

Minneapolis

Industrial | Q1 2024 Market Report

Quarterly Snapshot

↓ Average Rent
\$7.35/SF

↓ Vacancy
3.7%

↓ Net Absorption
1,748,112 SF

Occupier's Perspective

If tenants can consider lower clear properties, they are in a strong position to negotiate favorable deals as these properties are less desirable and less viable for the larger, distribution-like uses that require high clear.

Even with the construction costs leveling off, tenants need to commit to longer term leases to make the numbers work for large tenant improvements. Many landlords are unwilling to consider terms less than 5-years so industrial users should be prepared to commit to longer terms and strategically make real estate decisions that will fit their needs and growth over a longer period.

The submarket east of downtown St. Paul, along 494, has struggled to draw new tenants. As a result, occupiers are in a strong position to negotiate deals in this market.

The Minneapolis/St. Paul industrial market remains strong but appears to have leveled off after the first quarter of 2024. Rates have continued to increase but are beginning to decelerate. New developments continue to see the highest rates while lower clear-height properties have stabilized and/or slightly decreased to attract tenants.

There are several large users in the market with requirements and others that have signed large leases which contributed to the positive absorption in during the first quarter of 2024. While construction costs have plateaued, the number of speculative developments has slowed as some finished properties remain vacant. Landlords and developers are considering demising their larger facilities in order to attract the large number of smaller tenants in the market today.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
The Bernard Group	394,000 SF	Southwest	New Lease	Industrial
Confidential	182,000 SF	Northwest	New Lease	Industrial
Yardbird	167,800 SF	Midway	Renewal	Industrial
Burnsville Flex Portfolio Stream Data	121,988 SF	Southwest	Sale	Industrial
Center Minneapolis	75,675 SF	Southwest	Sale	Industrial

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
5.1%	▼	\$7.47	St. Paul
5.4%	▲	\$8.27	Southwest
3.4%	◆	\$8.40	South Central
2.3%	◆	\$8.45	North Central
4.1%	▲	\$8.51	Northwest
3.5%	▼	\$8.62	Minneapolis
4.2%	▲	\$8.96	Midway
11.2%	▼	\$9.35	East