



A Market Study for Commercial and Industrial Space in Dakota County, Minnesota

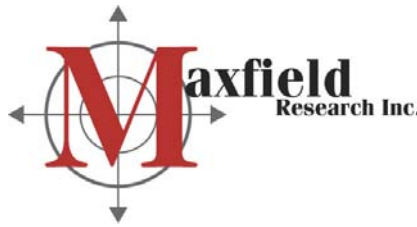
Prepared for:

Dakota County Community Development Agency
Eagan, Minnesota

April 2008



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April 11, 2008

Mr. Dan Rogness
Community Revitalization Department
Dakota County Community Development Agency
1228 Town Centre Drive
Eagan, MN 55123

Dear Mr. Rogness:

Attached is the study *A Market Study for Commercial and Industrial Space in Dakota County, Minnesota* conducted by Maxfield Research Inc. The study provides demand estimates for commercial/retail, office, and industrial space in the County from 2008 to 2030, as well as for the amount of land needed to accommodate the new space. The demand estimates are presented in five year increments for the County's 11 largest communities and the remainder of the County as a whole.

The market study finds that projected household and job growth, among other factors, will create demand for an additional 10 to 12 million square feet of commercial/retail space in the County between 2008 and 2030. Demand was projected for an additional five to six million square feet of office space and 6.5 to 7.5 million square feet of industrial space. In all, about 2,200 acres would be needed to accommodate all of the future commercial and industrial space.

Detailed information regarding commercial and industrial demand by community over five year increments through 2030 can be found in the *Demand Analysis and Recommendations* section at the end of the report.

We have enjoyed performing this market study for you and are available should you have any questions or need additional information.

Sincerely,

MAXFIELD RESEARCH INC.

Jay Thompson
Vice President

Andy Greene
Research Analyst

Attachment

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Introduction

Maxfield Research Inc. was engaged by the Dakota County Community Development Agency (Dakota County CDA) to undertake a market study that projects the amount of commercial and industrial space and land needed in the County through 2030. The study provides demand estimates for the County's 11 largest communities and the remainder of the County as a whole.

Detailed calculations of commercial/retail, office, and industrial demand from 2008 to 2030, presented in five year increments, can be found in the *Demand Analysis and Recommendations* section of the report.

The following are key highlights from the commercial and industrial market analysis.

Key Findings

1. Dakota County is experiencing strong household growth as the urban fringe of the Twin Cities Metro Area expands further into the County. An additional 53,000 households are projected to be added from 2008 to 2030, which will create demand for more retail and services in the County.
2. While 53,000 households are projected to be added between 2008 and 2030, the growth rate is slower than previous decades, coinciding with slower growth throughout the Twin Cities. Thus, annual demand for new commercial and retail space will be less than in previous decades.
3. Outer-ring suburbs will see the greatest growth between 2010 and 2030. These include Lakeville, Rosemount, Farmington, Inver Grove Heights, and Apple Valley. Strong household growth in these communities will lead to greater potential to support additional retail and commercial uses.
4. The number of jobs in Dakota County is projected to grow by about 58,000 between 2008 and 2030 (+31%). This is a much greater growth rate than the Twin Cities Metro Area (17%), but slower than during past decades.
5. The aging of the population will contribute to slower job growth rate between 2010 and 2030. Compared to past decades, the ratio of people entering the labor force to those leaving the labor force will narrow. This slower job growth will have an impact on the growth of businesses and hence, the need for new commercial and industrial space will also slow.
6. Communities in the northern part of Dakota County that are reaching housing development capacity are not projected to grow much through 2030 in terms of population and households. However, because these northern communities have good access to a large labor force, they are still projected to draw employers, resulting in greater job growth.

SUMMARY OF FINDINGS

7. In 2006, Dakota County had 78.7 million square feet of commercial, office, and industrial space with industrial being the greatest (50.8%) followed by commercial (30.9%) and office (18.3%).
8. From 2008 to 2030, it is expected that the demand for office space will grow the most, by 49.3% (from 14.4 to 21.5 million square feet), followed by commercial at 48.1% and industrial at 20.3% (from 40.3 to 48.5 million square feet).

Commercial/Retail

9. From 2000 through 2006, approximately 260 commercial/retail buildings totaling 5.6 million square feet were added in the County, or almost one-quarter of the County's total space.
10. The rise of big-box stores has been a retail trend over the past decade throughout the Nation and Twin Cities. Since the beginning of this decade, over one-third of the commercial space added in Dakota County has been big-box stores such as SuperTarget, Super Wal-Mart, Sam's Club, Gander Mountain, and HOM Furniture.
11. Demand was calculated for an additional 10.5 to 12.0 million square feet of commercial and retail space in the County from 2008 to 2030. This calculated demand equates to about 2.5 million square feet every five years between now and 2030. However, demand will be greater during the beginning of next decade and then slow through 2030 as household growth slows.
12. Total projected demand for **commercial/retail** space and land in Dakota County, ranked by community, from 2008 to 2030 is as follows:

Lakeville	=	2,900,000 Sq. Ft.	250 Acres
Apple Valley	=	1,900,000 Sq. Ft.	160 Acres
Inver Grove Heights	=	1,575,000 Sq. Ft.	135 Acres
Rosemount	=	1,475,000 Sq. Ft.	125 Acres
Farmington	=	875,000 Sq. Ft.	70 Acres
Eagan	=	750,000 Sq. Ft.	65 Acres
Burnsville	=	675,000 Sq. Ft.	60 Acres
Hastings	=	675,000 Sq. Ft.	55 Acres
Mendota Heights	=	175,000 Sq. Ft.	15 Acres
West St. Paul	=	150,000 Sq. Ft.	15 Acres
South St. Paul	=	125,000 Sq. Ft.	10 Acres
<u>Remainder of County</u>	=	<u>50,000 Sq. Ft.</u>	<u>5 Acres</u>
Total	=	11,325,000 Sq. Ft.	965 Acres

13. Demand for retail/commercial space is projected to be greatest in Lakeville. Lakeville will have strong household growth, and it currently has less retail space per household than other more mature communities in the northern part of the County.

SUMMARY OF FINDINGS

Office

14. Dakota County had an inventory of about 14.4 million square feet of office space in 2007. Nearly half of the space was located in Eagan (7.0 million square feet). Burnsville and Mendota Heights had a similar amount of space (about 1.8 million square feet). Overall, a disproportionate amount of the office space is located in the northern most portion of the County, indicating strong appeal of this area for office tenants versus more distant locations.
15. Most of the demand for office space in the County is from smaller businesses seeking spaces with less than 5,000 square feet. Almost three-quarters of the County's Financial Services & Real Estate and Professional and Business Services firms have fewer than five employees.
16. There are eleven corporate office buildings in Dakota County; all are located in Eagan. These buildings include, among others, Northwest Airlines, Blue Cross Blue Shield, West Group, Unisys Corporation, and Ecolab.
17. From 2000 to 2006, Dakota County added an additional 3.5 million square feet of office space. Eagan added the most space, totaling approximately 1.4 million square feet.
18. Demand was projected for an additional 6.5 to 7.5 million square feet of office space in Dakota County between 2008 and 2030 to accommodate office employment growth. Demand will be greater during the beginning of next decade and then slow through 2030 as employment growth slows.
19. Total projected demand for **office** space and land in Dakota County, ranked by community, from 2008 to 2030 is as follows:

Eagan	=	2,500,000 Sq. Ft.	215 Acres
Lakeville	=	1,175,000 Sq. Ft.	100 Acres
Inver Grove Heights	=	800,000 Sq. Ft.	70 Acres
Mendota Heights	=	725,000 Sq. Ft.	60 Acres
Apple Valley	=	700,000 Sq. Ft.	60 Acres
Burnsville	=	600,000 Sq. Ft.	50 Acres
South St. Paul	=	125,000 Sq. Ft.	10 Acres
Farmington	=	125,000 Sq. Ft.	10 Acres
Rosemount	=	125,000 Sq. Ft.	10 Acres
Hastings	=	100,000 Sq. Ft.	10 Acres
West St. Paul	=	75,000 Sq. Ft.	5 Acres
<u>Remainder of County</u>	=	<u>50,000 Sq. Ft.</u>	<u>5 Acres</u>
Total	=	7,100,000 Sq. Ft.	605 Acres

20. Demand for office space is projected to be greatest in Eagan. Eagan is highly attractive for larger office tenants because of its excellent highway access, close proximity to the airport, and short distance to the core of the Twin Cities. Mendota Heights and Burnsville also have good locations but have little remaining land available for new office space.

SUMMARY OF FINDINGS

Industrial

21. Dakota County experienced job growth during the first half of this decade in about every industry sector except manufacturing. This is a trend that has been experienced by most places in the Country, as manufacturing declined sharply after the recession that began in 2001. The decline of manufacturing employment is a trend that is likely to continue for at least the next few decades in the Twin Cities.
22. Dakota County had an inventory of about 980 industrial buildings with about 40 million square feet of space in 2007. Eagan (13.5 million square feet) and Burnsville (8.9 million square feet) account for 55% of the County's total industrial space.
23. A total of 17.8 million square feet of industrial space was added in Dakota County over the past 20 years (1987 to 2006). Of this total, 79% was warehouse space and 15% was manufacturing space. Some of the strongest demand for industrial space is among wholesale trade, trucking, and storage businesses servicing the Minneapolis-St. Paul International Airport.
24. From 2000 to 2006, Dakota County added an additional 4.2 million square feet of industrial space in 148 buildings. Of this total, Eagan added 1.4 million square feet followed by Burnsville with about 940,000 square feet.
25. Demand is projected for about 7.6 to 8.7 million square feet of industrial space in Dakota County between 2008 and 2030 to accommodate industrial employment growth. Demand will be greater during the beginning of next decade and then slow through 2030 as household and employment growth slows.
26. Total projected demand for **industrial** space and land in Dakota County, ranked by community, from 2008 to 2030 is as follows:

Lakeville	=	2,300,000 Sq. Ft.	235 Acres
Eagan	=	2,175,000 Sq. Ft.	230 Acres
Inver Grove Heights	=	1,100,000 Sq. Ft.	115 Acres
Burnsville	=	725,000 Sq. Ft.	75 Acres
Rosemount	=	475,000 Sq. Ft.	50 Acres
Mendota Heights	=	375,000 Sq. Ft.	40 Acres
Apple Valley	=	325,000 Sq. Ft.	35 Acres
Farmington	=	300,000 Sq. Ft.	30 Acres
South St. Paul	=	225,000 Sq. Ft.	25 Acres
Hastings	=	150,000 Sq. Ft.	15 Acres
West St. Paul	=	25,000 Sq. Ft.	5 Acres
<u>Remainder of County</u>	=	<u>50,000 Sq. Ft.</u>	<u>5 Acres</u>
Total	=	8,225,000 Sq. Ft.	860 Acres

Study Impetus

Maxfield Research Inc. was engaged by the Dakota County Community Development Agency (Dakota County CDA) to undertake a market study that projects the amount of commercial and industrial space and land needed in the County through 2030. The study provides demand estimates for the County's 11 largest communities and the remainder of the County as a whole. Information examined in the market study includes household and employment growth trends and characteristics, current commercial/industrial market conditions, and development trends of commercial and industrial space and land.

Based on the analysis, demand is calculated for commercial/retail, office, and industrial space in five year increments from 2008 to 2030. The amount of land needed to accommodate the projected commercial and industrial space is also calculated. These calculations can be used by communities to estimate the amount of land to bring on-line in five year increments through 2030 to balance demand with supply.

Scope of Work

The scope of this study includes:

- ▶ an analysis of the demographic growth trends and characteristics of the County to 2030,
- ▶ an analysis of overall employment growth projections to 2030 for the County, including information on business growth by industry type and size;
- ▶ an examination of development trends for commercial and industrial space for the County, its 11 larger communities, and the smaller communities and townships as a whole;
- ▶ an analysis of commercial and industrial market trends, demand by location, technology trends, and other key trends within the County based on interviews with key experts;
- ▶ demand calculations for commercial/retail, office, and industrial space in five-year increments through 2030 in each of the County's 11 larger communities and the smaller communities and townships as a whole;
- ▶ calculation of the amount of land needed to bring on-line in five-year increments to accommodate the commercial and industrial demand.

The report contains primary and secondary research. Primary research includes interviews with commercial brokers and developers, economic development specialists, and other experts involved in the commercial/industrial and land markets in Dakota County. Secondary data, such as from the U.S. Census or Metropolitan Council, is credited to the source, and is used as a basis for analysis. Much of the secondary data in this report is commercial and industrial property information provided by the Dakota County GIS Department. Property information analyzed includes type of space, year built, finished square feet, lot size, and location.

Employment and Demographic Analysis

Introduction

This section of the report examines factors related to the demand for commercial and industrial space in Dakota County, Minnesota. Included in this section is an analysis of:

- ▶ population and household growth trends and projections,
- ▶ population age distribution trends
- ▶ consumer expenditure patterns;
- ▶ overall employment growth trends;
- ▶ covered employment trends;
- ▶ growth of businesses by type and size of business; and
- ▶ gross retail sales trends.

This section of the report includes totals for each of the larger communities within the County as well as for the smaller communities and townships collectively.

Population and Household Growth Trends and Projections

Tables 1 and 2 present population and household growth trends and projections for Dakota County from 1990 to 2030. The data from 1990 and 2000 is from the U.S. Census, while the 2010 through 2030 projections are based on Metropolitan Council projections. Some of the projections were adjusted by Maxfield Research Inc. for individual communities based on recent development trends and local forecasts of growth.

Key findings from Tables 1 and 2 are:

- ▶ Dakota County is projected to add approximately 147,000 people from 1990 to 2010. Between 2010 and 2030, growth is projected to slow, coinciding with slower growth metrowide. The County is projected to add approximately 95,000 people between 2010 and 2030.
- ▶ Communities on the fringe of the urbanized core of the Twin Cities will see the greatest growth between 2010 and 2030. These include Lakeville, Rosemount, Farmington, Inver Grove Heights, and Apple Valley. Strong household growth in these communities will lead to greater potential to support retail and commercial uses.
- ▶ A primary reason for the slowing growth is the aging of the population. As the population ages, the average household size is projected to decrease. Overall, this will have an impact on the potential to grow the labor force in the future. As shown below, Dakota County’s average household size is projected to steadily decline from 2.8 people per household in 1990 to 2.47 in 2030. The average size still remains higher than the Metro Area, which contains older populations in Minneapolis, St. Paul, and in well as more mature suburbs.

Average Household Size (Number of People per Household)

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2030</u>
Dakota County	2.80	2.71	2.60	2.52	2.47
Metro Area	2.61	2.59	2.51	2.45	2.42

- ▶ Communities in the northern part of Dakota County that are reaching development capacity are not projected to grow much through 2030 in terms of population and households. However, because they have good access to a large labor force, they are still projected to draw employers, resulting in greater job growth. For example, the populations of Eagan and Burnsville are projected to grow by 3% and 6%, respectively, between 2010 and 2030; at the same time, the numbers of jobs are projected to grow by 21% and 11%, respectively.

EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

**TABLE 1
POPULATION GROWTH TRENDS AND PROJECTIONS
DAKOTA COUNTY
1990 - 2030**

	Population					Change			
	Census		Projection			1990 - 2010		2010-2030	
	1990	2000	2010	2020	2030	No.	Pct.	No.	Pct.
Large Communities									
Apple Valley	34,598	45,527	61,700	69,100	71,200	27,102	78.3	9,500	15.4
Burnsville	51,288	60,220	61,400	63,000	65,000	10,112	19.7	3,600	5.9
Eagan	47,409	63,557	67,000	68,000	69,000	19,591	41.3	2,000	3.0
Farmington	5,940	12,365	20,500	27,100	32,000	14,560	245.1	11,500	56.1
Hastings	15,473	18,201	23,000	27,500	30,000	7,527	48.6	7,000	30.4
Inver Grove Heights	22,477	29,751	33,900	40,600	44,200	11,423	50.8	10,300	30.4
Lakeville	24,854	43,128	59,500	78,400	88,800	34,646	139.4	29,300	49.2
Mendota Heights	9,381	11,434	12,000	12,000	12,100	2,619	27.9	100	0.8
Rosemount	8,622	14,619	22,700	30,100	35,700	14,078	163.3	13,000	57.3
South St. Paul	20,197	20,167	19,900	20,000	20,700	-297	-1.5	800	4.0
West St. Paul	19,248	19,405	20,100	21,100	21,700	852	4.4	1,600	8.0
Subtotal	259,487	338,374	401,700	456,900	490,400	142,213	54.8	88,700	22.1
Remainder of Co.	15,723	17,530	20,260	23,250	26,610	4,537	28.9	6,350	31.3
Dakota County	275,210	355,904	421,960	480,150	517,010	146,750	53.3	95,050	22.5
Metro Area Total	2,288,729	2,642,062	3,005,270	3,334,160	3,607,660	716,541	31.3	602,390	20.0

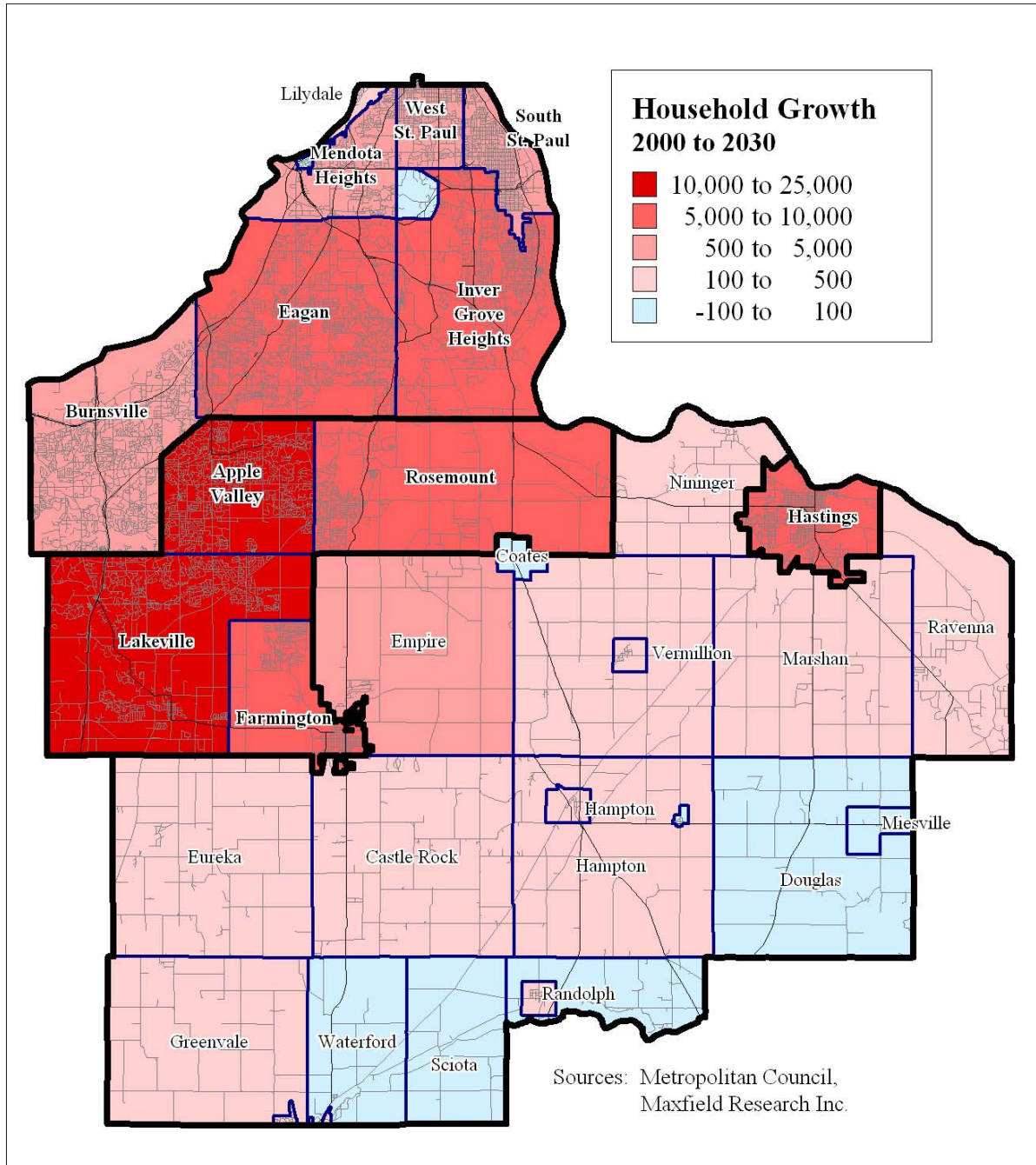
Sources: U.S. Census, Metropolitan Council, Maxfield Research Inc.

EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

**TABLE 2
HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
DAKOTA COUNTY
1990 - 2030**

	Households					Change			
	Census		2010	2020	2030	1990 - 2010		2010-2030	
	1990	2000				No.	Pct.	No.	Pct.
Large Communities									
Apple Valley	11,145	16,344	22,400	26,100	27,500	11,255	101.0	5,100	22.8
Burnsville	19,127	23,687	25,300	27,000	28,700	6,173	32.3	3,400	13.4
Eagan	17,427	23,773	26,500	28,000	29,000	9,073	52.1	2,500	9.4
Farmington	2,064	4,169	7,500	10,500	12,500	5,436	263.4	5,000	66.7
Hastings	5,401	6,640	8,800	11,000	12,500	3,399	62.9	3,700	42.0
Inver Grove Heights	7,803	11,257	14,000	17,000	18,000	6,197	79.4	4,000	28.6
Lakeville	7,851	13,609	20,200	28,400	33,500	12,349	157.3	13,300	65.8
Mendota Heights	3,302	4,178	4,600	4,800	5,000	1,298	39.3	400	8.7
Rosemount	2,779	4,742	8,000	11,200	13,500	5,221	187.9	5,500	68.8
South St. Paul	7,914	8,123	8,300	8,600	9,000	386	4.9	700	8.4
West St. Paul	8,441	8,645	8,900	9,300	9,600	459	5.4	700	7.9
Subtotal	93,254	125,167	154,500	181,900	198,800	61,246	65.7	44,300	28.7
Remainder of Co.	5,039	5,984	7,490	8,890	10,300	2,451	48.6	2,810	37.5
Dakota County	98,293	131,151	161,990	190,790	209,100	63,697	64.8	47,110	29.1
Metro Area Total	875,504	1,021,459	1,197,580	1,361,870	1,491,630	322,076	36.8	294,050	24.6
Sources: U.S. Census, Metropolitan Council, Maxfield Research Inc.									

Household Growth Projections Dakota County 2000 to 2030

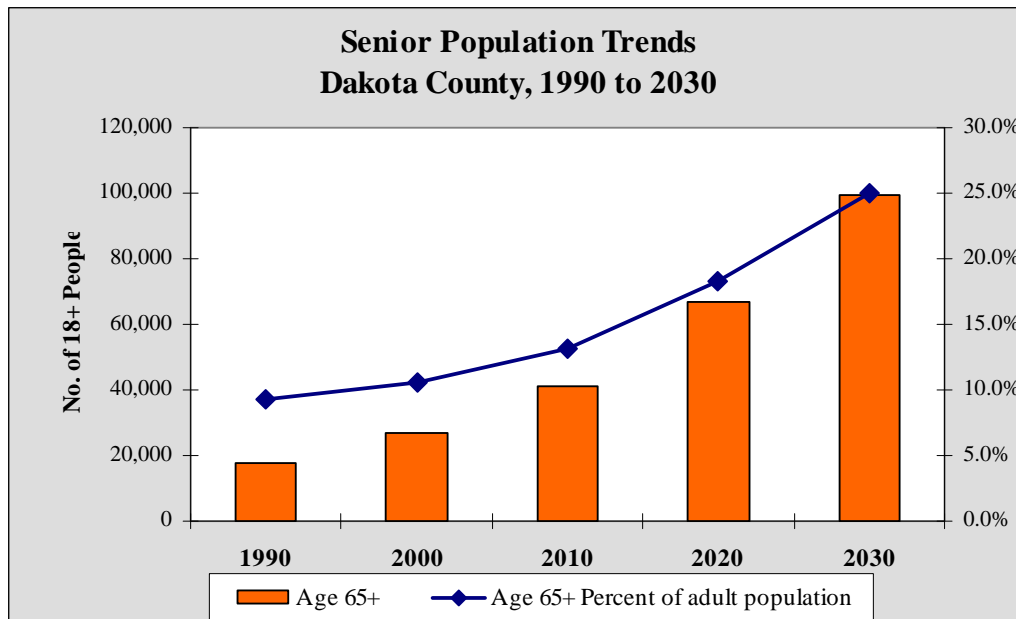


Population Age Distribution Trends

Table 3 shows the age distribution of Dakota County’s population in 1990 and 2000, and provides estimates for 2007 and projections for 2010 to 2030. The 1990 and 2000 distributions are derived from the U.S. Census, while the estimates and projections were made by Maxfield Research Inc. based on data from the State Demographic Center and Claritas Inc.

The following are key trends noted in the age distribution of Dakota County’s population:

- ▶ With the aging of the baby boom generation, the greatest growth in Dakota County from 2007 to 2030 will be among people age 65+, as their population is projected increase by approximately 62,000 people in the 23 years.
- ▶ As is shown in Table 5, employment figures are projected to plateau as the 65+ senior population continues to age and retire from the workforce. The future participation rate of seniors in the labor force is unknown, however. Some seniors without sufficient savings may continue to work; but those seniors that have accumulated wealth may limit or cease their participation in the labor force.
- ▶ The chart below shows the strong growth projected in the 65+ adult population through 2030. The 65+ age group accounted for approximately 10% of the adult population in 1990 and is projected to grow to almost 25% of the adult population by 2030.



EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

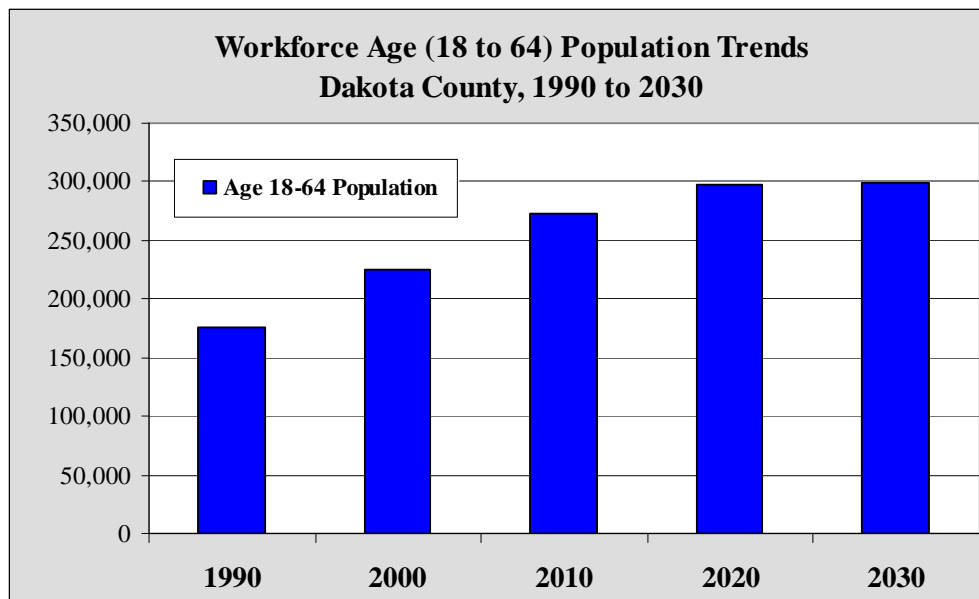
**TABLE 3
POPULATION AGE DISTRIBUTION PROJECTIONS
DAKOTA COUNTY
1990 - 2030**

	Age 17 & Under					
	1990	2000	2007	2010	2020	2030
Apple Valley	11,984	13,529	14,980	15,602	15,657	14,850
Burnsville	14,404	15,766	14,385	13,793	13,465	13,371
Eagan	14,097	19,056	16,826	15,870	14,330	13,450
Farmington	1,887	4,208	6,036	6,820	7,560	8,195
Hastings	4,484	4,971	5,429	5,625	6,755	7,495
Inver Grove Heights	6,737	8,125	8,074	8,052	9,013	9,299
Lakeville	8,840	15,560	17,371	18,148	22,563	23,744
Mendota Heights	2,482	3,152	2,811	2,665	2,815	2,885
Rosemount	2,965	5,131	6,492	7,075	8,605	10,005
South St. Paul	5,250	5,126	4,744	4,580	4,635	4,895
West St. Paul	3,952	4,095	3,931	3,860	4,190	4,455
Large Cities	77,082	98,719	101,078	102,090	109,588	112,643
Remainder of Co.	4,720	5,014	5,037	5,047	5,643	6,812
Dakota County	81,802	103,733	106,116	107,137	115,232	119,455
	Age 18-64					
	1990	2000	2007	2010	2020	2030
Apple Valley	21,717	29,492	36,221	39,105	40,572	37,973
Burnsville	34,903	40,096	40,417	40,554	39,355	38,076
Eagan	32,324	41,827	44,580	45,760	42,760	38,495
Farmington	3,469	7,464	11,238	12,855	18,075	20,620
Hastings	9,471	11,103	13,558	14,610	16,955	17,400
Inver Grove Heights	14,452	19,294	21,566	22,539	26,296	26,641
Lakeville	15,423	26,342	34,810	38,439	49,458	52,371
Mendota Heights	5,773	6,626	7,147	7,370	6,560	6,080
Rosemount	5,304	8,704	12,593	14,260	18,730	20,820
South St. Paul	12,069	12,467	12,966	13,180	12,760	12,565
West St. Paul	11,318	11,588	12,443	12,810	13,070	12,765
Large Cities	166,223	215,003	247,539	261,482	284,590	283,807
Remainder of Co.	9,360	10,498	11,670	12,172	13,672	14,563
Dakota County	175,583	225,501	259,209	273,655	298,262	298,370
	Age 65+					
	1990	2000	2007	2010	2020	2030
Apple Valley	897	2,506	5,647	6,993	12,871	18,377
Burnsville	1,981	4,358	6,245	7,054	10,180	13,554
Eagan	988	2,674	4,561	5,370	10,910	17,055
Farmington	584	693	785	825	1,465	3,185
Hastings	1,518	2,127	2,574	2,765	3,790	5,105
Inver Grove Heights	1,288	2,332	3,015	3,308	5,291	8,260
Lakeville	591	1,226	2,407	2,913	6,379	12,685
Mendota Heights	1,126	1,656	1,872	1,965	2,625	3,135
Rosemount	353	784	1,191	1,365	2,765	4,875
South St. Paul	2,878	2,574	2,270	2,140	2,605	3,240
West St. Paul	3,978	3,722	3,518	3,430	3,840	4,480
Large Cities	16,182	24,652	34,085	38,128	62,721	93,950
Remainder of Co.	1,643	2,018	2,734	3,040	3,935	5,235
Dakota County	17,825	26,670	36,819	41,168	66,656	99,185

Sources: U.S. Census; Metropolitan Council; Minnesota Demographic Center; Maxfield Research Inc.

EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

- ▶ A good portion of seniors are expected to work part-time in the future. One reason is that the economy has been shifting away from a traditional manufacturing labor force into service and office labor. There is the possibility that 65+ seniors will continue to lengthen their tenure in “white collar” positions. Lack of physical exertion in white collar positions enables many people to work longer than people employed in labor-intensive manufacturing work. Thus, many of the future seniors will be able to work longer than their blue collar parents, and therefore retire later in life.
- ▶ The growth of the working-age population, those ages 18 to 64, will be tempered as a large number of people currently in their 40s and 50s age into their senior years by 2030. Between 2007 and 2030, the number of age 18-to-64-year-olds is projected to grow by 39,000 people, or 15%. In comparison, between 1990 and 2007 (a seven year shorter period), the age 18-to-64-year-old population increased by 83,600 people, or 48%.



Consumer Expenditure Patterns

Table 4 shows consumer expenditures for retail goods and services in Dakota County in 2007 and 2012, according to data obtained from Claritas, Inc. This data is used to calculate demand for retail space, based on projected population growth in the area and the resulting growth in consumer expenditures. The following are key points from the consumer expenditure data:

- ▶ Customers (or residents) in Dakota County spent \$8.9 billion in 2007 on retail goods and services shown in Table 4. In 2012, residents are projected to spend \$11.4 billion on retail goods and services. It should be noted that the retail expenditures by these Dakota County residents can be made anywhere, not just Dakota County.

EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

- ▶ In order, residents in Eagan (\$1.9 million), Lakeville (\$1.7 million), Burnsville (\$1.6 million), and Apple Valley (\$1.5 million) will combine to make up just short of 60% of all the retail expenditures in Dakota County in 2012. These communities also account for about 60% of all the residents in the County.
- ▶ The greatest growth in consumer retail expenditures during the period 2007 to 2012 is expected in Farmington (49%), Rosemount (43%), and Lakeville (36%) – also the communities that are projected to experience the greatest household growth.
- ▶ Overall consumer expenditures in Dakota County are expected to grow by \$2.5 billion between 2007 and 2012, or about a 5% annual increase. While some of this projected increase is due to inflation, some is due to household growth. As household growth begins to slow during the next two decades, this annual rate of growth will likely decline. These factors, in turn, will likely lead to less overall demand for new retail space annually in the coming decades in comparison to the past couple of decades.

TABLE 4				
AGGREGATE CONSUMER EXPENDITURES BY RESIDENTS				
DAKOTA COUNTY				
2007-2012				
	Consumer Expenditures		Change	
	2007	2012	2007-2012	
	(millions)	(millions)	No.	%
	(millions)	(millions)	(millions)	Change
Large Cities				
Apple Valley	\$1,199	\$1,546	\$347	29.0%
Burnsville	\$1,350	\$1,620	\$270	20.0%
Eagan	\$1,540	\$1,860	\$320	20.8%
Farmington	\$385	\$574	\$189	49.1%
Hastings	\$435	\$588	\$153	35.2%
Inver Grove Heights	\$789	\$1,050	\$262	33.2%
Lakeville	\$1,218	\$1,657	\$439	36.1%
Mendota Heights	\$313	\$376	\$63	20.1%
Rosemount	\$437	\$624	\$187	42.9%
South St. Paul	\$381	\$453	\$71	18.7%
West St. Paul	\$388	\$461	\$73	18.8%
Large Cities Subtotal	\$8,435	\$10,810	\$2,375	28.2%
Remainder of Co.	\$441	\$572	\$131	29.7%
Dakota County Total	\$8,876	\$11,382	\$2,506	28.2%
Sources: Claritas; Maxfield Research, Inc.				

Employment Growth Trends

Demand for office and industrial space will partly hinge on the future labor force available to fill potential new jobs. Employment growth trends and projections and business characteristics for Dakota County are shown in the following tables. The following are key trends derived from the employment data:

Jobs Located in Dakota County

Table 5 shows data on the number of jobs in Dakota County, including in the 11 largest communities. The figures were based on estimated by Metropolitan Council and adjusted by Maxfield Research based on current employment estimated from the Minnesota Department of Employment and Economic Development.

Table 6 presents covered employment for Dakota County in 2000 and 2006. Covered employment data is calculated as an annual average and reveals the number of jobs in the County that are covered by unemployment insurance. Most farm jobs, self-employed people, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data comes from the Department of Employment and Economic Development. Table 7 shows the number of jobs by size of business within the County in 2005. This data is from the Census Bureau: County Business Patterns.

The following are key highlights about employment trends in the County:

- ▶ There were a total of about 154,200 jobs in Dakota County in 2000, of which about half were located in Eagan (42,750 jobs) and Burnsville (31,800 jobs). Eagan and Burnsville are appealing for employment in the County because of their location. Both have good freeway access, are closer to the Minneapolis/St. Paul International Airport, other businesses along the I-494 strip and Downtowns Minneapolis and St. Paul, and have closer proximity to larger labor pools than farther out suburbs within the County.
- ▶ The number of jobs in Dakota County is projected to grow by about 92,200 jobs from 1990 to 2010 (+87.0%) and about 49,400 from 2010 to 2030 (+24.9%). This is a greater growth rate than the Twin Cities Metro Area, which is projected to experience job growth of 42.7% from 1990 to 2010 and 17.1% from 2010 to 2030.
- ▶ As summarized earlier in the report, the aging of the population will contribute to the slower job growth rate between 2010 and 2030. Compared to past decades, the ratio of people entering the labor force to those leaving the labor force will narrow. This slower job growth will have an impact on the growth of businesses, and hence, additional need for industrial and office space will decline.
- ▶ Between 2010 and 2030, Eagan is projected to lead the County in job growth (11,600 new jobs) followed closely by Lakeville (11,200 new jobs). Combined, Eagan and Lakeville are projected to account for about 46% of all new job growth between 2010 and 2030.

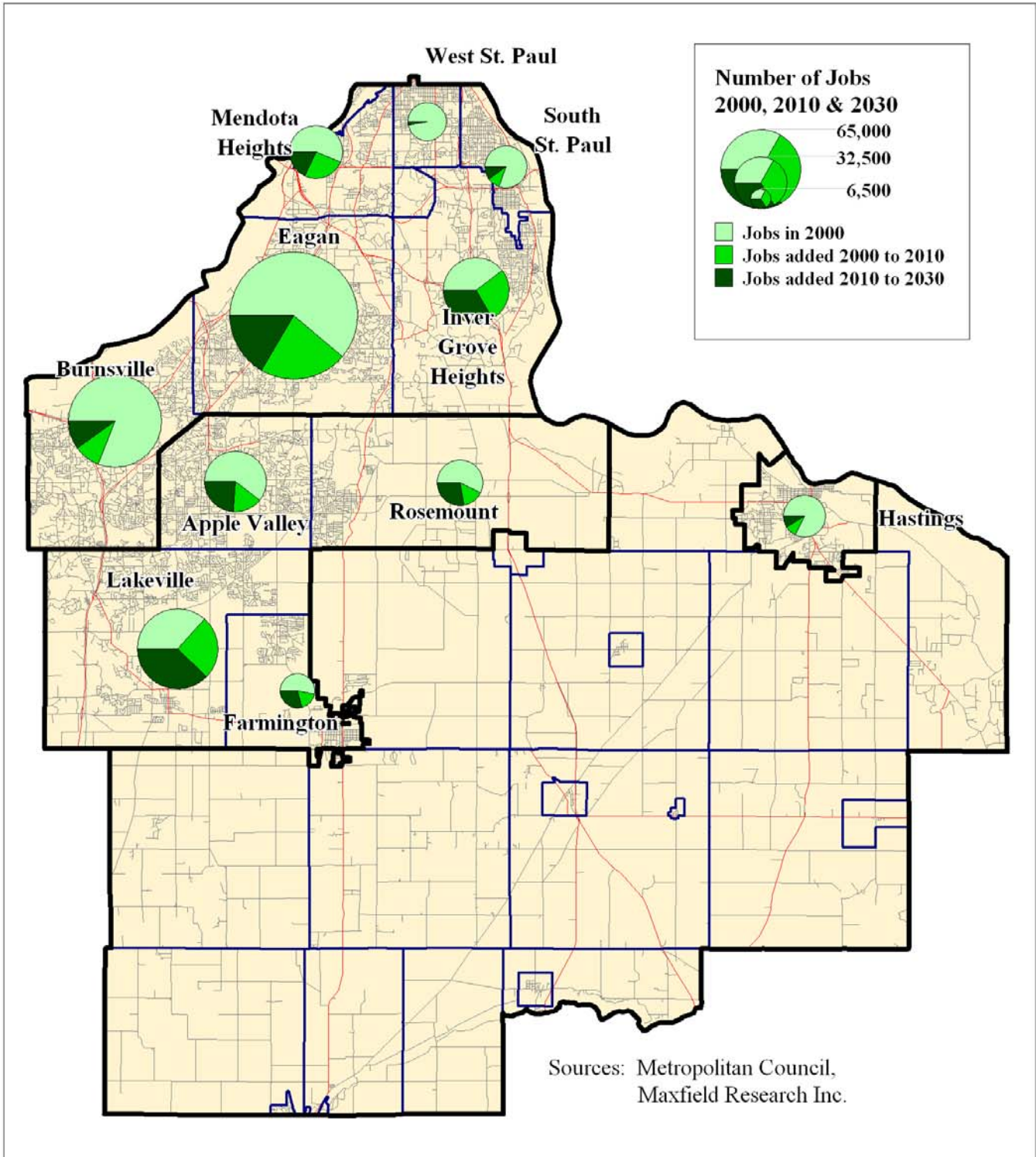
EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

**TABLE 5
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS
DAKOTA COUNTY
1990 - 2030**

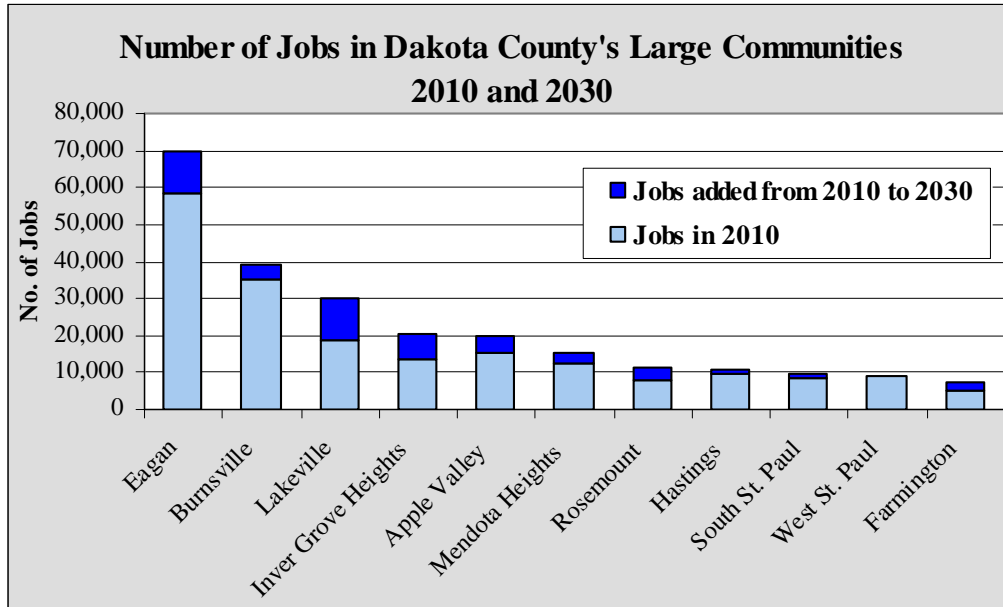
	Employment					Change			
	1990	2000	2010	2020	2030	1990 - 2010		2010-2030	
						No.	Pct.	No.	Pct.
Large Communities									
Apple Valley	6,528	12,106	15,200	18,100	20,000	8,672	132.8	4,800	31.6
Burnsville	25,438	31,765	35,300	37,800	39,300	9,862	38.8	4,000	11.3
Eagan	26,000	42,750	58,300	65,700	69,900	32,300	124.2	11,600	19.9
Farmington	2,342	3,986	5,300	6,500	7,500	2,958	126.3	2,200	41.5
Hastings	6,982	8,872	9,800	10,100	10,800	2,818	40.4	1,000	10.2
Inver Grove Heights	5,724	8,168	13,700	18,100	20,500	7,976	139.3	6,800	49.6
Lakeville	6,563	10,966	18,600	24,900	29,800	12,037	183.4	11,200	60.2
Mendota Heights	5,805	8,549	12,400	14,000	15,200	6,595	113.6	2,800	22.6
Rosemount	4,114	6,356	8,000	9,700	11,100	3,886	94.5	3,100	38.8
South St. Paul	5,564	7,697	8,600	9,200	9,600	3,036	54.6	1,000	11.6
West St. Paul	9,264	8,905	8,800	9,000	9,100	-464	-5.0	300	3.4
Subtotal	104,324	150,120	194,000	223,100	242,800	89,676	86.0	48,800	25.2
Remainder of Co.	1,705	4,122	4,231	4,340	4,850	2,526	148.2	619	14.6
Dakota County	106,029	154,242	198,231	227,440	247,650	92,202	87.0	49,419	24.9
Metro Area Total	1,272,773	1,563,245	1,815,715	1,990,485	2,125,965	542,942	42.7	310,250	17.1

Sources: Metropolitan Council; Maxfield Research Inc.

Number of Jobs, Dakota County, 2000, 2010 & 2030



EMPLOYMENT AND DEMOGRAPHIC ANALYSIS



- ▶ As illustrated in the following commuting patterns table, there is a sizable out-migration of workers from Dakota County to surrounding Counties. In 2000, about 46% of Dakota County residents worked in Dakota County. Hennepin (32%) and Ramsey (14%) Counties accounted for the majority of the work commutes outside Dakota County.

Commuting Patterns in Dakota County, 2000

Place of Residence	Employment	Count	Percent
Place of Employment for Dakota County Residents			
Dakota	Dakota Co	90,629	45.8%
Dakota	Hennepin	62,901	31.8%
Dakota	Ramsey	28,014	14.2%
Dakota	Scott	4,647	2.3%
Dakota	Washington	3,787	1.9%
Dakota	Rice	1,267	0.6%
Dakota	Anoka	1,172	0.6%
Dakota	Other	5,377	2.7%
		197,794	100.0%
Place of Residence for Workers Commuting to Dakota County			
Dakota	Dakota	90,629	58.7%
Hennepin	Dakota	17,485	11.3%
Ramsey	Dakota	14,204	9.2%
Washington	Dakota	8,380	5.4%
Scott	Dakota	8,025	5.2%
Rice	Dakota	2,817	1.8%
Anoka	Dakota	2,659	1.7%
Other	Carver	10,322	6.7%
		154,521	100.0%

Sources: US Census Bureau; Maxfield Research Inc.

EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

- ▶ Approximately 60% of the jobs in Dakota County in 2000 were filled by people living within the County followed by people living in Hennepin County (11%), Ramsey County (9%) and Washington County (about 5%). As transportation costs increase, we project that a greater percentage of people commuting to Dakota County will also choose to live in Dakota County, increasing the number of jobs available in the County.
- ▶ In 2000, approximately 70% of those working in Eagan, the largest employment base in the County, commuted from outside Dakota County, 14% of which came from Hennepin County. Only about 30% of Eagan workers commuting from within Dakota County chose to live and work in Eagan.
- ▶ Table 6 highlights that Dakota County has experienced job growth during the first half of this decade in about every industry sector except Manufacturing. This is a trend that has been experienced by most places in the Country, as manufacturing declined sharply after the recession that began in 2001. Service jobs have grown rapidly, with the greatest numerical growth in Education & Health Care, Professional and Business Services, and Financial Services.
- ▶ According to an analyst with the Minnesota Department of Employment and Economic Development, the decline of manufacturing employment is a trend that is likely to continue for at least the next few decades in the Twin Cities. This is a trend that began earlier in other northeastern states that continues today as the job market shifts from manufacturing to services. Thus, it is unlikely that Dakota County will see significant increases in manufacturing employment through 2030. New manufacturers are likely to be smaller niche firms and high-tech firms versus large plants that employ less skilled labor. These larger manufacturers tend to locate in more rural communities with lower wages.
- ▶ From 2000 to 2006, Dakota County has been a bright spot in the Metro Area in terms of job growth. While the County added over 21,000 jobs, the remainder of the seven-county Metro Area lost 6,500 jobs. Most of the job loss was in Hennepin and Ramsey Counties. The City of Minneapolis alone lost 17,000 jobs over the six year period.
- ▶ Retail accounted for greatest number of jobs grown in the County from 2000 to 2006, (22,900 jobs). It should be noted that the retail category does not include restaurants, which instead are included in the leisure and hospitality category. That category had 17,000 jobs in the County in 2006, an increase of 2,500 jobs from 2000.

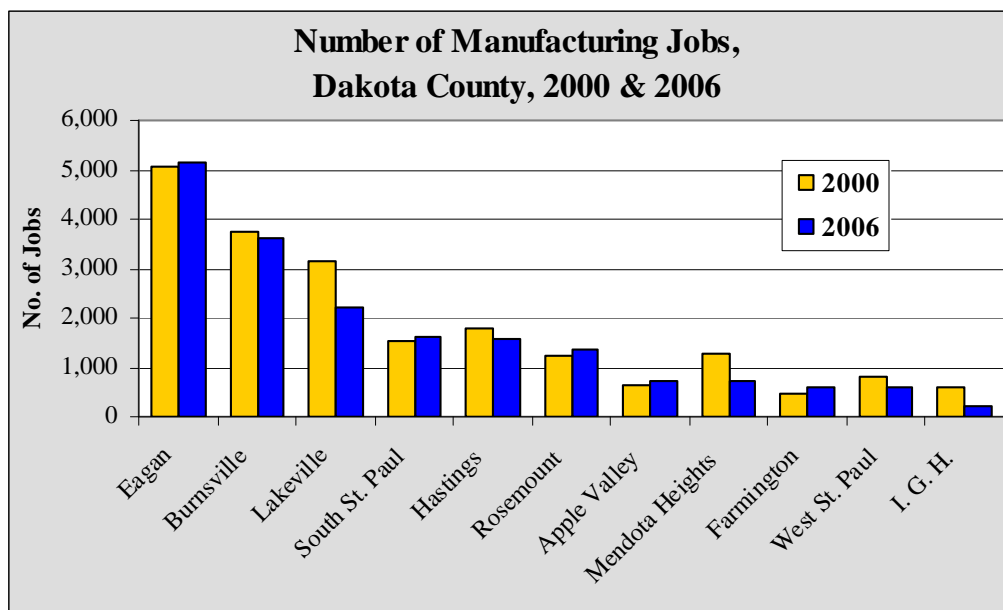
EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

**TABLE 6
COVERED EMPLOYMENT TRENDS
DAKOTA COUNTY
2000-2006**

Industry	2000		2006		Change, 2000 to 2006	
	Employers	Jobs	Employers	Jobs	Employers	Jobs
Natural Resources & Mining	51	678	49	936	-2	258
Construction	1,030	9,534	1,212	11,499	182	1,965
Manufacturing	526	20,661	545	19,445	19	-1,216
WTU*	1,239	17,898	1,250	20,651	11	2,753
Retail Trade	1,117	21,885	1,239	22,897	122	1,012
Information	155	7,938	175	8,607	20	669
Financial Services	988	9,194	1,373	11,900	385	2,706
Professional and Business Services	1,743	14,843	1,949	18,172	206	3,329
Education and Health Services	712	12,049	968	17,655	256	5,606
Leisure and Hospitality	648	14,583	829	17,084	181	2,501
Other Services	822	7,133	945	7,451	123	318
Government	213	16,981	241	18,378	28	1,397
Dakota County Totals	9,244	153,377	10,775	174,675	1,531	21,298
7-County Twin Cities Metro Area	82,382	1,600,536	89,883	1,615,330	7,501	14,794

* Wholesale Trade, Transportation, & Utilities
 Note: North American Industrial Classification System (NAICS)
 Source: Minnesota Department of Employment and Economic Development;
 Maxfield Research Inc.

- ▶ The chart below highlights that Eagan accounted for over 5,000 of the County's 19,400 manufacturing jobs in 2006. Eagan still has land available for new industrial space along Highway 55 in the northern part of the community.



EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

- ▶ Table 7 shows the number of employees by size of business. Of the 9,972 businesses in Dakota County in 2005, about 55% had between one and four employees, 17% had between five and nine employees, and 13% had between 10 and 19 employees. Only seven employers had more than 1,000 employees (less than 1%) and only 14 employers had between 500 and 999 employees.
- ▶ Table 7 highlights that most of the demand for office space will be from smaller businesses seeking spaces with less than 5,000 square feet. Almost three-quarters of the financial services & real estate and professional and business services categories have fewer than five employees. A large portion of these businesses are likely individuals working from their single-family homes; hence they do not need commercial office space. About 540 of these businesses have between five and 19 employees and would require spaces of about 1,000 to 5,000 square feet.
- ▶ A larger corporate campus designed to appeal to larger firms needs office spaces of 50,000 square feet would compete for a limited number of firms. In 2005, only five financial and professional service firms had more than 250 employees, and none had more than 500 employees. It should be noted that some larger users of office space are categorized under other industries. For example, Northwest Airlines and CHS are categorized as wholesale trade, transportation & utilities. Even still, only 21 of the County's businesses had more than 500 employees, or 0.2% of the businesses.

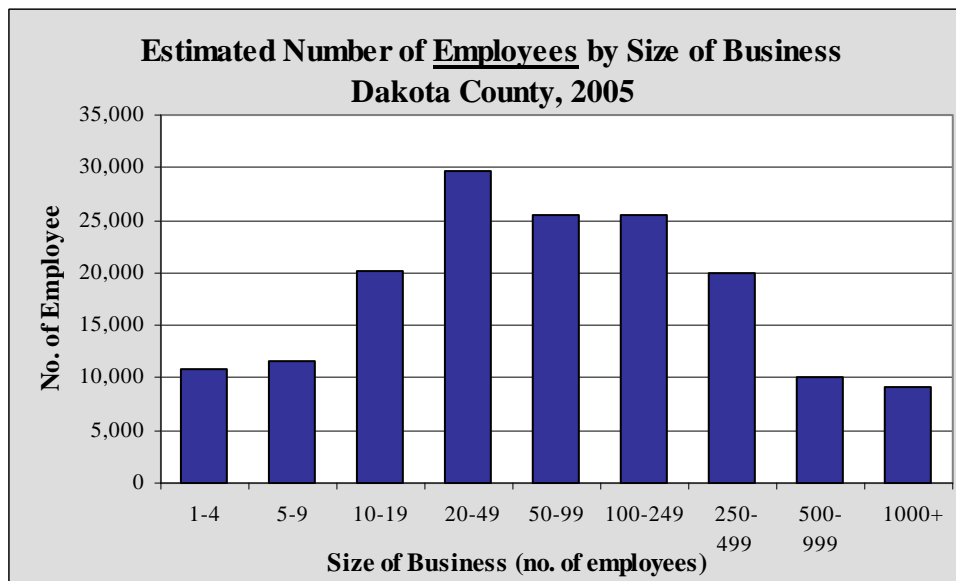
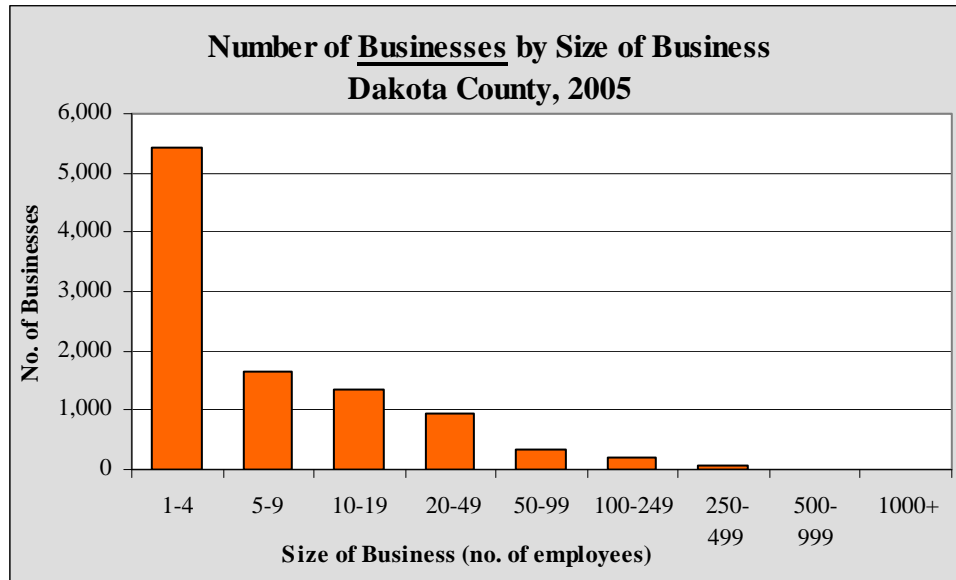
**TABLE 7
NUMBER OF BUSINESSES BY SIZE OF BUSINESS
DAKOTA COUNTY
2005**

Industry	Total	Number of Employees								
		1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Natural Resources & Mining	19	13	2	2	2	0	0	0	0	0
Construction	1,176	818	132	117	67	22	16	3	0	1
Manufacturing	479	152	81	83	83	36	27	14	3	0
WTTU*	1,071	552	180	128	124	44	29	10	3	1
Retail Trade	1,160	414	303	233	110	47	44	8	1	0
Information	190	96	30	21	20	15	4	2	0	2
Financial Services & Real Estae	1,244	875	199	93	51	14	7	4	0	1
Professional and Business Services	1,325	1,002	153	98	52	9	10	1	0	0
Education and Health Services	975	408	204	189	109	36	17	6	4	2
Leisure and Hospitality	768	242	96	152	183	80	13	2	0	0
Other Services	1,536	839	271	222	129	37	29	6	3	0
Other	29	28	0	1	0	0	0	0	0	0
Total	9,972	5,439	1,651	1,339	930	340	196	56	14	7
<i>Percent of Businesses</i>	<i>100.0%</i>	<i>54.5%</i>	<i>16.6%</i>	<i>13.4%</i>	<i>9.3%</i>	<i>3.4%</i>	<i>2.0%</i>	<i>0.6%</i>	<i>0.1%</i>	<i>0.1%</i>

* Wholesale Trade, Transportation, & Utilities
 Note: North American Industrial Classification System (NAICS)
 Source: U.S. Census Bureau: County Business Patterns;
 Maxfield Research Inc.

EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

- ▶ The following two charts highlight that even though most of the County's businesses have fewer than 10 employees, the greatest number of jobs are located in businesses with between 20 and 250 employees. These businesses will also account for the greatest demand for commercial, office, and industrial space, especially since a percentage of the very small businesses are operated from single-family homes.



Gross Retail Sales

Table 8 shows a breakdown of gross retail sales for retail goods and services in Dakota County in 2000 and 2005. The data is from the Minnesota Department of Revenue. Table 8 shows retail gross sales for auto dealers and stations and the total for all other product types. The following are key points from the data.

- ▶ Dakota County retail sales grew 27% from 2000 to 2005, amassing \$6.5 billion dollars in gross retail sales in 2005.
- ▶ Excluding sales at auto dealers and stations, sales in the County rose from \$3.8 billion in 2000 to \$4.3 billion in 2005. Auto dealers and stations are shown separately so that more direct comparisons can be made between gross sales and commercial space. Auto dealers and stations accounted for one-third of total sales but occupy very little commercial space.
- ▶ Burnsville, Eagan, and Apple Valley accounted for the majority of gross retail sales in the County. These communities also have the most commercial space. Burnsville has a strong retail presence with the Burnsville Mall, the County’s only enclosed regional shopping center. Eagan has a large amount of retail near Interstate 35E and Yankee Doodle Road along with several larger neighborhood shopping centers. Apple Valley as a significant amount of retail surrounding the Cedar Avenue Highway 42 intersection.

**TABLE 8
GROSS RETAIL SALES
DAKOTA COUNTY LARGE COMMUNITIES
2000 & 2005**

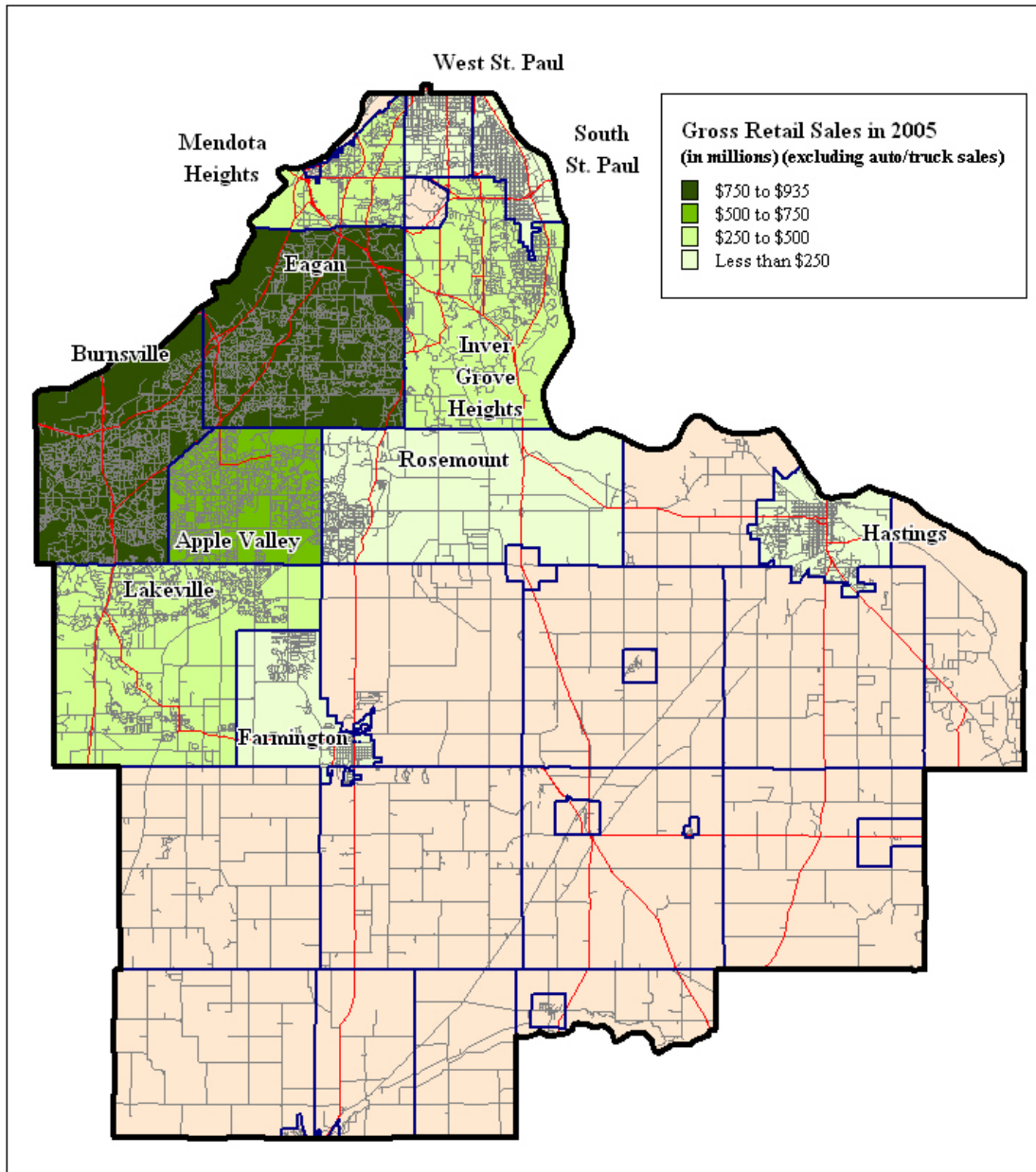
	2000		2005	
	Retail Sales (excluding Auto)	Auto Dealers & Stations	Retail Sales (excluding Auto)	Auto Dealers & Stations
Apple Valley	\$490,995,020	\$213,024,759	\$638,408,974	\$206,870,912
Burnsville	\$1,242,822,300	\$377,473,471	\$934,245,215	\$486,731,078
Eagan	\$646,729,387	\$90,511,234	\$844,151,258	\$163,923,828
Farmington	\$52,295,906	\$7,565,533	\$63,941,488	\$28,417,502
Hastings	\$176,195,111	\$134,655,919	\$177,512,925	\$94,078,861
Inver Grove Heights	\$227,862,263	\$277,963,569	\$332,673,497	\$615,488,477
Lakeville	\$143,347,077	\$92,364,876	\$351,684,078	\$202,471,778
Mendota Heights	\$236,919,234	\$0	\$423,798,981	\$18,017,864
Rosemount	\$44,285,450	\$11,815,532	\$90,923,857	\$25,631,906
South St. Paul	\$208,721,134	\$90,070,696	\$245,352,324	\$283,705,151
West St. Paul	\$316,652,759	\$31,405,715	\$232,133,259	\$36,805,580
Total	\$3,786,825,641	\$1,326,851,304	\$4,334,825,856	\$2,162,142,937

Source: Minnesota Department of Revenue; Maxfield Research Inc.

EMPLOYMENT AND DEMOGRAPHIC ANALYSIS

- ▶ With the exceptions of Burnsville and West St. Paul, every city in the County experienced growth in retail sales. Lakeville and Rosemount saw the greatest increase in gross retail during the period, following their respective household growth trends. West St. Paul will likely see increased gross sales with the new Menards and upgraded SuperTarget.

Gross Retail Sales (Excluding Auto/Truck Sales) Dakota County, 2005



Commercial and Industrial Development Trends

Introduction

This section examines recent commercial and industrial development trends in Dakota County along with secondary data on current market conditions.

This section examines development trends in Dakota County with the following data:

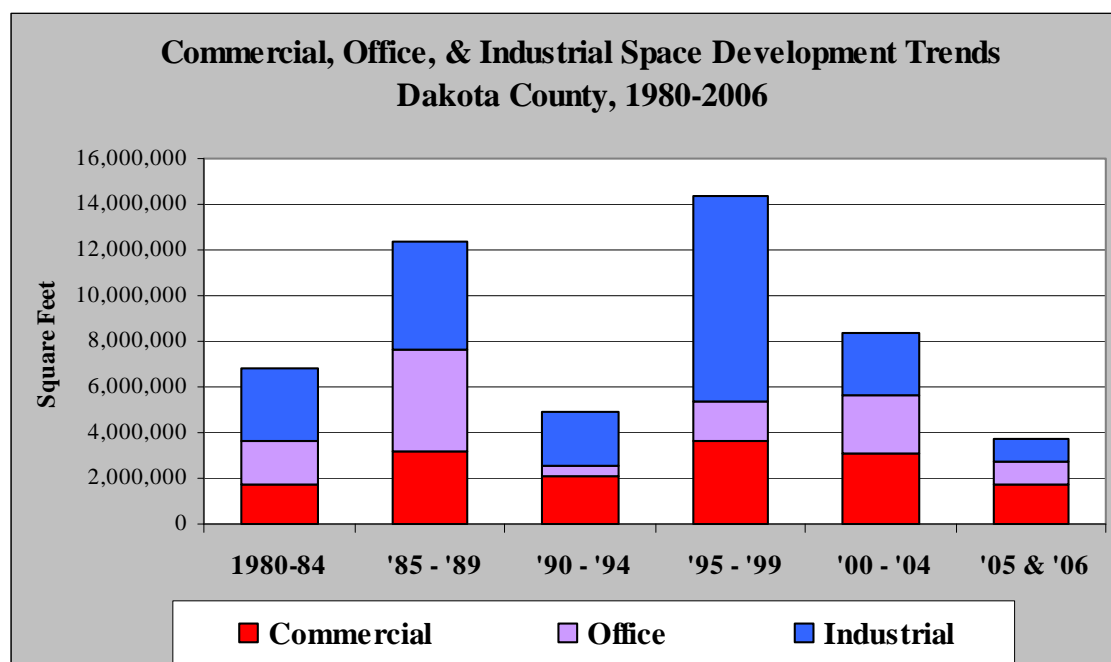
- ▶ retail space vacancy and absorption;
- ▶ commercial space by community;
- ▶ commercial space development trends;
- ▶ office space vacancy and absorption;
- ▶ office space by community;
- ▶ office space development trends;
- ▶ industrial space vacancy and absorption;
- ▶ industrial space by community;
- ▶ industrial space development trends;
- ▶ industrial development trends by type of space and community; and
- ▶ interviews with community development staff and area brokers familiar with the commercial and office markets.

Overview

Trends in the amount of space developed for commercial and industrial uses in Dakota County are presented in this section. The supply of commercial and industrial land was determined using 2006 Dakota County GIS information in cooperation with the Dakota County Assessing Services and Property Taxation and Records. In accordance with the GIS data, the classification and use of each piece of property (parcel) is determined by the Dakota County Assessor's Office.

Among other factors, the future need for commercial and industrial space in the County can be partly based on recent trends in commercial and industrial space development when compared to past and projected increases in households and employment in the County.

The chart below shows the amount of commercial and industrial space built in Dakota County over five-year increments since 1980. The data was obtained from the Dakota County GIS Department. In total, over 50 million square feet of commercial and industrial space was added in Dakota County from 1980 to 2006. This includes about 16 million square feet of retail/commercial space, 12 million square feet of office space, and 23 million square feet of industrial space.



The amount of space added per five-year increment since 1980 varied greatly. For example, when the economy was in recession during the early 1990s, about five million square feet of commercial and industrial space was added. During the late 1990s when the economy was growing rapidly, over 14 million square feet of space was absorbed, including about nine million square feet of industrial space (half of which was in Eagan alone).

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

More detail on development trends and market conditions in Dakota County is presented in the remainder of this Section. The analysis is presented separately for each type of use – retail/commercial, office, and industrial – beginning with retail/commercial.

Market Sector	Period	No. of Buildings	Total Rentable Area	Total Amount Vacant	Percent Vacant	Net Absorption 2000 to 2007
Community	2000	14	2,946,477	195,639	6.6%	--
	2006	11	2,466,896	40,387	1.6%	--
	2007	11	2,466,896	37,019	1.5%	-320,961
Neighborhood	2000	39	2,245,975	285,347	12.7%	--
	2006	64	3,906,951	295,915	7.6%	--
	2007	64	3,906,951	324,975	8.3%	1,621,348
Regional	2000	1	1,314,343	6,935	0.5%	--
	2006	4	2,173,000	39,678	1.8%	--
	2007	4	2,173,000	29,947	1.4%	835,645
Total	2000	54	6,506,795	487,921	7.5%	--
	2006	79	8,546,847	375,980	4.4%	--
	2007	79	8,546,847	391,941	4.6%	2,136,032
Sources: 2001-2008: Colliers Turley Martin Tucker, MarketQUEST Maxfield Research Inc.						

Retail/Commercial Development Trends

Retail Space Vacancy and Absorption

Maxfield Research analyzed retail market conditions in Dakota County, including vacancy trends by type of space. The data is presented in Table 9 and is from *MarketQUEST* by Colliers Turley Martin Tucker. The data in *MarketQUEST* is based on a survey of Metro Area shopping centers with at least 30,000 square feet of gross leasable area (GLA) and excludes single-tenant, free-standing retail space. Shopping centers are classified in three categories: *Neighborhood*, *Community*, and *Regional* shopping centers.

- ▶ In 2007, the neighborhood retail center vacancy rate was the highest of the three shopping center types at 8.3%. Community and Regional centers, which have very strong drawing power and attract national chains and franchised firms, are performing very well, with vacancy rates of 1.5% or less.

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

- ▶ The high growth of regional retail centers is attributed to the trend of developing "big box" retailers (such as SuperTarget, Best Buy, Office Depot, Bed Bath & Beyond, Home Depot, Kohl's, Pet Smart, etc.) in "power centers." To a great extent, these "power centers" are capturing a portion of the retail dollars that previously were spent at neighborhood centers and regional enclosed malls.

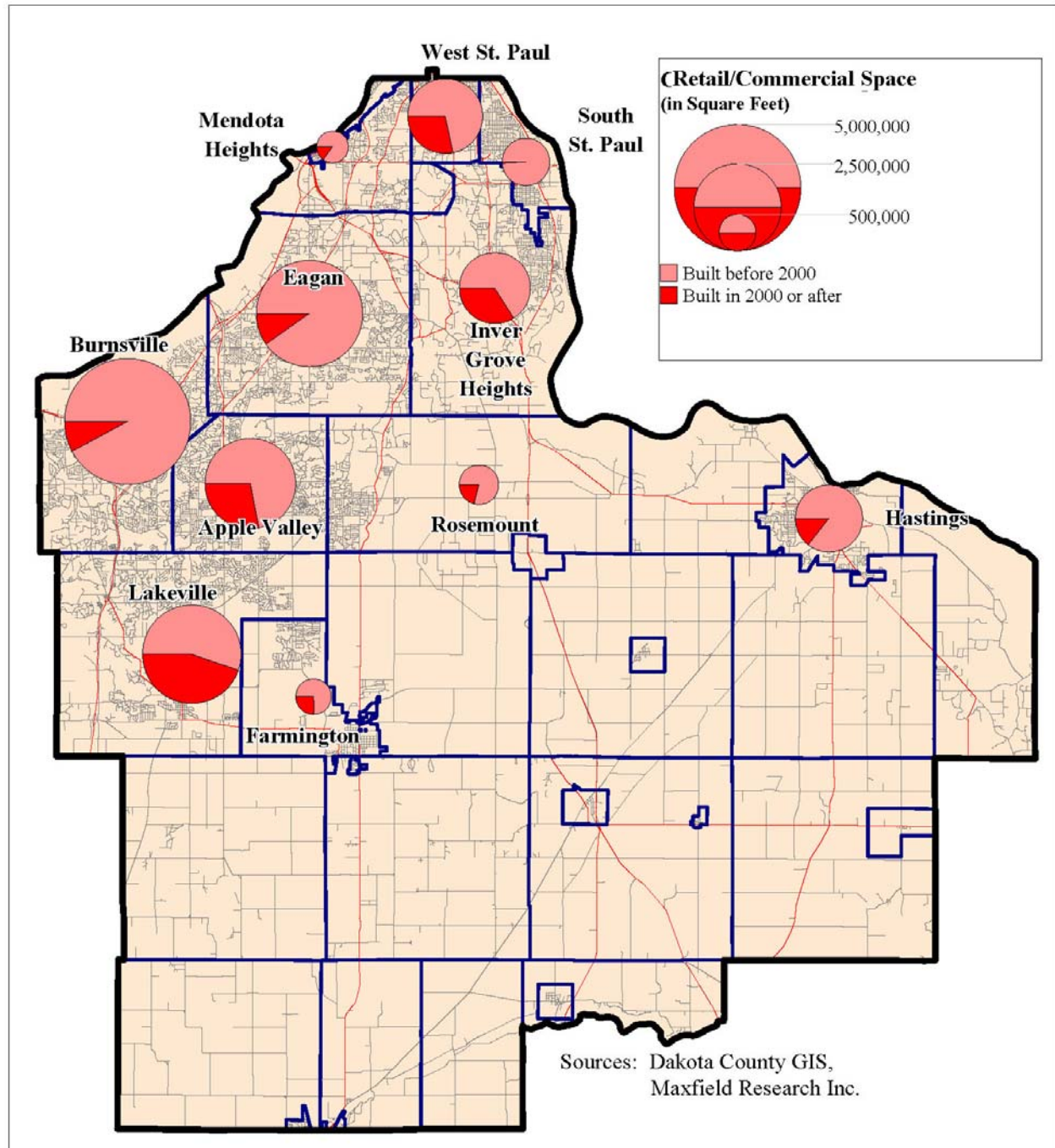
Commercial Space by Community

Table 10 shows the amount of commercial space in each of the County's eleven largest communities and the County as a whole in 2000 to 2006. The data is from the Dakota County GIS. The following are key points from Table 10.

