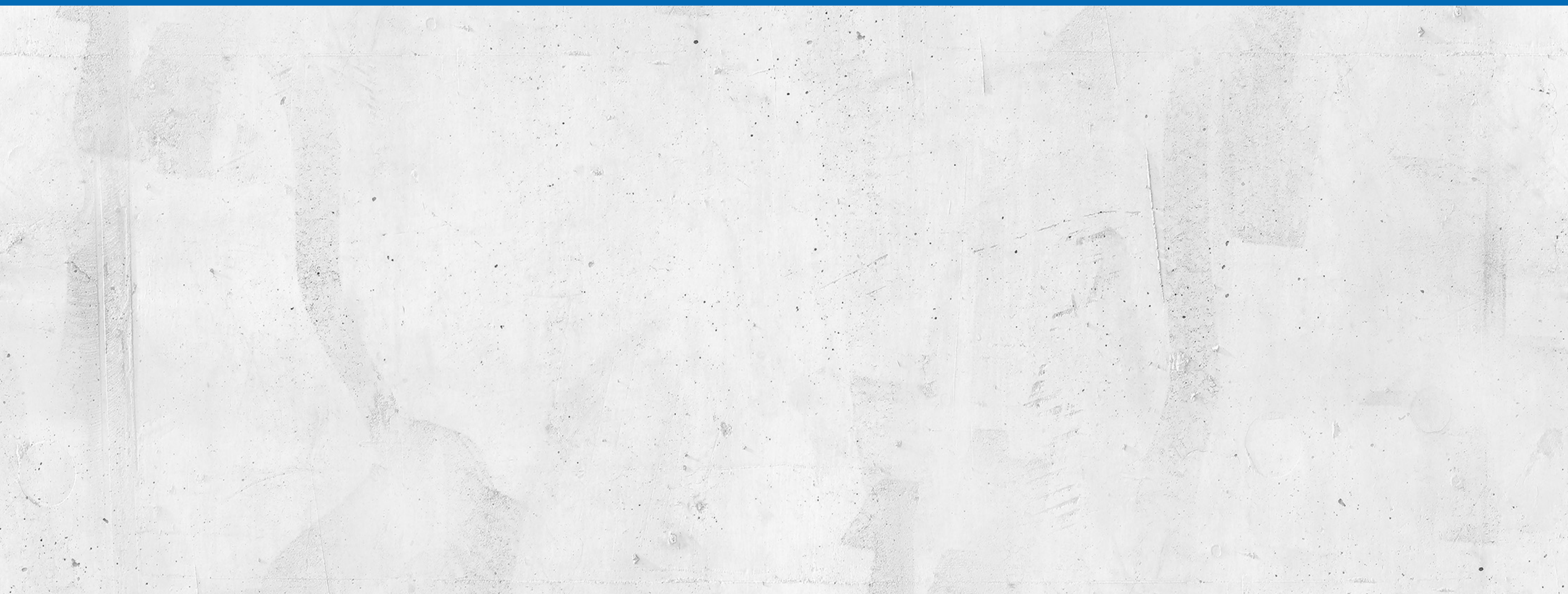


# Minneapolis Industrial Market Overview



---

# Market Observations

## Economy

- Minneapolis benefits from the stability and vitality of a strong headquarters economy, home to 14 firms on the Fortune 500 list, the most per capita in the U.S. for a major metropolitan area. In addition, there are more than 320 Fortune 1000 companies with a local presence.
- Minneapolis-St. Paul is a worldwide frontrunner in biotechnology and biomedical research, boasting strong ties to agriculture, food exports, and water technology. Moreover, it hosts one of the most substantial concentrations of banks and financial expertise among major metropolitan areas.
- The area has a historically low unemployment rate, consistently lower than the national rate. The unemployment rate is 3.3% as of February 2024, compared to the national rate of 3.9%.
- Minneapolis's 12-month job growth as of February was steady, with 26,800 jobs added, a 1.3% increase. Nationally, nonfarm employment grew by 1.9%
- Job growth was strongest in government, other services and education and health services.

## Major Transactions

- Revo Brands leased 96,000 SF at the recently-completed Arbor Lakes Business Park V in Maple Grove.
- Pella Windows leased 85,852 square feet at Crosstown North Business Center in Brooklyn Park.
- Beckman Coulter acquired 322 Lake Hazeltine Drive for \$13.1 million. The property is 138,628 square feet and is on the campus where Beckman relocated in 1998. This purchase reflects the company's continued expansion of ownership within the park.
- Publishing group CJK purchased a 315,819 square foot distribution building built in 1985 at 7401 Kilmer Lane N in Osseo for \$11.5M.

## Leasing Market Fundamentals/Outlook

- The vacancy rate increased slightly to 5.0% compared to 4.9% in 4Q23. Absorption was also steady at 932,078 SF mirroring the 1,083,439 SF recorded in 4Q23.
- Asking rents increased to \$8.61, up from \$8.52 in 4Q23. Rates surged by 11.7% in 2023, building on 2022's growth rate of 9.2%.
- Asking rates for both new construction and second-generation space will continue to increase.
- Absorption began to decelerate in the last half of the year, with 1Q24 absorption of just under 1 MSF and 2023 absorption of 4.2 MSF, compared to 6.0 MSF in 2022.
- There is currently over 3.7 MSF under construction including the 557,000 SF FedEx Ground Distribution Center in Rosemount.
- Construction is decelerating, and outside of buildings currently under construction, there are minimal speculative deliveries planned for 2024 and few new buildings are expected to be completed in 2024, except for occasional build to suit projects.
- Growing sublease availabilities and substantial speculative development in recent quarters are expanding choices for tenants.
- Despite some slowdown in leasing activity, demand remains steady and coupled with limited speculative deliveries, vacancy hikes will be constrained.
- Landlords are confident and optimistic, especially those anticipating longer hold periods. Tenants anticipating a shift from a landlord's market to a tenant's market will be disappointed.

