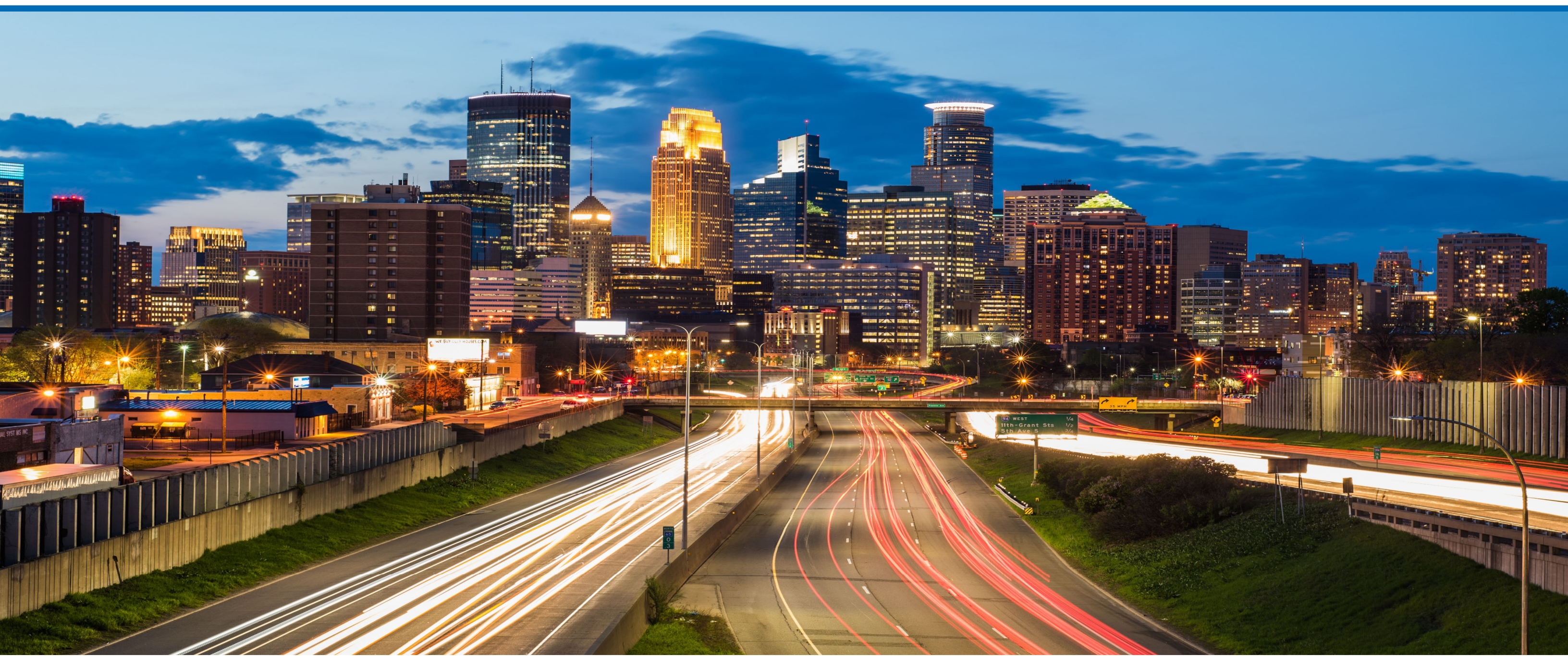


2Q24

Minneapolis-St. Paul Office Market Trends



Market Observations



- 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 2.6% as of April 2024, compared to the national rate of 3.9%.
- Minneapolis's 12-month job growth as of April was steady, increasing by 1% increase. Nationally, nonfarm employment grew by 1.8%
- Office-using employment sectors have not returned to pre-pandemic levels. Information, financial activities and professional and business services declined annually by 5.2%, 3.0% and 4.3%, respectively.
- Job growth was strongest in government, other services and education and health services.
- In April, lender Wings Financial foreclosed on the 8200 Building, one of five buildings in the 1.6-million-square-foot Normandale Lake Office Park in Bloomington. The lender's request for a court-appointed receiver was granted after owner Opal Holdings failed to make mortgage payments and accumulated over \$2 million in unpaid taxes on the 277,000-square-foot property.
- The 1.2 million-square-foot Wells Fargo Center in downtown Minneapolis is up for sale. It is expected to sell at a significant discount compared to its most recent sale in 2019 when Starwood Capital purchased it for \$314 million.
- US Bank is vacating the St. Paul CBD. While it will maintain its branch location at US Bank Center, it will vacate 118,000 square feet of space. This decision comes after last fall's announcement that the bank will leave 340,000 square feet at Meridian Crossings in Richfield, while committing long term to the Minneapolis CBD as it renewed its lease for 440,000 square feet at the US Bancorp Center.
- Following the death of its founder, the Madison Equities portfolio of St. Paul CBD properties is for sale. The portfolio consists of 1,643,310 square feet of office space, including the First National Bank Building and the US Bank Building, as well as two parking ramps, a surface parking lot, and a restaurant. Notably, the LLC owning Park Square Court, one of the properties in the portfolio, filed for Chapter 7 bankruptcy after the properties were listed for sale.



- Construction was completed on North Loop Green, which includes 359,000 square feet of office space, a residential tower with 450 units, retail space, 470 parking spaces and a park. Tenants include Piper Sandler, KPMG, ESG Architecture & Design and Varde Partners. The completion will provide some positive absorption for 2024, though most companies relocating are leaving larger spaces within the CBD, offsetting positive net absorption.
- Capella University renewed its lease at its namesake tower but downsized significantly in the process. The company will now occupy 111,700 square feet, marking a 60% reduction in its previous occupancy of 278,700 square feet. At one time, the company occupied as much as 400,000 square feet at the property.
- Lender MetLife will assume ownership of Capella Tower after owner Shorenstein surrendered control following a failed attempt at selling the property.

Market Observations



Leasing Market Fundamentals

- After absorption moderated in late 2023 and early 2024, the market experienced an increase in negative absorption, totaling 498,187 square feet in the 2nd quarter. This was largely due to US Bank vacating 340,000 square feet at Meridian Crossings in Richfield.
- Leasing activity slowed to 886,793 square feet in the 2nd quarter, down from an average of 1.6 million square feet per quarter during the previous five quarters. Most companies are reducing the amount of space they occupy but are making longer-term decisions by either committing to new office spaces or renewing for longer terms.
- Tenants have greater clarity in their hybrid work strategies, with increasing confidence that remote work levels have stabilized. Companies continue to mandate a specific number of in-office workdays rather than merely encouraging them.
- Amidst significant declines in office space utilization, the Minneapolis market continues to see employment declines in sectors depending on office spaces. Information, financial activities and professional and business services have experienced ongoing declines.
- In our research comparing Class B properties to Class A, we found that Class B properties maintained a relatively steady vacancy rate since 2019. Trophy Class A properties (4.5-5 star) have also performed well, whereas "commodity" Class A properties are struggling due to downsizing by large users amid a steady stream of expiring leases. Many of these users have relocated to Trophy Class A properties. Post-2019 construction posted the lowest availability, underscoring the preference for high-quality new space.



Outlook

- The aftermath of the pandemic has created a need for repurposing suburban corporate campuses, with proposals for alternate uses such as industrial and residential developments. Ryan Companies has received initial city approval to transform the former Thomson Reuters campus. Plans include 1.2 to 1.5 million square feet of industrial space, in addition to 70 to 140 single-family homes and 80 to 180 townhome units.
- Scannell is currently demolishing the former Deluxe headquarters in Shoreview to make way for new housing, office, and industrial buildings. The company is also collaborating with Roers to redevelop the Prudential campus in Plymouth, incorporating multifamily and industrial uses.
- In a positive note for the Minneapolis CBD, Minneapolis has experienced a surge in entertainment activities, leading to increased vibrancy. A recent study by the University of Toronto's School of Cities, analyzing cell phone activity, indicated heightened use, particularly on weeknights and weekends.
- In the Minneapolis CBD, government officials are grappling with the challenge of vacant office buildings. In response, the Minneapolis City Council has approved the City Auditor's Policy and Research Division to investigate policies and incentives for repurposing these vacant and deteriorating office buildings for residential use.
- Tenants in new construction either signed long-term leases immediately prior to the pandemic, which now expire in 5+ years, or signed long-term leases post-pandemic while incorporating hybrid work strategies. This bodes well for these properties to maintain strong occupancy in the future.
- Tenants are increasingly scrutinizing landlords' stability and in some cases avoiding buildings where financially-distressed landlords might struggle to maintain and operate the property. Additionally, there is concern about uncertainty if a landlord surrenders the property to a lender. As a result, tenants are requesting lease clauses that provide for self help and other measures to protect against these scenarios.
- Concessions will continue to be a significant factor in future negotiations, in the form of both financial incentives and lease flexibility. However, a lack of liquidity among some landlords will force them to lower rents rather than continue to provide elevated concession packages.

1. Economy
2. Leasing Market Fundamentals

2Q24

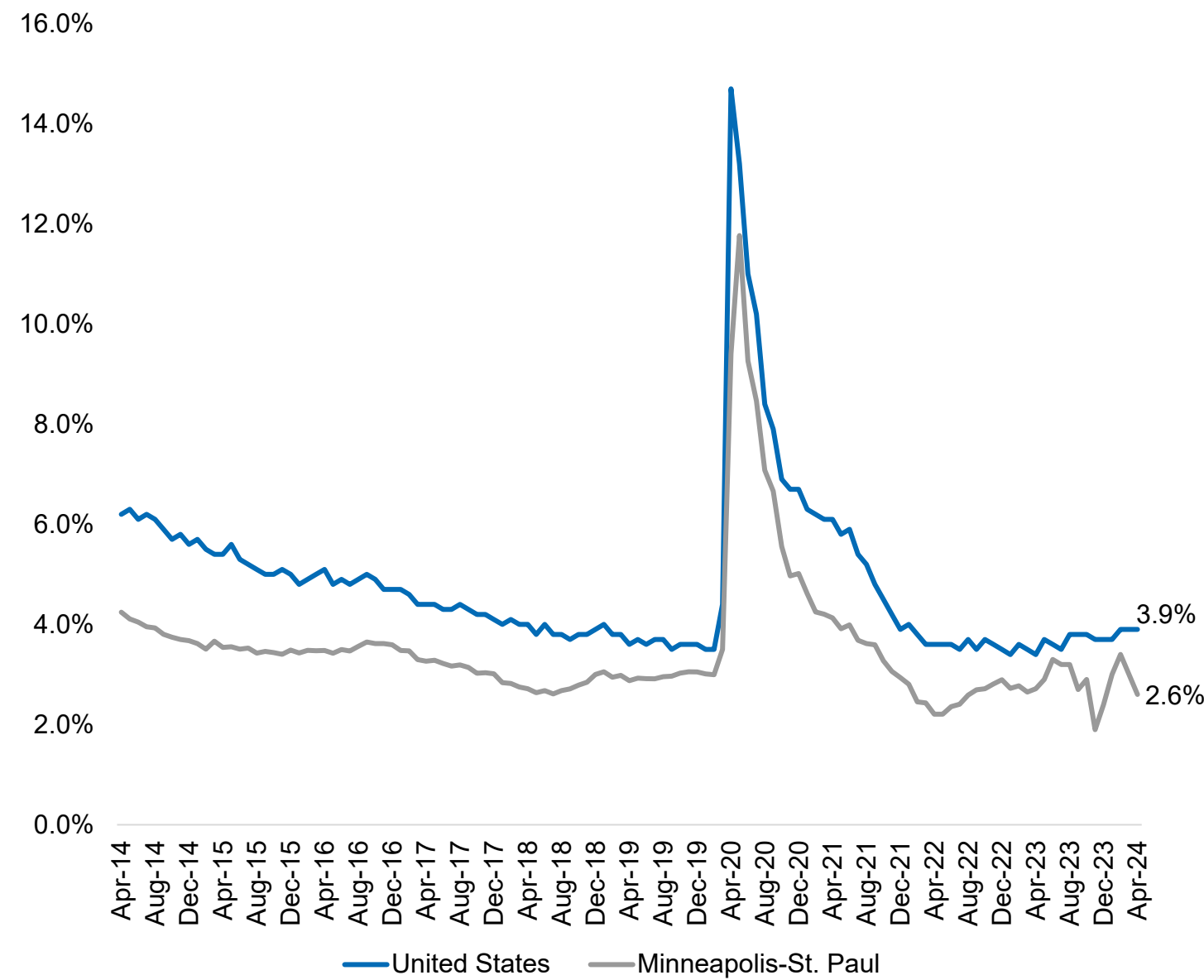
Economy



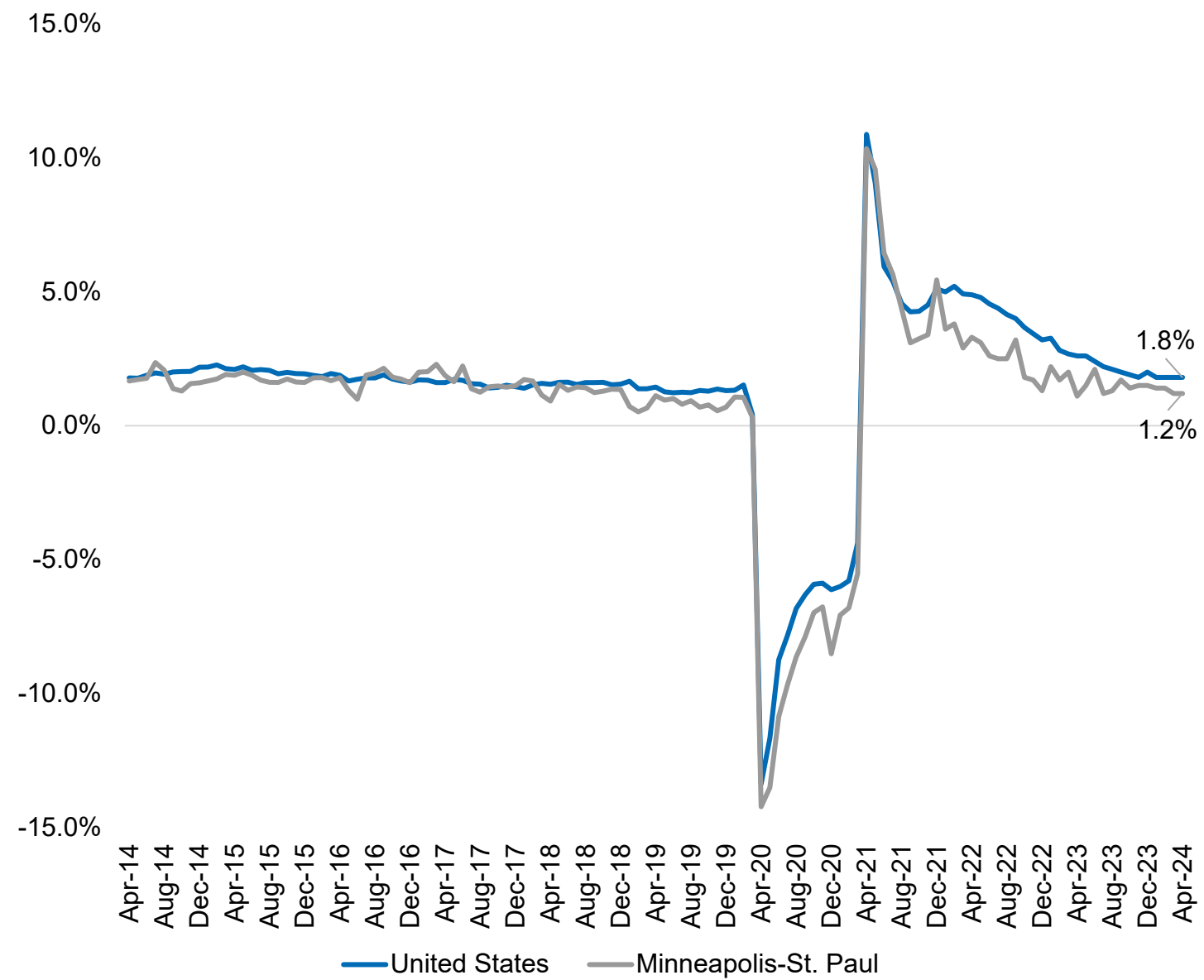
Minneapolis-St. Paul's Total Employment Increases Slightly

Minneapolis-St. Paul's unemployment rate decreased from 3.0% in March to 2.6% in April. The U.S. unemployment rate was steady at 3.9%. Minneapolis-St. Paul's economy grew slightly by 1.2% since April of 2023.

