

MARKET TRENDS

Q2 2019 | Mpls-St Paul | Industrial

Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	1,950,668	
Area Unemployment	2.7	
U.S. Unemployment	3.6	
Industrial Jobs	198,900	

Source: BLS

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

Market Recap

Total Inventory (sf)	244,553,436
Total # of Bldgs	2,853
Absorption	829,298
Vacancy	5.0%
Asking Rate Low (NNN)	\$5.67
Asking Rate High (NNN)	\$9.22
Under Construction (sf)	2,400,546

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) increased 40 basis points to 2.7% for May 2019 from 2.3% for May 2018. The unemployment rate for the US was at 3.6% in May 2019, down from 3.8% Y-o-Y for the US. The Mpls-St Paul MSA saw an increase in industrial job growth in manufacturing increasing 1,200 during the same period.

Market Overview

The Mpls-St Paul industrial market consists of 244 msf in eight counties across the metro and posted over 829,000 sf of positive absorption for Q2 2019. The overall vacancy rate for the market stands at 5.0% and multi-tenant vacancy was 8.0% for Q2-2019. The average asking lease low rate was \$5.67 and high rate was \$9.22 NNN for Mpls-St Paul. To date, there are 12 construction projects throughout the market totaling over 2.4 msf and 1.8M sf was delivered year to date.

Market Highlights

At the close of Q2 2019, the market experienced over 1.6 msf of leasing activity. The vacancy rate finished the quarter at 5.0% in total with the Southeast and West Markets being the tightest at 4.0% for all properties. Illume held the top spot in absorption with 277,000 sf in the Northwest Market. The Northwest Market is showing the highest vacancy rate at 6.1% for all properties while Northeast is highest for multi-tenant properties at 9.4%.

Market Statistics by Property Type (All Properties)

Total							
Property Type	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Flex/R&D	589	40,171,768	4,684,148	3,337,862	72,605	37,222	8.3%
Warehouse Distribution	450	80,365,830	6,130,966	3,685,661	604,591	1,303,400	4.6%
Warehouse Office	1,814	124,015,839	7,962,987	5,146,419	152,102	277,806	4.1%
Grand Total	2,853	244,553,436	18,778,101	12,169,942	829,298	1,618,428	5.0%

Direct							
Property Type	# of Bldgs	Inventory	Direct Avail	Direct Vacant	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Flex/R&D	589	40,171,768	4,394,466	3,140,622	92,121	32,428	7.8%
Warehouse Distribution	450	80,365,830	5,722,145	3,567,371	598,830	1,303,400	4.4%
Warehouse Office	1,814	124,015,839	7,418,976	4,912,392	171,095	287,585	4.0%
Grand Total	2,853	244,553,436	17,535,587	11,620,385	862,046	1,623,413	4.8%

Sublease							
Property Type	# of Bldgs	Inventory	Sublease Avail	Sublease Vacant	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Flex/R&D	589	40,171,768	289,682	197,240	(19,516)	4,793	0.5%
Warehouse Distribution	450	80,365,830	408,821	118,290	5,761	0	0.1%
Warehouse Office	1,814	124,015,839	544,011	234,027	(18,993)	(9,779)	0.2%
Grand Total	2,853	244,553,436	1,242,514	549,557	(32,748)	(4,986)	0.2%

Market Statistics by Property Type (Multi-Tenant)

Total							
Property Type	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Flex/R&D	510	31,885,387	4,509,152	3,145,935	72,605	37,222	9.9%
Warehouse Distribution	250	41,113,414	5,418,637	3,330,530	169,779	668,588	8.1%
Warehouse Office	834	56,205,713	5,319,185	3,846,961	292,743	630,318	6.8%
Grand Total	1,594	129,204,513	15,246,974	10,323,426	535,127	1,336,128	8.0%

