

FIGURES | MINNEAPOLIS/ST. PAUL INDUSTRIAL | Q3 2026

Renewal-Heavy Leasing Quarter as Market Vacancy and Absorption Hold Flat

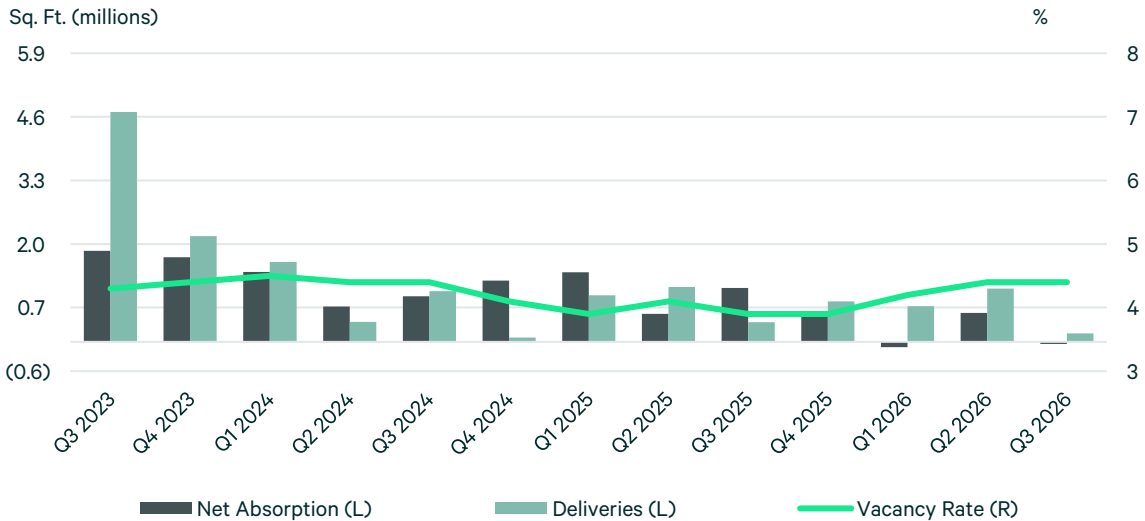


Note: Arrows indicate change from previous quarter.

Market Overview

- In Q3 2026, market conditions were mixed, with strong leasing activity but flat vacancy and slightly softer occupancy. Net absorption totaled negative 37,000 sq. ft., concentrated predominately in smaller and older buildings across the inventory.
- Supply is building. Space under construction rose to 4.15 million sq. ft., increasing 23.1% quarter-over-quarter and 5.9% year-over-year. Year to date, the market has seen 2.0 million sq. ft. of new deliveries with an additional 1.3 million sq. ft. anticipated by year-end.
- Vacancy held at 4.4%, an increase of just 10 bps over the last three years, so the market remains tight by historical standards. Available sublease space increased 20 bps this quarter to 1.1%.
- Leasing totaled 3.09 million sq. ft., up 98.1% quarter-over-quarter and 120.7% year-over-year, with 6.46 million sq. ft. signed year to date, the highest volume since 2023 marking a clear break from the softer activity of 2025.
- Seven lease transactions of more than 100,000 sq. ft. closed in Q3, an increase of 75% year-over-year, and renewals made up 57%. Occupiers are committing to the space they have.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Net Absorption

In Q3 2026, overall net absorption moved back into contraction as occupiers returned more space than they took. Net absorption totaled negative 37,000 sq. ft., a quarter-over-quarter decline of 106%. Year to date, net absorption decreased to 246,500 sq. ft., a quarter-over-quarter decline of 53.5% and a year-over-year decline of 77.3%.

Negative absorption was concentrated predominately in smaller and older buildings across the inventory. Buildings smaller than 100,000 sq. ft. NRA reported negative 440,000 sq. ft. of absorption this quarter whereas buildings with NRA between 100,000-200,000 sq. ft. had a positive absorption of 508,000 sq. ft. Likewise, modern product built since 2023 recorded positive 416,000 sq. ft. of absorption this quarter compared to negative 375,000 absorbed by older product built before 2000.

Across submarkets, Northwest and North Central recorded the strongest gains in occupancy this quarter. Northwest posted positive net absorption of 159,000 sq. ft., while North Central followed with 58,000 sq. ft. South Central and Midway saw the steepest net occupancy contractions, with negative net absorption of 216,000 sq. ft. and 69,000 sq. ft., respectively.

