

FIGURES | MINNEAPOLIS/ST. PAUL INDUSTRIAL | Q2 2025

# Minneapolis market indicators level off with modest increase in construction activity

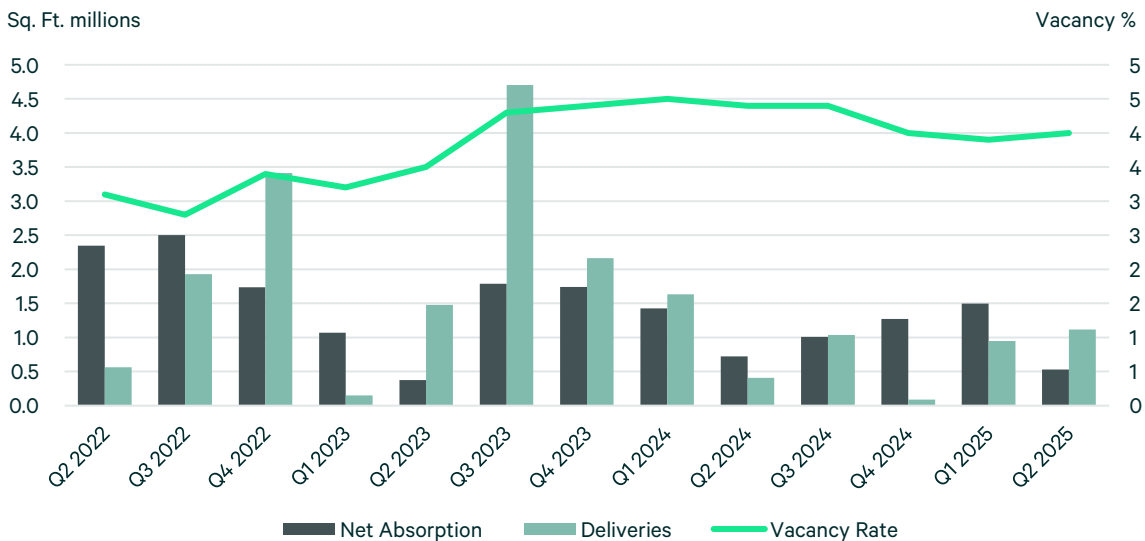


Note: Arrows indicate change from previous quarter.

SUMMARY

- In the Minneapolis Industrial market, there was over 528k sq. ft. of positive net absorption in Q2. Year-to-date, the market has absorbed 2M sq. ft. in H1 2025.
- The construction pipeline delivered 1.1M sq. ft. in Q2 2025, bringing the YTD total to over 2M sq. ft. with an additional 3.5M sq. ft. of new developments underway. Total construction volume increased by 12% while deliveries increased by 18% quarter-over-quarter.
- The market vacancy rate rose to 3.9% in Q2, a 30 bps increase from the previous quarter, with vacant/available new construction adding 20 bps to the total vacancy this quarter.
- Q2 leasing activity reached 3.3M sq. ft., an 18.5% increase from last year. Modern buildings accounted for 22% of transactions, with two major preleases for new construction among the top deals of the quarter.
- Industrial sales volume was nearly \$471M in Q2, an 11.4% increase quarter-over-quarter. Of the top sales, CBRE participated in the sale marketing of the Capstone Quadrangle Portfolio and Founders Prop Portfolio this quarter.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2025

## Net Absorption

There was over 528k sq. ft. of positive net absorption for the Minneapolis Industrial market in the second quarter of 2025. This represents a 27% decrease year-over-year. Year-to-date, the market has absorbed 2M sq. ft. in H1 2025, 14.5% below the five-year H1 average of 2.4M sq. ft.

Bulk warehouse product provided the highest volume of positive net absorption in Q2 with 338,176 sq. ft or 64% of the quarter’s total volume. In the trailing 12-month history, bulk warehouse product has absorbed 3.3M sq. ft., accounting for 76% of the market’s 4.3M sq. ft. absorbed since Q3 2024.

Buildings built prior to 2019 continue to post negative absorption as flight to quality continues. In Q2, total absorption on buildings built prior to 2019 was (308,744) compared to the 837,095 sq. ft. in positive absorption for modern buildings built since 2020. New construction (built since 2023) contributed 884,111 sq. ft. in positive absorption this quarter.