Direct							
Property Type	# of Bldgs	Inventory	Direct Avail	Direct Vacant	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Flex/R&D	510	31,885,387	4,263,981	2,993,206	92,121	32,428	9.4%
Warehouse Distribution	250	41,113,414	5,187,130	3,330,530	164,018	668,588	8.1%
Warehouse Office	834	56,205,713	4,934,856	3,712,616	265,688	594,049	6.6%
Grand Total	1,594	129,204,513	14,385,967	10,036,352	521,827	1,295,065	7.8%

Sublease							
Property Type	# of Bldgs	Inventory	Sublease Avail	Sublease Vacant	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Flex/R&D	510	31,885,387	245,171	152,729	(19,516)	4,793	0.5%
Warehouse Distribution	250	41,113,414	231,507		5,761	0	0.0%
Warehouse Office	834	56,205,713	384,329	134,345	27,055	36,269	0.2%
Grand Total	1,594	129,204,513	861,007	287,074	13,300	41,062	0.2%

Market Statistics by Market (All Properties)

Market	Property Type	# of Bldgs	Inventory	Avail SF	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Northeast	Flex/R&D	151	10,911,685	1,405,768	823,691	27,803	(101,674)	7.5%
	Warehouse Distribution	143	24,998,631	2,459,440	1,535,632	34,583	528,971	6.1%
	Warehouse Office	694	48,264,293	2,893,749	1,925,655	36,360	205,588	4.0%
	Subtotal	988	84,174,609	6,758,957	4,284,978	98,746	632,885	5.1%
Northwest	Flex/R&D	92	7,305,349	906,398	678,862	52,528	51,772	9.3%
	Warehouse Distribution	129	22,322,862	2,242,455	1,429,747	413,994	482,747	6.4%
	Warehouse Office	327	22,016,136	1,556,681	1,059,731	221,953	229,169	4.8%
	Subtotal	548	51,644,347	4,705,534	3,168,340	688,475	763,688	6.1%
Southeast	Flex/R&D	113	6,420,220	714,915	575,293	(45,071)	(57,265)	9.0%
	Warehouse Distribution	89	17,009,130	782,710	336,711	105,019	189,139	2.0%
	Warehouse Office	379	25,496,256	1,621,896	1,027,817	(97,045)	45,091	4.0%
	Subtotal	581	48,925,607	3,119,521	1,939,821	(37,097)	176,965	4.0%
Southwest	Flex/R&D	175	11,653,043	1,092,775	814,124	16,522	123,664	7.0%
	Warehouse Distribution	59	12,436,714	406,585	267,776	21,267	21,267	2.2%
	Warehouse Office	273	18,909,075	1,672,474	1,018,067	(40,473)	(152,673)	5.4%
	Subtotal	507	42,998,833	3,171,834	2,099,967	(2,684)	(7,742)	4.9%
West	Flex/R&D	58	3,881,471	564,292	445,892	20,823	20,725	11.5%
	Warehouse Distribution	30	3,598,492	239,776	115,795	29,728	81,276	3.2%
	Warehouse Office	141	9,330,078	218,187	115,149	31,307	(49,369)	1.2%
	Subtotal	229	16,810,041	1,022,255	676,836	81,858	52,632	4.0%
Grand Total		2,853	244,553,436	18,778,101	12,169,942	829,298	1,618,428	5.0%

Available and Vacancy by Market (All Properties)



Market Statistics by Market (Multi-Tenant)

