MARKETVIEW

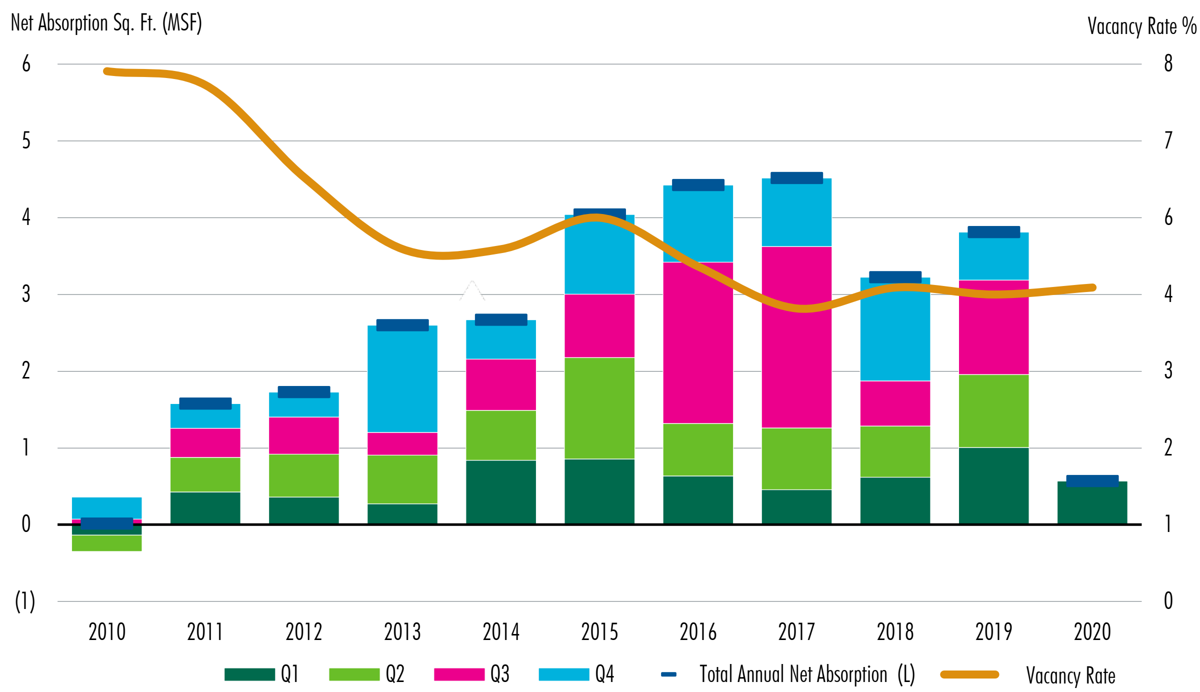
Minneapolis/St. Paul Industrial, Q1 2020

Industrial market posts strong 1st quarter ahead of uncertainty

Vacancy Rate	NNN Asking Rate	Under Construction	Net Absorption
4.4%	$6.55 per sq. ft.	3.1 million sq. ft.	567,945 sq. ft.

*Arrows indicate change from previous quarter.

Figure 1: Quarterly Net Absorption vs. Vacancy Rate with Annual Net Absorption



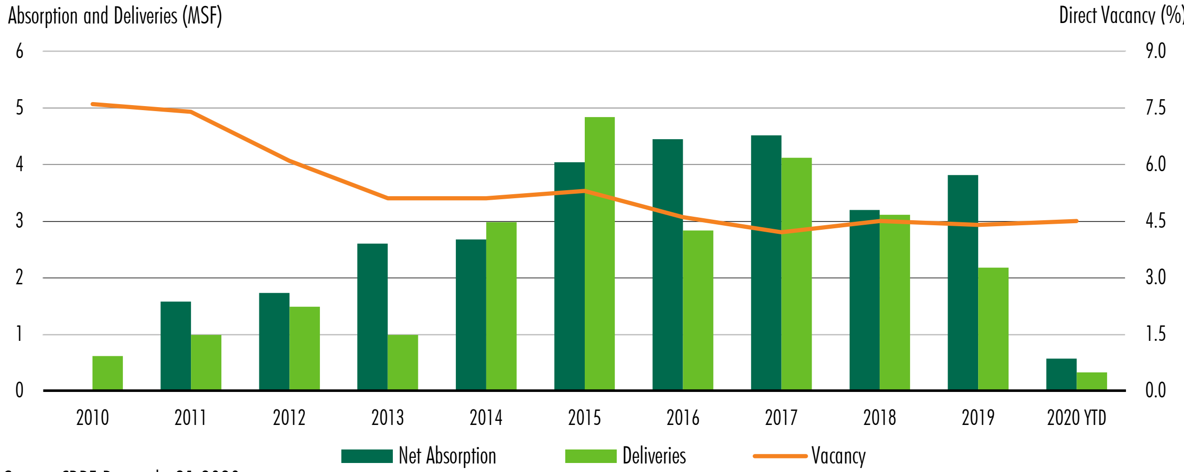
Source: CBRE Research, Q1 2020.

