

FIGURES | MINNEAPOLIS/ST. PAUL INDUSTRIAL | Q4 2024

Downward vacancy trend with strong leasing quarter at year-end

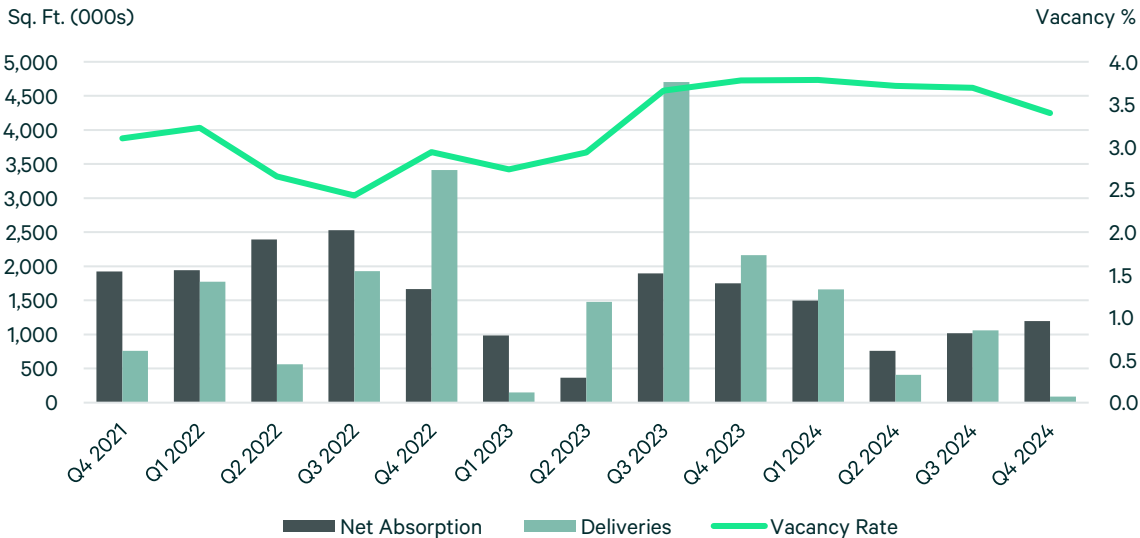


Note: Arrows indicate change from previous quarter.

SUMMARY

- In the Minneapolis market, there was 1.2M sq. ft. of positive net absorption in Q4, bringing the 2024 annual absorption figure to 4.5M sq. ft.
- At year end, the direct vacancy rate was 3.4%, having decreased by 0.3% after three consecutive quarters of stabilization.
- With the largest lease transaction of the year completed in Q4, the quarterly lease volume reached 4.2M sq. ft. This was a 24% increase in volume from the previous year with 12 deals signed over 100,000 sq. ft. in size.
- In 2024 the market delivered 3.25M sq. ft. of new industrial construction, a 62.5% decrease from the previous year and 16.4% below the ten-year average. There was an additional 2.6M sq. ft. of new developments underway in Q4.
- CBRE participated in the sale marketing of the *Midway Mile Portfolio* which contributed \$156M in total sales volume for Q4 and was the largest industrial transaction of the quarter. Year-over-year sales volume increased by 56%, the third consecutive quarter of YOY growth.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2024

Net Absorption

In Q4 2024, there was 1.2M sq. ft. of positive net absorption, an increase of 17.8% from the previous quarter. Annually, the market absorbed 4.5M sq. ft. in 2024, a decrease of 11.3% from the previous year and 3.5% below the ten-year market average.

The top submarkets with the highest year-to-date net absorption were Northwest, leading with 2.0 million sq. ft., followed by South Central at 838,135 sq. ft. This positive trend in net absorption reflects strong leasing activity and demand across these submarkets. Notable quarterly net absorption gains were in the Northwest with 625,644 sq. ft. and Southwest with 447,109 sq. ft.

Buildings constructed in the last four years and larger buildings were significant contributors to the positive absorption. In Q4, 64% of the total absorption was attributed to buildings built in 2023 or 2024 and 76% was from buildings built in the last four years. Likewise, absorption favored larger buildings in Q4, where 50% of absorption was on buildings with an NRA of 200,000-300,000 sq. ft., and 30% on buildings greater than 300,000 sq. ft. in size.

