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# INDUSTRIAL MARKET REPORT

# Minneapolis-St. Paul

## 3rd Quarter 2016

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Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.


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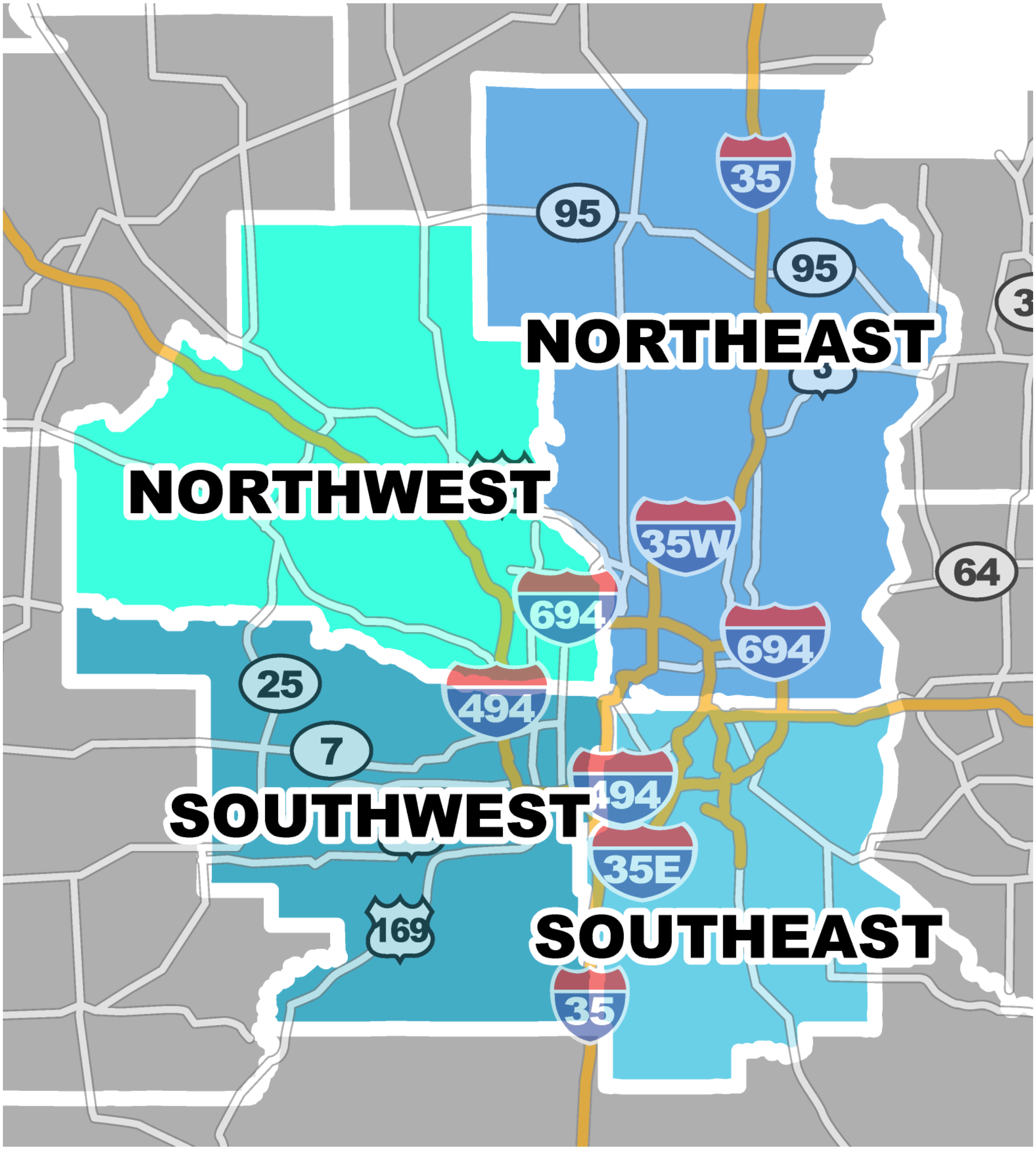
**The Minneapolis-St. Paul tracked set consists of an inventory of buildings considered to be competitive by the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for the market area.**

| | |
|---|---|
| **Inventory** | The total square feet of existing multi-tenant buildings greater than 20,000 sf or are part of a complex that totals greater than 20,000 sf located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties. |
| **Total Available (sf)** | All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move. |
| **Total Vacant (sf)** | The total of all the vacant square footage within a building including both direct and sublease space. |
| **Sublease Space** | Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied. |
| **Net Absorption** | The net change in occupancy from quarter to quarter, expressed in square feet. |


