

FIGURES | MINNEAPOLIS/ST. PAUL INDUSTRIAL | Q1 2026

Market Expansion Moderates as Construction Pipeline Contracts

▲ 4.2%

Vacancy Rate

▼ (112,458)

SF Net Absorption

▼ 725,877

SF Construction Delivered

▼ 2.5M

SF Under Construction

▲ \$9.34

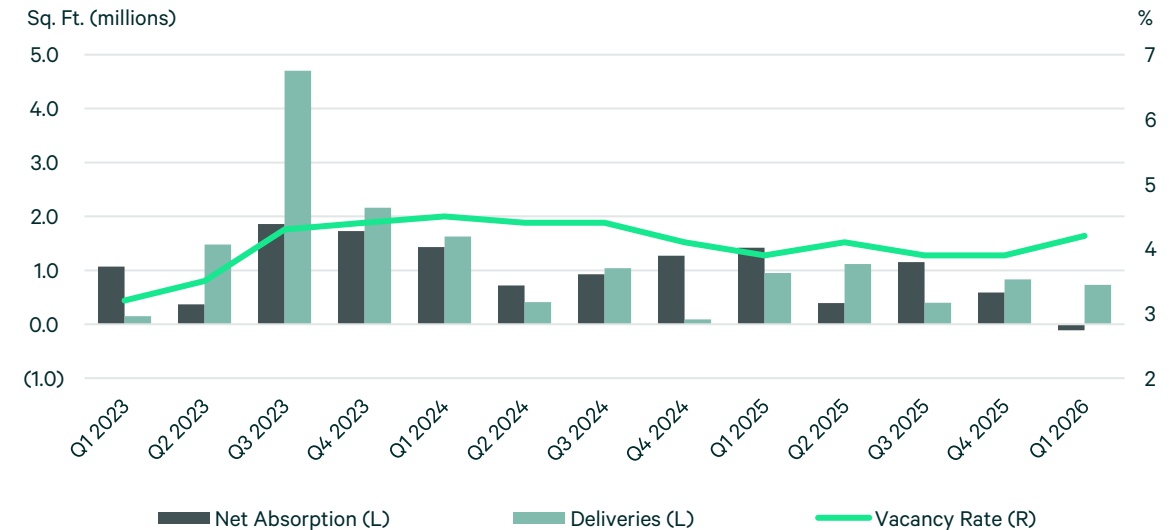
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- In the Minneapolis/St. Paul industrial market, net absorption turned negative in Q1 2026, at (-112,458) sq. ft. Representing a significant change of 703,000 sq. ft. from Q4 2025 and a 1.5 million sq. ft. decline from Q1 2025.
- Total vacancy increased to 4.2%, up 0.3 percentage points quarter-over-quarter as well as year-over-year. Direct vacancy sits at 4.1%. Availability also increased to 6.8%, up 1% from Q1 2025's 5.8%.
- Space under construction decreased to 2.5 million sq. ft. in Q1 2026, down 15.8% from Q4 2025 and 19.7% year-over-year. This is approximately 73.6% below its Q2 2023 peak of 9.6 million sq. ft. Deliveries also slowed, with new supply down 21.2% quarter-over-quarter and 30.8% year-over-year.
- Despite weaker absorption, pricing held firm. The average asking rate of \$9.34 per sq. ft. was relatively flat quarter-over-quarter, yet 12.5% above Q1 2023.
- In Q1 2026, Minneapolis/St. Paul transacted over 2.8 million sq. ft., inclusive of all lease sizes. The average lease size, inclusive of all sizes, reached over 20,000 sq. ft., an increase of 13.1% quarter-over-quarter and a 4.2% increase year-over-year

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Net Absorption

The Minneapolis/St. Paul industrial market experienced net absorption of -112,000 sq. ft. in Q1 2026. This is a sharp reversal from positive 591,000 sq. ft. in Q4 2025, representing a quarter-over-quarter decline of 126.1%. Year-over-year, absorption decreased by 110.9% from Q1 2025's positive 1.4 million sq. ft.