Unemployment Rate, Seasonally Adjusted



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

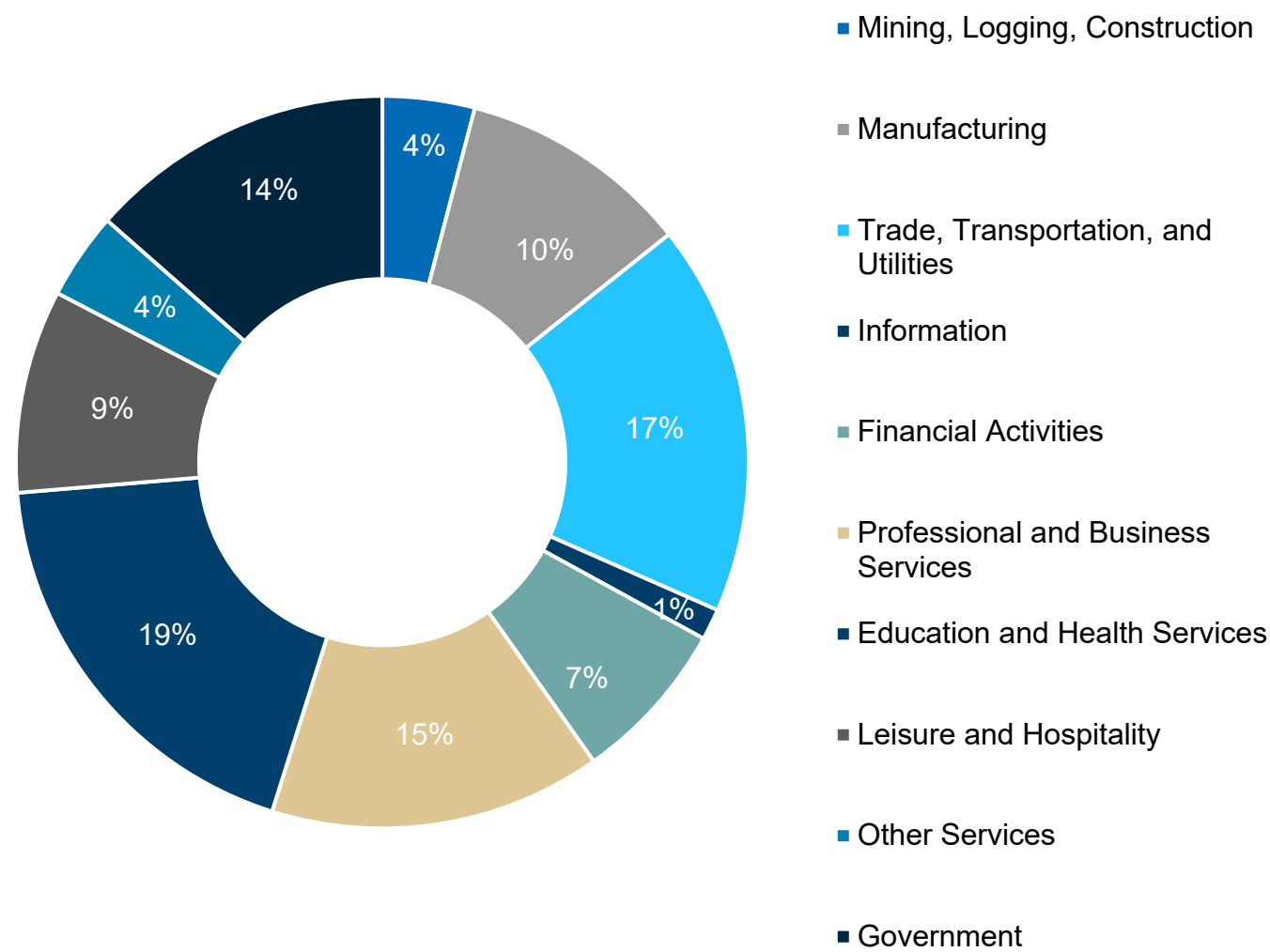


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

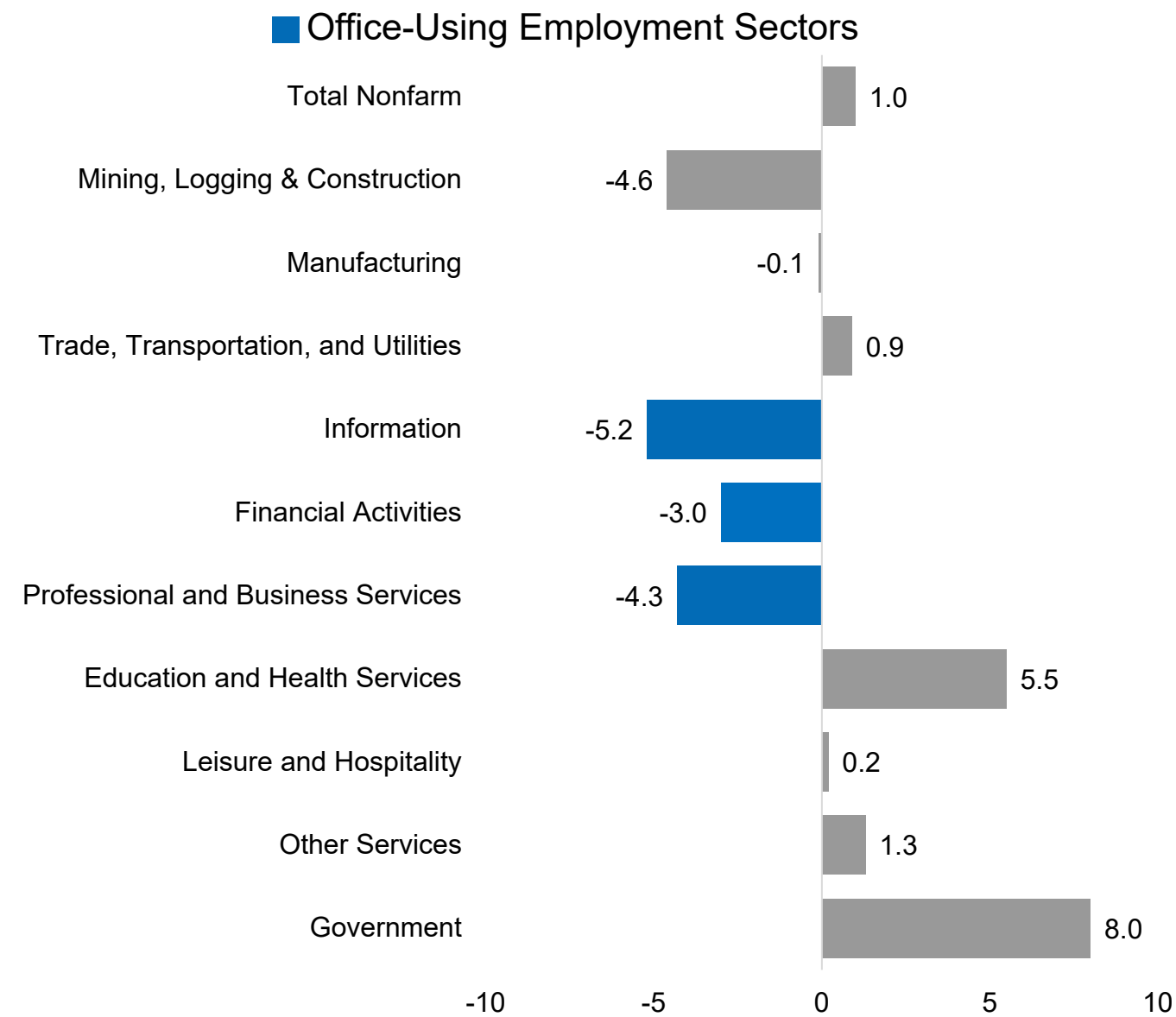
12-month Office-Using Employment Continues its Decline

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

Employment by Industry, April, 2024



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

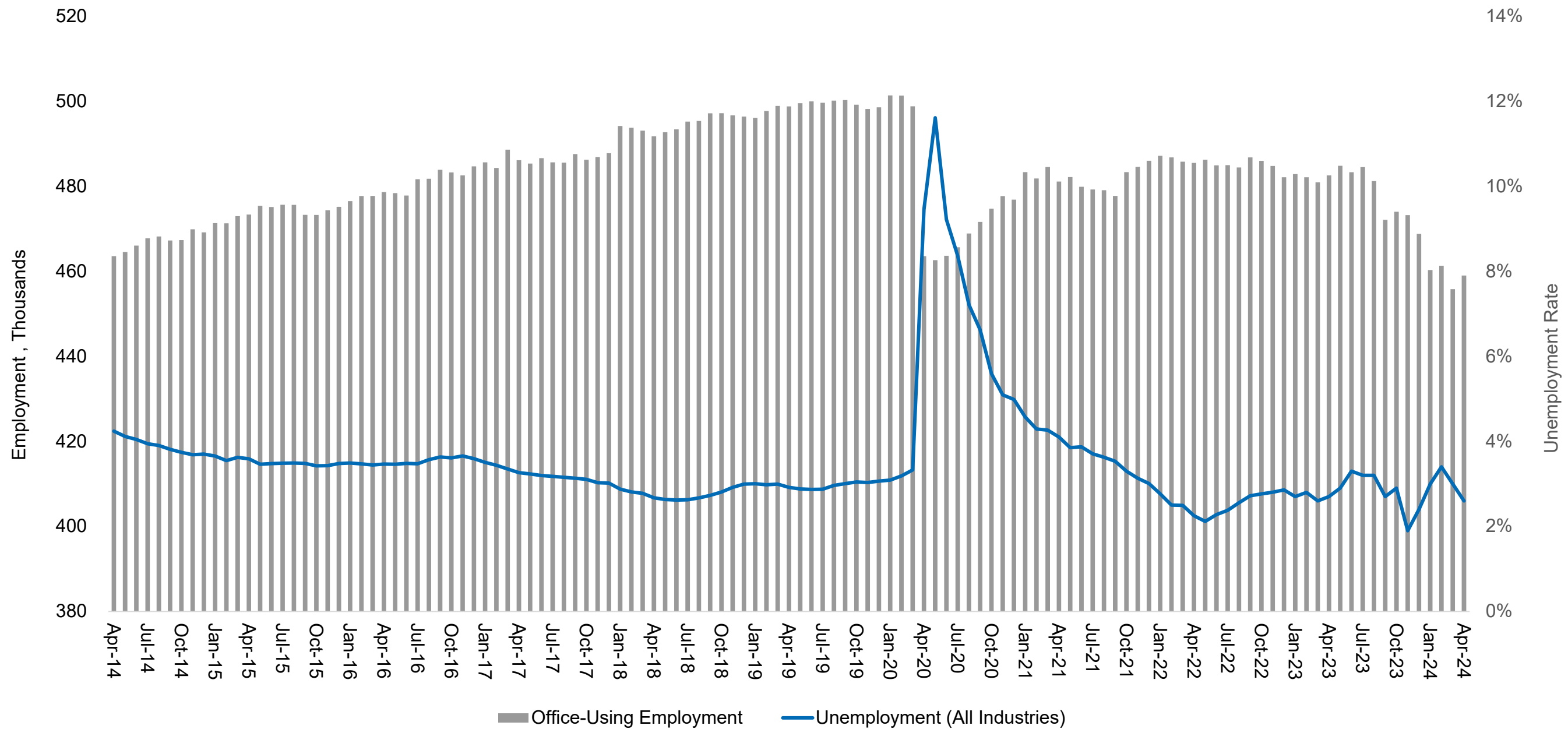


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

Struggling Office-Using Employment Sectors See Slight Increase

The employment sectors that utilize office spaces, including professional and business services, information and financial services, while struggling to reach pre-pandemic levels, increased in April of 2024.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

