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Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate decreased 0.3 percentage points from 3.8% in July 2016 to 3.5% in July 2017. The unemployment rate decreased 0.7% compared to January 2017. The current rate compares favorably to Minnesota (3.7%) and the US (4.4). The Mpls-St Paul metropolitan statistical area nonfarm job increased 51,200 jobs over the past year. Industrial using jobs (manufacturing and trade transportation and utilities) added 9,200 jobs during the past year.

Market Overview

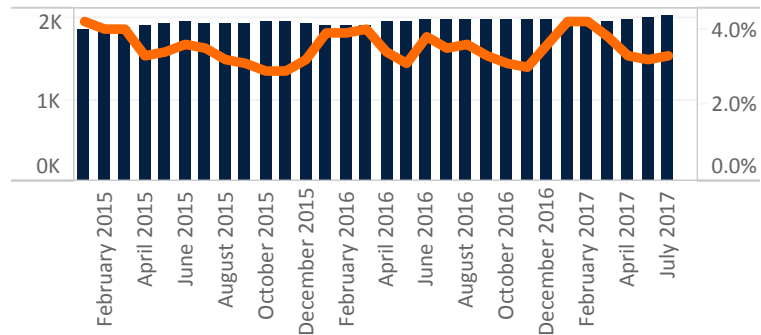
The Mpls-St Paul industrial market recorded 1,192,014 square feet (sf) of positive total absorption during 3Q 2017 and 1,430,713 sf year-to-date (ytd). Absorption was slightly down from 1,297,028 sf recorded during 3Q 2016. The total vacancy rate has decreased from 9.0% in 3Q 2016 to 8.7% at the close of 3Q 2017. Direct vacancy has decreased 0.2 percentage points during the same time period posting 8.4%. Warehouse distribution properties recorded the biggest decline in direct vacancy of 2.9 percentage points year-over-year posting 7.9% at the close of 3Q 2017. Weighted average rent has remained the same with no change compared with 3Q 2016 recording \$6.73 in all specific uses.

Market Highlights

The Mpls-St Paul market witnessed a strong quarter with the Northwest market recording the most absorption with 748,000 square feet (sf) absorption. Three of the four top transactions all occurred in the Northwest market with the top two being occupied by owners of the property. Second Harvest Heartland purchased a 233,682 sf building and a LDI division is occupying 184,833 sf space in one of their properties. The third was US Auto Force leasing 96,470 sf opening a new location. Currently there is over 3,000,000 sf under construction with Northeast market leading the way with over 1,100,000 sf and Southeast just over 1,000,000 sf.

Mpls-St Paul Employment

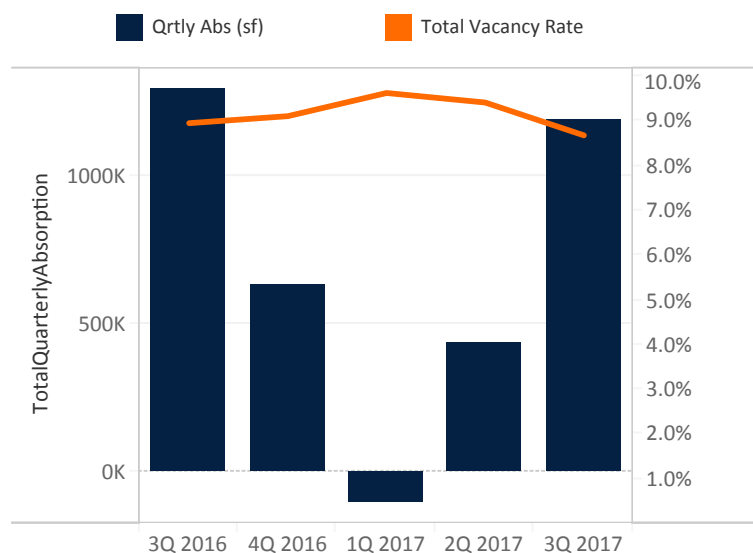
Source: BLS



Market Recap

Inventory (sf)	117,705,497
# of Bldgs	1,373
Qrtly Abs (sf)	1,192,014
Total Avail Rate	11.9%
Total Vacancy Rate	8.7%
U/C Inventory (sf)	3,096,379
Delivered (sf)	189,750
Weighted Average Asking Rate (NNN)	\$6.73

