MARKET TRENDS

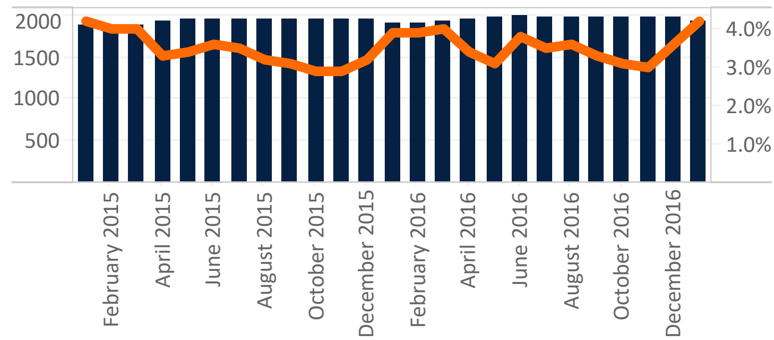
1Q 2017 | Mpls-St Paul | Industrial

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate increased 0.3 percentage points from 3.9% in January 2016 to 4.2% in January 2017. This is higher than Minnesota (4.0%) but compares favorably to the US (4.8%). The Mpls-St Paul metropolitan statistical area nonfarm job creation totaled 27,900 over the past year. Industrial using jobs (industries include manufacturing and trade transportation and utilities) added 5,300 jobs during the past year.

Mpls-St Paul Employment

Source: BLS



Market Overview

The Mpls-St Paul industrial market recorded 83,969 square feet of negative absorption during 1Q 2017. Absorption was down from 954,000 sf recorded during 1Q 2016. The total vacancy rate has decreased from 9.5% in 1Q 2016 to 9.4% at the close of 1Q 2017. Direct vacancy rates decreased 0.3 percentage points from 9.2% to 8.9% during the same time period. Weighted average rent growth continued to improve during 1Q 2017 especially in flex properties in the southwest market. Weighted average asking rents in all classes were unchanged year-over-year recording $6.76 per square foot (psf) at the close of 1Q 2017.

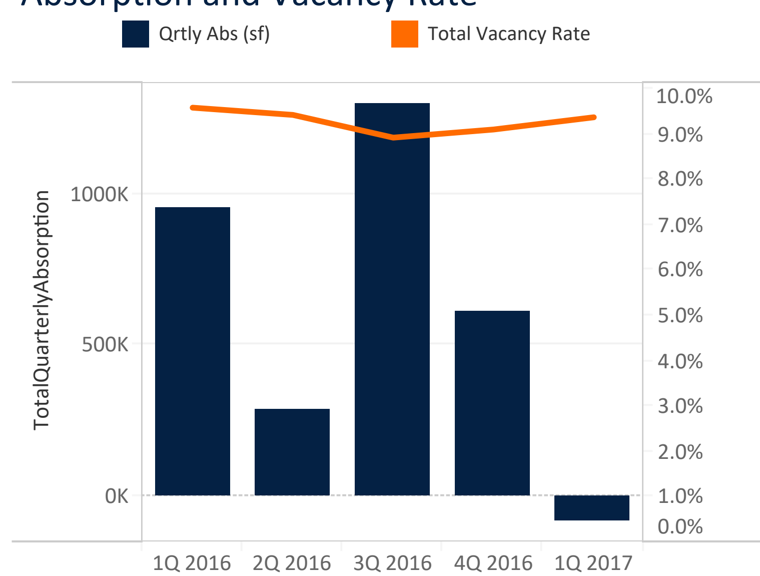
Market Recap

Inventory (sf)	115,281,316
# of Bldgs	1,346
Qrtly Abs (sf)	-83,969
Total Avail Rate	12.7%
Total Vacancy Rate	9.4%
U/C Inventory (sf)	1,069,442
Delivered (sf)	134,384
Weighted Average Asking Rate (NNN)	$6.76

Market Highlights

The Mpls-St Paul market experienced negative absorption for the first time since 4Q 2014. The Northwest Market had the majority of the activity for the quarter. Star Exhibits was the largest tenant to vacate 184,000 sf as they moved into 200,000 sf in Brooklyn Park last quarter. Wagner Spray was the second largest tenant vacating 116,000 sf as they moved into their new 170,000 sf property. Bay Island went out of business vacating 109,000 sf. The major occupiers of space included Spears Manufacturing with 142,000 sf, Intereum with 134,000 sf and Creative Apparel with 117,000 sf. Wright county has been added to the statistical set increasing inventory by 2.2 msf which had a slight impact on the overall vacancy rate.