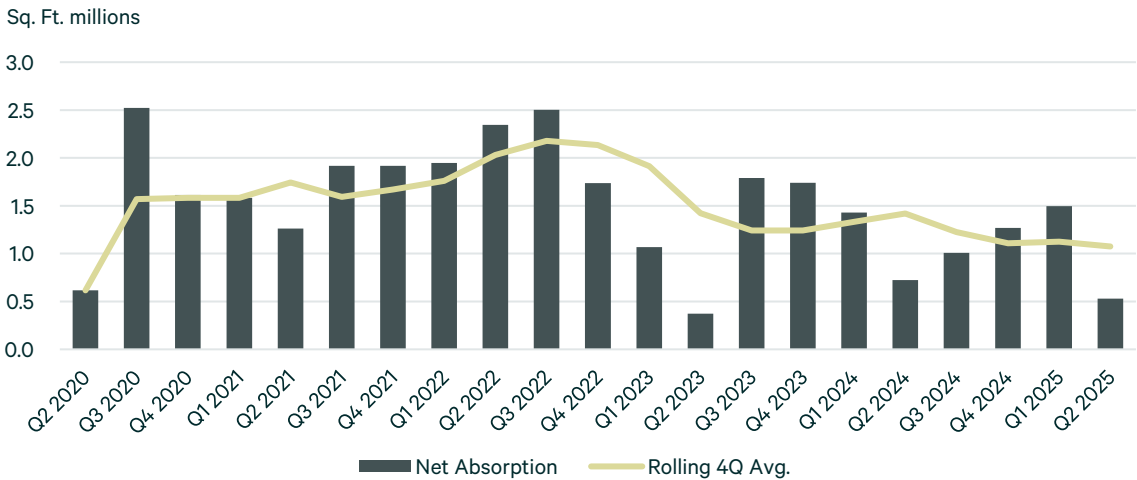
## Construction Activity

There was 3.5M sq. ft. of construction developments underway in Q2, a 12% increase of from the previous quarter. Build to Suit (BTS) projects represented 66% of the developments underway in Q2. Before year-end, an additional 1.5M sq. ft. of new construction is expected to deliver.

Of the projects underway, ten buildings totaling 1.5M sq. ft. were started this quarter. There were six speculative starts in Q2 which included Brockton Business Park in Corcoran, the ninth building in the Arbor Lakes Business Park in Maple Grove, and 610 Junction IV in Brooklyn Park.

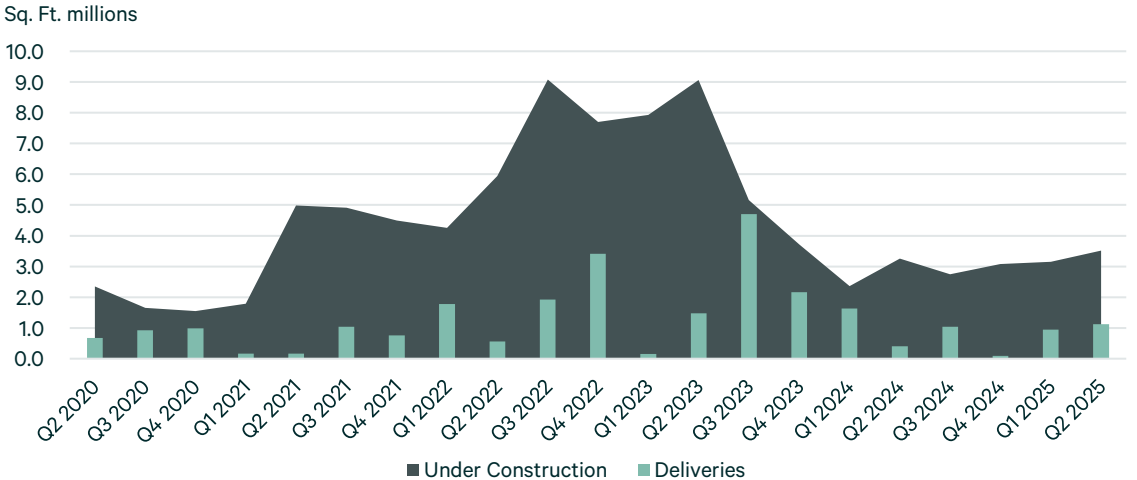
There were eight buildings delivered in Q2 accounting for over 1.1M sq. ft. of new construction product, an 18% increase from the previous quarter. There were two speculative deliveries in Q2 with a prelease rate of 63%, including the Evergreen Business Park in Coon Rapids. Significant BTS completions included a project for BAE in Maple Grove and Realty Link’s Cold Storage facility in Lakeville.