Absorption and Vacancy Rate



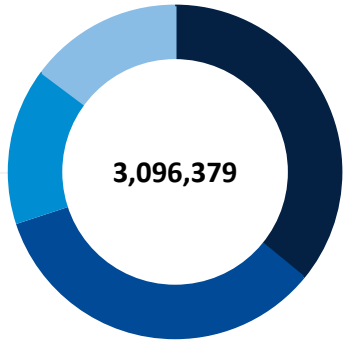
Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Bulk Whse	26,043,582	3,111,515	2,369,734	9.1%	464,899	613,683
Flex	30,318,565	4,908,537	3,762,658	12.4%	108,293	2,218
Lt Ind	44,063,431	4,200,724	2,716,002	6.2%	32,515	-179,969
Whse/Dist	17,279,919	1,818,164	1,371,726	7.9%	586,307	994,781
Overall	117,705,497	14,038,940	10,220,120	8.7%	1,192,014	1,430,713

Overview by Market (Total)

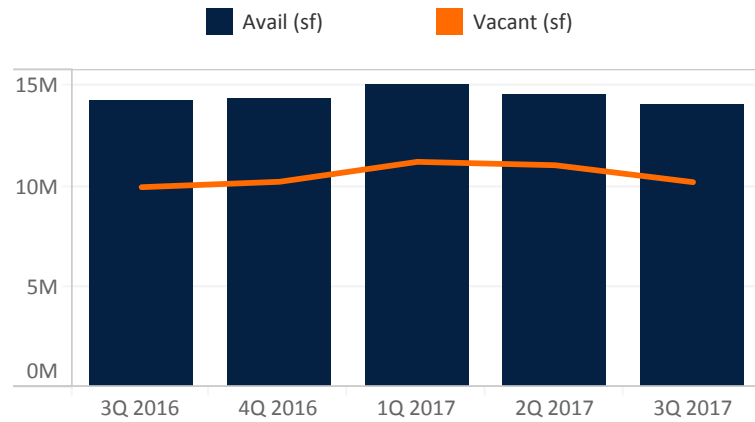
Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Northeast	Bulk Whse	6,033,207	611,860	172,398	2.9%	0	83,091
	Flex	8,087,067	1,288,088	1,185,861	14.7%	-21,568	-12,763
	Lt Ind	17,465,937	1,790,068	1,005,467	5.8%	68,374	4,480
	Whse/Dist	4,608,847	654,427	536,427	11.6%	113,293	1,921
	Subtotal	36,195,058	4,344,443	2,900,153	8.0%	160,099	76,729
Northwest	Bulk Whse	11,812,833	2,138,266	1,950,046	16.5%	273,396	152,625
	Flex	7,582,526	1,246,382	1,094,905	14.4%	98,653	45,949
	Lt Ind	10,261,547	893,188	622,242	6.1%	27,345	2,702
	Whse/Dist	5,782,477	707,477	611,435	10.6%	349,529	625,495
	Subtotal	35,439,383	4,985,313	4,278,628	12.1%	748,923	826,771
Southeast	Bulk Whse	4,042,377	98,243	0	0.0%	0	40,500
	Flex	5,036,186	744,346	590,603	11.7%	-7,699	40,085
	Lt Ind	5,932,755	535,483	419,225	7.1%	-79,182	-125,897
	Whse/Dist	3,407,391	130,782	143,798	4.2%	54,254	299,533
	Subtotal	18,418,709	1,508,854	1,153,626	6.3%	-32,627	254,221
Southwest	Bulk Whse	4,155,165	263,146	247,290	6.0%	191,503	337,467
	Flex	9,612,786	1,629,721	891,289	9.3%	38,907	-71,053
	Lt Ind	10,403,192	981,985	669,068	6.4%	15,978	-61,254
	Whse/Dist	3,481,204	325,478	80,066	2.3%	69,231	67,832
	Subtotal	27,652,347	3,200,330	1,887,713	6.8%	315,619	272,992
Overall		117,705,497	14,038,940	10,220,120	8.7%	1,192,014	1,430,713

