3Q25

Minneapolis Industrial Market Overview

Market Observations

Economy

- Minnesota is home to 17 Fortune 500 headquarters, the highest concentration per capita 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% is one of the strongest in the nation, reflecting an engaged, well-educated workforce.
- Minneapolis–St. Paul's economy is anchored by diverse sectors including biotechnology, medical devices, food science, and water technology, as well as a robust financial services industry that rivals much larger markets.
- Unemployment continues to trend below the national average, registering 3.3% as of August 2025, compared with 4.2% nationally.

Major Transactions

- Scannell Properties is planning a 360-acre mixed-use development in Chaska called Big Woods Business Park that could total up to 2.7 million SF of office, industrial, and commercial space. The project could break ground as soon as summer 2026 with a 5- to 15-year buildout.
- Zenith Industrial Outdoor Storage is redeveloping a site in north Minneapolis for Kemps on 8-acres formerly occupied by Northern Metal Recycling, which closed in 2022. Kemps is leasing a 40,000 SF distribution facility to support a nearby bottling facility.
- Scannell Properties sold three fully-leased buildings totaling 430,000 SF located in NorthPark Business Center in Brooklyn Park to California-based Buzz Oates for $63.5 million. The warehouse properties have 28- to 32-foot clear heights and are occupied by Boston Scientific and Tetra Pak.
- Hempel acquired an 80,000-square-foot medical lab property in Maple Grove and signed a lease with Laborie Medical Technologies Corp., a medical device manufacturer set to occupy the building next fall.
- nVent Electric announced it will lease 117,000 SF in Blaine for a new metro-area production facility. nVent produces liquid cooling equipment used significantly in data centers, recent data center boom has driven their growth.
- The city of Brooklyn Park outlined a vision to convert 700 acres near Hwy 169 into a major business park. Plans include low-to-high density housing and biotechnology innovation districts, including production and manufacturing space in addition to 70 acres of park and open space.
- Endeavor Development is proposing a 240,250 SF speculative industrial building in Fridley called River Edge Distribution Center. The project is located on 15.5 acres replacing an existing 162,000 SF baking plant and will feature 32' clear height, 57 trailer stalls and 200 parking spaces & outdoor storage. Demolition to begin winter of 2026 with completion fall of 2026.
- Big River Real Estate, a St. Louis Park–based firm, sold a 220,244-square-foot, four-property industrial portfolio located in Eagan, Burnsville, Minneapolis and New Brighton for $25.225 million. The buyer was California-based Unilev Capital Corp.

Market Fundamentals

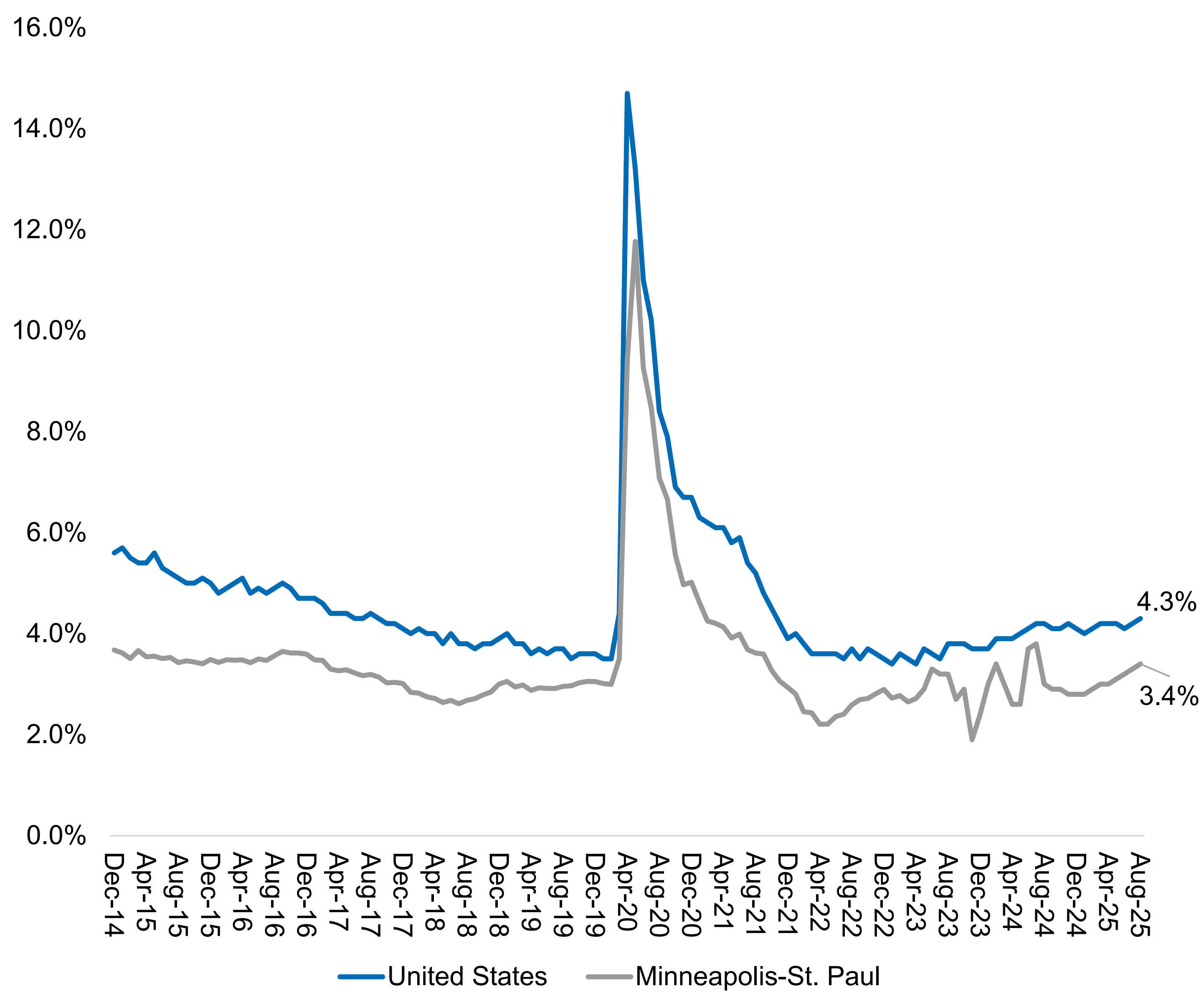
- After negative absorption of 500,602 SF in 2Q25, absorption was positive 1,754,799 bringing the year-to-date total to over 3.2 MSF. Vacancy decreased to 4.2% from 4.4% at 2Q25 and 4.5% at year-end 2024.
- Currently, over 3.8 MSF is under construction and over 2.2 MSF has been delivered YTD.
- Industrial land prices for sites on the leading edge of the next development wave have nearly doubled over the past five years, driven by strong out-of-state demand from big-box warehouse users.

Economy

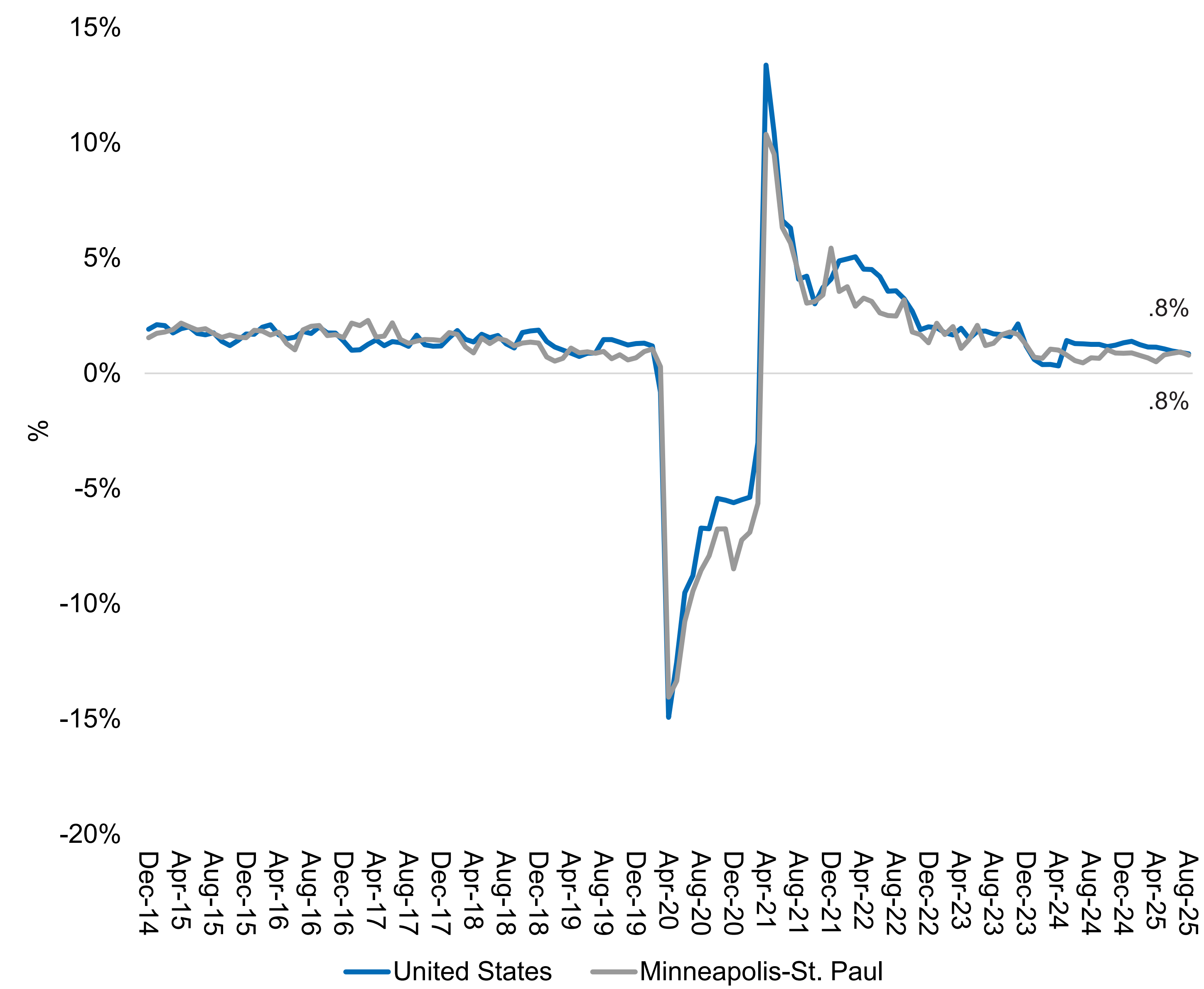
Twin Cities Labor Market Stable, Job Growth Soft

