

FIGURES | MINNEAPOLIS/ST. PAUL INDUSTRIAL | Q1 2025

# Minneapolis industrial vacancy decreased for third consecutive quarter

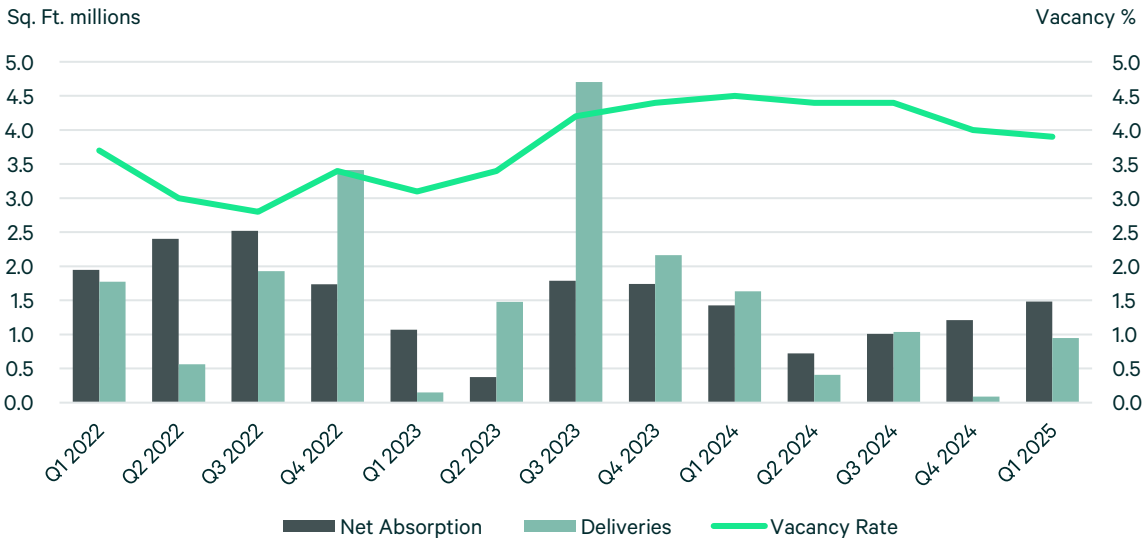


Note: Arrows indicate change from previous quarter.

SUMMARY

- In the Minneapolis market, there was 1.5M sq. ft. of positive net absorption in Q1. The direct vacancy rate was 3.6%, down from 3.8% in the previous quarter. This marked the third consecutive quarter of vacancy decline.
- The construction pipeline improved in Q1, with 948k delivered and an additional 3.1M sq. ft. of new developments underway. Total construction volume increased by 19% since Q4.
- Leasing activity slowed in Q1, with smaller deals (leases below 50,000 sq. ft.) driving demand.
- Industrial sales volume was \$453M in Q1, a 72% increase from the previous year, marking the fourth consecutive quarter of year-over-year sales growth.
- *CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds. Building inventories will be evaluated quarterly to ensure they remain the most comprehensive and accurate representation of each market.*

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

## Net Absorption

There was 1.5M sq. ft. of positive net absorption for the Minneapolis Industrial market in the first quarter. This represented an increase of 22% from the previous quarter and 4% year-over-year.

Three product categories stood out in Q1 for the biggest overall contribution in positive net absorption: Bulk warehouse product contributed 1.3M sq. ft. of the quarter’s total absorption figure. The Northwest submarket experienced the highest net absorption rate, with 1.2M sq. ft. absorbed in Q1. New construction (built since 2023) contributed 1.8M sq. ft. in positive absorption this quarter.

Buildings built prior to 2000 continue to post negative absorption as a flight to quality continues. In Q1, total absorption on buildings built prior to 2000 was (548,000) compared to the 2.0M sq. ft. in positive absorption for modern vintage buildings.

