CBRE RESEARCH | U.S. JULY 2015

RESURGENCE IN MIDWEST SECONDARY MARKETS

Implications for Occupiers

CORE MESSAGE

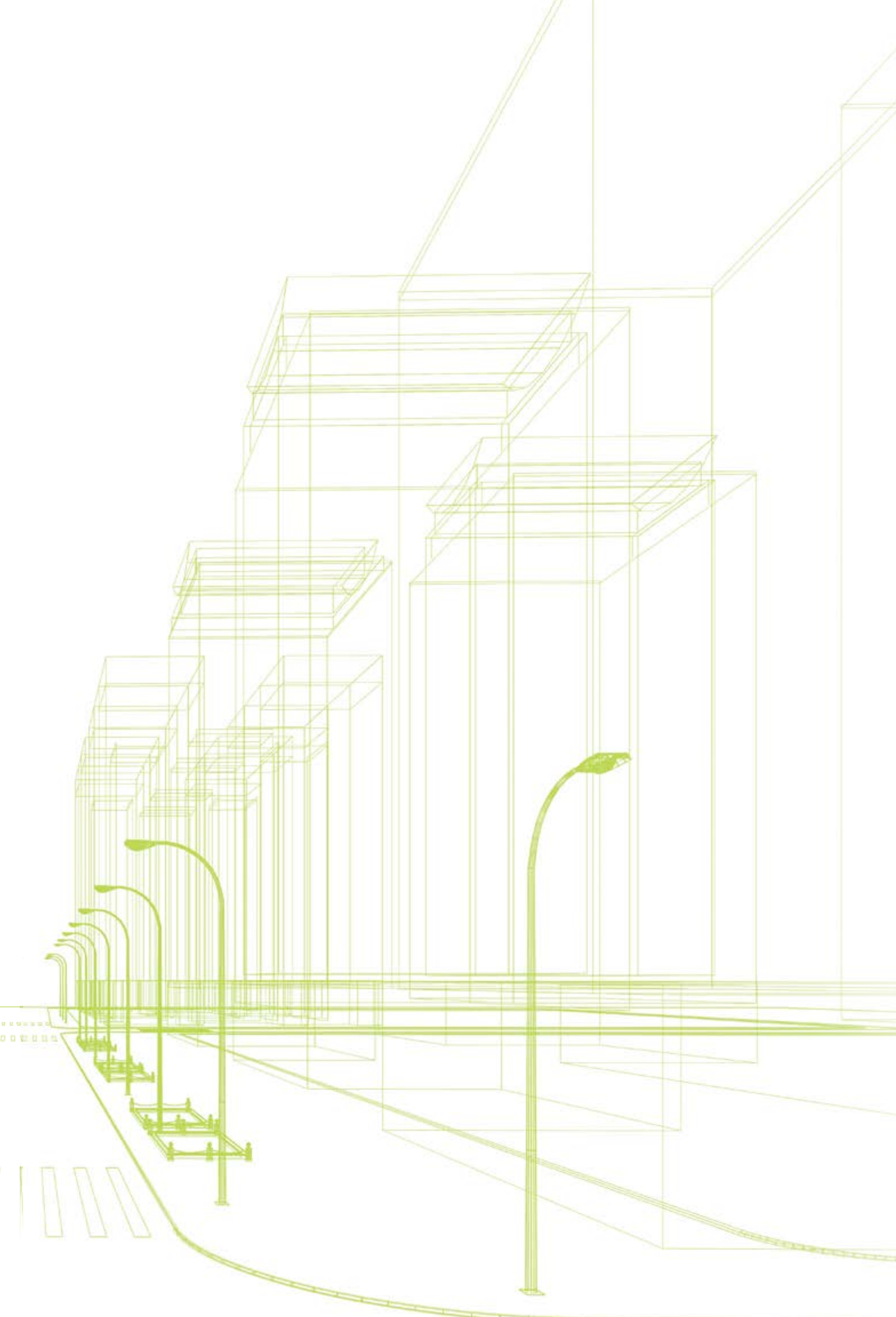
As urbanization and revitalization continue to reshape many markets across the U.S.—particularly in the Midwest—we are seeing a surge of mixed-use urban development and a population shift away from the suburbs toward downtown cores.

Attracting and retaining talent is critical to an organization's long-term success. Numerous secondary markets in the Midwest are having success attracting companies from outside the region, and making efforts to support already-present companies that want to continue their commitment to the region.

In an effort to attract and retain a high quality workforce, local and regional industries are often major stakeholders in maintaining a healthy community infrastructure. A variety of industries have been influential in the resurgence of secondary cities.

Urbanization is a prevailing trend that is playing a major role in the resurgence of secondary markets. The shift back to the urban core is not limited to young professionals; empty nesters that call downtown home are increasing in numbers.

"WE ARE SEEING A SURGE OF MIXED-USE URBAN DEVELOPMENT AND A POPULATION SHIFT AWAY FROM THE SUBURBS TOWARD DOWNTOWN CORES."



INTRODUCTION

Urbanization and revitalization continue to reshape many markets across the U.S., bringing a surge of mixed-use urban development and a population shift from the suburbs to downtown cores. These trends are especially evident in secondary markets throughout the Midwest, where there is a great push toward building stronger and more resilient local communities. The major factors influencing the resurgence are talent, industry and urbanization.

As a result, many occupiers are choosing to invest and anchor themselves in secondary markets, either with primary headquarters or strategic secondary locations. Established firms are continuing to invest in their commitment to the Midwest, while others relocate or expand into the region, recognizing the opportunity it offers to attract and retain talent. Many larger national and regional occupiers are able to offer a more stimulating work environment and greater potential for career growth than smaller local firms.

Often, occupiers are able to lower operating costs through government-funded incentive programs or by moving back-office jobs to a region where salaries are lower. Many municipalities offer workforce-creation grants, which are generally based on the number of jobs created and/or retained. When companies choose to establish themselves in vibrant, trendy areas, they can expect to attract a workforce to match.

PRIMARY DRIVERS OF THE RESURGENCE

TALENT

Attracting and retaining talent is critical to an organization's long-term success. Numerous secondary markets in the Midwest are having success attracting companies from outside the region, and are making an effort to support already-present companies that want to continue their commitment to the region. These markets are typically driven by a large pool of educated, skilled, motivated workers, as most of these cities have strong institutional education systems. Coupled with generally lower costs of living, involved public leadership, various incentive programs and a vibrant and innovative urban core, secondary markets can be appealing to employers and employees alike.

In Pittsburgh, technology jobs represent about 5% of total employment,[1] a figure that is notably higher than other markets throughout the country as, on average, tech talent accounts for 3.4% of the U.S. total. This concentration of tech talent has encouraged several companies to expand into the Pittsburgh area, such as Microsoft and Apple. Many of these firms are leasing traditional office space, while other companies are purchasing older buildings and re-purposing them for their own campuses, located in trendy neighborhoods on public transit routes.

Secondary cities in the Midwest are also implementing community initiatives to meet the demands for a new workforce. The Minneapolis/St. Paul area has become a major player in the area of innovative public transit development. The Twin Cities are focused on stabilizing the highway system, and expanding their public transit systems, including light rail, trolleys, bike trails and pedestrian paths. Transit-Oriented Development (TOD) is a key factor in the cities Thrive MSP 2040 plan, as the downtown areas are expected to gain more than 160,000 residents and 140,000 jobs over the next 30 years.[2] These measures are expected to attract a younger, more vibrant stream of workers, which is important in sustaining growth in an aging and evolving workforce.

