

FIGURES | MINNEAPOLIS/ST. PAUL INDUSTRIAL | Q2 2026

Q2 Construction Growth with Market Posting Higher Vacancies in Older Product

▲ 4.4%

Vacancy Rate

▲ 487,552

SF Net Absorption

▲ 1.1M

SF Construction Delivered

▲ 3.4M

SF Under Construction

▼ \$9.12

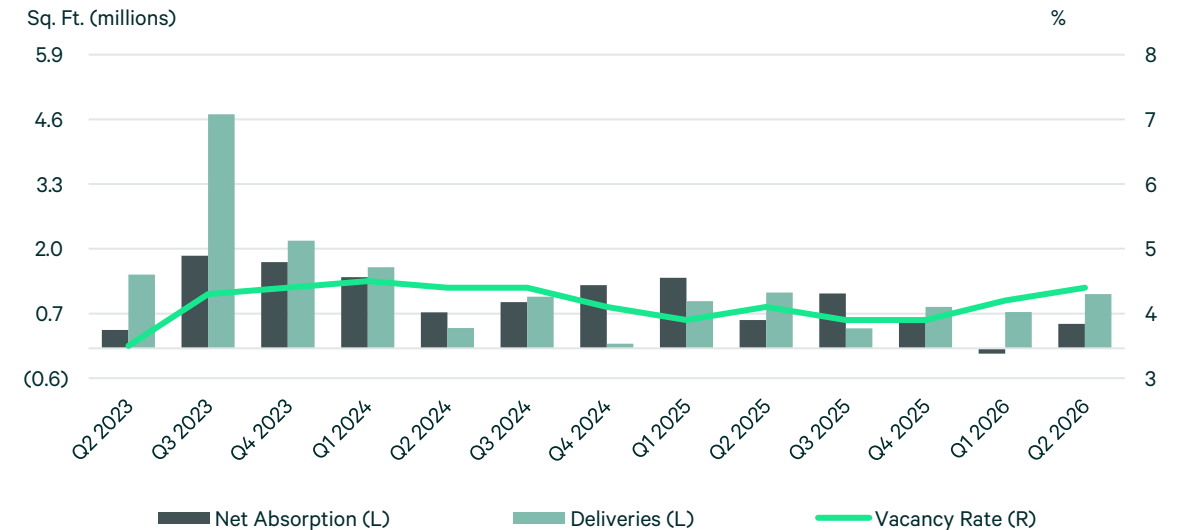
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- In Q2 2026, the Minneapolis/St. Paul market recorded 488,000 sq. ft. in net absorption. In the prior quarter, net absorption measured (112,000) sq. ft., representing an increase of 600,000 sq. ft. quarter-over-quarter.
- Under construction developments measured 3.4 million sq. ft. in Q2 2026. Speculative construction makes up 50.4%. Over 1.8 million square feet broke ground in Q2 2026. Total under construction volume increased by 33.2% quarter-over-quarter.
- The total vacancy rate increased to 4.4% in Q2 2026. Rising by 20 basis points quarter-over-quarter. Total vacancy increased largely from older vintage buildings, recording an increase of 30 bps quarter-over-quarter. While modern builds, constructed in 2022 or later, recorded a 20 bps decrease.
- The average asking rate stood at \$9.12 sq. ft. in Q2 2026, marking a 4.3% decrease year-over-year. It remained 3.6% above Q2 2023 and 11.9% above the three-year average.
- In Q2 2026, Minneapolis/St. Paul transacted over 2.7 million sq. ft., inclusive of all sizes. The average lease size reached over 20,000 sq. ft., an increase of 16.8% quarter-over-quarter and a 20% increase year-over-year.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Net Absorption

Total net absorption in Minneapolis/St. Paul reached 488,000 sq. ft. in Q2 2026, returning to positive territory after (112,000) sq. ft. in Q1 2026. Q2 2026’s net absorption exceeded the prior quarter by 600,000 sq. ft., while below the 574,000 sq. ft. recorded in Q2 2025, reflecting a 15% decrease year-over-year.

