

# MARKET TRENDS

Q1 2019 | Mpls-St Paul | Office

## Employment

|                   | <u>Current</u> | <u>Y-o-Y</u> |
|-------------------|----------------|--------------|
| Employment        | 1,939,990      |              |
| Area Unemployment | 3.4            |              |
| U.S. Unemployment | 3.8            |              |
| Office Jobs       | 504,600        |              |

Source: BLS

\*Employment figures and area unemployment are based on Mpls-St Paul MSA data.

## Market Recap

### All Properties

|                       |             |
|-----------------------|-------------|
| Total Inventory (sf)  | 122,443,017 |
| Absorption            | 182,717     |
| Vacancy               | 11.2%       |
| Asking Rate (FSG)     | \$23.23     |
| New Construction (sf) | 1,881,985   |

### Multi-tenant Properties

|                      |            |
|----------------------|------------|
| Total Inventory (sf) | 95,238,409 |
| Absorption           | 344,205    |
| Vacancy              | 13.8%      |
| Asking Rate (FSG)    | \$23.30    |

## Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) remained unchanged at 3.4% compared to February 2018. The unemployment rate for the US was at 3.8% in February 2019, down from 4.1% for the State of Minnesota. The Mpls-St Paul MSA saw an decrease in office job growth, professional, financial and information dropping by 3,800 during the same period.

## Market Overview

The Mpls-St Paul office market, consisting of over 122 msf of space in seven counties across the metro posting 182,717 sf positive absorption for Q1 2019. The vacancy rate for the market stands at 11.2% for all properties to start 2019. Multi-tenant properties started the year with 13.8% with 344,000 sf positive absorption. The average asking lease rate for Mpls-St Paul came in at \$23.23 psf FSG. To date, there are 8 construction projects throughout the market totaling just shy of 1.9 msf.

## Market Highlights

To start 2019 the market experienced over 1.2 msf of leasing activity and the vacancy rate finished the year at 11.2% in total. Class A properties ended the year at 9.3% for all properties and 12.1% for multi-tenant properties. Mpls CBD market posted the lowest rate at 9.8% for multi-tenant class A properties. The West Market carried the market with the most positive absorption of 103,000 sf due to WeWork taking space in MoZaic East. Northeast Market lost 100,000 sf in absorption due to Sourcewell vacating 161,000 sf.

## Market Statistics by Building Class (All Properties)

### Total

| Bldg Class         | # of Bldgs | Inventory          | Q1 19<br>Total Avail | Q1 19<br>Vacant SF | Q1 19<br>Absorption (sf) | Q1 19<br>Vacancy Rate |
|--------------------|------------|--------------------|----------------------|--------------------|--------------------------|-----------------------|
| A                  | 152        | 49,361,164         | 5,912,942            | 4,580,706          | 23,817                   | 9.3%                  |
| B                  | 652        | 61,178,706         | 9,830,415            | 8,076,331          | 310,957                  | 13.2%                 |
| C                  | 168        | 11,903,147         | 969,670              | 1,112,142          | (152,057)                | 9.3%                  |
| <b>Grand Total</b> | <b>972</b> | <b>122,443,017</b> | <b>16,713,027</b>    | <b>13,769,179</b>  | <b>182,717</b>           | <b>11.2%</b>          |

### Direct

| Bldg Class         | # of Bldgs | Inventory          | Q1 19<br>Direct<br>Avail (sf) | Q1 19<br>Direct<br>Vacant (sf) | Q1 19<br>Direct<br>Absorption (sf) | Q1 19<br>Vacancy Rate |
|--------------------|------------|--------------------|-------------------------------|--------------------------------|------------------------------------|-----------------------|
| A                  | 152        | 49,361,164         | 5,456,251                     | 4,452,114                      | 16,823                             | 9.0%                  |
| B                  | 652        | 61,178,706         | 8,799,814                     | 7,246,341                      | 341,334                            | 11.8%                 |
| C                  | 168        | 11,903,147         | 946,959                       | 1,096,632                      | (143,257)                          | 9.2%                  |
| <b>Grand Total</b> | <b>972</b> | <b>122,443,017</b> | <b>15,203,024</b>             | <b>12,795,087</b>              | <b>214,900</b>                     | <b>10.4%</b>          |

### Sublease

| Bldg Class         | # of Bldgs | Inventory          | Q1 19<br>Sublease<br>Avail | Q1 19<br>Sublease<br>Vacant | Q1 19<br>Sublease<br>Absorption (sf) | Q1 19<br>Vacancy Rate |
|--------------------|------------|--------------------|----------------------------|-----------------------------|--------------------------------------|-----------------------|
| A                  | 152        | 49,361,164         | 412,747                    | 128,592                     | 6,994                                | 0.3%                  |
| B                  | 652        | 61,178,706         | 1,030,601                  | 829,990                     | (30,377)                             | 1.4%                  |
| C                  | 168        | 11,903,147         | 22,711                     | 15,510                      | (8,800)                              | 0.1%                  |
| <b>Grand Total</b> | <b>972</b> | <b>122,443,017</b> | <b>1,466,059</b>           | <b>974,092</b>              | <b>(32,183)</b>                      | <b>0.8%</b>           |

## Market Statistics by Building Class (Multi-Tenant)

### Total

| Bldg Class         | # of Bldgs | Inventory         | Q1 19<br>Total Avail | Q1 19<br>Vacant SF | Q1 19<br>Absorption (sf) | Q1 19<br>Vacancy Rate |
|--------------------|------------|-------------------|----------------------|--------------------|--------------------------|-----------------------|
| A                  | 127        | 37,954,356        | 5,912,942            | 4,580,706          | 23,817                   | 12.1%                 |
| B                  | 574        | 49,324,656        | 9,052,065            | 7,592,833          | 310,957                  | 15.4%                 |
| C                  | 132        | 7,959,397         | 808,182              | 944,929            | 9,431                    | 11.9%                 |
| <b>Grand Total</b> | <b>833</b> | <b>95,238,409</b> | <b>15,773,189</b>    | <b>13,118,468</b>  | <b>344,205</b>           | <b>13.8%</b>          |

