



AVISON
YOUNG

Midwest industrial insight report

Q2 2021

AVANT
by AVISON YOUNG



Contents

U.S. industrial drivers

page 3

Minneapolis-St. Paul industrial insights

page 7

© 2021 Avison Young Chicago. All rights reserved.

E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.



AVISON
YOUNG

U.S. industrial drivers

[Back to TOC](#)

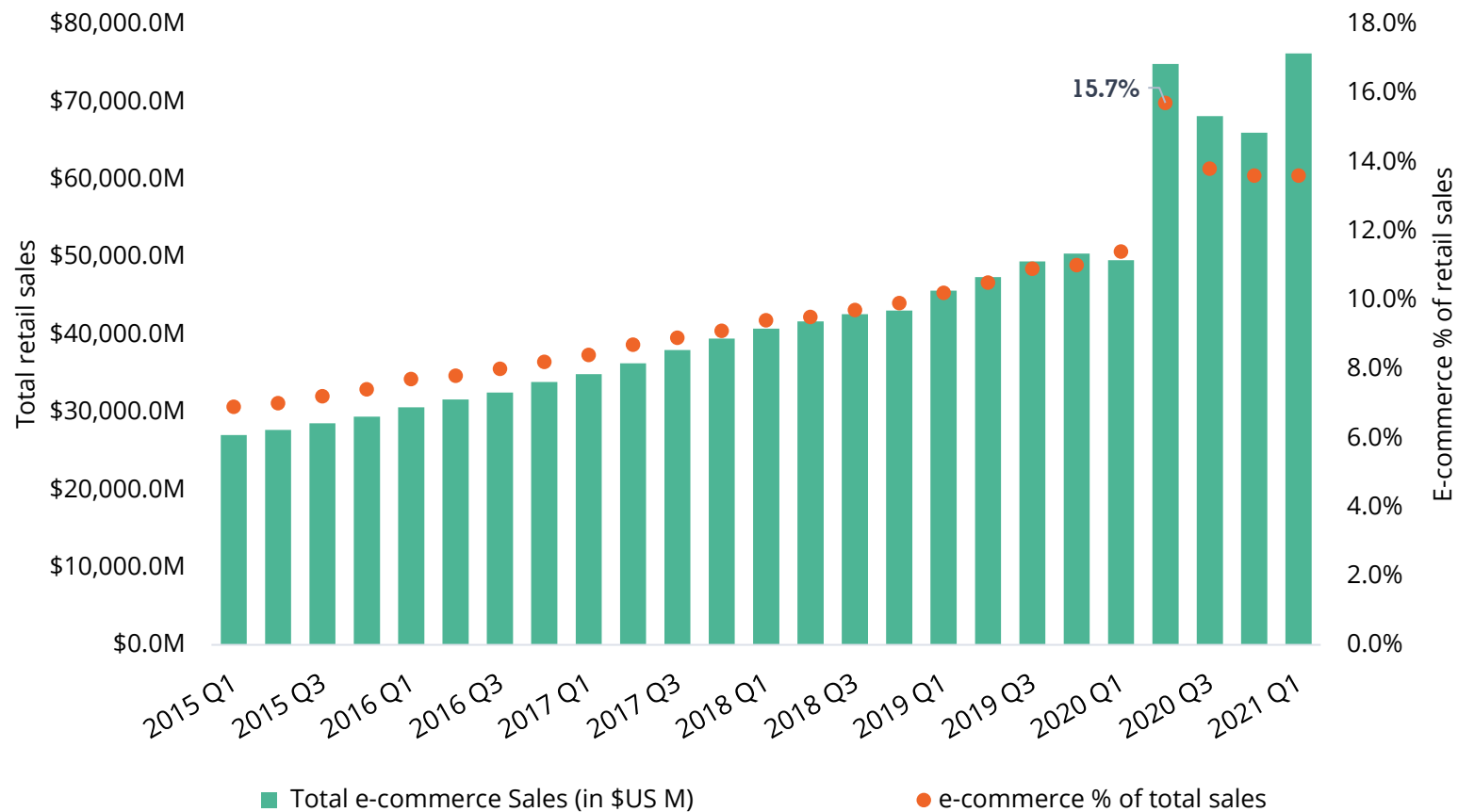
MIDWEST INDUSTRIAL INSIGHT REPORT
Q2 2021

U.S. total retail and e-commerce sales

15.7%

E-commerce share of overall retail sales in initial shock of COVID

Demand for e-commerce surged during the initial shock of lockdowns, driving industrial demand to record levels. As the economy begins to reopen, the rate of e-commerce growth is nearly double pre-COVID levels, suggesting accelerated e-commerce demand is sustainable.



