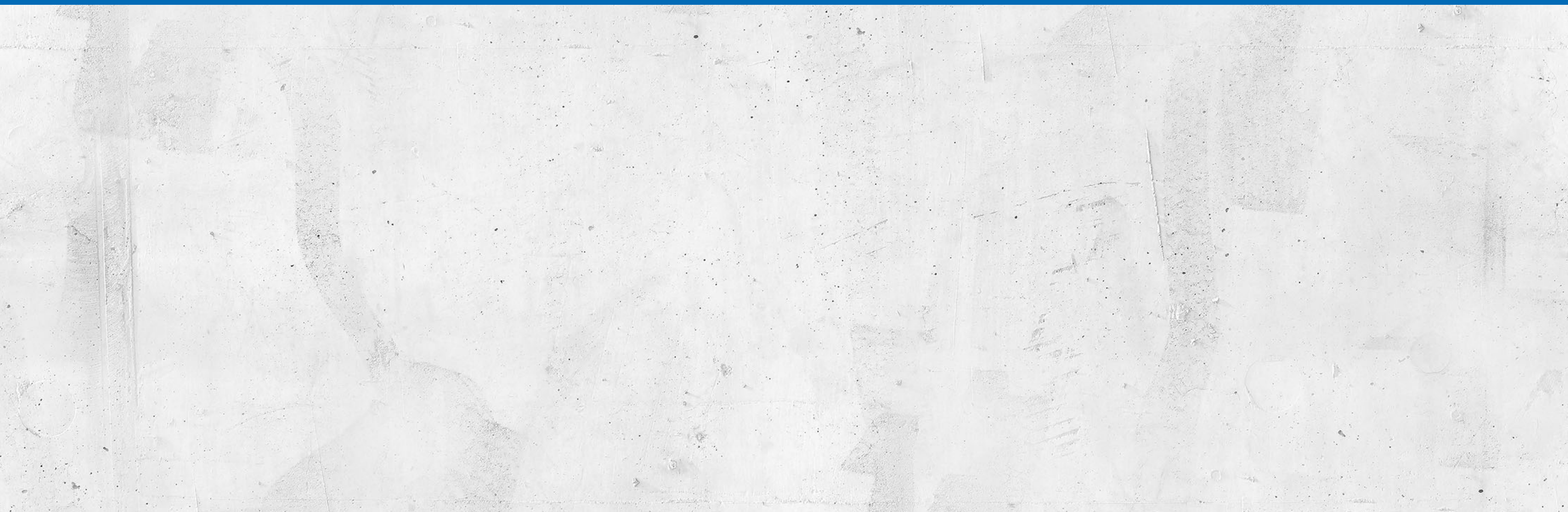


Minneapolis Industrial Market Overview



Market Observations

Economy

- Minneapolis benefits from the stability and vitality of a strong headquarters economy, home to 14 firms on the Fortune 500 list, the most per capita in the U.S. for a major metropolitan area. In addition, there are more than 320 Fortune 1000 companies with a local presence.
- The region has a committed workforce, with the highest labor force participation rate among major metropolitan areas at 72%.
- Minneapolis-St. Paul is a global leader in biotechnology and biomedical research, with deep roots in agriculture, food exports and water technology, and has one of the highest concentrations of banks and financial talent of any major metropolitan area.
- The area has a historically low unemployment rate, consistently lower than the national rate. The unemployment rate is 1.9% as of November 2023, compared to the national rate of 3.5%.

Major Transactions

- Lumberman's leased 90,000 square feet at Cottage Grove Logistics Park Building 1, which totals 282,000 square feet; a second building at the property spans 493,000 square feet. Both buildings were completed in 2023 by NorthPoint Development, with an additional 1.5 MSF available for build-to-suit options on-site.
- Murphy Logistics leased nearly 400,000 square feet in St. Paul at 345 Plato Blvd E.
- Capital Partners sold a trio of warehouse properties to Eyde Development for \$29M. The properties, located in Arden Hills, Burnsville and Bloomington, totaled over 214,000 square feet.
- Altus Properties bought Gateway Interstate Logistics Center in Arden Hills for \$44.4M from developer Scannell. The 250,000 square foot property is fully leased to Colder Products Co. and Delkor Systems Inc.

Leasing Market Fundamentals/Outlook

- The vacancy rate rose from 3.5% to 3.7% as deliveries continued, while absorption slowed.
- Asking rents increased to \$8.78, up from \$8.46 in 3Q23. Rates surged by 11.7% in 2023, building on 2022's growth rate of 9.2%.
- Asking rates for both new construction and second-generation space will continue to increase.
- Tenant activity began to decelerate in the last half of the year, with 4Q23 absorption of 1.8MSF and 2023 absorption of 3.6MSF, compared to 6.9MSF in 2022.
- Over 7.3 MSF was constructed in 2023 and there is currently 5.6MSF under construction. This included the 1MSF The Cubes at French Lake, developed by Chicago-based CRG and located in the outer-ring suburb of Dayton. The project is the state's largest speculative industrial project.
- User building sales have slowed considerably due to rising interest rates, though pricing remains historically high.
- Outside of buildings currently under construction, there are minimal speculative deliveries planned for 2024 and few new buildings are expected to be completed in 2024, except for occasional build to suit projects. Without new construction, vacancy is expected to remain low.
- Landlords are confident and optimistic, especially those anticipating longer hold periods. Tenants anticipating a shift from a landlord's market to a tenant's market will be disappointed.