Absorption and Vacancy Rate



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Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Bulk Whse	25,146,177	2,928,355	2,859,327	11.4%	-140,260	-140,260
Flex	29,261,865	4,976,518	3,597,451	12.3%	-248,400	-248,400
Lt Ind	44,600,822	4,755,365	2,776,398	6.2%	-194,998	-194,998
Whse/Dist	16,272,452	1,983,277	1,577,630	9.7%	499,689	499,689
Overall	115,281,316	14,643,515	10,810,806	9.4%	-83,969	-83,969

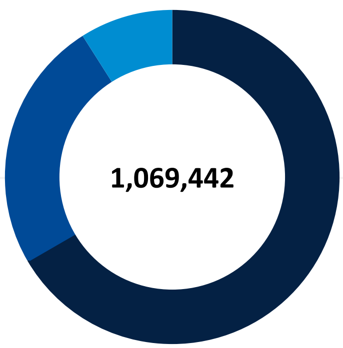
Overview by Market (Total)

Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Northeast	Bulk Whse	5,634,491	239,354	112,639	2.0%	9,650	9,650
	Flex	7,354,921	1,007,815	855,187	11.6%	3,023	3,023
	Lt Ind	17,841,891	1,896,658	1,167,022	6.5%	-2,539	-2,539
	Whse/Dist	4,538,311	635,513	536,693	11.8%	-12,881	-12,881
Northwest	Bulk Whse	11,314,144	1,988,867	2,119,681	18.7%	-178,410	-178,410
	Flex	7,389,507	1,628,000	1,267,818	17.2%	-178,214	-178,214
	Lt Ind	10,426,332	1,031,531	603,404	5.8%	-62,460	-62,460
	Whse/Dist	5,393,795	940,716	757,663	14.0%	327,577	327,577
Southeast	Bulk Whse	4,042,377	113,969	42,250	1.0%	28,500	28,500
	Flex	5,036,629	751,730	691,480	13.7%	-60,792	-60,792
	Lt Ind	5,913,181	674,371	379,105	6.4%	-60,716	-60,716
	Whse/Dist	3,183,203	207,923	160,939	5.1%	186,392	186,392
Southwest	Bulk Whse	4,155,165	586,165	584,757	14.1%	0	0
	Flex	9,480,808	1,588,973	782,966	8.3%	-12,417	-12,417
	Lt Ind	10,419,418	1,152,805	626,867	6.0%	-69,283	-69,283
	Whse/Dist	3,157,143	199,125	122,335	3.9%	-1,399	-1,399
Overall		115,281,316	14,643,515	10,810,806	9.4%	-83,969	-83,969