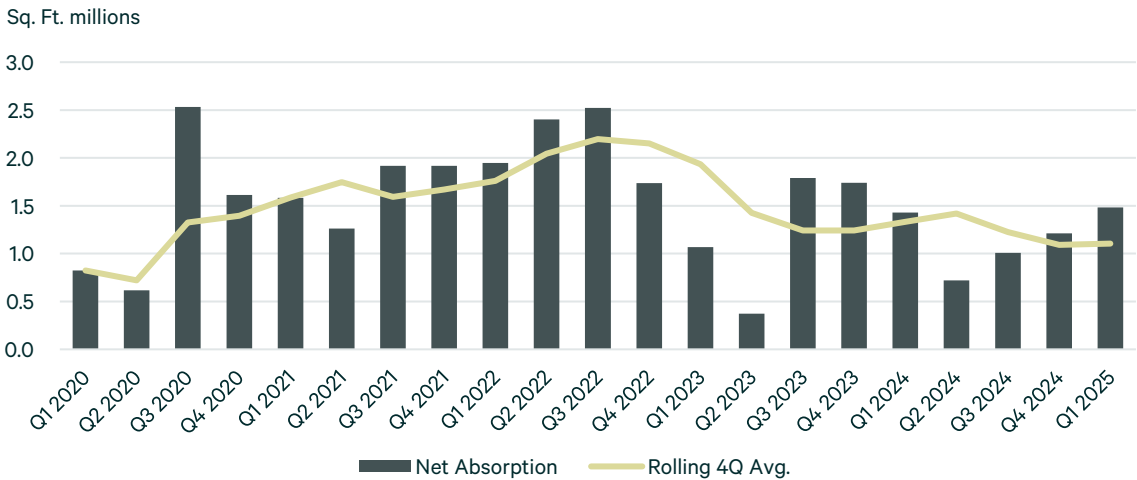
## Construction Activity

There was 3.1M sq. ft. of construction developments underway in Q1, an increase of 19% from the previous quarter. Build to suit (BTS) projects represented 83% of developments underway in Q1. There were four speculative projects underway with a prelease rate of 40%.

Of projects underway, four buildings totaling 895k sq. ft. were started this quarter. Speculative starts in Q1 included the Nexus at Opus Park developments in Minnetonka, where demolition of the former office building began on site. Another office redevelopment project broke ground in Q1 with the user sale of 610 Opperman Dr, the former Thomson Reuter’s headquarters in Eagan, for use by Amazon.

There were seven buildings delivered in Q1 accounting for 948k sq. ft. of new construction product. Speculative deliveries included the Jet 6 Tech Center in Plymouth and Dayton Parkway Business Center which was 67% leased on delivery. Significant BTS completions include new facilities for Niagara Bottling in Elko New Market and Heritage Millwork in Elk River.

FIGURE 2: Net Absorption Trend



Source: CBRE Research, Q1 2025

FIGURE 3: Construction Activity



Source: CBRE Research, Q1 2025

## Availability & Vacancy Rates

Minneapolis industrial reported a direct vacancy rate of 3.6% in Q1, a reduction of 0.2% from the previous quarter and the third consecutive quarter of vacancy decline.

The largest year-over-year vacancy decreases were observed in buildings built since 2020, bulk warehouse product and buildings with a Net Rentable Area (NRA) greater than 100,000 sq. ft. indicating that new product was being occupied.

The East submarket maintained the highest rate of availability in Q1, with 10.7% total, a decrease from 11.3% the previous quarter. In contrast, the Minneapolis submarket, one of the smallest, had the lowest availability rate of just 2.6% in Q1 .

The total market availability saw a slight uptick in Q1 with a rate of 5.5%, an increase from 5.3% the previous quarter but consistent with the year-over-year rate. Sublease availability has seen three consecutive quarters of decline as well, with a rate of 0.63% in Q1.

