

NEWMARK

# *Minneapolis-St. Paul* Industrial Market Trends

4Q25

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## Market Observations



# Market Observations



## Economy

- Minnesota is home to 17 Fortune 500 headquarters, representing the highest per-capita concentration among major U.S. metros. In addition, more than 320 Fortune 1000 companies maintain a presence in the Twin Cities.
- The state's labor force participation rate of 72% ranks among the strongest in the nation, reflecting an engaged, well-educated workforce.
- The Minneapolis-St. Paul economy is anchored by diverse sectors, including biotechnology, medical devices, food science and water technology, alongside a robust financial services industry that rivals much larger markets.
- Unemployment continues to trend below the national average, registering 3.7% as of fall 2025, compared with 4.4% nationally.



## Major Transactions

- Artis REIT and RFA Capital sold the two-building, 255,500-SF Maple Grove Industrial Center to Enclave for \$24.5 million, underscoring continued investor demand for fully leased industrial assets in core suburban submarkets and marking Artis' exit from the Twin Cities industrial market.
- Endeavor Development received approvals to advance the final 76,000-SF office-industrial building at Arbor Lakes Business Park in Maple Grove, completing the 10th building in the multi-phase business park.
- Daikin Applied Americas began construction on a 71,000-SF, \$163 million HVAC equipment R&D facility at its Plymouth campus, highlighting continued corporate investment in specialized space tied to data center demand.
- In another transaction linked to data center demand, PHS West signed a 91,000-SF lease at the under-construction Brockton Business Park in Corcoran for its new headquarters. PHS provides motorized handling carts, tugs and transport solutions commonly used in data centers.

- Graco announced plans to build a new 85,000-SF headquarters in Dayton near its existing distribution center and office and manufacturing facilities. The company announced earlier in 2025 that it will market its longtime Northeast Minneapolis riverfront campus for sale as it consolidates operations in Dayton.
- The newly renovated 98,000-SF Minnetonka headquarters of Legrand sold for \$23 million to Syndicated Equities. Buhl Investors acquired the property in 2022 for \$6.5 million and fully renovated it before signing a long-term lease with Legrand earlier in 2025.
- Meta Platforms acquired an additional 14 acres near its 715,000-SF data center currently under construction in Rosemount for \$5 million.
- A joint venture between Hempel Real Estate and TPG Angelo Gordon acquired two industrial properties in Eagan for approximately \$18 million and signed a long-term, 100,000-SF lease with Buske Logistics.



## Market Fundamentals

- AI-driven demand remains a key tailwind, as data center expansion continues to generate spillover industrial demand from companies supplying cooling, power and equipment that absorb traditional warehouse and production space.
- Ongoing industrial demand tied to AI remains contingent on sustained investment and momentum in the sector, making it an important trend to monitor.
- Amid mixed economic signals, broader trends influencing consumption patterns bear watching, as consumer spending remains the primary anchor of industrial demand for warehousing, distribution and manufacturing.

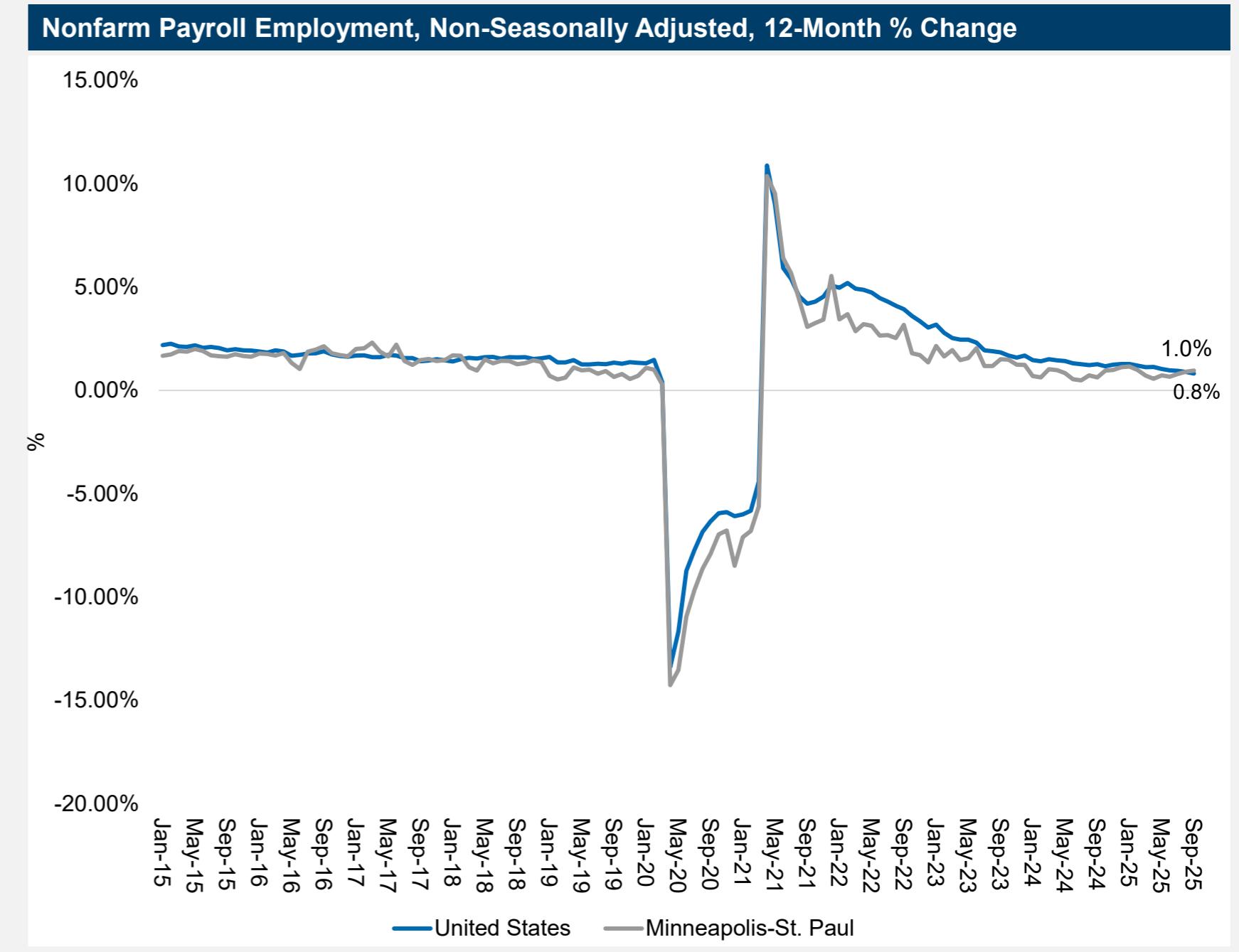
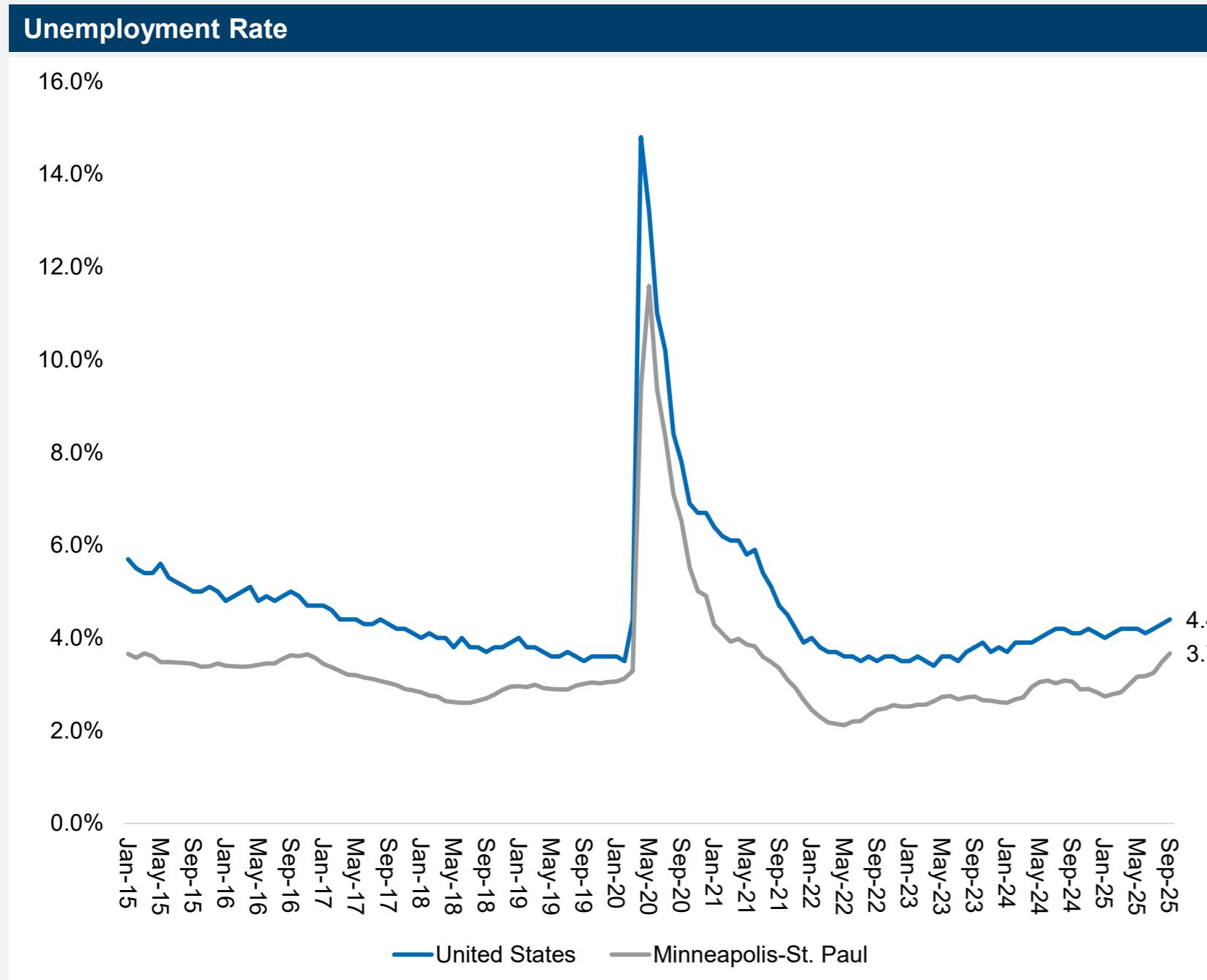
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## Economy



