

	YoY Chg	12-Mo. Forecast
18.2% Vacancy Rate	▲	▲
199K Net Absorption, SF	▼	▼
\$26.24 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
1.8M Minneapolis Employment	▼	▲
10.0% Minneapolis Unemployment Rate	▲	▼
13.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

DEMAND: Leasing Pauses as Employers Evaluate Space Needs

Leasing activity in the Minneapolis-St. Paul office sector remained steady through the first quarter of 2020 before pausing in the second quarter. Unless existing lease terms require immediate action, tenants remain open to renewal or short-term solutions while pushing out long-term real estate decisions. Overall absorption finished a positive 198,681 square feet (sf) in the second quarter, however, as leases signed in previous quarters commenced.

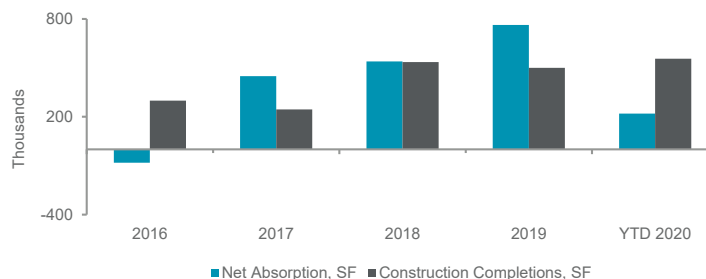
Though time has yet to tell the full impact on employment and space needs, companies have begun to take stock of job functions that could be converted to fulltime work-from-home and are evaluating where right-sizing may be required, either due to increased space needs or to dispose of excess space. Absorption among sublease space during the second quarter was marginally negative as sublease availabilities increased quarter-over-quarter.

PRICING: Quality Credit and Term in Demand; Liquid Market Enters Pricing Discovery

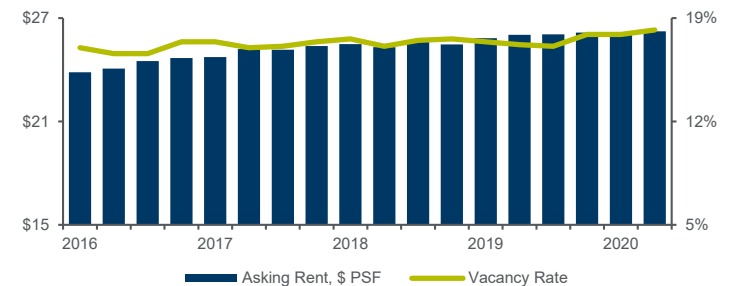
The office investment sales market in Minneapolis-St. Paul has been defined by a growing supply of new debt capital and increased equity, which created a healthy sales environment. New investors were challenging long-held pricing and sales assumptions while pushing rents in select assets. Like lease activity, though, the investment market paused in the second quarter as owners focused on existing portfolio stability. Debt availability tightened as lenders still require additional financial and market activity data points to guide asset underwriting and pricing assumptions.

Quality credit and term are in demand for existing buyer pools as the Twin Cities remains a significantly liquid market. Traditional financing vehicles have started to open back up, although the assumption is underwriting will initially be conservative as price discovery is required for certain office asset classes.

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	YTD OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL GROSS ASKING RENT (ALL CLASSES)*	OVERALL GROSS ASKING RENT (CLASS A)*
Minneapolis CBD	27,802,324	231,002	5,268,381	19.8%	57,070	3,423	1,672,000	\$28.41	\$34.36
Northeast	9,862,178	43,716	1,547,107	16.1%	54,136	98,884	0	\$21.54	\$27.39
Northwest	2,298,471	3,436	354,425	15.6%	-88,766	-86,087	0	\$20.13	\$25.02
South/Airport	6,201,123	46,232	1,337,621	22.3%	-76,607	-118,121	0	\$23.58	\$28.09
Southwest	14,935,220	189,725	2,314,489	16.8%	107,328	187,849	0	\$27.03	\$31.25
St. Paul CBD	6,661,071	218,579	1,400,702	24.3%	-6,259	-9,701	0	\$22.51	\$26.36
West	9,951,447	50,763	1,158,809	12.2%	151,779	143,352	343,000	\$30.62	\$36.25
MINNEAPOLIS TOTALS	77,711,834	783,453	13,381,534	18.2%	198,681	219,599	2,015,000	\$26.24	\$31.98

*Gross rents reflect base rent plus all building operating expenses

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6625 W. 78 th St., Bloomington	Southwest	Cigna Corporation	72,120	New
222 S. 9 th St., Minneapolis	Minneapolis CBD	Principal Financial	45,000	New
3500 American Blvd. W., Bloomington	Southwest	Avtex	25,665	Renewal
100 Washington Ave. S., Minneapolis	Minneapolis CBD	Miller Dunwiddie	18,447	Renewal

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Arden Hills Corporate Center I-IV	Northeast	CSM Corp / Link Industrial Properties	167,183	\$33.8M / \$202
2829 University Ave. SE., Minneapolis	Northeast	Nader C Kazeminy / University of Minnesota	119,128	\$20.7M / \$174
9705 Data Park Dr., Minnetonka	Southwest	Comcast Corporation / UnitedHealthcare	103,680	\$12.5M / \$121

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
600 Portland Ave. S., Minneapolis	Minneapolis CBD	Thrivent	264,139	Thrivent / McGough
4450 Excelsior Blvd., St. Louis Park	Southwest	Bridgewater Bank	84,000	Bridgewater Bank / Reuter Walton
1015 Glenwood Ave., Minneapolis	West	FirstService Residential, Invenshure	48,240	Swervo Dev Corp

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