

# MARKET TRENDS

Q1 2019 | Mpls-St Paul | Industrial

## Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	1,939,990	
Area Unemployment	3.4	
U.S. Unemployment	3.8	
Industrial Jobs	196,900	

Source: BLS

\*Employment figures and area unemployment are based on Mpls-St Paul MSA data.

## Market Recap

Total Inventory (sf)	218,000,316
Total # of Bldgs	2,474
Absorption	758,371
Vacancy	5.6%
Asking Rate Low (NNN)	\$5.60
Asking Rate High (NNN)	\$9.13
Under Construction (sf)	1,472,266

## Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) remained unchanged at 3.4% compared to February 2018. The unemployment rate for the US was at 3.8% in February 2019, down from 4.1% for the State of Minnesota. The Mpls-St Paul MSA saw an increase in industrial job growth in manufacturing increasing 1,500 during the same period.

## Market Overview

The Mpls-St Paul industrial market, consisting of 218 msf of space in eight counties across the metro posted over 758,000 sf of positive absorption for Q1 2019. The overall vacancy rate for the market stands at 5.6% and multi-tenant vacancy was 8.0% to start 2019. The average asking lease low rate was \$5.60 and high rate was \$9.13 NNN for Mpls-St Paul. To date, there are 8 construction projects throughout the market totaling over 1.4 msf and 968,000 sf was delivered this quarter.

## Market Highlights

At the close of Q1 2019, the market experienced over 2.3 msf of leasing activity and the vacancy rate finished the year at 5.6% in total with the Southeast Market being the tightest at 4.5%. LKQ Corporation held the top spot in absorption with the new delivery of Northern Stacks VII of 200,000 sf in the Northeast Market. The Northwest Market is showing the highest vacancy rate at 7.9% for all properties and at 10% for multi-tenant properties.

## Market Statistics by Property Type (All Properties)

Total						
Property Type	# of Bldgs	Inventory	Q1 19 Avail (sf)	Q1 19 Vacant (sf)	Q1 19 Absorption (sf)	Q1 19 Vacancy Rate
Flex/R&D	574	39,086,791	4,176,151	3,188,148	(103,314)	8.2%
Warehouse Distribution	418	74,696,779	6,304,840	4,315,439	600,528	5.8%
Warehouse Office	1,482	104,216,747	6,916,355	4,711,572	261,157	4.5%
<b>Grand Total</b>	<b>2,474</b>	<b>218,000,316</b>	<b>17,397,346</b>	<b>12,215,159</b>	<b>758,371</b>	<b>5.6%</b>

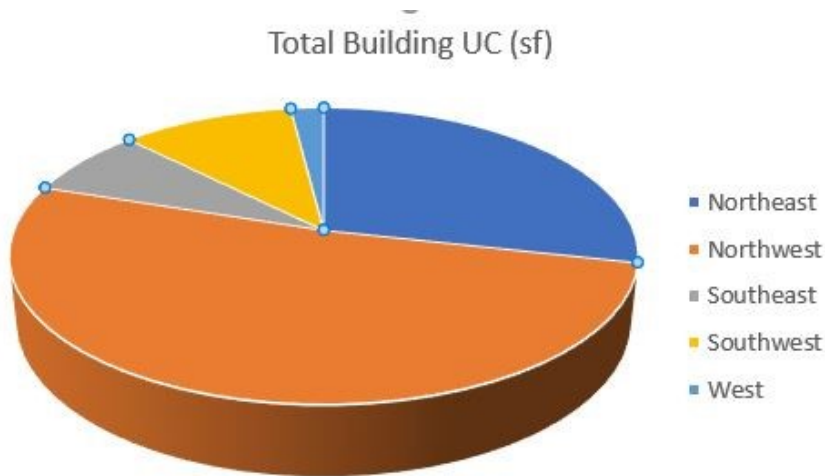
Direct						
Property Type	# of Bldgs	Inventory	Q1 19 Direct Avail (sf)	Q1 19 Direct Vacant (sf)	Q1 19 Direct Absorption (sf)	Q1 19 Vacancy Rate
Flex/R&D	574	39,086,791	3,800,493	2,988,697	(60,185)	7.6%
Warehouse Distribution	418	74,696,779	5,865,996	4,191,388	606,289	5.6%
Warehouse Office	1,482	104,216,747	6,392,044	4,458,014	251,943	4.3%
<b>Grand Total</b>	<b>2,474</b>	<b>218,000,316</b>	<b>16,058,533</b>	<b>11,638,099</b>	<b>798,047</b>	<b>5.3%</b>