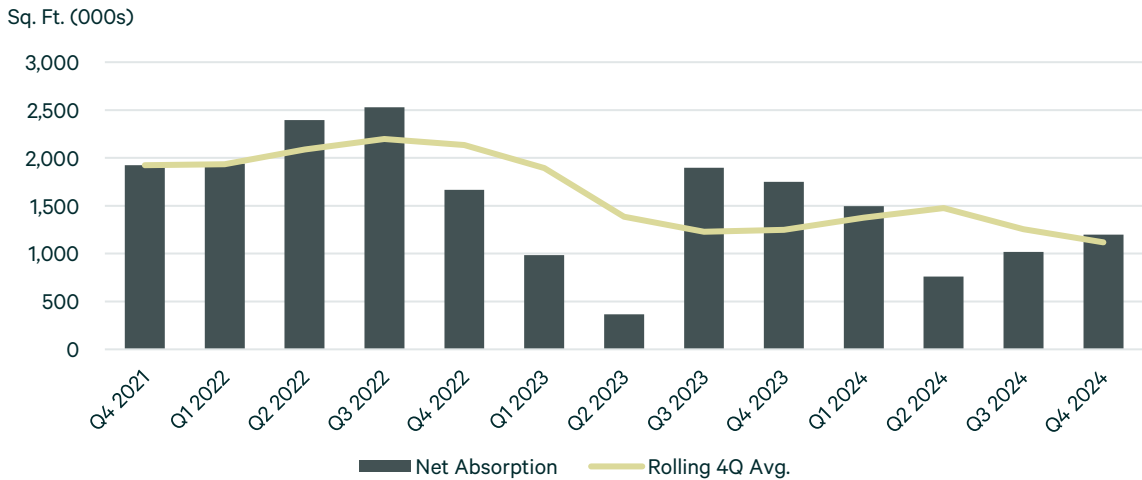
Availability & Vacancy Rates

In the Minneapolis/St. Paul industrial market, the direct vacancy rate decreased to 3.4% from 3.7% after three stable quarters. Bulk Warehouse product had the highest vacancy rate of 9.6% but also experienced the most significant reduction in vacant space, dropping by 1.5%.

Total availability in the market was 4.9% in Q4, down from its peak at 5.1% the previous quarter. The East submarket has the highest availability rate at 10.9%, while the Minneapolis and North Central submarkets have the lowest at 2.9% and 3.2% respectively.

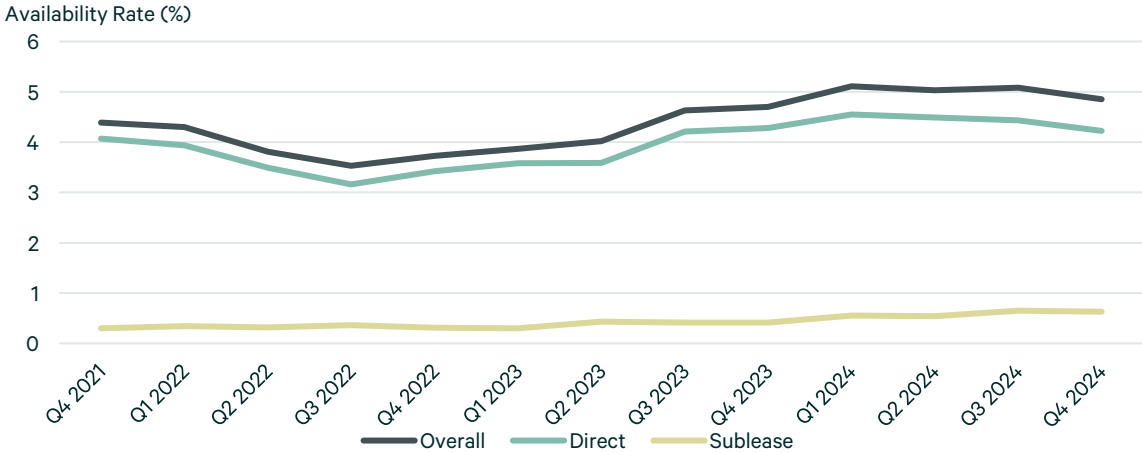
Sublease availability varied, totaling 2.2 million sq. ft., showing a decline from last quarter but reflecting a substantial 50.6% increase from the 1.5M sq. ft. in Q4 2023.

FIGURE 2: Net Absorption Trend



Source: CBRE Research, Q4 2024

FIGURE 3: Availability Rates



Source: CBRE Research, Q4 2024

Construction Activity

In Q4, there was 2.6M sq. ft. of new industrial development under construction in the Minneapolis market. A majority of these projects (78%) are build-to-suit (BTS) developments, while the remaining 22% are speculative builds.