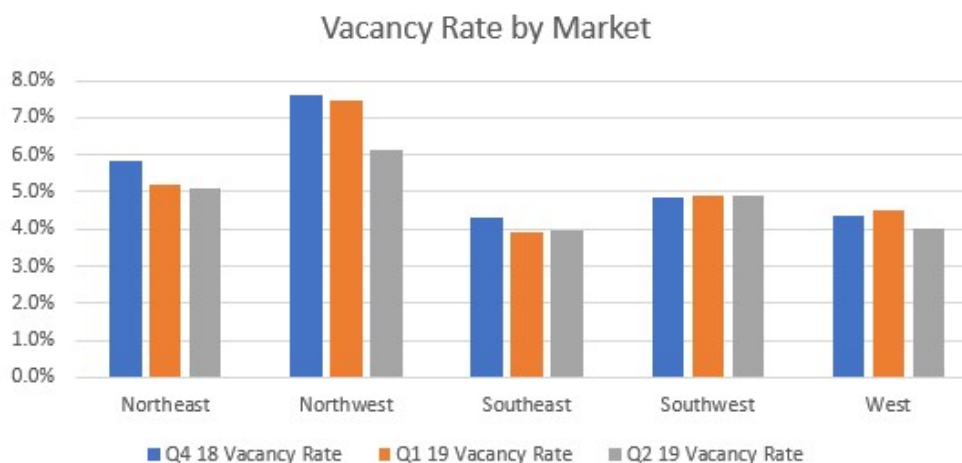
Market	Property Type	# of Bldgs	Inventory	Avail SF	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Northeast	Flex/R&D	129	9,480,363	1,351,068	823,691	27,803	(101,674)	8.7%
	Warehouse Distribution	62	9,842,369	2,288,256	1,445,822	(105,672)	188,716	14.7%
	Warehouse Office	299	21,803,623	2,023,962	1,583,156	136,026	382,264	7.3%
	Subtotal	490	41,126,354	5,663,286	3,852,669	58,157	469,306	9.4%
Northwest	Flex/R&D	76	4,682,491	906,398	531,446	52,528	51,772	11.3%
	Warehouse Distribution	79	13,308,147	1,986,134	1,198,426	136,772	205,525	9.0%
	Warehouse Office	145	9,145,717	1,017,462	661,634	144,233	185,297	7.2%
	Subtotal	300	27,136,355	3,909,994	2,391,506	333,533	442,594	8.8%
Southeast	Flex/R&D	100	5,500,555	670,404	530,782	(45,071)	(57,265)	9.6%
	Warehouse Distribution	49	7,054,631	497,886	302,711	87,684	171,804	4.3%
	Warehouse Office	164	10,603,718	844,818	634,151	21,650	163,786	6.0%
	Subtotal	313	23,158,905	2,013,108	1,467,644	64,263	278,325	6.3%
Southwest	Flex/R&D	152	8,789,461	1,016,990	814,124	16,522	123,664	9.3%
	Warehouse Distribution	39	8,265,522	406,585	267,776	21,267	21,267	3.2%
	Warehouse Office	161	10,661,338	1,217,756	855,871	(40,473)	(54,660)	8.0%
	Subtotal	352	27,716,321	2,641,331	1,937,771	(2,684)	90,271	7.0%
West	Flex/R&D	53	3,432,517	564,292	445,892	20,823	20,725	13.0%
	Warehouse Distribution	21	2,642,744	239,776	115,795	29,728	81,276	4.4%
	Warehouse Office	65	3,991,317	215,187	112,149	31,307	(46,369)	2.8%
	Subtotal	139	10,066,578	1,019,255	673,836	81,858	55,632	6.7%
Grand Total		1,594	129,204,513	15,246,974	10,323,426	535,127	1,336,128	8.0%

Available and Vacancy by Market (Multi-Tenant)



Vacancy Rates by Market (All Properties)