### Direct

| Bldg Class         | # of Bldgs | Inventory         | Q1 19<br>Direct<br>Avail (sf) | Q1 19<br>Direct<br>Vacant (sf) | Q1 19<br>Direct<br>Absorption (sf) | Q1 19<br>Vacancy Rate |
|--------------------|------------|-------------------|-------------------------------|--------------------------------|------------------------------------|-----------------------|
| A                  | 127        | 37,954,356        | 5,456,251                     | 4,452,114                      | 16,823                             | 11.7%                 |
| B                  | 574        | 49,324,656        | 8,315,624                     | 7,057,003                      | 341,334                            | 14.3%                 |
| C                  | 132        | 7,959,397         | 785,471                       | 929,419                        | 18,231                             | 11.7%                 |
| <b>Grand Total</b> | <b>833</b> | <b>95,238,409</b> | <b>14,557,346</b>             | <b>12,438,536</b>              | <b>376,388</b>                     | <b>13.1%</b>          |

### Sublease

| Bldg Class         | # of Bldgs | Inventory         | Q1 19<br>Sublease<br>Avail | Q1 19<br>Sublease<br>Vacant | Q1 19<br>Sublease<br>Absorption (sf) | Q1 19<br>Vacancy Rate |
|--------------------|------------|-------------------|----------------------------|-----------------------------|--------------------------------------|-----------------------|
| A                  | 127        | 37,954,356        | 412,747                    | 128,592                     | 6,994                                | 0.3%                  |
| B                  | 574        | 49,324,656        | 736,441                    | 535,830                     | (30,377)                             | 1.1%                  |
| C                  | 132        | 7,959,397         | 22,711                     | 15,510                      | (8,800)                              | 0.2%                  |
| <b>Grand Total</b> | <b>833</b> | <b>95,238,409</b> | <b>1,171,899</b>           | <b>679,932</b>              | <b>(32,183)</b>                      | <b>0.7%</b>           |

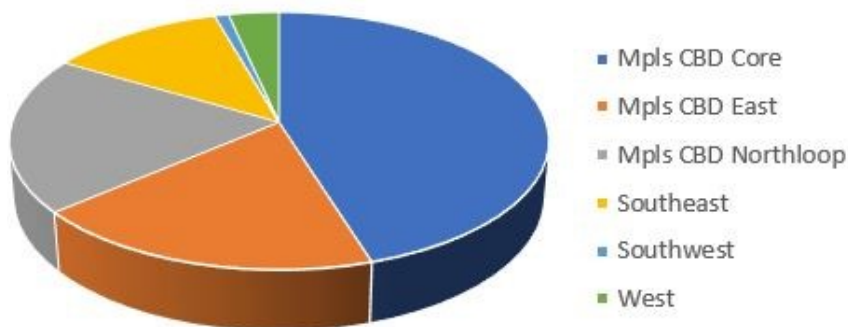
# Market Statistics by Market (All Properties)

| Market             | Bldg Class      | # of Bldgs | Inventory         | Q1 19 Available (sf) | Q1 19 Vacant (sf) | Q1 19 Absorption (sf) | Q1 19 Vacancy Rate |
|--------------------|-----------------|------------|-------------------|----------------------|-------------------|-----------------------|--------------------|
| Mpls CBD Core      | A               | 27         | 19,055,627        | 2,391,912            | 1,796,252         | (105,051)             | 9.4%               |
|                    | B               | 29         | 7,812,726         | 1,381,821            | 1,462,296         | 31,260                | 18.7%              |
|                    | C               | 8          | 746,060           | 123,083              | 123,083           | 0                     | 16.5%              |
|                    | <b>Subtotal</b> | <b>64</b>  | <b>27,614,413</b> | <b>3,896,816</b>     | <b>3,381,631</b>  | <b>(73,791)</b>       | <b>12.2%</b>       |
| Mpls CBD East      | A               | 4          | 1,229,061         | 5,096                | 5,096             | 0                     | 0.4%               |
|                    | B               | 5          | 926,220           | 315,182              | 288,684           | 39,701                | 31.2%              |
|                    | C               | 3          | 183,316           | 36,447               | 25,416            | 15,378                | 13.9%              |
|                    | <b>Subtotal</b> | <b>12</b>  | <b>2,338,597</b>  | <b>356,725</b>       | <b>319,196</b>    | <b>55,079</b>         | <b>13.6%</b>       |
| Mpls CBD Loring    | B               | 3          | 143,760           | 28,118               | 20,353            | 0                     | 14.2%              |
|                    | C               | 1          | 26,848            |                      |                   | 0                     | 0.0%               |
|                    | <b>Subtotal</b> | <b>4</b>   | <b>170,608</b>    | <b>28,118</b>        | <b>20,353</b>     | <b>0</b>              | <b>11.9%</b>       |
| Mpls CBD Northeast | A               | 1          | 191,610           | 26,331               | 26,331            | 0                     | 13.7%              |
|                    | B               | 25         | 2,518,787         | 331,330              | 308,269           | 19,851                | 12.2%              |
|                    | C               | 5          | 380,753           | 62,716               | 3,585             | 0                     | 0.9%               |
|                    | <b>Subtotal</b> | <b>31</b>  | <b>3,091,150</b>  | <b>420,377</b>       | <b>338,185</b>    | <b>19,851</b>         | <b>10.9%</b>       |
| Mpls CBD Northloop | A               | 5          | 1,311,750         | 193,374              | 101,852           | (4,100)               | 7.8%               |
|                    | B               | 14         | 812,662           | 220,964              | 209,563           | (14,877)              | 25.8%              |
|                    | C               | 5          | 385,546           | 17,345               | 17,345            | 0                     | 4.5%               |
|                    | <b>Subtotal</b> | <b>24</b>  | <b>2,509,958</b>  | <b>431,683</b>       | <b>328,760</b>    | <b>(18,977)</b>       | <b>13.1%</b>       |
| Mpls CBD Warehouse | A               | 1          | 245,398           |                      |                   | 0                     | 0.0%               |
|                    | B               | 14         | 1,633,117         | 332,400              | 269,978           | (7,476)               | 16.5%              |
|                    | C               | 2          | 126,185           |                      |                   | 0                     | 0.0%               |
|                    | <b>Subtotal</b> | <b>17</b>  | <b>2,004,700</b>  | <b>332,400</b>       | <b>269,978</b>    | <b>(7,476)</b>        | <b>13.5%</b>       |
| Mpls CBD           | A               | 38         | 22,033,446        | 2,616,713            | 1,929,531         | (109,151)             | 8.8%               |
|                    | B               | 90         | 13,847,272        | 2,609,815            | 2,559,143         | 68,459                | 18.5%              |
|                    | C               | 24         | 1,848,708         | 239,591              | 169,429           | 15,378                | 9.2%               |
|                    | <b>Subtotal</b> | <b>152</b> | <b>37,729,426</b> | <b>5,466,119</b>     | <b>4,658,103</b>  | <b>(25,314)</b>       | <b>12.3%</b>       |

