TRANSWESTERN

MINNEAPOLIS - SAINT PAUL INDUSTRIAL MARKET

Q4 2024

TRENDLINES

	Q4 2023	Q4 2024	ONE-YEAR TREND	THREE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.2	2.9	↑	2.7	↑
NET ABSORPTION (Millions SF)	1.1	1.3	↑	1.2	↓
OVERALL VACANCY RATE	4.9%	5.2%	↑	4.3%	↑
OVERALL VACANT SF (MSF)	14.3	15.4	↑	12.2	↑
UNDER CONSTRUCTION (MSF)	4.7	3.0	↓	5.9	↓
ASKING RENT (PSF)	$9.84	$9.72	↓	$9.35	↑
SALES VOLUME (Millions)	$357	$461.7	↑	$502.3	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

MARKET OVERVIEW

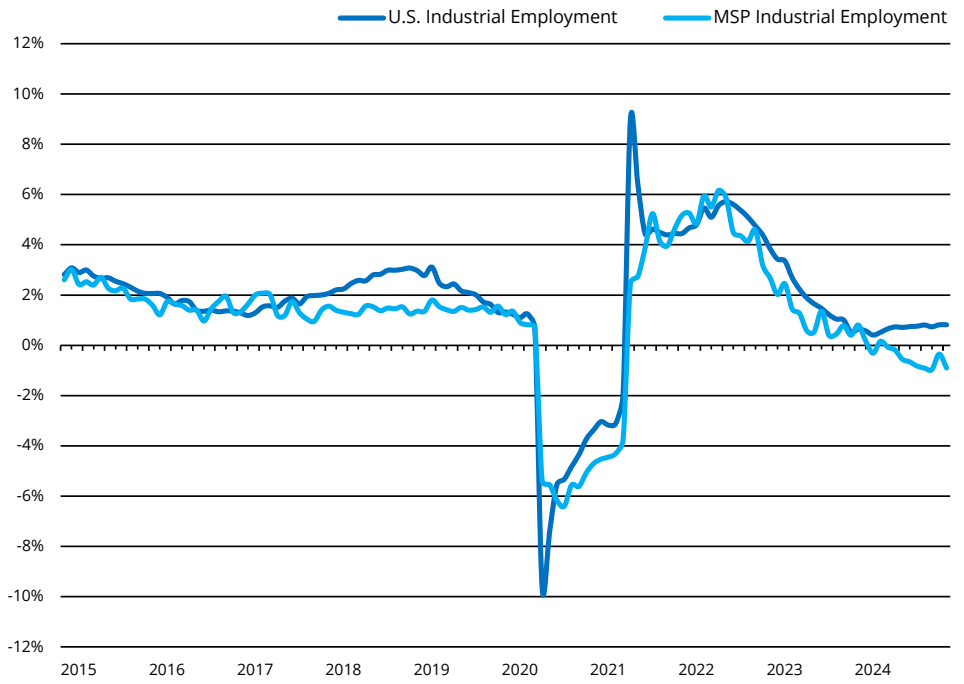
Minneapolis - Saint Paul's (MSP) industrial real estate market saw increased activity while vacancy decreased quarter over quarter for the first time since Q3 2022. O4 2024 net absorption totaled 1.36 million square feet (SF), and 2024 total net absorption was 3.24 million SF. The vacancy rate for the quarter was 5.2%, a 30 basis point increase year over year (YoY). Vacant space totaled 15.3 million SF, 1.1 million SF more from the previous year while an additional 1 million SF of new space was delivered to the market. Asking rent was $9.72 PSF for triple-net (NNN) lease deals, a 2.3% decrease from the previous quarter. Year-over-year asking rent decreased by 1.2%.

ECONOMY

Job Growth Remains Steady

- The Minneapolis - Saint Paul (MSP) unemployment rate for November 2024 was 2.9%, a 1.0 percentage point YoY increase. The regional labor force decreased by 0.5% YoY to 2 million people.
- Total employment in the metro area was down by 0.7% YoY to 1.98 million. Employment has decreased from the previous year for four consecutive months.
- Industrial sector employment decreased by 0.9% YoY. For the year-to-date key Industrial sector, employment is 382,759, 3.5% higher than the 2019 total of 369,800.
- The sector's employment is down due to declines in Manufacturing and Wholesale Trade employment. These two subsectors' employment is down by at least 1.4% YoY. Transportation/ Warehousing employment did increase by 2.6% YoY.

