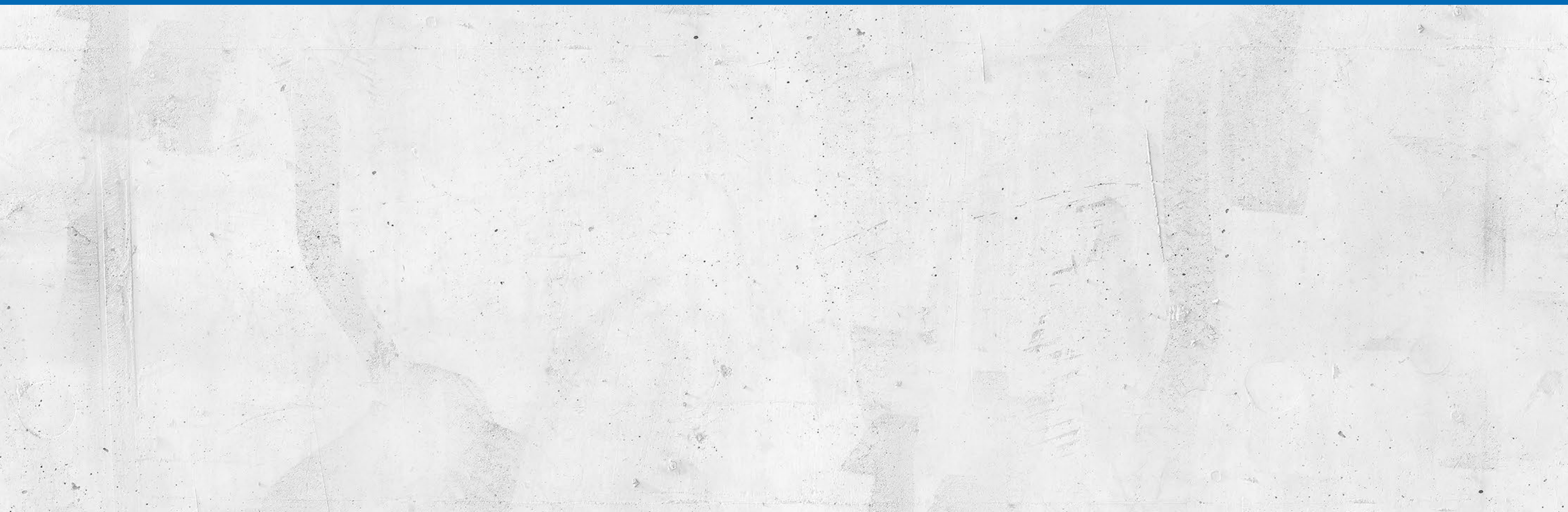


Minneapolis Industrial Market Overview



Market Observations

Economy

- Minneapolis has a strong headquarters economy, home to 15 Fortune 500 firms—the most per capita of any major U.S. metro area. In addition, over 320 Fortune 1000 companies maintain a local presence.
- The region has a committed workforce, with the highest labor force participation rate among major metropolitan areas at 72%.
- Minneapolis-St. Paul is a worldwide frontrunner in biotechnology and biomedical research, boasting strong ties to agriculture, food exports, and water technology. Moreover, it hosts one of the most substantial concentrations of banks and financial expertise among major metropolitan areas.
- The area has a historically low unemployment rate, consistently lower than the national rate. The unemployment rate is 2.9% as of November 2024, compared to the national rate of 4.1%.
- Minneapolis's 12-month job growth turned negative in recent months for the first time since the pandemic. In November, employment growth declined by 0.7%, while nonfarm employment at the national level increased by 1.5%.

Major Transactions

- Circle K, a Canada-based company that operates Holiday Stationstores in Minnesota, is opening a 260,000-square-foot distribution center in Otsego at Gateway North Distribution Center. Operations at the facilities are expected to begin late in 2025.
- United Properties plans to build two 189,000-square-foot industrial buildings north of Highway 212 in Carver, designed for corporate office and warehouse use.
- Endeavor Development sold two fully-leased buildings at Arbor Lakes Business Park in Maple Grove for \$66.5 million. Constructed in 2022 and 2023, each building offers approximately 221,500 square feet of space.

- States Manufacturing will lease 500,000 square feet at The Cubes at French Lake in Dayton, a 1-million-square-foot distribution facility with 40' ceiling heights. Completed in 2024, the property is Minnesota's largest industrial speculative development.



Leasing Market Fundamentals/Outlook

- Demand in the Minneapolis-St. Paul industrial market was strong in 2024 with Q4 absorption of more than 1.3 MSF. Total annual absorption for 2024 was 3.2 MSF.
- Rents are rising due to declining vacancy rates, limited new construction, and consistent demand.
- Construction activity peaked in 2023 at 9.1 MSF but declined by 45.9% in 2024, to 4.9 MSF.
- Developers are constrained by high interest rates despite steady demand. Future construction hinges on a favorable interest rate environment.
- There are pockets of softness in the market, particularly in Woodbury and Shakopee, where tenants seeking blocks of 100,000 square feet or more have many options.
- Asking rents increased to \$9.09 per square foot in 2024, a 6.7% rise from year-end 2023. This follows a 9.2% increase in 2023 and an 8.6% rise in 2022.
- Since 2020, industrial asking rents have surged by 32.5%, with further growth anticipated.