As of August 2025, the unemployment rate in Minneapolis–St. Paul held steady at 3.4%, below the national average of 4.3%, underscoring the region's continued labor market stability. However, employment growth remains muted, with year-over-year gains of less than 1%, reflecting slow expansion in office-using industries.

Unemployment Rate



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

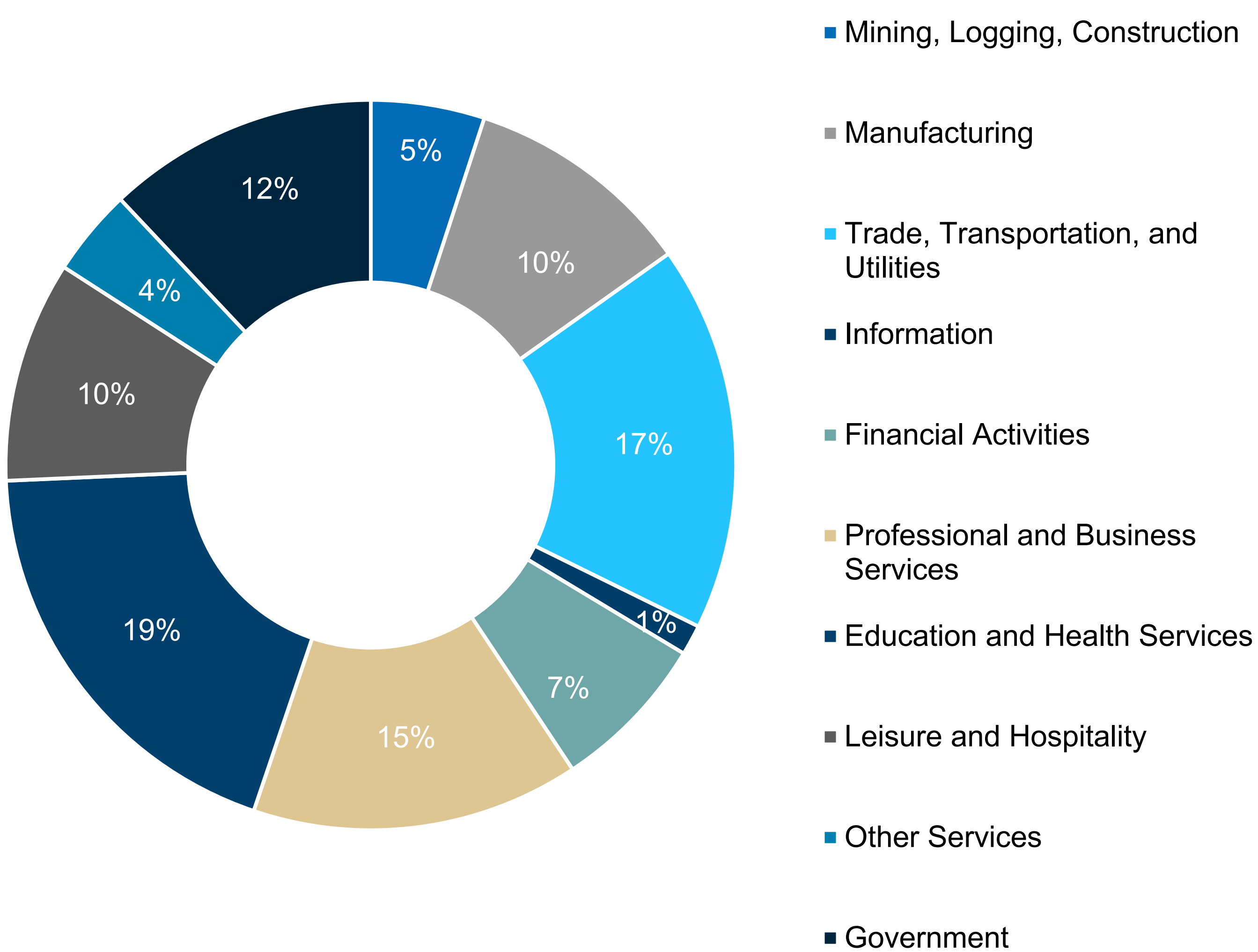


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

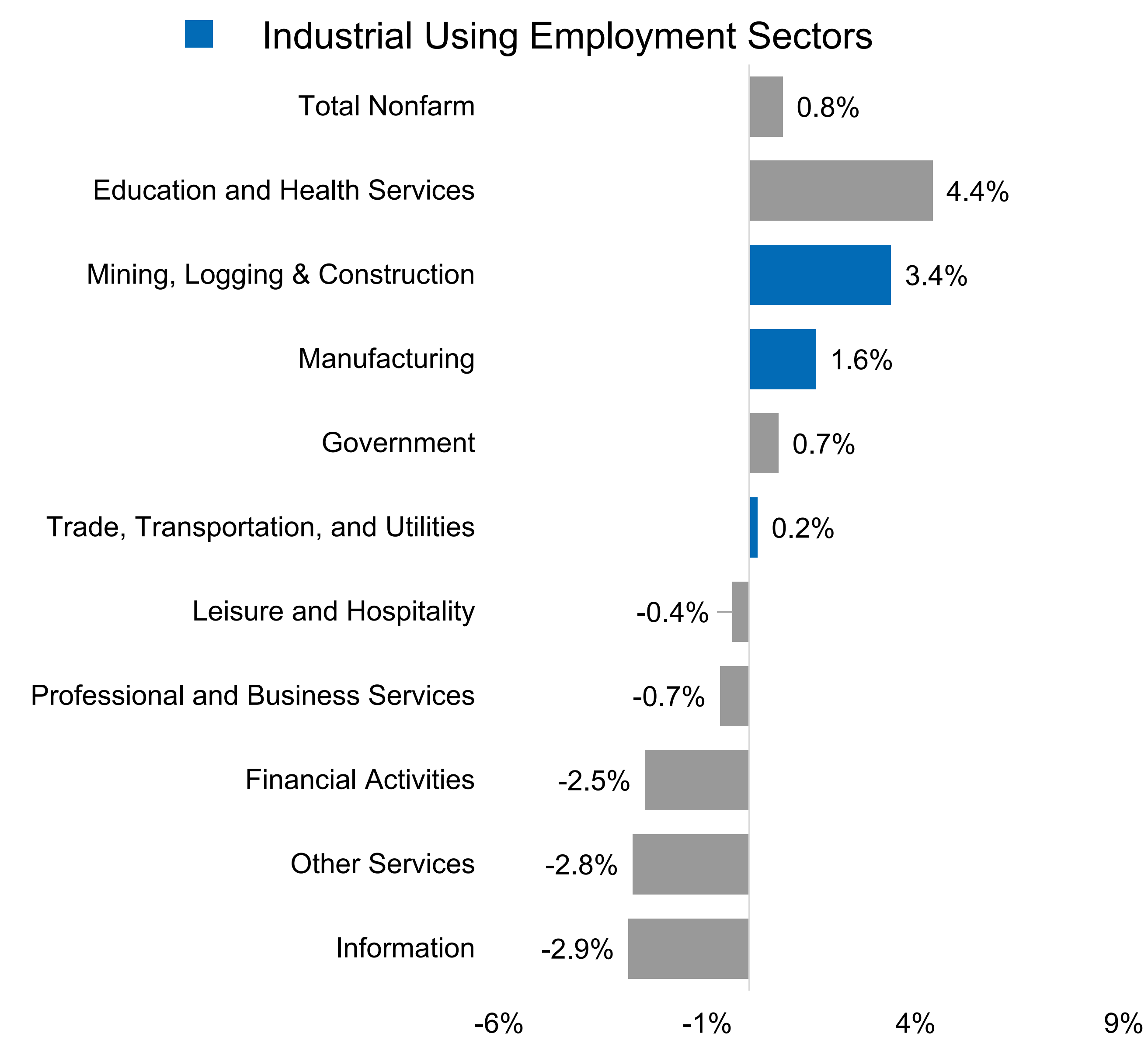
Manufacturing and Construction Lead Industrial Employment Gains

