

Minneapolis/St. Paul, Q4 2020

# Industrial Market Shifting to Overdrive

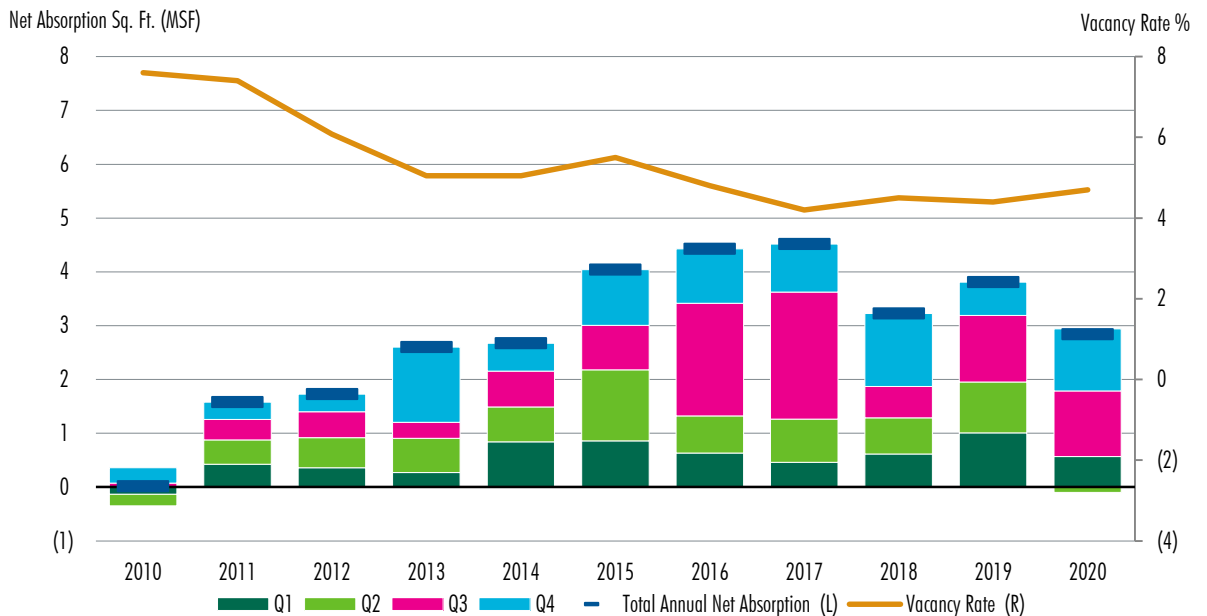
Vacancy Rate  
4.7%

Net Asking Rate  
\$6.52 per sq. ft.

Under Construction  
1.5 million sq. ft.

Net Absorption  
1,152,769 sq. ft.

Figure 1: Quarterly and Annual Net Absorption vs. Vacancy Rate



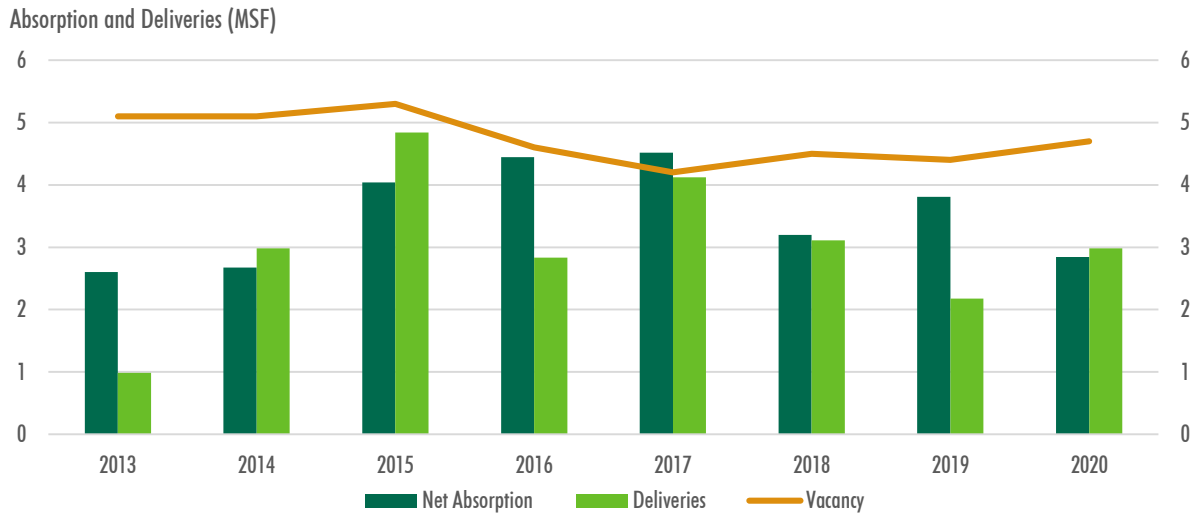
Source: CBRE Research, Q4 2020.