1. Economy
2. Leasing Market Fundamentals

4Q24

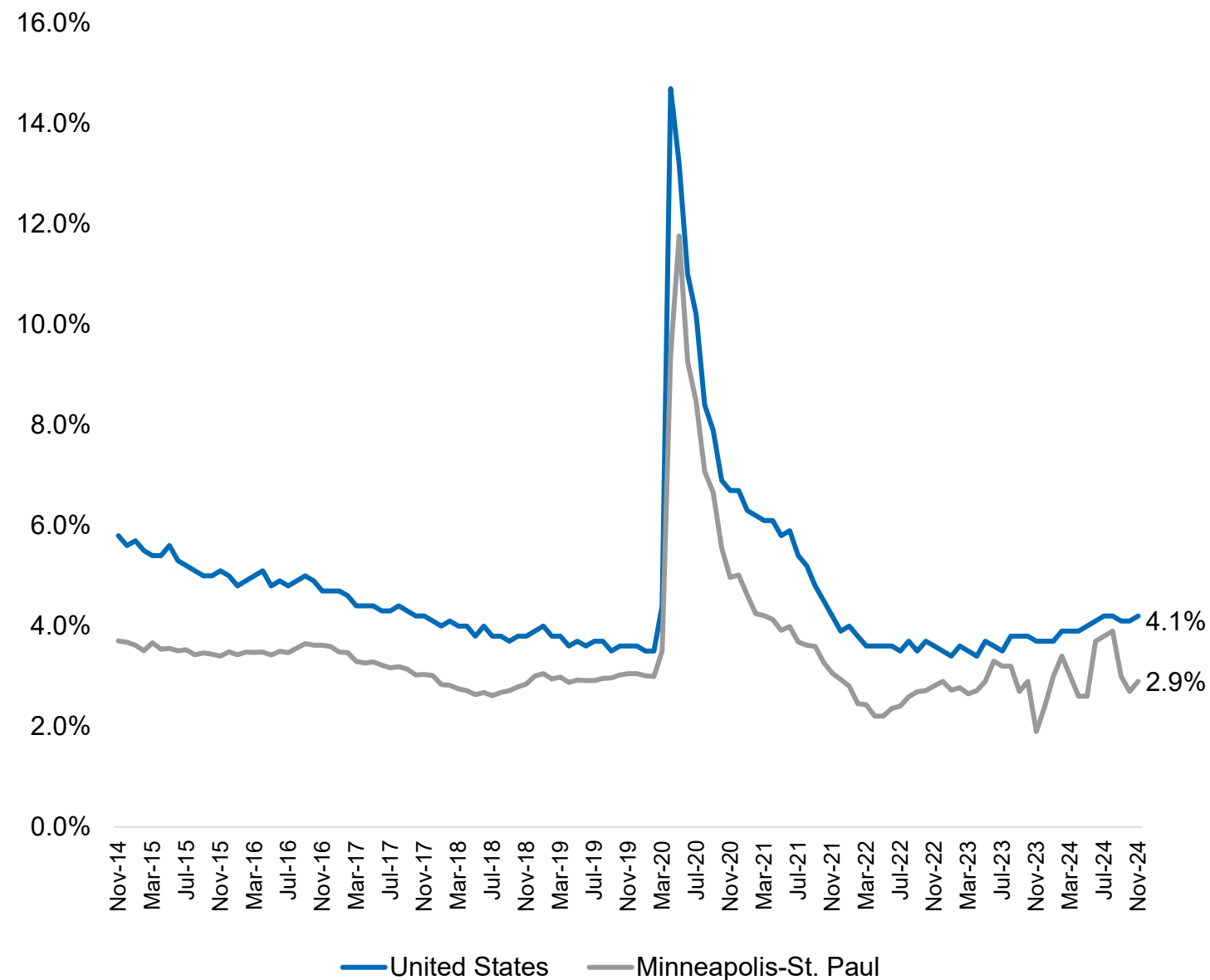
Economy



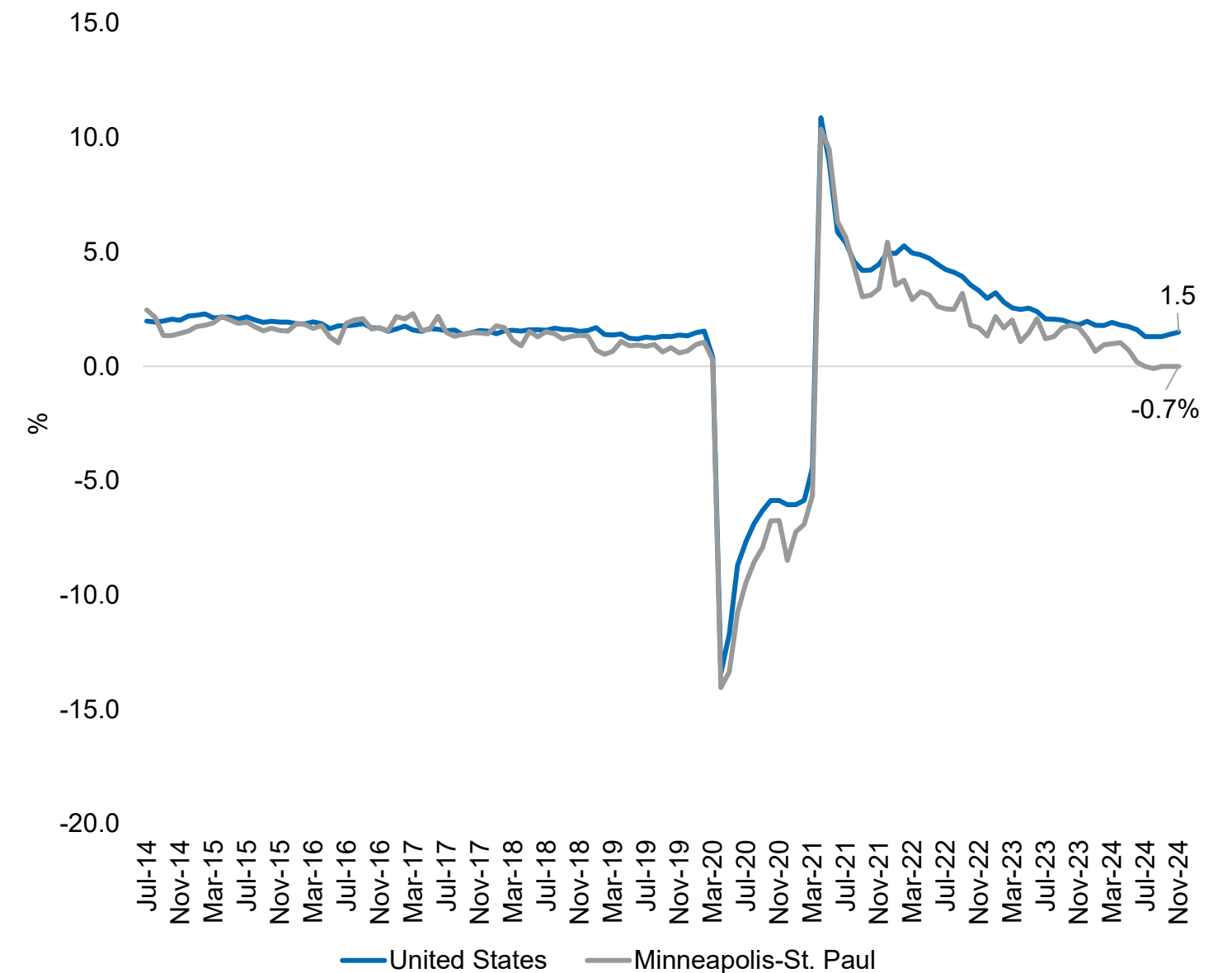
Local Unemployment Down in October & November

Minneapolis-St. Paul's unemployment rate was 2.7% and 2.9% in October and November, respectively. In 2024, unemployment peaked over the summer in August at 3.9%. Minneapolis's 12-month job growth turned negative in recent months for the first time since the pandemic. In November, employment growth declined by 0.7%, while nonfarm employment at the national level increased by 1.5%.

Unemployment Rate, Seasonally Adjusted



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



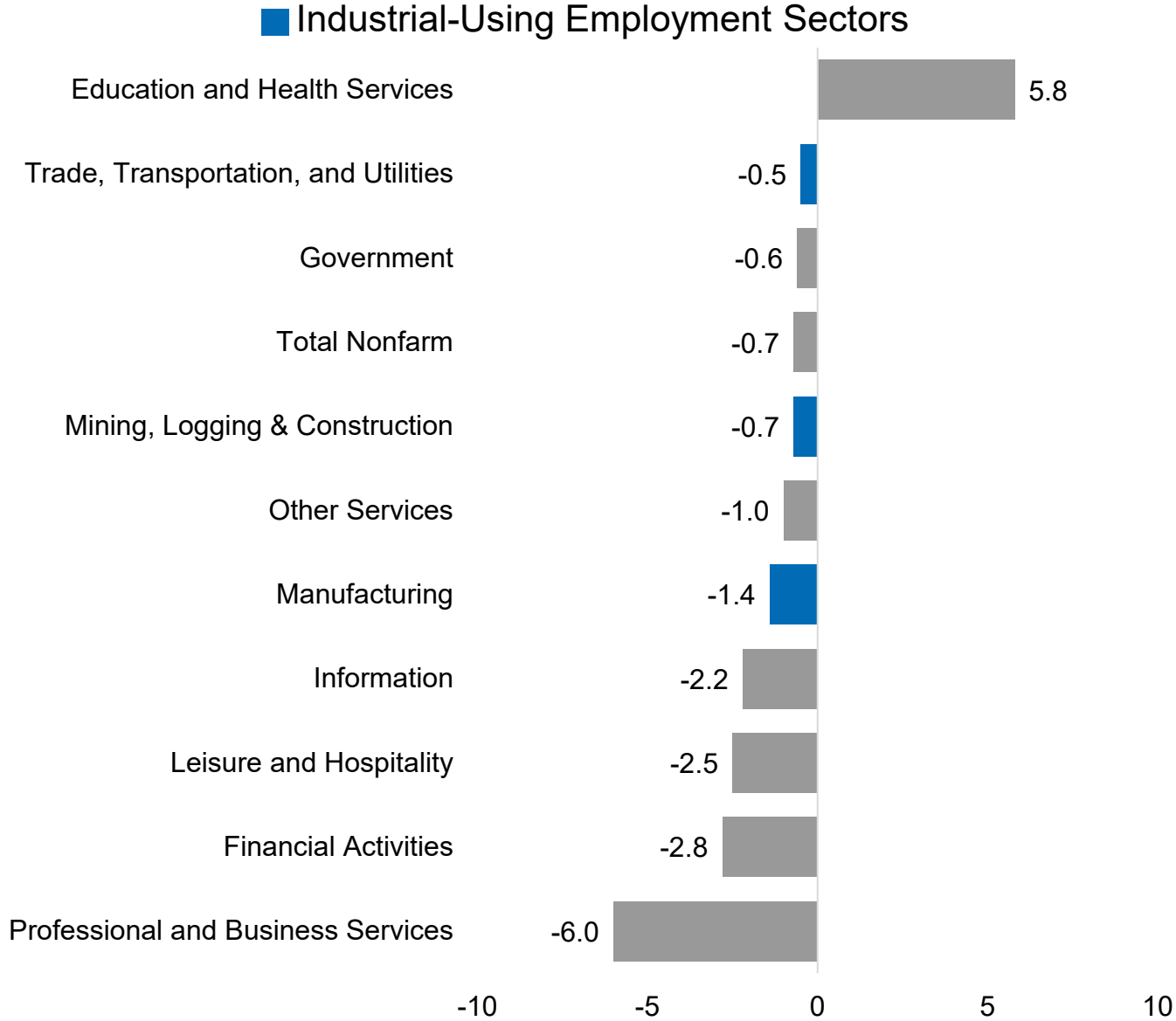
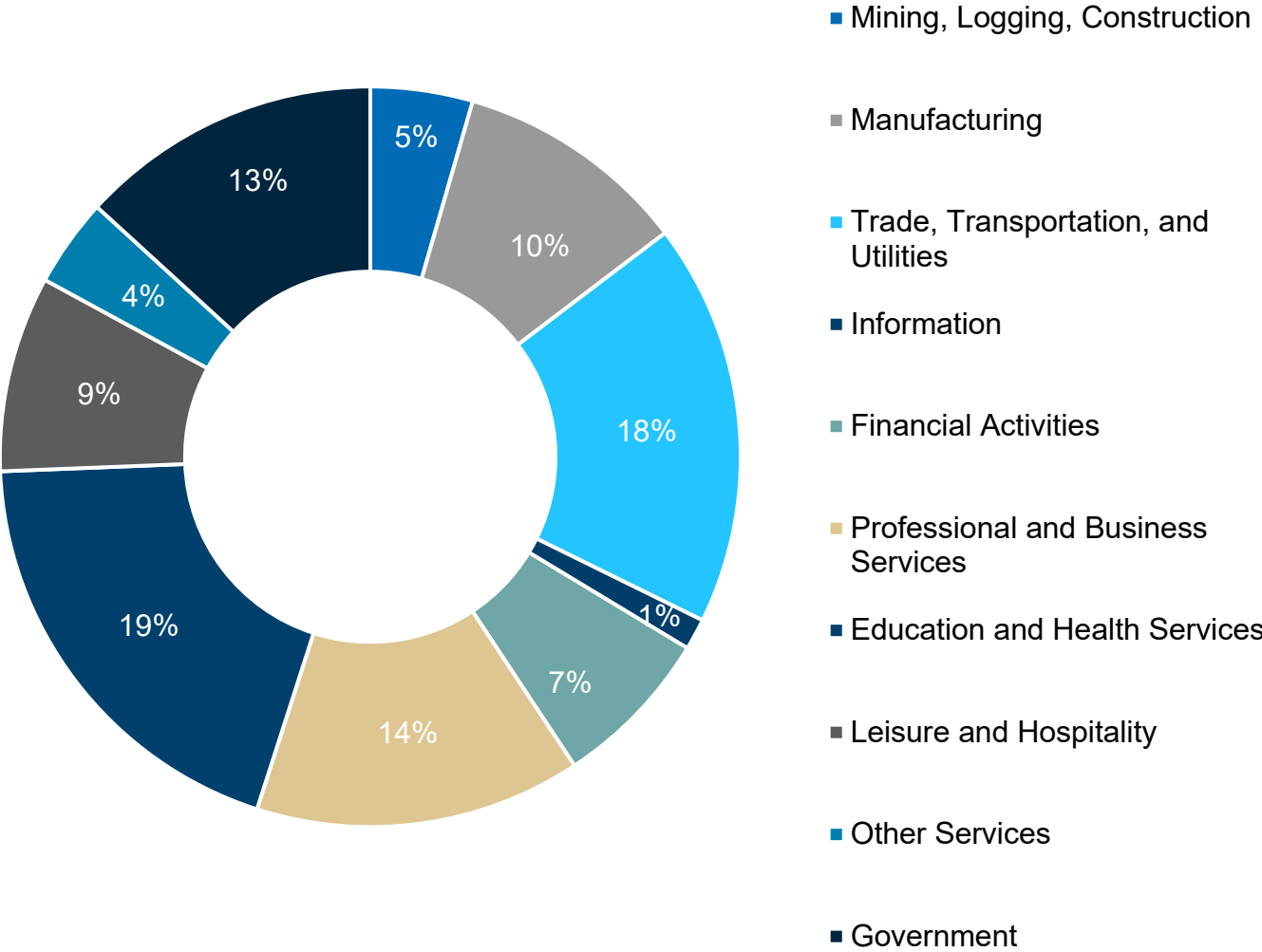
Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