Construction starts in Q4 amounted to 426,000 sq. ft. of new development underway, including one speculative start at Northpark XIII in Brooklyn Park. Of speculative construction currently underway, 35.5% has been preleased.

There was just one building delivered in Q4, Columbia Business Center in Eagan, contributing 89,000 sq. ft. of new inventory. For 2024, a total of 3.25 million square feet of new construction was delivered, marking a 62.5% decrease from the previous year and 16.4% below the ten-year average volume.

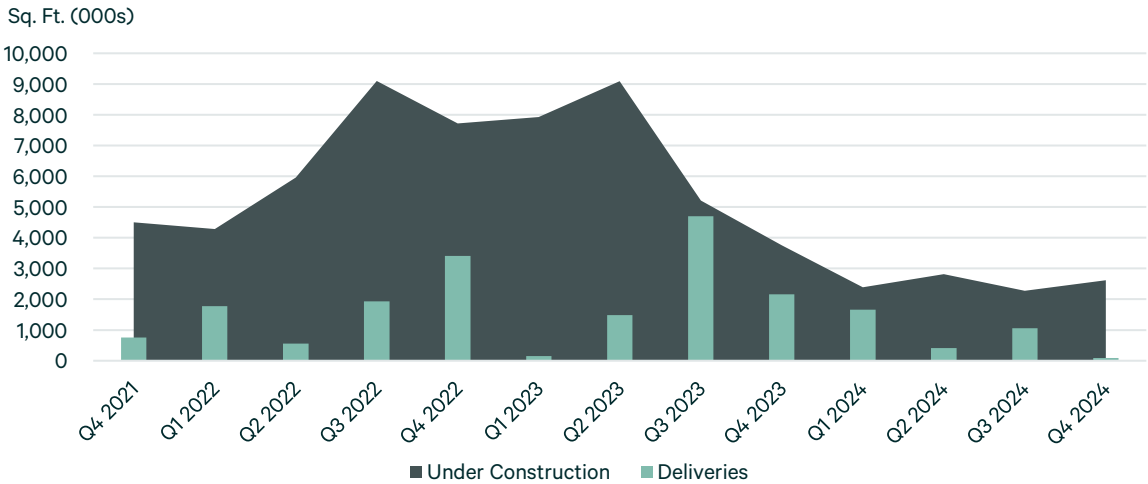
In the last decade prior to 2022, the market averaged 2.7M sq. ft. of annual construction deliveries. The 2024 delivery volume was 20.8% above the 2015-2021 average delivery volume.

FIGURE 5: Construction Detail by Submarket

	Q4 Construction Starts	Spec Under Construction	Total Under Construction	Spec Under Construction Preleased	2024 Total Completions
Metro Overall	426,000	579,505	2,615,710	35.5%	3,248,193
East	0	0	0	0.0%	160,000
Midway	0	0	0	0.0%	182,000
Minneapolis	0	0	0	0.0%	0
North Central	216,000	148,000	520,254	79.7%	303,000
Northwest	210,000	431,505	1,025,100	20.3%	1,463,973
South Central	0	0	369,965	0.0%	500,039
Southwest	0	0	525,391	0.0%	617,500
St Paul	0	0	175,000	0.0%	21,681