Construction by Market

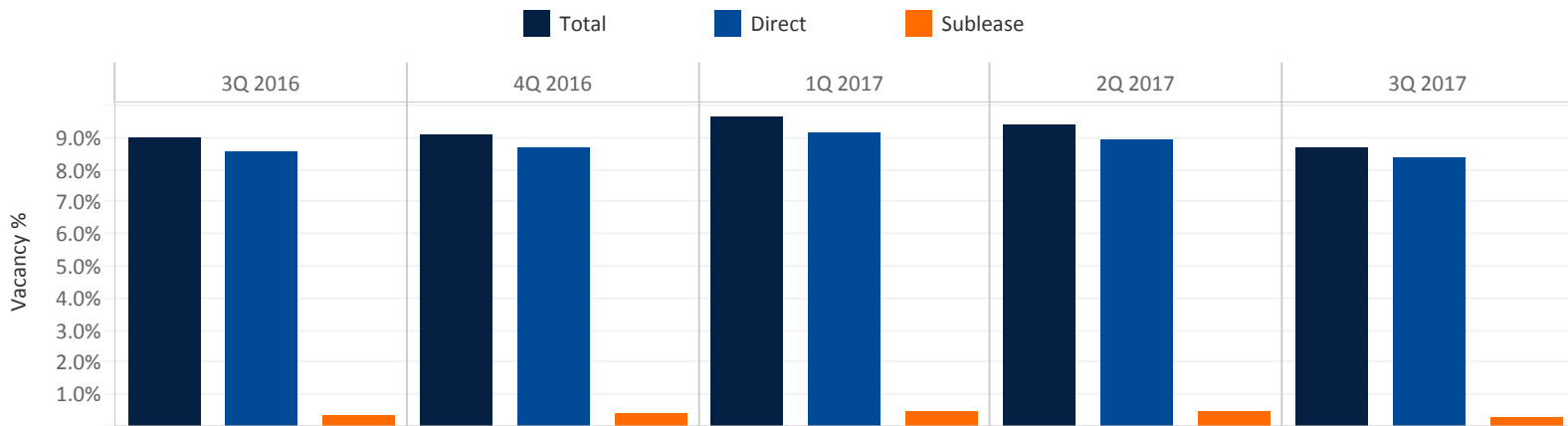


- Northeast
- Southeast
- Southwest
- Northwest

Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Bulk Whse	26,043,582	2,938,651	2,196,870	8.4%	271,975	651,094
Flex	30,318,565	4,562,966	3,632,234	12.0%	102,235	60,088
Lt Ind	44,063,431	4,102,121	2,671,864	6.1%	38,212	-181,500
Whse/Dist	17,279,919	1,818,164	1,371,726	7.9%	566,857	1,000,938
Overall	117,705,497	13,421,902	9,872,694	8.4%	979,279	1,530,620

Overview by Specific Use (Sublease)

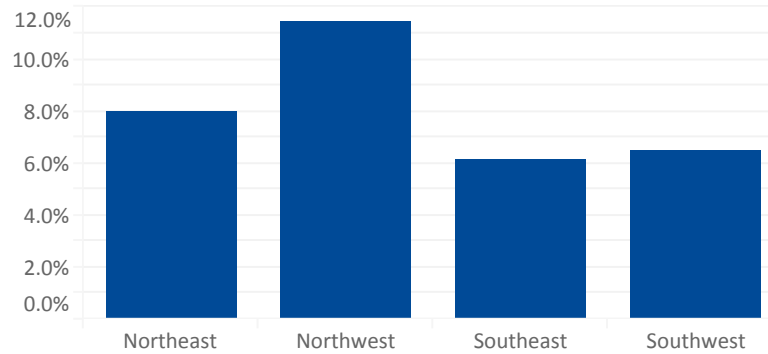
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Bulk Whse	26,043,582	172,864	172,864	0.7%	192,924	-37,411
Flex	30,318,565	345,571	130,424	0.4%	6,058	-57,870
Lt Ind	44,063,431	98,603	44,138	0.1%	-5,697	1,531
Whse/Dist	17,279,919	0	0	0.0%	19,450	-6,157
Overall	117,705,497	617,038	347,426	0.3%	212,735	-99,907

Direct Vacancy Rates

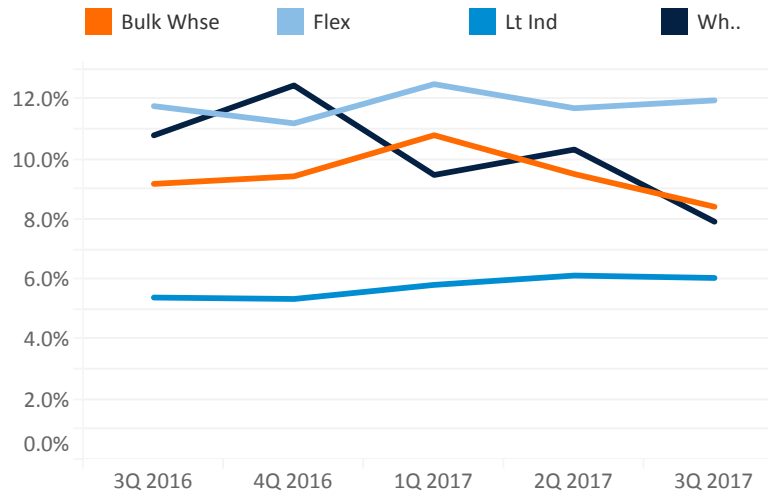
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Northeast	Bulk Whse	2.9%	2.2%	1.9%	2.9%	2.9%
	Flex	12.5%	11.5%	13.1%	12.7%	14.6%
	Lt Ind	6.6%	6.6%	5.7%	6.1%	5.7%
	Whse/Dist	5.3%	11.3%	11.5%	13.7%	11.6%
	Subtotal	7.1%	7.5%	7.5%	8.0%	8.0%
Northwest	Bulk Whse	15.1%	14.1%	17.7%	15.9%	15.0%
	Flex	14.8%	14.7%	16.7%	14.8%	14.2%
	Lt Ind	3.9%	3.7%	5.8%	6.1%	5.8%
	Whse/Dist	28.9%	26.0%	13.9%	14.4%	10.6%
	Subtotal	13.0%	12.2%	13.4%	12.6%	11.5%
Southeast	Bulk Whse	2.3%	1.8%	0.3%	0.0%	0.0%
	Flex	13.0%	12.1%	13.0%	11.2%	11.4%
	Lt Ind	4.5%	4.7%	5.7%	5.7%	6.9%
	Whse/Dist	5.4%	8.1%	5.5%	5.8%	4.2%
	Subtotal	6.5%	6.6%	6.5%	6.0%	6.1%
Southwest	Bulk Whse	8.2%	14.1%	14.1%	10.6%	6.0%
	Flex	8.2%	8.0%	8.6%	8.7%	8.3%
	Lt Ind	5.4%	5.3%	6.2%	6.5%	6.4%
	Whse/Dist	4.2%	4.2%	3.5%	3.5%	2.3%
	Subtotal	6.7%	7.5%	7.9%	7.5%	6.5%
Overall		8.6%	8.7%	9.2%	8.9%	8.4%