Over the past year, net absorption totaled 2.0 million sq. ft., and over the last three years, cumulative absorption reached 11.7 million sq. ft.

Office Showroom contributed the largest positive net absorption at 209,000 sq. ft. The Southwest submarket with the highest volume of positive absorption at 267,000 sq. ft., immediately followed by the South Central at 212,000 sq. ft. Modern buildings, constructed after 2020, supported Q1 2026's net absorption with positive 882,000 sq. ft.

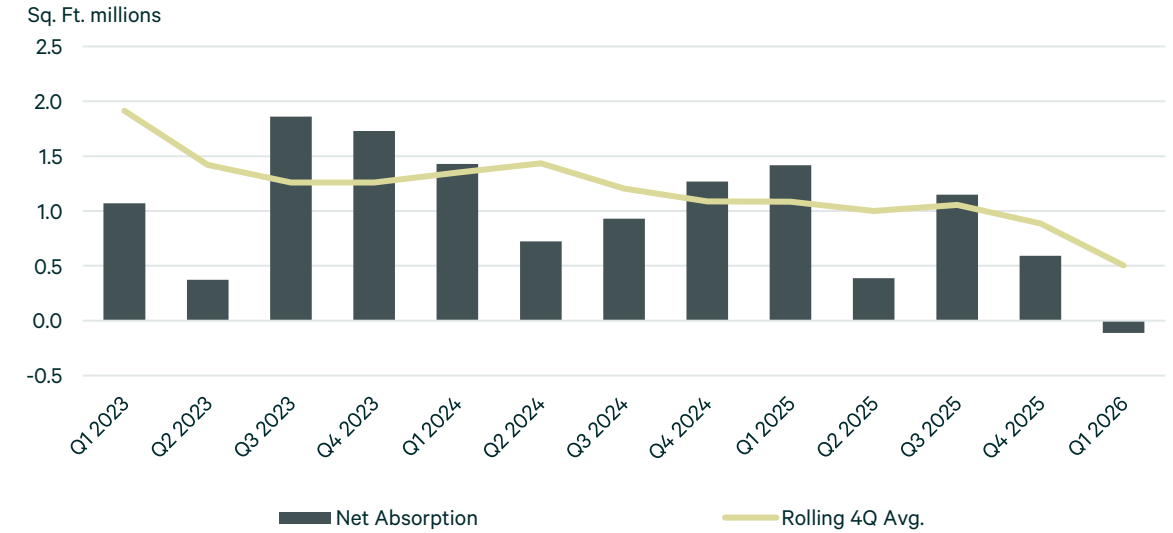
Construction Activity

In Q1 2026, Minneapolis/St. Paul reported 2.5 million sq. ft. under construction, across 12 projects, and 726,000 sq. ft. delivered. Under construction square footage saw a quarter-over-quarter decrease of 15.8% and 19.7% year-over-year. Deliveries declined 21.1% quarter-over-quarter and 30.8% year-over-year.

The South Central and Northwest submarket accounted for the highest tracked under construction volumes during Q1 2026. South Central with a total of 862,000 sq. ft. includes Project Nova (652,000 sq. ft., 100.0% pre-leased, delivering Q1 2027) and Dakota Electric HQ (210,000 sq. ft., 100.0% pre-leased, delivering Q4 2026). The Northwest's volume represented by Brockton Business Park I (286,000 sq. ft., 31.8% pre-leased, delivering Q2 2026).