## Market Statistics by Property Type (Multi-Tenant)

Total						
Property Type	# of Bldgs	Inventory	Q1 19 Avail (sf)	Q1 19 Vacant (sf)	Q1 19 Absorption (sf)	Q1 19 Vacancy Rate
Flex/R&D	503	31,365,660	4,055,307	3,092,148	(103,314)	9.9%
Warehouse Distribution	257	42,024,976	5,275,254	3,363,717	400,528	8.0%
Warehouse Office	799	53,105,086	4,921,404	3,669,524	445,456	6.9%
<b>Grand Total</b>	<b>1,559</b>	<b>126,495,721</b>	<b>14,251,965</b>	<b>10,125,389</b>	<b>742,670</b>	<b>8.0%</b>

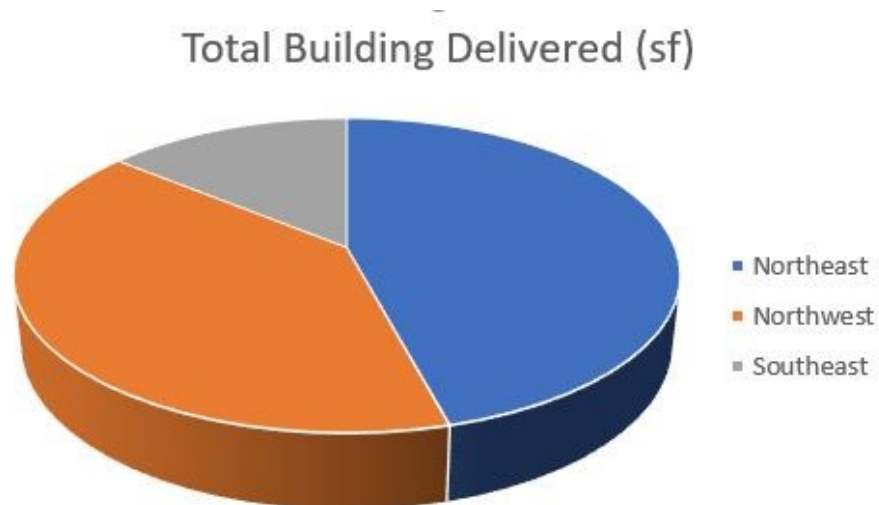
Direct						
Property Type	# of Bldgs	Inventory	Q1 19 Direct Avail (sf)	Q1 19 Direct Vacant (sf)	Q1 19 Direct Absorption (sf)	Q1 19 Vacancy Rate
Flex/R&D	503	31,365,660	3,679,649	2,892,697	(60,185)	9.2%
Warehouse Distribution	257	42,024,976	5,092,986	3,357,956	406,289	8.0%
Warehouse Office	799	53,105,086	4,450,727	3,469,600	436,242	6.5%
<b>Grand Total</b>	<b>1,559</b>	<b>126,495,721</b>	<b>13,223,362</b>	<b>9,720,253</b>	<b>782,346</b>	<b>7.7%</b>

## New Developments by Market



Market	Building (sf)
Northeast	419,500
Northwest	758,886
Southeast	110,000
Southwest	154,440
West	29,440
<b>Grand Total</b>	<b>1,472,266</b>

## New Deliveries by Market



Market	Building (sf)
Northeast	443,902
Northwest	388,297
Southeast	136,600
<b>Grand Total</b>	<b>968,799</b>