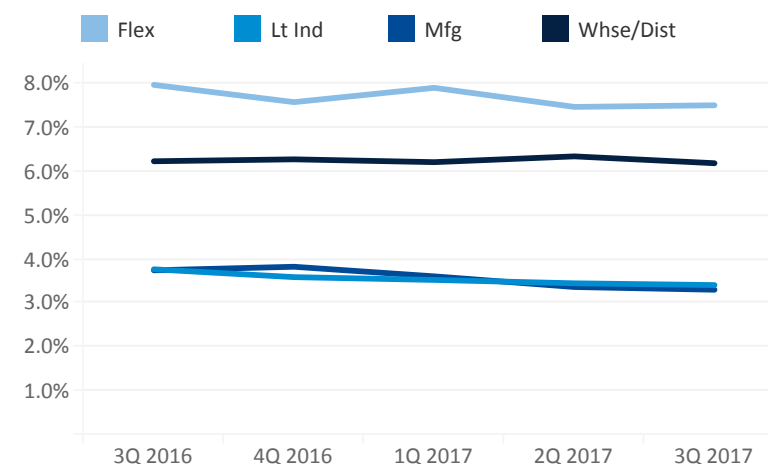
By Market



Mpls-St Paul By Specific Use



National by Specific Use

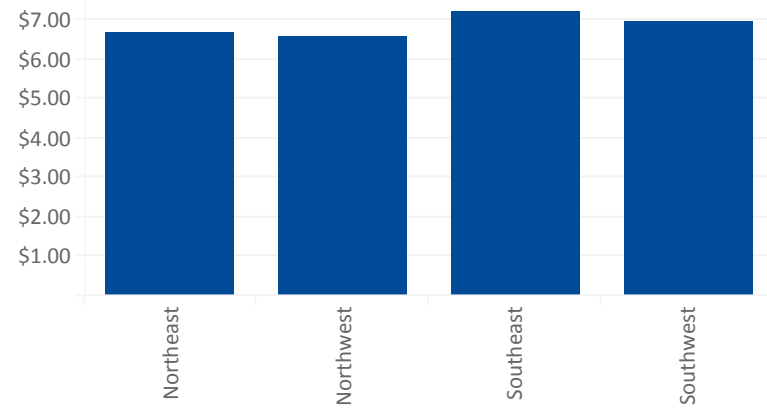


Direct Weighted Average Asking Rates (NNN)