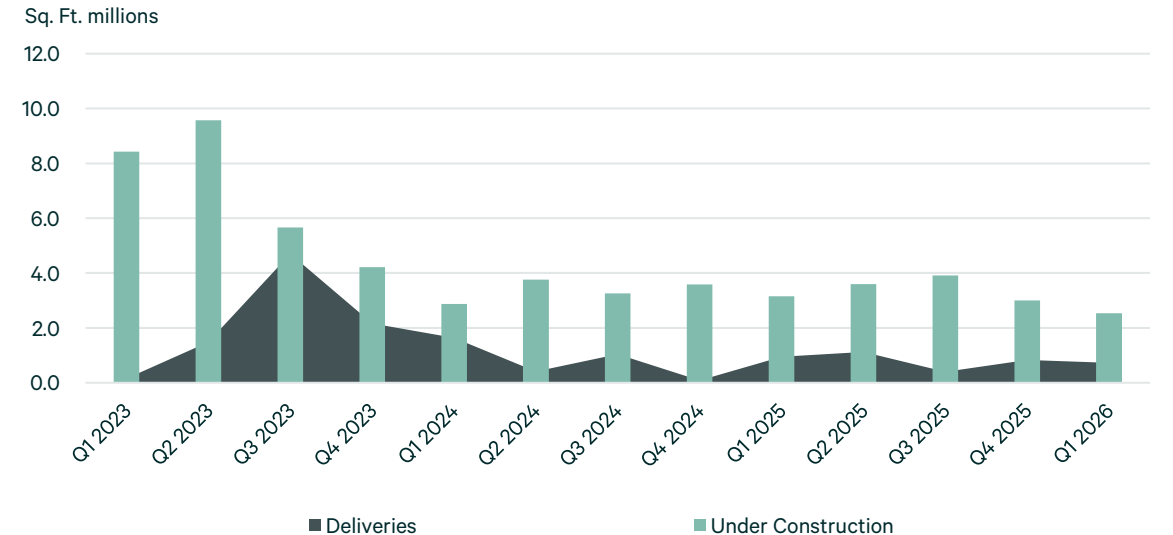
Six buildings were delivered in Q1 2026, with five located in the Southwest submarket, contributing 638,000 square feet, accounting for over 87% of the quarter's total deliveries. It was the third consecutive quarter where build-to-suit (BTS) projects constituted for the majority of development activity over speculative projects.

Figure 2: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 3: Construction Activity



Source: CBRE Research, Q1 2026

Availability & Vacancy Rates

The Minneapolis/St. Paul industrial market availability rate ended Q1 2026 at 6.8%, an increase from 6.7% in Q4 2025. This represents a year-over-year increase from 5.8% in Q1 2025 and from Q1 2023's low of 4.2%.

The Minneapolis submarket recorded the lowest availability rate in the metro at 3.2%, with St. Paul following at 5.0%. Conversely, the Southwest submarket hit the highest availability rate at 9.9%. Sublease space saw a decrease in Q1 2026, dropping to 0.8% compared to 0.9% in Q4 2025, with a total of 2.5 million sq. ft. of sublease space currently on the market.

The direct vacancy rate has remained relatively stable over the last five quarters, fluctuating within 20 basis points, and currently stands at 4.1%. This is an increase from 3.8% in Q4 2025 and 3.7% in Q1 2025. Bulk Warehouse product has a direct vacancy rate of 7.5%, Office Showroom at 5.2%, and Office Warehouse at 2.8%.

