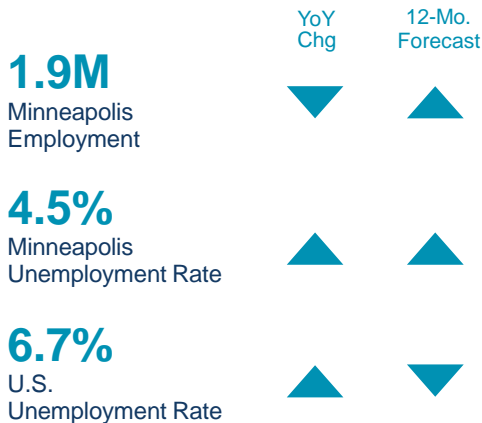


### ECONOMIC INDICATORS Q4 2020



Source: BLS

### ECONOMIC OVERVIEW

The unemployment rate in Minneapolis-St. Paul fell to 4.5% in November, significantly lower than the 2020 peak rate of 10.1% recorded in May. Some of the decrease in the unemployment rate, however, can be attributed to people exiting the workforce. The state's labor force participation rate of 67.9% in November, according to the Department of Employment and Economic Development, is 230 basis points (bps) below the level of February 2020, before the impact of the pandemic was felt.

### SUPPLY: New Development Demand Carries Momentum into 2021

Construction activity remained healthy at year end with 1.6 million square feet (msf) under construction and more than 2.7 msf of total space delivered throughout 2020. A growing list of tenant requirements looking for new blocks of space over 100,000 sf with a minimum of 28-foot clear height and expanded dock door capacity continued to drive build-to-suit projects. Latest examples include Amazon's 750,000-sf build-to-suit fulfillment and distribution facility under development in Lakeville and Kurita America's 156,000-sf completed facility in Brooklyn Park. Heading into 2021, the Northwest submarket, specifically the 610-corridor in Brooklyn Park and Maple Grove, is expected to be an early hotspot as developers continue to experience increased tenant activity.

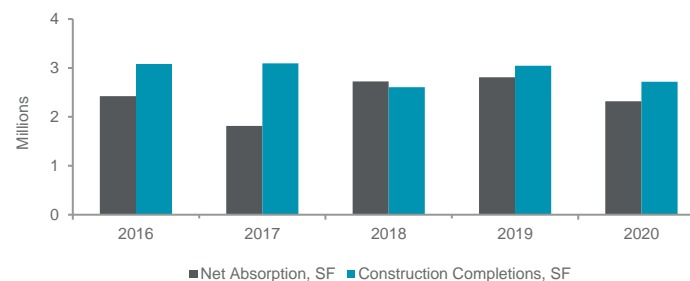
### DEMAND: New Leasing Driven by Large Users

New leasing gained traction in the second half of 2020 as year-end leasing volume, excluding renewals, grew 24% year-over-year from 2019. Warehouse/distribution users fueled leasing and absorption as national e-commerce and distribution companies increased last-mile capacity while simultaneously searching for development or for lease sites to utilize as regional hubs for underserved upper Midwest markets. New leasing and active requirements continued to trend top-heavy. Large national organizations with sound financials and accelerating space needs due to acquisitions or organic business growth continue to outpace the space needs of traditional 10,000- to 50,000 sf users.

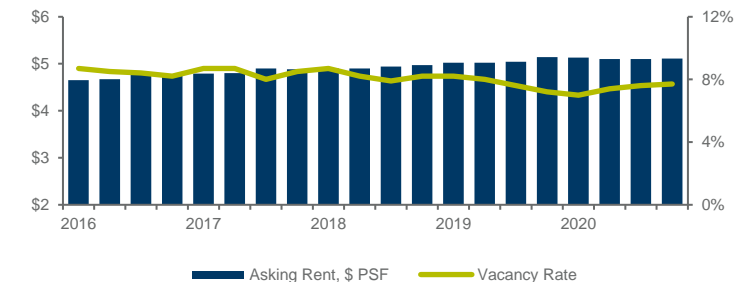
### SALES: Demand for Investment Assets Outpacing Supply

The investment market remained active throughout 2020 as more than \$1.2 billion in sales were finalized by year end. As the ownership structure in the market shifted from predominantly local ownership, leasing fundamentals changed, and buyers looked to capitalize on ongoing rent growth. Portfolios continue to demand premium pricing and push cap rate compression. A highlight of year-end deals includes the Opus portfolio sale, which consisted of two recently completed speculative construction projects. The assets were 98% leased with 15% office finish and achieved watermark pricing for the asset class.

### 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 (W/D)
Northeast	37,336,746	2,280,964	6.1%	122,406	1,125,802	0	296,728	\$5.26	\$4.99	\$4.87
Northwest	32,824,234	3,026,909	9.2%	105,748	598,219	0	727,306	\$5.55	\$5.05	\$4.76
Southeast	20,016,926	1,790,765	8.9%	105,738	313,244	1,351,500	939,992	\$5.45	\$5.28	\$4.88
Southwest	28,612,050	2,077,376	7.3%	124,570	281,581	260,000	753,454	\$5.73	\$5.16	\$5.10
<b>MINNEAPOLIS TOTALS</b>	<b>118,789,956</b>	<b>9,176,014</b>	<b>7.7%</b>	<b>458,462</b>	<b>2,318,846</b>	<b>1,611,500</b>	<b>2,717,480</b>	<b>\$5.55</b>	<b>\$5.11</b>	<b>\$4.87</b>

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

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

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9600 217 <sup>th</sup> St. W., Lakeville	Southeast	Amazon	750,000	New
4901-5101 Valley Industrial Blvd. S, Shakopee	Southwest	Crown	160,000	New
1930 Energy Park Dr., St. Paul	Northeast	Home Depot	134,345	Renewal
580 Opperman Dr., Eagan	Southeast	Safe Fleet	106,789	New

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9600 217 <sup>th</sup> St. W., Lakeville	Southeast	Scannell Properties / Hana Financial Group with JV IGIS	750,000	\$125.5M / \$167
3060 Centerville Rd., Little Canada	Northeast	WP Carey REIT / Bix Produce Company	209,830	\$34.0M / \$162
8550 Zachary Ln. N., Maple Grove	Northwest	Opus / CBRE Global Investors	204,000	\$28.9M / \$142
580 Opperman Dr., Eagan	Southeast	Opus / CBRE Global Investors	152,000	\$22.0M / \$145

## 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	CBRE Global Investors / The Opus Group
6500 93 <sup>rd</sup> Ave. N., Brooklyn Park	Northwest	Kurita America	156,000	Ryan Companies
580 Opperman Dr., Eagan	Southeast	Expeditors, Safe Fleet	153,000	CBRE Global Investors / The Opus Group

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