



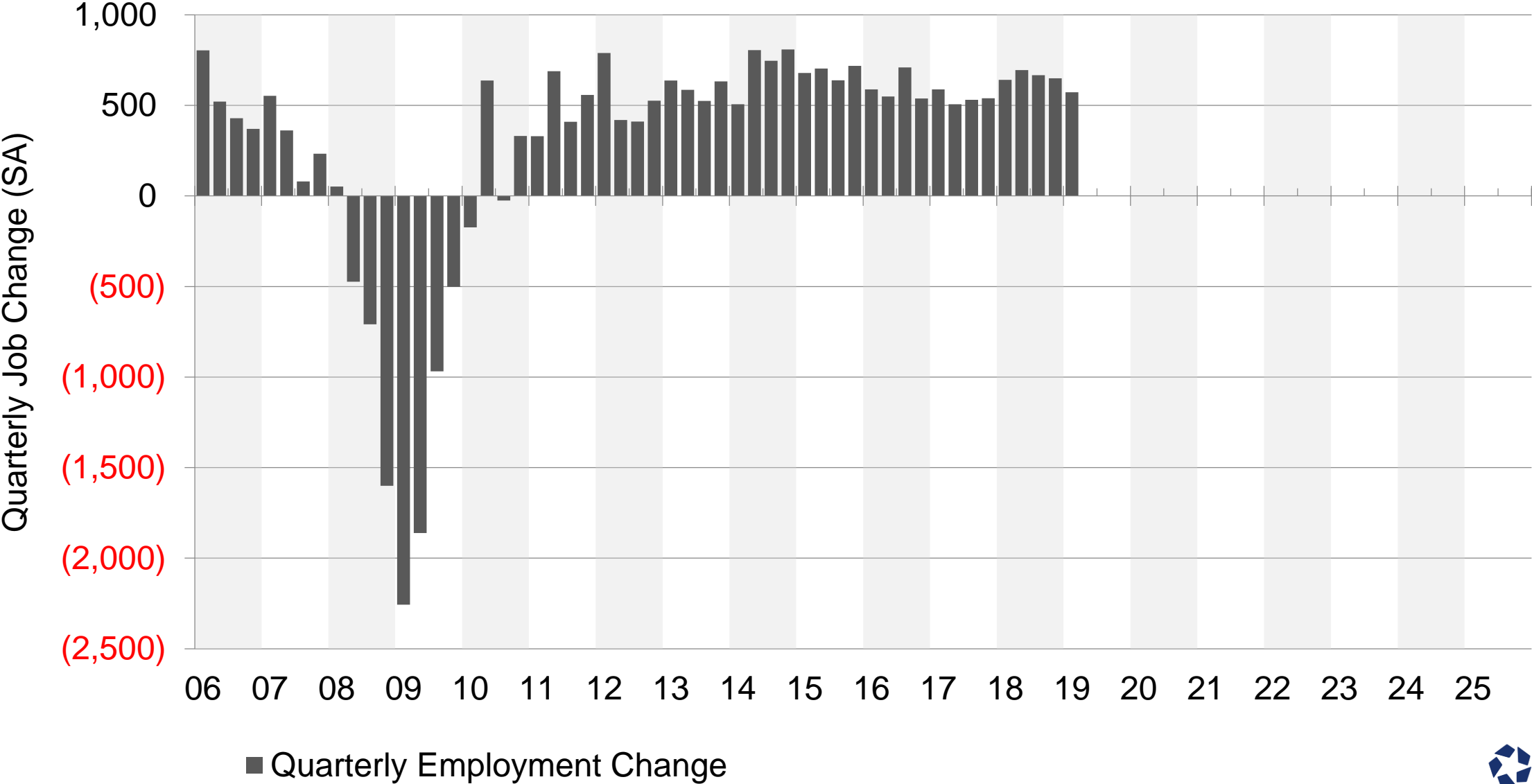
Q2 2019 Minneapolis Overview

Michael Roessle – Director of Market Analytics
October 2, 2019

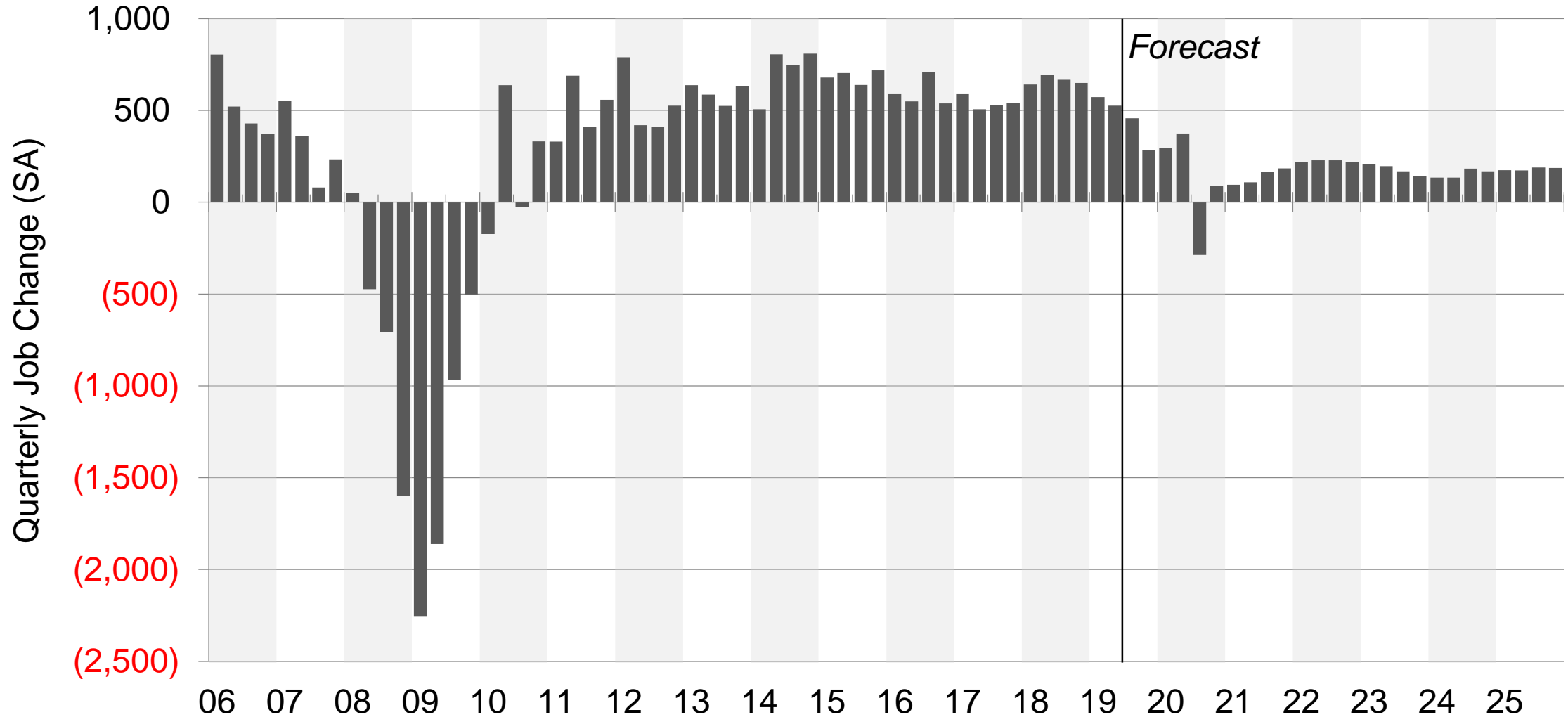
Agenda

- Economic Overview
- Multifamily Market Fundamentals
- Office Market Fundamentals
- Industrial Market Fundamentals

U.S. Employment Growth

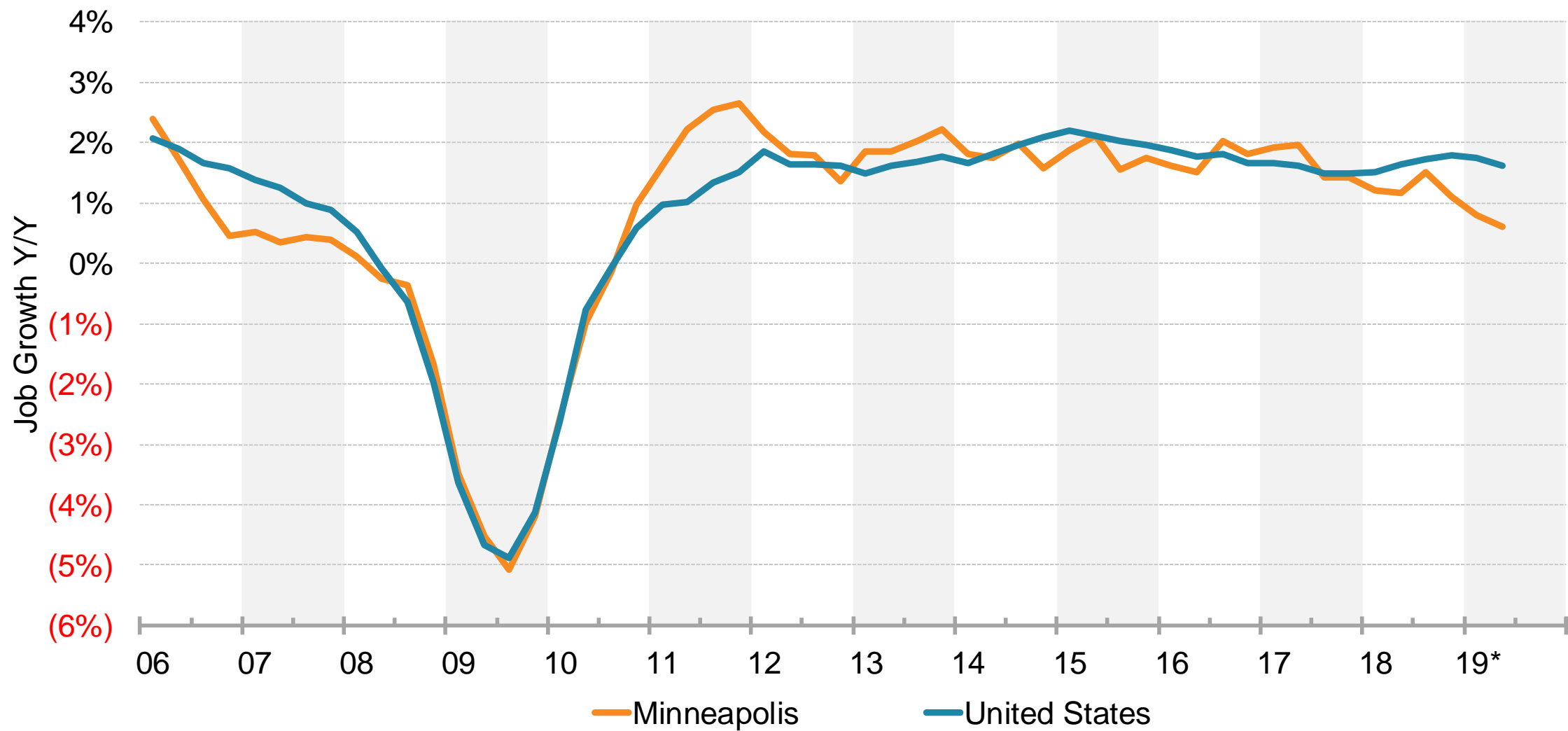


U.S. Employment Growth: Base Case Forecast



■ Quarterly Employment Change (per Oxford Economics Moderate Upside forecast)

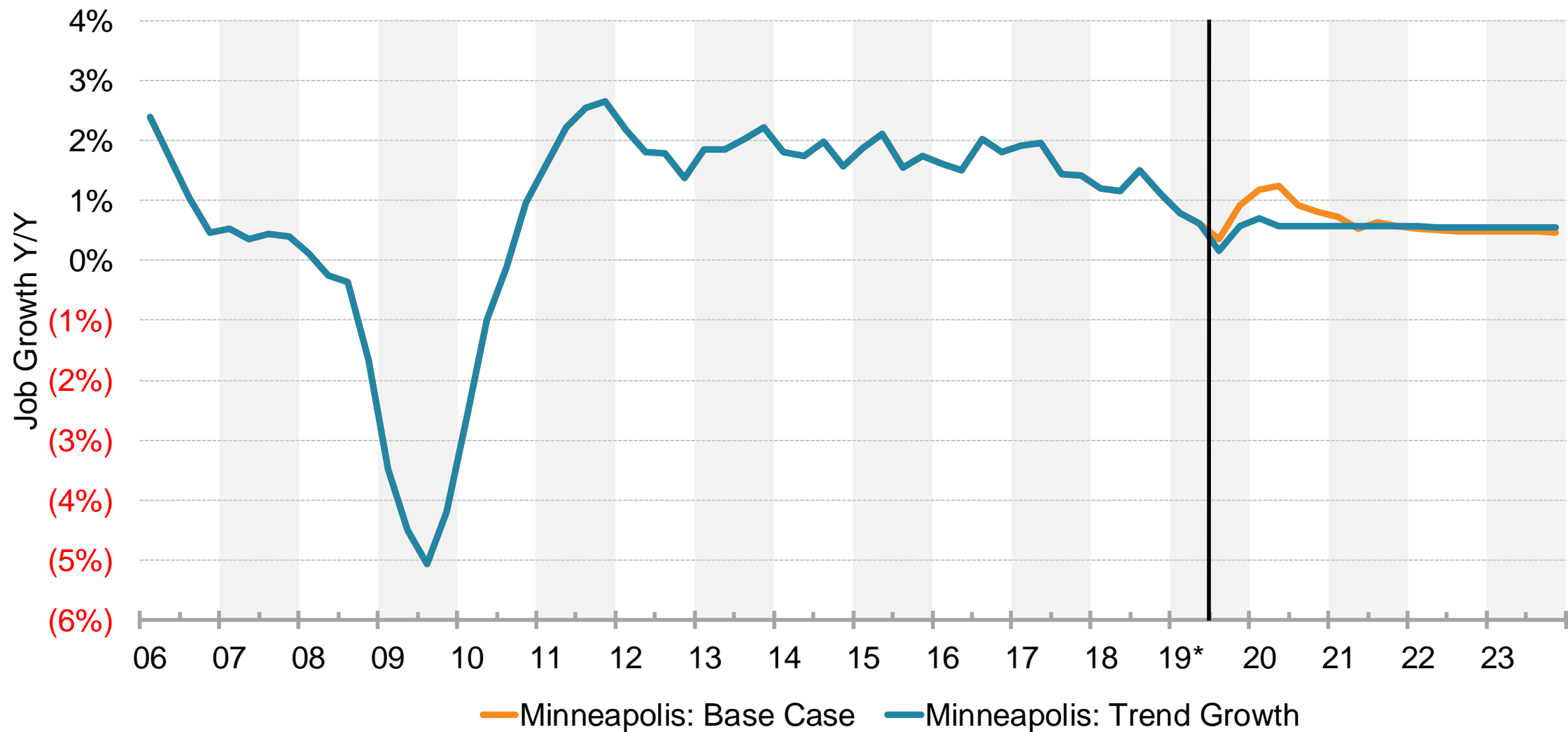
Minneapolis vs. US: Historical Employment Growth



Source: CoStar, Oxford Economics
* Year-to-Date

End of 19Q2

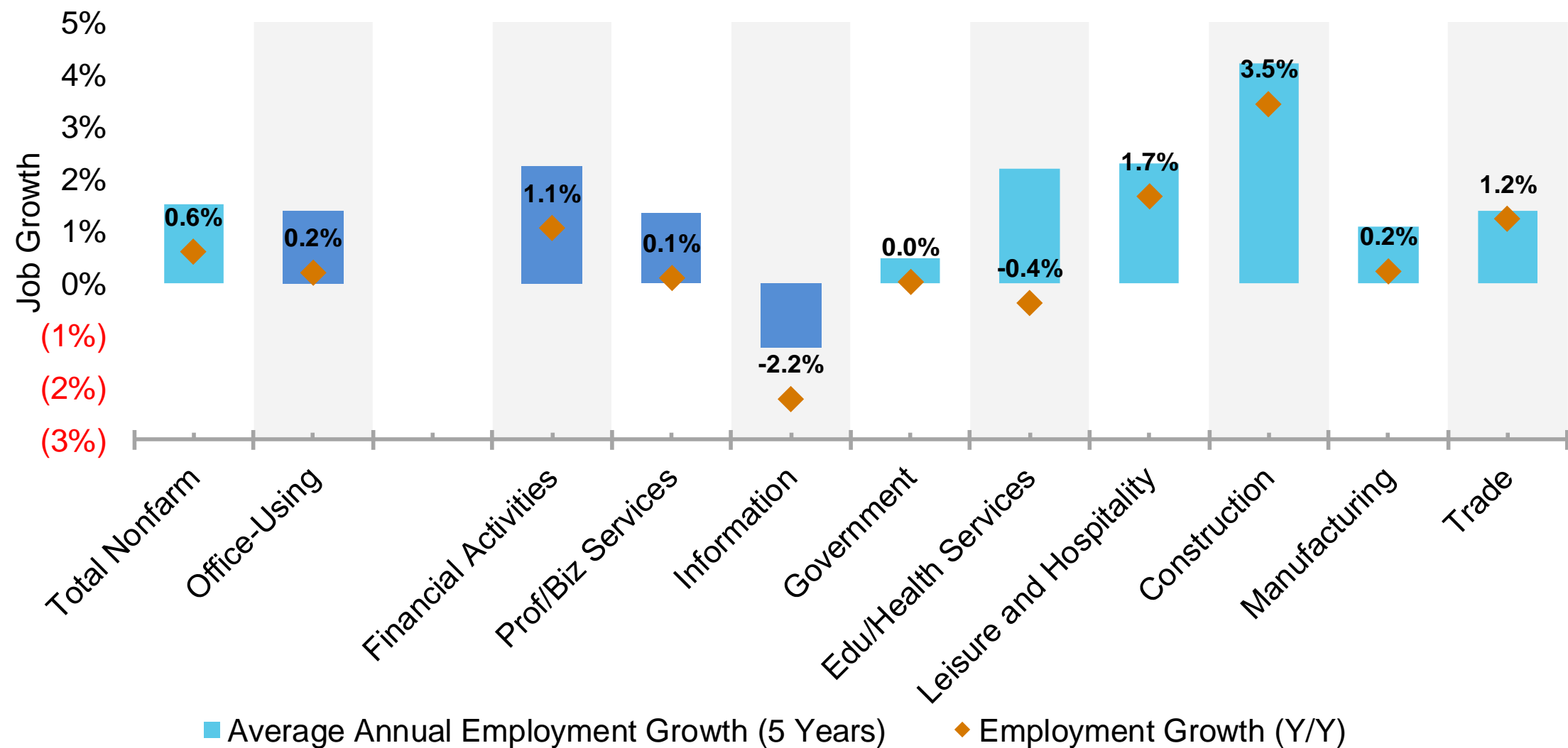
Employment Growth: Base Case vs. Trend Growth Forecast



Source: CoStar, Oxford Economics
* Year-to-Date

End of 19Q2

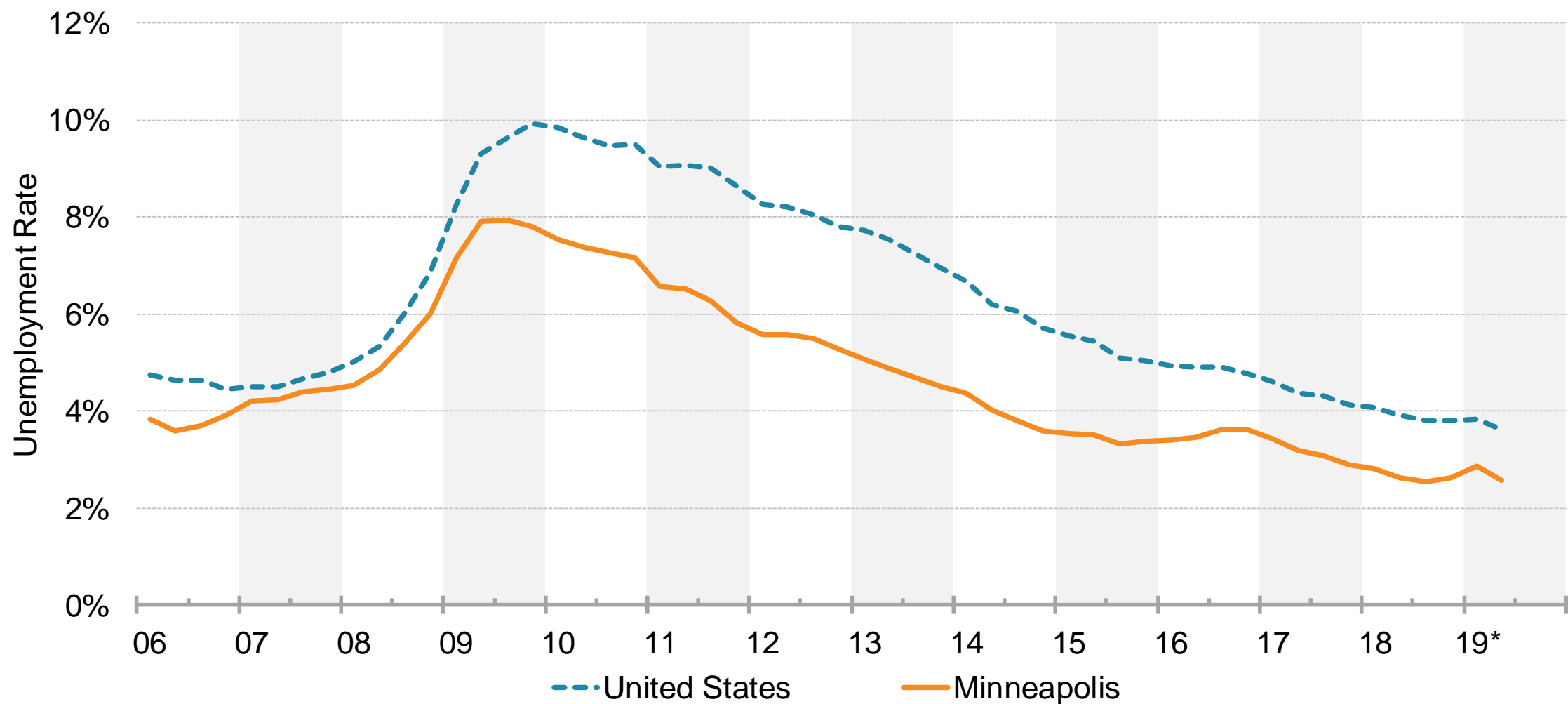
Minneapolis: Job Growth By Employment Sector



Source: Oxford Economics

End of 19Q2

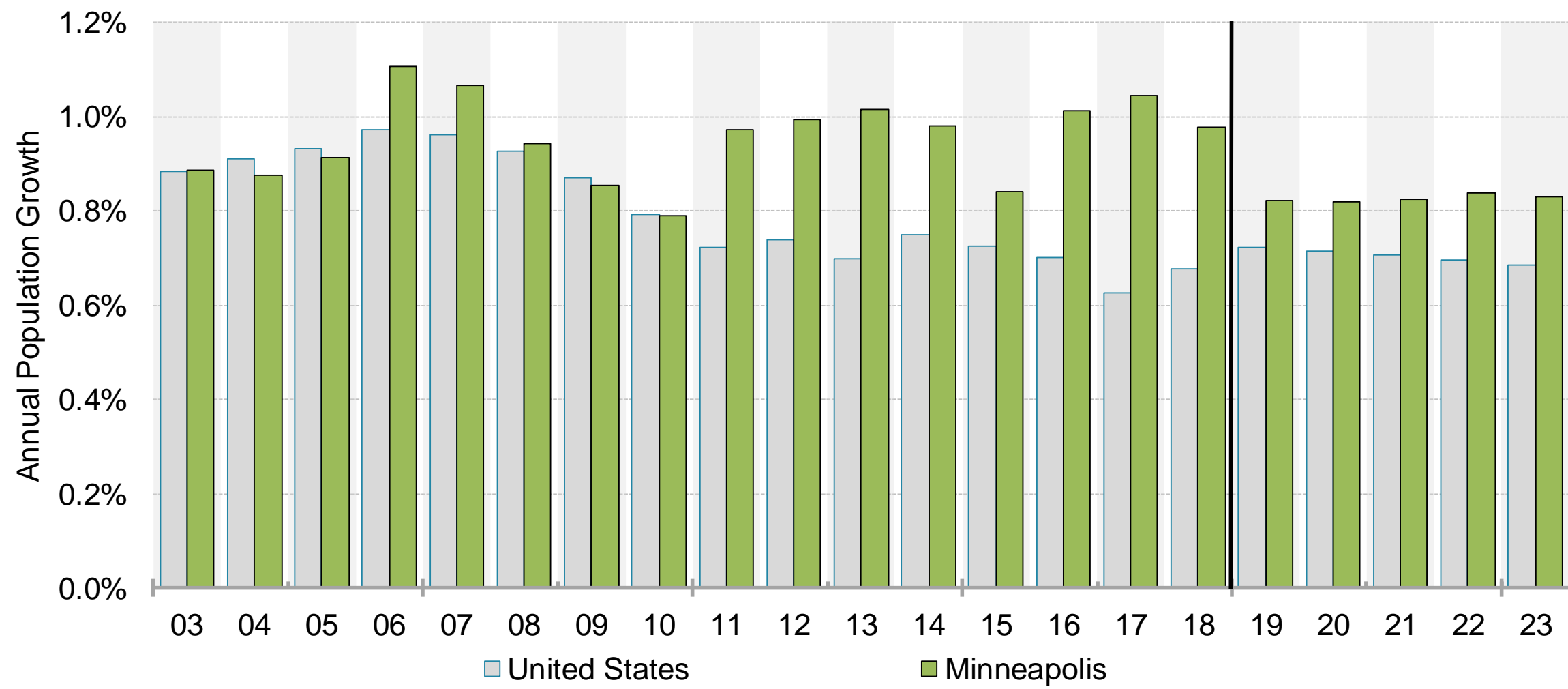
Unemployment Rate: Minneapolis vs. US



Source: Oxford Economics
* Year-to-Date

End of 19Q2

Population Growth vs. US

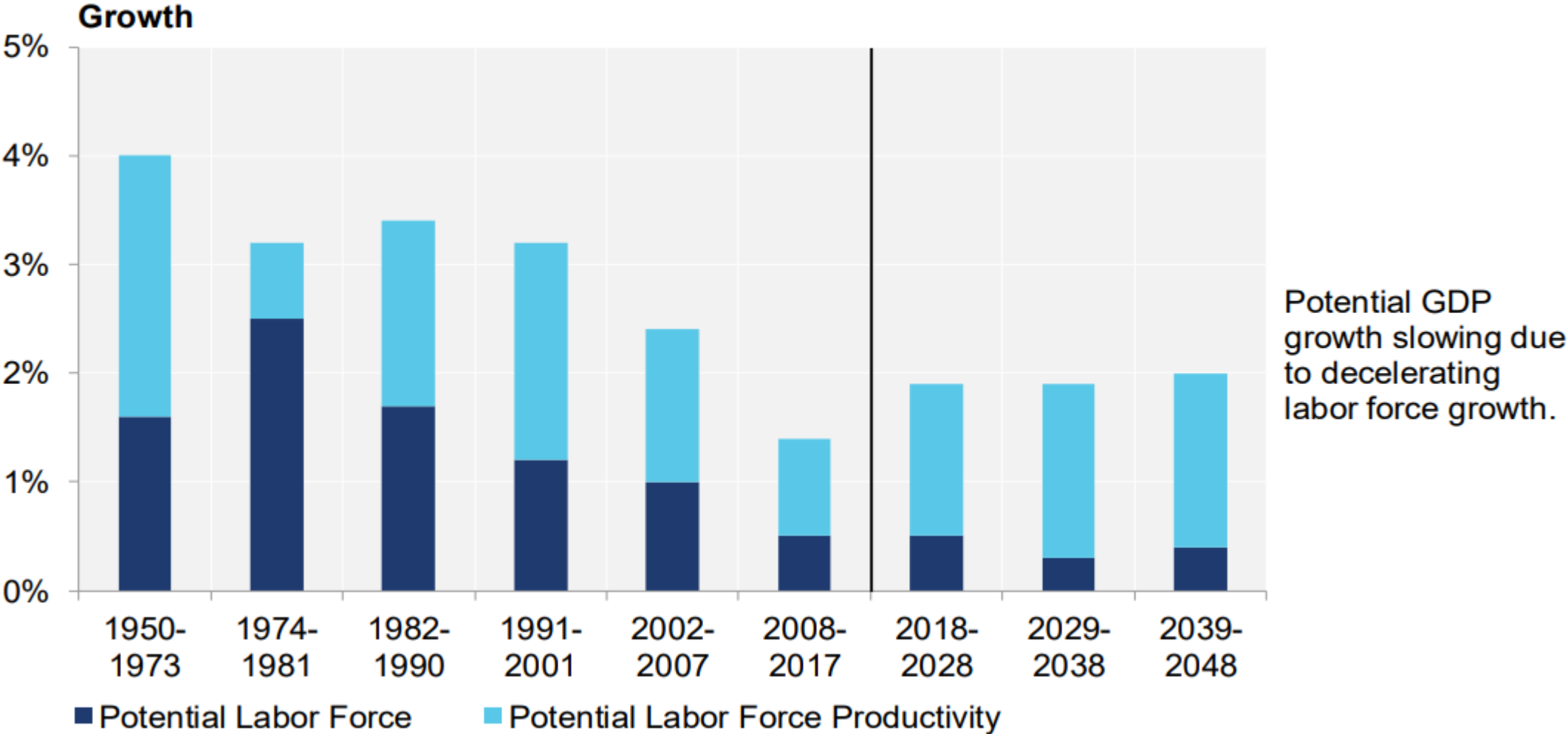


Source: Oxford Economics
* Year-to-Date

End of 19Q2

Growth In Potential GDP Expected To Grow Slower Than Pre-2008 Periods

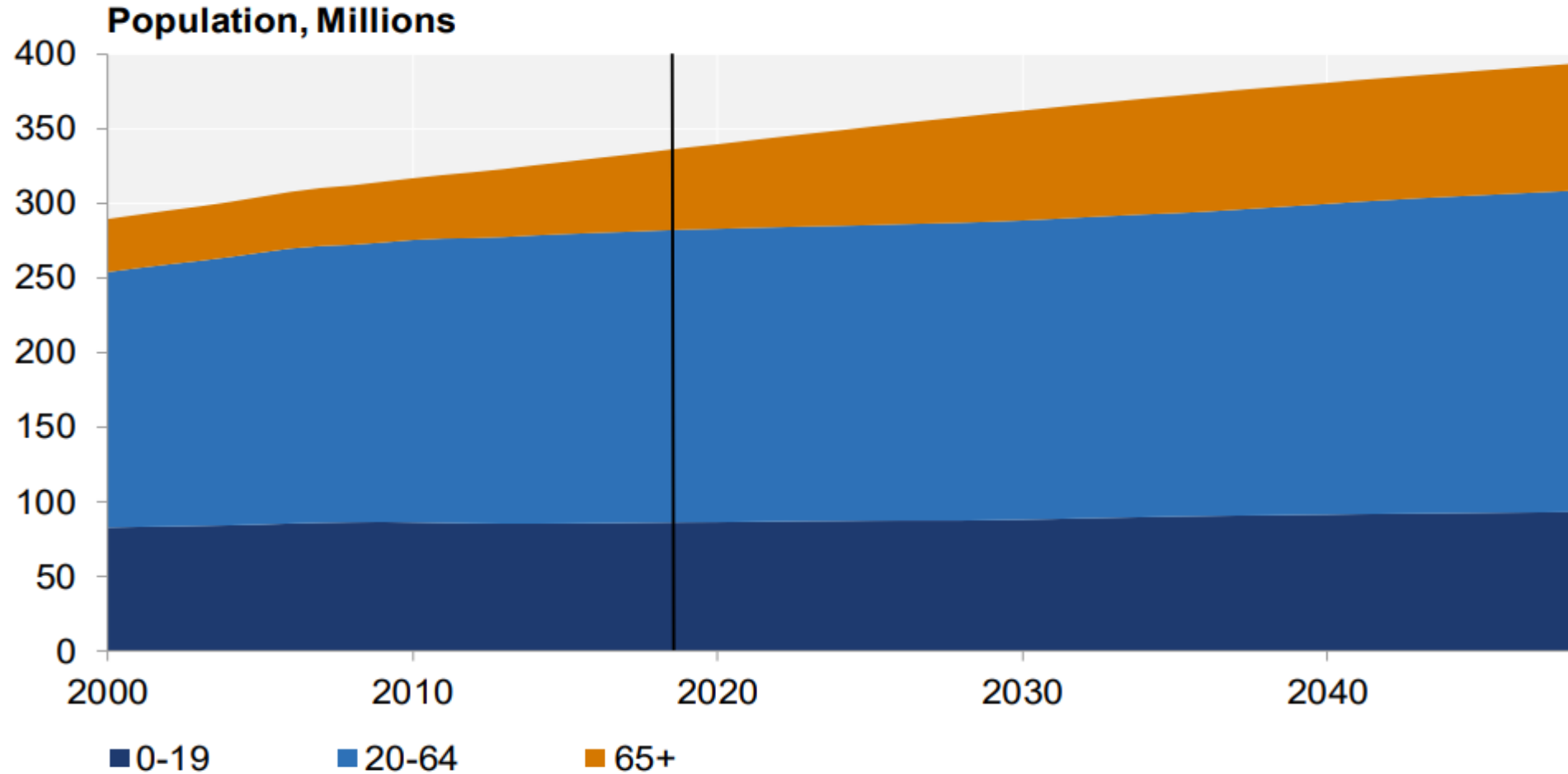
Average Annual Growth Of Real Potential GDP



