



Introduction

A city that means business

What's for lunch? Where are we going for happy hour?

Two of the staple questions in most offices have no shortage of answers in Saint Paul. In the past year or so alone, about a dozen new restaurants have opened in Saint Paul. Two of the best-known newcomers are just north of Mears Park — Barrio, which opened in June 2009, and next door to it The Bulldog, which debuted last fall. Other great downtown area openings/reopenings include American Burger Bar, Camp, LoTo Life Café, Meritage, Ruam Mit, Rumours/Innuendo, Sawatdee, and Señor Wong.

The city is also home to some of the Twin Cities' most acclaimed establishments — by critics and the general public alike. In *Mpls/St. Paul Magazine's* March 2009 readers' poll, the top overall vote-getters in the metro area were The Saint Paul Grill in first and Kincaid's in second; Pazzaluna came in seventh. The magazine's "Best of the Twin Cities" edition in December 2008 included The Saint Paul Grill, The Strip Club Meat & Fish, W.A. Frost, Casper's and Runyon's Nook, and Little Szechuan — all in Saint Paul.

What does this have to do with business or the state of Saint Paul's office market? Plenty.

"Even in a down economy, Saint Paul is moving forward with new companies and businesses, growing jobs in the city, and strengthening our reputation as a great place to work, live and play," said Saint Paul Mayor Chris Coleman. "With new, vibrant nightlife, beautiful parks, great events, and a first-class transportation system, Saint Paul is investing in the assets employees want and businesses seek as a good complement to prime office space."

This is not to say that Saint Paul bars, restaurants, and arts and culture organizations have not felt the effects of the 2008-2009 recession. But overall, there is reason for optimism in city mainstays and new introductions.

Minnesota Monthly's Dara Moskowitz Grundahl, likely the most well-known food critic in the region, has several Saint Paul favorites. Meritage, which opened downtown in late 2007, has a nicoise salad that she has called "the best that I know of" in her blog. In the magazine's November 2008 "Best restaurants" edition, Sakura (downtown) and Tanpopo (Lowertown) were named top Japanese restaurants in the cities.

To collaboratively promote Lowertown's restaurants and vibrant entertainment scene, some of the neighborhood establishments recently formed the nonprofit Lowertown Entertainment District (LED). LED will announce upcoming events, specials and promotions at www.lowertowned.com and through regular updates to its Facebook and Twitter followers.

Free time well-spent

Saint Paul may be Hockey Town USA, but it's also home to arts and cultural institutions and recreational opportunities that make it a good choice for any taste. Some of the best-known destinations are Xcel Energy Center, Science Museum of Minnesota, Children's Museum, Minnesota History Center, Ordway Center for the Performing Arts, Fitzgerald Theater, and exhibits at Landmark Center — plus outstanding architecture reaching from Summit Avenue to the Minnesota Capitol to the Gilbert Building (the latter two designed by famed architect Cass Gilbert).

Then there is the Saint Paul Chamber Orchestra, the nation's only full-time professional chamber orchestra and one of the best in the world. This year also marked the first time that the Minnesota Fringe Festival crossed the river to hold performances in Saint Paul.

"Having quality lunch, dinner and entertainment options to take clients and colleagues is very important to companies coming to and staying put in a city," said Eric Rapp, co-chair of the BOMA marketing and leasing committee. "Saint Paul is well-positioned thanks to award-winning restaurants, Minnesota Wild, Minnesota Swarm, Ordway Center, Science Museum of Minnesota, and other great destinations."

Saint Paul is also home to the Padelford Packet Boat Company on Harriet Island. In 2008, 92,000 passengers boarded Padelford boats to enjoy public and private tours of the Mississippi River. Neighboring the Padelford is the Boat Club on Raspberry Island, which has offered competitive and recreational rowing on the Mississippi River since 1870. Another neighbor is the Saint Paul Yacht Club on Harriet Island, which includes a 230-slip public marina and floating clubhouse.

Now, more than ever, is the time to discover and enjoy the many destinations in our own backyard. Whether it is a run at Harriet Island before work, a lunch close to the office, happy hour before the hockey game, or a trip back into downtown over the weekend for a show or museum visit, Saint Paul is a great place to be.





