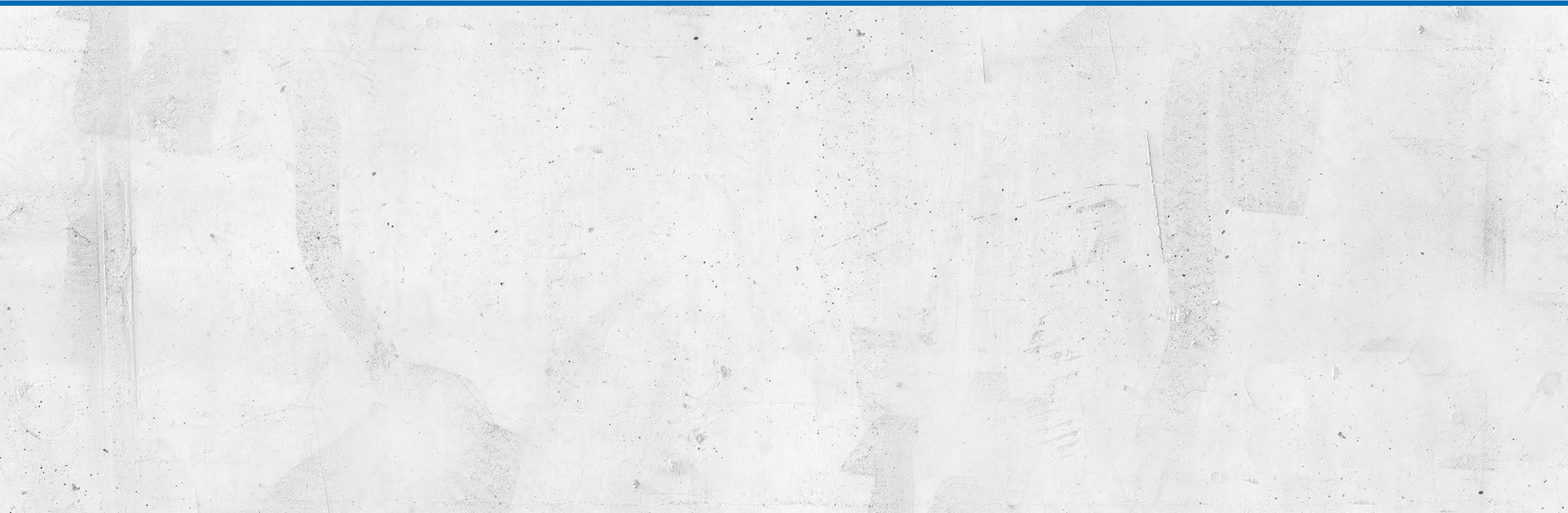


# Minneapolis Industrial Market Overview



# Market Observations



- Minnesota boasts a strong headquarters economy—home to 17 Fortune 500 companies, the most per capita among major U.S. metros. More than 320 Fortune 1000 firms also maintain a local presence.
- The region benefits from an engaged labor pool, leading major metros with a labor force participation rate of 72%.
- Minneapolis–St. Paul is a global hub for biotechnology and biomedical research, with strong connections to agriculture, food exports and water technology. It's also home to one of the most significant concentrations of banking institutions and financial expertise nationwide.
- The area maintains a consistently low unemployment rate, historically below the national average. As of April 2025, unemployment stood at 3.0%, compared to 4.2% nationally.



- Endeavor Development and Artemis Real Estate Partners have acquired a Link Logistics-owned industrial portfolio in the Twin Cities' largest industrial deal of the year. The sale included six Class A industrial buildings totaling 745,700 SF in Champlin, Plymouth, and Eagan.
- Ryan Companies broke ground on a 157,000 SF headquarters building for electronics testing equipment manufacturer Micro Control Cos., at Rice Creek Commons in Arden Hills. Rice Creek Commons is at the 427-acre former Twin Cities Army Ammunition Plant and will also include a mix of residential and commercial uses.
- BioMADE, a U.S. Department of Defense-backed biomanufacturing nonprofit, purchased a long-vacant 122,000 SF building at 7500 Meridian Circle N. in Maple Grove for \$16.5 million from Onward Investors
- French manufacturer Legrand signed a 10-year lease for a 98,000 SF building at 10900 Red Circle Drive in Minnetonka's Opus Business Park, where it will establish its regional headquarters and relocate its operations from Eden Prairie.

- Endeavor Development and PCCP LLC started construction on the ninth building at Arbor Lakes Business Park in Maple Grove. The 198,000 SF warehouse will have 32-foot clear heights and is expected to be completed in 2026. Scannell Properties sold a 148,000 SF industrial building in Shoreview's Seven Lakes industrial park for \$26 million to Ames Construction. Binks leases 118,400 SF, with the remaining space vacant
- Graco Inc. plans to sell its headquarters campus located along the Mississippi riverfront in northeast Minneapolis. With four buildings totaling 660,000 SF spread over 40 acres, the site is well-suited for mixed-use redevelopment. Graco, headquartered there since the 1940s, plans to relocate to a new campus in Rogers or Dayton.
- Endeavor Development broke ground on a 100,000 SF building at Park 35E Business Park in White Bear Township that will serve as Nextera Packaging's headquarters. Nextera, a growing food packaging company based in Vadnais Heights, is expected to relocate by spring 2026.



## Leasing Market Fundamentals

- 2Q25 absorption tapered to 480,378 from nearly 1.0 MSF in 1Q25. Vacancy increased to 4.7% from 4.5% at 1Q25 and 4.8% at year-end 2024 due to construction deliveries of over 1.1 MSF.
- Rents continue to rise, limited new development and steady tenant demand. Asking rents climbed to \$7.89/SF in the 2Q25, a 12.4% increase from 2Q24.
- Currently, over 1.1 MSF is under construction and over 1.6 MSF was delivered during the quarter.
- Positive activity is being driven by expansion among manufacturing tenants such as BioMADE, Legrand, and Graco