- Q1 2020 net absorption of 567,945 sq. ft. continued the robust pace of 2019, and vacancy remained low at 4.4%
- Construction completions for Q1 2020 totaled 329,186 sq. ft. including 229,186 sq. ft. of spec space, with 3.1 million sq. ft. under construction
- The Prologis acquisition of the 22-building, 2.53 million sq. ft. Liberty Property Trust portfolio reflected investors' continued interest in the Minneapolis market

MARKET OVERVIEW

The industrial market in Minneapolis/St. Paul closed Q1 2020 with 567,945 sq. ft. of absorption, continuing the strong performance over recent quarters. Construction completions in the quarter totaled 329,186 sq. ft. including 229,186 sq. ft. of spec space. An additional 3.1 million sq. ft. are under construction. Strong demand has kept vacancy relatively steady since 2017.

Figure 2: Annual Net Absorption and Deliveries vs. Vacancy Rate



Source: CBRE Research, Q1 2020

MARKET OVERVIEW, CONTINUED

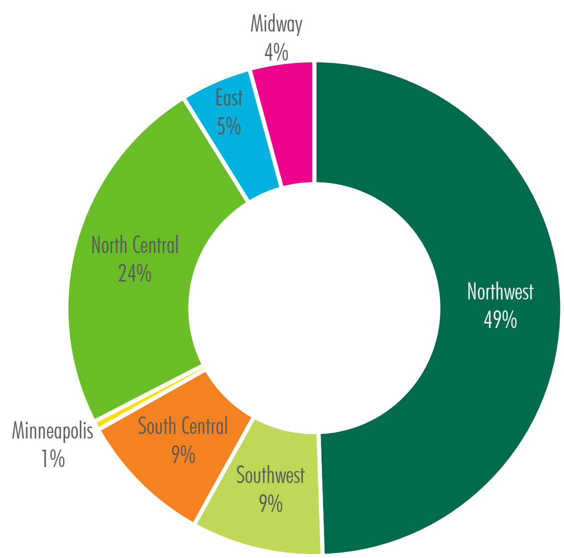
Absorption outpaced deliveries, following the trend over the past four years, and vacancy held steady at 4.4%.

TRANSACTION ACTIVITY

With 3.4 million sq. ft. of transaction activity, the Northwest led all other submarkets by a large margin, carrying 49% of the market total for Q1. Lease renewals of more than 200,000 sq. ft. each by Cardinal Health and MVP Logistics led the way, but several other deals in the Northwest exceeded 100,000 sq. ft.

Aveda signed a 187,238 sq. ft. renewal and Delkor signed a renewal/expansion of 133,524 sq. ft. in the North Central submarket, and Cherne announced plans to build a new 130,000 sq. ft. headquarters in the Southwest submarket.

Figure 3: Top Transactions by Sq. Ft. in Submarket



Source: CBRE Research, Q1 2020

Figure 4: Top Lease Transactions

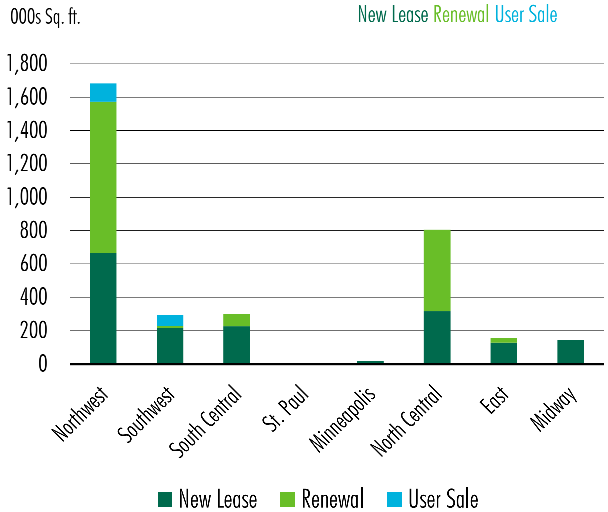
Tenant	Size (Sq. Ft.)	Address	Submarket	Transaction Type
Cardinal Health	222,000	9000 109th Av N	Northwest	Renewal
MVP Logistics	213,249	14600 N 21st Av	Northwest	Renewal
Aveda	187,238	3860 Pheasant Ridge Dr	North Central	Renewal
Delkor	133,524	4300 NW Round Lake Rd	North Central	Renewal/Expansion
Cherne	130,000	NEQ Hwy 169/Johnson Mem Dr	Southwest	New Lease

Source: CBRE Research, Q1 2020.