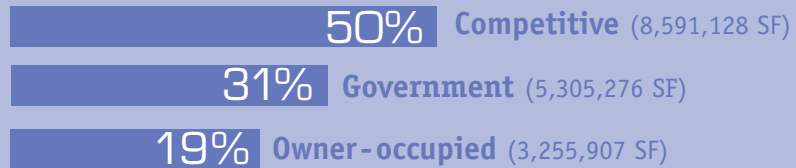
Highlights

of this Office Market Survey

- > Overall occupancy for Competitive, Government, and Owner-occupied office space remained at 90% from 2008 to 2009.
- > The Saint Paul Central Business District has 17,152,311 total square feet of Competitive, Government, and Owner-occupied office space. This is an increase of 49,574 square feet, or less than 1%, since 2008, but an increase of 1,494,490 square feet, or 9%, over the total universe in 2000.
- > The total universe of office space in the Central Business District consists of 50% Competitive space, 31% Government space, and 19% Owner-occupied space.
- > Absorption was 5,006 square feet for the total universe in 2009. Tracked for Competitive office space alone, absorption was <23,501>. Since 2000, the Saint Paul Central Business District has absorbed a net total of 1,046,866 square feet, which is an average of 104,687 square feet annually.
- > In Competitive office space from 2008 to 2009, Class A occupancy declined from 90.5% to 88.8%, Class B occupancy decreased very slightly from 80.2% to 80.0%, and Class C occupancy increased slightly from 63.0% to 63.9%.
- > Competitive office space in the Saint Paul Central Business District consists of 8.59 million square feet; 24.88% is Class A space, 60.75% is Class B space, and 14.37% is Class C space.
- > From 2000 to 2009 in the Saint Paul Central Business District:
 - Class A office space consists of six buildings and 2.14 million square feet, a decrease from 7 buildings and 2.46 million square feet in 2000. Class A space has decreased from 26.1% to 24.88% of total Competitive space during that time.
 - Class B office space includes 31 buildings and 5.22 million square feet, compared to 34 buildings and 5.56 million square feet in 2000. Class B space has increased from 59.0% to 60.75% of total Competitive space.
 - Class C space consists of 18 buildings and 1.23 million square feet. In 2000, there were 19 buildings and 1.41 million square feet, leading to a reduction in Class C space from 14.9% to 14.37% of the Competitive space total during that time.
- > No buildings were added to or removed from the total universe this year.
- > The most significant office market news for Saint Paul in the past year related to the leases of GovDelivery Inc. and Tecmark, which are reflected in this year's report, as well as the leases of AECOM, Cray Inc., Microsoft, and Southern Minnesota Regional Legal Services Inc., which will be included in the 2010 report.
- > Space available for sublease increased from 68,974 square feet in 2008 to 100,843 square feet in 2009.
- > Median gross rental rates increased in two of the three categories. The median rate for Class A space is \$25.16 per square foot (up \$2.13 since 2008), Class B space is \$17.40 (up \$0.40 since last year), and Class C space is steady at \$15.00. Numbers quoted are based on rentable square feet.
- > Comparisons are made between 2000 and 2009 statistics throughout this report, helping provide a 10-year analysis of changes and trends. In previous years' reports, the comparison was made to 1995, the first year that BOMA issued a Saint Paul Office Market Report.

TOTAL UNIVERSE

(17,152,311 SF)



In 2009, the total universe of office space in the Saint Paul Central Business District is 17,152,311 square feet, less than a 1% increase (or 49,574 square feet) since 2008. But today's total universe is an increase of more than 9% (or 1,494,490 square feet) over the total universe in 2000.

In the past year, a number of buildings reported adjustments to their total square footage figures.

TOTAL UNIVERSE HISTORIC COMPARISON

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Competitive	60%	58%	58%	56%	55%	56%	53%	50%	50%	50%
Owner-Occupied	14%	17%	17%	19%	18%	19%	18%	19%	19%	19%
Government	26%	25%	25%	25%	27%	25%	29%	31%	31%	31%
Total Square Feet (Million Sq.Ft.)	15.66	16.48	16.74	16.81	16.52	16.46	17.69	17.27	17.10	17.15

Total Universe



Overall Vacancy/Occupancy

SAINT PAUL FACT

In Mpls/St. Paul Magazine's August 2009 "Best Burgers" edition, St. Paul's own Bulldog, Meritage, the Nook, and The Strip Club made the list of top favorites.

Overall vacancy/occupancy statistics include Competitive office space, Government space, and Owner-occupied space. Government space and Owner-occupied space are considered occupied.

Vacancy for the total universe of office space in the Saint Paul Central Business District is 10%, the same as it was last year. The increase in vacant square feet — from 1,683,779 to 1,728,347 — did not result in a percentage change due to the increase in the total number of square feet in the overall universe.

Several buildings experienced changes in vacancy/occupancy, which are detailed in the competitive vacancy/occupancy section on pages 7-8.

OVERALL
VACANCY/
OCCUPANCY
(17,152,311 SF)



Competitive Vacancy/Occupancy

The vacancy rate for Competitive office space in the Saint Paul Central Business District is 20.1% (1,728,347 square feet) in 2009, an increase from 19.6% (1,683,779 square feet) in 2008. Vacancy is lowest (11.2%) in Class A space and highest (36.1%) in Class C space. The amount of leased space that is available for sublease is 100,843 square feet.

SAINT PAUL FACT

The Saint Paul Chamber Orchestra is the nation's only full-time professional chamber orchestra.

Several buildings experienced changes in vacancy/occupancy:

- > 375 Jackson. The City of Saint Paul's Department of Safety and Inspections (DSI) leased 32,851 square feet. Occupancy increased by 33,783 square feet.
- > Metro Square Building, 121 East 7th Place. Occupancy decreased by 18,763 square feet primarily due to the Minnesota Department of Human Services' departure.
- > Alliance Bank Center, 55 East 5th Street. Occupancy increased by 18,015 square feet. Activity includes a new lease signed with the U.S. Department of Agriculture for 7,808 square feet; a lease expansion of 5,182 square feet in office space by Peterson, Fram & Bergman; and other new leases.



COMPETITIVE VACANCY/ OCCUPANCY

(8,591,128 SF)

occupancy

vacancy

Class A	88.8% (1,897,585 SF)	11.2% (239,562 SF)
Class B	80.0% (4,176,073 SF)	20.0% (1,043,299 SF)
Class C	63.9% (789,123 SF)	36.1% (445,486 SF)
TOTAL	79.9% (6,862,781 SF)	20.1% (1,728,347 SF)

SAINT PAUL FACT

There were 110,846 takeoffs and landings at the Saint Paul Downtown Airport (Holman Field) in 2008. Holman Field has three runways and 100 aircraft based at the facility.