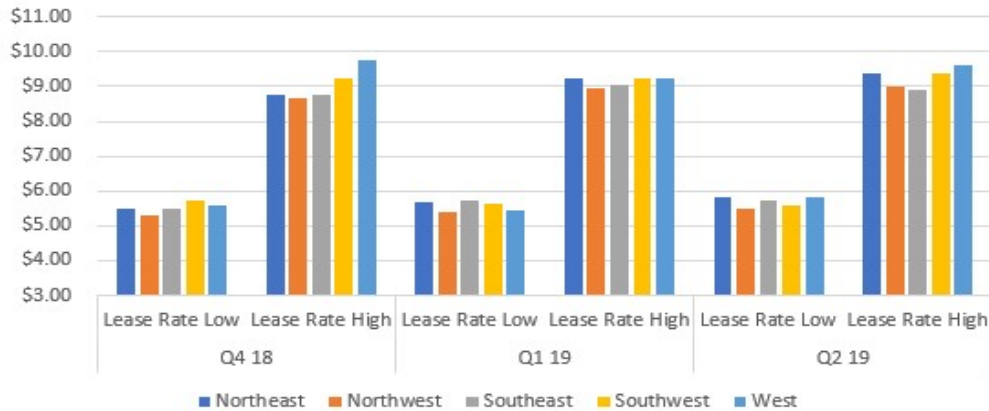
Market	Property Type	Q4 18 Vacancy Rate	Q1 19 Vacancy Rate	Q2 19 Vacancy Rate
Northeast	Flex/R&D	6.6%	7.8%	7.5%
	Warehouse Distribution	8.3%	6.3%	6.1%
	Warehouse Office	4.4%	4.1%	4.0%
	Subtotal	5.8%	5.2%	5.1%
Northwest	Flex/R&D	10.0%	10.0%	9.3%
	Warehouse Distribution	8.6%	8.3%	6.4%
	Warehouse Office	5.9%	5.8%	4.8%
	Subtotal	7.6%	7.5%	6.1%
Southeast	Flex/R&D	8.1%	8.3%	9.0%
	Warehouse Distribution	3.1%	2.6%	2.0%
	Warehouse Office	4.2%	3.7%	4.0%
	Subtotal	4.3%	3.9%	4.0%
Southwest	Flex/R&D	8.0%	7.1%	7.0%
	Warehouse Distribution	2.3%	2.3%	2.2%
	Warehouse Office	4.6%	5.2%	5.4%
	Subtotal	4.9%	4.9%	4.9%
West	Flex/R&D	12.0%	12.0%	11.5%
	Warehouse Distribution	5.5%	4.0%	3.2%
	Warehouse Office	0.7%	1.6%	1.2%
	Subtotal	4.3%	4.5%	4.0%
Grand Total		5.6%	5.3%	5.0%



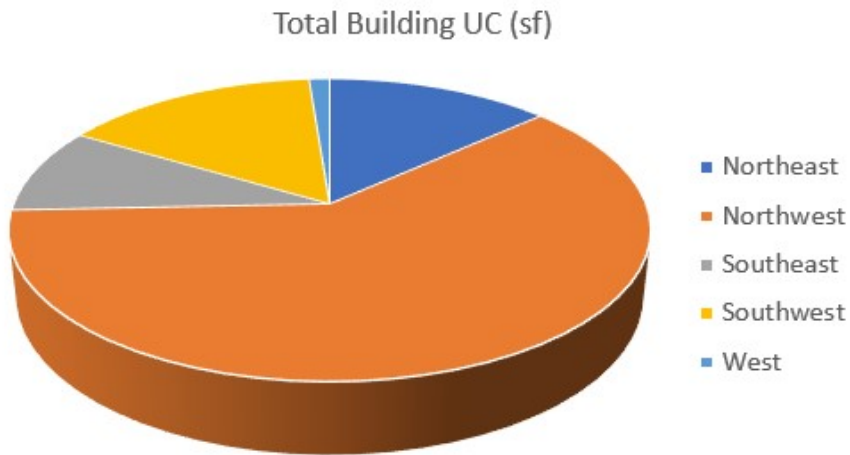
Lease Rates by Market (All Properties)

