

# Minneapolis -St. Paul industrial market report

Q3 2021

# Key industrial takeaways



## Economic conditions

- The Twin Cities regional economy has rebounded sharply from the effects of the pandemic with unemployment at **3.5 percent** as of August 2021.
- Industrial jobs have risen **3.4 percent** from July of 2020 to July of 2021, with transportation, warehousing and utilities recording the highest job growth of **7.8 percent** over the same timeframe.



## Recovery rate

- Proportionate vaccination rates for the Twin Cities continued to increase throughout the third quarter in 2021, up to **62.9 percent**, surpassing the U.S. average.



## Industrial demand

- Strong market fundamentals have been recorded throughout the third quarter of 2021 with record leasing volume, up **53.2 percent** when compared to the last 14-year annual average.
- Absorption year-to-date has remained quite healthy and has already surpassed 2020 levels with a total of **1.6 million sf**.

# Key industrial takeaways



## Industrial supply

- The Twin Cities industrial construction pipeline has seen a significant increase in activity. Currently, **25 properties** are under construction, increasing inventory by **5.3 million sf**. The Northwest submarket is the most active, with **14 projects** under development.
- The overall **vacancy** rate for the Twin Cities industrial market continued to show resilience with vacancy at **2.8%**, an indicator of the continued demand observed throughout 2021.



## Pricing trends

- Base rents have increased by **10 percent** since the beginning of the year and this trend shows no sign of slowing down.
- Healthy **demand** and tightening leasing fundamentals, coupled with increasing **construction costs**, have been the drivers behind the increase in pricing.



## Capital markets

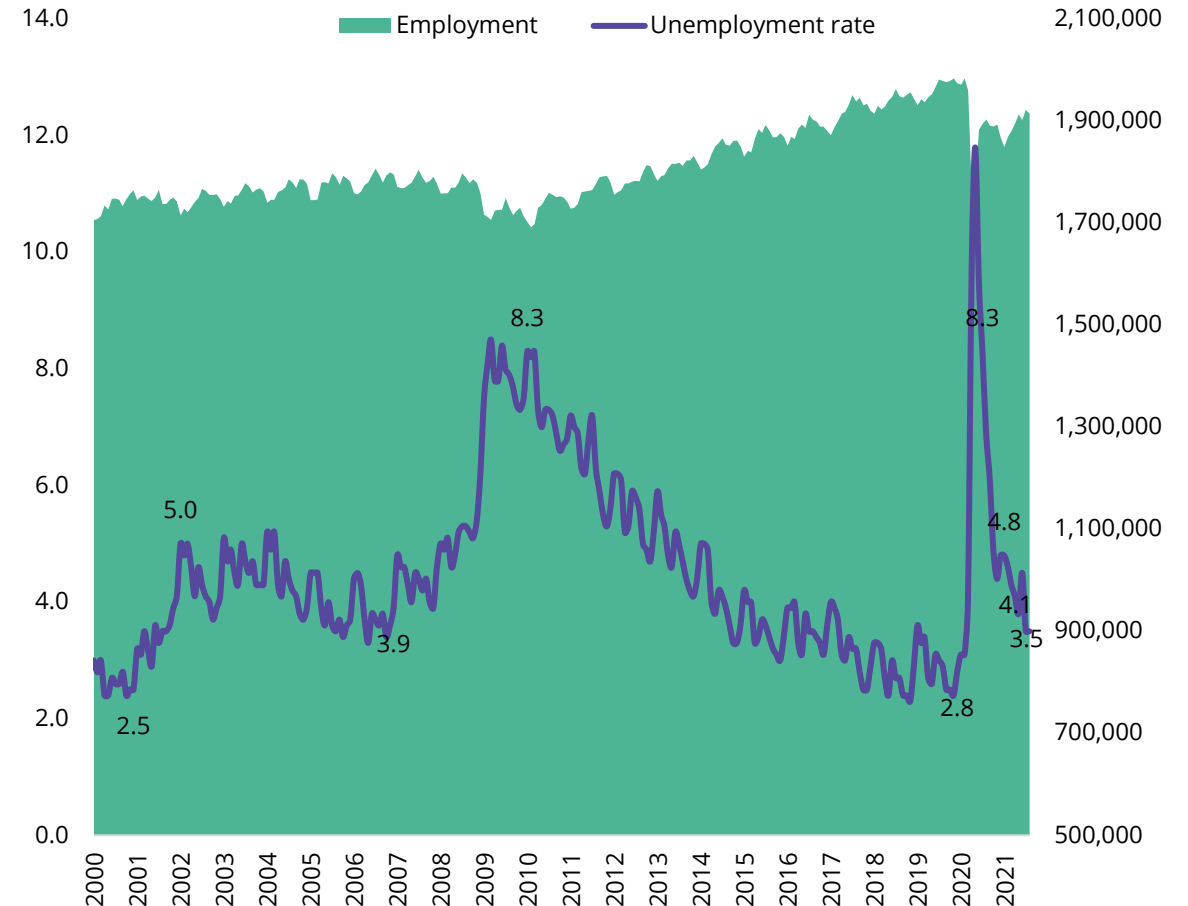
- Industrial investment activity surged to **\$1.9B in 2020** which was record setting for this market.
- The Twin Cities market remains active with **\$1.2B** invested year-to-date in 2021 and on track to surpass the five-year average of **\$1.3B**.
- Industrial pricing has increased **49.9%** since 2018 to \$79 psf as of September 2021.