TRANSACTION ACTIVITY, CONTINUED

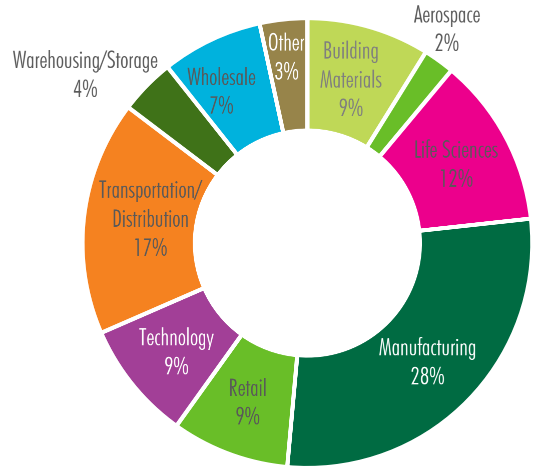
Manufacturing was the leading industry with 28% of all leasing/user sale activity in Q1 2020. As a reflection of the diverse economy in Minneapolis/St. Paul, the next six industry sectors had between 7% and 17% of activity in the quarter, including sectors such as Transportation/Distribution, Retail, Life Sciences, Technology, Building Materials, and Wholesale. Notably, Life Sciences was in third place with 12% of all leasing activity. New leases accounted for 50% of Q1 2020 activity, followed by renewals at 45% and user sales at 5%.

Figure 5: Top Transaction Type by Submarket and Sq. Ft.



Source: CBRE Research, Q1 2020.

Figure 6: Top Transaction Type by Industry



Source: CBRE Research, Q1 2020.

Q1 2020 INVESTMENT SALES

Prologis acquired a 2.53 million sq. ft. portfolio from Liberty Property Trust in Q1 2020. The 22-property local acquisition was part of a national portfolio purchase and further solidified Minneapolis/St. Paul as an attractive industrial market for multinational investors.

Capital Partners/PCCP acquired a five-building portfolio, showcasing their desire to add additional scale in the Minneapolis market, and Americold Realty Trust added to its existing two-building Minneapolis/St. Paul cold storage portfolio with the $56 million purchase of a 217,000 sq. ft. facility in Newport.

The $23.8 acquisition by Heitman Capital Management of the Midway Stadium Business Center (CBRE represented the seller) presented a rare opportunity to acquire a newly-built property in the centrally-located Midway submarket.

Figure 7: Top Investment Sale Transactions

Property	City	Buyer	Sale Price ($)	Size (Sq. Ft.)	Price Per Sq. Ft. ($)
Liberty Property Trust Portfolio	Minneapolis Market	Prologis	N/A	2,534,813	N/A
CoreMSP Portfolio	Minneapolis Market	Capital Partners jv PCCP	59,500,000	557,887	107.00
Newport Cold Storage	Newport	Americold Realty Trust	56,000,000	217,072	258.00
Midway Stadium Business Center*	St. Paul	Heitman Capital Management	23,800,000	189,746	125.00
Chandler Inc. @ 2700 Harvey	Hudson	Stag Industrial, Inc.	10,400,000	69,394	150.00

Source: CBRE Research, Q1 2020. * Indicates CBRE Representation

Figure 8: Minneapolis/St. Paul Industrial Market Statistics

Submarket	Rentable Area (Sq. Ft.)	Total Availability Rate (%)	Direct Vacancy Rate (%)	Average Warehouse Net Asking Rate ($/Sq. Ft./Yr)	Average Office Net Asking Rate ($/Sq. Ft./Yr)	Average Net Blended Asking Rate ($/Sq. Ft./Yr)	Q1 Net Absorption (Sq. Ft.)	2020 YTD Net Absorption (Sq. Ft.)
Metro Overall	335,487,869	6.0	4.4	4.85	9.63	6.55	567,945	567,945
Southwest	72,001,059	6.7	4.9	4.97	9.77	6.70	58,648	58,648
Northwest	68,594,575	7.7	5.9	4.87	9.62	6.75	126,730	126,730
South Central	53,905,950	6.1	4.0	4.74	9.46	6.25	85,615	85,615
North Central	52,369,498	5.8	4.3	4.92	9.84	6.88	197,786	197,786
Midway	30,870,564	5.6	4.9	4.60	9.31	6.62	118,780	118,780
Minneapolis	26,183,046	3.0	1.9	5.77	11.47	8.62	(56,530)	(56,530)
St. Paul	16,011,669	3.7	3.2	3.99	8.18	5.54	25,516	25,516
East	15,551,508	4.5	2.5	4.84	9.83	6.06	11,400	11,400

Source: CBRE Research, Q1 2020.