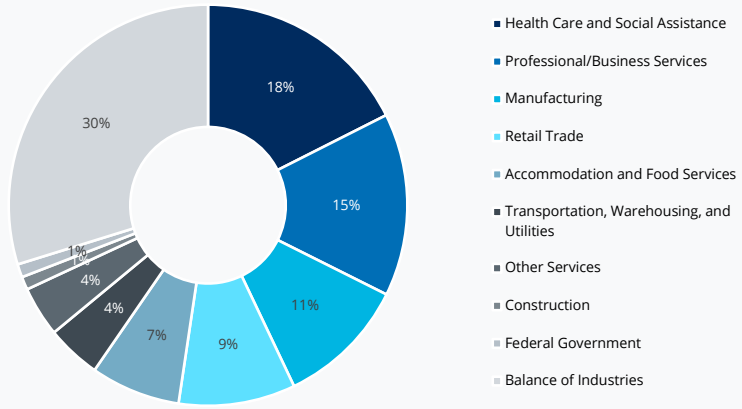
YOY CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

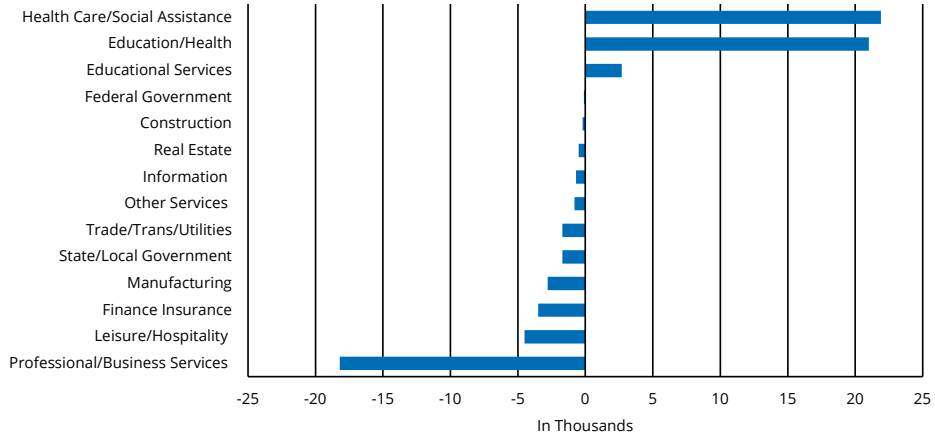
Minneapolis - Saint Paul | November 2024



Source: Bureau of Labor Statistics, Transwestern

YOY CHANGE IN JOBS BY INDUSTRY

Minneapolis - Saint Paul | November 2024



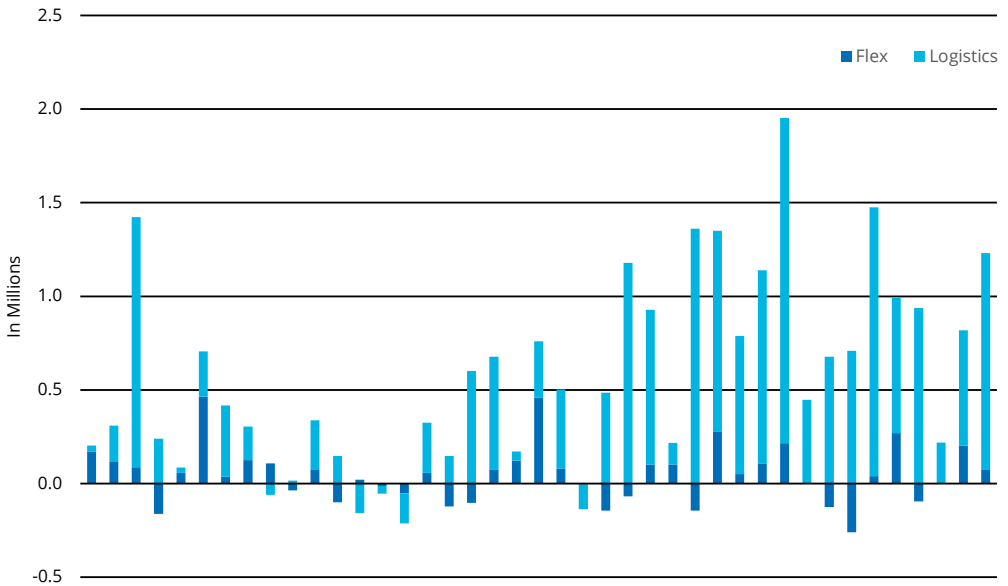
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Demand Continues to be Stable