# Market Statistics by Market (All Properties Continued)

| Market             | Bldg Class      | # of Bldgs | Inventory          | Q1 19 Available (sf) | Q1 19 Vacant (sf) | Q1 19 Absorption (sf) | Q1 19 Vacancy Rate |
|--------------------|-----------------|------------|--------------------|----------------------|-------------------|-----------------------|--------------------|
| Northeast          | A               | 24         | 5,153,819          | 442,270              | 432,387           | (52,008)              | 8.4%               |
|                    | B               | 143        | 13,860,552         | 1,333,472            | 1,038,515         | 89,037                | 7.5%               |
|                    | C               | 41         | 2,558,786          | 248,493              | 243,275           | (137,945)             | 9.5%               |
|                    | <b>Subtotal</b> | <b>208</b> | <b>21,573,156</b>  | <b>2,024,235</b>     | <b>1,714,177</b>  | <b>(100,916)</b>      | <b>7.9%</b>        |
| Northwest          | A               | 3          | 633,563            | 3,525                | 46,987            | 0                     | 7.4%               |
|                    | B               | 69         | 3,832,090          | 589,754              | 484,991           | 5,161                 | 12.7%              |
|                    | C               | 22         | 1,035,619          | 80,456               | 79,022            | (1,446)               | 7.6%               |
|                    | <b>Subtotal</b> | <b>94</b>  | <b>5,501,272</b>   | <b>673,735</b>       | <b>611,000</b>    | <b>3,715</b>          | <b>11.1%</b>       |
| Saint Paul CBD     | A               | 11         | 3,654,594          | 529,004              | 508,614           | (7,439)               | 13.9%              |
|                    | B               | 27         | 5,668,145          | 720,981              | 700,997           | 110,607               | 12.4%              |
|                    | C               | 8          | 976,648            | 132,440              | 131,446           | (14,729)              | 13.5%              |
|                    | <b>Subtotal</b> | <b>46</b>  | <b>10,299,387</b>  | <b>1,382,425</b>     | <b>1,341,057</b>  | <b>88,439</b>         | <b>13.0%</b>       |
| Southeast          | A               | 16         | 3,543,454          | 341,441              | 337,349           | 37,317                | 9.5%               |
|                    | B               | 121        | 7,465,767          | 1,348,146            | 967,625           | 3,779                 | 13.0%              |
|                    | C               | 32         | 2,785,626          | 65,234               | 60,115            | 1,027                 | 2.2%               |
|                    | <b>Subtotal</b> | <b>169</b> | <b>13,794,847</b>  | <b>1,754,821</b>     | <b>1,365,089</b>  | <b>42,123</b>         | <b>9.9%</b>        |
| Southwest          | A               | 43         | 10,609,603         | 1,207,267            | 924,210           | 50,466                | 8.7%               |
|                    | B               | 144        | 10,903,262         | 2,306,174            | 1,883,310         | 25,899                | 17.3%              |
|                    | C               | 31         | 1,959,466          | 115,649              | 176,698           | (5,096)               | 9.0%               |
|                    | <b>Subtotal</b> | <b>218</b> | <b>23,472,331</b>  | <b>3,629,090</b>     | <b>2,984,218</b>  | <b>71,269</b>         | <b>12.7%</b>       |
| West               | A               | 17         | 3,732,685          | 772,722              | 401,628           | 104,632               | 10.8%              |
|                    | B               | 58         | 5,601,618          | 922,073              | 441,750           | 8,015                 | 7.9%               |
|                    | C               | 10         | 738,295            | 87,807               | 252,157           | (9,246)               | 34.2%              |
|                    | <b>Subtotal</b> | <b>85</b>  | <b>10,072,598</b>  | <b>1,782,602</b>     | <b>1,095,535</b>  | <b>103,401</b>        | <b>10.9%</b>       |
| <b>Grand Total</b> |                 | <b>972</b> | <b>122,443,017</b> | <b>16,713,027</b>    | <b>13,769,179</b> | <b>182,717</b>        | <b>11.2%</b>       |

Under Construction Building Size (sf)



| Market             | Building Size (sf) |
|--------------------|--------------------|
| Mpls CBD Core      | 850,000            |
| Mpls CBD East      | 350,000            |
| Mpls CBD Northloop | 370,549            |
| Southeast          | 228,000            |
| Southwest          | 18,000             |
| West               | 65,436             |
| <b>Grand Total</b> | <b>1,881,985</b>   |

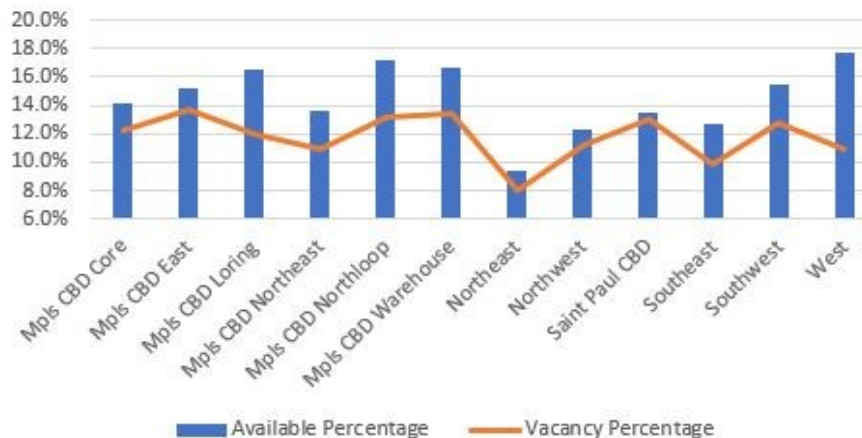
# Lease and Vacancy Rates (All Properties)