Urban planners in Indianapolis have developed an innovative public connector to maximize community impact. The Indianapolis Cultural Trail was a 12-year project that brought eight miles of dedicated off-street bike and pedestrian paths to the

[1] *Allegheny Conference on Community Development*
[2] *Twin-Cities Metropolitan Council*

FIGURE 1 | PERCENTAGE OF POPULATION WITH BACHELOR DEGREES OR HIGHER IN SECONDARY MIDWEST MARKETS
TOTAL % BY MSA

38.6
Minneapolis

33.3
Kansas City

33.0
Columbus

32.2
Milwaukee

30.8
St. Louis

30.6
Indianapolis

28.8
U.S.

30.2
Pittsburgh

29.5
Cincinnati

28.1
Cleveland

28.0
Detroit

26.4
Louisville

Source: CBRE Fast Report, 2015.

downtown area, connecting six separate cultural districts and more than 40 extra miles of greenway trails. The $63 million project encouraged an estimated $865 million of added economic benefit, and has emerged as the preferred commuting option for a good portion of the downtown workforce.[3]

The millennial generation expects to live in a neighborhood that is both walkable and connected to many amenities, which is fueling an urban renaissance. Across the Midwest, many cities are seeing migration patterns that are driving economic growth and urban revitalization. By implementing programs focused on flexible live-work-and-play environments, secondary cities will continue to attract and retain influential occupiers and a talented workforce.

[3] *Indianapolis Cultural Trail*

INDUSTRY

In an effort to attract and retain a high quality workforce, local and regional industries are often major stakeholders in maintaining a healthy community infrastructure. A variety of industries have been influential in the resurgence of secondary cities, as many Fortune 500 companies, including Cardinal Health, General Motors, Humana, Kroger, P&G and Target, call the Midwest home. 15% of Fortune 500 companies are located in the 11 markets surveyed in this report. These markets are continuing to cultivate business environments that are attractive to technology and creative companies. Proximity to Fortune 500 companies is a further attraction for public relations, marketing, and consumer research firms that have or desire them as clients.

Though it represents only 3.4% of the total U.S. workforce, the technology sector accounted for the largest share of U.S. office leasing activity in 2013 (13.5%) and 2014 (19.0%).[4] Although much of the technology sector is concentrated in primary markets like the San Francisco Bay Area, Washington, D.C. and Manhattan, the industry is experiencing significant growth in several secondary markets, such as Columbus, Cincinnati and Kansas City.

Many firms are recognizing the advantages that secondary markets offer. In 2014, MindMixer—a growing tech firm that started in Omaha—relocated to Kansas City rather than to Silicon Valley. Attracted by the dynamic pool of tech workers and the creative environment, MindMixer took up residence in the Crossroads Arts District, where several other tech firms have nested. As an enticement, MindMixer was awarded $1.6 million in state tax rebates.

In Columbus, New York-based JP Morgan Chase is the largest private-sector employer, employing more than 20,000 people in the area. The company continues to expand and hire in the area. Executives at JP Morgan Chase cite Columbus's low cost of living for workers, its proximity to nationally-ranked colleges, and local public/private partnerships attracting new jobs to the region as reasons for the company's ongoing investment in the market. Geographically, Columbus is well-positioned between the financial centers of Boston, New York and Chicago.

[4] *"Scoring Tech Talent," CBRE Research, 2015.*

FIGURE 2 | NUMBER OF FORTUNE 500 COMPANIES HEADQUARTERED IN SECONDARY MIDWEST MARKETS
TOTAL COUNT

Source: Fortune 500, 2015.

Several Midwest markets are receiving a significant boost from some unique industries. For example, in Louisville, the bourbon industry is powering a re-emerging downtown market, encouraging the renovation and re-purposing of previously vacant structures. This $3 billion local industry has been the catalyst for $400 million in residual capital improvement growth, with another $630 million planned over the next several years. Whiskey Row, "the birthplace of whiskey," is booming again as distilleries sink capital into historic buildings to re-create the district.

The roles of major firms and industry sectors are continuing to evolve as many companies take an active role in downtown revitalization efforts, partnering with local municipalities and promoting community change. In many cases, these firms have become economic catalysts, helping to rejuvenate downtown areas and to improve urban cores. However, each city has developed its own unique infrastructure and industry drivers that significantly influence positive economic growth.

URBANIZATION/REVITALIZATION

Urbanization is a prevailing trend throughout the U.S., and it has been a major factor in the resurgence of secondary markets. The shift back to the urban core has not been limited to younger professionals; increasing numbers of empty nesters are also calling downtown neighborhoods home, and their disposable income is fueling growth for area restaurants and shops. In "America in 2013," the Urban Land Institute outlined environmental preferences among the various generations, noting millennials' strong relative preference for compact mixed-use development and less automobile dependence. Millennials desire connectivity, walkability, and mass transit options (Figure 4).

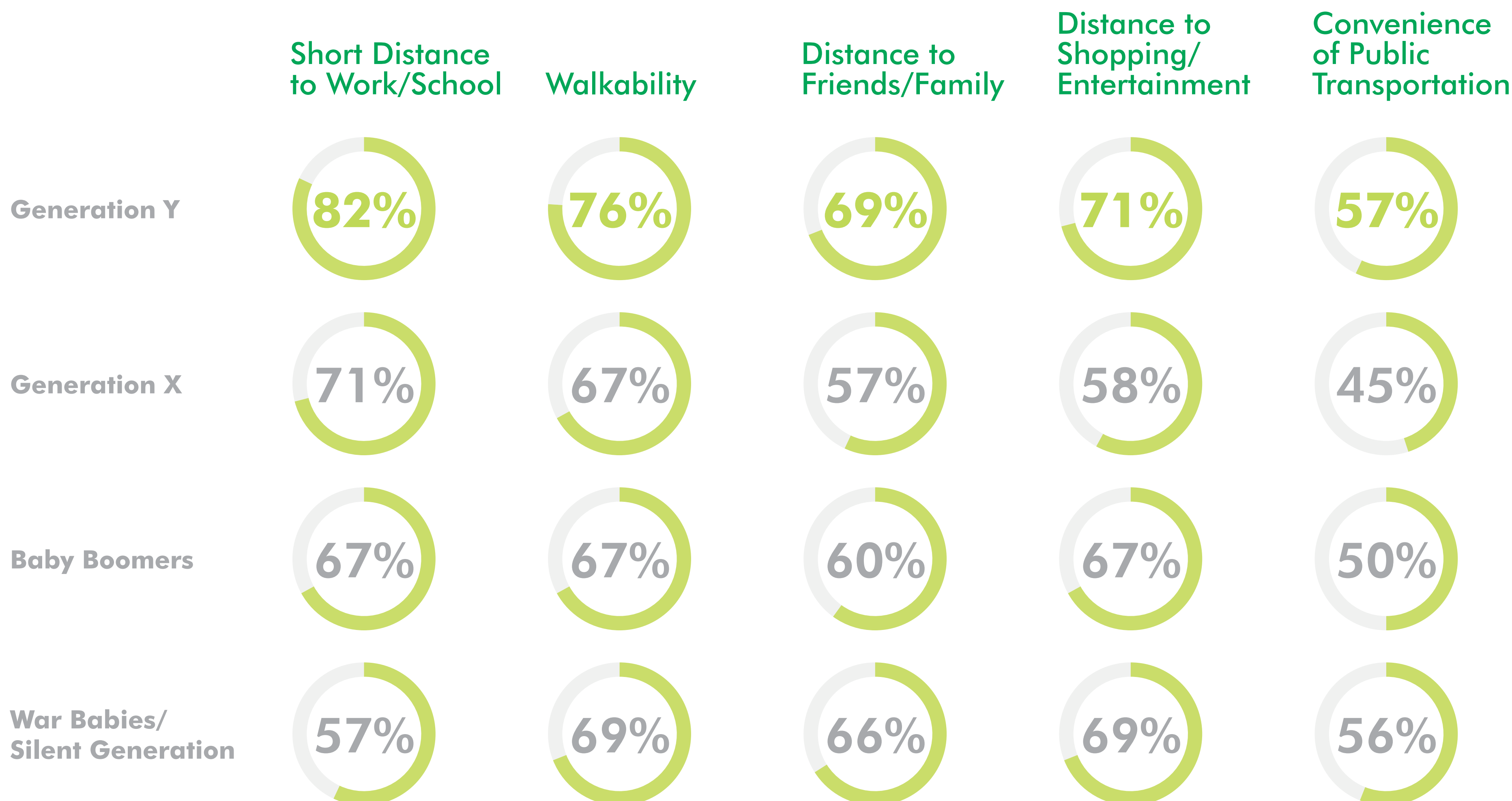
Secondary cities are responding by continuing to boost housing stock in and around the urban core. This is viewed as a key element in a competitive, sustainable economic development strategy. Functionally obsolete Class B and C buildings are being converted to multifamily space or hotels, encouraging the thirst for downtown living. The demand is very strong as many of these buildings are nearly or fully pre-leased at the time of completion. Many Midwestern cities contain historic architecture that cannot be replicated, differentiating them from more modern cities. Examples include Over-the-Rhine in

FIGURE 3 | TOTAL DOWNTOWN POPULATION IN SECONDARY MIDWEST MARKETS, 2005 VS. 2015

City	2015	2005
Cincinnati	15,000	7,500
Cleveland	13,500	8,800
Columbus	7,000	4,500
Detroit	35,000	37,100
Indianapolis	27,000	16,900
Louisville	5,100	4,000
Milwaukee	31,000	26,000
Minneapolis	38,900	20,500
Pittsburgh	12,600	10,500
St. Louis	8,300	3,600
Kansas City	19,900	5,500

Source: CBRE Research, 2015.