The rolling four-quarter average net absorption stood at 516,000 sq. ft., down 4.0% quarter-over-quarter and 50.8% year-over-year. Major move-outs include Sportsman’s Guide vacating 423,000 sq. ft. in the South Central, My Pillow vacating 375,000 sq. ft. in the Southwest, and Bernard Group vacating 348,000 sq. ft. in the Southwest for their new build, also in the Southwest.

North Central posted the highest positive net absorption at 402,000 sq. ft., with Northwest following at 303,000 sq. ft. The South Central recorded the most negative net absorption at (180,000) sq. ft., with Southwest close behind at (164,000) sq. ft. Bulk Warehouse contributed the largest positive net absorption at 678,000 sq. ft. Modern product, built between 2020 and 2026, contributed nearly 1.4 million sq. ft. to net absorption.

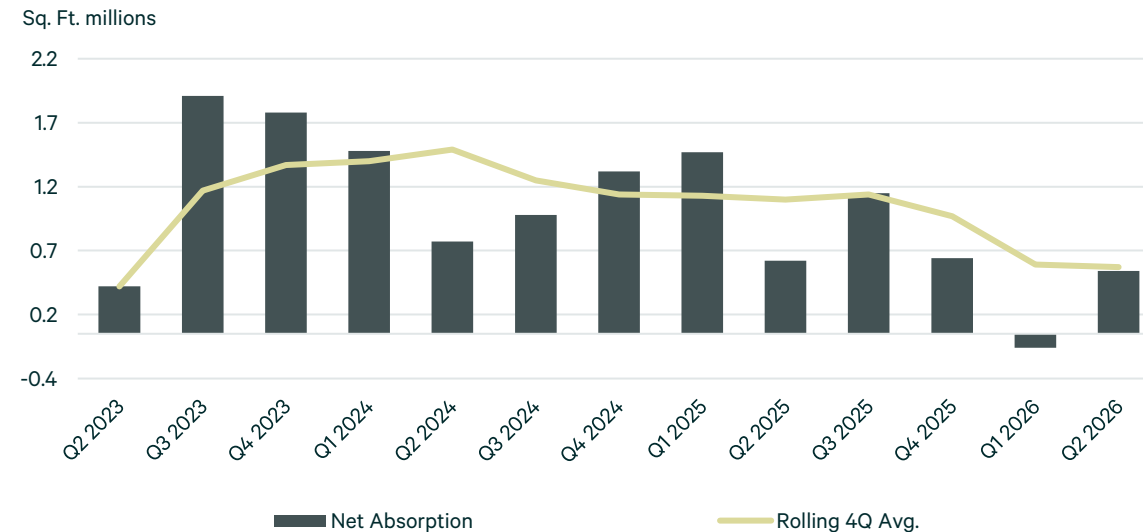
Construction Activity

In Q2 2026, the Minneapolis/St. Paul market had 3.4 million sq. ft. under construction with 1.1 million sq. ft. of deliveries. Under construction volume rose 33.2% quarter-over-quarter but is still negative 6.4% year-over-year. Deliveries increased 55.2% quarter-over-quarter and 0.7% year-over-year.

The Northwest recorded the highest under construction activity, with a combined 1.2 million sq. ft. underway, anchored by Brockton Business Park II and Rogers 101 Business Center A (West), followed by the South Central, with a combined 1.1 million sq. ft., the largest projects being Project Nova and Goodin Company at Rich Valley.

