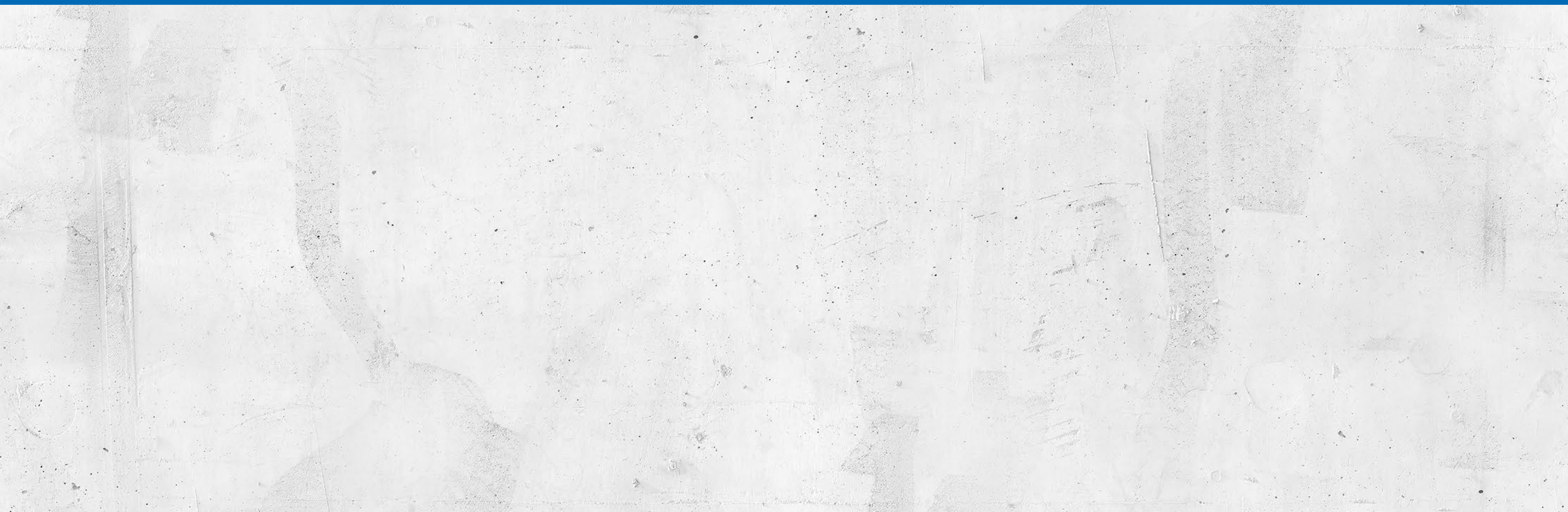

2Q24

Minneapolis Industrial Market Overview



Market Observations

Economy

- Minneapolis benefits from the stability and vitality of a strong headquarters economy, home to 15 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 worldwide frontrunner in biotechnology and biomedical research, boasting strong ties to agriculture, food exports, and water technology. Moreover, it hosts one of the most substantial concentrations of banks and financial expertise among major metropolitan areas.
- The area has a historically low unemployment rate, consistently lower than the national rate. The unemployment rate is 2.9% as of June 2024, compared to the national rate of 4.1%.
- Minneapolis's 12-month job growth as of June was steady, increasing by .7%. Nationally, nonfarm employment grew by 1.3%

Major Transactions

- The Bernard Group will be the sold occupant of Audobon Business Park in Chanhassen, where the company has leased 394,247 square feet.
- Shippers Supply, a wholesale distributor, leased 124,000 square feet at Golden Valley Business Center, a new industrial park built in 2023.
- Prologis, based in San Francisco, sold 20 buildings totaling more than 4MSF to London-based EQT Exeter. The \$400M sale represents the majority of Prologis' industrial properties in the Minneapolis-St. Paul market. The company owns a remaining 900,000 square feet of industrial space spanning 3 properties that are anticipated to sell in 2024.

Leasing Market Fundamentals/Outlook

- The vacancy rate increased slightly to 5.3% in 2Q24 from 5.0% in 1Q23. Construction activity peaked in 2023 and is tapering, limiting future vacancy increases as absorption slows.
- Absorption slowed to 228,024 SF after 932,078 SF was absorbed in 1Q24.
- Asking rents increased to \$8.76, up from \$8.61 in 1Q24. Rates surged by 11.7% in 2023, building on 2022's growth rate of 9.2%.
- Industrial average asking rents grew by 27.1% since 2020, and rates for both new construction and second-generation space will continue to increase. Data suggests a slower growth rate overall for 2024.
- Absorption began to decelerate in the last half of the year, with YTD 2Q24 absorption of just under 1.2 MSF and 2023 absorption of 4.2 MSF, compared to 6.0 MSF in 2022.
- There is currently over 3.2 MSF under construction including the 557,000 SF FedEx Ground Distribution Center in Rosemount.
- Construction is decelerating, and 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.
- Growing sublease availabilities and substantial speculative development in recent quarters are expanding choices for tenants.
- Despite some slowdown in leasing activity, demand remains steady and coupled with limited speculative deliveries, vacancy hikes will be constrained.
- Sales and leasing activity remain robust; we expect an uptick in sale activity through the second half of 2024, driven by an expected decrease in federal interest rates in Q3.
- 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

