

MINNEAPOLIS-ST. PAUL LAND MARKET REPORT



Industrial, retail and apartment development drive demand for land

Key drivers in the Minneapolis St. Paul land market include land for bulk warehouse users, multi-family development and user-driven retail.

Few vacancies of any significant size remain in industrial bulk warehouse space with clear heights of 32' or greater. Medline recently completed construction on a 350,000 square foot warehouse and distribution facility in Rogers on 20 acres of land it purchased in the 3rd quarter of 2011. Uline purchased 63 acres in Hudson and broke ground 4th quarter 2011 on a 640,000-square-foot distribution facility in Hudson. There are other users in the market for large bulk warehouse facilities, and we will likely see a few more land sales in 2012.

In the retail market, a few large, credit-worthy users lead by Walmart have been actively pursuing land acquisition opportunities. There has also been a number of build-to-suit transactions for users such as Goodwill. In addition, smaller, stand-alone users such as Kwik Trip, Holiday, McDonald's, and Tires Plus have been active in their pursuit of land acquisitions. As long as the combination of "A" locations, reasonable price expectation and supportive communities can be found, we expect to see continued activity in these areas.

A large amount of office vacancy, including large blocks of space, limits interest in land from potential office space developers. Medical office is proving to be the exception to this rule. A consistent demand for medical office space has fueled some activity in this sector.

Low multi-family vacancies have encouraged significant interest in multi-family development. The core urban areas near mass transit are the most popular locations. Interest in rental townhome development in suburban markets is also on the rise. According to a Finance & Commerce analysis, nearly 10,000 new rental units are either proposed or under construction in the metro area.

Activity in the residential land market has bottomed or is bottoming in higher-demand communities. Values remain low, particularly in raw land, spurring some interest from price-

NATIONAL SPOTLIGHT

By James Cook
Director of Research | USA

Corn prices are the highest on record, owing to a weak dollar, increased demand from Asia and the government's biofuel policy. This has led to the current spike in agricultural land prices. According to the USDA, agricultural land prices in many Midwestern states have increased by more than 50% since 2006.

This mad rush for Midwestern rural land will have implications for urban commercial property. With cap rates so low and prices so high, land investment has reached a bubble stage. While this bubble may burst or (we hope) deflate gracefully, either way investors will be looking to place their dollars elsewhere.

With demand already quite saturated in multifamily and core office and industrial, we expect a move into second and third-tier markets. The pace of this movement will be regulated by the overall U.S. economy. With an expected 2% GDP growth in 2012, this will be a gradual shift as investment dollars will move back into more risky and rewarding non-core property investments.



conscious investors. Developers in the market for residential land generally prefer finished or partially improved lots versus raw land. However, large residential developers are becoming increasingly open to raw land acquisitions in select communities.

We expect overall activity in the 2012-2013 to remain steady with a chance for modest growth.

NOTABLE SALES

LAND	BUYER	SELLER	PRICE	PRICE/ACRE	SIZE (SF)	CITY
Southwest corner Hwy 610 & Hwy 169	TCF Bank	Re-Load Investments LLC	\$4,750,000	\$53,371	3,876,840	Brooklyn Park
410 Ferndale Road S. Residential Land	Perry and Anne Schmidt	Ralph and Peggy Burnet	\$4,550,000	\$1,820,000	108,900	Wayzata
10100 89th Ave N	Raven Investments LLC	Premier Bank	\$2,800,000	\$133,333	914,760	Maple Grove
SW Corner I-494 & Carver Ave	Conervation Fund	Bank-owned	\$1,900,000	\$27,143	3,049,200	Maplewood
The Colonnade Adjacent Land	DRA Advisors LLC	TIAA-CREF	\$1,580,000	\$770,732	89,298	Golden Valley
I-94 & County Road 30	Aldi, Inc.	Ryan Companies	\$1,000,000	\$132,802	328,007	Maple Grove
2750 Snelling Avenue	Affinity Plus Federal Credit Union	FGM Roseville LLC	\$1,200,000	\$600,000	87,120	Roseville
Pillsbury "A" Mill Site	Doran Cos.	Consortium of lenders	\$5,000,000	\$1,666,667	130,680	Minneapolis

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6 continents

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