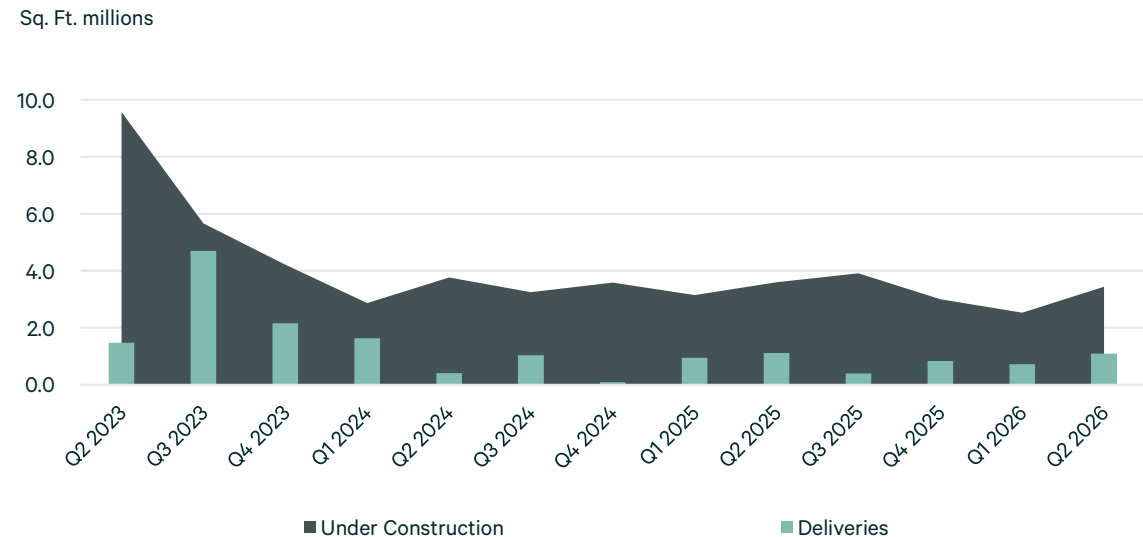
Seven buildings were delivered in Q2 2026, with three located in the Northwest submarket, contributing 375,000 sq. ft., over 34% of the quarter’s deliveries. Two speculative projects delivered as 100% preleased, including Brockton Business Park I in Corcoran and Cobalt Business Center in Mendota Heights, contributing 460,000 sq. ft. to positive absorption.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

Availability & Vacancy Rate

The total vacancy rate has reached 4.4%, remaining between 40 bps of movement over the past two years. Reflecting an increase of 20 bps quarter-over-quarter and 30 bps year-over-year. Bulk Warehouse has a total vacancy rate of 8.1%, Office Warehouse with 3.1%, and Office Showroom with 5.0%.

The total vacancy increase was largely from older vintage buildings, recording an increase of 30 bps quarter-over-quarter. While modern builds, constructed in 2022 or later, recorded a 20 bps decrease.

In Q2 2026, overall availability was 7.0%, up from 6.8% in Q1 2026. Direct availability reached 6.2%, also a 20 bps increase quarter-over-quarter. Year-over-year, overall availability is 70 bps above the 6.3% recorded in Q2 2025, with direct and sublease availability up 80 bps and 10 bps, respectively. Over the last three years, since Q2 2023, overall availability has increased 260 bps from 4.4%.

The Minneapolis submarket recorded the lowest overall availability rate at 3.0% in Q2 2026, followed by the Northwest at 5.5%, while Southwest posts the highest overall availability at 9.8%. Across all submarkets, total sublease space amounts to 2.8 million sq. ft. in Q2 2026.

Asking Rent

In Q2 2026, average asking rent stands at \$9.12, a 2.0% quarter-over-quarter decline and a 4.3% decrease year-over-year. Despite this pullback, current rents remain 3.4% above the \$8.83 recorded in Q2 2023.

The East and St. Paul submarkets reported the highest average asking lease rates in Q2 2026 at \$10.04 and \$9.73, respectively. Conversely, the South Central submarket had the lowest asking rate at \$7.36.