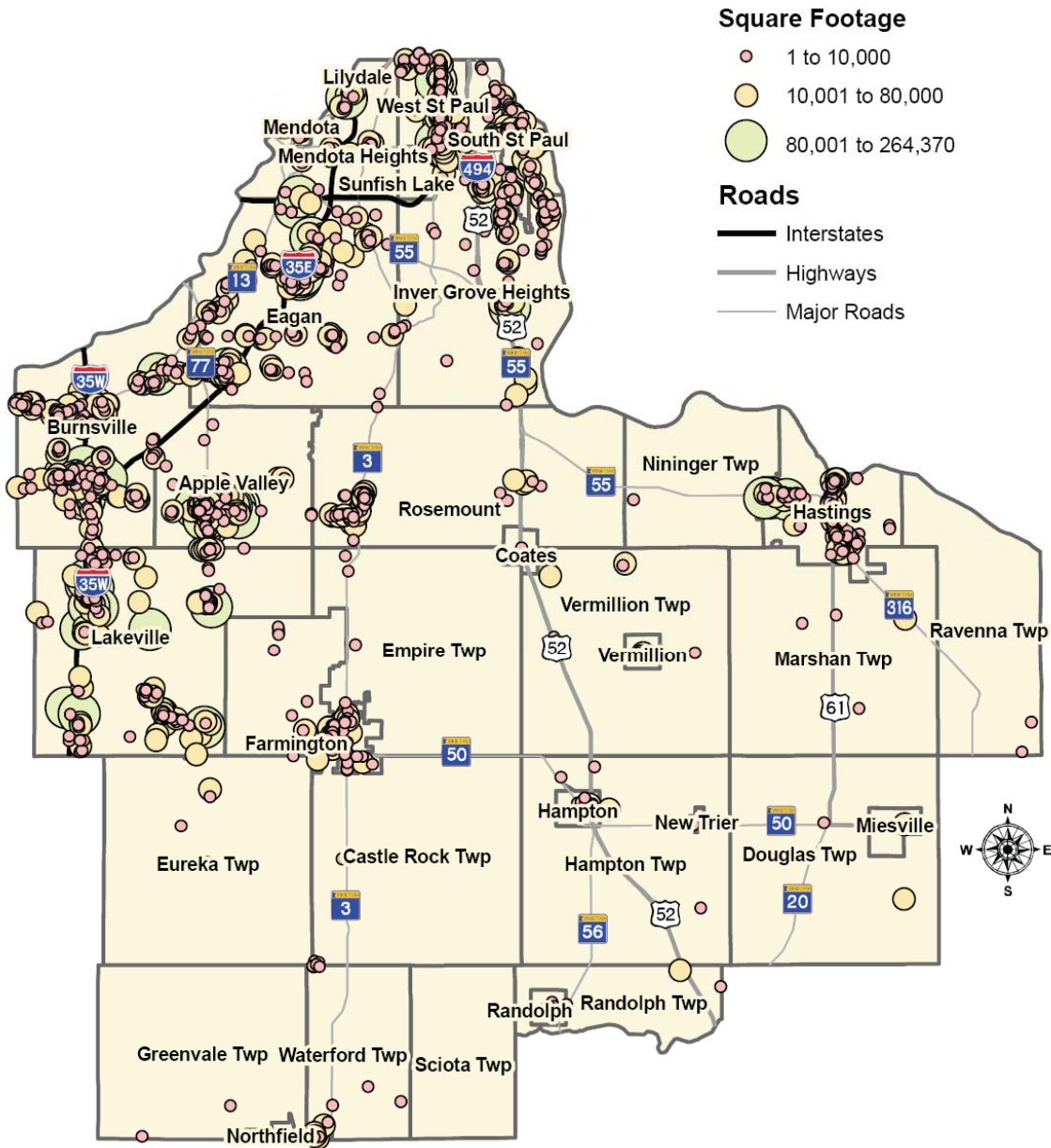
- ▶ In 2006, there are a total of 1,650 buildings totaling 23.5 million square feet of commercial space in the County. Burnsville claims the most commercial buildings (245 buildings) and square feet (about 4.9 million square feet). Behind Burnsville, Eagan and Lakeville each have more than three million feet of commercial space.
- ▶ Approximately 260 buildings totaling 4.8 million square feet have been added this decade, or almost one-quarter of the County's total space.
- ▶ Of the total 23.5 million square feet of commercial space, 58% is classified as retail shopping centers, restaurants, discount stores, department stores, and stand-alone retail stores. The rest of the space is comprised of businesses such as convenience stores, service garages, banks, motels, theaters, veterinary hospitals, etc. Service stations/garages and convenience stores accounted for 393 buildings and 2.8 million square feet.

	2000		2006		Change	
	No. of Buildings	Square Feet	No. of Buildings	Square Feet	No. of Buildings	Square Feet
Large Communities						
Apple Valley	104	1,983,611	135	2,761,965	31	778,354
Burnsville	225	4,548,505	245	4,941,375	20	392,870
Eagan	197	3,371,890	226	3,740,023	29	368,133
Farmington	61	446,611	74	526,383	13	79,772
Hastings	152	1,378,820	188	1,615,953	36	237,133
Inver Grove Heights	110	1,216,038	138	1,839,909	28	623,871
Lakeville	126	1,816,474	179	3,283,656	53	1,467,182
Mendota Heights	18	358,046	22	424,128	4	66,082
Rosemount	51	501,647	66	632,906	15	131,259
South St. Paul	91	940,857	95	950,154	4	9,297
West St. Paul	155	1,393,636	169	1,950,566	14	556,930
Subtotal	1,290	17,956,135	1,537	22,667,018	247	4,710,883
Remainder of Co.	106	725,083	116	808,445	10	83,362
Dakota County Total	1,396	18,681,218	1,653	23,475,463	257	4,794,245
Sources: Dakota County GIS; Maxfield Research Inc.						

Retail/Commercial Space in Dakota County 2000 & 2007



Location of Retail/Commercial Buildings in Dakota County, 2007



Map prepared by the Dakota County Office of Geographic Information Systems

February 11, 2008

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

- ▶ Lakeville has 3.3 million square feet of commercial space compared to Apple Valley's 2.8 million square feet. However, 75% of Apple Valley's space is classified as retail shopping centers, discount and department stores, and restaurants compared to Lakeville's 52%. This explains why Apple Valley had much greater gross retail sales in 2005 than Lakeville (See Table 8, Apple Valley – \$638 million and Lakeville –\$352 million).
- ▶ Lakeville added 53 buildings and about 1.5 million square feet this decade, the most of any community in the County. The approximately space added in Lakeville from 2000 to 2006 includes: 223,000 square foot Lifetime Fitness, 150,000 square foot HOM Furniture building, 186,000 square foot Super Target, 83,000 square foot Crossroads at Lakeville, 86,000 square foot Gander Mountain, and 105,000 square foot Argonne Village with a Rainbow Foods anchor.

Commercial Space Development Trends

Table 11 shows the amount of commercial space added in five-year increments in Dakota County from 1980 to 2006. The following are key points from the table.

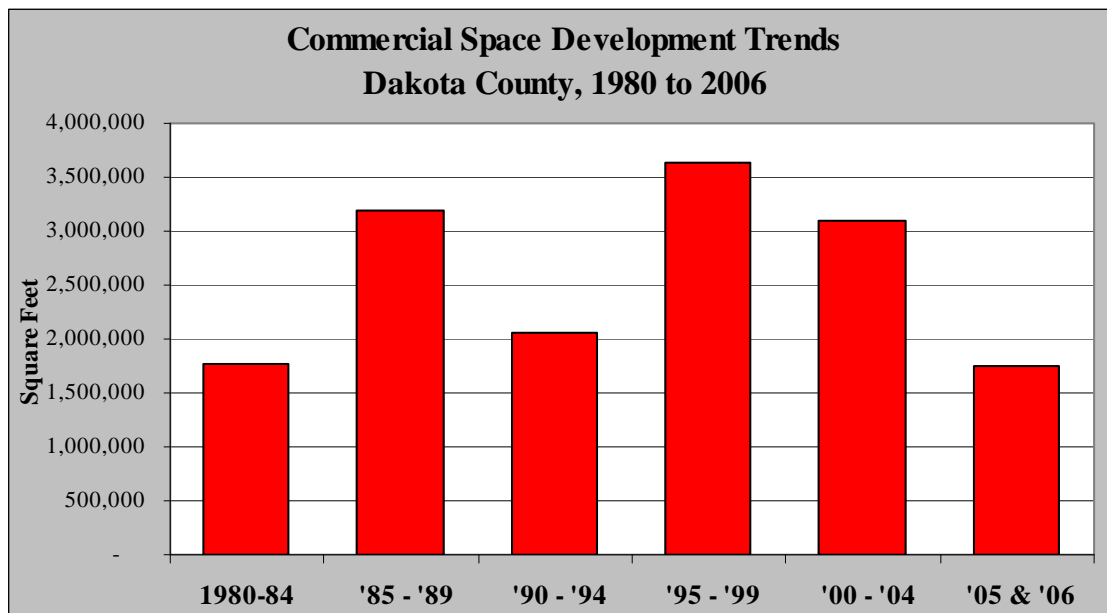
- ▶ Since 1985, Dakota County has added approximately 3 million square feet of commercial space every five years except for the early 1990s when the economy struggled. The current five-year segment, 2005 through 2009, is on pace to maintain that average with 1.8 million square feet added in 2005 and 2006 alone.
- ▶ The pattern of retail following rooftops is highlighted in Table 11. During the early 1980s, the majority of retail was developed in Burnsville, which also had the greatest population. As housing development quickened in Eagan in the mid-1980s, Eagan began to lead the County in new commercial construction. Apple Valley began to increase its share of new retail when its population began to swell in the mid-1990s and now Lakeville is leading the County in commercial development. Lakeville and other outer-ring suburbs, such as Farmington and Rosemount, will likely see greater commercial construction as their communities continue to add population.
- ▶ More mature communities are experiencing less new commercial development, including Burnsville and Eagan that lead the County in new development. Most new development in these two communities and in West St. Paul, South St. Paul, and Mendota Heights will be redevelopments of older properties. West St. Paul, which added 356,400 square feet of commercial space in 2005 and 2006, did so with redevelopment sites that now include 148,500 square foot Wal-Mart, 166,000 square foot Menard's, and 175,000 square foot Target.
- ▶ From 2000 to 2004, Lakeville accounted for approximately 36% of the total commercial development in the County. Farmington accounted for less than 1% of the total commercial development in Dakota County from 1980 to 1984, but has seen a gradual increase to about 4% in 2005 and 2006.

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

- ▶ Inver Grove Heights has begun to see greater retail development, but not to the extent as Apple Valley and Lakeville. Its only big-box stores to date are Home Depot (2006) and Wal-Mart (2003). With the opening up of the Northwest Area, a greater amount of retail will likely follow. Currently, there are plans for a SuperTarget and other retail at the intersection of Highway 55 and South Robert Trail.

TABLE 11
COMMERCIAL SPACE DEVELOPMENT TRENDS
DAKOTA COUNTY
1980-2006

	1980- 1984	1985- 1989	1990- 1994	1995- 1999	2000- 2004	2005 & 2006
Large Communities						
Apple Valley	163,585	206,240	545,168	645,332	639,050	139,304
Burnsville	738,395	704,006	436,275	456,791	182,659	210,211
Eagan	242,102	1,008,961	586,010	1,175,454	194,649	173,484
Farmington	8,755	3,721	18,150	34,021	62,419	74,161
Hastings	43,085	172,074	152,992	231,580	192,401	44,732
Inver Grove Heights	64,034	274,642	44,721	397,410	360,944	262,927
Lakeville	209,423	464,564	94,774	402,676	1,102,468	364,714
Mendota Heights	-	104,760	51,756	26,063	7,498	58,584
Rosemount	40,145	67,692	56,295	87,481	82,135	49,124
South St. Paul	114,696	13,283	17,125	63,946	6,925	2,372
West St. Paul	99,478	148,647	41,370	30,872	200,489	356,441
Subtotal	1,723,698	3,168,590	2,044,636	3,551,626	3,031,637	1,736,054
Remainder of Co.	40,465	31,256	7,919	88,052	66,558	16,804
Dakota County Total	1,764,163	3,199,846	2,052,555	3,639,678	3,098,195	1,752,858
Sources: Dakota County GIS; Maxfield Research Inc.						



COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

- ▶ Concentrating big-box stores in larger shopping areas (or “power centers”) has been a retail trend over the past decade throughout the Nation and Twin Cities. Since the beginning of this decade, over one-third of the commercial space added in Dakota County has been big-box stores such as SuperTarget, Super Wal-Mart, Sam’s Club, Gander Mountain, and HOM Furniture. It should be noted that this list does not include other big-box stores, such as Best Buy or Linens n’ Things, which are often located in shopping centers and hence their square footage is not measurable for the Dakota County GIS. The big-box development trend will likely continue over the following decades in Dakota County.

Big Box Development Trends, Dakota County, 1980 to 2006

	<u>1980- 1984</u>	<u>1985- 1989</u>	<u>1990- 1994</u>	<u>1995- 1999</u>	<u>2000- 2004</u>	<u>2005 & 2006</u>
Big Box	296,398	317,368	723,959	648,384	1,064,454	673,713
Pct. of Total Commercial	16.8%	9.9%	35.3%	17.8%	34.4%	38.4%

Note: Big box includes the following stores: Home Depot; Target; Sam's Club; Wal-Mart; Gander Mountain Lifetime Fitness; HOM Furniture; Kohl's.

Sources: Dakota County GIS; Maxfield Research Inc.

Office Development Trends

Office Space Vacancy and Absorption

Maxfield Research analyzed market conditions for multi-tenant office space in Dakota County, including vacancy and absorption since 2000. The data is presented in Table 12 and is from the *MarketQUEST* by Colliers Turley Martin Tucker. The data in the *MarketQUEST* is based on a survey of Metro Area multi-tenant spaces. The following are key findings.

- ▶ An additional 235,000 square feet of multi-tenant office space was absorbed in Dakota County between 2006 and 2007. However, with the addition of new space, the vacancy rate increased from 13.5% in 2006 to 17.2% in 2007.
- ▶ Between 2006 and 2007, six new buildings were added in Dakota County totaling 403,000 square feet. This averages to 67,000 square feet per building. In comparison, the average building size in 2000 was 54,000 square feet.
- ▶ Dakota County’s office vacancy rate is slightly higher than the Metro Area’s rate of 16.3%
- ▶ There is just over 3.0 million square feet of multi-tenant office space in Dakota County. According to *MarketQUEST* report, Dakota County accounts for approximately 10.6% of the overall office space in the Twin Cities Metro Area.

TABLE 12 OFFICE SPACE VACANCY DAKOTA COUNTY 2000 to 2007				
<u>Period</u>	<u>No. of Buildings</u>	<u>Total Rentable Area</u>	<u>Total Amount Vacant</u>	<u>Percent Vacant</u>
<i>Dakota County</i>				
2000	30	1,620,297	292,830	18.1%
2006	44	2,756,886	372,778	13.5%
2007	50	3,159,689	542,439	17.2%
<i>Twin Cities Metro Area</i>				
2006	467	67,403,756	11,416,143	16.9%
2007	473	67,899,257	11,081,524	16.3%
Sources: 2001-2008: Colliers Turley Martin Tucker, MarketQUEST Maxfield Research Inc.				

Office Space by Community

Table 13 shows the amount of office space in each of the County’s eleven largest communities and the County as a whole in 2000 to 2006. The data is from the Dakota County GIS. The following are key points from Table 13.

- ▶ Table 13 shows that there was a total of about 14.4 million square feet of office space in Dakota County in 2006. Nearly half of the space was located in Eagan (7.0 million square feet). Burnsville and Mendota Heights had a similar amount of space (about 1.8 million square feet). Overall, a substantial portion of the office space is located in the very northern portion of the County, indicating strong appeal of this area for office tenants versus more distant locations.
- ▶ The office buildings in Table 13 are classified by the Dakota County GIS as office, office condo, corporate office, or medical dental. As shown below, most of the space is regular office buildings. There are only eleven corporate office buildings, but they account for a large proportion of square footage due to an average size of 328,000 square feet.

Office Type Classifications

	<u># of Buildings</u>	<u>Sq. Ft.</u>	<u>Avg. Size</u>
Office	445	8,903,347	20,008
Corporate Office	11	3,608,422	328,038
Medical/Dental	101	1,298,587	12,857
Office Condo	206	626,639	3,042

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

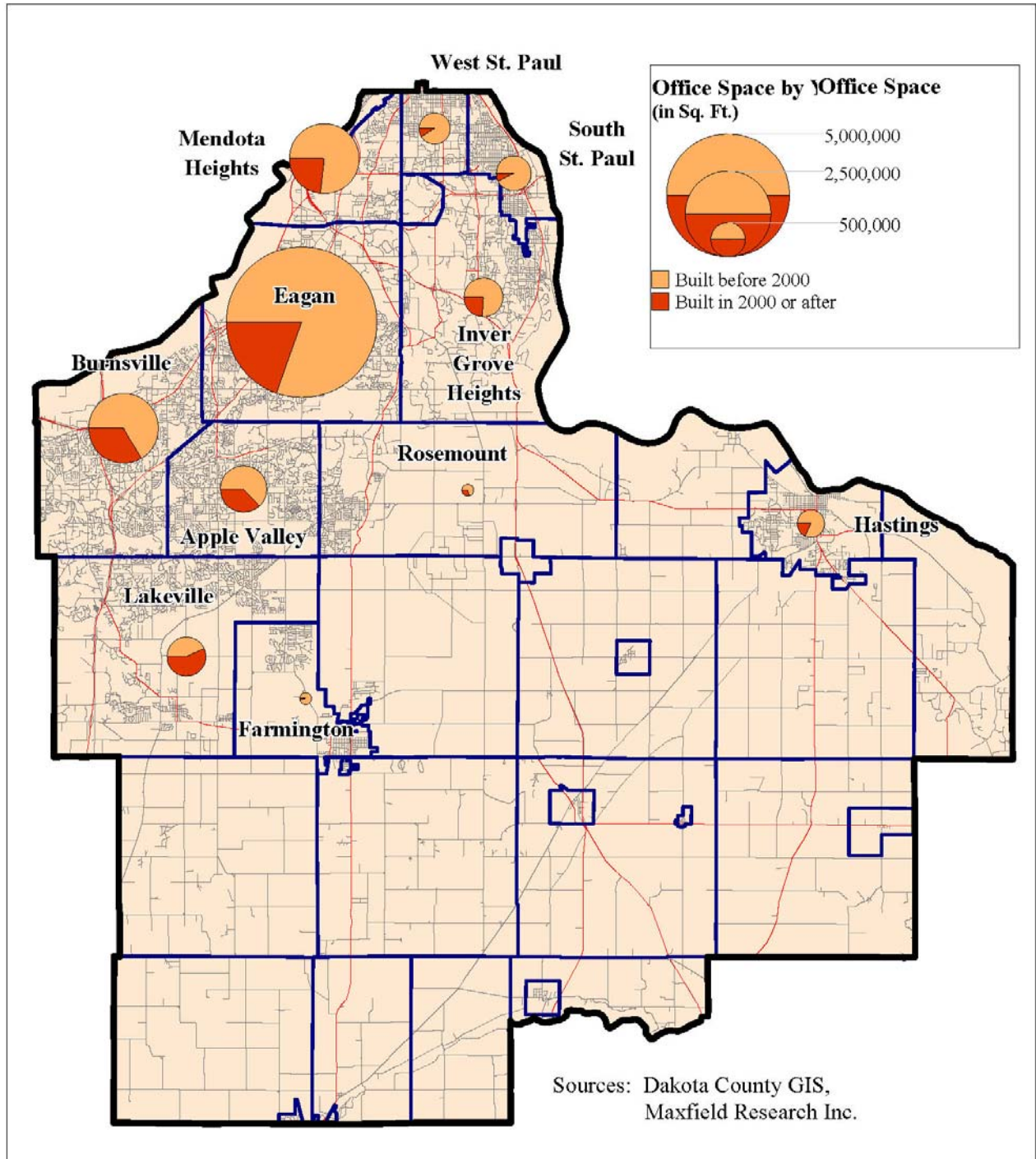
- ▶ All eleven of the corporate office buildings are located in Eagan. These include, among others, Northwest Airlines, Blue Cross Blue Shield, West Group, Unisys Corporation, and Eco-lab. West Group is the largest building with 1.3 million square feet.
- ▶ Office condominiums have been of phenomenon of this decade. Almost 90% of the County's buildings have been added this decade. The primary market for office condominiums are small businesses (about 10 employees or less) seeking financial advantages over leased space. Thus, the average space size is small – about 3,000 square feet.
- ▶ Of the 281 total office buildings added in the County this decade, 179 (63%) have been office condominiums. This includes 56 buildings in Burnsville, 35 in Lakeville, 33 in Inver Grove Heights, and 24 in Eagan. The office condominiums built this decade have totaled 570,000 square feet, or 16% of the total office space added.

TABLE 13
OFFICE SPACE BY COMMUNITY
DAKOTA COUNTY
2000 and 2006

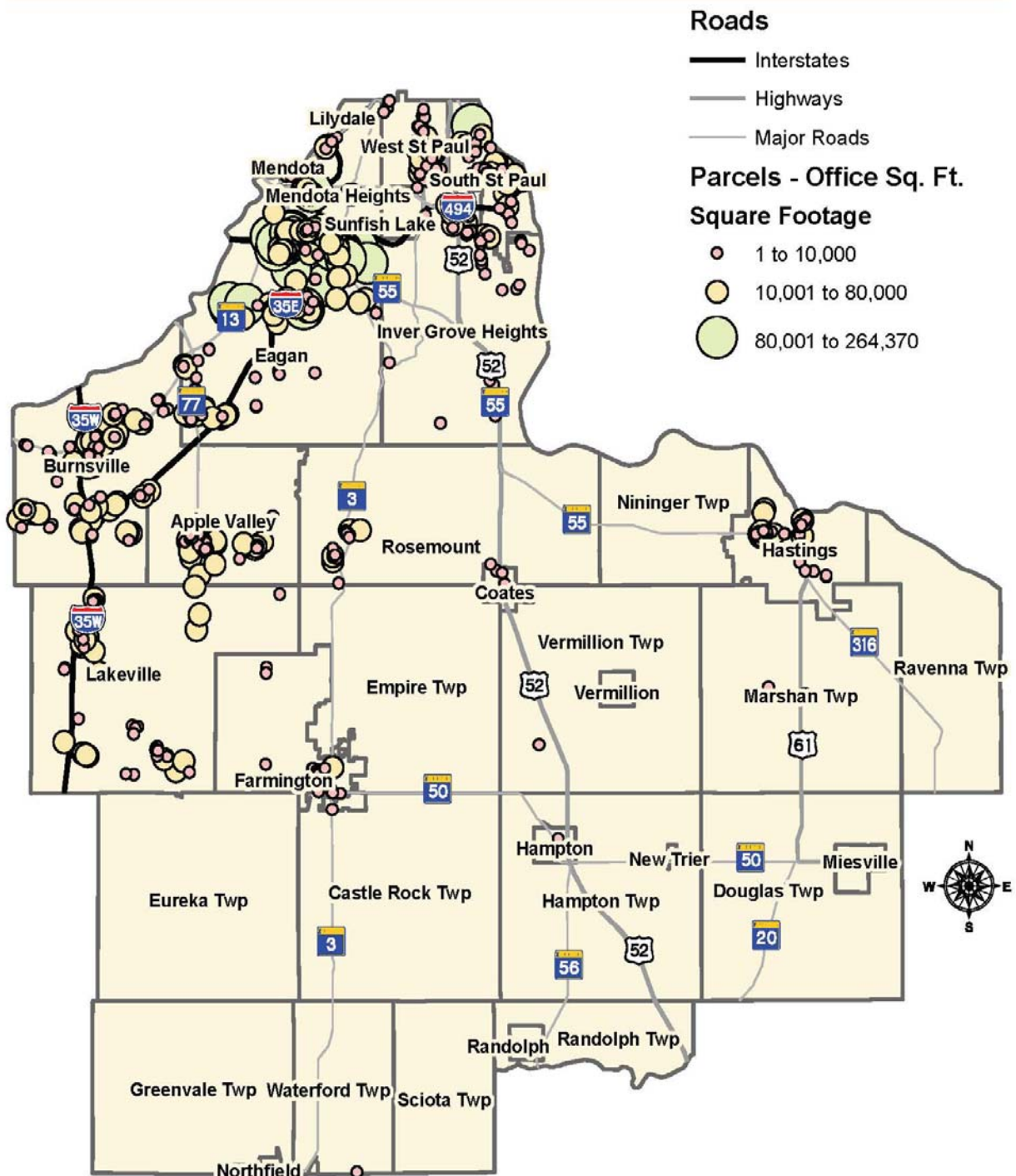
	2000		2006		Change	
	No. of Buildings	Square Feet	No. of Buildings	Square Feet	No. of Buildings	Square Feet
Large Communities						
Apple Valley	44	585,539	71	930,056	27	344,517
Burnsville	93	1,217,588	166	1,841,922	73	624,334
Eagan	75	5,599,357	130	6,966,515	55	1,367,158
Farmington	21	88,256	22	95,868	1	7,612
Hastings	36	287,334	42	350,460	6	63,126
Inver Grove Heights	31	506,462	67	664,140	36	157,678
Lakeville	28	258,757	76	601,414	48	342,657
Mendota Heights	36	1,336,194	55	1,740,020	19	403,826
Rosemount	12	68,762	14	100,141	2	31,379
South St. Paul	43	552,467	52	593,091	9	40,624
West St. Paul	46	407,426	51	451,601	5	44,175
Subtotal	465	10,908,142	746	14,335,228	281	3,427,086
Remainder of Co.	12	38,293	17	101,767	5	63,474
Dakota County Total	477	10,946,435	763	14,436,995	286	3,490,560
Sources: Dakota County GIS; Maxfield Research Inc.						

- ▶ From 2000 to 2006, Dakota County added an additional 3.5 million square feet of office space. Eagan added the most space, totaling approximately 1.4 million square feet in 55 buildings. Burnsville added 73 buildings, the most in the six-year period, for an average of 8,500 square feet per building.

Office Space in Dakota County, 2000 & 2007



Location of Office Buildings in Dakota County, 2007



Map prepared by the Dakota County Office of Geographic Information Systems

February 11, 2008

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- ▶ The largest office additions in Eagan from 2000 to 2006 were the 133,500 square foot BSBS River Park building in 2000, the 300,000 square foot Spectrum Commerce Center in 2001, and the 110,000 square foot Grand Oak Office building in 2006.

Office Space Development Trends

Table 14 shows office development trends in five-year increments from 1980 to 2006. The following are key points from the table.

- ▶ In order, Eagan (6.2 million square feet), Burnsville (1.6 million square feet), and Mendota Heights (1.5 million square feet) added the most office space in Dakota County since 1980. The communities mentioned above are attractive for office development because they are within close proximity to a strong core employment base, have good access to several major transportation routes and highway systems, and are within close distance to the airport.