Sources: Congressional Budget Office; CoStar Portfolio Strategy

Share Of Population Aged 65+ Increasing

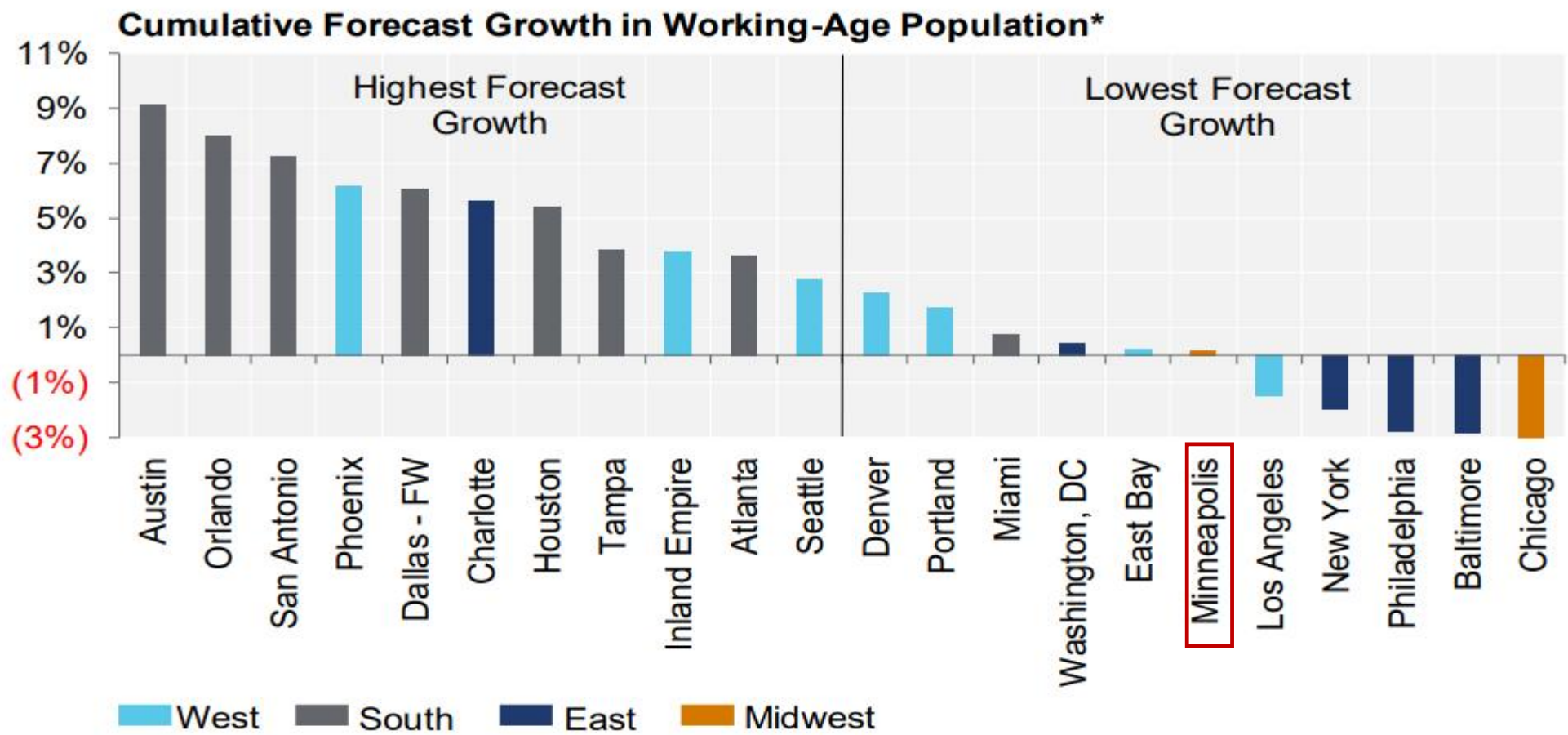
Population By Age Cohort



Sources: Congressional Budget Office; CoStar Portfolio Strategy

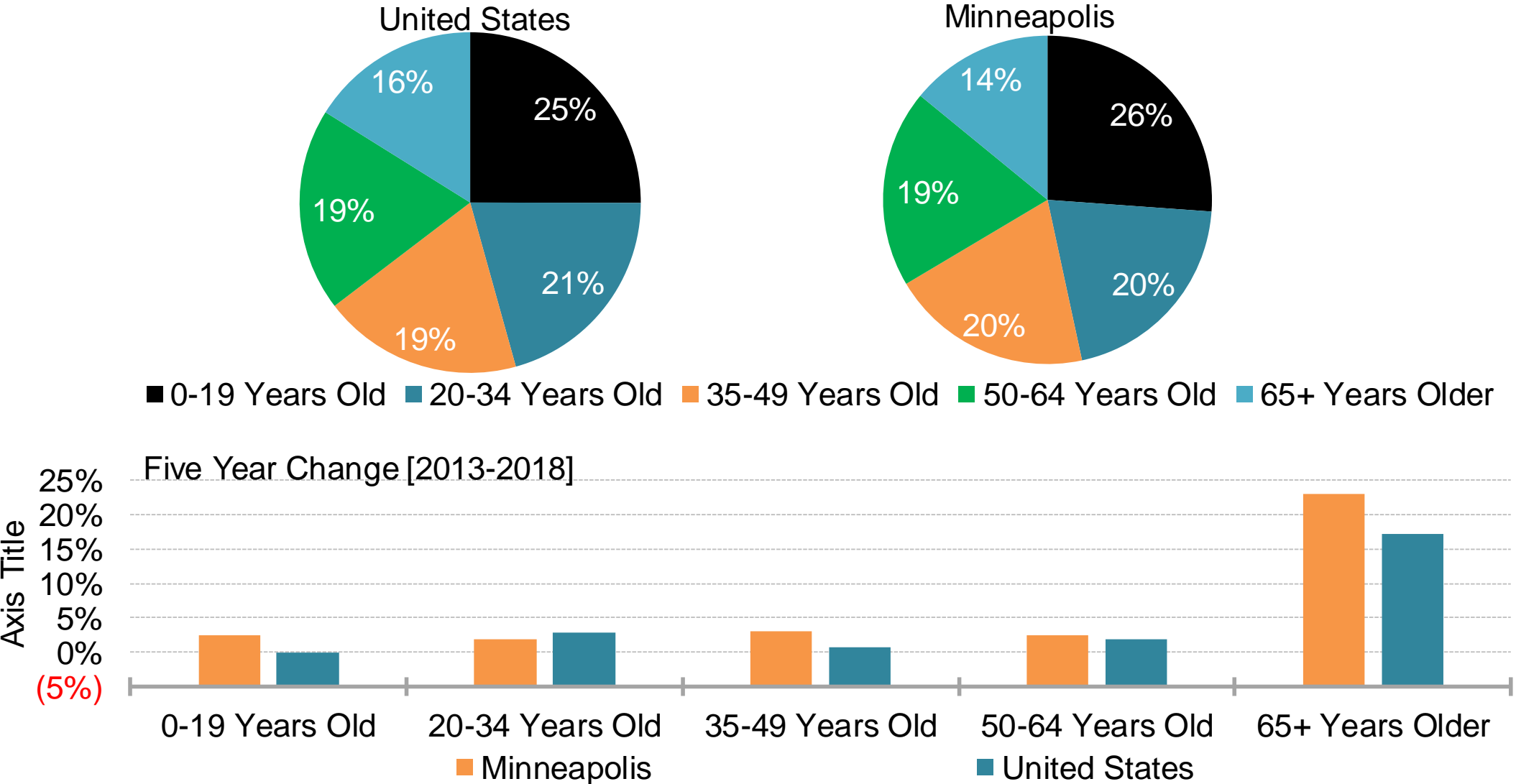
Northeast & Midwest Most Impacted By Demographic Cliff

Percentage Growth In Working-Age Population (Now To 2023)



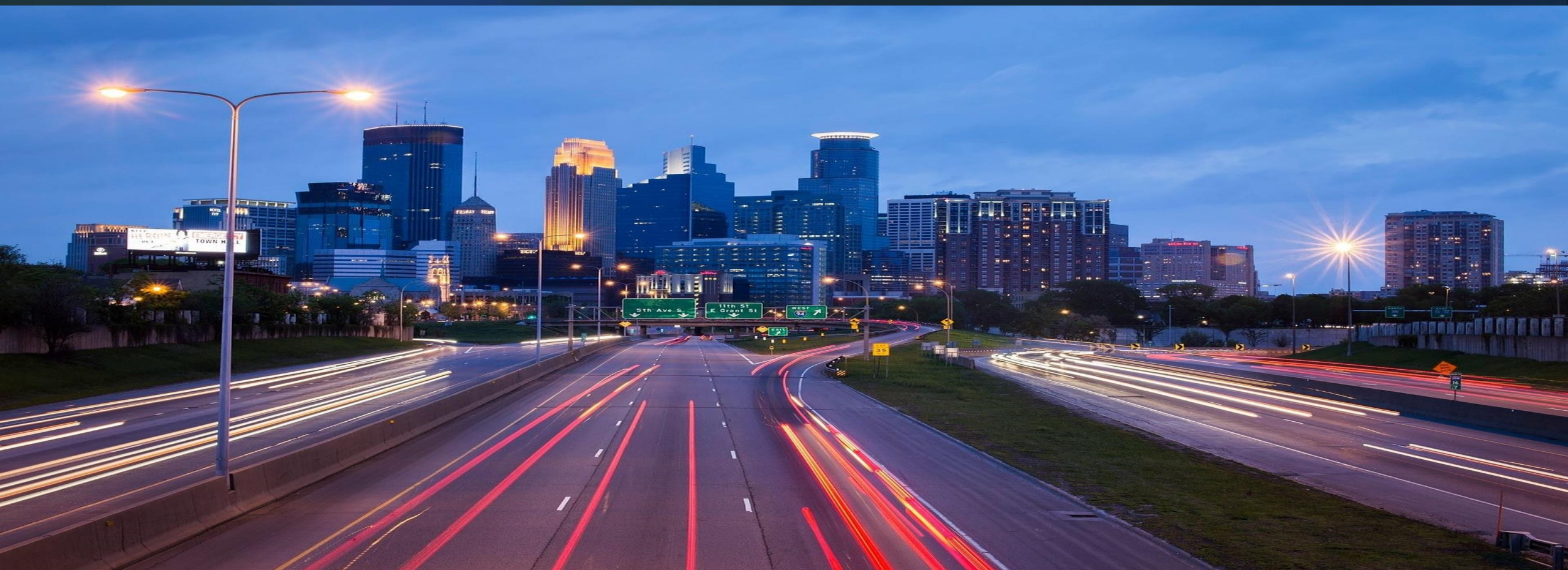
Sources: Neustar; CoStar Portfolio Strategy
*Working-Age Population includes those aged 25-64

Age Cohorts: Minneapolis vs. US

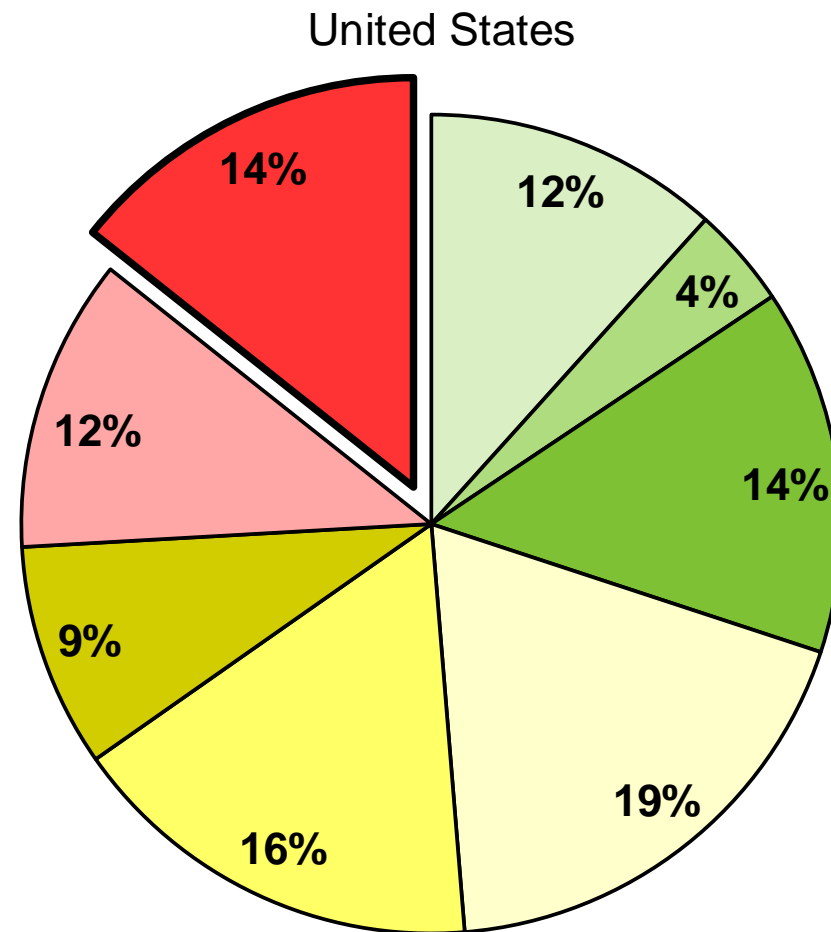
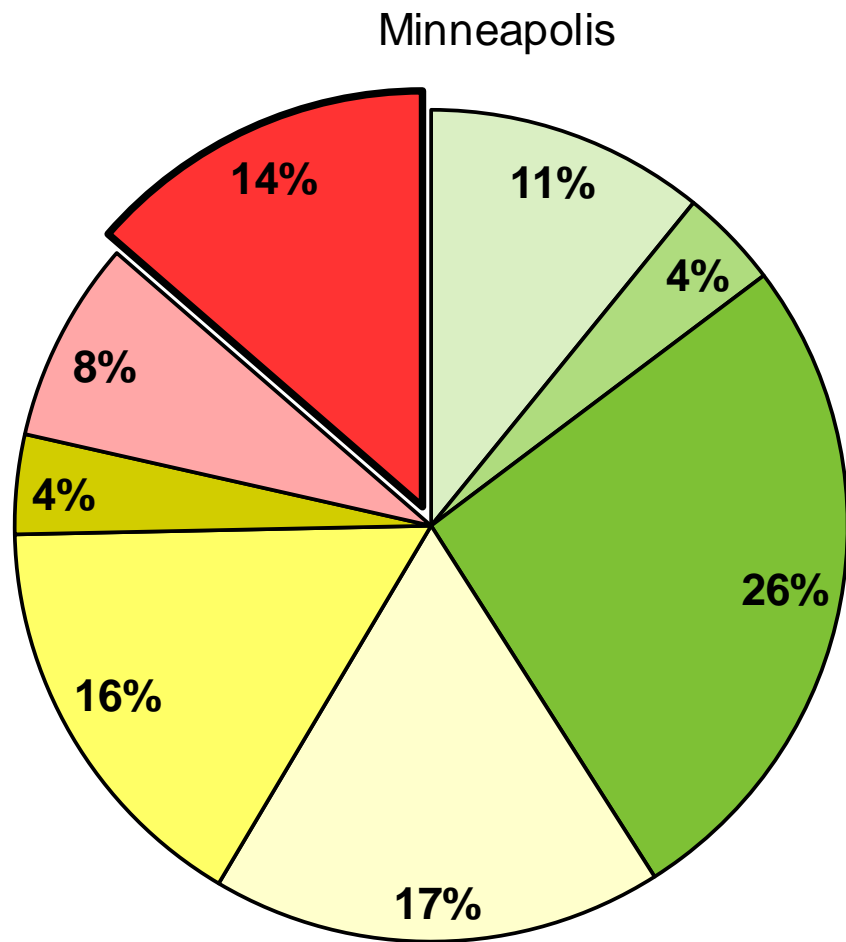