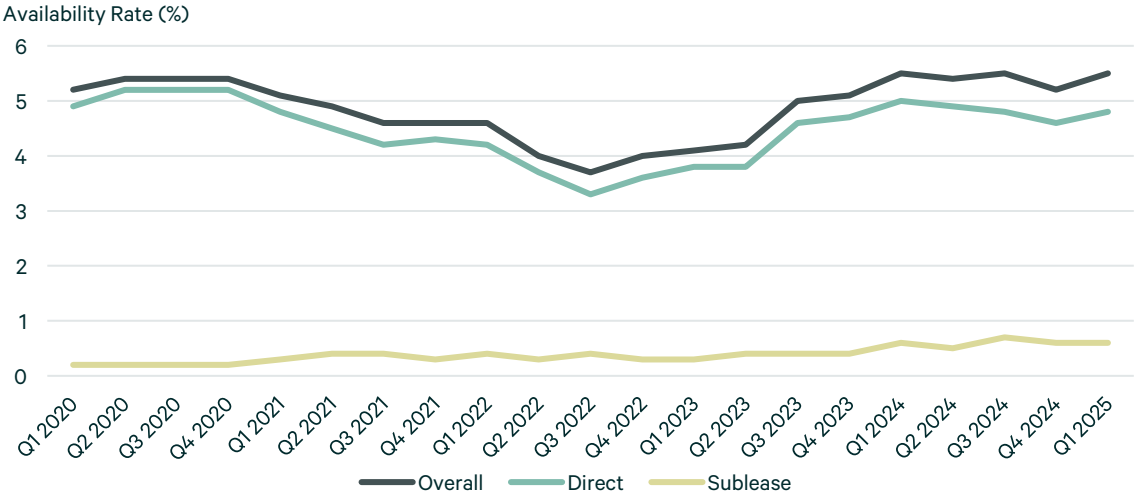
## Asking Rent

Strong demand for industrial space continued to drive asking rates in Q1. The market experienced a 3% year-over-year increase in average net-blended asking rates, reaching \$9.44. This marks a 24% growth over the past three years, with the largest volume of growth occurring in 2022, with an average quarterly growth was 6.4%.

In Q1, the average warehouse asking rate was \$7.96 with an average office asking rate of \$11.90. Multi-tenant product had marginally higher asking rents, averaging \$7.98 for warehouse and \$12.43 for office.

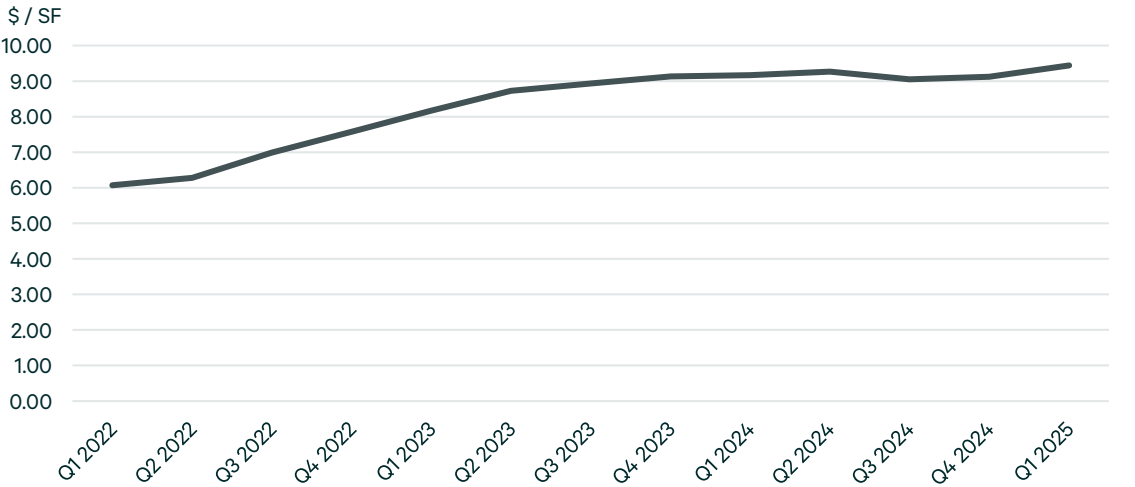
The East and Northwest submarkets led the market with the highest asking rents in Q1, at \$9.91 and \$9.70, respectively. This is largely due to the abundance of modern product available in these areas.