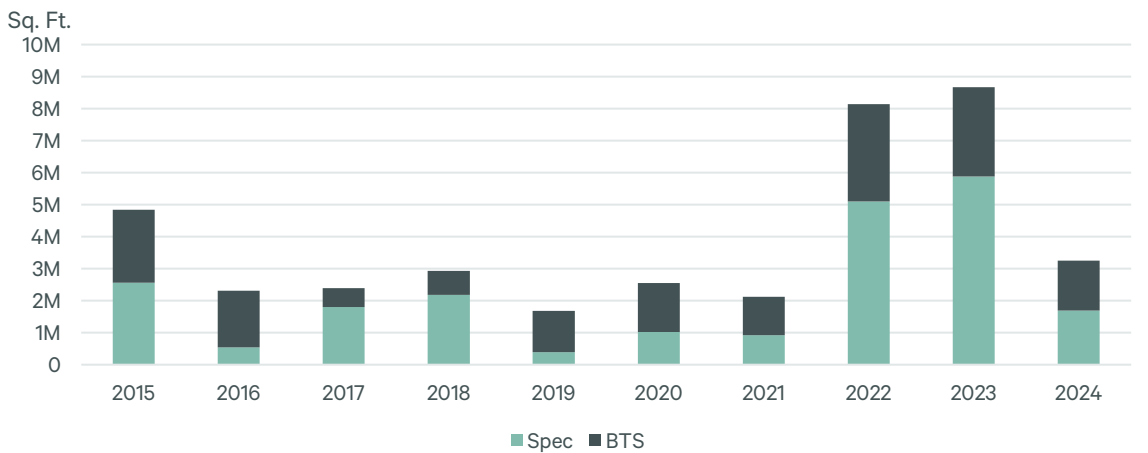
Source: CBRE Research, Q4 2024

FIGURE 4: Construction Activity



Source: CBRE Research, Q4 2024

FIGURE 6: Construction Deliveries 2016-2024



Source: CBRE Research, Q4 2024

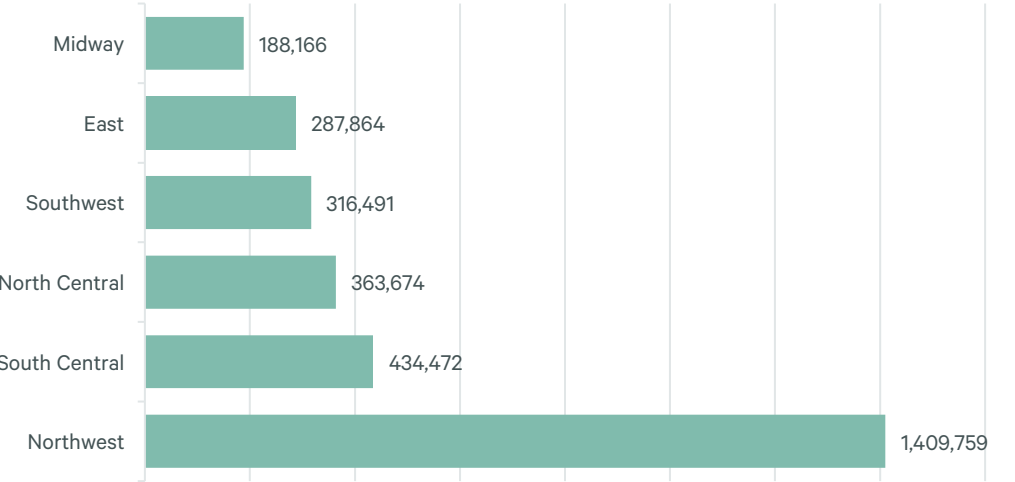
Leasing Activity

Total leasing volume in Q4 exceeded 4.2M sq. ft. transacted, contributing to an annual total of 14.4M. The Q4 volume was a 2.5% increase from the previous quarter and 24% increase compared to the previous year. Q4 saw a notable increase in large leases transacted, with 12 leases over 100,000 sq. ft. in size, the highest count since Q3 2022.

The largest deal of the year was signed by States Manufacturing, taking half of the available space at the Cubes at French Lake in Dayton. This significant transaction marks the first lease of its size in the market in the past two years.

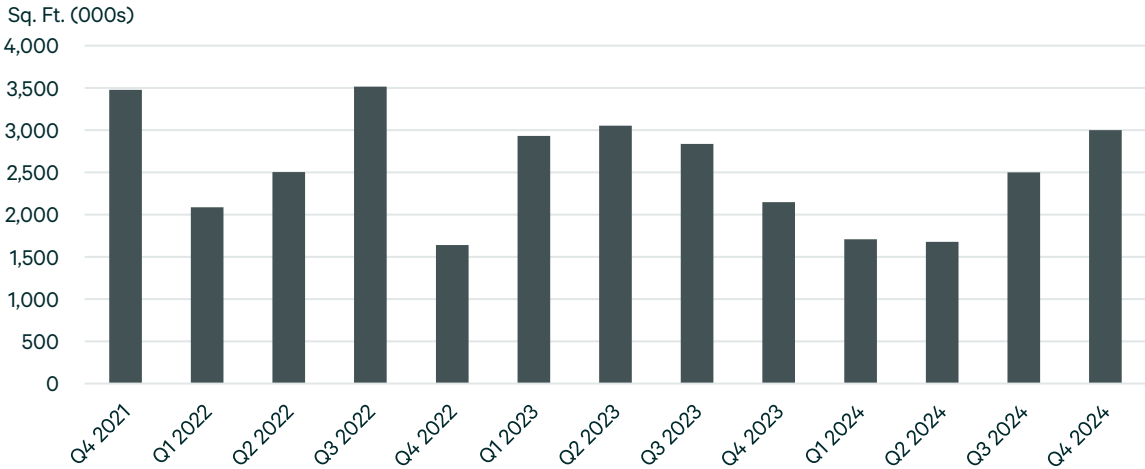
Year-to-date, the Northwest submarket has experienced the highest velocity of leasing activity with over 5.5M sq. ft. transacted in 2024. The Northwest also has the highest consistent quarterly lease volume, averaging 1.4M sq. ft. transacted per quarter in 2024 which constitutes 31.6% of the full market's average quarterly leasing total.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 8: Key Lease Transactions, Q4 2024