1. Economy
2. Leasing Market Fundamentals



---

1Q24

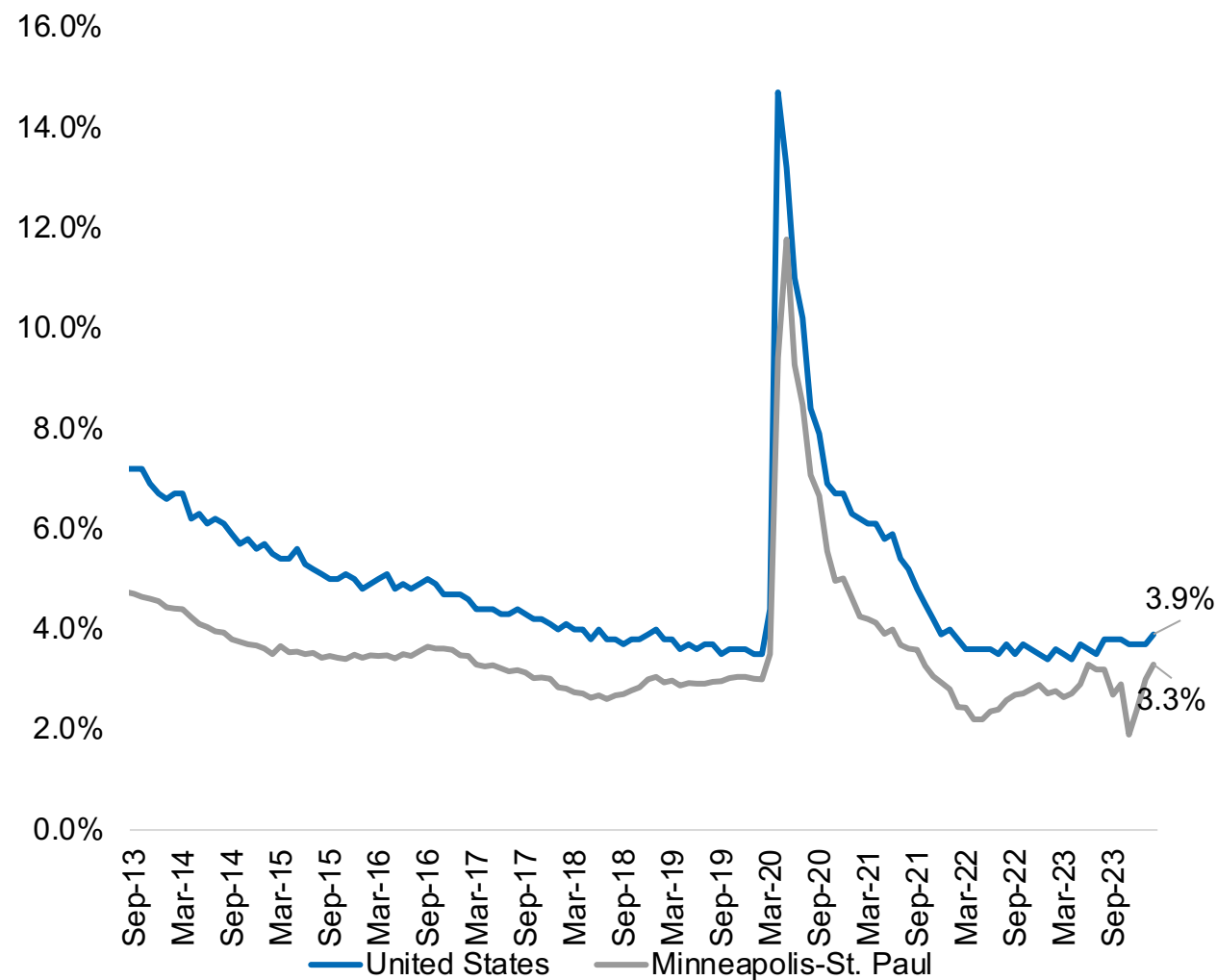
# Economy



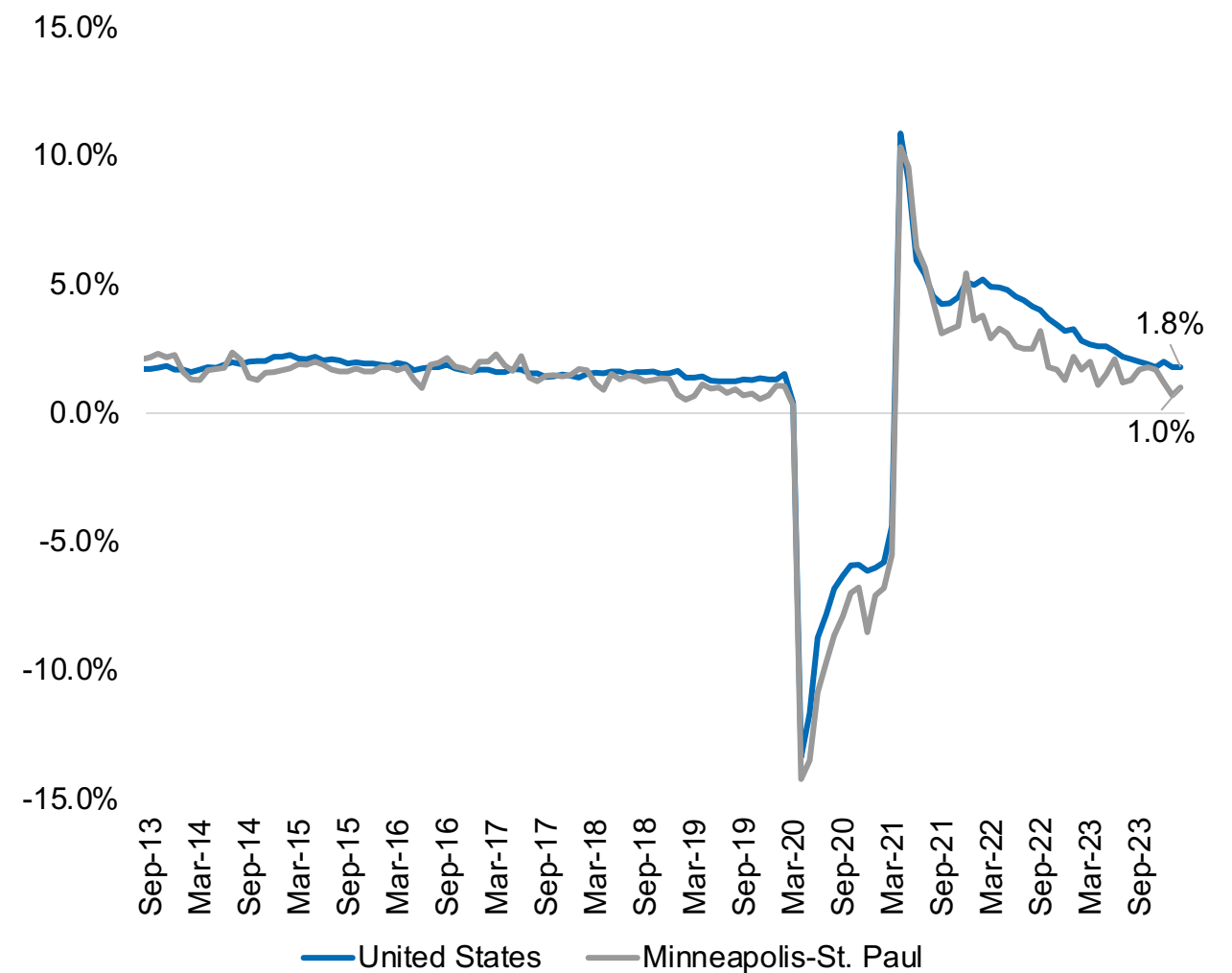
# Minneapolis-St. Paul's Total Employment Increases Slightly

Minneapolis-St. Paul's unemployment rate increased from 3.0% in January to 3.3% in February. The U.S. unemployment rate increased to 3.9% from 3.7% in January. Minneapolis-St. Paul's economy grew slightly by 1% since February of 2023.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