# Market Statistics by Market (All Properties)

Market	Property Type	# of Bldgs	Inventory	Q1 19 Avail SF	Q1 19 Vacant SF	Q1 19 Absorption (sf)	Q1 19 Vacancy Rate
Northeast	Flex/R&D	147	10,662,927	1,020,369	696,368	(124,155)	6.5%
	Warehouse Distribution	128	22,710,069	2,402,475	1,570,215	494,388	6.9%
	Warehouse Office	548	40,055,291	2,289,240	1,499,079	178,828	3.7%
	<b>Subtotal</b>	<b>823</b>	<b>73,428,287</b>	<b>5,712,084</b>	<b>3,765,662</b>	<b>549,061</b>	<b>5.1%</b>
Northwest	Flex/R&D	91	7,217,135	973,163	679,974	(756)	9.4%
	Warehouse Distribution	129	23,375,839	2,547,500	1,966,547	60,353	8.4%
	Warehouse Office	258	17,481,547	1,466,820	1,135,079	15,616	6.5%
	<b>Subtotal</b>	<b>478</b>	<b>48,074,520</b>	<b>4,987,483</b>	<b>3,781,600</b>	<b>75,213</b>	<b>7.9%</b>
Southeast	Flex/R&D	110	6,154,705	611,748	485,711	(12,194)	7.9%
	Warehouse Distribution	79	14,872,654	812,862	396,611	(5,761)	2.7%
	Warehouse Office	302	20,623,257	1,440,588	975,891	232,017	4.7%
	<b>Subtotal</b>	<b>491</b>	<b>41,650,616</b>	<b>2,865,198</b>	<b>1,858,213</b>	<b>214,062</b>	<b>4.5%</b>
Southwest	Flex/R&D	171	11,338,507	1,045,163	871,010	27,304	7.7%
	Warehouse Distribution	51	10,072,141	305,370	236,543	0	2.3%
	Warehouse Office	248	17,583,537	1,533,096	950,022	(84,628)	5.4%
	<b>Subtotal</b>	<b>470</b>	<b>38,994,185</b>	<b>2,883,629</b>	<b>2,057,575</b>	<b>(57,324)</b>	<b>5.3%</b>
West	Flex/R&D	55	3,713,517	525,708	455,085	6,487	12.3%
	Warehouse Distribution	31	3,666,076	236,633	145,523	51,548	4.0%
	Warehouse Office	126	8,473,115	186,611	151,501	(80,676)	1.8%
	<b>Subtotal</b>	<b>212</b>	<b>15,852,708</b>	<b>948,952</b>	<b>752,109</b>	<b>(22,641)</b>	<b>4.7%</b>
<b>Grand Total</b>		<b>2,474</b>	<b>218,000,316</b>	<b>17,397,346</b>	<b>12,215,159</b>	<b>758,371</b>	<b>5.6%</b>

# Market Statistics by Market (Multi-Tenant)

Market	Property Type	# of Bldgs	Inventory	Q1 19 Avail SF	Q1 19 Vacant SF	Q1 19 Absorption (sf)	Q1 19 Vacancy Rate
Northeast	Flex/R&D	127	9,313,566	975,310	696,368	(124,155)	7.5%
	Warehouse Distribution	64	9,954,860	2,172,410	1,340,150	294,388	13.5%
	Warehouse Office	283	20,324,769	1,816,922	1,358,664	255,838	6.7%
	<b>Subtotal</b>	<b>474</b>	<b>39,593,195</b>	<b>4,964,642</b>	<b>3,395,182</b>	<b>426,071</b>	<b>8.6%</b>
Northwest	Flex/R&D	76	4,682,859	973,163	583,974	(756)	12.5%
	Warehouse Distribution	82	13,439,139	2,050,138	1,296,225	60,353	9.6%
	Warehouse Office	139	8,800,905	1,051,220	821,041	49,464	9.3%
	<b>Subtotal</b>	<b>297</b>	<b>26,922,902</b>	<b>4,074,521</b>	<b>2,701,240</b>	<b>109,061</b>	<b>10.0%</b>
Southeast	Flex/R&D	99	5,465,160	611,748	485,711	(12,194)	8.9%
	Warehouse Distribution	52	7,858,313	510,703	345,276	(5,761)	4.4%
	Warehouse Office	157	9,848,322	869,851	700,920	232,017	7.1%
	<b>Subtotal</b>	<b>308</b>	<b>23,171,795</b>	<b>1,992,302</b>	<b>1,531,907</b>	<b>214,062</b>	<b>6.6%</b>
Southwest	Flex/R&D	150	8,597,154	969,378	871,010	27,304	10.1%
	Warehouse Distribution	38	8,129,920	305,370	236,543	0	2.9%
	Warehouse Office	155	10,138,031	999,800	640,398	(14,187)	6.3%
	<b>Subtotal</b>	<b>343</b>	<b>26,865,105</b>	<b>2,274,548</b>	<b>1,747,951</b>	<b>13,117</b>	<b>6.5%</b>
West	Flex/R&D	51	3,306,921	525,708	455,085	6,487	13.8%
	Warehouse Distribution	21	2,642,744	236,633	145,523	51,548	5.5%
	Warehouse Office	65	3,993,059	183,611	148,501	(77,676)	3.7%
	<b>Subtotal</b>	<b>137</b>	<b>9,942,724</b>	<b>945,952</b>	<b>749,109</b>	<b>(19,641)</b>	<b>7.5%</b>
<b>Grand Total</b>		<b>1,559</b>	<b>126,495,721</b>	<b>14,251,965</b>	<b>10,125,389</b>	<b>742,670</b>	<b>8.0%</b>