1. Economy
2. Leasing Market Fundamentals



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2Q25

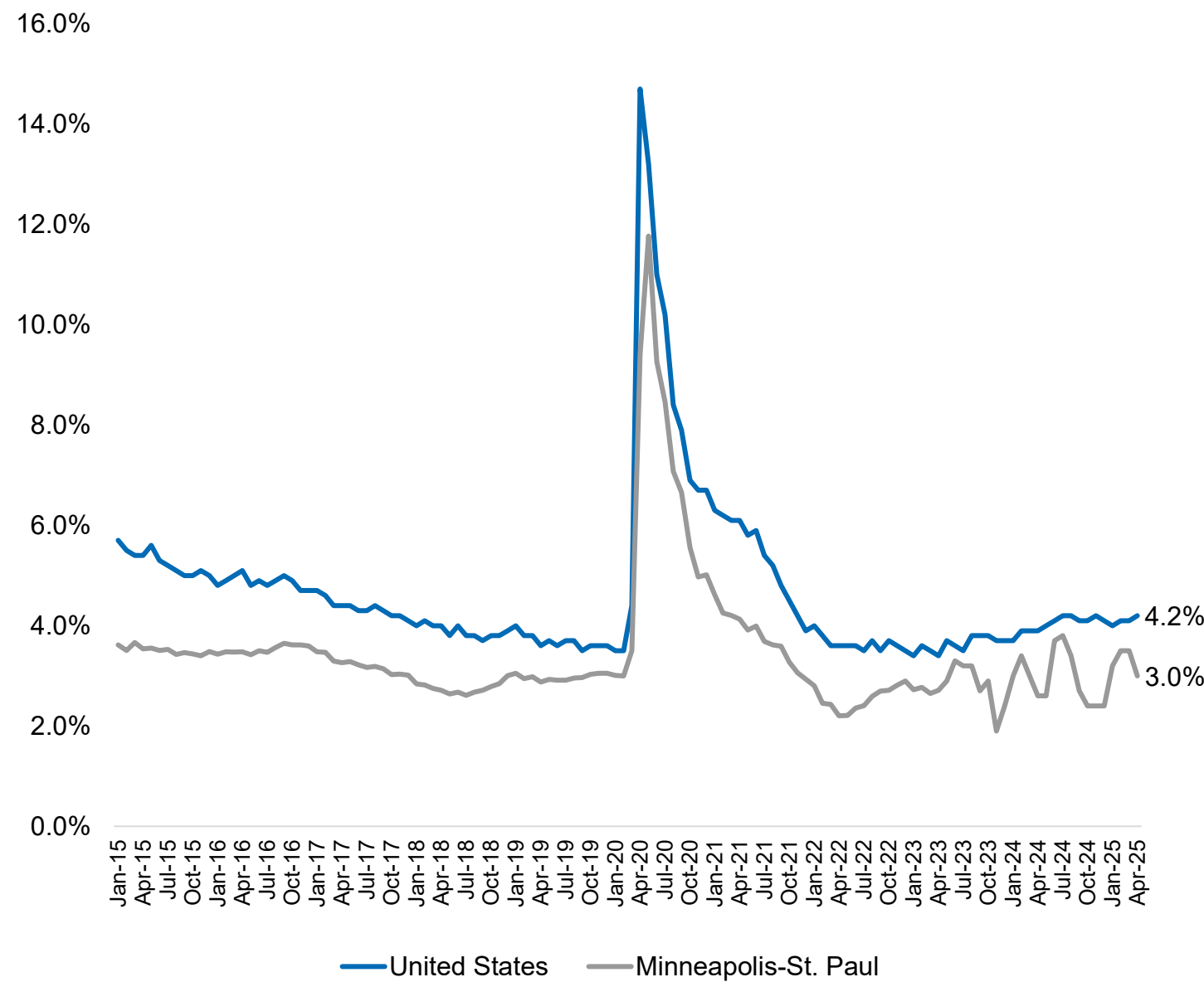
# Economy



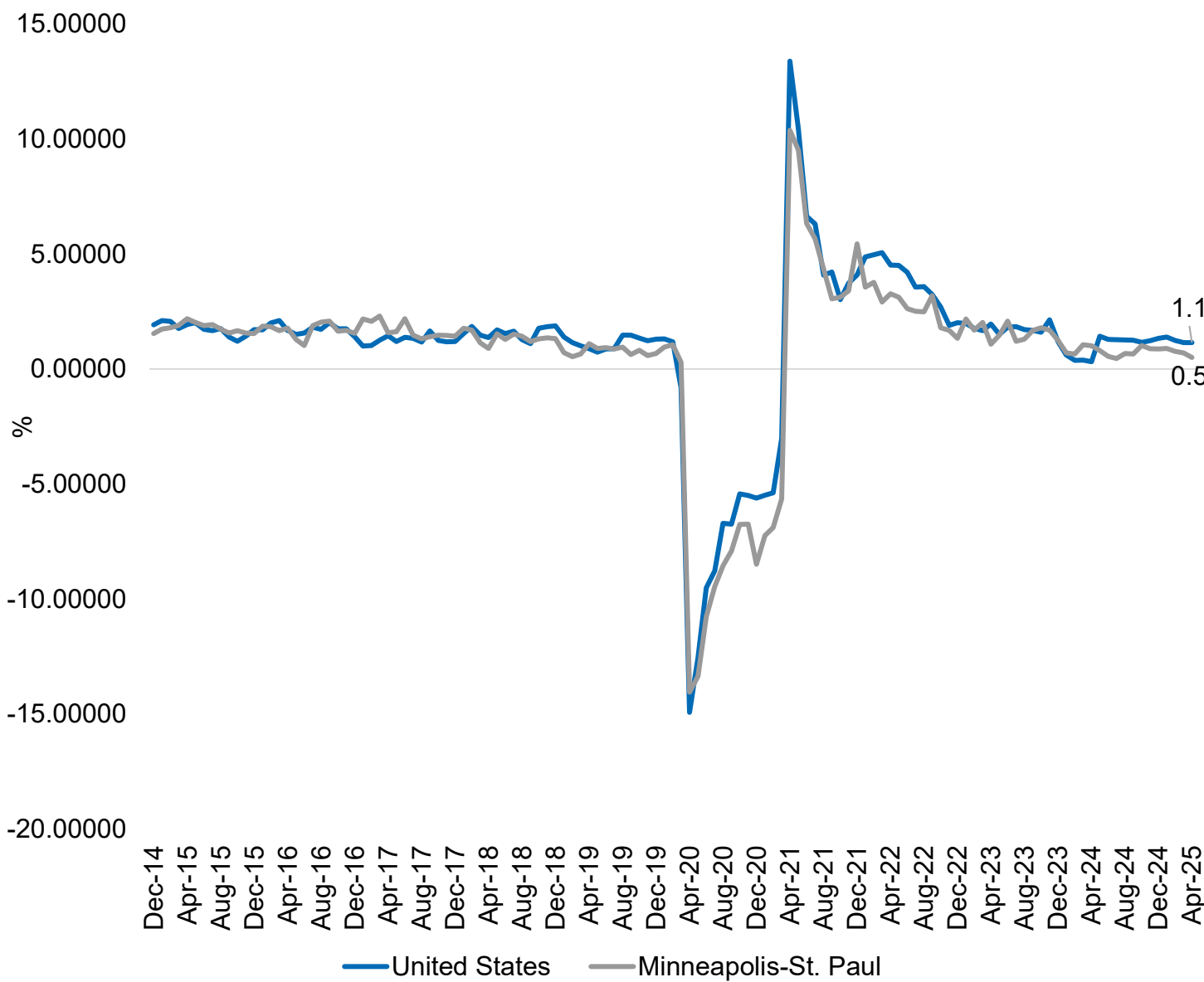
# Twin Cities Unemployment Low, Job Growth Sluggish

As of April 2025, the unemployment rate in Minneapolis–St. Paul was 3.9%, below the national average of 4.2%, reflecting the region’s relatively stable labor market. However, job growth has been flat, with year-over-year gains under 1%, signaling cautious hiring activity.

Unemployment Rate



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

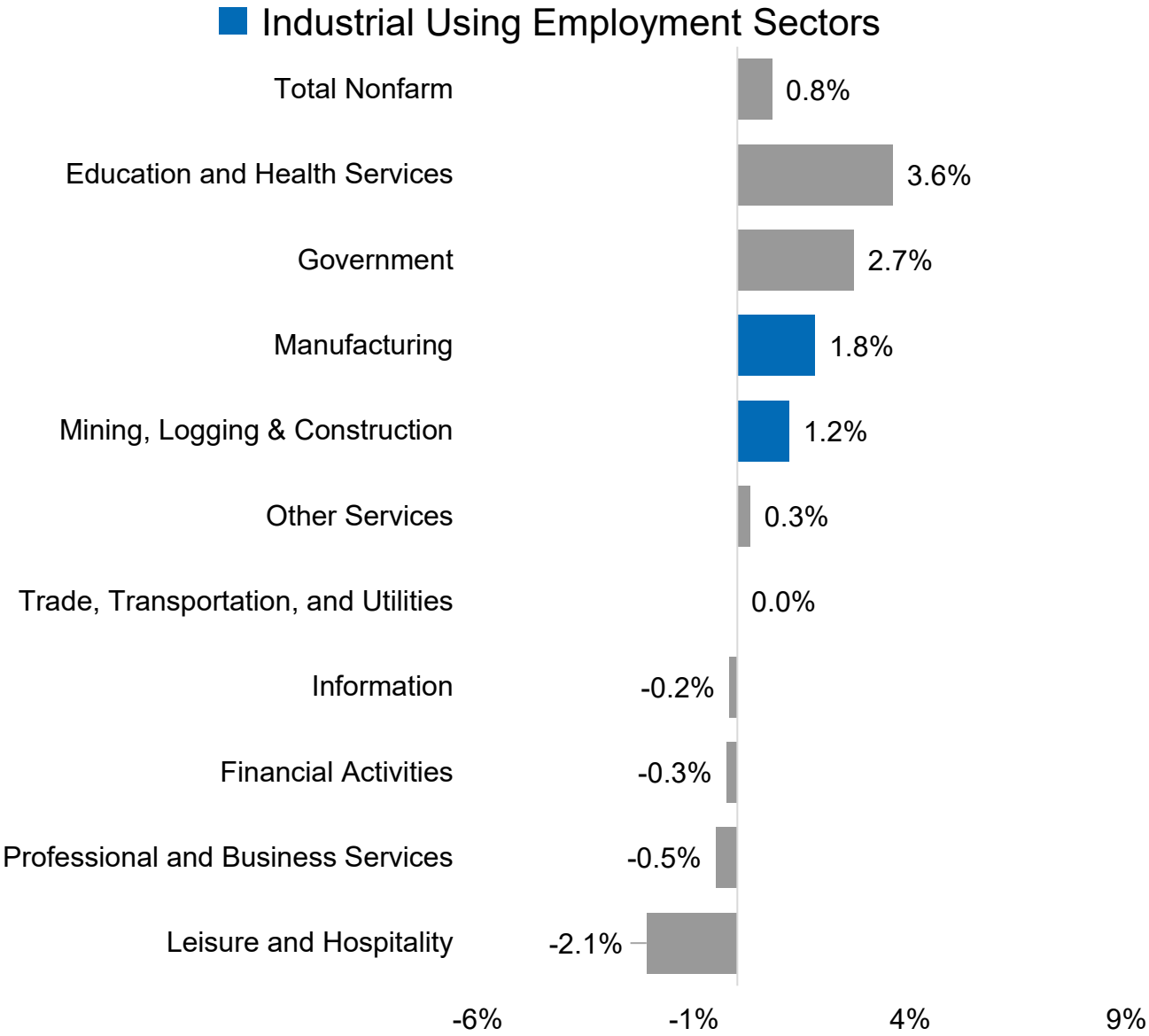
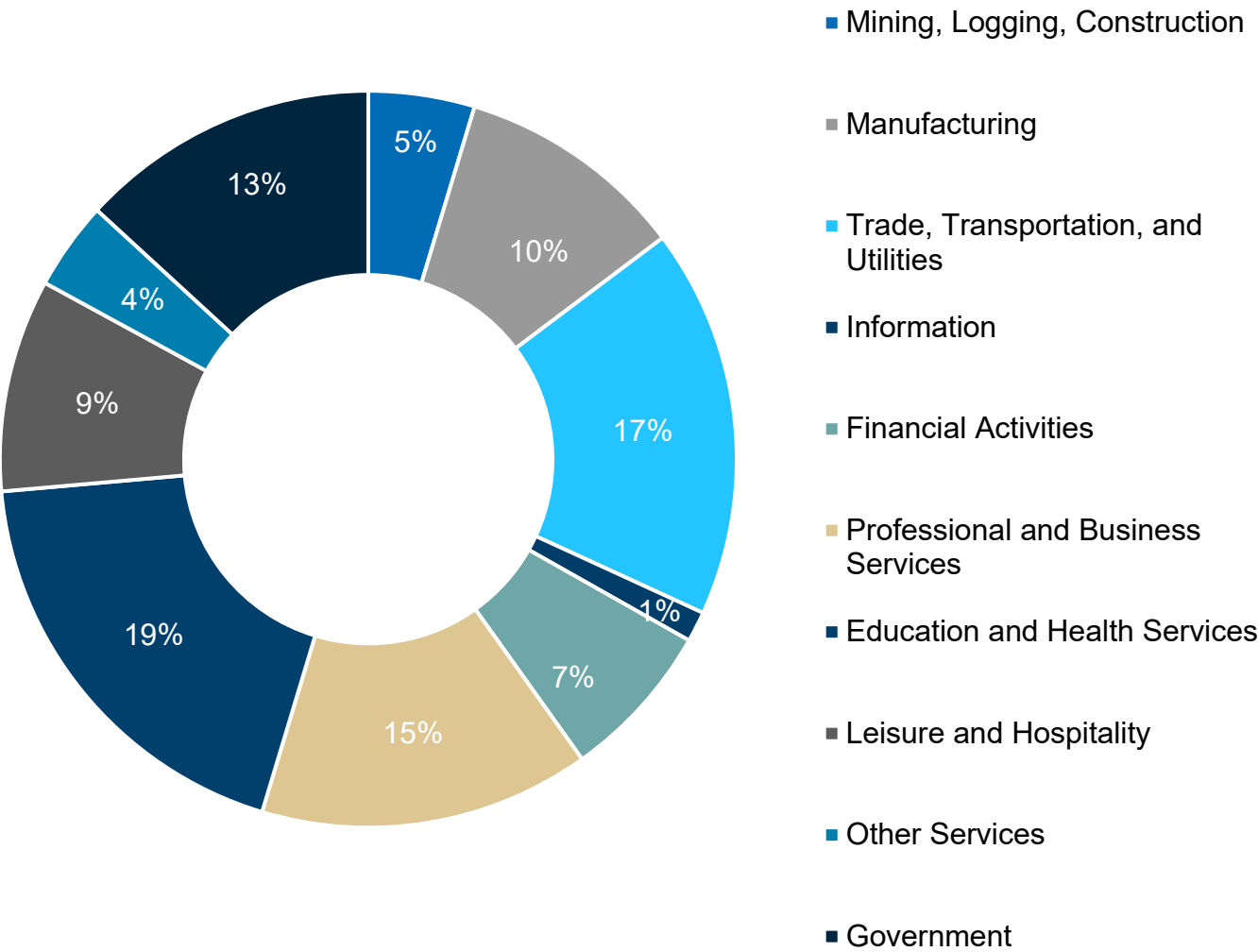