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

Employment by Industry, August, 2025



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

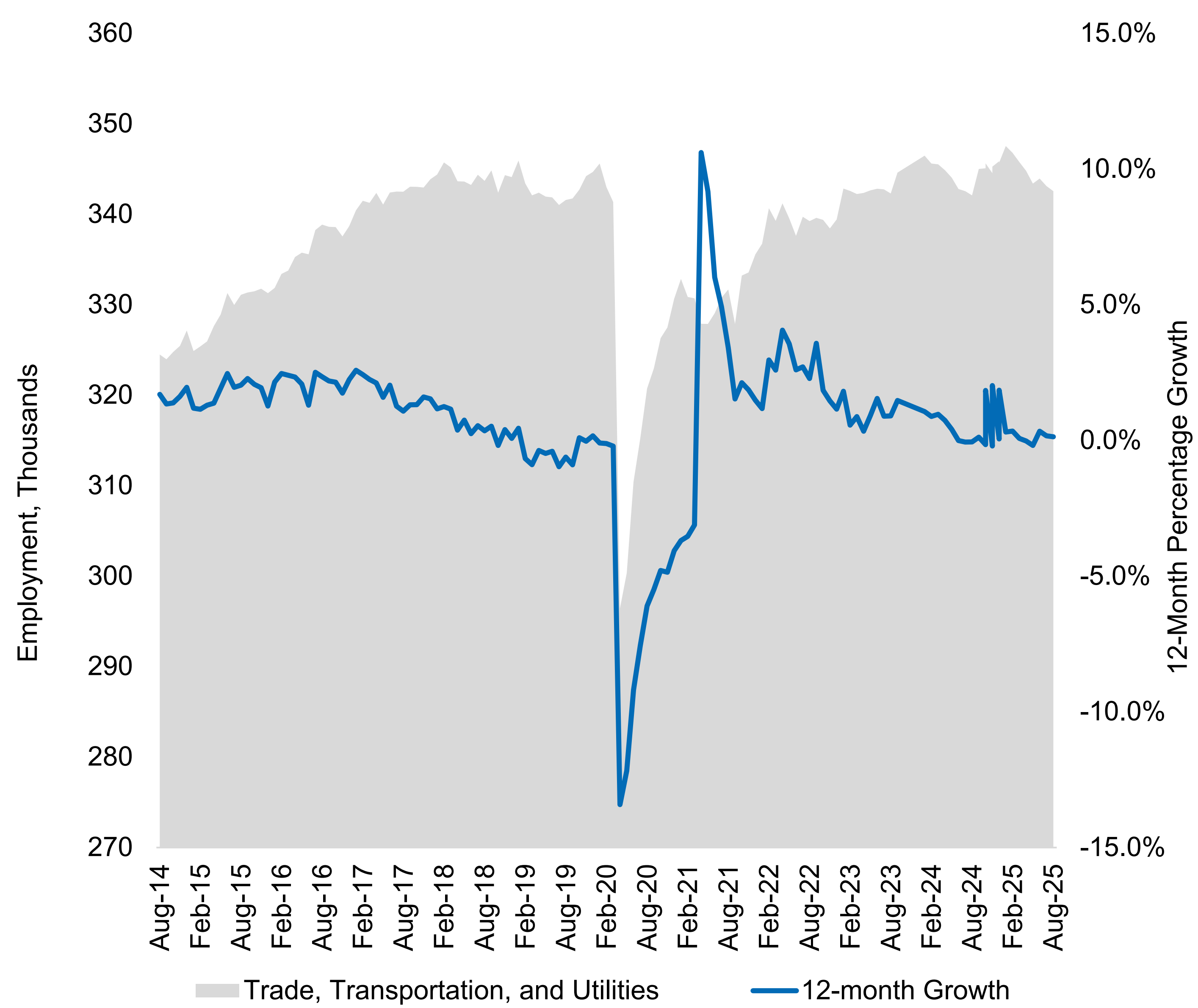


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

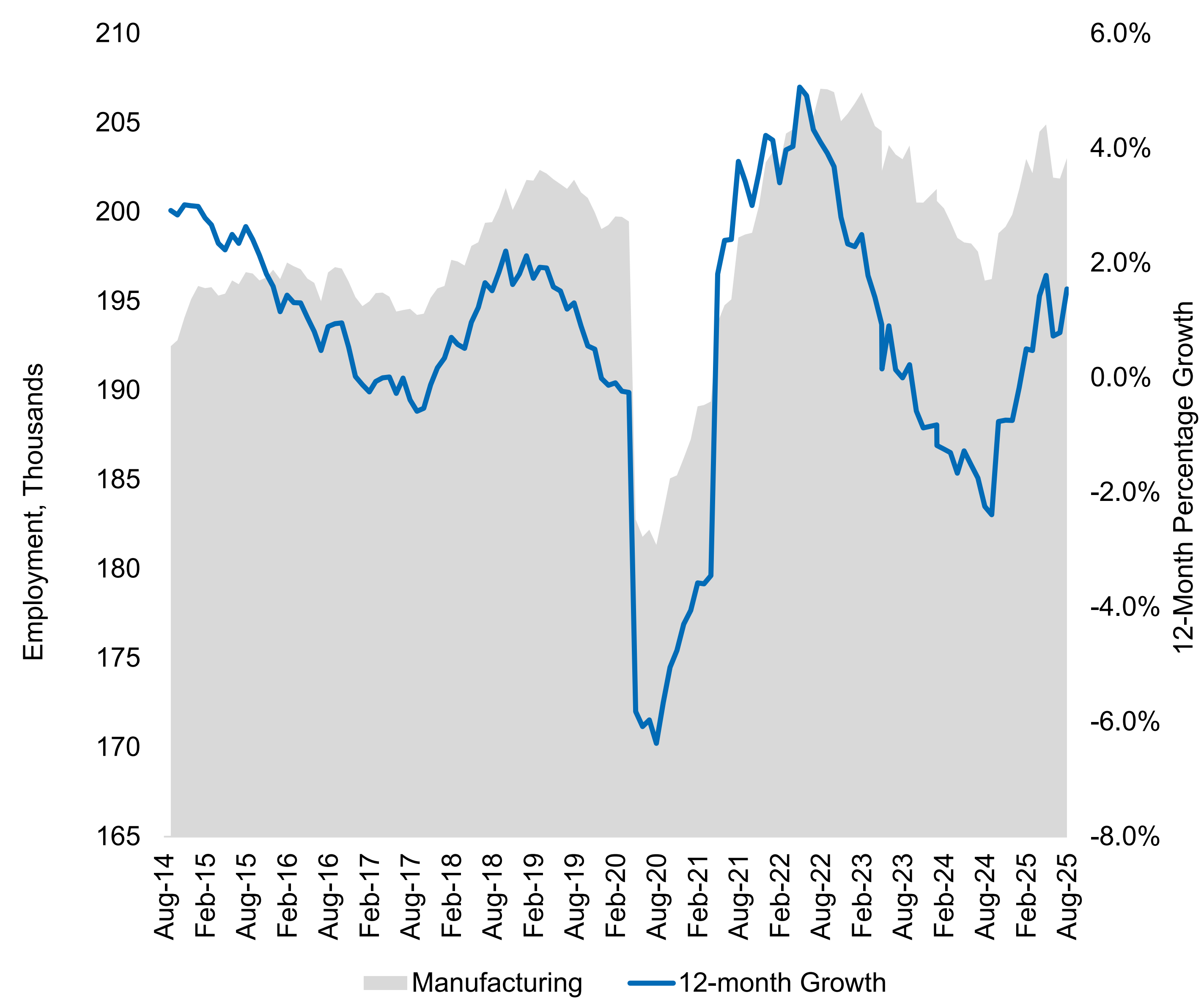
Manufacturing Shows Growth While Trade and Transportation is Flat

Trade, Transportation, and Utilities employment remains flat, while recent gains in Manufacturing suggest a growth that could increase future demand for industrial space.