FIGURE 4 | GENERATIONAL COMPARISON OF COMMUNITY AMENITIES



Source: "America in 2013: a ULI Survey of Views on Housing, Transportation & Community," 2014.

Cincinnati, Ohio City in Cleveland, the Short North in Columbus, and the Strip District in Pittsburgh.

As a result, businesses are moving closer to or into urban centers in increasing numbers, to better tap into the growing pool of young, well-educated workers and to take advantage of the various urban amenities. In an effort to compete with urban cores and to keep talent in the suburbs, suburban municipalities are altering their development patterns as well. They are focusing on mixed-use development by mimicking urban environments and a more traditional development pattern. Their goals are to enhance the sense of community, to attract talent and to generate sustained economic vitality for their metro areas.

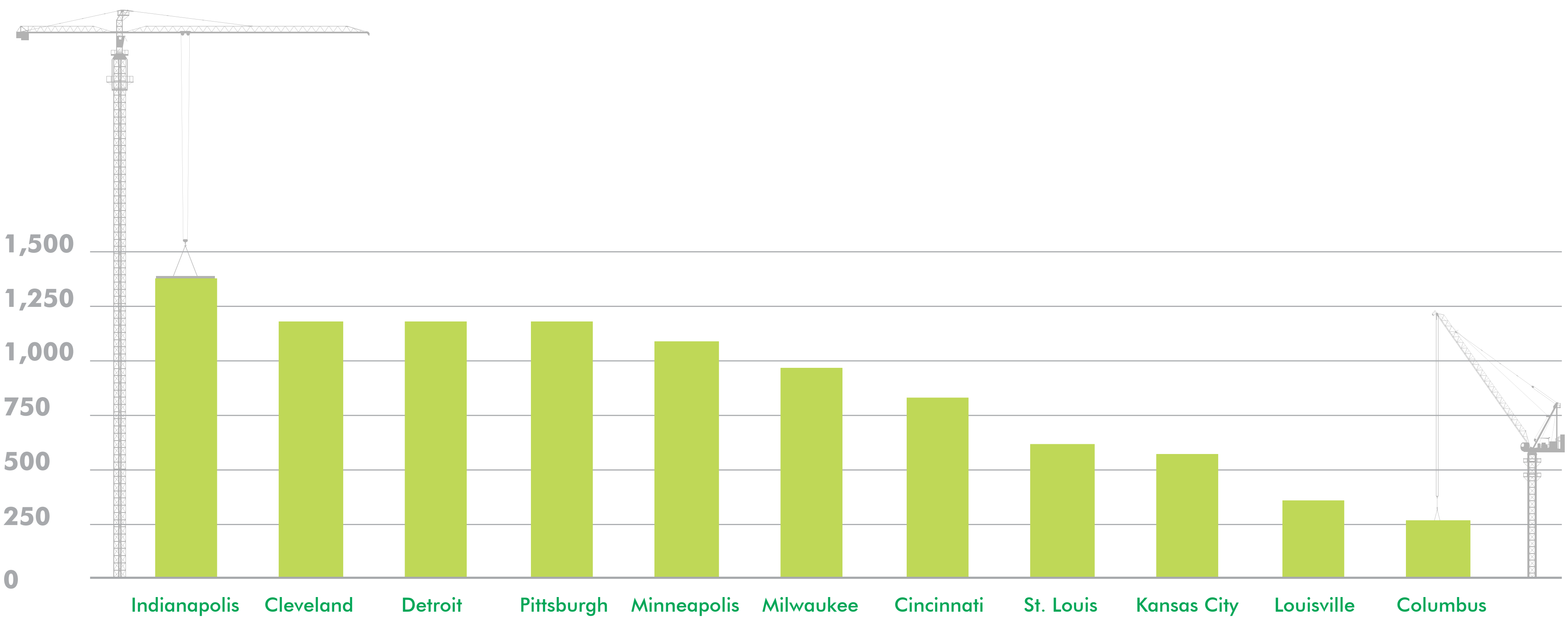
Cleveland has been enjoying prosperity recently, with strong local support from a lucrative government program known as Ohio Historic Preservation Tax Credits. Since the program's inception, more than $160 million in tax credits have been awarded to Cleveland development projects, leveraging almost $1.5 billion in redevelopment.[5] Abandoned and functionally obsolete office buildings are being converted into residential apartment buildings and hotels. As this wave of new residential properties has swelled, it has been a catalyst for development activity downtown. As more young workers are moving downtown, businesses have taken note, choosing to remain in the CBD rather than expand to the suburbs.

Capital investment in commercial real estate and mass transit in Midwestern downtowns has increased substantially. In addition to new construction and redevelopment projects, the construction of new mass transit options such as light rail and streetcars has been prevalent in many cities, including Cincinnati, Detroit, Kansas City and Minneapolis. Innovation districts—anchored by universities and research medical centers that have spurred the rise of start-ups in mixed-use areas with transit options—have been popping up in Midwest cities, including Detroit and St. Louis. Detroit's Innovation District covers downtown and Midtown and includes institutions such as Wayne State University, College for the Creative Studies, the Detroit Medical Center, and Techtown. The M-1 Rail, a streetcar running along Woodward Avenue, will connect the research institutions and companies downtown with an area in the north called New Center, which is home to many technology companies.

The innovation district in St. Louis is west of downtown; it is connected by the city's metro system, on which it has two stations. It allows for greater connectivity within the urban communities and provides more convenient access to neighborhood amenities. The district is anchored by the Washington University Medical Campus and the Cortex Innovation Community, the latter formed in 2002 by area institutions in order to build a vibrant mixed-use district of entrepreneurial start-ups.[6]

[5] *Ohio Development Services Agency*
[6] *"The Rise of Innovation Districts," the Brookings Institution, 2014.*

FIGURE 5 | VALUE OF CRE UNDER CONSTRUCTION IN DOWNTOWN SECONDARY MIDWEST MARKETS
$ IN MILLIONS



Source: CBRE Research, 2015.


2400

IMPLICATIONS FOR OCCUPIERS

Secondary Midwest markets have strong fundamentals, an educated workforce and the ability to adapt existing infrastructure to the demands of a modern city. These markets are positioning themselves for the future by increasing their efforts to attract and retain influential occupiers and workforce talent. Downtown markets have a distinct advantage over the suburbs because of their existing infrastructure of mixed-use buildings in a walkable, amenity-filled environment. Occupiers in secondary Midwest markets have a clear advantage in recruiting nearby college graduates to strengthen their workforces. Well-established Midwest companies have embraced their home markets, immersing themselves into their localities and investing in the future of their home cities.

As municipalities continue to urbanize their city cores with modern public transportation and pedestrian-friendly districts, these and surrounding areas will continue to experience population surges. This will encourage some companies in the suburbs to relocate to downtown areas in order to keep up with larger companies in attracting talent. Secondary cities are eager to attract expanding companies and are catering to them by offering incentives. They are transforming themselves into technologically focused, innovative business centers that no longer depend on a single industry for economic health. These diverse cities are becoming even more diverse as they strive to stay competitive with their peers.