- The Minneapolis - Saint Paul industrial market in Q4 2024 had 1.01 million square feet in positive net absorption. The notable deals for the quarter included States Manufacturing Corporation's 503,440 SF at The Cubes at French Lake in Osseo, Circle K's 266,264 SF at Gateway North Business Center in Otsego, and Sparks Marketing's 171,100 SF at Royal Gateway Commerce Center in Woodbury.
- The Warehouse Distribution property type was responsible for the vast majority of positive net absorption, totaling 1.36 million SF for the quarter. The Flex/R&D property type totaled a positive net absorption of 76,846 SF, and the Warehouse Office property type had 131,418 SF of positive net absorption.
- All but one submarket had positive net absorption for the quarter. The Northwest submarket experienced the most positive net absorption, which totaled 843,455 SF, followed by the Southwest submarket with 483,238 SF. The Southeast submarket had a net absorption of negative 53,536 SF due to Dart Advantage Warehousing vacating 80,400 SF at Highway 55 Distribution Center and VitaTek vacating 65,419 SF at Woodbury Business Center.
- The market's total net absorption for 2024 totaled 3.24 million SF.

NET ABSORPTION BY PRODUCT TYPE



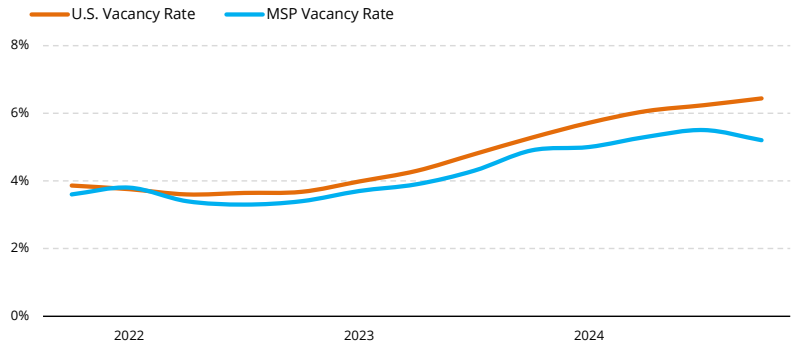
Source: MNCAR, Transwestern

VACANCY

Vacancy Rate Slightly Increases

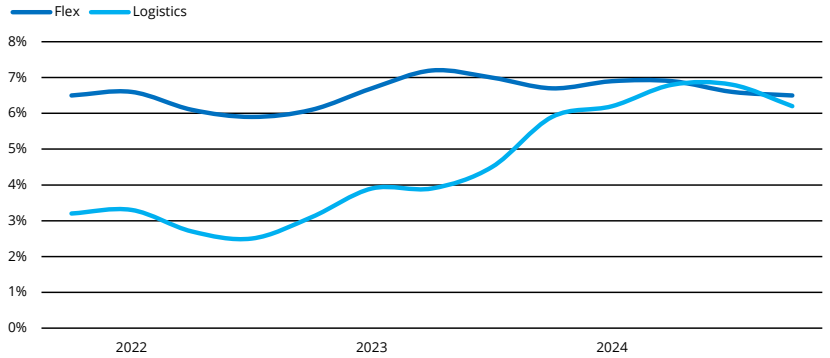
- The overall market vacancy for Q4 2024 was 5.2%, a decrease of 30 basis points from the previous quarter. YoY market vacancy increased by 30 basis points. Vacancy rates are 120 basis points lower in the MSP region than the nation overall.
- The Warehouse Office vacancy rate is the lowest at 3.7%, followed by Warehouse/Distribution space at 6.2%. The Flex/R&D vacancy rate was the highest at 6.5%.
- The West submarket has the region's lowest vacancy rate at 3.2%, followed by the Northeast submarket at 3.4%. The submarket with the largest YoY increase in vacancy was the Southwest with an 80 basis point increase to 6.9%. The submarket with the largest decrease was the Southeast submarket, decreasing by 70 basis points to 6.4%.
- The Southwest submarket's Warehouse Distribution property type had the largest year-over-year increase in vacancy, increasing by 220 basis points, from 5.5% in Q4 2023 to 7.7% in Q4 2024. Vacant space has nearly doubled, from 1.05 million SF to 1.94 million SF.