1. Economy
2. Leasing Market Fundamentals

4Q23

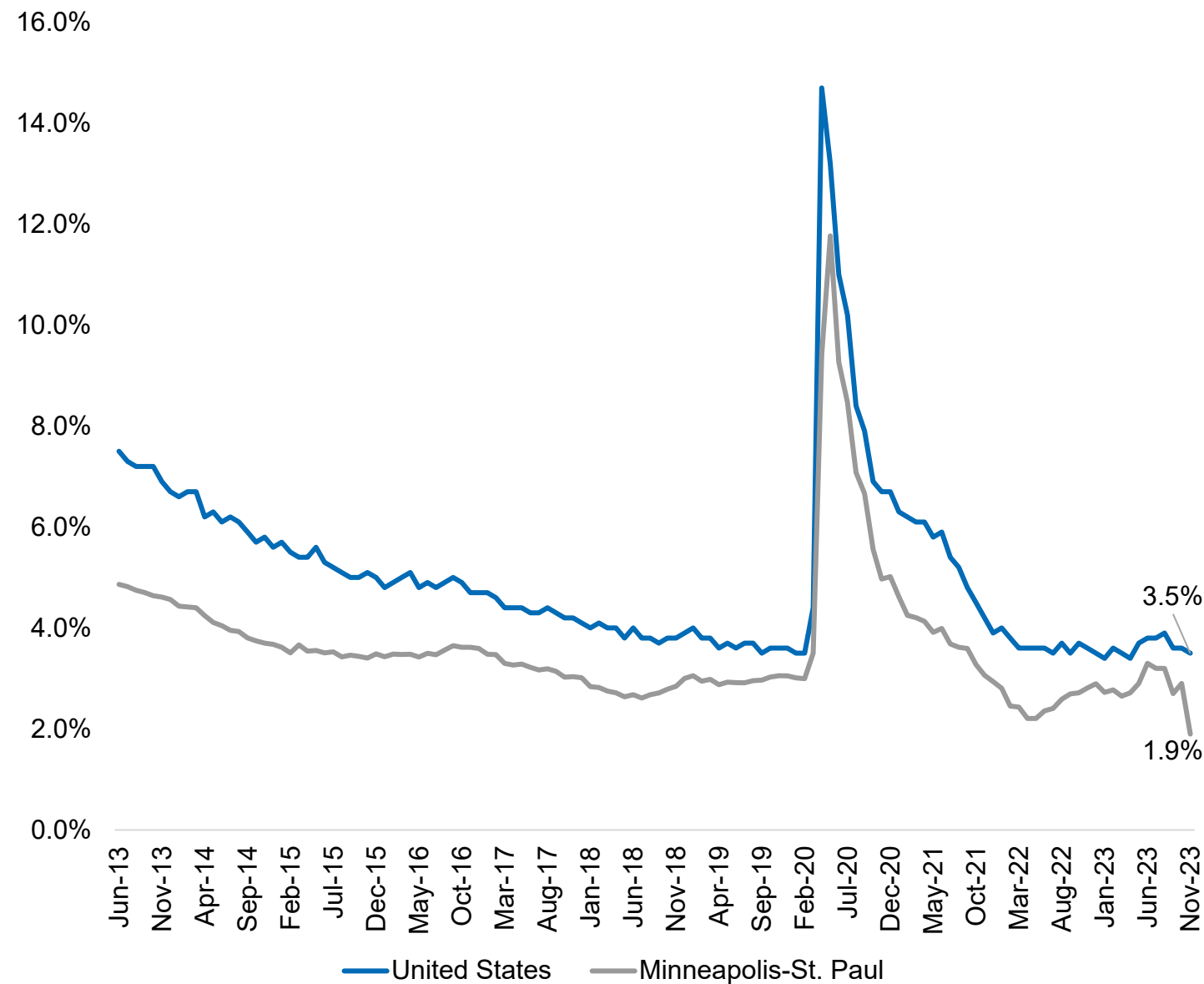
Economy



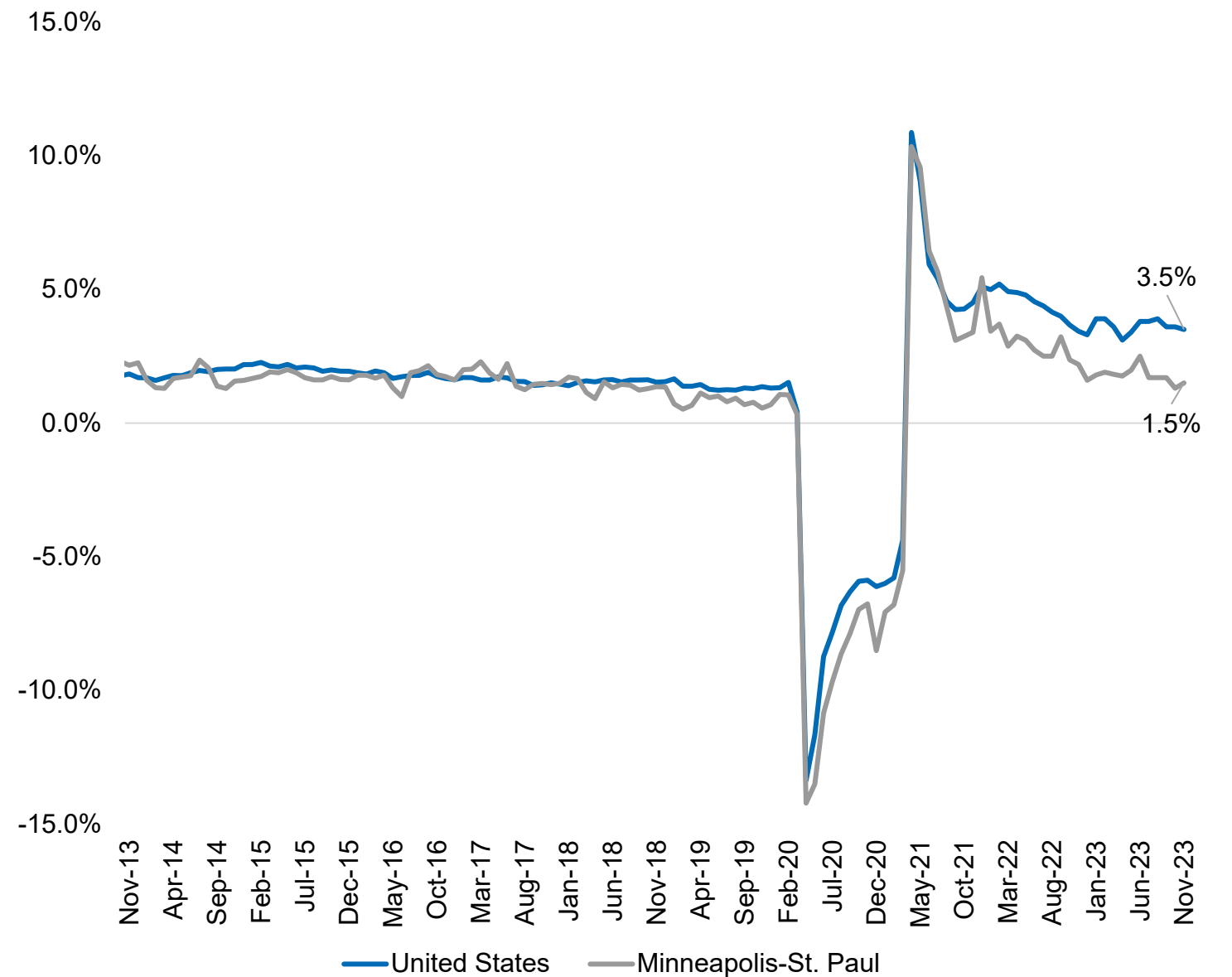
Minneapolis-St. Paul's Total Employment Continues to Increase

Minneapolis-St. Paul's unemployment rate was down to 1.9% in November from 2.9% in October. The U.S. unemployment rate also decreased to 3.5% from 3.9% in October. The disparity between local and national conditions continues while Minneapolis-St. Paul's economy grows steadily, with employment rising by 1.5% over the past 12 months.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

