Minneapolis – St. Paul

Industrial market snapshot | Q2 2024

The Minneapolis – St. Paul industrial market has shown signs of stabilization, maintaining a vacancy rate of 5.6% for three consecutive periods from Q4 2023 through H1 2024. Despite this consistency, leasing activity has continued to soften, as landlords and tenants proceed cautiously in the current economic environment. Among tenants actively leasing space, demand for spaces 150ksf or larger has dwindled YTD in 2024 as leases under 150ksf accounted for approximately 86% of all industrial leases, a 22% greater share of leasing compared to 2023.

86%

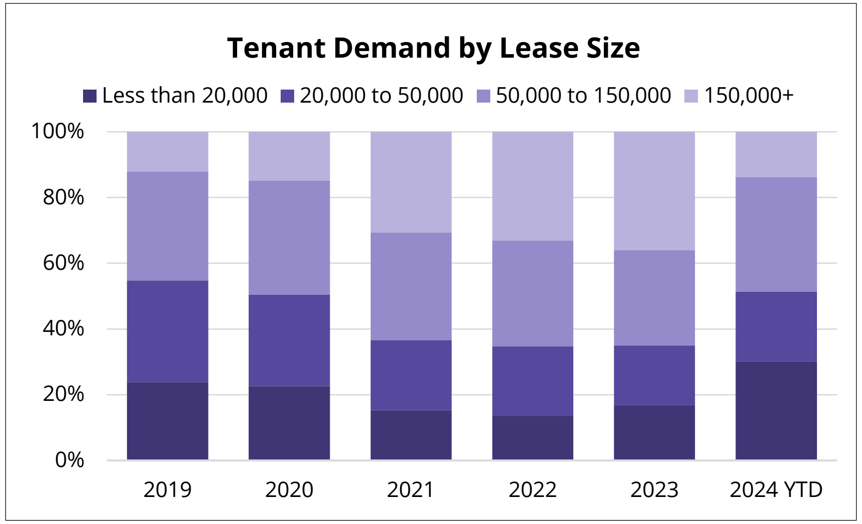
Throughout H1 2024, approximately 86% of all industrial leases were 150,000 sf or less, a substantial proportional increase from the 64% share in 2023.

(75%)

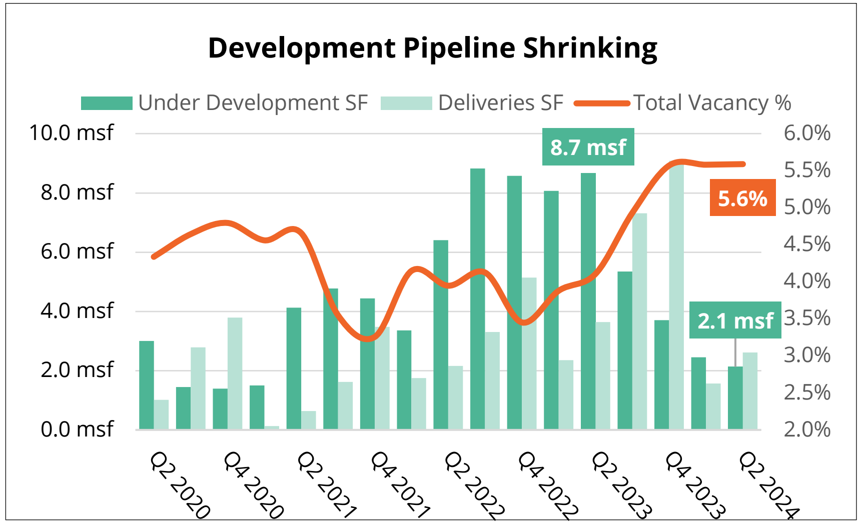
Under construction inventory has declined by 75% from the near-record level development pipeline of 8.7msf recorded in Q2 2023.

1.5 msf

Leasing activity in MSP has declined steadily since spiking in Q2 2023 at 4.2msf. Just 1.5msf was leased in Q2 2024, a (63%) YoY decline.



The MSP industrial market has seen tenant demand decline for spaces 150ksf or larger through H1 2024, after seeing a growing share of leasing activity in this size tranche over the prior 5 years. YTD in 2024, leases under 20ksf have seen increased demand, accounting for 30% of all industrial leases, approximately twice the volume seen in 2021-2023.



The development pipeline has decreased by 75% from the 8.7msf recorded in Q2 2023, down to 2.1msf currently under development. The Minneapolis – St. Paul industrial market experienced substantial deliveries throughout 2023, substantially reducing the amount of space anticipated to deliver in 2024.

Source: AVANT By Avison Young, CoStar

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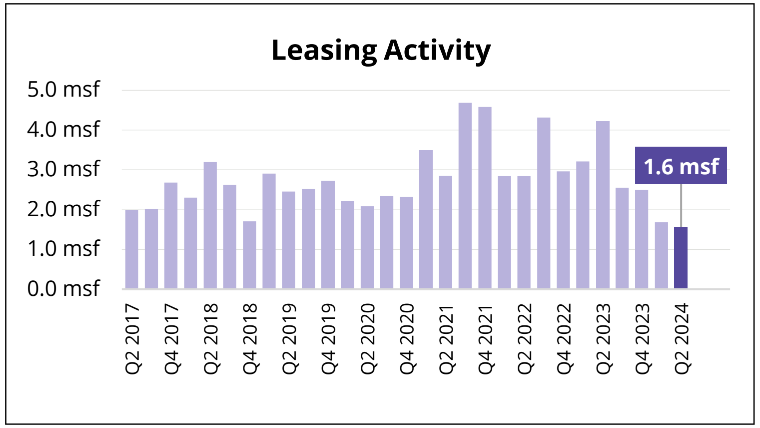