12-Month Industrial-Using Employment Declines

Growth in Education and Health Services employment was robust at 5.8% and was the only sector to experience positive growth. Professional and Business Services posted the sharpest decline in employment at negative 6.0% year-over-year growth.

Employment by Industry, November, 2024

Employment Growth by Industry, 12-Month % Change, November, 2024

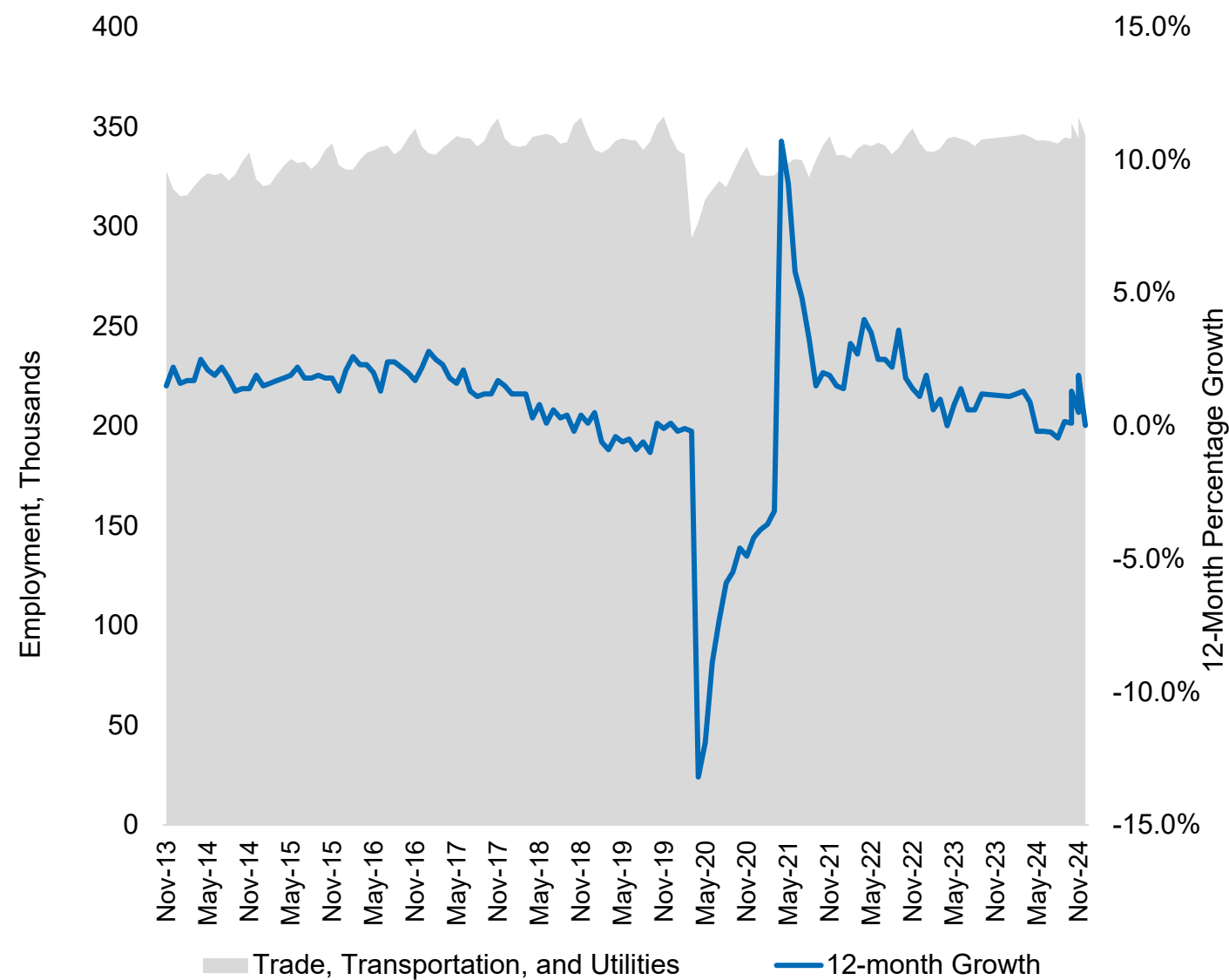


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

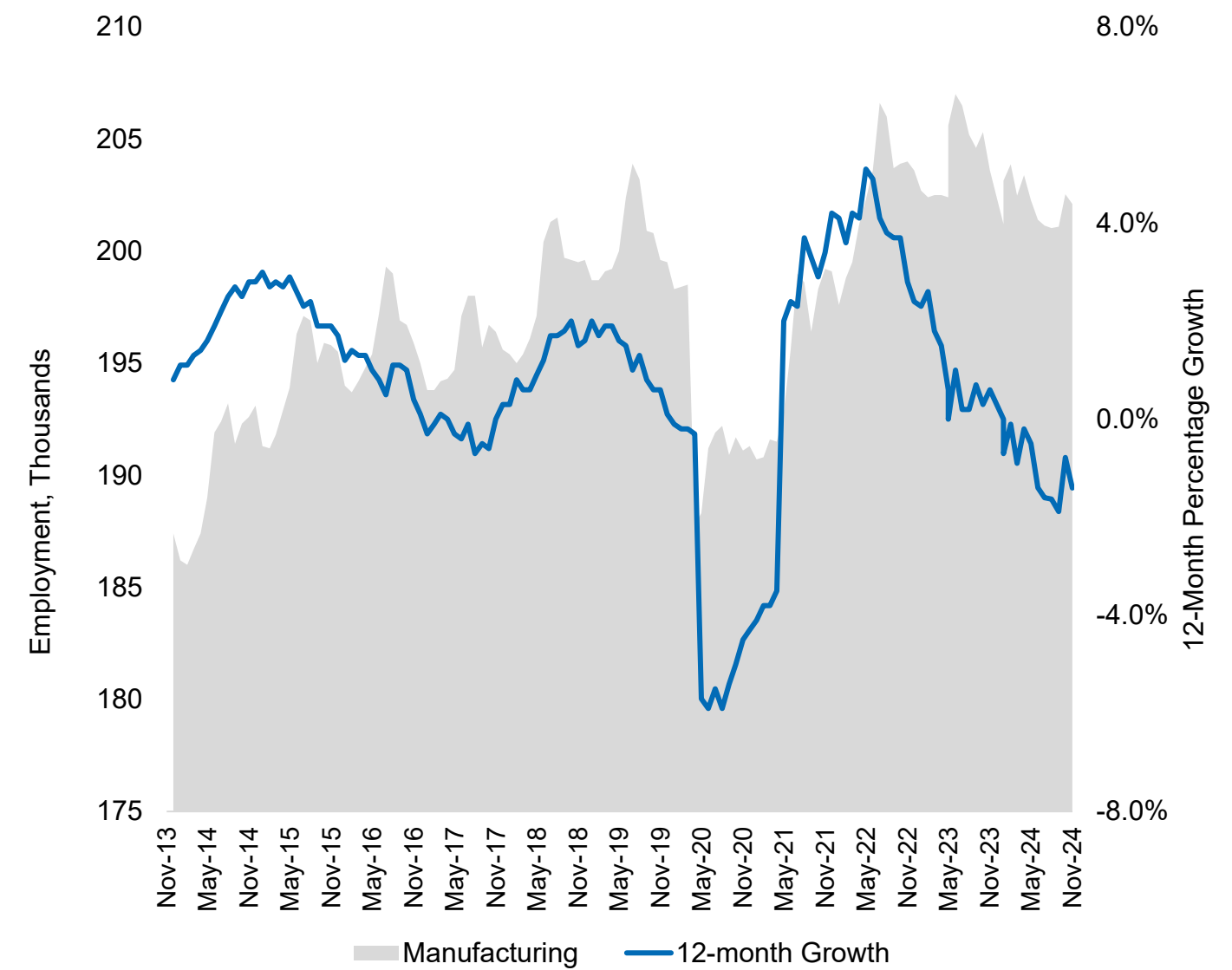
Industrial Employment Conditions Soften

Employment in Trade, Transportation, Utilities, and Manufacturing, decreased slightly in July and August.

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

