August 4, 2021

NORTHSTAR APPRAISAL INSTITUTE; 2021 TRENDS

JOEL TORBORG

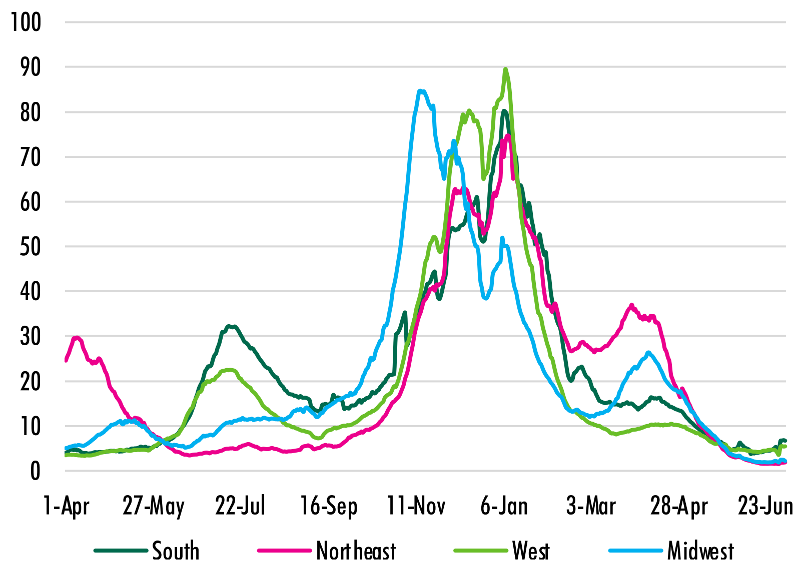
EXECUTIVE VICE PRESIDENT

DEBT & STRUCTURED FINANCE

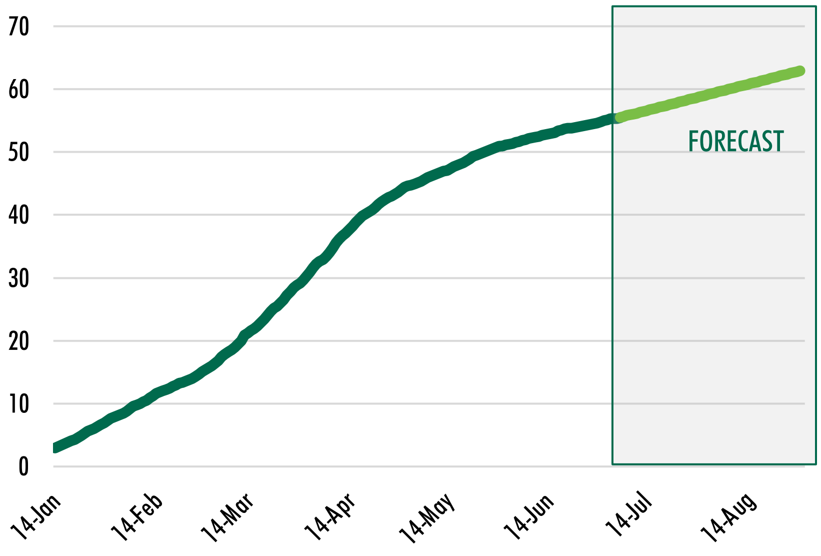
CBRE

COVID-19 VACCINATIONS ARE HUMMING ALONG

New COVID-19 cases per 100K people, 7-day moving average



% of U.S. population that has received 1+ shots

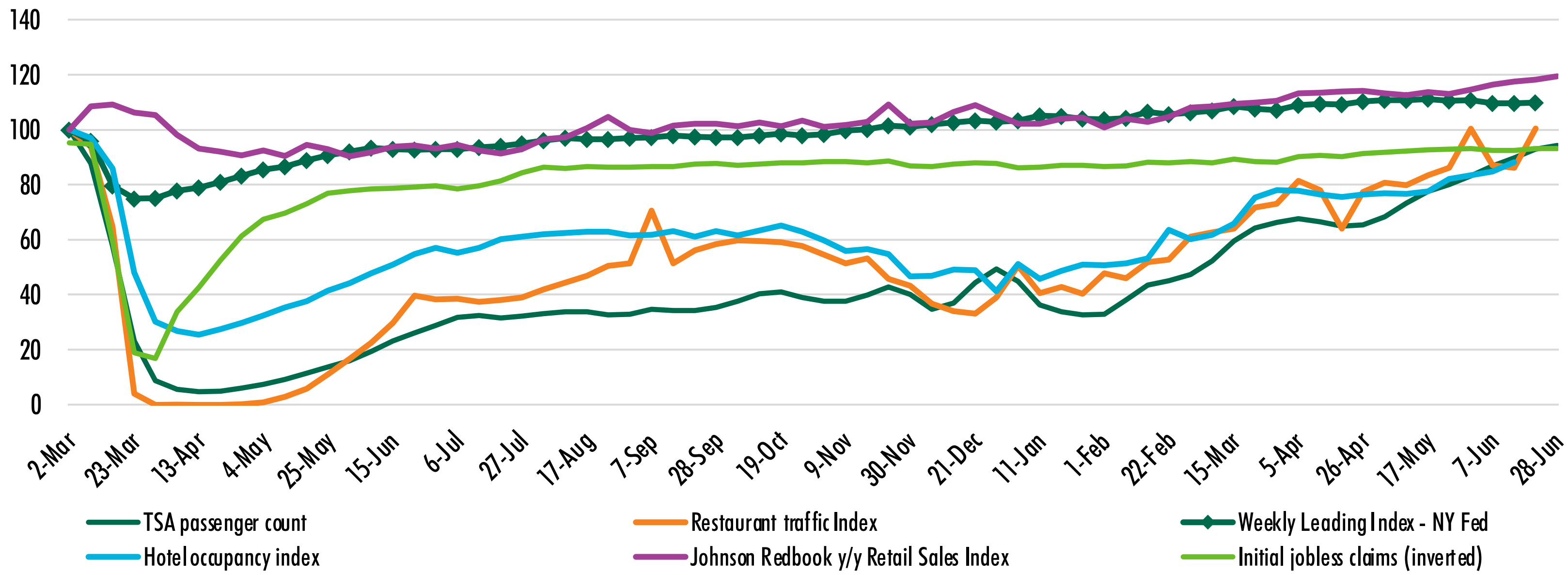


- New COVID-19 cases have settled back to summer 2020 levels.
- The pace of daily COVID-19 vaccinations has slowed since April. If the current vaccination trend persists the U.S. will struggle to vaccinate 70% of the population.

Source: The COVID-19 Tracking Project, The Centers for Disease Control and Prevention, U.S. Census Bureau.

FACE-TO-FACE SERVICES ARE QUICKLY RECOVERING!

Week beginning on March 2nd = 100, weekly frequency

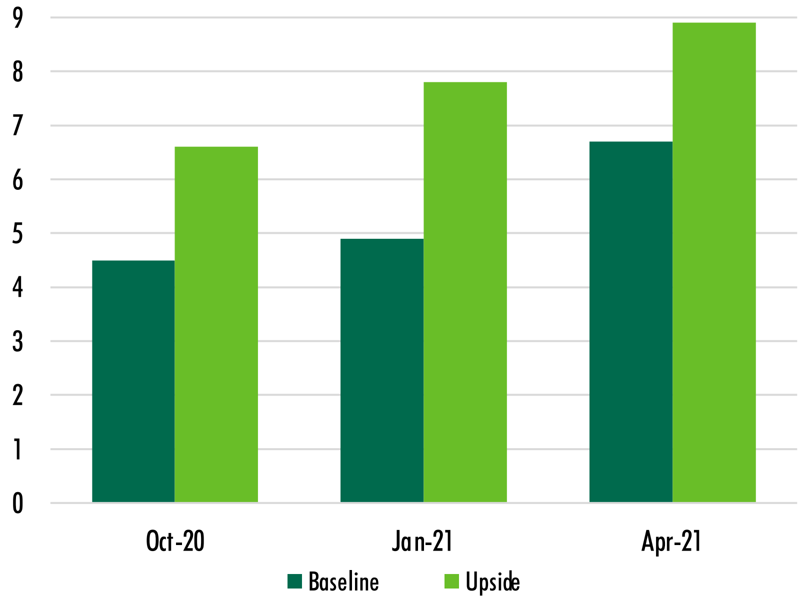


- Consumer activity is coming back with the roll-out of vaccines. The reopening of consumer services will be a boon for the labor market.
- Hotel, restaurant, and airline traffic is at their highest levels since early 2020.

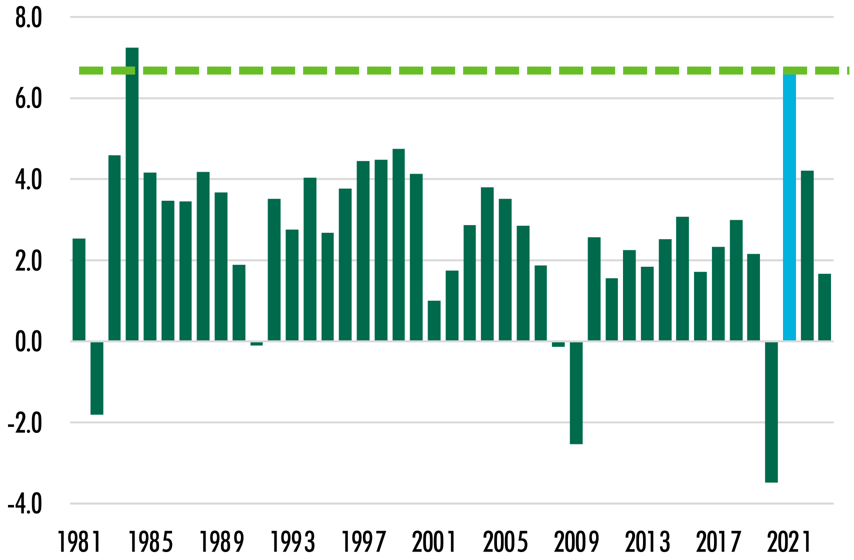
Source: Macrobond.

THE RISK TO THE U.S. ECONOMY IS TILTED TO 'UPSIDE'

2021 GDP growth by scenario and forecast vintage (%)



Annual GDP growth (%)

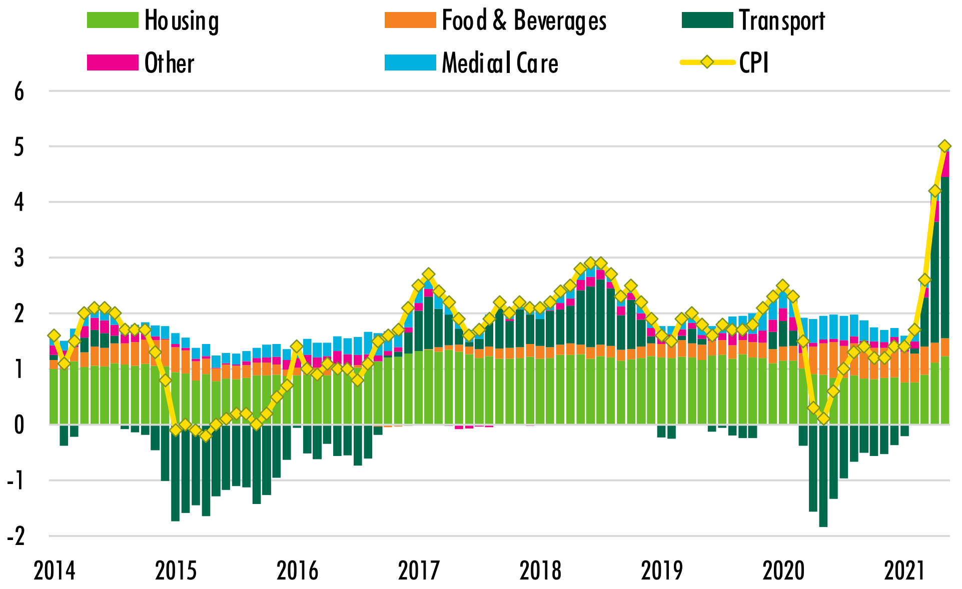


- We increased our outlook for 2021 with the advent of COVID-19 vaccines in late-2020. Returning demand accelerated our view by spring 2021.
- U.S. growth this year will surpass the late-1990s boom and flirt with levels not seen since the early 1980s.

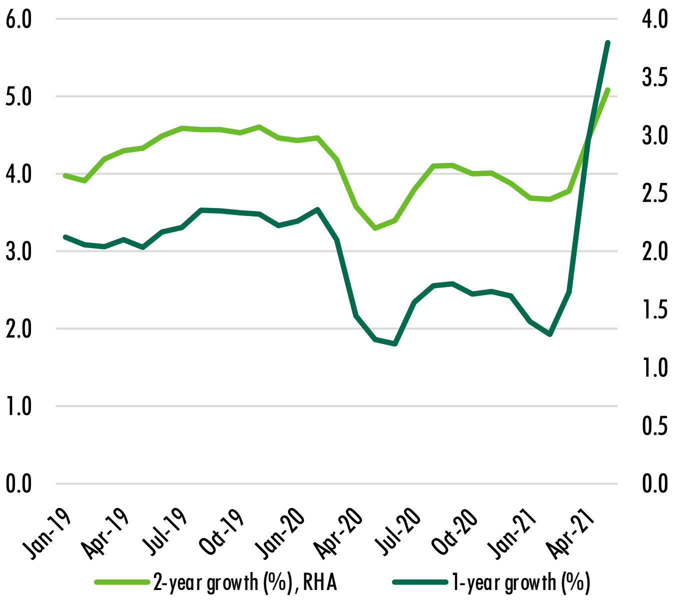
Source: CBRE-EA, Oxford Economics.

A MIX OF SUPPLY SHORTAGES AND BASE EFFECTS ARE DRIVING CPI

CPI, Y-o-Y (%) and contributions from key components



Core CPI, one and two-year growth rates (%)

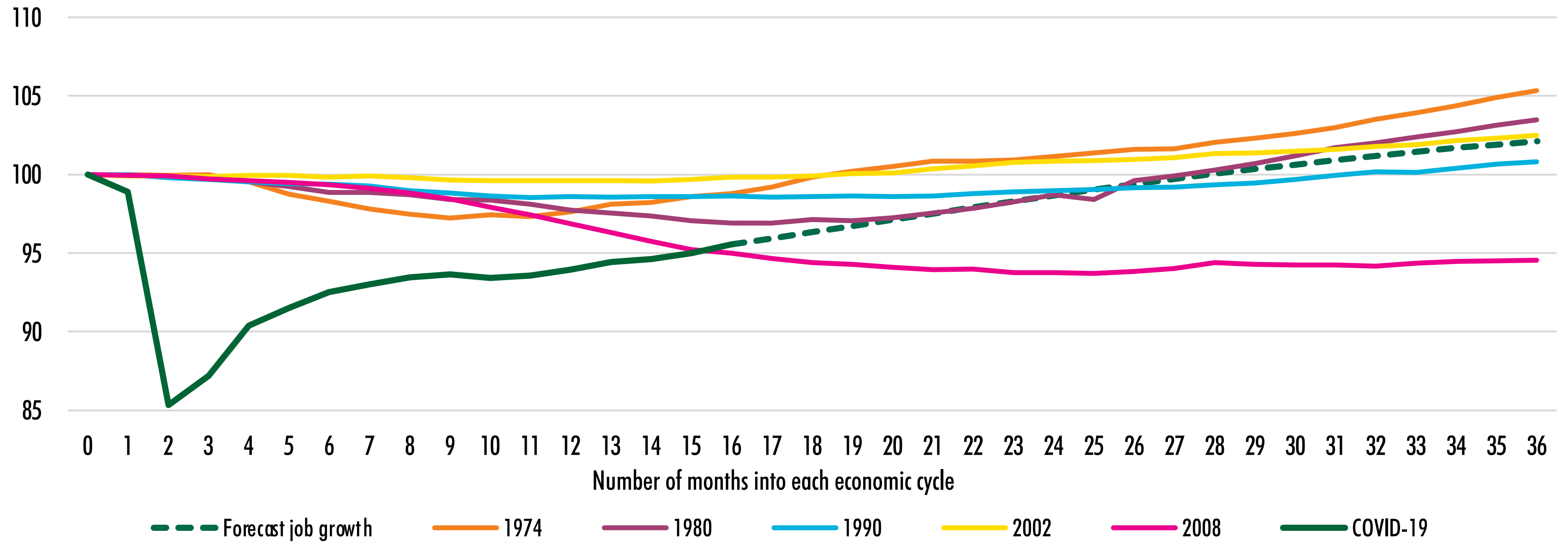


- New and used cars, auto rentals, housing, and recreation are driving the run-up in prices. These factors will dissipate when supply imbalances are sorted.
- CPI in spring 2021 is up significantly from its depths one year ago when COVID-19 decimated economic activity. Price changes are more normal when compared with pre-COVID-19 levels, or two years ago, suggesting that base effects are key drivers of CPI growth.

Source: U.S. Bureau of Labor Statistics.

THE RECOVERY FEELS SLOW BUT IS HAPPENING QUICKER THAN PAST RECESSIONS

Employment cycle index, 100 = Employment peak before the labor market began to contract

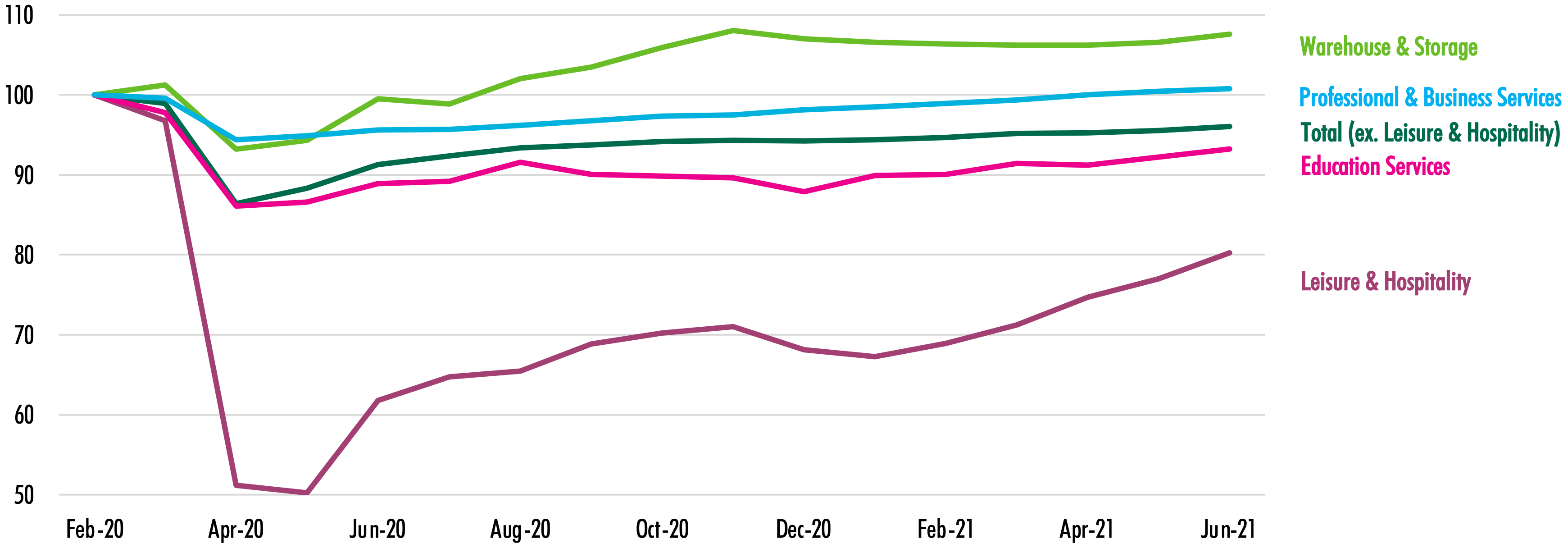


- We anticipate that total employment will regain its pre-recessionary peak roughly 2.5 years from the onset of the Pandemic. This is a stark contrast to the *GFC*.
- The risk to this outlook is tilted to the upside, dependent upon the recovery in the leisure & hospitality sectors.

Source: U.S. Bureau of Labor Statistics, CBRE EA.

THE LABOR MARKET IS NOT A MONOLITH

Employment index, February 2020 = 100

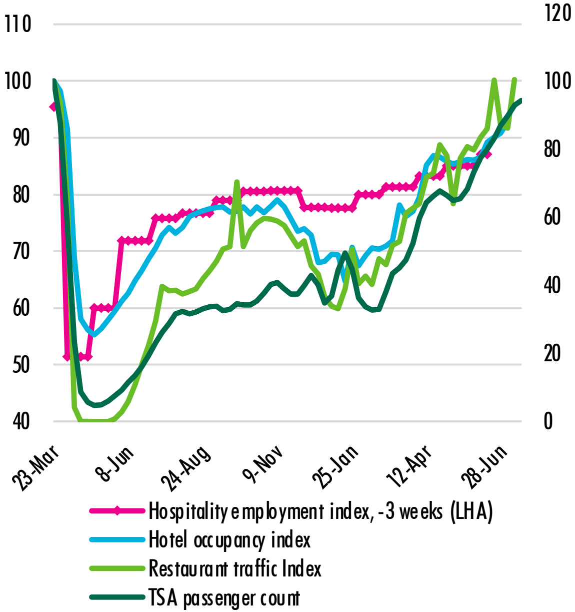


- Employment within some office-using sectors, such as professional & business services, is nearing pre-COVID-19 levels.
- Although the leisure and hospitality sector recovered some momentum in March this industry has a lot of lost ground to recover.

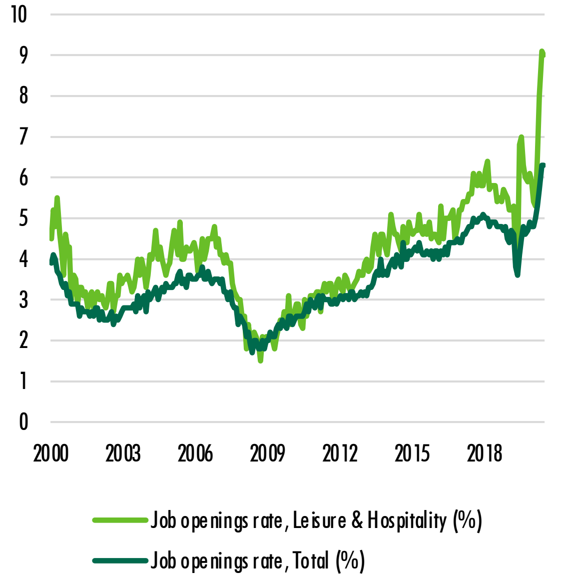
Source: U.S. Bureau of Labor Statistics.

HOSPITALITY EMPLOYMENT IS STAGING A COMEBACK!

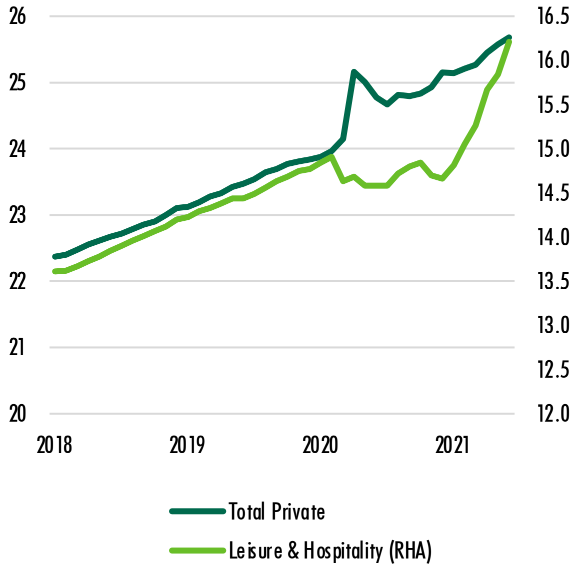
Drivers of hospitality employment index



Job openings rate (%)



Average hourly earnings, USD

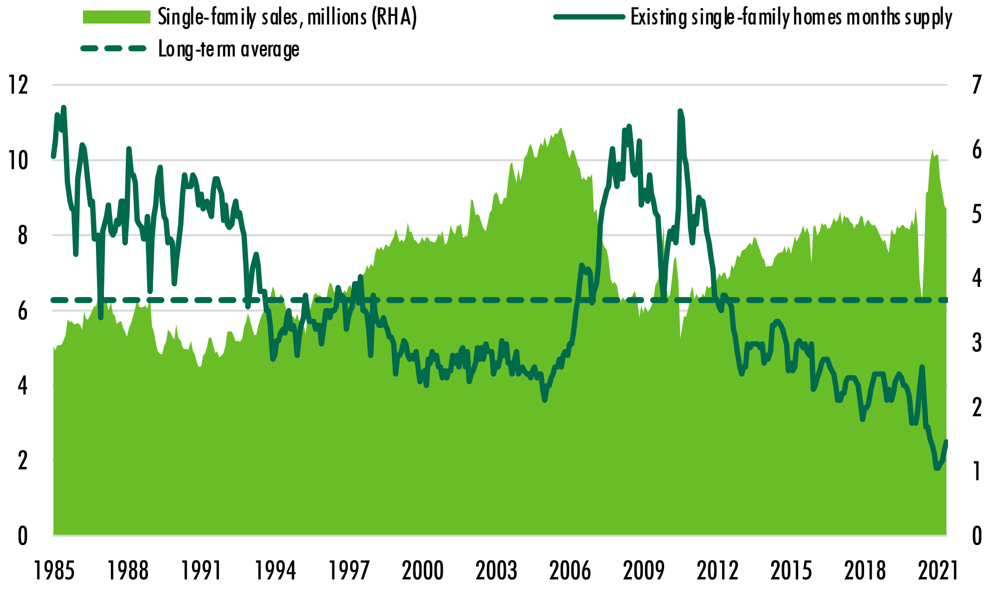


- The return of dining-out and leisure travel is putting upward pressure on hospitality employment.
- It will take some time to match job openings with workers in this space. Presently, hospitality sector wages are rising fast to lure back workers.

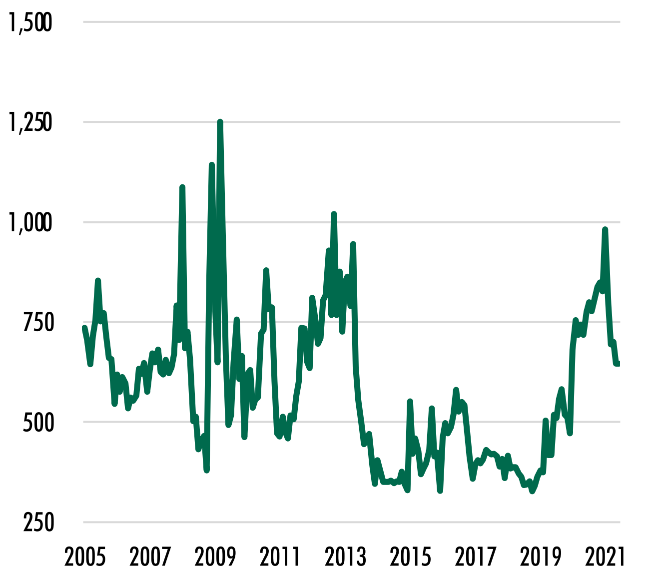
Source: U.S. Bureau of Labor Statistics, OpenTable, Transportation Security Administration.

LIMITED FOR-SALE HOUSING INVENTORY IS WEIGHING ON SALES

Low mortgage rates are helping drive sales



Mortgage application index

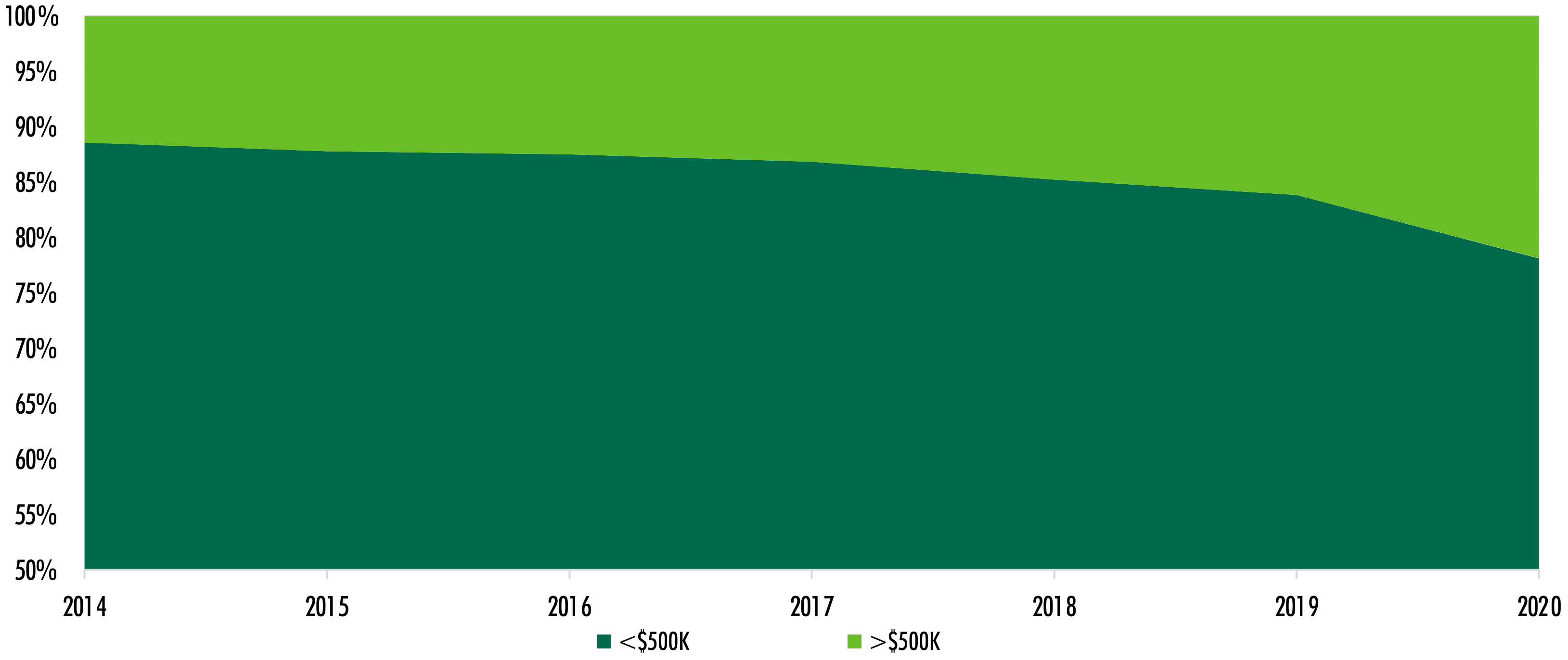


- Single-family sales appear to be stalling, albeit near 2005 levels, as the supply of for-sale housing is at record low levels.
- Rising mortgage rates might also be contributing to lower mortgage applications.