NORTHEAST
NORTHWEST
SOUTHWEST
SOUTHEAST
35
95
95
35W
694
694
494
494
25
7
169
35E
35
64

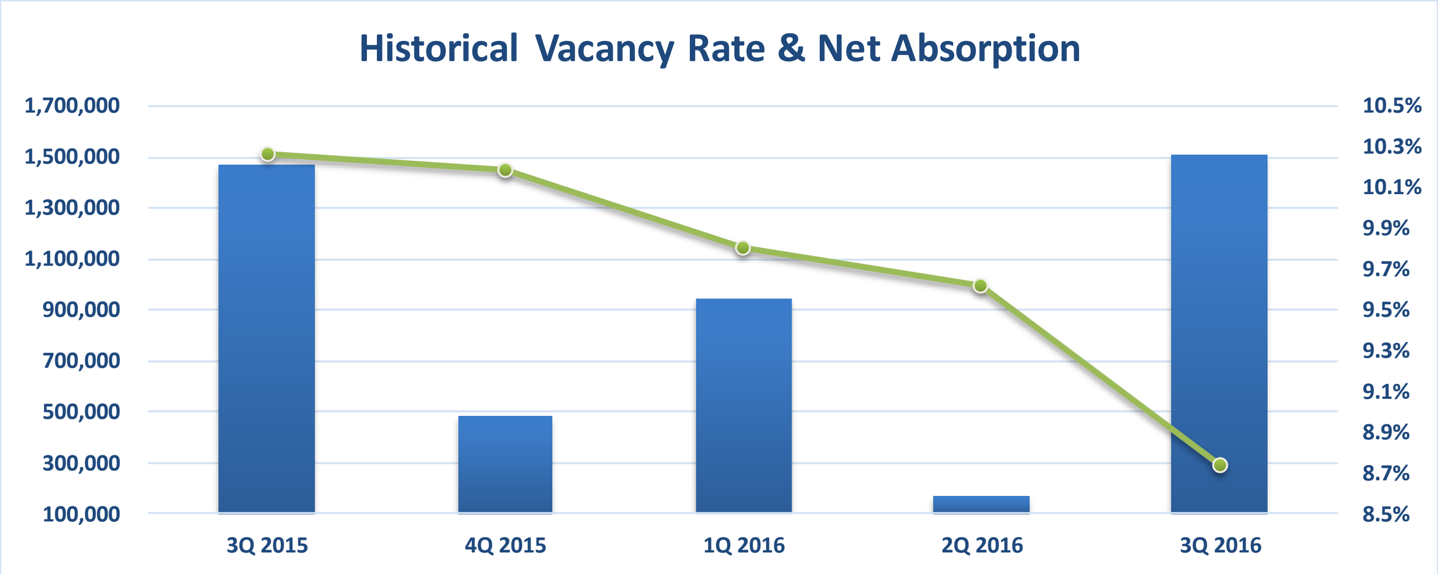
## Overview

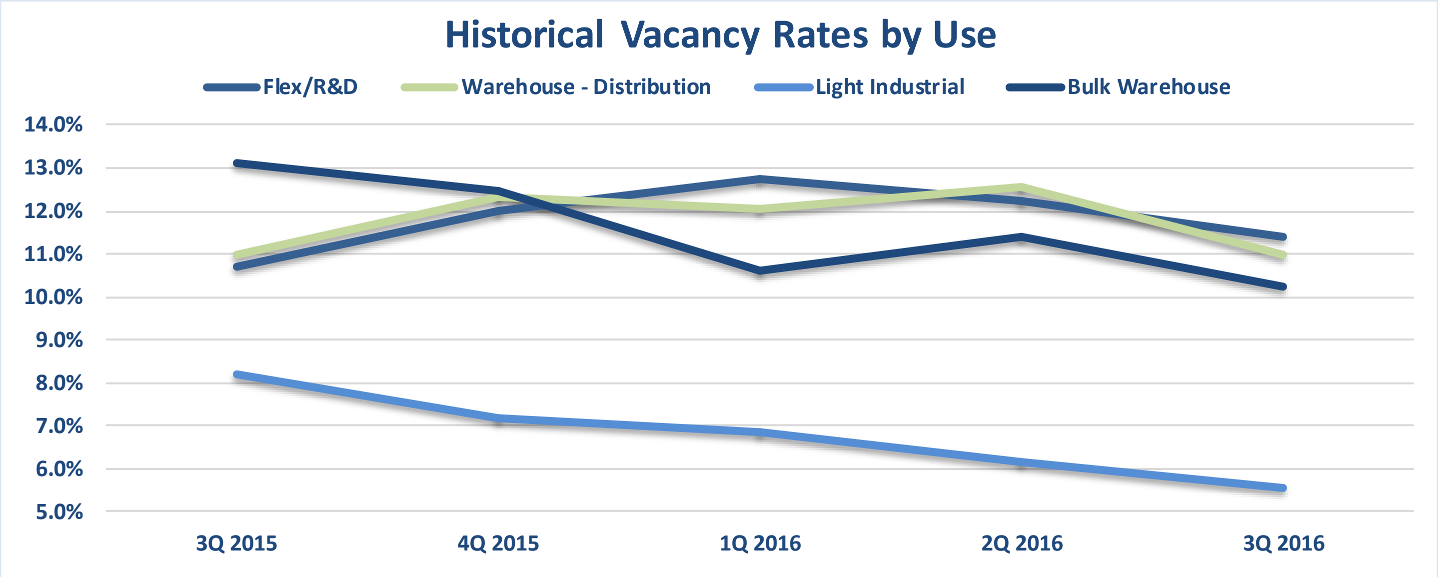
- The Minneapolis - St Paul industrial market closed the third quarter of 2016 with 1,500,000 square feet (sf) of positive absorption with year to date total absorption of 2,600,000 sf.
- Two trends driving the market this year have been user sale activity and build to suit properties. This quarter two build to suit properties were completed for Milestone AV Technologies and Amerisource Bergin accounting for 450,000 sf of positive absorption which were delivered in the Southwest market.
- The total vacancy rate continues its downward trend dropping to 8.7% for 3Q 2016 down year-over-year by 1.6%. The Southeast market had the largest drop from a vacancy rate of 9.3% last quarter to a 3Q 2016 vacancy rate of 7%.
- New Construction continues to trend up with the Southwest and Northwest markets accounting for over 2.1 million square feet of space underway.

