

Hempel and ABR form joint venture to acquire Rand Tower

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A joint venture formed by Hempel and Alex. Brown Realty, Inc (ABR) closed on the acquisition of Rand Tower, a 194,316 square foot office property in downtown Minneapolis with plans to upgrade common areas and aggressively pursue new office tenants. ABR is a national real estate investment firm based in Baltimore. Chesapeake Fund III, a value-added real estate investment fund sponsored by ABR, provided an equity commitment to the venture. The partnership worked with Grandbridge Real Estate Capital, LLC in securing financing. Hempel, a Minneapolis-based developer of office, retail, and hospitality properties, will relocate its headquarters to Rand this year.

The joint venture represents ABR's entrance into the Minneapolis office market. The partnership's acquisition was motivated by the high profile of the tower in an area experiencing improving market conditions. "This is a great opportunity for our partnership," states Tom Burton, Vice President and Chief Investment Officer at ABR who sourced the deal with Hempel, "The Minneapolis office market indicators are positive. This is a vibrant market with historically strong fundamentals." According to Northmarq's July 2008 report *The Compass*, the Minneapolis CBD boasts positive absorption of over 130,000 square feet in the past twelve months and vacancy downtown is hovering around 15%. Burton adds, "At 74% occupancy, Rand Tower presents an excellent opportunity to reposition and increase the value of this iconic tower in downtown Minneapolis."

Hempel has experienced significant success with similar office projects like UBS Plaza in St. Paul, Woodhill Plaza in Minnetonka, and One Corporate Center I & III in Edina. Hempel's presence in Rand will improve their efforts, explains Jon Hempel, president of Hempel, "We are committed to downtown Minneapolis. We own the Soo Line building next door and our hotel is only a block away. Having part of our ownership team and our entire leasing and management team on-site will dramatically affect our leasing efforts."

Upgrades to the elevators and common areas will make the property even more attractive to new tenants seeking a presence in an iconic location, although the true attraction to Rand is the tower itself. Developed in 1929 by Rufus Rand, the property began construction at the height of the roaring twenties and the machine age. The art-deco style is distinctive and brings tremendous character to the space. Also the smaller floor plates allow for abundant windows meaning more natural light and greater skyline views.