Source: National Association of Realtors, Federal Reserve, Mortgage Bankers Association.

THE HOUSING MARKET IS ALSO TOUGH FOR YOUNGER, FIRST-TIME BUYERS

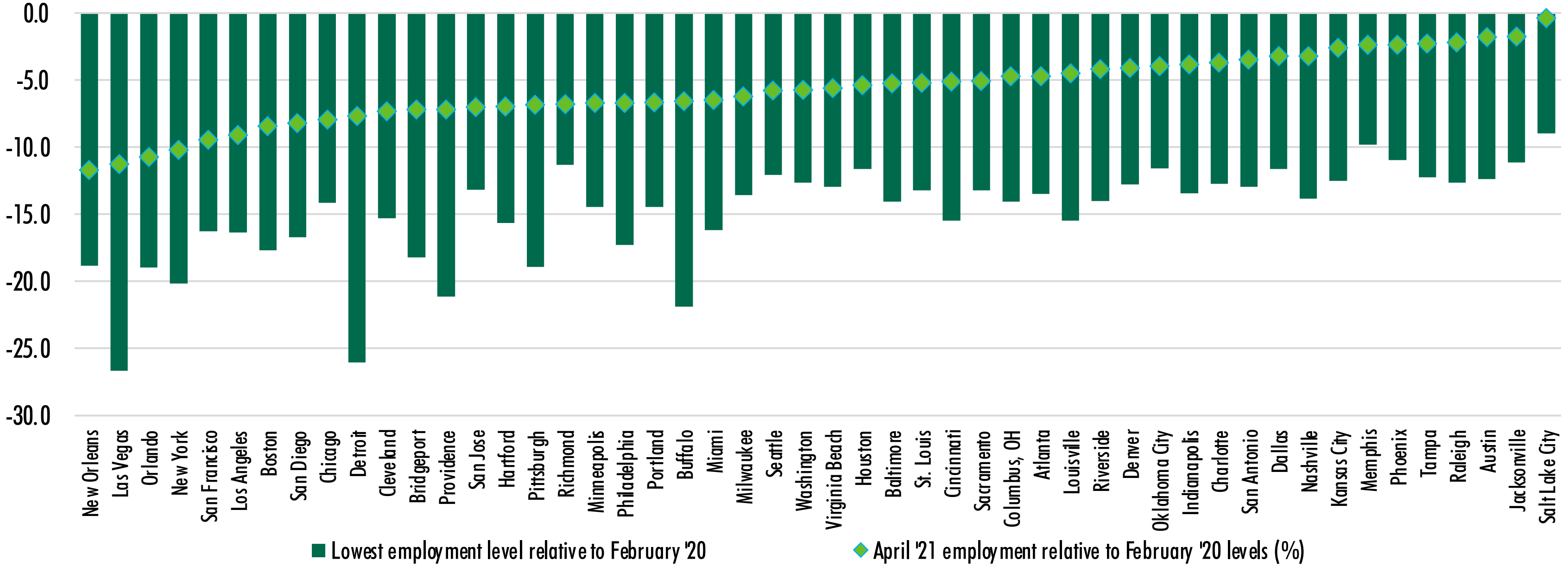
Share of home sales by price bracket (%)



Source: U.S. Census Bureau.

CITIES WITH STRICT LOCKDOWN MANDATES HAVE A LONGER ROAD TO RECOVERY

Employment loss at the nadir of the COVID-19 cycle; April '21 employment relative to February '20 levels (%)

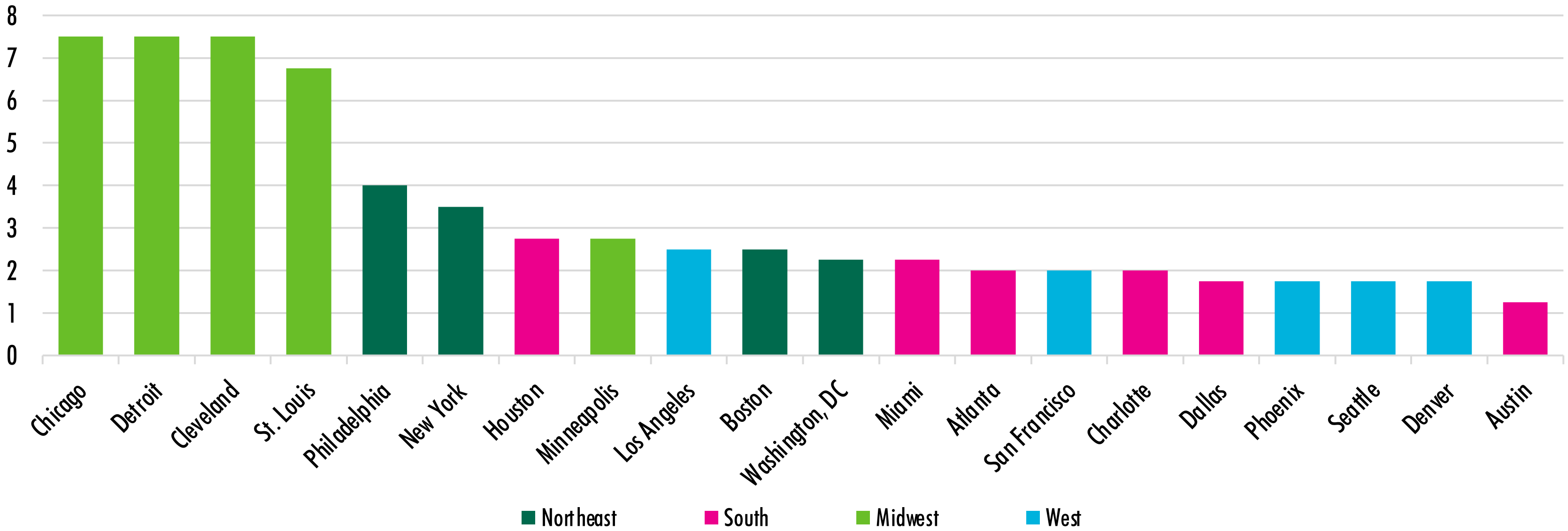


- Cities with high exposure to the hospitality sector (e.g., Las Vegas, Orlando) and places with relatively strict social distancing rules (e.g., San Francisco and New York) have seen the most intense job losses. Key manufacturing hubs have regained many of the jobs lost in April but maintain a sizable gap from 2019 employment levels.
- Places with a more *laissez-faire* approach to social distancing now have employment that is less than 5% below pre-COVID-19 levels.

Source: U.S. Bureau of Labor Statistics.

OUR OUTLOOK FOR METRO-LEVEL ECONOMIC PERFORMANCE

Number of years for metro employment to surpass pre-COVID-19 levels

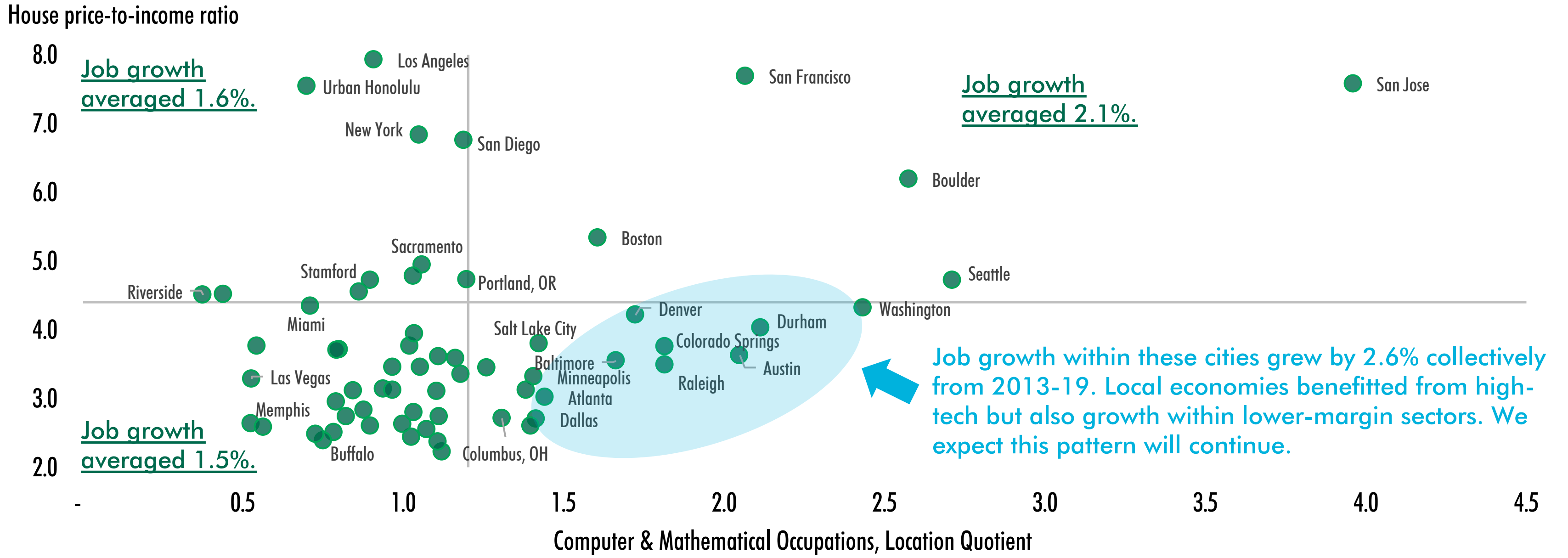


- Whilst slowing population and labor force growth will restrain growth nationally, these factors will be especially problematic for Midwestern metros. Some of these factors will also be relevant for large Northeastern metros, but a stronger industry mix will create greater job growth.
- Stronger labor force growth and a growing industry mix will support a decent recovery across the South and Pacific coast. Cities with exposure to information technology will likely see a slightly quicker recovery.

Source: Oxford Economics, CBRE EA.

PLACES THAT ARE HIGHLY-SKILLED WITH LOWER-COSTS ARE PRIMED FOR GROWTH

Metro education attainment versus housing affordability

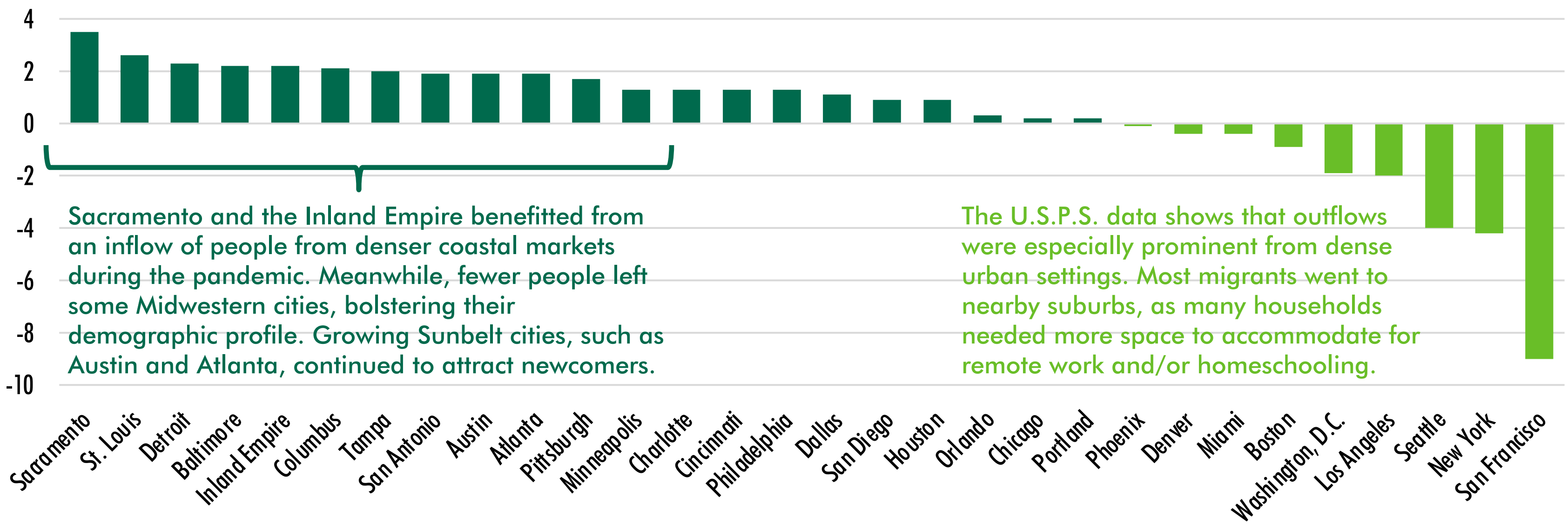


- Cities with the best growth prospects tend to be both highly skilled and moderately priced. A skilled labor force attracts firms, whilst cheaper housing attracts labor.
- Not only will Austin, Denver, Raleigh-Durham, and Colorado's Front Range benefit from an expansion of high-tech industries but robust population growth will also support local sectors, such as construction, retail, and health care.

Source: U.S. Bureau of Labor Statistics, Brookings Institute. Note: Axis intersection represents the average all cities displayed.

COVID-19 ESCALATED OUT-MIGRATION FROM HIGH-COST CITIES, PER THE POSTAL SERVICE

Change in net moves per 1,000 residents; 2020 less 2019

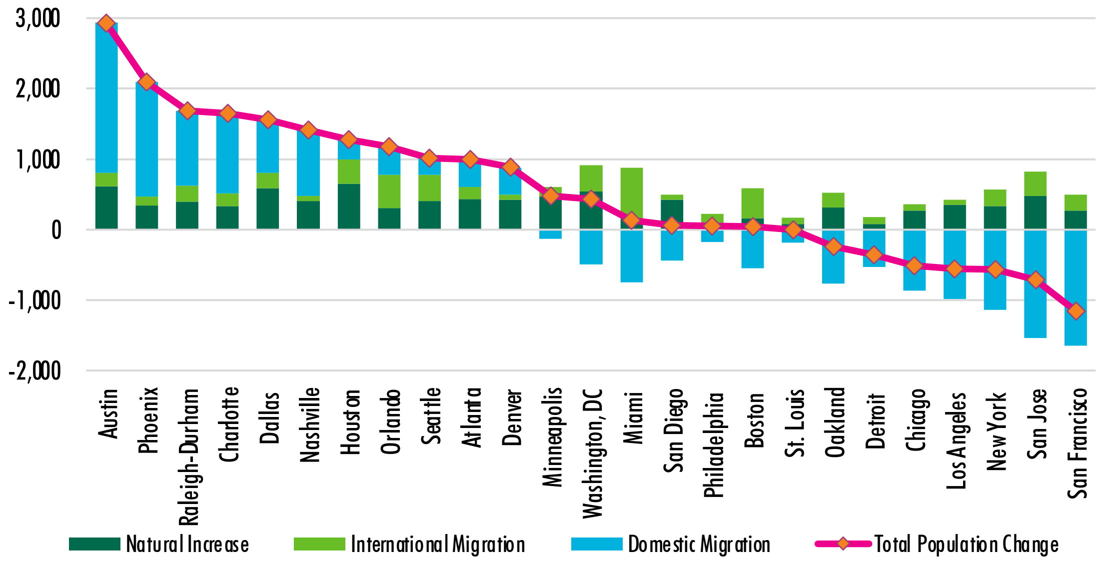


- To better understand migration patterns during COVID-19 we analyzed address change request data from the U.S. Postal Service. Specifically, we looked at how net move-ins to a metro during 2020 compared with 2019 to study the pandemic's impact on demographics.
- As often reported, high-cost and high-density metros saw an outflow of people during 2020.

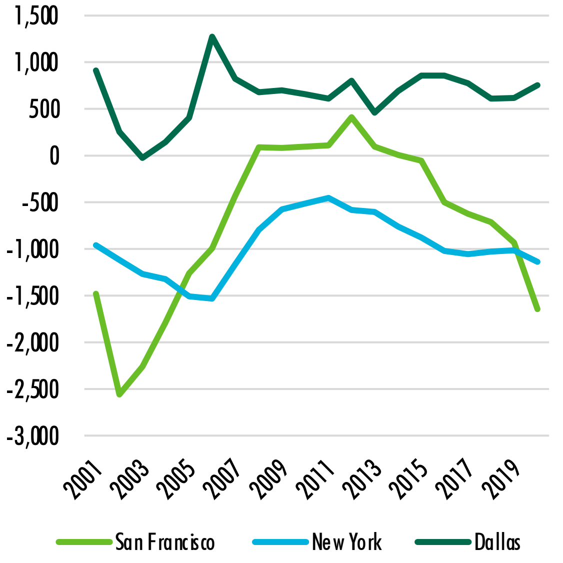
Source: United States Postal Service, CBRE EA.

DATA FROM THE U.S. CENSUS TELLS A SIMILAR STORY AS THE POSTAL SERVICE

Components of metro population growth per 100K residents, 2020



Net domestic migration per 100K

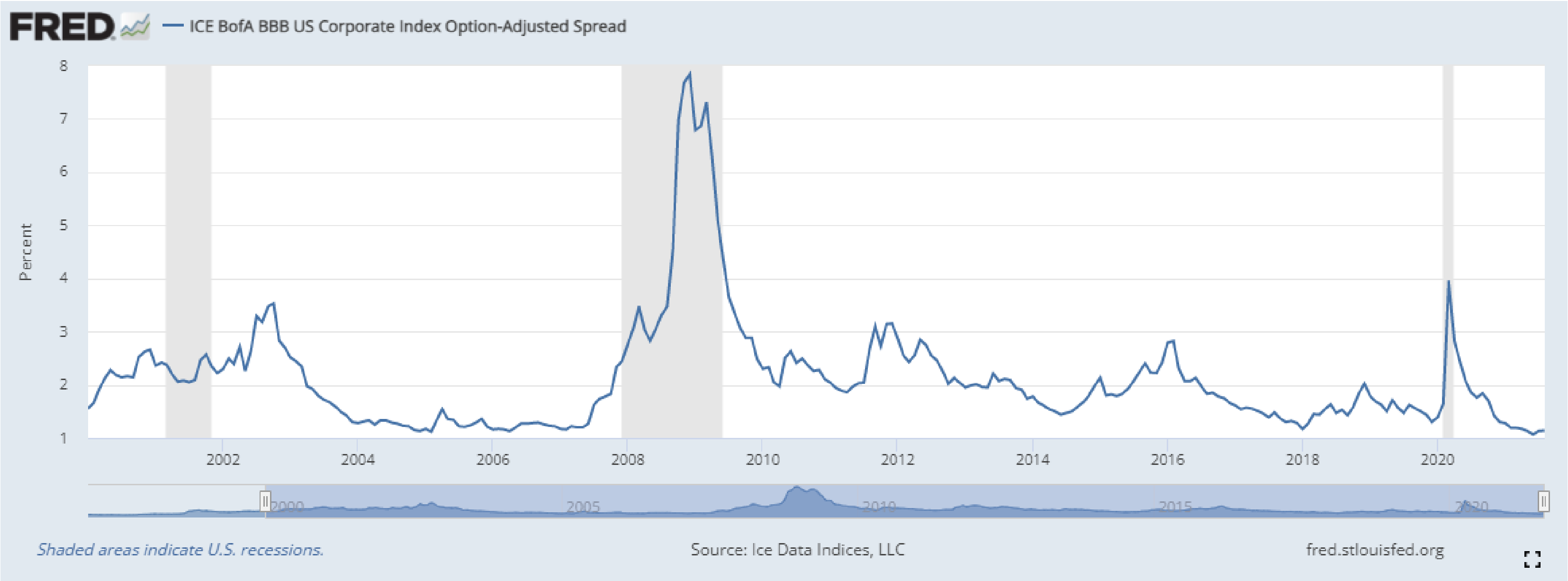


- High-cost and high-density cities saw a noticeable net outflow of people during 2020. U.S. Census time series data shows this was quite pronounced in San Francisco.
- Meanwhile, places that have traditionally benefitted from in-migration continued to do so.

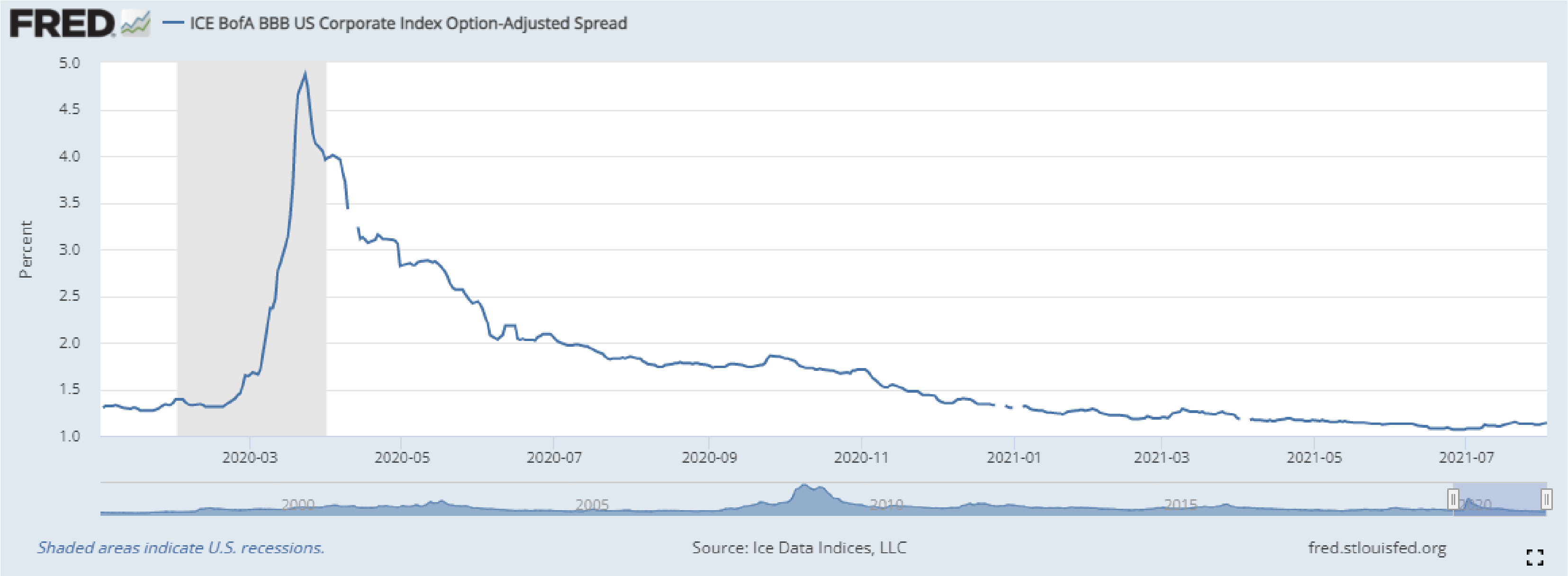
Source: U.S. Census, CBRE EA. Note: Data refers to estimates for Aug 2019-Jul 2020 and not the 2020 Decennial Census.

INTEREST RATES & SPREADS

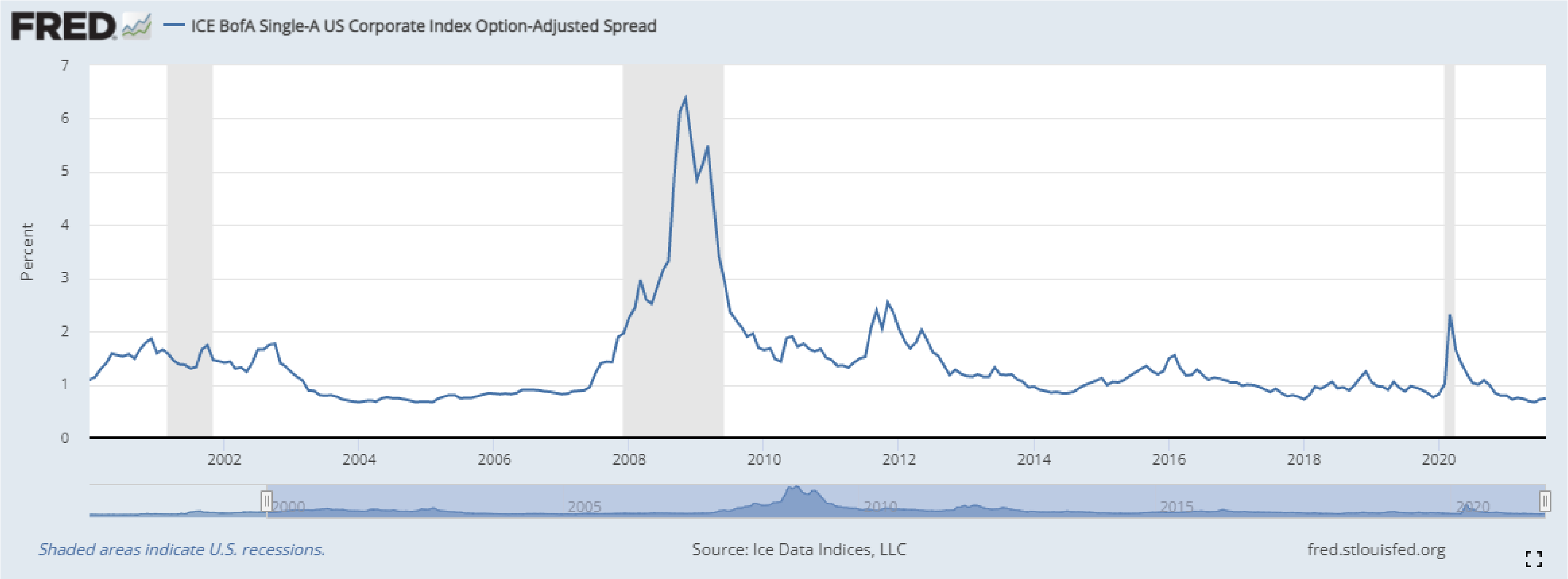
BBB US Corporate Bond Index (1/1/2000 - Present)



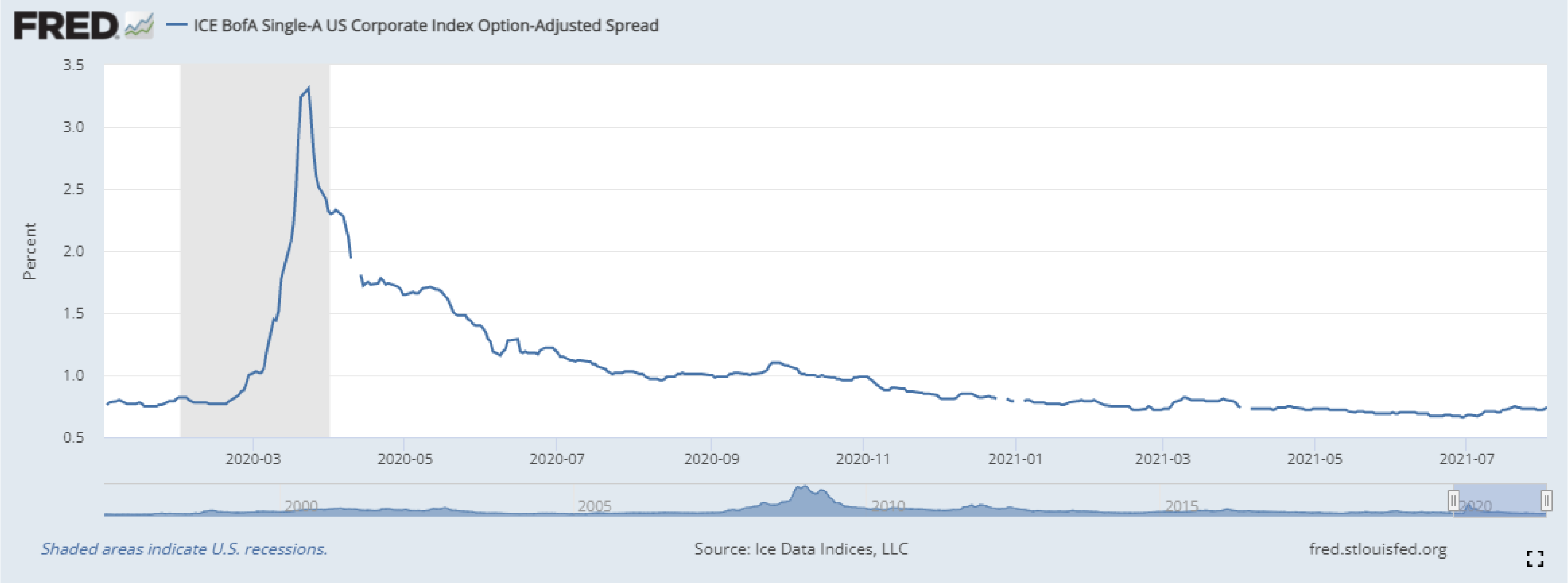
BBB US Corporate Bond Index (1/1/2020 - Present)