- > UBS Plaza, 444 Cedar Street. Occupancy decreased by 17,312 square feet due in part to Kelly & Lemmons moving to Oakdale and Creighton Bradley & Guzzetta moving to Alliance Bank Center.
- > Hamm Building, 408 St. Peter Street. Occupancy increased by 11,288 square feet, helped by GovDelivery Inc.'s lease of 14,447 square feet.
- > First National Bank Building, 332 Minnesota Street. A remeasurement led to decreased occupancy of 14,157 square feet.
- > Golden Rule Building, 85 East 7th Place. Occupancy increased by 14,297 square feet, a majority of which resulted from leases with the State of Minnesota.
- > Sibley Square, 190 East 5th Street. Occupancy declined by 11,901 square feet because of several small tenants vacating their spaces.
- > Wells Fargo Place, 30 East 7th Street. The departure of three tenants — Wachovia Securities (now Wells Fargo Advisors), Robins Kaplan Miller & Ciresi LLP, and Holstad Law Firm — led to a decrease in occupancy by 9,993 square feet.
- > 555 Park Office Building, 555 Park Street. Gillette Children's Specialty Healthcare vacated, decreasing occupancy by 8,857 square feet.
- > Lowry Professional Building, 350 St. Peter Street. Occupancy increased by 3,714 square feet. The Spectacle Shoppe, which opened before the Republican National Convention, stayed and expanded; the Saint Paul Conservatory expanded by 7,257 square feet; and the *Star Tribune* vacated its space.
- > Drake Building, 60 Plato Boulevard East. Burns & Wilcox vacated its space, contributing to decreased occupancy by 3,827 square feet.
- > 400 Building, 400 North Robert Street. Occupancy increased by 2,800 square feet, and the building is fully leased. Bernd Richter USA, Inc. and Manpower Inc. renewed their leases.
- > Market House, 289 East 5th Street. Occupancy decreased by 2,500 square feet; the building is entirely available.



Photo courtesy of Andrea Carter, Twin Cities Jazz Festival

Competitive Office Space

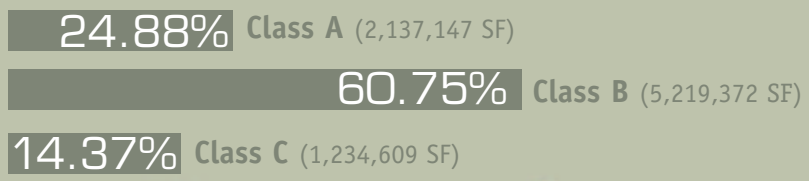
The Saint Paul Central Business District has approximately 8.59 million square feet of Competitive office space. This is half of the total universe of office space; the other half consists of Owner-occupied and Government space.

Competitive space is further classified as A, B or C. In Saint Paul, the Central Business District consists of 24.88% Class A space, 60.75% Class B space, and 14.37% Class C space. (Please see “Classification Criteria” for a description of the factors that determine how office space is categorized.)

Comparison of percentages of the current Class A, B and C categories with percentages in 2000:

- > Class A office space has decreased from seven to six buildings and from 2.46 million square feet to 2.14 million square feet. This is a decrease of 319,430 square feet from 2000 to 2009, and a decrease from 26.1% to 24.88% of the Competitive space total in the Saint Paul Central Business District.
- > Class B office space has decreased from 5.56 million square feet to 5.22 million square feet, and the number of buildings has decreased from 34 to 31. Class B space has decreased by 345,522 square feet, but is an increase from 59.0% of the Competitive space total in 2000 to 60.75% of the total in 2009.
- > Class C space has decreased from 19 to 18 buildings and 1.41 million square feet to 1.23 million square feet, a decline of 174,045 square feet from 2000 to today. The percentage of Class C space has gone from 14.9% of the Competitive space total in 2000 to 14.37% today.

COMPETITIVE OFFICE SPACE ANALYSIS (8,591,128 SF)



Analysis

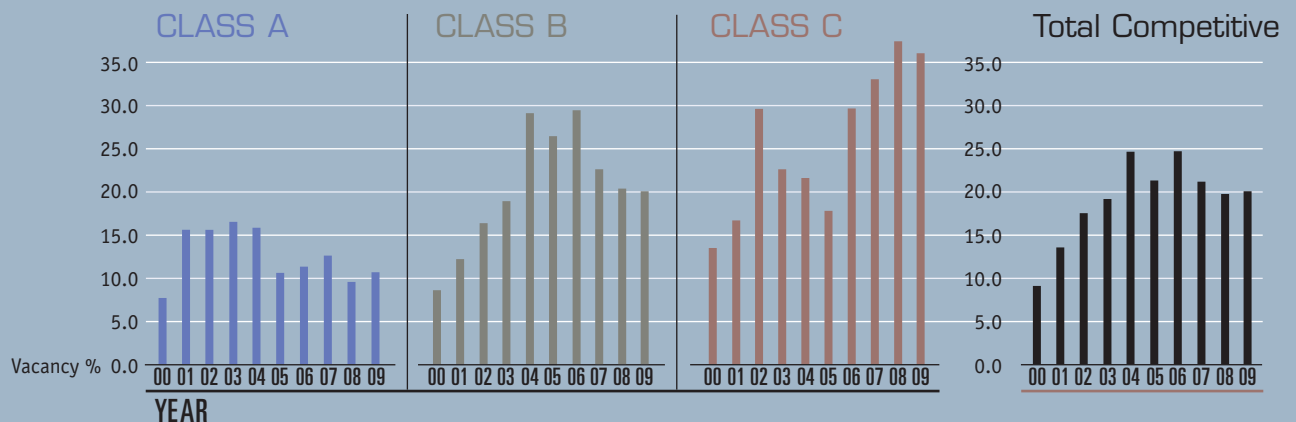


SAINT PAUL FACT

In Mpls/St. Paul Magazine's March 2009 readers' poll, readers said the best restaurants in the Twin Cities are The Saint Paul Grill (first place) and Kincaid's (second place); Pazzaluna came in seventh.

Overall vacancy in Competitive space increased slightly from 19.6% (1,683,779 square feet) in 2008 to 20.1% (1,728,347 square feet) in 2009, which is insignificant considering the current economic climate. This year's vacancy is higher than the 2000 rate of 9.1% (861,010 square feet). (Note: office space available for sublease is not included in available square footage.)

