

FIGURES | MINNEAPOLIS INDUSTRIAL | Q4 2023

# Industrial growth continues with strong leasing and absorption in 2023

▲ 3.8%

Direct Vacancy Rate

▼ 1,805,090

SF Net Absorption

▼ 3.7M

SF Under Construction

▲ \$7.48 PSF

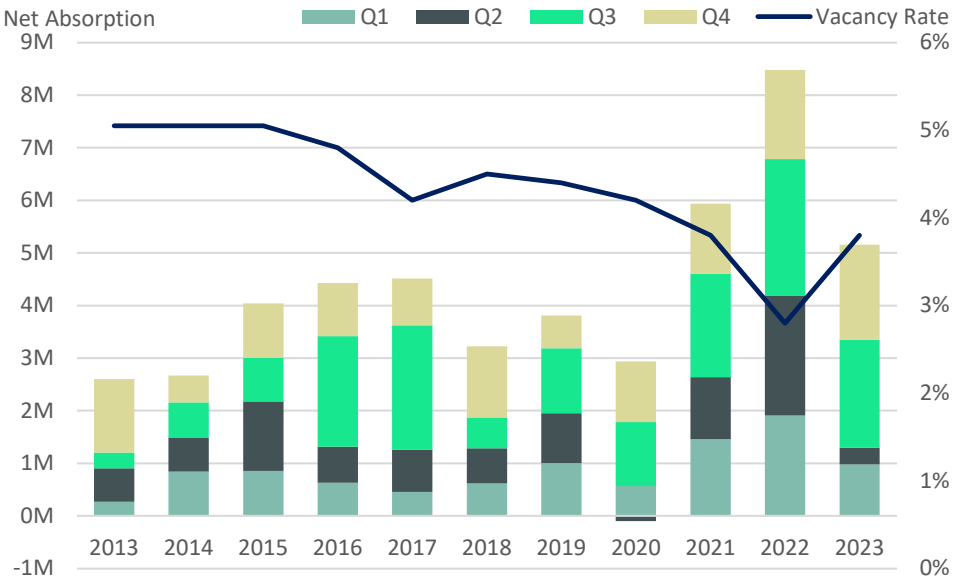
Warehouse Asking Rate (NNN)

Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

- In 2023, the Minneapolis industrial market had the third highest annual absorption recorded with 1.8M sq. ft. absorbed in Q4 and 5.15M sq. ft. absorbed in the full year.
- Leasing activity in 2023 was the second highest in record with 15.4M sq. ft. transacted, a 10% increase from the previous year.
- In Q4, there was 3.7M sq. ft. of new industrial development under construction in the Minneapolis market. Of that, 36% was speculative development with 15% pre-leased.
- There was 2.25M sq. ft. of new construction delivered in Q4. For 2023, there was a total 8.6M sq. ft. of construction delivered representing a 7% increase from the previous year.
- Construction deliveries continued to outpace total net absorption in the market where the Q4 net absorption figure was 73% of total construction delivered this quarter.
- Industrial sales volume totaled over \$307 million in Q4, a 3.5% decrease from the previous quarter and bringing the 2023 total sales volume to ~\$1.35 billion.

FIGURE 1: Quarterly and Annual Net Absorption vs. Vacancy



Source: CBRE Research, Q4 2023.