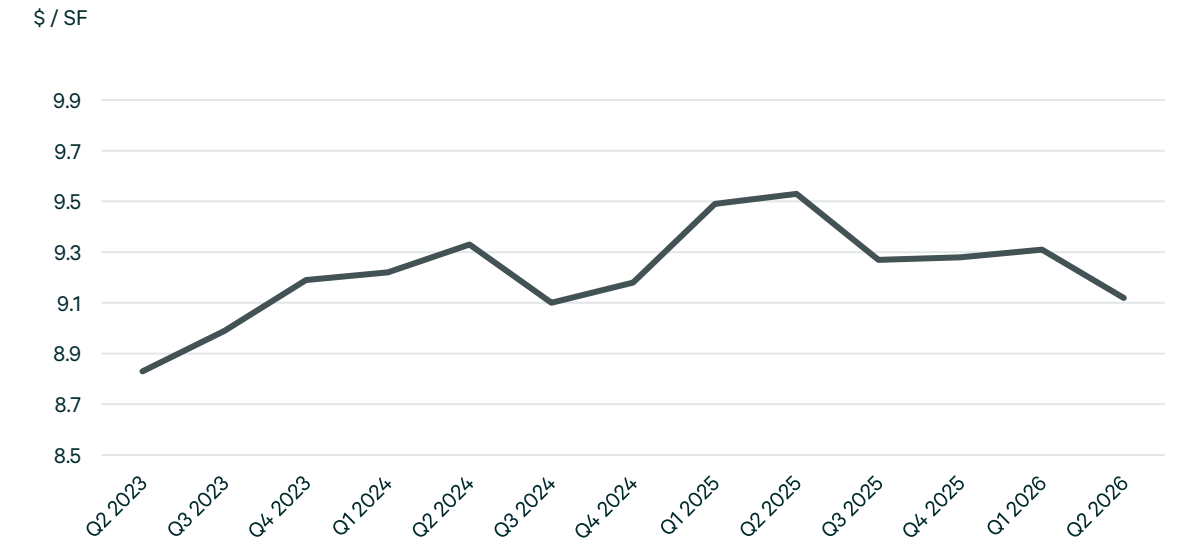
By product type, Office Showroom reported an average of \$10.10, Bulk Warehouse at \$9.92, and Office Warehouse at \$7.52. Modern product, built between 2020 and 2026, maintained an average asking rate of \$11.52 per sq. ft.

Figure 2: Availability Rates



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

Leasing Activity

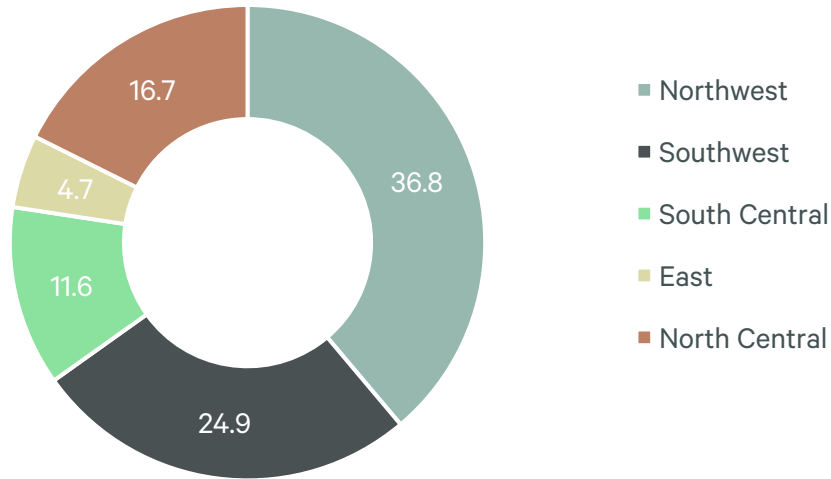
Leasing activity, inclusive of all lease sizes, in Q2 2026 totaled over 2.7 million sq. ft., bringing the H1 2026 total to over 6.4 million sq. ft. Quarter-over-quarter, Q2 2026 leasing declined by 24.4% and a year-over-year decrease of 27.1%.

Of leases signed this quarter, 34.6% of the volume came from mid-sized leases (15,000 – 50,000 sq. ft.) Leasing transactions over 50,000 sq. ft. made up over 1.3 million sq. ft. In Q2 2026, there were six transactions greater than 100,000 sq. ft., contributing 31.8% of the total volume.

Although leasing volume declined, the average area leased, inclusive of all lease sizes, increased by 3,000 sq. ft. to over 20,000 sq. ft. Representing an increase of 16.8% quarter-over-quarter and a 20% increase year-over-year.