# Industrial Market Outlook Steady Amid Manufacturing Job Gains

Job growth was led by Education and Health Services, Government, and Manufacturing, while Leisure and Hospitality saw the steepest decline for the second straight quarter, down 2.1% in May after a 3.5% drop in January. Industrial-using sectors were mixed: Employment was flat in Trade, Transportation, and Utilities but rose in Manufacturing and in Mining, Logging, and Construction. Continued strength in manufacturing job growth bodes well for the industrial real estate market.

Employment by Industry, May, 2025

Employment Growth by Industry, 12-Month % Change, May, 2025

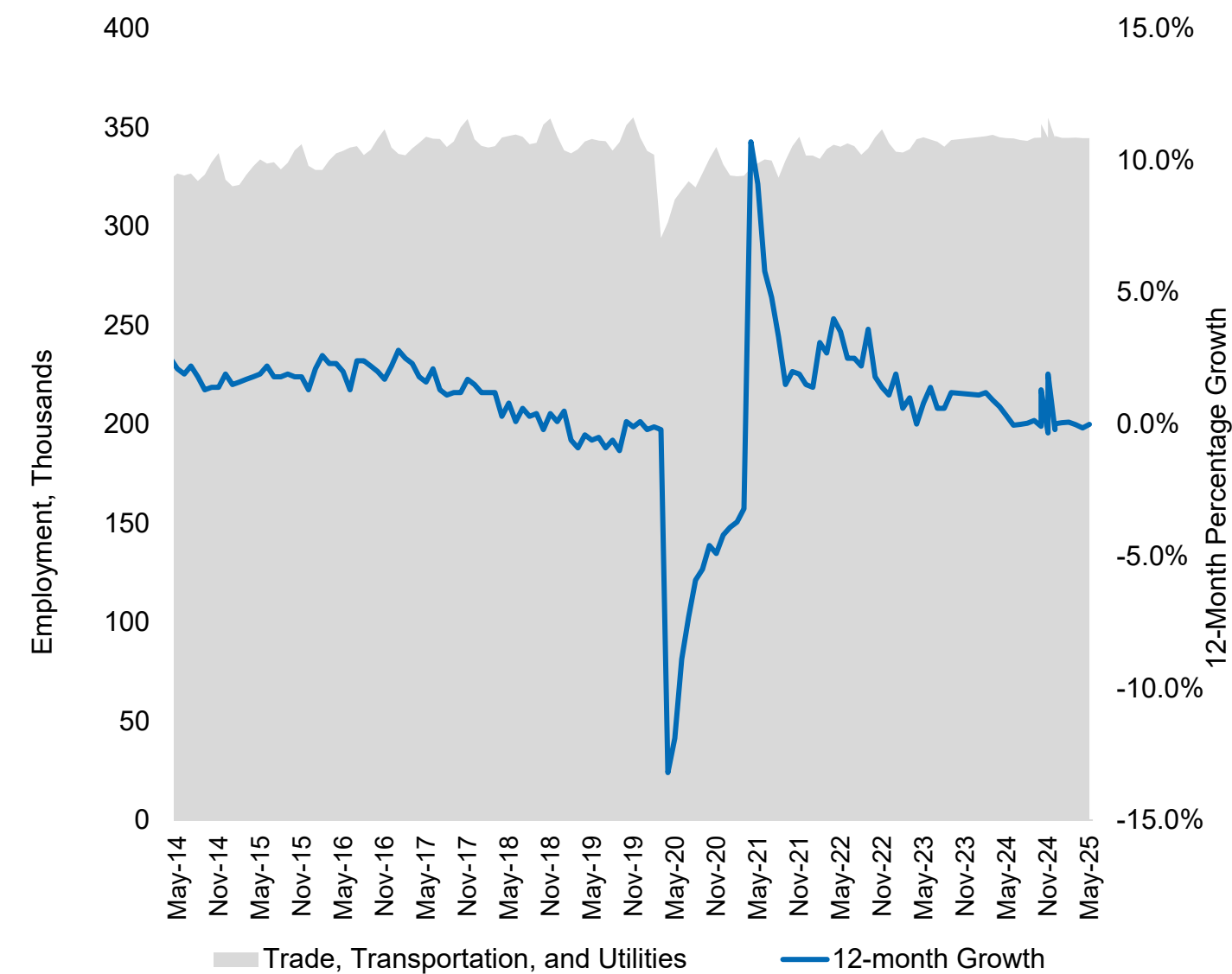


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

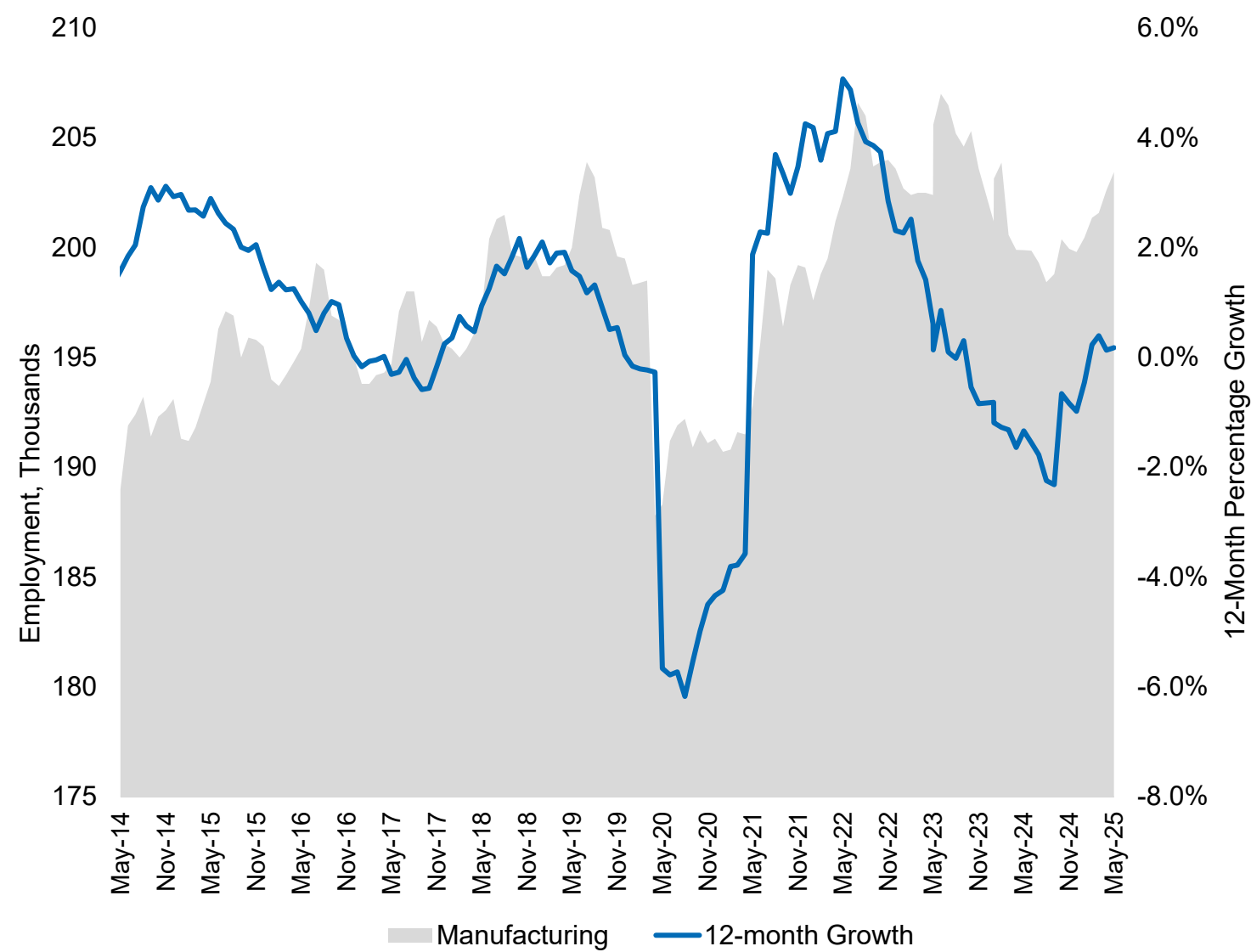
# Manufacturing Shows Growth While Trade and Transportation is Flat