## Absorption

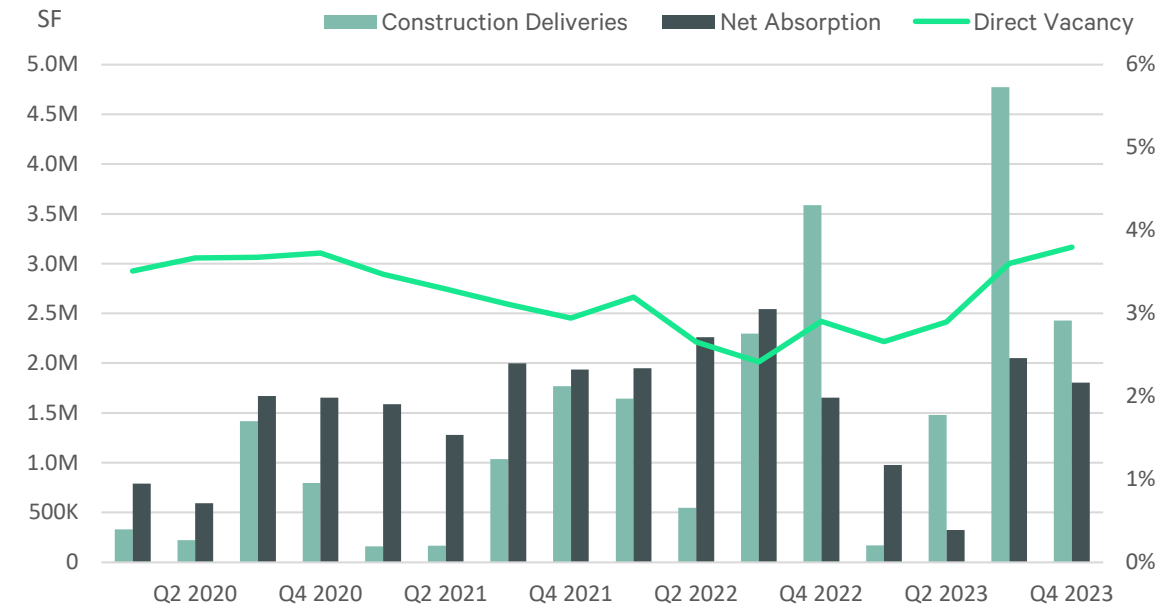
In Q4, the Minneapolis industrial market absorbed 1.8M sq. ft., bringing the 2023 total net absorption figure to 5.15M sq. ft. This represents the third highest measure recorded following record highs in 2021 (5.9M sq. ft.) and 2022 (8.5M sq. ft.).

From 2013-2023, the ten-year average of annual net absorption was 4.3M sq. ft. The 2023 total net absorption exceeds this average by 16%. Annual net absorption in the market hasn't dropped below this average since 2020.

The Northwest submarket experienced the highest volume of activity in 2023 with 2.6M sq. ft. absorbed following 3.9M sq. ft. of new construction delivered this year.

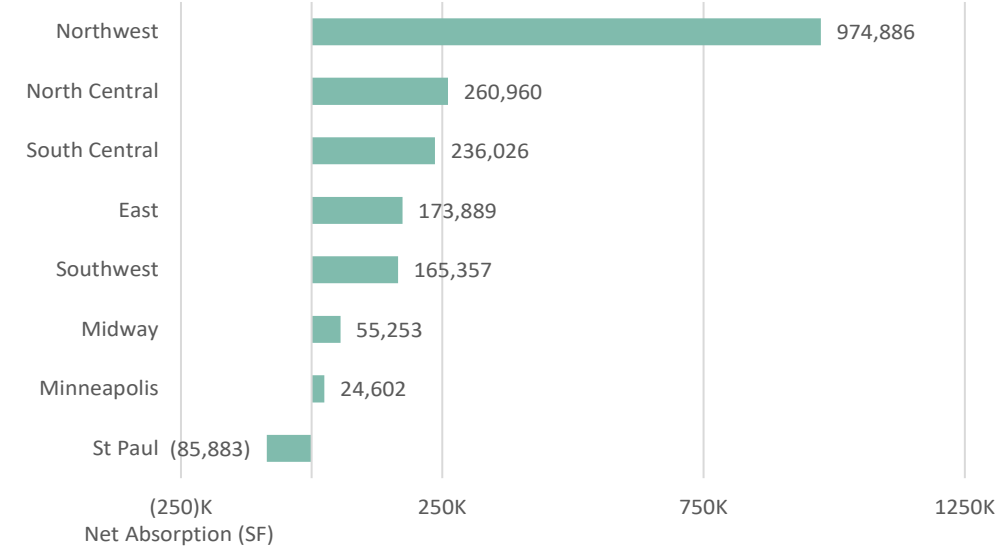
Construction deliveries continued to outpace total net absorption in the market. In Q4, the total sq. ft. absorbed represented 73% of the total sq. ft. of new construction delivered. Likewise, the total annual absorption figure represents 58% of total construction delivered in 2023.