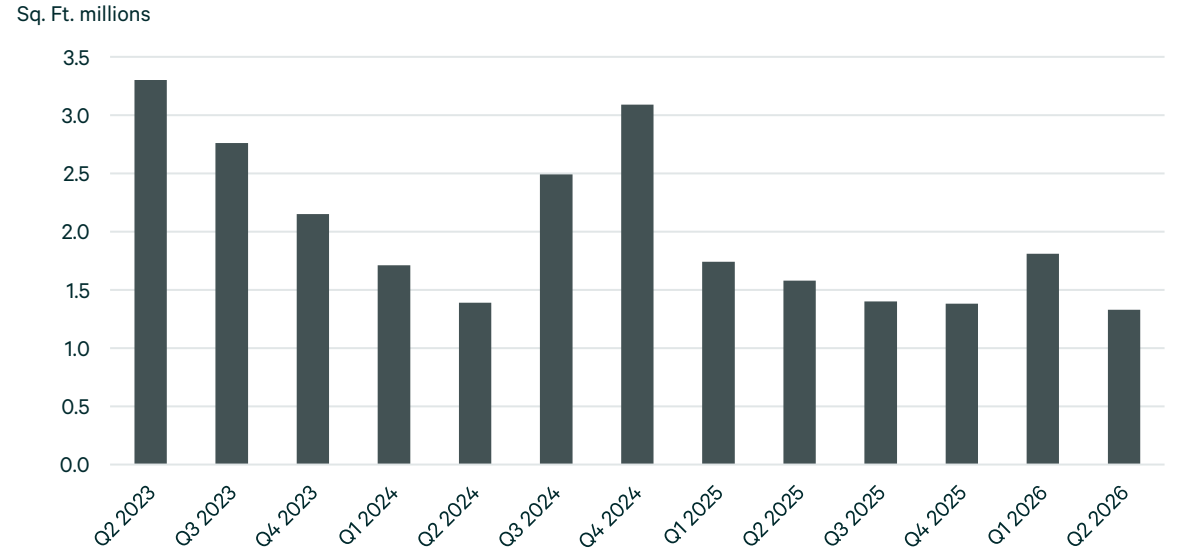
The Northwest submarket posted the highest leasing volume at over 1 million sq. ft., followed by Southwest at 688,000 sq. ft., the third consecutive quarter of these two corridors recording the largest leasing volume.

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026, inclusive of all lease sizes.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026. Includes lease sizes over 50,000 sq. ft.

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Medline	195,000	New Lease	10585 County Road 101	Northwest
The Bernard Group	189,000	New Lease	12280 Jonathan Carver Pkwy	Southwest
Anteris Technologies	168,000	New Lease	9435 Winnetka Ave N	Northwest
Chadwell Supply	113,000	New Lease	1500 Commerce Dr	South Central
Carl Zeiss Industrial Metrology	109,000	Renewal	6250 Sycamore Ln N	Northwest
Clearfield	105,000	Renewal	8801 95TH AVE	Northwest
Ryder Integrated Logistics	79,000	New Lease	5255 DEAN LAKES BLVD	Southwest
Solidify Manufacturing	77,000	New Lease	19800 Diamond Lake Rd S	Northwest

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	199.18M	5.3	8.0	7.0	1.0	8.92	262,000	355,000	903,000	2.84M
Manufacturing - General	69.79M	2.5	5.3	4.4	0.9	8.21	46,000	(390,000)	158,000	148,000
R&D/Flex	36.34M	5.0	7.4	7.1	0.4	10.10	47,000	256,000	33,000	-
Other Industrial	19.06M	0.7	2.4	2.1	0.3	10.67	133,000	154,000	-	455,000
Total	324.38M	4.4	7.0	6.2	0.9	9.12	488,000	375,000	1.09M	3.44M

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	41.00M	1.8	2.9	2.7	0.2	9.26	22,000	(12,000)	-	-
50K-99,999 SF	87.86M	3.5	5.4	4.9	0.5	8.59	321,000	476,000	-	213,000
100K-249,999 SF	114.08M	5.6	9.2	8.0	1.2	9.12	686,000	1.13M	808,000	1.82M
250K-499,999 SF	52.93M	6.1	10.6	8.8	1.7	9.52	(541,000)	(1.20M)	286,000	754,000
500K-749,999 SF	14.86M	4.4	4.4	4.4	-	-	-	-	-	652,000
750,000 SF +	13.64M	1.2	1.2	1.2	-	11.35	-	(16,000)	-	-
Total	324.38M	4.4	7.0	6.2	0.9	9.12	488,000	375,000	1.09M	3.44M

