

Minneapolis-St. Paul

Robust demand drives continued industrial leasing, sales and construction

- Q4 2022 leasing of more than 2.6 million s.f. helped push total absorption for the year to nearly 6.5 million s.f. Nearly 30% of leasing occurred in new spec projects.
- Total 2022 spec completions topped 4.5 million s.f., in addition to more than 1.5 million build-to-suit completions.
- Investment sales experienced a stronger than expected quarter in spite of increasing interest rates, with sales topping \$775 million, for a total of nearly \$1.7 billion for 2022.
- More than 7.5 million s.f. is under construction, and more than 5.9 million s.f. of spec construction could complete in 2023.

Q4 2022 leasing exceeded 2.6 million, and absorption for the quarter was 797,312 s.f. Nearly 30% of leasing occurred in new spec buildings.

Notable leases included Superior Third Party Logistics (199,919 s.f.) taking the entire 4Front Industrial Park in Oakdale and Minneapolis Glass (115,500 s.f.) signing for all of the 610 Junction West Building II in Brooklyn Park. Lube Tech (114,461 s.f.) and Daikin (100,193 s.f.) signed leases to occupy the entire Xenium Business Center in Plymouth.

Although Q4 leasing was down slightly, average quarterly leasing for 2022 was more than 3.7 million s.f., well ahead of the 2021 average of 3.2 million s.f. Total absorption for 2022 was nearly 6.5 million s.f., which reduced vacancy to 3.8%. Vacancy will decline further to 3.5% once the nearly 1 million s.f. of tenants that have signed leases occupy space in new spec buildings.

In the face of rising interest rates and the repricing of some assets, Q4 investment sales were more than \$775 million, the strongest quarter of 2022. Total sales for the year was nearly \$1.7 billion. Notable recent sales include the \$38.3 million portfolio acquisition by Biynah Industrial Partners from Link Logistics and the \$249 million Artis REIT portfolio sale to Capital Partners/Investcorp.

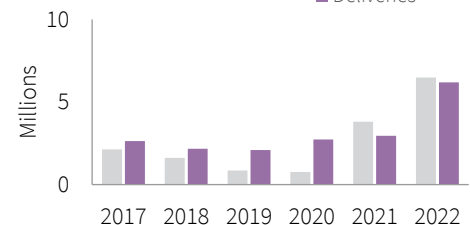
Outlook

With 14.4 million s.f. of tenant requirements, the industrial market is poised for a strong 2023. Although the Fed has indicated it will continue to increase interest rates, Minneapolis-St. Paul should remain an attractive market for existing and new investors. Spec development will more than likely peak in 2023 and additional projects may get pushed to 2024.

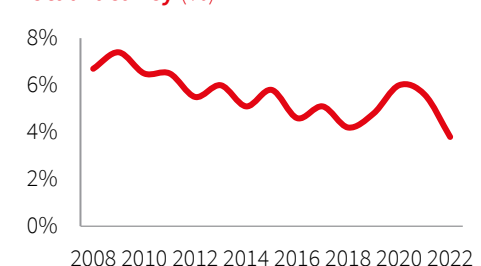
Fundamentals

	Forecast
YTD net absorption	6,477,661 s.f. ►
Under construction	7,563,501 s.f. ▼
Total vacancy	3.8 % ▼
Average asking rent	\$6.19 p.s.f. ▲
YTD completions	6,188,122 s.f. ▲
Spec completions 2022	4,521,012 s.f. ▲
Concessions	Stable ►

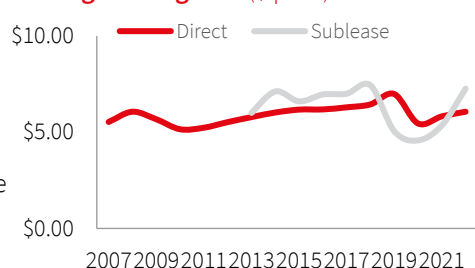
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



*Minneapolis-St. Paul's industrial rental rate calculation changed in 2020

As part of a continuous process of data quality improvement, JLL Research in Minneapolis-St. Paul has expanded its tracked inventory to include all owner-occupied buildings as well as industrial buildings between 10,000 and 30,000 s.f. in size. We continue to track R&D/Flex separately.

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JLL Research Report

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Minneapolis - St. Paul total										
Warehouse & Distribution	188,347,389	757,089	4,770,328	2.5%	5.1%	8.5%	\$6.23	2,366,439	5,187,012	7,410,501
Manufacturing	94,812,072	41,223	1,708,333	1.8%	1.2%	3.5%	\$5.93	0	1,001,210	153,000
Special Purpose	5,926,321	-1,000	-1,000	0.0%	0.5%	0.9%	\$0.00	0	0	0
Overall Total	289,085,782	797,312	6,477,661	2.2%	3.8%	6.7%	\$6.19	2,366,439	6,188,222	7,563,501
Suburbs total										
Warehouse & Distribution	188,347,389	757,089	4,770,328	2.5%	5.1%	8.5%	\$6.23	2,366,439	5,187,012	7,410,501
Manufacturing	94,812,072	41,223	1,708,333	1.8%	1.2%	3.5%	\$5.93	0	1,001,210	153,000
Special Purpose	5,926,321	-1,000	-1,000	0.0%	0.5%	0.9%	\$0.00	0	0	0
Overall Total	289,085,782	797,312	6,477,661	2.2%	3.8%	6.7%	\$6.19	2,366,439	6,188,222	7,563,501
Northeast										
Warehouse & Distribution	59,894,474	190,749	1,772,735	3.0%	3.2%	4.7%	\$6.14	121,000	976,018	448,683
Manufacturing	31,938,800	57,941	122,983	0.4%	1.7%	4.4%	\$6.26	0	0	0
Special Purpose	1,455,010	-1,000	-1,000	-0.1%	0.1%	0.1%	\$0.00	0	0	0
Overall Total	93,288,284	247,690	1,894,718	2.0%	2.6%	4.5%	\$6.17	121,000	976,018	448,683
Northwest										
Warehouse & Distribution	56,002,230	452,110	1,344,481	2.4%	6.1%	10.3%	\$6.27	1,026,671	1,801,274	3,523,343
Manufacturing	27,961,888	-16,581	1,070,579	3.8%	1.3%	3.5%	\$4.93	0	863,210	72,000
Special Purpose	1,264,910	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	85,229,028	435,529	2,415,060	2.8%	4.4%	8.0%	\$6.07	1,026,671	2,664,484	3,595,343
Southeast										
Warehouse & Distribution	36,177,292	172,429	793,886	2.2%	6.8%	11.2%	\$6.15	1,218,768	1,735,768	2,878,899
Manufacturing	16,988,537	-403	485,148	2.9%	0.7%	3.8%	\$6.86	0	138,000	0
Special Purpose	1,469,905	0	0	0.0%	0.0%	1.2%	\$0.00	0	0	0
Overall Total	54,635,734	172,026	1,279,034	2.3%	4.7%	8.8%	\$6.23	1,218,768	1,873,768	2,878,899
Southwest										
Warehouse & Distribution	36,273,393	-58,199	859,226	2.4%	5.3%	8.8%	\$6.37	0	673,952	559,576
Manufacturing	17,922,847	266	29,623	0.2%	0.8%	1.8%	\$5.44	0	0	81,000
Special Purpose	1,736,496	0	0	0.0%	1.7%	2.0%	\$0.00	0	0	0
Overall Total	55,932,736	-57,933	888,849	1.6%	3.7%	6.4%	\$6.30	0	673,952	640,576