FIGURE 4: Availability Rates



Source: CBRE Research, Q1 2025

FIGURE 5: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q1 2025

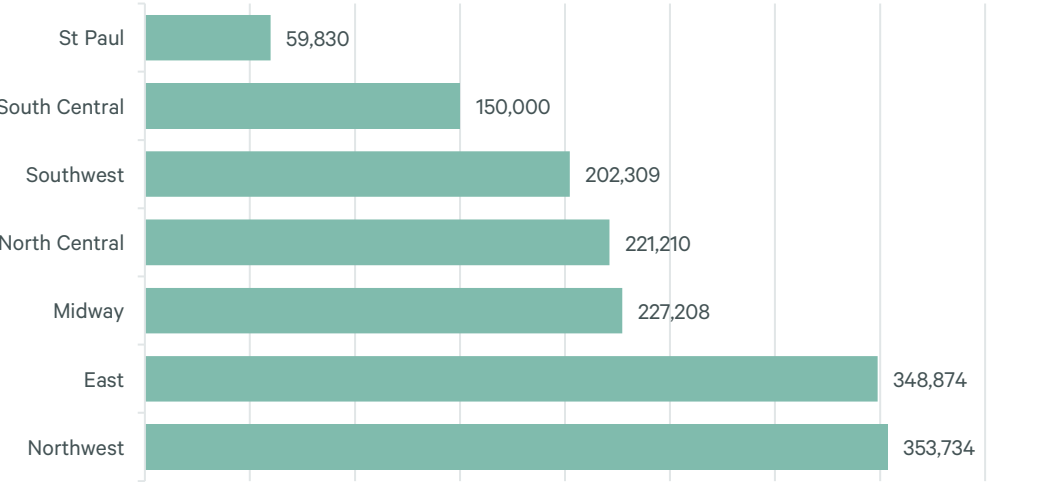
## Leasing Activity

In Q1, there was 2.8M sq. ft. of total leasing activity completed, inclusive of all sizes. This represents a modest decline of 39% from the previous quarter and a 3% decrease year-over-year. New leases accounted for a substantial majority of activity, making up 73% of the total lease volume this quarter.

Of Q1 lease transactions, 71% were leases smaller than 50,000 sq. ft. There were five lease transactions greater than 100,000 sq. ft. completed in Q1 accounting for 9% of the total number of deals, a decline of 58% compared to activity in Q4. Three large renewals accounted for 53% of the deals greater than 100,000 sq. ft. this quarter.

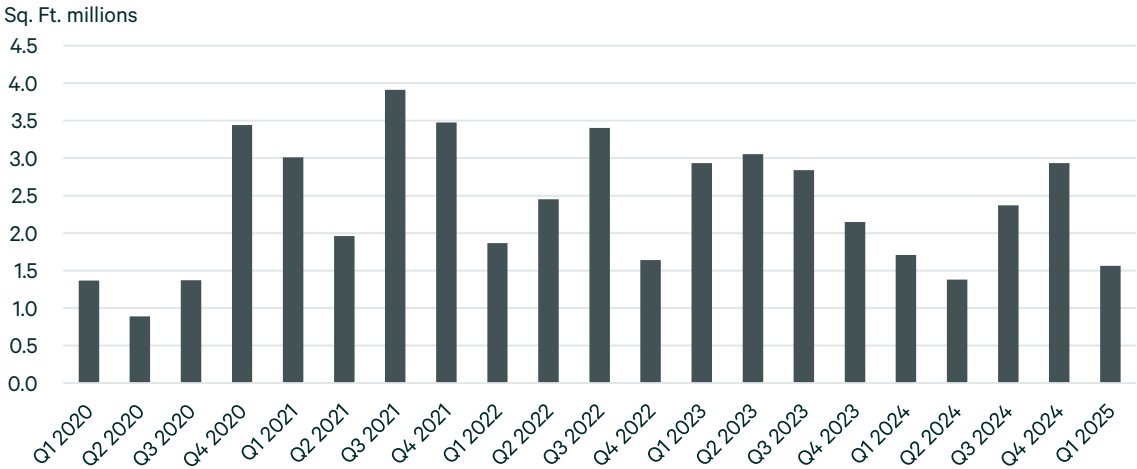
18% of the quarter’s total leasing volume was on buildings built since 2020. Of the top deals in Q1, Lumbermen’s transition into the second building at Cottage Grove Logistics Park and Schimberg’s new lease at Royal Gateway Commerce Center represent the largest transactions completed on new construction, both in the East submarket.