# Employment and unemployment rate

# 3.5%

## The Twin Cities unemployment rate as of August 2021

The Twin Cities regional economy has rebounded sharply from pandemic lows. Historically tightened labor market conditions were halted by the pandemic with 215,455 job losses between February and April 2020; however, reopening efforts enabled the economy to add 7.2% jobs since April 2020.



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

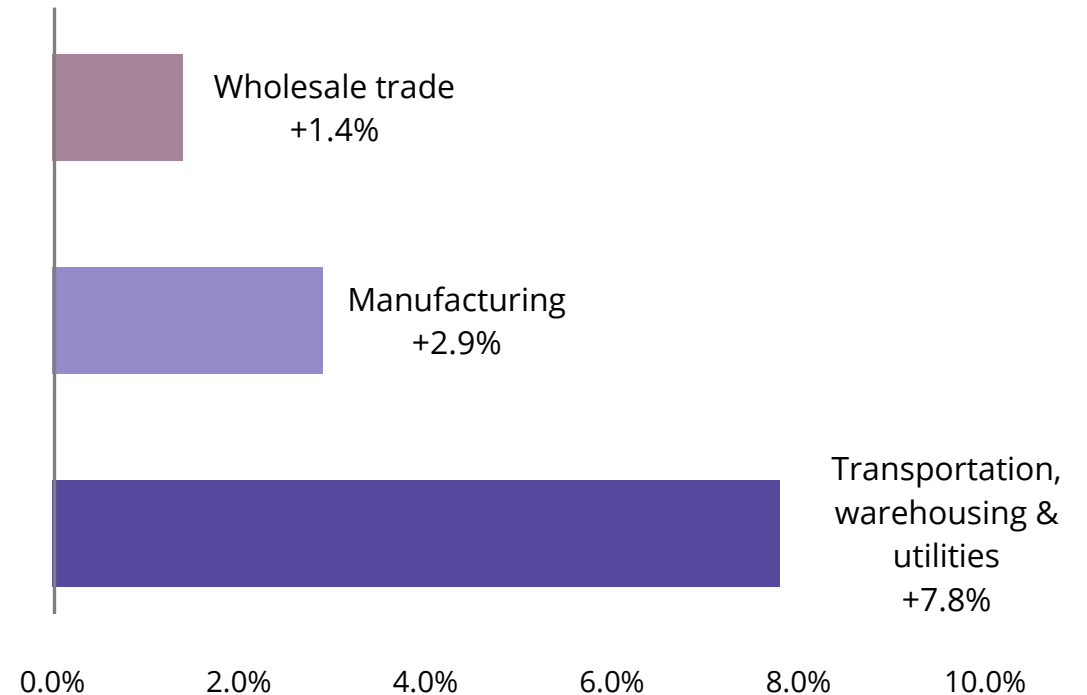
# Industrial job gains and losses

# 3.4%

## Change in industrial employment from July 2020 to July 2021

The Minneapolis-St. Paul metro area has experienced job additions totaling 3.2% in the last year, especially in the critical area of transportation and logistics. The transportation, warehousing & utilities sector saw the largest increase, up 7.8% as of July 2021.