| Market             | Bldg Class      | Q4 18<br>Ave Lease<br>Rate (FSG) | Q1 19<br>Ave Lease<br>Rate (FSG) | Q4 18<br>Vacancy Rate | Q1 19<br>Vacancy Rate |
|--------------------|-----------------|----------------------------------|----------------------------------|-----------------------|-----------------------|
| Mpls CBD Core      | A               | \$34.39                          | \$32.37                          | 8.9%                  | 9.4%                  |
|                    | B               | \$27.27                          | \$26.20                          | 19.1%                 | 18.7%                 |
|                    | C               | \$23.38                          | \$23.38                          | 16.5%                 | 16.5%                 |
|                    | <b>Subtotal</b> | <b>\$30.07</b>                   | <b>\$28.68</b>                   | <b>12.0%</b>          | <b>12.2%</b>          |
| Mpls CBD East      | A               |                                  |                                  | 0.4%                  | 0.4%                  |
|                    | B               | \$26.32                          | \$26.32                          | 35.5%                 | 31.2%                 |
|                    | C               | \$18.20                          | \$13.36                          | 22.3%                 | 13.9%                 |
|                    | <b>Subtotal</b> | <b>\$22.26</b>                   | <b>\$21.14</b>                   | <b>16.0%</b>          | <b>13.6%</b>          |
| Mpls CBD Loring    | B               | \$21.17                          | \$21.17                          | 14.2%                 | 14.2%                 |
|                    | C               |                                  |                                  | 0.0%                  | 0.0%                  |
|                    | <b>Subtotal</b> | <b>\$21.17</b>                   | <b>\$21.17</b>                   | <b>11.9%</b>          | <b>11.9%</b>          |
| Mpls CBD Northeast | A               | \$26.07                          | \$25.51                          | 13.7%                 | 13.7%                 |
|                    | B               | \$23.06                          | \$22.79                          | 13.0%                 | 12.2%                 |
|                    | C               | \$26.15                          | \$21.08                          | 0.9%                  | 0.9%                  |
|                    | <b>Subtotal</b> | <b>\$23.44</b>                   | <b>\$22.74</b>                   | <b>11.6%</b>          | <b>10.9%</b>          |
| Mpls CBD Northloop | A               | \$36.18                          | \$36.68                          | 7.5%                  | 7.8%                  |
|                    | B               | \$26.89                          | \$25.37                          | 24.0%                 | 25.8%                 |
|                    | C               | \$25.43                          | \$25.43                          | 4.5%                  | 4.5%                  |
|                    | <b>Subtotal</b> | <b>\$29.63</b>                   | <b>\$28.85</b>                   | <b>12.3%</b>          | <b>13.1%</b>          |
| Mpls CBD Warehouse | A               |                                  |                                  | 0.0%                  | 0.0%                  |
|                    | B               | \$24.50                          | \$24.87                          | 16.1%                 | 16.5%                 |
|                    | C               |                                  |                                  | 0.0%                  | 0.0%                  |
|                    | <b>Subtotal</b> | <b>\$24.50</b>                   | <b>\$24.87</b>                   | <b>13.1%</b>          | <b>13.5%</b>          |
| Mpls CBD           | A               | \$34.33                          | \$32.89                          | 8.3%                  | 8.8%                  |
|                    | B               | \$25.26                          | \$24.66                          | 19.0%                 | 18.5%                 |
|                    | C               | \$22.04                          | \$20.55                          | 10.0%                 | 9.2%                  |
|                    | <b>Subtotal</b> | <b>\$27.23</b>                   | <b>\$26.35</b>                   | <b>12.3%</b>          | <b>12.3%</b>          |

# Lease and Vacancy Rates (All Properties Continued)

| Market             | Bldg Class      | Q4 18                | Q1 19                | Q4 18        | Q1 19        |
|--------------------|-----------------|----------------------|----------------------|--------------|--------------|
|                    |                 | Ave Lease Rate (FSG) | Ave Lease Rate (FSG) | Vacancy Rate | Vacancy Rate |
| Northeast          | A               | \$23.40              | \$21.19              | 7.4%         | 8.4%         |
|                    | B               | \$20.77              | \$19.57              | 8.1%         | 7.5%         |
|                    | C               | \$15.65              | \$14.90              | 4.1%         | 9.5%         |
|                    | <b>Subtotal</b> | <b>\$20.58</b>       | <b>\$19.23</b>       | <b>7.5%</b>  | <b>7.9%</b>  |
| Northwest          | A               | \$29.56              | \$29.56              | 7.4%         | 7.4%         |
|                    | B               | \$21.53              | \$21.94              | 12.8%        | 12.7%        |
|                    | C               | \$17.84              | \$17.92              | 7.5%         | 7.6%         |
|                    | <b>Subtotal</b> | <b>\$21.01</b>       | <b>\$21.28</b>       | <b>11.2%</b> | <b>11.1%</b> |
| Saint Paul CBD     | A               | \$24.42              | \$24.66              | 13.7%        | 13.9%        |
|                    | B               | \$18.74              | \$18.56              | 14.3%        | 12.4%        |
|                    | C               | \$20.64              | \$19.36              | 12.0%        | 13.5%        |
|                    | <b>Subtotal</b> | <b>\$21.41</b>       | <b>\$20.85</b>       | <b>13.9%</b> | <b>13.0%</b> |
| Southeast          | A               | \$27.41              | \$25.84              | 10.6%        | 9.5%         |
|                    | B               | \$20.80              | \$20.47              | 13.0%        | 13.0%        |
|                    | C               | \$18.60              | \$18.15              | 2.2%         | 2.2%         |
|                    | <b>Subtotal</b> | <b>\$21.25</b>       | <b>\$20.67</b>       | <b>10.2%</b> | <b>9.9%</b>  |
| Southwest          | A               | \$30.14              | \$30.31              | 9.2%         | 8.7%         |
|                    | B               | \$22.51              | \$22.22              | 17.5%        | 17.3%        |
|                    | C               | \$21.24              | \$21.88              | 8.8%         | 9.0%         |
|                    | <b>Subtotal</b> | <b>\$24.38</b>       | <b>\$24.26</b>       | <b>13.0%</b> | <b>12.7%</b> |
| West               | A               | \$35.89              | \$37.02              | 13.6%        | 10.8%        |
|                    | B               | \$26.87              | \$26.51              | 8.0%         | 7.9%         |
|                    | C               | \$24.10              | \$23.49              | 32.9%        | 34.2%        |
|                    | <b>Subtotal</b> | <b>\$28.95</b>       | <b>\$28.77</b>       | <b>11.9%</b> | <b>10.9%</b> |
| <b>Grand Total</b> |                 | <b>\$23.85</b>       | <b>\$23.23</b>       | <b>11.4%</b> | <b>11.2%</b> |

