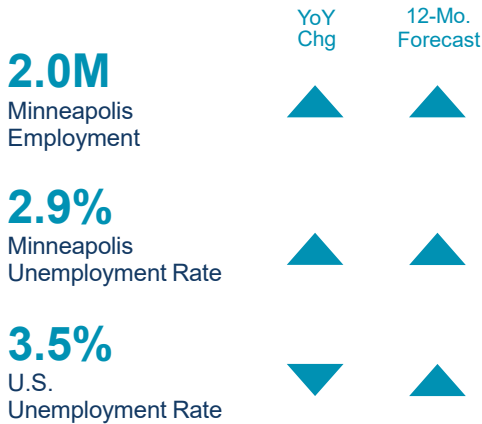


ECONOMIC INDICATORS Q1 2023



Source: BLS

ECONOMIC OVERVIEW

Minneapolis-St. Paul's economy remained healthy, recording an unemployment rate of 2.9%, which was 60 basis points (bps) below the U.S. average. The diverse nature of the local economy, where no single industry typically accounts for more than 20% of employment, has historically insulated the region from significant swings in unemployment metrics over short time intervals.

SUPPLY: Steady Supply of Deliveries in 2023 Expected

This year is projected to be the crest of the most recent construction wave as 2.1 million square feet (msf) of product was delivered in the first quarter and an additional 6.8 msf was under construction. Highlighting Q1 2023 deliveries were significant build-to-suit projects such as Home Depot's 417,000-square-foot (sf) distribution center in the Southeast. Looking forward, a significant amount of speculative space, approximately 5.0 msf, was underway and scheduled to be completed by year end. Additional speculative starts expected include the 182,000-sf Broadway project in the Northeast market and the 325,000-sf 610 Zane East and West projects in the Northwest market. For new projects moving forward, developers are expected to be more cautious as underwriting for equity has become more granular, and deal economics necessary to achieve expected returns on exit plans continue to evolve.

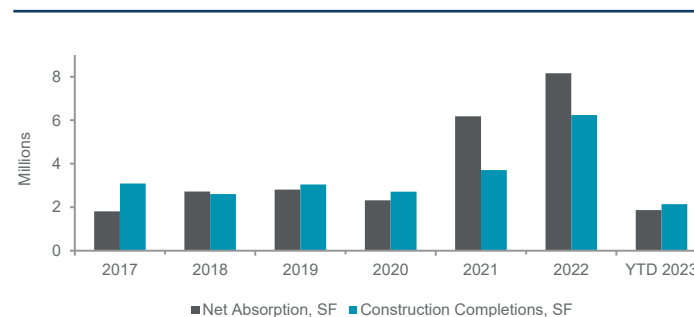
DEMAND: Demand Remains Healthy but Leasing Slowed Year-Over-Year

The Twin Cities vacancy rate declined 50 bps year-over-year (YOY) to 3.0% as demand for warehouse and production space outpaced available inventory. While new leasing remained essentially flat quarter-over-quarter at nearly 2.8 msf, the total represented a decrease of 14.7% YOY. New leasing volume has been impacted by the dwindling options of functional, new generation space on the market, but tenants also continued to be more deliberate in their long-term decision making for space needs in the current economic environment. New deliveries throughout 2023 will alleviate some of the pent-up demand for large blocks of new space, but tenants looking for quality vacancies below 30,000-sf are likely to remain supply constrained.

SALES: Demand High but Lack of Inventory and Lending Scrutiny Limits Activity

Demand for quality industrial investment opportunities remained high through Q1 2023, but limited inventory, coupled with tighter lending requirements, and narrowed investor criteria placed downward pressure on overall sales activity. Pricing discovery was ongoing as movement in cap rates due to interest rate escalations continued. Overall, market metrics remained healthy as demand and rent growth persisted, but the imbalance between demand, inventory and available debt sources is likely to continue in the short term.

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	119,132,070	2,623,457	2.2%	451,966	451,966	488,683	309,999	\$11.40	\$5.67	\$6.86
Northwest	83,904,809	2,217,112	2.6%	1,274,698	1,274,698	2,847,429	501,544	\$10.70	\$6.03	\$7.45
Southeast	68,264,086	2,461,046	3.6%	437,200	437,200	2,812,030	1,193,670	\$12.01	\$6.09	\$8.71
Southwest	74,648,331	3,164,432	4.2%	-292,147	-292,147	611,540	133,000	\$10.92	\$6.08	\$7.78
MINNEAPOLIS TOTALS	345,949,296	10,466,047	3.0%	1,871,717	1,871,717	6,759,682	2,138,213	\$11.19	\$5.92	\$7.57

*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 Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
905 Yankee Doodle Rd., Eagan	Southeast	Murphy Warehouse	358,532	New
5300 76 th St. W., Edina	Southwest	Sam Nutrition	122,312	New
NorthPark Business Center IX, Brooklyn Park	Northwest	Boston Scientific	117,897	New
Arbor Lakes Business Park VII, Maple Grove	Northwest	Nextern	106,424	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 Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
AEW Capital Portfolio	Multiple	AEW Capital / Onward Investors	622,000	\$60.5M / \$97
905 Yankee Doodle Rd., Eagan	Southeast	Murphy Warehouse Company / SR Realty Trust	358,532	\$25.0M / \$70
7300 36 th Ave. N., New Hope	Northwest	Primo Piatto Inc / Spirit Realty Capital	170,000	\$22.6M / \$133
8001 E. Bloomington Fwy., Bloomington	Southeast	John Fitzgerald / Trevor Smith	122,177	\$15.8M / \$129

KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
7701 100 th St. S., Cottage Grove	Southeast	None	493,242	NorthPoint Development
15401 Boulder Ave., Rosemount	Southeast	Home Depot	417,600	Seefried Industrial Properties
630 Queens Ave. NE., Ostego	Northwest	Blu Dot	401,544	Endeavor Development
7601 100 th St. S., Cottage Grove	Southeast	None	282,828	NorthPoint Development