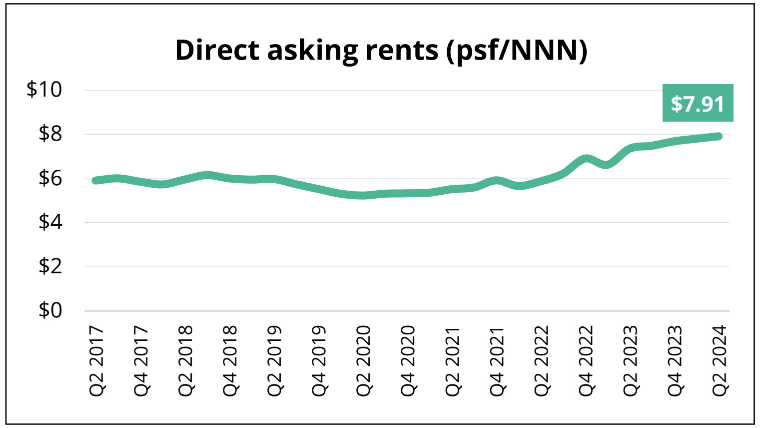

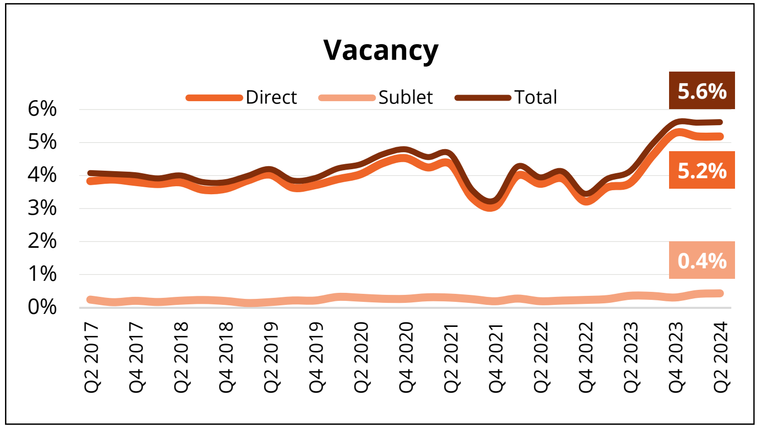

Recent leasing activity

Tenant	Address	Size (sf)	Transaction type	Lease type
Vireo Health	10700 165th Ave NW	131,300	Direct	New
Shippers Supply	651 Douglas Dr N	123,700	Direct	New
S.P. Richards	2416 Maplewood Drive East	107,550	Direct	Renewal
TurbinePROs	17600 Territorial Road	88,760	Direct	New

Recent sales activity

Buyer	Address	Sale price	Sale price psf	Seller
EQT Exeter	Prologis Industrial Portfolio*	$434,300,000	$91.80	Prologis
Beckman Coulter	3-Property Portfolio	$22,000,000	$126.29	Cardbeck Chaska Trust
Beltmann Relocation Group	2501 Rosegate	$16,300,000	$116.23	Blackstone
I3 Investors	12125 Nicollet Ave S	$12,750,000	$107.94	DRA Advisors

Note 1: *The Prologis Industrial Portfolio sale includes 22 properties across the market.
Source: AVANT By Avison Young, CoStar, RCA

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Get in touch

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	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Total vacancy change (YoY)	Net absorption % of inventory (QTD)	Net absorption % of inventory (QTD)	Annual direct asking rent psf NNN
Northeast	87,884,652	463,303	298,000	4.1%	0.2%	4.3%	0.9%	48,028	0.1%	$8.39
Northwest	62,583,378	1,158,944	515,220	5.6%	0.5%	6.1%	2.6%	498,920	0.8%	$6.93
Southwest	56,978,218	450,600	222,504	4.8%	0.7%	5.5%	0.4%	(34,176)	(0.1%)	$6.53
Southeast	51,484,056	537,600	964,800	7.3%	0.2%	7.5%	2.8%	481,721	0.9%	$7.19
West	13,905,020	-	126,000	3.3%	1.0%	4.2%	(0.3%)	(11,082)	(0.1%)	$11.17
Market total	**272,835,324**	**2,610,447**	**2,126,524**	**5.2%**	**0.4%**	**5.6%**	**1.5%**	**983,411**	**0.4%**	**$7.91**

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Total vacancy change (YoY)	Net absorption % of inventory (QTD)	Net absorption % of inventory (QTD)	Annual direct asking rent psf NNN
Manufacturing	101,266,472	-	348,200	2.2%	0.4%	2.6%	0.2%	(127,088)	(0.1%)	$8.11
Warehouse	79,067,307	989,000	549,304	7.9%	0.3%	8.2%	3.2%	730,147	0.9%	$7.11
Distribution	56,008,708	1,535,394	1,229,020	6.6%	0.8%	7.4%	2.3%	306,723	0.5%	$10.87
Flex/R&D	36,492,837	86,053	-	5.1%	0.3%	5.4%	(0.1%)	73,629	3.1%	$9.08
Market total	**272,835,324**	**2,610,447**	**2,126,524**	**5.2%**	**0.4%%**	**5.6%**	**1.5%**	**983,411**	**0.4%**	**$7.91**

Source: AVANT By Avison Young,

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