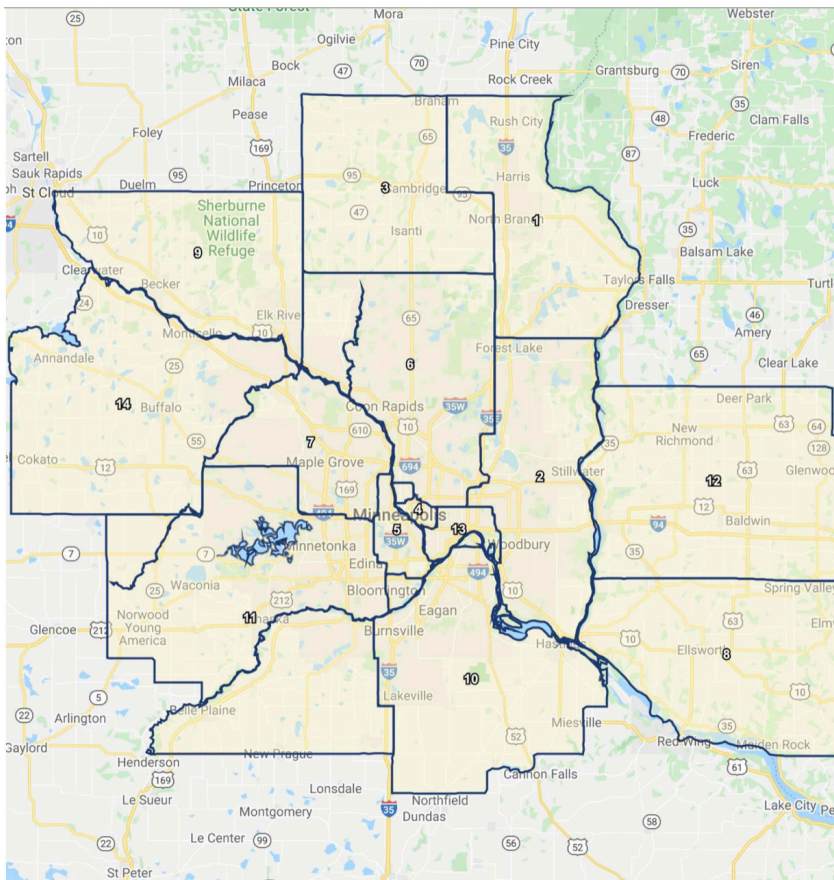


2020 Q1 INDUSTRIAL MARKET REPORT

Minneapolis, MN

OVERVIEW

THE MINNEAPOLIS MARKET consists of sixteen counties in southeastern Minnesota, anchored by the city of Minneapolis. As of 2019, Minneapolis had an estimated population of 429,000, making it the 46th largest city in the United States. Minneapolis and its neighboring city St. Paul are referred to as the 'Twin Cities'; an area built around the Mississippi, Minnesota and St. Croix rivers in east central Minnesota. The Twin cities contain 3.63 million people, making it the third largest population center in the Midwest. The Twin Cities contribute 63.8% of the gross state product of Minnesota.



No.	Submarket
1	Chisago County
2	East
3	Isanti County
4	Midway
5	Minneapolis
6	North Central
7	Northwest
8	Pierce County
9	Sherburne County
10	South Central
11	Southwest
12	St Croix County
13	St Paul
14	Wright County

Measured by gross metropolitan product per resident (\$62,054), Minneapolis is the fifteenth richest city in the U.S. In addition, Minneapolis's median annual income sits at \$63,590, more than the median annual income of \$61,937 for the U.S.

Minneapolis's economy is based in commerce, finance, healthcare and rail and trucking services. The city's largest employers are Target, Wells Fargo, HCMC, Hennepin County, Ameriprise, U.S. Bancorp, Xcel Energy, RBC Wealth Management, Thrivent, the Star Tribune newspaper, and Capella Education Company. Target, U.S. Bancorp, Xcel Energy, Ameriprise and Thrivent Financial are all headquartered in Minneapolis. The Minneapolis market had a low unemployment rate at 2.9% compared to the national average unemployment rate at 4.4% in March of 2020, prior to the pandemic. As of April 2020, during the wake of the coronavirus, Minneapolis's unemployment rate sat at 9.4%, below the national average at 14.7%.

While the retail and office markets in Minneapolis have been hit hard by the pandemic, the industrial market has seen a less significant impact. E-commerce has grown in the last few years, and this trend is expected to continue. As more Minneapolis residents stay at home as a result of the pandemic, the demand for consumer goods has increased.