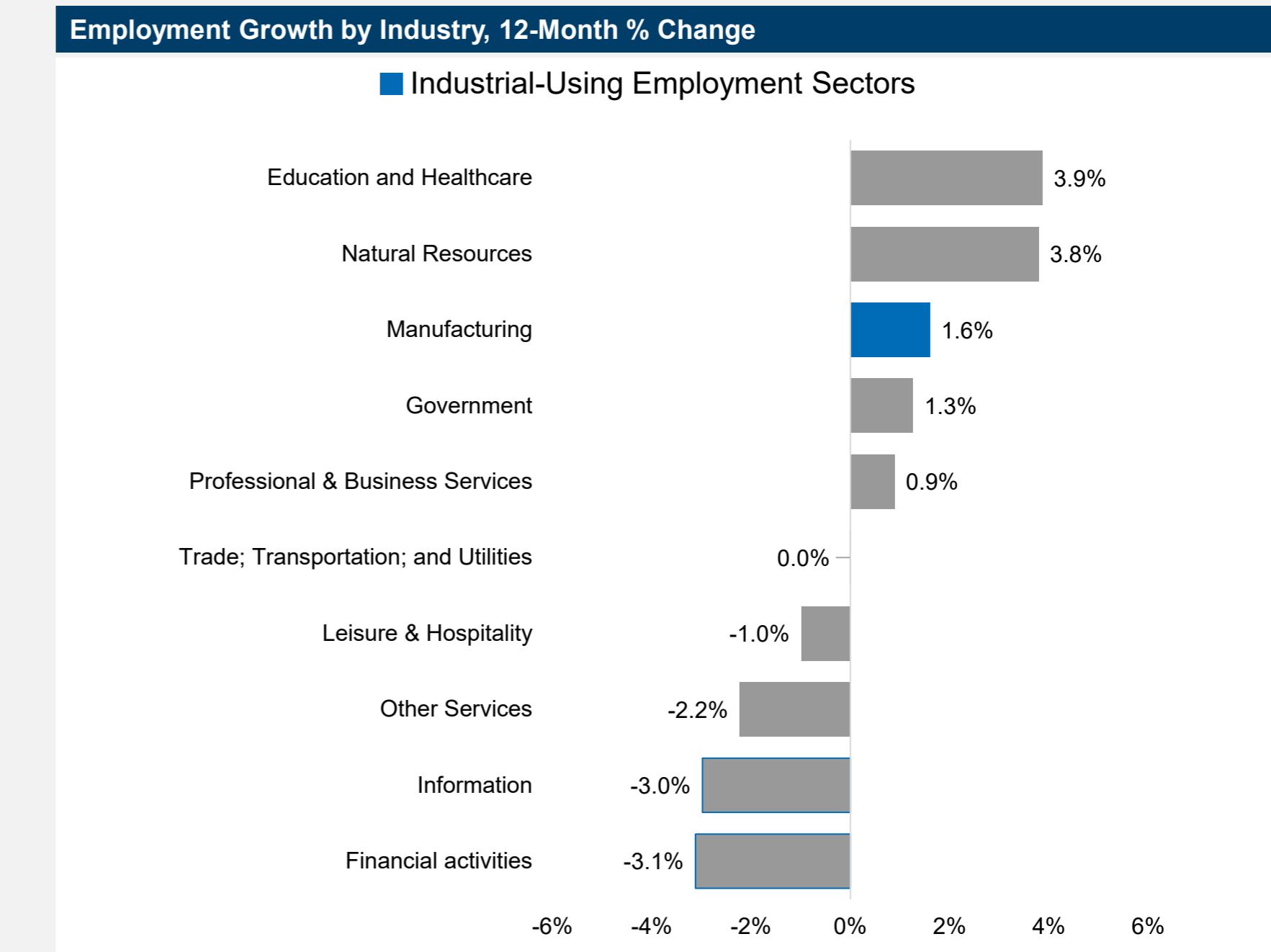
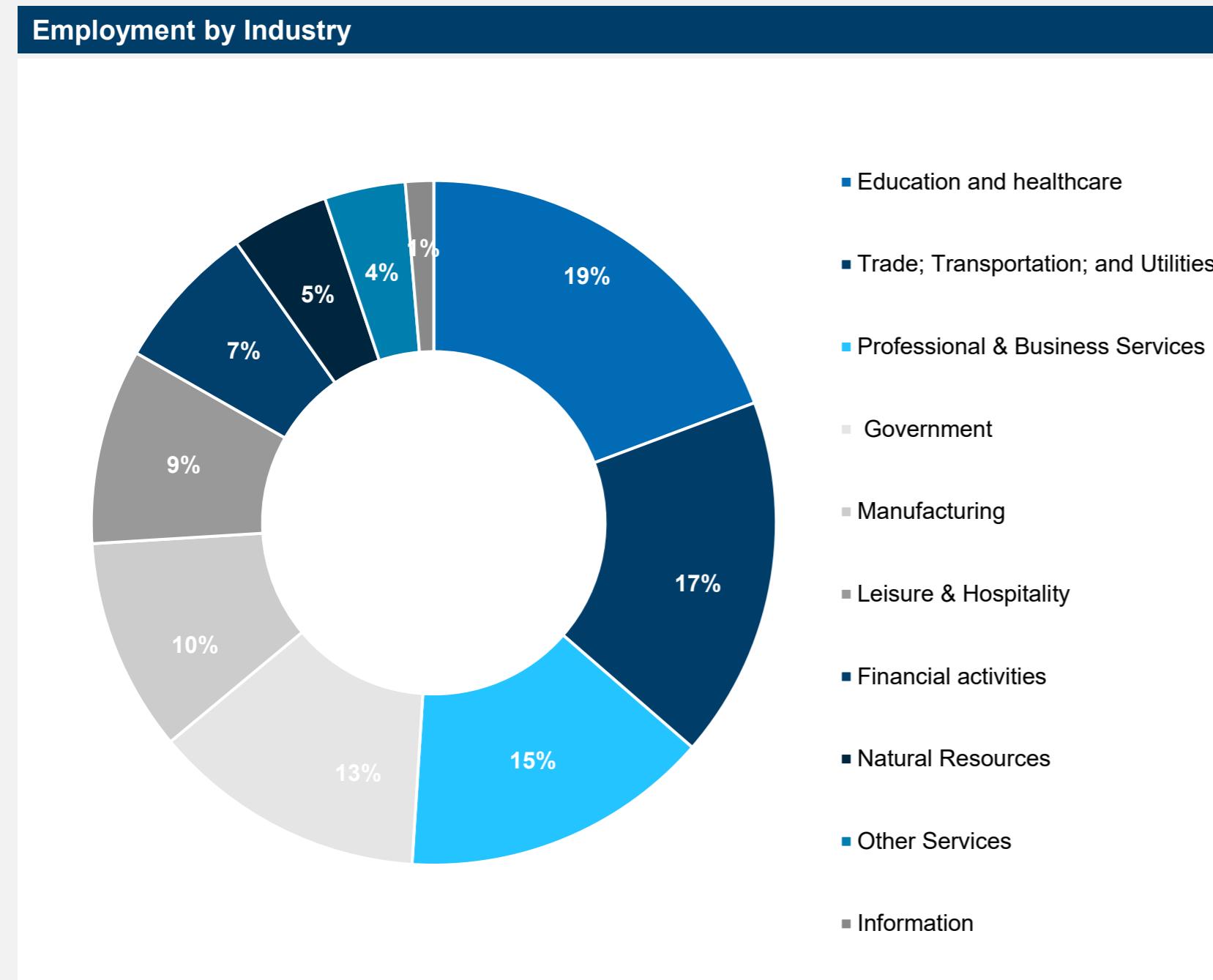
# Twin Cities labor market stable as job growth softens