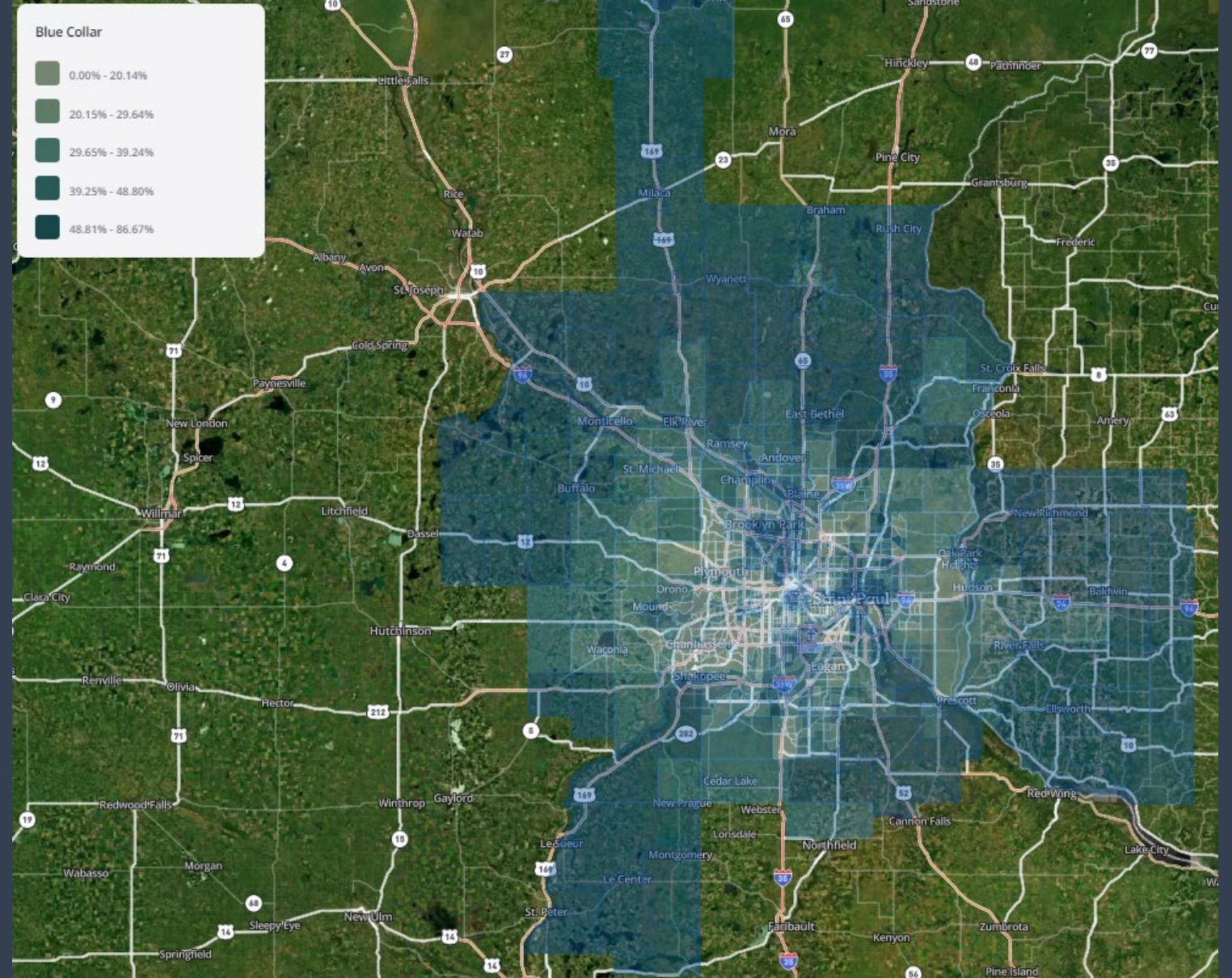
### Total change in Minneapolis-St. Paul MSA\* job gains/(losses) July 2020 to July 2021