Market	Property Type	Q4 18 Lease Rate (NNN)		Q1 19 Lease Rate (NNN)		Q2 19 Lease Rate (NNN)	
		Low	High	Low	High	Low	High
Northeast	Flex/R&D	\$6.56	\$10.10	\$6.51	\$10.23	\$6.66	\$10.22
	Warehouse Distribution	\$4.93	\$8.12	\$4.96	\$8.36	\$5.26	\$9.01
	Warehouse Office	\$5.12	\$8.20	\$5.28	\$8.69	\$5.36	\$8.87
	Subtotal	\$5.51	\$8.76	\$5.69	\$9.22	\$5.82	\$9.39
Northwest	Flex/R&D	\$5.76	\$9.60	\$5.82	\$10.00	\$5.88	\$10.21
	Warehouse Distribution	\$5.08	\$8.49	\$4.95	\$8.38	\$4.99	\$8.47
	Warehouse Office	\$5.06	\$8.01	\$5.23	\$8.33	\$5.49	\$8.47
	Subtotal	\$5.30	\$8.68	\$5.37	\$8.97	\$5.47	\$9.01
Southeast	Flex/R&D	\$5.98	\$9.15	\$6.57	\$9.95	\$6.53	\$9.97
	Warehouse Distribution	\$5.24	\$9.45	\$5.13	\$10.25	\$4.99	\$8.41
	Warehouse Office	\$5.18	\$8.41	\$5.08	\$8.26	\$5.23	\$8.22
	Subtotal	\$5.49	\$8.77	\$5.73	\$9.05	\$5.71	\$8.90
Southwest	Flex/R&D	\$5.95	\$9.72	\$6.08	\$9.84	\$5.92	\$9.84
	Warehouse Distribution	\$4.91	\$9.75	\$4.92	\$9.79	\$5.06	\$9.94
	Warehouse Office	\$5.60	\$8.55	\$5.24	\$8.39	\$5.30	\$8.69
	Subtotal	\$5.71	\$9.24	\$5.64	\$9.25	\$5.60	\$9.39
West	Flex/R&D	\$5.67	\$10.15	\$5.80	\$10.22	\$6.40	\$10.50
	Warehouse Distribution	\$4.69	\$9.44	\$4.60	\$8.40	\$4.86	\$9.00
	Warehouse Office	\$5.89	\$8.93	\$5.37	\$8.04	\$5.43	\$8.55
	Subtotal	\$5.57	\$9.77	\$5.46	\$9.23	\$5.82	\$9.64
Grand Total		\$5.51	\$8.93	\$5.60	\$9.14	\$5.67	\$9.22

Average Lease Rates by Market

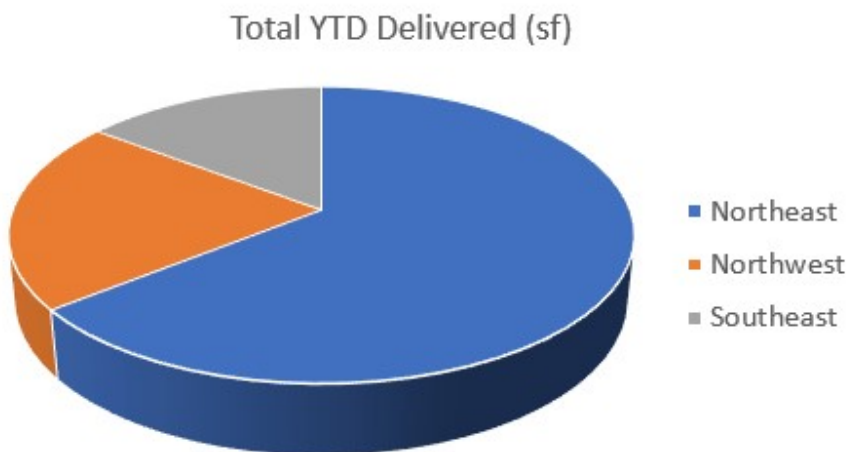


New Developments by Market



Market	Building (sf)
Northeast	320,500
Northwest	1,464,006
Southeast	220,000
Southwest	366,600
West	29,440
Grand Total	2,400,546

