



Office Market Report

Minneapolis - MN USA

PREPARED BY



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OFFICE MARKET REPORT

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12 Mo Deliveries in SF

822K

12 Mo Net Absorption in SF

(568K)

Vacancy Rate

11.3%

Market Asking Rent Growth

2.3%

The stultifying confluence of structural shifts in office space utilization and nation-leading contraction in office-using employment since February 2020 kept annual net absorption distinctly negative for the fourth consecutive year in 2023, driving up the metro's availability rate to an all-time high of 14.7%. That is nearly 100 basis points above the Great Recession-era peak and an increase of approximately 400 basis points from the 2015 to 2019 average.

While Minneapolis' strong headquarters economy, home to the nation's highest per-capita concentration of Fortune 500 companies of any major metro, has afforded the Twin Cities office market nationally renowned stability pre-pandemic, it has paradoxically been a primary driver of historic demand losses post-pandemic. Several prominent companies headquartered throughout the metro, such as Target, UnitedHealth Group, and Best Buy, have offloaded large blocks of space from their corporate campuses.

Concurrently, Minneapolis' office market has yet to reach pre-pandemic leasing levels, with total leasing volume in 2023 sitting nearly 15% below the five-year pre-pandemic average. Demand is heavily bifurcated across location and vintage, with leasing strongest among the newest spaces in select pockets like the West End district, I-494/France Avenue corridor, Eagan, and the North Loop. However, a lack of first-generation direct availabilities in these areas fueled a record year of subleasing activity in 2023.

Demolition activity over the past two years has nearly offset new completions, registering the lowest stretch of

net deliveries on record since the start of 2022. Minneapolis' cumulative new supply of less than 500,000 SF over the past three years also ranks among the lowest of any major market nationally.

Therefore, despite record-high availabilities coinciding with an unprecedented stretch of subdued demand formation, a diverse economic base, chronically restrained speculative development, and healthy demolition activity among obsolete office stock in favor of other uses has kept vacancy well below the national average of 13.8%. Still, Minneapolis' vacancy rate of 11.3% remains well above the five-year pre-pandemic average of 7.1%.

Constrained supply conditions should continue in Minneapolis for the foreseeable future, as just 470,000 SF is underway, an all-time low and less than one-third of the metro's five-year pre-pandemic average. Consistent with historical trends, most of the stock underway is pre-leased and/or built-to-suit, with the bulk of the speculative space tracing to the North Loop Green development.

Minneapolis' annual asking rent growth of 2.3% outstrips the U.S. average of 0.8%, ranking among the top 10 of all major markets nationally and surpassing local inflation levels for the first time in two years. However, according to industry professionals, deals are generally transacting 5% to 15% below asking rents, with the gap growing in unison with rising availabilities. Concessions also continue to trend at historic levels, the heaviest in downtown Minneapolis.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	76,312,400	15.2%	\$31.48	20.6%	(480,477)	392,000	48,000
3 Star	85,949,403	10.3%	\$24.78	12.6%	(287,977)	43,000	425,680
1 & 2 Star	40,228,696	6.2%	\$22.50	8.0%	(68,823)	0	0
Market	202,490,499	11.3%	\$26.85	14.7%	(837,277)	435,000	473,680

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.4%	8.5%	12.0%	11.3%	2024 Q2	6.2%	2017 Q1
Net Absorption SF	(568K)	397,194	(603,912)	4,272,581	2008 Q1	(2,487,556)	2022 Q4
Deliveries SF	822K	1,482,290	340,550	4,015,703	2007 Q4	302,050	2010 Q3
Market Asking Rent Growth	2.3%	2.0%	0.3%	5.6%	2014 Q3	-4.0%	2009 Q4
Sales Volume	\$776M	\$1.2B	N/A	\$2.4B	2018 Q3	\$192.7M	2010 Q1

Minneapolis' office market is coming off its strongest year of leasing activity in the post-pandemic era, with a particularly strong 2H23. However, annual new deal volume and average lease size were still roughly 5% below the 2015 to 2019 average in 2023.

Even with last year's elevated average deal size, new leases over the past three years remain around 15% below pre-pandemic levels, on average, as structural shifts in work arrangements have accentuated occupiers' focus on efficient space utilization.

However, there is a substantial dichotomy in office space requirements between Minneapolis' large, national and international occupiers and small and medium-sized, locally headquartered companies.

Minnesota's five-year business survival rate of 58% ranks first nationally, helping keep small and medium-sized, locally-headquartered firms in expansion mode. Underscoring this trend, locally-headquartered accounting firm CliftonLarsonAllen just expanded its footprint by roughly 40,000 SF, signing a 16-year lease in February for space within the 2019-built Viking Lakes Innovation Center in Eagan.

Conversely, many of the region's largest Fortune 500 and 1000 companies with old, functionally obsolete corporate campuses continue to substantially right-size their footprint. Notably, Thomson Reuters recently moved into its sublet space for just over 300,000 SF within a portion of Prime Therapeutics' 2019-built Eagan corporate campus, downsizing by roughly 70% from nearly 1 million SF in its 1989-built, owner-occupied campus.

Highlighted by the deals above, demand is strongest for newest office space in prime suburban live/work/play hubs. The share of new leasing volume tracing to properties under five years old was roughly twice the average in the decade leading up to the pandemic in

2023, increasing to a record high of approximately 15%.

Concurrently, suburban new leasing volume matched the 2015 to 2019 average last year, while activity in the Minneapolis CBD was approximately 30% below pre-pandemic levels amid persisting safety concerns. The North Loop district, a vibrant and walkable neighborhood just west of central downtown, represents the lone bright spot in downtown Minneapolis.

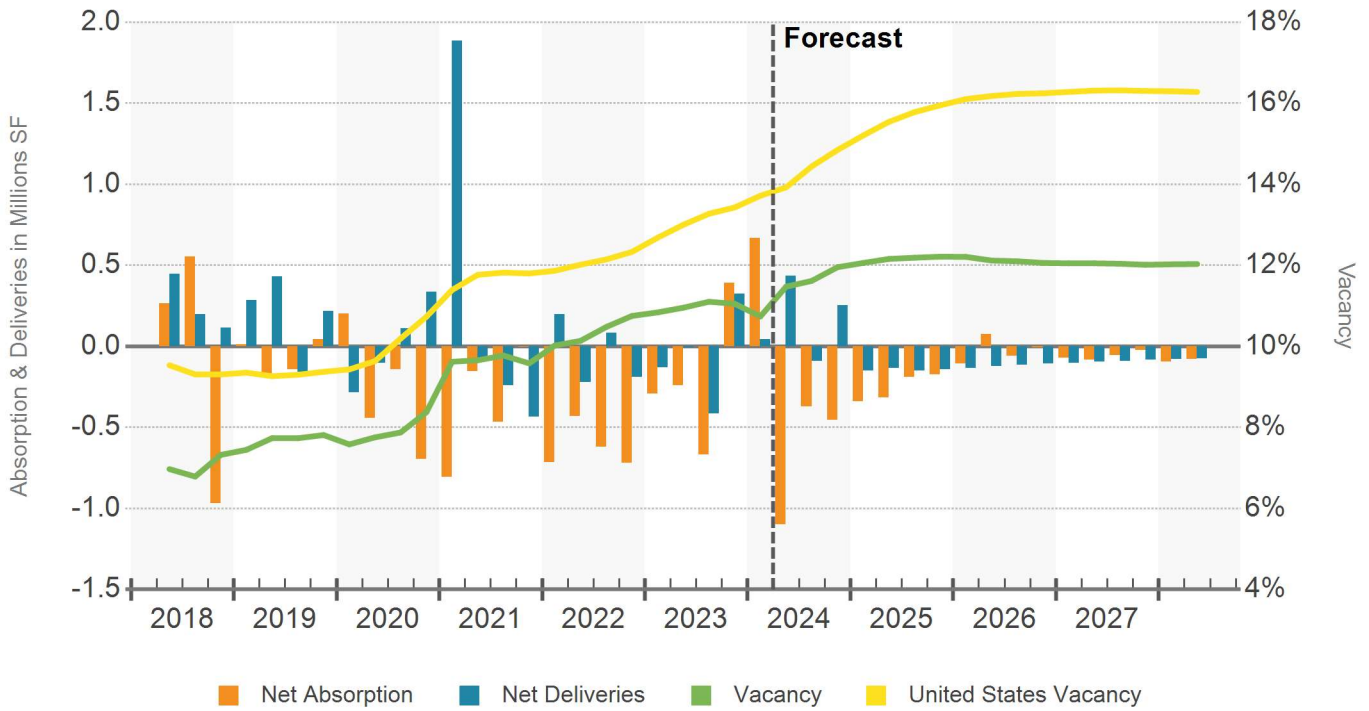
However, chronically restrained speculative construction in prime live/work/play hubs has created a lack of new availabilities in the direct leasing market, forcing tenants into the subleasing market. Subleasing volume hit nearly 1 million SF in 2023, accounting for almost 15% of overall leasing activity, an all-time high and roughly twice the 2015 to 2019 average.

While historic subleasing activity has decreased sublet availability from a record-high of 4.4 million SF to 3.6 million SF, total available SF remains at unprecedented levels, roughly 40% above the end of 2019, as major corporate consolidations flood the market.

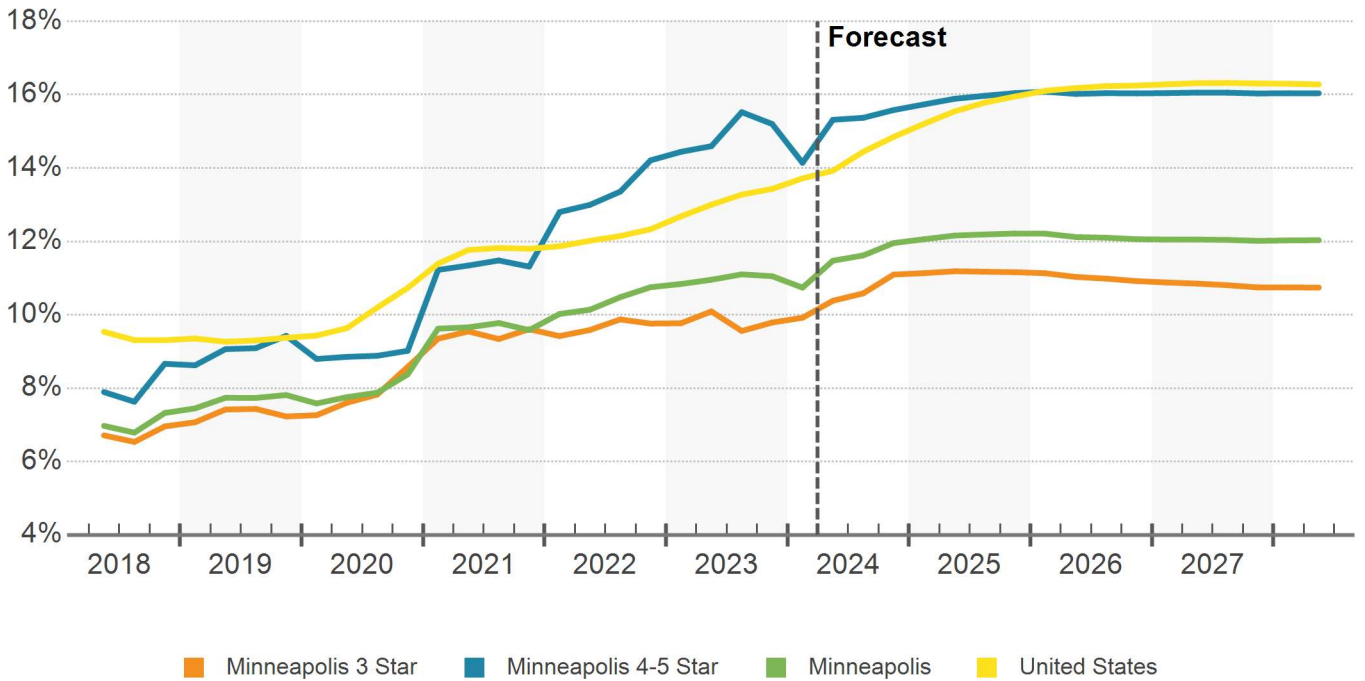
U.S. Bank represents the metro's latest Fortune 500 company to consolidate its footprint, opting to renew its 447,000 SF of space in downtown Minneapolis in 23Q4 while also vacating its 390,000-SF campus in Eden Prairie. This comes shortly after two other large Fortune 500 companies headquartered in the I-494 Corridor, Best Buy and UnitedHealth Group, have also decided to consolidate their footprints, shedding over 1.5 million SF in aggregate over the past year.

Amid numerous substantial move-outs hitting the market over the next several years, the forecast calls for demand to remain distinctly negative, pushing vacancy to a peak of 12% by early 2026. That is nearly 100 basis points higher than the all-time high of 11.1% reached at the end of 2023 and well above the 2015 to 2019 average of 7.1%.

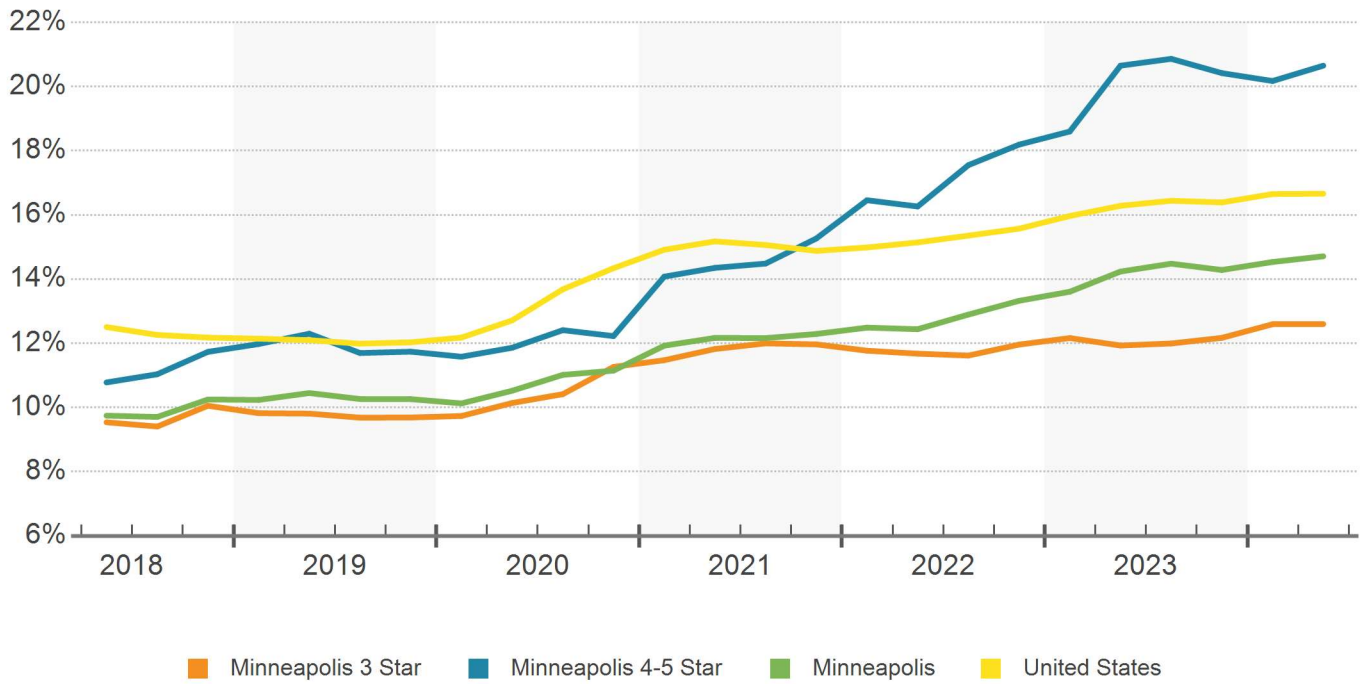
NET ABSORPTION, NET DELIVERIES & VACANCY



