

	YoY Chg	12-Mo. Forecast
7.6% Vacancy Rate	▼	▼
773K Net Absorption, SF	▲	▲
\$5.10 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
1.9M Minneapolis Employment	▼	▲
8.1% Minneapolis Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

SUPPLY: Future Development Pipeline Increasing as New Space Absorbed

New construction projects continue to deliver with significant pre-leasing in place, partially driving a continued increase in positive absorption which is nearly 1.9 million square feet (msf) year-to-date. For speculative assets delivered with limited tenant commitments, activity remains healthy as the list of user requirements 100,000 square feet (sf) or greater continues to increase. While capital rich organizations have increased space needs, mid-sized users of 20,000 to 35,000 sf have been less active in recent quarters. As large user requirements and investor appetite for newer product grows, the development pipeline heading into 2021 continues to expand. If current demands remain consistent, the market could see 2.5 to 3.0 msf of development throughout 2021.

DEMAND: Overall Leasing Remains Healthy

The industrial market continues to outperform other asset classes through COVID-19 uncertainties as overall leasing, user sales and demand for new construction remain healthy. Buoyed by increased space needs from 3PLs, retail wholesalers and e-commerce tenants, new leasing continues to outpace 2019 totals as the number of new leases signed year-to-date has increased 21% from third quarter 2019. In a sign that short term ambiguity persists surrounding political and COVID-19 business impacts for certain industry segments and operators, renewals have increased nearly 57% year-over-year. In certain cases, short term renewals have provided tenants additional time to underwrite impacts to their business models and space requirements.

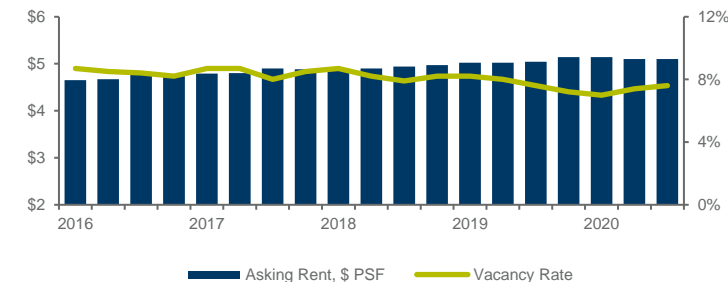
SALES: Demand for Sale Product Continues Upward Trend

After a flurry of portfolio deals dominated sales activity in the first half of 2020, user sales picked up in the third quarter of 2020. Headlined by Target's purchase of a 400,000-sf distribution center in Minneapolis, just over 1.0 msf of user sales closed during the quarter. Looking ahead, though, a few larger portfolio deals should be hitting the market and we could see continued watermark pricing on cap rates as pricing continues to compress. Investor appetite remains strong and buyers have shown a willingness to pay a premium for portfolios as an efficient mechanism to deploy capital, drive rent growth and control market share.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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 (WD)
Northeast	37,336,746	2,426,138	6.5%	597,397	1,003,396	175,000	121,728	\$5.23	\$4.91	\$4.84
Northwest	32,668,234	2,865,620	8.8%	28,830	492,471	0	571,306	\$5.62	\$5.06	\$4.74
Southeast	19,579,934	1,518,104	7.7%	969	207,506	1,215,064	153,000	\$5.42	\$5.75	\$4.86
Southwest	28,612,050	2,148,055	7.5%	145,216	157,011	0	753,454	\$5.72	\$5.15	\$5.14
MINNEAPOLIS TOTALS	118,196,964	8,957,917	7.6%	772,952	1,860,384	1,390,064	1,599,488	\$5.54	\$5.15	\$4.88

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

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2300 Hwy. 13 W., Burnsville	Southwest	ShopJimmy	413,239	Renewal
2228 Territorial Ave., St. Paul	Northeast	SBS Transportation, Inc.	183,122	Renewal/Expansion
7500 Meridian Cir. N., Maple Grove	Northwest	Kuehne+Nagel	120,716	New
13300 Pioneer Trl., Eden Prairie	Southwest	Bluestem Brands	67,438	New

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2600-2800 Winter St. NE., Minneapolis	Northeast	Onward Investors / Target Corporation	453,216	\$17.4M / \$38
2300 Main St. NE., Lino Lakes	Northeast	Taylor Corporation / Glamis Wire	140,551	\$4.6M / \$32
7725 Washington Ave. S., Edina	Southwest	E & R Investments, LLC / LW Storage Edina, LLC	113,690	\$11.8M / \$104
117-118 Peavey Cir., Chaska	Southwest	PV Circle, LLC / Citation Creek, LLC	20,003	\$1.9M / \$95

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
8610-8700 Galpin Blvd., Chanhassen	Southwest	Retail Tech, MedSource	396,610	Eden Trace
8550 Zachary Ln. N., Maple Grove	Northwest	Ableconn	204,120	The Opus Group
580 Operman Dr., Eagan	Southeast	Expeditors	153,000	The Opus Group

CHARLIE NEJEDLY

Senior Analyst

+1 952 837 8572 / charlie.nejedly@cushwake.com

PATRICK HAMILTON

Market Director

+1 952 837 8574 / patrick.hamilton@cushwake.com

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