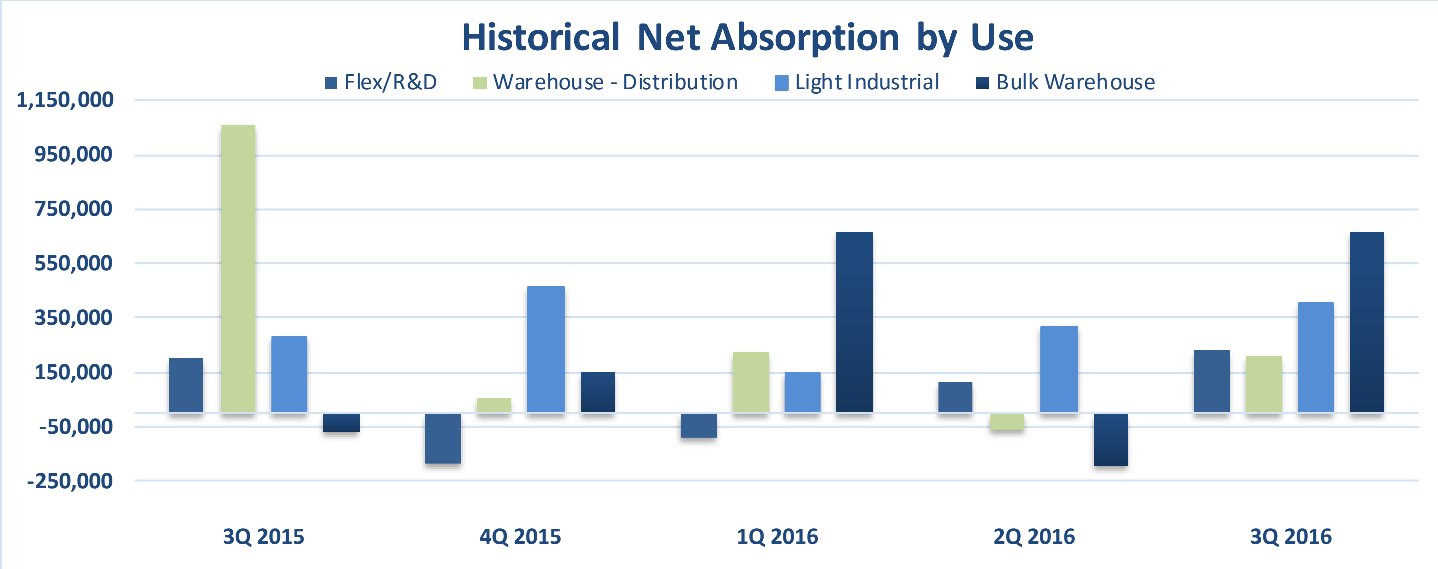
| | # of Bldgs | Inventory (sf) | Total Available (sf) | Total Vacant (sf) | Total Vacancy Rate (%) | Total Quarterly Net Absorption (sf) | YTD Total Net Absorption (sf) |
|---|---|---|---|---|---|---|---|
| Flex/R&D | 430 | 28,339,386 | 4,931,122 | 3,229,575 | 11.4% | 231,687 | 257,929 |
| Warehouse - Distribution | 81 | 13,040,813 | 2,087,154 | 1,431,109 | 11.0% | 207,215 | 363,887 |
| Light Industrial | 653 | 44,975,149 | 4,051,568 | 2,502,019 | 5.6% | 406,365 | 872,557 |
| Bulk Warehouse | 157 | 25,586,486 | 3,432,159 | 2,619,045 | 10.2% | 663,879 | 1,133,445 |
| **Overall** | **1,321** | **111,941,834** | **14,502,003** | **9,781,748** | **8.7%** | **1,509,146** | **2,627,818** |

| | # of Bldgs | Inventory (sf) | Sum of Direct Available (sf) | Direct Vacant (sf) | Direct Vacancy Rate (%) | Direct Quarterly Net Absorption (sf) | YTD Direct Net Absorption (sf) |
|---|---|---|---|---|---|---|---|
| Flex/R&D | 430 | 28,339,386 | 4,656,299 | 3,134,281 | 11.1% | 191,624 | 283,610 |
| Warehouse - Distribution | 81 | 13,040,813 | 1,830,332 | 1,411,659 | 10.8% | 207,215 | 363,887 |
| Light Industrial | 653 | 44,975,149 | 3,898,618 | 2,441,965 | 5.4% | 419,063 | 771,213 |
| Bulk Warehouse | 157 | 25,586,486 | 3,005,693 | 2,365,443 | 9.2% | 663,879 | 1,194,123 |
| **Overall** | **1,321** | **111,941,834** | **13,390,942** | **9,353,348** | **8.4%** | **1,481,781** | **2,612,833** |

| | # of Bldgs | Inventory (sf) | Available Sublease (sf) | Sublease Vacant (sf) | Sublease Vacancy Rate (%) | Sublease Quarterly Absorption (sf) | YTD Sublease Net Absorption (sf) |
|---|---|---|---|---|---|---|---|
| Flex/R&D | 430 | 28,339,386 | 274,823 | 95,294 | 0.3% | 40,063 | -25,681 |
| Warehouse - Distribution | 81 | 13,040,813 | 256,822 | 19,450 | 0.1% | - | - |
| Light Industrial | 653 | 44,975,149 | 152,950 | 60,054 | 0.1% | -12,698 | 101,344 |
| Bulk Warehouse | 157 | 25,586,486 | 426,466 | 253,602 | 1.0% | - | -60,678 |
| **Overall** | **1,321** | **111,941,834** | **1,111,061** | **428,400** | **0.4%** | **27,365** | **14,985** |


