

MARKETBEAT

Minneapolis/St. Paul

Industrial Q1 2019



MINNEAPOLIS/ST. PAUL INDUSTRIAL

Economic Indicators*

| | Q1 18 | Q1 19 | 12-Month Forecast |
|--------------------------|-------|-------|-------------------|
| Minneapolis Employment | 2.0M | 2.0M | ▲ |
| Minneapolis Unemployment | 2.9% | 2.7% | ▼ |
| U.S. Unemployment | 4.1% | 3.8% | ▼ |

*Numbers above are quarterly averages; Q1 2019 data based on February values

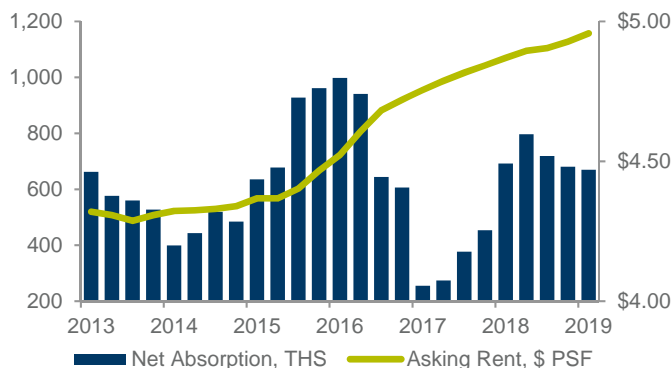
Market Indicators (Overall, All Classes)

| | Q1 18 | Q1 19 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy | 8.7% | 8.2% | ▼ |
| YTD Net Absorption (sf) | 593k | 550k | ▲ |
| Under Construction (sf) | 1.2M | 2.2M | ■ |
| Average Asking Rent* | \$4.90 | \$5.02 | ▲ |

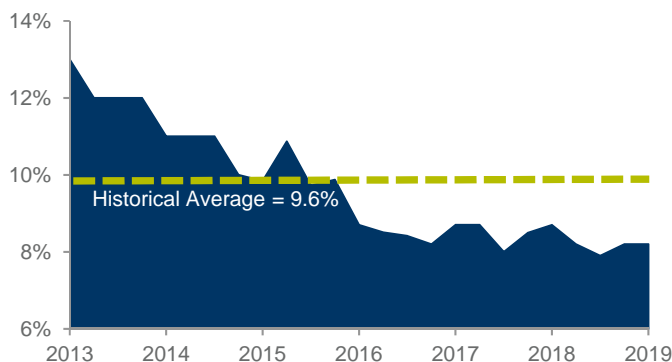
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Twin Cities unemployment rate dropped 20 basis points from first quarter 2018 to 2.7% in first quarter 2019. According to Moody's Analytics, increased factory payrolls, buoyed by medical device manufacturers, supported above-average industrial production and manufacturing job growth. Companies continued to invest in employee training programs and labor-saving technology as the growing shortage of workers intensified.

Market Overview

The positive momentum built throughout 2018 in the Twin Cities industrial market exhibited no signs of slowing as tenant activity, leasing and construction volumes remained healthy in the first quarter 2019. The overall vacancy rate dropped 50 basis points from first quarter 2018 as over 1.5 million square feet (msf) of industrial space was leased and 550,000 square feet (sf) of vacant space was absorbed in first quarter 2019.

As the industrial up-cycle lengthened into 2019, and in response to robust tenant activity and diminishing levels of large blocks of functional industrial space, developers maintained a healthy level of new inventory under development. At the end of first quarter 2019 over 2.2 msf of product was under development. The majority of new inventory under construction, just over 1.4 msf, was pre-leased build-to-suit product. Of the nearly 800,000 sf of speculative product under development, nearly 320,000 sf was released as well. The low inventory of existing industrial product available for lease, coupled with continued tenant activity levels and high preleasing of new development, has slowly increased the average net rates of industrial product across the Twin Cities.