As of September 2025, the unemployment rate in Minneapolis–St. Paul held steady at 3.7%, below the national average of 4.4%, but has increased since January 2025, when it stood at 2.7%. Employment growth has remained muted, with year-over-year gains of less than 1%, reflecting slow expansion in office-using industries.



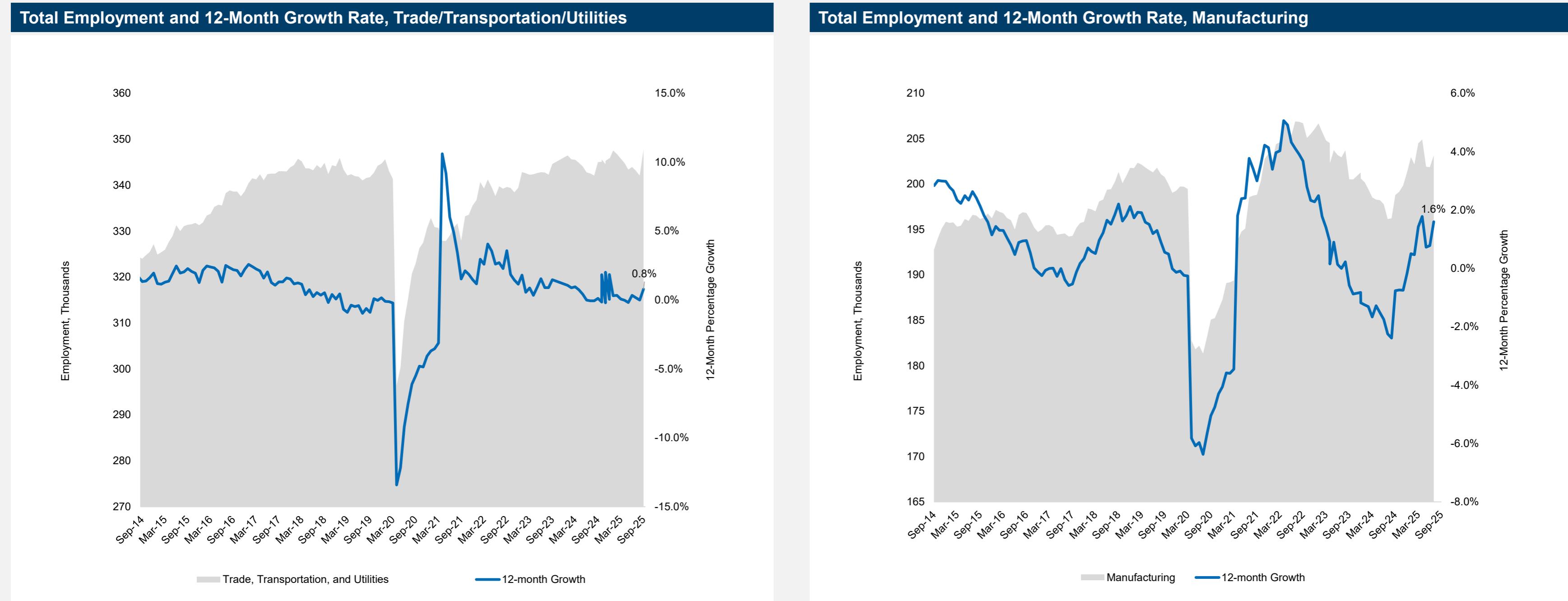
# Manufacturing drives industrial job growth; education and healthcare lead overall

Industrial-using sectors posted steady job growth in 2025, led by Manufacturing and Mining, Logging and Construction, while Trade, Transportation and Utilities remained flat. Gains in Education and Health Services and Government helped offset declines in office-using and service industries.



# Manufacturing continues to grow while trade and transportation remain flat

Trade, Transportation and Utilities employment growth registered 0.8%, while year-over-year Manufacturing growth reached 1.6%.