FIGURE 2: Direct Vacancy and Construction Deliveries, 2020-2023



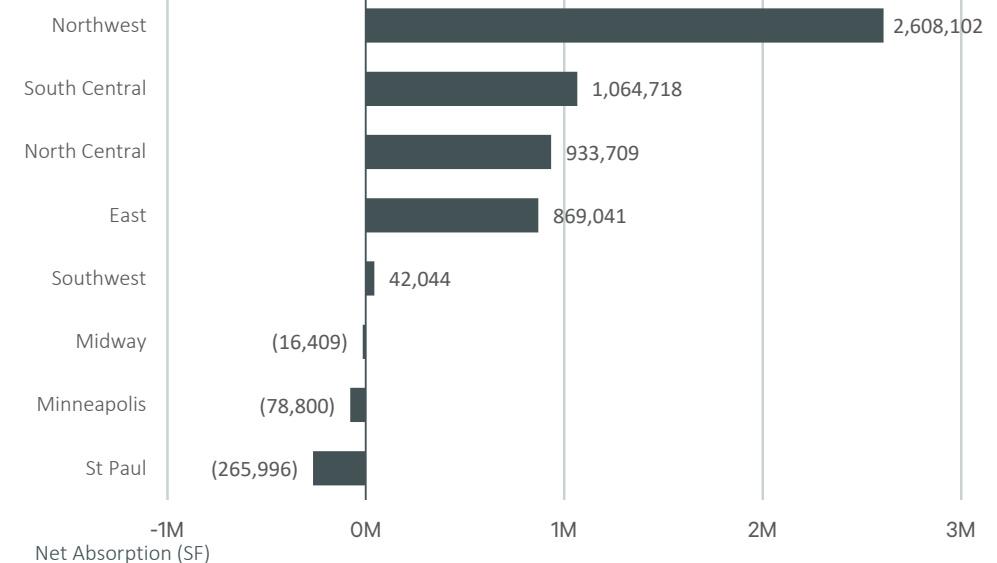
Source: CBRE Research, Q4 2023.

FIGURE 3: Q4 2023 Net Absorption by Submarket



Source: CBRE Research, Q4 2023.

FIGURE 4: 2023 Annual Net Absorption by Submarket



Source: CBRE Research, Q4 2023.

## Leasing

The Minneapolis market experienced another record year for leasing activity in 2023 with 15.4M sq. ft. transacted, the second highest year recorded and a 10% increase from the previous year.

New leases accounted for 58% of the Q4 total lease transaction volume and with the largest deal of the quarter for Murphy Warehouse in St. Paul.

Warehousing, logistics, and manufacturing occupiers accounted for 65% of the total leasing activity in Q4 2023 and represented a majority of the quarter’s top lease transactions. Wholesale users represented 12% of the quarter’s leasing activity while life science and medical device manufacturers accounted for an additional 11% of transaction volume.

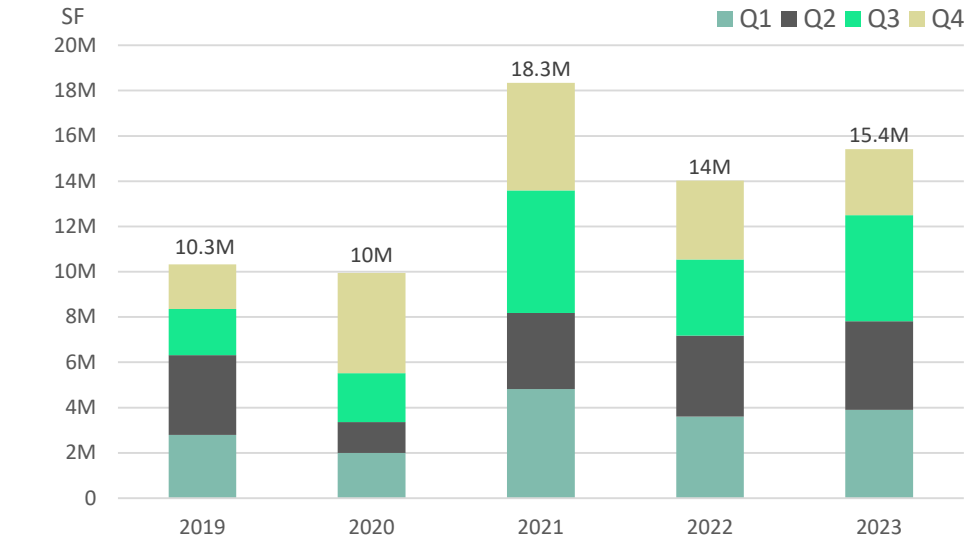
Leasing on new construction remained a priority in 2023. There was 3.3M sq. ft. of leasing activity on buildings built since 2020 this year, representing 19% of the total leasing activity in 2023. In the Northwest, leasing on new construction accounted for 39% of the submarket’s total leasing activity in 2023.