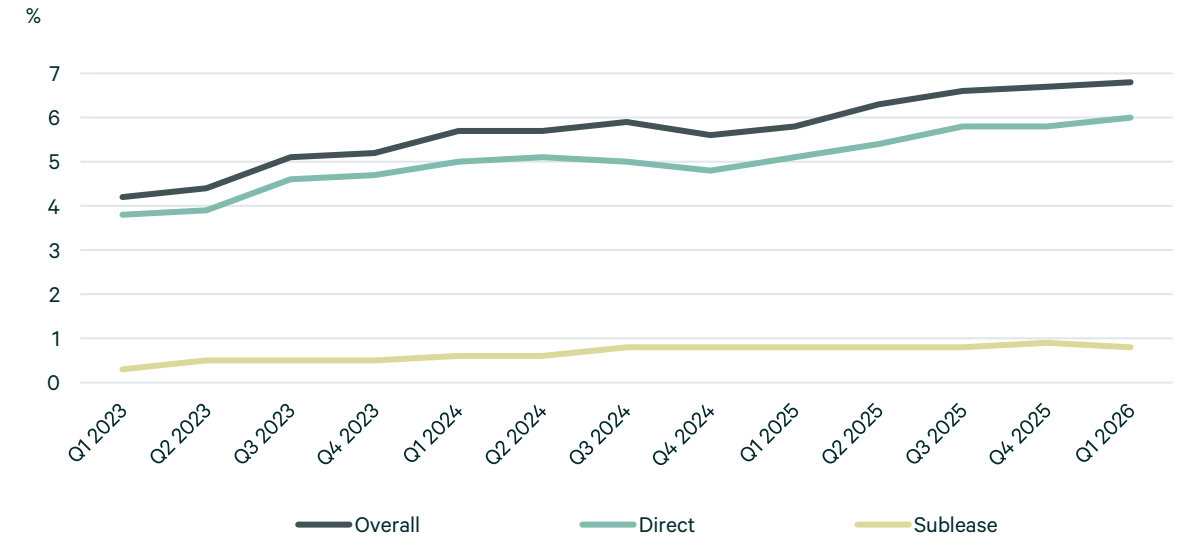
Asking Rent

In Q1 2026, the average asking rent in Minneapolis/St. Paul was \$9.34 per sq. ft., remaining firm quarter-over-quarter. Over the past three years, the Q1 average has risen by 12.5% from \$8.30 per sq. ft. in Q1 2023.

The East and Minneapolis submarkets reported the highest average asking lease rates in Q1 2026 at \$10.19 per sq. ft., each. The Southwest submarket followed at \$9.83 per sq. ft., while the St. Paul submarket had the lowest average asking rates at \$7.47.

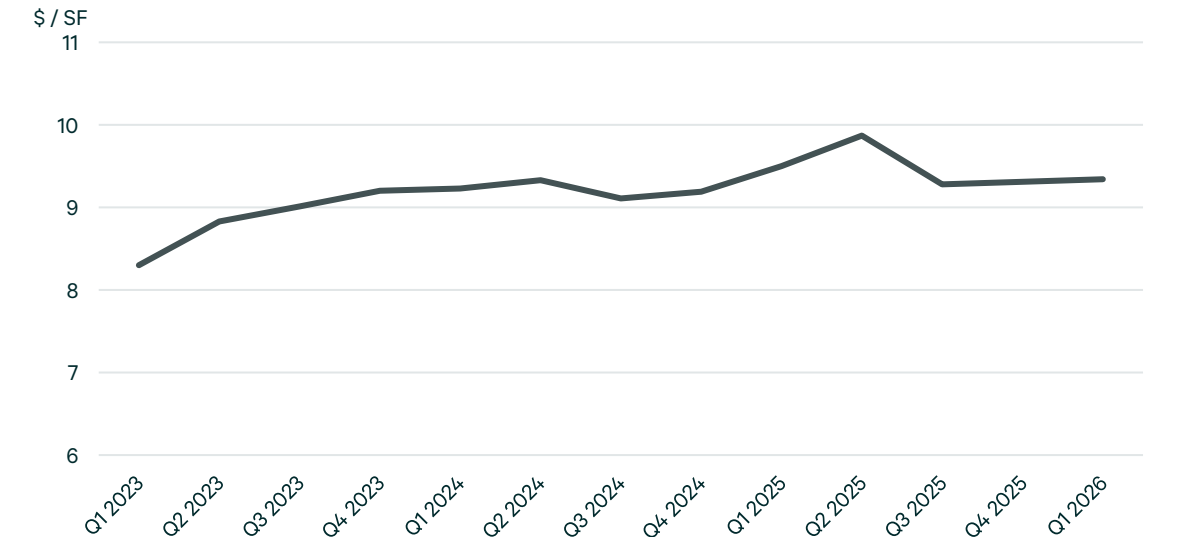
By product type, Office Showroom reported an average net asking rate of \$10.05, Bulk Warehouse at \$10.22, and Office Warehouse at \$7.60. Modern product, built between 2020 and 2026, maintained an average asking rate of \$11.74 per sq. ft.