OVERALL VACANCY RATE



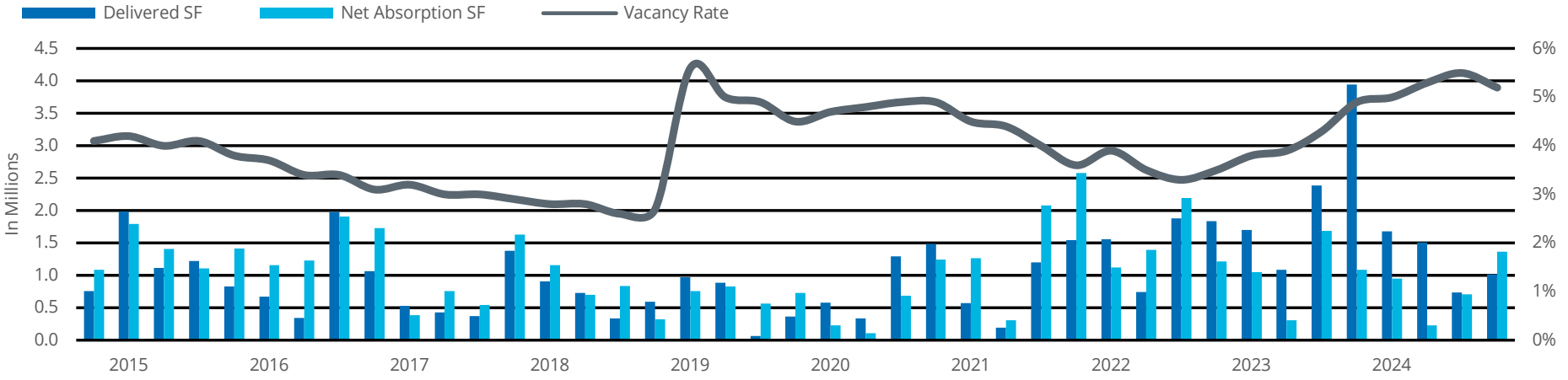
Source: MNCAR, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: MNCAR, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