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

# Blue collar workforce

Source: AVANT by Avison Young,

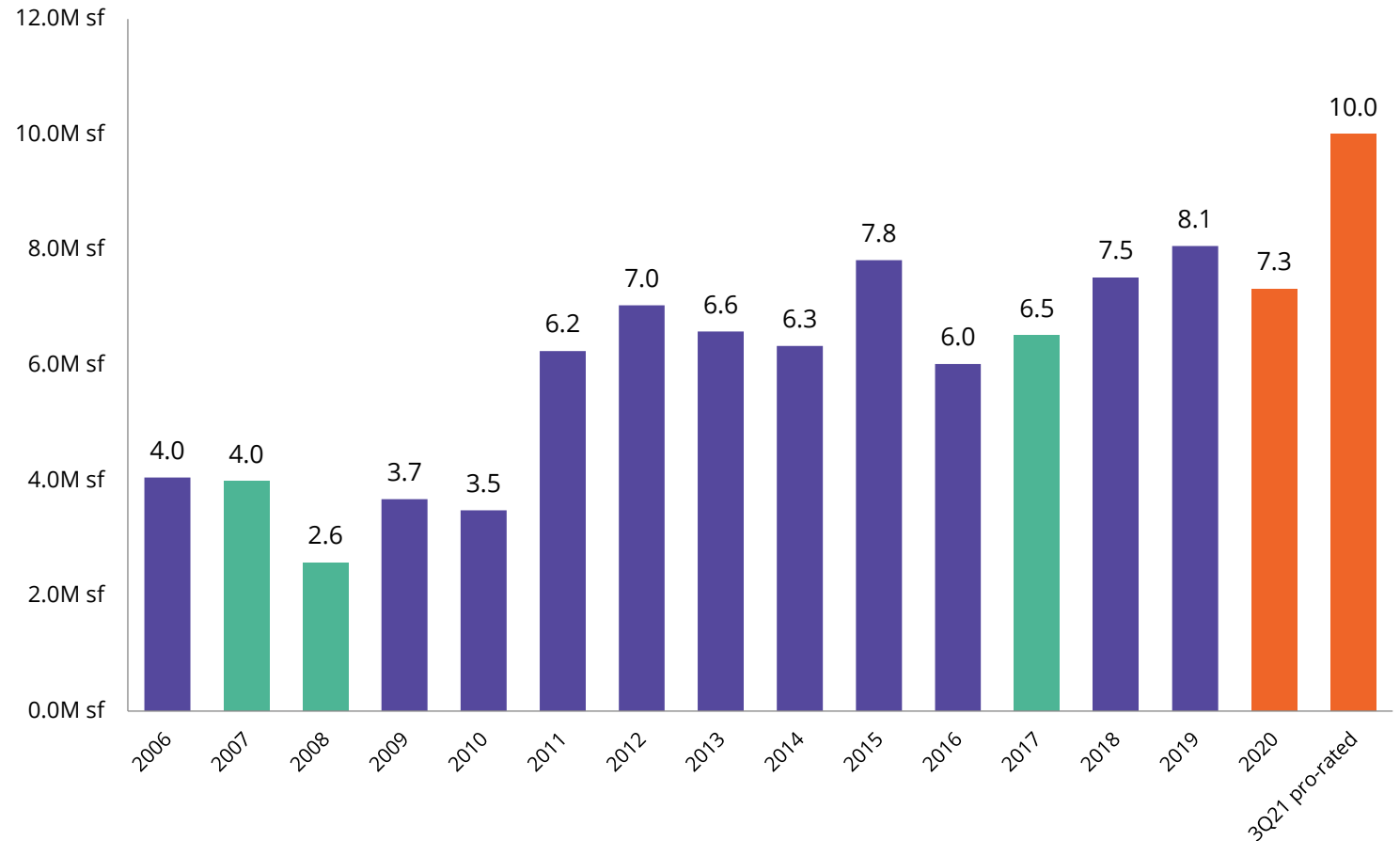


# Industrial leasing activity

# +51.8%

**2020-pro-rated 2021 vs.  
prior 14-year annual  
average leasing activity**

Leasing activity is expected to reach an all time high of over 10 msf at the end of 2021 as demand has not let up during the pandemic.