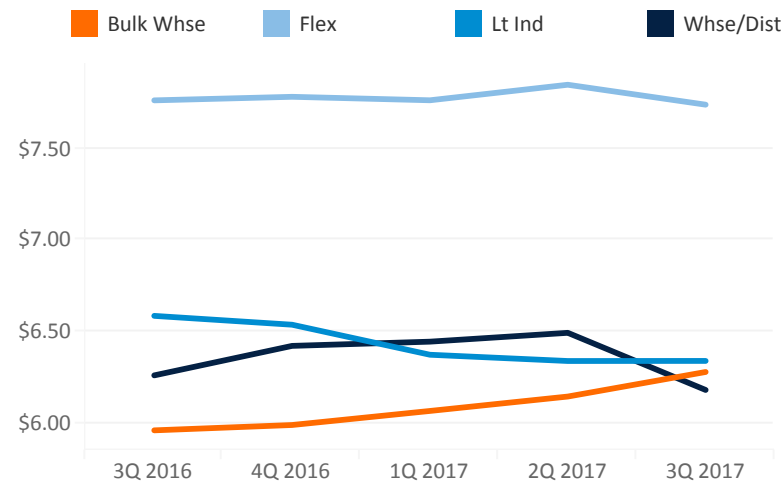
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Northeast	Bulk Whse	\$6.32	\$6.40	\$6.46	\$6.63	\$6.64
	Flex	\$8.05	\$7.92	\$8.24	\$8.56	\$8.11
	Lt Ind	\$6.60	\$6.49	\$6.44	\$6.26	\$6.21
	Whse/Dist	\$6.11	\$5.85	\$5.89	\$5.82	\$5.56
	Subtotal	\$6.97	\$6.77	\$6.77	\$6.84	\$6.65
Northwest	Bulk Whse	\$6.11	\$6.01	\$6.11	\$5.86	\$5.96
	Flex	\$7.70	\$7.78	\$7.40	\$7.40	\$7.46
	Lt Ind	\$6.40	\$6.63	\$6.53	\$6.52	\$6.63
	Whse/Dist	\$6.05	\$6.54	\$6.54	\$6.60	\$6.80
	Subtotal	\$6.46	\$6.54	\$6.57	\$6.50	\$6.55
Southeast	Bulk Whse	\$5.75	\$5.17	\$7.25	\$7.25	\$7.25
	Flex	\$7.48	\$7.58	\$7.42	\$7.54	\$7.50
	Lt Ind	\$6.59	\$6.44	\$6.39	\$6.50	\$6.57
	Whse/Dist	\$7.98	\$7.75	\$7.73	\$7.95	\$7.74
	Subtotal	\$7.06	\$7.12	\$7.11	\$7.22	\$7.18
Southwest	Bulk Whse	\$5.32	\$5.89	\$5.70	\$6.47	\$7.53
	Flex	\$7.71	\$7.80	\$7.99	\$7.92	\$7.85
	Lt Ind	\$6.72	\$6.59	\$6.11	\$6.22	\$6.20
	Whse/Dist	\$6.37	\$6.37	\$6.37	\$6.39	\$5.59
	Subtotal	\$6.83	\$6.91	\$6.82	\$6.95	\$6.94
Overall		\$6.74	\$6.75	\$6.74	\$6.78	\$6.73