# Lease and Vacancy Rates by Market (All Properties)

Market	Property Type	Q4 18	Q4 18	Q1 19	Q1 19	Q4 18	Q1 19
		Ave Lease Rate Low	Ave Lease Rate High	Ave Lease Rate Low	Ave Lease Rate High	Vacancy Rate	Vacancy Rate
Northeast	Flex/R&D	\$6.56	\$10.10	\$6.51	\$10.23	5.4%	6.5%
	Warehouse Distribution	\$4.93	\$8.12	\$4.95	\$8.43	9.1%	6.9%
	Warehouse Office	\$5.12	\$8.20	\$5.29	\$8.67	4.2%	3.7%
	<b>Subtotal</b>	<b>\$5.51</b>	<b>\$8.76</b>	<b>\$5.69</b>	<b>\$9.22</b>	<b>5.9%</b>	<b>5.1%</b>
Northwest	Flex/R&D	\$5.76	\$9.60	\$5.82	\$10.00	9.4%	9.4%
	Warehouse Distribution	\$5.08	\$8.49	\$4.97	\$8.34	8.7%	8.4%
	Warehouse Office	\$5.06	\$8.01	\$5.22	\$8.29	6.6%	6.5%
	<b>Subtotal</b>	<b>\$5.30</b>	<b>\$8.68</b>	<b>\$5.38</b>	<b>\$8.95</b>	<b>8.0%</b>	<b>7.9%</b>
Southeast	Flex/R&D	\$5.98	\$9.15	\$6.57	\$9.95	7.7%	7.9%
	Warehouse Distribution	\$5.14	\$9.14	\$5.00	\$10.08	2.6%	2.7%
	Warehouse Office	\$5.19	\$8.47	\$5.09	\$8.22	5.9%	4.7%
	<b>Subtotal</b>	<b>\$5.49</b>	<b>\$8.77</b>	<b>\$5.73</b>	<b>\$9.05</b>	<b>5.0%</b>	<b>4.5%</b>
Southwest	Flex/R&D	\$5.95	\$9.72	\$6.08	\$9.84	7.9%	7.7%
	Warehouse Distribution	\$4.86	\$9.64	\$4.87	\$9.67	2.3%	2.3%
	Warehouse Office	\$5.60	\$8.55	\$5.24	\$8.39	4.9%	5.4%
	<b>Subtotal</b>	<b>\$5.72</b>	<b>\$9.23</b>	<b>\$5.65</b>	<b>\$9.23</b>	<b>5.1%</b>	<b>5.3%</b>
West	Flex/R&D	\$5.72	\$10.17	\$5.88	\$10.25	12.4%	12.3%
	Warehouse Distribution	\$4.69	\$9.44	\$4.60	\$8.40	5.4%	4.0%
	Warehouse Office	\$5.72	\$9.04	\$5.31	\$8.21	0.8%	1.8%
	<b>Subtotal</b>	<b>\$5.57</b>	<b>\$9.77</b>	<b>\$5.46</b>	<b>\$9.23</b>	<b>4.6%</b>	<b>4.7%</b>
<b>Grand Total</b>		<b>\$5.51</b>	<b>\$8.93</b>	<b>\$5.60</b>	<b>\$9.13</b>	<b>6.0%</b>	<b>5.6%</b>

Available and Vacancy by Market (All Properties)



