1Q25

Minneapolis Industrial Market Overview

Market Observations

Economy

- Minneapolis–St. Paul has a robust headquarters economy, with 15 Fortune 500 companies—more per capita than any other major U.S. metro. More than 320 Fortune 1000 firms also maintain a local presence.
- The region benefits from an engaged labor pool, with the highest labor force participation rate among major metros at 72%.
- Minneapolis–St. Paul is recognized globally for its leadership in biotechnology and biomedical research, with strong connections to agriculture, food exports and water technology. The region also boasts one of the most significant concentrations of banking institutions and financial expertise in the country.
- The area consistently posts a low unemployment rate, remaining below the national average. As of January 2025, the unemployment rate was 2.4%, compared to 4.1% nationally.
- Minneapolis recorded 0.8% job growth over the past 12 months, with gains in government, education and health services, and other service sectors.

Major Transactions

- Schimberg Co., a distributor of pipes, valves and fittings, leased 103,000 SF at Royal Gateway Commerce Center in Woodbury.
- The national nonprofit Kids In Need Foundation is relocating its operations from Roseville to a 74,000-SF industrial building at 200 S. Owasso Blvd. E. in Little Canada, with plans to move later this spring.
- HM Cragg, an Edina-based distributor of backup power systems, will relocate to a new facility within the proposed Nexus at Opus Park complex in Eden Prairie, developed by Endeavor Development.
- Capital Partners acquired a 382,600-SF Amazon sortation center in Brooklyn Park for $32 million. The property was built in 2000, and Amazon invested $15 million to convert it in 2018.
- United Properties is planning two 189,000-SF industrial buildings on a 29-acre site in Carver that will include warehouse and office uses.
- Amazon purchased more than 95 acres at the former Thomson Reuters campus in Eagan for $52.5 million, signaling its involvement in the Ryan Cos.-led redevelopment, which includes a proposed 3.6 million-SF industrial facility.

Leasing Market Fundamentals/Outlook

- First-quarter 2025 absorption was strong at nearly 1.0 MSF, following 3.2 MSF of total absorption in 2024.
- Vacancy declined to 4.9% from 5.2% at year-end 2024.
- Despite elevated interest rates, property values have remained stable; however, extended sale timelines are beginning to put downward pressure on pricing.
- Rents continue to rise, driven by falling vacancy, limited new development and steady tenant demand. Asking rents climbed to $9.20/SF in the first quarter of 2025—a 7.5% increase from year-end 2023. This builds on annual gains of 9.2% in 2023 and 8.6% in 2022. Since 2020, industrial rents have risen 32.9%, with additional growth anticipated.
- Construction activity remains constrained. After peaking at 9.1 MSF in 2023, it fell 45.9% to 4.9 MSF in 2024 and continues to slow. Just 389,821 SF was delivered in the first quarter of 2025, with fewer than 3.0 MSF currently under construction.

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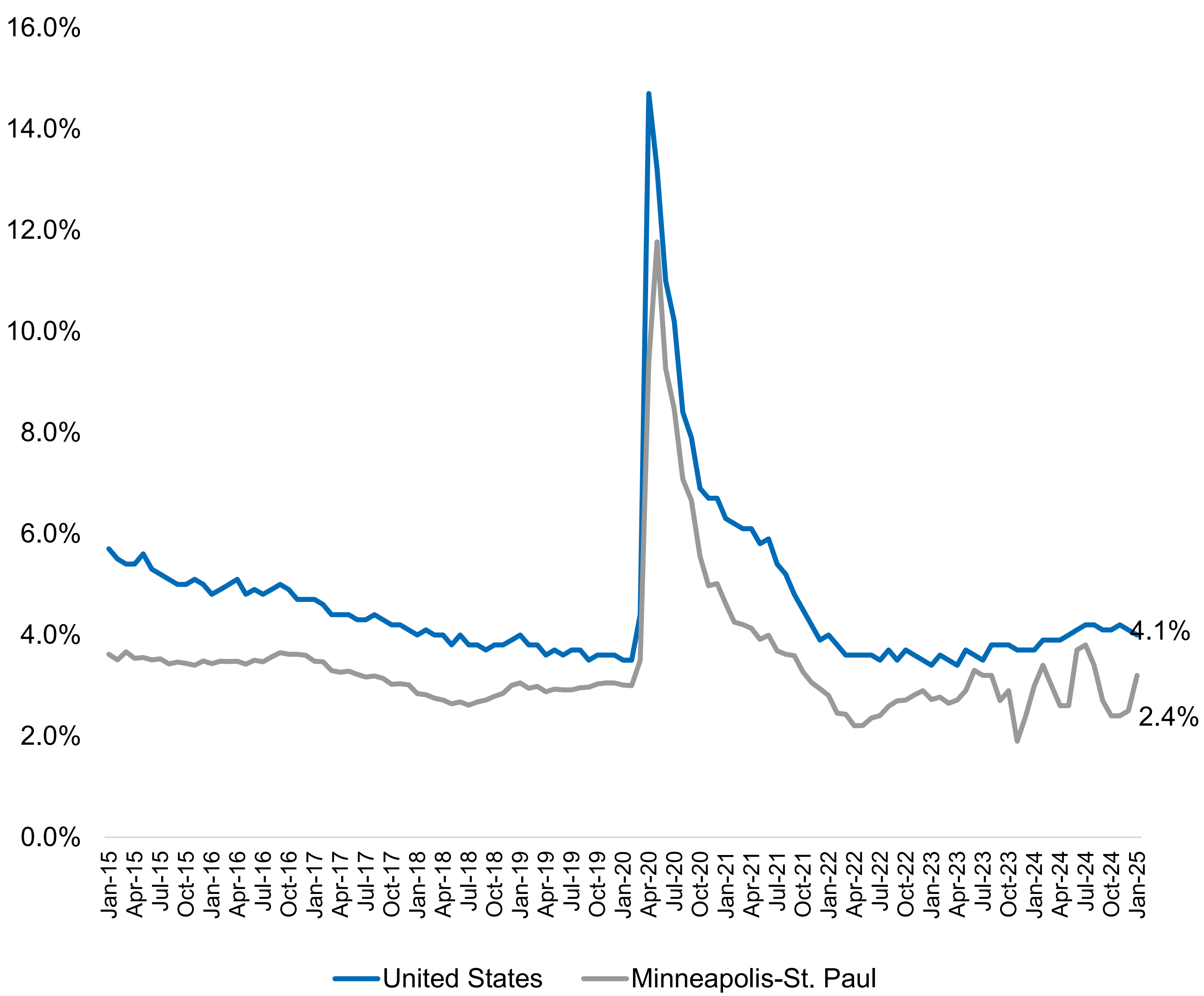
Economy

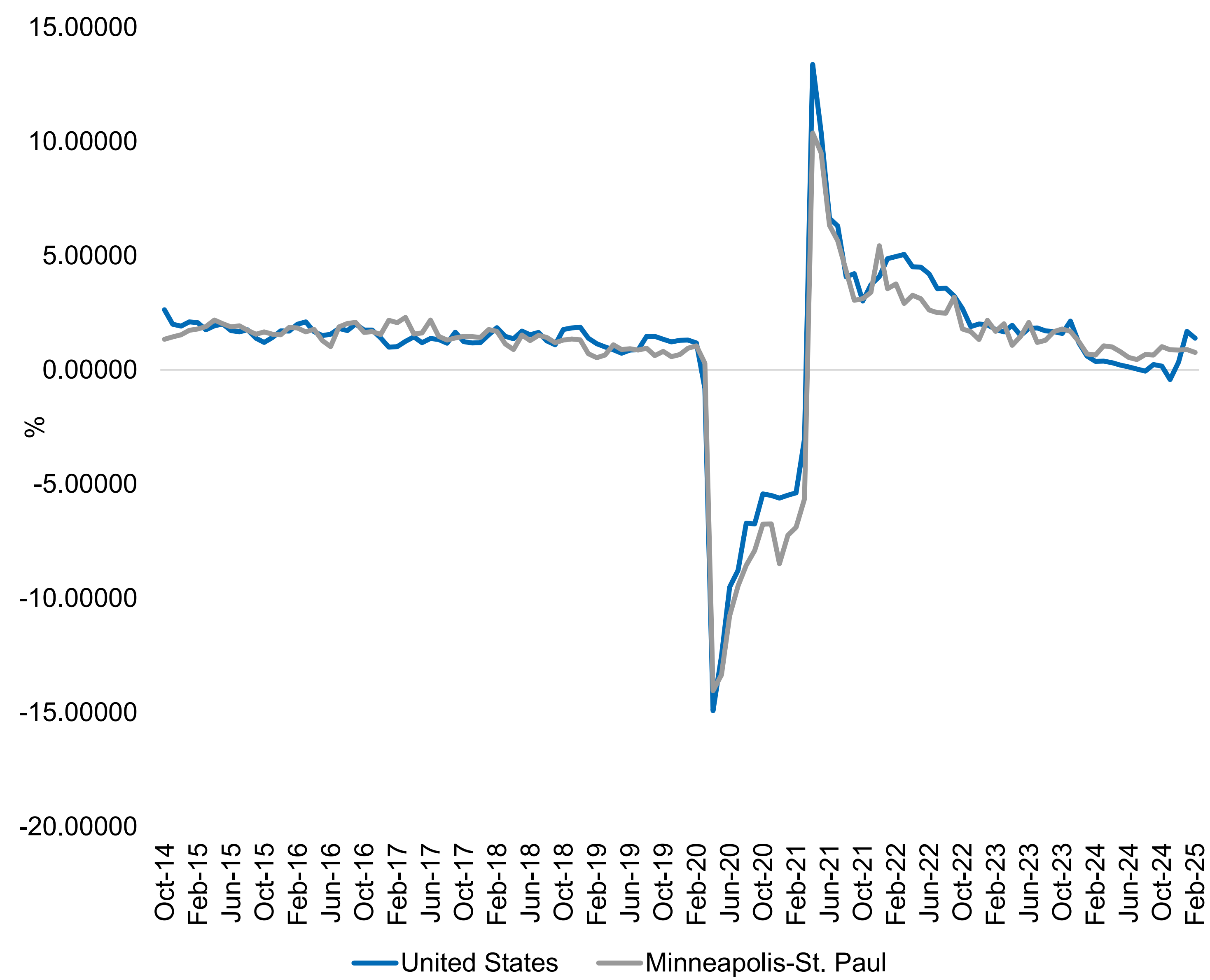
Minneapolis–St. Paul Unemployment Remains Low at 2.4%, but Job Growth Slows

