EXECUTIVE SUMMARY

Navigating the Minneapolis/St. Paul Commercial Real Estate Market

JULY 2019

OVERALL MARKET TRENDS

Twin Cities Multitenant Market Holds Steady Course of Slow Improvement

VACANCY RATE
10.8%
Landlords repositioning assets, offering more attractive options

ABSORPTION
2.0 million square feet
Boosted by strong demand for Industrial space

NEW CONSTRUCTION
1.5 million square feet
Activity remains high even as costs rise

SECTOR HIGHLIGHTS

INDUSTRIAL: Industrial Market Up-Cycle Continues
INVESTMENT & CAPITAL MARKETS: Deep Investor Pool Eager for Twin Cities Assets
OFFICE: Office Move Decisions Impacted by Tight Labor Market
RETAIL: Big-Box Vacancies Slowed as Retail Transforms
MEDICAL OFFICE: Metro Has Right Prescription for Healthy Medical Office
MULTIFAMILY: Robust Demand for Apartments Pushes Rents Up
LAND: Industrial, Multifamily Land Remain Hot
HOTELS: Hotel Supply Finally Catching up to Demand

READ MORE INSIDE

FOR PROPERTY TYPE & SUBMARKET REPORTS AND MORE, PLEASE VISIT COMPASS.CUSHWAKE.MSP.COM
The Twin Cities has remained a prominent market in the country's multifamily sector. With strong demand and limited supply, rental rates have continued to rise. Homebuilders have been pivoting their strategies to capitalize on the growth, leading to new developments and increased construction. 

**The Industrial Market**

- The industrial market has remained strong with a high vacancy rate and limited supply. Key industrial clusters such as the Twin Cities have continued to see growth in demand for industrial space.
- Vacancy rates have remained low, reaching approximately 4.1% in the Twin Cities.
- The industrial market has remained a strong performer, driven by solid demand and limited supply.

**The Office Market**

- The office market has remained strong, with robust fundamentals and demand.
- Vacancy rates have remained low, with a 9.7% vacancy rate.
- The office market continues to be driven by strong fundamentals and demand.

**The Hotel Market**

- The hotel market has continued to perform well, with robust fundamentals and demand.
- The hotel market has continued to perform well, with robust fundamentals and demand.

**The Retail Market**

- The retail market has continued to perform well, with robust fundamentals and demand.
- The retail market has continued to perform well, with robust fundamentals and demand.

**The Medical Office Market**

- The medical office market has continued to perform well, with robust fundamentals and demand.
- The medical office market has continued to perform well, with robust fundamentals and demand.

**The Land Market**

- The land market has continued to perform well, with robust fundamentals and demand.
- The land market has continued to perform well, with robust fundamentals and demand.

**The Investment & Capital Markets**

- The investment and capital markets have continued to perform well, with robust fundamentals and demand.
- The investment and capital markets have continued to perform well, with robust fundamentals and demand.

**The Affordability Market**

- The affordability market has continued to perform well, with robust fundamentals and demand.
- The affordability market has continued to perform well, with robust fundamentals and demand.

**The Executive Summary**

- The Twin Cities continued to rank among the country's most in-demand apartment markets. Despite a flood of new development, the metro boasts healthy absorption, a 2.6% vacancy rate, and solid rent growth. Business expansion, job growth, and in-migration are bolstering renter demand, while the shortage of absorption, a 2.6% vacancy rate, and solid rent growth. Business expansion, job growth, and in-migration are bolstering renter demand, while the shortage of

**The Future**

- The Twin Cities continues to be a vibrant market with robust fundamentals and demand.
- The Twin Cities continues to be a vibrant market with robust fundamentals and demand.

**The Outlook**

- The outlook for the Twin Cities remains strong, with robust fundamentals and demand.
- The outlook for the Twin Cities remains strong, with robust fundamentals and demand.

**The Conclusion**

- The conclusion for the Twin Cities remains strong, with robust fundamentals and demand.
- The conclusion for the Twin Cities remains strong, with robust fundamentals and demand.
PROJECTIONS FOR SECOND HALF 2019

\[ \text{INCREASED SALES ACTIVITY} \]
- 2.44M SQUARE FEET OF ABSORPTION
- 1.5M MILLION SQUARE FEET OF NEW CONSTRUCTION

MARKET QUICK FACTS

TWIN CITIES METRO DEFINITION
The “Twin Cities” of Minneapolis and St. Paul form the core of a metropolitan region encompassing 6,046 square miles and consisting of 13 counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington, Isanti, Chisago, Sherburne and Wright in Minnesota, as well as Pierce and St. Croix counties in Wisconsin.

HOUSING PRICES UP 5.5%
- Median single-family home prices:
  - 2018: $275,000
  - 2019: $290,000

UNEMPLOYMENT RATE REMAINS HISTORICALLY LOW

LABOR FORCE MIX CONSISTENTLY SOLID
- Government
- Other Services (Private)
- Manufacturing
- Trade, Transportation, Utilities
- Information
- Financial Activities

TWIN CITIES BUSINESS STRENGTHS

- More per capita Fortune 500 companies than any other U.S. metro - Fortune 2019
- Minnesota ranks #3 in Best States in America - U.S. News 2019
- Minneapolis-St. Paul is the birthplace of gamechangers like the pacemaker and supercomputer

TWIN CITIES BUSINESS STRENGTHS

- Highly educated workforce
- Excellent transportation services
- A diverse economic base
- 17 Fortune 500 companies
- Available capital
- Diverse labor force

ABOUT THE AUTHOR

THE COMPASS REPORT
Copyright © 2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy. It is our intent to provide the best possible information while leaving the reader the responsibility of further verification before using this report for business and/or financial decisions. The report was created by experts using Twin Cities commercial property data from 2019. The Compass report includes information for multi-tenant office, industrial and retail projects greater than 20,000 SF and multifamily for-rent properties. Not included are owner occupied, government or single-tenant buildings. Not all information and insights we’ve collected can be published in any given issue.

ABOUT CUSHMAN & WAKEFIELD
Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of $8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

ABOUT THE MINNEAPOLIS-ST. PAUL OFFICE

#1 Commercial Real Estate Brokerage Firm by Minneapolis/St Paul Business Journal
- More than $4 billion in annual transaction value
- 80+ Brokers
- 300+ Properties managed
- 30MSF of assets under management
- Employs nearly 500 professionals