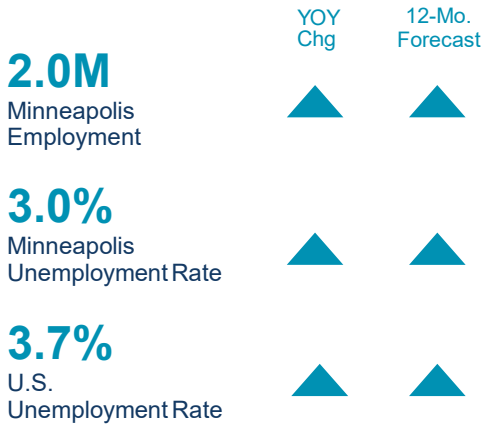


ECONOMIC INDICATORS Q4 2023



Source: BLS

ECONOMIC OVERVIEW

The Minneapolis-St. Paul economy remained healthy as the region added 27,800 jobs year-over-year (YOY). While the unemployment rate of 3.0% at the end of Q4 2023 marked a quarter-over-quarter (QOQ) increase of 20 basis points (bps), the local rate remained 70 bps lower than the national average.

SUPPLY: Speculative Deliveries Continued but Will be Limited in 2024

By year-end 2023, developers delivered just over 9.0 million square feet (msf) of new product, while an additional 4.1 msf remained under construction. New speculative starts are expected to be limited in 2024 as developers work through recently delivered vacancies and focus on build-to-suit requirements. Most speculative deliveries in Q4 2023 were concentrated in the Southeast market where nearly 1.7 msf was completed. Significant deliveries included the 435,000-square foot (sf) Royal Gateway buildings and the 477,000-sf I-94 East Logistics Center. The Northwest market also continued to add inventory as nearly 589,000 sf of new speculative product was delivered. Notable completions in this submarket included 610 Zane East and West as well as Golden Valley Business Center II.

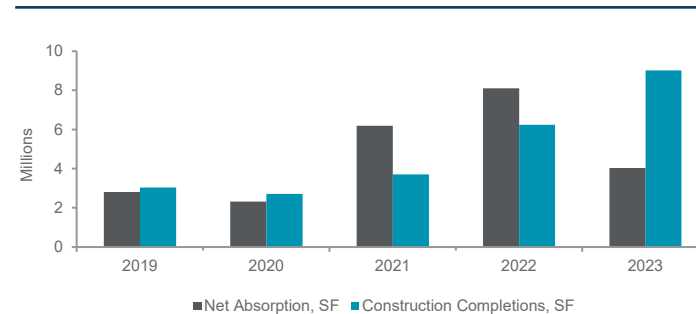
DEMAND: New Leasing Activity Healthy

The Twin Cities overall vacancy rate in Q4 2023 increased 130 bps YOY to 4.3% as new speculative projects delivered to market. Overall absorption at year-end remained positive at nearly 4.0 msf as tenants executed 12.1 msf of new leases. While new leasing declined 5.0% YOY, requirements for space did not diminish. Rather, elongated decision timelines pertaining to long term space needs by tenants persisted. When factoring in renewal activity, overall leasing at year-end climbed 4.0% YOY to nearly 17.7 msf. Looking towards 2024, demand is expected to remain positive as organizations, most notably manufacturing firms, have continued to invest in their operations and real estate.

SALES: Lower Sales Activity as Investors Look to 2024

Overall investment activity slowed in Q4 2023 due to stringent credit requirements and granular investor underwriting. However, general sentiment began to shift at year-end in response to a decline of the federal 10-year treasury yield. As the treasury rate fell, the market slowly shifted from lowered pricing to incremental rebounds in select assets. Buyer profiles throughout 2023 were primarily syndicated and private buyers who were less constrained by elevated interest rates. Life companies also started to reemerge as debt sources for large Class A industrial assets and portfolios. Looking ahead to 2024, plenty of capital exists for deployment. If federal interest rate reductions occur investment sales activity should rebound.

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	119,751,516	3,125,566	2.6%	219,262	584,214	637,000	945,682	\$11.78	\$6.14	\$7.38
Northwest	87,000,208	4,078,003	4.7%	758,328	2,477,729	1,330,113	3,565,466	\$12.23	\$6.63	\$7.62
Southeast	70,879,172	4,590,349	6.5%	-83,869	904,502	1,472,965	3,766,350	\$12.62	\$6.81	\$8.03
Southwest	75,285,118	3,437,942	4.6%	161,654	66,375	617,500	744,540	\$11.05	\$6.50	\$7.97
MINNEAPOLIS TOTALS	352,916,014	15,231,860	4.3%	1,055,375	4,032,820	4,057,578	9,022,038	\$11.87	\$6.57	\$7.77

*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 Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
345 E Plato Blvd., St. Paul	Northeast	Murphy Warehouse	402,325	New
807 Hampden Ave., St. Paul	Northeast	Murphy Rigging	183,850	Renewal
2811-2815 Beverly Rd., Eagan	Southeast	Alexander's Mobility Services	131,761	Renewal/Expansion
7601 100 th St. S., Cottage Grove	Southeast	Lumberman's, Inc	89,759	New

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
PCCP Industrial Portfolio	Multiple	PCCP / Eagle Realty Group JV Capital Partners	942,000	\$88.5M / \$94
1280 Disc Dr., Shakopee	Southwest	Seagate Technology LLC / CIRE Equity	397,477	\$36.0M / \$91
PCCP Portfolio	Multiple	PCCP / Eyde Development	263,000	\$28.5M / \$108
4200 Round Lake Rd. W., Arden Hills	Northeast	Scannell Properties / Altus Properties	250,000	\$33.3M / \$133

KEY CONSTRUCTION COMPLETIONS YEAR-END 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
11500 Lawndale Ln. N., Osseo	Northwest	None	1,006,880	CRG
Hudson Rd. & Settlers Ridge Pkwy., Woodbury	Southeast	None	476,928	Stotan Industrial
8150 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

*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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