FIGURE 5: Q4 2023 Top Lease Transactions

Tenant	Size (SF)	Property	Submarket	Transaction Type	Industry
Murphy Warehouse	383,772	345 E Plato Blvd	St Paul	New Lease	Transportation & Warehousing
Benchmark Logistics	274,587	5851 E River Rd	North Central	Sublease	Transportation & Warehousing
Murphy Rigging	183,850	MSP Midway Industrial Park #9	Midway	Renewal	Transportation & Warehousing
Alexander's Mobility Services	131,761	Highway 55 Distribution Center	South Central	Renewal	Transportation & Warehousing
Nonin Medical	96,406	Carlson Tech Center A	Northwest	Renewal	Medical Manufacturing
Prime Source Inc.	94,923	Weber Distribution	Northwest	Renewal	Wholesale
Lumbermen's	89,759	Cottage Grove Logistics Park I	East	New Lease	Wholesale

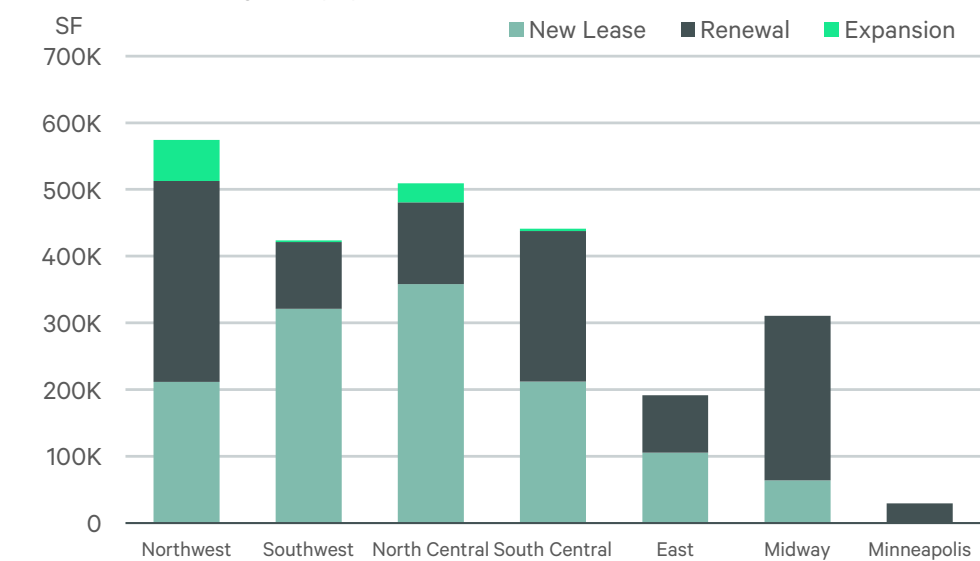
Source: CBRE Research, Q4 2023

FIGURE 6: Historic Annual Leasing Velocity 2019-2023



Source: CBRE Research, Q4 2023.

FIGURE 7: Q4 2023 Leasing Activity by Submarket



Source: CBRE Research, Q4 2023.

## Construction

In Q4, there was 3.7M sq. ft. of new industrial development under construction in the Minneapolis market. Of that, 36% was speculative development with 15% pre-leased. The Northwest submarket has the largest concentration of developments in the market, representing 46% of the total construction underway.

Build to suit (BTS) developments were a central focus for the Minneapolis industrial market in 2023 where speculative construction starts slowed considerably. In H2 2023, there was a 52% increase in BTS starts year-over-year where speculative starts decreased by 98%. Q4 BTS starts included a development for MTL in Dayton, and a cold storage development for Realty Link in Lakeville.

There was 2.25M sq. ft. of construction delivered in Q4, bringing the total deliveries to 8.7M sq. ft. in 2023. This represents a 7% increase from 2022. Q4 speculative deliveries include 610 Zane East & West, Inverpoint Business Park IV & V, Golden Valley Business Center II, and Bunker Lake Business Park III.

In 2024, there is an anticipated 1.35M sq. ft. of speculative construction and 2M sq. ft. of build to suit construction expected to deliver.