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
East	20.66M	7.0	8.0	7.7	0.3	10.04	266,000	172,000	226,000	125,000
Midway	25.98M	2.6	6.6	5.7	0.9	8.36	(8,000)	(112,000)	-	-
Minneapolis	18.45M	1.6	3.0	2.9	0.1	9.11	(7,000)	(34,000)	-	-
North Central	49.30M	3.9	6.0	5.1	1.0	8.93	402,000	254,000	375,000	406,000
Northwest	78.97M	3.4	5.5	4.5	0.9	9.10	303,000	80,000	286,000	1.20M
South Central	50.80M	5.0	8.2	7.3	0.9	7.36	(180,000)	32,000	207,000	1.19M
Southwest	67.21M	5.9	9.8	8.7	1.2	9.68	(164,000)	103,000	-	337,000
St Paul	13.01M	4.5	6.3	6.2	0.1	9.73	(124,000)	(120,000)	-	175,000
Total	324.38M	4.4	7.0	6.2	0.9	9.12	488,000	375,000	1.09M	3.44M

Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.



Minneapolis/St. Paul Employment Update

▼ 3.8%
Unemployment Rate

▶ 2.1M
Labor Force

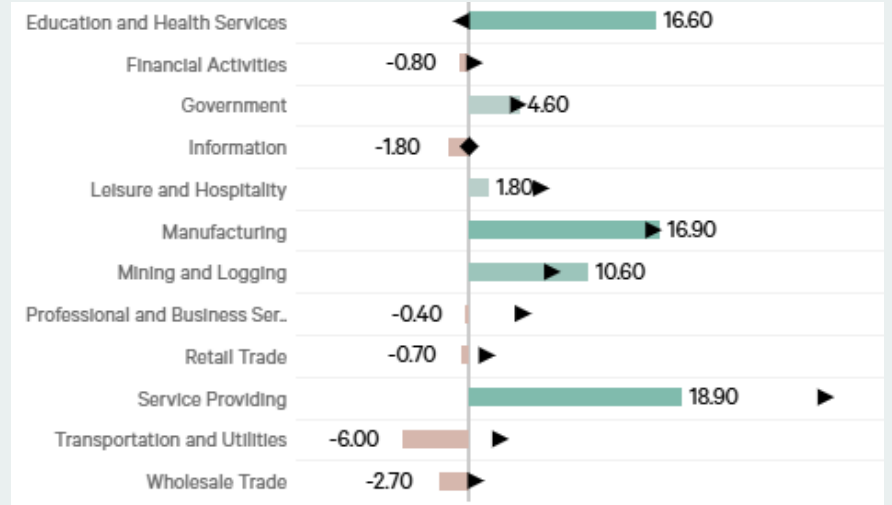
▼ 446.7k
Office Using Jobs

▼ 528.1k
Industrial Using Jobs

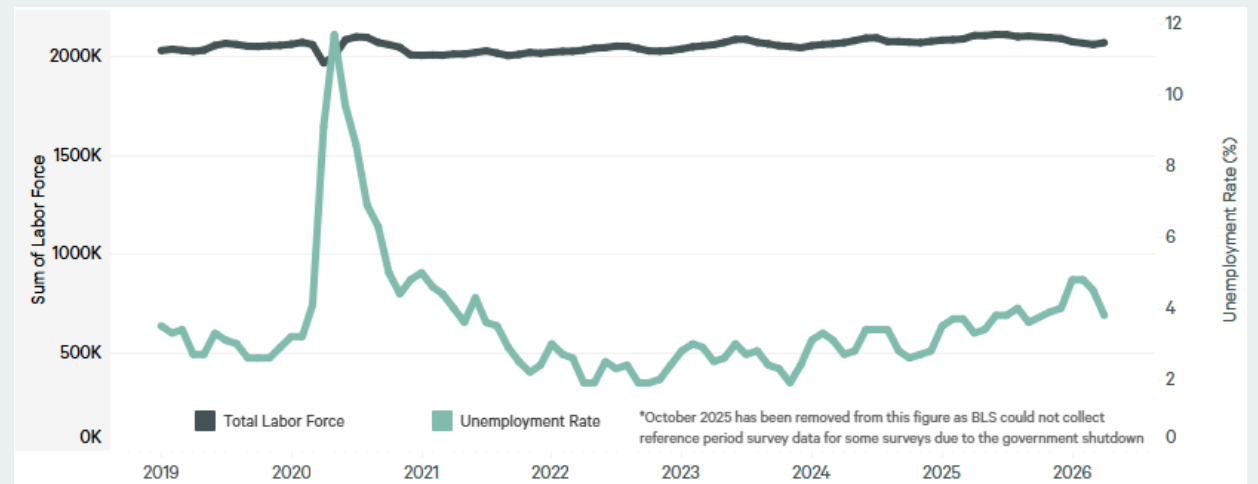