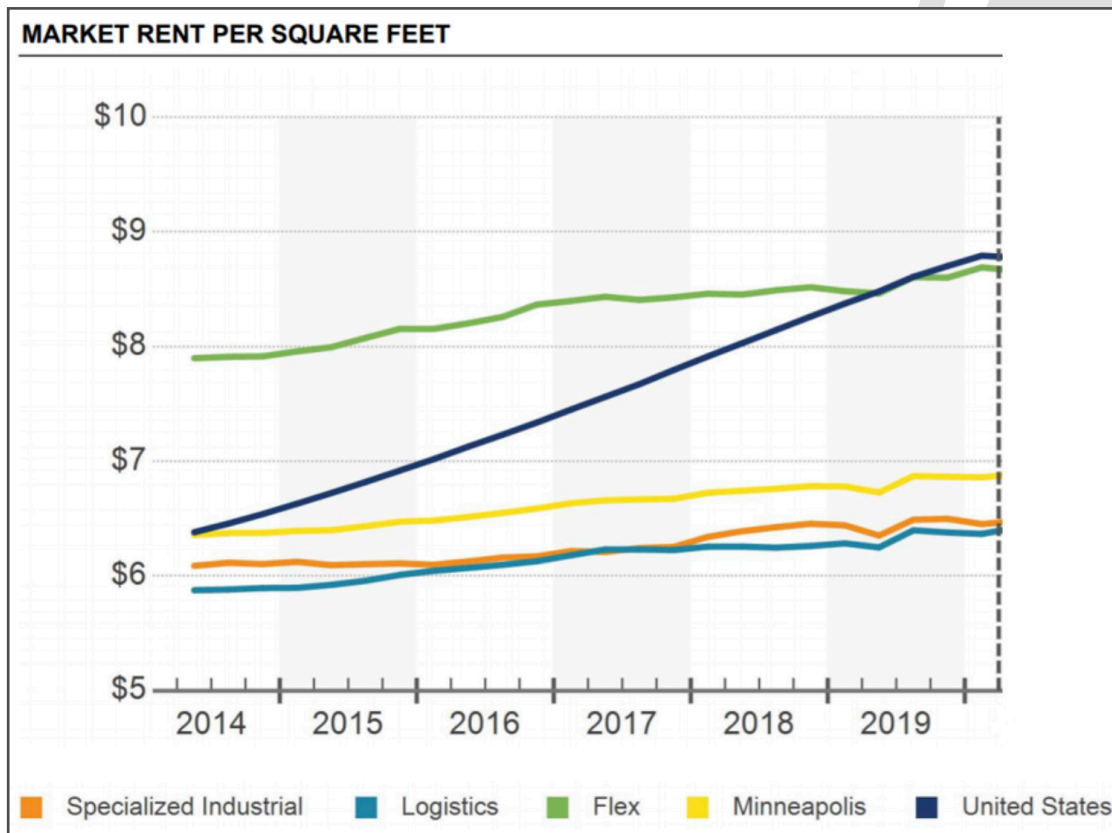
The Minneapolis Industrial Market is divided into 14 submarkets: Chisago County, East, Isanti County, Midway, Minneapolis, North Central, Northwest, Pierce County, Sherburne County, South Central, Southwest, St. Croix County, St. Paul, and Wright County.

MARKET REVIEW

Largest Lease Transactions (Q4 2019 - Q2 2020)					
Tenant	Address	City	Submarket	Size (SF)	Quarter Signed
MVP Logistics & Services	14600 N 21st Ave	Minneapolis	Northwest	213,249	Q4 2019
Aveda Corporation	3860 Pheasant Ridge Dr NE	Blaine	North Central	187,238	Q1 2020
NuAire, Inc	2100 N Fernbrook Ln	Plymouth	Northwest	168,974	Q2 2020
Northwest Packaging Inc.	1996 University Ave	St. Paul	Midway	139,514	Q4 2019

Chicago is the largest industrial market in America and handles the national and regional logistics for the Midwest. Minneapolis works as a local logistics market and specializes in last-mile services/operations. Amazon, Ruan, FedEx, and other firms that provide last-mile services are located in this market.

The Minneapolis industrial market consists of 393 million square feet of inventory; 315 million of which is warehouse/distribution space. Industrial users and investors have been demanding newer industrial product with higher clear heights, and as a result, new build-to-suit projects have developed. These new industrial facilities are generating more than three times the absorption of older ones, while older buildings struggle with weak absorption, resulting in a negative absorption of 86,000 for the entire market in Q1 2020. Regardless, industrial vacancy in Minneapolis remains low at 3.6%, and continues to stay at least 100 basis points below the national average, as demand for new industrial facilities remain strong.