FIGURE 8: Current SF Under Construction by Submarket

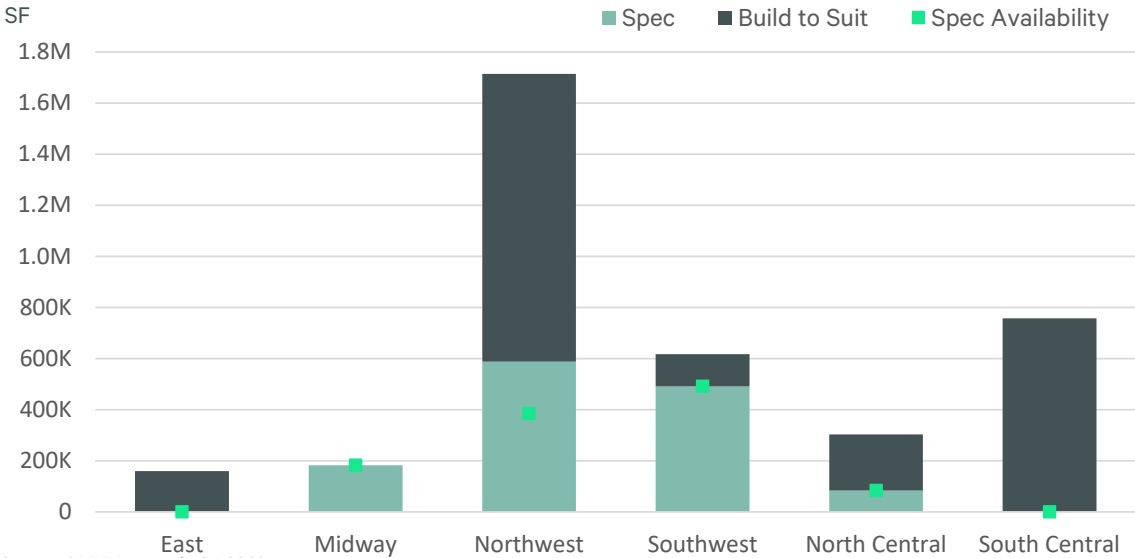
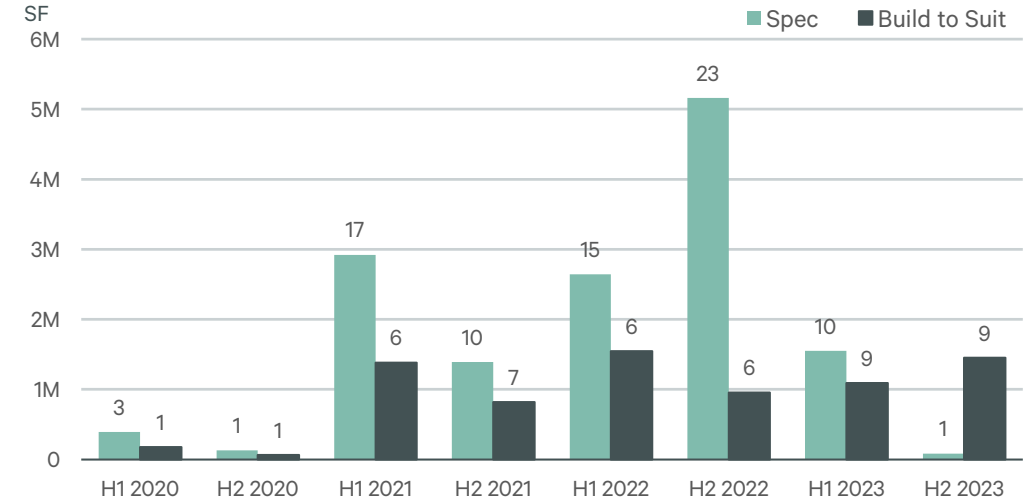
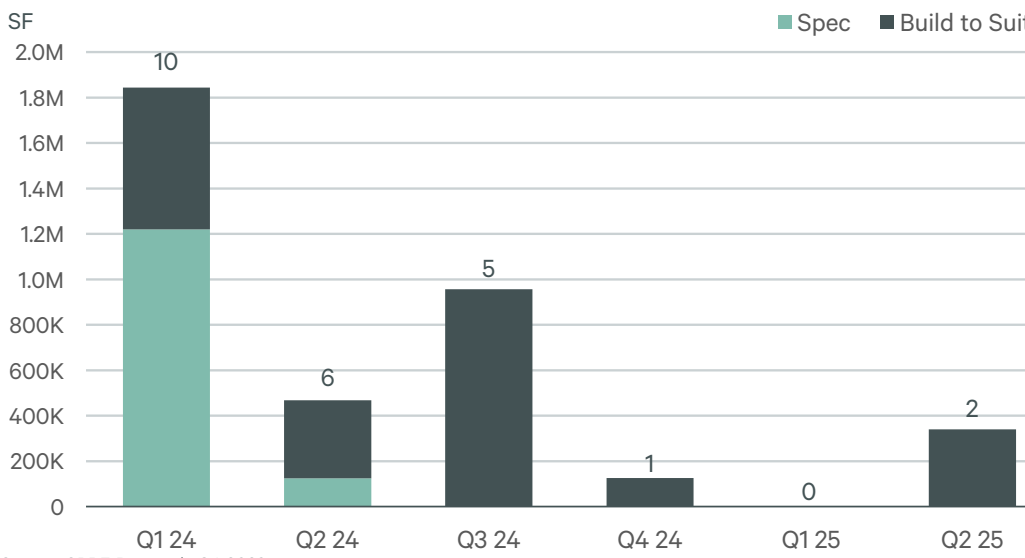


