

Inside F&C



■ Minneapolis officials are continuing efforts to attract new commercial development to north Minneapolis with a batch of RFPs seeking plans for 1101 W. Broadway Ave. and some adjacent parcels. **Page 3**



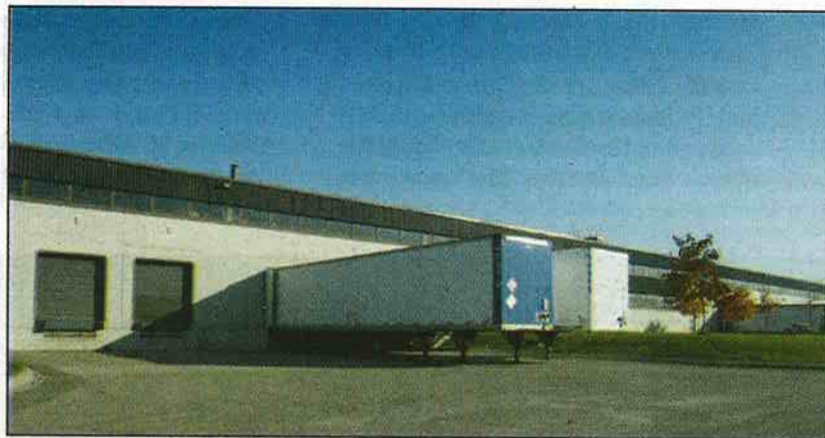
■ The neighborhoods around Lake Harriet are a hotbed of residential redevelopment, with several apartment buildings of varying vintage being converted to condominiums in coming months. **Page 6**



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Citi-Cargo & Storage Co.'s lease for more than 312,000 square feet of space was one of the biggest industrial deals of the year.

Citi-Cargo & Storage inked a lease for the entire Apollo Distribution Center in Eagan: 312,265 square feet of industrial space. The three-year deal — a signal of continued strength in the Twin Cities industrial real estate market — includes an option for Citi-Cargo to purchase the building. (F&C photo by Bill Klotz)



Eagan deal shows industrial rebound

BY BURL GILYARD
F&C REAL ESTATE WRITER

Eagan-based Citi-Cargo & Storage Co. Inc. has signed a three-year lease to occupy all 312,265 square feet in the Apollo Distribution Center in Eagan.

The deal marks one of the largest industrial leases this year and is another indication

that the industrial market is rebounding.

Citi-Cargo originally began leasing space on a month-to-month basis at the building in March but has been expanding its presence.

"This is an expansion of Citi-Cargo's operations," said Ted Carlson, vice president with Bloomington-based Welsh Cos. "They're comfortable

making a long-term commitment to the property."

Carlson represented Citi-Cargo. Bill Ritter, also of Welsh Cos., represented owner First Industrial Realty Trust.

The size of the deal is notable, even in a market on the upswing.

INDUSTRIAL SECTOR TO PAGE 5

Teresa Sterns and Jane Helmke are capitalizing on the North Shore's condo boom with a project on the site of a beloved Grand Marais hotel.

Gunflint Gals redeveloping North Shore landmark

BY JESSICA GRIFFITH
SPECIAL TO REAL ESTATE THURSDAY

Two Twin Cities developers with a lifelong love of the North Shore are reviving a century-old landmark hotel in downtown Grand Marais.

The former East Bay Hotel is reopening as East Bay Suites, a vacation condominium complex that allows guests to purchase a condo or rent one from an owner.

GUNFLINT GALS TO PAGE 17



"The hotel is a well-known and beloved place in Grand Marais with a great history, and we wanted to build on the legacy of the East Bay Hotel," said Teresa Sterns, one of the two principals in Gunflint Gals LLC.



This rendering shows what the East Bay Suites condo project will look like when it is completed in Grand Marais. Construction on the north wing was finished last month. The south wing of the \$6.7 million project is scheduled to open early next year along with a restaurant called the Stone's Throw. When complete, the complex will allow guests to buy a condo or lease from an owner. (Contributed rendering)

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Lander firm follows a green path

Development firm has established itself as a local leader in applying energy-efficient and environmental principles to its residential projects

BY MARK ANDERSON
F&C FINANCE WRITER

Green construction has been slow to arrive in Minnesota.