Historical Vacancy Rate & Net Absorption
1,700,000
1,500,000
1,300,000
1,100,000
900,000
700,000
500,000
300,000
100,000
10.5%
10.3%
10.1%
9.9%
9.7%
9.5%
9.3%
9.1%
8.9%
8.7%
8.5%
3Q 2015
4Q 2015
1Q 2016
2Q 2016
3Q 2016


Historical Vacancy Rates by Use
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse
14.0%
13.0%
12.0%
11.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
3Q 2015
4Q 2015
1Q 2016
2Q 2016
3Q 2016


Historical Net Absorption by Use
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse
1,150,000
950,000
750,000
550,000
350,000
150,000
-50,000
-250,000
3Q 2015
4Q 2015
1Q 2016
2Q 2016
3Q 2016

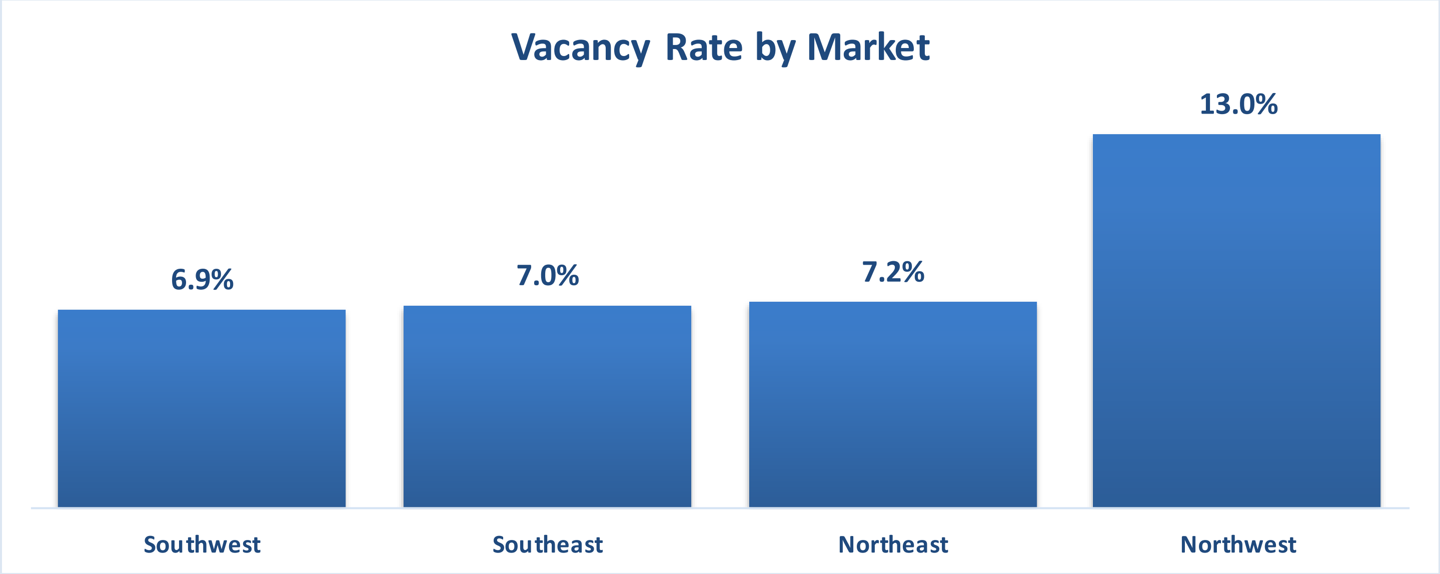
 

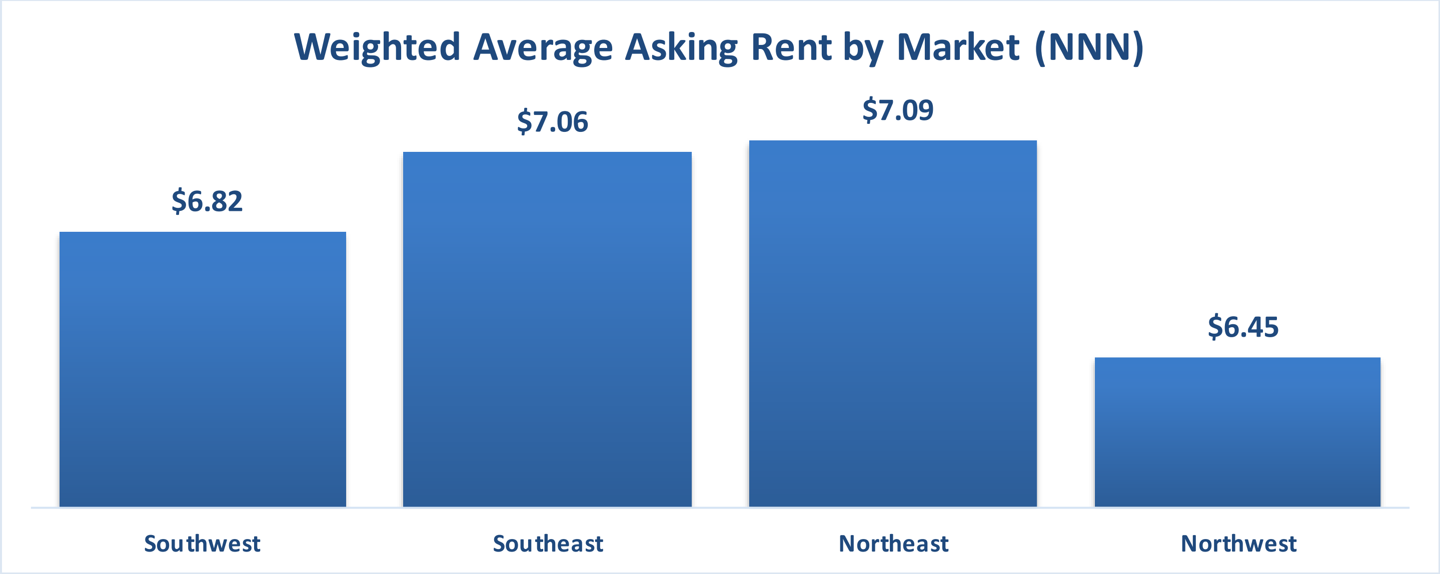
| | # of Bldgs | Inventory (sf) | Total Vacant (sf) | Direct Vacant (sf) | Vacancy Rate (%) | Total Quarterly Absorption | YTD Total Net Absorption (sf) |
|---|---|---|---|---|---|---|---|
| **Northeast** | **401** | **35,503,980** | **2,544,061** | **2,503,811** | **7.2%** | **296,398** | **773,327** |
| Flex/R&D | 100 | 7,334,035 | 930,322 | 920,322 | 12.7% | -1,148 | 41,312 |
| Warehouse - Distribution | 24 | 3,658,213 | 219,949 | 200,499 | 6.0% | 141,398 | 162,820 |
| Light Industrial | 236 | 18,309,917 | 1,200,389 | 1,200,389 | 6.6% | 41,685 | 58,732 |
| Bulk Warehouse | 41 | 6,201,815 | 193,401 | 182,601 | 3.1% | 114,463 | 510,463 |
| **Northwest** | **366** | **31,890,946** | **4,138,516** | **3,891,144** | **13.0%** | **218,141** | **295,308** |