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

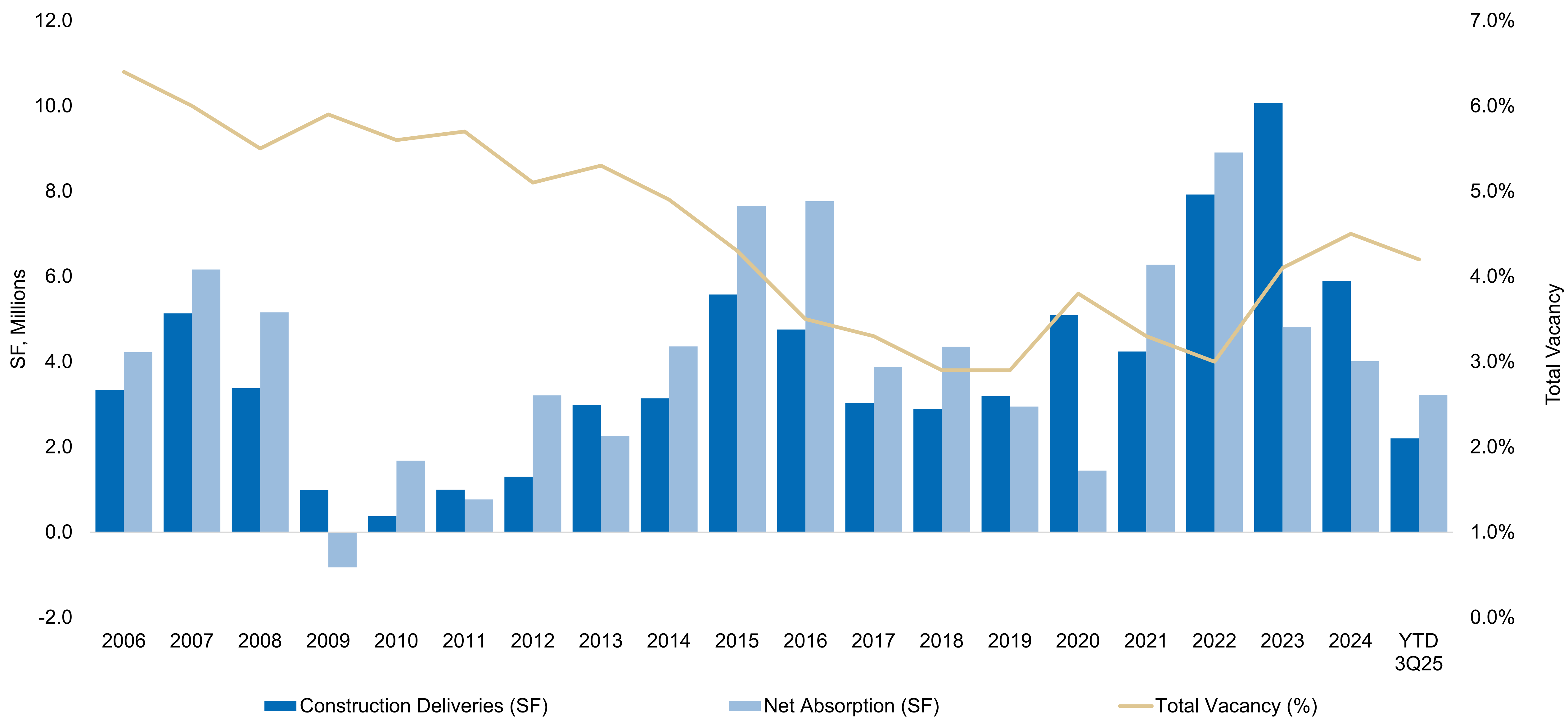
3Q25

Leasing Market Fundamentals

Vacancy Ticks Downward to 4.2% With Over 3.2 MSF of Absorption YTD

Vacancy was 4.2%, down from year-end 2024's rate of 4.5% as absorption remains robust.

Historical Construction Deliveries, Net Absorption, and Vacancy

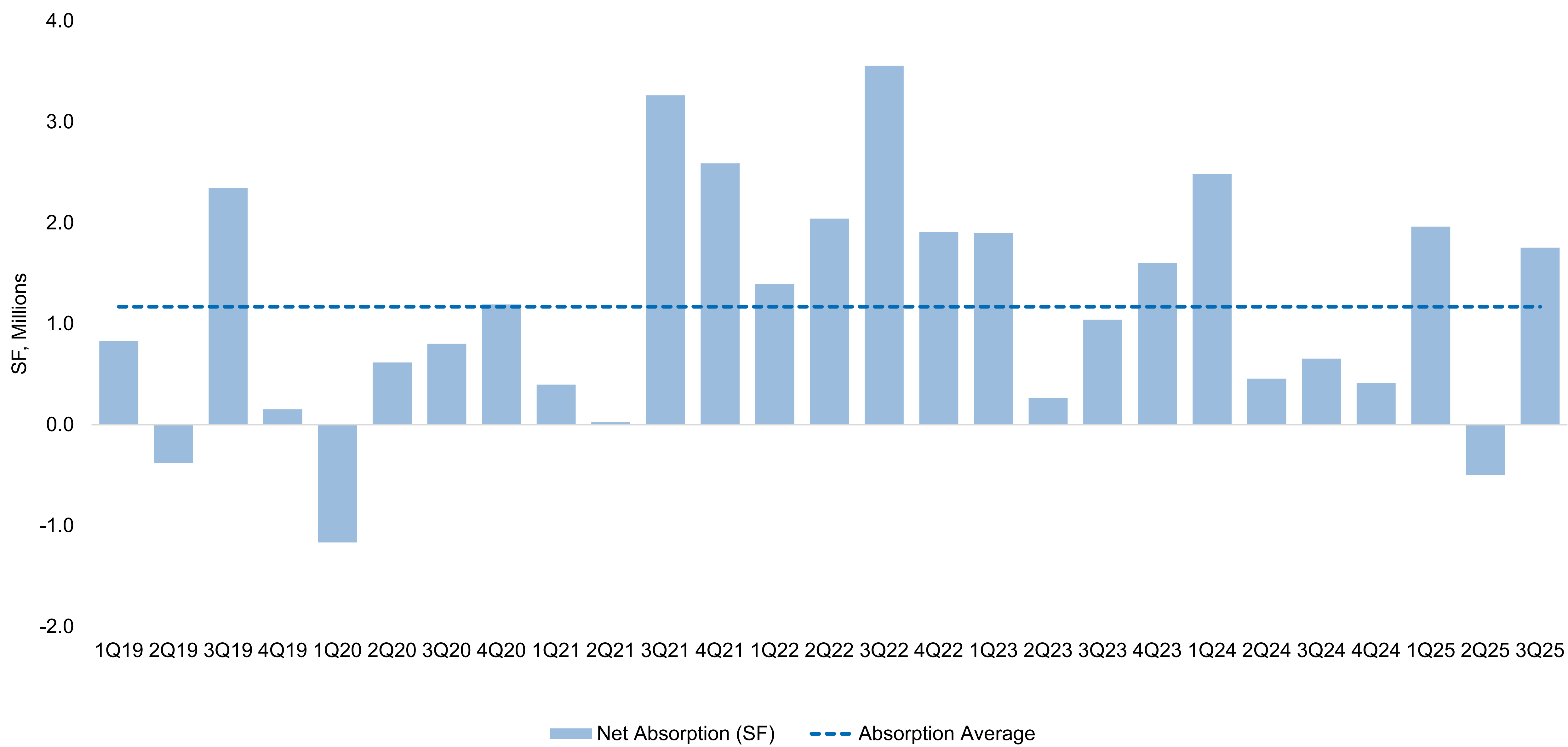


Source: Newmark Research, Costar, MNCAR

Quarterly Industrial Absorption Turns Positive in Q3 After Midyear Decline

Following a 500,000-square-foot decline in Q2, net absorption reached 1.75 million square feet in Q3, which is above the quarterly average.