- Absorption of 1.15 million sq. ft. continued the strong recovery that began in Q3
- Transaction activity increased 69% over Q3, and vacancy remained low at 4.7%
- Investment sales indicated continued interest in the wide variety of industrial assets the Minneapolis market offers

## MARKET OVERVIEW

The Minneapolis/St. Paul industrial market continued to gain strength to finish 2020, with leasing activity up 69% in Q4 versus the prior quarter. Completions of build-to-suits combined with strong lease-up of speculative space resulted in absorption of nearly 1.2 million sq. ft., and the investment market continued to attract new capital to Minneapolis/St. Paul.

Figure 2: Annual Net Absorption and Deliveries vs. Vacancy Rate



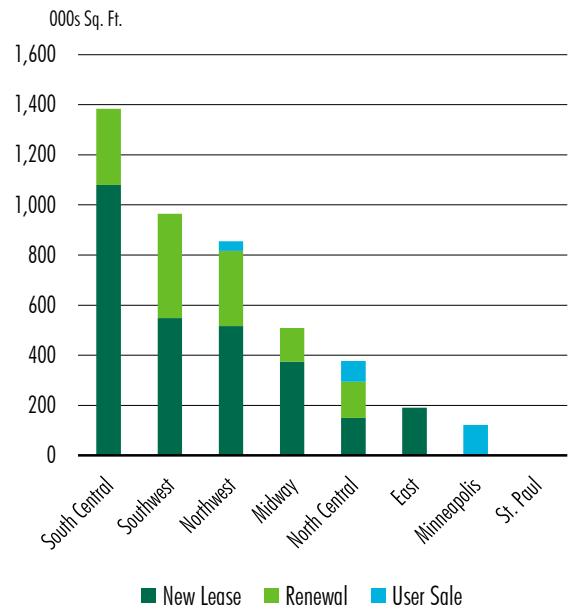
Source: CBRE Research, Q4 2020.

New deliveries in Q4 2020 brought the annual total to nearly 3.0 million sq. ft., slightly more than the total absorption of nearly 2.9 million sq. ft. This construction total outpaces 2019 by a large margin, and more than 2 million square feet of speculative development could break ground in 2021. With another strong quarter, the Midway outperformed all submarkets in 2020 with nearly 1 million sq. ft absorbed.

### TRANSACTIONS

Transaction activity in Q4 2020 was 69% greater than Q3. As well, 65% of overall activity was new leases or expansions, a sign of a strong industrial economy.

Figure 3: Top Transaction Type by Submarket and Sq. Ft.



Source: CBRE Research, Q4 2020.

Figure 4: Top Transactions

Tenant	Size (Sq. Ft.)	Address	Submarket	Transaction Type	Industry
Confidential	750,000	9600 217 <sup>th</sup> St W	South Central	New Lease	Retail
Southern Glazer's	232,804	3350 E 4 <sup>th</sup> Av	Southwest	Renewal	Transportation/Distribution
Crown Packaging	160,000	5101 Valley Industrial	Southwest	New Lease	Warehousing/Storage
Ruan Transportation	151,200	20015 Diamond Lake Rd	Northwest	Renewal	Transportation/Distribution
Confidential	142,000	2811 Highway 55	South Central	Renewal	Retail

Source: CBRE Research, Q4 2020.

TRANSACTIONS (CONTINUED)

The South Central submarket continued as the market leader with 31% of all Q4 2020 transaction activity, followed by the Southwest submarket with 22% and the Northwest with 19%.

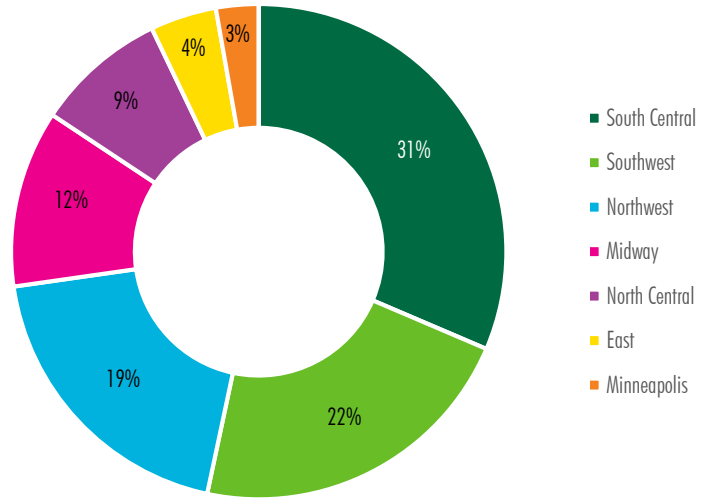
Despite a continued diverse economy that includes active Manufacturing and Life Sciences industries, Retail was the leading industry type, with 42% of activity, due to the ongoing evolution of the economy toward E-commerce and last-mile delivery.