Figure 4: Availability Rates



Source: CBRE Research, Q1 2026

Figure 5: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

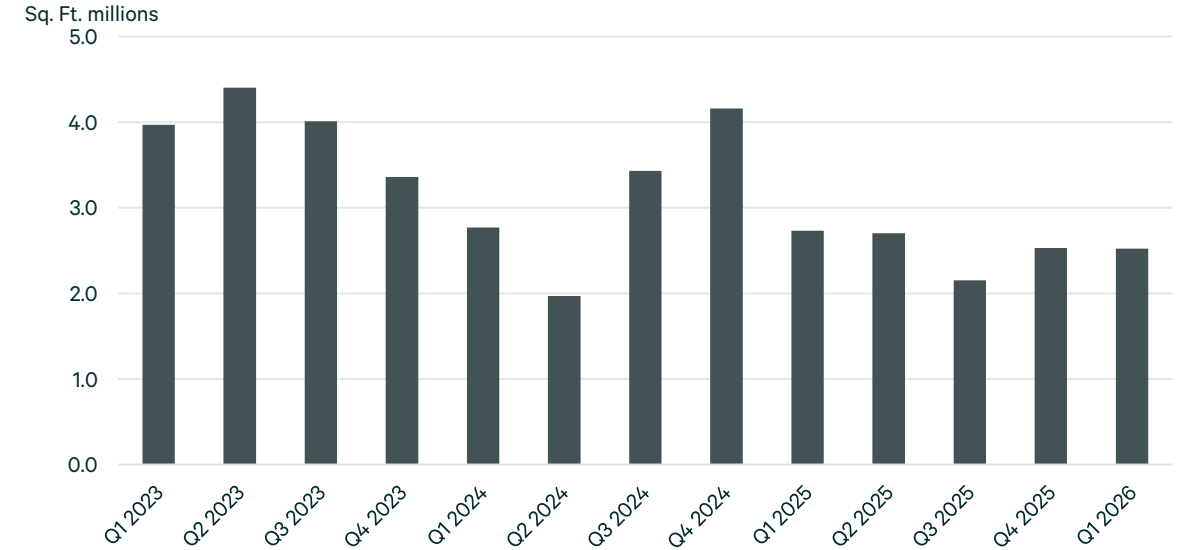
Leasing Activity

Q1 2026 leasing activity Minneapolis/St. Paul totaled over 2.8 million sq. ft., inclusive of all sizes. This represents a decrease of 1.8% quarter-over-quarter and a 7.7% decrease year-over-year.

Of leases signed this quarter, 45.6% of the total volume were comprised of leases smaller than 50,000 sq. ft. Leasing volume for transactions over 50,000 sq. ft. accounted for over 1.5 million sq. ft. In Q1 2026 there were six transactions greater than 100,000 sq. ft. in, contributing to 33.9% of the total volume.

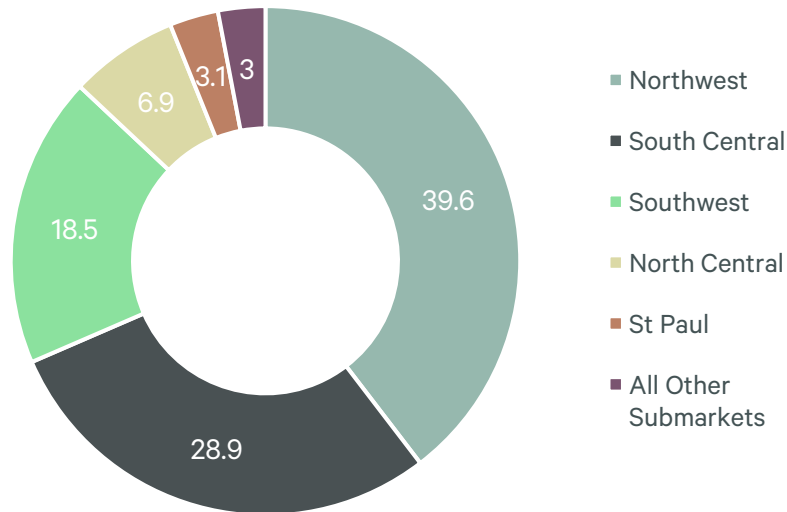
The average lease size, inclusive of all sizes, reached over 20,000 sq. ft., an increase of 13.1% quarter-over-quarter and a 4.3% increase year-over-year. The Northwest and South Central submarkets reported the highest averages with 28,262 sq. ft. and 28,532 sq. ft., respectively. The Northwest posted the largest amount of sq. ft. transacted at over 1 million sq. ft.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026, includes transactions over 10,000 sq. ft.