FIGURE 9: Construction Starts 2020-2023



Source: CBRE Research, Q4 2023.

FIGURE 10: 2023-2025 Expected Industrial Deliveries



## Industrial Sales

In Minneapolis, Industrial sales volume totaled \$307 million in Q4, bringing the 2023 total sales volume to approximately \$1.35 billion. This represents a 3.5% decrease in quarterly volume and a 37% decrease in annual volume.

Q4 sales were predominantly flex properties representing 52% of the total sales volume. Warehouse properties represented 71% of total sales volume for 2023. Year-over-year warehouse sales volume decreased 45% while flex sales volume decreased 43%.

Several large sale/leaseback transactions have represented some of the top sales in the market this year, including Seagate’s Shakopee facility and Intek Plastics in Hastings this quarter.

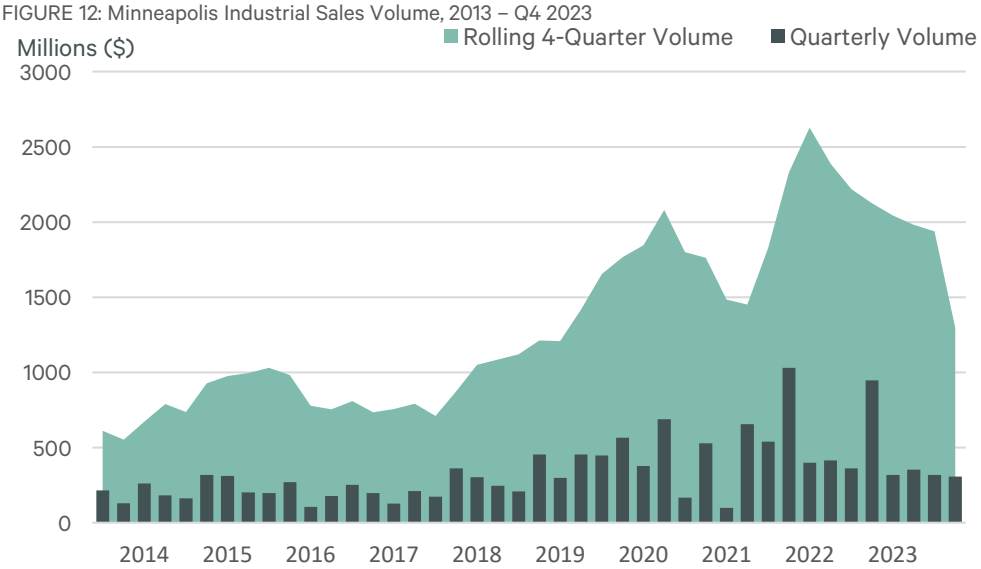
Of the top sales this quarter, CBRE represented the sale of PCCP Last Mile Logistics Portfolio, Gateway Interstate, PCCP Industrial Tech Portfolio, Nordeast Business Center, Bloomington Tech Center, and the Intek Plastics SLB.