Quarterly Absorption

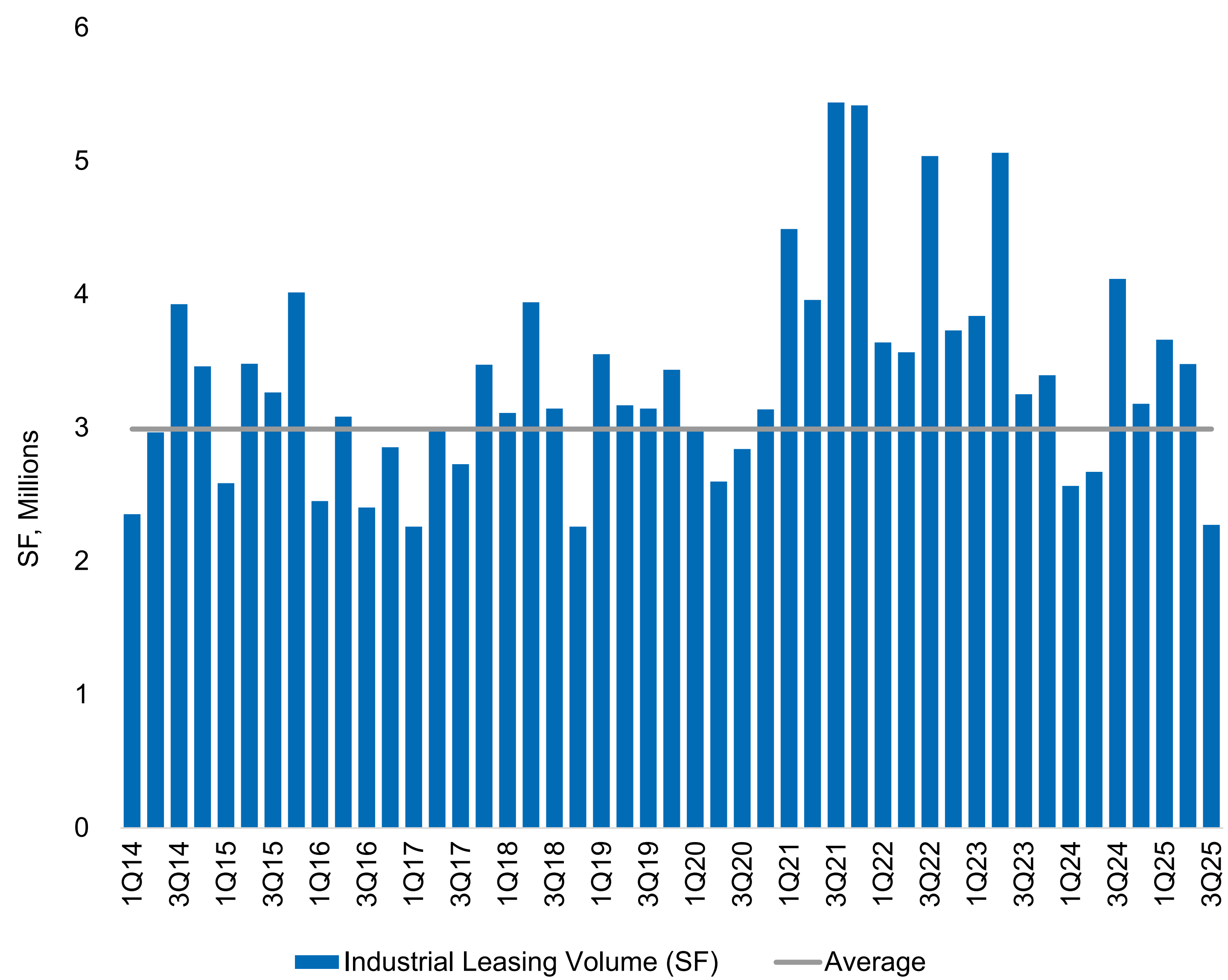


Source: Newmark Research, Costar, MNCAR

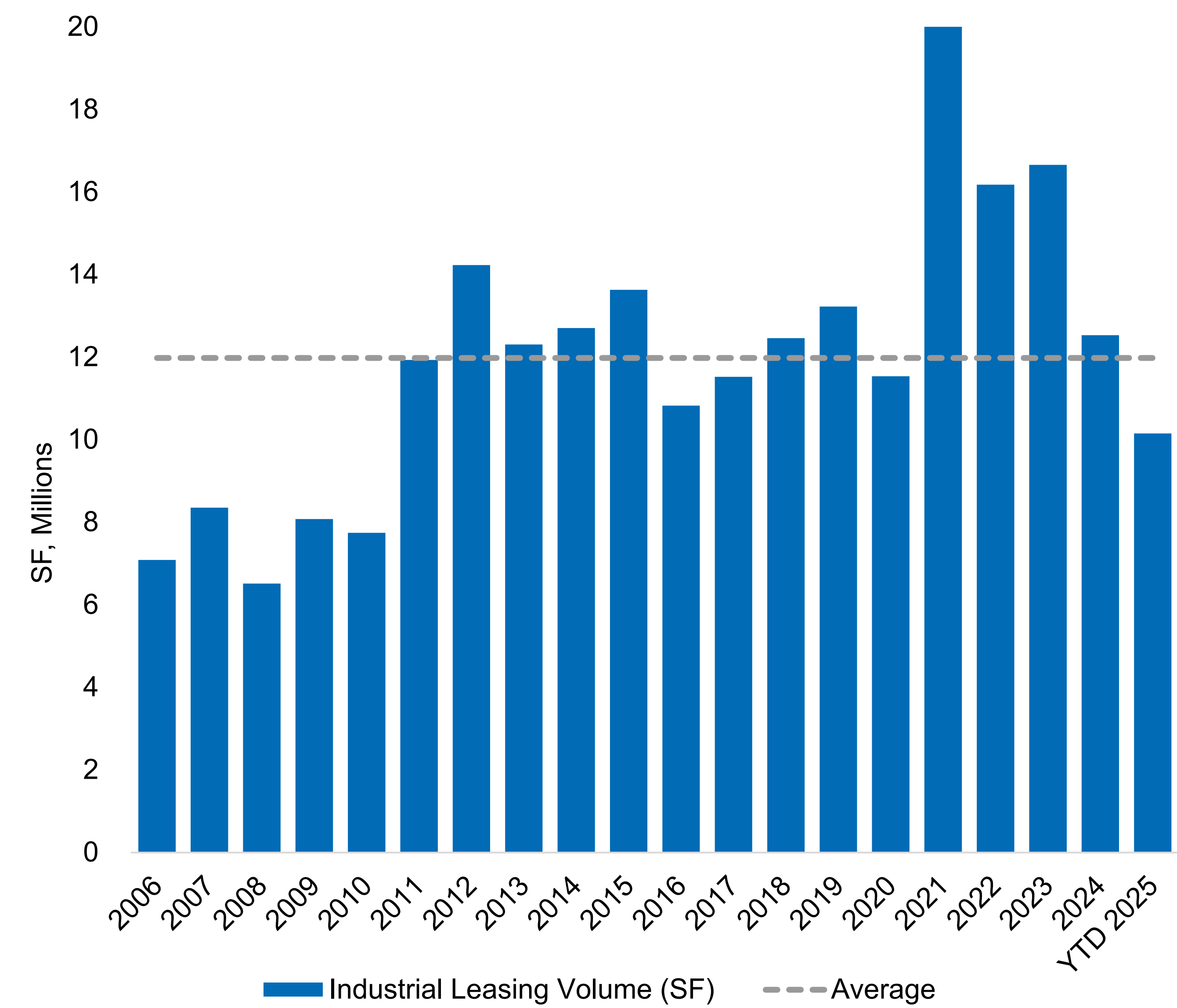
Industrial Leasing Above Historical Averages Amid Steady Tenant Demand

Major tenants are driving industrial activity, with Laborie Medical Technologies leasing a new 80,000 SF Maple Grove medical lab, nVent leasing a 117,000-square-foot production facility in Blaine to support growing data center demand and Kemps leasing 40,000 SF at a site being redeveloped in north Minneapolis.

Quarterly Leasing Activity (SF)



Annual Leasing Activity (SF)