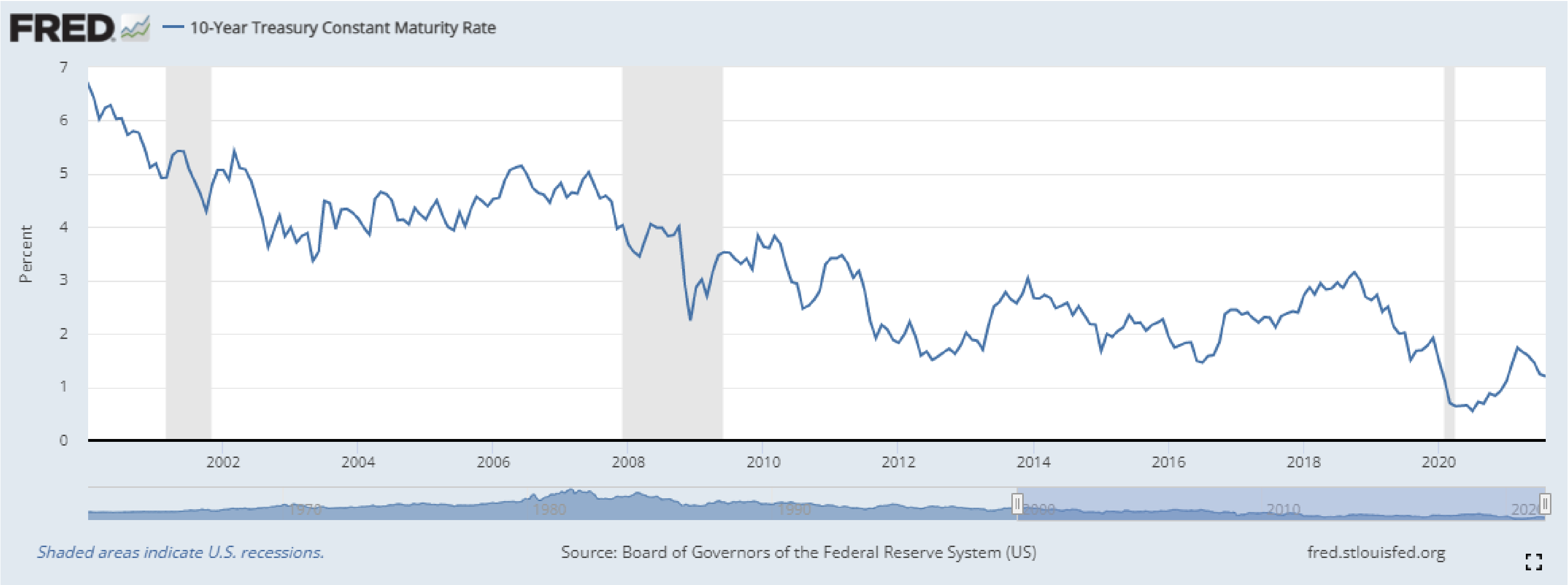
Single-A US Corporate Bond Index (1/1/2000 - Present)



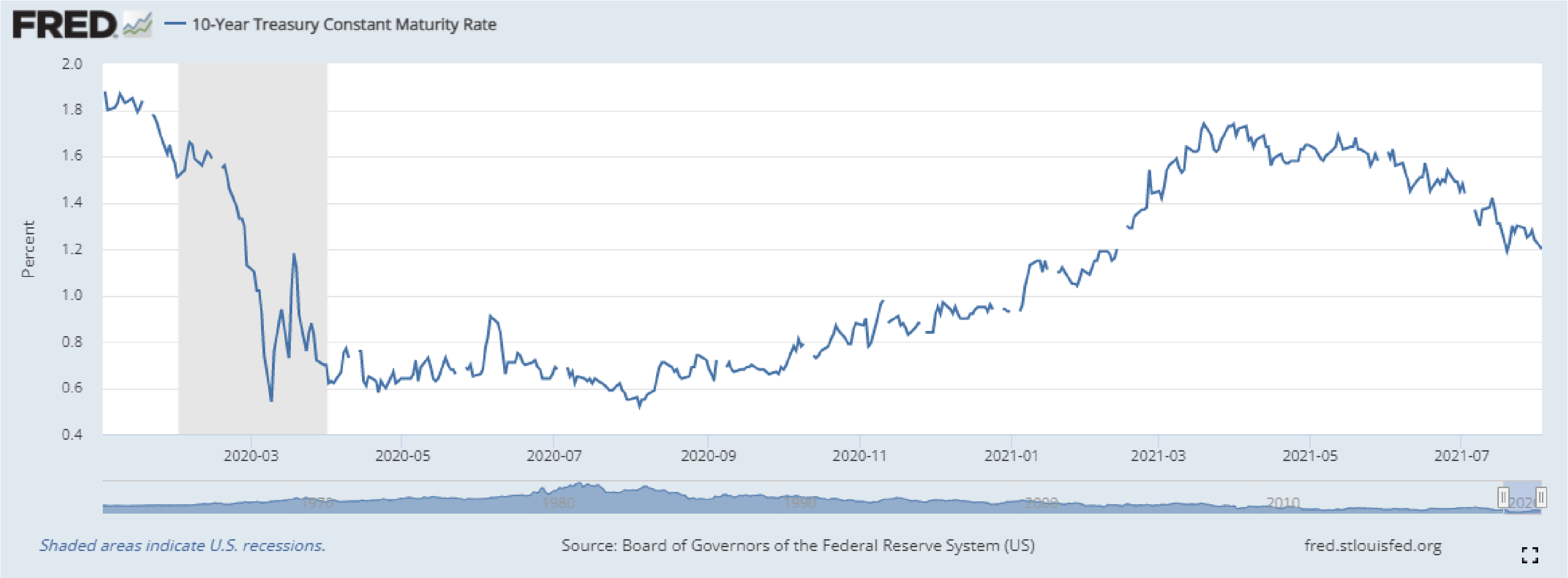
Single-A US Corporate Bond Index (1/1/2020 - Present)



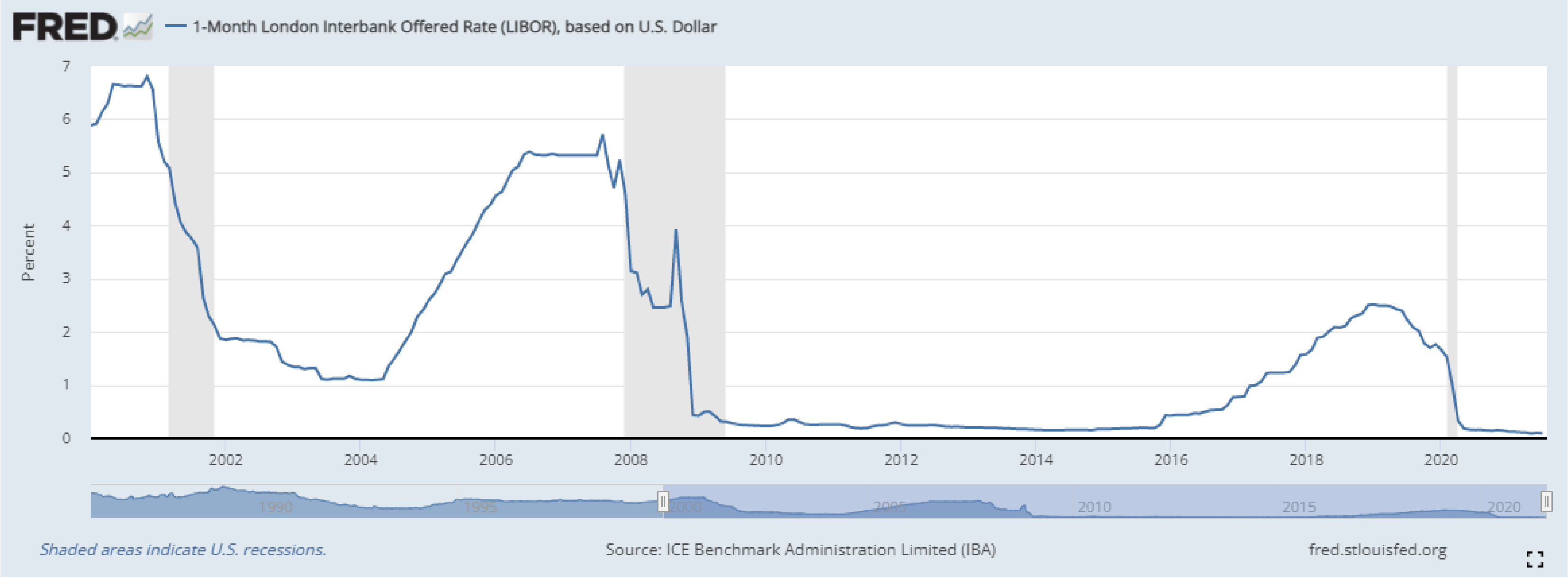
10-Year US Treasury Rate(1/1/2000 - Present)



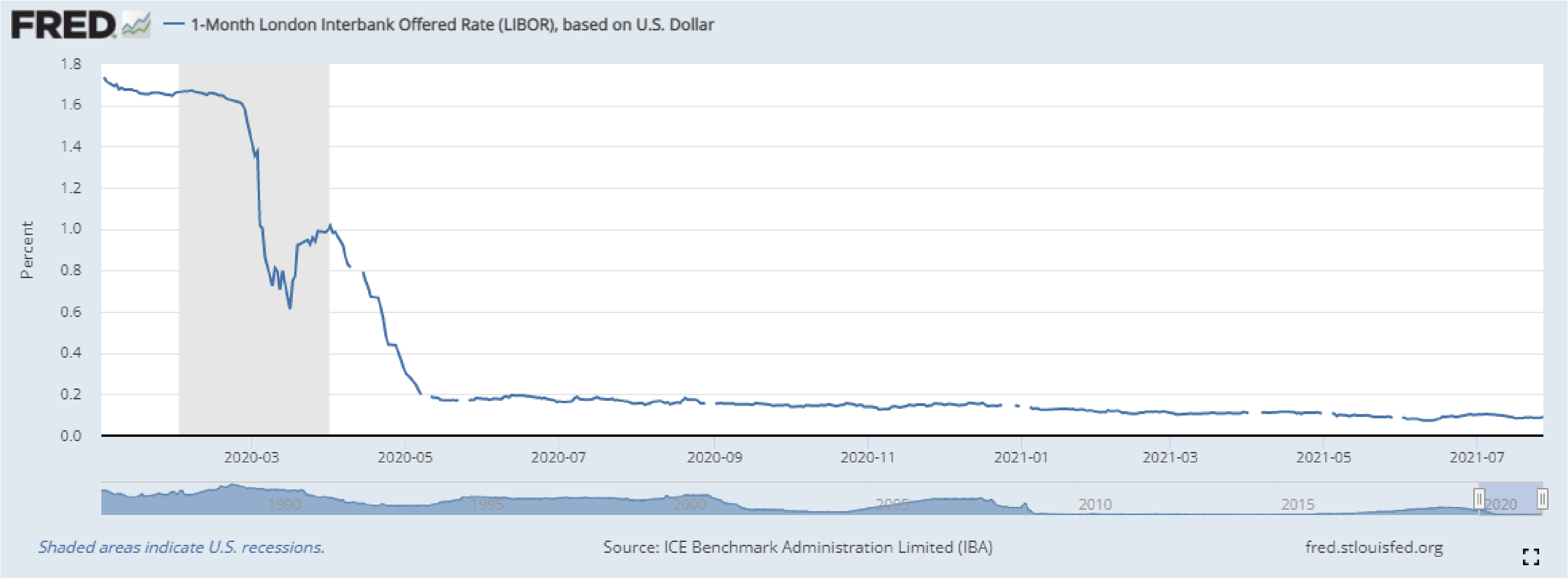
10 - Year US Treasury Rate(1/1/2020 - Present)



30-Day LIBOR (1/1/2000 - Present)



30-Day LIBOR(1/1/2020 - Present)



DEBT OVERVIEW

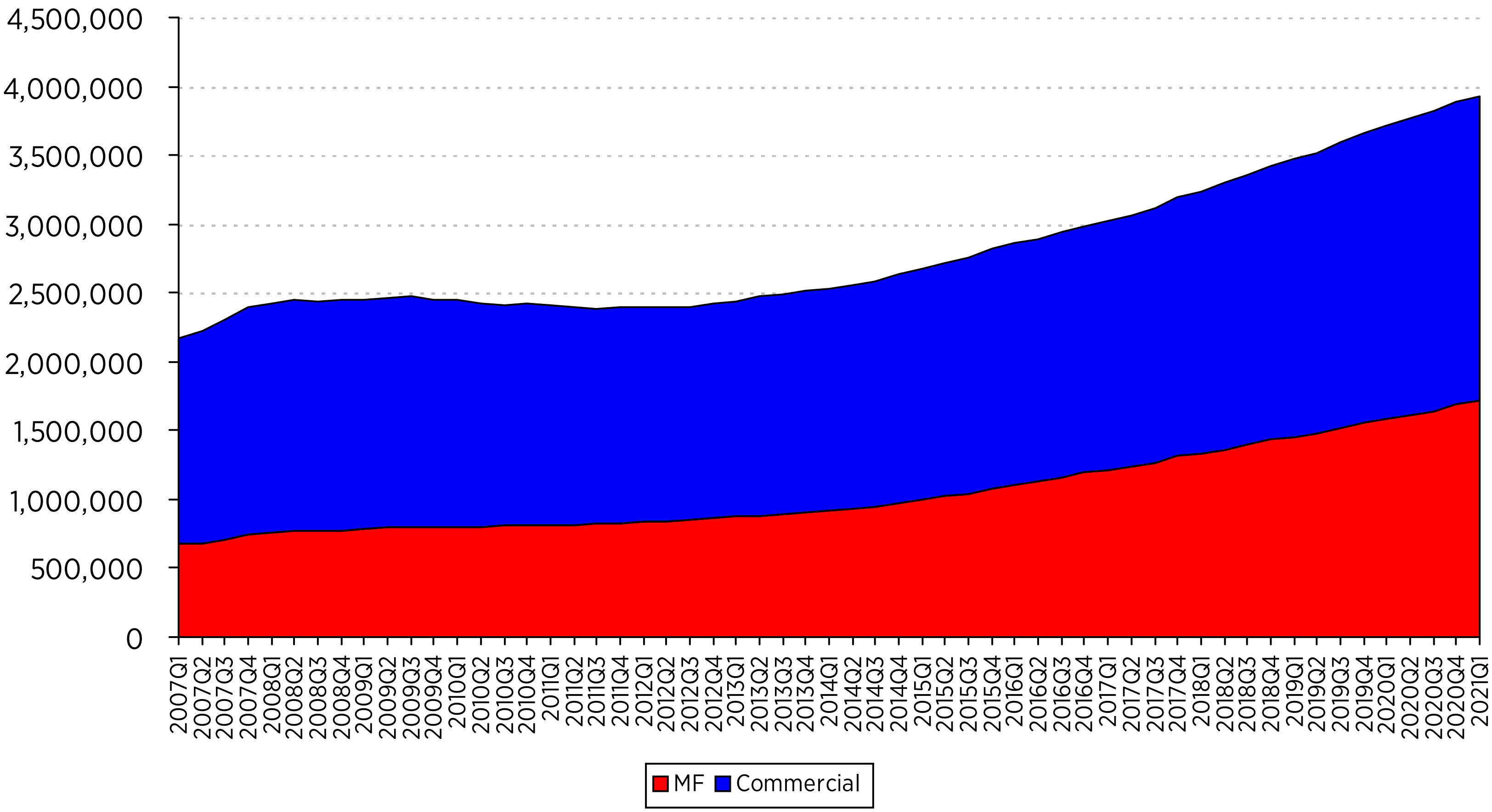
COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

($millions)

MBa

MORTGAGE BANKERS ASSOCIATION



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

MORTGAGE BANKERS ASSOCIATION

	Mortgage Debt Outstanding				Change		Sector Share of $ Change
	2021 Q1		2020 Q4				
	($millions)	% of total	($millions)	% of total	($millions)	Percent	
Bank and Thrift	1,485,297	37.8%	1,478,516	38.1%	6,781	0.5%	15.2%
Agency and GSE portfolios and MBS	860,914	21.9%	837,867	21.6%	23,047	2.8%	51.6%
Life insurance companies	587,784	15.0%	586,930	15.1%	854	0.1%	1.9%
CMBS, CDO and other ABS issues	540,439	13.8%	533,468	13.7%	6,971	1.3%	15.6%
State and local government	127,362	3.2%	126,151	3.2%	1,211	1.0%	2.7%
REITs	98,657	2.5%	93,762	2.4%	4,895	5.2%	11.0%
Federal government	87,080	2.2%	86,477	2.2%	603	0.7%	1.4%
Nonfarm noncorporate business	34,402	0.9%	34,341	0.9%	61	0.2%	0.1%
Finance companies	32,525	0.8%	32,908	0.8%	-383	-1.2%	-0.9%
Private pension funds	26,715	0.7%	26,397	0.7%	318	1.2%	0.7%
Other insurance companies	24,330	0.6%	24,269	0.6%	61	0.3%	0.1%
Nonfinancial corporate business	15,755	0.4%	15,511	0.4%	244	1.6%	0.5%
State and local government retirement funds	5,142	0.1%	5,171	0.1%	-29	-0.6%	-0.1%
Household sector	1,244	0.0%	1,236	0.0%	8	0.6%	0.0%
TOTAL	3,927,646		3,883,004		44,642	1.1%	

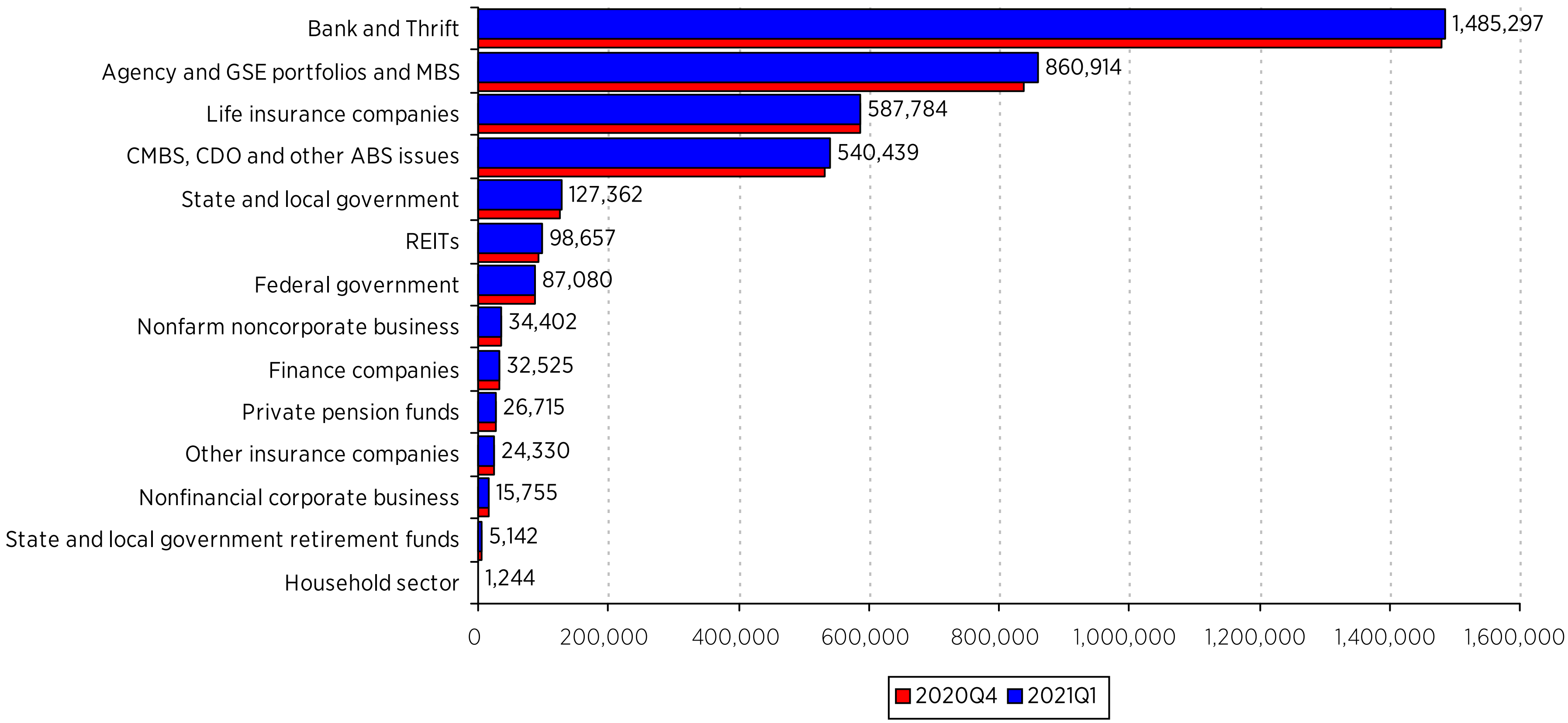
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

Note: Beginning with the Q2 2014 release, MBA's analysis of mortgage debt outstanding modifies the data from the Federal Reserve's Financial Accounts of the United States with respect to loans held in commercial mortgage-backed securities (CMBS) and by real estate investment trusts (REITs). The corrections create differences with previous releases and with the Federal Reserve data. For more information, please see the Appendix to this report.

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector

($millions)



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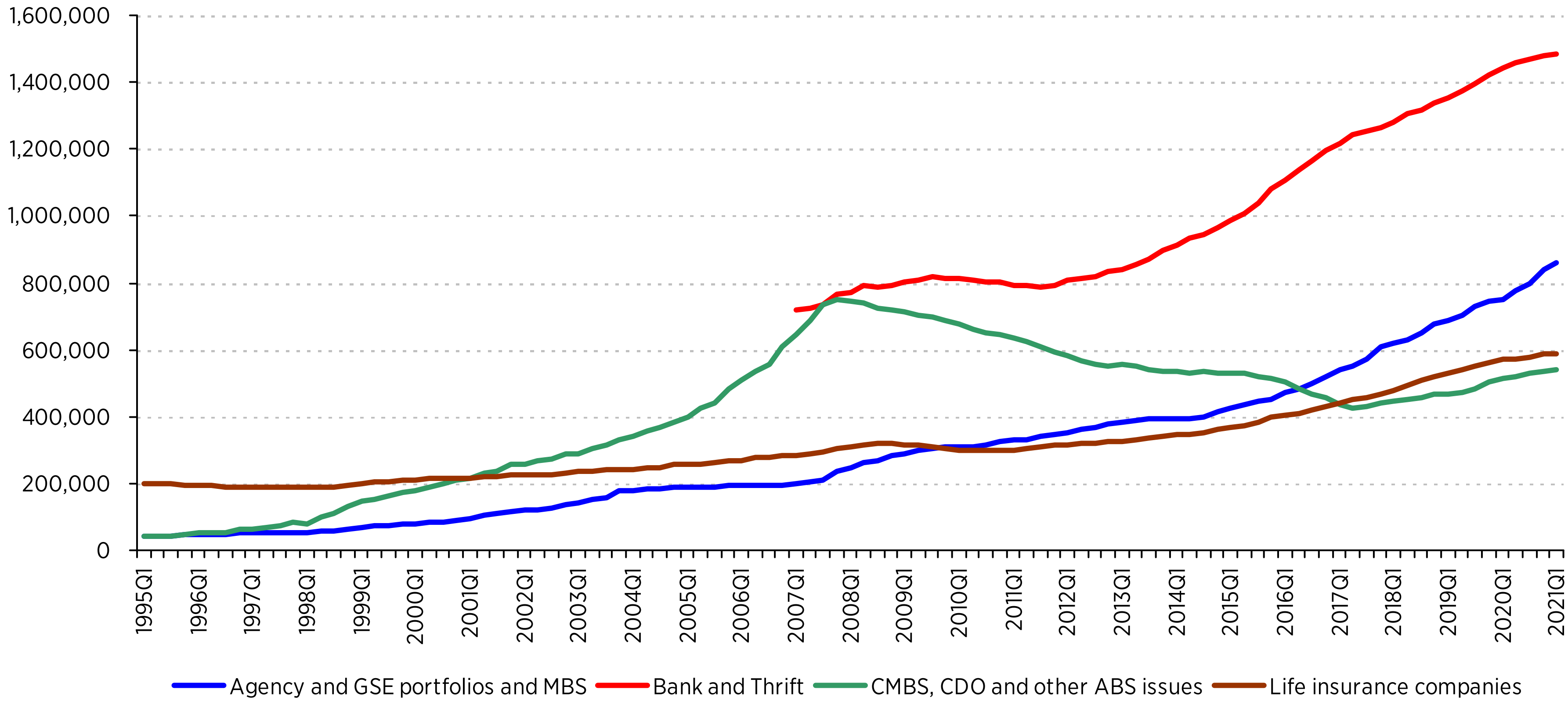
COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

($millions)

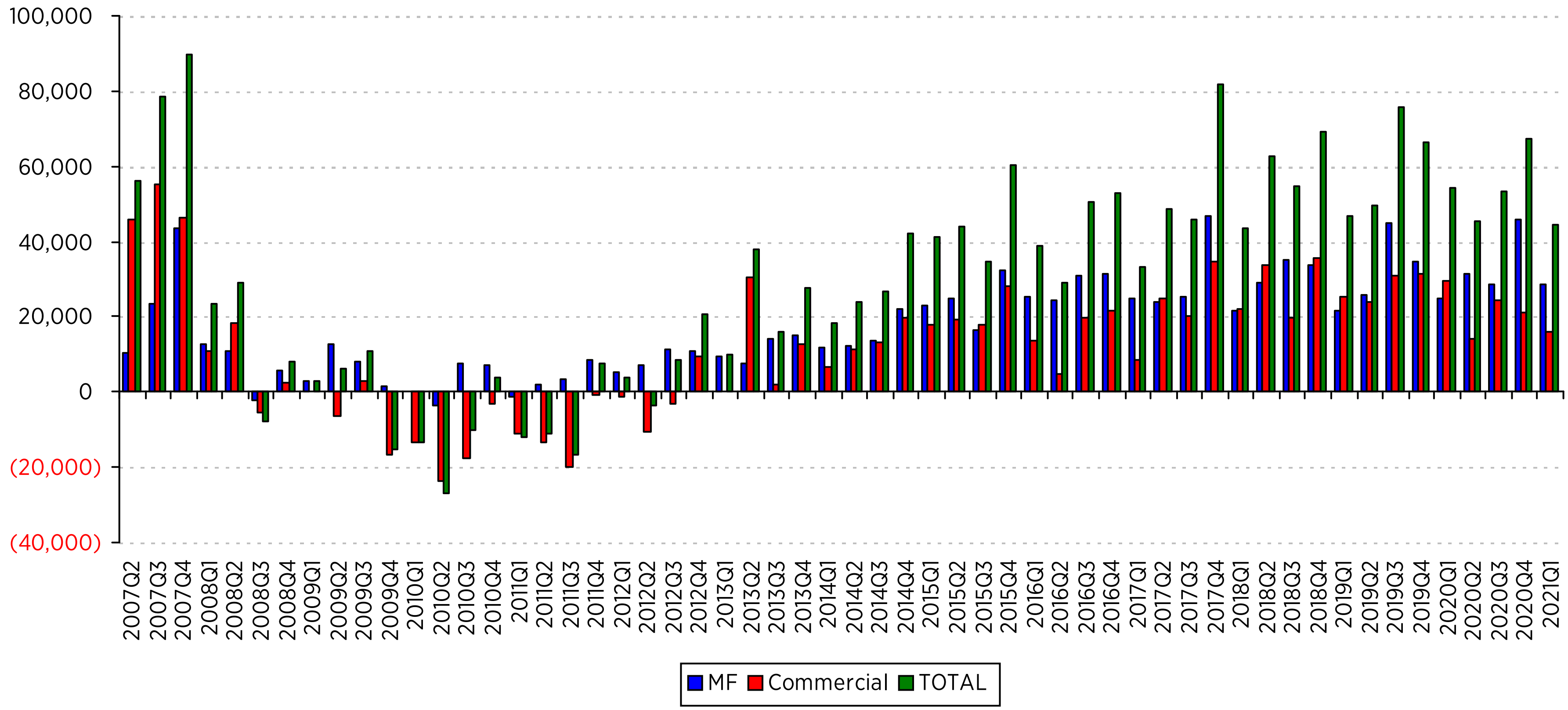


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

Net Change in Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

($millions)