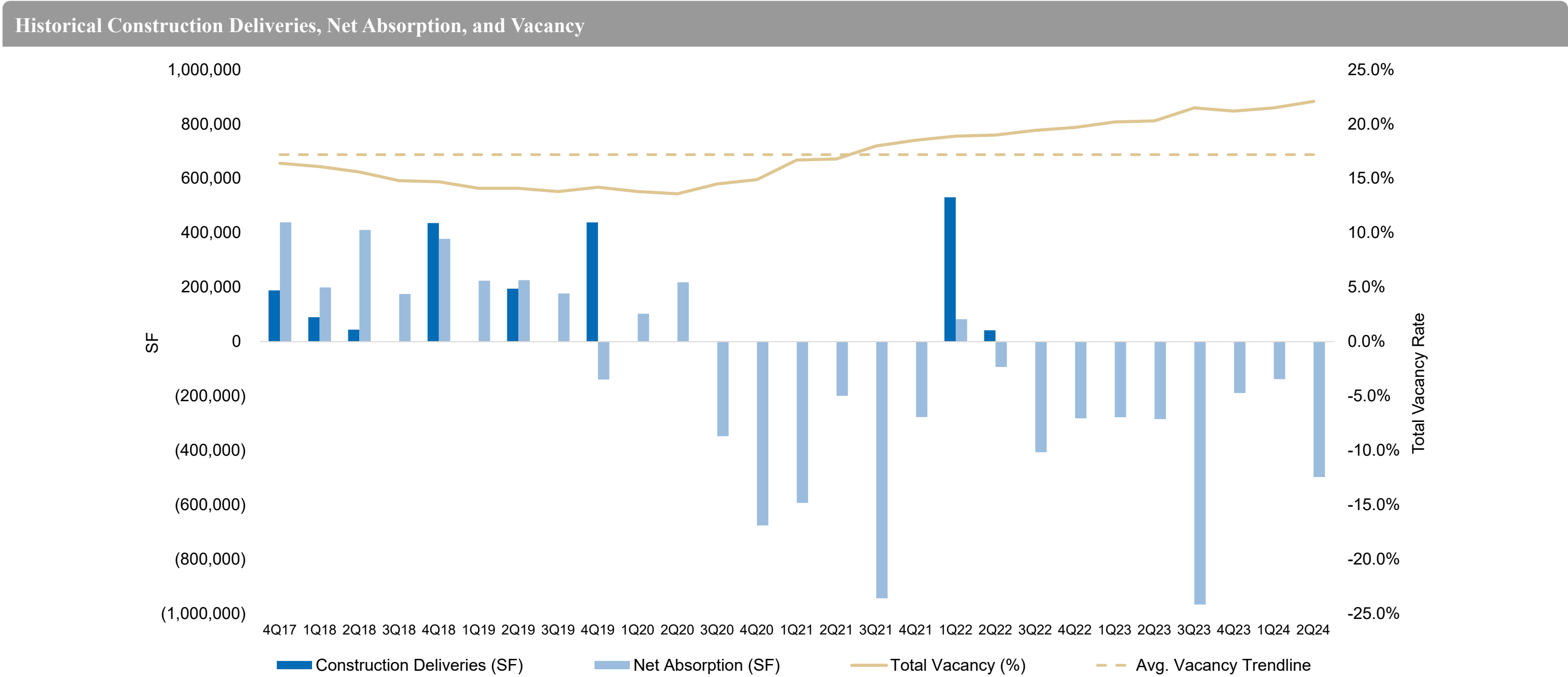
2Q24

Leasing Market Fundamentals



Another Corporate Downsizing Hits Market

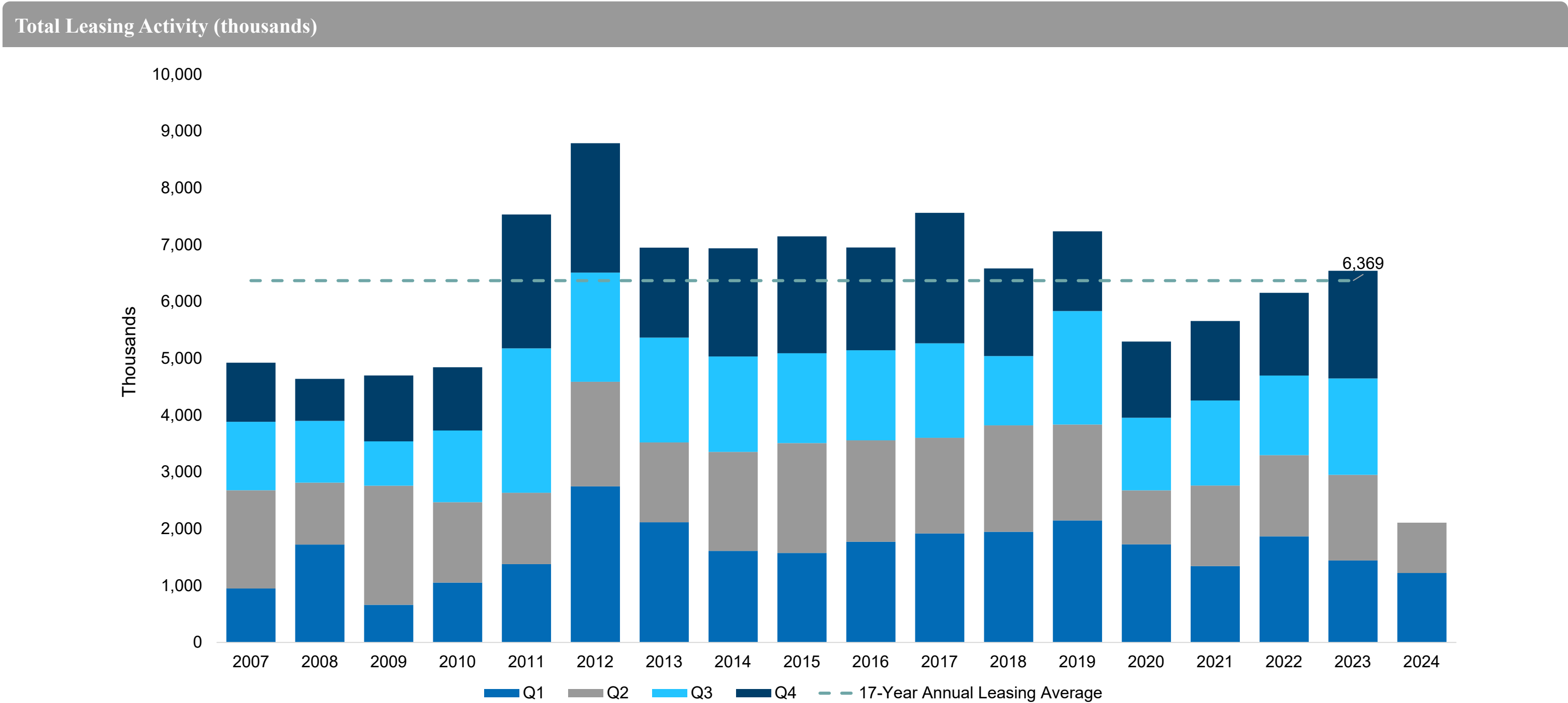
After absorption moderated in late 2023 and early 2024, the market experienced an increase in negative absorption, totaling 498,187 square feet in the 2nd quarter. This was largely due to US Bank vacating 340,000 square feet at Meridian Crossings in Richfield.



Source: Newmark Research, MNCAR, Costar

Leasing Activity Occurring But Not at Pre-Pandemic Levels

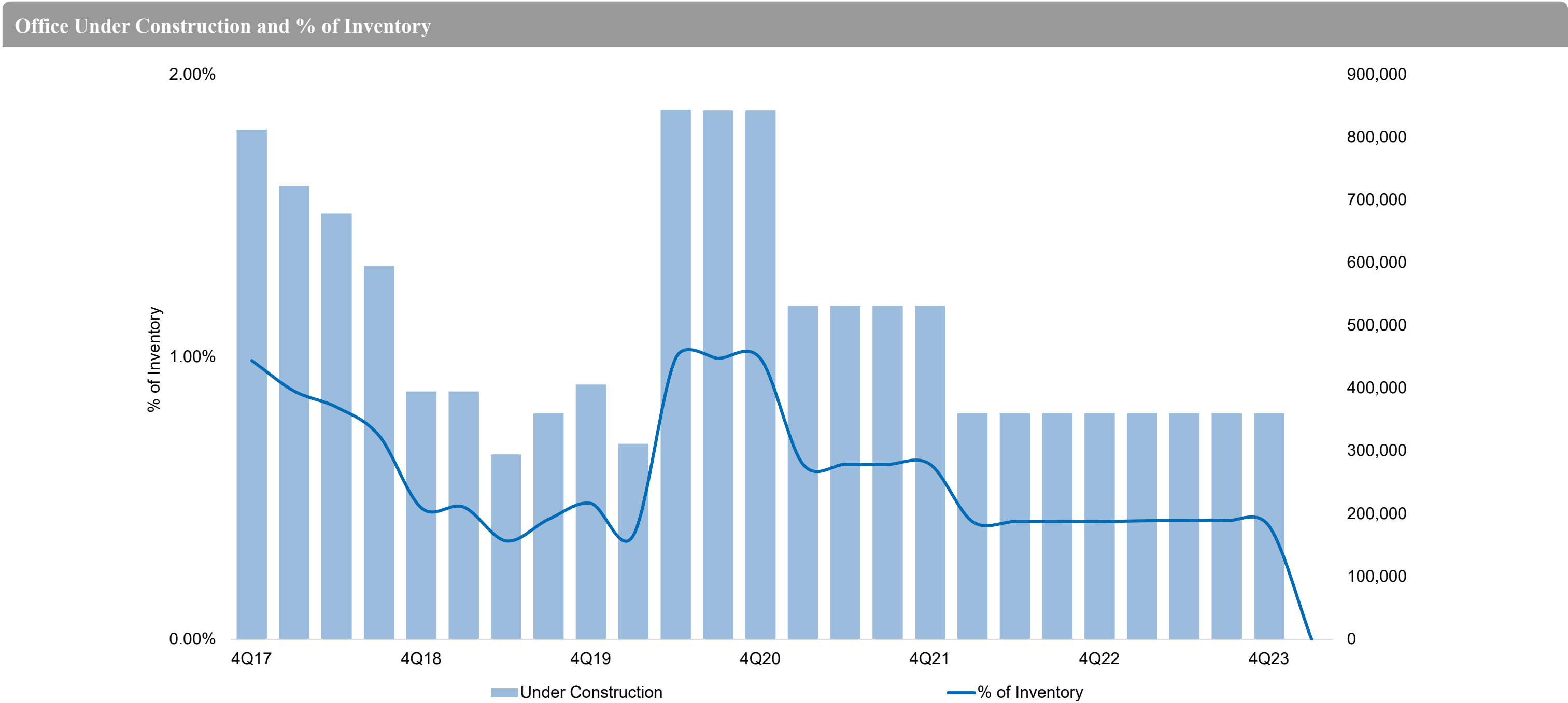
Leasing activity slowed to 886,793 square feet in the 2nd quarter, down from an average of 1.6 million square feet per quarter during the previous five quarters. Most companies are reducing the amount of space they occupy but are making longer-term decisions by either committing to new office spaces or renewing for longer terms.



Source: Newmark Research, CoStar

North Loop Green Construction Complete, No Further Projects Underway

Given the ongoing decrease in demand for office space, future construction is not expected to exacerbate vacancy rates.

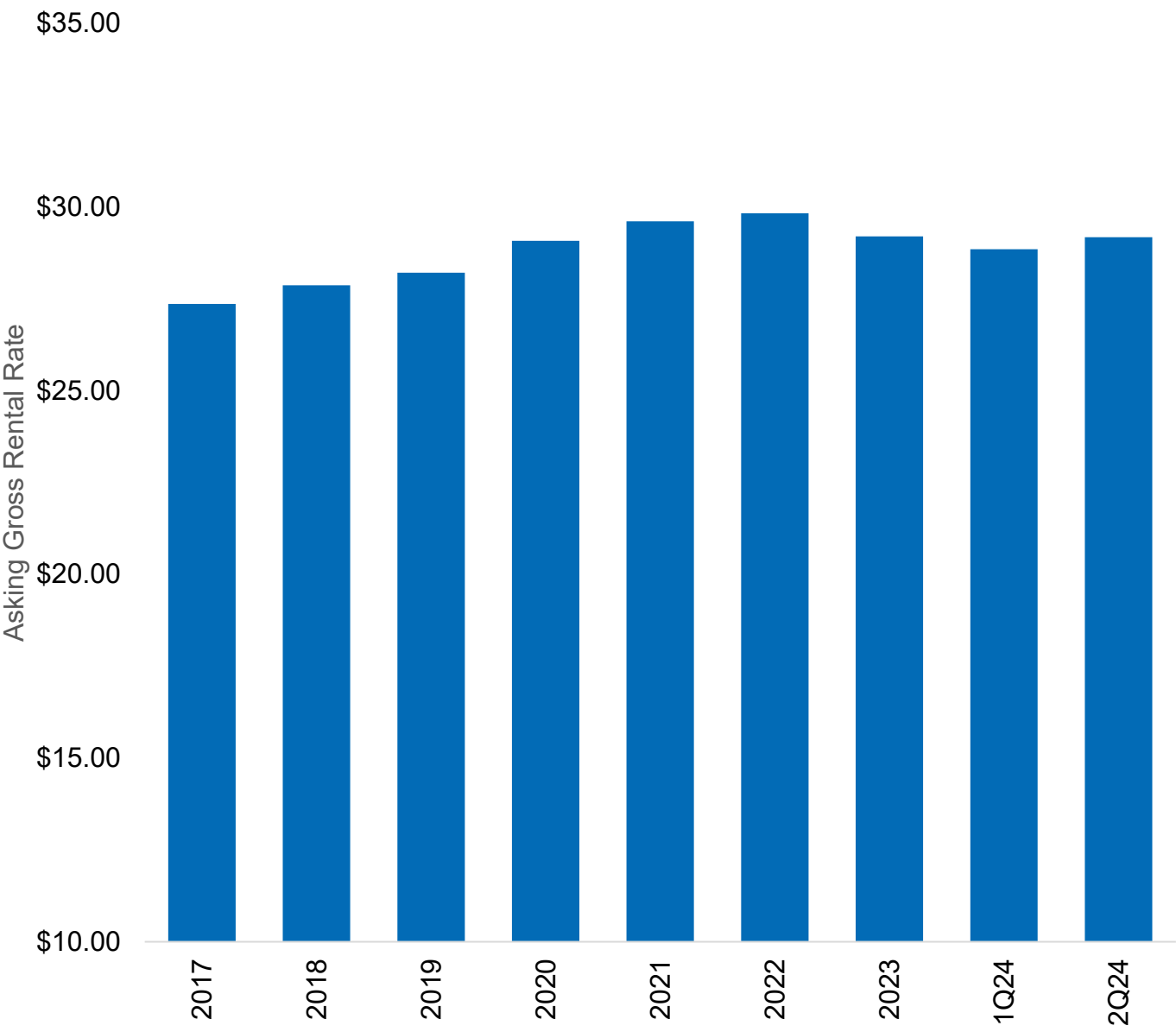


Source: Newmark Research, CoStar, MNCAR

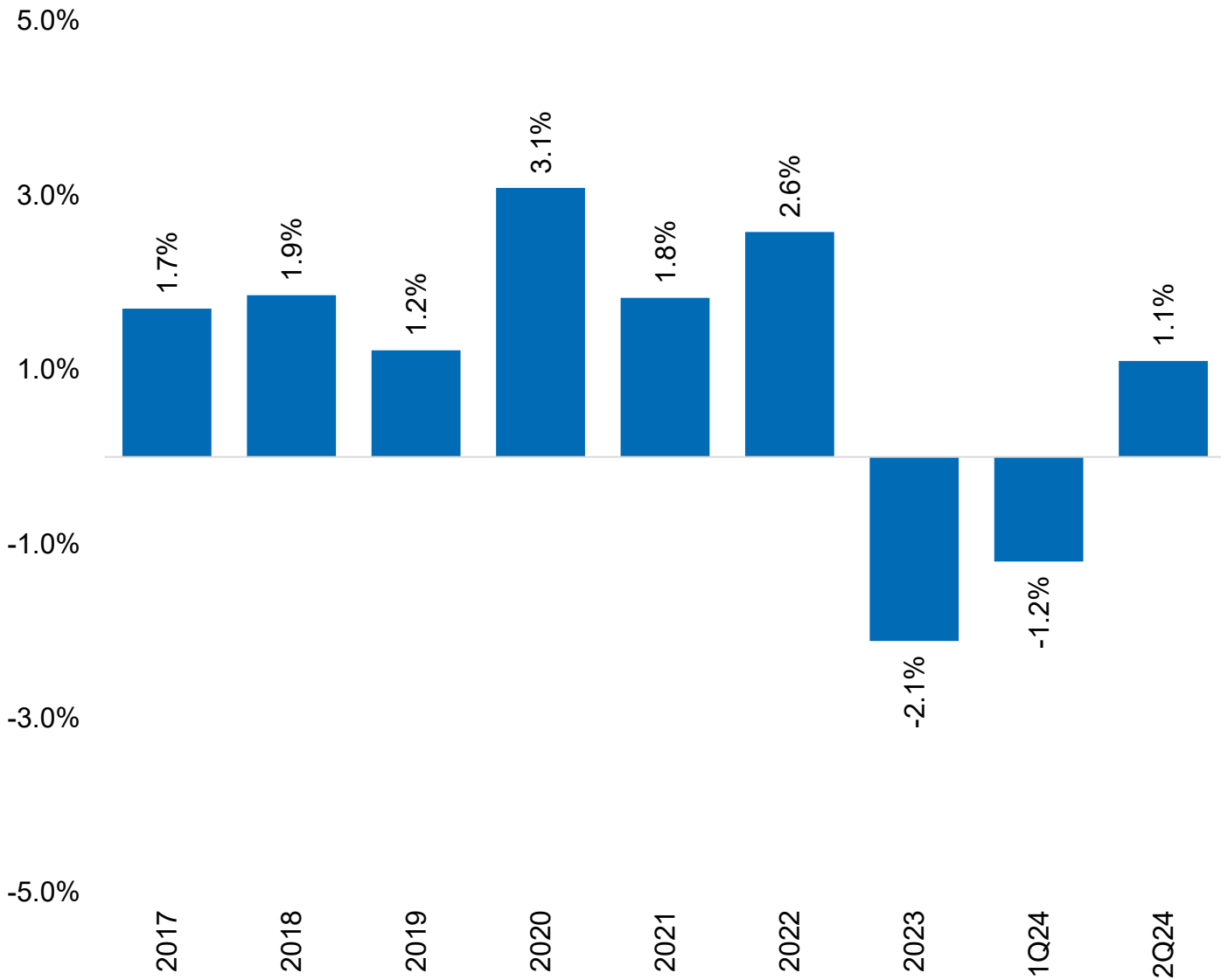
Quoted Rates Increase Slightly

Rates remain elevated considering current market conditions, while concessions are substantial. In the future, a lack of liquidity among some landlords may force them to lower rents rather than continue to provide elevated concession packages.