SELECT LOCAL MARKET PROFILES
NEXT PAGE ▶

DOWNTOWN CINCINNATI

Downtown Cincinnati has become reinvigorated over the past decade. New industries have entered the market, attracting young professionals to the urban core. Branding, marketing, and consumer research firms that service the downtown's seven Fortune 500 companies are creating new jobs.

A big win for Cincinnati, and an indication of its momentum, is General Electric's choice to locate one of its five U.S. Global Operations Centers at the Banks, a new mixed-use development being developed on the riverfront of downtown Cincinnati. GE will be creating up to 2,000 new jobs, bringing more people downtown. Among the reasons GE selected the site are its access to talent, parking, and transit—including Cincinnati's streetcar service, which will open in 2016—as well as the company's longstanding relationship with southwest Ohio (GE already employs 9,000 people in the region). Over-the-Rhine (OTR) is another significant project, located directly north of the Central Business District (CBD). The area is a center of urban nightlife and is a magnet for young professionals. The historic 360-acre neighborhood is home to breweries, bars, restaurants, and specialty shops. Hundreds of buildings have been rehabilitated, placing apartments atop ground level retail. With developers beginning to build office space, it is also attracting creative office users.

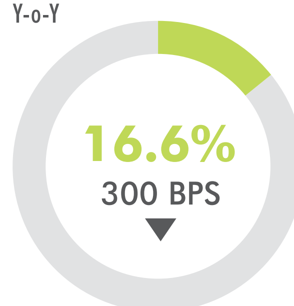
Downtown Cincinnati has been attracting new tenants, many of whom have relocated or consolidated from the suburbs. Four hotels have opened downtown and two more are planned. The city is improving its transportation networks and devoting time to placemaking for the sole purpose of attracting and retaining talent and companies.

DOWNTOWN OFFICE MARKET STATS
Q1 2015

SIZE OF MARKET

12.6 MSF

VACANCY RATE
Y-o-Y



GROSS ASKING RENT
Y-o-Y

$21.28

1.2% ▲

UNDER CONSTRUCTION

0.62 MSF

DOWNTOWN OVERVIEW
YEAR END 2014

POPULATION

15,000

CHANGE SINCE 2005 100%

TOTAL EMPLOYMENT

65,000

CURRENT PROJECT INVESTMENT

$840 M

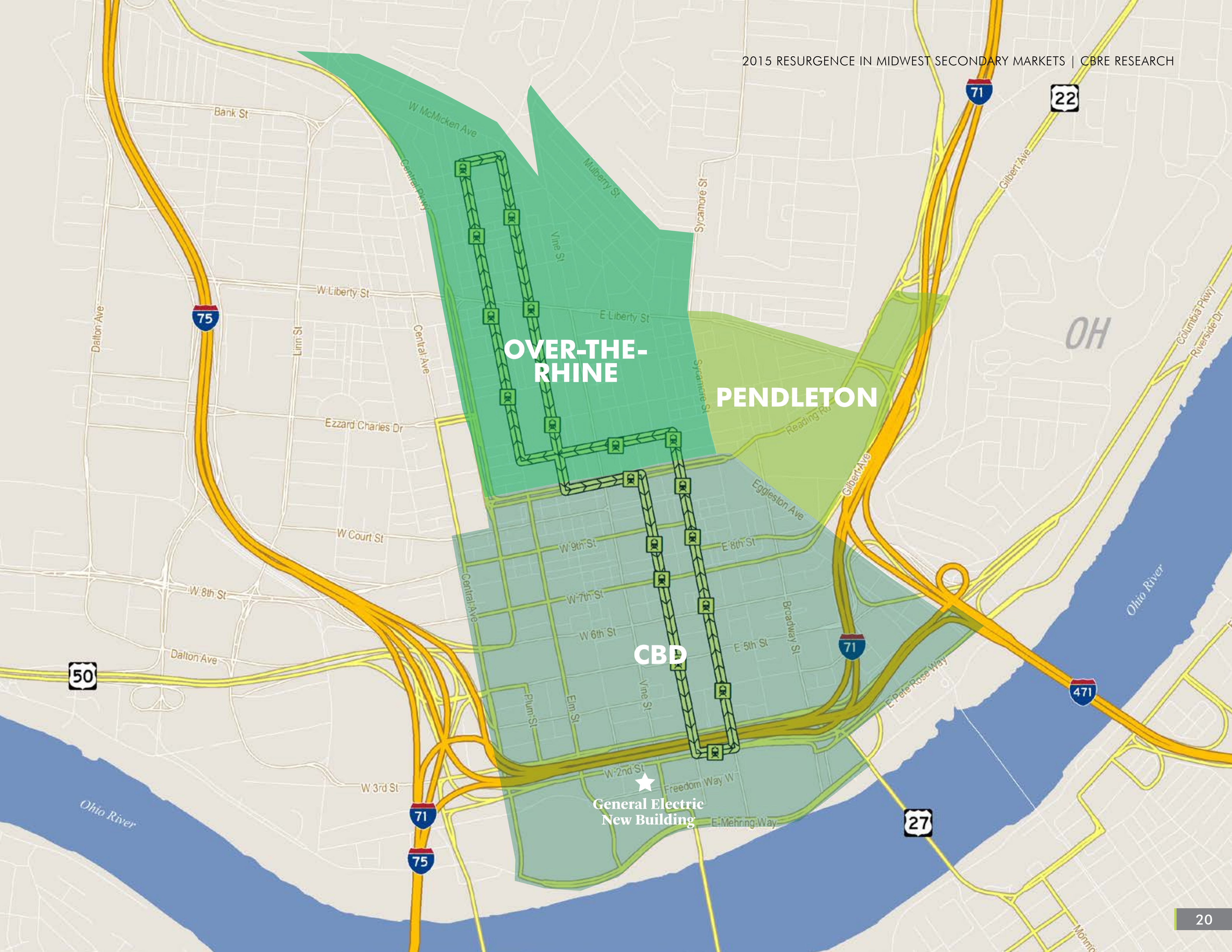
RESIDENT OCCUPANCY

96.0%

REPURPOSED SPACE

1.1 MSF

Source: CBRE Research, Q1 2015 and Downtown Cincinnati, Inc., 2014.


OVER-THE-RHINE
PENDLETON
CBD
General Electric New Building
W McMicken Ave
Mulberry St
Sycamore St
Central Pkwy
Vine St
Bank St
W Liberty St
E Liberty St
Dalton Ave
Linn St
Central Ave
Ezzard Charles Dr
Reading Rd
Gilbert Ave
Eggleston Ave
W Court St
W 9th St
E 8th St
W 8th St
W 7th St
W 6th St
E 5th St
Broadway St
Plum St
Elm St
W 2nd St
Freedom Way W
E Mehring Way
W 3rd St
E Pete Rose Way
Ohio River
Columbia Pkwy
Riverside Dr
OH
71
75
22
50
27
471

DOWNTOWN CLEVELAND

Cleveland is in the process of right-sizing its downtown, with developers converting obsolete office space into high-end residential apartments in an effort to take advantage of a hot residential market. To date, 1.2 million sq. ft. have been repurposed, with another 2 million sq. ft. in the pipeline. This trend has re-invented Cleveland's downtown as a fun, vibrant, and convenient place to live.

Developers are taking advantage of the Ohio Historic Tax Credit, a program that awards tax credits to notable, historic buildings that are undergoing renovation/repurposing. Since the inception of the program, Cleveland projects have been awarded more than $150 million in tax credits, which has helped leverage approximately $1.4 billion in private investment. These projects have energized dilapidated blocks, and in turn have encouraged additional development. Much of this has been made possible through public/private partnerships. All combined, downtown Cleveland has experienced approximately $5.5 billion of new investment since 2010.