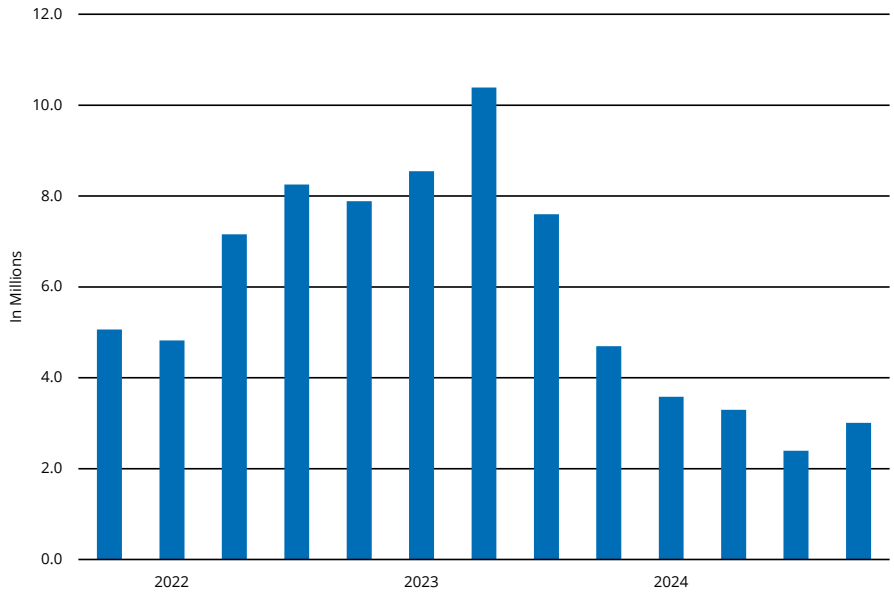
Source: MNCAR, Transwestern

UNDER CONSTRUCTION

Construction Rebounds

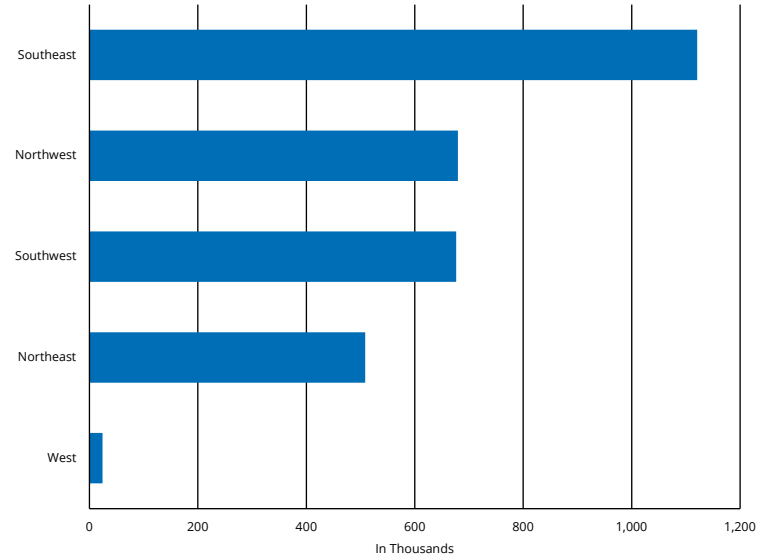
- Under construction space increased quarter over quarter for the first time since Q4 2022. The amount of space that is under construction increased by 25.8% to 3.0 million SF.
- The majority of space under construction is located in the Southeast, Northwest, and Southwest submarkets, with over 2.47 million SF, or over 80% of the total square feet under construction.
- The Warehouse Distribution property type has 1.41 million SF under construction, while the Warehouse Office property type only has 633,693 SF under construction.
- Q4 2024 deliveries totaled 1.0 million SF of space to the market, a 37% increase from the previous quarter and ninth of 10 quarters where square feet delivered totaled one million or more.