Tenant	Sq. Ft. Leased	Transaction	Property	Submarket
States Manufacturing	503,440	New Lease	Cubes at French Lake	Northwest
Circle K	266,264	New Lease	Gateway North	Northwest
Solventum	253,443	New Lease	1750 Yankee Doodle Rd	South Central
Sparx Logistics	171,100	New Lease	Royal Gateway Commerce Center I	East
Delkor Systems	162,146	Renewal	4300 Round Lake Rd W	North Central
American Converters	150,768	Renewal	5360-5400 Main St NE	North Central

Source: CBRE Research, Q4 2024

Sales Activity

In Minneapolis, Industrial sales volume totaled over \$678 million in the fourth quarter of 2024, bringing the full year sales volume to approximately \$2.115 billion. Quarterly sales volume represented a 32% increase quarter over quarter and a 56% increase year over year. The Midway Mile Portfolio sale contributed \$156M to the total sales volume and was the largest industrial transaction of the quarter.

Q4 industrial sales were predominantly investment transactions representing nearly 90% of the total sales volume for the quarter and 76% of the total sales volume for the year. Office Warehouse properties accounted for over 57% of the quarter’s total sales volume, followed by Bulk Warehouse at 37%.

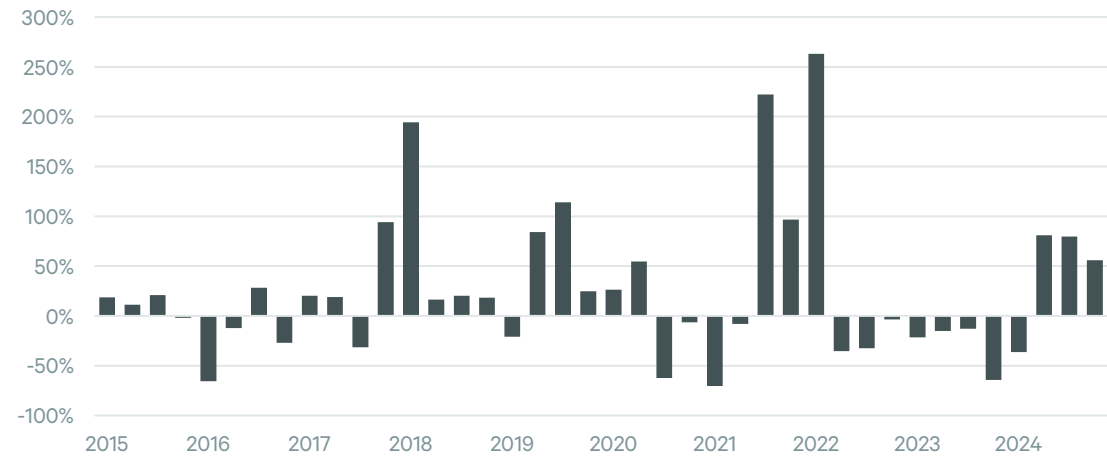
Of the top industrial sales transacted this quarter, CBRE participated in the sale marketing of the Midway Mile Portfolio, Home Depot I-35 Distribution Center, Lakeville Logistics Center, Clearwater Creek Distribution Center, and the Golden Triangle Light Industrial Portfolio.