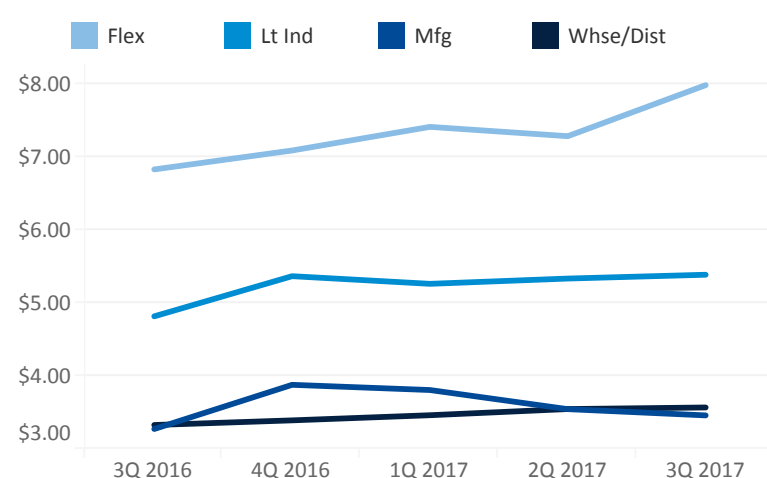
By Market



Mpls-St Paul by Specific Use

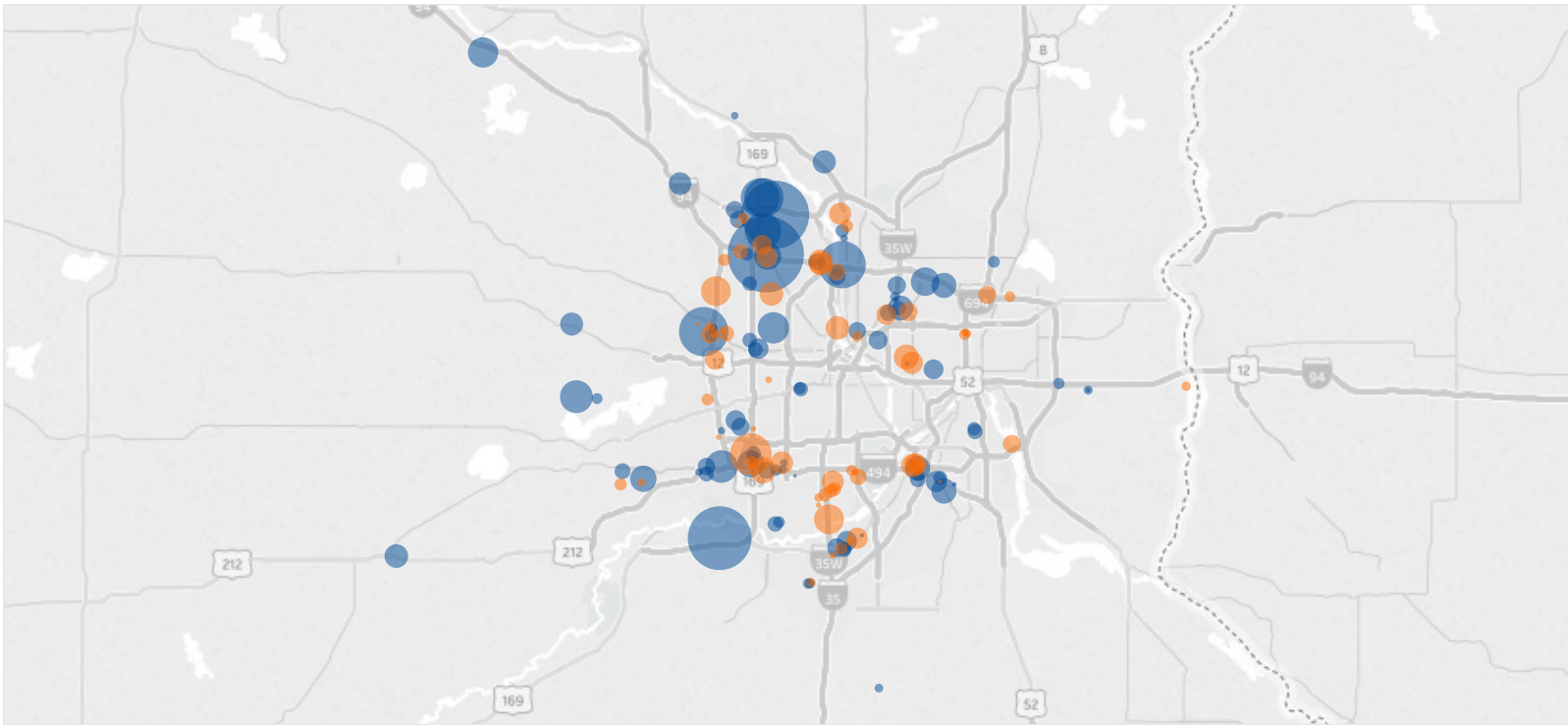


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



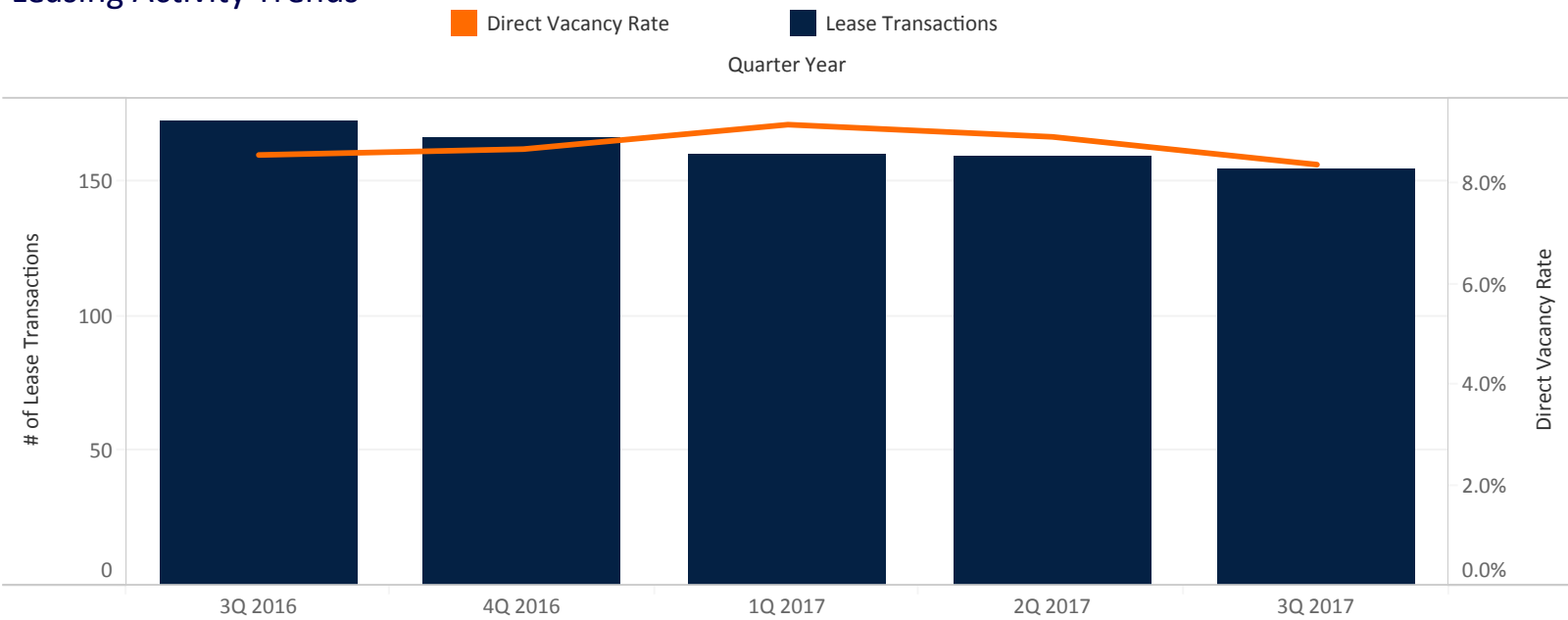
Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
FirstPark Distribution Center	Second Harvest Heartland purchased the property	Northwest	Whse/Dist	233,682
6900-6920 93rd Ave	LDI owns the building and one of their divisions will occupy 184,833 SF	Northwest	Bulk Whse	184,833
Valley Park Business Center Bldg A	COKeM leased 162,753 SF in Suite 500	Southwest	Bulk Whse	162,753
Plymouth Point Business Center	US Auto Force leased 96,470 SF for a new location	Northwest	Flex	96,470
Northpoint Industrial Center	Staples leased 88,651 SF for a new location	Northeast	Whse/Dist	88,651
Nott Company	Nott Company occupied 60,750 SF in new delivery	Northwest	Flex	60,750
NorthPark Business Center I	Select Comfort leased 59,835 SF	Northwest	Bulk Whse	59,835
169 North Business Center	UPS leased 52,400 SF	Northwest	Whse/Dist	52,317