2Q24

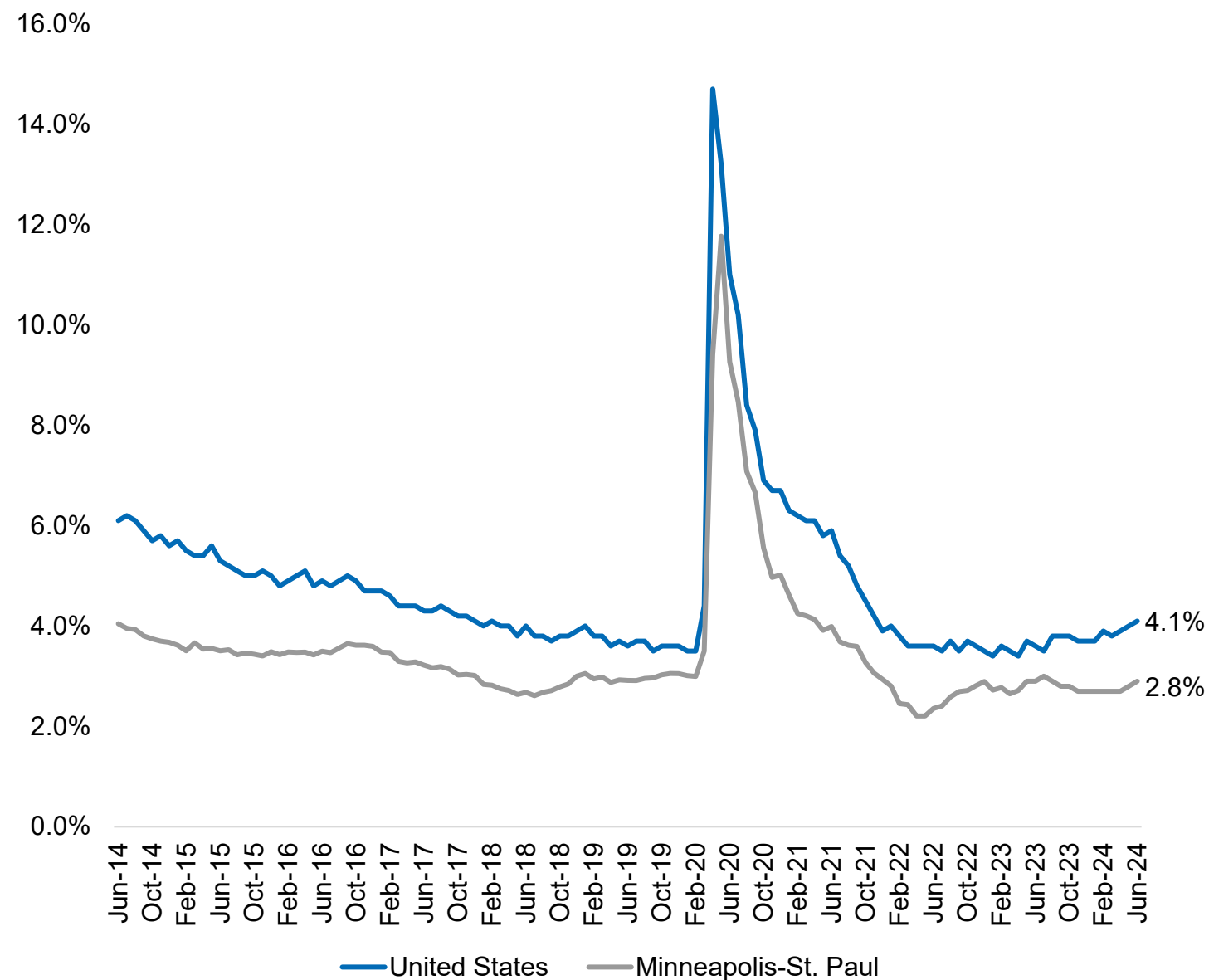
Economy



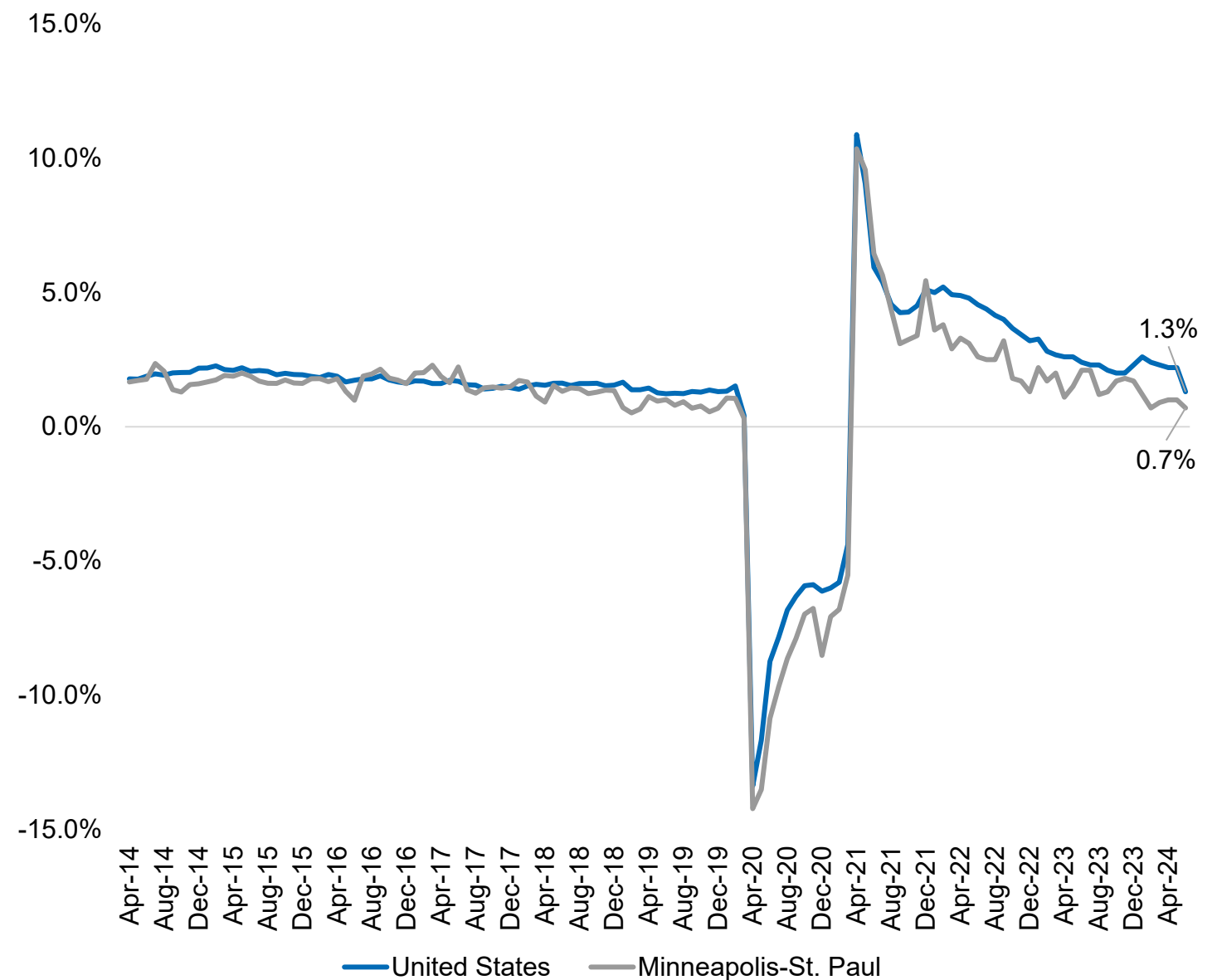
Minneapolis-St. Paul's Total Employment Increases Slightly

Minneapolis-St. Paul's unemployment rate increased from 2.8% in May to 2.9% in June. The U.S. unemployment rate also increased slightly from 4.0% in May to 4.1% in June. Minneapolis-St. Paul's nonfarm employment grew slightly by .7% since June of 2023.