Minneapolis–St. Paul's unemployment rate stood at 2.4% in January 2025, well below the national average of 4.1%, underscoring the region's strong labor market. However, job growth remains sluggish, with annual gains recently flat or below 1%.

Unemployment Rate



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

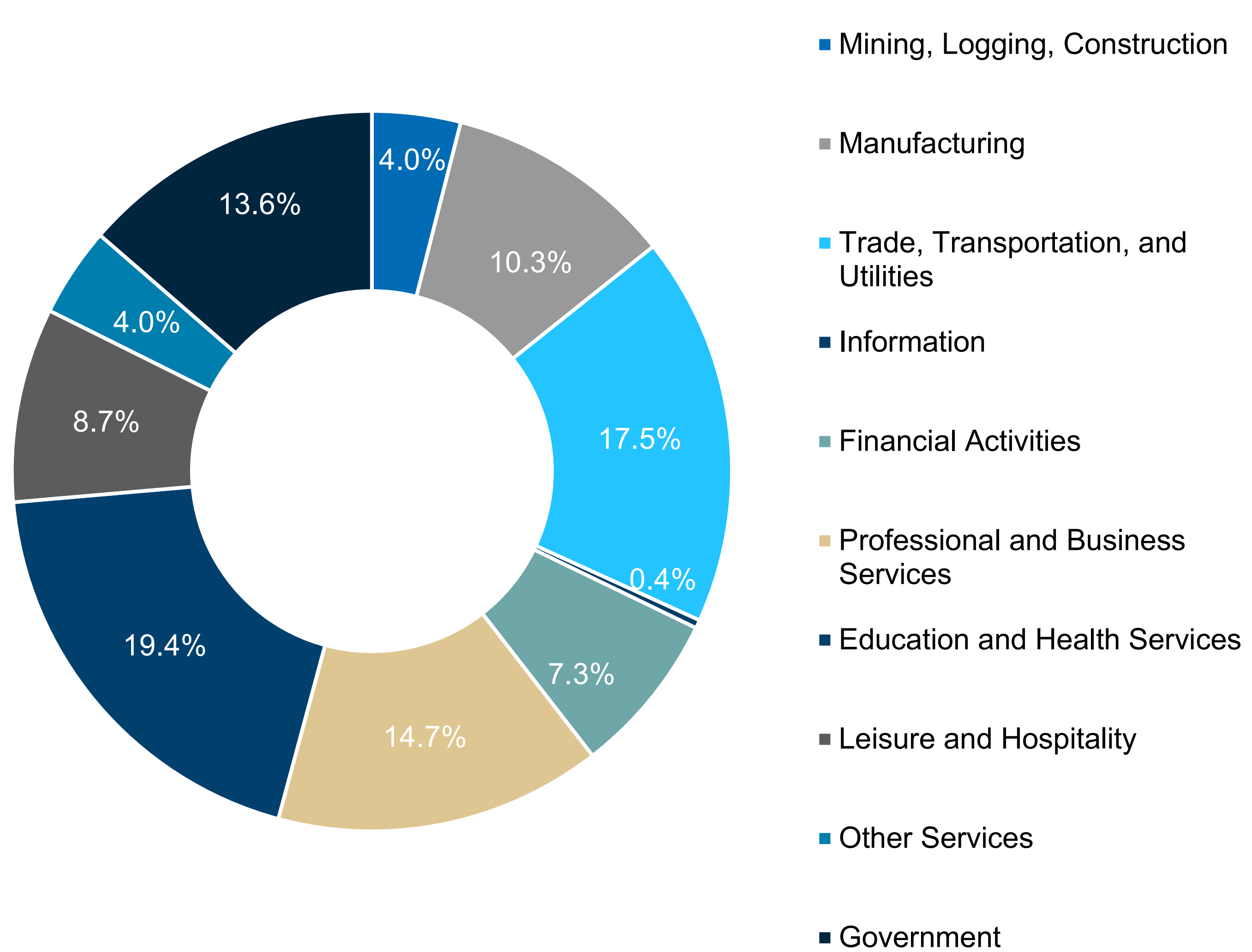


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

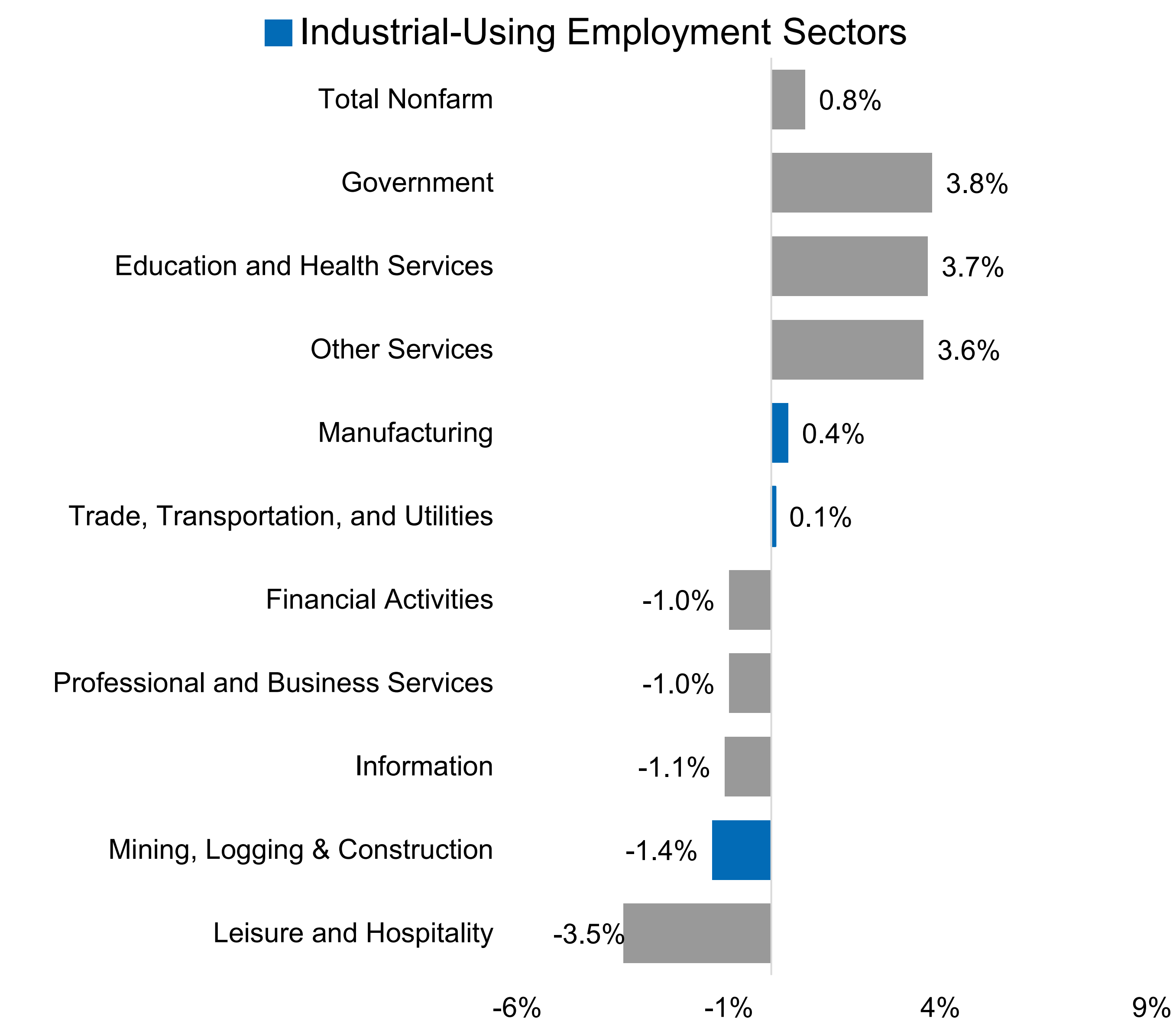
12-Month Industrial-Using Employment Declines