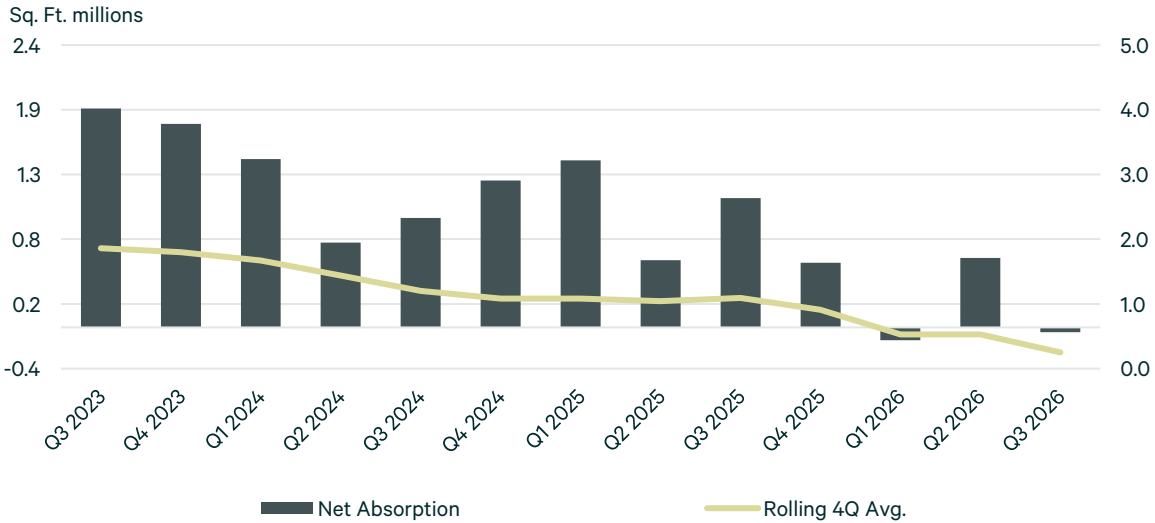
Construction Activity

Construction activity in Q3 2026 showed an expanding development pipeline alongside a sharp pullback in new deliveries. Under construction space totaled 4.15 million sq. ft., increasing 23.1% quarter-over-quarter and 5.9% year-over-year, while construction delivered fell to 170,000 sq. ft., declining 84.5% quarter-over-quarter and 57.4% year-over-year.

Deliveries in Q3 2026 were limited to two Build to Suit expansion projects for Beckman Coulter in Chaska and Veit Construction in Rogers. Year to date, the market has seen 2.0 million sq. ft. of new deliveries across 15 projects. A quarter of those projects have been from speculative developments (630,000 sq. ft. in total) with a 100% lease rate. By year-end, the market is anticipating an additional 1.3 million sq. ft. of new construction deliveries.

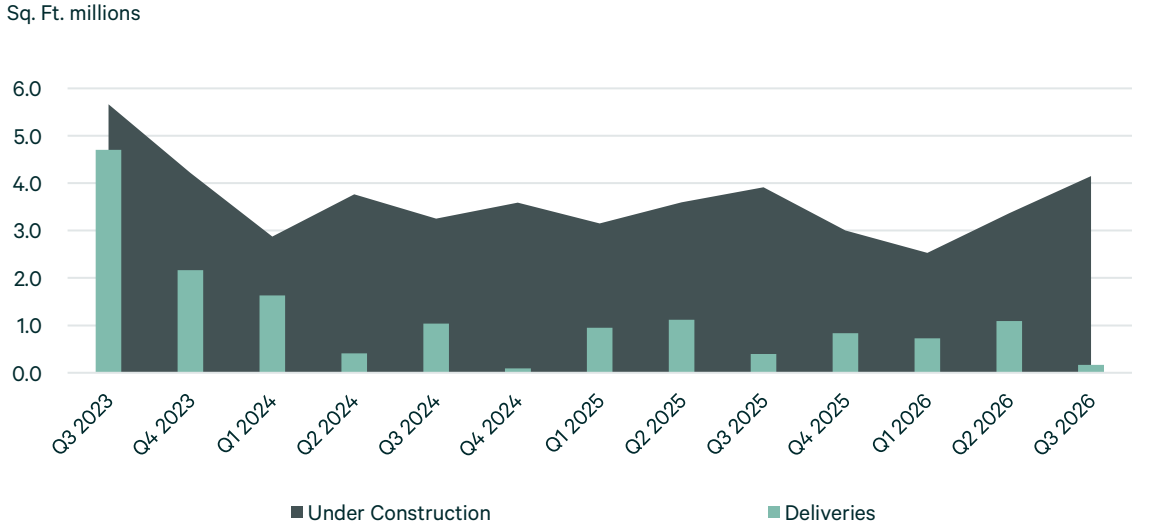
Six buildings were started in Q3 2026, providing an additional 812,000 sq. ft. in the pipeline. The largest projects include the IDP Cold Storage Warehouse in Jordan, a 232,000 sq. ft. Build to Suit development for Michael Foods and the Big Woods Business Park North site with 218,000 sq. ft. in Chaska. New speculative starts in Q3 include the Armstrong Distribution Center with Endeavor Development in Eagan and Bailey Farm Business Park with United Properties in Newport.