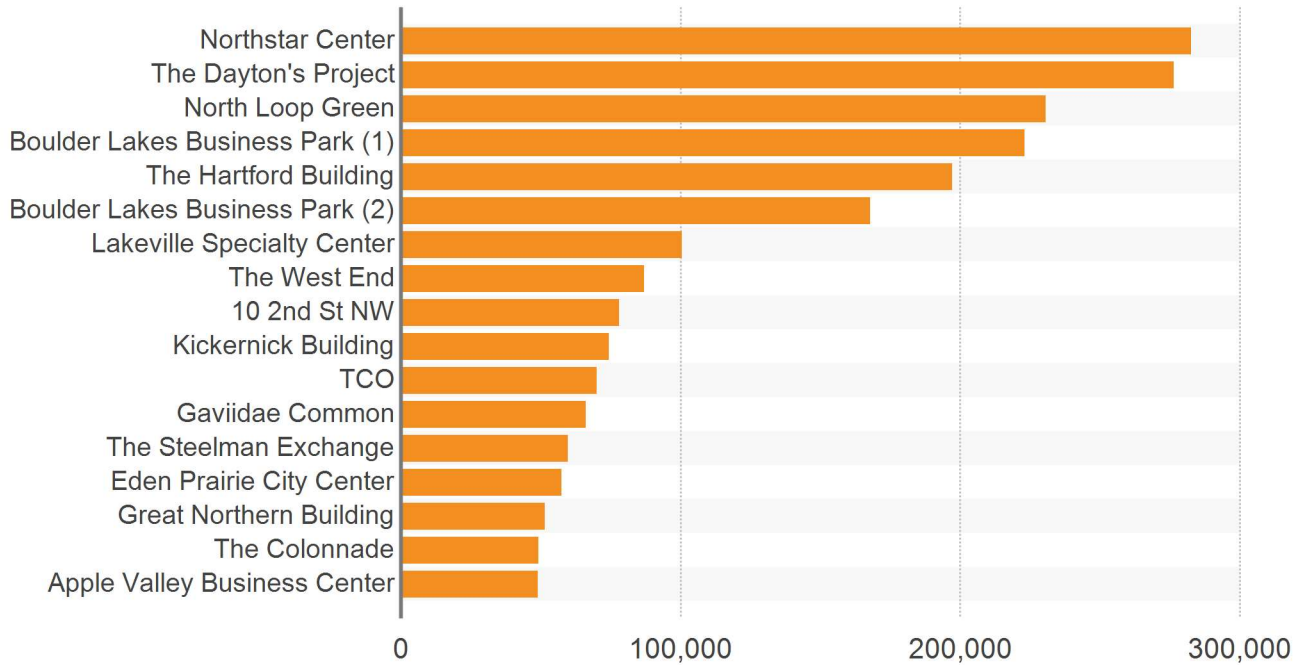
VACANCY RATE



AVAILABILITY RATE



12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
Northstar Center	Minneapolis CBD	537,000	98,616	262,549	0	0	0	282,535
The Dayton's Project	Minneapolis CBD	1,200,000	687,537	269,642	7,902	0	0	276,381
North Loop Green	Minneapolis CBD	392,000	161,423	0	230,577	0	0	230,577
Boulder Lakes Business Park (1)	Burnsville/Eagan/Ap...	223,128	0	68,280	45,000	0	0	223,128
The Hartford Building	Suburban St Paul	346,045	0	0	0	0	0	197,097
Boulder Lakes Business Park (2)	Burnsville/Eagan/Ap...	167,893	0	66,000	101,893	0	0	167,893
Lakeville Specialty Center	Dakota County Outlyi...	100,500	0	0	0	0	0	100,500
The West End	I-394 Corridor	344,224	14,055	(1)	12,031	0	0	87,032
10 2nd St NW	Wright County	158,000	0	0	0	0	0	78,132
Kickernick Building	Minneapolis CBD	164,868	48,060	71,106	3,372	0	0	74,478
TCO	I-394 Corridor	70,000	0	0	0	0	0	70,000
Gaviidae Common	Minneapolis CBD	299,960	34,699	0	40,621	0	0	66,106
The Steelman Exchange	Minneapolis CBD	227,779	133,071	90,000	(30,263)	0	0	59,737
Eden Prairie City Center	I-494 Corridor	239,815	0	0	0	0	0	57,471
Great Northern Building	St Paul CBD	856,223	223,257	0	0	0	0	51,424
The Colonnade	I-394 Corridor	412,736	7,424	3,597	3,547	0	0	49,142
Apple Valley Business Center	Burnsville/Eagan/Ap...	48,962	0	48,922	0	0	0	48,922
Subtotal Primary Competitors		5,789,133	1,408,142	880,095	414,680	0	0	2,120,554
Remaining Minneapolis Market		196,701,366	21,564,485	(212,537)	(1,251,957)	0	0	(2,688,093)
Total Minneapolis Market		202,490,499	22,972,627	667,558	(837,277)	0	0	(567,539)

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
US Bancorp Center *	Minneapolis CBD	447,000	Q4 23	U.S. Bank National Associ...	JLL	Newmark
Boulder Lakes Business Park	Burnsville/Eagan/Apple Vy	223,128	Q3 23	Thomson Reuters	Colliers	CBRE
Boulder Lakes Business Park	Burnsville/Eagan/Apple Vy	163,108	Q3 23	Thomson Reuters	Colliers	CBRE
The Colonnade	I-394 Corridor	120,349	Q2 23	Pentair	-	CBRE
The Colonnade *	I-394 Corridor	105,610	Q2 23	Inspire Medical Systems	-	CBRE
3311 E Old Shakopee Rd	I-494 Corridor	96,726	Q2 24	TKDA	Braman & Associate...	CBRE
Aldevron Expansion	I-494 Corridor	96,344	Q4 23	Aldevron	-	-
Normandale Lake Office Park *	I-494 Corridor	75,317	Q1 24	AON	CBRE	Cushman & Wakefield...
610 Zane East	Northwest	61,751	Q3 23	Blackhawk Industrial	-	-
The Steelman Exchange	Minneapolis CBD	60,000	Q3 23	NetSPI	Colliers	Avison Young
Mayo Clinic Square *	Minneapolis CBD	57,650	Q4 23	Mayo Clinic	-	JLL
Northland Corporate Center	Northwest	54,000	Q3 23	-	-	Avison Young
Golden Hills Office Center *	I-394 Corridor	51,975	Q3 23	WSB	-	JLL
3680 Pheasant Ridge Dr NE	Suburban St Paul	46,800	Q2 24	-	-	Transwestern Real Est...
921 Washington Ave S	Minneapolis CBD	45,904	Q4 23	McKnight Foundation	KimbleCo	Transwestern Real Est...
Boulder Lakes Business Park	Burnsville/Eagan/Apple Vy	45,000	Q4 23	-	-	CBRE
2410 Stillwater Rd E	Suburban St Paul	44,663	Q2 24	-	-	Cushman & Wakefield
Viking Lakes	Burnsville/Eagan/Apple Vy	42,975	Q3 23	CliftonLarsonAllen LLP	-	JLL
901 Marquette Ave	Minneapolis CBD	42,288	Q1 24	Brown and Brown Insurance	Cushman & Wakefield	CBRE
US Bancorp Center *	Minneapolis CBD	40,622	Q4 23	Eide Bailly	-	Newmark
Minnetonka Corporate Campus	I-494 Corridor	40,000	Q3 23	Circle K	Newmark	Cushman & Wakefield...
Boulder Lakes Business Park	Burnsville/Eagan/Apple Vy	35,893	Q4 23	-	-	CBRE
Seven Hills Preparatory Academy	I-494 Corridor	35,000	Q1 24	UCA	-	IAG Commercial
The West End	I-394 Corridor	34,967	Q4 23	HMA Holdings	-	Cresa
400/401 Builidng	St Paul CBD	33,690	Q3 23	Redpath and Company LLC	Transwestern Real...	Cushman & Wakefield
Northland Center	I-494 Corridor	33,499	Q1 24	Northmarq	-	-
Northland Center	I-494 Corridor	33,449	Q4 23	Revo Health	Forte Real Estate P...	Cushman & Wakefield;...
Normandale Lake Office Park	I-494 Corridor	33,000	Q1 24	Infinite Health	Forte Real Estate P...	Cushman & Wakefield;...
Boulder Lakes Business Park	Burnsville/Eagan/Apple Vy	33,000	Q4 23	-	-	CBRE
Boulder Lakes Business Park	Burnsville/Eagan/Apple Vy	33,000	Q4 23	-	-	CBRE
Crescent Ridge II	I-394 Corridor	32,326	Q3 23	Alerus Financial	JLL	Newmark
The Steelman Exchange	Minneapolis CBD	30,000	Q1 24	JPMorgan Chase and Co	-	Avison Young
Mendota Office Park	Burnsville/Eagan/Apple Vy	30,000	Q1 24	Summit Fire Protection	-	Cushman & Wakefield...
Eastridge Business Center	East	30,000	Q4 23	Universal Services Inc.	-	-
Plymouth Woods Office Center	I-394 Corridor	29,194	Q3 23	Bolten & Menk	-	CBRE
North Loop Green	Minneapolis CBD	28,000	Q2 24	ESG Architects	-	-
North Loop Green	Minneapolis CBD	28,000	Q2 23	Varde Partners	JLL	JLL
International Plaza *	I-494 Corridor	27,660	Q1 24	Boeckermann Grafstrom...	-	-
Energy Technology Center	Midway	26,376	Q2 23	Evergreen	-	Hoyt Properties, Inc.
The Dayton's Project	Minneapolis CBD	23,984	Q4 23	WPP	-	CBRE

*Renewal

After roughly matching the U.S. average rent growth in the five years leading up to the pandemic, Minneapolis' current trailing 12-month annual rent growth of 2.3% distinctly outpaces the National Index of 0.8%. However, it is still below the 10-year average of 3.2%.

Increasing concessions have supported headline asking rents over the past few years and helped mask the general softness in market conditions.

The gap in effective rents between the Minneapolis CBD and the suburbs continues to widen, given the bifurcation in fundamental performance. Market participants have noted that concessions in the Minneapolis CBD sit at record levels, averaging \$10/SF/Yr. in TI allowance and up to a year of free rent on a 10-year lease, doubling typical concessions for prime suburban space. Termination options are also increasingly important to tenants.

Among the most concerning headwinds for downtown Minneapolis landlords is the record amount of sublet space available, which is currently witnessing a roughly 30% discount in face rents compared to Minneapolis CBD's direct space. Over 2 million SF of sublet space is currently available in downtown Minneapolis, nearly three times higher than the Great Recession-era peak, accounting for almost half of the market's sublet availabilities.

The unprecedented rental rates achieved at the metro's most significant suburban speculative office developments over the past decade, 10 West End in the

I-394 Corridor and 70th & France in the I-494 Corridor, illustrate the current strength of the metro's suburban office market, particularly among the highest quality space in prime locations.

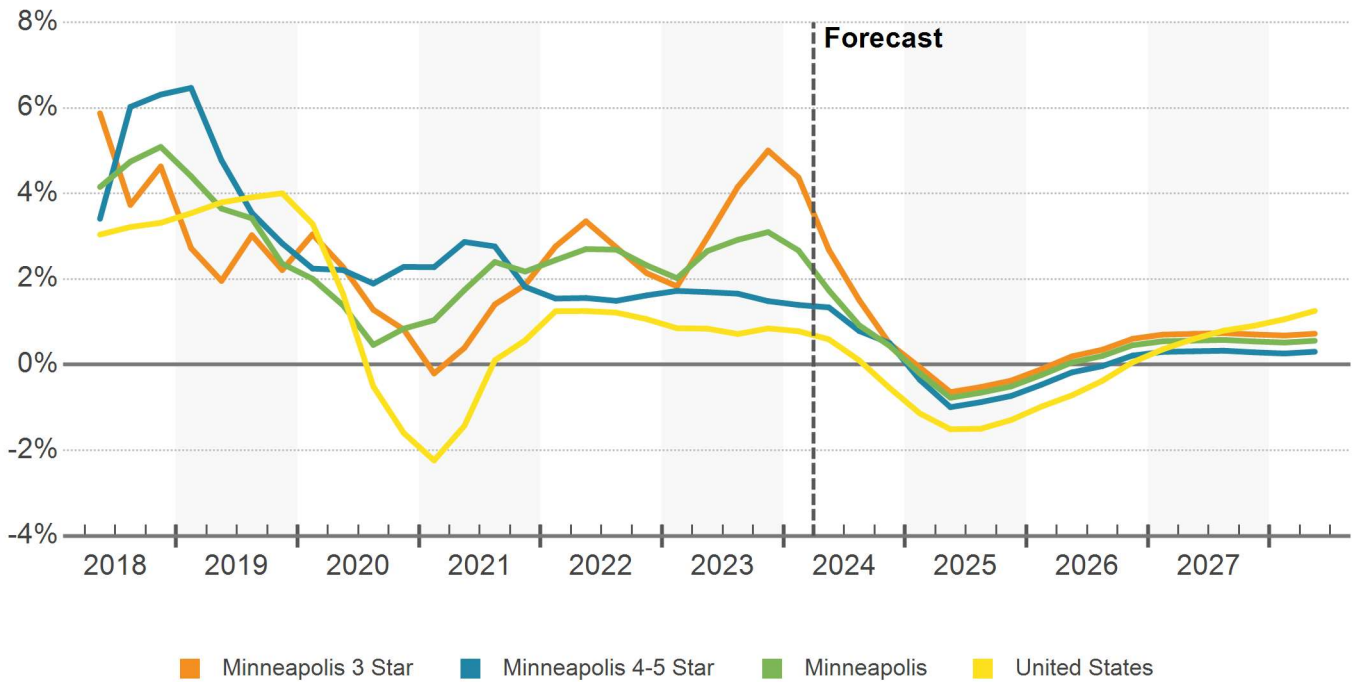
The metro-leading asking rental rates of \$36.00/SF/Yr. (NNN) at the 2021-built 10 West End and 34.00/SF/Yr. (NNN) at the proposed 70th & France redevelopment represent unprecedented territory for non-medical office space in the Twin Cities. It is also distinctly higher than the asking rents of \$25.00/SF/Yr. (NNN) at the 2021-built Dayton's Project in downtown Minneapolis.

At 10 West End specifically, asking rents have increased a staggering 30% year-over-year as of early March, with less than 40,000 SF of direct space available. Over the same time frame, asking rents at the Dayton's Project have increased at less than half the clip of its suburban counterpart, with over 760,000 SF of office space still currently available.