Available and Vacancy Rates (All Properties)



# Market Statistics by Market (Multi-Tenant)

| Market             | Bldg Class      | # of Bldgs | Inventory         | Q1 19<br>Available (sf) | Q1 19<br>Vacant (sf) | Q1 19<br>Absorption (sf) | Q1 19<br>Vacancy Rate |
|--------------------|-----------------|------------|-------------------|-------------------------|----------------------|--------------------------|-----------------------|
| Mpls CBD Core      | A               | 24         | 17,096,858        | 2,391,912               | 1,796,252            | (105,051)                | 10.5%                 |
|                    | B               | 28         | 7,705,830         | 1,381,821               | 1,462,296            | 31,260                   | 19.0%                 |
|                    | C               | 8          | 746,060           | 123,083                 | 123,083              | 0                        | 16.5%                 |
|                    | <b>Subtotal</b> | <b>60</b>  | <b>25,548,748</b> | <b>3,896,816</b>        | <b>3,381,631</b>     | <b>(73,791)</b>          | <b>13.2%</b>          |
| Mpls CBD East      | A               | 4          | 1,229,061         | 5,096                   | 5,096                | 0                        | 0.4%                  |
|                    | B               | 5          | 926,220           | 315,182                 | 288,684              | 39,701                   | 31.2%                 |
|                    | C               | 3          | 183,316           | 36,447                  | 25,416               | 15,378                   | 13.9%                 |
|                    | <b>Subtotal</b> | <b>12</b>  | <b>2,338,597</b>  | <b>356,725</b>          | <b>319,196</b>       | <b>55,079</b>            | <b>13.6%</b>          |
| Mpls CBD Loring    | B               | 3          | 143,760           | 28,118                  | 20,353               | 0                        | 14.2%                 |
|                    | C               | 1          | 26,848            |                         |                      | 0                        | 0.0%                  |
|                    | <b>Subtotal</b> | <b>4</b>   | <b>170,608</b>    | <b>28,118</b>           | <b>20,353</b>        | <b>0</b>                 | <b>11.9%</b>          |
| Mpls CBD Northeast | A               | 1          | 191,610           | 26,331                  | 26,331               | 0                        | 13.7%                 |
|                    | B               | 24         | 2,152,187         | 331,330                 | 308,269              | 19,851                   | 14.3%                 |
|                    | C               | 5          | 380,753           | 62,716                  | 3,585                | 0                        | 0.9%                  |
|                    | <b>Subtotal</b> | <b>30</b>  | <b>2,724,550</b>  | <b>420,377</b>          | <b>338,185</b>       | <b>19,851</b>            | <b>12.4%</b>          |
| Mpls CBD Northloop | A               | 4          | 1,022,934         | 193,374                 | 101,852              | (4,100)                  | 10.0%                 |
|                    | B               | 14         | 812,662           | 220,964                 | 209,563              | (14,877)                 | 25.8%                 |
|                    | C               | 5          | 385,546           | 17,345                  | 17,345               | 0                        | 4.5%                  |
|                    | <b>Subtotal</b> | <b>23</b>  | <b>2,221,142</b>  | <b>431,683</b>          | <b>328,760</b>       | <b>(18,977)</b>          | <b>14.8%</b>          |
| Mpls CBD Warehouse | A               | 1          | 245,398           |                         |                      | 0                        | 0.0%                  |
|                    | B               | 14         | 1,633,117         | 332,400                 | 269,978              | (7,476)                  | 16.5%                 |
|                    | C               | 2          | 126,185           |                         |                      | 0                        | 0.0%                  |
|                    | <b>Subtotal</b> | <b>17</b>  | <b>2,004,700</b>  | <b>332,400</b>          | <b>269,978</b>       | <b>(7,476)</b>           | <b>13.5%</b>          |
| Mpls CBD           | A               | 34         | 19,785,861        | 2,616,713               | 1,929,531            | (109,151)                | 9.8%                  |
|                    | B               | 88         | 13,373,776        | 2,609,815               | 2,559,143            | 68,459                   | 19.1%                 |
|                    | C               | 24         | 1,848,708         | 239,591                 | 169,429              | 15,378                   | 9.2%                  |
|                    | <b>Subtotal</b> | <b>146</b> | <b>35,008,345</b> | <b>5,466,119</b>        | <b>4,658,103</b>     | <b>(25,314)</b>          | <b>13.3%</b>          |

