

Compass – Industrial Market Update

Midway Chamber of Commerce, Economic Development Committee



In new construction, build-to-suit projects are taking precedence over speculative multi-tenant projects. Users are becoming more sophisticated at making build-to-suit projects work for them, with access to more information. This is making it harder for spec builders to launch large projects, so they may shift to smaller ones.

Users still want to be closer to the urban core, thus fueling more in-fill redevelopment projects such as Northern Stacks in Fridley and the Midway Stadium site in St. Paul. At the same time, many industrial users have been showing a reluctance to muster the effort and expense to move to new facilities.

Vacancy Rates by Submarket



INDUSTRIAL	VACANCY & ABSORPTION							
	SUBMARKET	TOTAL # OF BLDGS	NRA	VACANT SPACE	% VACANT	% VACANT W/SUBLEASE	2ND HALF '15 ABSORPTION	1ST HALF '16 ABSORPTION
Northeast	386	33,653,055	2,075,598	6.2%	6.4%	165,385	708,462	873,847
Northwest	313	28,449,785	3,247,987	11.4%	12.4%	457,086	(-15,222)	441,864
Southeast	218	17,380,162	1,292,824	7.4%	8.8%	361,466	325,651	687,117
Southwest	291	25,424,140	1,977,109	7.8%	8.2%	1,311,498	327,303	1,638,801
Total Market	1,208	104,907,142	8,593,518	8.2%	8.8%	2,295,435	1,346,194	3,641,629

Source: Cushman & Wakefield/NorthMarq

OUTLOOK

With strong submarkets in the Southeast and Northeast but slower activity in the Northwest and Southwest, the overall absorption for the second half of 2016 is predicted at 550,000 sf.

Landlords in the Southwest and Northwest submarkets are likely to face continuing pressure for concessions.

Construction costs, which have been steadily rising for several years, are expected to continue that trajectory through the rest of the year.

550,000 sf

absorption anticipated
in second half of 2016

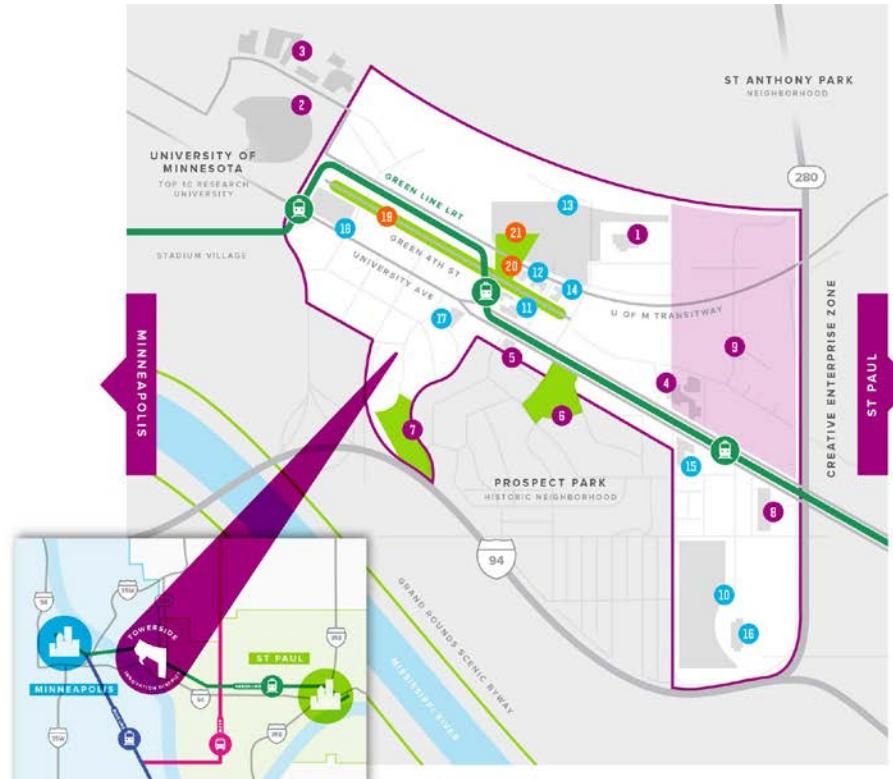
700 Emerald Street, St. Paul

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Towerside Innovation District

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WHAT'S HERE

- 1 Surly
- 2 TCF Bank Stadium
- 3 Biomedical Discovery District
- 4 KSTP Hubbard Broadcasting
- 5 Textile Center
- 6 Tower Hill Park
- 7 Luxton Park
- 8 Court International
- 9 Westgate Business Area

WHAT'S COMING

- 10 Dominium, Affordable Mixed Residential
- 11 Harlem Irving, The Rise, Mixed use
- 12 Prospect Park Properties/Cornerstone, Residential
- 13 The Wall Companies, Mixed Use
- 14 Aeon, Affordable Residential
- 15 Flaherty & Collins, 2700 University, Residential
- 16 Sunrise Banks Headquarters
- 17 Prospect Park Properties, Hampton Inn & Suites
- 18 U of M, United Properties, Joint Venture, Mixed Use

DISTRICT SYSTEMS / PUBLIC REALM

- 19 Green 4th Street
- 20 Shared Stormwater System
- 21 Signature Greenspace
- District Energy System
- District Parking

Midway Industrial Snapshot

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