Office Average Asking Rent, \$/SF, Gross



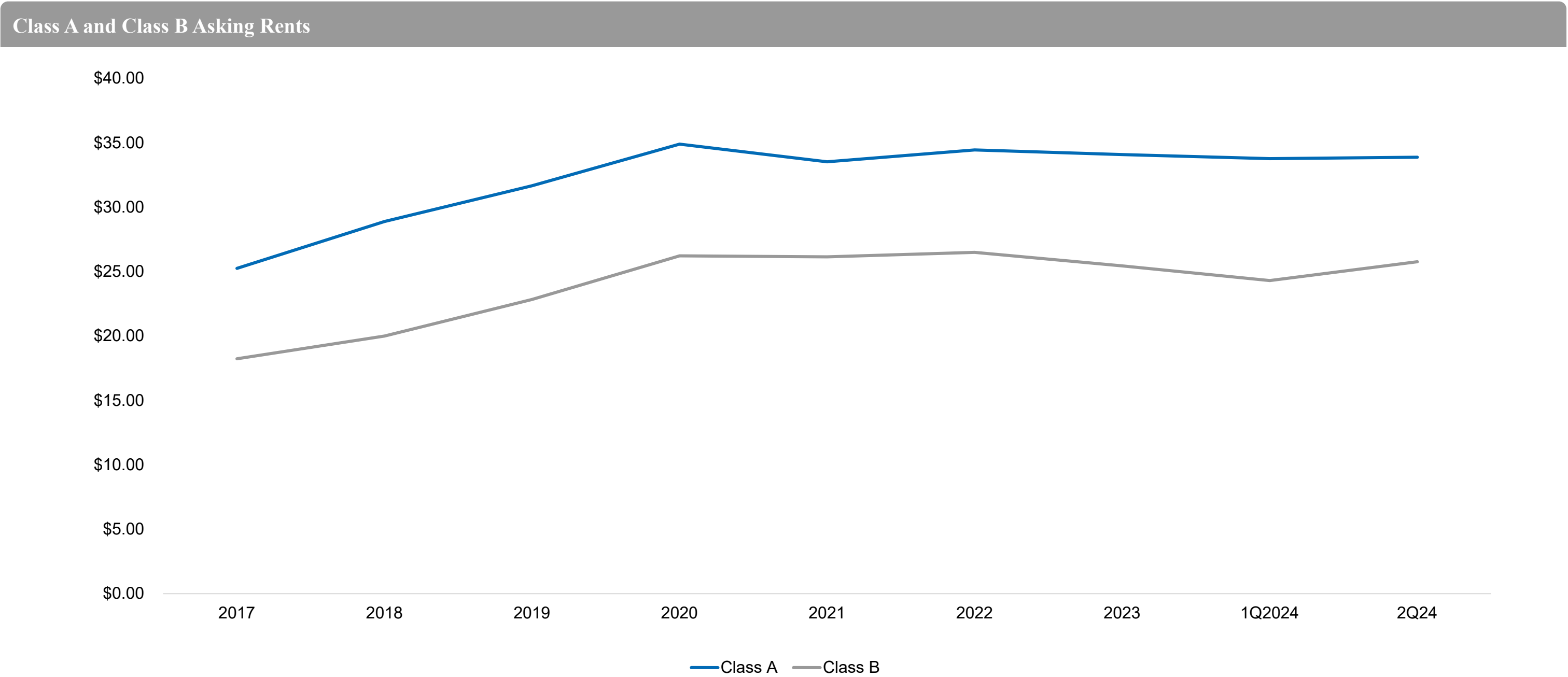
Year-over-Year Asking Gross Rent Growth Rate



Source: Newmark Research, CoStar

Strong Demand For Highest Quality Class A Properties

Quoted rates for both overall Class A and Class B properties increased slightly.

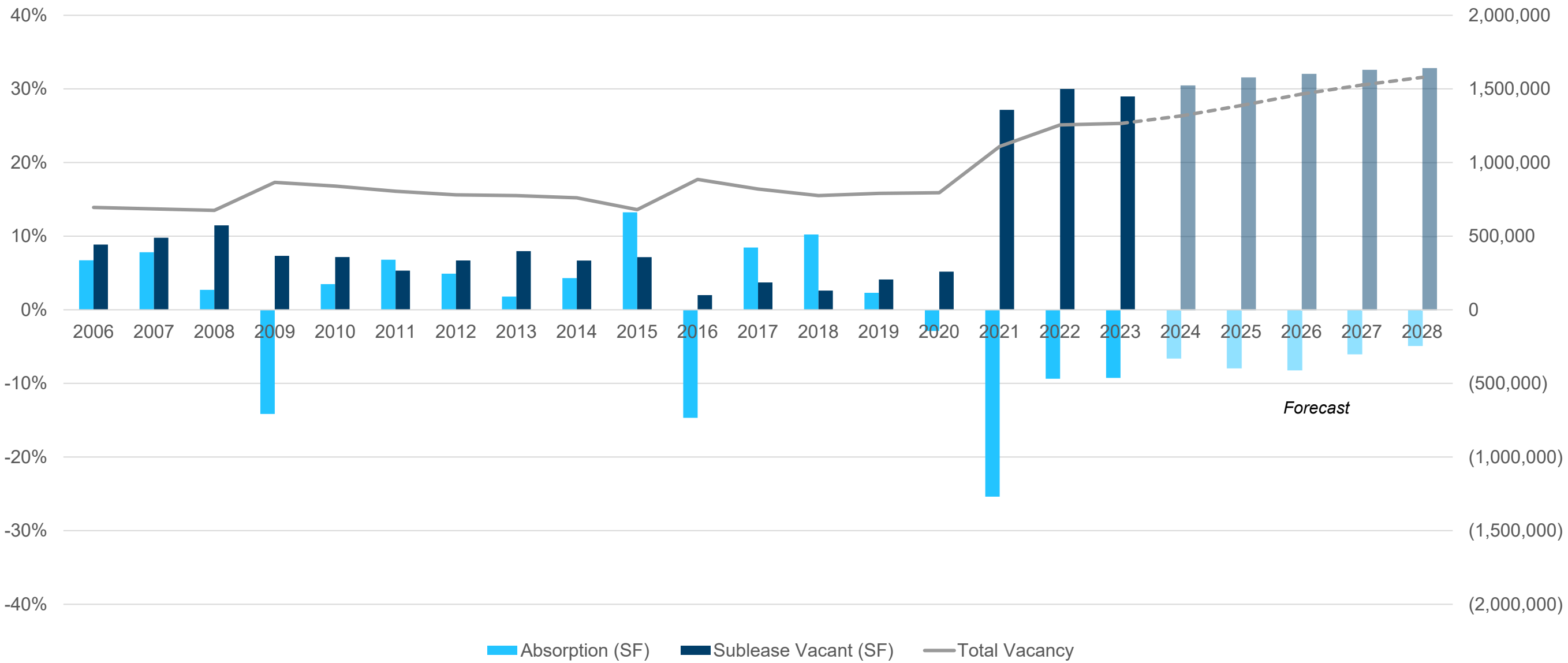


Source: Newmark Research, CoStar

Minneapolis CBD Absorption and Vacancy Forecast

Vacancy is expected to continue to rise through 2028 – when it is forecasted to reach over 30%. The completion of 360,000 square feet of office space at North Loop Green in the Minneapolis CBD 2024 provided some positive activity, though most companies relocating are leaving larger spaces within the CBD, offsetting positive net absorption.

Class A and Class B Asking Rents

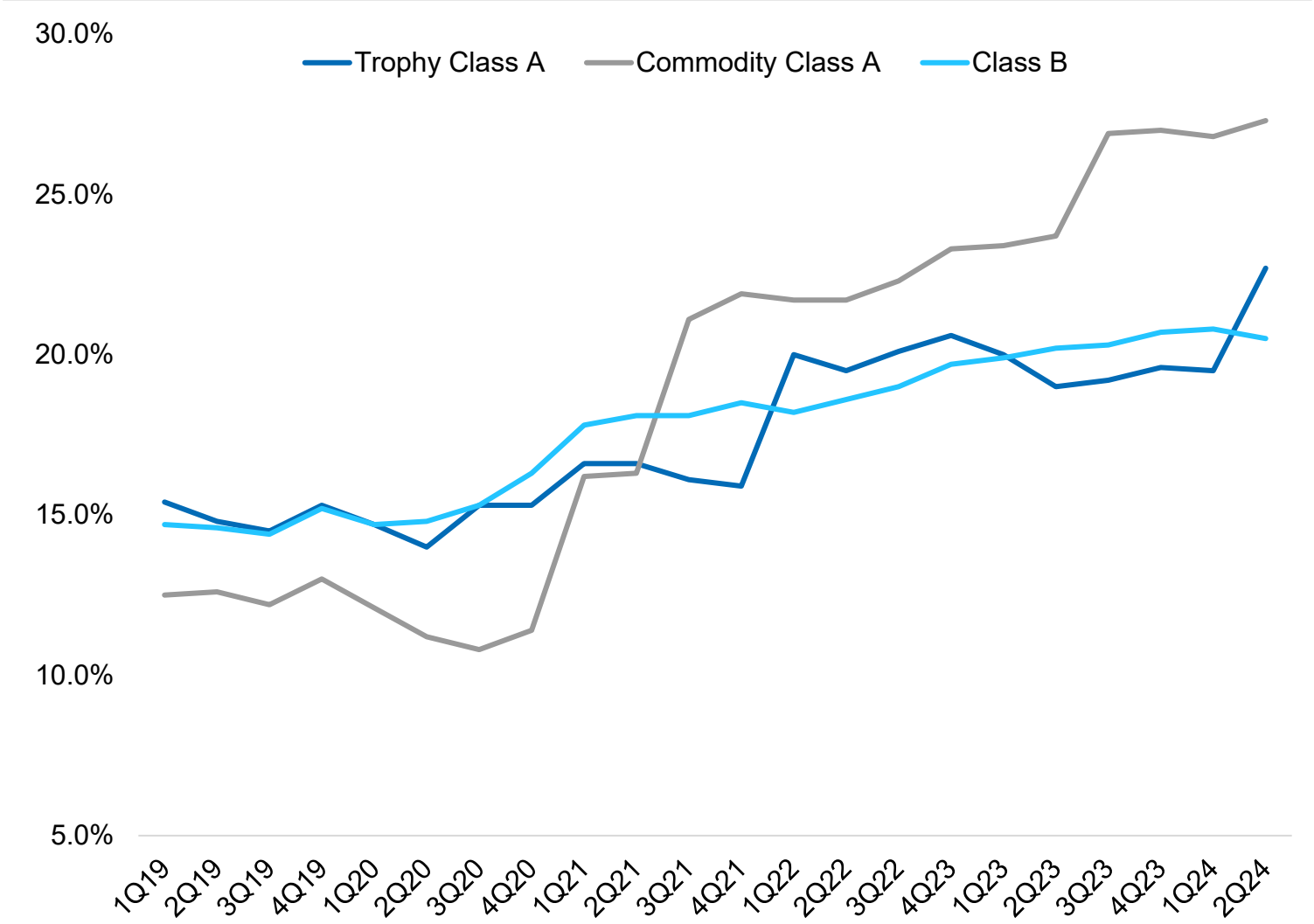


Source: Newmark Research, CoStar

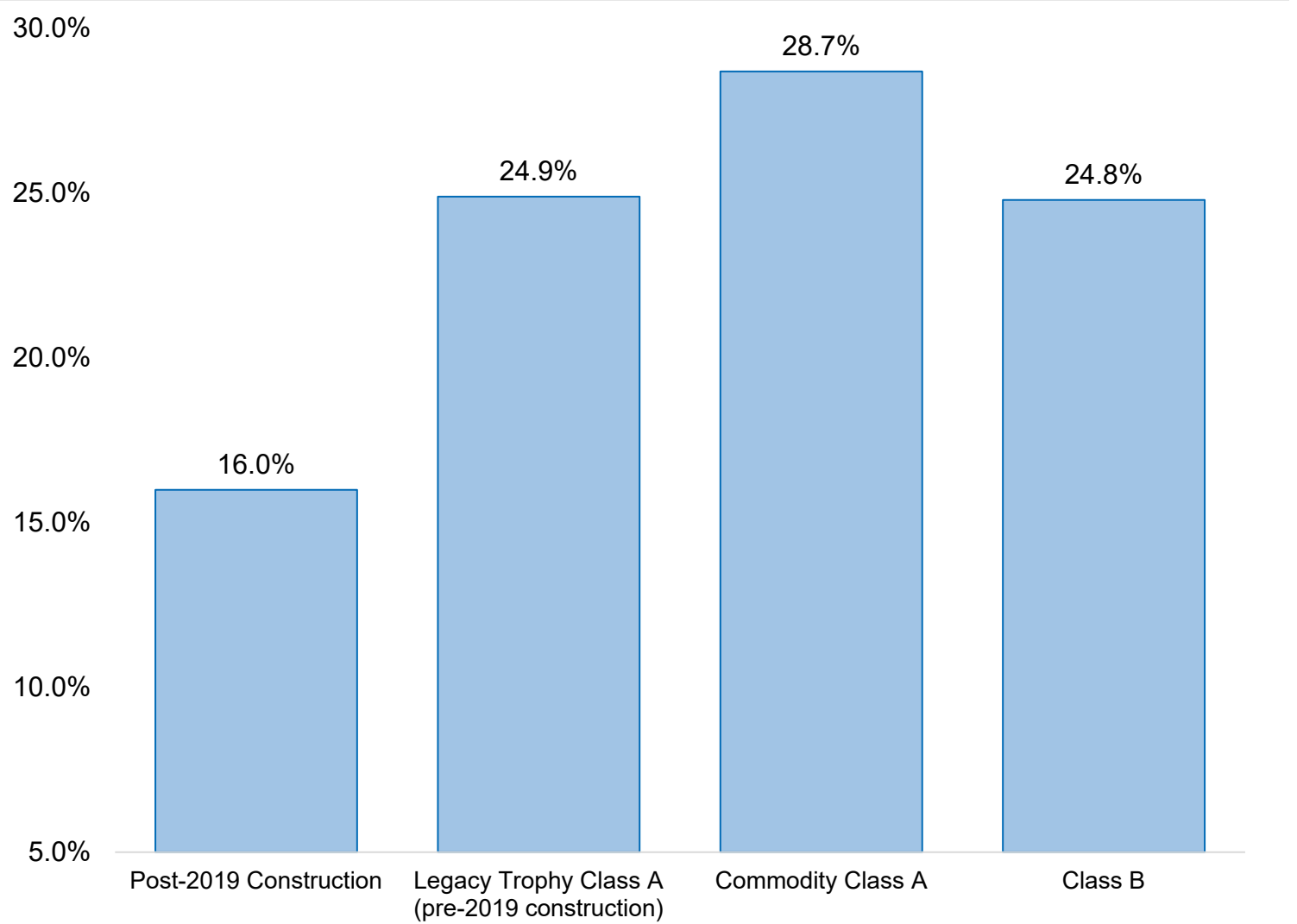
Trophy A vs. Commodity A vs. B

Class B properties, benefiting from the conversion of vacant buildings to other uses, have maintained a comparatively steady vacancy rate since 2019. Trophy Class A properties (4.5-5 star) have also performed well, whereas “commodity” Class A properties are struggling due to the downsizing of large users amid a steady stream of expiring leases, with many tenants moving to Trophy Class A properties. Post-2019 construction has the lowest availability, highlighting the preference for high-quality new spaces. Additionally, tenants in new construction either signed long-term leases immediately before the pandemic, which now expire in 5+ years, or signed long-term leases post-pandemic while incorporating hybrid work strategies. This bodes well for these properties to maintain strong occupancy in the future.