INVESTMENT SALES

A combination of local, national and cross-border capital drove investment sales in Q4. Hana Financial Group made its first Minneapolis/St. Paul acquisition with its purchase of a large E-Commerce fulfillment facility currently under construction in Lakeville, and Opus sold two recently-developed buildings in Eagan and Maple Grove.

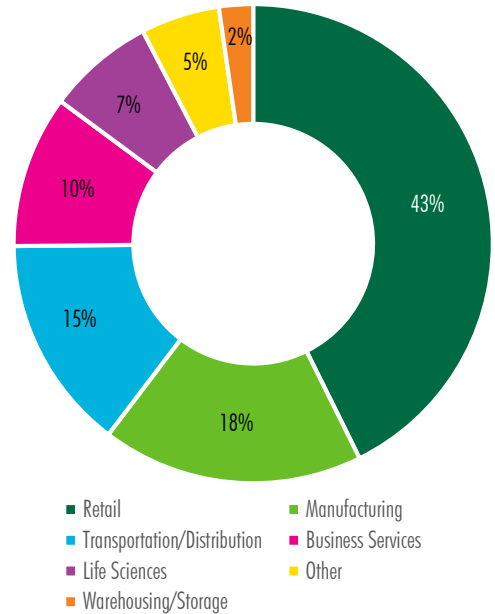
Meritex purchased additional local assets with the Airport Industrial Portfolio in Eagan, Vertis Real Estate Capital invested in 3M spinoff Kindeva’s new headquarters currently under construction in Woodbury, a sign of the strength of the Life Sciences industry in Minneapolis/St. Paul, and Bix Produce divested its Little Canada facility to W. P. Carey in a sale-leaseback (CBRE represented the seller in these three sales).

Figure 5: Top Transactions by Sq. Ft. by Submarket



Source: CBRE Research, Q4 2020.

Figure 6: Top Transactions by Industry Type



Source: CBRE Research, Q4 2020.

Figure 7: Top Investment Sales

Property	Location	Buyer	Sale Price (\$)	Size (Sq. Ft.)	Price Per Sq. Ft. (\$)
Fulfillment Center	Lakeville	Hana Financial Group	124,815,746	750,000	166.42
Opus Core MSP Portfolio	Eagan/MG	CBRE Global Investors	51,500,000	254,274	144.11
Airport Industrial Portfolio	Eagan	Meritex Enterprises	36,000,000	400,191	89.96
Kindeva HQ	Woodbury	Vertis Real Estate Capital	34,474,912	137,500	250.73
Bix Produce Sale Leaseback	Little Canada	W.P. Carey & Co.	34,000,000	207,509	163.85

Source: CBRE Research, Q4 2020.

Figure 8: Minneapolis/St. Paul Industrial Market Statistics

Submarket	Rentable Area (Sq. Ft.)	Total Availability Rate (%)	Direct Vacancy Rate (%)	Average Warehouse Net Asking Rate (\$/Sq. Ft./Yr)	Average Office Net Asking Rate (\$/Sq. Ft./Yr)	Average Net Blended Asking Rate (\$/Sq. Ft./Yr)	Q4 Net Absorption (Sq. Ft.)	2020 YTD Net Absorption (Sq. Ft.)
Metro Overall	340,451,687	6.5	4.7	5.06	9.58	6.52	1,152,769	2,890,550
Northwest	73,192,779	8.1	6.2	4.87	9.64	6.67	391,536	642,845
Southwest	70,098,257	7.9	5.9	5.31	9.71	6.71	75,677	(559,923)
North Central	52,260,634	5.9	4.2	5.17	9.56	6.86	(92,349)	436,268
South Central	51,876,425	6.9	5.1	5.12	9.52	6.34	147,809	422,520
Midway	31,079,601	5.1	3.6	4.74	8.43	5.85	245,701	945,885
Minneapolis	26,057,788	3.2	1.8	4.50	12.27	4.80	(87,101)	(136,570)
East	19,385,147	5.0	2.9	5.24	9.80	6.23	460,496	864,990
St. Paul	16,501,056	3.5	3.1	4.87	9.63	5.86	11,000	317,535