Job growth was led by Government, Education and Health Services, and Other Services, while the Leisure and Hospitality sector declined by 3.5%. Industrial-using employment—including Mining, Logging & Construction; Trade, Transportation and Utilities; and Manufacturing—was either flat or declined year-over-year.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February, 2025

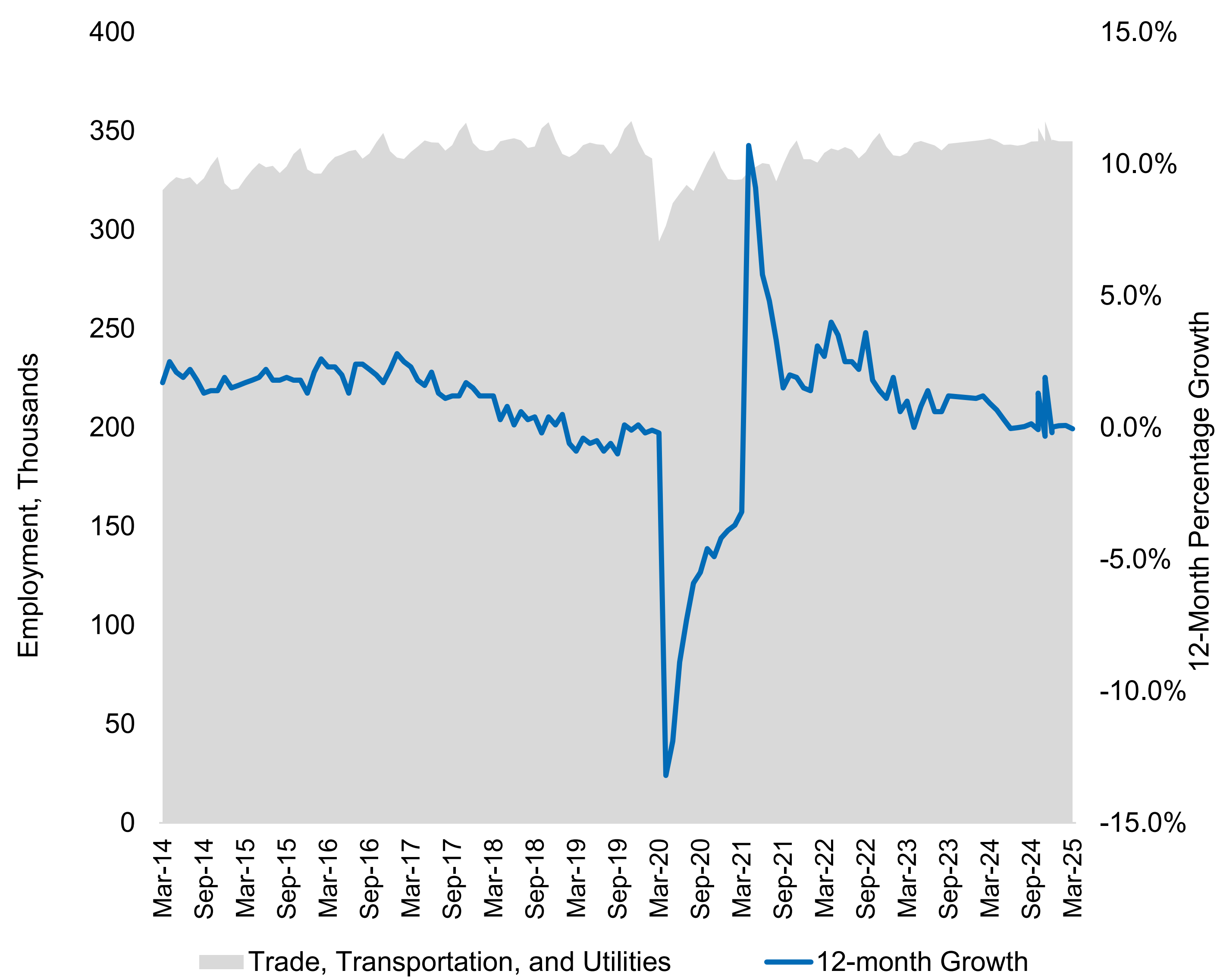


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

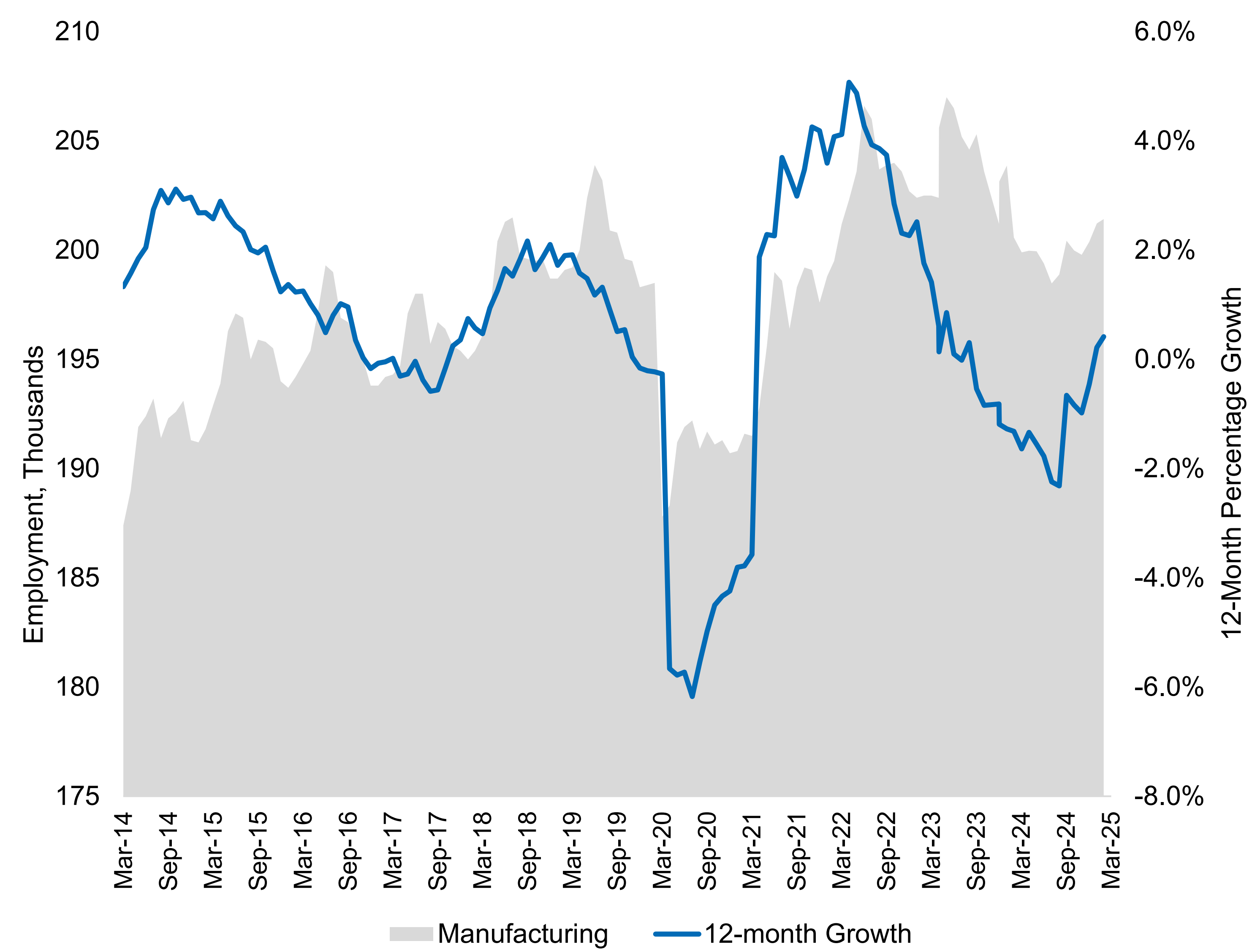
Industrial Employment Conditions Soften

Employment in Trade, Transportation and Utilities, and Manufacturing was stagnant or saw only modest gains in recent months, reflecting a cooling in industrial-related labor demand—potentially linked to broader economic uncertainty.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