# Lease and Vacancy Rates by Market (Multi-Tenant)

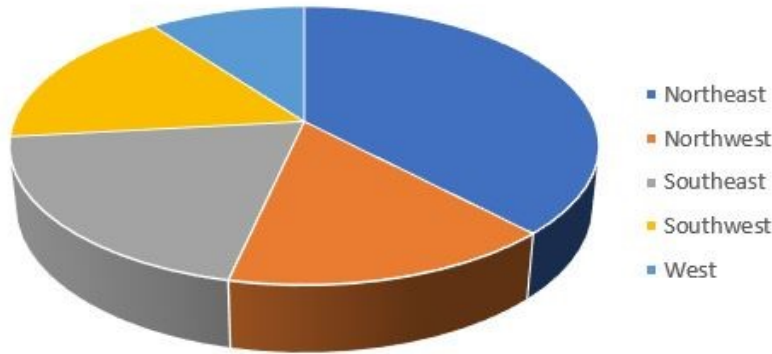
Market	Property Type	Q4 18	Q4 18	Q1 19	Q1 19	Q4 18	Q1 19
		Ave Lease Rate Low	Ave Lease Rate High	Ave Lease Rate Low	Ave Lease Rate High	Vacancy Rate	Vacancy Rate
Northeast	Flex/R&D	\$6.56	\$10.10	\$6.51	\$10.23	6.1%	7.5%
	Warehouse Distribution	\$4.95	\$8.08	\$4.95	\$8.43	16.4%	13.5%
	Warehouse Office	\$5.15	\$8.13	\$5.20	\$8.61	7.9%	6.7%
	<b>Subtotal</b>	<b>\$5.56</b>	<b>\$8.74</b>	<b>\$5.67</b>	<b>\$9.21</b>	<b>9.7%</b>	<b>8.6%</b>
Northwest	Flex/R&D	\$5.76	\$9.60	\$5.82	\$10.00	12.5%	12.5%
	Warehouse Distribution	\$5.10	\$8.48	\$4.98	\$8.32	10.1%	9.6%
	Warehouse Office	\$5.06	\$8.01	\$5.24	\$8.27	9.9%	9.3%
	<b>Subtotal</b>	<b>\$5.31</b>	<b>\$8.68</b>	<b>\$5.39</b>	<b>\$8.95</b>	<b>10.4%</b>	<b>10.0%</b>
Southeast	Flex/R&D	\$5.98	\$9.15	\$6.57	\$9.95	8.7%	8.9%
	Warehouse Distribution	\$5.14	\$9.14	\$5.00	\$10.08	4.3%	4.4%
	Warehouse Office	\$5.12	\$8.65	\$5.10	\$8.44	9.5%	7.1%
	<b>Subtotal</b>	<b>\$5.47</b>	<b>\$8.89</b>	<b>\$5.79</b>	<b>\$9.23</b>	<b>7.5%</b>	<b>6.6%</b>
Southwest	Flex/R&D	\$5.95	\$9.66	\$6.08	\$9.79	10.4%	10.1%
	Warehouse Distribution	\$4.86	\$9.64	\$4.87	\$9.67	2.9%	2.9%
	Warehouse Office	\$5.65	\$8.50	\$5.24	\$8.39	6.2%	6.3%
	<b>Subtotal</b>	<b>\$5.74</b>	<b>\$9.19</b>	<b>\$5.64</b>	<b>\$9.20</b>	<b>6.6%</b>	<b>6.5%</b>
West	Flex/R&D	\$5.72	\$10.17	\$5.88	\$10.25	14.0%	13.8%
	Warehouse Distribution	\$4.69	\$9.44	\$4.60	\$8.40	7.5%	5.5%
	Warehouse Office	\$5.72	\$9.04	\$5.31	\$8.21	1.8%	3.7%
	<b>Subtotal</b>	<b>\$5.57</b>	<b>\$9.77</b>	<b>\$5.46</b>	<b>\$9.23</b>	<b>7.3%</b>	<b>7.5%</b>
<b>Grand Total</b>		<b>\$5.52</b>	<b>\$8.94</b>	<b>\$5.60</b>	<b>\$9.15</b>	<b>8.6%</b>	<b>8.0%</b>