- > Class A vacancy increased from 9.5% in 2008 to 11.2% in 2009. The total available space increased by 38,149 square feet — from 201,413 square feet last year to 239,562 square feet this year. In 2000, Class A vacancy was 7.7% or 188,526 square feet — a difference of 51,036 square feet.
- > Class B vacancy increased by 6,223 square feet — from 1,037,076 square feet, or 19.8%, in 2008 to 1,043,299 square feet, or 20.0%, in 2009. Class B vacancy was 8.6% or 480,855 square feet in 2000, which is an increase of 562,444 square feet.
- > Class C vacancy decreased from 37.0%, or 445,290 of 1.20 million square feet, in 2008 to 36.1%, or 445,486 of 1.23 million square feet, in 2009 — a difference of 196 square feet. This year's vacancy rate is higher than it was in 2000 — 191,629 of 1,408,654 square feet — which is a difference of 253,857 square feet. (Class C space decreased by 174,045 square feet from 2000 to 2009.)
- > Sublease space totals 100,843 square feet in 2009. This compares to 68,974 square feet available for sublease reported last year.

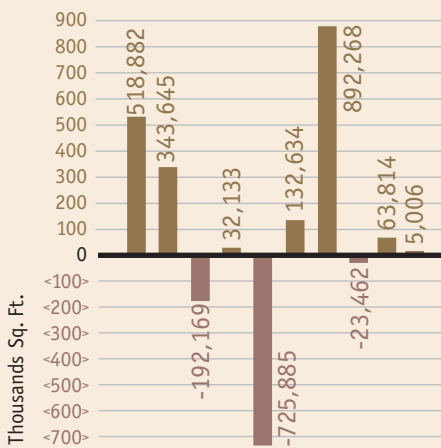


Absorption

Absorption is a measurement of the increase or decrease in occupied office space that occurs during a given period of time. For 2009, absorption in the Saint Paul Central Business District is 5,006 square feet, which means that 5,006 more square feet of the total universe are occupied this year than in 2008. Tracked for Competitive office space alone, absorption in downtown Saint Paul is <23,501> square feet for 2009.

During the past 10 years, the Central Business District has absorbed a net total of 1,046,866 square feet. This represents an average absorption of approximately 104,687 square feet per year.

2009 ABSORPTION



YEAR	00	01	02	03	04	05	06	07	08	09
Competitive										<23,501>
Owner-occupied										6,000
Government										22,507
Total absorption										5,006

Significant absorption activity

Competitive office space

- > Significant net occupancy increases:
 - 375 Jackson — 33,783 square feet
 - Alliance Bank Center — 18,015 square feet
 - Golden Rule Building — 14,297 square feet
 - Hamm Building — 11,288 square feet
- > Significant net occupancy decreases due to tenants leaving:
 - Metro Square Building — 18,763 square feet
 - UBS Plaza — 17,312 square feet
 - Sibley Square — 11,901 square feet
 - Wells Fargo Place — 9,993 square feet
 - 555 Park Office Building — 8,857 square feet
- > Significant changes due to remeasurement:
 - First National Bank Building — additional 14,157 square feet
 - US Bank Center — additional 10,092 square feet

Government office space

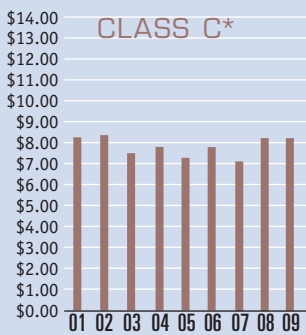
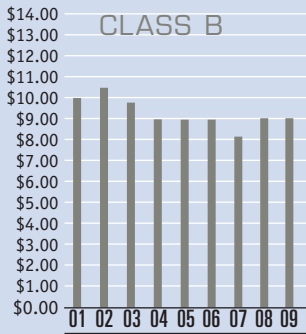
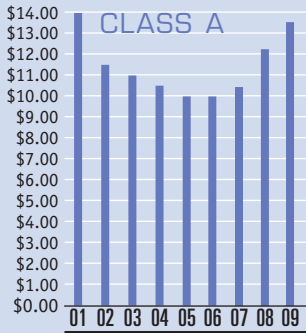
- > Warren E. Burger Federal Courts Building — 3,041 square feet were added during the remodeling process
- > A number of city buildings reported additional square feet. The cumulative additions amount to approximately 19,000 square feet.

Owner-occupied office space

- > League of Minnesota Cities Building — 8,000 square feet were added during remodeling

Market Rental Rates

NET RENTAL RATES



* Net rental rates were provided for approximately half of the Class C buildings. Accordingly, the median net rental rate for Class C does not fully represent all buildings in this category.

* Net rental rate tracking for this report began in 2001.

The quoted median gross rental rate for office space is the sum of the net rental rate and operating expenses, including property taxes. Net rental rates and operating expenses were provided by the building owners, managers, and leasing agents surveyed for this report.

Each building's rental rate applies to rentable square feet and represents the average listing rate for that property. Several factors impact the actual rental rate in a lease transaction, including location inside the building, improvements made, parking availability, lease term, credit, services, and more.

In this section, the median gross rental rates for office space in each Competitive classification are compared to one another and with past years.

- > Class A: The quoted median gross rental rate in the past year increased by \$2.13, from \$23.03 per square foot to \$25.16 per square foot. The median gross rental rate has increased by \$.42 since 2000, when it was \$24.74 per square foot. The 2009 median net rental rate is \$13.50.
- > Class B: The quoted median gross rental rate has increased from \$17.00 per square foot in 2008 to \$17.40 in 2009. The median gross rental rate has decreased \$1.26 since 2000, when it was \$18.66 per square foot. The 2009 median net rental rate is \$9.00.
- > Class C: The quoted median gross rental rate has remained the same — \$15.00 per square foot — for three consecutive years. The median gross rental rate has increased \$.05 since 2000, when it was \$14.95 per square foot. (Because building representatives often quote gross rental rates in this class, to the extent reported, we can extrapolate a 2009 median net rental rate of \$8.25.)