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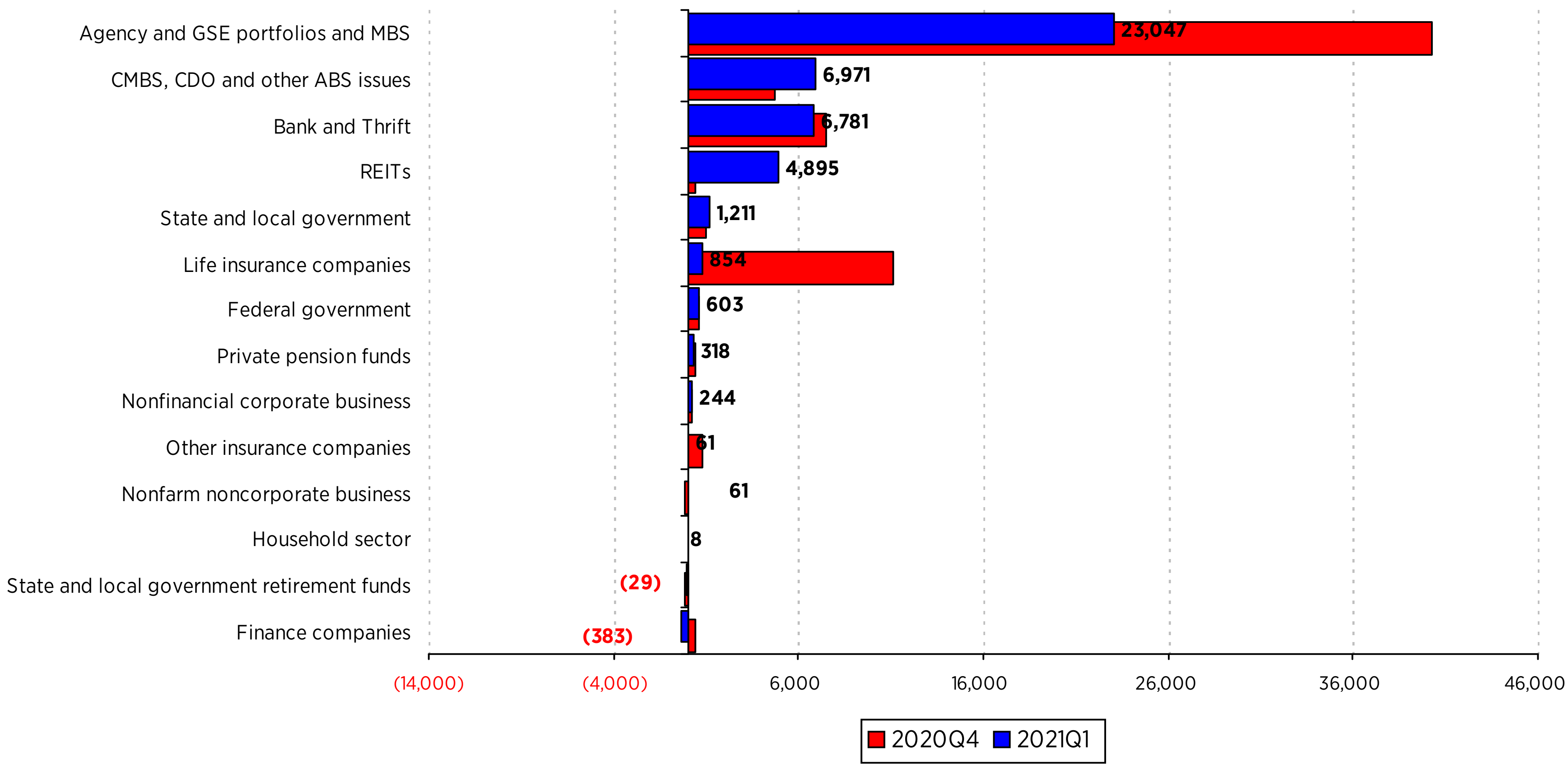
MORTGAGE BANKERS ASSOCIATION



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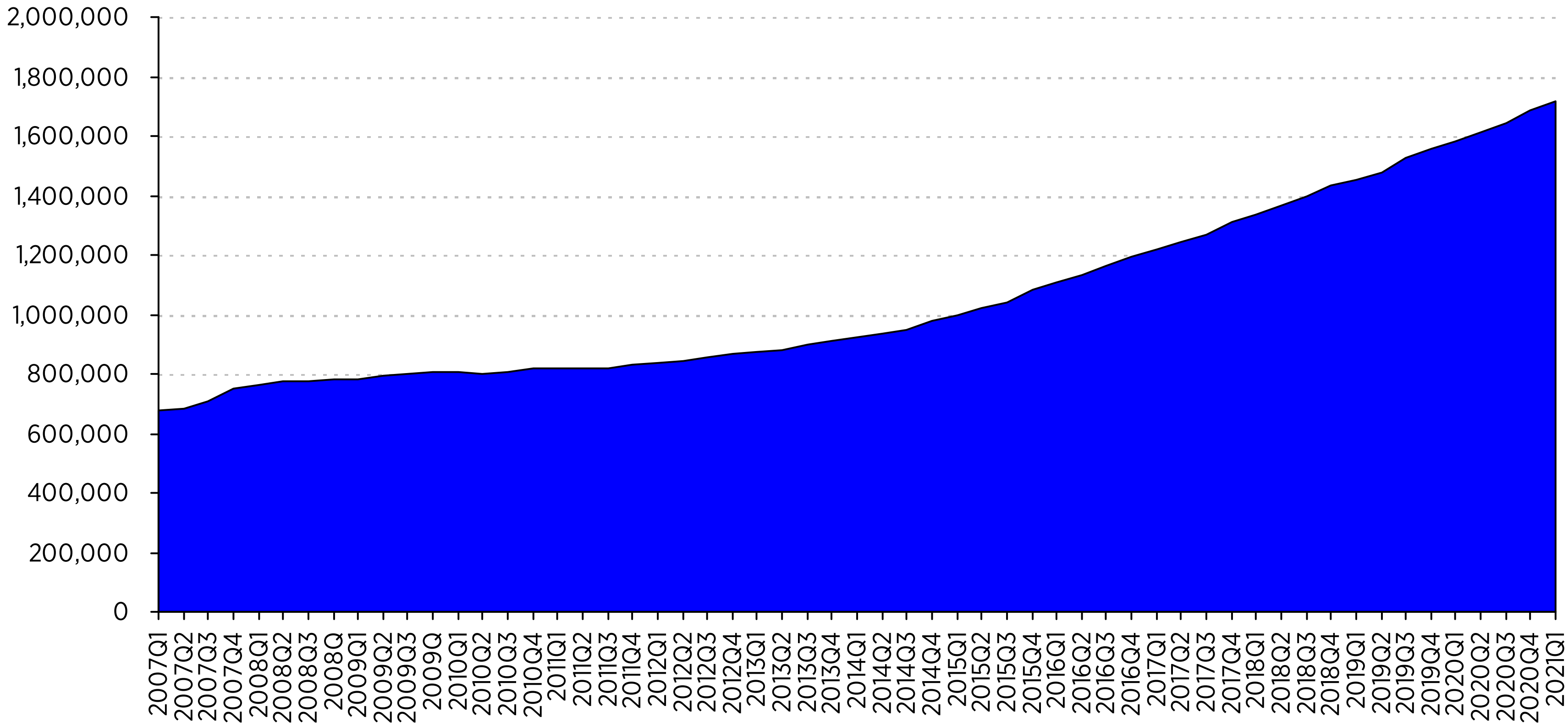
MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Quarter

($millions)

MORTGAGE BANKERS ASSOCIATION



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QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector

MORTGAGE BANKERS ASSOCIATION

	Mortgage Debt Outstanding				Change		Sector Share of $ Change
	2021 Q1		2020 Q4				
	($millions)	% of total	($millions)	% of total	($millions)	Percent	
Agency and GSE portfolios and MBS	860,914	50.1%	837,867	49.6%	23,047	2.8%	80.0%
Bank and Thrift	481,264	28.0%	479,825	28.4%	1,439	0.3%	5.0%
Life insurance companies	171,146	10.0%	169,829	10.1%	1,317	0.8%	4.6%
State and local government	105,885	6.2%	105,209	6.2%	676	0.6%	2.3%
CMBS, CDO and other ABS issues	52,724	3.1%	51,282	3.0%	1,442	2.8%	5.0%
Nonfarm noncorporate business	19,119	1.1%	19,085	1.1%	34	0.2%	0.1%
Federal government	11,128	0.6%	11,114	0.7%	14	0.1%	0.0%
Finance companies	5,429	0.3%	5,488	0.3%	-59	-1.1%	-0.2%
REITs	6,456	0.4%	5,498	0.3%	958	17.4%	3.3%
State and local government retirement funds	2,410	0.1%	2,424	0.1%	-14	-0.6%	0.0%
Private pension funds	518	0.0%	583	0.0%	-65	-11.1%	-0.2%
Nonfinancial corporate business	591	0.0%	582	0.0%	9	1.5%	0.0%
TOTAL	1,717,584		1,688,786		28,798	1.7%	

Source: MBA, Federal Reserve Board of Governors, Trepp LLC, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

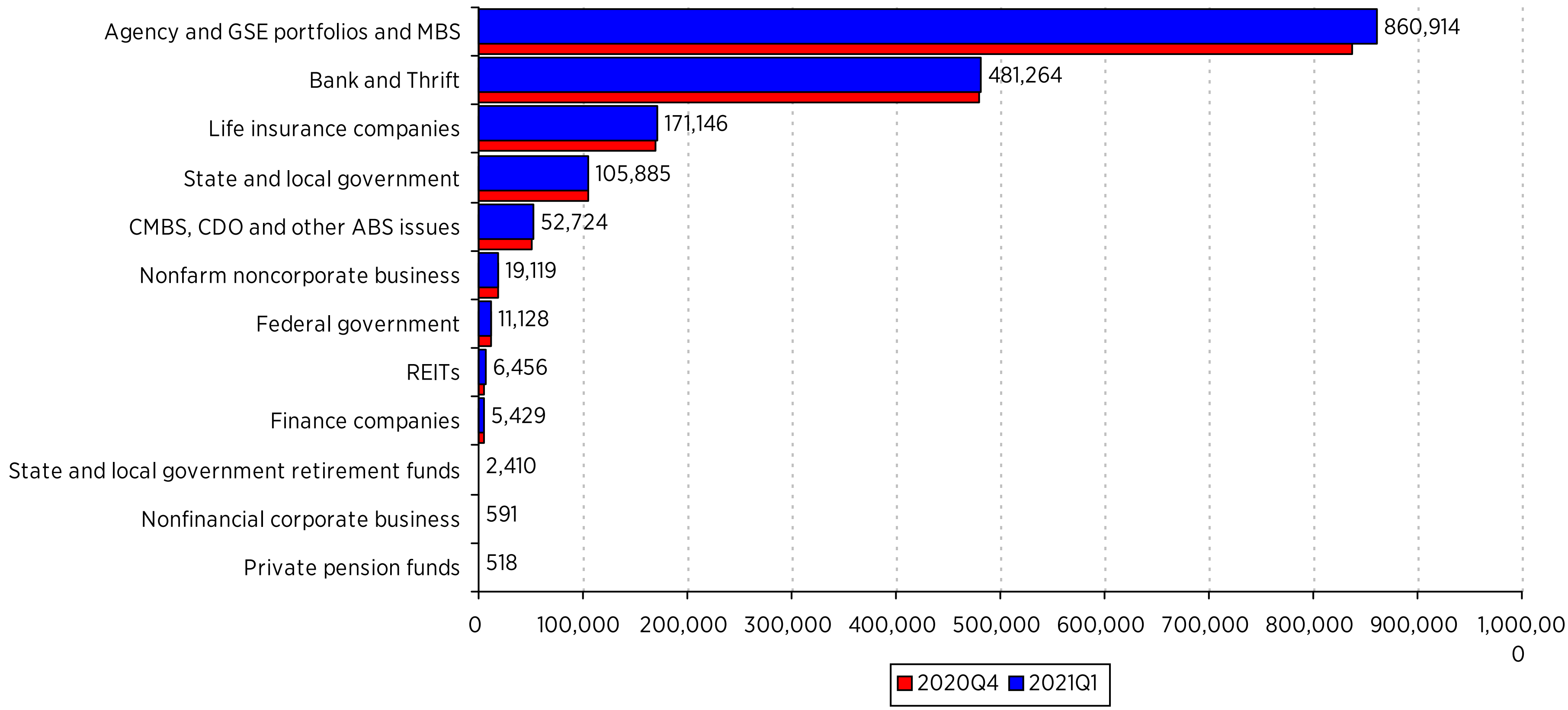
Note: Beginning with the Q2 2014 release, MBA's analysis of mortgage debt outstanding modifies the data from the Federal Reserve's Financial Accounts of the United States with respect to loans held in commercial mortgage-backed securities (CMBS) and by real estate investment trusts (REITs). The corrections create differences with previous releases and with the Federal Reserve data. For more information, please see the Appendix to this report.

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Sector

($millions)

MBa
MORTGAGE BANKERS ASSOCIATION



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MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

($millions)

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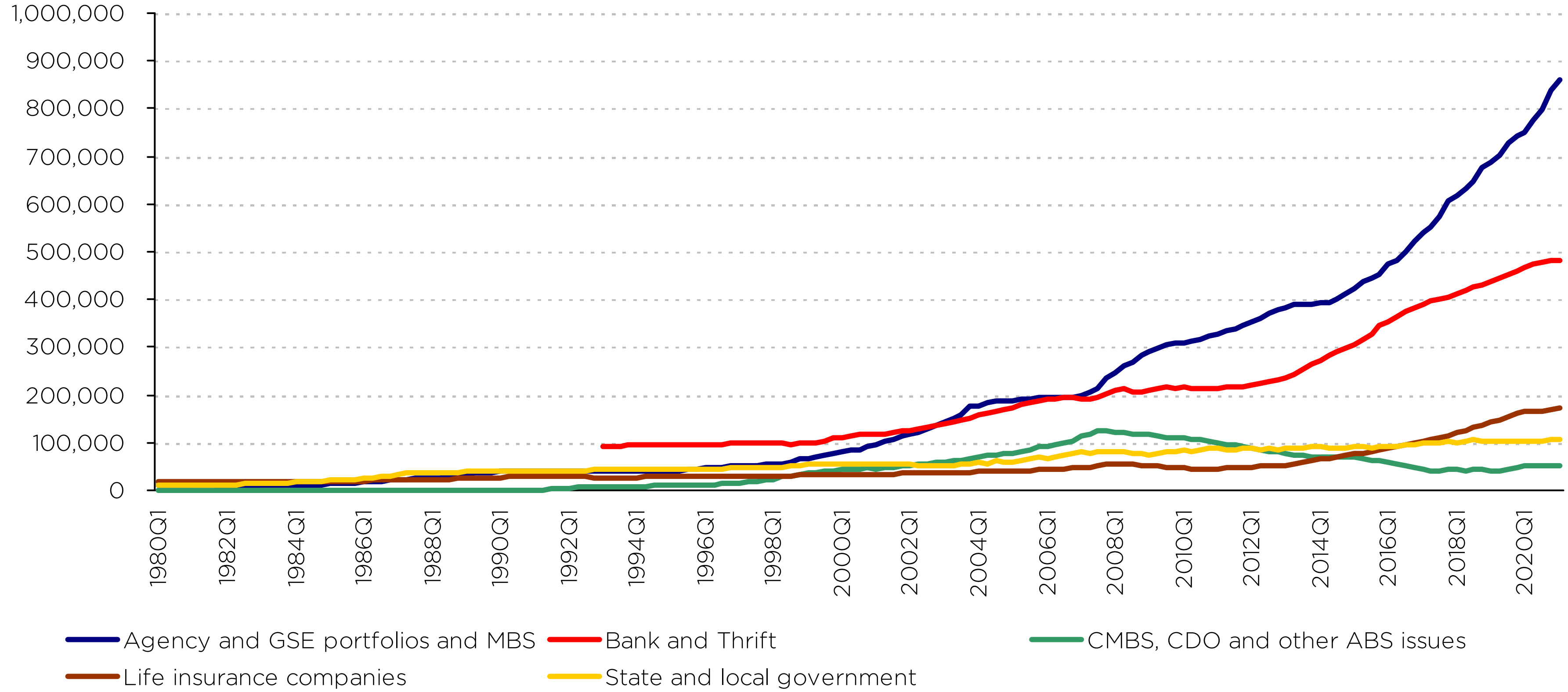
MORTGAGE BANKERS ASSOCIATION



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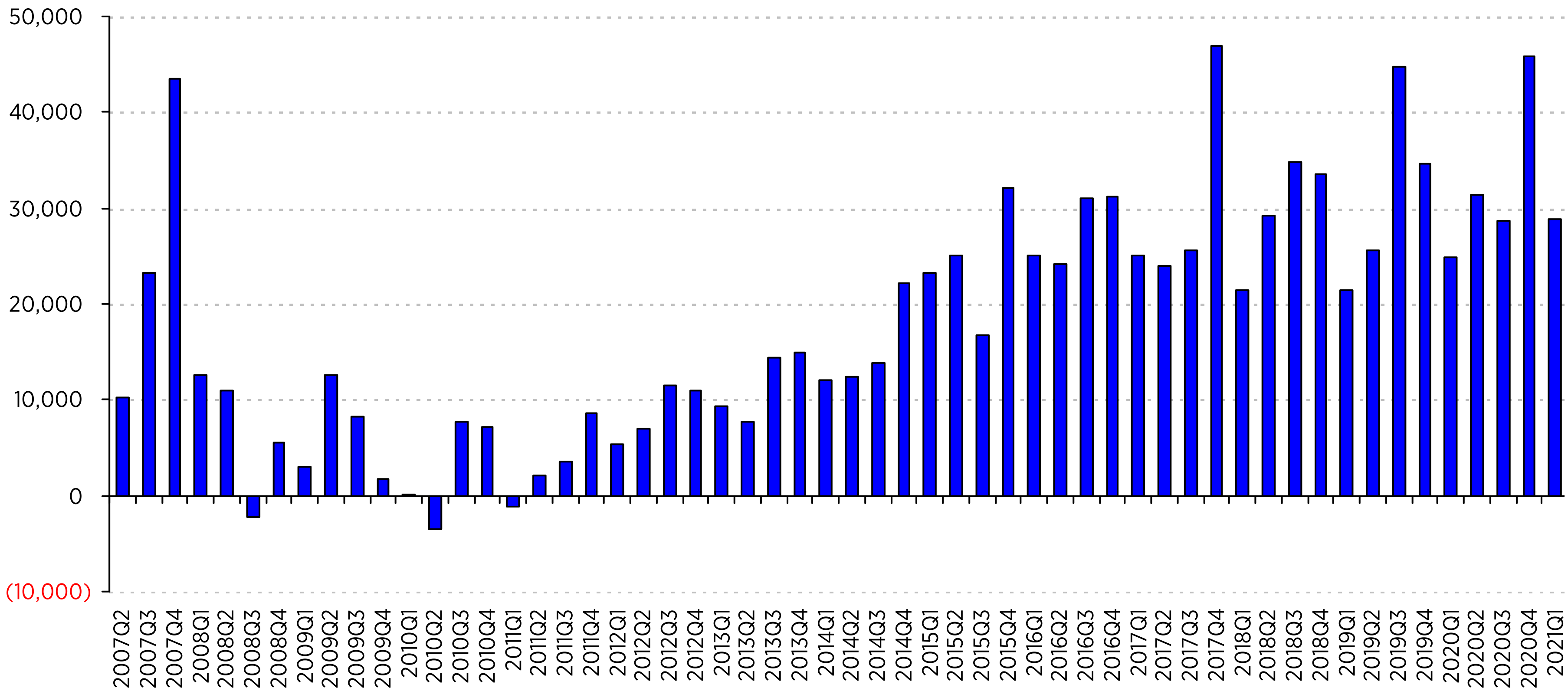
MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Quarter

($millions)

MORTGAGE BANKERS ASSOCIATION



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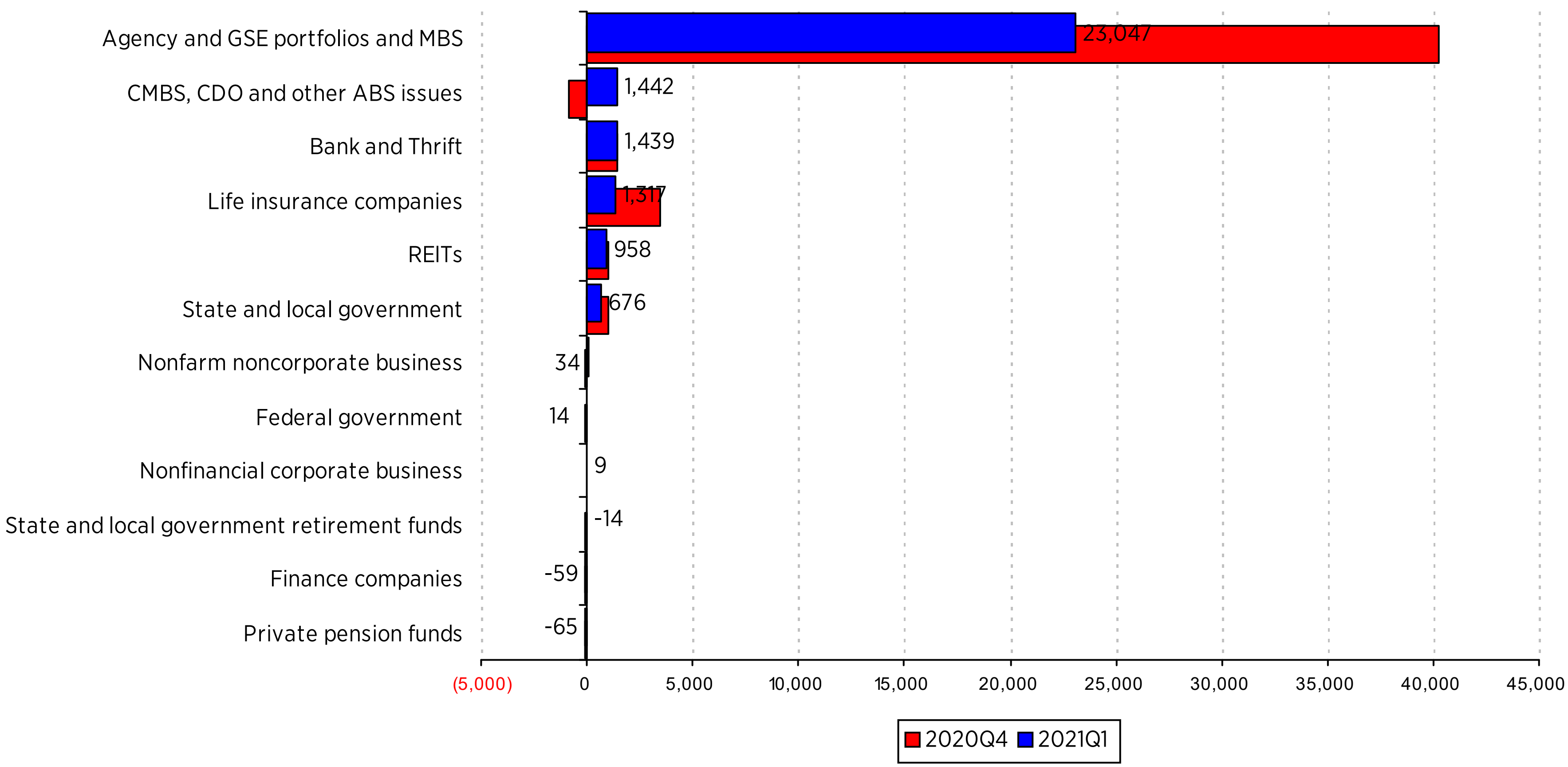
MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Sector

($millions)

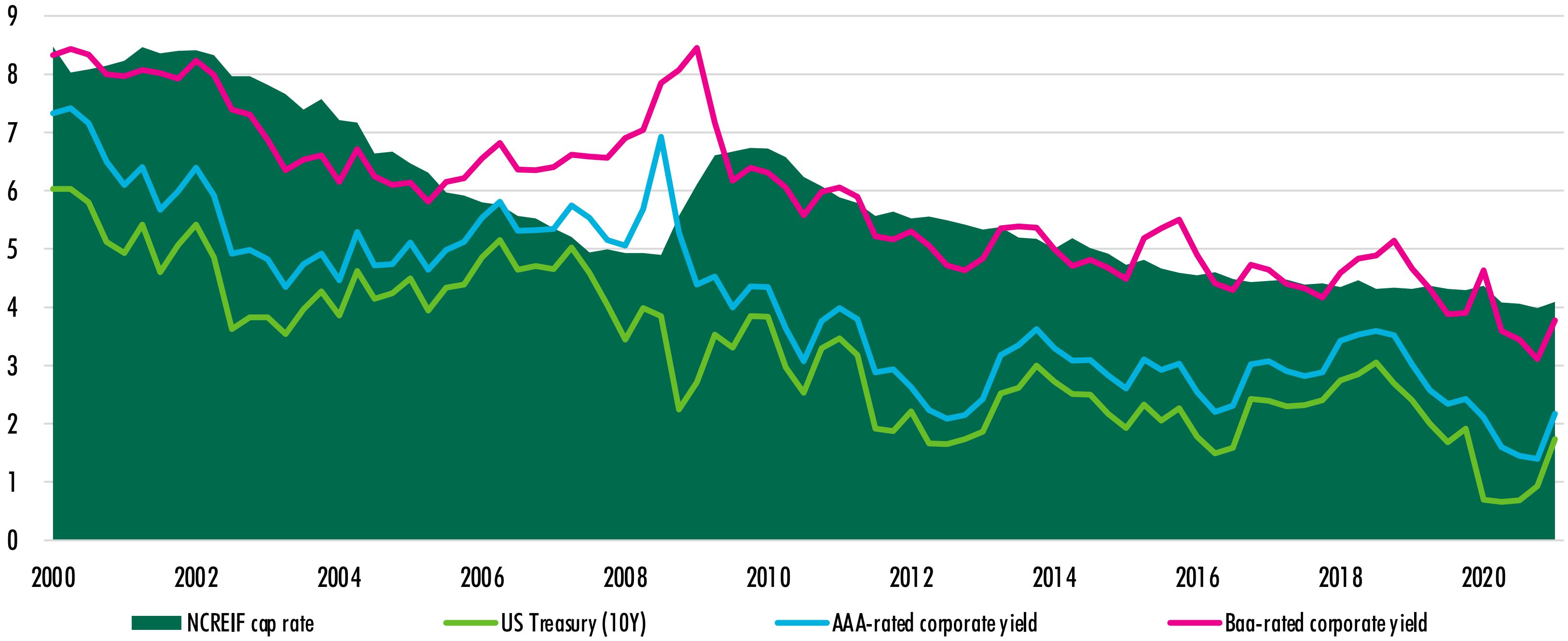


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC


COMMERCIAL REAL ESTATE

STRONGER GROWTH PROSPECTS HAVE CHANGED THE TRAJECTORY OF YIELDS

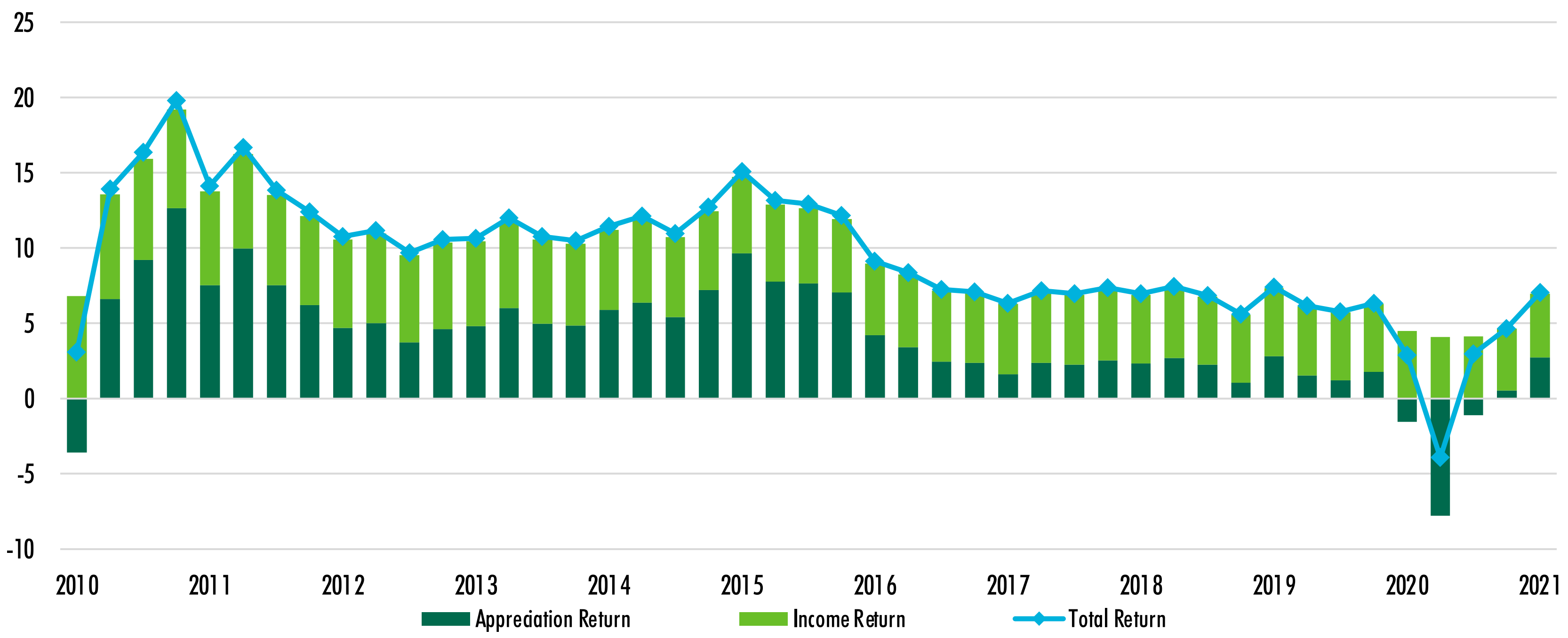
Asset class yield (%)



Source: NCREIF, Federal Reserve.