Trade, Transportation, and Utilities employment remains flat, while recent gains in Manufacturing suggest a potential growth cycle that could drive future demand.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul



2Q25

# Leasing Market Fundamentals

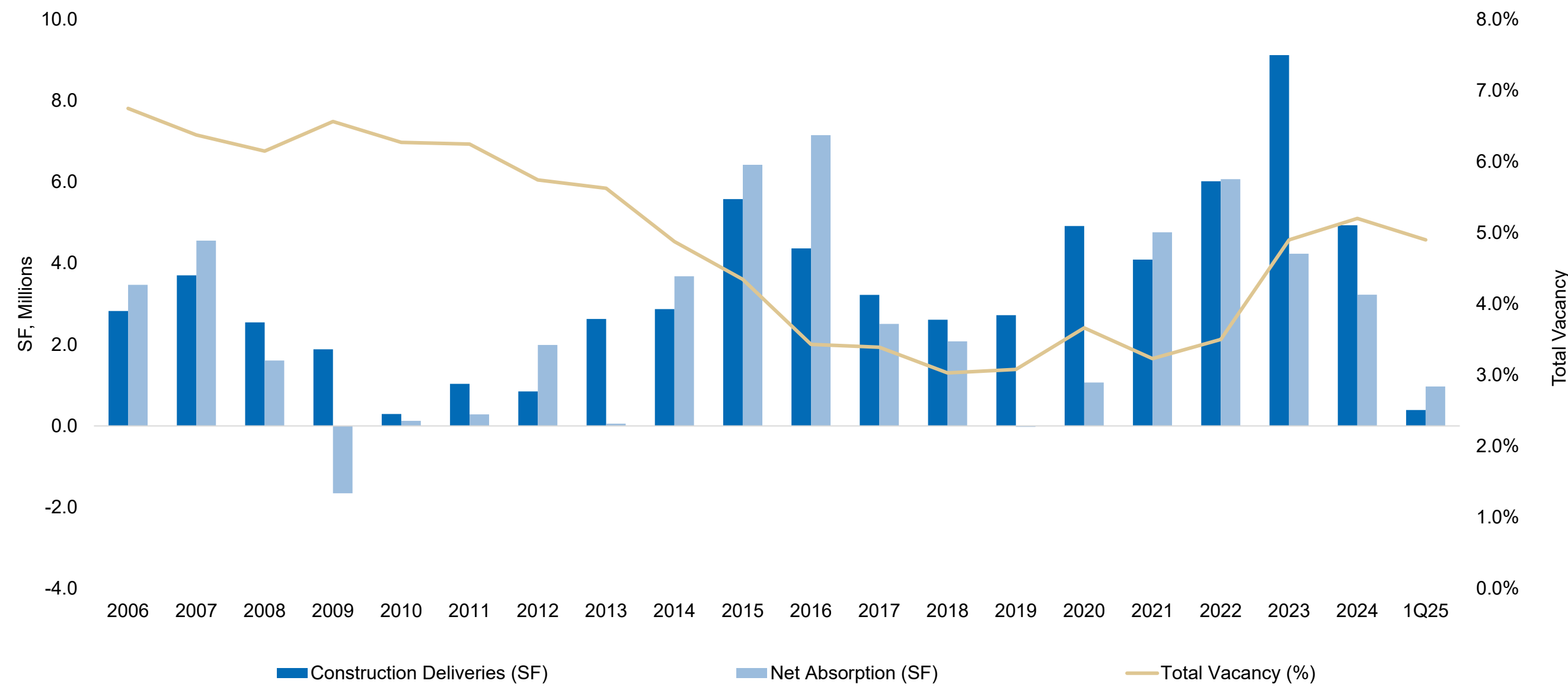




# Vacancy Drops to 4.7% in Q2, Trend Likely to Continue

The vacancy rate fell to 4.7% in 2Q25 from 4.5% in 1Q25, with the downward trend expected to continue through year-end due to steady demand and minimal new construction.

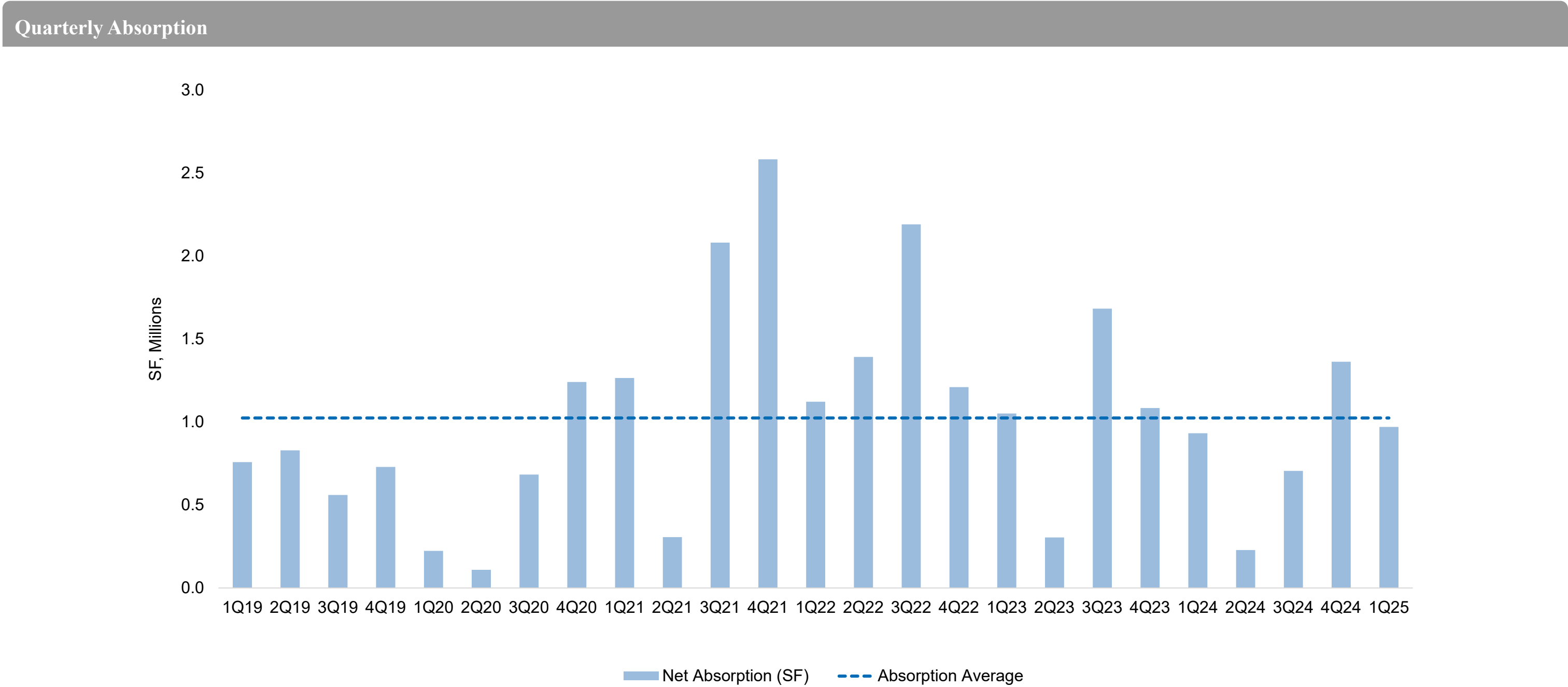
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, Costar, MNCAR

# Industrial Absorption Moderate in 2Q25

Absorption slowed to 480,278 SF in 2Q25, down from over 2.2 MSF in 1Q25, as market activity continues to normalize following the post-pandemic industrial surge.