Source: U.S. Census Bureau

Multifamily Supply



Apartment Inventory: Units Built by Decade

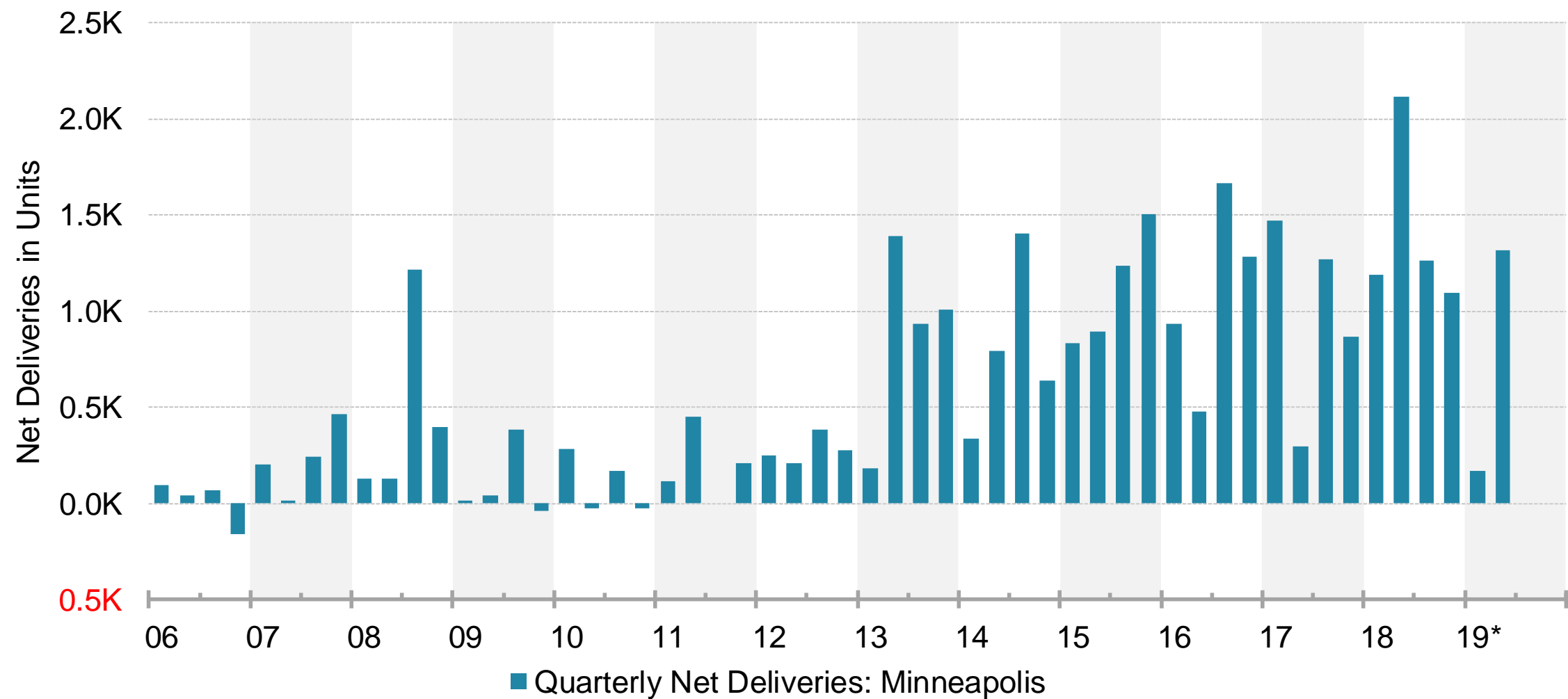


- Pre-1950
- 1950's
- 1960's
- 1970's
- 1980's
- 1990's
- 2000's
- 2010-Present

Source: CoStar

End of 19Q2

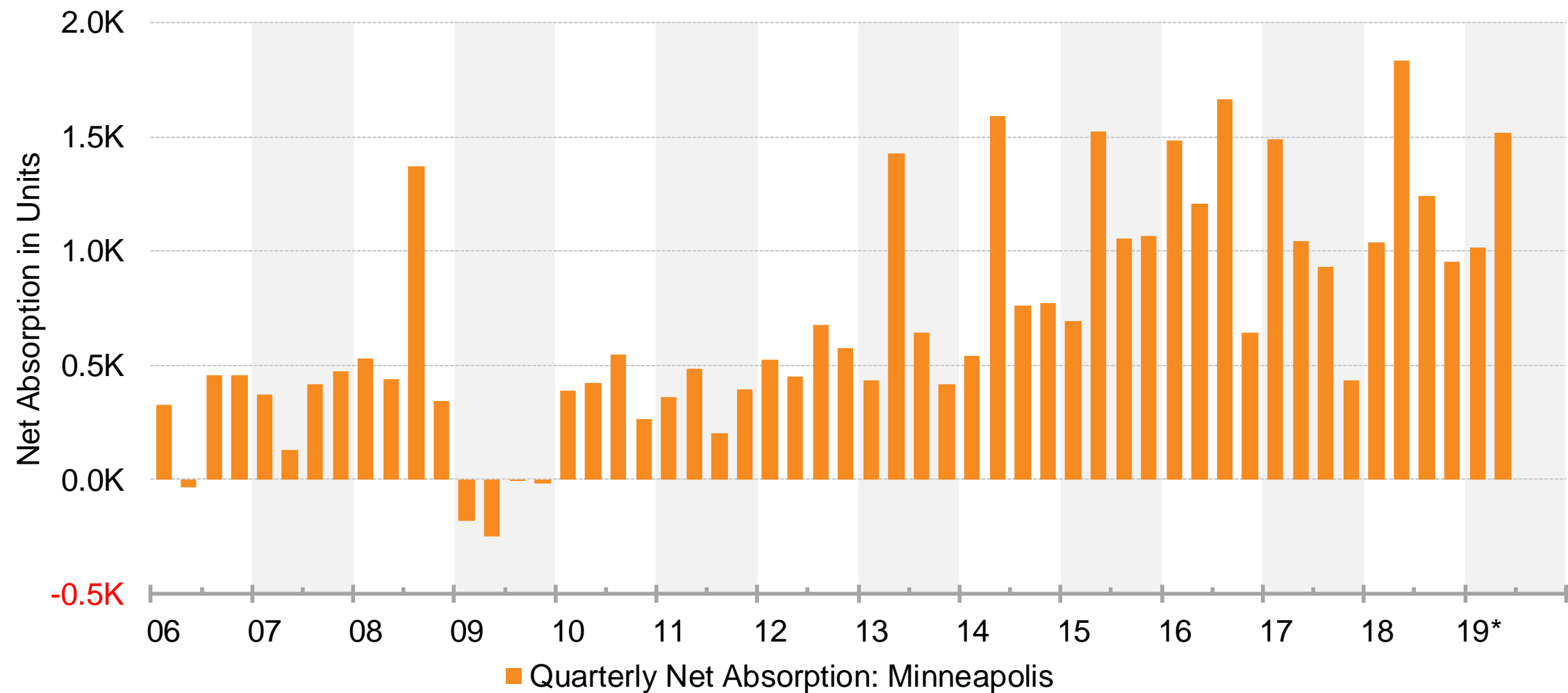
Quarterly Supply Change



Source: CoStar

End of 19Q2

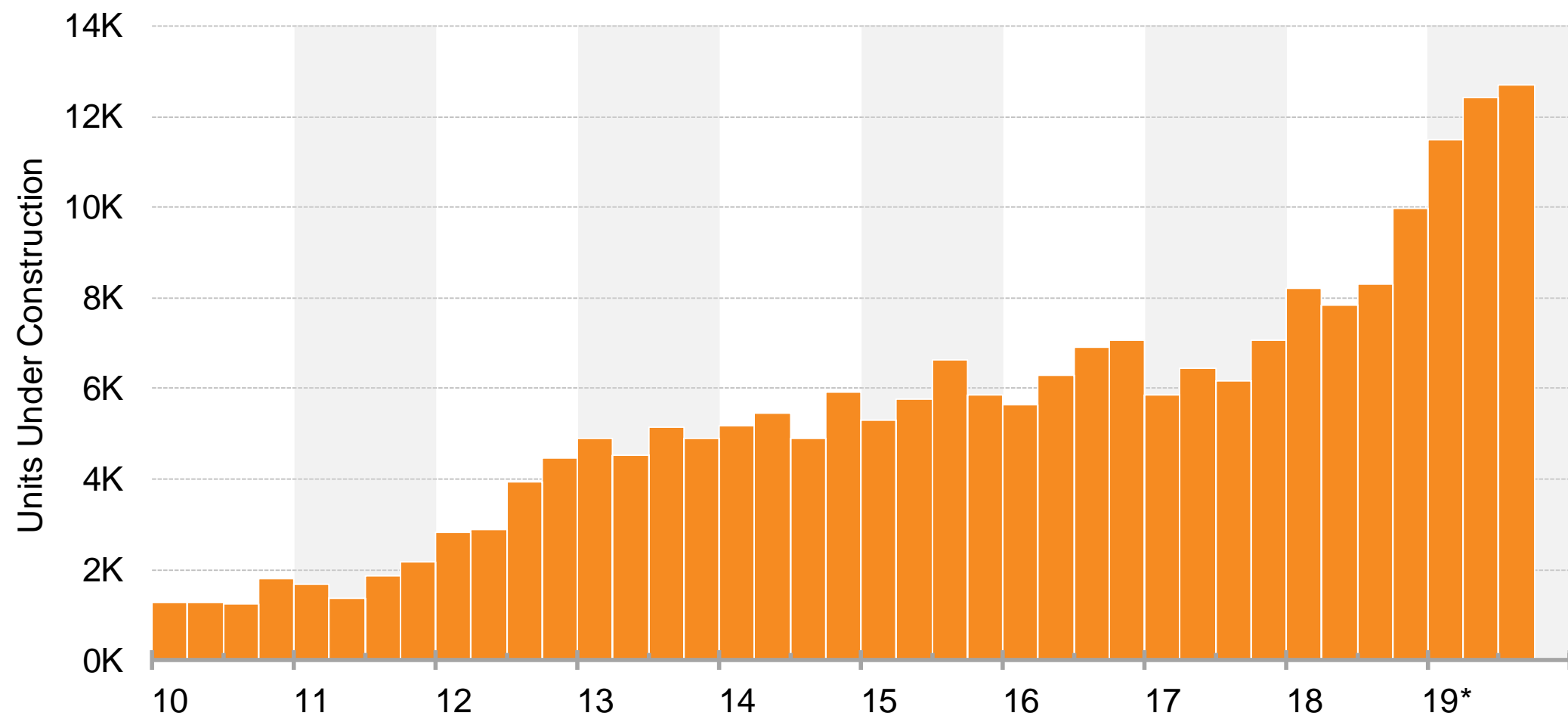
Net Absorption: Quarterly



Source: CoStar
* Through 19Q2

End of 19Q2

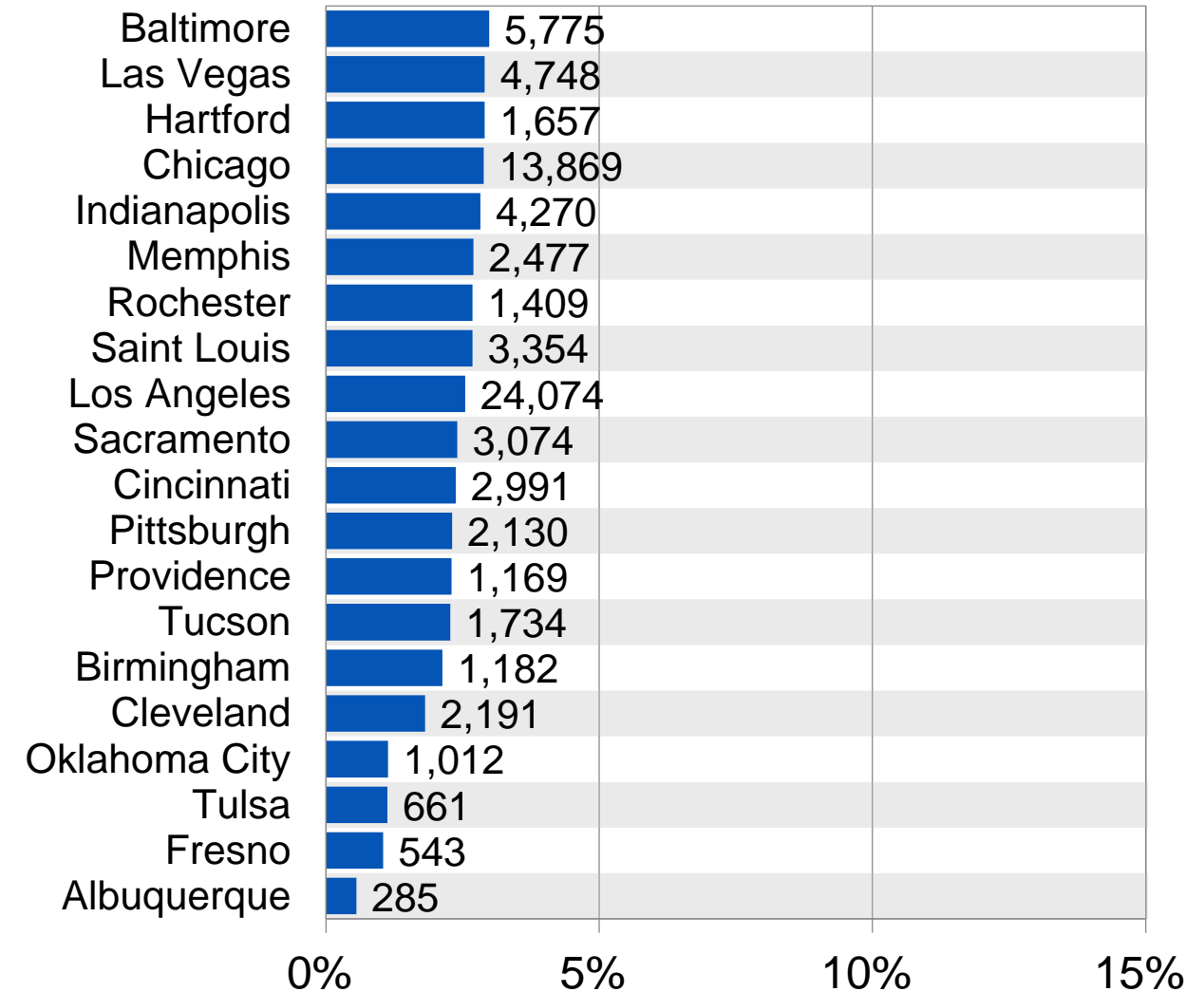
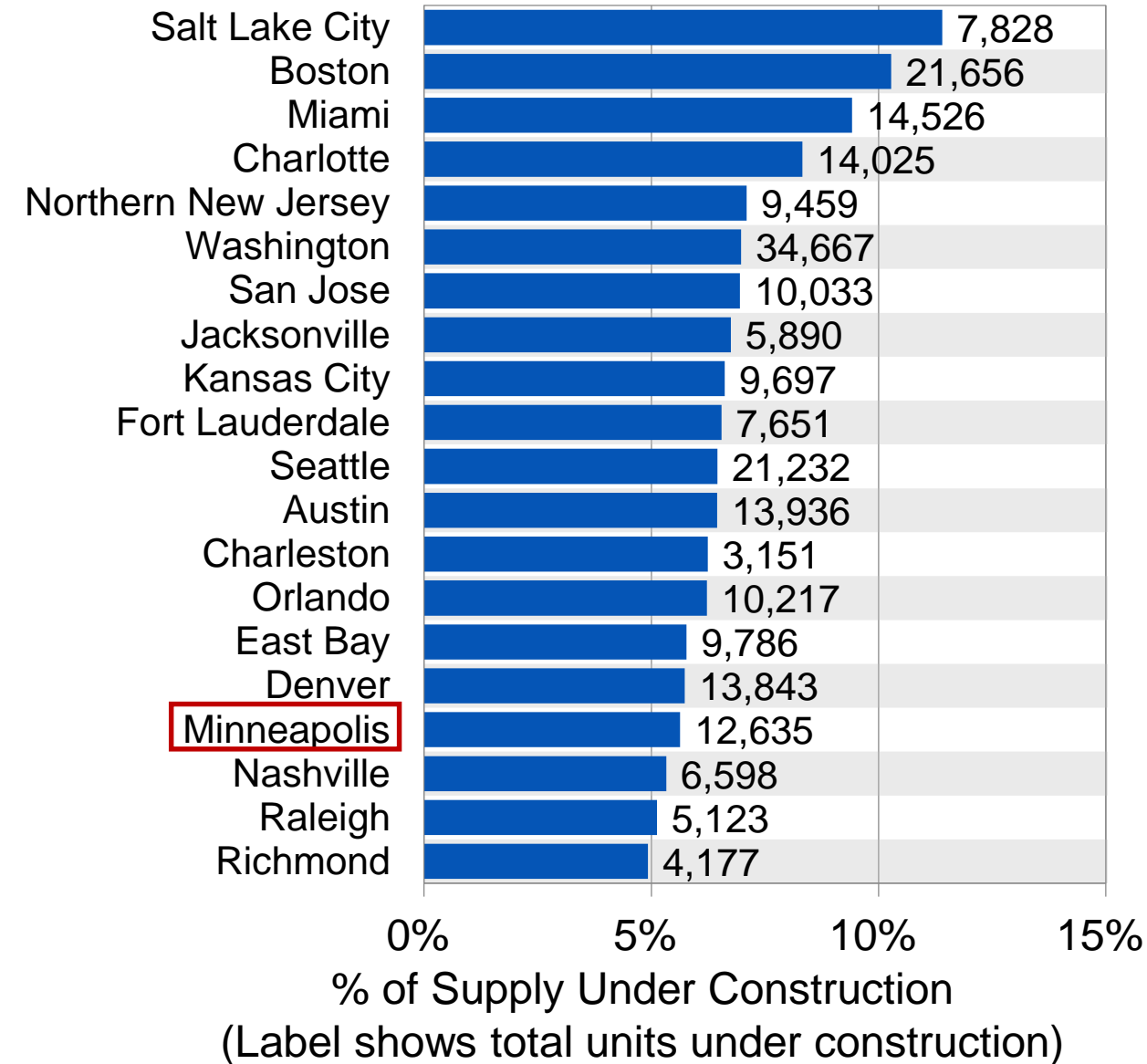
Minneapolis: Apartment Units Under Construction Over Time



Source: CoStar

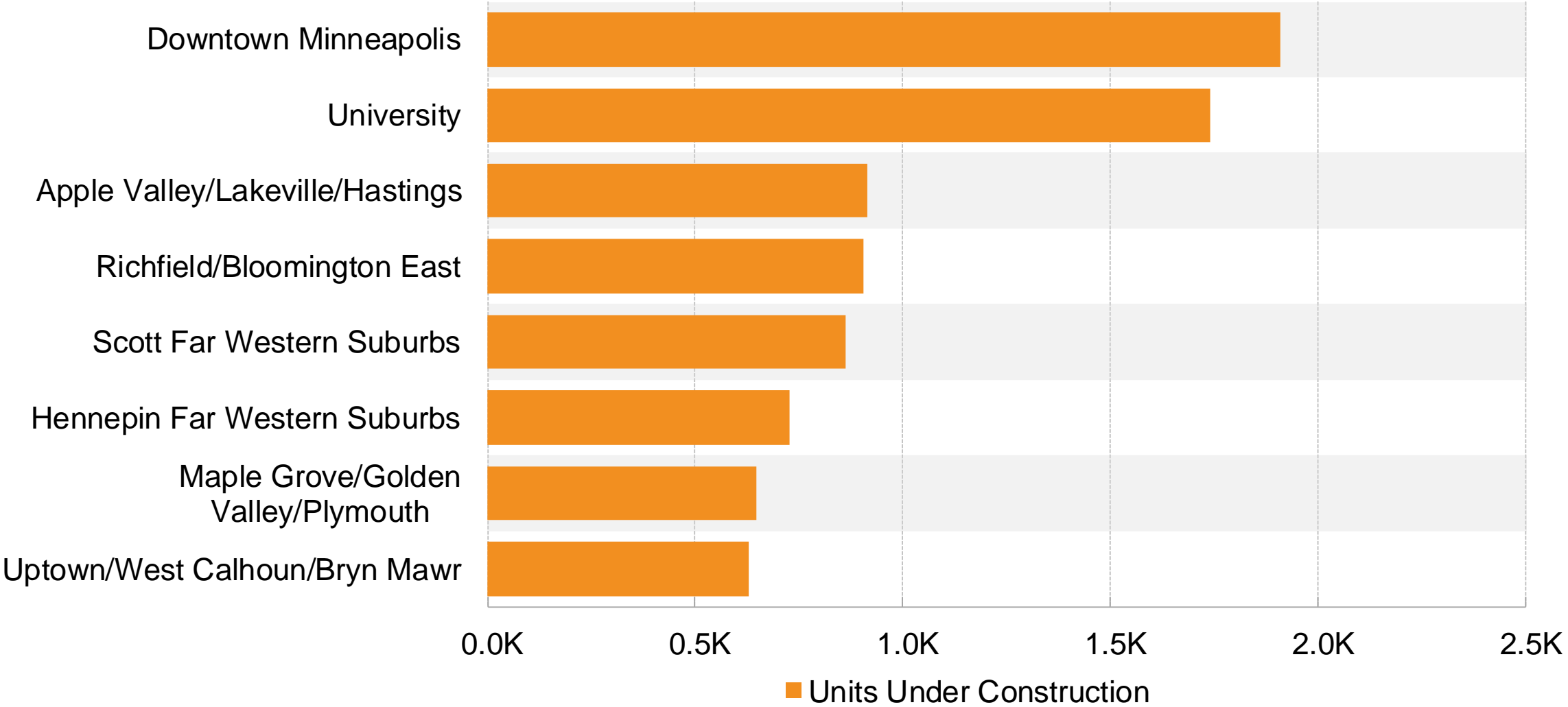
As of July 2019

Units Under Construction, Top and Bottom 20



* Includes markets with at least 50,000 units

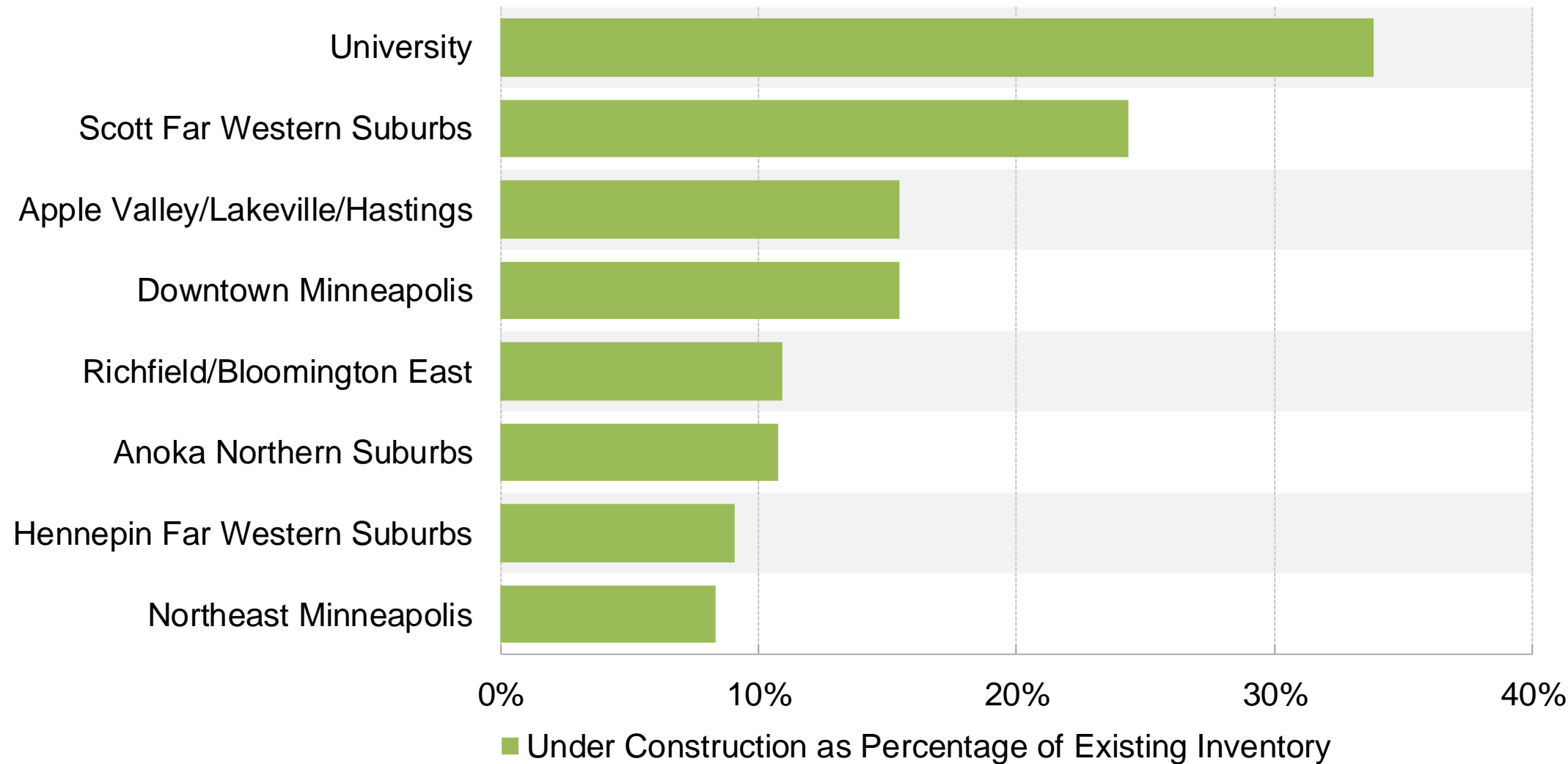
Minneapolis Submarkets With The Most Construction



Source: CoStar

End of 19Q2

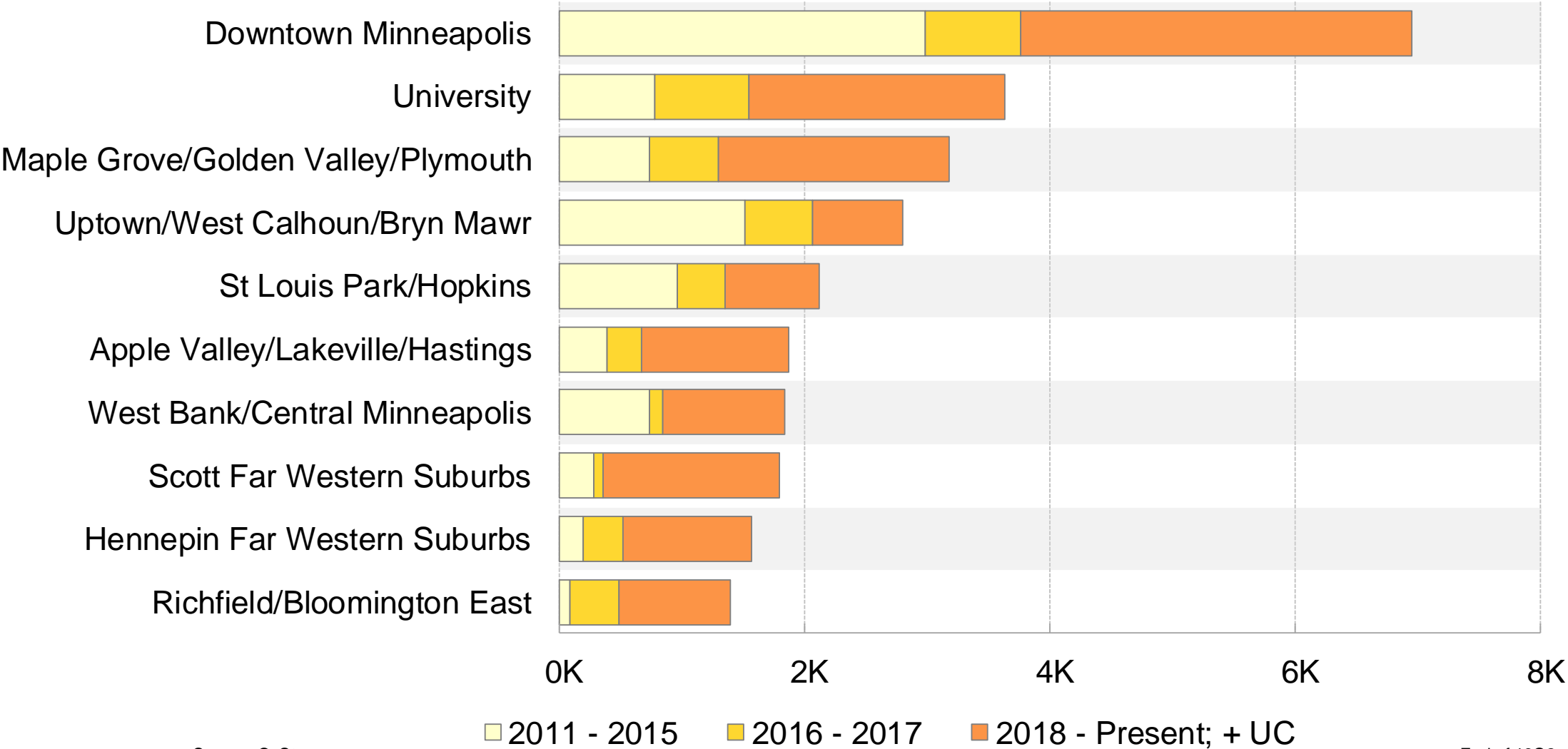
Submarkets With The Most Construction, In Percentage Terms



Source: CoStar

End of 19Q2

Units Delivered By Timeframe



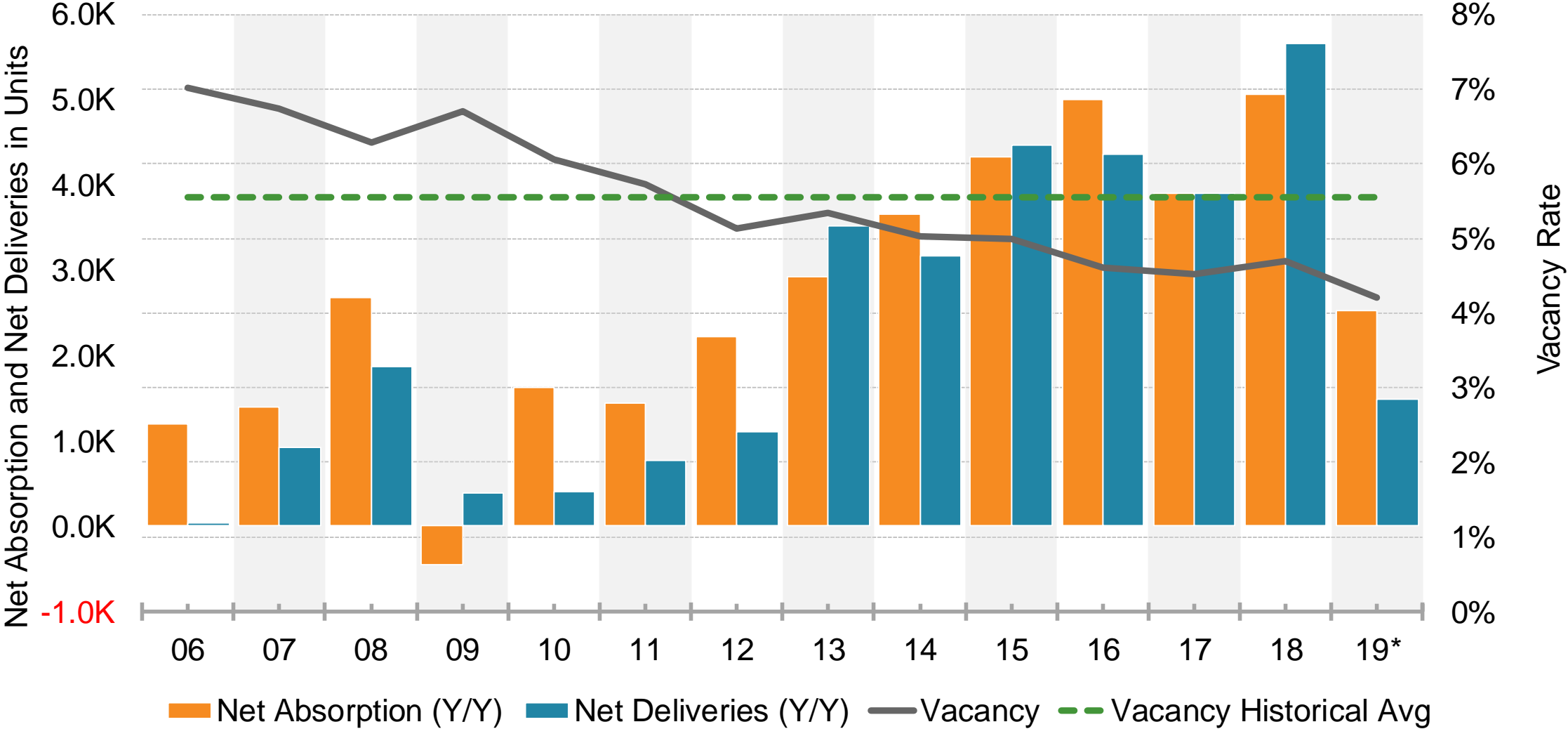
Source: CoStar

End of 19Q2

Multifamily Fundamentals



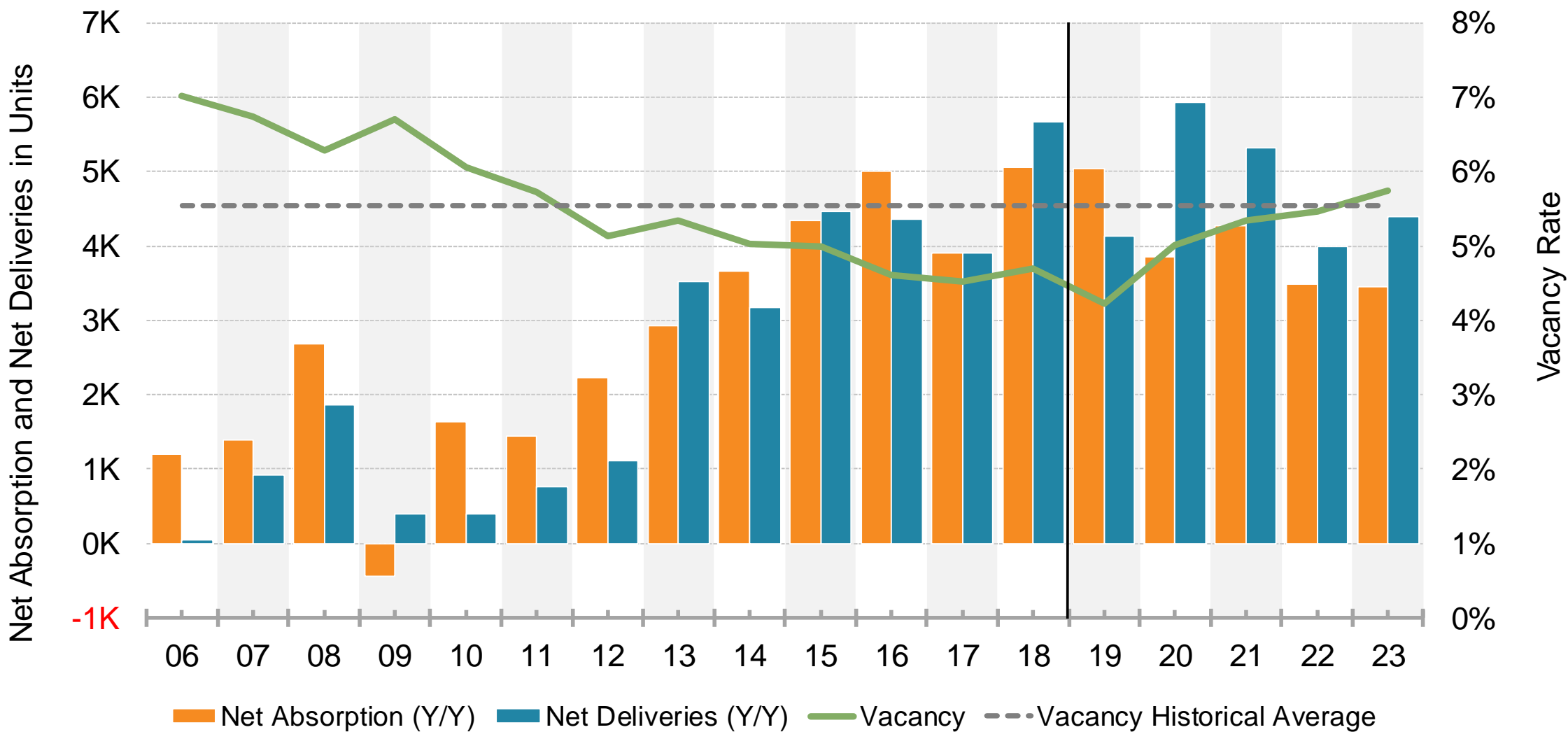
Supply, Demand and Vacancy in the Minneapolis Apartment Market



Source: CoStar
* Year-to-Date

End of 19Q2

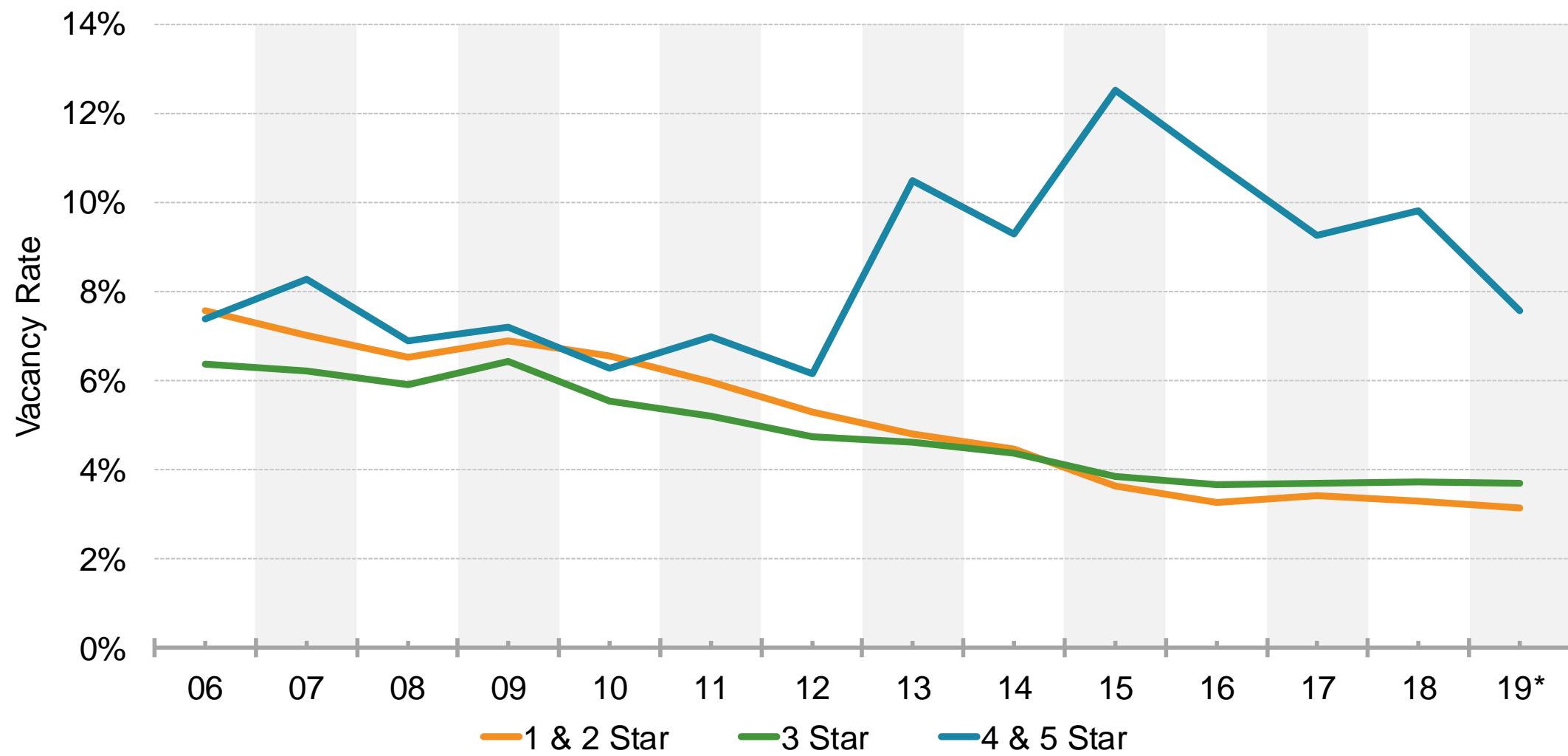
Base Case Forecast: Supply, Demand and Vacancy