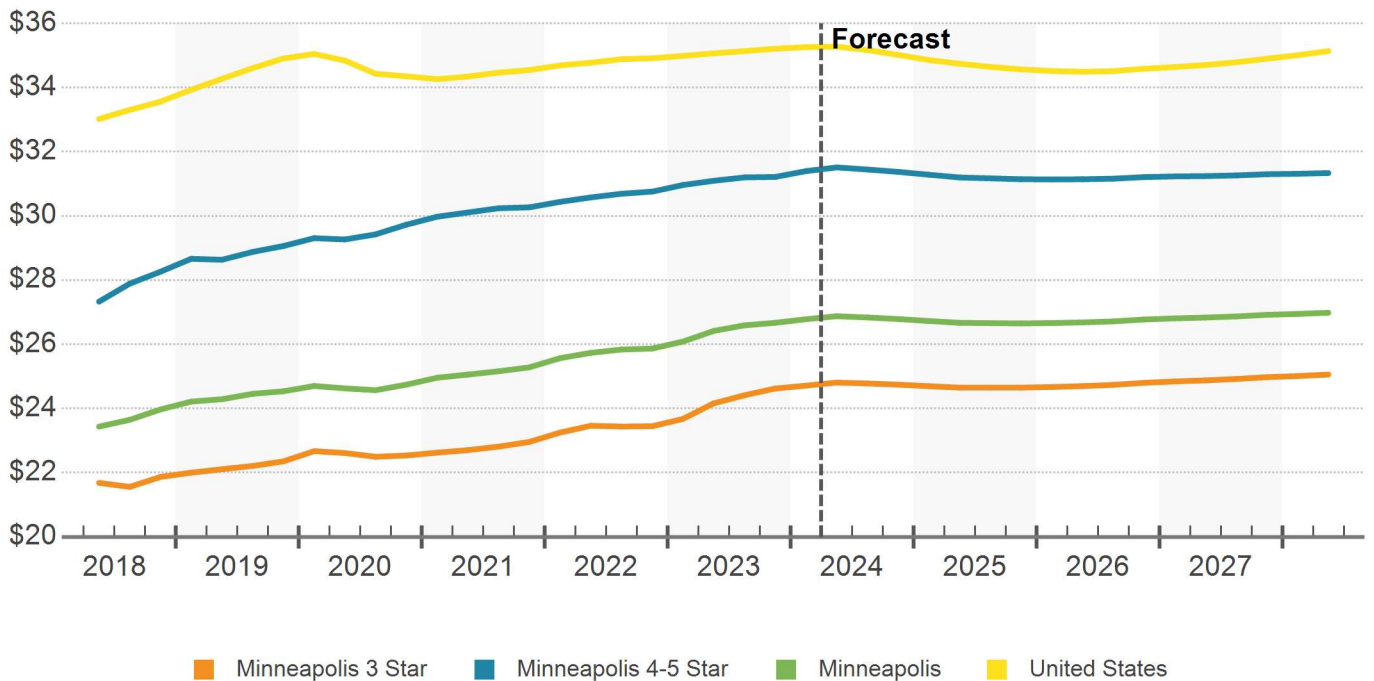
Fueled by the record rents attained at 10 West End, the I-394 Corridor now garners the same average asking rents as the Minneapolis CBD, an impressive feat when considering that average asking rents in the Minneapolis CBD outpaced the I-394 Corridor by more than \$4.00/SF pre-pandemic.

With a sharp rise in availabilities, persisting zapped vitality, and lingering safety concerns plaguing the CBD, the outperformance of high-quality suburban space, particularly in the well-located I-394 Corridor, is a trend that is expected to continue for the foreseeable future.

MARKET ASKING RENT GROWTH (YOY)



MARKET ASKING RENT PER SQUARE FEET



4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
Minneapolis	\$1.05	\$2	\$0.28	\$5.73	\$6.04	\$15.10
Burnsville/Eagan/Apple Vy	\$0.69	\$1.53	\$0.28	\$3.61	\$4.92	\$11.03
Carver County Outlying	\$0.70	\$2.12	\$0.23	\$5.33	\$7.30	\$15.68
Chisago County	\$0.72	\$2.18	\$0.24	\$7.04	\$7.50	\$17.68
Dakota County Outlying	\$0.72	\$2.18	\$0.24	\$2.28	\$7.50	\$12.92
I-394 Corridor	\$0.60	\$2.03	\$0.19	\$6.69	\$7.41	\$16.92
I-494 Corridor	\$0.85	\$2.13	\$0.36	\$6.25	\$6.41	\$16
Midway	\$0.99	\$1.70	\$0.24	\$2.22	\$6.23	\$11.38
Minneapolis CBD	\$1.62	\$1.61	\$0.26	\$5.69	\$4.67	\$13.85
Northwest	\$0.57	\$1.96	\$0.24	\$6.23	\$7.72	\$16.72
Scott County Outlying	\$0.61	\$1.85	\$0.20	\$5.64	\$6.53	\$14.83
St Croix County	\$0.72	\$2.18	\$0.24	\$4.65	\$7.50	\$15.29
St Paul CBD	\$1.86	\$1.66	\$0.38	\$3.71	\$5.10	\$12.71
Suburban St Paul	\$1.23	\$2.55	\$0.28	\$6.44	\$5.72	\$16.22
Washington Cnty Outlying	\$0.72	\$2.18	\$0.24	\$1.01	\$8.47	\$12.62
Wright County	\$0.39	\$1.20	\$0.13	\$3.66	\$4.64	\$10.02

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

3 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
Minneapolis	\$0.57	\$1.83	\$0.22	\$4.63	\$5.06	\$12.31
Anoka County Outlying	\$0.55	\$1.67	\$0.19	\$3.68	\$5.11	\$11.20
Burnsville/Eagan/Apple Vy	\$0.58	\$1.19	\$0.23	\$4.13	\$4.71	\$10.84
Carver County Outlying	\$0.59	\$1.77	\$0.21	\$4.71	\$5.47	\$12.75
Chisago County	\$0.58	\$1.74	\$0.20	\$2.87	\$5.38	\$10.77
Dakota County Outlying	\$0.56	\$1.68	\$0.20	\$4.53	\$5.15	\$12.12
Hennepin County Outlying	\$0.50	\$1.51	\$0.18	\$5.54	\$4.39	\$12.12
I-394 Corridor	\$0.59	\$2.03	\$0.21	\$5.24	\$5.76	\$13.83
I-494 Corridor	\$0.57	\$1.80	\$0.16	\$4.73	\$6.28	\$13.54
Isanti County	\$0.61	\$1.82	\$0.22	\$4.66	\$5.64	\$12.95
Midway	\$0.61	\$1.89	\$0.27	\$4.38	\$6.41	\$13.56
Minneapolis CBD	\$0.53	\$0.84	\$0.24	\$4.64	\$4.77	\$11.02
Northwest	\$0.55	\$1.87	\$0.23	\$4.19	\$3.87	\$10.71
Pierce County	\$0.61	\$1.82	\$0.22	\$4.20	\$5.86	\$12.71
Scott County Outlying	\$0.57	\$1.72	\$0.20	\$4.53	\$5.34	\$12.36
Sherburne County	\$0.57	\$1.73	\$0.20	\$3.49	\$5.01	\$11
St Croix County	\$0.52	\$1.54	\$0.18	\$3.50	\$4.79	\$10.53
St Paul CBD	\$0.69	\$1.22	\$0.28	\$2.69	\$3.35	\$8.23
Suburban St Paul	\$0.56	\$2.30	\$0.26	\$4.94	\$4.07	\$12.13
Washington Cnty Outlying	\$0.56	\$1.70	\$0.20	\$4.17	\$6.14	\$12.77
Wright County	\$0.55	\$1.65	\$0.19	\$4.39	\$4.83	\$11.61

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

1 & 2 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
Minneapolis	\$0.52	\$1.67	\$0.21	\$4.33	\$3.29	\$10.02
Anoka County Outlying	\$0.52	\$1.78	\$0.21	\$3.66	\$1.92	\$8.09
Burnsville/Eagan/Apple Vy	\$0.47	\$1.22	\$0.21	\$4.24	\$5.07	\$11.21
Carver County Outlying	\$0.50	\$1.67	\$0.20	\$3.67	\$1.11	\$7.15
Chisago County	\$0.50	\$1.68	\$0.20	\$3.40	\$1.11	\$6.89
Dakota County Outlying	\$0.52	\$1.74	\$0.21	\$2.89	\$1.29	\$6.65
Hennepin County Outlying	\$0.51	\$1.65	\$0.20	\$4.48	\$2.47	\$9.31
I-394 Corridor	\$0.55	\$1.31	\$0.18	\$5.40	\$5.50	\$12.94
I-494 Corridor	\$0.49	\$1.65	\$0.15	\$6.18	\$5.58	\$14.05
Isanti County	\$0.50	\$1.67	\$0.20	\$2.24	\$1.16	\$5.77
Midway	\$0.51	\$1.87	\$0.19	\$4.47	\$4.40	\$11.44
Minneapolis CBD	\$0.44	\$0.64	\$0.21	\$4.56	\$3.61	\$9.46
Northwest	\$0.54	\$1.28	\$0.23	\$4.55	\$4.56	\$11.16
Pierce County	\$0.51	\$1.69	\$0.20	\$2.07	\$1.11	\$5.58
Scott County Outlying	\$0.52	\$1.75	\$0.21	\$4.12	\$0.34	\$6.94
Sherburne County	\$0.48	\$1.61	\$0.19	\$2.99	\$1.06	\$6.33
St Croix County	\$0.51	\$1.71	\$0.20	\$2.13	\$1.12	\$5.67
St Paul CBD	\$0.57	\$1.17	\$0.25	\$2.42	\$2.28	\$6.69
Suburban St Paul	\$0.55	\$2.10	\$0.25	\$4.54	\$3.11	\$10.55
Washington Cnty Outlying	\$0.51	\$1.73	\$0.20	\$4.22	\$1.76	\$8.42
Wright County	\$0.52	\$1.73	\$0.20	\$2.78	\$0	\$5.23

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

With 470,000 SF under construction, or just 0.2% of existing inventory, Minneapolis' supply pipeline as a percentage of total stock does not even crack the top 40 major U.S. office markets. The metro's under-construction stock as a percentage of inventory sits at an all-time low, distinctly less than the market's 10-year average of 1.0% and the national average of 1.2%.

Minneapolis' record-low construction pipeline follows five of the ten lowest quarters of annual net deliveries of all time. Notably, net deliveries of 190,000 SF in 2023 is the fifth-lowest on record and ranks among the lowest of any major market nationally. Boosting demolition activity and helping keep Minneapolis' fundamental landscape on a relatively balanced footing are record-low industrial and retail availabilities and a chronic under-supply of housing.

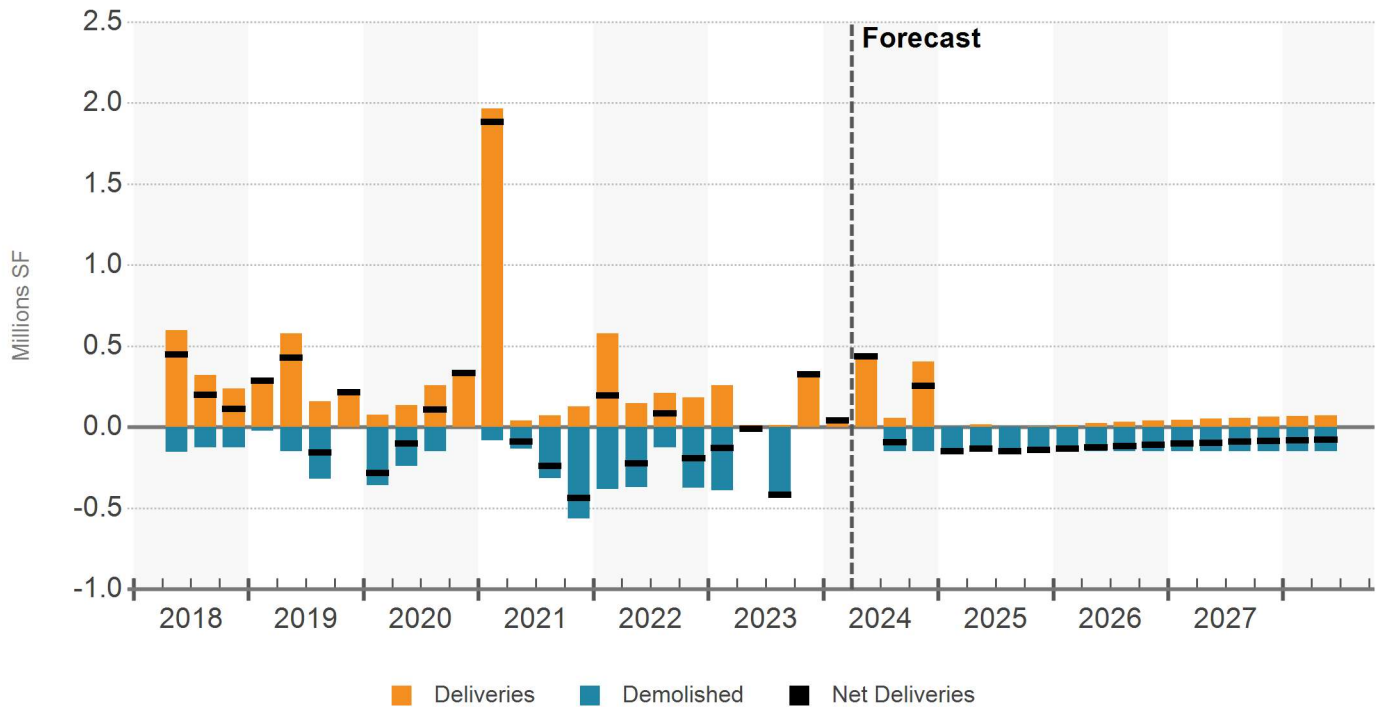
While conversations about the viability of converting office space into multifamily housing gained steam throughout last year, the Twin Cities witnessed the prospects of adaptive reuse come to market at scale in 2023, concentrated in the CBD. Revival of the Minnesota Historic Structure Rehabilitation Tax Credit in 2023, enabling additional government incentives beyond TIF support, was an important step in establishing the long-term economic viability of office adaptive reuse projects. A Midwest developer specializing in office-to-residential conversions indicated it is roughly 20% to 25% more expensive than a ground-up development, making state and/or federal funding imperative for the project's financial feasibility.

Roughly 90% of the currently available space traces to one development in the North Loop neighborhood of Minneapolis CBD, North Loop Green. Breaking ground in 21Q4, Houston-based Hines is constructing a transit-oriented, mixed-use development adjacent to Target Field, home of the Minnesota Twins and the nexus of Minneapolis' public transit system. The project, expected to finish in the first half of this year, will feature 360,000 SF of creative office space. After inking three tenants for nearly 200,000 SF over the past year, the development is already approximately two-thirds leased.

The first speculative Class A office building in the construction pipeline within the I-494 Corridor in multiple decades, 70th & France in Edina, had little trouble finding an anchor tenant, inking Northmarq to a 52,000-SF deal before breaking ground, with construction anticipated to begin sometime this year.

Strong demand at the 70th & France project is consistent with the suburbs' only other major speculative office project over the past several decades, 10 West End in St. Louis Park (I-394 Corridor). As of March 2024, just over three years after completion, the 343,000-SF speculative office development is now over 92% leased, distinctly outperforming The Dayton's Project redevelopment in Downtown Minneapolis. Essentially all the remaining suburban office development currently under construction traces to built-to-suit and/or pre-leased medical office space, consistent with historical trends.