FIGURE 2: Net Absorption Trend



Source: CBRE Research, Q2 2025

FIGURE 3: Construction Activity



Source: CBRE Research, Q2 2025

### Availability & Vacancy Rates

The Minneapolis Industrial market reported a direct vacancy rate of 3.9% in Q2, an increase of 30 bps from the previous quarter. New construction delivered in Q2 contributed 20 bps of this increase in total vacancy.

The largest year-over-year vacancy drops were seen in newer buildings (built since 2023), and buildings larger than 100,000 sq. ft amidst slower construction volumes and steady leasing on new product. Vacancy on new construction (2023+) was nearly 50% in Q2 2024 compared to 27% in Q2 2025. Likewise, vacancy on buildings larger than 500,000 sq. ft. decreased 150 bps from 4.8% to 3.3% year-over-year.

The total market availability saw a slight uptick in Q2 with a rate of 6.2%, an increase from 5.7% the previous quarter. Sublease availability experienced the first quarter of increase since Q2 2024, with a rate of 0.8% in Q2.

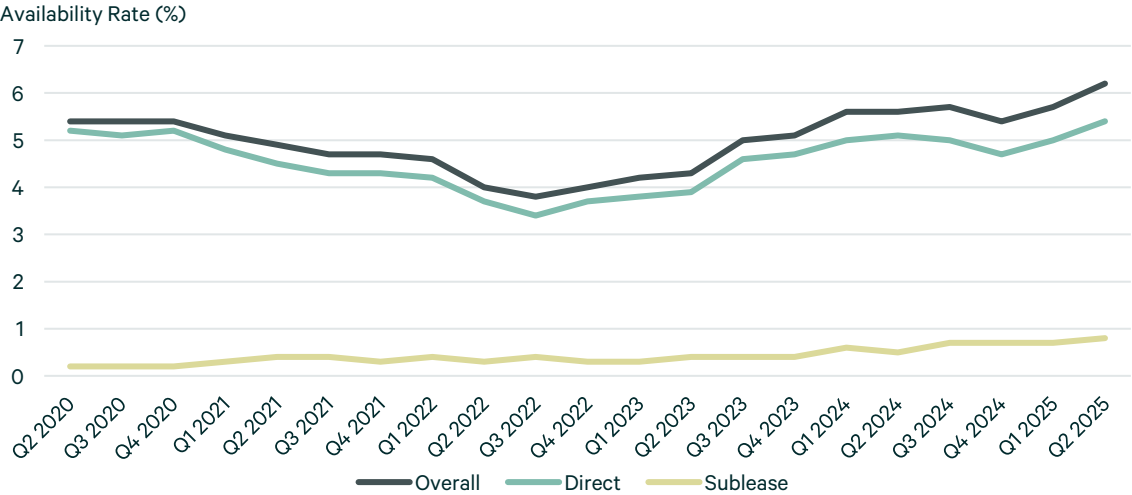
### Asking Rent

Demand for industrial space continued to drive asking rates up in Q2. The market experienced its largest jump quarter-over-quarter, since Q2 2023, of 3.8% (\$0.37) reaching \$9.87. This marks a 38% growth over the last three years and an average quarterly growth of 1.4%

In Q2, the average warehouse asking rate was \$8.71 with an average office asking rate of \$12.18. Overall, asking rates for bulk and office warehouse product have increased by 1.8% year-over-year. Office showroom product had an average asking rate of \$10.18 in Q2, an increase of 7% year-over-year.

