



MINNEAPOLIS/ST. PAUL INDUSTRIAL MARKET 2022 MID-YEAR UPDATE



OVERVIEW

Industrial demand remains strong despite rising interest rates and an inflationary environment. While new construction activity has boomed, vacancy rates continue to decline as space absorption remains strong. We continue to see demand being driven by distribution and manufacturing uses.

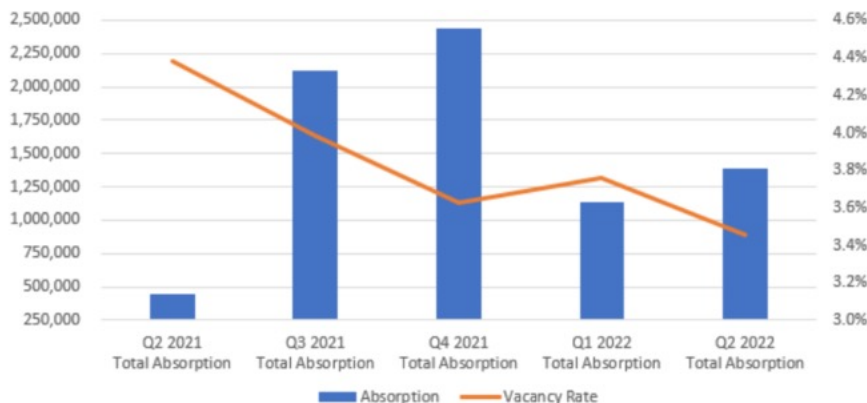
Industrial sales activity continues to be high amongst investors and owner/occupiers. Building valuations are elevated compared to historical norms. The rise in interest rates will place upward pressure on cap rates and downward pressure on prices and may result in lower sales volume moving forward.

- Construction lead times remain lengthy with new deliveries taking a year or longer to complete
- Overall vacancy rates have decreased from just under 5% at the beginning of 2020 to 3.5%
- Rental rates continue to increase due to several factors including the rising cost of construction, consolidation of ownership in the Twin Cities market, and strong demand
- Annual rent escalations have also increased with some Landlords pushing 4-5% annual rent increases, although we are still seeing many deals still land closer to 3% escalations
- With over 7M SF under construction, vacancy rates may have approached a bottom which could provide a better outlook for users over the next 12-24 months
- It's important for users to start real estate site searches early due to the lack of available inventory and long lead times. TaTonka is here to help navigate this challenging market.

SNAPSHOT

Overall Vacancy	3.5%	▼
Under Construction	7.2M SF	▲
YTD Total Absorption	2,527,566 SF	▲
Rental Rates	Increasing	▲
Concessions	Decreasing	▼
 Market Size	269M SF	
 Total Vacancy	9.3M SF	

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

FOR MORE INFORMATION
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