STRONGER VALUATIONS ARE SUPPORTING PRE-PANDEMIC TOTAL RETURNS LEVELS

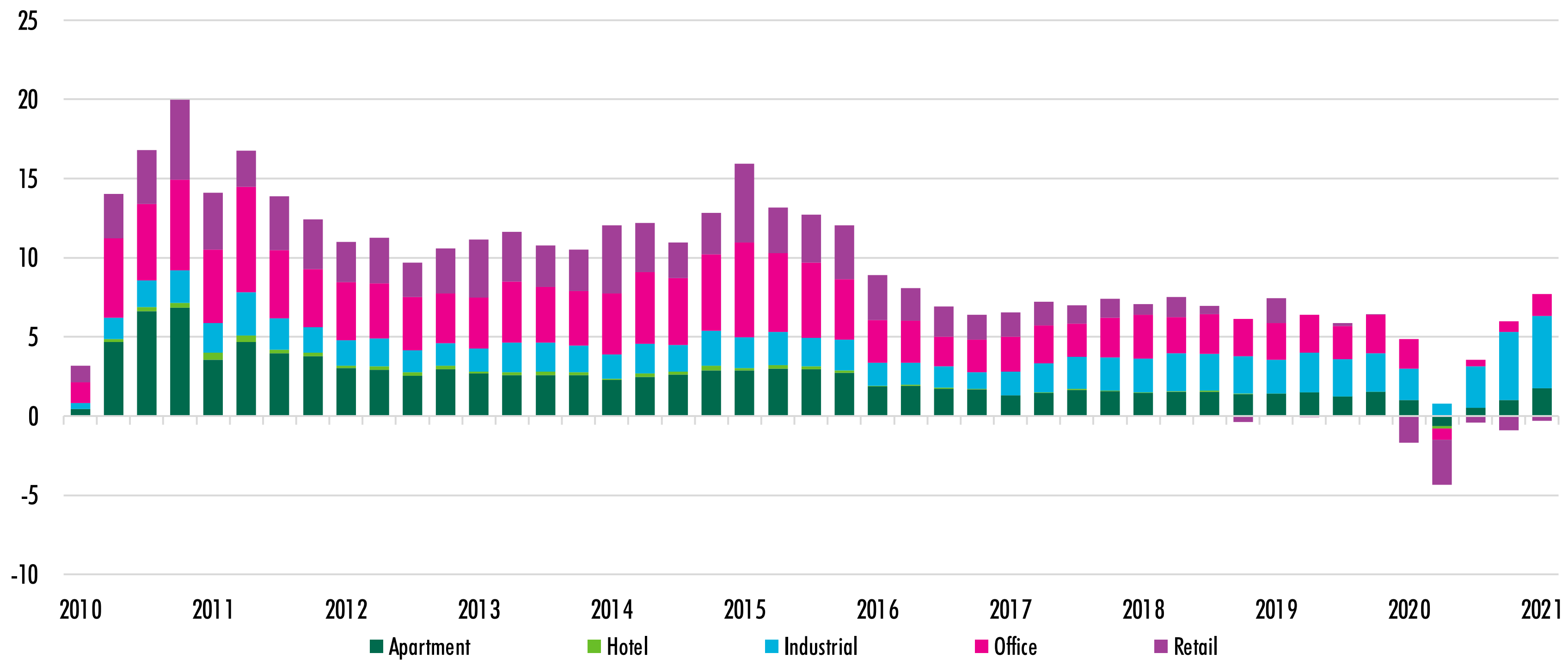
Composition of all-property total returns (%)



Source: NCREIF.

INDUSTRIAL PROPERTIES ARE DRIVING REAL ESTATE INVESTMENT PERFORMANCE

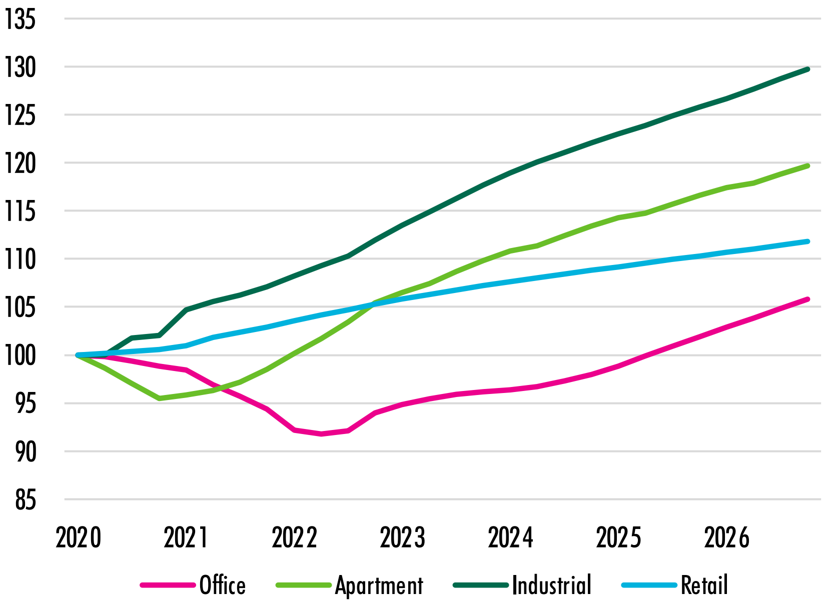
Sector composition of all-property total returns (%)



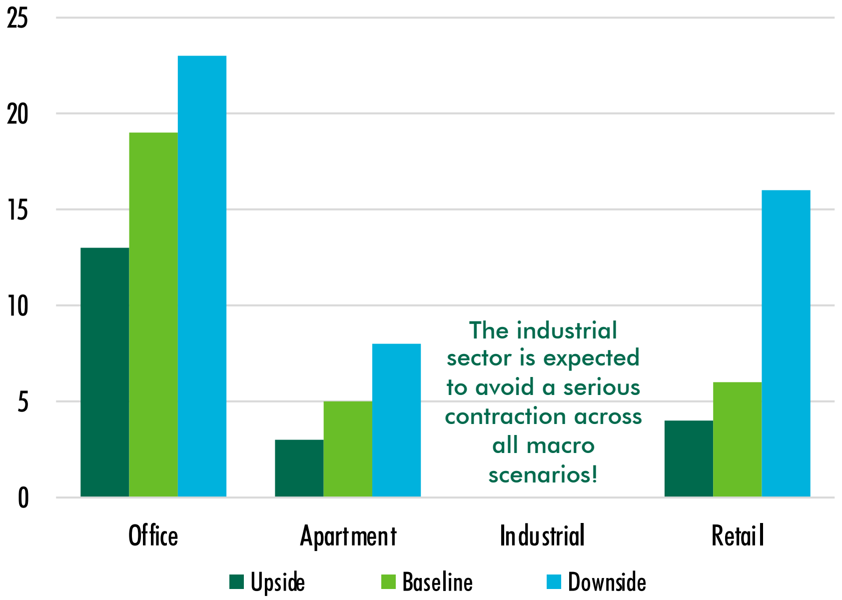
Source: NCREIF.

RETAIL AND OFFICE RENTS WILL STRUGGLE FOR THE FORESEEABLE FUTURE

Number of quarters for rents to recover by economic scenario



Number of quarters for rents to recover by economic scenario

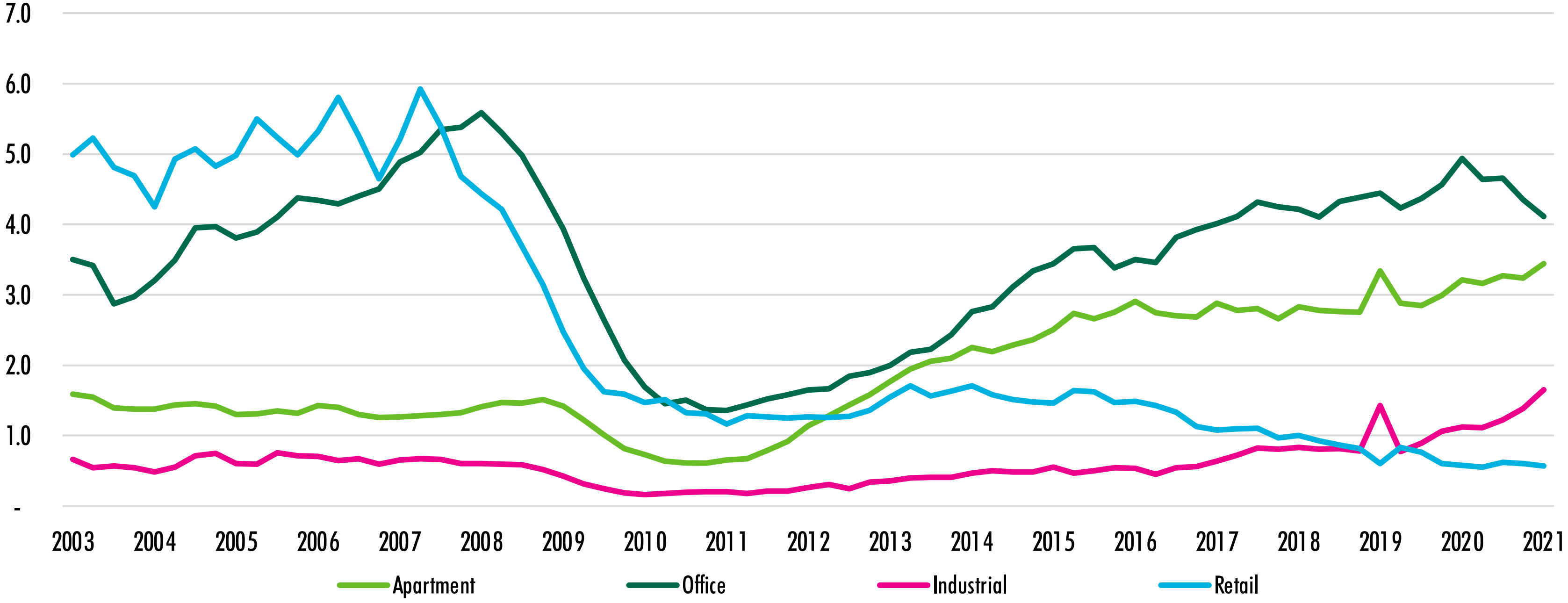


- Whilst the industrial sector saw an added boost from COVID-19 the office sector faces some structural headwinds.
- Revived economic activity has reinforced our confidence in the Baseline outlook; however, COVID-19 variants are notable risks to monitor.

Source: CBRE-EA.

INDUSTRIAL AND APARTMENT SUPPLY GROWTH IS AT RECORD LEVELS

Square feet (units) underway as a share of market inventory (%)



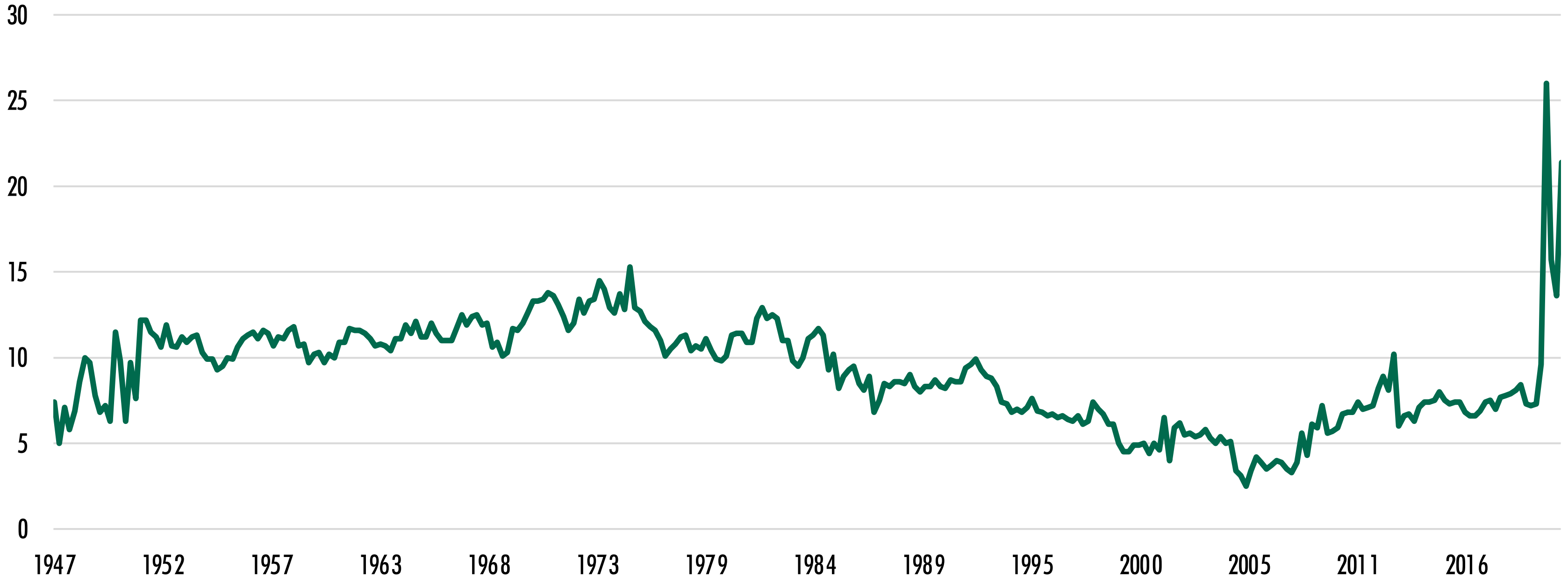
- Supply represents a near-term threat to the office market but in the long-run developers are likely to show restraint amid uncertainty around remote work.
- Industrial supply has made an upside breakout in late 2020 as developers responded to an onslaught of logistics demand.

Source: CBRE-EA.

U.S. RETAIL

VERY HIGH SAVINGS RATES WILL SUPPORT FUTURE SPENDING!

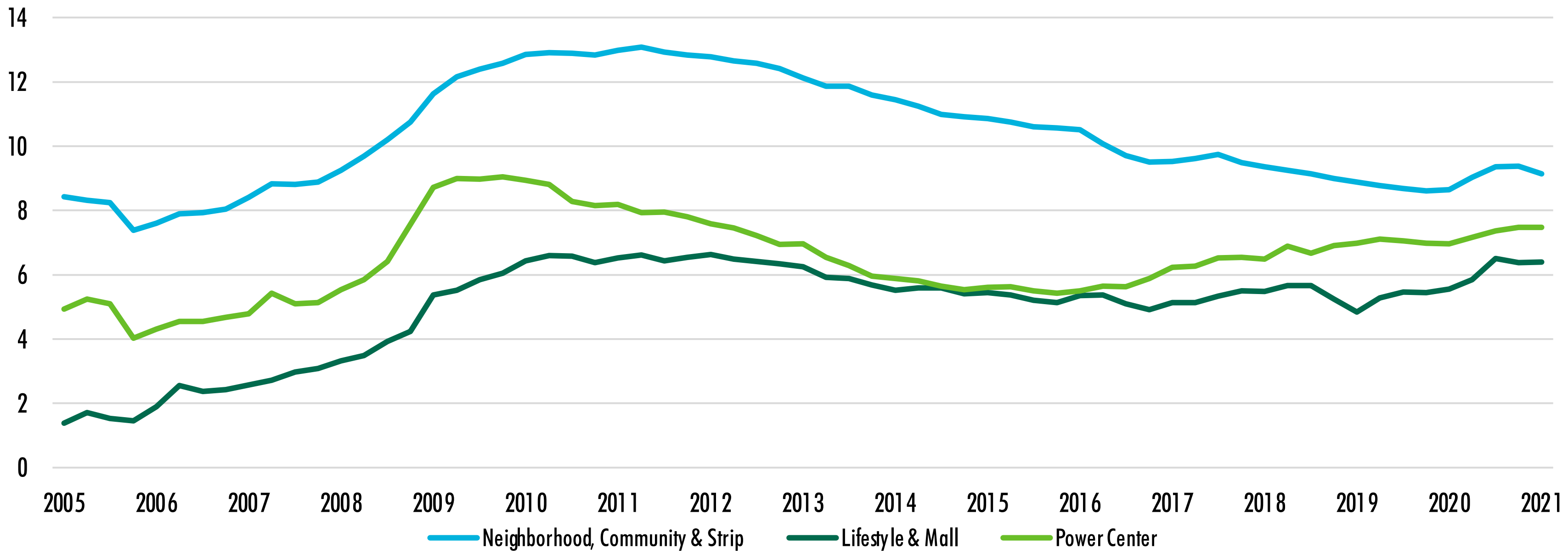
Personal savings rate (%)



Source: Bureau of Economic Analysis.

CHAIN BANKRUPTCIES ARE PUSHING-UP LIFESTYLE & MALL AVAILABILITY RATES

Availability rate by retail center type (%)

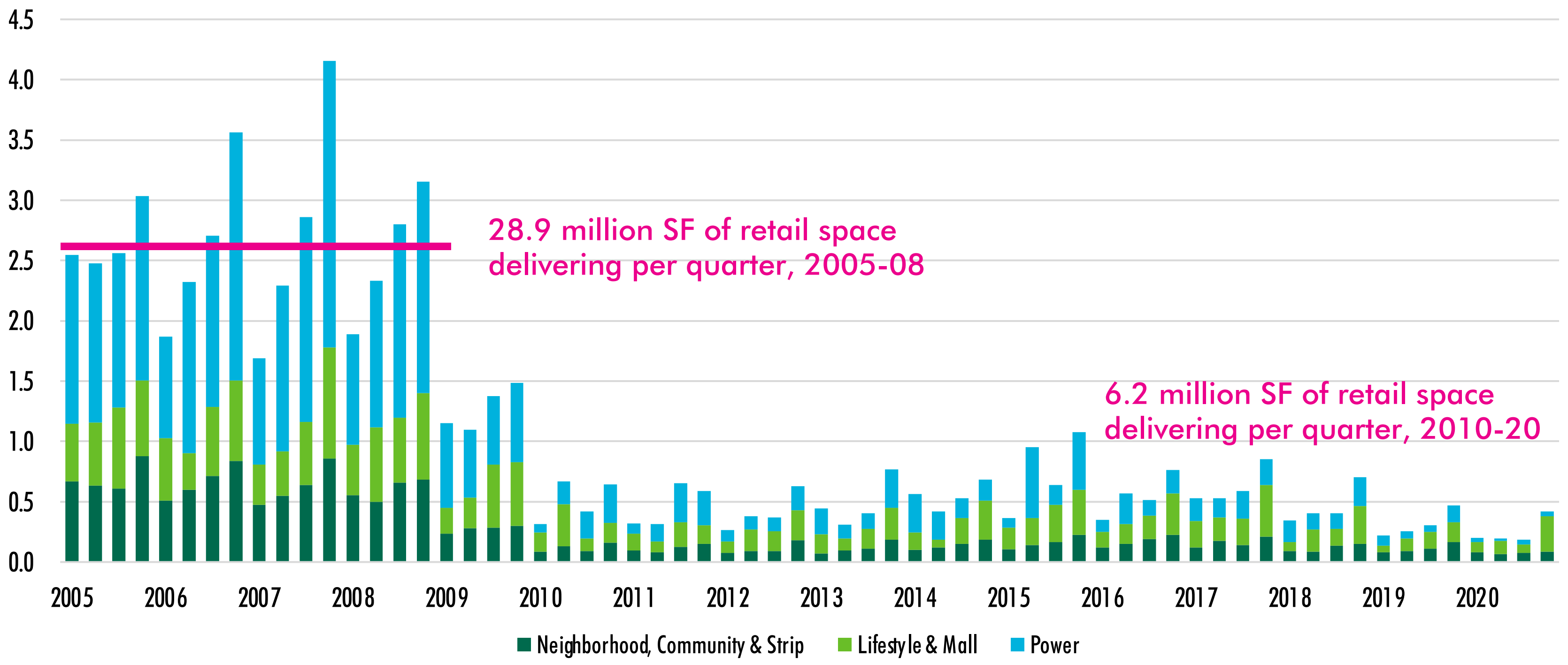


- Rising chain store bankruptcies have caused the Lifestyle & Mall and Power Center availability rate to increase in recent years.
- COVID-19 caused an uptick in neighborhood center availabilities as some small businesses permanently closed.

Source: CBRE EA.

RETAIL DEVELOPMENT WILL LIKELY REMAIN MUCH LOWER THAN PREVIOUS CYCLES

Retail completions per quarter, square feet (000s)



Source: CBRE EA.

TWIN CITIES RETAIL

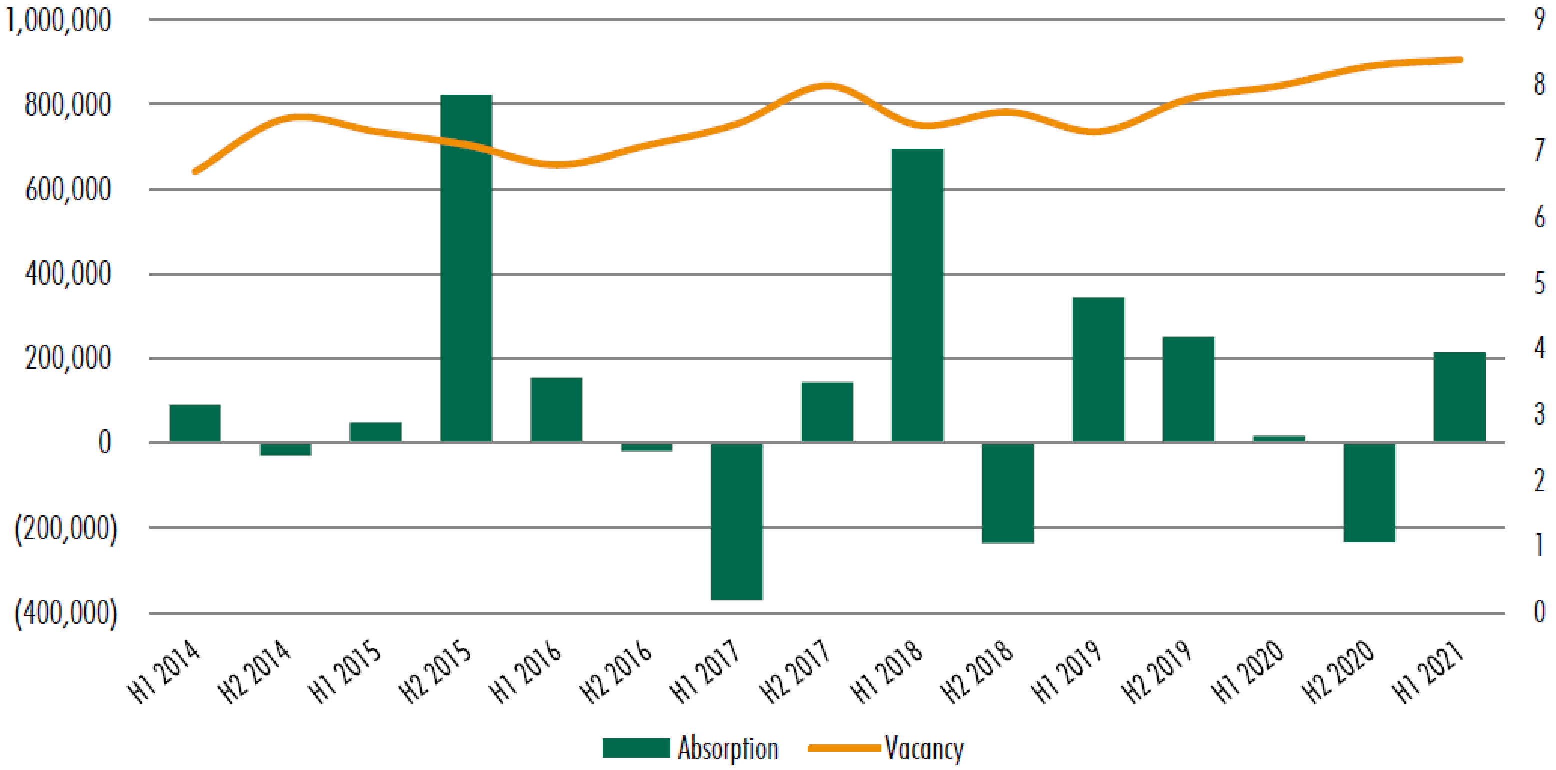
Vacancy Rate
8.5%

Net Asking Rate
$19.06 per sq. ft.

Under Construction
28,000 sq. ft.

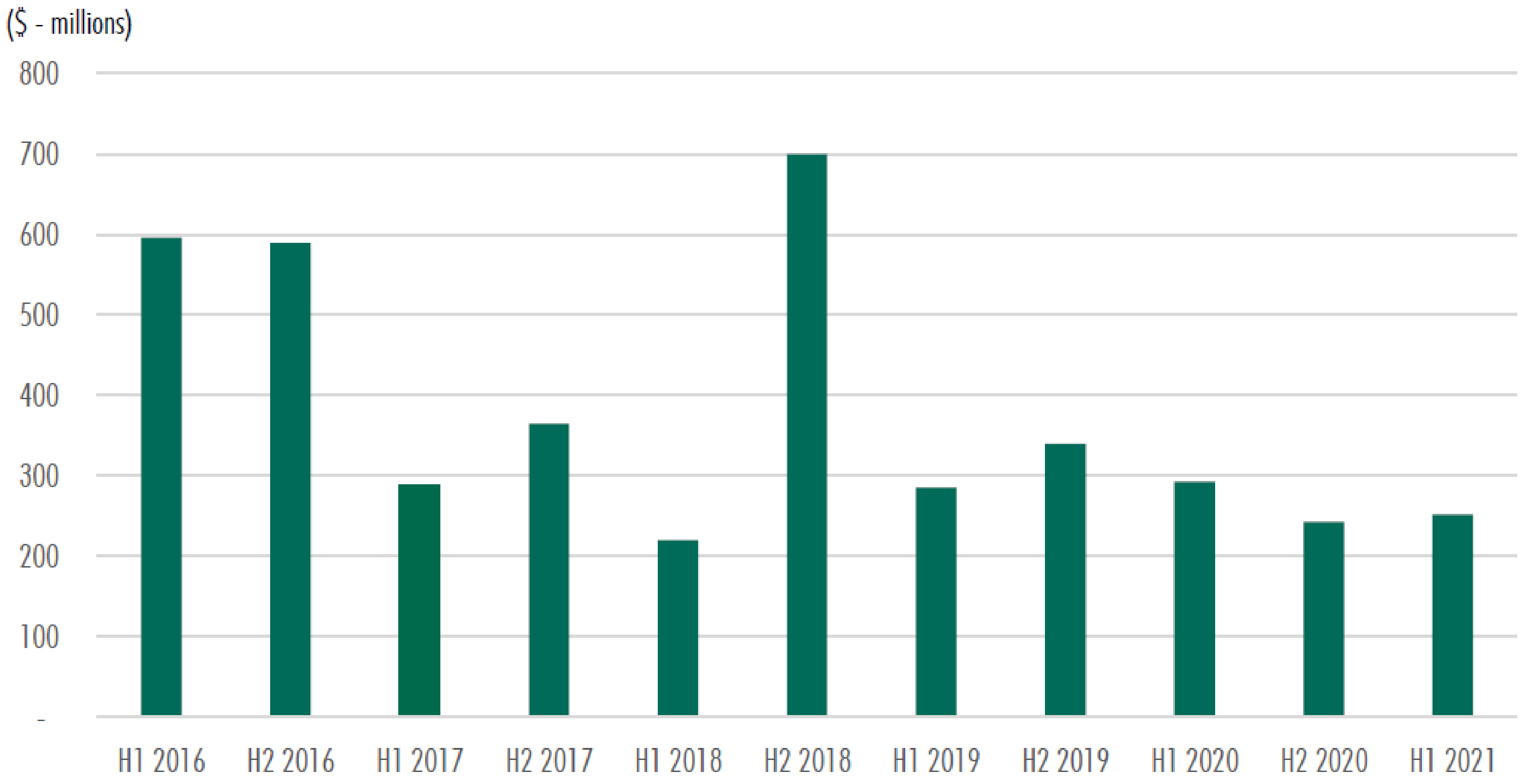
Net Absorption
213,771 sq. ft.

Figure 1: Direct Vacancy Rate and Absorption



Source: CBRE Research, H1 2021.

Figure 5: Transaction Volume – Previous Five Years



Source: CBRE Research, H1 2021.

Figure 4: Top Lease Transactions

Tenant	Sq. Ft.	Center	City	Landlord
HOM Furniture	114,608	Midway Marketplace	St. Paul	Kraus-Anderson
Rypen	75,000	Galleria	Edina	Hines
Schneiderman's	47,103	Rosedale Commons	Roseville	Tanurb Developments, Inc.
Bob's Discount Furniture	37,109	Arbor Lakes	Maple Grove	Kimco Realty
Burlington	32,874	Hi-Lake Center	Minneapolis	Wellington Management

Source: CBRE Research, H1 2021.