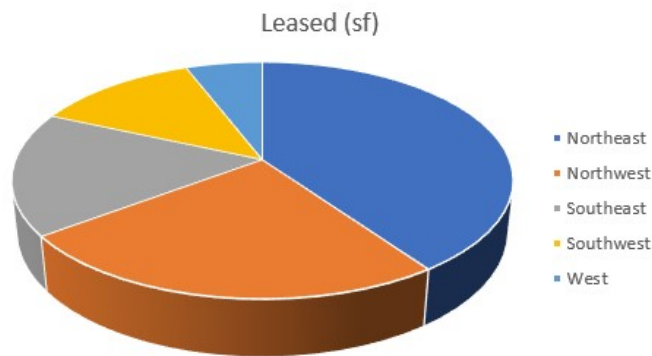
New Deliveries by Market



Market	Building (sf)
Northeast	1,191,706
Northwest	388,297
Southeast	273,200
Grand Total	1,853,203

Leasing Activity

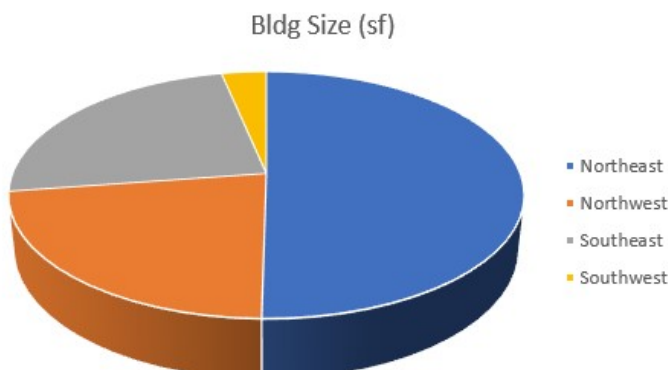
Property	Size (sf)	Market	Tenant	Landlord
Cleveland Ave Business Center 2814 Cleveland Ave N	175,000	Northeast	Colder Products	Dorso Building Co
345 Industrial Blvd NE	103,425	Northeast	SBS Transportation	Np-Ov 345 Industrial, LLC
Nesbitt Distribution Center 6150 W 110th St	86,400	Southwest	MTS	Nesbitt Industrial LLC
81 North 10655 Co Rd 81	67,000	Northwest	Amazon	Duke
48 Northern Stacks Dr NE	62,257	Northeast	Heraeus	Northern Stacks V, LLC



Market	Leased (sf)
Northeast	659,922
Northwest	402,424
Southeast	277,088
Southwest	204,788
West	95,936
Grand Total	1,640,158

Sales Activity

Property	Size (sf)	Price	Market	Buyer	Seller
5300 Pine Bend Trl	388,508	\$43,300,000	Southeast	Mosaic Crop Nutrition, LLC	CF Industries Sales, LLC c/o CF Industries
9150-9240 217th St W	282,100	\$23,525,000	Southeast	WPT Lakeville, LP c/o WPT REIT	FR/Cal Interstate South, LLC
Mid City Hoover 600-630 Hoover St NE	179,421	\$15,240,000	Northeast	BREIT Hennepin Industrial Owner, LLC c/o Blackstone	Industrial Equities Group, LLC c/o Industrial Equities
Brooklyn Boulevard Bus Center 8201 Brooklyn Blvd	129,000	\$14,740,000	Northwest	BREIT Hennepin Industrial Owner, LLC c/o Blackstone	Industrial Equities Group, LLC c/o Industrial Equities
Golden Valley Tech Center II 6325 Sandburg Rd	138,292	\$13,400,000	Northwest	BREIT Hennepin Industrial Owner, LLC c/o Blackstone	HAGV, LLC c/o Industrial Equities



Market	Bldg Size (sf)
Northeast	1,796,128
Northwest	801,874
Southeast	857,945
Southwest	118,663
Grand Total	3,574,610

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

Inventory	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.
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 feet within a building including both direct and sublease space.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
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.
Average Asking Rate	The average low and high asking lease rate expressed as a per square foot value in NNN terms.
Warehouse Distribution	Higher clear height and typically over 24 foot clear.
Warehouse Office	More office build out compared to warehouse distribution and clear heights less than 24 foot clear
Warehouse Flex	Higher end finishing and landscaping. More office build out compared to warehouse office.

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