Figure 2: Net Absorption Trend



CBRE Research

Figure 3: Construction Activity



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Vacancy & Availability

The market-wide vacancy rate was 4.4%, unchanged from Q2 2026, but up from 3.9% in Q3 2025, a 50 basis points increase year-over-year. Compared with 4.3% in Q3 2023, overall vacancy was 10 bps higher, indicating that occupancy erosion over the three-year span was modest.

Submarket availability remained uneven, with core urban nodes tighter than outlying corridors. Vacancy varied significantly by submarket in Q3 2026. Minneapolis posted the lowest overall vacancy rate at 1.5%, followed by Midway at 2.9%. East recorded the highest overall vacancy at 7.0% followed by the Southwest submarket at 6.3% this quarter.

Sublease space became a more prominent portion of the market, as the sublease availability rate increased to 1.1%, a rise of 20 bps quarter-over-quarter. Across all submarkets, sublease space totaled 3.67 million sq. ft. available.

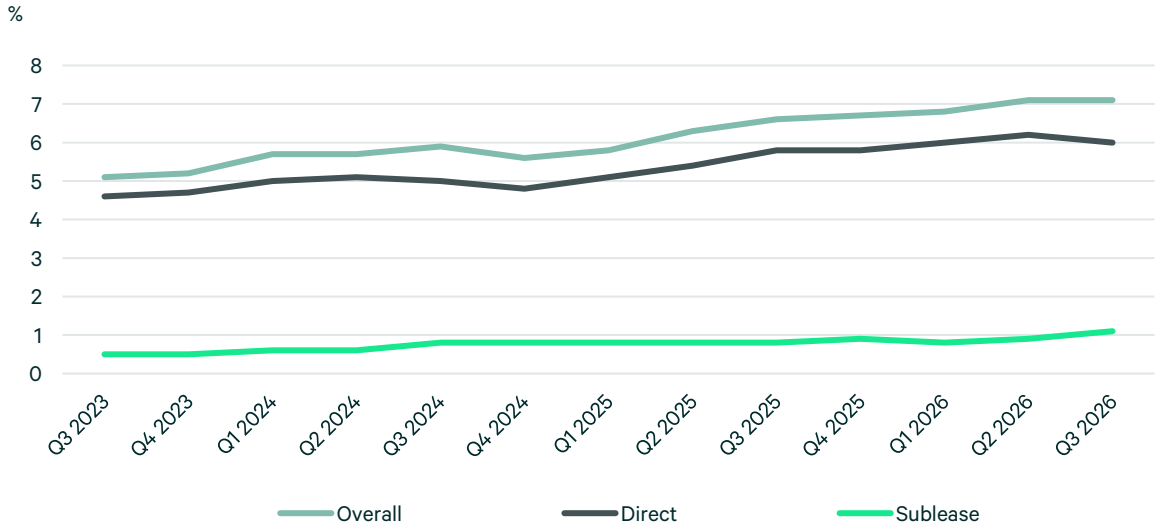
Asking Rent

Average asking rents edged lower in Q3 2026 after a period of gradual gains and modest pullbacks. The market’s average asking rent in Q3 2026 was \$8.89 per sq. ft.. From Q3 2023 through Q3 2026, average asking rents moved within a relatively narrow band, rising from \$8.99 per sq. ft. to a peak of \$9.53 per sq. ft. in Q2 2025 before easing back to \$8.89 per sq. ft. over the last three years.