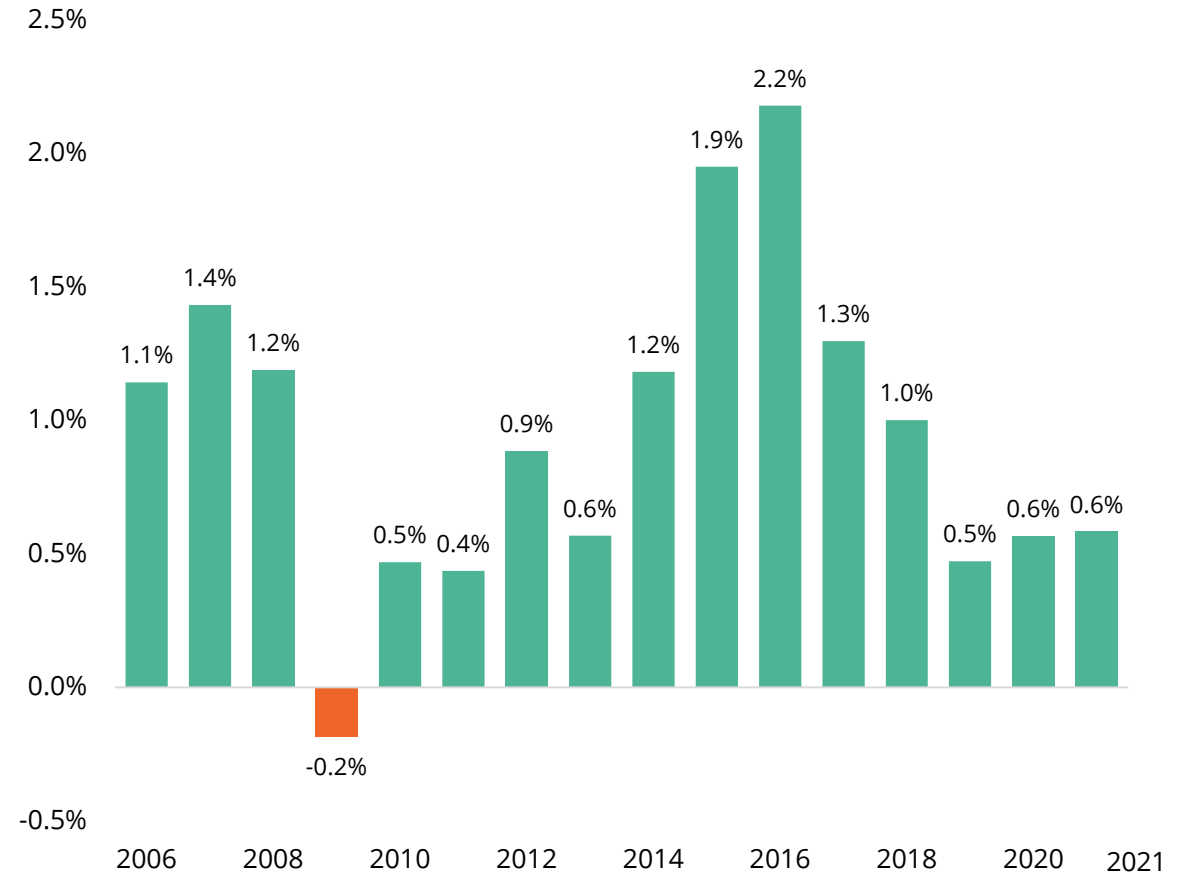
Source: CoStar

# Industrial net absorption

# 1.2%

## Net absorption as a percentage of inventory, 2020 through Q3 2021

Absorption throughout 2021 remains quite healthy from the consistent tenant demand and especially within distribution centers across the region. The Twin Cities have seen an increase in activity across all market fundamentals and showing no signs of slowing down. Absorption year-to-date has totaled 1.6 million sf.



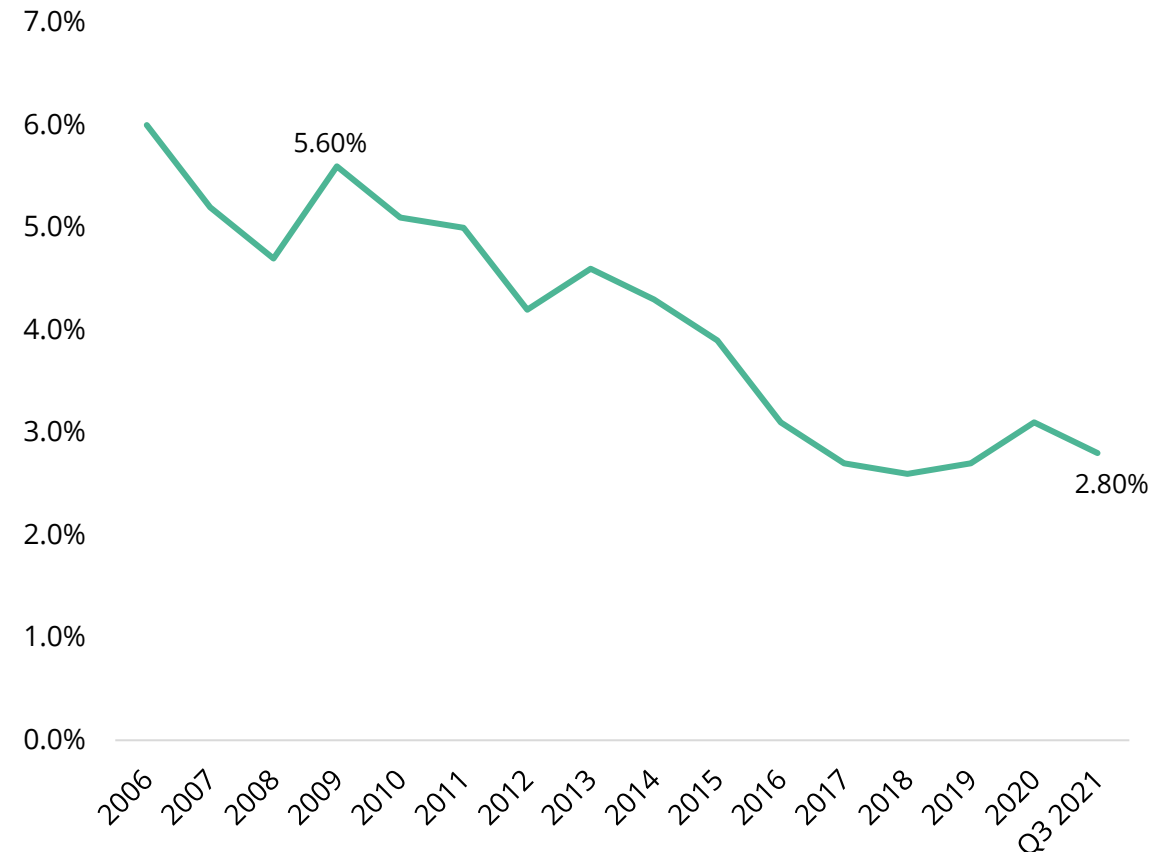
Note: Absorption is measured as the year-over-year change in occupied square feet.  
Source: CoStar