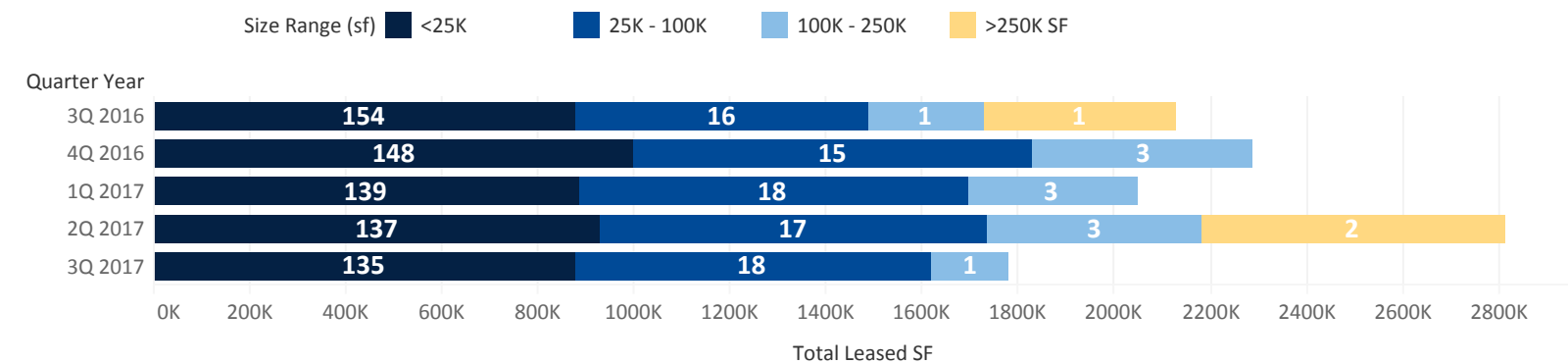
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Shady Oak I	Amerisource Bergin vacated 69,219 SF in adjustment	Southwest	Lt Ind	-69,219
Lyndale Commons II	Power Engineering vacated 26,847 SF and State Farm vacated 7,930 SF	Southeast	Flex	-34,777
Plymouth Technology Park V	Siemens vacated 34,488 SF	Northwest	Flex	-34,488
Braemar Business Center South	Recon Robotics vacated 26,333 SF	Southwest	Flex	-26,333
Como Commons	Three tenants vacated a total of 24,060 SF	Northeast	Lt Ind	-24,060
Hiawatha Rubber Company	Hiawatha Rubber (owner) downsizing 23,000 SF	Northwest	Lt Ind	-23,000
7400 49th Ave N	Wynit bought bldg that Creating Apparel vacated	Northwest	Whse/Dist	-21,480
Second Street Business Center	A&M Business Interior Service vacated 21,340 SF	Northeast	Lt Ind	-21,340