| Flex/R&D | 108 | 7,048,088 | 814,881 | 797,230 | 11.6% | 73,614 | 15,576 |
| Warehouse - Distribution | 30 | 3,606,559 | 1,024,700 | 1,024,700 | 28.4% | 35,917 | -13,851 |
| Light Industrial | 159 | 10,133,837 | 434,975 | 398,178 | 4.3% | -47,330 | 109,469 |
| Bulk Warehouse | 69 | 11,102,462 | 1,863,960 | 1,671,036 | 16.8% | 155,940 | 184,114 |
| **Southeast** | **223** | **17,756,278** | **1,250,853** | **1,159,386** | **7.0%** | **331,088** | **482,468** |
| Flex/R&D | 86 | 4,974,366 | 671,452 | 646,720 | 13.5% | 86,051 | 130,258 |
| Warehouse - Distribution | 16 | 2,826,354 | 153,919 | 153,919 | 5.4% | - | -14,260 |
| Light Industrial | 97 | 5,913,181 | 282,093 | 265,236 | 4.8% | 78,447 | 189,691 |
| Bulk Warehouse | 24 | 4,042,377 | 143,389 | 93,511 | 3.5% | 166,590 | 176,779 |
| **Southwest** | **331** | **26,790,630** | **1,848,318** | **1,799,007** | **6.9%** | **663,519** | **1,076,715** |
| Flex/R&D | 136 | 8,982,897 | 812,920 | 770,009 | 9.0% | 73,170 | 70,783 |
| Warehouse - Distribution | 11 | 2,949,687 | 32,541 | 32,541 | 1.1% | 29,900 | 229,178 |
| Light Industrial | 161 | 10,618,214 | 584,562 | 578,162 | 5.5% | 333,563 | 514,665 |
| Bulk Warehouse | 23 | 4,239,832 | 418,295 | 418,295 | 9.9% | 226,886 | 262,089 |
| **Overall** | **1,321** | **111,941,834** | **9,781,748** | **9,353,348** | **8.7%** | **1,509,146** | **2,627,818** |