Vacancy by Class



Q2 2024 Availability by Class



Tenant Experience: Proprietary 5-star Newmark system that ranks properties by 20 factors that help attract and retain top talent, promote wellness, enable productivity and engage employees.

Trophy Class A: Class A properties with 4.5-5 out of 5 stars

Commodity Class A: Class A properties with 4 or fewer stars

Source: Newmark Research, CoStar

Office Transactions

Notable 2Q24 Lease Transactions

Tenant	Building	Submarket	Type	SF
Capella University	Capella Tower	Mpls CBD - Core	Renewal/Downsize	111,700
TKDA	Solo 3311	Southeast	New	87,352
BTM Global	7700 France Ave S	Southwest	New	19,849
Burns & McDonnell	Southpoint Office Center Tower	Southwest	Sublease	17,294
Nepsis	2 Meridian Crossings	Southeast	New	15,409
Sportsdigita	Centennial Lakes Office Park IV	Southwest	New	14,632
Yarkstik	100 Washington Square	Minneapolis CBD	Jamf Sublease	14,000
Life Link III	Shoreview Business Campus	Northeast	New	12,827
Office at Attorney General	Town Square Tower	Saint Paul CBD	Renewal	12,313
Agrex Inc	Crescent Ridge II	West	New	10,731
The St Paul & Minnesota Foundation	Osborn 370	Saint Paul CBD	New	10,694

Source: Newmark Research, MNCAR

Statistics (page 1 of 2)

Submarkets – Minneapolis CBD

	Inventory (SF)	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	Q1 Absorption (SF)	Q2 Absorption (SF)	YTD Absorption	Weighted AVG Rate (FSG)	UC (SF)
Class A	16,153,963	3,392,506	976,433	27.0%	(81,057)	60,745	(20,312)	\$35.22	0
Class B	5,708,783	1,473,996	132,356	28.1%	33,504	8,496	42,000	\$27.86	0
Class C	75,738	11,094	0	14.6%	19,500	0	19,500	\$21.00	0
Core Total	21,938,484	4,877,596	1,108,789	27.3%	(28,053)	69,241	41,188	\$33.05	0
Class A	207,443	10,310	59,477	33.6%	(140)	140	0	\$36.44	0
Class B	527,912	157,834	0	29.9%	(6,777)	(32,570)	(39,347)	\$30.01	0
Class C	108,150	64,411	0	59.6%	(19,318)	(32,813)	(52,131)	\$21.50	0
East Total	843,505	232,555	59,477	34.6%	(26,235)	(65,243)	(91,478)	\$29.26	0
Class B	48,012	0	0	0.0%	0	0	0	\$23.00	0
Class C	96,724	15,725	1364	17.7%	300	8,850	9,150	\$19.00	0
Loring Total	144,736	15,725	1,364	11.8%	300	8,850	9,150	\$20.25	0
Class A	200,739	6,953	0	3.5%	7,041	1,923	8,964	\$28.14	0
Class B	1,366,699	202,192	3,148	15.0%	(16,723)	21,616	4,893	\$25.96	0
Class C	989,285	75,422	2,476	7.9%	(1,539)	(10,622)	(12,161)	\$20.56	0
Northeast Total	2,556,723	284,567	5,624	11.4%	(11,221)	12,917	1,696	\$24.51	0
Class A	1,330,973	428,142	32,580	34.6%	93,288	33,238	126,526	\$42.11	0
Class B	980,167	251,861	24,640	28.2%	(37,889)	2,058	(35,831)	\$35.92	0
Class C	273,320	47,280	6,784	19.8%	(6,445)	(10,855)	(17,300)	\$27.94	0
Northloop Total	2,584,460	727,283	64,004	30.6%	48,954	24,441	73,395	\$36.56	0
Class A	434,333	18,790	0	4.3%	(21,672)	2,882	(18,790)	\$35.81	0
Class B	1,515,170	403,820	50,304	30.0%	2,674	58,592	61,266	\$28.13	0
Class C	161,093	64,737	0	40.2%	(15,984)	1,208	(14,776)	\$23.63	0
Warehouse Total	2,110,596	487,347	50,304	25.5%	(34,982)	62,682	27,700	\$27.92	0
Class A	18,327,451	3,856,701	1,068,490	26.9%	(2,540)	98,928	96,388	\$35.60	0
Class B	10,146,743	2,489,703	210,448	26.6%	(25,211)	58,192	32,981	\$28.79	0
Class C	1,704,310	278,669	10,624	17.0%	(23,486)	(44,232)	(67,718)	\$24.17	0
Mpls CBD Total	30,178,504	6,625,073	1,289,562	26.2%	(51,237)	112,888	61,651	\$32.53	0

Source: Newmark Research, MNCAR, Costar
Data includes multitenant office properties 20,000 SF or larger.

Statistics (page 2 of 2)

Submarkets

	Inventory (SF)	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	Q1 Absorption (SF)	Q2 Absorption (SF)	YTD Absorption	Weighted AVG Rate (FSG)	UC (SF)
Class A	2,008,491	365,929	104,002	23.4%	(4,723)	(79,606)	(84,329)	\$32.13	0
Class B	4,222,444	791,275	14,495	19.1%	(16,767)	5,951	(10,816)	\$20.33	0
Class C	411,084	96,299	0	23.4%	6,091	(4,716)	1,375	\$16.26	0
St. Paul CBD Total	6,642,019	1,253,503	118,497	20.7%	(15,399)	(78,371)	(93,770)	\$24.05	0
Class A	535,976	111,082	23,766	25.2%	(413)	2,689	2,276	\$24.28	0
Class B	7,092,785	1,091,350	32,495	15.8%	(39,584)	2,141	(37,443)	\$20.40	0
Class C	1,412,817	354,744	3,206	25.3%	(1,935)	(39,240)	(41,175)	\$17.75	0
Northeast Total	9,041,578	1,557,176	59,467	17.9%	(41,932)	(34,410)	(76,342)	\$20.60	0
Class A	451,567	20,835	0	4.6%	1,783	38,481	40,264	\$23.51	0
Class B	2,278,607	477,164	1,478	21.0%	(24,402)	(19,923)	(44,325)	\$20.99	0
Class C	380,568	5,639	0	1.5%	0	(3,845)	(3,845)	\$14.43	0
Northwest Total	3,110,742	503,638	1,478	16.2%	(22,619)	14,713	(7,906)	\$20.86	0
Class A	1,489,042	513,470	54,800	38.2%	(36,543)	(343,163)	(379,706)	\$28.88	0
Class B	4,124,354	930,491	34,611	23.4%	(6,321)	(93,627)	(99,948)	\$23.76	0
Class C	1,403,769	160,864	0	11.5%	(17,169)	(40,965)	(58,134)	\$18.93	0
Southeast Total	7,017,165	1,604,825	89,411	24.1%	(60,033)	(477,755)	(537,788)	\$23.64	0
Class A	7,290,753	1,699,932	311,913	27.6%	49,436	(74,890)	(25,454)	\$31.48	0
Class B	7,216,800	1,254,317	182,384	19.9%	5,590	(4,871)	719	\$26.18	0
Class C	2,182,225	194,219	4,378	9.1%	(14,621)	(19,276)	(33,897)	\$21.84	0
Southwest Total	16,689,778	3,148,468	498,675	21.9%	40,405	(99,037)	(58,632)	\$28.80	0
Class A	3,809,631	686,761	26,854	18.7%	55,536	64,829	120,365	\$36.09	0
Class B	5,453,467	630,686	119,243	13.8%	(23,919)	(3,177)	(27,096)	\$30.86	0
Class C	1,202,965	103,797	29,927	11.1%	(18,904)	2,133	(16,771)	\$29.31	0
West Total	10,466,063	1,421,244	176,024	15.3%	12,713	63,785	76,498	\$32.96	0
Class A	33,912,911	7,254,710	1,589,825	26.1%	62,536	(292,732)	(230,196)	\$33.87	0
Class B	40,535,200	7,664,986	595,154	20.4%	(130,614)	(55,314)	(185,928)	\$25.76	0
Class C	8,697,738	1,194,231	48,135	14.3%	(70,024)	(150,141)	(220,165)	\$21.75	0
Overall Total	83,145,849	16,113,927	2,233,114	22.1%	(138,102)	(498,187)	(636,289)	\$29.18	0

Source: Newmark Research, MNCAR, Costar
Data includes multitenant office properties 20,000 SF or larger.

2Q24

Submarkets



Minneapolis CBD

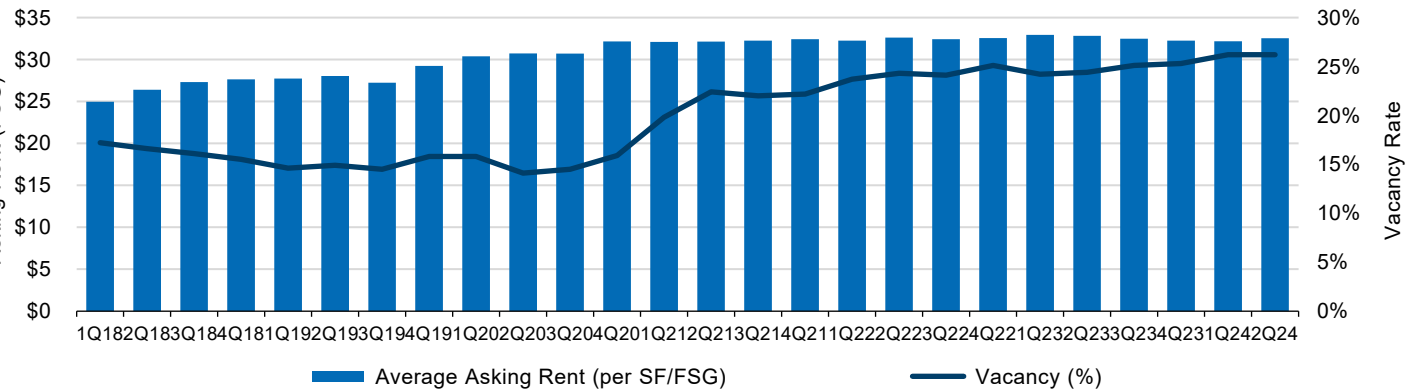
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	30.2M	30.4M	32.2M
Vacancy Rate	26.2%	26.2%	24.4%
Quarterly Net Absorption (SF)	112,888	(51,237)	(79,904)
Average Asking Rent/SF	\$32.53	\$32.16	\$32.82
Under Construction (SF)	0	359,729	359,729

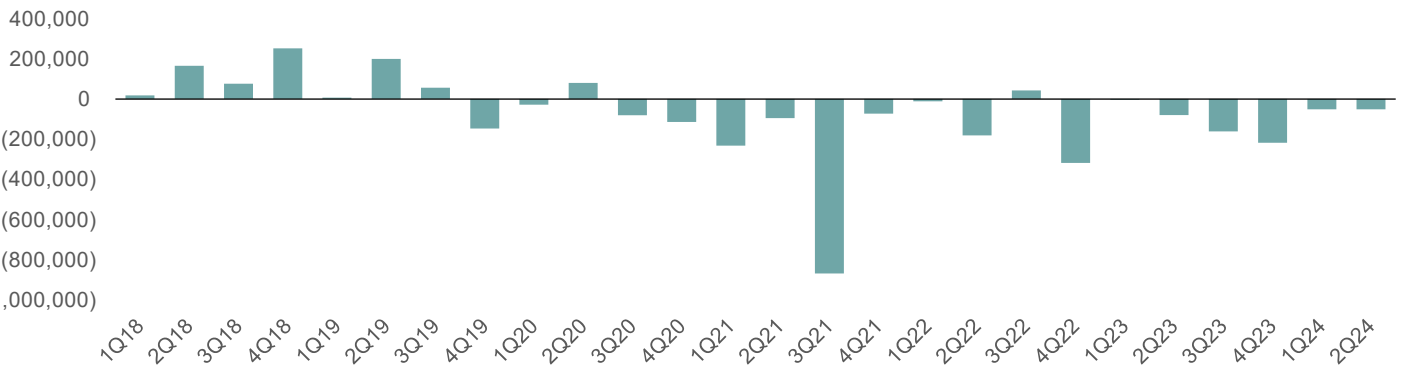
Current Market Trends

- Absorption was positive at 112,888 square feet while vacancy was steady. The completion of North Loop Green contributed to positive absorption, though much of the space was vacant upon completion, and further absorption will occur at the property throughout 2024.
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- The two Forum Buildings, totaling 634,000 square feet, are for sale. The properties are being marketed at a price below replacement value.

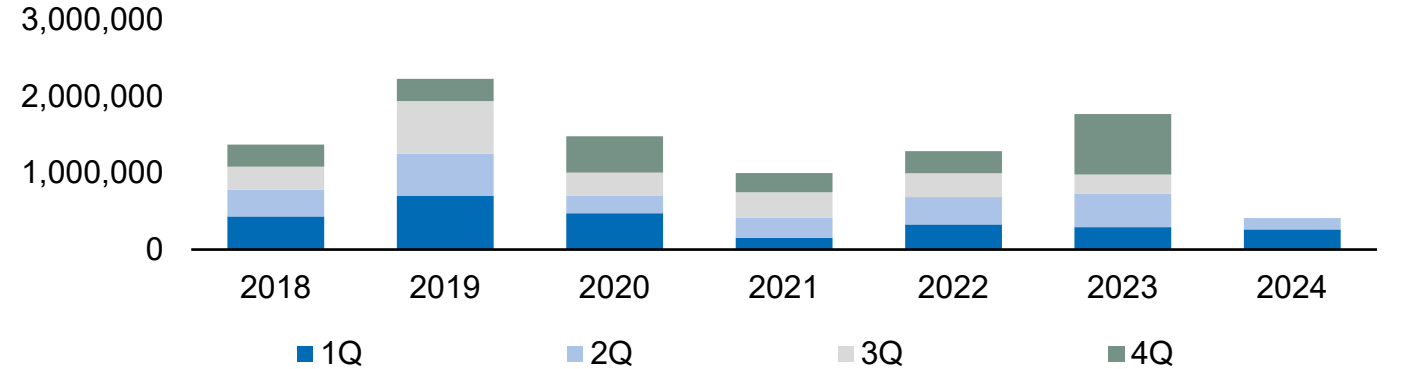
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

St. Paul CBD

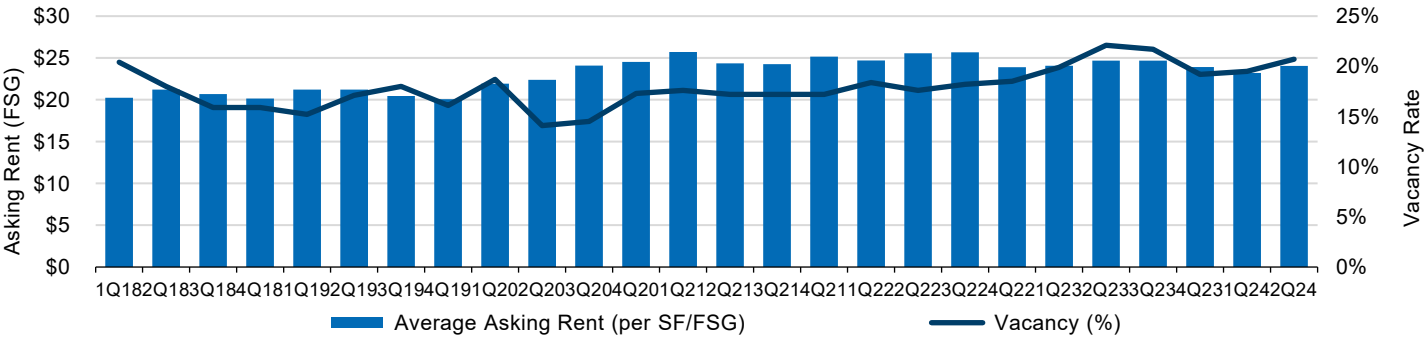
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	6.6M	6.6M	7.3M
Vacancy Rate	20.7%	19.5%	22.1%
Quarterly Net Absorption (SF)	(78,371)	(15,399)	(155,407)
Average Asking Rent/SF	\$24.05	\$23.20	\$24.68
Under Construction (SF)	0	0	0