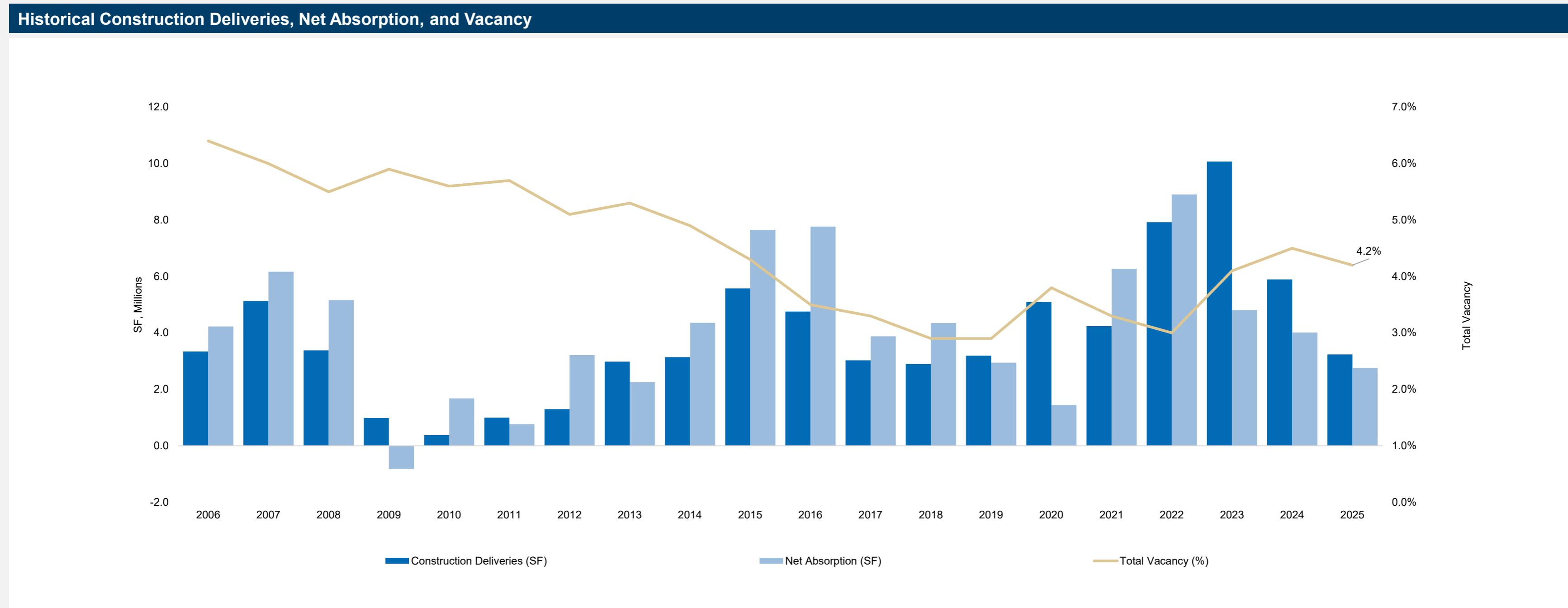
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## Leasing Market Fundamentals



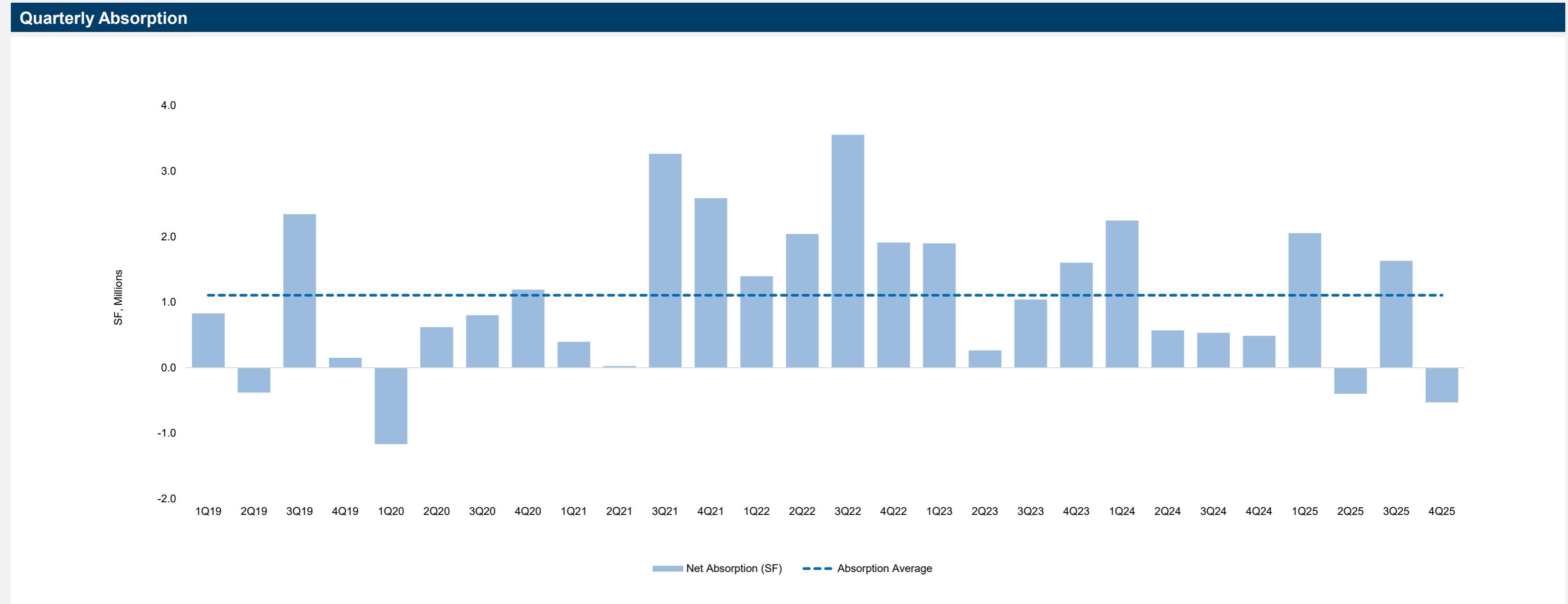
# Vacancy ends the year at 4.2% with more than 3.2 MSF of absorption in 2025

Vacancy declined to 4.2% from 4.5% earlier in the year as fluctuating absorption kept overall conditions stable. Year-to-date absorption totaled more than 2.7 MSF in 2025, below the 2022 peak of 8.9 MSF. Absorption is expected to largely track new supply, keeping vacancy near current levels.