FIGURE 11: Q4 2023 Top Industrial Sales

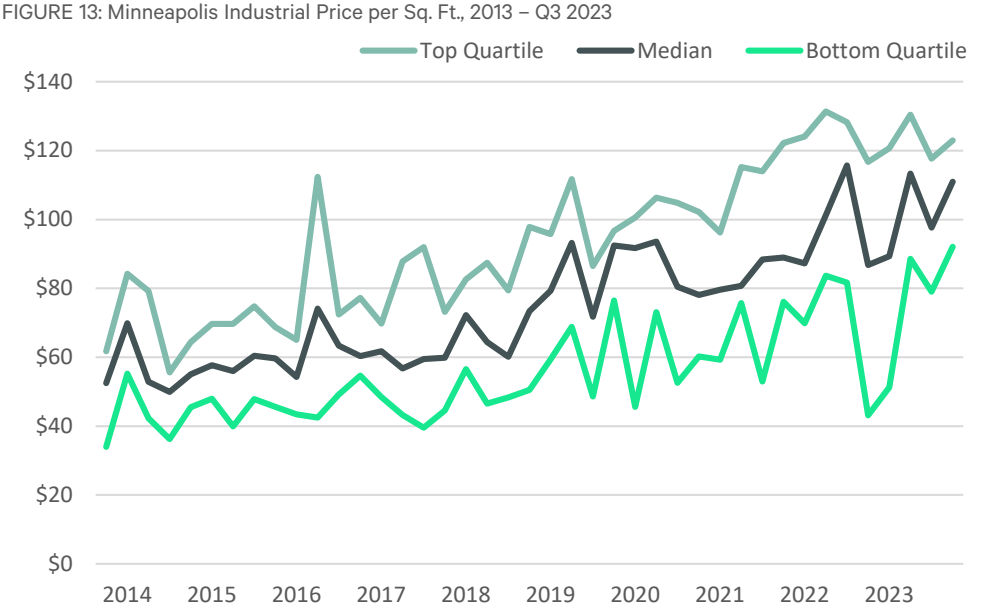
Property	Location	Buyer	Sale Price	Size (SF)	Price Per SF (\$)
PCCP Last Mile Logistics Portfolio	Various	Eagle Ridge JV Capital Partners	\$88.5M	942,000	94
Seagate SLB	Shakopee	CIRE Equity	\$36M	397,000	91
Gateway Interstate	Arden Hills	Altus Properties	\$33.3M	250,000	133
PCCP Industrial Tech Portfolio	Various	Eyde Development	\$28.5M	263,000	108
Nordeast Business Center	Minneapolis	Clarion Partners	\$17.0M	130,000	130
Bloomington Tech	Bloomington	Clear Height Properties	\$12.6M	122,000	104
Intek Plastics SLB	Hastings	Summit RE Group	\$10.9M	127,000	86
*9100 85th Ave	Brooklyn Park	MTL Companies	\$10.6M	108,000	98

\*Indicates Owner User Sale

Source: CBRE Research, Q4 2023.



Source: Real Capital Analytics, CBRE Research, Q4 2023.



Source: Real Capital Analytics.

FIGURE 14: Minneapolis/St. Paul Industrial Market Statistics

Submarket	Inventory (SF)	Total Availability Rate	Direct Vacancy Rate	Q4 2023 Net Absorption (SF)	2023 Annual Net Absorption (SF)
Metro Overall	360,257,004	4.7%	3.8%	1,805,090	5,156,409
East	23,281,179	12.5%	11.1%	173,889	869,041
Northwest	82,286,580	5.5%	4.8%	974,886	2,608,102
Southwest	71,933,514	5.4%	4.1%	165,357	42,044
South Central	55,953,425	3.8%	3.0%	236,026	1,064,718
North Central	54,981,787	2.5%	1.8%	260,960	933,709
Minneapolis	25,428,010	2.7%	1.4%	24,602	(78,800)
St Paul	16,034,203	1.8%	2.8%	(85,883)	(265,996)
Midway	30,358,306	3.0%	2.0%	55,253	(16,409)