DELIVERIES & DEMOLITIONS



SUBMARKET CONSTRUCTION

No.	Submarket	Under Construction Inventory				Average Building Size			
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	Northwest	1	400	400	100%	1	23,712	400,000	1
2	I-394 Corridor	1	48	48	100%	1	29,936	48,000	2
3	Suburban St Paul	1	16	16	100%	1	20,477	15,600	3
4	Wright County	2	10	7	66.7%	4	6,564	5,040	4
5	Anoka County Outlying	0	-	-	-	-	10,401	-	-
6	Burnsville/Eagan/Apple Vy	0	-	-	-	-	35,285	-	-
7	Carver County Outlying	0	-	-	-	-	13,315	-	-
8	Chisago County	0	-	-	-	-	4,321	-	-
9	Dakota County Outlying	0	-	-	-	-	10,622	-	-
10	Hennepin County Outlying	0	-	-	-	-	8,227	-	-
	All Other	0	-	-	-	-	55,962	-	-
Totals		5	474	470	99.3%		33,334	94,736	

Under Construction Properties

Minneapolis Office

Properties

Square Feet

Percent of Inventory

Released

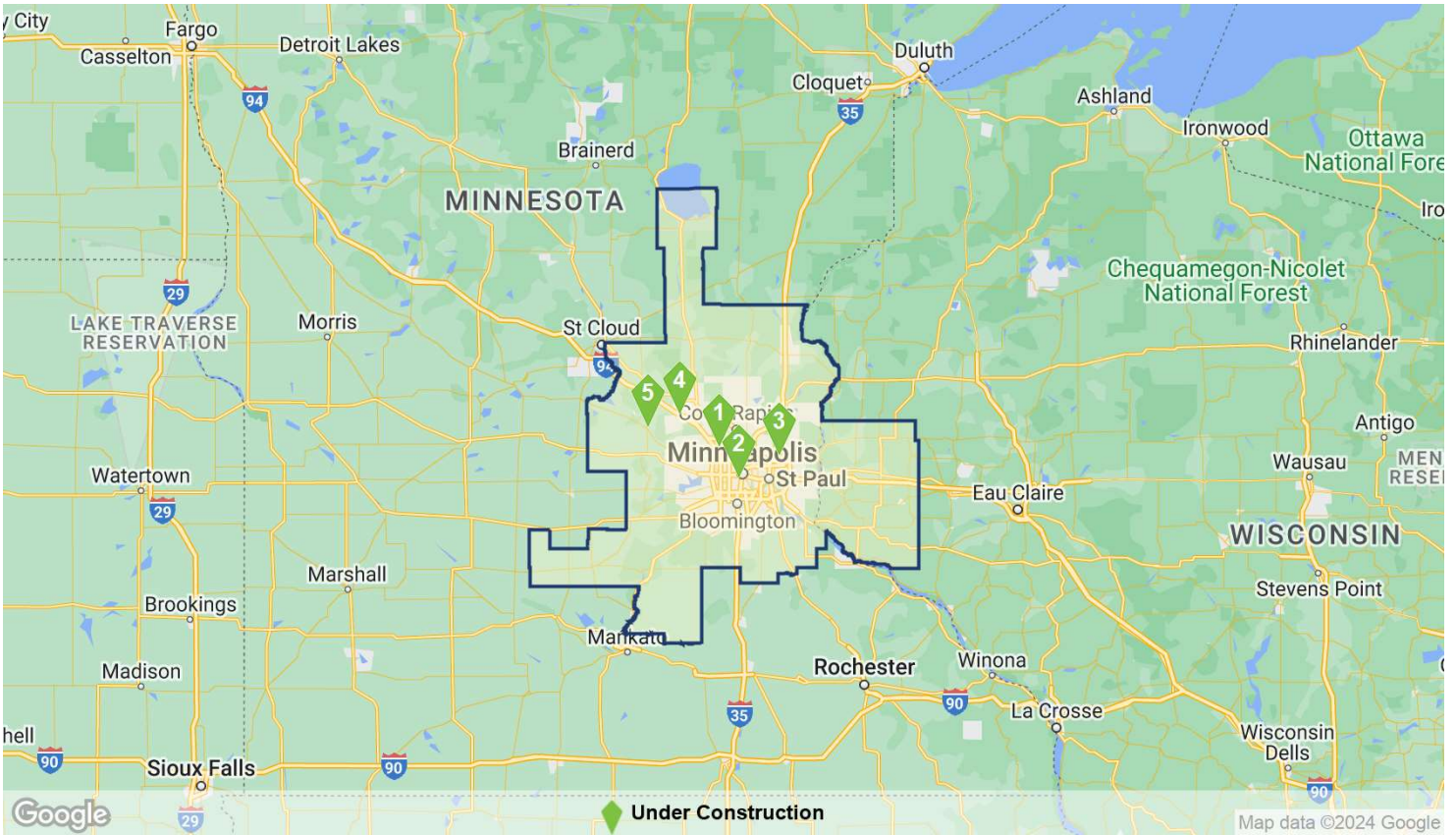
5

473,680

0.2%

99.3%

UNDER CONSTRUCTION PROPERTIES



UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 Boston Scientific Interstate 694 and Highwa	★ ★ ★ ★ ★	400,000	1	Nov 2023	Nov 2024	-
2 2935 Pleasant Ave	★ ★ ★ ★ ★	48,000	4	Jan 2023	Aug 2024	- Sabri Properties
3 XXX Linden Ave	★ ★ ★ ★ ★	15,600	1	Mar 2024	Mar 2025	-
4 11004 57th St NE	★ ★ ★ ★ ★	7,080	1	Oct 2023	Jun 2024	-
5 SouthPoint Credit Union 755 Crossroads Campus...	★ ★ ★ ★ ★	3,000	1	Apr 2024	Oct 2024	-

Last year's sales volume of \$691 million million represents a decline of over 40% from the 2017 to 2019 average and is less than half the pandemic-era peak of \$1.4 billion.

After averaging over 30% share of total deal volume across the four major property types in the decade leading up to the pandemic, just 15% of Minneapolis' overall sales volume in 2023 traced to office properties.

A slight but noticeable shift in buying patterns has descended the quality spectrum. While 4 & 5-Star assets accounted for roughly 55% of deal volume in 2022, the share of high-quality sales has fallen to just 45% of all annual deal flow in 2023. A significant decline in larger deals from institutional and REIT investors has driven the slowdown, with activity instead fueled by private local capital with deep market knowledge and existing lending relationships that were more willing to embrace lease-up risks when the associated seller discounts were notably significant.

Illustrating this trend, local investor Hempel purchased a distressed note at the end of June for the 30-story LaSalle Plaza in downtown Minneapolis from Northwestern Mutual Life at \$74/SF (\$46 million), which reflects a 50% plunge from its 2006 valuation. The steeply discounted purchase price means Hempel's upfront cost to own the tower is lower than any other Class A office building in downtown Minneapolis. Hempel noted that its breakeven occupancy rate is 48% because of the low acquisition basis, allowing the flexibility to accept a structurally higher vacancy rate, below-market rents, and/or invest in substantial amenity upgrades.

Medical office buildings (MOB) remain a much more attractive investment option for a broader buyer group, with the aging demographic and need for convenient

care providing tailwinds. However, borrowing costs at or above 6% have continued to decompress cap rates above 7% for even high-quality MOB. While some core-plus assets have seen activity at negative leverage by larger institutional buyers as they see future stabilization of interest rates and the need to place capital, most of the continued active interest stems from individual investors.

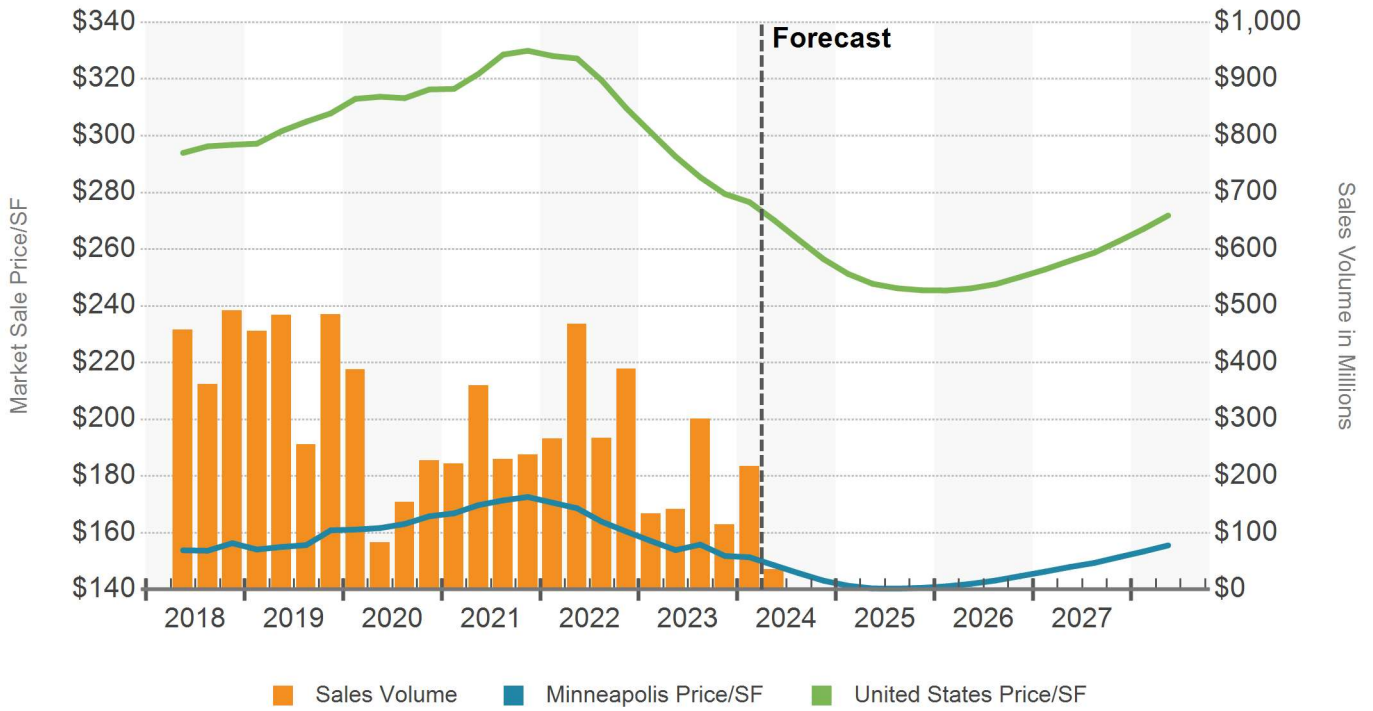
Going-in yields for the reduced volume of multi-tenant office transactions, excluding MOB, have risen by over 150 basis points in the aggregate and are generally in the upper single digits, with pricing typically landing in the mid \$150s/SF territory.

Digging deeper across the quality spectrum, since the cap rate lows of 2021, 4 & 5 Star properties with strong credit and lease term have seen yields rise by approximately 125 basis points, 3 Star properties by 175 to 200 basis points, and 1 & 2 Star properties by as much as 300 basis points. Overall pricing losses are already 25% to 35% from peak levels, and it is expected that it declines further in 2024-2025.

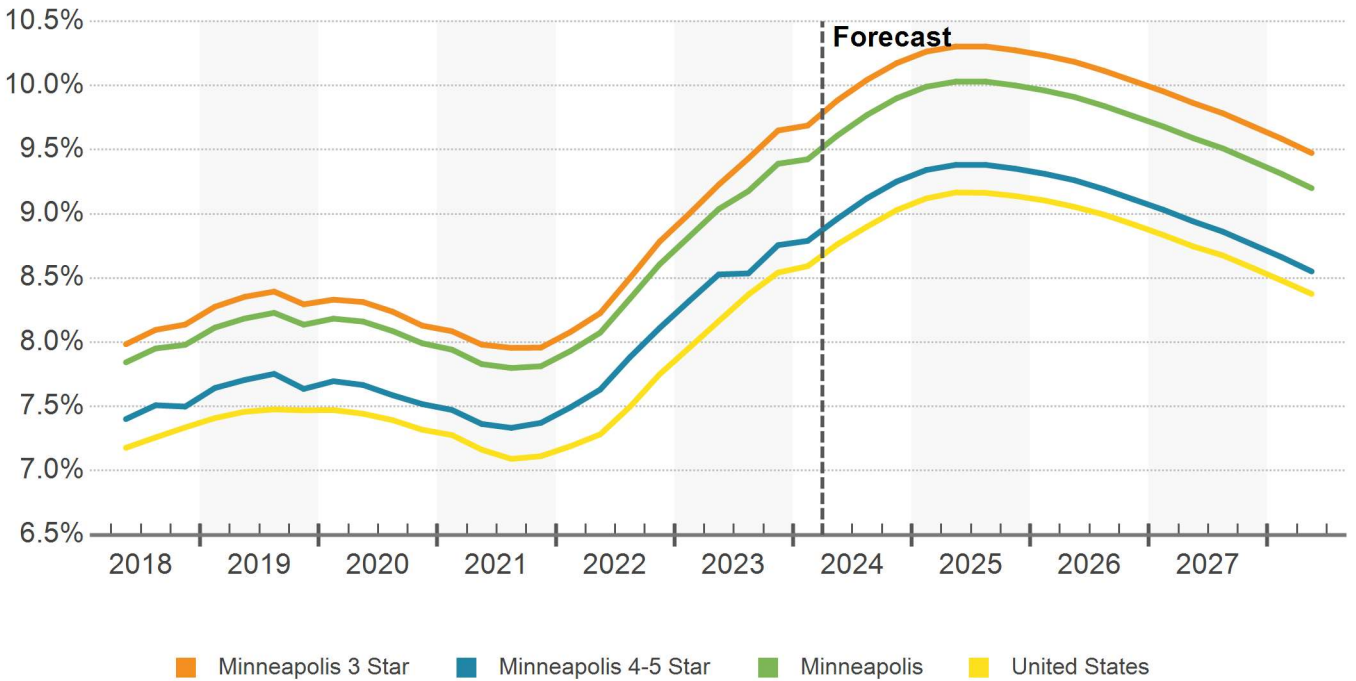
The elevated lease rollover risk in 2024 supports the forecasted valuation decline. Given the prevailing conditions in the leasing market, structurally smaller deal sizes and lower renewal rates, especially at older properties, are likely. That puts pressure on NOI, and combined with higher interest rates, it will be increasingly challenging for owners to meet standard DSCR requirements.

A wave of loans maturing amid weak fundamentals and a difficult borrowing environment could continue to trigger distressed transactions and reset the market, presenting strategic opportunities for informed all-cash buyers and other well-capitalized investors.