Source: Federal Reserve Bank of St. Louis
*Most recent update: May 28, 2021

Property type job gains and losses

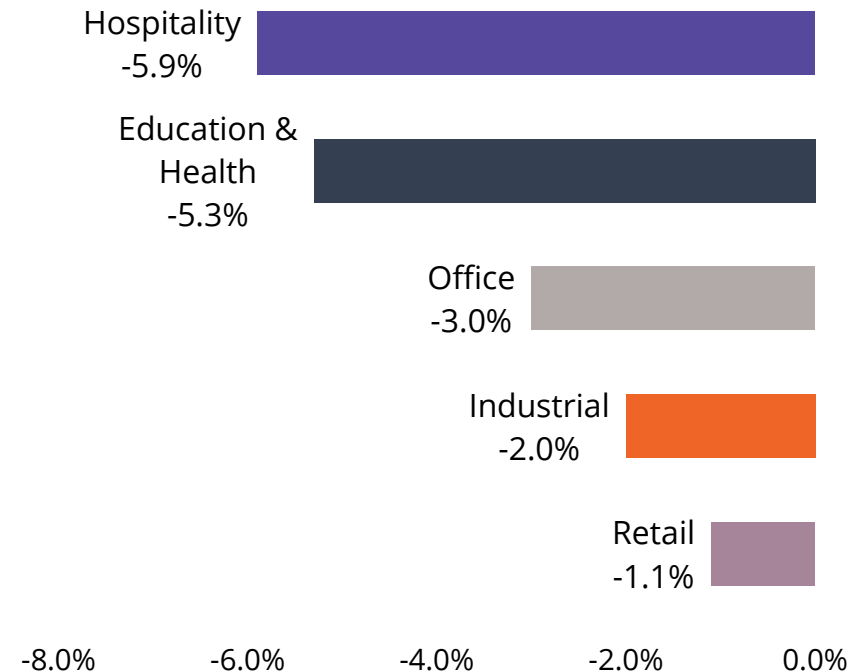
-2.9%

Change in total industrial employment during the pandemic

Post-COVID industrial job losses have been mild compared with other segments of the labor market, underscoring the industry's comparative strength as cities and economies reopen.

[VIEW DASHBOARD](#)

Total change in U.S. job gains/(losses)
February 2020 to May 2021



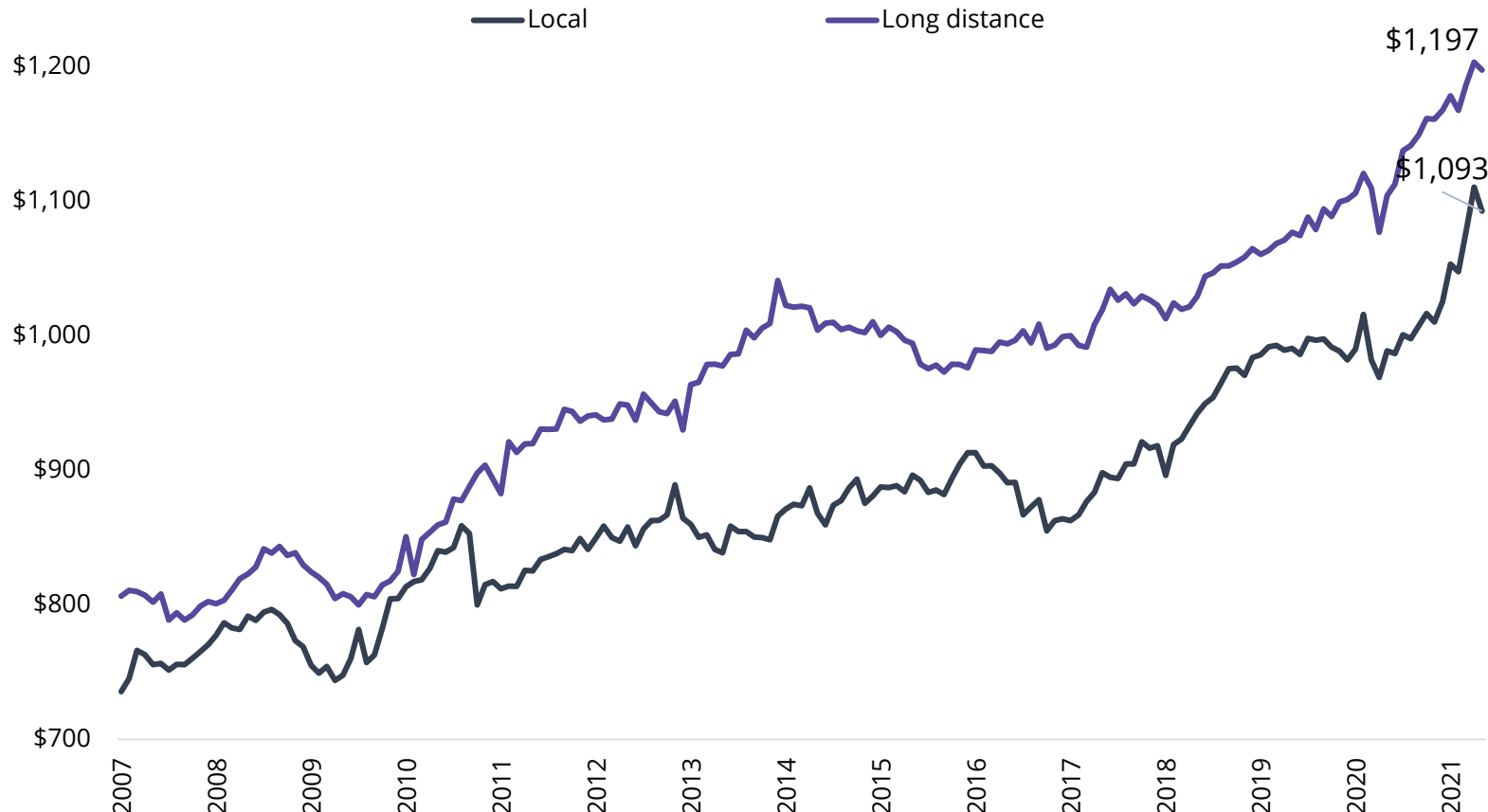
Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Weekly earnings for U.S. trucking employees

+10.5%

Annual change in local trucking weekly earnings, 2007 to 2021

As employers compete to fill vacant positions, wage pressure for trucking has accelerated sharply over the past 15 months. Initially focused on long-distance truckers in the early stages of the pandemic, the trend has increasingly spread to local trucking.