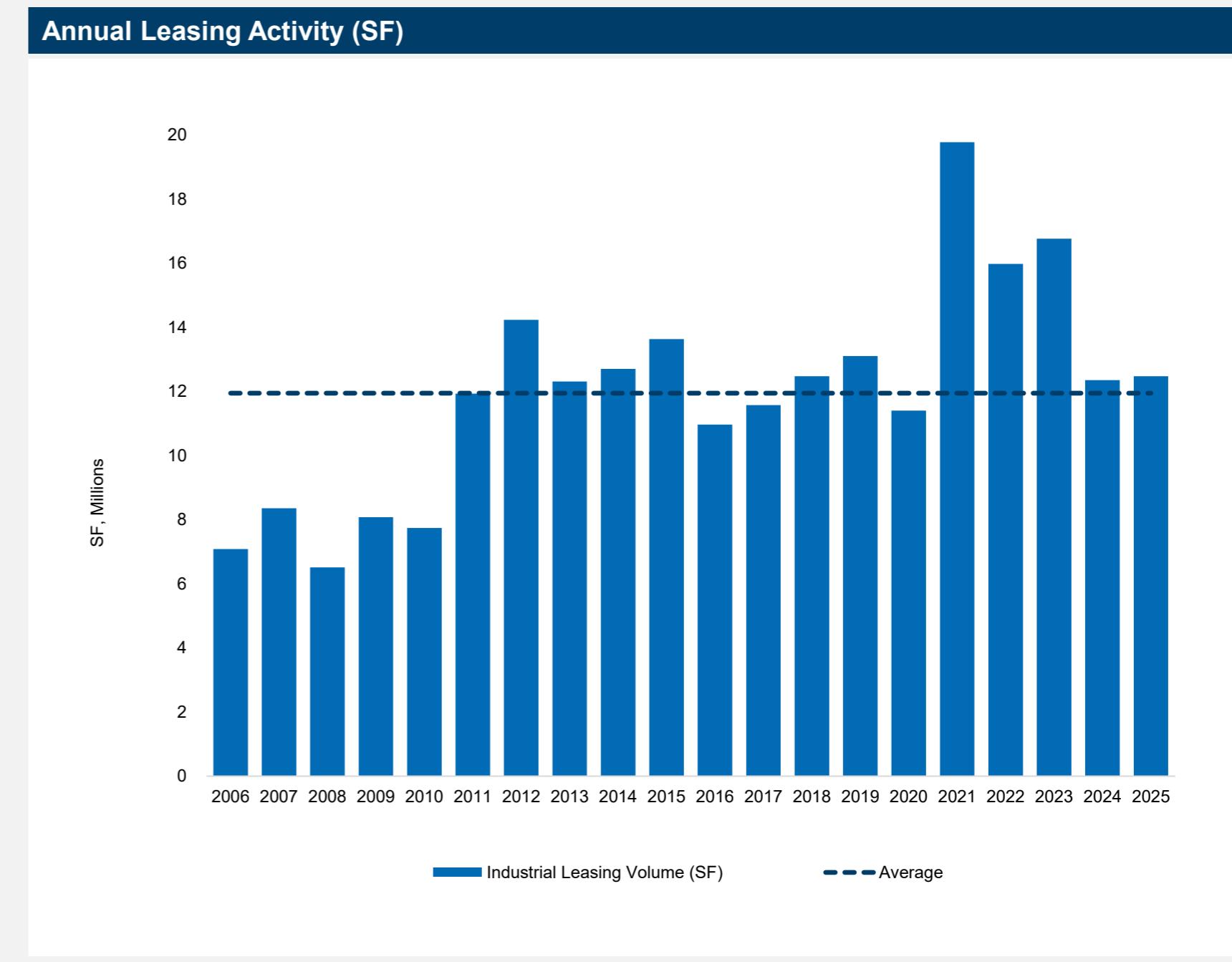
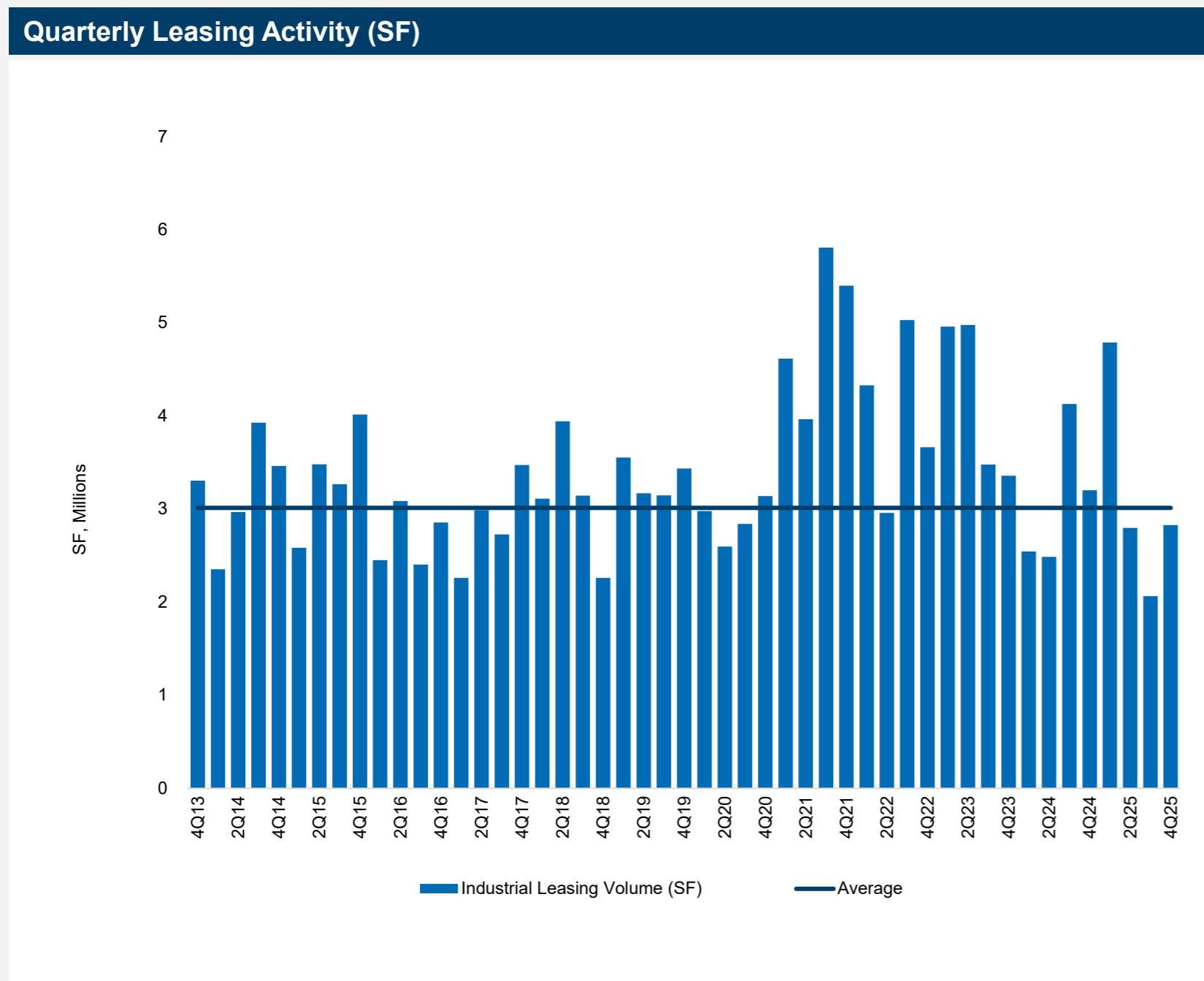
# Quarterly industrial absorption bumpy throughout the year, finishing negative in the fourth quarter

Net absorption fell by 500,000 SF in the second quarter, rebounded to 1.75 MSF in the third quarter, and then turned negative at 530,000 SF in the fourth quarter, while full-year absorption remained positive at 2.7 MSF.