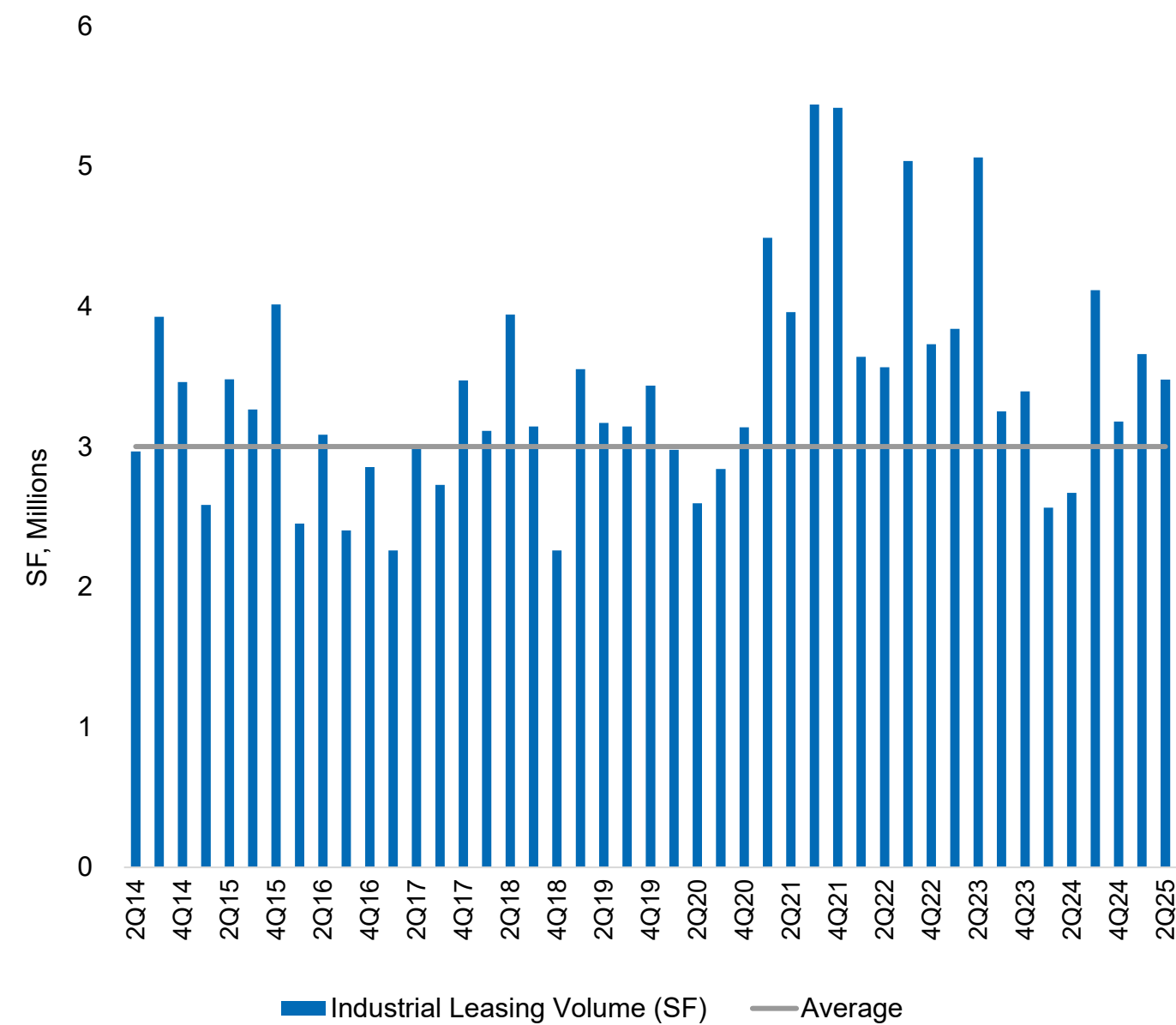
Source: Newmark Research, Costar, MNCAR



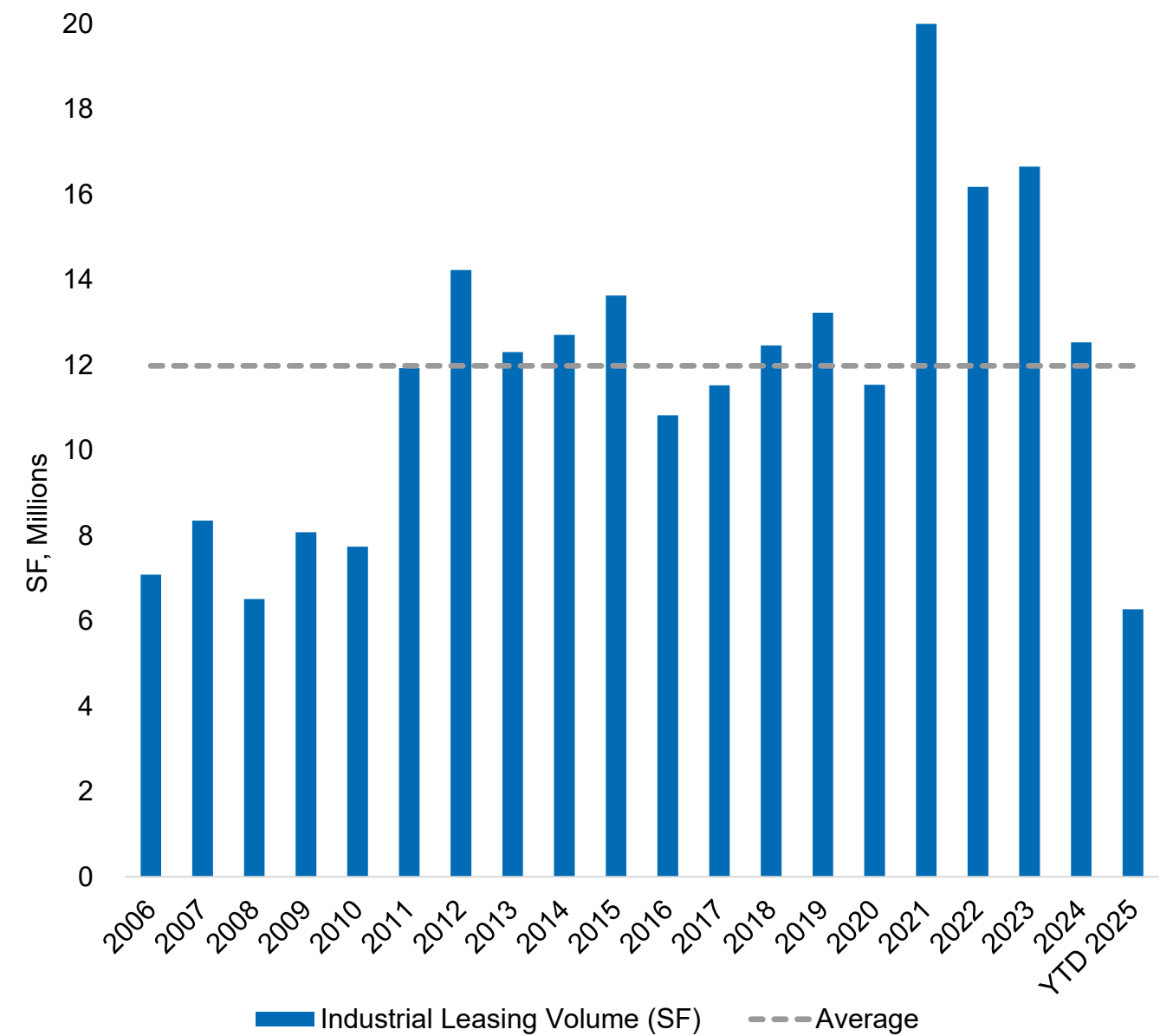
# Industrial Leasing Above Historical Averages Amid Steady Tenant Demand

Industrial leasing activity started strong in 2025, with both Q1 and Q2 volumes above historical averages. Manufacturers drove several major deals, including: Micro Control Co.’s 157,000 SF build-to-suit in Arden Hills, BioMADE’s 122,000 SF acquisition in Maple Grove, and Legrand’s 98,000 SF lease at Opus Business Park in Minnetonka.

Quarterly Leasing Activity (SF)



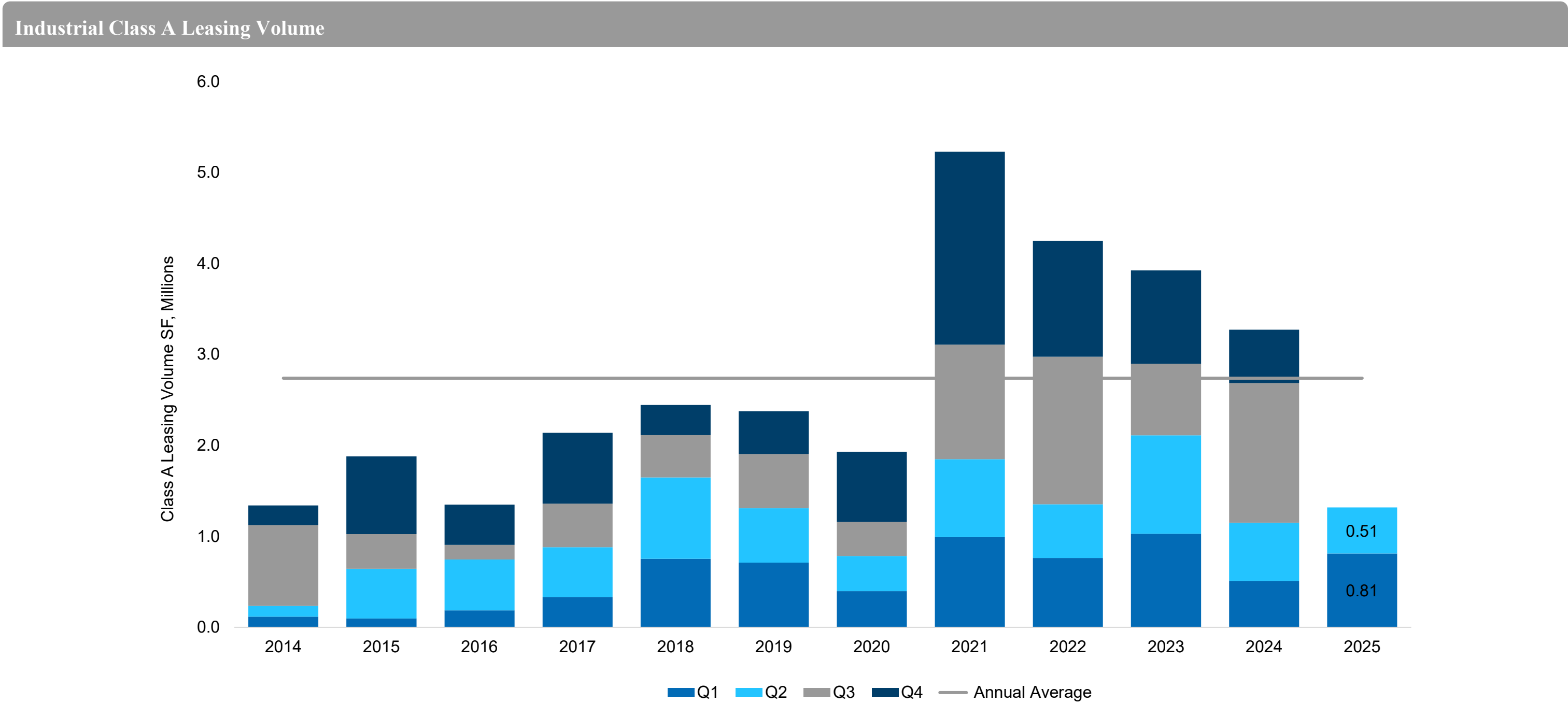
Annual Leasing Activity (SF)



Source: Newmark Research, CoStar

# Q2 Class A Warehouse Leasing Slows; Still on Track to Meet Historical Average

After leasing volume of 811,106 SF in 1Q25, leasing slowed to 507,290 in Class A warehouse space, putting the market on track to reach the historical annual average since 2014 of 2.7 MSF.