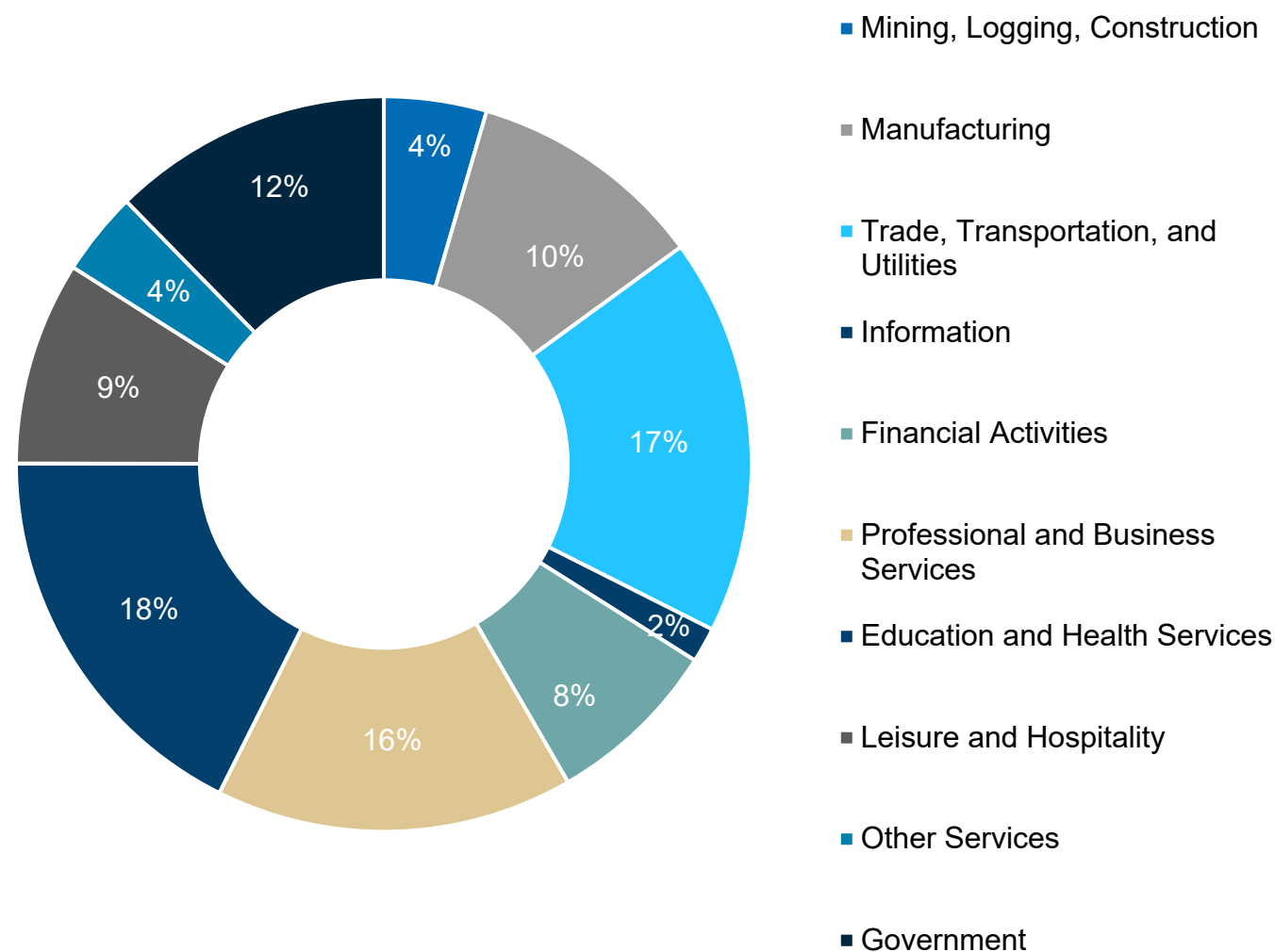


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

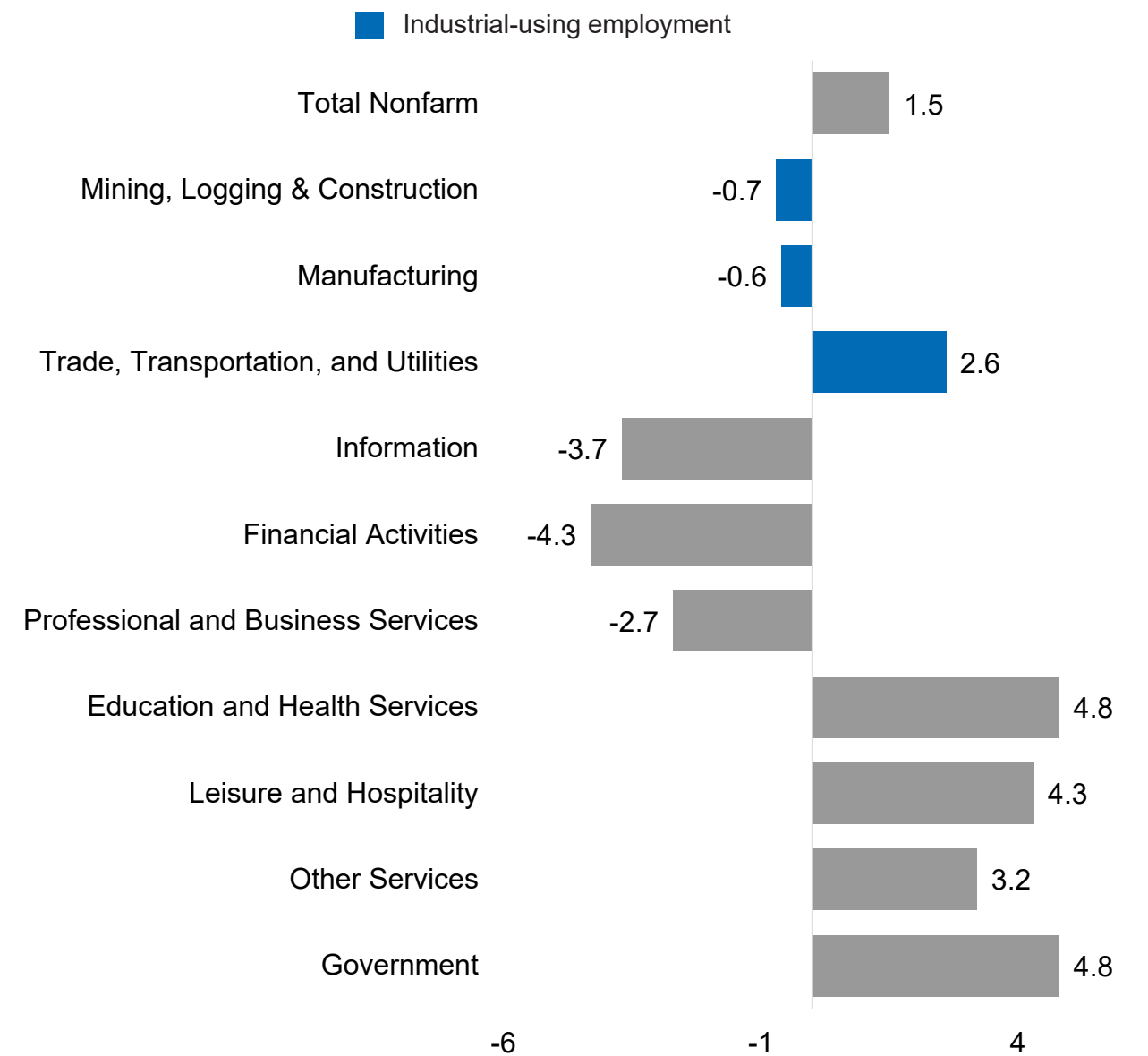
Industrial-Using Employment Up Overall

Employment in government, education and health services and leisure and hospitality sectors continue to experience strong growth; overall industrial employment is up, with Trade, Transportation and Utilities increasing by 2.6%.

