

	YoY Chg	12-Mo. Forecast
4.2% Vacancy Rate	▼	▲
1.0M Net Absorption, SF	▲	▲
\$7.10 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
1.9M Minneapolis Employment	▼	▲
4.4% Minneapolis Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW

Minneapolis-St. Paul recorded an unemployment rate of 4.4% in the first quarter of 2021 as the labor force participation rate stabilized and the recovery progressed with steady net jobs growth. According to the Department of Employment and Economic Development, the state gained 13,900 jobs in February, which was among the strongest months of pandemic recovery to date.

SUPPLY: New Development Primed for Growth in 2021

Despite rising construction costs and raw material lead times, new development starts for both build-to-suit and speculative projects are poised for growth throughout 2021. The increase in development activity has been driven by new leasing volume and tenant demand in the market coupled with upward pressure on asking rates from new capital raising pricing floors at prime assets. While just over 1.8 million square feet (msf) of product was under construction at the end of the first quarter 2021, another nearly 2.0 msf is scheduled to break ground and complete by year-end. Ground zero remains the Northwest submarket and specifically the 610 corridor in Brooklyn Park and Maple Grove where a limited number of 50,000-sf and greater options exist to accommodate the growing list of tenant requirements. The remaining submarkets are also experiencing an increase in development activity as developers such as Scannell, United Properties, Launch and WPT are slated to break ground on sites across the market.

DEMAND: New Leasing and Tenant Requirements Continue Healthy Pace

Leasing velocity and new tenant requirements remained robust in the first quarter 2021 as nearly 2.3 msf of new deals were signed through March. Building upon 2020 trends, the number of active tenant requirements of 100,000 sf and greater remained on the rise while e-commerce, distribution and manufacturing companies continued to drive leasing and absorption in functional warehouse distribution facilities across the metropolitan area. Average asking rates continued to climb, which has caused some sticker shock for users engaged in renewal discussions or new market searches for the first time in 3 to 5 years.

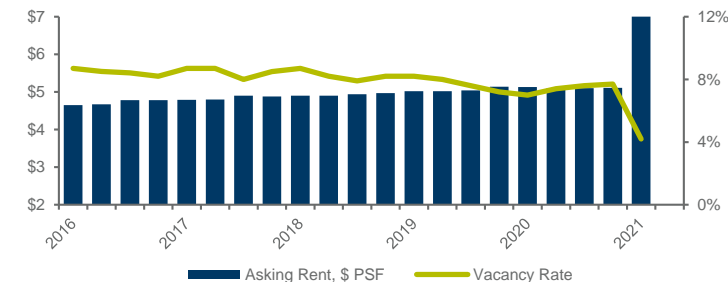
SALES: Investment Market Poised for Growth

A healthy 2020 investment market carried over into 2021 as the Twin Cities remained long on capital but short on supply. Investors continue to view the industrial asset class as a safe allocation of capital that will provide ongoing growth. As leasing velocity and new development start trajectories remain on the upswing, the opportunities for stable investments with term and credit are poised for growth throughout 2021. Cap rate compression and rent growth are forecasted to continue, and core infill with rent growth could see sub-5 cap rates in coming quarters.

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 (OFC)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Northeast	118,134,869	3,967,412	3.4%	108,109	108,109	0	0	\$10.57	\$5.14	\$7.67
Northwest	78,891,320	3,713,765	4.7%	362,654	362,654	372,024	0	\$9.35	\$4.87	\$6.68
Southeast	64,764,976	2,469,582	3.8%	485,499	485,499	1,073,500	428,000	\$10.50	\$5.41	\$7.43
Southwest	73,049,405	3,864,324	5.3%	46,605	46,605	392,585	0	\$9.90	\$4.79	\$6.81
MINNEAPOLIS TOTALS	334,840,570	14,015,083	4.2%	1,002,867	1,002,867	1,838,109	428,000	\$10.07	\$5.01	\$7.10

*Rental rates reflect weighted net asking \$/psf/year and are quoted separately by office and warehouse components of an availability in Minneapolis - St Paul

OFC = Office W/D= Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8100 Oxbow Dr, Brooklyn Park	Northwest	KSP Fulfillment	221,295	New
2300 Berkshire Ln, Plymouth	Northwest	Integer	122,821	Renewal
10100 89 th Ave, Maple Grove	Northwest	Pelican Biothermal	117,242	New
9000 93 rd Ave, Brooklyn Park	Northwest	Marmon	110,000	New

*The Minneapolis-St. Paul industrial tracked set has changed effective Q1 2021. The new set includes multi-tenant, single-tenant and owner-occupied properties 20,000 sf and greater. Submarket boundaries have been expanded to capture a greater representation of growth and demand. Current historical metrics are representative of legacy tracked set.

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KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
435 Park Ct., Lino Lakes	Northeast	Platform Ventures / Bynah Industrial Partners	265,500	\$22.0M / \$83
8751 Zachary Ln. N., Maple Grove	Northwest	Raith Capital Partners / Becknell Industrial	196,960	\$17.5M / \$89
8450 Courthouse Blvd., Inver Grove Heights	Southeast	STAG Industrial / United Properties	80,000	\$10.1M / \$126
12965 Eagle Creek Pkwy., Savage	Southwest	Raith Capital Partners / Becknell Industrial	26,400	\$2.9M / \$110

KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
9245 Ideal Ave. S., Cottage Grove	Southeast	Up North Plastics	428,000	Up North Plastics

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