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



Source: CBRE Research, Q1 2025

FIGURE 7: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Building	Submarket
Lumbermen's	245,949	New Lease	Cottage Grove Logistics Park II	East
Menasha Packaging	150,000	Renewal	Launch Park Lakeville I	South Central
Compass Group	138,008	Renewal	700 SE 24th Ave SE	Midway
Solventum	110,789	Renewal	Shady Oak Business Center D	Southwest
Schimberg	102,925	New Lease	Royal Gateway Commerce Center II	East
Sybaritic	91,520	New Lease	1900 W 94th St	Southwest
Solidify Manufacturing	91,000	New Lease	North Star Distribution Center	Northwest
Priority Courier Experts	89,200	New Lease	722 Kasota Cir	Midway
Avonix Imaging	80,600	New Lease	Maple Grove Industrial Center II	Northwest

Source: CBRE Research, Q1 2025

## Sales Activity

In Minneapolis, industrial sales volume totaled nearly \$423 million in the first quarter of 2025. Quarterly sales volume represented a 38% decrease quarter over quarter and a 72% increase year over year.

Q4 industrial sales were predominantly investment transactions representing nearly 88% of the total sales volume for the quarter. Bulk Warehouse properties accounted for over 72% of the quarter’s total sales volume, followed by Office Warehouse at 16%.

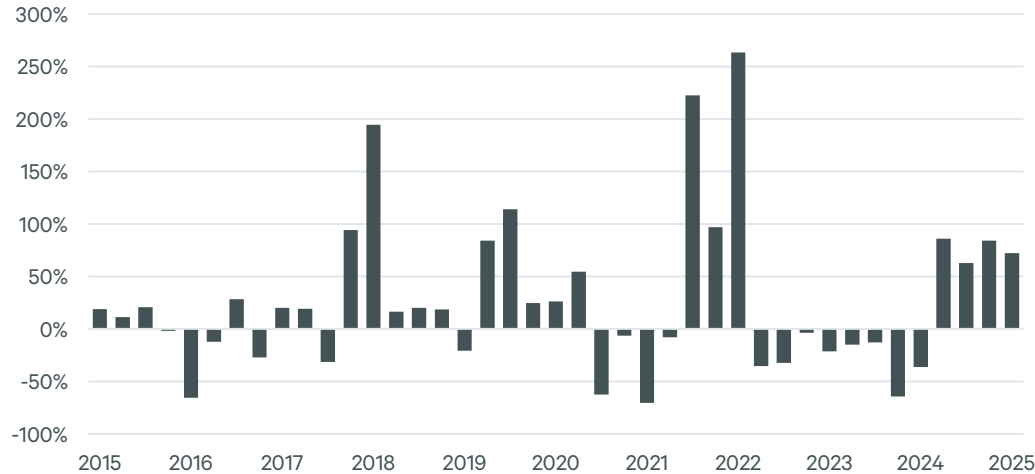
Of the top industrial sales transacted this quarter, CBRE participated in the sale marketing of 9001 Wyoming Ave in Brooklyn Park, Kasota Industrial Park in Midway, and the Investcorp/ Onward Portfolio. This portfolio included a total of sixteen buildings made up of over 750k square feet, mainly located in the Northeast Submarket.