Since 2014, industrial rental rates in Minneapolis have been steadily increasing, up to \$6.90/SF in Q1 2020. While this trend was expected to continue throughout 2020, the coronavirus pandemic has caused rent growth to slow. It is yet to be seen how future rent will be affected by the pandemic, however the city is optimistic that speculative construction will continue to support rent growth in the future.

Under Construction						
Developer	Tenant	Address	City	Submarket	Size (SF)	Estimated Completion
Prologis, Inc.	Built-to-Suit	12700 French Lake Road W	Dayton	Northwest	2,000,000	Jul-20
Graco, Inc.	Graco, Inc.	20500 David Koch Ave	Rogers	Northwest	480,000	Jul-20
The Opus Group	Anderson Corp	9900 S. Jamaica Ave	Cottage Grove	East	350,000	Jul-20
United Properties	Built-to-Suit	3200 4th Ave E	Shakopee	Southwest	302,644	Jul-20

With high demand for new industrial product, developers have been focused on delivering new warehouse/distribution space. Currently, there is roughly 4.4 million square feet of projects under construction that is expected to deliver by year end. Most of the product that has delivered in the past 10 years has averaged around 100,000 SF. However, there have been larger spaces delivered for tenants such as Amazon. Amazon's 800,000 SF build-to-suit distribution space was constructed in 2016.

MINNEAPOLIS SUBMARKET SUMMARY

Chisago County	East	Isanti County
Inventory 3.8 M	Inventory 23.4 M	Inventory 2.2 M
Under Construction 0	Under Construction 92.7 K	Under Construction 0
12 Mo Net Absorption SF 43,800	12 Mo Net Absorption SF (241,000)	12 Mo Net Absorption SF 151,000
Vacancy Rate 0.3%	Vacancy Rate 2.2%	Vacancy Rate 0.6%
Market Rent/SF \$6.07	Market Rent/SF \$7.07	Market Rent/SF \$6.12
Annual Rent Growth 1.7%	Annual Rent Growth 2.3%	Annual Rent Growth 1.4%
Midway	Minneapolis	North Central
Inventory 27.1 M	Inventory 23.4 M	Inventory 65.2 M
Under Construction 0	Under Construction 92.7 K	Under Construction 290 K
12 Mo Net Absorption SF (404,000)	12 Mo Net Absorption SF (241,000)	12 Mo Net Absorption SF 571,000
Vacancy Rate 5.6%	Vacancy Rate 2.2%	Vacancy Rate 2.8%
Market Rent/SF \$7.11	Market Rent/SF \$7.07	Market Rent/SF \$6.70
Annual Rent Growth 2.7%	Annual Rent Growth 2.3%	Annual Rent Growth 2.6%
Northwest	Pierce County	Sherburne County
Inventory 70.2 M	Inventory 1.8 M	Inventory 7.7 M
Under Construction 2.8 M	Under Construction 0	Under Construction 0
12 Mo Net Absorption SF (77,000)	12 Mo Net Absorption SF 0	12 Mo Net Absorption SF (22,500)
Vacancy Rate 5.3%	Vacancy Rate 0.0%	Vacancy Rate 2.9%
Market Rent/SF \$6.62	Market Rent/SF \$5.73	Market Rent/SF \$6.33
Annual Rent Growth 2.4%	Annual Rent Growth 1.7%	Annual Rent Growth 1.7%
South Central	Southwest	St. Croix County
Inventory 54.7 M	Inventory 76.1 M	Inventory 11 M
Under Construction 440 K	Under Construction 303 K	Under Construction 70 K
12 Mo Net Absorption SF 17,500	12 Mo Net Absorption SF (177,000)	12 Mo Net Absorption SF 205,000
Vacancy Rate 3.4%	Vacancy Rate 3.6%	Vacancy Rate 2.1%
Market Rent/SF \$7.17	Market Rent/SF \$7.07	Market Rent/SF \$5.97
Annual Rent Growth 2.6%	Annual Rent Growth 2.1%	Annual Rent Growth 1.7%
St. Paul	Wright County	
Inventory 13.8 M	Inventory 11 M	
Under Construction 0	Under Construction 0	
12 Mo Net Absorption SF 122,000	12 Mo Net Absorption SF 55,900	
Vacancy Rate 2.1%	Vacancy Rate 1.3%	
Market Rent/SF \$7.45	Market Rent/SF \$6.56	
Annual Rent Growth 2.2%	Annual Rent Growth 1.8%	

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