Source: CoStar End of 19Q2



Apartment Vacancy By Star Rating



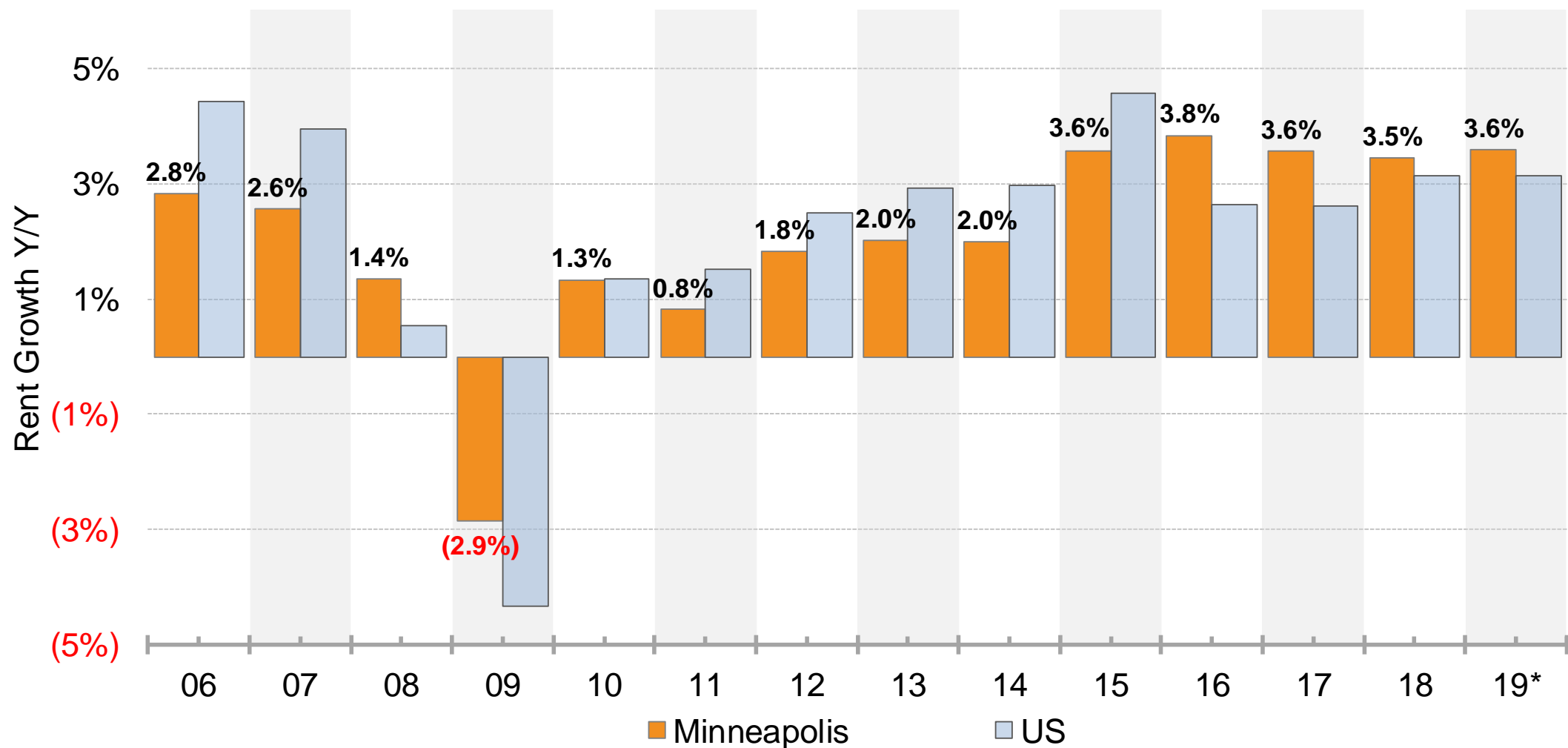
Source: CoStar
* Year-to-Date

End of 19Q2

Multifamily Rents



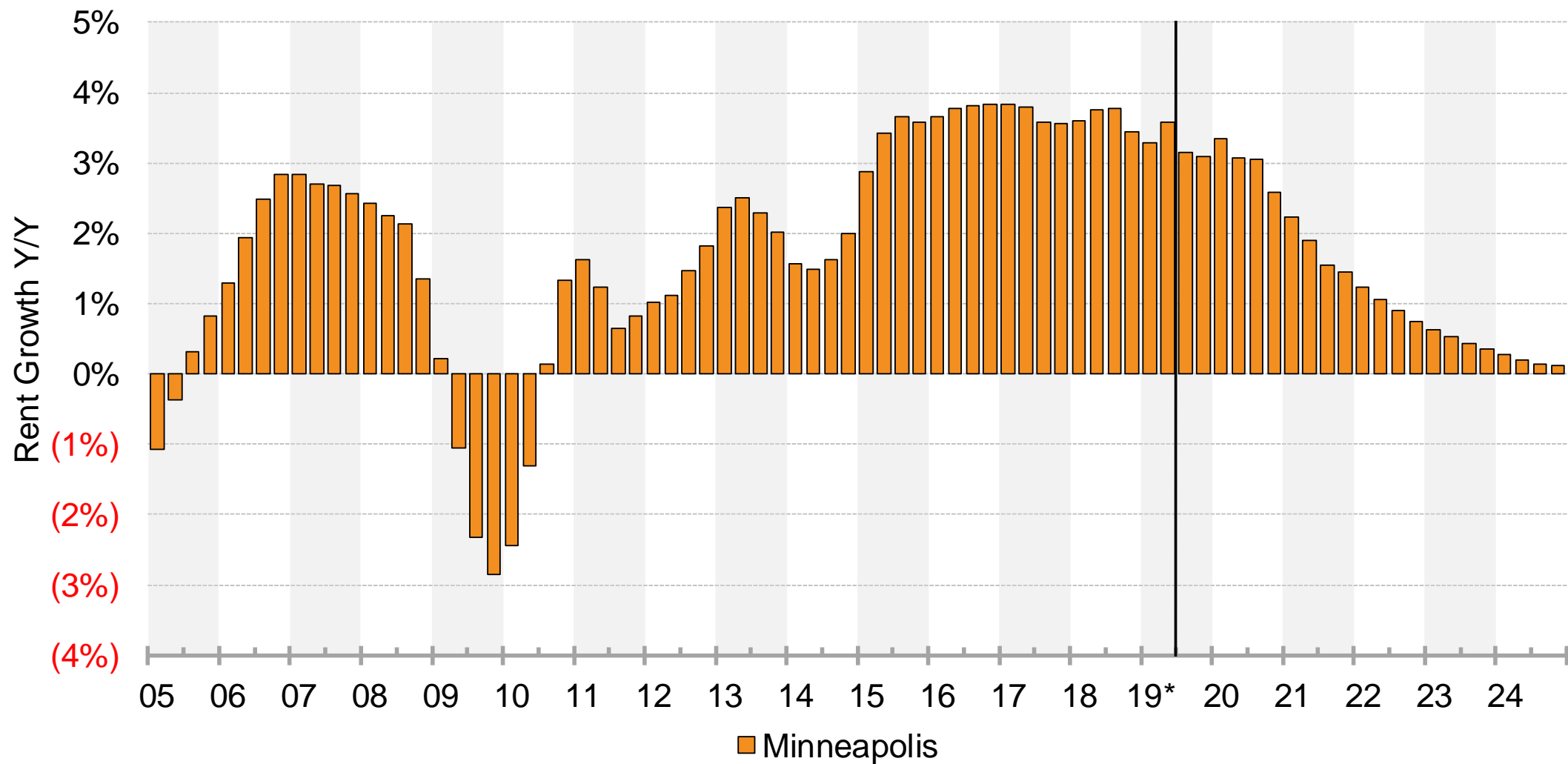
Rent Growth: Minneapolis vs. National Average



Source: CoStar
* Y/Y as of 19Q2

End of 19Q2

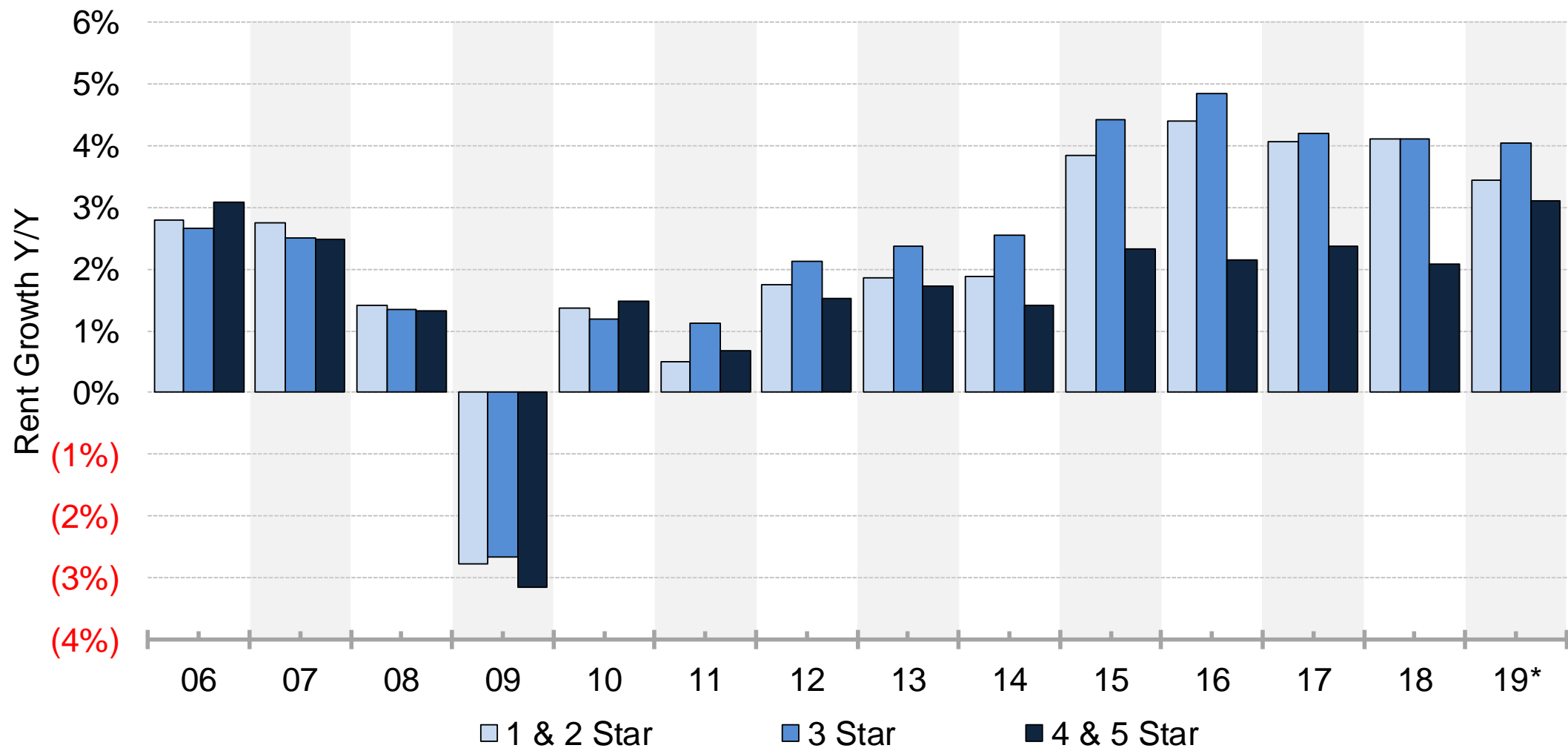
Rent Growth, Base Case Forecast: Minneapolis



Source: CoStar
* Y/Y as of 19Q2

End of 19Q2

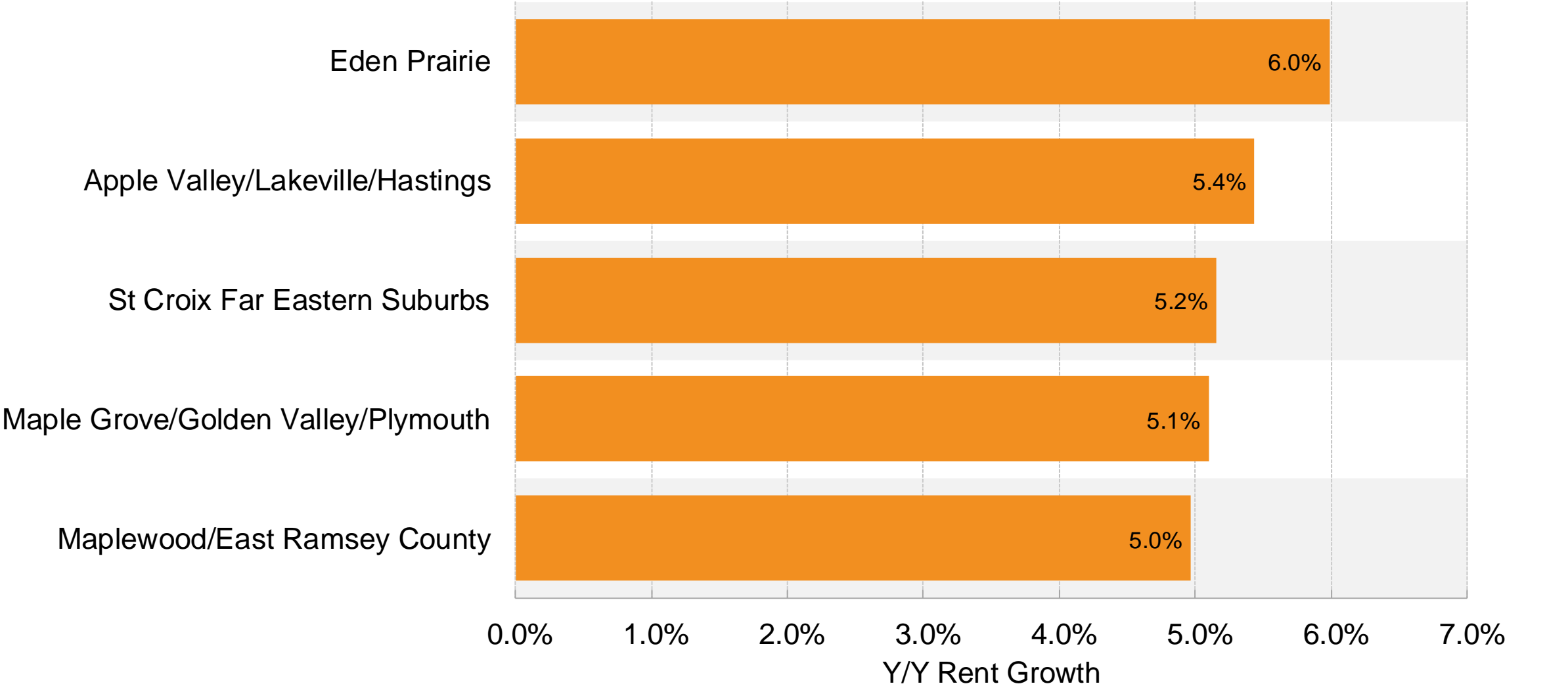
Rent Growth By Star Rating



Source: CoStar
* Y/Y as of 19Q2

End of 19Q2

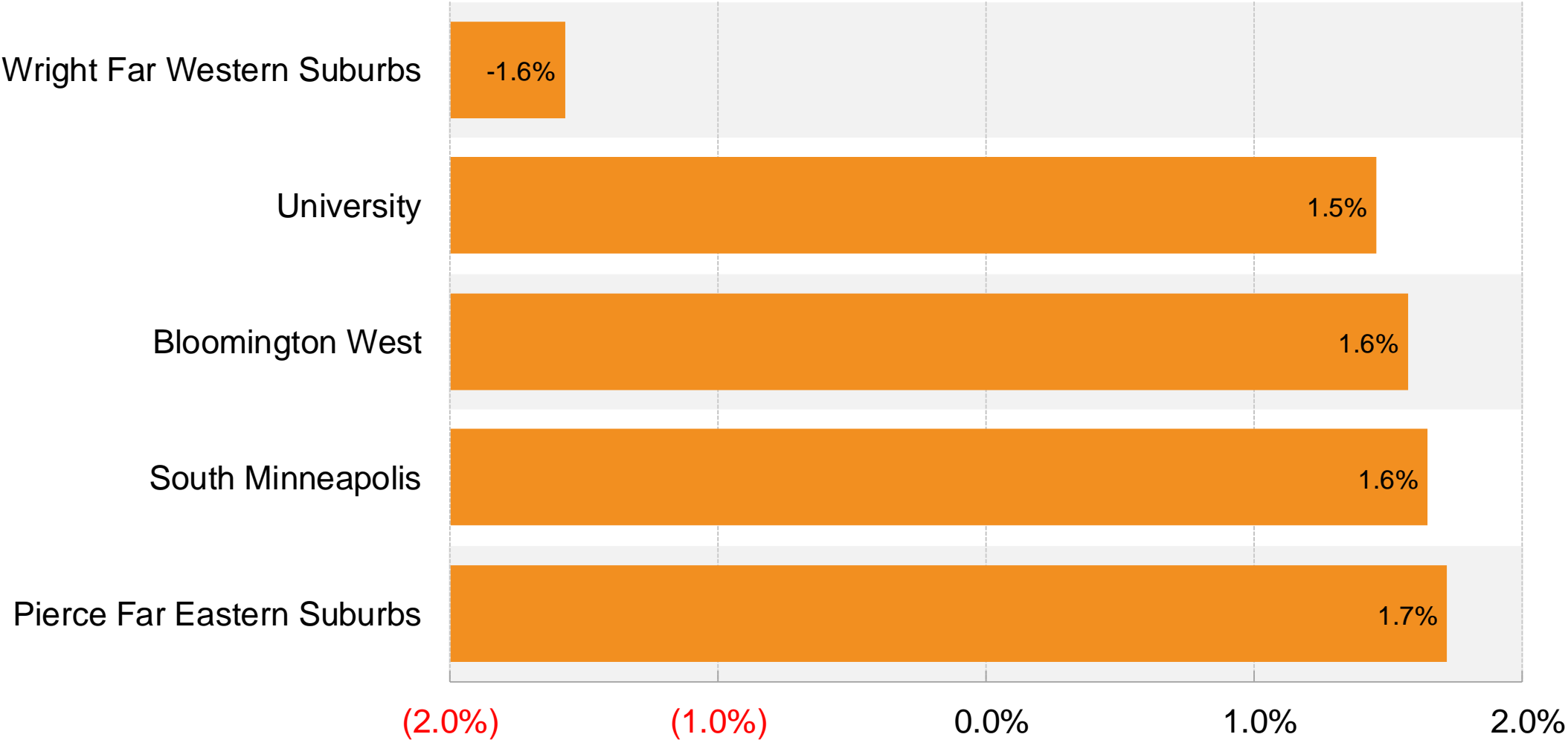
Minneapolis Apartment Submarkets With The Highest Rent Growth



Source: CoStar

End of 19Q2

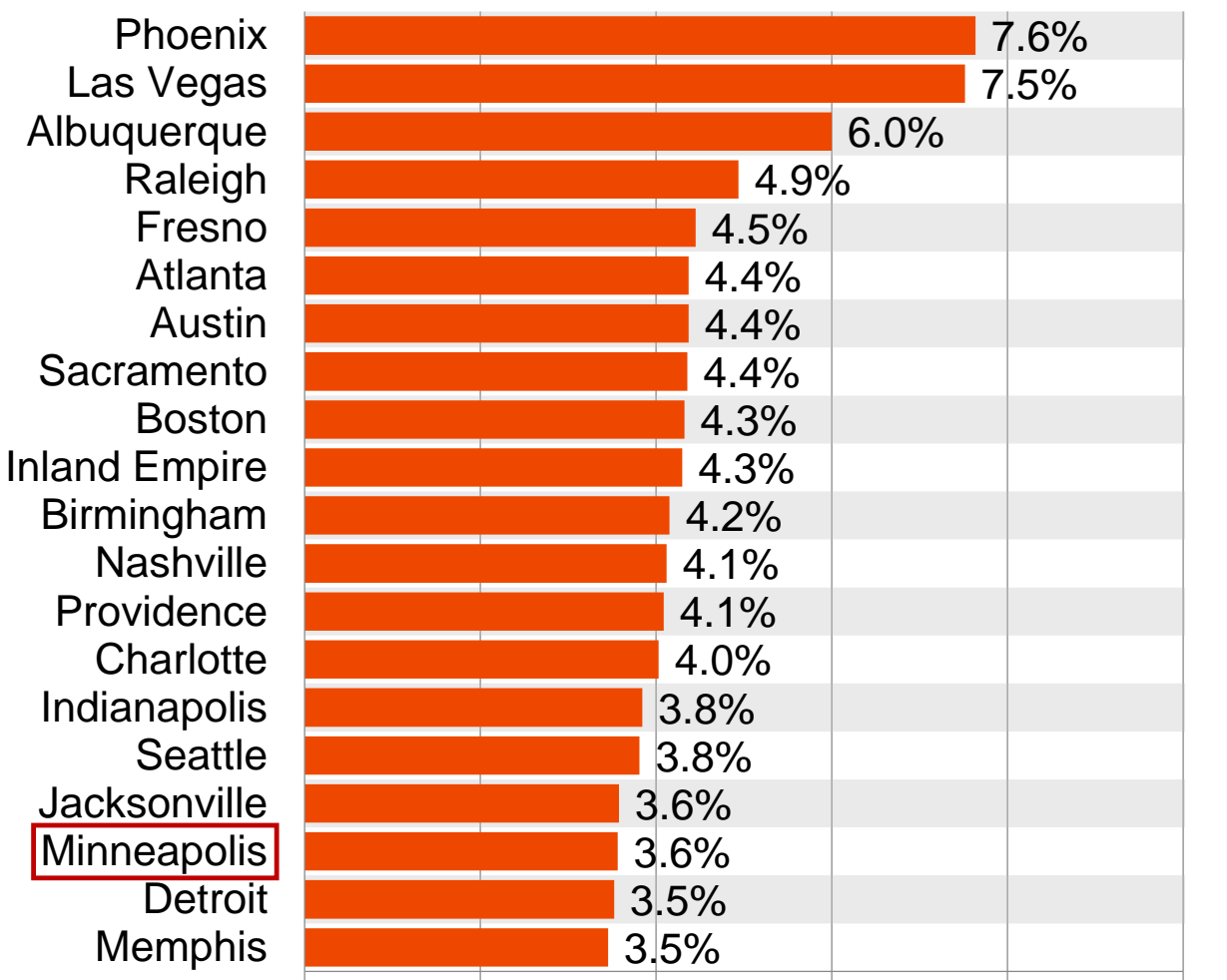
Minneapolis Apartment Submarkets With The Lowest Rent Growth



Source: CoStar

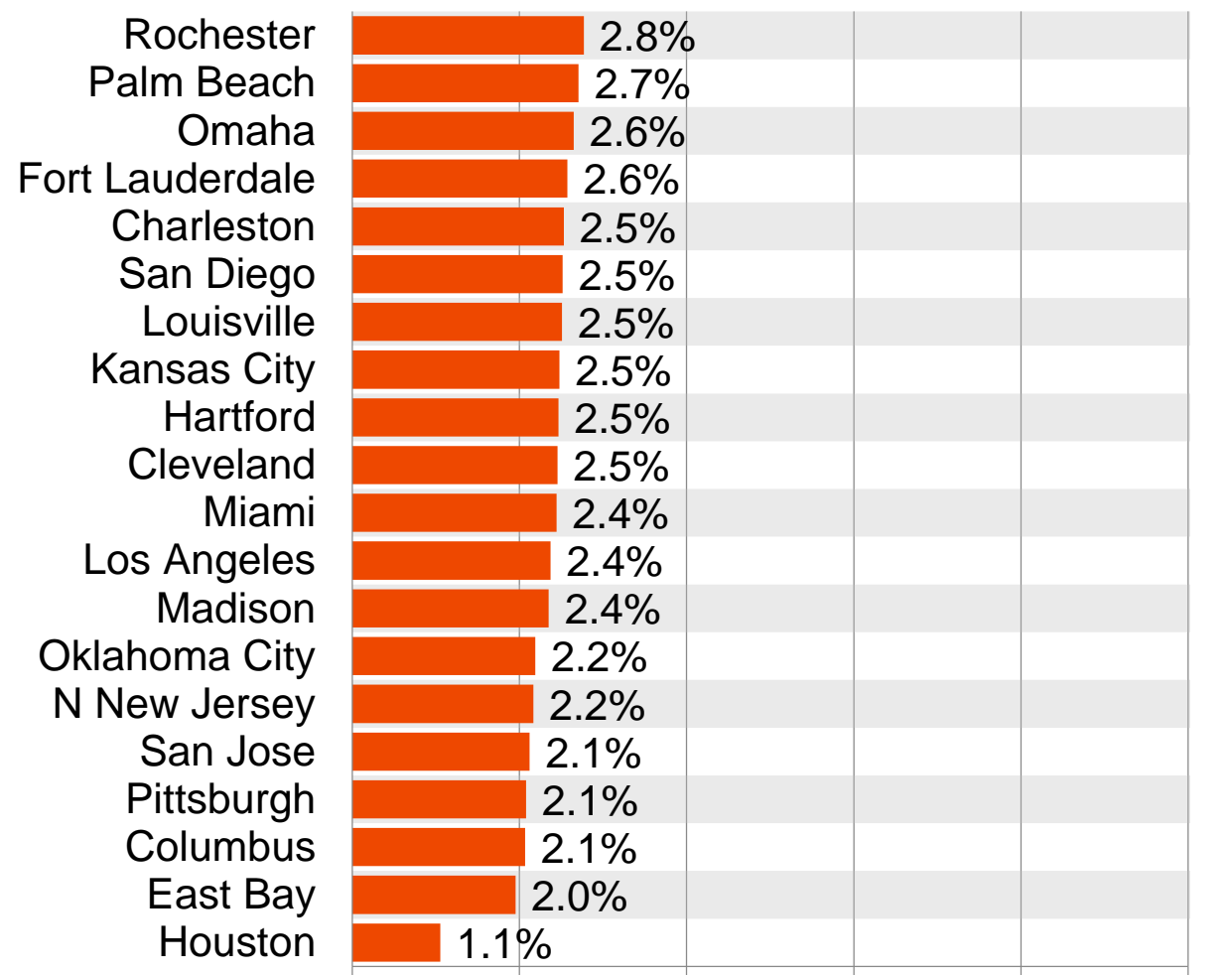
End of 19Q2

Top and Bottom Rent Growth Markets



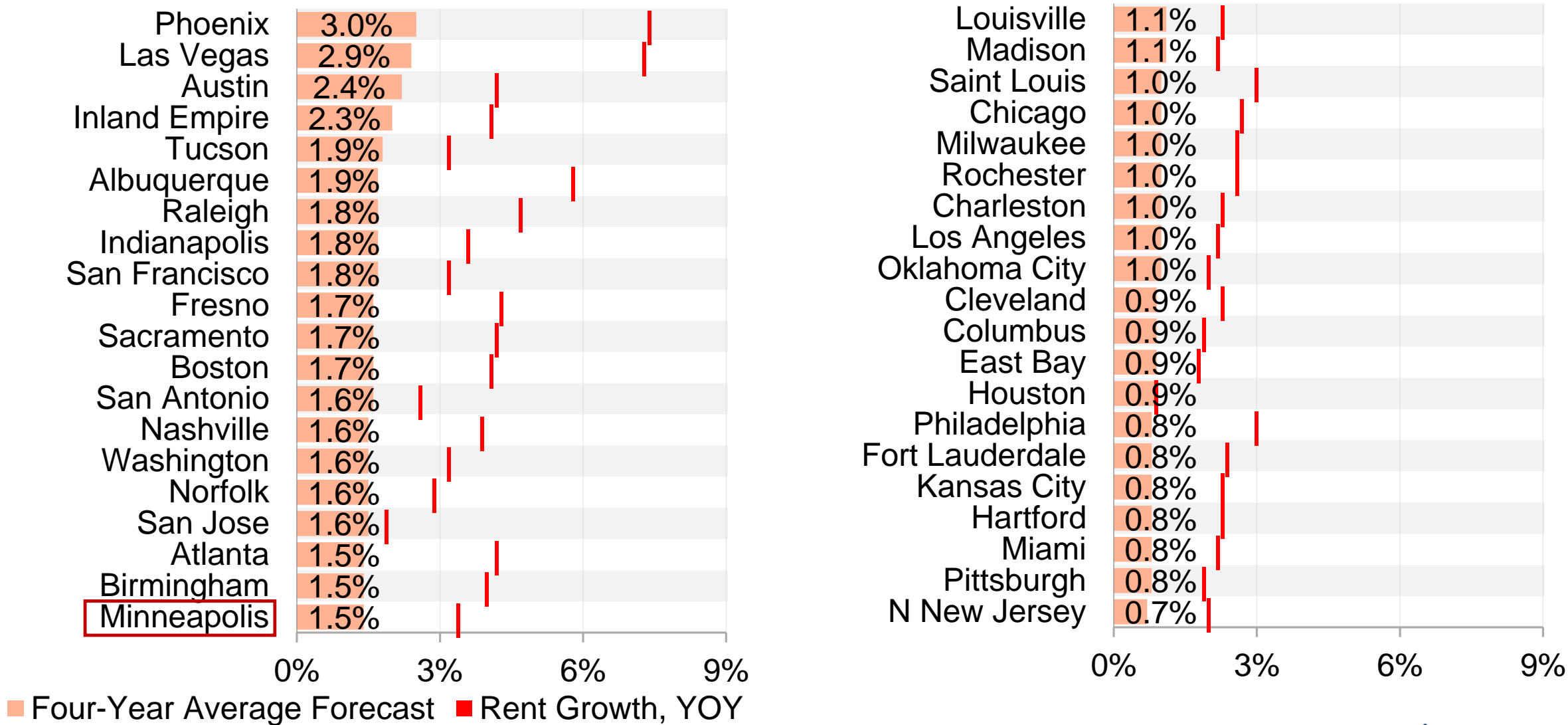
0% 2% 4% 6% 8% 10%

YOY Same-Store Rent Growth
(Markets with at least 50,000 Units)



0% 2% 4% 6% 8% 10%

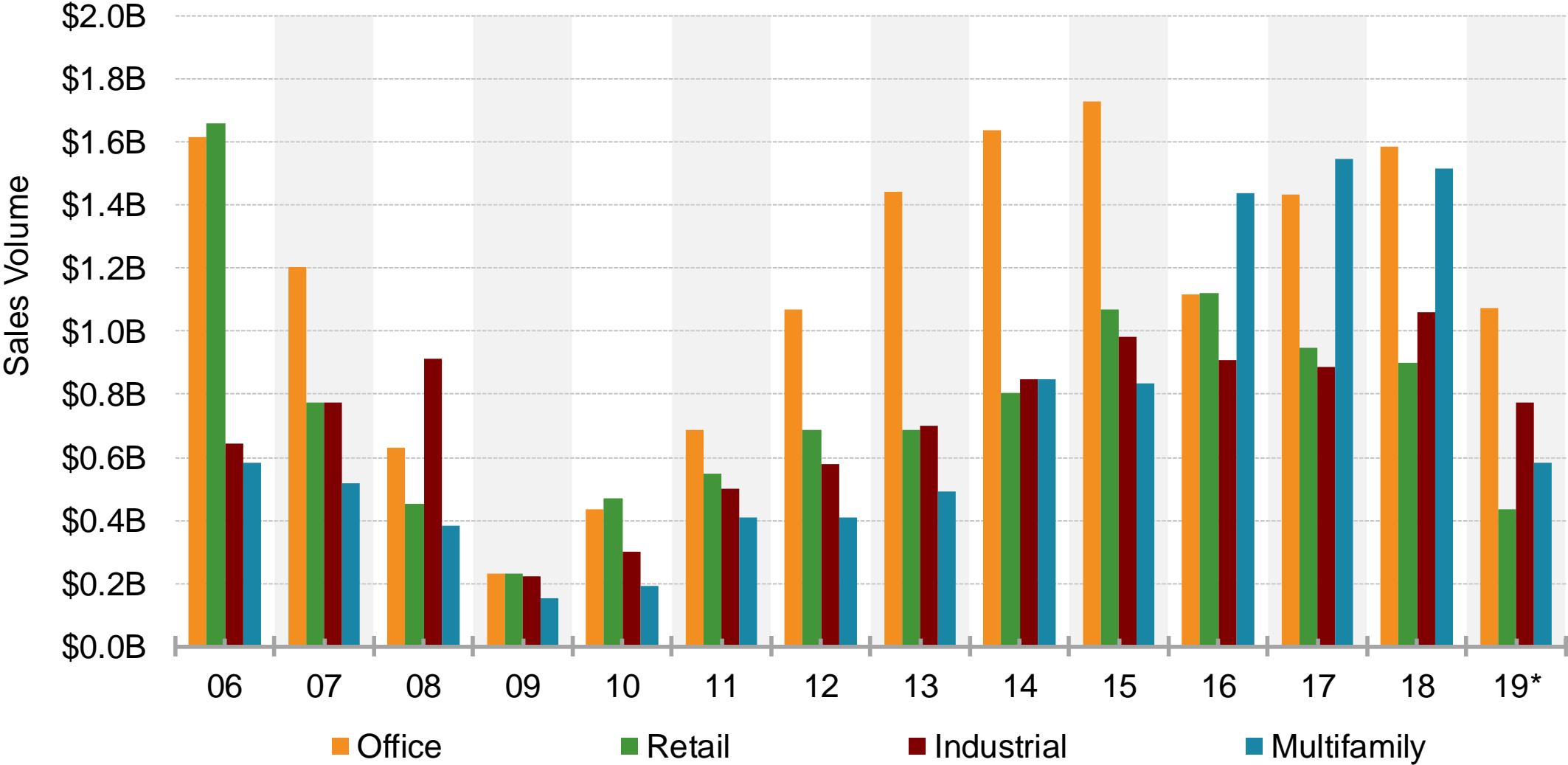
Base Case Rent Growth Forecast, by Market