Submarket rents in Q3 2026 showed a clear hierarchy, with St Paul and Southwest posting the highest averages and South Central and East offering the lowest pricing. St Paul recorded an average asking rent of \$9.83 per sq. ft., followed closely by Southwest at \$9.65 per sq. ft., while South Central and East were materially lower at \$7.55 per sq. ft. and \$7.98 per sq. ft., respectively.

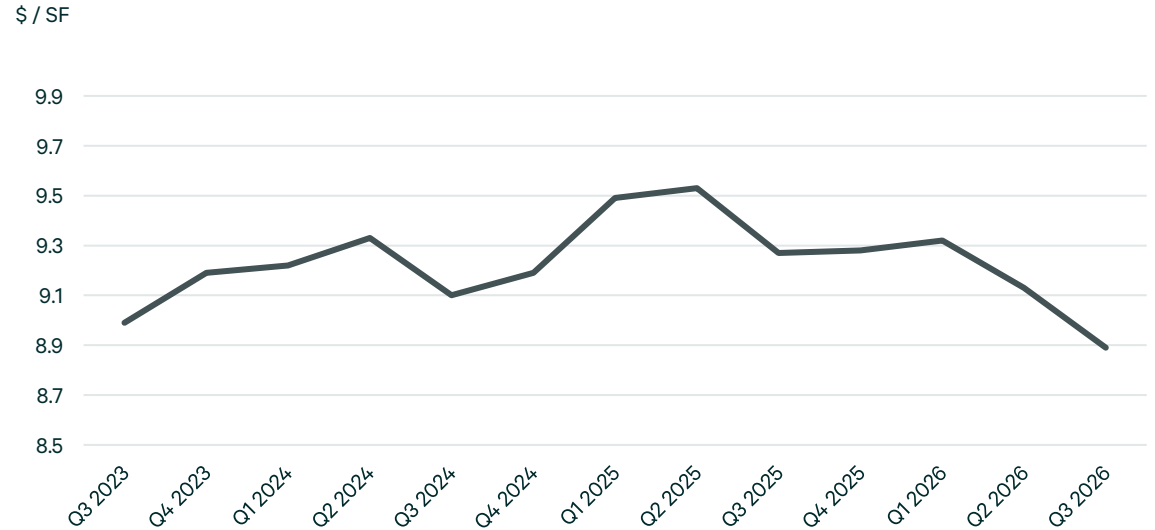
By subtype, average asking rents reported modern Bulk Warehouse product at \$9.38, Office Warehouse product at \$7.66, and Office Showroom product at \$10.13 in Q3 2026.

Figure 4: Availability Rates



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Figure 5: Average Direct Asking Rate



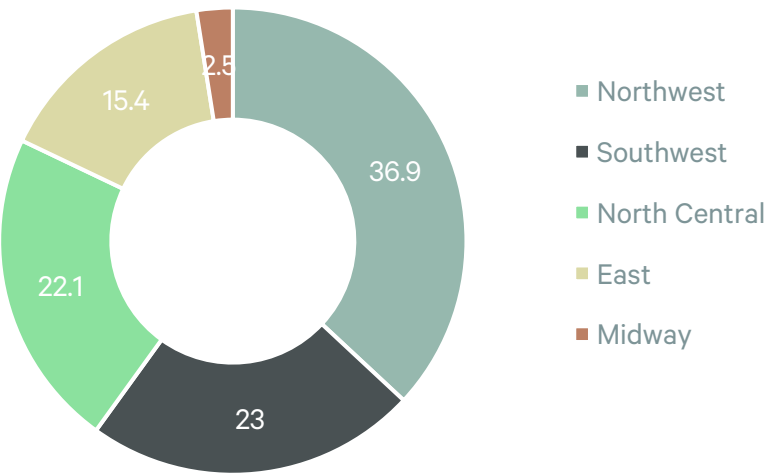
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Leasing Activity

In Q3 2026, leasing activity totaled 3.1 million sq. ft., with 6.46 million sq. ft. signed year to date in 2026. The quarter represented a 98.1% increase in leasing volume quarter-over-quarter and a 120.7% increase year-over-year, the highest volume since 2023 highlighting a strong resurgence in leasing momentum compared with the weaker activity seen through much of 2025. There were 7 large transactions (>100,000 sq. ft.) completed in Q3 2026, an increase of 75% year-over-year, with renewals accounting for 57% of that activity this quarter.