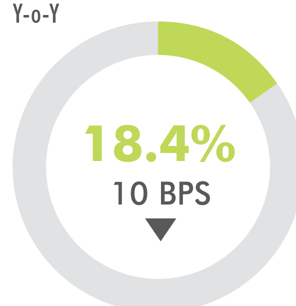
The Ernst & Young Tower, a new 550,000 sq. ft. Class A office building, opened in May 2013 as the centerpiece of the Flats East Bank project. The building is attached to an Aloft Hotel, several restaurants, and a fitness center. Within a year of completion, the office component of the building was 91% leased. Although there has been little additional office construction, two new projects are in the planning stages and should bring an additional 350,000 sq. ft. of Class A office space to the downtown area by 2018.

DOWNTOWN OFFICE MARKET STATS
Q1 2015

SIZE OF MARKET

15.3 MSF

VACANCY RATE
Y-o-Y



GROSS ASKING RENT
Y-o-Y

$19.05

2.9% ▲

UNDER CONSTRUCTION

0 MSF

DOWNTOWN OVERVIEW
YEAR END 2014

POPULATION

13,500

CHANGE SINCE 2005 53.4%

TOTAL EMPLOYMENT

125,000

CURRENT PROJECT INVESTMENT

$1.2 B

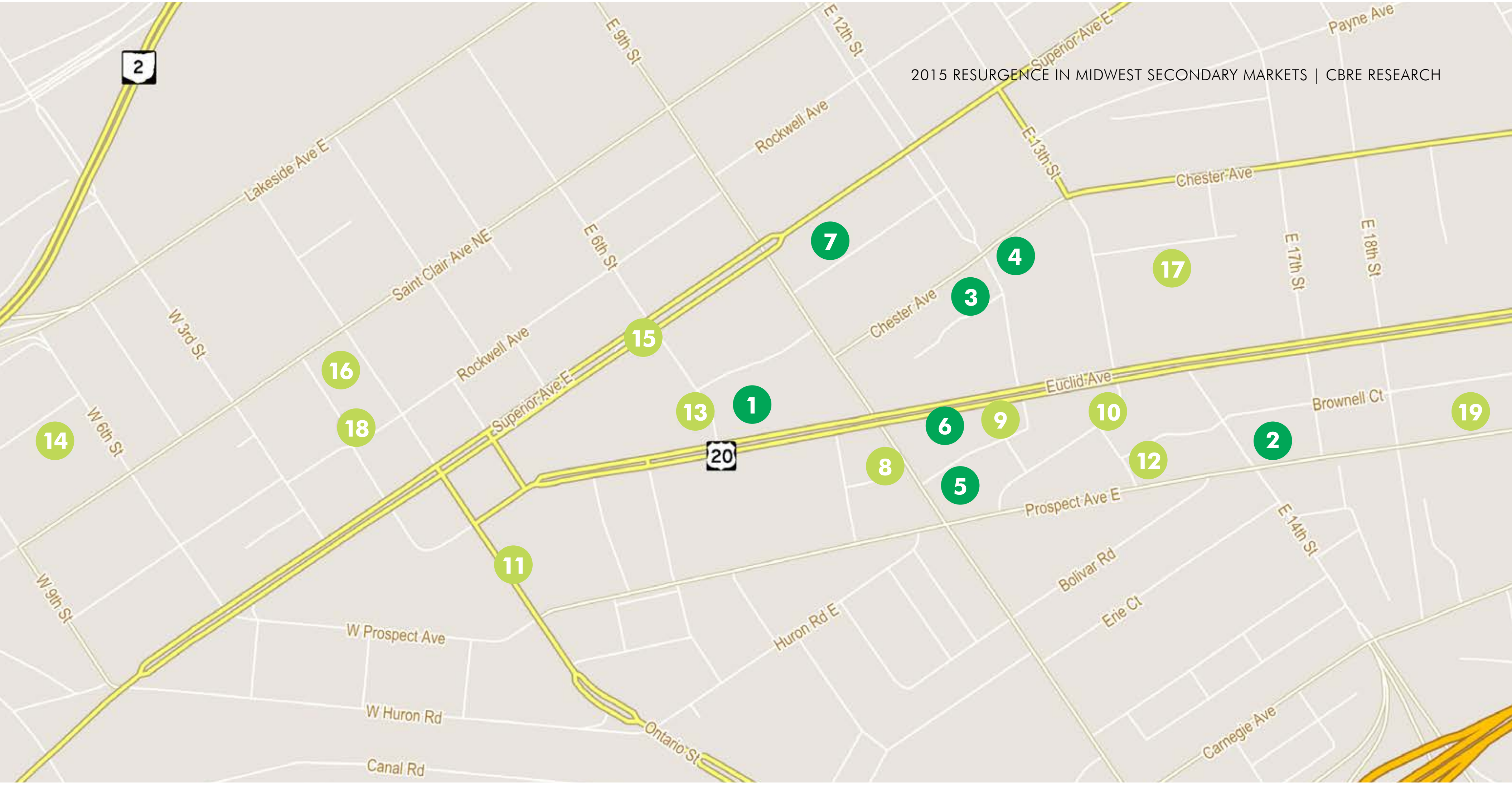
RESIDENT OCCUPANCY

97.0%

REPURPOSED SPACE

1.2 MSF

Source: CBRE Research, Q1 2015 and Downtown Cleveland Alliance, 2015.



COMPLETED MULTIFAMILY CONVERSIONS

1. Lofts at Rosetta
2. Residences at Hanna
3. Seasons at Perk Plaza
4. Reserver Square/Embassy Suite
5. The Nine (Tower)
6. The Nine (Swetland Bldg.)
7. Residences at 1717

FUTURE MULTIFAMILY CONVERSIONS

8. Schofield Building
9. The Ivory on Euclid
10. The Creswell
11. Southworth Building
12. Starr Gennett Building
13. Garfield Building
14. Worthington WH Building
15. Leader Building
16. Standard Building
17. Halle Building
18. 75 Public Square
19. 1937 Prospect Avenue

DOWNTOWN DETROIT

The downtown and inner-ring neighborhoods of Detroit are playing critical roles in drawing a new generation of workers to the city. The CBD—anchored by Chrysler, General Motors, and Quicken Loans—is focusing on the creative class of workers gravitating toward the "creative corridor" along Woodward Avenue. The area is being dubbed Detroit's Innovation District (DID). The district has attracted architects, designers, and branding and media companies.

Downtown has seen its share of buildings converted from industrial and office to multifamily. In response to the recent in-migration of millennials, the city is constructing the 3.3 mile loop called the M-1 Rail, a streetcar system that will travel north and south on Woodward Avenue. The streetcar was funded by more than 25 public and private sector sources. Starting downtown on Congress Street, this transportation system will take passengers along the DID to New Center, where much of the city's tech and incubator space is located.

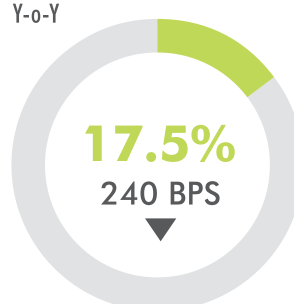
The city is constructing a new hockey arena for the Detroit Red Wings, which is part of the $650 million mixed-use redevelopment of a 45-block corridor nestled between Midtown and downtown along Woodward Avenue. The development will be integrated with the M-1 Rail, connecting the CBD and Midtown. The area surrounding the arena will be transformed into a pedestrian-friendly entertainment district with retail and multifamily development. The development is expected to be completed in 2017.