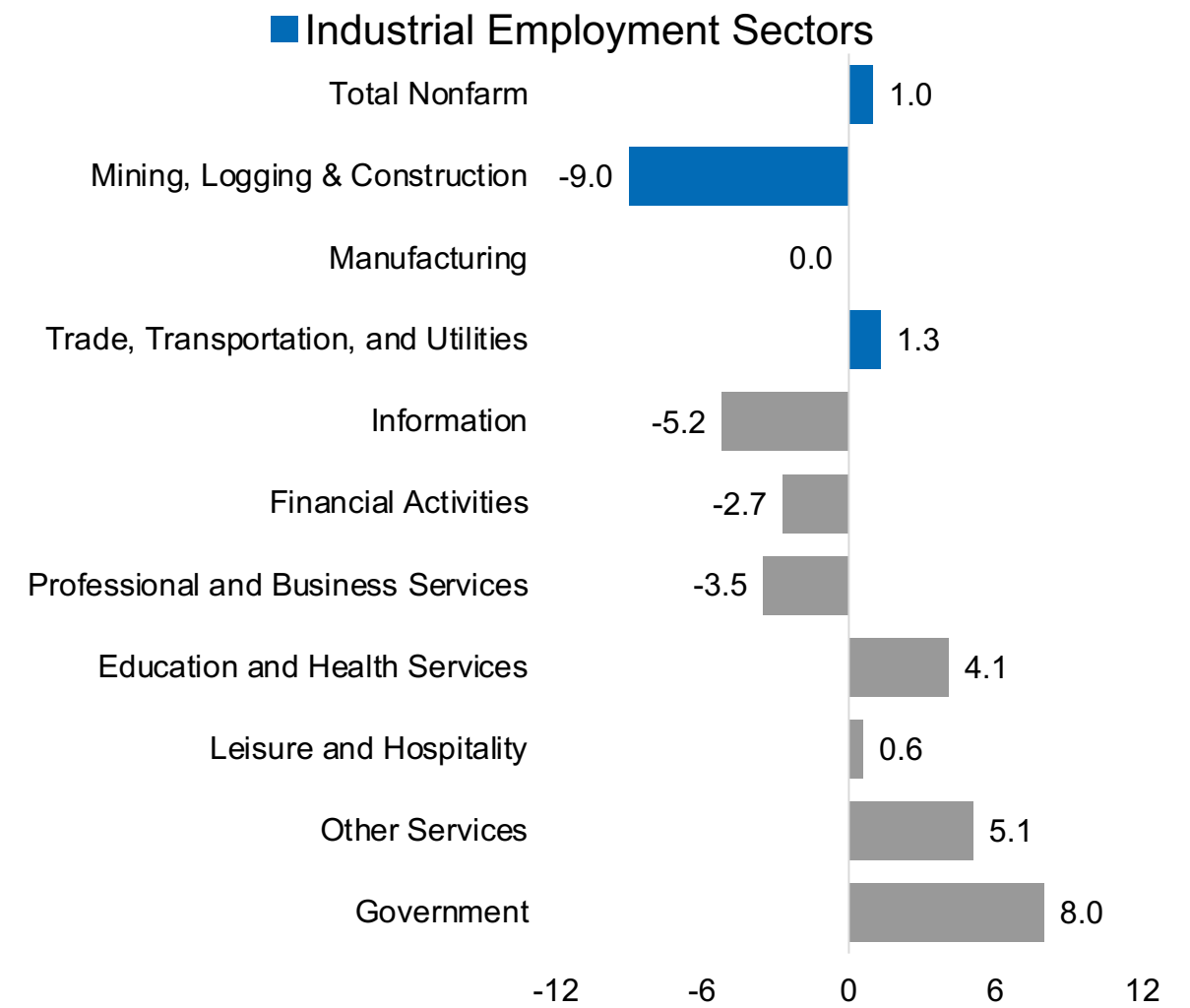
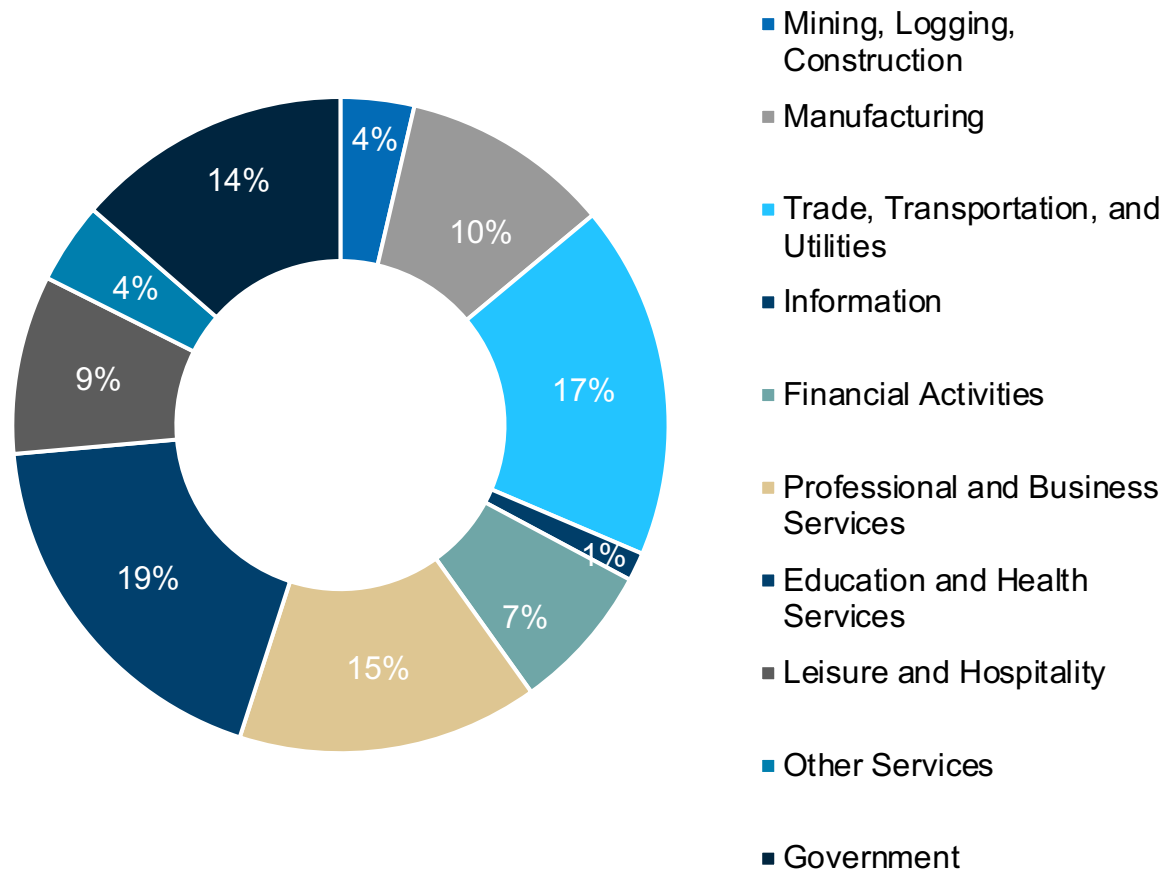
Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

# Industrial-Using Employment Declines

Government jobs grew the most in addition to Other Services and Education and Health Services.

