



October 7, 2016

Mr. Matthew Bachler, AICP
Senior Planner
City of Arden Hills
1245 West Highway 96
Arden Hills, MN 55112

Matthew:

Colliers International has been engaged by Smiths Medical to sell their 165,000 square foot office/tech/warehouse, former headquarters complex located at 1265-1285 Grey Fox Road in Arden Hills, MN. Previously the complex had been listed for sale by Jones Lang Lasalle (JLL). During JLL's marketing period from June 2015 – April 2016, prospects included six local developers and two tenants. Of these eight prospects there were no substantive offers.

Beginning in May 2016, Colliers commenced marketing efforts. These efforts resulted in three offers. Two offers were from speculative, local developers who planned to buy the building, demise it into several different spaces and lease it to different businesses over time. The third and best offer with fewest contingencies came from University of Northwestern who would own and occupy the complex.

Some of my observations as well as the feedback received from prospects during our marketing period are:

1. When 1265-1285 Grey Fox road was originally developed in 1985, in three separate buildings (1265, 1275 and 1285 Grey Fox Road) with the intention of having multiple tenants occupy the complex. In the 1990's, Smiths Medical grew and combined two buildings (what is now 1265 and 1275) into one building for their needs. A single tenant occupant would not build a building such as this today as it is highly inefficient with the many exterior wall jogs, shallow bay-depth, multiple entrances, lack of functional warehouse space and truck docks. Tenants today are looking for efficient "boxes" with minimum warehouse clear height of 18' and lots of windows for the office space.
2. Every tenant prospect that toured the complex told us they did not need the entire 165,000 square feet. Those prospects quickly decided that unless there were other tenants that would agree to lease the remaining vacancy at the complex, it was too risky of a proposition.
3. The complex was marketed to all of the large corporate users in this submarket. None of them showed interest in the property.
4. Activity for this product class in Arden Hills has been mild. Year-To-Date, there has been 216,621 square feet of absorption and no sales of comparable office/tech/warehouse buildings.

My conclusion is that University of Northwestern continues to be the best prospect to purchase this complex. They value the existing infrastructure and would need to perform the least amount of modification to make it work for their needs. All of the speculative developers that have shown interest have told me that it would optimistically take them two or more years to stabilize this asset with anywhere from four to eight tenants.

I'd be happy to discuss our marketing efforts and market observations further if you wish.

Regards,

A handwritten signature in black ink, appearing to read "Michael L. Gelfman", with a long horizontal flourish extending to the right.

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