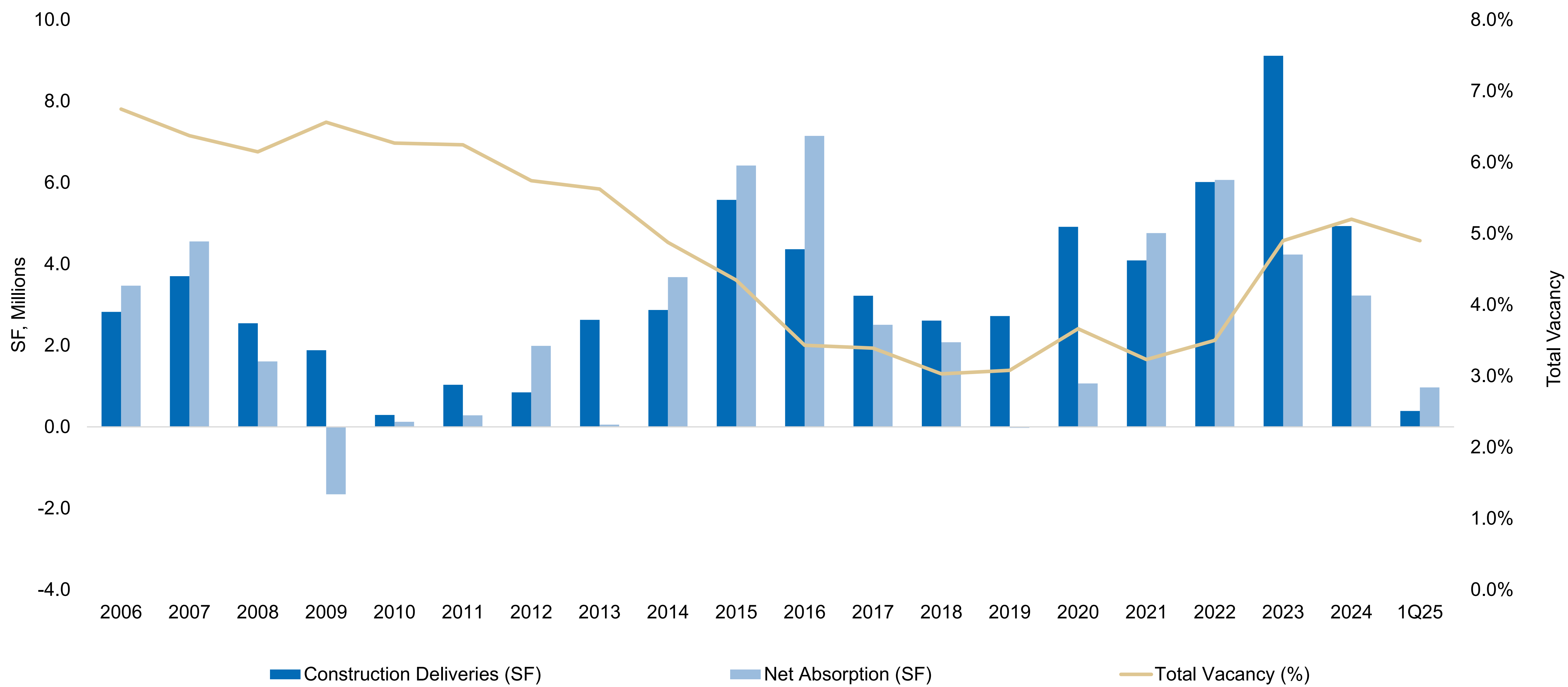
1Q25

Leasing Market Fundamentals

Vacancy Declines to 4.9% in 1Q25 Amid Steady Demand, Limited Supply

The vacancy rate declined to 4.9% in the first quarter of 2025 from 5.2% in the fourth quarter of 2024. This downward trend is expected to continue throughout 2025, supported by steady demand and limited new construction.

Historical Construction Deliveries, Net Absorption, and Vacancy

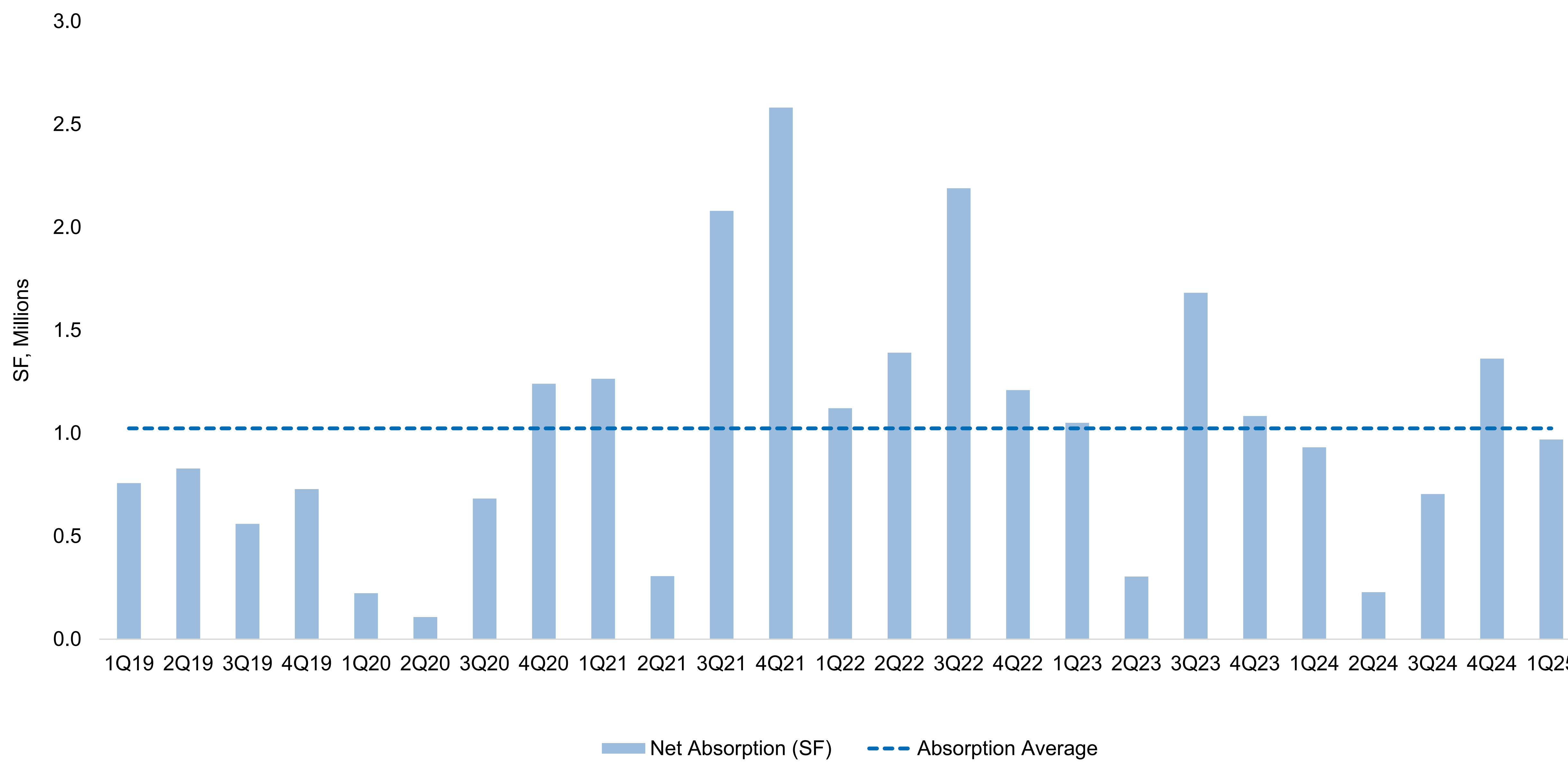


Source: Newmark Research, Costar, MNCAR

1Q25 Absorption 969,883 SF, Moderating After Peak Pandemic Demand

Absorption was strong in the first quarter of 2025 at 969,883 SF, following a total of 3.2 MSF in 2024. First-quarter absorption continues last year's more moderate pace, trailing the elevated levels recorded in previous years—6.0 MSF in 2022 and a peak of 9.1 MSF in 2023. This is a return to more normalized market activity following the post-pandemic industrial boom.