DOWNTOWN OFFICE MARKET STATS
Q1 2015

SIZE OF MARKET

15.6 MSF

VACANCY RATE
Y-o-Y



GROSS ASKING RENT
Y-o-Y

$18.56

3.3% ▲

UNDER CONSTRUCTION

0.36 MSF

DOWNTOWN OVERVIEW
YEAR END 2014

POPULATION

35,000

CHANGE SINCE 2005 -5.7%

TOTAL EMPLOYMENT

134,000

CURRENT PROJECT INVESTMENT

$1.2 B

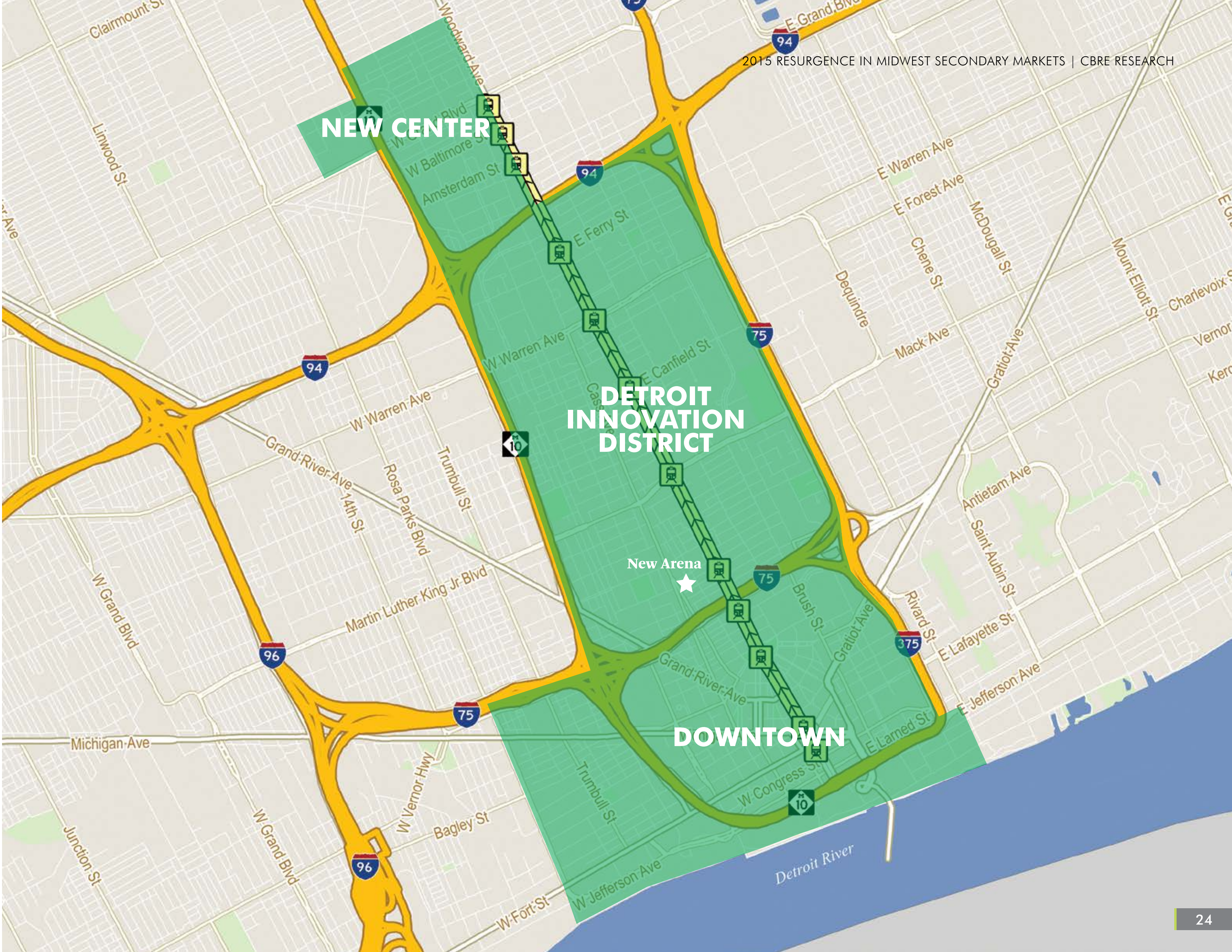
RESIDENT OCCUPANCY

97.5%

REPURPOSED SPACE

1.2 MSF

Source: CBRE Research, Q1 2015 and The Hudson-Webber Foundation, "7.2 SQ MI" report, 2015.


NEW CENTER
DETROIT INNOVATION DISTRICT
New Arena
DOWNTOWN
Detroit River
Woodward Ave
W Baltimore St
Amsterdam St
E Ferry St
W Warren Ave
E Canfield St
Grand River Ave
Brush St
Gratiot Ave
E Larned St
W Congress St
Trumbull St
W Jefferson Ave
W Fort St
Michigan Ave
Bagley St
W Vernor Hwy
Martin Luther King Jr Blvd
Rosa Parks Blvd
14th St
W Grand Blvd
Linwood St
Clairmount St
Junction St
E Grand Blvd
E Warren Ave
E Forest Ave
Dequindre
Chene St
McDougall St
Mack Ave
Mount Elliott St
Charlevoix St
Antietam Ave
Saint Aubin St
Rivard St
E Lafayette St
E Jefferson Ave
94
75
96
375
10

DOWNTOWN MILWAUKEE

Downtown planners are pushing the live-work-play mantra to attract a younger population. Transportation options have been added, such as new bus routes and Bublr bike-share stations, with a downtown streetcar system in the development stage. With these additions, downtown Milwaukee is starting to draw a younger crowd as the housing market grows. Since the beginning of 2014, 1,396 new apartment units have been completed, and 1,446 are under construction. Most of the downtown's high-rise and mid-rise office towers are within walking distance of apartments and condos, as well as restaurants and a thriving nightlife.

The new arena for the NBA's Milwaukee Bucks, expected to break ground in the CBD West later this year, will be another major influence on the downtown area. The development will include approximately 500,000 sq. ft. of multifamily, retail and office space.

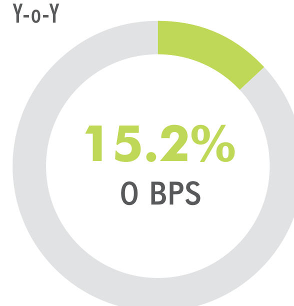
Northwestern Mutual has decided to reinvest in the downtown area, planning a 1.1 million sq. ft., $450 million office tower on the site of their former headquarters, which has become obsolete. Although the Fortune 500 company attracted many suitors competing for the 3,000 to 5,000 new jobs it would bring to their respective regions, the company had a strong desire to stay in the region, having been located in Milwaukee since the mid-1800s. The new headquarters building will be modern and open, designed with collaborative use in mind—aiming to be more "West Coast" than "Midwest." The project was helped along by $54 million in city tax incentives, which enticed the company to stay downtown, rather than move to the more spacious suburbs.