FIGURE 9: Key Sale Transactions, Q1 2025

Property	Location	Buyer	Sale Price	Size (SF)	Price Per SF
Amazon Fulfillment Center	Shakopee	PPREF/Ryan Shakopee Industrial LLC	\$99M	820,000	\$121
Investcorp/Onward Portfolio	Various	Taurus	\$75M	756,110	\$99
9001 Wyoming Ave	Brooklyn Park	Capital Partners	\$32M	382,600	\$84
I-94 Distribution Center	Rogers	Starwood Capital	\$28M	297,756	\$90
1467 Energy Park Drive	Saint Paul	Lunieski & Associates	\$18M	149,431	\$122
River Crossing Distribution Center	Shakopee	STAG Industrial	\$16M	161,995	\$102
Kasota Industrial Park	Midway	Endeavor	\$15M	156,764	\$96

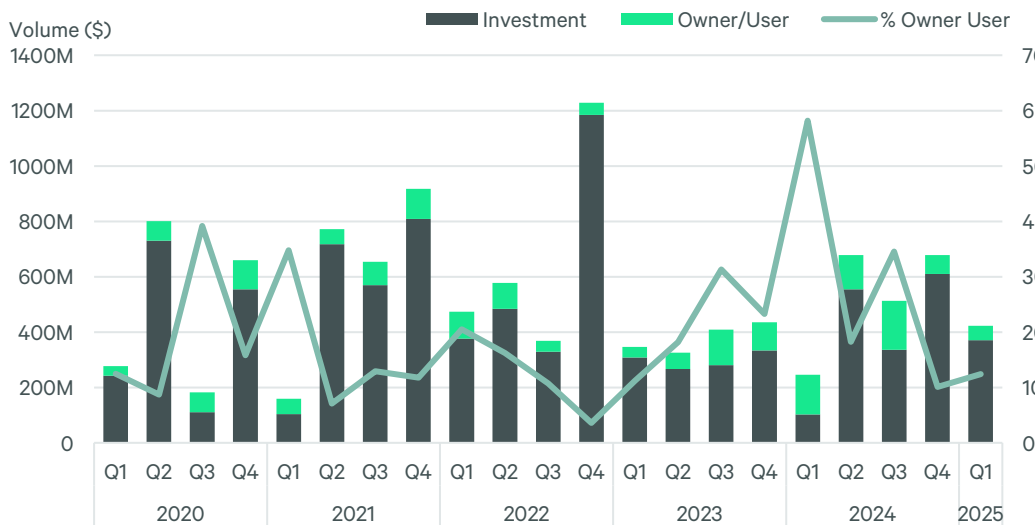
Source: Real Capital Analytics, CoStar, CBRE Research, Q1 2025

FIGURE 10: Industrial Year over Year Change in Quarterly Sales Volume



Source: Real Capital Analytics, CoStar, CBRE Research, Q1 2025

FIGURE 11: Investment vs. Owner User Sales Volume



Source: Real Capital Analytics, CoStar, CBRE Research, Q1 2025

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.	129,054,815	2.9	4.2	3.9	0.3	8.52	(37,122)	(37,122)	145,019	550,942
100,000-199,999 sq. ft.	89,045,872	4.8	7.1	6.2	0.9	9.49	719,575	719,575	348,073	924,957
200,000-299,999 sq. ft.	38,944,795	4.6	6.1	5.3	0.9	7.69	144,397	144,397	19,600	981,688
300,000-499,999 sq. ft.	34,681,819	4.3	7.0	5.4	1.5	11.11	341,209	341,209	435,000	0
500,000-749,999 sq. ft.	14,863,977	1.9	1.5	1.5	0.0	12.50	0	0	0	652,054
750,000 sq. ft.	13,640,153	5.2	5.2	5.2	0.0	12.30	314,847	314,847	0	0
Total	320,231,431	3.9	5.5	4.8	0.6	9.44	1,482,906	1,482,906	947,692	3,109,641