# Industrial vacancy rate

# 2.8%

## Vacancy as of Q3 2021

The Q3 2021 total vacancy rate recovered to pre-pandemic lows, another indicator of a healthy market. On average rents have increased approximately 10% year-to-date, underscoring how industrial demand has surpassed supply in the Twin Cities.



Source: CoStar

# Industrial development pipeline

**40 properties**

Proposed, under construction  
or under renovation

**12.9 msf**

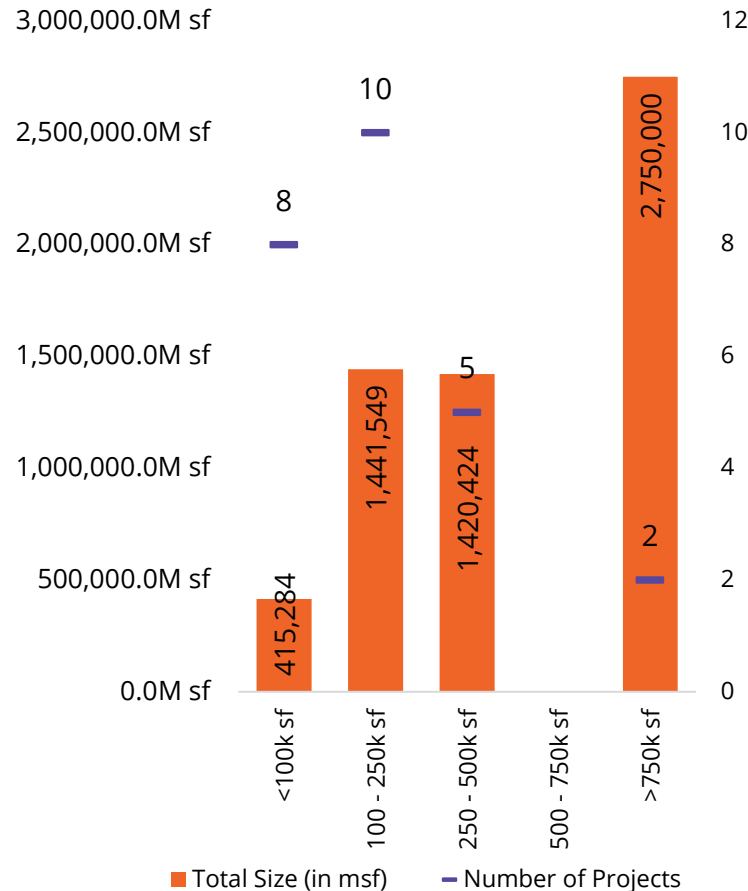
proposed or under  
construction

**6.1%**

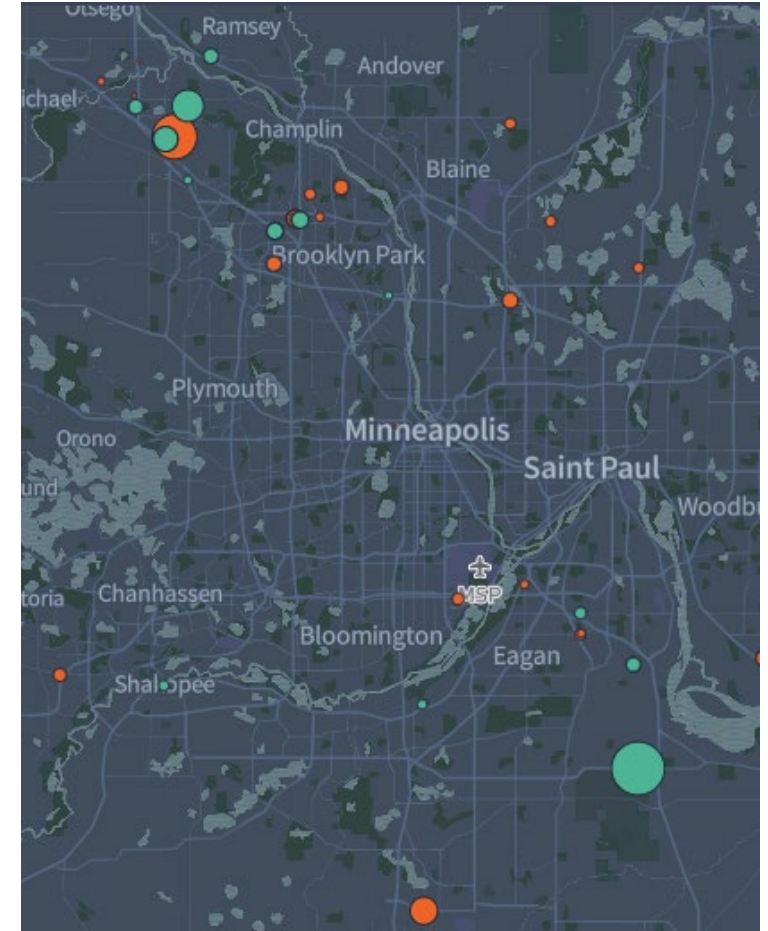