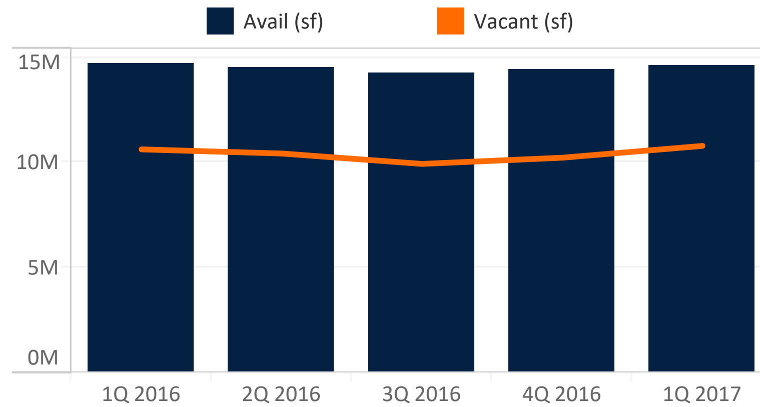
MARKET TRENDS

1Q 2017 | Mpls-St Paul | Industrial

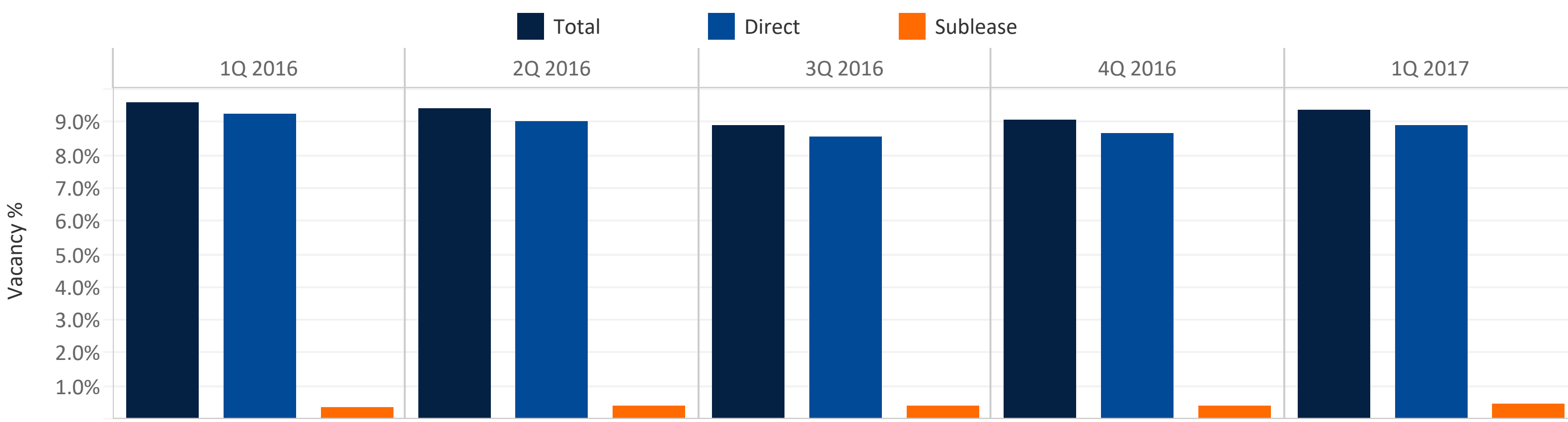
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Bulk Whse	25,146,177	2,536,946	2,493,539	9.9%	-94,758	90,075
Flex	29,261,865	4,662,036	3,504,434	12.0%	-237,437	-237,437
Lt Ind	44,600,822	4,577,112	2,724,293	6.1%	-198,202	-198,202
Whse/Dist	16,272,452	1,934,947	1,558,180	9.6%	499,689	499,689
Overall	115,281,316	13,711,041	10,280,446	8.9%	-30,708	154,125

Overview by Specific Use (Sublease)

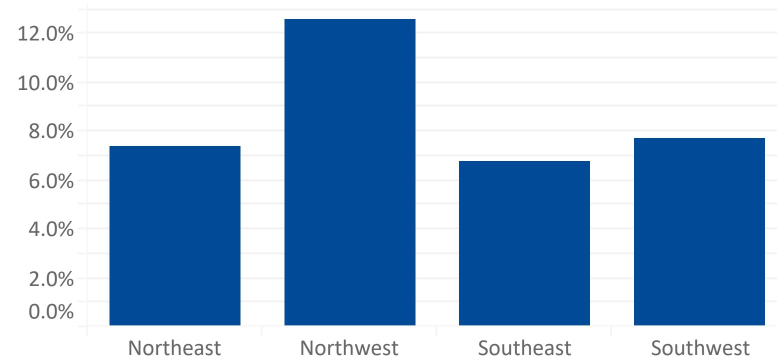
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Bulk Whse	25,146,177	391,409	365,788	1.5%	-45,502	-230,335
Flex	29,261,865	314,482	93,017	0.3%	-10,963	-10,963
Lt Ind	44,600,822	178,253	52,105	0.1%	3,204	3,204
Whse/Dist	16,272,452	48,330	19,450	0.1%	0	0
Overall	115,281,316	932,474	530,360	0.5%	-53,261	-238,094