# Market Statistics by Market (Multi-Tenant Continued)

| Market             | Bldg Class      | # of Bldgs | Inventory         | Q1 19 Available (sf) | Q1 19 Vacant (sf) | Q1 19 Absorption (sf) | Q1 19 Vacancy Rate |
|--------------------|-----------------|------------|-------------------|----------------------|-------------------|-----------------------|--------------------|
| Northeast          | A               | 17         | 1,453,192         | 442,270              | 432,387           | (52,008)              | 29.8%              |
|                    | B               | 106        | 6,045,101         | 978,602              | 775,017           | 89,037                | 12.8%              |
|                    | C               | 29         | 1,703,278         | 87,005               | 81,787            | 23,543                | 4.8%               |
|                    | <b>Subtotal</b> | <b>152</b> | <b>9,201,570</b>  | <b>1,507,877</b>     | <b>1,289,191</b>  | <b>60,572</b>         | <b>14.0%</b>       |
| Northwest          | A               | 2          | 447,693           | 3,525                | 46,987            | 0                     | 10.5%              |
|                    | B               | 64         | 3,445,217         | 589,754              | 484,991           | 5,161                 | 14.1%              |
|                    | C               | 14         | 568,087           | 80,456               | 79,022            | (1,446)               | 13.9%              |
|                    | <b>Subtotal</b> | <b>80</b>  | <b>4,460,997</b>  | <b>673,735</b>       | <b>611,000</b>    | <b>3,715</b>          | <b>13.7%</b>       |
| Saint Paul CBD     | A               | 11         | 3,654,594         | 529,004              | 508,614           | (7,439)               | 13.9%              |
|                    | B               | 26         | 5,246,835         | 720,981              | 700,997           | 110,607               | 13.4%              |
|                    | C               | 7          | 916,601           | 132,440              | 131,446           | (14,729)              | 14.3%              |
|                    | <b>Subtotal</b> | <b>44</b>  | <b>9,818,030</b>  | <b>1,382,425</b>     | <b>1,341,057</b>  | <b>88,439</b>         | <b>13.7%</b>       |
| Southeast          | A               | 13         | 1,959,518         | 341,441              | 337,349           | 37,317                | 17.2%              |
|                    | B               | 109        | 6,378,199         | 1,261,004            | 967,625           | 3,779                 | 15.2%              |
|                    | C               | 27         | 1,018,120         | 65,234               | 60,115            | 1,027                 | 5.9%               |
|                    | <b>Subtotal</b> | <b>149</b> | <b>9,355,837</b>  | <b>1,667,679</b>     | <b>1,365,089</b>  | <b>42,123</b>         | <b>14.6%</b>       |
| Southwest          | A               | 35         | 7,408,487         | 1,207,267            | 924,210           | 50,466                | 12.5%              |
|                    | B               | 127        | 9,483,903         | 2,086,174            | 1,663,310         | 25,899                | 17.5%              |
|                    | C               | 23         | 1,308,131         | 115,649              | 170,973           | (5,096)               | 13.1%              |
|                    | <b>Subtotal</b> | <b>185</b> | <b>18,200,521</b> | <b>3,409,090</b>     | <b>2,758,493</b>  | <b>71,269</b>         | <b>15.2%</b>       |
| West               | A               | 15         | 3,245,011         | 772,722              | 401,628           | 104,632               | 12.4%              |
|                    | B               | 54         | 5,351,625         | 805,735              | 441,750           | 8,015                 | 8.3%               |
|                    | C               | 8          | 596,473           | 87,807               | 252,157           | (9,246)               | 42.3%              |
|                    | <b>Subtotal</b> | <b>77</b>  | <b>9,193,109</b>  | <b>1,666,264</b>     | <b>1,095,535</b>  | <b>103,401</b>        | <b>11.9%</b>       |
| <b>Grand Total</b> |                 | <b>833</b> | <b>95,238,409</b> | <b>15,773,189</b>    | <b>13,118,468</b> | <b>344,205</b>        | <b>13.8%</b>       |



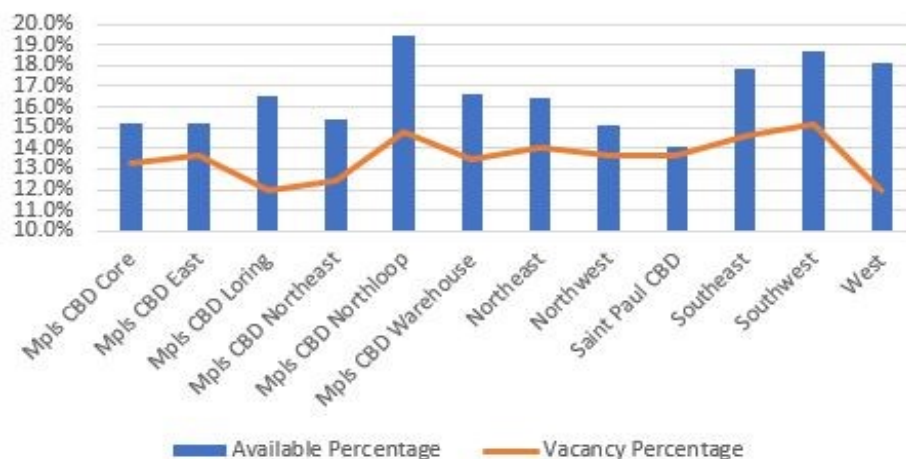
# Lease and Vacancy Rates (Multi-Tenant)

| Market             | Bldg Class      | Q4 18                | Q1 19                | Q4 18        | Q1 19        |
|--------------------|-----------------|----------------------|----------------------|--------------|--------------|
|                    |                 | Ave Lease Rate (FSG) | Ave Lease Rate (FSG) | Vacancy Rate | Vacancy Rate |
| Mpls CBD Core      | A               | \$34.39              | \$32.37              | 9.9%         | 10.5%        |
|                    | B               | \$27.27              | \$26.20              | 19.4%        | 19.0%        |
|                    | C               | \$23.38              | \$23.38              | 16.5%        | 16.5%        |
|                    | <b>Subtotal</b> | <b>\$30.07</b>       | <b>\$28.68</b>       | <b>12.9%</b> | <b>13.2%</b> |
| Mpls CBD East      | A               |                      |                      | 0.4%         | 0.4%         |
|                    | B               | \$26.32              | \$26.32              | 35.5%        | 31.2%        |
|                    | C               | \$18.20              | \$13.36              | 22.3%        | 13.9%        |
|                    | <b>Subtotal</b> | <b>\$22.26</b>       | <b>\$21.14</b>       | <b>16.0%</b> | <b>13.6%</b> |
| Mpls CBD Loring    | B               | \$21.17              | \$21.17              | 14.2%        | 14.2%        |
|                    | C               |                      |                      | 0.0%         | 0.0%         |
|                    | <b>Subtotal</b> | <b>\$21.17</b>       | <b>\$21.17</b>       | <b>11.9%</b> | <b>11.9%</b> |
| Mpls CBD Northeast | A               | \$26.07              | \$25.51              | 13.7%        | 13.7%        |
|                    | B               | \$23.06              | \$22.79              | 15.2%        | 14.3%        |
|                    | C               | \$26.15              | \$21.08              | 0.9%         | 0.9%         |
|                    | <b>Subtotal</b> | <b>\$23.44</b>       | <b>\$22.74</b>       | <b>13.1%</b> | <b>12.4%</b> |
| Mpls CBD Northloop | A               | \$36.18              | \$36.68              | 9.6%         | 10.0%        |
|                    | B               | \$26.89              | \$25.37              | 24.0%        | 25.8%        |
|                    | C               | \$25.43              | \$25.43              | 4.5%         | 4.5%         |
|                    | <b>Subtotal</b> | <b>\$29.63</b>       | <b>\$28.85</b>       | <b>13.9%</b> | <b>14.8%</b> |
| Mpls CBD Warehouse | A               |                      |                      | 0.0%         | 0.0%         |
|                    | B               | \$24.50              | \$24.87              | 16.1%        | 16.5%        |
|                    | C               |                      |                      | 0.0%         | 0.0%         |
|                    | <b>Subtotal</b> | <b>\$24.50</b>       | <b>\$24.87</b>       | <b>13.1%</b> | <b>13.5%</b> |
| Mpls CBD           | A               | \$34.33              | \$32.89              | 9.2%         | 9.8%         |
|                    | B               | \$25.26              | \$24.66              | 19.6%        | 19.1%        |
|                    | C               | \$22.04              | \$20.55              | 10.0%        | 9.2%         |
|                    | <b>Subtotal</b> | <b>\$27.23</b>       | <b>\$26.35</b>       | <b>13.2%</b> | <b>13.3%</b> |