Employment by Industry, February, 2024

Employment Growth by Industry, 12-Month % Change, February, 2024



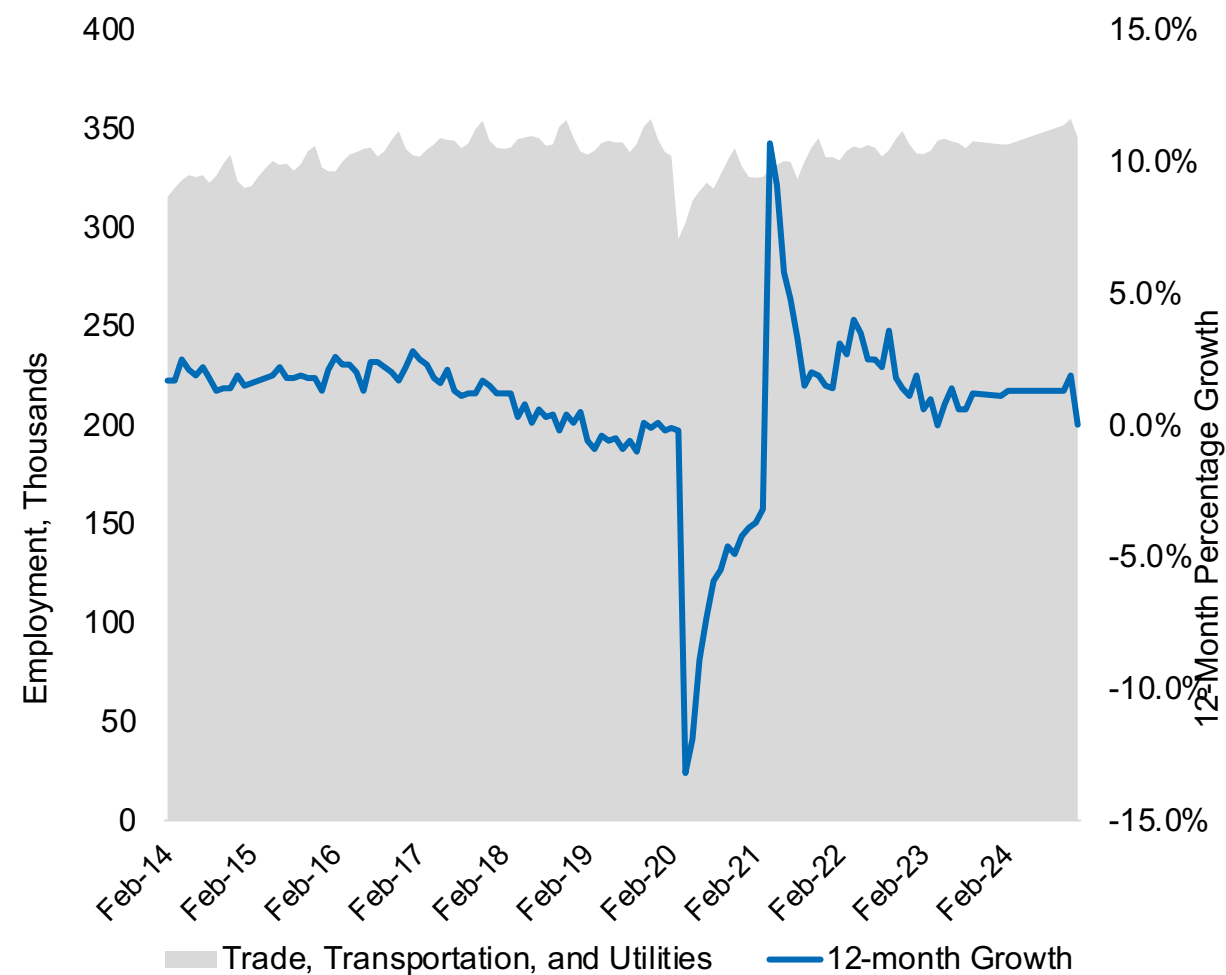
Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul



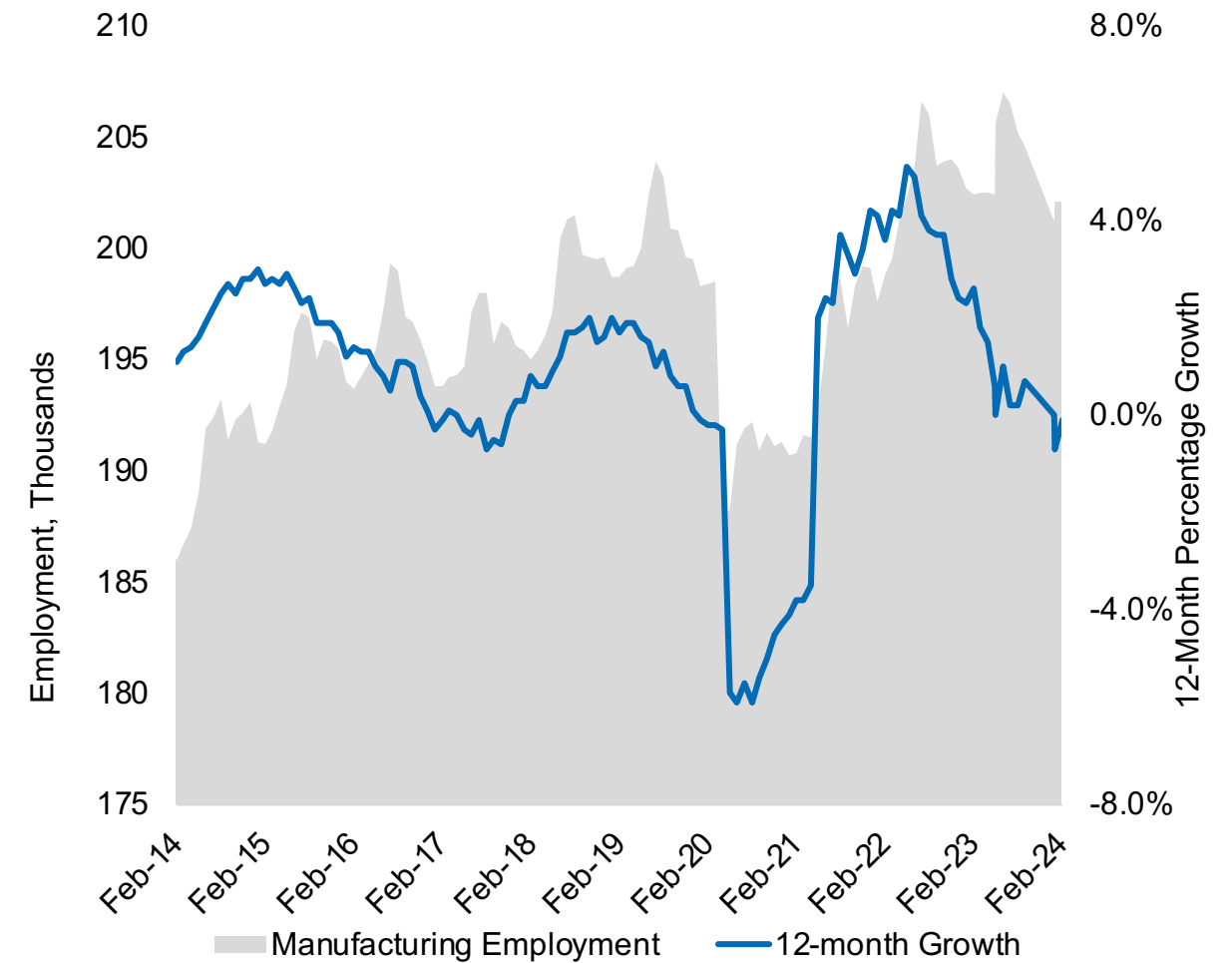
# Industrial Employment Strong but Not Immune to Softening Conditions

Trade, Transportation and Utilities continues to experience growth while Manufacturing employment decreases.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