Multifamily Sales

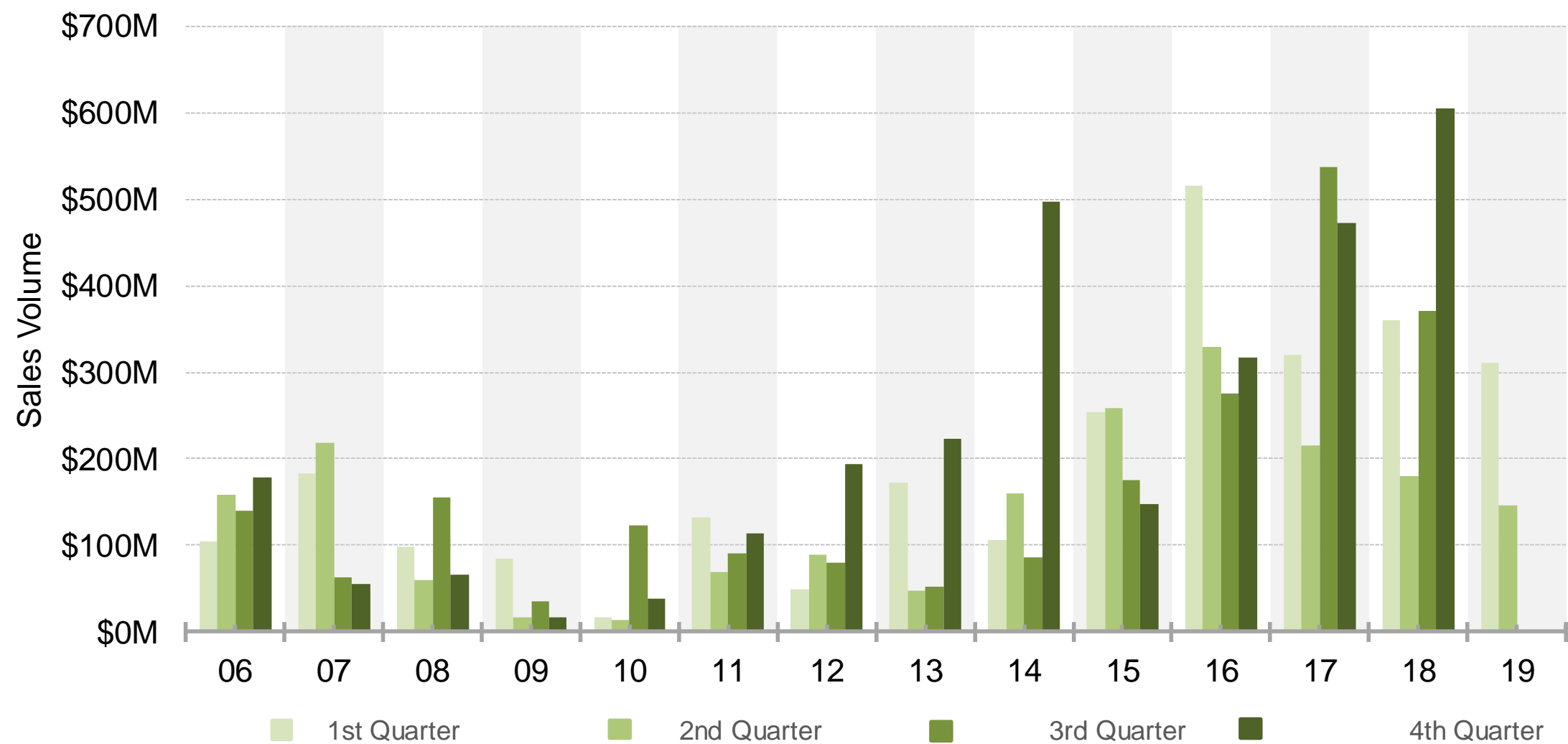


Minneapolis Sales Volume By Property Type



Source: CoStar
* Year-to-Date as of July 2019

Quarterly Sales Volume



Source: CoStar
* Year-to-Date as of July 2019

End of 19Q2

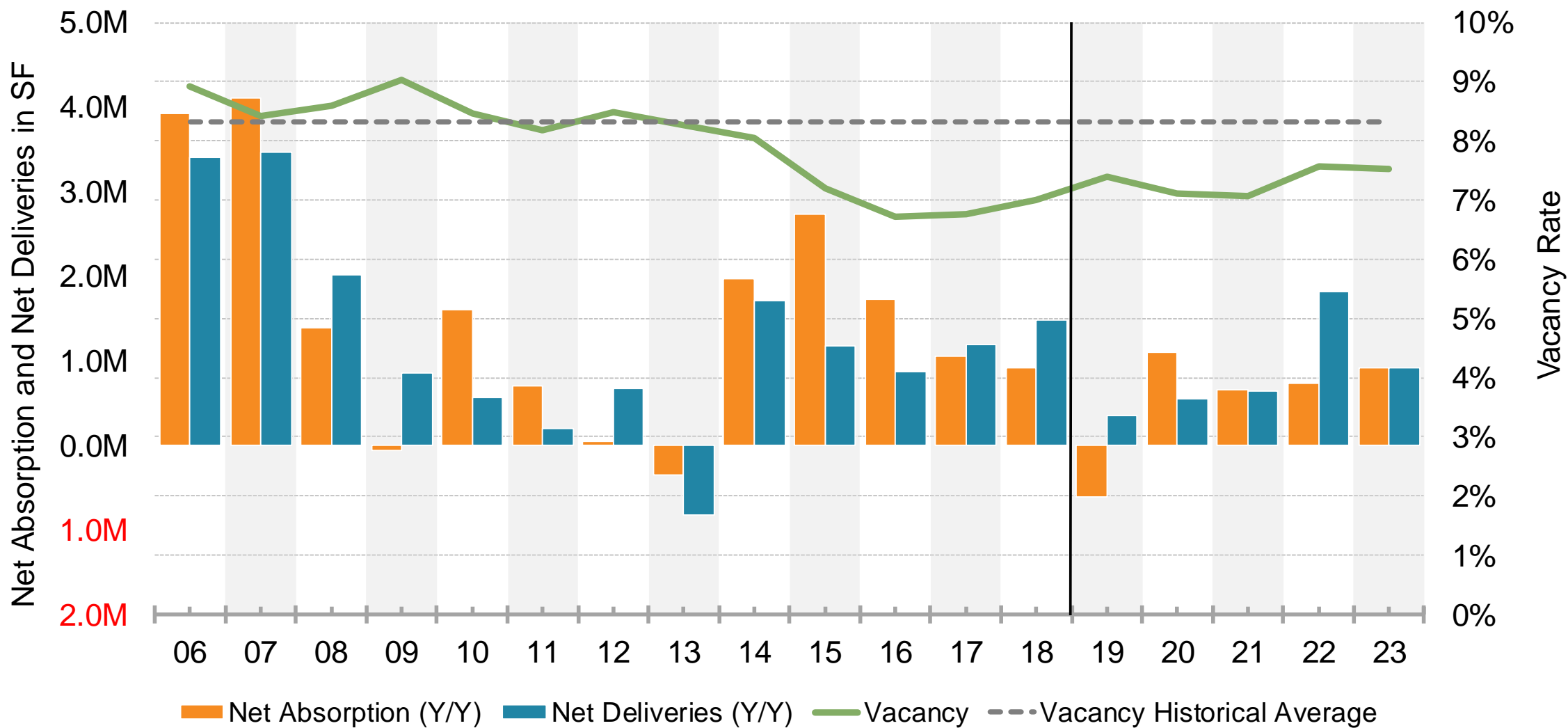
Possible Future Risks

- Slower working age population growth will cause weaker apartment demand.
- Homeownership poses risk to multifamily sector, particularly among high-earning renters.
- Will SFR construction pick up?

Office Market Fundamentals

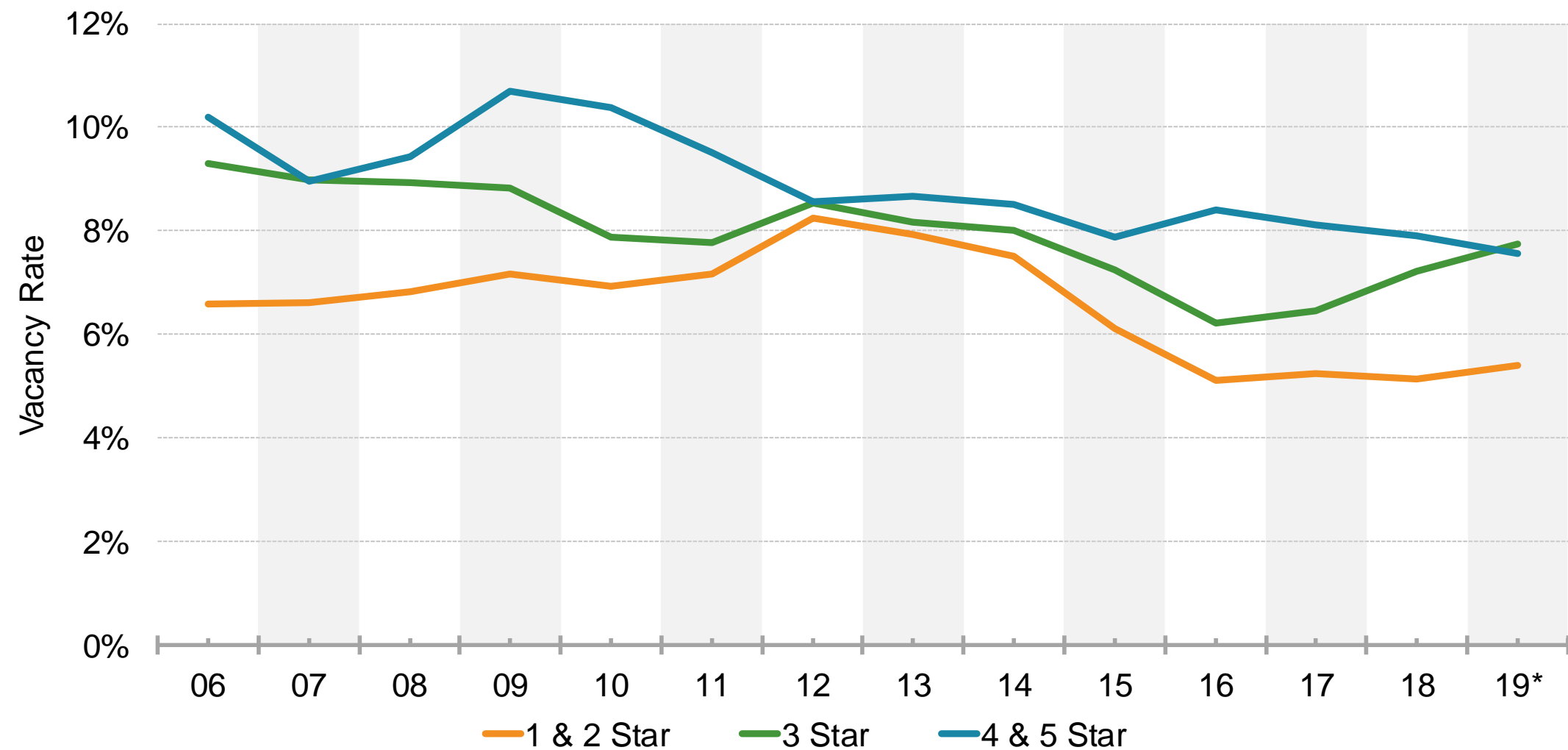


Base Case Forecast: Supply, Demand and Vacancy



Source: CoStar End of 19Q2

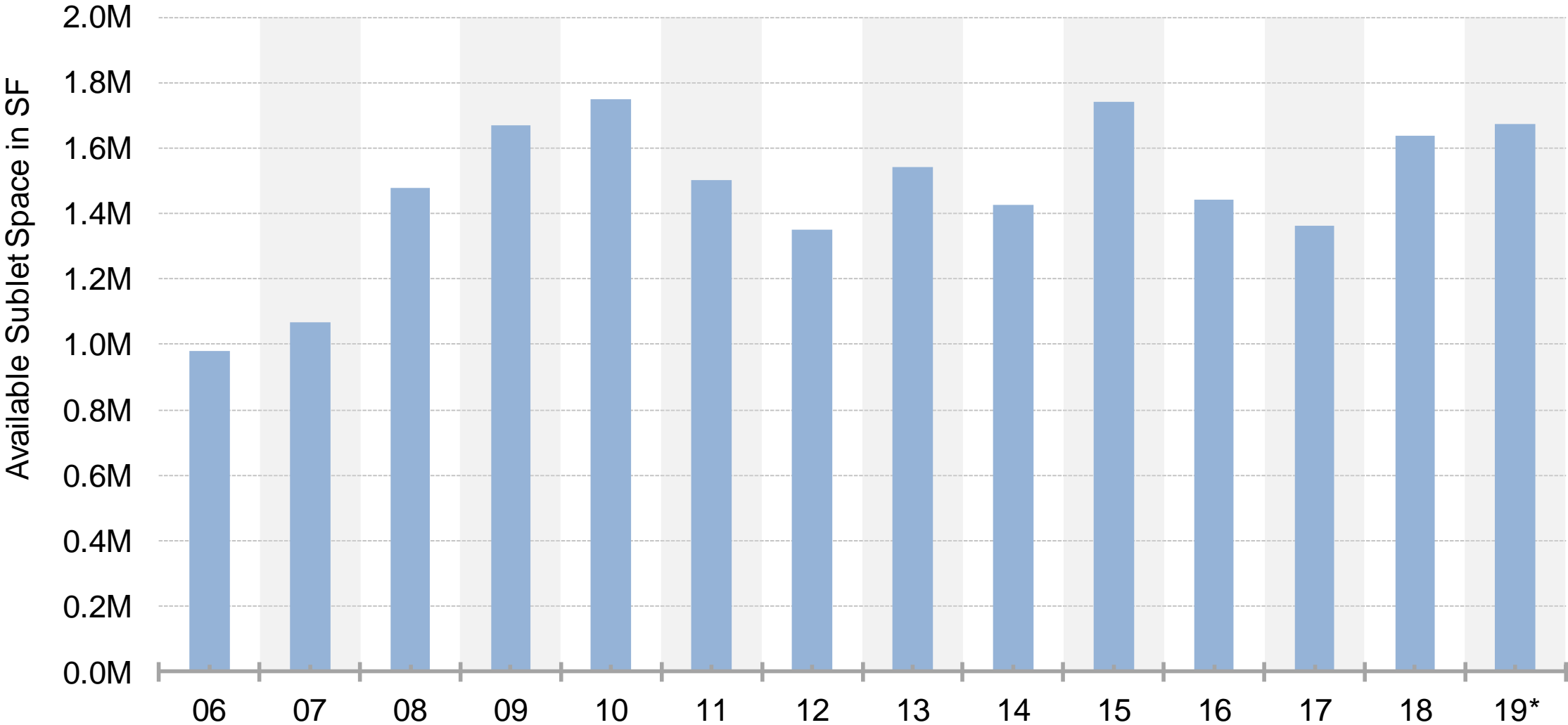
Office Vacancy By Star Rating



Source: CoStar
* Year-to-Date

End of 19Q2

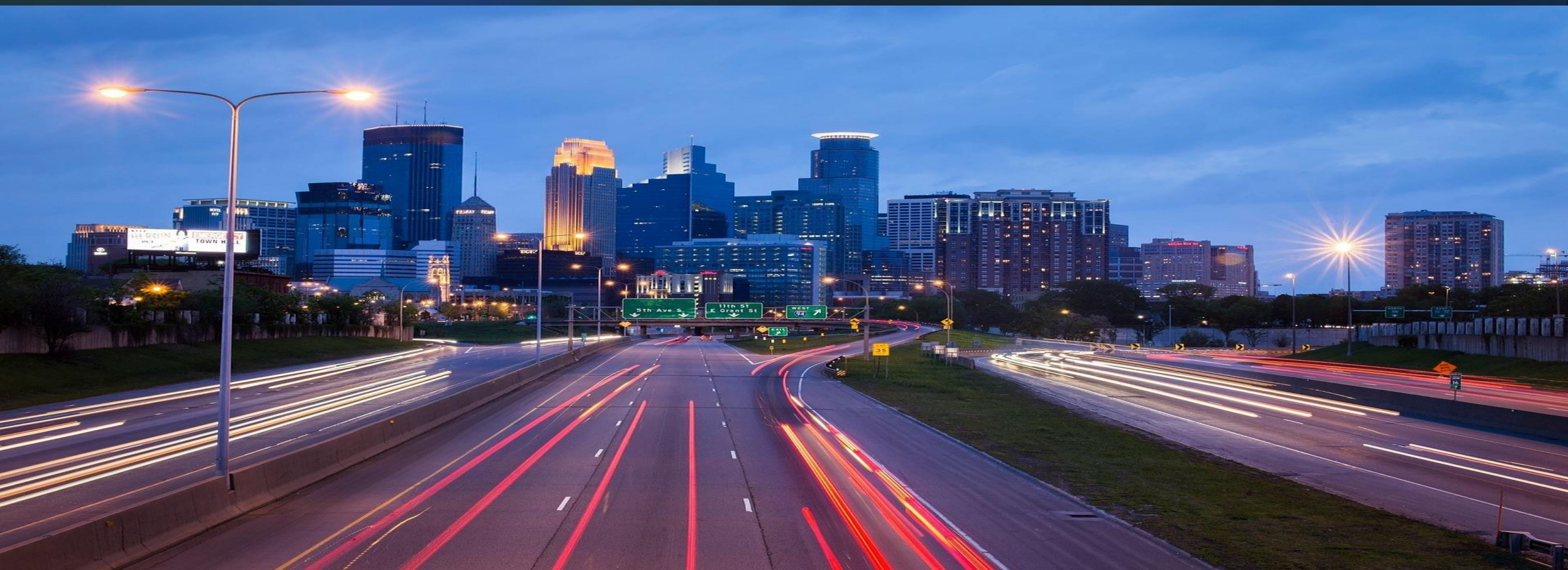
Minneapolis: Sublet Space On The Market



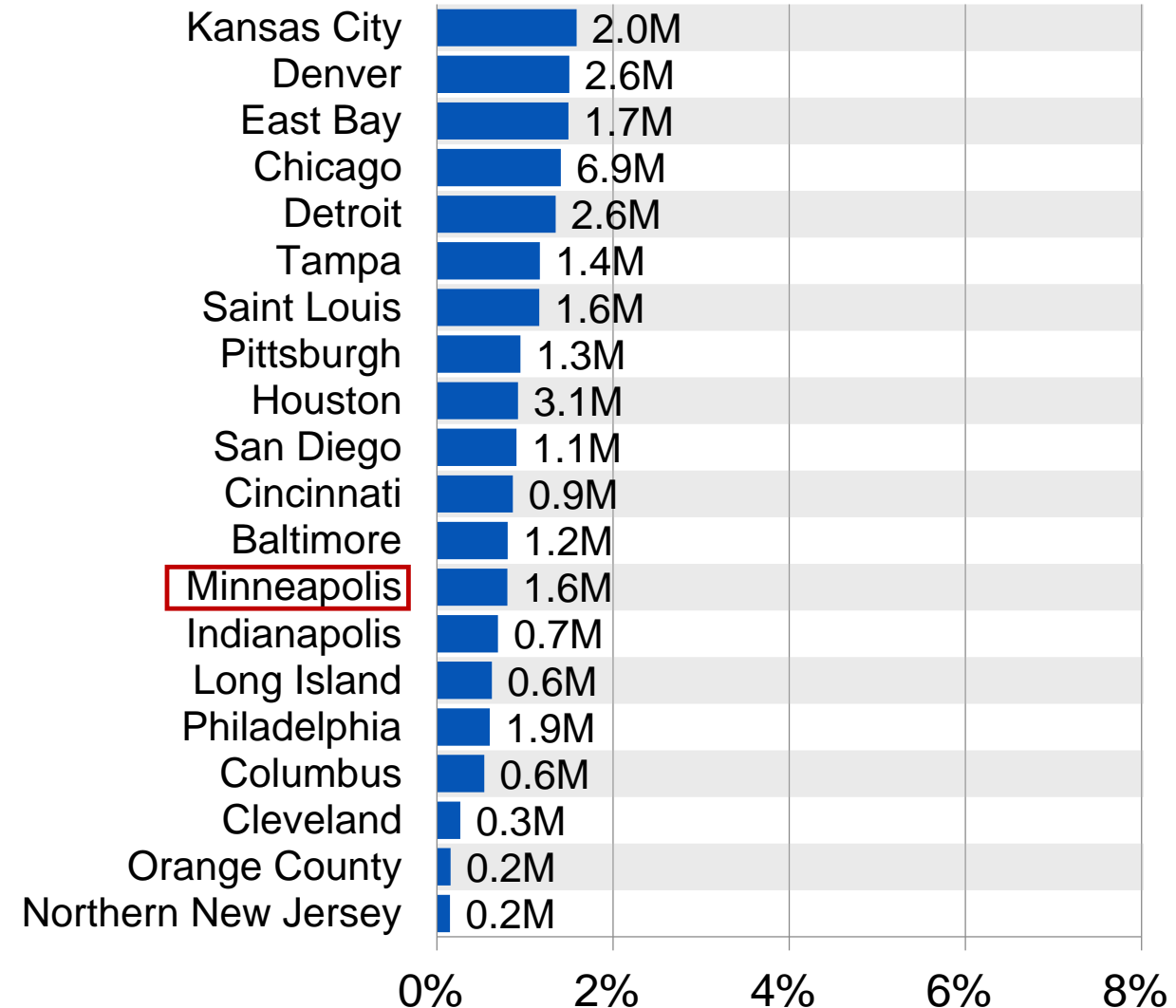
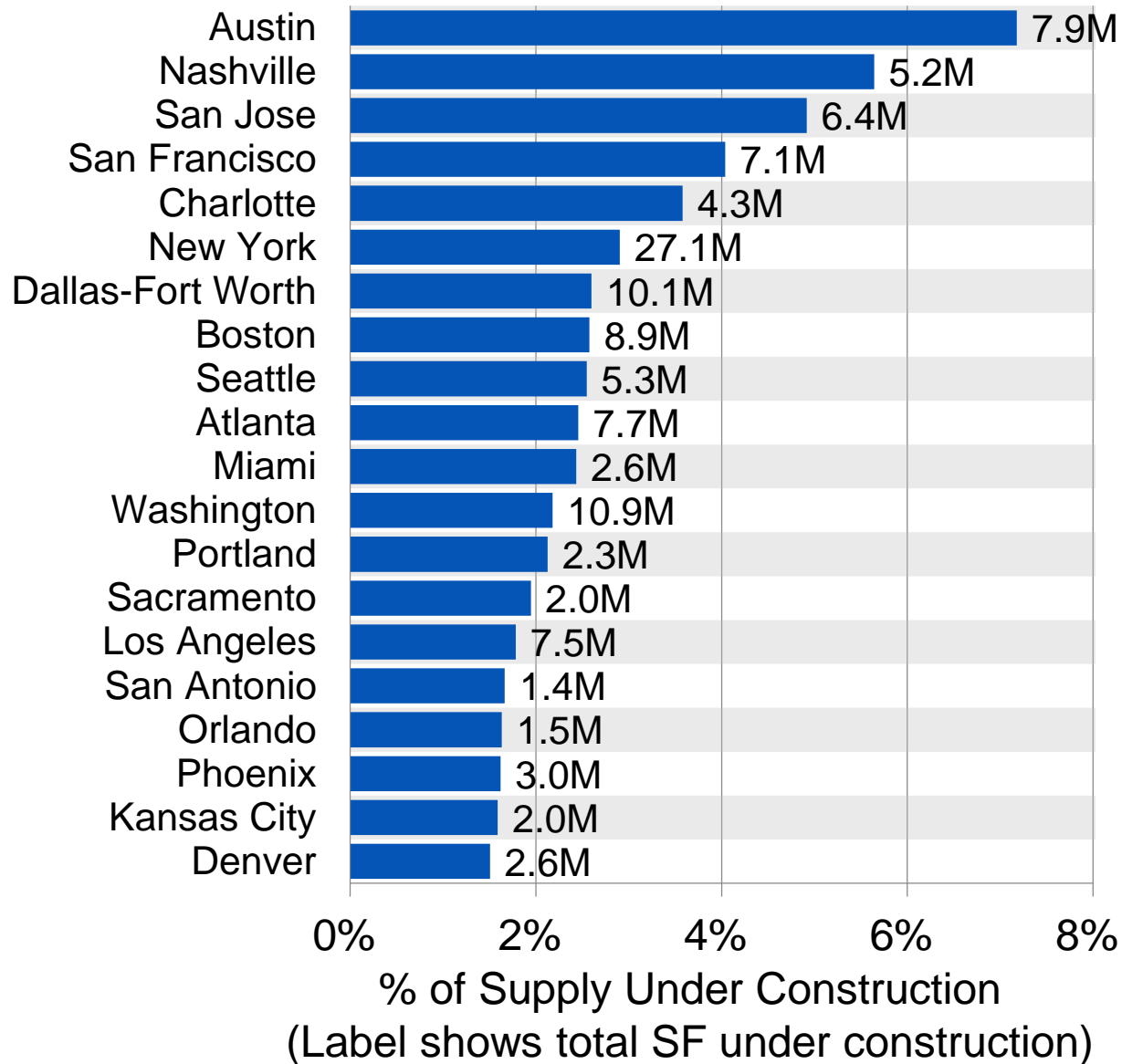
Source: CoStar
* As of 19Q2

End of 19Q2

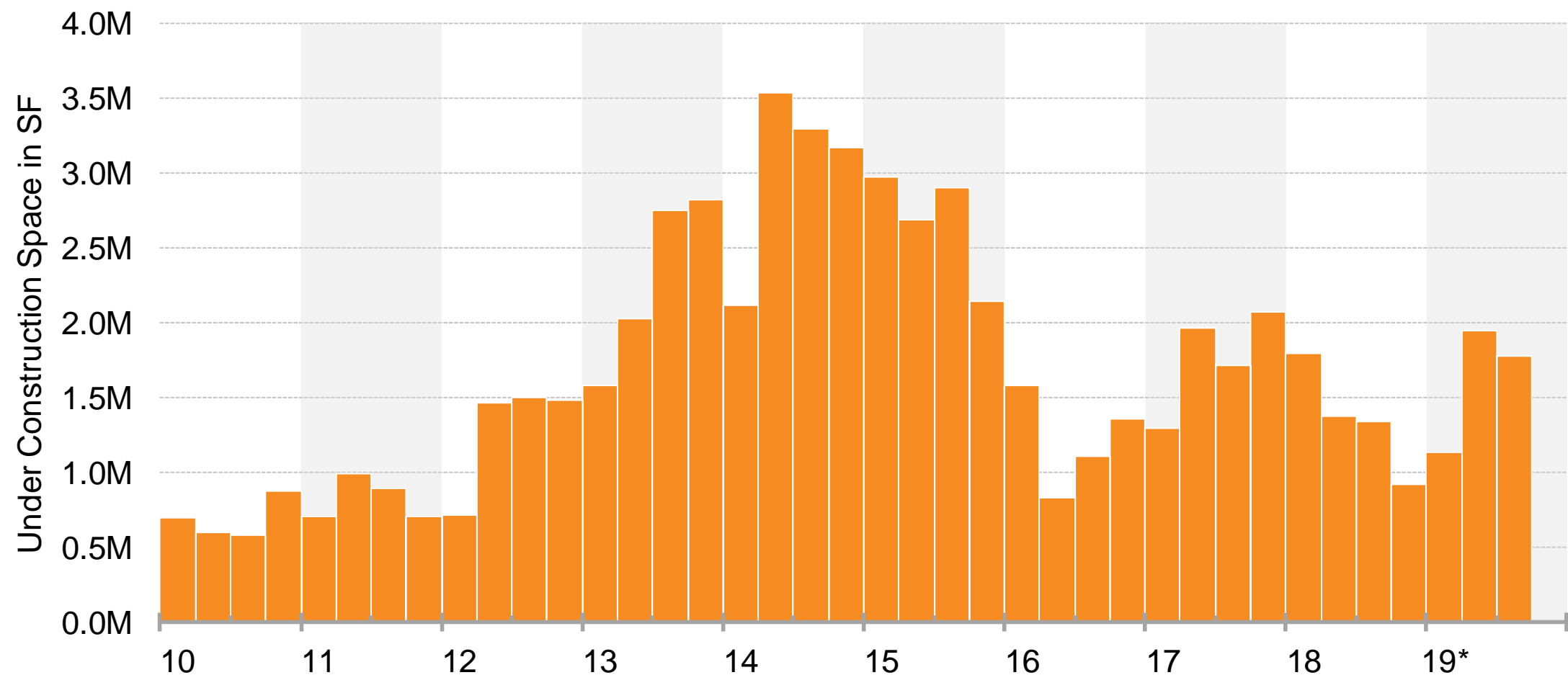
Office Supply



Space Under Construction, Top and Bottom 20



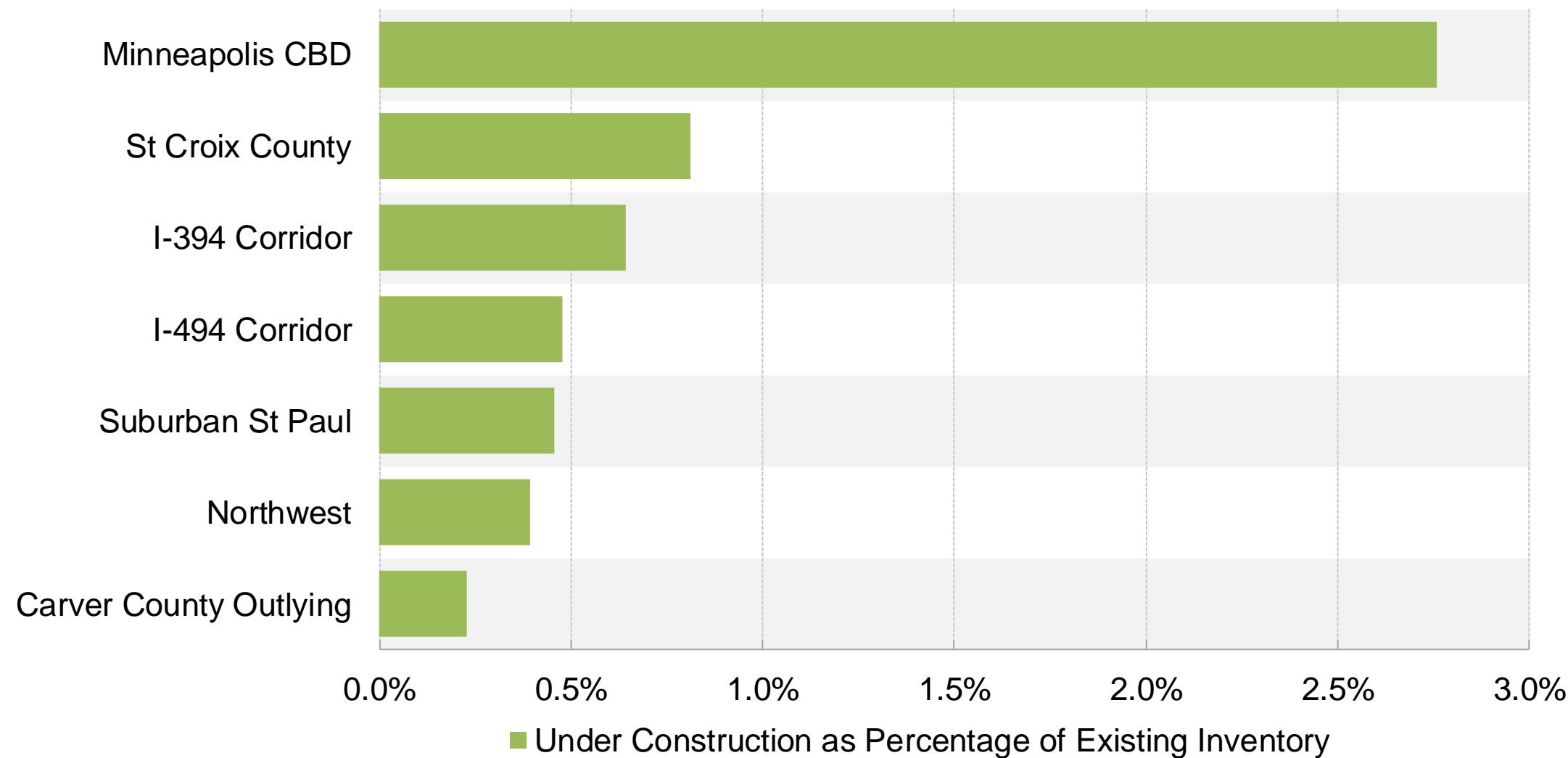
Minneapolis: Office Space Under Construction Over Time