Quarterly Absorption

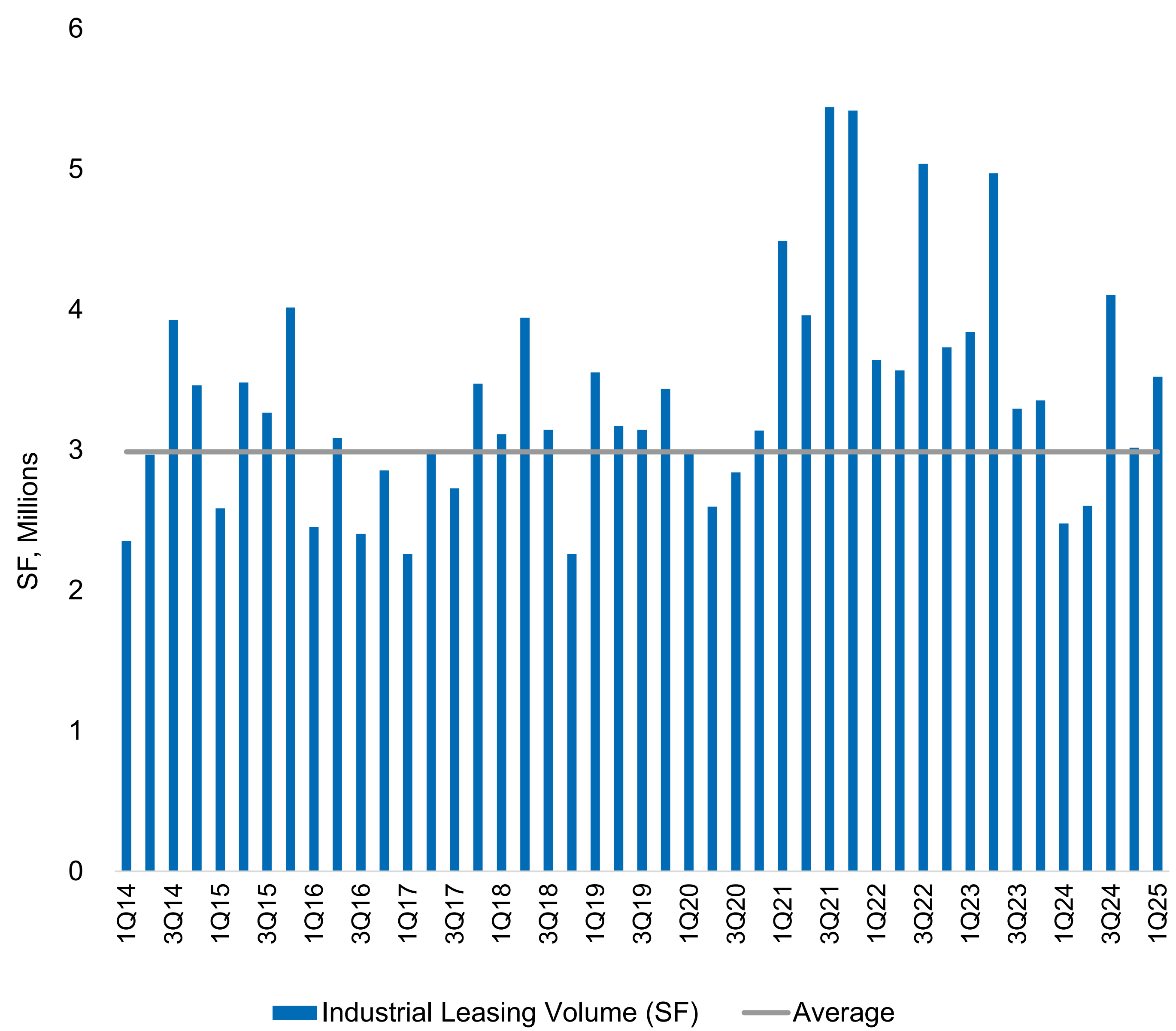


Source: Newmark Research, Costar, MNCAR

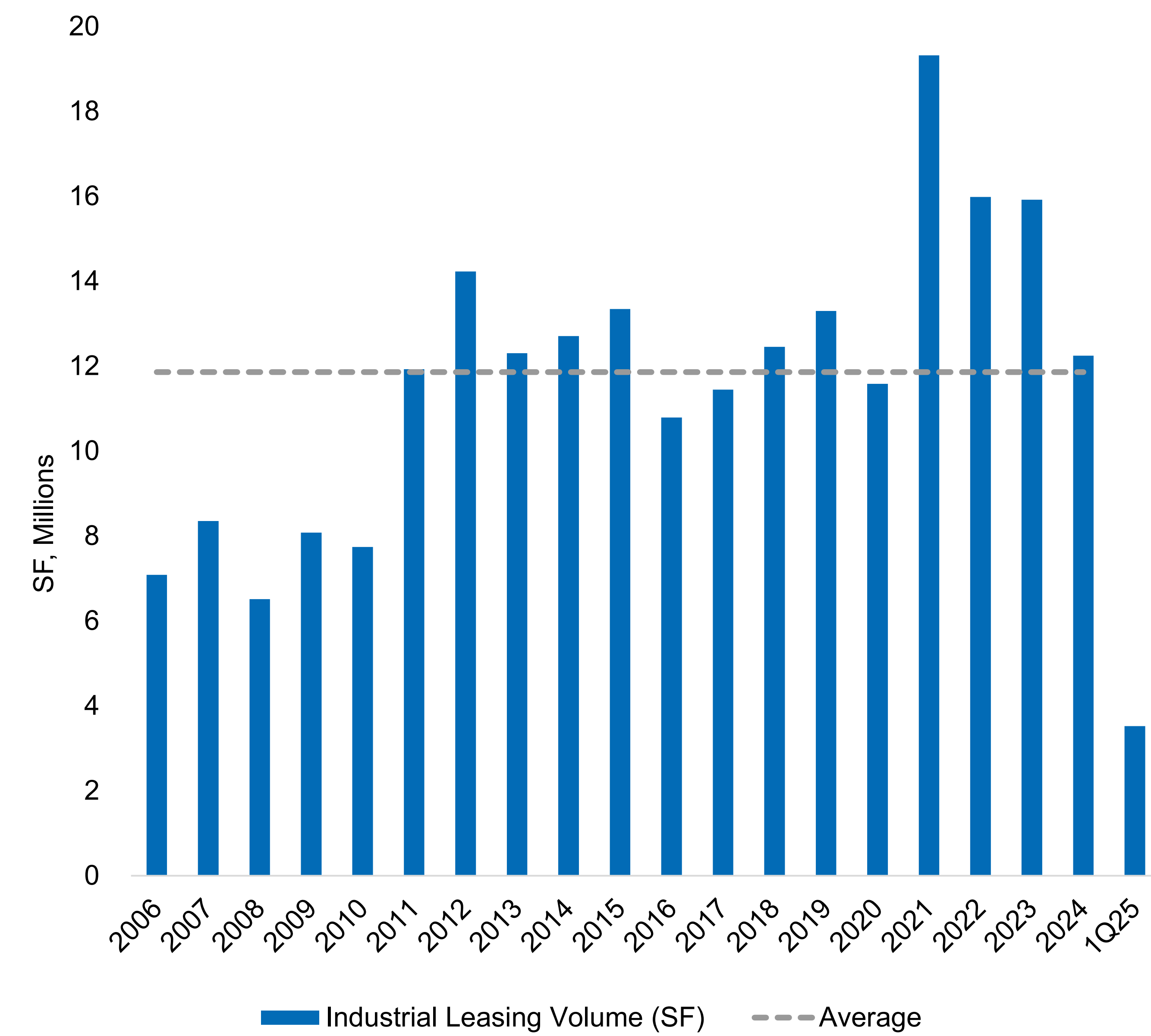
Industrial Leasing Above Historical Averages Amid Steady Tenant Demand

Industrial leasing activity got off to a strong start in 2025, surpassing historical averages. This elevated pace is due to continued tenant demand across key submarkets, despite broader economic uncertainty and rising rental rates.

Quarterly Leasing Activity (SF)



Annual Leasing Activity (SF)