Direct Vacancy Rates

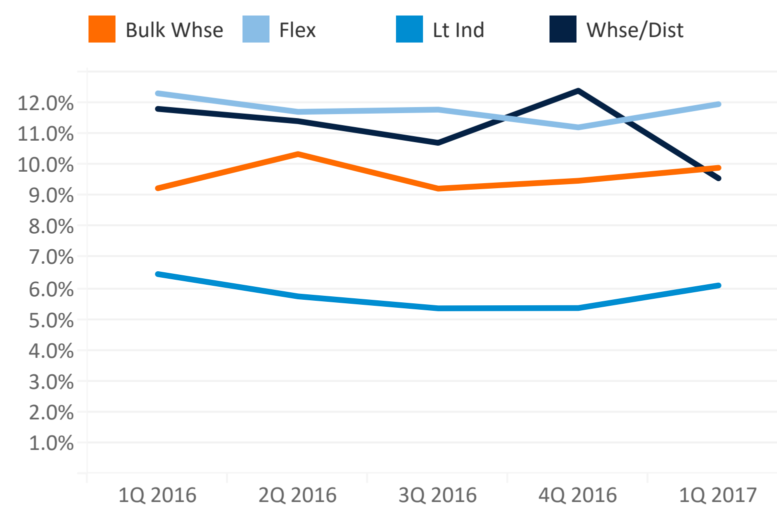
By Market and Specific Use

Market Name	Specific Use	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
		Quarter Year				
Northeast	Bulk Whse	8.3%	5.0%	2.9%	2.2%	2.0%
	Flex	12.9%	12.1%	12.5%	11.5%	11.4%
	Lt Ind	6.2%	6.8%	6.6%	6.5%	6.4%
	Whse/Dist	8.6%	8.3%	5.0%	11.1%	11.4%
Northwest	Bulk Whse	10.2%	15.2%	15.3%	14.3%	15.5%
	Flex	12.6%	12.7%	14.7%	14.6%	16.7%
	Lt Ind	4.1%	3.3%	3.8%	3.6%	5.7%
	Whse/Dist	30.5%	29.0%	28.9%	26.0%	14.0%
Southeast	Bulk Whse	7.9%	6.4%	2.3%	1.8%	1.0%
	Flex	16.0%	14.9%	13.0%	12.1%	13.0%
	Lt Ind	6.9%	5.8%	4.5%	5.1%	6.1%
	Whse/Dist	0.6%	1.2%	5.4%	8.1%	5.1%
Southwest	Bulk Whse	9.6%	8.6%	8.2%	14.1%	14.1%
	Flex	9.7%	9.0%	8.3%	8.0%	8.2%
	Lt Ind	9.0%	6.3%	5.4%	5.3%	6.0%
	Whse/Dist	5.1%	5.1%	3.8%	3.8%	3.9%
Overall		9.3%	9.0%	8.5%	8.7%	8.9%

