



Developers Buying Land for Multi-Family and Industrial Development

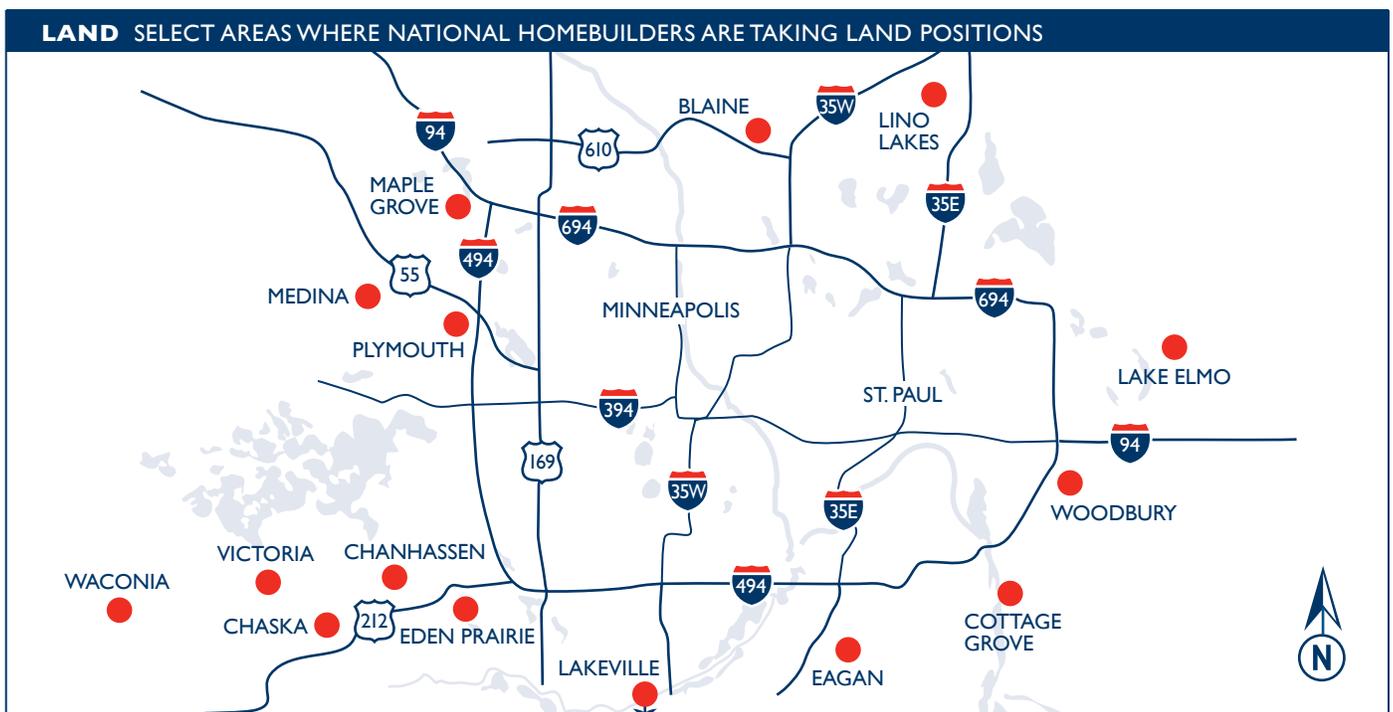
The Twin Cities land market enjoyed a healthy 2013 as more deals closed. A contributing factor is that financing is now more readily available for land sales. Much of the land being sold is for new development with a focus toward residential projects and industrial users.

Overall, market fundamentals continued to improve across all categories, resulting in increasing transaction volume and rebounding values.

RESIDENTIAL ACTIVITY EXPANDING OUTWARD

Residential developers maintained their high level of activity. In the single-family residential market, homebuilders are now extending their focus to second- and third-tier cities. In the north metro, that includes Hugo, Lino Lakes, Otsego, Rogers and St. Michael; in the south metro it includes Credit River Township, Lakeville, Prior Lake and Shakopee.

In the multi-family market, activity finally leveled off as 2013 came to a close. The primary reason is that good sites are scarce. The best sites have already been picked over, so developers are being more cautious in terms of buying the remaining sites. They are being much more thoughtful in their approach and relying on more detailed analysis. In order to jump on a site, they need to be able to out-position an existing deal.



INDUSTRIAL DEVELOPERS BUSY

In the industrial sector, the activity is real and the pursuits are getting more intense due to a lack of 100,000-sf-and-larger quality distribution and office/warehouse space available. Developers are doing deals with specific users in mind, and a few are looking toward speculative deals. The comps are validating these new deals as pricing continues to increase.

Thanks to the void in the market, Shakopee continues to be a sought-after location for industrial development. The city has large, vacant land sites ready for development, and the new Highway 169/Interstate 494 interchange offers easier access and decreased travel times.

SCHOOLS AND CHURCHES BUYING AND SELLING

One of the more interesting trends in 2013 was the expansion of a handful of large non-denominational Christian churches. After growing their base in some markets during the past few years, they are now purchasing land to build large facilities. Eagle Brook Church and River Valley Church are two of the most active.

Another institution seeing notable activity is schools. Many school boards are buying and selling land and buildings as needed to better serve their districts. Some of the more successful charter schools in the metro are taking advantage of these sales to either relocate to better facilities or to expand.

RETAIL DEVELOPMENT MORE MEASURED

Retailers and developers continued their focus on in-fill sites in strong, core

markets in second-half 2013. It is a much more measured approach with prices being achieved at sensible levels.

Land that is purchased and developed for retail use has been centered around outlot buildings that are 8,000 to 12,000 sf in size and marketed toward small-shop space users. Many of these projects are being done speculatively but have successfully preleased the majority of available space before construction is complete. Typical tenants include coffee shops, quick-serve sandwich, yogurt, hair care and cellular stores.

AGRICULTURE ACTIVITY QUIETED

Fewer deals closed in second-half 2013 in the agriculture market, though the good news is that prices are being maintained. These deals are still driven by owner/operators as the majority of investors were pushed out two years ago. Prices across the state range from \$3,500 per acre in the north to as much as \$10,000 per acre near the Iowa border.

In Minnesota, there is increasing demand for locally and sustainably produced food. This has led to a growing number of grassroots farming operations. The biggest barriers these smaller farms face today is access to capital and to land; in 2014, these small operators are worth watching, along with what the big farms do in response.

OUTLOOK

Looking ahead to 2014, first-tier residential multi-family activity is expected to slow from a land perspective and shift from urban to suburban markets. Industrial will likely continue to be strong into 2014 and

2015 to meet the demand for large blocks of space. And while retail land sales have been limited to free-standing users instead of larger developments, many will likely start their planning this year as they expect an increased amount of activity in 2015. Much of the retail activity is tied to the residential growth in the Twin Cities. Once the rooftops get established, the retail will follow.

MORE ONLINE

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



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