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET CAP RATE



Sales Past 12 Months

Minneapolis Office

Sale Comparables

297

Avg. Cap Rate

7.2%

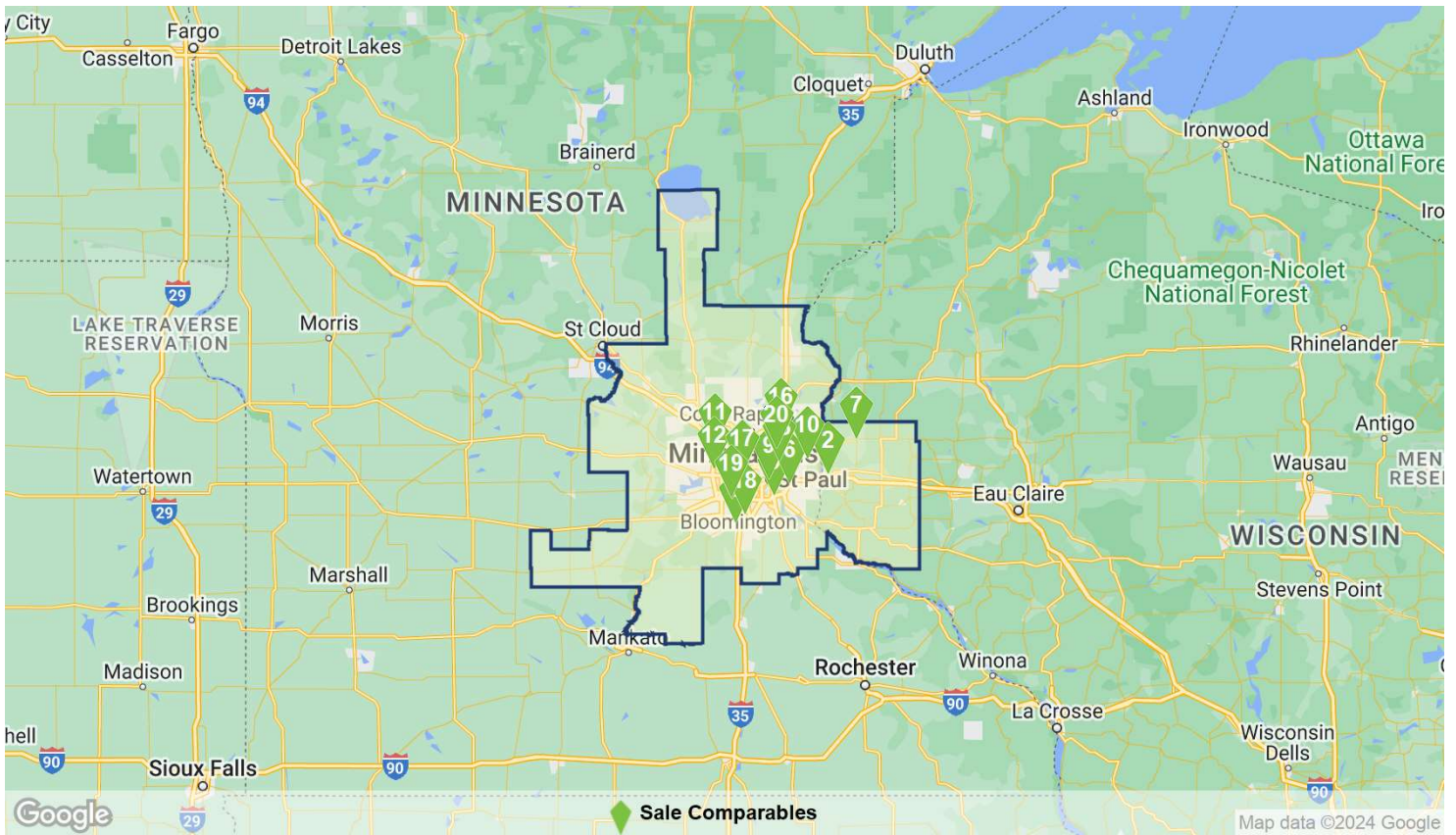
Avg. Price/SF

\$136

Avg. Vacancy At Sale

16.4%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$61,250	\$3,449,479	\$1,000,000	\$225,000,000
Price/SF	\$3.94	\$136	\$130	\$670
Cap Rate	6.0%	7.2%	7.3%	8.5%
Time Since Sale in Months	0.1	6.3	6.4	12.0
Property Attributes	Low	Average	Median	High
Building SF	609	24,993	7,135	621,629
Stories	1	2	2	30
Typical Floor SF	609	8,747	5,179	53,333
Vacancy Rate At Sale	0%	16.4%	0%	100%
Year Built	1880	1971	1979	2023
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.2	★ ★ ★ ★ ★	★ ★ ★ ★ ★

Sales Past 12 Months

Minneapolis Office

RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale			
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
1 RBC Gateway 250 Nicollet Mall	★★★★★	2022	532,000	4.0%	7/19/2023	\$225,000,000	\$423	-
2 Hudson Medical Center 2651 Hillcrest Dr	★★★★☆	2023	160,000	0%	1/9/2024	\$72,750,000	\$455	-
3 CHS Building 5500-5600 Cenex Dr	★★★★☆	1981	320,000	0%	2/15/2024	\$48,775,000	\$152	-
4 LaSalle Plaza 800 LaSalle Ave	★★★★★	1991	621,629	26.1%	6/26/2023	\$46,000,000	\$74	-
5 2900 Cr-42 W	★★★★☆	2006	77,871	0%	2/19/2024	\$13,360,000	\$172	-
6 Valley Creek Office Centre 1687 Woodlane Dr	★★★★☆	1980	32,711	0%	9/28/2023	\$9,800,000	\$300	-
7 525 N Knowles Ave	★★★★☆	2020	19,324	0%	3/28/2024	\$9,446,154	\$489	-
8 Barrel House 111 3rd Ave S	★★★★☆	1880	96,824	38.0%	10/30/2023	\$8,500,000	\$88	-
9 Landmark Towers 345 Saint Peter St	★★★★☆	1982	216,252	0%	8/18/2023	\$8,150,000	\$38	-
10 Associated Eye Care Stil... 2950 Curve Crest Blvd	★★★★☆	2005	18,905	0%	3/28/2024	\$8,102,222	\$429	-
11 Maple Grove Executive P... 7767 Elm Creek Blvd N	★★★★☆	1998	58,062	7.3%	3/8/2024	\$8,100,000	\$140	6.9%
12 13305 12th Ave N	★★★★☆	2016	31,780	0%	12/18/2023	\$7,750,000	\$244	-
13 Beam Professional Build... 1675 Beam Ave	★★★★☆	1988	23,431	0%	12/15/2023	\$7,700,000	\$329	-
14 4567 American Blvd W	★★★★☆	1968	112,294	0%	12/21/2023	\$7,500,000	\$67	-
15 330 South Second 330 2nd Ave S	★★★★☆	1980	201,511	23.5%	5/10/2024	\$7,259,750	\$36	-
16 Lino Eye Building 2380 Rosemary Way	★★★★☆	2023	12,411	0%	3/28/2024	\$6,201,624	\$500	-
17 Northstar Center East 608 2nd Ave S	★★★★☆	1917	429,728	100%	5/16/2023	\$6,200,000	\$14	-
18 12119 16th Ave S	★★★★☆	1980	50,500	0%	6/27/2023	\$6,025,000	\$119	-
19 4620 W 77th St	★★★★☆	1967	54,264	0%	5/26/2023	\$5,340,506	\$98	-
20 Redpath Building 4810 White Bear Pky	★★★★☆	1991	25,817	0%	5/24/2023	\$4,710,000	\$182	7.5%

The Twin Cities metro, home to 15 Fortune 500 headquarters, is a diverse and resilient economic hub in the Midwest, driven by the finance, healthcare, and manufacturing sectors. According to Oxford Economics, annual employment growth stands at 1.9%, compared to the national average of 1.8% and the metro's 10-year average of 0.9%.

The finance and insurance sectors are central to the Twin Cities economy, with Minneapolis being one of the most important financial centers in the Midwest. Headquarters of major corporations such as U.S. Bancorp, Ameriprise Financial, and Thrivent Financial bolster growth in this sector, contributing significantly to the metro's employment landscape and economic activity. The advanced financial services infrastructure supports local business operations and attracts regional investments, enhancing the area's economic stature.

Healthcare is another critical driver, underscored by renowned institutions like the Mayo Clinic and the University of Minnesota's medical research facilities. These institutions provide high-quality medical services and engage in cutting-edge research and development, attracting significant federal and private funding. This sector's growth is supported by a rapidly expanding biotechnology industry, making the Twin Cities a focal point for medical innovation and healthcare services.

Manufacturing, especially in medical devices, electronics, and food products, remains a cornerstone of the Twin Cities' economy. Companies like Medtronic, 3M, and

General Mills highlight the region's industrial diversity and capacity for high-tech manufacturing. These industries benefit from a skilled workforce fostered by excellent educational institutions that provide a steady pipeline of talent. Moreover, the region's strategic location and developed logistics network facilitate the efficient distribution of manufactured goods nationally and internationally.

Anchored by growth and stability in these critical sectors, the region's average annual unemployment rate remains tight at 2.9%, compared to the national average of 3.7% and the metro's 10-year average of 3.5%.

Underscored by persisting labor supply constraints, median household income levels have increased by 2.5% over the past year to an average of \$94,000, versus an average annual median household income of \$77,000 for the broader nation. Concurrently, the metro boasts an average monthly asking rent of \$27.00 for market-rate multifamily housing, compared to the U.S. average of \$35.00/month.

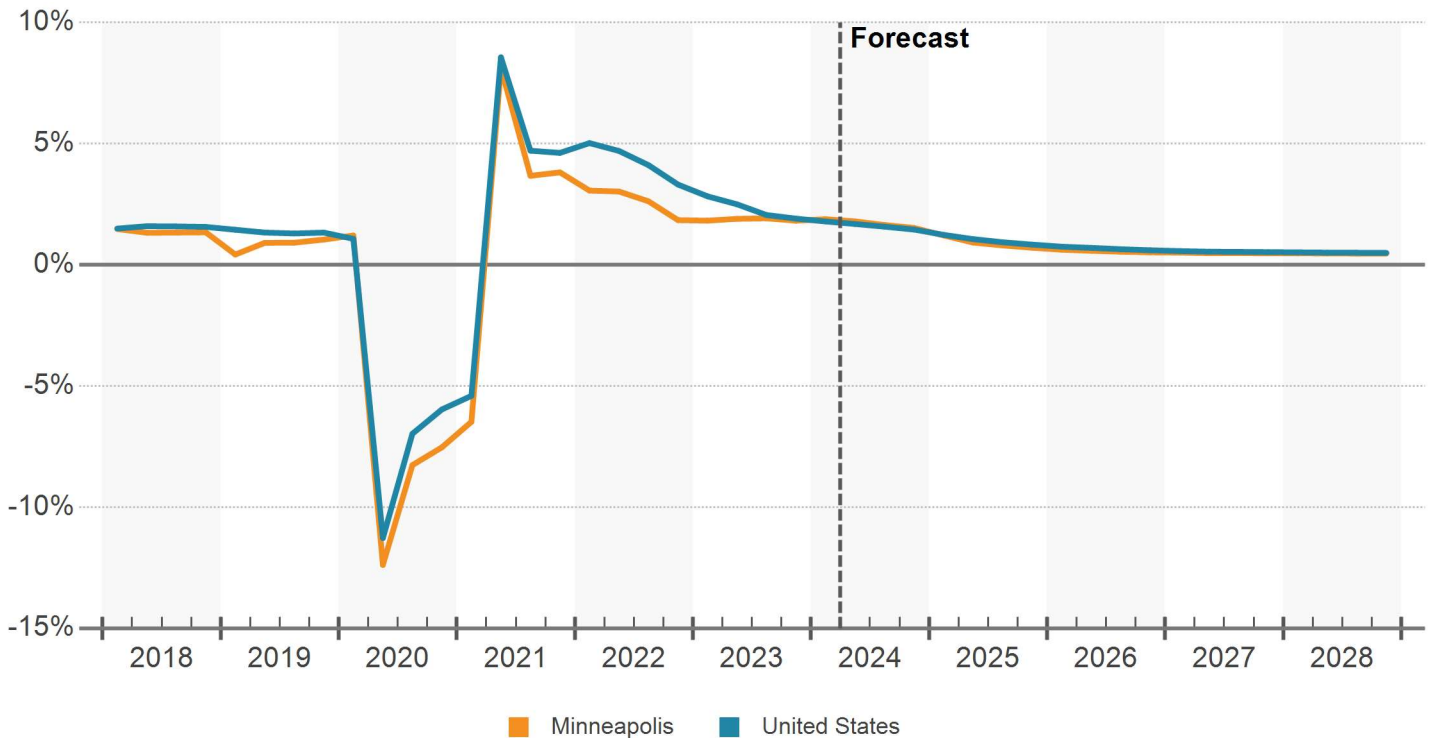
A resilient, affordable, and diverse economy helps attract and retain a skilled workforce, fueling population increases and continued economic expansion. Over the past year, the region's population has changed by 0.7%, compared to the national average of 0.5% and the metro's 10-year average of 0.7%. Among the 26,000 total residents gained annually, 1,900 stems from net migration, an important growth driver in the labor market.

MINNEAPOLIS EMPLOYMENT BY INDUSTRY IN THOUSANDS

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	206	1.3	0.89%	0.35%	0.89%	0.69%	0.53%	0.47%
Trade, Transportation and Utilities	346	0.9	1.07%	0.29%	0.66%	1.03%	0.25%	0.39%
Retail Trade	180	0.9	1.72%	0.46%	0.01%	0.27%	0.12%	0.28%
Financial Activities	147	1.3	-1.94%	0.77%	0.84%	1.53%	0.56%	0.38%
Government	256	0.9	5.78%	2.60%	0.67%	0.61%	0.53%	0.72%
Natural Resources, Mining and Construction	89	0.8	-0.19%	2.60%	2.91%	2.42%	1.20%	0.89%
Education and Health Services	363	1.1	4.10%	3.97%	1.91%	2.04%	0.99%	0.83%
Professional and Business Services	303	1.0	-1.27%	0.66%	0.29%	1.90%	0.41%	0.75%
Information	29	0.7	-0.48%	-0.90%	-2.09%	1.06%	-0.07%	0.66%
Leisure and Hospitality	189	0.9	3.88%	2.86%	0.89%	1.50%	1.01%	1.06%
Other Services	77	1.0	3.23%	1.60%	-0.23%	0.59%	0.54%	0.57%
Total Employment	2,004	1.0	1.83%	1.73%	0.88%	1.36%	0.62%	0.68%