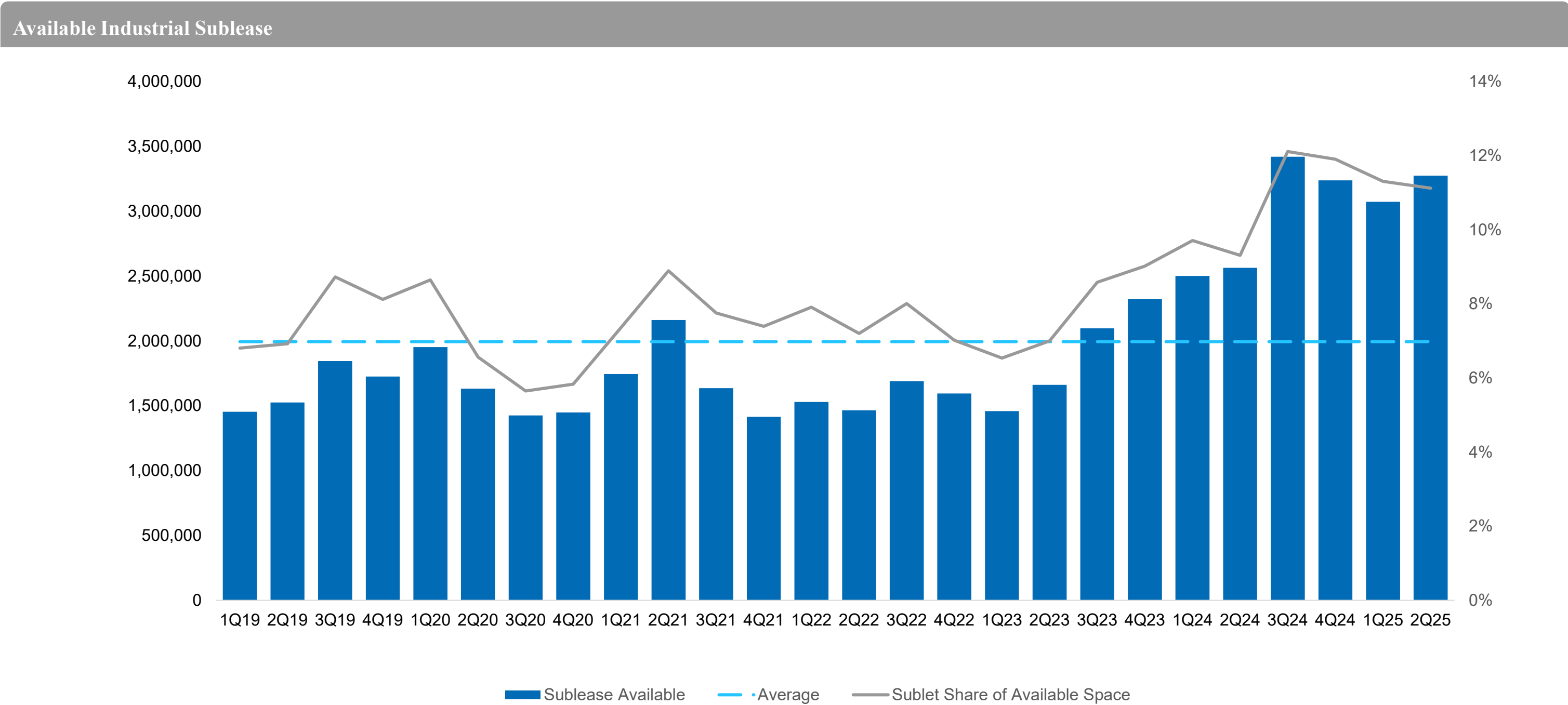


Source: Newmark Research, CoStar



# While Vacancy Remains Low, Sublease Options Increase

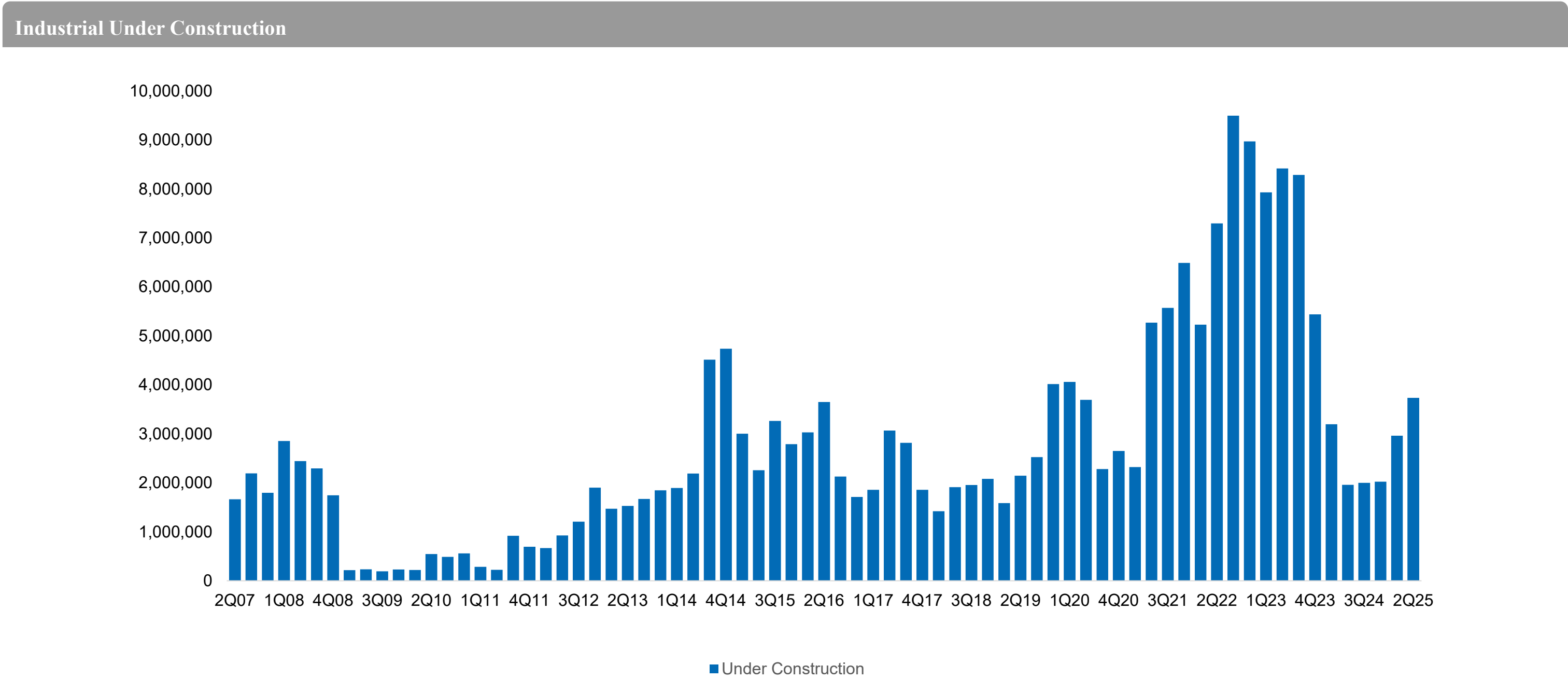
Industrial sublease availability, which had declined in 4Q24 and 1Q25 after peaking in 3Q24, rose in 2Q25. While vacancy remains historically low, the overall availability rate continues to climb as additional sublease space is added.



Source: Newmark Research, CoStar

# Construction Pipeline Strong, Building on Q1

The industrial construction pipeline has declined significantly from its 2022 peak, reflecting a slowdown in speculative development amid elevated interest rates. However, activity has been increasing in 2025.