4Q24

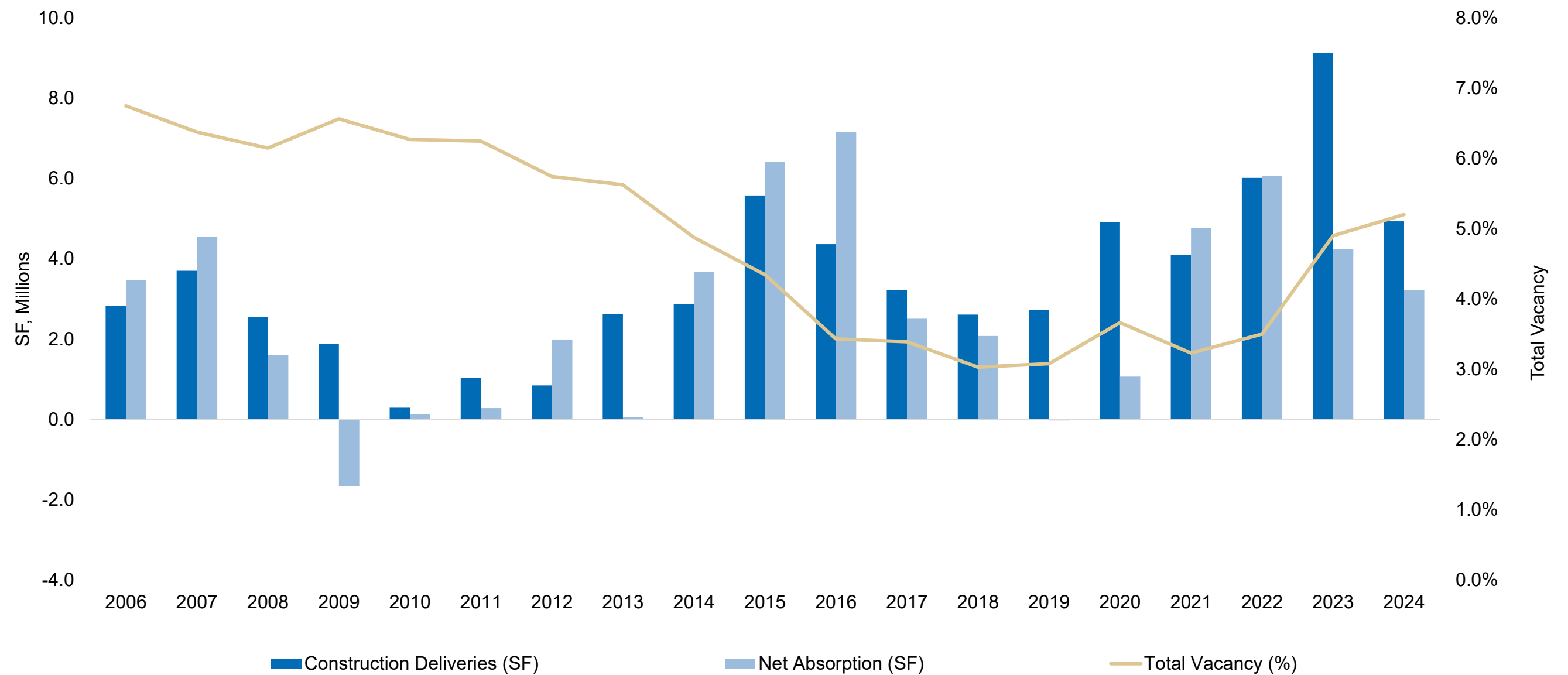
Leasing Market Fundamentals



Vacancy Down Amid Steady Demand, Limited Construction

The vacancy rate decreased slightly to 5.2% in 4Q24, down from 5.4% in 3Q24. Vacancy is expected to continue declining in 2025 due to steady demand and limited new construction.

Historical Construction Deliveries, Net Absorption, and Vacancy

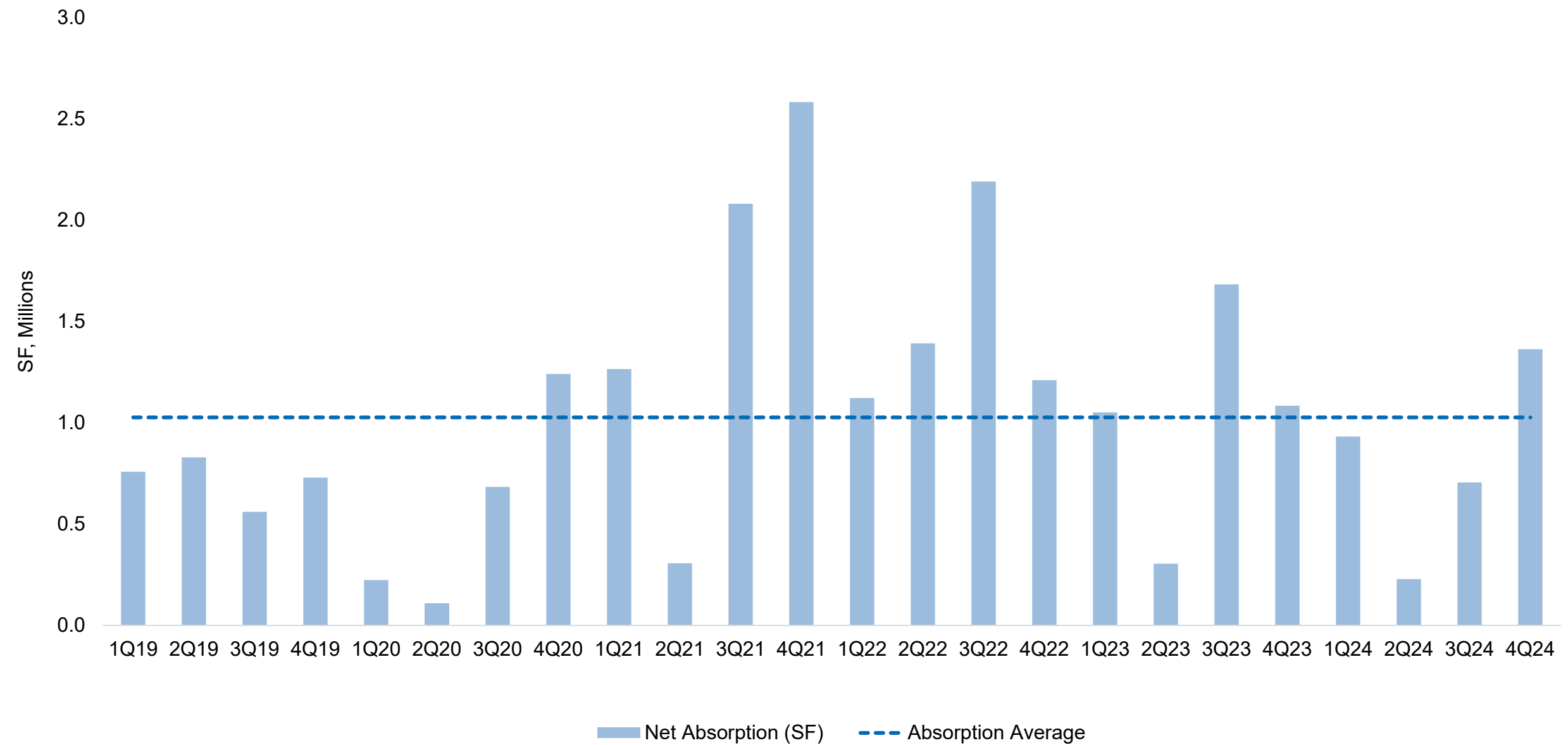


Source: Newmark Research, Costar, MNCAR

4Q24 Absorption 1.4 MSF, Annual Total Reaches 4.9 MSF

Absorption remained strong in 4Q24, reaching 1.4 MSF and bringing the annual total to 4.9 MSF. However, this marks a decline compared to 2022 and 2023, when 6.0 MSF and 9.1 MSF were absorbed, respectively.