Employment by Industry, November, 2023



Employment Growth by Industry, 12-Month % Change, November, 2023

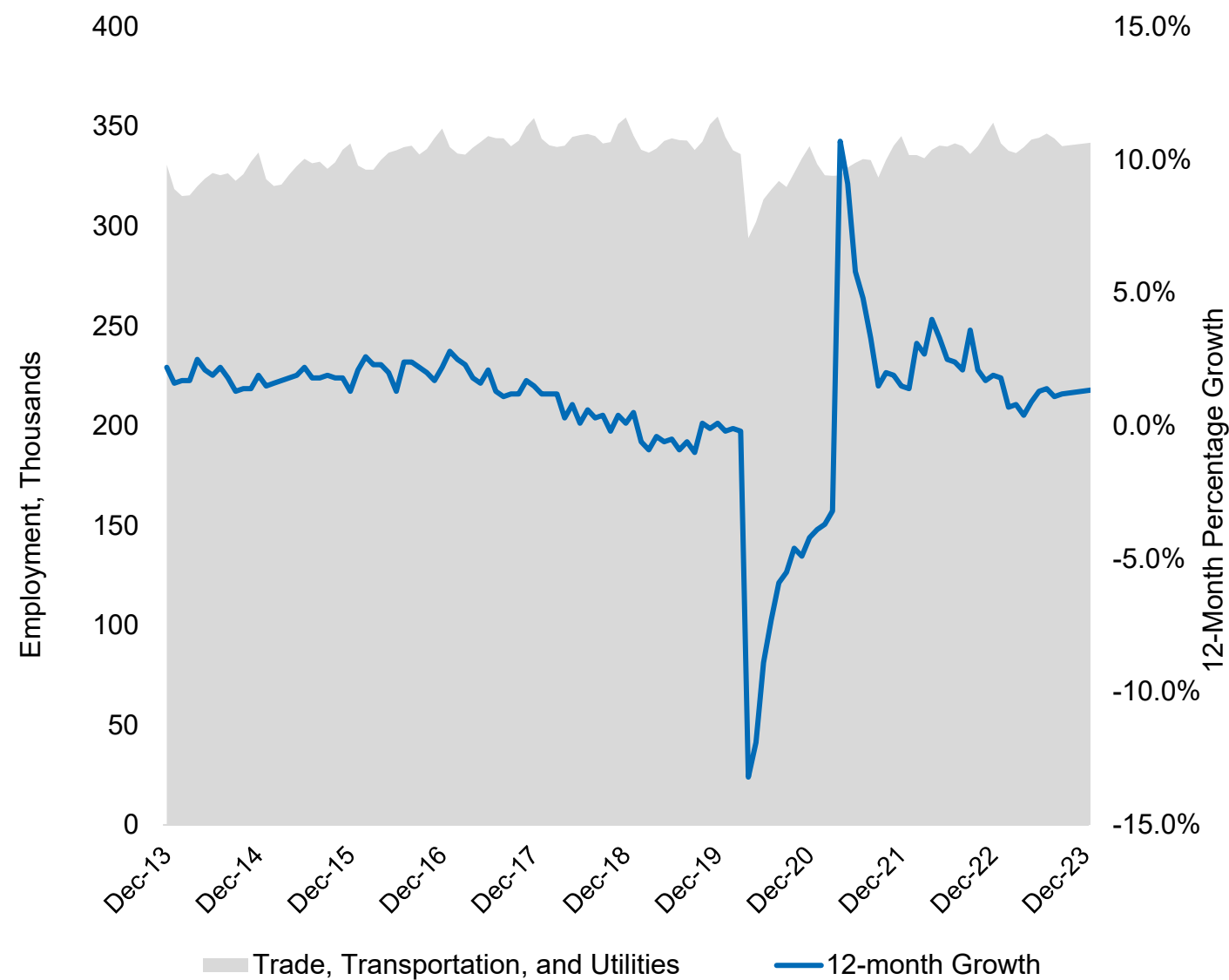


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

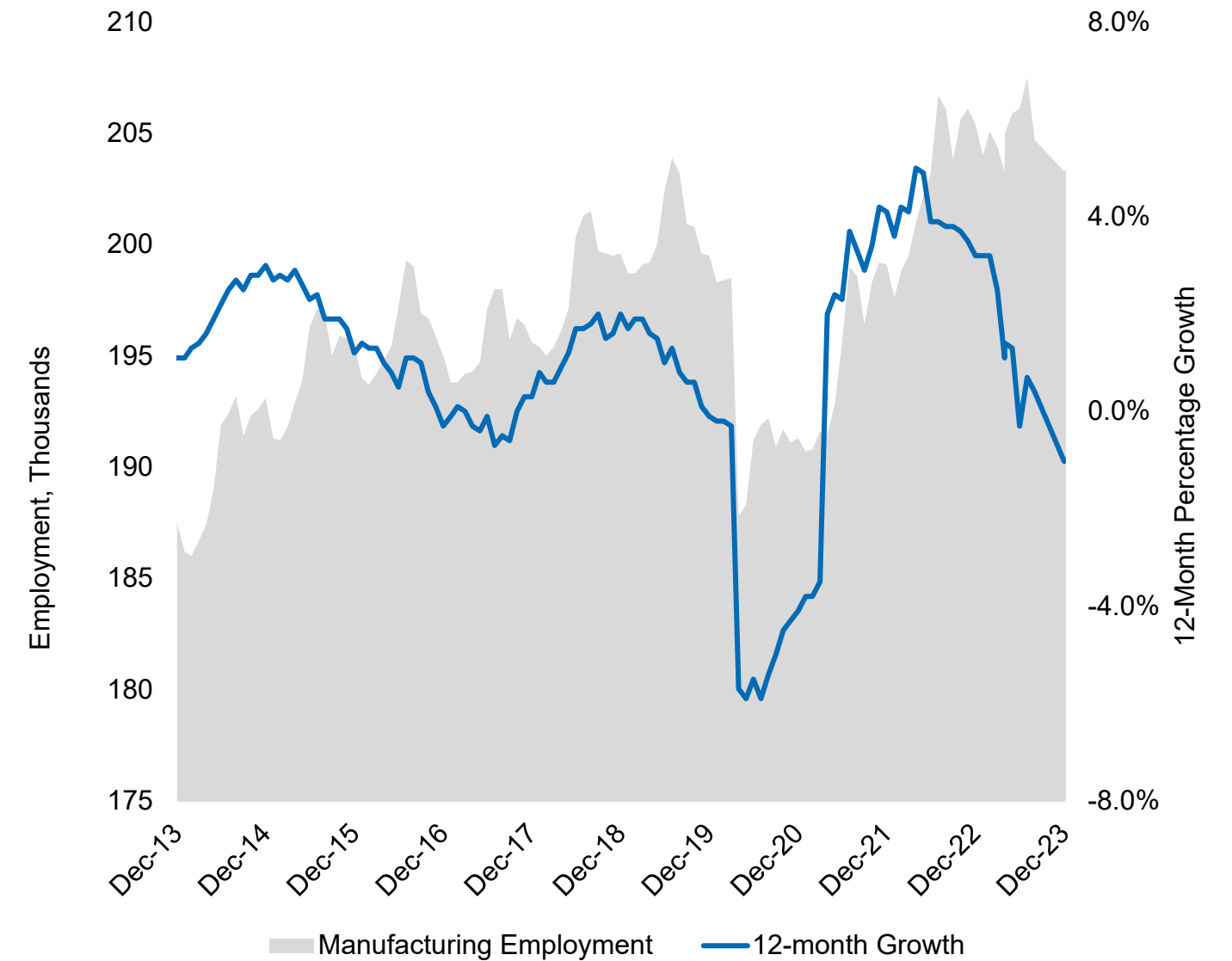
Industrial Employment Strong but Not Immune to Softening Conditions

Trade, Transportation and Utilities continues to experience steady growth while Manufacturing employment decreases.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