Source: CoStar
* Through 19Q2

As of September 2019

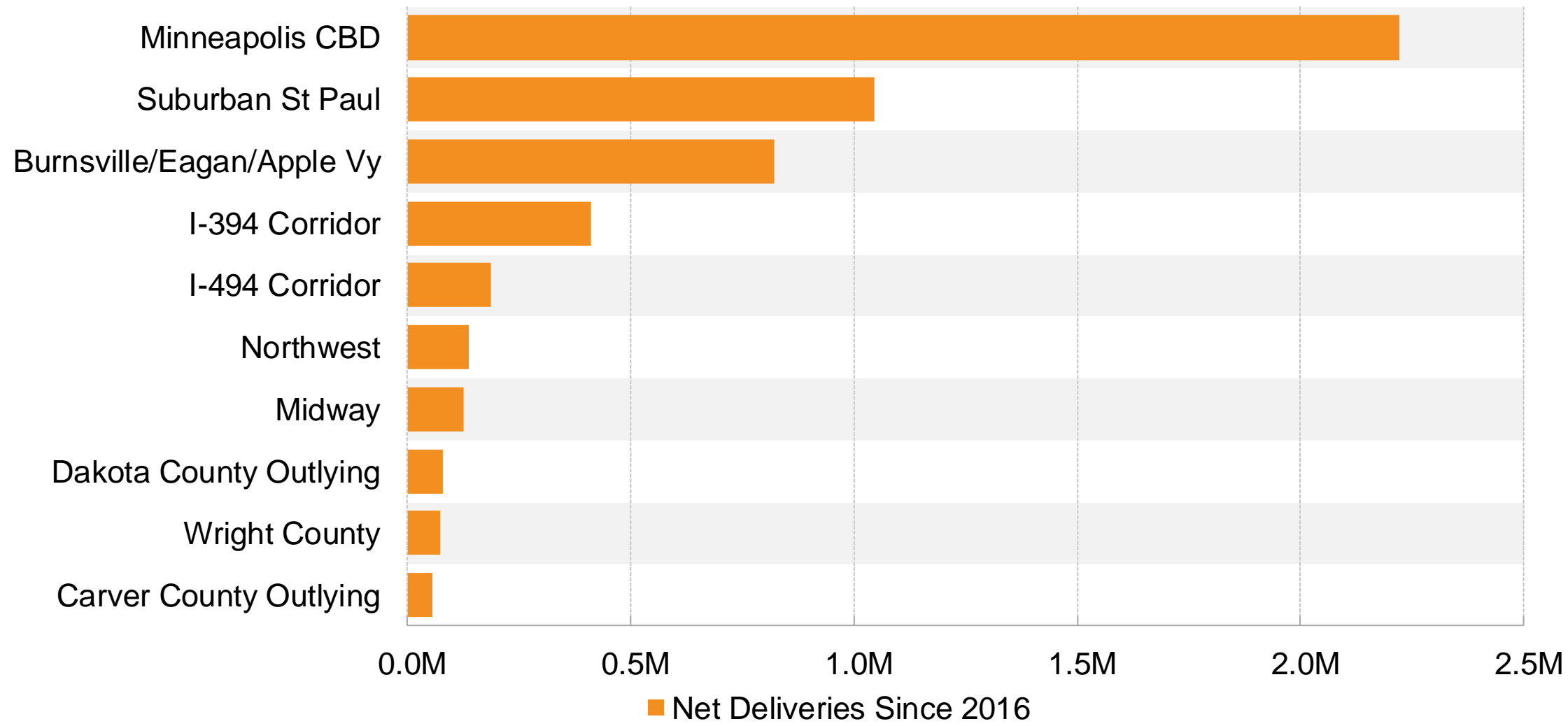
Submarkets With The Most Construction, In Percentage Terms



Source: CoStar

End of 19Q2

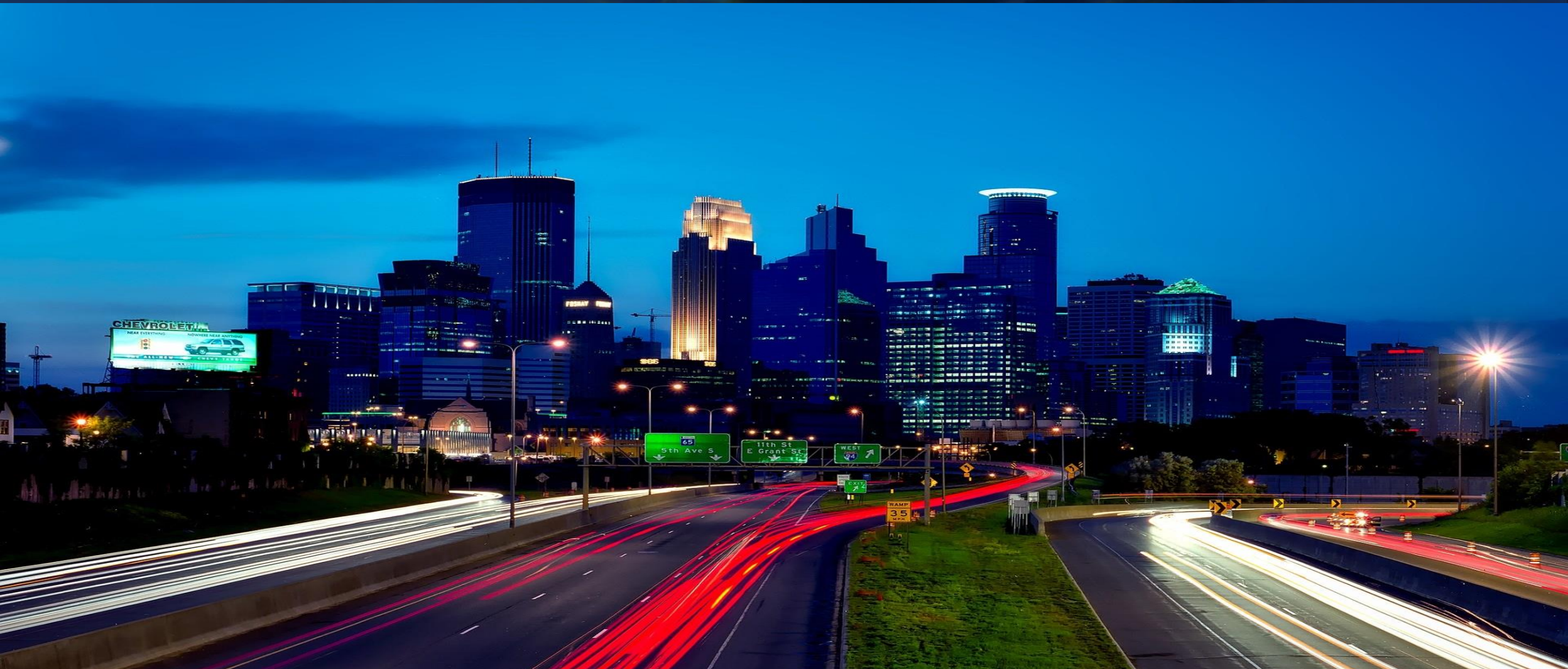
Submarkets With The Most Development Since The Beginning Of 2016



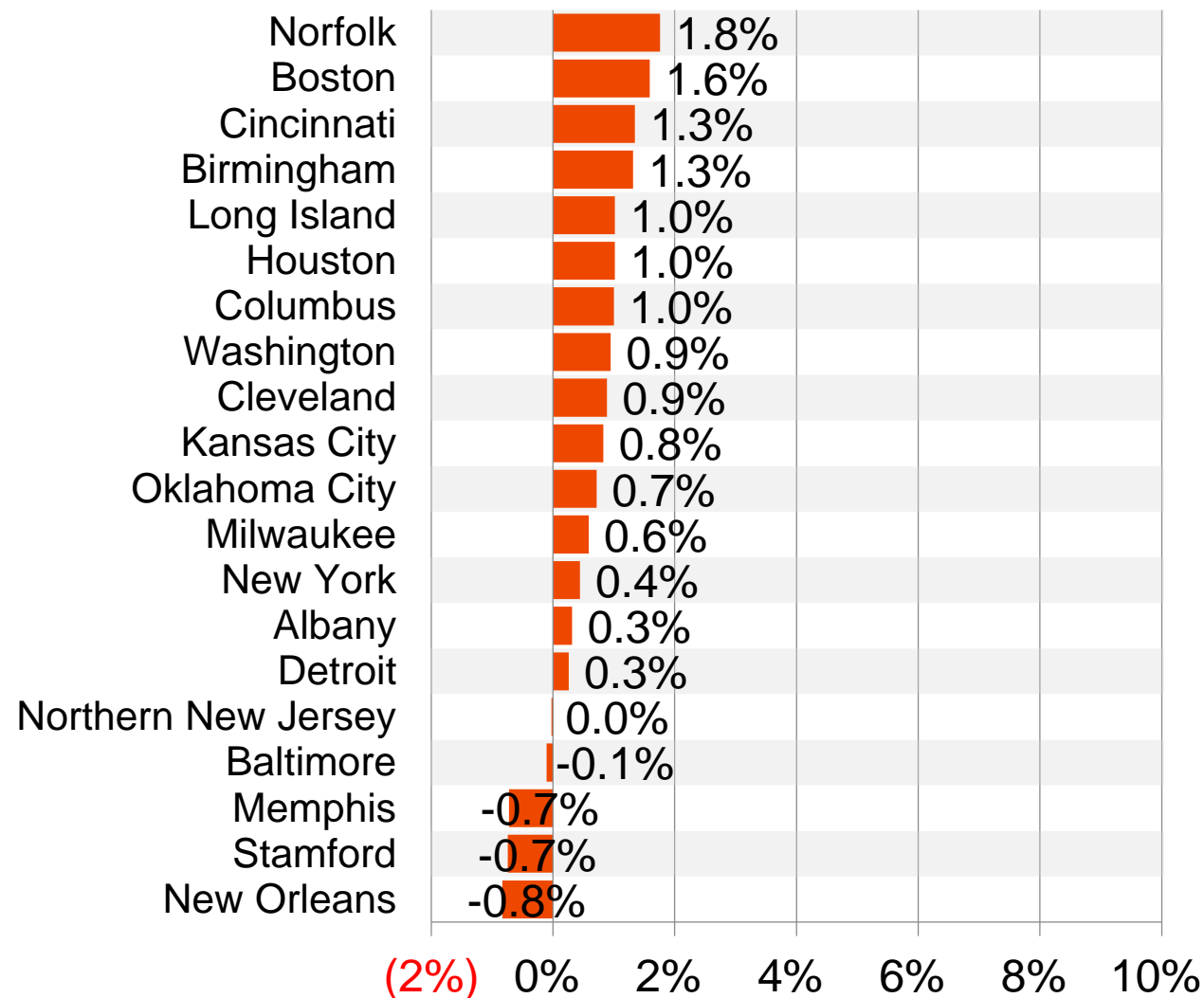
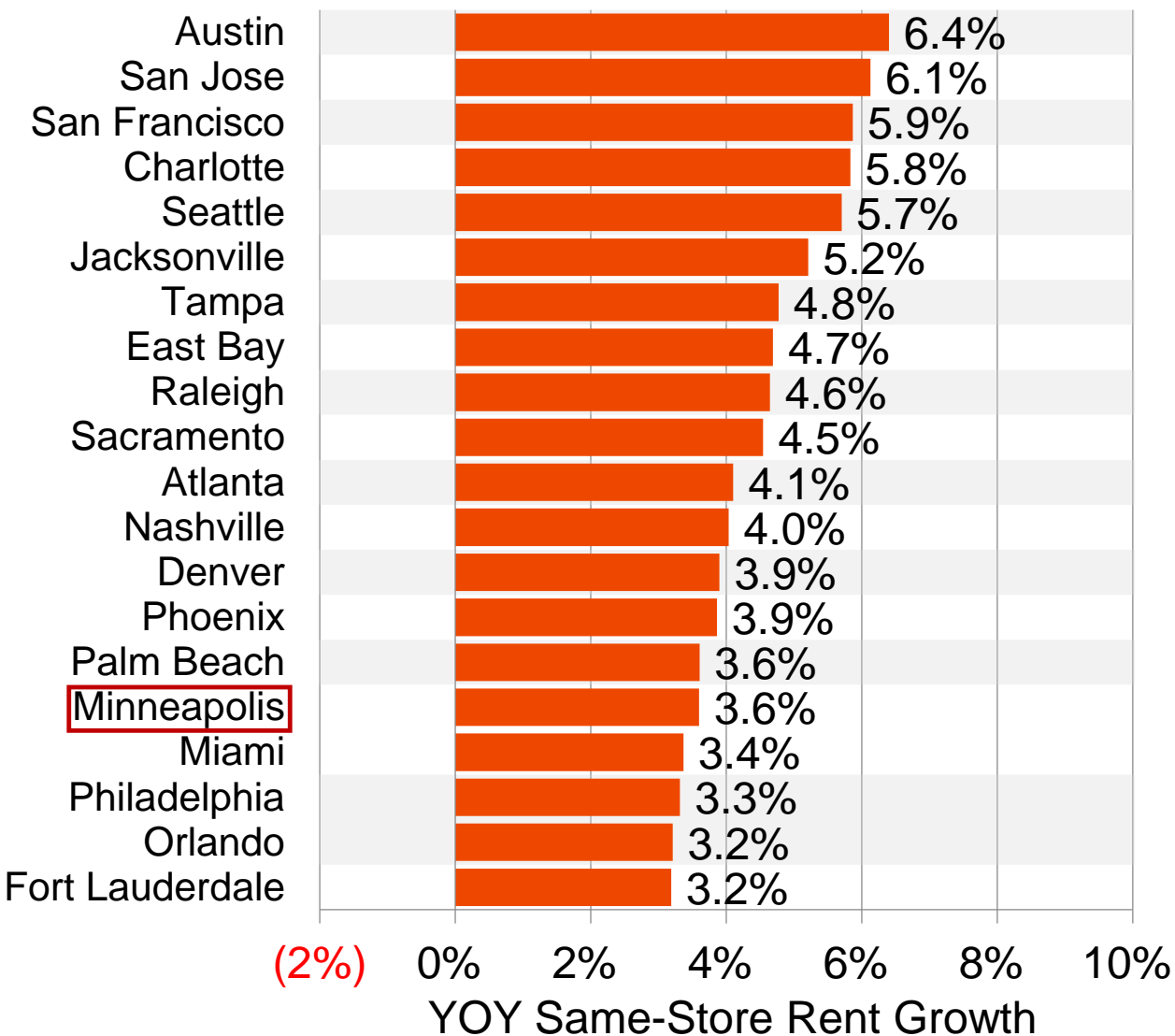
Source: CoStar

End of 19Q2

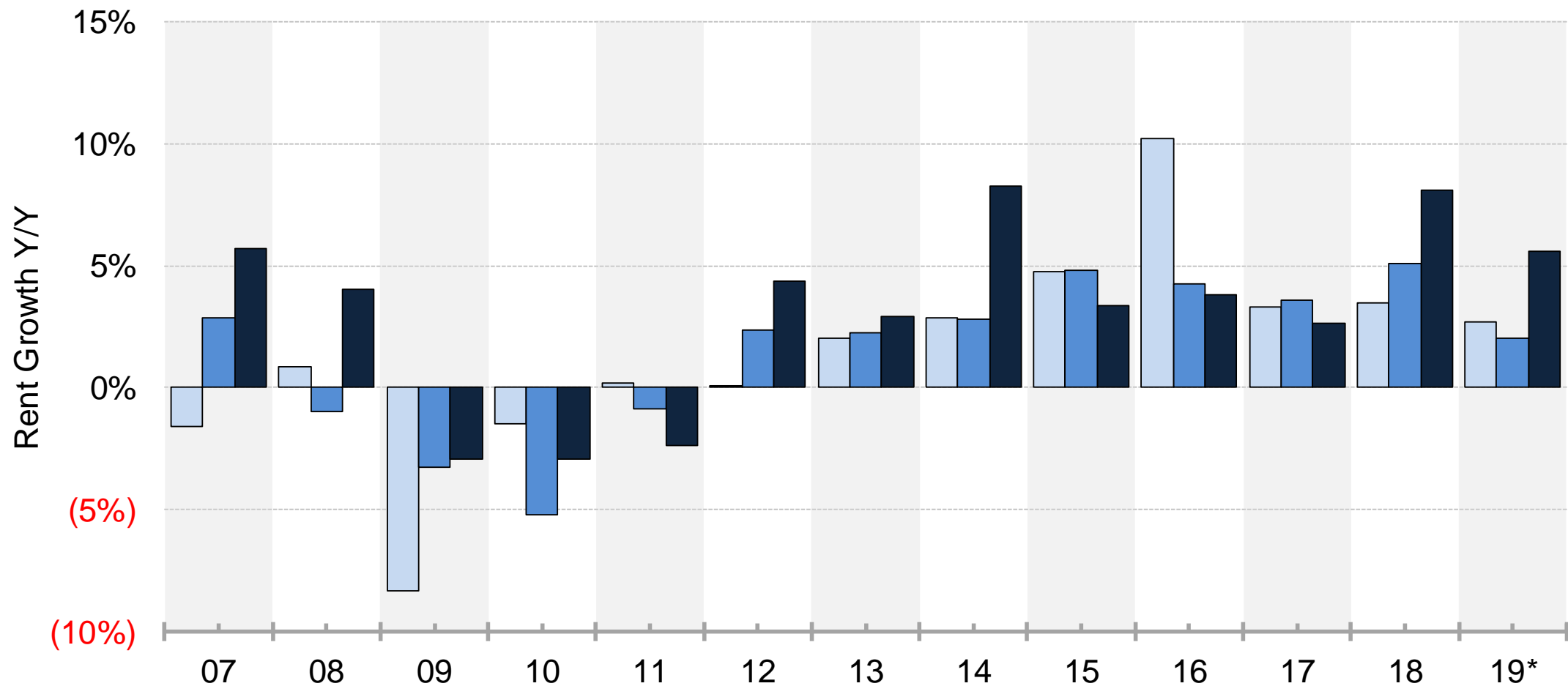
Office Rents



Rent Growth by Market, 2018Q2 – 2019Q2



Rent Growth By Star Rating

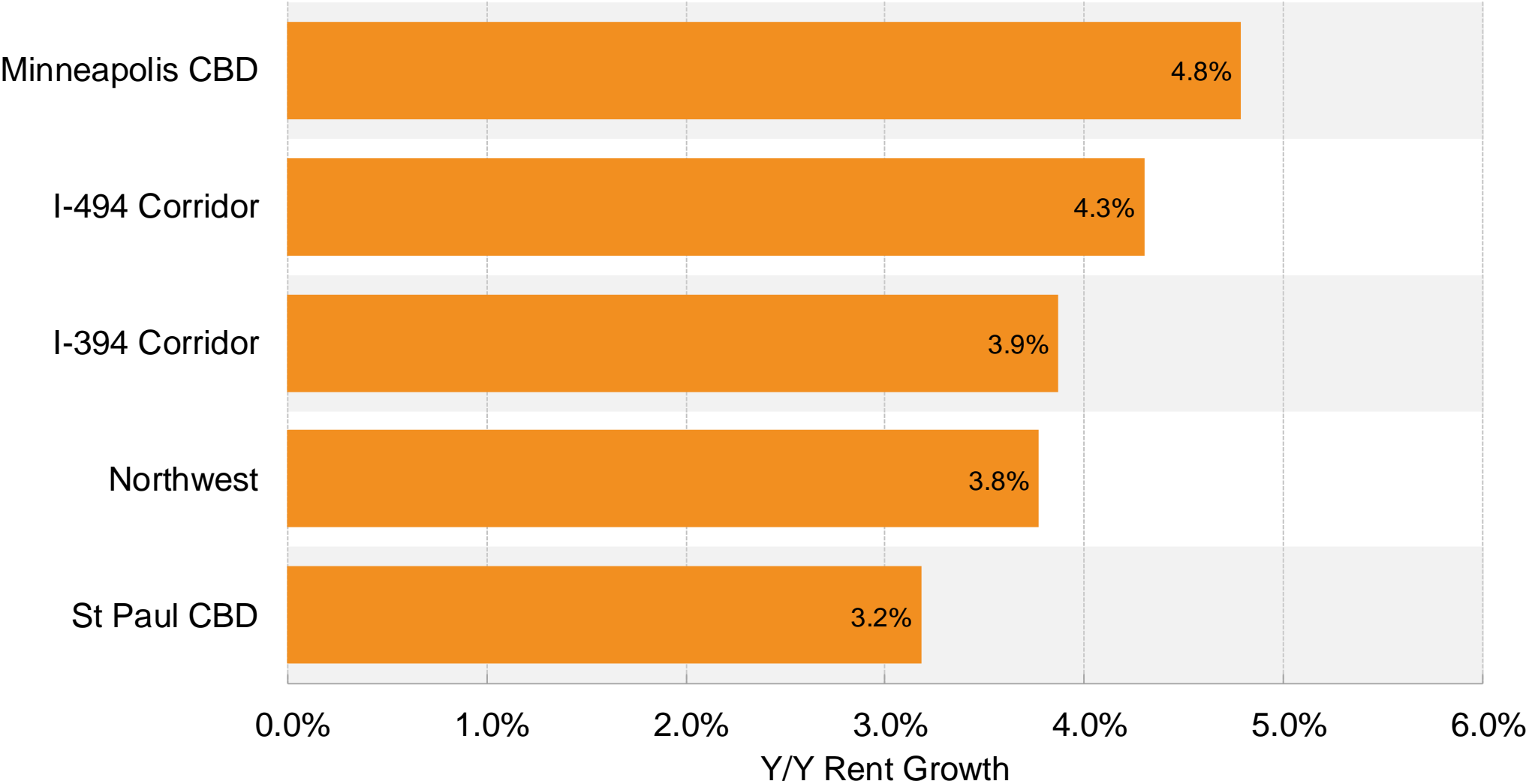


Source: CoStar
* Y/Y as of 19Q2

1 & 2 Star 3 Star 4 & 5 Star

End of 19Q2

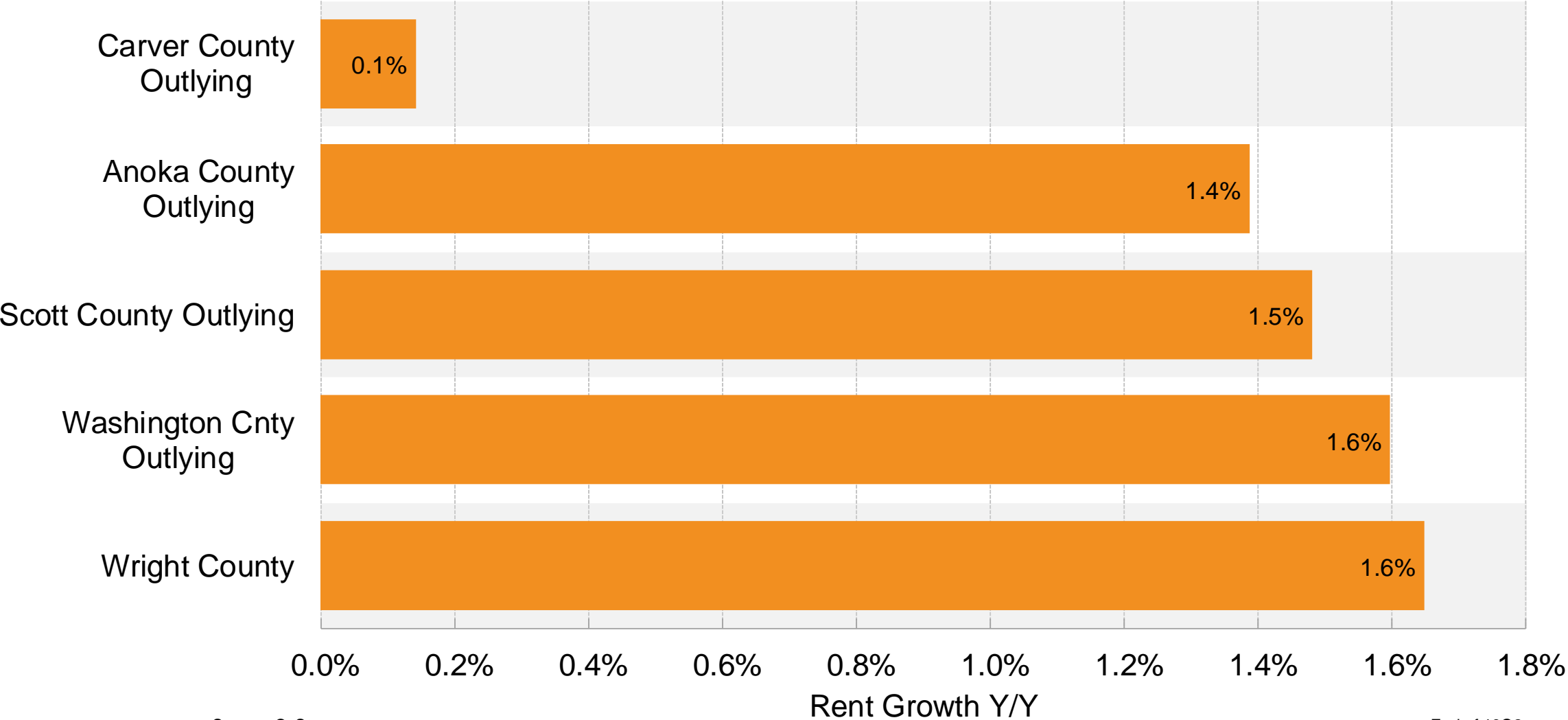
Minneapolis Office Submarkets With The Highest Rent Growth



Source: CoStar

End of 19Q2

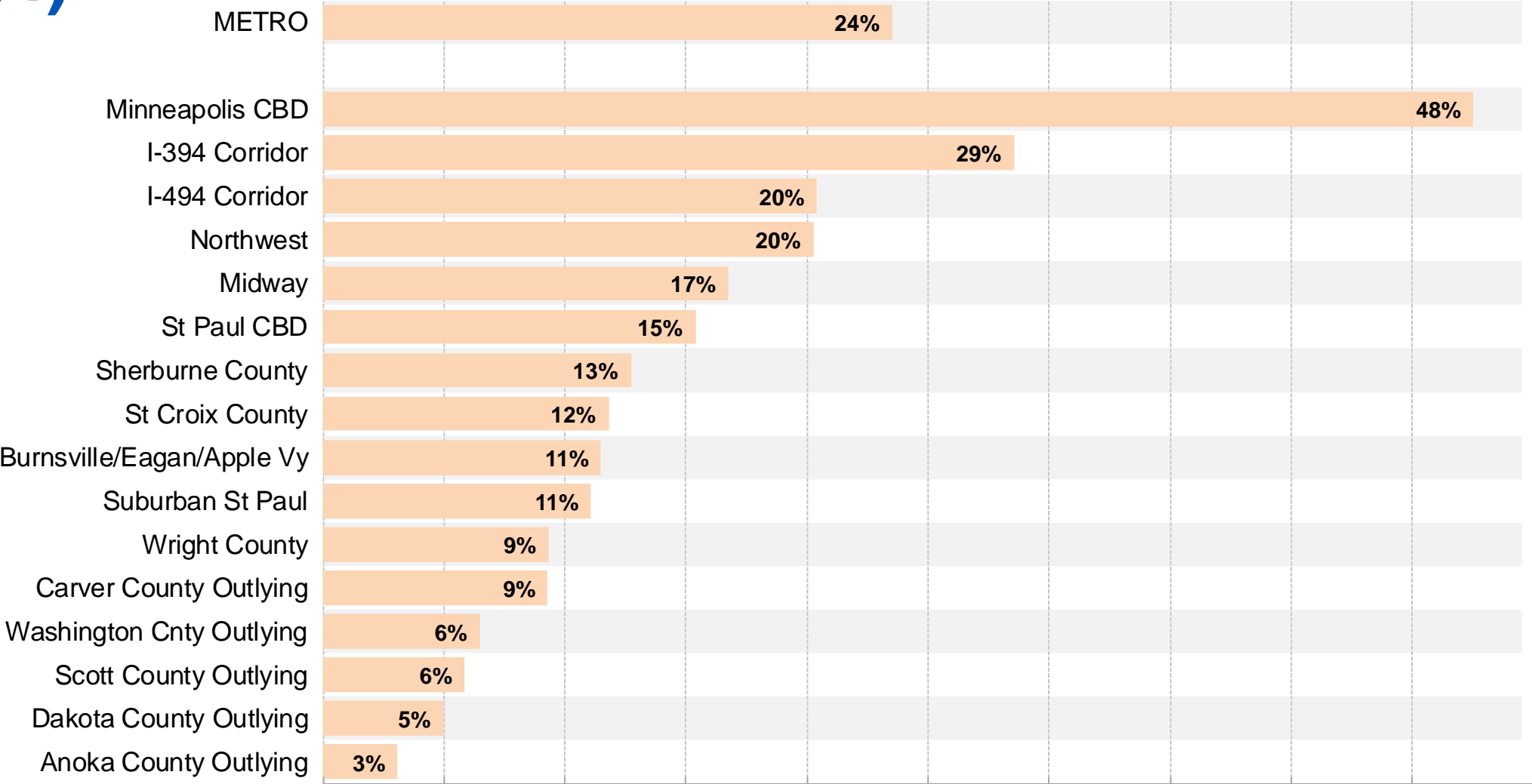
Minneapolis Office Submarkets With The Lowest Rent Growth



Source: CoStar

End of 19Q2

Cumulative Rent Growth Since Peak Of Last Cycle (2007Q4)

