

# 2020 Industrial Market Insight Report



Minneapolis/St. Paul, collectively referred to as the Twin Cities, is the 16th largest MSA with approximately 3.6 million residents and home to 17 fortune 500 public companies' headquarters. The Twin Cities is also ranked highly for quality of life, labor force participation, health care, and workforce quality. The Minneapolis/St. Paul Market started the year off stable with an unemployment rate of 3.1% and projected GDP growth that was expected to continue to outperform the national economy. However, the COVID-19 pandemic has had a significant impact on the U.S. economy, which could lead to the highest nationwide unemployment levels since the great depression and the largest GDP decline in US history. A recent report written by The Economic Policy Institute estimates that Minnesota's unemployment rate could spike as high as 15% by July 2020.

1.) The industrial sector finished 2019 strong with 3.8 million square feet of absorption and that momentum carried into Q1 2020. While COVID-19 has had a negative impact on all product types, demand for warehousing, manufacturing, and e-commerce have remained strong, making the industrial sector best positioned to weather the storm. With 2.4 million square feet already under construction in Q1 2020, we expect to see developers remain bullish throughout the year.

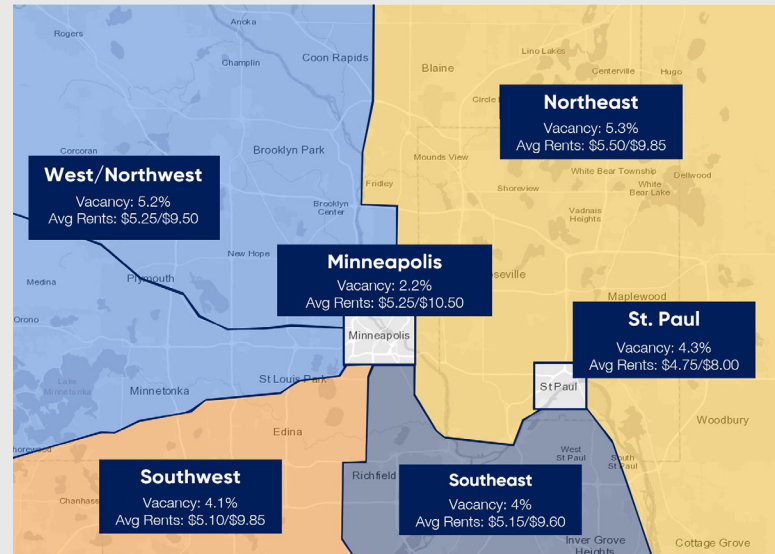
2.) Institutional investors continue to shift their focus to secondary markets as primary markets have become increasingly competitive. Multinational private equity investor, Blackstone, has significantly increased its presence in the Twin Cities with the recent acquisition of CSM Corporation's 5.7 million square foot industrial portfolio and Industrial Equities' 2.5 million square foot portfolio, bringing Blackstone's Twin Cities industrial portfolio to 13 million SF. This makes Blackstone the largest owner of industrial real estate in the Twin Cities by a large margin. Prologis also recently re-entered the market. Both companies will certainly have an influence on asking rates in the Twin Cities going forward.

3.) The food industry has been disrupted as a result of COVID-19. An increase in online orders has overwhelmed supply chains and increased the need for warehouse space, cold storage, and distribution centers across the globe. Though the significant spike in demand may be temporary, consumer's altered purchasing habits may outlive the virus, creating a need for companies to continue bulking up their e-commerce/warehousing capabilities going forward.

4.) Much like the automation robotics made famous by Amazon's fulfillment centers, the COVID-19 outbreak could accelerate the implementation of similar technology from other companies in an attempt to increase efficiency

and limit reliance on the labor market. This shift would likely have direct impact on building design as it would require less on-site parking and would enable racking to be stacked higher, resulting in taller buildings with smaller overall footprints. Proximity to labor pools would also be a less important factor to consider during the site selection process.

## Rental and Vacancy Rates



## Market Movement

Tenant	Building	Size	Submarket	Type
Aveda Corporation	Lexington Preserve I	187,000 SF	NE Metro	Lease Renewal
Ableconn	8550 Zachary Ln	110,000 SF	NW Metro	New Lease
Cirtec Medical	Capstone Business Center	69,072 SF	NW Metro	New Lease
The ADS Group	Berkshire Lane I & II	52,000 SF	NW Metro	Lease Renewal/Expansion
Design Ready Controls	Capstone Business Center	28,449 SF	NW Metro	Lease Expansion
Restwell Mattress	9901 W 74th St	47,548 SF	SW Metro	Lease Renewal

## Investment Sales

Buyer	Building	Size	Submarket	Price
Blackstone (Link)	CSM Portfolio Sale (55 Properties)	7 Million SF	Metro Wide	\$665 Million
Capital Partners	Scannell Properties Portfolio Sale	558,000 SF	Newport, Brooklyn Park, Bloomington, Maple Grove, Shakopee	\$60 Million
Americold Realty Trust	2233 Maxwell Ave (Cold Storage)	217,326 SF	East Metro	\$56 Million
Heitman Capital Management	Midway Stadium Business Center	189,746 SF	Midway	\$23.8 Million
Viking Partners	9401 James Ave	115,043 SF	SW Metro	\$9.6 Million
Blackstone (Link)	Beacon Bluff Business	87,038 SF	NE Metro	\$10.25 Million