UNDER CONSTRUCTION



Source: MNCAR, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



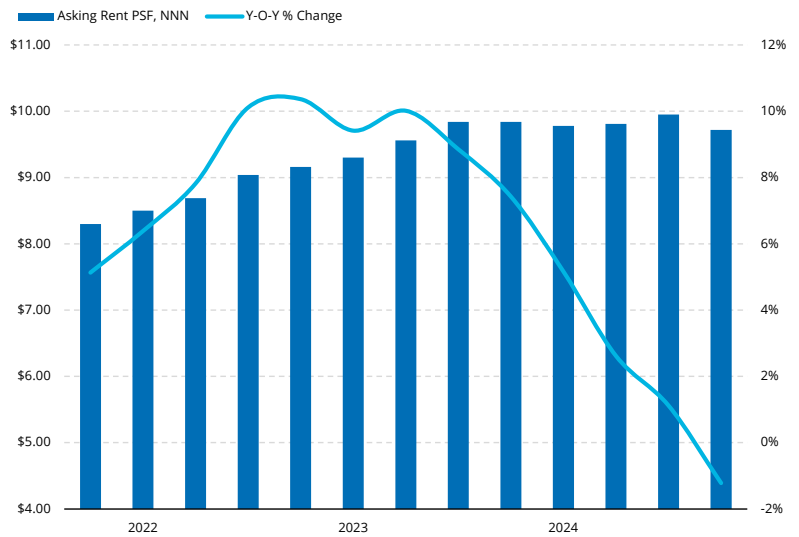
Source: MNCAR, Transwestern

RENTAL RATES

Rent Growth Stabilizing

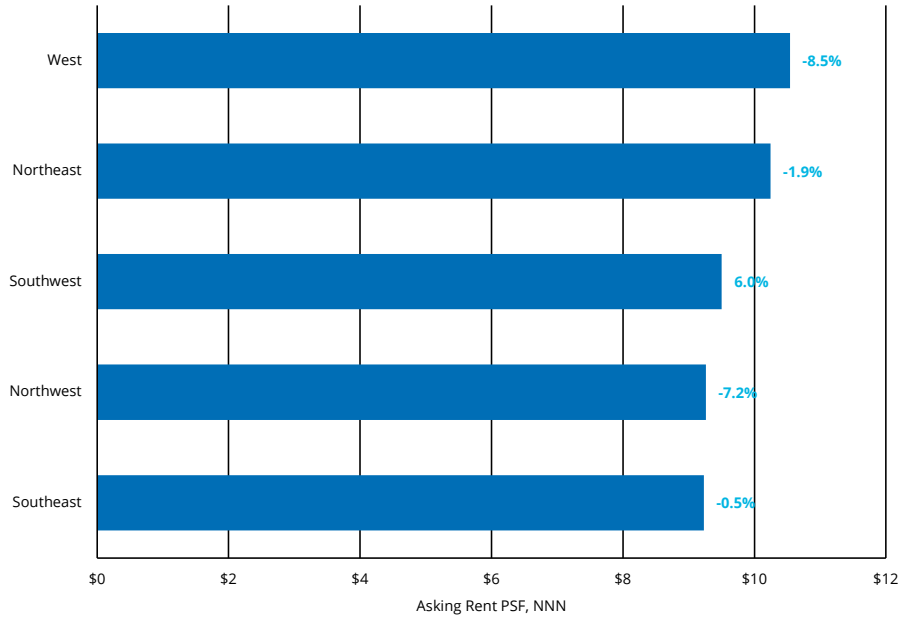
- The Q4 2024 asking rental rate was $9.72 PSF NNN with a range of $8.35 PSF to $11.10 PSF.
- The average asking rent decreased by 2.3% from the previous quarter and decreased by 1.2% YoY. This was the first quarter where rental prices decreased YoY since Q2 2019, when the asking rents decreased by 0.4%, displaying that asking rents may have peaked.
- The West submarket had the highest asking rents in the region, averaging $10.54 PSF. The Southwest submarket had the largest percentage growth in rent, increasing by 6% to $9.50 PSF. This was driven by higher prices for the submarket's Warehouse Office and Flex property types.
- The Southeast submarket had the lowest asking rent, averaging $9.23 PSF. This was led by the low prices for Warehouse Distribution and Warehouse Office property types with an average asking rent of $6.25 PSF and $7.37 PSF.