Source: Bureau of Labor Statistics

Minneapolis- St. Paul market fundamentals

[Back to TOC](#)

MIDWEST INDUSTRIAL INSIGHT REPORT
Q2 2021

Key industrial takeaways



Economic conditions

- A surge of recovered activity has elevated Minneapolis-St. Paul's unemployment rate down to **3.8 percent**. The current unemployment rate is on par with historic lows set prior to the Global Financial Crisis.
- Local employment in mining, logging, and construction rose by **14.4 percent** over the last 12 months.



Recovery rate

- The Minneapolis-St. Paul metropolitan area has had no issues reopening, as vaccination rates surpassed the national average to **54.5 percent**.
- The industrial workforce has nearly recovered from COVID lows, declining by just **1.4 percent** of jobs lost in the past 12 months, after seeing a sharp decline early 2020 due to the pandemic



Industrial demand

- Overall leasing activity has surged throughout the pandemic, currently sitting at **+46.8 percent** long-term annual average since 2006.
- The strength of demand in the market is evident by the **3.0 percent** vacancy rate, despite a strong construction pipeline and recent deliveries.

Employment and unemployment rate

3.8%

Minneapolis-St. Paul unemployment rate as of May 2021, dipping below the height of the financial crisis

Historically tightened labor market conditions were halted by the pandemic with over 215,000 job losses between February and May 2020. However, reopening efforts enabled the economy to add 7.2% jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Property type job gains and losses

-4.8%

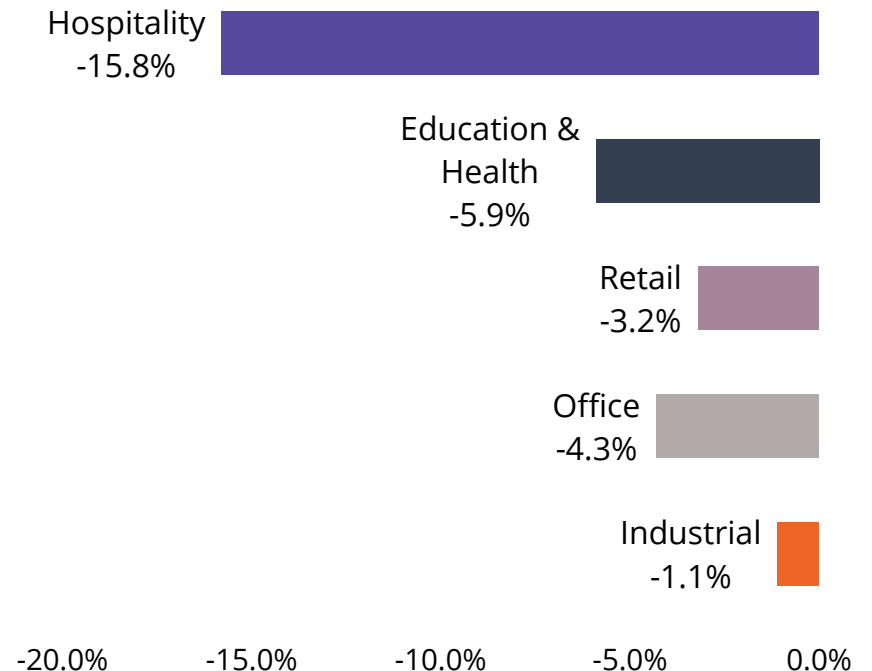
Change in total employment during the pandemic

The Minneapolis-St. Paul metro area lost 4.8% of its total labor force since the pandemic began, though industrial losses were comparatively subdued. Industrial job gains in recent months demonstrates that a significant recovery is likely in that sector in the near-term.

[VIEW DASHBOARD](#)

Total change in Minneapolis-St. Paul MSA job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

-1.4%

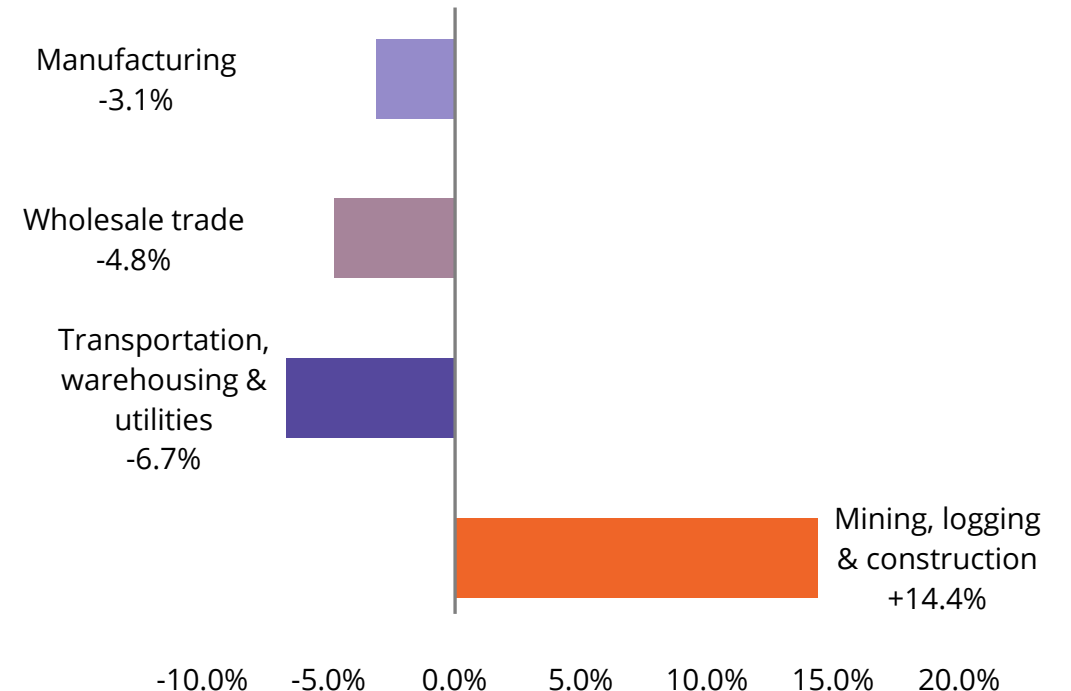
Change in industrial-centric employment during the pandemic