DOWNTOWN OFFICE MARKET STATS
Q1 2015

SIZE OF MARKET

14.7 MSF

VACANCY RATE
Y-o-Y



GROSS ASKING RENT
Y-o-Y

$21.27

1.1% ▲

UNDER CONSTRUCTION

1.46 MSF

DOWNTOWN OVERVIEW
YEAR END 2014

POPULATION

31,000

CHANGE SINCE 2005 19.2%

TOTAL EMPLOYMENT

98,700

CURRENT PROJECT INVESTMENT

$980 M

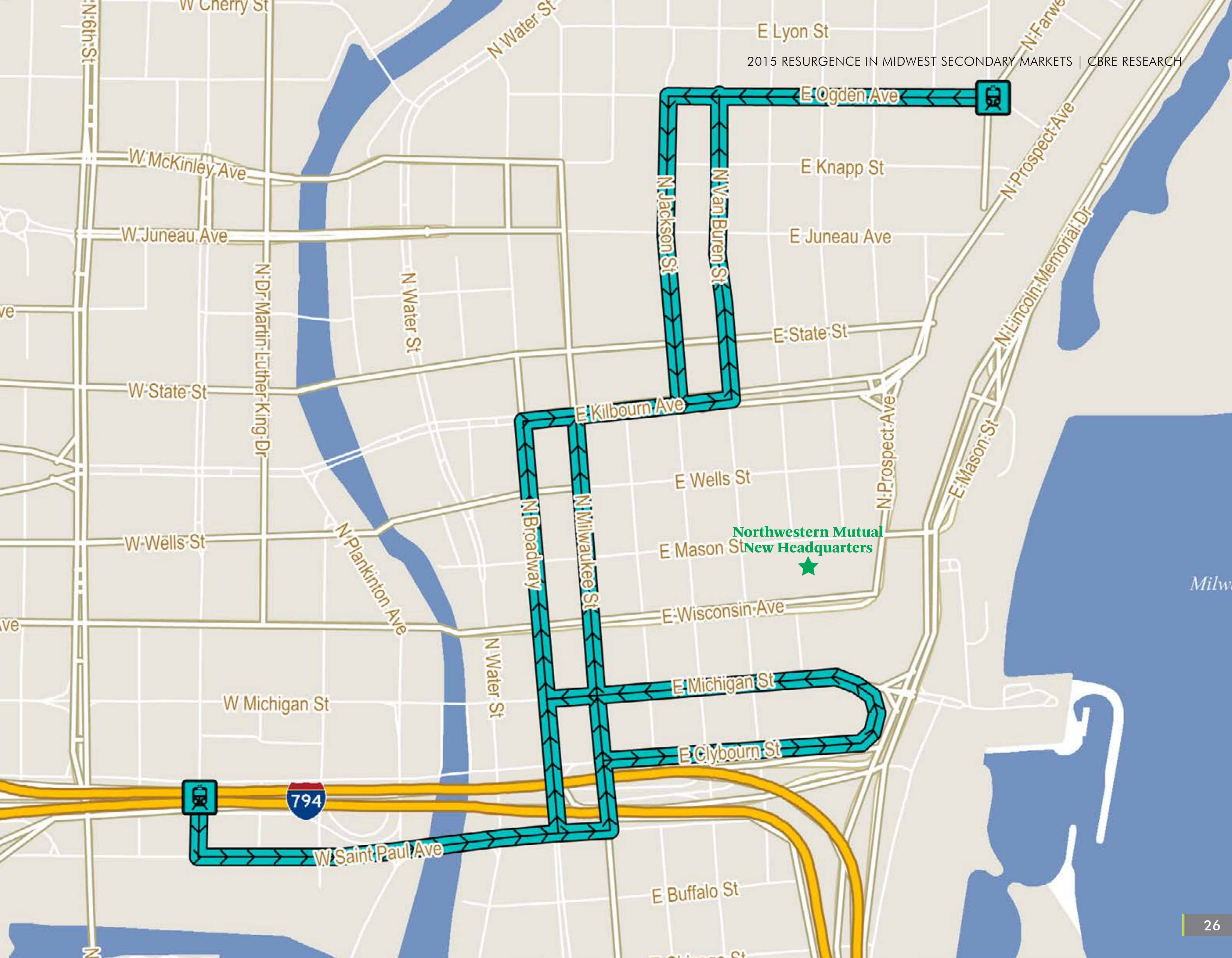
RESIDENT OCCUPANCY

96.0%

REPURPOSED SPACE

860,000 SF

Source: CBRE Research, Q1 2015 and Milwaukee Downtown, 2015.


Northwestern Mutual
New Headquarters
W Cherry St
E Lyon St
N Water St
E Ogden Ave
W McKinley Ave
E Knapp St
N Jackson St
N Van Buren St
N Prospect Ave
W Juneau Ave
E Juneau Ave
N Dr Martin Luther King Dr
N Water St
N Lincoln Memorial Dr
E State St
W State St
E Kilbourn Ave
E Wells St
W Wells St
N Broadway
N Milwaukee St
E Mason St
N Prospect Ave
E Mason St
N Plankinton Ave
E Wisconsin Ave
N Water St
W Michigan St
E Michigan St
E Clybourn St
794
W Saint Paul Ave
E Buffalo St
N 6th St

DOWNTOWN MINNEAPOLIS

The City of Minneapolis is investing heavily in its future. The initiative that has had the greatest impact to this point is the Blue Line, an extensive light-rail network that opened in 2004 and travels through downtown Minneapolis. The line originates at Target Field and ends at the Mall of America, passing the Minneapolis-St. Paul International Airport along the way. Following the success of the Blue Line, the city issued $1 billion worth of bonds to finance the Green Line, which connects downtown Minneapolis to St. Paul, with a stop at the University of Minnesota. The 11-mile project was completed in 2014.

Influence is not limited to the public sector. Wells Fargo is focused on changing the downtown landscape in its own way, investing $300 million in a new two-tower, 1.1 million sq. ft. office complex. Overlooking a 4.2-acre park, the development will stand at the doorstep of the new $1 billion Vikings football stadium. With multifamily and retail development to follow the Wells Fargo project, the result will begin to create a new downtown neighborhood. The project is a block from the convergence of the green and blue rail lines.

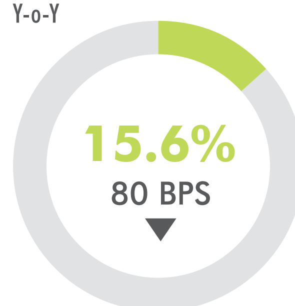
The North Loop, formerly an industrial area on the west side of downtown, has transformed into a vibrant neighborhood, with loft buildings being repurposed as apartments and creative office space. The area boasts 3.3 million sq. ft. of office space, with a vacancy rate of 8.4% (versus 16.0% in the CBD), and it commands some of the highest office rents in the city.

DOWNTOWN OFFICE MARKET STATS
Q1 2015

SIZE OF MARKET

21.8 MSF

VACANCY RATE
Y-o-Y



GROSS ASKING RENT
Y-o-Y

$16.05

1.8% ▲

UNDER CONSTRUCTION

1.56 MSF

DOWNTOWN OVERVIEW
YEAR END 2014

POPULATION

38,900

CHANGE SINCE 2005 89.8%

TOTAL EMPLOYMENT

159,000

CURRENT PROJECT INVESTMENT

$1.1 B

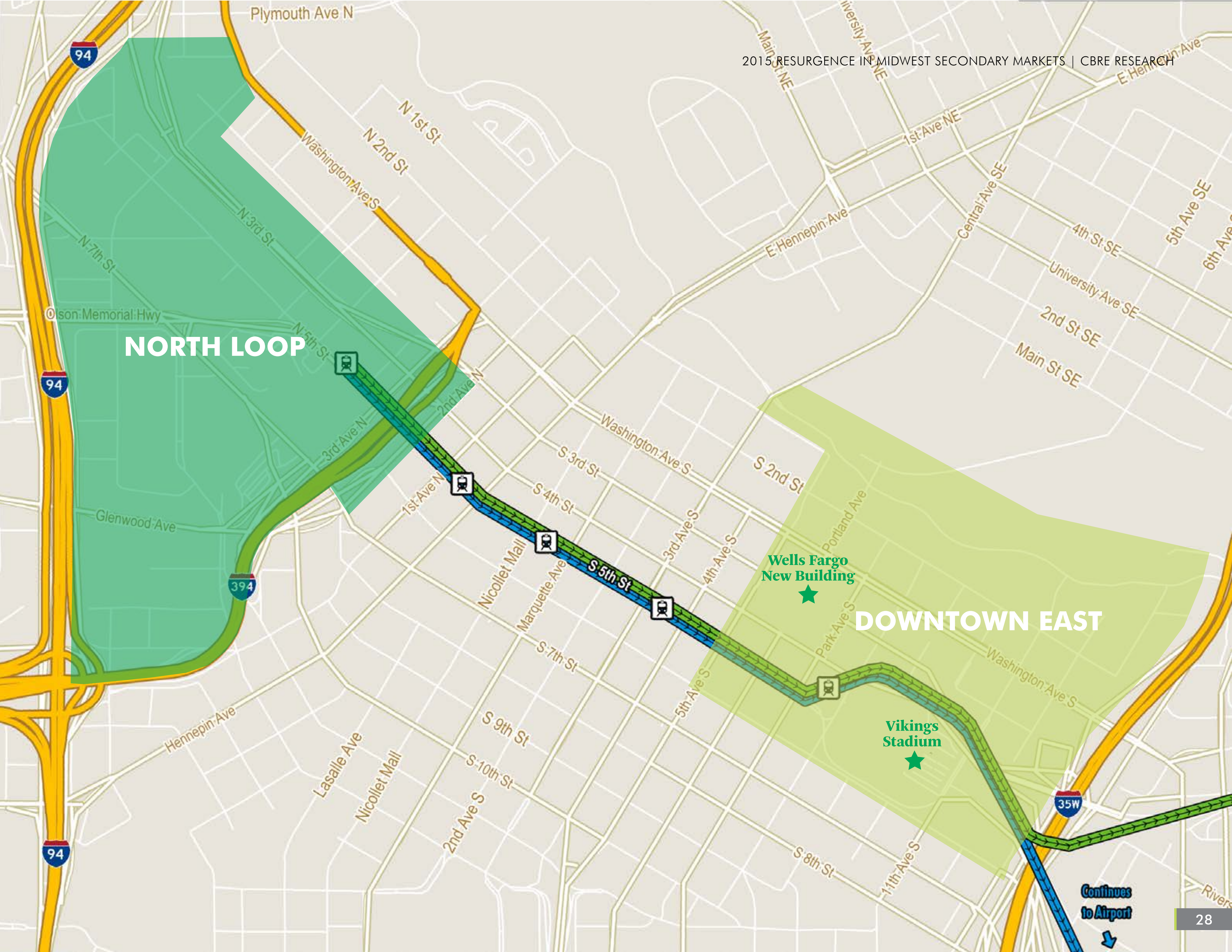
RESIDENT OCCUPANCY

90.2%

REPURPOSED SPACE

819,000 SF

Source: CBRE Research, Q1 2015 and Minneapolis Downtown Council, 2015.