Unemployment Rate, Seasonally Adjusted



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

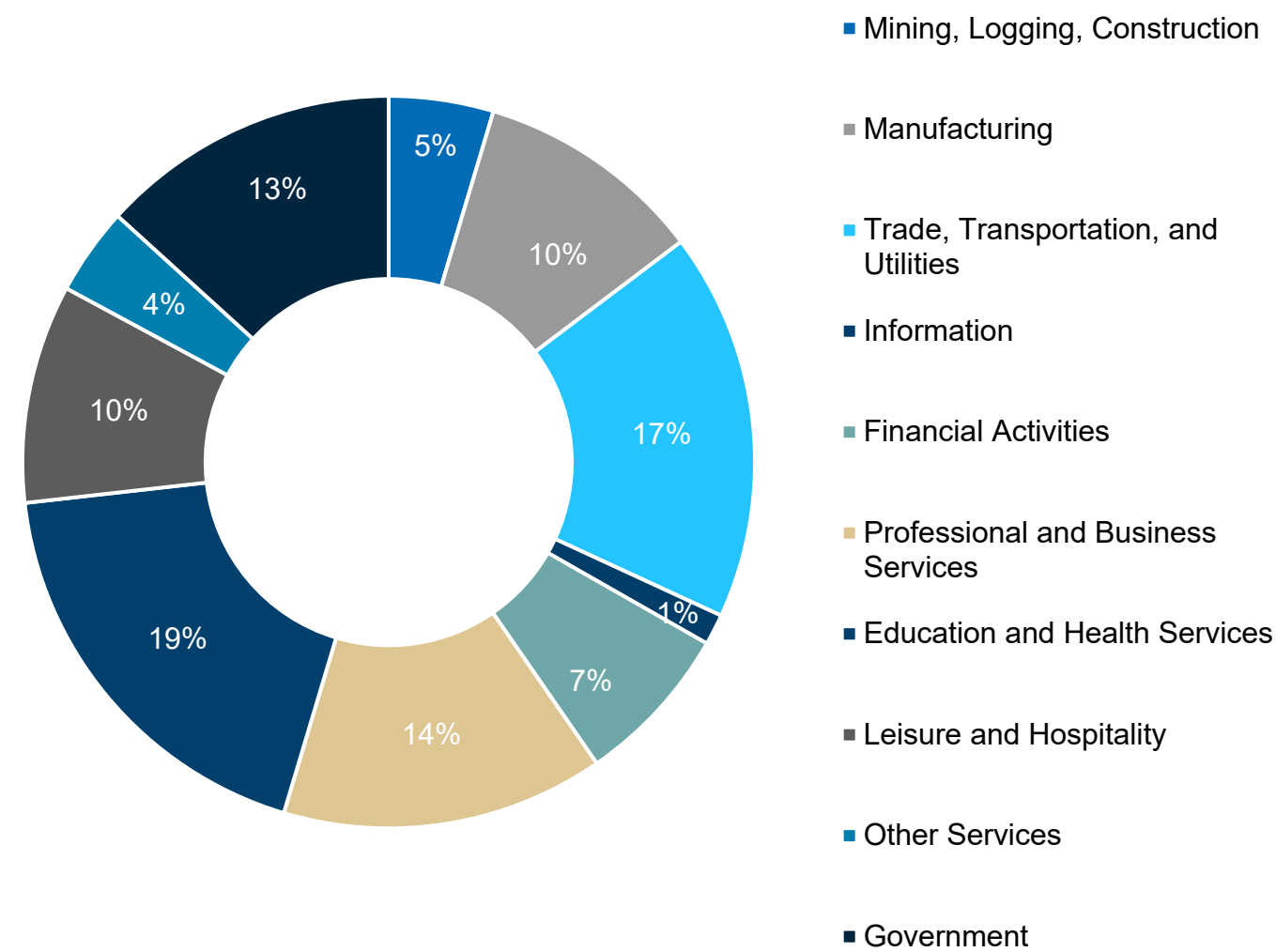


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

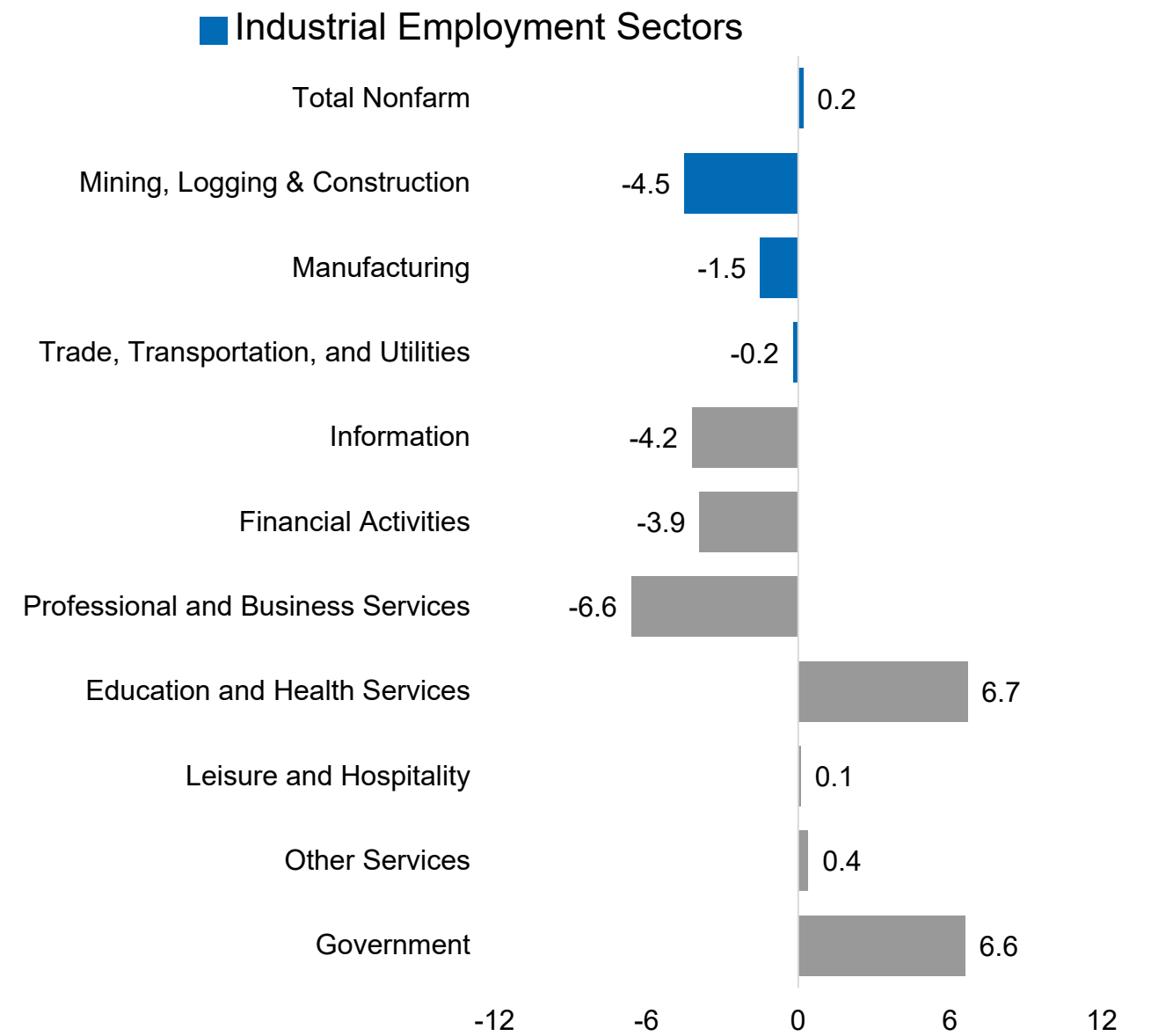
Industrial-Using Employment Declines

Education and Health Services jobs grew the most in addition to Government.