Quarterly Absorption

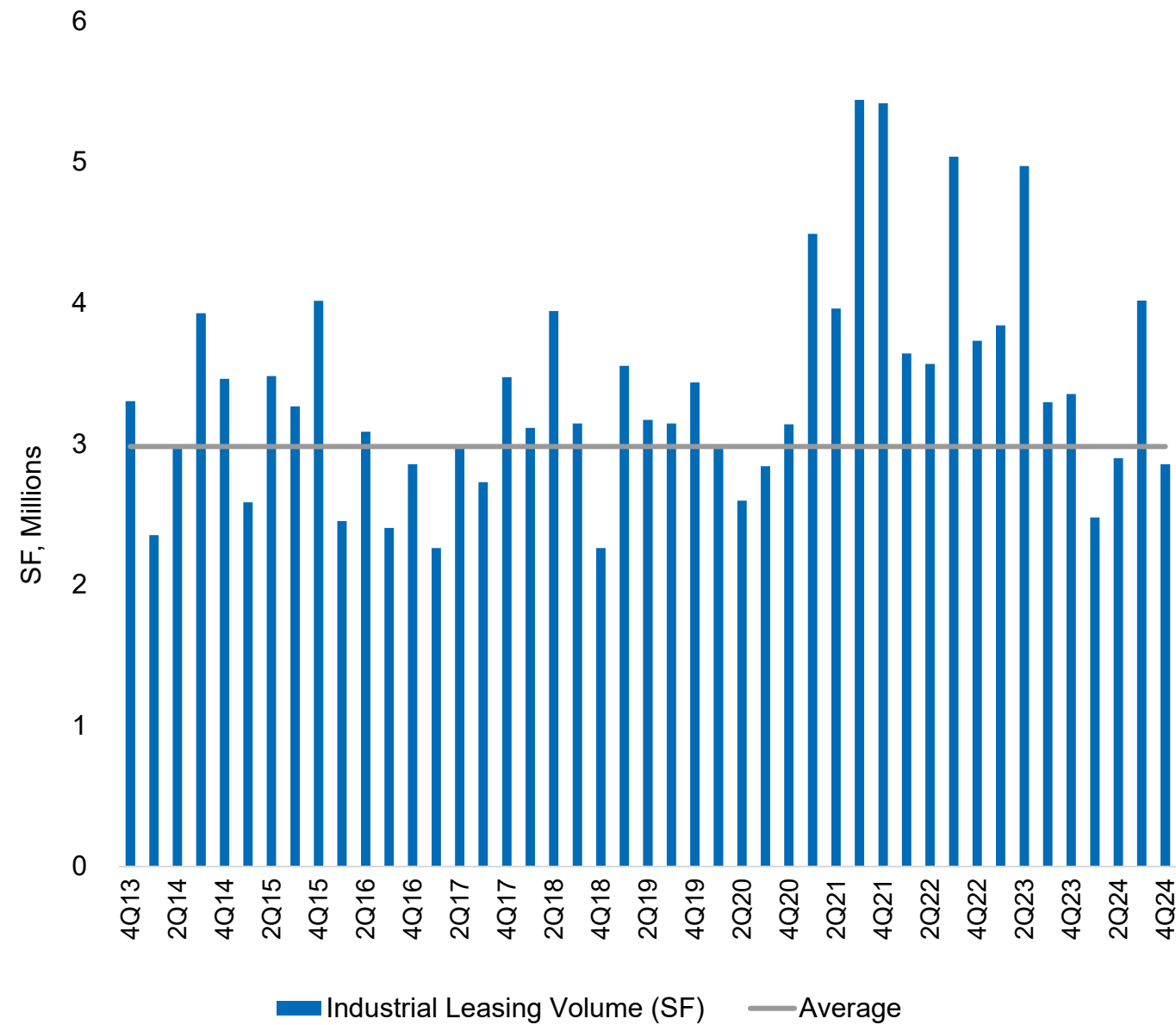


Source: Newmark Research, Costar, MNCAR

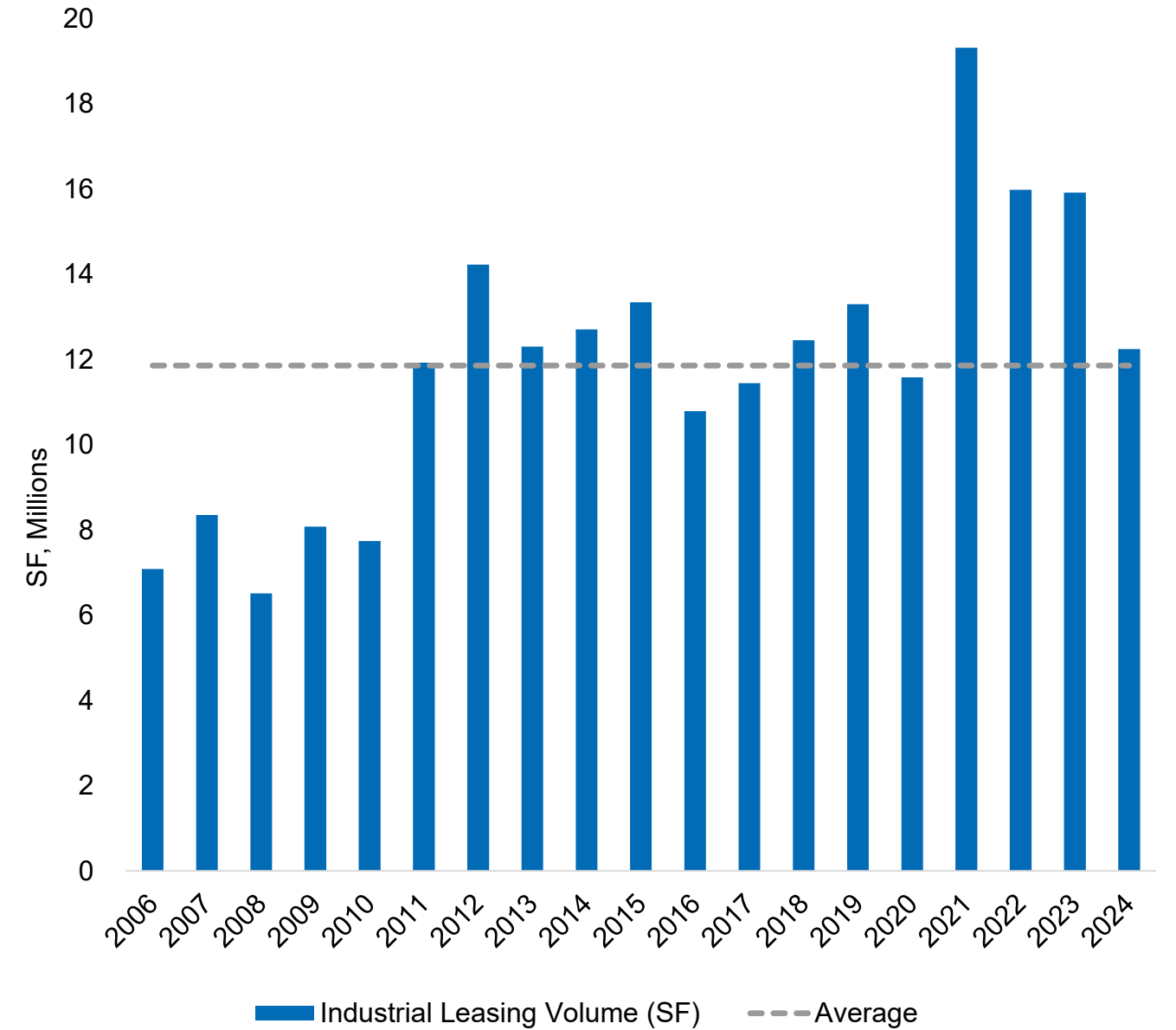
Industrial Leasing Lowest Since 2020

Industrial leasing activity reached its lowest level since 2020 but remains above the historical average. While demand for big-box spaces remains strong, there has been significant activity in the urban core, especially for spaces under 100,000 square feet.