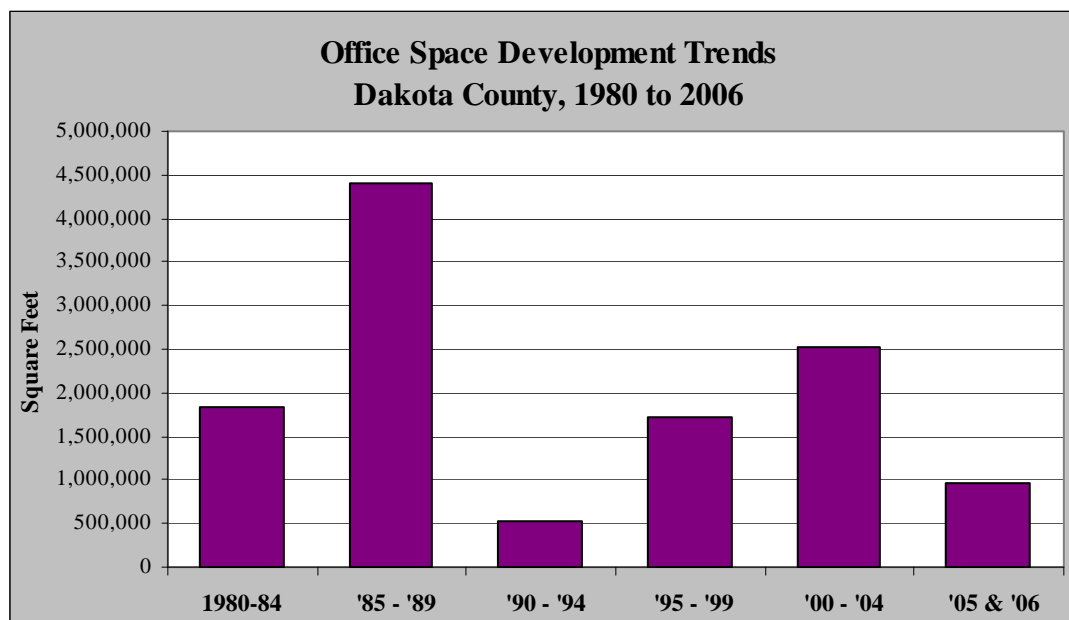
TABLE 14
OFFICE SPACE DEVELOPMENT TRENDS
DAKOTA COUNTY
1980-2006

	1980- 1984	1985- 1989	1990- 1994	1995- 1999	2000- 2004	2005 & 2006
Large Communities						
Apple Valley	46,643	219,227	65,484	120,044	288,325	56,192
Burnsville	279,583	290,197	69,485	367,712	421,512	202,822
Eagan	879,810	3,224,592	43,617	764,827	999,066	368,092
Farmington	4,160	-	21,484	2,508	7,612	-
Hastings	20,502	80,989	9,717	4,119	40,734	22,392
Inver Grove Heights	381,427	15,195	40,253	8,038	85,994	71,684
Lakeville	-	76,878	9,134	90,249	222,295	120,362
Mendota Heights	73,232	451,217	208,887	319,326	329,167	74,659
Rosemount	35,094	6,404	1,835	-	6,099	25,280
South St. Paul	46,494	1,421	29,194	666	23,524	17,100
West St. Paul	61,886	46,996	19,539	36,220	44,175	-
Subtotal	1,828,831	4,413,116	518,629	1,713,709	2,468,503	958,583
Remainder of Co.	8,561	50	7,556	-	61,770	1,704
Dakota County Total	1,837,392	4,413,166	526,185	1,713,709	2,530,273	960,287
Sources: Dakota County GIS; Maxfield Research Inc.						

- ▶ Dakota County has added an average of 2.2 million square feet of office space every five years from 1980 to 2004, although the actual amount has varied greatly. At the current pace, the County is projected to add 2.4 million square feet from 2005 to 2009.
- ▶ From 1985 through 1989, Dakota County added 4.4 million square feet of office space, the most of the five-year increments. Eagan was the main recipient, adding 3.2 million square feet of office space during the period. The West Publishing office building, constructed in

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

1989, accounted for 1.2 million square feet of office space, or approximately 30% of the total office space built in the County during the period.



Industrial Development Trends

Industrial Space Vacancy and Absorption

Maxfield Research analyzed industrial market conditions in Dakota County, including vacancy trends by type of space. The data is presented in Table 15 and is from *MarketQUEST* by Colliers Turley Martin Tucker. The data in *MarketQUEST* is based on a survey of Metro Area multi-tenant industrial buildings and excludes single-tenant, owner-occupied industrial buildings. Industrial buildings are classified in three categories: *Office/Showroom*, *Office/Warehouse*, and *Bulk Warehouse*. The following are key points from Table 15.

- ▶ A total of 172 industrial buildings with 14.3 million square feet were included in the survey in 2007. The overall vacancy rate among these multi-tenant buildings was 13.2%, higher than the Twin Cities vacancy rate of 10.6%.
- ▶ Despite the higher vacancy rate, Colliers Turley Martin Tucker identifies more proposed industrial space in Dakota County than in any other area of the Twin Cities (1.7 million square feet). Construction has begun on two new buildings – the 200,000 square foot Highway 55 Distribution Center in Eagan and the 180,000 square foot 35/13 Crossings in Burnsville. Additionally, Lakeville is reviewing a proposal for a 1.4 million square foot industrial project on 140 acres at County Road 70 and Dodd Road. Most of the proposed new industrial buildings are located in Eagan, Burnsville, Inver Grove Heights, and South St. Paul – or communities in the northern portion of the County.

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- ▶ Office warehouse was the best performing industrial sector type in Dakota County during this decade. Not only does it have the lowest vacancy rate, it also has seen the greatest increase in space this decade, adding 59 buildings and absorbing 3.4 million square feet of occupied space. In contrast, Bulk warehouse added one building since 2000 and absorbed 650,000 square feet. Office showroom lost seven buildings from the inventory.
- ▶ Table 15 shows that the greatest demand for industrial space in Dakota County is for Office warehouse space, which accounted for half the inventory and has the lowest vacancy rate. Office showroom space accounted for 22% of the County's industrial space, down from 32% in 2000 as no new office showroom space has been added this decade.

TABLE 15						
INDUSTRIAL SPACE VACANCY AND ABSORPTION						
DAKOTA COUNTY						
2000 to 2007						
Market Sector	Period	No. of Buildings	Total Rentable Area	Total Amount Vacant	Percent Vacant	Net Absorption 2000 to 2007
Dakota County						
Bulk Warehouse	2000	14	2,996,690	741,881	24.8%	--
	2006	15	3,598,037	777,768	21.6%	--
	2007	15	3,598,037	695,664	19.3%	647,564
Office Showroom	2000	63	3,175,122	325,591	10.3%	--
	2006	50	3,246,767	466,666	14.4%	--
	2007	50	3,246,767	444,744	13.7%	-47,508
Office Warehouse	2000	48	3,731,912	419,660	11.2%	--
	2006	106	7,426,884	629,702	8.5%	--
	2007	107	7,455,884	754,339	10.1%	3,389,293
Total	2000	125	9,903,724	1,487,132	15.0%	--
	2006	171	14,271,688	1,874,136	13.1%	--
	2007	172	14,300,688	1,894,747	13.2%	3,989,349
Twin Cities Metro Area, 2007						
Bulk Warehouse		214	23,217,174	4,082,386	17.6%	--
Office Showroom		270	18,750,981	2,247,780	12.0%	--
Office Warehouse		976	74,063,314	5,929,252	8.0%	--
Total		1,460	116,031,469	12,259,418	10.6%	
Sources: 2001-2008: Colliers Turley Martin Tucker, MarketQUEST Maxfield Research Inc.						

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

Industrial Space by Community

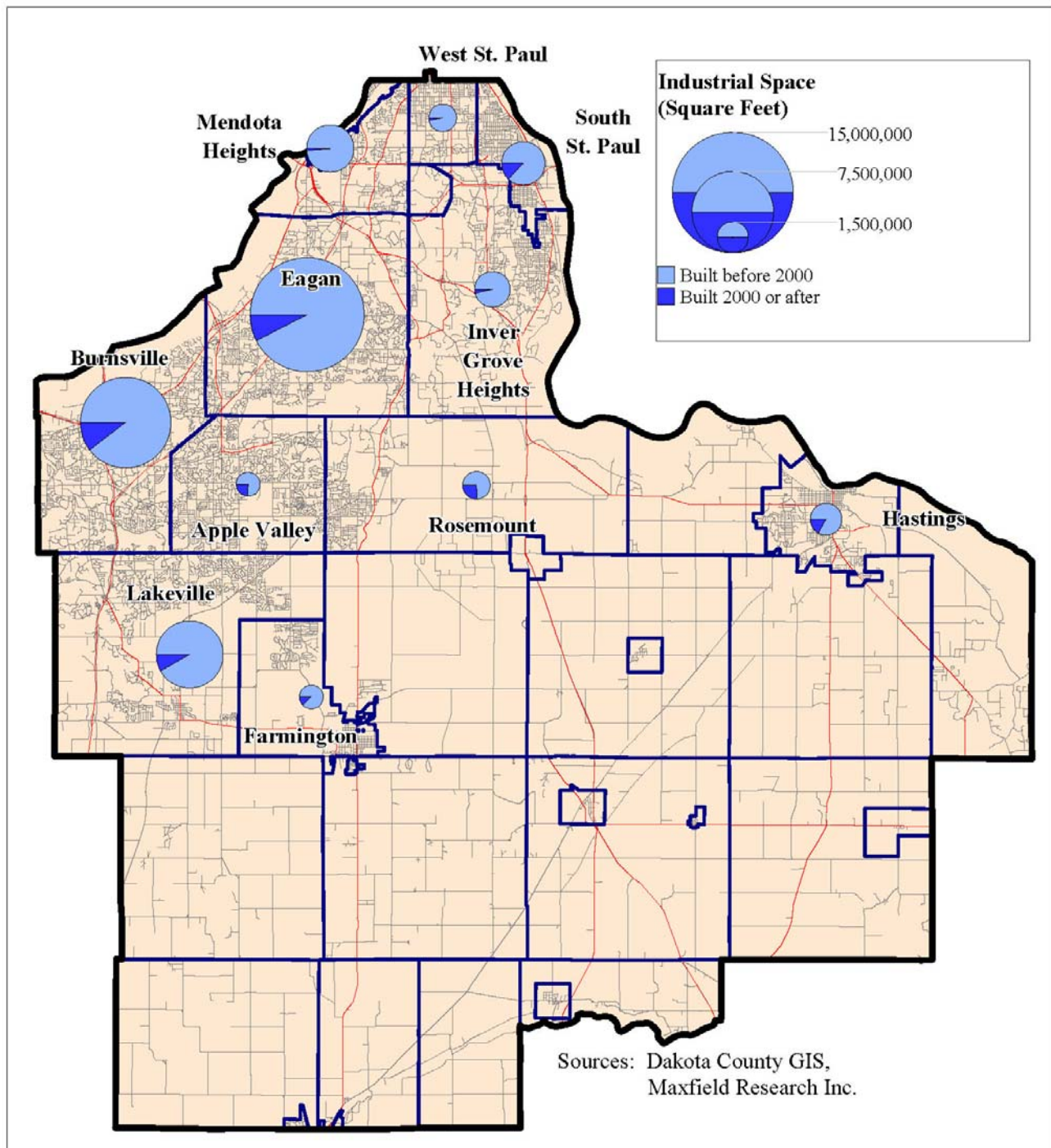
Table 16 shows the amount of industrial space in each of the County's eleven largest communities and the County as a whole in 2000 to 2006. The data is from the Dakota County GIS. The following are key points from Table 16.

- ▶ As of 2006, there are about 1,050 industrial buildings over 40 million square feet of space in Dakota County. Eagan (13.1 million square feet) and Burnsville (8.9 million square feet) account for 55% of the total industrial space.
- ▶ Comparing the total amount of industrial space in the County from Table 16 (40.3 million square feet) with the amount of multi-tenant leased space from Table 15 (14.3 million square feet) reveals that the majority of industrial space in the County is owner-occupied, single-tenant space.

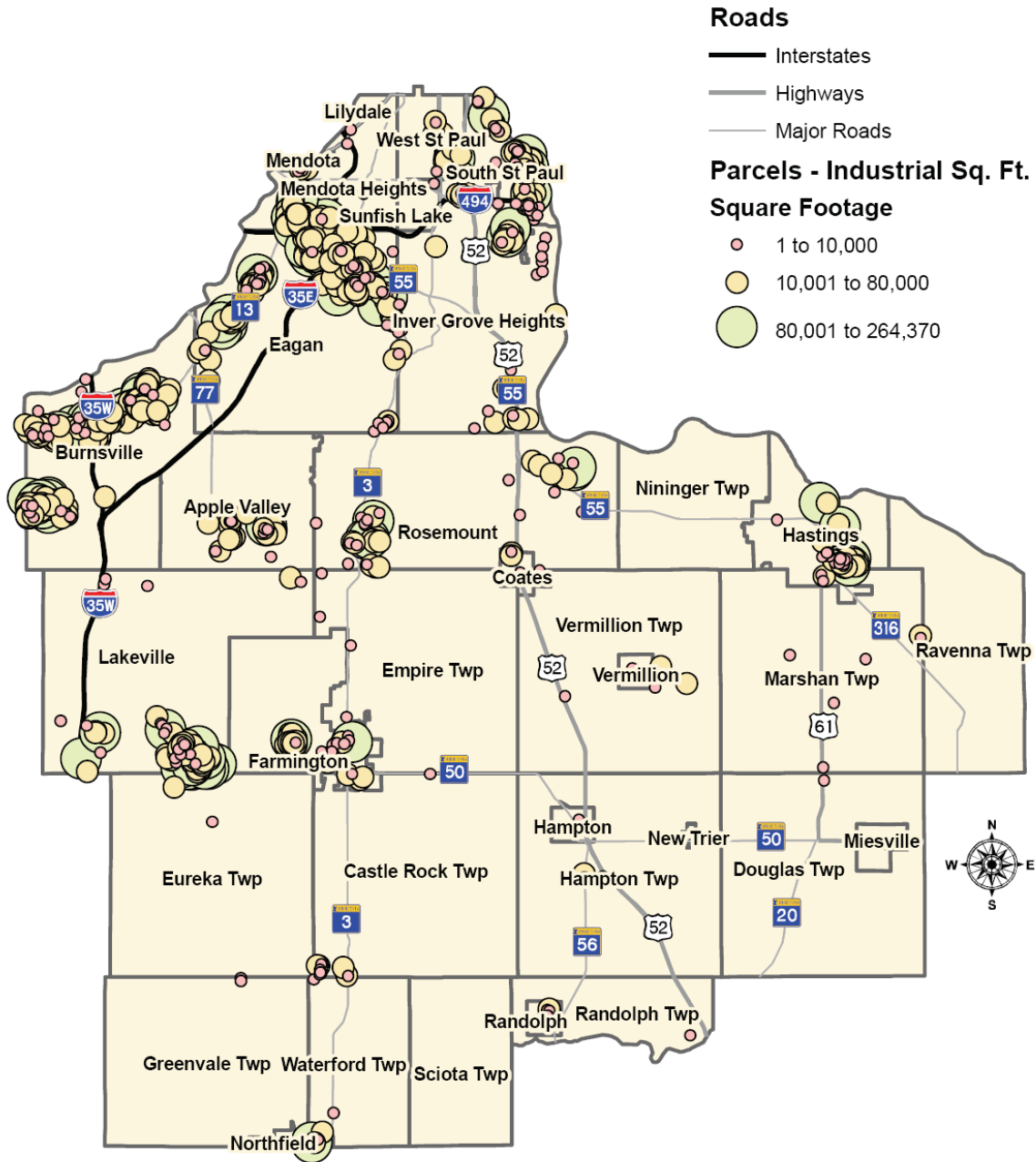
	2000		2006		Change	
	No. of Buildings	Square Feet	No. of Buildings	Square Feet	No. of Buildings	Square Feet
Large Communities						
Apple Valley	25	757,366	30	914,215	5	156,849
Burnsville	227	8,050,134	256	8,940,816	29	890,682
Eagan	219	12,288,233	237	13,135,661	18	847,428
Farmington	28	711,168	34	809,396	6	98,228
Hastings	33	1,143,333	44	1,370,774	11	227,441
Inver Grove Heights	50	1,663,807	54	1,693,312	4	29,505
Lakeville	93	5,155,354	109	5,503,869	16	348,515
Mendota Heights	41	2,610,178	43	2,646,608	2	36,430
Rosemount	35	1,039,460	40	1,220,058	5	180,598
South St. Paul	75	2,139,604	104	2,329,351	29	189,747
West St. Paul	26	1,029,515	28	1,065,092	2	35,577
Subtotal	852	36,588,152	979	39,629,152	127	3,041,000
Remainder of Co.	62	624,551	69	683,405	7	58,854
Dakota County Total	914	37,212,703	1,048	40,312,557	134	3,099,854
Sources: Dakota County GIS; Maxfield Research Inc.						

- ▶ From 2000 to 2006, Dakota County added an additional 4.2 million square feet of industrial space in 148 buildings. Eagan added 1.4 million square feet of industrial space in 22 buildings followed by about 940,000 square feet in 32 buildings in Burnsville.

Industrial Space in Dakota County 2000 & 2007



Location of Industrial Buildings in Dakota County, 2007



Map prepared by the Dakota County Office of Geographic Information Systems February 11, 2008

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

- ▶ Since 2000, five buildings with more than 100,000 square feet were added in the County: Southcross Commerce IV (105,000 square feet) and Midwest Volleyball (114,000 square feet) were built in Burnsville; Lunar Pointe (118,400 square feet) and Eagle Global Logistics (128,000 square feet) in Eagan; and Webb Companies (128,500 square feet) in Rosemount.
- ▶ There has been development of industrial condominiums since 2000, but not as much as office condominiums. About 30 industrial condominiums with a total of 133,000 square feet have been added, almost all of which are located in South St. Paul. Sizes are small (4,800 square foot average) compared to other types of industrial space (40,000 square foot average size).

Industrial Space Development Trends

Table 17 shows industrial development trends in five-year increments from 1980 to 2006. The following are key points from the table.

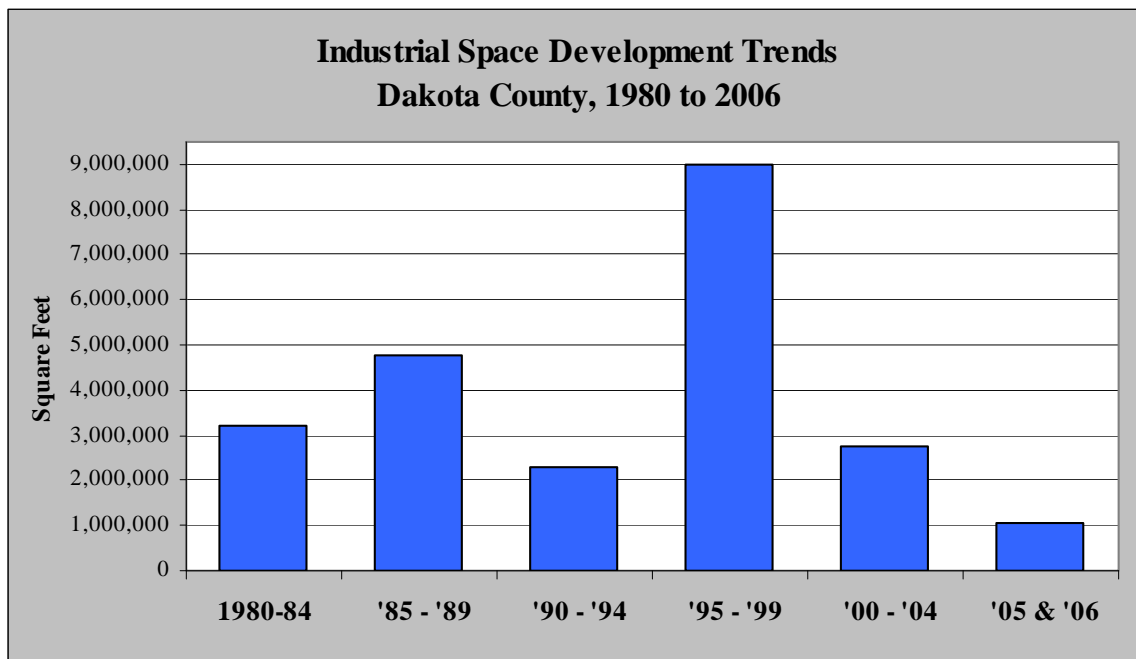
- ▶ Dakota County has added an average of 4.3 million square feet of industrial space every five years since 1980 to 2004. This figure has varied greatly, however. Only 2.3 million square feet were added during the early-1990s, followed by almost 9.0 million square feet during the late-1990s. The economy was very strong during the late-1990s and development of all types of industrial space surged. The most development was among “warehouse, storage” space (as defined by the Dakota County GIS Department), with 3.5 million square feet.
- ▶ During the 1995 to 1999 period, 26 of the buildings added have more than 100,000 square feet, 14 of them are located in Eagan. Six of the 26 buildings are more than 200,000 square feet. Wausau Supply (276,600 square feet) was built in Lakeville, and Skyline Displays (276,600 square feet), Apollo 3 (240,400 square feet), Silver Bell Commons (235,100 square feet), and Aldrin Distribution Center I and II (218,400 and 200,000 square feet, respectively) were all built in Eagan.
- ▶ At current pace, the County is projected to add 2.6 million square feet from 2005 to 2009, slightly higher than the previously profiled five-year increments.
- ▶ Communities with good highway access, proximity to the core of the Twin Cities, and available industrial land have seen the most development since 1990. Apple Valley, which does not have great highway access, has seen limited industrial development. Farmington does not have great highway access either, but with cheaper land it has seen more development than Apple Valley. Inver Grove Heights has good highway access and proximity to the core Twin Cities, but until recently, most of the land did not have connections to sewer and water to support industrial development.

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

TABLE 17
INDUSTRIAL SPACE DEVELOPMENT TRENDS
DAKOTA COUNTY
1980-2006

	1980- 1984	1985- 1989	1990- 1994	1995- 1999	2000- 2004	2005 & 2006
Large Communities						
Apple Valley	12,680	485,711	89,758	90,056	122,901	102,189
Burnsville	1,208,141	1,200,798	395,206	2,079,948	537,909	400,137
Eagan	386,103	1,272,977	797,787	4,603,666	848,305	159,799
Farmington	-	78,483	204,914	226,355	54,028	44,200
Hastings	31,261	150,896	9,400	143,164	102,697	133,564
Inver Grove Heights	94,268	322,425	146,723	238,034	63,385	-
Lakeville	824,260	750,260	22,424	681,701	413,764	50,148
Mendota Heights	393,900	291,599	304,724	418,014	26,430	-
Rosemount	11,796	38,504	41,036	236,369	268,512	47,960
South St. Paul	57,054	88,258	85,446	217,435	249,666	60,354
West St. Paul	58,992	32,396	153,732	-	18,225	17,352
Subtotal	3,078,455	4,712,307	2,251,150	8,934,742	2,705,822	1,015,703
Remainder of Co.	154,176	79,532	44,856	55,182	58,694	22,160
Dakota County Total	3,232,631	4,791,839	2,296,006	8,989,924	2,764,516	1,037,863

Sources: Dakota County GIS;
 Maxfield Research Inc.



COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

Industrial Development Trends by Type of Space

Table 18 details industrial space by type of space as defined by “dwelling type” in the Dakota County GIS parcel data. The table shows the number of buildings and amount of space added during the last 10 years (1997 to 2006) and the 10 years before that (1987 to 1996) for each type of space. The following are key points from the table.

- ▶ From 1987 to 1996, storage warehouses (86 buildings) accounted for more than half of all industrial space added in Dakota County. Carmen Distribution in Inver Grove Heights (174,300 square feet), Data Sales in Burnsville (182,120 square feet), and Ryt-Way Industries in Lakeville (250,210 square feet) were the three largest storage warehouses built in the County.
- ▶ Of the 10.2 million square feet of industrial space built from 1997 through 2006, storage warehouse (3.3 million square feet) again was the most commonly built industrial type. Warehouse bulk storage and warehouse business center followed, with about 2.2 million square feet each.
- ▶ The three industrial research and development buildings added from 1997 to 2006 tripled the amount of space added in the previous 10 years. Almost all of this space was in the Skyline Display building (276,000 square feet) added in Eagan.

TABLE 18
INDUSTRIAL SPACE DEVELOPMENT (SQ. FT.) BY TYPE OF SPACE
DAKOTA COUNTY
1987-1996 & 1997-2006

	1987-1996		1997-2006		Avg Sq. Ft. Per Building	
	No. of Buildings	Square Feet	No. of Buildings	Square Feet	1987-1996	1997-2006
Garage/Storage	9	80,254	2	10,248	8,917	5,124
Industrial, Condo	8	29,195	29	133,190	3,649	4,593
Industrial, Manufacturing	34	1,320,583	43	1,439,735	38,841	33,482
Industrial, R&D	6	149,104	3	306,750	24,851	102,250
Lumber Storage	2	29,000	3	51,012	14,500	17,004
Service Garage	9	90,093	7	76,999	10,010	11,000
Shed, Equipment	5	33,024	2	7,064	6,605	3,532
Warehouse, Bulk Storage	2	253,694	18	2,282,290	126,847	126,794
Warehouse, Business Center	32	1,571,032	42	2,219,263	49,095	52,840
Warehouse, Mini	6	111,387	13	335,698	18,565	25,823
Warehouse, Storage	86	3,950,693	94	3,252,294	45,938	34,599
Warehouse, Transit	3	35,601	2	51,756	11,867	25,878
Total	202	7,653,660	258	10,166,299	37,889	39,404

Sources: Dakota County GIS;
Maxfield Research Inc.

Industrial Development Trends by Type of Space and Community

Tables 19 and 20 detail industrial space added by type of space and community. Table 19 shows space added during the last 10 years (1997 to 2006) and Table 20 shows space added the 10 years before that (1987 to 1996). The data is from the Dakota County GIS. The following are key points from the tables.