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



Source: CBRE Research, Q1 2026, includes transactions over 10,000 sq. ft.

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Boston Scientific	198,000	New Lease	10675 73rd Pl N	Northwest
My Pillow	163,000	New Lease	5651 Innovation Blvd	Southwest
Integer	159,000	Renewal	Berkshire Ln Berkshire Ln N	Northwest
The American Bottling	125,000	Renewal	270 Bridgepoint Dr	South Central
Forty Eight Forty	101,000	New Lease	2945 Commers Dr	South Central
Micro Control	97,000	Renewal	7901-7953 Beech St NE	North Central
Process Displays	94,000	New Lease	7125 Sandburg Rd	Northwest
Waymo	88,000	New Lease	XXXX 95th Ave N	Northwest

Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 9

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)	YTD Net Absorption (SF)
Under 100,000 sq. ft.	128.83	3.2	4.6	4.3	0.2	8.75	121,000	262,000	0.03	121,000
100,000-199,999 sq. ft.	90.34	5.0	8.6	7.2	1.4	9.32	301,000	234,000	0.87	301,000
200,000-299,999 sq. ft.	40.47	6.6	9.9	9.0	0.9	9.96	(240,000)	230,000	0.97	(240,000)
300,000-499,999 sq. ft.	35.06	4.1	10.1	8.3	1.8	9.57	(280,000)	-	-	(280,000)
500,000-749,999 sq. ft.	14.86	4.4	4.4	4.4	-	-	-	-	0.65	-
750,000 sq. ft.	13.64	1.2	1.2	1.2	-	8.16	(16,000)	-	-	(16,000)
Total	323.20	4.2	6.8	6.0	0.8	9.34	(112,000)	726,000	2.53	(112,000)

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 10

Product Type	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Deliveries (SF)	Under Construction (MSF)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)
Distribution/Logistics	198.23	4.9	7.6	6.7	0.9	9.20	482,000	1.81	94,000	94,000
Manufacturing - General	69.60	2.4	5.2	4.4	0.8	8.18	-	0.31	(436,000)	(436,000)
R&D/Flex	36.31	5.3	8.1	7.7	0.3	10.05	244,000	0.03	209,000	209,000
Other Industrial	19.06	1.4	2.0	1.8	0.2	10.64	-	0.39	22,000	22,000
Total	323.20	4.2	6.8	6.0	0.8	9.34	726,000	2.53	(112,000)	(112,000)

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 11

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)	YTD Net Absorption (SF)
East	20.39	7.3	8.7	8.3	0.4	10.19	(94,000)	-	0.23	(94,000)
Midway	25.98	3.3	6.1	5.2	0.9	8.10	(104,000)	-	-	(104,000)
Minneapolis	18.41	1.5	3.2	3.0	0.1	10.19	(27,000)	-	-	(27,000)
North Central	48.94	3.9	5.9	5.1	0.8	9.10	(148,000)	-	0.63	(148,000)
Northwest	78.69	3.4	5.3	4.6	0.7	9.51	(223,000)	88,000	0.29	(223,000)
South Central	50.59	4.2	7.5	6.6	0.9	7.75	212,000	-	1.07	212,000
Southwest	67.19	5.6	9.8	8.6	1.2	9.83	267,000	638,000	0.15	267,000
St Paul	13.01	3.6	5.0	4.9	0.1	7.47	4,000	-	0.18	4,000
Total	323.20	4.2	6.8	6.0	0.8	9.34	(112,000)	726,000	2.53	(112,000)

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America’s aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the \$80/bbl range, the impact on U.S. growth should be minimal.