Quarterly Leasing Activity (SF)



Annual Leasing Activity (SF)

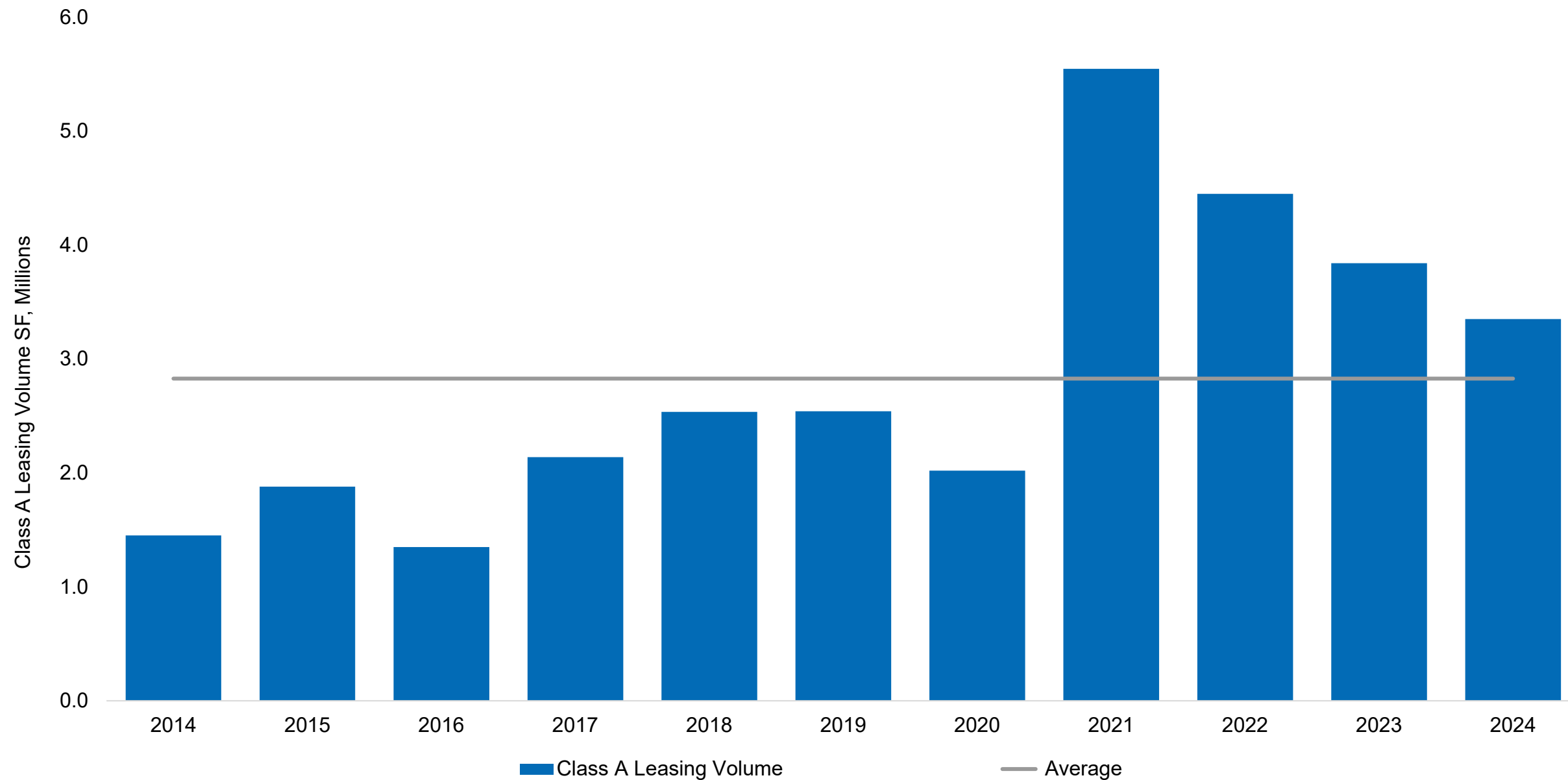


Source: Newmark Research, CoStar

Class A Warehouse Leasing Above 10-Year Average

Class A warehouse leasing volume peaked in 2021 and remained steady through 2022, 2023 and 2024, with volumes consistently exceeding historical averages.

Industrial Class A Leasing Volume

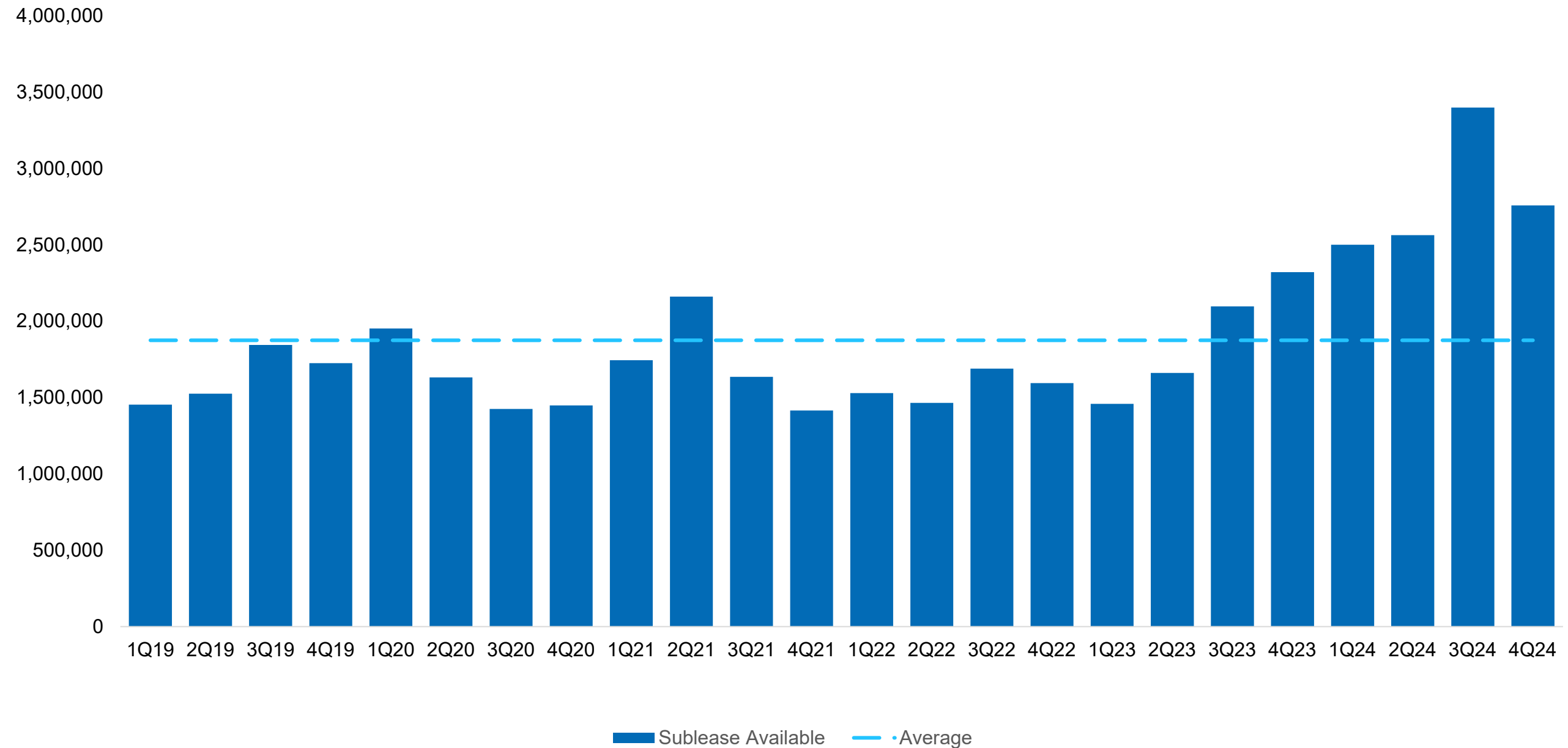


Source: Newmark Research, CoStar

Industrial Sublease Availability Down

After peaking in 3Q24, industrial sublease availability ticked down in 4Q24.