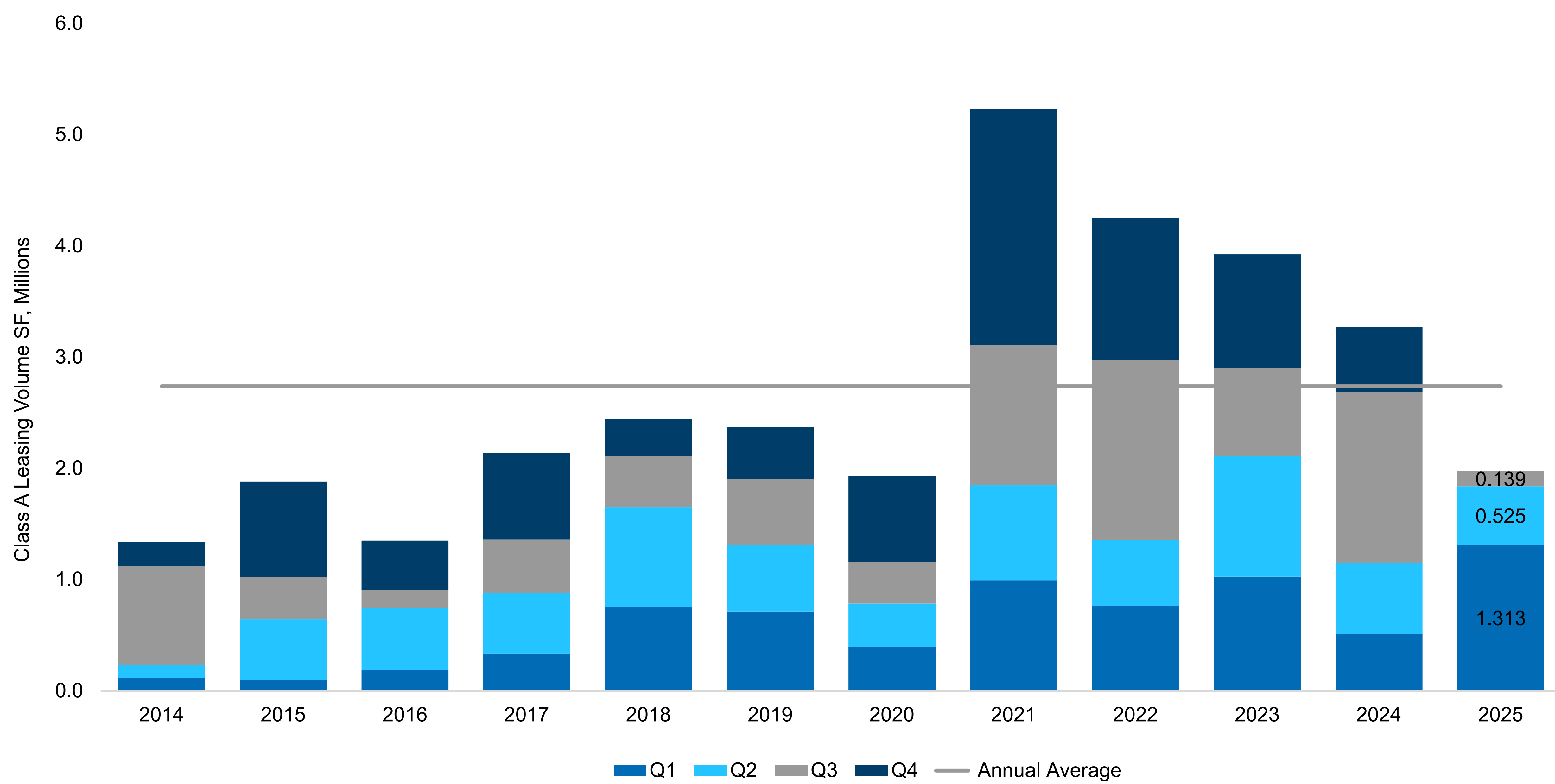


Source: Newmark Research, CoStar

Class A Warehouse Leasing Activity Slows Through Q3 2025

Quarterly leasing volume declined from 1.3 million square feet in Q1 to 525,000 square feet in Q2 and 139,000 square feet in Q3, marking the slowest pace since 2020.

Industrial Class A Leasing Volume

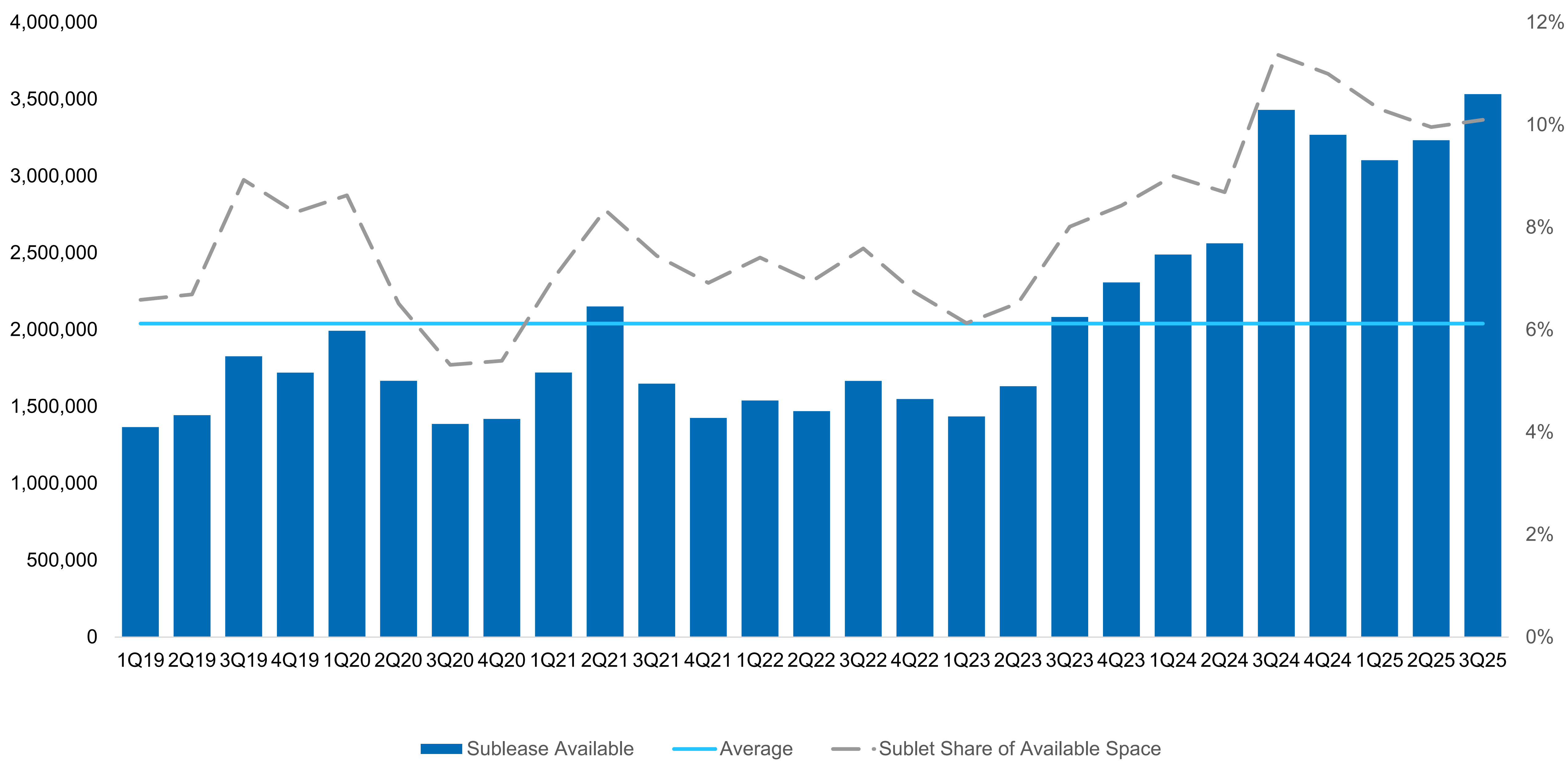


Source: Newmark Research, CoStar

Industrial Sublease Availability Remains Elevated

After easing late last year, available sublease space increased again in 2025, remaining above historical norms as additional blocks return to the market. Despite low vacancy, availability is edging higher, driven by an ongoing increase in sublease space.