---

1Q24

# Leasing Market Fundamentals

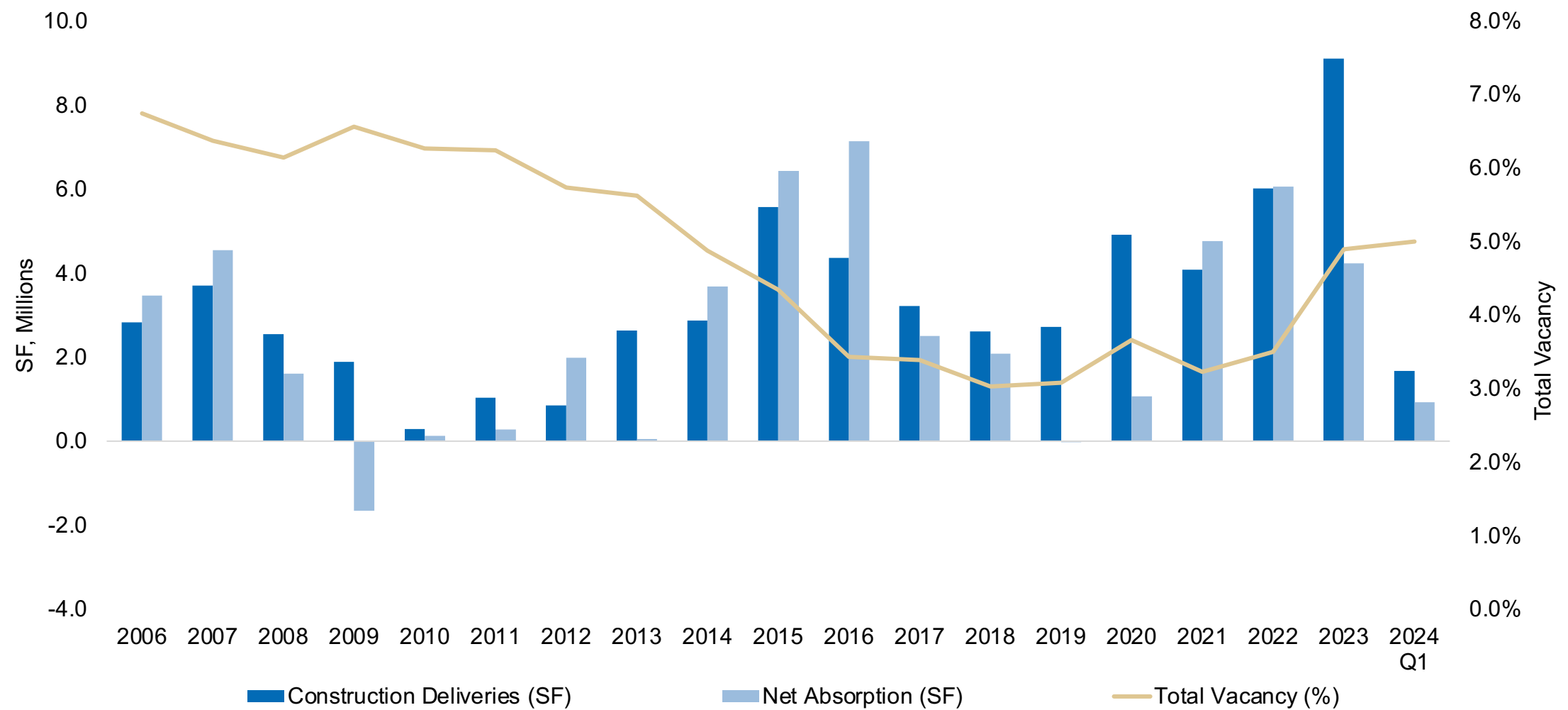




# Vacancy Rises as Construction Deliveries Outpace Net Absorption

The vacancy rate increased slightly to 5.0% in 1Q24 from 4.9% in 4Q23. Construction activity peaked in 2023 and is tapering, limiting future vacancy increases as absorption slows.

Historical Construction Deliveries, Net Absorption, and Vacancy

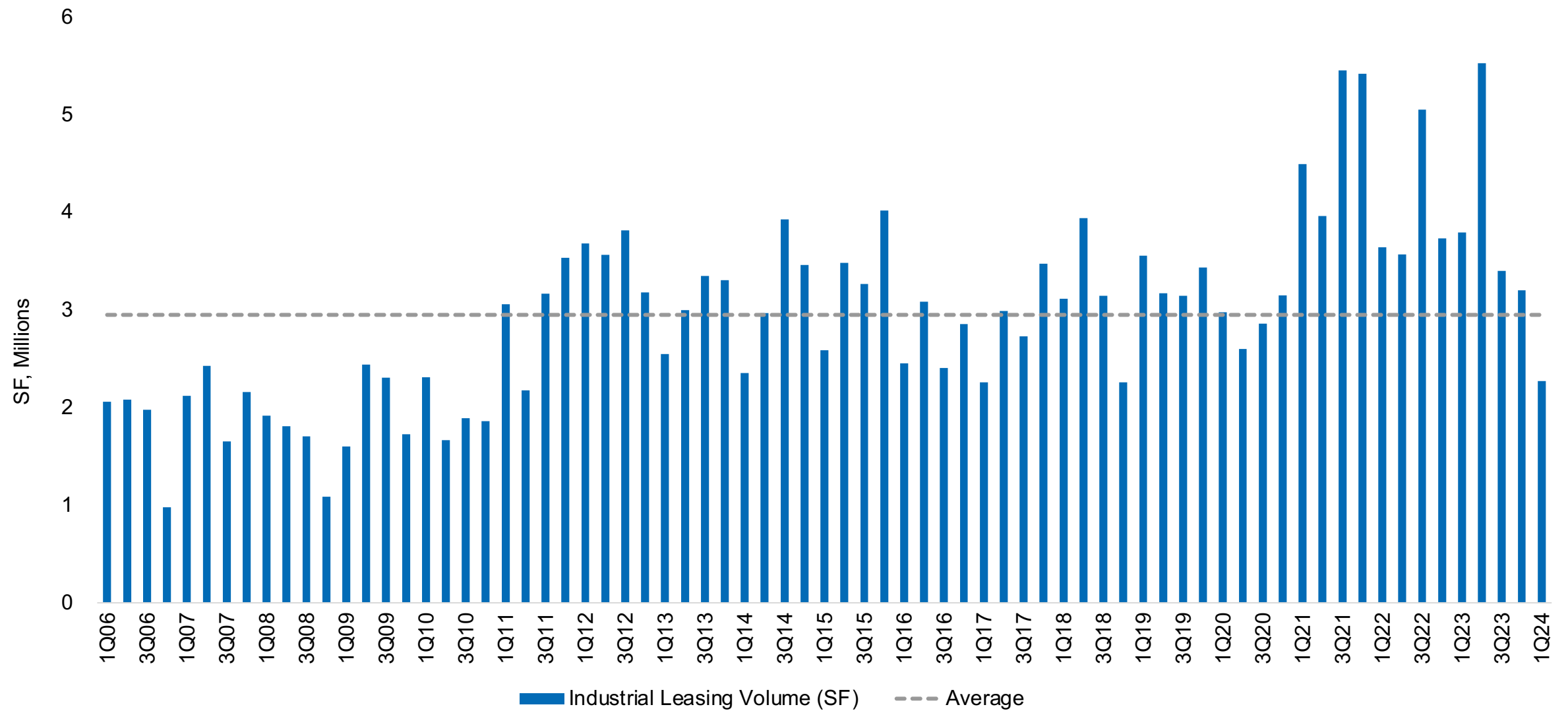


Source: Newmark Research, Costar, MNCAR

# Industrial Leasing Activity Decelerates

Industrial leasing activity slowed to 2.3 MSF in 1Q24, compared to 3.2 MSF and 3.4 MSF in 4Q23 and 3Q23, respectively.

Total Leasing Activity (SF)