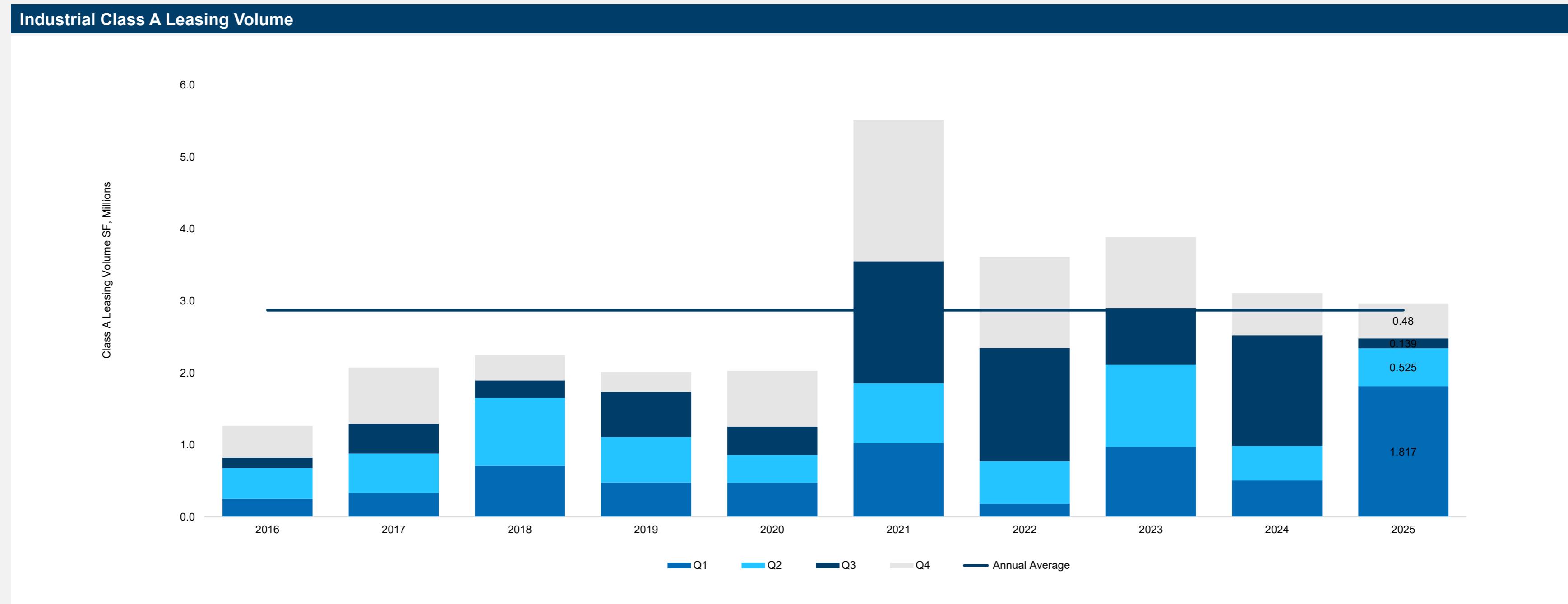
# Industrial leasing above historical averages amid steady tenant demand

Data center-related activity buoyed the market in 2025, including a 503,000-SF lease by Daedex at the Cubes at French Lake in Dayton, Centra announcing a new 150,000-SF facility at the Thomson Reuters campus, and Meta Platforms advancing its 715,000-SF data center in Rosemount. Additional activity came from companies that support data centers, including PHS West, which provides equipment for data centers and leased 91,000 SF in Corcoran, and nVent, which leased a 117,000-SF production facility in Blaine to support electrical enclosures and liquid cooling equipment.



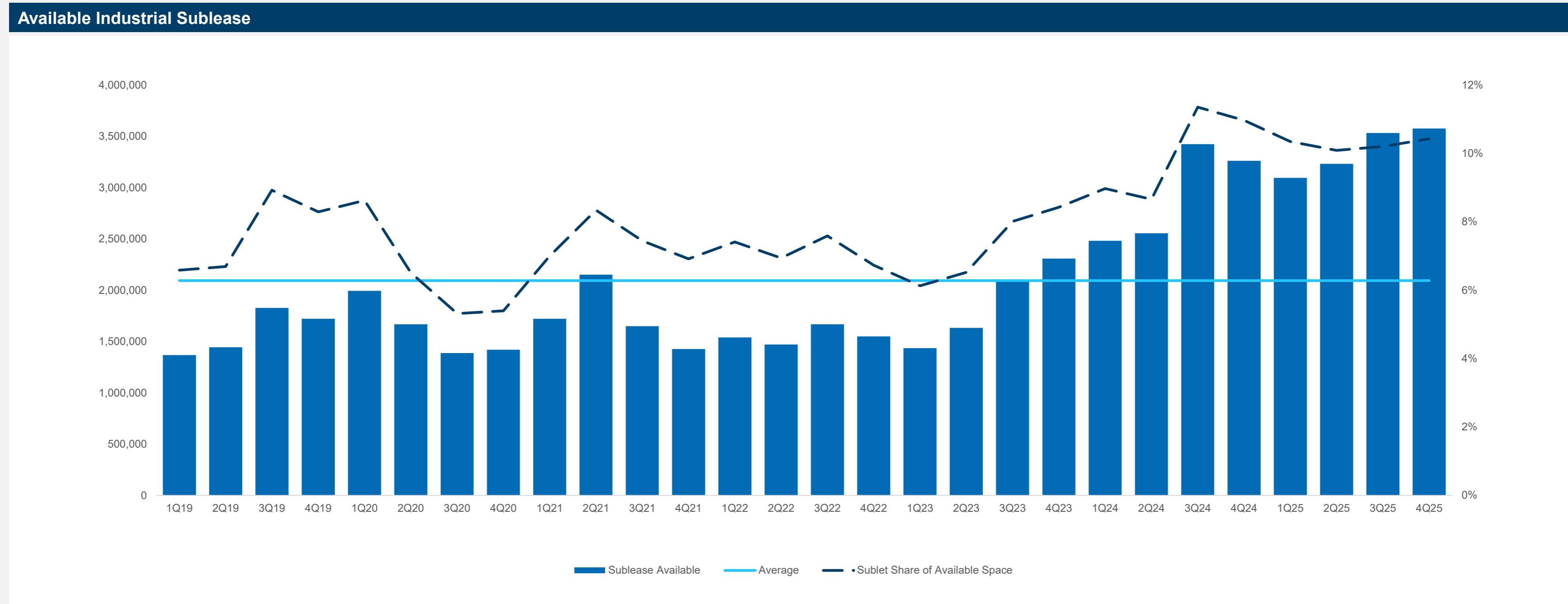
# Leasing activity moderates after midyear slowdown

Quarterly leasing volume declined from 1.3 MSF in the first quarter to 525,000 SF in the second quarter and 139,000 SF in the third quarter, the weakest pace since 2020, before moderating upward to nearly 500,000 SF in the fourth quarter. This pace still reflects a slightly higher rate than the 10-year average.



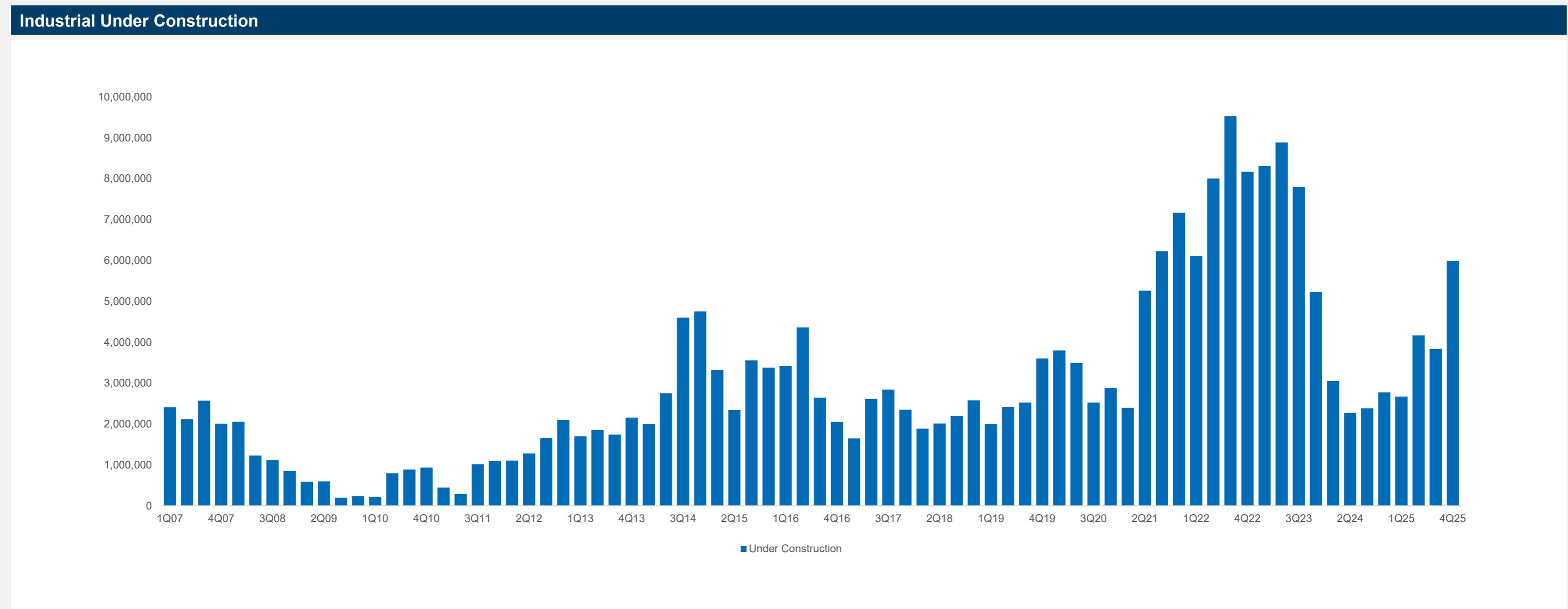
# Industrial sublease availability continues to increase