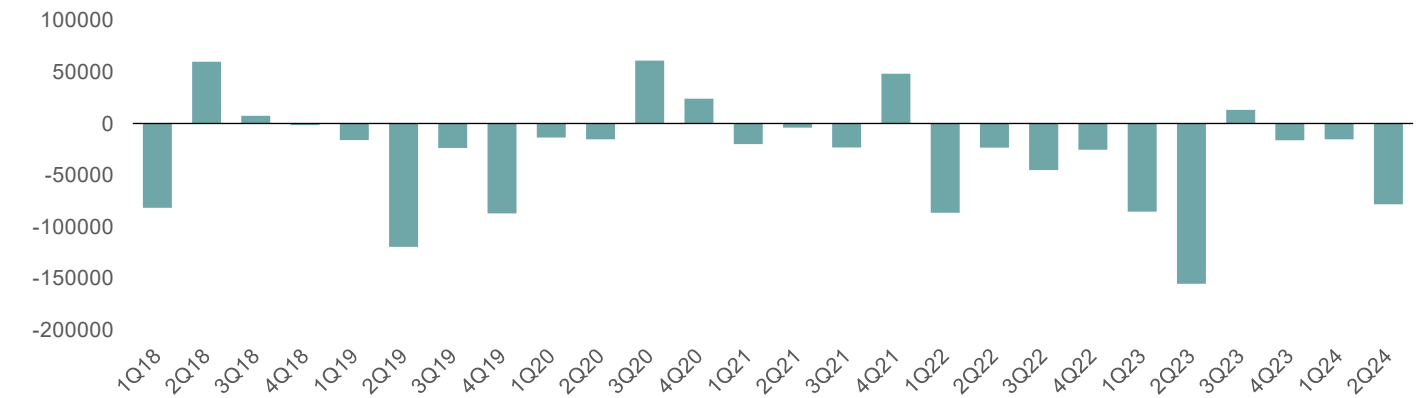
Current Market Trends

- Vacancy increased from 19.5% during the first quarter to 20.7%, and absorption was negative 78,371.
- US Bank is vacating the St. Paul CBD. While it will maintain its branch location at US Bank Center, it will vacate 118,000 square feet of space. This decision comes after last fall's announcement that the bank will leave 340,000 square feet at Meridian Crossings in Richfield, while committing long term to the Minneapolis CBD as it renewed its lease for 440,000 square feet at the US Bancorp Center.
- Following the death of its founder, the Madison Equities portfolio of St. Paul CBD properties is for sale. The portfolio consists of 1,643,310 square feet of office space, including the First National Bank Building and the US Bank Building, as well as two parking ramps, a surface parking lot, and a restaurant. Notably, the LLC owning Park Square Court, one of the properties in the portfolio, filed for Chapter 7 bankruptcy after the properties were listed for sale.
- The St. Paul and Minnesota Foundation will move to Osborn370. The organization will move into 10,700 square feet at the building, located at 370 N Wabasha, early in 2025. Other tenants at the property include CPA firm Ballenthin, Funk & Johnson, engineering firm Brown and Caldwell, and Greater MSP.
- The 375,000 Ramsey County East building at 160 E Kellogg Blvd is for sale. The county is preparing to move employees from the building to Metro Square.

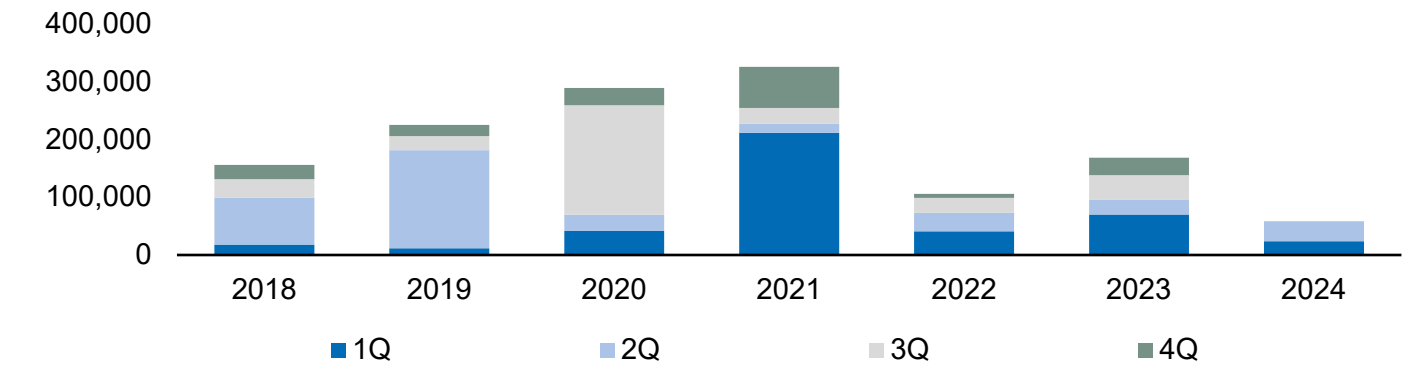
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

Northeast

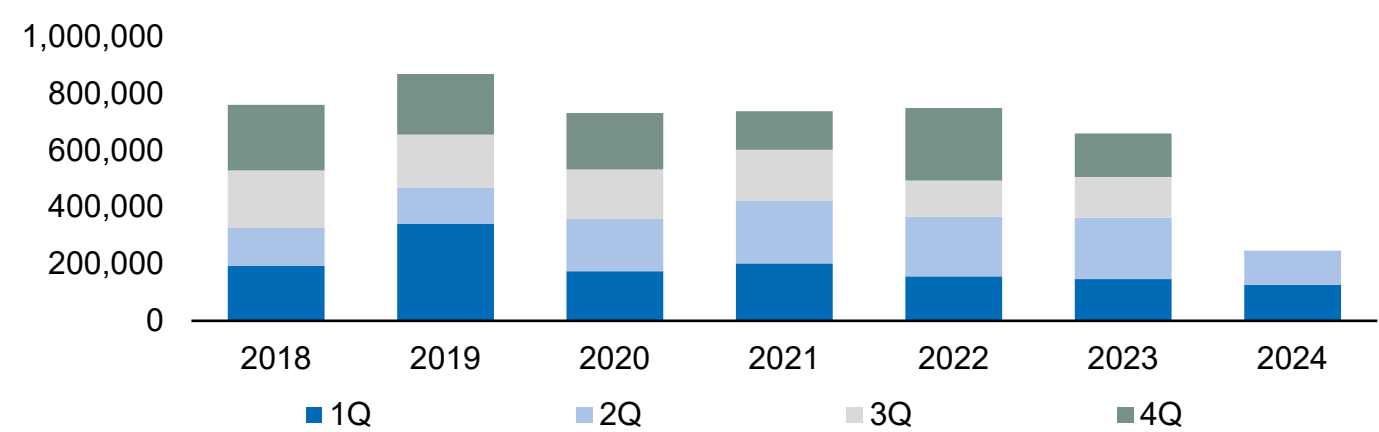
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	9.0M	9.1M	9.1M
Vacancy Rate	17.9%	18.7%	18.2%
Quarterly Net Absorption (SF)	(34,410)	(41,932)	(72,106)
Average Asking Rent/SF	\$20.60	\$20.58	\$22.19
Under Construction (SF)	0	0	0

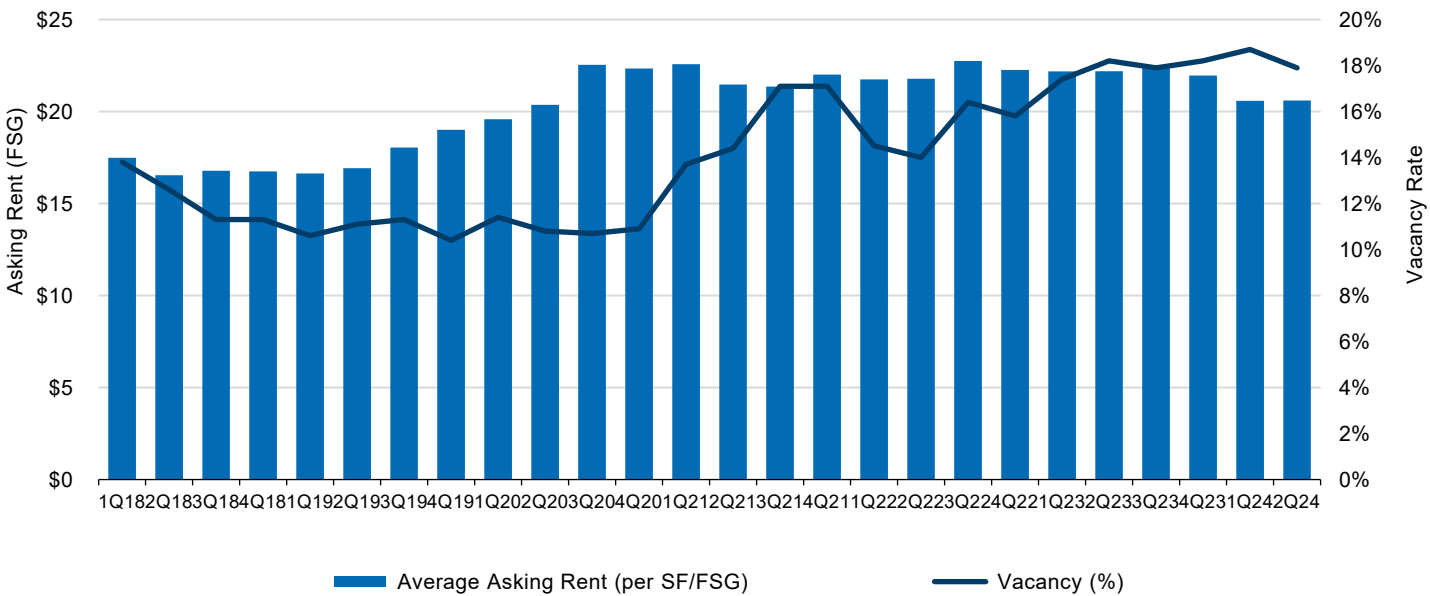
Current Market Trends

- The vacancy rate decreased from 18.7% to 17.9% during the first quarter of 2024. There was 41,932 SF of negative absorption.
- The East Blaine Mosque and Academy purchased a vacant office building at 3680 Pheasant Ridge for \$4M. The property was a former Globe University and Minnesota School of Business and will be rezoned from office use.
- Rental rates in this submarket are lower than the overall market average of \$29,18/SF. Class A rates are nearly \$10/SF less than overall Class A rates; at \$24.28/SF and \$33.87/SF for the Northeast and overall, respectively.
- Scannell is currently demolishing the former Deluxe headquarters in Shoreview to make way for new housing, office, and industrial buildings.

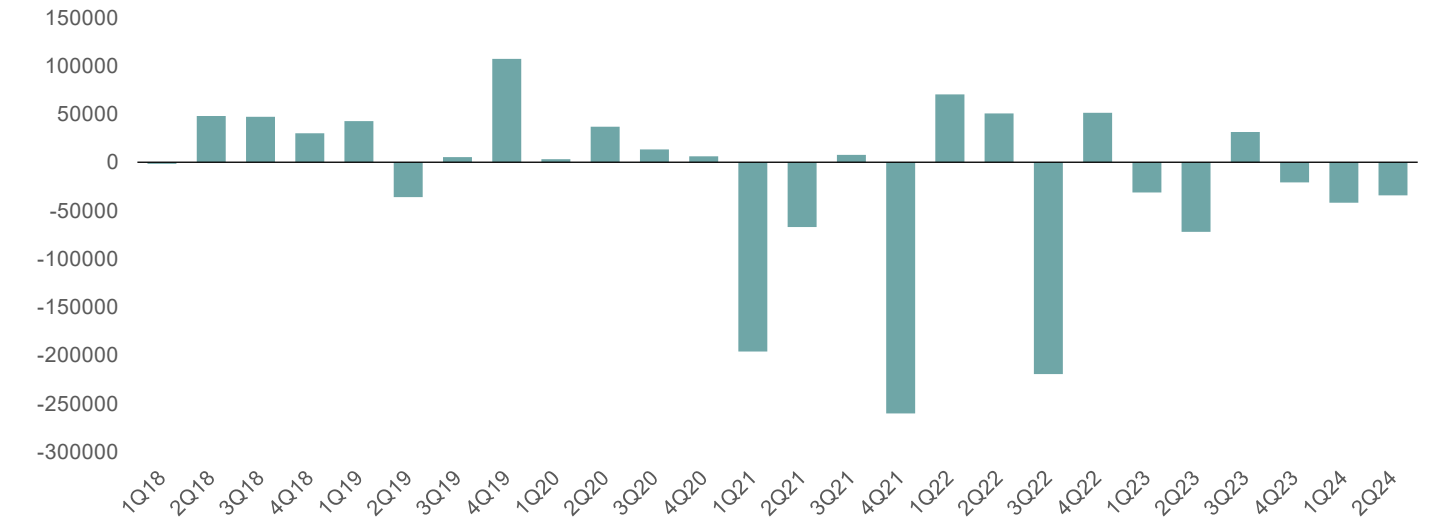
Overall Leasing Activity



Asking Rent and Vacancy Rate



Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Northwest

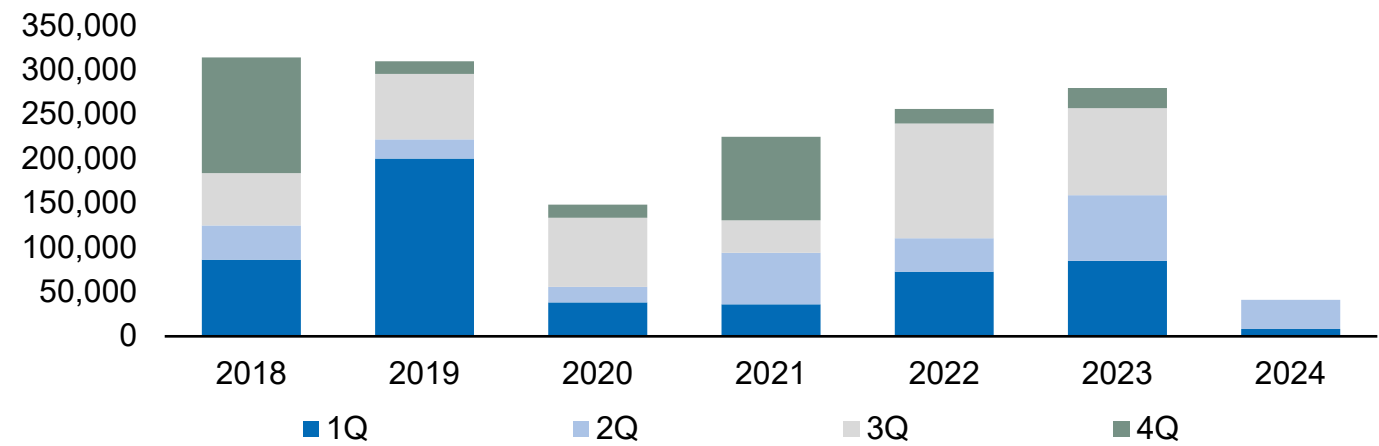
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	3.1M	3.1M	3.0M
Vacancy Rate	16.2%	17.5%	15.0%
Quarterly Net Absorption (SF)	14,713	(22,619)	(70,423)
Average Asking Rent/SF	\$20.86	\$21.27	\$21.02
Under Construction (SF)	0	0	0