Employment by Industry, June, 2024



Employment Growth by Industry, 12-Month % Change, June, 2024

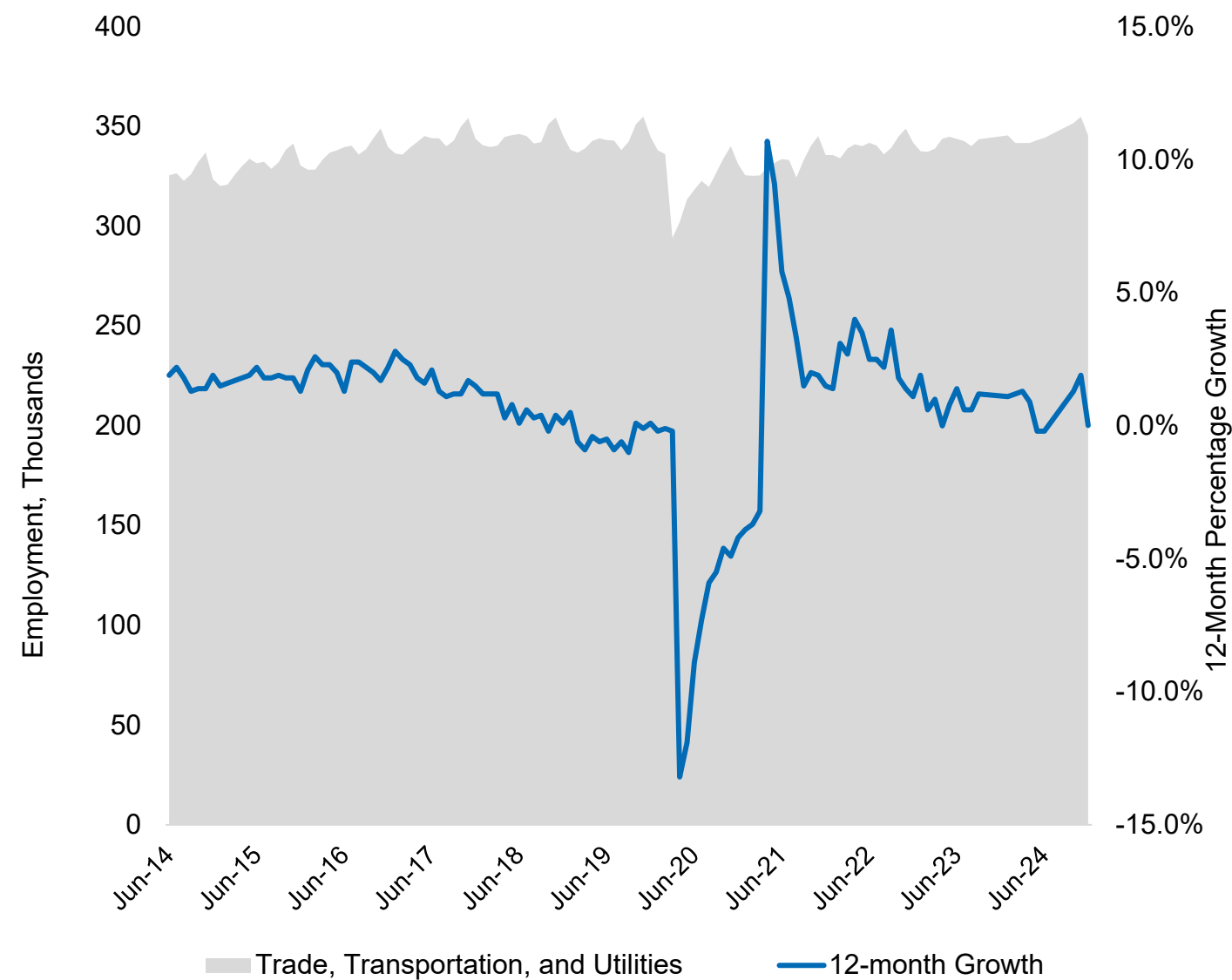


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

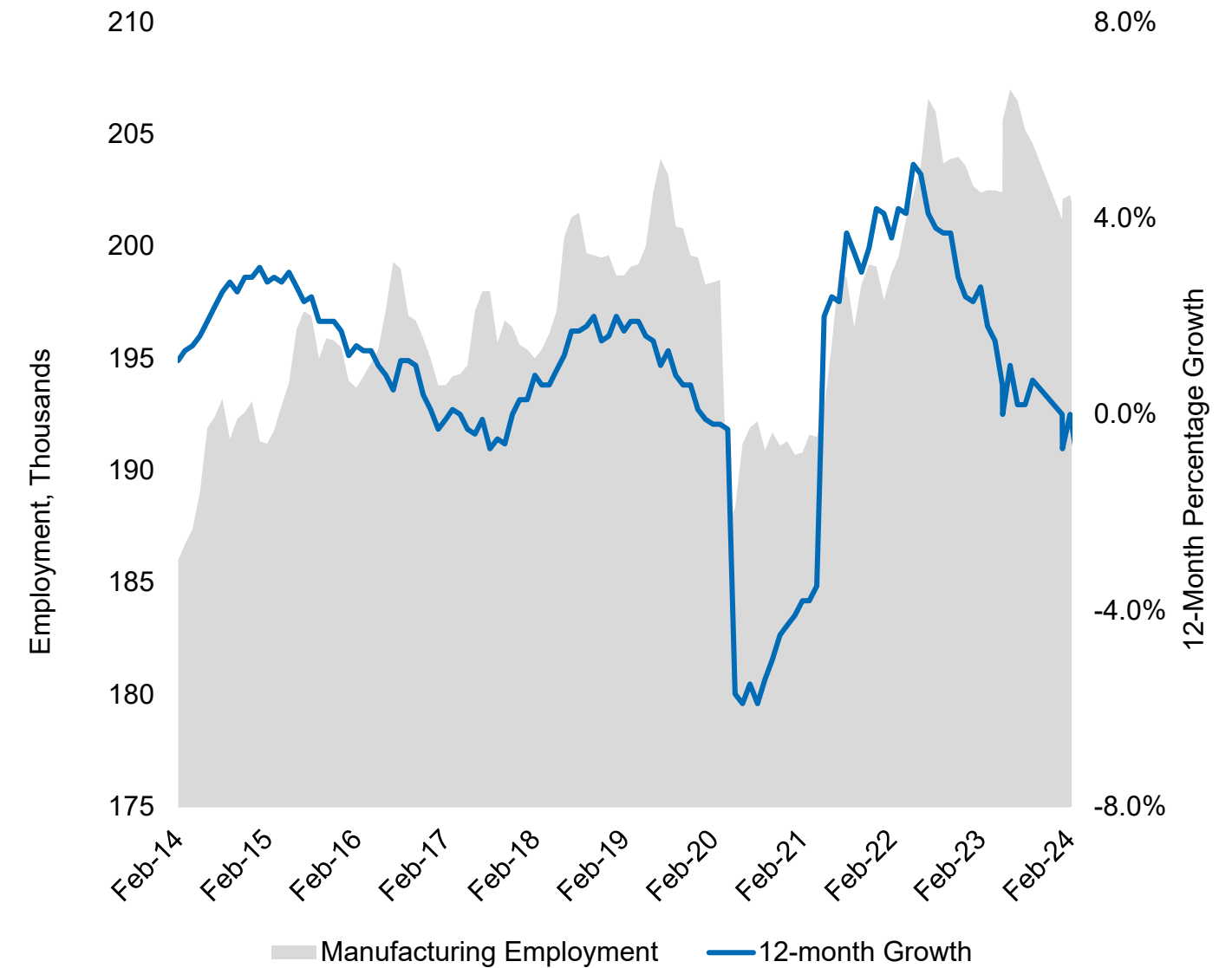
Industrial Employment Strong but Not Immune to Softening Conditions

Both Trade, Transportation and Utilities and Manufacturing employment saw slight decreases in May and June.