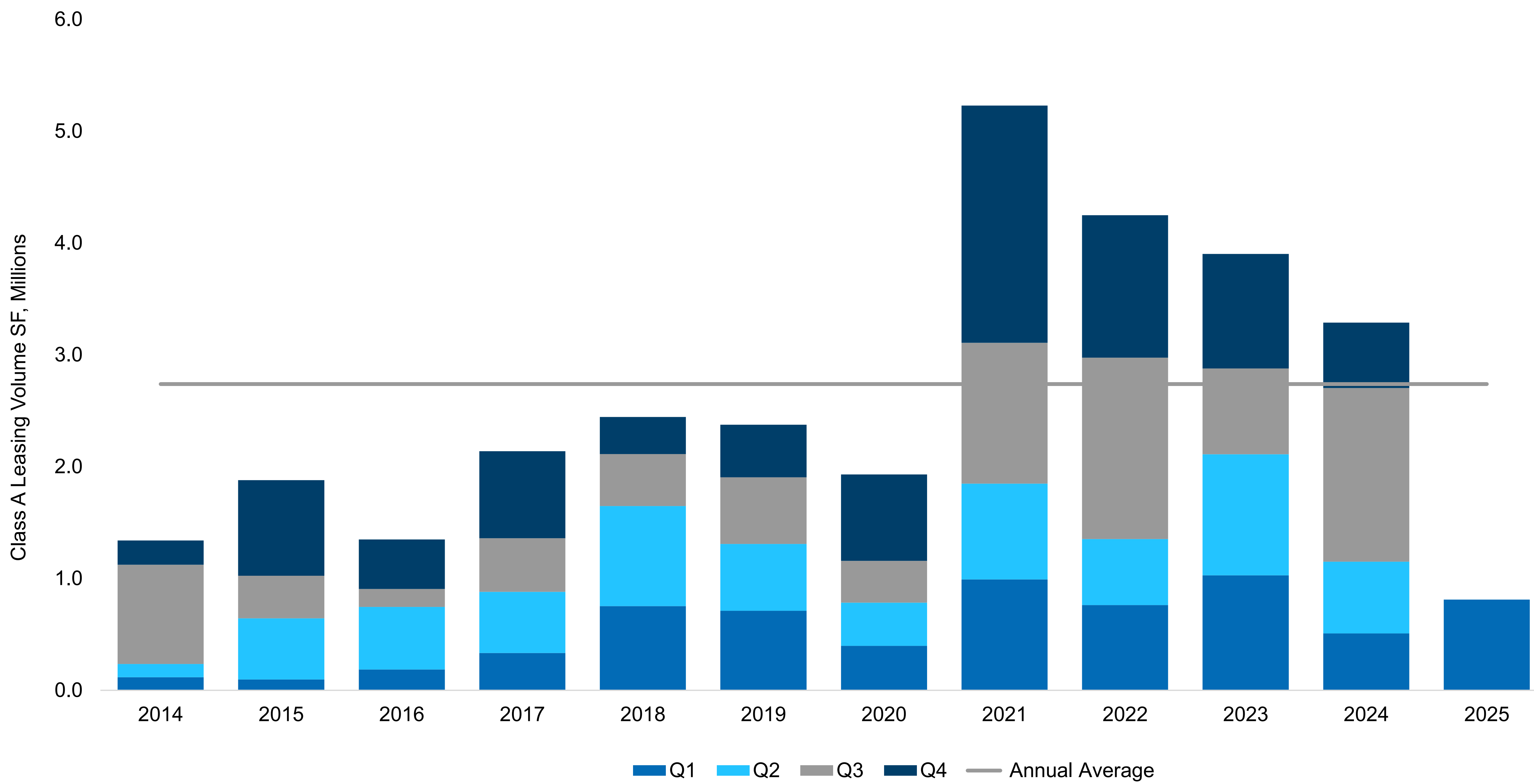


Source: Newmark Research, CoStar

1Q25 Class A Warehouse Leasing Surpasses 1Q24

Class A warehouse leasing volume peaked in 2021 and has since remained steady, maintaining above-average levels through 2022, 2023 and 2024. First-quarter 2025 leasing activity outpaced the same period in 2024, signaling continued demand for modern, high-quality industrial space.

Industrial Class A Leasing Volume

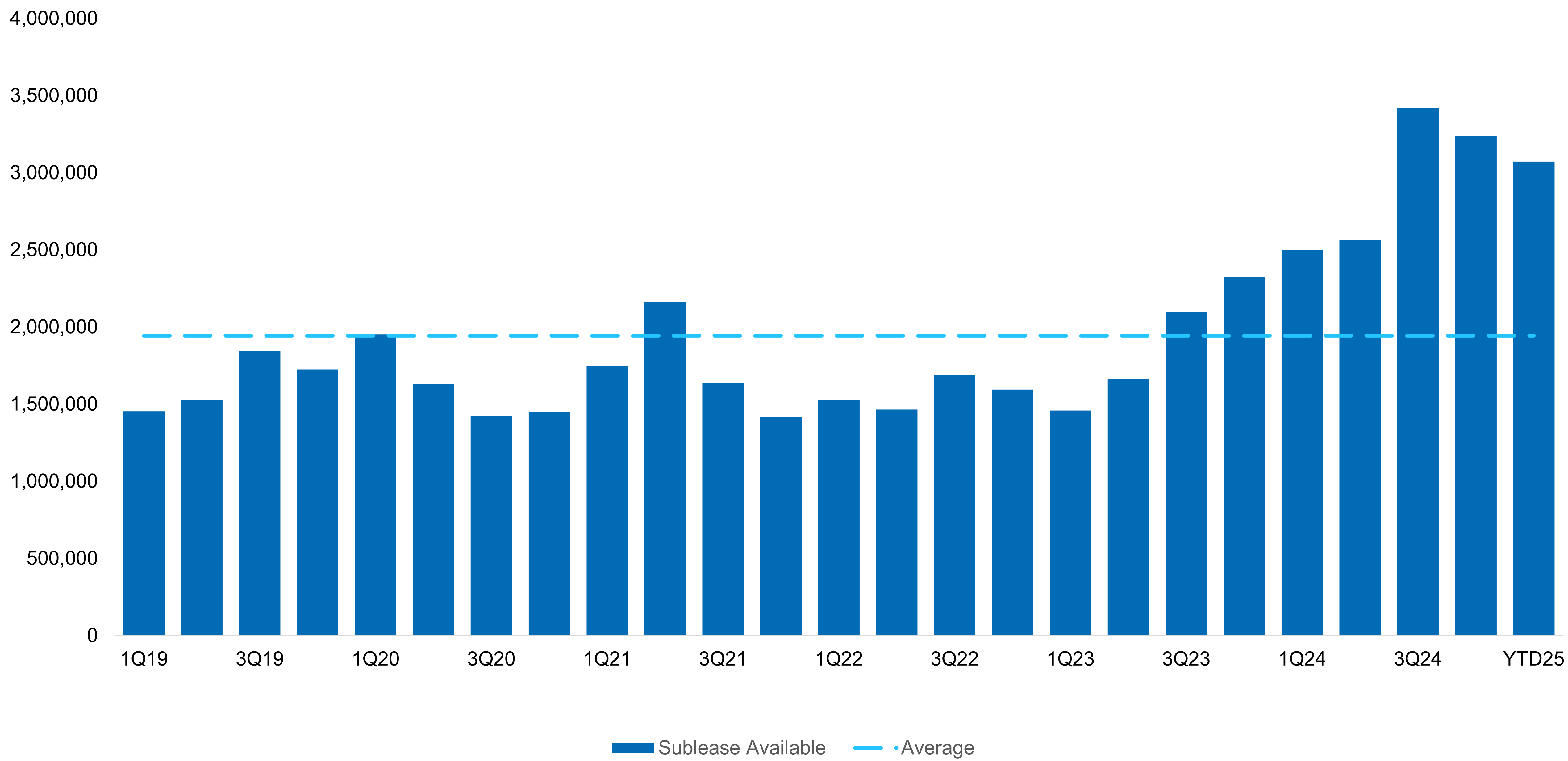


Source: Newmark Research, CoStar

Industrial Sublease Supply Eases Late 2024 Into 2025

After peaking in the third quarter of 2024, industrial sublease availability declined modestly in both the fourth quarter of 2024 and the first quarter of 2025. The reduction reflects a combination of tenants absorbing surplus space, a slowdown in new sublease listings and sublease listings converting to direct.