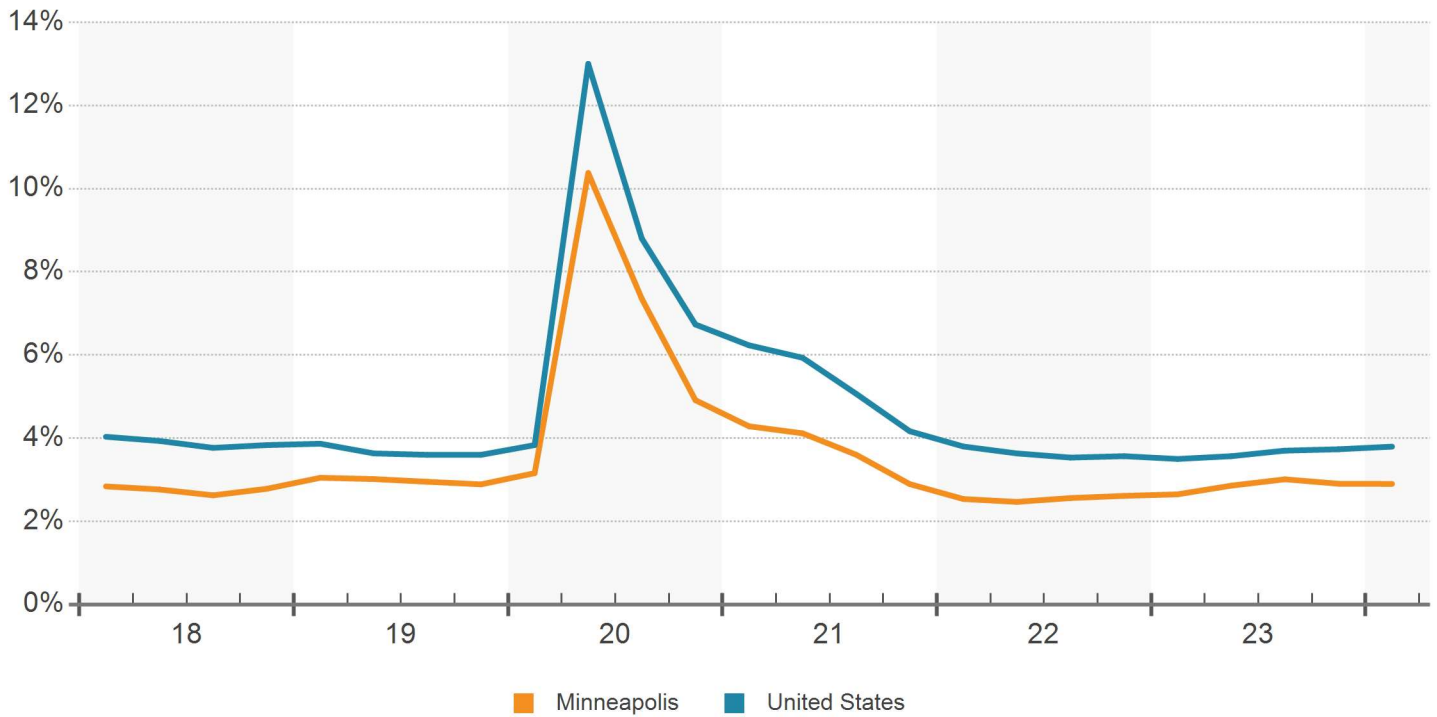
Source: Oxford Economics
LQ = Location Quotient

JOB GROWTH (YOY)

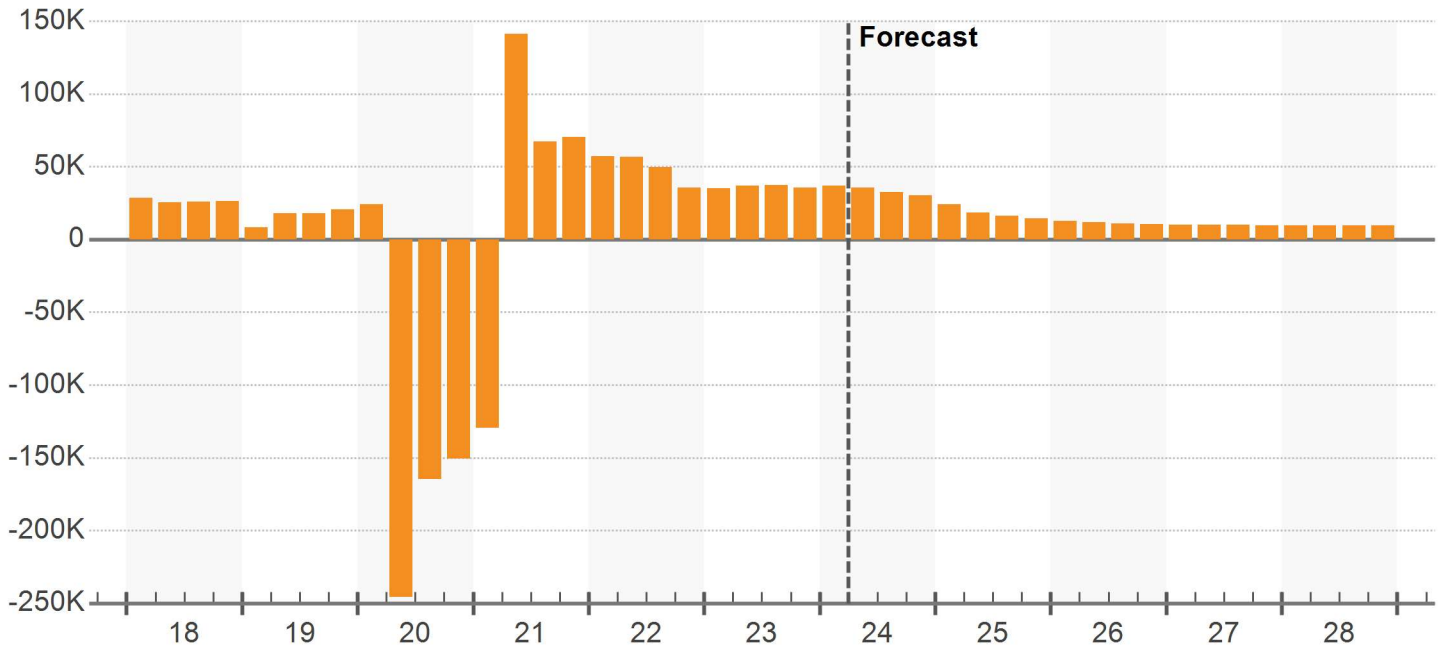


Source: Oxford Economics

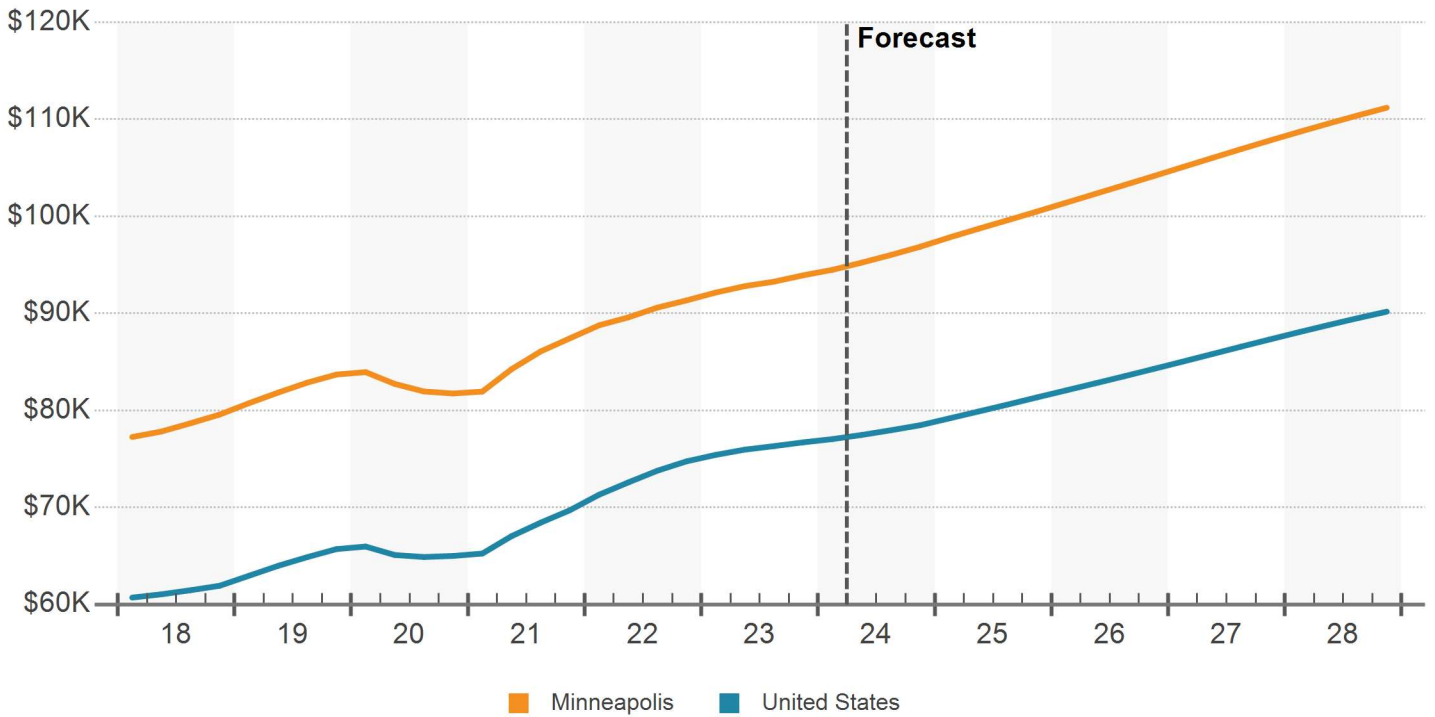
UNEMPLOYMENT RATE (%)



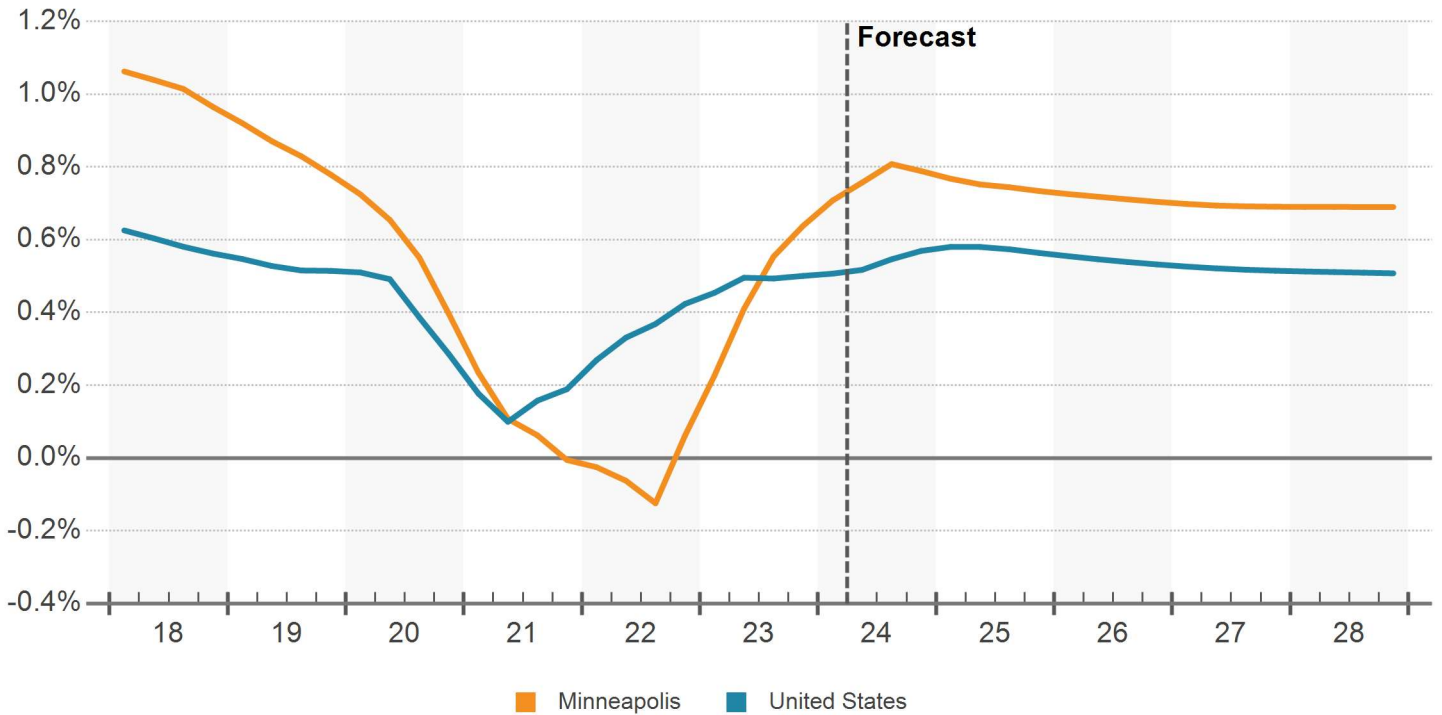
NET EMPLOYMENT CHANGE (YOY)



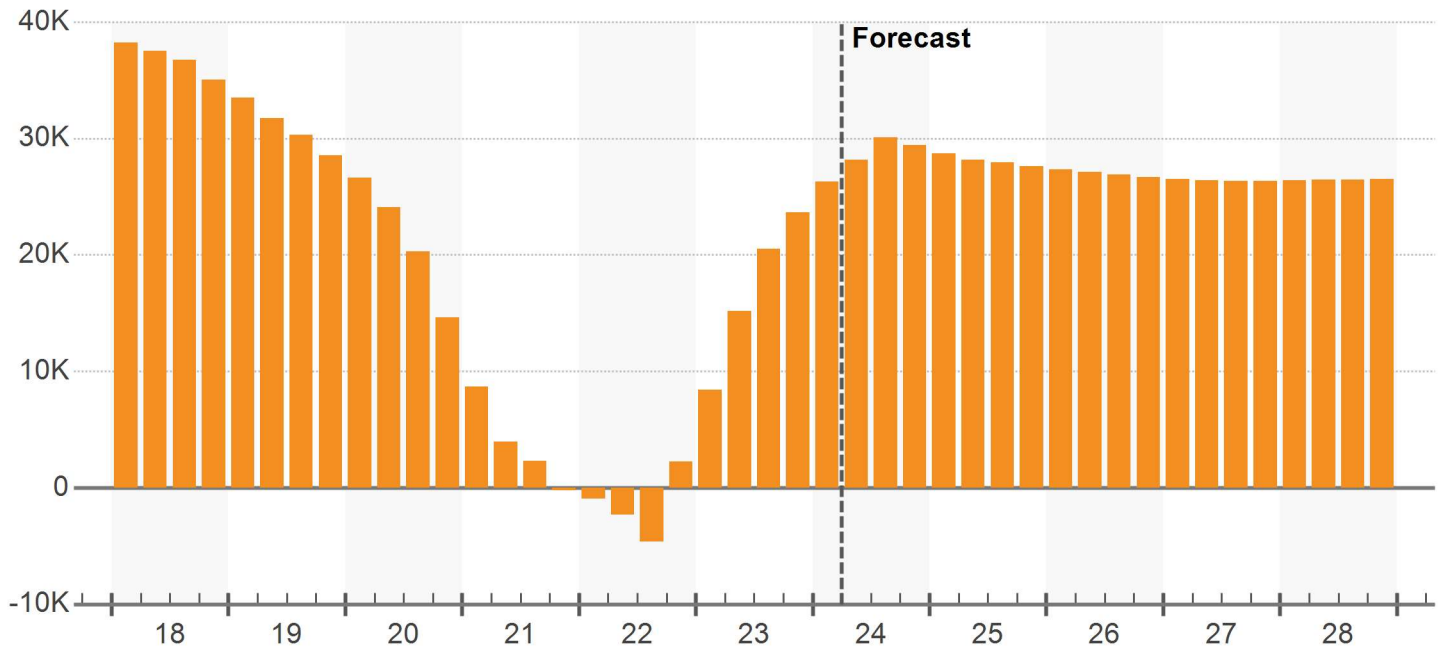
MEDIAN HOUSEHOLD INCOME



POPULATION GROWTH (YOY %)



NET POPULATION CHANGE (YOY)