Figure 6: Largest Property Sales Transactions by Price

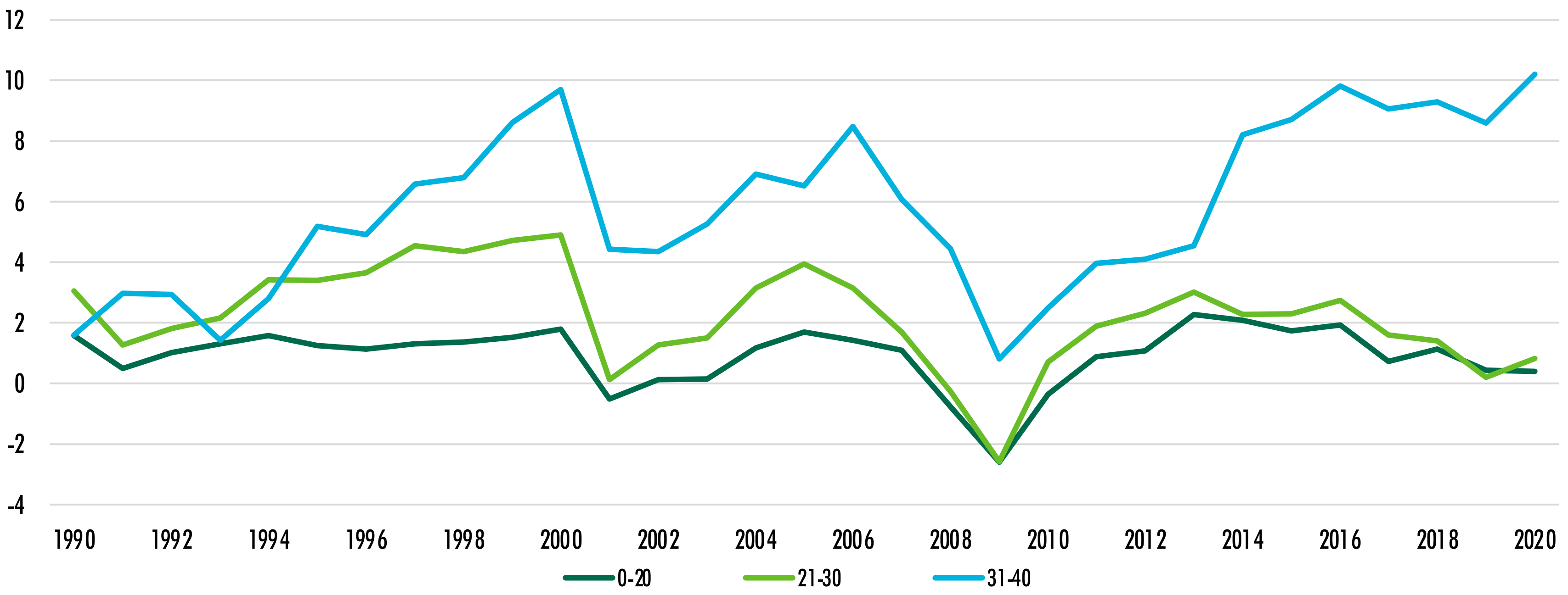
Property Name	Buyer	Price ($)	Total Sq. Ft.	City
Chanhassen West Village Center	Phillips Edison & Co	24,800,000	137,572	Chanhassen
Champlin Marketplace	Brixmor	15,500,000	88,577	Champlin
Mills Fleet Farm	Northpointe Cambridge LLC	14,000,000	174,178	Cambridge
Former Sam's Club	Louisiana Crossing LLC	9,100,000	150,637	St. Louis Park
Former Gander Mountain	Asian Plaza Property LLC	7,200,000	64,388	Eden Prairie

Source: CBRE Research, Real Capital Analytics, H1 2021.

U.S. INDUSTRIAL

LOGISTICS LEASING FAVORS MODERN, HIGH CLEAR-HEIGHT PROPERTIES

Absorption / inventory by property ceiling height (%)

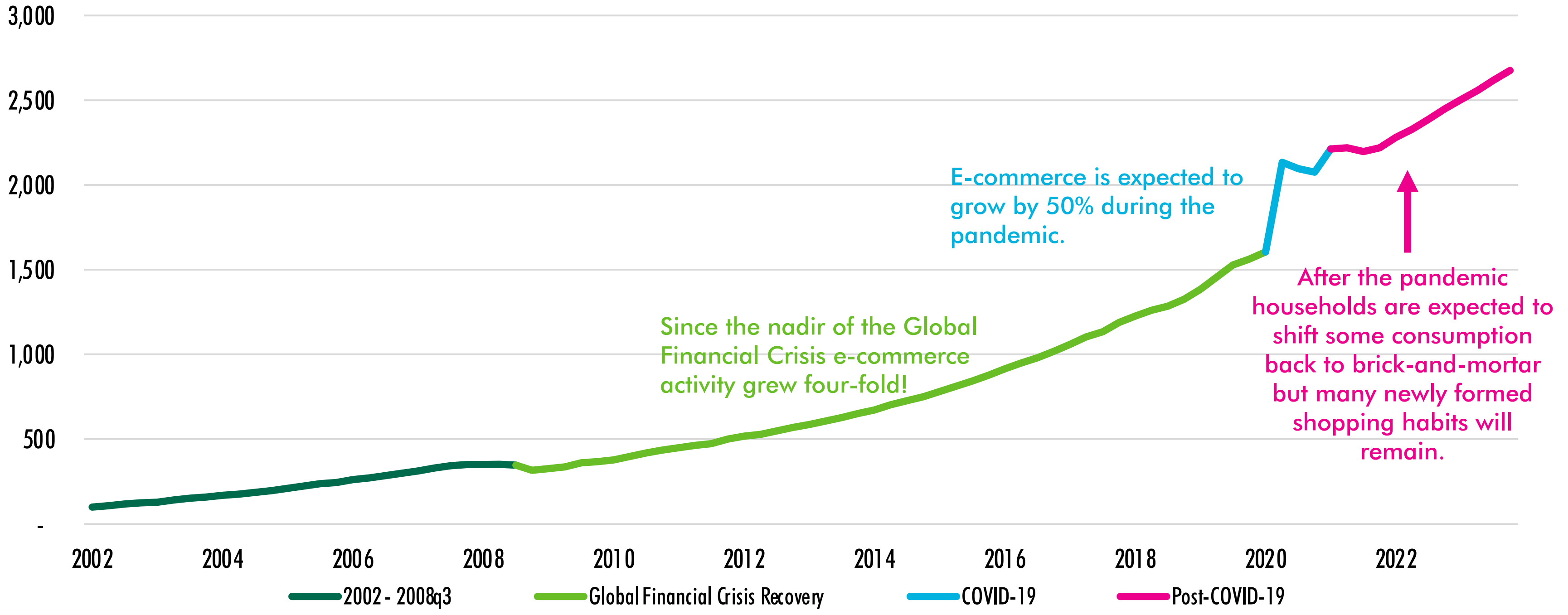


- Much of the leasing has been concentrated in modern space to accommodate very efficient e-commerce platforms.
- Specifically, many of these high clear-height properties are clustered in the nation's largest logistics markets, such as the Inland Empire, Eastern PA and Chicago.

Source: CBRE EA.

E-COMMERCE GROWTH WILL SLOW BUT WILL REMAIN MUCH LARGER POST-COVID-19

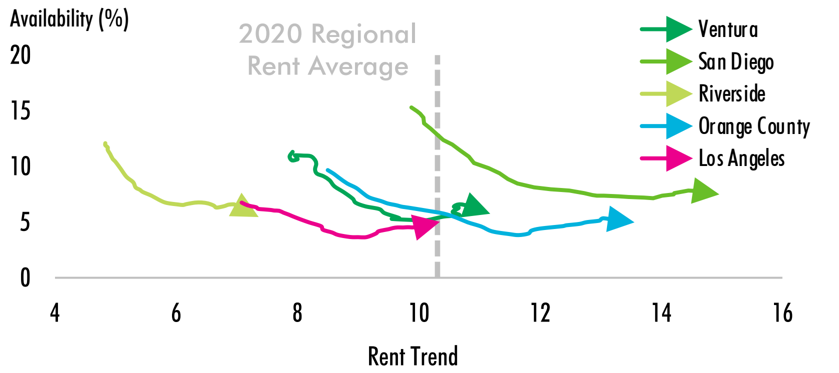
Index of e-commerce sales, 2002 = 100



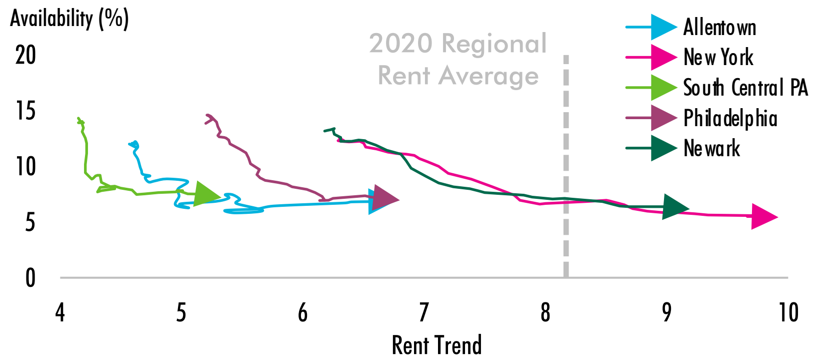
Source: CBRE EA.

KEY TRENDS WITHIN HIGH-COST, DENSE INDUSTRIAL CLUSTERS

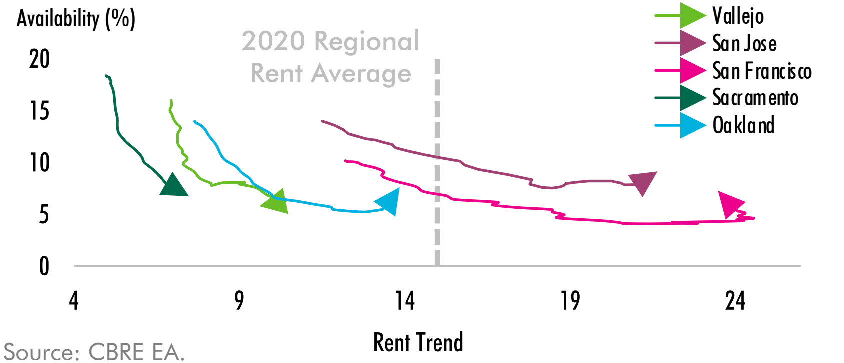
Southern California



Greater New York City Region



Northern California

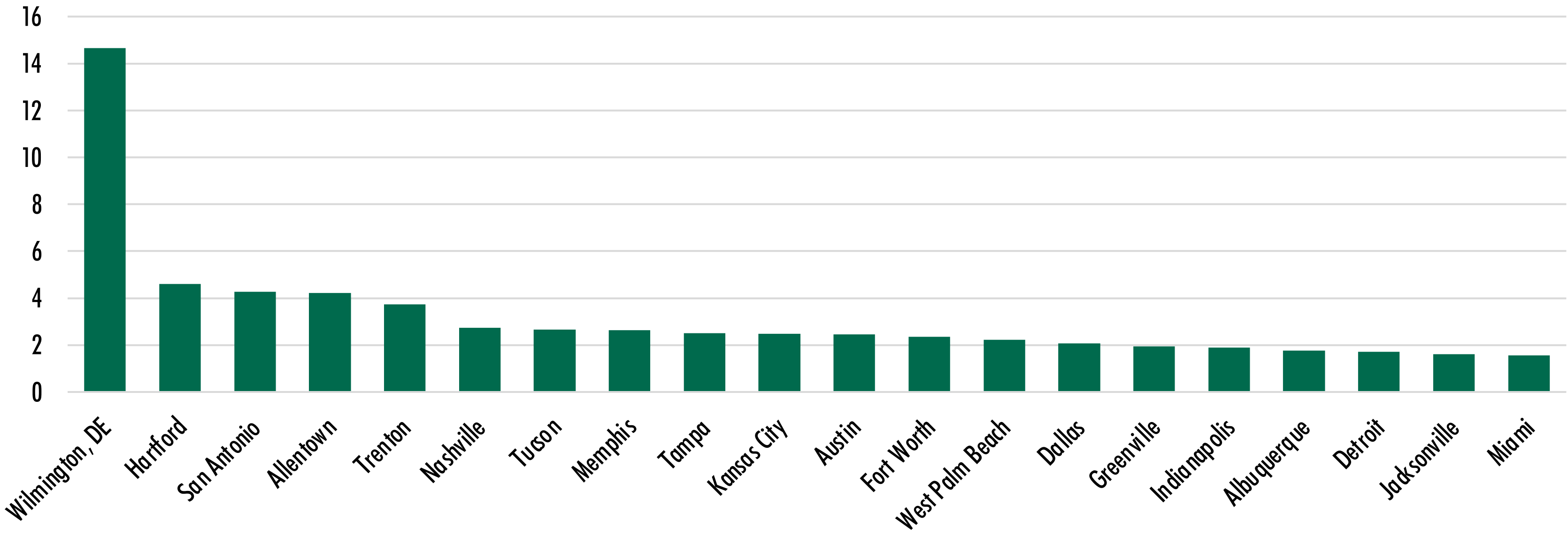


Source: CBRE EA.

- Industrial demand has picked up in many high-cost, densely populated markets (e.g., New York, San Francisco Bay) to fulfill 'last mile' e-commerce delivery. The combination of increased leasing amid limited stock has pushed rents up by 4% in San Jose and 5% in New York p.a. from 2018-20.
- Rising rents in these denser markets has pushed up leasing, occupancies, and rents amongst peripheral markets. Limited space in New York and Newark has spurred activity in Allentown and South-Central PA, where rents increased by 6.6% and 5.7% respectively p.a. from 2018-20.
- Peripheral markets, such as Riverside and Allentown, have seen significant logistics development but not enough to prevent material rent growth in recent years.
- NOTE: The San Francisco Bay market has seen some dislocation during 2020 as reduced economic activity curtailed some high-tech manufacturing functions. Also, the migration of tenants to cheaper locales could be causing some retrenchment in rents.

INDUSTRIAL CONSTRUCTION IS PARTLY FOLLOWING POPULATION GROWTH

Top 20 markets for logistics space underway as a share of inventory (%)



- Many smaller industrial markets, such as Austin, San Antonio, and Nashville, are seeing new warehouse product to service a growing population base.
- Meanwhile, major logistics hubs, such as Dallas, Allentown, and Riverside, are also seeing significant inventory growth.
- Wilmington, Delaware has increased activity from a seaport expansion and the development of a large Amazon distribution center.

Source: CBRE EA, Dodge Data and Analytics.


TWIN CITIES INDUSTRIAL

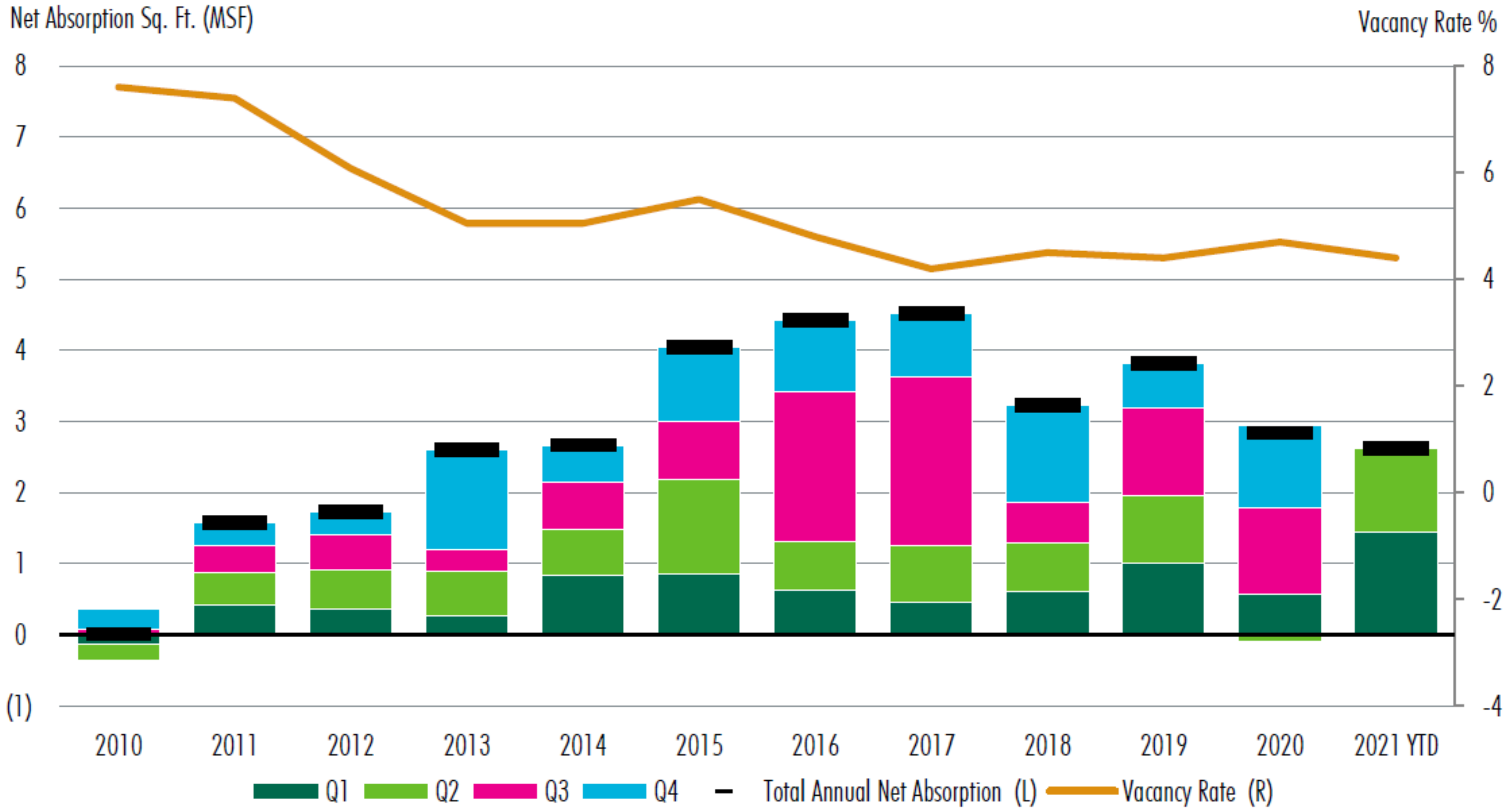
Vacancy Rate
4.4%

Net Asking Rate
$6.61 per sq. ft.

Under Construction
5.3 million sq. ft.

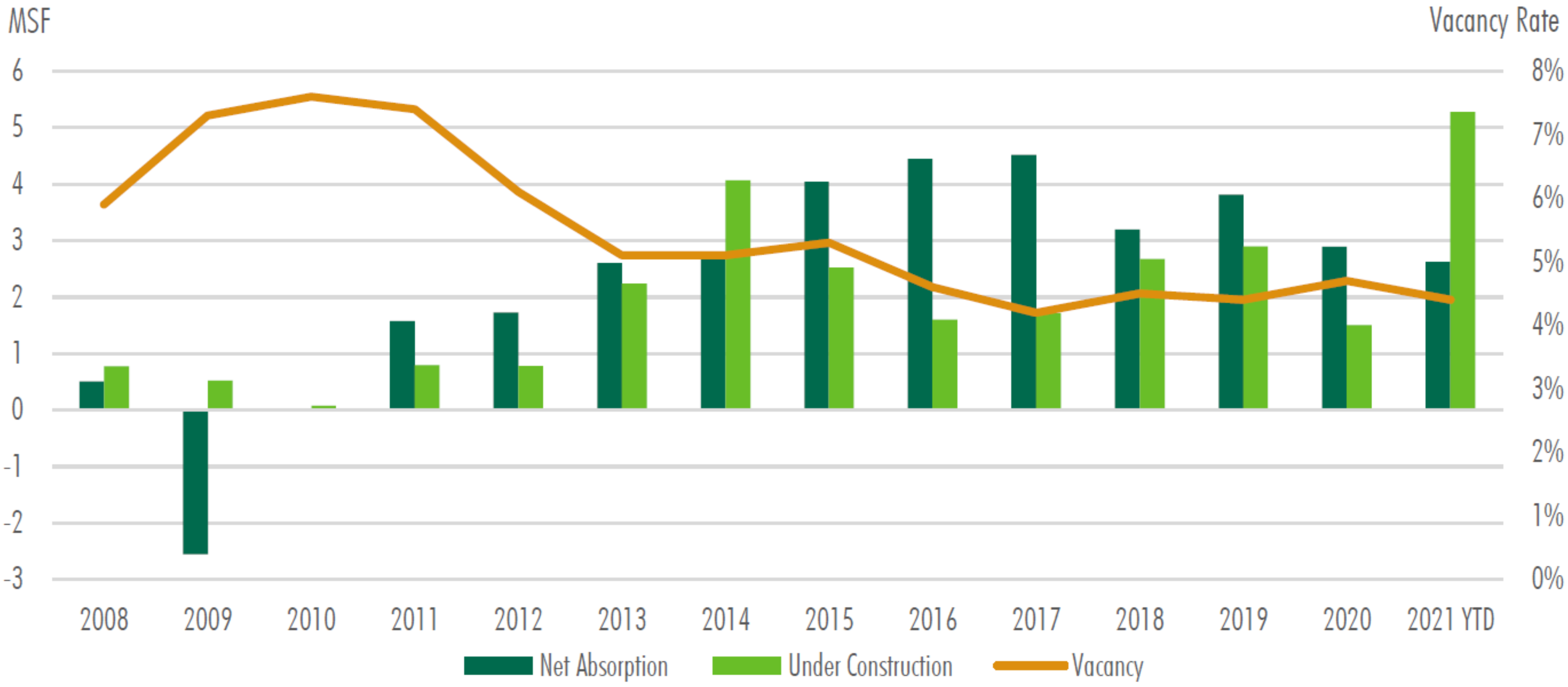
Net Absorption
1.2 million sq. ft.

Figure 1:Quarterly and Annual Net Absorption vs. Vacancy Rate



Source: CBRE Research, Q2 2021.

Figure 2: Annual Net Absorption and Under Construction vs. Vacancy Rate



Source: CBRE Research, Q2 2021.

Figure 4: Top Transactions

Tenant	Size (Sq. Ft.)	Address	Submarket	Transaction Type	Industry
State of Minnesota	179,614	13120 County Rd 6	Northwest	New Lease	Government
HOM Furniture	163,000	1200 Northdale Blvd	North Central	New Lease	Retail
King Solutions	156,164	11020 Holly Ln	Northwest	Renewal/Expansion	Transportation/Logistics
The Bernard Group	155,000	3200 4th Av E	Southwest	New Lease	Business Services
Spectrum Plastics	140,000	7309 W 27th St	Southwest	Renewal	Life Sciences

Source: CBRE Research, Q2 2021.

Figure 7: Top Investment Sales

Source: CBRE Research, Q2 2021.

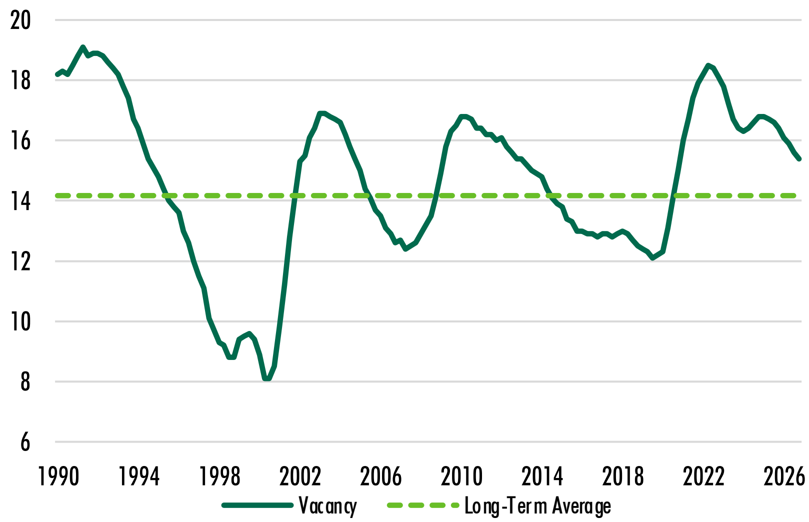
Property	Location	Buyer	Sale Price ($)	Size (Sq. Ft.)	Price Per Sq. Ft. ($)
Prologis Portfolio	Various	Link Industrial (Blackstone)	246,500,000	2,534,814	97.25
Plymouth Ponds Business Park	Plymouth	Link Industrial (Blackstone)	82,300,000	715,000	115.10
Roberts Portfolio	Shoreview	Investcorp jv Onward	62,125,000	636,036	97.68
I-35 Industrial Center	Burnsville	Centaur Capital Partners	17,250,000	413,239	41.75
All Furniture, Inc.	Minneapolis	Fountain Real Estate	12,000,000	153,328	78.26

Source: CBRE Research, Q2 2021.

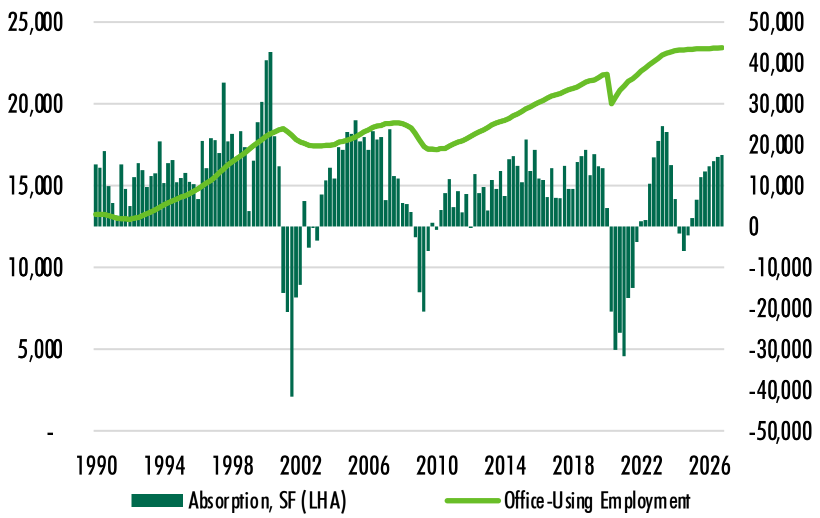
U.S. OFFICE

HOW REMOTE WORK HAS CHANGED OUR OUTLOOK FOR OFFICE FUNDAMENTALS

Historic and forecast vacancy rate (%)



Office absorption and employment (000s)

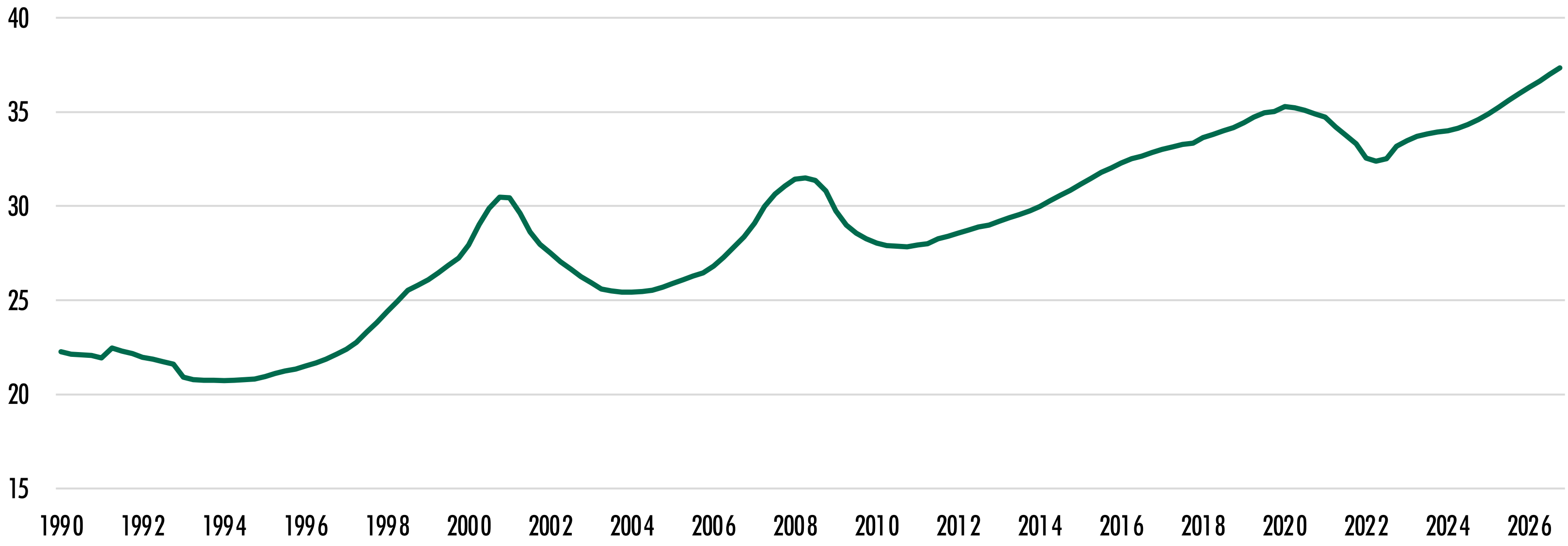


- The adoption of remote working has changed our view of the office market. We think office-workers will spend at least 35% of their week away from the office, on average. This shift would cause a 9% drop in office demand if firms recalibrated their space needs instantly.
- Even after the pace of office-using job growth normalizes, the office market will struggle to clear a torrent of space givebacks as leases expire and firms adjust to remote work. This will result in net absorption remaining volatile and vacancies trending upward through 2022 even as office-using employment makes steady gains.

Source: Oxford Economics, CBRE-EA.