FIGURE 10: Key Sale Transactions, Q4 2024

Property	Location	Buyer	Sale Price	Size (SF)	Price Per SF
Midway Mile Portfolio	St. Paul	Investcorp	\$156M	1,869,460	\$84
Home Depot I-35 Distribution Center	Rosemount	Eaton Vance	\$70M	417,600	\$168
Arbor Lakes Business Park III & IV	Maple Grove	JLL Income Property Trust	\$66M	443,098	\$150
Lakeville Logistics Center	Lakeville	STAG Industrial	\$43M	360,000	\$120
Clearwater Creek Distribution Center	Lino Lakes	Trive Capital	\$301M	402,522	\$76
Golden Triangle Light Industrial Portfolio	Edina & Eden Prairie	Big River Real Estate	\$30M	305,244	\$100
610 Junction I	Brooklyn Park	STAG Industrial	\$23M	126,000	\$184

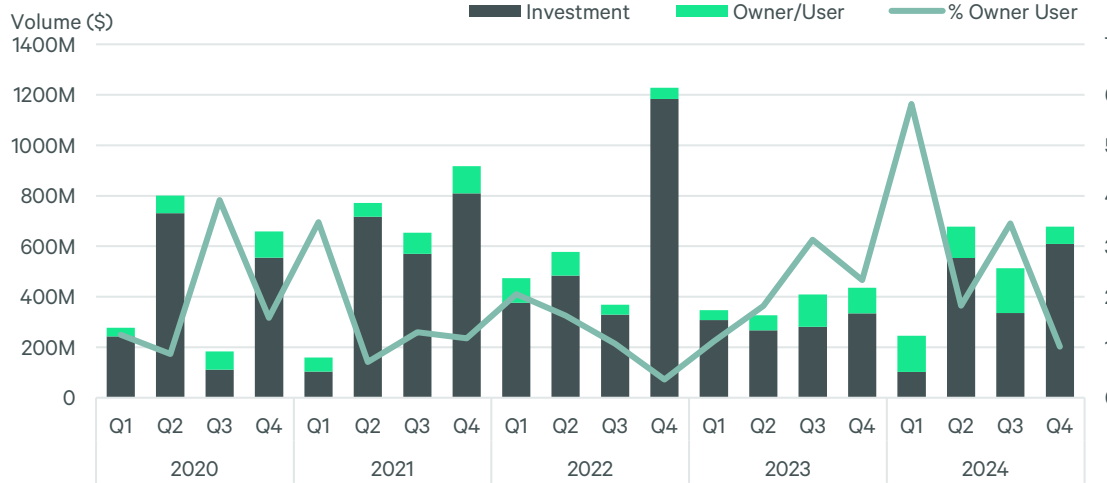
Source: Real Capital Analytics, CoStar, CBRE Research, Q4 2024

FIGURE 11: Industrial Year over Year Change in Quarterly Sales Volume



Source: Real Capital Analytics, CoStar, CBRE Research, Q4 2024

FIGURE 12 : Investment vs. Owner User Sales Volume



Source: Real Capital Analytics, CoStar, CBRE Research, Q4 2024

Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	166,381,779	2.2	3.4	3.1	0.3	8.55	(44,866)	432,938	89,039	375,027
100,000-199,999 sq. ft.	88,697,799	5.4	7.3	6.3	1.0	8.68	217,212	1,787,187	0	1,271,030
200,000-299,999 sq. ft.	38,897,757	4.9	5.2	4.4	0.7	6.10	637,016	683,931	0	969,653
300,000-499,999 sq. ft.	34,246,819	4.1	6.7	4.7	2.0	10.48	335,635	1,131,928	0	0
500,000-749,999 sq. ft.	14,863,977	1.9	1.5	1.5	0.0	10.50	0	365,552	0	0
750,000 sq. ft.	13,640,153	7.5	5.2	5.2	0.0	4.20	53,000	69,663	0	0
Total	356,728,284	3.6	4.9	4.2	0.6	8.68	1,197,997	4,471,199	89,039	2,615,710

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	220,182,662	4.7	5.9	5.2	0.6	8.75	1,037,975	3,562,644	89,039	2,331,110
Manufacturing	74,386,343	1.1	2.0	1.2	0.8	8.52	(4,187)	537,828	0	109,600
R&D / Flex	39,843,686	4.4	6.0	5.6	0.5	8.12	169,493	336,042	0	0
Other Industrial	22,315,593	0.9	2.2	2.0	0.2	11.13	(5,284)	34,685	0	175,000
Total	356,728,284	3.6	4.9	4.2	0.6	8.68	1,197,997	4,471,199	89,039	2,615,710