Some find it puzzling that a state that traditionally has prided itself on being progressive and prudent

hasn't been quicker to embrace construction design, materials and practices aimed at increasing energy efficiency and minimizing environmental damage.

It's been a different story elsewhere.

Wren Aigaki-Lander, director of marketing at the Minneapolis-based Lander Group development firm, said

sustainable design is beginning to catch on in many parts of the country.

"Members of our office travel a lot looking at what other designers are doing," Aigaki-Lander said. "We're seeing the green movement everywhere but in the Twin Cities. Buyers in many other markets see it as a great idea."

Green progress hasn't been limited only to markets like Seattle and California, which are generally considered on the leading edge of the design frontier.

As energy prices rise, a growing interest in energy-efficient buildings— See page 15



Michael Lander's development firm opened a new stage this year in its pursuit of green building with the Midtown Lofts project near Uptown.

LANDER GROUP TO PAGE 14

Lander Group: There has always been a vein of environmentalism in Lander firm's developments.

Continued from page 1

"There's more green activity in Florida and Texas than in Minnesota," said Corey Brinkema, executive director at the Green Institute, a Minneapolis nonprofit that researches community environmental issues. "There are a lot more LEED-certified [a national standard for sustainable design] buildings in Chicago than here."

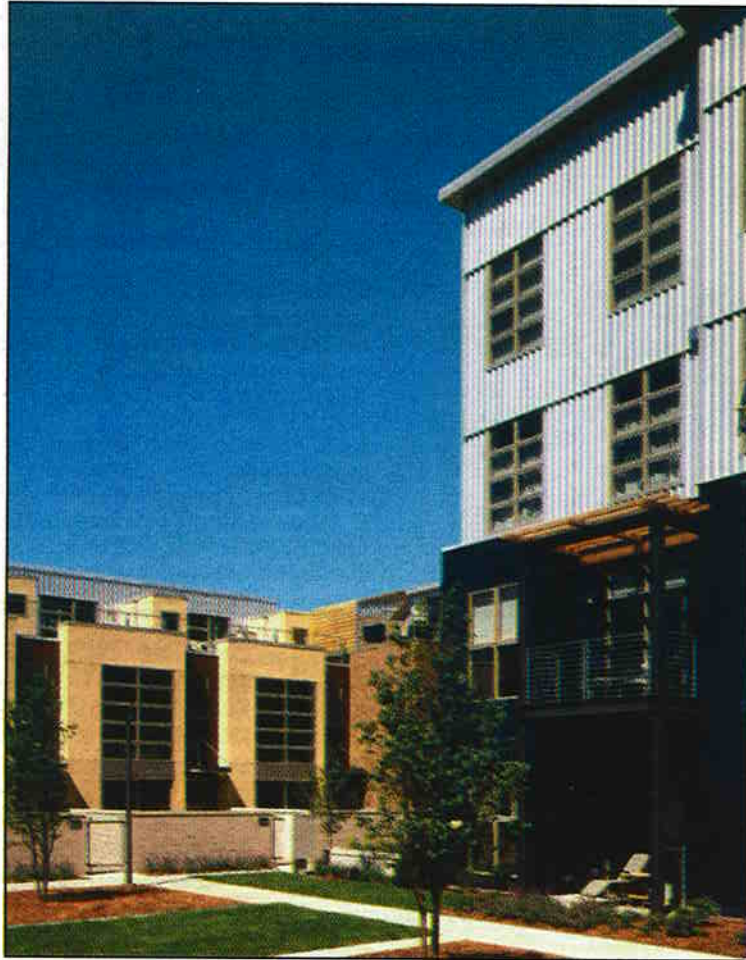
But the green pace is expected to pick up in Minnesota, especially if energy prices keep rising. In particular, the Lander Group, one of the acknowledged local leaders in green design, has been adapting environmental and energy-efficient principles for its residential projects.

The firm, founded by President Michael Lander, has specialized in urban, multifamily developments since arriving in the Twin Cities. But there's always been a vein of environmentalism in the way it has done business, Aigaki-Lander said.