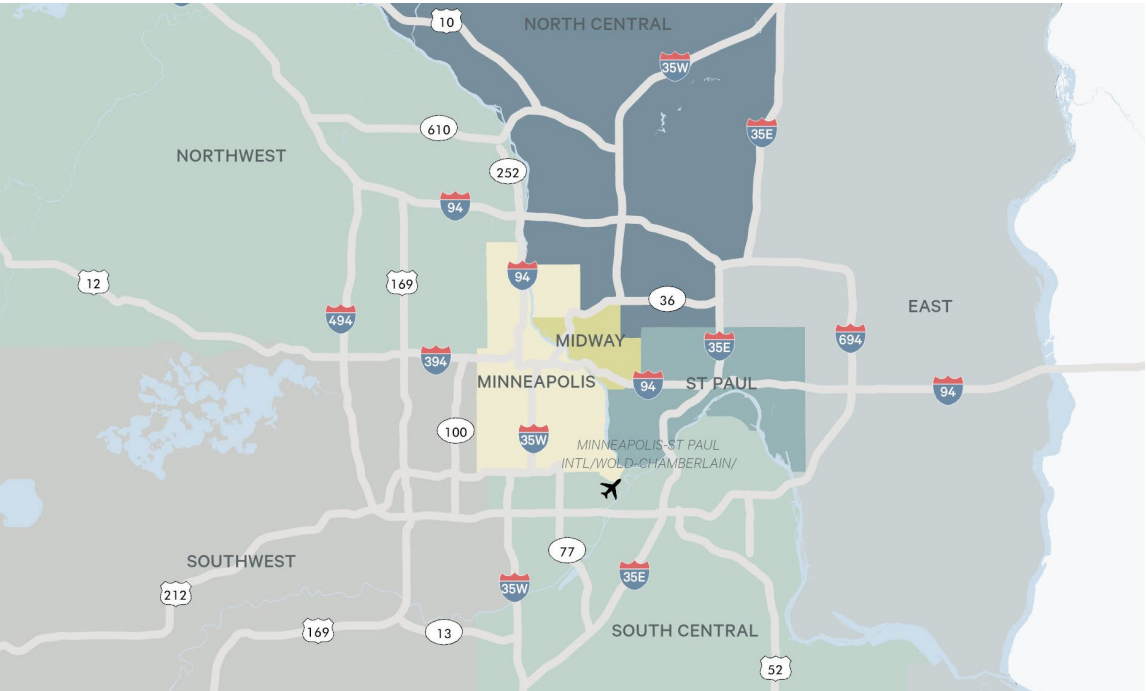
Source: CBRE Research, Q4 2023.

FIGURE 15: Minneapolis/St. Paul Industrial Construction Statistics

Submarket	Construction Starts	Spec Under Construction	BTS Under Construction	Total Under Construction	Spec Under Construction Preleased	Q4 Spec Completed	Q4 BTS Completed	2023 Completions
Metro Overall	489,965	1,163,212	2,389,066	3,552,278	17.4%	1,411,272	1,017,922	8,848,922
East	0	0	160,000	160,000	-	0	166,364	2,416,854
Northwest	210,000	405,872	1,126,101	1,531,973	50%	722,492	705,300	3,917,472
Southwest	0	491,340	126,000	617,340	0%	0	85,208	616,224
South Central	279,965	0	757,965	757,965	-	346,780	61,050	1,395,372
North Central	0	84,000	219,000	303,000	0%	342,000	0	503,000
Minneapolis	0	0	0	0	-	0	0	0
St Paul	0	0	0	0	-	0	0	0
Midway	0	182,000	0	182,000	0%	0	0	0

Source: CBRE Research, Q4 2023.

Market Area Overview



Definitions

- Building Area: The total floor area Sq. Ft. of the building, typically taken at the “drip line” of the building.
- Occupied Sq. Ft.: Building Area not considered vacant.
- Net Absorption: The change in Occupied Sq. Ft. from one period to the next.
- Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
- Total Availability Rate: Available Sq. Ft. (includes direct and sublease space) divided by the total Building Area.
- Direct Availability Rate: Available Sq. Ft. (excluding sublease space) divided by the total Building Area.
- Vacant Sq. Ft.: Space that can be occupied within 30 days.
- Total Vacancy Rate: Vacant Sq. Ft. divided by the total Building Area.
- Direct Vacancy Rate: Vacant Sq. Ft. divided by the total Building Area where subtenant space is excluded.
- Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Warehouse Rate: A calculated average of the lowest marketed value asking rate representing warehouse space.
- Office Rate: A calculated average of the highest marketed value asking rate representing office space.
- Net-Blended Rate: A calculated average of the warehouse asking rate blended with the office asking rate.
- Gross Activity: All sale and lease transactions completed within a specified time period.

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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