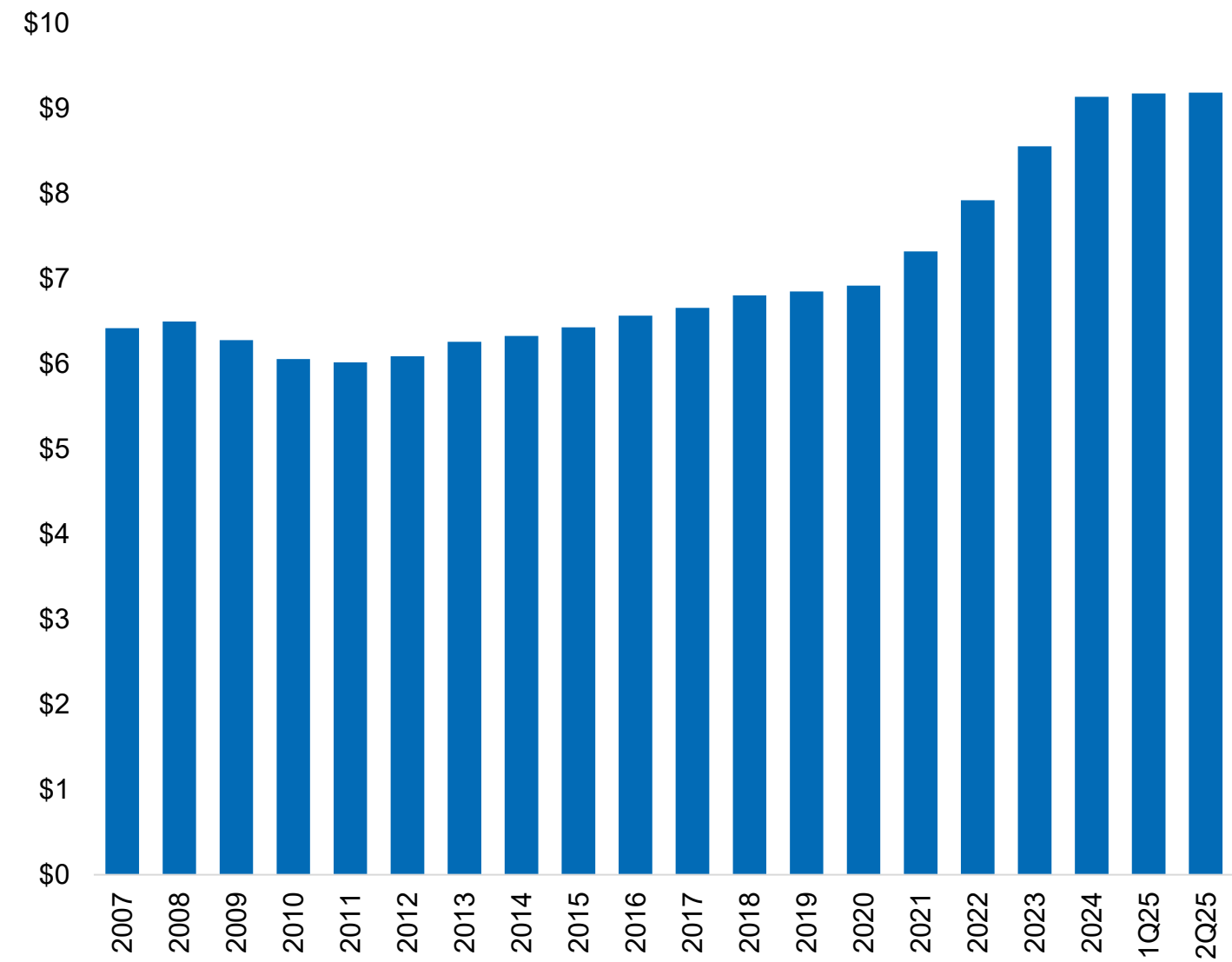
Source: Newmark Research, CoStar



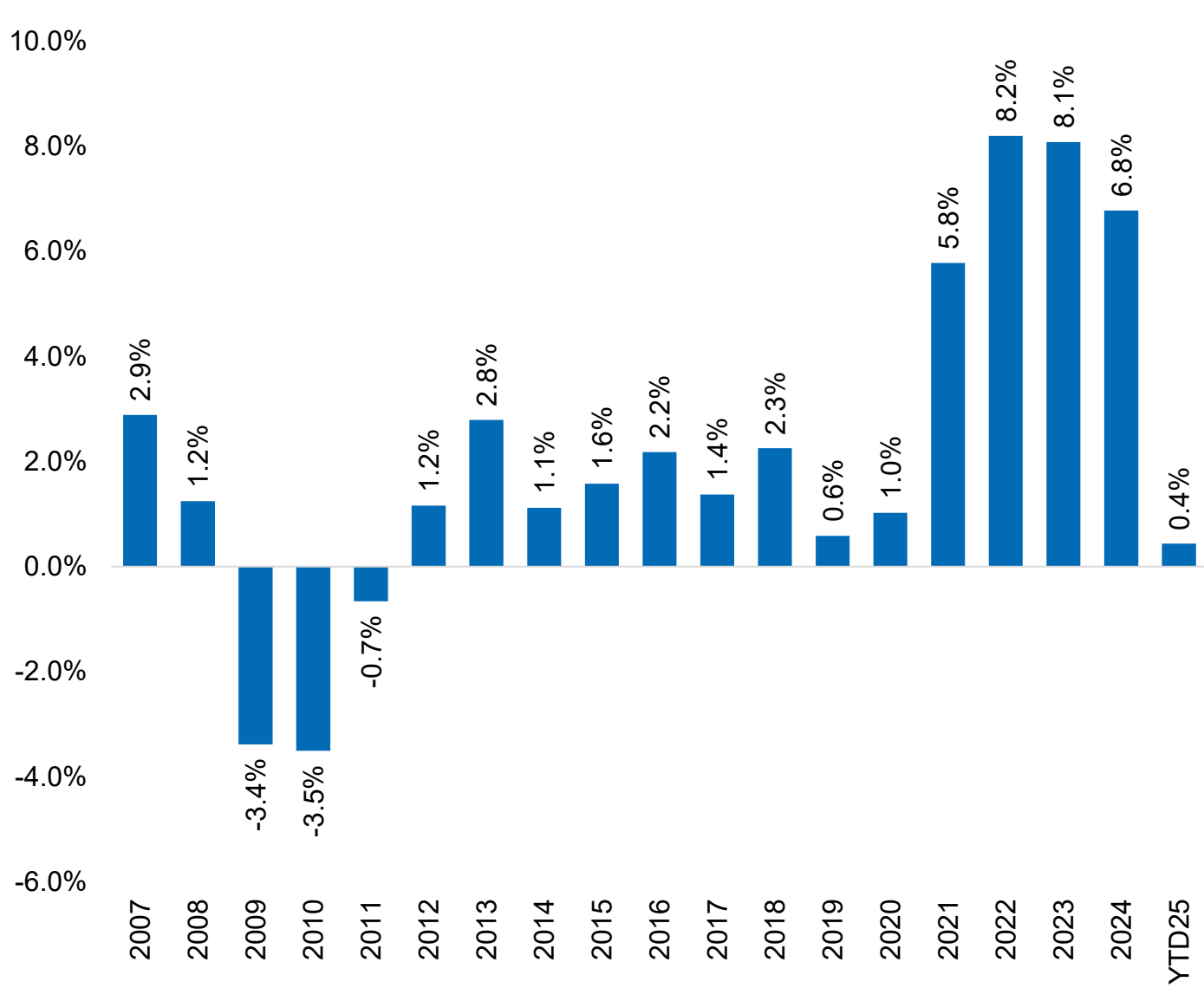
# Rental Growth Slows to 0.4% YTD

Year-to-date rental growth slowed to under 0.4% with elevated vacancy in recently delivered big-box space. Annual lease escalations have risen to around 4%, up from 3% a decade ago driven by both inflationary pressures and stronger landlord pricing power.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change

