



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



OVERVIEW

2022 was another robust year for industrial activity with strong absorption. Vacancy rates continued to decline from already near record low levels at the start of the year. Rising interest rates began to impact development activity with several speculative projects put on hold. Projects that had financing locked in or that were already under construction during the year will continue to deliver and new construction remains active with nearly 7.8M SF under construction.

Q4 leasing activity decreased slightly compared to prior quarters in the face of rising interest rates and economic uncertainty. This may signal a cooling in activity which could shift some balance back towards tenants, though overall market fundamentals remain strong.

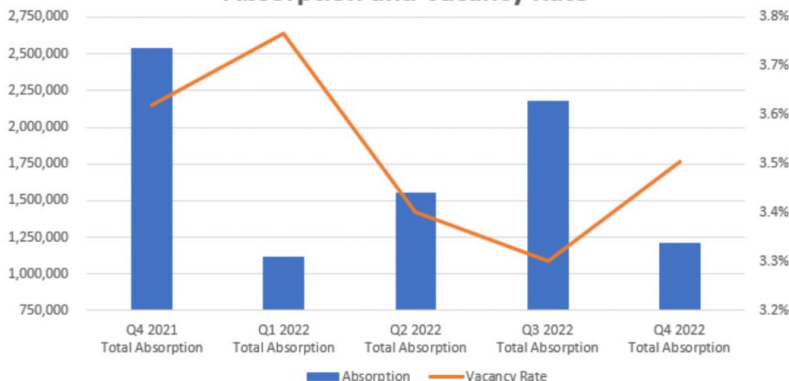
- Construction lead times have improved during the second half of the year, but remain elevated compared to historical norms.
- Financing new projects has become more difficult resulting in some speculative developments being put on hold.
- Overall investment sale transactions declined from 2021. Cap rates have increased, and pricing discovery remains ongoing.
- While demand for the year was strong, there was a slowdown in volume the second half of the year. If new construction remains active and demand begins to wane, we may have reached a peak and could start to see balance shift back towards tenants and buyers.

SNAPSHOT

Overall Vacancy	3.5%	▶
Under Construction	7.8M SF	▲
2022 Total Absorption	5.93M SF	▲
Rental Rates	Increasing	▲
Concessions	Stable	▶
 Market Size	275M SF	
 Total Vacancy	9.6M SF	

ABSORPTION & VACANCY

Absorption and Vacancy Rate



Source: MNCAR/REDICOMPS.COM

FOR MORE INFORMATION
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