Following a brief moderation late last year, sublease space increased again in 2025, keeping availability above historical averages as additional blocks re-enter the market. Vacancy remains low, but overall availability continues to rise amid growing sublease supply.



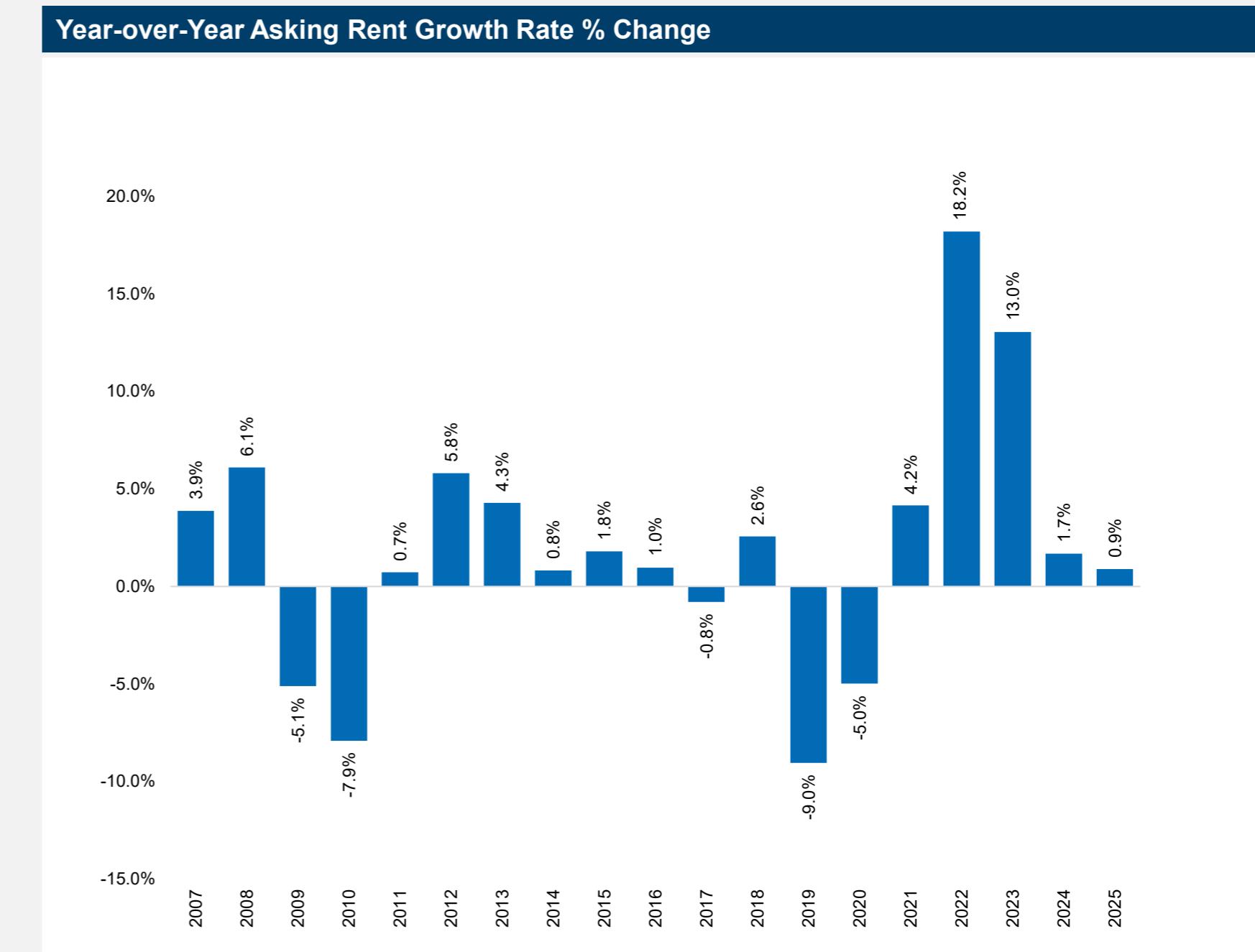
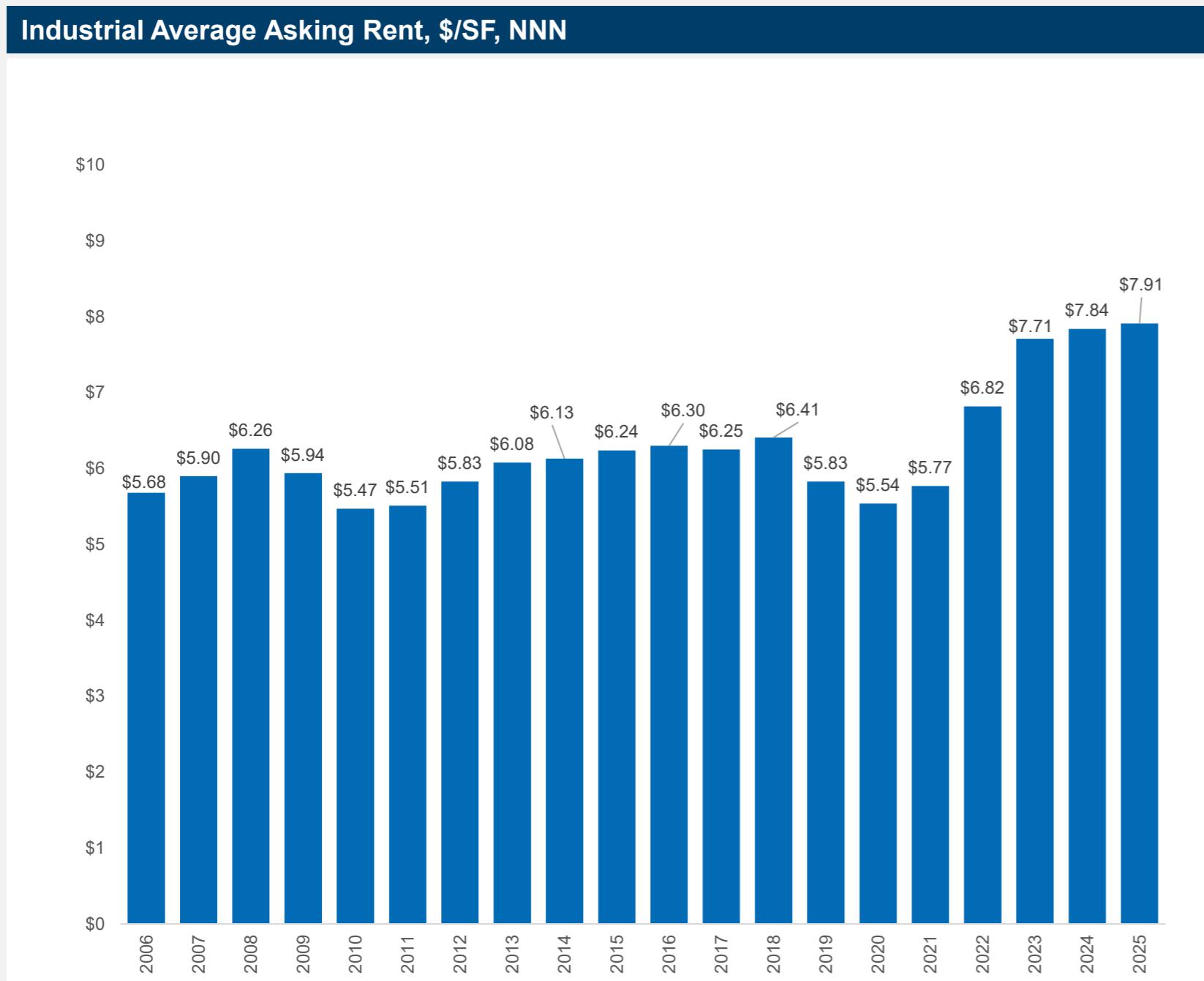
# Industrial construction pipeline expands in 2025