"Everything that we've done has been driven by Michael's vision, and a big piece of that is to be eco-friendly," she said.

This year, Lander's team opened a new stage in its pursuit of green building by developing the Midtown Lofts, a 72-unit condo project near the Uptown neighborhood.

The firm started the project by reviewing its building program up to that point, looking



The Lander Group's Midtown Lofts, above, feature a modish industrial look targeting Uptown-area buyers, but the project also has an outdoor design by Close Landscape Architects that reduces watering and maintenance needs. (Photo by Alex Steinberg)

for practices that contributed to the green effort and for opportunities to go much further.

"We were happy to realize we were already doing many

things right and were ahead of most of the building going on in the market," Aigaki-Lander said.

But Lander found plenty of



The Green Loft in Lander Group's Midtown project, above, takes green design several steps beyond conventional units, featuring a bamboo floor (bamboo grows much faster than trees); large, low-e windows (they increase natural lighting); and an outdoor deck made entirely of durable, recycled materials. (Photo by Alex Steinberg)

opportunities, too. Along with high-efficiency furnaces and appliances, the firm added low-energy windows, which add natural light and reduce lighting costs. It landscaped the project with native plants, reducing watering needs and maintenance costs. And it added bamboo flooring as an upgrade, providing an attractive, long-lasting material that grows faster than trees.

The firm added another innovation at Midtown: a model Green Loft that showcases next-generation components of sustainable design.

The 1,000-square-foot condo features recycled materials — including carpets, rubber flooring, kitchen cabinets and insulation — energy-reducing systems, and water-savings devices in the bathroom and kitchen.

The outcome was strong customer interest, along with a \$30,000 hike in costs for the Green Loft in comparison with other units in the building.

That fat price tag will remain an exception in Lander's green campaign, though.

Lander Group

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The company is serious about its commitment to environmental innovation, but it is following a disciplined financial path to get there, said Nate Wissink, a project manager.

“Our approach will be to look at several components in each project and ask how can we improve on these?” he said.

Those improvements will face a stiff financial test. Either the components will have to be available at prices that aren't significantly higher, or buyers will have to show a willingness to absorb the extra cost, Wissink said.

Lander will also emphasize getting maximum environmental bang for the buck. For instance, if the developer faces a choice between a furnace with 92 percent and 97 percent energy efficiency, Lander will look at the cost difference and determine whether the money might be better spent on some other environmental benefit in the building, Wissink said.

That discipline has kept Lander's green developments in line with conventional projects, which meant the firm didn't have to persuade wary bankers to fund energy investments that aren't proven in the marketplace.

And that's probably fortunate, Wissink said. “I don't think a lot of people in the financial industry understand [green building] very well, or are spending much time thinking about it. They aren't seeing a lot of proposals.”

The company's caution and that financial scrutiny has kept Lander's team away from some more comprehensive innovations, including geothermal heating and cooling systems that require large initial investments but can provide long-term energy savings.

The Green Institute's Brinkema said he gives Lander and his firm credit for proceeding as far as they have in the market.

“This is clearly in Michael's values system. He comes from a sustainable outlook to development. I really applaud them for what they've been doing,” Brinkema said.

One axiom of green design that Lander's group steadily follows is selecting project sites that reduce energy

usage by eliminating commutes — because they're close to jobs and shopping — and that are in existing neighborhoods rather than undeveloped areas..

The Lander Group's latest project, a collaboration with the Kingfield Neighborhood Group to build condos and shops at 38th and Nicollet in Minneapolis, was purposely selected because it is near pedestrian and transit connections to major job and recreation centers.

Aigaki-Lander said the firm is still developing the green program for the project, which is called 38, but the firm may take extra steps down the sustainable path if Kingfield decides to contribute money targeted at specific green elements.

One innovation under discussion is Hour Car, a metro program that makes a jointly owned, high-efficiency automobile available for short-term individual use. The Lander Group recently adopted the program for its employees.

“In the Kingfield site, because of the transit connections, adding the Hour Car could really eliminate the need for some people to own a car,” Aigaki-Lander said.
