

	YoY Chg	12-Mo. Forecast
4.1% Vacancy Rate	▼	▲
532K Net Absorption, SF	▲	▲
\$7.07 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC OVERVIEW

In the month of May, the state of Minnesota's labor force participation rate climbed back to 67.9%, which was the first increase recorded in the three months, according to the Department of Employment and Economic Development. Minnesota's pre-COVID-19 labor force participation rate of 70.2% had been among the highest in the nation.

SUPPLY: New Development Surge as Tenant Demand Increasing

New development starts ramped up significantly in the second quarter as more than 5.1 million square feet (msf) of new construction was underway by the end of June. The development surge included just over 3.2 msf of speculative projects as developers such as Scannell, United Properties, WPT, ARTIS, and Endeavor looked to capitalize on rising rents and the increased demand for large blocks of contiguous space not available in existing inventory. With no signs of a slowdown in market demand, a significant portion of the current development stock could be leased prior to completion. While new speculative starts were the highlight of the first half of the year, build-to-suit projects are slated to add an additional 1.8 msf of occupied product to the market through the first half of 2022. Significant projects include Amazon's 750,000-sf distribution facility in Lakeville that will complete in the second half of 2021 and Graco's new 464,000-sf manufacturing facility in Dayton that is scheduled to come online in the summer of 2022.

DEMAND: New Leasing and Tenant Demand Accelerates

On par with national trends, leasing velocity continued to exceed 2020 values through the first six-months of the year as 5.6 msf of new leases were signed as demand for functional warehouse and distribution space outpaced available supply. Buoyed by an expanding economy, low interest rates and consumer spending, tenant demand for new generation space with 24-foot clear or greater continued to climb as e-commerce, third-party logistics firms and manufacturers remained in growth mode to meet distribution and product demand. Driven by the growing demand, changes in ownership profiles and construction pricing; the average asking rate for quality availabilities is expected to remain on an upward trajectory throughout 2021.

SALES: Portfolio Demand and Pricing on the Rise

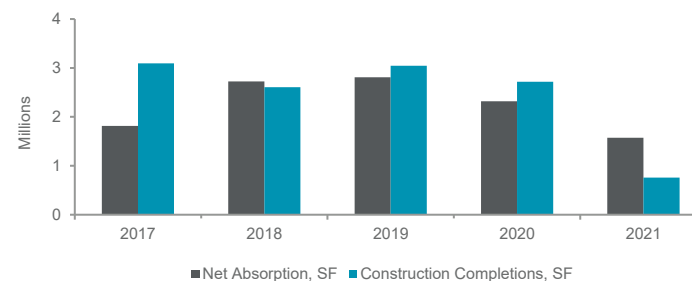
Building upon a robust 2020, where over \$1.7 billion in industrial assets traded, investors remained bullish on the asset class as nearly \$560 million in transactions have occurred year-to-date. As cap rate compression continued with the escalations in rent growth, institutional investors have shown a nearly insatiable appetite for portfolio acquisitions. A mix of inexpensive debt, healthy leasing velocity and yield from future rent growth are expected to keep portfolio pricing and demand elevated throughout 2021.

ECONOMIC INDICATORS Q2 2021

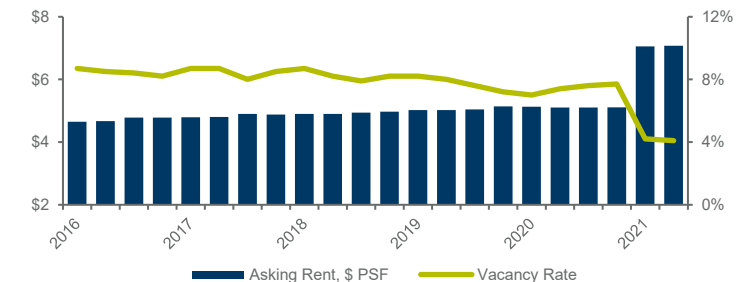
	YoY Chg	12-Mo. Forecast
1.9M Minneapolis Employment	▲	▲
4.0% Minneapolis Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

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)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OFC)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Northeast	118,145,232	3,727,598	3.2%	361,719	432,036	628,500	35,000	\$10.56	\$4.97	\$7.33
Northwest	78,918,503	3,613,613	4.6%	108,517	471,171	1,936,919	0	\$9.92	\$5.00	\$7.02
Southeast	64,800,946	2,368,706	3.7%	114,265	678,621	1,640,608	464,000	\$10.89	\$5.44	\$7.35
Southwest	73,277,615	4,197,030	5.7%	-52,606	-8,991	902,437	260,100	\$9.97	\$4.81	\$6.73
MINNEAPOLIS TOTALS	335,142,296	13,906,947	4.1%	531,895	1,572,837	5,108,464	759,100	\$10.30	\$5.02	\$7.07

*Rental rates reflect weighted net asking \$psf/year and are quoted separately by office and warehouse components of an availability in Minneapolis - St Paul

OFC = Office W/D= Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
13120 County Road 6, Plymouth	Northwest	Minnesota Department of Health	179,614	New
5501 Old Shakopee Rd., Bloomington	Southwest	Anagram	172,655	New
1200 Northdale Blvd., Coon Rapids	Northeast	HOM Furniture	163,000	New
3200 4 th Ave. E., Shakopee	Southwest	The Bernard Group	155,000	New

*The Minneapolis-St. Paul industrial tracked set has changed effective Q1 2021. The new set includes multi-tenant, single-tenant and owner-occupied properties 20,000 sf and greater. Submarket boundaries have been expanded to capture a greater representation of growth and demand. Current historical metrics are representative of legacy tracked set.

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KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Prologis Portfolio	Multiple	Prologis / Link Logistics	2,534,814	\$246.5M / \$97.25
Plymouth Ponds Business Park, Plymouth	Northwest	United Properties / Link Logistics	715,000	\$82.3M / \$115
Link Rogers Portfolio, Rogers	Northwest	Link Logistics / Cabot Properties, Inc	601,628	\$51.5M / \$86
Link Tech Portfolio	Multiple	Link Logistics / Eagle Ridge Partners	404,457	\$34.0M / \$84

KEY CONSTRUCTION COMPLETIONS Q2 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
2252 Quarry Ln., Chaska	Southwest	Cherne	130,000	OPUS
7530 Golden Triangle Dr., Eden Prairie	Southwest	None	130,100	OPUS

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