ASKING RENT



Source: MNCAR, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



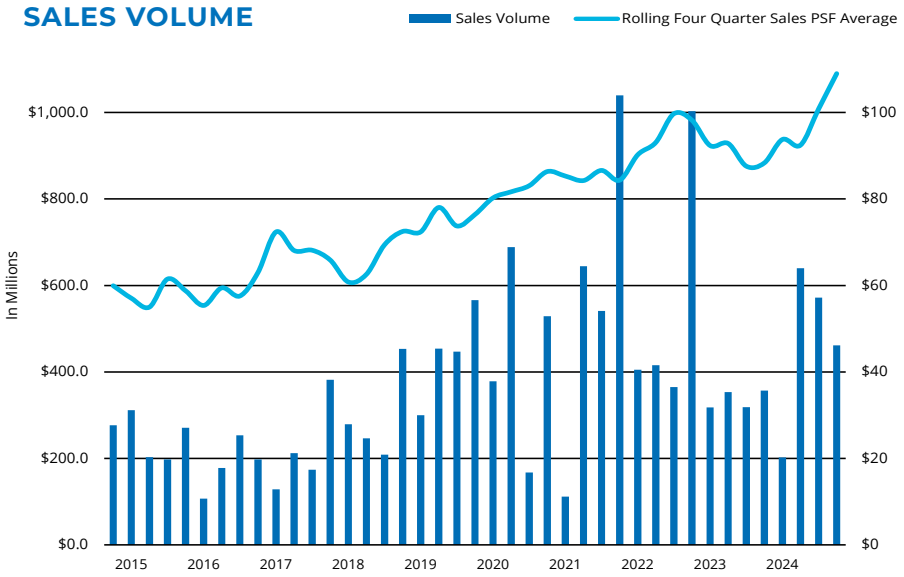
Source: MNCAR, Transwestern

SALES

Sales Volume Subsides

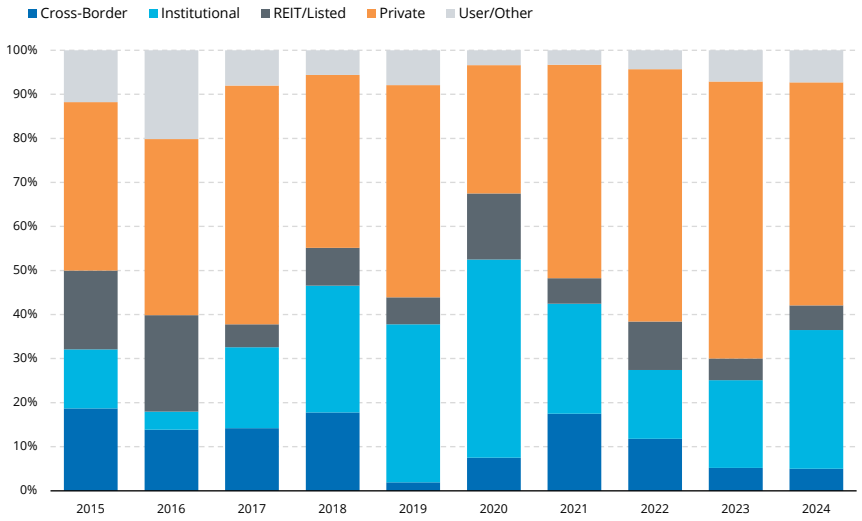
- Industrial sales totaled $461.7 million for the quarter, a 19.2% decrease from the previous quarter but a 29.3% increase from the previous year.
- The quarter's most notable sales transaction was the MSP Midway Portfolio sale in Saint Paul, which had 18 buildings that was sold for $109.2 million. The buyer was Investcorp, and the seller was DRA Advisors.
- The vast majority of deal activity was individual deals, totaling $390.4 million, while $222.1 million were portfolio sales.
- Buyer capital for sales was led by private sources totaling 50.6%. Institutional capital made up 31.5% of buyer capital and 7.3% of capital came from user/other sources.

SALES VOLUME



Source: CoStar, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern

NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
STATES MANUFACTURING CORP	11500 Lawndale Ln, Dayton	Northwest	New	503,440
CIRCLE K	6301 Queens Ave, Otsego	Northwest	New	266,264
SPARKS MARKETING	11600 Hudson Rd, Woodbury	Southeast	New	171,100
MN HEALTH FAIRVIEW	Shoreview Park Rd, Shoreview	Northeast	New	148,000
FERGUSON	975 Nathan Ln, Plymouth	Southwest	New	98,806

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
429-489 PRIOR AVE N, SAINT PAUL*	Northeast	$109,200,000	1,938,309	$56	Investcorp International Realty, Inc.	DRA Advisors
15401 BOULDER AVE, ROSEMOUNT	Southeast	$70,150,000	417,600	$168	Eaton Vance Real Estate Investment Group	Seefried Properties, Inc.
10901 ELM CREEK BLVD, MAPLE GROVE*	Northwest	$66,500,000	443,098	$150	JLL Income Property Trust	Endeavor Development
21558 CEDAR AVE, LAKEVILLE	Southeast	$43,125,000	360,000	$120	STAG Industrial, Inc.	Oppidan
6870 21ST AVE S, LINO LAKES	Northeast	$30,750,000	140,000	$220	Pitt Ohio	R & R Leasing

= Transwestern deal
* = Portfolio Sale

MARKET INDICATORS

All Property Types | Q4 2024

SUBMARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, NNN
NORTHEAST	93,503,831	5,657,154	3,201,054	3.4%	508,708	58,641	(240,474)	$10.25
NORTHWEST	66,864,544	4,898,929	3,647,876	5.5%	679,528	843,455	1,551,123	$9.26
SOUTHEAST	64,006,312	5,327,070	4,103,365	6.4%	1,120,909	(53,536)	1,674,227	$9.23
SOUTHWEST	55,091,993	5,485,161	3,826,193	6.9%	676,324	483,238	93,637	$9.50
WEST	18,791,218	1,332,549	607,922	3.2%	24,000	30,968	171,411	$10.54
TOTAL	**298,257,898**	**22,700,863**	**15,386,410**	**5.2%**	**3,009,469**	**1,362,766**	**3,249,924**	**$9.72**