share of industrial  
inventory

**Northwest**

Submarket with most  
ground-broken projects at 14



Source: AVANT by Avison Young

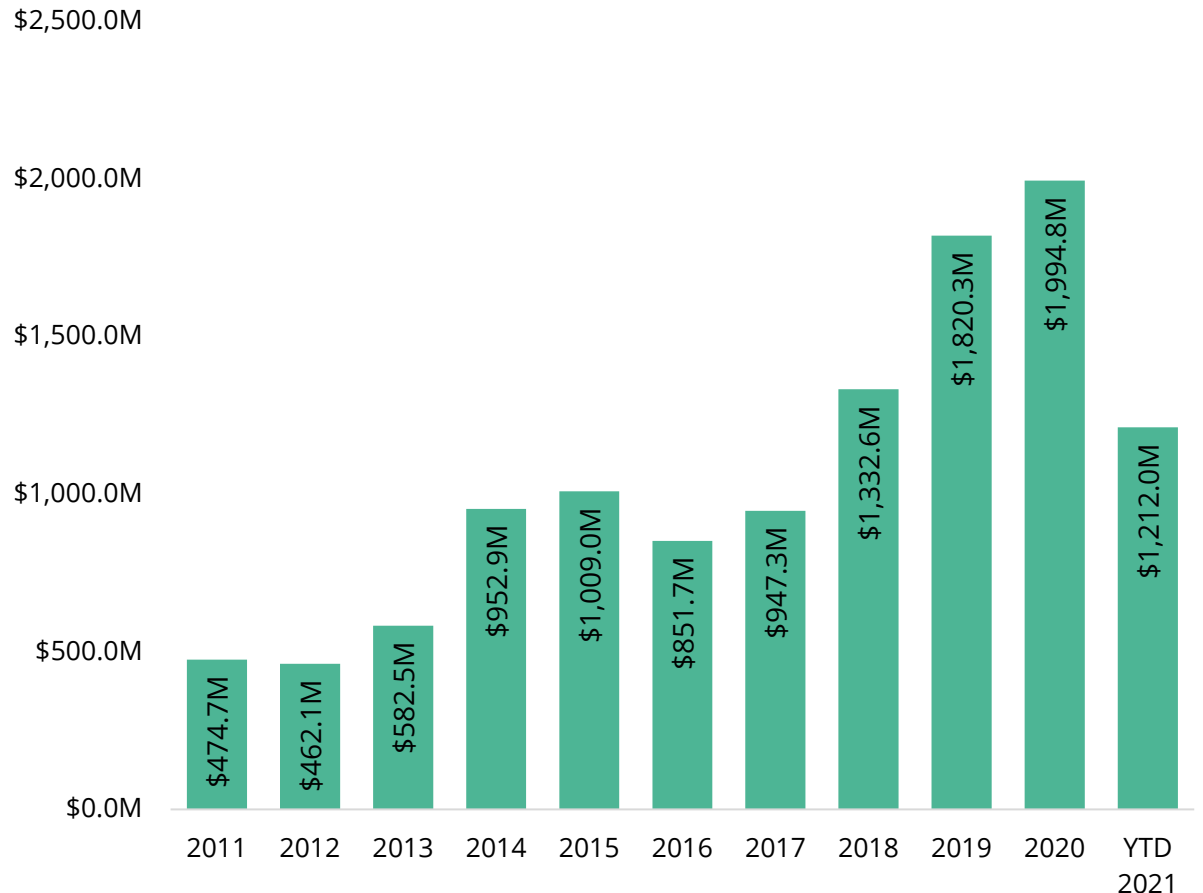


# Investment dollar volume

# \$1.2 B

## Industrial dollar volume, year-to-date 2021

The Twin Cities experienced an extraordinarily strong 2020 in industrial sales activity with over \$1.9 billion invested. The market has remained active with a total of \$1.2 billion year-to-date in 2021 and is on track to surpass the five-year average of \$1.3 billion in sales volume.