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	196,426,681	4.8	6.5	6.0	0.5	9.75	1,062,142	1,062,142	438,092	2,601,011
Manufacturing	68,734,866	1.2	2.4	1.4	1.0	6.75	546,720	546,720	454,600	90,000
R&D / Flex	35,904,331	5.2	6.7	6.0	0.6	8.29	(123,102)	(123,102)	55,000	243,630
Other Industrial	19,165,553	1.0	3.0	2.8	0.3	10.51	(2,854)	(2,854)	0	175,000
Total	320,231,431	3.9	5.5	4.8	0.6	9.44	1,482,906	1,482,906	947,692	3,109,641

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
Class A	14,270,387	20.9	22.0	21.1	0.9	10.74	1,008,633	1,008,633	-	-
All Other Buildings	305,961,044	3.1	4.7	4.1	0.6	8.79	474,273	474,273	-	-
Total	320,231,431	3.9	5.5	4.8	0.6	9.44	1,482,906	1,482,906	-	-

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	20,482,847	10.1	10.7	10.2	0.5	9.91	128,012	128,012	0	0
Midway	25,857,727	2.9	3.6	2.7	0.8	8.35	8,862	8,862	0	0
Minneapolis	18,885,062	2.1	2.6	2.5	0.1	10.28	98,832	98,832	0	0
North Central	48,183,486	2.0	3.8	3.3	0.4	9.66	(32,620)	(32,620)	0	522,254
Northwest	77,776,881	3.5	4.5	4.0	0.5	9.7	1,148,028	1,148,028	512,692	609,312
South Central	49,853,249	2.5	5.4	4.8	0.6	8.14	90,068	90,068	0	1,034,054
Southwest	66,161,093	5.6	7.8	6.7	1.2	9.46	158,837	158,837	435,000	769,021
St Paul	13,031,086	4.0	5.1	5.0	0.1	6.92	(117,113)	(117,113)	0	175,000
Total	320,231,431	3.9	5.5	4.8	0.6	9.44	1,482,906	1,482,906	947,692	3,109,641

## National Economic Overview

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.



## Minneapolis/St. Paul Employment Update

- ▲ 3.2% Unemployment Rate
- ▲ 2.1M Labor Force
- ▼ 452.7k Office Using Jobs
- ▼ 544.1k Industrial Using Jobs
- ▼ 260.8k Retail Using Jobs

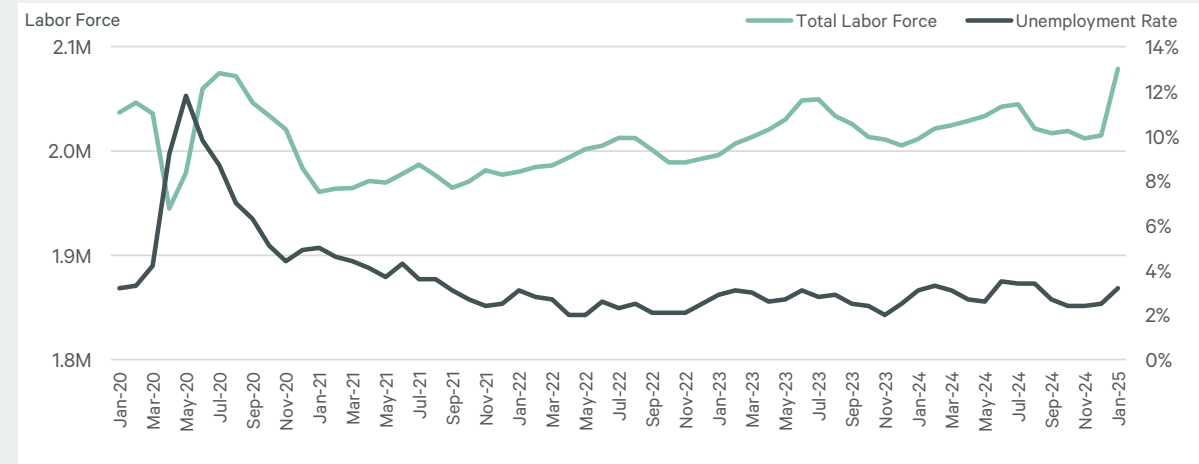
Employment Change by Sector – Yearly + Monthly  
Bars indicate yearly trend, arrows indicate monthly trend



Source: US BLS, January 2025

Note: Arrows indicate month-over-month change.