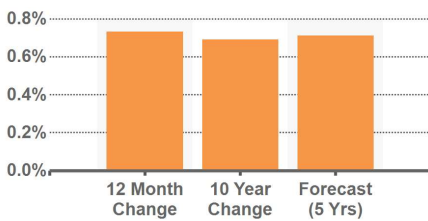


DEMOGRAPHIC TRENDS

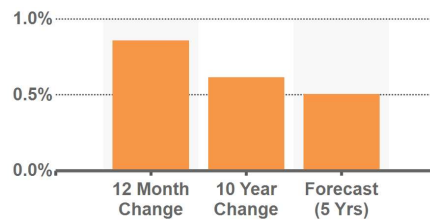
Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	3,746,463	336,020,531	0.7%	0.5%	0.7%	0.5%	0.7%	0.5%
Households	1,502,310	131,259,938	0.9%	0.7%	1.1%	0.9%	0.8%	0.6%
Median Household Income	\$94,869	\$77,266	2.6%	2.1%	3.4%	3.9%	3.4%	3.4%
Labor Force	2,039,796	167,713,813	0.9%	0.7%	0.6%	0.8%	0.5%	0.5%
Unemployment	2.9%	3.8%	0.1%	0.3%	-0.1%	-0.3%	-	-

Source: Oxford Economics

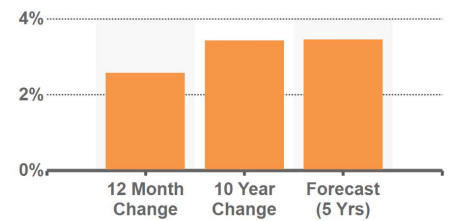
POPULATION GROWTH



LABOR FORCE GROWTH

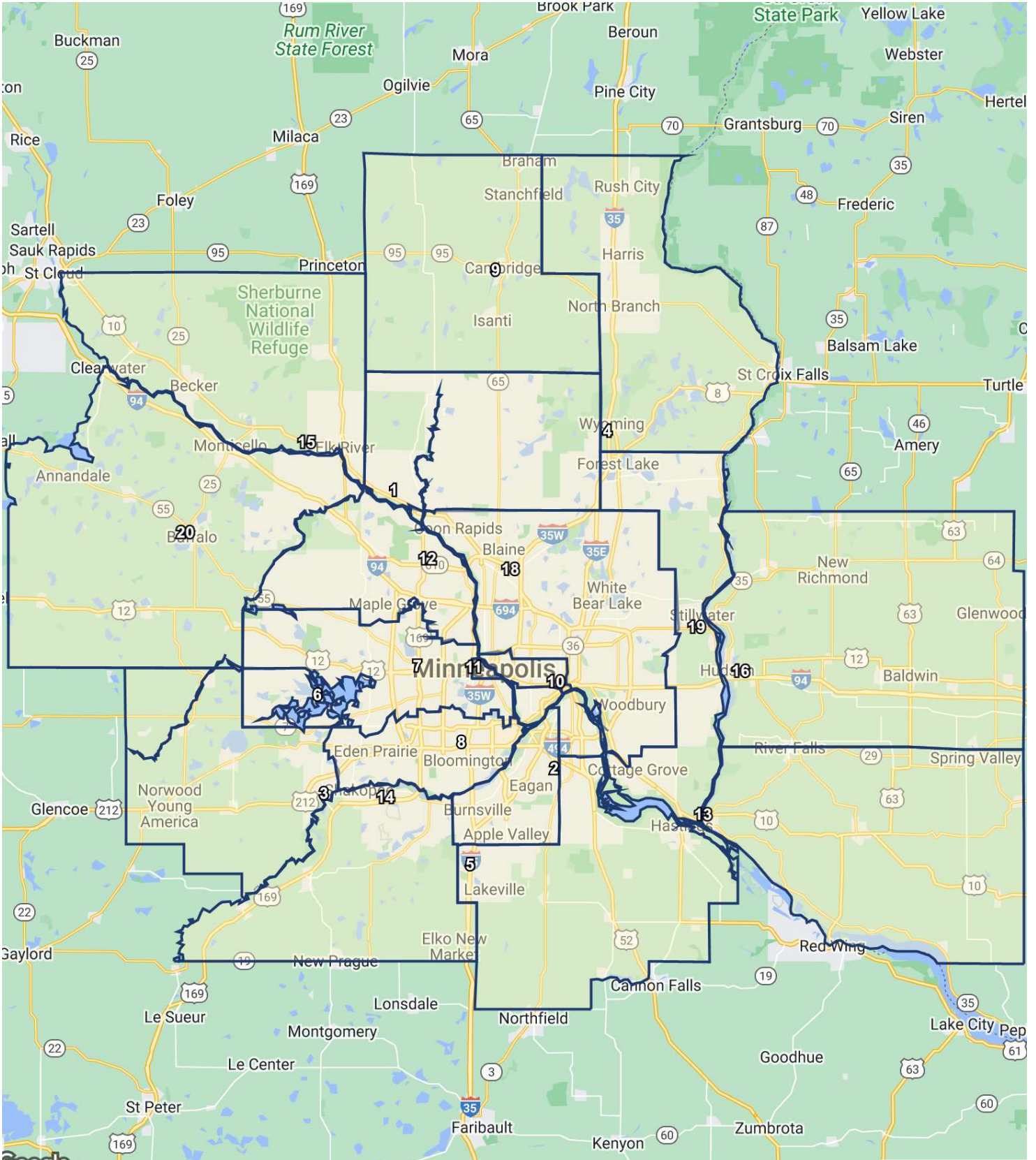


INCOME GROWTH



Source: Oxford Economics

MINNEAPOLIS SUBMARKETS



Submarkets

Minneapolis Office

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Anoka County Outlying	102	1,061	0.5%	15	0	0	0%	-	0	-	-	-
2	Burnsville/Eagan/Apple Vy	400	14,114	7.0%	6	2	50	0.4%	4	0	-	-	-
3	Carver County Outlying	138	1,837	0.9%	10	0	0	0%	-	0	-	-	-
4	Chisago County	87	376	0.2%	19	0	0	0%	-	0	-	-	-
5	Dakota County Outlying	146	1,551	0.8%	14	2	144	9.3%	3	0	-	-	-
6	Hennepin County Outlying	50	411	0.2%	18	1	2	0.4%	9	0	-	-	-
7	I-394 Corridor	968	28,978	14.3%	4	5	165	0.6%	2	1	48	0.2%	2
8	I-494 Corridor	552	32,663	16.2%	3	1	30	0.1%	5	0	-	-	-
9	Isanti County	61	420	0.2%	17	0	0	0%	-	0	-	-	-
10	Midway	322	14,674	7.3%	5	0	0	0%	-	0	-	-	-
11	Minneapolis CBD	291	46,066	22.8%	1	1	392	0.9%	1	0	-	-	-
12	Northwest	291	6,900	3.4%	8	1	5	0.1%	8	1	400	5.8%	1
13	Pierce County	64	307	0.2%	20	0	0	0%	-	0	-	-	-
14	Scott County Outlying	160	1,615	0.8%	13	0	0	0%	-	0	-	-	-
15	Sherburne County	105	678	0.3%	16	0	0	0%	-	0	-	-	-
16	St Croix County	200	1,635	0.8%	12	0	0	0%	-	0	-	-	-
17	St Paul CBD	60	11,788	5.8%	7	0	0	0%	-	0	-	-	-
18	Suburban St Paul	1,628	33,336	16.5%	2	3	23	0.1%	6	1	16	0%	3
19	Washington Cnty Outlying	183	1,967	1.0%	9	0	0	0%	-	0	-	-	-
20	Wright County	253	1,661	0.8%	11	1	10	0.6%	7	2	10	0.6%	4

SUBMARKET RENT

No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Anoka County Outlying	\$22.20	13	3.0%	2	1.7%	12
2	Burnsville/Eagan/Apple Vy	\$23.77	6	3.0%	1	2.2%	3
3	Carver County Outlying	\$23.42	10	2.7%	8	1.8%	8
4	Chisago County	\$22.06	14	2.0%	15	1.3%	19
5	Dakota County Outlying	\$23.58	8	2.9%	5	1.8%	11
6	Hennepin County Outlying	\$22.63	12	1.9%	17	1.5%	15
7	I-394 Corridor	\$30.25	2	2.5%	11	1.9%	6
8	I-494 Corridor	\$26.82	3	2.4%	12	2.4%	2
9	Isanti County	\$17.68	20	2.3%	13	1.4%	17
10	Midway	\$23.47	9	3.0%	3	1.7%	13
11	Minneapolis CBD	\$30.88	1	1.3%	20	2.5%	1
12	Northwest	\$25.49	4	2.7%	9	1.8%	10
13	Pierce County	\$21.44	16	1.6%	19	1.1%	20
14	Scott County Outlying	\$23.24	11	2.7%	6	1.8%	7
15	Sherburne County	\$20.57	19	1.9%	18	1.3%	18
16	St Croix County	\$21.56	15	2.3%	14	1.5%	16
17	St Paul CBD	\$23.58	7	2.0%	16	1.9%	4
18	Suburban St Paul	\$24.61	5	2.9%	4	1.9%	5
19	Washington Cnty Outlying	\$21.30	17	2.6%	10	1.8%	9
20	Wright County	\$21.27	18	2.7%	7	1.5%	14

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Anoka County Outlying	18,596	1.8%	4	(6,206)	-0.6%	14	-
2	Burnsville/Eagan/Apple Vy	1,527,085	10.8%	17	(150,675)	-1.1%	19	-
3	Carver County Outlying	17,944	1.0%	2	2,580	0.1%	9	-
4	Chisago County	480	0.1%	1	320	0.1%	11	-
5	Dakota County Outlying	43,297	2.8%	10	153,163	9.9%	2	0.9
6	Hennepin County Outlying	15,110	3.7%	11	(310)	-0.1%	12	-
7	I-394 Corridor	2,989,565	10.3%	16	(109,685)	-0.4%	18	-
8	I-494 Corridor	4,599,384	14.1%	19	(729,327)	-2.2%	20	-
9	Isanti County	11,331	2.7%	9	1,936	0.5%	10	-
10	Midway	717,132	4.9%	12	51,097	0.3%	4	-
11	Minneapolis CBD	8,958,457	19.4%	20	(95,597)	-0.2%	17	-
12	Northwest	473,613	6.9%	14	24,162	0.4%	6	-
13	Pierce County	28,549	9.3%	15	(27,836)	-9.1%	16	-
14	Scott County Outlying	24,803	1.5%	3	26,806	1.7%	5	-
15	Sherburne County	12,006	1.8%	5	(7,761)	-1.1%	15	-
16	St Croix County	32,969	2.0%	6	5,392	0.3%	8	-
17	St Paul CBD	1,375,535	11.7%	18	5,943	0.1%	7	-
18	Suburban St Paul	2,036,268	6.1%	13	229,831	0.7%	1	0.1
19	Washington Cnty Outlying	46,432	2.4%	8	(5,912)	-0.3%	13	-
20	Wright County	38,643	2.3%	7	64,939	3.9%	3	0.2

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	200,927,423	(296,188)	-0.1%	(297,463)	-0.1%	-
2027	201,223,611	(372,764)	-0.2%	(234,752)	-0.1%	-
2026	201,596,375	(482,361)	-0.2%	(102,035)	-0.1%	-
2025	202,078,736	(573,440)	-0.3%	(1,021,878)	-0.5%	-
2024	202,652,176	638,009	0.3%	(1,258,938)	-0.6%	-
YTD	202,490,499	476,332	0.2%	(169,719)	-0.1%	-
2023	202,014,167	(230,047)	-0.1%	(810,867)	-0.4%	-
2022	202,244,214	(134,211)	-0.1%	(2,487,556)	-1.2%	-
2021	202,378,425	1,115,618	0.6%	(1,432,935)	-0.7%	-
2020	201,262,807	59,282	0%	(1,079,073)	-0.5%	-
2019	201,203,525	795,151	0.4%	(264,890)	-0.1%	-
2018	200,408,374	880,449	0.4%	(96,253)	0%	-
2017	199,527,925	1,176,047	0.6%	247,080	0.1%	4.8
2016	198,351,878	360,408	0.2%	1,696,919	0.9%	0.2
2015	197,991,470	711,658	0.4%	2,313,554	1.2%	0.3
2014	197,279,812	1,478,885	0.8%	2,560,091	1.3%	0.6
2013	195,800,927	(993,604)	-0.5%	(980,386)	-0.5%	-
2012	196,794,531	692,164	0.4%	522,395	0.3%	1.3

4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	76,993,421	295,237	0.4%	257,004	0.3%	1.1
2027	76,698,184	219,784	0.3%	185,793	0.2%	1.2
2026	76,478,400	111,490	0.1%	99,673	0.1%	1.1
2025	76,366,910	6,510	0%	(348,703)	-0.5%	-
2024	76,360,400	481,332	0.6%	118,635	0.2%	4.1
YTD	76,312,400	433,332	0.6%	358,974	0.5%	1.2
2023	75,879,068	364,369	0.5%	(438,771)	-0.6%	-
2022	75,514,699	754,835	1.0%	(1,519,115)	-2.0%	-
2021	74,759,864	2,094,361	2.9%	190,051	0.3%	11.0
2020	72,665,503	231,669	0.3%	506,116	0.7%	0.5
2019	72,433,834	576,517	0.8%	(25,416)	0%	-
2018	71,857,317	1,378,588	2.0%	730,523	1.0%	1.9
2017	70,478,729	801,927	1.2%	536,694	0.8%	1.5
2016	69,676,802	1,507,569	2.2%	1,449,657	2.1%	1.0
2015	68,169,233	1,465,566	2.2%	1,723,724	2.5%	0.9
2014	66,703,667	2,323,065	3.6%	2,307,444	3.5%	1.0
2013	64,380,602	209,006	0.3%	78,600	0.1%	2.7
2012	64,171,596	692,000	1.1%	1,195,059	1.9%	0.6

Supply & Demand Trends

Minneapolis Office

3 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	86,376,903	856	0%	23,215	0%	0
2027	86,376,047	642	0%	149,852	0.2%	0
2026	86,375,405	313	0%	208,920	0.2%	0
2025	86,375,092	15,609	0%	(41,896)	0%	-
2024	86,359,483	453,080	0.5%	(720,406)	-0.8%	-
YTD	85,949,403	43,000	0.1%	(400,356)	-0.5%	-
2023	85,906,403	(549,941)	-0.6%	(520,494)	-0.6%	-
2022	86,456,344	(458,285)	-0.5%	(547,248)	-0.6%	-
2021	86,914,629	(237,617)	-0.3%	(1,123,460)	-1.3%	-
2020	87,152,246	160,169	0.2%	(1,028,005)	-1.2%	-
2019	86,992,077	417,596	0.5%	133,554	0.2%	3.1
2018	86,574,481	(151,591)	-0.2%	(400,773)	-0.5%	-
2017	86,726,072	430,926	0.5%	(23,396)	0%	-
2016	86,295,146	(1,066,776)	-1.2%	(239,199)	-0.3%	-
2015	87,361,922	(467,176)	-0.5%	408,671	0.5%	-
2014	87,829,098	(104,932)	-0.1%	372,579	0.4%	-
2013	87,934,030	(946,380)	-1.1%	(554,636)	-0.6%	-
2012	88,880,410	333,196	0.4%	(466,678)	-0.5%	-