Available Industrial Sublease

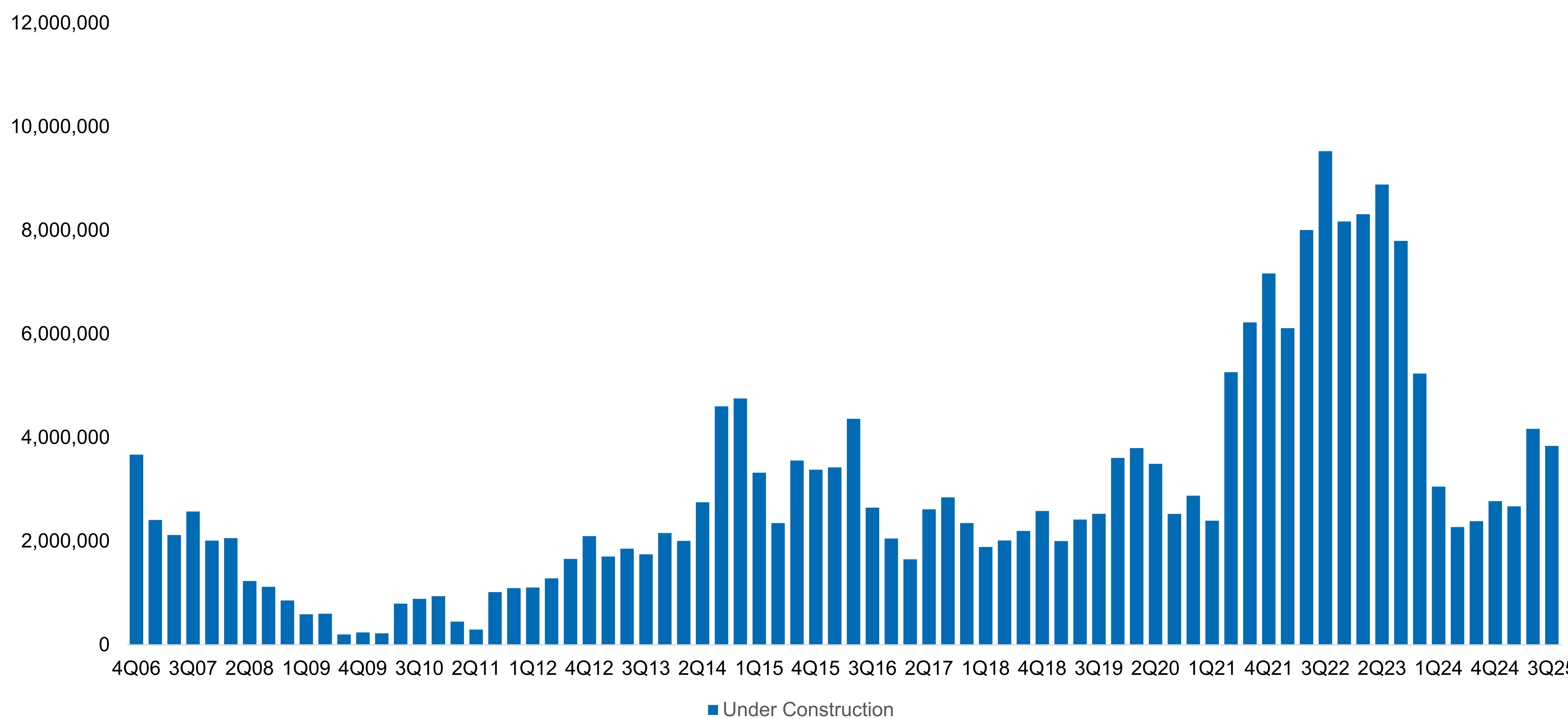


Source: Newmark Research, CoStar

Industrial Construction Pipeline Expands in 2025

After declining from its 2022 peak, construction activity is trending upward this year, reflecting strong pipeline of build to suit projects while additional activity is constrained by higher financing costs.

Industrial Under Construction

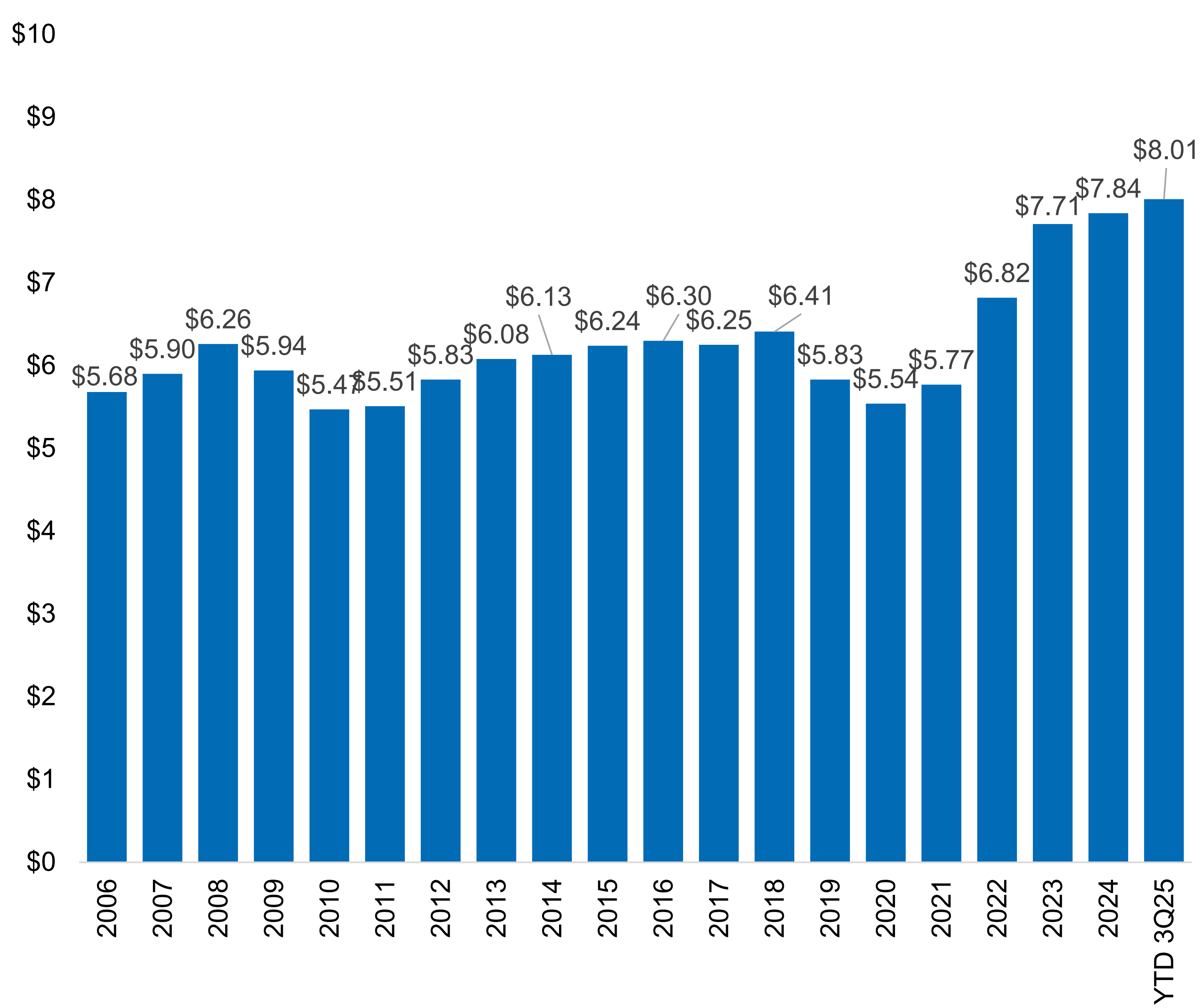


Source: Newmark Research, CoStar

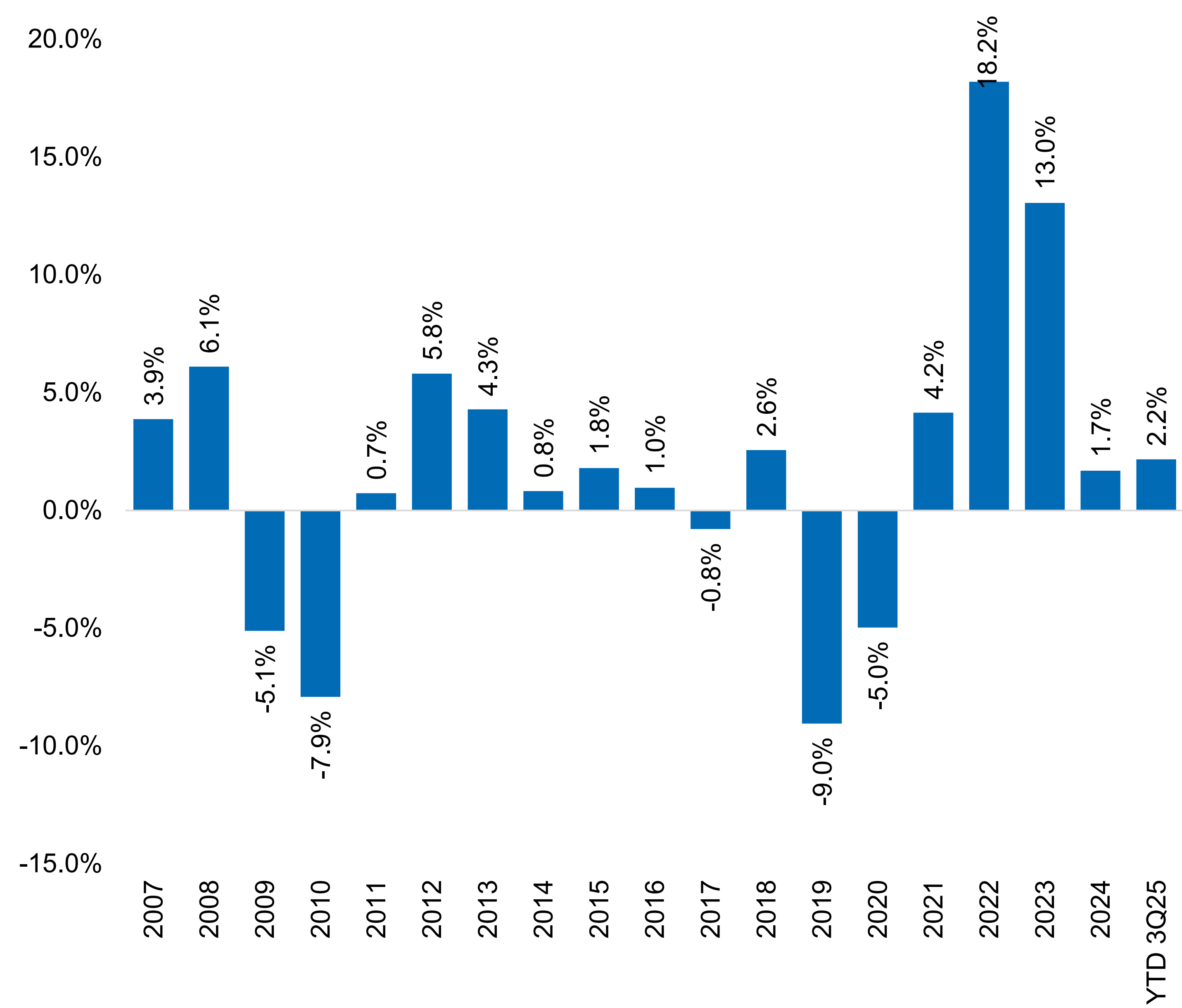
Rental Growth Moderates to 2.2% YTD

Year-to-date rent growth was 2.2%, as elevated vacancy in newly delivered big-box space tempered broader gains. Annual lease escalations have averaged around 4%, up from 3% a decade ago, reflecting both inflationary pressures and stronger landlord pricing power.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change