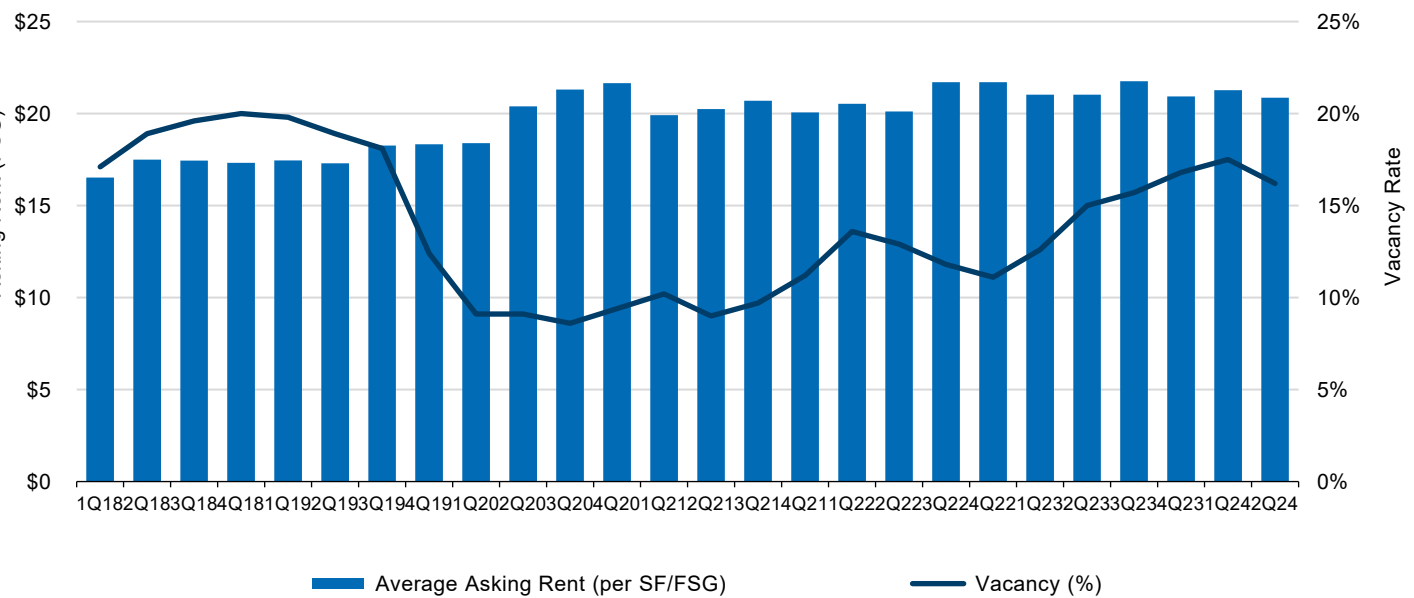
Current Market Trends

- Positive absorption contributed to a decrease in vacancy 17.5% in the previous quarter to 16.2% currently.
- Scannell is collaborating with Roers to redevelop the Prudential campus in Plymouth, incorporating multifamily and industrial uses.
- The Opus Group purchased 30 acres in Maple Grove where a 248,000 square foot facility is planned for BAE Systems that will include manufacturing, office, warehouse and R&D.

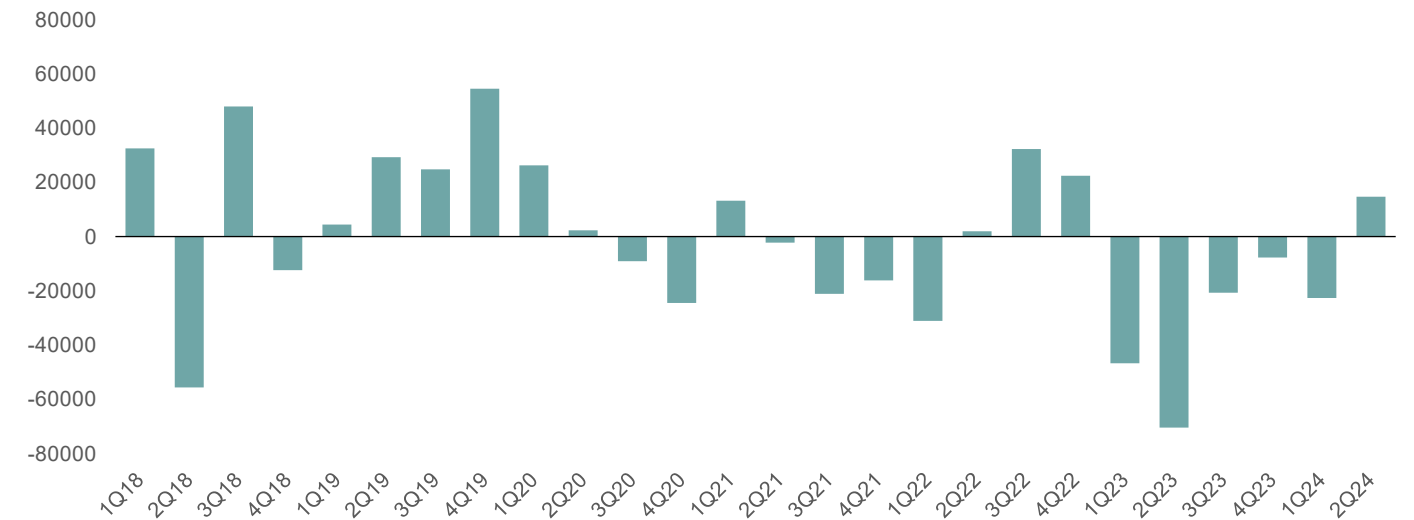
Overall Leasing Activity



Asking Rent and Vacancy Rate



Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Southeast

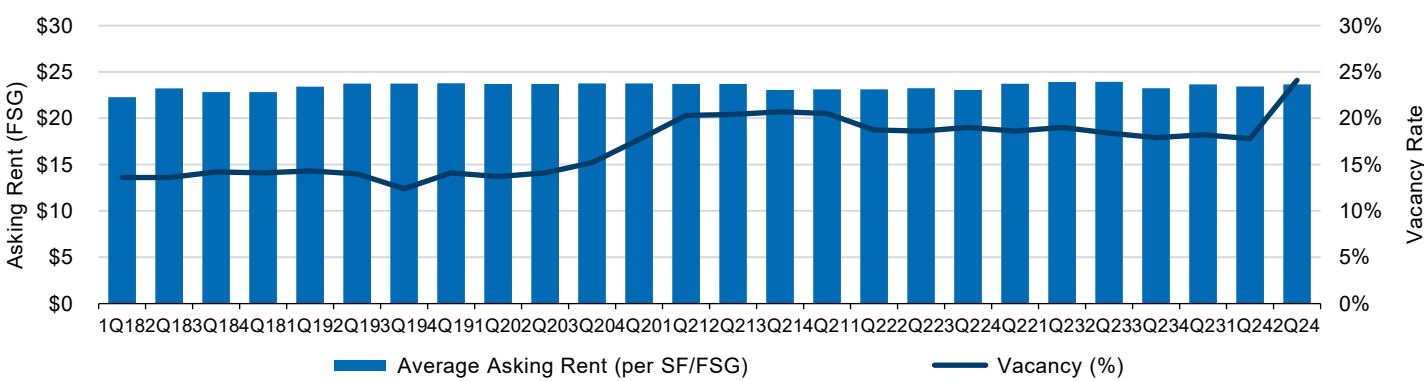
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	7.0M	6.8M	7.0M
Vacancy Rate	24.1%	17.8%	18.4%
Quarterly Net Absorption (SF)	(477,755)	(60,033)	49,520
Average Asking Rent/SF	\$23.64	\$23.42	\$23.92
Under Construction (SF)	0	0	0

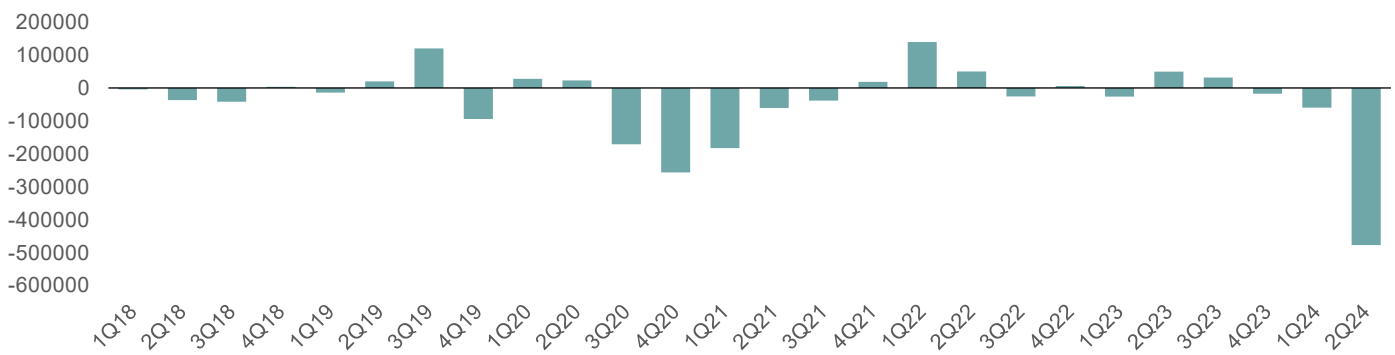
Current Market Trends

- Rental rates overall are \$23.64/SF and absorption was negative at 477,75 SF and vacancy increased to 24.1%. This was largely due to US Bank vacating 340,000 square feet at Meridian Crossings in Richfield.
- River Park 1 & 2 in Eagan have sold for \$60.7 million to Real Capital Solutions of Louisville, Colorado. The remaining three buildings on Blue Cross Blue Shield’s Eagan campus are still for sale. The 440,000 square foot former headquarters office building at 3535 Blue Cross Rd, a 12,000 square foot former daycare center and a 227,000 square foot flex building at 1750 Yankee Doodle Rd. Blue Cross’ leases at these properties expires at the end of June. The company renewed its leases at River Park I & II, which total 347,000 square feet and will consolidate its workforce in these properties.
- Engineering firm TKDA is leaving St. Paul to move to 87,000 square feet at the SoLo building in Bloomington. The company will be moving from 60,000 square feet at UBS Plaza after being located St. Paul CBD since 1910.
- Two office buildings in Burnsville may be replaced by apartments. Roers Cos. has a purchase agreement for 151 and 201 W. Burnsville Pkwy, which total over 40,000 square feet and is seeking city approval to build a 170-unit affordable unit complex.
- Construction began on sensor firm Sick, Inc.’s 139,000 square foot expansion in Bloomington for its office and customer resource building.

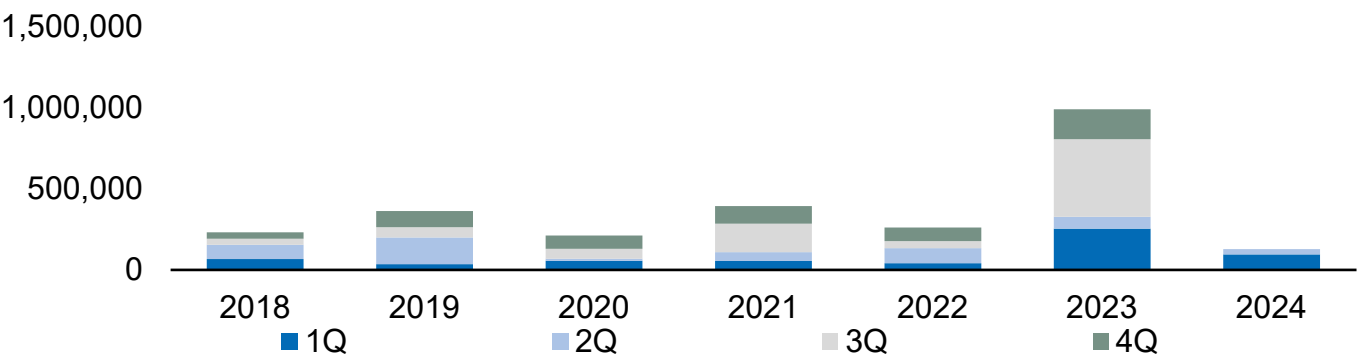
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

Southwest

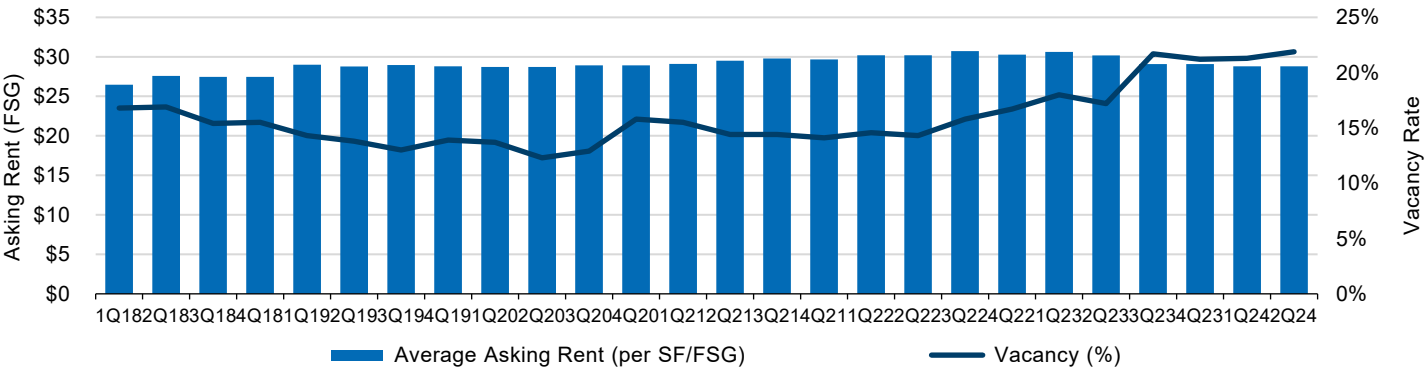
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	16.7M	16.7M	16.6M
Vacancy Rate	21.9%	21.3%	17.2%
Quarterly Net Absorption (SF)	(99,037)	40,405	26,799
Average Asking Rent/SF	\$28.80	\$28.79	\$30.18
Under Construction (SF)	0	0	0

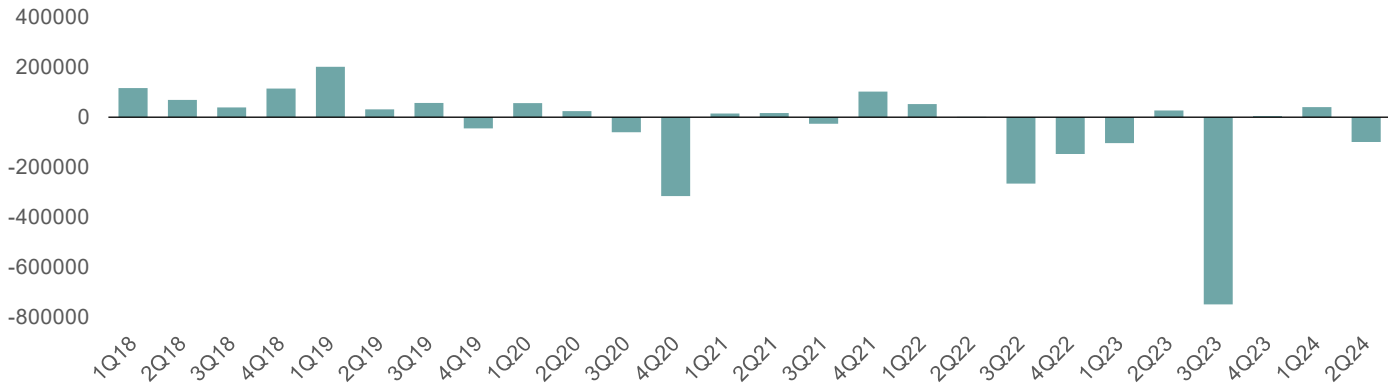
Current Market Trends

- The vacancy rate increased to 21.9% and there was 99,037 SF of negative absorption.
- In April, lender Wings Financial foreclosed on the 8200 Building, one of five buildings in the 1.6-million-square-foot Normandale Lake Office Park in Bloomington. The lender’s request for a court-appointed receiver was granted after owner Opal Holdings failed to make mortgage payments and accumulated over \$2 million in unpaid taxes on the 277,000-square-foot property.
- Plans for redeveloping the former Macy’s Furniture store in Edina, located at 7235 France Ave S, have moved forward. In June, Developer Enclave Cos. received approval from the Edina City Council for preliminary rezoning, an overall development plan, site plan, and subdivision.
- Four buildings are planned, including a 11-story mixed use building containing 47,236 square feet of office, 49 senior condominiums, 9,549 square feet of retail/restaurant and a 280-stall parking garage, a 7-story mixed use building containing 20,825 square feet of office/lobby/conference, 124 apartment units, 7,594 square feet of retail, and a 318-stall parking garage, a 7-story apartment building with 223 units and a 346-stall parking garage, and a 7-story apartment building with 176 units, 4,141 square feet of retail/restaurant and a 380-stall parking garage.