The Minneapolis-St. Paul metro area lost 1.4% of industrial employment since the pandemic began, as evidenced by a sharp decline in jobs early in 2020. However, in the past four months, the market has recovered 4.6% of those losses, specifically in the Transportation, warehousing & utilities sector.

[VIEW DASHBOARD](#)

Total change in Minneapolis-St. Paul MSA job gains/(losses)

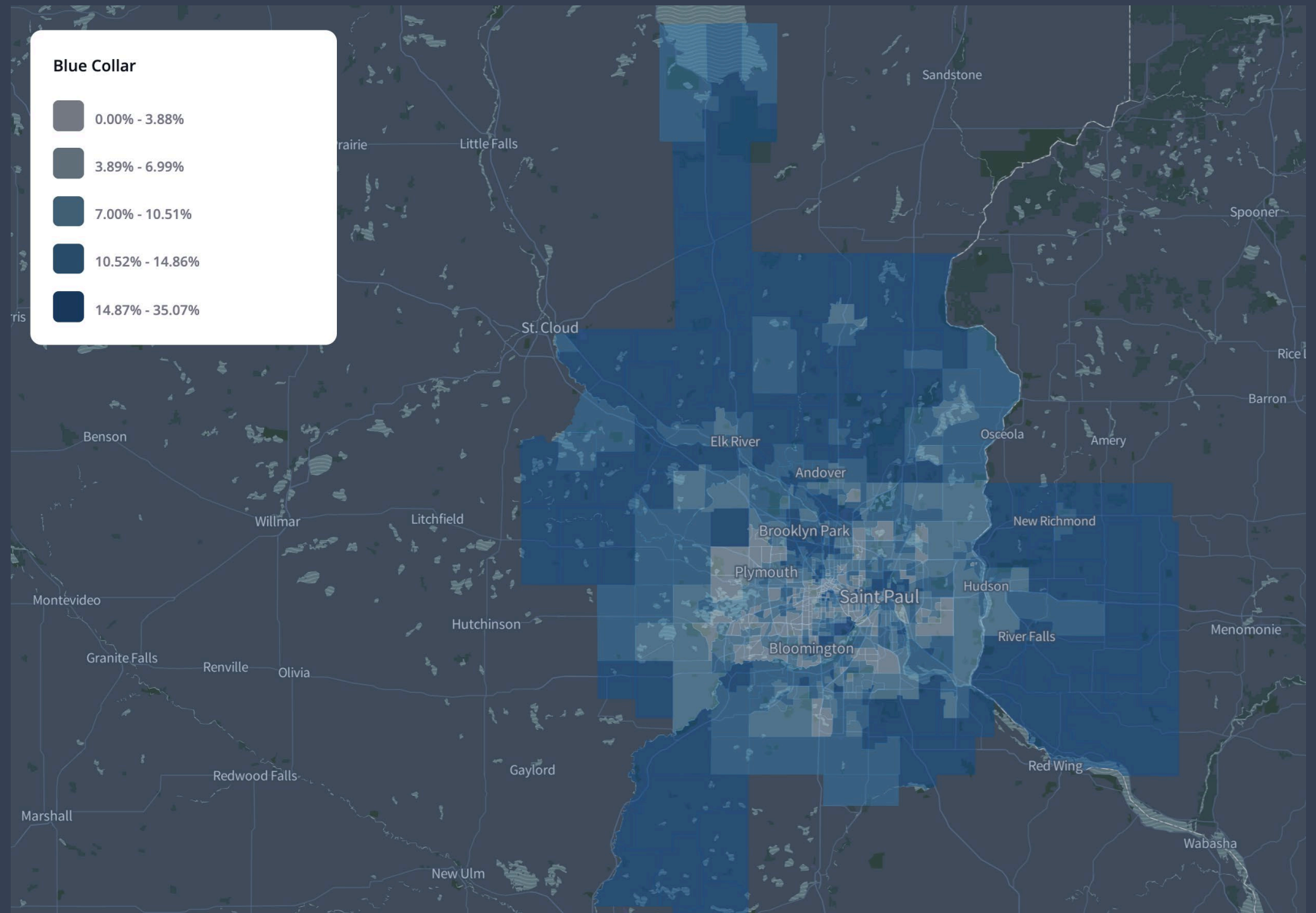
February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI

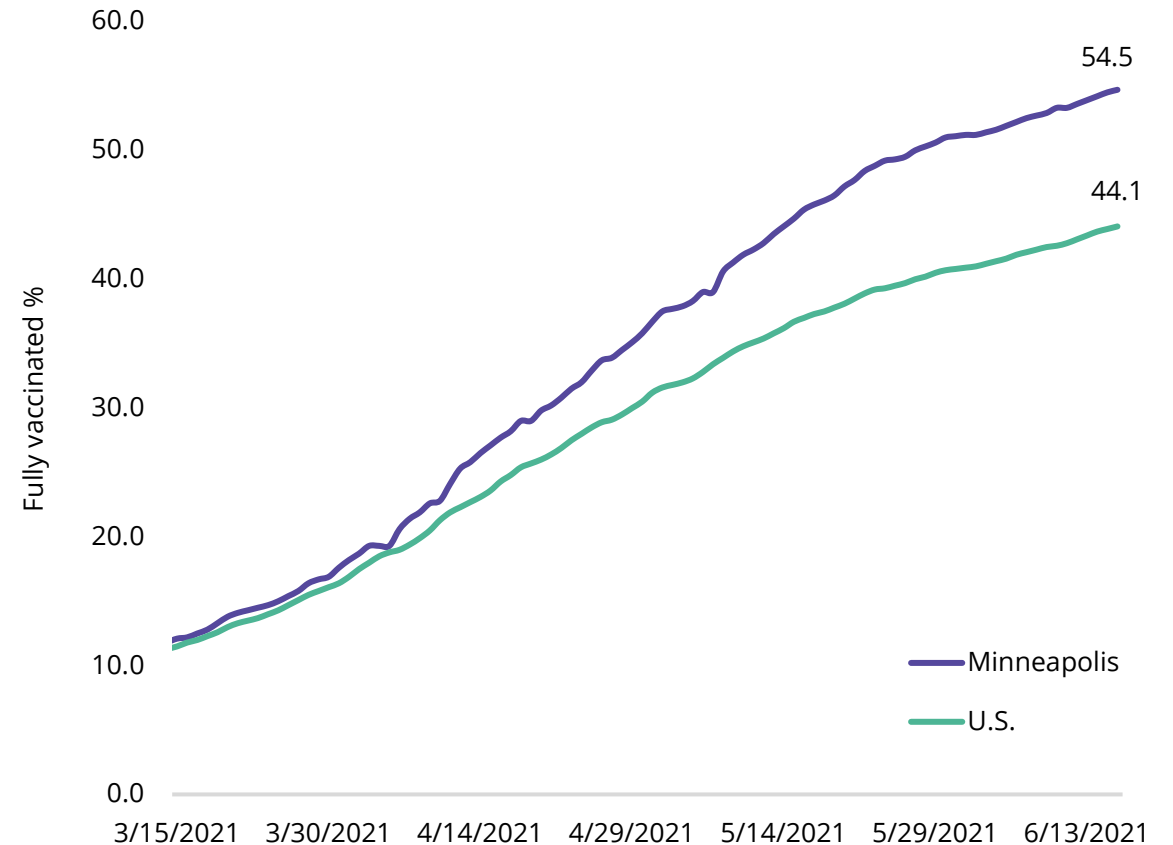


Vaccination rates

54.5%

Share of total Minneapolis-St. Paul population that is fully vaccinated

Minneapolis-St. Paul proportionate vaccination rates have surpassed U.S. averages, an important metric that has allowed the city to loosen restrictions.