- ▶ Between the two periods, six communities saw an increase in the amount of industrial space developed and five saw a decrease. Communities with a decrease were Apple Valley, Farmington, Inver Grove Heights, Mendota Heights, and West St. Paul. In future years, Mendota Heights and West St. Paul are likely to see continued declines in industrial development because of a lack of available land. Development is likely to pick up in Inver Grove Heights because it now has available land and also has good highway access. Apple Valley and Farmington may also see increased development since they too have available land.
- ▶ Eagan has seen a varied amount of industrial types added since 1987. Most other communities have added primarily warehouse storage buildings and industrial manufacturing, but only a few other types. During the past 10 years, Inver Grove Heights and Lakeville began to see development of multiple types of space.
- ▶ During the period 1987 to 1996, Farmington added the most manufacturing space followed by Rosemount and Apple Valley. Uponor, built in 1989, occupied all 178,000 square feet of industrial space in Apple Valley during the period. Cannon Equipment, built in 1996, occupied 106,000 square feet in Rosemount. Valmont Lexington Industries, built in 1992, occupied 95,000 square feet in Farmington.
- ▶ Eagan added 1.8 million square feet of bulk storage warehouse space from 1997 to 2006, by far the most of any community. The largest buildings include Apollo 3 building (240,000 square feet) and Aldrin Distribution Centers I and II (218,000 and 200,000 square feet, respectively).
- ▶ Lakeville added 333,000 square feet of manufacturing space from 1997 to 2006, the most of the 11 profiled communities during the period. The 10 manufacturing buildings built in Lakeville averaged approximately 33,000 square feet per building, the largest being Hearth Technologies and Applied Power Products.
- ▶ Hastings saw limited industrial development since 1987 until several warehouse storage buildings were built this past decade totaling 290,000 square feet. The largest of these new buildings was Quality One with 100,000 square feet, followed by Westview Packaging with 68,000 square feet.

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

**TABLE 19
INDUSTRIAL SPACE DEVELOPMENT (SQ. FT.) BY TYPE & COMMUNITY
DAKOTA COUNTY
1987-1996**

	<i>Apple Valley</i>	<i>Burnsville</i>	<i>Eagan</i>	<i>Farmington</i>	<i>Hastings</i>	<i>Inver Grove Heights</i>	<i>Lakeville</i>	<i>Mendota Heights</i>	<i>Rosemount</i>	<i>South St. Paul</i>	<i>West St. Paul</i>
Garage/Storage	36,264	6,120	-	1,920	2,000	-	5,880	-	-	-	-
Industrial, Condo	-	29,195	-	-	-	-	-	-	-	-	-
Industrial, Manufacturing	177,810	210,696	164,626	234,326	-	72,200	130,428	45,643	205,850	79,004	-
Industrial, R&D	-	-	126,434	-	-	-	16,544	-	-	4,350	-
Lumber Storage	-	-	24,800	4,200	-	-	-	-	-	-	-
Service Garage	-	-	51,523	-	-	-	-	-	12,628	19,342	-
Shed, Equipment	6,048	-	9,216	-	-	-	-	-	-	-	-
Warehouse, Bulk Storage	-	-	253,694	-	-	-	-	-	-	-	-
Warehouse, Business Center	158,907	624,228	741,041	-	-	14,460	-	-	-	-	32,396
Warehouse, Mini	73,400	13,879	12,500	-	-	-	-	-	-	2,800	-
Warehouse, Storage	48,600	988,303	1,096,809	186,625	7,400	371,731	366,623	640,347	-	90,523	153,732
Warehouse, Transit	-	-	35,601	-	-	-	-	-	-	-	-
Total	501,029	1,872,421	2,516,244	427,071	9,400	458,391	519,475	685,990	218,478	196,019	186,128

Sources: Dakota County GIS;
Maxfield Research Inc.

COMMERCIAL & INDUSTRIAL DEVELOPMENT TRENDS

**TABLE 20
INDUSTRIAL SPACE DEVELOPMENT (SQ. FT.) BY TYPE & COMMUNITY
DAKOTA COUNTY
1997-2006**

	<i>Apple Valley</i>	<i>Burnsville</i>	<i>Eagan</i>	<i>Farmington</i>	<i>Hastings</i>	<i>Inver Grove Heights</i>	<i>Lakeville</i>	<i>Mendota Heights</i>	<i>Rosenmount</i>	<i>South St. Paul</i>	<i>West St. Paul</i>
Garage/Storage	-	-	-	-	-	-	-	-	-	-	-
Industrial, Condo	-	6,038	-	-	-	-	-	36,430	-	90,722	-
Industrial, Manufacturing	-	132,670	243,247	97,165	77,240	162,116	332,830	-	150,230	158,788	18,225
Industrial, R&D	-	-	276,550	20,200	-	-	-	-	-	10,000	-
Lumber Storage	-	27,060	-	-	-	-	6,600	-	-	-	17,352
Service Garage	-	20,180	7,372	-	12,175	-	31,952	-	-	-	-
Shed, Equipment	-	2,968	-	-	-	4,096	-	-	-	-	-
Warehouse, Bulk Storage	-	-	1,794,040	-	-	12,600	276,560	74,290	-	124,800	-
Warehouse, Business Center	164,197	1,018,777	1,011,001	-	-	15,120	10,168	-	-	-	-
Warehouse, Mini	113,341	35,716	83,040	24,000	-	48,040	20,500	-	5,061	-	-
Warehouse, Storage	31,560	870,527	1,148,004	39,544	290,010	30,831	322,567	151,041	258,612	74,290	-
Warehouse, Transit	-	-	51,756	-	-	-	-	-	-	-	-
Total	309,098	2,113,936	4,615,010	180,909	379,425	272,803	1,001,177	261,761	413,903	458,600	35,577

Sources: Dakota County GIS;
Maxfield Research Inc.

Interview Summary – Community Development Staff

Maxfield Research interviewed community development directors and staff from each of the 11 larger communities in Dakota County to gain their perspective on the need for commercial and retail space and land availability in their communities as well as identify planned and proposed developments. The following are key points from the interviews:

Industrial Comments

- ▶ Most communities have land available for new industrial buildings. However, most also would prefer to attract businesses with a higher number of employees, such as manufacturing. Distribution spaces are generally not the first choice, since there are so few employees per building.
- ▶ Distribution and warehouse space supporting wholesale trade, trucking, and storage operations are the most common industrial buildings added in Dakota County this decade. The addition of smaller niche firms focused on light manufacturing is also becoming a trend.
- ▶ Overall, high-tech and green manufacturing has yet to materialize in the County. However, many communities have been pursuing high-tech firms, specifically bio-tech. Many cities are applying to include land within the Bio-Zone. Five cities (Apple Valley, Burnsville, Eagan, Lakeville, and Rosemount) received Bio-Zone designation in 2007.

Office Comments

- ▶ With the exception of Eagan, the office market in most communities consists of small- to mid-sized tenants.
- ▶ Most communities stated that they have land available to support new office buildings. Even communities that are mostly built-out have some vacant parcels remaining, or some parcels that could be redeveloped.
- ▶ Most communities would like to expand their employment base by attracting a corporate headquarters or several larger office tenants in a business center.

Retail Comments

- ▶ Growing communities generally have plenty of land available for more retail space and, most communities would embrace the new stores as they would offer more choices to residents. More mature northern communities would also welcome more retail – specifically restaurants. However, these northern communities generally accept that they do not have large enough parcels to attract new big-box stores and are not pursuing them.
- ▶ In the northern part of the County, some redevelopment of older existing shopping centers will likely occur because land for retail has become limited.

Interview Summary – Area Brokers

Maxfield Research interviewed commercial and industrial brokers that concentrate their work in Dakota County to gain an understanding of the local industrial, office, and retail market trends. The following are key points from the interviews:

Industrial Comments

- ▶ Lease rates are beginning to flatten out in 2008 due to shrinking demand for industrial space. The cause for the shrinking demand in warehousing and distribution space is a result of current market economics.
- ▶ There are several areas in Dakota County with excellent highway access, particularly Eagan. Most users seeking space here are looking for bulk warehouse space with high ceilings.
- ▶ Bulk/warehouse has been in high demand. Buildings with 24 foot-plus ceiling heights and high loading dock bays are the most desirable spaces.
- ▶ Wholesale trade, trucking, and storage operations servicing the airport are the most common businesses seeking industrial space in the County.
- ▶ Overall, Dakota County's transportation infrastructure needs improvements; highway access in the southern part of Dakota County is less extensive than other areas. The lack of a major east/west transportation route with a connection to Interstate 35 is hindering industrial growth in places like Farmington.

Office Comments

- ▶ Dakota County has a sufficient amount of vacant, new Class-A office space.
- ▶ Currently, the County is experiencing little expansion to larger spaces mainly due to market economics. Eagan, Mendota Heights, and Inver Grove Heights will be the first cities to experience growth once the market returns.
- ▶ Typical office tenants are lawyers, accountants, copywriters and editorial-support personnel, mortgage and insurance providers, and professional service providers that want small office space. The most common office size in the County is between five and 20 employees.
- ▶ Office tenants in Dakota County want abundant parking, a highly visible building with a strong image, and updated amenities. Tenants also want the most current communication lines and technology.

Retail Comments

- ▶ Overall, the Dakota County retail market is currently very poor in terms of leasing strength (finding tenants to lease space). In the current environment, tenants are requiring conces-

sions, build-out incentives, and lower lease rates. Retail space will continue to be in low demand in the County until the economy begins to improve.

Factory Direct and E-Manufacturing Trends

The future demand for warehouse space in the County may be impacted by the expansion of goods delivered factory direct (including e-manufacturing). Factory direct is when a consumer purchases goods directly from the manufacturer. The factory direct option expanded in the 1990s with strong growth of e-commerce. Major factories, like Dell and Gateway, started marketing products directly to their market, rather than going through a traditionally tiered sale system. This reduces the need for a distributor; hence the need for distribution warehouse space is reduced.

Green Building Trends

An emerging trend that will impact development of all types of commercial and industrial space, as well as housing, is constructing buildings that are “green” and/or sustainable. However, this trend may not directly affect the amount of commercial and industrial space needed in the County. Most new buildings will need to incorporate some green elements to appeal to the desires of future tenants to be competitive. In addition, older existing buildings may need green upgrades to remain competitive in the marketplace.

LEED, Sustainable Design, and Green Manufacturing, measurements of green and sustainable development are trending toward the norm among many builders and developers. What started out as a grassroots movement not so long ago has made its way into the development community today. Summaries of each are as follows.

LEED

The Leadership in Energy and Environmental Design (LEED) Green Building Rating System encourages adoption of sustainable green building and development practices through the creation and implementation of universally understood and accepted tools and performance criteria.

Green design “officially” commenced through the Leadership in Energy and Environmental Design (LEED) program, which sets national standards for sustainable buildings and performance standards. The system was put into place in 1998 and has grown substantially with minimal public funding. The LEED approach to sustainability is based on the following five areas: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. To earn LEED certification, buildings must meet certain prerequisites and performance benchmarks to earn “credits” for each category. Buildings are then awarded Certified, Silver, Gold, or Platinum certification based on the number of credits the building project achieves. LEED provided benchmarks for measuring nearly every type

of building and a building's lifecycle. LEED programs range from new commercial construction and renovations, to single-family homes, to entire neighborhood developments.

Governmental entities have taken an active role in meeting LEED criteria. The U.S. General Services Administration now mandates all new federal buildings meet criteria for LEED certification. Furthermore, a number of states are working on passing legislation requiring state buildings to meet minimum LEED certification levels. On a local level, cities such as Portland, Oregon and Austin, Texas have enacted green building mandates for municipal or city owned properties. Vancouver, British Columbia is even requiring some private developments to adhere to green requirements, and locally, the City of Minneapolis recently approved a resolution that requires all city-financed buildings to obtain LEED certification levels.

Sustainable Design

Sustainable design seeks to reduce negative impacts on the environment, and the health and comfort of building occupants, thereby improving building performance. The basic objectives of sustainability are to reduce consumption of non-renewable resources, minimize waste, and create healthy, productive environments. Simply stated, the building is striving to maximize operational energy savings while minimizing any environmental impacts and providing an overall healthy interior atmosphere. Sustainable projects can be achieved in all real estate uses; from a single residential home to a master-planned green community.

Cost Benefits of Sustainable Design

Although the perception of green buildings among most people is they need expensive and new technologies, developing a green building is simply using fewer resources while providing a healthier environment. The benchmark that architects and developers use today attempting basic LEED certification raises the overall building costs by about 3% to 5%. According to the US Green Building Council (USGBC), there is a 2% up-front investment, which results in a 20% life-cycle savings on average. The benefits of going green show up in the building's life cycle, with cost savings in lower energy costs (up to one-third savings), waste disposal, water, and operation and maintenance expenses.

According to a recent study by Turner Construction, 84% of companies involved in sustainable building believe that green construction will yield higher property values. Furthermore, 75% of those companies believe their building will earn a higher return on investment than traditional buildings.

Green Manufacturing Initiatives

Green manufacturing is a production methodology aimed at minimizing or avoiding waste and pollution, achieved through green product and process design. Green Manufacturing practices focus on preventing pollution, reducing costs, saving energy, and deliver efficiencies at all points in the design, manufacturing, marketing and recycling process.

Economic Shifts

Dakota County, like the rest of the Metro and United States, is facing a global shift and restructuring from a manufacturing economy to one focused on services. The switch from a manufacturing-based to a service-based economy, the reduction in international trade barriers, and globalization of the world economy all are impacting the viability of manufacturing in the United States.

This shift to the service sector is a change that will continue to impact the need for future industrial land in Dakota County. The decline in manufacturing jobs as seen in Table 6 will likely continue through 2030 as the economy continues to shift away from traditional manufacturing.

Commercial and Industrial Land Supply

Introduction

This section of the report summarizes recent trends and the current supply of for-sale housing in Dakota County, including single-family, townhomes, and condominiums.

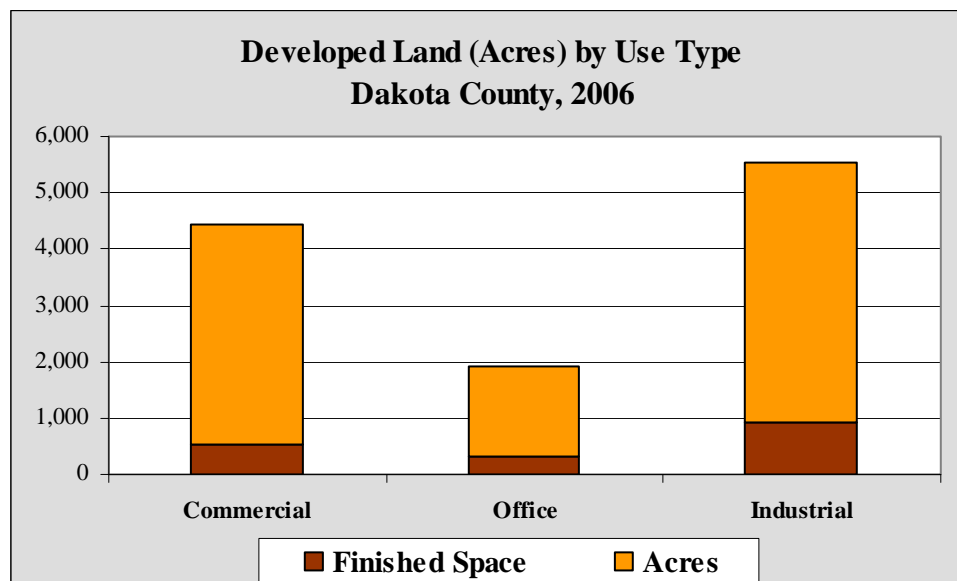
This section examines development trends for commercial and industrial land in Dakota County by examining data on:

- ▶ commercial land by community;
- ▶ office land by community;
- ▶ industrial land by type of space and community; and
- ▶ commercial and industrial zoned land

Overview

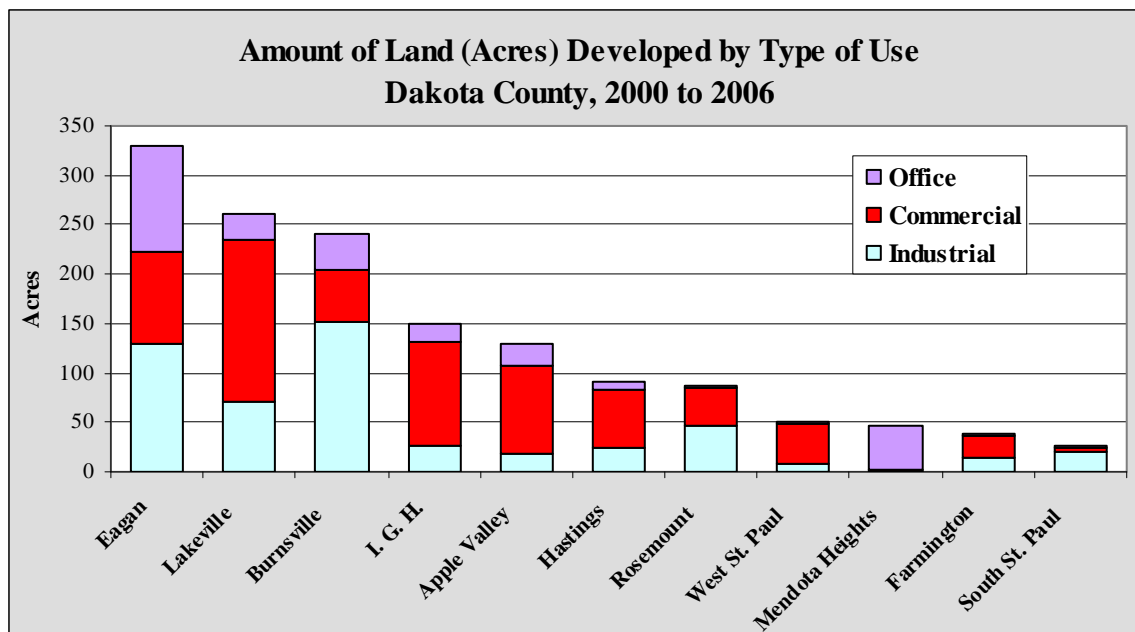
Trends in the amount of land developed for commercial and industrial uses in Dakota County are presented in this section. The supply of commercial and industrial land was determined using 2006 Dakota County GIS information in cooperation with the Dakota County Assessing Services and Property Taxation and Records. In accordance with the GIS data, the classification and use of each piece of property (parcel) is determined by the Dakota County Assessor's Office.

As the chart below shows, industrial uses occupied the most land (5,500 acres) in 2006, followed by commercial/retail (4,450 acres) and office (1,900 acres). It should be noted that there is potential to add more finished space on these developed parcels.



This larger amount of commercial and industrial space being added in communities such as Eagan, Lakeville, and Burnsville this decade is resulting in these communities developing the most acres, as shown in the chart on the next page.

More detail on land development trends in Dakota County is presented in the remainder of this Section. The analysis is presented separately for each type of use – retail/commercial, office, and industrial – beginning with retail/commercial.



Commercial Land by Community

Table 21 shows the amount of land occupied by retail/commercial buildings in 2000 and 2006. Data is shown for the eleven largest communities and the County overall. The figures are based on data provided by the Dakota County GIS. The following are key points.

- ▶ As of 2006, Eagan (815 acres), Burnsville (750 acres), and Lakeville (668 acres) have the most developed commercial acreage in Dakota County.
- ▶ Between 2000 and 2006, over 160 acres were developed with commercial uses in Lakeville, the most in any community. Inver Grove Heights, Eagan, and Apple Valley followed with between 90 and 105 developed acres each. Mendota Heights and South St. Paul, which are fully developed communities, had the least – at two and five acres, respectively.
- ▶ Of the buildings added in Lakeville from 2000 to 2006, Lifetime Fitness (19.5 acres) and SuperTarget (15.2 acres) were developed on the largest parcels. Compared to the size of the buildings, the floor area ratio was 33% for Lifetime Fitness and 28% for SuperTarget.
- ▶ From 2000 to 2006, the 257 commercial buildings developed in Dakota County occupied 822 acres. This equated to an average of just over three acres per building. When compared to the finished space added (Table 10), it equates to floor area ratio of 15%. This was higher in the more urban communities. The floor area ratio of the buildings added in West St. Paul was 30%. In Mendota Heights, the only new development was Mendota Heights Town Center and it had a 75% floor area ratio.

TABLE 21 COMMERCIAL LAND BY COMMUNITY DAKOTA COUNTY 2000 and 2006						
	2000		2006		Change	
	No. of Buildings	Acres	No. of Buildings	Acres	No. of Buildings	Acres
Large Communities						
Apple Valley	104	238	135	327	31	89
Burnsville	225	696	245	750	20	54
Eagan	197	721	226	815	29	94
Farmington	61	234	74	256	13	22
Hastings	152	245	188	303	36	58
Inver Grove Heights	110	345	138	450	28	105
Lakeville	126	504	179	668	53	164
Mendota Heights	18	286	22	288	4	2
Rosemount	51	265	66	304	15	39
South St. Paul	91	67	95	72	4	5
West St. Paul	155	176	169	216	14	40
Subtotal	1,290	3,777	1,537	4,449	247	672
Remainder of Co.	106	733	116	883	10	150
Dakota County Total	1,396	4,510	1,653	5,332	257	822
Sources: Dakota County GIS; Maxfield Research Inc.						

- ▶ In Inver Grove Heights, the Wal-Mart added in 2003 was on a 16.8 acre parcel and had a floor area ratio of 20%. The Home Depot added in 2006 had a floor ratio of 26% (108,000 square feet on 9.55 acres).
- ▶ In Rosemount, the University of Minnesota Outreach, Research, and Education (“Umore”) Park, located along the Highway 52 corridor is currently undergoing a strategic long-term planning process. The facility is currently a 7,500 acre crop and livestock research facility operated by the University of Minnesota and its partners. One of the directions being considered by the University and its partners is developing a mixed-use master planned community that would include about 20,000 to 30,000 residents and incorporate retail, industrial, office, and green space. The projected development period would likely be scheduled to be completed in phases over 25 to 30 years.

Office Land by Community

Table 22 shows the amount of land occupied by office buildings in 2000 and 2006. Data is shown for the eleven largest communities and the County overall. The figures are based on data provided by the Dakota County GIS. The following are key points.

- ▶ In 2006, 1,974 acres in Dakota County were occupied by office uses. This compares to over 5,300 acres occupied by commercial uses (Table 21) and over 6,200 acres occupied by industrial uses (Table 23).
- ▶ Eagan has by far the most land occupied by office space with 833 acres in 2006 (42% of the County total).
- ▶ In total, there were 85 office buildings built from 2000 to 2006 occupying 217 acres of land. Eagan accounted for about 88 acres in 22 buildings for approximately 41% of the total land absorbed during the period.
- ▶ Among the largest office parcels developed recently in Eagan are Spectrum Commerce Center occupying 18.4 acres (300,000 square foot building added in 2001), Grand Oak Office Center VII occupying 12.4 acres (107,000 square foot building added in 2002), Grand Oak Office Center II occupying 10.2 acres (58,000 square foot building added in 2002), and Grand Oak Office Center III occupying 8.0 acres (69,000 square foot building added in 2002).
- ▶ Whereas commercial/retail space development generally follows households, the location of office is generally tied to other primary factors – such as major highway access, proximity to labor force, and the Minneapolis-St.Paul International Airport. For this reason, the amount of land developed by offices from 2000 to 2006 is more concentrated in Eagan and Mendota Heights (55% of the County total) compared to commercial/retail (only 12% of the county total). The exception is medical and dental offices which will follow households. With the aging population, medical and dental offices will account for a significant portion of office growth.

TABLE 22 OFFICE LAND BY COMMUNITY DAKOTA COUNTY 2000 and 2006						
	2000		2006		Change	
	No. of Buildings	Acres	No. of Buildings	Acres	No. of Buildings	Acres
Large Communities						
Apple Valley	44	276	71	297	27	21
Burnsville	93	122	166	158	73	36
Eagan	75	726	130	833	55	107
Farmington	21	11	22	12	1	1
Hastings	36	27	42	36	6	9
Inver Grove Heights	31	142	67	160	36	18
Lakeville	28	107	76	134	48	27
Mendota Heights	36	110	55	155	19	45
Rosemount	12	28	14	31	2	3
South St. Paul	43	38	52	39	9	1
West St. Paul	46	42	51	45	5	3
Subtotal	465	1,629	746	1,900	281	271
Remainder of Co.	12	69	17	74	5	5
Dakota County Total	477	1,698	763	1,974	286	276
Sources: Dakota County GIS; Maxfield Research Inc.						

- ▶ From 2000 to 2006, the office buildings developed in the County’s eleven largest communities occupied a total of 271 acres. When compared to the finished space added (Table 13), it equates to floor area ratio of 29%.
- ▶ Future potential corporate headquarters would likely capitalize on vacant land parcels along Interstates 494, 35E, and 35W. Vacant land parcels located in the northwest corner of Interstate 494 and Argenta Trail in Inver Grove Heights, northeast Eagan along Interstate 494, along the southeast interchange of Interstates 35W and 35E in Burnsville, and in Lakeville along Interstate 35W have the greatest potential to capture a future corporate headquarters. However, securing a major single-tenant corporate user would require a commitment of public financing to attract this type of user.

Industrial Land Development Trends

Industrial Land by Community

Table 23 shows the amount of land occupied by industrial buildings in 2000 and in 2006. Data is shown for the eleven largest communities and the County overall. The figures are based on data provided by the Dakota County GIS. The following are key points.

COMMERCIAL/INDUSTRIAL LAND SUPPLY

- ▶ There were about 6,200 acres of industrial land in the County in 2006, of which about 5,500 were in the eleven largest communities. Burnsville and Eagan had similar amounts of land occupied by industrial uses and together combined to account for 45% of the County's total industrial land.
- ▶ Burnsville's industrial land includes the 309 acre *Burnsville Sanitary Landfill* and a 93 acre parcel with only a 5,000 square foot building (*McGowan Property*). Thus, while Burnsville and Eagan have similar amounts of industrial land, Eagan has much more finished space (13.5 million square feet compared to Burnsville's 8.9 million square feet).