Available Industrial Sublease

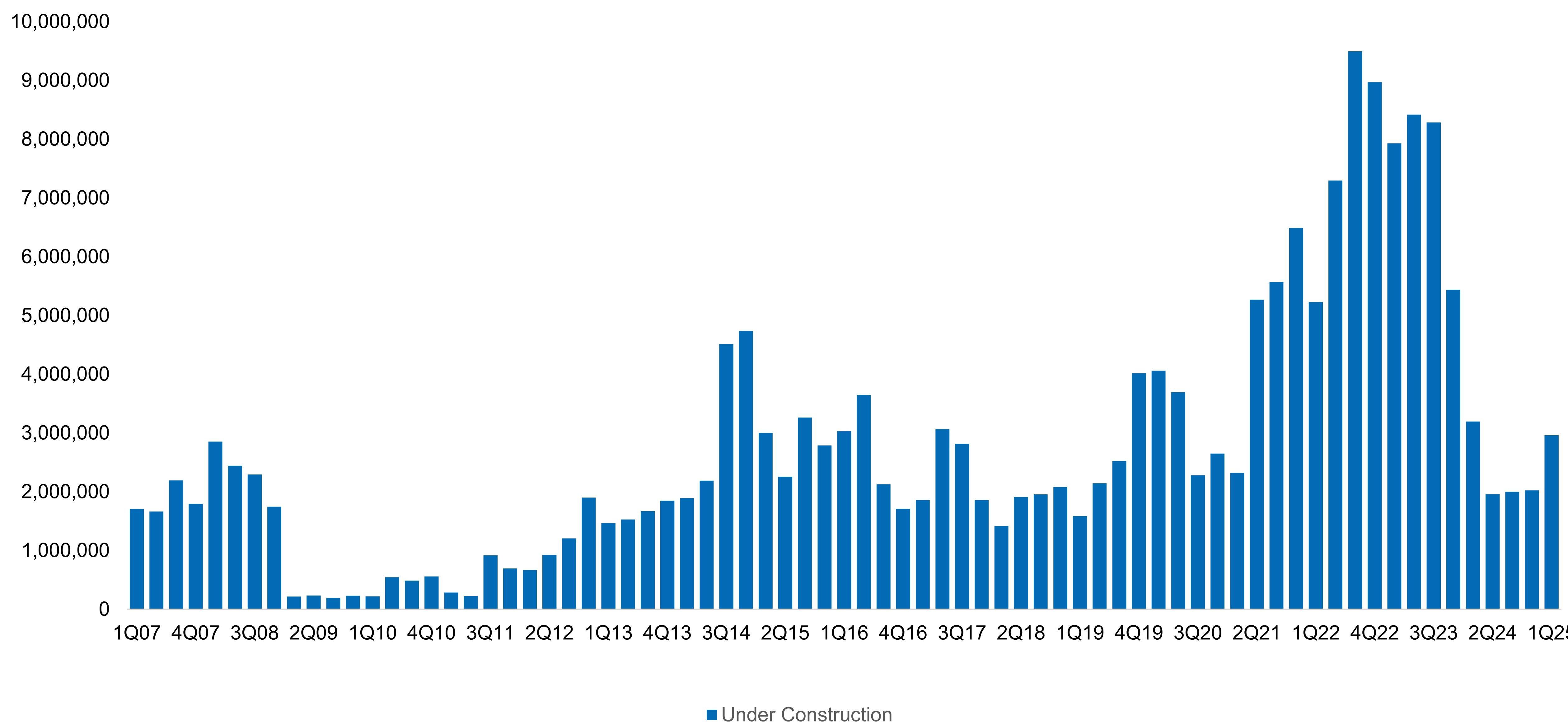


Source: Newmark Research, CoStar

Construction Pipeline Rebounds In 1Q25 Despite Higher Interest Rates

The industrial construction pipeline has declined significantly from its 2022 peak, reflecting a slowdown in speculative development amid elevated interest rates. However, quarterly activity saw a slight uptick in the first quarter of 2025 compared to late 2024.

Industrial Under Construction

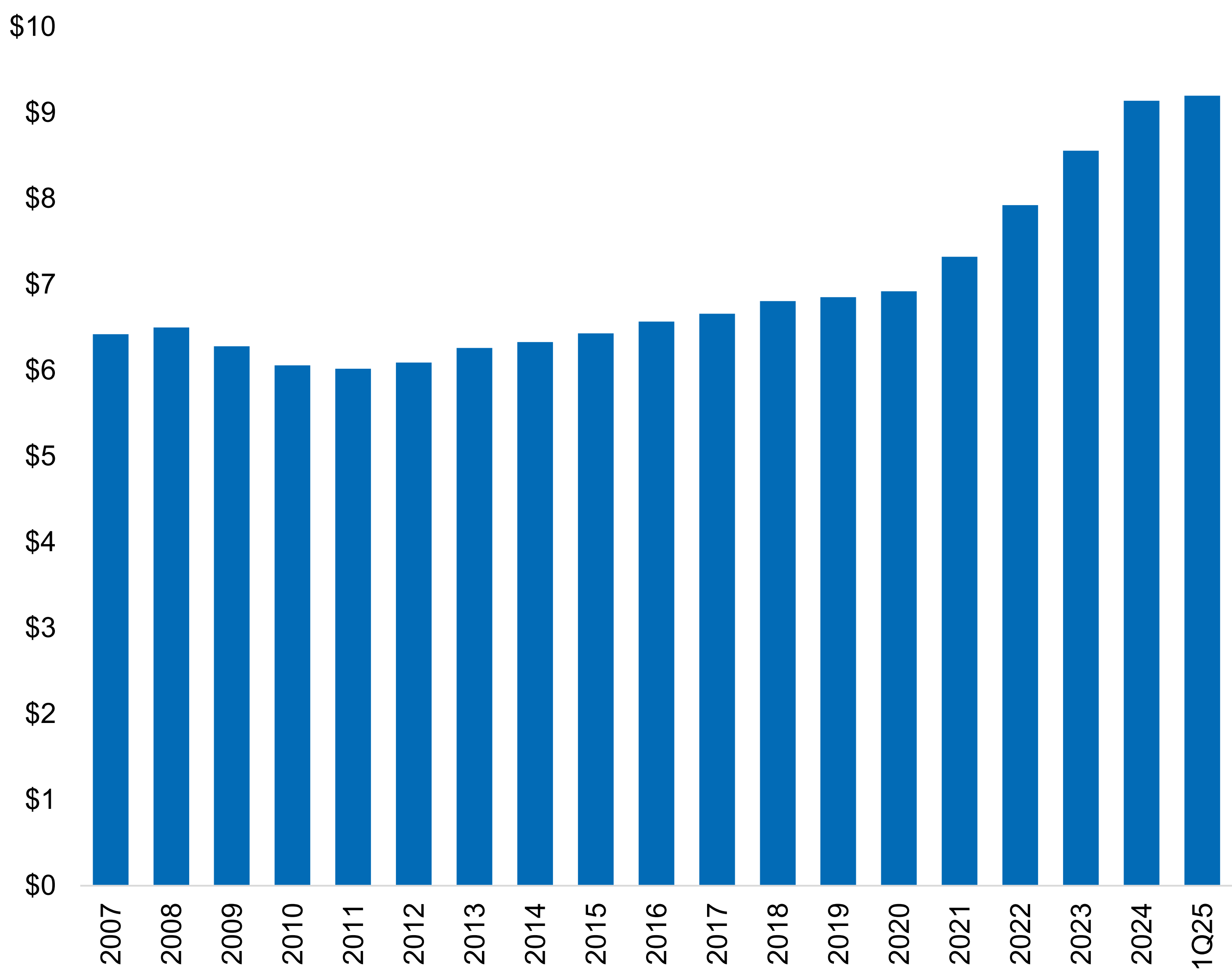


Source: Newmark Research, CoStar

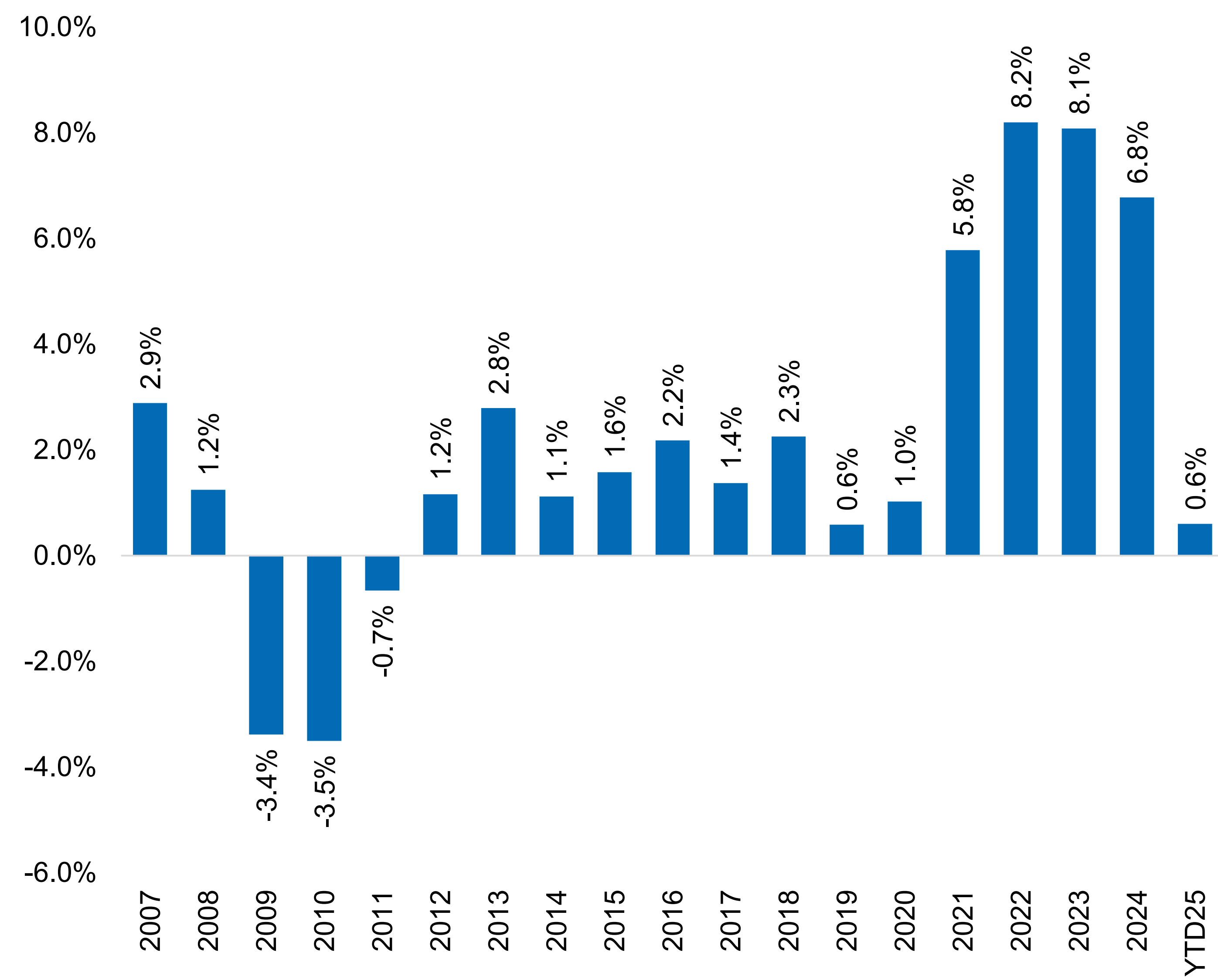
Industrial Rents Climb 7.5% Since 2023

Asking rents continued to rise in the first quarter of 2025, reaching $9.20/SF—a 7.5% increase since the fourth quarter of 2023. This marks the third consecutive year of notable rent growth, following gains of 9.2% in 2023 and 8.6% in 2022. Since 2020, average industrial rents have surged by 32.9%, driven by strong tenant demand and limited new construction. With vacancy declining and construction starts lagging, further rent increases are anticipated in the coming quarters.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change