Flex/R&D | Q4 2024

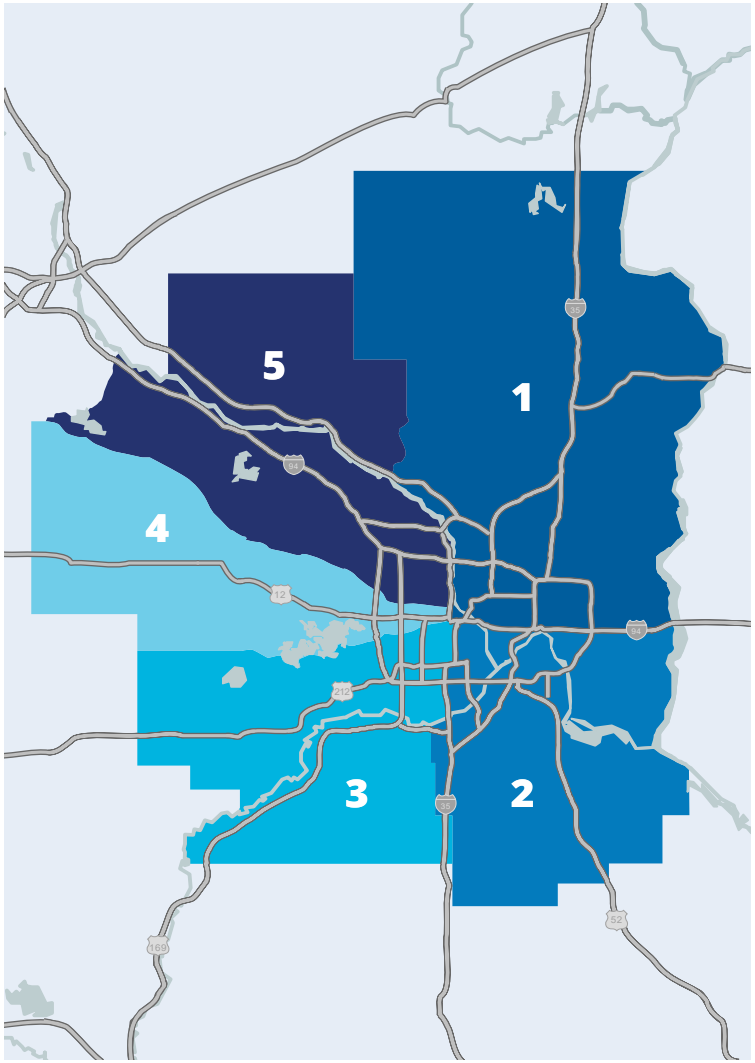
SUBMARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, NNN
NORTHEAST	11,348,797	1,259,530	705,528	6.2%	(26,129)	(202,121)	$11.77
NORTHWEST	8,170,331	493,242	267,944	3.3%	9,620	90,114	$10.61
SOUTHEAST	8,064,504	1,115,698	701,568	8.7%	33,049	163,049	$10.17
SOUTHWEST	13,331,116	1,594,396	1,000,931	7.5%	11,320	44,855	$10.55
WEST	4,527,804	257,933	261,961	5.8%	48,986	78,908	$10.50
TOTAL	**45,442,552**	**4,720,799**	**2,937,932**	**6.5%**	**76,846**	**174,805**	**$10.72**

Warehouse Distribution| Q4 2024

SUBMARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, NNN
NORTHEAST	33,735,926	1,865,881	769,670	2.3%	214,081	456,893	N/A
NORTHWEST	33,900,575	2,955,042	2,521,640	7.4%	572,332	1,159,381	N/A
SOUTHEAST	29,427,803	2,569,782	2,629,743	8.9%	(24,816)	1,338,526	$6.25
SOUTHWEST	20,146,892	1,949,449	1,558,388	7.7%	389,595	92,104	$6.88
WEST	3,753,294	139,953	40,992	1.1%	3,310	2,314	$7.32
TOTAL	**120,964,490**	**9,480,107**	**7,520,433**	**6.2%**	**1,154,502**	**3,049,218**	**$6.82**

Warehouse Office | Q4 2024

SUBMARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, NNN
NORTHEAST	48,419,108	2,531,743	1,725,856	3.6%	(129,311)	(495,246)	$9.07
NORTHWEST	24,793,638	1,450,645	858,292	3.5%	261,503	301,628	$7.80
SOUTHEAST	26,514,005	1,641,590	772,054	2.9%	(61,769)	172,652	$7.38
SOUTHWEST	21,613,985	1,941,316	1,266,874	5.9%	82,323	(43,322)	$8.45
WEST	10,510,120	934,663	304,969	2.9%	(21,328)	90,189	$12.25
TOTAL	**131,850,856**	**8,499,957**	**4,928,045**	**3.4%**	**131,418**	**25,901**	**$8.99**



MINNEAPOLIS - SAINT PAUL INDUSTRIAL SUBMARKETS

1 Northeast
2 Southeast
3 Southwest
4 West
5 Northwest

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on industrial properties located in the Minneapolis-Saint Paul seven-county region. This report includes single tenant, multi-tenant and owner-user properties 20,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

FOR MORE INFORMATION

Maurice Harris

Research Manager
Maurice.Harris@transwestern.com
612.359.1621

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