	2000		2006		Change	
	No. of Buildings	Acres	No. of Buildings	Acres	No. of Buildings	Acres
Large Communities						
Apple Valley	23	164	30	183	7	19
Burnsville	224	1,206	256	1,357	32	151
Eagan	215	1,338	237	1,467	22	129
Farmington	28	73	34	88	6	15
Hastings	32	79	44	104	12	25
Inver Grove Heights	49	457	54	483	5	26
Lakeville	88	512	109	582	21	70
Mendota Heights	41	181	43	181	2	-
Rosemount	33	655	40	701	7	46
South St. Paul	72	306	104	326	32	20
West St. Paul	26	73	28	81	2	8
Subtotal	831	5,044	979	5,553	148	509
Remainder of Co.	61	549	69	689	8	140
Dakota County Total	892	5,593	1,048	6,242	156	649
Sources: Dakota County GIS; Maxfield Research Inc.						

- ▶ From 2000 to 2006, the industrial buildings developed in the County's eleven largest communities occupied a total of 509 acres. When compared to the finished space added (Table 16) equates to floor area ratio of 19%.
- ▶ The above overall floor ratio is skewed slightly downward by some industrial uses that have small buildings on large properties. For example, Cemstone Plant & Kramer Gravel in Burnsville built a 3,000 square foot shed on 37 acres in 2000. Excluding low density users, the average floor area ratio is only 22% among properties added since 2000.

Industrial Land by Type of Space

Table 24 shows the amount of land developed with various types of industrial users during the past ten years (1997 to 2006) and the 10 years before that (1987 to 1996). The data is from the Dakota County GIS. The following are key points from the table.

- ▶ The 86 warehouse storage buildings added from 1987 to 1996 occupied the most land in the County – 338 acres. The largest parcels developed were by Ryt-Way Industries in Lakeville (250,000 square feet on 21.7 acres) and Lone Oak Commerce Center (134,000 square feet on 11.8 acres in 1995).
- ▶ About 170 acres were developed for manufacturing facilities from 1987 to 1996. The largest was a 26.5 acre parcel used to develop Dixie Petro-Chem’s 35,500 square foot building in Rosemount.
- ▶ Nine research and development buildings were added between 1987 and 2006. The largest parcel was by West Group who developed 43.5 acres with a 92,000 square foot building (research and development) in Eagan in 1991.

	1987-1996		1997-2006		Avg Acres Per Building	
	No. of Buildings	Acres	No. of Buildings	Acres	1987-1996	1997-2006
Garage/Storage	9	29	2	1	3	1
Industrial, Condo	8	-	29	-	-	-
Industrial, Manufacturing	34	171	43	206	5	5
Industrial, R&D	6	127	3	44	21	15
Lumber Storage	2	10	3	36	5	12
Service Garage	9	159	7	354	18	51
Shed, Equipment	5	87	2	43	17	22
Warehouse, Bulk Storage	2	21	18	170	11	9
Warehouse, Business Center	32	121	42	207	4	5
Warehouse, Mini	6	21	13	71	3	5
Warehouse, Storage	86	338	94	353	4	4
Warehouse, Transit	3	15	2	21	5	10
Total	202	1,099	258	1,507	5	6

Sources: Dakota County GIS;
Maxfield Research Inc.

COMMERCIAL/INDUSTRIAL LAND SUPPLY

- ▶ Service garages are typically less than 10,000 square feet in size and can occupy large properties. The service garage on the largest property is one on the Burnsville Sanitary Landfill (309 acres). Others include a 3,600 square foot service garage on Minnesota Industrial Containment Factory's (SKB Environmental Inc.) 88 acres in Rosemount and Highstone Properties' 3,000 square foot service garage on 29 acres in Rosemount.
- ▶ The average floor area ratio varied depending on the type of use. As mentioned above, service garages are often small buildings on very large parcels, and thus have a low floor area ratio. Warehouse buildings, with the exception of mini-warehouses, tend to have the highest floor area ratios at about 25% to 30%.

Average Floor Area Ratio by Industrial Type (Properties developed from 1987-2006)

<u>Industrial Type</u>	<u>Acres</u>	<u>Finished Sq. Ft.</u>	<u>Floor Area Ratio</u>
Industrial, Manufacturing	377	2,760,318	16.8%
Industrial, R&D	172	455,854	6.1%
Service Garage	513	167,092	0.7%
Shed, Equipment	130	40,088	0.7%
Warehouse, Bulk Storage	191	2,535,984	30.5%
Warehouse, Business Center	327	3,790,295	26.6%
Warehouse, Mini	92	447,085	11.1%
Warehouse, Storage	691	7,202,987	23.9%

Industrial Land by Type of Space and Community

Table 25 shows industrial land added by selected types of space and by community between 1987 to 1996 and 1997 to 2006. The data is from the Dakota County GIS. The following are key points from the tables.

- ▶ Most of the land developed for business centers was in Burnsville and Eagan and all of the land developed for bulk storage was in Eagan. These two types of space had the highest floor area ratios among the industrial uses.
- ▶ Eagan developed 131 acres for bulk storage and 107 acres for business centers between 1997 and 2006. The bulk storage facilities of Aldrin Distribution Center I and II occupied the greatest amount of land (13.1 and 15.1 acres, respectively). The storage warehouse facilities occupying the most land were Trapp Road Commerce Center II (11.9 acres) and BAX Global (11.8 acres).
- ▶ About 60 acres were developed for manufacturing facilities in Rosemount from 1997 to 2006. Endress Processing built a 54,000 square foot facility on a 34.1 acre parcel in 1997, Associated Woods Products built a 75,500 square foot facility on a 15.6 acre parcel in 2001, and Dakota Fence built a 21,000 square foot building on a 10 acre parcel in 1998.

COMMERCIAL/INDUSTRIAL LAND SUPPLY

**TABLE 25
DEVELOPED LAND (ACRES) BY INDUSTRIAL TYPES & COMMUNITY
DAKOTA COUNTY
1987-2006**

	<i>Apple Valley</i>	<i>Burnsville</i>	<i>Eagan</i>	<i>Farmington</i>	<i>Hastings</i>	<i>Inver Grove Heights</i>	<i>Lakeville</i>	<i>Mendota Heights</i>	<i>Rosemount</i>	<i>South St. Paul</i>	<i>West St. Paul</i>
1987 to 1996											
Garage/Storage	6	3	-	3	0	-	1	-	-	-	-
Industrial, Manufacturing	16	17	15	13	-	14	24	8	55	8	-
Industrial, R&D	-	-	49	1	-	-	2	-	-	1	-
Lumber Storage	-	-	9	-	-	-	-	-	-	-	-
Warehouse, Bulk Storage	-	-	21	-	-	-	-	-	-	-	-
Warehouse, Business Center	15	59	40	-	-	2	-	-	-	-	6
Warehouse, Mini	7	4	2	-	-	-	-	-	-	3	-
Warehouse, Storage	5	84	90	23	1	-	30	48	-	12	6
Warehouse, Transit	-	-	14	-	-	38	-	-	-	-	-
Total	131	167	262	40	1	54	57	56	181	35	12
1997 to 2006											
Industrial, Manufacturing	-	11	33	9	5	14	34	-	60	11	1
Industrial, R&D	-	-	39	3	-	-	-	-	-	2	-
Lumber Storage	-	21	-	-	-	-	9	-	-	-	6
Warehouse, Bulk Storage	-	-	131	-	-	3	20	5	-	11	-
Warehouse, Business Center	16	81	107	-	-	2	1	-	-	-	-
Warehouse, Mini	8	8	14	5	-	21	3	-	10	-	-
Warehouse, Storage	5	85	113	4	22	6	50	10	31	11	-
Warehouse, Transit	-	-	21	-	-	-	-	-	-	-	-
Total	29	260	470	21	29	51	133	15	101	34	8
Sources: Dakota County GIS; Maxfield Research Inc.											

Vacant Commercial and Industrial Zoned Land

Based on Dakota County GIS and interviews with Economic Development Directors, Table 26 estimates the amount of vacant commercial and industrial land available for each of the 11 larger communities and the remainder of the County. When evaluating the Dakota County GIS data summarized in Table 26, note that commercially zoned land is defined as future land development supporting either retail or office space uses. The following are key points from the table.

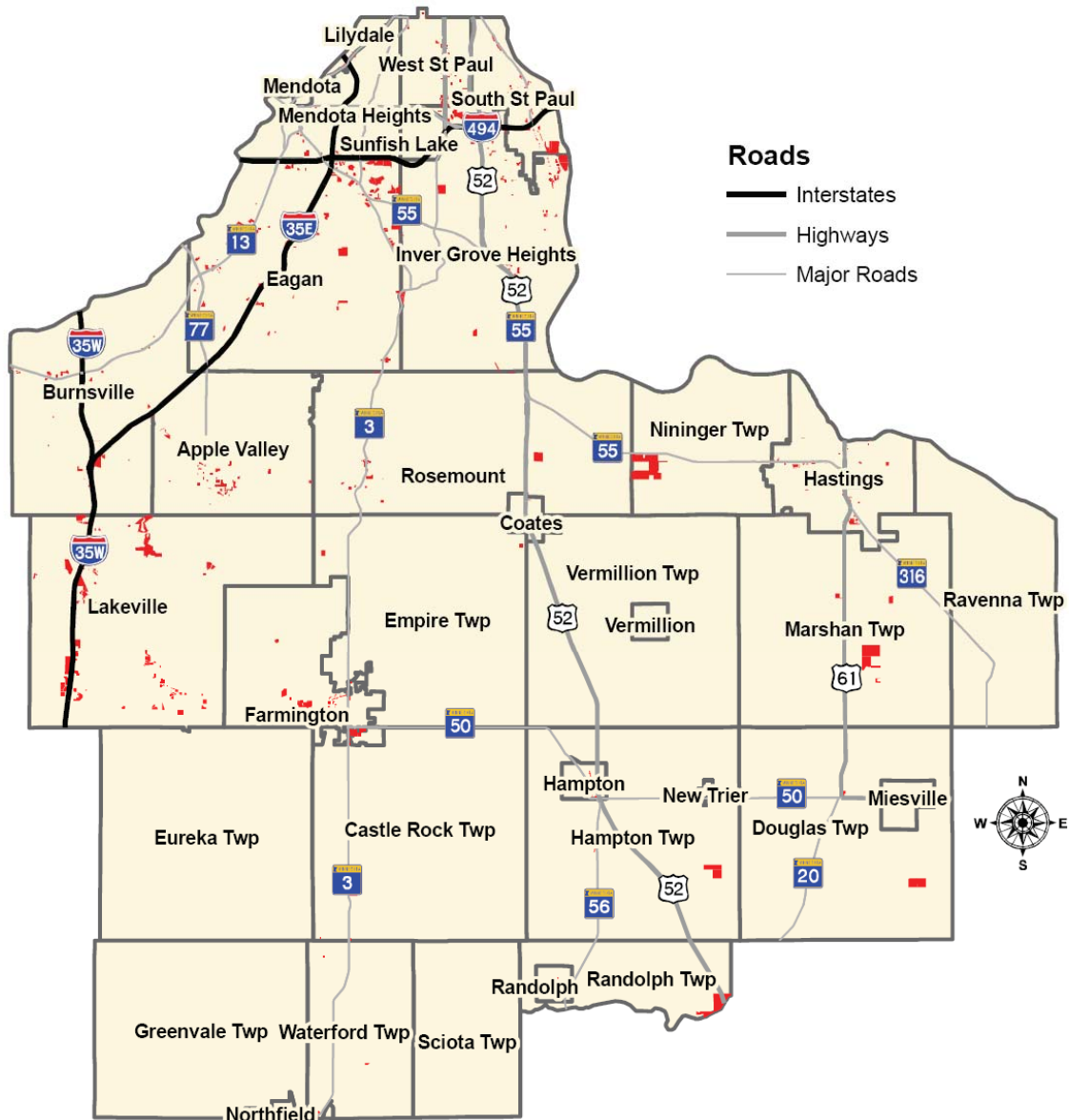
COMMERCIAL/INDUSTRIAL LAND SUPPLY

- ▶ Dakota County has approximately 2,900 acres of vacant land currently zoned for commercial and another 4,785 acres zoned for industrial uses. These figures only include vacant land currently zoned for these uses. They do not include vacant land identified for future commercial or industrial space, but currently zoned for something else (most often Agriculture).
- ▶ Almost 60% of the total zoned vacant commercial land in the County is located in Lakeville and Eagan. Much of the vacant commercial land in Eagan is located in the northeastern corner of the City on several large scattered parcels.
- ▶ In addition to Lakeville's vacant zoned land for commercial and industrial uses, there is also an abundance of agricultural land south of Highway 70 from Interstate 35 to Dodd Boulevard that is planned for commercial and industrial uses. Thus, Lakeville will more than likely have sufficient land to meet growing commercial and industrial needs in the community through 2030.
- ▶ Eagan still has over 500 acres of vacant zoned commercial and 270 acres of zoned industrial land. After this, the supply of vacant commercial and industrial land in the northern part of the County is shrinking. However, there is potential to add more commercial and industrial space in these areas by expanding existing buildings (increasing density on parcels) and by redeveloping older, obsolete spaces.
- ▶ The 2,160 acres in Rosemount accounts for more than half of the total of vacant industrial land in the County. Much of this land surrounds Flint Hills Resources' Pine Bend Refinery on the west side of Highway 52.
- ▶ A large amount of commercial and industrial zoned land has become available in Inver Grove Height's Northwest Planning Area. This area is roughly surrounded by Highway 55 and Interstate 494 on the north and south and from the Eagan border east nearly to Babcock Trail. In total, the Northwest Planning Area is zoned to accommodate approximately 2.8 million square feet of commercial space, 1.5 million square feet of office space, and 1.3 million square feet of industrial space. In addition, sewer and water connections will soon be extended to parcels along Highway 52 in the southeastern portion of the community. Inver Grove Heights will have the land capacity to add a significant amount of commercial and industrial space to meet it's, and neighboring communities' future needs.
- ▶ Much of Apple Valley's 420 acres of zoned vacant industrial land is situated in the southeast corner of the City. Most of this land is currently being mined for sand and gravel and will come on-line incrementally over the next decade or sooner.

TABLE 26			
VACANT COMMERCIAL AND INDUSTRIAL ZONED LAND*			
DAKOTA COUNTY			
2007			
Community	Commercial Acres	Industrial Acres	Total
Apple Valley	40	420	460
Burnsville	90	150	240
Eagan	520	270	790
Farmington	120	90	210
Hastings	85	120	205
Inver Grove Heights	330	710	1,040
Lakeville	675	250	925
Mendota Heights	6	45	51
Rosemount	130	2,160	2,290
South St. Paul	30	40	70
West St. Paul	0	0	0
Subtotal	2,026	4,255	6,281
Remainder of Co.	863	531	1,394
Dakota County	2,889	4,785	7,674
* Includes only vacant land zoned commercial or industrial, not vacant land identified in land use plans as future commercial or industrial but currently zoned for other uses.			
Sources: Dakota County GIS; Maxfield Research Inc.			

- ▶ West St. Paul and Mendota Heights have very little land remaining for commercial and industrial development. South St. Paul has a small supply as well, but has greater redevelopment potential with the closing of the stock yard planned in April 2008. In addition, none of the vacant parcels in these communities are large enough to support big-box retail, which has been a trend over the past decade or more. Thus, most commercial spaces added will be smaller.
- ▶ Like Lakeville, Farmington and Hastings are next to agricultural land and therefore have greater capacity to add commercial and industrial land to their communities as the need arises. Currently, both communities have about 200 acres of vacant zoned commercial and industrial land. Between 2000 and 2006, both communities developed about 40 acres with commercial and industrial uses.

Location of Vacant Commercial Zoned Land, 2007*

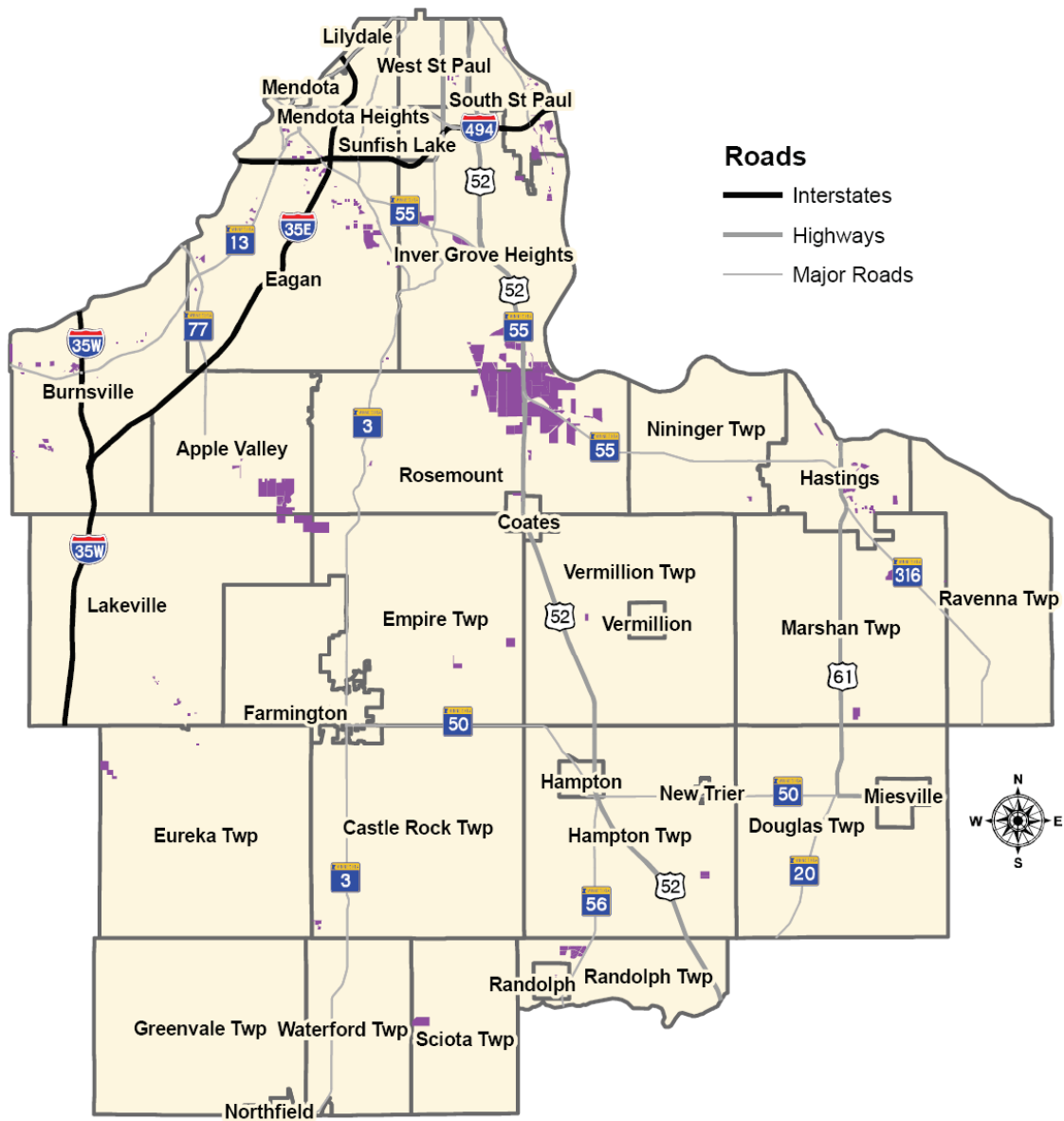


Map prepared by the Dakota County Office of Geographic Information Systems

February 11, 2008

* This map only shows vacant land that is presently zoned commercial. Other vacant land identified in local land use plans may currently be zoned for other uses, primarily agriculture.

Location of Vacant Industrial Zoned Land, 2007*



Map prepared by the Dakota County Office of Geographic Information Systems February 11, 2008

* This map only shows vacant land that is presently zoned industrial. Other vacant land identified in local land use plans may currently be zoned for other uses, primarily agriculture.

Demand Analysis and Recommendations

Introduction

This section of the report presents calculations of demand for commercial/retail, office, and industrial space in Dakota County from 2008 to 2030. In addition, the amount of land needed to accommodate the new commercial and industrial space is calculated. The demand calculations and recommendations were made based on the analysis of data presented in this report, including demographic and employment growth trends and characteristics, market conditions, and recent development trends.

This section includes:

- ▶ projected demand for retail/commercial space and land from 2008 to 2030;
- ▶ projected demand for office space and land from 2008 to 2030; and
- ▶ projected demand for industrial space and land from 2008 to 2030.

Projected Demand for Retail/Commercial Space

Demand for additional retail and commercial space in Dakota County from 2008 through 2030 is shown in Table 27. The table shows demand by five year increments for each of the County’s 11 larger communities as well as for the smaller communities and townships collectively.

Demand for retail/commercial space in the County was calculated based on growth in the household base, consumer expenditures, projected retail leakage trends (leakage is the amount of consumer spending for goods and services likely to be spent outside the community/county), and trends in the average sales per square feet of space. In addition to the above factors, the demand for each community took into account the community’s projected household growth, total existing retail space, space per household, proximity to other major retail centers, and suitable land available for new development (land with good highway access and visibility).

The following are key points about Table 27.

- ▶ Demand was calculated for an additional 10.5 to 12.0 million square feet of retail space in the County from 2008 to 2030. This calculated demand equates to about 2.5 million square feet every five years between now and 2030. However, demand will be greater during the beginning of next decade and then slow through 2030 as household growth slows.
- ▶ Demand for retail/commercial space is projected to be greatest in Lakeville. Not only is Lakeville projected for household growth, it also has less retail space per household than other more mature communities in the northern part of the County, such as Burnsville and Eagan. Other communities, such as Mendota Heights, West St. Paul, and South St. Paul have little remaining land available for new retail. Most new developments in these communities will be the result of redevelopment, which may simply replace older spaces and not actually add to the total inventory.
- ▶ Lakeville has a significant amount of vacant land near the intersection of Interstate 35 and County Highway 50. With a new bridge and access ramps to Interstate 35 planned, this intersection will be appealing to major retailers and may accommodate a large portion of Lakeville’s future retail space.
- ▶ Dakota County is projected to add approximately 53,000 households from 2008 to 2030. When compared to the amount of projected retail space, the total amount of retail space (square feet) per household is projected to steadily increase through 2030. As shown below, the amount of space per household is projected to increase from 142 square feet/household in 2000 to 173 square feet per household in 2030. The increasing supply of big box retail is one reason for the rising ratio.

Commercial/Retail Square Feet per Household Trends, Dakota County

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2030</u>
132.2	142.4	162.4	170.8	172.9

DEMAND ANALYSIS AND RECOMMENDATIONS

**TABLE 27
COMMERCIAL DEMAND (SQ. FT.) BY COMMUNITY
DAKOTA COUNTY
2008 - 2030**

	<u>2008-2010</u>	<u>2010-2015</u>	<u>2015-2020</u>	<u>2020-2025</u>	<u>2025-2030</u>	<u>Total</u>
Apple Valley	250,000 - 270,000	510,000 - 530,000	570,000 - 590,000	290,000 - 310,000	240,000 - 260,000	1,860,000 - 1,960,000
Burnsville	110,000 - 130,000	130,000 - 150,000	160,000 - 180,000	100,000 - 120,000	130,000 - 150,000	630,000 - 730,000
Eagan	120,000 - 140,000	200,000 - 220,000	165,000 - 185,000	140,000 - 160,000	80,000 - 100,000	705,000 - 805,000
Farmington	60,000 - 80,000	180,000 - 200,000	240,000 - 260,000	225,000 - 245,000	110,000 - 130,000	815,000 - 915,000
Hastings	55,000 - 75,000	220,000 - 240,000	155,000 - 175,000	110,000 - 130,000	90,000 - 110,000	630,000 - 730,000
Inver Grove Heights	390,000 - 410,000	410,000 - 430,000	375,000 - 395,000	190,000 - 210,000	160,000 - 180,000	1,525,000 - 1,625,000
Lakeville	240,000 - 260,000	865,000 - 885,000	805,000 - 825,000	505,000 - 525,000	445,000 - 465,000	2,860,000 - 2,960,000
Mendota Heights	70,000 - 90,000	30,000 - 50,000	15,000 - 35,000	10,000 - 30,000	10,000 - 30,000	135,000 - 235,000
Rosemount	80,000 - 100,000	470,000 - 790,000	290,000 - 310,000	260,000 - 280,000	180,000 - 200,000	1,280,000 - 1,680,000
South St. Paul	10,000 - 20,000	25,000 - 45,000	15,000 - 35,000	20,000 - 40,000	15,000 - 35,000	85,000 - 175,000
West St. Paul	5,000 - 25,000	40,000 - 60,000	30,000 - 50,000	20,000 - 40,000	10,000 - 30,000	105,000 - 205,000
Subtotal	1,390,000 - 1,600,000	3,080,000 - 3,600,000	2,820,000 - 3,040,000	1,870,000 - 2,090,000	1,470,000 - 1,690,000	10,630,000 - 12,020,000
Remainder of Dakota Co.	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 50,000
Dakota County Total	1,390,000 - 1,610,000	3,080,000 - 3,610,000	2,820,000 - 3,050,000	1,870,000 - 2,100,000	1,470,000 - 1,700,000	10,630,000 - 12,070,000
Sources: Maxfield Research Inc.						

DEMAND ANALYSIS AND RECOMMENDATIONS

Projected Demand for Retail/Commercial Land

The amount of additional land needed to support the calculated demand for retail and commercial space in Dakota County from 2008 through 2030 is shown in Table 28. The table shows the need for land by five year increments for each of the County's 11 larger communities as well as for the smaller communities and townships collectively.

The following are key points about Table 28.