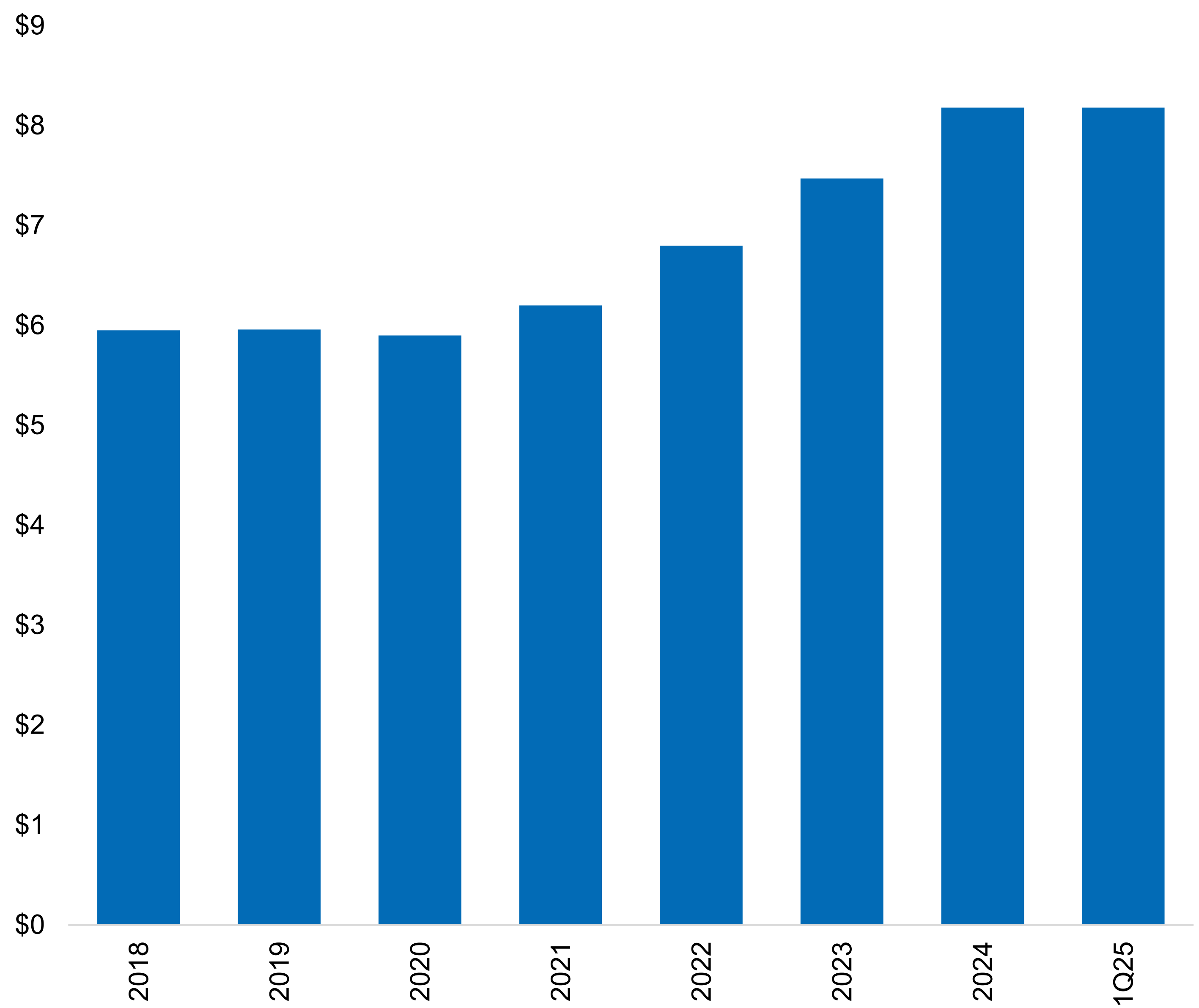


Source: Newmark Research, CoStar

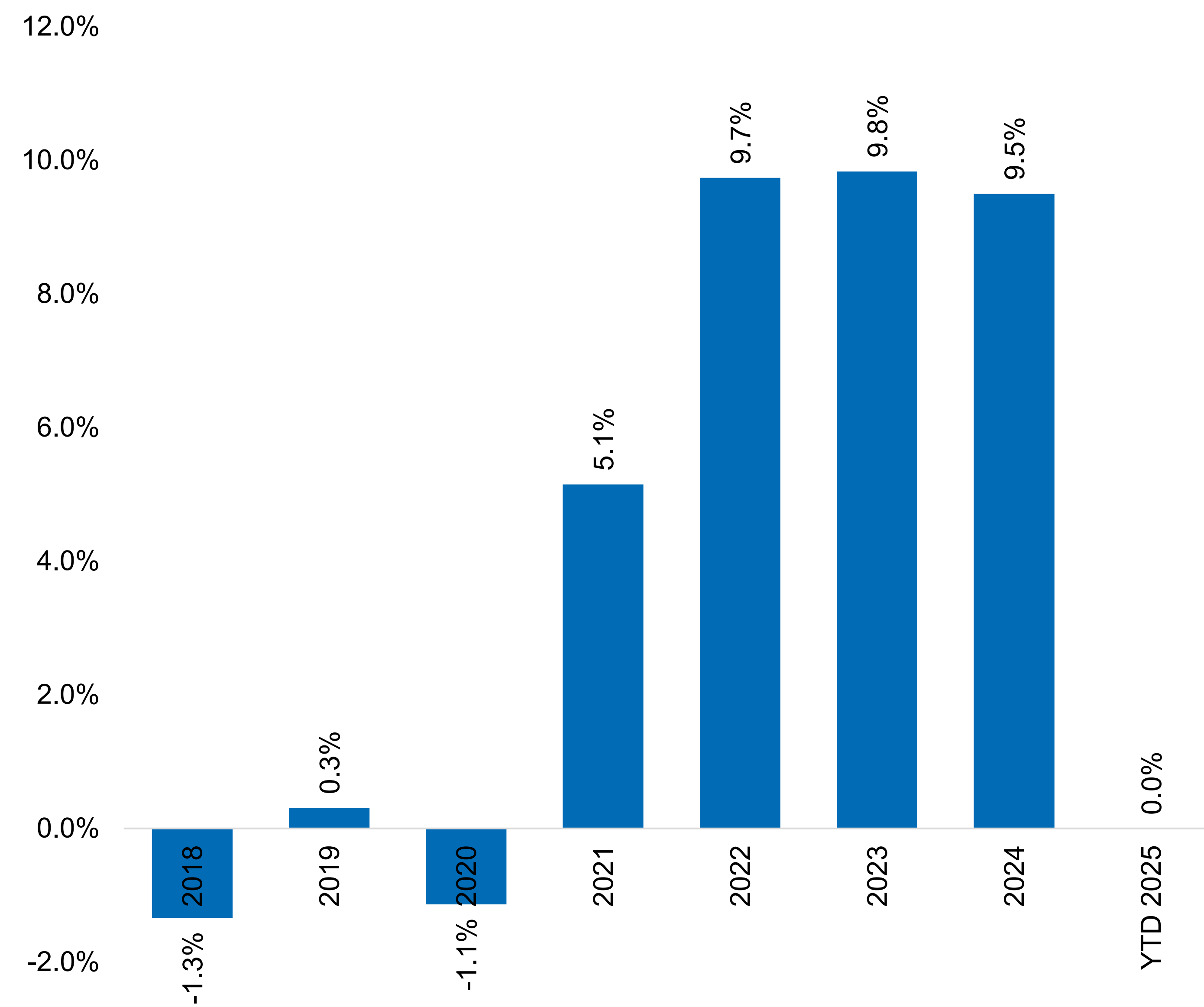
Warehouse Rents Up 33% Since 2018

Since 2018, asking rents for warehouse and distribution space have risen 33.0%, with the sharpest acceleration occurring between 2021 and 2024—a period marked by pandemic-driven demand and significant new construction. Looking ahead, slowing new development is expected to constrain supply, supporting continued rent growth.

Average Asking Rent, $/SF, NNN



12 month Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Statistics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