

# A Minneapolis Strength: SINGLE STORY OFFICE & INDUSTRIAL TECH



Covid-19 has caused a lot of concern for the office sector of the real estate world. Owners fear that tenants will scale back their footprints and leave downtown spaces entirely. One asset type that is benefitting from the pandemic is single story office buildings or high finish industrial tech buildings.

## WHY MINNEAPOLIS' TENANTS ARE SEEKING SINGLE STORY OFFICE & INDUSTRIAL TECH PROPERTIES



### SAFETY

- It is a distinct **health-safety advantage** to have private and exclusive 24/7 control over HVAC systems. Single-story properties offer tenants a safer and easier way to social distance and go back to the office.
- Employees who work/live downtown are becoming more concerned about how the Minneapolis city council will address the **safety concerns about recent riots and looting incidents**.
- **Separate entrances** ensures tenants the ability to control who is coming in and out of their spaces limiting possible exposure to Covid-19.



### AFFORDABILITY

- Prime office rents in the Minneapolis CBD currently sit at about \$26 psf NNN, while **suburban single story office rents are quoted in the \$11 psf - \$14 psf** range depending on location.



### EFFICIENCY

- In Minneapolis a typical high rise office would see a loss factor in the 15% -22% range while **single-story office would only see an 8%-10% loss factor**. This alone pushes the needle enough for some users.
- Most single story office and industrial tech buildings use separate utility meters ensuring that **tenants are only paying for what they use** and not for other tenants consumption.
- Being located closer to suburban communities vs. CBD will make it easier for employees to transition back to the office after working from home for so long.

**"Lately, we have been seeing a recent uptick in users looking in the single-story/flex building pool as some users are being driven out of the core for various safety/sanitation/economic reasons. The suburban markets have been the largest benefactor of this activity as these types of buildings offer both economic and safety advantages over more traditional multi-story office buildings."**

*Kyle Rafshol – Colliers Industrial Leasing Expert*

## BENEFITS OF ACQUIRING SINGLE STORY OFFICE & INDUSTRIAL TECH PROPERTIES



Opportunity for rent growth



Strong leasing velocity driving vacancies down



Lower overhead costs to turn over tenants



Avoiding the "amenity war" with CBD high rises

## THE CHANGING DEBT MARKET

Roughly \$430 billion in commercial and multifamily real estate debt matures in 2021 forcing lenders and borrowers to come to terms about what buildings are worth in a world the pandemic reshaped. With record amounts of dry powder sitting out ready to invest, it will be interesting to see how single story office and industrial tech properties will be viewed by investors.

Dry Powder - closed end private RE funds (USD Bn)



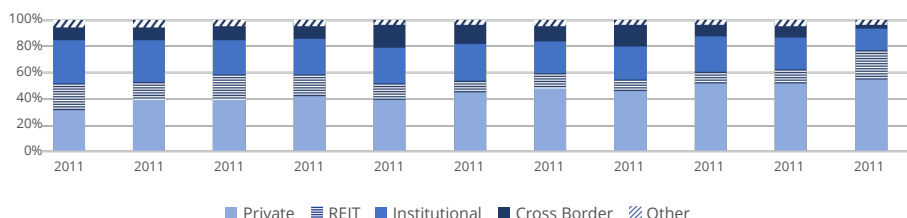
# A Minneapolis Strength: SINGLE STORY OFFICE & INDUSTRIAL TECH



## LEASING CHANGES IN DEMAND

Though industrial leasing has remained strong in the Minneapolis market, it is anticipated that an even larger demand for manufacturing space and industrial tech product, particularly high technology and R&D space will occur.

### Buyer Composition



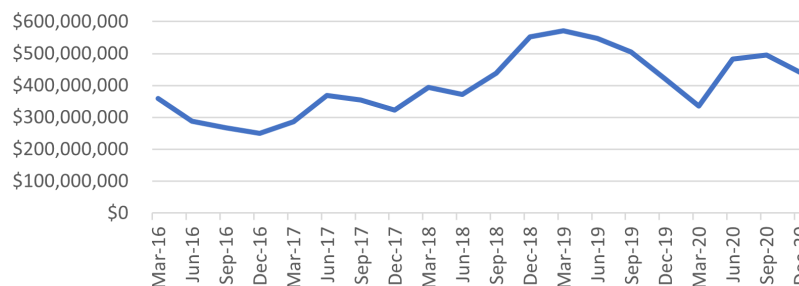
Industrial tech building's sale price per square foot is up 30% since 2017 with the transaction dollar amount volume up 57% in that same period.

## 2020 SINGLE STORY & INDUSTRIAL TECH SALE COMPS

Property	Location	Size (SF)	Occ.	Sale Price	\$/SF
<b>Cedar Business Center</b>	Bloomington, MN	54,764	53%	\$3,225,480	\$58.90
<b>Lone Oak Business Center I &amp; II</b>	Eagan, MN	154,355	100%	\$12,150,000	\$78.71
<b>Timberland Portfolio</b>	Brooklyn Park, MN	365,940	93%	\$24,250,000	\$66.27
<b>4200 West 76th St</b>	Edina, MN	27,740	100%	\$3,150,000	\$113.55
<b>Burnsville Corporate Center</b>	Burnsville, MN	91,689	30%	\$4,600,000	\$50.17
<b>Beltline 1,2,3,8 &amp; 9</b>	St. Louis Park, MN	97,551	100%	\$11,829,000	\$121.26
<b>6655 Wedgewood Road</b>	Maple Grove, MN	123,815	100%	\$14,725,000	\$119.00
<b>Pondview Business Center</b>	Eden Prairie, MN	48,486	68%	\$3,900,000	\$80.00
<b>Southtech Plaza II</b>	Bloomington, MN	111,056	32%	\$6,000,000	\$52.34
<b>Plymouth Oaks Business Park</b>	Plymouth, MN	194,349	80%	\$11,225,000	\$57.76

## INDUSTRIAL TECH BUILDINGS TRENDS

### Minneapolis Industrial Tech Sales Volume (\$)



## MSP INVESTMENT SERVICES GROUP

CLIENT FOCUSED // PROCESS ORIENTED // RESULTS DRIVEN



**Mark Kolsrud, SIOR, CPM**  
Executive Vice President  
Direct 952 897 7790  
[mark.kolsrud@colliers.com](mailto:mark.kolsrud@colliers.com)



**Pete Carbonneau**  
Capital Markets Associate  
Direct 952 374 5860  
[peter.carbonneau@colliers.com](mailto:peter.carbonneau@colliers.com)



**Peter Loehrer**  
Capital Markets Associate  
Direct 612 799 9871  
[peter.loehrer@colliers.com](mailto:peter.loehrer@colliers.com)



**Lydia Paasch**  
Sr Property Marketing Strategist  
Direct 952 374 5822  
[lydia.paasch@colliers.com](mailto:lydia.paasch@colliers.com)

Copyright © 2021 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.