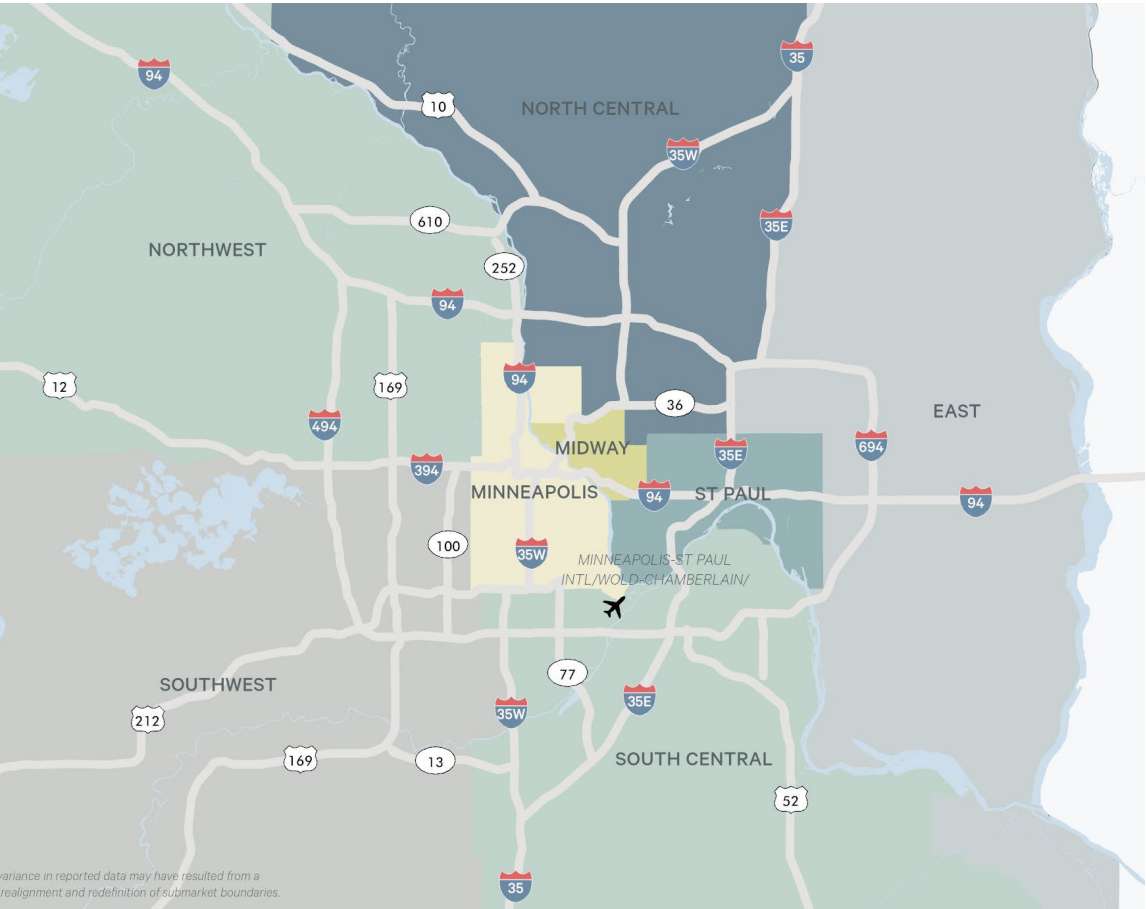
### Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, January 2025



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

CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds. Building inventories will be evaluated quarterly to ensure they remain the most comprehensive and accurate representation of each market.

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