Available investment capital continued to outpace industrial for-sale supply in the Twin Cities. Flex industrial product that was a tough sell in the wake of the recession has experienced a resurgence in demand from both tenants and investors. Flex asset owners have had leasing success pulling some tenant away from Class C office product. Investors have recognized the opportunity to buy flex properties and reposition them as creative office space, as long as they can satisfy the higher parking requirements for office users. Investors have been able to buy flex assets at attractive going in yields, finance them inexpensively and enhance levered returns

Outlook

With a strong stable of existing leases signed in the first quarter of 2019, along with the continued pipeline of pending deals and leasing velocity, the Twin Cities industrial market is expected to absorb as much as 1.5 msf by mid-year 2019. The investment market for industrial assets should remain hot as capital availability outpaces inventory for sale, and the Twin Cities will continue to be impacted by national portfolio sales throughout 2019.

MARKETBEAT

Minneapolis/St. Paul

Industrial Q1 2019



| SUBMARKET | INVENTORY (SF) | YTD USER SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL WEIGHTED AVG. NET RENT (HT) | OVERALL WEIGHTED AVG. NET RENT (OS) | OVERALL WEIGHTED AVG. NET RENT (WD) |
|------------------------------------|--------------------|------------------------------|----------------------|---------------------------------|------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Northeast | 36,049,993 | 108,930 | 9.3% | 163,249 | 610,000 | \$4.99 | \$4.96 | \$4.65 |
| Northwest | 31,243,224 | 72,350 | 10.2% | 96,621 | 1,340,183 | \$5.00 | \$5.46 | \$4.63 |
| Southeast | 18,732,084 | 112,586 | 6.8% | 62,395 | 110,000 | \$5.47 | \$4.88 | \$4.98 |
| Southwest | 27,554,013 | 63,131 | 5.3% | 227,513 | 154,440 | \$6.00 | \$5.16 | \$5.14 |
| MINNEAPOLIS/ST. PAUL TOTALS | 113,579,314 | 356,997 | 8.2% | 549,778 | 2,214,623 | \$5.44 | \$5.17 | \$4.71 |

*Rental rates reflect asking \$psf/year

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

| SUMMARY BY TYPE | TOTAL BLDGS | INVENTORY (SF) | YTD USER SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL WEIGHTED AVG. NET RENT |
|------------------------|-------------|----------------|------------------------------|----------------------|---------------------------------|------------------|--------------------------------|
| High Tech | 336 | 21,067,488 | 158,118 | 8.4% | 46,210 | 0 | \$5.44 |
| Office Service/Flex | 726 | 52,223,521 | 135,748 | 6.9% | 417,374 | 817,222 | \$5.17 |
| Warehouse/Distribution | 239 | 40,288,305 | 63,131 | 9.7% | 86,194 | 1,397,401 | \$4.71 |

Key Lease Transactions Q1 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|---------------------------------------|---------|-----------------------|------------------|-----------|
| 375 Rivertown Dr., Woodbury | 195,757 | Centerpoint Marketing | Renewal | Southeast |
| 2503 Walnut St., Roseville | 144,000 | U.S. AutoForce | New | Northeast |
| 8237 Auburn Path, Inver Grove Heights | 63,151 | Nippon | New | Southeast |
| 3800 Annapolis Ln. N., Plymouth | 58,971 | Medtronic | Renewal | Northwest |
| 5100 Main St., Fridley | 56,140 | KSP Fulfillment | New | Northeast |

Key Sales Transactions Q1 2019

| PROPERTY | SF | SELLER / BUYER | PRICE / \$PSF | SUBMARKET |
|--|---------|-------------------------------------|----------------------|-----------|
| 8450 Revere Ln. N., Maple Grove | 292,129 | Gramercy / Travelers Insurance | \$25,600,000 / \$88 | Northwest |
| 20000 Diamond Lake Rd., Rogers | 280,577 | Gramercy / Travelers Insurance | \$20,000,000 / \$71 | Northwest |
| 3705 95 th Ave., Blaine | 248,816 | United Properties / STAG Industrial | \$21,900,000 / \$88 | Northeast |
| 10900 Hampshire Ave. S., Bloomington | 144,441 | Onward Investors / Dakota REIT | \$11,850,000 / \$82 | Southwest |
| 4001 Lake Breeze Ave N., Brooklyn Center | 89,488 | Hyde Development / AEW Capital | \$10,041,000 / \$112 | Northwest |

Cushman & Wakefield
3500 American Blvd W, Ste 200
Bloomington, MN 55431
cushmanwakefield.com

For more information, contact:
Patrick Hamilton, Market Director
Tel: +1 952 837 8574
patrick.hamilton@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 51,000 employees in approximately 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.