MARKET TRENDS

Q4 2018 | Mpls-St Paul | Industrial

Employment

	Current	Y-o-Y
Employment	1,966,722	▲
Area Unemployment	2.0	▼
U.S. Unemployment	3.8	▼
Industrial Jobs	202,400	▲

Source: BLS

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

Market Recap

Total Inventory (sf)	119,303,028
Total # of Bldgs	1,439
Availability	11.4%
Vacancy	8.2%
Asking Rate Low (NNN)	$5.82
Asking Rate High (NNN)	$9.00
Under Construction (sf)	2,973,894

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) decreased 50 basis points from 2.5% in November 2017 to 2.0% in November 2018. The unemployment rate for the US was at 3.8% in October 2018, up from 2.8% for the State of Minnesota. The Mpls-St Paul MSA saw an increase in industrial job growth in manufacturing growing by 6,900 during the same period.

Market Overview

The Mpls-St Paul industrial market, consisting of 119 msf of space in eight counties across the metro posted an availability rate of 11.4% for Q4 2018. The vacancy rate for the market stands at 8.2% to close out 2018. The average asking lease low rate was $5.82 and high rate was $9.00 NNN for Mpls-St Paul. To date, there are 17 construction projects throughout the market, totaling just over 2.9 msf.

Market Highlights

At the close of Q4 2018, the market experienced over 1.9 msf of leasing activity and the vacancy rate finished the year at 8.2% in total with the Southeast market posting the lowest rate at 7.0%. The top five lease transactions accounted for over 490,797 sf throughout Mpls-St Paul with the largest leased space for Asmodee North America leasing 130,000 sf. Northeast warehouse distribution increased to 15,7% vacancy from 11.3% due to new deliveries totaling 468,188 sf.

Market Statistics by Submarkets

Submarket	Subcategory	# of Bldgs	Total Building Size SF	Avail %	Vacancy Rate	Ave Low Rate $	Ave High Rate $
Northeast	Warehouse Distribution	60	9,367,701	24.6%	15.8%	4.97	8.31
	Warehouse Flex	117	8,619,440	16.6%	6.6%	7.20	10.48
	Warehouse Office	240	17,669,633	8.5%	6.2%	4.92	7.91
	Northeast Total	417	35,656,774	14.9%	9.1%	5.86	9.01
Northwest	Warehouse Distribution	82	13,913,154	11.8%	9.0%	5.02	8.73
	Warehouse Flex	73	4,616,293	14.9%	13.4%	5.67	9.57
	Warehouse Office	129	8,176,667	9.8%	7.2%	5.83	7.79
	Northwest Total	284	26,706,114	11.7%	9.2%	5.65	8.52
Southeast	Warehouse Distribution	48	7,011,808	6.4%	4.8%	5.17	10.17
	Warehouse Flex	99	5,479,872	10.0%	7.4%	6.65	9.70
	Warehouse Office	132	8,862,522	9.7%	8.4%	5.01	8.57
	Southeast Total	279	21,354,202	8.7%	7.0%	5.80	9.16
Southwest	Warehouse Distribution	36	7,469,339	4.1%	3.2%	4.75	9.50
	Warehouse Flex	153	8,662,539	11.6%	10.2%	6.11	9.71
	Warehouse Office	139	9,828,536	11.1%	8.4%	5.91	8.51
	Southwest Total	328	25,960,414	9.2%	7.5%	5.96	9.17
West	Warehouse Distribution	20	2,465,056	5.7%	7.4%	4.25	8.75
	Warehouse Flex	51	3,399,230	17.0%	13.6%	5.97	10.25
	Warehouse Office	60	3,761,238	3.9%	1.9%	6.39	8.91
	West Total	131	9,625,524	9.0%	7.4%	5.85	9.60
Overall Market		1,439	119,303,028	11.4%	8.2%	5.82	9.00

Market Statistics by Property Type

Total

Property Type	# of Properties	Total Building Size SF	Total Avail SF	Total Vacant SF	Total Vacancy Rate
Warehouse Distribution	246	40,227,058	4,852,134	3,486,210	8.7%
Warehouse Flex	493	30,777,374	4,247,726	2,933,543	9.5%
Warehouse Office	700	48,298,596	4,383,892	3,332,222	6.9%
Grand Total	**1439**	**119,303,028**	**13,572,109**	**9,840,332**	**8.2%**

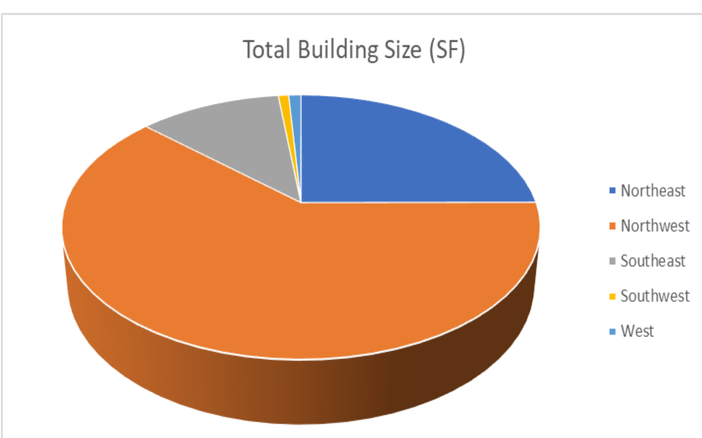
Direct

Property Type	# of Properties	Total Building Size SF	Direct Avail SF	Direct Vacant SF	Direct Vacancy Rate
Warehouse Distribution	246	40,227,058	4,704,555	3,080,309	7.7%
Warehouse Flex	493	30,777,374	3,827,876	2,519,626	8.2%
Warehouse Office	700	48,298,596	3,912,697	2,878,123	6.0%
Grand Total	**1439**	**119,303,028**	**12,533,485**	**8,566,415**	**7.1%**