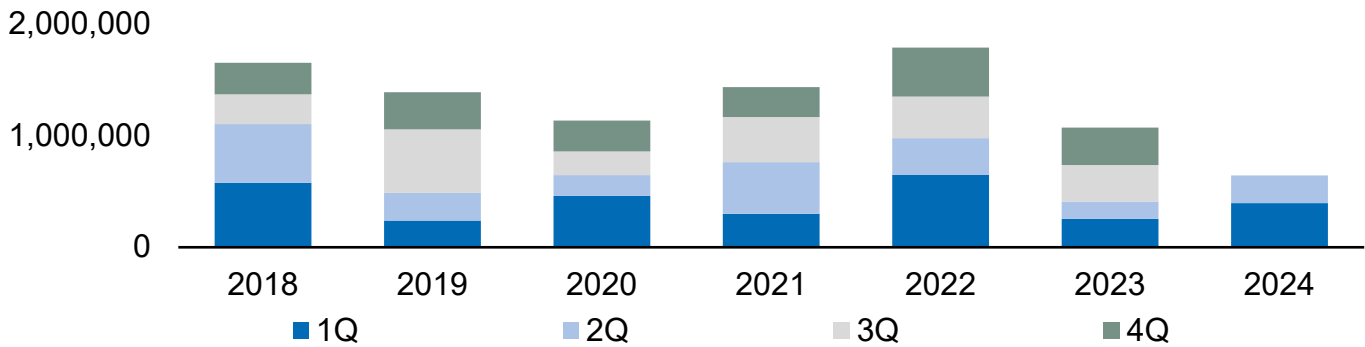
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

West

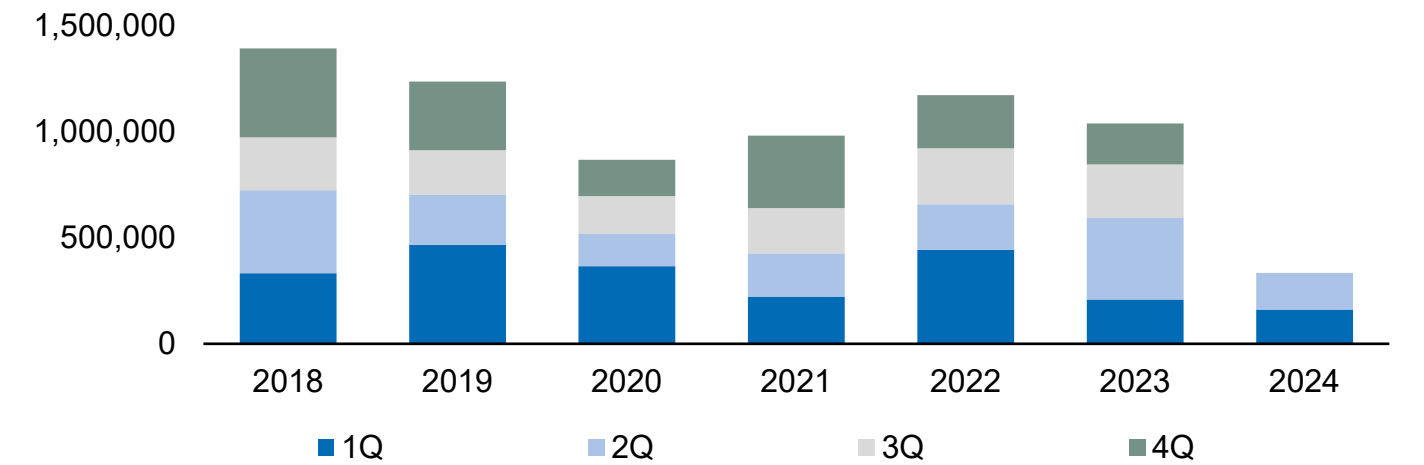
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	10.5M	10.2M	10.3M
Vacancy Rate	15.3%	15.3%	15.8%
Quarterly Net Absorption (SF)	63,785	12,713	16,285
Average Asking Rent/SF	\$32.96	\$32.73	\$34.91
Under Construction (SF)	0	0	0

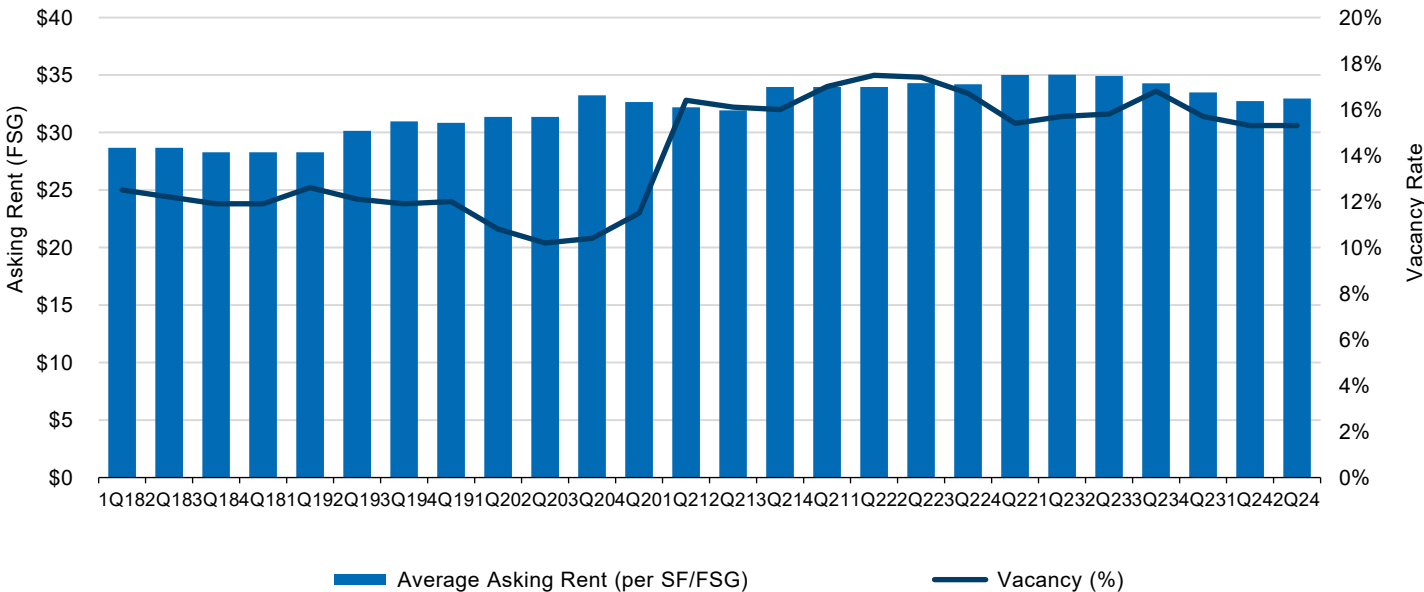
Current Market Trends

- The West submarket boasts the highest rental rates among submarkets at \$32.96/SF, surpassing the overall average of \$29.18/SF.
- The vacancy rate decreased was steady at 15.3%, with 63,785 SF of positive absorption.
- The West End area has been a hotspot of robust demand, with a strong infill location and proximity to retail, services and freeway linkages.
- International Market Square, located in the West submarket immediately west of the North Loop, underwent a renovation. Eagle Ridge Partners, after purchasing the property in 2017, performed an initial renovation that updated the common areas and lobby and recently completed a second phase that raised the atrium space where D’Amico relocated and its former space became a tenant lounge.

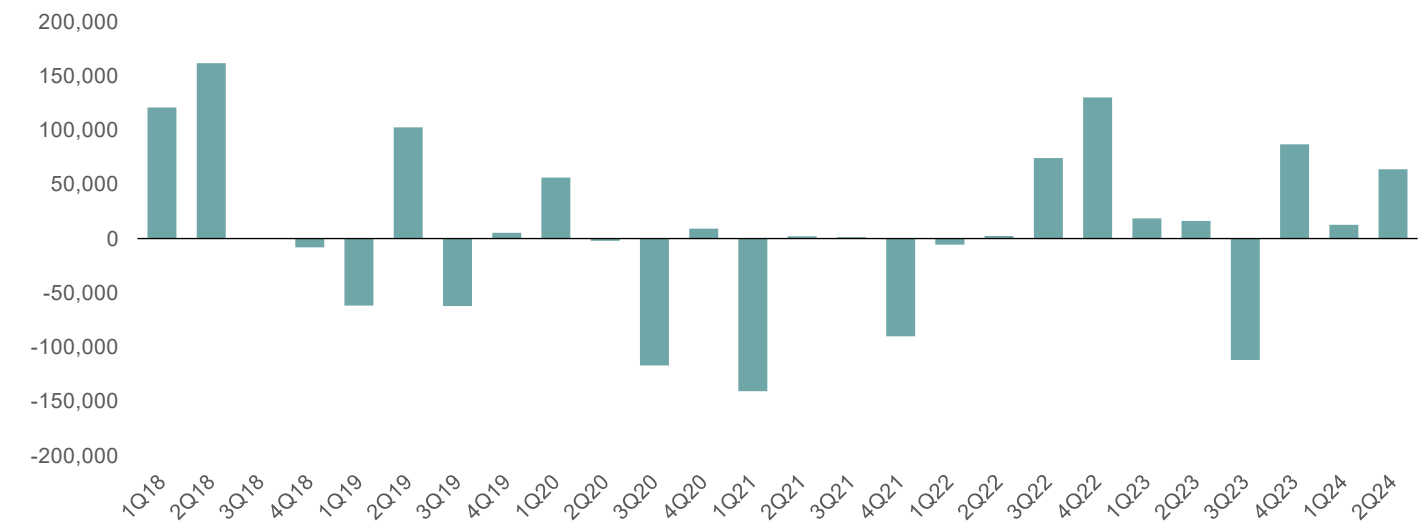
Overall Leasing Activity



Asking Rent and Vacancy Rate

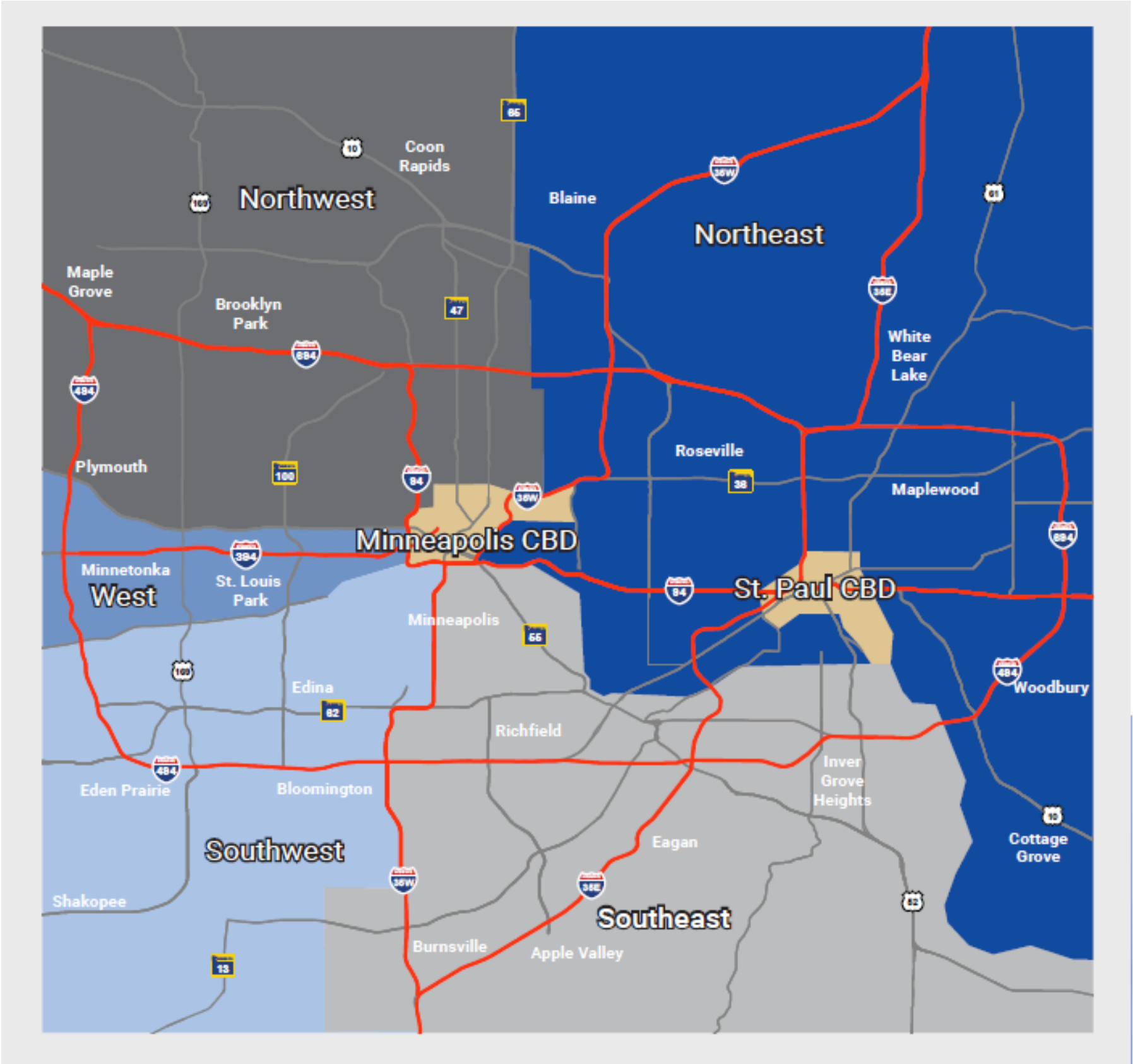


Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Minneapolis-St. Paul - Submarket Map



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