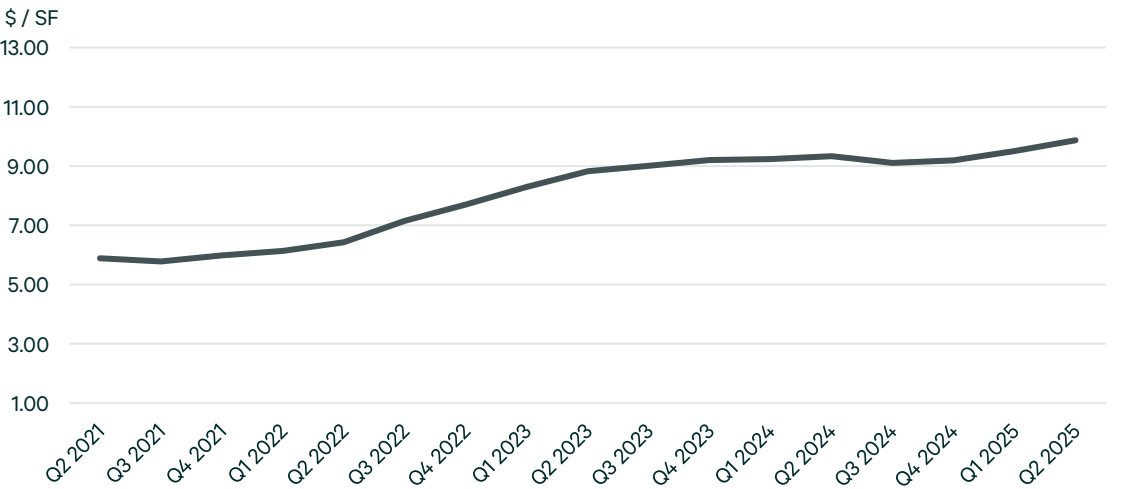
The Northwest and East submarkets led the market with the highest asking rates of \$11.81 and \$10.66, respectively. This is in large part due to the volume of availability from modern product being delivered in these areas.

FIGURE 4: Availability Rates



Source: CBRE Research, Q2 2025

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



Source: CBRE Research, Q2 2025

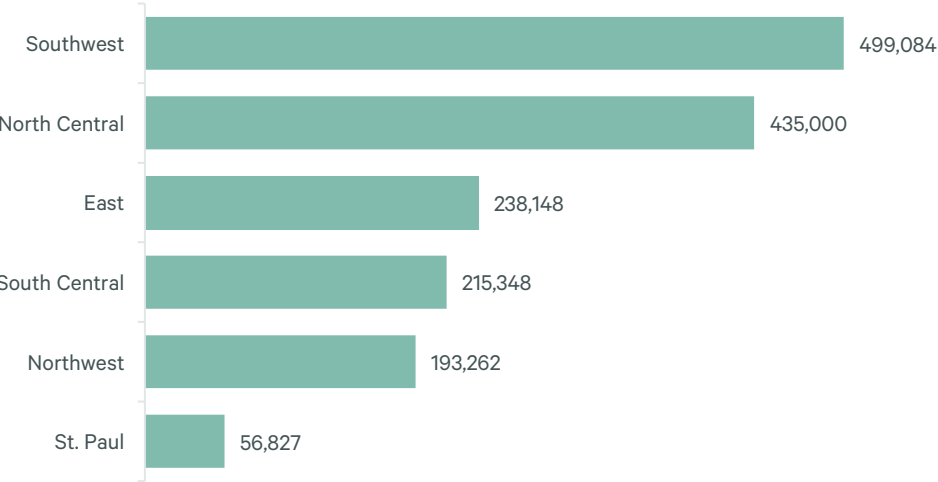
## Leasing Activity

Q2 leasing activity (inclusive of all sizes) reached 3.3M sq. ft., an 18.5% increase from the previous year. Year-to-date, 6.5M sq. ft. of lease transactions were completed in H1 2025, down 12.5% from the five-year average for H1.

Of leases signed this quarter, 50% of the total volume was from leases smaller than 50,000 sq. ft. Leasing volume on transactions greater than 50,000 sq. ft. accounted for 1.6M sq. ft. in Q2, a decrease of 6% from the previous year. There were six lease transactions greater than 100,000 sq. ft. completed in Q2 contributing 26% of the total volume this quarter.

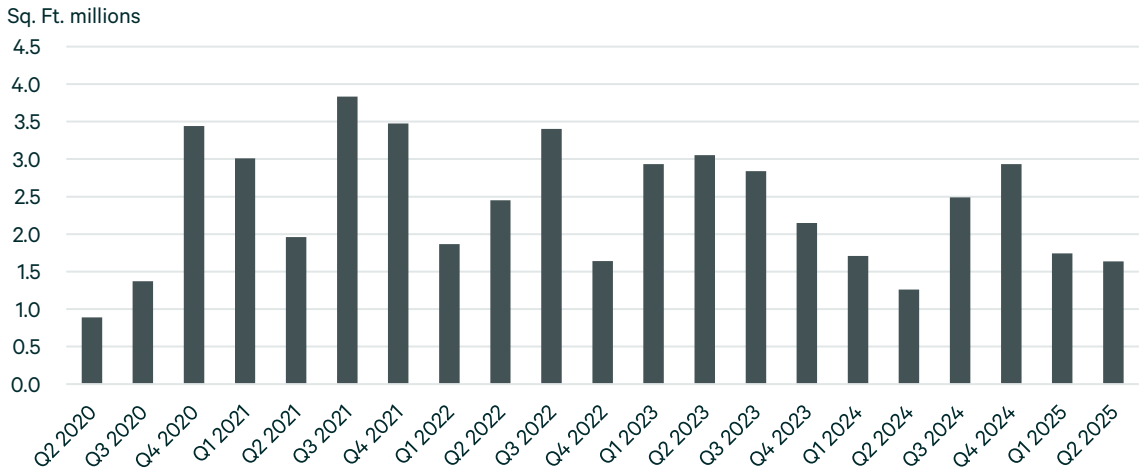
In Q2, 22% of the market's leasing volume came from buildings constructed after 2020. New construction drove leasing in the East and North Central submarkets, accounting for 68% and 49% of their total volume, respectively. Of the top deals in Q2, preleasing on new construction included Micro Control at Rice Creek Commons in Arden Hills and Nextera Packaging at Park 35E in White Bear Township.

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



Source: CBRE Research, Q2 2025

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



Source: CBRE Research, Q2 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Upper Midwest Allied Gifts Association	220,633	Renewal	10301 Bren Rd W	Southwest
Micro Control	157,820	New Lease	Rice Creek Commons Outlot A	North Central
Citrus Systems	132,308	Renewal	Cornerstone 415	Southwest
BFS Group	116,689	New Lease	Cottage Grove Logistics Park 2	East
Nextera Packaging	113,456	New Lease	Park 35E Phase I	North Central
Packaging Distribution Services	102,000	Renewal	990 Apollo Rd	South Central

Source: CBRE Research, Q2 2025

Sales Activity

In Minneapolis, industrial sales volume totaled nearly \$471 million in the Q2 2025. Quarterly sales volume represented an 11.4% increase quarter over quarter and a 27% decrease year-over-year.

Q2 industrial sales were predominantly investment transactions representing nearly 86% of the total sales volume for the quarter. bulk warehouse properties accounted for over 45% of the quarter’s total sales volume, followed by office warehouse at 33%. This quarter also saw a notable owner-user cold storage sale for \$8.6M.

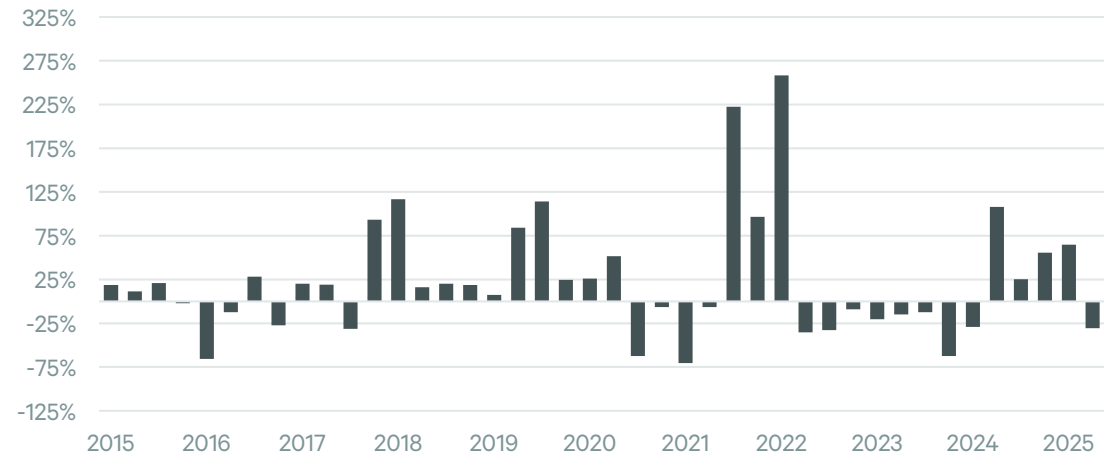
Of the top industrial sales transacted this quarter, CBRE participated in the sale marketing of Capstone Quadrangle Portfolio and Founders Prop Portfolio. Capstone Quadrangle consisted of two buildings, totaling 356k sq. ft., located in the South Central submarket of Minneapolis.

FIGURE 9: Key Sale Transactions, Q2 2025

Property	Location	Buyer	Sale Price	Size (SF)	Price Per SF
Artemis Portfolio 2025	Champlin   Eagan   Plymouth	Artemis	\$92.1M	745,050	\$124
CBRE IM Portfolio 2025	Maple Grove   Eagan	EQT Exeter	\$51.75M	356,000	\$145
Capstone Quadrangle Portfolio	Burnsville	Ames Construction	\$33M	231,760	\$142
Seven Lakes	Shoreview	RGA Holdings	\$25.9M	148,000	\$175
Kurita America Corporate Office	Brooklyn Park	Hennepin MS Realty	\$23.5M	156,000	\$150
Shady Oak Business Center D&E	Eden Prairie	Syndicated Equities	\$17.5M	110,789	\$159
Founders Prop Portfolio	Plymouth	Pendulum Property Partners	\$17.4M	258,606	\$67

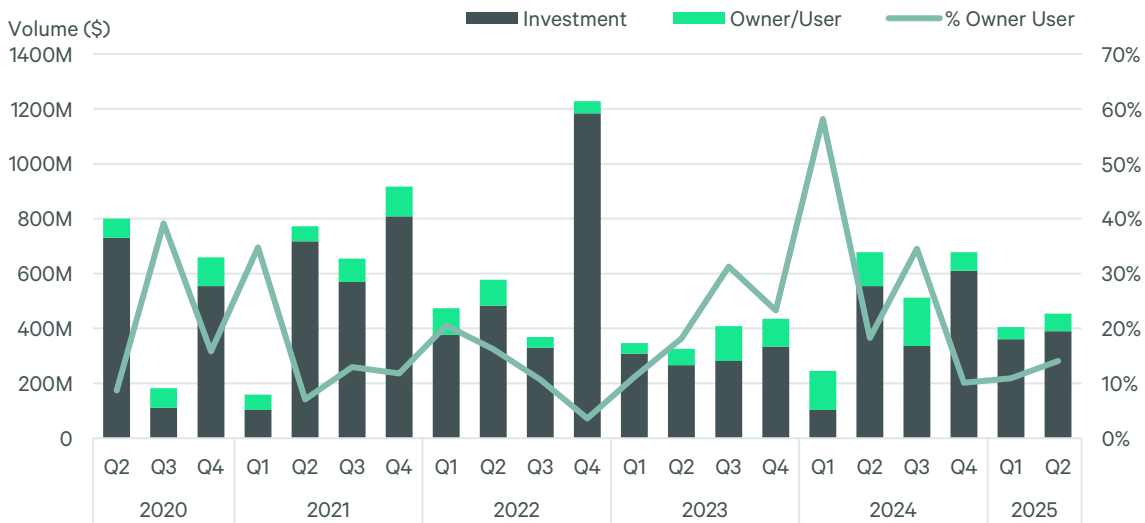
Source: Real Capital Analytics, CoStar, CBRE Research, Q2 2025

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



Source: Real Capital Analytics, CoStar, CBRE Research, Q2 2025

FIGURE 11: Investment vs. Owner User Sales Volume



Source: Real Capital Analytics, CoStar, CBRE Research, Q2 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.	129,329,299	3.0	4.2	4.0	0.2	8.35	168,606	131,484	278,560	628,496
100,000-199,999 sq. ft.	89,356,872	4.8	7.3	6.0	1.3	9.99	260,150	992,529	298,000	1,285,911
200,000-299,999 sq. ft.	39,736,166	6.1	8.9	7.8	1.2	8.66	50,548	194,945	542,000	951,358
300,000-499,999 sq. ft.	34,681,819	4.3	8.0	6.3	1.7	11.81	14,191	355,400	0	0
500,000-749,999 sq. ft.	14,863,977	1.5	5.8	5.8	0.0	16.37	50,938	50,938	0	652,054
750,000 sq. ft.	13,640,153	5.3	5.3	5.3	0.0	12.27	(16,082)	298,765	0	0
Total	321,608,286	4.0	6.2	5.4	0.8	9.87	528,351	2,024,061	1,118,560	3,517,819

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	197,185,309	5.0	7.0	6.3	0.7	9.69	399,148	1,461,290	739,312	2,908,369
Manufacturing	69,064,474	1.3	3.5	2.4	1.1	11.18	250,498	797,218	340,000	157,820
R&D / Flex	36,192,950	5.5	7.9	7.1	0.8	10.18	(17,836)	(128,134)	39,248	276,630
Other Industrial	19,165,553	1.6	4.0	3.7	0.3	9.87	(103,459)	(106,313)	0	175,000
Total	321,608,286	4.0	6.2	5.4	0.8	9.87	528,351	2,024,061	1,118,560	3,517,819

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	15,491,634	21.2	23.3	22.0	1.3	11.01	(130,195)	1,071,355	0	765,510
All Other Buildings	306,116,652	3.2	5.3	4.5	0.7	9.35	658,546	952,706	1,118,560	2,744,309
Total	321,608,286	4.0	6.2	5.4	0.8	9.87	528,351	2,024,061	1,118,560	3,517,819

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	9.6	9.5	9.0	0.5	10.03	95,645	223,657	0	225,550
Midway	25,857,727	3.1	4.4	3.8	0.6	7.49	(57,199)	(48,337)	0	0
Minneapolis	18,874,670	2.2	2.7	2.5	0.2	10.11	(3,077)	95,755	0	0
North Central	48,520,734	2.5	5.1	4.5	0.6	9.58	121,998	89,378	337,248	639,396
Northwest	78,189,793	3.7	5.7	4.6	1.1	11.01	165,972	1,314,000	399,312	782,120
South Central	50,235,249	3.0	5.8	5.2	0.6	7.77	112,125	202,193	382,000	874,732
Southwest	66,416,180	5.5	8.6	7.5	1.1	10.02	101,138	272,779	0	821,021
St Paul	13,031,086	4.1	5.1	5.0	0.1	6.91	(8,251)	(125,364)	0	175,000
Total	321,608,286	4.0	6.2	5.4	0.8	9.87	528,351	2,024,061	1,118,560	3,517,819

## National Economic Overview

Policy announcements and the news cycle—not economic fundamentals—are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a more steady economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

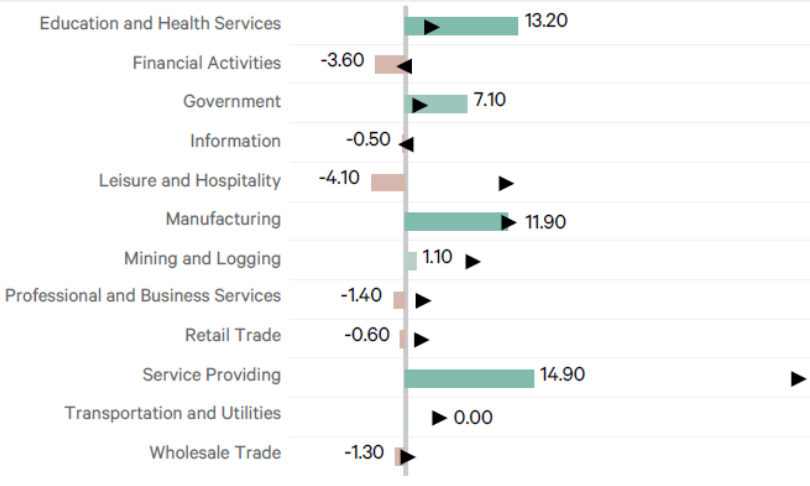
Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.



## Minneapolis/St. Paul Employment Update

- 3.1% Unemployment Rate
- 2.1M Labor Force
- 459.5k Office Using Jobs
- 544.1k Industrial Using Jobs
- 260.8k Retail Using Jobs

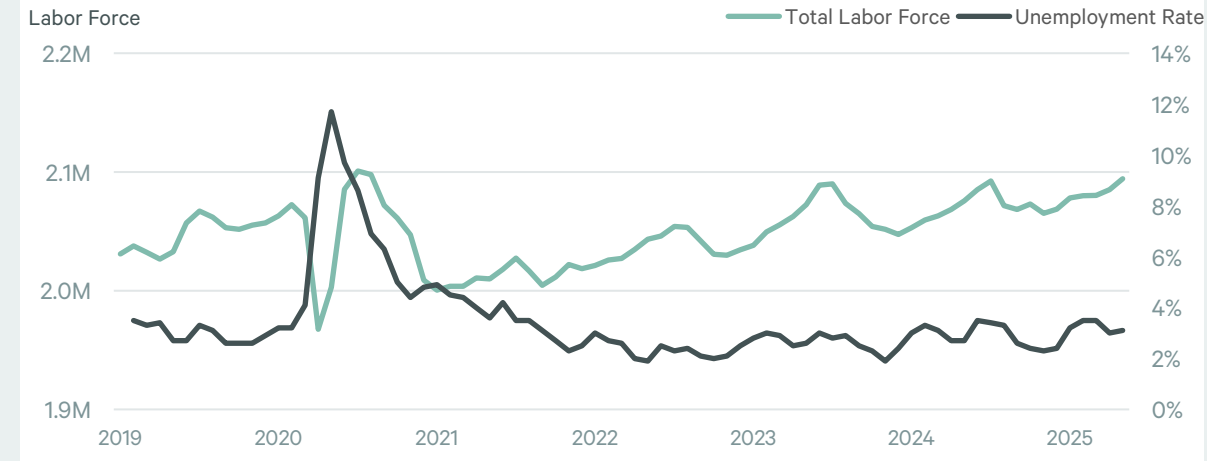
Employment Change by Sector – Yearly + Monthly  
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change.

Source: US BLS, May 2025

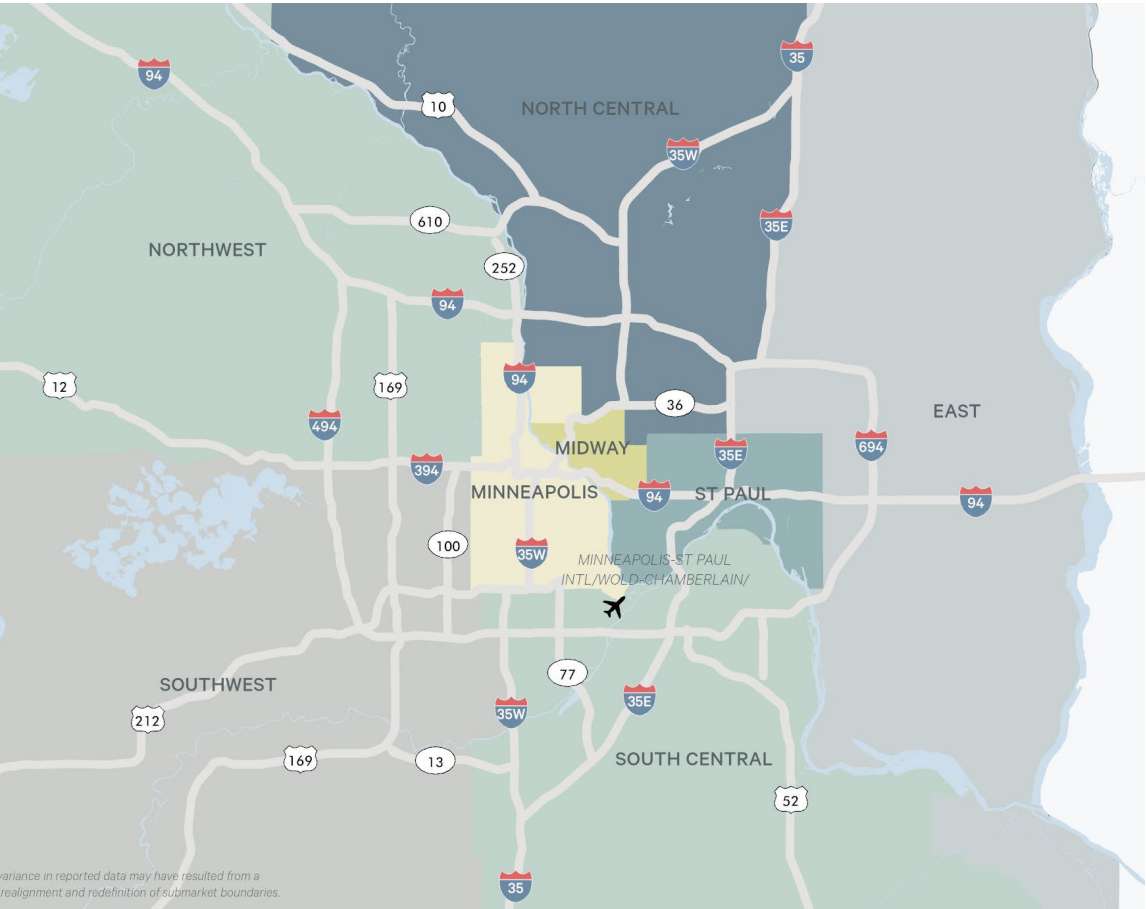
### Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, May 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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