

## Buyer Demand Picking Up for Industrial, Multi-Family Land; Sellers Stepping Up to Meet the Market

### OVERVIEW

Buyers and sellers have moved closer together on pricing for land, which is spurring more transaction activity. Most of the movement has been by sellers, who are giving in to market realities and pricing their properties according to current market conditions, which remain soft. Demand for commercial real estate land is selectively higher within various property types.

### INDUSTRIAL LAND MARKET HEATS UP

Virtually all activity in industrial land sales is driven by a handful of space users looking to construct large, modern warehouse distribution centers to meet their specific corporate needs.

These are projects ranging in size from 200,000 square feet up to 1 msf. For example, Milwaukee-based Uline Inc., a distributor of packaging equipment and supplies, is building a 640,000-sf distribution center in Hudson, WI, to consolidate its Twin Cities operations.

Chicago-based medical supplier Medline Industries is building a 300,000-sf warehouse and distribution center on a 20-acre site in Rogers in the Northwest submarket on land it purchased from Malvern, PA-based Liberty Property Trust.

Other large distribution center space users such as Issaquah, WA-based SanMar Corp. are also exploring the Twin Cities market for suitable sites.

### MULTI- AND SINGLE-FAMILY RESIDENTIAL LAND IN DEMAND

A rising tide of multi-family apartment development is lifting the market for residential land. Developers are seeking to add as many as 10,000 new apartment units to the market in response to a surge in demand that has reduced the market-wide apartment vacancy rate to 2.3%. Demand is strong for both market-rate and affordable multi-family product.

The single-family residential market is also seeing signs of renewed activity. Home builders have absorbed much of the region's supply of better-positioned surplus lots left finished but unsold in the wake of the housing downturn. Large national home builders are working more closely with local partners, who are taking on more of the land entitlement, planning and site development activity for new housing developments.

### MEDICAL USERS ENTERING MORE RETAIL AREAS

Healthcare providers are also making a strong play to increase their presence in traditional retail settings. Existing market conditions are forcing more owners of retail land to entertain new development proposals from healthcare organizations as demand from more traditional retail users remains tepid.

### AGRICULTURAL LAND PRICES REMAIN HIGH

Many area farmers experienced a bumper year with their crops, and some are eager to put their surplus cash to work by expanding their operations.

The result is steady upward pressure on agricultural land prices. Minnesota farmland prices jumped 28% from September 2010 to September 2011 according to the Federal Reserve Bank of Minneapolis. Similar increases were seen in other Midwest states. Farmland prices are near record levels. Rising prices are making it more difficult for national investors to achieve their desired return on investment.

### OUTLOOK

The market will likely be livelier in 2012, including an increased pace of growth in the single-family residential market. Look for more greenfield residential land activity in the year ahead, as the market has now worked through much of the excess capacity of bank-owned land from the post-peak collapse stage. Market dynamics will likely continue to favor buyers, who can anticipate increased discounting by sellers motivated to close transactions. Strong retail companies with confidence in the Twin Cities market will continue to find abundant opportunities to purchase good sites at discounted prices.

Higher prices are anticipated for agricultural land, as fundamental growth factors remain in place for commodity pricing and demand.

### MORE ONLINE

- Transaction information
- Highlights for industrial, residential, agricultural, retail and other land uses