4Q23

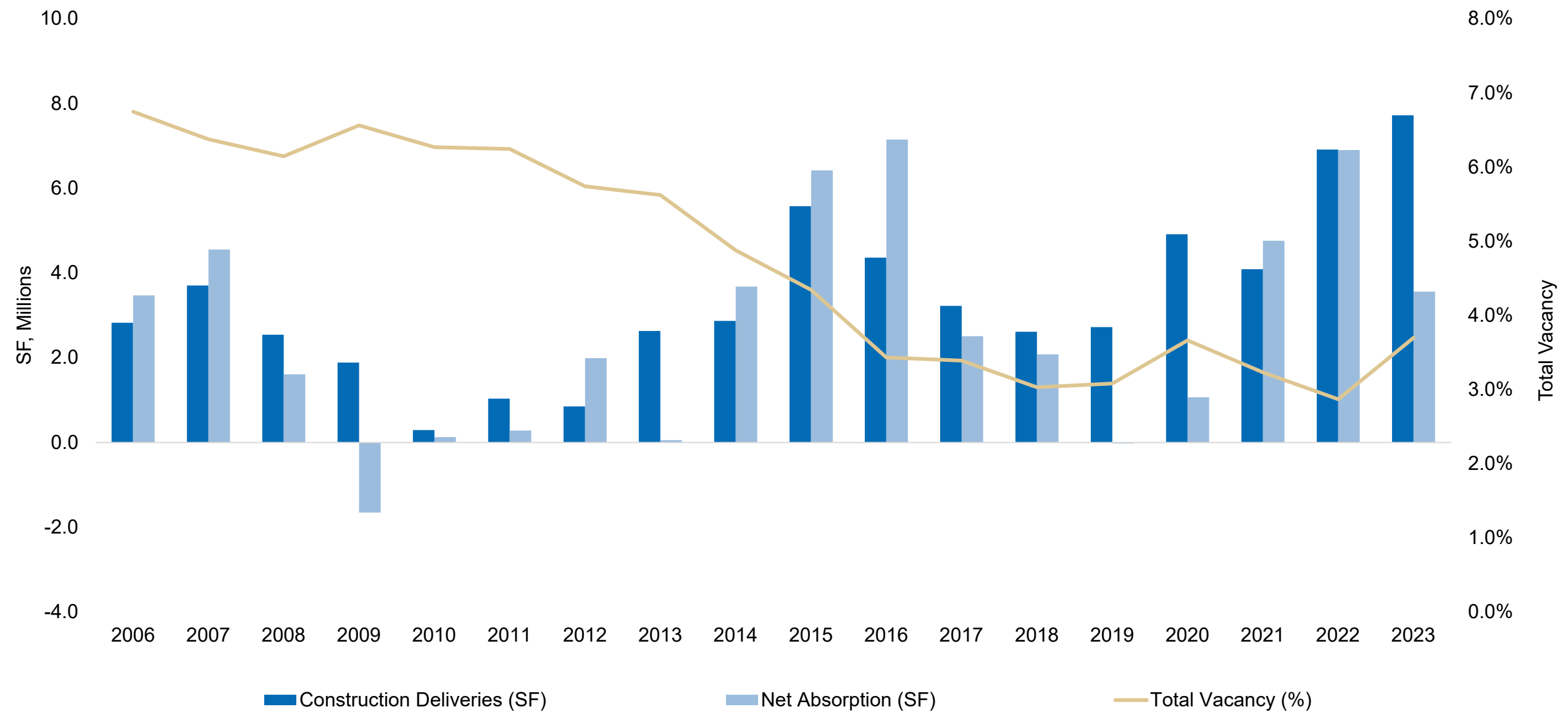
Leasing Market Fundamentals



Vacancy Rises as Construction Deliveries Outpace Net Absorption

The vacancy rate increased to 3.7% in 4Q23 from 2.9% in 4Q22. The market is recalibrating and while vacancy is expected to peak early in 2024, it will remain low by historical standards as construction slows and leasing activity is steady.

Historical Construction Deliveries, Net Absorption, and Vacancy

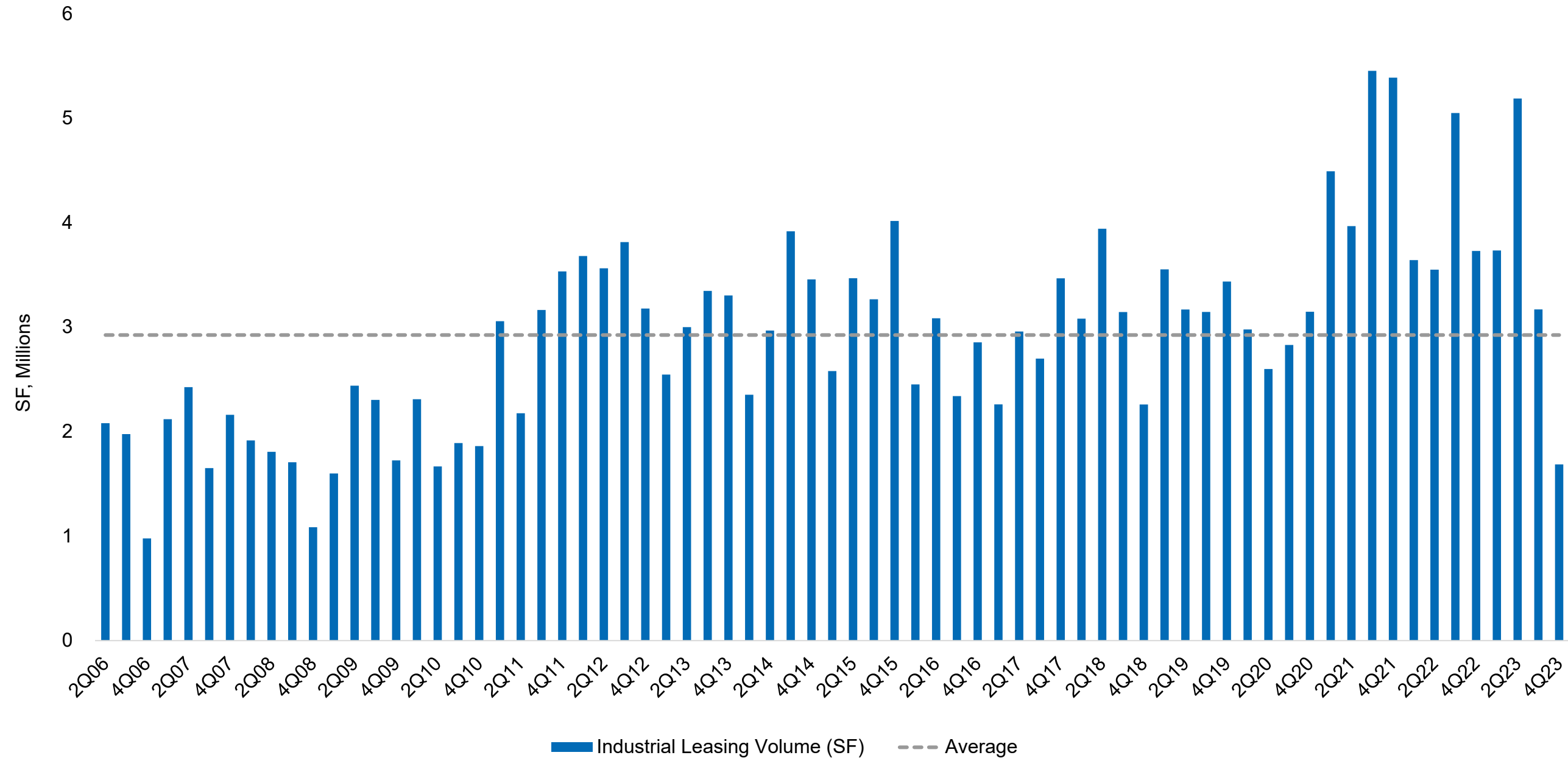


Source: Newmark Research, Costar

Industrial Leasing Activity Decelerates in the 4th Quarter

Industrial absorption slowed to 1.7 MSF in 4Q23, compared to 3.2 MSF in 3Q23 and 5.2 MSF in 2Q23.