# Lease and Vacancy Rates (Multi-Tenant Continued)

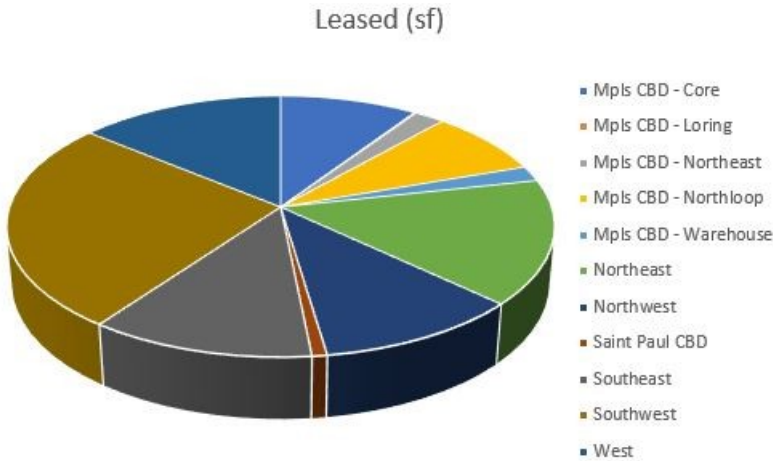
| Market             | Bldg Class      | Q4 18                | Q1 19                | Q4 18        | Q1 19        |
|--------------------|-----------------|----------------------|----------------------|--------------|--------------|
|                    |                 | Ave Lease Rate (FSG) | Ave Lease Rate (FSG) | Vacancy Rate | Vacancy Rate |
| Northeast          | A               | \$23.40              | \$21.19              | 26.2%        | 29.8%        |
|                    | B               | \$20.72              | \$19.97              | 14.3%        | 12.8%        |
|                    | C               | \$15.65              | \$14.89              | 6.2%         | 4.8%         |
|                    | <b>Subtotal</b> | <b>\$20.54</b>       | <b>\$19.57</b>       | <b>14.7%</b> | <b>14.0%</b> |
| Northwest          | A               | \$29.56              | \$29.56              | 10.5%        | 10.5%        |
|                    | B               | \$21.53              | \$21.94              | 14.2%        | 14.1%        |
|                    | C               | \$17.84              | \$17.92              | 13.7%        | 13.9%        |
|                    | <b>Subtotal</b> | <b>\$21.01</b>       | <b>\$21.28</b>       | <b>13.8%</b> | <b>13.7%</b> |
| Saint Paul CBD     | A               | \$24.42              | \$24.66              | 13.7%        | 13.9%        |
|                    | B               | \$18.74              | \$18.56              | 15.5%        | 13.4%        |
|                    | C               | \$20.64              | \$19.36              | 12.7%        | 14.3%        |
|                    | <b>Subtotal</b> | <b>\$21.41</b>       | <b>\$20.85</b>       | <b>14.6%</b> | <b>13.7%</b> |
| Southeast          | A               | \$27.41              | \$25.84              | 19.1%        | 17.2%        |
|                    | B               | \$20.80              | \$20.47              | 15.2%        | 15.2%        |
|                    | C               | \$18.60              | \$18.15              | 6.0%         | 5.9%         |
|                    | <b>Subtotal</b> | <b>\$21.25</b>       | <b>\$20.67</b>       | <b>15.0%</b> | <b>14.6%</b> |
| Southwest          | A               | \$30.14              | \$30.31              | 13.2%        | 12.5%        |
|                    | B               | \$22.51              | \$22.22              | 17.8%        | 17.5%        |
|                    | C               | \$21.24              | \$21.88              | 12.7%        | 13.1%        |
|                    | <b>Subtotal</b> | <b>\$24.38</b>       | <b>\$24.26</b>       | <b>15.5%</b> | <b>15.2%</b> |
| West               | A               | \$35.89              | \$37.02              | 15.6%        | 12.4%        |
|                    | B               | \$26.87              | \$26.22              | 8.4%         | 8.3%         |
|                    | C               | \$24.10              | \$23.49              | 40.7%        | 42.3%        |
|                    | <b>Subtotal</b> | <b>\$28.95</b>       | <b>\$28.62</b>       | <b>13.0%</b> | <b>11.9%</b> |
| <b>Grand Total</b> |                 | <b>\$23.86</b>       | <b>\$23.30</b>       | <b>14.1%</b> | <b>13.8%</b> |

Available and Vacancy Rates (Multi-Tenant)



# Leasing Activity

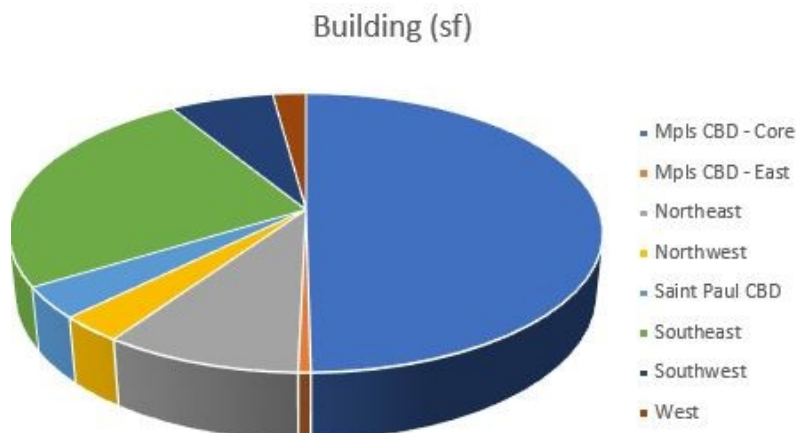
| PROPERTY  | SIZE (SF) | MARKET    | TENANT      | LANDLORD   |
|---|-----------|-----------|-------------|--|
| AT&T Tower<br>901 S Marquette Ave                           | 118,202   | Mpls CBD  | Thrivent    | 901 Marquette, LLC                               |
| Target West<br>3701 Wayzata Blvd                            | 65,000    | West      | Regis       | Opus Group                                       |
| Midway Innovation Center I & II<br>2340-2344 Energy Park Dr | 69,437    | Northeast | Alula       | CSM Investors II Inc                             |
| The Nordic<br>729 N Washington Ave                          | 60,189    | Mpls CBD  | WeWork      | United Properties                                |
| Oracle Centre<br>900 S 2nd Ave                              | 60,000    | Mpls CBD  | SureScripts | 900-920 2nd LL LLC<br>c/o Investcorp Intl Realty |