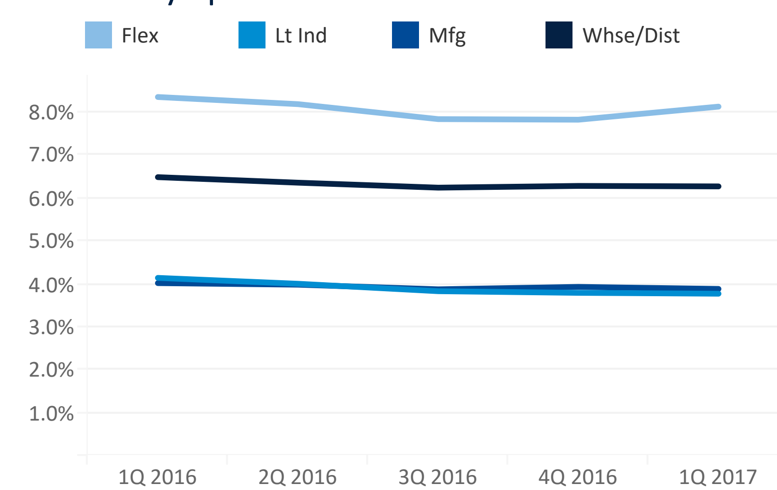
By Market



Mpls-St Paul By Specific Use



National by Specific Use

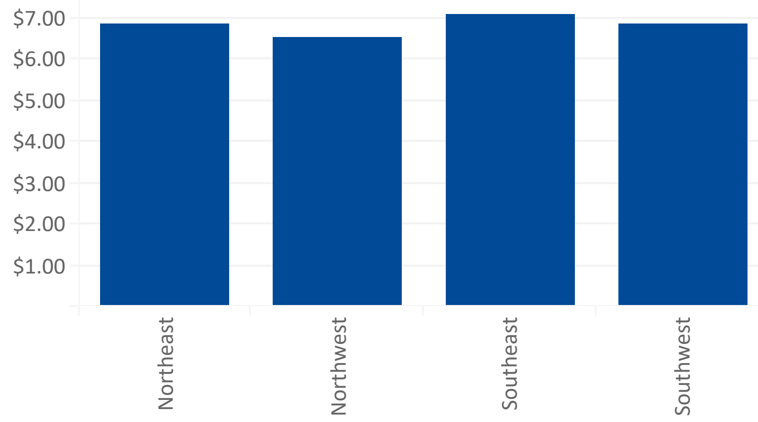


Direct Weighted Average Asking Rates (NNN)

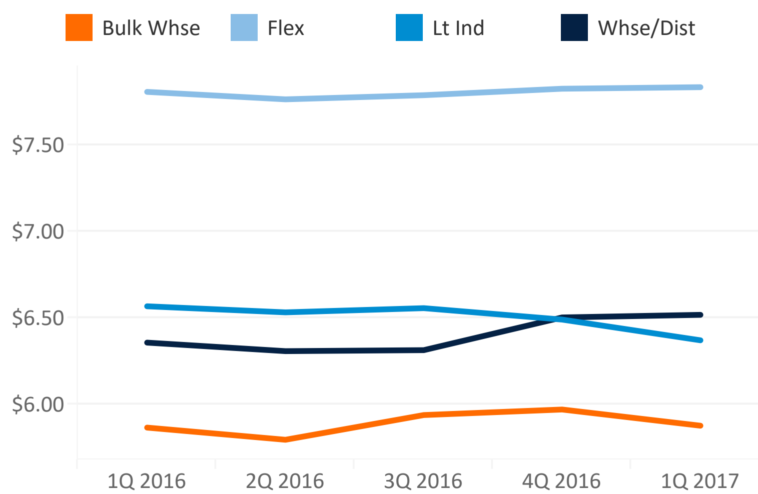
By Market and Specific Use

Market Name	Specific Use	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Northeast	Bulk Whse	$6.30	$6.89	$6.32	$6.40	$6.46
	Flex	$8.24	$7.89	$8.05	$7.92	$8.24
	Lt Ind	$6.58	$6.55	$6.58	$6.49	$6.44
	Whse/Dist	$6.37	$6.47	$6.48	$6.04	$6.08
Northwest	Bulk Whse	$5.89	$5.90	$6.11	$6.01	$5.86
	Flex	$7.74	$7.76	$7.76	$7.95	$7.52
	Lt Ind	$6.33	$6.34	$6.40	$6.43	$6.53
	Whse/Dist	$6.33	$6.24	$6.05	$6.54	$6.54
Southeast	Bulk Whse	$6.21	$4.97	$5.31	$4.11	-
	Flex	$7.56	$7.38	$7.55	$7.60	$7.44
	Lt Ind	$6.68	$6.49	$6.50	$6.44	$6.39
	Whse/Dist	$7.59	$7.36	$7.98	$7.85	$7.89
Southwest	Bulk Whse	$5.25	$5.25	$5.32	$5.89	$5.70
	Flex	$7.69	$7.87	$7.71	$7.80	$8.08
	Lt Ind	$6.64	$6.68	$6.69	$6.57	$6.09
	Whse/Dist	$5.93	$5.92	$6.11	$6.44	$6.44
Overall		$6.77	$6.71	$6.75	$6.77	$6.76