Available Industrial Sublease

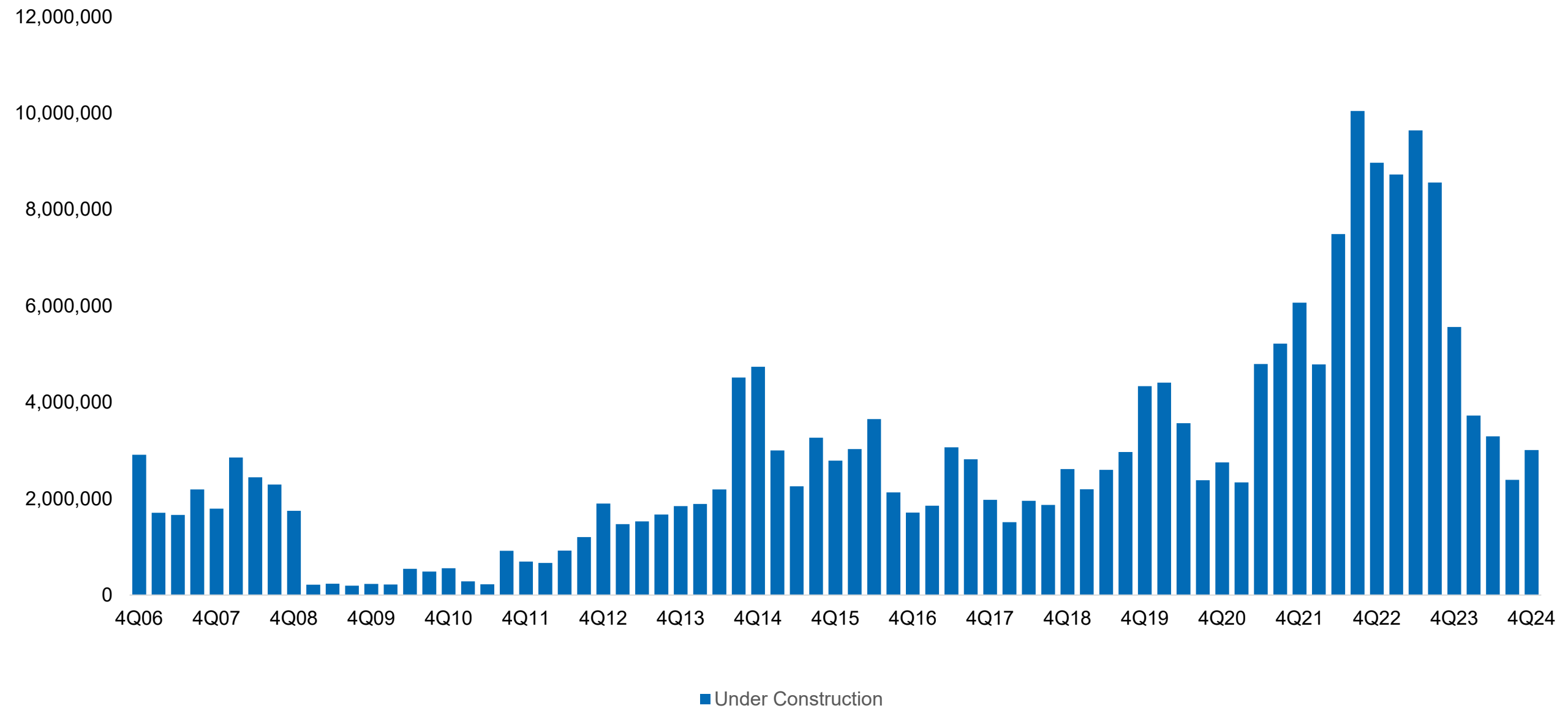


Source: Newmark Research, CoStar

High Interest Rates Challenge Developers

The construction pipeline has decreased from its 2022 peak but rose slightly in 4Q24 compared to 3Q24. The current interest rate environment presents challenges for developers.

Industrial Under Construction

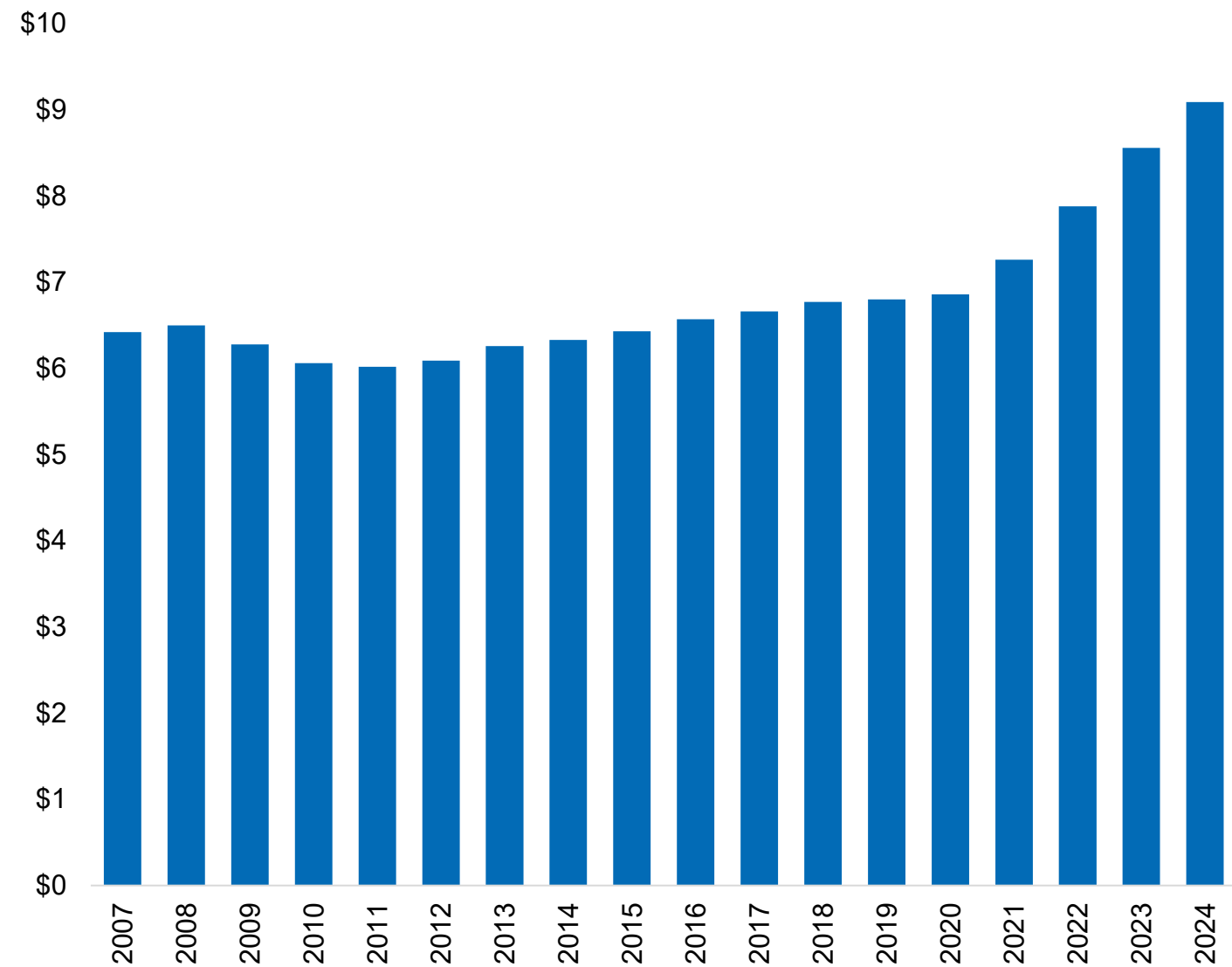


Source: Newmark Research, CoStar

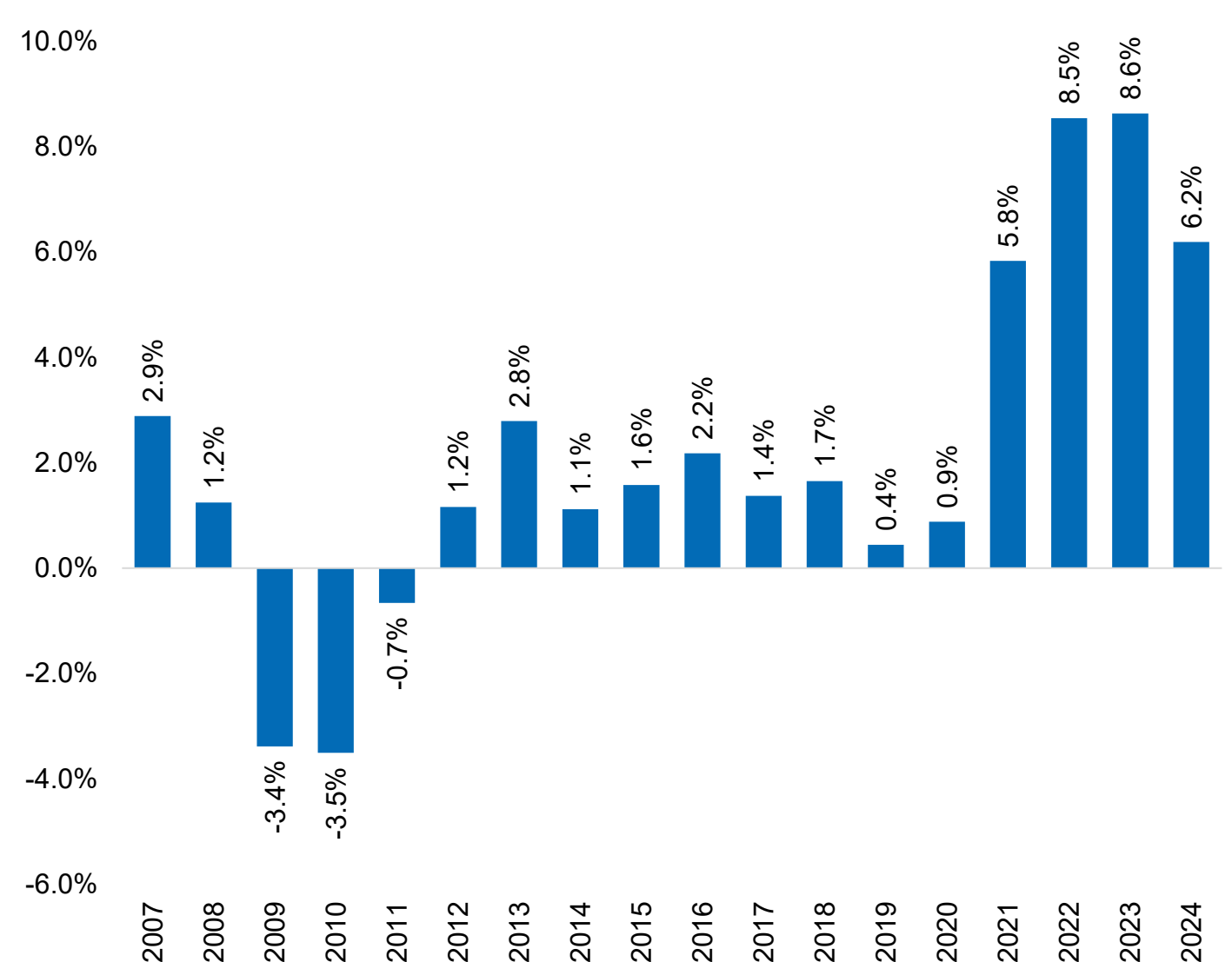
Industrial Asking Rent Growth Continues Through 4Q24