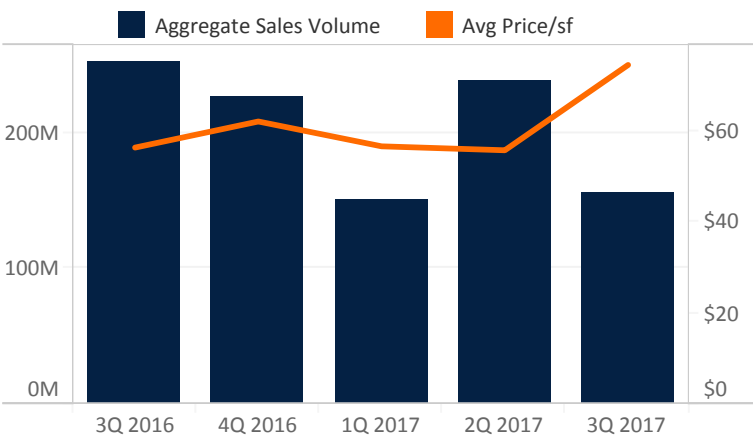
Leasing Activity Trends



Leasing Activity (# of New Deals)

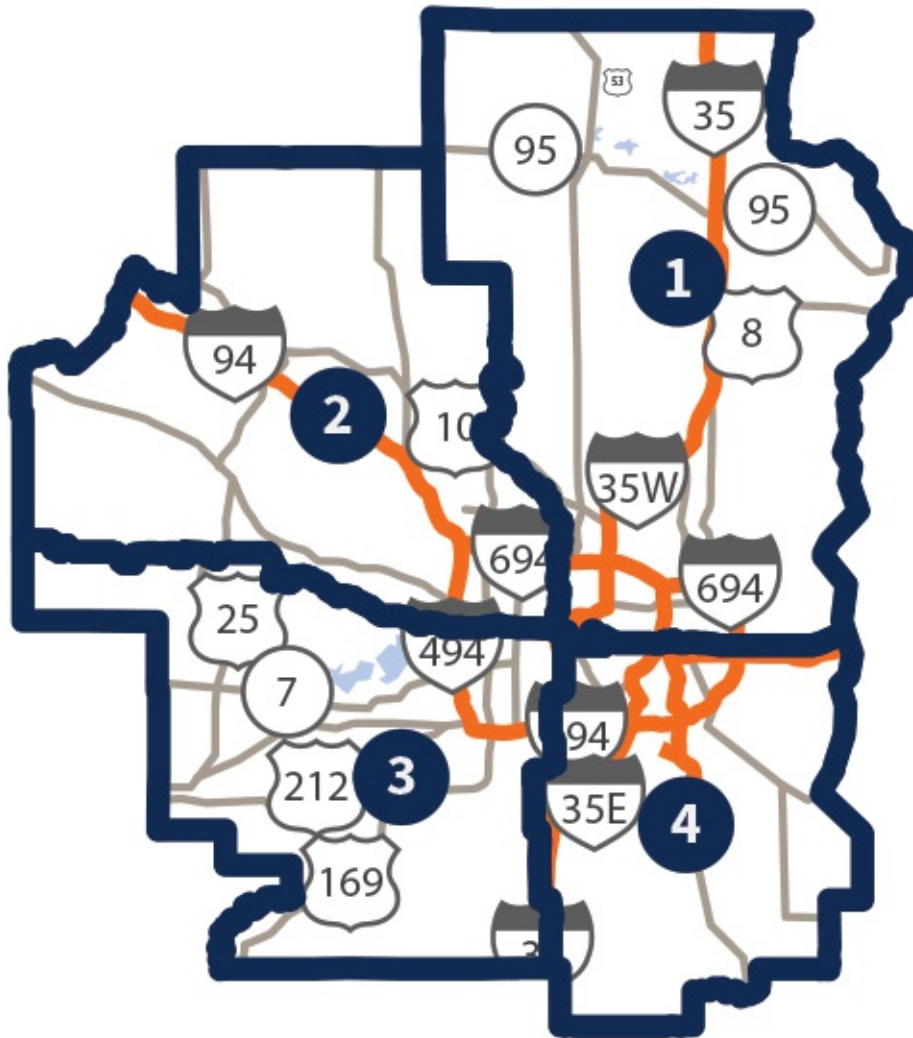


Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
FedEx	09/01/2017	Gramercy Property Trust	\$24,520,000
Centre Pointe Business Park II	07/25/2017	SVL	\$11,900,000
Edina Interchange V	08/03/2017	Francois Family of Companies	\$11,225,000
Plymouth Point Business Center	09/07/2017	URSF MN PLYMOUTH, L.L.C.	\$9,803,000
Lexington Commerce Center	07/27/2017	Steven Liefshultz	\$9,000,000



1 Northeast

3 Southwest

2 Northwest

4 Southeast