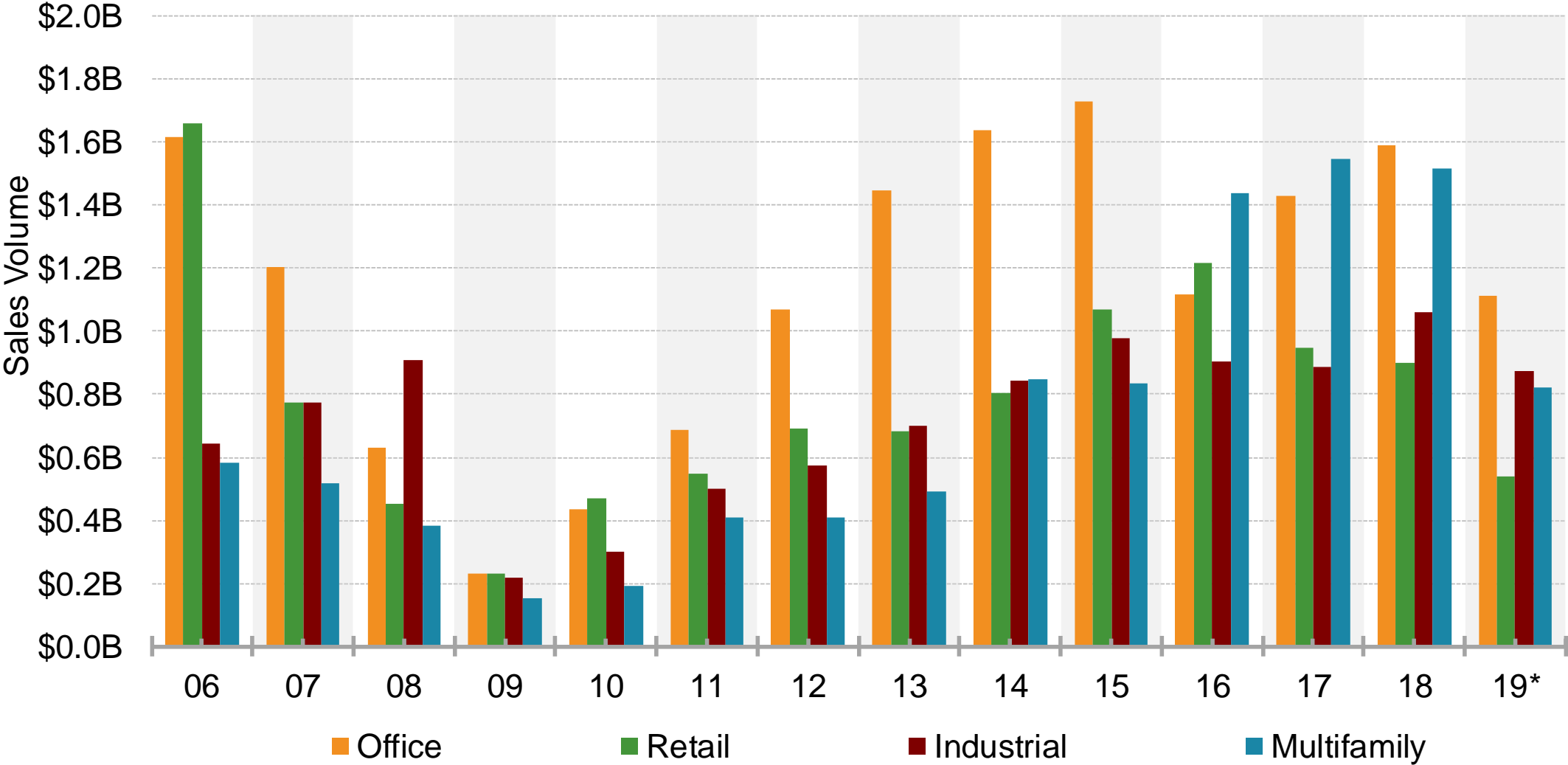


Source: CoStar

Office Sales

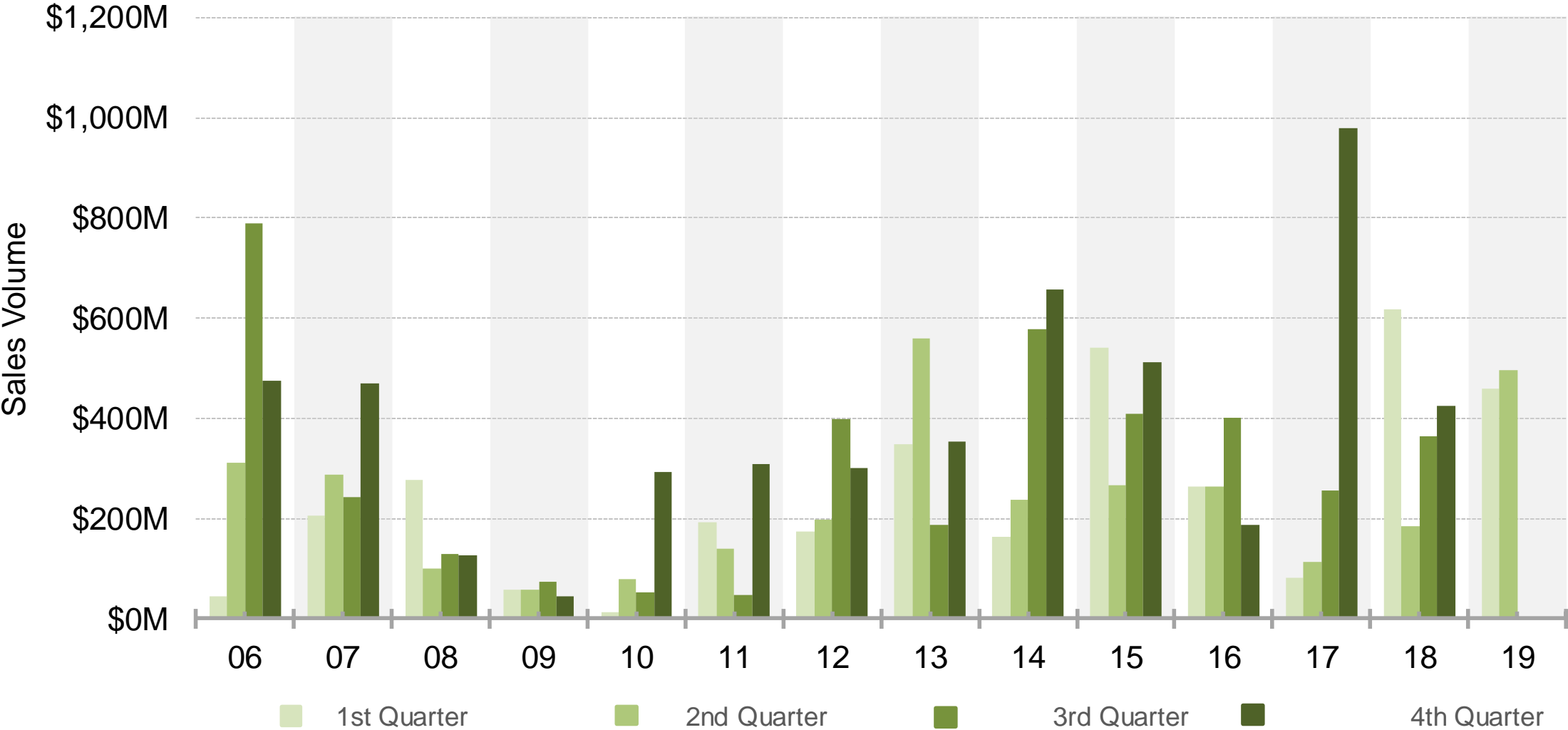


Minneapolis Sales Volume By Property Type



Source: CoStar
* Year-to-Date as of September 2019

Quarterly Sales Volume



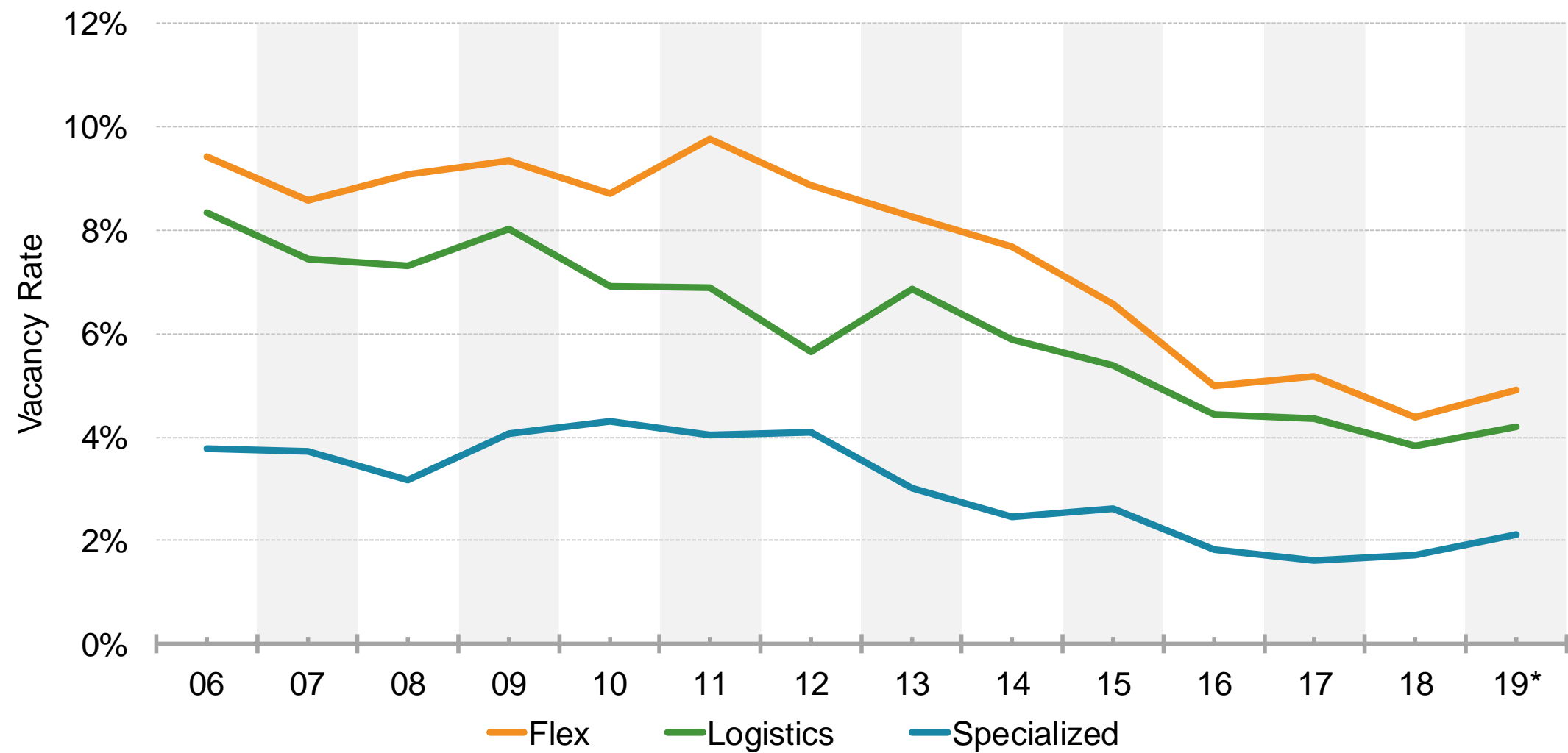
Source: CoStar
* Year-to-Date as of September 2019

End of 19Q2

Q2 2019 Minneapolis Industrial Overview

Michael Roessle – Director of Market Analytics
October 2, 2019

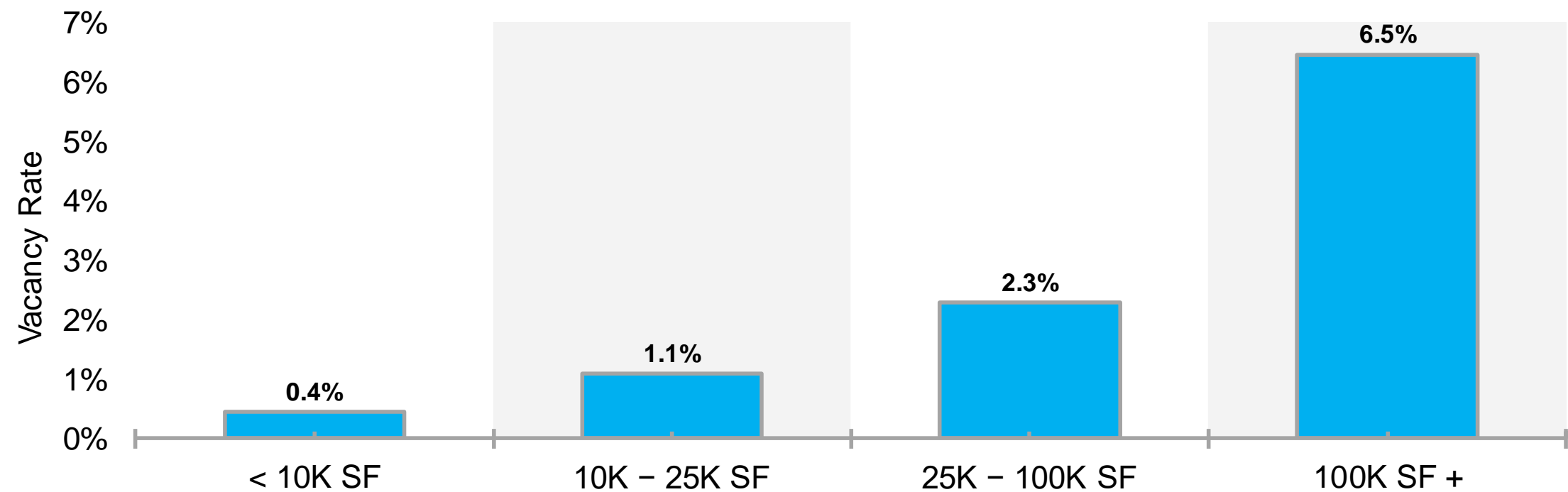
Industrial Vacancy By Star Rating



Source: CoStar
* Year-to-Date

End of 19Q2

Logistics Fundamentals: Vacancy by Building Size



■ Vacancy Rate By Building Size

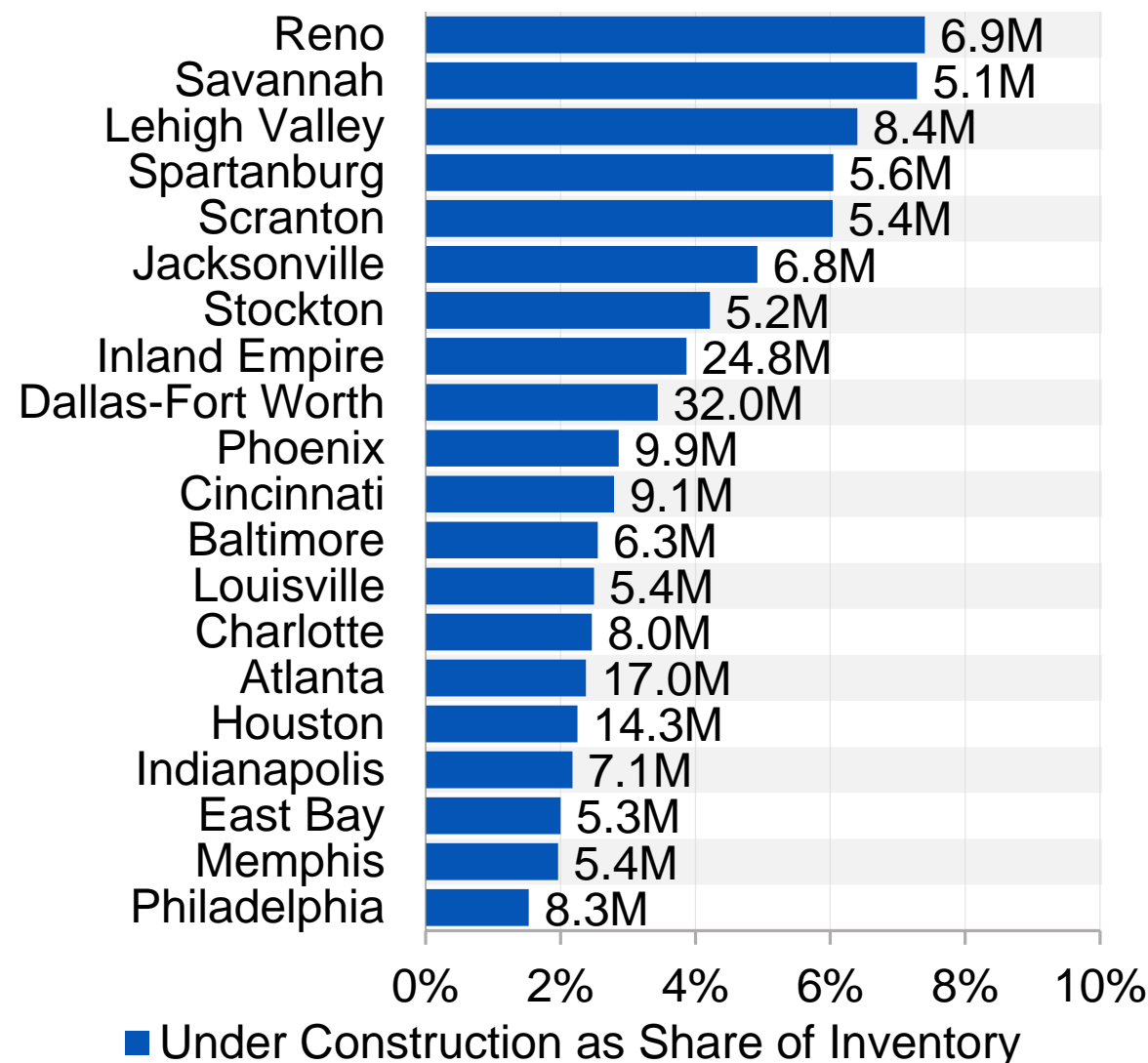
Source: CoStar

End of 19Q2

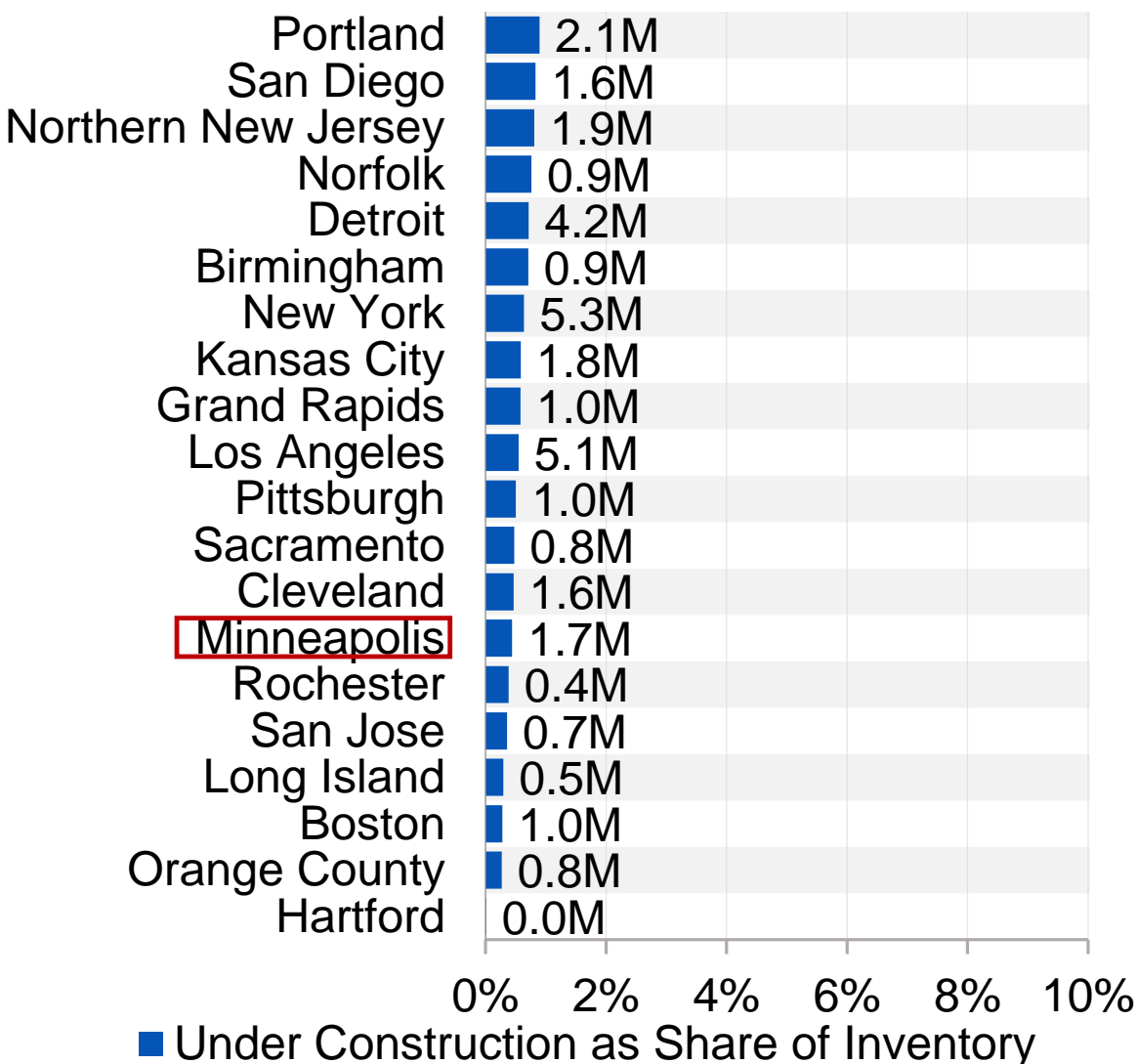
Industrial Supply



Space Under Construction As Share of Inventory

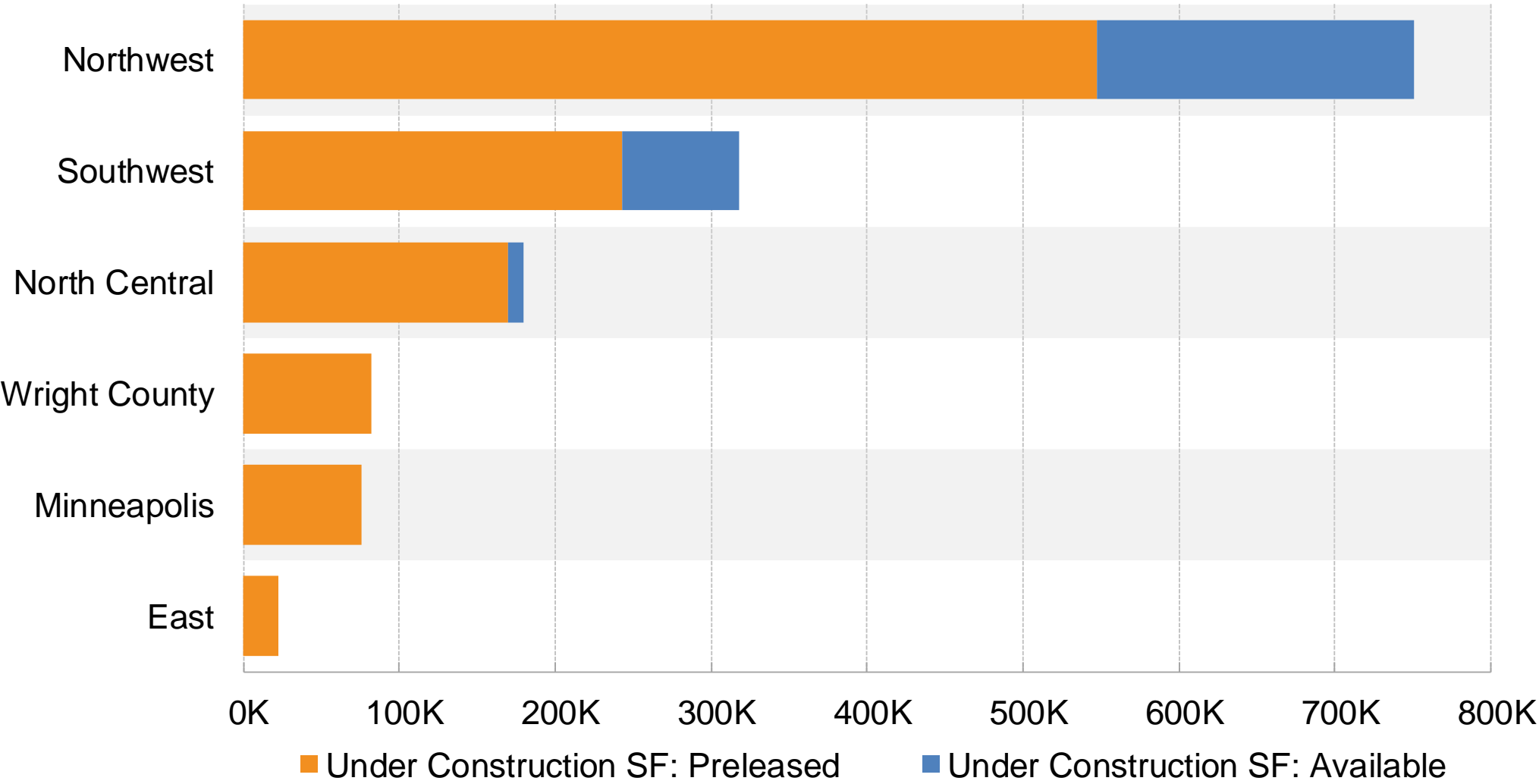


Note: Includes markets with 5M+ SF under construction.



Note: Includes markets with 100M+ SF inventory.

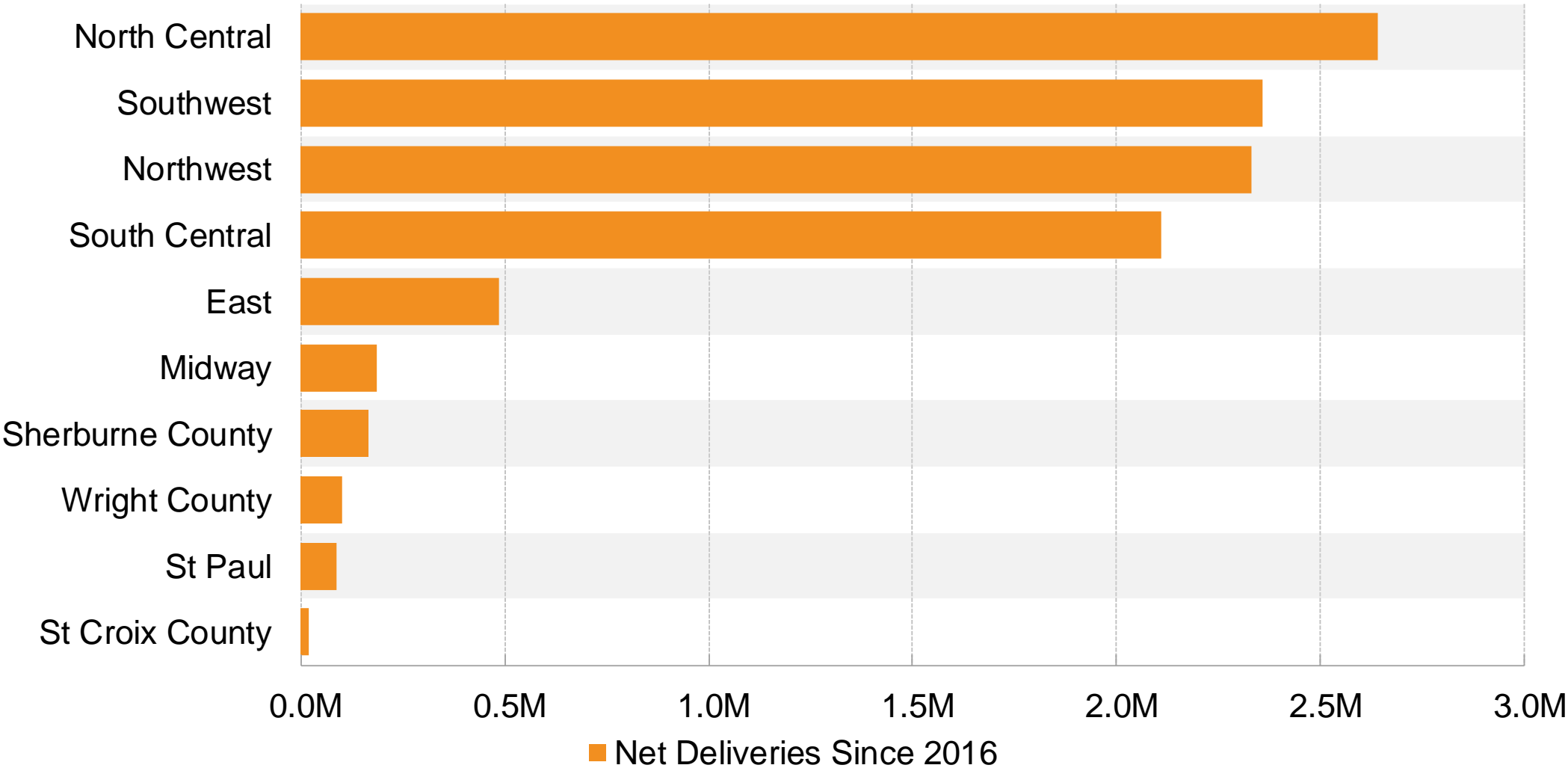
Minneapolis Submarkets With The Most Construction