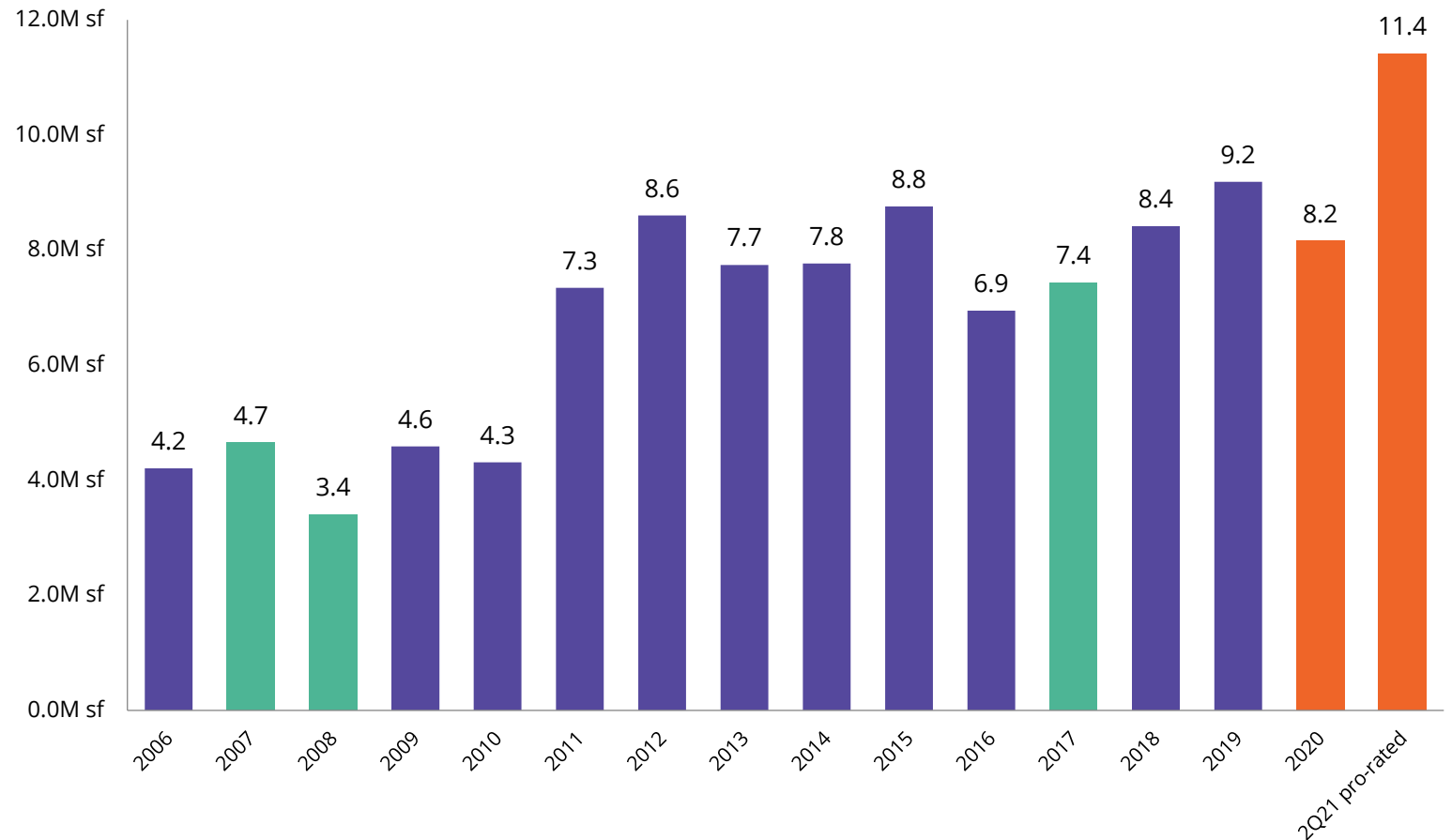
Source: CDC

Industrial leasing activity

+46.8%

**2020-pro-rated 2021 vs.
average leasing activity
since 2006**

Leasing has not let up during the pandemic and is expected to surpass previous highs by the end of 2021.



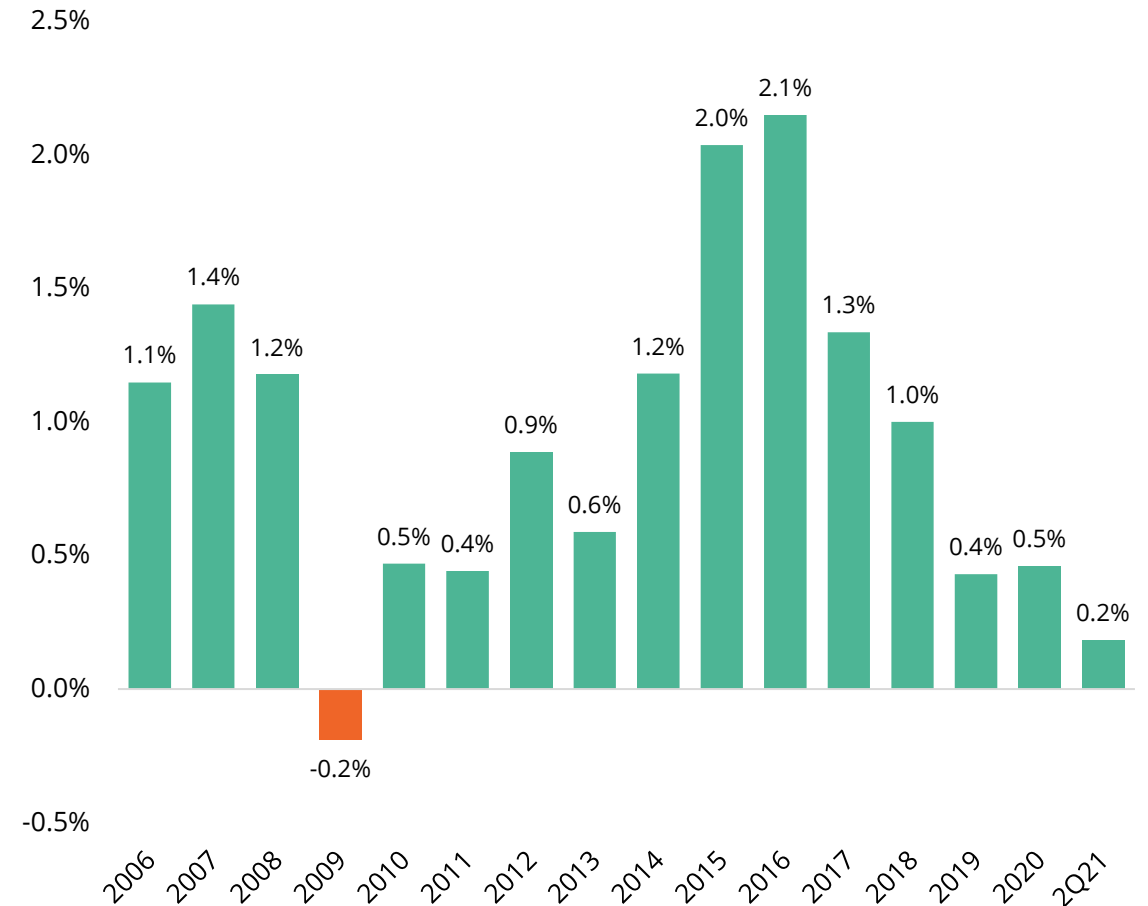
Source: CoStar

Industrial net absorption

0.7%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Absorption through mid-year remains healthy and near pace with levels throughout prior years.