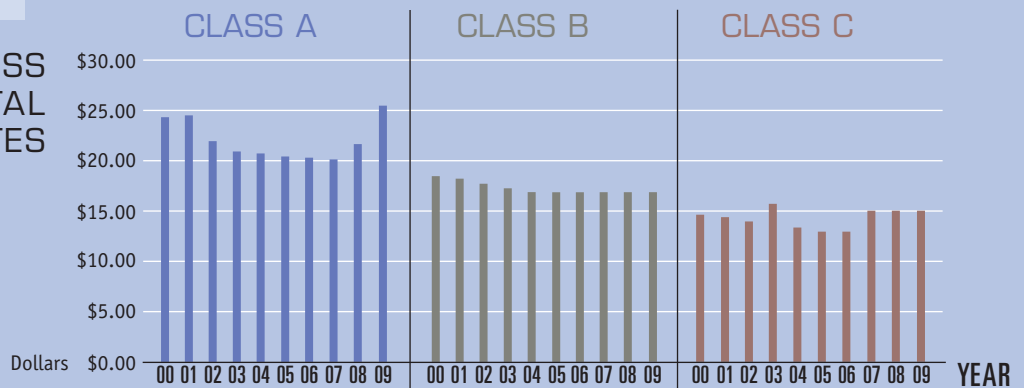
For buildings that provided a range for their rental rates, we used the middle of the range provided for the median analysis.

Operating expenses and taxes

An analysis of operating expenses and taxes reported by the building owners, managers, and leasing agents during the past nine years for each class indicates the amount paid in operating expenses and taxes per square foot:

- > Increased from \$11.31 in 2001 to \$11.81 in 2009 for Class A space
- > Decreased from \$10.00 in 2001 to \$9.78 in 2009 for Class B space
- > Decreased from \$8.19 in 2001 to \$7.15 in 2009 for Class C space

GROSS RENTAL RATES



Significant Market Activity

In 2009, the total universe contains 17,152,311 square feet of Competitive, Government, and Owner-occupied office space. This is a net increase of 49,574 square feet, or less than 1%, from 2008. Overall occupancy was steady at 90%, the same percentage as in 2008.

SAINT PAUL FACT

Gander Mountain Company, headquartered at 180 East Fifth, is a great fit for Saint Paul. Gander Mountain is the nation's largest retail network of stores for hunting, fishing, boating, camping, marine and outdoor apparel, products and services.

Competitive office space

Class A space

- > Wells Fargo Place, 30 East 7th Street. Wachovia Securities (now Wells Fargo Advisors), Robins Kaplan Miller & Ciresi LLP, and Holstad Law Office vacated, decreasing occupancy by 9,993 square feet. Microsoft Corp. leased 12,000 square feet for employees of its Expression Studio software line. This lease took effect after the 2009 report deadline, so the resulting occupancy changes will be reflected in the 2010 report.
- > 400 Building, 400 North Robert Street. Occupancy increased by 2,800 square feet over 2008, making the building fully leased. Bernd Richter USA, Inc. and Manpower Inc. renewed their leases.
- > UBS Plaza, 444 Cedar Street. Tecmark leased approximately 5,800 square feet and vacated its space in Landmark Towers. Kelly & Lemmons and Creighton Bradley & Guzzetta vacated, contributing to a decrease in occupancy by 17,312 square feet.

Class B space

- > 375 Jackson. The City of Saint Paul's Department of Safety and Inspections (DSI) leased 32,851 square feet, helping increase occupancy by 33,783 square feet.
- > Alliance Bank Center, 55 East 5th Street. Occupancy increased by 18,015 square feet. Activity includes a new lease signed with the U.S. Department of Agriculture for 7,808 square feet; a lease expansion of 5,182 square feet in office space by Peterson, Fram & Bergman; and other new leases.
- > Golden Rule Building, 85 East 7th Place. Occupancy increased by 14,297 square feet due to leases with the State of Minnesota.
- > Hamm Building, 408 St. Peter Street. GovDelivery Inc.'s lease of 14,447 square feet helped increase occupancy by 11,288 square feet.

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- > 555 Park Office Building, 555 Park Street. Gillette Children's Specialty Healthcare vacated, decreasing occupancy by 8,857 square feet.
- > Sibley Square, 190 East 5th Street. Occupancy declined by 11,901 square feet because of several small tenants vacating their spaces.
- > First National Bank Building, 332 Minnesota Street. Occupancy decreased by 14,157 square feet due to a remeasurement. A new lease with AECOM will be included in next year's report.
- > US Bank Center, 101 East 5th Street. Total square feet increased by more than 10,000 square feet due to remeasurement.
- > Gallery Professional Building, 17 West Exchange Street. Due to remeasurement, available space increased by 3,903 square feet. A renovation is underway on the main floor, which is slated for retail and medical office space.
- > Cray Plaza (formerly Galtier Plaza), 380 Jackson Street. The July announcement of Cray Inc. leasing 51,000+ square feet is scheduled to take effect on November 1, 2009. The resulting occupancy changes will therefore be included in the 2010 report.

Class C space

- > Lowry Professional Building, 350 St. Peter Street. Occupancy increased by 3,714 square feet. The Spectacle Shoppe, which opened before the Republican National Convention, stayed and expanded; the Saint Paul Conservatory expanded by 7,257 square feet; and the Star Tribune vacated its space. A new lease of the building's final vacant space will be included in BOMA's report next year.
- > Market House, 289 East 5th Street. Occupancy decreased by 2,500 square feet; the building is vacant of tenants.
- > Metro Square Building, 121 East 7th Place. Remeasurement led to an additional 4,663 square feet in the building. The Department of Human Services vacated its space in a move to the Golden Rule Building, resulting in decreased occupancy of 18,763 square feet.

Government office space

- > Warren E. Burger Federal Courts Building, 316 North Robert Street. The building was remodeled, adding 3,041 square feet.
- > A number of city buildings reported additional square feet. The cumulative additions amount to approximately 19,000 square feet.

