

	YoY Chg	12-Mo. Forecast
<b>17.9%</b> Vacancy Rate	▲	▲
<b>763K</b> Net Abs. YTD, SF	▲	▼
<b>\$26.16</b> Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
<b>2.0M</b> Minneapolis Employment	■	▲
<b>3.0%</b> Minneapolis Unemployment Rate	▲	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▲

Source: BLS

## ECONOMIC OVERVIEW

The Twin Cities unemployment rate remained stable in the fourth quarter 2019 at 3.0%, which is 40 basis points (bps) higher than the historic low of 2.6% in fourth quarter 2018. Given the tight labor market, employers continue to emphasize efficient, quality space and access to amenities as critical elements of recruiting and retainment strategies. Landlords are responding with a host of notable redevelopments and space enhancement projects across the central business district (CBD) and suburban submarkets.

## DEMAND: New Construction and Redevelopment Projects

Overall vacancy increased to 17.9% in the fourth quarter 2019, up 30 bps year-over-year (YOY). Factors such as large occupiers moving employees to build-to-suit, single-tenant locations as well as multi-tenant projects coming to market with vacant space contributed to the uptick in the vacancy rate. The redeveloped Target West, for example, came online in late 2019 with 200,000 square feet (sf) of vacant, pre-leased space that will be fully occupied with tenants moving in throughout 2020. Market-wide leasing activity remained steady and overall net absorption exceeded 750,000 sf for the year, which was the market's strongest year-end total since 2015.

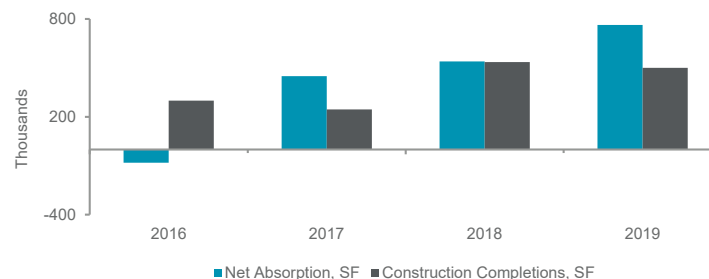
Strong market fundamentals and tenant demand in the West submarket attracted further development activity with Ryan Companies and The Excelsior Group beginning construction of 10 West End. The 343,000-sf tower, expected to deliver in 2021, is moving forward with no lease commitments in place. Additional multi-tenant space will deliver in the interim in the Minneapolis CBD with two high-profile redevelopments coming online in the first half of 2020: the 750,000-sf Dayton's Project and Thirty, the 140,000-sf former YMCA building.

## PRICING: Stable Occupancy and Rent Growth Driving Deal Velocity and Record Pricing

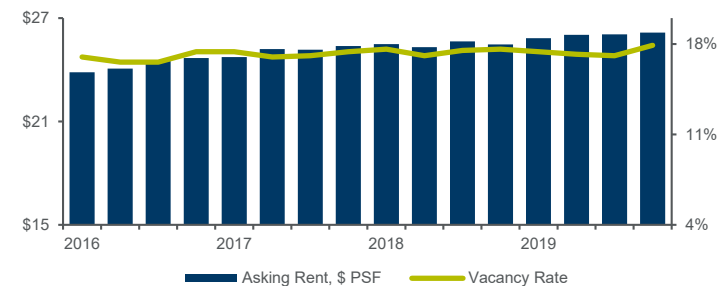
The Twin Cities market continued to see steady rent growth in aggregate, with overall asking rates up 2.6% YOY. The growth has been more pronounced in key micro-markets. Prime assets in the North Loop and on Nicollet Mall in the Minneapolis CBD, and the West End in the suburbs, have raised the bar with achieved net rates of \$25.00 per square foot (psf) and up.

Creative office product with stabilized leasing has drawn investor attention, as the Twin Cities remains one of the most liquid markets in the Midwest. In the fourth quarter, 510 Marquette sold for \$258 psf, marking the property's fourth trade in the current cycle. The headline transaction of the quarter was the sale of the newly-constructed, single-tenant Xcel Energy Headquarters on Nicollet Mall, which set a new high water mark for office sales in the market at \$514 psf.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Minneapolis CBD	27,641,343	131,966	5,271,257	19.5%	85,091	375,337	2,022,000	\$28.24	\$34.30
Northeast	8,640,488	10,835	1,239,831	14.5%	-3,184	294,731	73,983	\$21.51	\$27.26
Northwest	2,298,471	4,000	266,891	11.8%	37,027	50,229	0	\$19.75	\$24.15
South/Airport	6,176,803	2,648	1,258,201	20.4%	-37,689	83,580	0	\$24.05	\$28.23
Southwest	14,648,055	235,011	2,251,051	17.0%	-90,147	-21,141	84,000	\$26.55	\$30.48
St. Paul CBD	6,631,571	218,579	1,391,001	24.3%	-39,009	-93,979	0	\$22.26	\$25.57
West	9,767,717	32,846	1,224,360	12.9%	26,730	74,489	343,000	\$29.56	\$34.64
<b>MINNEAPOLIS TOTALS</b>	<b>75,804,448</b>	<b>635,885</b>	<b>12,902,592</b>	<b>17.9%</b>	<b>-21,181</b>	<b>763,246</b>	<b>2,522,983</b>	<b>\$26.16</b>	<b>\$31.57</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
11100 Wayzata Blvd., Minnetonka	West	TCF Bank	102,829	Renewal*
8967 Columbine Rd., Eden Prairie	Southwest	C.H. Robinson Worldwide	39,862	Sublease
533 S 3 <sup>rd</sup> St., Minneapolis	Minneapolis CBD	ProVation Medical	37,048	New
5600 American Blvd. W., Bloomington	Southwest	Vanco	33,100	New
5601 Green Valley Dr., Bloomington	Southwest	Cherne Contracting	32,151	New

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
510 Marquette Ave., Minneapolis	Minneapolis CBD	Spear Street Capital / RREEF America	235,858	\$61M/\$258
401 Nicollet Mall, Minneapolis	Minneapolis CBD	Opus / Sentinel Real Estate	210,523	\$108M/\$514
701 Xenia Ave., Golden Valley	West	Lone Star Funds / Altus Properties	190,758	\$43.1M/\$226
5850 Opus Pkwy., Minnetonka	Southwest	Longpoint Realty Partners / Excelsior Group	122,183	\$18.4M/\$151
11055 Wayzata Blvd., Minnetonka	West	Strategic Office Partners / Dominion	116,000	\$18.5M/\$160

## KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
729 Washington Ave. N., Minneapolis	Minneapolis CBD	Ovative Group, WeWork	194,700	United Properties
241 5 <sup>th</sup> Ave. N., Minneapolis	Minneapolis CBD	Calabrio	180,000	CPM Development / Swervo Dev Corp

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