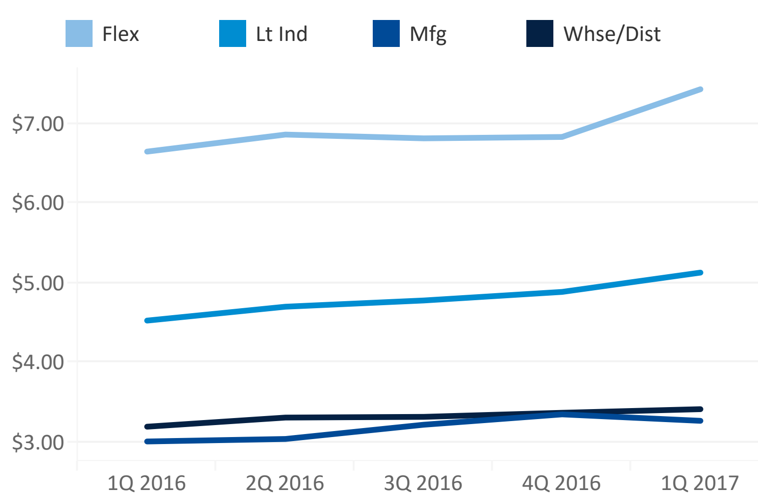
By Market



Mpls-St Paul by Specific Use



National by Specific Use



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MARKET TRENDS

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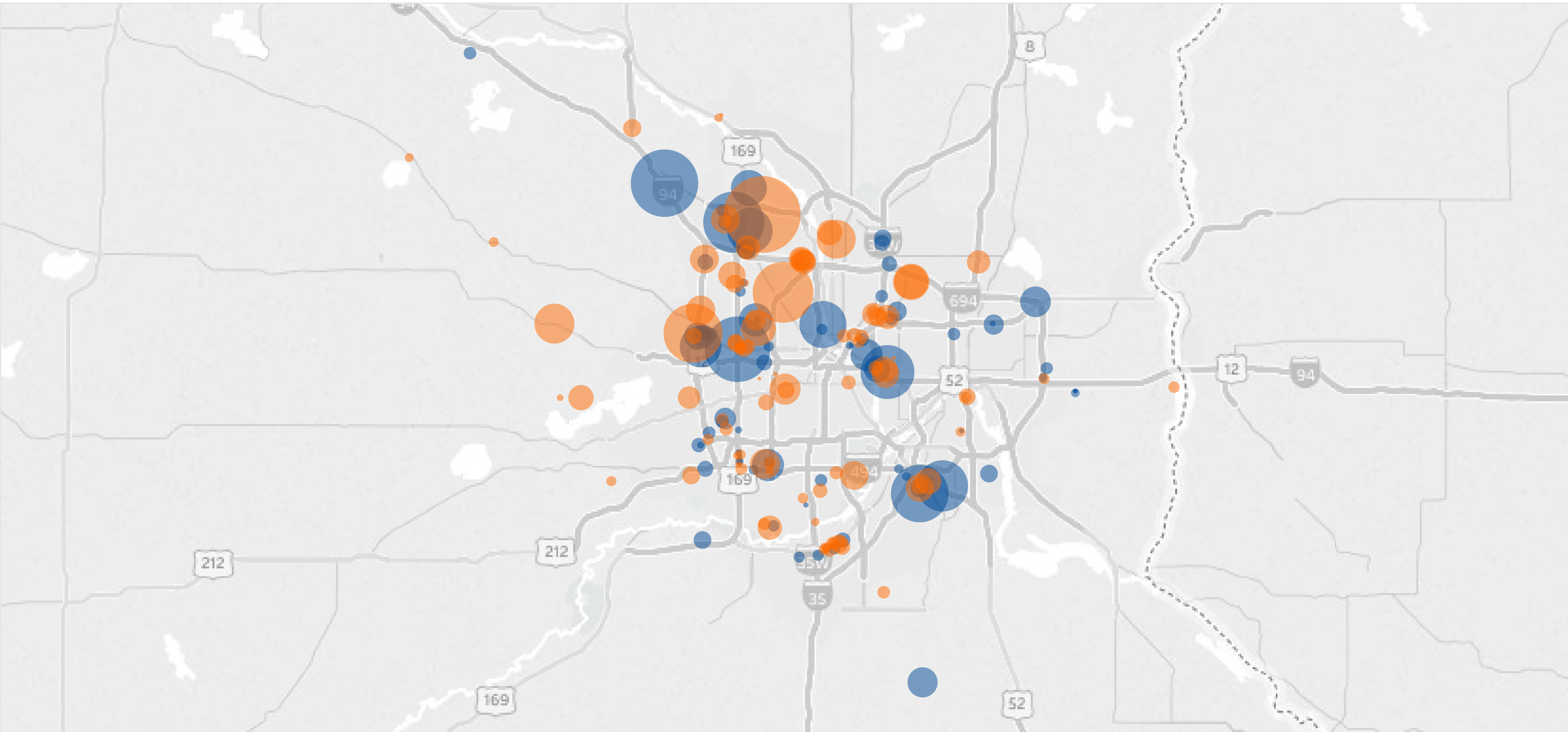
Absorption Map