Total Leasing Activity (SF)

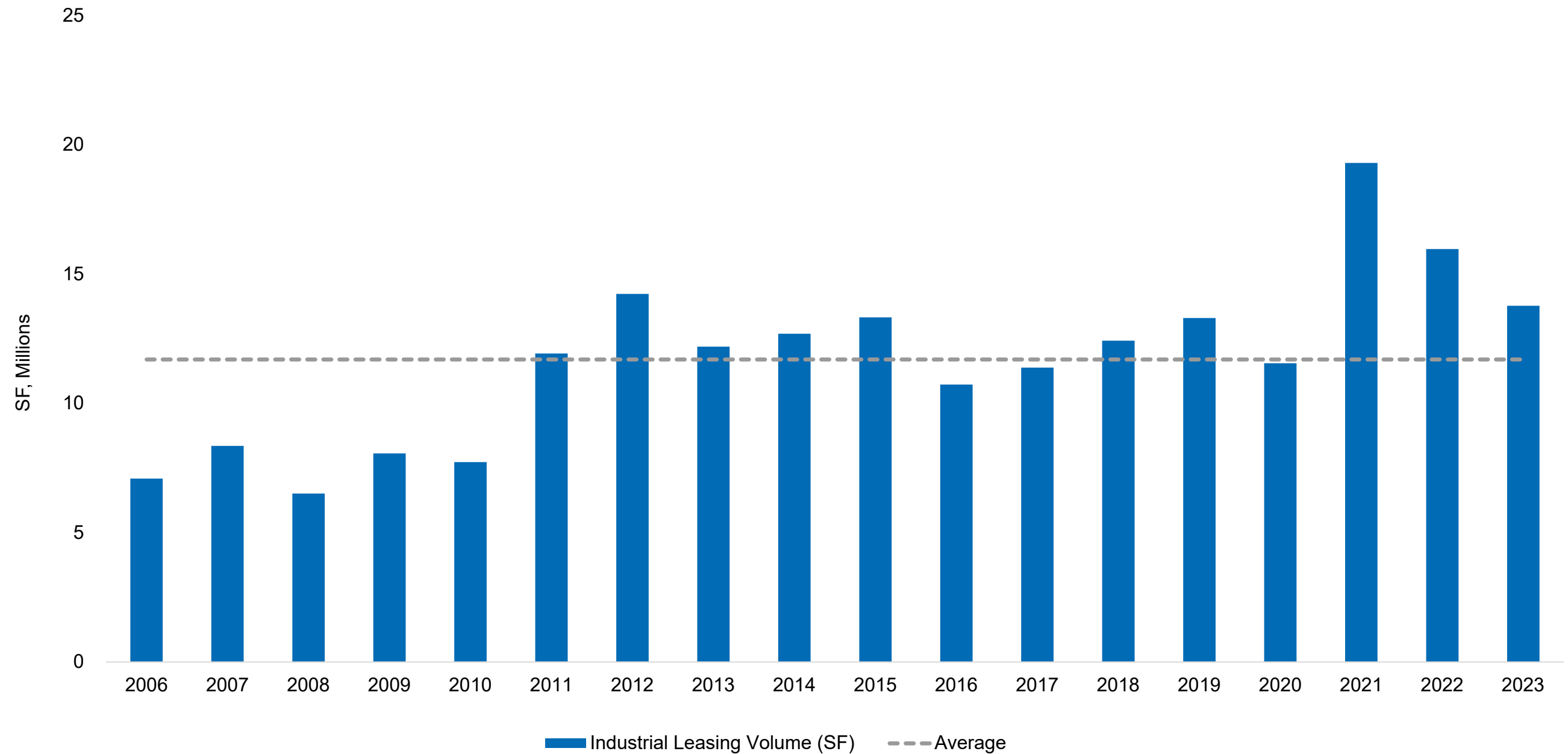


Source: Newmark Research, CoStar

Annual Industrial Leasing Activity Remains Above Historical Average

End-of-year activity slowed but leasing activity annually was strong and above the 18-year average at 13.8 MSF.

Total Leasing Activity (SF)

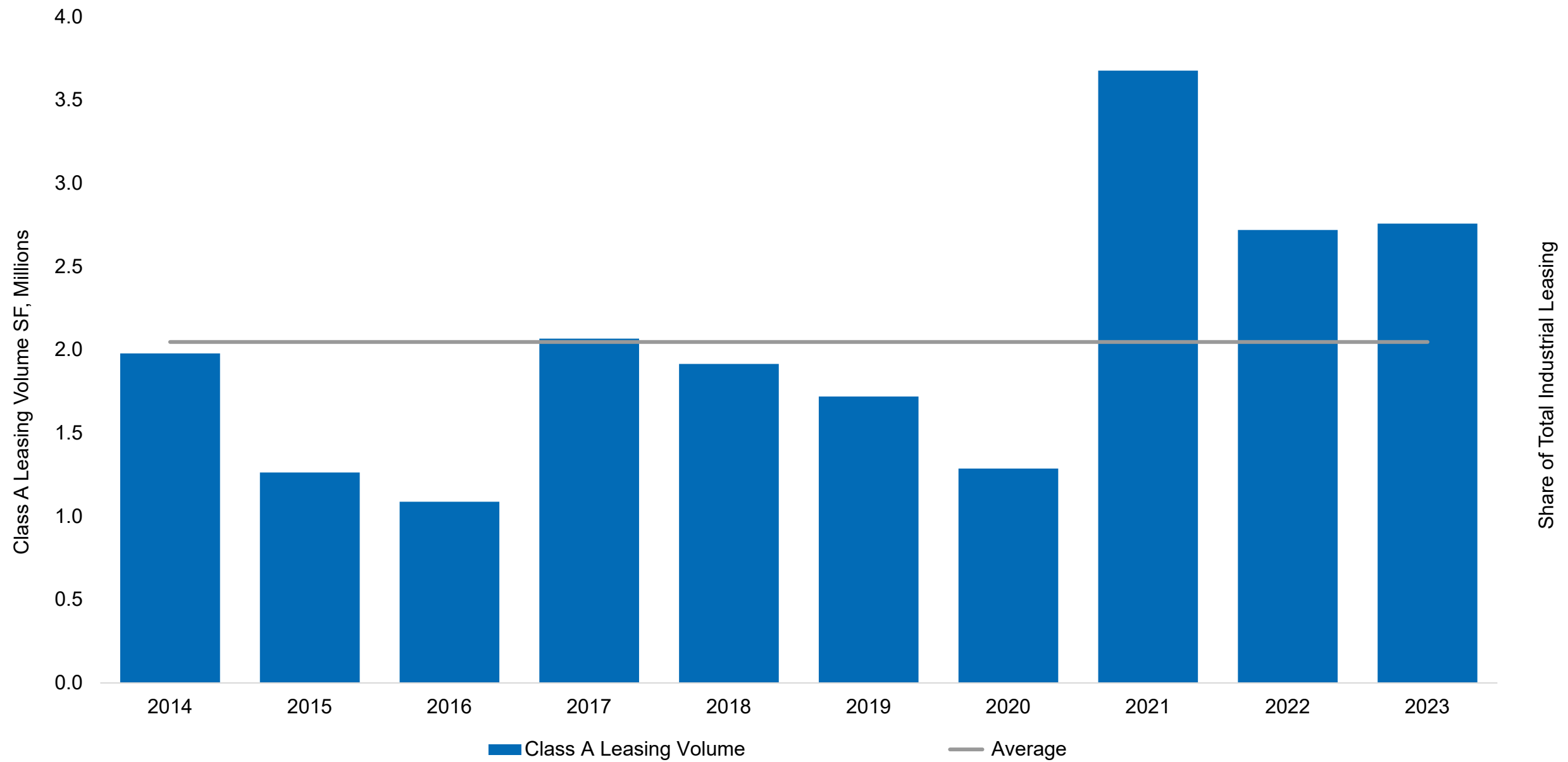


Source: Newmark Research, CoStar

Class A Warehouse Leasing Above Long-Term Average

Class A Warehouse leasing volume peaked in 2021 and has been steady in 2022 and 2023. Leasing volumes are well above averages.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

