

Industrial Q4 2019

YoY Chg 12-Mo. Forecast

7.2%

Vacancy Rate



2.8M

YTD Net Absorption, SF



\$5.14

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

2.0M

Minneapolis Employment



3.0%

Minneapolis Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The Twin Cities unemployment rate remained stable in the fourth quarter 2019 at 3.0%, which was 40 basis points (bps) higher than the historic low of 2.6% in fourth quarter 2018. Given the tight labor market, employers are increasingly considering recruiting and retainment efforts when making industrial real estate decisions.

DEMAND: Record-Low Vacancy as Industrial Up-Cycle Continued

The Twin Cities industrial market continued its up-cycle as vacancy reached one of the lowest levels of the last two decades. The 7.2% overall vacancy rate in fourth quarter 2019 represented a 100-bp drop year-over-year. Healthy leasing activity dating back to late 2018 pushed 2019 year-to-date overall absorption to 2.8 million square feet (msf), which was the market's strongest year-end total since 2015.

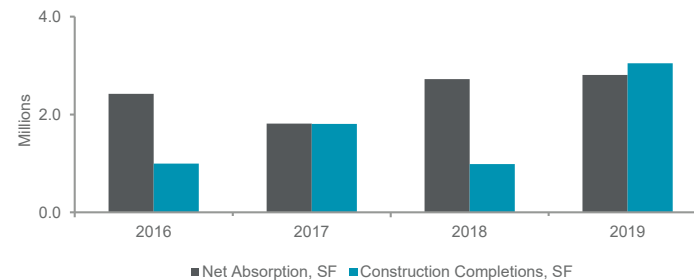
The construction pipeline remained active to keep up with demand, particularly in the Northwest and Southwest submarkets. The building surge in Brooklyn Park, Maple Grove and elsewhere in the Northwest was led by new speculative projects from Scannell, Liberty Property Trust, and Opus. The Southwest's extremely tight vacancy rate of 3.8% for bulk warehouse product also sparked speculative activity, most notably the 303,000-square-foot (sf) Canterbury Business Center from United Properties. At the end of fourth quarter 2019, more than 1.8 msf of new industrial construction was underway across the market, with speculative multi-tenant bulk warehouse space accounting for the majority of those projects.

PRICING: Investment Activity Signaling Upward Pressure on Rates

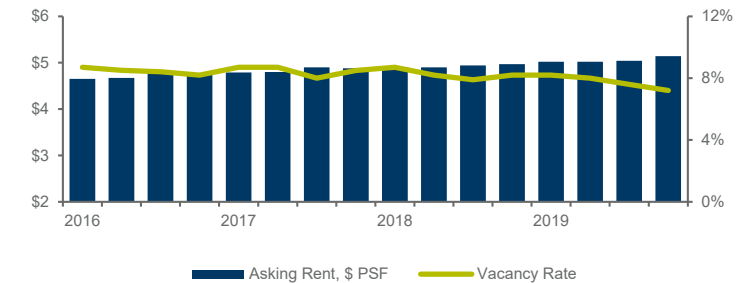
Investment sales activity in the second half of 2019 has changed the ownership landscape. Two relatively new entrants to the Twin Cities market, Capital Partners/DRA Advisors and Link, purchased dozens of properties in recent months, giving them strong pricing leverage. Some established owners in the market, meanwhile, are consolidating dominant positions within geographic niches and are also pushing asking rates.

Prices for well-located and functional industrial buildings continued to climb to new levels due to record demand and chronically short supply. Multiple offers were common for such properties, most of which quickly found buyers once listed, or changed hands in off-market transactions. Some examples from the Southeast submarket included a 30,000-sf building in Mendota Heights selling for \$89 per square foot (psf) and a 55,000-sf property in Eagan changing hands at \$83 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (HT)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Northeast	36,730,903	3,049,770	8.3%	201,214	906,788	0	1,287,744	\$5.68	\$5.08	\$4.71
Northwest	31,831,415	2,479,609	7.8%	218,976	1,195,226	571,120	1,049,063	\$5.50	\$5.15	\$4.65
Southeast	19,302,394	1,422,852	7.4%	231,563	159,767	500,605	350,000	\$5.57	\$5.63	\$5.56
Southwest	27,742,699	1,315,652	4.7%	110,265	547,735	753,454	358,776	\$5.93	\$5.03	\$5.27
MINNEAPOLIS TOTALS	115,607,411	8,267,883	7.2%	762,018	2,809,516	1,825,179	3,045,583	\$5.69	\$5.23	\$4.83

*Rental rates reflect weighted net asking \$psf/year

HT = High Tech OS = Office Service/Flex W/D = Warehouse/Distribution

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
845 Minnehaha Ave. E., St. Paul	Northeast	The Vomela Companies	300,000	The Vomela Companies
10501 Elm Creek Blvd. N., Maple Grove	Northwest	Illume Candles	277,222	Duke Realty
5601 E. River Rd., Fridley	Northeast	Curtis 1000	250,000	Industrial Equities
10655 County Rd. 81, Maple Grove	Northwest	Amazon	67,000	Duke Realty

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
375 Rivertown Dr., Woodbury	Northeast	Centerpoint Marketing	195,757	Renewal*
2503 Walnut St., Roseville	Northeast	US Autoforce	144,000	New
14585 Northdale Blvd., Rogers	Northwest	Cantel Medical	110,000	New
10655 Co. Rd. 81, Maple Grove	Northwest	Amazon	67,000	New
3800 Annapolis Ln. N., Plymouth	Northwest	Medtronic	58,971	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
3500 Thurston Ave., Anoka	Northwest	DecoPac / Centaur Capital Partners	334,988	\$28.2M/\$84
3355 Discovery Rd., Eagan	Southeast	Hendricks Com'l Props / STAG Industrial	276,550	\$23.3M/\$84
6075 Trenton Ln. N., Plymouth 6050 Nathan Ln. N., Plymouth	Northwest	Undisclosed / STAG Industrial	236,582	\$18.7M/\$79
3350 4th Ave. S., Shakopee	Southwest	JP Morgan / AEW Capital	232,804	\$16.4M/\$70
1451 Dean Lakes Trl., Shakopee	Southwest	Ryan Companies / STAG Industrial	136,637	\$17.5M/\$128

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