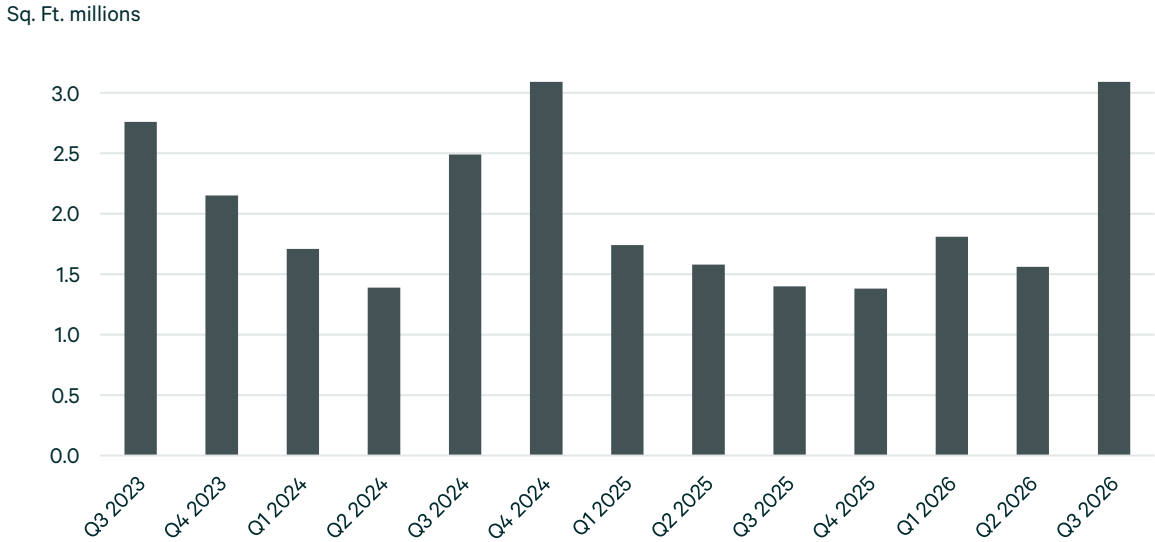
Within the quarter, Northwest and Southwest recorded the highest levels of positive leasing activity, with 1.14 million sq. ft. and 710,000 sq. ft. leased, respectively. Positive leasing activity also occurred in North Central with 683,000 sq. ft., East with 477,000 sq. ft., and Midway with 78,000 sq. ft., underscoring that demand was present across all reported submarkets even as it concentrated most heavily in Northwest and Southwest.

Figure 10: Leasing Activity by Submarket (% of Total Activity)



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Figure 9: Leasing Activity Trend (Inclusive of leases >50,000 sq. ft.)



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Figure 11: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	477,000	New Lease	11435 Hudson Rd	East
US Lumber Group	402,000	New Lease	6400 Queens Ave NE	Northwest
Graybar Electric	324,000	Renewal	7601 Seltzer Pkwy	Northwest
Blu Dot	250,000	New Lease	7350 Commerce Ln NE	North Central
Logistics International	153,000	Renewal	3900 Gateway Dr	Southwest
Silgan Containers	127,000	Renewal	1080 Park Pl	Southwest
Process Displays	112,000	Renewal	5600 Us Highway 169 N	Northwest

Source: CBRE Research, Q3 2026

Market Statistics by Product Type

Figure 12

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	199.23M	5.2	8.0	6.7	1.3	8.56	189,000	643,000	148,000	3.43M
Manufacturing - General	69.79M	2.3	5.4	4.1	1.3	8.21	117,000	(273,000)	-	-
R&D/Flex	36.39M	6.1	8.5	8.1	0.3	10.13	(340,000)	(85,000)	-	-
Other Industrial	19.07M	0.8	2.2	1.9	0.3	10.49	(3,000)	151,000	22,000	719,000
Total	324.47M	4.4	7.1	6.0	1.1	8.89	(37,000)	437,000	170,000	4.15M

Source: CBRE Research, Q3 2026

Market Statistics by Size

Figure 13

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	41.01M	2.3	3.5	3.3	0.2	9.39	(153,000)	(165,000)	-	46,000
50K-99,999 SF	87.74M	3.8	5.4	4.7	0.7	8.52	(287,000)	187,000	22,000	338,000
100K-249,999 SF	114.29M	5.1	8.8	7.6	1.3	9.09	518,000	1.74M	148,000	2.36M
250K-499,999 SF	52.93M	6.4	11.4	8.5	2.9	8.63	(127,000)	(1.33M)	-	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	12,000	(3,000)	-	-
Total	324.47M	4.4	7.1	6.0	1.1	8.89	(37,000)	437,000	170,000	4.15M

Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 14

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	20.58M	7.0	5.8	5.6	0.2	7.98	6,000	178,000	-	230,000
Midway	26.03M	2.9	7.1	5.9	1.2	8.63	(69,000)	(179,000)	-	-
Minneapolis	18.23M	1.5	3.3	3.2	0.1	8.92	16,000	(21,000)	-	-
North Central	49.25M	3.8	5.5	4.6	1.0	8.72	58,000	312,000	-	406,000
Northwest	79.06M	3.3	6.2	4.7	1.5	9.20	159,000	239,000	22,000	1.25M
South Central	50.91M	5.3	8.3	7.6	0.7	7.55	(216,000)	(85,000)	-	1.45M
Southwest	67.36M	6.3	10.2	8.4	1.8	9.65	(40,000)	64,000	148,000	639,000
St Paul	13.06M	4.1	5.4	5.3	0.1	9.83	49,000	(71,000)	-	175,000
Total	324.47M	4.4	7.1	6.0	1.1	8.89	(37,000)	437,000	170,000	4.15M

Source: CBRE Research, Q3 2026

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

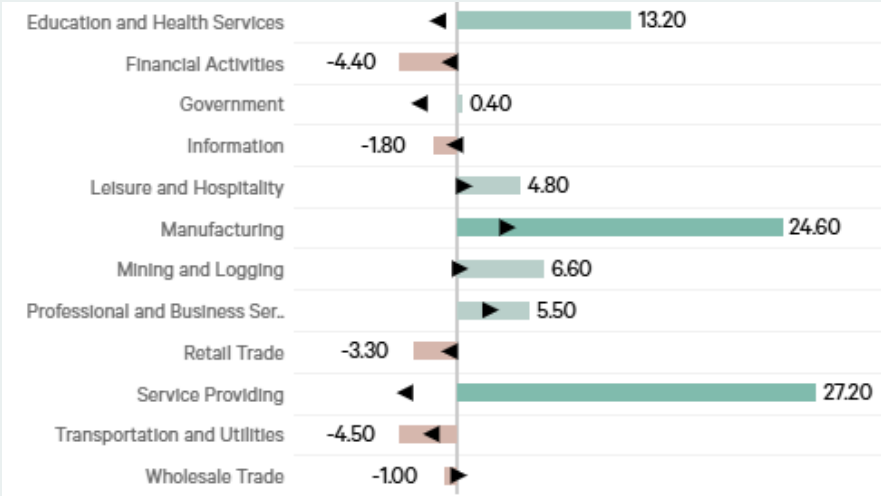
The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.