After pulling back from its 2022 peak, construction activity edged higher in 2025, driven by a healthy build-to-suit pipeline. New starts remain constrained by elevated financing costs and limited speculative development. Nearly 6.0 MSF is currently under construction, more than half of which is tied to Amazon's 3.6-MSF Project Nova warehouse development in Eagan. With most large-format warehouse space preleased, this segment is positioned for continued strength as supply remains constrained.



# Rental growth flat at 0.9% year over year

Following surging rent increases in 2022 and 2023, growth moderated and stabilized in 2024 and 2025. Annual lease escalations now average around 4%, up from roughly 3% a decade ago, reflecting inflationary pressures and improved landlord pricing power. Year-over-year rent growth registered 0.9%, with elevated vacancy in newly delivered space weighing on overall gains.

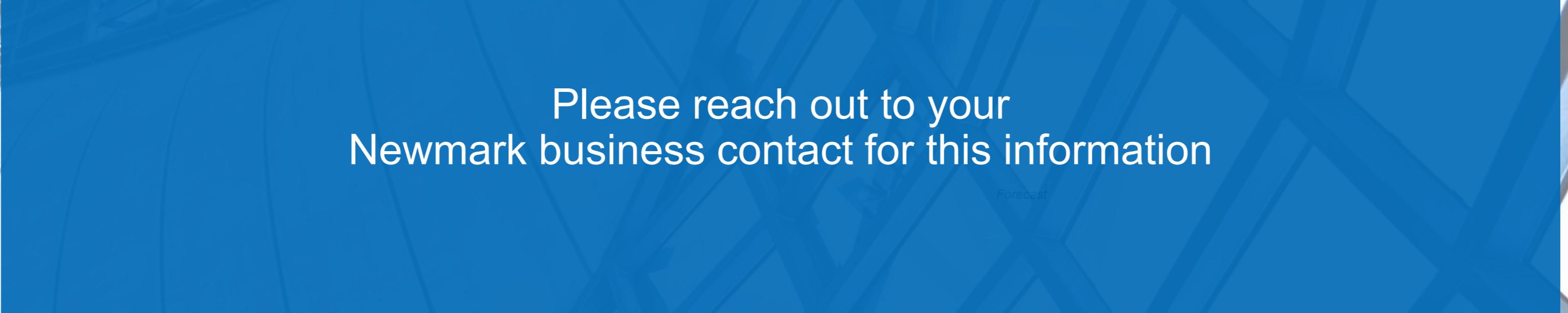


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## Statistics

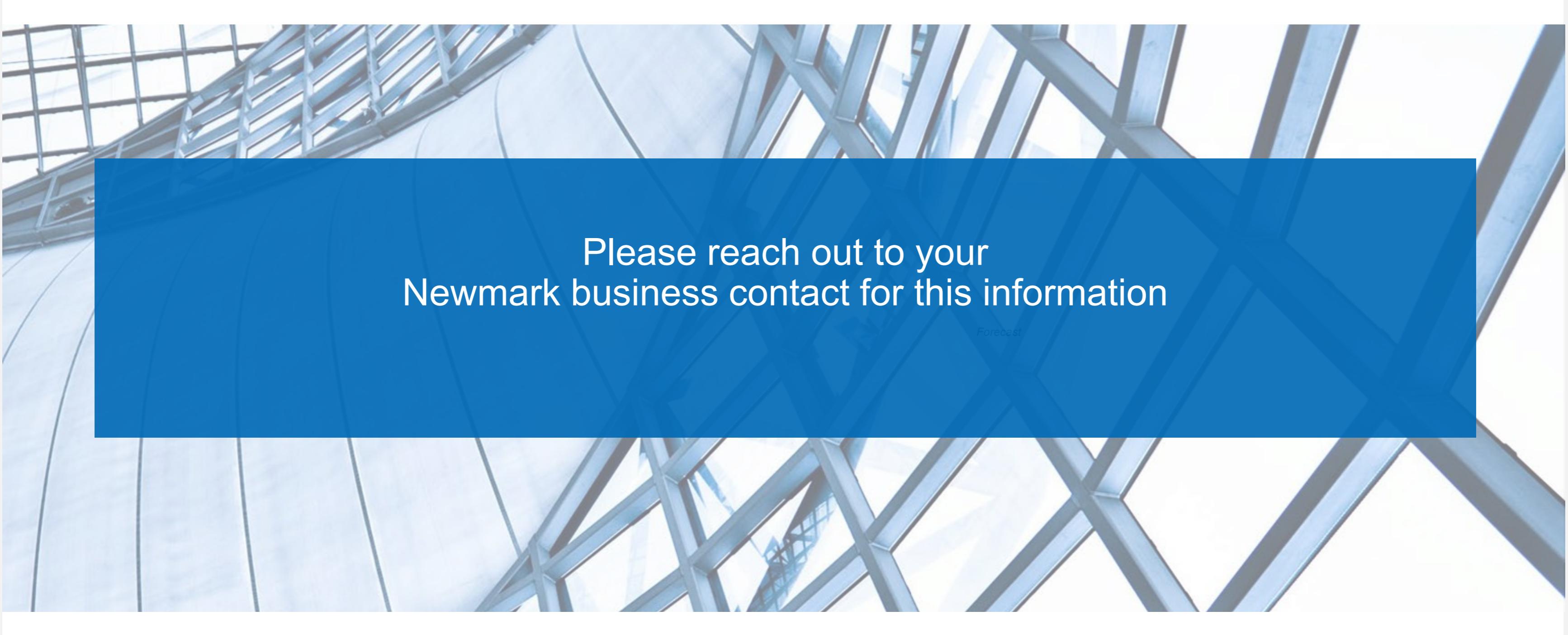


## Total Market Statistics



Please reach out to your  
Newmark business contact for this information

## Submarket Statistics (20K+ SF)



Please reach out to your  
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