Market Statistics by Class

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
All Other Buildings	342,457,897	2.6	4.0	3.4	0.6	8.42	809,025	3,522,868	89,039	2,615,710
Class A	14,270,387	28.0	24.7	23.0	1.7	9.34	388,972	948,331	0	0
Total	356,728,284	3.6	4.9	4.2	0.6	8.68	1,197,997	4,471,199	89,039	2,615,710

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
East	22,204,951	10.2	10.9	10.5	0.4	9.72	70,467	472,195	0	0
Midway	28,799,948	2.4	3.6	3.0	0.5	7.54	36,274	131,184	0	0
Minneapolis	23,662,733	2.1	2.9	2.8	0.1	8.8	(11,135)	(7,244)	0	0
North Central	55,048,718	1.8	3.2	2.8	0.4	9.18	23,248	401,018	0	520,254
Northwest	83,482,492	4.0	4.3	3.6	0.7	8.4	625,644	2,005,275	0	1,025,100
South Central	56,102,245	2.4	4.7	4.0	0.7	7.73	(27,109)	838,135	89,039	369,965
Southwest	71,984,923	4.9	6.4	5.4	1.0	8.44	447,109	457,188	0	525,391
St Paul	15,442,274	2.1	3.7	3.6	0.1	7.39	33,499	173,448	0	175,000
Total	356,728,284	3.6	4.9	4.2	0.6	8.68	1,197,997	4,471,199	89,039	2,615,710

National Economic Overview

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates.

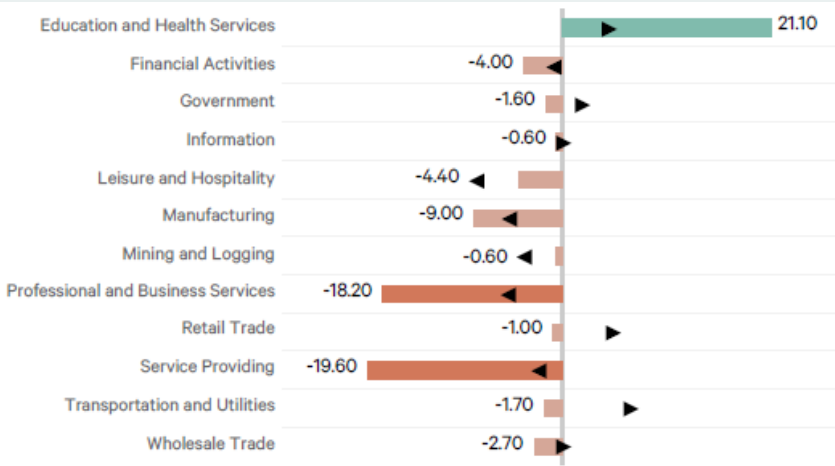
Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.



Minneapolis/St. Paul Employment Update

- ▲ 2.9% Unemployment Rate
- ▼ 2.0M Labor Force
- ▼ 450.2k Office Using Jobs
- ▲ 552.5k Industrial Using Jobs
- ▲ 265.3k Retail Using Jobs

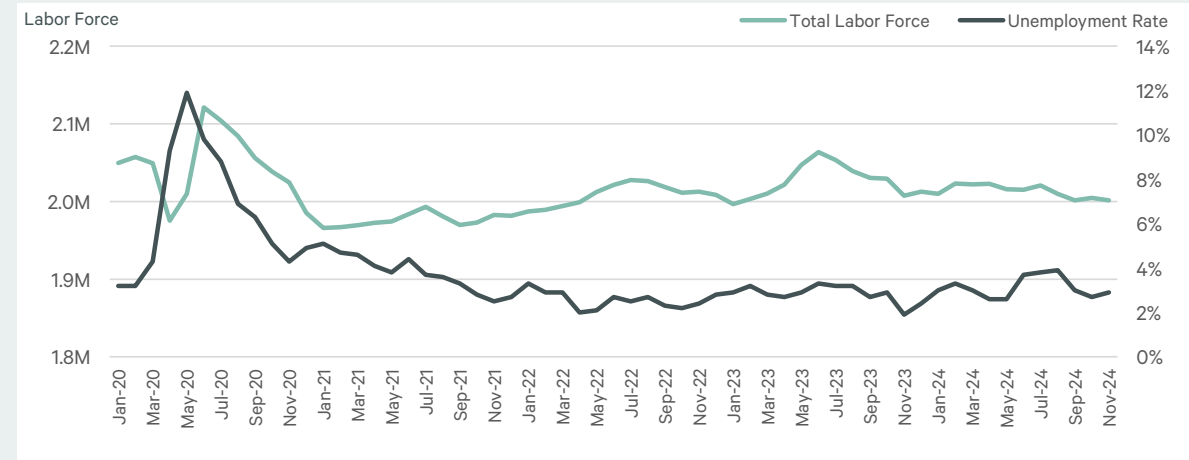
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Source: US BLS, November 2024