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

2Q24

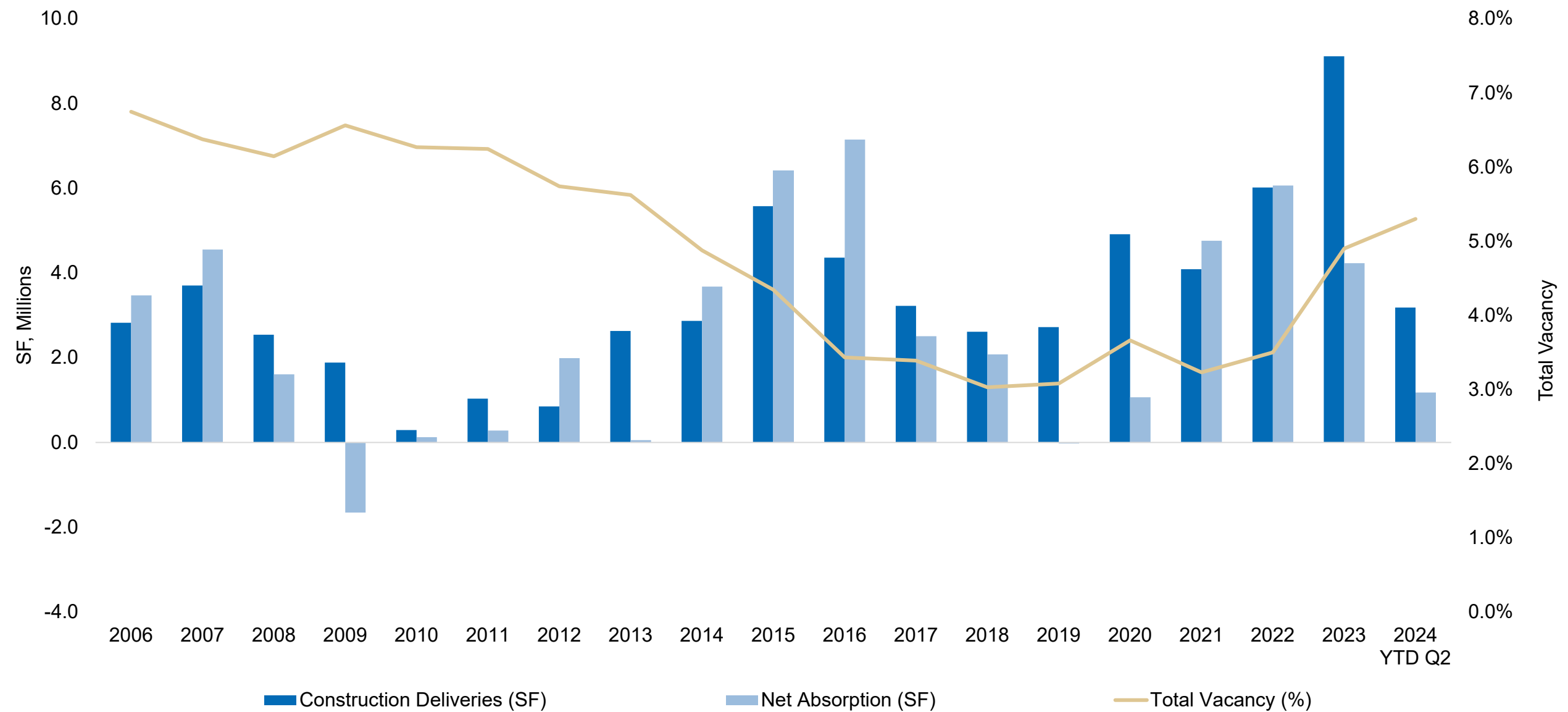
Leasing Market Fundamentals



Vacancy Rises as Construction Deliveries Outpace Net Absorption

The vacancy rate increased slightly to 5.3% in 2Q24 from 5.0% in 1Q23. Construction activity peaked in 2023 and is tapering, limiting future vacancy increases as absorption slows.

Historical Construction Deliveries, Net Absorption, and Vacancy

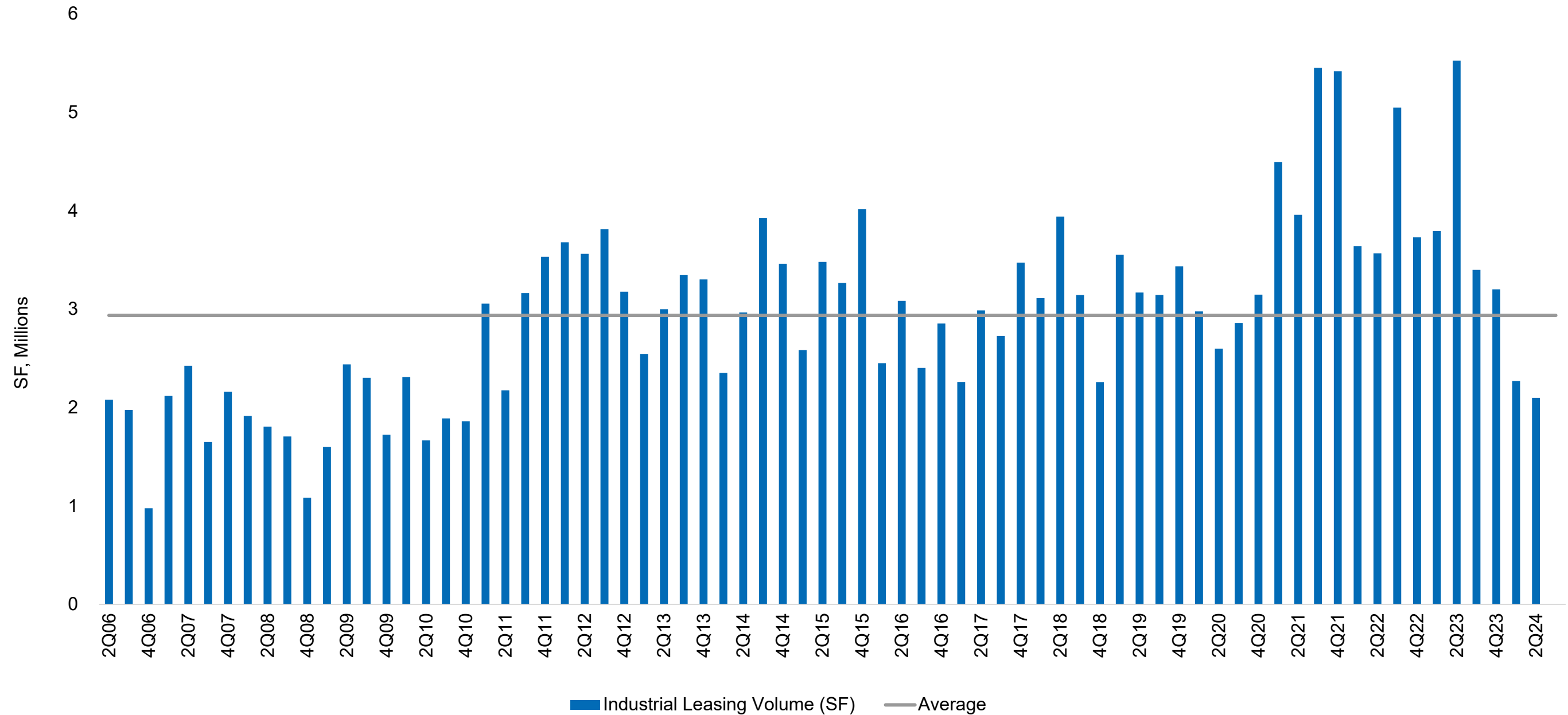


Source: Newmark Research, Costar, MNCAR

Industrial Leasing Activity Decelerates

Industrial leasing activity slowed to 2.0 MSF in 2Q24, compared to 2.3 MSF and 3.2 MSF in 1Q24 and 4Q23, respectively.