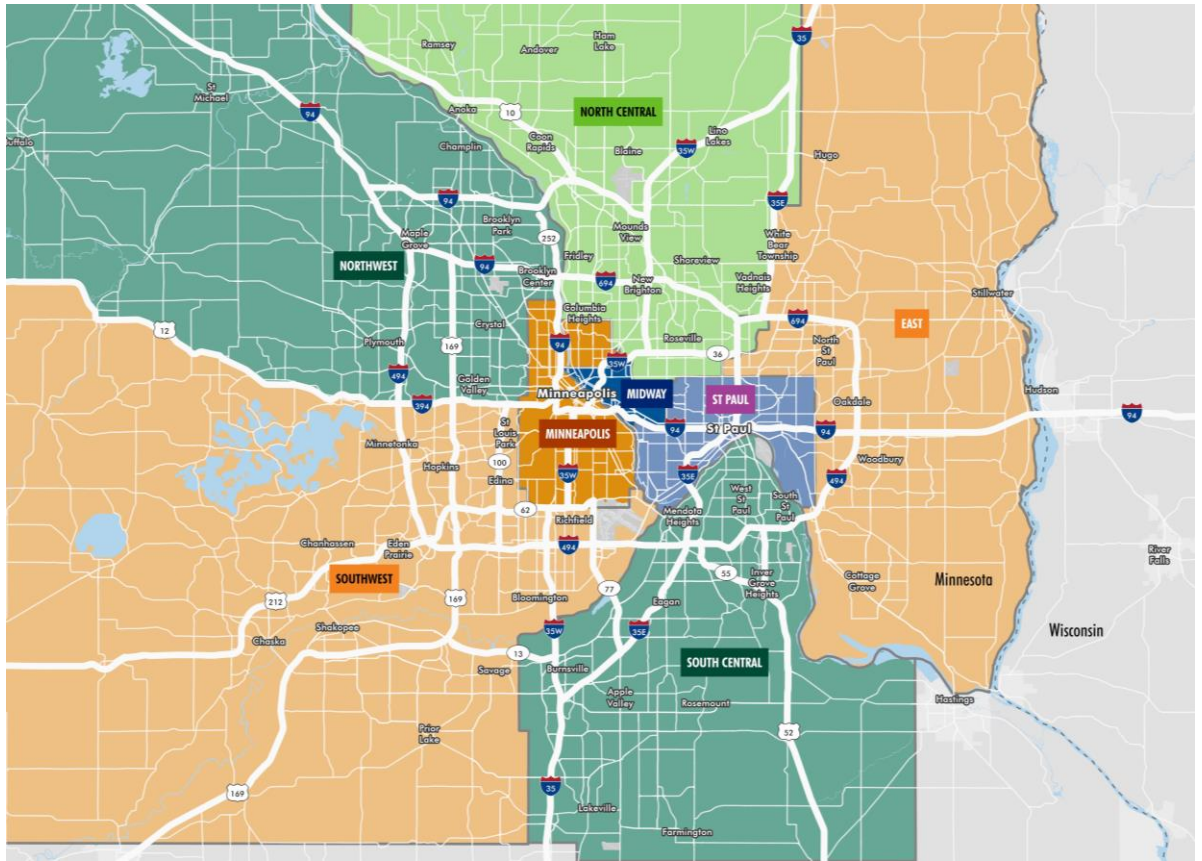
Source: CBRE Research, Q4 2020.

*\* Single Tenant & Multi Tenant. Total Vacancy Rate May Not Add Up Due To Rounding.*

Figure 9: Q4 2020 Minneapolis/St. Paul Industrial Construction Statistics

Submarket	Construction Starts (Sq. Ft.)	Starts Released (%)	Under Construction (Spec Sq. Ft.)	Under Construction (BTS Sq. Ft.)	Under Construction Total (Sq. Ft.)	Spec Completed (Sq. Ft.)	BTS Completed (Sq. Ft.)	Construction Completed Total (Sq. Ft.)
Metro Overall	887,500	100.0	166,100	1,377,500	1,543,600	560,040	660,000	1,220,040
Southwest	-	-	130,100	130,000	260,100	-	-	-
Northwest	-	-	-	298,000	298,000	204,120	156,000	360,120
South Central	750,000	100.0	62,000	786,000	848,000	355,920	80,000	435,920
North Central	-	-	-	-	-	-	-	-
Midway	-	-	-	-	-	-	-	-
Minneapolis	-	-	-	-	-	-	-	-
St. Paul	-	-	-	-	-	-	-	-
East	137,500	100.0	-	137,500	-	-	424,000	424,000

Source: CBRE Research, Q4 2020.



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