IT WILL BE A TENANT'S MARKET FOR THE NEXT SEVERAL YEARS

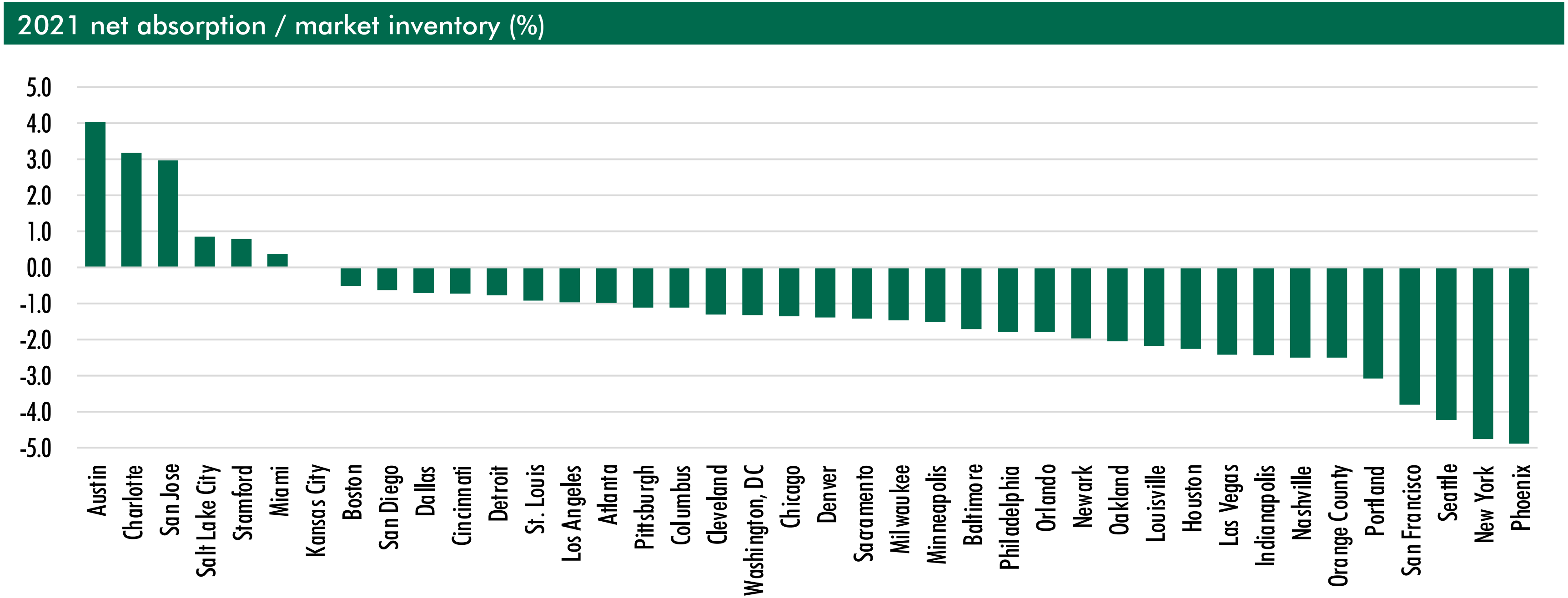
Estimated EA Asking Rent ($/SF)*



NOTE: EA Asking Rents are a brand new, cutting edge gross asking rent series that has been developed in partnership with EA co-founder and MIT economist, Bill Wheaton. These estimated rents are based upon a repeat rent method which makes them the most reliable indicator of how rents have changed over time. Find more information here.

- Overall, we expect gross asking rents to fall by about 8% as occupiers delay leasing decisions and give space back.
- A full recovery to pre-crisis rent levels should be achieved by year-end 2025.

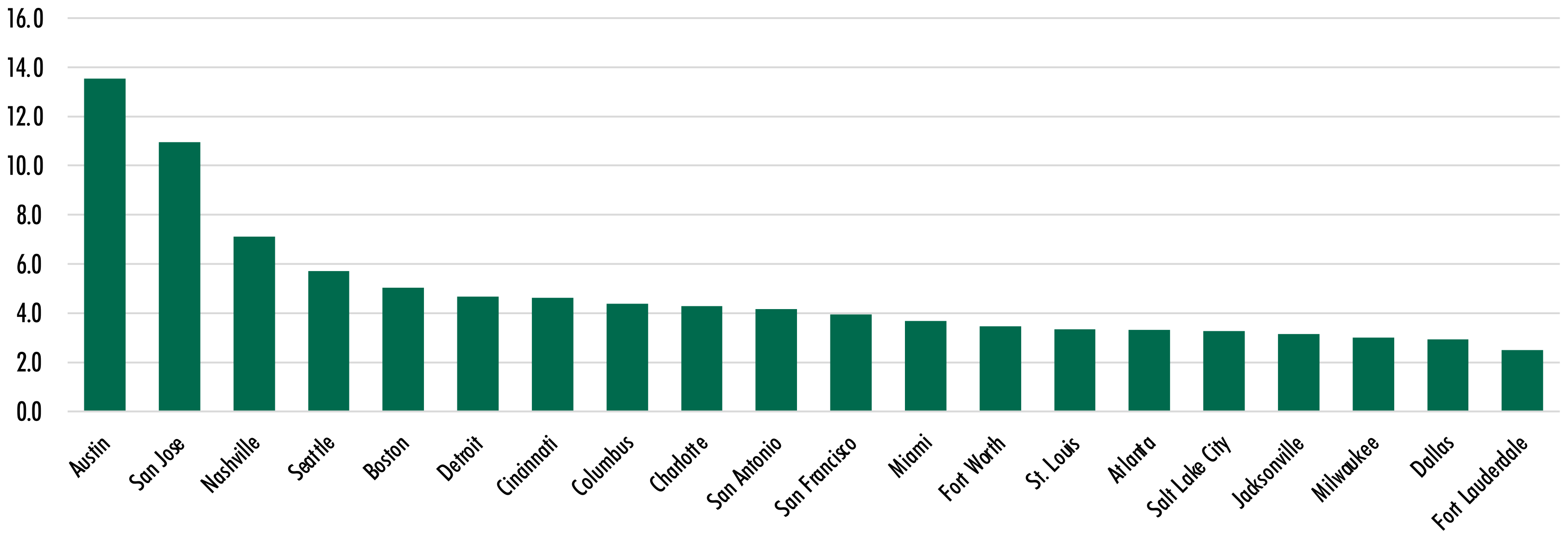
GENERALLY, HIGH-COST MARKETS SAW THE WORST ABSORPTION DURING 2021



- Negative absorption is expected to be greatest in higher-cost office markets where tenants are going to think critically about their need for space.
- San Jose is seeing an uptick in absorption as some tech firms appear committed to getting workers back to the office consistently.

OFFICE CONSTRUCTION IS CONCENTRATED IN TECH HUBS AND SUNBELT CITIES

Top 20 markets for office space underway as a share of inventory (%)

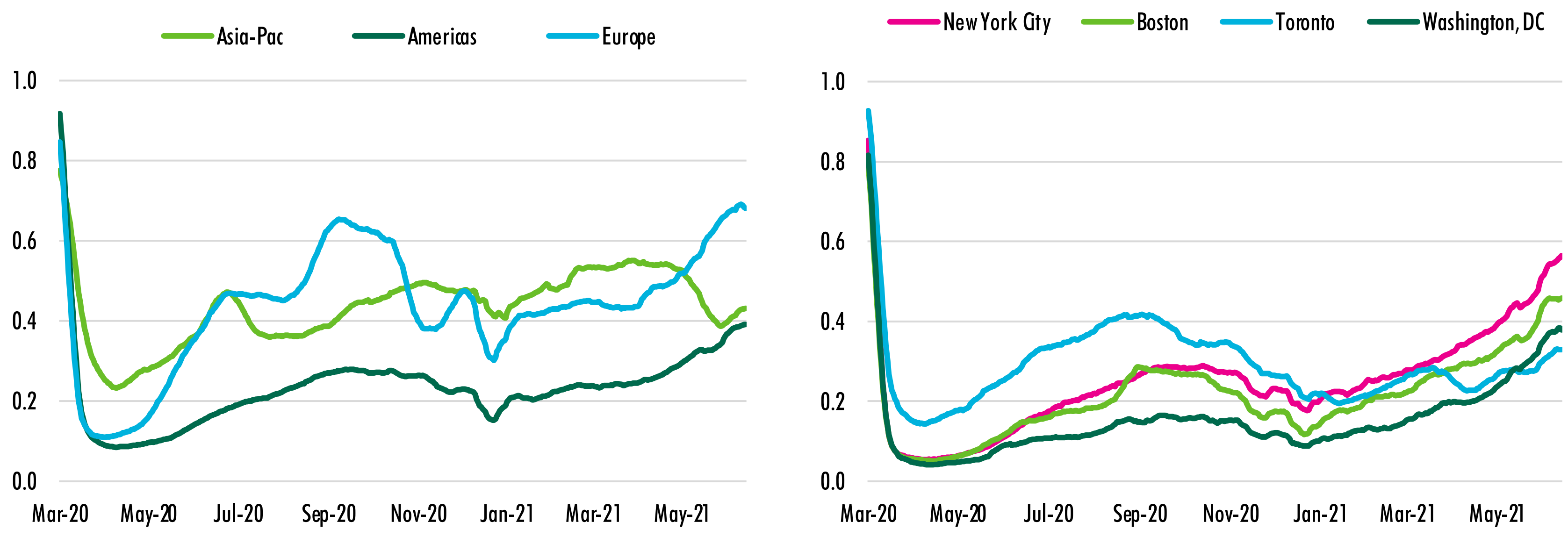


- Key technology centers, such as Austin, San Jose, Seattle, and Boston, are leading the way in new office development.
- Charlotte, Nashville, and other Sunbelt cities are seeing an uptick in construction as office industries follow rooftops.

Source: CBRE-EA, Dodge Data and Analytics.

MAJOR OFFICE MARKETS WILL REQUIRE PEOPLE TO RIDE TRANSIT FOR A FULLER RECOVERY

Transit usage relative to pre-COVID-19 levels, by region; 1 = pre-COVID-19 levels



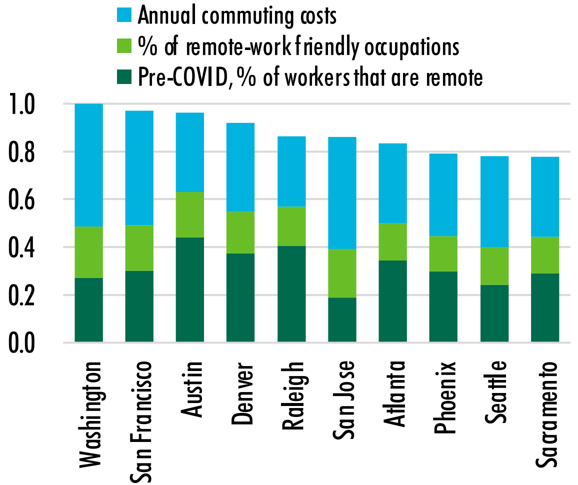
- Transit ridership has picked up in large European cities. Meanwhile, an uptick in COVID cases in Asia has weighed on transit ridership there.
- Although Metro ridership in ‘car-less’ New York City has improved it is roughly half pre-pandemic levels. Other North American cities remain much lower.

Source: Citymapper.

HOW THE REMOTE WORK TREND COULD VARY ACROSS OFFICE MARKETS

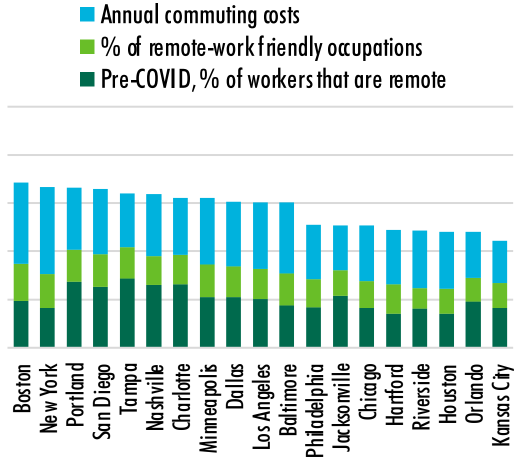
A Normalized Score of Metro-Level Adoption of Remote Work

Greatest prevalence of remote work



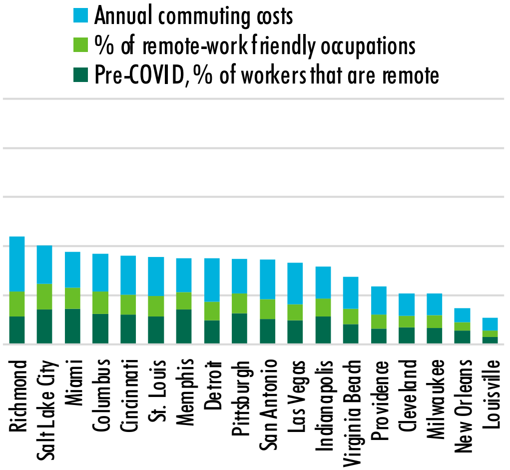
- 'Digital' markets are poised to see more remote work.
- Cities with high in-migration historically saw many newcomers work remotely.
- NOTE: Many high-performing office markets have a legacy of remote work.

Moderate prevalence



- Many cities, such as New York and Los Angeles, with sizable creative and transactional sectors, will need office/meeting space.
- Medium-sized Sunbelt cities with shorter commute times offer easier access to the office.

Less prevalence



- High-tech sectors are less prevalent in the Midwest, limiting the propensity for remote work.
- More manageable commute times encourage consistent office attendance.

Source: U.S. Census, University of Chicago, Clever.


TWIN CITIES OFFICE

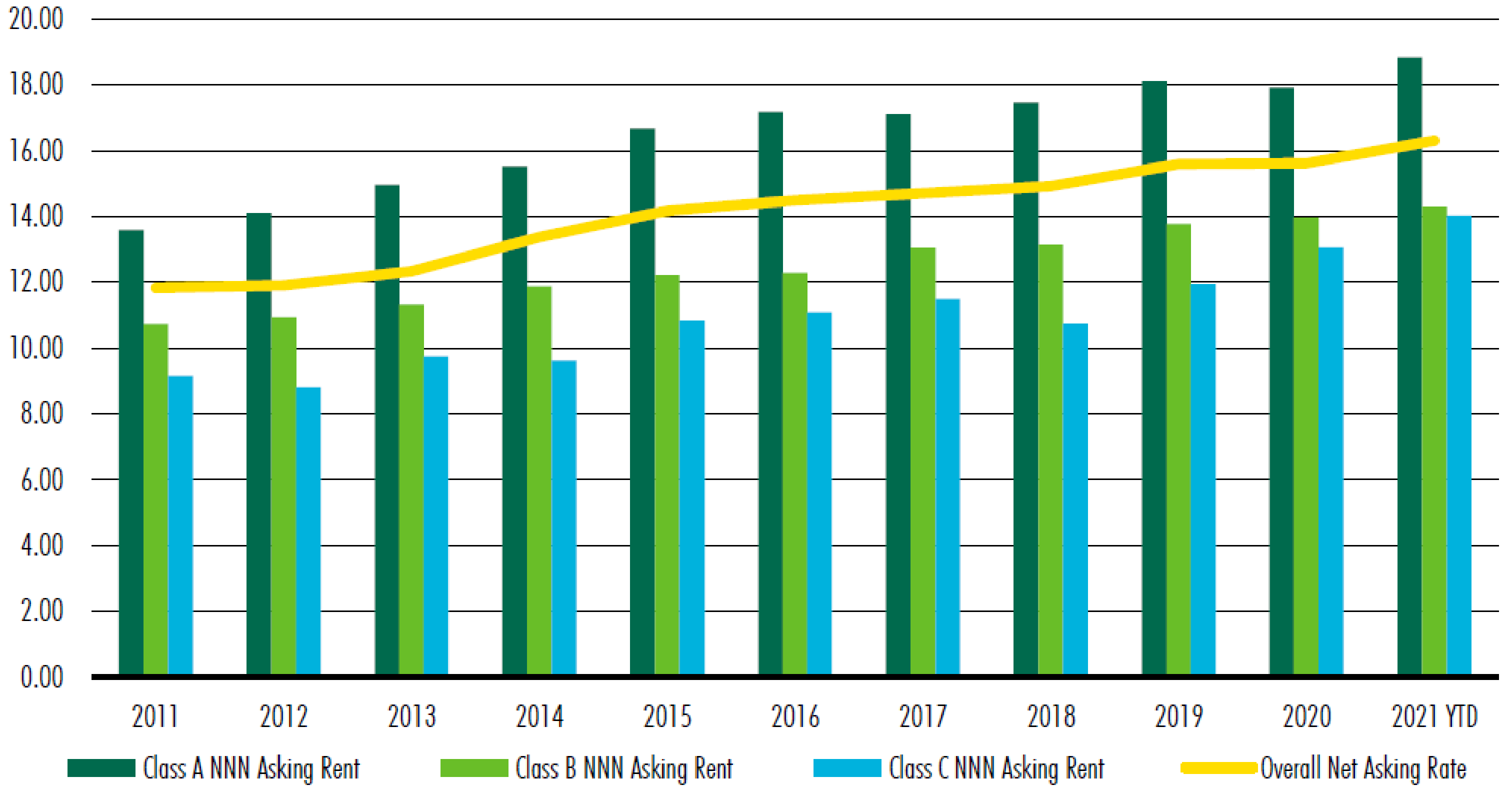
Vacancy Rate
20.6%

Net Asking Rate
$16.39 per sq. ft.

Under Construction
649,821 sq. ft.

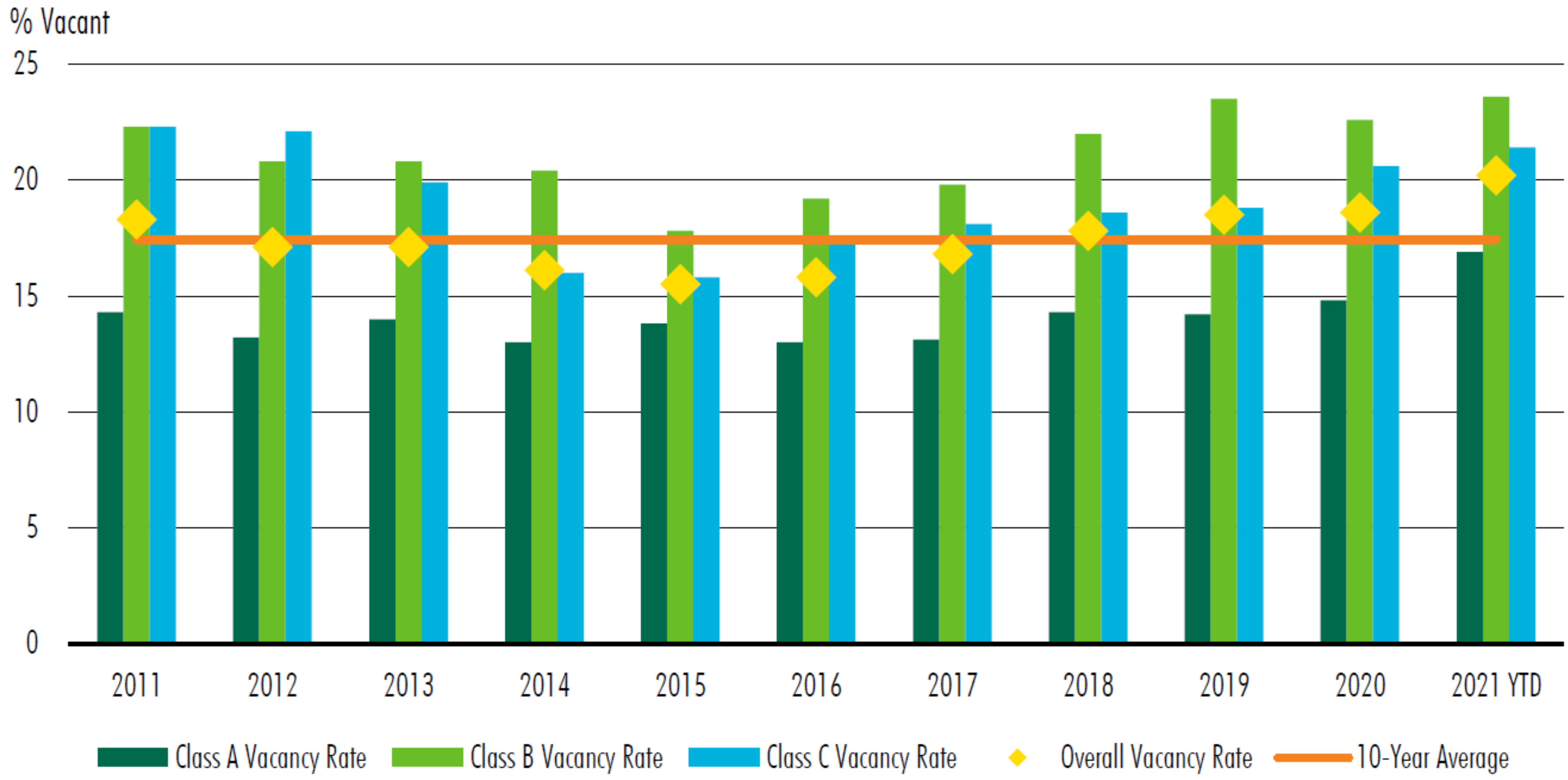
Net Absorption
(108,669) sq. ft.

Figure 1: Historical Annual Net Asking Rates



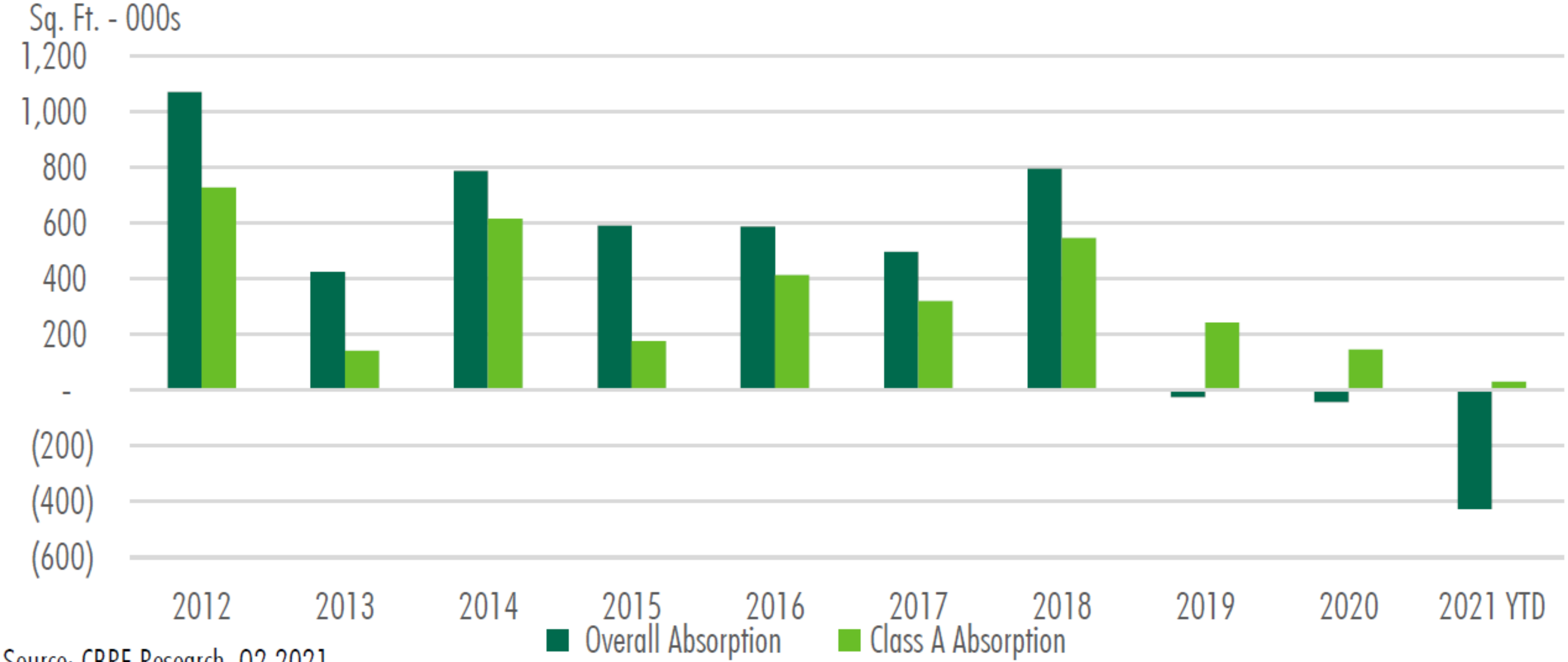
Source: CBRE Research, Q2 2021.

Figure 2: Annual Vacancy Rate Overall and by Class With 10-Year Average



Source: CBRE Research, Q2 2021.

Figure 3: Historic Absorption Overall and Class A



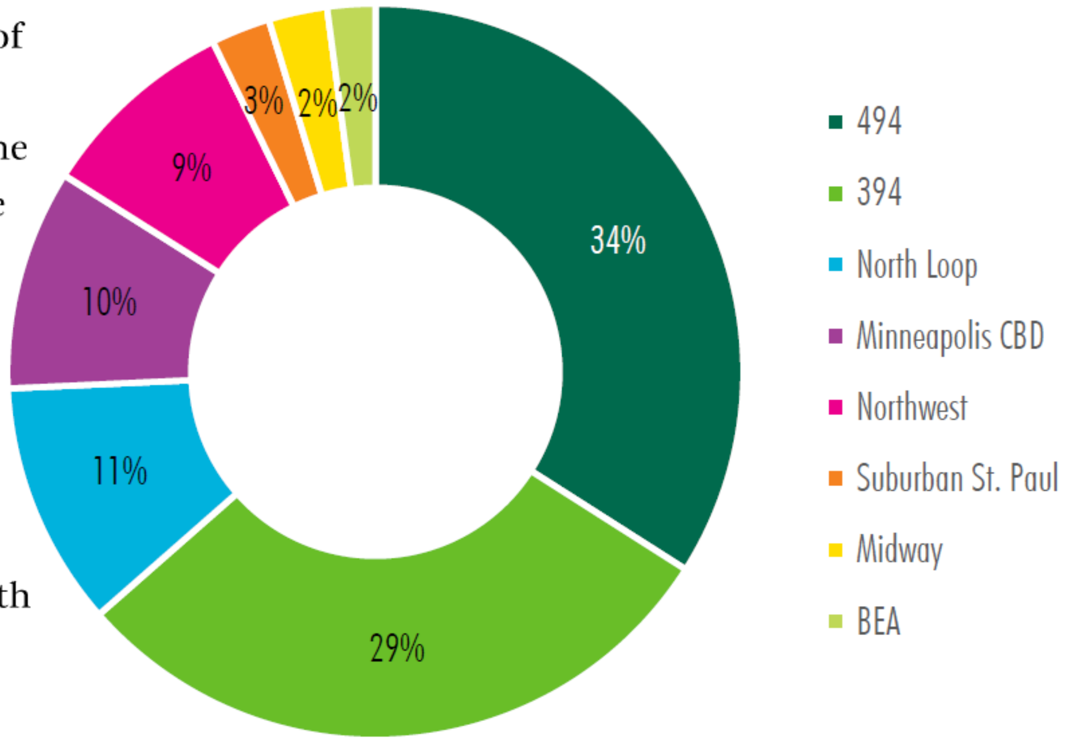
Source: CBRE Research, Q2 2021.

TOP TRANSACTIONS

The 494 Corridor led all submarkets with 34% of all leases in Q2, led by the Sedgwick renewal at Prairie Lakes I and the Bright Health move to the 8000 Tower at Normandale Lakes. Leases by the Radisson Hotel Group and Two Harbors at 10 West End helped the 394 Corridor finish in a close second 29% of the total.

Despite industry chatter about renewals, new leases accounted for 70% of all Q2 2021 deal activity. Finance-Insurance led all industries with 40% of leasing in the quarter, followed by Business Services at 23% and Technology and Creative Industries at 11%.

Figure 5: Top Transactions by Sq. Ft. by Submarket



Source: CBRE Research, Q2 2021.

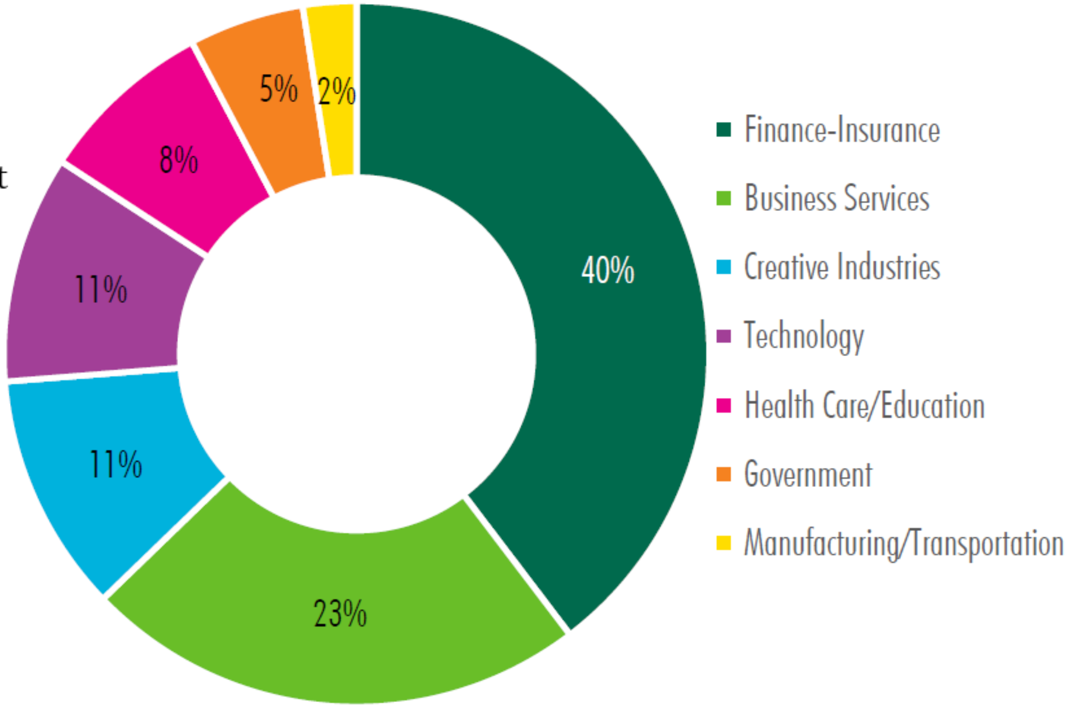
INVESTMENT SALES

Despite a significant amount of capital seeking deals in the market, office sales volume remained muted as investors scoured the market for more data points as physical occupancy increases and tenants navigated a new normal.