Source: CoStar

End of 19Q2

SF Delivered Since the Start of 2016



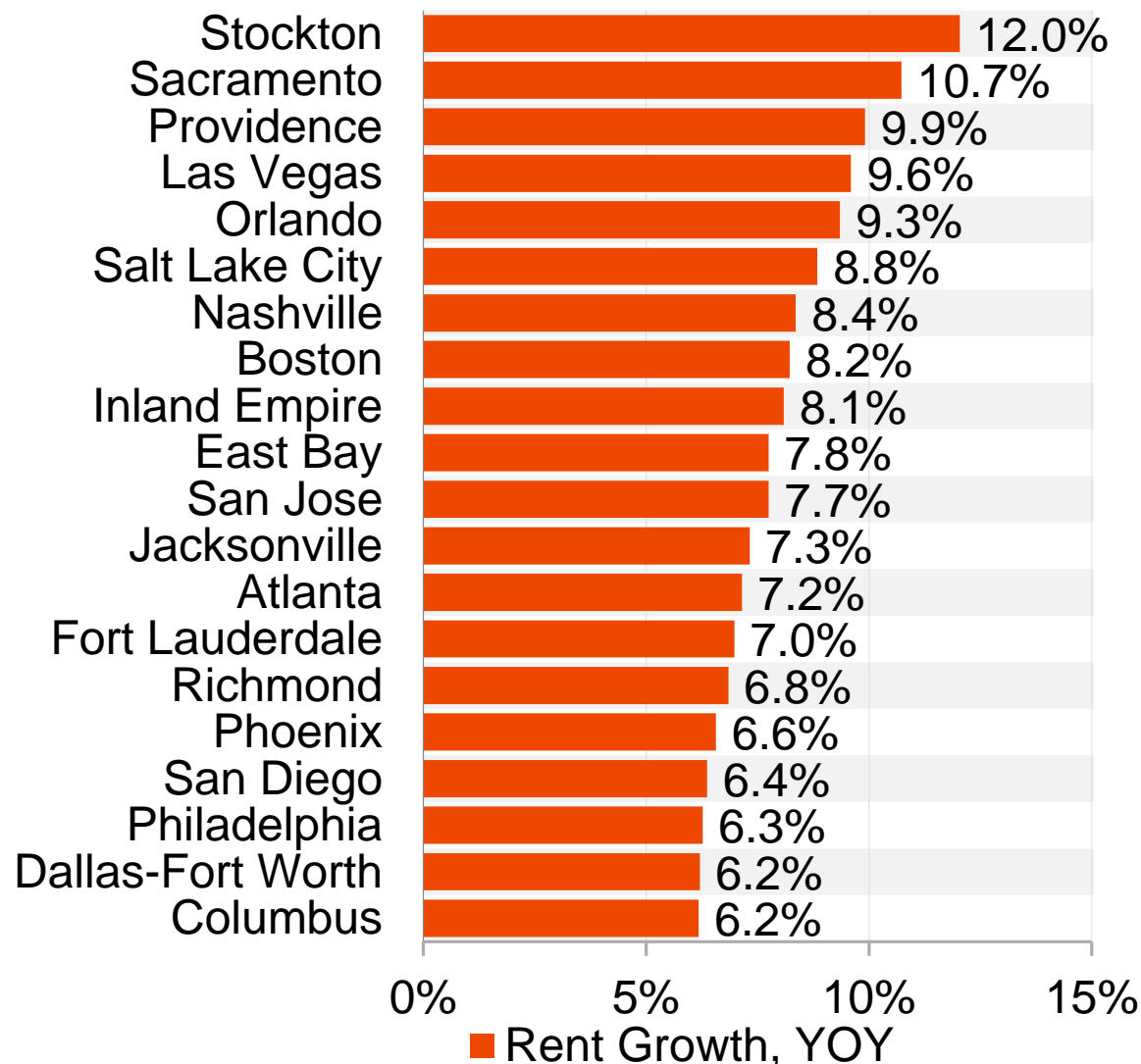
Source: CoStar

End of 19Q2

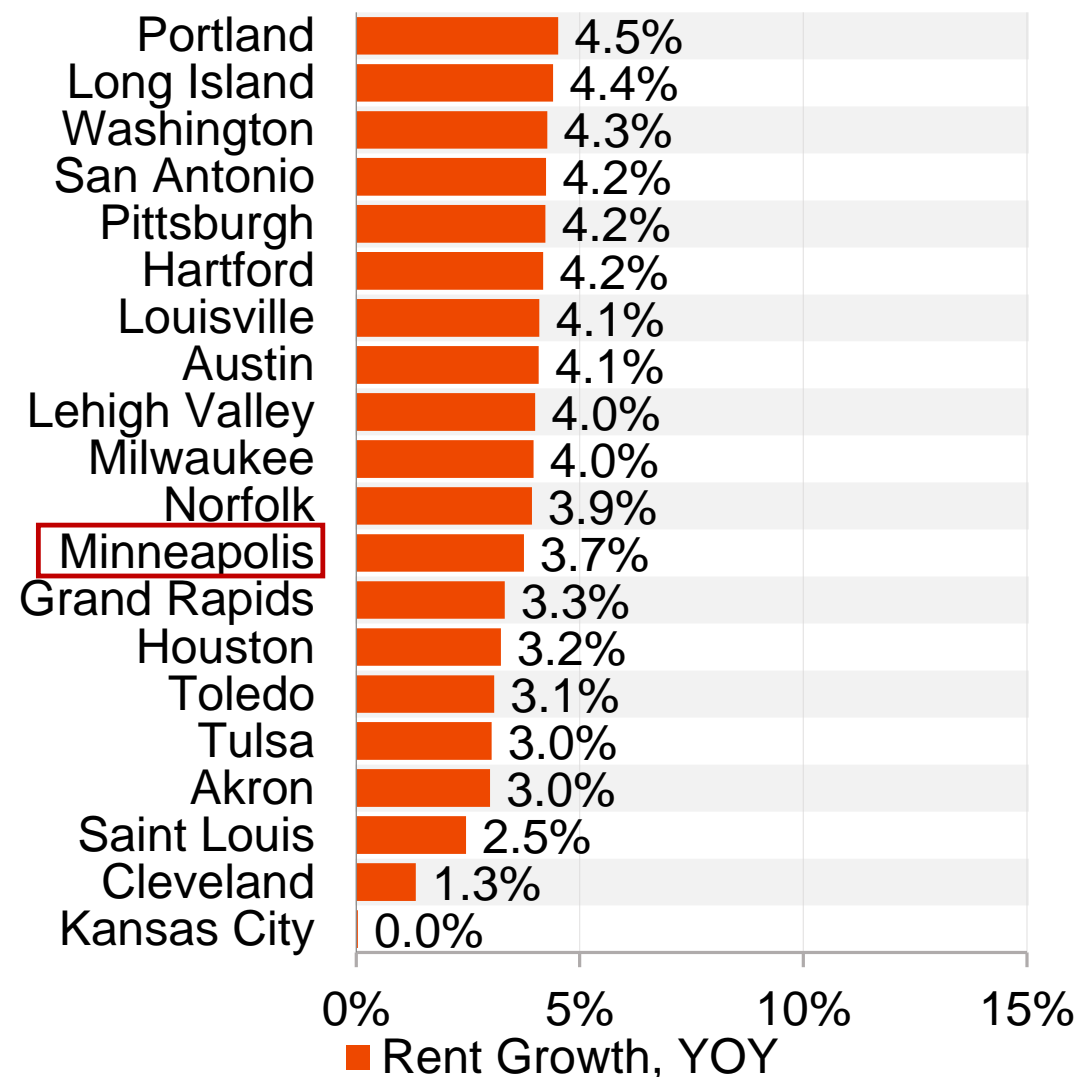
Industrial Rents



Top and Bottom Rent Growth Markets

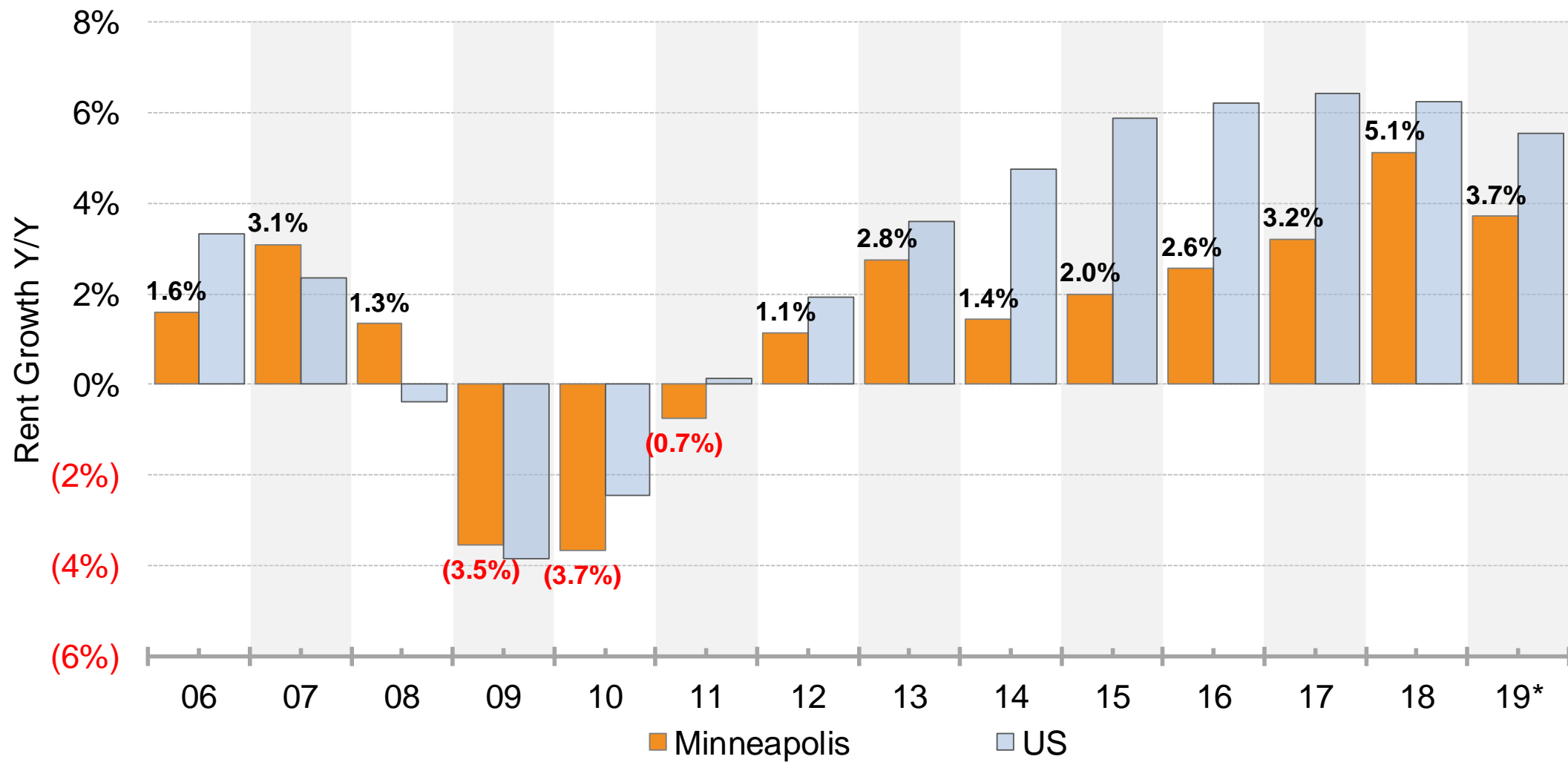


Note: Includes markets with 100M+ SF inventory.



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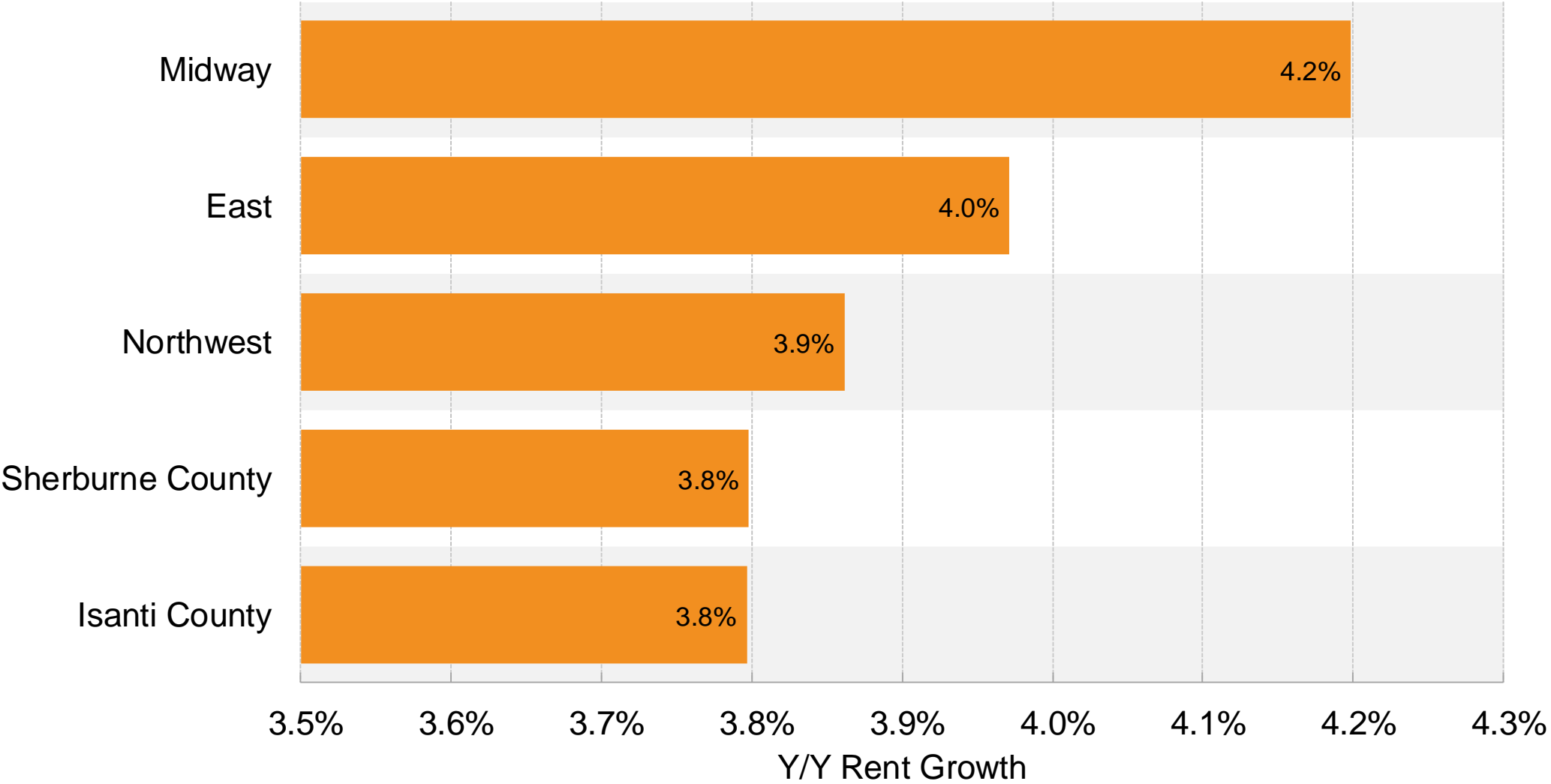
Rent Growth: Minneapolis vs. National Average



Source: CoStar
* Y/Y as of 19Q2

End of 19Q2

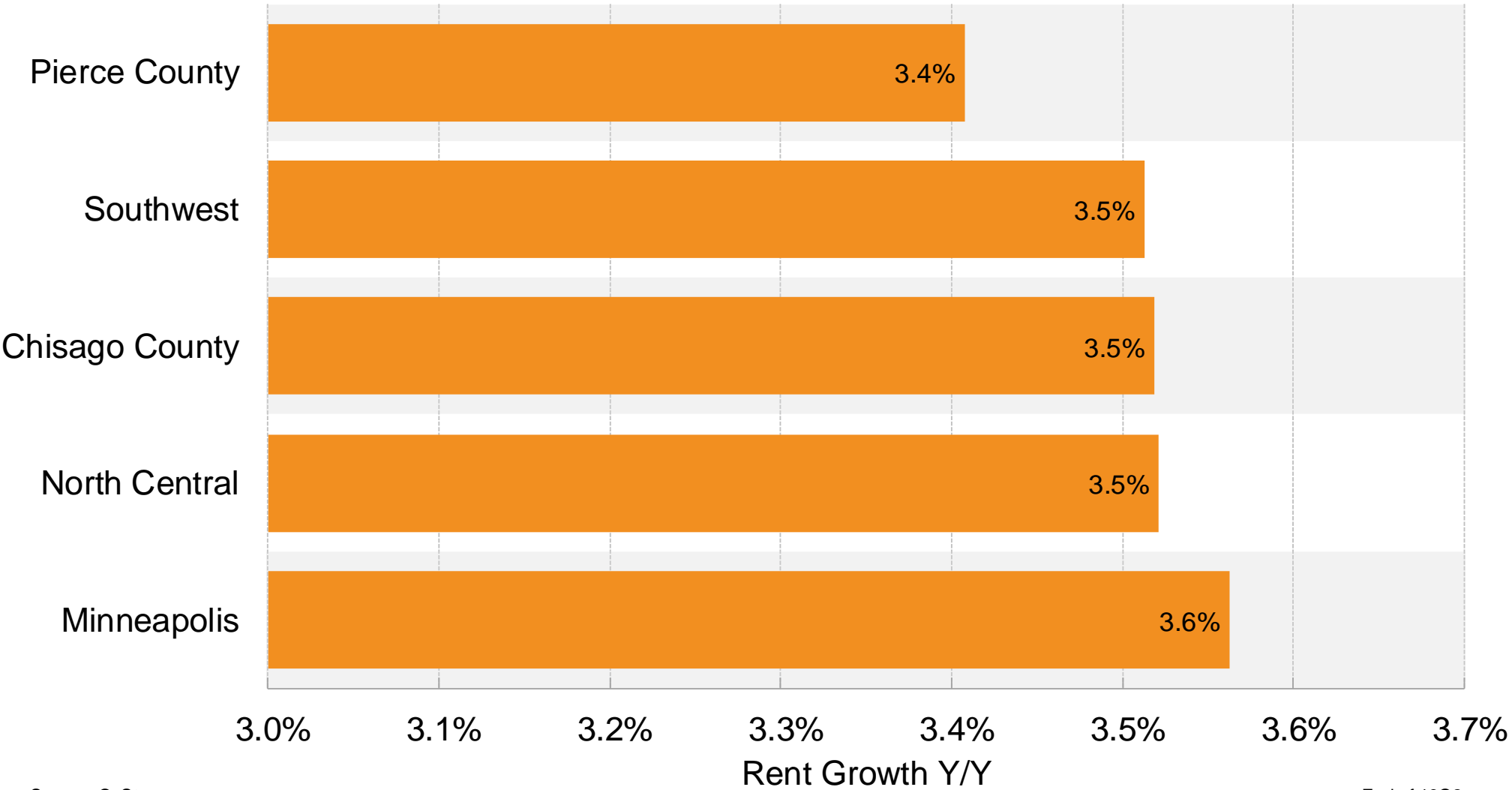
Minneapolis Industrial Submarkets With The Highest Rent Growth



Source: CoStar

End of 19Q2

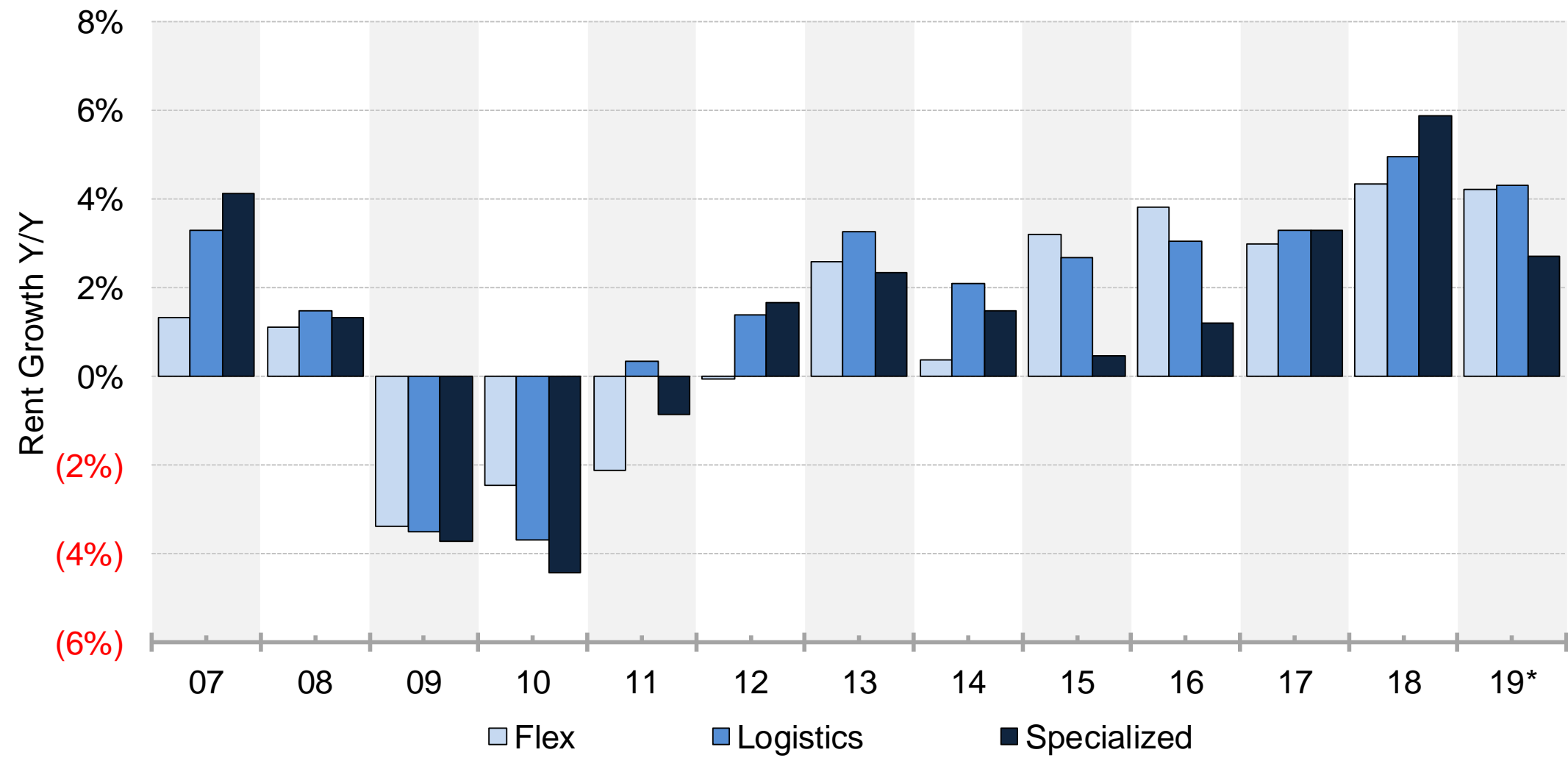
Minneapolis Industrial Submarkets With The Lowest Rent Growth



Source: CoStar

End of 19Q2

Rent Growth By Industrial Type



Source: CoStar
* Y/Y as of 19Q2

End of 19Q2

Amazon Will Control One SF Per Adult Consumer By 2022

Amazon's Distribution Network In 2012



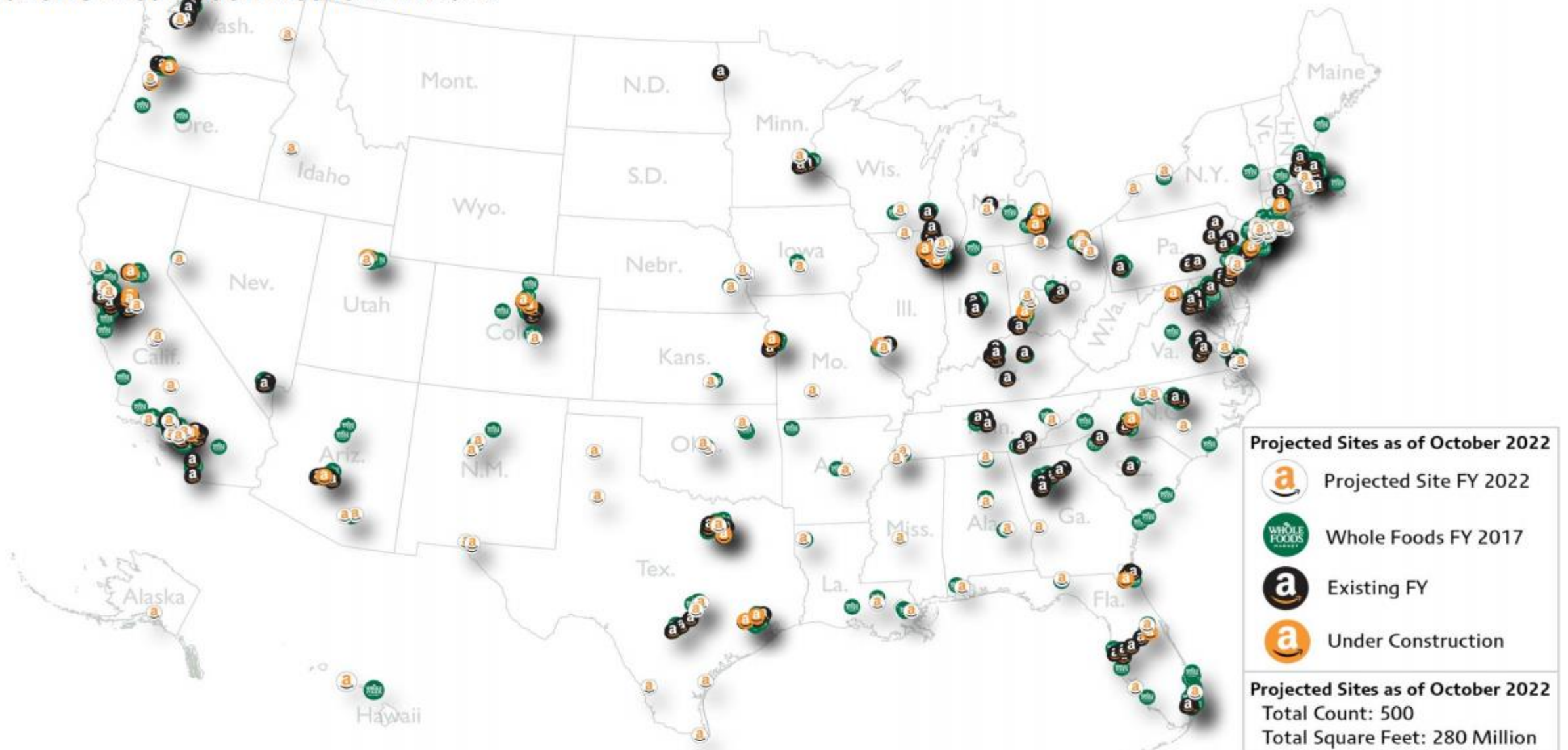
Amazon Will Control One SF Per Adult Consumer By 2022

Amazon's Distribution Network In 2017

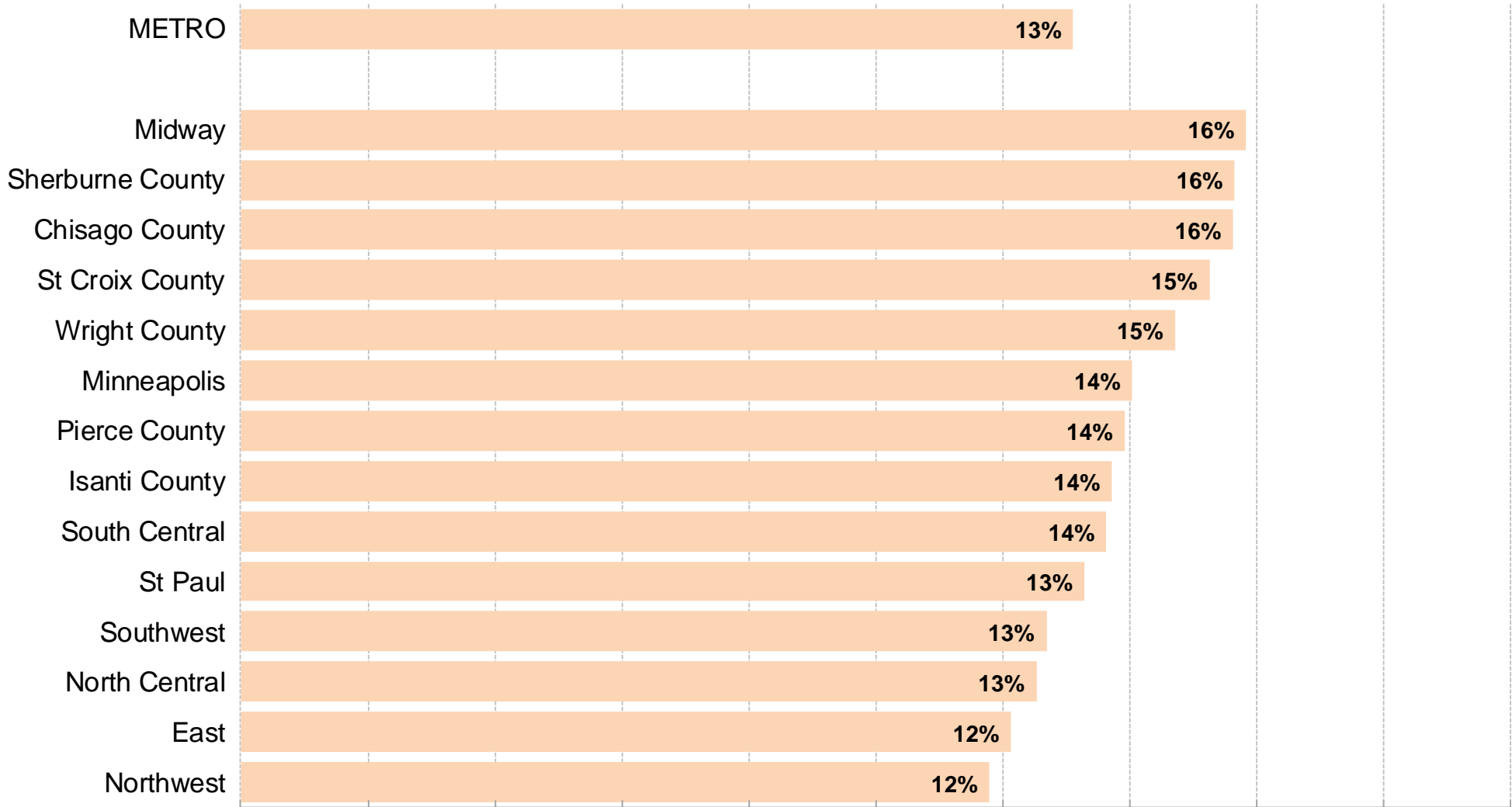


Amazon Will Control One SF Per Adult Consumer By 2022

Amazon's Distribution Network In 2022



Cumulative Rent Growth Since Peak Of Last Cycle (2007Q4)

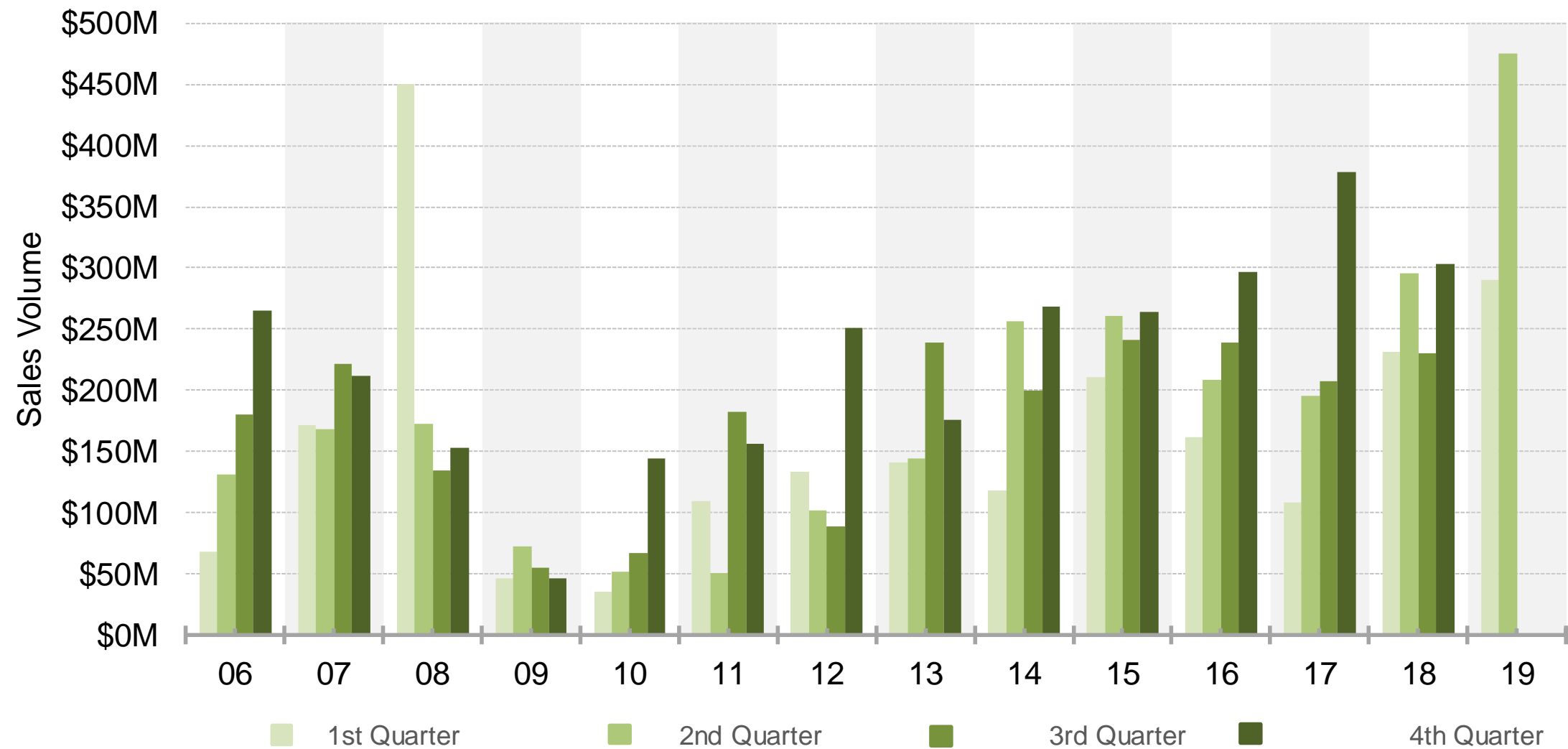


Source: CoStar

Industrial Sales



Quarterly Sales Volume



Source: CoStar
* Year-to-Date as of September 2019

End of 19Q2

Thank You!

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