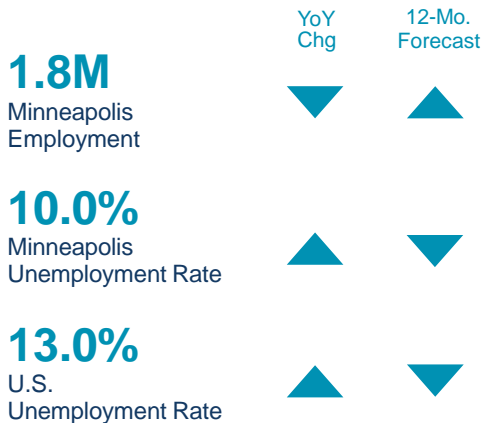


ECONOMIC INDICATORS Q2 2020



Source: BLS

ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

SUPPLY: New Construction Continues with Leasing in Place Driving Absorption

Absorption remained positive in the second quarter as new construction projects delivered with tenants in place and leases signed in late 2019 and 2020 commenced. Approximately 640,500 square feet (sf) of new product was completed in the second quarter with another 2.0 million square feet (msf) underway. New deliveries were concentrated in the Northwest, led by a pair of speculative warehouse/distribution projects by Scannell Properties and Opus. Among properties under construction, corporate build-to-suits dominate the pipeline as companies such as Renewal by Anderson, Spears Manufacturing and Up North Plastics have over 1.0 msf under development.

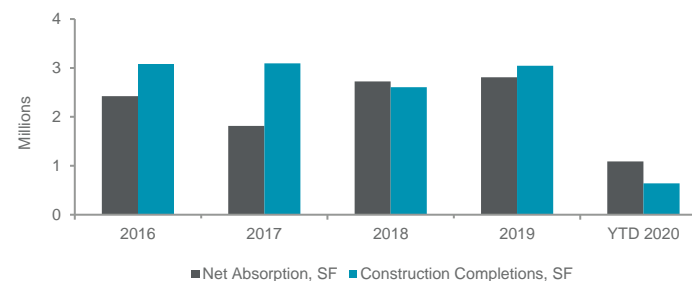
DEMAND: Uncertainties Impacting New Leasing Decisions

While year-over-year leasing activity is ahead of 2019 totals, a general slowdown in activity started to surface in late 2019. As rental rates, material costs, and moving expenses continued to trend upward, tenants became more deliberate with long-term facility decisions. COVID-19 and political uncertainties have accentuated the slowdown as larger macro-economic impacts on business models have added short-term levels of ambiguity. As an example, the number of new direct leases signed declined nearly 11% in the second quarter from first quarter 2020.

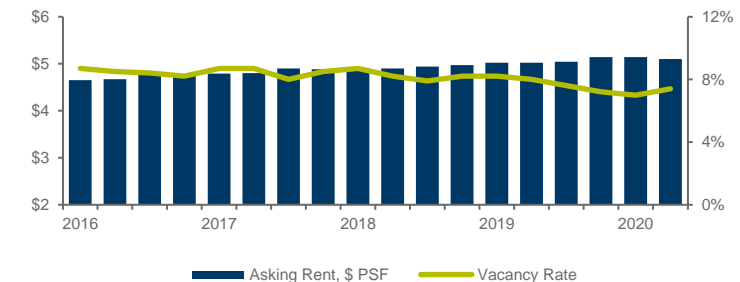
PRICING: Record-Setting Deals Close in Second Quarter

Two headline deals closed in the second quarter. Link Industrial Properties purchased CSM's industrial and office/flex portfolio, consisting of 7.0 msf across 59 properties in the Twin Cities and Colorado for a reported \$650 million. Link has now become the largest industrial landlord in the market and controls a significant percentage of availabilities in well located warehouse/distribution and office service properties. In another record-setting deal, the 855,000-sf eCommerce facility in Shakopee broke high-water mark pricing on a per-square-foot basis and was the first sub 5% cap rate on an industrial asset in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (HT)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Northeast	36,943,848	2,747,569	7.4%	122,088	405,459	175,000	0	\$5.66	\$4.97	\$4.72
Northwest	32,502,039	2,772,654	8.5%	314,758	463,641	138,000	433,306	\$5.60	\$5.06	\$4.70
Southeast	19,455,394	1,501,473	7.7%	107,102	206,537	984,384	153,000	\$5.65	\$5.72	\$5.07
Southwest	27,912,796	1,597,440	5.7%	82,797	11,795	699,254	54,200	\$5.74	\$5.02	\$4.95
MINNEAPOLIS TOTALS	116,814,077	8,619,136	7.4%	626,745	1,087,432	1,996,638	640,506	\$5.67	\$5.17	\$4.80

*Rental rates reflect weighted net asking \$psf/year

HT = High Tech OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6500 93rd Ave. N., Brooklyn Park	Northwest	Kurita America	156,000	New
3440 Winpark Dr., Minneapolis	Northwest	Chrysler Fiat	142,142	Sublease
Brickyard Rd., Shakopee	Southwest	Cherne Industries	130,000	New
22160 Cedar Ave., Lakeville	Southeast	Sweet Harvest	100,428	New
8550 Zachary Ln. N., Maple Grove	Northwest	MSHQ	80,000	New

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
54-Property Portfolio	Minneapolis-St. Paul	CSM Corp / Link Industrial Properties	5,660,479	\$551M / \$97
2601 4th Ave. E., Shakopee	Southwest	USAA Real Estate / MetLife	855,000	\$118.7M / \$139
11011 Holly Ln. N., Dayton	Northwest	Cabot Properties / Rogers Investment Group LLC	283,778	\$27.8M / \$98

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
8550 Zachary Ln. N., Maple Grove	Northwest	Ableconn	204,120	The Opus Group
580 Operman Dr., Eagan	Southeast	Expeditors	153,000	The Opus Group

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