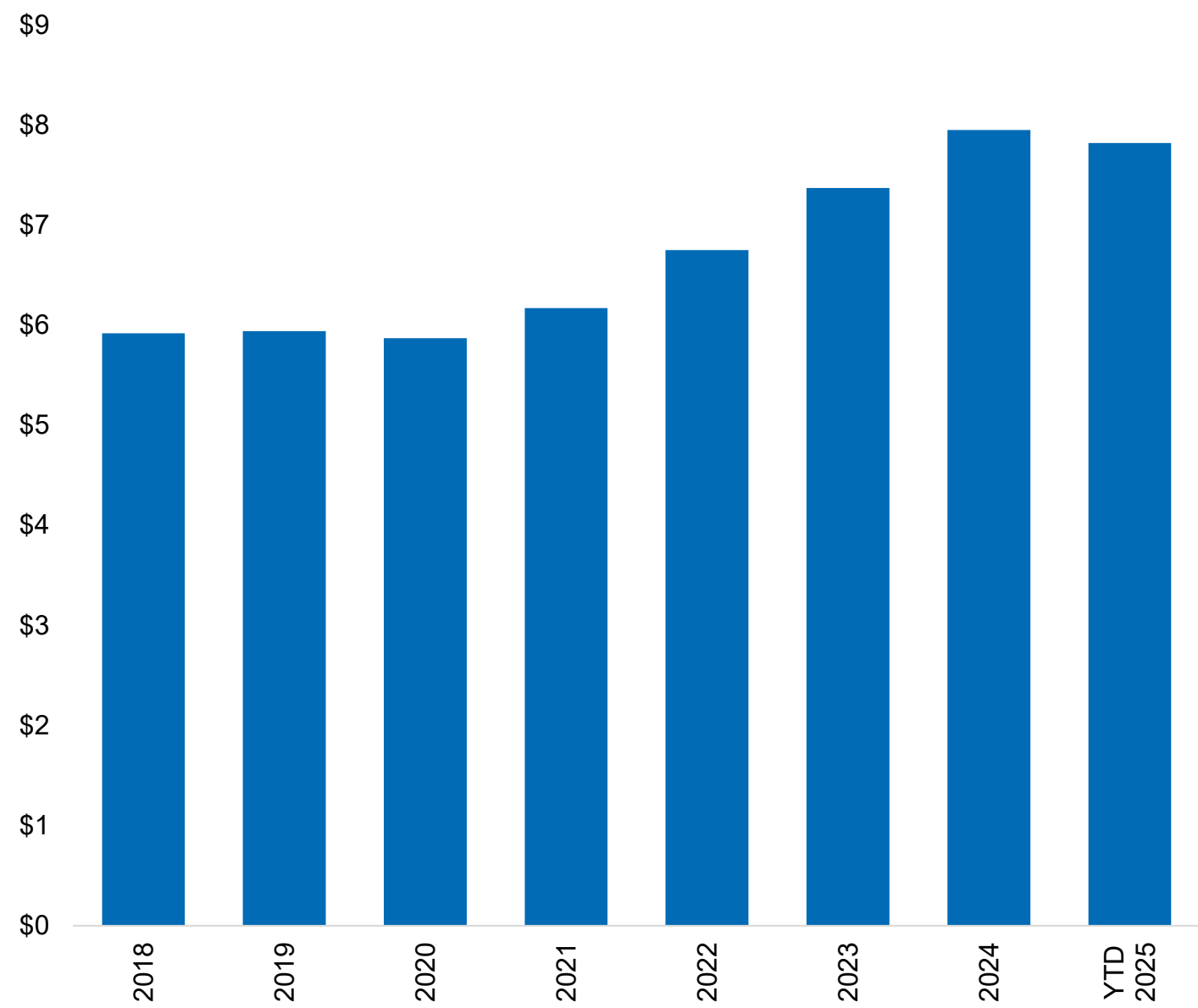


Source: Newmark Research, CoStar

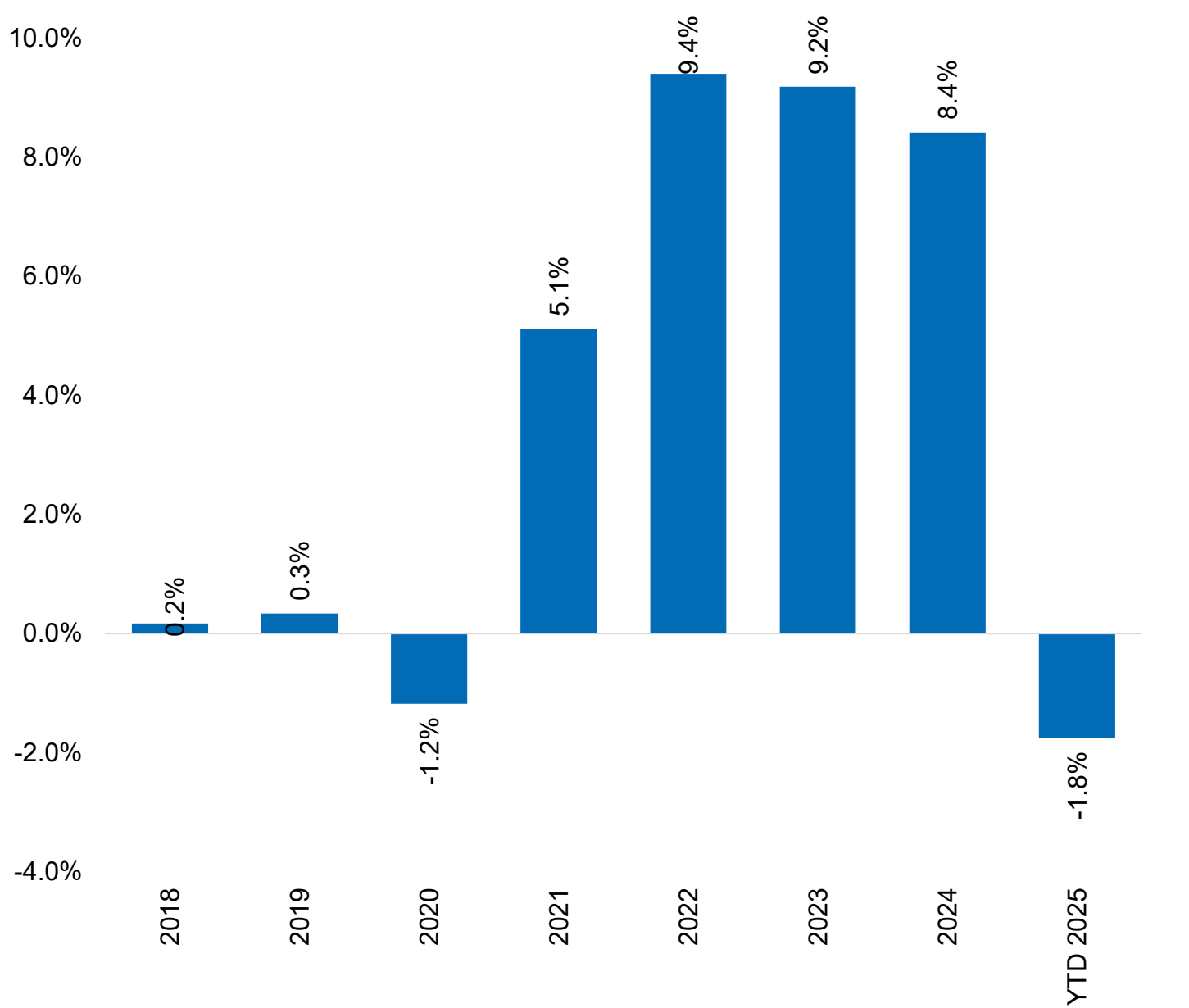
# Warehouse Rent Moderating in 2025

Following extraordinary rent growth from 2021 to 2024 driven by pandemic-era demand and elevated construction, rental rates turned slightly negative year-to-date in 2025 as new deliveries taper.

Class A Warehouse Average Asking Rent, \$/SF, NNN



Class A Warehouse 12 month Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



# Statistics

Minneapolis Industrial & Flex Market

	Inventory	Under Construction	2Q25 Absorption	YTD Absorption	Vacancy %	Total Avg Asking Rent (PSF)
Total	433,648,989	1,124,108	480,378	2,753,321	4.7%	\$7.89

	Current Vacant	Vacant 1Q25	Vacant 2Q24	Rent 1Q25	Rent 2Q24	2Q25 Construction Completions	YTD Construction Completions
Total	20,493,914	4.5%	3.8%	\$7.96	\$7.02	1,637,829	4,207,873

Source: Newmark, Costar

# Statistics

Minneapolis Industrial Market Single & Multitenant

	Inventory	Total Vacant (SF)	Vacancy Rate	1Q25 Absorption	2Q25 Absorption	YTD Absorption
<b>Northeast</b>						
Flex/R&D	11,343,120	806,989	7.1%	(127,157)	5,143	(122,014)
Warehouse Distribution	33,932,500	976,568	2.9%	(213,540)	41,742	(171,798)
Warehouse Office	48,651,380	1,346,377	2.8%	152,076	209,427	361,503
<b>Total</b>	<b>93,927,000</b>	<b>3,129,934</b>	<b>3.3%</b>	<b>(188,621)</b>	<b>256,312</b>	<b>67,691</b>
<b>Northwest</b>						
Flex/R&D	8,140,741	255,663	3.1%	16,679	(2,957)	13,722
Warehouse Distribution	34,212,875	2,011,387	5.9%	785,452	(10,391)	775,061
Warehouse Office	24,894,234	846,799	3.4%	27,431	63,802	91,233
<b>Total</b>	<b>67,247,850</b>	<b>3,113,849</b>	<b>4.6%</b>	<b>829,562</b>	<b>50,454</b>	<b>880,016</b>
<b>Southeast</b>						
Flex/R&D	8,417,938	561,826	6.7%	(21,624)	504,675	483,051
Warehouse Distribution	29,295,860	1,934,914	6.6%	727,840	56,028	783,868
Warehouse Office	26,904,854	1,200,760	4.5%	(178,378)	(290,660)	(469,038)
<b>Total</b>	<b>64,618,652</b>	<b>3,697,500</b>	<b>5.7%</b>	<b>527,838</b>	<b>270,043</b>	<b>797,881</b>
<b>Southwest</b>						
Flex/R&D	13,420,295	851,709	6.3%	(71,358)	90,540	19,182
Warehouse Distribution	20,488,987	1,851,416	9.0%	(138,886)	(84,850)	(223,736)
Warehouse Office	21,761,337	1,550,619	7.1%	(74,376)	(220,884)	(295,260)
<b>Total</b>	<b>55,670,619</b>	<b>4,253,744</b>	<b>7.6%</b>	<b>(284,620)</b>	<b>(215,194)</b>	<b>(499,814)</b>
<b>West</b>						
Flex/R&D	4,527,804	254,466	5.6%	61,044	(39,493)	21,551
Warehouse Distribution	3,843,313	377,827	9.8%	(32,144)	(214,672)	(246,816)
Warehouse Office	10,575,987	297,842	2.8%	58,988	(55,245)	3,743
<b>Total</b>	<b>18,947,104</b>	<b>930,135</b>	<b>4.9%</b>	<b>87,888</b>	<b>(309,410)</b>	<b>(221,522)</b>
<b>Overall Market</b>						
Flex/R&D	45,849,898	2,730,653	6.0%	(142,416)	557,908	415,492
Warehouse Distribution	121,773,535	7,152,112	5.9%	1,128,722	(212,143)	916,579
Warehouse Office	132,787,792	5,242,397	3.9%	(14,259)	(293,560)	(307,819)
<b>Total</b>	<b>300,411,225</b>	<b>15,125,162</b>	<b>5.0%</b>	<b>972,047</b>	<b>52,205</b>	<b>1,024,252</b>

Source: MNCAR

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