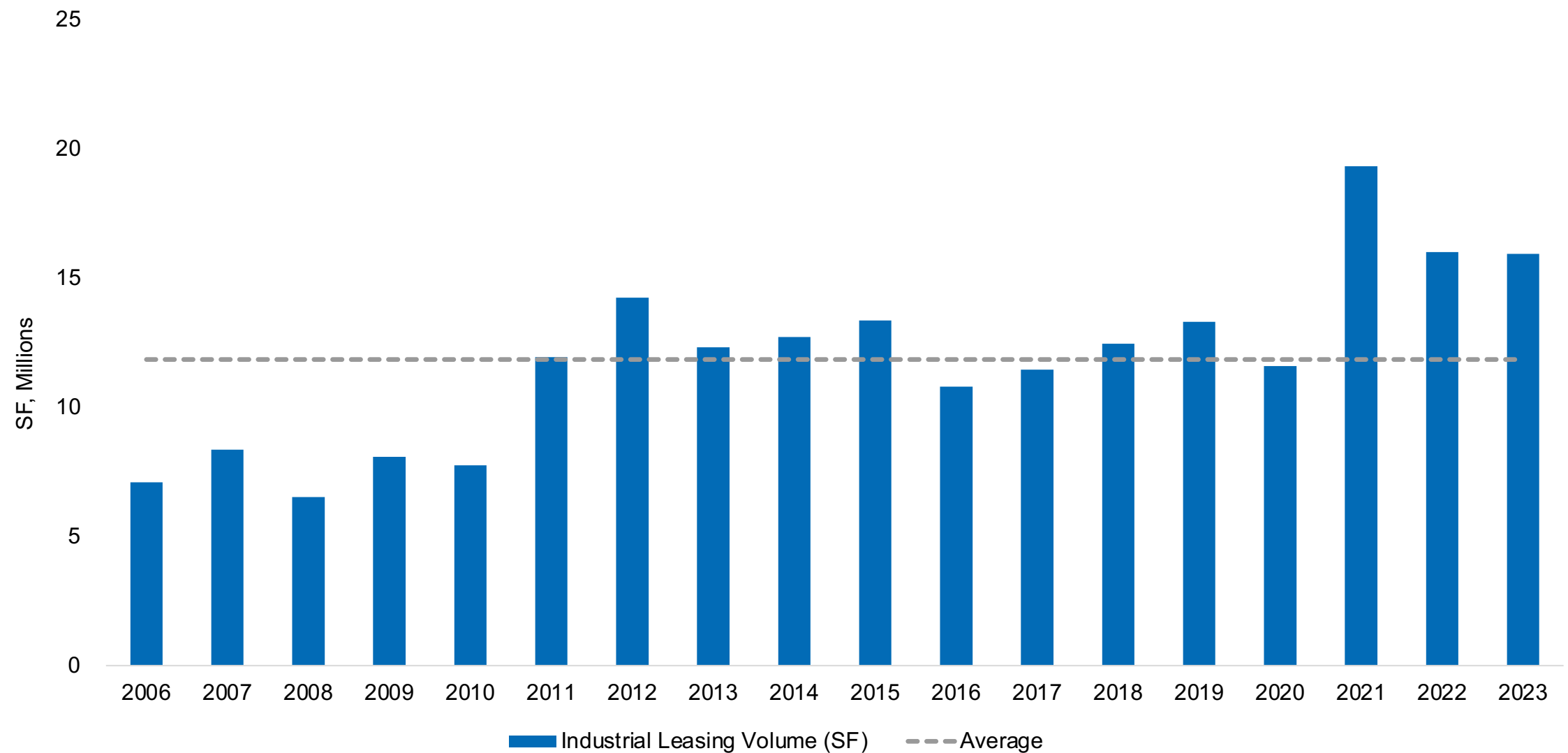


Source: Newmark Research, CoStar

# Annual Industrial Leasing Activity Remains Above Historical Average

End-of-year activity slowed but leasing activity annually was strong and above the 18-year average at 15.9 MSF.

## Total Leasing Activity (SF)

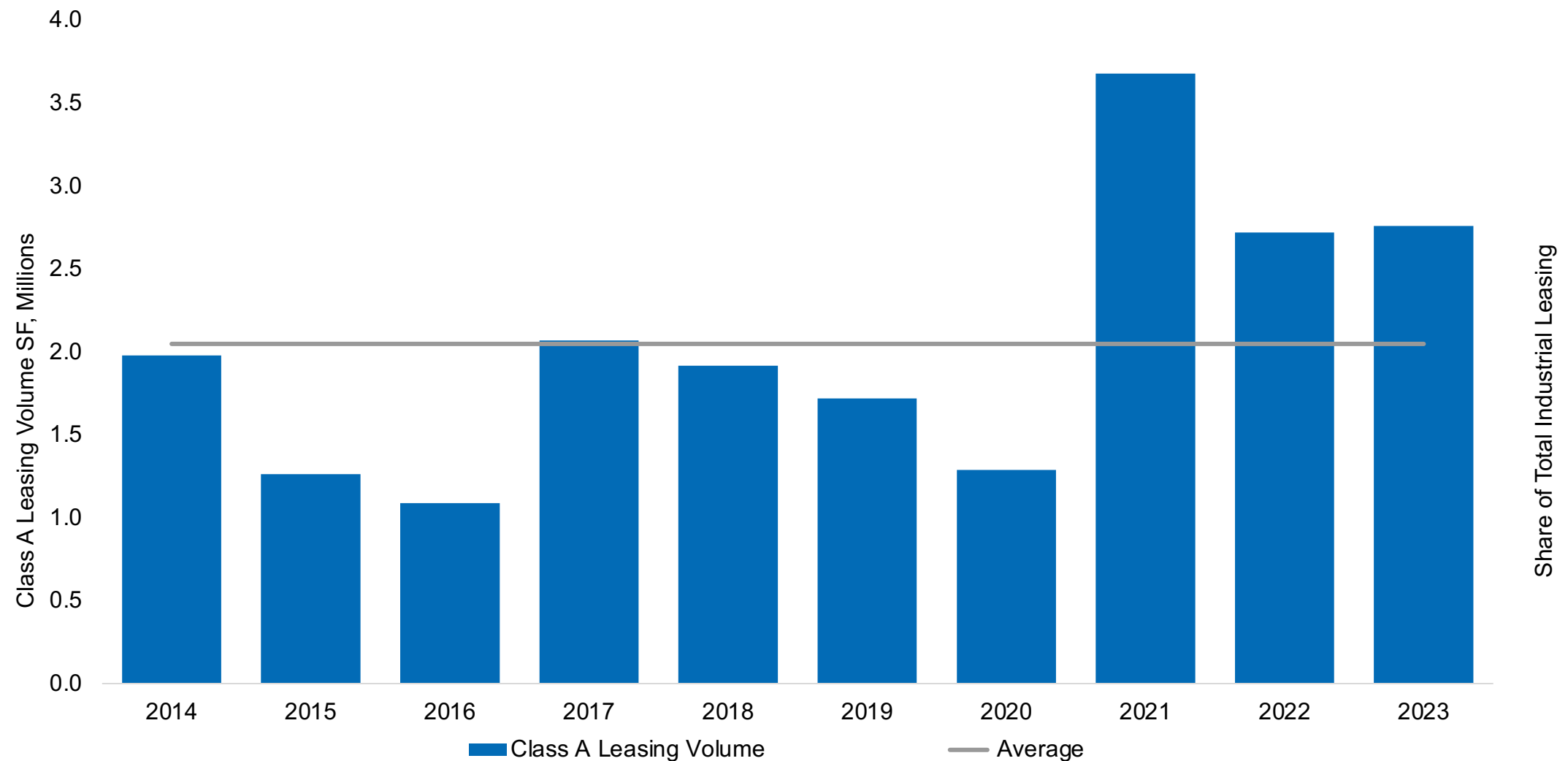




# Class A Warehouse Leasing Above Long-Term Average

Class A Warehouse leasing volume peaked in 2021 and has been steady in 2022 and 2023. Leasing volumes are well above averages.