Owner-occupied office space

- > League of Minnesota Cities Building, 145 West University Avenue. The basement was remodeled into usable space, adding 8,000 square feet.





Medical office space is a stand-alone category and does not impact the statistical data contained in this report.

Health care is the largest and fastest-growing employment sector in Saint Paul, and currently employs about 32,500 people. With three large health care campuses in or directly adjacent to the Central Business District, Medical office space has a significant impact on Saint Paul. Altogether, Saint Paul hospitals and clinics have an estimated annual economic impact of \$3.1 billion.

The Medical office space category includes 19 buildings and 3,473,544 square feet:

- > Sixteen buildings are contained in the health care campuses located within or directly adjacent to the Saint Paul Central Business District: Regions Hospital, St. Joseph's Hospital, and United/Children's Hospitals.
- > Three buildings are contained in other categories of this report: Gallery Professional Building, Gallery Towers, and Capitol Professional Office Building.

The following notable projects are recently completed or underway on the Saint Paul health care campuses:

- > St. Joseph's Hospital, 69 West Exchange Street. Space increased by 180,000 square feet upon completion of a new patient tower, which includes new heart and neurovascular centers, private patient rooms, four operating rooms with specialized technology, the 3M Education Center for multi-media use, a new entrance and lobby, and a new chapel. To complement the new facility, St. Joseph's will renovate its existing facilities, expand the emergency department, add two operating rooms for minimally invasive procedures, and make other enhancements.
- > Region's Hospital, 640 Jackson Street. A 54,000-square-foot emergency center, the first department to open in Region's new 11-story tower, debuted in July.
- > United/Children's Hospitals, 310 Smith Avenue. The 20,000-square-foot Saint Paul Cancer Center opened in the Ritchie Medical Building across from United Hospital in April. This comprehensive center provides virtually all outpatient cancer care services that a patient would need at a single location.

In addition, work is underway on United/Children's emergency department and five-story bed tower with patient rooms, operating rooms, and a new epilepsy unit. The project is slated for completion in 2011.

(Please refer to the Medical office space table on page 25.)

SAINT PAUL FACT

Saint Paul is known nationally for its theaters/performance venues, including the Fitzgerald Theater, Great American History Theatre, Loading Dock Theater, Ordway Center, Palace Theater, Park Square Theatre, and Penumbra Theatre.



Noteworthy

Office space

- > Galtier Plaza, 380 Jackson Street. Galtier has been renamed “Cray Plaza” in light of Cray Inc.’s recent, significant lease.
- > First National Bank Building, 332 Minnesota Street. A more-than \$20 million renovation of the city’s third-tallest high-rise remains underway. Renovations include a state-of-the-art conference center, spec suites, a fitness center, and more.
- > 500 Jackson. The two-story, 12,500-square-foot building was recently created out of two separate buildings. The more-than \$2.25 million renovation included an exterior refacing, Class A office space finishes, a second-story overlook, and an outdoor rooftop garden and patio. It contains 9,300 square feet of rentable office space, which is fully occupied. The building is the new headquarters for Interstate Partners LLC, which owns the building. It is also home to Denali Energy Inc., Chief Real Estate Company (a sublease of Denali Energy), Swor & Gatto, and Monsanto Company.
- > Ramsey County Adult Detention Center, 14 West Kellogg Boulevard. Plans for the former jail and adjacent headquarters for West Publishing remain undefined. Opus Northwest allowed its development options on the site to expire after it was unable to find an anchor tenant. Ramsey County is re-examining opportunities for the site under current market conditions. Also, the Minnesota Museum of Art vacated the site and closed the museum indefinitely to find a new home and increased funding.

Housing and mixed use

- > Penfield Project/Public Safety Building, corner of 11th and Minnesota streets. Alatus Partners continues to seek financing for the project, which is slated to include rental housing, a Lund’s grocery store, and retail space.
- > Former Gillette/Diamond Products site, 310 East 5th Street. The Minnesota Department of Transportation (MnDOT), the Saint Paul Saints, and the Metropolitan Council have complementary interests in the site. MnDOT wants to acquire part of the site to better connect the Lafayette Bridge to downtown, the Met Council wants a different part for a Central Corridor train maintenance facility, and the Saints’ owners are interested in another portion to build a new ballpark that could connect to a stop on the Central Corridor route and provide event space year-round. Downtown business groups have become involved to help coordinate all three components of the project.
- > Upper Landing Village. Construction is completed on this 21-acre urban village between Xcel Energy Center and the Mississippi River. Retailers are open for business, and Chestnut Plaza, the waterfront park at Upper Landing, is also finished.
- > Renaissance Box, 210 East 10th Street. Aeon, a Twin Cities nonprofit developer of affordable apartments and townhomes, broke ground on the \$16.2 million Renaissance Box renovation in early October and is seeking LEED Gold certification. Formerly the home of Minnesota’s largest shoe factory, the building will be renovated into 70 apartment units for people working in service sector jobs in downtown St. Paul.
- > Housing funding. The Saint Paul Housing and Redevelopment Authority approved funding in August to complement state and federal funding for several housing development projects, including phase two of the Commerce Building apartments,

Noteworthy continued...

the East Side Commons, Minnesota Building, Renaissance Box, and the Terraces. The developments will create an additional 252 housing units and preserve 35 units.

- > Wabasha Tower, corner of Wabasha and 6th streets. Wingfield Corporation continues to own the site and consider it for mixed use, but exact development plans are unknown.
- > Farmers Market Flats, corner of Wall Street and East 5th Street. The project is on hold until legal issues are resolved between the city and the former contractor. The city considers this a prime redevelopment site, mainly because of its location next to the Farmers Market and near Union Depot.