Asking rents rose to \$9.09 per square foot in 2024, a 6.7% increase from year-end 2023. This follows annual increases of 9.2% in 2023 and 8.6% in 2022. Since 2020, rents have climbed by 32.5%, with further growth expected.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change

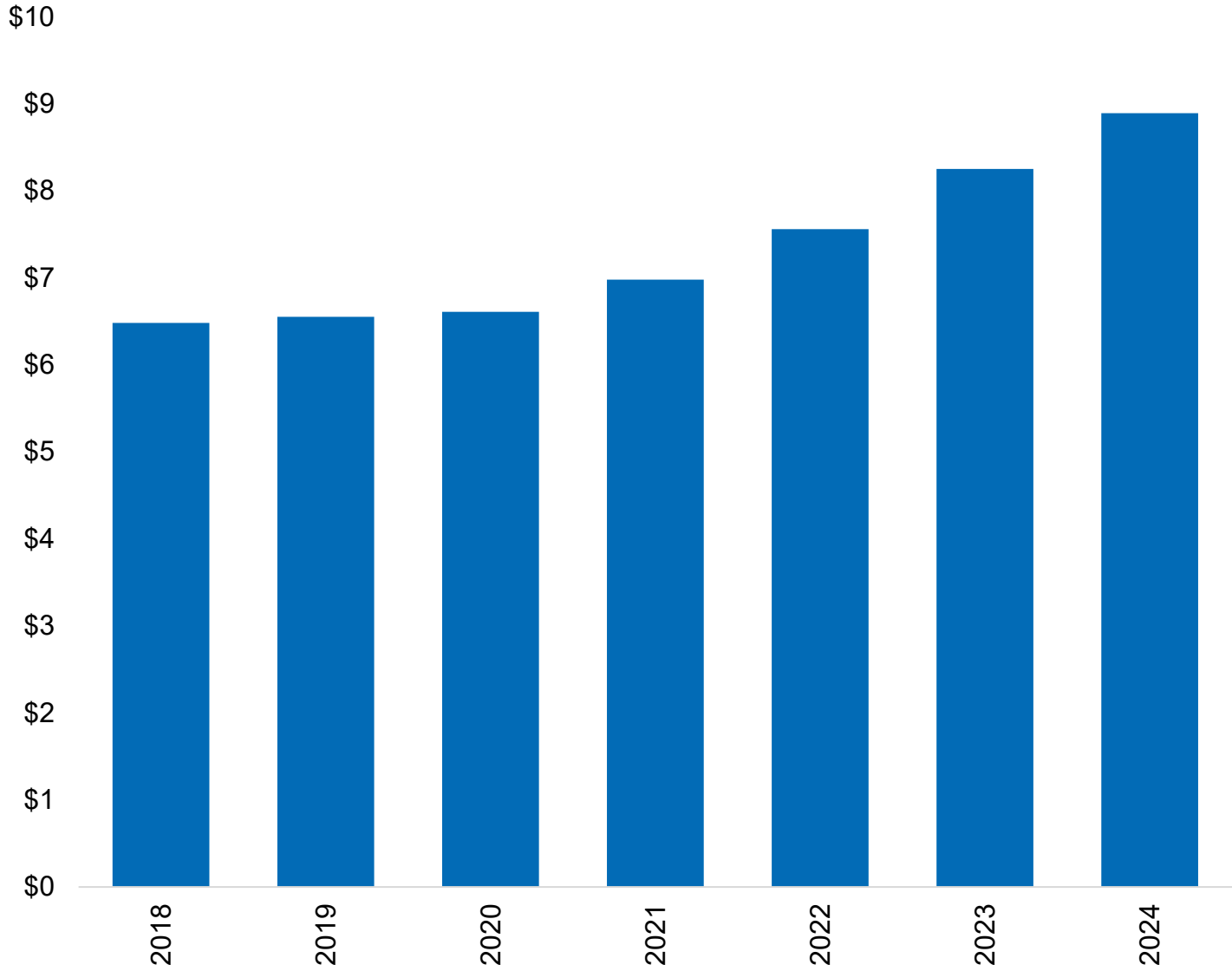


Source: Newmark Research, CoStar

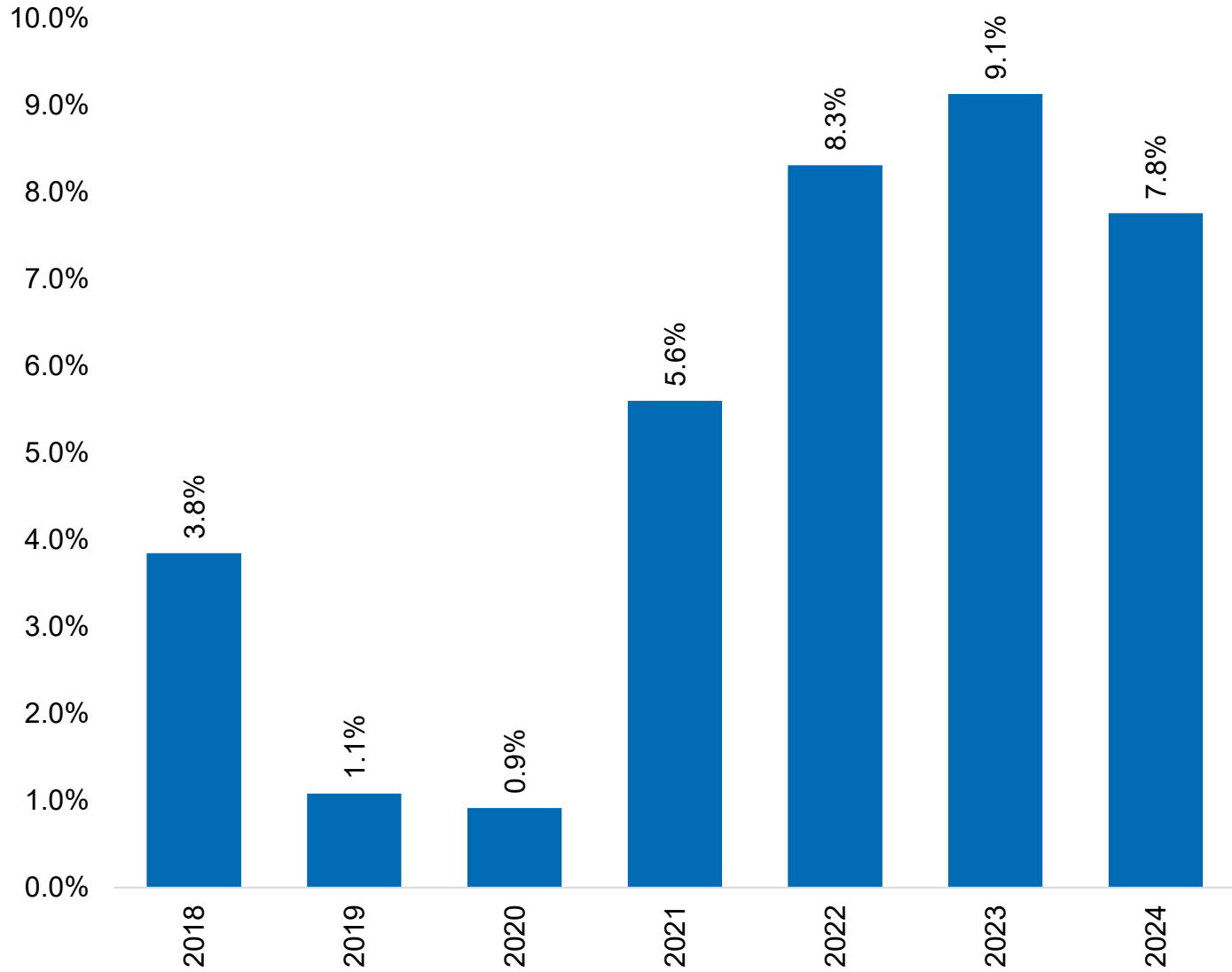
Warehouse Rents Rise 33% Since 2018

Since 2018, asking rents for warehouse/distribution space increased by 33.0%, with rapid growth occurring between 2021 and 2023. In 2024, rent growth slowed to 7.8%. Moving forward, limited new construction will continue to support rent increases.

Average Asking Rent, \$/SF, NNN



12 month Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Statistics

Minneapolis Industrial Market

Statistics



Please reach out to your
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Forecast

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