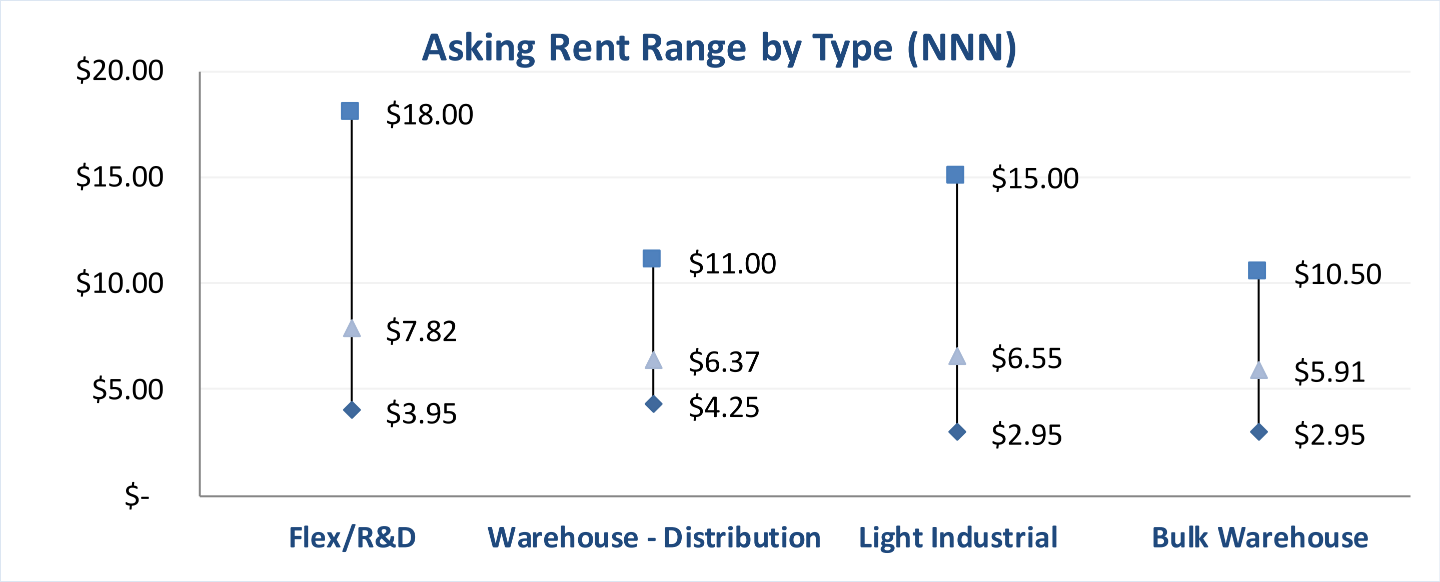
 

| | Vacancy Rate % | | | | | Average Weighted Direct Asking Rate | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 3Q 2015 | 4Q 2015 | 1Q 2016 | 2Q 2016 | 3Q 2016 | 3Q 2015 | 4Q 2015 | 1Q 2016 | 2Q 2016 | 3Q 2016 |
| **Northeast** | **8.8%** | **9.1%** | **8.0%** | **8.0%** | **7.2%** | **$6.59** | **$6.87** | **$6.85** | **$6.83** | **$7.09** |
| Flex/R&D | 10.5% | 13.2% | 13.0% | 12.7% | 12.7% | $7.72 | $8.25 | $8.24 | $7.89 | $8.12 |
| Warehouse - Distribution | 5.6% | 8.0% | 10.3% | 9.9% | 6.0% | $6.49 | $6.49 | $6.48 | $6.47 | $6.48 |
| Light Industrial | 7.9% | 6.9% | 6.2% | 6.8% | 6.6% | $6.10 | $6.06 | $6.25 | $6.23 | $6.54 |
| Bulk Warehouse | 11.1% | 11.3% | 6.0% | 5.0% | 3.1% | $6.28 | $6.33 | $6.19 | $6.89 | $6.32 |
| **Northwest** | **12.5%** | **12.5%** | **12.4%** | **13.1%** | **13.0%** | **$6.16** | **$6.41** | **$6.39** | **$6.47** | **$6.45** |
| Flex/R&D | 10.1% | 10.6% | 13.1% | 12.6% | 11.6% | $7.44 | $7.60 | $7.73 | $7.76 | $7.75 |
| Warehouse - Distribution | 26.7% | 28.0% | 27.6% | 29.4% | 28.4% | $6.24 | $6.42 | $6.27 | $6.28 | $6.10 |
| Light Industrial | 6.8% | 5.4% | 4.8% | 3.8% | 4.3% | $6.09 | $6.20 | $6.33 | $6.34 | $6.40 |
| Bulk Warehouse | 15.1% | 15.2% | 13.9% | 16.7% | 16.8% | $5.27 | $5.78 | $5.58 | $5.85 | $6.08 |
| **Southeast** | **9.6%** | **9.5%** | **10.4%** | **9.3%** | **7.0%** | **$6.47** | **$6.69** | **$6.84** | **$6.76** | **$7.06** |
| Flex/R&D | 13.7% | 16.1% | 16.6% | 15.2% | 13.5% | $7.28 | $7.10 | $7.56 | $7.38 | $7.54 |
| Warehouse - Distribution | 0.6% | 0.6% | 4.9% | 5.4% | 5.4% | $7.09 | $7.28 | $7.59 | $7.36 | $7.97 |
| Light Industrial | 10.4% | 9.1% | 9.6% | 7.4% | 4.8% | $6.33 | $6.55 | $6.43 | $6.49 | $6.50 |
| Bulk Warehouse | 9.4% | 7.9% | 7.9% | 7.7% | 3.5% | $5.35 | $6.04 | $6.21 | $4.97 | $5.31 |
| **Southwest** | **10.0%** | **9.4%** | **8.7%** | **7.8%** | **6.9%** | **$6.38** | **$6.55** | **$6.75** | **$6.81** | **$6.82** |
| Flex/R&D | 9.7% | 9.8% | 10.1% | 9.9% | 9.0% | $7.52 | $7.84 | $7.66 | $7.85 | $7.69 |
| Warehouse - Distribution | 9.0% | 9.0% | 2.1% | 2.1% | 1.1% | $3.50 | $3.87 | $6.12 | $6.12 | $7.25 |
| Light Industrial | 8.8% | 8.3% | 8.4% | 6.5% | 5.5% | $6.65 | $6.78 | $6.71 | $6.71 | $6.72 |
| Bulk Warehouse | 14.7% | 11.5% | 11.5% | 10.7% | 9.9% | $5.34 | $5.56 | $5.33 | $5.34 | $5.40 |
| **Overall** | **10.3%** | **10.2%** | **9.8%** | **9.6%** | **8.7%** | **$6.38** | **$6.60** | **$6.66** | **$6.67** | **$6.77** |