The three-property Healthpeak portfolio in Burnsville was the largest Q2 2021 sale (part of a larger portfolio transaction), an example of medical office being a bright spot over the past 12 to 18 months.

CBRE forecasts an uptick in overall activity across the Americas through the remainder of 2021.

Figure 6: Top Transactions by Industry Type

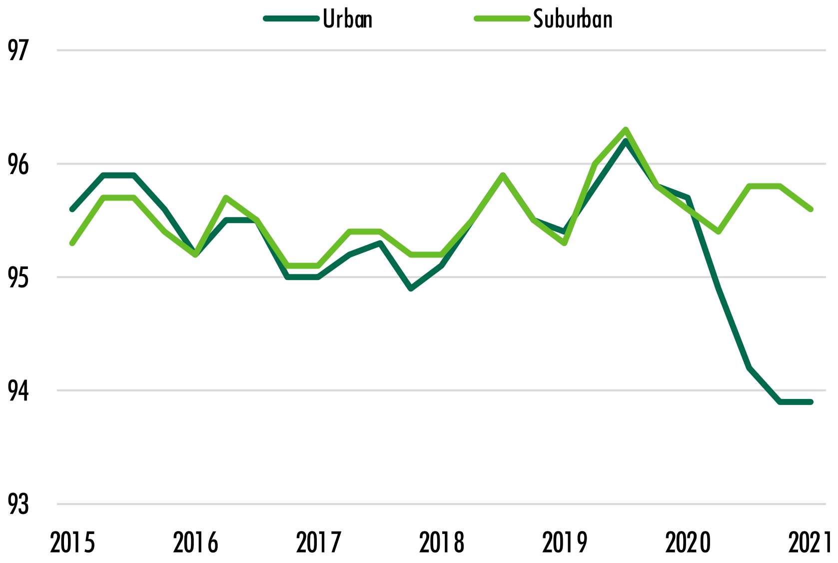


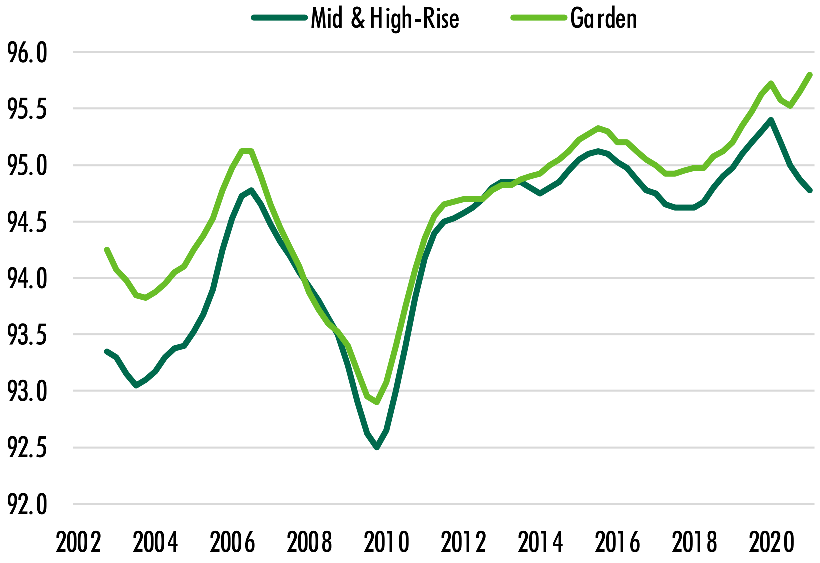
Source: CBRE Research, Q2 2021.


U.S. APARTMENTS

URBAN AND SUBURBAN OCCUPANCY – CORRELATED NO MORE!

Occupancy rate by urbanicity and property type (%)



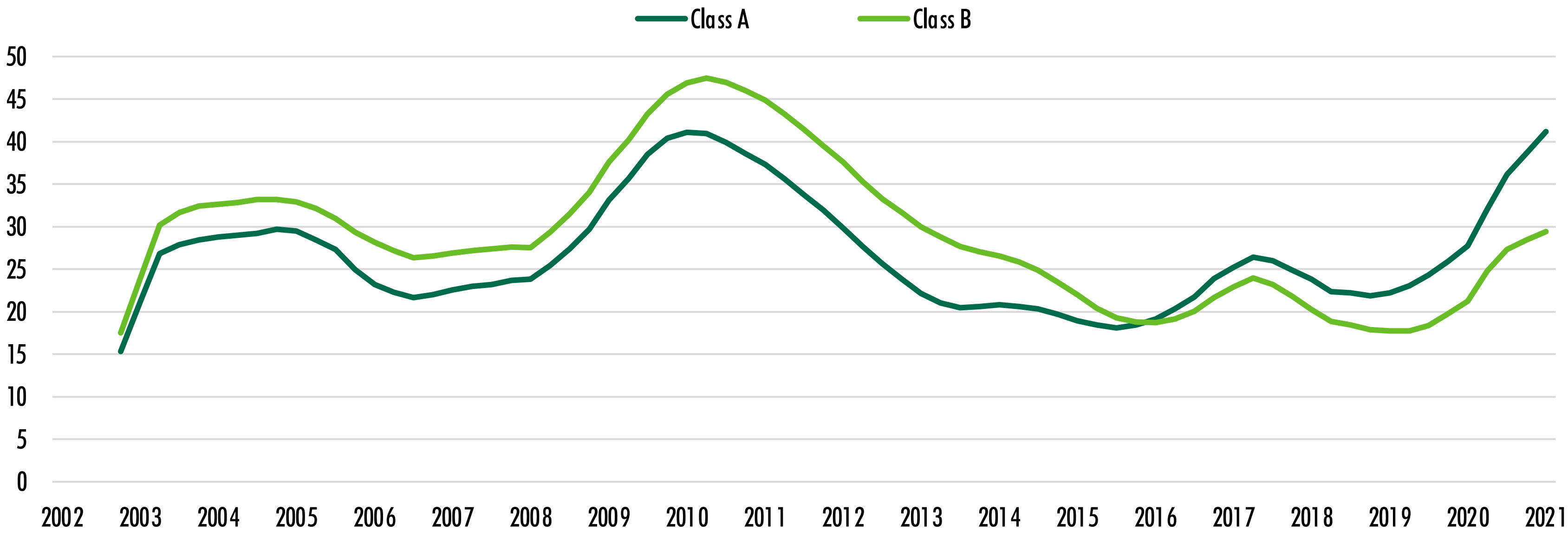


- The combination of aggressive supply deliveries and social distancing measures are causing urban occupancy rates to plummet.
- The bias against 'dense' living amid the pandemic weighed on occupancies of mid & high-rise properties but benefitted suburban, garden-styled properties.

Source: CBRE Research.

VALUE-ORIENTED, 'CLASS B' APARTMENTS ARE HOLDING UP BETTER THAN 'CLASS A'

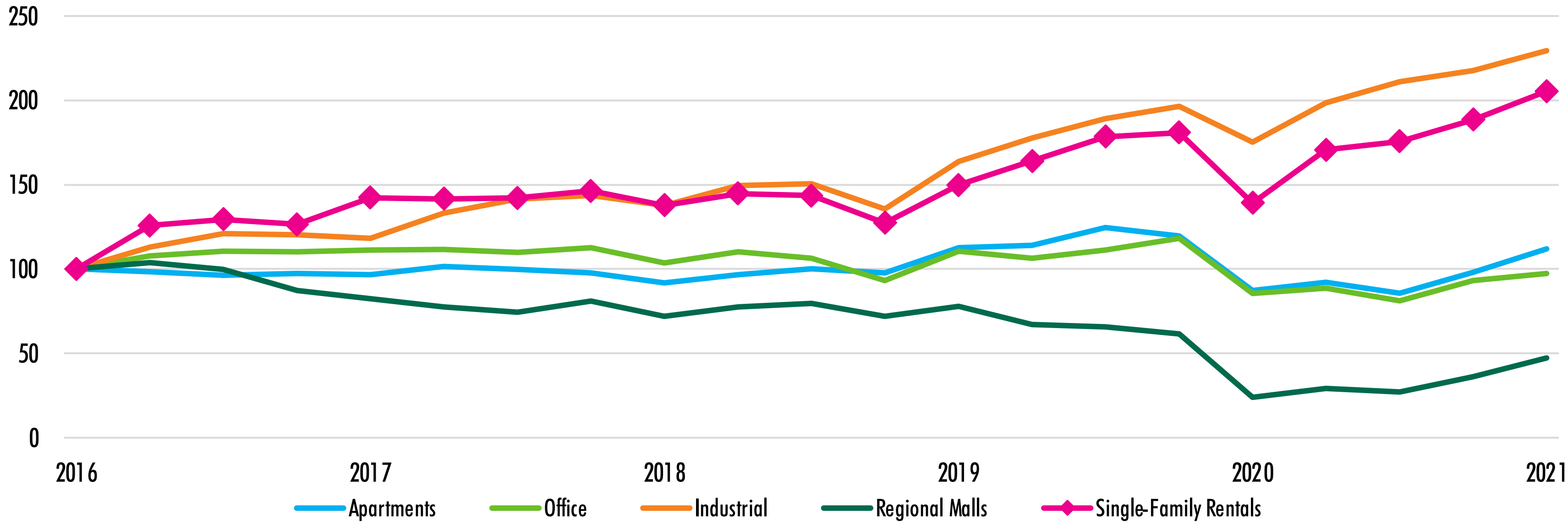
% of properties offering discounts by class



- Class A apartment fundamentals have softened, due to new supply and move-outs amongst more mobile, affluent tenants during the pandemic.
- Class B landlords have greater leverage as there are fewer deliveries of 'value-oriented' rentals and Class B tenants are less likely to move-out for homeownership.

PEOPLE LEAVING URBAN APARTMENTS MIGHT BE RENTING SINGLE-FAMILY HOMES

NAREIT price return index by property type, 2016 = 100

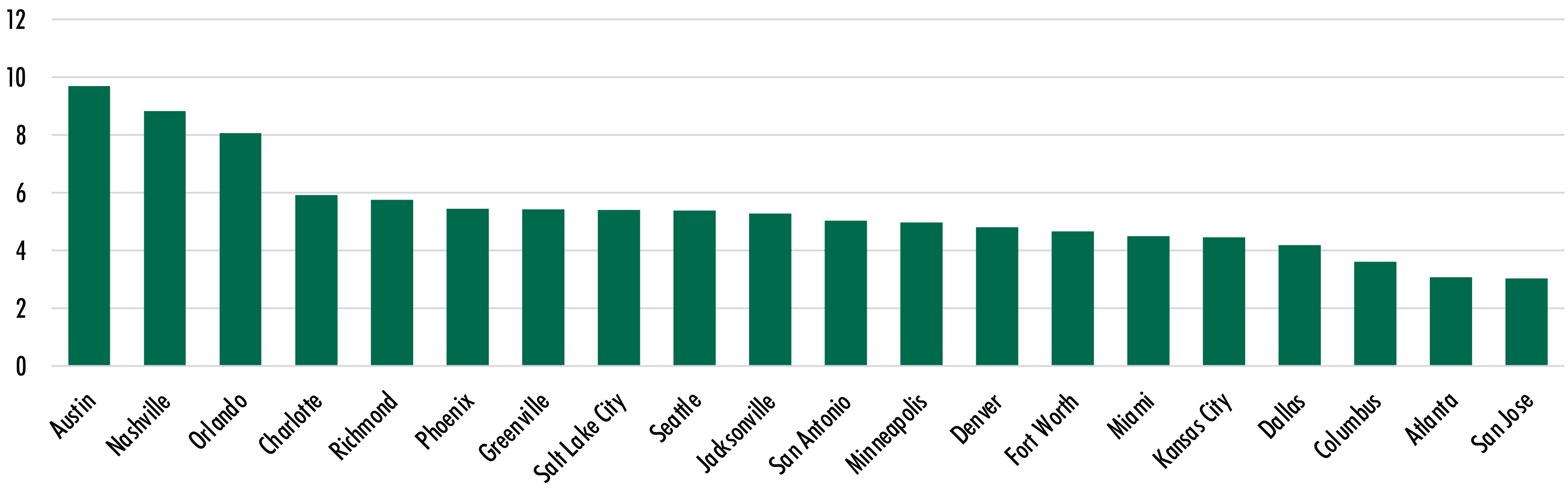


- The REIT market provides some insight into how private equity real estate has performed.
- The single-family rental REIT index has solidly outperformed multi-family rentals and was only bested by the industrial REIT index.
- Many renters leaving urban neighborhoods are not buying in the suburbs. Likely, many are renting more spacious environs, such as a single-family house.

Source: NAREIT, Macrobond.

APARTMENT DEVELOPMENT GENERALLY FOLLOWS POPULATION GROWTH

Top 20 markets for apartment units underway as a share of inventory (%)

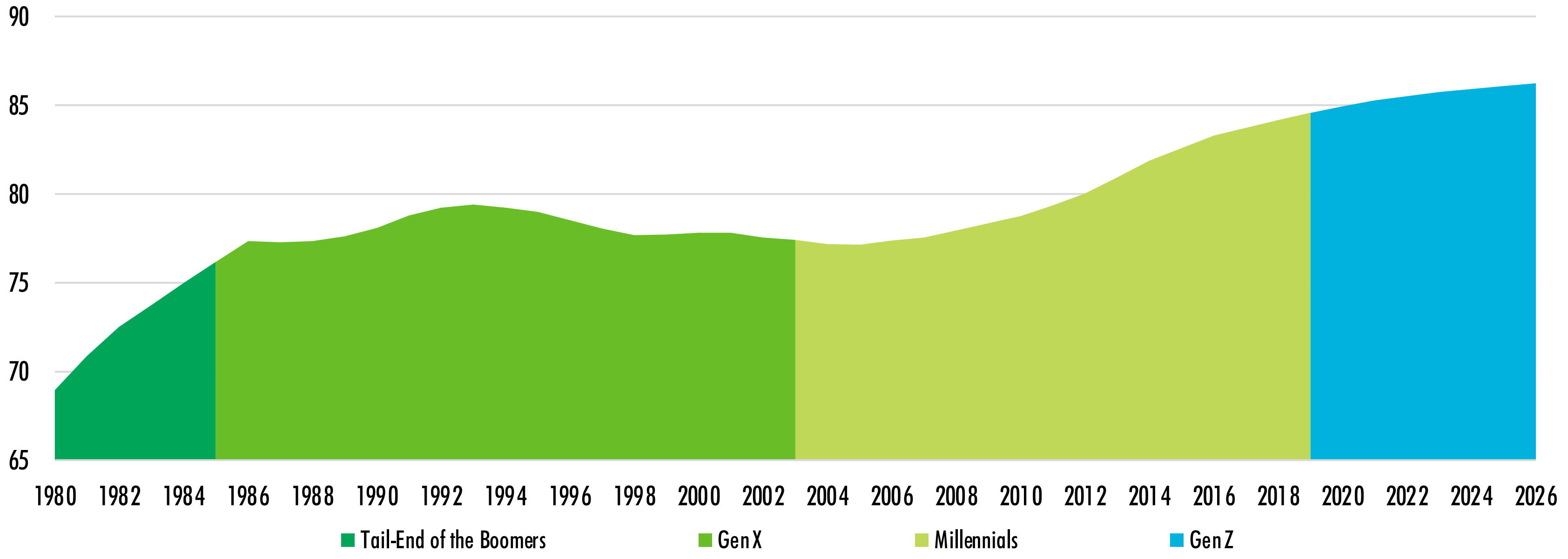


- Like other real estate sectors, the pace of multifamily development in Austin exceeds other marketplaces.
- A large share of this product will deliver in more urbanized submarkets that have, on-balance, fallen out-of-favor during the pandemic.

Source: CBRE-EA, Dodge Data and Analytics.

DEMOGRAPHIC TAILWINDS ARE FADING

Total population aged 20 – 39 (millions)

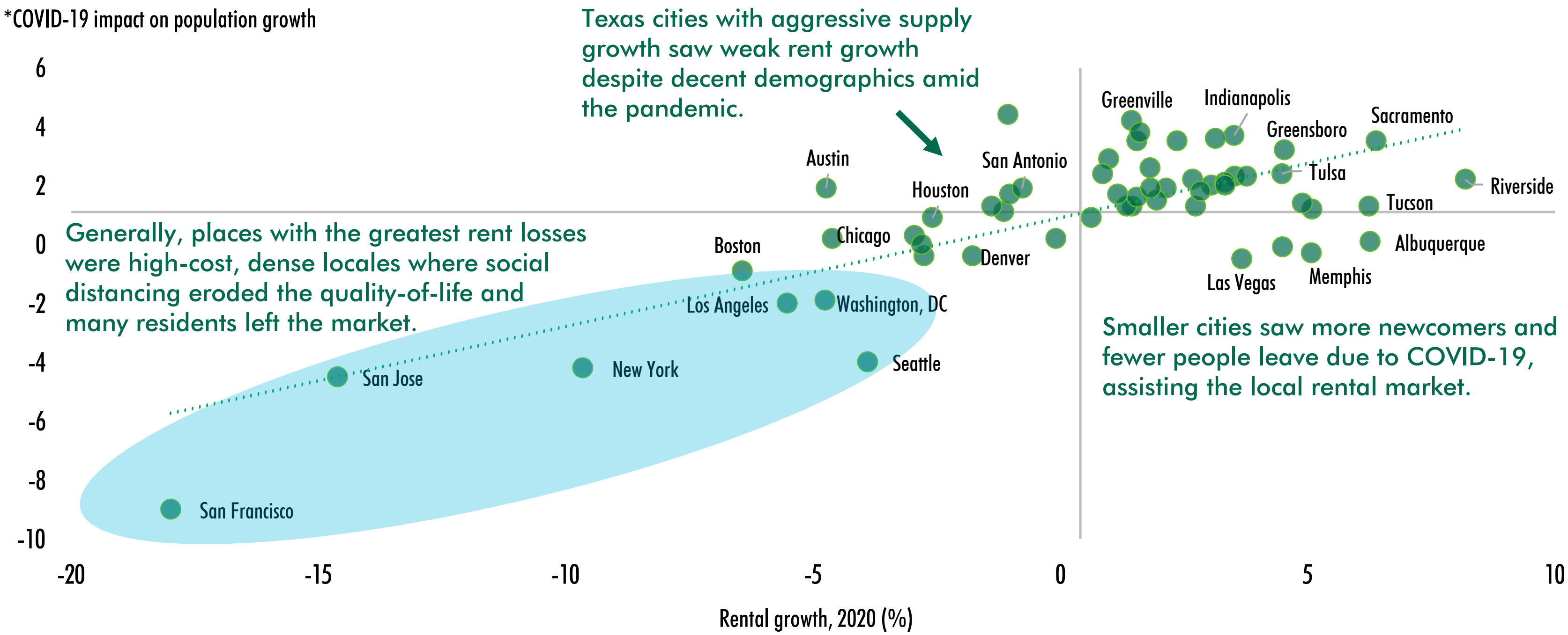


- Apartments benefitted from a wave of people moving into young adulthood during the past decade—this trend is over.
- Although the traditional apartment renting demographic is growing at a slower pace, very low for-sale affordability is poised to keep people renting for longer.

Source: CBRE-EA, U.S. Census Bureau.

THE CITIES PEOPLE LEFT IN 2020 ALSO SAW NOTICEABLE RENT DECLINES

COVID-19 population changes versus 2020 rental growth



Source: CBRE, United States Postal Service
NOTE: *2020 net inflows less 2019 net inflows. Inflows are calculated by analyzing address change requests provided by the U.S.P.S.


TWIN CITIES APARTMENTS

Minneapolis-St. Paul-Bloomington, MN-WI

Apartment Performance

Effective rent increased 1.6% from $1,339 in 1Q21 to $1,366 in 2Q21, which resulted in an annual growth rate of -0.1%. Annual effective rent growth has averaged 2.3% since 2Q96.

The market's annual rent growth rate was below the national average of 4.1%. Out of the 150 markets ranked by RealPage nationally, Minneapolis-St. Paul-Bloomington, MN-WI was 137th for quarterly effective rent growth, and 139th for annual effective rent growth for 2Q21.

The market's occupancy rate increased from 95.4% in 1Q21 to 96.0% in 2Q21, but was down from 96.3% a year ago. The market's occupancy rate was below the national average of 96.3% in 2Q21. The market's occupancy rate has averaged 95.6% since 2Q96.

Market Survey Results and Forecasts

	Sequential				Month	Annual						
	3Q20	4Q20	1Q21	2Q21	Jun-21	2019	2020	2021F	2022F	2023F	2024F	2025F
Effective Rent Per Unit	$1,359	$1,343	$1,344	$1,366	$1,387	$1,354	$1,360	$1,358	$1,387	$1,427	$1,462	$1,499
Per Sq. Ft	$1.50	$1.48	$1.49	$1.51	$1.53	$1.50	$1.50	$1.50	$1.53	$1.57	$1.61	$1.65
Effective Rent Growth - Annually	**-0.4%**	**-1.5%**	**-1.9%**	**-0.1%**	**1.0%**	**3.2%**	**-1.5%**	**0.7%**	**3.7%**	**2.6%**	**2.3%**	**2.4%**
Effective Rent Growth - Quarterly	-0.5%	-1.2%	0.1%	1.6%								
Occupancy Rate	**96.3%**	**95.8%**	**95.3%**	**96.0%**	**96.3%**	**96.8%**	**96.2%**	**95.5%**	**95.2%**	**95.2%**	**95.1%**	**95.0%**
Occupancy Change - Annually	**-0.9%**	**-0.9%**	**-1.1%**	**-0.3%**	**0.3%**	**-0.2%**	**-0.9%**	**-0.9%**	**0.0%**	**-0.1%**	**-0.1%**	**-0.1%**
Occupancy Change - Quarterly	-0.1%	-0.5%	-0.5%	0.8%								
Economic Concessions												
Concession Value	**$73.00**	**$91.00**	**$92.00**	**$100.00**	**$138.00**	**$57.00**	**$69.00**					
As a % of Asking Rent	5.3%	6.6%	6.8%	7.3%	9.8%	4.2%	5.0%					

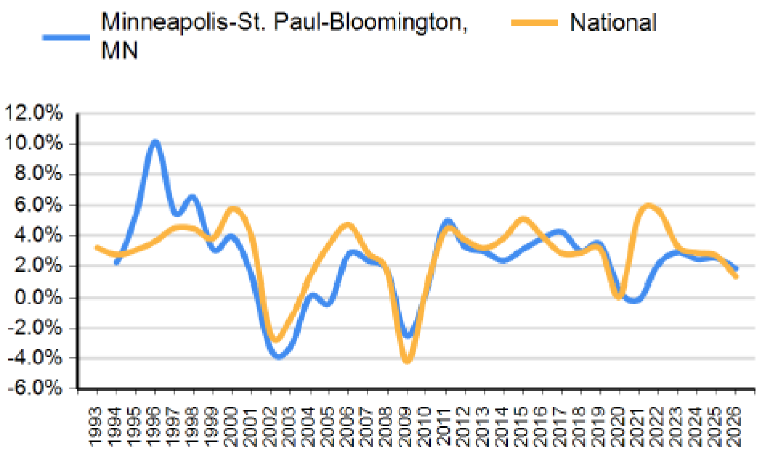
Market Rank

2Q21	Market	National	Rank
Effective Rent Per Unit	$1,366	$1,478	50
Effective Rent Growth - Annually	0.0%	4.1%	139
Effective Rent Growth - Quarterly	1.6%	3.8%	137
Occupancy Rate	96.0%	96.3%	109
Occupancy change - Annually	-0.3%	1.0%	143
Occupancy change - Quarterly	0.8%	0.8%	57
Concession Value	$100.00	$102.00	27
Build Average	1995	1991	42

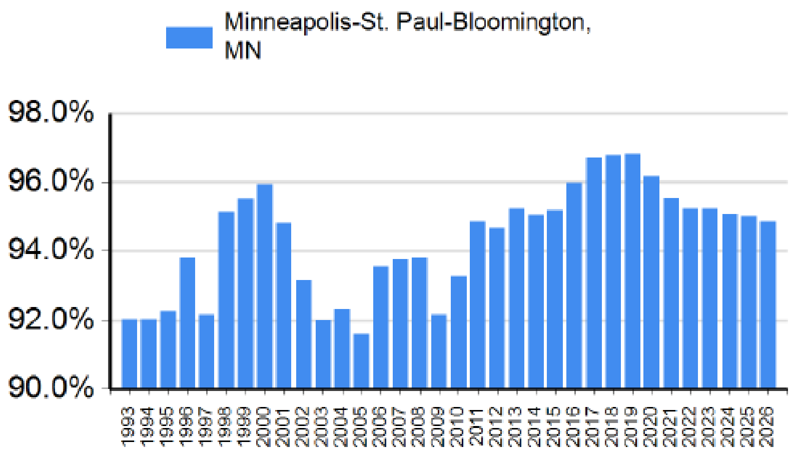
Ranking based on Top 150 Markets

2Q21 Annual Results						
By Bedroom Type	**%**	**Area**	**Occ**	**ERG**	**Erent**	**ERSF**
Studio/One bedroom	52.1%	728	95.1%	-1.8%	$1,200	$1.65
Two bedroom	42.1%	1,059	96.1%	0.7%	$1,515	$1.43
Three + bedrooms	5.8%	1,393	96.8%	1.4%	$1,885	$1.35
By Year Built						
<= 1980	33.3%	822	96.9%	0.8%	$1,109	$1.35
1981-1990	16.4%	961	96.3%	2.3%	$1,358	$1.41
1991-2000	13.2%	923	95.9%	-0.2%	$1,299	$1.41
2001-2010	16.3%	1,006	95.5%	0.3%	$1,515	$1.51
2011-Current	20.9%	907	92.8%	-3.6%	$1,739	$1.92

Annual Effective Rent Growth



Annual Occupancy Rate



Minneapolis-St. Paul-Bloomington, MN-WI

Demand and Supply

According to the Bureau of Labor Statistics, job growth in Minneapolis-St. Paul-Bloomington, MN-WI was 8.4% in May 2021, reflecting 149,600 jobs added during a 12-month period. The metro job growth figure was below the national number of 9.0%.

RealPage forecasts Minneapolis-St. Paul-Bloomington, MN-WI's job growth to be 4.2% in 2022, with 80,725 jobs added. Job growth is expected to average 0.9% from 2023 to 2025, with an average of 18,492 jobs added each year.

On the supply side, permits for 12,348 multifamily units were issued in the 12 months ending in May 2021, up 1,110 units from the prior year's sum. In terms of total residential housing, 24,413 units were permitted in the 12 months ending May 2021, an increase of 2,992 units from the prior year's total.

Market Employment and Permitting

	Annual			May-21		Annual Forecast				
	2018	2019	2020	Market	National	2021F	2022F	2023F	2024F	2025F
Employment (000s)	2,019.8	2,036.0	1,887.0	1,924.3	145,385.0	1,922.3	2,003.0	2,031.2	2,046.5	2,058.5
Job Gain (000s)	23.7	16.2	(148.9)	149.6	11,966.0	35.2	80.7	28.2	15.4	11.9
Job Growth (%)	1.2%	0.8%	-7.3%	8.4%	9.0%	1.9%	4.2%	1.4%	0.8%	0.6%
Total Residential Permitting	17,729	22,480	21,421	22,410	1,109,846	25,288	26,547	28,061	29,533	31,014
Relative Change	20.8%	26.8%	-4.7%	19.0%	17.3%	18.1%	5.0%	5.7%	5.2%	5.0%
Single Family Units Permitted	8,877	9,522	9,906	10,705	736,881					
Relative Change	2.4%	7.3%	4.0%	26.7%	27.4%					
Multifamily Units Permitted	8,645	12,733	11,238	11,409	343,100					
Relative Change	49.6%	47.3%	-11.7%	12.0%	0.1%					
Multifamily as a % of Total	48.8%	56.6%	52.5%	50.9%	30.9%					
Demand/Supply Ratio										
Job Gain / Total Residential Units Permitted	1.6	0.9	(6.6)	7.9	12.7	1.6	3.2	1.1	0.5	0.4
Job Gain / Single Family Units Permitted	2.7	1.8	(15.6)	17.7	20.7					
Job Gain / Multifamily Units Permitted	4.1	1.9	(11.7)	14.7	34.9					

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