

MARKETBEAT

Minneapolis/St. Paul

Industrial Q4 2018



MINNEAPOLIS/ST. PAUL INDUSTRIAL

Economic Indicators*

	Q4 17	Q4 18	12-Month Forecast
Minneapolis Employment	2.0M	2.0M	▲
Minneapolis Unemployment	3.0%	2.6%	▼
U.S. Unemployment	4.1%	3.7%	▼

*Numbers above are quarterly averages; Q4 2018 data based on October values

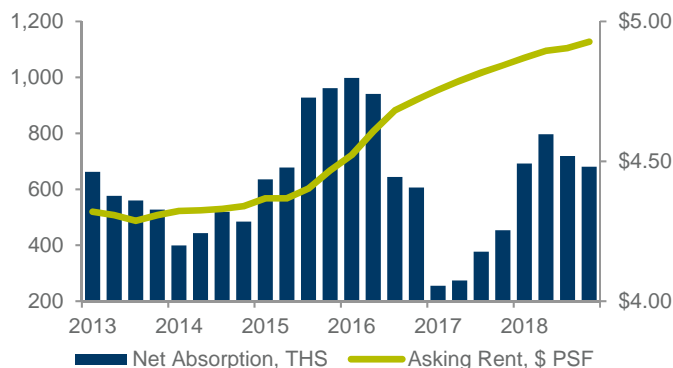
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	8.5%	8.2%	▼
YTD Net Absorption (sf)	1.8M	2.7M	▲
Under Construction (sf)	1.6M	2.0M	■
Average Asking Rent*	\$4.88	\$4.97	▲

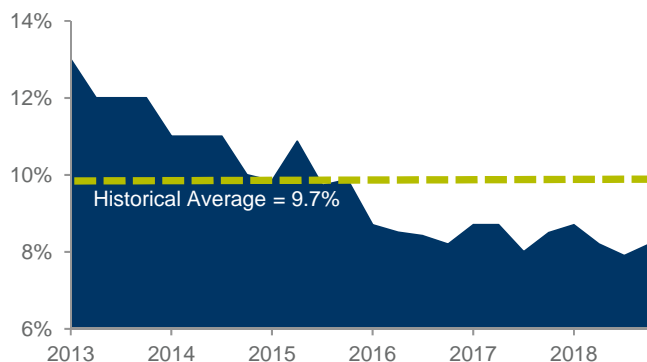
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Twin Cities unemployment rate dropped 40 basis points from fourth quarter 2017 to a 19-year low of 2.6% in fourth quarter 2018. With constrained labor availability, employers continued to be creative and aggressive in talent retention and recruitment strategies.

Market Overview

The long-standing up-cycle for the Twin Cities industrial market is hardly over, and in fact gained steam throughout 2018. The market's overall year-end 2018 absorption total of approximately 2.7 million square feet (msf) was the second-best yearly performance since the 2008 financial crisis, exceeded only by 3.8 msf at year-end 2015. It also represented a jump of 50% over the absorption total of 2017. Overall vacancy, meanwhile, decreased 30 basis points from fourth quarter 2017 as leasing activity remained strong and average asking rents continued to slowly increase in parallel with new construction deliveries.

Developers added just over 2.6 msf of new product to the market throughout 2018. Of that total, nearly 1.9 msf was speculative multi-tenant space. The ultra-tight Southwest submarket continued to be hampered by a lack of suitable close-in and appropriately zoned sites. The silver lining for tenants looking for modern industrial space in the submarket is on the horizon. New construction totaling 590,000 square feet (sf) from United Properties, Eden Trace Development and Scannell Properties is scheduled to begin in early 2019.

Investment capital continued to be allocated to industrial properties as demand remained robust for all product types. The Twin Cities has benefitted from national portfolio sales that have been brought to market, including Blackstone's acquisition of Gramercy, which included four Twin Cities properties. During the second half of 2018, there were nearly \$13 billion in national industrial portfolios on the market, several which included assets in the Twin Cities. As those deals finalize and new owners recalibrate their holdings, it will spark more activity as some assets are sold off as smaller portfolios or even single property deals.

Outlook

With a strong pipeline of pending and expected deals in the market, another prosperous six-month period is predicted for early 2019. Approximately 1.5 msf of absorption is likely in the first half, led by an estimated 600,000 sf in the Northeast submarket. Rogers in the Northwest submarket could emerge as a hot spot for investment sales in 2019. The submarket has experienced strong leasing activity in newly developed warehouse/distribution product; and more of those stabilized assets could hit the market in the coming year.

MARKETBEAT

Minneapolis/St. Paul

Industrial Q4 2018



SUBMARKET	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (WD)
Northeast	35,620,636	618,757	8.9%	768,139	1,020,632	\$4.79	\$4.83	\$4.62
Northwest	31,210,959	374,445	10.5%	1,089,757	706,297	\$5.10	\$5.45	\$4.60
Southeast	18,458,352	341,042	6.4%	285,157	269,000	\$5.36	\$4.87	\$4.83
Southwest	27,308,401	414,683	6.1%	579,332	0	\$5.77	\$5.15	\$5.01
MINNEAPOLIS/ST. PAUL TOTALS	112,598,348	1,748,927	8.2%	2,722,385	1,995,929	\$5.34	\$5.13	\$4.66

*Rental rates reflect asking \$psf/year

HT = High Tech OS = Office Service/Flex W/D = Warehouse/Distribution

SUMMARY BY TYPE	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT
High Tech	335	21,035,223	171,002	8.7%	306,127	0	\$5.34
Office Service/Flex	720	51,587,658	687,755	7.0%	903,256	1,203,854	\$5.13
Warehouse/Distribution	237	39,975,467	890,170	9.6%	1,513,002	792,075	\$4.66

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
435 Park Ct., Lino Lakes	130,000	Asmodee North America	New	Northeast
9859 Naples St. N.E., Blaine	75,000	Crown Iron Works	New	Northeast
3580 Holly Ln. N., Plymouth	68,217	Urban Air	New	Northwest
6420 Carmen Ave., Inver Grove Heights	67,000	Strategic Warehouse	Sublease	Southeast
8840-8800 Evergreen Blvd. N.W., Coon Rapids	58,000	Allina Health	New	Northeast

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
4800 E. River Rd., Fridley	585,200	Blackstone / Gramercy	\$52,805,000 / \$90	Northeast
7401 Boone Ave. N., Brooklyn Park	322,751	DRA Advisors / Altus Properties	\$19,620,000 / \$61	Northwest
10100 89th Ave. N., Maple Grove	319,000	ILPT REIT / United Properties	\$27,700,000 / \$87	Northwest
8450 Revere Ln. N., Maple Grove	292,129	Blackstone / Gramercy	\$21,200,000 / \$73	Northwest
20000 Diamond Lake Rd., Rogers	280,577	Blackstone / Gramercy	\$20,360,000 / \$73	Northwest

Cushman & Wakefield
3500 American Blvd W, Ste 200
Bloomington, MN 55431
cushmanwakefield.com

For more information, contact:
Patrick Hamilton, Market Director
Tel: +1 952 837 8574
patrick.hamilton@cushwake.com

Sara Peterson, Senior Analyst
Tel: +1 952 465 3356
sara.peterson@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.