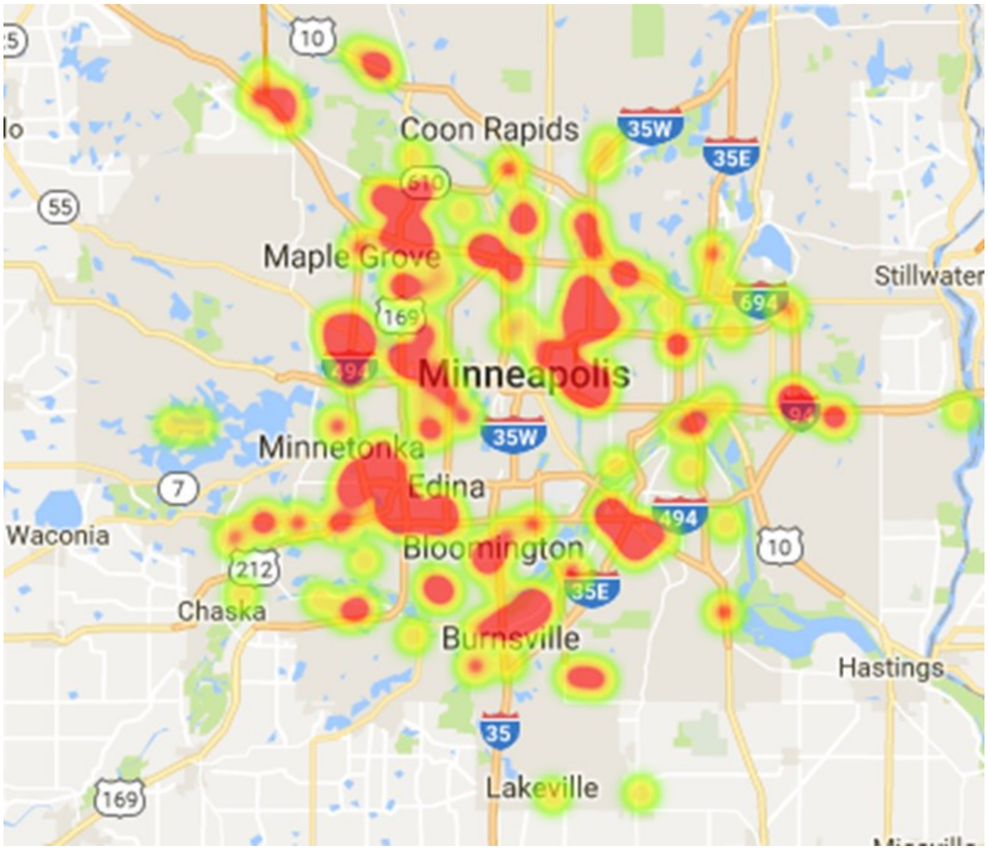
 


Vacancy Rate by Market
6.9%
7.0%
7.2%
13.0%
Southwest
Southeast
Northeast
Northwest


Weighted Average Asking Rent by Market (NNN)
$6.82
$7.06
$7.09
$6.45
Southwest
Southeast
Northeast
Northwest


Asking Rent Range by Type (NNN)
$20.00
$15.00
$10.00
$5.00
$-
$18.00
$7.82
$3.95
$11.00
$6.37
$4.25
$15.00
$6.55
$2.95
$10.50
$5.91
$2.95
Flex/R&D
Warehouse - Distribution
Light Industrial
Bulk Warehouse



