



MINNEAPOLIS/ST. PAUL INDUSTRIAL MARKET 2023 MID-YEAR UPDATE



OVERVIEW

Vacancy rates have edged slightly upward as new industrial building deliveries have continued. Demand remains stable, though absorption is down compared to the prior two quarters as tenants are exercising a careful approach. Availabilities further from the core of the metro are lasting longer than prime infill locations. Quoted net rents range from \$12-\$14/SF for office and \$6-7/SF for warehouse. Build-to-suit activity remains active as well, highlighted by the recent completion of Blue Dot’s 400K SF facility in Otsego and the announcement of Boston Scientific’s expansion in Maple Grove

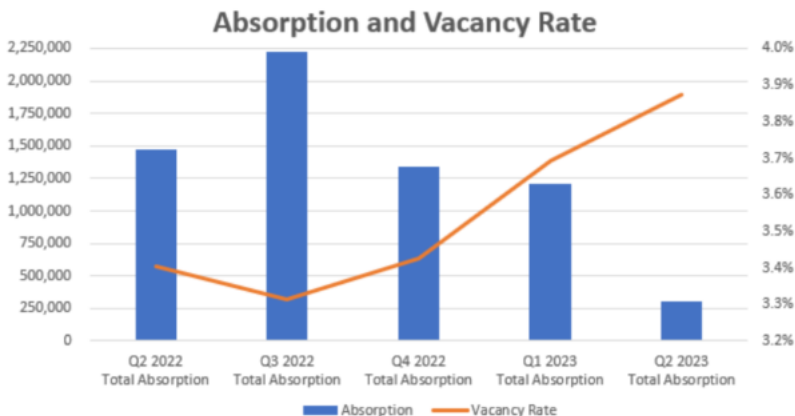
Investment sales volume is down year-over-year as underwriting requirements have become more stringent and inventory is limited.

- There’s been a 19% increase in the amount of sublease space available compared to Q4 2022, which indicates some businesses may have over-committed to space and are now looking for an exit strategy.
- Amongst the industrial property sub-types, the highest vacancy rates are within the ‘flex’ property category which feature a higher level of office finish. Office warehouse and distribution vacancies are almost half that of the flex category.
- Some office campuses are likely to be converted to industrial as land supply near the core of the metro is limited, and some office product has become obsolete.
- Investment demand exists, though the pool of buyers has shrunk as credit requirements have tightened. Inventory also remains limited which has resulted in a decrease in sales volume.

SNAPSHOT

Overall Vacancy	3.9%	▲
Under Construction	10.3M SF	▲
YTD Total Absorption	1.3M SF	▼
Rental Rates	Increasing	▲
Concessions	Stable	▶
 Market Size	282M SF	
 Total Vacancy	10.9M SF	

ABSORPTION & VACANCY



**FOR MORE INFORMATION
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