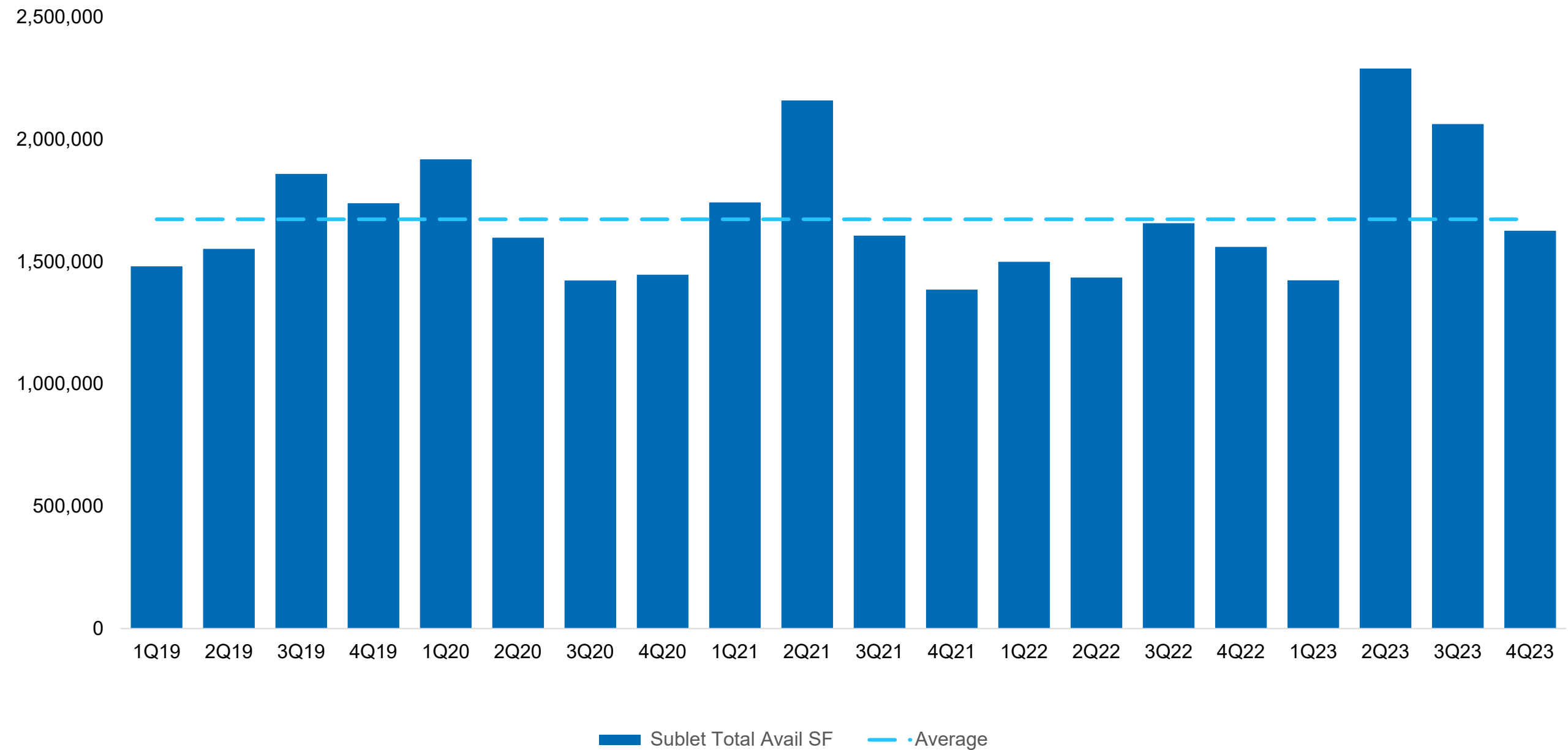


Source: Newmark Research, CoStar

Industrial Sublease Availability Decreases

The rate at which subleases were added to the market accelerated in 2Q23 and 3Q23 but moderated to below average in 4Q23.

Available Industrial Sublease

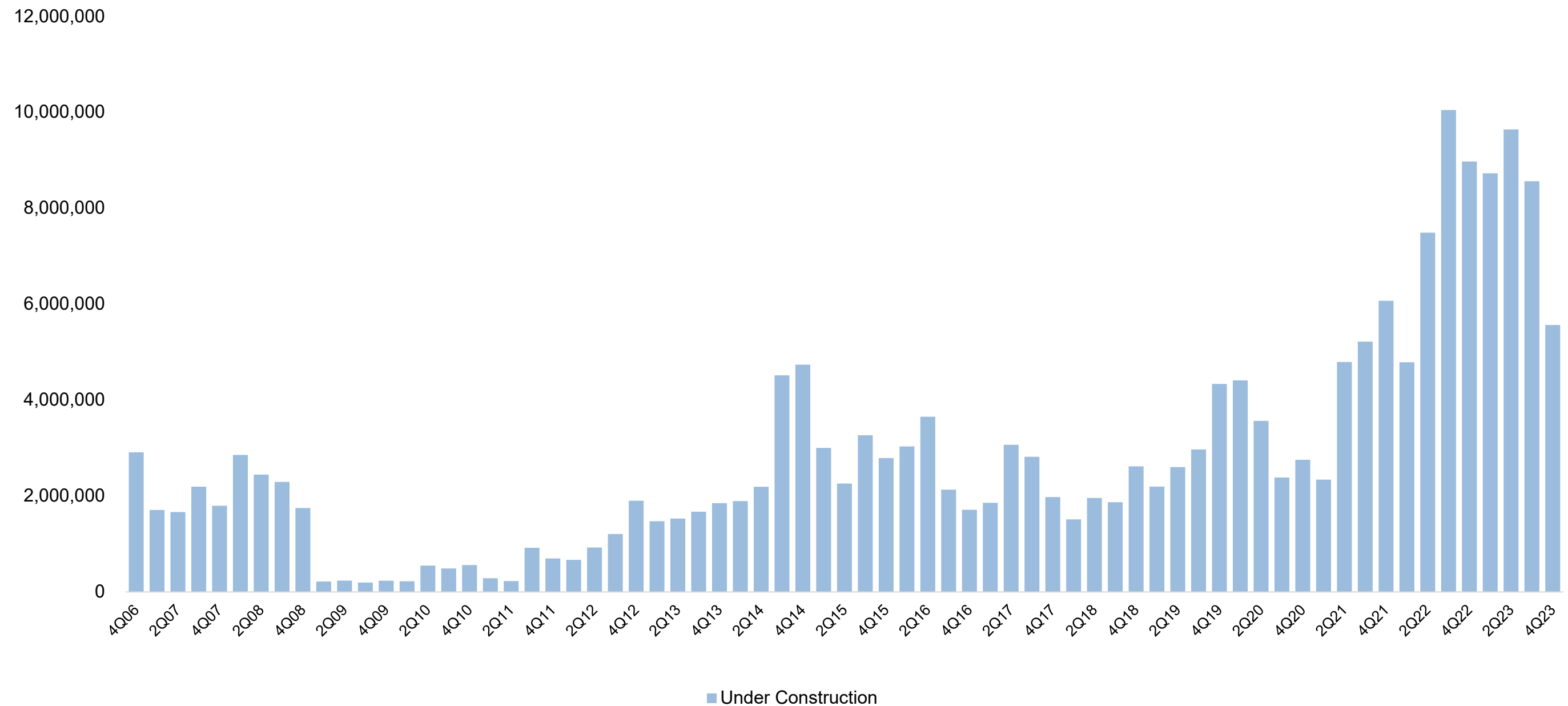


Source: Newmark Research, CoStar

Industrial Supply Pipeline Eases as Construction Starts Dwindle

The construction pipeline trended downward after reaching a historic high of 10.0 MSF in the third quarter of 2022. Developers are pausing speculative development, amid a challenging financing environment for new construction.