Total Leasing Activity (SF)

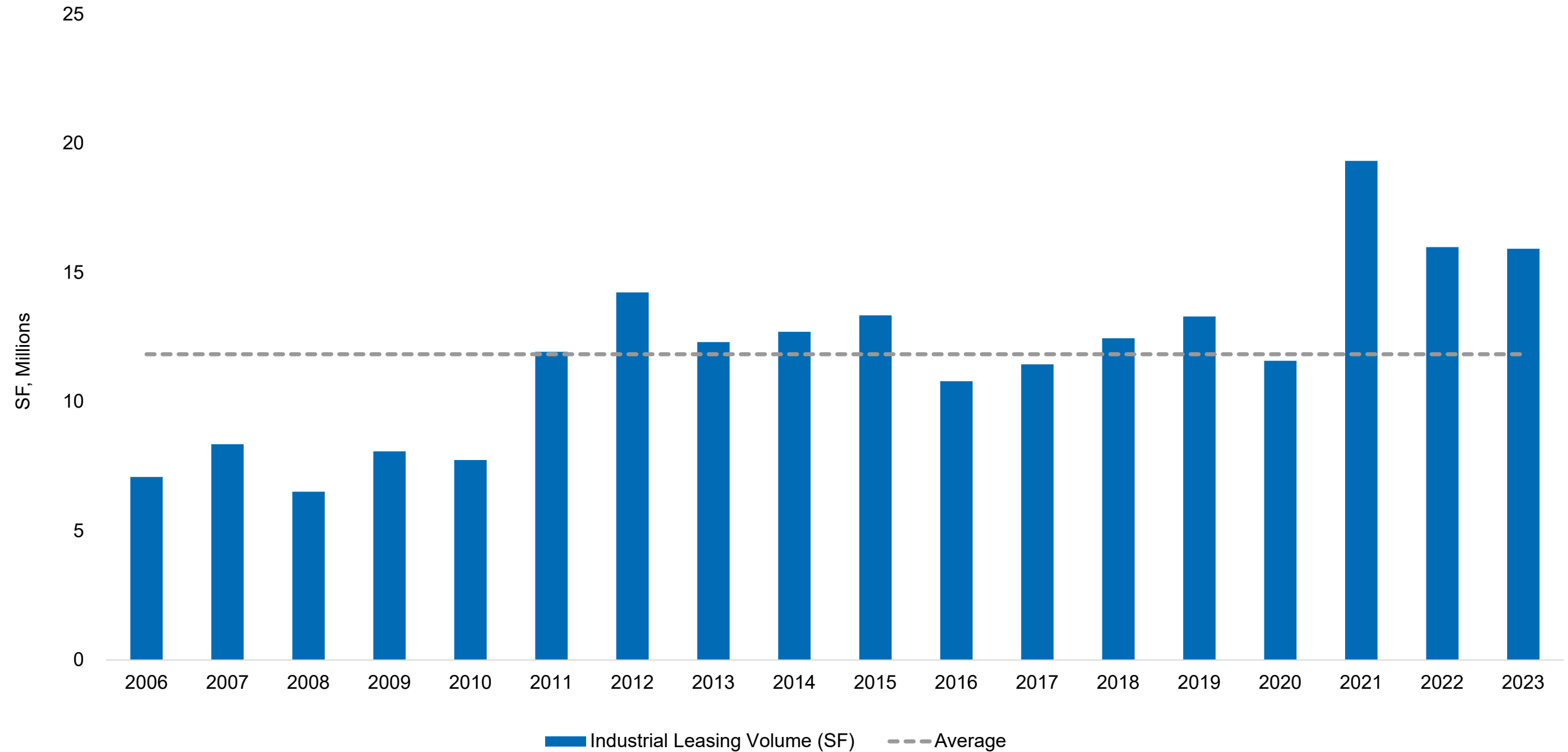


Source: Newmark Research, CoStar

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 15.9 MSF.

Total Leasing Activity (SF)