- ▶ The need for land is based on the demand for commercial/retail space divided by a standard floor area ratio of 25%. For example, a 100,000 square foot retail building would need 400,000 square feet of land, or 9.2 acres. This ratio can vary depending on the amount of buildable square feet on a parcel (it can be less due to wetland or slope) or the density allowed on a certain parcel (smaller urban parcels may have greater allowed density).
- ▶ Demand was calculated for an additional 800 to 1,100 acres of commercial land in the County from 2008 to 2030. This calculated demand equates to about 220 acres every five years between now and 2030.
- ▶ Demand for retail/commercial land is projected to be greatest in Lakeville, Apple Valley, and Inver Grove Heights. Again, communities that are more mature are limited as to how much new commercial/retail land can be developed.

TABLE 28						
DEMAND FOR COMMERCIAL LAND (ACRES) BY COMMUNITY						
DAKOTA COUNTY						
2000 - 2030						
	2008- 2010	2010- 2015	2015- 2020	2020- 2025	2025- 2030	Total
Apple Valley	23 - 25	47 - 49	52 - 54	27 - 28	22 - 24	144 - 180
Burnsville	10 - 12	12 - 14	15 - 17	9 - 11	12 - 14	49 - 67
Eagan	11 - 13	18 - 20	15 - 17	13 - 15	7 - 9	52 - 74
Farmington	6 - 7	17 - 18	22 - 24	21 - 22	10 - 12	54 - 84
Hastings	5 - 7	20 - 22	14 - 16	10 - 12	8 - 10	48 - 67
Inver Grove Heights	36 - 38	38 - 39	34 - 36	17 - 19	15 - 17	123 - 149
Lakeville	22 - 24	79 - 81	74 - 76	46 - 48	41 - 43	216 - 272
Mendota Heights	6 - 8	3 - 5	1 - 3	1 - 3	1 - 3	11 - 22
Rosemount	7 - 9	43 - 73	27 - 28	24 - 26	17 - 18	94 - 154
South St. Paul	1 - 2	2 - 4	1 - 3	2 - 4	1 - 3	6 - 16
West St. Paul	0 - 2	4 - 6	3 - 5	2 - 4	1 - 3	8 - 19
Subtotal	128 - 147	283 - 331	259 - 279	172 - 192	135 - 155	804 - 1,104
Remainder of Dakota Co.	0 - 1	0 - 1	0 - 1	0 - 1	0 - 1	0 - 6
Dakota County Total	128 - 148	283 - 332	259 - 280	172 - 193	135 - 156	804 - 1,110
Sources: Maxfield Research Inc.						

Projected Demand for Office Space

Demand for additional office space in Dakota County from 2008 through 2030 is shown in Table 29. The table shows demand by five year increments and for each of the County’s 11 larger communities as well as for the smaller communities and townships collectively.

The amount (in square feet) of additional office space needed in Dakota County is based primarily on projected employment growth in the County among industry sectors that typically utilize office space. The demand for each community took into account the communities’ historic office development, projected employment growth, existing office space, highway access and visibility, proximity to the Minneapolis-St. Paul International Airport, hotels and restaurants, other employment centers, and land available for new development.

Our key points from Table 29 are summarized below.

- ▶ Using the average figure of 220 square feet of office space per employee, we project demand for an additional 6.5 to 7.6 million square feet of office space in Dakota County between 2008 and 2030 to accommodate office employment growth. This equates to about 1.6 million square feet every five years between now and 2030. However, demand will be greater during the beginning of next decade and then slow through 2030 as employment growth slows.
- ▶ Demand for office space is projected to be greatest in Eagan. Eagan’s location makes it highly attractive for larger office tenants, and it also has available land for new development. Eagan has excellent highway access, close proximity to the airport, and is within a short distance to the core of the Twin Cities. Other communities, such as Mendota Heights and Burnsville, have good locations but little remaining land available for new office space. Most new developments in these communities will be the result of redevelopment, which may simply replace older spaces and not actually add to the total inventory.
- ▶ Medical and dental offices accounted for about 9% of the office supply in Dakota County in 2006. This percentage will increase through 2030 as the population ages and needs more medical services.
- ▶ Dakota County is projected to add approximately 58,200 jobs from 2008 to 2030. When compared to the amount of projected office space, the total amount of office space (square feet) per job is projected to increase slightly through 2030. As shown below, the amount of space per job is projected to increase from 82 square feet/job in 2000 to 90.2 square feet per job in 2030. This increase is due to the continued shift toward a more service-oriented economy, meaning more people will work in an office environment.

Office Square Feet per Job Trends, Dakota County

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2030</u>
82.2	71.0	83.2	88.1	90.2

DEMAND ANALYSIS AND RECOMMENDATIONS

**TABLE 29
OFFICE DEMAND (SQ. FT.) BY COMMUNITY
DAKOTA COUNTY
2008 - 2030**

	<u>2008-2010</u>	<u>2010-2015</u>	<u>2015-2020</u>	<u>2020-2025</u>	<u>2025-2030</u>	<u>Total</u>
Apple Valley	85,000 - 95,000	200,000 - 220,000	145,000 - 165,000	115,000 - 135,000	105,000 - 125,000	650,000 - 740,000
Burnsville	80,000 - 100,000	170,000 - 190,000	125,000 - 145,000	90,000 - 110,000	80,000 - 100,000	545,000 - 645,000
Eagan	520,000 - 540,000	710,000 - 730,000	535,000 - 555,000	365,000 - 385,000	330,000 - 350,000	2,460,000 - 2,560,000
Farmington	10,000 - 20,000	20,000 - 40,000	15,000 - 35,000	15,000 - 35,000	10,000 - 30,000	70,000 - 160,000
Hastings	10,000 - 20,000	10,000 - 20,000	10,000 - 20,000	15,000 - 35,000	10,000 - 30,000	55,000 - 125,000
Inver Grove Heights	100,000 - 120,000	250,000 - 270,000	185,000 - 205,000	120,000 - 140,000	105,000 - 125,000	760,000 - 860,000
Lakeville	130,000 - 150,000	320,000 - 340,000	235,000 - 255,000	225,000 - 245,000	205,000 - 225,000	1,115,000 - 1,215,000
Mendota Heights	150,000 - 170,000	175,000 - 195,000	130,000 - 150,000	120,000 - 140,000	105,000 - 125,000	680,000 - 780,000
Rosemount	10,000 - 20,000	20,000 - 40,000	15,000 - 35,000	15,000 - 35,000	10,000 - 30,000	70,000 - 160,000
South St. Paul	15,000 - 25,000	25,000 - 45,000	15,000 - 35,000	10,000 - 30,000	10,000 - 30,000	75,000 - 165,000
West St. Paul	0 - 10,000	10,000 - 30,000	10,000 - 30,000	10,000 - 20,000	10,000 - 20,000	40,000 - 110,000
Subtotal	1,110,000 - 1,270,000	1,910,000 - 2,120,000	1,420,000 - 1,630,000	1,100,000 - 1,310,000	980,000 - 1,190,000	6,520,000 - 7,520,000
Remainder of Dakota Co.	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 50,000
Dakota County Total	1,110,000 - 1,280,000	1,910,000 - 2,130,000	1,420,000 - 1,640,000	1,100,000 - 1,320,000	980,000 - 1,200,000	6,520,000 - 7,570,000
Sources: Maxfield Research Inc.						

DEMAND ANALYSIS AND RECOMMENDATIONS

Projected Demand for Office Land

The amount of additional land needed to support the calculated demand for office space in Dakota County from 2008 through 2030 is shown in Table 30. The table shows demand by five year increments for each of the County's 11 larger communities as well as for the smaller communities and townships collectively.

- ▶ The need for land is based on demand for office space divided by a standard floor area ratio of 25%. For example, a 100,000 square foot office building would need 400,000 square feet of land, or 9.2 acres. This ratio can vary depending on the amount of buildable square feet on a parcel (it can be less due to wetland or slope) or the density allowed on a certain parcel (smaller urban parcels may have greater allowed density).
- ▶ Demand was calculated for an additional 498 to 691 acres of office space in the County from 2008 to 2030. This calculated demand equates to about 135 acres every five years between now and 2030.
- ▶ Most communities will have sufficient land to accommodate their office needs through 2030. The exception is Mendota Heights, where demand may exceed available land. Other communities, such as Apple Valley, may need to rezone some vacant industrial land to accommodate the growing demand for commercial and office space (Apple Valley has 40 zoned commercial acres but demand for over 200 acres of commercial and office).

TABLE 30						
DEMAND FOR OFFICE LAND (ACRES) BY COMMUNITY						
DAKOTA COUNTY						
2000 - 2030						
	2008- 2010	2010- 2015	2015- 2020	2020- 2025	2025- 2030	Total
Apple Valley	8 - 9	18 - 20	13 - 15	11 - 12	10 - 11	49 - 68
Burnsville	7 - 9	16 - 17	11 - 13	8 - 10	7 - 9	42 - 59
Eagan	48 - 50	65 - 67	49 - 51	34 - 35	30 - 32	192 - 235
Farmington	1 - 2	2 - 4	1 - 3	1 - 3	1 - 3	5 - 15
Hastings	1 - 2	1 - 2	1 - 2	1 - 3	1 - 3	4 - 11
Inver Grove Heights	9 - 11	23 - 25	17 - 19	11 - 13	10 - 11	59 - 79
Lakeville	12 - 14	29 - 31	22 - 23	21 - 22	19 - 21	82 - 112
Mendota Heights	14 - 16	16 - 18	12 - 14	11 - 13	10 - 11	51 - 72
Rosemount	1 - 2	2 - 4	1 - 3	1 - 3	1 - 3	5 - 15
South St. Paul	1 - 2	2 - 4	1 - 3	1 - 3	1 - 3	6 - 15
West St. Paul	0 - 1	1 - 3	1 - 3	1 - 2	1 - 2	3 - 10
Subtotal	102 - 117	175 - 195	130 - 150	101 - 120	90 - 109	498 - 691
Remainder of Dakota Co.	0 - 1	0 - 1	0 - 1	0 - 1	0 - 1	0 - 5
Dakota County Total	102 - 118	175 - 196	130 - 151	101 - 121	90 - 110	498 - 695
Sources: Maxfield Research Inc.						

Projected Demand for Industrial Space

Demand for additional industrial space in Dakota County from 2008 through 2030 is shown in Table 31. The table shows demand by five year increments and for each of the County's 11 larger communities as well as for the smaller communities and townships collectively.

The amount (in square feet) of additional industrial space supportable in Dakota County is based on projected employment growth in the County among businesses that typically utilize industrial space. Factors assessed when analyzing demand for each community are its projected employment growth, historic industrial development, highway access, proximity to labor force and the Minneapolis-St. Paul International Airport, proximity to the core of the Twin Cities, and land available for new development.

Key points from Table 31 are summarized below.

- ▶ Although the County's economy (and Nation's) is shifting away from manufacturing, there will still be industrial demand in the County due to the growing household and employment bases. Overall, we project that the percentage of jobs requiring industrial space will decline from about 18% in 2008 to about 14% in 2030. However, the amount of industrial space per employee is projected to increase because a greater portion of the industrial demand will be for warehouse space versus manufacturing space. Overall, demand is projected for about 7.6 to 8.7 million square feet of industrial space in Dakota County between 2008 and 2030 that accommodate industrial employment growth. This equates to about 1.9 million square feet every five years between now and 2030.
- ▶ Lakeville (about 2.3 million square feet) and Eagan (about 2.2 million square feet) show the largest excess demand between 2008 and 2030. West St. Paul displays the smallest amount of excess demand because there is very little land available for new industrial development. Other communities contain available industrial sites, but are waiting for investments in transportation upgrades, such as a major east to west route from Farmington to Interstate 35. Less mature markets such as Lakeville, Inver Grove Heights, and Farmington will increase their share of industrial development as mature industrial markets such as Eagan and Burnsville develop their last remaining industrial parcels.
- ▶ The remainder of Dakota County is projected to add a minimal amount of industrial space from 2008 to 2030 primarily due to limited employment growth. Townships and smaller communities such as Coates, Hampton, and Empire Township and Northfield might attract new industrial development to support industries such as manufacturing, welding, and construction users. Industries might choose to locate in the smaller townships and communities if they can't afford to build closer to the core or adhere to more rigid design standards. Communities such as Sunfish Lake and Lilydale could attract industrial users but have little existing vacant land remaining.

DEMAND ANALYSIS AND RECOMMENDATIONS

**TABLE 31
INDUSTRIAL DEMAND (SQ. FT.) BY COMMUNITY
DAKOTA COUNTY
2000 - 2030**

	<u>2008-2010</u>	<u>2010-2015</u>	<u>2015-2020</u>	<u>2020-2025</u>	<u>2025-2030</u>	<u>Total</u>
Apple Valley	30,000 - 50,000	90,000 - 110,000	70,000 - 90,000	50,000 - 70,000	45,000 - 65,000	285,000 - 385,000
Burnsville	100,000 - 120,000	210,000 - 230,000	155,000 - 175,000	110,000 - 130,000	100,000 - 120,000	675,000 - 775,000
Eagan	450,000 - 470,000	610,000 - 630,000	455,000 - 475,000	315,000 - 335,000	285,000 - 305,000	2,115,000 - 2,215,000
Farmington	20,000 - 40,000	70,000 - 90,000	50,000 - 70,000	50,000 - 70,000	55,000 - 75,000	245,000 - 345,000
Hastings	15,000 - 25,000	15,000 - 35,000	10,000 - 30,000	40,000 - 60,000	35,000 - 55,000	115,000 - 205,000
Inver Grove Heights	140,000 - 160,000	335,000 - 355,000	250,000 - 270,000	165,000 - 185,000	150,000 - 170,000	1,040,000 - 1,140,000
Lakeville	265,000 - 285,000	635,000 - 655,000	475,000 - 495,000	450,000 - 470,000	410,000 - 430,000	2,235,000 - 2,335,000
Mendota Heights	70,000 - 90,000	85,000 - 105,000	60,000 - 80,000	55,000 - 75,000	50,000 - 70,000	320,000 - 420,000
Rosemount	35,000 - 60,000	125,000 - 145,000	90,000 - 110,000	95,000 - 115,000	85,000 - 105,000	430,000 - 535,000
South St. Paul	25,000 - 45,000	55,000 - 75,000	40,000 - 60,000	30,000 - 50,000	25,000 - 45,000	175,000 - 275,000
West St. Paul	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 50,000
Subtotal	1,150,000 - 1,355,000	2,230,000 - 2,440,000	1,655,000 - 1,865,000	1,360,000 - 1,570,000	1,240,000 - 1,450,000	7,635,000 - 8,680,000
Remainder of Dakota Co.	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 10,000	0 - 50,000
Dakota County Total	1,150,000 - 1,365,000	2,230,000 - 2,450,000	1,655,000 - 1,875,000	1,360,000 - 1,580,000	1,240,000 - 1,460,000	7,635,000 - 8,730,000

Sources: Maxfield Research Inc.

DEMAND ANALYSIS AND RECOMMENDATIONS

- As shown below, when total employment is compared to the amount of projected industrial space, the total amount of industrial space (square feet) per job is projected to decrease through 2030. This decrease is due to the continued shift toward a more service-oriented economy, meaning fewer people will work in an industrial environment. It should be noted, however, that the amount of space per industrial job will increase as a greater percentage of industrial space will be warehouse versus manufacturing.

Industrial Square Feet per Job Trends, Dakota County

1990	2000	2010	2020	2030
238.9	237.4	213.2	203.8	198.6

Projected Demand for Industrial Land

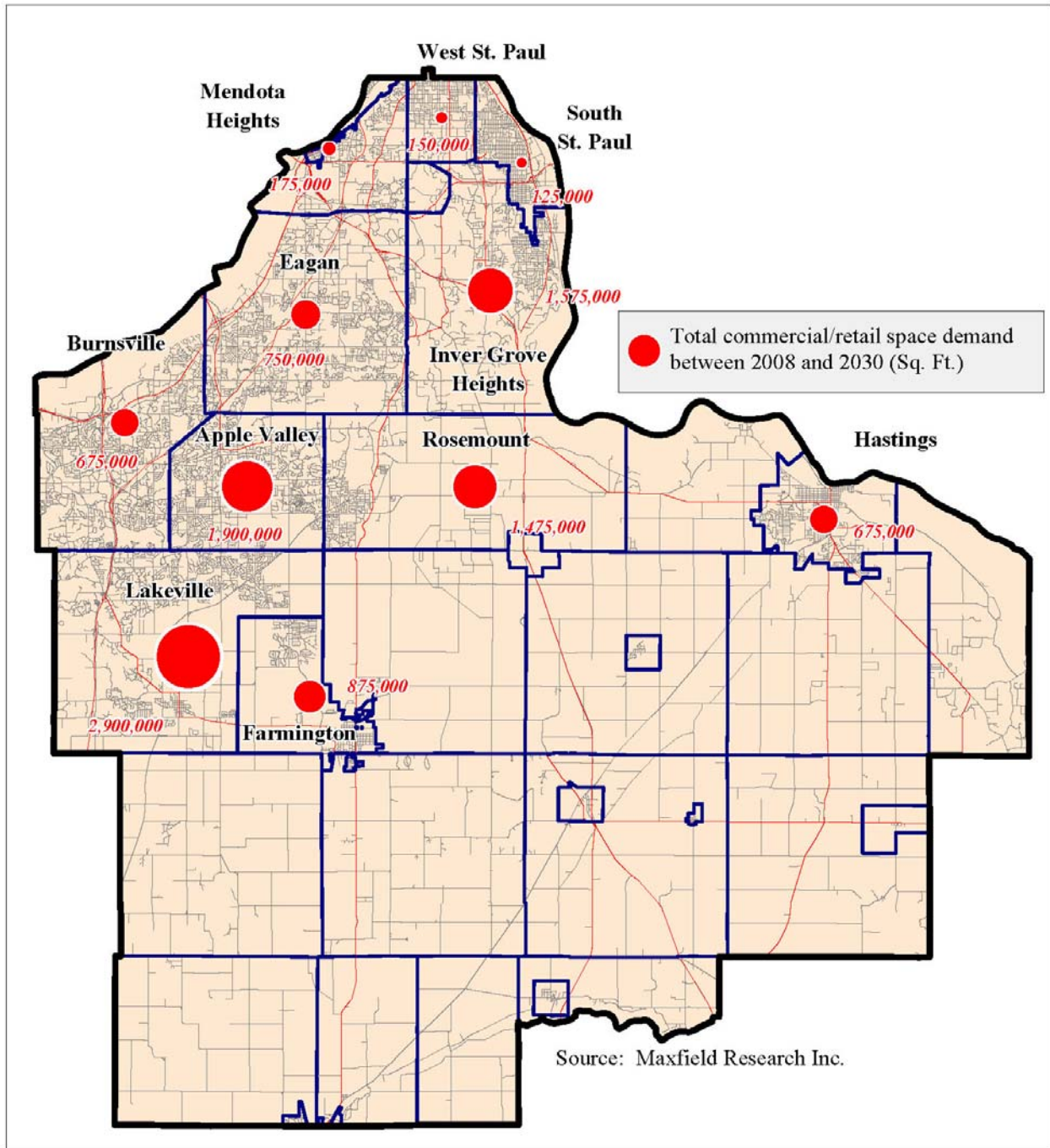
The amount of additional land needed to support the calculated demand for industrial space in Dakota County from 2008 through 2030 is shown in Table 32. The table shows demand by five year increments and for each of the County's 11 larger communities as well as for the smaller communities and townships collectively.

TABLE 32 DEMAND FOR INDUSTRIAL LAND (ACRES) BY COMMUNITY DAKOTA COUNTY 2000 - 2030						
	2008- 2010	2010- 2015	2015- 2020	2020- 2025	2025- 2030	Total
Apple Valley	3 - 6	10 - 13	8 - 10	6 - 8	5 - 7	27 - 44
Burnsville	11 - 14	24 - 26	18 - 20	13 - 15	11 - 14	65 - 89
Eagan	52 - 54	70 - 72	52 - 55	36 - 38	33 - 35	207 - 254
Farmington	2 - 5	8 - 10	6 - 8	6 - 8	6 - 9	22 - 40
Hastings	2 - 3	2 - 4	1 - 3	5 - 7	4 - 6	9 - 24
Inver Grove Heights	16 - 18	38 - 41	29 - 31	19 - 21	17 - 20	100 - 131
Lakeville	30 - 33	73 - 75	55 - 57	52 - 54	47 - 49	205 - 268
Mendota Heights	8 - 10	10 - 12	7 - 9	6 - 9	6 - 8	30 - 48
Rosemount	4 - 7	14 - 17	10 - 13	11 - 13	10 - 12	38 - 61
South St. Paul	3 - 5	6 - 9	5 - 7	3 - 6	3 - 5	17 - 32
West St. Paul	0 - 1	0 - 1	0 - 1	0 - 1	0 - 1	0 - 6
Subtotal	132 - 156	256 - 280	190 - 214	156 - 180	142 - 166	720 - 996
Remainder of Dakota Co.	0 - 1	0 - 1	0 - 1	0 - 1	0 - 1	0 - 6
Dakota County Total	132 - 157	256 - 281	190 - 215	156 - 181	142 - 168	720 - 1,002
Sources: Maxfield Research Inc.						

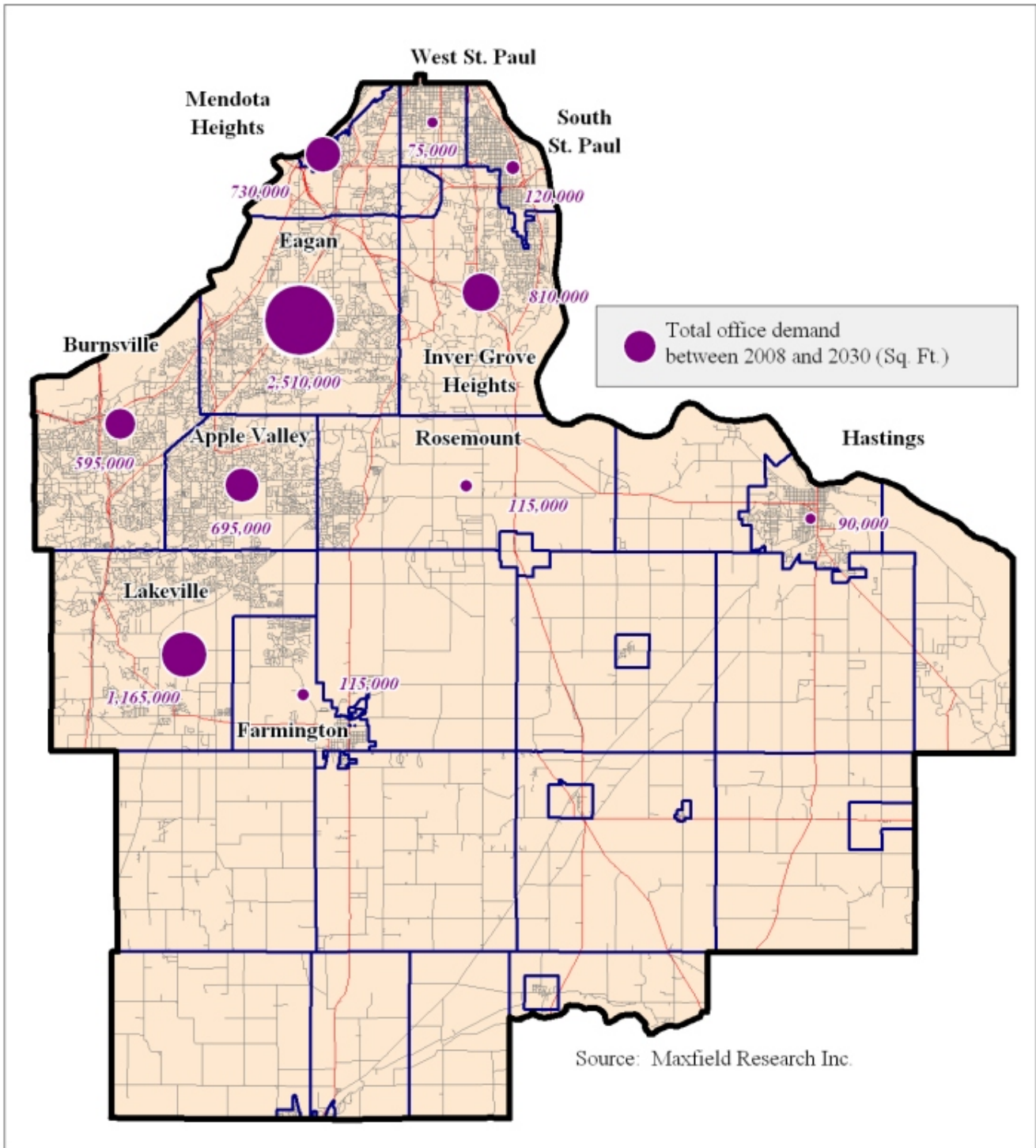
DEMAND ANALYSIS AND RECOMMENDATIONS

- ▶ The need for land is based on the demand for industrial space divided by a standard floor area ratio of 20%. For example, a 100,000 square foot industrial building would need 500,000 square feet of land, or 11.5 acres. This ratio can vary depending on the amount of buildable square feet on a parcel (it can be less due to wetland or slope) or the density allowed on a certain parcel (smaller urban parcels may have greater allowed density).
- ▶ Demand was calculated for an additional 720 to 1,002 acres of industrial land in the County from 2008 to 2030. This calculated demand equates to about 190 acres every five years between now and 2030.
- ▶ Eagan will most likely exhaust its supply of industrial land by 2030. Other communities, such as Lakeville, Inver Grove Heights, Rosemount, Apple Valley, Farmington, and Hastings will likely have sufficient land to accommodate demand for new industrial space.

Demand for Retail/Commercial Space by Community Dakota County, 2008 to 2030



Demand for Office Space by Community Dakota County, 2008 to 2030



Demand for Industrial Space by Community Dakota County, 2008 to 2030