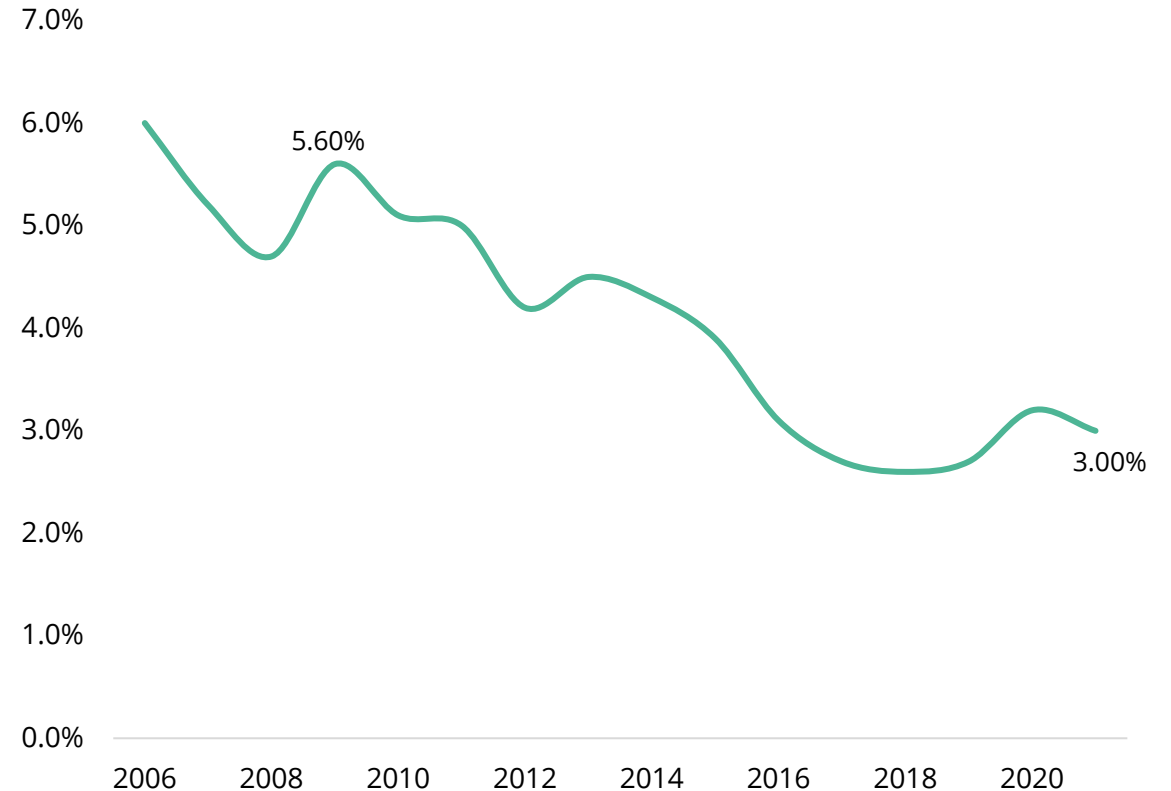
Note: Absorption is measured as the year-over-year change in occupied square feet.
Source: CoStar

Industrial vacancy rate

3.0%

vacancy as of Q2 2021

The Q2 2021 total vacancy rate continues to trend downward, falling by nearly half from its high in 2006. Average asking rents have increased 2.9% over that same time period, underscoring how industrial demand has outstripped supply in Minneapolis-St. Paul.



