Ave NE, Blaine Anoka	144	Proposed		
Hilton Garden Inn/Indoor Swimming Pool	Bass Lake Road & Hwy 10, Maple Grove Hennepin	120	Planning	4/02	
Extended Stay America Efficiency Studios	4700 W 78th St, Bloomington Hennepin	118	Cancelled		
Wingate Hotel/Indoor Pool/Restaurant	7900 & 8000 Mitchell Rd, Eden Prairie Hennepin	100	Cancelled		
Decathlon Hotel	1700 E 79th St, Bloomington Hennepin	94	Deferred		