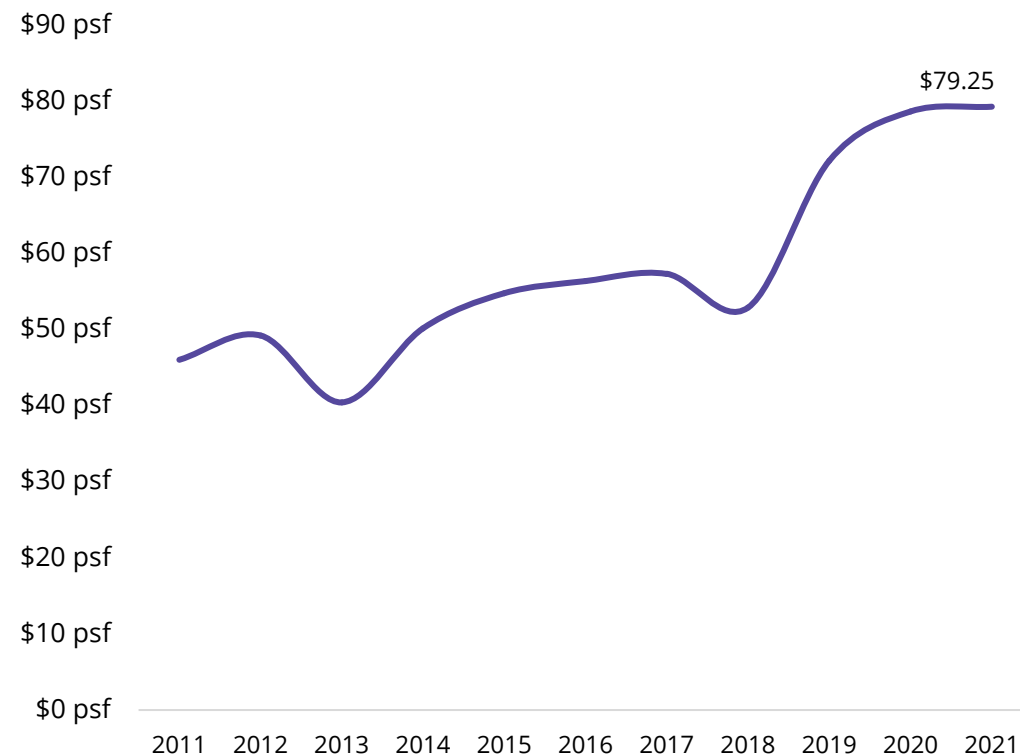
Source: AVANT by Avison Young  
CoStar

# Industrial asset pricing

# +49.9%

## Minneapolis-St. Paul industrial pricing, 2018 to September 2021

Pricing for Minneapolis-St. Paul industrial assets has continued to elevate since 2018, especially since the start of the pandemic, as investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: AVANT by Avison Young  
RCA

# Get in touch



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# Let's talk

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