Sublease

Property Type	# of Properties	Total Building Size SF	Sublease Avail SF	Sublease Vacant SF	Sublease Vacancy Rate
Warehouse Distribution	246	40,227,058	147,579		0.0%
Warehouse Flex	493	30,777,374	419,850	174,446	0.6%
Warehouse Office	700	48,298,596	471,195	200,058	0.4%
Grand Total	**1439**	**119,303,028**	**1,038,624**	**374,504**	**0.3%**

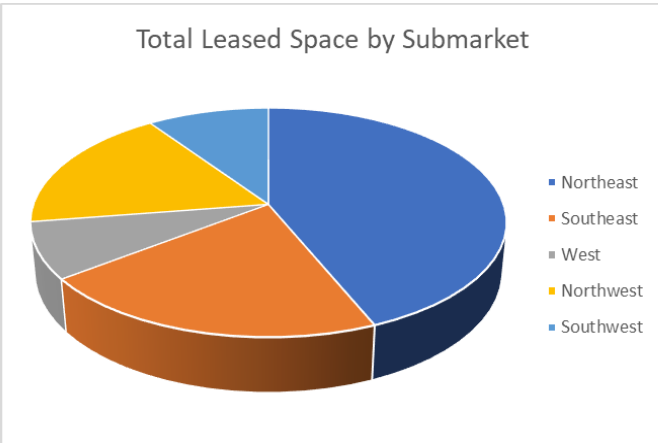
Construction by Submarket



Submarket	Under Construction (SF)
Northeast	742,132
Northwest	1,836,188
Southeast	341,134
Southwest	25,000
West	29,440
Grand Total	**2,973,894**

Leasing Activity

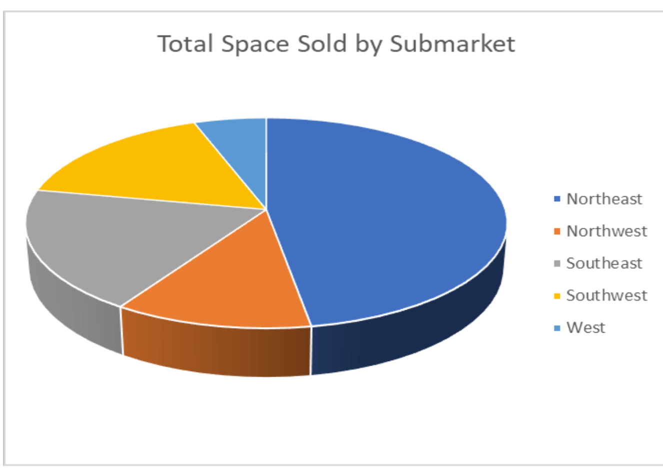
Property Name	Tenant	Occupancy	Submarket	Leased (SF)
Lakes Distribution Center 435 Park Court	Asmodee North America	Q4 2018	Northeast	130,000
9859 NE Naples St	Crown Ironworks	Q2 2019	Northeast	120,000
MSP Midway Industrial Park #9 2299 West Territorial Rd	Murphy Warehouse	Q4 2018	Northeast	101,795
Midway Stadium Business Center 1771 Energy Park Dr	Misco	Q2 2019	Northeast	70,785
Plymouth Ponds Business Park III 3580 Holly Ln	Urban Air	Q1 2019	West	68,217



Submarket	Leased sf
Northeast	838,883
Southeast	401,915
West	152,204
Northwest	341,845
Southwest	184,792

Sales Activity

Property Name	Buyer	Seller	Submarket	Sale Price ($)
Portfolio Sale 5900-6105 Golden Hills Dr 800 S 5th St	Artemis Real Estate Partners and Eagle Ridge Partners	Greenfield Partners		43,650,000
Red Rock Business Center 10100 89th Ave N	RMR Group	United Properties	Northwest	27,700,000
12999 N Wilfred Ln 13251 George Weber Dr	Cabot Properties Inc	The Meritex Co	Northwest	26,100,000
7401 Boone Ave	DRA Advisors LLC	Altus Properties	Northwest	18,990,000
12999 Wilfred Ln	Cabot Properties	Meritex Twin Cities Industrial I LLC	Northwest	17,900,000



Submarket	Sale sf
Northeast	1,010,845
Northwest	251,958
Southeast	403,541
Southwest	350,913
West	117,026

Methodology

The Mpls-St Paul market consists of multi-tenant industrial 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, Washington and Wright counties. The tracked set does not include self-storage facilities and non-conforming property types such as grain elevators or fuel storage facilities. 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 NNN basis.

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

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.
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.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
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.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Average Asking Rate	The average low and high asking lease rated expressed as a per square foot value in NNN terms.
Warehouse Distribution	Higher clear height and typically over 24 foot clear.
Warehouse Office	More office build out compared to warehouse distribution and clear heights less than 24 foot clear
Warehouse Flex	Higher end finishing and landscaping. More office build out compared to warehouse office.

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