Negative   Positive



Largest Positives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
Dayton Distribution Center Bldg I	Spears Manufacturing	Northwest	Whse/Dist	142,680
Waterford Innovation Center	Intereum	Northwest	Lt Ind	134,384
Red Rock Business Park	Creative Apparel	Northwest	Bulk Whse	117,242
The Aldrin Building	Rave Sports, Great Lakes Coca Cola and TC Moving Systems	Southeast	Whse/Dist	104,192
K&M Tire	K&M Tire	Northeast	Lt Ind	91,197
Gateway Business Park of Eagan Bldg 1	Forward Air	Southeast	Whse/Dist	82,200
Trio Supply Building	City of Mpls	Northeast	Lt Ind	69,600
169 North Business Center	Staging Concepts	Northwest	Whse/Dist	64,685

Largest Negatives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
6900-6920 93rd Ave N	Star	Northwest	Bulk Whse	-184,833
France Avenue Business Park I	Wagner Spray	Northwest	Bulk Whse	-116,000
Nilfisk Building	Bay Island	Northwest	Flex	-108,988
Maple Plain Industrial Park	Protomold	Northwest	Lt Ind	-50,092
North Park Business Center	FG Transload	Northeast	Lt Ind	-47,290
Saint Paul Industrial Properties #11	Streamworks	Northeast	Lt Ind	-41,600
2720 Nevada Ave N Building	Process Displays Consolidation	Northwest	Lt Ind	-38,400
Saint Paul Industrial Properties #10	Streamworks	Northeast	Lt Ind	-36,600