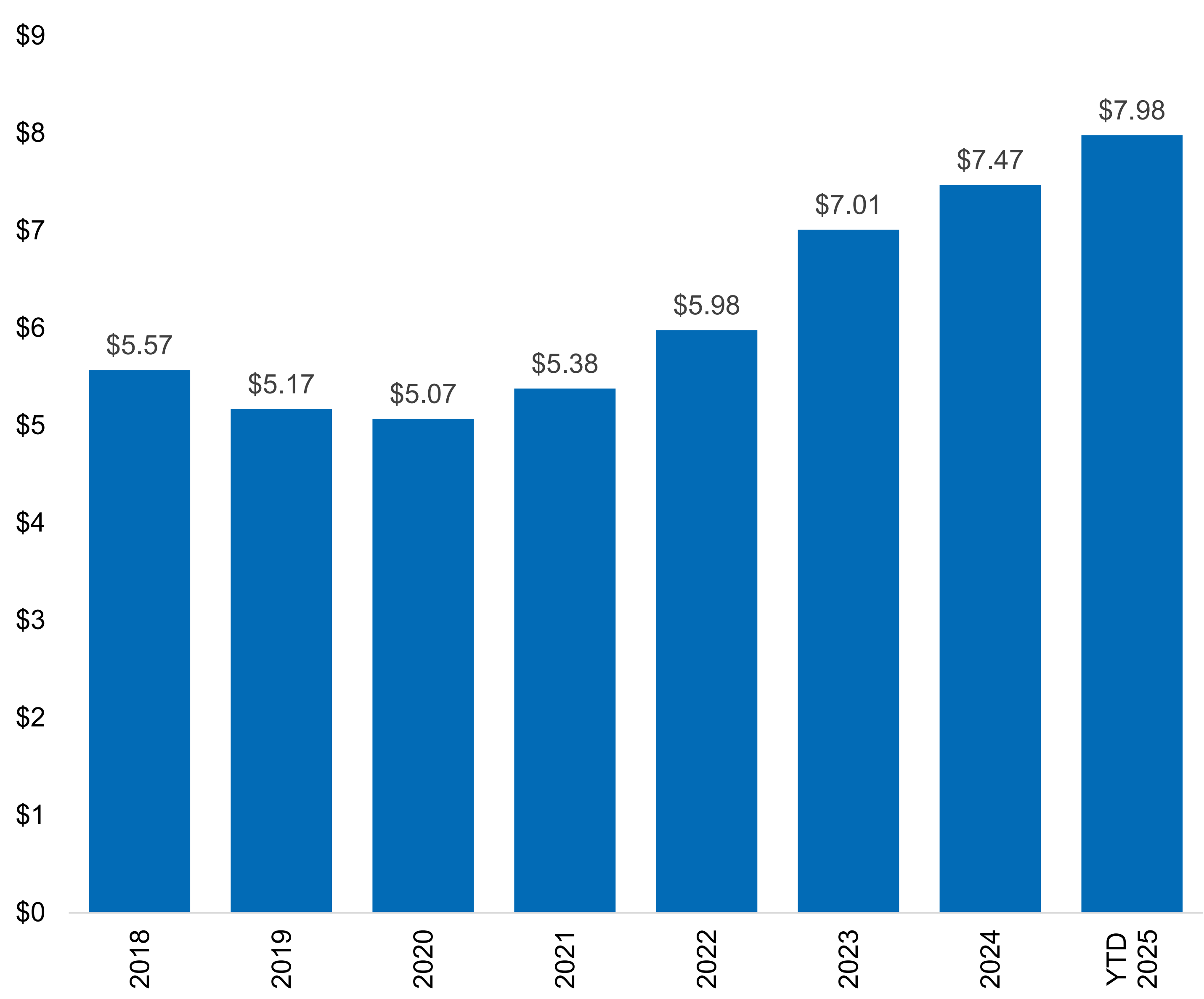


Source: Newmark Research, CoStar

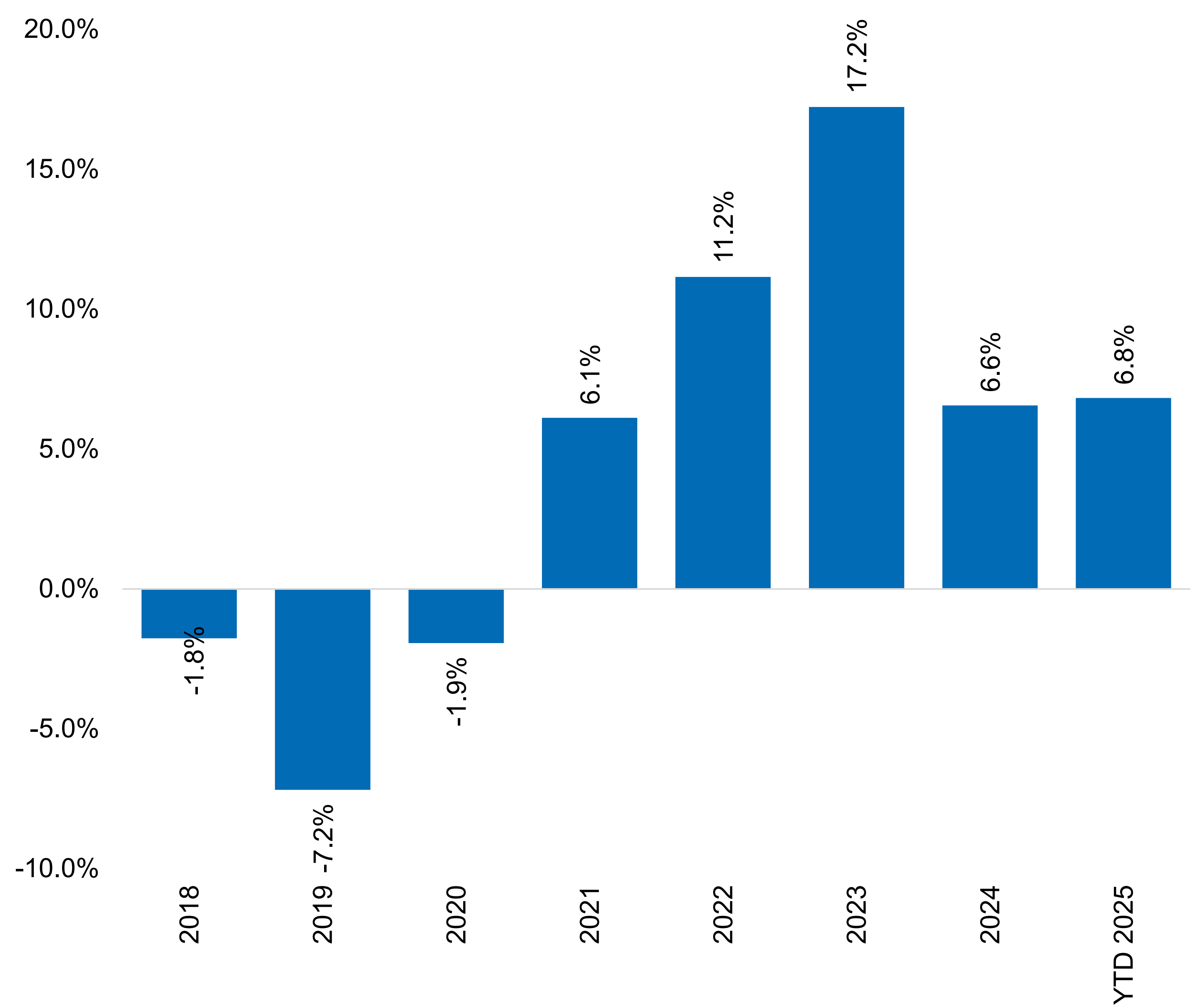
Class A Warehouse Rent Growth Moderates Following Record Gains

After double-digit increases from 2021 through 2023, Class A warehouse rents continue to rise at a slower pace as new supply and normalized demand temper further escalation.

Class A Warehouse Average Asking Rent, $/SF, NNN



Class A Warehouse 12 month Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Statistics

Minneapolis Industrial & Flex Market

Statistics
Minneapolis Industrial Market Single & Multitenant

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