| Market               | Leased (sf)      |
|----------------------|------------------|
| Mpls CBD - Core      | 118,325          |
| Mpls CBD - Loring    | 1,397            |
| Mpls CBD - Northeast | 26,064           |
| Mpls CBD - Northloop | 102,677          |
| Mpls CBD - Warehouse | 24,045           |
| Northeast            | 194,693          |
| Northwest            | 134,964          |
| Saint Paul CBD       | 9,770            |
| Southeast            | 146,222          |
| Southwest            | 328,150          |
| West                 | 177,310          |
| <b>Grand Total</b>   | <b>1,263,617</b> |

# Sales Activity

| PROPERTY                                   | PRICE         | MARKET    | BUYER   | SELLER   |
|--|---------------|-----------|---|--|
| SPS Tower<br>333 S 7th St                  | \$144,000,000 | Mpls CBD  | Sumitomo Corp                                   | CSDV-MN LLP<br>c/o California Teachers Retirement System                         |
| International Centre<br>920 2nd Ave S      |               |           |   | 900-920 2nd LL, LLC  |
| Oracle Centre<br>900 S 2nd Ave             | \$73,700,000  | Mpls CBD  | G & I IX OIC, LLC<br>c/o DRA Advisors           | c/o CrossHarbor Capital Partners LLC and WelshInvest                             |
| Atria Corporate Center<br>3033 Campus Dr   | \$55,500,000  | West      | Pembroke TCM Atria LLC<br>c/o Pembrok IV        | Talcott III Atria, LLC<br>c/o Talcott Realty Investors                           |
| Woodlake Centre<br>6601-6625 Lyndale Ave S | \$32,967,000  | Southeast | Woodlake Centre MOB, LLC<br>c/o Ryan Cos        | Woodlake Partners, LLC<br>c/o Laurus Corp  |
| 12800-12900 Whitewater Dr                  | \$19,000,000  | Southwest | Minnetonka I & II Complex, LLC<br>AtWater Group | Minnetonka Whitewater, LLC<br>c/o Ryan Companies & Wayzata Investment Properties |



| Market             | Building (sf)    |
|--------------------|------------------|
| Mpls CBD - Core    | 1,770,243        |
| Mpls CBD - East    | 20,664           |
| Northeast          | 327,799          |
| Northwest          | 107,742          |
| Saint Paul CBD     | 129,220          |
| Southeast          | 889,750          |
| Southwest          | 235,433          |
| West               | 75,435           |
| <b>Grand Total</b> | <b>3,628,336</b> |

# Methodology

The Mpls-St Paul market consists of single and multi-tenant office buildings 20,000 sf or larger or part of a complex larger than 20,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does not include medical or government properties. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on a FSG terms with Net type leases grossed up.

**The Mpls-St Paul tracked set consists of an inventory of buildings considered to be competitive by the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for each market area.**

## Terminology

|                             |   |
|-----------------------------|---|
| <b>Inventory</b>            | The total square feet (sf) of existing single and 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 and Washington Counties.  |
| <b>Total Available (sf)</b> | 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. |
| <b>Total Vacant (sf)</b>    | The total of all the vacant square feet within a building including both direct and sublease space.   |
| <b>Direct Vacant (sf)</b>   | The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.  |
| <b>Sublease Space</b>       | 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.  |
| <b>Net Absorption</b>       | The net change in occupancy from quarter to quarter, expressed in square feet.  |
| <b>Average Asking Rate</b>  | The average lease rate expressed as a per square foot value in FSG terms with Net type leases grossed up.   |

# Advisory Board Members

|                        |                  |                       |                   |
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|                        | Brent Karkula    | Frauenshuh            | Jason Butterfield |
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|                        | Brian Wasserman  | JLL                   | Mike Phelan       |
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|                        | Kevin O'Neill    | KW Commercial Midwest | Andrew Manthei    |
|                        | Eric Rapp        | Lee & Associates      | Kai Thomsen       |
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|                        | Sam Maguire      |                       | Mike Honsa        |
|                        | Tom Stella       |                       | Jim Montez        |
|                        | Mark Stevens     |                       |                   |

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|                        |                  |                      |               |
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| Colliers International | Andrew Brick     | Newmark Knight Frank | Maura Carland |
| Cushman & Wakefield    | Patrick Hamilton |                      |               |

# REDIComps Team

|                  |                                 |  |              |
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| Jon Holm         | Regional Director of Sales      | <a href="mailto:jon@redicomps.com">jon@redicomps.com</a>           | 612-802-0499 |
| Jeremy Bengston  | CEO                             | <a href="mailto:jeremy@redicomps.com">jeremy@redicomps.com</a>     |              |
| Lisa Bengston    | Regional Director of Sale Comps | <a href="mailto:lisa@redicomps.com">lisa@redicomps.com</a>         |              |
| Kim Platz        | Regional Director of Research   | <a href="mailto:kim@redicomps.com">kim@redicomps.com</a>           | 816-651-6686 |
| Tracy Herring    | Listings Researcher             | <a href="mailto:tracy@redicomps.com">tracy@redicomps.com</a>       | 816-210-9337 |
| Lisa Ison        | Listings Researcher             | <a href="mailto:lisa@redicomps.com">lisa@redicomps.com</a>         | 816-606-7737 |
| Michelle Siegert | Listings Researcher             | <a href="mailto:michelle@redicomps.com">michelle@redicomps.com</a> | 816-230-0116 |