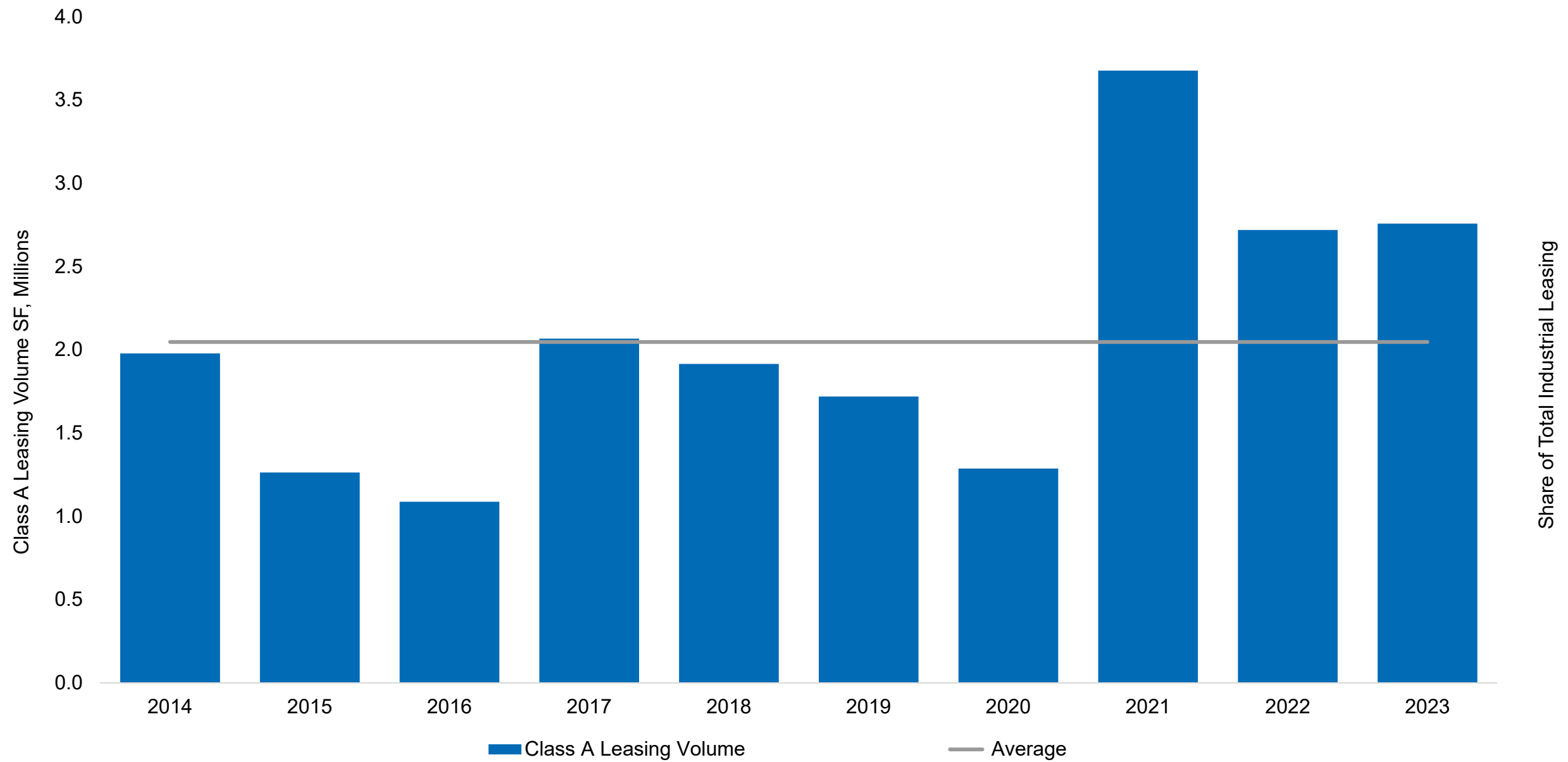


Source: Newmark Research, CoStar

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

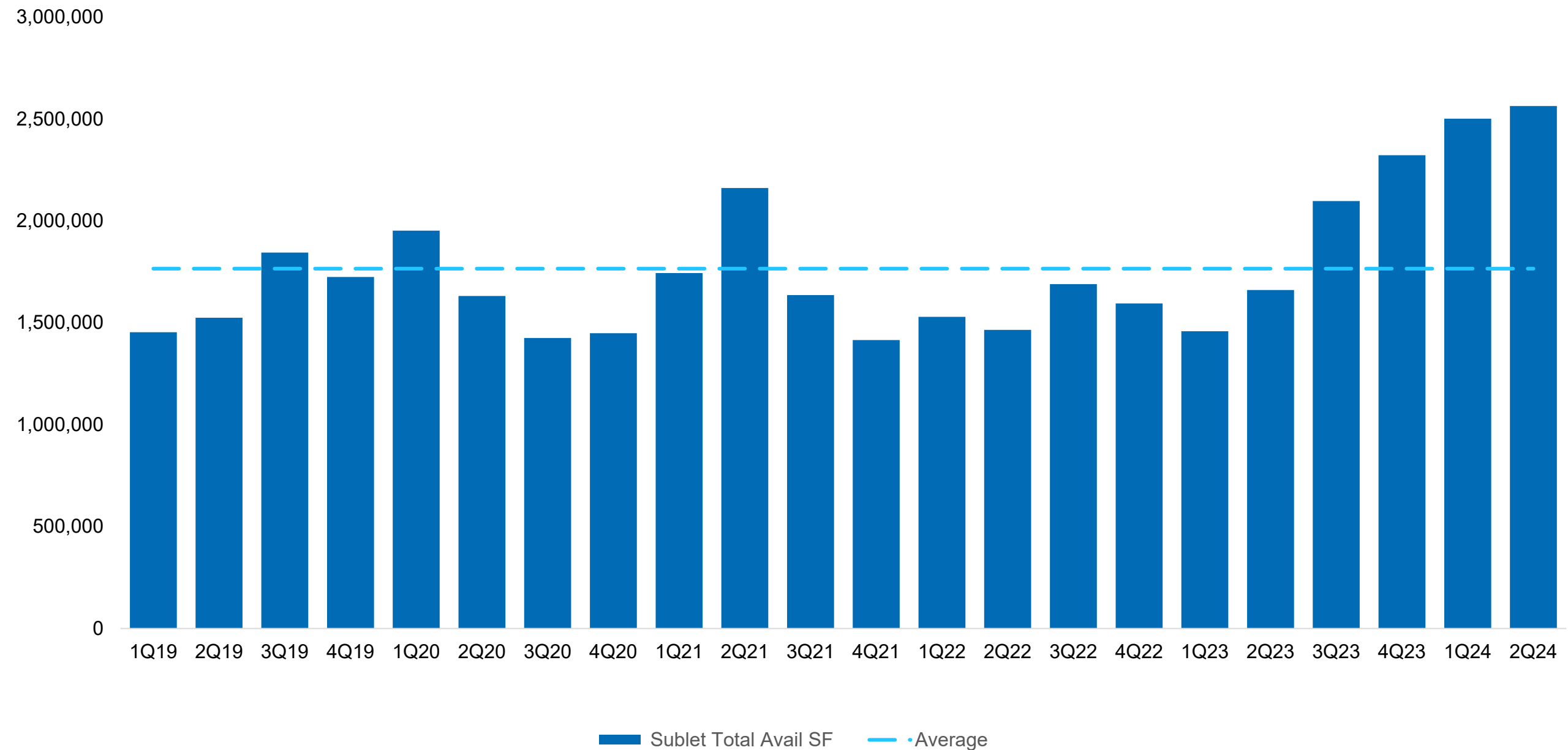


Source: Newmark Research, CoStar

Industrial Sublease Availability Increases

The rate at which subleases were added to the market continues to accelerate, increasing to 2.6MSF in 2Q24, over the quarterly average of 1.8 MSF.