Transit updates

- > Union Depot, 214 East 4th Street. The Union Depot is being planned as the future home linking the Central Corridor light rail line, the proposed high-speed rail line from Saint Paul to Chicago, and other multi-modal transportation options in the region. Ramsey County purchased the depot's main level and parking spaces in June for \$8.1 million and is planning to redevelop it to make it ready for transit. Last year, the county paid \$49.6 million for the depot's rear concourse and nine acres of adjacent land. MnDOT is seeking more than \$140 million in federal stimulus funding (on top of the \$50 million received through a Rep. Oberstar earmark in 2005) to help redevelop the building.
- > Downtown post office and distribution center, 180 East Kellogg Boulevard. The U.S. Postal Service is relocating its distribution center to Eagan but keeping its street-level retail post office in downtown Saint Paul. The Ramsey County Regional Rail Authority (RCRRA) and the city of Saint Paul are no longer trying to acquire the Postal Service's tower, but that could change if they need additional space around the adjacent Union Depot for the transit hub.
- > Light rail and mass transit developments (proposed/underway):
 - Central Corridor. In August, the Federal Transit Administration issued a record of decision on the project and the Metropolitan Council issued findings of the adequacy of the Final Environmental Impact Statement, which together completed the Central Corridor's environmental processes. Utility relocation has begun in downtown Saint Paul to place all utilities on one side of the street, which will make the light-rail construction process easier. Meanwhile, the city has committed resources for an additional station between Rice and Snelling. Construction is scheduled to begin in 2010 along the line, which would start at Union Depot in Saint Paul and connect to the Hiawatha Line in downtown Minneapolis.
 - Saint Paul-to-Chicago High-Speed Rail. The proposed 400-mile Saint Paul-to-Chicago rail line will enter Minnesota at La Crescent and travel north for 150 miles along the Mississippi River through Winona and Red Wing before ending at the Union Depot in Saint Paul. The project will utilize existing tracks between Saint Paul and Chicago and capitalize on substantial investments already committed to the region. MnDOT is seeking federal planning money for the project.
 - In other rail news, site and station planning efforts are underway on the Red Rock Corridor, and Dakota County and its partners on the Robert Street Corridor are considering light-rail transit, commuter rail, bus rapid transit, bus upgrades, and/or modern streetcars for the corridor.

SAINT PAUL FACT

St. Paul's Meritage, Tanpopo, The Strip Club, and Punch Neapolitan Pizza are all *City Pages'* "critics picks" for outstanding restaurants.

SAINT PAUL FACT

The Minnesota Children's Museum is *the* magnet that draws families with young kids to St. Paul every day of the week and every season of the year. My girls love to visit the museum, eat lunch downtown, and see the riverboats and trains in the heart of the city – and they're not shy about asking to go again and again!
– **Jenny Veit**, stay-at-home mom from Minneapolis

- Also, studies are underway for connecting western Wisconsin and east metro communities to the Saint Paul Union Depot, while the high-speed Northern Lights Express from Minneapolis to Duluth has four route options and will seek approximately \$45 million in federal planning funding in 2010.
- Northstar Commuter Rail. This 40-mile commuter rail line from Big Lake to Minneapolis (along Highway 10) is on schedule to be operational in late 2009. It will operate during weekday morning and evening rush hours, as well as provide regular weekend service and some special event service. The line will meet the Central Corridor in Minneapolis, where it will connect to Saint Paul. MnDOT will apply for federal funding in 2010 to extend the line further west to Saint Cloud.

Other updates

- > Holman Field, 644 Bayfield Street. Construction is complete on the protective floodwall around the downtown Saint Paul airport.
- > Raspberry Island Regional Park, under the southwest corner of Wabasha Street Bridge. The latest round of completed park renovations include enhanced riverbank protection and landscaping, improved lighting, riverfront steps, benches, a walking path, parking lot improvements, and restrooms in the St. Paul Boat Club building. Design is underway on a fountain that will serve as the park's focal point; the hope is to have the fountain installed by spring 2010.
- > Harriet Island Regional Park, adjacent to the southwest corner of Wabasha Street Bridge across from Upper Landing and the Science Museum of Minnesota. A decade of restoration work at the park was completed in July. The park now features a new picnic pavilion, improved storm water circulation, enhanced trail connections, an extended riverfront promenade, more than 4,000 new native grasses and perennials, and more than 130 new trees.
- > ENERGY STAR designation. The Saint Paul buildings earning the prestigious ENERGY STAR designation for superior energy efficiency and environmental protection are 180 East 5th, 400 Building, 401 Building, the Golden Rule Building, Lawson Commons, Metropolitan Council headquarters, Travelers, and UBS Plaza. The 401 Building also earned LEED EB certification; it is only the fifth building in Minnesota to do so. LEED-EB is the U.S. Green Building Council's system for operating high-performance buildings dedicated to whole-building cleaning and maintenance issues, recycling programs, exterior maintenance programs, and systems upgrades.
- > Property taxes. Saint Paul Mayor Chris Coleman proposed a 2010 property tax increase of 6%, a \$5.3 million increase over the previous year. Right-of-way assessments are slated to increase by 6.85%. The City Council will review the city budget and adopt a final version by December. Ramsey County's proposed levy increase in 2010 is 2.7%.
- > Fortune 500 headquarters. The 2009 Fortune 500 list includes 19 Minnesota companies: UnitedHealth Group (21), Target (28), Supervalu (51), Best Buy (56), CHS (72), 3M (95), U.S. Bancorp (129), General Mills (193), Medtronic Inc. (196), Land O' Lakes Inc. (224), Xcel Energy (242), The Mosaic Company (276), C.H. Robinson Worldwide Inc. (300), Ameriprise Financial (348), Hormel Foods (373), Ecolab (403), Thrivent Financial for Lutherans (409), PepsiAmericas (478), and Nash-Finch (492). 3M and Ecolab are headquartered in Saint Paul.



