

	YoY Chg	12-Mo. Forecast
3.7% Vacancy Rate	▲	▲
948K Net Absorption, SF	▼	▬
\$7.73 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
2.0M Minneapolis Employment	▲	▲
2.8% Minneapolis Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

The Minneapolis-St. Paul economy remained healthy as the region added 29,200 jobs year-over-year (YOY). While the unemployment rate of 2.8% at the end of Q3 2023 marked a quarter-over-quarter (QOQ) increase of 10 basis points (bps), the local rate remained 90 bps lower than the national average.

SUPPLY: Speculative Projects Deliver as New Starts Expected to Decline

Through Q3 2023, just over 5.6 million square feet (msf) of new inventory had been delivered, and an additional 6.7 msf remained under construction. The bulk of new speculative product was concentrated in the Northwest market where nearly 1.6 msf of new space was completed which was highlighted by CRG's 1.0 msf The Cubes Project. The Southwest market, which had experienced limited speculative development in recent quarters, brought 362,000-sf online with Dean Lakes Corporate Center A and B. While over building was not a concern as year-to-date deliveries represented only 1.6% of total inventory, developers have pivoted from new speculative starts towards build-to-suit opportunities due to rising interest rates and lack of viable financing sources.

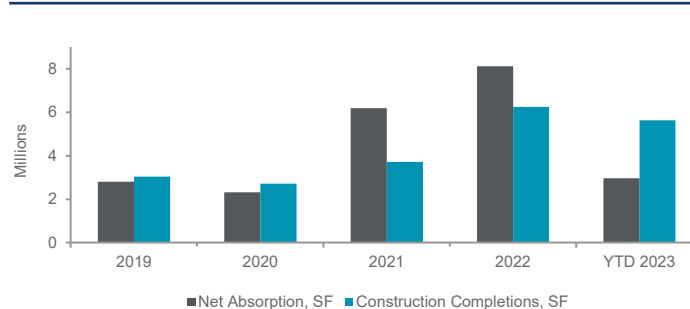
DEMAND: Manufacturing and Distribution Requirements Active

The Twin Cities vacancy rate climbed 70 bps YOY to 3.7% as an influx of speculative construction delivered. The uptick in vacancy was not indicative of a broader change in tenant activity as nearly 9.4 msf of new leases were signed year-to-date. Manufacturing demand persisted in Q3 as the industry accounted for nearly 50% of new leases 40,000-sf and greater. Companies with distribution needs in the wholesale trade industry followed with just under 20% of new leasing volume. Looking forward, organizations with expiring debt at favorable terms could experience a significant increase in debt load due to elevated interest rates placing strain on short term operational or expansion plans.

SALES: Fluctuations in Debt and Equity Market Impacting Investment Sales

Overall investment activity continued to lag 2022 volume as financing and equity sources remained constrained. More potential investors paused underwriting while those acquiring assets became more cautious about fundamentals and location. Historically, inventory with a quality credit tenant on a 10-year lease was a safe investment with premium pricing in uneven economic times. As interest rates and inflationary pressures have risen, buyers gravitated towards properties with shorter weighted average lease terms to capitalize on rate increases in the short term. Capital stack stress has also become more plausible as landlords with healthy occupancies, but expiring debt, may find refinancing terms untenable and sell assets they would have normally retained.

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	119,396,996	2,979,918	2.5%	-133,068	382,943	899,919	598,763	\$11.93	\$5.82	\$7.09
Northwest	85,821,703	3,692,227	4.3%	568,555	1,700,958	2,418,660	2,402,919	\$11.59	\$6.53	\$7.67
Southeast	69,104,642	2,770,672	4.0%	581,476	988,371	2,768,808	2,030,542	\$11.87	\$6.54	\$8.85
Southwest	75,120,507	3,464,537	4.6%	-68,620	-114,296	636,364	599,516	\$10.74	\$6.38	\$7.85
MINNEAPOLIS TOTALS	349,443,848	12,907,354	3.7%	948,343	2,957,976	6,723,751	5,631,740	\$11.39	\$6.33	\$7.73

*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 Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
500 Innovation Blvd., Shakopee	Southwest	AmerisourceBergen Drug	215,900	Renewal
501 Shenandoah Dr., Shakopee	Southwest	CommScope	176,648	Renewal
10900 Fountains Dr., Maple Grove	Northwest	Caribou Coffee	100,543	New
12395 Brockton Ln., Rogers	Northwest	Cameron Ashley	76,775	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Northcross Portfolio	Northwest	United Properties / PCCP	244,000	\$35.2M / \$144
8840-8880 Evergreen Blvd., N.W., Coon Rapids	Northeast	Shopoff Realty Investments / CIRE Equity	239,466	\$18.7M / \$71
2400 N. Xenium Ln., Plymouth	Northwest	The Excelsior Group / Founders Properties	221,300	\$21.6M / \$98
5005 Nathan Ln., Plymouth	Northwest	Endeavor / CF Moto Powersports	90,000	\$18.1M / \$202

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
11500 Lawndale Ln. N., Osseo	Northwest	None	1,006,880	CRG
18150 County Rd. 81, Osseo	Northwest	None	334,750	Inland Development Partners
W. French Lake Rd. & 21 st Ave. N., Dayton	Northwest	Confidential	248,489	Capital Partners
5225 Dean Lakes Blvd., Shakopee	Southwest	None	226,424	Inland Development Partners

*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.

MASON HARDACRE

Analyst

+1 952 225 3054 / mason.hardacre@cushwake.com

PATRICK HAMILTON

Market Director

+1 952 837 8574 / patrick.hamilton@cushwake.com

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