Available Industrial Sublease

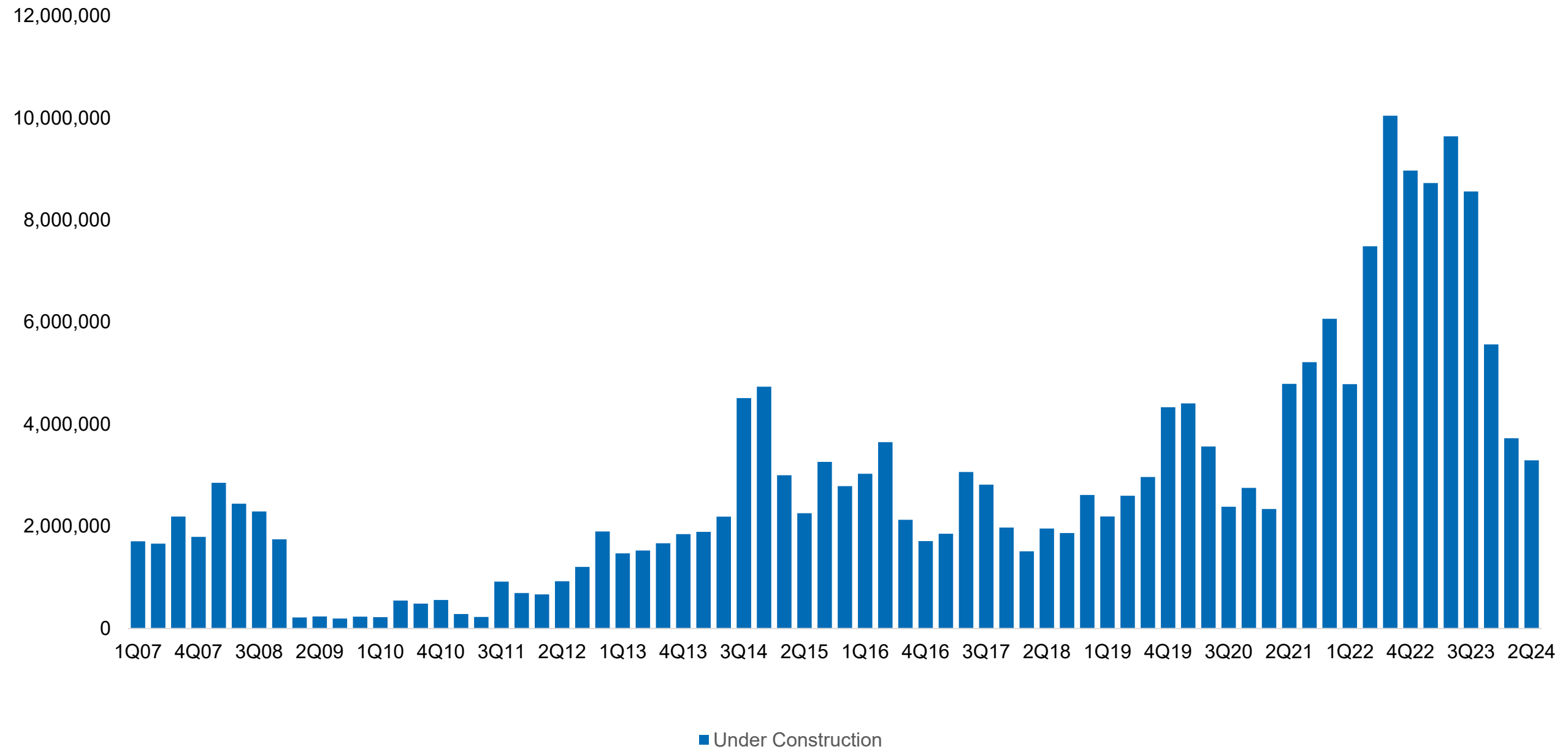


Source: Newmark Research, CoStar

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

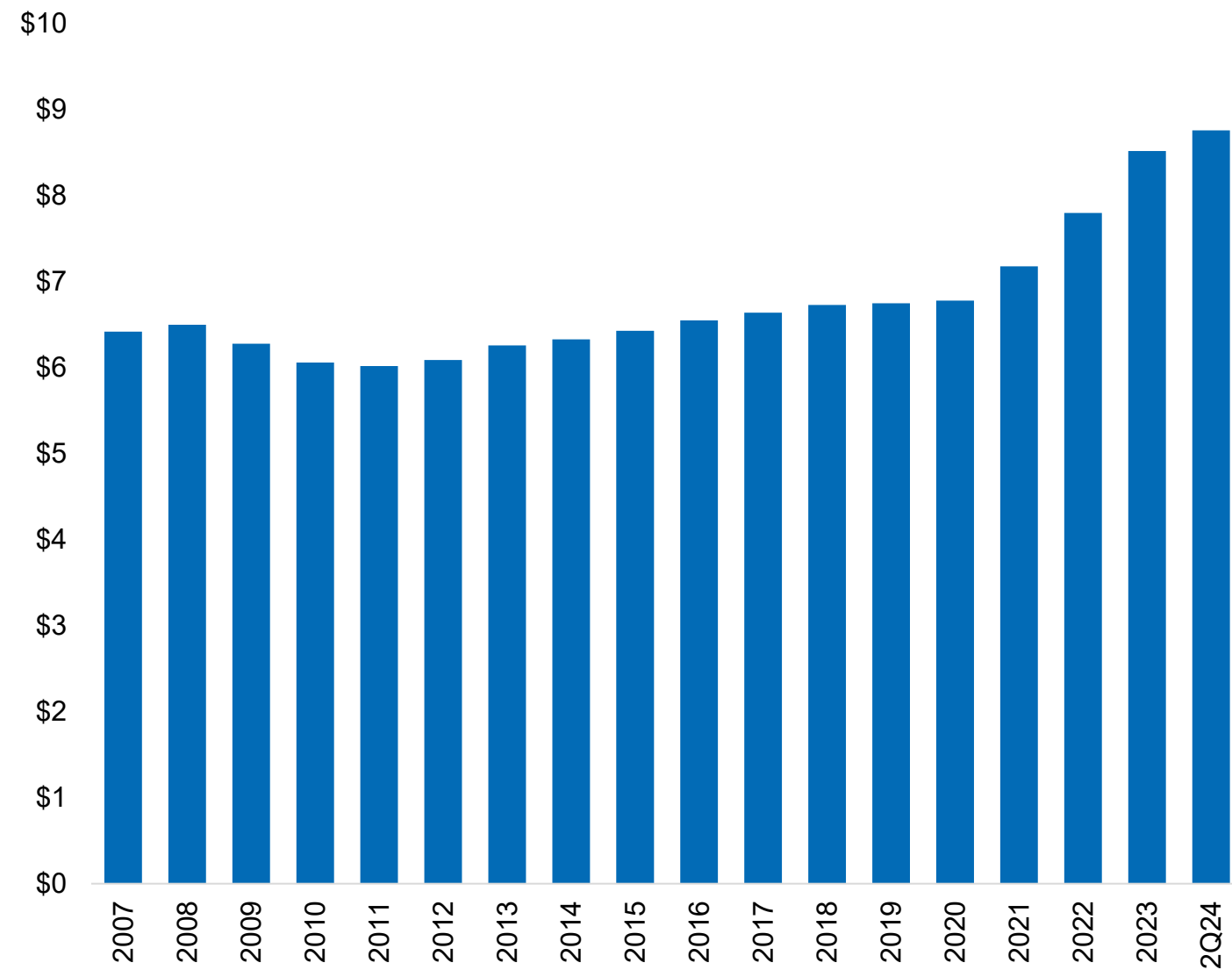


Source: Newmark Research, CoStar

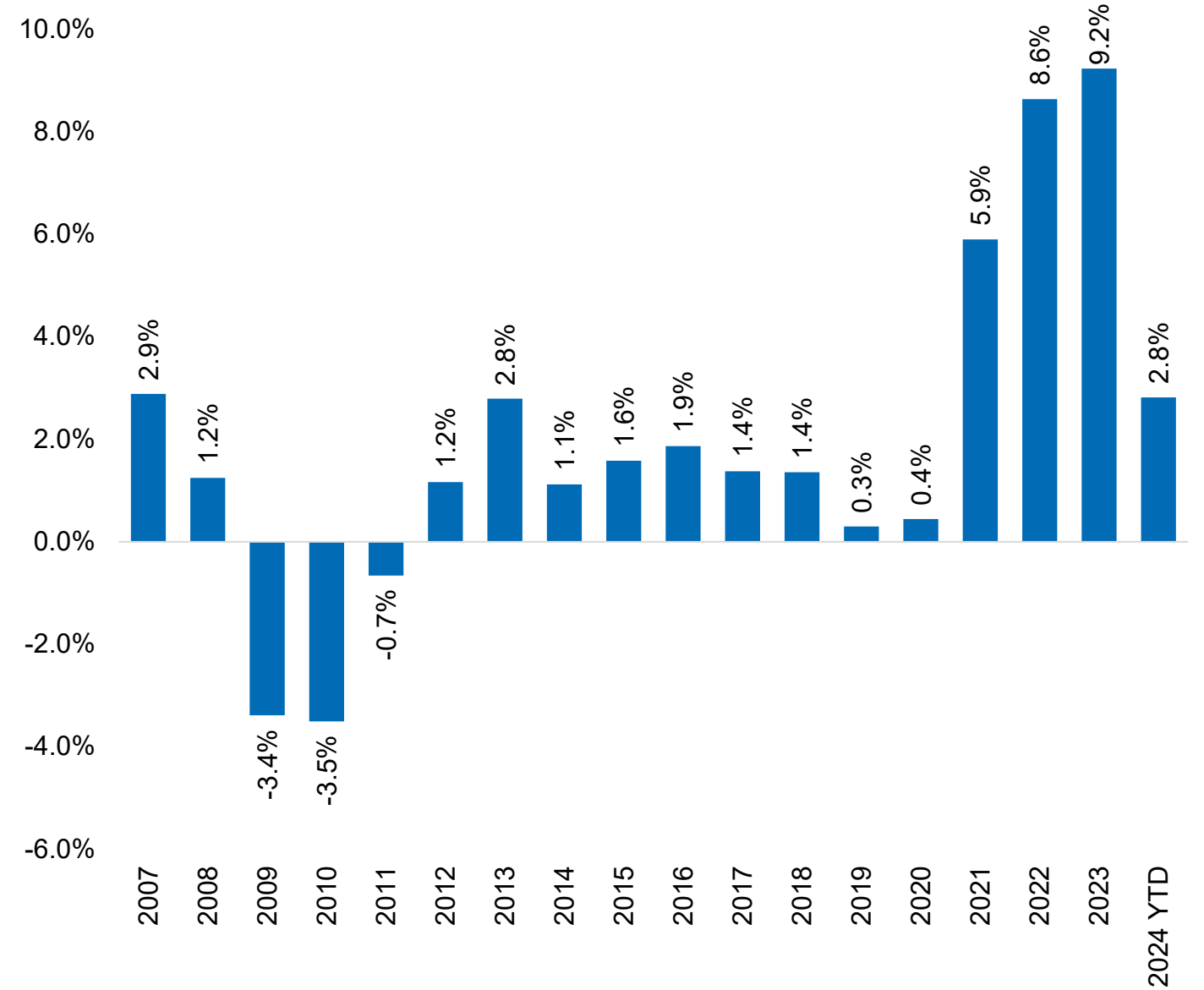
Industrial Asking Rent Growth Continues Through 2Q24

Industrial average asking rents grew by 27.1% since 2020. Data suggests a slower growth rate overall for 2024.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

For more information:

Maura Carland

Research Director

Minneapolis Research

mauracarland@msn.com

Minneapolis

100 S. Fifth St.

Suite 2150

Minneapolis, MN 55402

t 612-430-9950

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

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 www.nmrk.com.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK