

Third Quarter 2019 / Industrial Market Report

Minneapolis-St. Paul

Highlights from Around the Market

Steady development continued across the metro area with more than 1.9 million square feet (msf) delivered year-to-date. At the close of third quarter 2019, 2.3 msf of space was under construction, driven by the Southwest submarket.

Construction of Beacon Bluff Business Center, the former 3M campus, was completed in the St. Paul submarket. The new building consists of 252,000 sf of production space and 47,500 sf of office space. Vomela will occupy the building as its new headquarters, consolidating 300 employees from four locations to one facility for the very first time.

Construction is underway at Dodd Road Business Center in the South Central submarket. The speculative project is being developed by locally-based Opus Group. The building totals 152,000 sf and is expected to be completed Spring 2020.

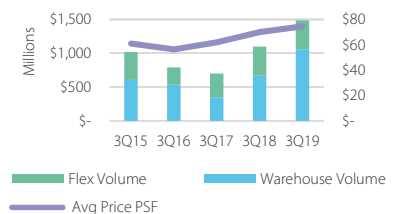
Investment sales totaled \$360 million in the third quarter of 2019, headlined by the portfolio sale of 1.8 msf in the former MSP Midway Industrial Park. Locally-based Capital Partners joined with DRA Advisors to purchase the 18-property portfolio for nearly \$100 million. The 12-month total for investment sales surpassed \$1.5 billion, an all-time high. The average price per sf continued to increase with assets located in prime areas achieving more than \$100.00 per sf.



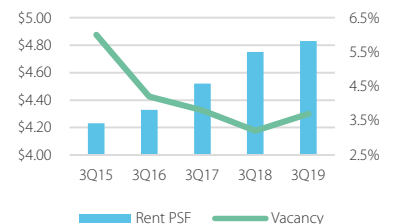
Labor Force Participation Rate MNDEED 2019

Minnesota ranks #2 at 70.2% compared to the national rate of 63.2%

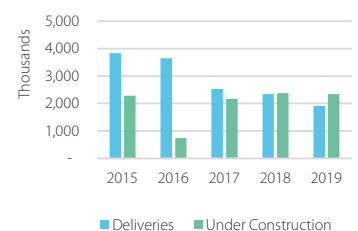
Investment Sales (Rolling 12-Month)



Net Rent vs. Vacancy

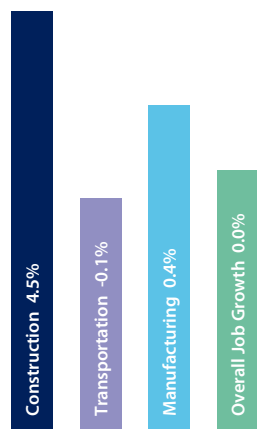


Development



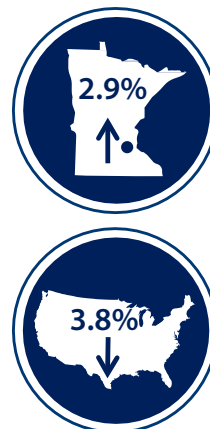
Metro Minneapolis-St. Paul Employment Update

Industrial-Using Employment Growth



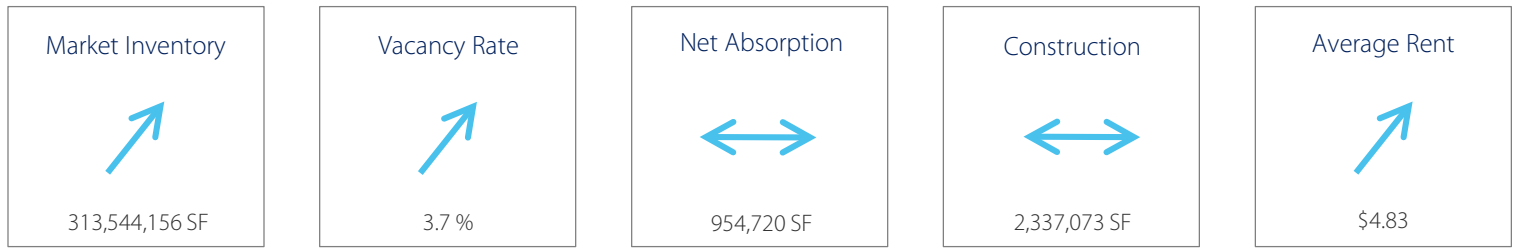
August 2018 – August 2019

August 2019 Unemployment Rate



Arrows indicate YOY change from August 2018

Market Indicators (arrows indicate YOY change from Q3 2018)



Market by the Numbers

Submarket	Inventory	Vacant	Vacancy	3Q 19 Net Absorption	Net Absorption YOY	YTD Leasing Activity	YTD Deliveries	Under Construction	Avg Whse Rate	Avg Flex Rate
Minneapolis	19,695,803	470,731	2.4%	(118,946)	↓	148,651	-	76,000	\$4.70	\$10.73
St. Paul	11,605,962	699,170	6.0%	100,630	↔	134,682	86,632	-	\$5.12	\$10.68
Midway	24,482,919	1,630,035	6.7%	49,003	↔	429,519	-	-	\$4.73	\$10.85
East	18,192,646	601,328	3.1%	91,023	↑	248,177	144,000	22,235	\$4.85	\$9.98
North Central	55,768,465	1,845,576	3.3%	250,288	↑	1,849,198	631,500	150,480	\$5.29	\$10.57
Northwest	65,175,892	3,079,605	4.7%	124,575	↓	1,859,270	352,222	751,120	\$4.57	\$9.97
South Central	49,359,058	1,773,166	3.6%	(11,740)	↓	897,092	645,000	333,584	\$5.02	\$10.20
Southwest	69,273,411	1,593,192	2.3%	469,887	↑	1,867,812	50,000	1,003,654	\$4.81	\$10.47
Total Market	313,544,156	11,692,803	3.7%	954,720	↔	7,434,401	1,909,354	2,337,073	\$4.83	\$10.34

The data contained in this market report is obtained from The CoStar Group, Inc. and is used under licensed permission. The report is based on the seven-county metropolitan Minneapolis-St. Paul markets for all industrial buildings at least 20,000 sf in size. Current and historical data has been adjusted with corrected information after it was obtained. This may prevent comparisons to previously released reports.

Top Leases

Building Name	Submarket	Tenant	Transaction Type	Transaction Size
Holasek Business Center	Southwest	Undisclosed	New	255,650
Aldrin Distribution Center I	South Central	Normark (Rapala)	Renewal	100,833
Eagle Creek	8641 Eagle Creek Parkway	Sick, Inc.	Renewal	83,662
Park of Commerce II	5691 E River NE	Hajoca	New	75,845
Whitewater Corporate Center	12500 Whitewater	Antares Pharma	New	75,785

Top Sales

Building Name	Submarket	Buyer	Building Size	Sale Price	Sale Price PSF
Northpark Business Center II	North Central	Lum Yip Kee; LYK Xylon LLC	201,200	\$22,324,000.00	\$111.00
Hudson Road Technology Center	East	Ashish Aggarwal; Apex Hudson LLC	138,732	\$15,200,000.00	\$110.00
Crown Iron Works	North Central	Apex Blaine LLC; Polo Crown LLC; Keva Blaine LLC	75,000	\$12,747,577.00	\$170.00
Northland Interstate Business Center	North Central	MIP Northland III, LLC	59,840	\$7,000,000.00	\$117.00
7400 Flying Cloud Drive	Southwest	The Wall Companies	32,137	\$3,900,000.00	\$121.00

Trends to Watch

Look for these key trends to continue throughout 2019 in the Minneapolis industrial market.



Land availability pushing further out of core markets



Rising raw material costs due to tariffs and trade tensions



Increased investor appetite for urban industrial opportunities

Avison Young at a Glance

Founded:	1978
Total Real Estate Professionals:	5,000
Offices:	124
Countries:	20
Brokerage Professionals:	1,600+
Property Under Management:	290 msf

Avison Young is one of the world's fastest growing commercial real estate firms, and we are expanding globally. This growth is a testament to the commitment we've made to our clients and our employees. We're different. We've designated our organization to be highly collaborative and focused on one thing: creating the best solutions for our clients to deliver long-term success. And because of the value we deliver, our culture and our unique approach, clients and talent are joining us every day. Our experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multi-family and hospitality sectors.



Transaction Services

- Tenant representation, lease acquisition and disposition
- Investment acquisition and disposition for owners and occupiers
- Landlord representation – all property types – office, industrial, retail, build-to-suit, land and multi-family

Consulting & Advisory Services

- Portfolio review and analysis
- Valuation and appraisal
- Benchmarking
- Transaction management
- Asset rationalization
- Mergers and acquisitions
- Workplace solutions
- Acquisitions and dispositions
- Property tax services

Management Services

- Project management
- Property and operations review
- Property/facility management
- Tenant relations
- Financial reporting
- Lease administration
- Operations consulting
- Asset management
- Portfolio management

Enterprise Solutions

- Integrated services coordination
- Transaction management
- Optimization strategies
- Portfolio lease administration
- Project coordination and reporting

Investment Management

- Acquisitions
- Asset management
- Portfolio strategy
- Capital repositioning

Debt Capital Services

- Permanent & construction
- Structured finance
- Portfolio mark to market
- Mezzanine & bridge



Platinum member

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