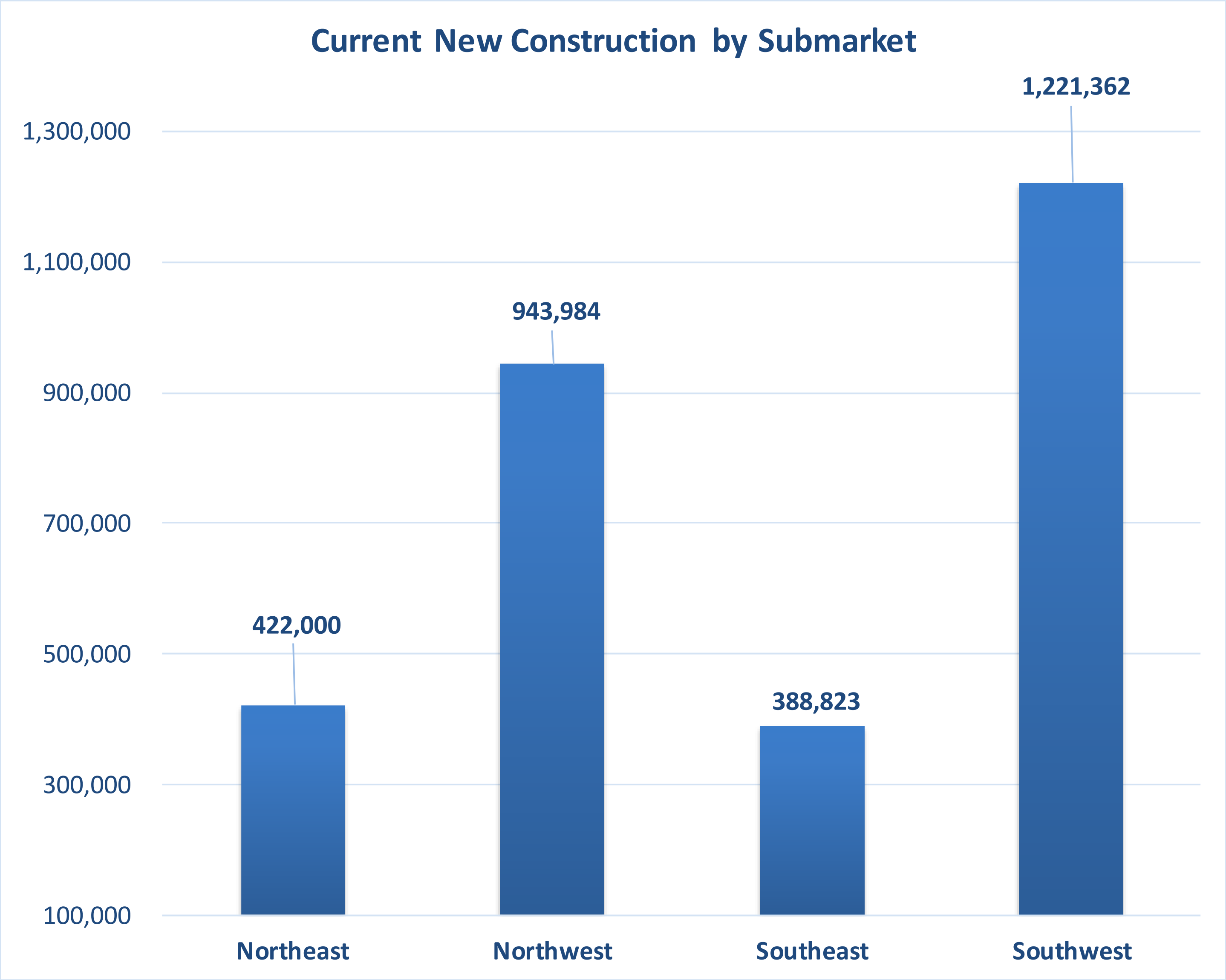

| Largest Absorption Changes | | | | |
|---|---|---|---|---|
| **Property Name** | **Occupied or Vacated (sf)** | **Tenant Name** | **Market** | **Specific Use** |
| Milestone AV Technology | 242,004 | Milestone AV Tech building was delivered. | Southwest | Light Industrial |
| Amerisource Bergin | 215,861 | Amerisource Bergin was delivered | Southwest | Bulk Warehouse |
| Highway 55 Distribution Center | 142,000 | Amazon lease | Southeast | Bulk Warehouse |
| Northern Stacks Bldg 1 | 111,630 | Lindenmeyr Munroe lease | Northeast | Bulk Warehouse |
| Medline | 86,000 | Ruan lease; Owner Medline absorbing space. | Northwest | Bulk Warehouse |
| Energy Park Distribution Center | 85,655 | Savers lease | Northeast | Warehouse - Distribution |
| McKee Warehouse | 79,324 | Ikea lease | Southeast | Light Industrial |
| Lexington Business Center | 67,615 | Bell International Laboratories lease | Southeast | Flex/R&D |
| Kinghorn Logistics Hub | 65,000 | Flint Group lease | Northwest | Bulk Warehouse |
| Hampshire Technology Center | 63,000 | NC Minerals lease | Southwest | Light Industrial |
| Parkside | -39,839 | Animal Supply Co vacated | Northwest | Bulk Warehouse |
| Freeway Commerce Center East | -40,000 | Sandvik vacated | Northwest | Light Industrial |
| Centre Pointe Business Park II | -59,412 | Children's Hospital & Clinics vacated | Northeast | Flex/R&D |

## Top Transactions

| Property Name | Sale Price | Sold (sf) | Buyer | Seller | Market | Specific Use |
|---|---|---|---|---|---|---|
| Coca Cola<br>2750 Eagandale Blvd | $29,806,278 | 461,618 | Lone Oak - Eagan LLC<br>c/o Reyes Holdings LLC | Coca-Cola Refreshments USA Inc | Southeast | Warehouse - Distribution |
| Xenium Distribution Center<br>1105 N Xenium Ln | $23,035,000 | 335,063 | ColFin 2016-4 Industrial Owner LLC<br>c/o Colony Capital | The Realty Associates Fund IX LP<br>c/o TA Realty | Northwest | Bulk Warehouse |
| Highway 55 Distribution Center<br>2811 Beverly Dr | $18,350,000 | 227,200 | ColFin 2016-4 Industrial Owner LLC<br>c/o Colony Capital | The Realty Associates Fund IX LP<br>c/o TA Realty | Southeast | Bulk Warehouse |
| Northern Stacks Bldg 1<br>41 Northern Stacks Dr NE | $17,750,000 | 213,000 | GPT Northern Stacks Owner LLC<br>c/o Gramercy Property Trust | Northern Stacks I LLC<br>c/o Hyde Development | Northeast | Bulk Warehouse |
| Minnesota Valley Distribution Center II<br>5655 E 11th Ave | $12,300,000 | 162,618 | ColFin 2016-4 Industrial Owner LLC<br>c/o Colony Capital | The Realty Associates Fund X LP<br>c/o TA Realty | Southwest | Bulk Warehouse |
| 3025 Lunar Ln | $9,252,000 | 118,378 | CWL Minneapolis Real Estate LLC<br>c/o Crane Worldwide Logistics | AX TC Industrial III LP<br>c/o Artis REIT | Southeast | Warehouse - Distribution |
| 6240 Carmen Ave E | $8,900,000 | 174,180 | ColFin 2016-4 Industrial Owner LLC<br>c/o Colony Capital | The Realty Associates Fund VIII LP<br>c/o TA Realty | Southeast | Bulk Warehouse |


Current New Construction by Submarket
1,300,000
1,100,000
900,000
700,000
500,000
300,000
100,000
422,000
943,984
388,823
1,221,362
Northeast
Northwest
Southeast
Southwest

| Minneapolis - St Paul | |
|---|---|
| **CBRE** | Matt Oelschlager |
| | Jack Tornquist |
| **Colliers International** | Eric Batiza |
| | Nick Leviton |
| | Eric Rossbach |
| **CSM** | Andy McIntosh |
| **Cushman & Wakefield/ NorthMarq** | Nate Erickson |
| | Peter Fooshe |
| | Brent Masica |
| **Excelsior Group** | Dan Lofgren |
| **Lee & Associates** | Chris Garcia |
| | Duane Poppe |
| **Paramount** | Phil Simonet |
| **Transwestern** | Alex Baron |

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy. **For more information, please contact :**

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