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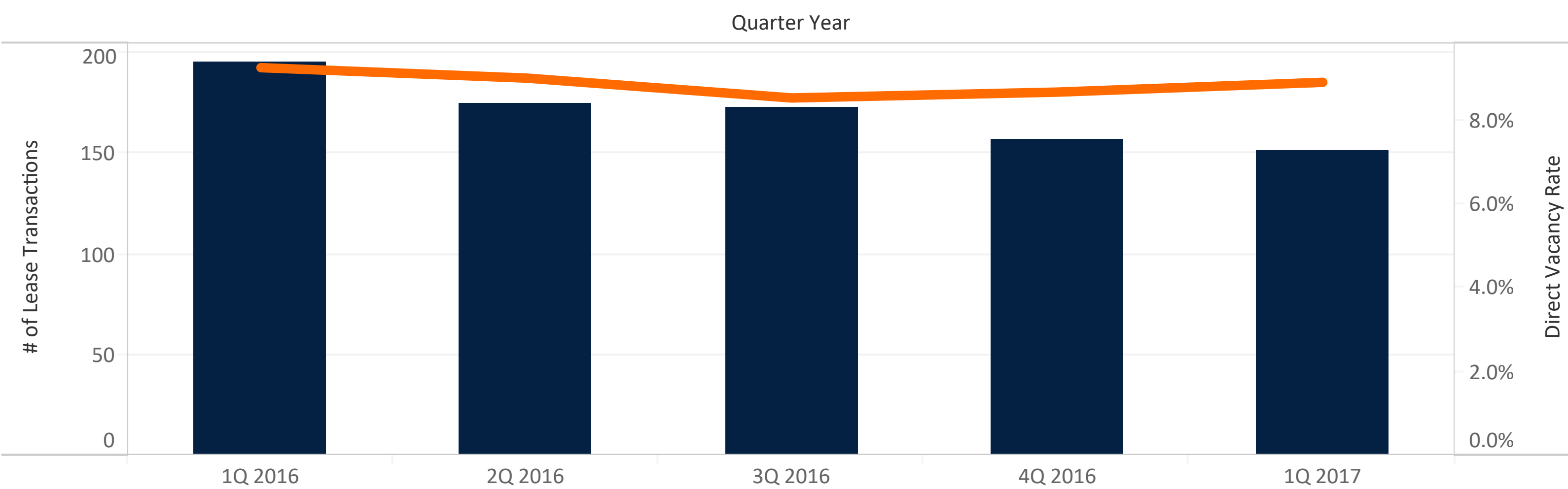
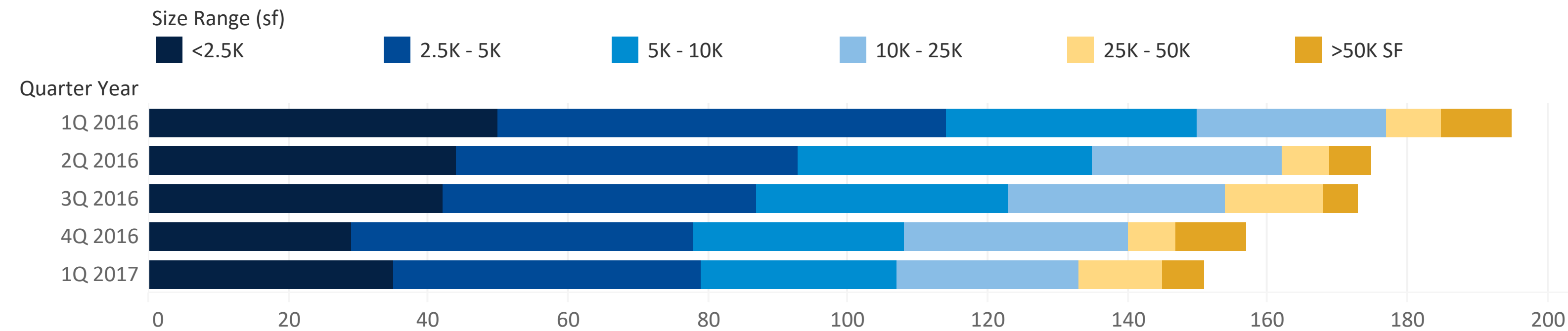
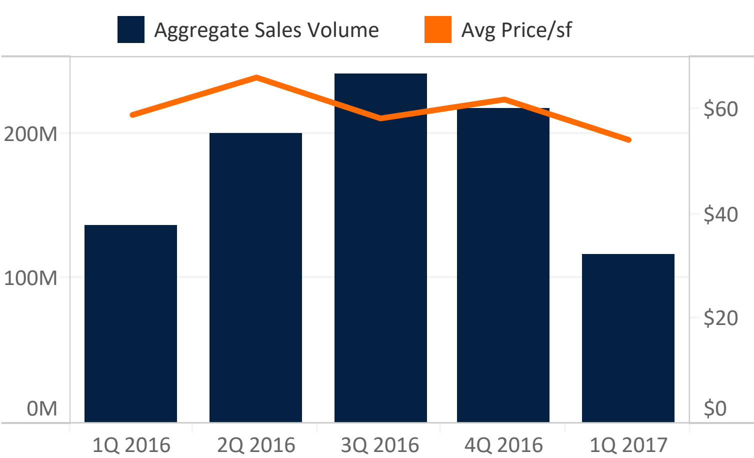
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
2500 Building	03/06/2017	Koch Cos	$7,020,000
Capital Beverage Sales	03/17/2017	CPEC Exchange 4113 LLC	$7,000,000
30622 Forest Blvd	02/03/2017	Forterra Concrete Products, Inc.	$6,500,000
3939 E 46th St Building	01/12/2017	Oppidan	$6,000,000
Crown Equipment	03/14/2017	Crown Equipment Corp	$5,350,000

Terminology

Term	Definition
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of existing multi-tenant buildings greater than 20,000 sf or are part of a complex that totals greater than 20,000 sf located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington and Wright Counties.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Sublease Space	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant (sf)	The total of all the vacant square feet within a building including both direct and sublease space.
Weighted Average Rents	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.
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