# Leasing Activity

PROPERTY	SIZE (SF)	MARKET	TENANT	LANDLORD
Highcrest II 2503 Walnut St	144,000	Northeast	US Autoforce	Meritex-Highcrest DC III LLC
Diamond Lake 2 20015 Diamond Lake Rd S	64,800	Northwest	Primus	20015/20195 Diamond Lake Rd
8237 Auburn Path	63,151	Southeast	Nippon	Industrial Equities
Fridley Interstate Rail Dist Center 5100 Main St NE	56,140	Northeast	KSP Fulfillment	Industrial Equities North Yard, LLC
New Brighton Corporate Center 2100 Old Hwy 8 NW	51,586	Northeast	Wilson Wolf	Greenfield Partners, LLC

Leased SF by Market

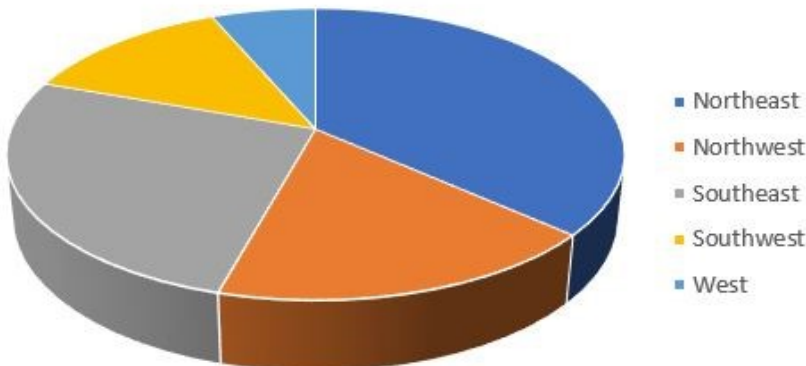


Market	Leased SF
Northeast	1,311,171
Northwest	539,049
Southeast	683,292
Southwest	576,255
West	349,041
<b>Grand Total</b>	<b>3,458,808</b>

# Sales Activity

PROPERTY	SIZE (SF)	PRICE/TYPE	MARKET	BUYER	SELLER
FedEx 8450 Revere Ln	285,000	\$26,400,000	Northwest	St Paul Fire and Marine Insurance Co c/o Travelers	GPT Revere Lane Owner LLC c/o Gramercy Property Trust
Blaine Preserve Bus Park 3705 95th Ave NE	243,126	\$21,900,000	Northeast	STAG Industrial Holdings, LLC c/o STAG Industrial	Blaine Preserve Phase III LLC c/o United Properties
Northern Stacks I 41 Northern Stacks Dr NE	213,000	\$20,200,000	Northeast	St Paul Fire and Marine Insurance Co c/o Travelers	GPT Northern Stacks Owner LLC c/o Gramercy Property Trust
20000 S Diamond Lk Rd	285,000	\$20,000,000	Northwest	St Paul Fire and Marine Insurance Co c/o Travelers	RT Diamond Lake II LLC c/o Gramercy Property Trust
Vandalia Tower 550 Vandalia St	191,910	\$13,800,000	Northeast	Workshop Vandalia Owner LLC c/o Sam Ankin	First & First LLC

Total Space Sold by Market (sf)



Market	Bldg Size (sf)
Northeast	862,834
Northwest	418,430
Southeast	617,926
Southwest	308,571
West	151,884
<b>Grand Total</b>	<b>2,359,645</b>

# Methodology

The Mpls-St Paul market consists of single and multi-tenant industrial buildings 20,000 sf or larger or part of a complex larger than 20,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington and Wright counties. The tracked set does not include self-storage facilities and non-conforming property types such as grain elevators or fuel storage facilities. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on a NNN basis.

**The Mpls-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 each market area.**

## Terminology

<b>Inventory</b>	The total square feet (sf) of existing single and 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, Washington and Wright Counties.
<b>Total Available (sf)</b>	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.
<b>Total Vacant (sf)</b>	The total of all the vacant square feet within a building including both direct and sublease space.
<b>Direct Vacant (sf)</b>	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
<b>Sublease Space</b>	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.
<b>Net Absorption</b>	The net change in occupancy from quarter to quarter, expressed in square feet.
<b>Average Asking Rate</b>	The average low and high asking lease rate expressed as a per square foot value in NNN terms.
<b>Warehouse Distribution</b>	Higher clear height and typically over 24 foot clear.
<b>Warehouse Office</b>	More office build out compared to warehouse distribution and clear heights less than 24 foot clear
<b>Warehouse Flex</b>	Higher end finishing and landscaping. More office build out compared to warehouse office.



## Advisory Board Members

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