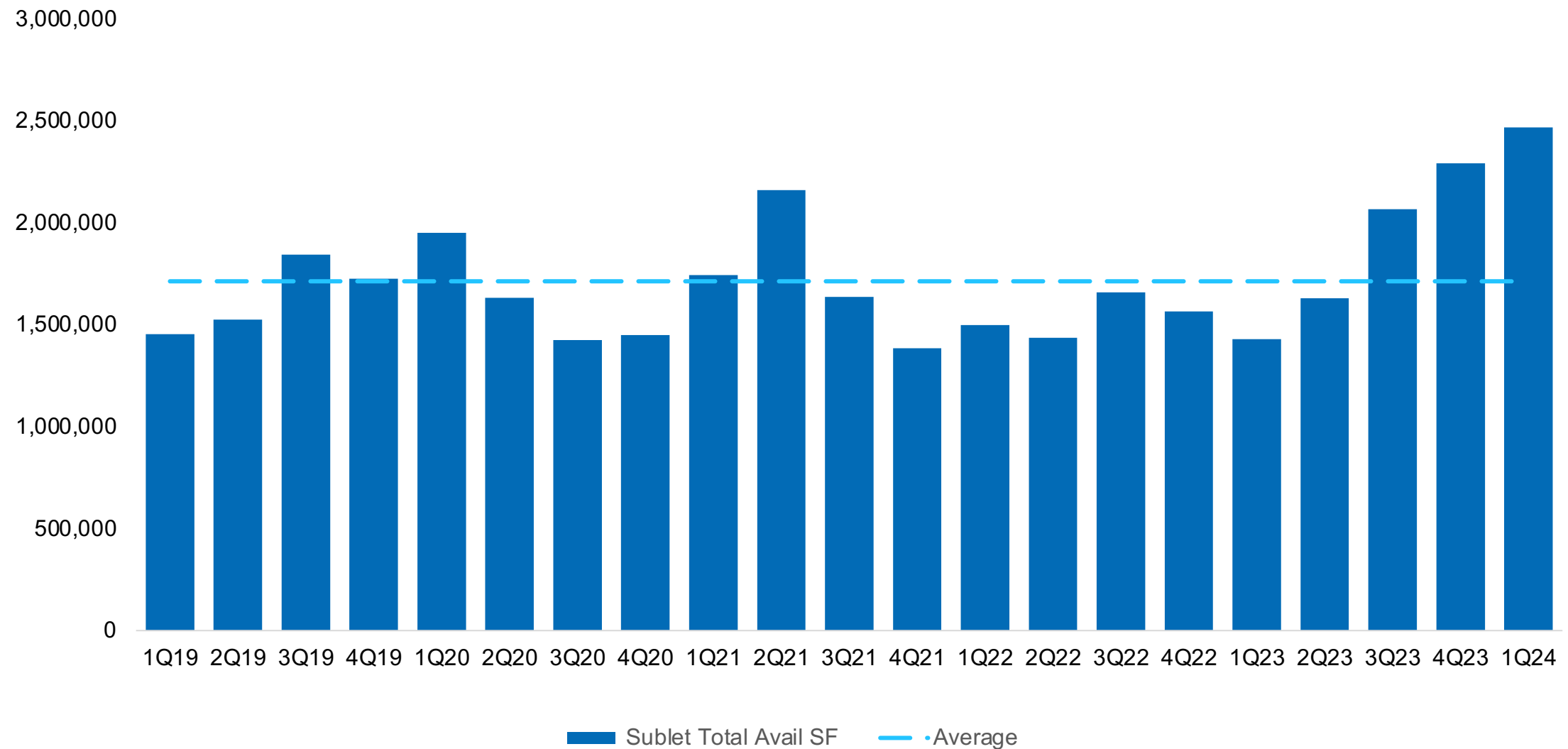
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



# Industrial Sublease Availability Increases

The rate at which subleases were added to the market continues to accelerate, increasing to 2.5MSF in 1Q24, over the quarterly average of 1.7 MSF.

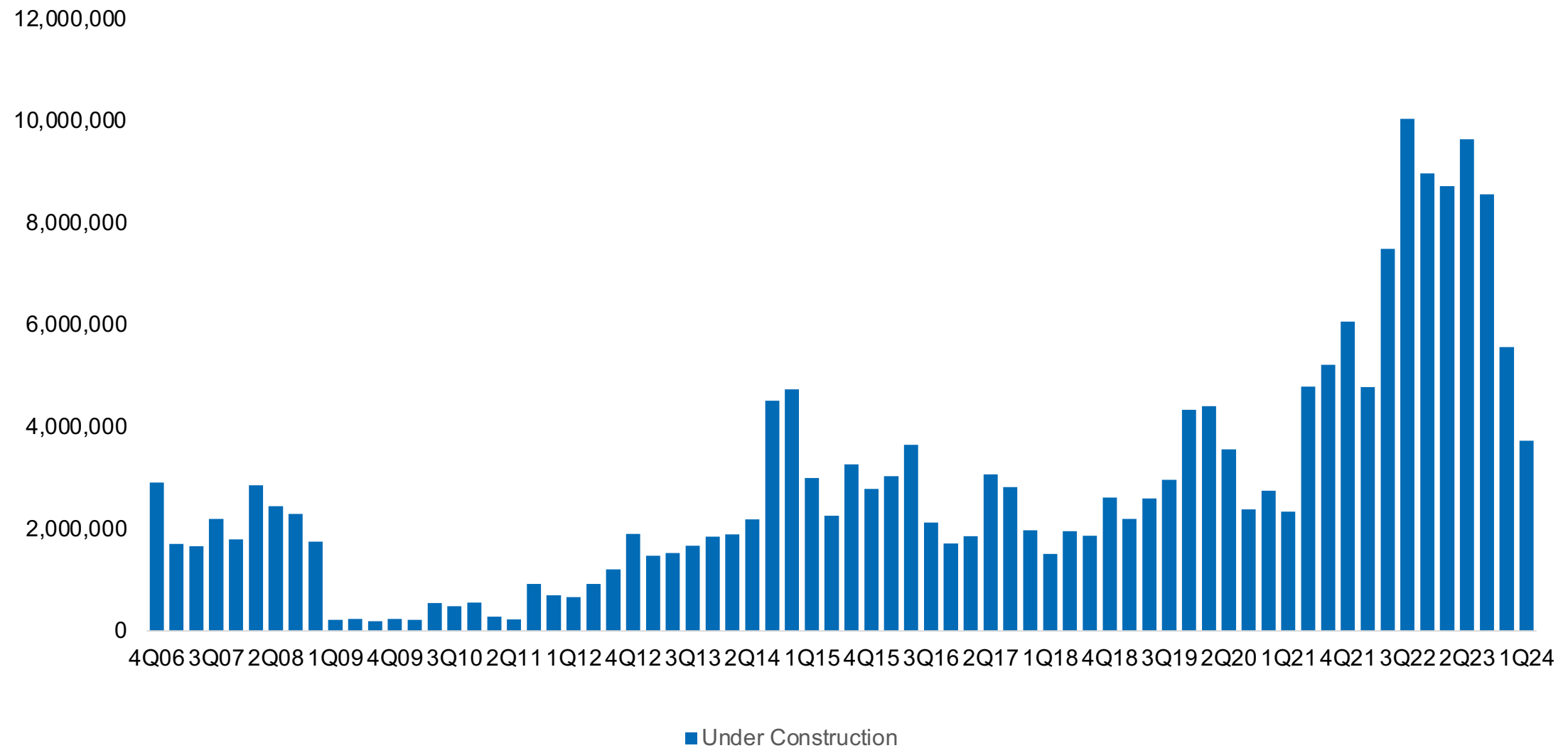
## Available Industrial Sublease



# Industrial Supply Pipeline Eases as Construction Starts Dwindle

The construction pipeline trended downward after reaching a historic high of 10.0 MSF in the third quarter of 2022. Developers are pausing speculative development, amid a challenging financing environment for new construction.