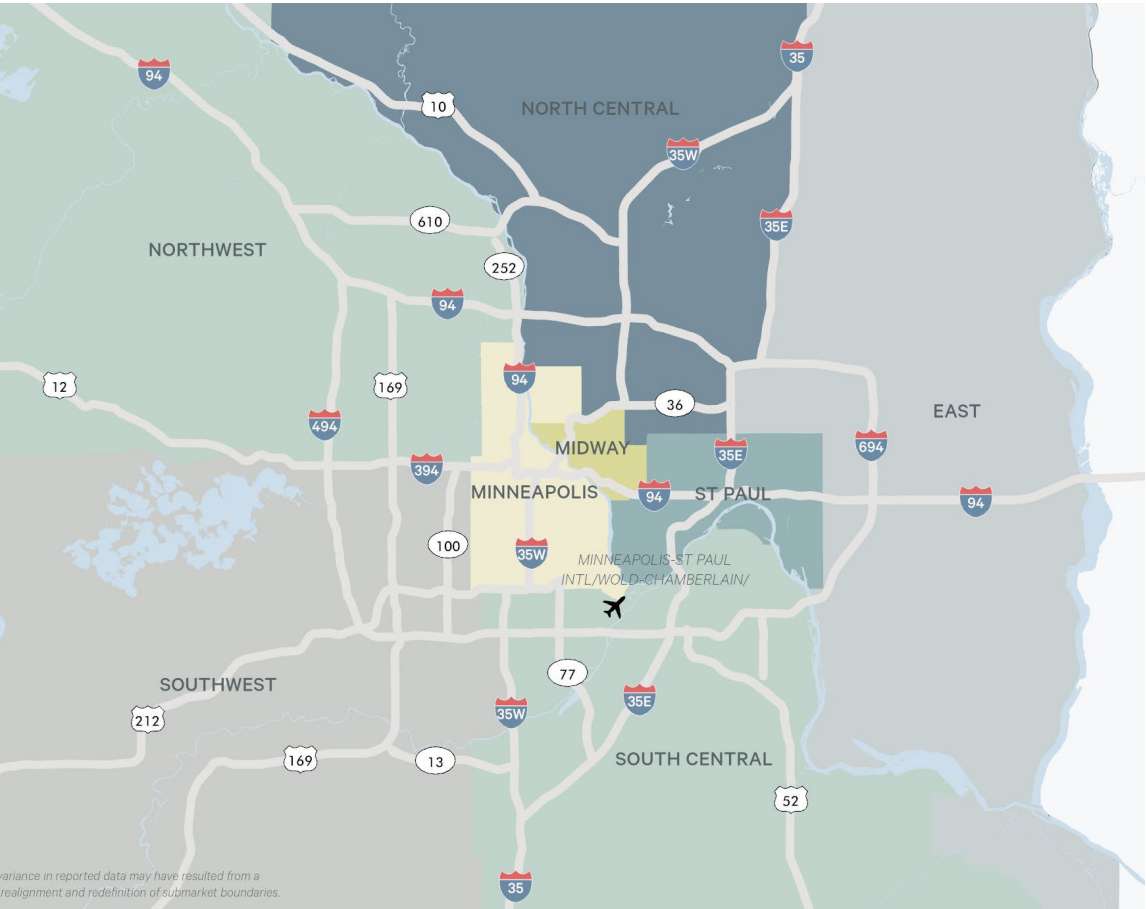
Note: Arrows indicate month-over-month change.

Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, November 2024

Market Area Overview



Definitions

- Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
- Availability Rate: Total Available Sq. Ft. divided by the total building Area.
- Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building.
- Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions.
- Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.
- Net Absorption: The change in Occupied Sq. Ft. from one period to the next.
- Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
- Net-Blended Rate: A calculated average of the warehouse asking rate blended with the office asking rate
- Occupied Sq. Ft.: Building Area not considered vacant.
- Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.
- Vacant Sq. Ft.: Space that can be occupied within 30 days.
- Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in the Minneapolis/St. Paul market. Buildings which have begun construction as evidenced by site excavation or foundation work.

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