

	YoY Chg	12-Mo. Forecast
<b>3.8%</b> Vacancy Rate	▼	▼
<b>1.4M</b> Net Absorption, SF	▲	▲
<b>\$7.19</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
<b>1.9M</b> Minneapolis Employment	▲	▲
<b>3.7%</b> Minneapolis Unemployment Rate	▼	▼
<b>5.2%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMIC OVERVIEW

Minnesota's Department of Employment and Economic Development reported net job gains of 2,600 and 4,300 in the months of July and August, respectively. During that period, the state's labor force participation rate remained stable at 67.8%, well above the national average of 61.7%.

### SUPPLY: New Development Starts Continue at a Pace Limited by Available Land and Materials

With an ongoing increase in new tenant requirements, and a dwindling supply of available functional space in existing inventory, developers continued to break ground on new developments while scouring the market for future development sites. Nearly 5.4 million square feet (msf) of new industrial product was under construction through September, with speculative product accounting for 3.4 msf of the new inventory. Going forward, new development starts are expected to continue at a pace limited only by the availability of industrial-zoned land across submarkets and timely access to steel and raw materials. Industrial land costs are expected to continue an upward trajectory as competition for industrial-guided land with access to transportation links and labor pools remains significant. Planned 2022 projects not already underway, or having building material commitments, could experience increased lead times as orders for materials such as fabricated concrete and steel can lag upwards of nine to 10 months.

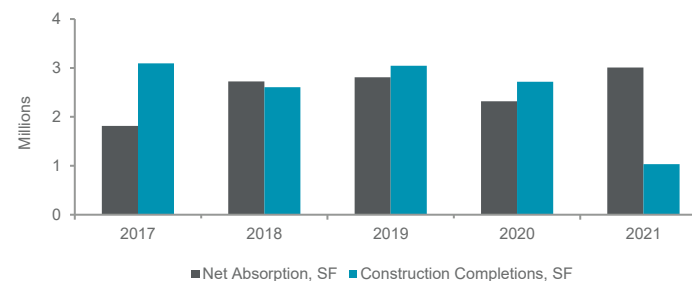
### DEMAND: New Leasing and Elevated Demand Persists

Elevated leasing activity continued through the third quarter as another 3.0 msf of new deals were signed. Building upon a robust first half of the year, the market has experienced just over 9.1 msf of new leasing year-to-date. As supply chain disruptions remain, businesses have started ordering excess materials to ensure future inventory availability. The excess goods have created a need for additional space further increasing already heightened demand and amplifying existing tight vacancy conditions. The compression on vacant inventory has facilitated the increase in speculative development to accommodate the surge in tenant demand. Coupled with ongoing changes to ownership profiles, asking rates are expected to continue an upward climb into 2022.

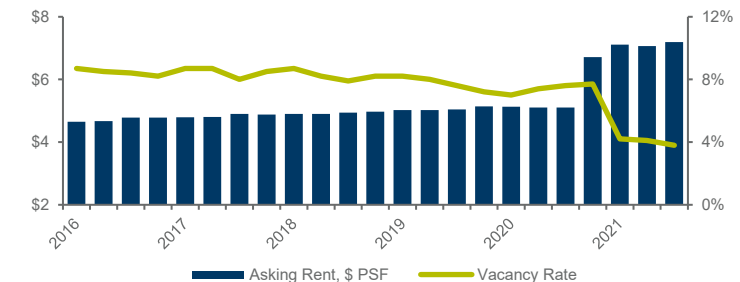
### SALES: Pricing Increases as Demand Continues to Outpace Supply

While the industrial asset class remained the preferred product for both debt and capital, the continued compression of available for-sale inventory, coupled with changing leasing fundamentals, is causing rapid increases in pricing. Sellers have pushed pricing in the rising market as significant leasing velocity continues causing investors to continue utilizing aggressive underwriting assumptions. The effect has rendered initial valuations outdated as sellers adjust pricing with changing leasing fundamentals.

### 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)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OFC)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Northeast	118,001,221	3,684,816	3.1%	14,727	447,375	628,500	35,000	\$10.63	\$5.01	\$7.31
Northwest	79,423,545	3,372,890	4.2%	278,849	750,020	2,130,143	75,000	\$10.09	\$5.02	\$7.09
Southeast	64,836,864	2,064,186	3.2%	504,020	1,182,641	1,726,508	663,500	\$11.12	\$5.34	\$7.72
Southwest	73,278,104	3,606,303	4.9%	635,630	626,639	902,437	260,100	\$9.99	\$4.94	\$6.93
<b>MINNEAPOLIS TOTALS</b>	<b>335,539,734</b>	<b>12,728,195</b>	<b>3.8%</b>	<b>1,433,226</b>	<b>3,006,675</b>	<b>5,387,588</b>	<b>1,033,600</b>	<b>\$10.38</b>	<b>\$5.04</b>	<b>\$7.19</b>

\*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 Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6651 Queens Ave. NE., Otsego	Northwest	Room & Board	221,000	New
10100 89 <sup>th</sup> Ave., Maple Grove	Northwest	Bunzl Distribution	155,313	Renewal
8840-8880 Evergreen Blvd. NW., Coon Rapids	Northeast	Omnetics Connector Corp	123,729	New
7035 Winnetka Ave. N., Brooklyn Park	Northwest	PODS	104,858	Renewal / Expansion

\*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 Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
LINK Portfolio	Multiple	Blackstone / Nicola Wealth Real Estate	1,911,510	\$130.1M / \$68
Eagle Ridge Partners Portfolio	Multiple	DRA Advisors / Artemis RE Partners JV Eagle Ridge Partners	556,000	\$91.1M / \$164
19850 S. Diamond Lake Rd., Rogers	Northwest	PCCP LLC JV Capital Partners / STAG Industrial	386,700	\$27.3M / \$71
345 E. Plato Blvd., St. Paul	Southeast	William D Smith Jr / Interstate Development	356,000	\$16.1M / \$45

## KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Settlers Ridge Pkwy. & Hudson Rd., Woodbury	Southeast	Kindeva Drug	137,500	Virtus Real Estate Capital / Ryan Companies
7530 Golden Triangle Dr., Eden Prairie	Southwest	None	130,100	OPUS
2252 Quarry Ln., Chaska	Southwest	Cherne	130,000	OPUS

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