1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	37,557,099	(592,281)	-1.6%	(577,682)	-1.5%	-
2027	38,149,380	(593,190)	-1.5%	(570,397)	-1.5%	-
2026	38,742,570	(594,164)	-1.5%	(410,628)	-1.1%	-
2025	39,336,734	(595,559)	-1.5%	(631,279)	-1.6%	-
2024	39,932,293	(296,403)	-0.7%	(657,167)	-1.6%	-
YTD	40,228,696	0	0%	(128,337)	-0.3%	-
2023	40,228,696	(44,475)	-0.1%	148,398	0.4%	-
2022	40,273,171	(430,761)	-1.1%	(421,193)	-1.0%	-
2021	40,703,932	(741,126)	-1.8%	(499,526)	-1.2%	-
2020	41,445,058	(332,556)	-0.8%	(557,184)	-1.3%	-
2019	41,777,614	(198,962)	-0.5%	(373,028)	-0.9%	-
2018	41,976,576	(346,548)	-0.8%	(426,003)	-1.0%	-
2017	42,323,124	(56,806)	-0.1%	(266,218)	-0.6%	-
2016	42,379,930	(80,385)	-0.2%	486,461	1.1%	-
2015	42,460,315	(286,732)	-0.7%	181,159	0.4%	-
2014	42,747,047	(739,248)	-1.7%	(119,932)	-0.3%	-
2013	43,486,295	(256,230)	-0.6%	(504,350)	-1.2%	-
2012	43,742,525	(333,032)	-0.8%	(205,986)	-0.5%	-

OVERALL RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$27.08	134	0.6%	1.5%	24,179,900	12.0%	0%
2027	\$26.92	134	0.5%	0.9%	24,177,601	12.0%	0%
2026	\$26.77	133	0.5%	0.4%	24,313,228	12.1%	-0.2%
2025	\$26.65	132	-0.5%	-0.1%	24,683,214	12.2%	0.3%
2024	\$26.79	133	0.4%	0.4%	24,227,071	12.0%	0.9%
YTD	\$26.85	133	2.3%	0.7%	22,972,627	11.3%	0.3%
2023	\$26.67	132	3.1%	0%	22,326,576	11.1%	0.3%
2022	\$25.87	128	2.3%	-3.0%	21,745,756	10.8%	1.2%
2021	\$25.28	125	2.2%	-5.2%	19,392,737	9.6%	1.2%
2020	\$24.74	123	0.8%	-7.2%	16,856,953	8.4%	0.6%
2019	\$24.54	122	2.4%	-8.0%	15,718,598	7.8%	0.5%
2018	\$23.97	119	5.1%	-10.1%	14,676,951	7.3%	0.5%
2017	\$22.81	113	2.6%	-14.5%	13,702,499	6.9%	0.4%
2016	\$22.23	110	4.6%	-16.7%	12,778,959	6.4%	-0.7%
2015	\$21.25	105	3.9%	-20.3%	14,115,470	7.1%	-0.8%
2014	\$20.46	102	5.6%	-23.3%	15,729,405	8.0%	-0.6%
2013	\$19.38	96	2.7%	-27.3%	16,810,611	8.6%	0%
2012	\$18.87	94	3.0%	-29.3%	16,823,829	8.5%	0.1%

4 & 5 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$31.41	137	0.3%	0.6%	12,334,504	16.0%	0%
2027	\$31.30	136	0.3%	0.3%	12,296,862	16.0%	0%
2026	\$31.21	136	0.2%	0%	12,263,465	16.0%	0%
2025	\$31.14	136	-0.7%	-0.2%	12,252,244	16.0%	0.5%
2024	\$31.37	137	0.5%	0.5%	11,897,184	15.6%	0.4%
YTD	\$31.48	137	1.5%	0.9%	11,608,832	15.2%	0%
2023	\$31.21	136	1.5%	0%	11,534,474	15.2%	1.0%
2022	\$30.76	134	1.6%	-1.5%	10,731,334	14.2%	2.9%
2021	\$30.27	132	1.8%	-3.0%	8,457,384	11.3%	2.3%
2020	\$29.73	129	2.3%	-4.8%	6,553,074	9.0%	-0.4%
2019	\$29.06	126	2.8%	-6.9%	6,827,521	9.4%	0.8%
2018	\$28.26	123	6.3%	-9.5%	6,225,588	8.7%	0.8%
2017	\$26.58	116	1.7%	-14.8%	5,577,523	7.9%	0.3%
2016	\$26.14	114	2.3%	-16.3%	5,312,290	7.6%	-0.1%
2015	\$25.56	111	3.7%	-18.1%	5,254,378	7.7%	-0.6%
2014	\$24.64	107	8.6%	-21.1%	5,512,536	8.3%	-0.3%
2013	\$22.68	99	3.3%	-27.3%	5,496,915	8.5%	0.2%
2012	\$21.95	96	4.8%	-29.7%	5,366,509	8.4%	-0.9%

3 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$25.16	134	0.8%	2.2%	9,259,647	10.7%	0%
2027	\$24.98	133	0.7%	1.4%	9,282,085	10.7%	-0.2%
2026	\$24.80	132	0.6%	0.7%	9,431,384	10.9%	-0.2%
2025	\$24.65	131	-0.4%	0.1%	9,640,048	11.2%	0.1%
2024	\$24.74	131	0.5%	0.5%	9,582,546	11.1%	1.3%
YTD	\$24.78	132	3.6%	0.6%	8,852,394	10.3%	0.5%
2023	\$24.62	131	5.0%	0%	8,409,038	9.8%	0%
2022	\$23.45	124	2.1%	-4.8%	8,438,485	9.8%	0.2%
2021	\$22.96	122	1.9%	-6.8%	8,349,848	9.6%	1.0%
2020	\$22.54	120	0.8%	-8.5%	7,476,774	8.6%	1.4%
2019	\$22.35	119	2.2%	-9.2%	6,288,600	7.2%	0.3%
2018	\$21.87	116	4.6%	-11.2%	6,022,952	7.0%	0.3%
2017	\$20.90	111	3.0%	-15.1%	5,778,143	6.7%	0.5%
2016	\$20.29	108	5.4%	-17.6%	5,327,125	6.2%	-0.9%
2015	\$19.25	102	4.1%	-21.8%	6,154,702	7.0%	-1.0%
2014	\$18.50	98	3.0%	-24.9%	7,030,549	8.0%	-0.5%
2013	\$17.96	95	2.4%	-27.1%	7,508,060	8.5%	-0.3%
2012	\$17.53	93	2.2%	-28.8%	7,899,804	8.9%	0.9%

1 & 2 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$22.97	131	0.9%	2.4%	2,585,749	6.9%	0.1%
2027	\$22.77	130	0.8%	1.5%	2,598,654	6.8%	0.1%
2026	\$22.59	129	0.7%	0.6%	2,618,379	6.8%	-0.3%
2025	\$22.42	128	-0.2%	-0.1%	2,790,922	7.1%	0.2%
2024	\$22.47	128	0.1%	0.1%	2,747,341	6.9%	1.0%
YTD	\$22.50	128	1.4%	0.3%	2,511,401	6.2%	0.3%
2023	\$22.44	128	3.0%	0%	2,383,064	5.9%	-0.5%
2022	\$21.78	124	4.7%	-2.9%	2,575,937	6.4%	0%
2021	\$20.81	118	3.9%	-7.3%	2,585,505	6.4%	-0.5%
2020	\$20.02	114	-3.0%	-10.8%	2,827,105	6.8%	0.6%
2019	\$20.63	117	1.4%	-8.1%	2,602,477	6.2%	0.4%
2018	\$20.34	116	3.0%	-9.4%	2,428,411	5.8%	0.2%
2017	\$19.75	112	4.1%	-12.0%	2,346,833	5.5%	0.5%
2016	\$18.96	108	9.3%	-15.5%	2,139,544	5.0%	-1.3%
2015	\$17.35	99	3.8%	-22.7%	2,706,390	6.4%	-1.1%
2014	\$16.72	95	3.5%	-25.5%	3,186,320	7.5%	-1.3%
2013	\$16.16	92	1.8%	-28.0%	3,805,636	8.8%	0.6%
2012	\$15.87	90	0.2%	-29.3%	3,557,516	8.1%	-0.2%

OVERALL SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2028	-	-	-	-	-	-	\$160.41	146	9.0%
2027	-	-	-	-	-	-	\$151.42	138	9.4%
2026	-	-	-	-	-	-	\$144.75	132	9.8%
2025	-	-	-	-	-	-	\$140.60	128	10.0%
2024	-	-	-	-	-	-	\$143.14	130	9.9%
YTD	101	\$251.7M	1.2%	\$3,312,084	\$151.56	7.4%	\$150.82	137	9.5%
2023	284	\$690.9M	3.0%	\$2,797,062	\$121.46	7.2%	\$151.83	138	9.4%
2022	355	\$1.4B	6.1%	\$4,515,642	\$138.09	7.7%	\$160.43	146	8.6%
2021	398	\$1B	3.5%	\$3,045,303	\$161.99	6.6%	\$172.63	157	7.8%
2020	286	\$852.1M	3.4%	\$3,367,802	\$127.55	8.0%	\$165.83	151	8.0%
2019	387	\$1.7B	6.2%	\$5,912,221	\$147	8.1%	\$160.89	146	8.1%
2018	376	\$1.9B	6.7%	\$6,440,990	\$155.94	7.4%	\$156.34	142	8.0%
2017	323	\$1.5B	5.3%	\$6,284,934	\$154.57	7.6%	\$150.22	137	7.8%
2016	350	\$1.1B	5.8%	\$4,112,235	\$125.30	7.9%	\$152.04	138	7.4%
2015	343	\$1.7B	7.8%	\$5,546,722	\$111.68	7.7%	\$148.11	135	7.4%
2014	288	\$1.6B	7.3%	\$6,677,301	\$117.01	8.1%	\$141.29	129	7.4%
2013	285	\$1.5B	6.1%	\$6,079,120	\$125.08	8.3%	\$129.52	118	7.7%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

4 & 5 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2028	-	-	-	-	-	-	\$211.36	153	8.3%
2027	-	-	-	-	-	-	\$199.23	144	8.8%
2026	-	-	-	-	-	-	\$190.40	137	9.1%
2025	-	-	-	-	-	-	\$185.06	134	9.4%
2024	-	-	-	-	-	-	\$188.92	136	9.3%
YTD	4	\$72.8M	0.4%	\$72,750,000	\$454.69	-	\$199.88	144	8.8%
2023	8	\$303.9M	2.2%	\$37,990,625	\$185.77	6.0%	\$200.81	145	8.8%
2022	22	\$762.7M	7.5%	\$44,866,048	\$195.47	-	\$206.70	149	8.1%
2021	10	\$288.1M	1.3%	\$32,008,361	\$311	5.2%	\$221.67	160	7.4%
2020	14	\$287.9M	3.0%	\$20,567,594	\$132.07	5.9%	\$213.84	154	7.5%
2019	21	\$1B	7.9%	\$58,103,908	\$189.92	7.2%	\$208.02	150	7.6%
2018	22	\$1.2B	9.8%	\$68,655,234	\$189.76	6.9%	\$202.09	146	7.5%
2017	22	\$823M	6.1%	\$39,188,624	\$195.06	6.2%	\$193.35	140	7.4%
2016	20	\$606.2M	7.7%	\$35,660,651	\$162.28	7.9%	\$192.63	139	7.1%
2015	26	\$873.5M	10.0%	\$33,596,367	\$128.01	7.2%	\$189.56	137	6.9%
2014	24	\$1.1B	9.9%	\$44,848,818	\$162.88	7.0%	\$180.68	130	7.0%
2013	31	\$1.1B	12.0%	\$41,900,570	\$146.06	7.4%	\$163.03	118	7.3%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

Sale Trends

Minneapolis Office

3 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2028	-	-	-	-	-	-	\$136.57	138	9.2%
2027	-	-	-	-	-	-	\$129.08	130	9.7%
2026	-	-	-	-	-	-	\$123.44	125	10.0%
2025	-	-	-	-	-	-	\$119.85	121	10.3%
2024	-	-	-	-	-	-	\$121.72	123	10.2%
YTD	41	\$138.7M	1.7%	\$4,781,201	\$129.90	7.2%	\$127.77	129	9.7%
2023	95	\$175.8M	2.7%	\$2,254,191	\$83.12	7.4%	\$129.05	130	9.6%
2022	116	\$352.6M	4.4%	\$3,672,554	\$96.80	7.4%	\$140.08	141	8.8%
2021	135	\$512.3M	4.6%	\$4,454,925	\$139.47	6.9%	\$151.71	153	8.0%
2020	106	\$433.2M	3.9%	\$4,560,447	\$129.74	7.5%	\$146.02	147	8.1%
2019	144	\$446.5M	5.1%	\$4,464,842	\$111.75	8.5%	\$141.06	142	8.3%
2018	140	\$471.4M	4.7%	\$4,364,507	\$126.40	7.4%	\$136.84	138	8.1%
2017	132	\$477.8M	4.7%	\$5,029,972	\$130.28	7.7%	\$131.10	132	8.0%
2016	148	\$405M	4.9%	\$3,616,241	\$108.27	7.9%	\$135.28	137	7.5%
2015	152	\$635.2M	7.2%	\$5,041,615	\$106.42	7.5%	\$131.19	132	7.5%
2014	104	\$395.3M	6.4%	\$4,941,618	\$72.22	8.5%	\$125.61	127	7.5%
2013	97	\$271M	3.0%	\$3,519,357	\$104.75	8.3%	\$116.93	118	7.8%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

1 & 2 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2028	-	-	-	-	-	-	\$114.92	146	9.6%
2027	-	-	-	-	-	-	\$108.64	138	10.1%
2026	-	-	-	-	-	-	\$103.88	132	10.4%
2025	-	-	-	-	-	-	\$100.80	128	10.6%
2024	-	-	-	-	-	-	\$102.22	130	10.5%
YTD	56	\$40.3M	1.4%	\$876,382	\$93	8.0%	\$107.20	136	10.1%
2023	181	\$211.1M	5.1%	\$1,311,319	\$109.02	7.2%	\$107.78	137	10.0%
2022	217	\$275.5M	6.9%	\$1,412,974	\$109	7.9%	\$116.35	148	9.2%
2021	253	\$247.2M	5.3%	\$1,123,603	\$132.38	6.6%	\$124.51	158	8.3%
2020	166	\$130.9M	3.1%	\$908,785	\$112.75	8.7%	\$117.25	149	8.6%
2019	222	\$186.7M	5.4%	\$1,124,797	\$97.23	7.8%	\$114.05	145	8.7%
2018	214	\$238M	5.6%	\$1,352,375	\$106.63	7.9%	\$111.39	141	8.6%
2017	169	\$207.6M	5.4%	\$1,673,998	\$110.90	7.9%	\$109.41	139	8.3%
2016	182	\$119.6M	4.8%	\$819,278	\$77.22	7.8%	\$111.01	141	7.9%
2015	165	\$171.9M	5.6%	\$1,138,461	\$76.22	8.3%	\$105.77	134	7.9%
2014	160	\$170.9M	4.8%	\$1,203,628	\$87.38	8.5%	\$100.20	127	8.0%
2013	157	\$92.5M	3.8%	\$680,179	\$58.91	8.9%	\$92.97	118	8.2%

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