Methodology

BOMA's inaugural report in 1995 was the first market survey of downtown Saint Paul to accurately and completely portray Saint Paul's office market dynamics. Since then, this report has been based on information from professional owners, managers, and leasing agents. Statistical comparisons have been made between 2009 and 2000 throughout the report to help provide a 10-year trend analysis.

This report uses the same analyses and boundaries of Competitive, Owner-occupied, and Government buildings as past reports. The classification criteria have changed and the Medical Office space category has been added. Any information provided here that reflects activities after August 1, 2009, has not been figured into this report's statistics. All space available for sublease is treated as leased space.

The BOMA market survey differs from other organizations' surveys in several significant aspects:

Boundaries. This report covers the downtown Saint Paul Central Business District and includes a slightly larger geographical area than other surveys, accurately reflecting the trade area or scope of activity within our market. The boundaries for the BOMA report are: University Avenue, to Lafayette Road, to Kellogg Boulevard, to John Ireland Boulevard, to Constitution Avenue. The boundaries for this year's survey are the same as those used since the first survey in 1995. Several buildings that fall outside of these boundaries are included due to their proximity to the defined area, their competitive presence, and their relationship with the Central Business District for essential services. See the map on pages 21-25 for the boundaries and a list of buildings included in the report.

Non-competitive buildings. Most market surveys cover only Competitive buildings, which are generally defined as investor-owned properties that lease to one or more tenants. For many markets, especially those that are suburban in nature, most office leasing activity occurs within this office category. This approach has worked for downtown Minneapolis, where a number of corporations have elected to lease their offices and the amount of Government space is relatively small.

However, the office market in downtown Saint Paul is fundamentally different. Owner-occupied, Government, and Medical Office space play a significant role in this market. Buildings in those categories are included in this survey to prevent underreporting the market and to properly reflect the market's underlying dynamics. For example, if a building changes from the Competitive office space category to Owner-occupied or Government space, this is a shift rather than a total loss, and should be recorded as such.

Classification. The BOMA Leasing and Marketing Committee developed criteria for classifying Competitive office buildings into A, B and C Competitive office space categories in 1995. These same classification criteria were applied each year through 2006. New criteria were added in 2007 that take into account building features such as cafeteria offerings, communication technology, lobby entrances, parking, and fitness facilities. Building age and assessed valuation have been deleted from the criteria considered for building classifications.

Measurement. BOMA International completed a revised method of floor measurement in 1996 after years of careful study. Many of the office buildings included in this survey have already changed their method of measurement, and the remainder of the buildings will likely make these changes in the coming years. Generally, these changes increase the total area of the buildings, magnifying the occupancy and vacancy statistics.

Rental rates. The rental rates reported are based on rentable square feet.

Classification Criteria

Each year, Saint Paul BOMA prepares an office space market report that references competitive building classifications “A,” “B,” and “C,” which are typically based on a building’s architectural design, location, and functionality.

A classification of A, B, or C does not necessarily denote the desirability of the individual building, as office tenants make facilities decisions based on considerations important to their businesses. While such classification of office buildings is common throughout the country and throughout the various sub-markets in the Twin Cities, other markets typically do not define their criteria.

Saint Paul BOMA has based its building classifications upon the criteria listed below. These criteria are applied subjectively and examine areas such as whether or not a building has state-of-the-art functionality, if it is in a sought-after location, and various other categories. Certain criteria are also weighted more than others. However, a comprehensive approach is taken to determine the overall final classification of each building.

Criteria were added in 2007 to consider building features such as cafeteria offerings, communication technology, lobby entrances, parking, and fitness facilities. Also, building age and assessed valuation were eliminated from the criteria being considered for building classifications.

The building classification criteria are:

Location

- > Skyway connection
- > Within one block of skyway access
- > Further than one block from skyway access

Building size/height/views

- > Building height, atmosphere, and scenic value
- > Fenestration (windows as percentage of building exterior wall surface)

Capital improvements within recent years

(excluding tenant improvements)

- > Maintenance and upgraded architectural and design elements

Restrooms

- > Number of men’s and women’s restrooms per floor meeting ADA criteria for handicap access
- > Number of men’s and women’s restrooms per floor
- > Overall building ratio of men’s and women’s restrooms per floor

Elevators

- > Passenger elevators with a modern operating system
- > Appropriate passenger elevator “wait interval”
- > Designated freight elevator that serves all office floors

Building management services

- > Full-time on-site building manager (CPM or RPA designation)
- > Part-time on-site or on-call building manager (CPM or RPA designation)

General building maintenance and repair

- > Full-time on-site repair staff
- > Part-time on-site or on-call repair staff

Cleaning services

- > Frequency
- > Quality
- > On-site day cleaners

HVAC

- > Temperature consistency
- > Zone control
- > Operational efficiency

Exterior appearance (curb appeal)

- > Presence of building
- > Quality materials and maintenance

Common areas (halls, restrooms, lobby)

- > Formal lobby entrance at street or skyway level
- > Consistency and quality of finishes
- > Unique characteristics

Tenant spaces

- > Consistent building standards

Security and life safety

- > Tenant spaces and common areas equipped with sprinkler system
- > Elevator card access control system
- > On-site security personnel
- > Security escort service available
- > Video monitoring/recording of strategic locations in the building
- > Free of hazardous materials, including construction materials (such as asbestos or PCBs), and/or such waste as may be generated or stored in the building

Communication technology

- > Dedicated T1/DSL/wireless options
- > Band width/speed
- > Access

Parking

- > On-site
- > Heated
- > Reserved
- > Enclosed/covered
- > Auto cleaning/washing service

Additional building amenities

- > Cafeteria/quality and variety of food offerings
- > Conference rooms
- > Fitness facilities
- > Concierge

Environmental elements

- > Energy-efficient technologies
- > Use of recycled materials

Saint Paul Office Market Report map

A Class A

B Class B

C Class C

G Government

O Owner-Occupied

M Medical Office

B12 same as **M1**

B19 same as **M5**

B20 same as **M6**