NORTH LOOP
DOWNTOWN EAST
Wells Fargo New Building
Vikings Stadium
Continues to Airport
S 5th St
Plymouth Ave N
Washington Ave S
Hennepin Ave
Nicollet Mall
Glenwood Ave
Olson Memorial Hwy

DOWNTOWN PITTSBURGH

Pittsburgh—once a dense, industrial-centric hub, highly dependent on the manufacturing industry—has made long strides to redefine itself as a multi-faceted metropolis. The downturn in the U.S. manufacturing sector damaged the city's local economy. As a result, a new diversified development strategy was created to stimulate a sustainable economy. Now the city is moving forward as a major healthcare and technology hub. The city has experienced stunning rejuvenation and is well-placed for growth in the 21st century.

Not far outside of downtown Pittsburgh lies Bakery Square, the site of the former Nabisco factory. The former plant has been retrofitted into a tech campus—mixed-use Class A office development, with high-profile technology firms, upscale retail and restaurants, a hotel, a fitness center, and new multifamily buildings. All facets of the development have been successful, with full occupancy and rents that are substantially higher than the rest of the market. The major tech companies that collectively lease approximately 400,000 sq. ft. at Bakery Square chose the location based on its proximity to the city's universities and the tech talent they attract.

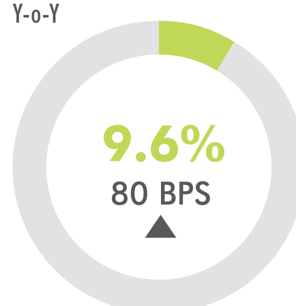
The city is bullish on downtown, and leaders would like to increase its 12,600 residents to 20,000 by 2020. With the blessing of local leadership, developers are lining up to build housing units in pursuit of that goal. Lot 24 Lofts is a new apartment building with 96 units. Regional Enterprise Tower and the Saks 5th Avenue building are being retrofitted with 144 apartments and 77 condominiums, respectively. The city's concentration of millennials, the third highest in the country, is having a direct impact on the local urban revival.

DOWNTOWN OFFICE MARKET STATS
Q1 2015

SIZE OF MARKET

24.3 MSF

VACANCY RATE
Y-o-Y



GROSS ASKING RENT
Y-o-Y

$24.08

3.0% ▼

UNDER CONSTRUCTION

0.93 MSF

DOWNTOWN OVERVIEW
YEAR END 2014

POPULATION

12,600

CHANGE SINCE 2005 20.0%

TOTAL EMPLOYMENT

113,000

CURRENT PROJECT INVESTMENT

$1.2 B

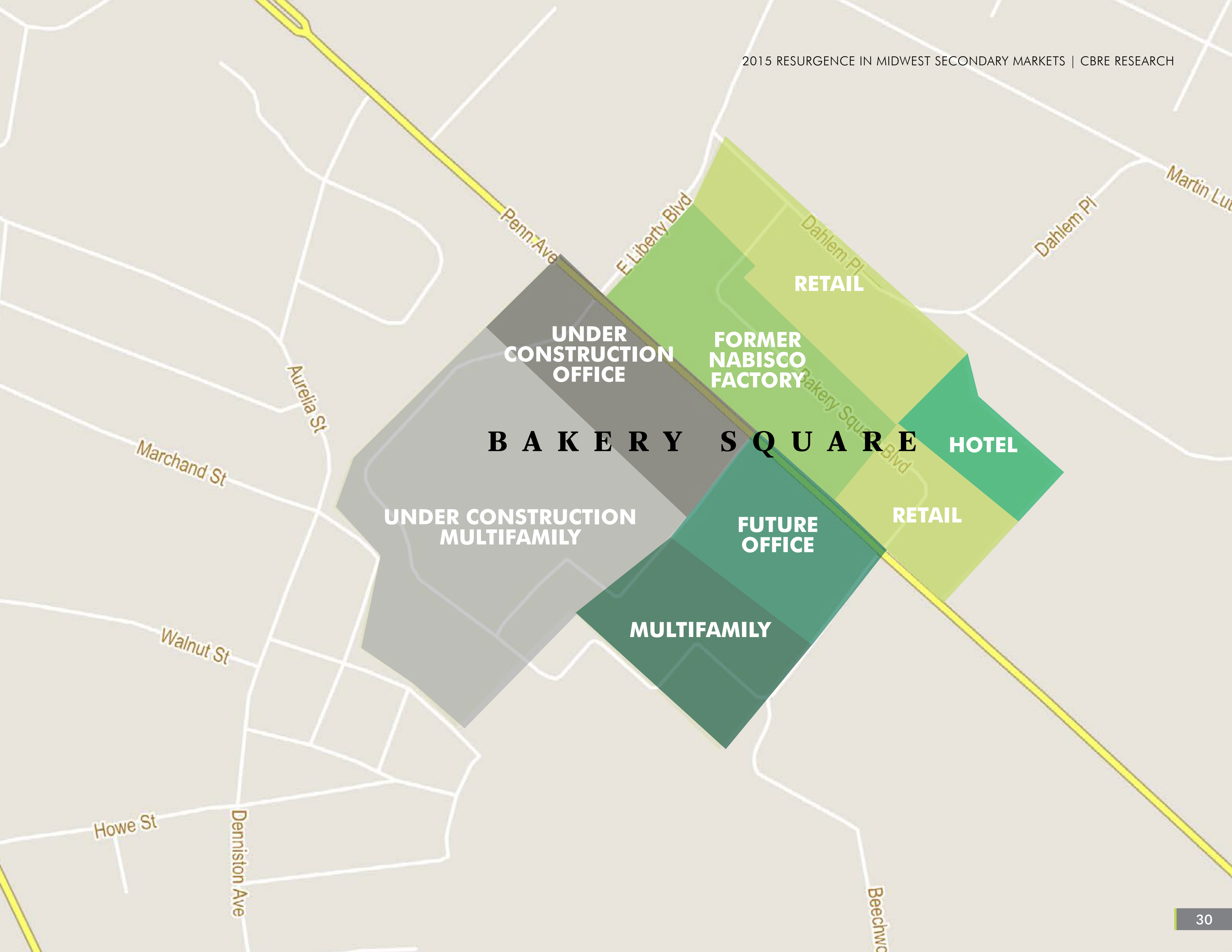
RESIDENT OCCUPANCY

90.8%

REPURPOSED SPACE

2.8 MSF

Source: CBRE Research, Q1 2015 and Pittsburgh Downtown Partnership, 2015.


BAKERY SQUARE
UNDER CONSTRUCTION OFFICE
FORMER NABISCO FACTORY
RETAIL
HOTEL
RETAIL
UNDER CONSTRUCTION MULTIFAMILY
FUTURE OFFICE
MULTIFAMILY
Penn Ave
E Liberty Blvd
Dahlem Pl
Dahlem Pl
Bakery Square Blvd
Aurelia St
Marchand St
Walnut St
Howe St
Denniston Ave

CONTACTS

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