## Industrial Under Construction



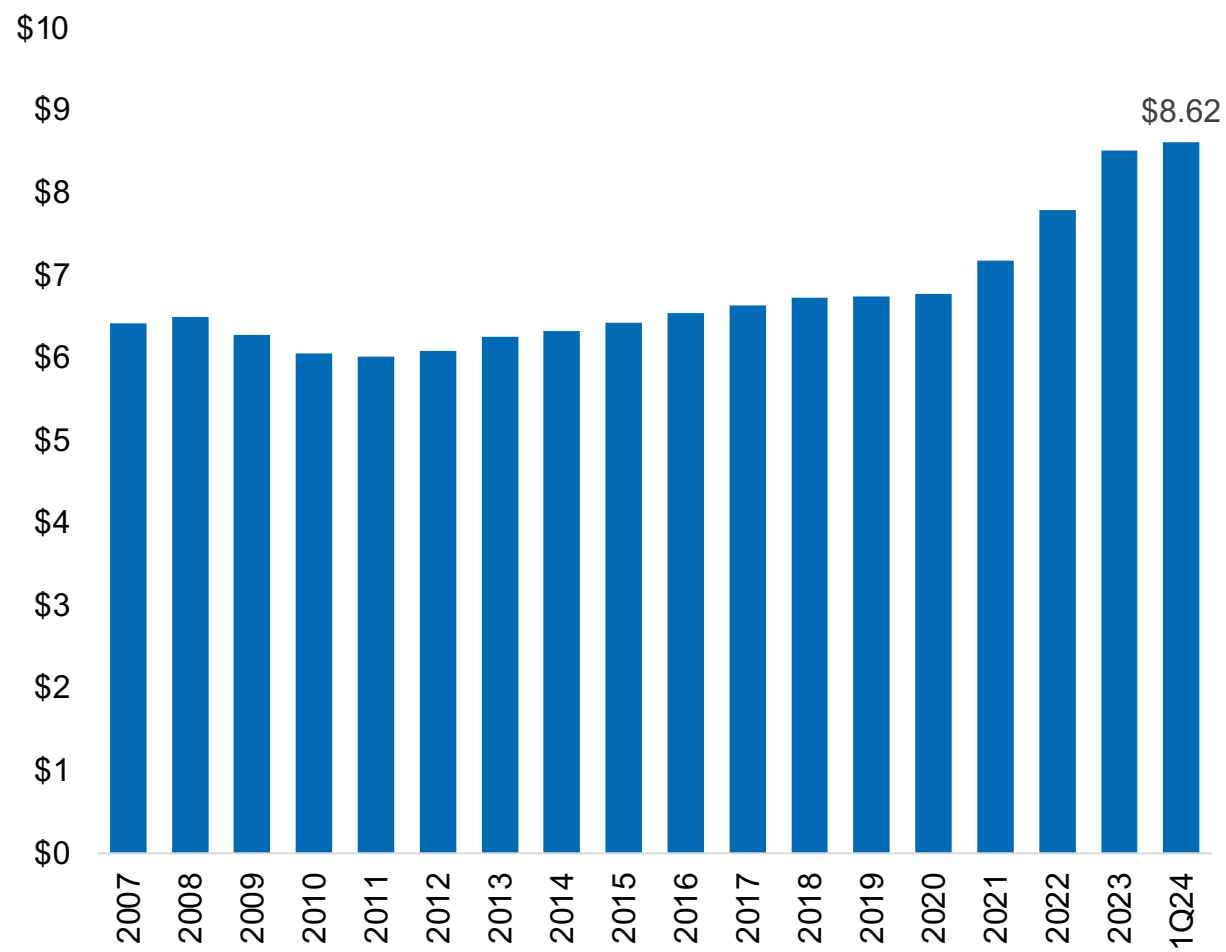
Source: Newmark Research, CoStar



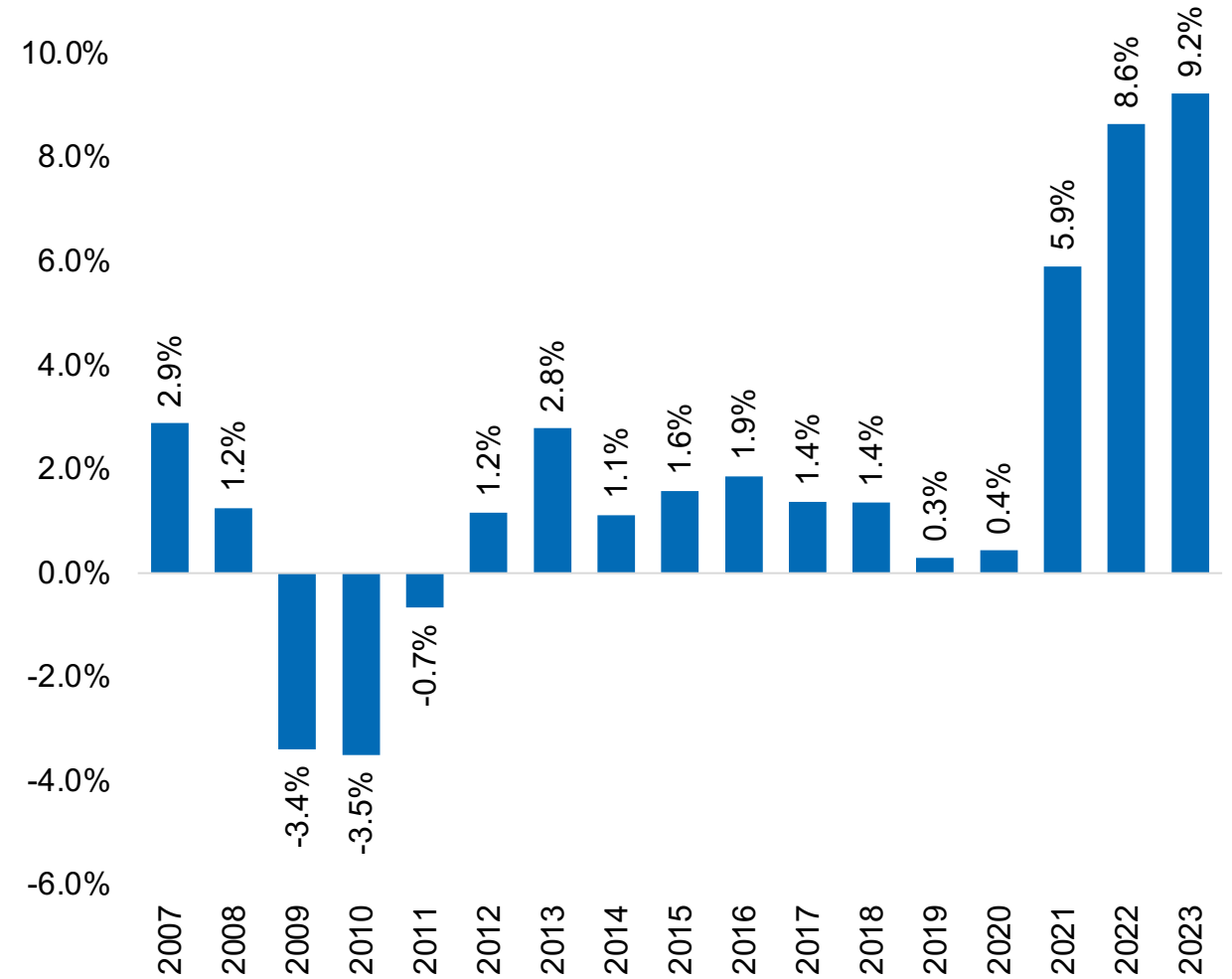
# Record-Pace Industrial Asking Rent Growth Continues Through 1Q24

Industrial average asking rents grew by 27.1% since 2020.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

---

*For more information:*

**Maura Carland**

*Research Director*

*Minneapolis Research*

mauracarland@msn.com

**Minneapolis**

100 S. Fifth St.

Suite 2150

Minneapolis, MN 55402

t 612-430-9950

**New York Headquarters**

125 Park Ave.

New York, NY 10017

t 212-372-2000

**[nmrk.com](http://nmrk.com)**

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [www.nmrk.com](http://www.nmrk.com).

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

**NEWMARK**