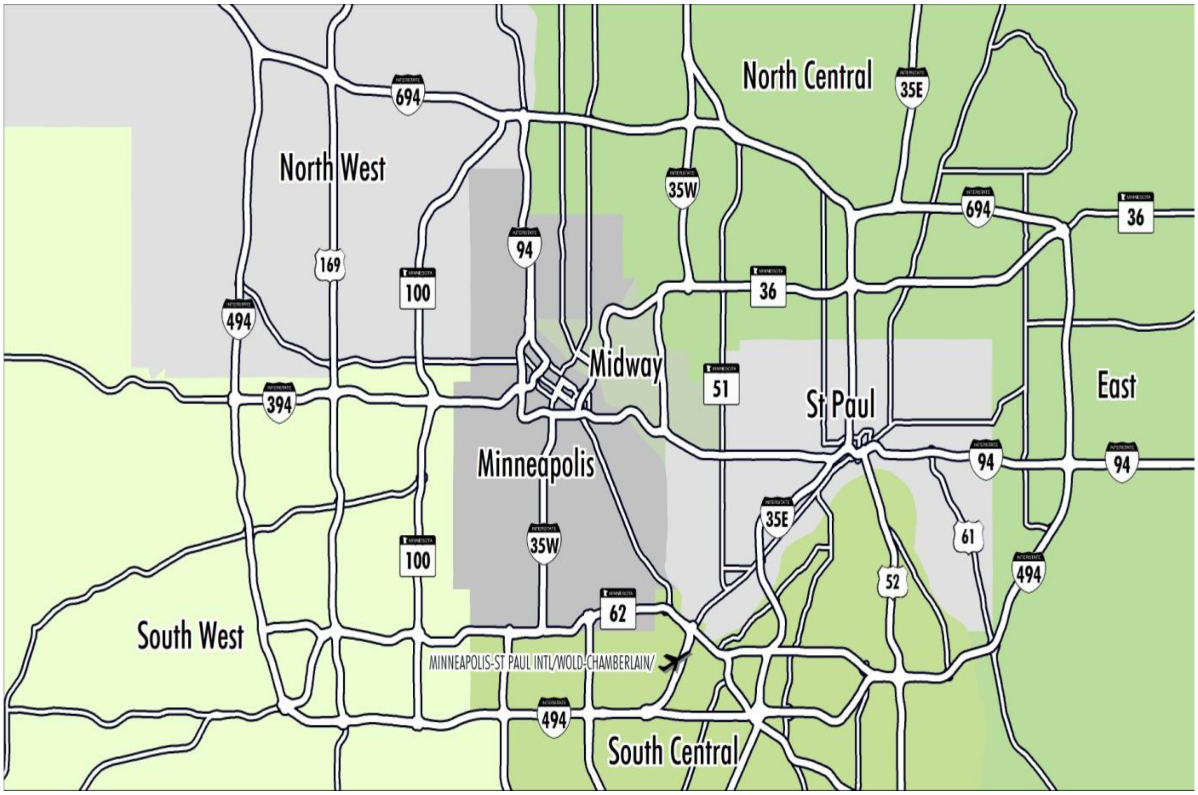
** Single Tenant & Multi Tenant. Total Vacancy Rate May Not Add Up Due To Rounding.*

Figure 9: Q1 2020 Minneapolis/St. Paul Industrial Construction Statistics

Submarket	Construction Starts (Sq. Ft.)	Starts Preleased (%)	Under Construction (Spec Sq. Ft.)	Under Construction (BTS Sq. Ft.)	Under Construction Total (Sq. Ft.)	Spec Completed (Sq. Ft.)	BTS Completed (Sq. Ft.)	Construction Completed Total (Sq. Ft.)
Metro Overall	-	-	949,100	2,183,724	3,132,824	229,186	100,000	329,186
Southwest	-	-	471,980	130,000	601,980	-	-	-
Northwest	-	-	204,120	778,000	982,120	204,186	-	204,186
South Central	-	-	152,000	166,724	318,724	-	100,000	100,000
North Central	-	-	40,000	440,000	480,000	25,000	-	25,000
Midway	-	-	-	-	-	-	-	-
Minneapolis	-	-	-	-	-	-	-	-
St. Paul	-	-	-	-	-	-	-	-
East	-	-	-	769,000	769,000	-	-	-

Source: CBRE Research, Q1 2020.

Figure 10: Minneapolis/St. Paul Industrial Submarket Map



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