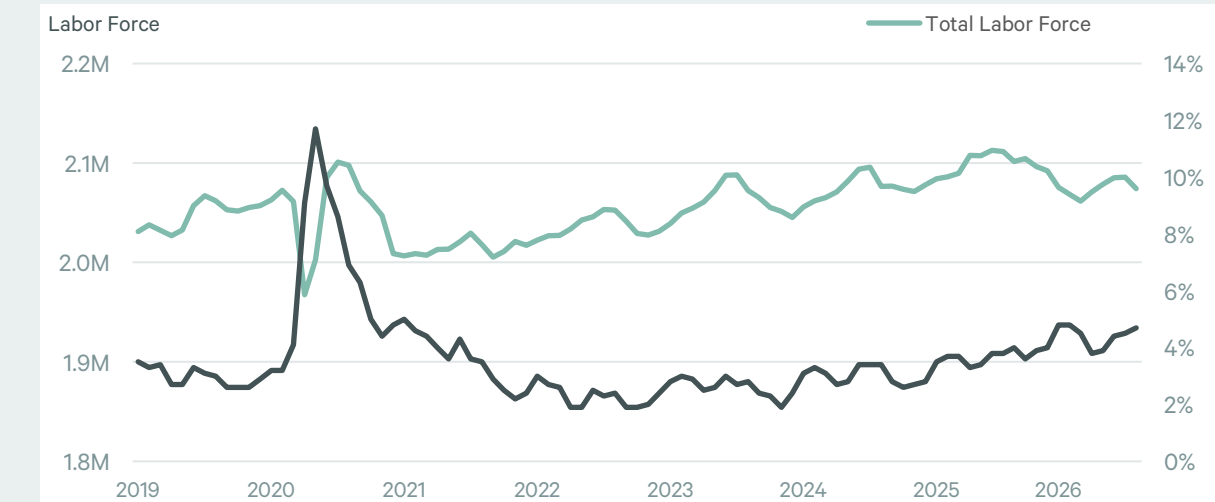
Minneapolis/St. Paul Employment Update

- ▲ 4.7% Unemployment Rate
- ▼ 2.1M Labor Force
- ▲ 458.1k Office Using Jobs
- ▲ 1,055k Industrial Using Jobs
- ▼ 254.7k Retail Using Jobs

Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend

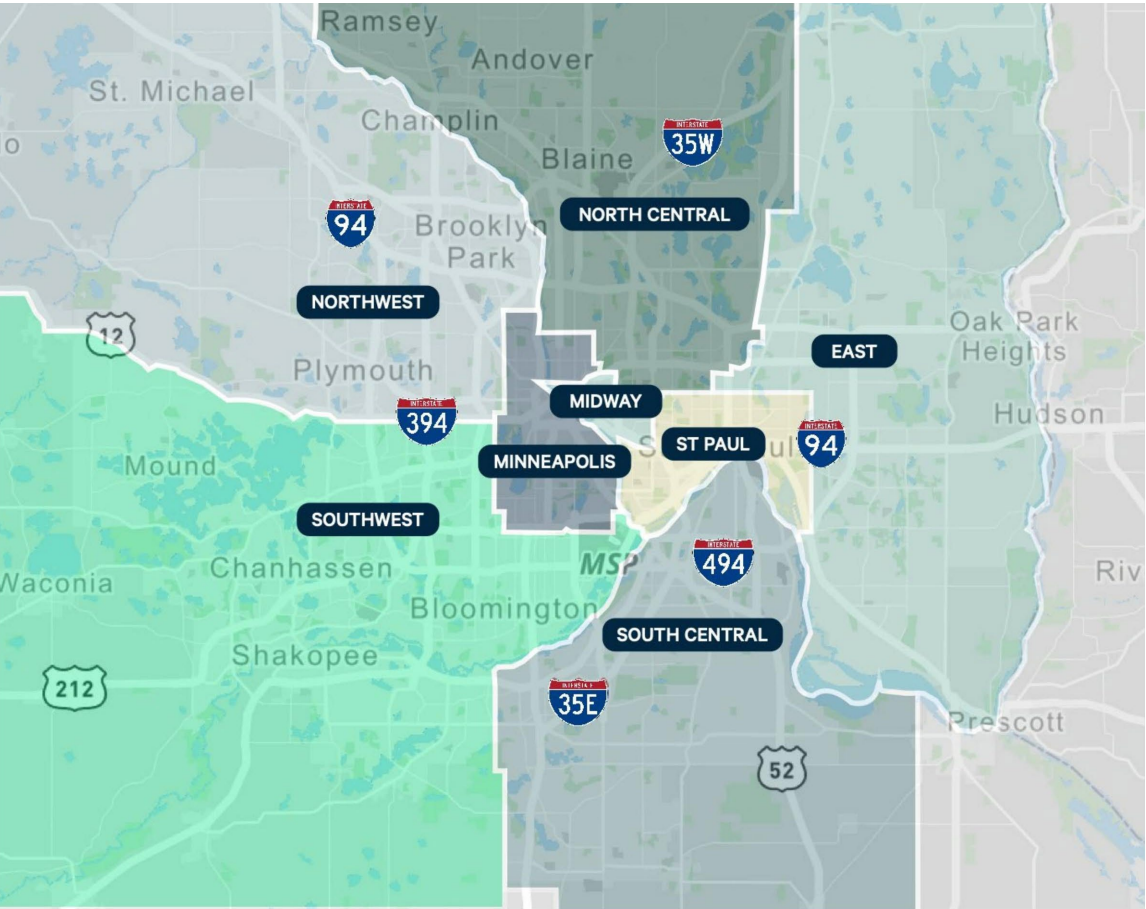


Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, September 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.

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. Building inventories will be evaluated quarterly to ensure they remain the most comprehensive and accurate representation of each market. Buildings which have begun construction as evidenced by site excavation or foundation work.

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