▼ 251.5k
Retail Using Jobs

Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend

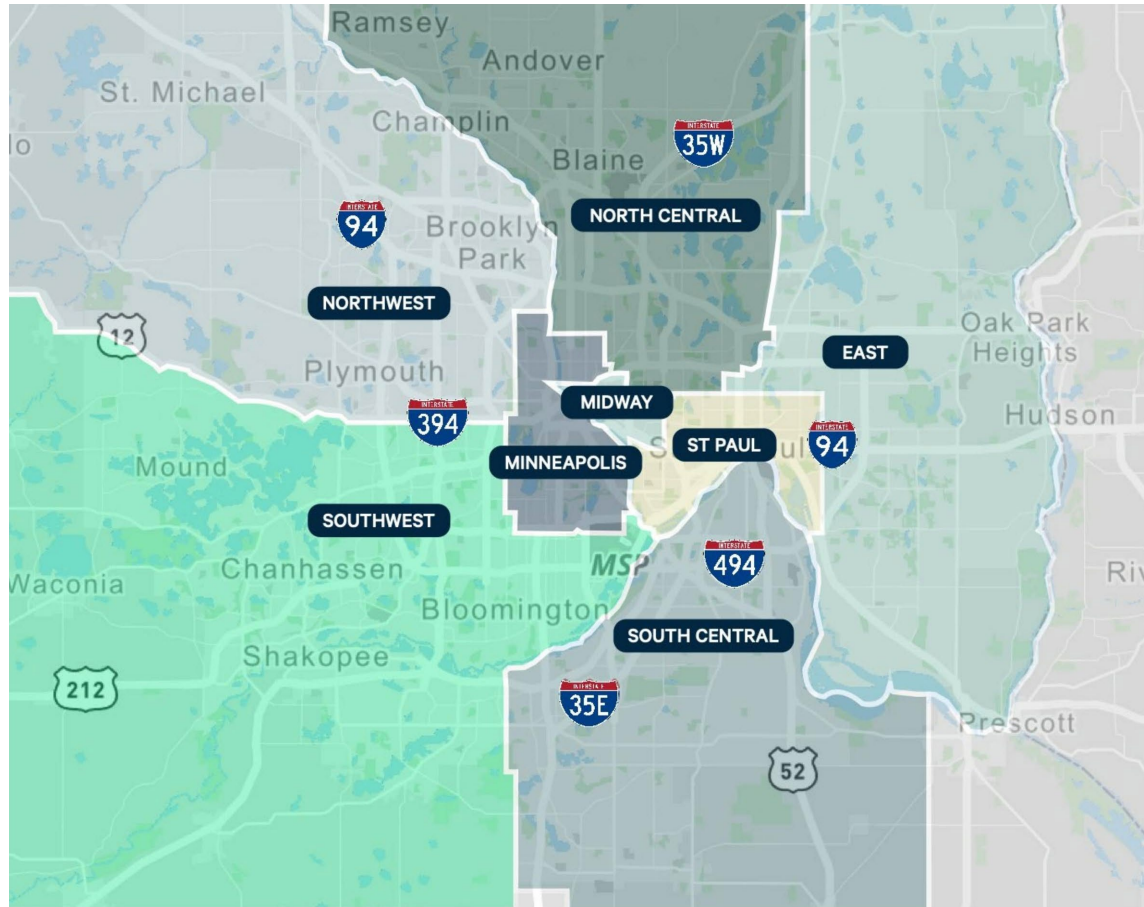


Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, April 2026

Market Area Overview



Definitions

- Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
- Availability Rate: Total Available Sq. Ft. divided by the total building Area.
- Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.
- Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions.
- Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.
- Net Absorption: The change in Occupied Sq. Ft. from one period to the next.
- Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
- Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.
- Vacant Sq. Ft.: Space that can be occupied within 30 days.
- Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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