Industrial Under Construction and % of Inventory

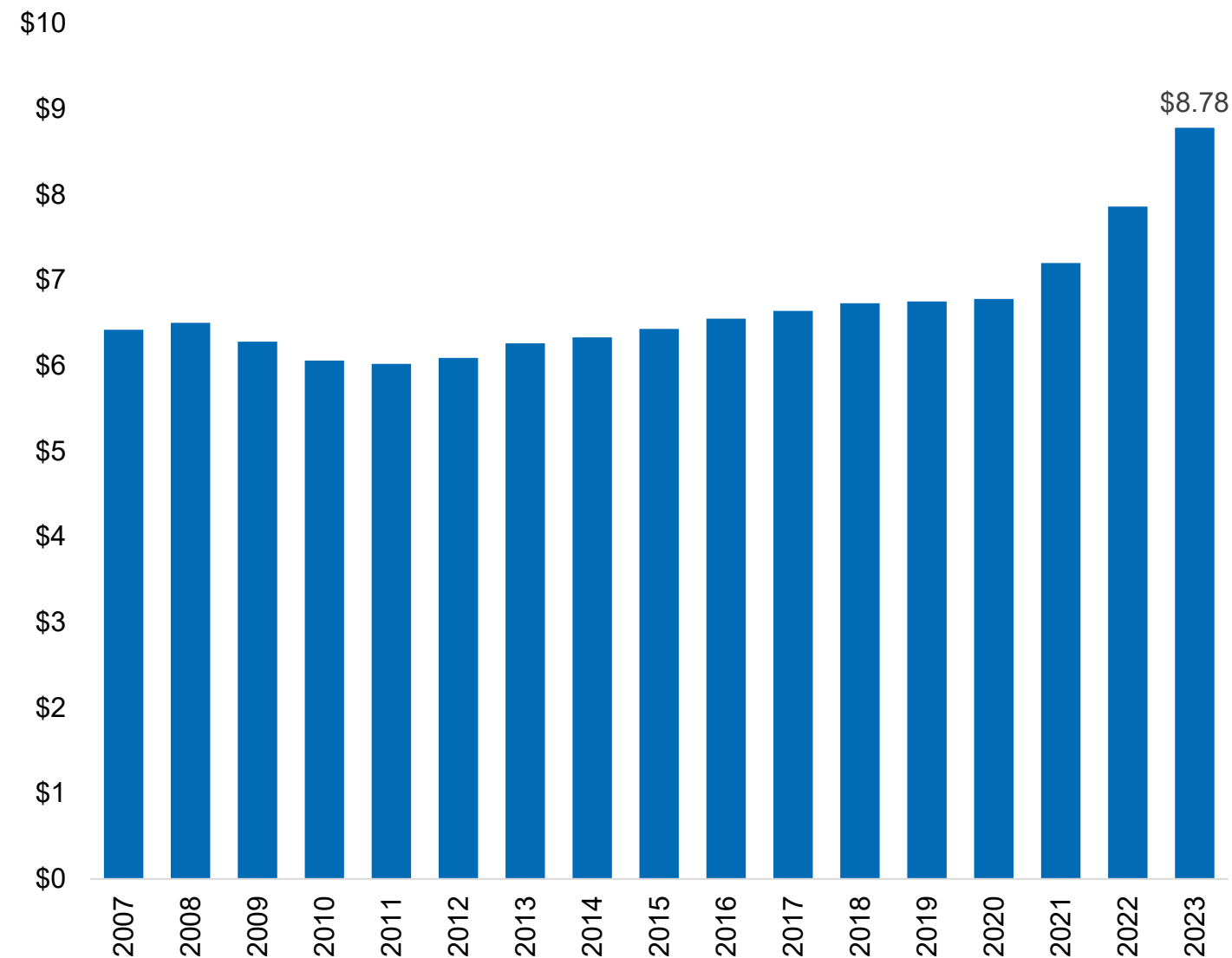


Source: Newmark Research, CoStar

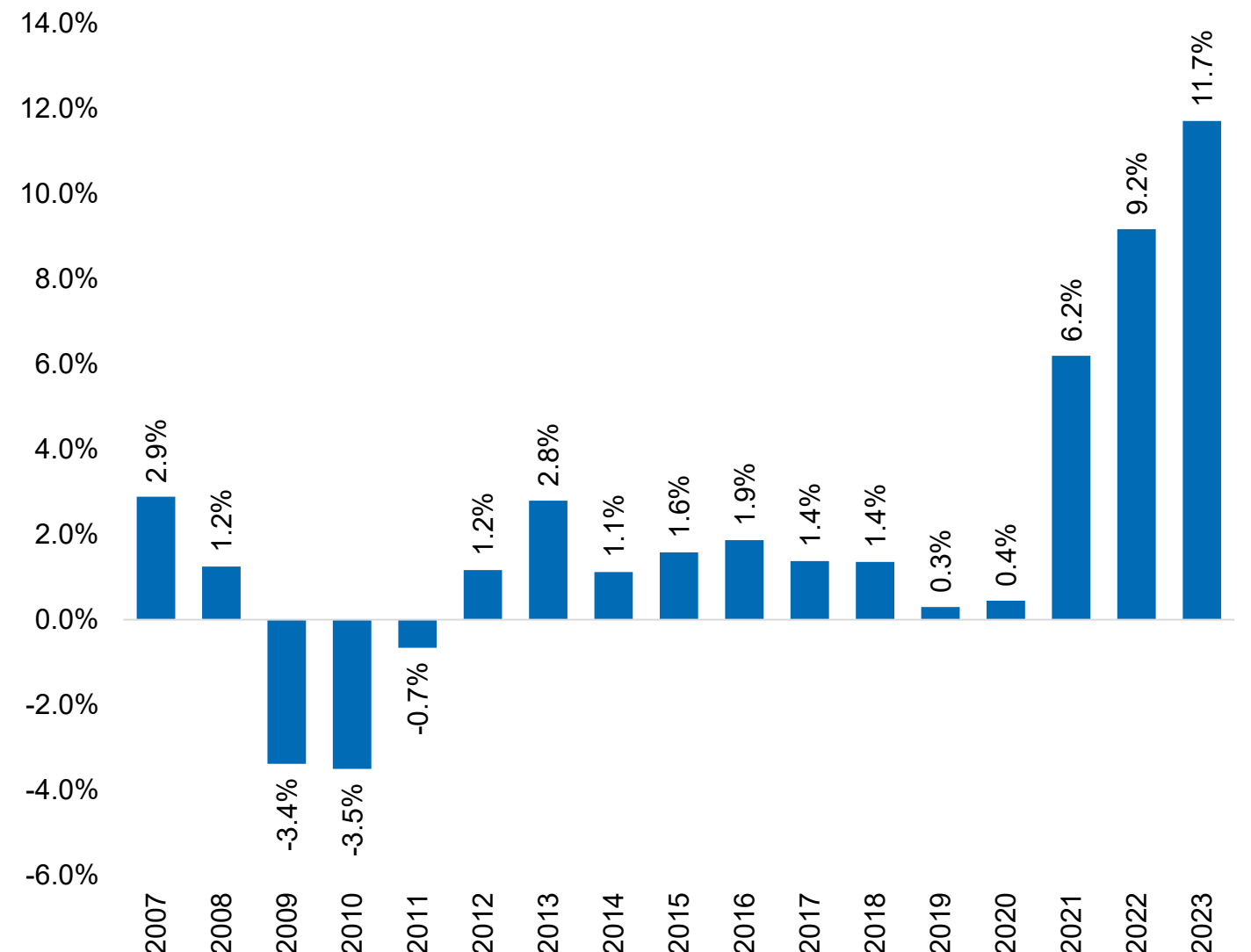
Record-Pace Industrial Asking Rent Growth Continues Through 4Q23

Industrial average asking rents grew by 11.7% since 2022.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at

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