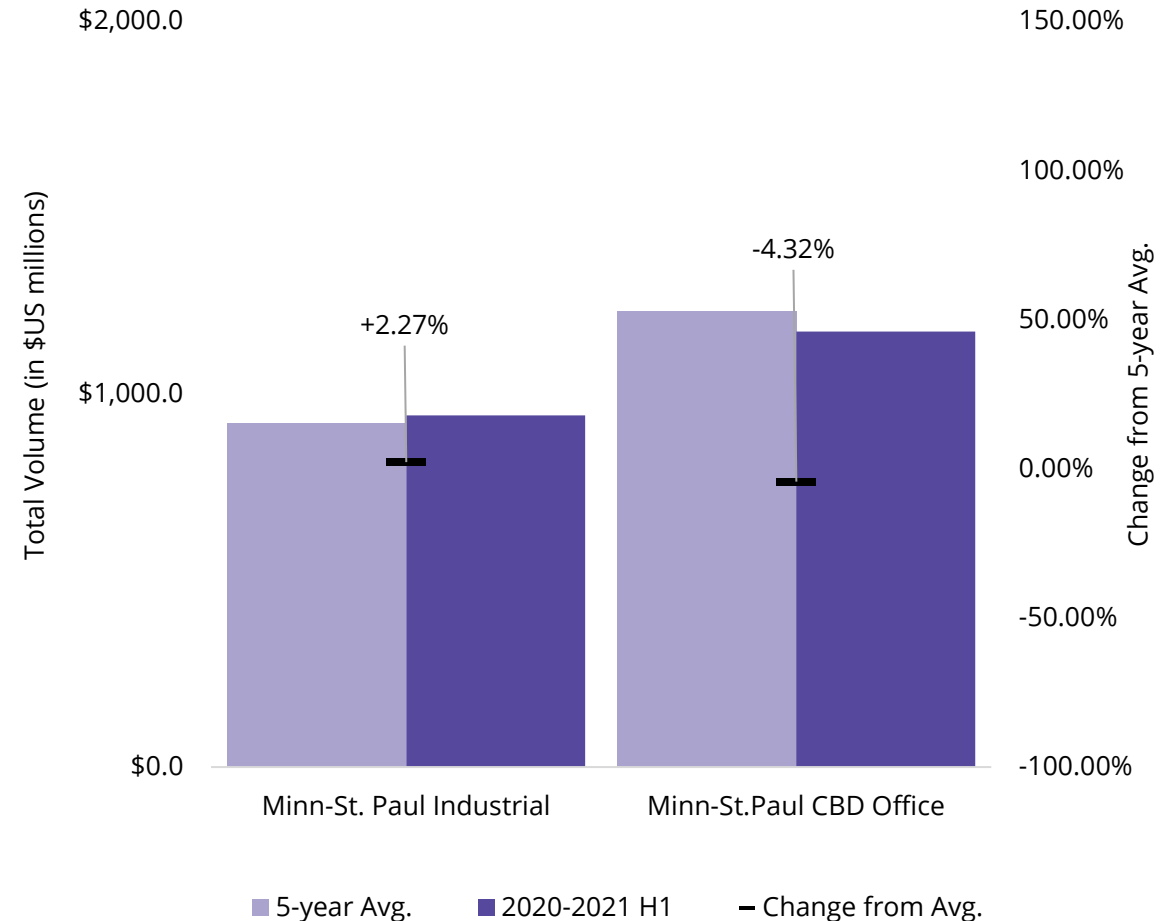
Source: CoStar

Investment dollar volume

\$943.8M

Industrial dollar volume, 2020 to Q2 2021

Office sales activity has temporarily paused during the risk-pricing crisis, decreasing by an annualized rate of 4.32% compared with the prior five-year average dollar volume. Industrial volumes surged +2.27% against the prior five-year average due to stronger fundamentals.



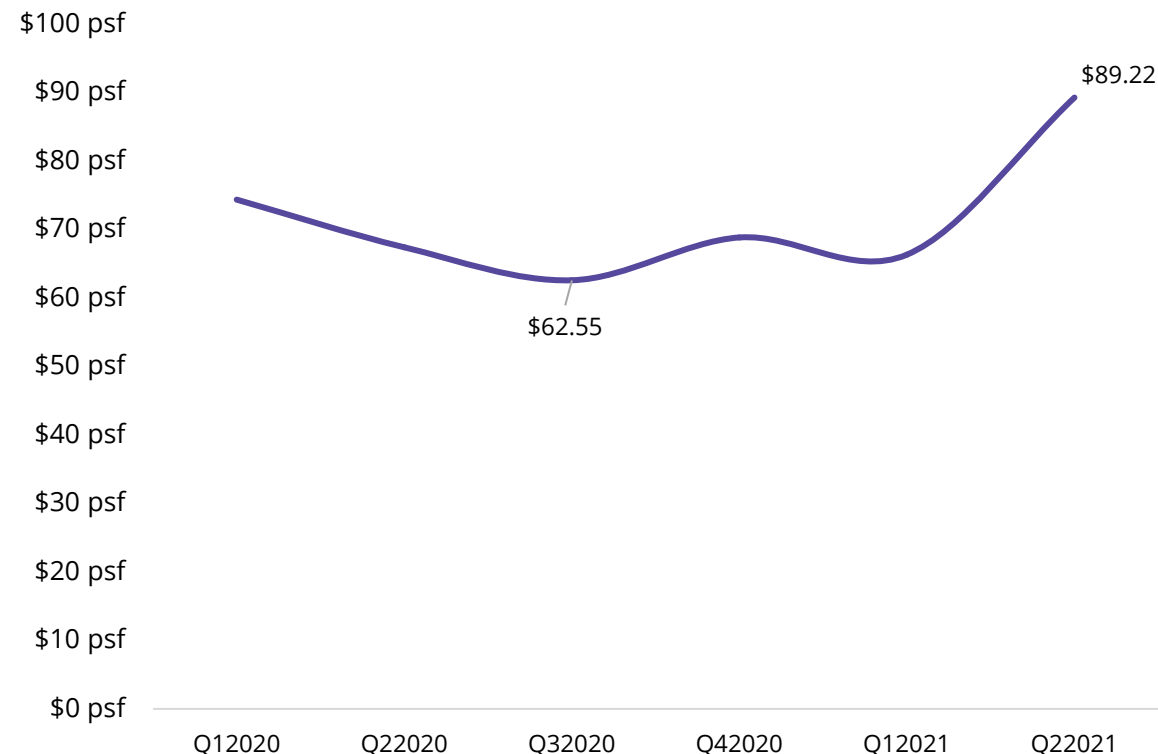
Source: AVANT by Avison Young, CoStar

Industrial asset pricing

+32.4%

Minneapolis-St. Paul industrial pricing, April 2020 to June 2021

Pricing for Minneapolis-St. Paul industrial assets has continued to elevate through the pandemic as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: AVANT by Avison Young
RCA

Get in touch



Peter Kroner

Central Regional Manager
Innovation and Insight
Advisory, U.S.
+1 312 273 1494
peter.kroner@avisonyoung.com



Tommy Maday

Central Regional Manager
Innovation and Insight
Advisory, U.S.
+1 773 945 5837
tommy.maday@avisonyoung.com



Kathleen Cavanaugh

Central Region Insight Analyst
Innovation and Insight
Advisory, U.S.
+1 312 940 6266
kathleen.cavanaugh@avisonyoung.com



Kaleigh Graham

Central Region Senior Digital Analyst
Innovation and Insight Advisory, U.S.
+1 312 273 1494
kaleigh.graham@avisonyoung.com



Sean Boyd

Central Region Analyst
Innovation and Insight Advisory, U.S.
+1 773 644 5825
sean.boyd@avisonyoung.com