The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

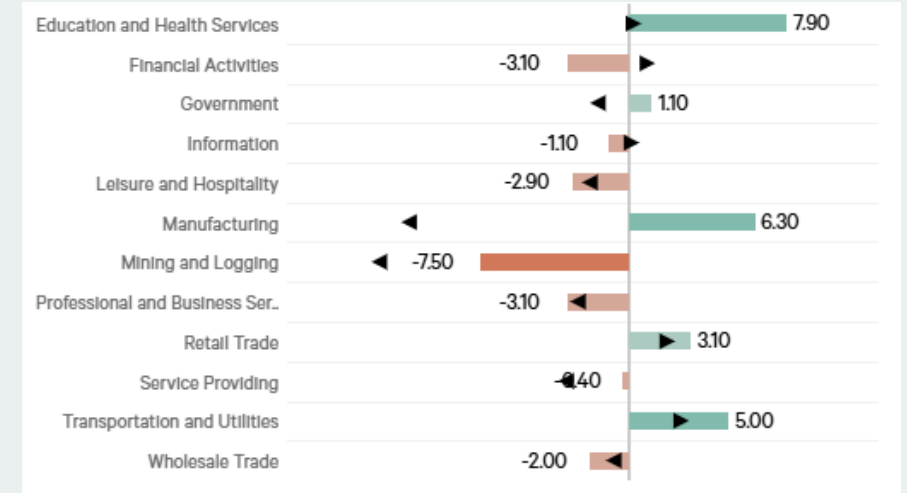


Minneapolis/St. Paul Employment Update

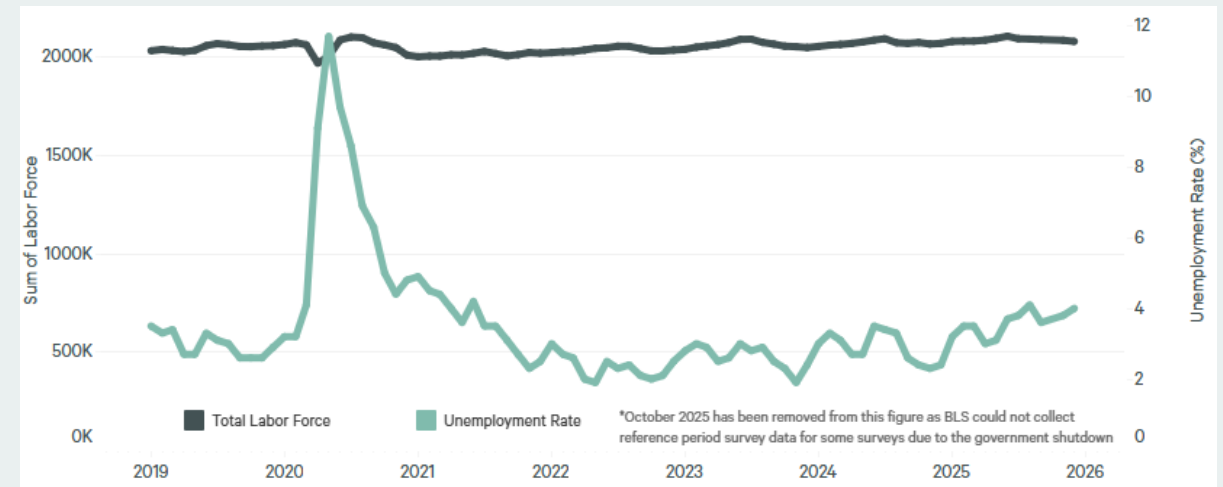
- ▲ 4.0% Unemployment Rate
- ▶ 2.1M Labor Force
- ▼ 456.4k Office Using Jobs
- ▲ 559.8k Industrial Using Jobs
- ▲ 266.1k Retail Using Jobs

Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend

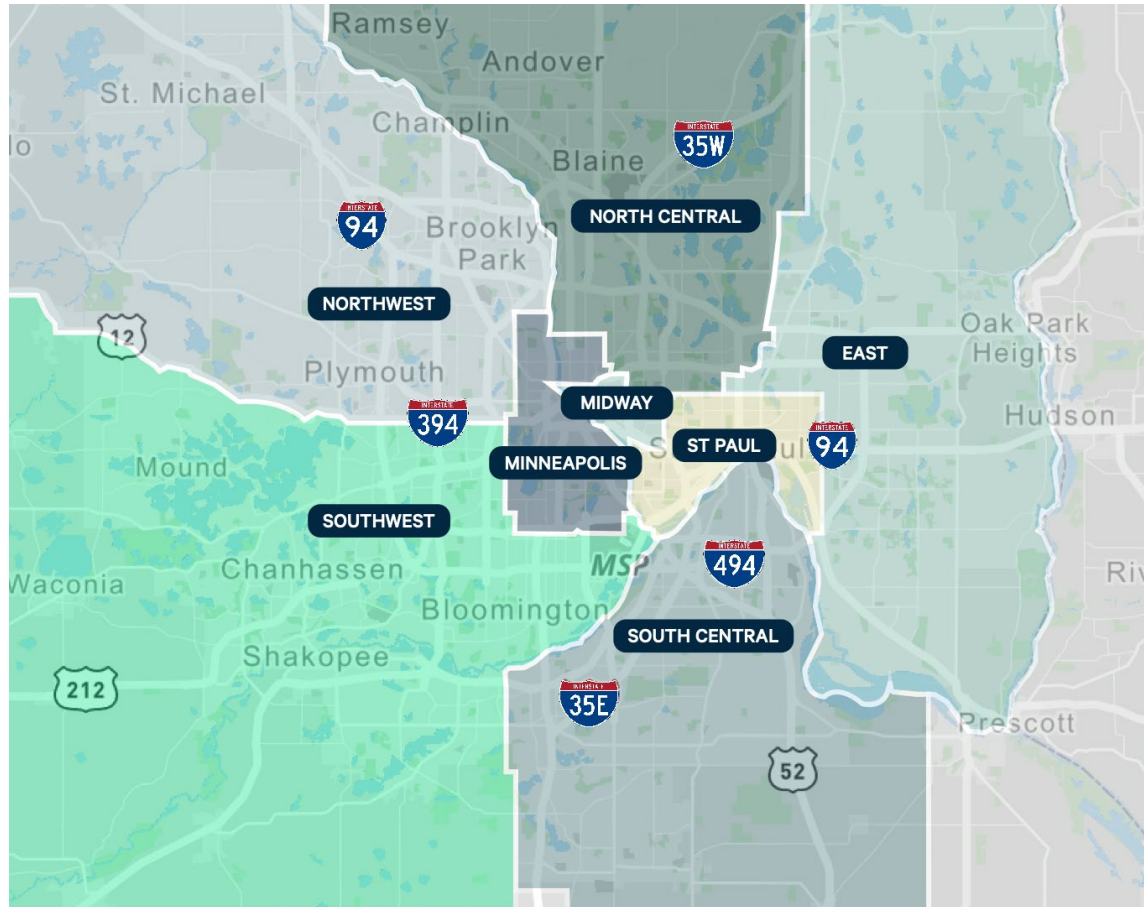


Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, December 2025

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.

Survey Criteria

CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market’s most competitive buildings. Historical stats have been revised to reflect current industrial thresholds. Building inventories will be evaluated quarterly to ensure they remain the most comprehensive and accurate representation of each market

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